

# Invista Real Estate Investment Management Holdings plc

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Interim Results 2007

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## Highlights

Business Overview

Financial Results

Recent Developments

Future Outlook

# Business Highlights

- AUM of **£10.2bn** an increase of **10.9%** since 31 December 2006
- Joint venture investment in **€348m** French portfolio
- Joint venture investment in **£127.5m** UK residential portfolio
- New residential mandate of **£325m** from Wellcome Trust
- New SJP APUT fund launched
- Strong net fund inflows above expectations & in line with 2006
- IFPT top in its investment peer group performance
- IERET growth via equity placing to **€750m**

**Invista can grow quickly in normal market conditions...  
...AUM growth of 10.9% in 6 month period**

# Financial Highlights

- Total Income of **£40.2m** an increase of **75%**
- Pre tax profit of **£26.8m**
- Operating profit\* of **£23.6m**, an increase of **87%**
- Operating margin\* of **64%**; (**42%** pre performance fees)
- Diluted earnings per share of **7.1p**
- Interim dividend of **0.7p** per share

\* Excludes interest income

**Operating margin remained strong at 64%  
combined with strong growth**

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# Business Overview

## HBOS Funds

- 5 funds - AUM £5.2bn
- Managed for HBOS
- Long term contracts

## Separate Accounts

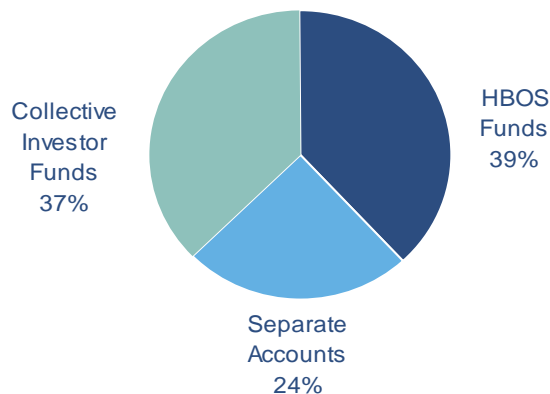
- 8 funds - AUM £2.9bn
- Separate accounts for institutional clients
- Client arranges distribution

## Collective Investor Funds

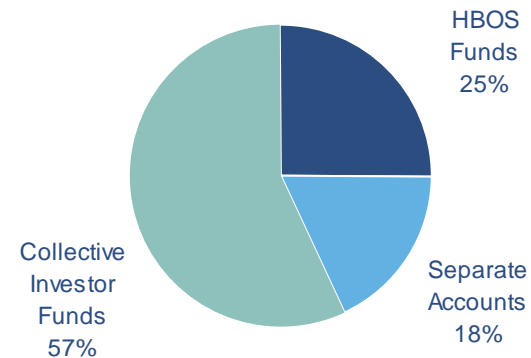
- 6 funds\*; AUM £2.1bn
- Specialist investment vehicles
- Highest fee margins
- Significant growth

## Revenue breakdown by business line

Pro forma 2006



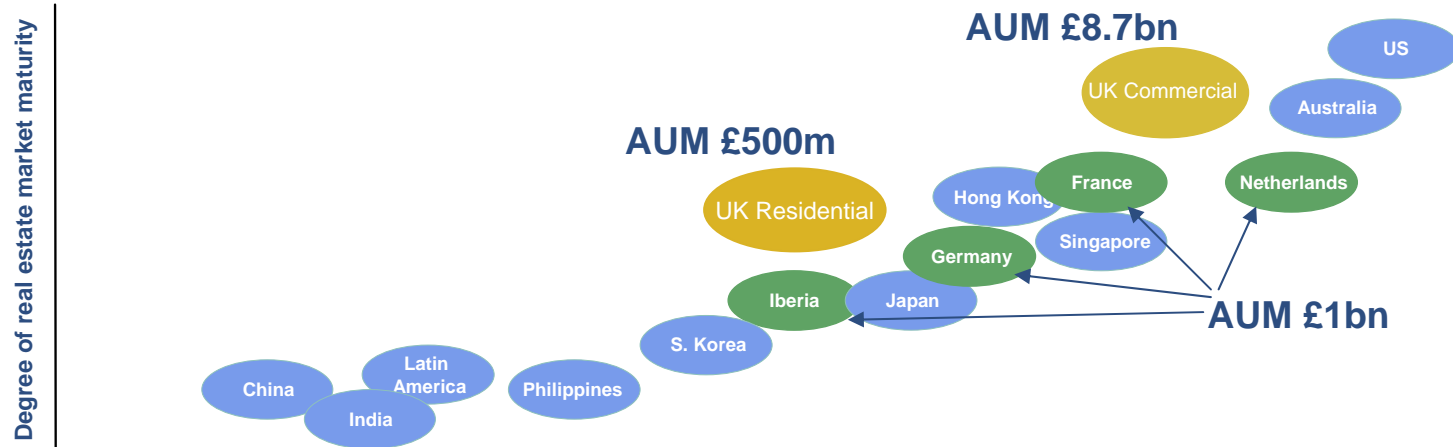
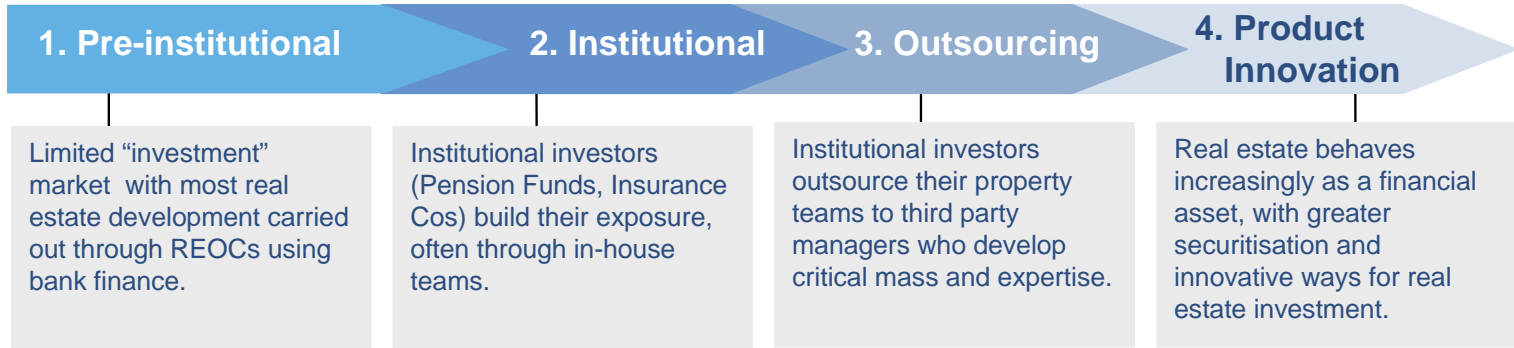
H1 2007



\* Includes 2 balance sheet co-investments

# Real Estate Innovation & Target Markets

## Characteristic of real estate capital management



Source: JLL; IPD; DB Real Estate; DTZ;

Note: Real estate market maturity reflects the transparency and liquidity of each market, as well as the share of real estate market that is "investable"

# Business Summary

- Highest margin part of the business growing fastest i.e. CIFs
- European AUM increased by over 100%
- Successful balance sheet investments
- Opportunity to recycle balance sheet with profits
- Innovation – residential funds and SJP APUT
- Strong investment performance – note first half timing
- Robust fund inflows

**Invista has done what we said at IPO**

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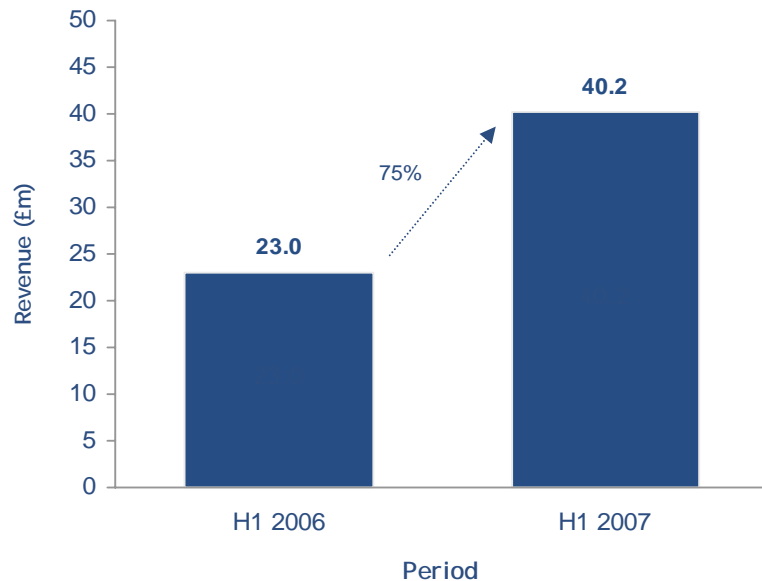
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# Revenue Analysis

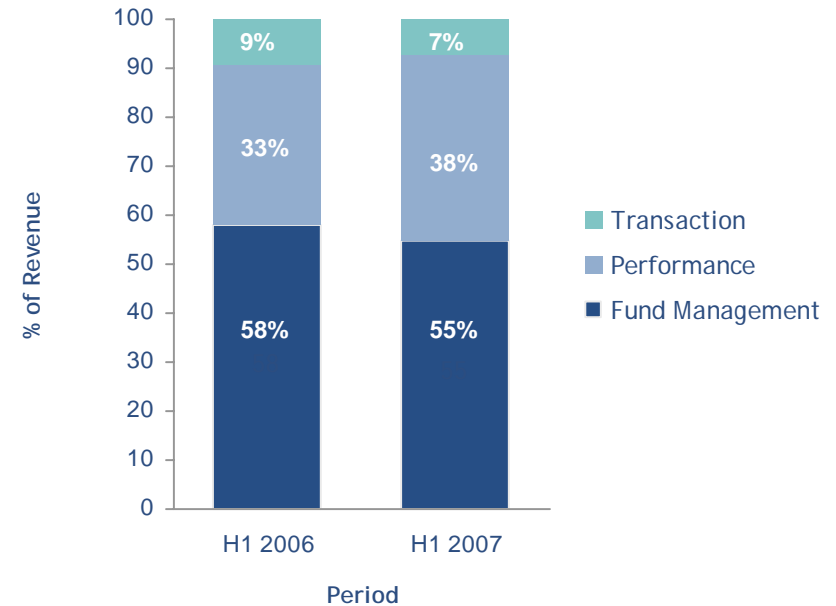
## Total income

H1 2007 Total income £40.2m



## Breakdown by revenue type

H1 2007 Revenue £37.0m



**Total income growth of 75%**

# Group Profit and Loss Account

	Unaudited 6 months to 30 June 2007	Unaudited 6 months to 30 June 2006	Audited Period to 31 December 2006
£ millions			
<b>Revenue</b>	<b>37.0</b>	<b>18.9</b>	<b>14.2</b>
Administrative expenses	(13.4)	(6.3)	(7.7)
<b>Operating profit</b>	<b>23.6</b>	<b>12.6</b>	<b>6.5</b>
Operating margin	64%	67%	46%
Interest Income	3.2	n/a	1.6
<b>Pre-tax profit</b>	<b>26.8</b>	<b>n/a</b>	<b>8.1</b>
<i>Revenue (pre. performance fees)</i>	<i>23.0</i>	<i>12.7</i>	<i>13.4</i>
<i>Operating margin (pre. performance fees)</i>	<i>42%</i>	<i>50%</i>	<i>42%</i>
Corporation tax	(7.6)	n/a	(2.6)
Profit after tax	19.2	n/a	5.5

# Revenue

	Unaudited 6 months to 30 June 2007	Unaudited 6 months to 30 June 2006	Growth 2006-7
£ millions			
Management fees	20.4	11.1	84%
Performance fees	14.0	6.2	126%
Transaction and other fees	2.6	1.6	62%
<b>Revenue</b>	<b>37.0</b>	<b>18.9</b>	

# Balance Sheet

	Unaudited 30 June 2007	Audited 31 December 2006
£ millions		
Investments	29.4	1.8
Other non-current assets	1.8	0.6
	31.2	2.4
Trade and other receivables	18.7	9.4
Cash and cash equivalents	106.0	115.7
Total Assets	155.9	127.4
Current liabilities	(18.1)	(10.6)
Net Assets	£137.7m	£116.9m
Shareholders' Funds	£137.7m	£116.9m

# Cash Flow

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**£ millions**

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<b>Net Cash as at 31 December 2006</b>	<b>115.7</b>
Pre tax profit	26.8
Investments made	(27.6)
Capital expenditure (net of depreciation)	(0.5)
Increase in working capital	(7.1)
Tax paid	(2.7)
Other movements (net)	1.4
<b>Net Cash as at 30 June 2007</b>	<b>106.0</b>

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# Dividend

- Policy is to pay out approximately 40% of annualised post tax operating profits excluding return on seed capital and performance fees
- Interim dividends are expected to represent 1/3<sup>rd</sup> of the total dividend

<b>£ millions</b>	<b>H1 07</b>
Operating profit	23.6
Less: performance fees	(14.0)
	<u>9.6</u>
After notional tax @ 30%	6.7
Interim EPS	2.54p
Interim DPS	0.70p
Actual cover	3.6x
<b>Adjusted cover</b>	<b>2.4x</b>

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# Balance Sheet Investments

- €348m French portfolio acquired in JV
  - 34 high quality assets located across France
  - 50% by value in Ile-de-France region around Paris
  - High growth part of European markets
- £127.5m UK residential portfolio acquired in JV in May
  - 317 freehold houses in the South of England
  - Long term lease with MoD on a gross yield of circa 6.0%
  - Strong income qualities
- Both have capability to be recycled to generate new FM income

**Seeking new investment to further grow the Invista business**

# Net Fund Inflows – Open Ended Funds

## Net fund flows (ex rental income)

£ million	2003	2004	2005	2006	H1 2007
CM Managed	94	143	207	220	86
CM Unit-Linked	76	68	125	116	59
Halifax Life	-	10	103	239	69
Halifax MIF	-	-	22	35	82
HBOS Pension Scheme	-	3	3	1	0
St James's Place	-	182	198	259	141
FTSEpx Fund	-	-	-	93	0
IPPF	-	29	8	59	3
SJP APUT	-	-	-	-	48
<b>Total £ net inflow</b>	<b>170</b>	<b>435</b>	<b>666</b>	<b>1,022</b>	<b>488</b>

## Drivers of AUM growth

- Superior investment performance across funds
- Strong net fund inflows across a range of distributors into open ended funds

### Additional to Open ended

- Product innovation and successful capital market raisings
- Balance sheet JVs with management contracts

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# Investment Outlook

- UK – returning to normal positive long run returns
  - Invista is well positioned for polarisation & slowdown
  - approximately 30% of commercial property in Central London
  - active management
- European funds – strong returns in France & Germany
- Residential – well positioned in Greater London for returns
- Researching new opportunities for growth & performance
  - alternative sub-sectors
  - opportunity fund
  - new mis-priced regions & styles

**Identify opportunities and be agile to out-perform**

# Business & Outlook

- Recycle balance sheet to grow business
- Growth of existing open-ended funds – currently robust
- Deliver superior investment performance for clients
- Continue to launch innovative real estate investment products
  - Continental Europe - growth of AUM
  - Opportunity fund
  - New institutional business
  - Investigate new property markets & indirect investment growth
- Establishment of European offices – France, Luxembourg & Germany

**As a fund manager Invista is able to grow existing and new business in normal market conditions**

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