

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⁽¹⁾: 16.8%
- Lettings
 - Development lettings ⁽²⁾ 1.5 million ft²
 - Investment properties lettings ⁽²⁾ 1.5 million ft²
 - Trillium leasehold disposals ⁽³⁾ 0.7 million ft²
 - 3.7 million ft²
- Land Securities Trillium new business
 - 16 million ft²
 - 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 ⁽¹⁾	£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)	
560.9	Underlying operating profit	594.9	-	594.9	7.7
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	
2,359.2	Pre-tax profit	1,881.1	98.0	1,979.1	-16.1
(683.3)	Income tax (expense) / credit	(445.0)	1,994.2	1,549.2	
1,675.9	Profit for the financial period	1,436.1	2,092.2	3,528.3	110.5
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 %
Property investment excluding joint ventures			
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 ⁽¹⁾	26.7	
567.6	Segment operating profit	608.5	
(15.0)	Less: unallocated expenses	(13.6)	
552.6	Underlying operating profit	594.9	7.7
Joint venture underlying operating profit / (loss)			
50.5	Retail	55.7	10.3
53.2	Property outsourcing (Telereal / IIC)	(3.0)	
103.7		52.7	

(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 ⁽¹⁾		
223.2	Retail Portfolio	237.8	+6.5
206.2	London Portfolio	209.2	+1.5
3.8	Other	3.7	-2.6
433.2		450.7	+4.0
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	
614.0	Gross rental income	679.7	+10.7

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



Property Partners

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)	
96.6	Underlying operating profit	98.8	2.3
1.9	Net surplus / (deficit) on revaluation of investment properties	(13.6)	

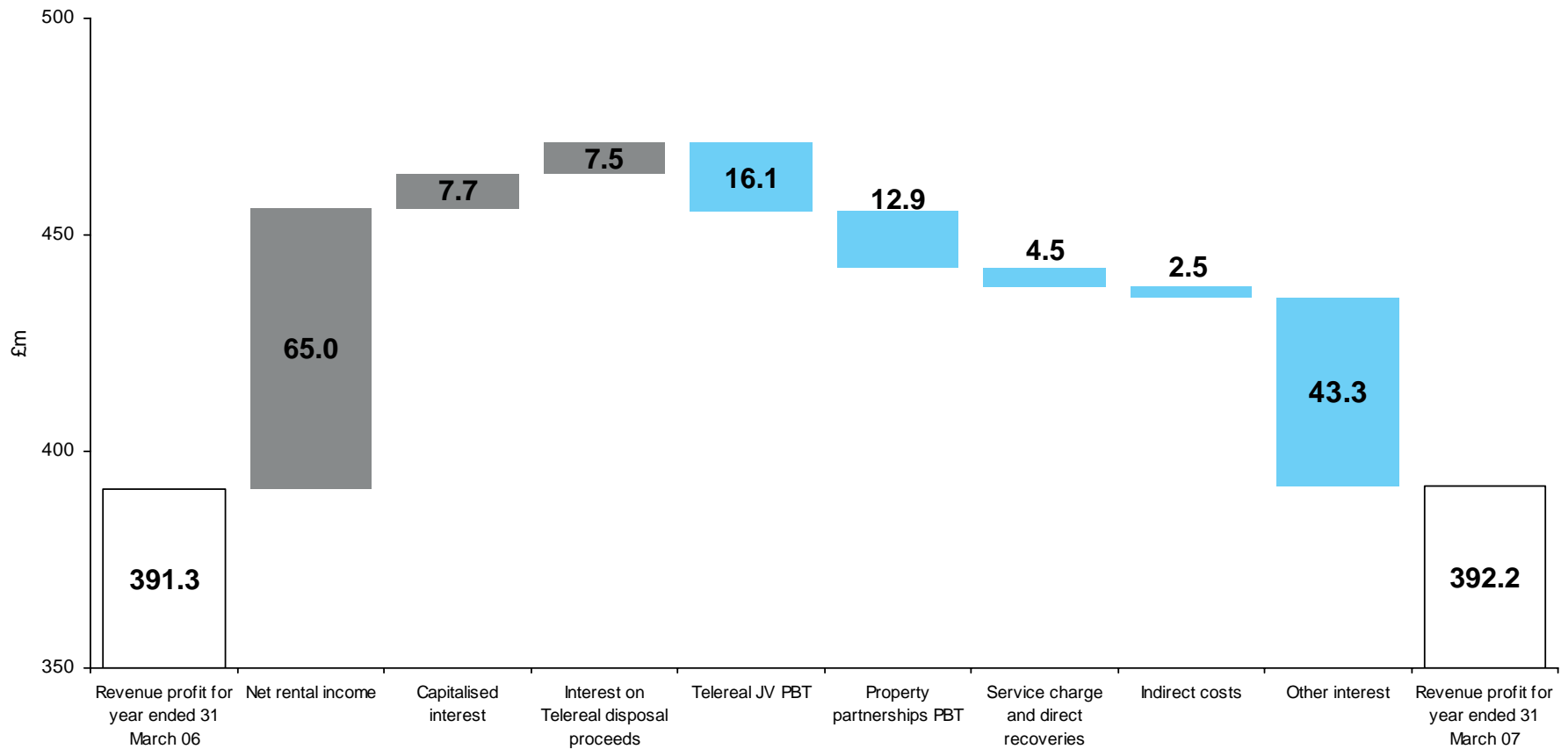
Accounting for SMIF acquisition

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

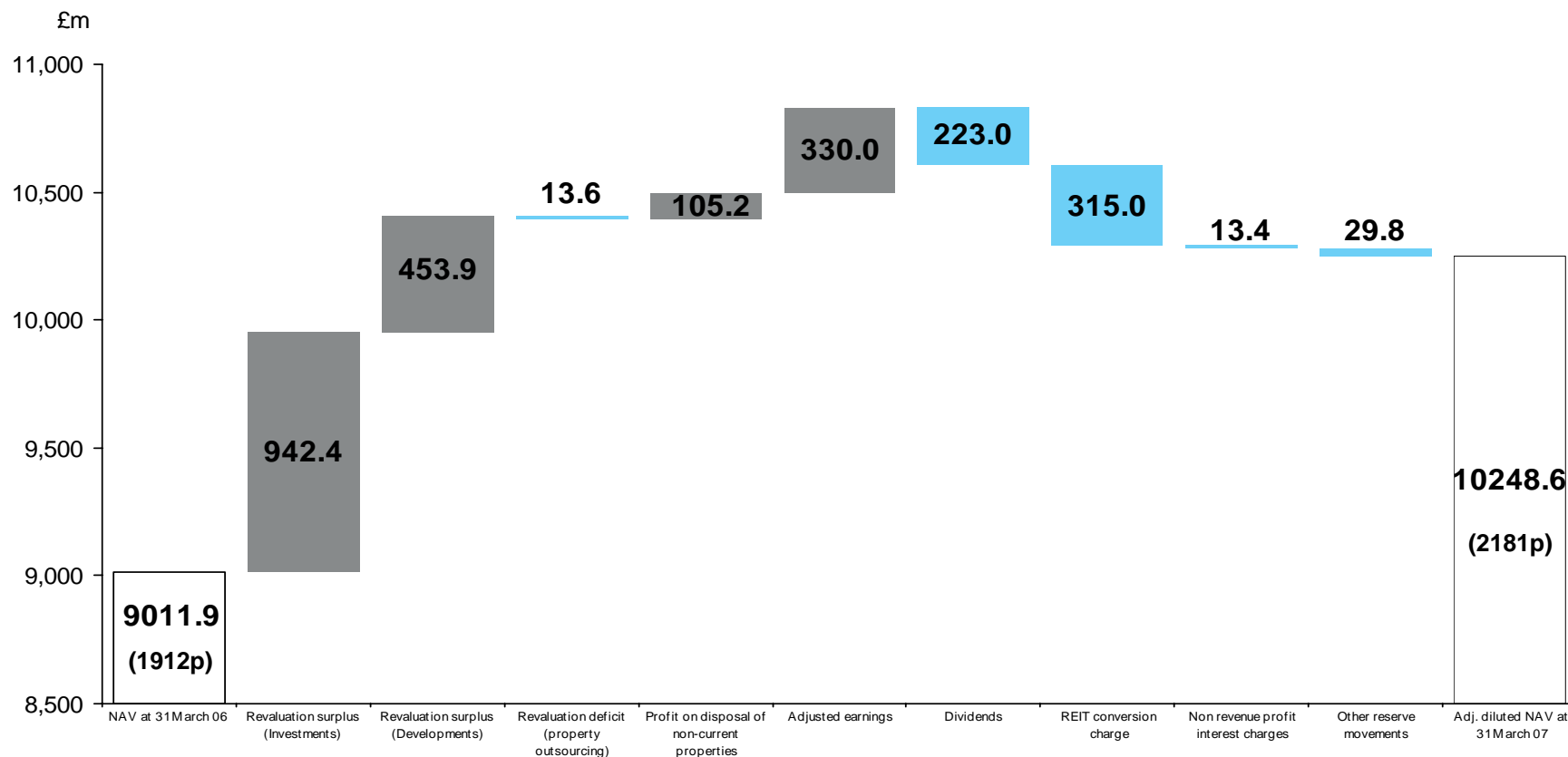
SMIF's existing PFI contracts not consolidated



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 ⁽¹⁾	54.7%
51.1%	Adjusted gearing ⁽¹⁾ - including notional share of joint ventures	58.8%
Interest cover ratio		
2.65x	Group (excl. joint ventures)	2.43x
	REIT (3 months)	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*

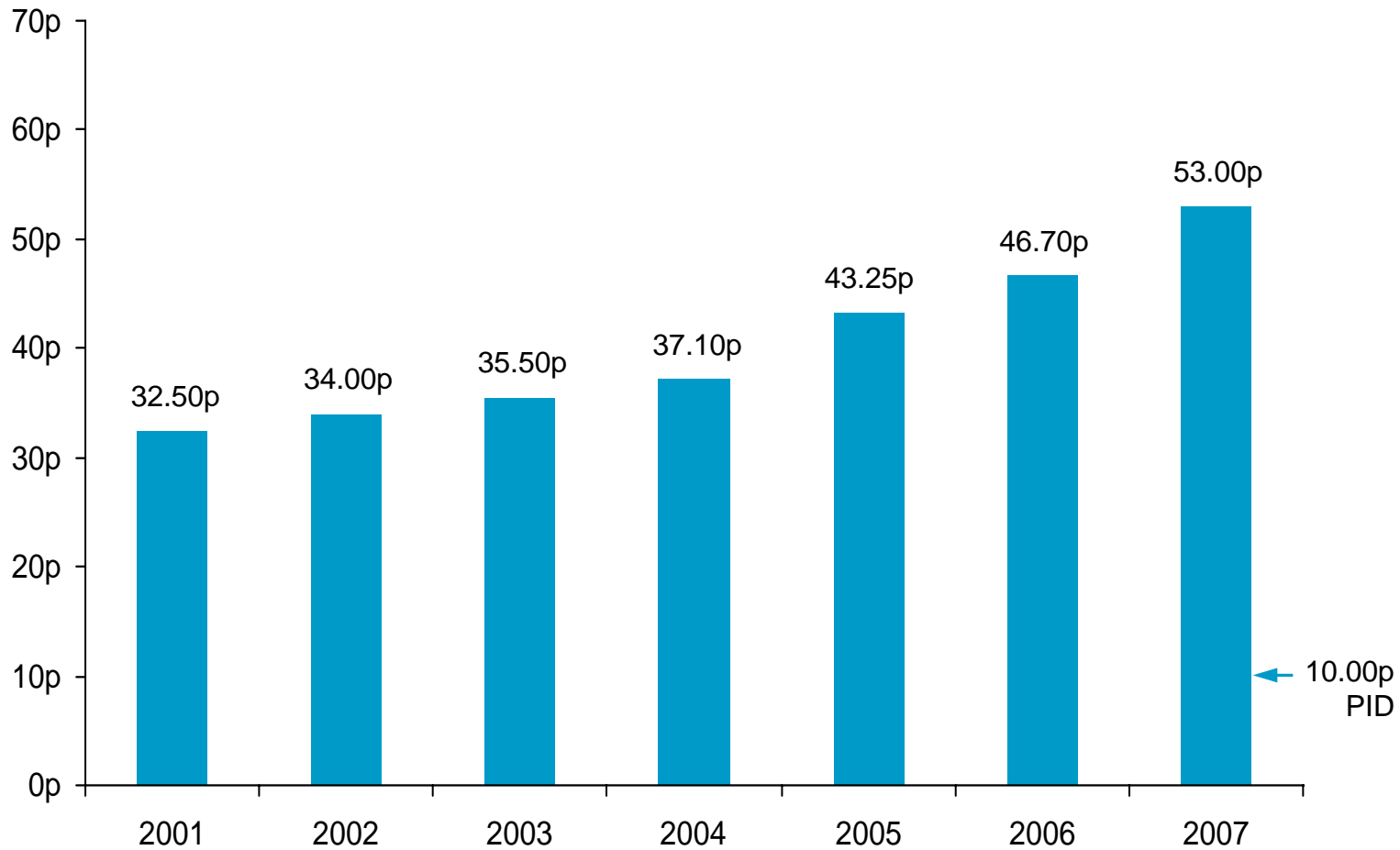


REIT balance of business tests

	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%	

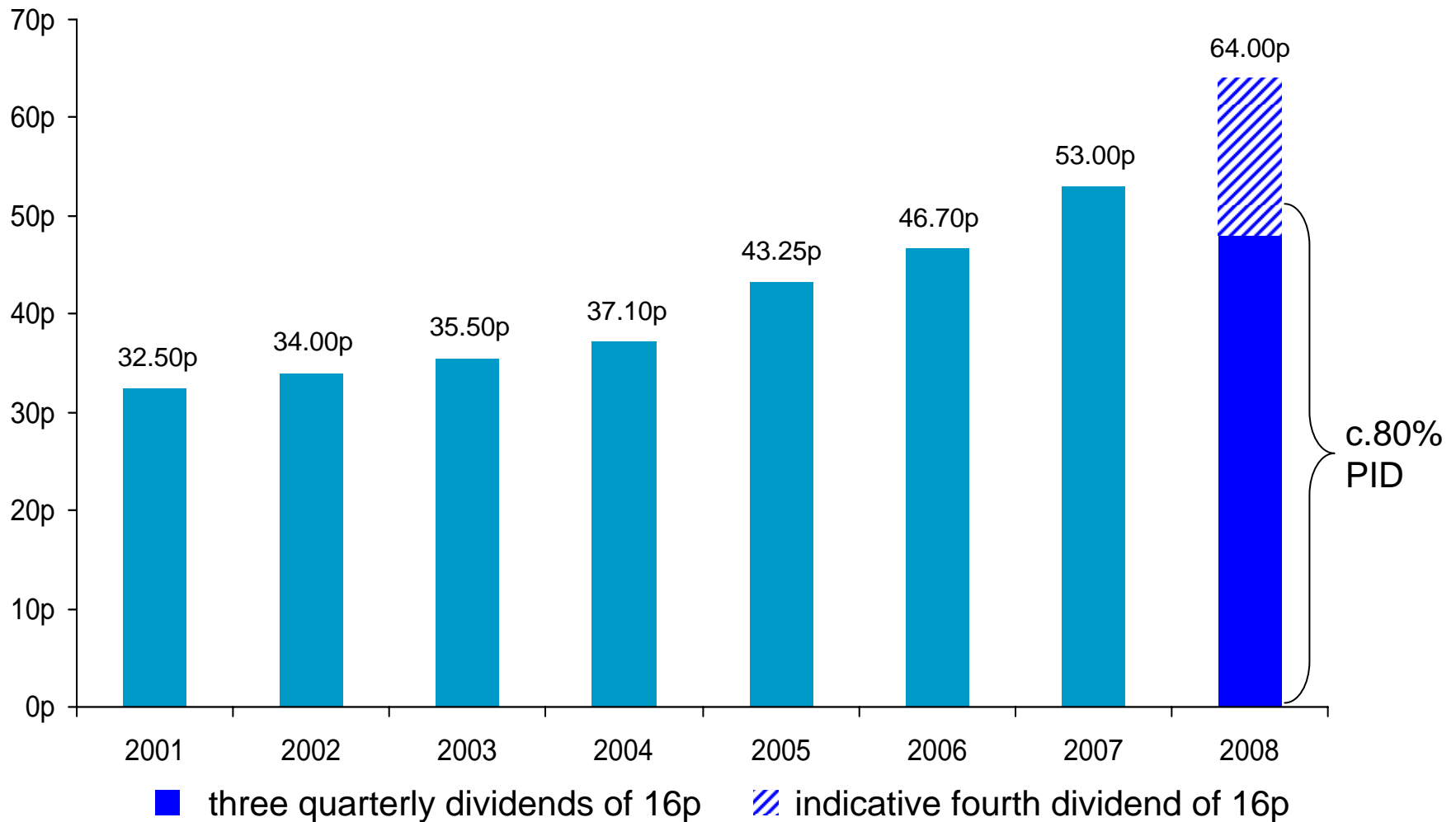
Dividends



Stepped progression in dividend



Dividends



Stepped progression in dividend



Valuation results and operational review

Francis Salway

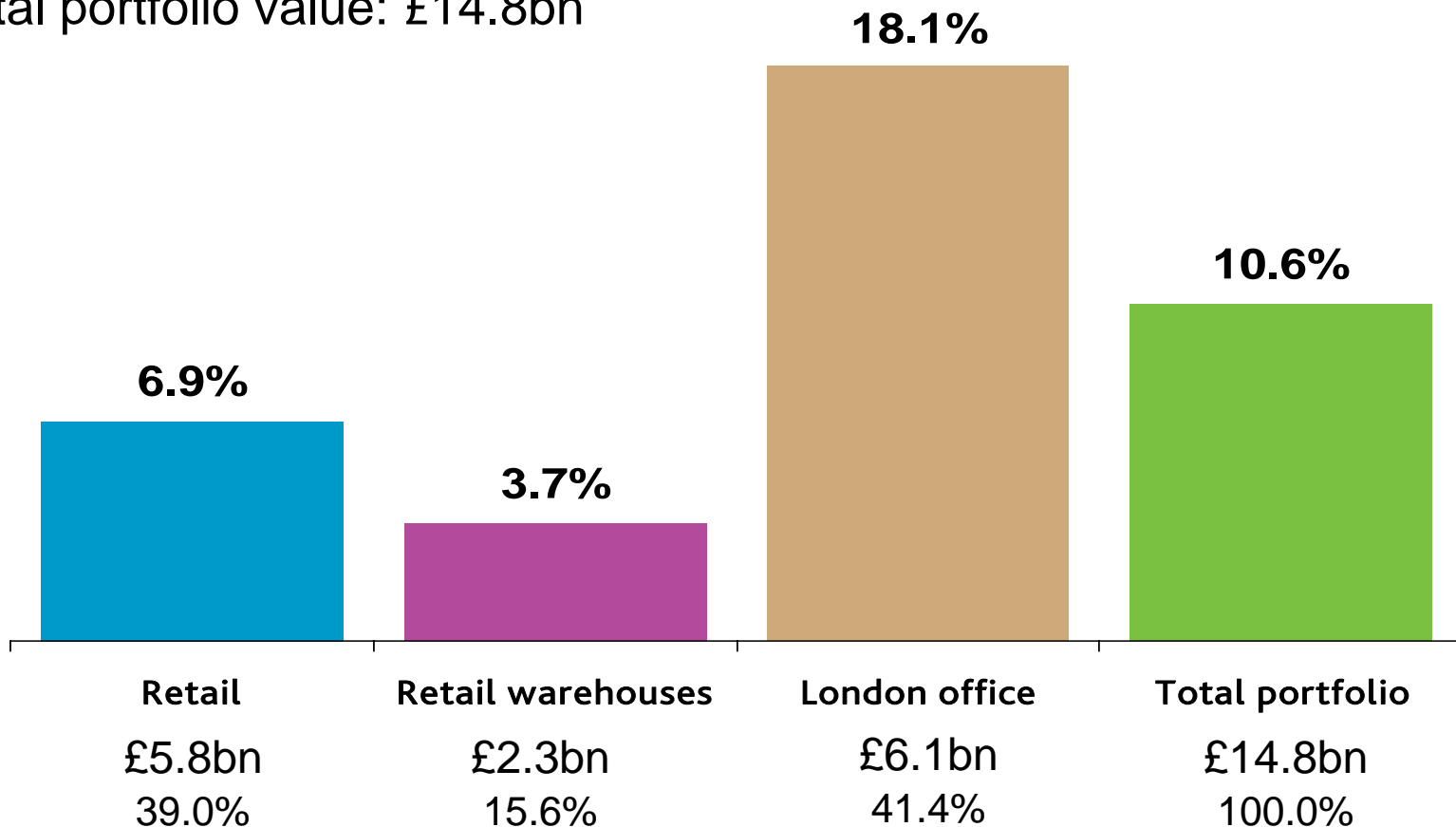
Group Chief Executive



Portfolio valuation results

Combined portfolio (year ended 31 March 2007)

Total portfolio value: £14.8bn

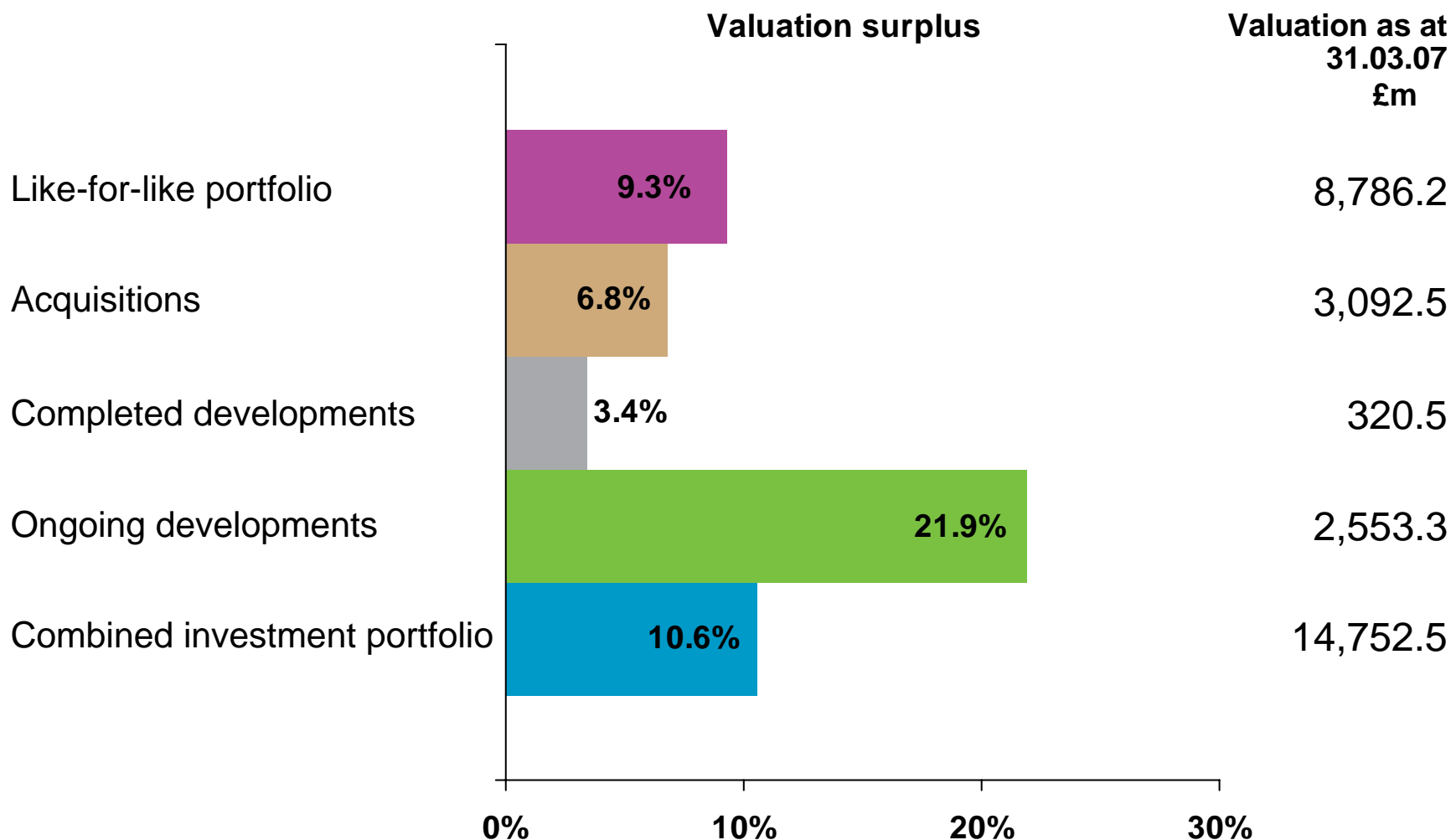


Land Securities' total property return 16.2% vs IPD Quarterly benchmark 15.8%



Portfolio valuation results

Impact of developments and acquisitions



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

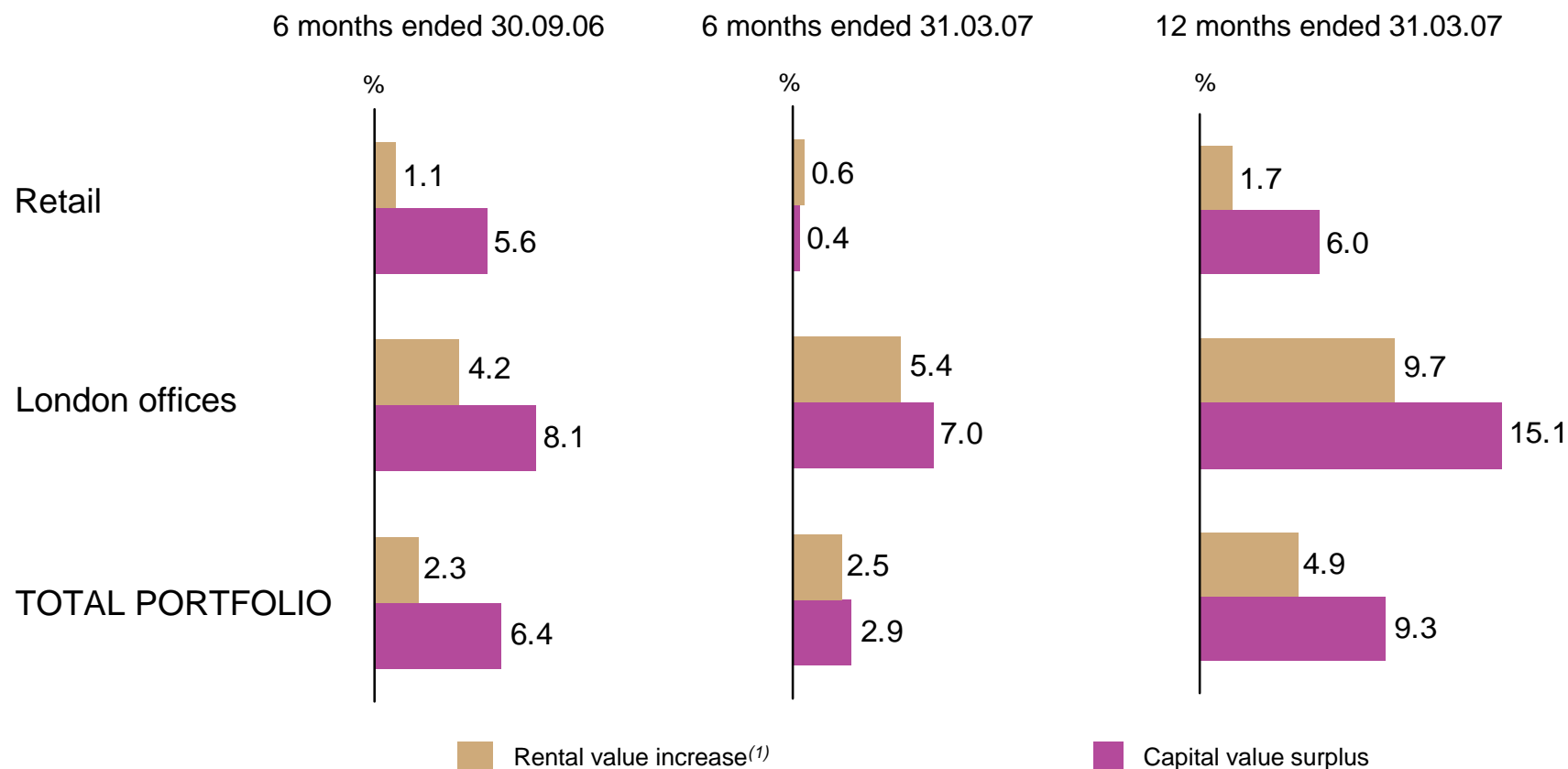




Like-for-like portfolio

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

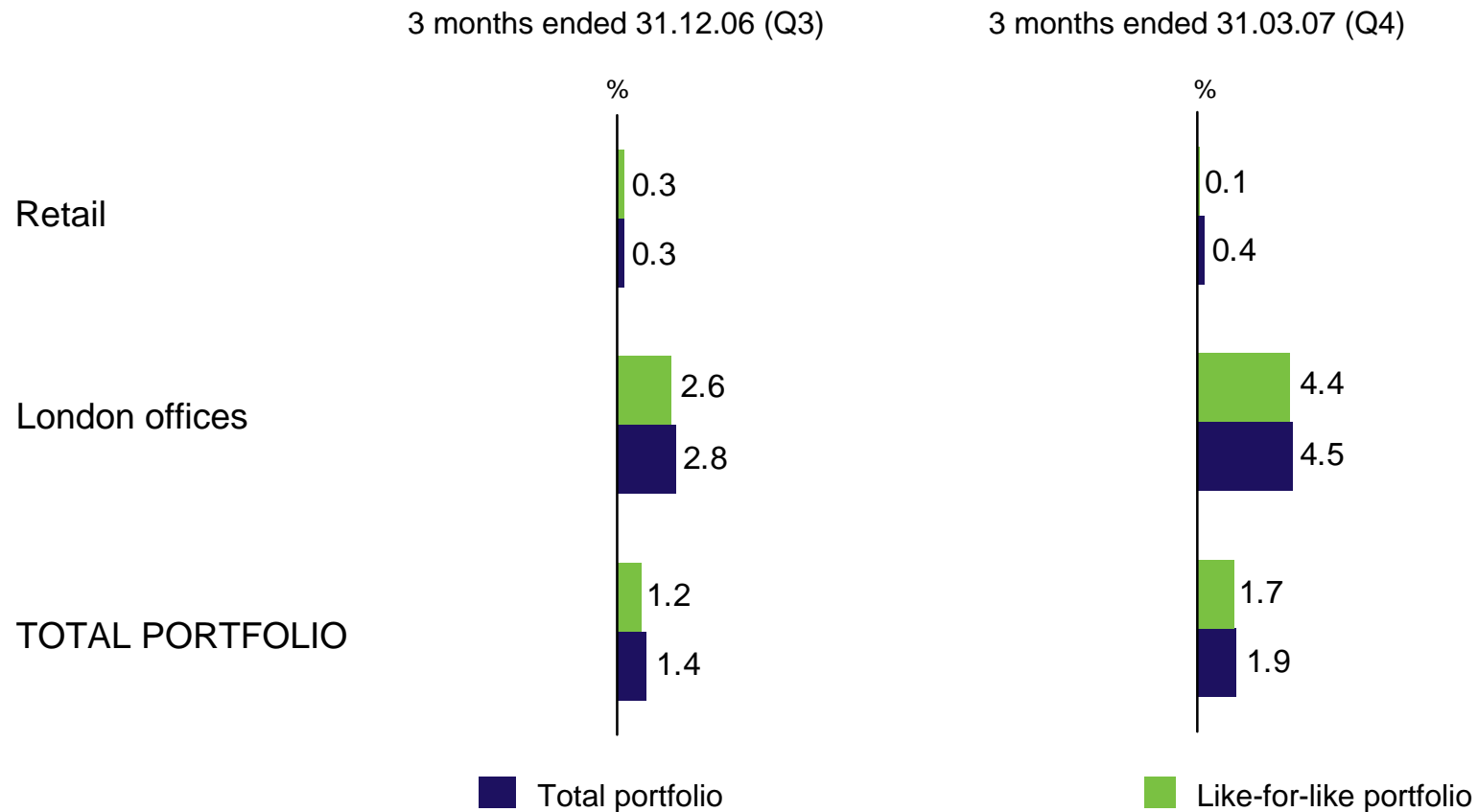
Yield compression of 24 bps in H1 and 10 bps in H2





H2 valuation surplus – split into Q3 and Q4

Total portfolio and like-for-like portfolio



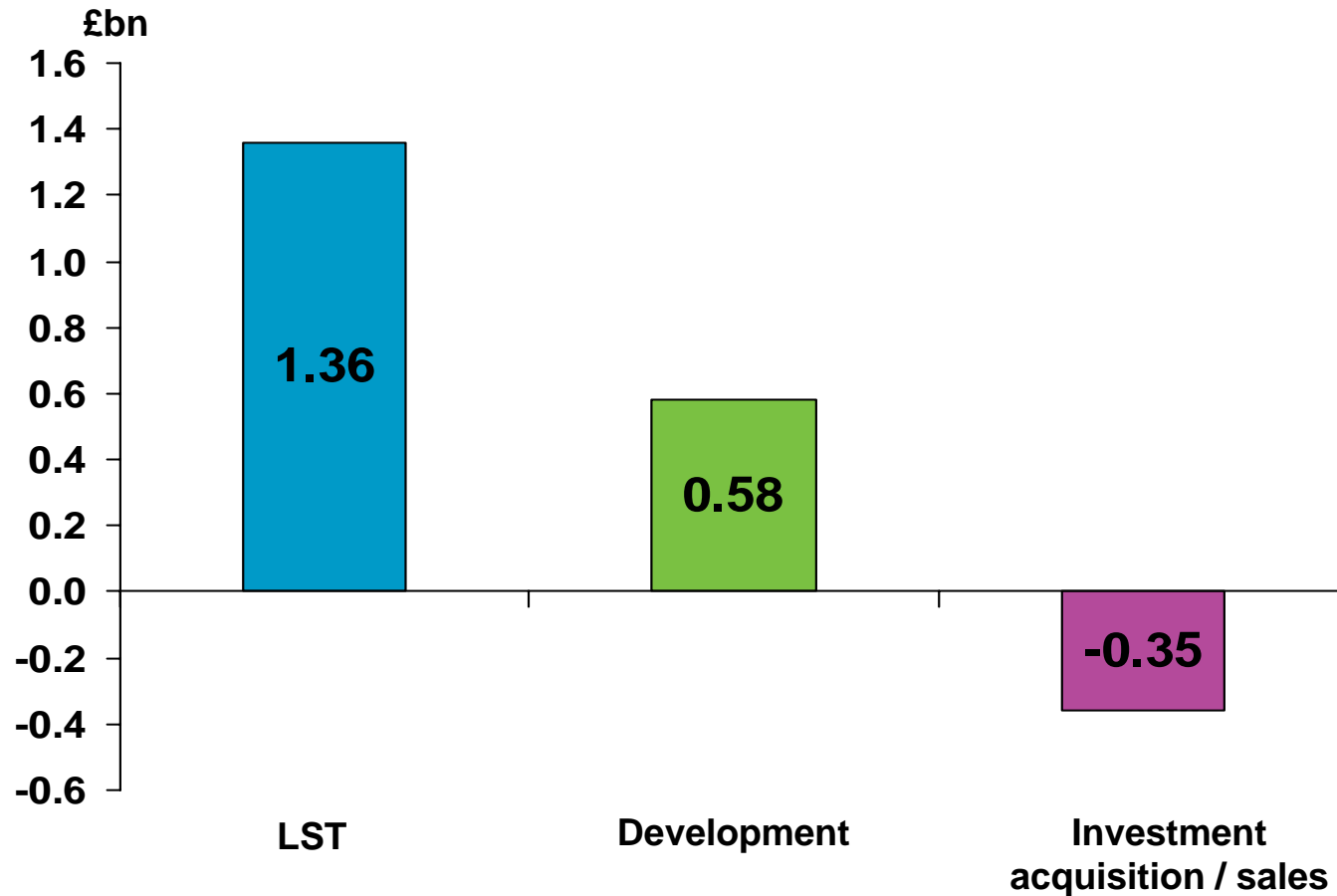
Stronger growth in rental values for London offices in Q4





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



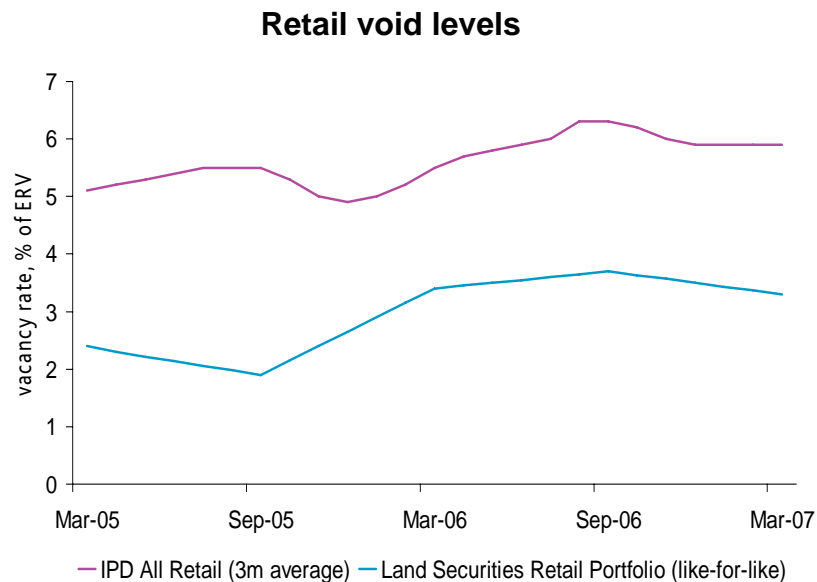
Erdington, Birmingham

£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



Lakeside Retail Park, Thurrock

Non-development assets: 1.0 million ft² / £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

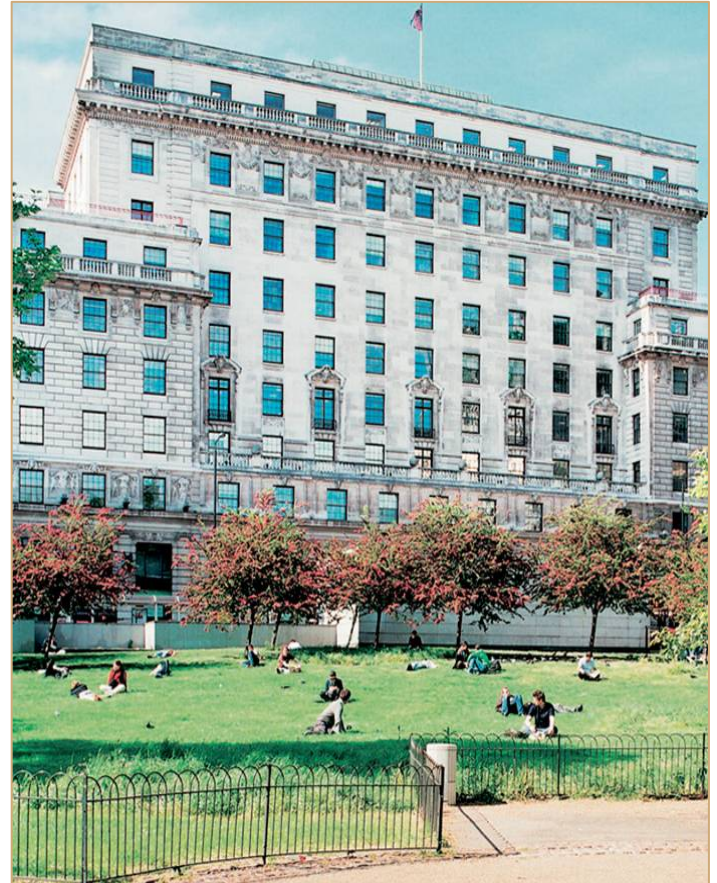


London Portfolio

Purchases and sales



Arundel Great Court, WC2



Devonshire House, W1

Buy c. £600 per ft² capital value / Sell c. £1,500 per ft² 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 ft² of development lettings / terms agreed





London Portfolio

The next phase of developments



Dashwood House, EC2
155,000 ft² - 2008



10 Eastbourne Terrace, W2
65,000 ft² - 2009



One New Change, EC4
555,000 ft² - 2010



Park House, W1
385,000 ft² - 2010



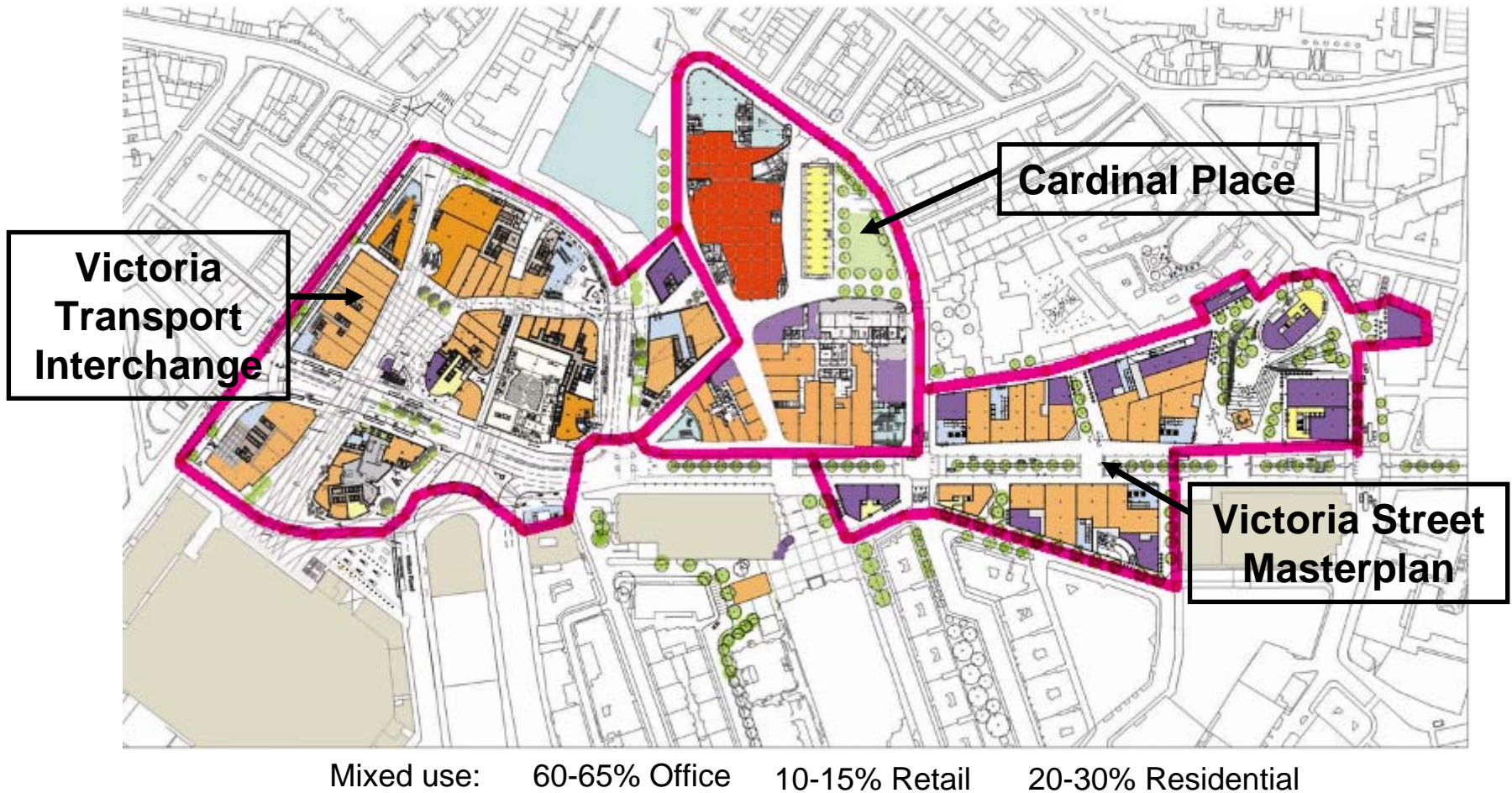
20 Fenchurch Street, EC3
600,000 ft² - 2011

Accelerated delivery for Dashwood House and 10 Eastbourne Terrace



London portfolio

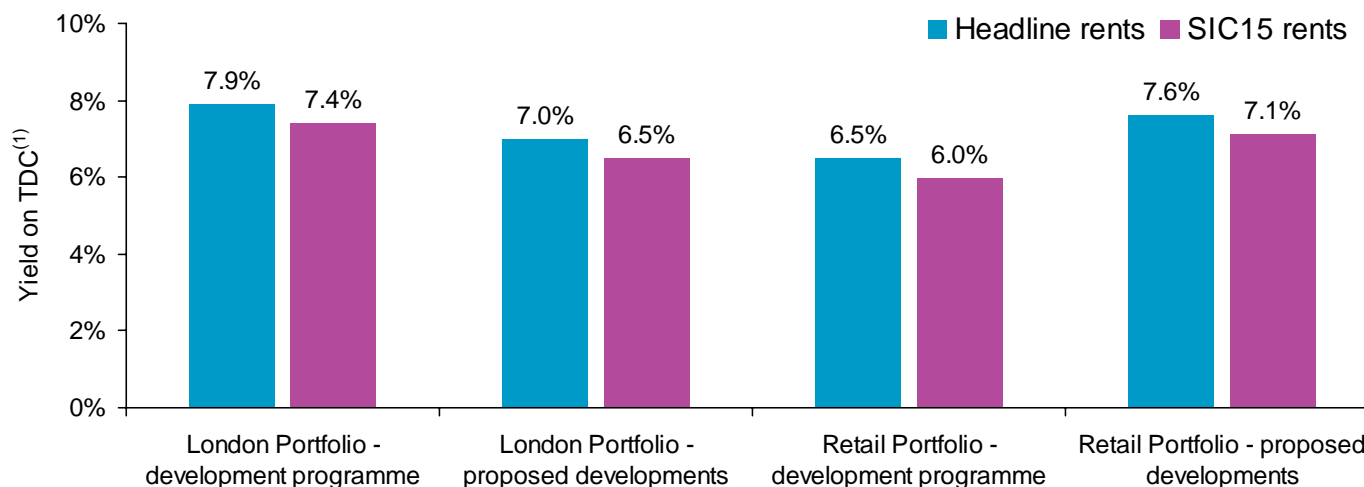
The next generation of development - Victoria



Over 3 million ft² of new development delivered between 2010 and 2020

Development contribution – I

Income growth and valuation surplus – development pipeline



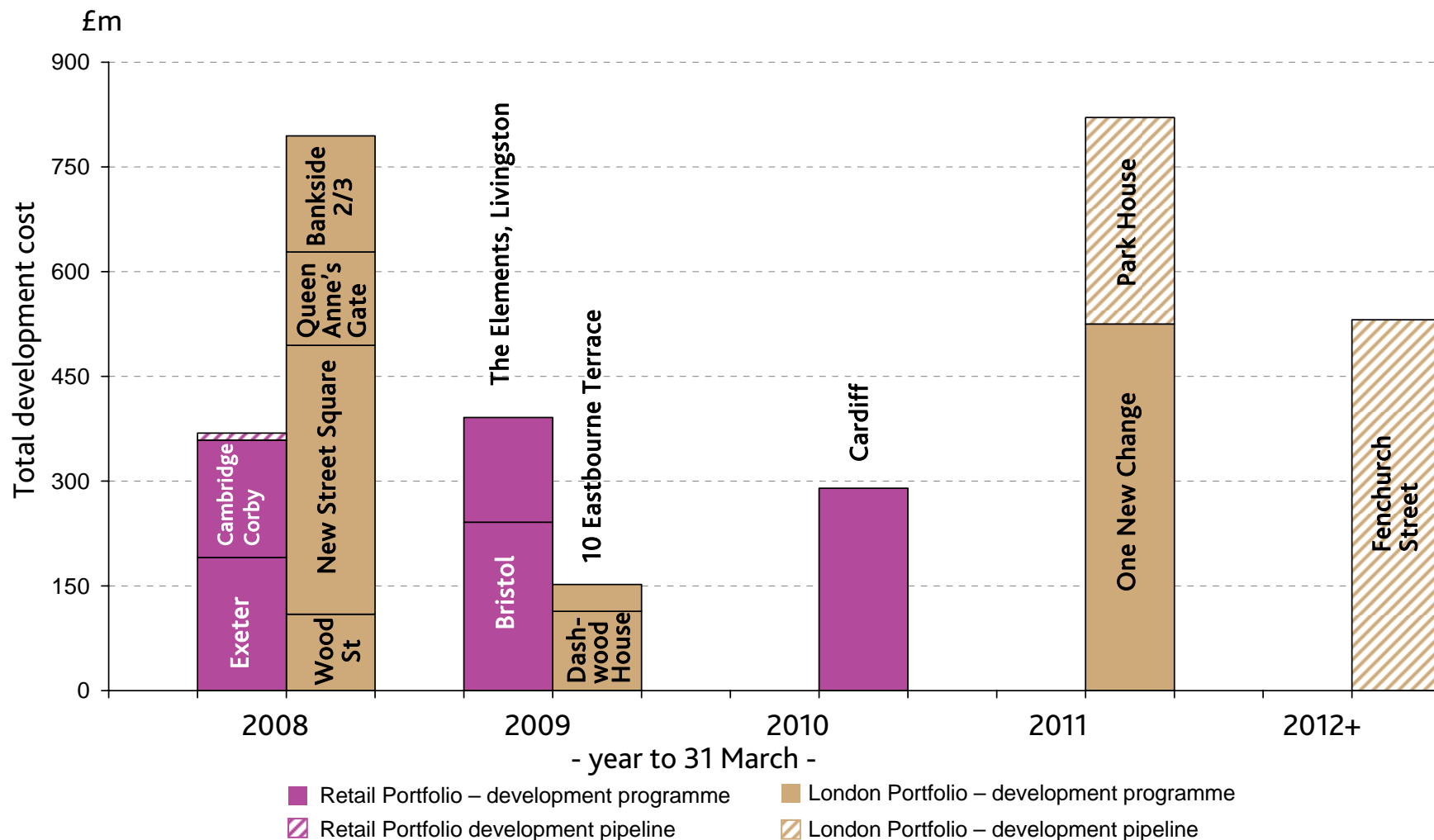
	London Portfolio – development programme	London Portfolio – proposed developments	Retail Portfolio – development programme	Retail Portfolio – proposed developments
TDC ⁽²⁾	£1,871 m	£827m	£1,075m	£10m
Nominal equivalent yield	4.8%	5.0%	5.0%	5.4%
Valuation surplus crystallised to date	£719 m	n/a	£59m	n/a

(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

Ebbfleet Valley



Ebbfleet Valley

Ebbfleet 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⁽¹⁾
- £85m current book value
- £407m future infrastructure costs (LS share at 2006 prices)

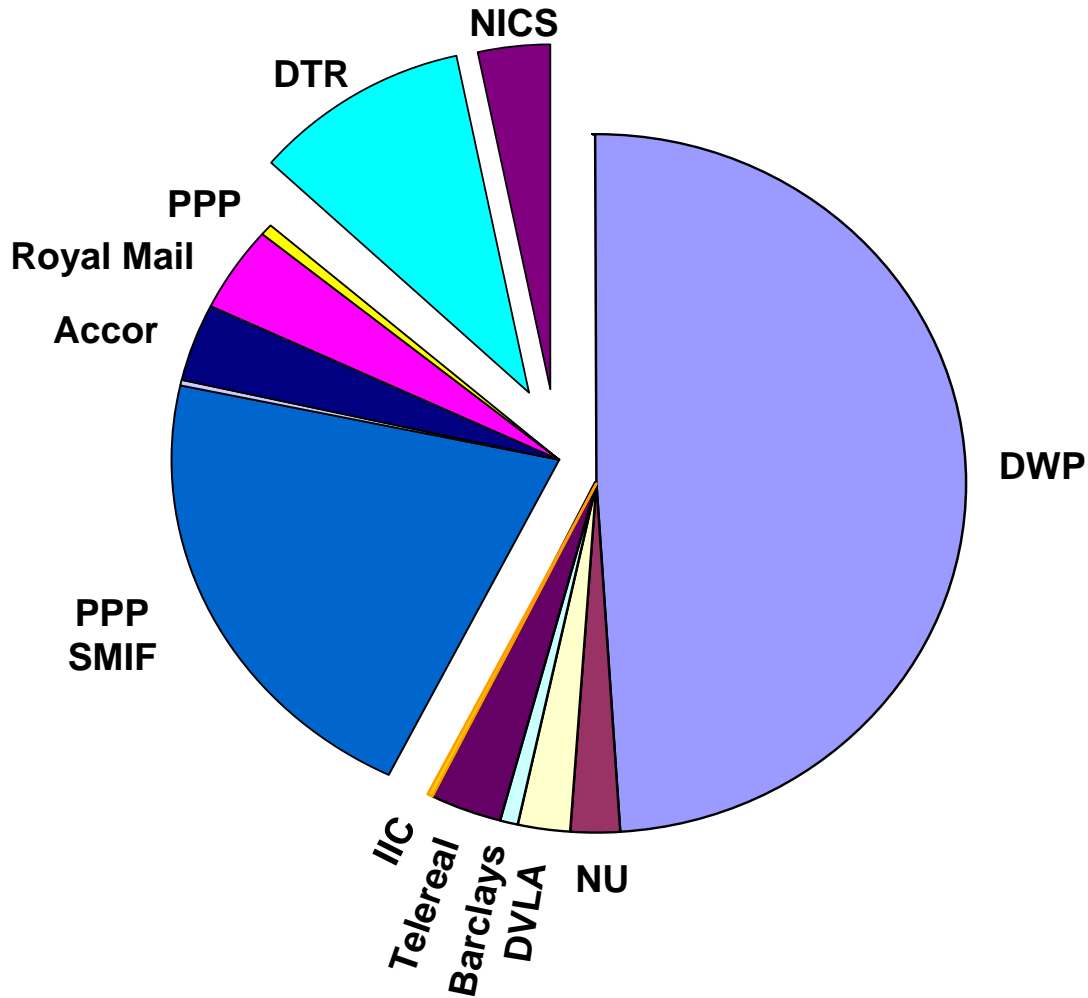
Note: (1) As at April 2005

Planning consent for Eastern Quarry expected in 2007



Land Securities Trillium

Existing, new and potential contracts by floor area



A year of growth – 35million ft² to 51million ft² ... plus 10million ft² potential



Land Securities Trillium

Potential new contracts



Defence Training Review
Preferred bidder / provisional preferred bidder

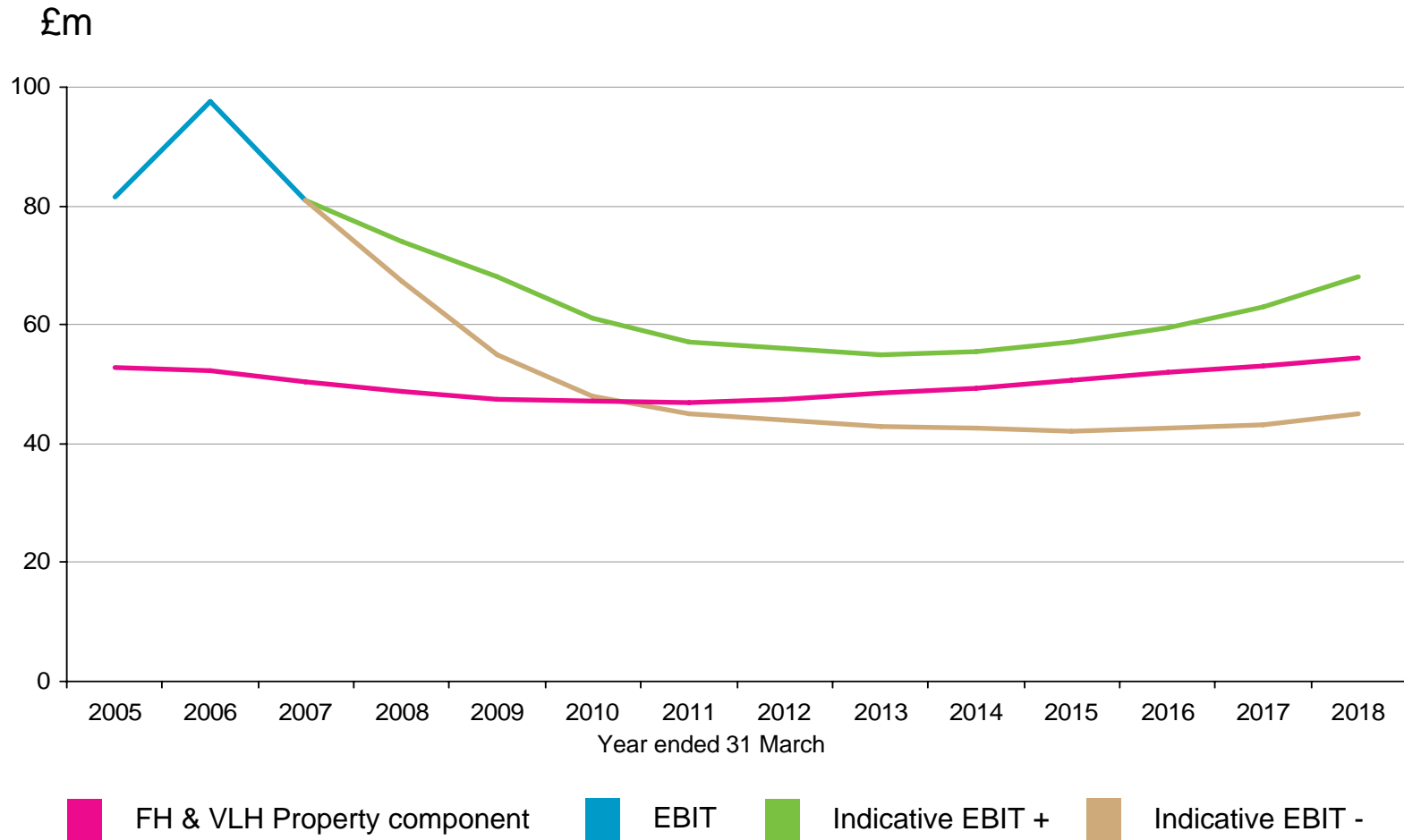


Northern Ireland Civil Service
BAFO stage

Potential for additional 10 million ft² 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 ft²
- Vacation notices on leasehold space served by March 2007 for use in 2007/08 0.9 million ft²
- Additional surplus leasehold space to be vacated until 'catch up' of vacation entitlement in c. March 2010

c. 1.8 million ft²

c. 4.3 million ft²
- Average cost of leasehold space vacated £14 per ft²

... 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



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