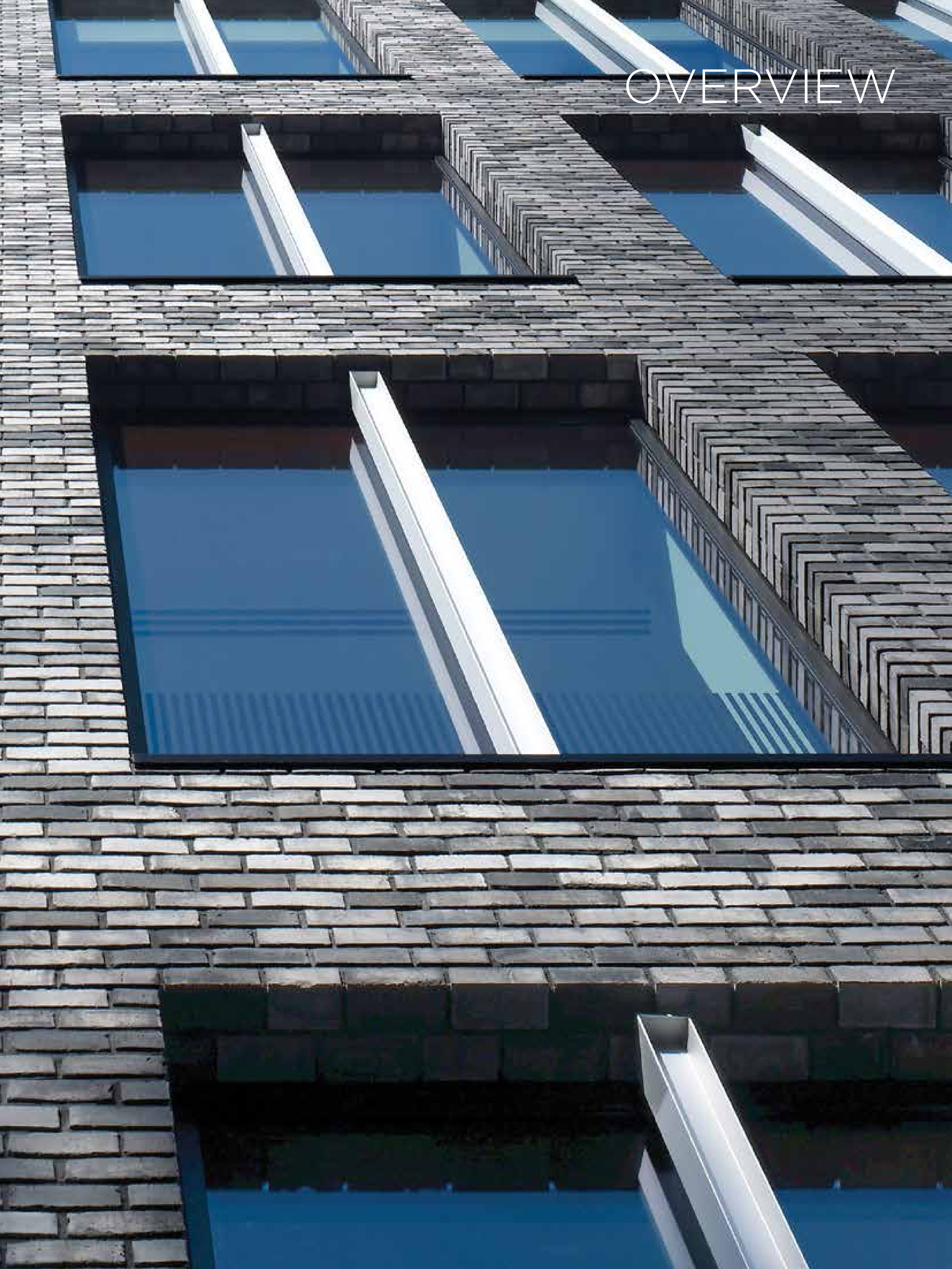
OVERVIEW



WHAT WE DO

Our ethos has always been distinctive and design-led. Our speciality is to acquire well-located central London properties with potential and regenerate them to provide good value, high-quality offices.

Our principal objective

To deliver above average long-term returns to shareholders by providing well-designed and affordable offices in central London.

Business model

The Group acquires properties with potential, creates well-designed office space and helps to revitalise neighbourhoods.

We invest in central London excluding the City core.

The majority of the portfolio is income-producing with a reversionary rental profile. The Group applies detailed knowledge of occupiers' needs to attract a wide range of strong tenants. Properties with limited future growth are earmarked for disposal, thereby recycling capital.

Our business is supported by robust and flexible financing with modest leverage and comfortable interest cover.

We do this by:

Acquiring properties and unlocking their potential

Purchasing buildings in London with the scope for improvement or regeneration. Unlocking potential through restructuring leases.

Achievements in 2012

- Acquired Francis House SW1, 9 and 16 Prescot Street E1 and 25 and 29 Berners Street W1 for £90m
- Restructured ownership interests at 40 Chancery Lane WC2
- Established joint venture with Grosvenor at 1-5 Grosvenor Place SW1: 150-year lease unlocks redevelopment opportunity

Focus for 2013

- Add selectively to the portfolio
- Restructure leases to enable redevelopment

7.3%
increase in underlying valuation

p42

Creating well-designed office space

Transforming commercial properties through high-quality design creating flexible, contemporary spaces for our tenants and the local community.

Achievements in 2012

- Completed refurbishment of 4 & 10 Pentonville Road N1
- Commenced redevelopment of Turnmill EC1 and 40 Chancery Lane WC2
- Received planning permission on 655,000 sq ft (60,850m^2)
- 495,000 sq ft (46,000m^2) under development or refurbishment at year end

Focus for 2013

- Complete the regeneration of:
  - Buckley Building EC1
  - Morelands Buildings EC1
  - 1 Page Street SW1
  - Phase 1, 1-2 Stephen Street W1
- Commence projects at:
  - Queens, Bishop's Bridge Road W2
  - 73 Charlotte Street W1
  - 80 Charlotte Street W1
- Planned capital expenditure of £127m
- Advance existing and future projects

495,000SQ FT
under development or refurbishment at year end

p44

Previous spread:
4 & 10 Pentonville Road N1

Optimising income

Employing our detailed knowledge of occupiers' needs to let to strong tenants from a wide range of businesses.

Achievements in 2012

- Concluded £13.3m lettings on 340,300 sq ft (31,610m^2), including 127,000 sq ft (11,800m^2) pre-let to Burberry
- Maintained low vacancy rate throughout year
- Regeared leases with Telecity and Sage Publications at 1 Oliver's Yard EC2
- Regeared lease with Arup at 8 Fitzroy Street W1

Focus for 2013

- Letting campaign at the Buckley Building EC1
- Pre-letting campaign on White Collar Factory, City Road EC1
- Continue to manage vacancy rate
- Monitor portfolio for further asset management initiatives

1.6%

year end EPRA vacancy rate

p38

Recycling capital

Identifying properties for disposal where value has been optimised and disposing of those which do not fit into the Group's long term plans.

Achievements in 2012

- Raised £161m from the sale of:
  - Riverwalk House and 232-242 Vauxhall Bridge Road SW1
  - Triangle Centre, Bishopbriggs, Scotland
  - 50% interest in 1-5 Grosvenor Place SW1

Focus for 2013

- Monitor portfolio for further opportunities to recycle capital

£161m

property sales

p43

Maintaining robust financing

Maintaining flexible financing with a comfortable level of interest cover and gearing, enabling us to deliver our development ambitions and to take advantage of suitable acquisitions.

Achievements in 2012

- Achieved refinancing targets
- £83m 3.99% 12-year loan arranged with Cornerstone
- Broadened sources of funding: around 50% of loans are from non-bank sources
- Loan-to-value ratio reduced to 30.0%

Focus for 2013

- Continue to monitor gearing levels with reference to interest cover
- Refinance £125m facility expiring in 2014
- Maintain facility headroom of at least £200m

30%

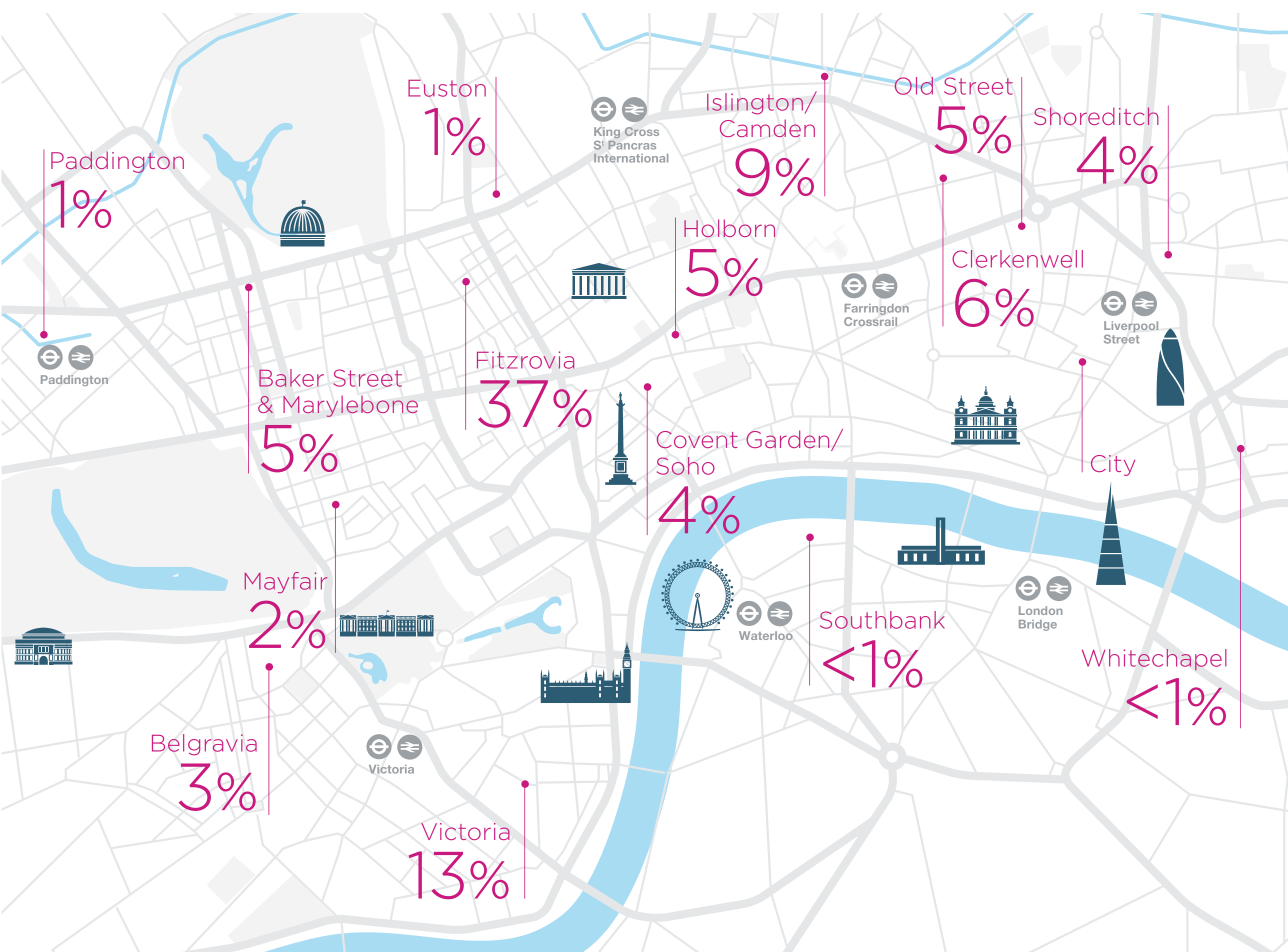
loan-to-value ratio

p58

WHERE WE ARE

Our portfolio comprises 5.4 million sq ft (505,800m^2) of properties valued at £2.9 billion. 97% of our properties are located in central London, grouped in 18 "villages", each with its own culture and identity.

76% can be found in the West End and 21% in the City borders. The balance relates to properties held in Scotland on the northern outskirts of Glasgow.



Percentages weighted by valuation
Scotland: **3%**
Ladbroke Grove: **1%**

129
buildings

550+
tenants

£2.9bn
valuation of the portfolio

£119.6m
annualised net contracted rental income

Our portfolio

We own and manage a 5.4 million sq ft (505,800m^2) portfolio that was valued at £2.9bn as at 31 December 2012. Of our portfolio, 76% is in the West End, in villages such as Fitzrovia, Victoria and Belgravia. The City borders account for 21% and include villages such as Old Street, Clerkenwell, Shoreditch and Whitechapel in "London's Tech Belt". The remaining 3% is in Scotland, on the northern outskirts of Glasgow.

The portfolio consists of 129 buildings and has over 550 tenants covering a range of business sectors. Media, TV, marketing and advertising tenants account for 29% of our net rental income whilst professional and business services tenants comprise 27% and 12% of our income is from retail head offices. 86% of the portfolio is office space, with the balance mostly retail.

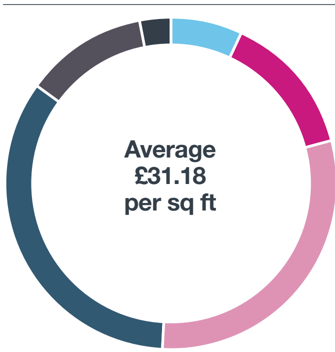
Our portfolio's annualised net contracted rental income at the year end was £119.6m, compared with an estimated rental value of £175.0m, therefore offering strong reversionary potential. With passing rent of £26.04 per sq ft (£280 per m^2) on our central London office portfolio, rising to £31.18 per sq ft (£336 per m^2) once "topped up" for the expiry of rent free periods and other rental incentives, average rents remain low.

Ten principal tenants % of rental income[1]

Arup	**5.2**
Burberry	**4.4**
Cancer Research UK	**4.2**
Saatchi & Saatchi	**3.5**
Government	**3.2**
FremantleMedia Group	**3.1**
MWB Business Exchange	**2.6**
Thomson Reuters	**2.4**
Pinsent Masons	**2.0**
EDF Energy	**1.8**

[1] Based upon contracted net rental income of £119.6m

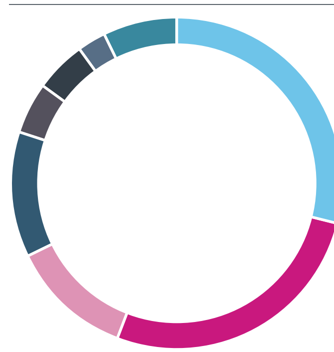
Office rent banding – "topped-up" income[2] %



£0 – £20 per sq ft	**7**
£20 – £30 per sq ft	**14**
£30 – £40 per sq ft	**30**
£40 – £50 per sq ft	**34**
£50 – £60 per sq ft	**12**
£60+ per sq ft	**3**

[2] Expressed as a percentage of annualised rental income

Profile of tenants' business sectors[2] %



Media, TV, marketing and advertising	**29**
Professional and business services	**27**
Retail head offices, showrooms	**12**
Retail sales	**12**
Financial	**5**
Charities	**5**
Government and public administration	**3**
Other	**7**

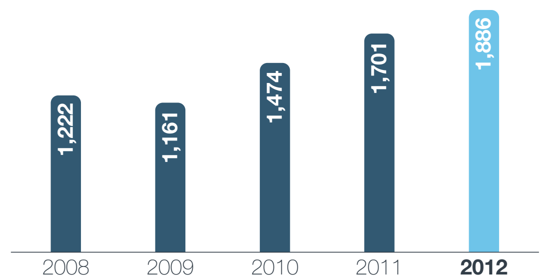
FINANCIAL HIGHLIGHTS
EPRA MEASURES

EPRA NAV per share

1,886p

2011: 1,701p

p55, p125

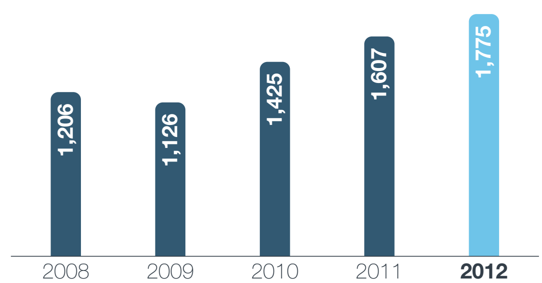


EPRA NNNAV per share

1,775p

2011: 1,607p

p125

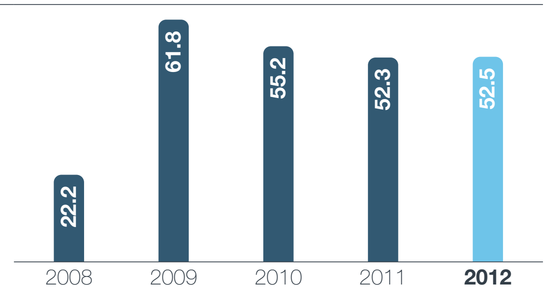


EPRA profit before tax

£52.5m

2011: £52.3m

p56, p124

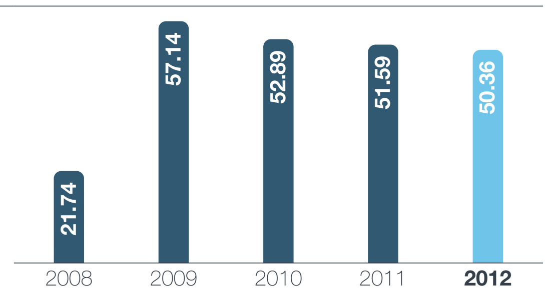


EPRA earnings per share

50.36p

2011: 51.59p

p56, p124

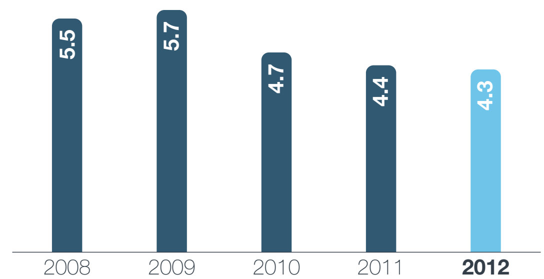


EPRA net initial yield[1]

4.3%

2011: 4.4%

p37, p126

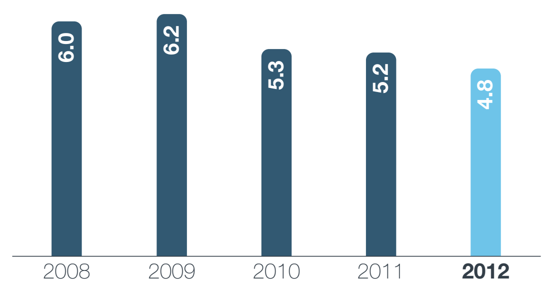


EPRA "topped-up" net initial yield[1]

4.8%

2011: 5.2%

p37, p126

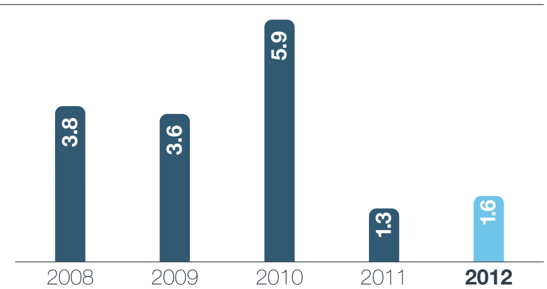


EPRA vacancy rate

1.6%

2011: 1.3%

p41, p126



[1] Figures for 2008 calculated on a non-EPRA basis, across the whole portfolio

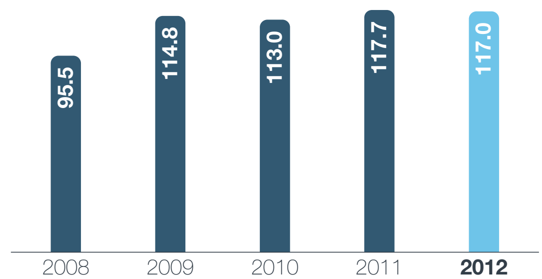
FINANCIAL HIGHLIGHTS
OTHER MEASURES

Net property income

£117.0m

2011: £117.7m

p56, p117

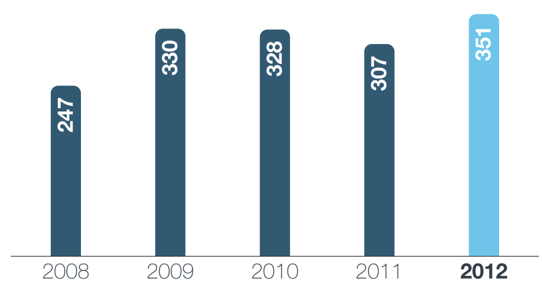


Interest cover ratio

351%

2011: 307%

p60, p141

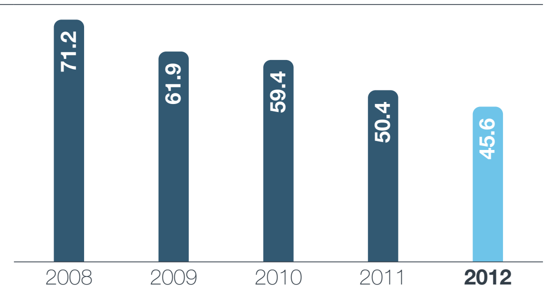


NAV gearing

45.6%

2011: 50.4%

p60, p140

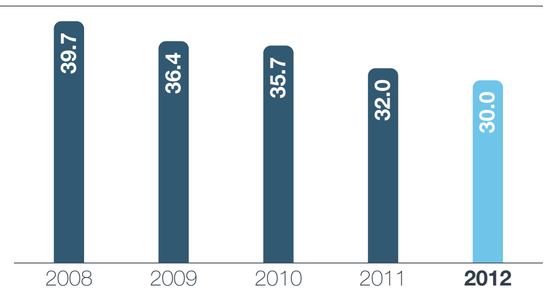


Loan-to-value ratio

30.0%

2011: 32.0%

p60, p140

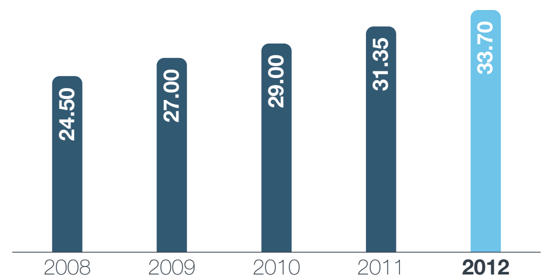


Dividend per share

33.70p

2011: 31.35p

p60, p142

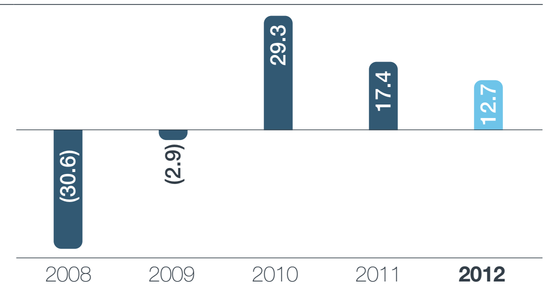


Total return

12.7%

2011: 17.4%

p26, p142

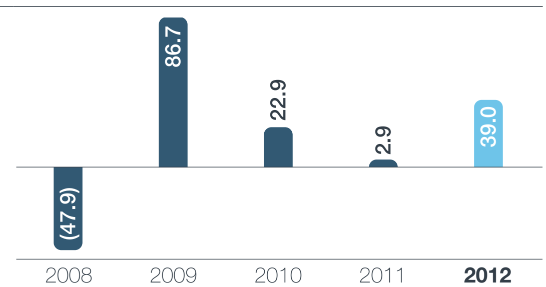


Total shareholder return

39.0%

2011: 2.9%

p29, p99

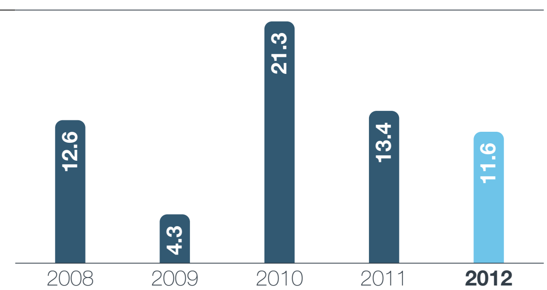


Total property return

11.6%

2011: 13.4%

p26, p37



KEY ACHIEVEMENTS

In 2012, we had considerable letting success, added to and progressed our development pipeline and completed a number of key asset and financial management initiatives.

January

Refinanced £300m of bank loans
New £150m five-year facilities completed, one with RBS/Barclays and the other with Lloyds Bank, replacing facilities that were to expire in March 2013.

February

Planning consent granted at Queens, 96-98 Bishop's Bridge Road W2
Construction of 16 residential units and ground floor retail space starts in 2013, retaining the art deco façade.

Pre-let to Burberry at 1 Page Street SW1
All 127,000 sq ft (11,800m²) was pre-let to Burberry at a rent of £5.3m pa on a 20-year lease.

March

BrandOpus pre-let at 1 Stephen Street W1
15,400 sq ft (1,430m²) pre-let at a rent of £52.50 per sq ft on the ground floor and £21.50 per sq ft on the lower ground floor, part of our phased regeneration plans at 1-2 Stephen Street.

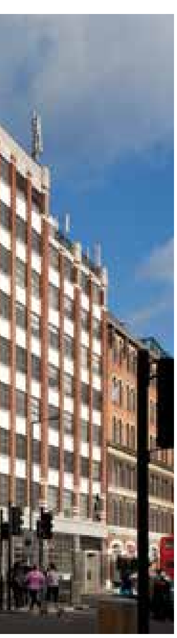
Joint venture with Grosvenor at 1-5 Grosvenor Place SW1
A new 150-year lease and 50:50 joint venture agreement signed with Grosvenor. We are now working towards the redevelopment of this site of over 1.5 acres at Hyde Park Corner.

April

Planning permission for major mixed use scheme at 1 Oxford Street W1
A 275,000 sq ft (25,500m²) scheme to build offices above the Tottenham Court Road Crossrail and London Underground stations.

June

Tea Building wins RIBA regional award
To improve the efficiency of the Tea Building E1 a "Green Tea" refurbishment is underway, including double-glazed windows, high efficiency lighting, roof insulation and a thermal loop to allow energy sharing throughout the building.



July

Purchase of Francis House SW1
A 57,000 sq ft (5,300m²) freehold office building, adjoining Greencoat & Gordon House and 6-8 Greencoat Place, was purchased for £30.6m.

£83m 12-year secured debt facility signed
The new loan with Cornerstone was signed in July and drawn in August, providing long-term fixed rate debt at an attractive rate of 3.99% to October 2024.

August

Start of construction at 40 Chancery Lane WC2
Having restructured our interests at Chancery Lane earlier in 2012 into a 128-year lease, we started construction of 100,000 sq ft (92,900m²) of office space.

Lease regears at 8 Fitzroy Street W1 and 1 Oliver's Yard EC2
8 Fitzroy Street is let to Arup. We replaced five-year upward-only reviews with annual stepped increases and will be receiving at least £80 per sq ft by expiry in 2033.

The Telecity leases at 1 Oliver's Yard were extended from five to 25 years and increased the rent from £35 per sq ft on best to £45 per sq ft in 2017, and thereafter the equivalent of 2.5% annual increases.

Start of construction at Turnmill EC1
70,000 sq ft (6,500m²) new build office building across the road from the entrance to Farringdon station.

September

Purchase of 9 and 16 Prescot Street E1
9 and 16 Prescot Street, totalling 111,000 sq ft (10,310m²), were acquired for £23.2m reflecting a low capital value of £209 per sq ft (£2,250 per m²).

December

Purchase of 25 and 29 Berners Street W1
Long leasehold interests over two buildings totalling 79,500 sq ft (7,390m²) purchased for £36.5m, reflecting a capital value of £460 per sq ft (£4,950 per m²).

October

Ticketmaster checks in at 4 & 10 Pentonville Road N1
Ticketmaster will occupy 87% of the building under a 12-year lease in a letting agreed just two months after practical completion of this development.

CHAIRMAN'S STATEMENT

The Group achieved a double digit percentage increase in net asset value driven by increasing rents in our markets, asset management activity and progress in our development pipeline.

"We are continuing to see new tenants attracted to the space we provide and consider that rents in our markets will continue to rise."

Robert Rayne
Non-executive Chairman

Last year was both a significant year for London and another strong one for Derwent London. The Group's hallmark mid-market office product was in demand, there was excellent progress in the development pipeline, a string of successful planning decisions and the unlocking of value through restructuring of leasehold interests. We added to the portfolio in our core markets, recycled capital and achieved our refinancing targets. This activity added value and we saw an 11% increase in EPRA net asset value per share to 1,886p with the portfolio generating an overall revaluation surplus of £175.3m. All this was achieved whilst broadly maintaining profits and further strengthening our balance sheet.

Highlights

Progress was made across all the Group's business areas:

- 340,300 sq ft (31,610m²) of space was let, securing £13.3m of rental income at an average premium of 7.6% to 31 December 2011 ERV, of which 55% related to pre-lettings of developments. The EPRA vacancy rate of available space at the year end was 1.6%.
- Six planning consents were secured totalling 655,000 sq ft (60,850m²).
- 4 & 10 Pentonville Road N1 was completed (55,000 sq ft/5,110m²) and is 87% let.
- Asset management initiatives were completed on 580,000 sq ft (53,900m²) providing greater longevity of income and inbuilt rental growth.
- Principal acquisitions were five properties totalling 247,500 sq ft (23,000m²) bought for £90.3m after costs (£365 per sq ft/£3,930 per m²) at an average net initial yield of 4.7%.
- Disposals raised £161m after costs, generating a profit of £6.9m. These included the 50% interest in 1-5 Grosvenor Place SW1 to facilitate future development. The remainder were non-core assets.
- Our financing retains strength and flexibility. During the year we signed an £83m 3.99% 12-year secured loan, further diversifying our sources of finance and increasing our weighted average length of unexpired debt to 6.1 years at the year end.

The EPRA net initial yield of the portfolio was 4.3% at 31 December 2012. The EPRA like-for-like net rental income increased over the year by 8.2%. In addition at the year end reversionary income stood at £55.4m pa, 38% of which is contracted through the expiry of rent free periods, stepped rents and fixed uplifts.

Our market

In 2012, the eyes of the world were on London, which hosted memorable celebrations for the Queen's Diamond Jubilee, the Olympics and the Paralympics. The capital excelled in its time in the spotlight, demonstrating just what an attractive, welcoming and exciting place it is. It has an effective and improving infrastructure, a diverse and vibrant mix of cultural events and the London economy stands apart from the country as a whole. London is a desirable place in which to live, work and operate businesses. Consequently the property investment market in central London continues to flourish with yields remaining firm, supported by high levels of activity.

11%

increase in EPRA net asset value per share

8.2%

increase in EPRA like-for-like net rental income

7.5%

increase in dividend for the year

£13.3m
of lettings concluded

6.7%
rise in underlying estimated rental values

495,000 SQ FT
of major projects underway

Derwent London is an innovator in the regeneration of London's offices, investing in improving areas in the West End and City borders and offering tenants great space. This requires well-designed buildings at reasonable rents in the appealing locations of the future – such as those close to the Crossrail routes or within "London's Tech Belt", an arc stretching between King's Cross and Whitechapel. Our mid-market offices continue to attract tenants with Unilever recently taking 21,100 sq ft (1,960m²) at the Buckley Building EC1. We said at the beginning of 2012 that rents would rise, and were pleased to see stronger growth than the 4-5% we had envisaged, with a 6.7% underlying increase in the estimated rental value (ERV) and new lettings signed at rents on average 7.6% ahead of December 2011 ERV.

Capturing value

The strength of the occupational market and our robust financing give us the confidence to press ahead with our development pipeline. We completed 4 & 10 Pentonville Road N1 in August 2012, but still had six major projects underway at the year end totalling 495,000 sq ft (46,000m²). During 2013 we are starting work on three additional schemes totalling 422,000 sq ft (39,200m²) including our largest project to date, the 385,000 sq ft (35,800m²) regeneration of 80 Charlotte Street, Fitzrovia W1.

Looking further to the future, we have over 1.8 million sq ft (169,000m²) of exciting projects to start in 2014 and beyond, of which 0.9 million sq ft (86,000m²) has planning permission.

One of our largest schemes with planning permission is the White Collar Factory at City Road EC1 where we are about to finish a working prototype. Marketing presentations begin in April before we move into full scale construction of this office development in the heart of "London's Tech Belt" on a speculative basis.

We have recently signed an option agreement with the freeholder and head leaseholder that provides for a regear of our leasehold interest at 55-65 North Wharf Road W2. This will enable us to proceed with the development of 240,000 sq ft (22,300m²) of office space under a 999-year lease at this important site in Paddington where we hold a planning consent.

Results and dividend

Derwent London's property portfolio increased in value to £2.86bn as at 31 December 2012, showing an overall revaluation surplus of £175.3m and an underlying valuation increase of 7.3% during the year, which compares to annual capital growth of 4.1% produced by the IPD Central London Offices Index. Of our valuation increase, 4.1% came in the second half of 2012. The portfolio's total property return for the year was 11.6% against 8.8% for IPD. This strong property return contributed to EPRA net asset value per share rising to 1,886p at the year end compared with 1,701p at 31 December 2011 and 1,770p at 30 June 2012. After adding back dividends, the Group's total return for the year was 12.7%.

"The performance of the business gives us the confidence both to accelerate our development pipeline and increase the dividend for the year by 7.5%."

Robert Rayne
Non-executive Chairman

Despite a significant acceleration in development activity during the year, income levels have been broadly maintained, with EPRA profit before tax of £52.5m against £52.3m in the previous year. Given dividend cover of 1.5 times and our current outlook, we are recommending a final dividend for the year of 23.75p, an increase of 8.4%, to be paid on 14 June 2013 to shareholders on the register on 10 May 2013. Of this, 18.75p will be paid as a PID under the UK REIT regime and there will be a scrip alternative. The total dividend for the year is therefore 33.70p, an increase of 7.5% on that in 2011.

The Group's overall debt position was broadly unchanged with net debt up by only 1.2% over the year to £874.8m. The overall loan-to-value ratio at the end of 2012 fell to 30.0% from 32.0% in 2011 and gross interest cover over 2012 has increased to 351% from 307% last year. Following the arrangement of a new £83m 12-year loan in August, around 50% of our current financing is with non-bank sources and we have increased the weighted average unexpired duration of debt to 6.1 years. We had substantial undrawn facilities totalling £333m and uncharged properties totalling £624m at the year end giving us the headroom to meet our committed capital expenditure requirements.

We do not achieve these results without considerable commitment, skill and hard work. I would like to thank the Derwent London team, and congratulate them for winning Management Today's 'Britain's Most Admired Property Company' award for the third successive year.

The Board

We welcomed Simon Fraser to the Board on 1 September 2012 and believe that his extensive corporate broking and financial services experience will benefit the Group. Simon Neathercoat retired from the Board on 31 December 2012 after giving 13 years of valuable advice.

Outlook

London is a desirable place in which to operate and invest and this currently shows no signs of changing. Our office brand appeals to a wide range of tenants from both a design and a price perspective, in particular those from the broad-based TMT world. The increase in rents in our markets in 2012 exceeded our expectations. We believe we shall see rental growth in these markets of 4-6% in 2013 with yields remaining stable.

We have an extensive and deliverable pipeline of value-creating developments, both for the near term and extending into the future. These are well-located in our core areas and in many cases will benefit substantially from the arrival of Crossrail.

In 2013 we aim to make progress in the following areas:

- Complete 212,000 sq ft (19,700m^2) at Buckley Building EC1 and 1 Page Street SW1 which are 70% pre-let overall.
- Progress construction of 256,000 sq ft (23,790m^2) at 1-2 Stephen Street W1, 40 Chancery Lane WC2 and Turnmill EC1.
- Commence construction of 422,000 sq ft (39,200m^2) in three developments including 80 Charlotte Street W1. Of this space around 20% will be residential, which will enable Derwent London to take advantage of the current high demand for central London residential property.
- Progress a number of major consented projects, including White Collar Factory EC1, 55-65 North Wharf Road W2 and a retail scheme at 18-30 Tottenham Court Road W1 (together 570,000 sq ft/ 52,910m^2).
- Advance the planning of our future value-creating opportunities, including 1-5 Grosvenor Place SW1.

Our increased development programme, significant reversionary potential and asset management activities provide a strong foundation for the delivery of future value. Low leverage and our focus on interest cover create the financial strength to undertake this development pipeline and to take advantage of new opportunities. These components give us a powerful platform for growth, thereby continuing to provide attractive returns to shareholders.

Robert A. Rayne
Non-executive Chairman
28 February 2013

OUR MARKET

The central London office market, where 97% of Derwent London's portfolio is located, plays a key role in the success of the capital by providing a home to a wide range of national and international companies.

London's economy is predominantly service-based and accounts for approximately 20% of national output. It remained resilient in 2012 despite the weakness in the UK economy as a whole. In central London, Derwent London's core market, office take-up was lower than average but the supply of space was constrained, thereby keeping vacancy rates below trend and providing the conditions for further rental growth. In addition London continued to be seen by investors as offering an attractive investment destination. Transaction volumes were at their highest level for five years, according to leading surveyors, CBRE.

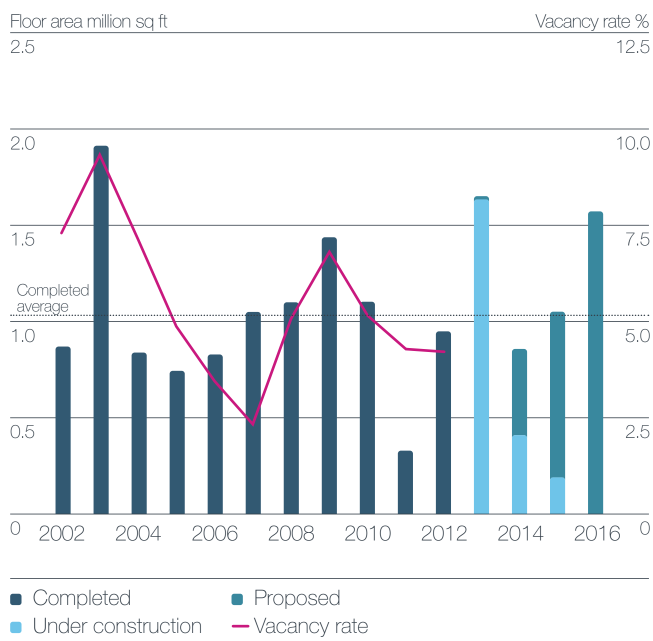
Economic backdrop
The lack of growth in the UK economy, with continued austerity measures and uncertainties within the Eurozone, provided the main economic backdrop to 2012. UK GDP was flat over 2012, compared with a rise of 0.9% in 2011. The UK base rate remained unchanged at 0.5%, whilst total employment reached an all-time high, rising 1.6% over the year and CPI inflation fell from 4.2% to 2.7%. London's economy proved more resilient than that of the country as a whole with its GDP growing 0.3% over the year, according to Oxford Economics.

Looking forward, the outlook for UK growth remains subdued. The Bank of England forecasts that the economy is likely to see a gradual recovery over the next three years with GDP growth of around 1% predicted for 2013, well below its historical average. In London the economy is expected to continue to outperform the country as a whole, notwithstanding some of the enduring banking issues, with GDP growth of 1.3% forecast for 2013 and 2.5% for 2014.

Central London office occupier market
The central London office market, where 97% of Derwent London's portfolio is located, plays a key role in the success of the capital by providing a home to a wide range of national and international companies. At the year end, the capital's office stock totalled approximately 221 million sq ft (20.5 million m²) – 49% located in the City, 42% in the West End and 9% in Docklands.

CBRE reported that central London office take-up in 2012 totalled 9.8 million sq ft (0.91 million m²), 7% lower than the previous year and 17% below the 10-year average. In the West End take-up was 16% below the average at 3.5 million sq ft (0.33 million m²) with the TMT sector comprising 23% of transactions. During 2012, West End active demand increased 15% with the TMT sector accounting for over 50% of year end requirements, suggesting that the low take-up at least in part reflects the low level of completions. Overall City activity was 12% below the 10-year average at 4.1 million sq ft (0.38 million m²).

West End office development pipeline



Source: CBRE

On the delivery side, West End development completions were fractionally below the 10-year average at 0.95 million sq ft (88,300m²) whilst City completions were just 0.51 million sq ft (47,400m²), 73% below the 10-year average. These relatively low levels of supply helped moderate the central London vacancy rate which was 5.3% at the year end. The West End vacancy rate declined slightly from 4.3% to 4.2% whilst the City rate decreased from 7.0% to 6.8% over the same period. With supply for both locations still below 10-year averages, the CBRE prime rent index showed further rental uplift with growth of 3.7% in the West End and 0.8% in the City over the year.

The level of West End completions is expected to rise considerably during 2013, but we expect that this space will be absorbed by the market, given current levels of demand and the level of pre-lets already agreed on these properties.

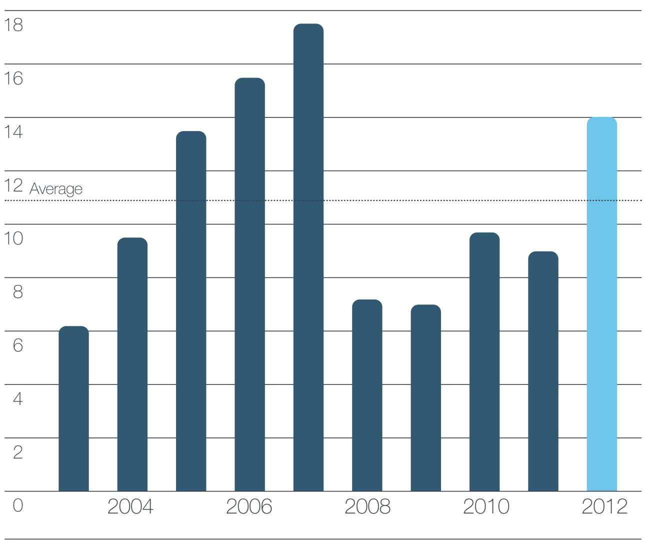
Central London office investment market
According to CBRE, central London office investment transactions totalled £14.0bn in 2012, 55% greater than 2011 and 28% above the 10-year average. London's status as an international safe haven persisted with the property market offering both rental growth and liquidity. Overseas investors accounted for 67% of acquisitions.

Prime yields were static throughout the year at 4.0% in the West End and 5.0% in the City.

The progress in the Crossrail project gained visibility during 2012. There was a flurry of acquisition and development activity around future Crossrail hubs such as Tottenham Court Road and Farringdon stations, where we have a large concentration of our portfolio, whilst Shoreditch, with its new High Street station, benefited from the completion of the London Overground orbital.

We note with interest the Government's plans to include conversion of offices to residential units within permitted development rights for three years, but do not believe that this will have a significant impact on our business.

Central London office investment transactions £bn



Source: CBRE