



# DERWENT LONDON

Annual Results 2018

# CONTENTS

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## Contents

Introduction and overview	01
Results and financial review	06
Valuation and portfolio analysis	17
Asset management and investment	24
Developing a product	32
Underlying market dynamics	45
Summary	53
Appendices	55
Disclaimer	96

# INTRODUCTION AND OVERVIEW

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JOHN BURNS



# HIGHLIGHTS



Soho Place W1

## OPERATIONAL

- £26.8m<sup>1</sup> pa of lettings, 4.1% above Dec 2017 ERV
- Five pre-lets at Brunel Building W2 totalling £11.3m
- EPRA vacancy rate low at 1.8%
- Commencing construction at Soho Place W1 and The Featherstone Building EC1
- Since the year end, one further letting at Brunel Building taking the scheme to 77% pre-let, 23% under offer

## FINANCIAL

- EPRA earnings per share +20.0%
- Underlying earnings per share +5.1%
- Final dividend +10.3%
- EPRA NAV per share up 1.6% after dividends
- EPRA total return 5.3%
- Net debt of £957m and 17.2% LTV

## OPPORTUNITIES

- £89.6m of potential rental growth<sup>2</sup> with 36% pre-let
- Significant development programme with capex of £572m

<sup>1</sup>£26.3m net    <sup>2</sup> Excludes £55.3m of contractual uplifts already allowed for under SIC15 accounting

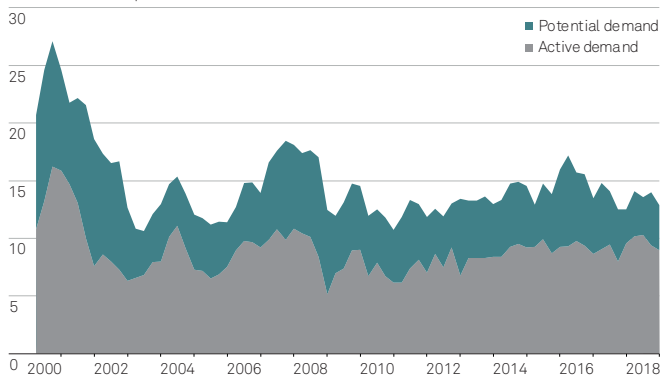


# CENTRAL LONDON OFFICE OUTLOOK

## London remains appealing as a global city

### CENTRAL LONDON OFFICE DEMAND

Demand (million sq ft)



Source: JLL

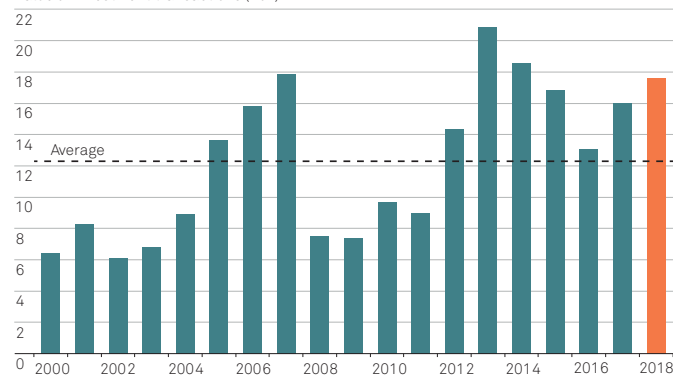
## Rents

### ERV 2019 estimate at +1% to -2%

- Economy: Low growth with the political uncertainty
- Supply: Below average deliveries in 2018 and over half future committed schemes pre-let
- Vacancy: Below average rate and stable
- Demand: Above average take-up, good active demand and above-average under offer

### CENTRAL LONDON OFFICE INVESTMENT

Value of investment transactions (£bn)



Source: CBRE

## Yields

### Stable investment yields expected in 2019

- Investor demand remains good
- Property yields attractive relative to alternatives
- UK investors increasingly active
- Significant appetite for development opportunities

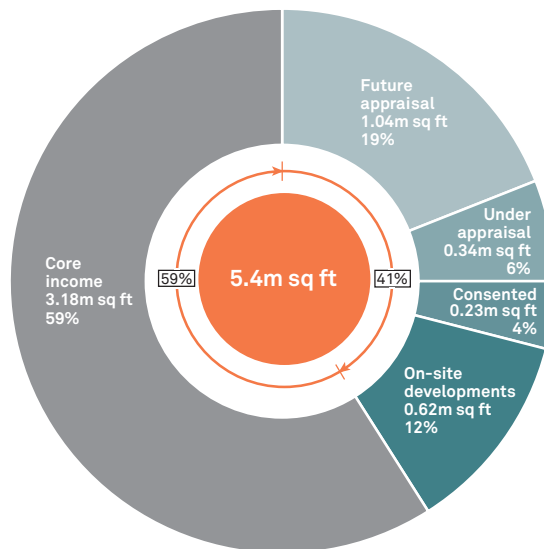
# A BALANCED PORTFOLIO

Core income



Horseferry House SW1

- 2008 – Let to Burberry, first break 2023
- 2018 – Term certain extended to 2038



Future appraisal



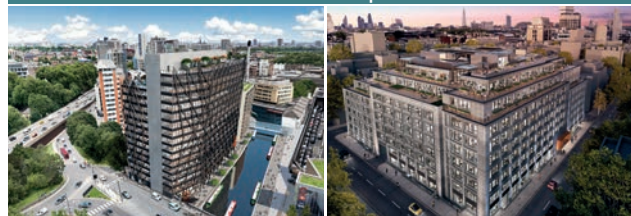
19 Charterhouse Street EC1

- Currently let at £26.50 psf
- Lease expires 2025
- Potential major development opportunity next to Farringdon station which includes the new Elizabeth line

Brunel Building W2 &  
80 Charlotte Street W1

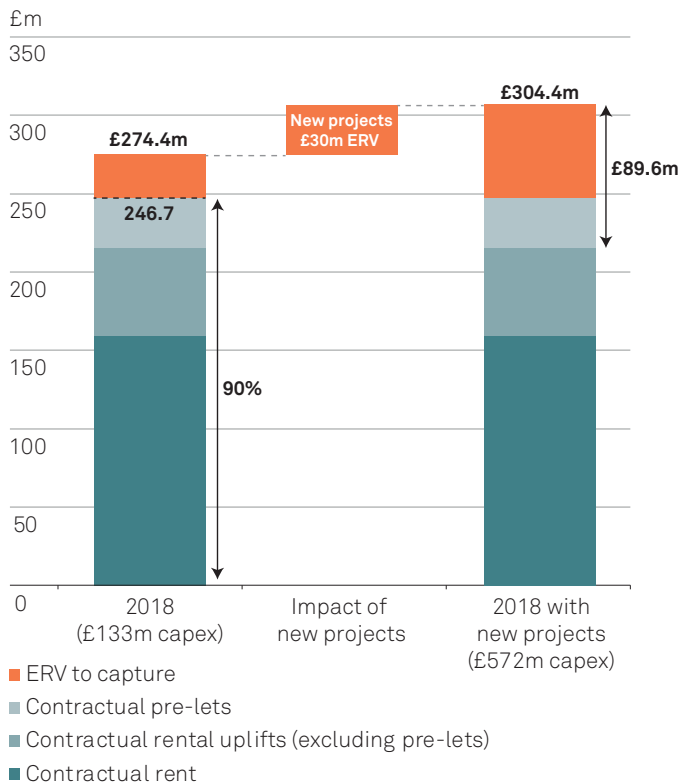
- £122m surplus to come

On-site developments



# ADDING GROWTH

## IMPACT OF NEW PROJECTS<sup>1</sup>



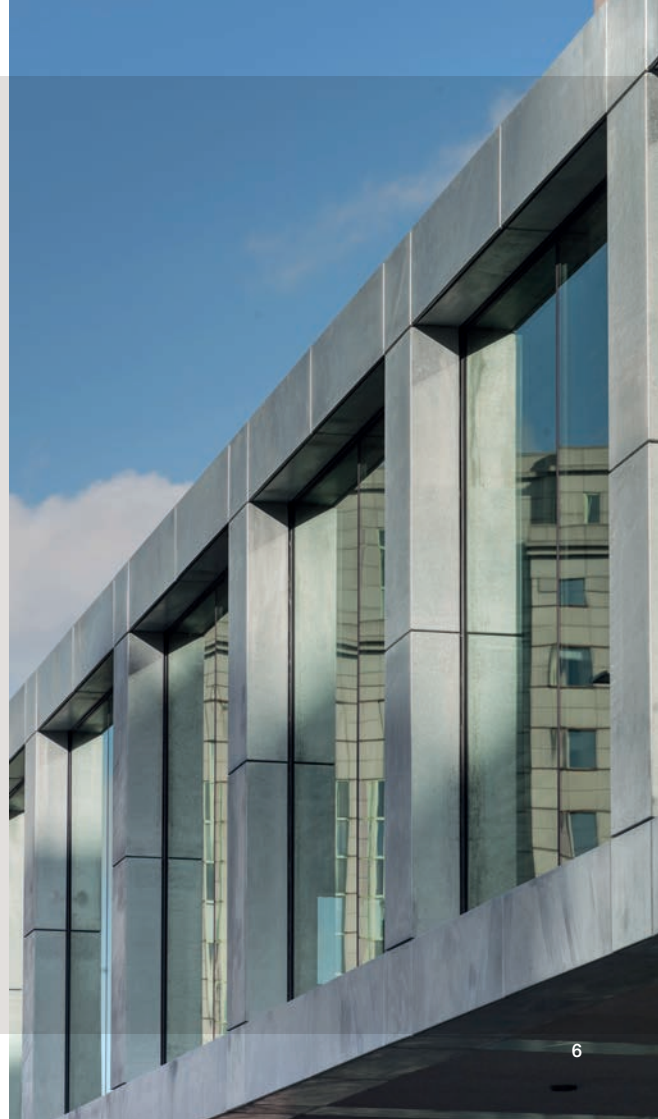
- 2018: 90% of portfolio ERV locked-in
- Soho Place W1 and The Featherstone Building EC1 adds £30m to ERV
- ERV now £304.4m:
  - £89.6m will contribute to future income

<sup>1</sup> Before lease incentives

# RESULTS AND FINANCIAL REVIEW

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# HEADLINE NUMBERS

	Dec 2018	Dec 2017	% change
Net asset value	£4,263.4m	£4,193.2m	1.7
EPRA net asset value per share <sup>1,2</sup>	3,776p	3,716p	1.6
EPRA triple NAV per share <sup>1,2</sup>	3,696p	3,617p	2.2
EPRA total return	5.3%	7.7%	n/a
Gross property income	£196.0m	£172.2m	13.8
Net rental income	£161.1m	£161.1m	0.0
EPRA earnings <sup>2</sup>	£126.1m	£105.0m	20.1
EPRA earnings per share	113.07p	94.23p	20.0
Underlying earnings per share	99.08p	94.23p	5.1
Profit for the year	£218.9m	£313.0m	(30.1)
Final dividend per share	46.75p	42.40p	10.3
Interim and final dividend per share	65.85p	59.73p	10.2
Net debt	£956.9m	£657.9m	45.4
Loan-to-value (LTV) ratio	17.2%	13.2%	n/a
NAV gearing	22.4%	15.7%	n/a
Net interest cover ratio	491%	454%	n/a

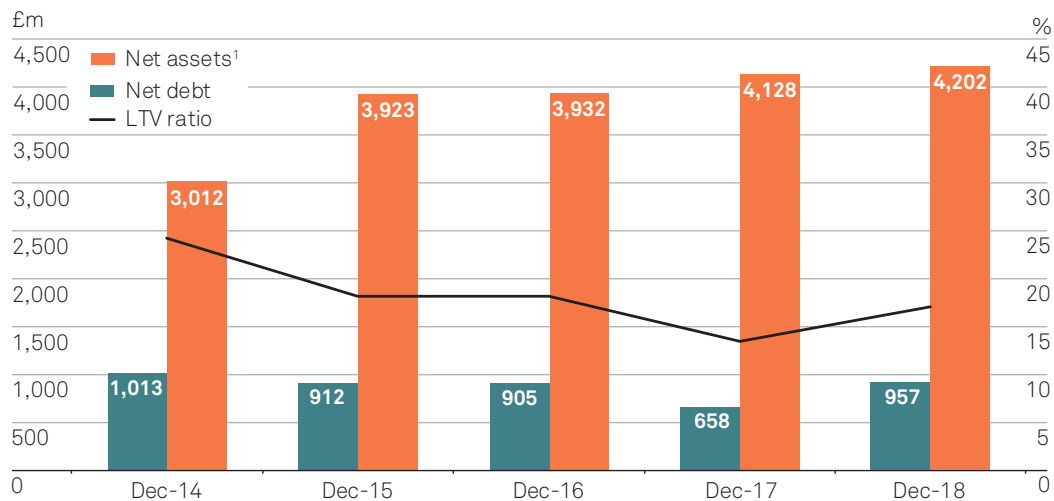
Special dividend  
paid in 2018 of  
75p per share

<sup>1</sup> On a diluted basis    <sup>2</sup> Reconciliations to IFRS figures in Appendices 2 and 4

## NET ASSETS, DEBT AND GEARING

- Equity shareholders' funds increased by 1.8% to £4,202m
- LTV ratio up to 17.2%, due to capex, dividend payments and acquisitions, with no significant disposals in the year
- Special dividends of 52p and 75p per share paid in 2017 and 2018, respectively

### NET ASSETS, DEBT AND GEARING

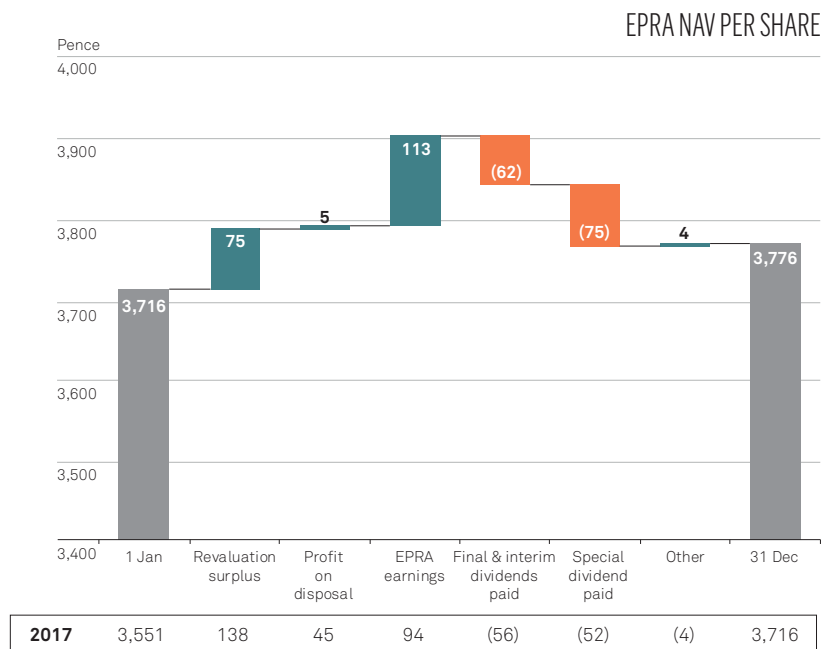


<sup>1</sup> Attributable to equity shareholders

## EPRA NAV MOVEMENT

- EPRA NAV per share up 1.6% to 3,776p from 3,716p, after payment of 136.5p of dividends
- Total return (EPRA basis) of 5.3%
- Revaluation surplus:
 

Investment properties	£83.4m
Owner-occupied property	£0.7m
Trading property adjustment <sup>1</sup>	(£0.5m)
Share of JV revaluation deficit	(£0.1m)
	£83.5m <b>75p</b>
- The revaluation surplus includes 64p relating to Brunel Building W2
- EPRA earnings of 113p per share, or £126.1m, see slide 10

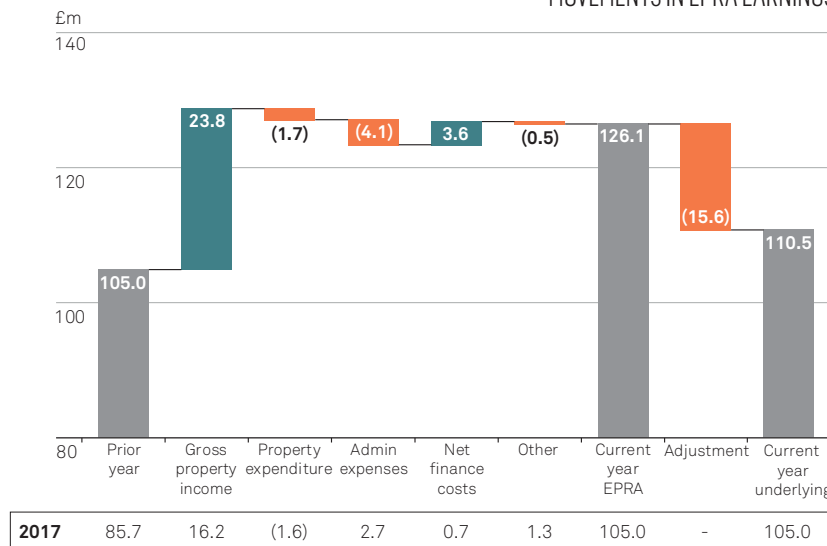


<sup>1</sup> Asta House residential units and Welby House

## EPRA EARNINGS<sup>1</sup>

- EPRA earnings were up 20.1% to £126.1m on an EPRA basis, or 5.2% to £110.5m on an underlying basis
- Gross property income analysed on slide 11
- Adjusting for prior years' over and under accruals for variable pay, the increase in admin expenses was £2.2m, 7% up on 2017
- Net finance costs fell due to lower average borrowings in the year and an increase in capitalised interest
- A one-off rights of access receipt of £15.8m (before costs of £0.2m) has been excluded from EPRA earnings to show the underlying position

### MOVEMENTS IN EPRA EARNINGS



### EPRA COST RATIOS

	2018	2017	2016	2015	2014
Including direct vacancy cost (%)	23.3	20.8	24.0	24.3	24.2
Excluding direct vacancy cost (%)	20.8	19.3	22.4	22.3	22.9

<sup>1</sup> An explanation of EPRA adjustments is provided in Appendix 5



## GROSS PROPERTY INCOME

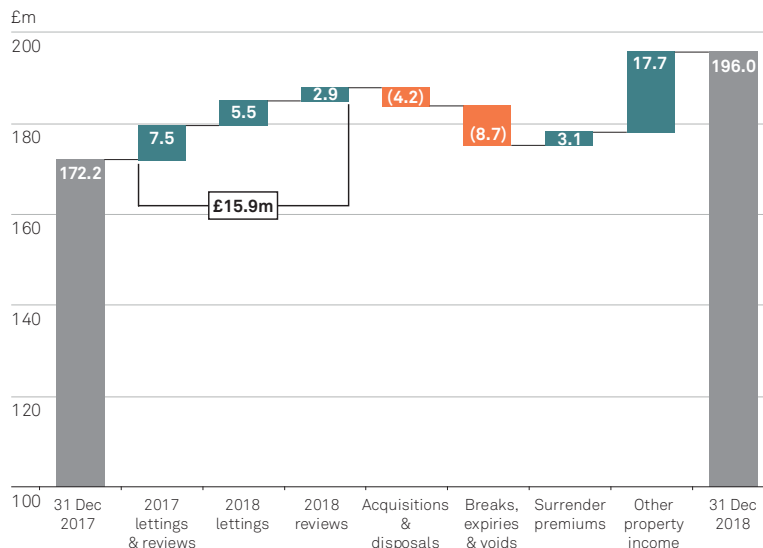
- Gross property income increased by £23.8m to £196.0m in the year

- Lettings and reviews include:

	2018 lettings & reviews	2017 lettings & reviews
White Collar Factory EC1	£0.1m	£4.0m
Morelands EC1	£0.8m	£0.1m
Tea Building E1	£0.4m	£0.4m
4 & 10 Pentonville Road N1	£0.7m	-
60 Whitfield Street W1	£0.7m	-
Charlotte Building W1	£0.5m	£0.1m

- Sale of 8 Fitzroy Street W1 in 2017 reduced income by £4.2m during 2018
- Included in surrender premiums is £2.6m compensation for rent lost due to space taken back early
- Other property income relates to £15.8m access rights and £1.9m rights of light receipts

## MOVEMENTS IN GROSS PROPERTY INCOME



## LIKE-FOR-LIKE INCOME

- EPRA like-for-like income has been distorted by the unusually high non-rental income and surrender premiums received

	Properties owned throughout the year					
	Total £m	Development property £m	Acquisitions & disposals £m	EPRA £m	Adjustments <sup>1</sup> £m	Underlying £m
2018						
Gross rental income	175.1	(15.9)	(0.7)	158.5	2.6	161.1
Property expenditure	(14.0)	3.6	0.5	(9.9)	0.7	(9.2)
Net rental income	161.1	(12.3)	(0.2)	148.6	3.3	151.9
Other property income	17.7	-	-	17.7	(15.8)	1.9
Other	7.1	-	0.2	7.3	(3.1)	4.2
Net property income	185.9	(12.3)	-	173.6	(15.6)	158.0
2017						
Gross rental income	172.1	(11.8)	(4.8)	155.5	-	155.5
Property expenditure	(11.0)	3.1	0.1	(7.8)	-	(7.8)
Net rental income	161.1	(8.7)	(4.7)	147.7	-	147.7
Other	3.7	(1.0)	-	2.7	-	2.7
Net property income	164.8	(9.7)	(4.7)	150.4	-	150.4
Like-for-like movement:						
Gross rental income				1.9%		3.6%
Net rental income				0.6%		2.8%
Net property income				15.4%		5.1%

<sup>1</sup> Removes £15.8m one-off rights of access receipt (before costs) and reallocates premiums to net rental income

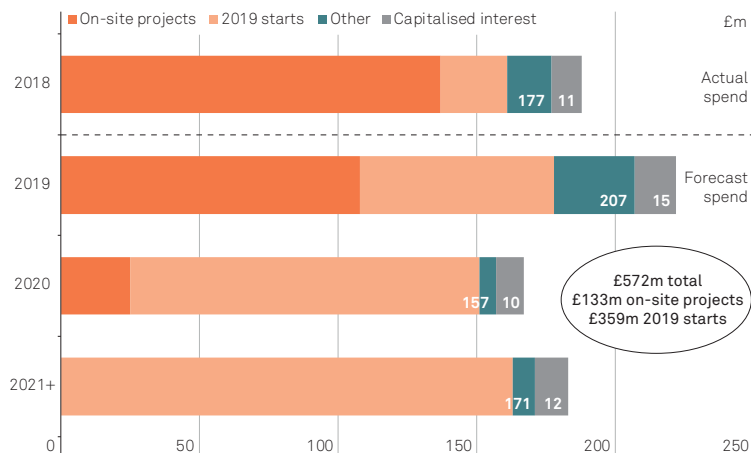
## CASH FLOW

- Increase in net debt of £299.0m to £956.9m
- Cash from operations benefitted from £22.2m of surrender premiums and other property income received in the year

### NET CASH FLOW MOVEMENTS

	2018 £m	2017 £m
Cash from operations	115.2	83.5
Acquisitions	(57.3)	(8.5)
Capex	(228.6)	(187.5)
Reimbursement of capex	15.9	6.0
Disposal proceeds	0.3	472.9
Ordinary dividend paid	(68.4)	(61.8)
Special dividend paid	(83.6)	(57.9)
Other cash flow movements	16.2	(23.1)
<b>(Increase)/decrease in net borrowing</b>	<b>(249.2)</b>	<b>240.1</b>
Leasehold liabilities <sup>1</sup>	(46.6)	9.8
Other non-cash flow items	(3.2)	(3.0)
<b>(Increase)/decrease in net debt</b>	<b>(299.0)</b>	<b>246.9</b>

### FORECAST CAPITAL EXPENDITURE<sup>2</sup>



<sup>1</sup> See slide 15    <sup>2</sup> Further details of forecast capital expenditure can be found in Appendix 35

## PROFORMA IMPACT OF MAJOR PROJECTS

- Assumes no further lettings other than those already contracted
- Shows impact of estimated capital expenditure on both on-site projects and 2019 starts

	Dec 2018	ON-SITE PROJECTS			2019 STARTS		
		Capex and contracted income <sup>1</sup>	Void costs <sup>2</sup>	Proforma 1	Capex and site acquisition cost <sup>3</sup>	Void costs <sup>2</sup>	Proforma 2
<b>Gross rental income</b>	<b>£175m</b>	<b>£28m</b>		<b>£203m</b>			<b>£203m</b>
Net property income (adjusted)	£162m	£28m	(£6m)	£184m		(£13m)	£171m
Interest cost	£33m	£3m <sup>4</sup>		£36m	£8m <sup>4</sup>		£44m
<b>Net interest cover ratio</b>	<b>491%</b>			<b>511%</b>			<b>389%</b>
Portfolio fair value	£5,191m	£133m		£5,324m	£359m		£5,683m
Drawn debt net of cash	£891m	£133m		£1,024m	£359m		£1,383m
<b>Loan-to-value ratio</b>	<b>17.2%</b>			<b>19.2%</b>			<b>24.3%</b>

<sup>1</sup> See Appendix 35 for capex    <sup>2</sup> Void costs upon completion of project    <sup>3</sup> Includes remaining Soho Place site acquisition cost and profit share to Crossrail

<sup>4</sup> Assuming a marginal interest rate of 2.25%



## DEBT SUMMARY

- £45.9m of the increase in net debt is due to the inclusion of the discounted headlease payments in relation to Soho Place W1
- The £150m unsecured convertible bonds, with a current conversion price of £31.78, mature in Jul 2019
- Substantial headroom under financial covenants as at 31 Dec 2018:
  - Values could fall by 69% without breaching the gearing covenant
  - Property income could fall by 73% before breaching the interest cover covenant
- These figures exclude the £250m US private placement (USPP) notes signed in Nov 2018 and drawn in Jan 2019
- New covenant requiring unencumbered assets to exceed 1.6 times unsecured debt: 6.2 times at 31 Dec 2018

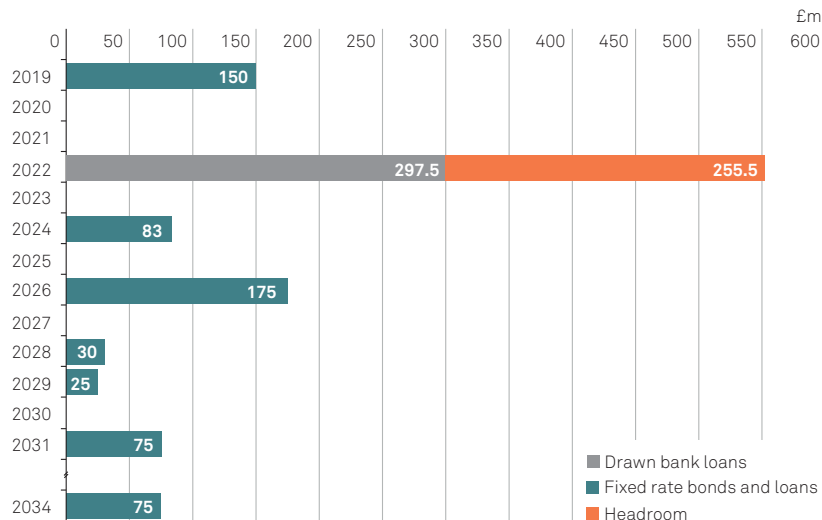
	Dec 2018	Dec 2017
Total facilities	£1,166m	£1,166m
Unutilised facilities and cash	£274m	£523m
Percentage of unsecured debt	69%	61%
Uncharged properties	£4,117m	£3,864m
Uncharged properties % of portfolio	79%	80%
Net debt	£957m	£658m
Gearing:		
LTV ratio	17.2%	13.2%
NAV gearing	22.4%	15.7%
Net interest cover ratio	491%	454%

## DEBT FACILITIES

	Dec 2018	Dec 2017
Average spot interest rate (cash basis)	3.43%	3.80%
Average spot interest rate (IFRS basis)	3.68%	4.11%
Marginal interest rate	1.60%	1.25%
Percentage of drawn facilities at fixed rate or hedged	70%	88%
Average maturity of facilities	5.3 years	6.3 years
Average maturity of borrowings	5.9 years	7.6 years

- Following drawdown of the £250m USPP notes in Jan 2019, average maturity of borrowings increased to 7.9 years

### MATURITY PROFILE OF DEBT FACILITIES



Fitch assigned Derwent London a corporate credit rating of A- in August 2018 and a senior unsecured debt rating of A

# VALUATION AND PORTFOLIO ANALYSIS

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NIGEL GEORGE

# VALUATION

## Investment portfolio valued at £5.2bn

- Underlying growth 2.2% 2017: 3.9%:
  - West End 2.3% 2017: 1.9%
  - City Borders 2.6% 2017: 7.5%
- MSCI IPD Central London Offices<sup>1</sup> 1.8%
- Valuers' focus:
  - Expiry assumptions – voids and capex
  - Retail/restaurant sector
  - Flexible, inclusive leases

## Developments drive outperformance

- Valued at £619m, uplift of 18.0% in 2018:
  - 80 Charlotte Street W1 (74% pre-let) 6.3%
  - Brunel Building W2 (64% pre-let<sup>2</sup>) 39.3%
- Excluding developments, uplift 0.4%

	Portfolio valuation £m	Joint venture valuation £m <sup>3</sup>	Total £m	H1 2018 valuation movement %	H2 2018 valuation movement %	Full year valuation movement %
West End	3,124.1	-	3,124.1	0.8	1.5	2.3
City Borders <sup>4</sup>	1,921.4	26.9	1,948.3	2.3	0.4	2.6
<b>Central London</b>	<b>5,045.5</b>	<b>26.9</b>	<b>5,072.4</b>	<b>1.4</b>	<b>1.1</b>	<b>2.4</b>
Provincial	93.6	-	93.6	(1.9)	(6.2)	(8.0)
<b>Underlying</b>	<b>5,139.1</b>	<b>26.9</b>	<b>5,166.0</b>	<b>1.3</b>	<b>0.9</b>	<b>2.2</b>
Acquisitions	51.6	-	51.6	(5.9)	(0.6)	(1.5)
<b>Investment portfolio</b>	<b>5,190.7</b>	<b>26.9</b>	<b>5,217.6</b>	<b>1.3</b>	<b>0.9</b>	<b>2.2</b>

<sup>1</sup> Quarterly index <sup>2</sup> As at 31 Dec 2018 - now 77% <sup>3</sup> 50% joint venture interests in 9 and 16 Prescott Street E1 <sup>4</sup> Principally properties in the Tech Belt - Appendix 38

# PROPERTY RETURN

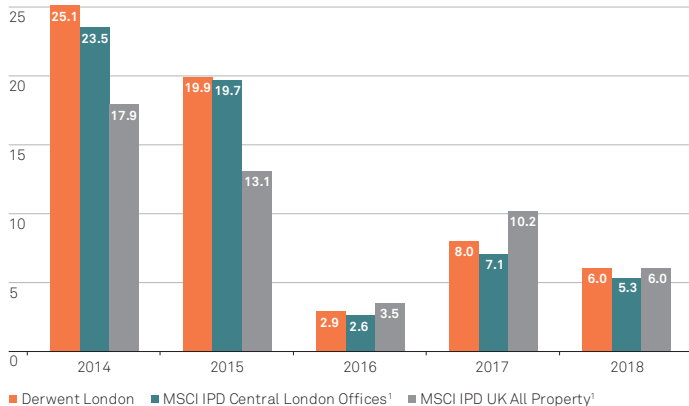
## Total property returns in 2018

- Derwent London 6.0%
- MSCI IPD Central London Offices<sup>1</sup> 5.3%
- MSCI IPD UK All Property<sup>1</sup> 6.0%

## TOTAL PROPERTY RETURN PERFORMANCE

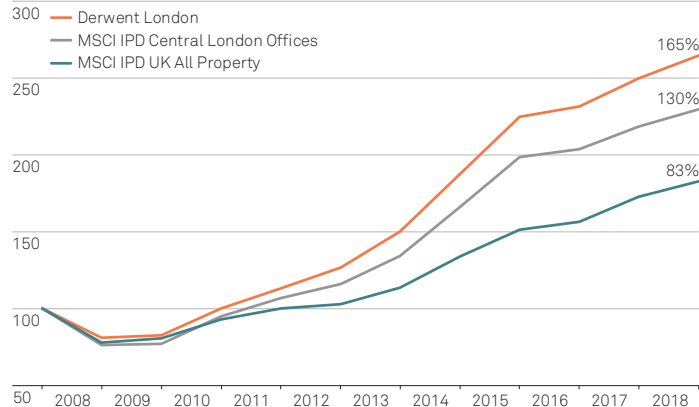
Total property return (%)

30



## CUMULATIVE TOTAL PROPERTY RETURN

Index (31 Dec 2007=100)



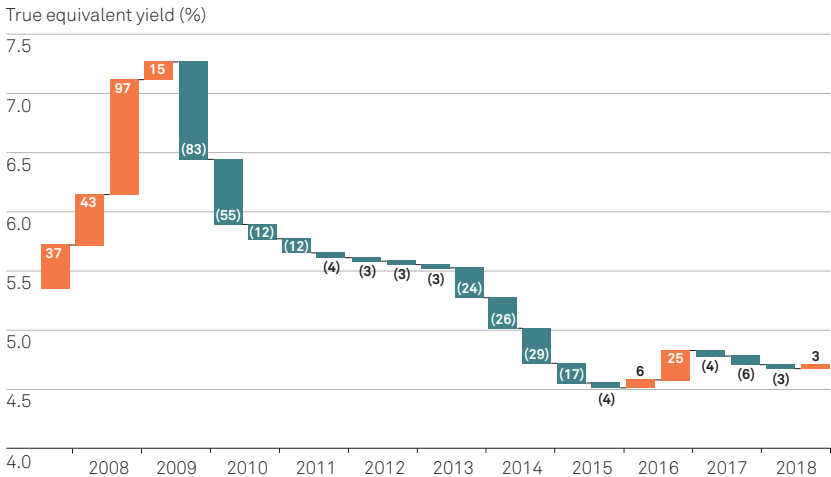
<sup>1</sup> Quarterly Index

# MOVEMENT IN YIELDS

## EPRA yields

- True equivalent yield 4.73% (Dec 2017: 4.73%)
- Net initial yield 3.4% (Dec 2017: 3.4%):
  - ‘Topped-up’ net initial yield 4.6% (Dec 2017: 4.4%)
  - Up 20 basis points in 2018 – capturing the reversion
- Net reversionary yield 4.9% (Dec 2017: 4.8%)

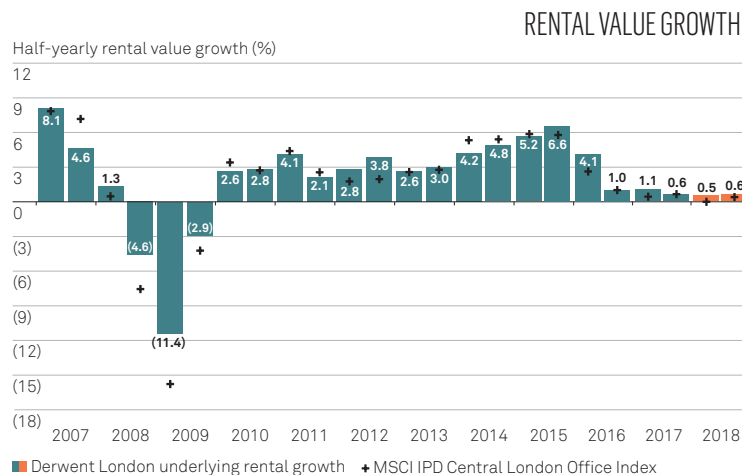
TRUE EQUIVALENT YIELD MOVEMENT<sup>1</sup>



<sup>1</sup> Post H2 2010 portfolio on an EPRA basis  
Derwent London plc Annual Results 2018

## RENTAL VALUE GROWTH

- Underlying rental growth of 1.1%:
  - City Borders 2.0%
  - West End 0.6%
- Good demand for pre-lets and mid-market priced office space
- Average 'topped-up' office rent £53.25 psf<sup>1</sup> (Dec 2017: £49.74 psf)
- Cumulative rental growth of 57% since 2007, outperforming the 41% from the MSCI IPD Central London Office benchmark



Central London offices	Portfolio % <sup>2</sup>	Passing rent £ psf <sup>1</sup>	'Topped-up' rent £ psf <sup>1</sup>	ERV £ psf <sup>3</sup>
Core income	59	37.72	56.41	56.45
Potential projects	29	35.91	38.11	45.38
	<b>88</b>	<b>37.15</b>	<b>50.68</b>	<b>53.03</b>
On-site developments	12	-	76.16	76.53
<b>Total</b>	<b>100</b>	<b>-</b>	<b>53.25</b>	<b>56.00</b>

<sup>1</sup> Occupied office area <sup>2</sup> Portfolio area - see Appendix 19 <sup>3</sup> Total office area



## REVERSION ACTIVITY 2018

- £214.8m locked in, up £10.5m (5.1% uplift):

- Contracted uplifts have moved into net rent (£8.1m):

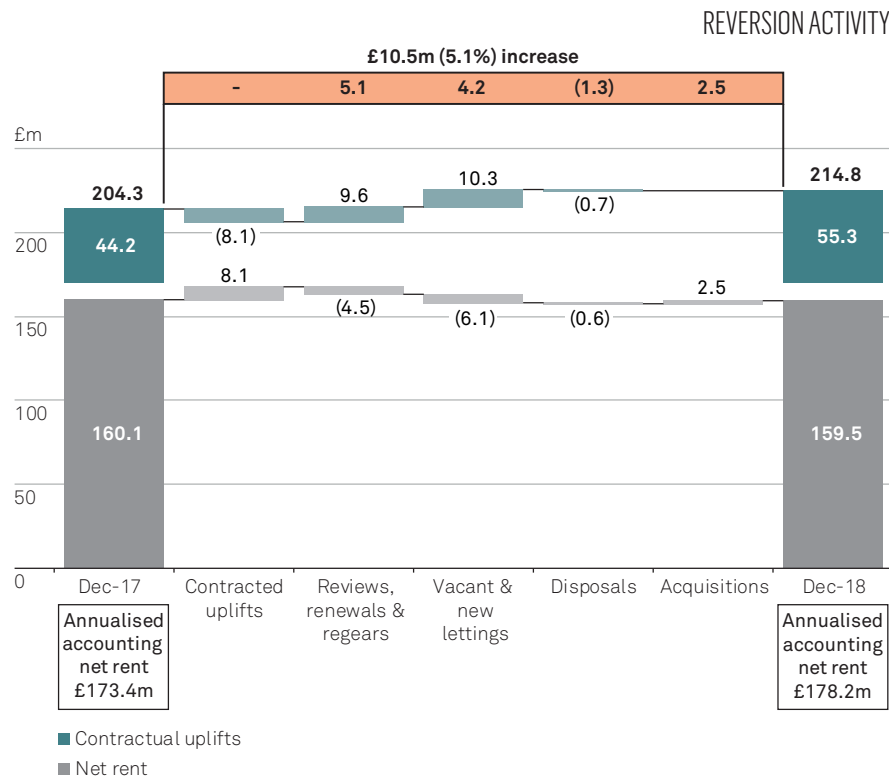
- White Collar Factory EC1
- The White Chapel Building E1
- 1 Oliver's Yard EC1

- £5.1m of asset management activities

- £4.2m from lettings:

- EPRA vacancy rate 1.8% (4.2% Jun 2018 and 1.3% Dec 2017)

- Investment activity positive to net rent



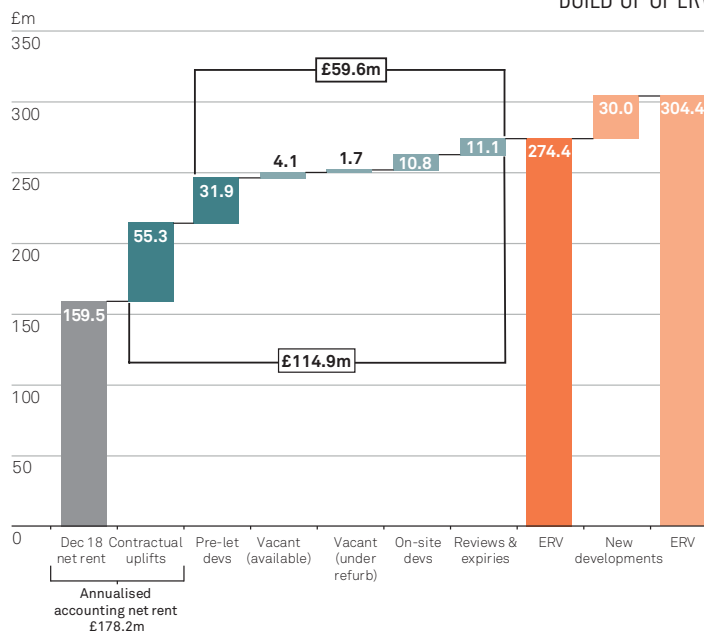
## BUILD-UP OF PORTFOLIO ERV

- Portfolio reversion of £114.9m<sup>1</sup>:
  - £55.3m contracted and in the income statement
  - £59.6m of potential:
    - £31.9m of pre-lets on developments:

	Let £m	Vacant £m	ERV £m
80 Charlotte Street W1	20.9 <sup>2</sup>	4.9	25.8
Brunel Building W2 <sup>3</sup>	11.0	5.9	16.9
	<b>31.9</b>	<b>10.8</b>	<b>42.7</b>

- £27.7m from vacant, developments and review/ expiry reversion
- Further £30.0m ERV reversion from two new developments:
  - Soho Place W1 – £22.0m
  - The Featherstone Building EC1 – £8.0m

BUILD-UP OF ERV<sup>4</sup>



<sup>1</sup> Requires additional capex as set out in Appendix 35

<sup>2</sup> Initial rent on Arup space £9.7m pa, subject to 2.25% annual uplifts for the first 15 years

<sup>3</sup> Net of 2.5% ground rent

<sup>4</sup> Before lease incentives

# ASSET MANAGEMENT & INVESTMENT

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DAVID SILVERMAN



## LETTING ACTIVITY 2018

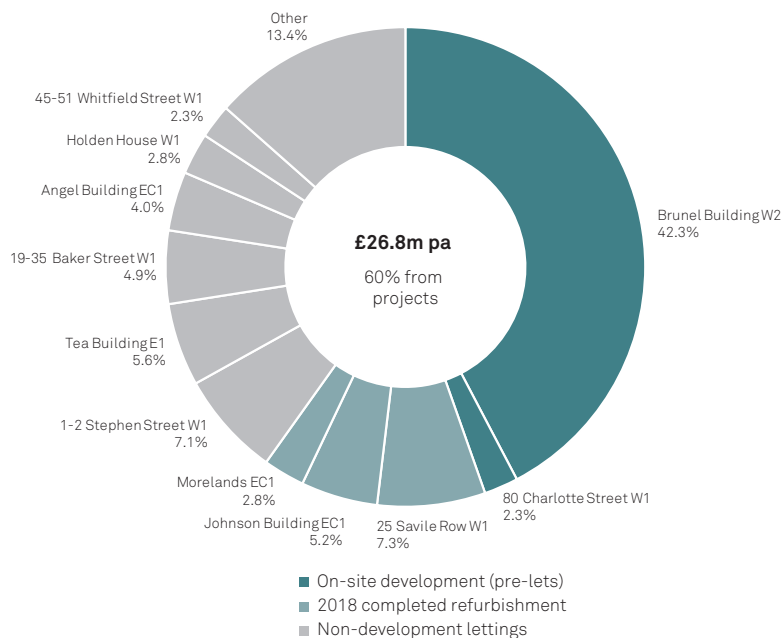
- 427,100 sq ft of lettings in 2018 at a rent of £26.8m pa:
  - 45% from on-site developments and 15% from 2018 refurbishment completions
  - Open market at 9.0% above Dec 2017 ERV
  - Overall 4.1% ahead of ERV
- Transactions:
  - 76% in the West End
  - 71% in the second half of the year
  - 40% to TMT and creative occupiers

### LETTING ACTIVITY 2018

	Let		Performance against Dec 17 ERV (%)	
	Area sq ft	Income £m pa	Open market	Overall <sup>1</sup>
H1	130,300	7.8	8.1	8.2
H2	296,800	19.0	9.4	2.5
<b>2018</b>	<b>427,100</b>	<b>26.8</b>	<b>9.0</b>	<b>4.1</b>

<sup>1</sup> Includes short-term lettings at properties earmarked for redevelopment

### LETTINGS IN 2018



## KEY LETTINGS IN THE YEAR

### BRUNEL • BUILDING



Income: £11.3m pa  
Rents<sup>1</sup>: £65 to £90 psf



HELLMAN & FRIEDMAN



COACH

25  
SAVILE  
ROW



Income: £1.9m pa  
Rents: £102.50 to  
£108 psf



Harris Williams

HANOVER  
INVESTORS

1  
+2 Stephen  
Street.



Income: £1.9m pa  
Rents: £50<sup>2</sup> & £75 psf

ODEON



The  
Johnson  
Building



Income: £1.4m pa  
Rent: £62.50 psf



Metropolitan  
Thames Valley  
formerly Metropolitan

ANGEL  
BUILDING



Income: £1.1m pa  
Rent: £62.50 psf

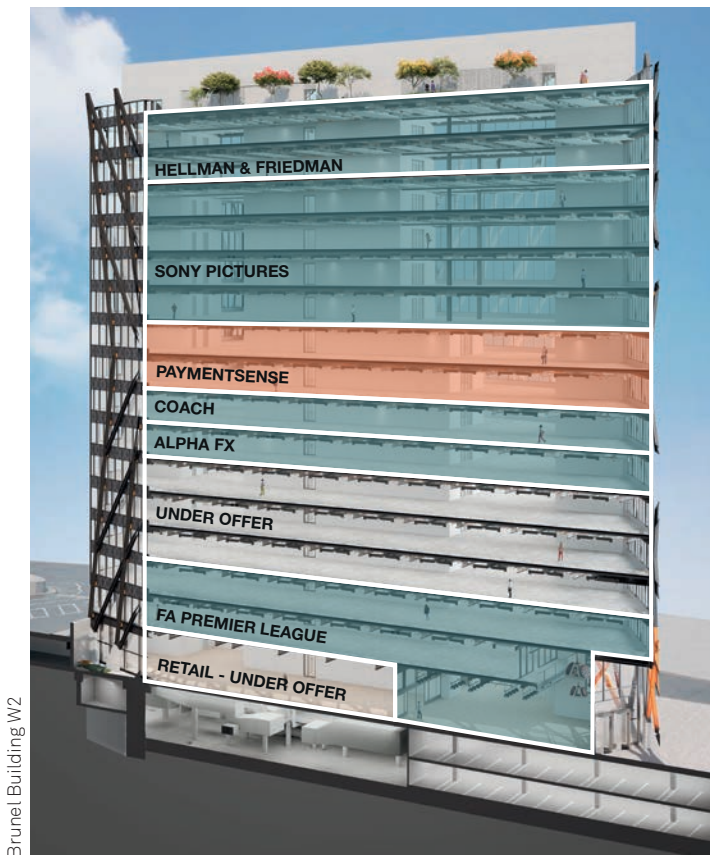


<sup>1</sup> First floor and above    <sup>2</sup> Taken in existing condition

## LETTING ACTIVITY 2019 YEAR TO DATE

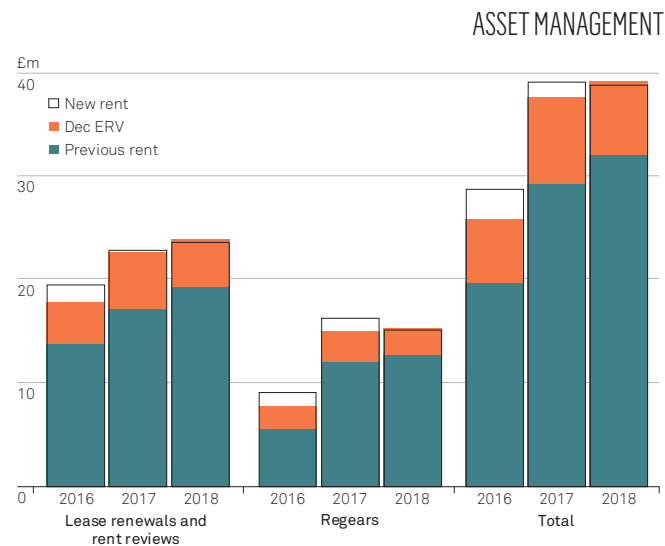
- 2019 lettings:
  - 46,500 sq ft at £3.1m pa
  - Open market 4.7% above Dec 2018 ERV
  - Overall 0.4%<sup>1</sup> above ERV
- Includes new letting at Brunel Building W2:
  - 33,000 sq ft pre-let to Paymentsense
  - £2.6m pa (£77.50 psf)
  - 15-year lease, break in year 10
  - Rent free equivalent to 20 months

<sup>1</sup> Includes short-term letting at 19-35 Baker Street W1



## ASSET MANAGEMENT ACTIVITIES

- Lease renewals, rent reviews and lease regears concluded on 833,000 sq ft of the portfolio in 2018
- Income increased 20.4%, from £31.8m pa to £38.3m
- Performance against Dec 2017 ERV:
  - Rent reviews +2.6%
  - Lease regears -1.2%
  - Lease renewals -3.6%

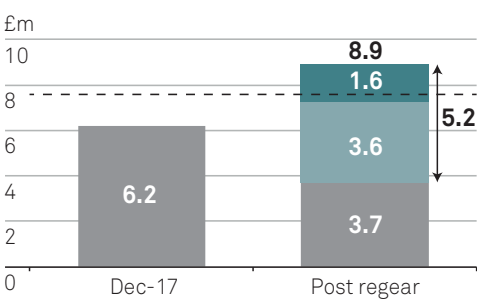


### ASSET MANAGEMENT 2018

	Area '000 sq ft	Previous rent £m pa	New rent £m pa	Uplift %	Income vs Dec 17 ERV %
Rent reviews	188	6.5	8.0	24.0	2.6
Lease renewals	265	12.7	15.3	20.3	(3.6)
Lease regears	380	12.6	15.0	18.8	(1.2)
<b>Total</b>	<b>833</b>	<b>31.8</b>	<b>38.3</b>	<b>20.4</b>	<b>(1.4)</b>

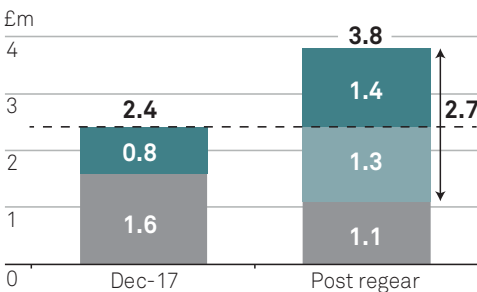
# ASSET MANAGEMENT

- Locking in reversion and extending lease terms:



## Burberry

- 162,700 sq ft
- Term certain extended by 15 years to 20 years
- Stepped rents agreed until 2028



## The Doctors Laboratory

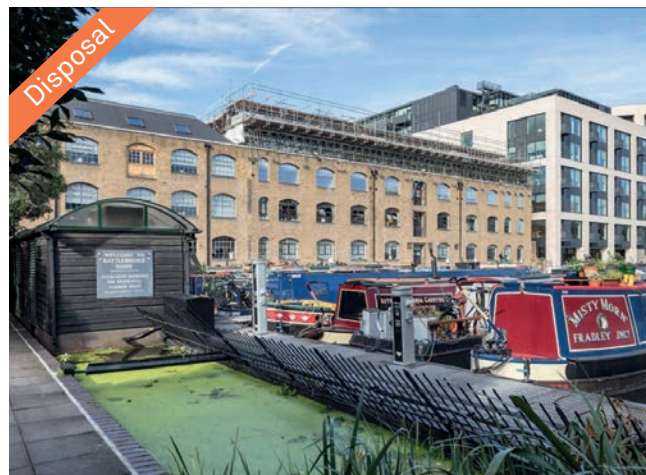
- 36,200 sq ft
- Term certain extended by 13 years to 24 years
- Stepped rents agreed until 2038





### 88-94 Tottenham Court Road W1

- £44.3m acquisition after costs:
  - 45,900 sq ft 36-year leasehold interest
  - £2.5m net rent at 6.0% yield
  - Derwent London owned freehold
- 130,000 sq ft cluster of ownerships:
  - Potential 220,000+ sq ft future scheme



### Porters North N1

- £44.7m of net proceeds from disposal:
  - Derwent London share £22.3m
  - 5% premium to Dec 2017 book value
- 44,100 sq ft office building
- 50:50 joint venture

## INVESTMENT ACTIVITY 2019 YEAR TO DATE

---

### Disposal - 9 Prescott Street E1

- Exchanged for £53.85m before costs
- 50:50 joint venture (DL share £26.9m)
- 97,000 sq ft office – fully let at £2.3m pa
- Almost 40% of the building refurbished in 2016
- 2% above Dec 2018 book value



### Strategy for the year ahead

- Further disposals to follow
- Significant financial firepower for potential acquisitions

# DEVELOPING A PRODUCT

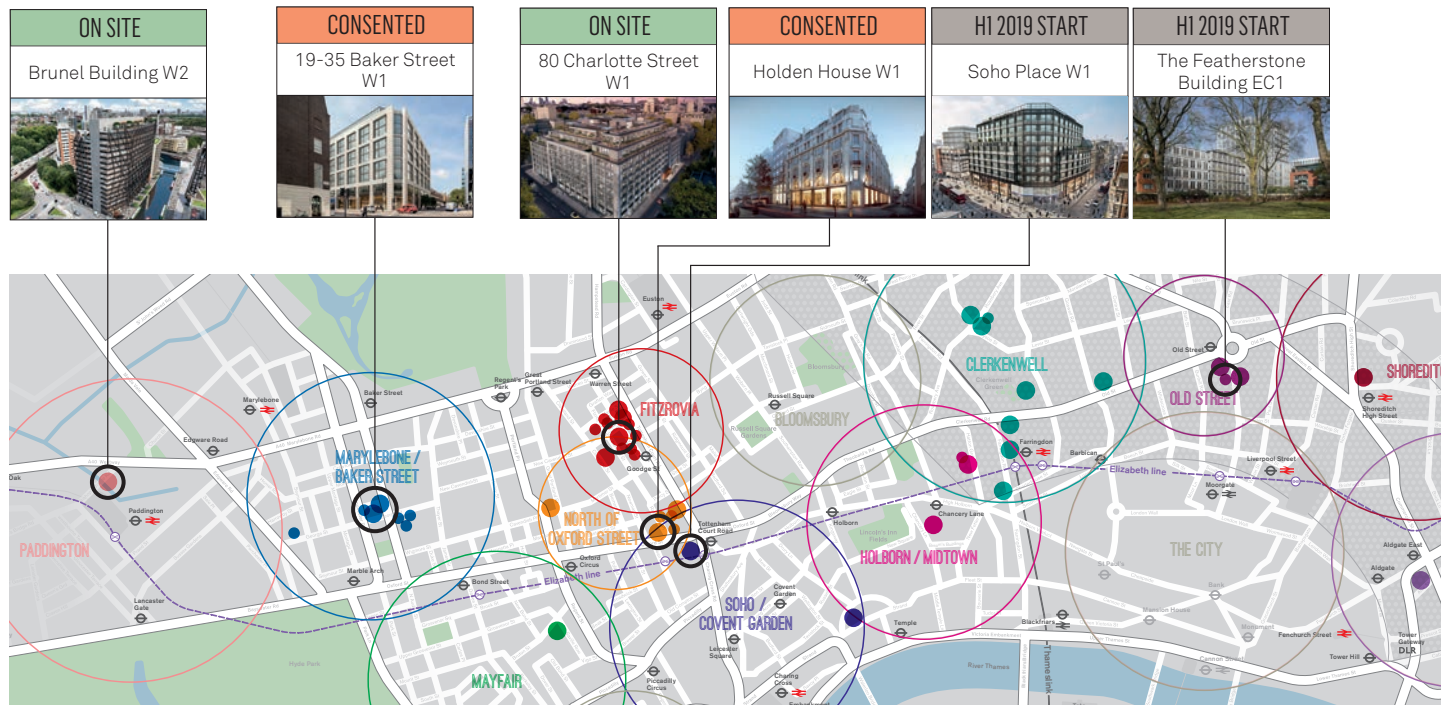
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SIMON SILVER



# CURRENT AND FUTURE PROJECTS

- Over one million sq ft of activity – 623,000 sq ft on site and 410,000 sq ft commencing H1 2019
- Two schemes, totalling 443,000 sq ft, with planning consent (resolution to grant) for the near future





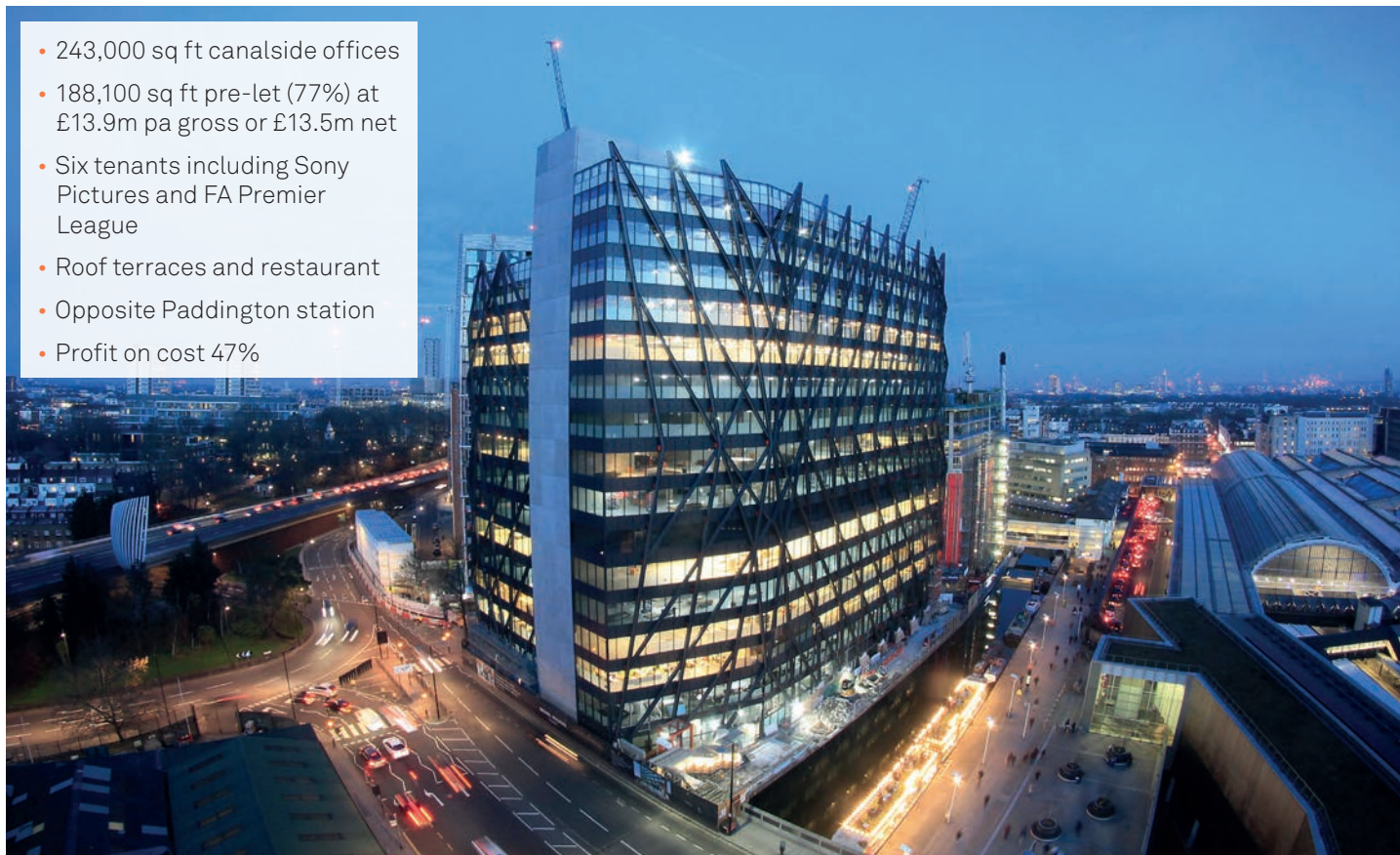
## PROJECT UPDATE

- Two developments on site:
  - Brunel Building W2 – 243,000 sq ft offices, 77% pre-let and remainder under offer, due for completion in Q2 2019
  - 80 Charlotte Street W1 – 380,000 sq ft mixed-use scheme, 80% of the commercial space pre-let, due for completion in H1 2020
- Two projects commencing construction in H1 2019:
  - Soho Place W1 – 285,000 sq ft of offices, retail and a new theatre
  - The Featherstone Building EC1 – 125,000 sq ft of offices adjacent to White Collar Factory
- Two further projects with resolution to grant planning consent:
  - 19-35 Baker Street W1 – 293,000 sq ft mixed-use
  - Holden House W1 – 150,000 sq ft retail/office



## BRUNEL BUILDING W2: H1 2019 DELIVERY

- 243,000 sq ft canalside offices
- 188,100 sq ft pre-let (77%) at £13.9m pa gross or £13.5m net
- Six tenants including Sony Pictures and FA Premier League
- Roof terraces and restaurant
- Opposite Paddington station
- Profit on cost 47%

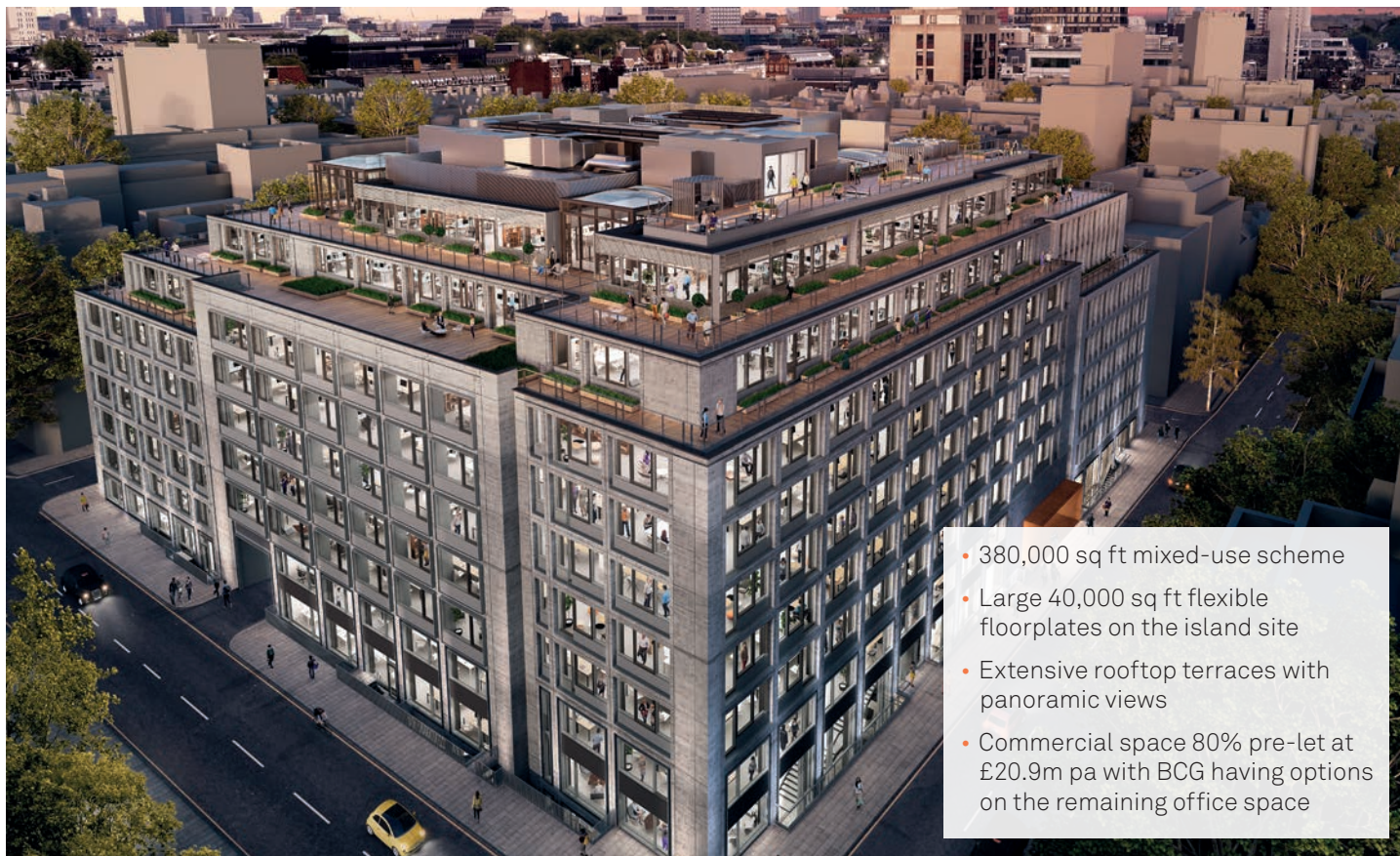








## 80 CHARLOTTE STREET W1: H1 2020 DELIVERY



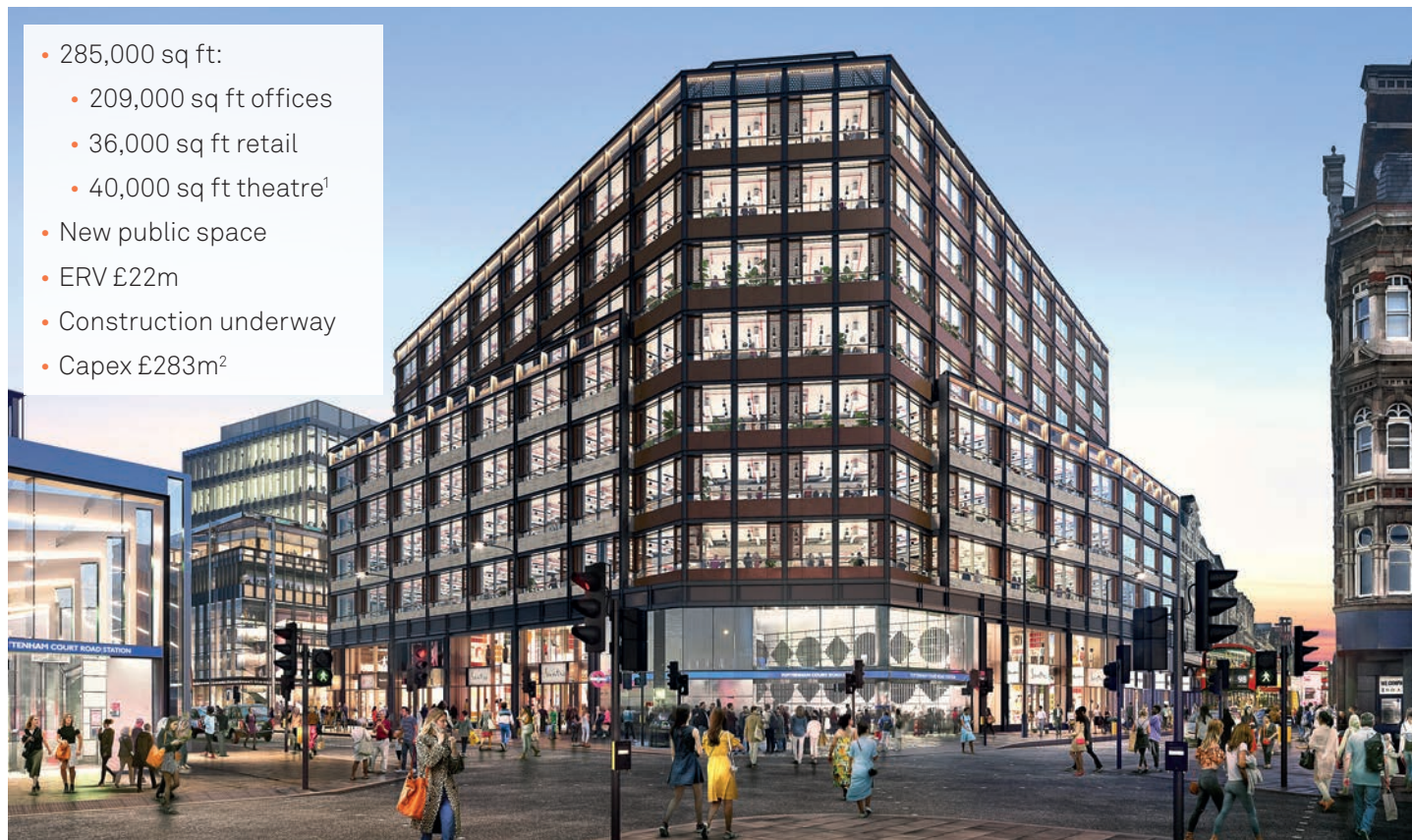
- 380,000 sq ft mixed-use scheme
- Large 40,000 sq ft flexible floorplates on the island site
- Extensive rooftop terraces with panoramic views
- Commercial space 80% pre-let at £20.9m pa with BCG having options on the remaining office space





## SOHO PLACE W1: H1 2022 DELIVERY

- 285,000 sq ft:
  - 209,000 sq ft offices
  - 36,000 sq ft retail
  - 40,000 sq ft theatre<sup>1</sup>
- New public space
- ERV £22m
- Construction underway
- Capex £283m<sup>2</sup>



<sup>1</sup> Pre-let at a nominal ground rent    <sup>2</sup> Includes remaining site acquisition cost and profit share to Crossrail





## THE FEATHERSTONE BUILDING EC1: H1 2022 DELIVERY

- Demolition commenced
- 125,000 sq ft scheme including offices, workspaces and retail
- 81% floorspace uplift
- Adjacent to White Collar Factory
- £8m ERV with typical office rent of £70 psf
- Capex £76m







## THE NEXT GENERATION OF SCHEMES

- Two planning consents (resolution to grant) for 443,000 sq ft:



### 19-35 Baker Street W1

- 293,000 sq ft of offices, residential and retail
- 105% floorspace uplift
- Joint venture with The Portman Estate (DLN share 55%)



### Holden House W1

- 150,000 sq ft
- 67% floorspace uplift
- Potential for an Oxford Street flagship store or a retail-led scheme with offices

# UNTAPPED POTENTIAL

- A wide variety of potential development opportunities across the portfolio:

1.4 MILLION SQ FT OF PORTFOLIO UNDER APPRAISAL OR EARMARKED FOR FUTURE APPRAISAL



Francis House & 6-8 Greencoat Place SW1



Network Building W1



80-85 Tottenham Court Road W1



88-94 Tottenham Court Road W1



Angel Square EC1



Bush House WC2



20 Farringdon Road EC1



19 Charterhouse Street EC1

## ADDITIONAL OPPORTUNITIES FROM THE CORE PORTFOLIO



Tea Building E1



1-2 Stephen Street W1 (part)



1 Oliver's Yard EC1



88 Rosebery Avenue EC1



# UNDERLYING MARKET DYNAMICS

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PAUL WILLIAMS





# CENTRAL LONDON OCCUPIER DEMAND

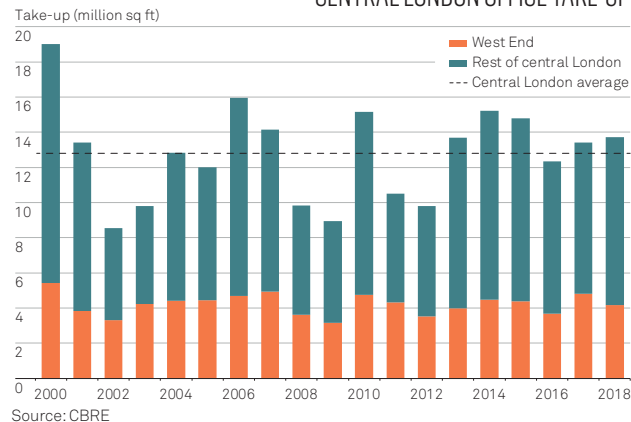
## Market demand

- 13.7m sq ft of central London take-up in 2018:
  - 7.2% above average
- 3.3m sq ft under offer, the highest year-end total for twenty years
- 4.2m sq ft of West End take-up:
  - 1.5% below average

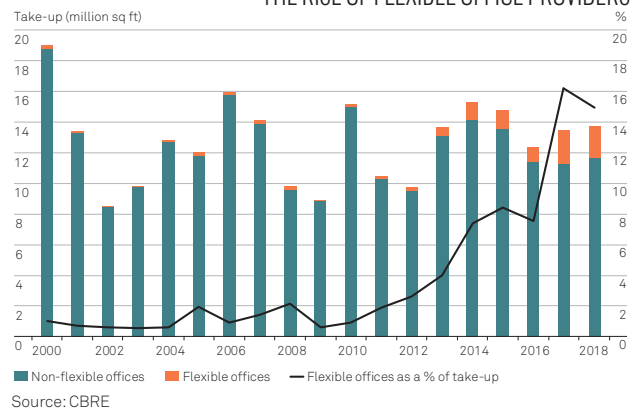
## Flexible office demand

- Since 2000 flexible office providers have averaged 4% of annual central London take-up
- However, in recent years this proportion has been much higher:
  - 2018: 15% of take-up
  - 2017: 16%
  - 2016: 8%
- Flexible office providers currently comprise c.5% of central London office stock

## CENTRAL LONDON OFFICE TAKE-UP



## THE RISE OF FLEXIBLE OFFICE PROVIDERS



## DERWENT LONDON'S RESPONSE TO FLEXIBLE OFFICES

- Derwent London has provided occupier flexibility for many years
- Flexible office providers represent 5.1% of our portfolio, similar to the market
- The Office Group are tenants in three of our multi-let buildings:
  - 1-2 Stephen Street W1
  - White Collar Factory EC1
  - Angel Square EC1
- Other providers take short-term space prior to redevelopment:
  - Knotel – 19-35 Baker Street W1
- Additionally, Derwent London has created fully fitted out spaces at Morelands EC1 and Hardwick Street EC1:
  - Flexible lease terms
  - Plug and play capability

5-8 Hardwick Street EC1

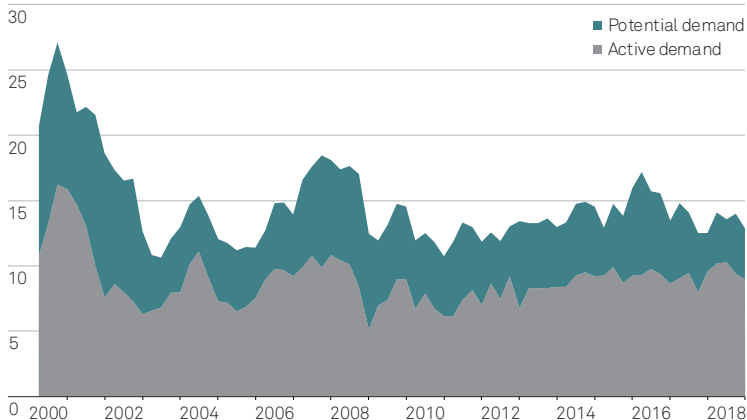


# CENTRAL LONDON OFFICE DEMAND AND REQUIREMENTS

- 13.7m sq ft of take-up in 2018
- 8.9m sq ft of active demand at 31 Dec 2018, equal to the long-term average (LTA):
  - 4.0m sq ft in the West End, 13% above LTA

## CENTRAL LONDON OFFICE DEMAND

Demand (million sq ft)



Source: JLL

- Active requirements in the market include:

APOLLO



DIAGEO



L'ORÉAL



RALPH LAUREN



# CENTRAL LONDON OFFICE SUPPLY

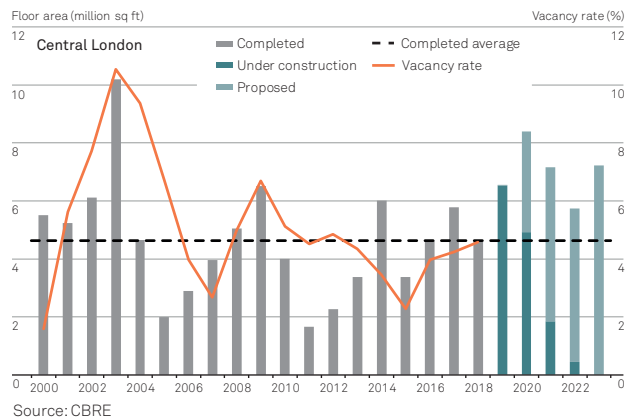
## Supply

- Vacancy rate increased marginally from 4.2% to 4.6% in 2018:
  - Below long-term average of 5.1%
  - West End at 3.3% (from 3.4%)
  - City at 5.4% (from 5.1%)
- Completions of 4.6m sq ft in 2018, 1% below average:
  - West End deliveries just 0.5m sq ft, 55% below average
- Future deliveries remain constrained:
  - 13.3m sq ft over the next three years – already 54% pre-let

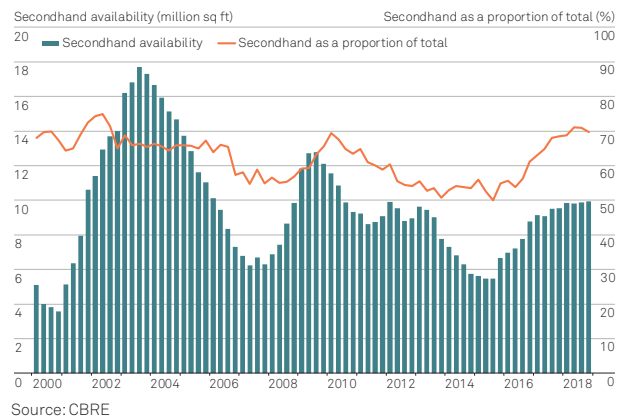
## New vs Secondhand space

- CBRE research suggests demand for new space since the start of 2017 has significantly outstripped supply, whereas the opposite is true for secondhand space
- At the end of 2018, secondhand availability stood at its highest level since 2010
- At the same time the availability of new and early marketed space was at its lowest level since 2001

## CENTRAL LONDON DEVELOPMENT PIPELINE

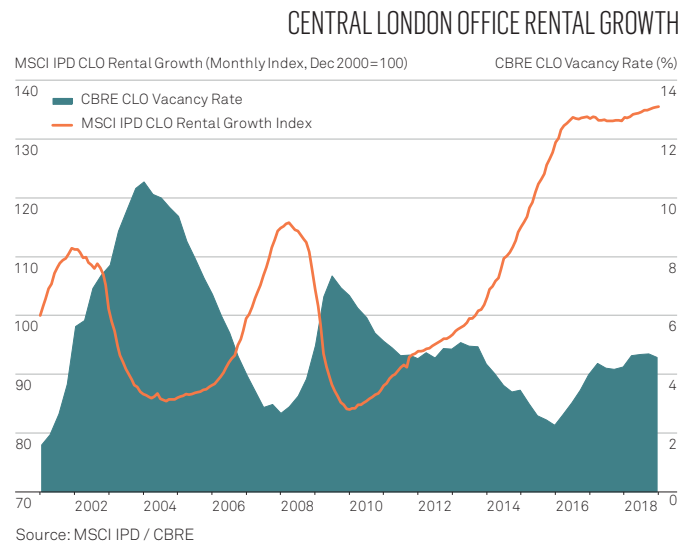


## CENTRAL LONDON SECONDHAND SPACE



## A STABLE MARKET AGAINST AN UNCERTAIN BACKGROUND

- In our market, despite the political and economic uncertainty:
  - Rents are at an all-time high albeit growth has plateaued for 2.5 years
  - Vacancy rate stable for two years and below average
  - Take-up in 2018 was 7.2% above average driven by Business Services, Creative Industries and Banking & Finance
- In the last year rents have been predominantly flat although there have been pockets of growth with Paddington highest at 3.6%
- CBRE expect Fitzrovia, Paddington and Victoria to have the best rental growth performance over the next five years

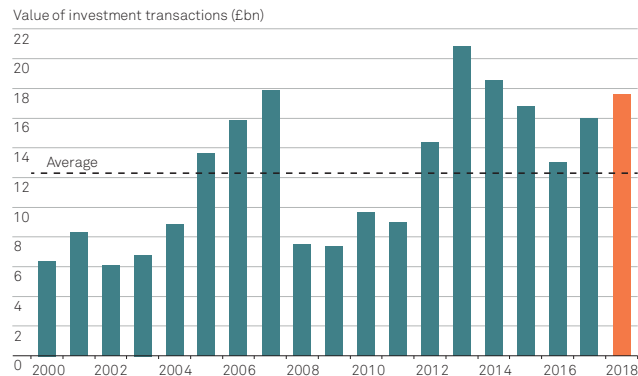


# CENTRAL LONDON OFFICE INVESTMENT MARKET

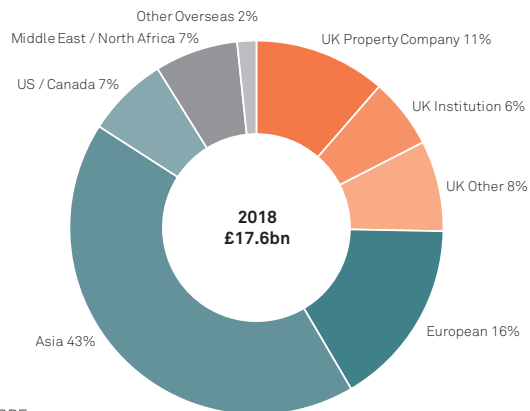
## Market statistics

- £17.6bn of central London transactions in 2018:
  - 10% above 2017, the highest in four years and 43% above average
  - Overseas investors accounted for 75% (2017: 81%)
  - Dominated by Asia 43% and Europe 16%
- Prime yields at 31 Dec 2018:
  - West End: Unchanged for 2.5 years at 3.75%
  - City: Unchanged for 2 years at 4.0%
- £34bn of equity available in the market looking for investment opportunities

## CENTRAL LONDON OFFICE INVESTMENT



Source: CBRE



Source: CBRE

# WHAT DOES IT MEAN FOR DERWENT LONDON?

## ASSETS

- Cutting edge design
- Market leading amenities
- Sustainable product
- Pipeline
- Recycling the portfolio

## PEOPLE

- Occupier focused
- Well-being
- Responsible Business Committee



# SUMMARY

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JOHN BURNS





### OUR MARKET

- Uncertain economic and political environment
- Good occupier and investment demand
- ERV guidance: +1% to -2% in 2019
- Investment yields expected to remain firm in 2019

### DERWENT LONDON

- Management succession announced
- Derwent London product remains popular and innovative
- Committed to Soho Place and The Featherstone Building
- Robust financial position
- Dividend growth in 2019 similar to 2018

# APPENDICES

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## APPENDICES

01. Group balance sheet	57
02. Net asset value per share	58
03. Group income statement	59
04. IFRS profit and EPRA/underlying earnings	60
05. Explanation of EPRA adjustments	61
06. Debt facilities	62
07. Net debt	63
08. Fixed rates and hedging	64
09. Valuation performance by village	65
10. Rental value growth	66
11. Valuation yields	67
12. Context to yield movement	68
13. Evolution of portfolio ERV	69
14. Portfolio statistics by village	70
15. Build-up of portfolio ERV	71
16. Available space and projects	72
17. Timing of the reversion	73
18. Outcome of expected 2018 reversion	74
19. Portfolio summary	75
20. Rent and tenant banding	76

21. Major tenants	77
22. A close relationship with our tenants	78
23. Derwent London central London office rent profile	79
24. Lease expiries, breaks and vacancy rates	80
25. Lease expiry profile and lease length	81
26. Central London office demand	82
27. Central London office supply	83
28. Central London office vacancy	84
29. Central London office rental growth	85
30. Brunel Building W2	86
31. Developments driving returns	87
32. 80 Charlotte Street W1 (island site)	88
33. On-site developments: profit on cost	89
34. 2019 development starts: profit on cost	90
35. Project summary: current projects	91
36. Project summary: future projects	92
37. Project pipeline	93
38. Portfolio map	94
39. Executive Committee and Senior Management	95

## APPENDIX 1 - GROUP BALANCE SHEET

	Dec 2018 £m	Dec 2017 £m
Investment property	5,028.2	4,670.7
Owner-occupied property	47.0	46.5
Investment in joint ventures	29.1	39.7
Other non-current assets	129.5	110.9
	<b>5,233.8</b>	<b>4,867.8</b>
Other current assets and liabilities	(44.1)	(31.0)
Trading property	36.3	25.3
Cash and cash equivalents	18.3	87.0
Borrowings – current	(148.4)	-
	<b>(137.9)</b>	<b>81.3</b>
Borrowings – non-current	(766.1)	(730.8)
Other non-current liabilities	(66.4)	(25.1)
	<b>(832.5)</b>	<b>(755.9)</b>
<b>Total net assets</b>	<b>4,263.4</b>	<b>4,193.2</b>
Non-controlling interest	(61.5)	(64.9)
<b>Attributable to equity shareholders</b>	<b>4,201.9</b>	<b>4,128.3</b>

## APPENDIX 2 - NET ASSET VALUE PER SHARE

	£m	Dec 2018 Diluted p	£m	Dec 2017 Diluted p
<b>Net assets attributable to equity shareholders</b>	<b>4,201.9</b>	<b>3,759</b>	<b>4,128.3</b>	<b>3,694</b>
Revaluation of trading properties net of tax	0.8		1.0	
Fair value of secured bonds	(35.3)		(37.7)	
Fair value of unsecured convertible bonds	(3.6)		(11.8)	
Fair value of fixed rate secured loan	(4.0)		(4.9)	
Fair value of fixed rate unsecured private placement notes	(22.2)		(23.5)	
Unamortised issue and arrangement costs	(6.5)		(8.6)	
<b>EPRA triple NAV</b>	<b>4,131.1</b>	<b>3,696</b>	<b>4,042.8</b>	<b>3,617</b>
Fair value of bonds and costs	71.6		86.5	
Deferred tax on revaluation surplus	3.6		4.5	
Fair value of derivatives	3.6		7.9	
Fair value adjustment to secured bonds on acquisition less amortisation	11.8		12.9	
Non-controlling interest in respect of the above	(0.9)		(1.5)	
<b>EPRA NAV</b>	<b>4,220.8</b>	<b>3,776</b>	<b>4,153.1</b>	<b>3,716</b>

## APPENDIX 3 - GROUP INCOME STATEMENT

	Year ended Dec 2018 £m		Year ended Dec 2017 £m	
Gross property income		196.0		172.2
(Write-down)/reversal of write-down on trading properties		(0.2)		1.0
Other income		2.9		2.7
Property outgoings		(12.8)		(11.1)
<b>Net property and other income</b>		<b>185.9</b>		<b>164.8</b>
Administrative expenses		(32.3)		(28.2)
Revaluation surplus	H1 54.0 H2 29.4	83.4	45.9 102.0	147.9
Profit on disposal of investment properties		5.2		50.3
Net finance costs		(23.5)		(27.1)
Joint venture (JV) results	JV revaluation (0.1) Profit on disposal of JV property 1.3 Other JV profit 0.9	2.1	3.9 - 1.1	5.0
Derivatives fair value movement		4.3		9.4
Financial derivative termination costs		(3.5)		(7.3)
<b>IFRS profit before tax</b>		<b>221.6</b>		<b>314.8</b>
Tax charge		(2.7)		(1.8)
<b>IFRS profit for the year</b>		<b>218.9</b>		<b>313.0</b>
Attributable to:				
Equity shareholders <sup>1</sup>		222.3		314.0
Non-controlling interest		(3.4)		(1.0)
		<b>218.9</b>		<b>313.0</b>

<sup>1</sup> A reconciliation of the IFRS profit attributable to shareholders to the EPRA earnings is shown in Appendix 4

## APPENDIX 4 - IFRS PROFIT AND EPRA/UNDERLYING EARNINGS

	Year ended Dec 2018 £m	Year ended Dec 2017 £m
IFRS profit for the year attributable to shareholders	222.3	314.0
Revaluation surplus	(83.4)	(147.9)
Joint venture revaluation deficit/(surplus)	0.1	(3.9)
Profit on disposal of properties	(5.2)	(50.3)
Profit on disposal of share of associate's properties	(1.3)	-
Reversal of write-down/(write-down) of trading property	0.2	(1.0)
Derivatives fair value movement	(4.3)	(9.4)
Financial derivative termination costs	3.5	7.3
Tax adjustment	(0.4)	(0.4)
Non-controlling interest in respect of the above	(5.4)	(3.4)
<b>EPRA earnings</b>	<b>126.1</b>	<b>105.0</b>
Access rights receipt (net of costs) adjustment	(15.6)	-
<b>Underlying earnings</b>	<b>110.5</b>	<b>105.0</b>

## APPENDIX 5 - EXPLANATION OF EPRA ADJUSTMENTS

	2018 IFRS £m	Adjustments			2018 EPRA basis £m	2017 EPRA basis £m
		A £m	B £m	C £m		
Net property and other income	185.9		0.2		186.1	163.8
Administrative expenses	(32.3)				(32.3)	(28.2)
Revaluation surplus	83.4		(83.4)		-	-
Profit on disposal of investment property	5.2	(5.2)			-	-
Net finance costs	(23.5)				(23.5)	(27.1)
Derivatives fair value movement	4.3			(4.3)	-	-
Financial derivative termination costs	(3.5)			3.5	-	-
Share of results of joint ventures	2.1	(1.3)	0.1		0.9	1.1
<b>Profit before tax</b>	<b>221.6</b>	<b>(6.5)</b>	<b>(83.1)</b>	<b>(0.8)</b>	<b>131.2</b>	<b>109.6</b>
Tax charge	(2.7)	0.3	(0.7)	-	(3.1)	(2.2)
<b>Profit for the year</b>	<b>218.9</b>	<b>(6.2)</b>	<b>(83.8)</b>	<b>(0.8)</b>	<b>128.1</b>	<b>107.4</b>
Non-controlling interest	3.4	-	(5.5)	0.1	(2.0)	(2.4)
<b>Earnings attributable to equity shareholders</b>	<b>222.3</b>	<b>(6.2)</b>	<b>(89.3)</b>	<b>(0.7)</b>	<b>126.1</b>	<b>105.0</b>
<b>Earnings per share</b>	<b>199.33p</b>				<b>113.07p</b>	<b>94.23p</b>

A – Disposal of investment and trading properties and associated tax and non-controlling interest

B – Write-down of trading properties and revaluation on investment property and in joint ventures, and associated deferred tax and non-controlling interest

C – Fair value movement and termination costs relating to derivative financial instruments and associated non-controlling interest



## APPENDIX 6 - DEBT FACILITIES

	Drawn £m	Undrawn £m	Total £m	Maturity
6.5% secured bonds	175.0	-	175.0	March 2026
3.99% secured loan	83.0	-	83.0	October 2024
1.125% unsecured convertible bonds	150.0	-	150.0	July 2019
4.41% unsecured private placement notes	25.0	-	25.0	January 2029
4.68% unsecured private placement notes	75.0	-	75.0	January 2034
3.46% unsecured private placement notes	30.0	-	30.0	May 2028
3.57% unsecured private placement notes	75.0	-	75.0	May 2031
<b>Non-bank loans</b>	<b>613.0</b>	<b>-</b>	<b>613.0</b>	
Bilateral term – secured	28.0	-	28.0	July 2022
Bilateral revolving credit – unsecured	39.5	35.5	75.0	July 2022
Club revolving credit – unsecured	230.0	220.0	450.0	January 2022
<b>Committed bank facilities</b>	<b>297.5</b>	<b>255.5</b>	<b>553.0</b>	
<b>At 31 December 2018</b>	<b>910.5</b>	<b>255.5</b>	<b>1,166.0</b>	

- On 31 Jan 2019, £250m of unsecured fixed rate US private placement funding was drawn and used to repay revolving credit facilities

2.68% unsecured private placement notes	55.0	January 2026
2.87% unsecured private placement notes	93.0	January 2029
2.97% unsecured private placement notes	50.0	January 2031
3.09% unsecured private placement notes	52.0	January 2034

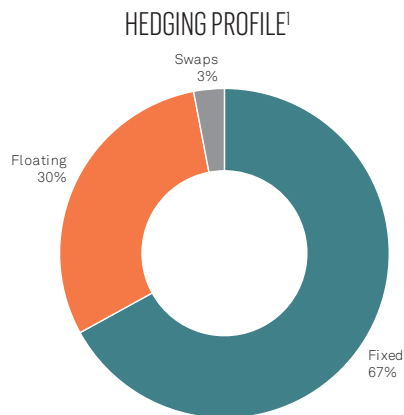
## APPENDIX 7 - NET DEBT

	Dec 2018 £m	Dec 2017 £m
Borrowings – current	148.4	-
Borrowings – non-current	766.1	730.8
Acquired fair value of secured bonds less amortisation	(11.8)	(12.9)
Equity component of unsecured bonds	12.6	12.6
Unwinding of discount of unsecured bonds	(11.3)	(9.1)
Unamortised issue and arrangement costs	6.5	8.6
<b>Facilities – drawn</b>	<b>910.5</b>	<b>730.0</b>
Facilities – undrawn	255.5	436.0
<b>Total debt facilities</b>	<b>1,166.0</b>	<b>1,166.0</b>

	Dec 2018 £m	Dec 2017 £m
Borrowings	914.5	730.8
Leasehold liabilities	60.7	14.1
Cash and cash equivalents	(18.3)	(87.0)
<b>Net debt</b>	<b>956.9</b>	<b>657.9</b>

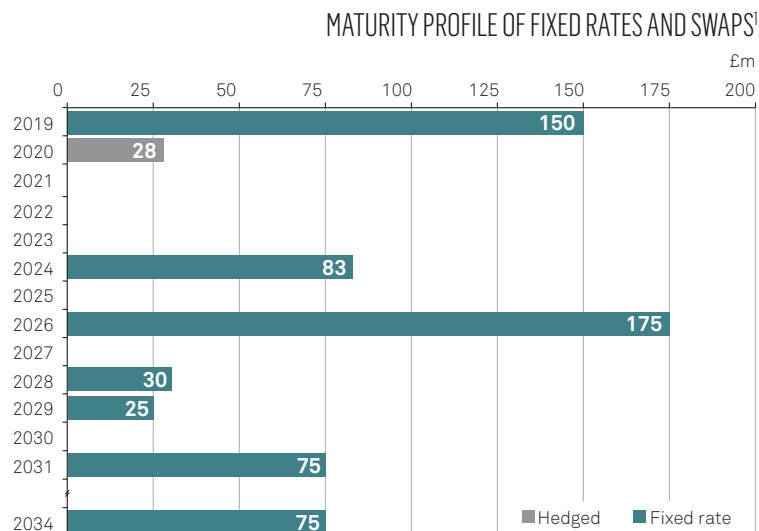
## APPENDIX 8 - FIXED RATES AND HEDGING

	Dec 2018	Dec 2017
Proportion of drawn facilities at fixed rates or hedged	70%	88%
Weighted average duration of swaps <sup>1</sup>	1.2 years	1.2 years
Mark-to-market cost of swaps and forward-start swaps	£3.6m	£7.9m
Weighted average duration of fixed rate instruments	7.2 years	8.2 years



<sup>1</sup> Excludes the following forward-start swaps:

Principal £m	Rate %	Start date	Expiry date
70.0	3.99	March 2019	March 2020
40.0	2.45	October 2019	July 2022
75.0	1.36	April 2019	April 2025



## APPENDIX 9 - VALUATION PERFORMANCE BY VILLAGE

	Valuation Dec 2018 £m	Weighting Dec 2018 %	Valuation movement 2018 <sup>1</sup> %
<b>West End Central</b>			
Fitzrovia <sup>2</sup>	1,595.1	30	1.8
Victoria	514.5	10	(4.9)
Paddington	259.5	5	39.3
Baker Street/Marylebone	167.2	3	(7.7)
Mayfair	95.7	2	4.7
Soho/Covent Garden	81.0	2	4.8
	<b>2,713.0</b>	<b>52</b>	<b>2.6</b>
<b>West End Borders</b>			
Islington/Camden	462.5	9	0.5
<b>West End</b>	<b>3,175.5</b>	<b>61</b>	<b>2.3</b>
<b>City Borders</b>			
Clerkenwell	623.5	12	4.4
Old Street	571.3	11	3.9
Shoreditch/Whitechapel	462.3	9	2.5
Holborn	289.0	5	(3.1)
Other	2.2	-	-
<b>City Borders</b>	<b>1,948.3</b>	<b>37</b>	<b>2.6</b>
<b>Central London</b>	<b>5,123.8</b>	<b>98</b>	<b>2.4</b>
Provincial	93.8	2	(8.0)
<b>Investment portfolio</b>	<b>5,217.6</b>	<b>100</b>	<b>2.2</b>

<sup>1</sup> Underlying - properties held throughout the period    <sup>2</sup> Includes North of Oxford Street

## APPENDIX 10 - RENTAL VALUE GROWTH

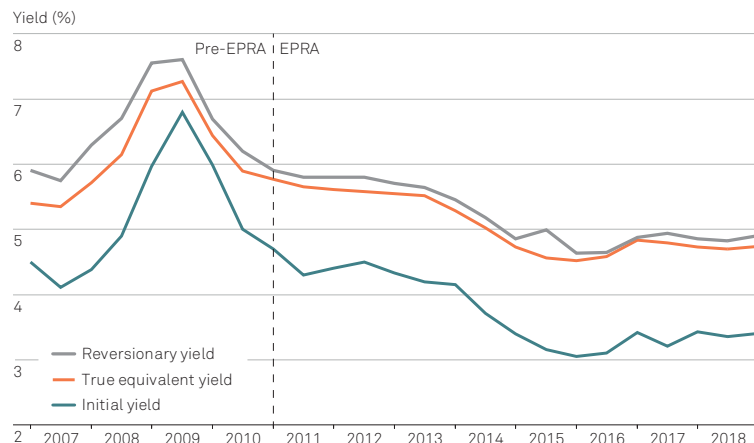
### RENTAL VALUE GROWTH<sup>1</sup>

	2017 %	H1 2018 %	H2 2018 %	2018 %
West End	0.7	0.4	0.2	0.6
City Borders	3.0	0.6	1.4	2.0
<b>Central London</b>	<b>1.7</b>	<b>0.5</b>	<b>0.7</b>	<b>1.2</b>
Provincial	2.4	0.1	(4.4)	(4.3)
<b>Underlying</b>	<b>1.7</b>	<b>0.5</b>	<b>0.6</b>	<b>1.1</b>

<sup>1</sup> On EPRA portfolio

## APPENDIX 11 - VALUATION YIELDS

### YIELD PROFILE<sup>1</sup>



### EPRA INITIAL YIELDS

	Net initial yield %	'Topped-up' initial yield %
West End	3.4	4.5
City Borders	3.2	4.5
<b>Central London</b>	<b>3.3</b>	<b>4.5</b>
Provincial	7.2	6.9
<b>EPRA portfolio</b>	<b>3.4</b>	<b>4.6</b>

### TRUE EQUIVALENT YIELDS<sup>2</sup>

	Dec 2017 %	H1 2018 movement basis points	Jun 2018 %	H2 2018 movement basis points	Dec 2018 %
West End	4.62	(3)	4.59	3	4.62
City Borders	4.79	(3)	4.76	3	4.79
<b>Central London</b>	<b>4.69</b>	<b>(2)</b>	<b>4.67</b>	<b>2</b>	<b>4.69</b>
Provincial	6.87	14	7.01	67	7.68
<b>Underlying</b>	<b>4.73</b>	<b>(3)</b>	<b>4.70</b>	<b>3</b>	<b>4.73</b>

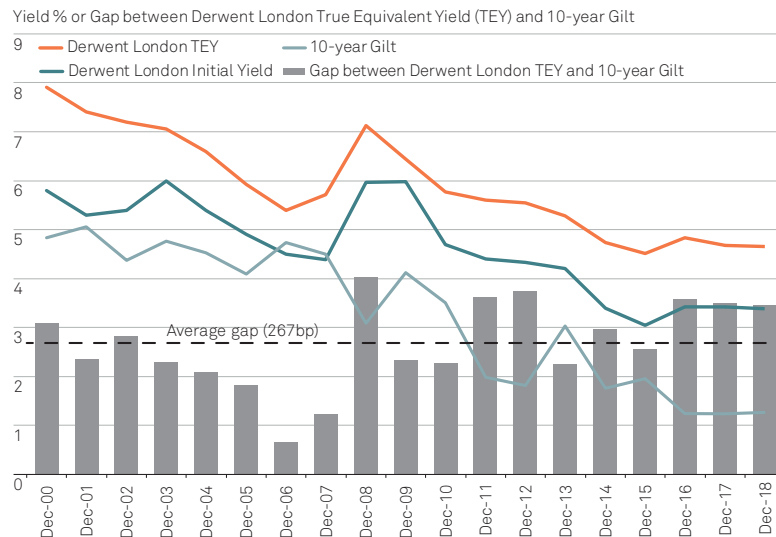
<sup>1</sup> Six-monthly data    <sup>2</sup> On EPRA portfolio



## APPENDIX 12 - CONTEXT TO YIELD MOVEMENT

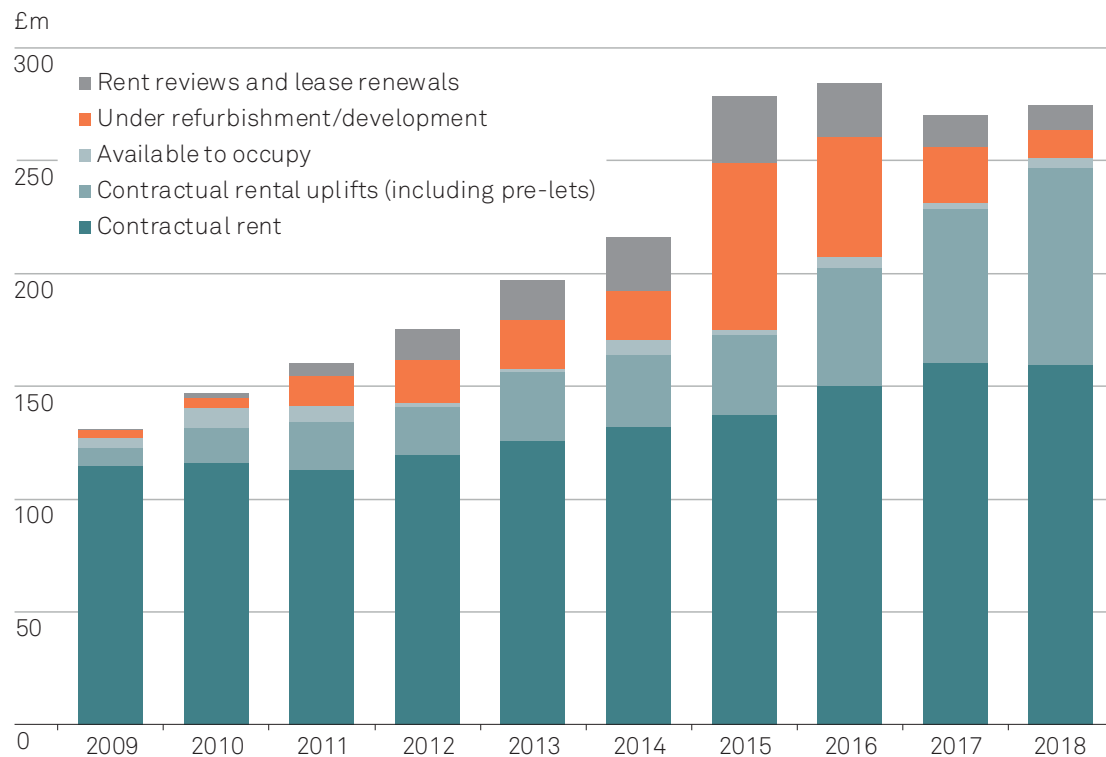
- 346bp spread between true equivalent yield and 10-year Gilt:
  - Gilt yield low and stable at 1.27% on 31 Dec 2018 against 1.23% at start of the year
  - Strong investor demand
  - Above trend occupier demand
- Capital values<sup>2</sup>:
  - Central London      £994 psf:
    - West End      £1,034 psf
    - City Borders      £947 psf

### VALUATION YIELDS<sup>1</sup>



<sup>1</sup> Post H2 2010 portfolio on an EPRA basis    <sup>2</sup> Excludes 0.62m sq ft of on-site developments and Soho Place and The Featherstone Building sites - Appendix 35

## APPENDIX 13 - EVOLUTION OF PORTFOLIO ERV



## APPENDIX 14 - PORTFOLIO STATISTICS BY VILLAGE

	Valuation £m	Weighting %	Floor area¹ '000 sq ft	Vacant floor area '000 sq ft	Net contracted rental income £m pa	Average rental income £ psf	Vacant space rental value £m pa	Lease reversion⁴ £m pa	Total reversion £m pa	Estimated rental value £m pa
<b>West End Central</b>										
Fitzrovia²	1,595.1	30	1,378	133	46.4	37.69	6.2	34.2	40.4	86.8
Victoria	514.5	10	586	3	19.7	33.86	0.1	6.8	6.9	26.6
Paddington	259.5	5	243	88	(0.1)	-	5.9	11.1	17.0	16.9
Baker Street/Marylebone	167.2	3	193	11	5.8	32.10	0.7	3.1	3.8	9.6
Mayfair	95.7	2	43	-	0.2	11.18³	-	4.1	4.1	4.3
Soho/Covent Garden	81.0	2	108	-	-	0.23	-	-	-	-
	<b>2,713.0</b>	<b>52</b>	<b>2,551</b>	<b>235</b>	<b>72.0</b>	<b>31.41</b>	<b>12.9</b>	<b>59.3</b>	<b>72.2</b>	<b>144.2</b>
<b>West End Borders</b>										
Islington/Camden	462.5	9	494	-	15.9	32.09	-	9.7	9.7	25.6
<b>West End</b>	<b>3,175.5</b>	<b>61</b>	<b>3,045</b>	<b>235</b>	<b>87.9</b>	<b>31.53</b>	<b>12.9</b>	<b>69.0</b>	<b>81.9</b>	<b>169.8</b>
<b>City Borders</b>										
Clerkenwell	623.5	12	649	29	22.8	38.57	0.9	7.6	8.5	31.3
Old Street	571.3	11	477	19	17.8	38.85	0.4	8.6	9.0	26.8
Shoreditch/Whitechapel	462.3	9	596	10	16.2	27.66	0.6	9.2	9.8	26.0
Holborn	289.0	5	296	36	9.6	38.67	1.8	3.7	5.5	15.1
Other	2.2	-	-	-	-	-	-	-	-	-
<b>City Borders</b>	<b>1,948.3</b>	<b>37</b>	<b>2,018</b>	<b>94</b>	<b>66.4</b>	<b>35.33</b>	<b>3.7</b>	<b>29.1</b>	<b>32.8</b>	<b>99.2</b>
<b>Central London</b>	<b>5,123.8</b>	<b>98</b>	<b>5,063</b>	<b>329</b>	<b>154.3</b>	<b>33.07</b>	<b>16.6</b>	<b>98.1</b>	<b>114.7</b>	<b>269.0</b>
Provincial	93.8	2	347	9	5.2	15.46	-	0.2	0.2	5.4
<b>Investment portfolio</b>	<b>5,217.6</b>	<b>100</b>	<b>5,410</b>	<b>338</b>	<b>159.5</b>	<b>31.90</b>	<b>16.6</b>	<b>98.3</b>	<b>114.9</b>	<b>274.4</b>

¹ Includes 0.62m sq ft of on-site developments    ² Includes North of Oxford Street    ³ Contracted rent of £104.16 psf after incentives

⁴ Contractual uplifts, rent review/lease renewal reversion and pre-lets

## APPENDIX 15 - BUILD-UP OF PORTFOLIO ERV

	£m	Rent uplift pa £m	Rent pa £m
<b>Contracted rental income, net of ground rents</b>			<b>159.5</b>
<b>Contractual rental uplifts</b>			
White Collar Factory EC1	8.4		
Angel Building EC1	8.0		
Horseferry House SW1	5.2		
Tea Building E1	5.0		
The White Chapel Building E1	4.3		
Other	24.4	55.3	
<b>Vacant space<sup>1</sup></b>			
Available to occupy	4.1		
Under refurbishment	1.7	5.8	
<b>Lease reversions</b>			
Anticipated rent reviews and lease renewals		11.1	72.2
			231.7
<b>Two on-site developments (non-EPRA)<sup>2</sup></b>			
Pre-let element	31.9		
Available	10.8		42.7
<b>Estimated rental value</b>			<b>274.4</b>

<sup>1</sup> Detailed in Appendix 16    <sup>2</sup> Capex to complete £133m excluding capitalised interest – see Appendix 35

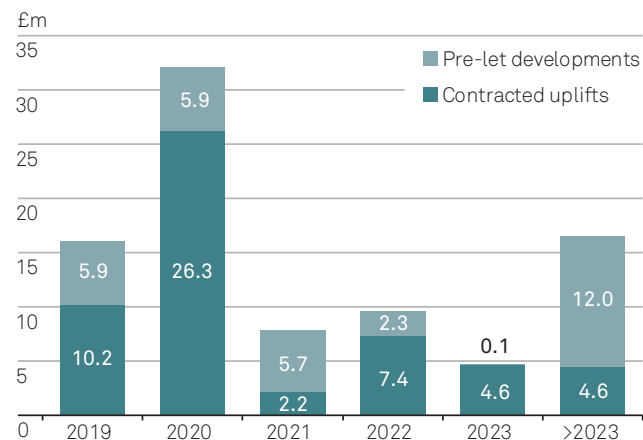
## APPENDIX 16 - AVAILABLE SPACE AND PROJECTS

	Vacant area '000 sq ft	Pre-let area '000 sq ft	Total area '000 sq ft	Gross vacant ERV £m pa	Ground rent £m pa	Net vacant ERV £m pa	Pre-let net rent ERV £m pa	Total net ERV £m pa	Comment
<b>Available to occupy (EPRA)</b>									
Johnson Building EC1	36	-	36	1.8	-	1.8	-	1.8	
White Collar Factory EC1	18	-	18	0.5	-	0.5	-	0.5	
19-35 Baker Street W1	8	-	8	0.4	-	0.4	-	0.4	7,500 sq ft let in Q1 2019 at £0.3m pa
Turnmill EC1	12	-	12	0.3	-	0.3	-	0.3	7,000 sq ft under offer at £0.2m pa
5-8 Hardwick Street EC1	6	-	6	0.3	-	0.3	-	0.3	6,000 sq ft under offer at £0.3m pa
Other	27	-	27	0.8	-	0.8	-	0.8	
	<b>107</b>	<b>-</b>	<b>107</b>	<b>4.1</b>	<b>-</b>	<b>4.1</b>	<b>-</b>	<b>4.1</b>	
<b>Under refurbishment</b>									
90 Whitfield Street W1	10	-	10	0.7	-	0.7	-	0.7	
Tea Building E1	9	-	9	0.7	-	0.7	-	0.7	
Other	12	-	12	0.4	0.1	0.3	-	0.3	
	<b>31</b>	<b>-</b>	<b>31</b>	<b>1.8</b>	<b>0.1</b>	<b>1.7</b>	<b>-</b>	<b>1.7</b>	
<b>On-site developments (non-EPRA)</b>									
80 Charlotte Street W1	112	268	380	4.9	-	4.9	20.9	25.8	
Brunel Building W2	88	155	243	6.0	0.1	5.9	11.0	16.9	33,000 sq ft let in Q1 2019 at £2.6m pa
	<b>200</b>	<b>423</b>	<b>623</b>	<b>10.9</b>	<b>0.1</b>	<b>10.8</b>	<b>31.9</b>	<b>42.7</b>	
<b>Total</b>	<b>338</b>	<b>423</b>	<b>761</b>	<b>16.8</b>	<b>0.2</b>	<b>16.6</b>	<b>31.9</b>	<b>48.5</b>	

## APPENDIX 17 - TIMING OF THE REVERSION

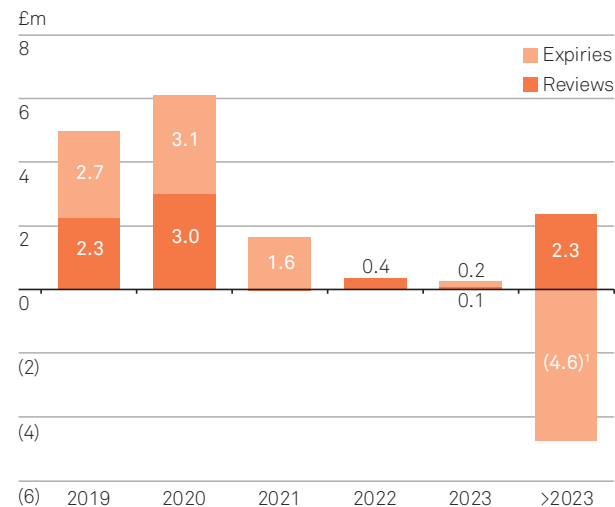
- £87.2m of the reversion contracted:
  - Fixed rental uplifts £55.3m
  - Pre-let developments £31.9m

### CONTRACTUAL UPLIFTS AND PRE-LETS



- £11.1m of the reversion from reviews and expiries

### REVIEWS AND EXPIRIES

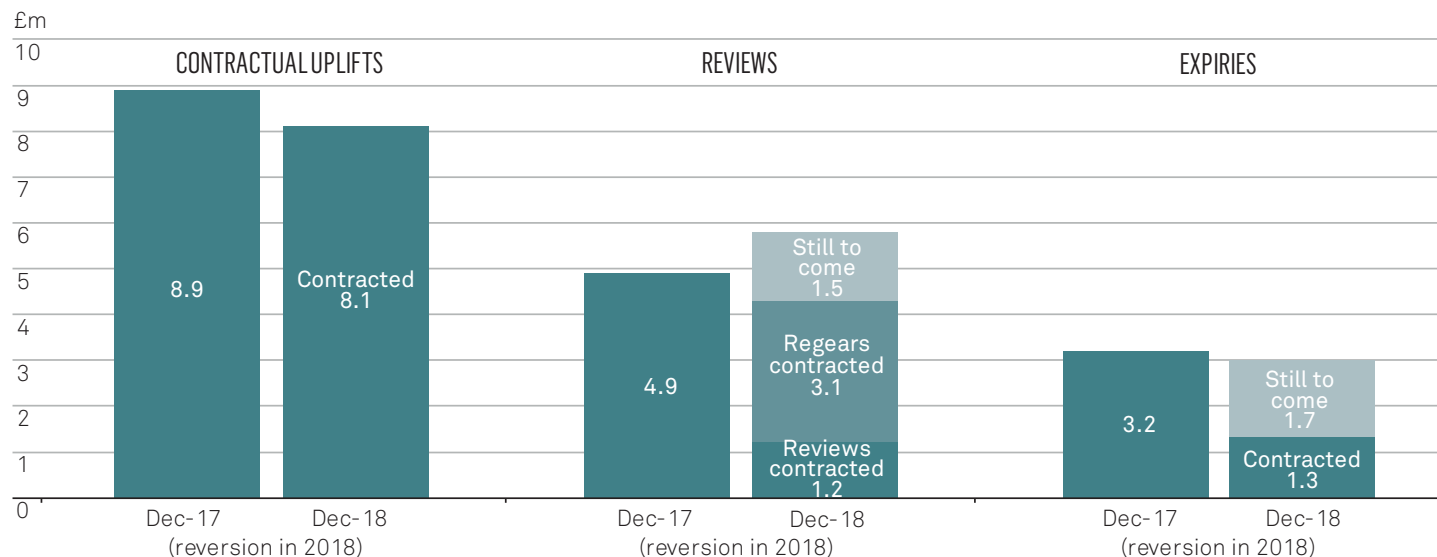


Rent psf	£43	£43	£53	£35	£55	£66
ERV psf	£53	£52	£56	£38	£59	£58
Uplift %	23	21	6	9	7	(12)

<sup>1</sup> Predominantly due to contracted uplifts reverting to Dec 2018 ERV at lease expiry



## APPENDIX 18 - OUTCOME OF EXPECTED 2018 REVERSION



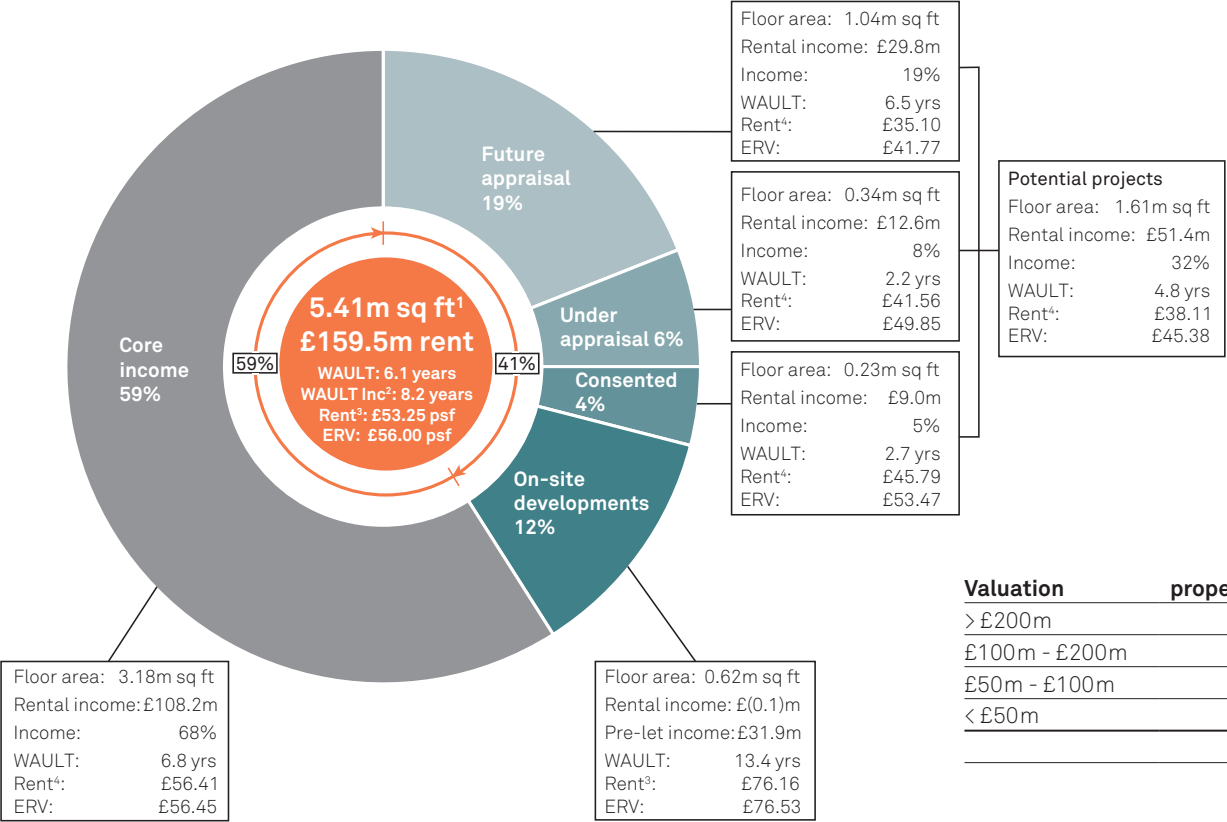
- £8.9m contracted uplifts expected in 2018:
  - £8.1m now received within net rent
  - £0.2m not captured due to 2019 scheme start
  - £0.6m not captured due to surrenders<sup>1</sup>

- £4.9m reversion expected in 2018 from reviews:
  - £1.2m captured from settled reviews<sup>2</sup>
  - £3.1m captured from regears<sup>2</sup>
  - £1.5m still to come

- £3.2m reversion expected in 2018 from expiries:
  - £1.3m captured from renewals and new lettings<sup>2</sup>
  - £1.7m still to come

<sup>1</sup> Premiums were received for surrenders    <sup>2</sup> Includes current net rent and future contractual uplifts

# APPENDIX 19 - PORTFOLIO SUMMARY



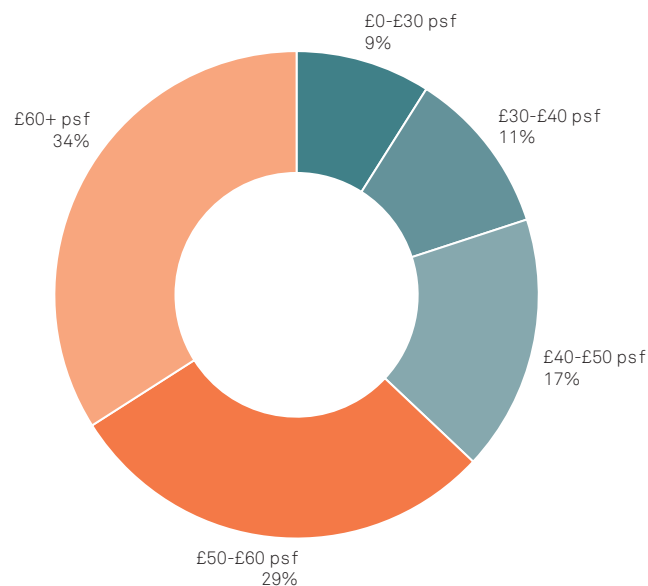
Valuation	Nº of properties	Weighting %
> £200m	7	39
£100m - £200m	9	25
£50m - £100m	16	22
< £50m	54	14
	<b>86</b>	<b>100</b>

¹ Comprises 4.79m sq ft of existing buildings plus 0.62m sq ft of on-site developments - excluding Soho Place and The Featherstone Building sites

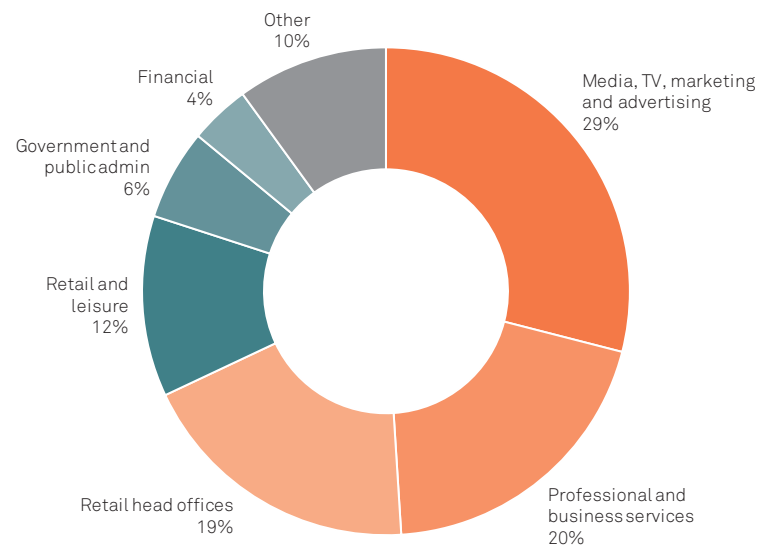
² After adjusting for 'topped-up' rents and pre-lets - Appendix 25    ³ 'Topped-up' office rent including development pre-lets    ⁴ 'Topped-up' office rent

## APPENDIX 20 - RENT AND TENANT BANDING

CENTRAL LONDON 'TOPPED-UP'  
OFFICE RENT BANDING<sup>1</sup>



PROFILE OF TENANTS'  
BUSINESS SECTOR<sup>2</sup>



<sup>1</sup> Based on floor area    <sup>2</sup> Based on annualised rental income

## APPENDIX 21 - MAJOR TENANTS



BURBERRY



THE  
OFFICE  
GROUP

WPP Group plc



TelecityGroup



ticketmaster®



Fotografiska

Pre-lets:



ARUP



'Topped-up' income¹ %

		Existing	Pre-let
01	Expedia	7.3	-
02	Burberry	5.9	-
03	Publicis Groupe	4.3	-
04	The Boston Consulting Group	-	4.2
05	Arup	0.1	3.9
06	Government	3.6	-
07	The Office Group	2.8	-
08	WPP Group	2.4	-
09	Sony Pictures	-	1.9
10	FremantleMedia Group	1.9	-
11	IWG	1.6	-
12	The Doctors Laboratory	1.5	-
13	FA Premier League	0.4	0.9
14	Telecity Group	1.3	-
15	VCCP	1.3	-
16	Adobe	1.2	-
17	Mother London	1.2	-
18	Ticketmaster	1.2	-
19	Capital One	1.0	-
20	Fotografiska	1.0	-
<b>Total</b>		<b>50.9</b>	

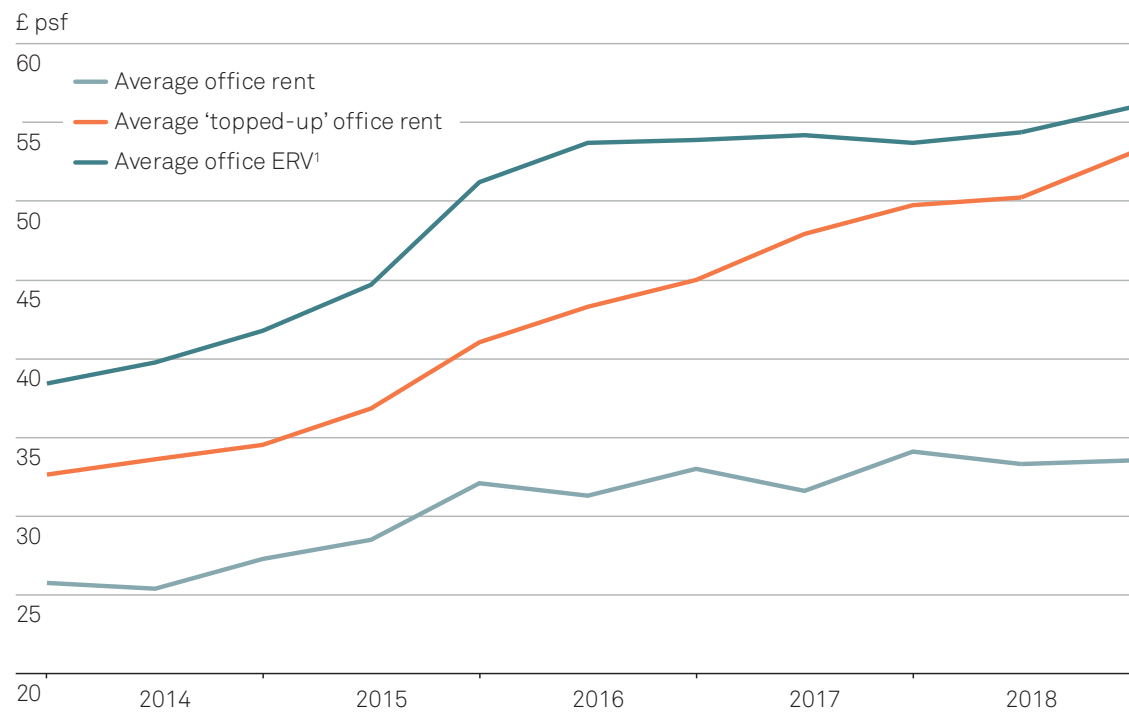
¹ Derwent London share

## APPENDIX 22 - A CLOSE RELATIONSHIP WITH OUR TENANTS

### Top 20 tenants ('topped-up' income)

01	Expedia	←	Let 17,100 sq ft at Angel Building EC1 - Expedia now occupy all of the building's office space
02	Burberry	←	Major regear of the 162,700 sq ft Horseferry House SW1 extending Burberry's term certain from 2023 to 2038
03	Publicis Groupe		
04	The Boston Consulting Group	←	80 Charlotte Street W1 under construction
05	Arup	←	80 Charlotte Street W1 under construction
06	Government		
07	The Office Group		
08	WPP Group		
09	Sony Pictures	←	Pre-let 68,200 sq ft at Brunel Building W2
10	FremantleMedia Group	←	Renewed 83,400 sq ft lease at 1-2 Stephen Street W1
11	IWG		
12	The Doctors Laboratory	←	Regear 36,200 sq ft at 60 Whitfield Street W1 to extend their term certain from 2029 to 2042
13	FA Premier League	←	Pre-let 33,400 sq ft at Brunel Building W2, relocating them from 23,600 sq ft at our 30 Gloucester Place W1 property
14	Telecity Group		
15	VCCP	←	Renewed 47,500 sq ft of leases at Greencoat & Gordon House SW1
16	Adobe		
17	Mother London		
18	Ticketmaster		
19	Capital One		
20	Fotografiska	←	Delivered their 89,000 sq ft refurbishment at The White Chapel Building E1

# APPENDIX 23 - DERWENT LONDON CENTRAL LONDON OFFICE RENT PROFILE



¹ Includes ERV of on-site schemes

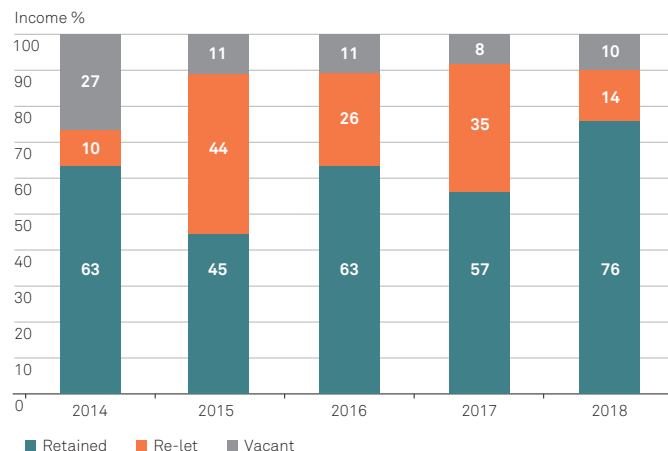


## APPENDIX 24 - LEASE EXPIRIES, BREAKS AND VACANCY RATES

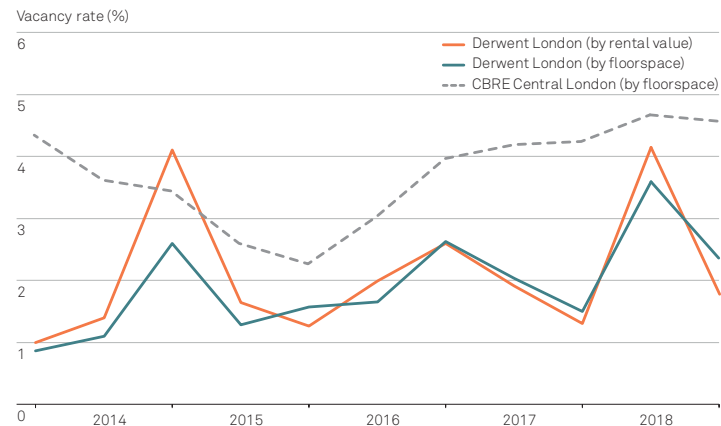
- £14.9m of income subject to breaks/expiries in 2018:
  - 90% retained or re-let

- EPRA vacancy rate of 1.8%<sup>2</sup> at the year end (4.2% in Jun 2018, 1.3% at Dec 2017):
  - Group's 10-year average of 2.5%

### LEASE EXPIRY AND BREAK ANALYSIS<sup>1</sup>



### EPRA VACANCY RATES



<sup>1</sup> As at end of reporting period    <sup>2</sup> Calculated as space immediately available to occupy

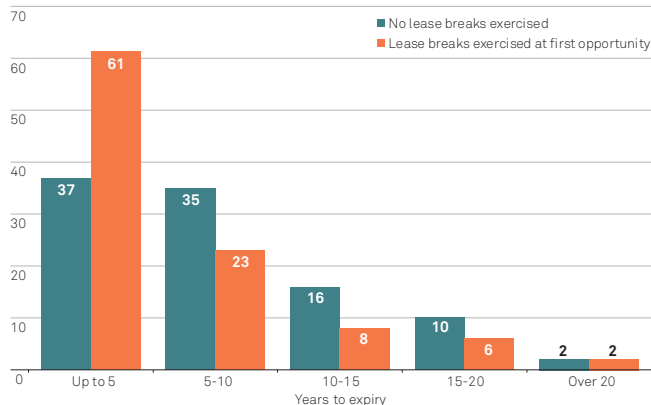
## APPENDIX 25 - LEASE EXPIRY PROFILE AND LEASE LENGTH

### EXPIRIES AND BREAKS AS A PERCENTAGE OF PORTFOLIO INCOME<sup>1</sup>

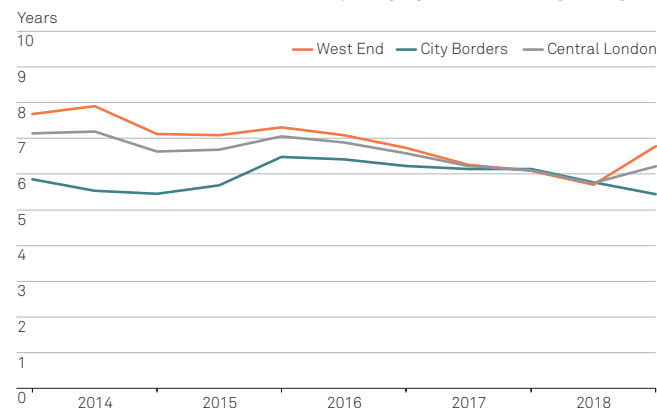
	West End	City Borders	Provincial	2019	2020	2021	2022	2023	Total
Expiries	4	0	0	4	6	12	4	2	28
Holding over	0	1	0	1	0	0	0	0	1
Rolling breaks	1	0	0	1	1	3	0	0	5
Single breaks	0	2	0	2	6	9	5	5	27
	5	3	0	8	13	24	9	7	61

### PROFILE OF RENTAL INCOME EXPIRY<sup>1</sup>

Contracted rental income %



### AVERAGE UNEXPIRED LEASE LENGTH<sup>2</sup>



- Average lease length 6.1 years (Dec 2017: 6.0 years):
  - 8.2 years after adjusting for 'topped-up' rents and pre-lets (Dec 2017: 7.8 years)

<sup>1</sup> Based upon annualised contracted rental income of £159.5m <sup>2</sup> Lease length weighted by rental income and assuming tenants break at first opportunity

## APPENDIX 26 - CENTRAL LONDON OFFICE DEMAND

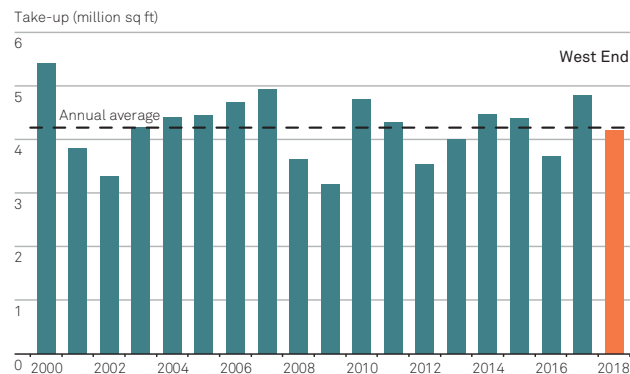
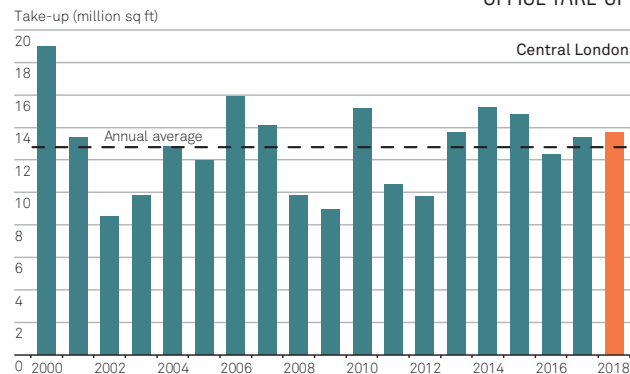
### Market statistics

- 13.7m sq ft of central London office take-up in 2018:
  - 7.2% above the annual average
  - 2.2% and 11.1% above 2017 and 2016 respectively
  - 27% Business Services, 23% Creative Industries, 19% Banking & Finance, 10% Professional, 9% Public Sector
- 3.3m sq ft under offer, the highest year-end total since 1999
- West End take-up just below average (-1.5%) at 4.2m sq ft
- Rents predominantly flat in 2018:
  - CBRE prime central London rental growth +0.1%
  - No change in 9 of 13 CBRE's central London sub-areas including Mayfair/St James's £105 psf, Fitzrovia £85 psf, Victoria £72.50 psf and Midtown £80 psf
  - Rental growth in Paddington £72.50 psf (+3.6%), City £69.50 psf (+1.5%) and Docklands £48.50 psf (+1.0%)

### Derwent London's view

- Good demand for our space, especially our developments
- Rents and incentives stable

### OFFICE TAKE-UP



Source: CBRE

## APPENDIX 27 - CENTRAL LONDON OFFICE SUPPLY

### Market statistics

- Vacancy rate of 4.6%, up from 4.2% at 31 Dec 2017:
  - Remains below the long-term average (LTA) of 5.1%
  - West End at 3.3% (3.4% a year ago, 4.2% LTA)
  - City at 5.4% (5.1% a year ago, 6.4% LTA)
- 4.6m sq ft of completions in 2018, 1% below LTA:
  - 0.5m sq ft in West End, 55% below LTA
- Future central London office pipeline:
  - Committed: 6.5m sq ft 2019, 4.9m sq ft 2020, 1.9m sq ft 2021:
    - 54% pre-let
  - Potential: 6.6m sq ft 2019, 8.4m sq ft 2020, 7.2m sq ft 2021

### Derwent London's view

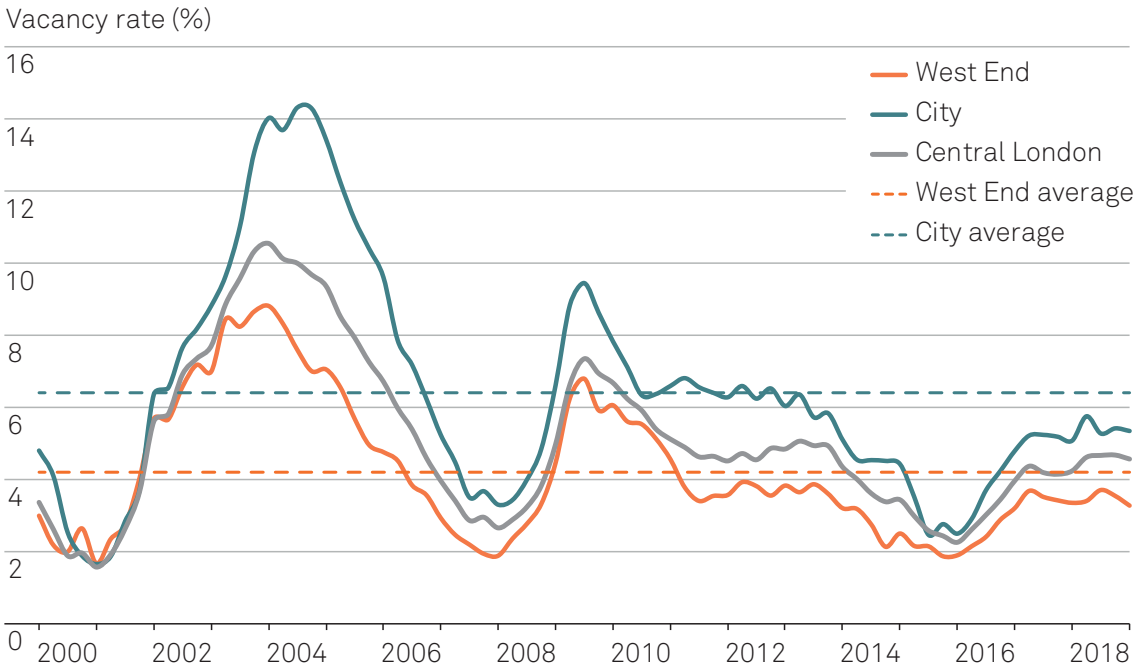
- Below average 2018 deliveries, especially in the West End
- Continue to de-risk our on-site developments

### OFFICE DEVELOPMENT PIPELINE



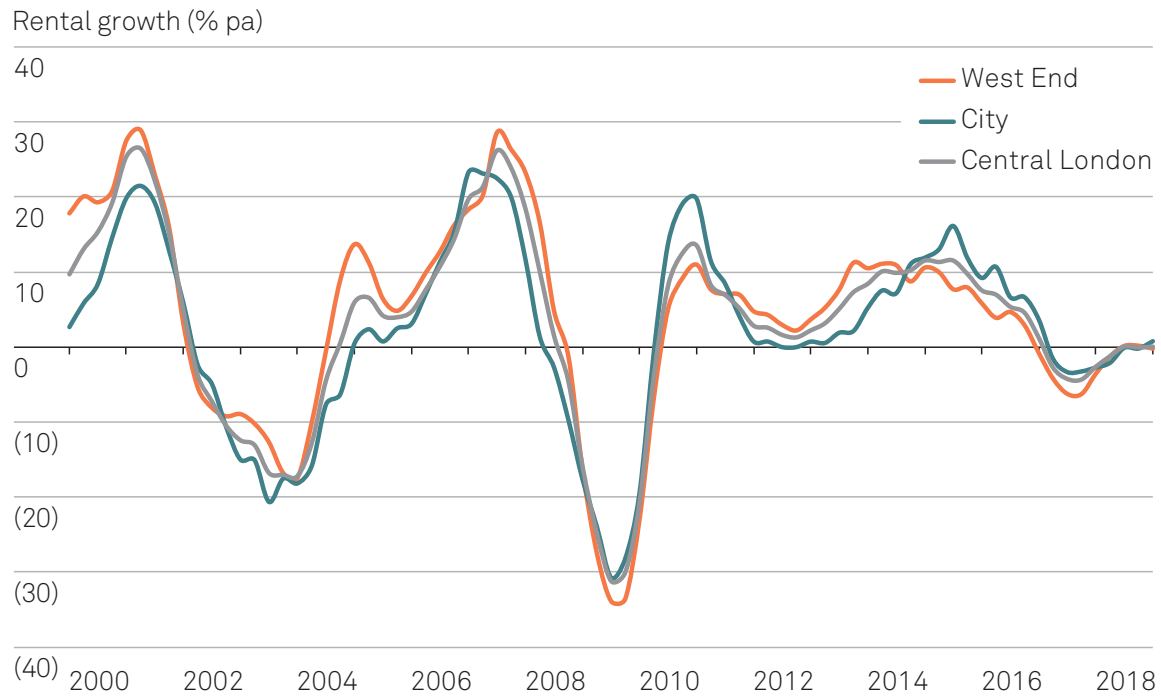
Source: CBRE

# APPENDIX 28 - CENTRAL LONDON OFFICE VACANCY



Source: CBRE

# APPENDIX 29 - CENTRAL LONDON OFFICE RENTAL GROWTH



Source: CBRE

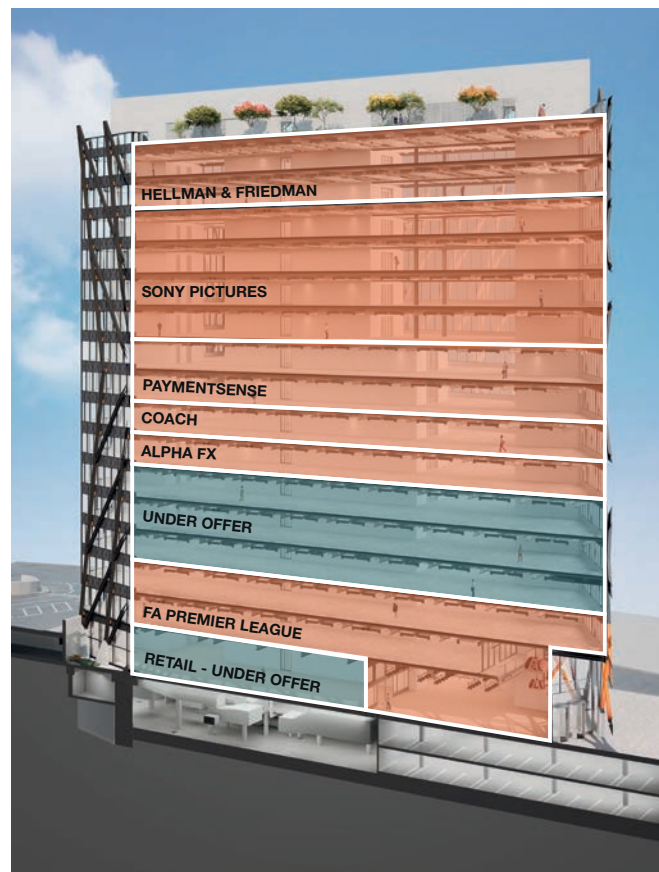


## APPENDIX 30 - BRUNEL BUILDING W2

- 243,000 sq ft office scheme, due to complete H1 2019, which is 77% pre-let at £13.9m pa (gross):

		Rent £m pa	Area sq ft
2018	Sony Pictures	4.9	68,200
	FA Premier League	2.2	33,400
	Hellman & Friedman	1.8	20,500
	Coach	1.2	16,500
	Alpha FX	1.2	16,500
		<b>11.3</b>	<b>155,100</b>
2019	Paymentsense	2.6	33,000

- Remaining office and retail space under offer

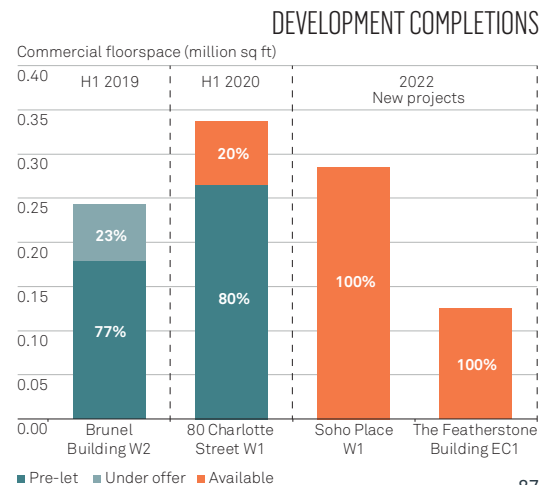
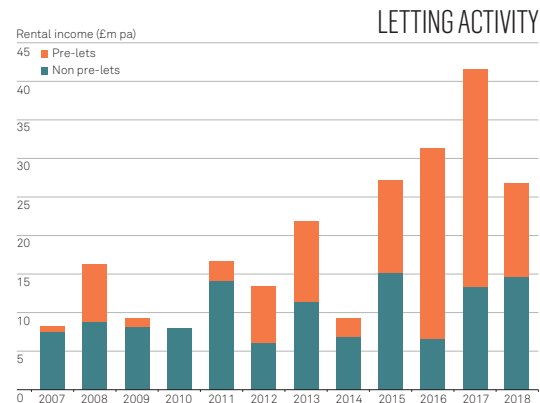


## APPENDIX 31 - DEVELOPMENTS DRIVING RETURNS

- Pre-lets have accounted for a significant proportion of our lettings in recent years:
  - 45% in 2018, 68% in 2017 and 79% in 2016
- Key pre-lets 2017-2019:
  - Brunel Building W2 – Sony Pictures, FA Premier League, Hellman & Friedman, Coach, Alpha FX and Paymentsense
  - 80 Charlotte Street W1 – Arup, The Boston Consulting Group and Elliott Wood
  - On-site developments now 75% pre-let<sup>1</sup>
- In a relatively flat property market, these pre-lets have been key to driving valuation performance:
  - 2017<sup>2</sup>: +16% (3.9% underlying)
  - 2018<sup>2</sup>: +18% (2.2% underlying)

<sup>1</sup> Includes 11,500 sq ft of residential sales, including affordable housing

<sup>2</sup> Brunel Building and 80 Charlotte Street



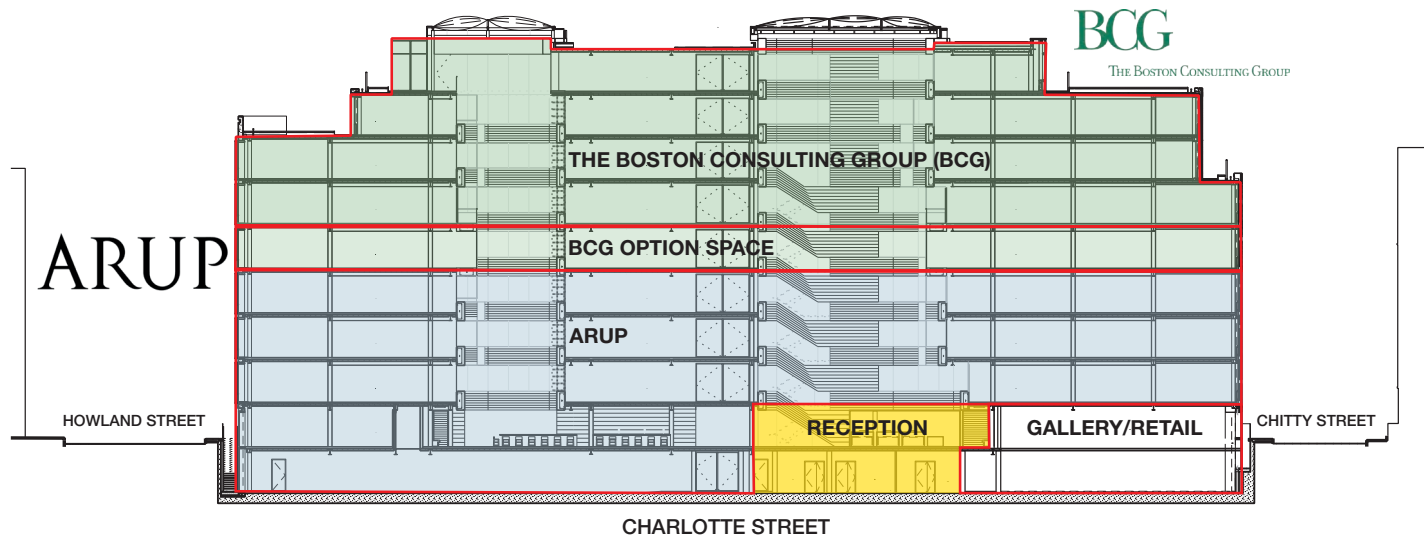
## APPENDIX 32 - 80 CHARLOTTE STREET W1 (ISLAND SITE)

### ARUP

- 133,600 sq ft pre-let in 2017
- £9.7m pa with annual increases of 2.25% for the first 15 years
- Average rent of £75 psf on main office floors
- 20-year lease, no breaks

### THE BOSTON CONSULTING GROUP

- 123,500 sq ft pre-let in Q3 2017
- £10.6m pa
- Average rent of £85.50 psf
- 15-year lease, break in year 12
- Options on a further 52,900 sq ft



## APPENDIX 33 - ON-SITE DEVELOPMENTS: PROFIT ON COST

Brunel Building W2



80 Charlotte Street W1



Completion		H1 2019	H1 2020
Commercial area (sq ft)	578,000	243,000	335,000
Residential area (sq ft)	45,000	-	45,000 <sup>2</sup>
Est. future capex (£m)	133	16	117
Total cost (£m) <sup>1</sup>	743	235	508
ERV (£ psf)	-	c.75.00	c.80.00
ERV (£m pa)	42.7	16.9 <sup>3</sup>	25.8
Pre-let area <sup>6</sup> (sq ft)	423,200	155,100 <sup>7</sup>	268,100
Pre-let income (£m pa)	31.9	11.0 <sup>3</sup>	20.9

Summary	£m
End value	990
Less: Total cost <sup>1</sup>	743
<b>Project surplus</b>	<b>247</b>
Less: Booked to Dec 18	125
Surplus to come	122
<b>Profit on total cost</b>	<b>33%</b>
<b>Profit to come on total cost</b>	<b>16%</b>
<b>Yield on cost<sup>5</sup></b>	<b>6.3%</b>

↓  
Sensitivity<sup>4</sup> - project surplus (£m)  
and profit on cost (%)

		Valuation yield		
		+0.25%	Base	-0.25%
Rent	-£5.00 psf	£180m 24%	£230m 31%	£285m 38%
	Base	£197m 26%	<b>£247m 33%</b>	£304m 41%
	+£5.00 psf	£213m 29%	£264m 36%	£322m 43%

<sup>1</sup> Comprising book value at commitment, capex, fees and notional interest on land, voids and other costs. 80 Charlotte Street land value as at Dec 2011, following receipt of planning permission and Brunel Building land value as at Jun 2015 <sup>2</sup> Private residential 35,000 sq ft and affordable housing 10,000 sq ft <sup>3</sup> As a long leasehold interest, net of 2.5% ground rent <sup>4</sup> Sensitivity applies to non pre-let commercial floor areas <sup>5</sup> Assumes the residential value reduces the total costs <sup>6</sup> Commercial area <sup>7</sup> Pre-let as at Dec 2018, now 77% (188,100 sq ft)

## APPENDIX 34 - 2019 DEVELOPMENT STARTS: PROFIT ON COST

The Featherstone  
Building EC1



Soho Place W1



Completion		H1 2022	H1 2022
Commercial area (sq ft)	410,000	125,000 <sup>2</sup>	285,000 <sup>3</sup>
Est. future capex (£m)	359	76	283
Total cost (£m) <sup>1</sup>	558	142	416
ERV (£ psf)		70.00	85.00
ERV (£m pa)	30.0	8.0	22.0

### Summary

End value	656
Less: Total cost <sup>1</sup>	558
<b>Project surplus</b>	<b>98</b>
<b>Profit on total cost</b>	<b>18%</b>
<b>Yield on cost</b>	<b>5.4%</b>



Sensitivity<sup>4</sup> - project surplus (£m)  
and profit on cost (%)

		Valuation yield		
		+0.25%	Base	-0.25%
Rent	-£5.00 psf	£33m 6%	£63m 11%	£96m 17%
	Base	£66m 12%	<b>£98m</b> <b>18%</b>	£133m 24%
	+£5.00 psf	£99m 18%	£133m 24%	£171m 30%

<sup>1</sup> Comprising Dec 2018 book value, capex, fees and notional interest on land, voids and other costs. In respect of Soho Place included is a 16% profit share payaway to freeholder Crossrail <sup>2</sup> 110,000 sq ft office, 13,000 sq ft workspace, 2,000 sq ft retail <sup>3</sup> 209,000 sq ft office, 36,000 sq ft retail, 40,000 sq ft theatre <sup>4</sup> Sensitivity excludes Soho Place theatre as pre-let long-term at a nominal rent

## APPENDIX 35 - PROJECT SUMMARY: CURRENT PROJECTS

Property	Current net income £m pa	Pre scheme area '000 sq ft	Proposed area '000 sq ft	2019 capex £m	2020 capex £m	2021+ capex £m	Total capex to complete £m	Delivery date	Current office c.ERV psf
<b>On site</b>									
Brunel Building W2	(0.1)	78	243	16	-	-	16	H1 2019	£75.00
80 Charlotte Street W1	-	234	380	92	25	-	117	H1 2020	£80.00
	<b>(0.1)</b>	<b>312</b>	<b>623</b>	<b>108</b>	<b>25</b>	<b>-</b>	<b>133</b>		
<b>2019 starts</b>									
Soho Place W1	-	-	285	53	94	136	283 <sup>1</sup>	H1 2022	
The Featherstone Building EC1	-	-	125	17	32	27	76	H1 2022	
	-	-	<b>410</b>	<b>70</b>	<b>126</b>	<b>163</b>	<b>359</b>		
Other	-	-	-	29	6	8	43		
<b>Total</b>	<b>(0.1)</b>	<b>312</b>	<b>1,033</b>	<b>207</b>	<b>157</b>	<b>171</b>	<b>535</b>		
Capitalised interest	-	-	-	15	10	12	37		
<b>Total including interest</b>	<b>(0.1)</b>	<b>312</b>	<b>1,033</b>	<b>222</b>	<b>167</b>	<b>183</b>	<b>572</b>		

<sup>1</sup> Includes remaining site acquisition cost and profit share to Crossrail



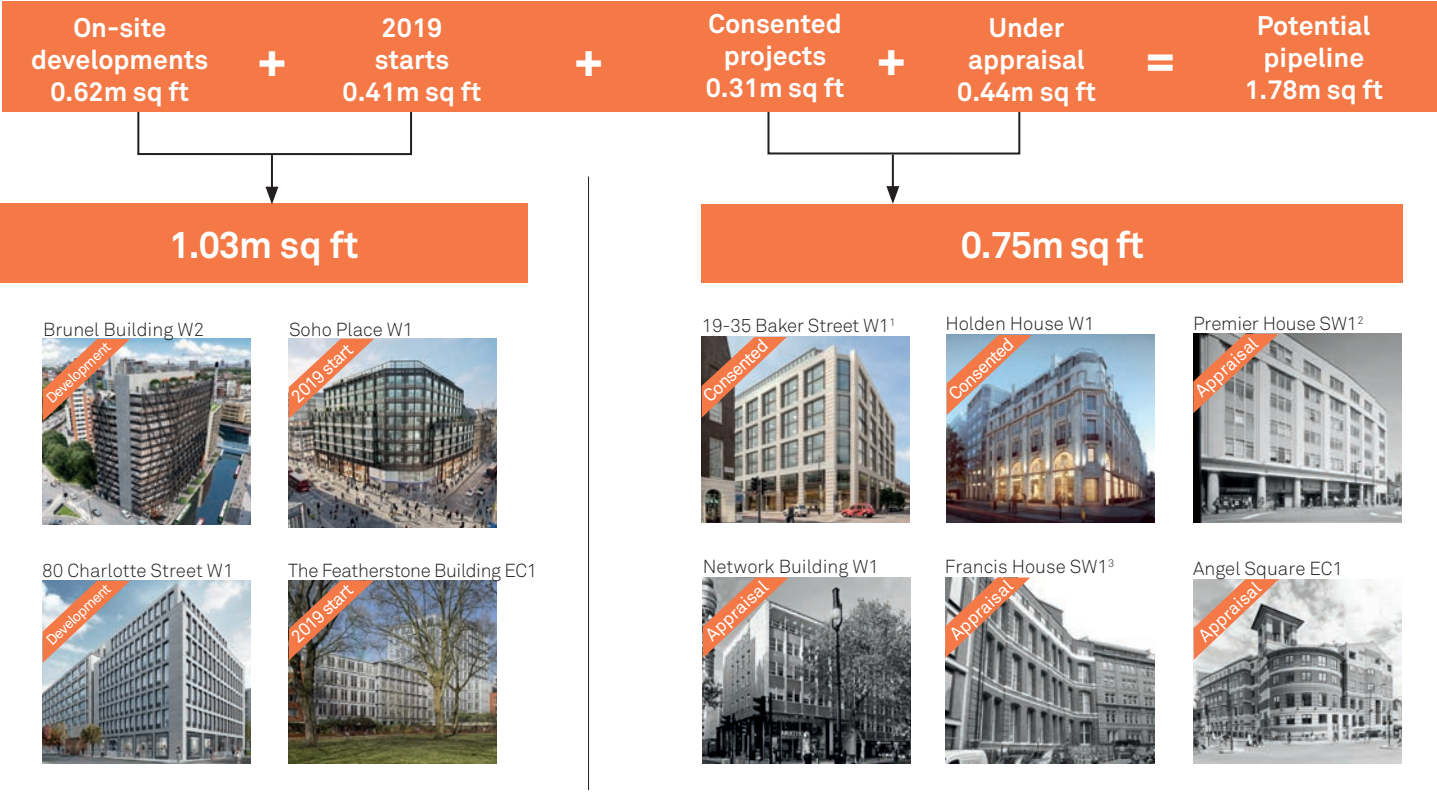
## APPENDIX 36 - PROJECT SUMMARY: FUTURE PROJECTS

Property	Current net income £m pa	Pre-scheme area '000 sq ft	Proposed area '000 sq ft	Earliest possession year	Comment
<b>Consented</b>					
19-35 Baker Street W1 <sup>1</sup>	3.2	143	293	2021	Joint venture - The Portman Estate
Holden House W1	5.8	90	150	2021	Eastern end of Oxford Street
	<b>9.0</b>	<b>233</b>	<b>443</b>		
Adjustment for JV	(1.4)	(64)	(132)		19-35 Baker Street W1 - Derwent 55% interest
	<b>7.6</b>	<b>169</b>	<b>311</b>		
<b>Under appraisal<sup>2</sup></b>					
Premier House SW1	2.1	62	80	2018	Potential disposal
Network Building W1	3.6	64	100	2021	
Francis House SW1 <sup>3</sup>	2.1	86	130	TBC	
Angel Square EC1	4.8	126	126	TBC	Rolling refurbishment
	<b>12.6</b>	<b>338</b>	<b>436</b>		
<b>Consented and under appraisal</b>	<b>20.2</b>	<b>507</b>	<b>747</b>		
On site and 2019 starts	(0.1)	312	1,033		Appendix 35
<b>Pipeline</b>	<b>20.1</b>	<b>819</b>	<b>1,780</b>		

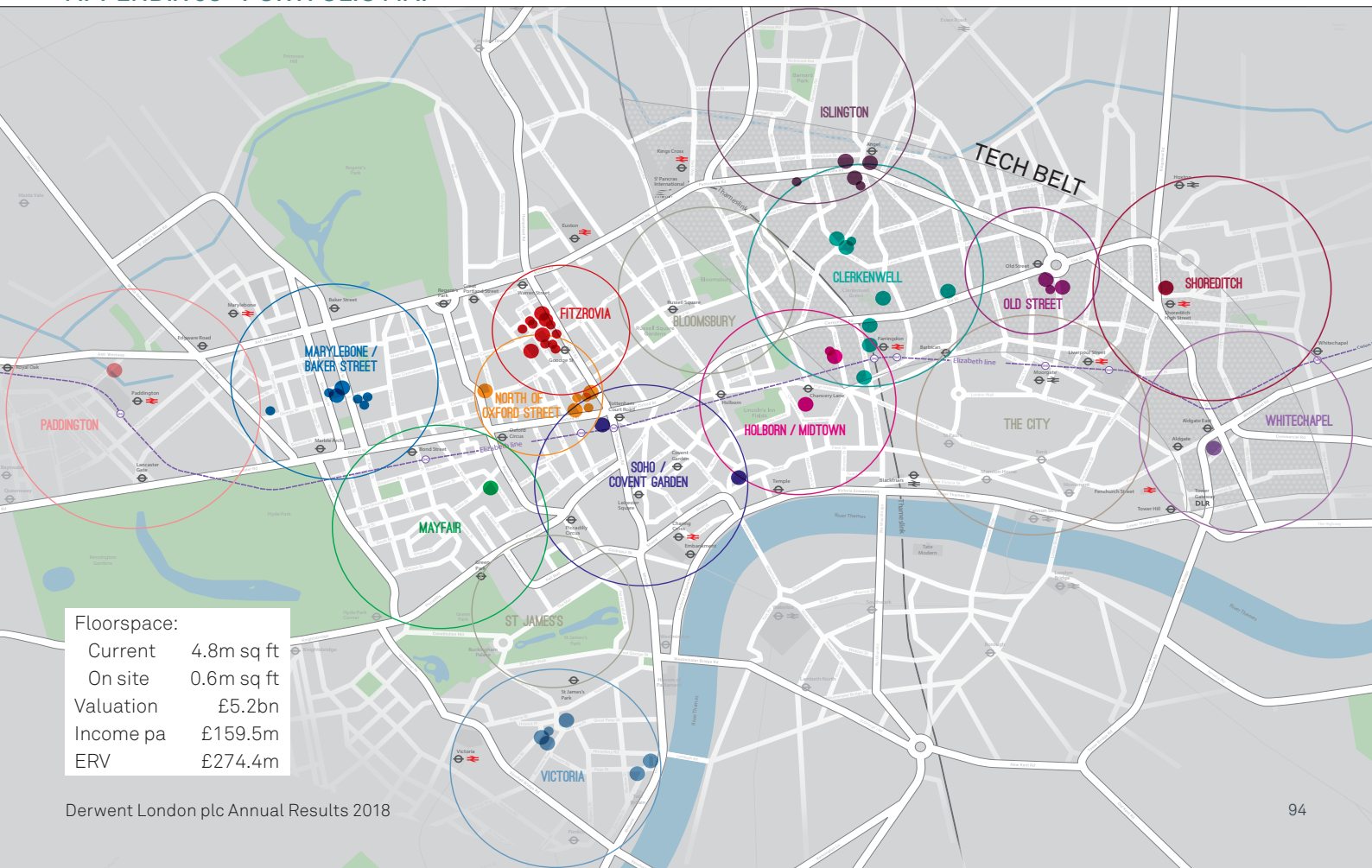
<sup>1</sup> Includes 88-100 George Street, 30 Gloucester Place and 69-85 Blandford Street    <sup>2</sup> Areas proposed are estimated from initial studies

<sup>3</sup> Includes 6-8 Greencoat Place

# APPENDIX 37 - PROJECT PIPELINE



## APPENDIX 38 - PORTFOLIO MAP



### Floorspace:

Current	4.8m sq ft
On site	0.6m sq ft
Valuation	£5.2bn
Income pa	£159.5m
ERV	£274.4m

## APPENDIX 39 - EXECUTIVE COMMITTEE AND SENIOR MANAGEMENT

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John Burns*	Chief Executive
Damian Wisniewski*	Finance Director
Simon Silver*	Property Director
Nigel George*	Property Director
Paul Williams*	Property Director
David Silverman*	Property Director
David Lawler*	Company Secretary
Richard Baldwin*	Head of Development
Rick Meakin*	Group Financial Controller
Ben Ridgwell*	Head of Asset Management
Emily Prideaux*	Head of Leasing
Jennifer Whybrow*	Head of Financial Planning & Analysis
Quentin Freeman	Head of Investor & Corporate Communications
Giles Sheehan	Head of Investment
John Davies	Head of Sustainability
David Westgate	Head of Tax
Katy Levine	Head of Human Resources
Lesley Bufton	Head of Property Marketing
Umar Loane	Head of Property Accounts

\* Members of Executive Committee

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