

27 APRIL 2009

**LIBERTY INTERNATIONAL PLC
INTERIM MANAGEMENT STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2009 TO 27 APRIL 2009**

Highlights of the period:

- Improved UK shopping centre occupancy rate despite further retailer failures in the first quarter of 2009, at some cost in terms of rental levels achieved on re-lettings, the majority of which have been short-term lettings of less than 5 years.
 - short-term lettings provide flexibility to benefit from market recovery.
- Disposals of non-core assets totalling £203 million.
- Cash and committed facilities increased from £291 million to £313 million.
 - development commitments £195 million (31 December 2008 - £238 million)
- Progress with development lettings
 - St. David's 2 Cardiff, now 57 per cent let by area, 47 per cent by income with a further 11 per cent in advanced negotiations.
- Estimated first quarter like-for-like reduction in investment property market values of 8.0 per cent for CSC's completed UK regional shopping centres and 8.5 per cent overall based on external valuations at 31 March 2009.
- Estimated impact of valuations to reduce Liberty International's net assets per share (diluted, adjusted) by approximately 147p from 745p at 31 December 2008.

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Introduction

The main 2009 objectives for Liberty International are:

- To maintain occupancy levels at our existing assets and secure development lettings in a difficult letting market where, until confidence returns to financial markets and the general UK economy, retailer failures are probable;
- To conserve cash resources and strengthen the financial position of the company in the face of possible further falls in asset values, while progressing active management and development initiatives for launch when market conditions are more suitable;
- To position the group for market recovery in due course with retail, and thereby prime retail property, likely in our view to be at the forefront of such recovery.

The group has achieved the following in the year to date:

- Improving CSC's overall occupancy rate despite further retailer failures in the first quarter of 2009, at some cost in terms of rental levels achieved on re-lettings, the majority of which have been short-term lettings of less than 5 years;
- Further disposals of non-core assets in excess of £200 million of which over £150 million has been realised in cash in the year to date;
- Increasing cash and committed facilities to £313 million at 31 March 2009 (31 December 2008 – £291 million) while expenditure in the period has reduced capital commitments on property developments from £238 million to £195 million.

In addition, an equity capital raising has been launched as set out in the separate announcement issued today.

Operations of Capital Shopping Centres (investment properties of £5.0 billion at 31 December 2008, 70 per cent of the group total)

CSC has always focussed on retail assets of the highest quality, with fourteen centres including nine of the UK's top 30 regional shopping centres. The benefit of this approach becomes most obvious in more difficult periods, with occupancy at high levels as described below and CSC's assets performing well operationally compared with retail assets of lower quality.

CSC's retailer tenant mix is diverse. The top 20 tenants account for 39 per cent of CSC's rent roll with the top 3 (Arcadia, Boots and Next) accounting for 11 per cent. National or international multiple retailers represent over 90 per cent of the rent roll.

The current winning retailer formats are value brands and trusted names with a strong complementary on-line presence. Reflecting difficult trading conditions and less amenable debt markets, retailer failures have been at abnormally high levels in each of the last two quarters, affecting 92 units in the first quarter of 2009, out of CSC's 2,028 units in aggregate, involving passing rent of £14.5 million per annum (final quarter of 2008 – 59 units, £16.1 million).

While the retail failures in 2008 and early 2009 will have a negative impact on CSC's net rental income (£281 million in 2008), CSC's focus on quality centres in strong locations has enabled the group to be successful in retaining high profile retailers entering into and emerging from the administration process who are keen to maintain their representation in CSC centres.

Key indicators of performance in the year to date are as follows:

- Estimated footfall at CSC's centres in 2009 has continued to show encouraging strength with our 12 completed centres recording an increase of over 3 per cent in the year to date.
- Headline occupancy levels at 31 March 2009 have remained high at 98.5 per cent (31 December 2008 – 98.7 per cent).

As a result of the positive re-letting activity in the period the occupancy level, adjusted for units affected by administrations still to be re-let, has increased to 95.4 per cent at 31 March 2009 from 93.6 per cent at 31 December 2008.

CSC has made 55 re-lettings in 2009 to date involving £4.1 million of new annual passing rent, compared with £5.4 million previously. These tenancy changes in the period included 13 long term lettings, 36 short term lettings, two lettings by our commercialisation business, CSC Enterprises, and four turnover-only transactions.

Also included in the adjusted occupancy percentage at 31 March 2009 are 99 units under offer or where terms are agreed, of which the majority are short term lettings of less than five years.

Short term lettings have generally been agreed below previous rental levels, but are an important part of the overall strategy to manage for occupancy maintaining attractiveness of the centres and minimising exposure to void costs, while providing flexibility for CSC to benefit from market recovery by longer-term lettings in due course.

- Rent review settlements have continued to be agreed in line with expectations. Rent reviews prior to 2008 are now mostly agreed while good progress has been made with the 15 per cent of CSC's income which was subject to review in 2008, particularly at The Mall, Cribbs Causeway
- CSC has only 2 and 3 per cent by rental income of leases expiring in 2009 and 2010 respectively. The first major round of lease expiries is at MetroCentre in 2011 which management are already addressing pro-actively.
- Excluding tenants in administration, and adjusted for payment plans granted on the grounds of proven hardship, 98 per cent of the March quarter rent, the second quarter income for 2009, was collected within 28 days of the quarter date (December 2008 quarter date – 97 per cent within 28 days). Payment plans, mostly involving monthly rental payments, represent a small percentage of overall income.

Active management and development by Capital Shopping Centres

- Notable active management initiatives are:
 - the upgrade of leisure and dining facilities in the Yellow and Blue Quadrants at MetroCentre, Gateshead. The first phase of construction is now complete and several of the restaurants are now shopfitting. The new Odeon Cinema and family entertainment centre are on programme for opening this Autumn with Phase 3, reconfiguration of the Blue Quadrant, due to complete in Autumn 2010. Lettings have continued to progress well with 74 per cent by income and 83 per cent by area now committed;
 - the third and largest stage of the redevelopment of Eldon Square, Newcastle, the St Andrew's Mall at the southern end of the Centre, which when complete will

increase the overall size of the centre to 1.3 million sq.ft. The new mall due to open in Spring 2010 is 75 per cent let or in solicitors' hands by income and 83 per cent by area.

CSC has a number of value adding active management and development opportunities within existing centres to be undertaken when market conditions are appropriate.

- CSC's largest development project, St David's, Cardiff, a joint venture with Land Securities, is on programme to open in Autumn this year. The project will extend the existing St David's centre by 967,500 sq.ft. to 1.4 million sq.ft. overall. Overall around 125 new shops and restaurants are being developed which, when added to the existing centre, will enlarge St David's into one of the UK's largest city centre retail schemes.

We are confident of the future prospects for the enlarged St David's centre with the existing centre already attracting 22 million customer visits each year.

Cardiff is expected to rise to 8th place in the UK retail rankings on completion of the St David's development which has already attracted several new retailers to Wales.

The new library was handed over to Cardiff Council on schedule in December and John Lewis is currently fitting out its 260,000 sq.ft. store. Cardiff will be its largest store outside London.

57 per cent of the area and 47 per cent of anticipated rental income is currently either exchanged or in solicitors' hands (26 February 2009 – 51 per cent and 40 per cent). The additional tenants now secured include New Look, H&M and the Disney Store. A further 11 per cent by income is in active negotiations or at heads of terms stage.

In 2008 a significant number of new shopping centres opened during the year adding over 10 million sq.ft. of retail space, generally well let. In 2009, only a small number of large retail schemes are due to open including St David's Cardiff. Following this, supply will be curtailed sharply, as the current economic environment has halted many projects in the pipeline.

However, we anticipate the letting market to continue to be challenging in 2009 as retailers approach expansion with caution.

Capital & Counties (investment properties of £2.1 billion, 30 per cent of the group total, and £129 million of investments at 31 December 2008)

Capital & Counties is principally engaged in non-shopping centre investments focussed on Central London (£1.4 billion of assets) especially the Covent Garden Estate in the heart of London's West End and Earls Court & Olympia, a sound operational business with major medium to long term development prospects from the Earls Court site.

Tenant engineering at Covent Garden has continued with five new leases signed in the period. All conditions have now been satisfied in respect of the letting of Bedford Chambers to a major global retailer. Overall occupancy has remained strong at 98 per cent excluding planned vacancies.

The underlying exhibition business at Earls Court & Olympia has continued to perform soundly with Q1 EBITDA in line with 2008 levels with some loss of income from conferences reflecting market conditions offset by cost savings. Capital & Counties has continued to make good progress with adjacent land owners in respect of longer term plans for a major integrated mixed-use development around Earls Court.

The remaining activities of Capital & Counties, including the Great Capital Partnership, the Central London joint venture with Great Portland Estates, and the international activities have continued to perform satisfactorily. The group's U.S. business successfully concluded a U.S.\$14 million asset-specific financing at a fixed rate of 6.9 per cent for five years.

Property Market Conditions

According to the IPD UK monthly property index, UK property capital values, which started to decline nearly two years ago in the second half of 2007, fell by a further 8.9 per cent in the first quarter of 2009 (retail property – minus 9.6 per cent).

Based on external valuations as at 31 March 2009, as set out in the table below, the directors estimate that, after taking account of capital expenditure, asset sales and currency movements, the underlying like-for-like reduction in the market value of investment and development properties since 31 December 2008 amounted to 8.0 per cent for CSC's completed UK regional shopping centres and 8.5 per cent overall:

	Market value 31 March 2009		Market value 31 December 2008		Nominal equivalent yield	
	£m	%	£m	%	31 March 2009	31 December 2008
UK regional shopping centres	4,622.8	72%	5,009.6	70%	7.13%	6.67%
Capco Covent Garden	532.6	8%	590.3	8%	5.59%	5.16%
Capco Earls Court	540.4	8%	568.9	8%		
Capco London GCP	242.4	4%	275.4	4%	6.36%	6.33%
Capco Opportunities	43.7	1%	182.7	3%	11.43%	8.60%
Capco USA	452.4	7%	485.9	7%		
Total investment properties	6,434.3	100%	7,112.8	100%		

The cumulative decline from peak for Liberty International's investment properties amounted to 27.2 per cent at 31 December 2008 and an estimated 33.4 per cent at 31 March 2009 outperforming the comparable IPD UK all-property monthly index declines of 35.6 per cent and 41.4 per cent respectively.

After deducting the minority interests' share of the reduction in market value, the estimated impact of the first quarter's valuation decline is to reduce Liberty International's net assets per share (diluted, adjusted) by approximately 147p from 745p at 31 December 2008.

After a period of virtual standstill, the UK direct property market has shown more activity in 2009, particularly for smaller lot sizes. We have taken advantage of this improvement in market conditions to achieve the £203 million disposals of non-core assets. Market conditions remain difficult for larger lot sizes as debt finance is not readily available.

Disposals

We have continued to make good progress with disposals of non-core properties, predominantly assets of Capital & Counties which do not form part of its Central London focus.

Disposals to date in 2009 amount to £172 million, of which £120 million has completed, £22 million has exchanged and £30 million is under offer.

In addition the group has realised £31 million from the disposal of internal and third party CMBS notes.

Financing

Cash and committed facilities at 31 March 2009 amounted to £313 million (31 December 2008 – £291 million), in excess of our property development commitments of £195 million (31 December 2008 – £238 million).

Net external debt has reduced from £4,100 million to £4,043 million at 31 March 2009. The proceeds of disposals in the period have been applied towards capital expenditure commitments and debt repayment.

The group's debt structure is predominantly non-recourse with over 90 per cent of the group's debt being asset-specific and non-recourse with limited cross-default exposure. The group has no major non-recourse debt refinancings until the Lakeside CMBS in 2011.

This structure permits the group a higher degree of financial flexibility in dealing with individual property issues than a financing structure based on a single group-wide borrowing facility.

The group's first unsecured debt repayment is a £79 million convertible bond maturing in the second half of 2010.

The group remains in compliance with all debt covenants. The group's preliminary results announcement issued on 26 February 2009 contained full details of covenants on both corporate and asset-specific non-recourse debt arrangements.

With regard to non-recourse debt structures, compliance with financial covenants is constantly monitored. Actual covenant breaches can be rectified by a number of remedies such as additional security, temporary cash deposit or partial repayment before an event of default occurs. The group has initiated discussions with non-recourse lenders where the group considers the arrangements are particularly sensitive to falls in property valuations or reduction in net rental income.

As disclosed in the preliminary results, we agreed certain important changes to the terms of our £360 million corporate bank facilities, including extending overall maturity into 2011. These changes were contingent on the group raising not less than £350 million of additional equity.

Prospects

While 2009 will undoubtedly be a further difficult year for the UK economy and property industry, Liberty International has a high quality and defensive UK regional shopping centre and retail property business, which includes 9 of the top 30 UK centres and prime Central London sites such as Covent Garden.

Relatively our properties have performed well in capital value terms since the downturn which began nearly two years ago in the second half of 2007. Tenant failures amounting to some £30 million of CSC's passing rent in the last two quarters will adversely impact underlying earnings, notwithstanding the satisfactory re-letting progress this year.

We have already taken a number of steps, including over £1 billion of asset sales since we became a UK REIT in January 2007, to improve liquidity and financial strength. Today's equity capital raising announcement is an important additional measure.

Our predominantly non-recourse and asset-specific debt structure provides considerable financial flexibility.

We are positioning the group for market recovery in due course, and believe retail, and thereby prime retail property, is likely to be at the forefront of such recovery.

27 April 2009

BACKGROUND ON LIBERTY INTERNATIONAL

LIBERTY INTERNATIONAL PLC is one of the UK's largest listed property companies and a constituent of the FTSE-100 Index of the UK's leading listed companies. Liberty International converted into a UK Real Estate Investment Trust (REIT) on 1 January 2007.

Liberty International owns 100 per cent of Capital Shopping Centres ("CSC"), the premier UK regional shopping centre business, and of Capital & Counties, a retail and commercial property investment and development company.

At 31 December 2008, Liberty International owned £7.1 billion of properties of which UK regional shopping centres comprised 70 per cent and retail property in aggregate 85 per cent. Adjusted, diluted shareholders' funds amounted to £2.8 billion. Assets of the group under control or joint control amounted to £9.3 billion at that date.

CAPITAL SHOPPING CENTRES has interests in 14 UK regional shopping centres amounting to 12.7 million sq.ft. in aggregate including 9 of the UK's top 30 regional shopping centres with a market value of £5.0 billion at 31 December 2008. CSC's largest centres are Lakeside, Thurrock; MetroCentre, Gateshead; Braehead, Renfrew, Glasgow; The Harlequin, Watford; and Manchester Arndale. CSC has a 50 per cent share in the extension of St David's, Cardiff, which is due to complete in Autumn 2009.

CAPITAL & COUNTIES held assets of £2.1 billion at 31 December 2008, amounting to 7.4 million sq.ft. in aggregate, of which £1,434 million was invested in Central London. Capital & Counties had £590 million invested in the Covent Garden area including the historic Covent Garden Market, and a further £275 million in London's West End, primarily through the Great Capital Partnership, a joint venture with Great Portland Estates plc. Capital & Counties owns 50 per cent of the Earls Court and Olympia Group and of the Empress State building in Earls Court amounting to aggregate assets of £569 million. In addition, Capital & Counties has interests in the USA amounting to £486 million (2.6 million sq.ft.), predominantly comprising retail assets in California, including the 856,000 sq.ft. Serramonte Shopping Centre, Daly City, San Francisco.