DERWENT
LONDON

13 November 2013

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

THIRD QUARTER INTERIM MANAGEMENT STATEMENT

CONTINUED STRONG LETTING ACTIVITY, SIGNIFICANT REFINANCING AND TECH BELT ACQUISITION

Good momentum in lettings and projects

- Lettings in the second half to date total 121,200 sq ft (11,260m^2) at an annual rent of £5.6m, 11.0% above June 2013 ERV
- Record lettings in the year to date of 619,900 sq ft (57,590m^2), generating annual rental income of £21.1m at 10.2% above December 2012 ERV
- EPRA vacancy rate down to 1.2% from 2.4% in June 2013
- Good progress on major projects:
    - 229,800 sq ft (21,350m^2) completed year to date, which are 100% let
    - On site at 311,300 sq ft (28,930m^2) of which 56% are pre-let
    - 330,000 sq ft (30,610m^2) of projects to start in the next six months
- Acquisition in November of 19 Charterhouse Street EC1, a 63,700 sq ft (5,920m^2) freehold office building in the Tech Belt, for £39.25m before costs

Significant refinancing

- Successful issue of £150m convertible bonds due 2019 with a coupon of 1.125% and a conversion price of £33.35 per share
- Signed £550m unsecured five-year revolving credit facility
- New £100m fixed rate unsecured private placement funding signed in November 2013
    - £25m for 15 years at 4.41% and £75m for 20 years at 4.68%
    - To be drawn in January 2014
- Completes £800m of unsecured refinancing in the second half of 2013

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

"In the second half we are already making further excellent progress with both our property and financing strategies. The rental growth and strong demand we see for Derwent London's brand of space, together with the improving economic outlook, mean that we are confident that our portfolio's estimated rental value growth will be at the top end of the 4-6% range that we predicted for the year. New lettings are achieving significantly above this level. Our successful refinancing means that we are now even better placed to fund our development pipeline and invest in additional properties."

Webcast and conference call

There will be a live webcast together with a conference call for investors and analysts at 11:30 GMT today. The audio webcast can be accessed via www.derwentlondon.com.

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

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

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

For further information, please contact:

Derwent London Tel: +44 (0)20 7659 3000	John Burns, Chief Executive Officer Damian Wisniewski, Finance Director Louise Rich, Head of Investor Relations
Brunswick Group Tel: +44 (0)20 7404 5959	Simon Sporborg Elizabeth Adams Sheena Shah

A record year for lettings

Derwent London is seeing strong demand for its product across all its London villages. We have already had a record year for lettings: 619,900 sq ft (57,590m^2) securing a rent of £21.1m pa and on average 10.2% above December 2012 ERV (estimated rental value). Our EPRA vacancy is now only 1.2%, down from 2.4% in June 2013.

In the third quarter we let 62,300 sq ft (5,790m^2) at an annual rent of £2.7m, 4.0% above the June 2013 ERV and so far in the fourth quarter we have let 58,900 sq ft (5,470m^2) at an annual rent of £2.9m, 18.3% above June 2013 ERV.

The Buckley Building EC1 in the heart of Clerkenwell was fully let to first class tenants within six months of completion, with Tipp24 and Deloitte Digital joining Unilever and Hill+Knowlton Strategies. This profile reflects both the quality of the building we have crafted and the desirability of this area of London amongst creative companies.

A number of existing tenants have taken further space in our portfolio, demonstrating the value of developing close working relationships. Turley Associates has taken 7,200 sq ft (670m^2) at Charlotte Building W1, vacating the 5,500 sq ft (510m^2) occupied at 25 Savile Row W1. Also Morningstar has taken a further 13,100 sq ft (1,220m^2) at 1 Oliver’s Yard EC2, increasing the space it occupies here by 35%.

Terms of these and other principal second half lettings are set out in more detail in Appendix 1.

Progress on our major projects

Following the final Buckley Building letting, the Group has now let all of the space completed in the year to date, totalling 229,800 sq ft (21,350m^2).

Our current programme totals 311,300 sq ft (28,930m^2) comprising four developments together with one phased refurbishment. Four of these five projects are due for completion next year. At 40 Chancery Lane WC2 and Turnmill EC1, the office elements are pre-let to Publicis Groupe, and as a result 56% of the current programme is pre-let. We are also on site at our two residential developments: Queens, Bishop’s Bridge Road W2 and 73 Charlotte Street W1, together creating 32,300 sq ft (3,000m^2) of residential and 4,600 sq ft (430m^2) of commercial space.

The phased refurbishment at 1-2 Stephen Street W1 is one of our largest current office schemes. Following the surrender of a lease over the top two floors of 1 Stephen Street we have increased the area under refurbishment here by 16,100 sq ft (1,500m^2) to 102,100 sq ft (9,490m^2).

A further 330,000 sq ft (30,610m^2) of projects are due to start in the next six months. These include 289,000 sq ft (26,800m^2) at the White Collar Factory EC1 in the heart of the Tech Belt starting early in 2014.

Further details of the major projects are given in Appendix 2.

Acquisition

Earlier this week the Group completed the purchase of 19 Charterhouse Street, Clerkenwell EC1 for £39.25m before costs. This Tech Belt acquisition lies in a prominent corner location opposite the new Farringdon Crossrail interchange. The property meets a number of our acquisition criteria: let off a low rent, large floor plates for the area with good natural light, and significant future regeneration potential.

This 63,700 sq ft (5,920m^2) freehold office building is let to the London College of Accountancy on a lease expiring in 2025 with a tenant's break in 2020. The next rent review, in 2015, is capped at £1.7m pa. Until the review the vendor is topping up the passing income of £1.4m pa to this level, which equates to £26.50 per sq ft (£285 per m^2) overall, representing an initial yield of 4.1%.

The Group has a further c.£60m property acquisition in solicitor's hands.

Market outlook remains favourable

The first three quarters of this year have exceeded our positive expectations of last February. The UK's economic outlook has improved, with GDP growth of 1.9% in the first nine months of the year, and London continues to lead that recovery.

London's strength has been reflected in improving rental levels. The IPD Quarterly Index for central London offices showed rental growth of 3.5% for the first nine months of 2013. We believe the rental outlook remains good with low central London office vacancy (5.3%) and improving tenant confidence.

Investment activity has continued its recent trend with CBRE recording third quarter transactions of £4.2bn, taking the total for the first nine months to £11.1bn. This already makes 2013 second only to last year's £14.0bn for post 2007 activity. We expect our property yields to remain firm given the underlying rental growth outlook and the high level of property yields compared with UK gilts.

The Group's portfolio was not valued during this period, but our valuers, CBRE, have indicated that the performance of the portfolio over the quarter is likely to have at least matched that of the IPD Central London Office Index which increased 2.6% in the three months to September 2013.

Refinancing further enhances operational flexibility

The second half has seen a very active period of refinancing. Taking advantage of recent market conditions we have achieved two medium-term objectives: further broadening our sources of finance (bank debt has fallen from 50% of drawn debt at the end of 2012 to 32% in September 2013) and moving to a predominantly unsecured debt model (the proportion of unsecured drawn debt increased from 19% in June 2013 to 59% in September 2013). We believe that this will improve operational flexibility while reducing transaction costs and providing us with broader access to the capital markets. At the same time, the refinancing announced since June 2013 has lowered the Group's weighted average interest rate and increased weighted average debt maturity.

There have been three major financing transactions since June 2013:

In July the Group issued £150m of convertible bonds due in 2019 with a coupon of 1.125%. The conversion price of these bonds was set at £33.35 per share, a 62% premium to the EPRA net asset value at the end of June 2013. This transaction is accounted for by splitting the equity and debt components and gave rise to an equity uplift of £13m. We subsequently paid £13m to break, defer and re-coupon certain interest rate swaps, as previously reported.

In September Derwent London completed and started to draw down a new £550m unsecured five-year revolving credit facility, replacing £650m of secured bank facilities expiring between April 2014 and January 2017. The new facility was provided by our principal relationship lending banks. The margin payable under the new facility is 160 basis points over LIBOR for net asset gearing levels of up to 50%, increasing at higher levels of gearing with a maximum permitted level of 160%. This unsecured bank facility enabled the release of security on the facilities repaid, thereby increasing the Group’s pool of unencumbered assets to over £1.8bn. Unamortised arrangement costs of £3.2m have been written off in the third quarter in relation to the secured facilities repaid.

Since September, we have signed terms with New York Life for an unsecured private placement of £100m: £25m for 15 years at a fixed rate of 4.41% and £75m for 20 years at a fixed rate of 4.68%. The funds will be drawn in January 2014. We believe that this latest financing piece provides long-term debt at attractive pricing.

As at 30 September 2013, the Group had £1.25bn of facilities, of which £389m were undrawn, plus £20m of cash. The proportion of debt that was fixed or hedged was 93% and the weighted average interest rate on an IFRS basis decreased to 4.28% at 30 September 2013 from 4.74% at 30 June. Using the cash coupons of 2.75% and 1.125% for the convertible bonds, the weighted average interest rate fell from 4.50% to 3.76%. The weighted average debt maturity increased to 6.7 years at 30 September 2013 from 5.4 years at 30 June. This will increase further once the £100m private placement is drawn in January.

Capital expenditure for the first three quarters of 2013 increased to £84.5m including £4.0m of capitalised interest. The equivalent total in 2012 was £44.9m. The disposal of our remaining interest at 1-5 Grosvenor Place SW1 raised £132.5m before costs contributing to the decrease in net debt to £835m at the quarter end from £936m at 30 June 2013. The Group's loan-to-value ratio remained low at 27.4%.

Receipt of rents continues to be prompt with negligible amounts uncollected.

Outlook

In the second half we are already making further excellent progress with both our property and financing strategies. The rental growth and strong demand we see for Derwent London’s brand of space, together with the improving economic outlook, mean that we are confident that our portfolio’s estimated rental value growth will be at the top end of the 4-6% range that we predicted for the year. New lettings are achieving significantly above this level. Our successful refinancing means that we are now even better placed to fund our development pipeline and invest in additional properties.

Appendix 1 – Principal lettings H2 2013 to date

Property	Tenant	Area sq ft (m^2)	Rent £ per sq ft (£ per m^2)	Total annual rent £m	Minimum uplift at 1st review £ per sq ft (£ per m^2)	Lease term Years	Lease break Year	Rent free equivalent Months
Q3								
The Buckley Building EC1	Tipp24	16,100 (1,500)	52.50 (565)	0.8	55.00 (592)	15	12	20
Charlotte Building W1	Turley Associates	7,200 (670)	65.00 (700)	0.5	- (-)	12	None	26
Q4 to date								
The Buckley Building EC1	Deloitte Digital	16,600 (1,540)	57.50 (619)	1.0	59.50 (640)	15	6	7, plus 10 if no break
1 Oliver's Yard EC2	Morningstar	13,100 (1,220)	42.50 (457)	0.6	45.00 (484)	7	4	9
4 Hardwick Street EC1	Ve Interactive	12,000 (1,110)	45.00 (484)	0.5	47.50 (511)	10	None	12
Tower House, Southampton Street WC2	Global Personals	4,200 (390)	70.00 (753)	0.3	72.50 (780)	12	6	9, plus 6 if no break

Appendix 2 – Major project pipeline

Property	Area sq ft	Area m^2	Comment
Projects completed year to date			
1 Page Street SW1	127,000	11,800	Let to Burberry at £5.3m pa
The Buckley Building, 49 Clerkenwell Green EC1	85,000	7,900	Multi-let at £4.2m pa
Morelands Buildings (roof scheme), 5-27 Old Street EC1	17,800	1,650	Let to AHMM at £0.6m pa
	229,800	**21,350**	100% let
Projects on site [1]			
Developments			
40 Chancery Lane WC2	101,800	9,460	Offices and retail Completion due Q3 2014. 96% pre-let
Turnmill, 63 Clerkenwell Road EC1	70,500	6,550	Offices and retail Completion due Q3 2014. 83% pre-let
Queens, 96-98 Bishop's Bridge Road W2	21,400	1,990	Residential and retail Completion due Q4 2014
73 Charlotte Street W1	15,500	1,440	Residential and offices Completion due Q2 2015
Phased scheme			
1-2 Stephen Street W1	102,100	9,490	Offices Completion due Q4 2013/ Q2 2014
	311,300	**28,930**	56% pre-let
Projects starting in next six months [1]			
White Collar Factory, Old Street EC1	289,000	26,800	Office-led development
18-30 Tottenham Court Road W1	41,000	3,810	Retail, Part 1-2 Stephen Street
	330,000	**30,610**	
Major planning consents [1]			
80 Charlotte Street W1	380,000	35,300	Offices and residential
55-65 North Wharf Road W2	240,000	22,300	Offices
1 Oxford Street W1 [2]	275,000	25,500	Offices, retail and theatre
Wedge House, 30-40 Blackfriars Road SE1	80,000	7,400	Offices
	975,000	**90,500**	

Notes

1 Areas are proposed figures
2 Crossrail option site

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 owns a portfolio of commercial real estate predominantly in central London valued at £3.1bn as at 30 June 2013, making us the largest London-focused real estate investment trust (REIT).

Our experienced team has a proven record of value creation through development, refurbishment and asset management activities. We take a fresh approach to each building, adopting a design-led and tenant-led philosophy. We focus on buildings with reversionary mid-market rents, particularly those in improving locations around the West End and the City borders.

The business is grounded on a strong balance sheet with modest leverage, a robust income stream and flexible financing.

Landmark schemes in our portfolio of 5.5 million sq ft (510,600m^2) as at 30 June 2013 include Angel Building EC1, The Buckley Building EC1, Qube W1, Horseferry House SW1 and Tea Building E1.

In 2013 to date Derwent London has been awarded EPRA Golds for both financial and sustainability reporting, two OAS awards and AJ Retrofit and NLA awards.

Derwent London came seventh overall in the 2012 Management Today awards for 'Britain's Most Admired Companies', topping the real estate sector for the third year in a row and the Estates Gazette 'Property Company of the Year – Offices' award.

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