

# Invista Real Estate Investment Management Holdings plc

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2008 Interim Results

28 July 2008

## Highlights

## Financial Results

## Investment Market

## Outlook

# Objectives

- Grow recurring management fees – supported by new funds and ongoing interests in assets
- Increase opportunities for performance fees
- Superior investment performance achieved
- Deploy balance sheet into growth areas
- Diversify our funds geographically, by fund type and investment style

# Business Highlights

## Key Statistics

- Operating margin at 38% pre performance fees and fair value adjustments
- Strong investment performance
- European performance fee
- AUM of £8.0 billion down 8% since 31 December 2007

## New Business

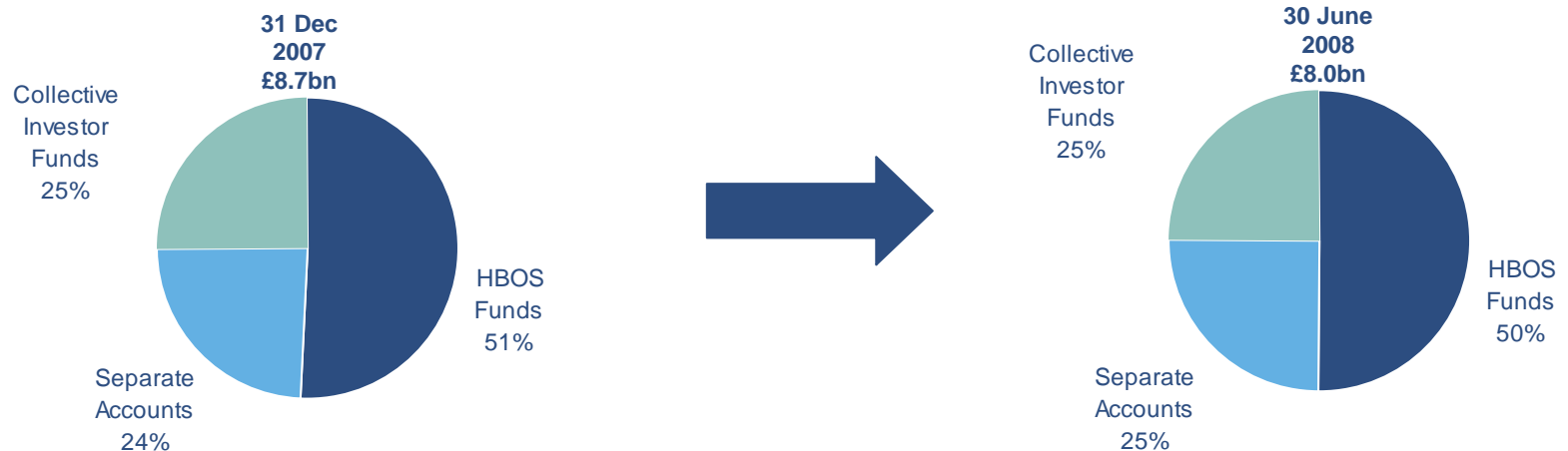
- Launch of International Fund
- Substantial new business win from Pension Scheme
- Securities Fund with new team *in situ*

## Balance Sheet

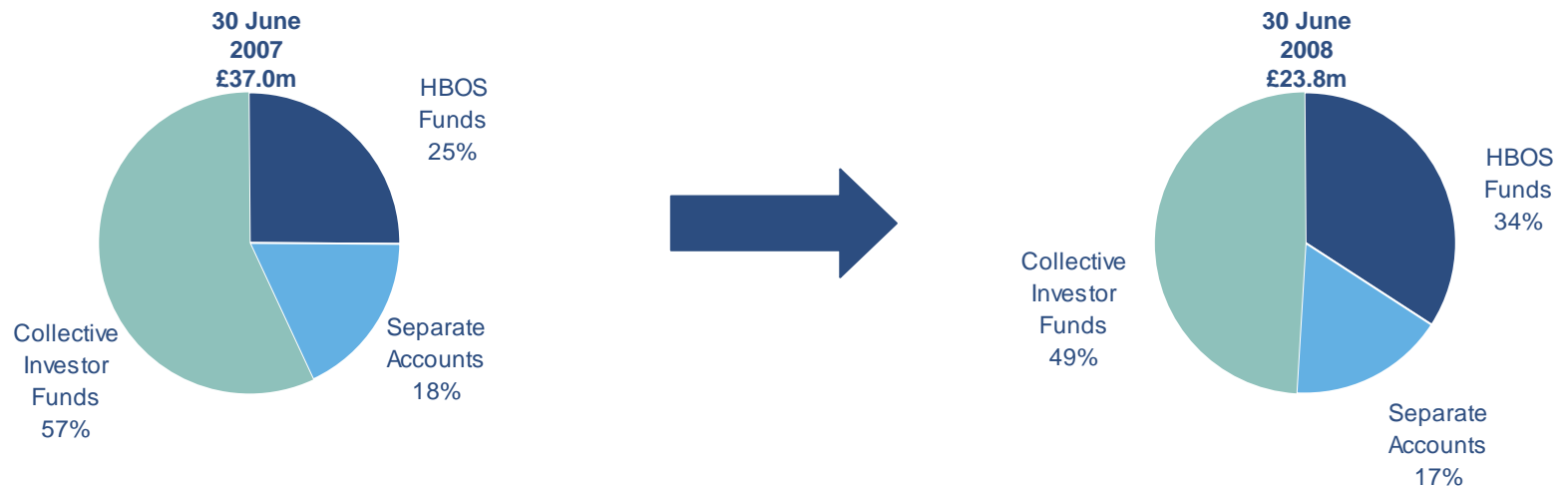
- Successful recycling of €170m of assets from French venture at a small profit
- €15m equity injection into French Celsius joint venture
- Refinancing of Invista Castle - residential portfolio
- Further progress in Opportunity Fund

# Review of Results - Overview

## AUM



## REVENUE



# AUM and Revenue

## Six months to 30 June 2008

| AUM/£billion                 | 31 Dec<br>2007 | Net Fund<br>Flows | Valuation<br>Movements | 30 June<br>2008 | Revenue H1<br>2008<br>£millions | Revenue H1<br>2007<br>£millions |
|------------------------------|----------------|-------------------|------------------------|-----------------|---------------------------------|---------------------------------|
| HBOS Funds                   | 4.4            | (0.2)             | (0.2)                  | 4.0             | 8.1                             | 9.4                             |
| Separate<br>Accounts         | 2.1            | 0.1               | (0.2)                  | 2.0             | 4.0                             | 6.5                             |
| Collective<br>Investor Funds | 2.2            | (0.1)             | (0.1)                  | 2.0             | 11.7                            | 21.1                            |
| <b>Total</b>                 | <b>8.7</b>     | <b>(0.2)</b>      | <b>(0.5)</b>           | <b>8.0</b>      | <b>23.8</b>                     | <b>37.0</b>                     |
| Net Finance<br>Income        |                |                   |                        |                 | 2.8                             | 3.2                             |
| Total Income                 |                |                   |                        |                 | £26.6m                          | £40.2m                          |

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# Revenue

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| Six months to 30 June                          | 30 June<br>2008<br>£millions | 30 June<br>2007<br>£millions | Change<br>% |
|--|------------------------------|------------------------------|-------------|
| Management fees                                | 20.5                         | 23.0                         | (11)        |
| Performance fees                               | 1.7                          | 14.0                         | (88)        |
| Net rental income                              | 1.6                          | -                            | n/a         |
| <b>Revenue</b>                                 | <b>23.8</b>                  | <b>37.0</b>                  | <b>(36)</b> |
| Average AUM                                    | £8.35bn                      | £9.7bn                       |             |
| Management fee margin (ex<br>performance fees) | 49bps                        | 47bps                        |             |

# Profit and Loss Account

| Six months to 30 June   | 30 June 2008<br>£millions | 30 June 2007<br>£millions |
|---|---------------------------|---------------------------|
| <b>Revenue pre performance fees</b>                           | <b>22.1</b>               | <b>23.0</b>               |
| Administrative expenses                                       | (11.6)                    | (13.4)                    |
| Joint venture losses, excluding fair value adjustments        | (2.2)                     | -                         |
| <b>Operating profit</b>                                       | <b>8.3</b>                | <b>9.6</b>                |
| <b><i>Operating margin (pre-performance fees and FVA)</i></b> | <b>38%</b>                | <b>42%</b>                |
| Performance fees  | 1.7                       | 14.0                      |
| Fair value adjustments  | (1.8)                     | -                         |
| Finance income and expense                                    | 2.8                       | 3.2                       |
| <b>Pre-tax profit</b>   | <b>11.0</b>               | <b>26.8</b>               |
| Corporation tax   | (4.4)                     | (7.6)                     |
| Profit after tax  | 6.6                       | 19.2                      |
| EPS (fully diluted)   | 2.44p                     | 7.12p                     |
| DPS   | 0.7p                      | 0.7p                      |

# Balance Sheet

|                               | 30 June 2008 | 31 Dec 2007  |
|-------------------------------|--------------|--------------|
|                               | £millions    | £millions    |
| Investment properties         | 128.5        | -            |
| Investments in joint ventures | 17.5         | 24.1         |
| Other non-current assets      | 6.6          | 4.7          |
|                               | 152.6        | 28.8         |
| Trade and other receivables   | 9.5          | 9.3          |
| Cash                          | 93.2         | 137.0        |
| <b>Total Assets</b>           | <b>255.3</b> | <b>175.1</b> |
| Trade and other payables      | (10.5)       | (10.3)       |
| Debt                          | (86.6)       | -            |
| Other liabilities             | (5.9)        | (16.8)       |
| <b>Net Assets</b>             | <b>152.3</b> | <b>148.0</b> |

# Cash Flow

| Six months to 30 June 2008                           | £millions    |
|--|--------------|
| <b>Cash as at 31 December 2007</b>                   | <b>137.0</b> |
| Pre tax profit                                       | 11.0         |
| Joint venture losses                                 | 4.6          |
| Acquisition of Invista Castle (net of cash acquired) | (16.0)       |
| Other investments                                    | (21.3)       |
| Tax paid   | (16.3)       |
| Dividends paid                                       | (4.2)        |
| Working capital and other                            | (1.6)        |
| <b>Cash</b>  | <b>93.2</b>  |
| Debt (consolidation of Invista Castle)               | 86.6         |
| <b>Net Cash as at 30 June 2008</b>                   | <b>£6.6m</b> |

# Cash and cash equivalents

£93m in cash as at 30 June 2008

| Uses                         | £m |
|------------------------------|----|
| • Invista Castle retentions  | 10 |
| • Opportunity Fund           | 20 |
| • International Fund         | 25 |
| • Working capital            | 15 |
| • General corporate purposes | 23 |

# Balance Sheet Investments – Castle

Net investment £42m

- 317 Residential Family Houses: value £128.5m
- Building Completion 2003
- On 5 Sites
- 10 Year NHBC and 12 Year Latent Defects Warranty
- Leased to the Secretary of State for the Ministry of Defence to 2028
- Managed by Morrison Facilities Ltd



# Balance Sheet Investments – Celsius

Net book value £14.5m



- French portfolio of commercial investment properties
- 11 properties; value €182m
- 81% offices by value; 65% Ile de France
- 18% industrial and one car park
- Tenants include: Areva; Carrefour - over 75% of rental income
- Acquired as part of a larger portfolio in May 2007, the remainder of which has been transferred to a client fund



# Banking Arrangements

## CASTLE (100% owned: on balance sheet)

- £15m Acquisition Loan due 2011 has Loan to Value covenant of 70%
- Current LTV 68%
- No testing until 31 December 2008
- £72m Senior Debt (amortising 2028) has no LTV covenant
- Weighted average interest rate swapped out at 6.4%

## CELSIUS (50% owned: off balance sheet)

- €142m Senior Debt
- No LTV covenant
- Current LTV 78%
- Senior debt facility required to be refinanced by 31 December 2008
- Discussions ongoing with potential debt providers

**All facilities non recourse to Invista REIM plc**

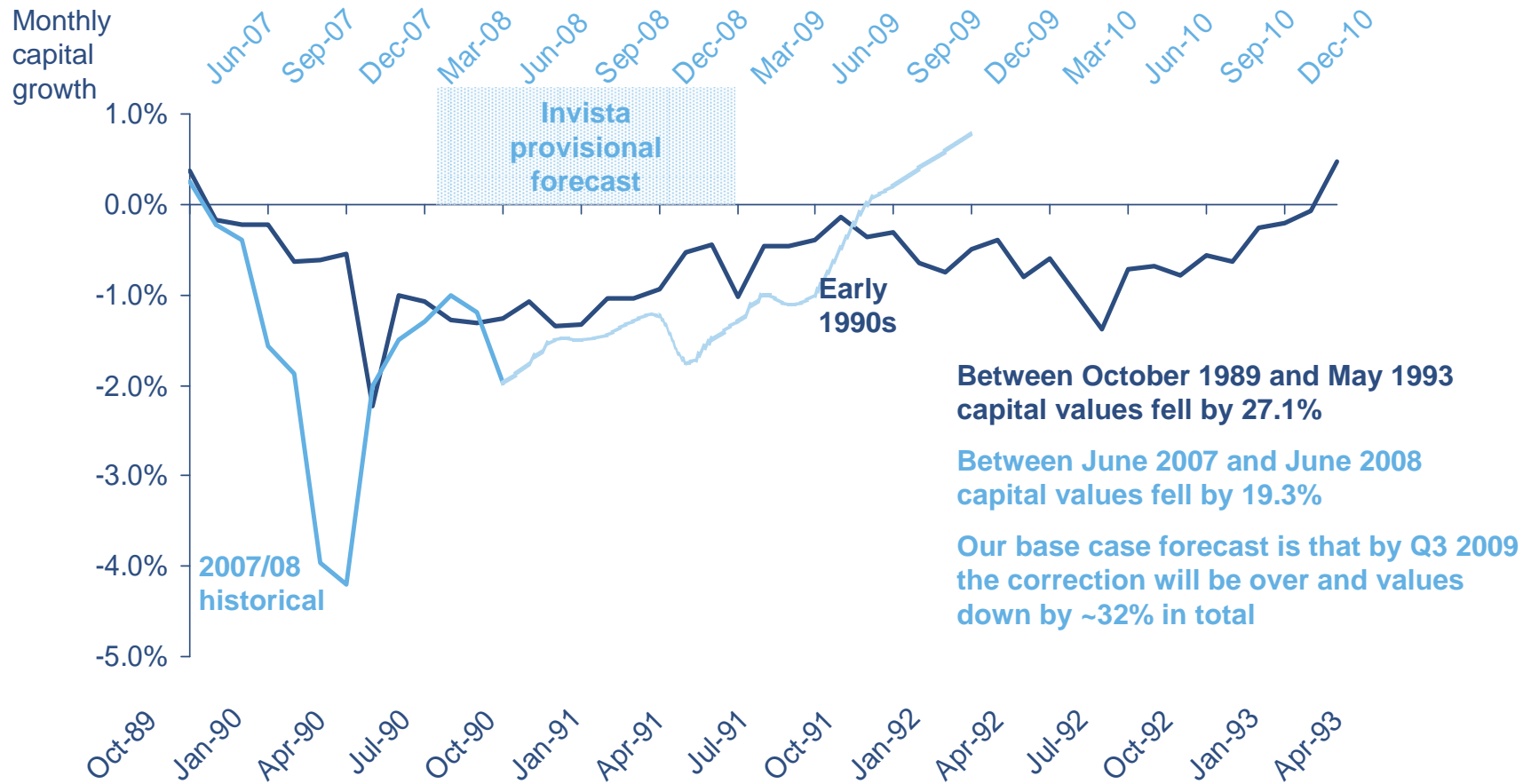
**Highlights**

**Financial Results**

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**Outlook**

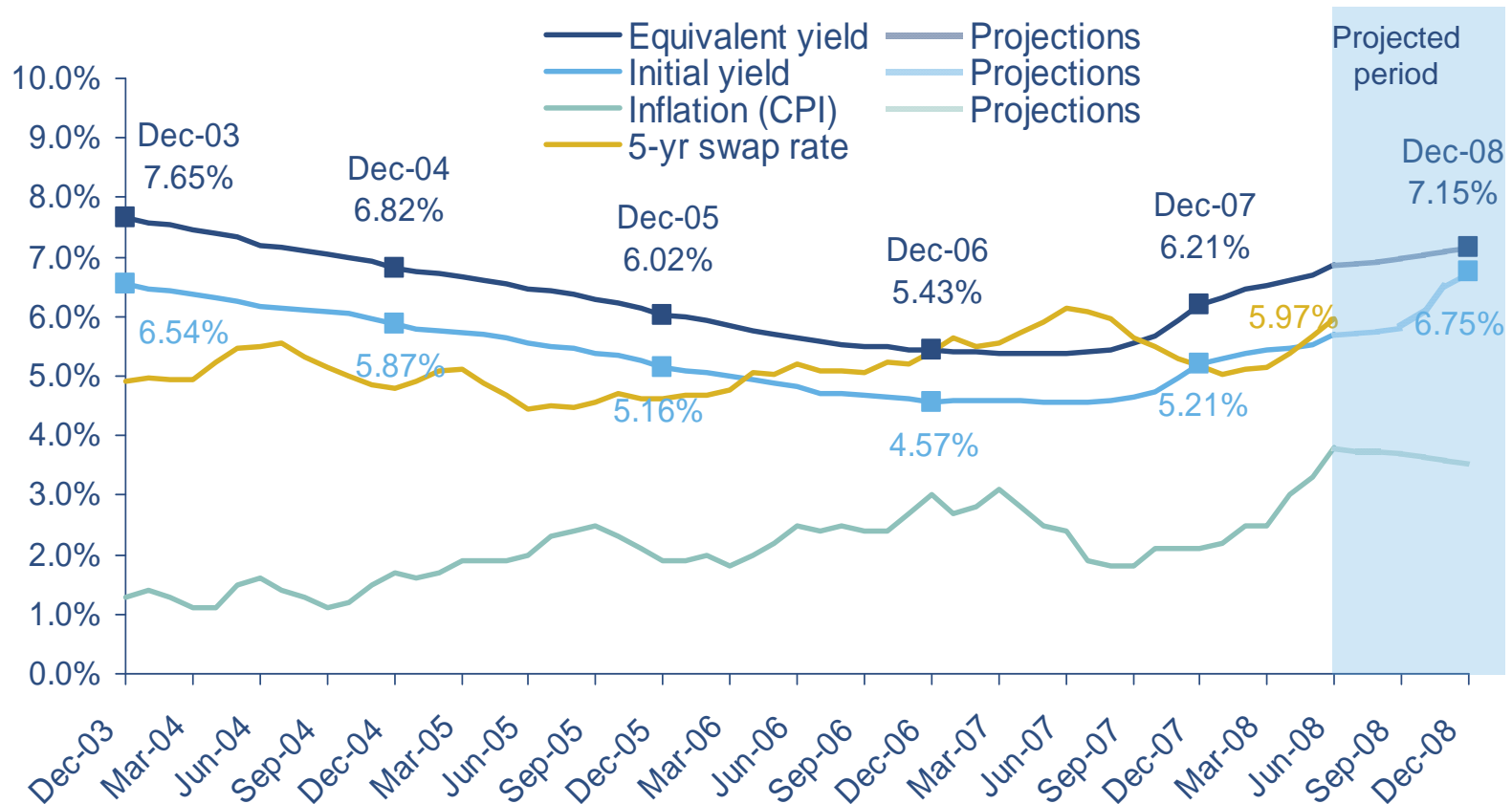
# UK Commercial Property Market



Source: Invista, IPD Monthly Index

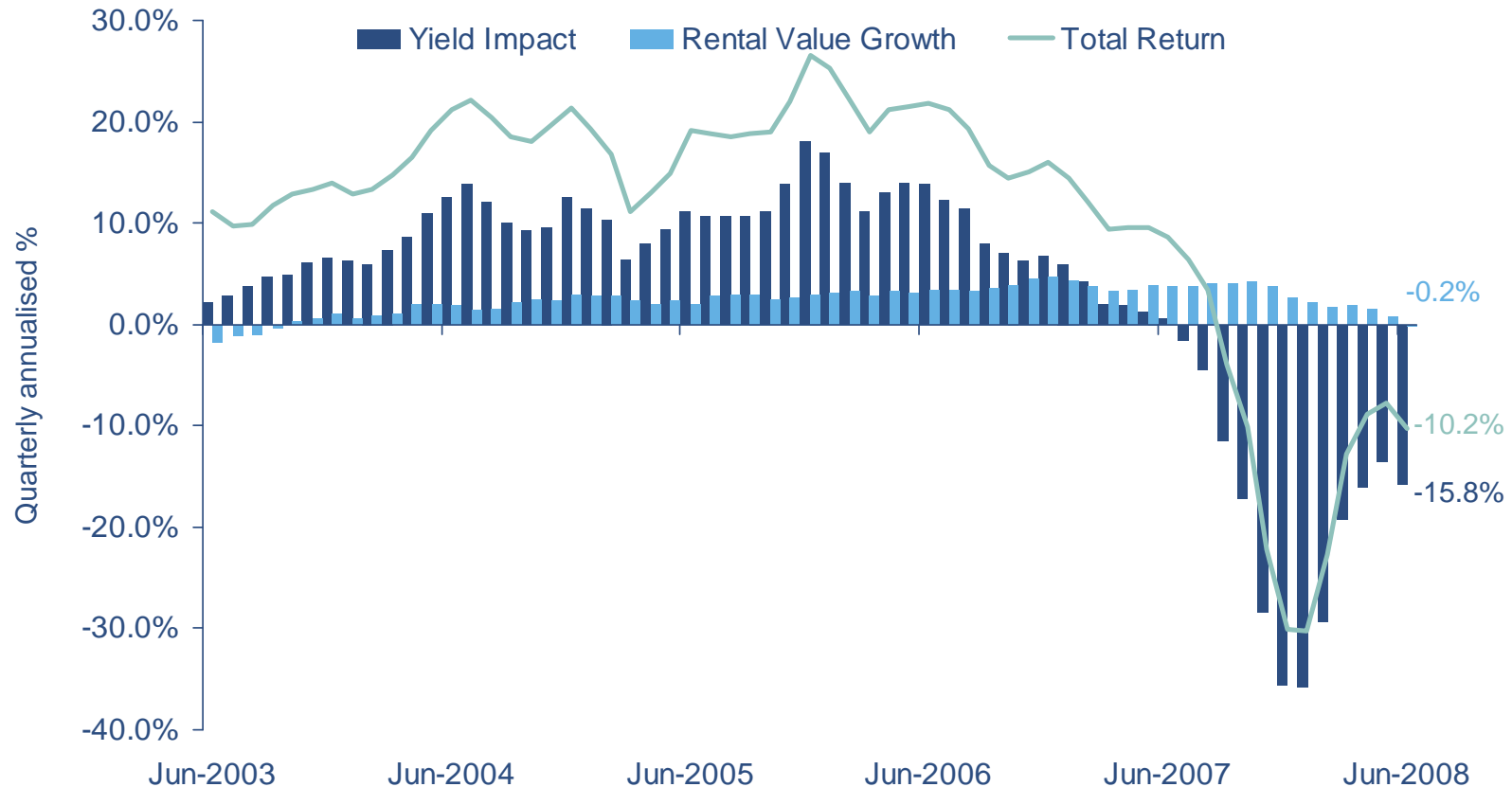
# UK Commercial Property Market

## All UK property yields



Source: BoE, Invista, IPD Monthly Index

# UK Commercial Property Market



Source: IPD Monthly Index

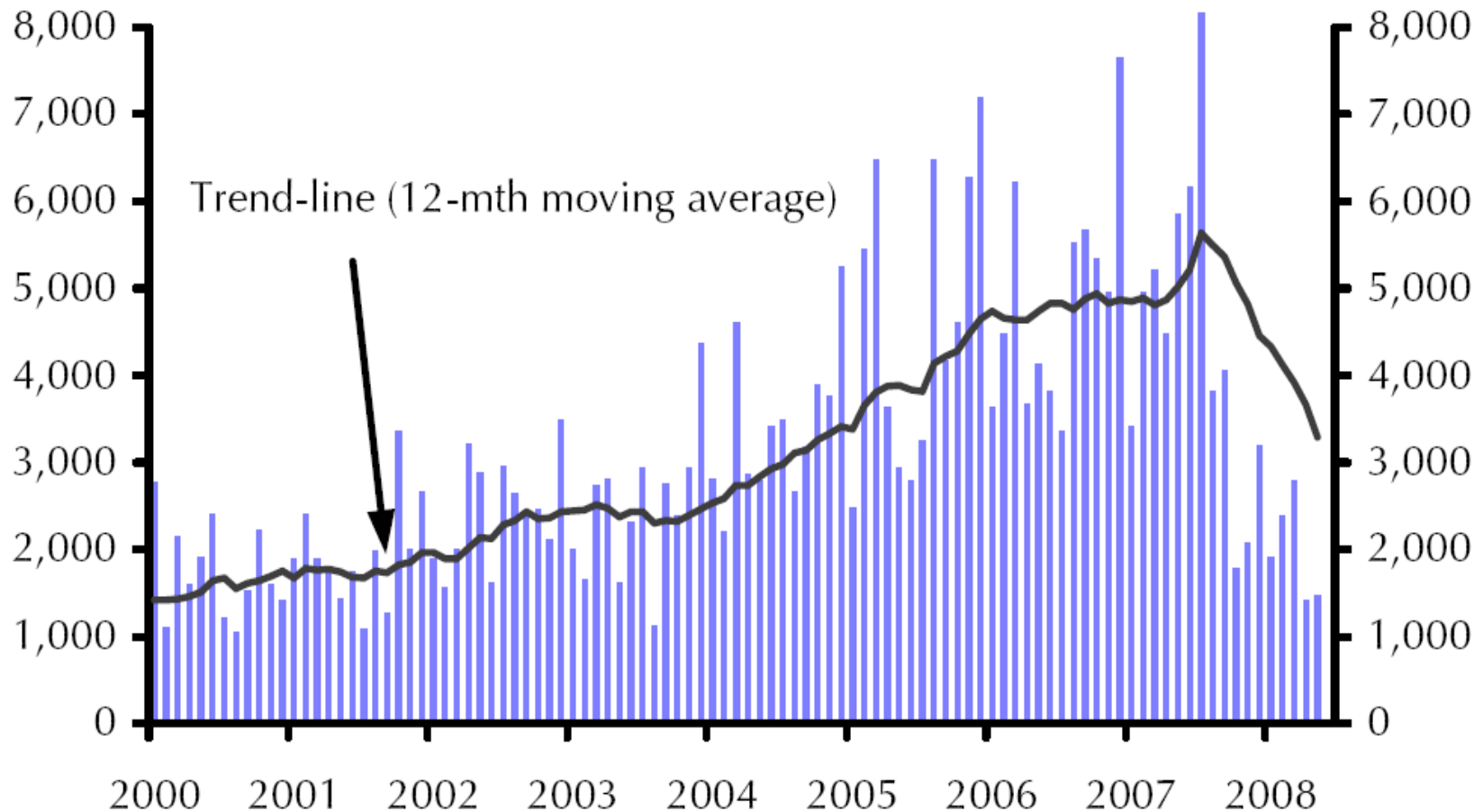
**Commercial property values yet to find a floor**

# UK – Market forecast

| Segment                          | Forecast total return |       |       |      |              |              |
|----------------------------------|-----------------------|-------|-------|------|--------------|--------------|
|                                  | 2008                  | 2009  | 2010  | 2011 | End 2007-12* | End 2008-12* |
| <b>Shops</b>                     | -8.6%                 | 0.3%  | 12.2% | 5.6% | 3.0%         | 6.2%         |
| <b>Shopping Centre</b>           | -15.4%                | 0.3%  | 12.6% | 5.9% | 1.3%         | 6.0%         |
| <b>Retail Warehouse</b>          | -14.2%                | -2.5% | 12.6% | 9.7% | 2.1%         | 6.6%         |
| <b>Office Cent. London</b>       | -10.9%                | -3.9% | 12.9% | 7.7% | 2.1%         | 5.7%         |
| <b>Office Rest SE</b>            | -15.5%                | 2.0%  | 13.5% | 5.9% | 1.9%         | 6.8%         |
| <b>Office Rest UK</b>            | -6.8%                 | 0.3%  | 12.8% | 6.3% | 3.6%         | 6.4%         |
| <b>Industrial SE</b>             | -8.5%                 | -0.3% | 13.4% | 8.0% | 3.7%         | 7.0%         |
| <b>Industrial Rest UK</b>        | -5.9%                 | -0.7% | 12.2% | 7.6% | 3.8%         | 6.3%         |
| <b><i>All Comm. Property</i></b> | -11.5%                | -1.0% | 12.8% | 7.2% | 2.5%         | 6.3%         |

Source: Invista, IPD, \* annualised

# UK Property Transaction Values £million per month



Source: Capital Economics, Property Data

**Transaction activity has fallen sharply**

**Highlights**

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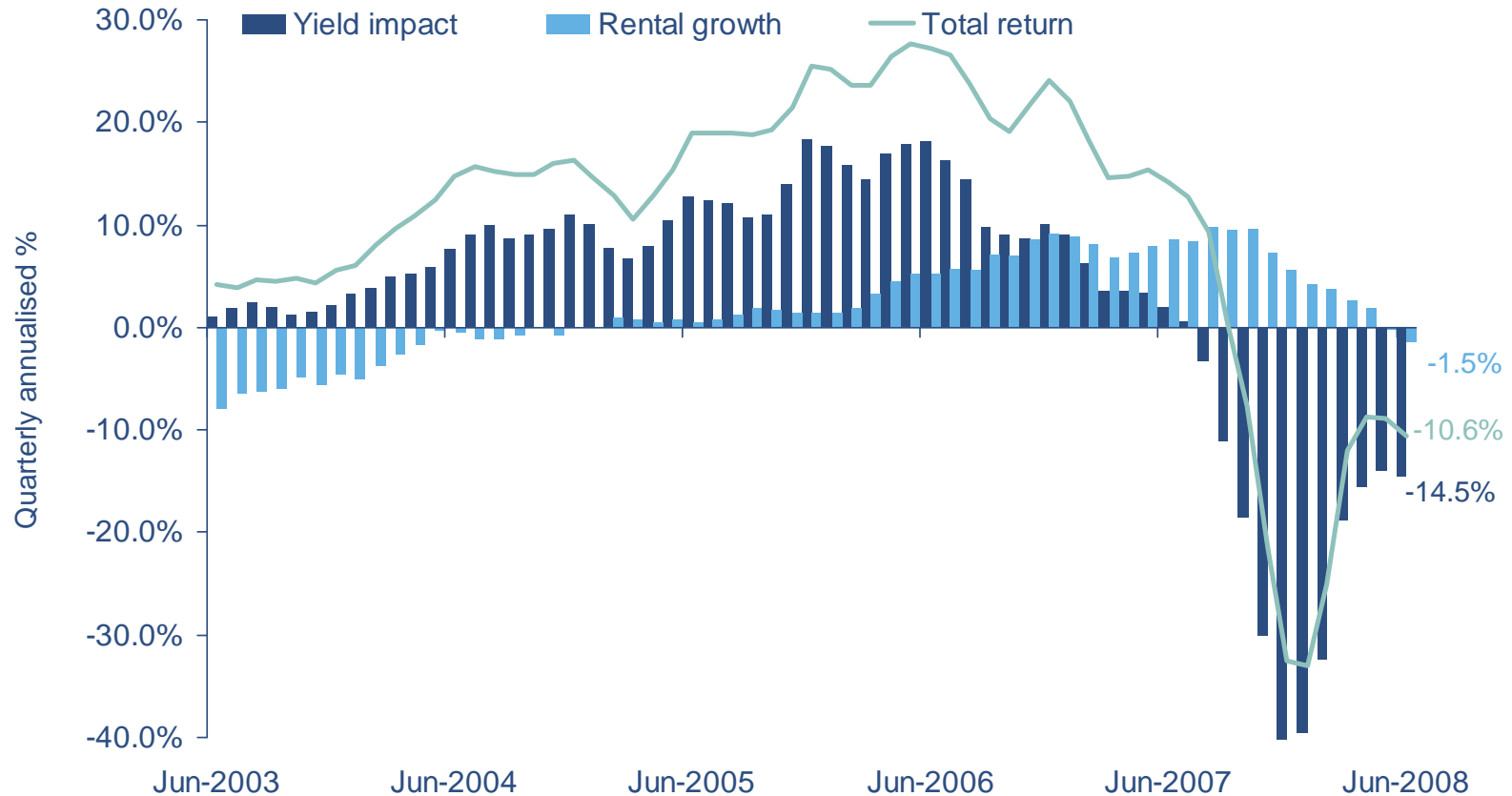
**Outlook**

# Outlook

- Outlook in the UK continues to be poor
- Expect up to 15% negative total return in UK in 2008
- Softening in continental Europe – zero to 5% returns in 2008
- There will be moderation in Invista REIM's financial performance:
  - No further performance fees expected in 2008
  - Outflows are continuing, albeit at a lower rate
  - Focus on administrative expenses: variable cost base provides significant protection
- Opportunities remain even in this challenging environment
- Invista REIM's business model is robust:
  - £152m in net assets
  - Operating margin 38%

## APPENDIX

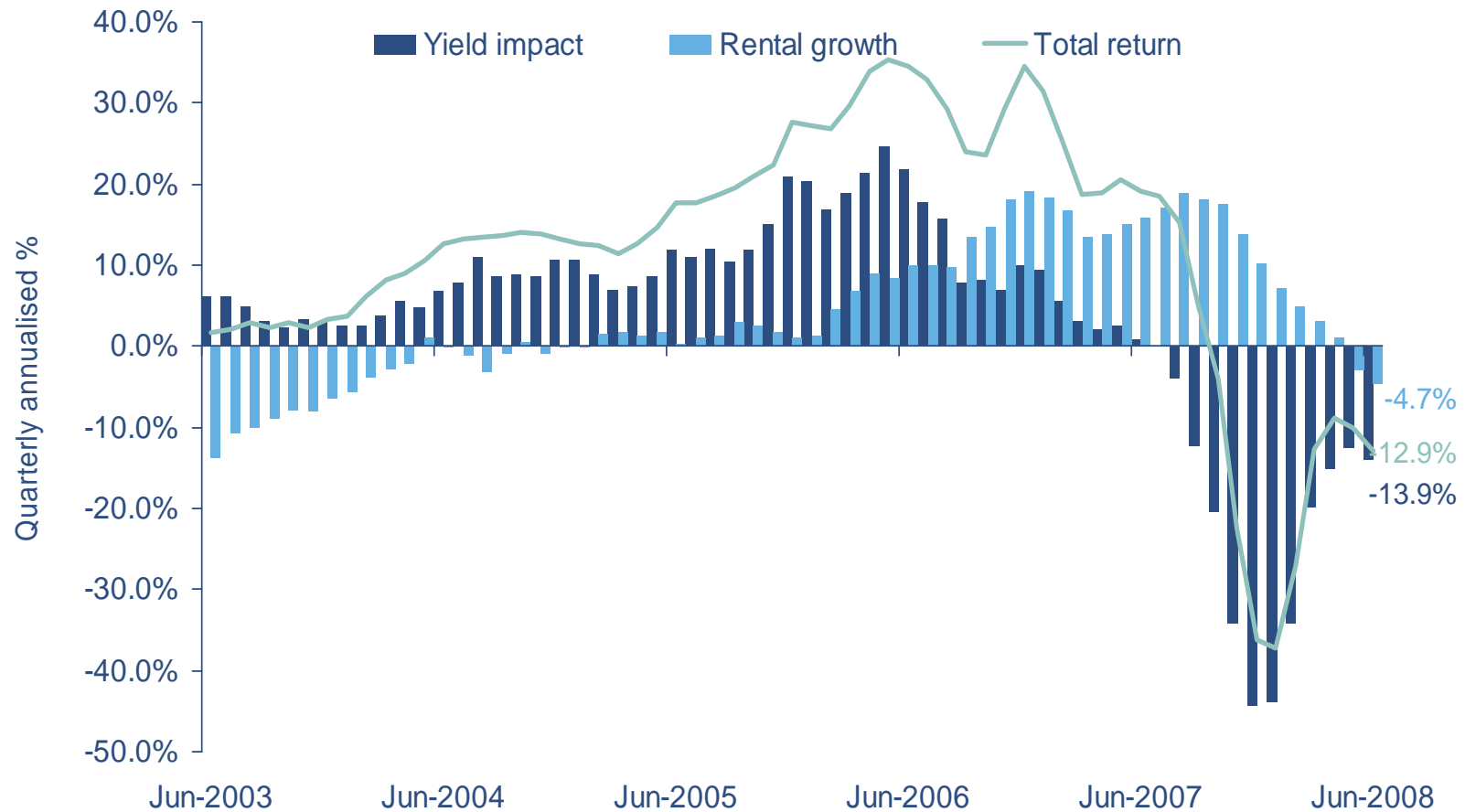
# All UK Office



Source: IPD Monthly Index

**Office market hardest hit despite occupational strength**

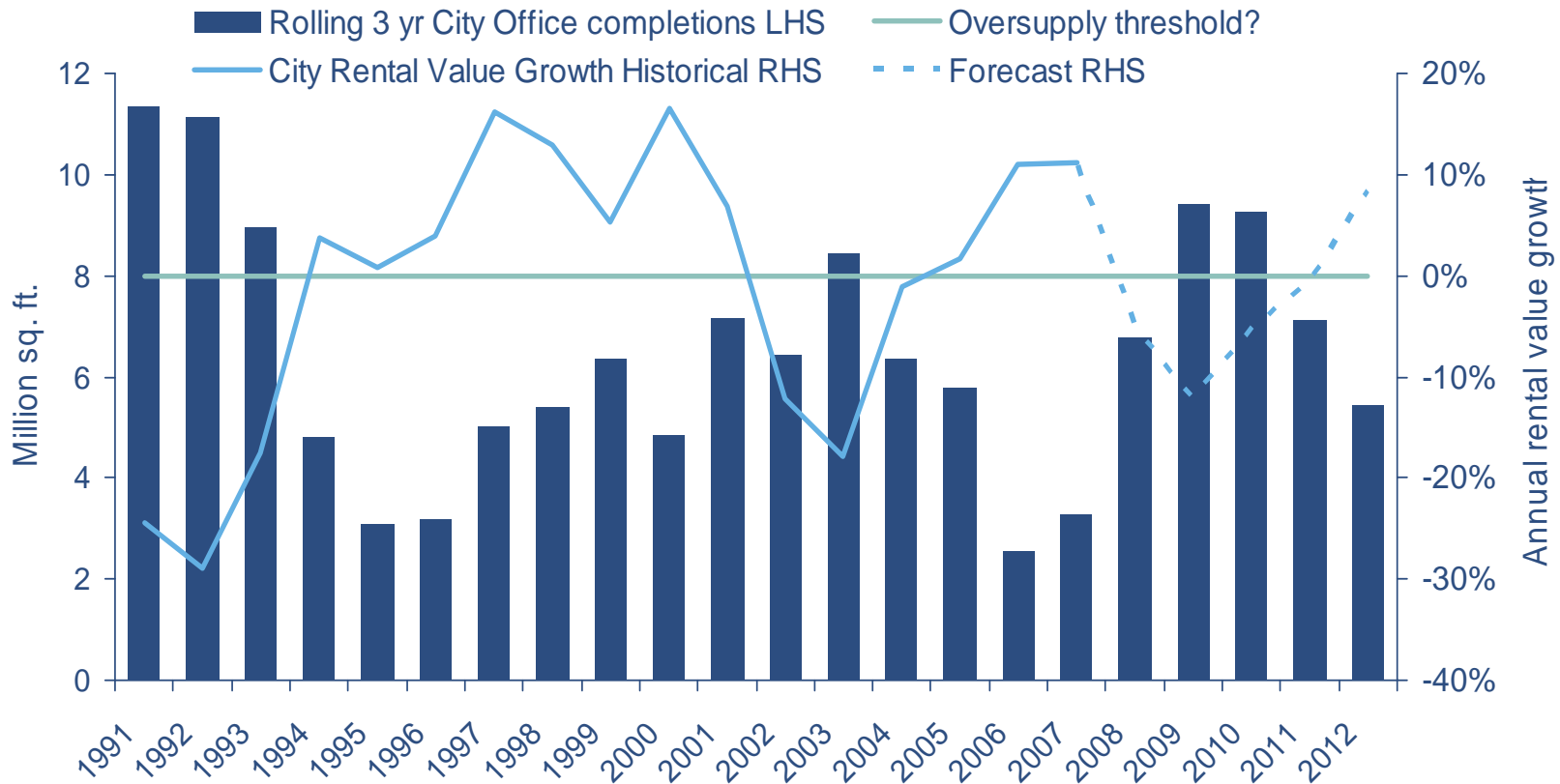
# Central London Office



Source: IPD Monthly Index

**Change in sentiment has hit occupational demand**

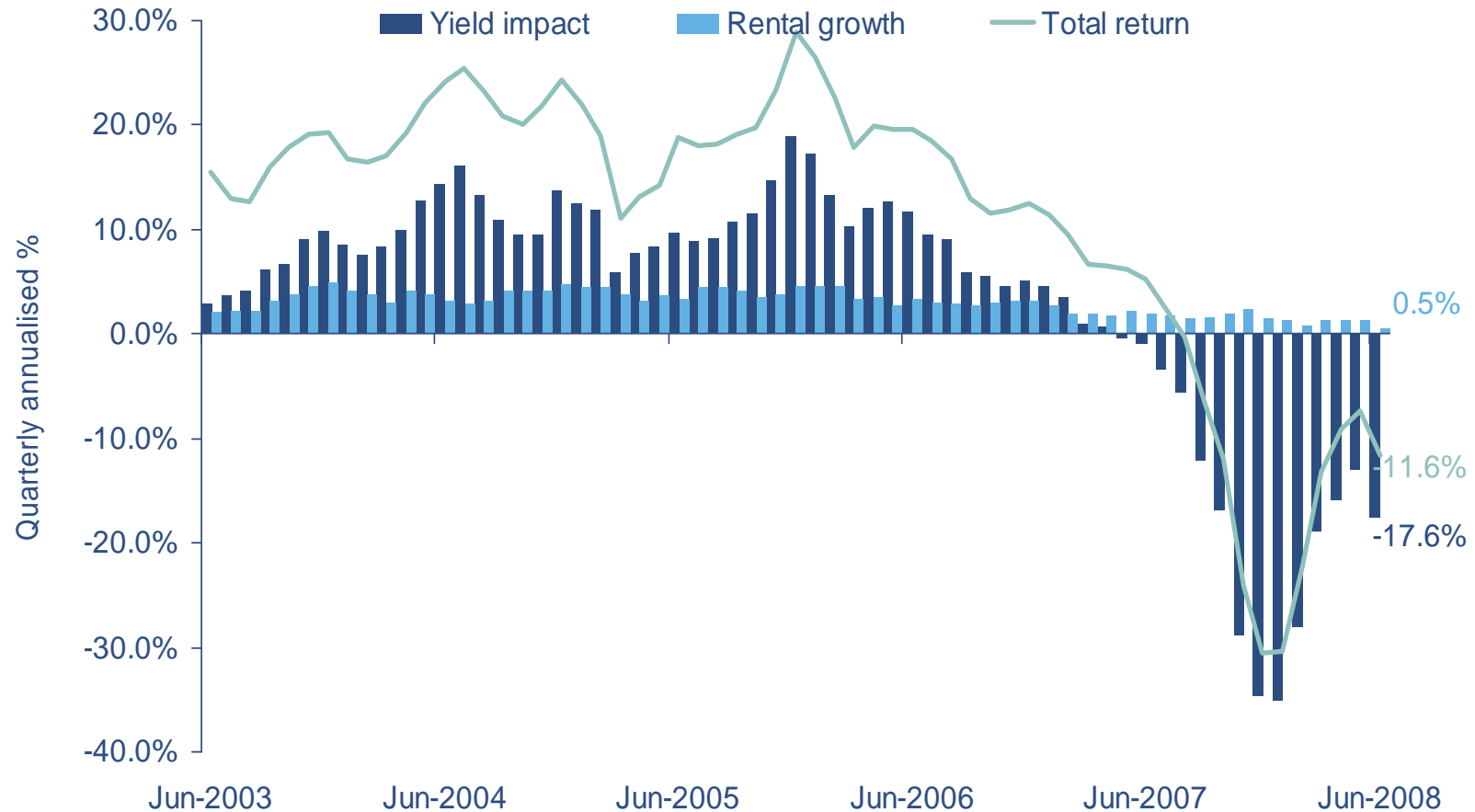
# City Office Completions



Source : IPD, PMA

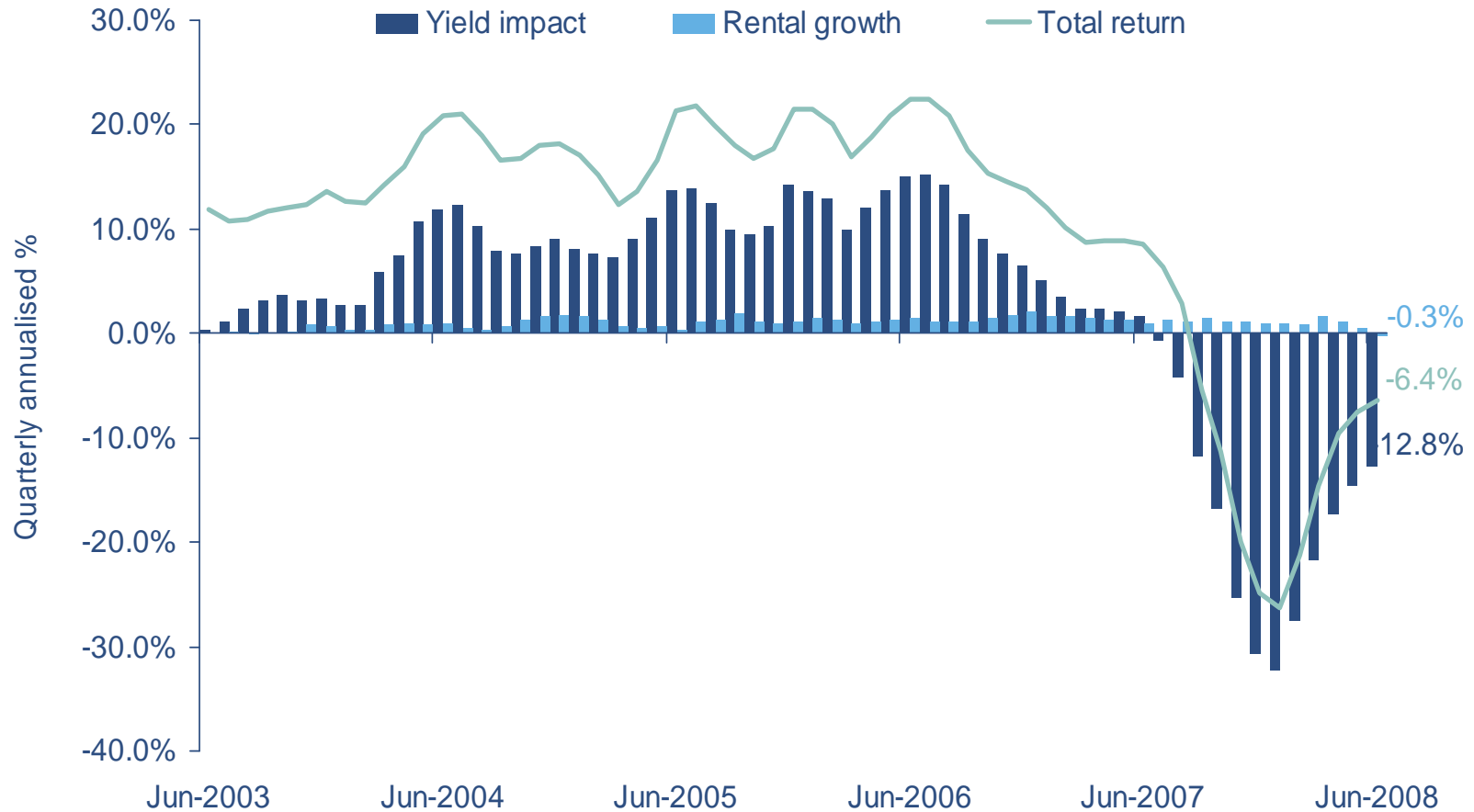
**Rental growth to fall as oversupply kicks in**

# UK All Retail – source of performance



Source: IPD Monthly Index

# UK All Industrial – source of performance



Source: IPD Monthly Index

**Availability is increasing across all regions**

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