



DERWENT LONDON PLC  
INTERIM RESULTS 2015

## **Presenters:**

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## **Contents:**

Introduction and overview	1
Results and financial review	9
Valuation and portfolio analysis	20
Projects	28
Outlook for central London property	41
Outlook for Derwent London	45
Appendices	47
Disclaimer	80

# INTRODUCTION AND OVERVIEW

John Burns

## Another good set of results

- NAV growth +10.9% (Portfolio +9.1%)
- Net rental income +5.0%
- EPRA EPS +16.5%
- Dividend per share +8.2%
- Total return +11.9%

## Performance and operations

- ERVs +5.2%
- £20.3m of lettings YTD, over twice the 2014 annual total
- Completed 210,500 sq ft of developments, 90% let

## Financial highlights

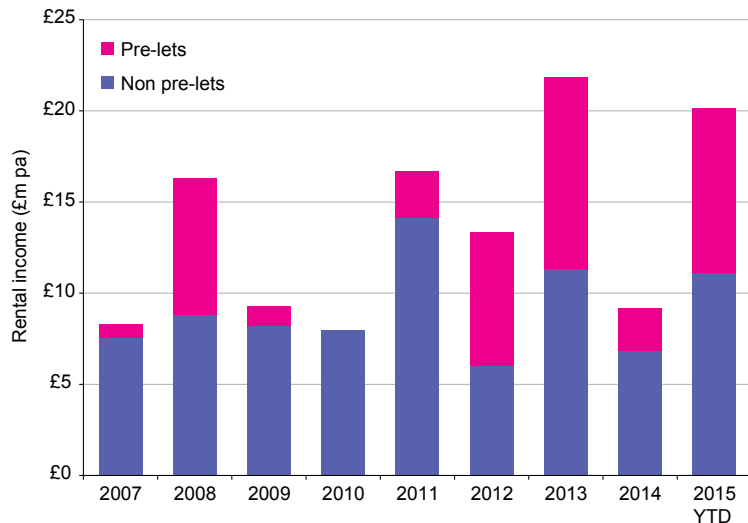
- New £75m five-year unsecured revolving bank facility completed in July 2015
- £175m 2.75% convertible bonds 2016 converted into new shares in January 2015
- LTV 18.6%, down from 24.0% at year end

40 Chancery Lane WC2



# 2015 - SET TO BE A RECORD YEAR FOR LETTINGS

## Letting Activity

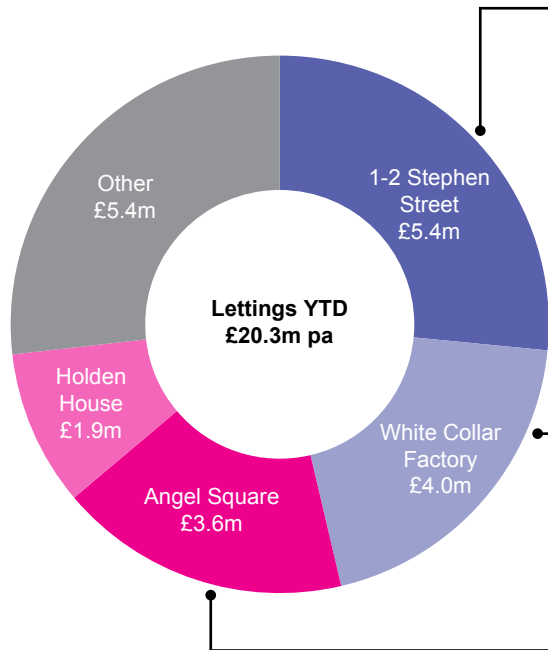


- Excellent letting activity year to date:
  - £20.3m pa of income
  - 394,600 sq ft
  - 53 transactions

	Let		Performance against Dec 14 ERV	
	Area sq ft	Income £m pa	Open market	Overall
H1	322,600	16.4	9.3%	4.3%
H2 to date	72,000	3.9	17.6%	17.6%
YTD	394,600	20.3	11.2%	6.6%

- Already close to our record year of £21.8m in 2013
- EPRA vacancy rate of just 1.6%:
  - Down from 4.1% at year end





- 34,150 sq ft let on the lower floors at £65 psf
- 16,150 sq ft let on the top two floors (9 and 10) at £81.75 psf
- Seven retail units let at Tottenham Court Walk



- Two pre-lets on the lower five floors of the tower:
  - 69,700 sq ft
  - Initial rent £57.50 psf
  - Increases to between £63.50 and £70 psf at first review

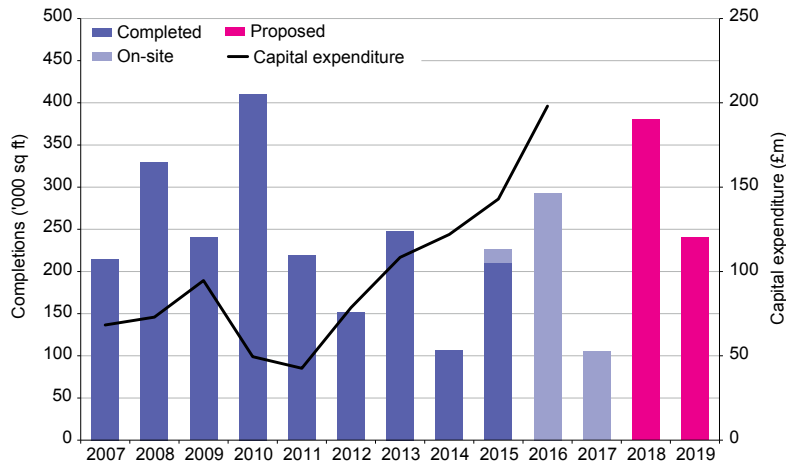


- Pre-let:
  - 57,600 sq ft at £36.80 psf
  - 40,700 sq ft at £35.00 psf
- Total annualised income up 54% since purchase

# DEVELOPMENT OPPORTUNITIES

- One million sq ft under potential development in H1 2016 with the commencement of 80 Charlotte Street W1 and Brunel Building W2:
  - ERV £61.3m (7% pre-let)
  - Capex £480m
  - Estimated surplus still to come £197m<sup>1</sup>

## Impact of our next two major developments



<sup>1</sup> Appendices 23 and 24

<sup>2</sup> Joint venture - Derwent London share 55%

## PROGRESSING FUTURE SCHEMES

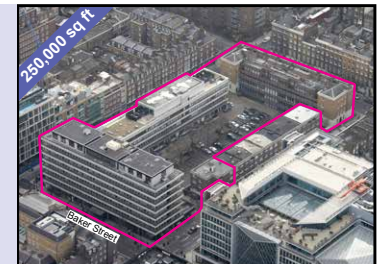
Wedge House SE1



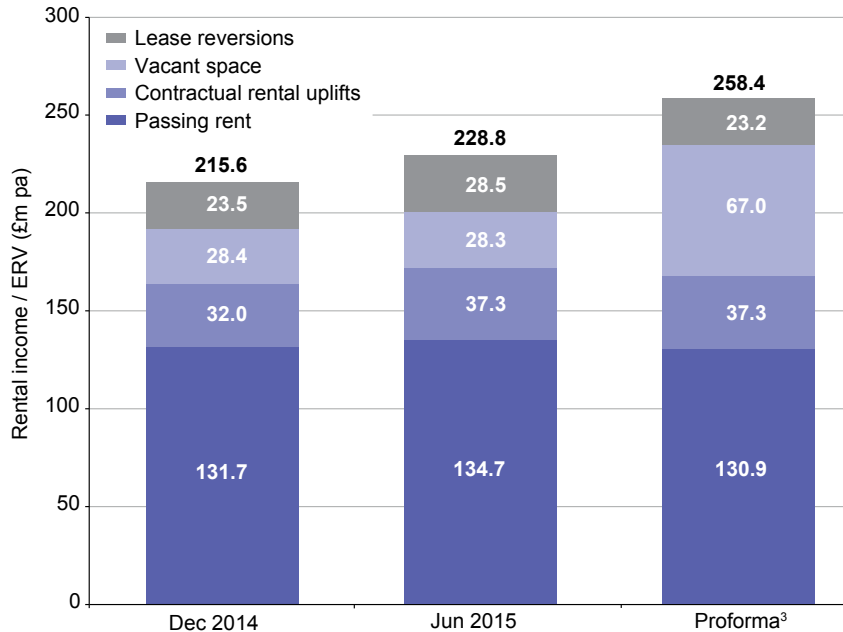
1 Oxford Street W1



19-35 Baker St W1<sup>2</sup>



## Outcome of potential development starts on ERV



- In H1 ERV grew by £13.2m (+6%):
  - Contracted element<sup>1</sup> +£8.3m (+5%)
  - Variable element<sup>2</sup> +£4.9m (+9%)
- Proforma<sup>3</sup> ERV +£29.6m:
  - Contracted element -£3.8m (-2%)
  - Variable element<sup>2</sup> +£33.4m (59%)
- Assumes additional capex:
  - Jun 2015 £142m
  - Proforma £480m
- Target to increase contracted element:
  - £3.9m achieved H2 to date

<sup>1</sup> Passing rent and contractual rental uplifts

<sup>2</sup> Lease reversions and vacant space

<sup>3</sup> Includes 80 Charlotte Street W1 and Brunel Building W2 but excludes Aldgate Union E1



- Three major Tech Belt acquisitions:
  - 554,300 sq ft offices
  - c.£310m after costs
  - £560 psf capital value
- Exciting short-term refurbishment options:
  - 363,000 sq ft of refurbished offices to be delivered in 2016
  - ERV c.£14m
  - Capex c.£30m
- Total potential income c.£20m
  - Running yield c.5.75%
- Significant medium-term development opportunities



## Angel Square EC1

- 128,700 sq ft
- 80% of building let/renewed since acquisition
- 25,000 sq ft under refurbishment



## 20 Farringdon Road EC1

- 170,600 sq ft
- Ground floor re-let at £1.1m pa
  - Previously let at a peppercorn rent
- 83,000 sq ft refurbishment in H2

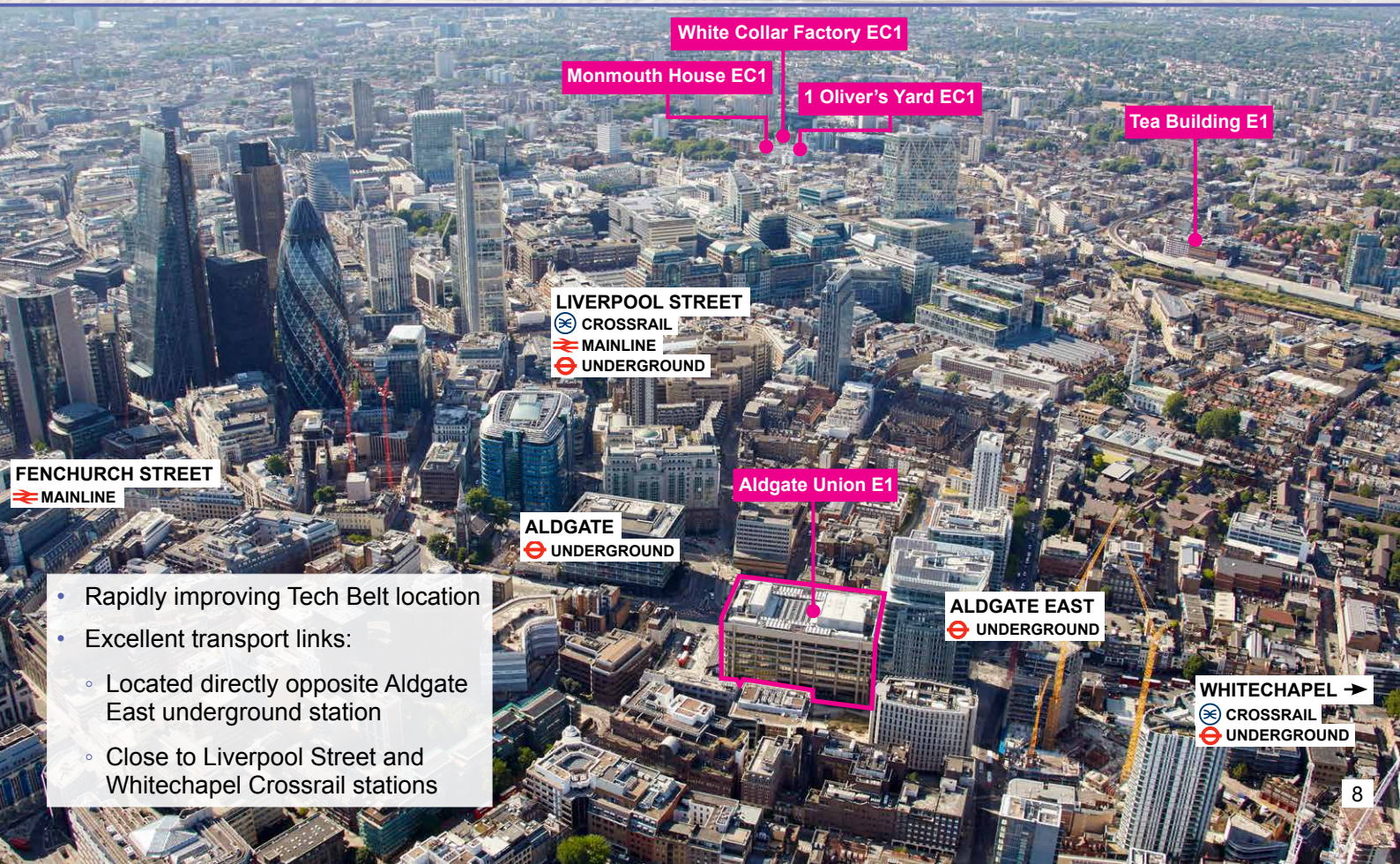


## Aldgate Union E1

- 255,000 sq ft
- £132m purchase to complete in December 2015
- Property to be acquired with vacant possession
- Initial light touch refurbishment



# CHANGING FACE OF LONDON



White Collar Factory EC1

Monmouth House EC1

1 Oliver's Yard EC1

Tea Building E1

LIVERPOOL STREET

⊗ CROSSRAIL

≡ MAINLINE

⊖ UNDERGROUND

FENCHURCH STREET

≡ MAINLINE

ALDGATE

⊖ UNDERGROUND

Aldgate Union E1

ALDGATE EAST

⊖ UNDERGROUND

WHITECHAPEL →

⊗ CROSSRAIL

⊖ UNDERGROUND

- Rapidly improving Tech Belt location
- Excellent transport links:
  - Located directly opposite Aldgate East underground station
  - Close to Liverpool Street and Whitechapel Crossrail stations

# RESULTS AND FINANCIAL REVIEW

Damian Wisniewski

# HEADLINE NUMBERS

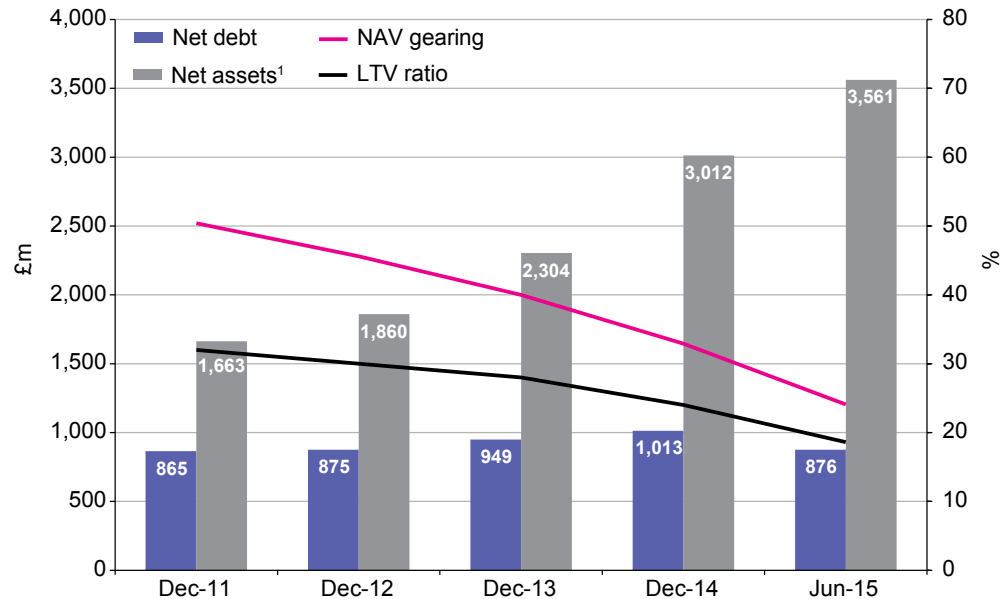
	Jun 2015	Dec 2014	Jun 2014
Total portfolio at fair value (excl. JVs)	£4,551.8m	£4,168.1m	£3,742.1m
EPRA net asset value per share <sup>1</sup>	3,226p	2,908p	2,572p
EPRA triple NAV per share <sup>1</sup>	3,125p	2,800p	2,513p
Gross property income	£74.3m	£138.4m	£69.3m
EPRA profit before tax <sup>2</sup>	£39.0m	£62.3m	£32.0m
EPRA earnings per share	33.97p	57.08p	29.15p
Profit for the period	£403.3m	£749.8m	£369.1m
Interim dividend per share	12.60p	11.65p	11.65p
Net debt	£875.9m	£1,013.3m	£974.1m
Loan-to-value (LTV) ratio	18.6%	24.0%	25.7%
NAV gearing	24.1%	32.9%	35.8%
Net interest cover ratio	343%	286%	287%

<sup>1</sup> On a diluted basis    <sup>2</sup> See Appendix 4 for reconciliation to IFRS profit before tax



- EPRA NAV per share up 10.9%:
  - 3,226p from 2,908p
- Equity shareholders' funds increased to £3,561m
- Net debt decreased by 13.6%:
  - £875.9m from £1,013.3m
  - £175m of bonds converted into new shares in January 2015
- LTV and NAV gearing ratios reduced due to valuation increases and conversion of £175m 2016 bonds

**Debt, net assets and gearing**



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



# EPRA NAV MOVEMENT

- At £362.1m, the revaluation surplus in H1 2015 exceeded both H1 2014 and H2 2014

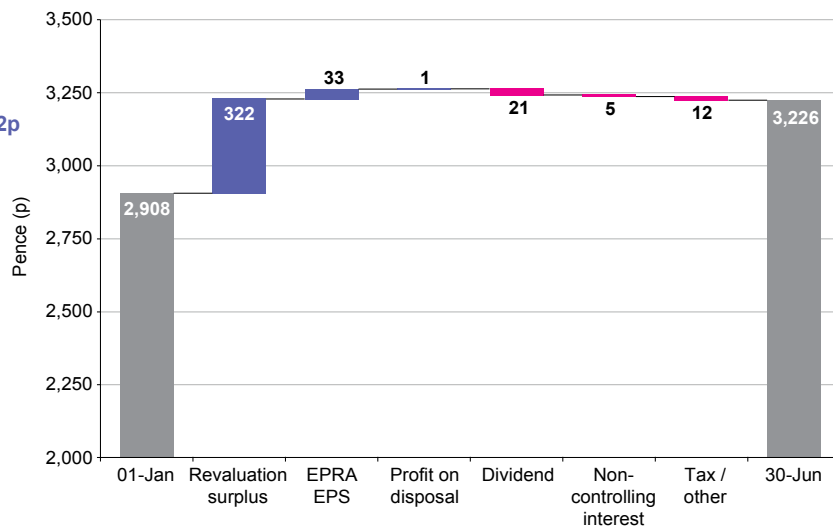
## Revaluation surplus:

Income statement	£361.0m	
Other comprehensive income <sup>1</sup>	£1.1m	
Per accounts	£362.1m	
Trading property <sup>2</sup>	(£1.7m)	
EPRA surplus	£360.4m	322p

## Profit/(loss) on disposal:

Mark Square House EC2	£0.2m	
22 Kingsway WC2	(£1.2m)	
9 & 16 Prescot Street E1 (50%)	£0.6m	
Westercladdens land, Scotland	£0.8m	
Investment properties	£0.4m	
Queens W2 trading properties	£0.6m	
Total profit on disposal	£1.0m	1p

## EPRA NAV per share



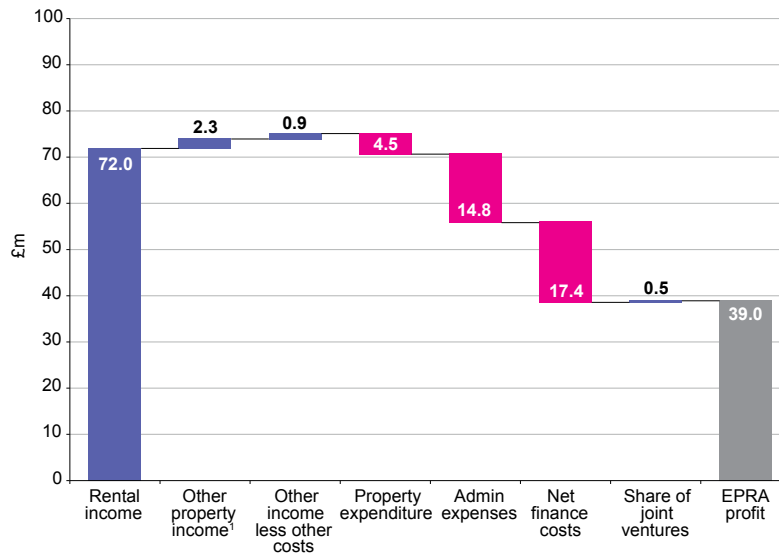
<sup>1</sup> Surplus from owner-occupied part of 25 Savile Row W1    <sup>2</sup> Adjusted through EPRA NAV

- EPRA profit £39.0m, up 22% from £32.0m in H1 2014
- Excludes £0.6m profit on sale of trading property
- Admin costs up 13% due mainly to higher staff costs

## Finance costs

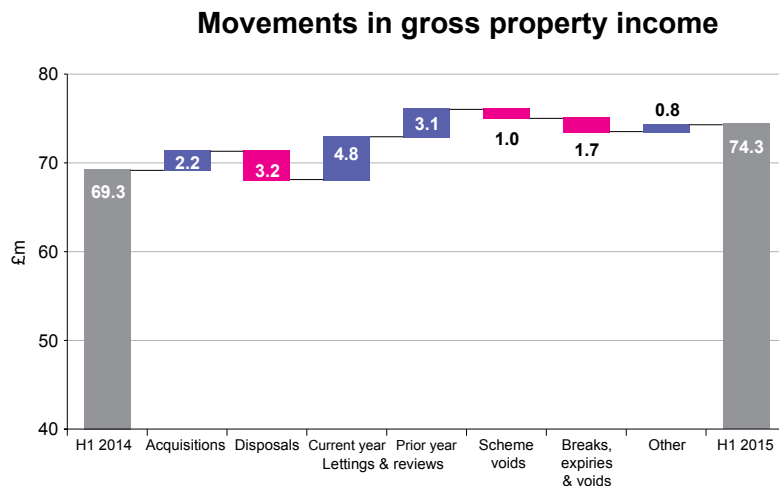
	H1 2015 £m	H1 2014 £m
Interest	18.4	20.8
Capitalised interest	(3.0)	(2.3)
	<b>15.4</b>	<b>18.5</b>
Fees and costs	2.0	2.9
Other	-	(0.3)
<b>Net finance costs</b>	<b>17.4</b>	<b>21.1</b>

## EPRA profit before tax



<sup>1</sup> Compensation from contractors for lost rental income in connection with the late delivery of schemes

- Acquisitions include:
  - 20 Farringdon Road EC1 £1.2m
  - Angel Square EC1 £1.0m
- Disposals include:
  - 22 Kingsway WC2 £1.0m
  - Mark Square House EC2 £0.5m
  - 9 & 16 Prescot Street E1 £0.3m
- Lettings and reviews include:
  - 1-2 Stephen Street W1 £1.4m
  - Turnmill EC1 £1.2m
  - Angel Square EC1 £0.4m
  - Premier House SW1 £0.4m
- Breaks, expiries and voids include:
  - Holden House W1 £0.8m



	H1 2015 £m	H1 2014 £m	Change £m
Rental income	67.5	64.0	3.5
SIC15 lease incentives & IAS17 fixed uplifts	4.5	3.9	0.6
Gross rental income	72.0	67.9	4.1
Other property income	2.3	1.4	0.9
<b>Gross property income</b>	<b>74.3</b>	<b>69.3</b>	<b>5.0</b>

# PROPERTY OUTGOINGS, EPRA RENTAL INCOME & COST RATIOS

## Property outgoings

	H1 2015 £m	H1 2014 £m
Property outgoings	5.0	4.0
Ground rents	0.1	0.2
Surrender premiums paid	-	0.3
Dilapidation receipts	(0.6)	-
	<b>4.5</b>	<b>4.5</b>

→ Increased due to higher vacancy rate during H1 2015

## EPRA like-for-like rental income<sup>1</sup>

	Rental income		Net property income
	Gross	Net	
Compared with H1 2014	3.9%	4.4%	2.5%
Compared with H2 2014	2.8%	2.7%	2.7%

## EPRA cost ratios

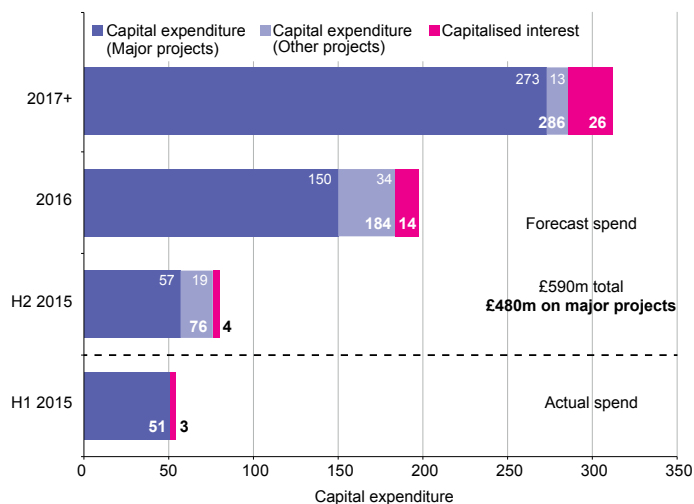
	H1 2015	FY 2014	H1 2014
EPRA - including direct vacancy costs	25.2%	24.2%	23.5%
EPRA - excluding direct vacancy costs	22.5%	22.9%	21.7%
Portfolio cost ratio <sup>2</sup>	0.8%	0.8%	0.9%

<sup>1</sup> See Appendix 6 for detailed reconciliation of like-for-like rental income

<sup>2</sup> EPRA costs including direct vacancy costs as a percentage of portfolio fair value on an annualised basis

- Decrease in net debt:
  - By £137.4m to £875.9m

## Forecast capital expenditure<sup>1</sup>



## Net cash flow movements

	H1 2015 £m	H1 2014 £m
Cash from operations	34.5	32.9
Acquisitions	(96.3)	(14.3)
Capex	(29.4) (54.4)	(32.1) (55.5)
Disposal proceeds	121.3	37.7
Dividends paid	(21.3)	(22.8)
Other cash flow movements	(0.4)	0.2
<b>Increase in net borrowing</b>	<b>(16.6)</b>	<b>(21.8)</b>
Bond conversion	170.5	-
Other non cash flow items	(16.5)	(3.1)
<b>Decrease/(increase) in net debt</b>	<b>137.4</b>	<b>(24.9)</b>

- Balance sheet capital expenditure, which includes accruals, was £61.2m in H1 2015

<sup>1</sup> Further details of forecast capital expenditure can be found in Appendix 27



# PROFORMA IMPACT OF MAJOR PROJECTS

	Jun 2015	After £480m capex <sup>2</sup> on major projects and contracted rents <sup>3</sup>	Assuming 50% of projects let at ERV and 50% of flats sold	Assuming 100% of projects let at ERV and 100% of flats sold
Portfolio fair value	£4,552m	£5,032m	£4,993m	£4,955m
Drawn debt net of cash	£848m	£1,328m	£1,290m	£1,251m
<b>Loan-to-value ratio</b>	<b>18.6%</b>	<b>26.4%</b>	<b>25.8%</b>	<b>25.2%</b>
Net property income (adjusted) <sup>1</sup>	£134m	£120m <sup>4</sup>	£157m <sup>4</sup>	£193m
Interest cost <sup>1</sup>	£39m	£54m <sup>5</sup>	£53m <sup>5</sup>	£52m <sup>5</sup>
<b>Net interest cover ratio</b>	<b>343%</b>	<b>222%</b>	<b>296%</b>	<b>371%</b>
<b>Speculative projects let / sold</b>		<b>0%</b>	<b>50%</b>	<b>100%</b>

<sup>1</sup> Annualised    <sup>2</sup> See page 16 and Appendix 27    <sup>3</sup> Adding contracted rents only and deducting income lost from schemes commencing

<sup>4</sup> Net of void costs    <sup>5</sup> Assuming a marginal interest rate of 3.0%

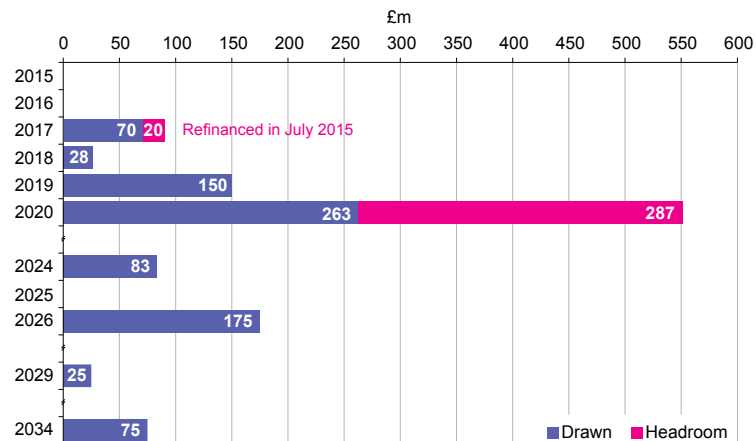
- £175m of 2.75% convertible bonds 2016 redeemed early and converted into new ordinary shares in January 2015
- A new £75m unsecured and fully revolving facility arranged with Wells Fargo was partially drawn down in July 2015
- £90m secured facility with Wells Fargo cancelled and £70m debt repaid at the same time
- As a result, uncharged properties increase from £3.0bn to £3.4bn and the overall cost of debt falls by 15-20bp

	Jun 2015	Dec 2014
Total facilities	£1,176m	£1,351m
Net debt	£876m	£1,013m
Unutilised facilities	£307m	£321m
Percentage of unsecured debt	59%	65%
Uncharged properties	£2,993m	£2,718m
Uncharged properties % of portfolio	66%	65%
Percentage of non-bank debt	58%	66%
Gearing:		
LTV ratio	18.6%	24.0%
NAV gearing	24.1%	32.9%
Net interest cover ratio	343%	286%

	Jun 2015	Dec 2014
Average interest rate (spot) <sup>1</sup>	3.93%	3.78%
Average interest rate (spot) <sup>2</sup>	4.20%	4.22%
Proportion of drawn facilities at fixed rate or hedged	91%	94%
Average maturity of facilities	6.6 years	6.2 years
Average maturity of borrowings	7.4 years	6.6 years

	Jun 2015 £m	Dec 2014 £m
Unsecured bank loans	263	249
Secured bank loans	98	98
Unsecured bonds and non-bank loans	250	425
Secured bonds and non-bank loans	258	258
<b>Total facilities drawn</b>	<b>869</b>	<b>1,030</b>

## Maturity profile of debt facilities



<sup>1</sup> Convertible bonds at 2.75% and 1.125%    <sup>2</sup> Convertible bonds on IFRS basis

# VALUATION AND PORTFOLIO ANALYSIS

Nigel George

## Capital growth very strong in the first half:

- Underlying 9.1% (H2 2014: 9.8%)
- City Borders excelled at 11.9% (H2 2014: 12.6%)

## Six projects valued at £696.9m<sup>1</sup> (14.2% uplift in H1):

- Under construction:
  - White Collar Factory EC1, The Copyright Building W1 and 73 Charlotte Street W1
- Completed:
  - Turnmill EC1 - Q1 2015
  - Tottenham Court Walk W1 - Q2 2015
  - 40 Chancery Lane WC2 - Q3 2015

	Portfolio valuation £m	Joint venture valuation £m <sup>2</sup>	Total £m	H1 2015 valuation movement %
West End	3,146.6	11.1	3,157.7	8.3
City Borders <sup>3</sup>	1,210.6	18.9	1,229.5	11.9
<b>Central London</b>	<b>4,357.2</b>	<b>30.0</b>	<b>4,387.2</b>	<b>9.3</b>
Provincial	100.0	-	100.0	1.0
<b>Underlying</b>	<b>4,457.2</b>	<b>30.0</b>	<b>4,487.2</b>	<b>9.1</b>
Acquisitions	94.6	-	94.6	(0.5)
<b>Investment portfolio</b>	<b>4,551.8</b>	<b>30.0</b>	<b>4,581.8</b>	<b>8.9</b>

<sup>1</sup> Includes 1-2 Stephen Street W1 (offices and Tottenham Court Walk retail)

<sup>2</sup> 50% joint venture interests in 9 and 16 Prescott Street E1 and Porters North N1

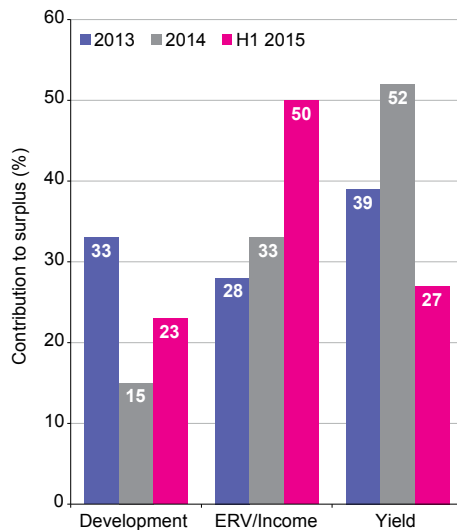
<sup>3</sup> Principally properties in the Tech Belt



## Our total property return was ahead of benchmarks:

- Derwent London 10.3%
- IPD Central London Offices 10.1%<sup>1</sup>
- IPD All Property 6.5%<sup>1</sup>

### Drivers of performance



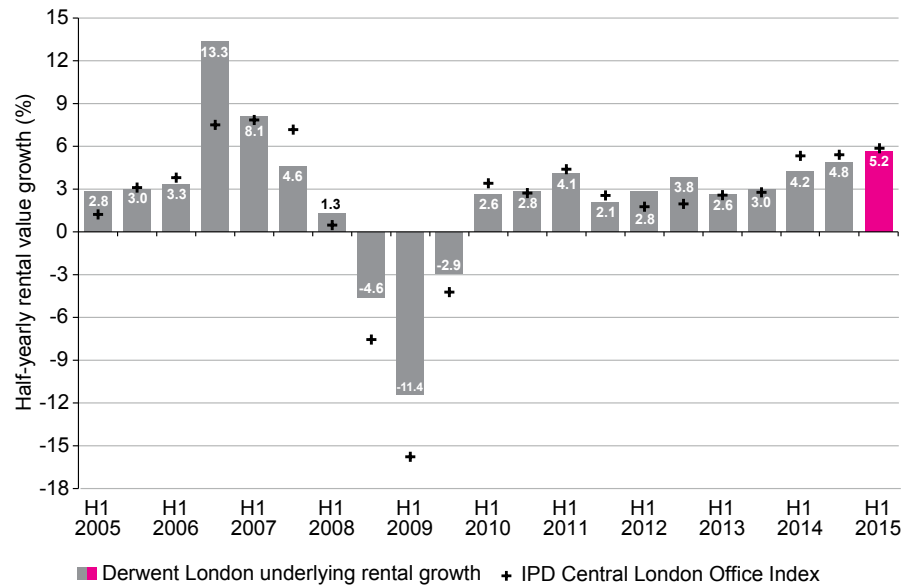
### Valuation performance



<sup>1</sup> Quarterly Index

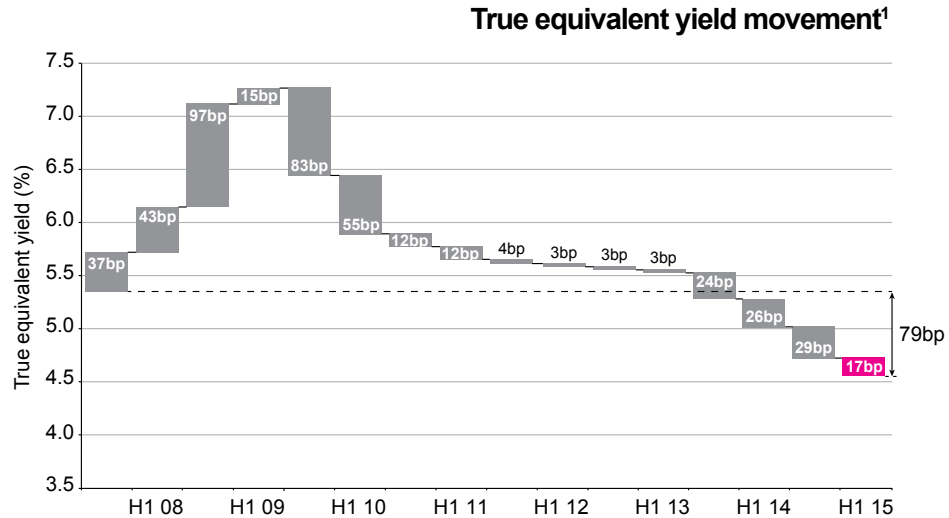
- Underlying rental value growth of 5.2% exceeded expectations:
  - Stronger than H1 2014 (4.2%) and H2 2014 (4.8%)
- City Borders continues to outperform at 6.3%:
  - Johnson Building EC1 8.4%
  - Morelands EC1 8.1%
  - Tea Building E1 7.6%
- West End achieved 5.0%:
  - Charlotte Building W1 11.9%
  - Middlesex House W1 11.6%
- Overall lettings in H1 were 4.3% above December 2014 ERV

Rental value growth



## EPRA yields

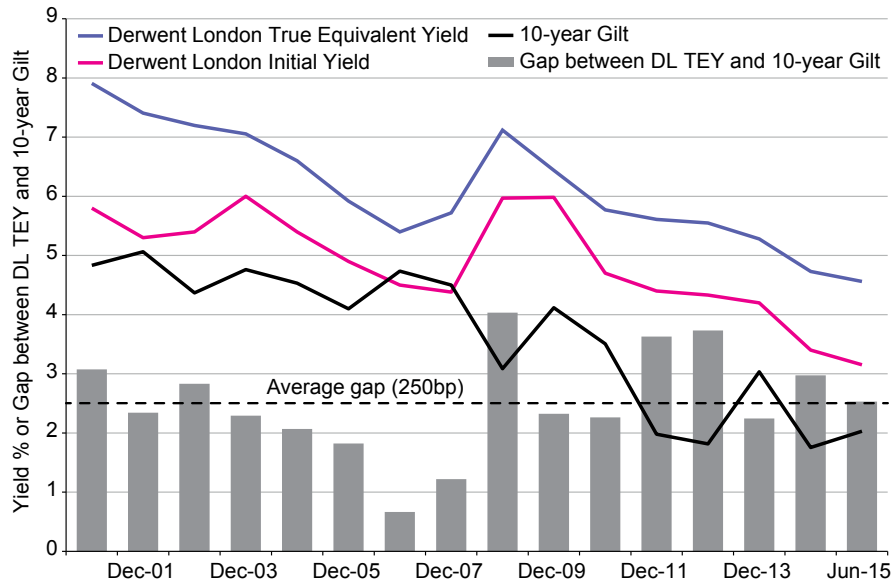
- Net initial yield 3.2% (Dec 2014: 3.4%):
  - 'Topped-up' net initial yield 3.9% (Dec 2014: 4.0%)
- True equivalent yield 4.56%<sup>1</sup> (Dec 2014: 4.73%):
  - Tightened by 17bp in H1 2015
  - 79bp below previous cycle low
- Net reversionary yield 5.0% (Dec 2014: 4.9%)



<sup>1</sup> Post H2 2010 portfolio on an EPRA basis

- True equivalent yield gap of 253bp from 10-year Gilt:
  - Rental growth outlook remains good
  - Capital flows very strong
  
- Capital values:
  - Central London      £828 psf
  - West End Central   £927 psf
  - Tech Belt            £730 psf

## Valuation yields<sup>1</sup>



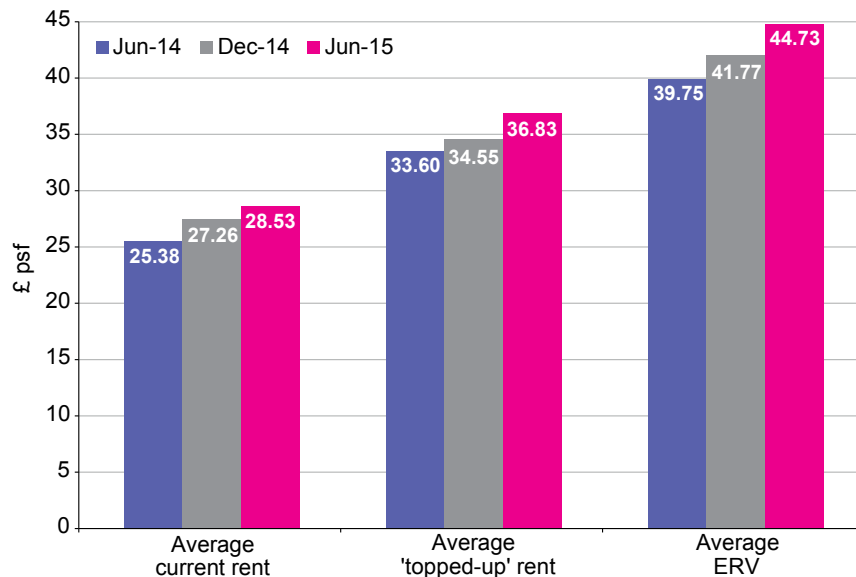
<sup>1</sup> Post H2 2010 portfolio on an EPRA basis

# REVERSION AND RENTAL VALUES

- Net income of £134.7m with ERV of £228.8m:
  - Significant reversion of 70% or £94.1m
- 85% of portfolio income from central London offices:
  - Average 'topped-up' office rent only £36.83 psf:
    - Core income portfolio £44.01 psf
    - Development portfolio £27.56 psf
  - Average office ERV £44.73 psf:
    - Core income portfolio £49.48 psf
    - Development portfolio £39.60 psf

'Topped-up' rents	H1 2015	2014
<£30 psf	14%	18%
£30-£40 psf	20%	22%
£40-£50 psf	30%	31%
>£50 psf	36%	29%

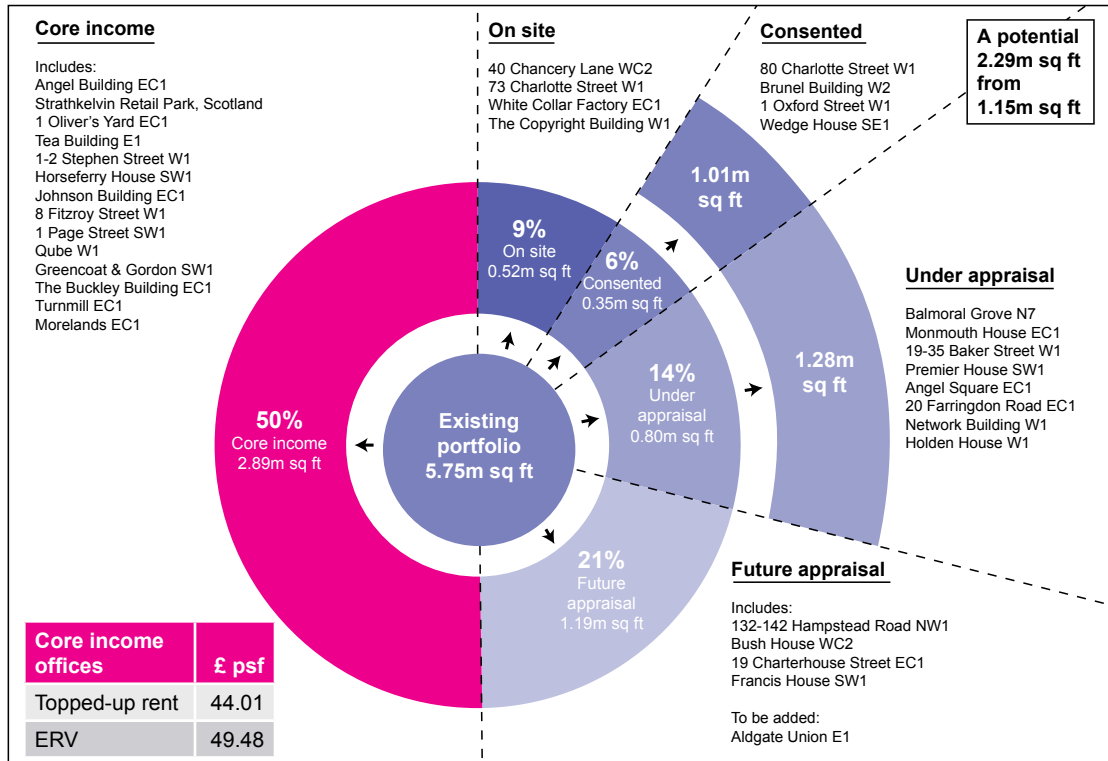
Central London office rent profile





# OPPORTUNITIES ACROSS THE PORTFOLIO

- Portfolio evenly split between core income and projects (on site or earmarked) - see Appendices 27 and 28



PROJECTS  
Simon Silver

- 108,500 sq ft completed in H1 2015:
  - Turnmill EC1
  - Tottenham Court Walk W1
- 515,500 sq ft on site at 30 June and includes:
  - 40 Chancery Lane WC2 (102,000 sq ft) - completed in early July
  - White Collar Factory EC1
  - The Copyright Building W1
- Next major projects:
  - 80 Charlotte Street W1: 380,000 sq ft mixed-use development – on site H2 2015
  - Brunel Building, 55-65 North Wharf Road W2: 240,000 sq ft offices – on site H1 2016

Turnmill EC1



<sup>1</sup> See Appendices 21 to 29 for completions, scheme appraisals and capital expenditure



# REGENERATING FITZROVIA - TOTTENHAM COURT WALK W1

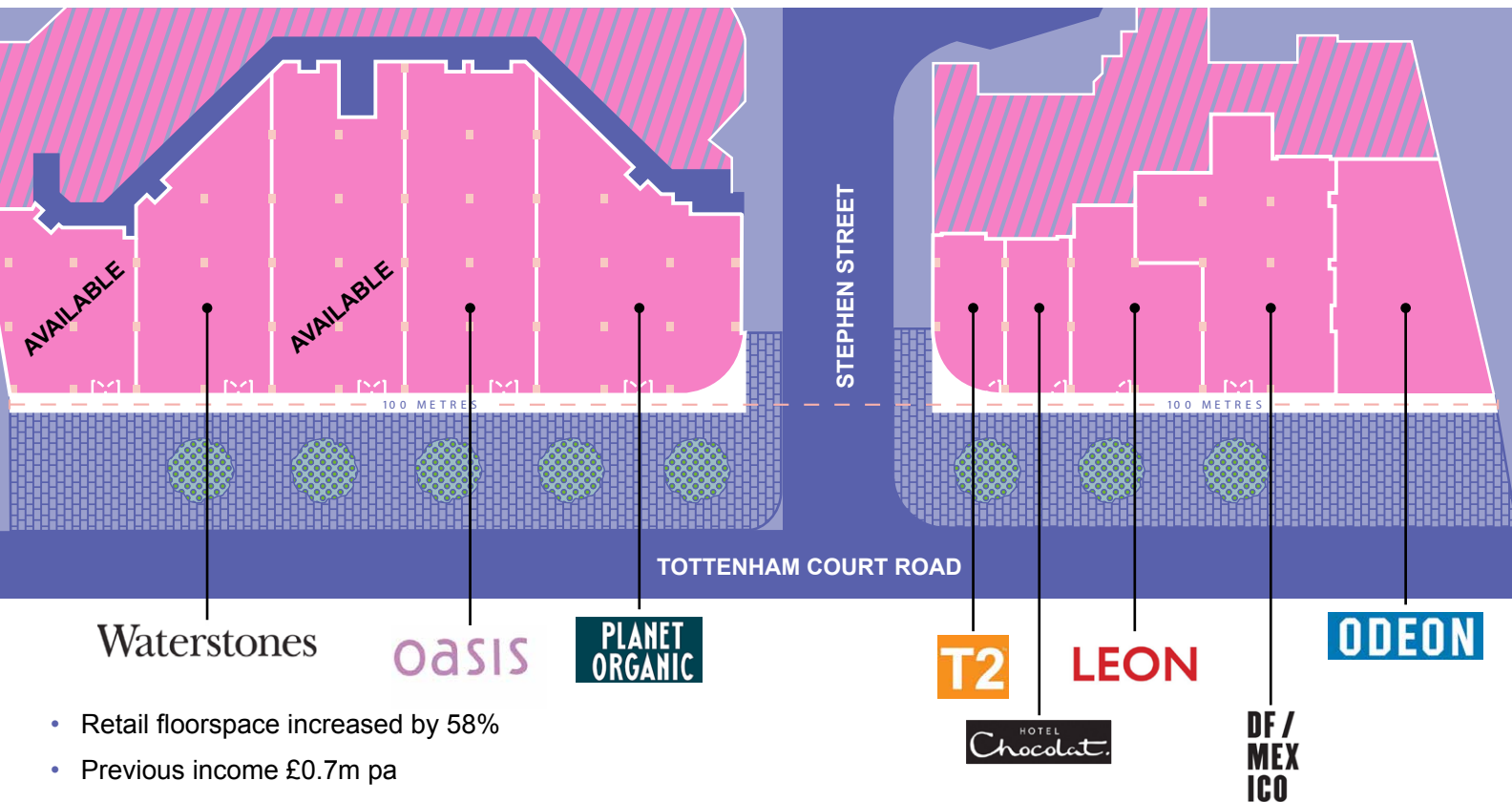
DERWENT  
LONDON

- Nine retail units (38,000 sq ft)
- Seven let - 26,600 sq ft at £1.8m pa



# REGENERATING FITZROVIA - TOTTENHAM COURT WALK W1

DERWENT  
LONDON



Waterstones

oasis

PLANET  
ORGANIC

T2

LEON

ODEON

HOTEL  
Chocolat

DF /  
MEX  
ICO

- Retail floorspace increased by 58%
- Previous income £0.7m pa
- ERV £2.4m pa



# MAKING GOOD PROGRESS AT WHITE COLLAR FACTORY EC1

DERWENT  
LONDON

- Q3 2016 completion
- 293,000 sq ft scheme (24% pre-let):
  - 237,000 sq ft 16-storey office tower
  - Additional office campus, restaurants, residential and a new public square
- Capex to complete £82m



# ON SITE: THE COPYRIGHT BUILDING, 30 BERNERS STREET W1

DERWENT  
LONDON

- 105,000 sq ft development:
  - 85,000 sq ft of offices
  - 20,000 sq ft of retail
- ERV £6.8m (net) - Offices c.£77.50 psf
- Capex to complete £51m
- Completion H2 2017





# MAJOR 2015 COMMENCEMENT: 80 CHARLOTTE STREET W1

DERWENT  
LONDON

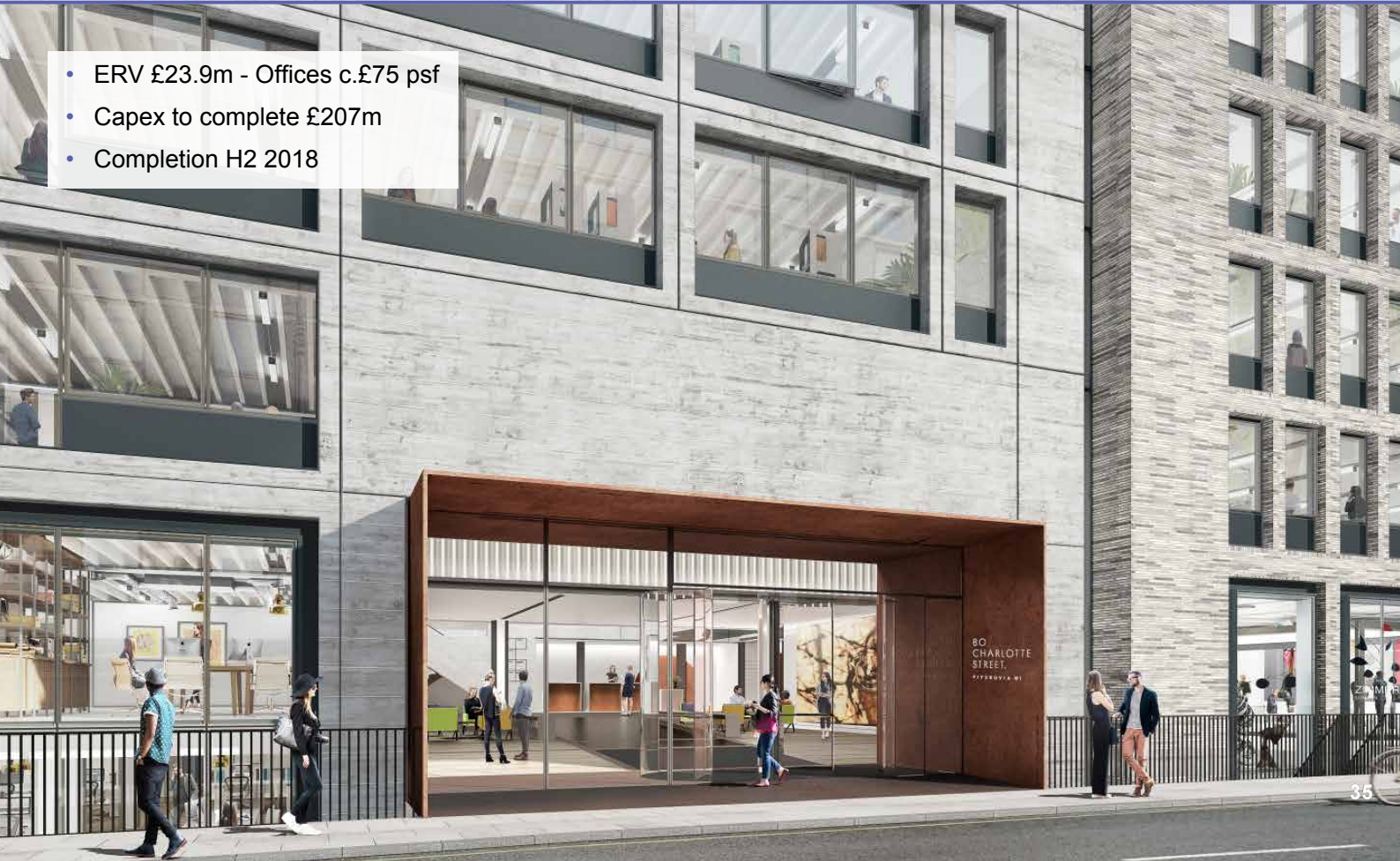
- 380,000 sq ft development:
  - 321,000 sq ft offices
  - 45,000 sq ft residential
  - 14,000 sq ft retail
- Commences H2 2015



# MAJOR 2015 COMMENCEMENT: 80 CHARLOTTE STREET W1

DERWENT  
LONDON

- ERV £23.9m - Offices c.£75 psf
- Capex to complete £207m
- Completion H2 2018



80  
CHARLOTTE  
STREET,  
W1D 7JX, LONDON



# MAJOR 2016 COMMENCEMENT: BRUNEL BUILDING W2

DERWENT  
LONDON

## 55-65 North Wharf Road

- 240,000 sq ft office development
- Commences early 2016
- ERV £14.8m (net) - Offices c.£62.50 psf
- Capex £131m
- Completion H1 2019



## 40 Blackfriars Road

- Resolution to grant planning consent in June 2015
- 68,200 sq ft hotel:
  - 192 rooms
  - Ground floor restaurant
  - Mezzanine conference space
  - Skybar and restaurant
- 41,800 sq ft offices







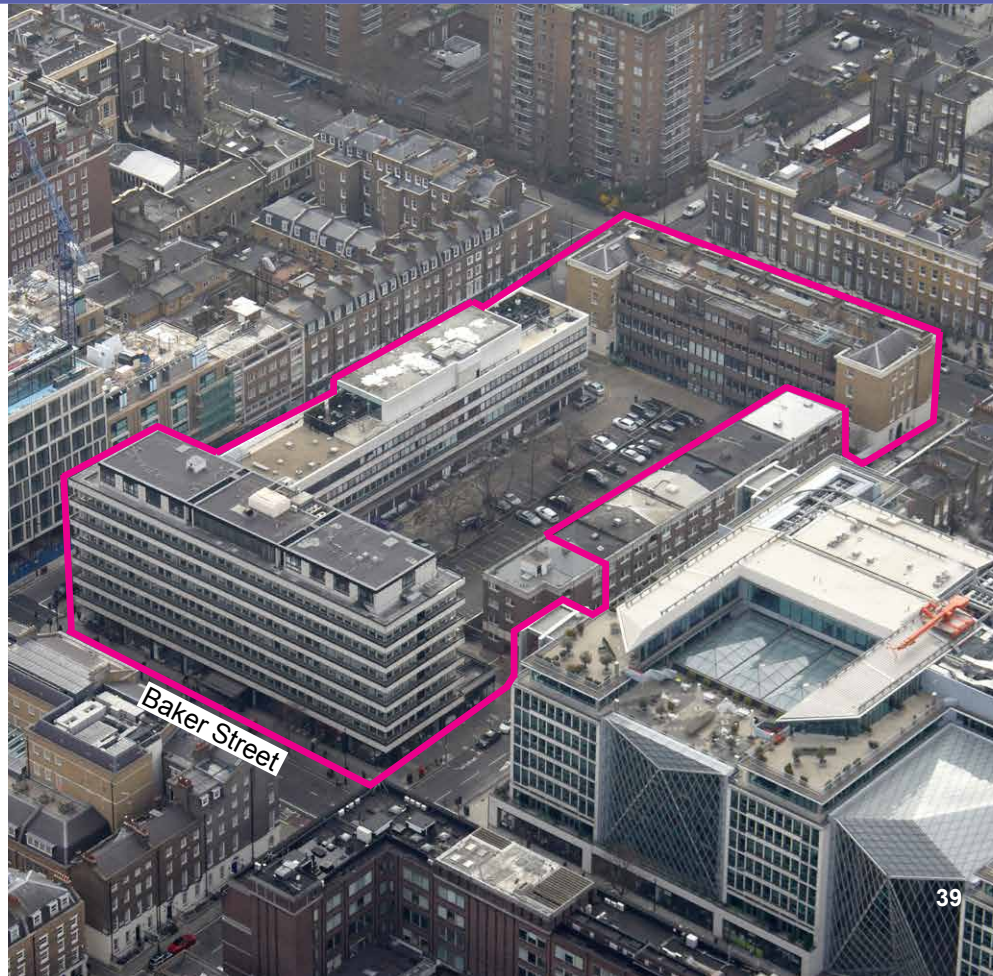
- One of the best redevelopment sites along the Crossrail route
- 275,000 sq ft office, retail and theatre scheme with new public realm
- Agreement signed with Crossrail for a new 150-year lease - Crossrail receive £55m at scheme completion, a 5% ground rent and 16% of development profit
- Scheme could start in 2018



# FUTURE DEVELOPMENT - 19-35 BAKER STREET W1

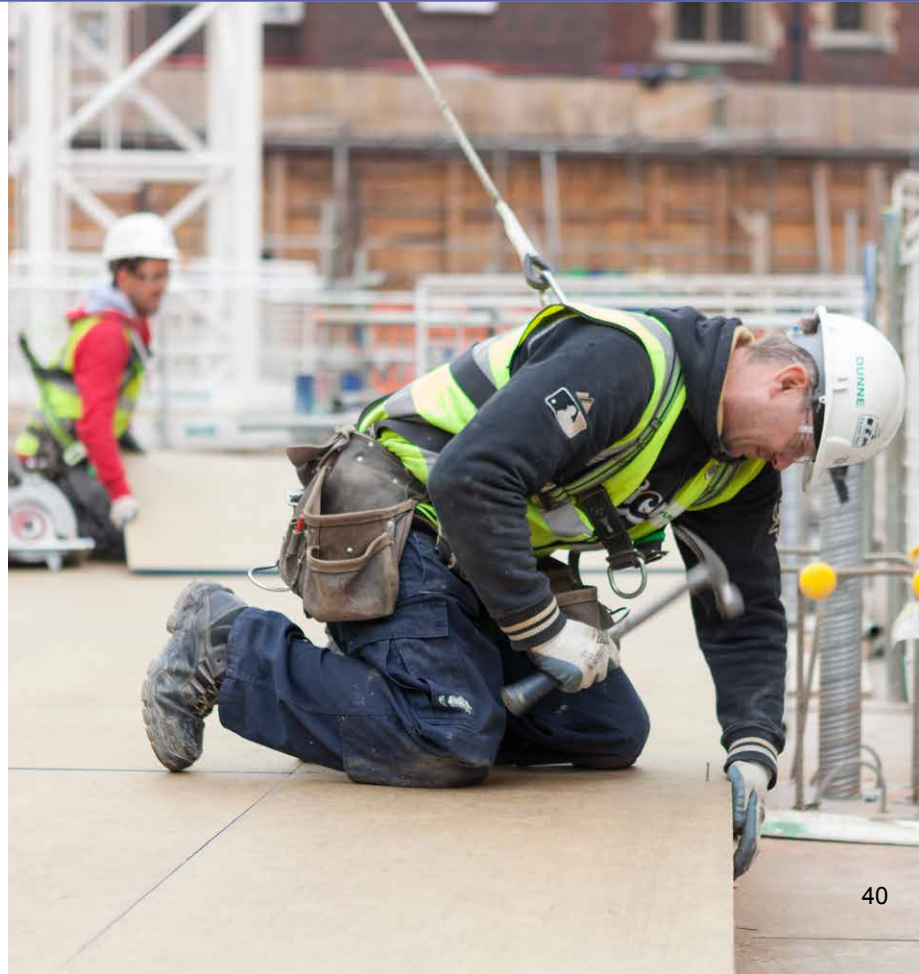
DERWENT  
LONDON

- Memorandum of Understanding signed with our joint venture partner, The Portman Estate, in early 2015
- Derwent London owns a 55% interest
- Estimated scheme of c.250,000 sq ft:
  - 70% increase on existing area
- Architectural studies underway
- Potential start in 2018



- Construction costs have risen in the last two years:
  - Capacity constraints
  - Contractors looking to improve margins
- On-site projects, except The Copyright Building, are on fixed price contracts
- We have raised capex estimates on the three new developments<sup>1</sup>:
  - Detailed discussions with contractors have increased visibility
- Margins on our development projects have not deteriorated
- Construction cost inflation to remain high at around 10% pa for the next two years:
  - Impacts projects after Brunel Building

<sup>1</sup>Includes The Copyright Building W1, 80 Charlotte Street W1 and Brunel Building W2





# OUTLOOK FOR CENTRAL LONDON PROPERTY

John Burns

## Market statistics

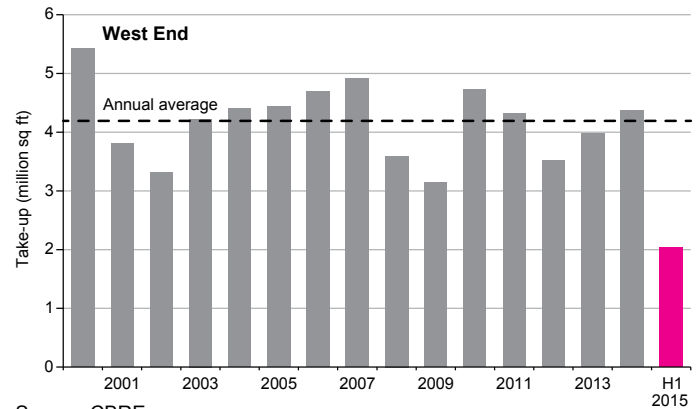
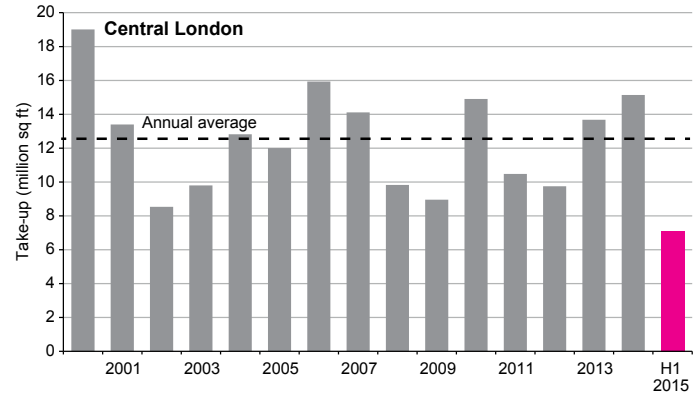
- Central London take-up of 7.1m sq ft in H1 2015:
  - +13% above long-term half-year average
- West End take-up of 2.0m sq ft in H1:
  - Broadly in line with the average (2.1m sq ft)
- Continued upward pressure on prime rents:
  - Mayfair/St James's £117.50 psf (+9.3% pa)
  - Fitzrovia £77.50 psf (+10.7% pa)
  - Midtown £67.50 psf (+12.5% pa)

## Derwent London's view

- Wide range of demand from across the business sectors
- Recentralisation of occupiers from out-of-town
- A gradual shift eastwards from the West End to Tech Belt
- Excellent demand for our product

- See Appendices 19 and 20

## Office take-up



Source: CBRE

## Market statistics

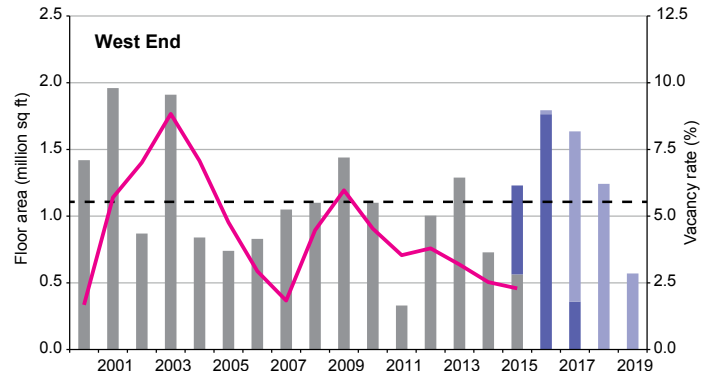
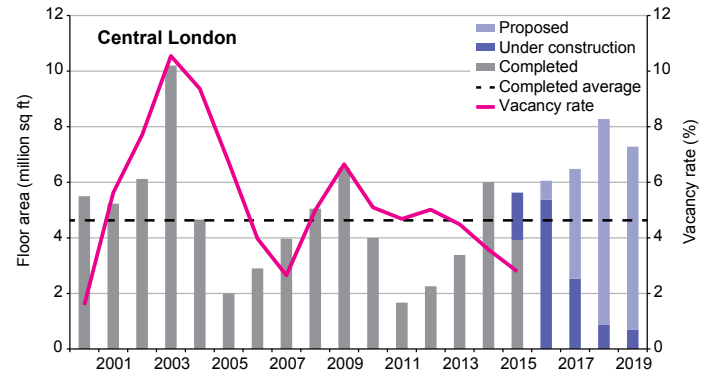
- Vacancy rate 2.8% in central London and 2.3% in the West End:
  - Long-term average of 5.4% and 4.5% respectively
- Above average development completions over the next few years:
  - 2015: +22% central London, +11% West End
- West End deliveries peak at 1.8m sq in 2016:
  - 20% lower than forecast six months ago as projects delayed

## Derwent London's view

- Current strong demand propelling rents
- Providing demand remains firm, West End vacancy rate not expected to rise significantly
- Rental growth prospects tempered by new business rates in 2017

- See Appendices 19 and 20

## Office development pipeline



Source: CBRE

## Market statistics

- A good H1 with £8.2bn of transactions:
  - £5.6bn half-year average
  - £7.1bn in H1 2014
- Prime office yields down 25bp since year-end:
  - 3.5% in West End and 4.0% in City
- Broad and deep sources of demand

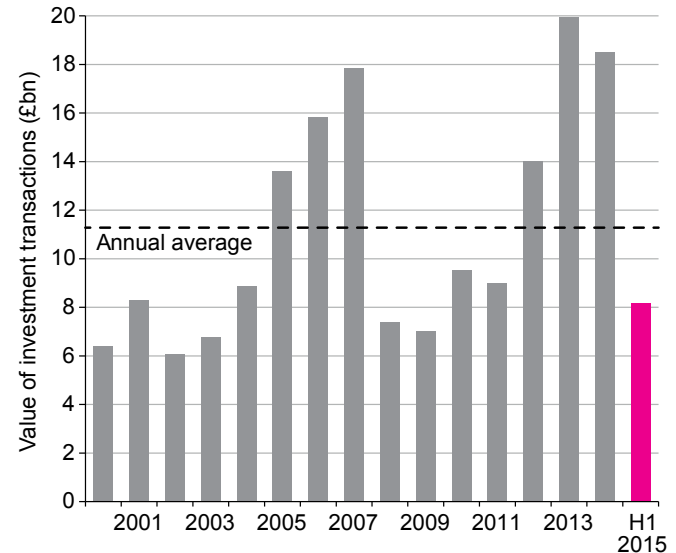
## Derwent London's view

- Yields expected to remain firm in the short-term
- Rental growth to be the main driver of capital values

## Risks

- Significant rise in interest rates / bond yields
- Economy and currency
- Global and political uncertainty – EU Referendum in the UK
- Relative appeal diminishes
- Business rates

## Central London office investment



Source: CBRE

# OUTLOOK FOR DERWENT LONDON

John Burns

## Our market

- London economic outlook remains good
- Raising ERV growth estimates:
  - 8-10% in 2015 for our portfolio
- Low yields supported by lack of alternatives:
  - Expected to remain firm in H2 2015

## Derwent London

- Capturing additional opportunities:
  - Building out our development pipeline
  - Acquisitions with potential vacancy
- Enhancing financial base
- Income and balance sheet strength gives us the capacity to pursue our objectives with confidence

# APPENDICES



1. Group balance sheet	49	17. Lease expiries and breaks / vacancy rates	65
2. Net asset value per share	50	18. Lease expiry profile and lease length	66
3. Group income statement	51	19. Central London office vacancy	67
4. Reconciliation of IFRS and EPRA profits	52	20. Central London office rental growth	68
5. Explanation of EPRA adjustments	53	21. 2015 completions	69
6. EPRA like-for-like rental income	54	22. Other 2015 completions	70
7. Debt facilities	55	23. 2015 developments - profit on cost	71
8. Net debt	56	24. Future schemes - profit on cost	72
9. Fixed rates and hedging	57	25. Impact of H2 2015 and 2016 starts	73
10. Valuation performance by village	58	26. Potential project delivery 2015-2020	74
11. Rental value growth	59	27. Project summary 2015-2016	75
12. Valuation yields	60	28. Project summary 2016+	76
13. Portfolio statistics by village	61	29. Project pipeline	77
14. Portfolio reversion	62	30. Portfolio map	78
15. Vacant space - available and projects	63	31. Management structure - executive team	79
16. Rent and tenant banding	64		

# APPENDIX 1 - GROUP BALANCE SHEET

	Jun 2015 £m	Dec 2014 £m	Jun 2014 £m
Investment property	4,420.3	4,041.0	3,581.4
Owner-occupied property	35.8	24.8	23.1
Investment in joint ventures	26.2	7.4	5.5
Other non-current assets	86.8	81.3	79.3
	<b>4,569.1</b>	<b>4,154.5</b>	<b>3,689.3</b>
Non-current assets held for sale	-	-	<b>35.5</b>
Other current assets and liabilities	(61.6)	(58.4)	(41.4)
Trading property	26.1	24.0	29.3
Cash and cash equivalents	11.7	14.8	8.7
Financial liabilities - current	-	(170.5)	-
	<b>(23.8)</b>	<b>(190.1)</b>	<b>(3.4)</b>
Financial liabilities - non-current	(887.6)	(857.6)	(982.8)
Other non-current liabilities	(26.8)	(31.1)	(19.5)
	<b>(914.4)</b>	<b>(888.7)</b>	<b>(1,002.3)</b>
Total net assets	<b>3,630.9</b>	<b>3,075.7</b>	<b>2,719.1</b>
Non-controlling interest	(69.6)	(63.5)	(70.6)
<b>Attributable to equity shareholders</b>	<b>3,561.3</b>	<b>3,012.2</b>	<b>2,648.5</b>

## APPENDIX 2 - NET ASSET VALUE PER SHARE

	Jun 2015		Dec 2014	
	£m	Diluted p	£m	Diluted p
Net assets attributable to equity shareholders	3,561.3		3,012.2	
Conversion of 2.75% unsecured convertible bonds 2016	-		170.5	
Net assets for diluted NAV	3,561.3	3,188	3,182.7	2,864
Revaluation of trading properties net of tax	2.7		4.1	
Fair value of secured bonds	(26.8)		(36.4)	
Fair value of unsecured bonds	(28.3)		(14.2)	
Fair value of fixed rate secured loan	0.9		(1.1)	
Fair value of fixed rate unsecured private placement notes	(8.0)		(11.1)	
Unamortised issue and arrangement costs	(10.8)		(11.9)	
<b>EPRA triple NAV</b>	<b>3,491.0</b>	<b>3,125</b>	<b>3,112.1</b>	<b>2,800</b>
Fair value of bonds and costs	73.0		74.7	
Deferred tax on revaluation surplus	8.2		7.2	
Fair value of derivatives	20.5		25.2	
Fair value adjustment to secured bonds on acquisition less amortisation	15.5		16.0	
Non-controlling interest in respect of the above	(3.4)		(3.2)	
<b>EPRA NAV</b>	<b>3,604.8</b>	<b>3,226</b>	<b>3232.0</b>	<b>2,908</b>

# APPENDIX 3 - GROUP INCOME STATEMENT

	Half year ended Jun 2015 £m	Year ended Dec 2014 £m	Half year ended Jun 2014 £m
Gross property income	74.3	138.4	69.3
Profit on disposal of trading properties	0.6	3.9	-
Other income less other costs	0.9	2.0	1.1
Property outgoings	(4.5)	(8.2)	(4.5)
<b>Net property and other income</b>	<b>71.3</b>	<b>136.1</b>	<b>65.9</b>
Total administrative expenses	Admin expenses (14.8) Cash-settled options -	(28.1) (0.3)	(13.1) (0.1)
Revaluation surplus	361.0	667.1	330.8
Profit on disposals	Property Investment 0.4 -	28.2 2.0	7.3 2.0
Net finance costs	(17.4)	(42.4)	(21.1)
Joint venture (JV) results	JV revaluation 0.4 Other JV profit 0.5	1.9 0.6	0.2 0.3
Derivatives fair value adjustment	4.8	(9.4)	-
Financial derivative termination costs	(1.2)	(2.0)	(0.8)
<b>IFRS profit before tax<sup>1</sup></b>	<b>405.0</b>	<b>753.7</b>	<b>371.4</b>
Tax charge	(1.7)	(3.9)	(2.3)
<b>IFRS profit for the period</b>	<b>403.3</b>	<b>749.8</b>	<b>369.1</b>

<sup>1</sup>A reconciliation of the IFRS profit before tax to the EPRA profit before tax is shown in Appendix 4

# APPENDIX 4 - RECONCILIATION OF IFRS AND EPRA PROFITS

## Reconciliation of IFRS profit before tax to EPRA profit before tax

	Half year ended Jun 2015 £m	Year ended Dec 2014 £m	Half year ended Jun 2014 £m
IFRS profit before tax	405.0	753.7	371.4
Revaluation surplus	(361.0)	(667.1)	(330.8)
Joint venture revaluation surplus	(0.4)	(1.9)	(0.2)
Profit on disposal of properties and investments	(0.4)	(30.2)	(9.3)
Profit on disposal of trading properties	(0.6)	(3.9)	-
Fair value movement in derivatives	(4.8)	9.4	-
Financial derivative termination costs	1.2	2.0	0.8
Movement in cash-settled share options	-	0.3	0.1
<b>EPRA and underlying profit before tax</b>	<b>39.0</b>	<b>62.3</b>	<b>32.0</b>

# APPENDIX 5 - EXPLANATION OF EPRA ADJUSTMENTS

	2015	Adjustments			H1 2015	H1 2014
	IFRS	A	B	C	EPRA	EPRA
	£m	£m	£m	£m	£m	£m
Net property income and other income	71.3	(0.6)			70.7	65.9
Total administrative expenses	(14.8)				(14.8)	(13.1)
Revaluation surplus	361.0		(361.0)		-	-
Profit on disposal of investment property	0.4	(0.4)			-	-
Net finance costs	(17.4)				(17.4)	(21.1)
Derivatives fair value adjustment	4.8			(4.8)	-	-
Financial derivative termination costs	(1.2)			1.2	-	-
Share of results of joint ventures	0.9		(0.4)		0.5	0.3
<b>Profit before tax</b>	<b>405.0</b>	<b>(1.0)</b>	<b>(361.4)</b>	<b>(3.6)</b>	<b>39.0</b>	<b>32.0</b>
Tax charge	(1.7)		0.9		(0.8)	(1.1)
<b>Profit for the period</b>	<b>403.3</b>	<b>(1.0)</b>	<b>(360.5)</b>	<b>(3.6)</b>	<b>38.2</b>	<b>30.9</b>
Non-controlling interest	(6.1)		4.9	0.2	(1.0)	(1.0)
<b>Profit for the period attributable to equity shareholders</b>	<b>397.2</b>	<b>(1.0)</b>	<b>(355.6)</b>	<b>(3.4)</b>	<b>37.2</b>	<b>29.9</b>
<b>Earnings per share</b>	<b>362.67p</b>				<b>33.97p</b>	<b>29.15p</b>

A – Disposal of investment property and trading property

B – Revaluation surplus 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 - EPRA LIKE-FOR-LIKE RENTAL INCOME

	Like-for-like increase on		Properties owned throughout the period £m	Acquisitions £m	Disposals £m	Development property £m	Total £m
	H1 2014 %	H2 2014 %					
H1 2015							
<b>Rental income</b>	<b>3.9</b>	<b>2.8</b>	<b>59.2</b>	<b>2.7</b>	<b>1.1</b>	<b>9.0</b>	<b>72.0</b>
Property expenditure			(2.7)	(0.1)	(0.2)	(2.1)	(5.1)
<b>Net rental income</b>	<b>4.4</b>	<b>2.7</b>	<b>56.5</b>	<b>2.6</b>	<b>0.9</b>	<b>6.9</b>	<b>66.9</b>
Other <sup>1</sup>			1.3	-	1.1	2.0	4.4
<b>Net property income</b>	<b>2.5</b>	<b>2.7</b>	<b>57.8</b>	<b>2.6</b>	<b>2.0</b>	<b>8.9</b>	<b>71.3</b>
H1 2014							
<b>Rental income</b>			<b>57.0</b>	<b>0.1</b>	<b>4.4</b>	<b>6.4</b>	<b>67.9</b>
Property expenditure			(2.9)	-	(0.2)	(1.1)	(4.2)
<b>Net rental income</b>			<b>54.1</b>	<b>0.1</b>	<b>4.2</b>	<b>5.3</b>	<b>63.7</b>
Other			2.3	-	-	(0.1)	2.2
<b>Net property income</b>			<b>56.4</b>	<b>0.1</b>	<b>4.2</b>	<b>5.2</b>	<b>65.9</b>
H2 2014							
<b>Rental income</b>			<b>57.6</b>	<b>0.3</b>	<b>3.4</b>	<b>7.5</b>	<b>68.8</b>
Property expenditure			(2.6)	-	-	(1.2)	(3.8)
<b>Net rental income</b>			<b>55.0</b>	<b>0.3</b>	<b>3.4</b>	<b>6.3</b>	<b>65.0</b>
Other <sup>1</sup>			1.3	-	3.9	-	5.2
<b>Net property income</b>			<b>56.3</b>	<b>0.3</b>	<b>7.3</b>	<b>6.3</b>	<b>70.2</b>

<sup>1</sup> Includes profit on disposal of trading properties

# APPENDIX 7 - DEBT FACILITIES

	£m	£m	Maturity
6.5% secured bonds		175	March 2026
3.99% secured loan		83	October 2024
1.125% unsecured convertible bonds		150	July 2019
4.41% unsecured private placement notes		25	January 2029
4.68% unsecured private placement notes		75	January 2034
Committed bank facilities			
Term - secured	28		June 2018
Term/revolving credit - secured	90		December 2017 <sup>1</sup>
Revolving credit - unsecured	550		January 2020
		668	
<b>At 30 June 2015</b>		<b>1,176</b>	

<sup>1</sup> Facility cancelled in July 2015 and replaced with a new £75m unsecured and fully revolving facility

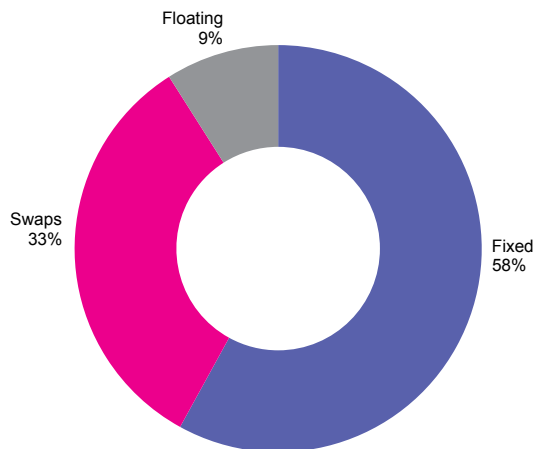
## APPENDIX 8 - NET DEBT

	Jun 2015 £m	Dec 2014 £m
Financial liabilities - current	-	170.5
Financial liabilities - due after more than 1 year	887.6	857.6
Acquired fair value of secured bonds less amortisation	(15.5)	(16.0)
Equity component of unsecured bonds	12.6	22.3
Unwinding of discount of unsecured bonds	(3.9)	(9.4)
Unamortised issue and arrangement costs	10.8	13.3
Leasehold liabilities	(23.1)	(8.3)
<b>Facilities - drawn</b>	<b>868.5</b>	<b>1,030.0</b>
Facilities - undrawn	307.5	321.0
<b>Total debt facilities</b>	<b>1,176.0</b>	<b>1,351.0</b>

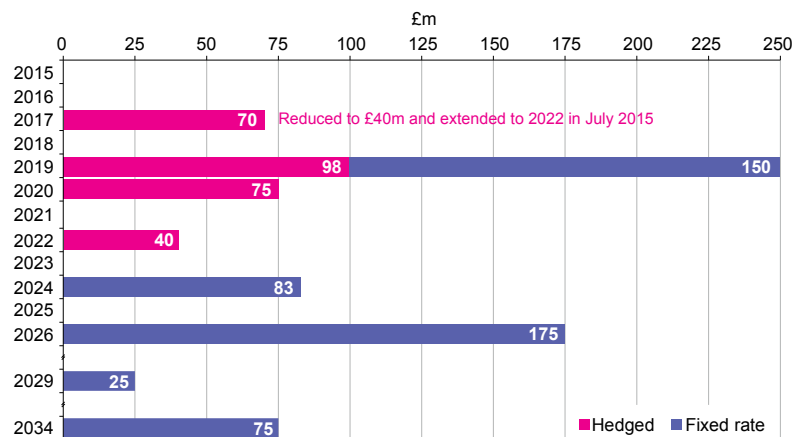
	Jun 2015 £m	Dec 2014 £m
Financial liabilities	887.6	1,028.1
Cash and cash equivalents	(11.7)	(14.8)
<b>Net debt</b>	<b>875.9</b>	<b>1,013.3</b>

	Jun 2015	Dec 2014
Proportion of drawn facilities at fixed rates or hedged	91%	94%
Weighted average duration of swaps <sup>1</sup>	4.2 years	4.0 years
Mark-to-market cost of swaps	£20.5m	£25.2m
Weighted average duration of fixed rate instruments	9.8 years	7.7 years

## Hedging profile



## Maturity profile of fixed and hedged debt<sup>1</sup>



<sup>1</sup> Excludes £70m forward start swap from September 2015 to March 2020

# APPENDIX 10 - VALUATION PERFORMANCE BY VILLAGE

	Valuation Jun 2015 £m	Weighting Jun 2015 %	Valuation movement H1 2015 <sup>1</sup> %
<b>West End Central</b>			
Fitzrovia <sup>2</sup>	1,660.0	36	8.4
Victoria	548.5	12	9.7
Baker Street/Marylebone	193.7	4	7.0
Soho/Covent Garden	157.7	3	13.1
Mayfair	85.4	2	2.6
Paddington	68.3	2	0.9
	<b>2,713.6</b>	<b>59</b>	<b>8.4</b>
<b>West End Borders</b>			
Islington/Camden	418.6	9	7.3
Other	25.5	1	12.9
	<b>444.1</b>	<b>10</b>	<b>7.6</b>
<b>West End</b>	<b>3,157.7</b>	<b>69</b>	<b>8.3</b>
<b>City Borders</b>			
Clerkenwell	509.7	11	8.2
Old Street	319.6	7	16.6
Holborn	273.4	6	9.2
Shoreditch/Whitechapel	191.1	4	11.6
Southbank	29.7	1	59.9
Other	0.6	-	1.1
	<b>1,324.1</b>	<b>29</b>	<b>11.9</b>
<b>Central London</b>	<b>4,481.8</b>	<b>98</b>	<b>9.3</b>
Provincial	100.0	2	1.0
<b>Investment portfolio</b>	<b>4,581.8</b>	<b>100</b>	<b>9.1</b>

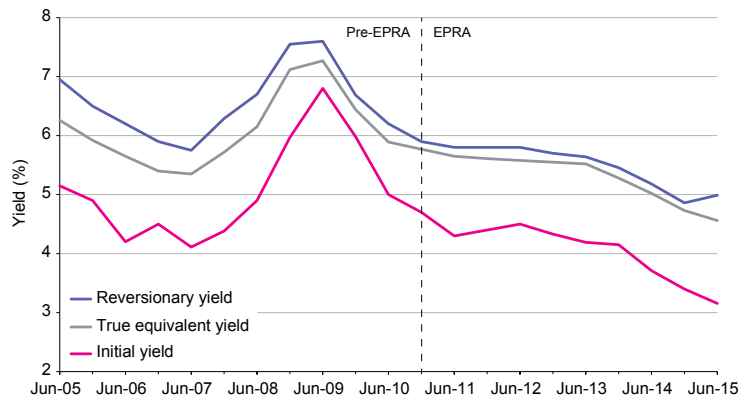
<sup>1</sup> Underlying - properties held throughout the period    <sup>2</sup> Includes Euston and North of Oxford Street

## Rental value growth<sup>1</sup>

	H1 2014 %	H2 2014 %	2014 %	H1 2015 %
West End	3.7	4.6	8.4	5.0
City Borders	5.5	5.5	11.3	6.3
<b>Central London</b>	<b>4.2</b>	<b>4.9</b>	<b>9.2</b>	<b>5.3</b>
Provincial	2.6	1.2	3.8	2.9
<b>Underlying</b>	<b>4.2</b>	<b>4.8</b>	<b>9.0</b>	<b>5.2</b>

<sup>1</sup>On EPRA portfolio

## Yields' profile<sup>1</sup>



## EPRA initial yields

	Net initial yield %	'Topped-up' initial yield %
West End	3.0	3.7
City Borders	3.3	4.0
<b>Central London</b>	<b>3.1</b>	<b>3.8</b>
Provincial	5.7	6.1
<b>EPRA portfolio</b>	<b>3.2</b>	<b>3.9</b>

## True equivalent yields<sup>2</sup>

	Dec 2014 %	H1 2015 movement basis points	Jun 2015 %
West End	4.57	(14)	4.43
City Borders	5.00	(22)	4.78
<b>Central London</b>	<b>4.69</b>	<b>(17)</b>	<b>4.52</b>
Provincial	6.45	(8)	6.37
<b>Underlying</b>	<b>4.73</b>	<b>(17)</b>	<b>4.56</b>

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



# APPENDIX 13 - PORTFOLIO STATISTICS BY VILLAGE

	Valuation £m	Weighting %	Floor area '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	Rent review / lease renewal reversion £m pa	Total reversion £m pa	Estimated rental value £m pa
<b>West End Central</b>										
Fitzrovia <sup>1</sup>	1,660.0	36	1,808	171	46.6	26.11	11.0	21.4	32.4	79.0
Victoria	548.5	12	588	39	17.8	32.38	0.5	7.2	7.7	25.5
Baker Street/Marylebone	193.7	4	198	2	7.5	38.63	0.1	1.6	1.7	9.2
Soho/Covent Garden	157.7	3	202	13	3.8	20.12	0.9	1.1	2.0	5.8
Mayfair	85.4	2	42	-	1.3	31.51 <sup>2</sup>	-	2.1	2.1	3.4
Paddington	68.3	2	90	16	1.0	16.26	0.1	0.7	0.8	1.8
	<b>2,713.6</b>	<b>59</b>	<b>2,928</b>	<b>241</b>	<b>78.0</b>	<b>29.35</b>	<b>12.6</b>	<b>34.1</b>	<b>46.7</b>	<b>124.7</b>
<b>West End Borders</b>										
Islington/Camden	418.6	9	584	32	14.6	26.40	0.9	6.4	7.3	21.9
Other	25.5	1	52	3	0.9	18.39	0.1	0.5	0.6	1.5
	<b>444.1</b>	<b>10</b>	<b>636</b>	<b>35</b>	<b>15.5</b>	<b>25.75</b>	<b>1.0</b>	<b>6.9</b>	<b>7.9</b>	<b>23.4</b>
<b>West End</b>	<b>3,157.7</b>	<b>69</b>	<b>3,564</b>	<b>276</b>	<b>93.5</b>	<b>28.70</b>	<b>13.6</b>	<b>41.0</b>	<b>54.6</b>	<b>148.1</b>
<b>City Borders</b>										
Clerkenwell	509.7	11	654	12	16.0	25.74	0.3	9.8	10.1	26.1
Old Street	319.6	7	549	255	6.8	23.08	13.6	4.8	18.4	25.2
Holborn	273.4	6	293	4	6.6	23.56	0.2	6.4	6.6	13.2
Shoreditch/Whitechapel	191.1	4	314	2	7.1	22.86	0.1	3.3	3.4	10.5
Southbank	29.7	1	39	39	-	-	0.5	-	0.5	0.5
Other	0.6	-	1	2	-	-	-	-	-	-
	<b>1,324.1</b>	<b>29</b>	<b>1,850</b>	<b>314</b>	<b>36.5</b>	<b>24.24</b>	<b>14.7</b>	<b>24.3</b>	<b>39.0</b>	<b>75.5</b>
<b>Central London</b>	<b>4,481.8</b>	<b>98</b>	<b>5,414</b>	<b>590</b>	<b>130.0</b>	<b>27.28</b>	<b>28.3</b>	<b>65.3</b>	<b>93.6</b>	<b>223.6</b>
Provincial	100.0	2	340	2	4.7	13.91	-	0.5	0.5	5.2
<b>Investment portfolio</b>	<b>4,581.8</b>	<b>100</b>	<b>5,754</b>	<b>592</b>	<b>134.7</b>	<b>26.40</b>	<b>28.3</b>	<b>65.8</b>	<b>94.1</b>	<b>228.8</b>

<sup>1</sup> Includes Euston and North of Oxford Street

<sup>2</sup> If owner occupied area (part 25 Savile Row W1) is excluded the average rental income is £54.75 psf

# APPENDIX 14 - PORTFOLIO REVERSION

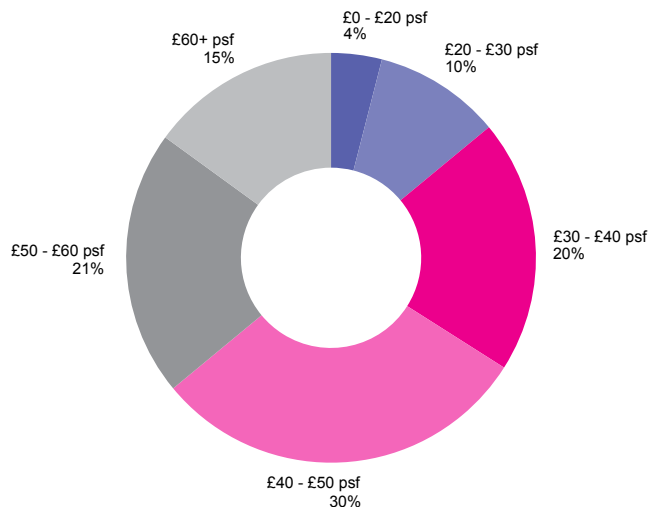
	Rent uplift pa		Rent pa
	£m	£m	£m
Contracted rental income, net of ground rents			134.7
<b>Contractual rental uplifts</b>			
1-2 Stephen Street W1	5.7		
1 Page Street SW1	3.0		
4 & 10 Pentonville Road N1	2.0		
Turnmill EC1	2.0		
Other	17.5	30.2	
<b>Pre-let projects</b>			
40 Chancery Lane WC2	4.7 <sup>1</sup>		
White Collar Factory EC1	2.4	7.1	
Total contracted uplift		37.3	
<b>Vacant space<sup>2</sup></b>			
Available to occupy	3.1		
Under refurbishment	3.8		
Four on-site developments (non-EPRA) <sup>3</sup>	21.4	28.3	
<b>Lease reversions</b>			
Anticipated rent reviews and lease renewals		28.5	94.1
<b>Estimated rental value of investment portfolio</b>			<b>228.8</b>

<sup>1</sup> Net income after deduction of £1.0m ground rent    <sup>2</sup> Detailed in Appendix 15    <sup>3</sup> Capex to complete £142m - see Appendix 27

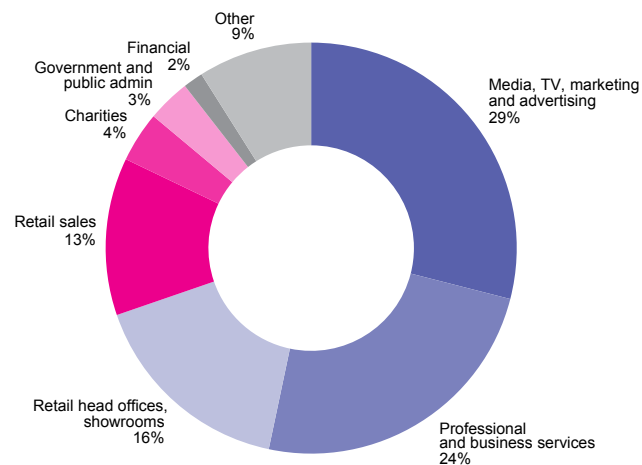
# APPENDIX 15 - VACANT SPACE - AVAILABLE AND PROJECTS

	Vacant area '000 sq ft	Pre-let area '000 sq ft	Total area '000 sq ft	Vacant ERV £m pa	Pre-let ERV £m pa	Total gross ERV £m pa	Ground rent £m pa	Total net ERV £m pa	Comment
<b>Available to occupy</b>									
1-2 Stephen Street W1	16	-	16	0.9	-	0.9	-	0.9	5,300 sq ft under offer @ £0.3m pa
Davidson Building WC2	13	-	13	0.9	-	0.9	-	0.9	6,300 sq ft let in Q3 @ £0.5m pa
Charlotte Building W1	6	-	6	0.5	-	0.5	(0.1)	0.4	Let in Q3 @ £0.5m pa
Other	34	-	34	0.8	-	0.8	-	0.8	
	<b>69</b>	<b>-</b>	<b>69</b>	<b>3.1</b>	<b>-</b>	<b>3.1</b>	<b>(0.1)</b>	<b>3.0</b>	
<b>Under refurbishment</b>									
Angel Square EC1	21	-	21	0.8	-	0.8	-	0.8	
1-2 Stephen Street W1	11	-	11	0.8	-	0.8	-	0.8	
Greencoat & Gordon SW1	39	-	39	0.4	-	0.4	-	0.4	
Other	75	-	75	1.8	-	1.8	-	1.8	
	<b>146</b>	<b>-</b>	<b>146</b>	<b>3.8</b>	<b>-</b>	<b>3.8</b>	<b>-</b>	<b>3.8</b>	
	<b>215</b>	<b>-</b>	<b>215</b>	<b>6.9</b>	<b>-</b>	<b>6.9</b>	<b>(0.1)</b>	<b>6.8</b>	
<b>On-site developments</b>									
White Collar Factory EC1	252	41	293	13.4	2.4	15.8	-	15.8	28,400 sq ft pre-let in Q3 @ £1.6m pa
The Copyright Building W1	105	-	105	7.8	-	7.8	(1.0)	6.8	
73 Charlotte Street W1	16	-	16	0.1	-	0.1	-	0.1	13,600 sq ft resi & 1,900 sq ft offices
40 Chancery Lane WC2	4	98	102	0.1	5.7	5.8	(1.0)	4.8	4,400 sq ft retail under offer @ £0.1m
	<b>377</b>	<b>139</b>	<b>516</b>	<b>21.4</b>	<b>8.1</b>	<b>29.5</b>	<b>(2.0)</b>	<b>27.5</b>	
<b>Total</b>	<b>592</b>	<b>139</b>	<b>731</b>	<b>28.3</b>	<b>8.1</b>	<b>36.4</b>	<b>(2.1)</b>	<b>34.3</b>	

## Central London 'topped-up' office rent banding<sup>1</sup>



## Profile of tenants' business sector<sup>2</sup>



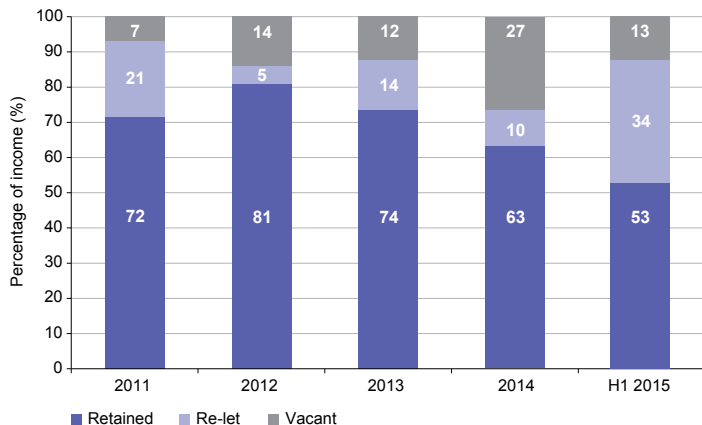
<sup>1</sup> Expressed as a percentage of annualised rental income after expiry of rent free periods and stepped rents

<sup>2</sup> Expressed as a percentage of annualised rental income of £134.7m

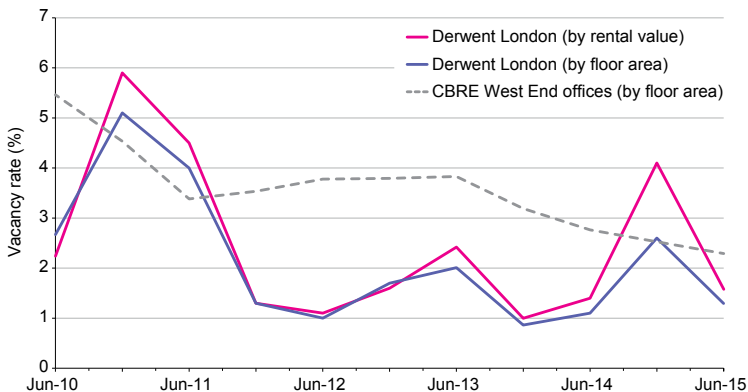
# APPENDIX 17 - LEASE EXPIRIES AND BREAKS / VACANCY RATES

- £12.7m of income subject to breaks / expiries during H1 2015:
  - 87% of tenants' income retained or re-let
- Portfolio average lease length 6.6 years
- EPRA vacancy rate low at 1.6%:
  - 4.1% at Dec 2014

## Lease expiry and break analysis<sup>1</sup>



## EPRA vacancy rates



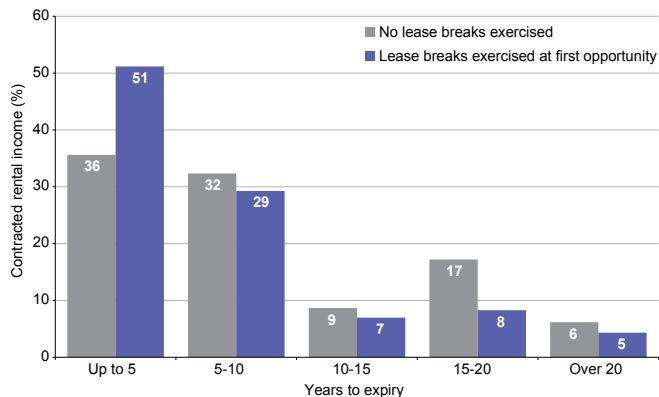
<sup>1</sup>As at end of reporting period

# APPENDIX 18 - LEASE EXPIRY PROFILE AND LEASE LENGTH

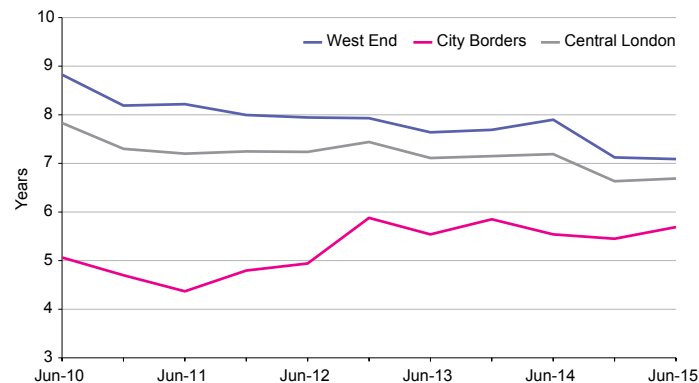
## Expiries and breaks as a percentage of portfolio income<sup>1</sup>

	West End	City Borders	Provincial	H2 2015	2016	2017	2018	2019	Total
Expiries	3	2	-	5	6	2	11	5	29
Holding over	-	-	-	-	-	-	-	-	-
Rolling breaks	2	1	-	3	1	-	1	-	5
Single breaks	-	-	-	-	2	5	5	5	17
	<b>5</b>	<b>3</b>	<b>-</b>	<b>8</b>	<b>9</b>	<b>7</b>	<b>17</b>	<b>10</b>	<b>51</b>

## Profile of rental income expiry<sup>1</sup>

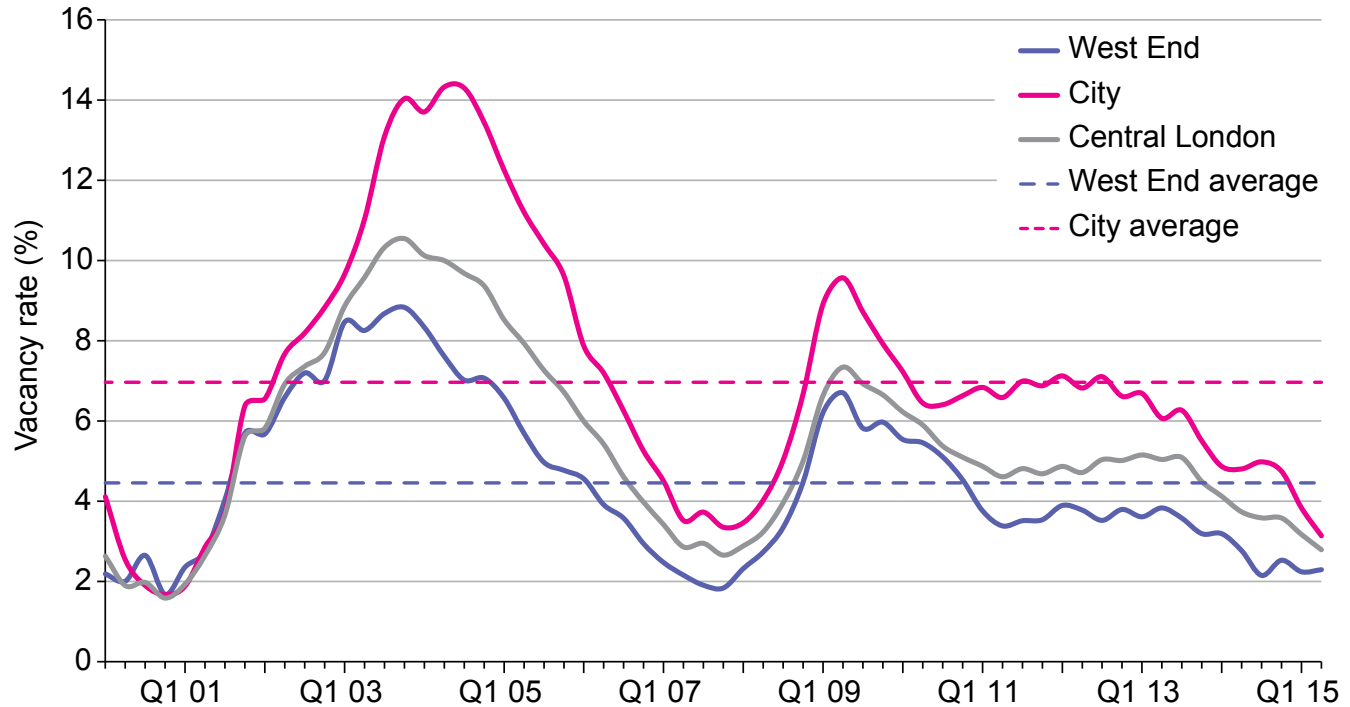


## Average unexpired lease length<sup>2</sup>



<sup>1</sup> Based upon annualised net contracted rental income of £134.7m    <sup>2</sup> Lease length weighted by rental income and assuming tenants break at first opportunity

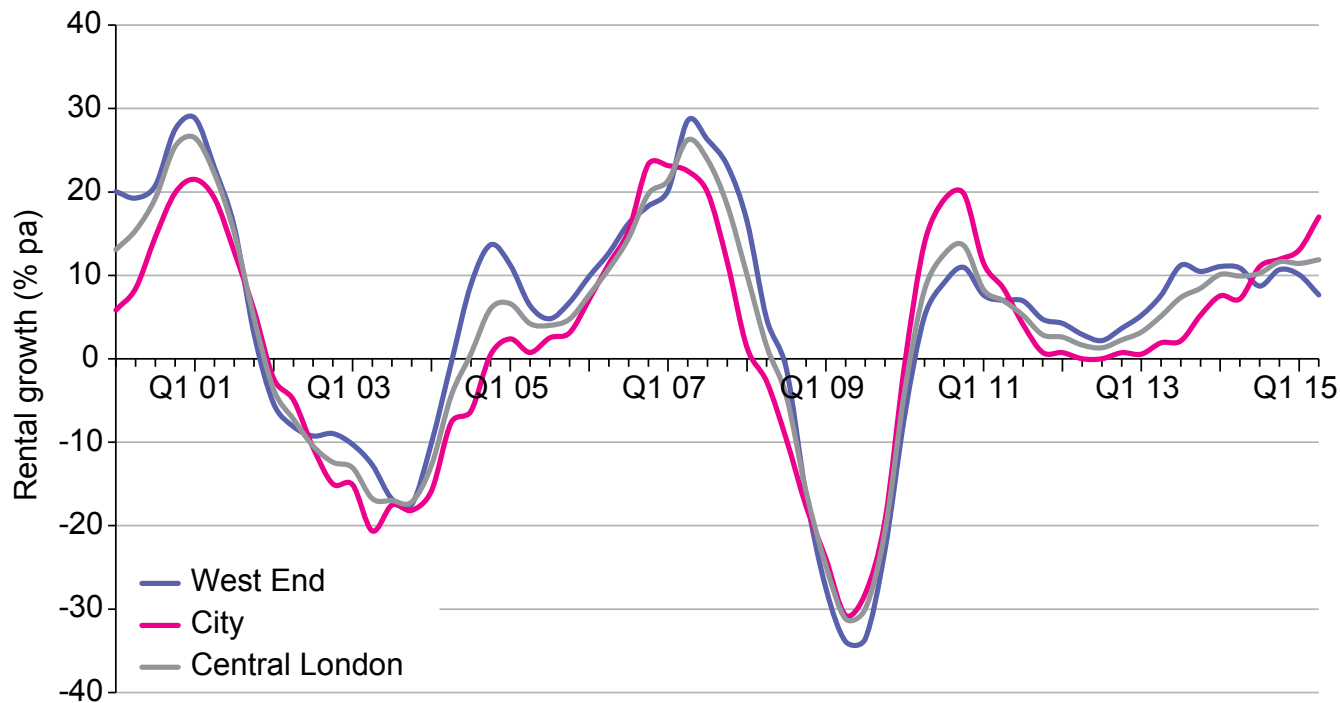
# APPENDIX 19 - CENTRAL LONDON OFFICE VACANCY



Source: CBRE



# APPENDIX 20 - CENTRAL LONDON OFFICE RENTAL GROWTH



Source: CBRE



## Turnmill, 63 Clerkenwell Road EC1

- 70,500 sq ft scheme completed January 2015:
  - 58,200 sq ft offices pre-let to Publicis Groupe at £3.1m pa
  - 12,300 sq ft retail - one unit let to Jason Atherton, one exchanged subject to planning



## 40 Chancery Lane WC2

- 102,000 sq ft scheme completed July 2015:
  - 97,600 sq ft offices pre-let to Publicis Groupe at £5.7m pa (gross) or £4.7m pa (net)
  - 4,400 sq ft retail under offer




### 73 Charlotte Street W1

- 15,500 sq ft residential and office scheme
- The Corner House apartments 13,600 sq ft:
  - 11,700 sq ft private (9 units)
  - 1,900 sq ft affordable (2 units)
- Offices 1,900 sq ft
- Completes Q3 2015





# APPENDIX 23 - 2015 DEVELOPMENTS - PROFIT ON COST

						
		Turmill	40 Chancery Lane	73 Charlotte Street	White Collar Factory	Copyright Building
Completion		Q1 2015	Q3 2015	Q3 2015	Q3 2016	H2 2017
Commercial area (sq ft)	564,400	70,500	102,000	1,900	285,000	105,000
Residential area (sq ft)	21,600	-	-	13,600	8,000	-
Est. future capex (£m)	142	-	6	3	82	51
Total cost (£m) <sup>1</sup>	436	34	54	21	201	126
ERV (£ psf)	-	60.00	65.00	-	c.58.00	c.77.50
ERV (£m pa)	31.4	3.9	4.8 <sup>2</sup>	0.1	15.8	6.8 <sup>3</sup>

Summary	£m
End value	647
Less: Total cost <sup>1</sup>	436
<b>Project surplus</b>	<b>211</b>
Less: Booked to June 2015	137
<b>Surplus to come</b>	<b>74</b>
<b>Profit on total cost</b>	<b>48%</b>
<b>Profit to come on total cost</b>	<b>17%</b>

Sensitivity <sup>4</sup> - project surplus (£m) and profit on cost (%)				
		Yield		
		+0.25%	Base	-0.25%
Rent	-£2.50 psf	£166m	£195m	£228m
		38%	45%	52%
	Base	£181m	<b>£211m</b>	£245m
		41%	<b>48%</b>	56%
	+£2.50 psf	£196m	£227m	£261m
		45%	52%	60%

<sup>1</sup> Comprising book value at commitment, capex, fees and notional interest on land, voids and other costs

<sup>2</sup> As a long leasehold interest, ERV is net of the 18% ground rent <sup>3</sup> As a long leasehold interest, ERV is net of the 12.5% ground rent

<sup>4</sup> Sensitivity applies to non pre-let commercial floor area

# APPENDIX 24 - FUTURE SCHEMES - PROFIT ON COST



		H2 2018	H1 2019
Completion			
Commercial area (sq ft)	575,000	335,000	240,000
Residential area (sq ft)	45,000	45,000 <sup>2</sup>	-
Est. future capex (£m)	338	207	131
Total cost (£m) <sup>1</sup>	674	434	240
ERV (£ psf)		c.75.00	c.62.50
ERV (£m pa)	38.7	23.9	14.8 <sup>3</sup>

Summary	£m
End value	848
Less: Total cost <sup>1</sup>	674
<b>Project surplus</b>	<b>174</b>
Less: Booked to June 2015	51
<b>Surplus to come</b>	<b>123</b>
<b>Profit on total cost</b>	<b>26%</b>
<b>Profit to come on total cost</b>	<b>18%</b>

Sensitivity <sup>4</sup> - project surplus (£m) and profit on cost (%)				
		Yield		
		+0.25%	Base	-0.25%
Rent	-£2.50 psf	£108m	£146m	£188m
		16%	22%	28%
	Base	£134m	<b>£174m</b>	£218m
		20%	<b>26%</b>	32%
	+£2.50 psf	£161m	£202m	£248m
		24%	30%	37%

<sup>1</sup> Comprising book value at commitment, capex, fees and notional interest on land, voids and other costs. 80 Charlotte Street W1 land value as at December 2011, following receipt of planning permission and Brunel Building, 55-65 North Wharf Road W2 land value as at June 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, ERV is net of 2.5% ground rent

<sup>4</sup> Sensitivity applies to commercial areas only

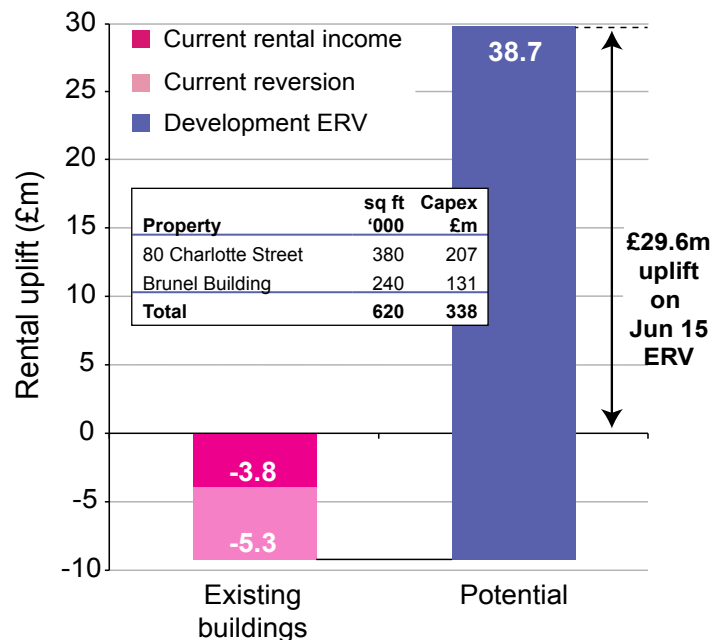
# APPENDIX 25 - IMPACT OF H2 2015 AND 2016 STARTS

- Proposed starts: 80 Charlotte Street W1 and Brunel Building W2

<b>Proforma ERV</b>	<b>£m</b>
Portfolio ERV	228.8 <sup>1</sup>
Less: ERV on existing buildings	9.1
Potential ERV on the two projects	<u>38.7<sup>2</sup></u>
<b>Proforma</b>	<b>258.4</b>

- Estimated capex £480m<sup>3</sup> to achieve proforma ERV
- Additional potential of 1.6m sq ft<sup>4</sup> from other consented projects and appraisals
- Assumptions
  - No change in values from June 2015
  - All expected schemes delivered on time and budget
  - No additions or disposals
  - No other activity
  - No change in strategy

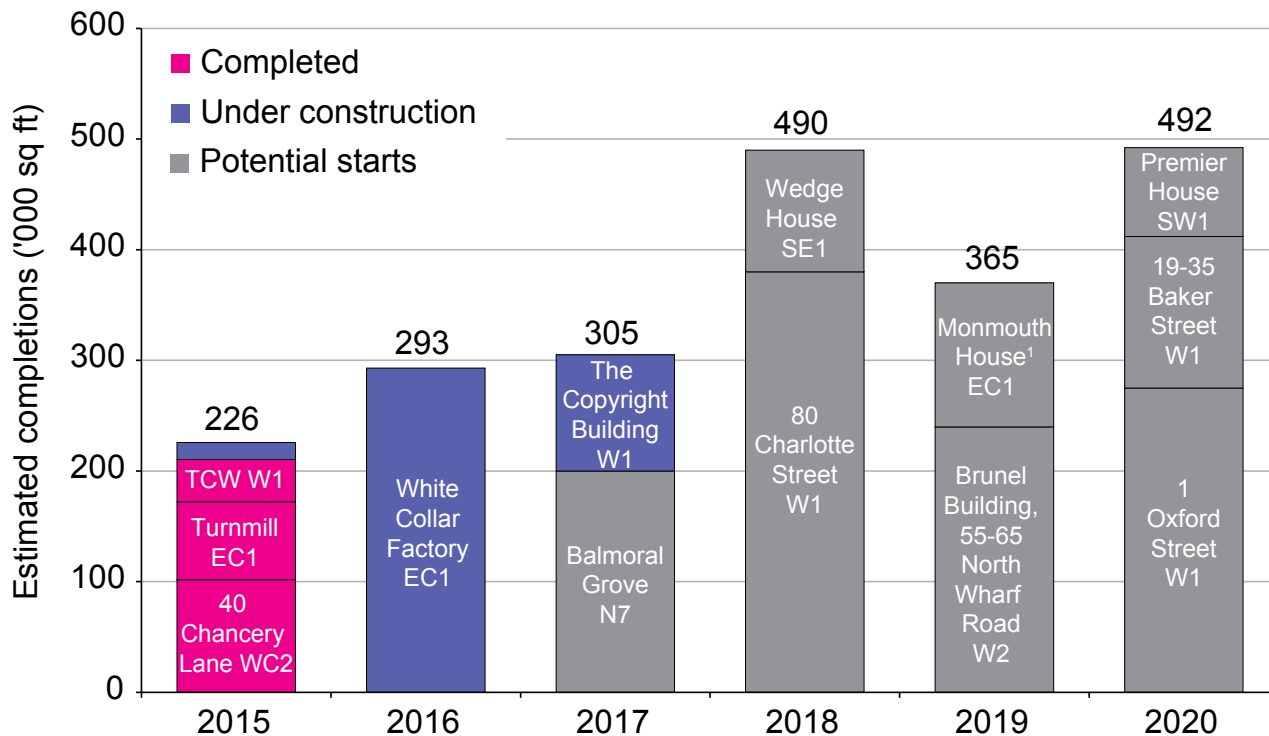
## Impact on ERV of the two developments



<sup>1</sup> June 2015 values, assumes £142m of capex to complete <sup>2</sup> Requires £338m capex, see chart <sup>3</sup> Excluding capitalised interest <sup>4</sup> See Appendices 26 to 29



# APPENDIX 26 - POTENTIAL PROJECT DELIVERY 2015-2020



<sup>1</sup> Includes 19-23 Featherstone Street EC1

# APPENDIX 27 - PROJECT SUMMARY 2015-2016

Property	Current net income £m pa	Pre scheme area '000 sq ft	Proposed area '000 sq ft	H2 2015 capex £m	2016 capex £m	2017+ <sup>1</sup> capex £m	Total capex to complete £m	Delivery date	Current office ERV psf
<b>On-site projects</b>									
40 Chancery Lane WC2	-	61	102	5	1	-	6	Q3 2015	£65
73 Charlotte Street W1	-	13	16	3	-	-	3	Q3 2015	Residential
White Collar Factory EC1	-	124	293	33	47	2	82	Q3 2016	c.£58
The Copyright Building W1	-	86	105	8	30	13	51	H2 2017	c.£77.50
	-	<b>284</b>	<b>516</b>	<b>49</b>	<b>78</b>	<b>15</b>	<b>142</b>		
<b>H2 2015 &amp; 2016 starts</b>									
80 Charlotte Street W1	2.8	234	380	6	41	160	207	H2 2018	c.£75
Brunel Building W2	1.0	78	240	2	31	98	131	H1 2019	c.£62.50
	<b>3.8</b>	<b>312</b>	<b>620</b>	<b>8</b>	<b>72</b>	<b>258</b>	<b>338</b>		
	<b>3.8</b>	<b>596</b>	<b>1,136</b>	<b>57</b>	<b>150</b>	<b>273</b>	<b>480</b>		
<b>General</b>									
Planning and design				4	9	11	24		
Other				15	25	2	42		
				<b>19</b>	<b>34</b>	<b>13</b>	<b>66</b>		
<b>Total</b>	<b>3.8</b>	<b>596</b>	<b>1,136</b>	<b>76</b>	<b>184</b>	<b>286</b>	<b>546</b>		
<b>Capitalised interest</b>				<b>4</b>	<b>14</b>	<b>26</b>	<b>44</b>		
<b>Total including interest</b>	<b>3.8</b>	<b>596</b>	<b>1,136</b>	<b>80</b>	<b>198</b>	<b>312</b>	<b>590</b>		

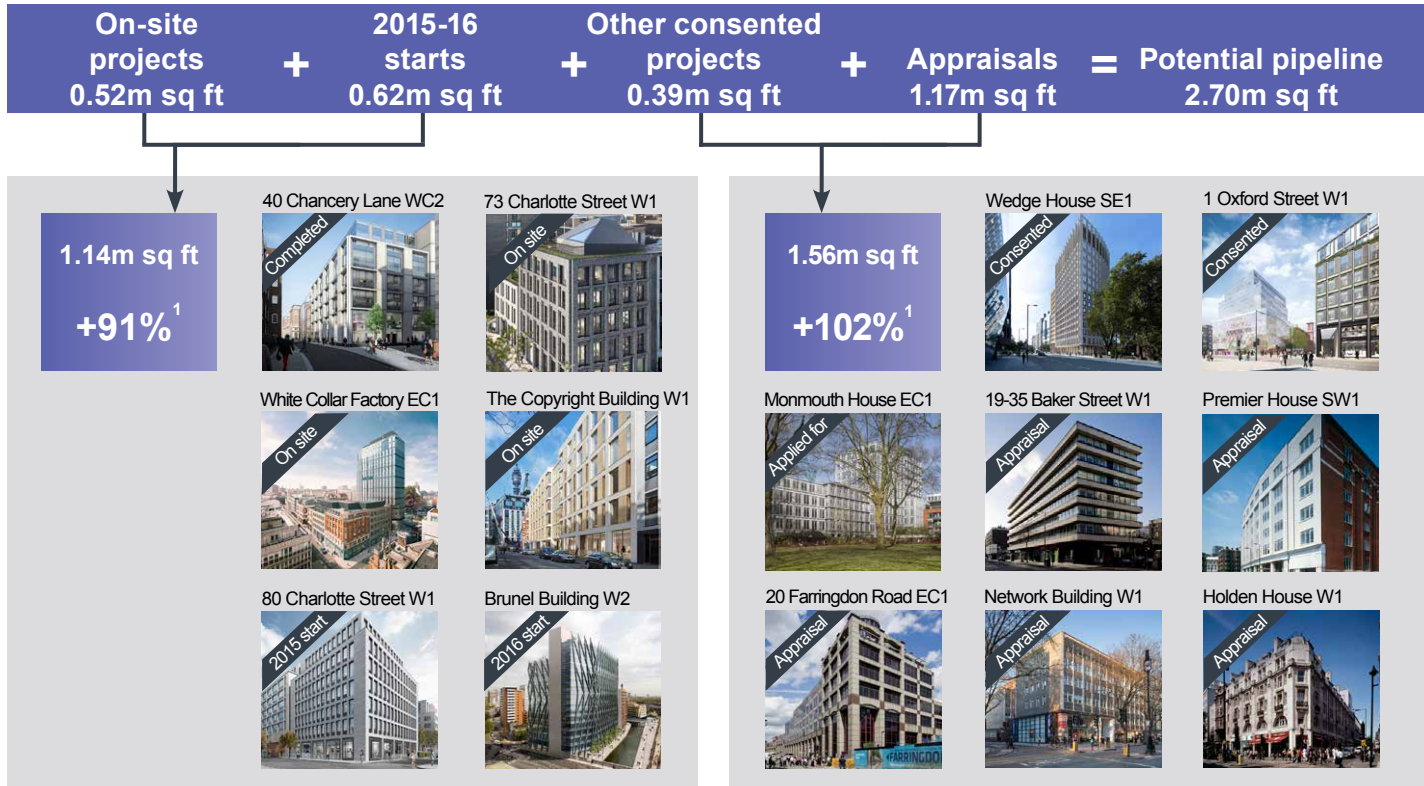
<sup>1</sup> Excluding projects that commence in 2017 and beyond (as at June 2015)

# APPENDIX 28 - PROJECT SUMMARY 2016+

Property	Current net income £m pa	Pre scheme area '000 sq ft	Proposed area '000 sq ft	Earliest possession year	Comment
<b>Consented</b>					
Wedge House SE1	-	39	110	Vacant	Hotel and office consent granted in 2015
1 Oxford Street W1	-	-	275	2018	Offices, retail and theatre
	-	<b>39</b>	<b>385</b>		
<b>Appraisals<sup>1</sup></b>					
Balmoral Grove N7	0.6	67	200	2015	Residential potential
Monmouth House <sup>2</sup> EC1	1.7	69	125	2017	Opposite White Collar Factory
19-35 Baker Street W1	5.3	146	250	2018	
Premier House SW1	2.2	62	80	2018	
Angel Square EC1	2.5	127	190	2020	
20 Farringdon Road EC1	3.2	171	200	2021	
Network Building W1	2.5	64	100	2021	
Holden House W1	3.6	91	137	TBC	
	<b>21.6</b>	<b>797</b>	<b>1,282</b>		
Adjustments for JVs	(2.4)	(66)	(113)		19-35 Baker Street
	<b>19.2</b>	<b>731</b>	<b>1,169</b>		
<b>Consented and appraisals</b>	<b>19.2</b>	<b>770</b>	<b>1,554</b>		
<b>Project summary 2015-2016</b>	<b>3.8</b>	<b>596</b>	<b>1,136</b>		Appendix 27
<b>Pipeline</b>	<b>23.0</b>	<b>1,366</b>	<b>2,690</b>		

<sup>1</sup> Areas proposed are estimated from initial studies    <sup>2</sup> Includes 19-23 Featherstone Street EC1

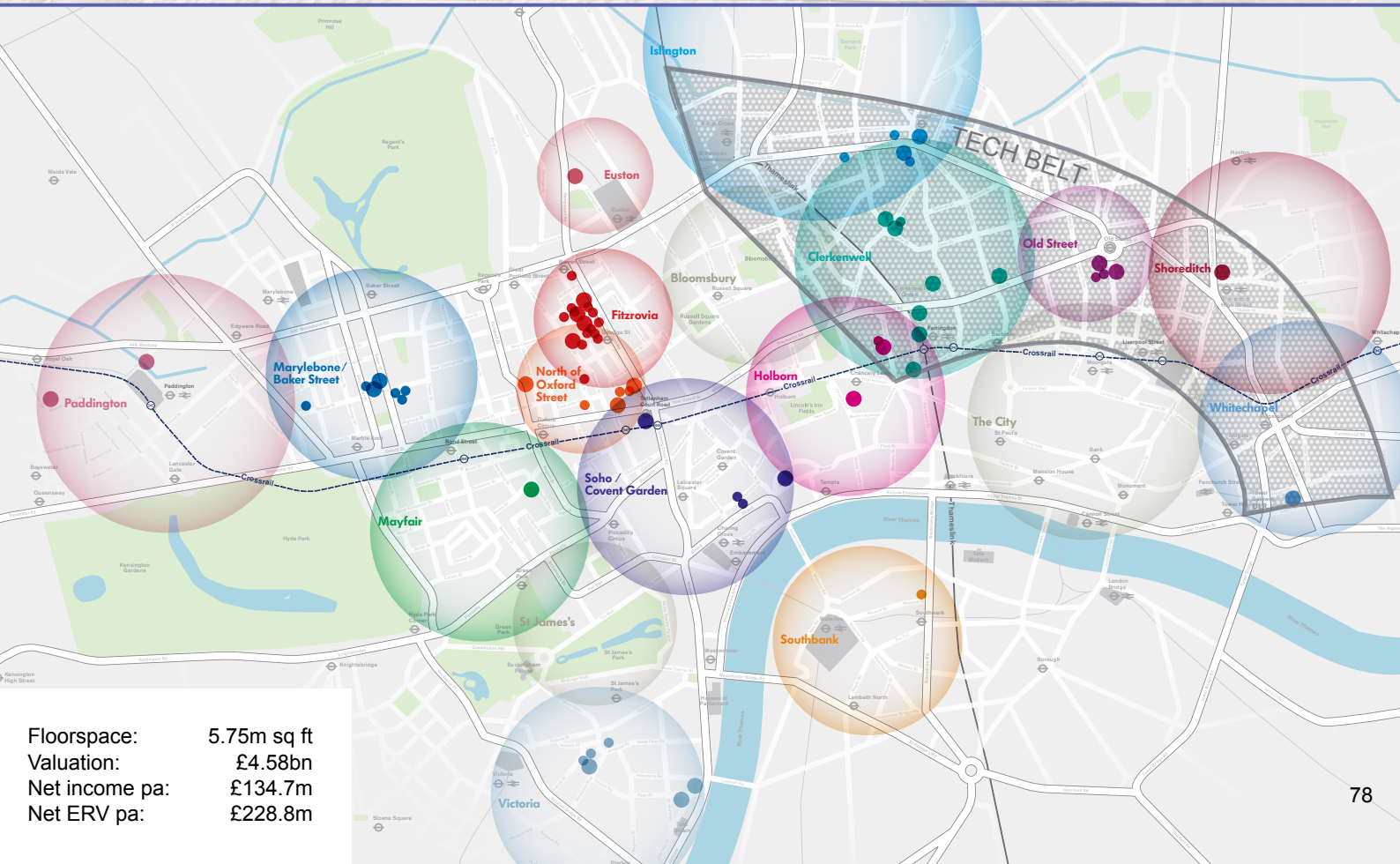
# APPENDIX 29 - PROJECT PIPELINE



<sup>1</sup> Uplift on existing area

# APPENDIX 30 - PORTFOLIO MAP

DERWENT  
LONDON



Floorspace:	5.75m sq ft
Valuation:	£4.58bn
Net income pa:	£134.7m
Net ERV pa:	£228.8m



# APPENDIX 31 - MANAGEMENT STRUCTURE - EXECUTIVE TEAM

John Burns*	Chief Executive Officer
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
Simon Taylor*	Head of Asset Management
Celine Thompson*	Head of Leasing
Quentin Freeman	Head of Investor & Corporate Communications
David Westgate	Head of Tax
John Davies	Head of Sustainability
Rick Meakin	Group Financial Controller

\* Members of Executive Committee

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