

## NEWS RELEASE

6 November 2008

## RESULTS FOR HALF YEAR ENDED 30 SEPTEMBER 2008

### *A strong foundation provides opportunities to capture more value*

#### **Highlights**

- Strengthened financial position (£178 million of net cash and a new five year £400 million banking facility) and core customer relationships provide opportunities to capture more value
- Reported orders rose 16% (8% at CER) to £1,156 million (H1 2007/08: £995 million) driven by strong performances by Process Systems (up 10% at CER) and Rail Group (up 44% at CER)
- Reported operating profit<sup>5</sup> rose 12% (4% at CER) to £120 million (H1 2007/08: £107 million)
- Underlying basic earnings per share<sup>2</sup> rose 37% to 9.2 pence (H1 2007/08: 6.7 pence)
- Free cash flow was £177 million (H1 2007/08: £11 million), with operating cash flow<sup>5</sup> of £135 million (H1 2007/08: £83 million) and operating cash conversion of 113% (H1 2007/08: 78%)
- Two new technology growth companies acquired for £50 million
- New valuation of UK pension scheme substantially agreed with Trustee resulting in no material change to annual funding plan

Ulf Henriksson, Chief Executive of Invensys plc, commented:

“I am pleased with our first half performance and we are now in a strong financial position as the world faces uncertain times. I believe that we are well prepared and have demonstrated that we have the agility to manage risk and capture value from the opportunities that will arise.

“Our Industrial Automation businesses, Process Systems and Eurotherm, will continue to improve their competitive positions by offering the innovative solutions that our customers will need to improve the productivity of their operations. Rail Group is continuing to grow in its core markets and has a large pipeline of export order prospects. In Controls, we will continue to manage the effect of the market downturn by aligning our business to our core customers and investing in delivery, productivity and products for mid to high end homes.

“Overall, we have a strong foundation to pursue opportunities and will succeed by applying our technologies to help our customers improve their value through increased efficiency and asset utilisation. In this changing world, customers are seeking new ways to succeed.”

#### **Contact:**

##### **Invensys plc**

Steve Devany  
Annabel Michie

tel: +44 (0) 20 7821 3758  
tel: +44 (0) 20 7821 2121

##### **Financial Dynamics**

Andrew Lorenz  
Richard Mountain

tel: +44 (0) 20 7269 7121

## CHIEF EXECUTIVE'S STATEMENT

I am pleased with the first half performance. Our strategy to help our customers unlock their potential has been endorsed by a 16% reported order growth. We have a strong financial foundation and capacity to capture more value – an 11% operating margin business, £178 million net cash, a new £400 million banking facility and no material change to our annual pension funding requirements.

Our geographic and industrial diversification gives us the opportunity to leverage our investments where growth exists and manage for cash and value where markets are declining. Together with our proven agility and preparedness to manage risk, I believe we have a strong foundation from which we can capture more value.

In our Industrial Automation businesses, Process Systems and Eurotherm, we expect a shift from capital expenditure that increases capacity towards investment to improve productivity. Therefore we are continuing to make the necessary investments to transform the businesses to sell more valued added solutions that improve the efficiency of our customers' existing operations. We have increased our investment in sales and marketing in Process Systems by around £15 million during the first half to capture more opportunities; the benefits of this increased investment is already reflected in improved order intake and a large pipeline of opportunities. At the same time we are aligning our capabilities to growth markets. For example, we do not have any significant exposure to high cost upstream oil exploration such as deep sea drilling or oil sands but are well placed to assist customers in achieving more productivity in the downstream refining sector. Geographically we see good growth in regions like the Americas and the Middle East but following recent evidence of a slowdown in the European market, we are now realigning our capacity in that market and increasing it in emerging markets. This together with costs associated with improving our delivery capabilities will lead to an additional restructuring charge in the second half of the year of around £20 million; we expect this restructuring to provide a compelling financial return.

Rail Group had an excellent first half year with strong order growth and operating margin and we expect that spending on rail infrastructure in our core markets will remain robust. We have already had success in export markets so far this year and we believe that levels of demand across the world should increase, enabling us to continue to grow the business in the short to medium term.

Controls performed well with good cash generation in the first half in particularly difficult markets, helped by the actions that we have taken during the past two years to improve the operational effectiveness of the business, aligning it to our core customers needs and investing in products for mid to high end homes. We are continuing to complete the restructuring projects started in previous years and are prepared to take further action if required.

We believe that our businesses remain robust and well placed in their respective markets to deal with the future uncertain economic climate. In Industrial Automation, we have good businesses positioned to meet the changing needs of our customers for productivity and optimisation. In Controls, recent events have reduced our expectations of industry shipments for the remainder of the year and we believe that its second half performance should now be in line with that achieved in the first half. Rail Group is demonstrating export success in addition to its strong position in its core markets. Overall, we expect the Group to make further progress in the second half compared with the first half of the year.

## Notes

1. Except where stated, percentage changes in performance are stated at constant exchange rates (CER).
2. Underlying earnings per share is calculated on profit from continuing operations before exceptional finance costs, foreign exchange gains and losses and the PPP settlement credit.
3. Total Group comprises continuing and discontinued operations.
4. Continuing operations are Process Systems, Eurotherm, Rail Group and Controls. Discontinued operations comprise APV, Reversing Valves, Safety and Burco businesses in 2007/08 and comparatives have been restated accordingly.
5. All references to operating profit (OPBIT) and operating margin in this announcement are before exceptional items and all references to operating cash flow are before restructuring spend.
6. Return on operating capital is calculated as OPBIT divided by capital employed excluding goodwill, net pension deficit, non-operating provisions and net tax liabilities.

## Conference call

Ulf Henriksson, CEO, and Steve Hare, CFO, will be hosting a presentation and conference call for analysts and fund managers at 9.00 a.m. GMT this morning:

**Venue:** JPMorgan Cazenove  
20 Moorgate  
London  
EC2R 6DA

**Dial-in details** (please note that the passcode is required).

UK and international: +44 (0)20 7806 1953  
US: 1 718 354 1385  
Passcode: 4556482

The presentation will be audio webcast live with slides, which can be accessed at:

<http://phx.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c=79275&eventID=2003320>

A recording will be available at this address shortly after the completion of the call.

This announcement and the presentation materials are also available at <http://www.invensys.com>

## Safe harbor

This announcement contains certain statements that are forward-looking. These statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition and liquidity, and the development of the industries in which the Group operates, may differ materially from those made in or suggested by these statements and a number of factors could cause the results and developments to differ materially from those expressed or implied by these forward-looking statements.

## BUSINESS REVIEW

### Key performance indicators

| For the half year ended 30 September                                  |            |            |                              |                |
|---|------------|------------|------------------------------|----------------|
| All data relates to continuing operations (other than free cash flow) | H1 2008/09 | H1 2007/08 | % Change at CER <sup>1</sup> | % Total change |
| Orders (£m)   | 1,156      | 995        | 8%                           | 16%            |
| Revenue (£m)  | 1,090      | 1,003      | 1%                           | 9%             |
| Operating profit (£m)   | 120        | 107        | 4%                           | 12%            |
| Operating margin (%)  | 11.0%      | 10.7%      |                              |                |
| Operating cash flow (£m)  | 135        | 83         | 54%                          | 63%            |
| Cash conversion (%)   | 113%       | 78%        |                              |                |
| Net finance cost cover <sup>2</sup> (times)                           | n/a        | 4.5x       |                              |                |
| Earnings per share – underlying (p)                                   | 9.2p       | 6.7p       |                              | 37%            |
| Free cash flow (£m)   | 177        | 11         |                              | n/a            |
| Return on operating capital (%)                                       | 50.5%      | 47.2%      |                              |                |

<sup>1</sup> % change is measured as the change at CER as a percentage of the H1 2007/08 adjusted base and is calculated based on underlying amounts in £'000s.

<sup>2</sup> Net finance cost cover is measured as the number of times operating profit covers net finance costs.

### The Board

Steve Hare, Chief Financial Officer of Invensys, has informed the Board that he wishes to leave Invensys to pursue a different challenge. He intends to continue in his current role until May 2009 in order to complete the year end results and to allow sufficient time to appoint a successor and enable a smooth transition of responsibilities.

Ulf Henriksson, Chief Executive of Invensys, commented:

“Steve has played an important part in the steady progress that Invensys has made in terms of our financial position. I would like to thank Steve for his efforts which have contributed to the fact that we are now in a strong position to take advantage of the opportunities that will arise.”

Steve Hare commented:

“I am proud of what we have accomplished together which has left the company in a position of financial strength. I feel that with the financial turnaround substantially complete, it is a good time for me to move on to a new challenge. I have really enjoyed working with Ulf and the rest of the Invensys team and I wish them well for the future.”

### UK Pension Scheme

Our main UK pension scheme, the Invensys Pension Scheme, is currently finalising its 31 March 2008 triennial valuation, which is conducted by the Scheme's actuary under the requirements of the Pensions Act 2004.

The valuation is substantially agreed and we anticipate an actuarial deficit of approximately £285 million as at 31 March 2008. We do not anticipate a material change in the annual payments under the current funding plan (2005 valuation, approximately £36 million p.a.) to fund the actuarial deficit, but the proposed 2008 funding plan now extends for a further three years to 2017.

The scheme has managed to minimise the impact of the depressed state of the financial and economic markets through a conservative investment strategy. During 2006 and 2007, the scheme gradually moved to a more fixed income-based strategy, with the allocation to bond/debt instruments averaging 80% in 2008. As a consequence, the change in the value of the scheme assets from 31 March 2008 to 30 September 2008 is not material.

**Dividend**

On 7 November 2008 the Company will dispatch a circular to shareholders convening an Extraordinary General Meeting of the Company to consider the necessary resolutions to give effect to proposals for a capital reduction and cancellation of certain reserves, which will enable the Board in suitable circumstances to recommend the payment of a dividend out of profits arising after the date of the capital reduction. The Board will review the financial position and prospects for the Group following the completion of this financial year before making any dividend recommendations.

Part of the proposals will involve a capitalisation of reserves followed by a bonus issue of shares which will in turn be cancelled.

The Extraordinary General Meeting is to be held at The Grosvenor, 101 Buckingham Palace Road, London, SW1W 0SJ at 11.00 a.m. on 26 November 2008. Further details of the meeting, together with voting instructions, are contained in the circular which will be available on the Group's website [www.invensys.com](http://www.invensys.com).

**Outlook**

We believe that our businesses remain robust and well placed in their respective markets to deal with the future uncertain economic climate. In Industrial Automation, we have good businesses positioned to meet the changing needs of our customers for productivity and optimisation. In Controls, recent events have reduced our expectations of industry shipments and we believe that its second half performance should now be in line with that achieved in the first half. Rail Group is demonstrating export success in addition to its strong position in its core markets. Overall, we expect the Group to make further progress in the second half compared with the first half of the year.

## Industrial Automation

We see more opportunities in our core market sectors (oil & gas, power, petrochemicals, pharmaceuticals and speciality chemicals) by leveraging our combined capabilities in Process Systems and Eurotherm. By presenting more of a cohesive face to the market, we also create increased scale and focus, particularly in research and development and in our direct and indirect sales channels for our core vertical markets. As an example, the wider technology range will include combining Eurotherm and Process Systems technologies, in particular Wonderware software, to build a scalable distributed control system which is more price competitive to meet the needs of the midsized power sector than our current offering.

## Process Systems

| For the half year ended 30 September | H1<br>2008/09 | H1<br>2007/08 | % Change<br>at CER | % Total<br>change |
|--------------------------------------|---------------|---------------|--------------------|-------------------|
| Orders (£m)                          | 480           | 407           | 10%                | 18%               |
| Revenue (£m)                         | 425           | 379           | 4%                 | 12%               |
| Operating profit (£m)                | 41            | 46            | (17%)              | (11%)             |
| Operating margin (%)                 | 9.6%          | 12.1%         |                    |                   |
| Operating cash flow (£m)             | 26            | 11            | 138%               | 136%              |
| Operating cash conversion (%)        | 63%           | 24%           |                    |                   |

Process Systems designs, manufactures, installs, tests and commissions software and computer-based hardware for the automation and regulation of plant operations, the management of certain administrative functions of manufacturing businesses, and simulations of manufacturing process operations. It delivers solutions and consultancy services that improve the productivity and safety of customers' plants.

## Markets

Our major end markets within the oil and gas, petrochemical, refining and power sectors remained strong during the first half of the year, supported by the long term nature of investment decisions within these sectors and the need to improve the operational efficiency of the existing plants.

Regionally, there has been continued strength in the Middle East and South America, driven by demand from the oil and gas sector. The North America market grew strongly with increased demand for upgrades within the installed base. The level of investment in new facilities in Asia Pacific remained high but there was a slowdown in demand within Europe and Africa with delays on investment decisions caused by the weakening economy.

## Developments

The investment in differentiating ourselves from our competitors by strengthening Process Systems' ability to sell high value solutions to our customers increased during the first half as we recognised the likely increase in customers' requirements to improve the operational efficiency of their existing assets. In particular, we have significantly invested in sales and marketing, the benefits of which are beginning to become apparent with double digit growth in order intake in the first half.

Following the recent evidence of a decline in the European market, we are now realigning our capacity in that market and increasing it in emerging markets. This together with costs associated with improving our delivery capabilities will lead to an additional restructuring charge in the second half of the year of around £20 million, which will provide a compelling financial return.

Our InFusion™ platform underpins our solutions offerings with significant interest from customers in its ability to provide real-time data that enables improved decision-making in continuous processes. For

example, an InFusion-based offering is being installed at what will be the world's largest oil refinery owned and operated by Reliance in India.

In August, we were awarded a contract with the state-owned Taiwan Power Company to provide critical upgrades to the Kuosheng Nuclear Power Plant (NPP) in northern Taiwan. Including the replacement and upgrade of obsolete analog-based recirculation water control systems with digital systems, the upgrades allow Kuosheng NPP to significantly improve plant availability.

The acquisition by Wonderware of SAT Corporation, a Houston-based mobile solutions company, for a cash consideration of £30 million was completed on 21 August 2008 and is now being integrated into Wonderware's product offerings on a global basis. The IntelaTrac® Enterprise Suite provides configurable hardware and software solutions that enable remote workflow, procedural and general task management within industrial plants, typically focused around asset maintenance and compliance applications.

## Performance

Order intake in the first half increased by 10% to £480 million (H1 2007/08: £407 million), including a number of longer term solutions orders. This reflected the benefit of the increased investment of £15 million made into sales and marketing as well as our continued investment in research and development. Orders grew strongly in North America, South America and the Middle East but declined in Europe, as a result of the weakening market, and in Asia Pacific due partly to the high level of orders in the comparative period. In addition, there was a good improvement in the size of the pipeline of order prospects.

Revenue in the period was up 4% at £425 million (H1 2007/08: £379 million) with good performances in North America and Asia Pacific.

Operating profit was down 17% at £41 million (H1 2007/08: £46 million) due mainly to the significantly increased investment in sales and marketing. Operating cash flow was £26 million (H1 2007/08: £11 million) resulting in cash conversion for the half year of 63% (H1 2007/08: 24%).

## Eurotherm

| For the half year ended 30 September | H1<br>2008/09 | H1<br>2007/08 | % Change<br>at CER | % Total<br>change |
|--------------------------------------|---------------|---------------|--------------------|-------------------|
| Orders (£m)                          | 62            | 57            | -                  | 9%                |
| Revenue (£m)                         | 61            | 54            | 3%                 | 13%               |
| Operating profit (£m)                | 4             | 4             | (1)%               | -                 |
| Operating margin (%)                 | 6.6%          | 7.4%          |                    |                   |
| Operating cash flow (£m)             | 5             | 4             | 28%                | 25%               |
| Operating cash conversion (%)        | 125%          | 100%          |                    |                   |

Eurotherm provides control, data and measurement instrumentation products, solutions and services to manage specific parameters of the manufacturing process, such as temperature and pressure, for the global industrial control and process markets. Eurotherm has global expertise in many industrial markets with dedicated specialists in some key areas including life sciences, glass manufacturing, metals and plastics and the heat treatment of metals (for industries such as aerospace and automotive).

## Markets

Our markets in Western Europe and North America continued to be affected in the first half by the migration of industrial manufacturing capacity to low cost countries. In emerging markets, in particular in Asia Pacific, the market continued to grow with increased demand for the application of our extensive industry knowledge within our key vertical markets of life sciences, heat treatment and glass. The demand for solutions rather than just products is also driving growth in the business.

## Developments

Although the migration of manufacturing from Western Europe into both the supply chain and to new facilities in Poland and China has been substantially completed, some customer were affected by delivery issues that are now being resolved.

During the period, we launched EPower®, a new range of multi phase power controllers which improve the efficiency of power consumption within a manufacturing plant. Initial installations are demonstrating up to 5% improvements in energy efficiency.

## Performance

Orders for the first half were flat at £62 million (H1 2007/08: £57 million). Revenue was up 3% at £61 million (H1 2007/08: £54 million), with solutions revenue increasing by 33%.

Operating profit was slightly down at £4 million (H1 2007/08: £4 million). Operating margin was 6.6% (H1 2007/08: 7.4%). Operating cash flow was £5 million (H1 2007/08: £4 million).

## Outlook for Industrial Automation

In the second half of the year, we expect that the improvement in order intake in the first half will continue, reflecting the strength of our offerings to generally well funded customers with long term needs for improved productivity. In the longer term, we expect that our performance will be supported by the repositioning of our business towards deriving an increasing proportion of its revenue from solutions which improve the efficiency of existing plants.

## Transportation

### Rail Group

| For the half year ended 30 September | H1<br>2008/09 | H1<br>2007/08 | % Change<br>at CER | % Total<br>change |
|--------------------------------------|---------------|---------------|--------------------|-------------------|
| Orders (£m)                          | 335           | 222           | 44%                | 51%               |
| Revenue (£m)                         | 306           | 256           | 13%                | 20%               |
| Operating profit (£m)                | 65            | 42            | 44%                | 55%               |
| Operating margin (%)                 | 21.2%         | 16.4%         |                    |                   |
| Operating cash flow (£m)             | 77            | 52            | 37%                | 48%               |
| Operating cash conversion (%)        | 118%          | 124%          |                    |                   |

Rail Group is a multinational leader in delivering state-of-the-art railway control and communication solutions. We enable the world's railways to help meet the ever-increasing demand for rail services by providing a range of solutions that safely and cost effectively increase the capacity of their networks by increasing frequency and maximising operational effectiveness.

Our broad offering ranges from highly complex integrated control centre solutions that supervise and control complete railways to sophisticated train based systems that automate train operation and protection, interlocking systems that ensure safe running across a network and a complete range of trackside products.

## **Markets**

Our core markets in the UK, Spain, US and Australia have been robust and we expect this to continue given the need to improve transport infrastructure and the importance of rail as a sustainable and economic means of transport. We are also seeing significant demand in many countries outside of our traditional markets, particularly in Latin America and the Far East, and we have a significant pipeline of order prospects in our targeted export markets.

## **Developments**

Our workload for Network Rail in the UK remains strong with the recent award of contracts for signalling at Northampton and Reading station areas. In Spain, we were awarded a £100 million contract for the signalling of the Madrid-Valencia high speed line and, since the end of the period, we have received a £55 million order for additional work on that line. In export markets, we received a contract for the Ankara-Konya High speed line in Turkey. Overall we have received a further £100 million of orders since 30 September 2008.

In September 2008, we acquired Quantum Engineering, Inc. from its management for a cash consideration of £20 million. Based in Jacksonville, Florida, Quantum Engineering is a signalling and train controls company specialising in on-board equipment. This acquisition will increase our profile within the valuable US railroad aftermarket business while creating new sales opportunities within the operational side of its existing US railroad customers. In addition, this technology will be marketed globally through our international operations opening up the technology to significant new markets, allowing customers to operate their networks and locomotives more efficiently, at lower cost and with lower environmental impact.

## **Performance**

Order intake during the first half was up 44% to £335 million (H1 2007/08: £222 million) helped in particular by the £100 million Madrid-Valencia order in Spain. Revenue was 13% higher at £306 million (H1 2007/08: £256 million) with strong growth in all markets.

Operating profit rose to £65 million (H1 2007/08: £42 million), an increase of 44% reflecting the substantial increase in volume and a favourable sales mix. Operating margin was 21.2% (H1 2007/08: 16.4%). Operating cash flow was £77 million (H1 2007/08: £52 million), continuing to give cash conversion of over 100%.

## **Outlook**

We expect that spending on rail infrastructure in our core markets will remain at robust levels due to the necessity to improve capacity. We have already had success in export markets so far this year and, with a strong pipeline of opportunities, we believe that levels of demand across the world should increase, enabling us to continue to grow the business in the short to medium term.

## Controls

### Controls

| For the half year ended 30 September | H1<br>2008/09 | H1<br>2007/08 | % Change<br>at CER | % Total<br>change |
|--------------------------------------|---------------|---------------|--------------------|-------------------|
| Orders (£m)                          | 279           | 309           | (18%)              | (10%)             |
| Revenue (£m)                         | 298           | 314           | (13%)              | (5%)              |
| Operating profit (£m)                | 26            | 32            | (25%)              | (19%)             |
| Operating margin (%)                 | 8.7%          | 10.2%         |                    |                   |
| Operating cash flow (£m)             | 42            | 32            | 27%                | 31%               |
| Operating cash conversion (%)        | 162%          | 100%          |                    |                   |

Controls designs, engineers and manufactures components, systems and services used in appliances, heating, air conditioning/cooling, refrigeration and thermostatic products across a wide range of industries in residential and commercial markets, together with utility monitoring services in the UK.

### Markets

Market conditions were challenging in the first half with reduced customer production across many sectors. This was compounded by inventory reductions by some customers as they anticipated further declining volumes.

### Developments

We have continued to concentrate upon protecting the absolute level of operating profit and improving the cash performance of the business. We have kept tight control of overheads and have been continuing the focus upon improving productivity within our plants. We have also been driving costs down through supply chain and restructuring initiatives. We are continuing to complete the restructuring projects started in the previous year which has already resulted in a significant reduction in overheads and we continue to maintain a large proportion of our production capacity in low cost countries.

### Performance

Orders during the period were £279 million (H1 2007/08: £309 million), down 18%. This decrease was higher than the market reduction in shipments due to the effect of the reduction in volumes at the higher end of the North American market and the loss of a major water heating contract last year. Revenue for the half year was down slightly less than orders at £298 million (H1 2007/08: £314 million), a 13% decrease.

Despite the significant reduction in volumes, we have had some success in protecting the profit and cash performance of the business through prior period pricing actions, plant productivity improvements and restructuring benefits. Operating profit was down 25% at CER at £26 million (H1 2007/08: £32 million) after charging a £3 million provision relating to the expected costs of replacing water valves for a customer.

Operating cashflow was £42 million (H1 2007/08: £32 million), with 162% cash conversion (H1 2007/08: 100%).

### Outlook

Recent events have reduced our expectations of industry shipments for the remainder of the year and we believe that the second half performance of Controls should now be in line with that achieved in the first half.

## Risks and uncertainties

This section provides a description of the principal risks and uncertainties for the remaining six months of the Group's financial year, as required by DTR 4.2.7R of the Disclosure and Transparency Rules.

As part of our routine procedures, the principal risks and uncertainties are kept under review. In particular we have considered the potential impact of recent developments in the world's financial markets upon both the Group's financial position and that of its customers and suppliers. We have concluded that the principal risks and uncertainties remain as detailed on pages 42 to 44 of 2008 Annual report and accounts, a copy of which is available on the Company's website at [www.invensys.com](http://www.invensys.com). These risks are summarised as follows:

- The Group faces intense competition, and failure to maintain a competitive and technologically advanced product range could reduce its margins and revenue growth;
- The timing and frequency of substantial contract awards, particularly in the Group's Rail Group business, are uneven;
- The Group's Process Systems business is reliant on the capital expenditure requirements from the oil, gas and chemical sectors;
- The Group is subject to ongoing litigation and environmental liabilities;
- Operating in global markets subjects the Group to risks associated with changes in political and economic conditions and in applicable laws and regulations;
- The Group may be subject to liability as a result of product liability claims;
- The Group could be exposed to deterioration in its financial results if the performance improvement initiatives of certain of the Group's operations are not successful;
- The Group may be exposed to liability through the actions of joint venture partners, co-source partners or its supply chain;
- Undertaking large, long-term projects exposes the Group's business to risk of loss;
- The Group may be exposed to additional liabilities with respect to its UK and US pension plans; and
- If the Group is unable to recruit and retain skilled personnel, it may not be able to effectively implement its business strategy.

The business review includes a commentary on the outlook for the Business Groups and the Group for the remaining six months of the financial year and in particular the uncertain economic climate.

## Additional financial information

### Orders

A summary of orders and movements at CER by business group is set out below:

| For the half year ended 30 September | H1 2007/08 Orders<br>£m | Exchange<br>£m | H1 2007/08 at CER<br>£m | Change at CER<br>£m | H1 2008/09 Orders<br>£m | Change <sup>1</sup><br>% |
|--------------------------------------|-------------------------|----------------|-------------------------|---------------------|-------------------------|--------------------------|
| Process Systems                      | 407                     | 31             | 438                     | 42                  | 480                     | 10%                      |
| Eurotherm                            | 57                      | 5              | 62                      | -                   | 62                      | 0%                       |
| <b>Industrial Automation</b>         | <b>464</b>              | <b>36</b>      | <b>500</b>              | <b>42</b>           | <b>542</b>              | <b>8%</b>                |
| <b>Transportation</b> – Rail Group   | 222                     | 11             | 233                     | 102                 | 335                     | 44%                      |
| <b>Controls</b>                      | 309                     | 30             | 339                     | (60)                | 279                     | (18%)                    |
| <b>Continuing operations</b>         | <b>995</b>              | <b>77</b>      | <b>1,072</b>            | <b>84</b>           | <b>1,156</b>            | <b>8%</b>                |

The order book for continuing operations was £1,403 million at 30 September 2008 (31 March 2008: £1,294 million), with increases in both Process Systems and Rail Group.

### Revenue

A summary of revenue and movements at CER by business group is set out below:

| For the half year ended 30 September | H1 2007/08 Revenue<br>£m | Exchange<br>£m | H1 2007/08 at CER<br>£m | Change at CER<br>£m | H1 2008/09 Revenue<br>£m | Change <sup>1</sup><br>% |
|--------------------------------------|--------------------------|----------------|-------------------------|---------------------|--------------------------|--------------------------|
| Process Systems                      | 379                      | 28             | 407                     | 18                  | 425                      | 4%                       |
| Eurotherm                            | 54                       | 5              | 59                      | 2                   | 61                       | 3%                       |
| <b>Industrial Automation</b>         | <b>433</b>               | <b>33</b>      | <b>466</b>              | <b>20</b>           | <b>486</b>               | <b>4%</b>                |
| <b>Transportation</b> – Rail Group   | 256                      | 16             | 272                     | 34                  | 306                      | 13%                      |
| <b>Controls</b>                      | 314                      | 30             | 344                     | (46)                | 298                      | (13%)                    |
| <b>Continuing operations</b>         | <b>1,003</b>             | <b>79</b>      | <b>1,082</b>            | <b>8</b>            | <b>1,090</b>             | <b>1%</b>                |

### Operating profit and margin

A summary of operating profit and movements at CER by business group is set out below:

| For the half year ended 30 September | H1 2007/08 OPBIT<br>£m | Exchange<br>£m | H1 2007/08 at CER<br>£m | Change at CER<br>£m | H1 2008/09 OPBIT<br>£m | Change <sup>1</sup><br>% |
|--------------------------------------|------------------------|----------------|-------------------------|---------------------|------------------------|--------------------------|
| Process Systems                      | 46                     | 3              | 49                      | (8)                 | 41                     | (17%)                    |
| Eurotherm                            | 4                      | -              | 4                       | -                   | 4                      | (1%)                     |
| <b>Industrial Automation</b>         | <b>50</b>              | <b>3</b>       | <b>53</b>               | <b>(8)</b>          | <b>45</b>              | <b>(15%)</b>             |
| <b>Transportation</b> – Rail Group   | 42                     | 3              | 45                      | 20                  | 65                     | 44%                      |
| <b>Controls</b>                      | 32                     | 3              | 35                      | (9)                 | 26                     | (25%)                    |
| Corporate                            | (17)                   | -              | (17)                    | 1                   | (16)                   | (5%)                     |
| <b>Continuing operations</b>         | <b>107</b>             | <b>9</b>       | <b>116</b>              | <b>4</b>            | <b>120</b>             | <b>4%</b>                |

<sup>1</sup> % change is measured as the change at CER as a percentage of the H1 2007/08 adjusted base and is calculated based on underlying amounts in £'000s.

## Operating cash flow and cash conversion

A summary of operating cash flow and cash conversion by business group is set out below:

| For the half year ended 30 September | Operating cash flow |                  | Cash conversion |                 |
|--------------------------------------|---------------------|------------------|-----------------|-----------------|
|                                      | H1 2008/09<br>£m    | H1 2007/08<br>£m | H1 2008/09<br>% | H1 2007/08<br>% |
| Process Systems                      | 26                  | 11               | 63%             | 24%             |
| Eurotherm                            | 5                   | 4                | 125%            | 100%            |
| <b>Industrial Automation</b>         | <b>31</b>           | <b>15</b>        | <b>69%</b>      | <b>30%</b>      |
| <b>Transportation</b> – Rail Group   | 77                  | 52               | 118%            | 124%            |
| <b>Controls</b>                      | 42                  | 32               | 162%            | 100%            |
| Corporate                            | (15)                | (16)             | -               | -               |
| <b>Continuing operations</b>         | <b>135</b>          | <b>83</b>        | <b>113%</b>     | <b>78%</b>      |

## Exceptional items

The exceptional charge for the half year totalled £14 million (H1 2007/08: £12 million). This included restructuring costs of £12 million and £2 million of property, plant and equipment impairment. The restructuring costs relate mainly to Controls in both North America and Europe.

## Foreign exchange losses

Foreign exchange losses are £nil million (H1 2007/08: £5 million). Foreign exchange losses in the comparative period were principally attributable to exchange differences on the Group's non-sterling denominated currency borrowings held in companies whose functional currency is sterling. The majority of these loans were repaid in March and May 2008.

## Net finance costs

Net finance costs reduced to £1 million in the half year (H1 2007/08: £24 million) reflecting the debt free position of the Group.

## Taxation

The tax charge for continuing operations is £13 million (H1 2007/08: £9 million) which comprises a current year income tax charge of £18 million (H1 2007/08: £14 million), offset by a deferred tax credit of £5 million (H1 2007/08: £nil million). The comparative period current tax charge was offset by tax credits of £5 million relating to the settlement of some historic tax disputes in the UK and US.

## Net profit

Net profit increased to £75 million (H1 2007/08: £56 million), driven by the increase in operating profit, and a reduction in foreign exchange losses and net finance costs.

## Earnings per share

Basic earnings per share from continuing operations is 9.2p (H1 2007/08: 6.0p). Underlying earnings per share is also 9.2p (H1 2007/08: 6.7p) arising from the improved operating profit and reduced net finance costs.

## Free cash flow

Free cash flow for the half year was £177 million (H1 2007/08: £11 million), driven by improved operating cash inflow, lower finance costs and the receipt of the PPP settlement.

## Financial position at half year end

### Capital structure

The Group's capital structure is as follows:

|                             | 30 September<br>2008<br>£m | 31 March<br>2008<br>£m<br>(Restated) |
|-----------------------------|----------------------------|--------------------------------------|
| Capital employed            | 340                        | 307                                  |
| Cash and cash equivalents   | 186                        | 235                                  |
| Borrowings                  | (8)                        | (162)                                |
| Net cash                    | 178                        | 73                                   |
| <b>Total equity – funds</b> | <b>518</b>                 | <b>380</b>                           |
| Comprising:                 |                            |                                      |
| – Equity holders of parent  | 446                        | 311                                  |
| – Minority interests        | 72                         | 69                                   |
|                             | <b>518</b>                 | <b>380</b>                           |

### Total equity

Total equity increased by £138 million in the half year due to net profit in the period of £75 million, gain on available for sale investment of £25 million and translation exchange gains of £34 million.

### Minority interests

The minority interest balance is £72 million (H1 2007/08: £69 million), the majority of which relates to the interests of the minority in Baan Company NV.

### Net cash

Net cash was £178 million (FY 2007/08: £73 million). The improvement of £105 million is largely due to the free cash flow of £177 million which includes a receipt of £95 million from the PPP settlement, offset by payments totalling £50 million for the acquisition of SAT Corporation and Quantum Engineering Inc.

On 7 May 2008, the Group repaid and cancelled Term Loans due in January 2011 of US\$190 million and Euro 75 million. The repayment of the principal amounts, together with accrued interest, was made out of cash balances. On 8 May 2008, the Group cancelled bonding facilities of £100 million due for expiry in December 2010. There were no early redemption penalties on either of these transactions.

### Capital employed

Capital employed increased by £33 million to £340 million, mainly due to acquisitions made in the period of £50 million, an increase in assets held for sale of £26 million and the effect of translation of £30 million; these increases were offset by a reduction in receivables including the receipt of the PPP settlement.

### **Pension liabilities**

The UK Main Scheme is subject to a triennial actuarial review with a valuation date of 31 March 2008. The valuation is substantially agreed and we anticipate that on a funding basis there is a deficit of £285 million using assumptions agreed with the Schemes' Trustee.

The agreement will be submitted to the UK Pensions Regulator, who has the right to review any funding agreement reached between a Trustee and a company sponsor.

The updated funding valuation has made no significant change to the funding plan for the next three years. Although the IAS 19 deficit will fluctuate depending in particular on interest rates, this will not affect the funding plan.

The Scheme's investment policy is to be invested predominately in debt instruments and therefore the significant fall in equity prices in recent weeks has had no material effect upon the value of the fund's assets.

The usual half year IAS 19 valuation has been undertaken for the UK Main Scheme which has generated a deficit of £3 million (31 March 2008: £10 million). The assumptions used in the triennial valuation have been carried forward into the calculation of liabilities under IAS 19 with the principal exception of the discount rate. The discount rate required for an IAS 19 assessment is required to be based on the yields from high quality Corporate Bonds. The discount rate used for the IAS 19 calculation at 30 September 2008 is 6.2% (31 March 2008: 6.1%). Details of the valuation and key assumptions are shown in note 9 to the condensed financial statements.

IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) is effective for the first time and has been adopted by the Group. This has the effect of increasing the pension liability for the UK Main scheme by £95 million to £98 million as at 30 September 2008; the liability at 31 March 2008 has been restated in accordance with IFRIC 14 by £66 million to £76 million. Details are shown in note 9 to the condensed financial statements.

For the Group, the IAS 19 valuation has resulted in an overall pension liability at 30 September 2008 of £288 million; the liability at 31 March 2008 has been restated in accordance with IFRIC 14 by £66 million to £284 million.

**Invensys plc**  
**Consolidated income statement (unaudited)**  
**For the half year ended 30 September 2008**

|  |   | Half year ended<br>30 September<br>2008<br>£m | Half year ended<br>30 September<br>2007<br>£m | Year ended<br>31 March<br>2008<br>£m |
|--|---|---|---|--------------------------------------|
| <b>Continuing operations</b>                           |   |   |   |                                      |
| Revenue  | 2 | 1,090   | 1,003   | 2,108                                |
| Operating expenses before exceptional items            |   | (970)   | (896)   | (1,854)                              |
| <b>Operating profit before exceptional items</b>       | 2 | 120   | 107   | 254                                  |
| Exceptional items                                      | 4 | (14)  | (12)  | 62                                   |
| <b>Operating profit</b>                                | 3 | 106   | 95  | 316                                  |
| Foreign exchange losses                                | 5 | –   | (5)   | (21)                                 |
| Exceptional finance costs                              |   | –   | –   | (36)                                 |
| Finance costs  |   | (5)   | (31)  | (63)                                 |
| Total finance costs                                    |   | (5)   | (31)  | (99)                                 |
| Finance income   |   | 4   | 7   | 18                                   |
| Other finance charges - IAS 19                         |   | (17)  | (8)   | (15)                                 |
| <b>Profit before taxation</b>                          |   | 88  | 58  | 199                                  |
| Taxation - UK  |   | –   | 2   | (1)                                  |
| Taxation - overseas                                    |   | (13)  | (11)  | (29)                                 |
| <b>Profit after taxation - continuing operations</b>   | 2 | 75  | 49  | 169                                  |
| <b>Profit after taxation - discontinued operations</b> | 6 | –   | 7   | 167                                  |
| <b>Profit for the period</b>                           | 2 | 75  | 56  | 336                                  |
| <b>Attributable to:</b>                                |   |   |   |                                      |
| Equity holders of the parent                           |   | 73  | 54  | 334                                  |
| Minority interests                                     |   | 2   | 2   | 2                                    |
|  |   | 75  | 56  | 336                                  |
| <b>Earnings per share</b>                              |   |   |   |                                      |
| <b>Continuing operations</b>                           |   |   |   |                                      |
| Earnings per share (basic)                             | 7 | 9.2 p   | 6.0 p   | 21.1 p                               |
| Earnings per share (diluted)                           | 7 | 9.1 p   | 5.9 p   | 20.9 p                               |
| <b>Discontinued operations</b>                         |   |   |   |                                      |
| Earnings per share (basic)                             | 7 | 0.0 p   | 0.8 p   | 20.9 p                               |
| Earnings per share (diluted)                           | 7 | 0.0 p   | 0.8 p   | 20.6 p                               |
| <b>Total Group</b>                                     |   |   |   |                                      |
| Earnings per share (basic)                             | 7 | 9.2 p   | 6.8 p   | 42.0 p                               |
| Earnings per share (diluted)                           | 7 | 9.1 p   | 6.7 p   | 41.5 p                               |

**Invensys plc**  
**Consolidated balance sheet (unaudited)**  
**As at 30 September 2008**

|                                     | Notes | 30 September<br>2008<br>£m | 30 September<br>2007<br>£m<br>(Restated) | 31 March<br>2008<br>£m<br>(Restated) |
|-------------------------------------|-------|----------------------------|--|--------------------------------------|
| <b>ASSETS</b>                       |       |                            |  |                                      |
| <b>Non-current assets</b>           |       |                            |  |                                      |
| Property, plant and equipment       |       | 286                        | 271                                      | 282                                  |
| Intangible assets - goodwill        |       | 265                        | 208                                      | 215                                  |
| Intangible assets - other           |       | 101                        | 88                                       | 92                                   |
| Deferred income tax assets          |       | 28                         | 17                                       | 21                                   |
| Amounts due from contract customers |       | 3                          | 5  | 6                                    |
| Other receivables                   |       | 25                         | 40                                       | 15                                   |
| Other financial assets              |       | 14                         | 7  | 7                                    |
| Pension asset                       | 9     | –                          | 1  | 1                                    |
|                                     |       | <u>722</u>                 | <u>637</u>                               | <u>639</u>                           |
| <b>Current assets</b>               |       |                            |  |                                      |
| Inventories                         |       | 158                        | 169                                      | 144                                  |
| Amounts due from contract customers |       | 194                        | 154                                      | 152                                  |
| Trade and other receivables         |       | 483                        | 481                                      | 648                                  |
| Cash and cash equivalents           |       | 186                        | 284                                      | 235                                  |
| Income tax receivable               |       | 2                          | 2  | 2                                    |
| Derivative financial instruments    |       | 3                          | 2  | 1                                    |
|                                     |       | <u>1,026</u>               | <u>1,092</u>                             | <u>1,182</u>                         |
| Assets held for sale                | 10    | 28                         | 234                                      | 2                                    |
|                                     |       | <u>1,776</u>               | <u>1,963</u>                             | <u>1,823</u>                         |
| <b>TOTAL ASSETS</b>                 |       |                            |  |                                      |
| <b>LIABILITIES</b>                  |       |                            |  |                                      |
| <b>Non-current liabilities</b>      |       |                            |  |                                      |
| Borrowings                          |       | (7)                        | (470)                                    | (161)                                |
| Provisions                          |       | (104)                      | (89)                                     | (103)                                |
| Income tax payable                  |       | (25)                       | (21)                                     | (24)                                 |
| Deferred income tax liabilities     |       | (15)                       | (16)                                     | (15)                                 |
| Amounts due to contract customers   |       | (23)                       | (24)                                     | (10)                                 |
| Other payables                      |       | (12)                       | (15)                                     | (17)                                 |
| Pension liabilities                 | 9     | (288)                      | (351)                                    | (285)                                |
|                                     |       | <u>(474)</u>               | <u>(986)</u>                             | <u>(615)</u>                         |
| <b>Current liabilities</b>          |       |                            |  |                                      |
| Trade and other payables            |       | (470)                      | (448)                                    | (480)                                |
| Amounts due to contract customers   |       | (211)                      | (207)                                    | (240)                                |
| Borrowings                          |       | (1)                        | (1)                                      | (1)                                  |
| Derivative financial instruments    |       | (3)                        | (1)                                      | (1)                                  |
| Income tax payable                  |       | (44)                       | (31)                                     | (47)                                 |
| Provisions                          |       | (55)                       | (62)                                     | (59)                                 |
|                                     |       | <u>(784)</u>               | <u>(750)</u>                             | <u>(828)</u>                         |
| Liabilities held for sale           | 10    | –                          | (143)                                    | –                                    |
|                                     |       | <u>(1,258)</u>             | <u>(1,879)</u>                           | <u>(1,443)</u>                       |
| <b>TOTAL LIABILITIES</b>            |       |                            |  |                                      |
| <b>NET ASSETS</b>                   |       |                            |  |                                      |
|                                     |       | <u>518</u>                 | <u>84</u>                                | <u>380</u>                           |
| <b>Capital and reserves</b>         |       |                            |  |                                      |
| Equity share capital                |       | 80                         | 80                                       | 80                                   |
| Treasury shares                     |       | (4)                        | (9)                                      | (7)                                  |
| Other reserves                      |       | 4,222                      | 4,372                                    | 4,189                                |
| Retained earnings                   |       | (3,852)                    | (4,421)                                  | (3,951)                              |
|                                     |       | <u>446</u>                 | <u>22</u>                                | <u>311</u>                           |
| <b>Equity holders of the parent</b> |       | <u>446</u>                 | <u>22</u>                                | <u>311</u>                           |
| Minority interests                  |       | 72                         | 62                                       | 69                                   |
|                                     |       | <u>518</u>                 | <u>84</u>                                | <u>380</u>                           |
| <b>TOTAL EQUITY</b>                 |       |                            |  |                                      |
|                                     | 11    | <u>518</u>                 | <u>84</u>                                | <u>380</u>                           |

**Invensys plc**  
**Consolidated cash flow statement (unaudited)**  
**For the half year ended 30 September 2008**

|  |       | Half year ended<br>30 September<br>2008<br>£m | Half year ended<br>30 September<br>2007<br>£m | Year ended<br>31 March<br>2008<br>£m |
|--|-------|---|---|--------------------------------------|
|  | Notes |   |   |                                      |
| <b>Operating activities</b>  |       |   |   |                                      |
| Operating profit:  |       |   |   |                                      |
| Continuing operations  | 3     | 106   | 95  | 316                                  |
| Discontinued operations  | 6     | –   | 8   | 7                                    |
| Depreciation of property, plant and equipment  |       | 21  | 25  | 47                                   |
| Amortisation of intangible assets - other  |       | 10  | 9   | 19                                   |
| Provision for impairment charged to operating profit                                     | 4     | 2   | 2   | 5                                    |
| PPP settlement credit to operating profit  |       | –   | –   | (95)                                 |
| PPP settlement proceeds  |       | 95  | –   | –                                    |
| Loss on sale of property, plant and equipment  |       | –   | –   | 1                                    |
| Non-cash charge for share-based payment  |       | 6   | 5   | 8                                    |
| (Increase)/decrease in inventories   |       | (3)   | (5)   | 7                                    |
| Decrease/(increase) in receivables   |       | 75  | –   | (35)                                 |
| (Decrease)/increase in net amounts due to contract customers                             |       | (53)  | (19)  | 12                                   |
| (Decrease)/increase in payables and provisions   |       | (26)  | (42)  | (29)                                 |
| Difference between pension contributions paid and amounts recognised in operating profit |       | (19)  | (9)   | (102)                                |
| <b>Cash generated from operations</b>  |       | <b>214</b>                                    | <b>69</b>                                     | <b>161</b>                           |
| Income taxes paid  |       | (15)  | (14)  | (37)                                 |
| Interest paid  |       | (7)   | (26)  | (55)                                 |
| Exceptional finance costs  |       | –   | –   | (18)                                 |
| <b>Net cash flows from operating activities</b>  |       | <b>192</b>                                    | <b>29</b>                                     | <b>51</b>                            |
| <b>Investing activities:</b>   |       |   |   |                                      |
| Interest received  |       | 7   | 7   | 16                                   |
| Purchase of property, plant and equipment  |       | (15)  | (16)  | (37)                                 |
| Expenditure on intangible assets - other   |       | (9)   | (9)   | (21)                                 |
| Purchase of subsidiaries   |       | (50)  | (12)  | (12)                                 |
| Sale of subsidiaries   |       | (11)  | (4)   | 295                                  |
| Net cash acquired/(disposed) of on purchase/(sale) of subsidiaries                       |       | 3   | (4)   | (19)                                 |
| <b>Cash flows from investing activities:</b>   |       | <b>(75)</b>                                   | <b>(38)</b>                                   | <b>222</b>                           |
| <b>Financing activities:</b>   |       |   |   |                                      |
| Purchase of Invensys plc shares by Employee Share Trust                                  |       | –   | (9)   | (9)                                  |
| Purchase of shares on vested share awards  |       | (3)   | (4)   | (4)                                  |
| Facility fees paid   |       | (6)   | –   | –                                    |
| Transfer of treasury bonds defeasing 144A covenants                                      |       | (7)   | –   | –                                    |
| Repayment of long-term borrowings  |       | (156)   | (4)   | (363)                                |
| Dividends paid to minority interests   |       | –   | (1)   | (1)                                  |
| <b>Cash flows from financing activities:</b>   |       | <b>(172)</b>                                  | <b>(18)</b>                                   | <b>(377)</b>                         |
| <b>Net decrease in cash and cash equivalents</b>   |       | <b>(55)</b>                                   | <b>(27)</b>                                   | <b>(104)</b>                         |
| Cash and cash equivalents at beginning of period   |       | 235   | 307   | 307                                  |
| Net foreign exchange difference  |       | 6   | 4   | 32                                   |
| <b>Cash and cash equivalents at end of period</b>  |       | <b>186</b>                                    | <b>284</b>                                    | <b>235</b>                           |

**Invensys plc**  
**Consolidated statement of recognised income and expense (unaudited)**  
**For the half year ended 30 September 2008**

|  | Half year ended<br>30 September<br>2008<br>£m | Half year ended<br>30 September<br>2007<br>£m<br>(Restated) | Year ended<br>31 March<br>2008<br>£m<br>(Restated) |
|--|---|---|--|
| <b>Income and expense recognised directly in equity</b>      |   |   |  |
| Gains on valuation of available-for-sale investments:        |   |   |  |
| Gains taken to equity  | 25  | -   | -  |
| Cash flow hedges:  |   |   |  |
| Gains taken to equity  | 1   | -   | 1  |
| Transferred to the income statement for the period           | (1)   | -   | (2)  |
| Exchange differences on translation of foreign operations    | 34  | 9   | 41   |
| Foreign exchange gain transferred on disposal of operations  | -   | -   | (1)  |
| Actuarial gain recognised on defined benefit pension schemes | 30  | 217   | 218  |
| Irrecoverable element of potential future pension surplus    | 9 (29)  | (49)  | (66)   |
| <b>Net income recognised directly in equity</b>              | <b>60</b>                                     | <b>177</b>  | <b>191</b>   |
| Profit for the period  | 75  | 56  | 336  |
| <b>Total recognised income for the period</b>                | <b>135</b>                                    | <b>233</b>  | <b>527</b>   |
| <b>Attributable to:</b>                                      |   |   |  |
| Equity holders of the parent                                 | 133   | 230   | 516  |
| Minority interests   | 2   | 3   | 11   |
|  | <b>135</b>                                    | <b>233</b>  | <b>527</b>   |

## 1 Basis of preparation

### Statement of compliance

The Group's condensed Consolidated financial statements for the six months ended 30 September 2008 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union (EU). They do not include all the information and disclosures required in the Annual report and accounts, and should be read in conjunction with the Group's Annual report and accounts as at 31 March 2008, that are prepared in accordance with IFRS as adopted by the EU.

### Significant accounting policies:

The accounting policies adopted in the preparation of the condensed Consolidated financial statements are consistent with those followed in the preparation of the Group's Annual report and accounts for the year ended 31 March 2008, except for the following amendments to existing standards and new interpretations which have been adopted by the Group for the half year:

- Amendments to IAS 39 and IFRS 7 - *Reclassification of Financial Assets*
- IFRIC 12 - *Service Concession Agreements*
- IFRIC 14 IAS 19 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The amendments to IAS 39 and IFRS 7 have been endorsed by the EU and are effective for the financial year beginning 1 April 2008. IFRICs 12 and 14 are expected to be endorsed by the EU before the end of the year and as a result, in accordance with IAS 34, the Group has applied these interpretations in these Financial Statements. Adoption of these amended standards and the new IFRIC 12 has not had any material effect on the financial position or performance of the Group. The effect of the adoption of IFRIC 14 is shown in note 9.

## 2 Segmental analysis

|   | Half year ended<br>30 September<br>2008<br>£m | Half year ended<br>30 September<br>2007<br>£m | Year ended<br>31 March<br>2008<br>£m | Half year ended<br>30 September<br>2008<br>£m | Half year ended<br>30 September<br>2007<br>£m | Year ended<br>31 March<br>2008<br>£m |
|---|---|---|--------------------------------------|---|---|--------------------------------------|
|   |   |   |                                      | <b>External<br/>revenue</b>                   | <b>External<br/>revenue</b>                   | <b>External<br/>revenue</b>          |
| <b>Revenue</b>                                |   |   |                                      |   |   |                                      |
| <b>Business</b>                               |   |   |                                      |   |   |                                      |
| Process Systems                               |   |   |                                      | 425   | 379   | 830                                  |
| Eurotherm                                     |   |   |                                      | 61  | 54  | 115                                  |
| <b>Industrial Automation</b>                  |   |   |                                      | 486   | 433   | 945                                  |
| Rail Group                                    |   |   |                                      | 306   | 256   | 539                                  |
| Controls                                      |   |   |                                      | 298   | 314   | 624                                  |
| Continuing operations                         |   |   |                                      | 1,090   | 1,003   | 2,108                                |
| APV   |   |   |                                      | -   | 205   | 308                                  |
| Controls - Reversing Valves and Safety        |   |   |                                      | -   | 23  | 37                                   |
| Rail - Burco                                  |   |   |                                      | -   | 37  | 64                                   |
| Discontinued operations                       |   |   |                                      | -   | 265   | 409                                  |
| Total Group                                   |   |   |                                      | 1,090   | 1,268   | 2,517                                |
|   |   |   |                                      | <b>Operating<br/>profit/(loss) *</b>          | <b>Operating<br/>profit/(loss) *</b>          | <b>Operating<br/>profit/(loss) *</b> |
| <b>Result</b>                                 |   |   |                                      |   |   |                                      |
| <b>Business</b>                               |   |   |                                      |   |   |                                      |
| Process Systems                               | 41  | 46  | 117                                  | 41  | 46  | 113                                  |
| Eurotherm                                     | 4   | 4   | 9                                    | 2   | 4   | 8                                    |
| <b>Industrial Automation</b>                  | 45  | 50  | 126                                  | 43  | 50  | 121                                  |
| Rail Group                                    | 65  | 42  | 93                                   | 65  | 42  | 187                                  |
| Controls                                      | 26  | 32  | 69                                   | 14  | 21  | 49                                   |
| Corporate                                     | (16)  | (17)  | (34)                                 | (16)  | (18)  | (41)                                 |
| Continuing operations                         | 120   | 107   | 254                                  | 106   | 95  | 316                                  |
| Foreign exchanges losses                      |   |   |                                      | -   | (5)   | (21)                                 |
| Exceptional finance costs                     |   |   |                                      | -   | -   | (36)                                 |
| Finance costs                                 |   |   |                                      | (5)   | (31)  | (63)                                 |
| Finance income                                |   |   |                                      | 4   | 7   | 18                                   |
| Other finance charges - IAS 19                |   |   |                                      | (17)  | (8)   | (15)                                 |
| Taxation                                      |   |   |                                      | (13)  | (9)   | (30)                                 |
| Profit after taxation - continuing operations |   |   |                                      | 75  | 49  | 169                                  |
| APV   | -   | 7   | 9                                    | -   | 4   | 2                                    |
| Controls - Reversing Valves and Safety        | -   | 2   | 3                                    | -   | 2   | 3                                    |
| Rail - Burco                                  | -   | 2   | 2                                    | -   | 2   | 2                                    |
| Corporate - profit on disposal of business    | -   | -   | -                                    | -   | -   | 170                                  |
| Taxation                                      | -   | -   | -                                    | -   | (1)   | (10)                                 |
| Discontinued operations                       | -   | 11  | 14                                   | -   | 7   | 167                                  |
| Total Group                                   | 120   | 118   | 268                                  | 75  | 56  | 336                                  |

\* Before exceptional items

**Invensys plc**  
**Notes (unaudited)**

**2 Segmental analysis (continued)**

|  | Half year ended<br>30 September<br>2008<br>£m | Half year ended<br>30 September<br>2007<br>£m | Year ended<br>31 March<br>2008<br>£m |
|--|---|---|--------------------------------------|
| <b>Geographical analysis by origin - Revenue</b> |   |   |                                      |
| United Kingdom                                   | 208   | 182   | 402                                  |
| Rest of Europe                                   | 317   | 270   | 568                                  |
| North America                                    | 347   | 348   | 704                                  |
| South America                                    | 52  | 48  | 103                                  |
| Asia Pacific                                     | 147   | 135   | 283                                  |
| Africa and Middle East                           | 19  | 20  | 48                                   |
| Continuing operations                            | <u>1,090</u>                                  | <u>1,003</u>                                  | <u>2,108</u>                         |

**Geographical analysis by origin - Operating profit/(loss)\***

|                        |            |            |            |
|------------------------|------------|------------|------------|
| United Kingdom         | 39         | 24         | 57         |
| Rest of Europe         | 45         | 30         | 75         |
| North America          | 33         | 50         | 109        |
| South America          | 4          | 6          | 13         |
| Asia Pacific           | 17         | 15         | 33         |
| Africa and Middle East | (2)        | (1)        | 1          |
| Corporate              | (16)       | (17)       | (34)       |
| Continuing operations  | <u>120</u> | <u>107</u> | <u>254</u> |

**Geographical analysis by destination - Revenue**

|                        |              |              |              |
|------------------------|--------------|--------------|--------------|
| United Kingdom         | 187          | 169          | 365          |
| Rest of Europe         | 314          | 279          | 590          |
| North America          | 322          | 320          | 644          |
| South America          | 59           | 52           | 111          |
| Asia Pacific           | 159          | 138          | 305          |
| Africa and Middle East | 49           | 45           | 93           |
| Continuing operations  | <u>1,090</u> | <u>1,003</u> | <u>2,108</u> |

|                         |          |            |            |
|-------------------------|----------|------------|------------|
| United Kingdom          | –        | 10         | 15         |
| Rest of Europe          | –        | 84         | 130        |
| North America           | –        | 87         | 141        |
| South America           | –        | 7          | 13         |
| Asia Pacific            | –        | 58         | 80         |
| Africa and Middle East  | –        | 19         | 30         |
| Discontinued operations | <u>–</u> | <u>265</u> | <u>409</u> |

**3 Operating profit**

|   | Half year ended<br>30 September<br>2008<br>£m | Half year ended<br>30 September<br>2007<br>£m | Year ended<br>31 March<br>2008<br>£m |
|---|---|---|--------------------------------------|
| Revenue                                   | 1,090   | 1,003   | 2,108                                |
| Cost of sales                             | (758)   | (707)   | (1,480)                              |
| Gross profit                              | 332   | 296   | 628                                  |
| Distribution costs                        | (7)   | (6)   | (13)                                 |
| Administrative costs                      | (205)   | (183)   | (361)                                |
| Operating profit before exceptional items | 120   | 107   | 254                                  |
| Exceptional items ( <i>note 4</i> )       | (14)  | (12)  | 62                                   |
| Operating profit                          | <u>106</u>                                    | <u>95</u>                                     | <u>316</u>                           |

**Invensys plc**  
**Notes (unaudited)**  
**4 Exceptional items**

|   | Half year ended<br>30 September<br>2008<br>£m | Half year ended<br>30 September<br>2007<br>£m | Year ended<br>31 March<br>2008<br>£m |
|---|---|---|--------------------------------------|
| Restructuring costs                       | (12)  | (10)  | (27)                                 |
| Impairment: property, plant and equipment | (2)   | (2)   | (4)                                  |
| Impairment: intangible assets - other     | -   | -   | (1)                                  |
| Gain on sale of assets and operations     | -   | -   | (1)                                  |
| PPP settlement credit                     | -   | -   | 95                                   |
| Exceptional items                         | <u>(14)</u>                                   | <u>(12)</u>                                   | <u>62</u>                            |

*Restructuring costs by business:*

|                 |             |             |             |
|-----------------|-------------|-------------|-------------|
| Process Systems | -           | -           | (4)         |
| Eurotherm       | (2)         | -           | -           |
| Controls        | (8)         | (9)         | (16)        |
| Corporate       | (2)         | (1)         | (7)         |
|                 | <u>(12)</u> | <u>(10)</u> | <u>(27)</u> |

**5 Foreign exchange losses**

Following the repayment of the High Yield bonds in March 2008 and the Term Loans in May 2008, the group no longer has any significant non-sterling denominated currency borrowings in companies whose functional currency is sterling. As a result, foreign exchange losses in the half year were £nil million (H1 2007/08: £5 million, FY 2007/08 £21 million).

**6 Discontinued operations**

Discontinued operations in the comparative periods comprise the APV, Reversing Valves, Safety and Burco businesses which were all sold in the year ended 31 March 2008.

|   | Half year ended<br>30 September<br>2008<br>£m | Half year ended<br>30 September<br>2007<br>£m | Year ended<br>31 March<br>2008<br>£m |
|---|---|---|--------------------------------------|
| Profit for the period from discontinued operations          |   |   |                                      |
| Revenue   | -   | 265   | 409                                  |
| Operating expenses before exceptional items                 | -   | (254)   | (395)                                |
| Operating profit before exceptional items                   | -   | 11  | 14                                   |
| Exceptional items*  | -   | (3)   | (7)                                  |
| Operating profit  | -   | 8   | 7                                    |
| Profit on assets divested                                   | -   | -   | 177                                  |
| Charge of associated goodwill                               | -   | -   | (8)                                  |
| Foreign exchange gain transferred on disposal of operations | -   | -   | 1                                    |
| Profit on sale of business                                  | -   | -   | 170                                  |
| Profit before taxation - discontinued operations            | -   | 8   | 177                                  |
| Taxation  | -   | (1)   | (10)                                 |
| Profit after taxation - discontinued operations             | -   | 7   | 167                                  |
| Net cash flows from discontinued operations                 |   |   |                                      |
| Operating   | -   | (13)  | (13)                                 |
| Investing   | -   | -   | 279                                  |
| Net cash inflow   | -   | (13)  | 266                                  |

\* Exceptional items related entirely to restructuring costs in the comparative periods.

**Invensys plc**  
**Notes (unaudited)**  
**7 Earnings per share**

|   | Half year ended<br>30 September<br>2008 | Half year ended<br>30 September<br>2007 | Year ended<br>31 March<br>2008 |
|---|---|---|--------------------------------|
| Earnings per share (pence)  |   |   |                                |
| <b>Continuing operations</b>  |   |   |                                |
| Basic   | 9.2 p                                   | 6.0 p                                   | 21.1 p                         |
| Diluted   | 9.1 p                                   | 5.9 p                                   | 20.9 p                         |
| Before exceptional finance costs, foreign exchange gains and losses and PPP settlement credit |   |   |                                |
| Basic   | 9.2 p                                   | 6.7 p                                   | 17.0 p                         |
| Diluted   | 9.1 p                                   | 6.5 p                                   | 16.8 p                         |
| <b>Discontinued operations</b>  |   |   |                                |
| Basic   | 0.0 p                                   | 0.8 p                                   | 20.9 p                         |
| Diluted   | 0.0 p                                   | 0.8 p                                   | 20.6 p                         |
| <b>Total Group</b>  |   |   |                                |
| Basic   | 9.2 p                                   | 6.8 p                                   | 42.0 p                         |
| Diluted   | 9.1 p                                   | 6.7 p                                   | 41.5 p                         |
| Weighted average number of shares (million)   |   |   |                                |
| Basic   | 797                                     | 796                                     | 795                            |
| Effect of dilution – share awards   | 9                                       | 15                                      | 10                             |
| Diluted   | 806                                     | 811                                     | 805                            |
| Earnings (£m)   |   |   |                                |
| <b>Continuing operations</b>  |   |   |                                |
| Basic   | 73                                      | 48                                      | 168                            |
| Before exceptional finance costs, foreign exchange gains and losses and PPP settlement credit |   |   |                                |
| Operating profit  | 106                                     | 95                                      | 316                            |
| PPP settlement  | –                                       | –                                       | (95)                           |
| Finance costs   | (5)                                     | (31)                                    | (63)                           |
| Finance income  | 4                                       | 7                                       | 18                             |
| Other finance charges - IAS 19  | (17)                                    | (8)                                     | (15)                           |
| Operating profit less net finance costs   | 88                                      | 63                                      | 161                            |
| Taxation on operating profit less net finance costs   | (13)                                    | (9)                                     | (25)                           |
| Minority interests  | (2)                                     | (1)                                     | (1)                            |
|   | 73                                      | 53                                      | 135                            |
| <b>Discontinued operations</b>  |   |   |                                |
| Basic   | –                                       | 6                                       | 166                            |
| <b>Total Group</b>  |   |   |                                |
| Basic   | 73                                      | 54                                      | 334                            |

The basic earnings per share for the half year has been calculated using 797 million shares (H1 2007/08: 796 million, FY 2007/08: 795 million), being the weighted average number of shares in issue during the half year and the profit after taxation and minority interests for continuing operations, discontinued operations and total Group as shown above.

An additional earnings per share calculation for continuing operations has been included since the directors consider that this gives a useful additional indication of underlying performance. This is based on earnings before exceptional finance costs, foreign exchange gains and losses and PPP settlement credit with an underlying tax charge of £13 million for the half year (H1 2007/08: £9 million, FY 2007/08: £25 million).

The diluted earnings per share has been calculated in accordance with IAS 33 *Earnings per Share* without reference to adjustments in respect of certain share awards which are considered to be anti-dilutive.

There have been no significant transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of this half yearly financial report.

**8 Business Combinations**

On 21 August 2008, Invensys plc acquired 100% of the share capital of SAT Corporation, a Houston-based mobile solutions company, for a cash consideration of £30 million. On 17 September 2008, Invensys plc acquired 100% of the share capital of Quantum Engineering Inc., a signalling and train controls company specialising in on-board equipment, from its management, for a cash consideration of £20 million.

As a result of the timing of the acquisitions, the accounting policy alignment and fair value exercises have yet to be completed, and the book value of the acquired businesses included in the Group's consolidated balance sheet are provisional and under review.

|  | Previous carrying<br>value<br>£m | Provisional fair<br>value recognised<br>on acquisition<br>£m |
|--|----------------------------------|--|
| Property, plant and equipment                  | 0.7                              | 0.7  |
| Intangible assets - other                      | -                                | 6.5  |
| Trade and other receivables                    | 2.5                              | 2.5  |
| Inventories                                    | 2.0                              | 2.0  |
| Cash and cash equivalents                      | 2.5                              | 2.5  |
| Trade and other payables                       | (1.8)                            | (1.8)  |
| Net assets                                     | <u>5.9</u>                       | <u>12.4</u>  |
| Goodwill arising on acquisition                |                                  | <u>38.1</u>  |
| Total acquisition cost                         |                                  | <u>50.5</u>  |
| The total acquisition cost comprised:          |                                  |  |
| Cash paid                                      |                                  | 50.3   |
| Costs directly attributable to the acquisition |                                  | <u>0.2</u>   |
|  |                                  | <u>50.5</u>  |
| Cash outflow on acquisition:                   |                                  |  |
| Cash paid                                      |                                  | (50.3)   |
| Net cash acquired with acquisition             |                                  | <u>2.5</u>   |
| Net cash outflow                               |                                  | <u>(47.8)</u>  |

SAT Corporation contributed an operating loss of £0.2 million to the Group for the period from acquisition to 30 September 2008.

If the combinations had taken place at the beginning of the period, the Group's revenue from continuing operations would have increased to £1,097 million and the operating profit before exceptional items for the Group would have remained at £120 million.

The goodwill recognised above is attributed to the expected synergies and other benefits from combining the assets and activities of SAT Corporation and Quantum Engineering Inc. with those of the Group.

## 9 Pensions and post-retirement benefits

Changes in the present value of the defined benefit obligation for the half year ended 30 September 2008 were as follows:

|   | Funded schemes                  |                               |              | Unfunded schemes |              |                | Half year ended<br>30 September<br>2007 Total<br>£m |
|---|---------------------------------|-------------------------------|--------------|------------------|--------------|----------------|---|
|   | Invensys Pension<br>Scheme (UK) | Invensys Pension<br>Plan (US) | Other        | US healthcare    | Other        | Total          |   |
|   | £m                              | £m                            | £m           | £m               | £m           | £m             |   |
| Opening present value of defined benefit obligation       | (3,888)                         | (695)                         | (211)        | (26)             | (119)        | (4,939)        | (5,202)   |
| Current service cost                                      | (5)                             | (4)                           | (3)          | –                | (1)          | (13)           | (15)  |
| Contributions by employees                                | (1)                             | –                             | (1)          | –                | –            | (2)            | (1)   |
| Benefit payments  | 113                             | 23                            | 3            | 1                | 6            | 146            | 138   |
| Interest on plan liabilities                              | (118)                           | (23)                          | (6)          | (1)              | (3)          | (151)          | (139)   |
| Actuarial gains   | 81                              | 82                            | 11           | –                | –            | 174            | 286   |
| Transfer  | –                               | –                             | 4            | –                | –            | 4              | –   |
| Settlement  | –                               | –                             | –            | –                | 2            | 2              | –   |
| Curtailments  | –                               | –                             | –            | –                | –            | –              | 1   |
| Exchange adjustments                                      | –                               | (74)                          | (5)          | (3)              | (3)          | (85)           | 22  |
| <b>Closing present value of defined benefit obligator</b> | <b>(3,818)</b>                  | <b>(691)</b>                  | <b>(208)</b> | <b>(29)</b>      | <b>(118)</b> | <b>(4,864)</b> | <b>(4,910)</b>                                      |

Changes in the fair value of plan assets for the half year ended 30 September 2008 were as follows:

|  | Funded schemes                  |                               |            |              | Half year ended<br>30 September<br>2007 Total<br>£m |
|--|---------------------------------|-------------------------------|------------|--------------|---|
|  | Invensys Pension<br>Scheme (UK) | Invensys Pension<br>Plan (US) | Other      | Total        |   |
|  | £m                              | £m                            | £m         | £m           |   |
| Opening fair value of plan assets        | 3,878                           | 663                           | 180        | 4,721        | 4,680   |
| Expected return on plan assets           | 105                             | 22                            | 7          | 134          | 131   |
| Contributions by employer                | 16                              | 5                             | 4          | 25           | 18  |
| Contributions by employees               | 1                               | –                             | 1          | 2            | 1   |
| Benefit payments                         | (113)                           | (23)                          | (3)        | (139)        | (132)   |
| Actuarial losses                         | (72)                            | (65)                          | (7)        | (144)        | (69)  |
| Transfer                                 | –                               | –                             | (4)        | (4)          | –   |
| Curtailments                             | –                               | –                             | –          | –            | (1)   |
| Exchange adjustments                     | –                               | 72                            | 5          | 77           | (19)  |
| <b>Closing fair value of plan assets</b> | <b>3,815</b>                    | <b>674</b>                    | <b>183</b> | <b>4,672</b> | <b>4,609</b>  |

Reconciliation of assets and liabilities recognised in the balance sheet as at 30 September 2008:

|   | Funded schemes                  |                               |             | Unfunded schemes |              |              | Half year as at 30<br>September 2007<br>Total<br>£m |
|---|---------------------------------|-------------------------------|-------------|------------------|--------------|--------------|---|
|   | Invensys Pension<br>Scheme (UK) | Invensys Pension<br>Plan (US) | Other       | US healthcare    | Other        | Total        |   |
|   | £m                              | £m                            | £m          | £m               | £m           | £m           |   |
| Present value of defined benefit obligation               | (3,818)                         | (691)                         | (208)       | (29)             | (118)        | (4,864)      | (4,910)   |
| Fair value of plan assets                                 | 3,815                           | 674                           | 183         | –                | –            | 4,672        | 4,609   |
| Deficit in the plan                                       | (3)                             | (17)                          | (25)        | (29)             | (118)        | (192)        | (301)   |
| Restrictions of asset recognised                          | –                               | –                             | (1)         | –                | –            | (1)          | –   |
| Irrecoverable element of potential future pension surplus | (95)                            | –                             | –           | –                | –            | (95)         | (49)  |
| <b>Net liability</b>                                      | <b>(98)</b>                     | <b>(17)</b>                   | <b>(26)</b> | <b>(29)</b>      | <b>(118)</b> | <b>(288)</b> | <b>(350)</b>  |

### Changes in key assumptions

The following assumptions have been updated for the Invensys Pension Scheme (UK):

The discount rate applied is 6.20% (FY 2007/08: 6.10%). The inflation assumption has been assessed at 3.70% (FY 2007/08: 3.70%). With regards to mortality tables, the PA92 projected by year of birth with medium cohort projections subject to a 1% underpin and applying multipliers of 122% for males and 135% for females have been used (FY 2007/08: mortality tables PA92 were adopted using year of birth and medium cohort projections. Probability of death at each age was multiplied by 126%).

### Adoption of IFRIC 14

As stated in note 1 IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) is expected to be endorsed by the EU before the end of the year and as a result, in accordance with IAS 34, the Group has applied IFRIC 14 in these financial statements. In line with the transitional provisions of IFRIC 14, the change in accounting policy is effective from 1 April 2008, with the comparatives restated accordingly. Only the UK Main scheme has been affected by the adoption.

The Group is committed to make payments to the UK Main Scheme under a deficit funding plan agreed by the Trustees. Where the present value of the agreed funding payments exceeds the liability in respect of the Scheme as measured under IFRS, and would therefore, when paid, give rise to a surplus as measured under IFRS, IFRIC 14 requires provision to be made for any part of that surplus that would not be recoverable. Any surplus on the UK Main Scheme ultimately repaid by the Trustees would currently be subject to a 35% tax charge prior to being repaid. IFRIC 14 effectively requires a liability for this tax to be recognised at the relevant balance sheet date.

At 1 April 2007, the net defined benefit obligation was £243 million, and the net present value of liabilities arising from future minimum funding requirements was £219 million. After taking account of those future funding requirements, the net position remains a deficit, therefore there is no surplus to be recovered and hence no liability to tax thereon. The impact therefore of adopting IFRIC 14 as at 1 April 2007 is £nil. The table below shows the position at each of the subsequent balance sheet dates.

|  | Half year ended<br>30 September<br>2008<br>£m | Half year ended<br>30 September<br>2007<br>£m | Year ended<br>31 March<br>2008<br>£m |
|--|---|---|--------------------------------------|
| IAS 19 net defined benefit obligation  | (3)   | (71)  | (10)                                 |
| Future minimum funding requirements  | 275   | 211   | 198                                  |
| Potential future pension surplus   | 272   | 140   | 188                                  |
| Irrecoverable element of potential future pension surplus                    | (95)  | (49)  | (66)                                 |
| Recoverable element of potential future pension surplus                      | 177   | 91  | 122                                  |
| <b>Movement in irrecoverable element of potential future pension surplus</b> | <b>(29)</b>                                   | <b>(49)</b>                                   | <b>(66)</b>                          |

The net pension liability has been restated to reflect the liability arising on the irrecoverable element of the potential pension surplus for each of the periods presented. The movement in the irrecoverable element of the potential pension surplus is taken directly to the Statement of Recognised Income and Expenditure. The net pension liability of £350 million at 30 September 2007 (31 March 2008 £284 million) has been restated by an increase in liability of £49 million (31 March 2008 £66 million) to reflect the liability for the irrecoverable element of a potential future pension surplus.

**Invensys plc**  
**Notes (unaudited)**

**10 Assets and liabilities held for sale**

Assets and liabilities held for sale as at 30 September 2008 consist of a £25 million investment in CompAir Holdings Ltd, together with surplus freehold properties. At 31 March 2008 assets and liabilities held for sale consist of surplus freehold properties. Assets and liabilities held for sale as at 30 September 2007 consist of the assets and liabilities of the APV business, a small Reversing Valves business within the Controls segment (which were sold in the year ended 31 March 2008) and surplus freehold properties.

**11 Reconciliation of movements in equity**

|  | Half year ended<br>30 September<br>2008<br>£m | Half year ended<br>30 September<br>2007<br>£m<br>(Restated) | Year ended<br>31 March<br>2008<br>£m<br>(Restated) |
|--|---|---|--|
| <b>Opening equity</b>                  | 380   | (140)   | (140)  |
| Total recognised income for the period | 135   | 233   | 527  |
| Share-based payment                    | 3   | (8)   | (5)  |
| Dividends paid to minority interests   | -   | (1)   | (1)  |
| Disposal of subsidiaries               | -   | -   | (1)  |
| <b>At end of period</b>                | <b>518</b>                                    | <b>84</b>   | <b>380</b>   |
| <b>Attributable to:</b>                |   |   |  |
| Equity holders of the parent           | 446   | 22  | 311  |
| Minority interests                     | 72  | 62  | 69   |
|  | <b>518</b>                                    | <b>84</b>   | <b>380</b>   |

**12 Reconciliation of cash flows**

|   | Half year ended<br>30 September<br>2008<br>£m | Half year ended<br>30 September<br>2007<br>£m | Year ended<br>31 March<br>2008<br>£m |
|---|---|---|--------------------------------------|
| Net cash flows from operating activities                  | 192   | 29  | 51                                   |
| Capital expenditure included within investing activities: | (24)  | (25)  | (58)                                 |
| Interest paid   | 7   | 26  | 55                                   |
| Exceptional finance costs                                 | -   | -   | 18                                   |
| Pension contributions on disposal of operations           | 2   | -   | 55                                   |
| Taxation paid (operating)                                 | 15  | 14  | 33                                   |
| Restructuring   | 13  | 12  | 31                                   |
| PPP settlement proceeds                                   | (95)  | -   | -                                    |
| Legacy items:   |   |   |                                      |
| Pension contributions                                     | 17  | 9   | 47                                   |
| Taxation paid (legacy)                                    | -   | -   | 4                                    |
| Other legacy payments                                     | 8   | 5   | 11                                   |
|   | <b>25</b>                                     | <b>14</b>                                     | <b>62</b>                            |
| <b>Operating cash flow</b>                                | <b>135</b>                                    | <b>70</b>                                     | <b>247</b>                           |
| Restructuring   | (13)  | (12)  | (31)                                 |
| Net finance costs paid                                    | -   | (19)  | (39)                                 |
| Exceptional finance costs                                 | -   | -   | (18)                                 |
| PPP settlement proceeds                                   | 95  | -   | -                                    |
| Taxation paid (operating)                                 | (15)  | (14)  | (33)                                 |
| Legacy items  | (25)  | (14)  | (62)                                 |
| <b>Free cash flow</b>                                     | <b>177</b>                                    | <b>11</b>                                     | <b>64</b>                            |
| <b>Operating cash flow attributable to:</b>               |   |   |                                      |
| Continuing operations                                     | 135   | 83  | 258                                  |
| Discontinued operations                                   | -   | (13)  | (11)                                 |
|   | <b>135</b>                                    | <b>70</b>                                     | <b>247</b>                           |

The directors consider that the best measure of the Group's cash performance is free cash flow, as calculated above.

**13 Events after the balance sheet date**

As mentioned in note 10, at 30 September 2008 the investment in CompAir Holdings Ltd was included in the balance sheet within assets held for sale at a carrying amount of £25 million, being its estimated fair value at the balance sheet date. On 20 October 2008, the Group completed the sale of the investment to Gardner Denver, Inc.

**Invensys plc**  
**Notes (unaudited)**

**14 Exchange rates**

|            | Half year ended<br>30 September<br>2008<br>Average | Half year ended<br>30 September<br>2007<br>Average | Year ended<br>31 March<br>2008<br>Average |
|------------|--|--|---|
| US\$ to £1 | 1.94   | 2.01   | 2.01                                      |
| Euro to £1 | 1.26   | 1.47   | 1.42                                      |
|            | As at<br>30 September<br>2008<br>Closing           | As at<br>30 September<br>2007<br>Closing           | As at<br>31 March<br>2008<br>Closing      |
| US\$ to £1 | 1.78   | 2.04   | 1.99                                      |
| Euro to £1 | 1.26   | 1.43   | 1.26                                      |

**15 Related party transactions**

Remuneration of key management personnel:

The key management comprises the executive directors as disclosed in the 31 March 2008 Annual report and accounts. Their remuneration consisted of short-term benefits for the half year of £0.9 million (H1 2007/08: £0.8 million) and share based payments of £1.3 million (H1 2007/08: £0.6 million).

There are no other related parties transactions, or changes since the last Annual report and accounts, that have a material effect on the financial position or performance of the Group in the period.

**16 Contingent liabilities**

There have been no material changes in the Group's contingent liabilities since the last annual balance sheet date.

**17 Financial information**

This half-yearly financial report was approved by a duly appointed and authorised committee of the Board of Directors on 5 November 2008. This statement does not comprise the statutory accounts of the Group, as defined in section 240 of the Companies Act 1985. The financial information for the half year ended 30 September 2008 is unaudited. The financial information for the balance sheet as at 31 March 2008 has been extracted and restated for IFRIC 14, from statutory accounts on which an unqualified audit report has been issued.

The statutory accounts of Invensys plc for the year ended 31 March 2008 have been delivered to the Registrar of Companies. The auditors, Ernst & Young LLP, reported on those accounts in accordance with section 235 of the Companies Act 1985 and their report was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

## DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- a) The condensed set of financial statements for the six months to 30 September 2008 have been prepared in accordance with IAS 34, as adopted by the EU;
- b) This half-yearly financial report includes a fair review of the information required by DTR 4.2.7R (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of principal risks and uncertainties for the remaining six months of the financial year); and
- c) This half-yearly financial report includes a fair review of the information required by DTR 4.2.8R (being the disclosure of related parties transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period, and any changes in the related parties transactions described in the last Annual report and accounts that could have a material effect on the financial position or performance of the Group within the first six months of the financial year).

By order of the Board

U C I Henriksson  
Chief Executive

S Hare  
Chief Financial Officer

5 November 2008

The directors of Invensys plc are listed on pages 10 and 11 of the Invensys plc 2008 Annual report and accounts. There have been no changes of directors since the Annual report and accounts.

*This half-yearly financial report contains certain statements that are forward-looking. These statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition and liquidity, and the development of the industries in which the Group operates, may differ materially from those made in or suggested by these statements and a number of factors could cause the results and developments to differ materially from those expressed or implied by these forward-looking statements.*

### **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2008 which comprises the Consolidated income statement, Consolidated balance sheet, Consolidated cash flow statement, Consolidated statement of recognised income and expense and related notes 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

**Ernst & Young LLP**

London

5 November 2008