# Annual results presentation

18 May 2011

# Drivers of performance – 2010/11

1. Early mover advantage on developments
   - Potential to exceed standard profit margins

2. Growing momentum on asset management initiatives – founded on:
   - Customer relationships
   - Planning skills

3. Management actions to drive earnings growth:
   - Reducing void levels
   - Making dormant development sites productive
   - Positive yield spread between purchases and sales


**Park House, W1**

**A clear plan**

# Financial summary

| Year ended 31.03.10 £m | | Year ended 31.03.11 £m | change % |
|---|---|---|---|
| 1,069.3 | Profit before tax | 1,227.3 | 14.8 |
| 251.8 | Revenue profit | 274.7 | 9.1 |
| 34.08 | Adjusted diluted earnings per share | 36.31 | 6.5 |
| 28.0p | Dividend per share | 28.2p | 0.7 |
| 863.8 | Valuation surplus(1) | 908.8 | 9.7(2) |
| 691p | Adjusted diluted NAV per share | 826p | 19.5 |

*(1) Including share of joint ventures*
*(2) Represents increase in value over year*

**Total business return (NAV + dividend): 23.6%**

# Investment portfolio

| | Proportion of portfolio % | Market value 31.03.11 £m | Valuation surplus H1 % | Valuation surplus H2 % | Valuation surplus 12 months % |
|---|---|---|---|---|---|
| Shopping centres and shops | 27.0 | 2,853 | 2.5 | 5.2 | 7.5 |
| Central London shops | 9.6 | 1,015 | 9.0 | 12.3 | 21.5 |
| Retail warehouses and food stores | 12.3 | 1,298 | 2.3 | 8.9 | 11.2 |
| London offices | 42.9 | 4,528 | 2.9 | 6.0 | 8.8 |
| Other | 8.2 | 865 | 4.8 | 2.4 | 7.0 |
| Total investment portfolio | 100.0 | 10,559 | 3.4 | 6.4 | 9.7 |

**Our performance gains in momentum in H2, as the market loses momentum**

# Investment portfolio

| | Proportion of portfolio % | Market value 31.03.11 £m | Valuation surplus 12 months % |
|---|---|---|---|
| Like-for-like | 73.4 | 7,749 | 8.4 |
| Acquisitions | 3.8 | 403 | 1.5 |
| Completed developments | 10.9 | 1,153 | 11.6 |
| Proposed developments | 1.6 | 171 | 19.4 |
| Development programme | 10.3 | 1,083 | 19.4 |
| Total investment portfolio | 100.0 | 10,559 | 9.7 |

**Development programme schemes up 19.4%**

# Like-for-like portfolio

| | Voids[1] 31.03.10 % | Voids[1] 31.03.11 % | …of which… | Pre-development % | Temporary lettings % | Under offer % | Residual voids[2] % |
|---|---|---|---|---|---|---|---|
| Shopping centres and shops | 8.1 | 5.9 | | 0.0 | 2.2 | 0.8 | 2.9 |
| Central London shops | 6.3 | 4.4 | | 0.1 | 0.0 | 3.9[3] | 0.4 |
| Retail warehouses and food stores | 1.9 | 3.3 | | 0.0 | 0.2 | 1.2 | 1.9 |
| London offices | 4.9 | 3.7 | | 1.2 | 0.4 | 0.0 | 2.1 |
| Total like-for-like portfolio | 5.3 | 4.3 | | 0.6 | 0.9 | 0.8 | 2.0 |

*(1) Expressed as a percentage of ERV. Temporary lettings of up to 12 months are also treated as voids.*
*(2) Residual voids are voids after pre-development, temporary lettings and units under offer.*
*(3) Includes conditional letting to Primark on Oxford Street, W1*

**Effective action to reduce void levels… and units in administration down from 1.8% to 0.4%**

# Capital recycling

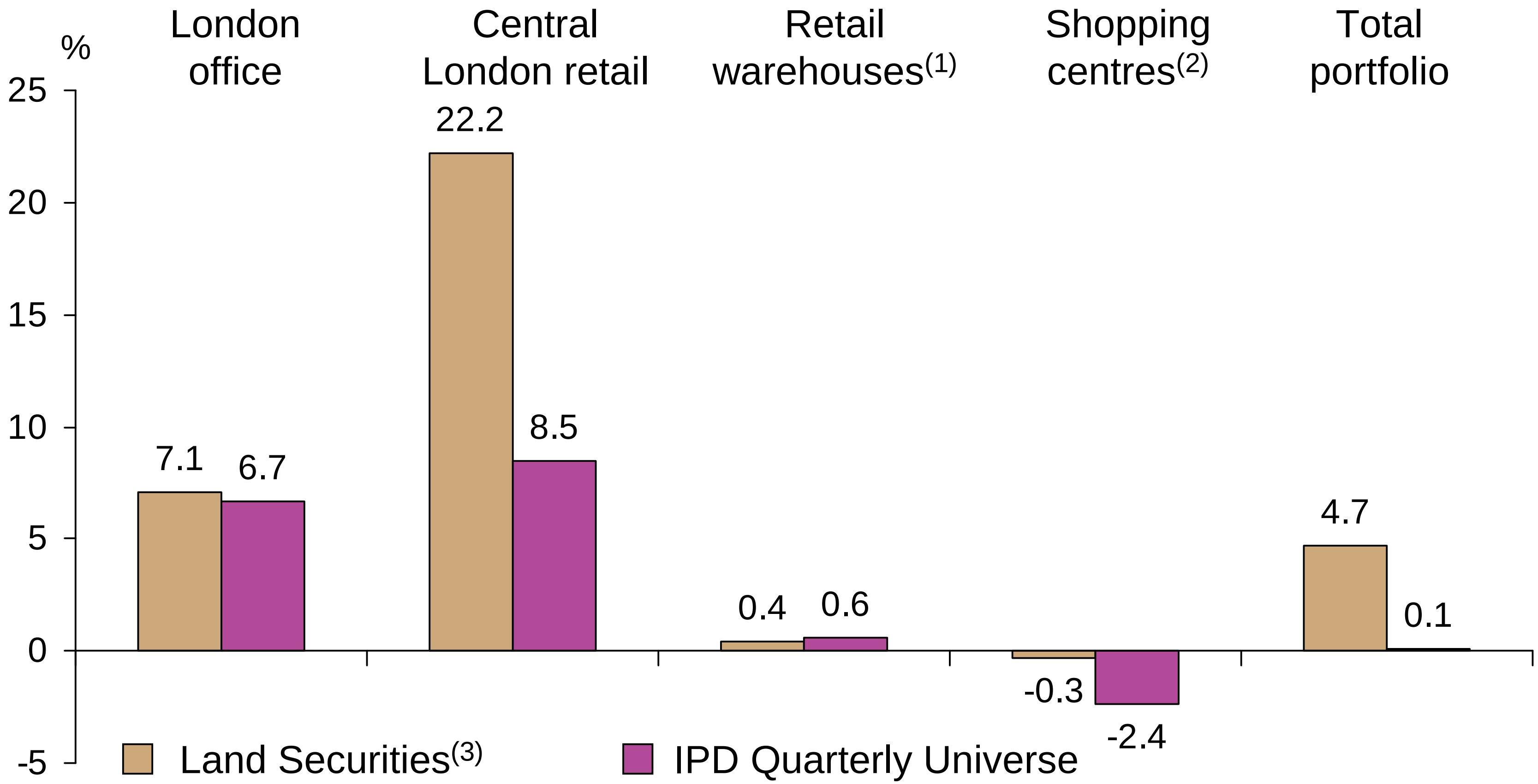

**Overgate, Dundee: 6.9% net initial yield**

| | Receipts/ outlays | Average yield | Surplus on valuation/purchase |
|---|---|---|---|
| Sales | £686.8m | 3.0% | 12.7% |
| Acquisitions | £406.6m | 5.2% | 2.8% |

**12.7% surplus on sales relative to March 2010 valuation**

# Rental value performance

## Like-for-like properties versus IPD Quarterly Universe (12 months ended 31 March 2011)

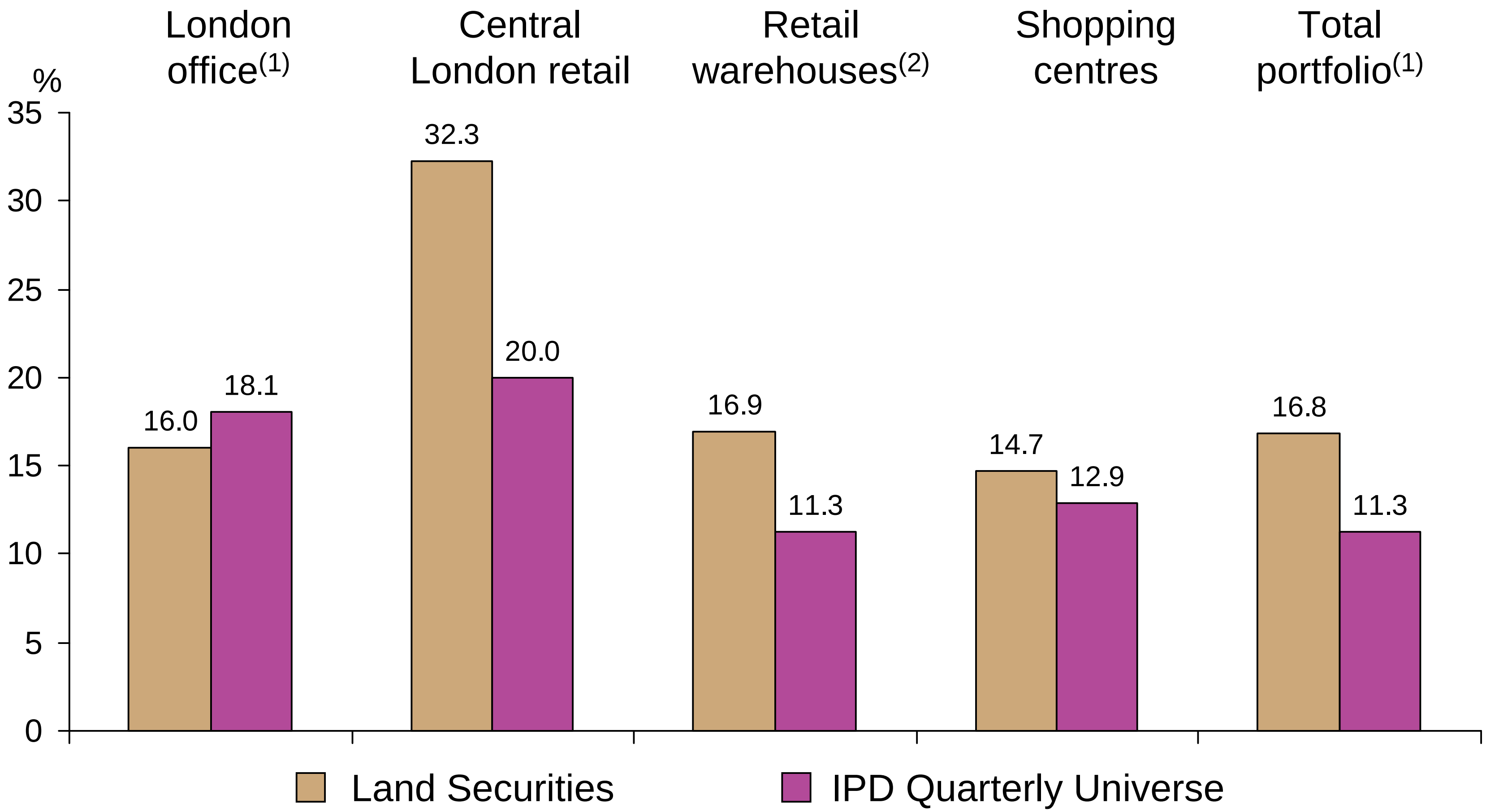



(1) Includes food stores for Land Securities
(2) Includes shops outside Central London for Land Securities
(3) Rental value change excludes units materially altered during the year and also Queen Anne's Gate, SW1

**Strong outperformance on rental values**

# Investment portfolio performance relative to IPD

## Ungeared total return (12 months ended 31 March 2011)




(1) Land Securities total return higher by 0.9% for London offices and 0.5% for total portfolio if adjusted for capital extracted from Queen Anne's Gate, SW1 through bond issue

(2) Includes food stores for Land Securities

**Benefiting from 43% in London offices and 61% in Greater London**

# Financial results

Martin Greenslade

Group Finance Director

# Revenue profit

| | Year ended 31.03.11 £m | Year ended 31.03.10 £m | Variance £m |
|---|---|---|---|
| Gross rental income[1] | 610.6 | 625.2 | (14.6) |
| Net service charge expense | (6.0) | (7.9) | 1.9 |
| Direct property expenditure (net) | (47.9) | (49.8) | 1.9 |
| **Net rental income** | **556.7** | **567.5** | **(10.8)** |
| Indirect costs | (45.0) | (45.7) | 0.7 |
| **Segment profit before interest** | **511.7** | **521.8** | **(10.1)** |
| Unallocated expenses (net) | (30.9) | (35.7) | 4.8 |
| Net interest – Group | (173.7) | (201.7) | 28.0 |
| Net interest – joint ventures | (32.4) | (32.6) | 0.2 |
| **Revenue profit** | **274.7** | **251.8** | **22.9** |

*(1) Includes finance lease interest, net of ground rents*

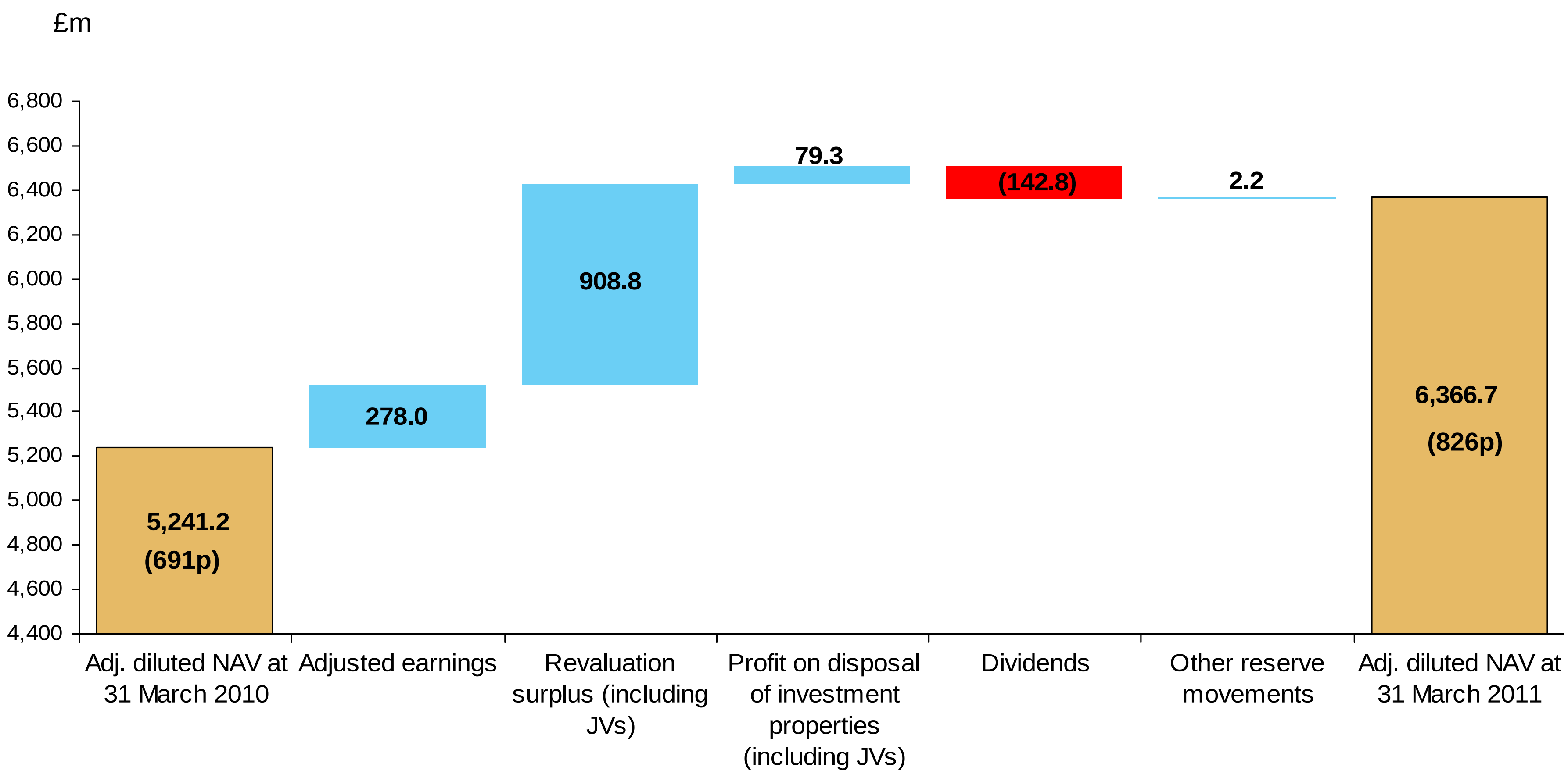
# Net rental income analysis

| | Year ended 31 March | | | | | |
|---|---|---|---|---|---|---|
| | Retail Portfolio | | London Portfolio | | Combined portfolio variance | |
| | 2011 | 2010 | 2011 | 2010 | | |
| | £m | £m | £m | £m | £m | % |
| Like-for-like investment properties | 226.3 | 212.8 | 231.5 | 230.9 | **14.1** | **3.2** |
| Proposed developments | 1.2 | 1.2 | 0.8 | 8.0 | **(7.2)** | |
| Development programme | 8.4 | 9.0 | 4.6 | 7.2 | **(3.2)** | |
| Completed developments | 18.2 | 17.1 | 34.7 | 26.2 | **9.6** | |
| Acquisitions since 1 April 2009 | 10.3 | (0.2) | 0.1 | 0.1 | **10.5** | |
| Sales since 1 April 2009 | 7.8 | 35.6 | 6.5 | 13.3 | **(34.6)** | |
| Non-property related income | 3.3 | 3.7 | 3.0 | 2.6 | **-** | |
| **Net rental income** | **275.5** | **279.2** | **281.2** | **288.3** | **(10.8)** | **-1.9** |

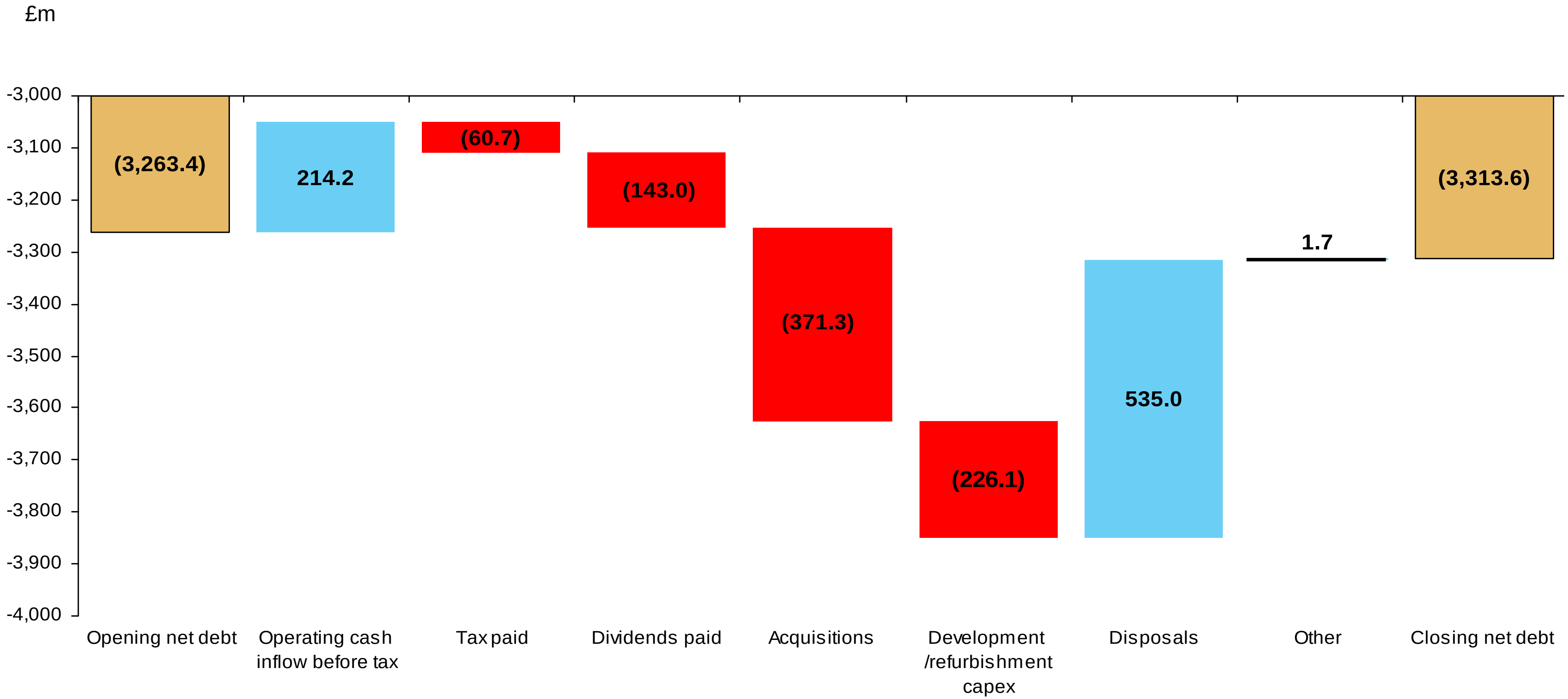
# EPS approach

| | Current approach £m | Future approach £m |
|---|---|---|
| **Revenue profit** | **274.7** | **274.7** |
| Profits on disposal of trading properties | 1.2 | - |
| Long-term development contract profits | 5.4 | - |
| Tax – current year (incl. joint ventures) | (0.8) | (0.8) |
| Minority interests | (2.5) | (2.5) |
| **Adjusted earnings** | **278.0** | **271.4** |
| **Adjusted diluted EPS** | **36.31** | **35.45** |

# Movement in adjusted diluted NAV



# Cash flow and net debt



# Financing

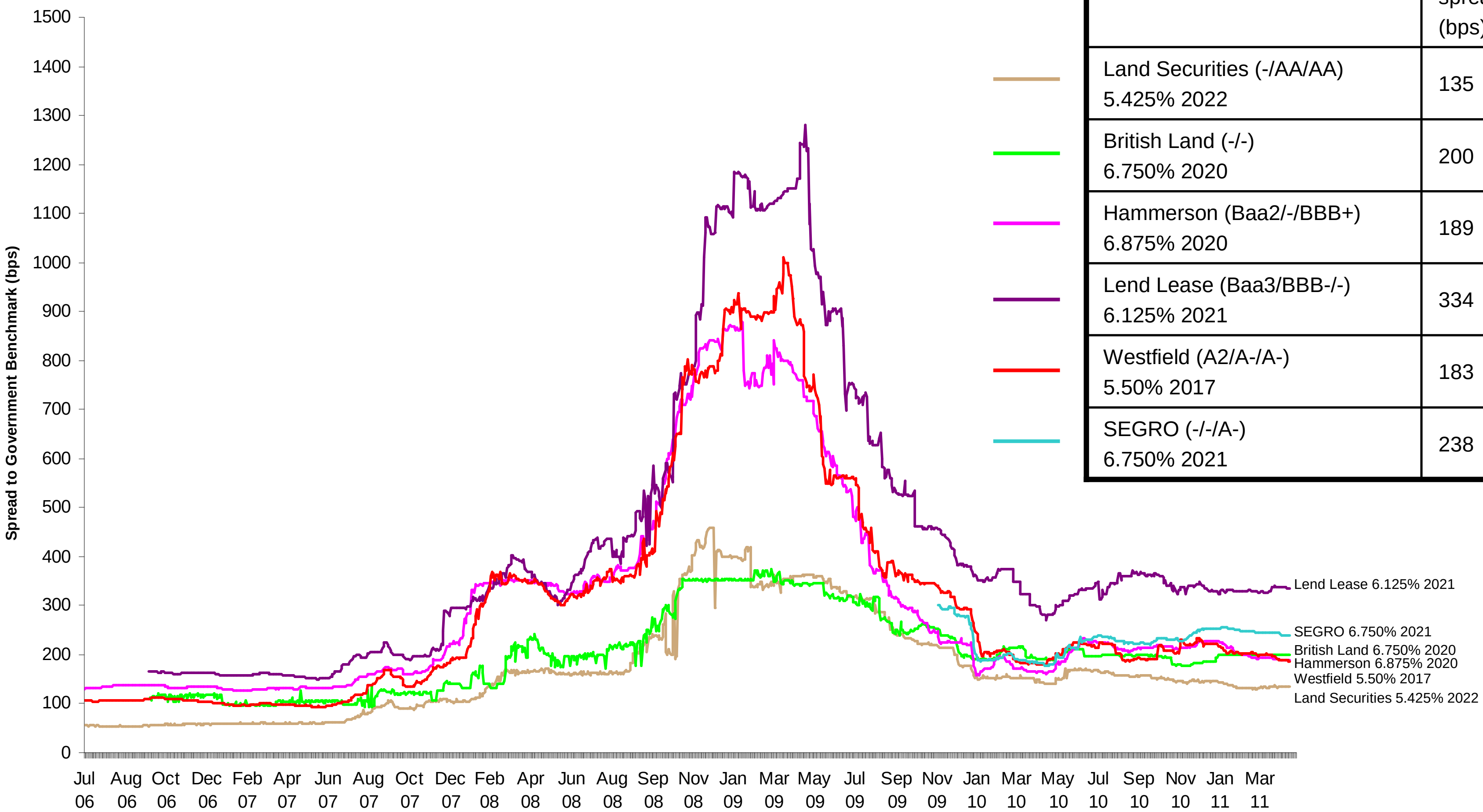
**Activity**

- Bought back £254m notes due February 2011 and £267m notes due November 2013
- New £100m 4 year bilateral bank facility
- Renegotiated pricing on existing bilateral facilities

**As at 31 March 2011**

- £1.8bn of cash and undrawn facilities
- Group LTV at 39.0% (including JVs), down from 43.5% at 31 March 2010
- Weighted average maturity of debt: 11.4 years
- Weighted average cost of debt: 4.9%

# Peer group spread comparison




| | Spot spread (bps) |
|---|---|
| Land Securities (-/AA/AA) 5.425% 2022 | 135 |
| British Land (-/-) 6.750% 2020 | 200 |
| Hammerson (Baa2/-/BBB+) 6.875% 2020 | 189 |
| Lend Lease (Baa3/BBB-/-) 6.125% 2021 | 334 |
| Westfield (A2/A-/A-) 5.50% 2017 | 183 |
| SEGRO (-/-/A-) 6.750% 2021 | 238 |

*Source: Markit and LS Dealer panel*

# Summary

- Strong set of results

- Increased flexibility of drawn debt

- Rising values and capital recycling discipline have led to reduced gearing

# Retail Portfolio

Richard Akers

Managing Director, Retail Portfolio

# Context

Market

- Retailers move to multi-channel
- Strong demand for major stores
- Limited new supply
- Difficult consumer economy in 2011 – no market-wide rental growth

Actions

- Capital management
- Development
- Growing income
- Key lettings
- Planning permissions

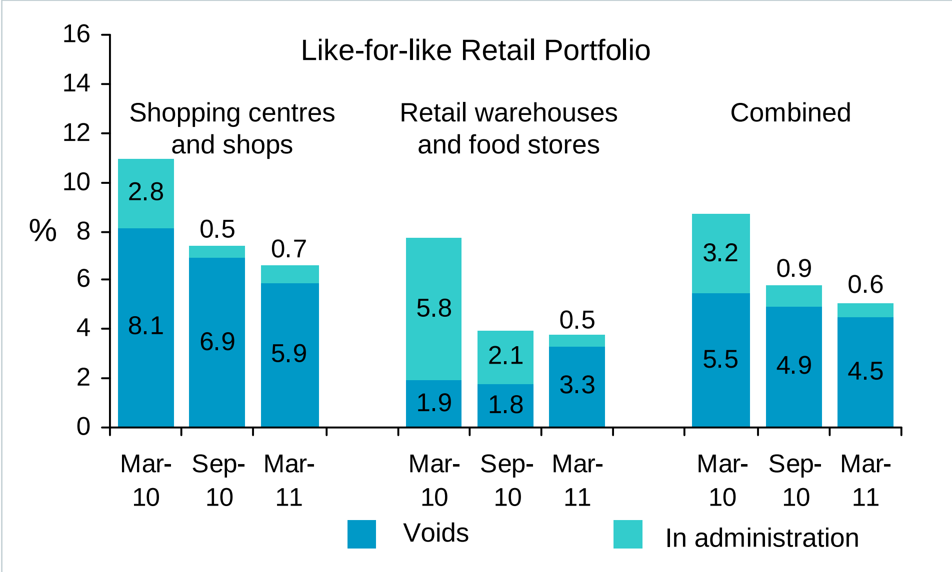
**Actions have driven total return of 15.4% and relative outperformance of 2.6%**

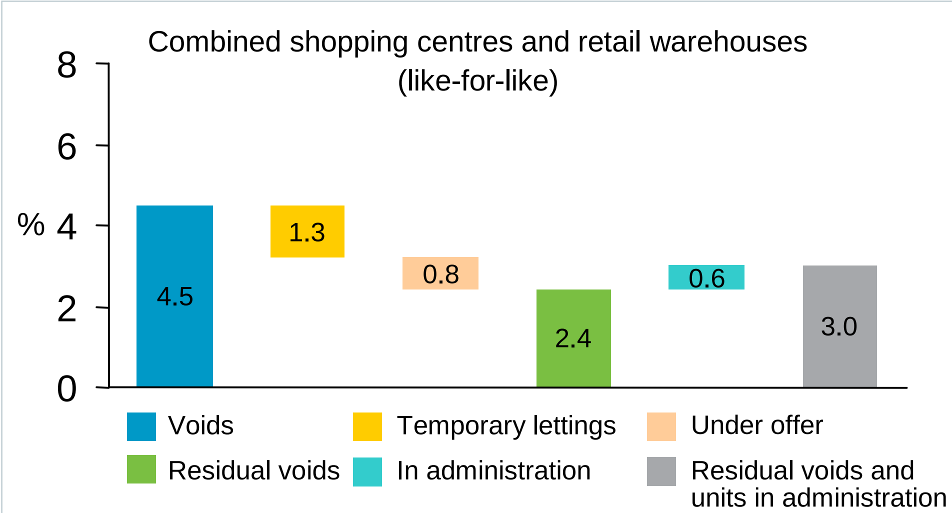
# Protecting income

- LFL net rental income up 6.3%
- Cost savings driven by reduced rates, service charge and bad debts
- LFL voids down
- Administrations down
- 179 investment lettings[(1)] for £13.5m rent. 0.6% above ERV
- 59 lettings in solicitors' hands[(1)] for £7.1m. 8.9% above ERV

*(1) Excludes temporary and turnover lettings*

**Intense focus on lettings**



# Capital management

- Sales at 6.1% above March 2010 value
- Developments outperform… Capital growth 15.0% vs Retail Portfolio 8.5%
- Return on acquisitions 10.1%(1) after costs
- Significant action taken quickly on Overgate


**Overgate, Dundee**

*(1) Annualised basis*

**Capital turnover of £678m in Retail Portfolio**

# Development

## In-town


**Trinity Leeds**


**Buchanan Street, Glasgow**

- 58% let or in solicitors’ hands
- 90,000 sq ft Primark
- Valuation surplus 27.4%

- 3 new retailers signed up
- 69% pre-let by income
- New planning permission achieved
- Valuation surplus 38.5%

# Development

## Out of town


**Sainsbury's, Lincoln**


**Sainsbury's, Wandsworth**

- Completed in November
- 117,000 sq ft store
- Valuation surplus 26.9%

- 83% pre-let to Sainsbury's and Premier Inn
- Planning permission achieved
- Forward funded by PRUPIM
- Valuation surplus 9.4%

**Strategy to expand out of town development activity**

# Asset management

## Growing income

**Gunwharf Quays, Portsmouth**

**Southside, Wandsworth**

**West 12, Shepherds Bush**

- Valuation up 19.5%
- Rental value up 5.0%

- Valuation up 6.2%
- Rental income up 16.4%

- Valuation up 12.8%
- Hotel completion March 2012

**Focus on growing income in shopping centres**

# Asset management

## Key lettings – Primark


**The Centre, Livingston**


**The Bridges, Sunderland**


**Westwood Cross, Thanet**

- 70,000 sq ft
- Opening spring 2012

- 60,000 sq ft
- Opening spring 2013

- Planning achieved March 2011
- Start on site summer 2011

**Improving attraction and growth potential**

# Asset management

## Key lettings – John Lewis


**John Lewis at home, Chester**

- 59,000 sq ft
- Opening October 2011


**John Lewis at home, Exeter**

- 67,000 sq ft
- Opening summer 2012

**Building on success of first store in Poole**

# Asset management

## Planning

The Peel Centre, Bracknell

- 22,000 sq ft
- 4 units with pre-lets to JD Sports and New Look
- Completion autumn 2011

Lakeside Retail Park, West Thurrock

- 25,000 sq ft
- 19,000 sq ft pre-let
- Completion October 2012

White Rose, Leeds

- 45,000 sq ft

Banbridge, Northern Ireland

- 110,000 sq ft

Meteor Retail Park, Derby

- 140,000 sq ft

**Key driver of growth out of town**


**The Peel Centre, Bracknell**


**Lakeside Retail Park, West Thurrock**

# Retail Portfolio

## Actions driving performance

- Capital management
- Development
- Growing income
- Key lettings
- Planning permissions


**43 principal assets – every asset has a plan**

# London Portfolio

Robert Noel

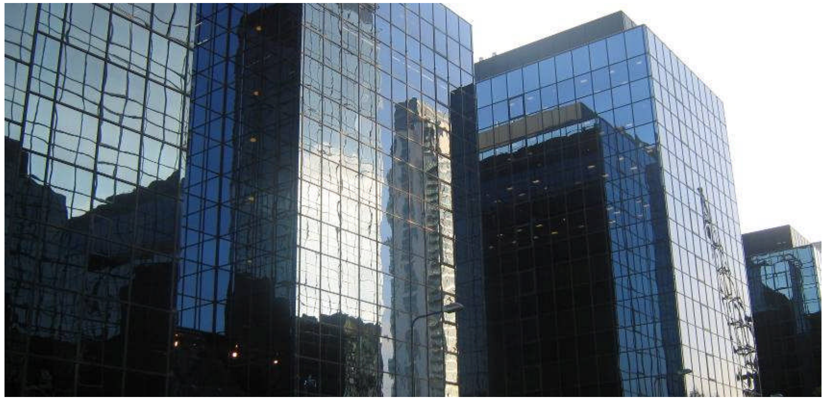
Managing Director, London Portfolio

# Market context

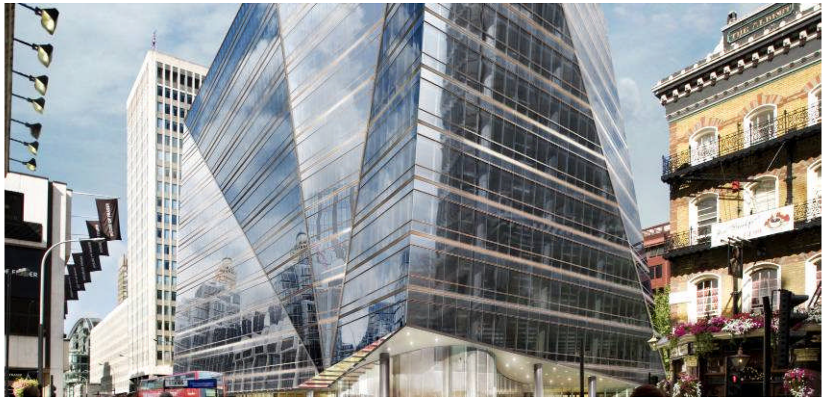
- Vacancy rates continue to fall
- Development pipeline remains restricted
- Land Securities is building
- Portfolio well positioned

# Creating value

**30 Eastbourne Terrace, W2**
**Valuation +24.2%**



**6/9 Harbour Exchange, E14**
**Valuation +25.9%**



**62 Buckingham Gate, SW1**
**Valuation +28.6%**


**Oxford Street, W1**
**Valuation +33.5%**

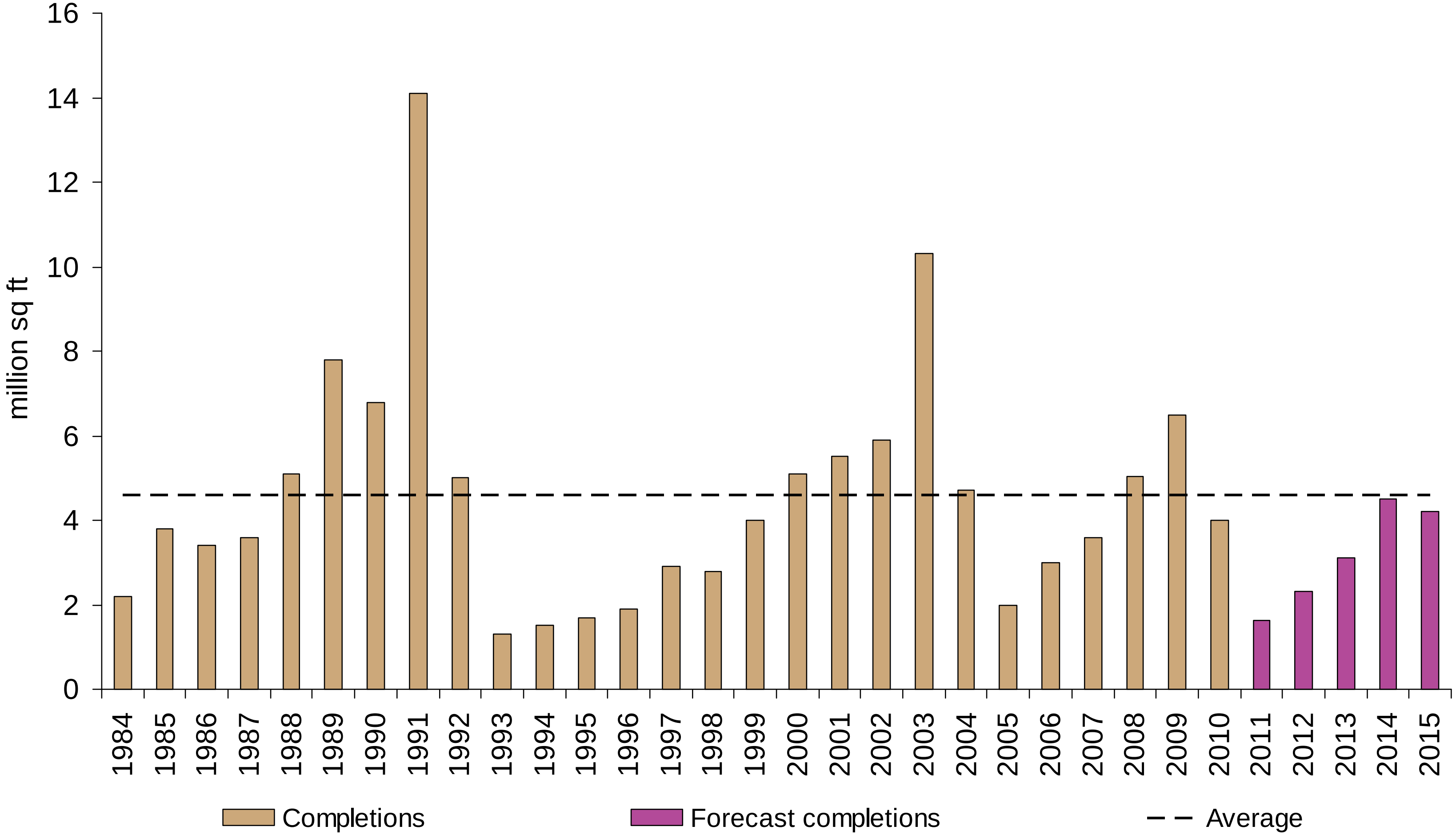
# Central London office vacancy rates

## Vacancy rates continue to fall


*Source: Land Securities, CBRE*

# Central London office development pipeline

## Cycles have seen progressively less development

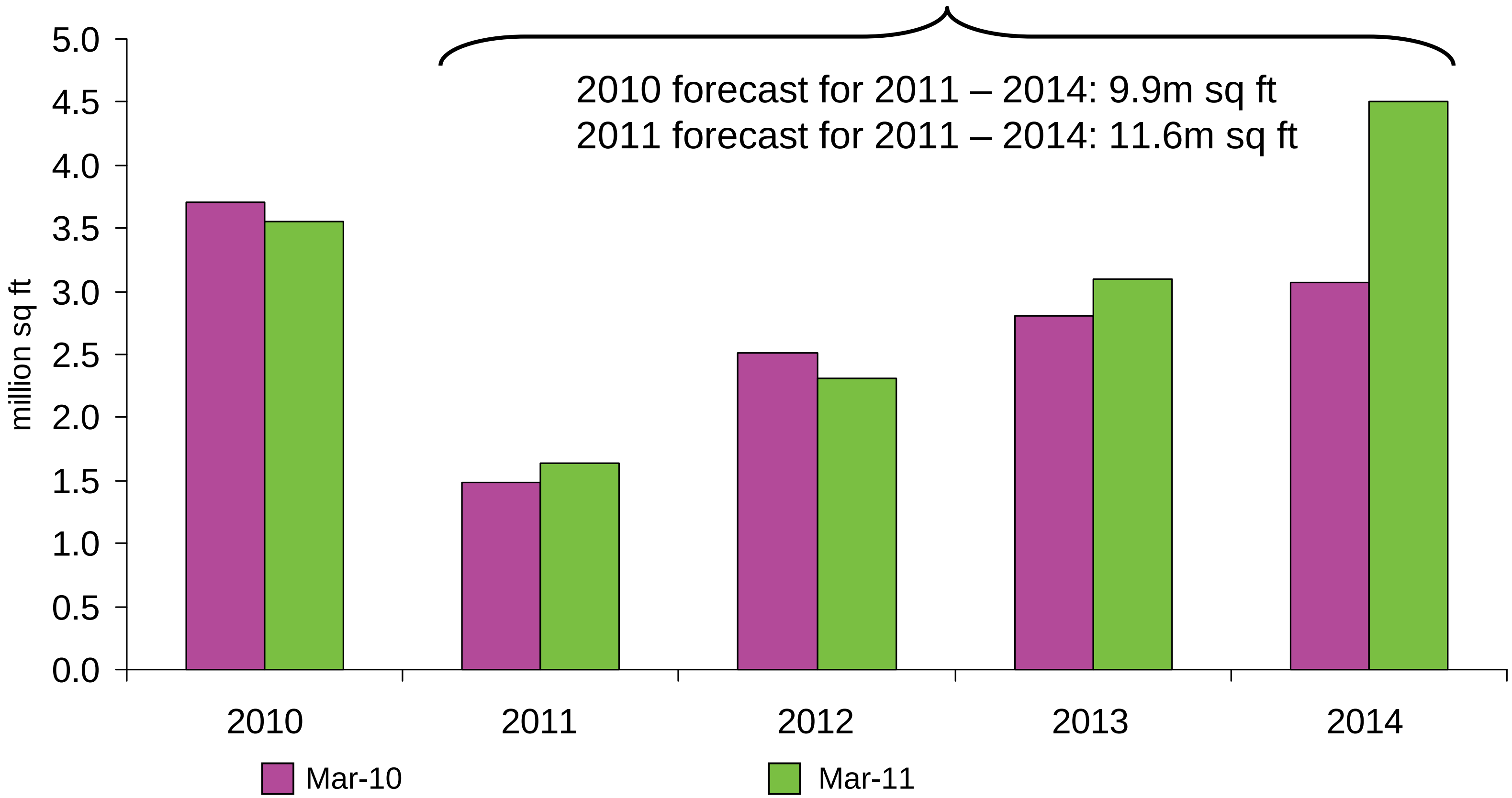



*Source: History: CBRE, Forecast: average of Knight Frank, JLL, CBRE and PMA*

**…and development completions over the next two years are very limited**

# Central London office pipeline

## Developers have been unable to turn the taps on

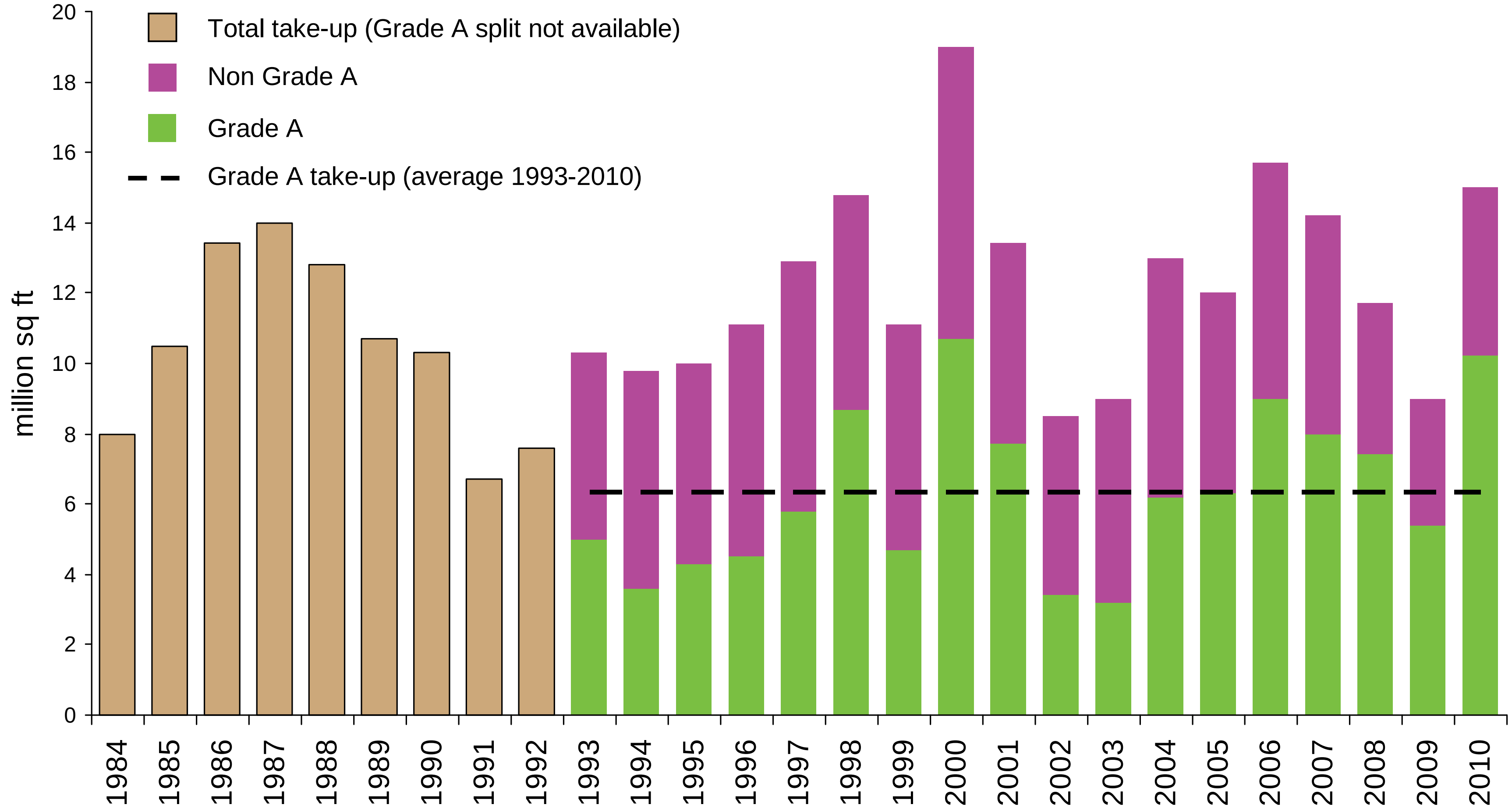



*Source: Land Securities, forecast average of Knight Frank, JLL, CBRE and PMA*

**…there has only been modest uplift in supply 2011 – 2014**

# Central London office take-up

## Take-up is remarkably robust through the cycles




*Source: CBRE, Land Securities*

**…2010 was a good year, reducing choice**

# London development

## Park House, W1


- Site for 309,000 sq ft

| | £m | |
|---|---|---|
| From | | |
| Initial payment | 225 | |
| Deferred payment | 25 | Nov 2012 |
| Contingent profit share | 33* | Nov 2013* |
| | 283 | |
| To | | |
| Initial payment | 225 | |
| Fixed payment | 71 | by Feb 2013 |
| | 296 | |

- Development profit £74m or 34%

*estimated

# London development

## West End: progress & expansion

**Wellington House, SW1**

- 66,000 sq ft
- 54/59 apartments pre-sold
- Completion July 2012

**62 Buckingham Gate, SW1**

- 269,000 sq ft
- On programme
- Completion April 2013

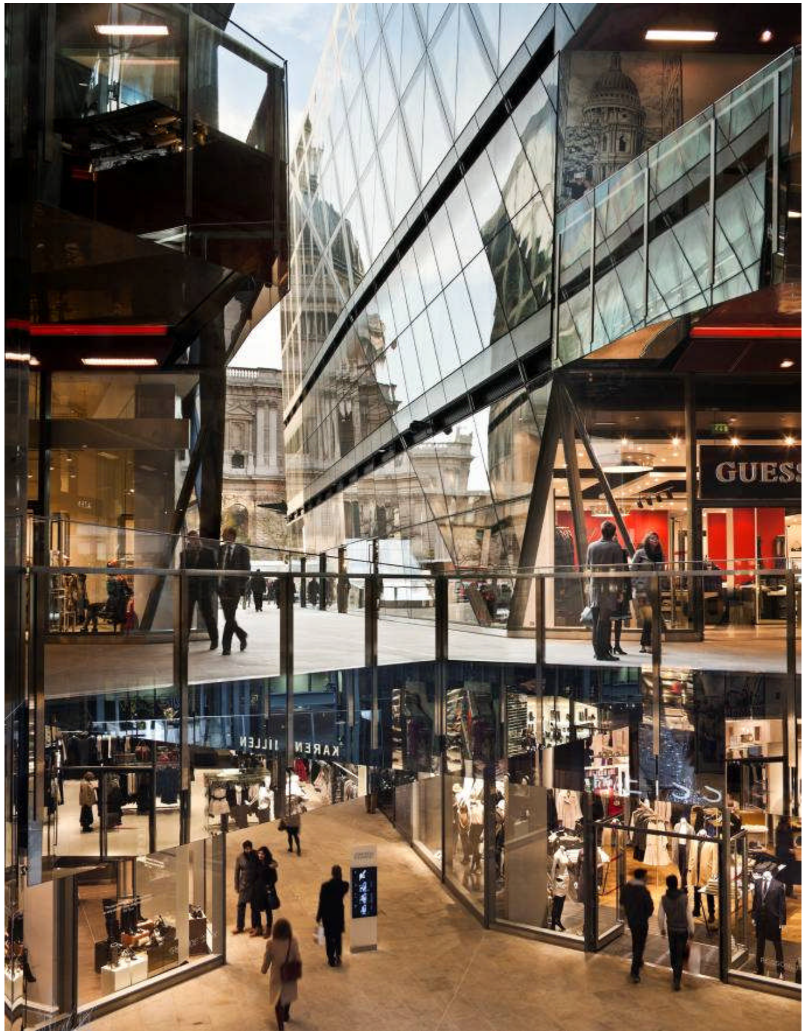
**123 Victoria Street, SW1**

- 227,000 sq ft
- Added to programme
- Completion June 2012

**…timely delivery**

# London development

## One New Change, EC4




- 564,000 sq ft
- Completed in October 2010
- Retail 100% let on opening
- 3 significant office lettings in three months
- 100,000 sq ft remaining
- Scheme 81% let vs 46% in March 2010
- Valuation up 21.8%

# London development

## City: progress & expansion

**20 Fenchurch St, EC3**

- 694,000 sq ft*
- Completion April 2014

**110 Cannon St, EC4**

- 73,000 sq ft
- Completion March 2012

**30 Old Bailey / 60 Ludgate Hill, EC4**

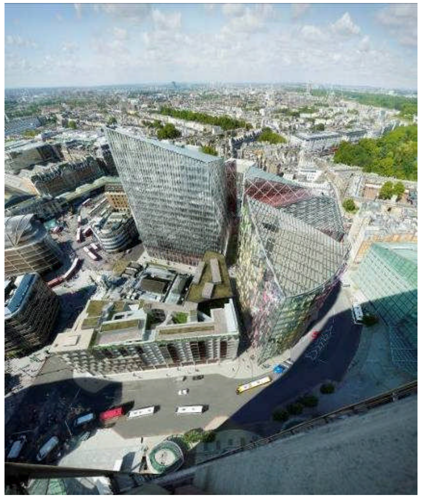
- 375,000 sq ft
- Completion December 2013

* Total area of development. Land Securities' share 50%

**…timely delivery**

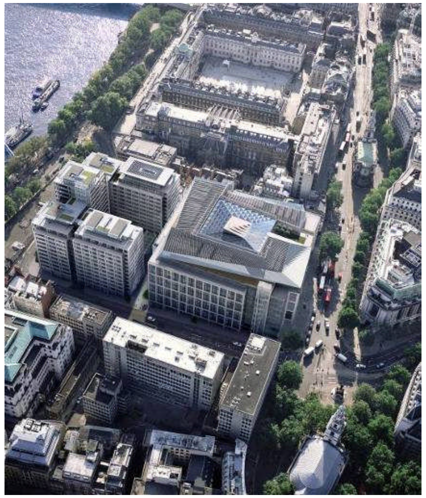
# London development

## Planning consents & applications



**Victoria Circle, SW1**

- 910,000 sq ft
- Compulsory purchase power confirmed
- Vacant possession September 2012
- Intention to develop in JV



**Arundel Great Court, WC2**

- 666,000 sq ft
- Deal concluded with freeholder and tenants
- Vacant possession September 2012

**1 New St Square, EC4**

- 259,000 sq ft
- Planning application submitted
- Vacant possession December 2012

**Kingsgate House, SW1**

- 341,000 sq ft
- Planning application submitted
- Vacant possession March 2012

# London development

| | Earliest completion | Existing area sq ft | Proposed area sq ft | Subtotal sq ft | Increase % |
|---|---|---|---|---|---|
| **Schemes on site** | | | | | |
| Wellington House, SW1 | 2012 | 53,000 | 66,000 | | |
| 123 Victoria Street, SW1 | 2012 | 217,000 | 227,000 | | |
| 110 Cannon St, EC4 | 2012 | 74,000 | 73,000 | | |
| 62 Buckingham Gate, SW1 | 2013 | 118,000 | 269,000 | | |
| 20 Fenchurch St, EC3 | 2014 | 313,000* | 694,000* | | |
| **Expected to start soon** | | | | | |
| 30 Old Bailey / 60 Ludgate Hill, EC4 | 2013 | 207,000 | 375,000 | **1,704,000** | **73.5** |
| **Consented schemes** | | | | | |
| 20 Eastbourne Terrace, W2 | 2014 | 81,000 | 83,000 | | |
| Arundel Great Court, WC2 | 2015 | 451,000 | 666,000 | | |
| Victoria Circle, SW1 | 2016 | 488,000 | 910,000 | **1,659,000** | **62.6** |
| **Planning applications submitted** | | | | | |
| Kingsgate House, SW1 | 2015 | 201,000 | 341,000 | | |
| 1 New Street Square, EC4 | 2016 | 123,000 | 259,000 | **600,000** | **85.2** |
| **Schemes in design** | | | | | |
| Portland House, SW1 | 2018 | 317,000 | 393,000 | **393,000** | **24.0** |
| **Total** | | | | **4,356,000** | **64.8** |

* Total area of development. Land Securities' share 50%

# Summary

## Well placed for market conditions

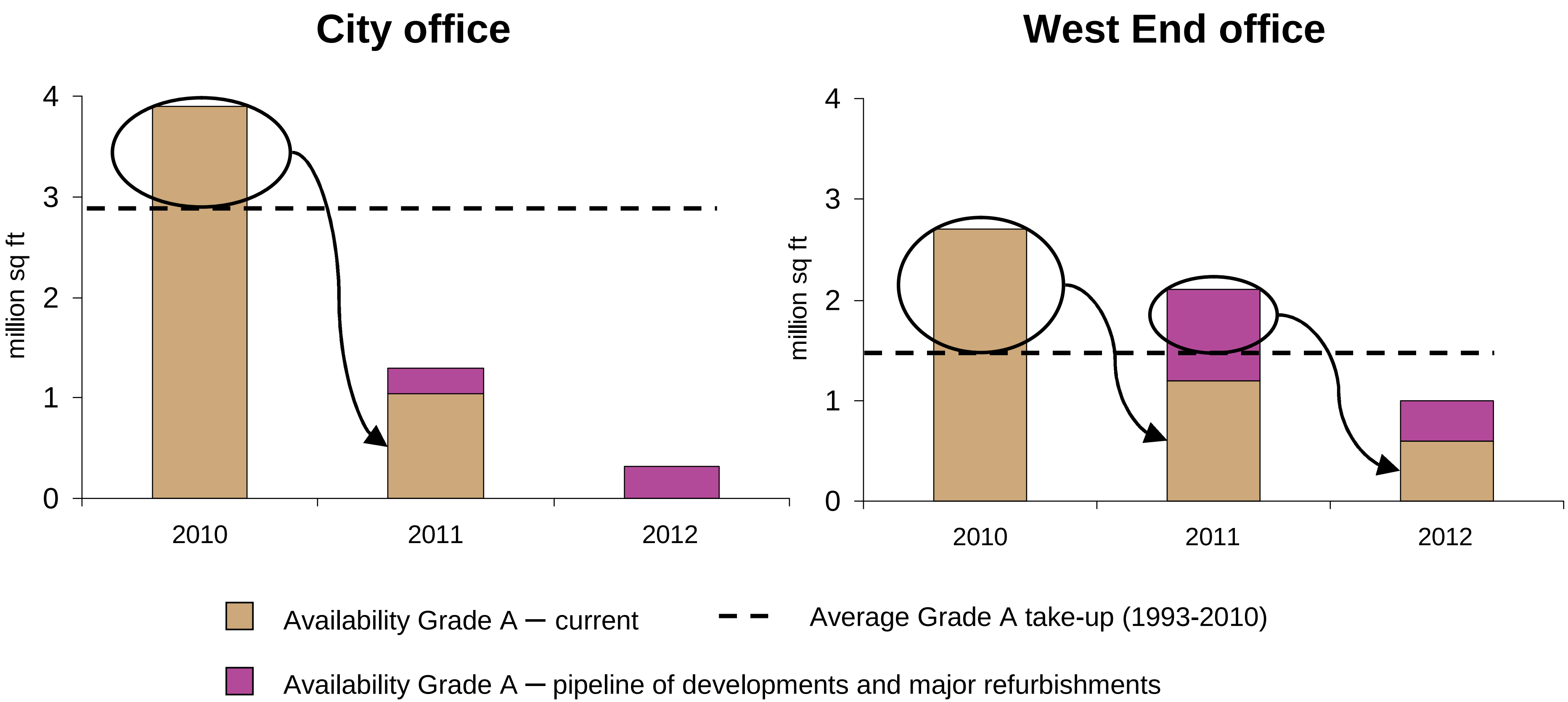
- Good momentum at One New Change
- Profits crystallised at Park House
- Good sales progress at Wellington House
- Development programme expanded
- Asset management driving earnings & creating value


**Opportunities, expertise, execution**

# Outlook

# Central London office availability – Grade A space

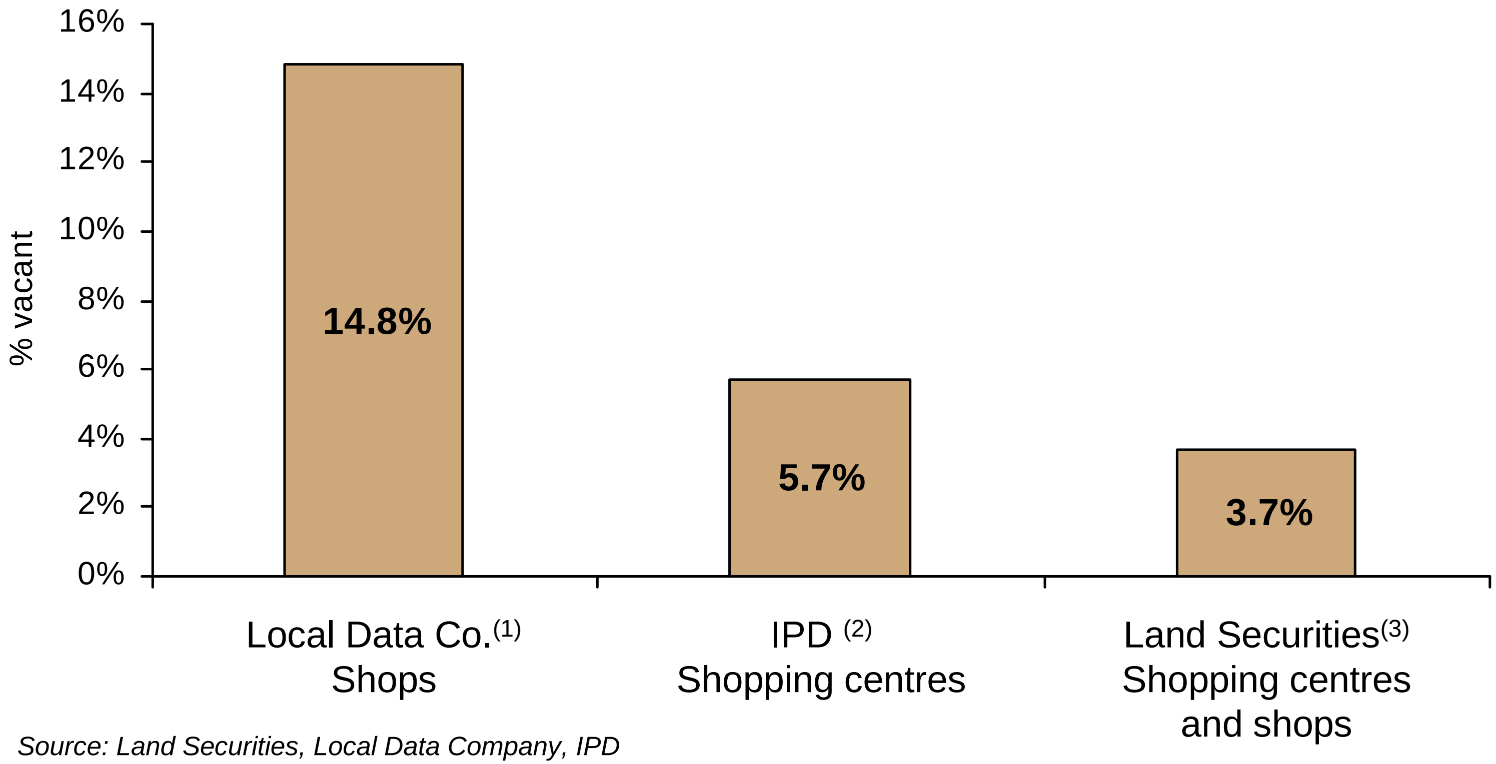
## Assuming take-up of Grade A space in line with long-term average take-up




*Source: Knight Frank, Land Securities*

**Shortage of new office space in London forecast for 2012**

# Retail vacancy levels




*Source: Land Securities, Local Data Company, IPD*

*(1) Local Data Co. shops: Number of vacant units / total units*

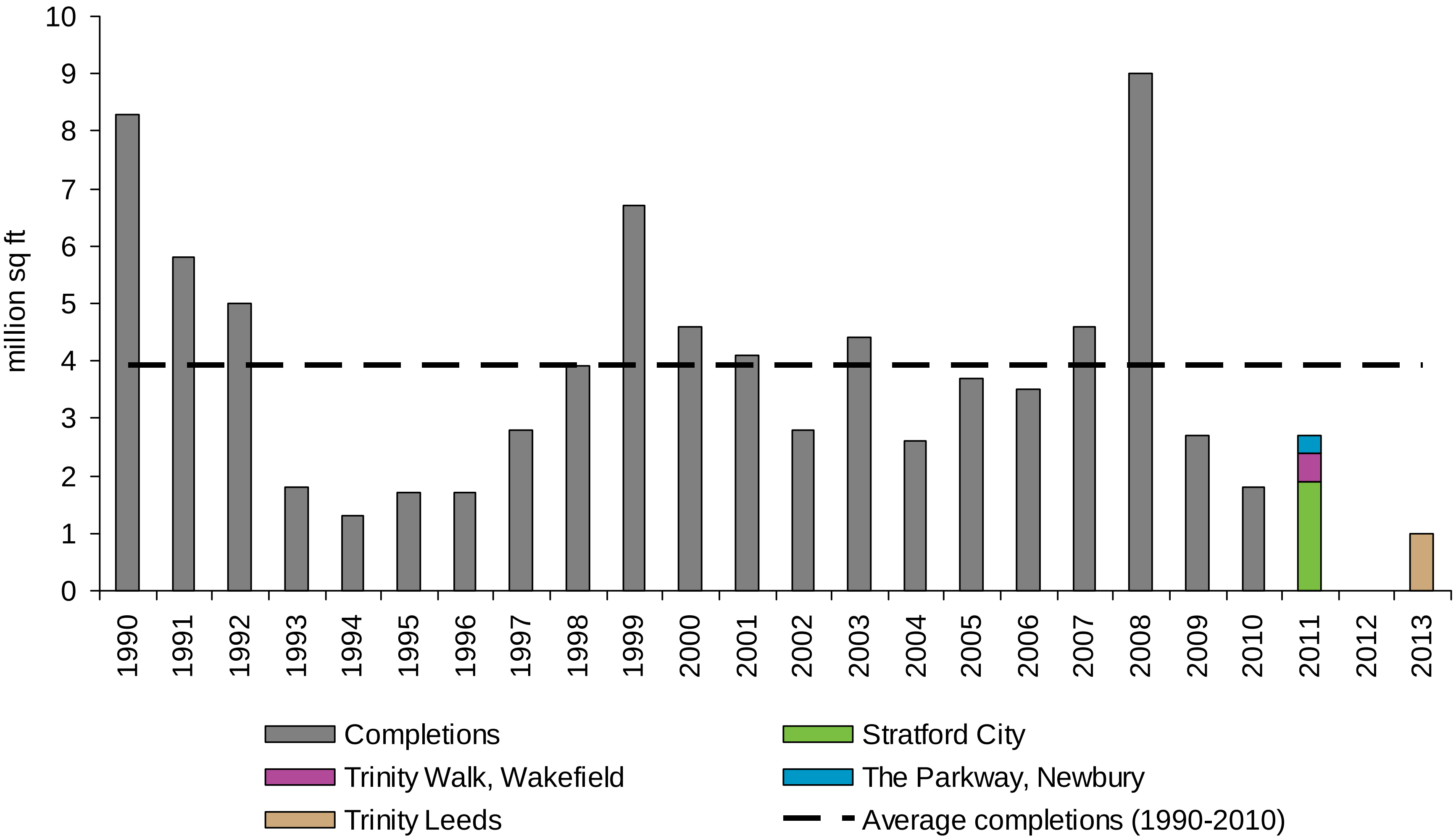
*(2) IPD Quarterly Universe shopping centres: Void ERV / total ERV*

*(3) Land Securities shopping centres and shops (excluding temporary lettings): Void ERV / total ERV*

**Vacancy rates materially lower on high quality properties**

# Shopping centre development completions

## Amount of development space completing

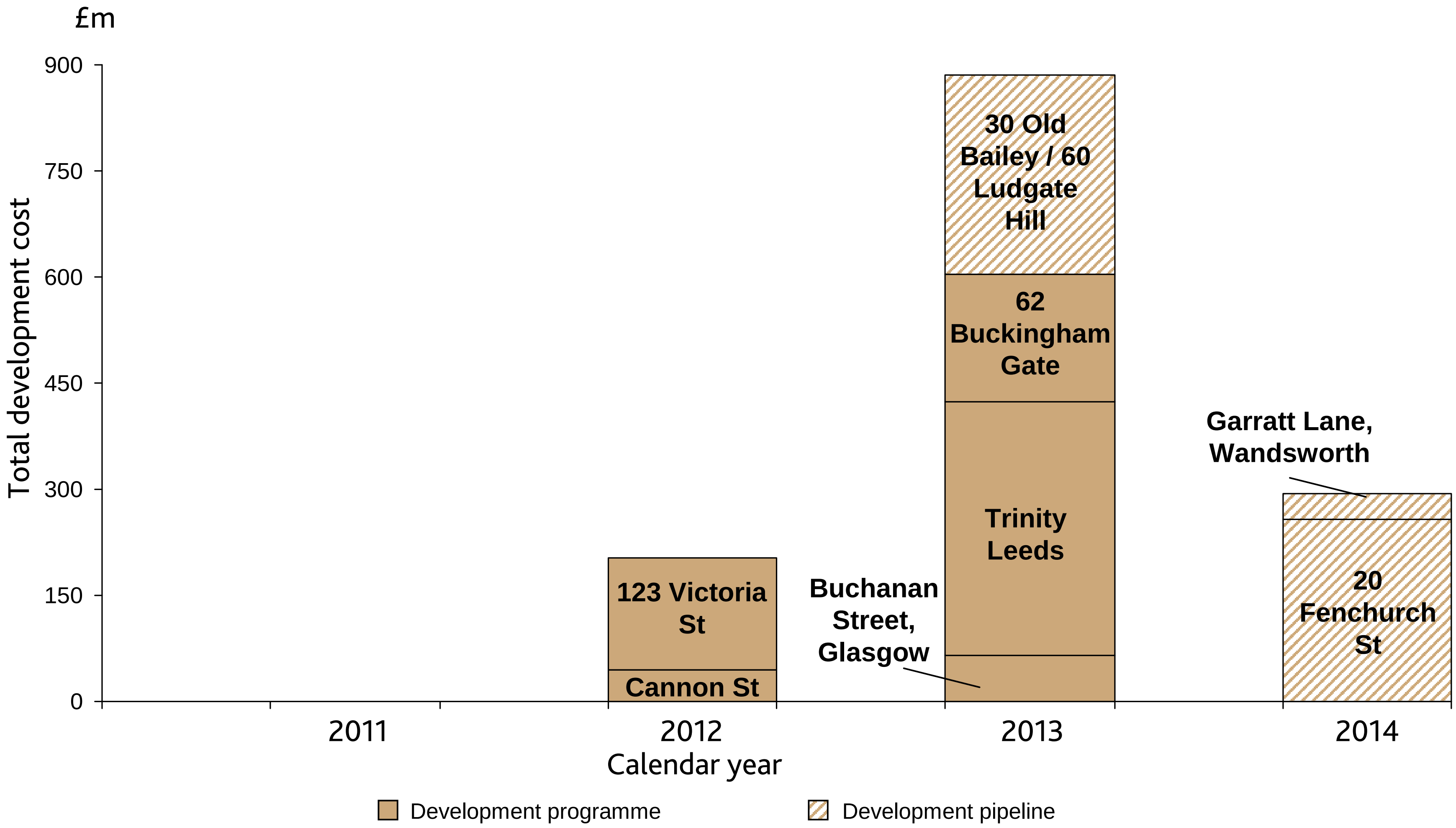



*Source: History: Cushman & Wakefield, Pipeline: BCSC*

**No shopping centre development completions in 2012…and then Trinity Leeds**

# Land Securities development commitments

(projected to summer 2011)




**£1.4bn total development cost**

# Land Securities potential forward development pipeline

1 New Street Square, EC4

Victoria Circle, SW1

Buchanan Galleries, Glasgow

Arundel Great Court, WC2

Kingsgate House, SW1


Westgate, Oxford

London Portfolio c.£2,150m TDC

Retail Portfolio c.£350m TDC

**Up to £2.5bn potential forward pipeline**

# Drivers of performance – 2011/12 and 2012/13

1. Early mover advantage on developments
   - Potential to exceed standard profit margins
   - Lower than anticipated availability of new buildings by mid-2012

2. Continued momentum on asset management initiatives – founded on:
   - Customer relationships
   - Planning skills

3. Management actions to drive earnings growth:
   - Reducing void levels
   - Making dormant development sites productive
   - Positive yield spread between purchases and sales
   - Delivering developments at a high yield on cost

**Trinity Leeds**

**A clear plan**