

NEWS RELEASE

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T +44 (0) 20 7834 3848

F +44 (0) 20 7834 3879

www.invensys.com

2007/08 THIRD QUARTER RESULTS FOR THE THREE MONTHS ENDED 31 DECEMBER 2007

A quarter of good overall performance Redemption of High Yield Bonds to improve efficiency of capital structure

Highlights

Continuing operations¹

- Orders were up 6% at constant exchange rates (CER) at £540 million (Q3 2006/07: £508 million) with improvements at Process Systems and Rail Group reflecting the increased emphasis upon sales and marketing
- Revenue was up 5% at CER at £545 million (Q3 2006/07: £521 million) with good performances at Process Systems, up 9%, and Rail Group, up 13%, partly offset by the anticipated reduction at Controls
- Operating profit² was up 26% at CER at £67 million (Q3 2006/07: £53 million) with strong performances at Process Systems and Rail Group together with maintained profitability at Controls
- Operating margin² increased to 12.3% (Q3 2006/07: 10.2%) with each of our three major business groups reporting double digit margins
- Operating cash flow was up 36% at CER at £72 million (Q3 2006/07: £54 million) due mainly to anticipated improvements at Process Systems
- Earnings per share before exceptional finance costs and foreign exchange gains and losses were 4.2p (Q3 2006/07: 3.8p)

Total Group³

- Free cash flow, after accelerated legacy pension payments of £28 million relating to the APV disposal, was £21 million (Q3 2006/07: £41 million), our fifth consecutive quarter of free cash inflow
- Net cash was £55 million (30 September 2007: £187 million net debt) following the receipt of £275 million for the disposals of APV, Safety and Reversing Valve businesses and payments totalling £70 million out of the APV proceeds to the UK main pension scheme
- Redemption of the remaining £343 million of High Yield Bonds on 17 March 2008 using existing cash resources will result in a significant reduction in future finance charges (see separate announcement)

Contact:

Invensys plc

Steve Devany
Kate Elliott

tel: +44 (0) 20 7821 3758

tel: +44 (0) 20 7821 2121

Financial Dynamics

Andrew Lorenz
Richard Mountain

tel: +44 (0) 20 7269 7121

Ulf Henriksson, Chief Executive Officer of Invensys plc, commented:

“I am pleased to report another good operational and financial performance in the quarter. Each of our three major business groups reported double digit margins and, as expected, we achieved a much improved operating cash conversion. We are continuing to invest in our businesses to enhance profitability as we work to become a high performing, sustainable and cohesive company.

“Process Systems’ order intake improved following its increased emphasis upon sales and marketing, with a double digit increase in North America. Rail Group produced a strong quarter and Controls maintained profitability despite the anticipated revenue decline.

“We completed the disposals of three lower margin businesses, APV, Safety and Reversing Valves which, together with our good cash performance in the quarter, placed the Group into a net cash position. We have therefore today called the remaining £343 million of High Yield Bonds, which will result in a significant reduction on our future finance charges. We are reviewing our other debt financing with a view to further optimising our capital structure. We have also started a project to put the Group into a position where the Board can, in future years and in suitable circumstances, recommend the payment of a dividend.

“Following the recent disposals, around 70% of our revenue comes from Process Systems and Rail Group. These businesses operate in markets such as global energy and infrastructure which are expected to continue to exhibit growth, despite some uncertainty about the future direction of the world’s economies. Revenue growth is supported by the large order books in these businesses which total £1.8 billion. The combination of these strong end markets and the actions we are taking to maintain profitability at Controls gives us confidence that we will make further progress in the final quarter of the financial year and they also provide a sound platform for growth next year.”

Notes

1. Continuing operations are Process Systems, Eurotherm, Rail Group and Controls. Discontinued operations comprise APV, Reversing Valves and Safety businesses in both periods and Invensys Building Systems in the US and Asia Pacific in 2006/07.
2. All references to operating profit (OPBIT) and operating margin in this announcement are before exceptional items.
3. Total Group comprises continuing and discontinued operations.

Conference call

1. Ulf Henriksson, CEO, and Steve Hare, CFO, will be hosting a conference call for analysts and fund managers at 8.00 a.m. GMT this morning:

UK: +44 (0) 800-032-3808
US (Toll-free): +1-866-850-2201

No passcode is required.

2. The presentation will be audio webcast live with slides, which can be accessed by following the link at the following address:

<http://phx.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c=79275&eventID=1746829>

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

3. This announcement and the presentation materials for the conference call 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

Process Systems

For the quarter ended 31 December	Q3 2007/08	Q3 2006/07	% Change at CER	% Total change
Orders (£m)	227	218	6%	4%
Revenue (£m)	214	200	9%	7%
Operating profit (£m)	31	28	14%	11%
Operating margin (%)	14.5%	14.0%		
Operating cash flow (£m)	37	14	182%	164%
Employees at period end (numbers)	7,685	7,081		9%

Developments

Our major end markets within the oil and gas, petrochemical, refining and power sectors remain strong and order growth is improving following the recent increased emphasis upon sales and marketing and research and development.

InFusion™, the world's first enterprise control system, has gained further traction over the last few months, particularly with some of our larger customers; order intake is currently running at an annualised rate of around £100 million. We recently implemented a comprehensive InFusion installation at ExxonMobil's Port Allen Lubricants plant in Louisiana and have received an InFusion order for BP's Bulwer Island refinery in Queensland, Australia. Our drive to expand our related consulting services also saw success including a contract to deliver cyber security protection services to Husky Energy's Upgrader plant in Saskatchewan, Canada.

Performance

Order intake in the quarter increased by 6% at CER to £227 million (Q3 2006/07: £218 million) with a particularly strong improvement in North America, up 15% at CER. This was partly offset by a slower performance in EMEA, where we have experienced some delays in the formal award of certain contracts due to civil engineering capacity constraints and political debates in some jurisdictions between governments and oil companies over the share of revenue, which have affected the industry in general.

Revenue in the quarter was up 9% at CER at £214 million (Q3 2006/07: £200 million) with good growth in Asia Pacific, up 22% at CER, and in North America, up 12% at CER, and flat revenue in EMEA.

Operating profit was up 14% at CER at £31 million (Q3 2006/07: £28 million) and the operating margin rose to 14.5% (Q3 2006/07: 14.0%), with lower overheads despite higher investment in sales and marketing and research and development.

As expected, operating cash flow improved with £37 million generated during the quarter (Q3 2006/07: £14 million) due mainly to the collection of outstanding receivables from earlier quarters. This resulted in cash conversion for the quarter of 119%.

Outlook

The outlook for Process Systems' global markets remains strong, particularly in oil and gas and power, and the pipeline of order prospects continues to demonstrate significant growth opportunities. Our order intake should increasingly benefit from the ongoing investment in sales and marketing and research and development.

Eurotherm

For the quarter ended 31 December	Q3 2007/08	Q3 2006/07	% Change at CER	% Total change
Orders (£m)	30	28	9%	7%
Revenue (£m)	29	27	7%	7%
Operating profit (£m)	2	2	(3)%	-
Operating margin (%)	6.9%	7.4%		
Operating cash flow (£m)	-	2	(87)%	(100)%
Employees at period end (numbers)	1,119	1,122		-

Developments

The restructuring programme, involving the migration of manufacturing from Western Europe both into the supply chain and to new facilities in Poland and China, is progressing on its revised schedule for completion at the end of March 2008. We are also continuing to execute our strategy to capture the expected growth in the key vertical markets of life sciences, glass and heat treatment, and in the Eastern European and Asia Pacific regions.

Performance

Orders for the quarter rose 9% at CER to £30 million (Q3 2006/07: £28 million) with good increases in solutions. The greatest geographic impact was seen in Asia Pacific where order growth rose 61% at CER, while the three key verticals saw order growth of around 20%. Revenue was £29 million (Q3 2006/07: £27 million), 7% higher at CER, principally due to good revenue growth in the European and Asia Pacific regions.

Operating profit was flat at £2 million (Q3 2006/07: £2 million) and operating margin was 6.9% (Q3 2006/07: 7.4%). Operating cash flow was £nil (Q3 2006/07: £2 million), due mainly to lower customer collections.

Outlook

Eurotherm's end markets remain good and, with the transfer of manufacturing reaching a conclusion, we expect improvements in revenue and margins.

Rail Group

For the quarter ended 31 December	Q3 2007/08	Q3 2006/07	% Change at CER	% Total change
Orders (£m)	139	112	20%	24%
Revenue (£m)	150	131	13%	15%
Operating profit (£m)	26	18	36%	44%
Operating margin (%)	17.3%	13.7%		
Operating cash flow (£m)	25	27	(8)%	(8)%
Employees at period end (numbers)	3,498	3,074		14%

Developments

The Rail Group's core markets of the UK, Iberia and Australia remained robust during the quarter, with high levels of demand in both mainline and mass transit infrastructure projects. The US, our other core market, continues to be flat as we still await increased spending by the railroad companies on rail crossings; this is despite the increased level of federal funding contained in the Transportation Bill. We also continue to actively address a very significant pipeline of major prospects in export markets, totalling in excess of £1 billion for orders expected to be placed during the next five years.

In the UK, order intake from Network Rail under the Category A framework agreements further strengthened our order book and we successfully completed all of our commissioning works during the Christmas period on time, including several major mainline and mass transit projects. Our current work on the London Underground PPP contract has continued unaffected although there are ongoing discussions in relation to the future of Metronet, which is currently in PPP administration.

Performance

Orders in the quarter were up 20% at CER to £139 million (Q3 2006/07: £112 million) reflecting continued strength in mainline orders particularly in the UK.

Revenue was 13% higher at CER at £150 million (Q3 2006/07: £131 million), reflecting strong growth in all core markets except the US.

Operating profit rose to £26 million (Q3 2006/07: £18 million), an increase of 36% at CER reflecting the substantial increase in activity. Operating margin improved to 17.3% (Q3 2006/07: 13.7%) due to a number of favourable contract completions during the quarter.

Operating cash flow was £25 million (Q3 2006/07: £27 million) giving cash conversion of 96%.

Outlook

The markets in the UK, Iberia and Australia are expected to remain robust but the US is likely to remain flat. We continue to work on our prospects in new export markets through focussed marketing and investment in engineering resources and product development.

Controls

For the quarter ended 31 December	Q3 2007/08	Q3 2006/07	% Change at CER	% Total change
Orders (£m)	144	150	(5)%	(4)%
Revenue (£m)	152	163	(8)%	(7)%
Operating profit (£m)	16	14	3%	14%
Operating margin (%)	10.5%	8.6%		
Operating cash flow (£m)	18	24	(22)%	(25)%
Employees at period end (numbers)	10,391	11,684		(11)%

Note: Comparatives restated following reclassification of Safety and Reversing Valves to discontinued operations

Developments

During the previous financial year, we organised Controls' operations along end markets and supply chain, which has enabled us to measure the performance of each operation and allowed increased focus upon performance improvement. We are focused upon maintaining the operating profit and cash performance of the business despite softening in some of its end markets. We are achieving this through pricing for value, supply chain savings, restructuring, productivity gains and the disposal of underperforming operations.

On restructuring, we have continued with projects only where we see a compelling financial return. In the quarter, we announced that we would be closing our Long Beach plant in California and consolidating all North American gas valve production into our Mexicali plant in Mexico. Since the end of the quarter, we have entered into discussions with employee representatives about the proposed reduction in workforce due to declining demand for electromechanical timers affecting a plant in Belluno, Italy.

We completed the disposal of the Reversing Valve business and also announced and completed the sale of the Firex Safety Division to the UTC Fire & Security Division of United Technologies Corporation (UTC) for a cash consideration of US\$44 million. The disposal of these businesses have reduced Controls revenue exposure to the US new residential construction market from around 10% to 6%, and to 2% for the Group's continuing operations.

Performance

Orders for the quarter were £144 million (Q3 2006/07: £150 million), down 5% at CER while revenue in the quarter was £152 million (Q3 2006/07: £163 million), an 8% decrease at CER. The reductions in orders and revenue were mainly due to some softening of demand in the US and the termination of a major customer contract in the water heating business following price increases previously implemented in order to ensure an economic return in that business. The other major businesses within Controls reported broadly flat revenue.

Operating profit rose to £16 million (Q3 2006/07: £14 million), an increase of 3% at CER. Pricing actions, plant productivity improvements and restructuring benefits contributed to the improved profit levels and increased the operating margin to 10.5% (Q3 2006/07: 8.6%).

The Controls business showed good operating cash performance with an inflow of £18 million for the quarter (Q3 2006/07: £24 million) resulting in 113% cash conversion; excluding payments in respect of restructuring, cash conversion was 144%.

Outlook

Despite weak trading conditions in some markets, we have built a stronger foundation for Controls which we believe will enable us to achieve our aim of maintaining its operating profit and cash performance.

ADDITIONAL FINANCIAL INFORMATION

Group key performance indicators (KPIs)

The KPIs for the quarter, which relate to continuing operations (other than free cash flow), are as follows:

For the quarter ended 31 December	Q3 2007/08	Q3 2006/07	% change at CER	% total change
Orders (£m)	540	508	6%	6%
Revenue (£m)	545	521	5%	5%
Operating profit (£m)	67	53	26%	26%
Operating margin (%)	12.3%	10.2%		
Net finance costs cover (times)	6.1	4.4		
Earnings per share* (p)	4.2	3.8		11%
Operating cash flow (£m)	72	54	36%	33%
Free cash flow (£m)	21	41		(49)%

* Earnings per share before exceptional finance costs and foreign exchange gains and losses for continuing operations

Orders, revenue and operating profit at CER

Reported orders, revenue and operating profit are affected by changes in foreign exchange rates, particularly the strengthening of the Euro and the weakening of the US dollar. The following tables summarise these translation effects by business group:

Orders

For the quarter ended 31 December	Q3 2006/07 Orders £m	Exchange £m	Q3 2006/07 at CER £m	Change at CER £m	Q3 2007/08 Orders £m	Change ¹ %
Process Systems	218	(4)	214	13	227	6%
Eurotherm	28	(1)	27	3	30	9%
Rail Group	112	4	116	23	139	20%
Controls	150	2	152	(8)	144	(5)%
Continuing operations	508	1	509	31	540	6%

Revenue

For the quarter ended 31 December	Q3 2006/07 Revenue £m	Exchange £m	Q3 2006/07 at CER £m	Change at CER £m	Q3 2007/08 Revenue £m	Change ¹ %
Process Systems	200	(3)	197	17	214	9%
Eurotherm	27	-	27	2	29	7%
Rail Group	131	3	134	16	150	13%
Controls	163	1	164	(12)	152	(8)%
Continuing operations	521	1	522	23	545	5%

Operating profit

For the quarter ended 31 December	Q3 2006/07 OPBIT £m	Exchange £m	Q3 2006/07 at CER £m	Change at CER £m	Q3 2007/08 OPBIT £m	Change ¹ %
Process Systems	28	(1)	27	4	31	14%
Eurotherm	2	-	2	-	2	(3)%
Rail Group	18	1	19	7	26	36%
Controls	14	1	15	1	16	3%
Corporate	(9)	-	(9)	1	(8)	27%
Continuing operations	53	1	54	13	67	26%

¹ % change is measured as the change at CER as a percentage of the Q3 2006/07 adjusted base and is calculated based on underlying amounts in £'000s.

Order book

The order book for continuing operations at 31 December 2007 was £1,875 million (30 September 2007: £1,844 million), including £803 million relating to Rail Group's PPP contract for the London Underground.

Exceptional items

Exceptional items in the quarter ended 31 December 2007 totalled £11 million (Q3 2006/07: £1 million credit), comprising restructuring costs totalling £9 million (Q3 2006/07: £nil) and property, plant and equipment impairment of £1 million (Q3 2006/07: £nil). These principally relate to the North American Controls and Process Systems EMEA business. In addition there was a £1 million loss on the sale of assets and operations (Q3 2006/07: £1 million gain).

Foreign exchange (losses)/gains

Foreign exchange losses in the quarter ended 31 December 2007 of £8 million (Q3 2006/07: £12 million gains) relate to exchange differences arising on the translation of unhedged foreign currency monetary items used in the financing of the Group and its subsidiaries. Of the exchange losses, £6 million arose on net euro borrowings and £2 million arose on net other currency borrowings.

Net finance costs and cover

Net finance costs were £11 million for the quarter (Q3 2006/07: £12 million). The comparative quarter also included £12 million for exceptional finance costs following the partial redemption of the High Yield Bonds in November 2006. The reduction in net finance costs together with improved operating profit led to an increase in net finance costs cover from 4.4 times to 6.1 times.

Profit before tax

Profit before tax for the quarter ended 31 December 2007 was £33 million (Q3 2006/07: £38 million) with the improved operating profit and absence of exceptional finance costs offset by higher exceptional items and foreign exchange losses.

Taxation

The tax charge for the quarter ended 31 December 2007 was £8 million (Q3 2006/07: £7 million), based on an allocation of the estimated full year tax charge.

Profit from discontinued operations

Profit from discontinued operations in the quarter ended 31 December 2007 comprises the operating results of the APV, Safety and Reversing Valves businesses, the disposals of which were completed in the quarter, together with a gain on these disposals of £168 million.

Net profit

Net profit for the quarter ended 31 December 2007 was £184 million (Q3 2006/07: £42 million), including the £168 million gain on sale of discontinued operations.

Earnings per share

Earnings per share before exceptional finance costs and foreign exchange gains and losses for continuing operations were 4.2p for the quarter (Q3 2006/07: 3.8p).

Basic earnings per share for continuing operations were 3.1p for the quarter (Q3 2006/07: 3.8p), due mainly to higher exceptional items and foreign exchange losses offset by the absence of exceptional finance costs.

Cash flow

Operating cash flow from continuing operations in the quarter was £72 million (Q3 2006/07: £54 million) resulting in an operating cash conversion for the quarter of 107% (Q3 2006/07: 102%).

Free cash flow for the total Group for the quarter was £21 million (Q3 2006/07: £41 million), after pension deficit reduction payments of £28 million to the UK pension scheme, accelerated from March and September 2008 following the APV disposal.

Net cash

Net cash at 31 December 2007 was £55 million (30 September 2007: £187 million net debt) following the receipt of £275 million for the disposal of the APV, Safety and Reversing Valves businesses and the payment of £70 million out of the APV proceeds to the UK main pension scheme.

Pensions

Net pension liabilities have reduced by £64 million in the quarter to £237 million at 31 December 2007 (30 September 2007: £301 million). The decrease is mainly attributable to the additional contributions made to the UK main pension scheme of £70 million following the disposal of APV, including the accelerated pension deficit reduction payments of £28 million.

In accordance with our normal practice there has been no update to the IAS 19 pension valuation at the end of this quarter and therefore the closing liability does not reflect any updated short term market movements since 30 September 2007.

Equity

Equity attributable to the holders of the parent increased by £195 million in the quarter to £266 million (30 September 2007: £71 million) due mainly to the net profit of £184 million in the quarter.

GROUP OUTLOOK

Following the recent disposals, around 70% of our revenue comes from Process Systems and Rail Group. These businesses operate in markets such as global energy and infrastructure which are expected to continue to exhibit growth, despite some uncertainty about the future direction of the world's economies. Revenue growth is supported by the large order books in these businesses which total £1.8 billion. The combination of these strong end markets and the actions we are taking to maintain profitability at Controls gives us confidence that we will make further progress in the final quarter of the financial year and they also provide a sound platform for growth next year.

Invensys plc
Consolidated income statement (unaudited)

For the quarter ended 31 December 2007

Nine months ended 31 December 2007 £m	Nine months ended 31 December 2006 £m		Notes	Quarter ended 31 December 2007 £m	Quarter ended 31 December 2006 £m
Continuing operations					
1,585	1,516	Revenue	1	545	521
(1,409)	(1,369)	Operating expenses before exceptional items		(478)	(468)
176	147	Operating profit before exceptional items	1	67	53
(23)	(14)	Exceptional items	3	(11)	1
153	133	Operating profit	2	56	54
(13)	39	Foreign exchange (losses)/gains	4	(8)	12
–	(67)	Exceptional finance costs		–	(12)
(45)	(68)	Finance costs		(14)	(14)
(45)	(135)	Total finance costs		(14)	(26)
10	13	Finance income		3	2
(12)	(8)	Other finance charges - IAS 19		(4)	(4)
93	42	Profit before taxation		33	38
2	–	Taxation - UK		–	–
(19)	(14)	Taxation - overseas		(8)	(7)
76	28	Profit from continuing operations		25	31
164	145	Profit from discontinued operations	5	159	11
240	173	Profit for the period		184	42
Attributable to:					
238	172	Equity holders of the parent		184	41
2	1	Minority interests		–	1
240	173			184	42
Earnings per share					
Continuing operations					
9.4 p	3.8 p	Earnings per share (basic)	6	3.1 p	3.8 p
9.3 p	3.7 p	Earnings per share (diluted)	6	3.1 p	3.7 p
Discontinued operations					
20.5 p	20.3 p	Earnings per share (basic)	6	20.0 p	1.4 p
20.1 p	19.8 p	Earnings per share (diluted)	6	19.6 p	1.3 p
11.1 p	7.7 p	Earnings per share for continuing operations before exceptional finance costs and foreign exchange gains and losses (basic)	6	4.2 p	3.8 p

Invensys plc
Consolidated balance sheet (unaudited)
As at 31 December 2007

	Notes	31 December 2007 £m	31 March 2007 £m	31 December 2006 £m
ASSETS				
Non-current assets				
Property, plant and equipment		274	314	312
Intangible assets - goodwill		212	206	206
Intangible assets - other		90	90	82
Deferred income tax assets		17	17	8
Amounts due from contract customers		10	8	7
Other receivables		42	39	37
Other financial assets		7	7	16
Pension asset		1	3	5
		<u>653</u>	<u>684</u>	<u>673</u>
Current assets				
Inventories		169	229	224
Amounts due from contract customers		140	196	197
Trade and other receivables		524	565	592
Cash and cash equivalents		546	307	222
Income tax receivable		2	2	2
Derivative financial instruments		9	2	4
		<u>1,390</u>	<u>1,301</u>	<u>1,241</u>
Assets held for sale	7	1	3	4
TOTAL ASSETS		<u>2,044</u>	<u>1,988</u>	<u>1,918</u>
LIABILITIES				
Non-current liabilities				
Borrowings		(490)	(472)	(469)
Provisions		(87)	(93)	(69)
Income tax payable		(22)	(22)	(29)
Deferred income tax liabilities		(16)	(16)	(12)
Amounts due to contract customers		(14)	(37)	(38)
Other payables		(16)	(16)	(18)
Pension liabilities		(238)	(525)	(581)
		<u>(883)</u>	<u>(1,181)</u>	<u>(1,216)</u>
Current liabilities				
Trade and other payables		(488)	(615)	(575)
Amounts due to contract customers		(238)	(223)	(234)
Borrowings		(1)	(1)	(2)
Derivative financial instruments		(2)	(1)	(1)
Income tax payable		(36)	(34)	(19)
Provisions		(66)	(73)	(90)
		<u>(831)</u>	<u>(947)</u>	<u>(921)</u>
TOTAL LIABILITIES		<u>(1,714)</u>	<u>(2,128)</u>	<u>(2,137)</u>
NET ASSETS/(LIABILITIES)		<u>330</u>	<u>(140)</u>	<u>(219)</u>
Capital and reserves				
Equity share capital		80	80	80
Other reserves		4,176	4,158	4,156
Retained earnings		(3,990)	(4,438)	(4,516)
		<u>266</u>	<u>(200)</u>	<u>(280)</u>
Equity holders of the parent		<u>64</u>	<u>60</u>	<u>61</u>
Minority interests		64	60	61
TOTAL EQUITY	8	<u>330</u>	<u>(140)</u>	<u>(219)</u>

Invensys plc
Consolidated cash flow statement (unaudited)
For the quarter ended 31 December 2007

Nine months ended 31 December 2007 £m	Nine months ended 31 December 2006 £m		Quarter ended 31 December 2007 £m	Quarter ended 31 December 2006 £m
			Notes	
Operating activities				
Operating profit:				
153	133	Continuing operations	2	56
5	18	Discontinued operations	5	(1)
36	39	Depreciation of property, plant and equipment		11
14	10	Amortisation of intangible assets - other		5
3	–	Provision for impairment/write down of assets charged to operating profit		1
–	(4)	Gain on sale of assets and operations		–
1	4	Sale of property, plant and equipment		1
–	6	Sale of subsidiaries - continuing operations		–
6	7	Non-cash charge for share-based payment		1
(7)	(31)	Increase in inventories		(2)
(39)	(57)	Increase in receivables		(39)
30	64	Increase in net amounts due to contract customers		49
(42)	(14)	(Decrease)/increase in payables and provisions		–
(80)	7	Difference between pension contributions paid and amounts recognised in operating profit		(71)
80	182	Cash generated from operations		11
(29)	(18)	Income taxes paid		(15)
(29)	(70)	Interest paid		(3)
–	(38)	Exceptional finance costs		–
22	56	Net cash flows from operating activities		(7)
Investing activities				
9	14	Interest received		2
(26)	(35)	Purchase of property, plant and equipment		(10)
(15)	(14)	Expenditure on intangible assets - other		(6)
–	(1)	Purchase of minority interests		–
–	3	Sale of financial assets		–
285	146	Sale of subsidiaries		289
(19)	(2)	Net cash disposed of on sale of subsidiaries		(15)
234	111	Cash flows from investing activities		260
Financing activities				
–	342	Issue of ordinary share capital		–
–	(19)	Share issue expenses		–
(12)	–	Acquisition costs		–
(9)	–	Purchase of Invensys plc shares by Employee Share Trust		–
(4)	–	Purchase of shares on vested share awards		–
–	(19)	Facility fees		–
–	155	Increase in long-term borrowings		–
(4)	(831)	Repayment of long-term borrowings		–
–	(1)	Capital element of finance lease repayments		–
(1)	(2)	Dividends paid to minority interests		–
(30)	(375)	Cash flows from financing activities		–
226	(208)	Net increase/(decrease) in cash and cash equivalents		253
307	450	Cash and cash equivalents at beginning of period		284
13	(20)	Net foreign exchange difference		9
546	222	Cash and cash equivalents at end of period		546

Invensys plc
Consolidated statement of recognised income and expense (unaudited)
For the quarter ended 31 December 2007

Nine months ended 31 December 2007 £m	Nine months ended 31 December 2006 £m		Quarter ended 31 December 2007 £m	Quarter ended 31 December 2006 £m
		Income and expense recognised directly in equity		
		Gains on valuation of available-for-sale investments:		
-	(1)	Transferred to income statement for the period	-	(1)
		Gains on cash flow hedges:		
1	1	Gains taken to equity	1	1
(1)	(3)	Transferred to the income statement for the period	(1)	(1)
23	(27)	Exchange differences on translation of foreign operations	14	(11)
(1)	(1)	Foreign exchange gain transferred on disposal of operations	(1)	-
217	(96)	Actuarial gain/(loss) recognised on defined benefit pension schemes	-	-
239	(127)	Net income/(expense) recognised directly in equity	13	(12)
240	173	Profit for the period	184	42
479	46	Total recognised income for the period	197	30
		Attributable to:		
473	49	Equity holders of the parent	194	30
6	(3)	Minority interests	3	-
479	46		197	30

Invensys plc
Notes (unaudited)
1 Segmental analysis (continued)

Nine months ended 31 December 2007 £m	Nine months ended 31 December 2006 £m	Nine months ended 31 December 2007 £m	Nine months ended 31 December 2006 £m		Quarter ended 31 December 2007 £m	Quarter ended 31 December 2006 £m	Quarter ended 31 December 2007 £m	Quarter ended 31 December 2006 £m
Revenue £m	Revenue £m	Operating profit/(loss) * £m	Operating profit/(loss) * £m		Revenue £m	Revenue £m	Operating profit/(loss) * £m	Operating profit/(loss) * £m
Business								
593	563	77	71	Process Systems	214	200	31	28
83	80	6	8	Eurotherm	29	27	2	2
443	379	70	57	Rail Group	150	131	26	18
466	494	48	38	Controls	152	163	16	14
–	–	(25)	(27)	Corporate	–	–	(8)	(9)
<u>1,585</u>	<u>1,516</u>	<u>176</u>	<u>147</u>	Continuing operations	<u>545</u>	<u>521</u>	<u>67</u>	<u>53</u>
Geographical analysis by origin								
289	250	43	38	United Kingdom	107	92	19	13
414	389	49	39	Rest of Europe	144	135	19	17
564	595	76	62	North America	179	190	24	18
76	71	10	8	South America	28	26	4	4
211	175	23	24	Asia Pacific	76	63	8	8
31	36	–	3	Africa and Middle East	11	15	1	2
–	–	(25)	(27)	Corporate	–	–	(8)	(9)
<u>1,585</u>	<u>1,516</u>	<u>176</u>	<u>147</u>	Continuing operations	<u>545</u>	<u>521</u>	<u>67</u>	<u>53</u>
Geographical analysis of revenue by destination								
262	232			United Kingdom	93	88		
431	404			Rest of Europe	152	141		
520	554			North America	163	175		
82	76			South America	30	27		
206	186			Asia Pacific	68	66		
84	64			Africa and Middle East	39	24		
<u>1,585</u>	<u>1,516</u>			Continuing operations	<u>545</u>	<u>521</u>		
Geographical analysis of discontinued operations by origin								
13	16	(5)	(8)	United Kingdom	4	11	(2)	(3)
148	137	4	6	Rest of Europe	51	47	1	2
76	113	5	18	North America	23	29	1	5
10	9	1	(1)	South America	4	2	–	–
69	79	4	2	Asia Pacific	21	19	1	(1)
24	22	3	2	Africa and Middle East	9	8	2	–
<u>340</u>	<u>376</u>	<u>12</u>	<u>19</u>	Discontinued operations	<u>112</u>	<u>116</u>	<u>3</u>	<u>3</u>

* Before exceptional items

Invensys plc
Notes (unaudited)

2 Operating profit

Nine months ended 31 December 2007 £m	Nine months ended 31 December 2006 £m		Quarter ended 31 December 2007 £m	Quarter ended 31 December 2006 £m
1,585	1,516	Revenue	545	521
(1,130)	(1,075)	Cost of sales	(388)	(368)
455	441	Gross profit	157	153
(9)	(8)	Distribution costs	(3)	(3)
(270)	(286)	Administrative costs	(87)	(97)
176	147	Operating profit before exceptional items	67	53
(23)	(14)	Exceptional items (<i>note 3</i>)	(11)	1
153	133	Operating profit	56	54

Segmental analysis of operating profit:

		Business		
74	70	Process Systems	28	28
6	8	Eurotherm	2	2
70	57	Rail Group	26	18
31	42	Controls	10	15
(28)	(44)	Corporate	(10)	(9)
153	133	Operating profit	56	54

3 Exceptional items

Nine months ended 31 December 2007 £m	Nine months ended 31 December 2006 £m		Quarter ended 31 December 2007 £m	Quarter ended 31 December 2006 £m
(19)	(4)	Restructuring costs	(9)	–
(3)	–	Impairment: property, plant and equipment	(1)	–
(1)	2	(Loss)/gain on sale of assets and operations	(1)	1
–	(12)	Other exceptional items	–	–
(23)	(14)	Exceptional items	(11)	1

Restructuring costs by business:

(3)	(1)	Process Systems	(3)	–
(13)	(3)	Controls	(4)	–
(3)	–	Corporate	(2)	–
(19)	(4)		(9)	–

4 Foreign exchange (losses)/gains

Foreign exchange losses in the quarter of £8 million (Q3 2006/07: £12 million gains) relate to exchange differences arising on the translation of unhedged foreign currency monetary items used in the financing of the Group and its subsidiaries. These are principally attributable to exchange differences on the Group's non-sterling denominated currency borrowings held in companies whose functional currency is sterling.

In the quarter, £6 million arose on net euro borrowings and £2 million arose on other borrowings.

These foreign currency borrowings are held as an economic hedge by reference to the Group's underlying cash generation by currency. However, they are not accounted for as net investment hedges under IAS 39 and consequently exchange differences arising on these borrowings are recorded in the income statement.

Invensys plc
Notes (unaudited)

5 Profit from discontinued operations

Discontinued operations comprise APV, Safety and Reversing Valves businesses in 2007/08. In addition, the prior periods include Invensys Building Systems in the US and Asia Pacific.

Nine months ended 31 December 2007 £m	Nine months ended 31 December 2006 £m		Quarter ended 31 December 2007 £m	Quarter ended 31 December 2006 £m
		Profit from discontinued operations comprises the following:		
340	376	Revenue	112	116
(328)	(357)	Operating expenses before exceptional items	(109)	(113)
12	19	Operating profit before exceptional items	3	3
(7)	(1)	Exceptional items*	(4)	(1)
5	18	Operating profit	(1)	2
174	126	Profit on assets divested	174	–
(7)	(7)	Charge of associated goodwill	(7)	–
1	1	Foreign exchange gain transferred on disposal of operations	1	–
168	120	Profit on sale of business	168	–
173	138	Profit before tax from discontinued operations	167	2
–	7	Taxation on discontinued operations	1	9
(9)	–	Taxation on gain on sale of operations	(9)	–
(9)	7	Taxation	(8)	9
164	145	Profit from discontinued operations	159	11
		Net cash flows incurred by discontinued operations		
(16)	8	Operating activities	–	5
270	146	Investing activities	273	(3)
254	154		273	2

* Exceptional items comprise restructuring costs of £4 million in the quarter (Q3 2006/07: £1 million) and £7 million for the nine months (9M 2006/07: £3 million). The prior nine months also includes a £2 million gain on the sale of assets.

Invensys plc
Notes (unaudited)

6 Earnings per share

Nine months ended 31 December 2007	Nine months ended 31 December 2006		Quarter ended 31 December 2007	Quarter ended 31 December 2006
		Earnings per share (pence)		
		Continuing operations		
9.4 p	3.8 p	Basic	3.1 p	3.8 p
9.3 p	3.7 p	Diluted	3.1 p	3.7 p
11.1 p	7.7 p	Before exceptional finance costs and foreign exchange gains and losses (basic)	4.2 p	3.8 p
14.0 p	9.0 p	Before exceptional items, exceptional finance costs and foreign exchange gains and losses (basic)	5.5 p	3.6 p
		Discontinued operations		
20.5 p	20.3 p	Basic	20.0 p	1.4 p
20.1 p	19.8 p	Diluted	19.6 p	1.3 p
		Total Group		
29.9 p	24.1 p	Basic	23.1 p	5.2 p
29.4 p	23.5 p	Diluted	22.7 p	5.0 p
		Weighted average number of shares (million)		
795	713	Basic	795	796
15	18	Effect of dilution – share options	15	19
810	731	Diluted	810	815
		Earnings (£m)		
		Continuing operations		
75	27	Basic	25	30
		Before exceptional finance costs and foreign exchange gains and losses		
153	133	Operating profit	56	54
(45)	(68)	Finance costs	(14)	(14)
10	13	Finance income	3	2
(12)	(8)	Other finance charges - IAS 19	(4)	(4)
106	70	Operating profit less net finance costs	41	38
(17)	(14)	Taxation on operating profit less net finance costs	(8)	(7)
(1)	(1)	Minority interests	–	(1)
88	55		33	30
		Before exceptional items, exceptional finance costs and foreign exchange gains and losses		
176	147	Operating profit before exceptional items	67	53
(45)	(68)	Finance costs	(14)	(14)
10	13	Finance income	3	2
(12)	(8)	Other finance charges - IAS 19	(4)	(4)
129	84	Operating profit less net finance costs	52	37
(17)	(19)	Taxation on operating profit less net finance costs	(8)	(7)
(1)	(1)	Minority interests	–	(1)
111	64		44	29
		Discontinued operations		
163	145	Basic	159	11
		Total Group		
238	172	Basic	184	41

The basic earnings per share for the quarter and the nine months has been calculated using 795 million shares (Q3 2006/07: 796 million, 9M 2006/07: 713 million), being the weighted average number of shares in issue during the quarter and in the nine months, excluding those held as Treasury shares which are treated as cancelled, and the profit after taxation and minority interests for continuing operations, discontinued operations and total Group as shown above.

Two additional earnings per share calculations have been included since the directors consider that they both give useful additional indications of underlying performance. These are:

Earnings before exceptional finance costs and foreign exchange gains and losses with an underlying tax charge of £8 million for the quarter and £17 million for the nine months (Q3 2006/07: £7 million, 9M 2006/07: £14 million). Earnings before exceptional items, exceptional finance costs and foreign exchange gains and losses with an underlying tax charge of £8 million for the quarter and £17 million for the half year (Q3 2006/07: £7 million, 9M 2006/07: £19 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 options which are considered to be anti-dilutive.

Invensys plc
Notes (unaudited)

7 Assets held for sale

Assets held for sale consist of the Group's surplus freehold property portfolio.

8 Reconciliation of movements in equity

Nine months ended 31 December 2007 £m	Nine months ended 31 December 2006 £m		Quarter ended 31 December 2007 £m	Quarter ended 31 December 2006 £m
(140)	(593)	Opening equity	133	(251)
479	46	Total recognised income for the period	197	30
(7)	7	Share-based payment	1	3
(1)	-	Disposal of minority interests	(1)	-
(1)	(2)	Dividends paid to minority interests	-	(1)
-	342	Issue of share capital	-	-
-	(19)	Share issue expenses	-	-
330	(219)	At end of period	330	(219)
		Attributable to:		
266	(280)	Equity holders of the parent	266	(280)
64	61	Minority interests	64	61
330	(219)		330	(219)

9 Reconciliation of cash flows

Nine months ended 31 December 2007 £m	Nine months ended 31 December 2006 £m		Quarter ended 31 December 2007 £m	Quarter ended 31 December 2006 £m
22	56	Net cash flows from operating activities	(7)	51
(41)	(49)	Capital expenditure included within investing activities	(16)	(14)
29	70	Interest paid	3	1
-	38	Exceptional finance costs	-	9
42	18	Pension contributions on disposal of operations	42	-
-	(6)	Disposal of continuing operations	-	-
26	15	Taxation paid (operating)	12	7
		Legacy items:		
38	(8)	Pension contributions	29	(3)
3	3	Taxation paid (legacy)	3	3
8	10	Other legacy payments	3	2
49	5		35	2
127	147	Operating cash flow	69	56
(20)	(56)	Net finance costs paid	(1)	-
-	(38)	Exceptional finance costs	-	(9)
-	(15)	Facility fees capitalised within prepayments	-	-
-	3	Proceeds on sale of financial assets	-	3
(26)	(15)	Taxation paid (operating)	(12)	(7)
(49)	(5)	Legacy items	(35)	(2)
32	21	Free cash flow	21	41
		Operating cash flow attributable to:		
148	145	Continuing operations	72	54
(21)	2	Discontinued operations	(3)	2
127	147		69	56

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

10 Basis of preparation

The Group prepares its annual financial statements on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the provisions of the Companies Act 1985. The financial information presented in this quarterly report has been prepared in accordance with the accounting policies expected to be used in preparing the annual financial statements for the year ending 31 March 2008, which do not differ significantly from those used for the most recent annual financial statements.

11 Financial information

This quarterly report was approved by a duly appointed and authorised committee of the Board of directors on 7 February 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 quarter ended 31 December 2007 is unaudited. The financial information for the balance sheet as at 31 March 2007 has been extracted from statutory accounts on which an unqualified audit report has been issued.

The statutory accounts of Invensys plc for the year ended 31 March 2007 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 and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

12 Exchange rates

	Quarter ended 31 December 2007 Average	Quarter ended 31 December 2006 Average	Nine months ended 31 December 2007 Average	Nine months ended 31 December 2006 Average	Year ended 31 March 2007 Average
US\$ to £1	2.06	1.93	2.02	1.87	1.89
Euro to £1	1.41	1.49	1.45	1.47	1.47
			As at 31 December 2007 Closing	As at 31 December 2006 Closing	As at 31 March 2007 Closing
US\$ to £1			2.00	1.96	1.97
Euro to £1			1.36	1.49	1.47