

∴ **Statement by the Chief Executive, Stephen Hester**

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We are pleased to be reporting an excellent set of half-year results at British Land. Just as positive, however, are the strides we are making to deliver on our promises of business renewal, so building strong foundations for future outperformance.

Just over a year since joining British Land, I am happy to report that the management transition has been smooth. Our course for the future has been clearly set out and is summarised again in this statement. The Company's fine inheritance and track record is blending with an extensive programme of change and we are in confident mood overall.

The results

British Land's headline pre-tax profit on the new IFRS basis was up 66% to £777 million for the six months to 30 September. More illuminating is the 42% rise in Underlying Profits to £102 million and the 11.3% increase in adjusted Net Asset Value per share to 1256p.

The results benefited from continued strength (via yield shift) of the underlying property market. They also show the positive effects of management decisions and actions. These include portfolio selection and proactive asset management which have delivered better rental growth than the market overall (2.7% like for like). The immediate fruits of capital recycling are also visible with gains or valuation increases on practically all our recent acquisitions and disposals. Our development pipeline is coming into its own and delivering good growth with landmark projects like our 201 Bishopsgate buildings offering prospects for more. And our strategic decision to run with

temporarily higher gearing, in the face of a buoyant investment market and a range of disposal opportunities, is also paying off.

Market conditions

As we have been predicting, property investment market conditions remain strong. Continued yield shift has been supported by real estate's attractive risk adjusted returns in comparison to those of equities and bonds. We see some more yield shift to come, albeit less than has already occurred.

The underlying occupancy market, which drives rental levels and therefore fundamental returns, remains well supported overall but restrained by modest economic growth and businesses' low pricing power in the economy. As always sectoral conditions vary with London office markets in particular showing good recovery prospects.

In the demanding economy which we will face during coming years, the ability to outperform through stock selection and asset management is clearer than in easier times when 'all boats rise with the tide'. We are confident of the prospects for our key portfolio choices in Open A1 'Out-of-Town' Retail and prime London Office property. At the same time there are parts of the property market where we see prices being pushed too high. In particular, yield compression has resulted in secondary property (whether by location, age, lease length, covenant strength or income growth prospect) often being optimistically valued versus prime.

Delivering on our promises

At the time of our 2004/5 Year End results presentation we set out British Land's focused strategy for the future. This builds on

the bedrock of our Retail and Office sector expertise, our bias to prime property, long leases and our focus on secure, income led growth and disciplined risk management. We also laid out some important areas of change to enable British Land to outperform for our shareholders in the years to come. I am pleased to report that substantial progress has already been made in delivering on these promises.

Intensified portfolio reshaping

We have stepped up the pace of change to better position our property portfolio for further risk-adjusted growth. In the last 12 months this has involved £2.9 billion of attractive acquisitions and, since March to date, over £800 million of value enhancing disposals with further announcements in the pipeline. In practically every case we report profits on both purchases and sales.

Proactive asset management

Achieving rental growth relies not just on good asset selection but on how hard the assets are worked. We have created value, through a wide range of lease restructurings, lettings and tenancy moves. Pleasingly, during the period our rents have risen at a faster pace than the market as a whole and faster than predicted by our valuers. This is the bottom line result of intense activity across the business.

Management and culture renewal

Our people are the key building block to working the business harder and so outperforming for shareholders. Again we can report great progress. The new management team is in place and

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functioning well together. We have doubled the professionals in our Asset Management & Investment team in the last year and substantially increased its representation at Executive Committee level. Succession plans are formulated and happening where needed. And we are targeting a hard driving 'performance' culture using more explicit and demanding targets, greater individual responsibility and more variable pay to match.

Investor friendly positioning

British Land has now established itself as a leader in this regard – an important initiative to help improve translation of the economic value we create into value in the hands of our shareholders.

A clear, focused strategy has been set out and is being implemented. Management transition has happened. Our new valuers, Knight Frank, have reaffirmed the Company's strong asset values – the first time in many years a major company has so demonstrated. Our first quarterly results and valuation (for the period to 31 December 2005) will be released in February. And our business and financial disclosure is further improved and at industry leading levels.

Pillar

One of the major events of this half-year was our agreed takeover of Pillar which completed in late July. I am pleased to report that this move has already increased shareholder value. We are confident it will continue to do so whilst also supporting accelerated change at British Land.

With Pillar we acquired £1.5 billion of top quality real estate including some £1.3 billion of the best retail warehouse parks in the market – delivering superior value growth, even in tougher times for retailers, from an attractive combination of location and hands-on asset management. We also attracted their young and talented management team to add to our own, and a growing, distinctive Fund Management

business. These offer the means to exploit our business further through new income streams, faster growth and give strategic options applicable to other BL core assets.

Since announcing the transaction in May we have closed the deal and completed its integration – a not insignificant human and logistical challenge. Future profits have been increased from fee renegotiation, a reduction in interest costs (via a £1 billion securitisation) as well as other overhead cost reductions. Pillar's European retail warehouse fund is being significantly expanded. And the UK flagship Unit Trust, Hercules, has not missed a beat with a total trust return of 11% since March.

So, lots going on then. And the pace of change will remain high as we deliver on our promises in pursuit of outperformance for shareholders.

Let me close by paying tribute to the people who make this activity possible. Our staff are responding very well to the challenges. We have welcomed new colleagues from Pillar and elsewhere who have already made a big difference. Both they and all our people have shown great willing and goodwill in integration.

We also said goodbye, with sadness and great gratitude to Nick Ritblat. I echo the Chairman's sentiments regarding his contribution to British Land.

Stephen Hester Chief Executive
23 November 2005

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Risk management – *A chancy two, or settle for a single? In deciding your options, you must always think ahead. And never run on a throw...*

