



Half Year Results Presentation

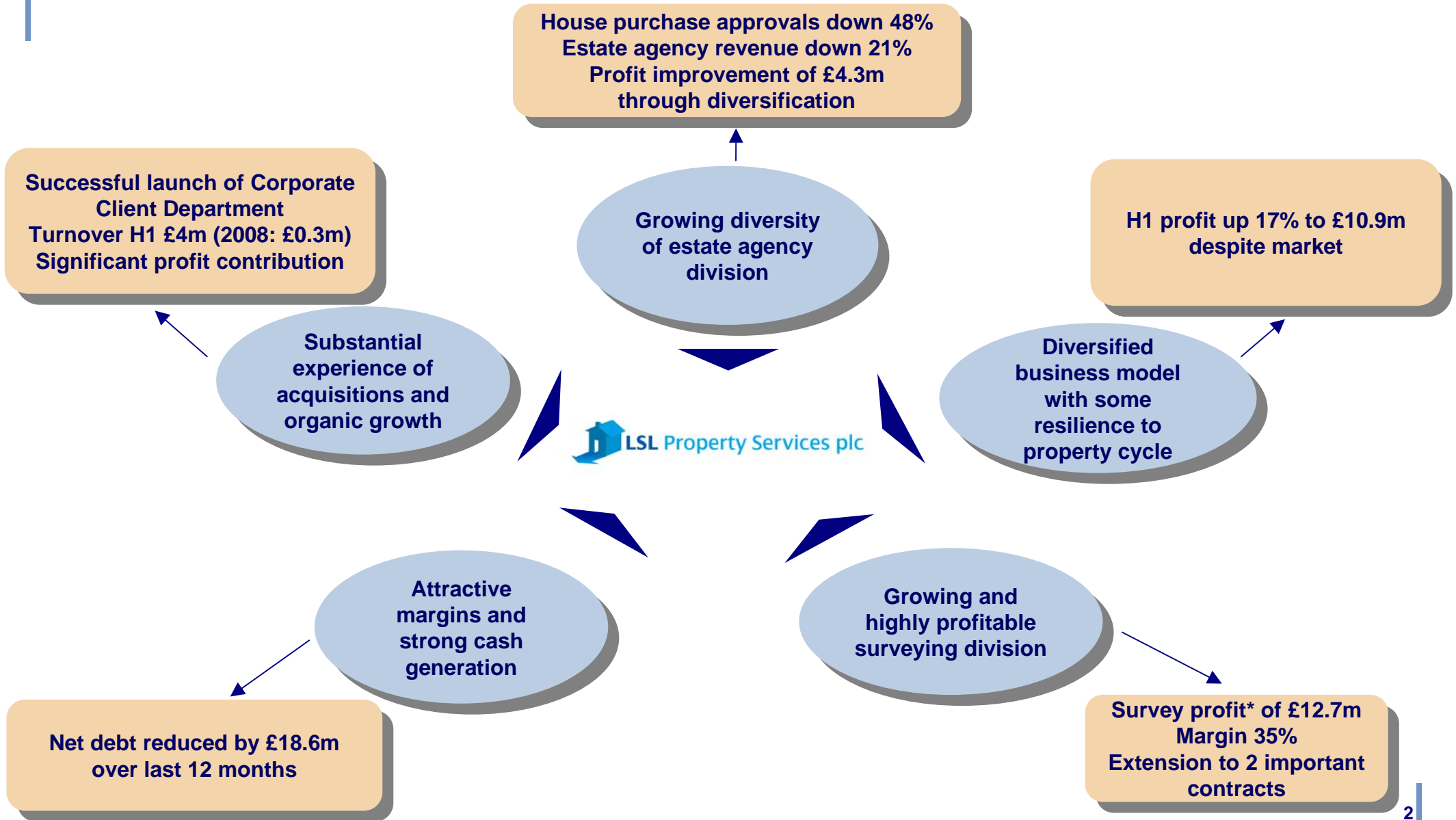
Six Months Ended 30 June 2009

Simon Embley, Group Chief Executive Officer

Dean Fielding, Group Chief Finance Director

August 2009

Key messages & delivery H1 2009



*Underlying operating profit before exceptional costs, amortisation of intangibles and share based payments

Highlights

Group

- Group revenue declined to £74.1m (2008: £93.1m)
- Underlying Group Operating Profit up 17% to £10.9m (2008: £9.3m). Profit before tax was £4.3m (2008: loss before tax of £1.8m)
- Management focus on reducing costs has resulted in operating costs down by 25% and operating margin up from 10.0% to 14.6%
- Group profit before tax, amortisation and exceptional costs up 39% to £9.4m (2008: £6.8m)
- Underlying Adjusted Earnings Per Share up 27% to 6.5p (2008: 5.1p). Basic earnings per share was 2.6p per share (2008: Basic loss per share was 1.5p)

Surveying Performance

- Resilient surveying profit despite 48% fall in mortgage approvals. Underlying Operating Profit down by 17% to £12.7m (2008: £15.4m)
- Extensions secured during the period for two of our important surveying contracts

Estate Agency

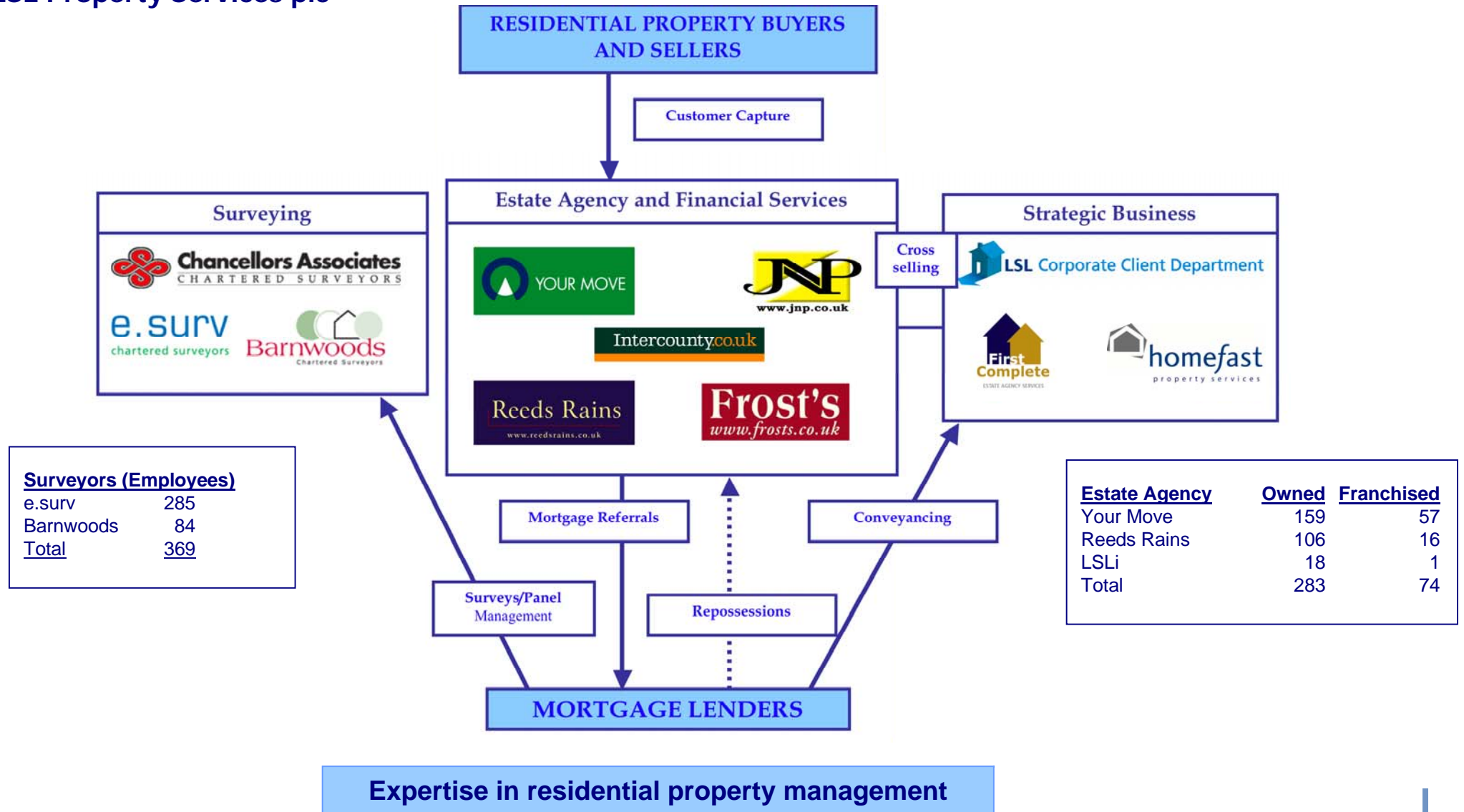
- Significant improvement in estate agency trading. Underlying Operating Losses¹ reduced from £5.2m to £0.9m
- Result underpinned by growth in counter-cyclical income streams and significant cost reductions

Cash Management

- Significant focus on cash management
- Net debt reduced by £18.6m over the last 12 months to £43.1m

Who are we now?

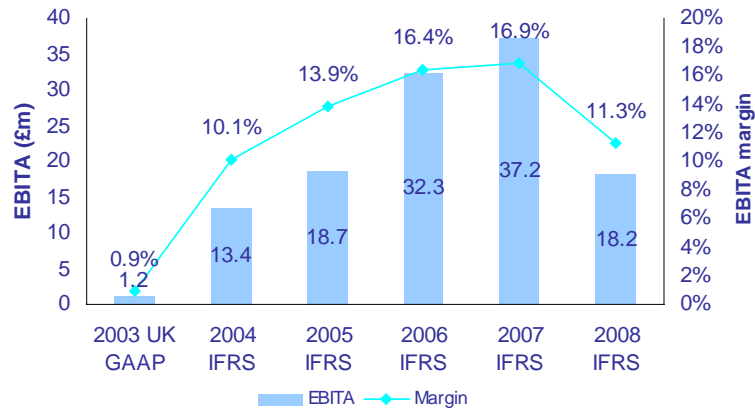
LSL Property Services plc



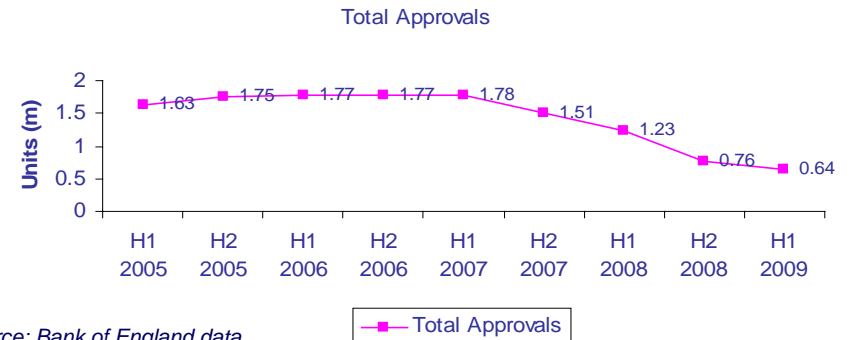
Financials at a glance

Profit growth in H1 2009 despite unprecedented market

EBITA Full Year *



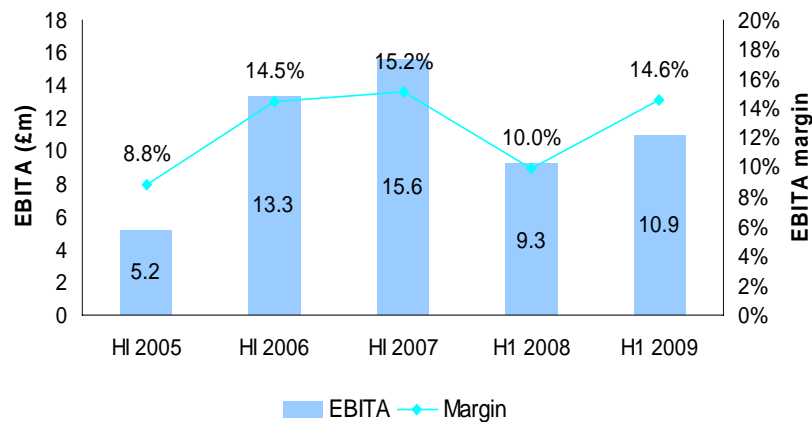
Total Mortgage Approvals



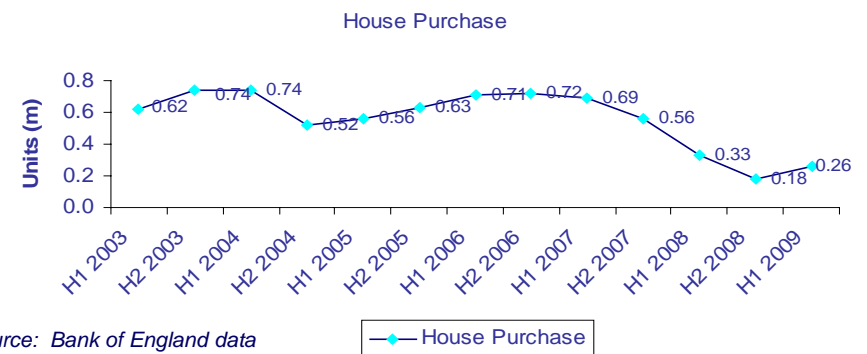
Source: Bank of England data

Market total mortgage approvals down 48% against H1 2008

EBITA Half Year *



House Purchase Approvals



Source: Bank of England data

Unprecedented market conditions

Source: Company Accounts

* Before exceptional items, amortisation of intangible assets and share based payments

Profit track record

Significant cost reductions & more robust business model

Group Income Statement

	<u>H1</u> <u>2009</u>	<u>H1</u> <u>2008</u>	<u>2008</u>
Turnover	74.1	93.1	161.8
Net Expenditure	-63.2	-83.8	-143.6
Underlying Group Operating Profit	10.9	9.3	18.2
Share based payments	-0.3	-0.9	-1.6
Amortisation	-5.0	-5.2	-10.1
Exceptionals	-0.2	-3.4	-7.8
Adjusted Group Operating Profit	5.4	-0.2	-1.2
Dividend income	0.0	0.3	0.3
Net finance costs	-1.1	-1.8	-4.3
Adjusted PBT	4.3	-1.7	-5.2
Deferred tax adjustment to goodwill			-1.0
Taxation	-1.6	0.2	1.4
PAT	2.7	-1.5	-4.8

Group Financial Overview (£m)

	<u>2007</u>	<u>2008</u>	<u>H1</u> <u>2007</u>	<u>H1</u> <u>2008</u>	<u>H1</u> <u>2009</u>
House purchase approvals (m)	1.26	0.52	0.69	0.33	0.26
Revenue					
Estate Agency	129.6	81.7	62.9	48.2	38.1
Survey	89.9	80.1	40.0	44.9	36.0
Total	219.5	161.8	102.9	93.1	74.1
Underlying Group operating profit/loss*					
Estate Agency	12.8	-8.4	5.3	-5.2	-0.8
Survey	26.3	28.6	11.7	15.4	12.7
Central	-2.6	-2.0	-1.4	-0.9	-1.0
Total	36.5	18.2	15.6	9.3	10.9

- Cost based reduced by 25% v. H1 2008
- Despite volume decline, profits up 17%
- PBT of £4.3m v. loss of £1.7m. Minimal exceptionals.

- Estate agency resilience despite market due to:
 - ▶ Core agency improvement underpinned by lower cost base and lettings improvement
 - ▶ Successful launch of Corporate Client Department. Turnover H1 £4m with strong profit contribution

Strong Cash Flow

Strong cash generation with minimal capital expenditure

£m	2008	H1 2008	H2 2008	H1 2009	Last 12 months
Underlying Group operating profit	18.2	9.3	8.9	10.9	19.8
Depreciation & other	2.3	1.1	1.2	0.8	2.0
Proceeds from sale of equipment	0.1	0.0	0.1	0.0	0.1
Loss on sale of equipment	0.4	0.0	0.4	0.0	0.4
Exceptional costs (excluding impairment)	-6.7	-3.4	-3.3	-0.2	-3.5
Exceptional net finance costs	-0.4	0.0	-0.4	0.0	-0.4
Dividend income	0.3	0.3	0.0	0.0	0.0
Net interest payable	-3.9	-1.8	-2.1	-1.2	-3.3
Movement in working capital	-1.5	-9.3	7.8	-2.9	4.9
Tax paid	-5.1	-4.3	-0.8	-1.2	-2.0
Capital expenditure	-1.0	-0.7	-0.3	-0.2	-0.5
Net cash from operating activity after tax & capex	2.7	-8.8	11.5	6.0	17.5

- Significant cash generation over last 12 months
 - ▶ Minimal capital expenditure
 - ▶ Working capital focus
 - ▶ No dividend paid
 - ▶ Resulting in cash generation in last 12 months of £17.5m
- Comparison 1H 2009 v 1H 2008
 - ▶ Lower exceptionals and interest payable
 - ▶ Lower taxation and capital expenditure
 - ▶ Significant working capital improvement
- Overall cash flows in H1 2009
 - ▶ Ahead of expectations
 - ▶ Current net debt of £43.1m (30 June 2008: £61.7m)
- Significant headroom v.covenants
- Continued drive on preserving cash in H2 2009
 - ▶ No interim dividend – Board will review at prelims
 - ▶ Working capital continued focus
 - ▶ Further restructuring costs not expected

Operational Performance: Surveying

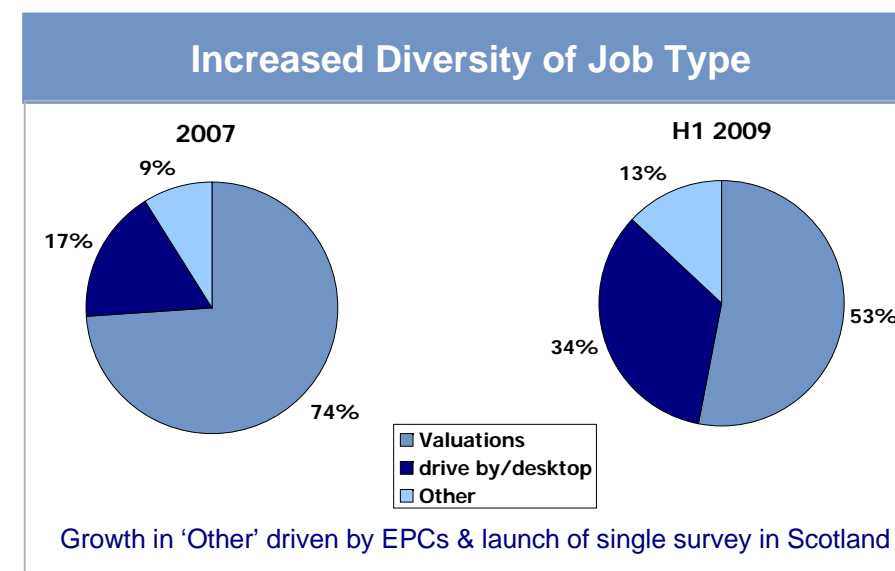
Continued growth in market share

Surveying Segment						
	2006	2007	2008	H1 2008	H2 2008	H1 2009
Turnover (£m)	74.0	89.9	80.1	44.9	35.2	36.0
Expenditure (£m)	-53.0	-63.5	-51.5	-29.5	-22.0	-23.3
Profit (£m)	21.0	26.4	28.6	15.4	13.2	12.7
Margin	28.4%	29.4%	35.7%	34.3%	37.5%	35.3%

Market Share Growth						
	2005	2006	2007	2008	H1 2008	H1 2009
Jobs performed ('000s)	378	434	533	461	257	215
Mortgage approvals*	3381	3534	3292	1980	1232	642

* Source: Bank of England data

- Maintained profit despite adverse market conditions
- Strong market share growth from e.surv
 - ▶ mortgage approvals down 48% v. H1 2008
 - ▶ turnover down 20% v. H1 2008
- Significant contribution from contract wins of Barclays and C&G in mid 2007
- Barnwoods, set up mid 2007 as panel manager for C&G, contributed significantly to profit
- Significant cost reduction - yoy down 21%
- In addition, two significant contract extensions awarded in Q2 2009



Surveying's embedded relationships

Providing a range of services across the UK's lending market

Service provider



Panel manager



Exclusive panel manager and manager of lender employed surveyors



Joint panel manager



Source: Company data

The UK's market leading valuation distributor

Surveying: Development

Market backdrop

Market conditions remain difficult:

- Total mortgage approvals down by 48% yoy
- Remortgage volumes down from 0.6m H1 2008 to 0.2m H1 2009
- Claims environment with increasing repossessions has resulted in an increase in claims. LSL now has captive in place

LSL continues to perform well through the cycle and deliver a quality service

Clients update

- Extensions gained to 2 important contracts
- Barnwoods, exclusive panel manager to C&G (now part of the LBG), making a significant contribution to the Group's profitability. Contract now starting 3rd year

New products & opportunities

- Scottish single survey launched 1st December. Market in Scotland weak, but providing a current and future income opportunity
- New clients targeted
- Well placed for market improvement

Strong client base

- Excellent service delivery record enabled us to stand out from the crowd
- Robust customer relationships with the leading lender institutions
- Diverse client base providing some insulation to changes in client behaviour

Operational Performance: Estate Agency & Financial Services

Estate Agency Segment							
	2007	2008	H1 2007	H2 2007	H1 2008	H2 2008	H1 2009
House purchase approvals	1.26	0.52	0.69	0.57	0.33	0.19	0.26
Exchange units YM/RR	31277	13683	15990	15287	8525	5158	5535
Turnover	129.6	81.7	62.9	66.7	48.2	33.5	38.1
Expenditure	-116.8	-90.1	-57.6	-59.2	-53.4	-36.7	-38.9
Profit	12.8	-8.4	5.3	7.5	-5.2	-3.2	-0.8
Exchange income	69.3	28.6	35.3	34.0	18.2	10.4	10.1
Total income	129.6	81.7	62.9	66.7	48.2	33.5	38.1
% non exchange income	47%	65%	44%	49%	62%	69%	73%

- Cost base reduction 27%
- Other income streams now 73% of turnover
- Segment profit expected in 2009

- Estate agency resilience despite market due to:
 - ▶ Core agency improvement underpinned by lower cost base and lettings improvement
 - ▶ Successful launch of Corporate Client Department. Turnover H1 £4m with strong profit contribution

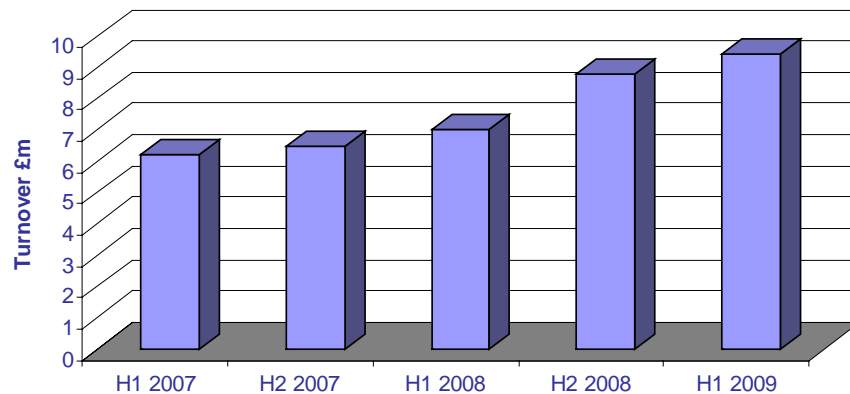
Estate Agency Segment			
	H1 2008	H1 2009	%
Exchange income	18.2	10.1	-45%
Total income	48.2	38.1	-21%
Expenditure	-53.4	-38.9	-27%
Profit	-5.2	-0.8	

Estate Agency: Development

Developing counter cyclical income streams

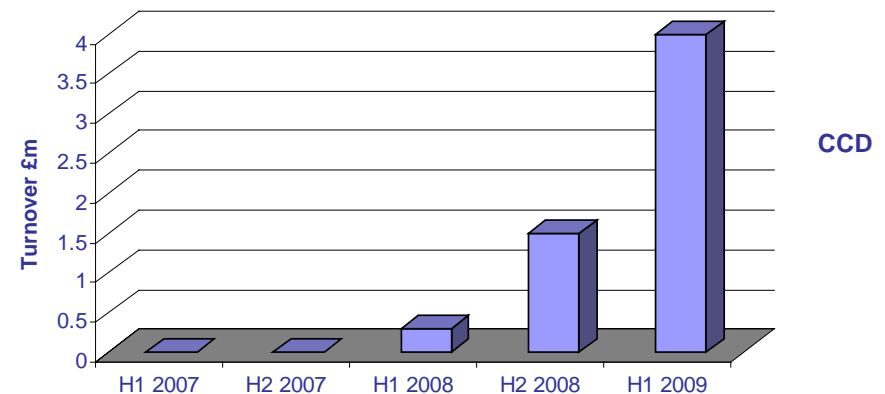
- Lettings, significant focus across all brands, growth of 35% v. H1 2008
- Now offered in all LSL estate agency owned branches, launched in Scotland Q4 2008
- Impressive growth record

Lettings



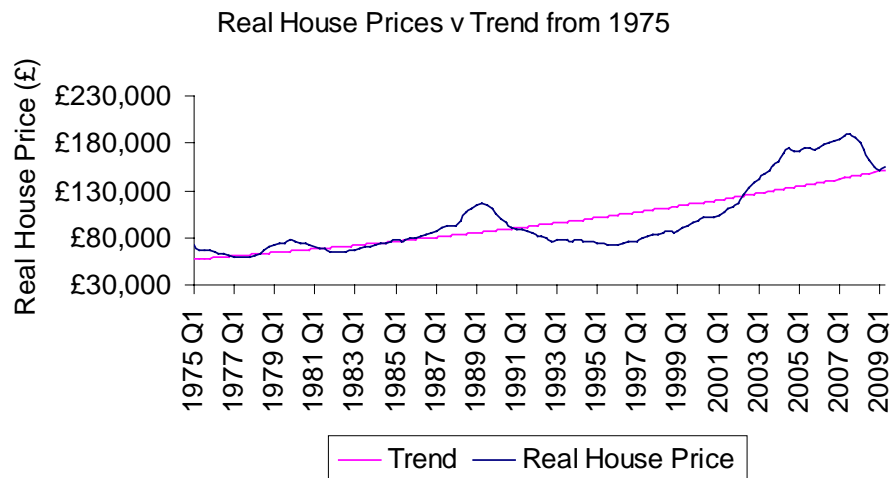
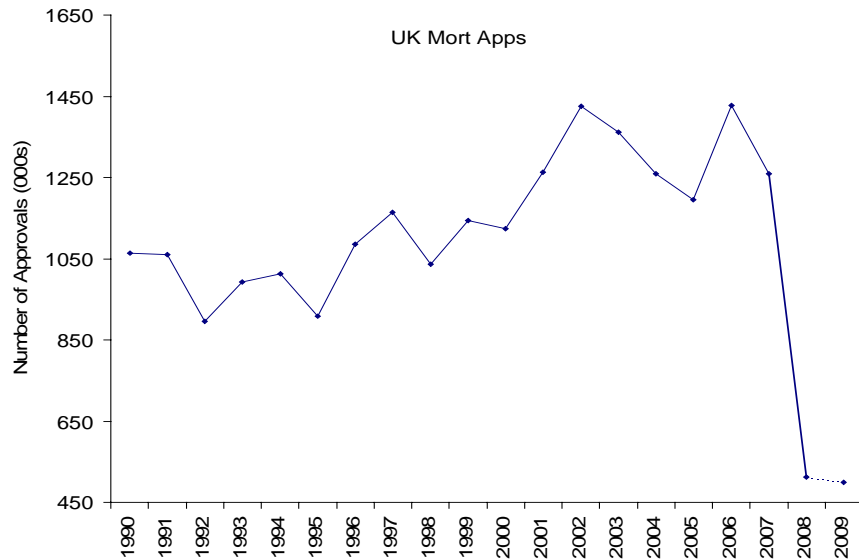
Corporate Client Department

- Set up in H1 2008, turnover growth impressive. Run rate growing monthly.
- 626 corporate lettings properties added to portfolio in H1 2009
- 2800 repossessions managed in H1 2009 (estimated 10% market share) with a number of new contracts won in the period.
- Key services:
 - ▶ portfolio management and corporate lettings
 - ▶ asset management



Market Outlook (short term)

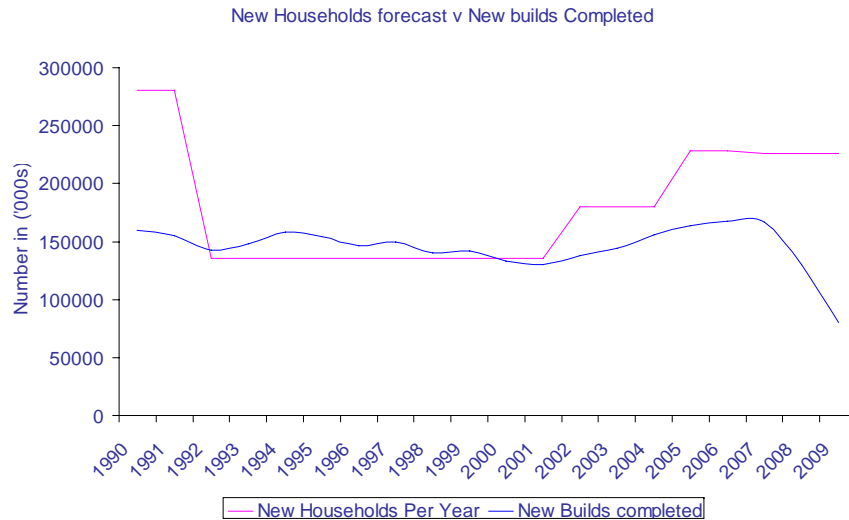
In the short-term we are seeing a substantial adjustment to residential asset prices, brought on by the world banking crisis.



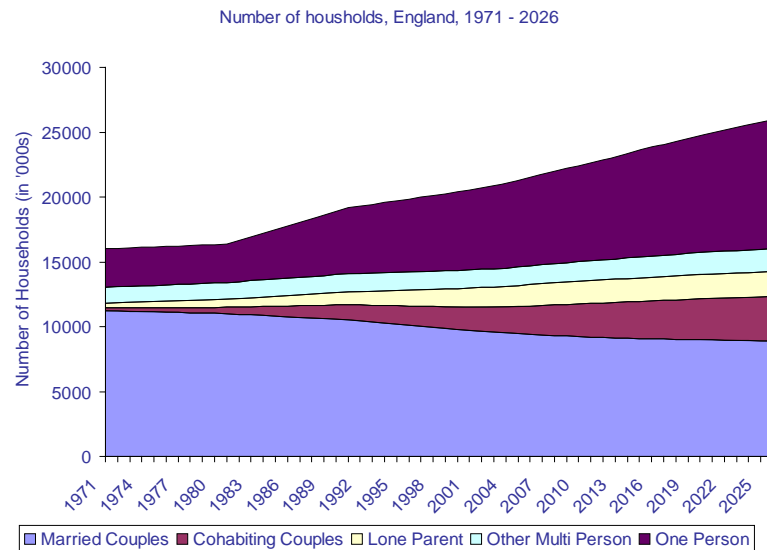
- Comparing the 1990s to what we are witnessing today, in the 7 years up to 1996 transaction volumes fell by 1.8 million.
- Based on an average of 1.2 million transactions / year, sales fell 0.2 million in 2007, 0.7 million in 2008 and are forecast to fall a further 0.5 million in 2009.
- This amounts to 1.4 million of lost sales in a little over 2.5 years.
- House prices declined by 37% (in real terms) between 1990 and 1996.
- House prices are already down by 20% from their peak in July 2007 to June 2009 (Halifax / Nationwide).
- We expected that prices would fall cumulatively by between 30-35% in nominal terms and 35-40% in real terms by the end of 2009. However, recent months have seen house prices stabilising at around a 20% fall.
- This has been underpinned by activity from cash buyers.
- The continued lack of available mortgage products makes it extremely difficult to predict the short-term outlook for transaction volumes and house prices.

Market Outlook (long term)

The long-term prognosis for residential property is extremely good, based on supply and demand analysis



- Over the last ten years we have had an under-supply of 40,000 units per year in the UK
- The problem is getting worse not better, with only 130,000 new builds in 2008 and 70,000 forecast for 2009



- Between 1971 and 2008, the number of households increased by 37%
- By 2026, it is anticipated that the increase from 1971 will be 10 million
- Over the next 8 years (2009-2017) the number of households is forecast to grow by 10%

Source: Office for National Statistics

Summary

The business is well placed in 2009 in the face of an extremely challenging market

Survey

- Flexible panel management model and operational flexibility
- Reduced cost base to reflect reduction in remortgage activity (costs down 21% yoy)
- Service delivery ethic will continue to drive positive selection from clients looking to reduce risk
- Well positioned for further market share growth

Estate Agency

- Market volumes have improved, albeit against unprecedented lows
- Timing of recovery depends on “economics” and consumer confidence however
- Costs down 27% yoy
- Continued growth in counter-cyclical income streams, will support result
- Market share opportunities as competitors struggle

Financial Services

- Now incorporated into estate agency segment

Organic & Acquisition Growth

- Corporate Client Department expected to contribute significantly in 2009
- Net debt reduced to £43.1m (2008: £61.7m), so well placed for acquisition opportunities
- Consolidation opportunities will arise