British Land Exchanges £733 Million of Joint Venture Properties With Tesco

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British Land announces it has completed a £733 million property exchange transaction with Tesco. Under the terms of the transaction, British Land has sold its 50% interest in a joint venture portfolio of 21 stand-alone foodstores to Tesco and acquired Tesco's 50% interest in two joint venture portfolios predominately comprising Tesco-anchored shopping centres and retail parks.

The transaction is in line with our strategy to evolve our retail portfolio. It further reduces our foodstore weighting and increases our exposure to multi-let retail parks and shopping centres. Our full ownership of these assets will provide significant potential to add further value through asset management and development.

Charles Maudsley, Head of Retail & Leisure, British Land, said: "This mutually beneficial transaction clearly demonstrates the great relationship we enjoy with Tesco. It plays to our strengths of managing multi-let assets and gives Tesco more control of their stand-alone portfolio. We see significant opportunity to add value and drive returns through asset management and development."

Key transaction terms

- Sale of 50% stake in the Tesco Aqua Limited Partnership ("Aqua") comprising 21 stand-alone foodstores; portfolio value £352 million (50% share); weighted average lease length of 13.3 years; NIY 4.8%
- Acquisition of 50% stakes in Tesco BL Holdings Limited ("TBLH") and The Tesco British Land Property Partnership ("TBLPP") comprising 3 retail parks and 3 shopping centres, all anchored by Tesco stores, and 3 stand-alone foodstores; combined portfolio value £381 million (50% share); weighted average lease length of 11.4 years; topped up NIY 5.2%
- British Land will make a net cash payment of £96 million to Tesco reflecting the difference in net asset value (including mark to market on debt) for Aqua (£81 million) and the combined TBLH and TBLPP joint ventures (£177 million).

In line with strategy to evolve the Retail portfolio

- Stand-alone foodstore weighting reduced from 10% of portfolio to 8%
- Increases focus on multi-let assets; number of stand-alone foodstores reduced from 79 to 58
- Reduces the number of British Land joint ventures by 3 and the number of assets held in joint ventures by 30

Opportunity to drive returns through asset management and development

- Taking full ownership of 660,000 sq ft of retail parks and 730,000 sq ft of shopping centres
- Potential to enhance returns through asset management notably at Serpentine Green, Peterborough, Beaumont Leys, Leicester and the Kingston Centre, Milton Keynes

Asset swaps in line with valuation and accretive to earnings

- Property asset swaps in line with latest reported valuations
- Transaction accretive to earnings
- Group weighted average interest rate reduced by 15 basis points

Financial effects

Overall, the transaction is accretive to earnings in 2016 reflecting a £2 million increase in net rent and an £8 million reduction in net interest.

The assets acquired within the TBLH and TBLPP joint ventures generate annual accounting net rental income of £20 million. The assets sold within the Aqua joint venture generate £18 million.

The acquired debt held within the TBLH and TBLPP joint ventures currently bears interest of £5 million per annum. The Aqua disposal saves £14 million of interest per annum and including the £96m of net cash payable to Tesco the interest saving is £8m per annum. The net cash payable will be funded from

existing resources.

The Group's proportionally consolidated weighted average interest rate is reduced by 15 basis points. The proportionately consolidated weighted average debt maturity is unchanged at 8.9 years. The transaction increases LTV by 0.4%.

Net asset value per share is reduced by 3 pence per share principally due to the impact of mark to market on the debt.

Overview of Assets in Swap Arrangement

Acquisition of 50% share of TBLH and TBLPP

3 Shopping Centres:

- Serpentine Green, Peterborough. 320,000 sq ft shopping centre anchored by 140,000 sq ft Tesco with a strong fashion line-up including Arcadia, Next, River Island & H&M. Potential for expansion of retail offering through development.
- Beaumont Leys, Leicester. 310,000 sq ft shopping centre anchored by an 150,000 sq ft Tesco.
- Lisnagelvin, Londonderry. 100,000 sq ft scheme anchored by a 60,000 sq ft Tesco and a 25,000 sq ft Primark.

3 Retail Parks:

- Kingston Centre, Milton Keynes. A 270,000 sq ft open A1 retail park anchored by a 140,000 sq ft Tesco and including Next, Marks & Spencer, Boots & Mothercare
- Clifton Moor, York. A 240,000 sq ft mix of open A1 and bulky planning consents anchored by a 120,000 sq ft Tesco. Recently completed terrace let to DFS, Wren, Oak Furnitureland and Harveys.
- Woodfields Retail Park, Bury. A 150,000 sq ft retail park anchored by an 85,000 sq ft Tesco and including Next and Boots

3 Stand-alone foodstores (on open market rent reviews):

- Bursledon, Southampton. A 120,000 sq ft store, affluent catchment and lease recently re-geared to 15 years.
- Grove Green, Maidstone. A 60,000 sq ft store with 5 unit shops and an affluent demographic
- Bromley by Bow, London. A 70,000 sq ft store

Sale of 50% Share of Aqua:

- A portfolio of 21 geographically diverse stand-alone foodstores (c.25% South).
- All leases have 13.3 years unexpired term and are subject to annual RPI increases

Note: Property data as at 30 September 2014, updated for sales and purchases to 31 December 2014

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Notes to Editors

About British Land
We are one of Europe's largest publicly listed real estate companies. We own, manage, develop and finance a portfolio of high quality commercial property, focused on retail locations around the UK and London Offices & Residential. We have total assets in the UK, owned or managed of £19.0 billion (British Land share of which is £12.8 billion), as valued at 30 September 2014. Our properties are home to over 1,000 different organisations and receive over 340 million visits each year. Our objective is to deliver long-term and sustainable total returns to our shareholders and we do this by focusing on Places People Prefer. People have a choice where they work, shop and live and we aim to create outstanding places which make a positive difference to people's everyday lives. Our customer orientation enables us to develop a deep understanding of the people who use our places. We employ a lean team of experts, who have the skills to translate this understanding into creating the right places, and we have an efficient capital structure which is able to effectively finance these places.

UK Retail assets account for 54% of our portfolio. As the UK's largest listed owner and manager of retail space, our portfolio is well matched to the different ways people shop today, from major regional shopping centres to single occupier locations. We are focused on being the destination of choice for retailers and their customers by being the best provider of spaces and services. Comprising around 25 million sq ft of retail space across retail parks, superstores, shopping centres, department stores and leisure assets, the retail portfolio is modern, flexible and adaptable to a wide range of formats.

Our Office and Residential portfolio, which accounts for 46% of our portfolio is focused on London. We have an attractive mix of high quality buildings in well managed environments and a pipeline of development projects which will add significantly to our portfolio. Increasingly, our offices are in mixed-use environments which include retail and residential elements. Our 7.9 million sq ft of high quality office space includes Regent's Place and Paddington Central in the West End and Broadgate, the premier city office campus (50% share).

Our size and substance demands a responsible approach to business. We believe leadership on issues such as sustainability helps drive our performance and is core to the delivery of our overall objective of driving shareholder value and creating Places People Prefer. Further details can be found on the British Land website at www.britishland.com

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