**Land Securities' 2007 Interim Results Presentation**
**Wednesday 14 November 2007**

**Question & Answer Session**

**Question 1**
**Harm Meijer – JPMorgan**

Thank you very much for this presentation. Just on the break up, what were the other options which you have taken into account next to this break up?

**Answer – Francis Salway**

The focus was around having the right structure for the business going forward. And this is very much a live issue when people reflect on the company. So the options were around staying exactly as we are or de-merge in Trillium or de-merging into three parts of the business.

**Further Question – Harm Meijer**

And is it also possible to add some numbers? What does this add for shareholders to break up the company? Can you quantify it a bit more?

**Answer – Francis Salway**

We are making this announcement now so that we can start on the detailed preparatory work because clearly we could not go through that detailed preparatory work without a risk of it becoming evident what decision we had made. And we will come forward in our normal style with a substantial amount of detail. I think it is slightly premature to do that at the moment in terms of detailed Balance Sheet structure allocation of debt. Because of course we will continue to run the business very actively over the next 12 months and I have no doubt that there will be quite a lot of change, to things like level of gearing over the next 12 months and we will be making decisions at the time when we come forward to shareholders with very firm detail.

**Further Question – Harm Meijer**

On the debt side, do you expect any penalties because of the break up? Can you give a bit more detail or is it again a bit early?

**Answer – Martin Greenslade**

The situation is that our debt providers are very important to us in the current Group structure and they will be going forwards. So what we will be doing is going forward with them and exploring the different options of transitioning from the current Group debt structure to the new environment. So it is too early to say what the costs of that transition will be.

**Further answer – Francis Salway**

Can I just add, you will remember that we went through a very significant debt restructuring in 2004 which was done efficiently and to the benefit of debt investors and equity shareholders in the business. So we have been through a similar sort of process recently.

**Further Question – Harm Meijer**

Are you all backing this choice, all you five on the table? Can I get an answer one by one?

**Answer – Francis Salway**

Have we got smiles or frowns? I think we can go a bit further than that. I think I can say the total Board is absolutely backing this.

**Harm Meijer**

Thank you.

**Question 2**
**Martin Allen – Morgan Stanley**

Can I just press you a little bit on the debt costs. I am not an expert on this, but somebody who is, suggested to me that unravelling your current debt structure would involve literally man years of lawyers' and accountants' time and cost tens of millions of pounds in fees. What would your best guess be of the cost of lawyers and accountants in unravelling your current debt structure?

**Answer – Martin Greenslade**

The cost of the de-merger which includes the advisory fees to achieve that, so including lawyers and accountants, I estimate to be in the order of £60 million and that includes advice around the debt structure. What it doesn't include is any fees specifically related to commitment fees and the like for new debt. And if I just put that in context actually, £60 million may seem a large number, but it is less than 0.5% of our enterprise value. It is probably what we spend in a year on acquisition and sales costs related to the change of our portfolio. So stamp duty and advisory fees.

**Question 3**
**John Fraser-Andrews – HSBC**

First some questions on Trillium. First one, would you please elaborate in terms of your target returns on the SMIF acquisition, what level of enhancements you received on the debt aggregation projected and the insurance saving? You stated here you are in the process of a debt aggregation process and also you have made a near 30% insurance saving. Could you give a rough figure to what extent you have advanced your IRR?

**Answer – Martin Greenslade**

Well what we described in terms of what we're doing with the insurance and with the debt aggregation is part of what we took into account at the time we purchased the business we recognised that those opportunities were there. And we are on course to deliver that. So it is part of the overall returns we expected from the business when we purchased it.

**Further Question – John Fraser-Andrews**

In terms of basis points are we talking 100-200 or more?

**Answer – Martin Greenslade**

Not of that order of aggregate. This is competitive debt that was tendered at the time in the underlying PPP contracts, probably at the BBB level. What we will be doing is trying to aggregate it so you get a higher rating on it. But not of that magnitude, no.

**Further Question – John Fraser-Andrews**

Second question, the statement refers to an ongoing tapping of capital by the infrastructure fund you are setting up. Could you elaborate on that please and put a figure on how much capital you will be seeking to tap and grow that infrastructure fund?

**Answer – Martin Greenslade**

With the initial fund we that have set up now, the intention is to have an additional facility of £200 million, £100 million coming from equity providers and £100 million coming from debt facility that I outlined in my presentation. So that is £200 million above the seeded assets coming into the fund.

**Further Question – John Fraser-Andrews**

Which will be an annual figure?

**Answer – Martin Greenslade**

It depends on how the process evolves. The intention is for the equity providers to put up new capital each year of at least £100 million and for us to add debt on top of that.

**Further Question – John Fraser-Andrews**

And a final question is regarding IPD and the valuation. To what extent do management consider that IPD and your own valuation firstly to September has captured yield movements in the market? And secondly IPD monthly index post your balance sheet date. To what extent do you believe that is reflecting market evidence and indeed valuers' guidance?

**Answer – Francis Salway**

I will say a little bit about valuation generally at the September Quarter day. There is an analysis that was published last week which shows the consistency of valuation between the five major firms of valuers who account for 85% of IPD and the variance between the highest and the lowest in overall capital value movements was under 1%. Interestingly at March '07 it was a higher figure and I don't have the exact number in my mind, but it was one and a bit percent. But I think people thought people valued in a vacuum, they certainly didn't behave as if they were valuing in a vacuum. I think the other point is, and I tried to bring it out in our comments on our valuation results, there has been quite a bit of variance between prime and secondary over the period. So whilst our overall yield movement was some 20 basis points we have had more secondary assets that have moved by 50-60 basis points. And sometimes people say to me, we are going to have yield movement of whatever like up 50 basis points. My answer is that is exactly what we won't get. What we will get is quite a spread. And you can see that if you think that between the beginning of this decade and June '07 there was a narrowing of yield gap between prime and secondary of 170 basis points on shopping centres and 80 on London offices. We will get a correction of pricing of prime to secondary to a more normal range in a very similar fashion to what we are seeing in investment types and asset classes other than property. So I believe very strongly a lot of this is about re-pricing for quality and it is hidden within the data that we refer to on our valuation outcome.

**Further Question – John Fraser-Andrews**

Thank you. And just a supplementary to that. What quantum would you put roughly on your Retail and London businesses as being secondary property?

**Answer – Francis Salway**

We are probably the only property company that will ever say we don't have totally 100% prime assets. I have been asked this question before and I would have said that in the Retail area, probably around 20%. And that is, we have sold a lot of retail assets where we didn't see growth between Autumn '06 and June '07. We absolutely want to retain some of the other ones, because we have said our business model is about moving assets up the retail hierarchy. To do that you will always have at some stage assets that at the moment are not defined as prime. And I think in London it is a very neutral question because the portfolio under Mike's leadership is increasingly moving between top quality clusters as at Victoria and New Street Square and pre-development properties. There is surprisingly few income producing average income producing investment properties in the portfolio.

**John Fraser-Andrews**

Thank you.

**[Question from webcast]**

**Question 4 *(read out by Francis Salway)***

The question is, Kent Thameside, how will the detailed planning consent be reflected in the valuation of the holdings?

**Answer – Mike Hussey**

Well positively I think is the answer to that. I mean clearly the valuers will have to take into account any changes in the status of the project and as Francis said the detailed consent we received last night will be factored into the valuation.

**Question 5**
**Mark Young – Oriel Securities**

Francis you told us that you sold £175 million of property at 7.1% over March. The second £175 million you referred to, are you hopeful that that will be similar valuation levels or less good? What are your expectations in aggregate?

**Answer – Francis Salway**

We won't comment. I will tell you why. We would quite like to close the transactions.

**Further Question – Mark Young**

That is why I said in aggregate. I was trying to give you a…

**Answer – Francis Salway**

No we won't comment. I hope you will realise there are some things it is just not commercially sensible to comment on. Sorry.

**Question 6**
**Quentin Freeman - UBS**

Francis I assume by that 20%, you assume it is 20% secondary? [laughter]

**Answer – Francis Salway**

Thank you very much for clarifying that point. Thank you.

**Further Question – Quentin Freeman**

Sorry, Fenn Farm, can you remind me what Fenn Farm is?  You have a nice profit from that first half.

**Answer – Richard Akers**

Fenn Farm is the site in Milton Keynes, a joint venture with Gazeley and it is one of the remnants from our industrial portfolio. The profit is related to a building which we have developed which is let to John Lewis, 750,000 square feet which we have also forward sold. So that is Fenn Farm. There is a lot more opportunity there and we are currently marketing four further sites for distribution warehouses on the land that we have there.

**Further Question – Quentin Freeman**

Can I broaden it, what happens to these other assets in the new shape company. Where do they go?  Or do you lose them before you?

**Answer – Francis Salway**

I don't think we will lose them. We are not so purest that we won't retain great opportunities that we have set up. And that is why when we did the property exchange to come out of industrial, we retained one or two sites with long term potential. That one happens to have potential for warehouses. There were 2-3 other industrial sites we retained that had retail potential. So those ones and as it happens, Fenn Farm, will probably go on the retail side and clearly the other part of the business which is slightly different is our Urban Community Development which sits very firmly with London because on the largest site there is a mere 6 million square feet of offices to be developed and I can't think of anybody better to do that than Mike.

**Further Question – Quentin Freeman**

Have you still got land at Stansted?

**Answer – Francis Salway**

Yes we do

**Further Question – Quentin Freeman**

And where does that fit?

**Answer – Francis Salway**

That fits within the Urban Community Development team.

**Further Question – Quentin Freeman**

So that is London

**Answer – Mike Hussey**

Correct.  Just at the end of the runway!!!

**Further Question – Quentin Freeman**

So Mike's empire is broadening.  Can you tell us on the CapEx, you talked about two new shopping centre projects, one in Leeds and one in Glasgow which are joint ventures. Can you tell us roughly how much they would cost to build?

**Answer – Richard Akers**

Yes we will give you some rough figures. In Leeds the asset which we have put into that joint venture is Leeds Shopping Plaza which was valued at just a bit ahead of £150 million and the asset we have acquired was around about £85 million which is the Trinity Quarter development site. We think that the end value of the entire development will be close to £600 million.

**Further Question – Quentin Freeman**

And the CapEx?

**Answer – Richard Akers**

The CapEx will be somewhere. The difference between those two figures less our profit!! [laughter]

**Further Question – Quentin Freeman**

What is the profit?

**Answer – Richard Akers**

It is sufficient to encourage us to do the project!

**Further Question – Quentin Freeman**

Have you created the joint venture? Is that in this half or did it happen in the last half?

**Answer – Richard Akers**

No in this half. The joint venture was concluded in September with Caddick Developments and it is a 75% Land Securities and 25% Caddick Developments.

**Further Question – Quentin Freeman**

Great so would that be accounted for with a minority or straight JV in terms of accounting?

**Answer – Martin Greenslade**

I see he turns to me for that! It is a look through partnership, so it will be accounted for in the same way as we do for our other partnerships here. But it is a 75% holding. So if you are looking at the accounting treatment, yes it will be consolidated and have a minority interest. But in terms of the portfolio we will show it in the way we normally do as our percentage of those assets.

**Further Question – Quentin Freeman**

Thanks very much. In terms of other businesses, the Metro shopping JV presumably goes into London?

**Answer – Francis Salway**

The Metro Shopping Joint Venture has always been managed by Richard's team because it is inner London rather than central London and it excludes central London retail from its scope in terms of what it does. Hence my reference to inner London suburban shopping centres as distinguished from central London retail. And when you look at our statistics, the figures for central London shops exclude the Metro shopping centres which are within the shopping centre assets.

**Further Question – Quentin Freeman**

Thank you and then Landflex is not part of Trillium is that right, part of the Landflex business or do you still have that as an independent business?

**Answer – Mike Hussey**

No it is part of London.

**Further Question – Quentin Freeman**

Thanks. In terms of Stormont, you talked about the legal inquiry at the moment and then you submit bids. What does that mean roughly in terms of timing when you expect a result?

**Answer – Ian Ellis**

The legal case is due to be listed for January of next year. So if it is not resolved before that, it will be resolved in Court in January.

**Further Question – Quentin Freeman**

And then you submit a bid and then roughly how long will it take to get an answer?

**Answer – Ian Ellis**

The intention is that the whole BAFO to finalisation stage will be three months to preferred bidder and then six months or so to close.

**Quentin Freeman**

Thank you.

**Question 7**
**Carl Gough - Cazenove**

A couple of questions, one to follow on the development CapEx. At the Group level could you give the remaining CapEx for the second half year and that envisaged for the following year, so just Group level figures?

**Answer – Martin Greenslade**

Sorry what was the question?  Do we?

**Carl Gough**

What is the Group CapEx for the remainder of the second half year and next year?

**Answer – Francis Salway**

Right, the CapEx for the whole of the current financial year is £626 million against which you offset that which Martin referred to in the first half. And for the next financial year it is £544 million.

**Further Question – Carl Gough**

And Martin, I think the final comments that Francis made about all of the Executive Board Directors staying with individual companies that might be de-merged and four of the names have been associated or lined up with three of those companies. You are obviously staying, but it is not clear where. Can I link that conclusion?

**Answer – Martin Greenslade**

Well thank you for your concern!  You can certainly draw the conclusion that I will be staying in one of the businesses. I would imagine my role will be as a CFO in one of those!  And so I think it would be premature to say which business, but I will be staying in the business.

**Further answer – Francis Salway**

Can I add, we have Paul in the room here at the front. And it is also the case that we have specifically not allocated non executive Director roles across the three businesses. So the non executives will remain non aligned as we go through the process of implementation.

**Question 8**
**Quentin Freeman - UBS**

Sorry, Quentin Freeman again, Glasgow, plus profit as well?

**Answer – Richard Akers**

In Glasgow we have a very substantial asset, close to £400 million in value. It is a joint venture with HGI with Henderson. And again I am not going to give specific CapEx figures on that development. But we think that the end value of the entire investment will be between £700-800 million.

**Further Question – Quentin Freeman**

And roughly how much does it cost to build a square foot of a shopping centre?

**Answer – Richard Akers**

It depends entirely on where it is.

**Questioner – Quentin Freeman**

Is it cheaper in Scotland?

**Answer – Richard Akers**

Yes it is cheaper in Scotland than it is in London, definitely.

**Question 9**
**Bhupen Master – Merrill Lynch**

Just a couple of questions on Trillium. Firstly your central overhead costs were up significantly over the half. Where do you expect those to normalise for the full year?

**Answer – Ian Ellis**

I think those costs you have to understand what they are at the moment before I can answer that question. A lot of those costs are actually driving the PPP business in terms of acquisitions and the fund structure. In the figures you see in the first half there are absolutely no profits shown for any of those activities and what we will be looking at very carefully, what is the optimum resourcing to drive the profits and fund in the PPP sector going forward into next year? At that point we will know what the figures are. But they are not just a dead cost, they are costs at dry profits not yet reflected in our figures.

**Further Question – Bhupen Master**

And just in terms of the PFI fund, what is the leverage within the fund and is Land Securities going to retain an equity stake?

**Answer – Ian Ellis**

The leverage is 50% basically and we are targeting a maximum 20% stake with current appetite, we think that will not be a problem.

**Further Question – Bhupen Master**

And just last question on Trillium. Does it meet the REIT test? And if not, what are the tax consequences?

**Answer – Ian Ellis**

Trillium currently meets the REIT test as a stand alone business.

**[Further question from webcast]**

**Question 10**
**[Richard Akers to take]**

The question is on Sainsbury's JV, do you see this as a first step to a broader relationship with the retailer?

And the first point I would make is we already have a very broad relationship with Sainsbury. They are one of our biggest customers. In terms of the joint venture itself, it is contemplated that whilst initially there are three properties in there and it is relatively small in the scheme of things, it is contemplated that we will be looking to expand the JV both with assets from Sainsbury's existing portfolio and assets acquired from third parties. And we see this as really important for us, apart from the fact that the joint venture with one of our main customers, is also access into development opportunities and particularly into the kind of schemes food store anchored, edge of town schemes which we think will be very strong relative performers over the medium term.

**Question 11**
**Nicholas Lyle - HSBC**

A question on Trillium. I was wondering do you foresee any further gains on disposals in the DWP contract given that the vacancy rate is increasing?

**Answer – Ian Ellis**

Yes whether or not they will materialise this year is unsure because what we do, when the assets come back, we work up the planning situation to optimise value. And there are several sites like that which we have unlocked with DWP in terms of their intended vacations. And as they come back and are vacated, we will release those and are very hopeful we will get above book value for those sites.

**Nicolas Lyle**

Thank you

**[Further question from webcast]**

**Question 12**
**[Martin Greenslade to take]**

The question is how long do you anticipate the de-merger process to take?

To which the response is that de-merger processes like this when they are announced at this stage would typically take at least 12 months from the point of announcement. We are not committing ourselves to a timetable with specific deliverables because we have also said that the transition from the one business to three separate businesses has to be reasonably efficient and so the equity and debt markets will be important to us in that process.

**Question 13**
**Bhupen Master - Merrill Lynch**

Just in terms of the break up, would any of the JV assets, are they any pre-emptives whereby a JV partner can buy up the other 50% stake or the other interest from change of ownership?

**Answer – Francis Salway**

We have undertaken a review of all existing contracts for issues such as that and we do not expect any issues.  And also to the extent that we have guarantees. We have looked into assignability of guarantees etc. So that aspect of detailed work has been undertaken before we make this announcement.

**Question 14**
**Miranda Cockburn – Cazenove**

Can you give us a bit more on dividends going forward under de-merger. Do you think they are likely to be cut, dividend growth cut?

**Answer – Martin Greenslade**

What we are aiming to do today is set out the provision for three different businesses and we believe that those three different businesses will provide greater returns to shareholders. And hopefully that greater return will come through in the form of greater dividend growth as well. But it wouldn’t be fair and it would be premature to set out today the dividend policies of the individual businesses because that will be for those businesses and their Boards to determine and will be dependent on the markets that they are in and the capital structure and the way in which they want to approach dividend and gearing for the specific conditions that they find themselves in.

**Further answer – Francis Salway**

And I think we absolutely expect the three businesses to have a slightly different approach on dividend pay out ratios and dividend growth and that is also part of the rationale for going down the route we are going down.

**Question 15**
**Harm Meijer - JPMorgan**

Can I ask something about the share buy-back. You made a comment on a tactical approach. Does it mean you are buying right now?

**Answer – Martin Greenslade**

No I am sitting here right now and I am not in the market as we speak. But we are open to do that and this announcement and the end of the closed period puts us back able to do that. I think we set out previously what our policy was on this. We see some merit in it. It is a use of cash that is potentially dilutive, but whether a value enhancing opportunity comes along such as developments - which can be diluted initially, we do see merit in doing that. But it will be a question of balance.

**Further Question – Harm Meijer**

And last one, and I swear that. You have also sold two properties to Sainsbury's, what are the yields on those properties which you have disposed of, I think I didn't see this and how did that compare to book value?

**Answer – Francis Salway**

We are not giving detailed disclosure on individual properties at that level I am afraid. We tend to give our disclosure at an aggregated level rather than individual property transactions. And that is entirely consistent with the approach we have taken previously.

If that is the end of the questions, can I thank you for your attention. We have had a very busy six months and I think you continue to see the same levels of activity in the business going forward. Thank you.

**End of Q&A Session**