LandSecurities

TEXT FOR CONFERENCE CALL ON LAND SECURITIES' Q3 INTERIM MANAGAMENT STATEMENT

20 JANUARY 2009

Speaker: Francis Salway, Group Chief Executive

Good morning everyone and thank you for joining us today. I have with me Martin Greenslade and after we have taken you through some of the key points in our statement, we will be happy to take your questions.

The IMS covers the period from the end of September and it is important to remember that since that date the market has seen the fastest ever fall in property values allied to a deteriorating economic environment.

We have had a cautious outlook since early 2007 and this has led to defensive action over this time with £2.4 billion of asset sales since April 2007. Although we could not have foreseen the full extent of the market correction all the actions we have undertaken have been in the right direction and we have adjusted our plans further since autumn 2008.

The strengths of our portfolio and the validity of the priorities we outlined in November remain. We have two best in class businesses with relatively stable income streams secured on a range of strong assets and a diversified tenant base. Our current priorities continue to be to maintain balance sheet strength and maximise income. As evidenced in today's statement we have taken positive steps to maintain the strength of our balance sheet with the recent sale of Trillium together with over £200 million of property sales. We have also been energetic in seeking to maximise our income and we have made some progress in the quarter.

We are clear that although the speed of market deterioration may ease in the current quarter, the direction will continue to be negative. With this in mind, we continue to believe that we must focus on maintaining a resilient position through these conditions and then be ready to react quickly when the market turns. We strongly believe that the companies that can best maintain their strength and flexibility in the current downturn will be those that emerge strongest as the cycle turns.

Turning now to activity in the quarter.

Aside from the sale of Trillium, which was after the quarter end date and which Martin will cover shortly, disposals in the period were £214m. This included investment property disposals of £202m, 7.8% below the September 2008 valuation. We are continuing to progress more property sales as part of our plan to maintain balance sheet strength.

Our void level has crept up in the period from 4.3% to 4.6% excluding development pipeline properties. On this basis there was no change in voids in London and the increase came from our Retail Portfolio which saw voids rise from 4.3% to 4.7% on a like for like basis excluding development pipeline properties. In addition tenants in administration in the Retail Portfolio represented 4.8% of annual rental income compared to 2.9% in September.

We completed £1.8 million p.a. of development lettings in the quarter and a further £5.8 million is in solicitors' hands. These relate to retail units. Our two shopping centre schemes completed in the financial year in Bristol and Livingston are now 91% and 78% let respectively.

Our scheme in Cardiff, St David's 2, being undertaken in partnership with Capital Shopping Centres, is experiencing a tough letting environment and is now 23% let or 37% let or in solicitors' hands by income. It is difficult to see the leasing outlook for this scheme getting materially easier ahead of completion in the autumn.

On London offices we completed no development lettings in the quarter. But, this needs to be considered in the context of our development programme which was largely completed by the end of last year in line with our anticipation of a slowdown in the London office market.

To sum up, the quarter has been one of continued progress against our key priorities of maximising income and managing our balance sheet. Looking ahead, the market will continue to be challenging. We will stick to our belief that success is about managing through this phase to allow us to take a lead as the cycle turns.

I will now hand over to Martin.

Speaker: Martin Greenslade, Group Finance Director

Thank You Francis

On the financials in today's announcement, it is pleasing to be able to say that we have made progress on the key areas of our level of overall debt, its average cost and the funding headroom in the Secured Group.

As at 31 December our net borrowings, including joint ventures and adjusted for the sale of Trillium, amounted to £5.7 billion. The sale of Trillium allowed us to use £394 million of cash proceeds to pay down debt, the difference between this and the total cash proceeds at the date of sale being the £50 million loan we undertook to make available to the Trillium Investment Partners fund which has now been drawn down.

As you will be aware, the vast majority of our external debt is borrowed via our Secured Group. You will recall that the LTV ratio of the Secured Group at 30 September 2008 was 53.4%.

We do not undertake quarterly valuations of our investment properties and therefore we do not have a current LTV ratio to give you.

However to give you an indication of the impact of our asset disposals on the Secured Group, if we were to use our 31 December debt position, but adjusted for the sale of Trillium and compared with September's valuation, the LTV ratio would have been 49.1%.

Clearly you need to treat this figure with some caution as the value of our property assets will have fallen during this period. However, I am not prepared to speculate as to the degree of decline.

Since September 2008 we have raised £93.4 million of new debt facilities, including our share of debt raised in joint ventures, and we also repaid £106.4 million of loan notes. We have no bank facilities that mature prior to 31 March 2010 and all of these have one year term outs. In terms of funding headroom at 31 December, adjusted for the Trillium sale, we had approximately £1.25 billion of facilities available.

Our debt was 87% fixed. Using the LIBOR rate at 31 December our average cost of debt was 5.0% with an average maturity of 11.1 years.

Finally the third quarterly dividend payment for the year will be 16.5 pence per share.

Now over to you for questions.

Question 1
Harm Meijer – JPMorgan

How determined are you not to go over the LTV of 65%?

Francis Salway

We've made it clear that the 65% threshold is not a breach; it's a change in operating environment. We can move above 65%, our preference is not to. We said that we would take action to ensure that the movement in LTV ratio in the Secured Group was less than would be driven by a simple movement in property values, and we have achieved that over the quarter. As Martin explained, based on the September valuation figures, we've reduced the figure from 53.4% to 49.1% and we expect to achieve more sales in the current quarter that we're now in. So I think that shows a consistency of approach on objectives, but it's not an absolute objective because we recognise that we do not control the 'V' part of the LTV calculation.

Further question

So if you are going to, let's say, breach this, then you will probably not do an equity raising just to keep it lower?

Martin Greenslade

I think you're connected two events there Harm. Just as Francis said, we can operate in the initial tier 3 quite comfortably, and there are more restrictions on us, it's what we call a restrictive operating environment, not a normal one. In terms of your question around equity, I think we've consistently said that equity is one source of capital that we have available to us, and so we're not ruling it in or out.

Further question

Then another point on the tenants in administration, which is around 4.8% for the UK retail portfolio, is there any…

Francis Salway

Can I just jump in quickly? Overall, it's 3% of the whole portfolio, much less in London. It's important to understand that figure relates to a percentage of the Retail Portfolio; for the business as a whole it's 3%.

Further question

What do you see this number doing in the fourth quarter; what are the early indications you are currently seeing?

Francis Salway

In the period since 31 December, it's been reported that there has been some further insolvencies, one being Land of Leather. The figure for units that have gone into insolvency between 31 December and now is a further 0.6% of retail portfolio, but that's 0.3% of total portfolio.

Further question

Then my last question; what are retail payments currently doing? Are there also tenants who have a contract, let's say, for another ten years trying to talk to you to get a rent free period or trying to break it open, what's happening on that front?

Francis Salway

The only places where we have found a request for a change to rent terms are where companies have gone into administration and there is an opportunity to continue trading. And to the extent that we have agreed any change to lease terms, it's been linked into a rolling break clause, so that if we can re-let on full on terms then we have the ability to do that, but that relates to units in administration.

Question 2
Carl Gough – Cazenove

You've got some unutilised facilities available, is that right, Martin?

Martin Greenslade

Yes, we've got headroom of £1.25 billion approximately.

Further question

What conversations are you having with the banks in utilising that capacity or indeed, are they trying to take it away from you; what is the position there?

Martin Greenslade

The £1.25 billion is basically on revolving facilities and bilateral facilities, so we have a syndicated revolving credit facility and we have bilateral facilities, so individual facilities with individual banks, all of which is secured on the Secured Group. We issue drawdown notices almost on a pay and repay, so it's an entirely fluid movement. Those lines are contractually available to us, and so we operate it as per normal.

Further question

And their expiry dates or is that something we should be aware of?

Martin Greenslade

Yes, as we said at the interim stage we have £940 million of those facilities, which mature in the calendar year 2010. All of those facilities have the option for us to extend them by a further year.

Question 3
Quentin Freeman – UBS

Can I just clarify something that, Francis, you said? When you're talking about the total portfolio and the voids, do you mean the total Retail Portfolio, i.e. retail plus London, or do you mean including the office portfolio as well?

Francis Salway

Including the office portfolio.

Further question

Secondly, could you give any evidence about what's going on in the reversions at the moment, so when you're having a rent review are you coming in at ERV / below ERV; what's roughly going on there?

Francis Salway

Slightly ahead of ERV. We're beginning to see a slightly more varied picture across individual assets. Clearly if we went back two years ago, it would have been a fairly consistent picture of being ahead. We are still ahead of ERV on rent review settlements since the beginning of the financial year on 1 April 2008, but it's not universally ahead.

Further question

And is there a difference in retail and offices or is it about the same?

Francis Salway

The proportion of cases where it's slightly below is higher in retail than in offices.

Further question

On the retail voids, is there a split between retail warehouses and in-town or is it, again, similar?

Francis Salway

It's in-town where we've seen the increase in voids. In retail warehousing, the only change in void levels is actually a unit that we took back from M&S at Livingston on the retail park as they took a new 90,000 sq ft store from us in the Elements extension to the shopping centre. So other than that in retail warehousing there's actually been no change in void levels over the period and it's one and a bit percent still in retail warehousing, so low.

Further question

Finally, you talked about £93 million, I think, of new facilities; of that, what proportion was in joint ventures and which JVs raised the money?

Martin Greenslade

Just under half is in joint ventures and that was in the Harvest joint venture. Our share is £43 million.

Question 4
Mike Prew – Nomura

You made reference to the level of potential sales from the portfolio, just on the basis of where your debt position is and where likely yields are in the market; do you want to pencil in how you might protect your loan-to-values more and work through the levels of dilution; and where is the market at the moment, what do you think is saleable in the portfolio; and could you give us some sort of quantum as to the level of assets you'd like to achieve over the next three to six months in terms of sales?

Francis Salway

We don't give guidance on sales targets; we haven't in the past. We have continued to achieve momentum on sales in a weak market. We believe that our market share of total sales is very consistent or even perhaps slightly ahead of what we achieved in the year to March 2008 when we had a very high volume of sales. We have to be realistic that there is less liquidity in the market and we have to have flexibility around the properties that we consider for sale and one of the key considerations at the moment is that there is more depth of demand at lower lot sizes. Larger value properties are more difficult to sell, so we have brought forward a number of smaller retail assets for sale and that was a characteristic of the last quarter and the £200 plus million of sales was made up over half by New Scotland Yard, the balance by a number of smaller retail assets.

Further question

Could you give any guidance on what sort of exit yields you think you'd be likely to achieve?

Francis Salway

We think that on average yield profiles will be not out of line with, say, IPD Index, slightly above average yields in our portfolio, because we do not expect to sell some of the larger higher quality assets. It will be smaller mid quality.

Further question

Within the Trillium package there was the vendor loan; is this a continuing feature across the market on how you will conduct sales in the future?

Francis Salway

We haven't yet concluded a sale with a vendor loan. We would not necessarily rule it out, but we haven't used that to date.

Question 5
Martin Allen – Morgan Stanley

I wonder whether you could just give a little bit more colour on the retail properties where tenants were in administration. For example, for those that are not paying rent, should we assume that most of these units will need to be re-let?

Francis Salway

Not necessarily, no. If we look at recent insolvencies the most substantial within the retail portfolio have been MFI and Zavvi, we are reasonably optimistic of achieving a solution that creates ongoing income on quite a good proportion of the units from MFI and Zavvi. As you go to some of the smaller ones, there we are less confident in getting an immediate solution. This partially reflects the fact in the case of Zavvi that there are still a number of retailers seeking to get larger units. I know it is very much the types of units that Zavvi occupies.

Question 6
Harry Stokes – Citi

I just wondered if you could give a feel of how the rents of the December quarter end date were coming in relative to this time last year, and just the quarters last year? Secondly, if you could just remind us of what the interplay between the loan-to-value and the interest cover covenants at the sort of the 65% loan-to-value level; and what would be the cost of you breaching the actual additional interest costs, whatever breach in that 65% LTV?

Francis Salway

In a way they are both questions for Martin, but I will save his blushes on the first one; on rent collection because it is Martin's team that is responsible for this; December 2007 within 5 working days we collected 91.9%; December 2008 95%; within 10 working days, December 2007 95.2%; December 2008 98.1%. As you can see, we are highly focused on this issue and we have met with considerable success.

Martin Greenslade

Harry, I didn't quite understand your question on interest. The overwhelming criteria for the Secured Group structure is LTV; it does have ICR covenant, but the one that will come in to play is the LTV.

Further question

Okay, and if you did go over the 65% could you give a feel for what the additional costs you would be taking if you breached that covenant?

Martin Greenslade

Its not a breach. There is a delta; it is not huge because it is around a revolving credit facility. Let some other people ask questions; I will come back to you on that one.

Question 7
Brigitte Carriere – Credit Agricole AM

Firstly, what is your real Capex in the Retail Portfolio for return. The second one, is what will be the treatment of the Accor portfolio which you will keep; how you will include it in your future accounts; as a separate activity, or what?

Francis Salway

On the Accor portfolio we indicated when we announced the sale of Trillium this will be managed by our retail portfolio team. They are properties, they will be re-valued six-monthly in line with the rest of our investment portfolio. On your first question I didn't quite; can you just repeat your first question.

Further question

The amount of outstanding development Capex?

Martin Greenslade

Yes, the amount of outstanding committed development Capex on all our programs is a little over £600 million; and the majority of that will be retail although the major London development is One New Change. That was a combined number.

Further question

What is the amount you have spent on the third quarter?

Martin Greenslade

On the third quarter we have spent around £100 million of development Capex.

Martin Greenslade

Can I just come back to Harry Stokes' question regarding the incremental cost of operating in tier 3. There is no incremental cost on the bonds that we have outstanding; the £3.6 billion of bonds. The incremental cost relates to our revolving credit facilities and we estimate that to be of the order of 25 basis points and that comes in at about £4 million per annum.

Question 8
John Lutzius – Green Street Advisers

Can you please comment on the leasing prospects that you see for Cabot Circus and The Elements over say the next nine months?

Francis Salway

I think we will continue to make slow progress on lettings; we won't push it to do very expensive deals in that we have got to critical mass on trading and we will let retailers pick up on the success of trading of both those schemes. I would pick out one figure, on Livingston, where clearly current lettings are a little bit lower than Bristol. Compared to, and I go back to 2005 because that is pre-interference with footfall from construction works. Footfall in Livingston is now 14% higher than it was then following the opening of The Elements. We have succeeded in repositioning the whole of Livingston within the central belt in Scotland. And following on from that we are confident that over time we will get lettings.

Further question

Can you talk about your potential for empty rates payments on development? Can you help me understand when they kick in, and how you are able in some cases to mitigate them?

Francis Salway

They come in three months after completion of development. There is a question of interpretation as to when developments are technically completed; for rating purposes it is not always quite the same as practical completion under the building contracts certificate, but that's us seeking to better proposition. One probably shouldn't assume too great a differential between those two dates.

Can I just say a few words to conclude. Thank you for joining us and I think the key point to take from our third quarter Interim Management Statement is that in a very difficult market environment we continue to make progress against our key objectives particularly on asset sales for maintaining strength of balance sheet. Thank you for joining us.

– ENDS –

Forward Looking Statements

Land Securities' expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Information contained in this document relating to the Company or its share price, or the yield on its shares, should not be relied upon as an indicator of future performance.