

Derwent London plc

Results 2011



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Overview

John Burns

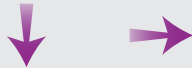


- ▶ **Continue to see an encouraging level of tenant enquiries**
- ▶ **Crossrail reshaping areas of London - significant benefit for Derwent**
- ▶ **Over 50% of portfolio earmarked for refurbishment/development**
- ▶ **London continues to outperform the rest of the UK**

Market summary

2011 Outlook

Vacancy rate



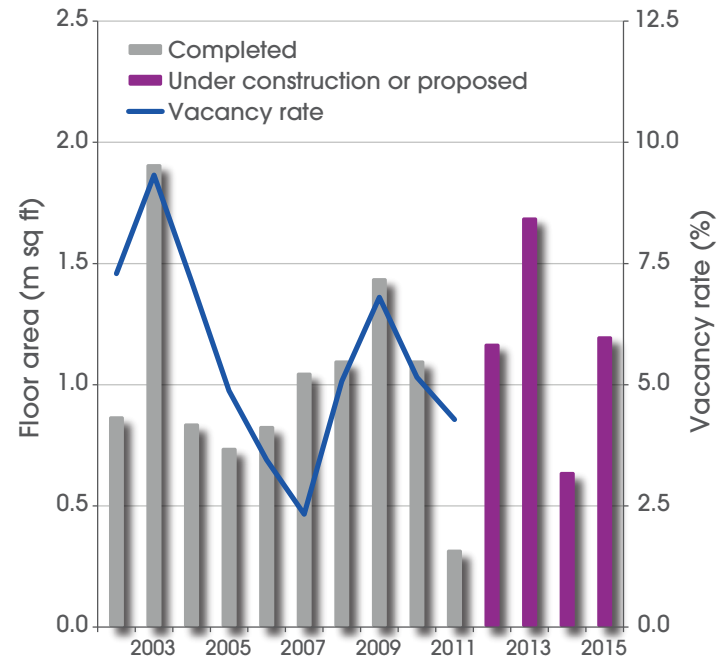
► Limited West End choice

- Vacancy rate declined from 5.2% to 4.3% in 2011
- Development completions were only 0.3m sq ft
 - 10-year average of 1.0m sq ft

► Key note for Derwent.....

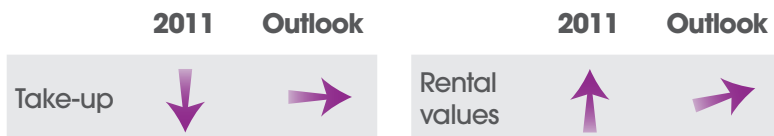
- Favourable supply-demand imbalance
- Exciting pipeline of schemes

West End development pipeline



Source: CBRE

► Appendices 1 and 2



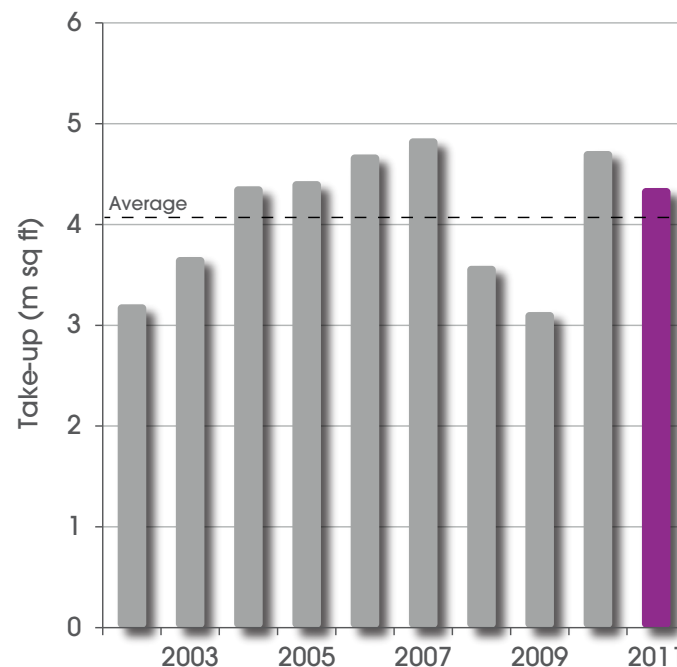
► Take-up of 4.4m sq ft in 2011

- 6% above long-term average
- Continued West End resilience
- Active TMT sector

► Key note for Derwent.....

- Occupiers attracted to our brand of space
- Good demand in our key villages e.g. North of Oxford Street and Victoria
- Increasing influence of Crossrail
 - West End - Tottenham Court Rd & Paddington
 - City Borders - Farringdon
- Current activity points to positive rental growth in 2012

West End take-up



Source: CBRE

► Appendices 2 and 3

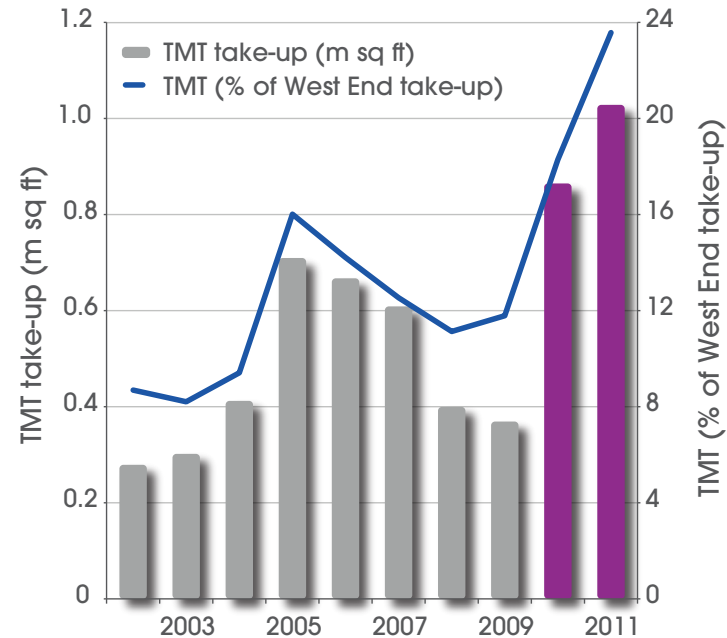
► Rapid growth in the TMT sector across central London

- Particularly active in the West End
 - 1.0m sq ft of TMT take-up in 2011
 - 24% of total West End take-up
 - 19% higher than 2010

► Key recent TMT transactions:

- Derwent London
 - 44% of 2011 lettings to TMT sector
 - Expedia - **Angel Building EC1**
 - Lastminute.com - **Johnson Building EC1**
- Other
 - Apple - Hanover Street W1
 - Google - Central Saint Giles WC2
 - Nokia - Paddington Central W2
 - Telefónica (O2) - Air W1

TMT West End take-up



Source: CBRE

2011 Outlook

Yields



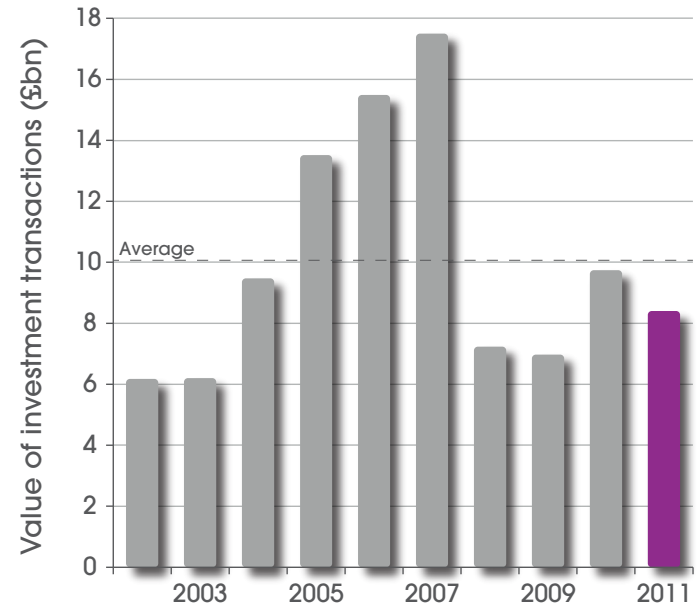
► Firm investor demand but limited supply

- Transactions of £8.4bn in 2011
 - 17% below the 10-year average
- Stock shrinkage as acquired assets are 'locked away'
- Demand likely to underpin yields

► Key note for Derwent.....

- A strong balance sheet to fund future acquisitions
- Ability to recycle capital if pricing attractive

Central London office investment



Source: CBRE

Portfolio activity

▶ **100 lettings, totalling 495,700 sq ft at £16.7m pa**

- ▶ Previous income of £5.3m pa at December 2010
- ▶ £14.6m pa (88%) were open-market lettings
- ▶ £2.1m pa (12%) were short-term lettings at our future development properties
- ▶ 80% of lettings in 2011 were to occupiers seeking expansion space (H1 2011: 76%)

▶ **Open-market lettings in 2011**

- ▶ 11.2% above December 2010 ERV
- ▶ H2 2011: 5.9% above June 2011 ERV

▶ **52 rent reviews/lease renewals totalling 256,700 sq ft at £7.4m pa**

- ▶ 14.1% above previous rents

▶ **Activity post year end**

- ▶ 153,100 sq ft let at £6.0m pa
 - ▶ Burberry at Page Street - 127,000 sq ft at £5.3m pa rising to minimum of £5.7m pa at 5th year review

Angel Building EC1

Seven office & restaurant lettings

Rent: \$5.5m pa

Office rent: £40 to £42 psf

Area: 136,500 sq ft



Tea Building E1

Nine office lettings

Rent: £1.2m pa - £32.50 psf on best

Area: 41,000 sq ft



Johnson Building EC1

Tenant: Lastminute.com

Rent: £0.9m pa - £42.50 psf

Area: 22,300 sq ft



Morelands Buildings EC1

Roof scheme pre-let

Tenant: AHMM

Rent: £0.6m pa - £37.50 psf on best

Area: 17,800 sq ft



2011

► Acquisitions - £87.5m¹ - income £2.4m pa²

- 1 Page Street SW1 - £45.0m
- Network Building W1 - £31.0m
- Morelands Buildings EC1 - headlease regear £5.8m
- 423 Caledonian Road N7 - £5.6m

► Disposals - £132.5m¹

- Attractive prices achieved
- 38% above December 2010 valuation
- Profit £36.1m
- Rental income £3.2m - net initial yield 2.3%
- Appendix 5 for details

2012 transactions

► 1-5 Grosvenor Place SW1 - headlease regear and joint venture agreement signed

- Disposal of 50% raising £60m¹

► Riverwalk House SW1 - conditional sale

- £77.3m including Vauxhall Bridge Road SW1

► 40 Chancery Lane WC2 - headlease regear

- Ownership extended
- New development to start in H2 2012

¹ Before costs ² Income at the time of acquisition. Excludes Morelands Buildings which was a headlease regear.



- ▶ **Strong NAV growth**
- ▶ **Record year for lettings**



- ▶ **Significant refinancing undertaken**
- ▶ **Planning consents**



- ▶ **Substantial project pipeline**

Results and financial review

Damian Wisniewski

	Dec 2011	Dec 2010	% change
Total portfolio at fair value	£2,646.5m	£2,426.1m	9.1
EPRA net asset value per share ¹	1,701p	1,474p	15.4
Gross property income	£125.5m	£119.4m	5.1
EPRA profit before tax ^{2,3}	£52.3m	£55.2m	(5.3)
EPRA earnings per share ³	51.59p	52.89p	(2.5)
Profit for the year ³	£234.3m	£352.8m	(33.6)
Total interim / final dividend per share	31.35p	29.00p	8.1
Recommended final dividend per share	21.90p	20.25p	8.1
Net debt	£864.5m	£887.8m	(2.6)
Loan to value (LTV) ratio	32.0%	35.7%	n/a
Balance sheet gearing	50.4%	59.4%	n/a
Interest cover ratio	307%	328%	n/a

¹ On a diluted basis ² See Appendix 7 for reconciliation to IFRS profit before tax

³ December 2010 figures have been restated for the accounting policy change for owner-occupied property (part Savile Row W1)

Group balance sheet

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LONDON

	Dec 2011 £m	Dec 2010 £m
Investment property ¹	2,444.9	2,373.3
Owner-occupied property ¹	17.1	15.2
Other non-current assets	67.4	56.4
	2,529.4	2,444.9
Non-current assets held for sale	137.5	-
Other current assets and liabilities	(27.5)	(27.1)
Cash and cash equivalents	3.5	7.2
Bank overdraft	-	(5.6)
Financial liabilities - current	(32.5)	-
Corporation tax liability	(1.3)	(3.3)
	(57.8)	(28.8)
Financial liabilities - non-current	(835.5)	(889.4)
Other non-current liabilities	(59.1)	(32.0)
	(894.6)	(921.4)
Total net assets	1,714.5	1,494.7
Minority interests	(51.8)	(45.9)
Attributable to equity holders	1,662.7	1,448.8

¹ December 2010 figures have been restated for the accounting policy change for owner-occupied property (part Savile Row W1)

► Shareholders' funds up by 15%

► To £1,663m from £1,449m

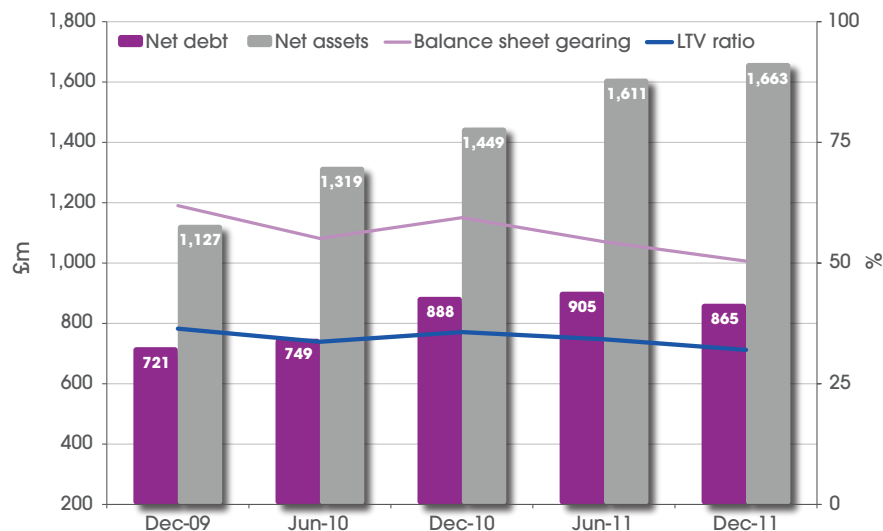
► Net debt decreased

► To £864.5m from £887.8m

► LTV and balance sheet gearing ratios

► Reduced again as a result of property valuation surplus and disposals

Debt, net assets and gearing



Group income statement

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LONDON

	Year ended Dec 2011 £m			Year ended Dec 2010 £m		
Gross property income			125.5			119.4
Other income			2.0			1.7
Property outgoings	Property outgoings	(11.4)	(9.8)	(9.8)	(8.1)	
	Rates credits	1.6		1.7		
Net property income			117.7			113.0
Total administrative expenses			(22.7)			(20.9)
Revaluation surplus ¹	H1	104.9	170.1	H1	197.5	298.1
	H2	65.2		H2	100.6	
Profit on disposals			36.1			0.9
Net finance costs			(43.2)			(37.7)
Foreign exchange gain/(loss)			-			(0.2)
Joint venture (JV) results	JV revaluation	0.9	1.5	0.9	2.0	
	Other JV profit	0.6		1.1		
Derivatives fair value adjustment			(26.5)			(2.4)
IFRS profit before tax			233.0			352.8

¹ The December 2010 revaluation surplus has been restated for the accounting policy change for owner-occupied property (part Savile Row W1)

Group income statement - property income

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	2011 £m	2010 £m	Increase £m
Rental income	115.3	113.4	1.9
Surrender premiums received ¹	1.4	0.6	0.8
SIC15 lease incentives	8.8	5.4	3.4
Gross property income	125.5	119.4	6.1

Includes Central Cross £5.6m and Network Building £1.5m					
Includes Covent Garden Estate £1.3m					
Includes Angel Building £4.1m, Strathkelvin Retail Park £0.8m and Charlotte Building £0.7m					
Includes Angel Building £1.0m, 88 Rosebery Avenue £1.3m and Riverwalk House £1.8m					
					2011 £m
				Property acquisitions	7.2
				Property disposals	(1.6)
				Lettings and reviews	10.3
				VOIDS, BREAKS AND EXPIRIES	(11.4)
				Premiums/other	1.6
					6.1

¹ Net of write-off of lease incentive balances

Group income statement - property outgoings

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'Recurring' property outgoings increased by £1.3m
mainly due to void costs at Angel Building and
Riverwalk House

Includes £1.3m at 210 Old Street

Includes 88 Rosebery Avenue £0.8m,
Buckley Building £1.0m and Riverwalk House £0.6m

Property outgoings
Surrender premiums paid
Dilapidation receipts
Rates credits

	2011 £m	2010 £m
Property outgoings	12.5	11.2
Surrender premiums paid	1.9	0.2
Dilapidation receipts	(3.0)	(1.6)
Rates credits	(1.6)	(1.7)
	9.8	8.1

EPRA like-for-like rental income¹

	Rental income		Net property
	Gross	Net	income
Compared to 2010	2.4%	2.6%	3.7%

¹ See Appendix 8 for detailed reconciliation of like-for-like income

Underlying and EPRA profit before tax

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	Gross property income	Other income	Property expenditure / ground rent	Admin expenses	Cash-settled share options	Finance income	Finance costs	Share of joint ventures' results	Underlying profit before tax ¹	Rates credits	Forex on intercompany loan	EPRA profit before tax
	6.1	0.3	(1.6)	(1.8)	-	(0.8)	(4.7)	(0.5)	(3.0)	(0.1)	0.2	(2.9)
2011	125.5	2.0	(11.4)	(22.7)	(0.1)	1.1	(44.3)	0.6	50.7	1.6	-	52.3
2010	119.4	1.7	(9.8)	(20.9)	(0.1)	1.9	(39.6)	1.1	53.7	1.7	(0.2)	55.2

► All numbers are £m

¹ Previously 'adjusted recurring profit before tax'. A reconciliation of the EPRA and underlying profit before tax to the IFRS profit before tax is shown in Appendix 7

► **Decrease in net debt**

- By £23.3m to £864.5m

► **Net cashflow movement in investment property portfolio**

	2011 £m	2010 £m
Acquisitions	(91.6)	(148.0)
Capex	(42.6)	(49.5)
	(134.2)	(197.5)
Disposal proceeds	131.5	8.5
	(2.7)	(189.0)

► **Disposals include Covent Garden Estate, Victory House, 79-89 Pentonville Road, Leonard Street and Harp House**

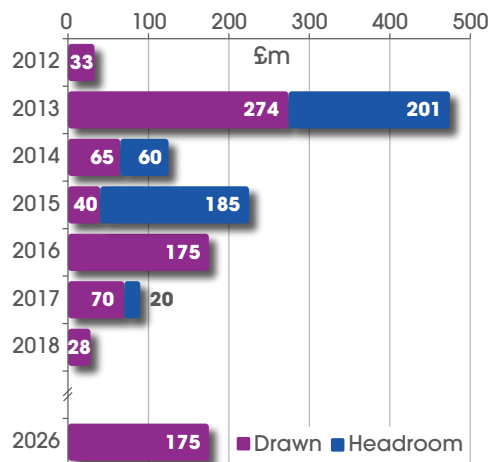
► **Forecast capital expenditure**

- c. £83m in 2012 and c. £108m in 2013
- Further details can be found in Appendix 22

	Dec 2011	Dec 2010
Gearing		
LTV ratio	32.0%	35.7%
Balance sheet	50.4%	59.4%
Interest cover ratio	307%	328%
Interest cover ratio - excluding capitalised interest	291%	328%
Total facilities	£1,335m	£1,135m
Unutilised committed facilities	£476m	£261m
Unutilised facilities drawable	£469m	£245m
Uncharged properties	£589m	£484m

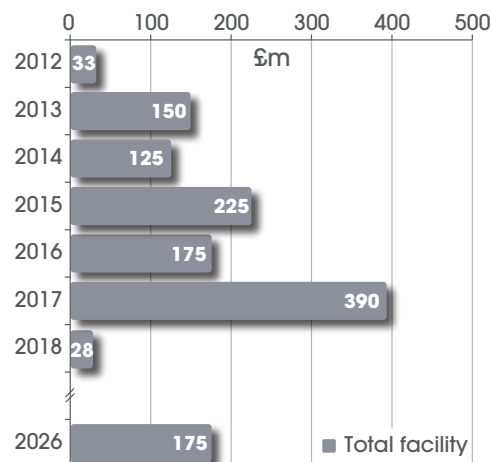
- ▶ **£175m 2.75% unsecured convertible bonds repayable July 2016 issued in June 2011**
- ▶ **£100m bilateral facility expiring in 2013 extended to April 2015**
- ▶ **Bilateral facility expiring in November 2015 increased to £125m**
- ▶ **Two other facilities totalling £300m signed in December 2011 - effective in January 2012**
- ▶ **Substantial headroom under financial covenants**

Maturity profile of loan facilities¹ - as at 31 Dec 2011



- ▶ Weighted average maturity
 - ▶ Facilities - 4.4 years
 - ▶ Drawn amounts - 5.3 years
- ▶ Total facilities: £1,326m

Proforma after Jan 2012 facility extensions¹



- ▶ Weighted average maturity
 - ▶ Facilities - 5.2 years
- ▶ Total facilities: £1,301m

¹Excludes £10m overdraft facility

Proportion of drawn facilities at fixed rates or hedged

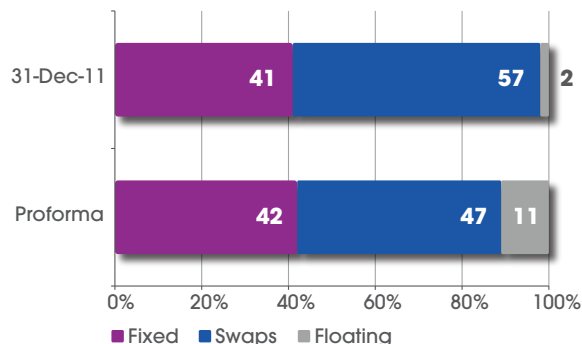
Weighted average length of swaps

Spot weighted average cost of drawn facilities²

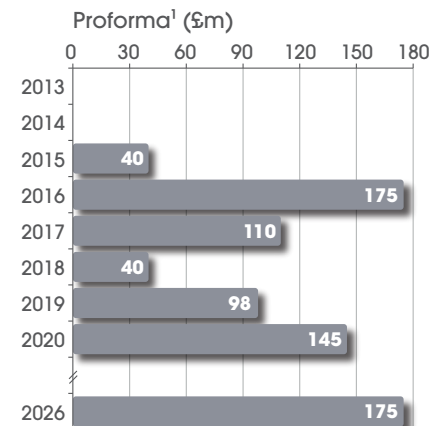
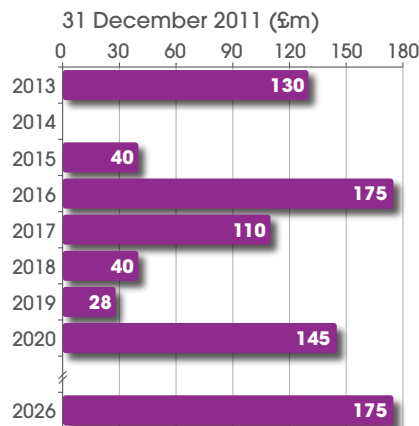
Spot weighted average cost of drawn facilities³

Proforma ¹	Dec 2011	Dec 2010
90%	98%	70%
6.5 years	5.0 years	5.8 years
4.37%	4.65%	4.34%
4.62%	4.91%	4.34%

Hedging profile



Maturity profile of fixed and hedged debt



¹After new facilities and swap arrangements entered into in January 2012 ²Convertible bonds at 2.75% ³Convertible bonds on IFRS basis

Valuation and portfolio analysis

Nigel George

► Solid valuation performance in 2011

- Underlying 7.6% (2010: 15.7%)
- 8.8% if disposals completed in 2011 included

► Projects at Page Street, Buckley Building and Pentonville Road valued at £96.2m

- Valuation uplift 4.8%
- Early stages of the projects - development surplus to come

	Portfolio valuation £m	H1 valuation movement %	H2 valuation movement %	Full year valuation movement %
West End	1,944.0	4.9	3.0	8.1
City Borders	493.7	4.4	2.7	7.1
Central London	2,437.7	4.8	3.0	7.9
Provincial	114.7	1.1	0.4	1.5
Underlying	2,552.4	4.6	2.9	7.6
Acquisitions	94.1	2.8	0.9	3.7
Investment portfolio	2,646.5	4.6	2.8	7.4

► Appendices 12 and 13

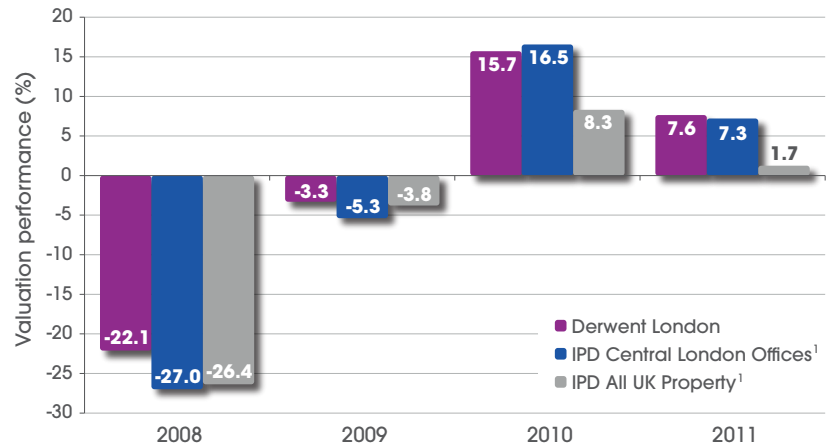
► 2011 valuation growth above the IPD Central London Office Index¹

► London continues to outperform the rest of the UK

► Total property return 13.4% in 2011

- IPD Central London Offices¹: 12.5%
- IPD All UK Property¹: 7.8%

Valuation performance



¹ Quarterly Index

► EPRA yields

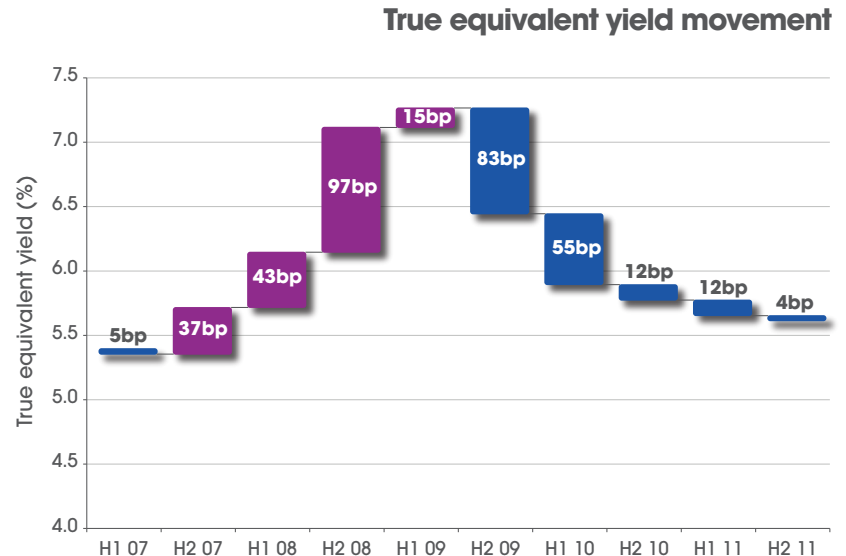
- Net initial 4.4%
- 'Topped-up' net initial 5.2%

► True equivalent yield 5.6%

- Tightened by 16bp in 2011
- Yields stabilised

► Strong income reversion at £47.3m

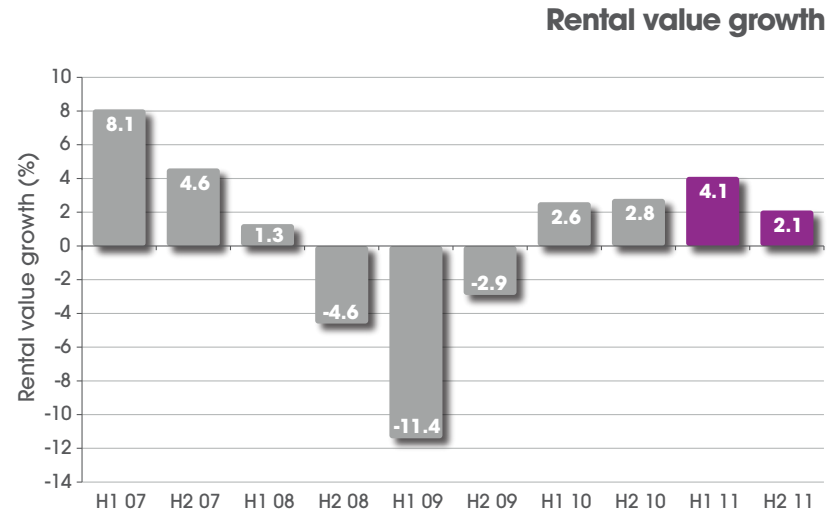
- £20.8m via contracted uplifts
- Takes net reversionary yield to 5.8%
- Detailed in Appendix 15



► 2011 rental growth

► Underlying 6.3% (2010: 5.4%)

► Evidenced by our strong letting activity



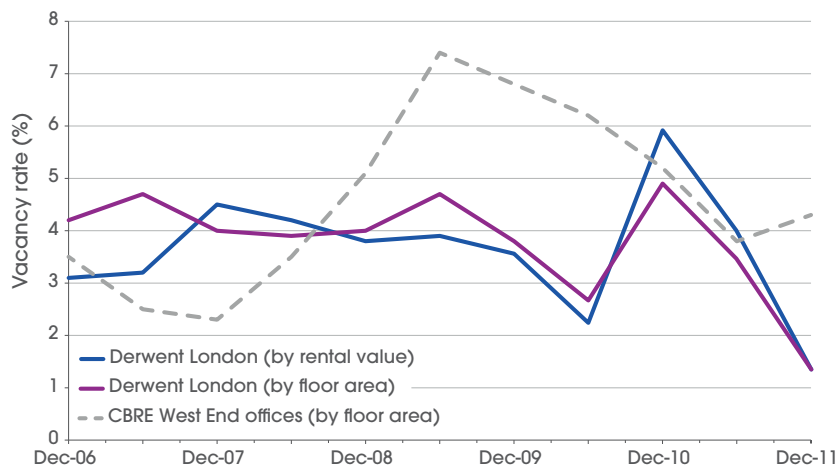
► EPRA vacancy rate¹ by rental value 1.3% at December 2011

- Decreased from 5.9% at December 2010
 - Mainly due to lettings at Angel Building
- Available space at year end £1.9m
 - Half let or under offer since year end

► Current on site projects of 338,000sq ft

- Rental value c. £13m pa net
- Would take vacancy rate to c. 9%
 - c. 5% when adjusted for pre-lets²
 - Including:
 - Page Street - Burberry
 - Morelands Buildings - AHMM

Vacancy rates



¹ Space available for letting ² Includes space pre-let and under offer

► Strong record of tenant retention through asset management

► 2011 expiries/breaks

- Exposure of £21.4m pa equating to 19% of rental income
- £5.2m pa related to identified projects
 - Mainly Riverwalk House and Hampstead Road
- Of £16.2m pa remaining:
 - 72% retained, 21% re-let, 7% vacant

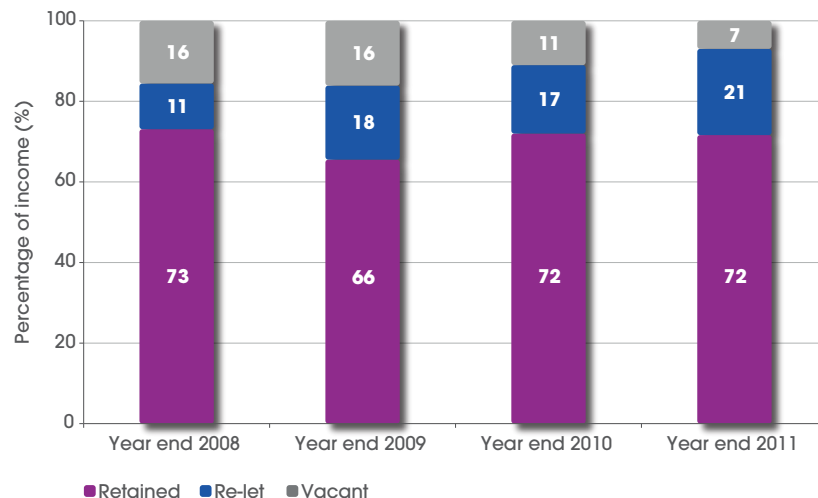
► 2012 exposure of 14%

- About one third rolling breaks for schemes

► Portfolio average lease length

- 7.2 years (2010: 7.3 years)

Lease expiry and break analysis¹



¹ Figures as at reporting date

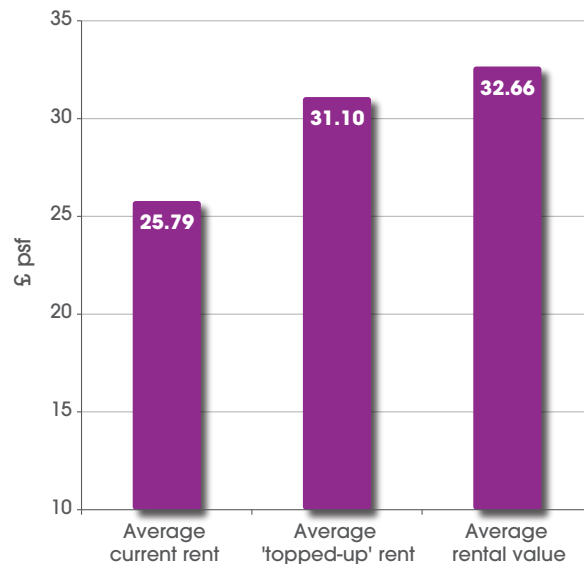
► **Central London offices represents 83% of income**

► **Rents passing on a 'topped-up' basis**

- < £30 psf 23%
- £30-£40 psf 29%
- £40-£50 psf 40%
- > £50 psf 8%

► **A solid platform for growth**

Central London office rent profile



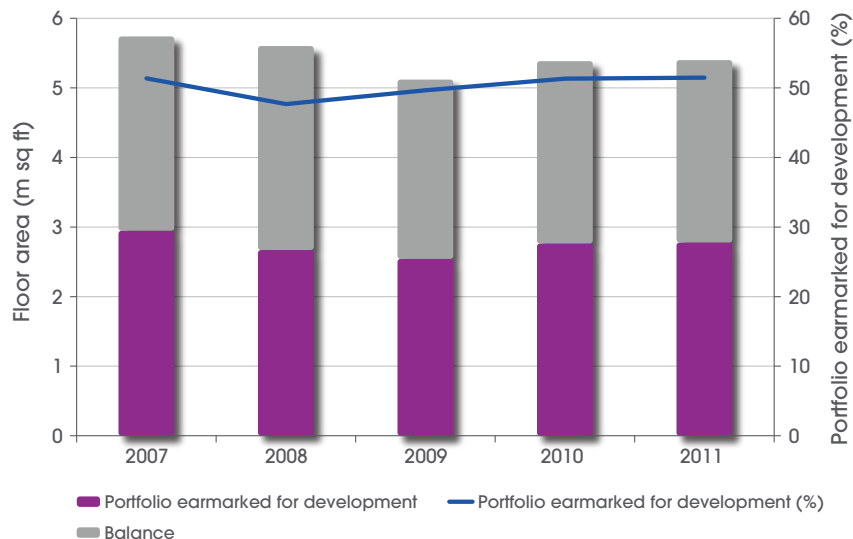
► A portfolio with significant potential for organic growth

- Existing area 5.4m sq ft
- Over 50% earmarked for refurbishment or development
- Follows our strategy of acquiring investments
 - Let off low rents and capital values
 - With planning upside

► Active in exploiting these opportunities

- Whilst retaining flexibility and maintaining income

Portfolio composition



Projects

Simon Silver

David Silverman

Paul Williams

► Six planning consents obtained in 2011 - 0.9m sq ft

- 80 Charlotte Street W1
- City Road Estate EC1
- Turnmill EC1
- Buckley Building EC1
- 4 & 10 Pentonville Road N1
- Central Cross W1 - Phase 1

► Planning decisions for 2012 - 0.5m sq ft

- 1 Oxford Street W1
- Riverwalk House SW1
- 96-98 Bishop's Bridge Road W2

► 0.2m sq ft of refurbishments completed in 2011

- Includes 33 George Street W1, Victory House W1 and 88 Rosebery Avenue EC1
- Space now fully let¹ at £5.2m pa

¹ Excludes Victory House which was sold post completion

► Five projects on site - 338,000 sq ft

- 1 Page Street SW1
- Buckley Building EC1
- 4 & 10 Pentonville Road N1
- Central Cross W1 - Phases 1 & 2
- Morelands Buildings EC1
- Rental value c. £13m pa net
- Capex c. £68m to complete

And for commencement in 2012...

► Two new developments - 170,000 sq ft

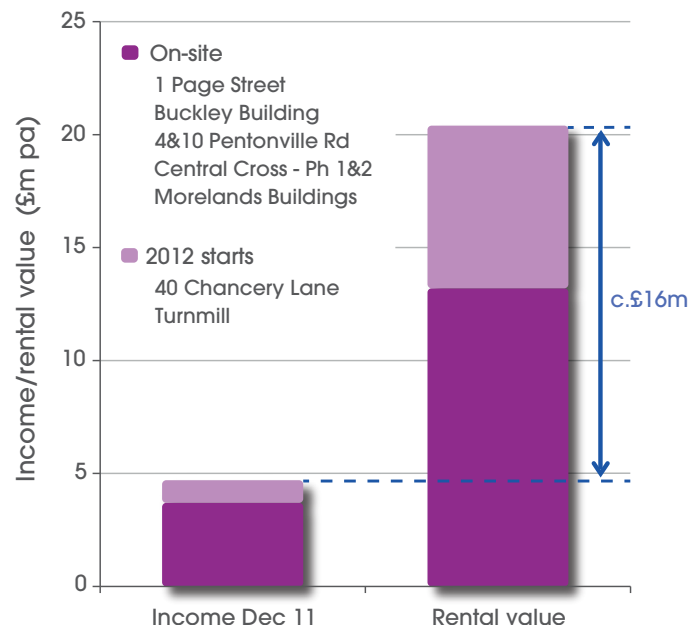
- 40 Chancery Lane WC2
- Turnmill EC1
- Rental value c. £7m pa net
- Capex c. £69m

► Current programme capex c. £137m

- End value c. £350m¹

¹ For Central Cross and Morelands Buildings, relates to the project portion

Scheme income uplift



► **Summary**

- Extensive refurbishment - £30m capex to complete
 - 127,000 sq ft offices - 8% floor area increase
- New identity through façade replacement, double height reception and rear garden

► **Timing**

- Delivery Q2 2013

► **Pre-let**

- Burberry, 20-year term (break at 10th year) - 22 months rent free
- £5.3m pa rising to minimum of £5.7m pa at 5th year review
- £50 psf on top three floors, £45 psf on typical floor
- Space in addition to Horseferry House - 163,000 sq ft

► **Appraisal**

- Project surplus c. £10-12m



► Summary

- Comprehensive refurbishment in Clerkenwell - close to Farringdon Crossrail hub
- 85,000 sq ft offices with creation of new external terraces
- Improving the building's profile
 - Innovative solution - relocation of entrance on to the more prominent Clerkenwell Green
- Development risk reduced
 - Income from previous tenant until March 2015 - £2.45m pa

► Timing

- Delivery Q4 2012

► Capex

- c. £13m to complete

► Rental value

- c. £45 psf



► **Summary**

- Opposite Angel Building
- Linkage of two buildings to create 55,000 sq ft offices - over 20% floor area uplift
- Danish Petersen bricks to reclad building
- Interiors designed with a Scandinavian style

► **Timing**

- Delivery Q3 2012

► **Capex**

- c. £7m to complete

► **Rental value**

- c. £37.50 psf

4 & 10 Pentonville Road N1

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► Summary

- Starting the transformation of this imposing block
- Being rebranded as 1-2 Stephen Street
- Planning for Phase 1 received in 2011
 - Remodelling and extension of main entrance and creation of 23,000 sq ft offices
 - New curvaceous glass and metal screen façade with canopy blade overhead
 - Creates new building image at street level
 - 15,400 sq ft under offer
- Phase 2 - refurbishment of 21,000 sq ft offices

► Timing

- Delivery Q4 2013

► Capex

- c. £13m to complete

► Rental value

- c. £50 psf

Central Cross W1

DERWENT
LONDON





► Summary

- Office development of 100,000 sq ft in this prime Midtown location
- Amenities include roof terraces and a new landscaped courtyard

► **Contracts exchanged to regear our ownership, thereby unlocking the development**

- Before: Derwent held 76% leasehold (17 yrs unexpired), 10% freehold, 14% no ownership
- After: 128-year headlease across entire site
Ground rent gearing 18% with the right to buy down to 10%
Freeholder entitled to profit share over 17.5% profit on cost

► Timing

- Start on site H2 2012 with delivery end of 2014

► Capex

- c. £44m

► Rental value

- c. £55 psf





► **Summary**

- Planning permission granted in 2011 for 70,000 sq ft development
 - 58,000 sq ft offices
 - 12,000 sq ft retail
- New-build on this prominent site
 - Farringdon Crossrail station under construction - only 250m away

► **Timing**

- Start on site H1 2012 with delivery mid 2014

► **Capex**

- c. £26m

► **Rental value**

- c. £47.50 psf



► **Summary**

- High-specification residential development for this prime riverside location
- Planning application submitted with decision expected shortly
 - 148,000 sq ft - 121 residential units and 2,500 sq ft retail / gallery

► **Sale contracts exchanged**

- £77.3m including 232-242 Vauxhall Bridge Road SW1
- Conditional on planning
- Derwent to receive profit overage share
- An opportunity for us to gain experience in high-specification residential projects
- Scheme involves c. £130m capex

Riverwalk House SW1

DERWENT
LONDON



132-142 Hampstead Road NW1

DERWENT
LONDON



- ▶ **Consented scheme - 265,000 sq ft**
 - ▶ Adjacent to Euston station
- ▶ **Affected by HS2 rail link - decision to proceed announced in January 2012**
 - ▶ Now a question of funding and timing
- ▶ **Site expected to be compulsorily purchased**
- ▶ **We are considering various 'light touch' refurbishment options in the interim**



► A depth of opportunities within the portfolio

► Potential 2013 commencement

- 80 Charlotte Street W1
- 96-98 Bishop's Bridge Road W2

► 2014 onwards

- 1-5 Grosvenor Place SW1
- City Road Estate EC1
- Central Cross W1 - Phase 3
- 55-65 North Wharf Road W2
- 1 Oxford Street W1

► Summary

- In the heart of our Fitzrovia holdings - part of our regeneration proposals for the area
- Planning permission granted in September 2011
 - 320,000 sq ft offices
 - 47,000 sq ft residential - 57 units of which 16 are affordable
- Large, flexible floor plates
- Detailed design now underway

► Timing

- Lease expiries in March 2013 (Saatchi & Saatchi) - £4.3m¹ pa
- Delivery end of 2015

► Capex

- c. £125m

► Rental value

- £55 psf - £60 psf

¹ In addition £0.4m pa of income is received from associated buildings which are to be used for part of the residential requirement



► Background

- Existing buildings of 168,000 sq ft on this 1.5 acre Belgravia island site
 - Fully income producing at £6.2m pa gross - lease breaks 2014/2016

► Joint venture agreement completed with Grosvenor, our freeholder

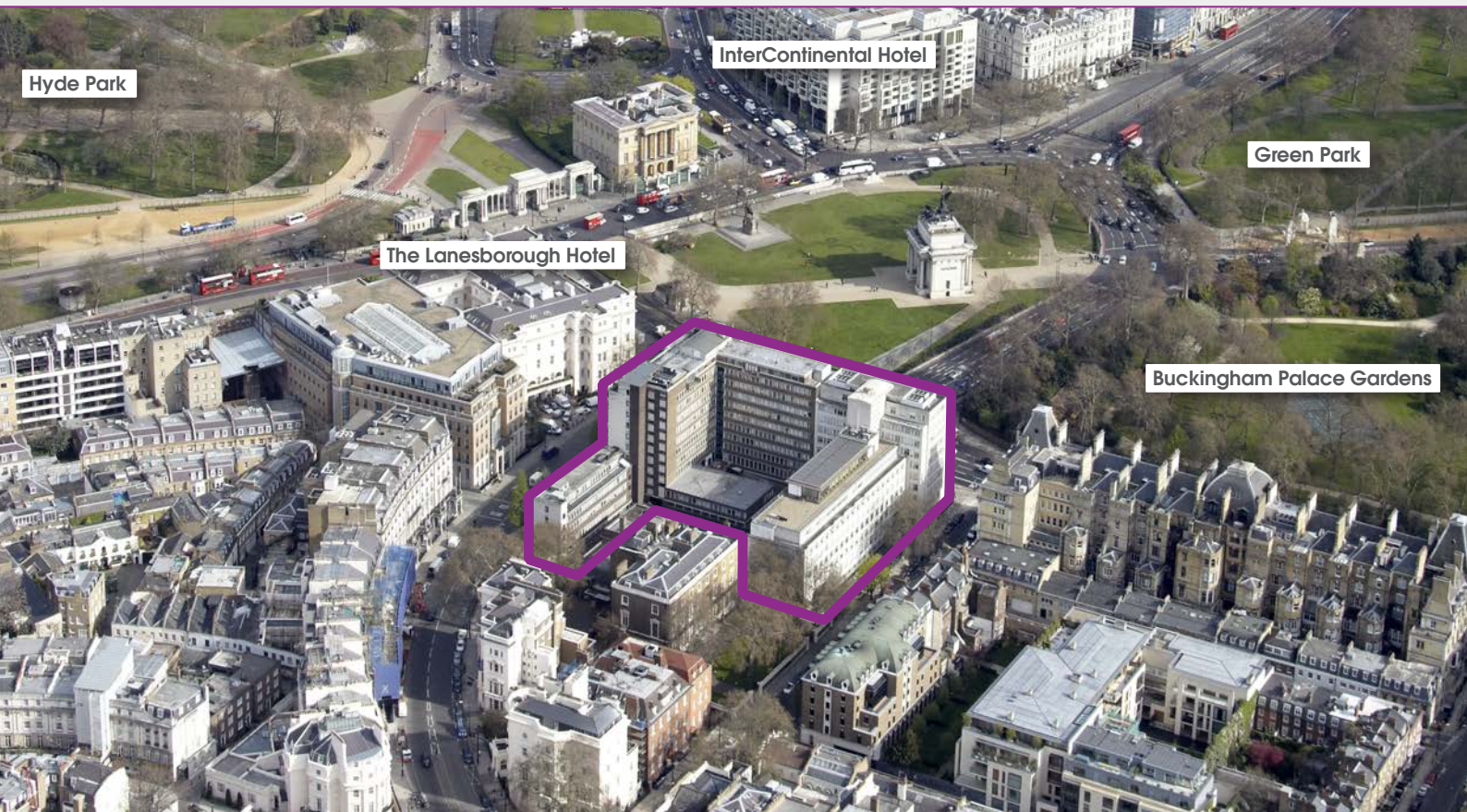
- Before: Headleases expiring in 2063 and 2084 - 51 and 72 years unexpired
Net income £6.1m pa
- After: A single 150-year headlease at a ground rent of 5% of rental income
Sale of 50% of new headlease interest for £60m, completed on 24 February 2012
Net income £2.95m pa

► The transaction

- Protects value through the new headlease
- Unlocks the opportunity for a major mixed-use redevelopment
 - Architects to be appointed shortly
 - Scheme massing 260,000+ sq ft

1-5 Grosvenor Place SW1

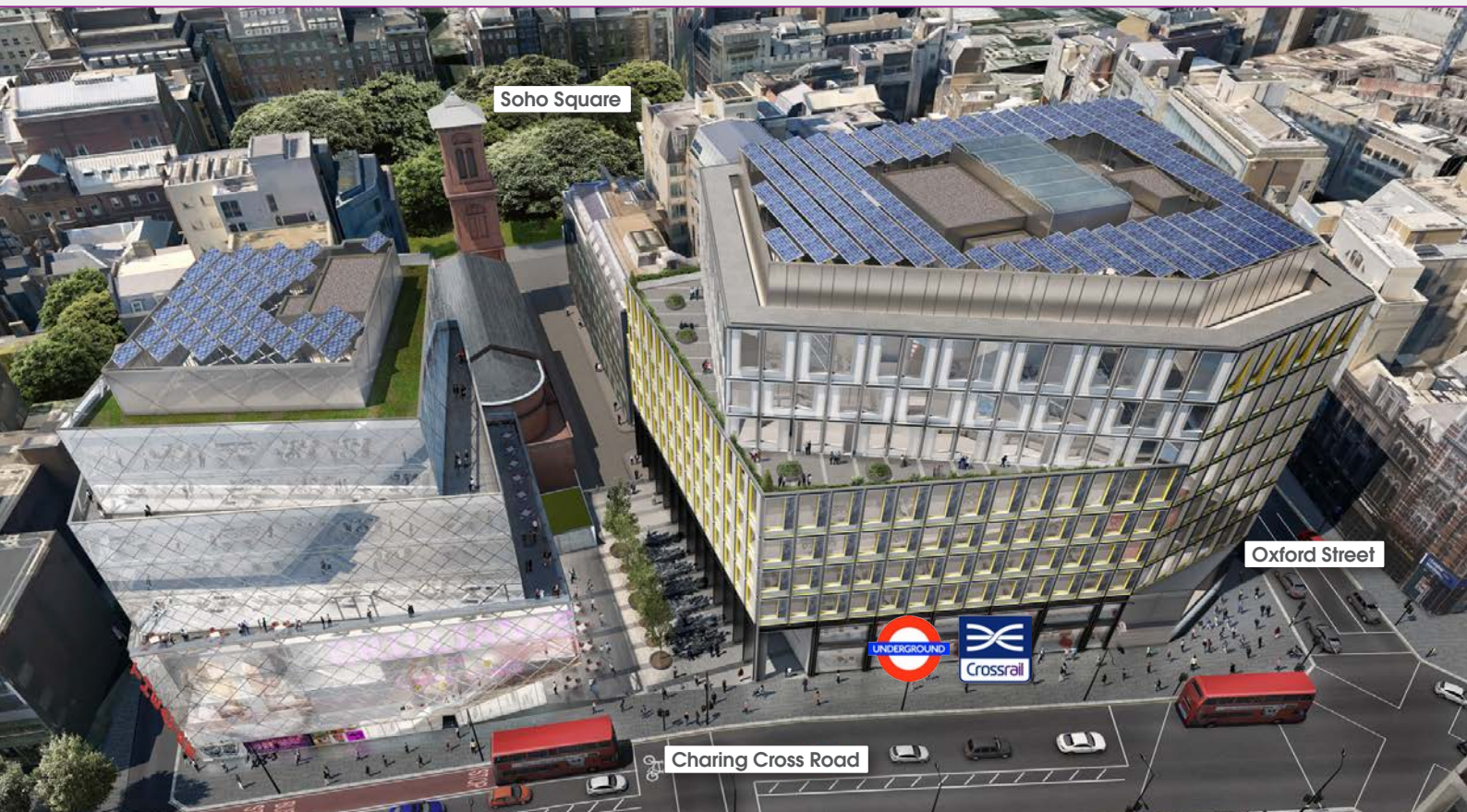
DERWENT
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- ▶ **Derwent has the option to acquire this 1.2 acre site following Crossrail works - c. 2017**
- ▶ **Planning application submitted in collaboration with Crossrail in October 2011**
 - ▶ Decision due later this year
- ▶ **Major development of 275,000 sq ft**
 - ▶ 204,000 sq ft offices
 - ▶ 37,000 sq ft retail
 - ▶ 34,000 sq ft theatre - 350 seats
 - ▶ New public space
- ▶ **Considerable benefit for our nearby holdings**
 - ▶ Fitzrovia Estate - Fitzroy Street / Charlotte Street
 - ▶ Central Cross - Tottenham Court Road
 - ▶ Holden House - Oxford Street

1 Oxford Street W1

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LONDON



Crossrail update

DERWENT
LONDON

55-65 North Wharf Road W2
313,000 sq ft



Consented scheme

Central Cross W1
256,000 sq ft



On site - initial phase

1 Oxford Street W1
275,000 sq ft



Planning application

Buckley Building EC1
85,000 sq ft

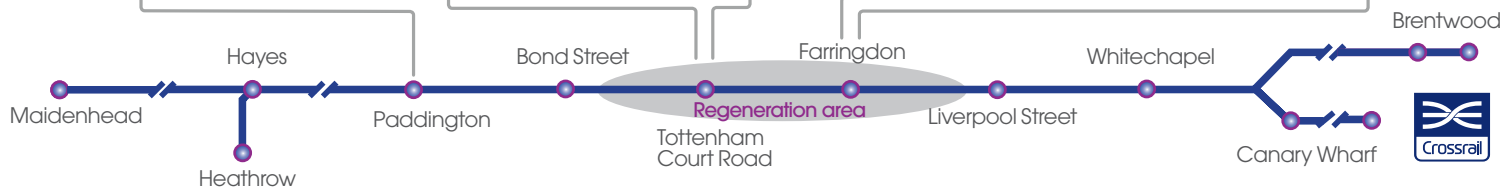


On site

Turnmill EC1
70,000 sq ft



2012 start



- **Regeneration areas - Tottenham Court Road and Farringdon**
- **62%¹ of portfolio within 800m of a Crossrail station, 20%¹ within 400m**
- **Tenants increasingly aware of Crossrail benefits**

¹ Expressed as a percentage of total portfolio valuation at 31 December 2011

Outlook

John Burns



► **Business robust despite economic fragility**



► **Sound financial base**

► **Continued strength in lettings**

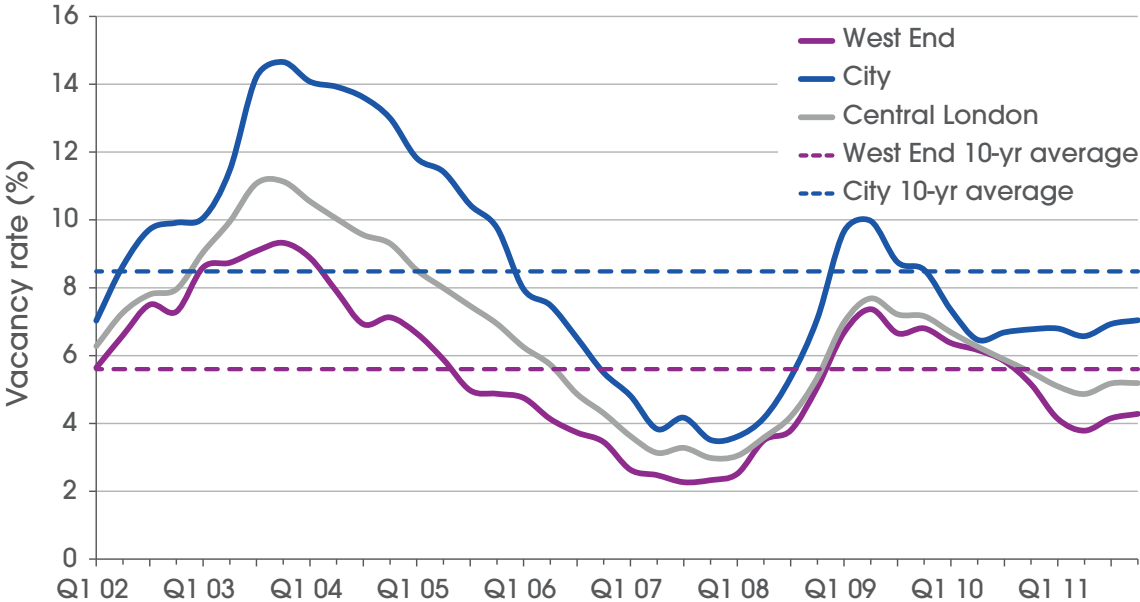


► **Progressing substantial project pipeline**

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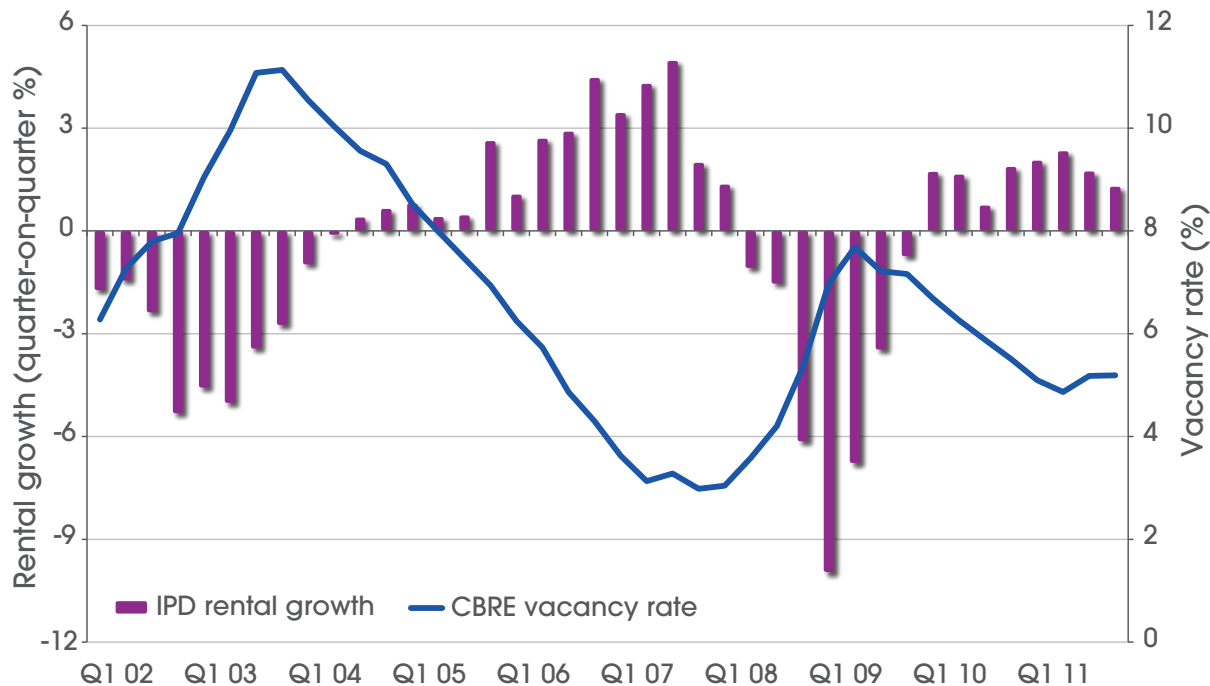
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Appendix 1 - Central London office vacancy



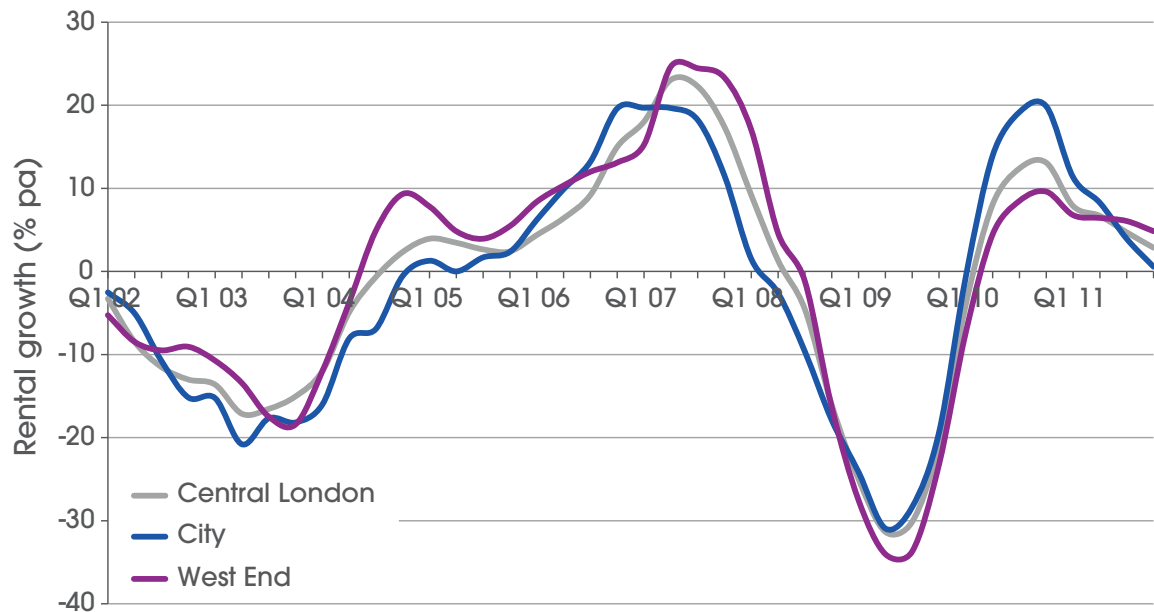
Source: CBRE

Appendix 2 - Central London office supply & demand



Source: IPD / CBRE

Appendix 3 - Central London office rental growth



Source: CBRE

Appendix 4 - Acquisitions 2011

DERWENT
LONDON

1 Page Street SW1

118,000 sq ft vacant building
£45.0m before costs
Capital value: £380 psf
Major refurbishment now on site



Network Building W1¹

64,000 sq ft corner building
Derwent owned freehold
Headlease acquired - £31.0m before costs
Income: £2.1m pa²
Net initial yield: 6.0%²
Capital value: £532 psf²
Potential for future refurbishment



¹95-100 Tottenham Court Road ²Merged interest

Appendix 5 - Disposals 2011

DERWENT
LONDON

Covent Garden Estate WC2

Five buildings: 71,900 sq ft
Gross proceeds: £68.0m
Disposal date: June 2011
Income: £2.5m pa



79-89 Pentonville Road N1

Warehouse building: 35,600 sq ft
Gross proceeds: £11.0m
Disposal date: June 2011
Income: £0.2m pa



Victory House W1

Sale of refurbishment project
48,000 sq ft mixed-use building
Disposal date: July 2011
Gross proceeds: £37.2m
Retail income: £0.5m pa



18-30 Leonard Street EC2

Cleared site with planning permission
35,000 sq ft residential (47 units)
20,000 sq ft offices
Disposal date: July 2011
Gross proceeds: £11.0m



Harp House EC4

Sale at lease expiry
14,300 sq ft offices
Disposal date: December 2011
Gross proceeds: £5.0m



Appendix 6 - Net asset value per share

DERWENT
LONDON

	£m	Basic p	Dec 2011 Diluted p	£m	Basic p	Dec 2010 Diluted p
Net assets attributable to equity shareholders	1,662.7	1,636	1,625	1,448.8	1,432	1,422
Fair value of secured bonds	(20.8)			2.7		
Fair value of unsecured bonds	2.4			-		
EPRA NNNAV	1,644.3	1,618	1,607	1,451.5	1,434	1,425
Fair value of bonds	18.4			(2.7)		
Deferred tax on revaluation surplus	8.2			8.6		
Fair value of derivatives	50.3			25.0		
Fair value adjustment to secured bonds on acquisition less amortisation	18.6			19.4		
EPRA adjusted net asset value	1,739.8	1,712	1,701	1,501.8	1,484	1,474

Appendix 7 - Group income statement

DERWENT
LONDON

	Year ended Dec 2011 £m	Year ended Dec 2010 £m
Profit before tax (IFRS)	233.0	352.8
Revaluation surplus	(170.1)	(298.1)
Joint venture revaluation surplus	(0.9)	(0.9)
Profit on disposal of properties	(36.1)	(0.9)
Fair value movement in derivatives	26.5	2.4
Movement in cash-settled share options	(0.1)	(0.1)
EPRA profit before tax	52.3	55.2
Foreign exchange movement on intercompany loan	-	0.2
Rates credits	(1.6)	(1.7)
Underlying profit before tax	50.7	53.7

Appendix 8 - EPRA like-for-like rental income

DERWENT
LONDON

	Properties owned throughout the period £m	Acquisitions £m	Disposals £m	Development property £m	Total £m
2011					
Rental income	99.1	10.6	2.1	12.3	124.1
Property expenditure	(6.9)	(0.7)	0.2	(3.5)	(10.9)
Net rental income	92.2	9.9	2.3	8.8	113.2
Other ¹	4.1	-	-	0.4	4.5
Net property income	96.3	9.9	2.3	9.2	117.7
2010					
Rental income	96.8	3.4	3.8	14.8	118.8
Property expenditure	(6.9)	(0.4)	(0.5)	(1.7)	(9.5)
Net rental income	89.9	3.0	3.3	13.1	109.3
Other ¹	3.0	-	-	0.7	3.7
Net property income	92.9	3.0	3.3	13.8	113.0
Increase based on gross rental income	2.4%				4.5%
Increase based on net rental income	2.6%				3.6%
Increase based on net property income	3.7%				4.2%

¹ 'Other' includes surrender premiums paid or received, dilapidation receipts and other income

Appendix 9 - Convertible bonds

DERWENT
LONDON

► £175m 2.75% unsecured convertible bonds repayable July 2016

► Launched May 2011 and issued June 2011

► Initial conversion price £22.22; 30% premium to reference share price of £17.09

Income statement presentation

	2011 £m	2012 £m
Interest payable	2.8	4.8
Discount amortisation	1.0	1.9
IFRS finance costs	3.8	6.7

Balance sheet presentation

	Gross £m	Issue costs £m	Net at issue £m	Amortisation £m	31 December £m
Borrowings	165.4	(4.6)	160.8	1.6	162.4
Equity	9.6	(0.2)	9.4	-	9.4
Retained earnings	-	-	-	(1.0)	(1.0)
	175.0	(4.8)	170.2	0.6	170.8

Appendix 10 - Debt facilities

DERWENT
LONDON

	Proforma £m	£m	Maturity	Dec 2011 £m	£m	Maturity
6.5% secured bonds		175.0	March 2026		175.0	March 2026
2.75% unsecured convertible bonds		175.0	July 2016		175.0	July 2016
Loan notes		1.1	Repaid January 2012		1.1	Repaid January 2012
Overdraft		10.0	On demand		10.0	On demand
Committed bank facilities						
Term	28.0		June 2018 ¹	28.0		June 2018 ¹
Term/revolving credit	90.0		December 2017	90.0		December 2017
Revolving credit	125.0		November 2015	125.0		November 2015
Revolving credit	100.0		April 2015	100.0		April 2015
Term/revolving credit	125.0		April 2014	125.0		April 2014
Revolving credit	150.0		January 2017	100.0		November 2013
Term/revolving credit	150.0		March 2013	375.0		March 2013
Term unsecured	31.4		June 2012	31.4		June 2012
Revolving credit	150.0		January 2017	-		n/a
		949.4			974.4	
Total debt facilities		1,310.5			1,335.5	

► All facilities are secured unless noted otherwise

¹ Subject to credit review in 2013

Appendix 11 - Net debt

DERWENT
LONDON

	Dec 2011		Dec 2010	
	£m	£m	£m	£m
Overdraft		-		5.6
Financial liabilities - due within 1 year		32.5		-
Financial liabilities - due after more than 1 year	835.5		889.4	
Acquired fair value of secured bonds less amortisation	(17.2)		(17.9)	
Unamortised loan arrangement costs	3.5		4.4	
Leasehold liabilities	(7.4)		(7.4)	
Unamortised issue costs on unsecured bonds	4.0		-	
Equity component of unsecured bonds	9.6		-	
Unwinding of discount of unsecured bonds	(1.0)		-	
		827.0		868.5
Facilities - drawn		859.5		874.1
Facilities - undrawn		476.0		261.4
Total debt facilities		1,335.5		1,135.5
	Dec 2011		Dec 2010	
	£m	£m	£m	£m
Financial liabilities - due after more than 1 year	835.5		889.4	
- due within 1 year	32.5		-	
Overdraft	-		5.6	
Cash and cash equivalents	(3.5)		(7.2)	
Net debt		864.5		887.8

Appendix 12 - Valuation performance by village

DERWENT
LONDON

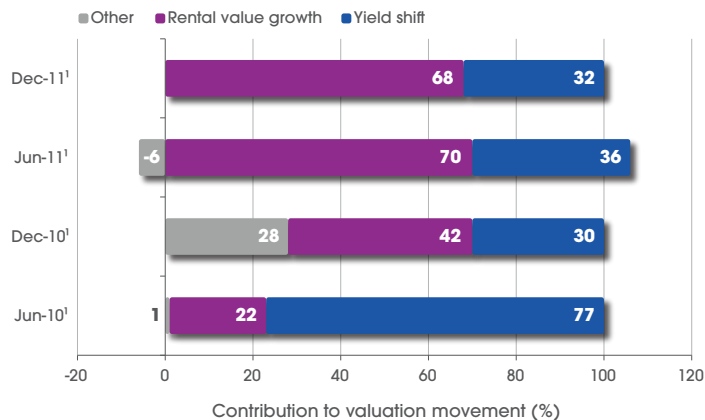
	Valuation Dec 2011 £m	Weighting Dec 2011 %	Valuation movement 2011 ¹ %	Valuation movement 2011 ^{2,3} £m
West End				
Fitzrovia ⁴	958.8	36	5.7	52.0
Victoria	377.1	14	7.3	21.7
Belgravia	133.5	5	0.5	0.6
Baker Street/Marylebone	129.2	5	11.5	13.4
Soho/Covent Garden	117.1	5	5.1	5.8
Mayfair	57.1	2	12.6	6.6
Paddington	33.9	1	2.4	0.8
West End: Central	1,806.7	68	6.1	100.9
Islington/Camden	209.1	8	27.6	44.0
Other	22.3	1	11.6	2.3
West End: Borders	231.4	9	25.8	46.3
	2,038.1	77	8.1	147.2
City Borders				
Clerkenwell	133.5	5	5.2	6.2
Old Street	130.7	5	6.1	7.5
Holborn	117.0	5	4.2	4.8
Shoreditch	102.7	4	12.7	11.6
Southbank	9.5	-	37.1	2.6
Other	0.3	-	(1.0)	-
	493.7	19	7.1	32.7
Central London	2,531.8	96	7.9	179.9
Provincial	114.7	4	1.5	1.8
Investment portfolio	2,646.5	100	7.6	181.7

¹ Underlying - properties held throughout the period ² Including acquisitions ³ Before lease incentive adjustments of \$9.6m ⁴ Includes Fitzrovia, Euston and North of Oxford Street

Appendix 13 - Valuation drivers & rental value growth

DERWENT
LONDON

Drivers of valuation movement



Rental value growth

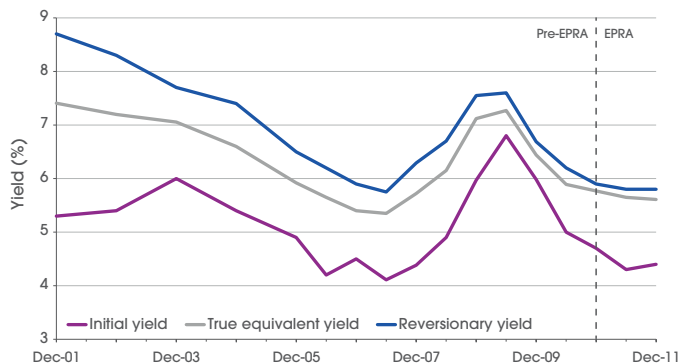
	H1 2011 %	H2 2011 %	2011 %	2010 %
West End	4.2	1.8	6.1	6.0
City Borders	3.4	3.3	6.8	5.1
Central London	4.0	2.2	6.3	5.8
Provincial	6.5	0.4	7.0	(2.7)
Underlying	4.1	2.1	6.3	5.4

¹ Six month period

Appendix 14 - Valuation yields

DERWENT
LONDON

Yields



EPRA initial yields

	Net initial yield %	'Topped-up' net initial yield %
West End	4.2	5.0
City Borders	4.5	5.4
Central London	4.3	5.1
Provincial	6.2	7.0
EPRA portfolio	4.4	5.2

True equivalent yields

	Dec 2010 %	H1 movement basis points	June 2011 %	H2 movement basis points	Dec 2011 %
West End	5.57	(11)	5.46	(5)	5.41
City Borders	6.46	(22)	6.24	(5)	6.19
Central London	5.75	(13)	5.62	(5)	5.57
Provincial	6.51	8	6.59	4	6.63
Portfolio	5.77	(12)	5.65	(4)	5.61

Appendix 15 - Portfolio reversion

DERWENT
LONDON

	Rental uplift £m	Rental per annum £m
Contracted rental income, net of ground rents		113.1
Contractual rental uplifts across the portfolio	20.8	
Vacant space - available to occupy ¹	1.9	
Vacant space - current schemes ¹	12.9	
Vacant space - held for schemes ¹	5.8	
Anticipated rent review and lease renewal reversion	5.9	47.3
Portfolio estimated rental value		160.4

¹ Detailed in Appendix 16

Appendix 16 - Vacant accommodation at year end

DERWENT
LONDON

	Floor area '000 sq ft	Rental value per annum £m	Comment
Available to occupy			
Johnson Building EC1	15	0.6	3,600 sq ft under offer
Morelands Buildings EC1	8	0.3	7,100 sq ft let in 2012
Tea Building E1	6	0.2	All under offer
6-7 St Cross Street EC1	4	0.2	All under offer
Other	28	0.6	
	61	1.9	
Current schemes			
1 Page Street SW1	127	} 12.9	Building pre-let to Burberry at £5.3m pa
Buckley Building EC1	85		
4 & 10 Pentonville Road N1	55		
Other	99		
	366	12.9	
Held for schemes¹			
132-142 Hampstead Road NW1	214 ²	2.5	Reviewing refurbishment options Proposed 148,000 sq ft residential scheme
Riverwalk House SW1	75	2.5	
Other	43	0.8	
	332	5.8	
Total	759	20.6	

¹ Rental value of existing building(s) until the property becomes a current scheme

² Total building area 230,000 sq ft, 16,000 sq ft let short-term as at 31 December 2011

Appendix 17 - Portfolio summary

DERWENT
LONDON

	Valuation £m	Net contracted rental income £m pa	Average rental income £ psf	Vacant space rental value £m pa	Rent review/ lease renewal reversion £m pa	Total reversion £m pa	Estimated rental value £m pa
West End							
Central	1,806.7	77.5	30.51	13.3	13.0	26.3	103.8
Borders	231.4	4.8	9.72	2.0	9.3	11.3	16.1
	2,038.1	82.3	27.14	15.3	22.3	37.6	119.9
City							
Borders	493.7	25.2	21.44	5.3	3.8	9.1	34.3
Central London	2,531.8	107.5	25.55	20.6	26.1	46.7	154.2
Provincial	114.7	5.6	13.92	-	0.6	0.6	6.2
Investment portfolio	2,646.5	113.1	24.55	20.6	26.7	47.3	160.4

West End

Central: Fitzrovia, North of Oxford Street, Euston, Victoria, Belgravia, Baker Street/Marylebone, Soho, Covent Garden, Mayfair, Paddington

Borders: Islington, Camden, Ladbroke Grove

City

Borders: Clerkenwell, Old Street, Holborn, Shoreditch, Southbank

Provincial

Scotland

Appendix 18 - Portfolio statistics by village

DERWENT
LONDON

	Valuation £m	Weighting %	Floor area sq ft '000	Vacant floor area sq ft '000	Net contracted rental income £m pa	Average rental income £ psf	Vacant space rental value £m pa	Rent review/ lease renewal reversion £m pa	Total reversion £m pa	Estimated rental value £m pa
West End: Central										
Fitzrovia ¹	958.8	36	1,721	279	44.5	31.06	4.4	7.2	11.6	56.1
Victoria	377.1	14	611	208	12.5	31.01	7.9	2.2	10.1	22.6
Belgravia	133.5	5	168	-	6.1	37.16	0.1	1.3	1.4	7.5
Baker Street/Marylebone	129.2	5	214	5	6.1	29.22	0.3	1.0	1.3	7.4
Soho/Covent Garden	117.1	5	228	-	5.5	24.16	-	(0.1)	(0.1)	5.4
Mayfair	57.1	2	42	-	1.8	43.82 ²	-	1.2	1.2	3.0
Paddington	33.9	1	85	17	1.0	16.43	0.6	0.2	0.8	1.8
	1,806.7	68	3,069	509	77.5	30.51	13.3	13.0	26.3	103.8
West End: Borders										
Islington/Camden	209.1	8	488	75	3.6	8.80	2.0	8.8	10.8	14.4
Other	22.3	1	82	-	1.2	14.36	-	0.5	0.5	1.7
	231.4	9	570	75	4.8	9.72	2.0	9.3	11.3	16.1
West End	2,038.1	77	3,639	584	82.3	27.14	15.3	22.3	37.6	119.9
City: Borders										
Clerkenwell	133.5	5	388	118	6.3	23.86	3.8	-	3.8	10.1
Old Street	130.7	5	391	6	8.1	21.22	0.1	0.9	1.0	9.1
Holborn	117.0	5	251	39	5.4	25.32	1.2	1.3	2.5	7.9
Shoreditch	102.7	4	287	7	5.1	18.25	0.2	1.5	1.7	6.8
Southbank	9.5	-	39	-	0.3	8.43	-	0.1	0.1	0.4
Other	0.3	-	2	2	-	-	-	-	-	-
City Borders	493.7	19	1,358	172	25.2	21.44	5.3	3.8	9.1	34.3
Central London	2,531.8	96	4,997	756	107.5	25.55	20.6	26.1	46.7	154.2
Provincial	114.7	4	400	3	5.6	13.92	-	0.6	0.6	6.2
Investment portfolio	2,646.5	100	5,397	759	113.1	24.55	20.6	26.7	47.3	160.4

¹ Includes Fitzrovia, Euston and North of Oxford Street

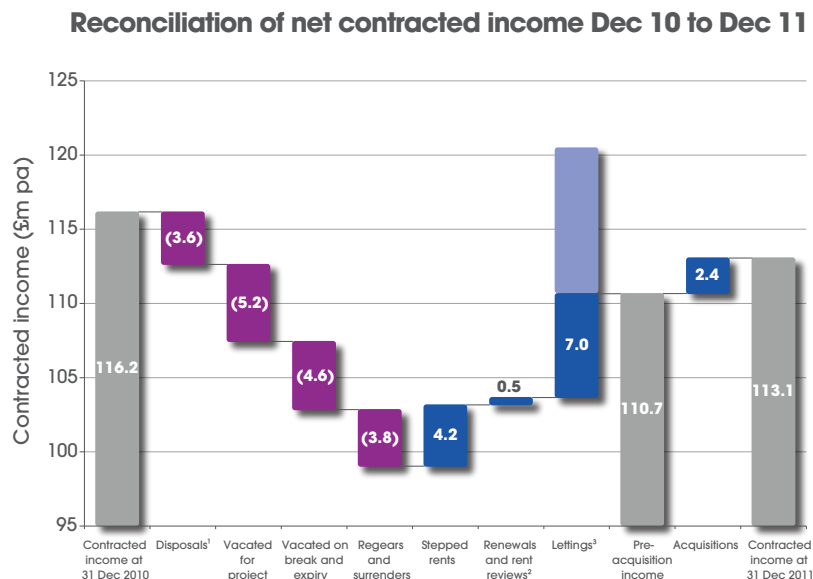
² If owner occupied area (part Savile Row W1) is excluded the average rental income is £62.49 psf

Appendix 19 - Annualised contracted rental income

DERWENT
LONDON

► Annualised contracted rental income at 31 December 2011

- Includes:
 - Annualised rents under leases
- Excludes:
 - Rental movements on outstanding rent reviews and lease renewals
 - Future contracted rental uplifts
 - Future rent review increases where there is a contracted minimum level



¹ Includes £0.4m pa at Harp House which was income producing at the start of 2011

² Total lease renewal and rent review uplift was £0.9m pa, however as some tenants are paying stepped rents, only the initial contracted income of £0.5m pa is recognised at 31 December 2011

³ Total lettings were £16.7m pa, however as some tenants are in rent free periods or are paying stepped rents, only the initial contracted income of £7.0m pa is recognised at 31 December 2011

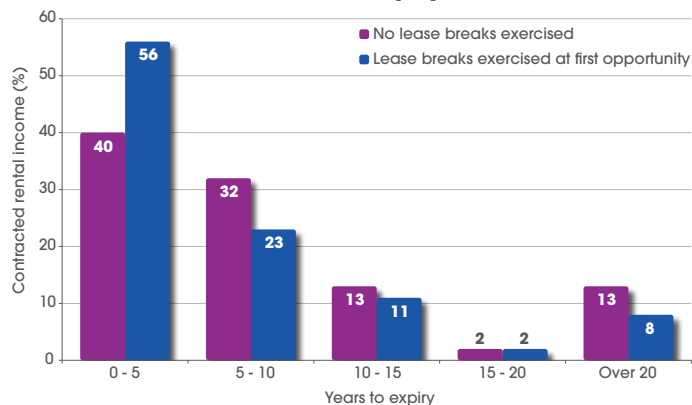
Appendix 20 - Lease expiry profile and lease length

DERWENT
LONDON

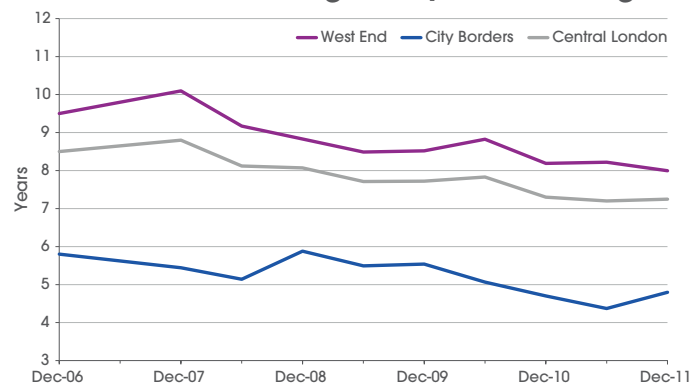
Expiries and breaks as percentage of portfolio income¹

	West End	City Borders	2012	2013	2014	2015	2016	Total
Expiries	3	1	4	9	4	4	6	27
Single breaks	3	-	3	4	8	2	3	20
Rolling breaks	3	2	5	1	1	-	-	7
Holding over	2	-	2	-	-	-	-	2
	11	3	14	14	13	6	9	56

Profile of rental income expiry¹



Average unexpired lease length²

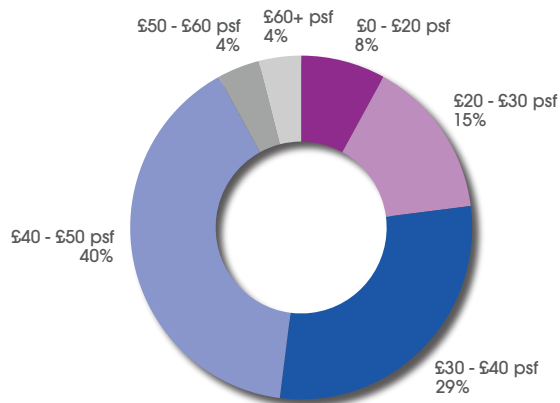


¹ Based upon annualised contracted rental income ² Lease length weighted by rental income and assuming tenants break at first opportunity

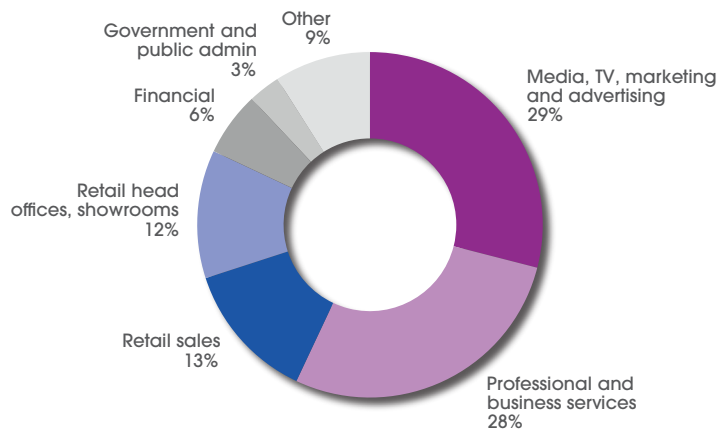
Appendix 21 - Rent banding and tenant profile

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Central London 'topped-up' office rent banding¹



Profile of tenants' business sector²



¹ Expressed as a percentage of annualised rental income after expiry of rent frees and stepped rents

² Expressed as a percentage of annualised rental income

Appendix 22 - Projects summary 2012 to 2013

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	Current net income £m pa	Pre scheme area '000 sq ft	Proposed area '000 sq ft	2012 capex ¹ £m	2013 capex ¹ £m	2014+ capex ^{1,2} £m	Total capex ¹ £m	Delivery date	ERV £ psf
On site at December 2011									
1 Page Street SW1	-	118	127	14.9	14.3	0.6	29.8	Q2 2013	45-50
Buckley Building EC1	2.5	75	85	12.0	0.5	0.3	12.8	Q4 2012	c. 45
4 & 10 Pentonville Road N1	-	45	55	6.5	0.4	-	6.9	Q3 2012	c. 37.50
Central Cross W1 - Phases 1 & 2	0.9	42 ³	44	5.2	7.3	0.1	12.6	Q4 2013	c. 50
Morelands Buildings EC1	0.3	17	27	4.6	0.9	0.1	5.6	Q4 2012	35-37.50
	3.7	297	338	43.2	23.4	1.1	67.7		
2012									
40 Chancery Lane WC2	0.7	61	100	6.4	20.8	16.4	43.6	Q4 2014	c. 55
Turnmill EC1	0.3	41	70	3.3	15.7	6.8	25.8	Q3 2014	c. 47.50
	1.0	102	170	9.7	36.5	23.2	69.4		
2013									
80 Charlotte Street W1	4.7	223 ⁴	367	3.9	27.3	95.1	126.3	2015	55-60
96-98 Bishop's Bridge Road W2	-	-	21	0.8	3.9	7.3	12.0	2014	Residential
	4.7	223	388	4.7	31.2	102.4	138.3		
Planning and design				9.5	4.0	-	13.5		
Other				15.9	13.2	14.5	43.6		
Total	9.4	622	896	83.0	108.3	141.2	332.5		

¹ Excluding finance ² Excluding projects that commence in 2014 and beyond ³ Part redundant storage space

⁴ Consists of 200,000 sq ft of existing buildings on the main island site plus 23,000 sq ft of associated buildings for part of the residential requirement

Appendix 23 - Projects summary 2014+

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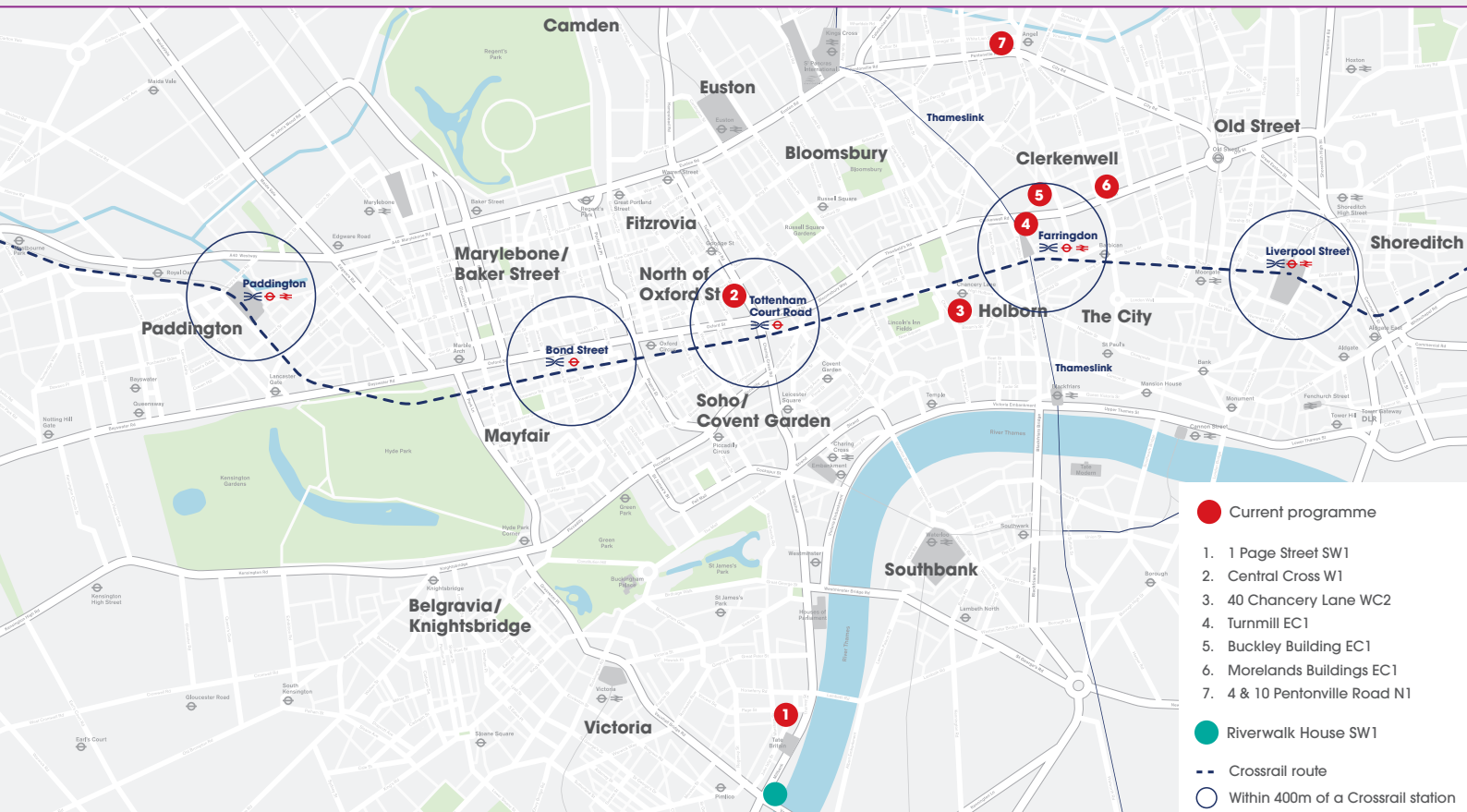
	Current net income £m pa	Pre scheme area '000 sq ft	Proposed area '000 sq ft	Earliest possession year	Comment
2014 onwards					
City Road Estate EC1	0.8	124	289	2012	Consented scheme - pre-let required
Balmoral Grove Buildings N7	0.2	49	163	2013	Appraisal studies
1-5 Grosvenor Place SW1	6.1 ¹	168	260	2014/2016	Appraisal studies
55-65 North Wharf Road W2	1.0	78	313	2014	Consented scheme
Central Cross W1 - Phase 3	0.8	34	52	2014	Appraisal studies
1 Oxford Street W1	-	-	275	c. 2017	Planning application submitted
	8.9	453	1,352		
Other					
Riverwalk House SW1	-	75	148 ²	Vacant	Planning application submitted
132-142 Hampstead Road NW1	-	230	265	Vacant ³	Scheme options under review in light of HS2
Wedge House SE1	0.3	39	80	2012	Renewing planning permission
60 Commercial Road E1	0.5	30	122	2012	Consented scheme
	0.8	374	615		

¹ Prior to disposal gross income of £6.2m pa and net income of £6.1m pa ² In addition, there is proposed affordable housing of 27,000 sq ft at Vauxhall Bridge Road SW1

³ 16,000 sq ft was let short-term as at 31 December 2011

Appendix 24 - Current project programme map

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Appendix 25 - Management structure - executive team

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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
Tim Kite	Company Secretary
Richard Baldwin	Head of Development
Louise Rich	Head of Investor Relations
Asim Rizwani	Head of Property Management
Simon Taylor	Head of Asset Management
Celine Thompson	Head of Leasing
David Westgate	Head of Tax
Gary Preston	Group Financial Controller

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