

# Preliminary results presentation

16 May 2007

# Business highlights in 2006/07



- Total returns (pre-tax / pre-leverage)
  - Investment portfolio – total property return: 16.2%
  - Land Securities Trillium – return on capital<sup>(1)</sup>: 16.8%
- Lettings
  - Development lettings <sup>(2)</sup> 1.5 million ft<sup>2</sup>
  - Investment properties lettings <sup>(2)</sup> 1.5 million ft<sup>2</sup>
  - Trillium leasehold disposals <sup>(3)</sup> 0.7 million ft<sup>2</sup>
  - 
  - 3.7 million ft<sup>2</sup>
- Land Securities Trillium new business
  - 16 million ft<sup>2</sup>
  - 45 % increase in floorspace
- PFI – new market, sector leading position
- REIT conversion and dividend policy
  - 13.5% increase in dividend for 2006/07
  - Quarterly dividend payments at 16.0 pence per quarter for 2007/08 – up by at least another 20%

Notes: (1) Excluding acquisition made in final 2 months of financial year  
(2) LS share  
(3) Includes surrenders

**Strong execution on lettings and Trillium new business**



# Financial results

Martin Greenslade

Group Finance Director

# Financial highlights

	Year ended 2007	change %
Pre-tax profit	£1,979.1m	-16.1
Valuation surplus <sup>(1)</sup>	£1,396.3m	10.6
Revenue profit	£392.2m	0.2
Adjusted diluted earnings per share	70.2p	-0.4
Adjusted diluted NAV per share	2181p	14.1
Dividend per share	53.0p	13.5

(1) Excludes investment properties in Land Securities Trillium



# Consolidated income statement

2006 £m		ordinary items £m	exceptional items £m	2007 £m	change %
1,828.7	Group revenue	1,641.1	-	1,641.1	
(1,267.8)	Costs	(1,046.2)	-	(1,046.2)	
<b>560.9</b>	<b>Underlying operating profit</b>	<b>594.9</b>	-	<b>594.9</b>	<b>7.7</b>
1,579.5	Valuation surplus	1,307.6	-	1,307.6	
303.0	Profit on disposals and other items	118.2	-	118.2	
(194.5)	Net interest payable	(220.9)	-	(220.9)	
110.3	Share of profits/distributions from JVs	81.3	98.0	179.3	
<b>2,359.2</b>	<b>Pre-tax profit</b>	<b>1,881.1</b>	<b>98.0</b>	<b>1,979.1</b>	<b>-16.1</b>
(683.3)	Income tax (expense) / credit	(445.0)	1,994.2	1,549.2	
<b>1,675.9</b>	<b>Profit for the financial period</b>	<b>1,436.1</b>	<b>2,092.2</b>	<b>3,528.3</b>	<b>110.5</b>
391.3	Revenue profit			392.2	0.2
70.47p	Adjusted diluted earnings per share			70.20p	-0.4

# Underlying operating profit by segment

Year ended 2006 £m		Year ended 2007 £m	change %
<b>Property investment excluding joint ventures</b>			
193.2	Retail Portfolio	217.4	12.5
239.7	London Portfolio	263.3	9.8
(1.3)	Other investment portfolio	2.3	
96.6	Property Partnerships excluding joint venture	98.8	2.3
39.4	Long term contracts and trading property profits <sup>(1)</sup>	26.7	
<b>567.6</b>	<b>Segment operating profit</b>	<b>608.5</b>	
(15.0)	Less: unallocated expenses	(13.6)	
<b>552.6</b>	<b>Underlying operating profit</b>	<b>594.9</b>	<b>7.7</b>
<b>Joint venture underlying operating profit / (loss)</b>			
50.5	Retail	55.7	10.3
53.2	Property outsourcing (Telereal / IIC)	(3.0)	
<b>103.7</b>		<b>52.7</b>	

(1) Excluding £1.2m of trading property profits in Land Securities Trillium



# Rental income analysis

Year ended 2006 £m		Year ended 2007 £m	change %
	Like-for-like properties <sup>(1)</sup>		
223.2	Retail Portfolio	237.8	+6.5
206.2	London Portfolio	209.2	+1.5
3.8	Other	3.7	-2.6
<b>433.2</b>		<b>450.7</b>	<b>+4.0</b>
10.5	Completed developments	14.0	
67.3	Purchases since 1 April 2005	133.1	
67.8	Sales since 1 April 2005	33.9	
35.2	Ongoing developments	48.0	
<b>614.0</b>	<b>Gross rental income</b>	<b>679.7</b>	<b>+10.7</b>

(1) Properties owned and outside the development programme throughout the current and prior year





# Property Partnerships

Year ended 2006 £m		Year ended 2007 £m	change %
	Contract level operating profit:		
97.7	DWP	81.0	-17.1
0.5	BBC	2.8	
5.0	Norwich Union	9.2	
2.5	Barclays	3.3	
1.0	DVLA	1.7	
6.9	Telereal II	16.1	
-	Accor	1.5	
(7.4)	Bid costs	(2.8)	
(9.6)	Central costs	(14.0)	
<b>96.6</b>	<b>Underlying operating profit</b>	<b>98.8</b>	<b>2.3</b>
1.9	Net surplus / (deficit) on revaluation of investment properties	(13.6)	

# Accounting for SMIF acquisition

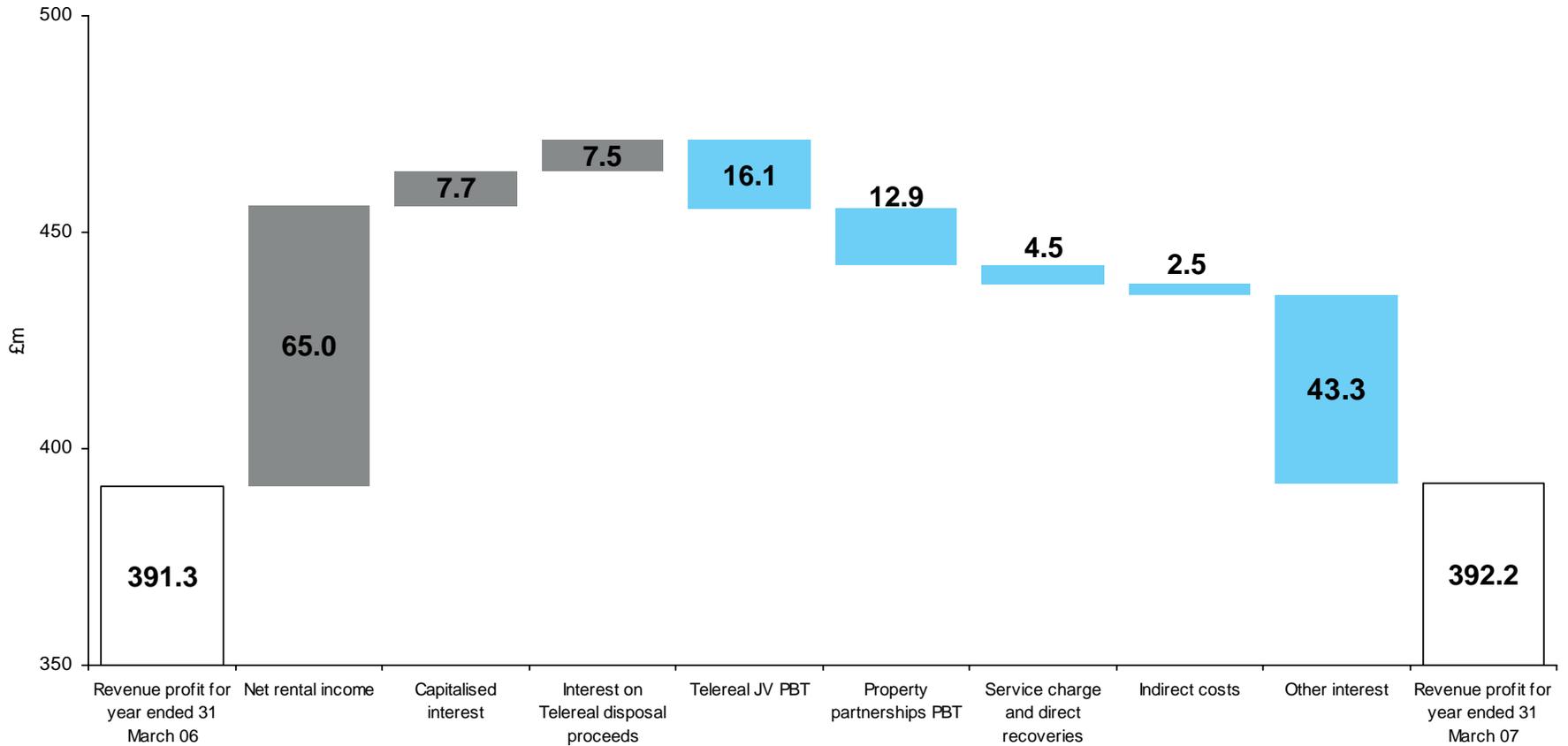
	<b>Retained Group</b>	<b>Disposal Group</b>
<b>Operations</b>	<ul style="list-style-type: none"><li>■ Management companies</li></ul>	<ul style="list-style-type: none"><li>■ PFI projects</li></ul>
<b>Accounting</b>	<ul style="list-style-type: none"><li>■ Fully consolidated</li><li>■ Negligible profits in period</li><li>■ Goodwill £71.5m</li></ul>	<ul style="list-style-type: none"><li>■ No line by line consolidation</li><li>■ Asset held at fair value less costs to sell – net £819.3m</li><li>■ Income not recognised</li><li>■ Cost of acquisition loan £8.3m in interest expense</li></ul>
<b>Other</b>	<ul style="list-style-type: none"><li>■ People fully integrated into LST operations</li></ul>	<ul style="list-style-type: none"><li>■ PFI projects account under UK GAAP</li><li>■ Share of pre-tax profits c.£7.0m for two months - per management accounts</li></ul>

**SMIF's existing PFI contracts not consolidated**

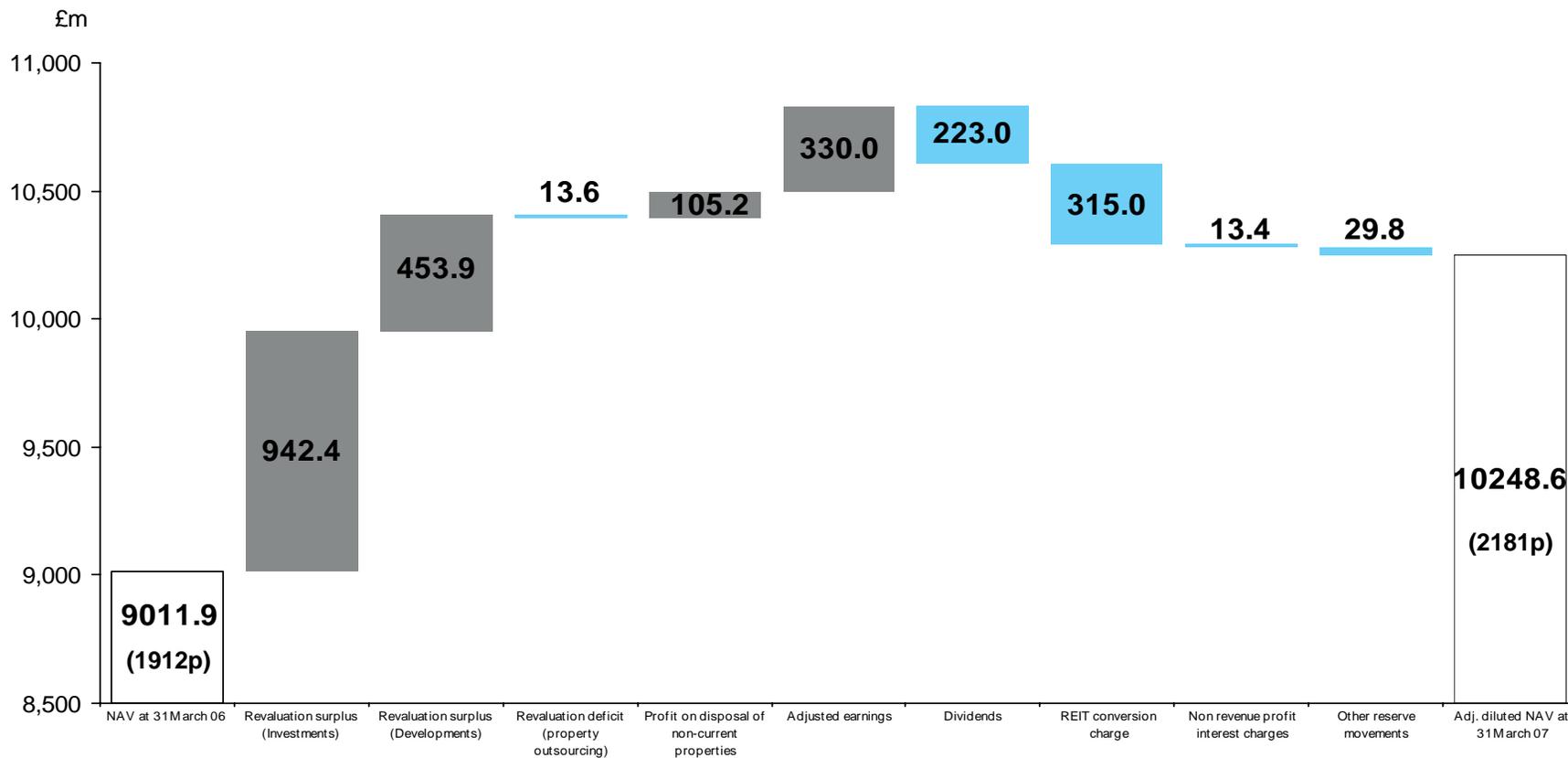




# Movement in revenue profit



# Movement in adjusted diluted NAV



Adjusted diluted net asset value per share +14.1%



# Cash flow and debt

Year ended		Year ended
2006		2007
£m		£m
(2,438.1)	Opening net debt	(3,685.9)
375.9	Operating cash inflow after interest and tax	361.5
(238.9)	Dividends paid	(223.0)
(2,008.3)	Investment property acquisitions	(523.7)
(6.8)	Property Partnerships property acquisitions	(416.5)
-	Acquisition of SMIF and IIC	(919.0)
(338.3)	Development/refurbishment capital expenditure	(532.6)
(26.9)	Other capital expenditure	(18.8)
(2,380.3)	Total capital expenditure	(2,410.6)
972.6	Property sales	869.8
133.8	Joint ventures	50.0
(110.9)	Other cash and non-cash movements	(49.7)
(3,685.9)	Closing net debt	(5,087.9)





# Gearing

Year ended 2006 £m		Year ended 2007 £m
3,685.9	Closing net debt	5,087.9
49.2%	Gearing – on book value of balance sheet debt	47.1%
46.9%	Adjusted gearing <sup>(1)</sup>	54.7%
51.1%	Adjusted gearing <sup>(1)</sup> - including notional share of joint ventures	58.8%
2.65x	Interest cover ratio Group (excl. joint ventures) REIT (3 months)	2.43x
		2.25x

(1) book value of balance sheet debt increased to recognise nominal value of debt on refinancing in 2004 divided by adjusted net asset value



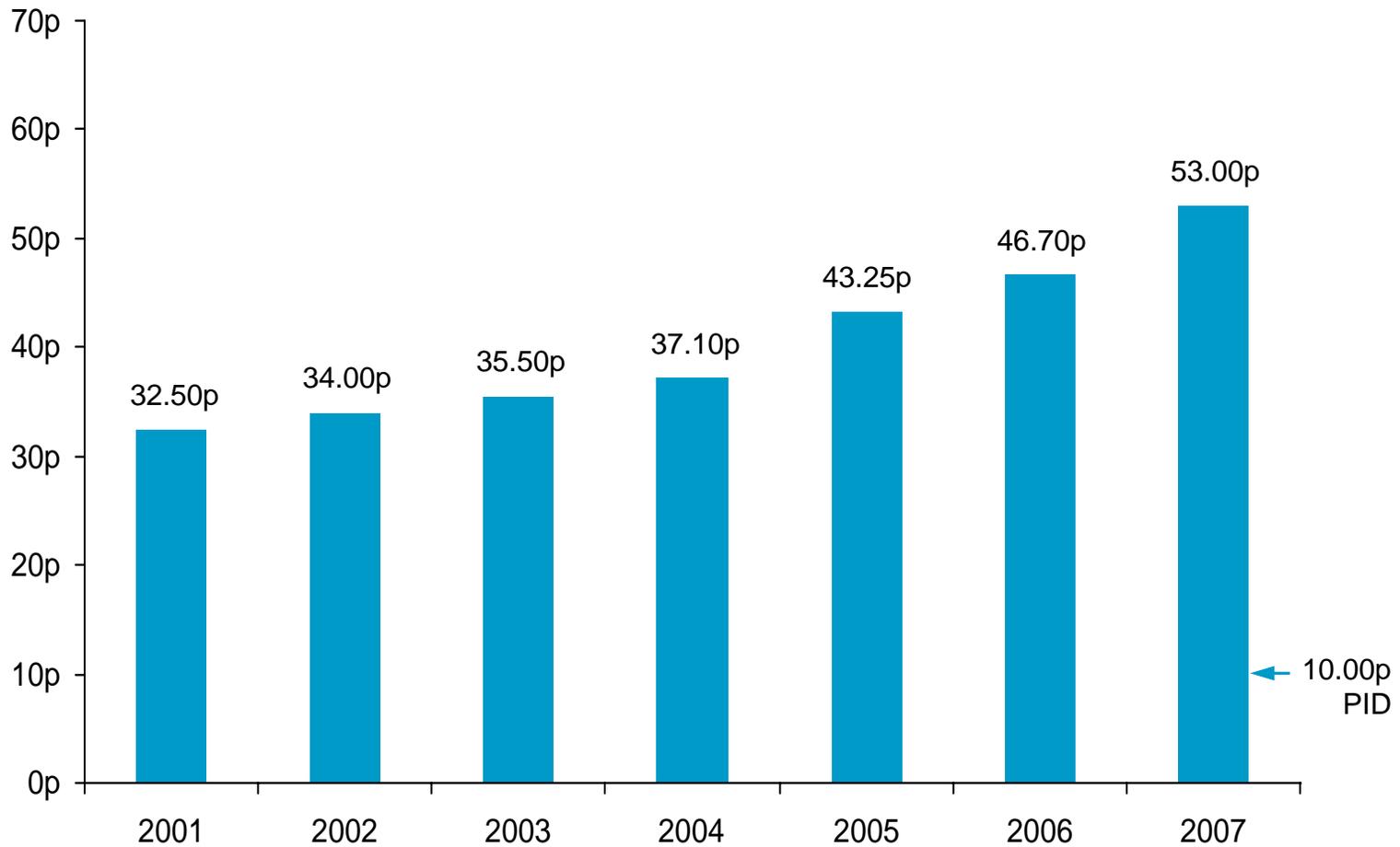
# REIT balance of business tests

	Three months ended 31.03.07			Year ended 31.03.07		
	Tax exempt business	Residual business	Adjusted results	Tax exempt business	Residual business	Adjusted results
Adjusted profit before tax (£m)	104.5	4.1	108.6	358.3	42.9	401.2
Balance of business – 75% profits test	96.2%	3.8%		89.3%	10.7%	

	As at 31 March 2007		
	Tax exempt business	Residual business	Adjusted results
Adjusted total assets (£m)	15,696	2,112	17,807
Balance of business – 75% assets test	88.1%	11.9%	



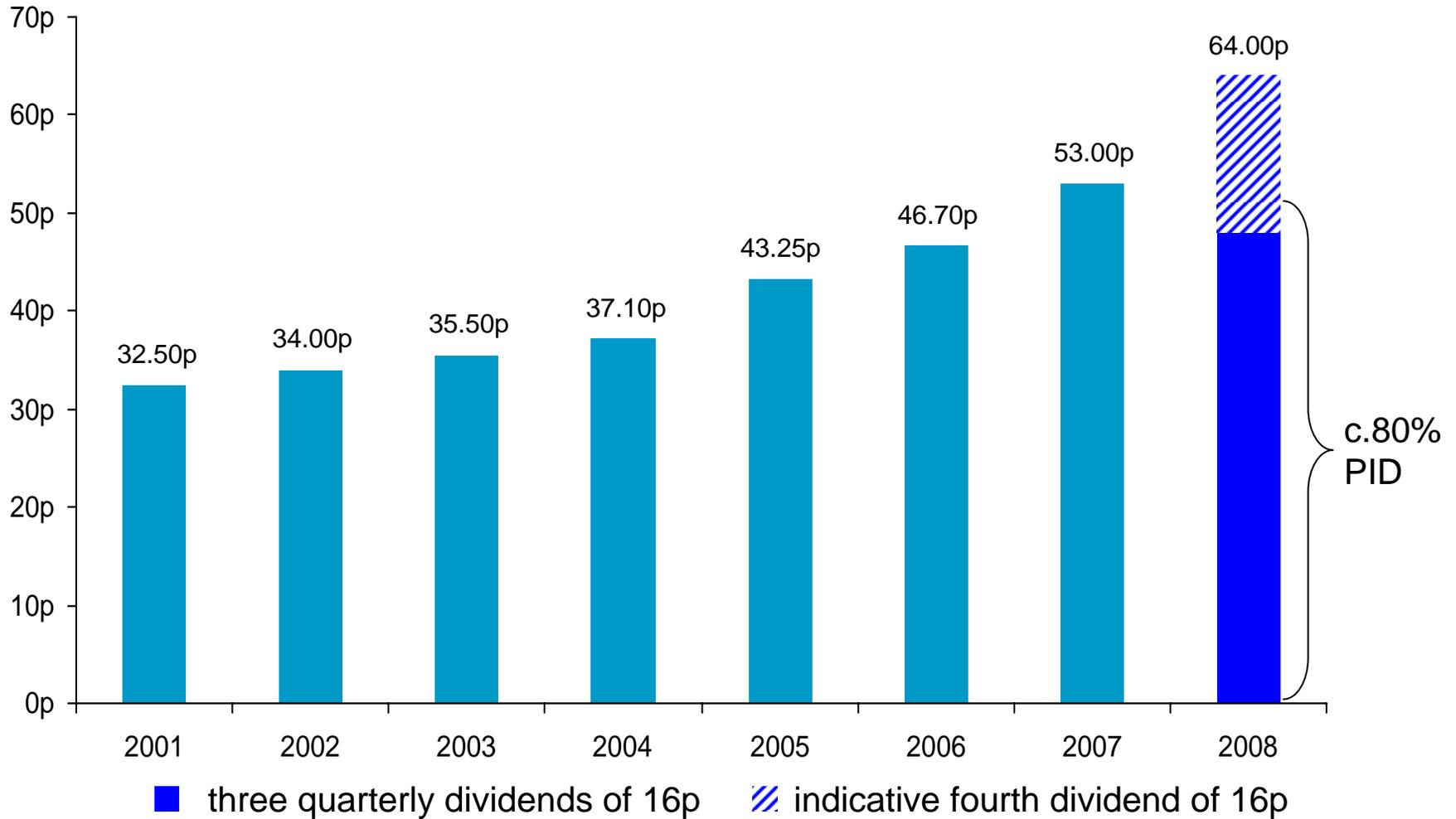
# Dividends



Stepped progression in dividend



# Dividends



Stepped progression in dividend





# Valuation results and operational review

**Francis Salway**

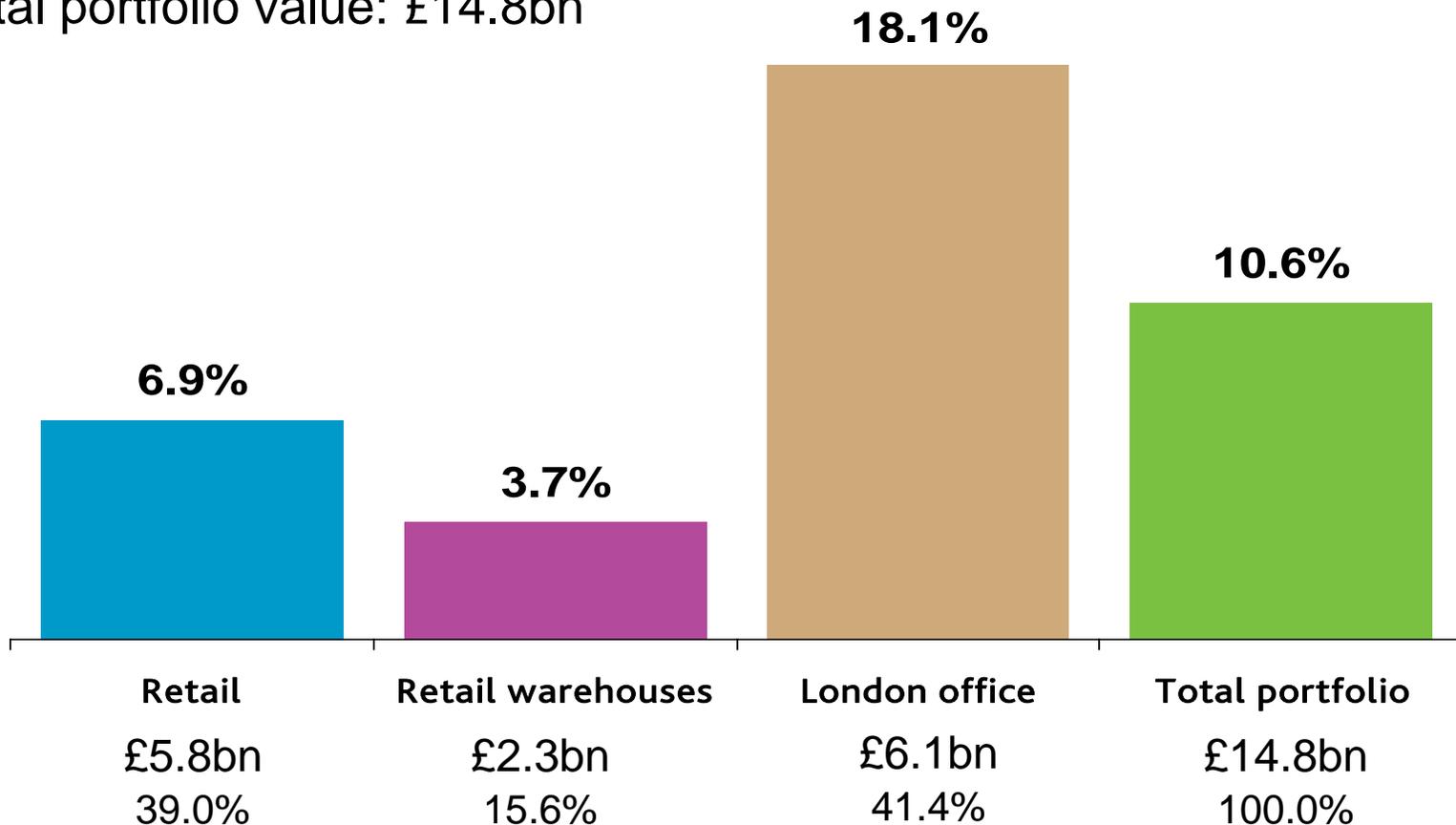
**Group Chief Executive**



# Portfolio valuation results

Combined portfolio (year ended 31 March 2007)

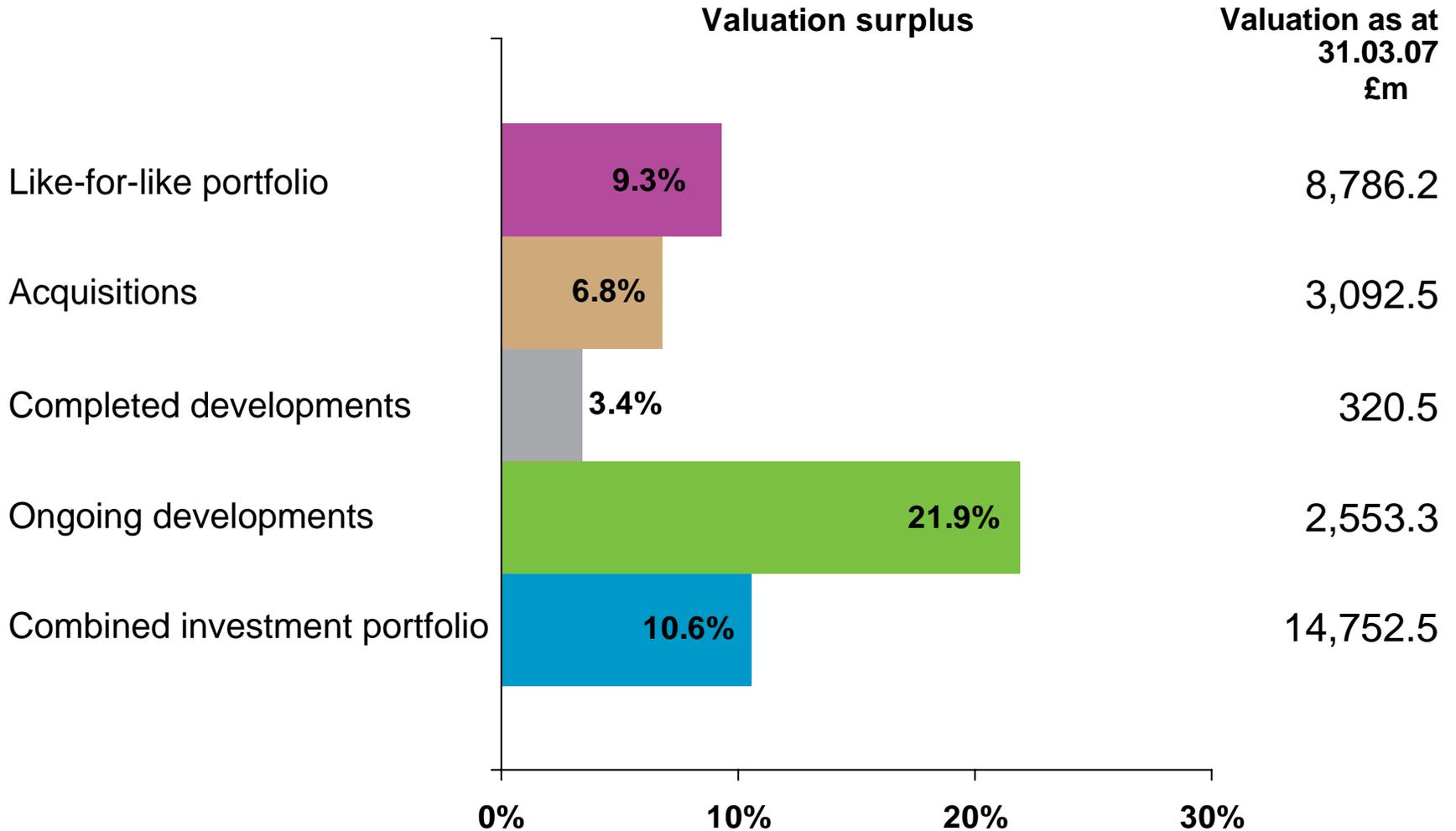
Total portfolio value: £14.8bn



Land Securities' total property return 16.2% vs IPD Quarterly benchmark 15.8%

# Portfolio valuation results

## Impact of developments and acquisitions



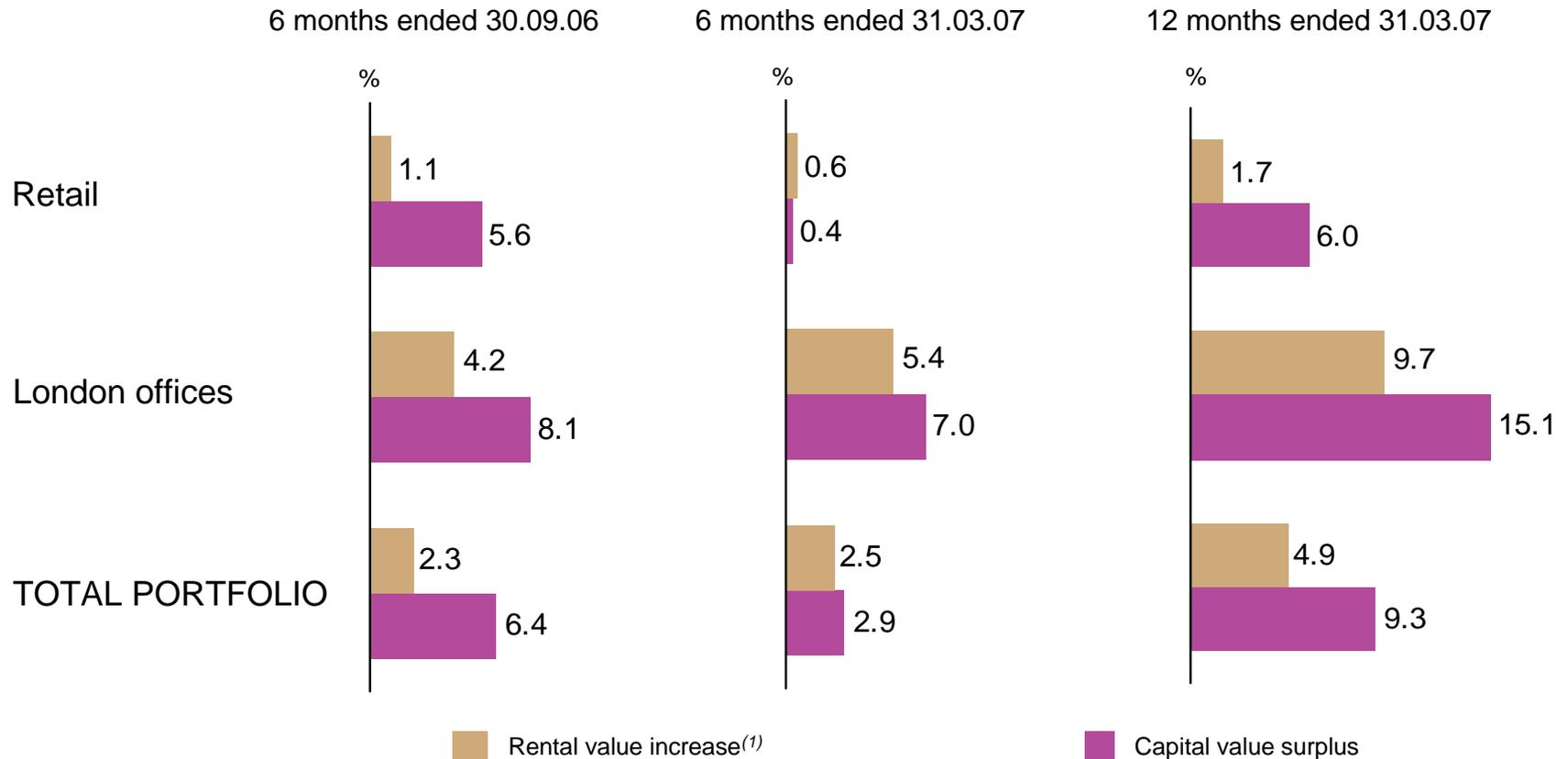
**Developments: 33% of total valuation surplus on 17% of total portfolio**



# Like-for-like portfolio

## Rental and capital value trends

Like-for-like portfolio value at 31.03.07: £8,786.2m



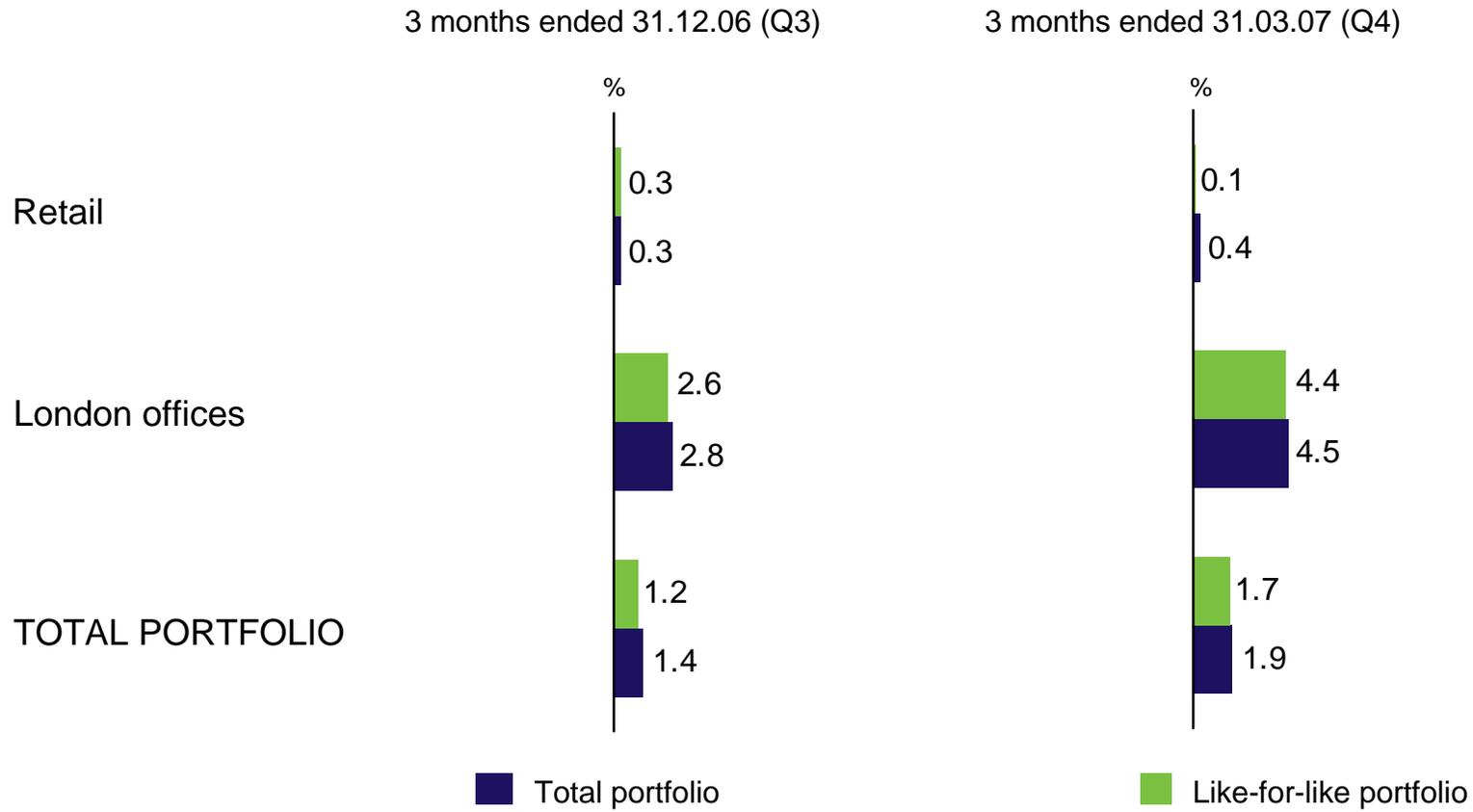
(1) Rental value growth figures exclude units materially altered during the year

**Yield compression of 24 bps in H1 and 10 bps in H2**



# H2 valuation surplus – split into Q3 and Q4

## Total portfolio and like-for-like portfolio



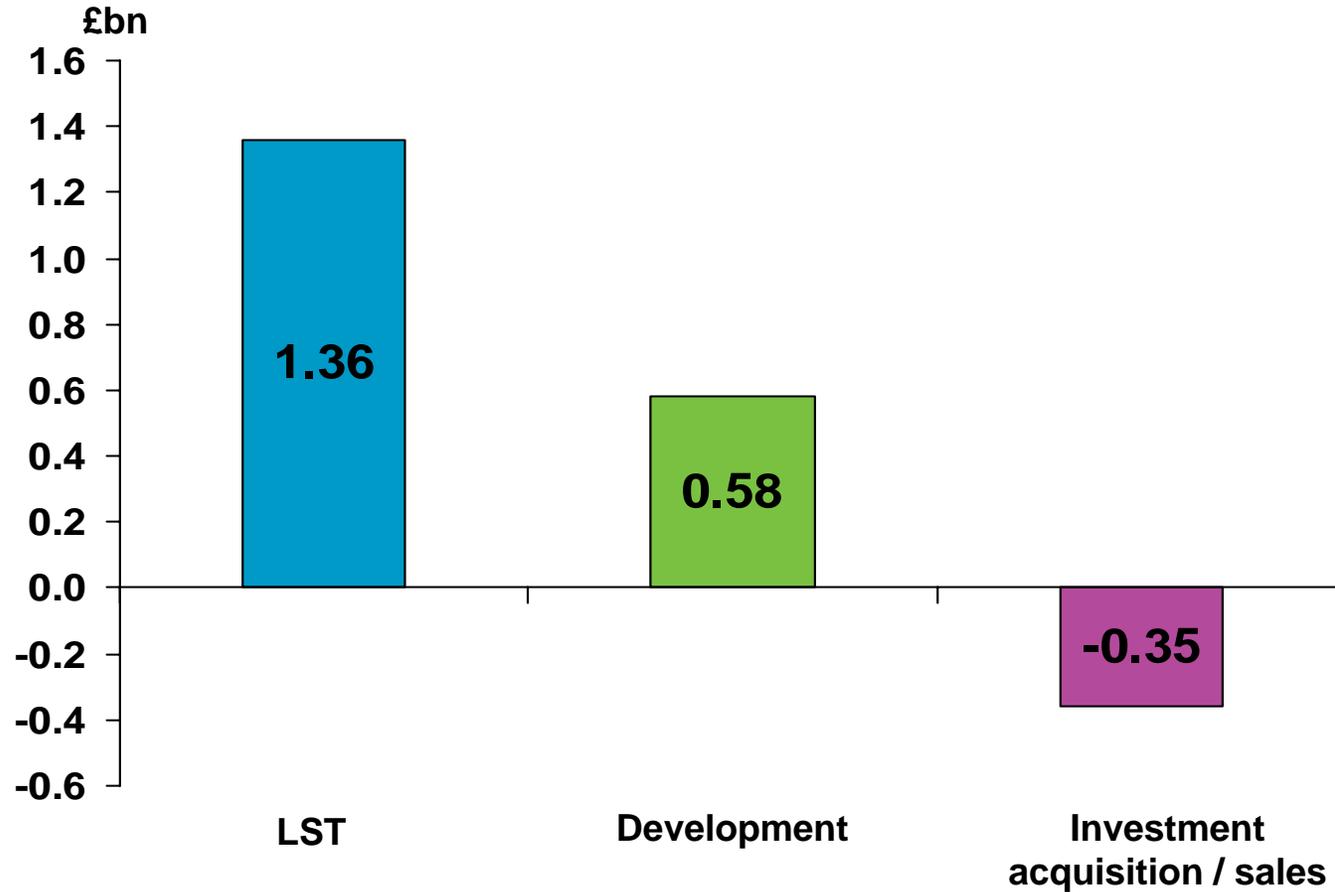
**Stronger growth in rental values for London offices in Q4**





# Capital management

Net investment in 2006/07



Net investment focused on LST and development



# Investment portfolio activity

	Retail £m	London Portfolio £m	Other £m	Total £m
Investment acquisitions	63*	479	-	542
Investment sales	(417)*	(480)	(2)	(899)
Net acquisitions/sales	(354)	(1)	(2)	(357)
Development and other expenditure	228	354	-	582
Total net investment	(126)	353	(2)	225

\* Based on the net effect of asset transfers into the Cardiff Partnership



Average yield on purchases of 4.5% and on sales of 4.1%

# Retail Portfolio Sales



**The Gate, Newcastle**



**White City, Manchester**



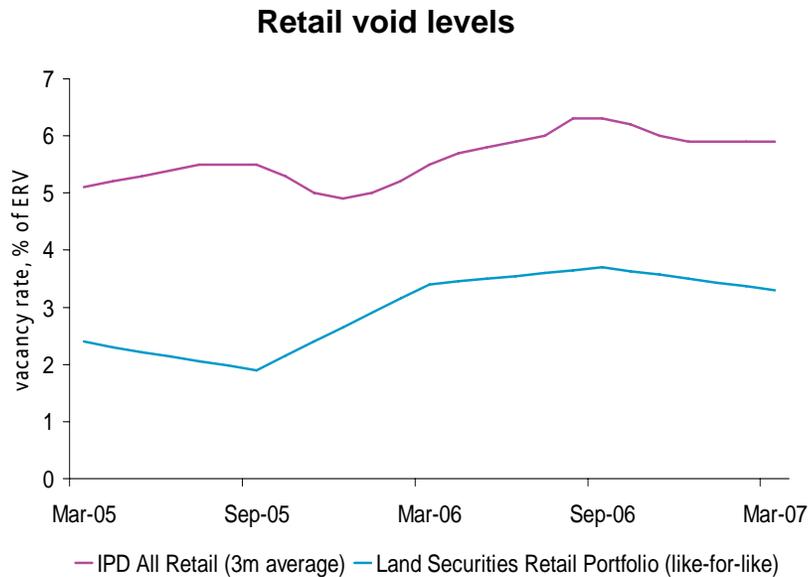
**Erdington, Birmingham**

£417m retail assets sold in 2006/07 and £580m marketed since 31 March



# Retail Portfolio

## Letting progress on investment assets



Source: IPD Monthly Index, Land Securities



**Non-development assets: 1.0 million ft<sup>2</sup> / £20m rent pa of lettings**



# Retail Portfolio

Development lettings - % let or terms agreed



Exeter: 85%



Corby: 40%



Cambridge: 91%



Bristol: 55%



Livingston: 21%

57% let or terms agreed for schemes completing in 2007 and 2008

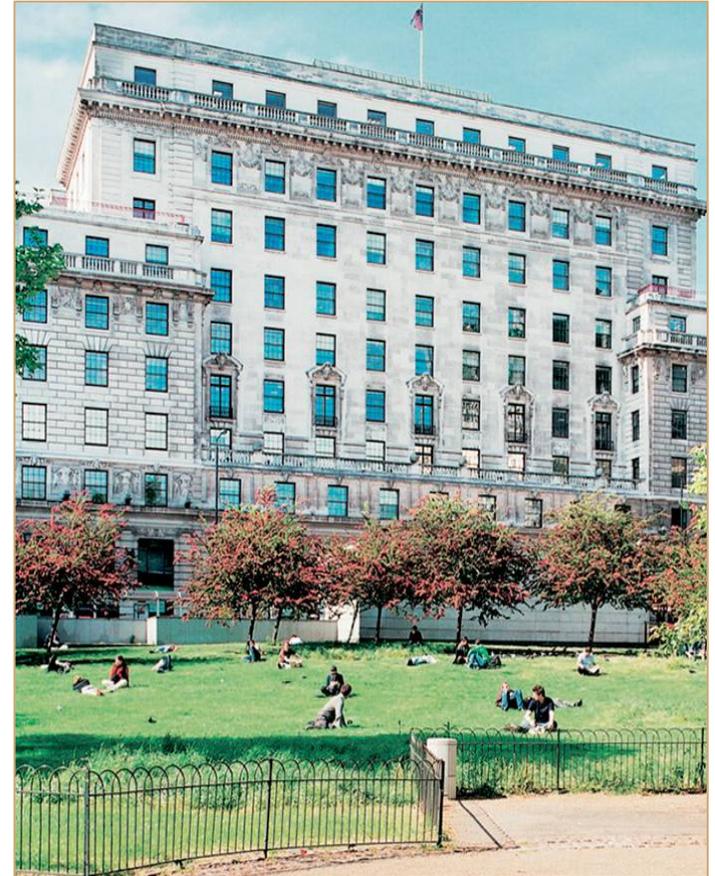


# London Portfolio

## Purchases and sales



Arundel Great Court, WC2



Devonshire House, W1

Buy c. £600 per ft<sup>2</sup> capital value / Sell c. £1,500 per ft<sup>2</sup> capital value





# London Portfolio

## Development lettings



**One Wood Street –  
Eversheds**



**New Street Square –  
Taylor Wessing**



**Cardinal Place –  
Microsoft, 3i**



**Bankside 2&3 –  
RBS**

**1.0 million ft<sup>2</sup> of development lettings / terms agreed**





# London Portfolio

The next phase of developments



**Dashwood House, EC2**  
155,000 ft<sup>2</sup> - 2008



**10 Eastbourne Terrace, W2**  
65,000 ft<sup>2</sup> - 2009



**One New Change, EC4**  
555,000 ft<sup>2</sup> - 2010



**Park House, W1**  
385,000 ft<sup>2</sup> - 2010



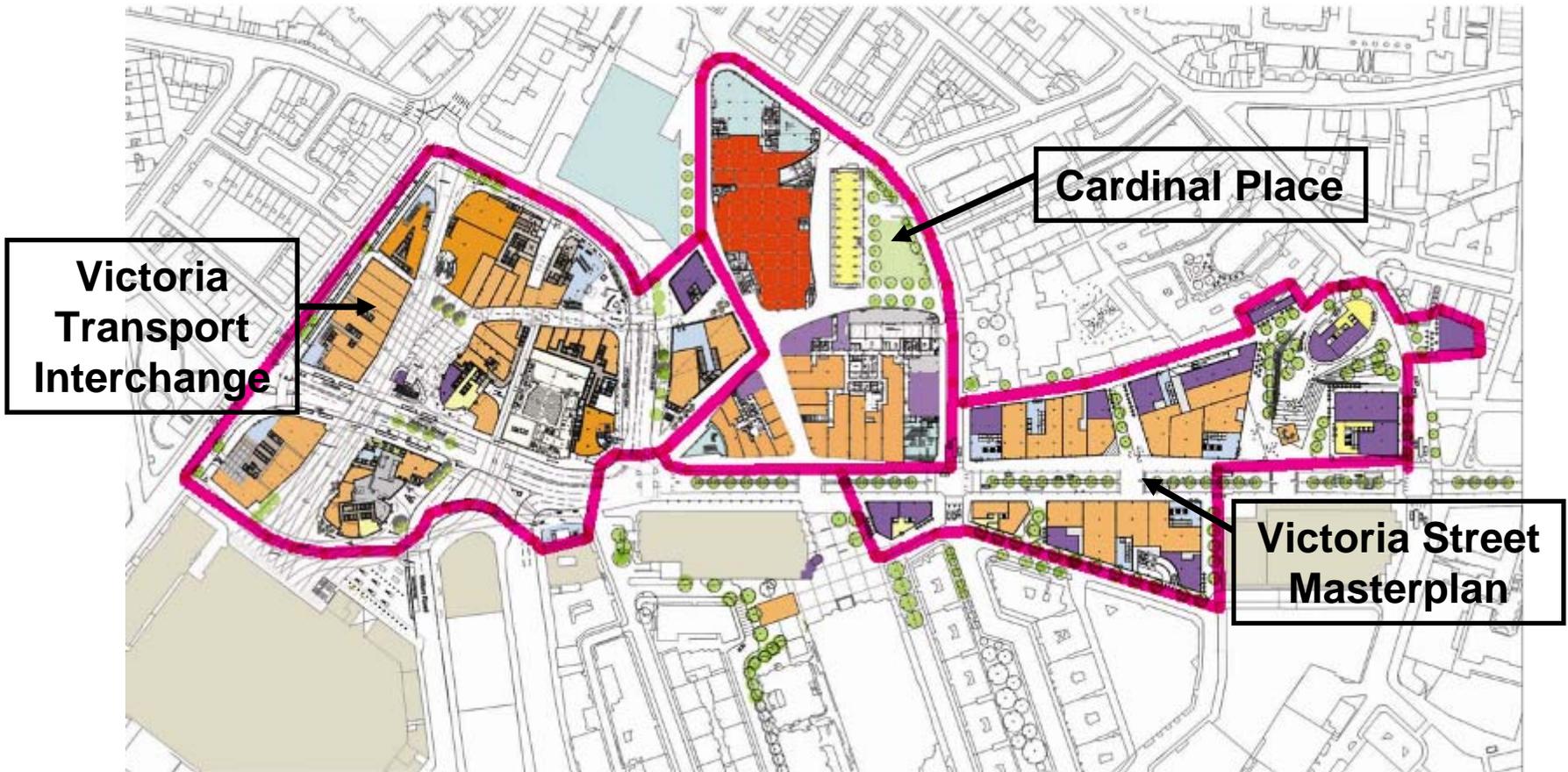
**20 Fenchurch Street, EC3**  
600,000 ft<sup>2</sup> - 2011

**Accelerated delivery for Dashwood House and 10 Eastbourne Terrace**



# London portfolio

The next generation of development - Victoria

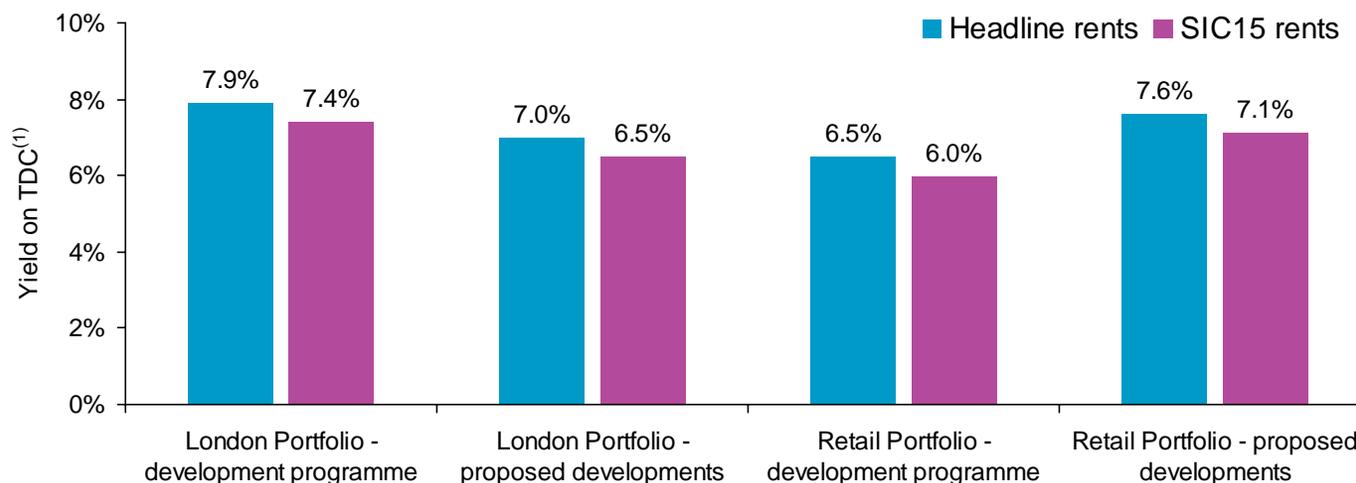


Mixed use: 60-65% Office 10-15% Retail 20-30% Residential

Over 3 million ft<sup>2</sup> of new development delivered between 2010 and 2020

# Development contribution – I

## Income growth and valuation surplus – development pipeline



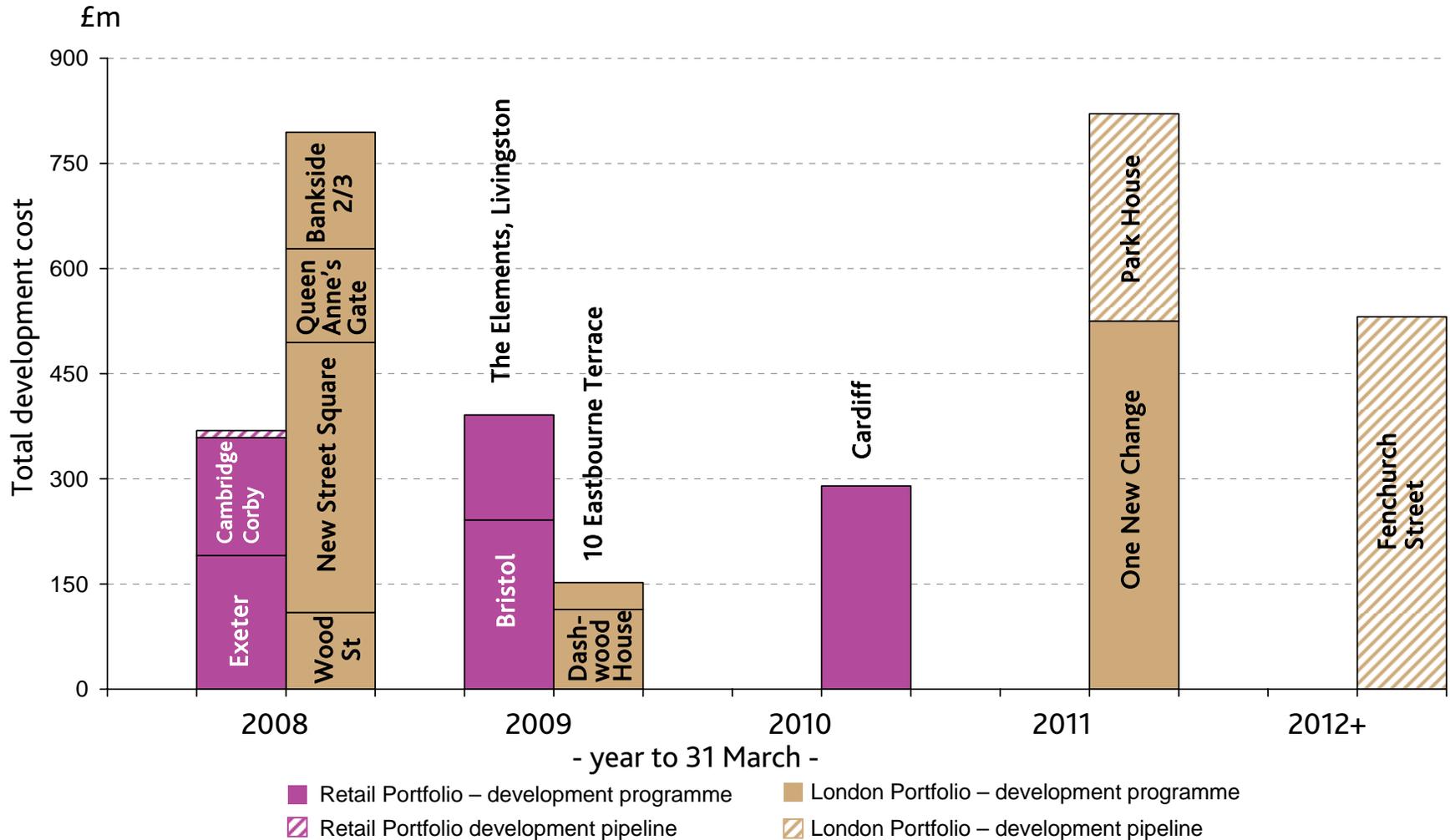
	London Portfolio – development programme	London Portfolio – proposed developments	Retail Portfolio – development programme	Retail Portfolio – proposed developments
TDC <sup>(2)</sup>	£1,871 m	£827m	£1,075m	£10m
Nominal equivalent yield	4.8%	5.0%	5.0%	5.4%
Valuation surplus crystallised to date	£719 m	n/a	£59m	n/a

(1) Total development cost (TDC) – includes land and capitalised interest, but shown after deduction of projected residential sale receipts

**7.3% headline yield / 6.8% P&L yield on total development cost of £3.8bn**

# Development contribution – II

## Timing of completion



**Total development cost\* equal to 33% of Group adjusted NAV**

\* Excluding Cardinal Place, SW1 and Commerce Centre, Poole

# Urban Community Development

## Ebbsfleet Valley



### Ebbsfleet Valley

#### Ebbsfleet and Eastern Quarry sites

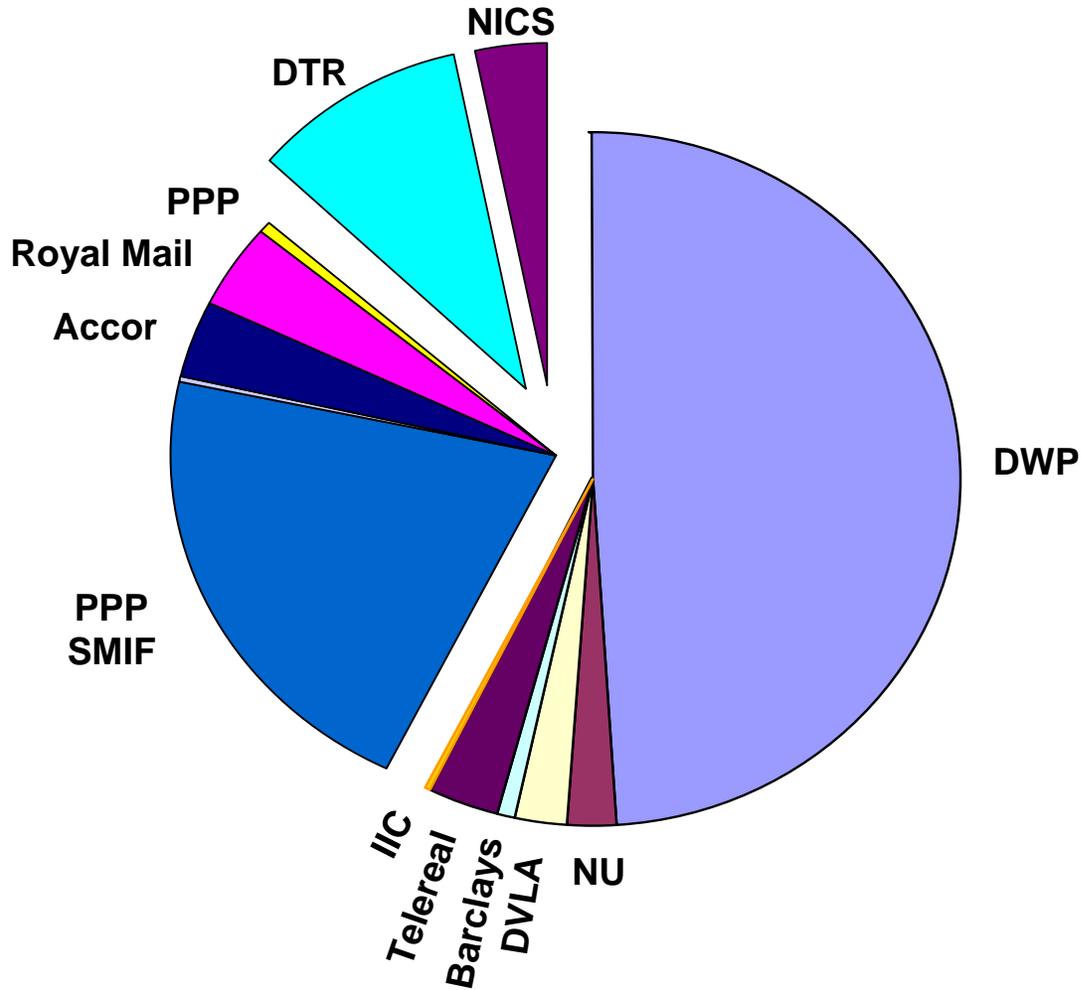
- 753 acres (LS share)
- 388 developable acres (LS share)
- 70% residential – by land area
- £38m entry cost
- £21m valuation surplus prior to trading property re-classification<sup>(1)</sup>
- £85m current book value
- £407m future infrastructure costs (LS share at 2006 prices)

Note: (1) As at April 2005

**Planning consent for Eastern Quarry expected in 2007**

# Land Securities Trillium

Existing, new and potential contracts by floor area



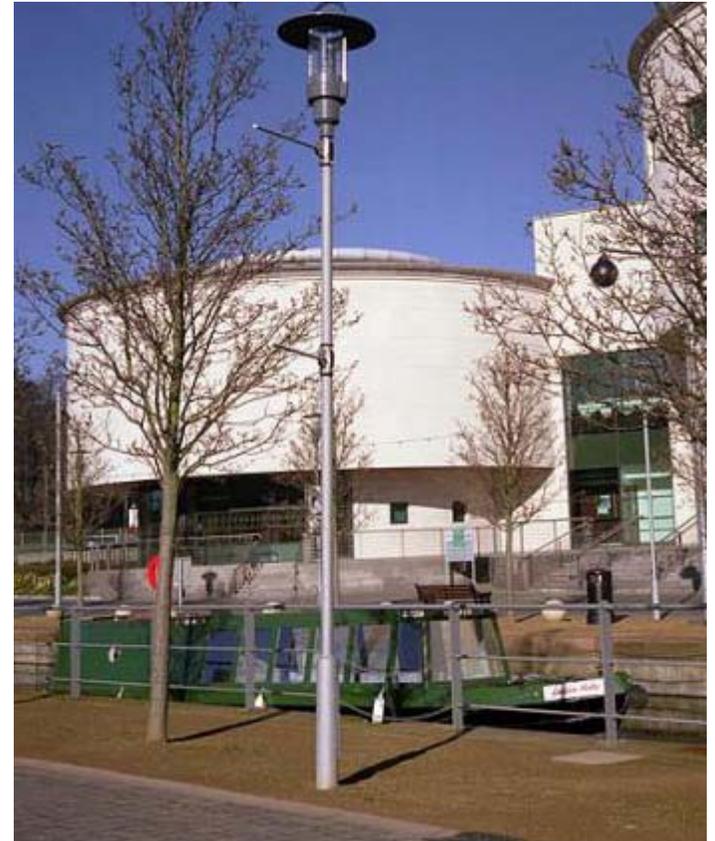
A year of growth – 35million ft<sup>2</sup> to 51million ft<sup>2</sup> ... plus 10million ft<sup>2</sup> potential

# Land Securities Trillium

## Potential new contracts



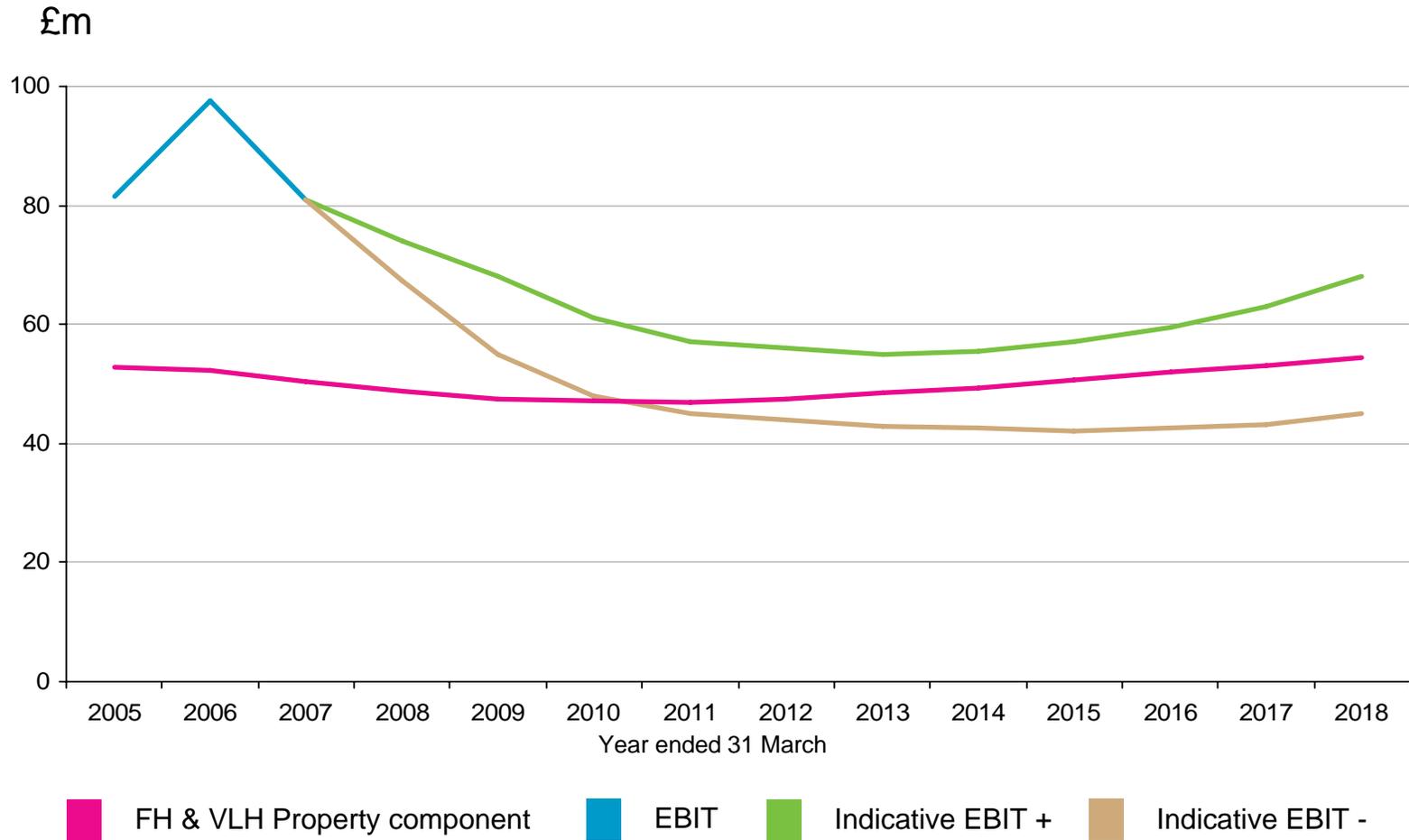
**Defence Training Review**  
Preferred bidder / provisional preferred bidder



**Northern Ireland Civil Service**  
BAFO stage

Potential for additional 10 million ft<sup>2</sup> under management

# Department for Work and Pensions - I



Freehold and valuable leasehold properties valued at £853m (31.12.06)

# Department for Work and Pensions - II

## Leaseholds – rent review risk

- Annual average increase in rents on 2006/07 review settlements 1.7% pa
- Annual average RPI over equivalent period 3.2% pa

## Leaseholds (with flexibility allowance) – managing vacated space

- Vacant leasehold – March 2007 1.6 million ft<sup>2</sup>
- Vacation notices on leasehold space served by March 2007 for use in 2007/08 0.9 million ft<sup>2</sup>
- Additional surplus leasehold space to be vacated until 'catch up' of vacation entitlement in c. March 2010 c. 1.8 million ft<sup>2</sup>
- c. 4.3 million ft<sup>2</sup>
- Average cost of leasehold space vacated £14 per ft<sup>2</sup>

... and potential for profits on sale of surplus freeholds



- £910.5m acquisition - IRR target of 10+%
- 85 contracts
- 6 additional contracts since acquisition
- Business model exploits advantages of scale – refinancing, insurance, asset management
- Contracts held as ‘assets for sale’
- Advisors already appointed to establish fund for divestment of majority interests in contracts
- 2007/08 targets – fund divestment and £100-200m of new business
- Income sources after establishment of fund structure:
  - Net income from contracts
  - Fee income
  - Surplus / ‘deficit’ on transfer to fund



# Outlook and proposition



## Outlook

- Strong economy
- Satisfactory / very good occupier demand
- Risk of adverse yield shift

## Proposition

- Strong track record on execution – leasing and LST new business
- High quality development programme
- Growing ‘absolute return’ business offering higher returns and lower volatility than investment property

A UK REIT – maintaining its business flexibility, growing its dividend



## Important notice

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