

CHAIRMAN & CHIEF EXECUTIVE'S ADDRESS TO THE ANNUAL GENERAL MEETING

Friday, 10th July 2009

The Cumberland Hotel, Great Cumberland Street, London

Chris Gibson-Smith, Chairman

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I would like, first of all, to give you my perspective on the extraordinary conditions we have experienced.

The banking crisis is global and severe. After a slow start, the response by governments to the slowing world economy has been massive, aiming to restore banks' ability to lend and re-establish confidence. The benefits, of course, will take time to flow through but the good news is that a financial system meltdown is now much less of a possibility than nine months ago. The bad news is that new lending remains weak, government debt has increased dramatically and a global recession continues to impose great pressures on all industries, affecting jobs and investment.

As for real estate, the turmoil has led to a dramatic fall in property values and introduced significant operational issues for all companies. In the last year, values suffered their biggest decline in recent history. They have fallen 30% in 12 months and more than 40% overall. This fall in value has been largely indiscriminate, affecting prime properties with long and strong income to the same extent as weaker, secondary property. As market uncertainty lifts over time, we believe that property fundamentals, particularly as regards sustainability of income, will dictate whether and to what extent property values are likely to decline further.

As it happens, in prime properties we have already seen some renewed bidding competition and values are beginning to stabilise. All is not rosy of course and the new unknown is how severe rental deflation will be as occupiers scale back their demands for additional space. Our expectation is that the property market will diverge significantly from here with property in secondary locations - of poorer quality and shorter leases - falling further in value, reflecting increased void space, lower likelihood of finding replacement tenants and falling rents. Prime properties will not be immune from this either, but lease lengths will be important in protecting income. Having quality buildings that attract strong tenants is equally important as bankruptcy risks remain an exposure which can lead to falling income.

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So, faced with this ugly backdrop, what have we done?

In total, your Company has reduced its debt by £3 billion over the last 2 years. In addition to helping manage gearing, our sales programme has been aimed at concentrating our portfolio in prime assets with enduring occupier appeal from which we expect to get further benefits.

You now own 18 million square feet of retail space and nearly 6 million square feet of office space. Our share of the portfolio is valued at £8.6 billion and it earns rent of over £570 million per year. There is only 800,000 square feet vacant in our entire investment portfolio and only 2 office developments completing – one in the City, and one in the West End.

You will have seen from our accounts that operating cash flow exceeds £200 million after interest. Our long leases to quality tenants have passing rents with upwards revision only through rent reviews or indexation. On the debt side our service costs are fixed. All of this provides tremendous underpinning for the dividend.

We received excellent support from shareholders for our Rights Issue and the Board deeply appreciates and acknowledges the faith that shareholders have placed in the company. The Rights Issue achieved two goals. Firstly, it was an insurance policy against any further falls in property values. Secondly, it provides the basis for being able to take advantage of future opportunities.

All of these things have ensured that our balance sheet is strong. Our debt has long maturity and is fixed at a low rate. We have ample liquidity for our needs with no Group refinancing required before 2014.

As a result, we are well positioned to deal with the on-going recession, with a high quality portfolio and resilient income flow. As this point, I thought this would be an ideal opportunity to ask Chris Grigg, our new Chief Executive, to give some detail on these core strengths of our business.

Chris Grigg, Chief Executive

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Thank You Chris. Firstly, can I say I was and remain delighted at the Board's confidence in giving me this important job of leading British Land, and at a time of considerable uncertainty but also of enormous opportunity.

Given what Chris has said about our changing portfolio, I wanted to tell all of you what you, our shareholders, do own today.

First, we are a major owner of out-of-town shopping parks. We own 77 parks like the one pictured here. 30 are wholly owned and 47 are owned through Funds and Joint Ventures.

In what remains a very difficult environment for retailers, our shopping parks are faring relatively strongly. We offer shoppers an appealing combination of top high street brands – M&S, Next, Boots, WH Smith, Argos, B&S, New Look, and River Island – in convenient, easy to get to locations and with free parking. Rents averaging £21 per square feet are affordable with capacity to grow when the market recovers.

The retail warehouse portfolio is 98% occupied - that is worth repeating – 98% full, for an average remaining term of over 11 years and continues to benefit as retailers focus harder on profitability and move away from the high street. As retailers' businesses and space requirements change it is vital that we are able to understand and adapt with them to ensure that we retain only properties where they continue to be profitable. Our scale in retail property and the quality of our retail team have allowed us to develop excellent relationships with all the major retailers.

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Another core element to our retail portfolio is out-of-town superstores. You own 103 superstores, 29 wholly and a further 74 through Joint Ventures, and they are primarily occupied by Tesco and Sainsbury.

As the largest owners of superstores, other than the supermarkets operators themselves, British Land benefits as they gain an increasing share of consumer spending. These retailers are committed to full lease lengths, offering shareholders strong low risk returns by combining rental growth with secure long-term income flow. The estate is 100% occupied with 18 year leases on average and priced at a healthy £21 per square feet, both affordable and giving scope for growth.

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Our 7 shopping centres are located near large populations, are generally the dominant retail destination in their area, and well anchored with quality retailers such as M&S, Debenhams and Next, to name but a few. 3 are wholly owned and 4 are owned through Joint Ventures.

They include our Meadowhall Shopping Centre which is one of the best of its kind and continues to benefit from exceptionally strong retailer appeal. Although we have reduced our ownership to 50% during the year, our investment here remains an important part of our out-of-town portfolio.

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British Land's high quality London office portfolio covers 4.4 million square feet in the City and a further 1.4 million square feet in the West End. The portfolio is well located, 94% occupied with good income security and will benefit from over £20 million per annum of

additional contracted income over the next few years with further income as and when our vacant space lets up.

Despite the financial market turmoil, London's position as a centre for global business is well established and we continue to consider London to be the right place to be invested in over the medium term.

Our office estates at Broadgate, pictured here, and Regent's Place provide space that meets the needs of some of the world's largest corporations and leading professional services. They offer first-class working environments with excellent transport links.

Our remaining development exposure is limited to an outstanding building in Ropemaker Street, one third of which is now let to The Bank of Tokyo-Mitsubishi and the Osnaburgh Street development of office and residential accommodation at Regent's Place.

The London letting market remains difficult as occupiers continue to adapt to the changing business environment and many remain cautious about committing to long term leases in these markets. Nonetheless our lettings team remain active in dealing with enquiries about space under construction.

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We continue to operate the business responsibly and not just profitably. We assess both economic and environmental benefits when arriving at business decisions. We believe this is the way to long-term benefits for both our customers and our shareholders.

I am very pleased that a recent survey showed that more than 80% of our retail and office customers rated their satisfaction with British Land as a landlord as either good or excellent. Keeping our customers happy is important to maintaining the security of our income.

Our buildings are physical structures which exist within local communities and have lasting impacts on their environments. It is important therefore that we as a company aspire to enhance the quality of life for those on whom our activities impact.

Improving energy efficiency, reducing water use and cutting waste reduces costs and conserves precious natural resources. Across the portfolio, we have diverted 85% of managed waste from landfill, recycling 59% and incinerating 26%.

Designing sustainable buildings helps to ‘future-proof’ our portfolio and reduces costs, ensuring that our buildings stand the test of time.

By working with our customers we can help them to reduce their costs and enhance occupier contentment and customer satisfaction, thereby protecting income. Sustainability initiatives add value to their business as well as ours and sustainability criteria are becoming of greater importance to occupiers when considering their business space requirements.

Listening to local people and backing local initiatives builds relationships, helping us to develop and manage properties that meet the needs of the community. We have helped to raise over £200,000 for good causes through the efforts and generosity of employees, occupiers and local people; and funded projects for more than 70,000 young people including chess tournaments, reading projects and cricket leagues.

We have a lot to be proud of, yet there is still more we want to do and there always will be.

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By concentrating on prime properties with enduring customer appeal, we ensure we own buildings which businesses want to occupy. This is why our portfolio is 96% full. We have average lease lengths of 13 years outstanding with importantly only 6% of these due to expire in the next 3 years, and our exposure to bankruptcies amongst tenants has been limited thus far. To re-affirm what Chris said earlier, this leaves us well placed to withstand the effect on our income of rental deflation at this low point in tenant demand.

The reliability of our cash flows from tenants combined with low, fixed-rate debt gives strong underpinning for the dividend. As you know, we have announced that this current year's dividend will continue at a rate of 6.5p per quarter.

Looking to the future, I would currently describe our outlook as balanced. By that I mean, absent a significant opportunity, we are neither conviction net buyers nor sellers; a major contrast from 12 months ago.

More importantly our focus now is on finding more rewarding opportunities. We expect these to come over the next 6-24 months but we feel under no pressure to rush in.

I would like to conclude there and hand back to Chris and look forward to speaking to you after the meeting.

Chris Gibson Smith, Chairman

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Thank You Chris. Now let me say a few words to emphasise our key priorities. These are quite simple. We are realistic about the state of the market and the on-going risks. So, we will act with caution whilst the range of possible outcomes for the world and UK economy remains as wide as it currently is. However we are also ambitious and that means that we are looking at ways to improve the portfolio which will, in turn, lead to outperformance in an absolute and relative sense. Real Estate cycles throw up the biggest opportunities at the bottom of the cycle. This may have been the severest cycle in all our experience, but the truism remains true. The actions that we have taken over the last 3 years have differentiated British Land, they have shown us to be a pro-active company and have left us in a strong financial position with real advantages in today's world.

To outperform, it is essential that we continue to retain and attract the best people. It is to the credit of all the people at British Land that they have responded so well to the tasks at hand during these unprecedented times.

We have spent much of our energy to date on keeping our balance sheet strong. In terms of our financial flexibility, the sales we have made, in combination with the rights issue, remove any financial pressure to make further sales; allowing us to focus on underlying property fundamentals through an active approach to property management.

Indeed, more recent sales will be replaced in due course, with new property purchases and we have ample cash and facilities to make acquisitions which will be accretive to earnings.

We recognise the importance of dividends to shareholders and are committed to passing on the benefit of our income strength in the form of dividends. Our ability to do this even in difficult times is based on high occupancy, long leases, contracted income growth from developments and limited short-term lease expiries which are defining features of British Land's cash flow.

The board is focused on developing British Land as a leader amongst REITs and positioning the company to take advantage of the future opportunities we now expect to unfold. We will strive to build upon the core strengths of a prime portfolio with secure, long-term income. The management team, for all its caution, is ambitious and will seek to maximise the potential rewards they can wrest for shareholders.

On that note, I would now like to formally open the Annual General Meeting