LSL Property Services plc

Preliminary Results Presentation

Year Ended 31 December 2008

Simon Embley, Group Chief Executive Officer
Dean Fielding, Group Finance Director

March 2009

Key messages & delivery 2008

Growing diversity of estate agency division

Estate Agency diversification
Exchange income down 59%
Segment revenue down 38%
Other income up 17%

Diversified business model with some resilience to property cycle

Group profit*
Despite market, profit £18.2m
Compares favourably with our competitors

Growing and highly profitable surveying division

Surveying profit*
up 8% to £28.6m

Attractive margins and strong cash generation

Net cash in 2008:
£3.2m of cash generated despite a number of significant restructuring costs

Substantial experience of acquisitions and corporate reform

Successful launch of Corporate Client Department - repossessions & property management

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*Underlying Group operating profit/loss is before exceptional costs, amortisation of intangible assets and share based payments

Highlights

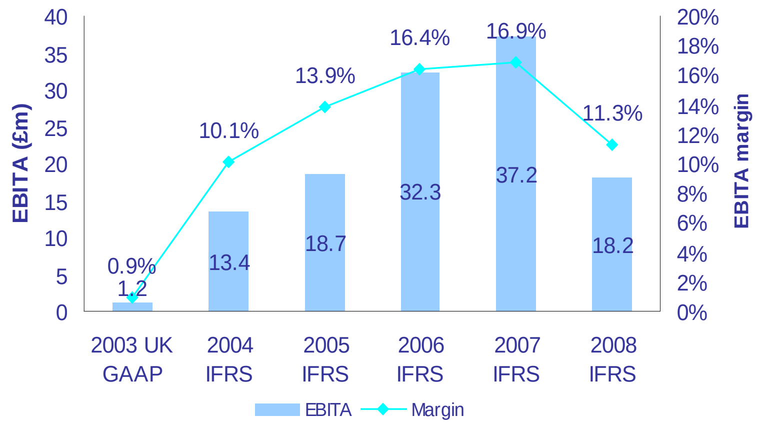
- Group Revenue down 26% to £161.8m (2007:£219.5m)
- Underlying Group Operating Profit* at £18.2m (2007:£37.2m)
- Operating costs reduced by 21% to £144.3m (2007:£183.4m)
- Exceptional costs of £8.2m (2007: £1.4m), primarily reorganisation and restructuring costs necessary to reduce operating costs in line with lower activity levels
- Adjusted Basic Earnings Per Share of 9.8p per share (2007: 23.4p per share)
- Significant management focus on reducing costs and conserving cash
- No final dividend declared (2007: total dividend 6.86p)
- Net cash inflow from operations of £3.2m (2007:£29.4m)
- Net debt at the year end of £49.2m (2007:£48.7m)
- Bank facility of £75.0m extended to July 2011

***Underlying Group operating profit/loss is before exceptional costs, amortisation of intangible assets and share based payments**

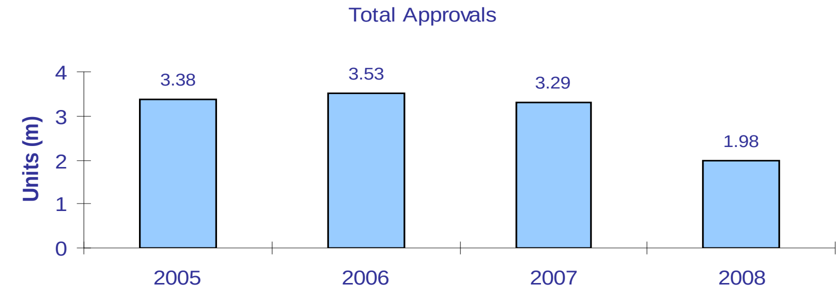
Financials at a glance

Satisfactory profits in 2008 in unprecedented market conditions

EBITA Full Year *



Total Mortgage Approvals



Source: Bank of England data

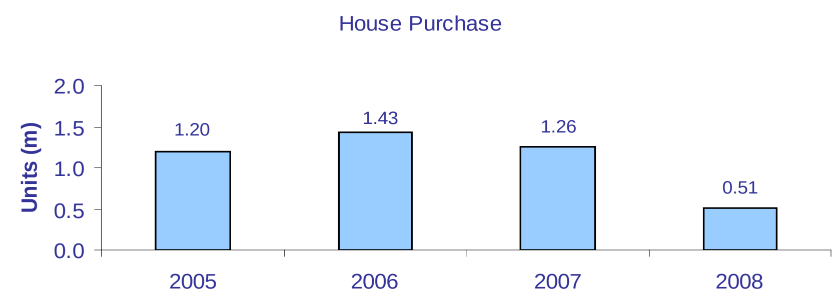
Market total mortgage approvals down 40% for 2008

Group Financial Overview * (£m)

Revenue	2005	2006	2007	2008
Estate Agency	63.8	103.1	107.1	66.7
FS	14.0	20.9	22.5	15.0
EA & FS	77.8	124.0	129.6	81.7
Surveying	57.0	74.0	89.9	80.1
Total	134.8	198.0	219.5	161.8
Underlying Group operating profit/loss*				
Estate Agency	3.7	13.4	13.7	-7.2
FS	-2.0	-0.8	-0.8	-1.2
EA & FS	1.7	12.6	12.9	-8.4
Surveying	17.4	21.0	26.4	28.6
Central Costs**	-0.4	-1.3	-2.1	-2.0
Total	18.7	32.3	37.2	18.2

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

House Purchase Approvals



Source: Bank of England data

Market total house purchase approvals down 59% for 2008

Source: Company Accounts

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Group Income Statement

Significant exceptional costs and significant cost reductions achieved

Group Income Statement

	2007	2008	
Turnover	219.5	161.8	Turnover down by 26%.
Net Expenditure	-182.3	-143.6	Expenditure reduction of £38.7m (21%).
Underlying Group Operating Profit	37.2	18.2	
Share based payments	-0.7	-0.1	Change in accounting could impact future share based charges.
Amortisation	-9.1	-10.1	Full year charge for survey contract acquision in mid 2007.
Exceptionals	-1.4	-7.8	
Adjusted Group Operating Profit	26.0	0.2	
Dividend income	0.4	0.3	
Net finance costs	-3.1	-3.8	
Exceptional finance costs	0.0	-0.4	Extension of banking agreement and relaxed covenants.
Adjusted PBT	23.3	-3.7	
Deferred tax adjustment to goodwill	-1.0	-1.0	
Taxation	-5.9	1.4	Overall effective tax rate of circa 30%.
PAT	16.4	-3.3	

Significant one off exceptional costs

	£m
Onerous lease provisions due to branch closures	1.7
Redundancy costs	2.4
Accelarated depreciation costs due to branch closures	0.3
Cost of aborted transactions	0.3
Provision for professional indemnity claims	2.0
Non cash impairment of FS goodwill and brand	1.1
	7.8

Significant expenditure reduction

	2007	2008	%
Emoluments	120.0	88.9	-26%
Other costs	62.3	54.7	-12%
	182.3	**143.6**	-21%

Further run rate savings in 2009 from actions in 2008.

Cost savings reflect early action taken by management to reduce headcount in line with lower activity levels and tight expenditure control.

Strong Cash Flow

Strong cash generation with minimal capital expenditure requirement……

£m	2007	2008	H1 2008	H2 2008
Underlying Group operating profit	37.2	18.2	9.3	8.9
Depreciation & other	2.2	2.3	1.1	1.2
Proceeds from sale of equipment	0.0	0.1	0.0	0.1
Loss on sale of equipment	0.0	0.4	0.0	0.4
Exceptional costs (excluding impairment)	-1.4	-6.7	-3.4	-3.3
Exceptional net finance costs	0.0	-0.4	0.0	-0.4
Dividend income	0.4	0.3	0.3	0.0
Net interest payable	-3.0	-3.9	-1.8	-2.1
Movement in working capital	4.2	-1.5	-9.3	7.8
Tax paid	-9.7	-5.1	-4.3	-0.8
Capital expenditure	-2.4	-1.0	-0.7	-0.3
Net cash from operating activity after tax & capex	**27.5**	**2.7**	**-8.8**	**11.5**

- H1 cash generation was impacted by "one off" working capital movements
  - Reduction in outsourced surveys and third party cash of £3.4m
  - HIPS debtors of £3.75m
  - Normal seasonality
- Significant cash focus in H2
  - No interim dividend
  - Reduced tax payable
  - Introduction of finance arrangements for HIPs
  - Working capital focus
  - Resulting in strong cash generation in H2 of £11.5m
- Overall cash flows in 2008
  - In line with expectations
  - Current net debt of £49.2m (31 December 2007:£48.7m)
- Banking agreement extended for a further 12 months to mid 2011 with relaxed covenants and reduced facility to £75m
- Continued drive on preserving cash in 2009
  - No final dividend in 2008
  - Working capital continued focus
  - Estate agency acquisitions on hold given market backdrop
  - Further restructuring costs not expected unless further market deterioration
  - One off impacts on working capital not envisaged

Operational Performance: Surveying

Continued growth in market share

Surveying Segment

	2006	2007	2008	H1 2008	H2 2008
Turnover (£m)	74.0	89.9	80.1	44.9	35.2
Expenditure (£m)	-53.0	-63.5	-51.4	-29.5	-21.9
Profit (£m)	21.0	26.4	28.6	15.4	13.2
Margin	28.4%	29.4%	36.0%	34.3%	37.5%

Market Share Growth

	2005	2006	2007	2008
Jobs performed ('000s)	378	434	533	461
Mortgage approvals*	3381	3534	3292	1980
Market Share (approx)	11.2%	12.8%	16.2%	23.3%

** Source: Bank of England data*

- Continued growth in profit despite adverse market conditions
- Strong market share growth from e.surv despite market conditions - profit of £15.8m (2007: £20.3m)
- Significant contribution from contract wins of Barclays and C&G in mid 2007
- Barnwoods, set up mid 2007 as panel manager for C&G - results in line with expectations
- Significant cost reduction initiatives - savings of 19% for the full year. H2 run rate costs down 31%
- Above factors supporting margin growth (from 29% to 36%)

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
HBOS plc	Leeds Building Society	Abbey
Nationwide	citigroup	Alliance Leicester
	Coventry Building Society	
	The Derbyshire	
	Norwich Union Equity Release	
	Cheshire Building Society	
	C&G Cheltenham & Gloucester	
	Barclays	

Joint panel manager

HSBC, Scottish Widows, NatWest, RBS The Royal Bank of Scotland Group, northern rock

Source: Company data

Surveying: Development

Market backdrop

Marketing conditions for all valuation firms are difficult:

- Mortgage approvals down by 40% yoy
- H2 was actually worse than H1 (H1:1.225m, H2:7.55m) due to fall in remortgage volumes
- Claims environment with increasing repossessions has resulted in an increase in claims.

LSL continues to increase market share through the cycle

Growth in market share

	2007	2008
Mortgage approvals (000s)	3292	1980
Jobs performed (000s)	533	461
% share	16.2%	23.3%

New products & opportunities

- Focus on maintaining lender relationships
- A number of key contracts renewed
- New contract opportunities
- Scottish single survey launched 1st December; early days but significant opportunities

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

	2006	2007	2008	H1 2008	H2 2008
Turnover (£m)	102.6	107.1	66.7	39.4	27.3
Expenditure (£m)	-89.2	-93.3	-74.0	-43.5	-30.5
Profit (£m)	13.4	13.8	-7.3	-4.1	-3.2
Margin	13.0%	12.8%	-10.9%	-10.4%	-12.1%

Financial Services Segment

	2006	2007	2008	H1 2008	H2 2008
Turnover (£m)	20.8	22.6	15.0	8.8	6.2
Expenditure (£m)	-21.6	23.4	-16.2	-9.9	-6.3
Profit/loss (£m)	-0.8	-0.8	-1.2	-1.1	-0.1

Other Developing Businesses

Other developing businesses within the EA and FS segment include First Complete, Homefast, Property Careers, LSLi and Linear

Your Move & Reeds Rains KPIs

	2007	2008	% Change
Exchange Units	31277	13683	-56%
Average fee (£)	2214	2089	-6%
Exchange fees (£m)	69.3	28.6	-59%
Other income (£m)	24.9	29.2	17%
Total income (£m)	94.2	57.8	-39%
Total costs	-80.5	-64.0	-20%
Profit/loss (£m)	13.7	-6.2	

Profit excludes FS

- Financial Services' cost base reduced - business traded at a small loss in H2
- Your Move/Reeds Rains: Exchange fees down by 59%, in line with mortgage approvals
- Key focus has been to increase other income streams including lettings and HIPS. Overall increase by £4.3m (17%).
- Cost base reduced by £16.5m (20%); H2 run rate costs down 35%

Estate Agency & Financial Services: Development

Continued investment in organic growth : First Complete a key business

Lettings

Lettings growth is a key group initiative

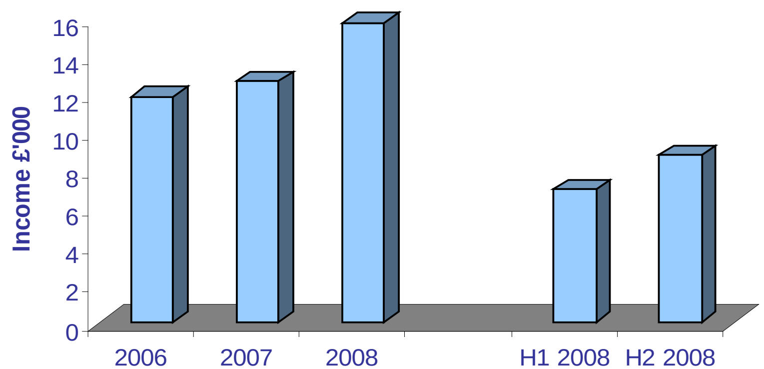
- Lettings Corporate Client Department, a trading name of First Complete, launched in 2008 and has secured a number of new contracts
- Significant focus in all group companies, reflected in continued portfolio growth of managed properties
- End of year portfolio will provide enhanced income in 2009

Repossessions Management

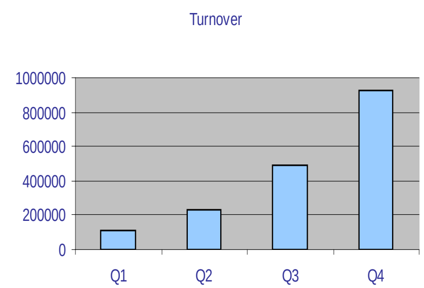
LSL's Corporate Client Department, a trading name of First Complete, launched a Repossessions Management business at the start of 2008.

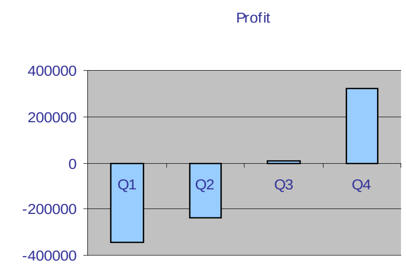
- From a standing start the business has secured 11 substantial new contracts
- The business traded profitably in the second half of 2008 and profit run rates are growing on a monthly basis.
- We expect further growth in 2009 in both market share and total repossession volume, which is expected to grow from 40,000 units in 2008 to 70,000 units in 2009.

Lettings Income - Core Brands



First Complete KPIs





- Turnover and profit trends growing

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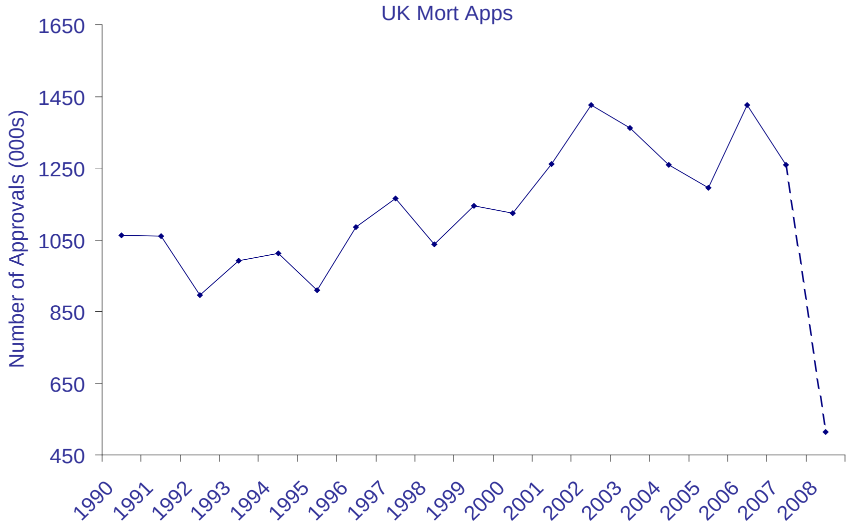
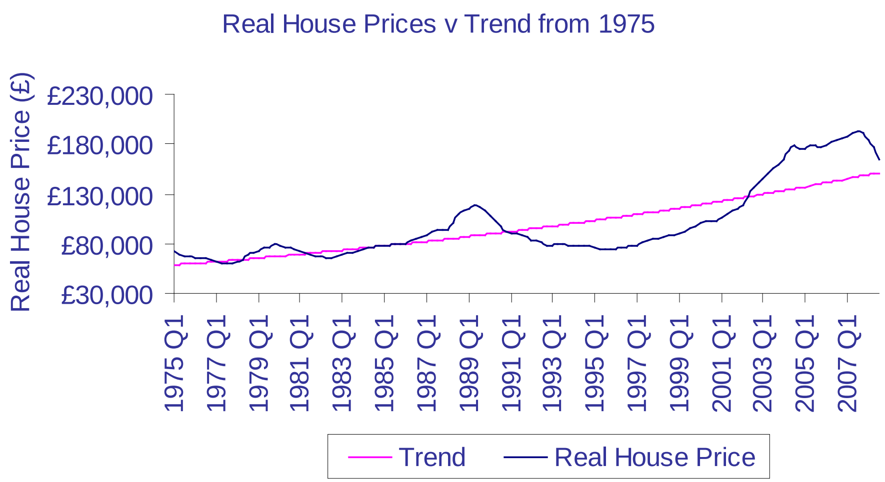
Market Outlook (short term)

In the short-term we are seeing a massive 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 0.7 million in 2009.
- This amounts to 1.6 million of lost sales in a little over 2.5 years.
- Given the lack of availability of credit, the timing of any recovery is unclear, although some more positive signs.

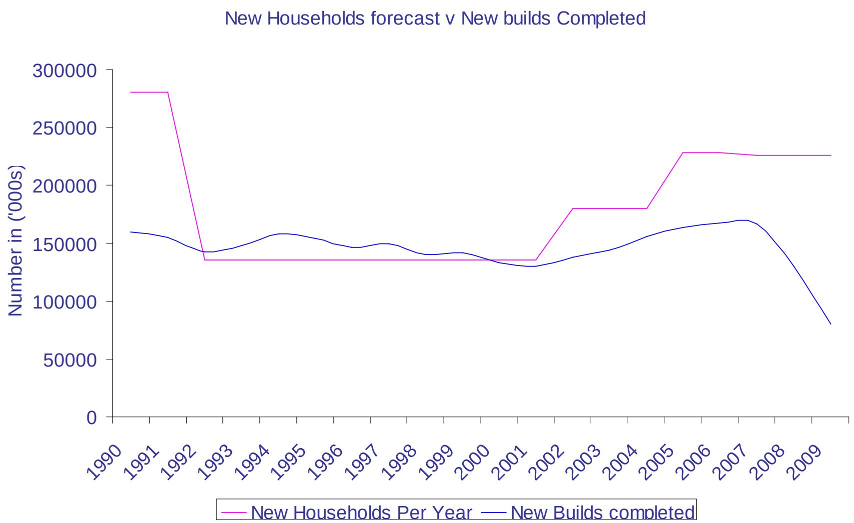
Source: Bank of England



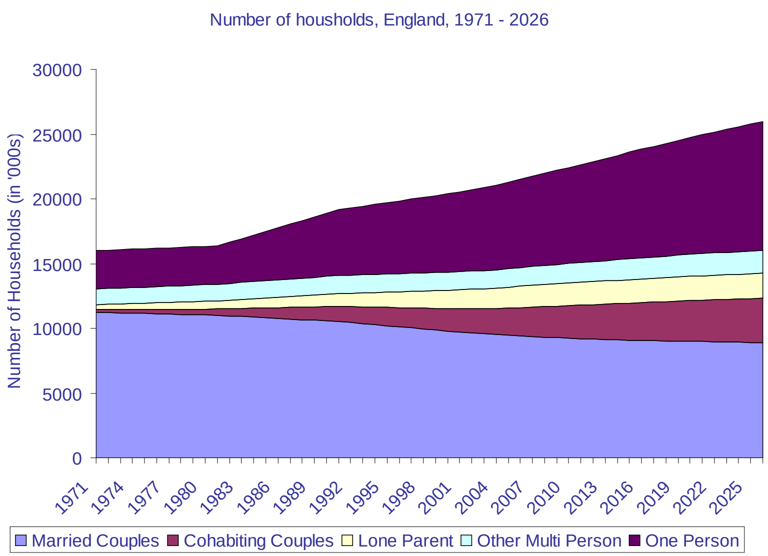
- House prices declined by 37% (in real terms) between 1990 and 1996.
- House prices are already down by 17% from their peak in July 2007 to December 2008 (Halifax / Nationwide).
- We sold over 300 repossessions in December at an average of 30% down from their peak.
- We believe that prices will fall cumulatively by between 30-35% in nominal terms and 35-40% in real terms by the end of 2009.
- By the end of 2009 we expect house price affordability to be at levels last experienced in 1997.

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 40,000 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 (run rate down 31% by end 2008)
- Service delivery ethic will continue to drive positive selection from clients looking to reduce risk
- Well positioned for further market share growth as the industry consolidates over 2009

Estate Agency

- Market volumes have stabilised, albeit at an extremely low level
- Timing of recovery depends on "economics" and consumer confidence however …..
- Significantly reduced cost base (run rate down by 35% by end 2008)
- Continued growth in repossessions, lettings and other income will support result
- Market share opportunities as competitors struggle

Financial Services

- Maintaining distribution important
- Cost base significantly reduced
- Balance profits vs. distribution

Organic & Acquisition Growth

- Developing businesses expected to contribute significantly in 2009
- Consolidation of loss making business unattractive
- Need to see beginnings of market recovery