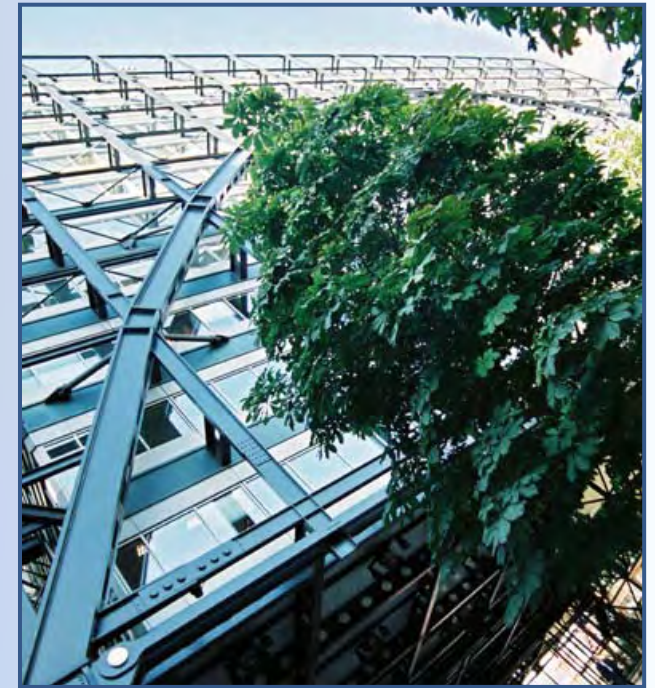


# First Quarter 2009/10 Results

Three months ended 30 June 2009



# Executive Summary

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- Pace of portfolio valuation decline slowed markedly to 3.7%
- £3.2bn (39%) of assets either increased (£1.7bn) or unchanged (£1.5bn) in value
- Evidence of strengthening in yields has continued into second quarter
- Clear improvement in investor sentiment with renewed bidding competition
- Rental value deflation is prevalent across most sectors
- But operating performance underlines the qualities of our assets
- Actively assessing new investments – already committed another £80m to our Funds



# First Quarter Activity

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- Letting momentum remains good - over 340,000 sq ft of new lettings & renewals adding £2.5m pa<sup>1</sup> of new rent – further 100,000 sq ft agreed post Q1
- 836,000 sq ft of rent reviews settled at 17% above previous rent
- Net commitments in first quarter exceed sales
  - Underwriting £50m of 10% convertible bonds in HUT
  - Buyout of investor's interest in PREF for €33m
  - £54m<sup>2</sup> of property disposals and £52m of development spend

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<sup>1</sup> Increase in BL share of net effective rent (taking into account letting incentives)

<sup>2</sup> BL Share of proceeds from disposals (Gross proceeds £126m)

# Financial Highlights

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- Results demonstrate resilience and reflect management actions
- Underlying profits<sup>1</sup> £63m, 3% ahead of previous quarter, 15% below prior year due to sales and effect of interest capitalisation
- Like for like rental income growth 1.2%
- Portfolio valuation reduced 3.7% in Q1, of which UK portfolio 3.1% (IPD -4.1%)
- NAV per share<sup>2</sup> 361p down 9%, NNNNAV per share 477p
- Q1 dividend continued at 6.5p, equivalent to 26p for the full year
- Scrip alternative to be offered for Q1 dividend. 38% take-up for previous quarter

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<sup>1</sup> Underlying pre-tax profit and EPS excludes gains on property revaluations and disposals & intangible asset movements  
<sup>2</sup> EPRA (European Public Real Estate Association) basis

# Underlying Profit £63m

- Underlying profits 3% above Q4 2008, 15% down vs Q1 2008 due to impact of sales
- 1.2% like for like income growth (IPD -0.2%<sup>1</sup>)
- Interest costs lower as reduced net debt by £1.1bn since 30 June 2008
- Interest cover 2.0 times

<i>Underlying Profit</i> <sup>2</sup>	Q1 2009	Q4 2008	Q1 2008
Net rental income <sup>3</sup>	<b>143</b>	130	162
Fees & other income <sup>4</sup>	<b>4</b>	6	5
Administrative expenses	<b>(18)</b>	(9)	(17)
Net interest costs <sup>5</sup>	<b>(66)</b>	(66)	(76)
<b>Underlying Profit</b>	<b>63</b>	<b>61</b>	<b>74</b>
<b>Underlying EPS</b>	<b>7</b>	<b>9</b>	<b>12</b>

1 IPD Quarterly gross rental income for three months ended June 2009 compared to three months ended June 2008

2 With proportional consolidation of Funds and Joint Ventures

3 Includes £5m release of provisions in the quarter against recognition of income from fixed uplifts

4 Fund management & performance fees £1m (Q1 2008 £3m)

5 Interest capitalised on developments £4m (Q1 2008 £8m)

# Portfolio Valuation

<i>Q1 2009</i>	<i>Retail</i>	<i>Office</i>	<i>Total Portfolio</i>
Portfolio Valuation	£4,646m	£3,353m <sup>1</sup>	<b>£8,178m</b>
Valuation Change	-3.5%	-4.0%	<b>-3.7%</b>
UK Valuation Change	-2.4%	-4.0%	<b>-3.1%</b>
ERV Growth	-2.7%	-6.3%	<b>-4.1%</b>
Initial Yield Movement	+ 15 bp	+ 30 bp	<b>+ 22 bp</b>
Initial Yield Movement Range	- 64 to + 108 bp	- 97 to + 150 bp	<b>- 97 to + 150 bp</b>
Gross 'top-up' Initial Yield <sup>2</sup>	7.6%	7.8%	<b>7.7%</b>

- UK portfolio outperformed IPD by 1.0%, reflecting greater income security and longevity
- 39% of portfolio either increased or remained unchanged in value

<sup>1</sup> Includes developments £291m, Q1 decline 5.4% (City -4.6%, West End -6.2%). Ropemaker now classified as investment following PC in May 2009

<sup>2</sup> Gross yield to British Land (without notional purchaser's costs), adding back rent frees & contracted rental uplifts

# NAV Per Share 361p (NNNAV 477p)

<i>Movement in NAV<sup>1</sup></i>	<i>pence</i>
<b>NAV<sup>1</sup> per share at 31 March 2009</b>	<b>398</b>
Property and investment revaluations & asset disposals <sup>2</sup>	(38)
Underlying profit after tax	7
Dividend paid	(6)
<b>NAV<sup>1</sup> per share at 30 June 2009</b>	<b>361</b>
Deferred tax arising on revaluation movements	(3)
Mark to market of debt and derivatives	119
<b>NNNAV<sup>1</sup> per share at 30 June 2009</b>	<b>477</b>

1 EPRA (European Public Real Estate Association) basis

2 Songbird investment valued at £34m (based on AIM-listed price of B shares as at 30 June 2009)

# Stable Income in a Changing World

- 94% occupancy and long leases (13 years)
- Just 6% of income for renewal over next 3 years
- Tenants in administration down from 1.8% to 1.2%<sup>3</sup>, of which 50% of units being assigned or re-let
- 98% of June quarter rent collected within 10 working days; only 5% of rent paid monthly

## Resilient Income Flow

	<i>Retail</i>	<i>Office</i>	<i>Total</i>
Occupancy rate <sup>1</sup>	98%	88%	94%
Lease length <sup>2</sup>	15 yrs	9 yrs	13 yrs
% of rent subject to break or expiry over next 3 years	4%	9%	6%

<sup>1</sup> Underlying occupancy rate including accommodation subject to asset management and under offer

<sup>2</sup> To first break

<sup>3</sup> As at end of July (30 June 2009: 1.0%)

# Observations on Market Conditions

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- Clear improvement in sentiment and investment flows
- Rental deflation more in focus - will abate when economy recovers

British Land has:

- High quality portfolio with enduring occupier appeal
- Strong balance sheet to capitalise on new opportunities

# Appendix

# Rental Income Growth

- Gross rents 12% lower due to sales
- 1.2% like for like rental income growth due to new lettings and rent reviews:
  - Retail up 3.5% (Retail Warehouses +7.6%, Superstores +0.5%, Shopping Centres -1.1%)
  - Offices down 2.2% (City -3.0%, West End +1.0%)
- Market (IPD) income growth of -0.2%<sup>1</sup>

<i>Gross Rental income (£m)</i>	<i>Q1 2009</i>	<i>Q1 2008</i>	
Properties owned throughout <sup>2</sup>			
• Retail	+3.5%	70	67
• Offices & other	-2.2%	46	47
<b>Total – like for like</b>	<b>+1.2%</b>	<b>116</b>	<b>114</b>
Acquisitions		5	3
Disposals		1	27
Developments		9	7
Fixed & minimum uplifts <sup>3</sup>		18	18
Other <sup>4</sup>		(1)	-
<b>Total</b>	<b>-12.4%</b>	<b>148</b>	<b>169</b>

<sup>1</sup> IPD Quarterly gross rental income for three months ended June 2009 compared to three months ended June 2008

<sup>2</sup> Investment properties subject to open market reviews and owned throughout the current and comparative periods (proportional consolidation of Funds & JVs)

<sup>3</sup> Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight line basis

<sup>4</sup> Includes surrender premiums, asset management determinations, back rents and other accounting adjustments

# Future Income Profile

<i>Rental income – cash flow basis</i>	<i>Rent £m pa</i>	<i>Gross Yield %<sup>1</sup></i>
Annualised rents	556	7.1
<b>Contracted from fixed uplifts and expiry of rent free periods</b>	<b>48</b>	<b>7.7</b>
Rent reviews & lease renewals <sup>2</sup>	(3)	7.7
Letting of vacant space	45	8.3
Portfolio reversion (within 5 yrs)	90	
<b>Investment Portfolio</b>	<b>646</b>	<b>8.3</b>
<b>Committed developments – pre-let</b>	<b>3</b>	
Committed developments - to let	22	
<b>Total</b>	<b>671</b>	

<sup>1</sup> Gross yields to British Land (without notional purchaser's costs)

<sup>2</sup> Net of lease expiries (within 5 yrs)

# Portfolio Yield Profile

<i>Excluding developments (%)</i>	<i>Initial Yield<sup>1</sup></i>	<i>Top-up Initial Yield<sup>1,2</sup></i>	<i>Reversionary Yield<sup>1</sup></i>	<i>Net Equivalent Yield<sup>3</sup></i>
Retail Warehouses	7.6	7.8	8.5	7.7
Superstores	6.4	6.4	6.6	6.2
Shopping Centres	7.4	7.7	8.6	7.3
Department Stores	7.7	8.9	8.9	8.6
<b>All Retail</b>	<b>7.3</b>	<b>7.6</b>	<b>8.1</b>	<b>7.4</b>
City	6.7	7.9	8.6	7.3
West End	7.0	7.6	7.1	7.0
<b>All Offices</b>	<b>6.8</b>	<b>7.8</b>	<b>8.3</b>	<b>7.2</b>
Other	9.9	10.9	11.8	11.4
<b>Total</b>	<b>7.1</b>	<b>7.7</b>	<b>8.3</b>	<b>7.4</b>

1 Gross yield to British Land (without notional purchaser's costs)

2 Adding back rent frees and contracted rental uplifts

3 After purchaser's costs

# Top Retail & Office Customers

<i>Top 10 Retail customers</i>	<i>% of total rent</i>
Tesco	6%
Sainsbury's	6%
Debenhams	5%
Kingfisher (B&Q)	2%
Homebase	2%
Next	1%
Currys	1%
Boots	1%
ASDA	1%
M&S	1%

<i>Top 10 Office customers</i>	<i>% of total rent</i>
UBS	8%
RBS	4%
Herbert Smith	3%
HM Government	2%
Reed Smith	2%
Deutsche Bank	2%
Mayer Brown	2%
ICAP	1%
Credit Lyonnais	1%
Henderson	1%

# Long Leases & High Occupancy

<i>Excluding developments</i>	<i>Average lease length (yrs)</i>		<i>Occupancy rate (%)</i>	
	<i>To expiry</i>	<i>To first break</i>	<i>Underlying<sup>1</sup></i>	<i>Overall</i>
Retail Warehouses	12.7	11.3	97.7	96.2
Superstores	17.9	17.9	100.0	100.0
Shopping Centres	12.1	11.5	94.9	92.3
Department Stores	30.1	28.0	100.0	100.0
<b>All Retail</b>	<b>15.9</b>	<b>14.9</b>	<b>97.6</b>	<b>96.4</b>
City	11.2	9.2	85.6	84.3
West End	11.7	8.5	97.9	97.6
<b>All Offices</b>	<b>11.3</b>	<b>9.1</b>	<b>87.9</b>	<b>86.8</b>
Other	22.3	22.1	93.8	93.3
<b>Total</b>	<b>14.3</b>	<b>12.8</b>	<b>93.6</b>	<b>92.4</b>

<sup>1</sup> Underlying occupancy rate including accommodation subject to asset management and under offer

# Rental Income Subject to Lease Break or Expiry

<i>Year to 31 March (£m)</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2010-12</i>	<i>2010-14</i>
Retail Warehouses	1	1	2	5	6	4	15
Superstores	-	-	-	-	1	-	1
Shopping Centres	3	3	2	3	4	8	15
Department Stores	-	-	-	-	-	-	-
<b>All Retail</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>8</b>	<b>11</b>	<b>12</b>	<b>31</b>
City	1	13	1	1	25	15	41
West End	-	2	4	4	2	6	12
<b>All Offices</b>	<b>1</b>	<b>15</b>	<b>5</b>	<b>5</b>	<b>27</b>	<b>21</b>	<b>53</b>
Other	1	-	-	1	3	1	5
<b>Total<sup>1</sup></b>	<b>6</b>	<b>19</b>	<b>9</b>	<b>14</b>	<b>41</b>	<b>34</b>	<b>89</b>
<b>% of total ERV<sup>1</sup></b>	<b>1%</b>	<b>3%</b>	<b>2%</b>	<b>2%</b>	<b>7%</b>	<b>6%</b>	<b>15%</b>

<sup>1</sup> Excluding developments

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