Half-yearly results presentation

12 November 2008

Business highlights

Development lettings

- 570,000 sq ft of development space opened in H1, 92% let

Income stability

- Growth in revenue profit of 13.3%
- Growth in like-for-like investment portfolio rental income of 3.7%*

Board continuity

- Appointment of Alison Carnwath as Chairman

*Excluding development pipeline properties

Income is the ultimate support for values

Demerger

- Sale process for Trillium continues
- Benefits of specialisation recognised by Board
- But adverse market conditions cause work on demerger to be stopped

Financial results

Martin Greenslade

Group Finance Director

Financial highlights

	Six months ended 30.09.08	change %
Pre-tax loss(1)	£(1,737.2)m	n/a
Valuation deficit(2)	£(1,723.1)m	-12.7
Revenue profit	£195.8m	+13.3
Adjusted diluted earnings per share	41.83p	+14.7
Adjusted diluted NAV per share	1552p	-20.7
Dividend per share	33.00p	+3.1

(1) Continuing operations
(2) Excludes investment properties in Trillium

Consolidated income statement

Six months ended 30.09.07 £m		Six months ended 30.09.08 £m	change %
734.7	Group revenue	761.6	
(450.4)	Costs	(459.9)	
284.3	**Underlying operating profit**	**301.7**	**+6.1**
-	Demerger costs	(16.4)	
145.5	Valuation surplus / (deficit)	(1,562.7)	
-	Goodwill impairment	(147.6)	
79.0	Profit on disposals	1.5	
(133.8)	Net interest payable	(119.4)	
(9.8)	Share of (losses) / profits of joint ventures and associates	(194.3)	
365.2	**Pre-tax profit / (loss)**	**(1,737.2)**	
(8.2)	Income tax expense	(2.9)	
357.0	**Profit / (loss) for the financial year from continuing operations**	**(1,740.1)**	
10.0	Discontinued operations	14.7	
367.0	**Profit / (loss) for the financial year**	**(1,725.4)**	
172.8	Revenue profit	195.8	+13.3
36.46p	Adjusted diluted earnings per share	41.83p	+14.7

Rental income analysis

Six months ended 30.09.07 £m		Six months ended 30.09.08				
		Retail Portfolio		London Portfolio		Total
Total		2008	2007	2008	2007	2008
£m		£m	£m	£m	£m	£m
243.4	Investment properties	146.9	141.2	105.6	102.2	252.5
14.3	Development pipeline properties	4.2	5.7	5.4	8.6	9.6
257.7	**Like-for-like properties[1]**	**151.1**	**146.9**	**111.0**	**110.8**	**262.1**
19.5	Completed developments	11.6	2.3	37.3	17.2	**48.9**
4.0	Purchases since 1 April 2007	4.5	0.1	13.5	3.9	**18.0**
39.8	Sales since 1 April 2007	-	16.7	4.8	23.1	**4.8**
7.8	Ongoing developments	1.0	0.2	12.3	7.6	**13.3**
328.8	**Gross rental income[2]**	**168.2**	**166.2**	**178.9**	**162.6**	**347.1**

(1) Properties owned and outside the development programme throughout the current and prior year
(2) Includes properties treated as finance leases. The income of these properties for the six months to 30 September 2008 was £5.5m (30 September 2007: £5.5m)

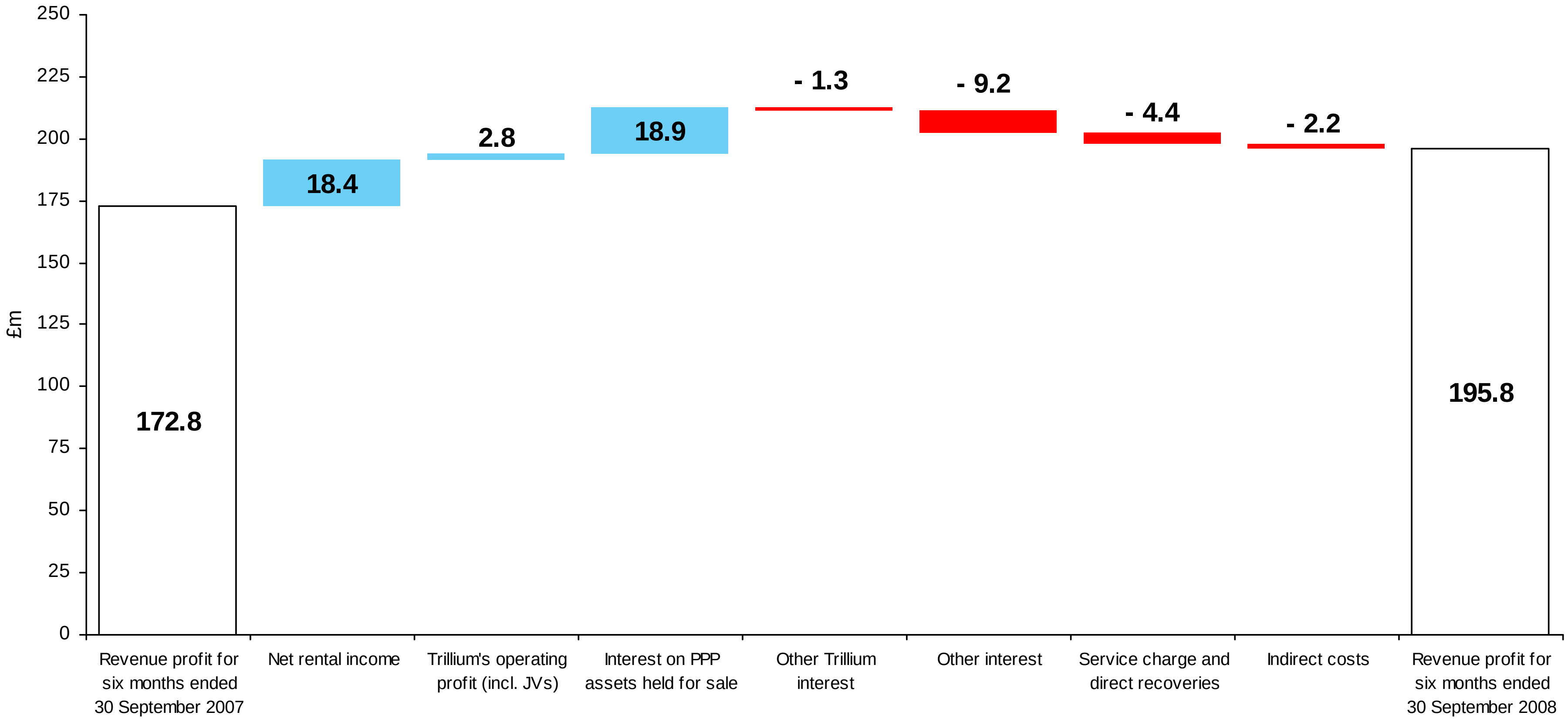
Trillium

Six months ended 30.09.07 £m		Six months ended 30.09.08 £m	change %
	Contract level operating profit / (loss)		
44.9	DWP	59.2	+33.0
4.8	Norwich Union	6.6	+37.5
1.8	DVLA	2.9	
0.9	Barclays	1.0	
7.6	Telereal II	6.5	-14.5
2.1	Royal Mail	(2.6)	
11.6	Accor	14.4	+24.1
(3.1)	Bid costs	(11.8)	
(12.8)	Central and other costs	(15.2)	
57.8	**Underlying operating profit**	**61.0**	**+5.5**
-	Goodwill impairment	(147.6)	
(8.8)	Net deficit on revaluation of investment properties	(46.0)	
15.1	Profit on disposal of properties	2.2	
10.0	PPP assets held for sale (discontinued activities)	14.7	

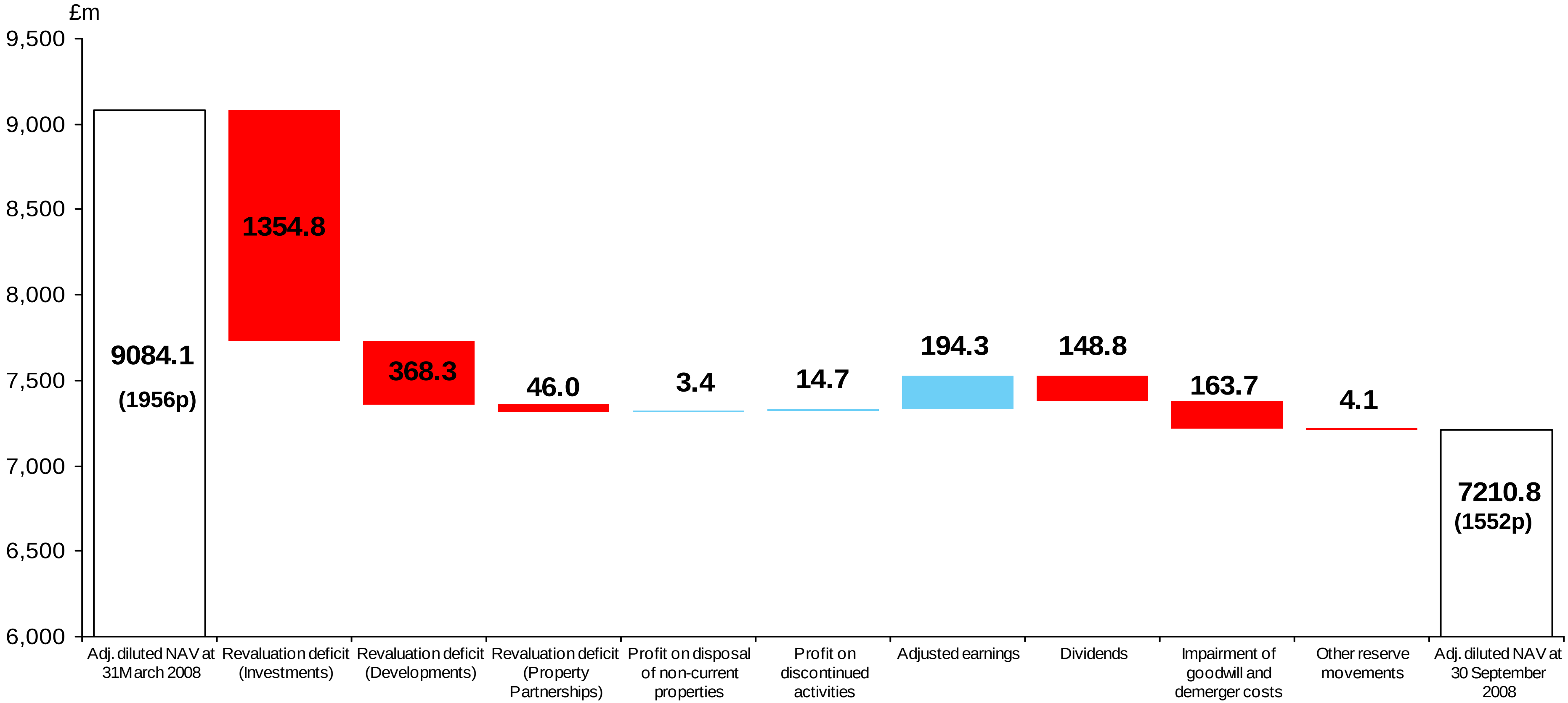
PPP investments and Trillium Investment Partners

- Sale of 13 projects into the fund in July 2008 generating:
  - £103.0m of cash (net)
  - £17.3m profit
- Assets held for sale £165.9m at 30 September 2008
  - earmarked for future disposal into the fund
  - £2.6m impairment on one PPP investment
- Book value of 10% interest in fund: £42.0m
  - £2.0m accounting loss
  - £2.0m cash received

Movement in revenue profit



Movement in adjusted diluted NAV



Cash flow and debt

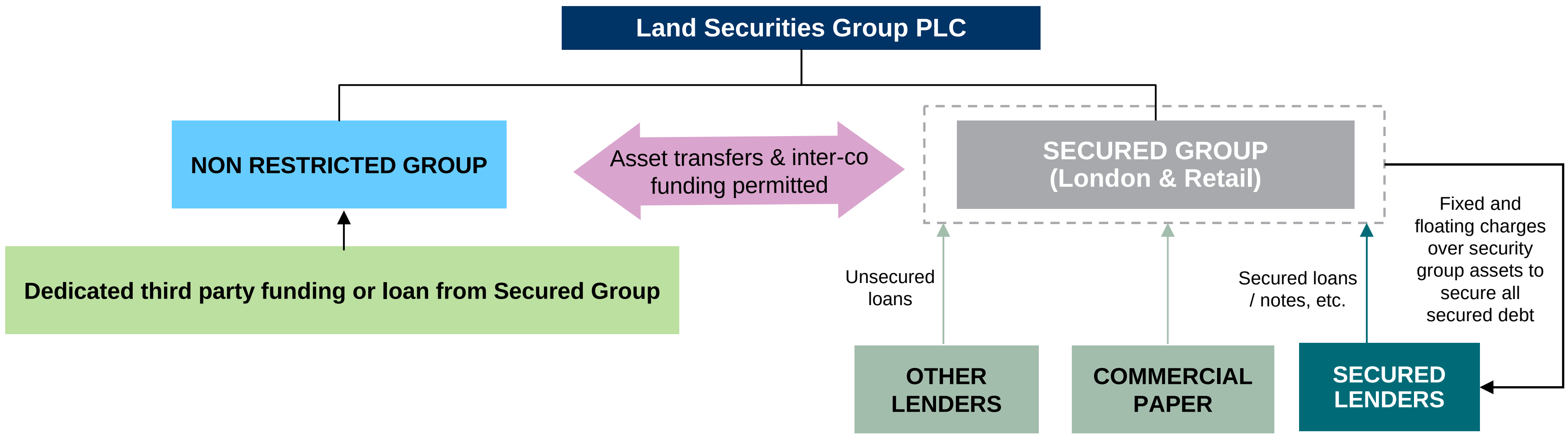
Six months ended 30.09.07 £m		Six months ended 30.09.08 £m
(5,087.9)	Opening net debt	(5,384.5)
86.0	Operating cash inflow after interest and tax	96.0
(159.5)	Dividends paid	(148.8)
(552.7)	Investment property acquisitions	(32.4)
(188.8)	Trillium property acquisitions and capital expenditure	(21.5)
(67.0)	Acquisition of PPP investments from AMEC and others	-
(318.9)	Development / refurbishment capital expenditure	(212.2)
(5.3)	Other capital expenditure	(4.7)
(1,132.7)	Total capital expenditure	(270.8)
861.3	Disposals (including PPP investments)	347.4
(29.8)	Joint ventures	163.2
(316.2)	REIT conversion charge	-
(85.6)	Other cash and non-cash movements	(11.9)
(5,864.4)	Closing net debt	(5,209.4)

Gearing

31.03.08 £m			30.09.08 £m
5,384.5	Closing net debt		5,209.4
56.2%	Gearing – on book value of balance sheet debt		67.6%
64.9%	Adjusted gearing(1)		79.3%
67.7%	Adjusted gearing(1) - including notional share of joint ventures		84.4%
	Interest cover ratio		
1.93x	Group (excl. joint ventures)	- including disposal group interest	2.14x
2.23x		- excluding disposal group interest	2.24x
2.09x	REIT (Finance: Cost ratio)		2.37x

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

Security Group



Tier structure

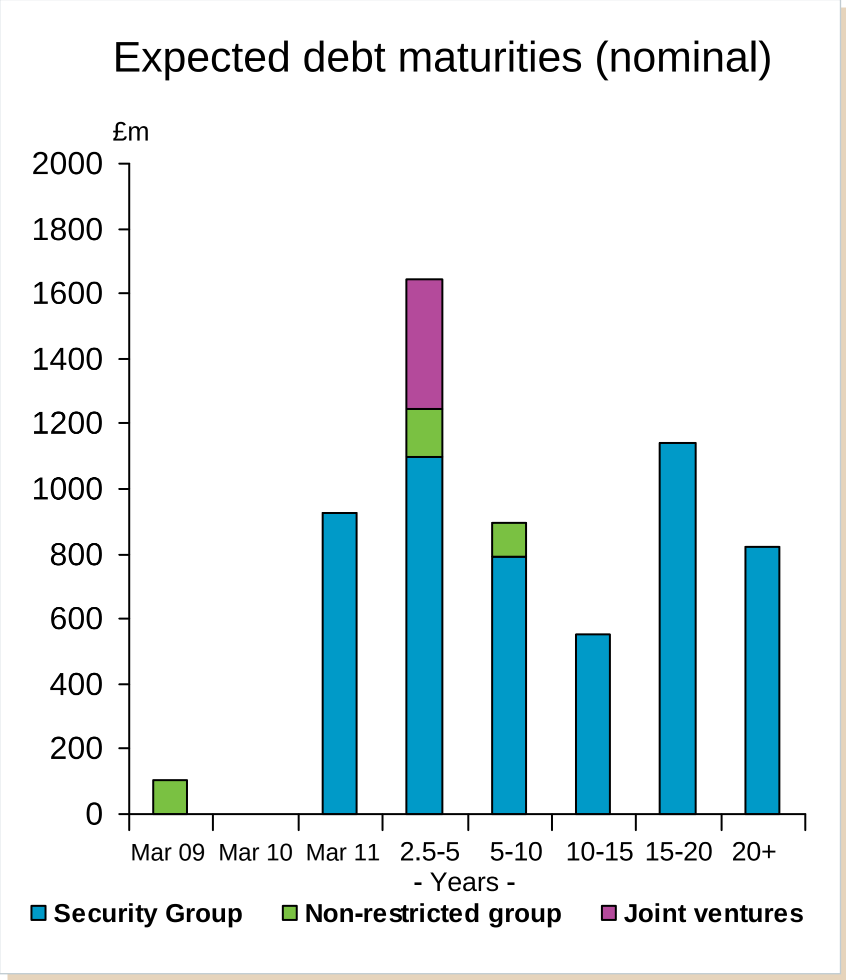
	Tier 1	Tier 2	Initial Tier 3	Final Tier 3
LTV	<55%	55-65%	65-80%	>80%
ICR	>1.85x	>1.45x	>1.2x	<1.2x

Security Group (30.09.08)

	£m	LTV
Collateral value:	9,993	
Bonds:	3,610	36.1%
Bank borrowings:	1,726	17.3%
	5,336	53.4%

Financing

- New and extended bank facilities signed in the six months:
  - £1,242m for Group
  - £296m for joint ventures
- Facilities which mature before 31 March 2010: £106m
- Weighted average maturity of debt: 10.7 years
- Weighted average cost of debt: 5.40%
- 81% of borrowings hedged or fixed at 30 September 2008
- Undrawn committed facilities of £874m
- Committed expenditure on developments: c. £700m



Business review

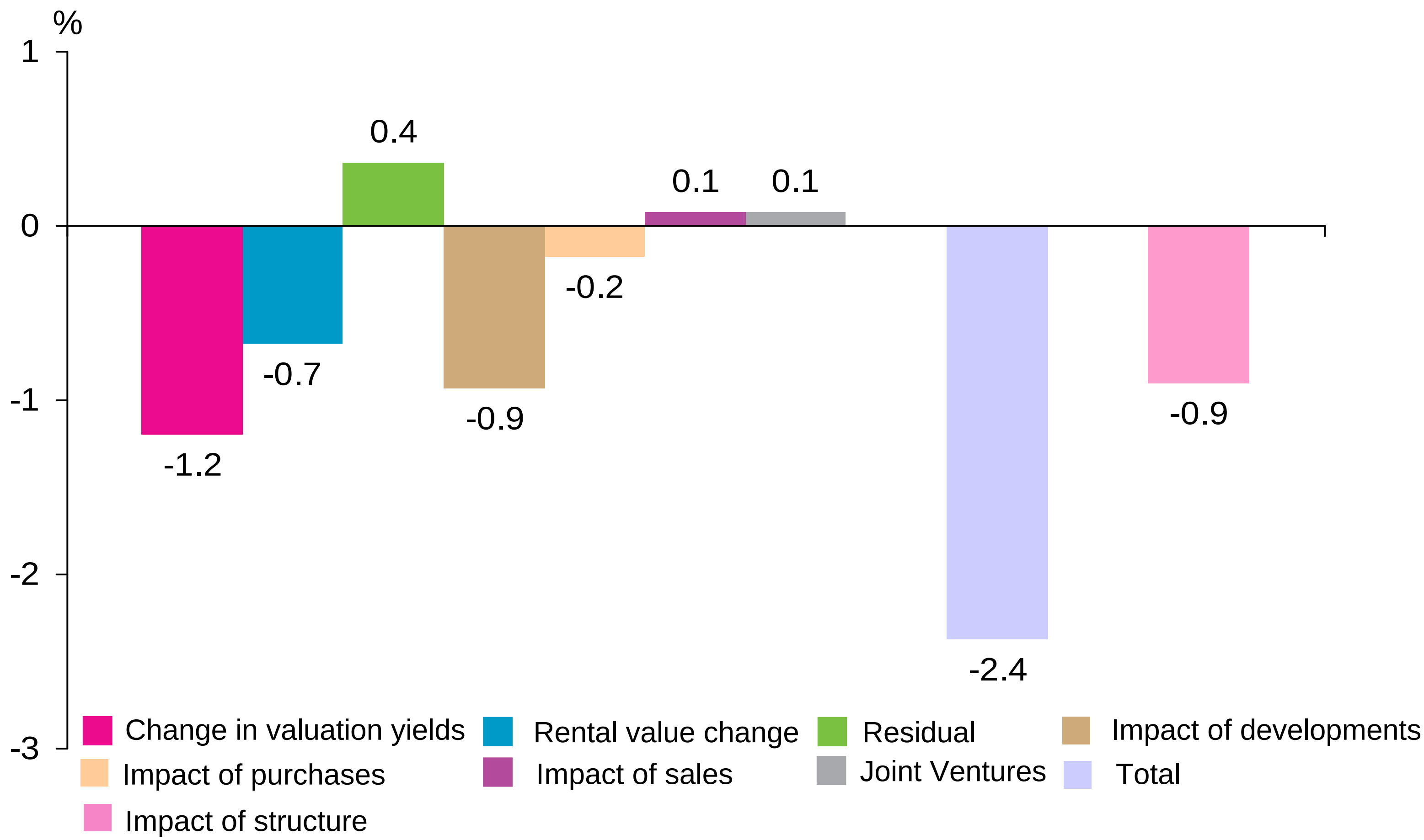
Investment portfolio valuation results

Valuation deficit (6 months ended 30 September 2008)

Positive impact of ongoing developments and negative impact of pre-development sites

Analysis of performance relative to IPD

Attribution analysis, ungeared total return, 6 months to 30 September 2008, relative to IPD Quarterly Universe



Source: IPD

Impact of greater adverse yield shift

Investment portfolio sales

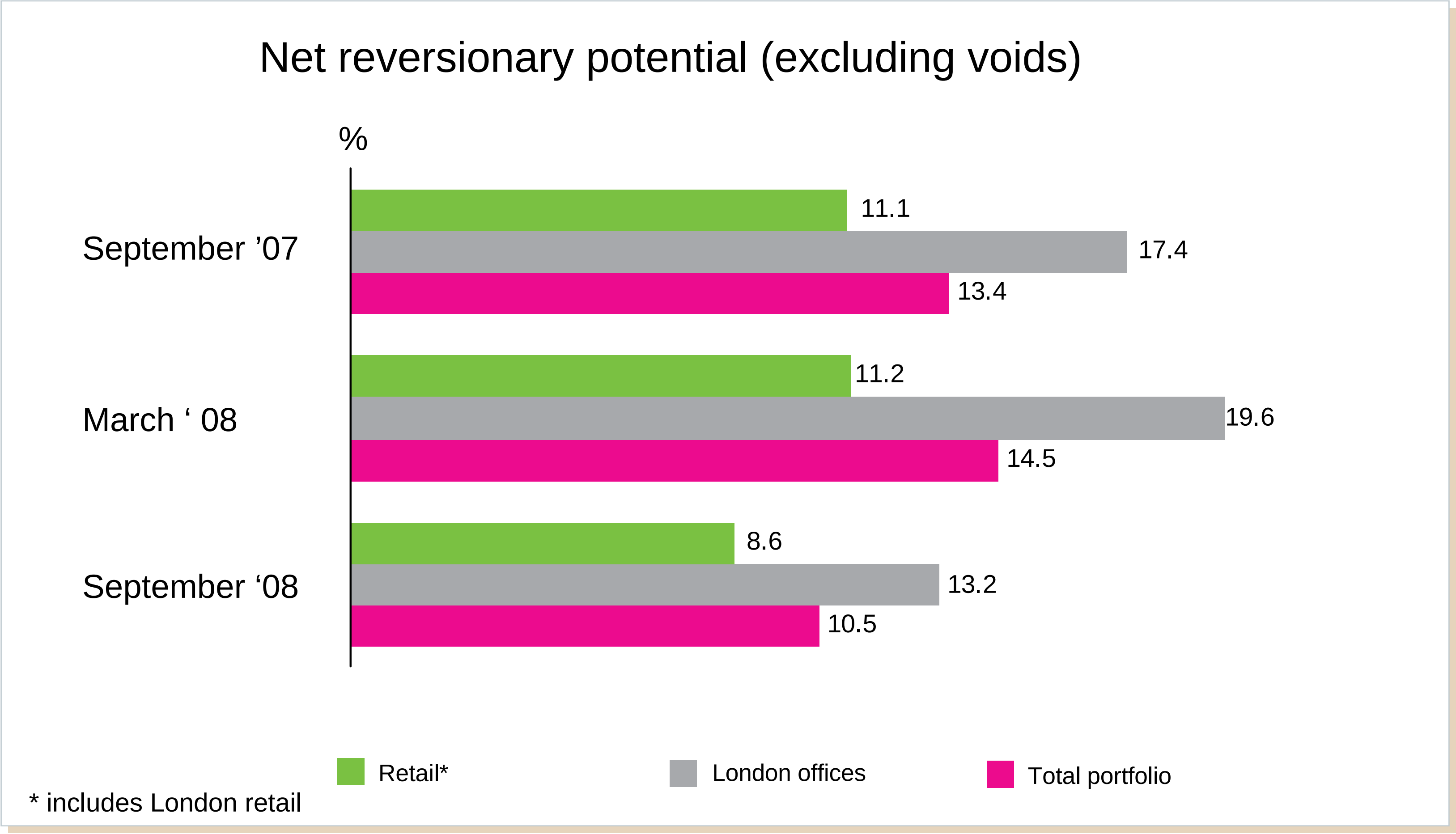
Empress State Building, SW6

- £181.5m of sales
- Yield on properties sold at 5.6%
- Largest disposal – sale of 50% interest in Empress State Building

Sales at 1.7% above March 2008 valuation (before disposal costs)

Reversionary potential

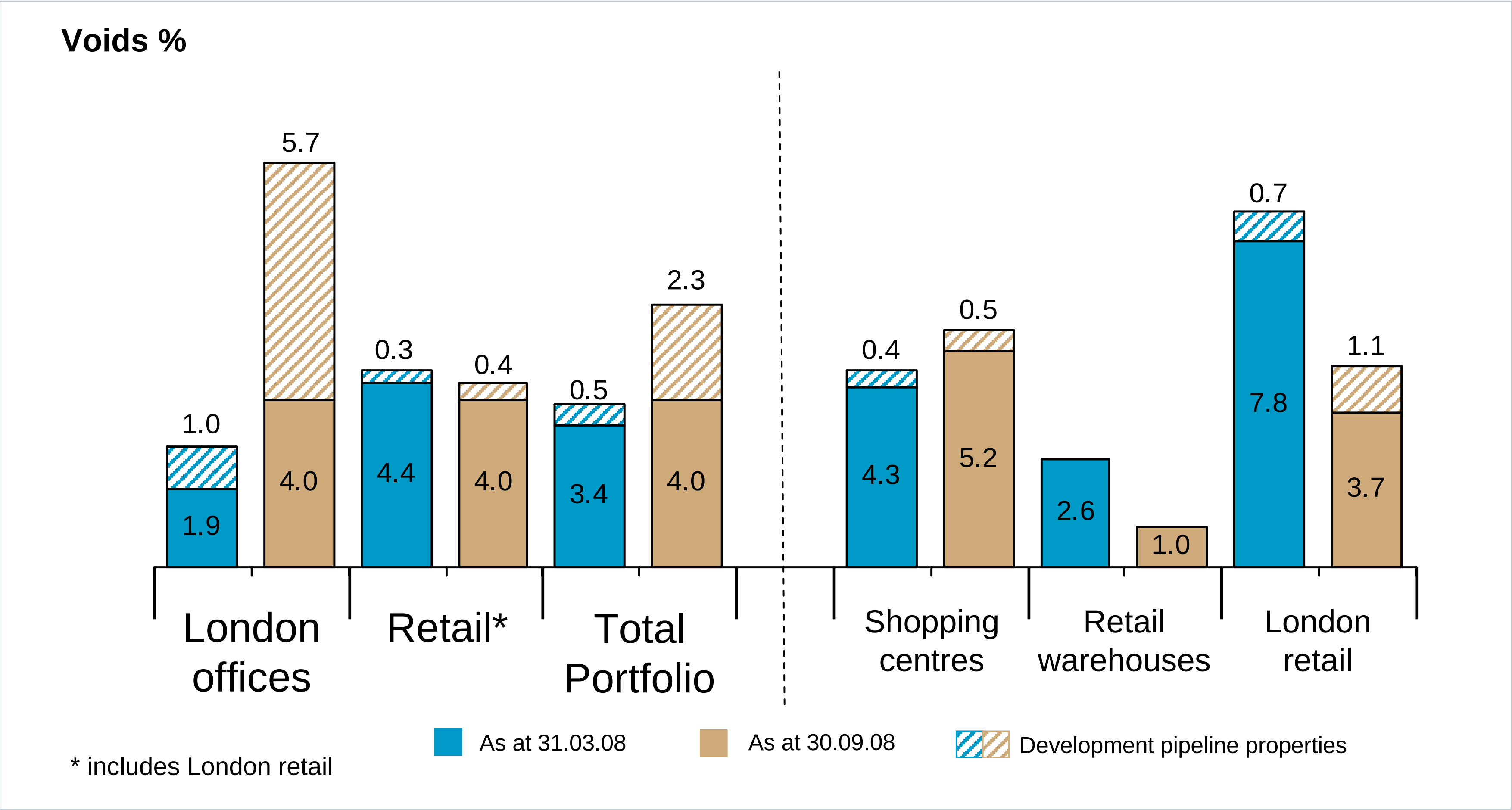
Like-for-like portfolio



Reversionary potential still positive but diminishing

Voids

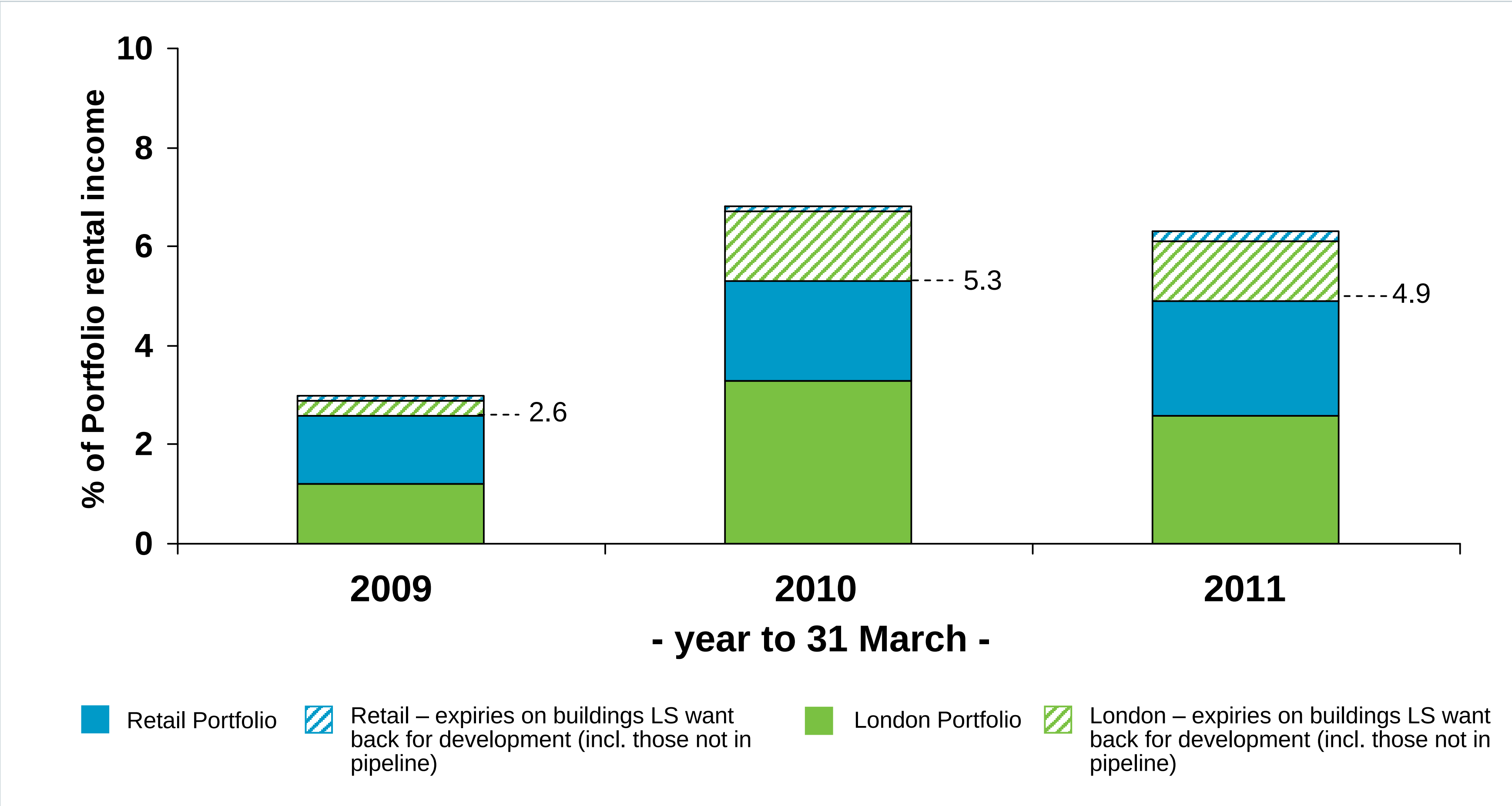
Like-for-like portfolio



Modest increase in voids excluding development pipeline properties

Investment portfolio

Lease maturities (expiries and break clauses)



Limited short term exposure to breaks in income

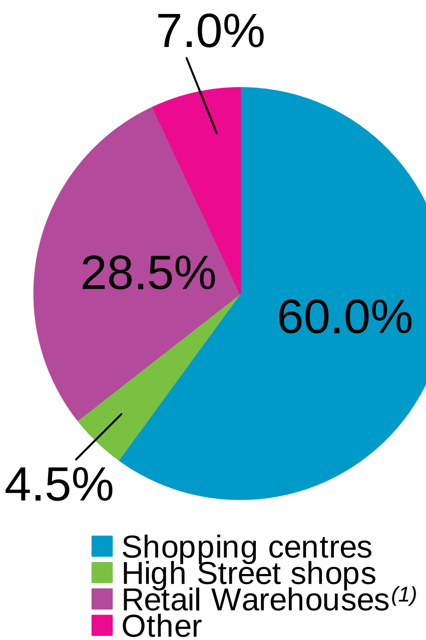
Profile of cash rents / ERV

	Cash Rents and ERVs at 30.09.08			Cash Rents and ERVs at 31.03.08		
	Retail Portfolio £m	London Portfolio £m	Total £m	Retail Portfolio £m	London Portfolio £m	Total £m
Rental income subject to market reviews	295.3	264.7	560.0	275.7	277.1	552.8
Rental income subject to fixed or RPI increases*	4.0	34.2	38.2	3.9	38.9	42.8
Net commercialisation income and managed car park income profit	16.7	0.9	17.6	12.6	0.4	13.0
Turnover rents	7.6	1.7	9.3	7.9	2.2	10.1
Rent in payment	**323.6**	**301.5**	**625.1**	**300.1**	**318.6**	**618.7**
Additional cash rent from unexpired rent free periods (non–development)	8.5	6.5	15.0	6.2	6.2	12.4
Additional cash rent from unexpired rent free periods (completed developments)	2.3	20.3	22.6	3.6	21.9	25.5
Rent secured on completed investment properties	**334.4**	**328.3**	**662.7**	**309.9**	**346.7**	**656.6**
Reversions at rent review (net) within 5 years	17.2	19.9	37.1	24.6	39.8	64.4
Reversions at lease expiry / break clause (net) within 5 years	5.6	9.7	15.3	6.1	12.4	18.5
Reversions at lease expiry after 5 years	1.5	3.9	5.4	2.1	4.4	6.5
ERV on completed investment properties	**358.7**	**361.8**	**720.5**	**342.7**	**403.3**	**746.0**
Contracted additional income from development programme	21.7	42.8	64.5	18.3	29.1	47.4
Reversions and turnover rents from contracted leases in development programme	1.0	0.9	1.9	0.3	3.3	3.6
Non-contracted potential additional income from development programme	26.0	62.5	88.5	28.4	64.4	92.8
	407.4	**468.0**	**875.4**	**389.7**	**500.1**	**889.8**
Voids (excluding sites of proposed developments)	15.1	16.6	31.7	14.4	11.1	25.5
Total ERV on combined portfolio (excluding sites of proposed developments)	**422.5**	**484.6**	**907.1**	**404.1**	**511.2**	**915.3**

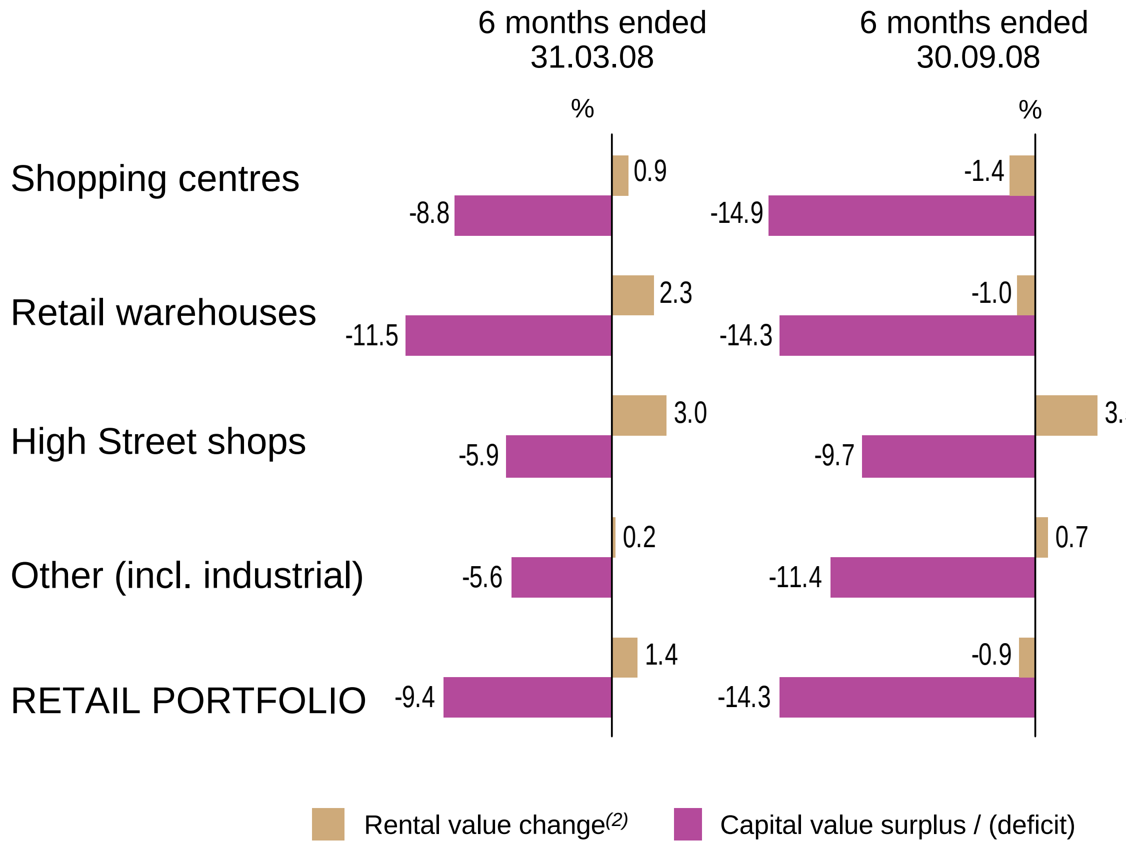
* Fixed and RPI increases over next 5 years, assuming future RPI at 2% pa, total £4.0m (£3.6m London Portfolio and £0.4m Retail Portfolio)

Retail Portfolio

By capital value - £5.52bn



Like-for-like portfolio - £4.48bn



(1) Includes supermarkets

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

Rental values flat or up on 48% of shopping centres and 74% of retail parks

Retail development

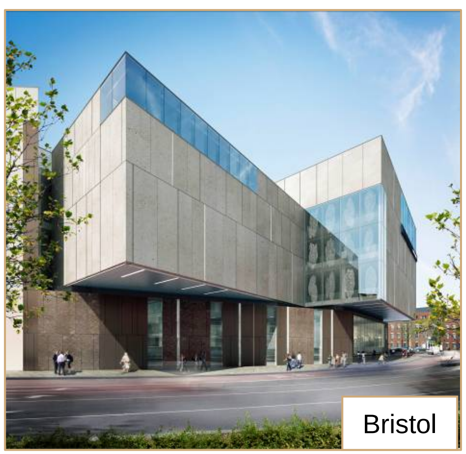

Exeter

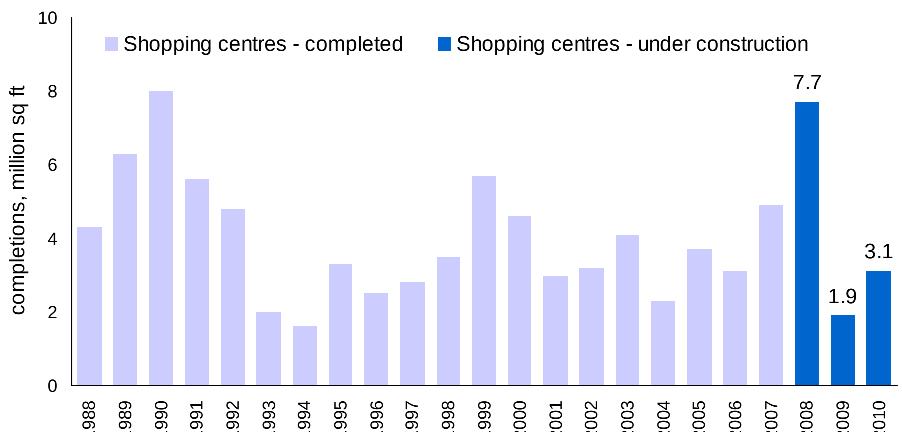

Corby


Cambridge

2007 openings 97% let

2008 openings 88% let / in solicitors' hands


Bristol




Livingston

Good letting progress on 2008 completions – for Land Securities and UK

Retail – delivering developments

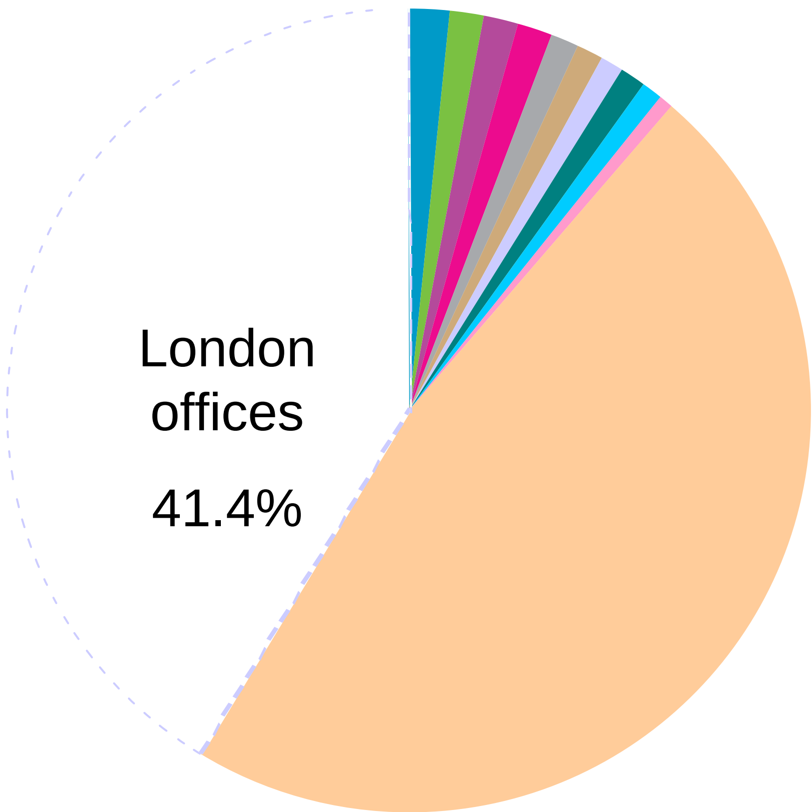
Cabot Circus, Bristol

- UK's eighth largest city with high GDP and affluent population
- 1.5m sq ft mixed-use development
- JV with Hammerson
- 140 new shops
- Over 70% of retailers new to Bristol's city centre
- 91% let or in solicitors' hands
- Opened 25 September 2008

14.2% profit on cost – despite recent adverse yield movement

Retail

Tenant diversification



By % of income

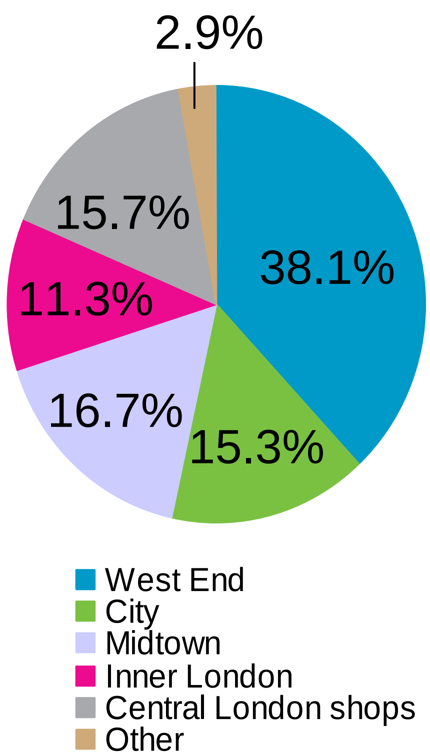
Top ten retail tenants by % of income

Arcadia Group	1.7%
Boots	1.4%
DSG	1.4%
Marks & Spencer	1.2%
J Sainsbury	1.2%
Home Group	1.1%
Next	1.0%
Tesco	0.9%
New Look	0.9%
Debenhams	0.7%
	11.5%
Retail other	47.1%
Total	58.6%

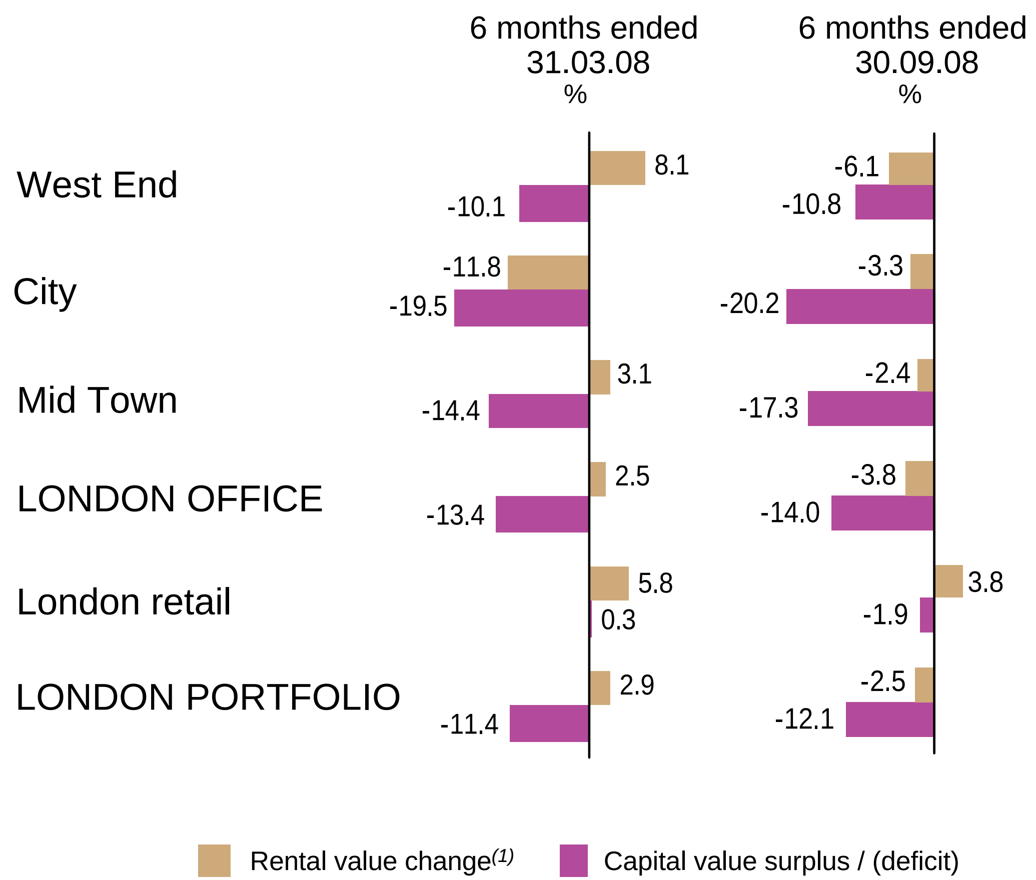
Extensive diversification of tenant credit risk

London Portfolio

By capital value - £6.60bn



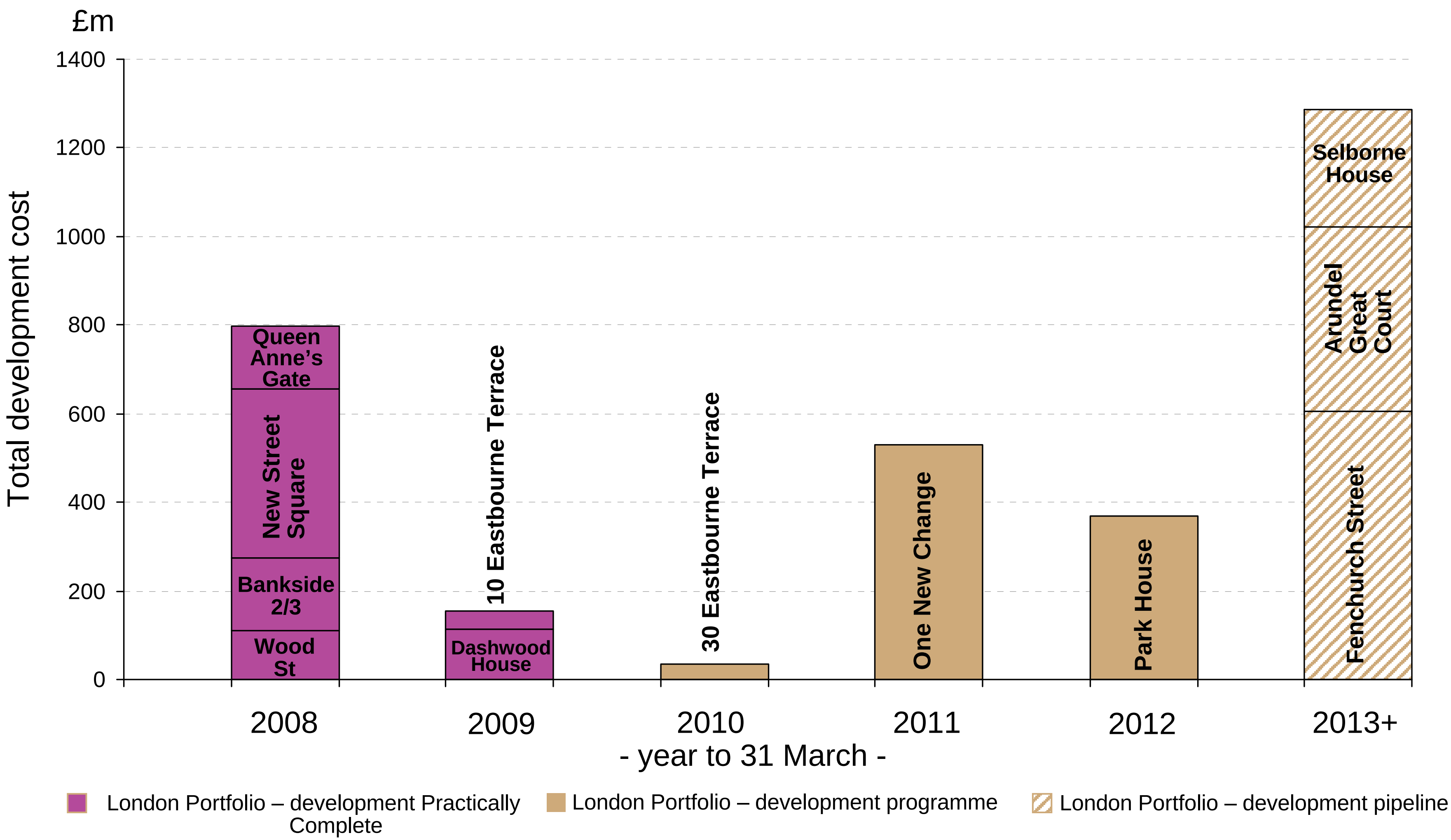
Like-for-like portfolio - £3.80bn



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

Benefiting from concentration of assets in West End

London Portfolio – timing of development completions



Managing development timing in a cyclical market

London Portfolio

Planning for the next cycle

Victoria Transport Interchange, SW1

Selborne House, SW1

Arundel Great Court, WC2

Planning applications submitted for 1.9 million sq ft for delivery from 2012

London Portfolio

Asset Management

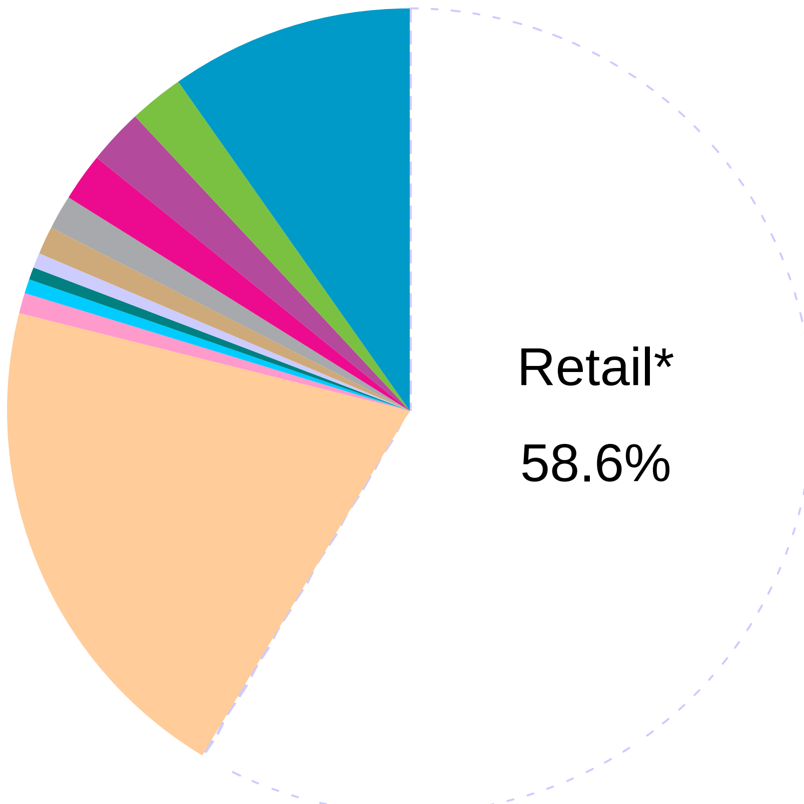
Thomas More Square, E1

Eland House, SW1

Securing income from new lettings and removing break clauses

London offices

Tenant diversification



By % of income

*includes London Retail

Top 10 office tenants by % of income

Government	9.6%
Deloitte	2.3%
RBS	2.3%
Metropolitan Police	1.9%
Mellon Bank	1.3%
Eversheds	1.1%
Microsoft	0.7%
Lloyds TSB	0.6%
Taylor Wessing	0.6%
Speechly Bircham	0.6%
	21.0%
Office other	20.4%
Total	41.4%

The preferred No.1 tenant

Trillium

DVLA

TIP fund

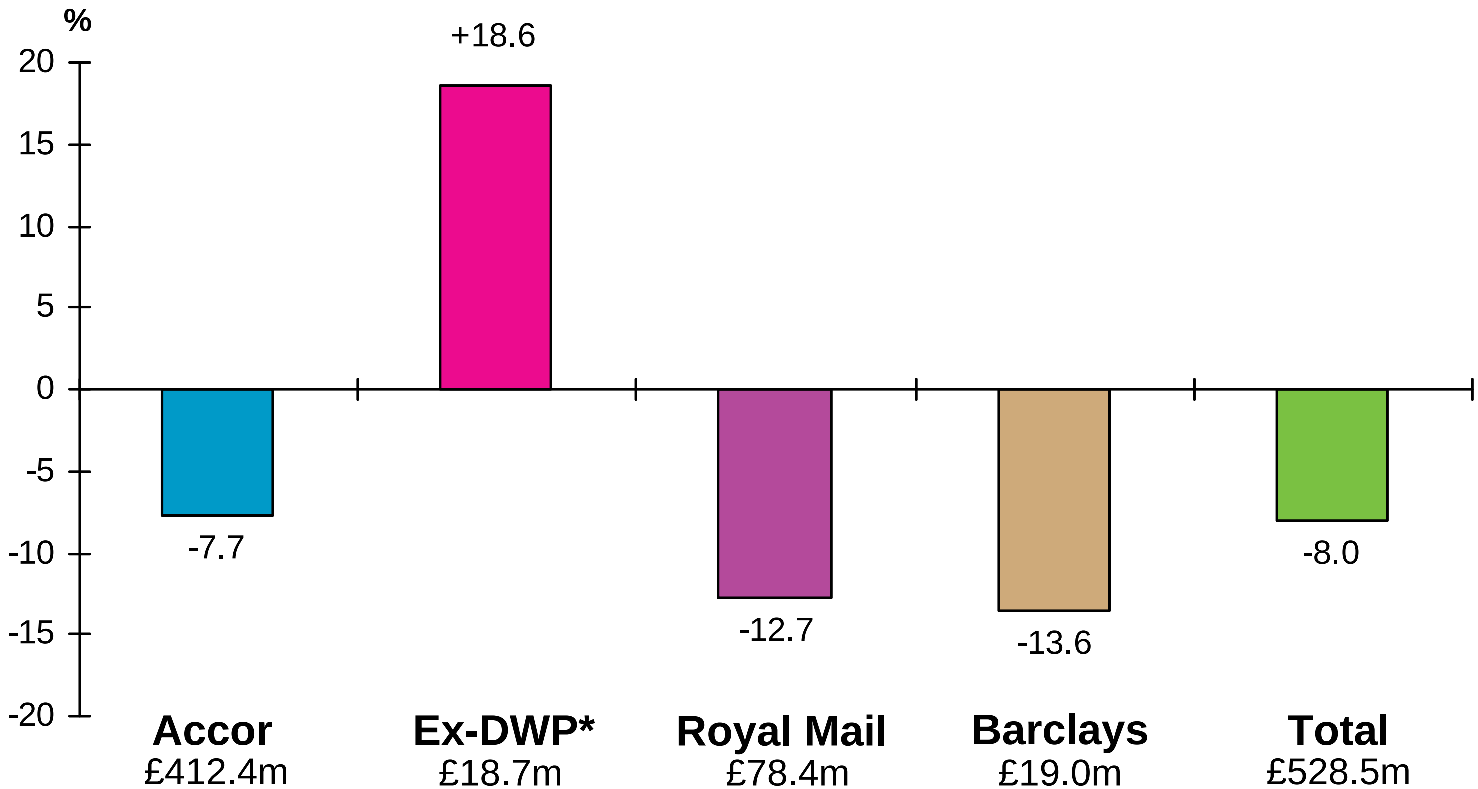
New Business

Operational strengths

Trillium

Revaluation of investment properties

6 months to 30 September 2008
Valuation surplus / (deficit)



* Relates only to former DWP assets now classified as 'investment properties' under 'Other' – vacated by DWP, sublet and still owned by Trillium

More resilient performance off rental income support

DWP contract

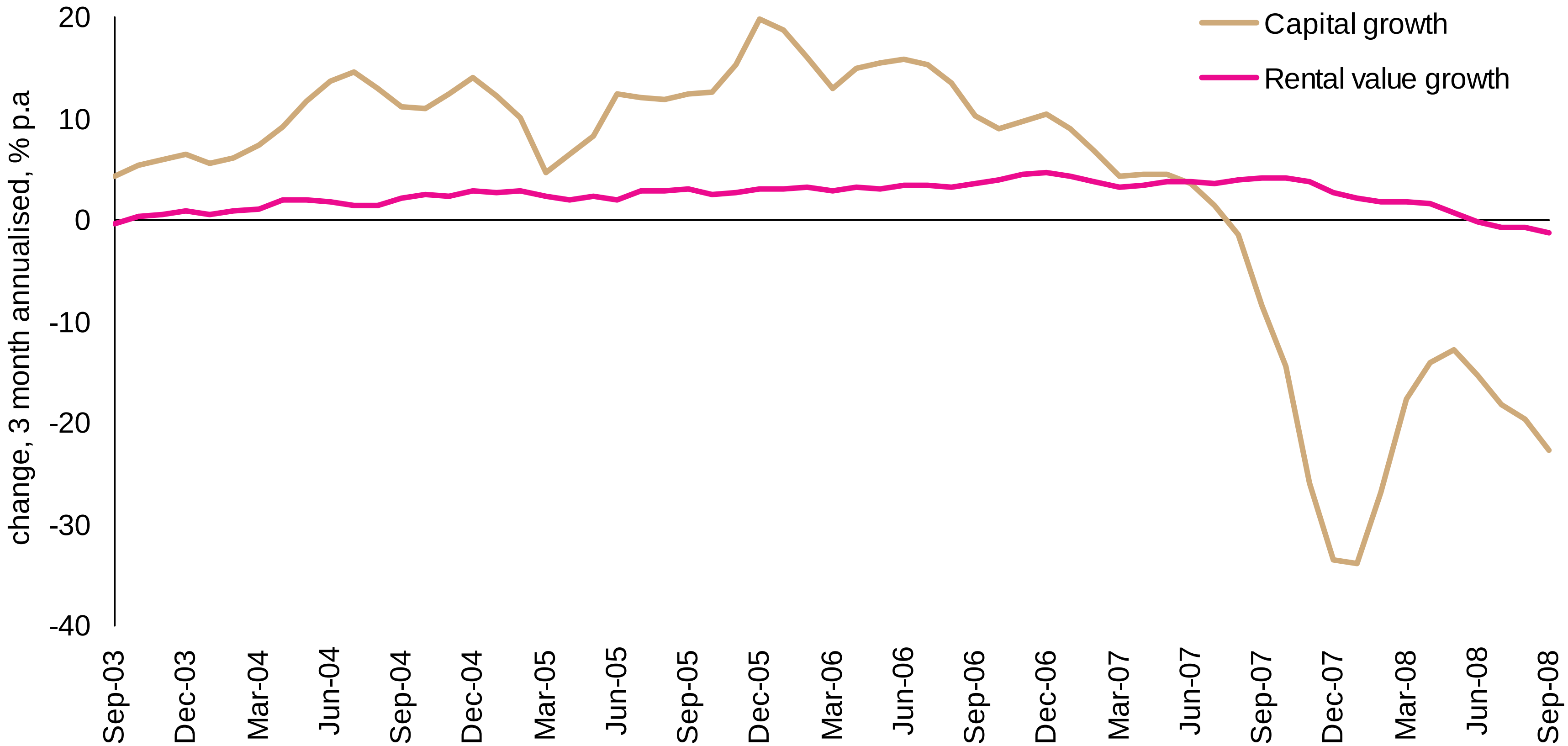
Heyhouses Lane, Lytham

	Freehold (million sq ft)	Leasehold (million sq ft)	Total (million sq ft)
Vacant at 31.03.08	0.86	1.59	2.45
Disposals / lettings	(0.59)	(0.23)	(0.82)
Expiries/ breaks	-	(0.35)	(0.35)
Client vacations	0.44	0.31	0.75
Third party tenant vacations	0.16	0.01	0.17
Currently vacant 30.09.08	**0.87**	**1.33**	**2.20**
Outstanding vacation notices	0.13	0.38	0.51

1.17 million sq ft of surplus space exited in H1 2008/09

Outlook

IPD All Property Monthly Index – historic 3 month change annualised



Source: IPD Monthly Index.

Where next?

Maintain competitive advantage in a challenging market

Cabot Circus, Bristol

- Our strengths:
  - Defensive qualities of portfolio income
  - Experienced management team
  - Flexible debt structure
  - Strong leasing teams
  - Developments aligned to cycle
- Our priorities:
  - Focus on balance sheet management
  - Focus on leasing to maximise income
  - Keep an eye to the future and recovery of occupational markets

Security of income flows running through and beyond current downturn

Important notice

This presentation may contain certain ‘forward-looking’ statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward-looking statements.

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Contacts

Edward Thacker
Investor Relations Manager
Tel: +44 (0) 20 7024 5185
Fax: +44 (0) 20 7024 5011
Email:edward.thacker@landsecurities.com
Web: www.landsecurities.com

Abby Guthkelch
Investor Relations Executive
Tel: +44 (0) 20 7024 5255
Fax: +44 (0) 20 7776 9305
Email: abby.guthkelch@landsecurities.com
Web: www.landsecurities.com