Derwent London plc is the largest real estate investment trust (REIT) specialising in central London offices. We own and manage a portfolio of 5.7 million square feet located in 17 'villages' in London's West End and City borders and focus on middle market rents.

Experience and local knowledge has enabled us to identify many of London's emerging locations such as those around the Crossrail hubs and in the Tech Belt.

We typically acquire properties off-market at relatively low capital values with short income streams and work out the optimum strategy for each by understanding and anticipating the needs of occupiers and the wider community.

We have a substantial pipeline of design-led schemes, adding value by refurbishment, redevelopment or active asset management and balancing these activities with a robust income stream, a focus on interest cover, modest leverage and flexible financing. When we believe we can find better growth elsewhere, we recycle capital by disposing of properties and invest in new stock for the future to add to our pipeline.

ANTICIPATING TRENDS

DELIVERING DESIGN EXCELLENCE AND VALUE

PRODUCING ABOVE AVERAGE RETURNS

1-2 Stephen Street W1

1

OVERVIEW

WHAT WE DO AND KEY ACHIEVEMENTS

Our principal objective is to deliver above average long-term returns for our shareholders through owning, creating and managing well-designed central London offices benefiting occupiers and neighbourhoods.

OUR BUSINESS MODEL

Page 18

28.4%

increase in EPRA net asset value per share

Page 62

30.1%

total return

Page 62

1 ACQUIRE PROPERTIES AND UNLOCK THEIR VALUE

We purchase buildings in central London which can be improved, enlarged or regenerated. These purchases will typically be off relatively low rents and capital values per sq ft.

- In March we acquired 19-23 Featherstone Street EC1, adjoining our Monmouth House EC1 and potentially unlocking a site for 125,000 sq ft (uplift of 81% by area) opposite our White Collar Factory EC1 development site
- In November we purchased Angel Square EC1 (128,700 sq ft offices in three adjoining properties), opposite our Angel Building EC1, with reversionary and longer term enlargement and regeneration potential

£90.9m

acquisition of two properties both adding to existing Tech Belt clusters

Page 60

2 CREATE WELL-DESIGNED SPACE

Each property has a business plan, where we seek to maximise returns through design-led planning gain, effective development and construction delivery to provide flexible, resilient and sustainable space attractive to occupiers, investors and the local community.

- In 2014 we completed 106,550 sq ft of major projects, currently 75% let or sold, including our first standalone residential scheme
- Started construction of White Collar Factory EC1 (293,000 sq ft of mixed-use space) adopting our research into the space demands of the creative industries and, as a result, providing innovative office space with potential for lower carbon emissions
- Planning secured on 25-33 Berners Street W1 and 25 Savile Row W1 (together 163,000 sq ft)

485,000sq ft

of development ready to start in 2015

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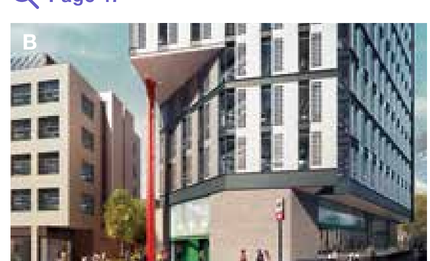

A Angel Square EC1
B White Collar Factory EC1
C 1-2 Stephen Street W1
D Jaeger House W1
E Horseferry House SW1

"Our long-term strategy of investing in innovative design-led projects in London's emerging villages appeals to occupiers and investors, as the definition of London's core office locations continues to evolve."

ROBERT RAYNE
CHAIRMAN

3 OPTIMISE INCOME

We seek to work with our occupiers through active management which can include letting, restructuring leases, or taking back space. Our aim is to secure a sound recurring and growing income base which services our overheads, interest costs and dividend and provides the platform for our regeneration activity.

- In July we pre-let 28,350 sq ft to Freud Communications
- 2014 lettings secured £9.2m p.a. of rental income 11.2% above December 2013 ERV

4.5%
increase in contracted net rental income to £131.7m p.a.

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4 RECYCLE CAPITAL

Sell properties where business plans have been completed, market conditions are favourable, or which no longer fit the Group's strategy.

- In April sold Jaeger House W1 for £30.3m prior to development
- In H2 sold four smaller properties for a total of £67.7m

sold £98.0m
of commercial property at an average value of £675 per sq ft: 40% above Dec 2013 values

Page 60

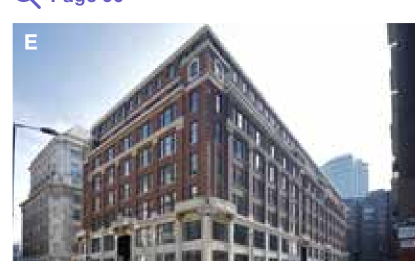
5 MAINTAIN STRONG AND FLEXIBLE FINANCING

Each property is considered in the context of the Group as a whole, as well as having its own business plan. Our financing approach provides a robust and flexible financial base consistent with our active asset management model. This gives us the ability to cover our financial commitments with headroom to spare while maintaining the flexibility to cope with a changing economic environment.

- In December extended maturity of £550m bank facility to January 2020
- LTV ratio reduced to 24% at 31 December 2014
- Conversion of £175m of bonds into new equity in January 2015 reduces debt and further lowers gearing ratios

286%
net interest cover ratio

Page 66



OUR PORTFOLIO

Our portfolio comprises 5.7 million sq ft (534,000m^2) of properties valued at £4.2 billion. 98% of our properties are located in central London, grouped in 17 'villages', each with its own culture and identity. 70% can be found in the West End and 28% in the City borders. The balance relates to properties held in Scotland on the northern outskirts of Glasgow.

105
Buildings

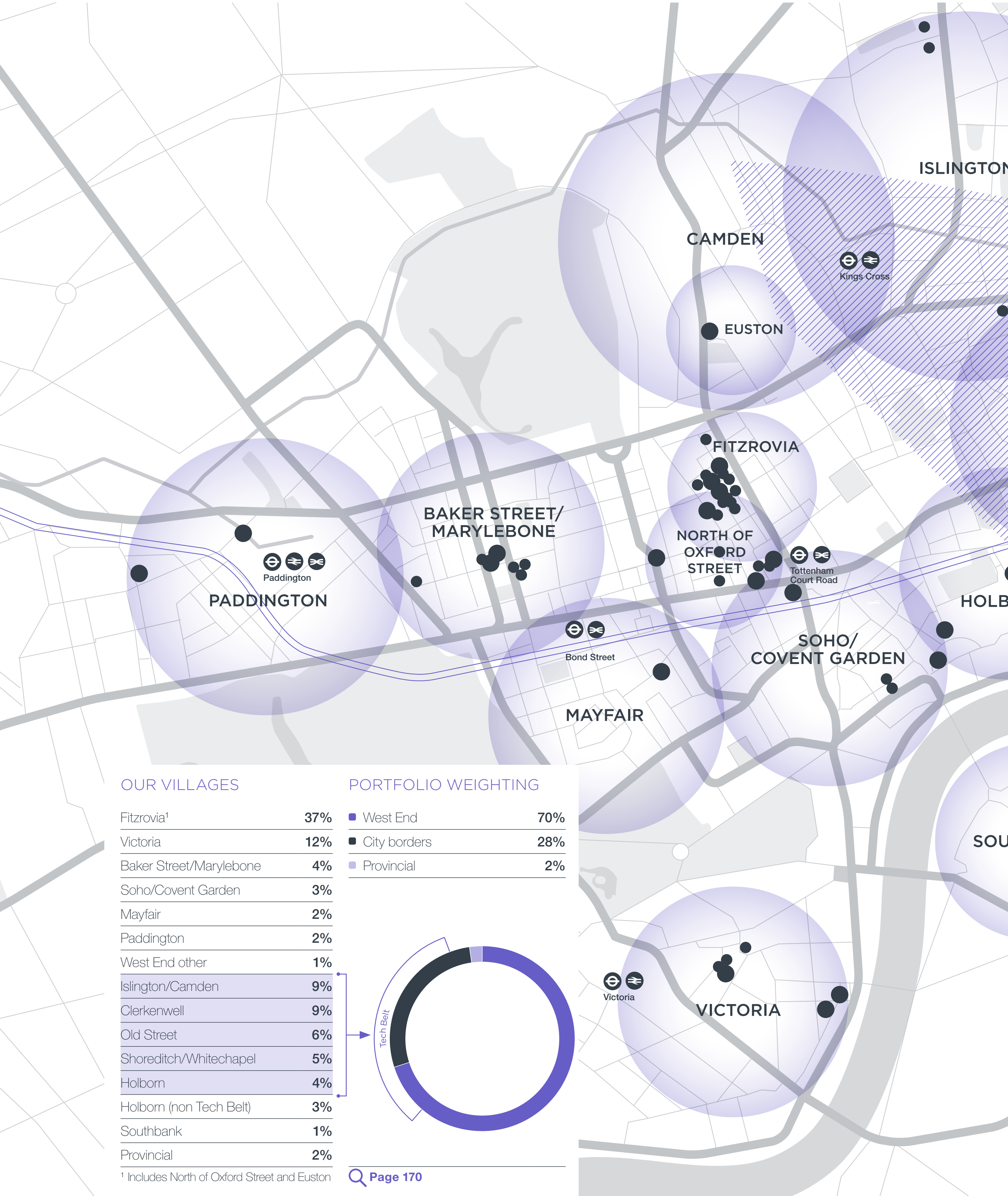
c.500
Tenants

33%
Portfolio weighting in Tech Belt

£4.2bn
Valuation of the portfolio

£131.7m
Net contracted rental income

£215.6m
Estimated rental value



OUR VILLAGES

Fitzrovia[1]	37%
Victoria	12%
Baker Street/Marylebone	4%
Soho/Covent Garden	3%
Mayfair	2%
Paddington	2%
West End other	1%
Islington/Camden	9%
Clerkenwell	9%
Old Street	6%
Shoreditch/Whitechapel	5%
Holborn	4%
Holborn (non Tech Belt)	3%
Southbank	1%
Provincial	2%

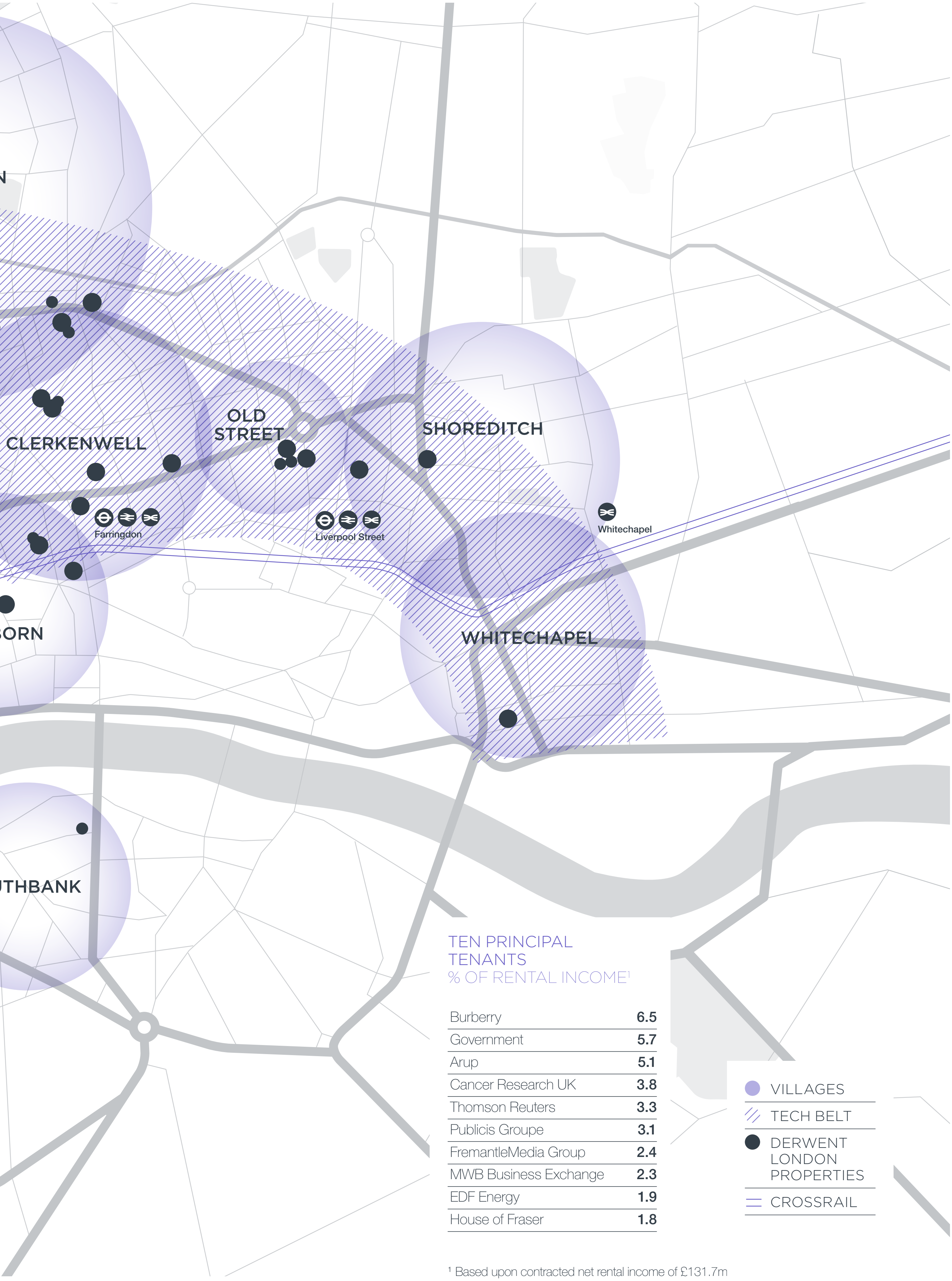
[1] Includes North of Oxford Street and Euston

PORTFOLIO WEIGHTING

West End	70%
City borders	28%
Provincial	2%

Tech Belt

Page 170



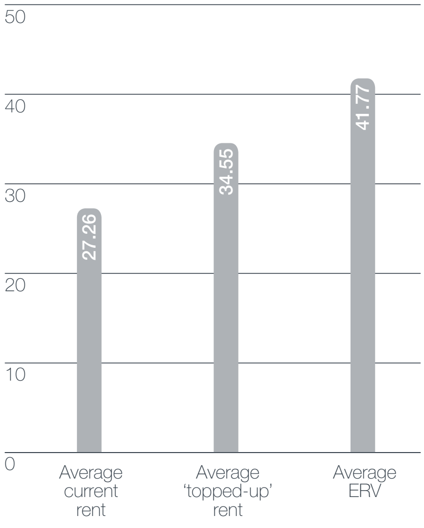
TEN PRINCIPAL TENANTS
% OF RENTAL INCOME[1]

Burberry	6.5
Government	5.7
Arup	5.1
Cancer Research UK	3.8
Thomson Reuters	3.3
Publicis Groupe	3.1
FremantleMedia Group	2.4
MWB Business Exchange	2.3
EDF Energy	1.9
House of Fraser	1.8

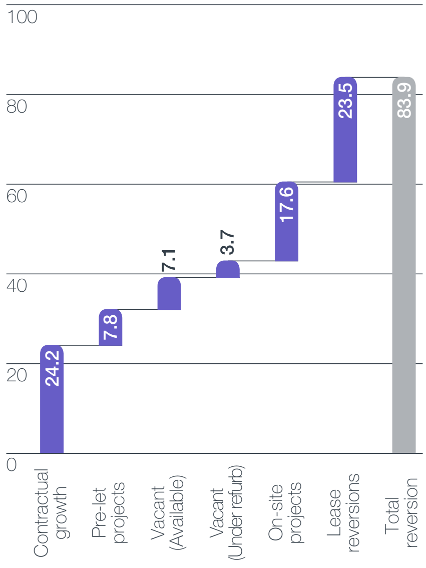
VILLAGES
TECH BELT
DERWENT LONDON PROPERTIES
CROSSRAIL

[1] Based upon contracted net rental income of £131.7m

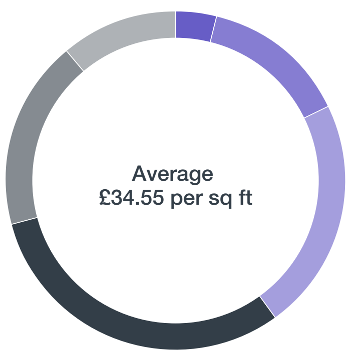
Central London office rent profile
£ per sq ft



Build-up of reversion rental uplift
£m



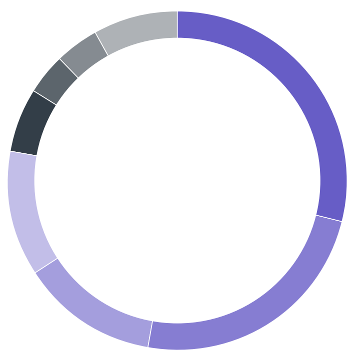
Office rent banding – 'topped-up' income[1] %



£0 – £20 per sq ft	4
£20 – £30 per sq ft	14
£30 – £40 per sq ft	22
£40 – £50 per sq ft	31
£50 – £60 per sq ft	18
£60+ per sq ft	11

[1] Expressed as a percentage of annualised 'topped-up' rental income

Profile of tenants' business sectors[2]
%



Media, TV, marketing and advertising	29
Professional and business services	24
Retail head offices, showrooms	13
Retail sales	12
Public sector	6
Charities	4
Financial	4
Other	8

[2] Expressed as a percentage of annualised rental income

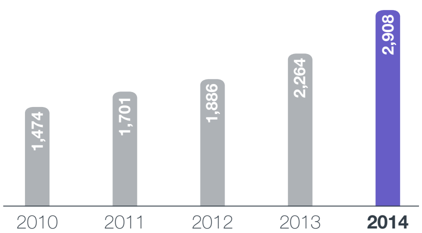
OPEN HERE TO SEE
LONDON PORTFOLIO

FINANCIAL HIGHLIGHTS
EPRA MEASURES

Read more:
please see finance review on page 62 and notes 38 to 40 for calculations

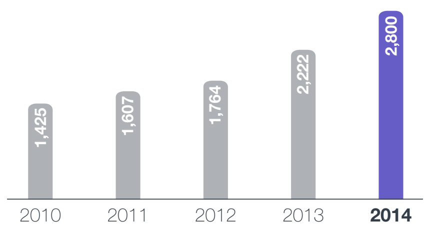
EPRA NAV per share

2,908p
2013: 2,264p



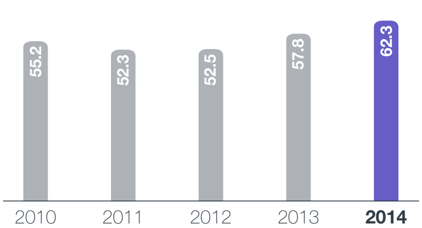
EPRA NNNAV per share

2,800p
2013: 2,222p



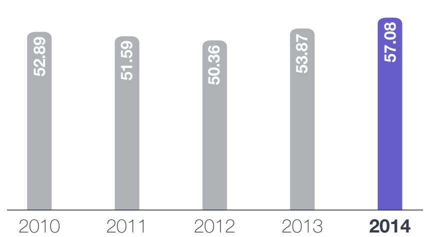
EPRA profit before tax

£62.3m
2013: £57.8m



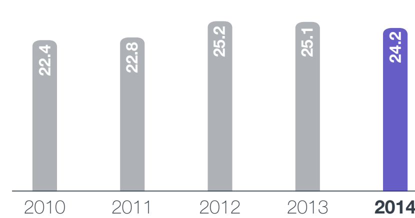
EPRA earnings per share

57.08p
2013: 53.87p



EPRA cost ratio[1]

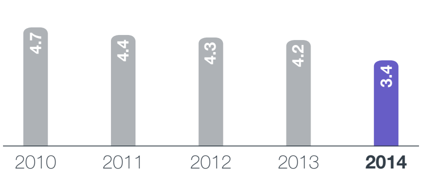
24.2%
2013: 25.1%



[1] Including direct vacancy costs

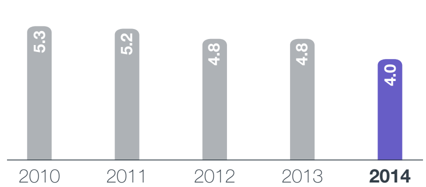
EPRA net initial yield

3.4%
2013: 4.2%



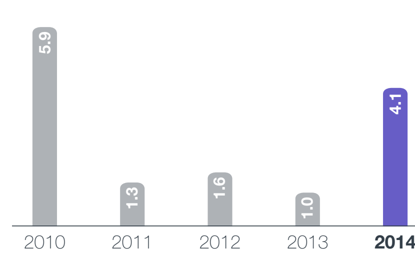
EPRA 'topped-up' net initial yield

4.0%
2013: 4.8%



EPRA vacancy rate

4.1%
2013: 1.0%

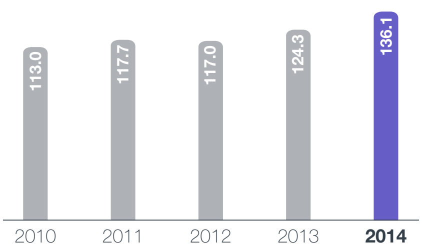


OTHER MEASURES

Net property and other income

£136.1m

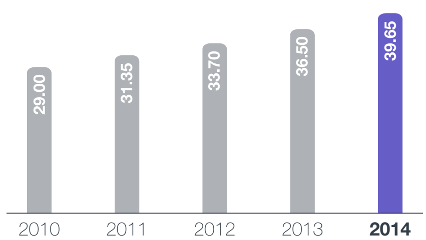
2013: £124.3m



Dividend per share

39.65p

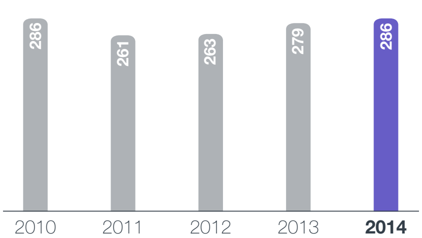
2013: 36.50p



Net interest cover ratio

286%

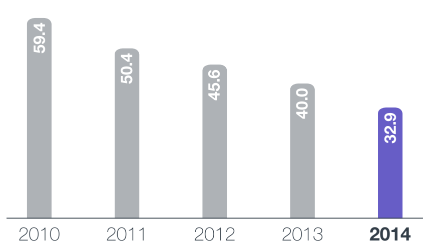
2013: 279%



NAV gearing

32.9%

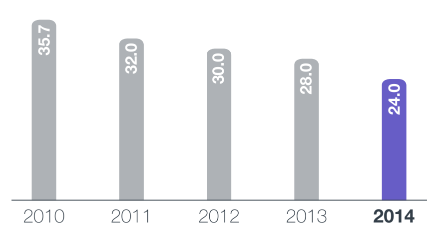
2013: 40.0%



Loan-to-value ratio

24.0%

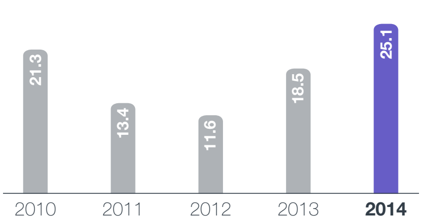
2013: 28.0%



Total property return

25.1%

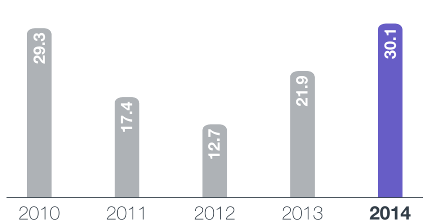
2013: 18.5%



Total return

30.1%

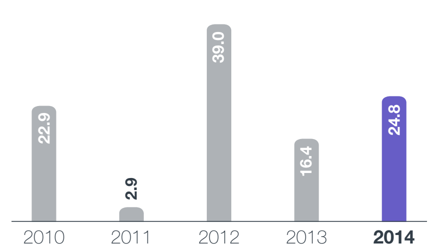
2013: 21.9%



Total shareholder return

24.8%

2013: 16.4%



CHAIRMAN'S STATEMENT

2014 was another positive year for Derwent London. We strengthened our income, our largest development programme is well underway and we continued to improve our strong financial platform.

ROBERT RAYNE
CHAIRMAN

"We see scant evidence so far of a commercial property slowdown in London and we expect to see rental growth at least maintained at 6-8% across the portfolio, and investment yields to remain firm in 2015."

Overview

I am pleased to report another very positive year for Derwent London in 2014. Aided by the exceptionally strong London property market the growth in net asset value (NAV) exceeded our expectations. Our long-term strategy of investing in innovative design-led projects in London's emerging villages appeals to occupiers and increasingly to investors, as the definition of London's core office locations continues to evolve. Our total return was 30% and, over the last two and five years, we have achieved total returns of 58% and 164%, respectively.

We strengthened our income in 2014 through the letting of 188,300 sq ft of space securing £9.2m of rental income. Overall lettings achieved rents 11.2% above December 2013 estimated rental values (ERV) with open market lettings 18.1% above that benchmark. Derwent London's year end annual net contracted rents have risen to £131.7m (up 4.5% in the year), and our ERV to £215.6m (up 9.4%). As a result of completing a number of developments in the latter part of 2014 our December EPRA vacancy rate rose to 4.1%. This level is higher than in recent years, but only slightly above the ten-year average of 3.3%. In current market conditions, this creates an opportunity to capture higher rents. Lettings since the year end, including 34,150 sq ft at 1-2 Stephen Street W1, have seen our vacancy rate fall to 2.1%.

Derwent London's largest development programme to date is well underway having spent £122m on projects in 2014. In October we finished Queens W2, a residential scheme, where we have sold approximately half the apartments by value. In 2015 we have already completed Turnmill EC1 and are soon to deliver 40 Chancery Lane WC2 to Publicis, who pre-let both office buildings. The iconic White Collar Factory EC1 is on track for completion in the second half of 2016.

We are also progressing new development projects. Work has commenced on 105,000 sq ft at The Copyright Building, 25-33 Berners Street W1, which only received planning consent in October 2014, and where we recently finalised terms for a new headlease with the freeholder. In January 2015 we submitted a planning application to redevelop Wedge House, 40 Blackfriars Road SE1 as a 110,000 sq ft hotel and offices. Later in the year we expect to start our largest project at 80 Charlotte Street W1 (380,000 sq ft), which will become a landmark building in the heart of Fitzrovia. During 2015 we will also be securing vacant possession of 55-65 North Wharf Road W2 prior to commencing development of 240,000 sq ft in 2016. We estimate we will spend £329m on developments in the next two years alone. Beyond that our portfolio holds numerous additional opportunities capable of supporting significant development activity over the next decade.

Derwent London believes in recycling its assets. During the year we sold five smaller office properties for £98.0m at an average premium of 40% to December 2013 values. Sales were almost matched by the acquisition of two properties, both close to existing holdings, for £90.9m. The larger acquisition was Angel Square EC1, a prominent 128,700 sq ft corner building opposite our highly successful Angel Building, which represents a major opportunity to further regenerate this part of Islington.

During 2014 we continued to improve our strong financial platform taking advantage of relatively attractive financial markets. In January 2014 we drew down £100m from our US private placement in 15 and 20 year notes thereby enhancing our debt maturity. In December we extended the term of our £550m unsecured bank facility and reduced the margin. We also called our option for the early redemption of the £175m 2.75% convertible bonds 2016. As expected all the bondholders opted to convert, leading to the issue of 7.9m new shares in January 2015. Adjusting for the new equity the proforma year end loan-to-value ratio (LTV) falls from 24.0% to 19.9% and our earliest debt expiry is now in 2017. At the year end we had cash and undrawn debt facilities of £336m.

Financial results

Our property portfolio increased in value to £4.2bn. The total revaluation gain of £671.9m was the main component of our 28.4% growth in fully diluted EPRA NAV per share to 2,908p.

The growth in our annual profits reflects a buoyant letting programme and the major capital investment we have made over the last few years. Our reported net rents rose 5.8% to £128.7m resulting in an improvement to our interest cover ratio to a very comfortable 2.9 times. EPRA profit before tax increased 7.8% to £62.3m, and EPRA earnings per share improved by 6.0% to 57.08p.

Operationally and financially the Group is in a strong position and, as a result, we have raised the final dividend to 28.0p per share, an increase of 8.7%. The final dividend will be paid on 12 June 2015 to shareholders on the register on 8 May 2015. Of this, 22.35p will be paid as a PID under the UK REIT regime, and there will be a scrip alternative. The resultant dividend for the full year will be 39.65p per share, an increase of 8.6% over 2013.

CHAIRMAN'S STATEMENT
CONTINUED

The Board

Robert Farnes, who has served as a non-executive Director of the Company since 2003, is due to step down from the Board at the forthcoming AGM in May 2015. I would like to thank him for his advice and sound judgement throughout this period. The process of refreshing the Board is continuing and we anticipate making further announcements over the next few months.

Our people

These results would not have been possible without the continued expertise and dedication of the Derwent London team. We have increased our staff numbers over the last few years to support our greater development commitment, and it is pleasing to see that the Derwent London business culture continues. This approach has gained external recognition again with the Group once more featuring in the Management Today awards for 'Britain's Most Admired Companies', where in 2014 we topped the property sector for the fifth consecutive year, and were placed ninth across all sectors.

Outlook

The London commercial property market is set for continued growth with low availability, manageable supply and strong occupier and investor demand. Looking forward London's economy is expected to grow at around 3% per annum on average over the medium term. As a result, the outlook remains good and we expect to see rental growth maintained at 6-8% across the portfolio and investment yields to remain firm in 2015.

We are very confident in our business and markets, and our financial position has been strengthened further. We are aware of rising external risk factors in the last twelve months. For London property specifically, these include a continuing slowdown in the top-end residential market and increasing construction costs. Other more general factors are the moderation of economic growth and business confidence outside the USA, the uncertainty surrounding the UK General Election on 7 May, a possible future UK referendum on EU membership and the heightened levels of terrorist risk. Whilst some of these risks can make property income flows more attractive to investors, we believe that long-term stable economic growth is the best background for sustained improvement in our operating performance.

28.4%

increase in EPRA net asset value per share

7.8%

increase in EPRA profit before tax

8.6%

increase in dividend per share

"We remain very confident in our business and our markets, and over the next few years look forward to delivering a substantial phased development programme to meet occupier demand."

Overall we see scant evidence so far of a commercial property slowdown in London and we remain determined to benefit from these positive conditions. Our view is supported by the substantial progress the Group has already made in 2015. So far this year we have:

- Let 34,150 sq ft to The Office Group at 1-2 Stephen Street W1.
- Pre-let 57,600 sq ft to Expedia at Angel Square EC1.
- Completed Turnmill EC1 handing over 58,200 sq ft of offices to Publicis.
- Started the 105,000 sq ft development at The Copyright Building W1.
- Applied for planning permission to develop a 110,000 sq ft hotel and office scheme at 40 Blackfriars Road SE1.
- Acquired 20 Farringdon Road EC1 adjoining Farringdon Crossrail station in a property swap transaction.
- Increased our equity base by £175m following early conversion of our 2016 convertible bonds.

This activity has put the Group in an excellent position to start our largest development of 380,000 sq ft at 80 Charlotte Street W1 later in 2015, as well as committing to future projects such as 55-65 North Wharf Road W2. We expect the current year to be another positive one for Derwent London and that, once more, the implementation of our strategy will be supported by a favourable property market to produce strong returns for our investors.

ROBERT A. RAYNE
26 FEBRUARY 2015

OUR MARKET

London economic outlook remains good

6-8% rental increase expected for 2015

Property yields expected to remain firm in 2015

DERWENT LONDON

Property portfolio well-positioned for growth:
- significant reversions
- increased development activity
- extensive development opportunities

Financial platform suitable for raised activity