DERWENT LONDON

17 May 2011

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

INTERIM MANAGEMENT STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2011

Highlights

- Acquisitions and disposals:
  - Two acquisitions completed since the year end – 1 Page Street SW1 for £45m in the first quarter and the headlease of the Network Building, 95-100 Tottenham Court Road W1, for £31m in April.
  - Contracts exchanged for two disposals – the sale of Victory House, 170 Tottenham Court Road W1, for £37.2m which yields a profit of £10m and of five properties in Covent Garden WC2 for £68m, which is announced today in a separate release. Together these sales represent a surplus which is approximately 35% above book value.
- Lettings:
  - 21 transactions in Q1 2011 on floorspace of 130,500 sq ft (12,120m^2) with annual rental income of £3.6m and a further 50,400 sq ft (4,680m^2) of lettings concluded since 31 March 2011 at £2.1m pa.
  - The open market lettings so far completed in the first half have achieved rents 8.3% above estimated rental values at 31 December 2010.
  - 165,100 sq ft (15,340m^2) of space currently under offer at £6.0m including 93,400 sq ft (8,680m^2) at the Angel Building which would take occupancy at this property to 90%.
- Projects:
  - On site at four major projects totalling 306,000 sq ft (28,500m^2): 1 Page Street SW1, the pre-sold Victory House W1, Woodbridge House EC1, and 2-14 Pentonville Road N1.
  - Planning applications for 412,000 sq ft (38,200m^2) soon to be submitted which will bring to over 1.1 million sq ft (102,400m^2) the total area on which planning decisions are pending.
- Financial:
  - In a separate release today the Group is announcing the launch of a £175m convertible bond to help fund its development pipeline and increase resources for future acquisition opportunities. Please refer to the release for further information.

Commenting on the first quarter, John Burns, Chief Executive Officer of Derwent London, said: "The central London office market continues to perform strongly. We have made excellent progress on lettings, especially at the Angel Building, and we are advancing projects in the development pipeline. We are seeing increased opportunities to add to our portfolio and, underpinned by the capital raising we have announced today, will continue to pursue these. We remain confident of the prospects for our operating market and our Group."

Conference call

There will be a conference call for investors and analysts at 08.15 BST 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

Within the central London office market, where Derwent London’s business is focused, supply fell for the seventh consecutive quarter and there was continued rental growth. This was particularly strong in the West End. While take-up was lower than the comparable period last year, the amount of space being put under offer increased during the quarter. On the investment side, an improvement in rental values, accompanied by continued slight yield compression, led to further capital value growth. Despite strong investor demand, transaction volumes fell due to a lack of supply.

Portfolio management

Across the portfolio, letting momentum continued into the first quarter and we concluded 21 transactions with a combined floorspace of 130,500 sq ft (12,120m^2) and annual rent of £3.6m. This was the highest quarterly total by rental value since the final quarter of 2008 and was above that achieved in the whole of the first half in 2010. Since 31 March 2011, we have concluded a further 50,400 sq ft (4,680m^2) of lettings at a rent of £2.1m pa. Open market lettings for the year to date were 8.3% above estimated rental values at 31 December 2010 or 5.5% above if short-term transactions at properties held for future development are included. After these transactions our vacancy rate of immediately available space is 5.0% compared to 5.9% at the year end. In addition, we have 165,100 sq ft (15,340m^2) of space under offer at a rent of £6.0m pa which, once completed, would reduce the vacancy rate to 1.4%.

Letting performance at the Angel Building has been particularly pleasing. Since 31 March 2011, engineering firm NG Bailey has taken 17,000 sq ft (1,580m^2) at £0.68m pa, equating to £40 per sq ft (£430 per m^2) and 6.7% above the December 2010 estimated rental value. Additionally, the fourth and fifth floor office space, totalling 81,300 sq ft (7,550m^2), and two retail units are under offer; the office space to a single occupier and the retail units to well-known restaurateurs. Completion of these transactions would take occupancy to 90% with only 26,700 sq ft (2,480m^2) remaining and there is strong interest in the balance.

There were two significant letting transactions during the first quarter. At 88 Rosebery Avenue, Clerkenwell EC1, 49,000 sq ft (4,550m^2) was pre-let to City University at £1.18m pa on a 20-year term with a tenant' s break at the end of year ten. The existing occupier's lease will expire in June 2011 and the space will be refurbished prior to the new tenant taking occupation. In addition, Pandora Jewellery took 13,000 sq ft (1,210m^2) for £0.74m pa at the newly refurbished 33 George Street in Marylebone W1, which is held through our joint venture with The Portman Estate.

Since 31 March 2011, Keyhaven Capital Partners has taken the entire 11,500 sq ft (1,070m^2) at 1 Maple Place W1 in Fitzrovia, a recently completed refurbishment, at a rent of £0.48m pa. This equates to £41 per sq ft (£440 per m^2) and is 28% above the December 2010 estimated rental value. Three short-term lettings were also completed at 4 Grosvenor Place SW1. Although we are retaining greater lease flexibility at this property for its future redevelopment, the lettings were concluded in line with the year-end estimated rental values.

Acquisitions and disposals

Since the year end, we have concluded two off-market acquisitions in central London for £76m before costs. The largest was the £45m purchase of 1 Page Street SW1 in Victoria. This 118,000 sq ft (11,000m^2) vacant office building, next to our Horseferry House building, is being extensively refurbished for delivery to the market in mid-2012. Capital expenditure of approximately £16.0m is anticipated. The other acquisition was the £31m purchase of the headlease of the Network Building, 95-100 Tottenham Court Road W1. The Group already owns the freehold of this 64,000 sq ft (5,900m^2) multi-let office and retail building in Fitzrovia and the acquisition will add annual rent of £2.1m.

At the end of March we exchanged contracts to sell Victory House, 170 Tottenham Court Road W1 to University College London Hospitals Charity for £40m before costs. This 48,000 sq ft (4,500m^2) mixed-use building is undergoing a major refurbishment with works due to be finished at the end of May and the sale will conclude shortly thereafter. The purchaser will then complete the residential fit out works and the cost of these will be deducted from the contract price to give a net sales figure of £37.2m. This property was not within our core Fitzrovia holdings and the sale has allowed us to achieve full investment value at an early stage, realising a surplus of about £10m.

In a separate release today we also announced the disposal of five properties in Covent Garden for £68m before costs, substantially above the year end value. The properties have been held since 1999 and the opportunity has been taken to recycle capital through this sale to a purchaser which already has significant holdings in the immediate area. Please refer to the release for further information.

Together these sales represent a surplus which is approximately 35% above the year-end valuation after adjusting for committed capital expenditure.

Projects

Since the year end we have completed 31,000 sq ft (2,880m^2) of smaller projects, including 33 George Street W1, and suites at Holden House W1 and Tea Building E1 which are all let or under offer.

We are on-site at four major projects with a combined floorspace of 306,000 sq ft (28,500m^2) and where capital expenditure to complete is about £50m. This includes 118,000 sq ft (11,000m^2) at 1 Page Street SW1, 85,000 sq ft (7,900m^2) at Woodbridge House EC1, 55,000 sq ft (5,100m^2) at 2-14 Pentonville Road N1 and 48,000 sq ft (4,500m^2) at the pre-sold Victory House W1.

On the planning front, consent was granted at the end of April for the 2-14 Pentonville Road scheme where we have already commenced strip-out. The two existing buildings of 44,500 sq ft (4,100m^2) will be refurbished and extended to form a single six-storey office of 55,000 sq ft (5,100m^2) giving a 24% increase on the previous floor area. Completion of this development is anticipated for Q3 2012.

We are awaiting important planning decisions at our proposed 336,000 sq ft (31,200m^2) office redevelopment at 80 Charlotte Street W1, at our 285,000 sq ft (26,500m^2) City Road Estate EC1 scheme and at Turnmill EC1, where we have submitted a revised application for a 70,000 sq ft (6,500m^2) scheme. Planning applications will also shortly be submitted for a 135,000 sq ft (12,500m^2) high-grade residential development at Riverwalk House SW1 where we now have vacant possession and for a mixed-use scheme of 277,000 sq ft (25,700m^2) at 1 Oxford Street W1, which we have an option to repurchase upon completion of the Crossrail works.

At 132-142 Hampstead Road NW1, the public consultation for the new high speed rail link known as HS2 is underway and we continue to review our options for the site. We have received strong interest from potential tenants with regard to pre-letting either the consented project, which would extend the property, or the alternative, smaller ‘Tea West’ scheme, which would reconfigure the existing building and be based on our successful Tea Building.

Asset values

The central London office market continued to outperform the UK in the first quarter with the IPD Central London Office Quarterly Index showing rental growth of 1.9% whilst the equivalent yield reduced by seven basis points. This led to capital value growth of 2.2% compared to 2.7% in Q4 2010 and 2.0% in Q3 2010. Since June 2009, central London office capital values have risen 31% compared to 20% for the IPD All UK Property Index. With our continued focus on the central London office market and the strong rental levels achieved in the first quarter lettings, we expect that the Group’s portfolio has performed at least in line with the IPD Central London Office Index. This view is shared by our external valuers, CB Richard Ellis.

Finance

Following completion of the Page Street acquisition for £45m in March 2011 and capital expenditure incurred on projects during the first quarter, net debt increased to £941.1m from £887.8m at the year end. The Group's loan to value ratio increased accordingly from 35.7% to 37.3%. Total undrawn bank facilities were reduced from £261m at the year end to £201m at 31 March 2011 with £555m of uncharged properties.

The weighted average cost of debt increased during the quarter from 4.34% to 4.44% and the proportion of debt that was at fixed rates or hedged increased to 73% from 70% at the year end.

Having incurred an outflow of £59.1m on capital expenditure and property acquisitions in the first quarter, the Group anticipates a possible outflow of around £53.1m on capital expenditure in the remainder of the year in addition to any spend on acquisitions. In a separate release today the Group is announcing the launch of a £175m convertible bond to help fund its significant development pipeline and increase resources for acquisition opportunities. Please refer to the separate release for more information.

The final dividend for 2010 of 20.25p per share will be paid as a Property Income Distribution on 16 June 2011 to shareholders on the register on 20 May 2011 and is subject to a scrip alternative.

Outlook

We continue to progress our development pipeline with recent planning consents and the submission of several major applications. We are also seeing increased buying opportunities and continue to pursue acquisitions across our market, whilst looking to recycle capital through selective asset disposals. Given the high level of letting transactions so far in 2011 and the amount of space currently under offer, we remain confident of the prospects for our operating market and for the company.

Notes to editors

Derwent London plc

Derwent London plc is the largest central London focused REIT with an investment portfolio of £2.4bn as at 31 December 2010. The Group is one of London's most innovative office specialist property regenerators and investors and is well known for its established 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 (500,000m^2), as at 31 December 2010, of which 95% 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'.