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Derwent London plc

("Derwent London" / "group")

INTERIM MANAGEMENT STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2010

Highlights

- Lettings:
  - 21 lettings in the first quarter of the year totalled 72,800 sq ft (6,760m^2), generating a rental income of £2.2m pa. Subsequent lettings have taken this total to 89,700 sq ft (8,330m^2) with an annual rental income of £2.5m
  - The group's vacancy rate is now 2.4%, down from 3.6% at the start of the year
- Projects:
  - Project activity increased with 135,000 sq ft (12,540m^2) of refurbishments on-site which are predominantly located in the West End, our key operating area
  - The 263,000 sq ft (24,400m^2) Angel Building development is due to complete at the end of August 2010 with 53% of the floorspace pre-let
- Financial:
  - Nominal increase in group net debt from £723.4m to £730.5m over the quarter
  - Committed unutilised bank facilities of £415m

Commenting on the period under review, John Burns, chief executive of Derwent London, said:

"Despite economic conditions remaining difficult, our central London operating market has performed well. In addition to our current projects, we are progressing our plans for a number of refurbishment and regeneration schemes for commencement in 2011 and 2012. The reversionary characteristics of our portfolio, and the opportunities within, together with our strong balance sheet, will continue to provide the platform for rental and capital value growth."

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Overview

The central London office market continued to strengthen in the first three months of the year with the highest take-up for nearly three years and a further decline in the vacancy rate. This trend has continued into the second quarter with rental levels stabilising and there are now signs of selective rental growth in our operating areas. In the investment market, demand was strong, placing additional downward pressure on yields.

Portfolio management

In the first quarter of the year, we concluded 21 lettings at an annual rent of £2.2m over a floorspace of 72,800 sq ft (6,760m^2). The majority of these lettings involved space that was vacant at the start of the year. Overall, these transactions were in line with December 2009 estimated rental values. At each of the Charlotte Building and 4 Grosvenor Place we concluded two lettings with annual rental incomes of £0.9m and £0.5m respectively.

Since the quarter-end, a further 16,900 sq ft (1,570m^2) of space has been let, at a rent of £0.3m pa, taking the vacancy rate of available space to 2.4% - a decrease from 3.6% at the start of the year. In addition, a further 49,800 sq ft (4,630m^2) of floorspace is under offer with an annual rental income of approximately £0.8m.

Rental collection continued to be prompt, in line with previous quarters.

Projects

At our 263,000 sq ft (24,400m^2) six-storey Angel Building, completion is on target for the end of August 2010. With the roof and glazing complete, the first element of the office space pre-let to Cancer Research UK has now been handed over for fitting out.

We are also on site at 11 refurbishment schemes totalling 135,000 sq ft (12,540m^2). The majority of these are in the West End, principally on our Fitzrovia Estate, and include Victory House, Tottenham Court Road (42,000 sq ft, 3,900m^2), Asta House, Whitfield Street (30,000 sq ft, 2,790m^2) and Maple Place/Fitzroy Street (20,000 sq ft, 1,860m^2). We are also finalising the design on a further four new refurbishment projects with a floorspace totalling 83,000 sq ft (7,710m^2).

Disposals and acquisitions

We have considered a number of opportunities in the year to date but have made no significant purchases and continue to concentrate on our own portfolio which currently offers better returns through innovative refurbishment and regeneration schemes. Following an active sales programme in the second half of last year, there have been no significant disposals so far this year.

Asset values

In the first three months of the year, there was further capital growth in the UK property market as investor sentiment remained strong and yields continued to tighten. This was particularly apparent in our market place where the IPD Central London Offices Capital Growth Index rose 7.5% in the period, following a rise of 10% in the second half of 2009. Investment stock remained in short supply over the quarter, especially in the West End, and this limited transactional activity. Following the rapid yield shift seen in the market over the last year, there are now indications that more properties are being released to the market and investor focus is turning towards future rental growth rather than additional yield compression.

Although our portfolio is not valued on a quarterly basis, following discussions with our external valuers, CB Richard Ellis, we believe that, with its low average rents, its performance was comparable to that of the IPD Central London Offices Index.

Finance

Capital expenditure during the first quarter of 2010 was £14.3m of which £8.8m related to the Angel Building. This contributed to a small increase of £7.1m in net debt from 31 December 2009 to £730.5m, equivalent to a loan to value ratio of 36.5%. There have been no significant changes to the group's financing arrangements during the quarter and, as a result, headroom under bank facilities remained substantial at £415m. The weighted average cost of debt was 5.0% and 81% of the debt was either fixed or hedged as at 31 March 2010. The final dividend for 2009 of 18.85p per share will be paid as a Property Income Distribution on 17 June 2010 to shareholders on the register on 21 May 2010.

Outlook

Our current refurbishment and development programme will deliver, into a tight market, our distinctive brand of high quality office space over this year and next. In addition, we continue to progress our plans for a number of regenerative schemes to commence in 2011 and 2012. Our balance sheet remains strong and we retain considerable headroom under committed loan facilities to fund both our accelerated development programme and acquisitions.

Disclaimer

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

Notes to editors

Derwent London plc

Derwent London plc is the largest central London focused REIT with an investment portfolio of £1.9bn as at 31 December 2009. 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. In April 2010, our recently completed Charlotte Building won the British Council for Offices award for Best Commercial Workplace in London and the South East.

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 5.1m sq ft, as of 31 December 2009, of which 94% 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: Arup Phases II & III W1, Qube W1, Horseferry House SW1, Johnson Building EC1, Davidson Building WC2 and Tea Building E1.