CONFERENCE CALL ON LAND SECURITIES' Q1 INTERIM MANAGEMENT STATEMENT
21 July 2010

Speaker: Francis Salway, Chief Executive

Good morning and thank you for joining us today for our first quarter Interim Management Statement. Martin Greenslade, our Finance Director, is with me - and, after a few words from me, we will be happy to take your questions.

The themes of our announcement continue to mirror the priorities we outlined at the time of our annual results in May. It is about delivering a substantial development pipeline into a supply constrained market, particularly in London, and also maintaining a strong focus on actions to grow revenue profit in the medium term.

If you were to ask me to sum up in one word what I see in our business it is momentum. We have made good progress on lettings; made sales to tap the areas of hottest investor demand; continued to take forward treasury initiatives to improve our debt facilities; we are progressing our London development programme - and finally (perhaps the big news story of the week), we have been the first to put large scale retail development back on the agenda.

So, we are making big investment decisions for delivery of development schemes in 2012/13, but with a real focus on risk management.

First, a few words about lettings. Our focus on leasing has meant not only that we have secured some value enhancing deals, but also that our voids and units in administration have continued to edge down. Our retail lettings include some large names signing up, including Primark in The Centre, Livingston and Hollister going into Buchanan Galleries, Glasgow showing that the right unit in the right location is attracting retailers.

In London, the leasing market has been quieter after a frenetic 6 months, but we see this as just a pause as the medium term requirements are still coming through.

We have continued to be disciplined about capital recycling. We have made some sales into the areas of strongest investor demand. When it comes to acquisitions, we remain of the view that patience will be rewarded. A wider range of opportunities will emerge and we see well capitalised companies with established banking relationships doing deals.

Our balance sheet remains strong and our bond buy back is evidence of efficient Treasury management. In buying back £254m of bonds we have introduced greater flexibility to our debt facilities.

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Our London development activities move forward, as planned. While we have no update on our JV proposals for 20 Fenchurch Street, EC3 we are in discussions on this and continue to target a start date of January 2011 with completion in early 2014.

Our developments at 62 Buckingham Gate and Wellington House in Victoria are progressing to programme. At Park House, W1 you will be aware that we took advantage of buying interest to secure a forward sale. Our rationale on this was clear, in starting the development we had begun to see the value of the site increase and the offer received meant we were able to secure virtually all our forecast profit with reduced risk and without the need to commit any capital. So, we were the first to start a large development programme in London and the first to take profits from it.

And in Retail our decision to start the 750,000 sq ft shopping centre development at Trinity Leeds is a good example of our approach to the risk – return balance in development. We have waited until we have achieved over 40% of pre-lettings before starting the scheme - and in fact we are now 43% pre-let with a further 4% in solicitors hands and another 12% under discussion. And what a line up of retailers we have: accessing Marks & Spencer (via a new entrance), flagship stores for Next, Top Shop and River Island and we have also attracted the likes of Hollister and Cult for their debuts in Leeds. We expect the contractor to be on site in September and we are targeting delivery in Spring 2013. The Total Development Cost is £350m and, within that, additional capex is approximately £240m. We are targeting an 8% gross yield on cost. The scheme potentially offers returns as high or higher than any of our other projects and the commitment on pre-lets ensures that the return comes with a very manageable level of risk.

In terms of outlook, newsflow over the last few months has created uncertainty in some minds, but remember that we anticipated ripples in the shape of the recovery. So our outlook and our plans have not changed. We see strong investor demand in some sub-markets, but early evidence of price resistance in others. We have and will continue to play any imbalances like that to our advantage. In Retail we will make money, as at Leeds, from doing good lettings, but we are not expecting rental value growth from retail in the short term. For London offices on a 2 year view, which is what matters for our development programme, we see continuing falls in vacancy rates and rising rental values, even off quite moderate levels of take up.

Overall, our business benefits from 9.0 year average lease lengths, 11.6 year average maturity of debt and from being 54% in Central London. We have a wonderful pipeline of organic opportunities, which you can see from the fact that since January we have initiated four major development projects with an aggregate total development cost of over £1 billion and, of course, we have already taken profits on one of those schemes.

Now over to you for any questions.

[Q&A text to follow within 24 hours]

– ENDS –

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