15th January 2013

Development Securities PLC ("Development Securities" or "The Company")

Interim Management Statement for the period from 1st September 2012 to date

Development Securities PLC today releases its Interim Management Statement covering the period from 1st September 2012 to date

Commenting on the Company's progress, Michael Marx, Chief Executive Officer said: "The period under review, has been one of continued activity and progress in achieving our strategic objectives: delivering value and growth through the transformation and regeneration of real estate.

Most of the progress was achieved within our development and trading portfolio as we continue to accelerate the process of crystallising value, especially with regard to those investments made following our equity raise in August 2009."

Highlights

Loan portfolios

As previously announced, we completed our third significant portfolio acquisition from a bank during the period. The Chrome portfolio was acquired from NAMA in August 2012 in a joint venture with Pears Group and in October 2012 we completed the acquisition of a separate £40 million portfolio of bank loans, secured against 17 investment and development assets. The assets relating to the latter acquisition are located in London and the South East of England and comprise 76 per cent commercial and 24 per cent residential assets. Considerable progress has been made in the disposal of the underlying property assets on which these former bank loans were secured. The large majority of the remaining properties will be either sold or actively repositioned through change of use, refurbishment or other asset management initiatives by the end of 2013. The realisation of the Rock Portfolio assets which we acquired in 2010 is also now almost complete, with all remaining assets under offer.

Development and trading portfolio

At 328 Sandbanks Road, Dorset, we completed the development of five luxury apartments and shortly thereafter completed the sale of the penthouse apartment, the largest of those available, for £3.8 million in line with expectations. Whilst marketing continues on the remaining apartments, given its luxury resort location we expect that further disposals are unlikely to occur until the spring or early summer.

At The Old Vinyl Factory, Hayes, we secured planning consent in joint venture with Cathedral Group for a 1.5 million sq. ft. mixed use scheme comprising 550,000 sq. ft. of commercial space, up to 642 new homes, a central leisure street with cafes, bars and a nine screen multiplex cinema as well as extensive new public space. The cinema is under offer to Vue and we anticipate an imminent start on site in respect of the first phase of the residential component.

At 399 Edgware Road, we have submitted a planning application for a mixed-use regeneration scheme with determination anticipated in the first quarter of this year. The proposed scheme comprises an 80,000 sq. ft. food store, pre-let to Morrisons, 223 residential units and 56,000 sq. ft. of additional space dedicated to Oriental and Far Eastern food and retail. Discussions are in hand with a housebuilder in respect of the residential component and an investor with regard to the Oriental food and retail offer.

At Dartmouth, we reached practical completion of the 82-bed care home which was pre-let prior to construction to European Care Homes.

At Westminster Palace Gardens in Central London, we completed the disposal of our freehold interest in the former office and apartment block, thus completing the successful exit from this redevelopment which we acquired in June 2010.

At the Eastgate Quarter, Llanelli, our £19 million 100,000 sq. ft. edge of town leisure scheme, practical completion has been achieved and 93 per cent has been pre-let or is under offer. We believe that the speed and success of the leasing activity on this new development is testament to the quality and design of the scheme.

At Lawley Village, Telford, practical completion was achieved in December in respect of the major phase of the £36 million mixed use development. The 40,000 sq. ft. food store was pre-let to Morrisons and forward funded with Santander Pension Fund and five of the remaining ten retail units have also been let with three more under offer. Construction is underway for an £8 million extra care facility for Sanctuary Housing Association and also a new public house for Marstons Plc. The marketing of the 39 flats has recently commenced.

At Grove Farm, Newport, Staffordshire, outline planning consent was obtained for circa 285 residential units. The Section 106 agreement has now been completed and the disposal of the site is subject to an option contract with a major UK housebuilder.

Major development portfolio

At our 275,000 sq. ft. prime office development in Hammersmith Grove, construction is proceeding on plan with regard to the £75 million first phase of 110,000 sq. ft. office accommodation plus ancillary space. Funded together with our development partners Scottish Widows Investment Partnership Property Trust, practical completion is anticipated in Q2 2013.

Investment portfolio

At Wick Lane Wharf, adjacent to the Olympic Park in Hackney, we completed the letting of the 81 residential units that were available. We have been more than satisfied with the pace at which these units were let. The planning consent we achieved for private residential use removed the requirement for an additional 31 units of on-site affordable housing and we have consequently resolved to market those units for sale in Q1 2013.

The investment market outside of Central London, where our portfolio is located, has continued to weaken as it did for most of 2012, against the backdrop of a double-dip recession. Within our investment portfolio, we continue to strive to limit void rates and add value where we are able in order to mitigate the impact of softening yields. Some indicators are emerging that would suggest that this sector of the market is approaching its low point.

Financing

We extended the maturity of the £47.5 million bank loan secured on the Manchester Arena Complex by twelve months to June 2014, and agreed a three-year repayment schedule for the £15.6 million bank loan secured on the property at Curzon Street, Birmingham, which is held in joint venture with Grainger PLC. Our weighted average debt maturity stands at 7.1 years, including loans held under joint venture.

New finance director

We are pleased to confirm that Marcus Shepherd will be taking up the position of Finance Director on 18th February 2013. This will follow the departure of his predecessor, Graham Prothero, at the end of January who will be taking up the position of Finance Director at Galliford Try PLC. We thank Graham for his sterling contribution to our endeavours over the past four years.

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