

BUSINESS MODEL

Derwent London seeks to produce consistently above average, long-term returns from its portfolio of mid-market central London offices.



“At Derwent London we look to create tomorrow’s space today.”

John Burns
Chief Executive Officer

“Derwent was by far and away the most consistently cited UK company among the industry figures polled because of the way it focuses on creating buildings that tenants want to be in and spots trends in terms of the areas and types of buildings occupiers want.”

Property Week International’s “The Big 10” (8 March 2013) – poll of property professionals to see which companies they rated as the best in the world

From long experience the Derwent London team has shown that well-judged investment decisions, creative thinking, strong operational performance and an appropriate level of regeneration activity supported by robust financing can achieve attractive, sustained returns.

The Group typically acquires properties with identified potential often in improving areas of London. These locations will have good public transport links and, as the neighbourhood is revitalised, new users are attracted to the area. We adopt a unique plan for each property, which is designed to complement its particular characteristics. Value can be achieved by:

- a rolling refurbishment;
- adding space through infilling, conversion of underutilised areas or additional floors;
- regeneration where the building is obsolete;
- creating marriage value through buying adjacent properties;
- negotiating with freeholders to restructure leasehold interests; or
- using asset management initiatives to increase the income return.

Underpinning this approach is a desire to create sustainable workplaces that are efficient and welcoming and in which tenants can work for many years.

The team works with a variety of both established and up-and-coming architects to create well-designed office space. Development activity is balanced to maintain income where possible whilst freeing up space for regeneration.

The strength of our balance sheet means that we do not require specific development finance for our schemes which are usually begun on a speculative basis, though these are often de-risked part way through via pre-letting.

The majority of the portfolio is income-producing with reversionary rents. This means that open market rents are higher than the current passing rent. The Group optimises income by applying detailed knowledge of current and potential occupiers’ needs to attract strong tenants from a wide range of businesses. Over time, reversionary income is captured through rent rises or asset management. We often seek to move tenants within the portfolio to maximise value growth.

Properties where we believe there is limited future growth are identified for disposal, enabling us to recycle our capital effectively into more profitable projects.

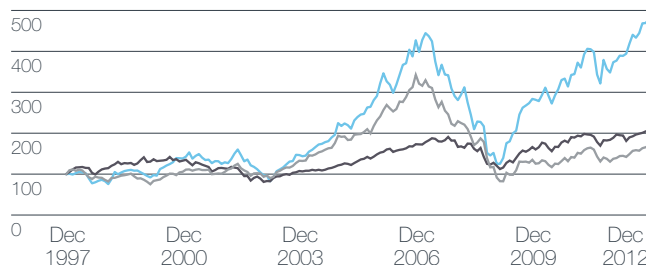
Our business is supported by robust, flexible financing with moderate leverage and comfortable interest cover. This provides the ability to deliver development ambitions and to take advantage of suitable acquisitions quickly.

Total shareholder return (%)

| | Derwent London | FTSE All-Share Index | FTSE EPRA UK Index |
|----------|----------------|----------------------|--------------------|
| 15 years | 378.5 | 106.5 | 69.7 |
| 10 years | 359.2 | 131.7 | 67.0 |
| 5 years | 64.6 | 13.2 | (22.3) |
| 1 year | 39.0 | 12.3 | 29.9 |

275%

outperformance compared with FTSE EPRA UK index over 10 years



— Derwent London ordinary shares
 — FTSE All-Share Index — FTSE EPRA UK Index