

Invesco Ltd.  
Form 10-Q  
August 01, 2012  
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-13908

Invesco Ltd.  
(Exact Name of Registrant as Specified in Its Charter)

Bermuda 98-0557567  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)

1555 Peachtree Street, N.E., Suite 1800, Atlanta, GA 30309  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (404) 892-0896

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class                       | Name of Exchange on Which Registered |
|---|--------------------------------------|
| Common Shares, \$0.20 par value per share | New York Stock Exchange              |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

|   |  |  |  |
|---|--|--|--|
| Large accelerated filer <input checked="" type="checkbox"/> | Accelerated filer <input type="checkbox"/> | Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company) | Smaller reporting company <input type="checkbox"/> |
|---|--|--|--|

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes  No

As of June 30, 2012, the most recent practicable date, 445,225,166 of the company's common shares par value \$0.20 per share, were outstanding.

Table of Contents

## TABLE OF CONTENTS

We include cross references to captions elsewhere in this Quarterly Report on Form 10-Q, which we refer to as this “Report,” where you can find related additional information. The following table of contents tells you where to find these captions.

|  | Page      |
|--|-----------|
| TABLE OF CONTENTS  |           |
| <u>PART I— Financial Information</u>   |           |
| <u>Item 1. Financial Statements (unaudited)</u>  |           |
| <u>Condensed Consolidated Balance Sheets</u>   | <u>3</u>  |
| <u>Condensed Consolidated Statements of Income</u>   | <u>4</u>  |
| <u>Condensed Consolidated Statements of Comprehensive Income</u>                                     | <u>5</u>  |
| <u>Condensed Consolidated Statements of Cash Flows</u>   | <u>6</u>  |
| <u>Condensed Consolidated Statements of Changes in Equity</u>  | <u>7</u>  |
| <u>Notes to the Condensed Consolidated Financial Statements</u>                                      | <u>9</u>  |
| <u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>42</u> |
| <u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>                            | <u>84</u> |
| <u>Item 4. Controls and Procedures</u>   | <u>85</u> |
| <u>PART II — Other Information</u>   |           |
| <u>Item 1. Legal Proceedings</u>   | <u>86</u> |
| <u>Item 1A. Risk Factors</u>   | <u>86</u> |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>                           | <u>86</u> |
| <u>Item 4. Mine Safety Disclosures</u>   | <u>86</u> |
| <u>Item 5. Other Information</u>   | <u>86</u> |
| <u>Item 6. Exhibits</u>  | <u>86</u> |
| <u>Signatures</u>  | <u>88</u> |
| EX-31.1  |           |
| EX-31.2  |           |
| EX-32.1  |           |
| EX-32.2  |           |
| EX-101 INSTANCE DOCUMENT   |           |
| EX-101 SCHEMA DOCUMENT   |           |
| EX-101 CALCULATION LINKBASE DOCUMENT   |           |
| EX-101 LABELS LINKBASE DOCUMENT  |           |
| EX-101 PRESENTATION LINKBASE DOCUMENT  |           |
| EX-101 DEFINITION LINKBASE DOCUMENT  |           |

Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

Invesco Ltd.

Condensed Consolidated Balance Sheets

(Unaudited)

| \$ in millions, except share data                             | As of<br>June 30, 2012 | December 31,<br>2011 |
|---|------------------------|----------------------|
| <b>ASSETS</b>   |                        |                      |
| Current assets:   |                        |                      |
| Cash and cash equivalents                                     | 718.4                  | 727.4                |
| Cash and cash equivalents of consolidated investment products | 380.5                  | 382.3                |
| Unsettled fund receivables                                    | 487.1                  | 444.4                |
| Accounts receivable   | 398.4                  | 424.4                |
| Accounts receivable of consolidated investment products       | 114.7                  | 98.5                 |
| Investments   | 344.5                  | 283.7                |
| Prepaid assets  | 51.4                   | 51.2                 |
| Other current assets  | 88.4                   | 150.0                |
| Deferred tax asset, net                                       | 24.2                   | 28.7                 |
| Assets held for policyholders                                 | 1,065.4                | 1,243.5              |
| Total current assets  | 3,673.0                | 3,834.1              |
| Non-current assets:   |                        |                      |
| Investments   | 218.8                  | 200.8                |
| Investments of consolidated investment products               | 6,050.9                | 6,629.0              |
| Security deposit assets and receivables                       | 75.0                   | 81.2                 |
| Other non-current assets                                      | 18.4                   | 17.9                 |
| Deferred sales commissions                                    | 43.8                   | 40.5                 |
| Property and equipment, net                                   | 314.6                  | 312.8                |
| Intangible assets, net  | 1,302.3                | 1,322.8              |
| Goodwill  | 6,916.1                | 6,907.9              |
| Total non-current assets                                      | 14,939.9               | 15,512.9             |
| Total assets  | 18,612.9               | 19,347.0             |
| <b>LIABILITIES AND EQUITY</b>                                 |                        |                      |
| Current liabilities:  |                        |                      |
| Current maturities of total debt                              | 333.5                  | 215.1                |
| Unsettled fund payables                                       | 472.7                  | 439.6                |
| Income taxes payable  | 50.1                   | 59.6                 |
| Other current liabilities                                     | 616.0                  | 841.5                |
| Other current liabilities of consolidated investment products | 187.0                  | 175.1                |
| Policyholder payables   | 1,065.4                | 1,243.5              |
| Total current liabilities                                     | 2,724.7                | 2,974.4              |
| Non-current liabilities:                                      |                        |                      |
| Long-term debt  | 1,008.1                | 1,069.6              |
| Long-term debt of consolidated investment products            | 5,069.7                | 5,512.9              |
| Deferred tax liabilities, net                                 | 307.8                  | 274.0                |
| Security deposits payable                                     | 75.0                   | 81.2                 |
| Other non-current liabilities                                 | 308.8                  | 297.3                |

Edgar Filing: Invesco Ltd. - Form 10-Q

|   |          |            |
|---|----------|------------|
| Total non-current liabilities   | 6,769.4  | 7,235.0    |
| Total liabilities   | 9,494.1  | 10,209.4   |
| Commitments and contingencies (See Note 10)   |          |            |
| Equity:   |          |            |
| Equity attributable to common shareholders:   |          |            |
| Common shares (\$0.20 par value; 1,050.0 million authorized; 490.4 million shares issued as of June 30, 2012 and December 31, 2011) | 98.1     | 98.1       |
| Additional paid-in-capital  | 6,100.2  | 6,180.6    |
| Treasury shares   | (1,301.5 | ) (1,280.4 |
| Retained earnings   | 2,627.3  | 2,413.2    |
| Retained earnings appropriated for investors in consolidated investment products  | 251.8    | 334.3      |
| Accumulated other comprehensive income, net of tax  | 389.9    | 373.3      |
| Total equity attributable to common shareholders  | 8,165.8  | 8,119.1    |
| Equity attributable to noncontrolling interests in consolidated entities  | 953.0    | 1,018.5    |
| Total equity  | 9,118.8  | 9,137.6    |
| Total liabilities and equity  | 18,612.9 | 19,347.0   |
| See accompanying notes.   |          |            |

Table of Contents

Invesco Ltd.  
Condensed Consolidated Statements of Income  
(Unaudited)

| \$ in millions, except per share data  | Three months ended June 30, |          | Six months ended June 30, |          |
|--|-----------------------------|----------|---------------------------|----------|
|  | 2012                        | 2011     | 2012                      | 2011     |
| Operating revenues:  |                             |          |                           |          |
| Investment management fees   | 780.6                       | 819.1    | 1,572.0                   | 1,611.4  |
| Service and distribution fees  | 187.1                       | 211.4    | 376.1                     | 410.1    |
| Performance fees   | 15.4                        | 7.6      | 35.9                      | 11.4     |
| Other  | 25.9                        | 31.9     | 58.7                      | 64.4     |
| Total operating revenues   | 1,009.0                     | 1,070.0  | 2,042.7                   | 2,097.3  |
| Operating expenses:  |                             |          |                           |          |
| Employee compensation  | 304.6                       | 318.3    | 623.1                     | 624.2    |
| Third-party distribution, service and advisory   | 316.6                       | 341.8    | 633.7                     | 666.3    |
| Marketing  | 26.6                        | 26.1     | 53.3                      | 51.8     |
| Property, office and technology  | 68.5                        | 61.9     | 135.3                     | 125.9    |
| General and administrative   | 88.7                        | 77.6     | 162.0                     | 151.2    |
| Transaction and integration  | 1.1                         | 11.3     | 2.6                       | 19.2     |
| Total operating expenses   | 806.1                       | 837.0    | 1,610.0                   | 1,638.6  |
| Operating income   | 202.9                       | 233.0    | 432.7                     | 458.7    |
| Other income/(expense):  |                             |          |                           |          |
| Equity in earnings of unconsolidated affiliates  | 6.9                         | 10.8     | 16.6                      | 17.5     |
| Interest and dividend income   | 2.2                         | 2.4      | 4.6                       | 4.5      |
| Interest income of consolidated investment products                                      | 68.7                        | 79.8     | 137.7                     | 154.0    |
| Other gains/(losses) of consolidated investment products, net                            | 77.2                        | (64.7)   | (44.7)                    | (150.2)  |
| Interest expense   | (13.4)                      | (16.0)   | (27.0)                    | (32.2)   |
| Interest expense of consolidated investment products                                     | (46.9)                      | (46.5)   | (92.5)                    | (86.5)   |
| Other gains and losses, net  | (7.7)                       | 6.0      | 10.9                      | 13.9     |
| Income before income taxes   | 289.9                       | 204.8    | 438.3                     | 379.7    |
| Income tax provision   | (62.3)                      | (75.4)   | (135.9)                   | (151.0)  |
| Net income   | 227.6                       | 129.4    | 302.4                     | 228.7    |
| Net (income)/loss attributable to noncontrolling interests in consolidated entities, net | (73.7)                      | 53.6     | 45.4                      | 131.8    |
| Net income attributable to common shareholders   | 153.9                       | 183.0    | 347.8                     | 360.5    |
| Earnings per share:  |                             |          |                           |          |
| — basic  | \$0.34                      | \$0.39   | \$0.77                    | \$0.77   |
| — diluted  | \$0.34                      | \$0.39   | \$0.76                    | \$0.77   |
| Dividends declared per share   | \$0.1725                    | \$0.1225 | \$0.2950                  | \$0.2325 |
| See accompanying notes.  |                             |          |                           |          |

Table of Contents

Invesco Ltd.  
Condensed Consolidated Statements of Comprehensive Income  
(Unaudited)

| \$ in millions  | Three months<br>ended June 30, |        | Six months ended<br>June 30, |        |
|---|--------------------------------|--------|------------------------------|--------|
|   | 2012                           | 2011   | 2012                         | 2011   |
| Net income  | 227.6                          | 129.4  | 302.4                        | 228.7  |
| Other comprehensive income, before tax:   |                                |        |                              |        |
| Currency translation differences on investments in overseas subsidiaries                      | (115.9 )                       | 31.6   | (16.1 )                      | 152.3  |
| Change in accumulated other comprehensive income related to employee benefit plans            | 2.0                            | 0.2    | 0.9                          | 10.2   |
| Change in accumulated other comprehensive income of equity method investments                 | 1.0                            | (2.3 ) | 3.0                          | (1.1 ) |
| Change in net unrealized gains on available-for-sale investments                              | (2.1 )                         | (2.9 ) | 3.4                          | (2.6 ) |
| Other comprehensive income (loss), before tax   | (115.0 )                       | 26.6   | (8.8 )                       | 158.8  |
| Income tax related to items of other comprehensive income:                                    |                                |        |                              |        |
| Tax benefit (expense) on foreign currency translation adjustments                             | 0.8                            | (0.8 ) | 0.8                          | (0.8 ) |
| Tax benefit (expense) on comprehensive income related to employee benefit plans               | (0.5 )                         | (0.1 ) | (0.2 )                       | (2.5 ) |
| Tax benefit (expense) on change in net unrealized gains on available-for-sale investments     | 0.3                            | 0.1    | 0.2                          | 0.1    |
| Total income tax benefit (expense) related to items of other comprehensive income             | 0.6                            | (0.8 ) | 0.8                          | (3.2 ) |
| Other comprehensive income, net of tax  | (114.4 )                       | 25.8   | (8.0 )                       | 155.6  |
| Total comprehensive income  | 113.2                          | 155.2  | 294.4                        | 384.3  |
| Comprehensive loss (income) attributable to noncontrolling interests in consolidated entities | (50.5 )                        | 56.6   | 70.0                         | 125.2  |
| Comprehensive income attributable to common shareholders                                      | 62.7                           | 211.8  | 364.4                        | 509.5  |
| See accompanying notes.   |                                |        |                              |        |

Table of Contents

Invesco Ltd.

Condensed Consolidated Statements of Cash Flows  
(Unaudited)

| \$ in millions  | Six months ended June |           |
|---|-----------------------|-----------|
|   | 2012                  | 2011      |
| Operating activities:   |                       |           |
| Net income  | 302.4                 | 228.7     |
| Adjustments to reconcile net income to net cash (used in)/provided by operating activities: |                       |           |
| Amortization and depreciation   | 50.9                  | 60.0      |
| Share-based compensation expense  | 67.0                  | 56.8      |
| Gains on disposal of property, equipment, and software, net                                 | (0.5)                 | —         |
| Purchase of trading investments   | (5,210.0)             | (5,556.8) |
| Proceeds from sale of trading investments   | 5,200.8               | 5,516.5   |
| Other gains and losses, net   | (10.9)                | (13.9)    |
| (Gains)/losses of consolidated investment products, net                                     | 44.7                  | 150.2     |
| Tax benefit from share-based compensation   | 42.3                  | 72.2      |
| Excess tax benefits from share-based compensation   | (12.0)                | (15.1)    |
| Equity in earnings of unconsolidated affiliates   | (16.6)                | (17.5)    |
| Dividends from unconsolidated affiliates  | 13.1                  | 3.0       |
| Changes in operating assets and liabilities:  |                       |           |
| (Increase)/decrease in cash held by consolidated investment products                        | (45.9)                | 31.5      |
| (Increase)/decrease in receivables  | 263.1                 | (260.4)   |
| Increase/(decrease) in payables   | (441.2)               | (109.2)   |
| Net cash (used in)/provided by operating activities   | 247.2                 | 146.0     |
| Investing activities:   |                       |           |
| Purchase of property and equipment  | (37.2)                | (40.7)    |
| Disposal of property and equipment  | 0.6                   | —         |
| Purchase of available-for-sale investments  | (67.5)                | (28.0)    |
| Proceeds from sale of available-for-sale investments  | 23.8                  | 36.6      |
| Purchase of investments by consolidated investment products                                 | (1,584.6)             | (2,075.3) |
| Proceeds from sale of investments by consolidated investment products                       | 1,537.0               | 2,300.9   |
| Returns of capital in investments of consolidated investment products                       | (44.9)                | 75.5      |
| Purchase of other investments   | (63.4)                | (61.4)    |
| Proceeds from sale of other investments   | 46.2                  | 23.7      |
| Returns of capital and distributions from unconsolidated partnership investments            | 8.7                   | 18.9      |
| Acquisition of businesses   | —                     | (14.9)    |
| Acquisition earn-out payments   | (5.6)                 | (5.4)     |
| Net cash (used in)/provided by investing activities   | (186.9)               | 229.9     |
| Financing activities:   |                       |           |
| Proceeds from exercises of share options  | 12.1                  | 9.9       |
| Purchases of treasury shares  | (150.0)               | (333.0)   |
| Dividends paid  | (133.7)               | (108.5)   |
| Excess tax benefits from share-based compensation   | 12.0                  | 15.1      |
| Capital invested into consolidated investment products                                      | 19.4                  | 32.5      |
| Capital distributed by consolidated investment products                                     | (35.5)                | (134.9)   |
| Net borrowings/(repayments) of debt of consolidated investment products                     | 145.7                 | (246.3)   |
| Net borrowings/(repayments) under credit facility   | 272.0                 | 268.0     |
| Repayments of senior notes  | (215.1)               | —         |

Edgar Filing: Invesco Ltd. - Form 10-Q

|   |       |          |   |
|---|-------|----------|---|
| Acquisition of interest in consolidated investment products | —     | (12.3    | ) |
| Net cash (used in)/provided by financing activities         | (73.1 | ) (509.5 | ) |
| (Decrease)/increase in cash and cash equivalents            | (12.8 | ) (133.6 | ) |
| Foreign exchange movement on cash and cash equivalents      | 3.8   | 14.6     |   |
| Cash and cash equivalents, beginning of period              | 727.4 | 740.5    |   |
| Cash and cash equivalents, end of period                    | 718.4 | 621.5    |   |
| Supplemental Cash Flow Information:                         |       |          |   |
| Interest paid   | (26.4 | ) (27.2  | ) |
| Interest received   | 2.5   | 4.5      |   |
| Taxes paid  | (96.2 | ) (109.9 | ) |
| See accompanying notes.                                     |       |          |   |

6

---

Table of Contents

Invesco Ltd.  
Condensed Consolidated Statements of Changes in Equity  
(Unaudited)

| \$ in millions  | Equity Attributable to Common Shareholders |                               |                    |                      |  |   | Total<br>Attributable<br>Equity<br>Common<br>Shareholders | Noncontrolling<br>Interests in<br>Consolidated<br>Entities | Total<br>Equity |
|---|--|-------------------------------|--------------------|----------------------|--|---|---|--|-----------------|
|   | Common<br>Shares                           | Additional<br>Paid-in-Capital | Treasury<br>Shares | Retained<br>Earnings | Retained<br>Earnings<br>Appropriated<br>for<br>Investors<br>in<br>Consolidated<br>Investment<br>Products | Accumulated<br>Other<br>Comprehensive<br>Income |   |  |                 |
| January 1, 2012   | 98.1                                       | 6,180.6                       | (1,280.4)          | 2,413.2              | 334.3  | 373.3   | 8,119.1   | 1,018.5  | 9,137.6         |
| Net income  | —  | —                             | —                  | 347.8                | —  | —   | 347.8   | (45.4 )  | 302.4           |
| Other comprehensive income  | —  | —                             | —                  | —                    | —  | 16.6  | 16.6  | (24.6 )  | (8.0 )          |
| Total comprehensive income  |  |                               |                    |                      |  |   | 364.4   | (70.0 )  | 294.4           |
| Net income (loss) reclassified to appropriated retained earnings  | —  | —                             | —                  | —                    | (26.4 )  | —   | (26.4 )   | 26.4   | —               |
| Currency translation differences on investments in overseas subsidiaries reclassified to appropriated retained earnings | —  | —                             | —                  | —                    | (8.5 )   | —   | (8.5 )  | 8.5  | —               |
| Deconsolidation of consolidated investment products   | —  | —                             | —                  | —                    | (47.6 )  | —   | (47.6 )   | —  | (47.6 )         |
| Change in noncontrolling interests in consolidated entities, net  | —  | —                             | —                  | —                    | —  | —   | —   | (30.4 )  | (30.4 )         |
| Dividends   | —  | —                             | —                  | (133.7 )             | —  | —   | (133.7 )  | —  | (133.7 )        |
| Employee share plans:   |  |                               |                    |                      |  |   |   |  |                 |
| Share-based compensation  | —  | 67.0                          | —                  | —                    | —  | —   | 67.0  | —  | 67.0            |
| Vested shares   | —  | (147.7 )                      | 147.7              | —                    | —  | —   | —   | —  | —               |
| Exercise of options   | —  | (11.7 )                       | 23.8               | —                    | —  | —   | 12.1  | —  | 12.1            |
| Tax impact of share-based payment   | —  | 12.0                          | —                  | —                    | —  | —   | 12.0  | —  | 12.0            |
| Purchase of shares  | —  | —                             | (192.6 )           | —                    | —  | —   | (192.6 )  | —  | (192.6 )        |

Edgar Filing: Invesco Ltd. - Form 10-Q

|               |      |         |           |         |       |       |         |       |         |
|---------------|------|---------|-----------|---------|-------|-------|---------|-------|---------|
| June 30, 2012 | 98.1 | 6,100.2 | (1,301.5) | 2,627.3 | 251.8 | 389.9 | 8,165.8 | 953.0 | 9,118.8 |
|---------------|------|---------|-----------|---------|-------|-------|---------|-------|---------|

See accompanying notes.

7

---

Table of Contents

Invesco Ltd.  
Condensed Consolidated Statements of Changes in Equity (continued)  
(Unaudited)

| \$ in millions  | Equity Attributable to Common Shareholders |                            |                 |                   | Retained Earnings Appropriated for Investors in Consolidated Investment Products | Accumulated Other Comprehensive Income | Total Equity Attributable to Common Shareholders | Non-Controlling Interests in Consolidated Entities | Total Equity |
|---|--|----------------------------|-----------------|-------------------|--|--|--|--|--------------|
|   | Common Shares                              | Additional Paid-in-Capital | Treasury Shares | Retained Earnings |  |  |  |  |              |
| January 1, 2011   | 98.1                                       | 6,262.6                    | (991.5 )        | 1,904.4           | 495.5  | 495.5                                  | 8,264.6  | 1,096.3  | 9,360.9      |
| Net income  | —  | —                          | —               | 360.5             | —  | —                                      | 360.5  | (131.8 )   | 228.7        |
| Other comprehensive income  | —  | —                          | —               | —                 | —  | 149.0                                  | 149.0  | 6.6  | 155.6        |
| Total comprehensive income  | —  | —                          | —               | —                 | —  | —                                      | 509.5  | (125.2 )   | 384.3        |
| Net income (loss) reclassified to appropriated retained earnings  | —  | —                          | —               | —                 | (170.2 )   | —                                      | (170.2 )   | 170.2  | —            |
| Currency translation differences on investments in overseas subsidiaries reclassified to appropriated retained earnings | —  | —                          | —               | —                 | 14.9   | —                                      | 14.9   | (14.9 )  | —            |
| Change in noncontrolling interests in consolidated entities, net  | —  | —                          | —               | —                 | —  | —                                      | —  | (116.9 )   | (116.9 )     |
| Dividends   | —  | —                          | —               | (108.5 )          | —  | —                                      | (108.5 )   | —  | (108.5 )     |
| Employee share plans:   |  |                            |                 |                   |  |  |  |  |              |
| Share-based compensation  | —  | 56.8                       | —               | —                 | —  | —                                      | 56.8   | —  | 56.8         |
| Vested shares   | —  | (175.6 )                   | 175.6           | —                 | —  | —                                      | —  | —  | —            |
| Exercise of options   | —  | (6.3 )                     | 16.2            | —                 | —  | —                                      | 9.9  | —  | 9.9          |
| Tax impact of share-based payment   | —  | 15.1                       | —               | —                 | —  | —                                      | 15.1   | —  | 15.1         |
| Purchase of shares  | —  | —                          | (403.8 )        | —                 | —  | —                                      | (403.8 )   | —  | (403.8 )     |

Edgar Filing: Invesco Ltd. - Form 10-Q

June 30, 2011      98.1   6,152.6      (1,203.5)   2,156.4   340.2      644.5      8,188.3      1,009.5      9,197.8  
See accompanying notes.

8

---

Table of Contents

Invesco Ltd.

Notes to the Condensed Consolidated Financial Statements

1. ACCOUNTING POLICIES

Corporate Information

Invesco Ltd. (Parent) and all of its consolidated entities (collectively, the company or Invesco) provide retail, institutional and high-net-worth clients with an array of global investment management capabilities. The company's sole business is investment management.

Basis of Accounting and Consolidation

In the opinion of management, the unaudited Condensed Consolidated Financial Statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for the fair presentation of the financial condition and results of operations for the interim periods presented. All significant intercompany transactions, balances, revenues and expenses are eliminated upon consolidation.

The Condensed Consolidated Financial Statements have been prepared in accordance with U.S. GAAP and consolidate the financial statements of the Parent, all of its controlled subsidiaries, any variable interest entities (VIEs) required to be consolidated, and any non-VIE general partnership investments where the company is deemed to have control. Control is deemed to be present when the Parent, directly or indirectly, holds a majority voting interest or otherwise has the power to govern the financial and operating policies of the subsidiary so as to obtain the benefits from its activities.

Certain disclosures included in the company's annual report are not required to be included on an interim basis in the company's quarterly reports on Forms 10-Q. The company has condensed or omitted these disclosures. Therefore, this Form 10-Q (Report) should be read in conjunction with the company's annual report on Form 10-K for the year ended December 31, 2011, which was filed with the U.S. Securities and Exchange Commission on February 24, 2012.

Use of Estimates

In preparing the financial statements, company management is required to make estimates and assumptions that affect reported revenues, expenses, assets, liabilities and disclosure of contingent liabilities. The primary estimates relate to investment valuation, goodwill and intangible impairment, and taxes. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements.

Accounting Pronouncements Recently Adopted and Pending Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update 2011-04, "Fair Value Measurements: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements" (ASU 2011-04). ASU 2011-04 amends Topic 820 to clarify existing fair value measurement disclosures to (1) specifically provide quantitative information about the significant unobservable inputs used for all level 3 measurements and (2) disclose any transfers between levels 1 and 2 of the fair value hierarchy, not just significant transfers. ASU 2011-04 also requires a number of additional disclosures regarding fair value measurements. Specifically, ASU 2011-04 requires entities to disclose: (1) a qualitative discussion about the sensitivity of recurring level 3 measurements to changes in the unobservable inputs disclosed, including the interrelationship between inputs; (2) a description of the company's valuation processes surrounding level 3 measurements; (3) information about when the current use of a non-financial asset measured at fair value differs from its highest and best use; and (4) the hierarchy classification for items whose fair value is not recorded on the balance sheet but is disclosed in the notes. ASU 2011-04 amends Topic 820 to change the fair value measurement of financial instruments and the application of premiums and discounts in a fair value measurement. ASU 2011-04 also clarifies existing fair value measurement regarding the concepts of valuation premise, the application of the highest and best use, and the fair value measurement of an instrument classified in an entity's shareholders' equity. The adoption of ASU 2011-04 did not have an effect on the company's current fair value measurements but led to increased disclosures related to the assets and liabilities of the company's consolidated investment products that are classified as level 3 assets within the fair value hierarchy. The amendments to Topic 820 made by ASU 2011-04 are effective for interim and annual periods beginning on or after December 15, 2011, and are accordingly reflected in the fair value disclosure contained in Notes 2, "Fair Value of Assets and Liabilities," and 11, "Consolidated Investment Products."

In June 2011, the FASB issued Accounting Standards Update 2011-05, "Comprehensive Income: Presentation of Comprehensive Income" (ASU 2011-05). ASU 2011-05 amends Topic 220 to require the components of net income and other comprehensive income to be presented in one continuous statement, which would be referred to as the statement of comprehensive income, or in two separate but consecutive statements. Prior to ASU 2011-05, there was no requirement to

9

---

Table of Contents

present the statement of net income and statement of comprehensive income consecutively. ASU 2011-05 also requires an entity to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income alongside their respective components of net income and other comprehensive income. This requirement in ASU 2011-05 was amended and deferred in December 2011, when the FASB issued Accounting Standards Update No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05" (ASU 2011-12). As a result of ASU 2011-12, an entity will continue to report items that are reclassified from accumulated other comprehensive income consistent with the requirements in Topic 220 in effect before the adoption of ASU 2011-05. The amendments to Topic 220 made by ASU 2011-05, and the amendments to ASU 2011-05 made by ASU 2011-12, are effective for interim and annual periods beginning on or after December 15, 2011 for public companies, and are accordingly reflected in the new financial statement, "Condensed Consolidated Statements of Comprehensive Income."

In September 2011, the FASB issued Accounting Standards Update 2011-08, "Intangibles-Goodwill and Other: Testing Goodwill for Impairment" (ASU 2011-08). ASU 2011-08 amends Topic 350 on testing for goodwill impairment. Specifically, ASU 2011-08 permits an entity the option to first qualitatively assess whether it is more likely than not (a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. If an entity concludes that this is the case, it would be required to calculate the fair value of the reporting unit under step one of the goodwill impairment test; otherwise, no further testing is required. An entity may bypass the qualitative assessment in any period and proceed directly to step one of the goodwill impairment test, and may resume performing the qualitative assessment in any subsequent period. The amendments made by ASU 2011-08 have been adopted by the company and are effective for interim and annual periods beginning on or after December 15, 2011. They will be contemplated as part of the company's 2012 impairment testing process.

## 2. FAIR VALUE OF ASSETS AND LIABILITIES

The carrying value and fair value of financial instruments is presented in the summary table below. The fair value of financial instruments held by consolidated investment products is presented in Note 11, "Consolidated Investment Products."

| \$ in millions                                | June 30, 2012      |                |            | December 31, 2011 |            |
|---|--------------------|----------------|------------|-------------------|------------|
|   | Footnote Reference | Carrying Value | Fair Value | Carrying Value    | Fair Value |
| Cash and cash equivalents                     |                    | 718.4          | 718.4      | 727.4             | 727.4      |
| Available for sale investments                | 3                  | 118.2          | 118.2      | 63.5              | 63.5       |
| Assets held for policyholders                 |                    | 1,065.4        | 1,065.4    | 1,243.5           | 1,243.5    |
| Trading investments                           | 3                  | 204.6          | 204.6      | 187.5             | 187.5      |
| Foreign time deposits*                        | 3                  | 30.0           | 30.0       | 32.2              | 32.2       |
| Support agreements*                           | 10,11              | (1.0)          | (1.0)      | (1.0)             | (1.0)      |
| Policyholder payables                         |                    | (1,065.4)      | (1,065.4)  | (1,243.5)         | (1,243.5)  |
| Put option contracts                          |                    | 1.3            | 1.3        | —                 | —          |
| Financial instruments sold, not yet purchased |                    | (1.2)          | (1.2)      | (1.0)             | (1.0)      |
| Note payable                                  |                    | (12.6)         | (12.6)     | (16.8)            | (16.8)     |
| Total debt*                                   | 4                  | (1,341.6)      | (1,363.0)  | (1,284.7)         | (1,307.5)  |

These financial instruments are not measured at fair value on a recurring basis. See the indicated footnotes for \*additional information about the carrying and fair values of these financial instruments. Foreign time deposits are measured at cost plus accrued interest, which approximates fair value, and are accordingly classified as Level 2 securities.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Cash equivalents

Cash equivalents include cash investments in money market funds and time deposits. Cash investments in money market funds are valued under the market approach through the use of quoted market prices in an active market, which is the net asset value of the underlying funds, and are classified within level 1 of the valuation hierarchy.

Available-for-sale investments

Available-for-sale investments include amounts seeded into affiliated investment products, investments in affiliated CLOs,

Table of Contents

and investments in other debt securities. Seed money investments are investments held in Invesco managed funds with the purpose of providing capital to the funds during their development periods. Seed money is valued under the market approach through the use of quoted market prices available in an active market and is classified within level 1 of the valuation hierarchy; there is no modeling or additional information needed to arrive at the fair values of these investments. CLO assets are valued based on price quotations provided by an independent third-party pricing source, in which case they are classified as level 2, or using an income approach through the use of certain observable and unobservable inputs. Due to current liquidity constraints within the market for CLO products that require the use of unobservable inputs, these investments are classified within level 3 of the valuation hierarchy. Other debt securities are valued using a cost valuation technique due to the lack of available cash flow and market data and are accordingly also classified within Level 3 of the valuation hierarchy.

**Assets held for policyholders**

Assets held for policyholders represent investments held by one of the company's subsidiaries, which is an insurance entity that was established to facilitate retirement savings plans in the U.K. The assets held for policyholders are accounted for at fair value pursuant to ASC Topic 944, "Financial Services — Insurance," and are comprised primarily of affiliated unitized funds. The assets are measured at fair value under the market approach based on the quoted prices of the underlying funds in an active market and are classified within level 1 of the valuation hierarchy. The policyholder payables are indexed to the value of the assets held for policyholders.

**Put option contracts**

In the three months ended June 30, 2012, the company purchased four put option contracts to hedge economically foreign currency risk on the translation of a portion of its pound sterling-denominated earnings into U.S. dollars. The economic hedge is predominantly triggered upon the impact of a significant decline in the pound sterling/U.S. dollar foreign exchange rate, which could arise from a Greek Euro exit or other major European economic events. Open put option contracts are marked-to-market through earnings, which are recorded in the company's consolidated statement of income in other gains and losses. These derivative contracts are valued using option valuation models and are included in other current assets in the company's consolidated balance sheet. The significant inputs in these models (volatility, forward points and swap curves) are readily available in public markets or can be derived from observable market transactions for substantially the full terms of the contracts and are classified within level 2 of the valuation hierarchy. The cost to the company of these contracts was \$2.5 million at their inception date, which represents the company's maximum exposure to loss from the contracts over the 12-month cumulative contract period, and contract maturity ranges from September 25, 2012 to June 25, 2013. These were the only contracts entered into during the period to hedge economically foreign currency risk. The company recognized a loss of \$1.2 million in the six months ended June 30, 2012 related to the change in market value of these put option contracts.

**Trading investments**

Trading investments include investments held to hedge economically against costs the company incurs in connection with certain deferred compensation plans in which the company participates, as well as trading and investing activities in equity and debt securities entered into in its capacity as sponsor of unit investment trusts (UITs).

**Investments related to deferred compensation plans**

Investments related to deferred compensation plans are primarily invested in affiliated funds that are held to hedge economically current and non-current deferred compensation liabilities. Investments related to deferred compensation plans are valued under the market approach through the use of quoted prices in an active market and are classified within level 1 of the valuation hierarchy.

**UIT-related equity and debt securities**

At June 30, 2012, UIT-related equity and debt securities consisted of investments in corporate stock, corporate bonds, UITs, U.S. state and political subdivisions. Each is discussed more fully below.

**Corporate stock**

The company temporarily holds investments in corporate stock for purposes of creating a UIT. Corporate stocks are valued under the market approach through use of quoted prices on an exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized within level 1 of the valuation hierarchy; otherwise, they are categorized in level 2.

Corporate bonds

The company temporarily holds investments in corporate bonds for purposed of creating a UIT. Corporate bonds are valued using recently executed transaction prices, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturities as the underlying bonds. If the spread data does not reference the issuers, then data that references comparable

Table of Contents

issuers is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond or single name credit default spreads, and recovery rates based on collateral value as key inputs. Depending on the nature of the inputs, these investments are categorized as level 1, 2, or 3.

**UITs**

The company may hold units of its sponsored UITs at period-end for sale in the primary market or secondary market. Equity UITs are valued under the market approach through use of quoted prices on an exchange. Fixed income UITs are valued using recently executed transaction prices, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturities as the underlying bonds. If the spread data does not reference the issuers, then data that references comparable issuers is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond or single name credit default spreads, and recovery rates based on collateral value as key inputs. Depending on the nature of the inputs, these investments are categorized as level 1, 2, or 3.

**Municipal securities**

Municipal securities are valued using recently executed transaction prices, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturities as the underlying bonds. If the spread data does not reference the issuers, then data that references comparable issuers is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond or single name credit default spreads, and recovery rates based on collateral value as key inputs. Depending on the nature of the inputs, these investments are categorized as level 1, 2, or 3.

**UIT-related financial instruments sold, not yet purchased, and derivative instruments**

The company uses U.S. Treasury futures, which are types of derivative financial instruments, to hedge economically fixed income UIT inventory and securities in order to mitigate market risk. Open futures contracts are marked-to-market daily through earnings, which are recorded in the company's consolidated statement of income in other revenue, along with the mark-to-market on the underlying trading securities held. Fair values of derivative contracts in an asset position are included in other current assets in the company's consolidated balance sheet. Fair values of derivative contracts in a liability position are included in other liabilities in the company's consolidated balance sheet. These derivative contracts are valued under the market approach through use of quoted prices in an active market and are classified within level 1 of the valuation hierarchy. At June 30, 2012, there were 7 open futures contracts with a notional value of \$0.9 million (December 31, 2011: 10 open futures contracts with a notional value of \$1.3 million). Additionally, to hedge economically the market risk associated with equity and debt securities and UITs temporarily held as trading investments, the company will hold short corporate stock, exchange-traded fund, or U.S. treasury security positions. These transactions are recorded as financial instruments sold, not yet purchased and are included in other current liabilities in the company's consolidated balance sheet. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized within level 1 of the valuation hierarchy; otherwise, they are categorized in level 2.

**Note payable**

The note payable represents a payable associated with Invesco's acquired ownership interest in two consolidated real estate funds. As the underlying investments in the funds are carried at fair value (and are disclosed as level 3 assets in the fair value hierarchy table included in Note 11, "Consolidated Investment Products"), management elected the fair value option for the note payable in order to offset the fair value movements recognized from the funds and has recorded the note payable as a level 3 liability. The fair value of the note payable is measured by reference to the value of the company's ownership interest in the equity of the funds, as this is the contractual amount payable at the reporting date. The value of the funds' equity is driven by the value of the underlying investments of the funds, as these investments make up the majority of the funds' equity. See Note 11, "Consolidated Investment Products," for additional information regarding the valuation of the underlying investments of the funds.

Table of Contents

The following table presents, for each of the hierarchy levels described above, the carrying value of the company's assets and liabilities, including major security type for equity and debt securities, which are measured at fair value on the face of the statement of financial position as of June 30, 2012.

| \$ in millions   | As of June 30, 2012     |  |   |   |
|--|-------------------------|--|---|---|
|  | Fair Value Measurements | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Current assets:  |                         |  |   |   |
| Cash equivalents:  |                         |  |   |   |
| Money market funds   | 210.6                   | 210.6  | —   | —   |
| Investments:*  |                         |  |   |   |
| Available-for-sale:  |                         |  |   |   |
| Seed money   | 109.4                   | 100.2  | 9.2   | —   |
| Trading investments:                                       |                         |  |   |   |
| Investments related to deferred compensation plans         | 200.2                   | 200.2  | —   | —   |
| UIT-related equity and debt securities:                    |                         |  |   |   |
| Corporate stock  | 1.5                     | 1.5  | —   | —   |
| UITs   | 1.6                     | 1.6  | —   | —   |
| Municipal securities                                       | 1.3                     | —  | 1.3   | —   |
| Assets held for policyholders                              | 1,065.4                 | 1,065.4  | —   | —   |
| Put option contracts                                       | 1.3                     | —  | 1.3   | —   |
| Total current assets                                       | 1,591.3                 | 1,579.5  | 11.8  | —   |
| Non-current assets:  |                         |  |   |   |
| Investments — available-for-sale*:                         |                         |  |   |   |
| CLOs   | 2.5                     | —  | —   | 2.5                                       |
| Other debt securities                                      | 6.3                     | —  | —   | 6.3                                       |
| Total assets at fair value                                 | 1,600.1                 | 1,579.5  | 11.8  | 8.8                                       |
| Current liabilities:                                       |                         |  |   |   |
| Policyholder payables                                      | (1,065.4 )              | (1,065.4 )   | —   | —   |
| UIT-related financial instruments sold, not yet purchased: |                         |  |   |   |
| Corporate equities   | (1.2 )                  | (1.2 )   | —   | —   |
| Note payable   | (12.6 )                 | —  | —   | (12.6 )                                   |
| Total liabilities at fair value                            | (1,079.2 )              | (1,066.6 )   | —   | (12.6 )                                   |

Current foreign time deposits of \$30.0 million and other current investments of \$0.5 million are excluded from this table. Non-current equity method and other investments of \$198.2 million and \$11.8 million, respectively, are also excluded from this table. These investments are not measured at fair value, in accordance with applicable accounting standards.

Table of Contents

The following table presents, for each of the hierarchy levels described above, the carrying value of the company's assets and liabilities that are measured at fair value as of December 31, 2011:

| \$ in millions   | As of December 31, 2011 |  |   |   |
|--|-------------------------|--|---|---|
|  | Fair Value Measurements | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Current assets:  |                         |  |   |   |
| Cash equivalents:  |                         |  |   |   |
| Money market funds   | 257.7                   | 257.7  | —   | —   |
| Investments:*  |                         |  |   |   |
| Available-for-sale:  |                         |  |   |   |
| Seed money   | 63.5                    | 63.5   | —   | —   |
| Trading investments:                                       |                         |  |   |   |
| Investments related to deferred compensation plans         | 184.4                   | 184.4  | —   | —   |
| UIT-related equity and debt securities:                    |                         |  |   |   |
| Corporate stock  | 1.1                     | 1.1  | —   | —   |
| UITs   | 0.9                     | 0.9  | —   | —   |
| Municipal securities                                       | 1.1                     | —  | 1.1   | —   |
| Assets held for policyholders                              | 1,243.5                 | 1,243.5  | —   | —   |
| Total current assets                                       | 1,752.2                 | 1,751.1  | 1.1   | —   |
| Current liabilities:                                       |                         |  |   |   |
| Policyholder payables                                      | (1,243.5 )              | (1,243.5 )   | —   | —   |
| UIT-related financial instruments sold, not yet purchased: |                         |  |   |   |
| Corporate equities   | (1.0 )                  | (1.0 )   | —   | —   |
| Non-current liabilities:                                   |                         |  |   |   |
| Note payable   | (16.8 )                 | —  | —   | (16.8 )                                   |
| Total liabilities at fair value                            | (1,261.3 )              | (1,244.5 )   | —   | (16.8 )                                   |

Current foreign time deposits of \$32.2 million and other current investments of \$0.5 million are excluded from this table. Non-current equity method and other investments of \$193.1 million and \$7.7 million, respectively, are also excluded from this table. These investments are not measured at fair value, in accordance with applicable accounting standards.

Table of Contents

The following table shows a reconciliation of the beginning and ending fair value measurements for level 3 assets and liabilities during the three and six months ended June 30, 2012 and June 30, 2011, which are valued using significant unobservable inputs:

| \$ in millions   | Three months ended June 30, 2012 |                       |              | Six months ended June 30, 2012 |                       |              |
|--|----------------------------------|-----------------------|--------------|--------------------------------|-----------------------|--------------|
|  | CLOs                             | Other Debt Securities | Note Payable | CLOs                           | Other Debt Securities | Note Payable |
| Beginning balance  | 2.8                              | 6.3                   | (12.3 )      | —                              | —                     | (16.8 )      |
| Deconsolidation of consolidated investment products  | —                                | —                     | —            | 2.5                            | —                     | —            |
| Purchases, sales, issuances  | (0.1 )                           | —                     | —            | (0.1 )                         | 1.7                   | —            |
| Net unrealized gains and losses included in accumulated other comprehensive income/(loss)* | (0.2 )                           | —                     | —            | 0.1                            | —                     | —            |
| Net unrealized gains and losses included in earnings*                                      | —                                | —                     | —            | —                              | —                     | 3.5          |
| Reclassification   | —                                | —                     | —            | —                              | 4.6                   | —            |
| Foreign exchange movements included in earnings  | —                                | —                     | (0.3 )       | —                              | —                     | 0.7          |
| Ending balance   | 2.5                              | 6.3                   | (12.6 )      | 2.5                            | 6.3                   | (12.6 )      |

  

| \$ in millions   | Three months ended June 30, 2011 |              | Six months ended June 30, 2011 |              |
|--|----------------------------------|--------------|--------------------------------|--------------|
|  | CLOs                             | Note Payable | CLOs                           | Note Payable |
| Beginning balance  | 0.7                              | (18.5 )      | 0.5                            | (18.9 )      |
| Purchases, sales, issuances  | (0.1 )                           | 2.9          | (0.1 )                         | 2.9          |
| Net unrealized gains and losses included in accumulated other comprehensive income/(loss)* | (0.2 )                           | —            | —                              | —            |
| Foreign exchange movements included in earnings  | —                                | (0.5 )       | —                              | (0.1 )       |
| Ending balance   | 0.4                              | (16.1 )      | 0.4                            | (16.1 )      |

Of these net unrealized gains and losses included in accumulated other comprehensive income/(loss), \$0.2 million loss and \$0.1 million gain for the three and six months ended June 30, 2012 is attributed to the change in unrealized gains and losses related to assets still held at June 30, 2012 (three and six months ended June 30, 2011: \$0.2 million and none unrealized gains and losses related to assets still held at June 30, 2011).  
 \* Of these net unrealized gains and losses included in earnings, none and \$3.5 million for the three and six months ended June 30, 2012 is attributed to the change in unrealized gains and losses related to the note payable still held at June 30, 2012 (three and six months ended June 30, 2011: none and none).

## Quantitative Information about Level 3 Fair Value Measurements

The following table shows significant unobservable inputs used in the fair value measurement of level 3 assets and liabilities:

| Assets and Liabilities * | Fair Value at June 30, 2012 (\$ in millions) | Valuation Technique       | Unobservable Inputs                           | Range (Weighted Average)   |
|--------------------------|--|---------------------------|---|----------------------------|
| CLOs                     | 2.5  | Discounted Cash Flow-Euro | Probability of Default<br>Spread over Euribor | 1% - 5%<br>2150 - 2850 bps |

Edgar Filing: Invesco Ltd. - Form 10-Q

|                              |                        |                 |
|------------------------------|------------------------|-----------------|
| Discounted Cash Flow-<br>USD | Probability of Default | 1% - 4%         |
|                              | Spread over Libor      | 1350 - 1800 bps |

Other debt securities of \$6.3 million are not included in the table above as they are valued using a cost valuation \* technique. The note payable of \$12.6 million is also not included in the table above as its value is linked to the underlying value of consolidated funds. Both items are more fully discussed in the "Available-for-sale investments" and "Note payable" disclosures above.

For CLO Notes, a change in the assumption used for spreads is generally accompanied by a directionally similar change in default rate. Significant increases in any of these inputs in isolation would result in a significant lower fair value measurements. A directionally-opposite impact would apply for significant decreases in these inputs.

Table of Contents

## 3. INVESTMENTS

The disclosures below include details of the company's investments. Investments held by consolidated investment products are detailed in Note 11, "Consolidated Investment Products."

## Current Investments

|  | As of            |                         |
|--|------------------|-------------------------|
| \$ in millions                                     | June 30,<br>2012 | December<br>31,<br>2011 |
| Available-for-sale investments:                    |                  |                         |
| Seed money   | 109.4            | 63.5                    |
| Trading investments:                               |                  |                         |
| Investments related to deferred compensation plans | 200.2            | 184.4                   |
| UIT-related equity and debt securities             | 4.4              | 3.1                     |
| Foreign time deposits                              | 30.0             | 32.2                    |
| Other  | 0.5              | 0.5                     |
| Total current investments                          | 344.5            | 283.7                   |

## Non-current Investments

|                                 | As of            |                         |
|---------------------------------|------------------|-------------------------|
| \$ in millions                  | June 30,<br>2012 | December<br>31,<br>2011 |
| Available-for-sale investments: |                  |                         |
| CLOs                            | 2.5              | —                       |
| Other debt securities           | 6.3              | —                       |
| Equity method investments       | 198.2            | 193.1                   |
| Other                           | 11.8             | 7.7                     |
| Total non-current investments   | 218.8            | 200.8                   |

The portion of trading gains and losses for the six months ended June 30, 2012 that relates to trading securities still held at June 30, 2012 was a \$6.3 million net gain.

Realized gains and losses recognized in the income statement during the year from investments classified as available-for-sale are as follows:

| \$ in millions                                | For the three months ended June 30,<br>2012 |                            |                             | For the six months ended June 30, 2012 |                            |                             |
|---|---|----------------------------|-----------------------------|--|----------------------------|-----------------------------|
|   | Proceeds<br>from Sales                      | Gross<br>Realized<br>Gains | Gross<br>Realized<br>Losses | Proceeds<br>from Sales                 | Gross<br>Realized<br>Gains | Gross<br>Realized<br>Losses |
| Current available-for-sale<br>investments     | 3.3   | 0.3                        | —                           | 23.6                                   | 1.8                        | (0.5 )                      |
| Non-current available-for-sale<br>investments | 0.2   | —                          | —                           | 0.2                                    | —                          | —                           |
| \$ in millions                                | For the three months ended June 30,<br>2011 |                            |                             | For the six months ended June 30, 2011 |                            |                             |
|   | Proceeds<br>from Sales                      | Gross<br>Realized<br>Gains | Gross<br>Realized<br>Losses | Proceeds<br>from Sales                 | Gross<br>Realized<br>Gains | Gross<br>Realized<br>Losses |
| Current available-for-sale<br>investments     | 20.3  | 3.2                        | (0.1 )                      | 36.5                                   | 6.5                        | (0.2 )                      |
| Non-current available-for-sale<br>investments | —   | —                          | —                           | 0.1                                    | —                          | —                           |

Upon the sale of available-for-sale securities, net realized gains of \$1.3 million and \$6.3 million were transferred from accumulated other comprehensive income into the Condensed Consolidated Statements of Income during the six months ended June 30, 2012 and 2011, respectively. The specific identification method is used to determine the realized gain or loss on

Table of Contents

securities sold or otherwise disposed.

Gross unrealized holding gains and losses recognized in other accumulated comprehensive income from available-for-sale investments are presented in the table below:

| \$ in millions                              | June 30, 2012 |                                |                                 |            | December 31, 2011 |                                |                                 |            |
|---|---------------|--------------------------------|---------------------------------|------------|-------------------|--------------------------------|---------------------------------|------------|
|   | Cost          | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Fair Value | Cost              | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Fair Value |
| Current:                                    |               |                                |                                 |            |                   |                                |                                 |            |
| Seed money                                  | 108.2         | 3.2                            | (2.0 )                          | 109.4      | 65.7              | 2.2                            | (4.4 )                          | 63.5       |
| Current available-for-sale investments      | 108.2         | 3.2                            | (2.0 )                          | 109.4      | 65.7              | 2.2                            | (4.4 )                          | 63.5       |
| Non-current:                                |               |                                |                                 |            |                   |                                |                                 |            |
| CLOs  | 2.5           | —                              | —                               | 2.5        | —                 | —                              | —                               | —          |
| Other debt securities                       | 6.3           | —                              | —                               | 6.3        | —                 | —                              | —                               | —          |
| Non-current available-for-sale investments: | 8.8           | —                              | —                               | 8.8        | —                 | —                              | —                               | —          |
|   | 117.0         | 3.2                            | (2.0 )                          | 118.2      | 65.7              | 2.2                            | (4.4 )                          | 63.5       |

Available-for-sale debt securities as of June 30, 2012 by maturity, are set out below:

| \$ in millions           | Available-for-Sale (Fair Value) |
|--------------------------|---------------------------------|
| Less than one year       | —                               |
| One to five years        | 1.7                             |
| Five to ten years        | 2.5                             |
| Greater than ten years   | 4.6                             |
| Total available-for-sale | 8.8                             |

The following table provides the breakdown of available-for-sale investments with unrealized losses at June 30, 2012:

| \$ in millions        | Less Than 12 Months |                         | 12 Months or Greater |                         | Total      |                         |
|-----------------------|---------------------|-------------------------|----------------------|-------------------------|------------|-------------------------|
|                       | Fair Value          | Gross Unrealized Losses | Fair Value           | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Seed money (37 funds) | 14.1                | (1.2 )                  | 8.7                  | (0.8 )                  | 22.8       | (2.0 )                  |

The following table provides the breakdown of available-for-sale investments with unrealized losses at December 31, 2011:

| \$ in millions        | Less Than 12 Months |                         | 12 Months or Greater |                         | Total      |                         |
|-----------------------|---------------------|-------------------------|----------------------|-------------------------|------------|-------------------------|
|                       | Fair Value          | Gross Unrealized Losses | Fair Value           | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Seed money (64 funds) | 37.5                | (4.4 )                  | —                    | —                       | 37.5       | (4.4 )                  |

The company has reviewed investment securities for other-than-temporary impairment (OTTI) in accordance with its accounting policy and has recognized \$0.9 million other-than-temporary impairment charges on available-for-sale investments during the six months ended June 30, 2012 (six months ended June 30, 2011: none).

The gross unrealized losses of seed money investments at June 30, 2012 were primarily caused by declines in the market value of the underlying securities in the seeded funds and foreign exchange movements. After conducting a review of the financial condition and near-term prospects of the underlying securities in the seeded funds as well as the severity and duration of the impairment, the company does not consider any material portion of its gross unrealized losses on these securities to be other-than-temporarily impaired. The securities are expected to recover their

value over time and the company has the intent and ability to hold the securities until this recovery occurs.

Table of Contents

## 4. DEBT

The disclosures below include details of the company's debt. Debt of consolidated investment products is detailed in Note 11, "Consolidated Investment Products."

| \$ in millions                                      | June 30, 2012  |            | December 31, 2011 |            |
|---|----------------|------------|-------------------|------------|
|   | Carrying Value | Fair Value | Carrying Value    | Fair Value |
| Unsecured Senior Notes*:                            |                |            |                   |            |
| 5.625% — due April 17, 2012                         | —              | —          | 215.1             | 217.3      |
| 5.375% — due February 27, 2013                      | 333.5          | 343.0      | 333.5             | 343.8      |
| 5.375% — due December 15, 2014                      | 197.1          | 209.0      | 197.1             | 207.4      |
| Floating rate credit facility expiring June 3, 2016 | 811.0          | 811.0      | 539.0             | 539.0      |
| Total debt  | 1,341.6        | 1,363.0    | 1,284.7           | 1,307.5    |
| Less: current maturities of total debt              | (333.5)        | (343.0)    | (215.1)           | (217.3)    |
| Long-term debt                                      | 1,008.1        | 1,020.0    | 1,069.6           | 1,090.2    |

\* The company's Senior Note indentures contain certain restrictions on mergers or consolidations. Beyond these items, there are no other restrictive covenants in the indentures.

The fair market value of the company's Senior Notes was determined by market quotes provided by Bloomberg, which is considered a Level 2 valuation input. In the absence of an active market, the company relies upon the average price quoted by brokers for determining the fair market value of the debt.

Analysis of Borrowings by Maturity:

| \$ in millions | June 30, 2012 |
|----------------|---------------|
| 2012           | —             |
| 2013           | 333.5         |
| 2014           | 197.1         |
| 2016           | 811.0         |
| Total debt     | 1,341.6       |

At June 30, 2012, the outstanding balance on the credit facility was \$811.0 million and the weighted average interest rate on the credit facility was 1.385%. Borrowings under the credit facility will bear interest at (i) LIBOR for specified interest periods or (ii) a floating base rate (based upon the highest of (a) the Bank of America prime rate, (b) the Federal Funds rate plus 0.50% and (c) LIBOR for an interest period of one month plus 1.00%), plus, in either case, an applicable margin determined with reference to the company's credit ratings and specified credit default spreads. Based on credit ratings as of June 30, 2012 of the company and such credit default spreads, the applicable margin for LIBOR-based loans was 1.10% and for base rate loans was 0.10%. In addition, the company is required to pay the lenders a facility fee on the aggregate commitments of the lenders (whether or not used) at a rate per annum which is based on the company's credit ratings. Based on credit ratings as of June 30, 2012, the annual facility fee was equal to 0.15%.

Financial covenants under the credit agreement include: (i) the quarterly maintenance of a debt/EBITDA ratio, as defined in the credit agreement, of not greater than 3.25:1.00 through June 30, 2014, and not greater than 3.00:1.00 thereafter, (ii) a coverage ratio (EBITDA, as defined in the credit agreement, divided by interest payable for the four consecutive fiscal quarters ended before the date of determination) of not less than 4.00:1.00. The company is in compliance with all regulatory minimum net capital requirements.

## 5. SHARE CAPITAL

Movements in the number of common shares issued are represented in the table below:

| In millions   | June 30, 2012 | June 30, 2011 |
|---|---------------|---------------|
| Common shares issued  | 490.4         | 490.4         |
| Less: Treasury shares for which dividend and voting rights do not apply | (45.2)        | (39.5)        |
| Common shares outstanding   | 445.2         | 450.9         |



Table of Contents

During the three and six months ended June 30, 2012, the company repurchased 3.2 million and 6.3 million shares, respectively, in the market at a cost of \$75.0 million and \$150.0 million, respectively (three and six months ended June 30, 2011: 11.3 million and 13.4 million shares were repurchased at a cost of \$279.9 million and \$333.0 million, respectively). Separately, an aggregate of 1.7 million shares were withheld on vesting events during the six months ended June 30, 2012 to meet employees' withholding tax (six months ended June 30, 2011: 2.7 million). The fair value of these shares withheld at the respective withholding dates was \$42.6 million during the six months ended June 30, 2012 (six months ended June 30, 2011: \$70.8 million). Approximately \$582.0 million remained authorized under the company's share repurchase plan at June 30, 2012 (six months ended June 30, 2011: \$835.4 million). Total treasury shares at June 30, 2012 were 55.8 million (June 30, 2011: 49.5 million), including 10.6 million unvested restricted stock awards (June 30, 2011: 10.0 million) for which dividend and voting rights apply. The closing market price of common shares at June 30, 2012 was \$22.60. The total market value of the company's 55.8 million treasury shares was \$1.3 billion on June 30, 2012.

**6. SHARE-BASED COMPENSATION**

The company issues equity-settled share-based awards to certain employees, which are measured at fair value at the date of grant, in accordance with ASC Topic 718, "Compensation — Stock Compensation." The fair value determined at the grant date is expensed, based on the company's estimate of shares that will eventually vest, on a straight-line or accelerated basis over the vesting period. The company recognized total expenses of \$67.0 million in the six months ended June 30, 2012 (six months ended June 30, 2011: \$56.8 million) related to equity-settled share-based payment transactions.

**Share Awards**

Movements on share awards priced in U.S. dollars are detailed below:

| Millions of shares, except fair values   | Six months ended June 30, 2012 |                    |   | Six months ended June 30, 2011 |   |
|--|--------------------------------|--------------------|---|--------------------------------|---|
|  | Time-Vested                    | Performance-Vested | Weighted Average Grant Date Fair Value (\$) | Time-Vested                    | Weighted Average Grant Date Fair Value (\$) |
| Unvested at the beginning of period      | 17.3                           | —                  | 20.34                                       | 17.4                           | 17.25                                       |
| Granted during the period                | 5.4                            | 0.3                | 24.84                                       | 5.5                            | 26.79                                       |
| Forfeited during the period              | (0.1)                          | ) —                | 21.04                                       | (0.2)                          | ) 19.17                                     |
| Vested and distributed during the period | (5.2)                          | ) —                | 18.75                                       | (4.9)                          | ) 18.93                                     |
| Unvested at the end of the period        | 17.4                           | 0.3                | 22.26                                       | 17.8                           | 20.21                                       |

Further details of the performance-vested awards granted in 2012 are included in the Compensation Discussion and Analysis section of the company's 2012 Proxy statement.

On December 4, 2007, in connection with the redomicile of the company from the U.K. to Bermuda, the company's primary share listing moved from the London Stock Exchange to the New York Stock Exchange. Movements on share awards priced in Pounds Sterling, which were awarded prior to the move of the company's primary share listing to the New York Stock Exchange, are detailed below:

| Millions of shares, except fair values | Six months ended June 30, 2012 |   | Six months ended June 30, 2011 |   |
|--|--------------------------------|---|--------------------------------|---|
|  | Time-Vested                    | Weighted Average Grant Date Fair Value (£ Sterling) | Time-Vested                    | Performance-Vested                                  |
|  |                                |   |                                | Weighted Average Grant Date Fair Value (£ Sterling) |

Edgar Filing: Invesco Ltd. - Form 10-Q

|  |      |        |      |        |         |
|--|------|--------|------|--------|---------|
| Unvested at the beginning of period      | 0.6  | 11.25  | 3.3  | 0.1    | 11.80   |
| Vested and distributed during the period | (0.3 | ) 9.66 | (2.3 | ) (0.1 | ) 11.94 |
| Unvested at the end of the period        | 0.3  | 12.90  | 1.0  | —      | 11.47   |

Share awards outstanding at June 30, 2012 had a weighted average remaining contractual life of 1.84 years. The market price of the company's common stock at June 30, 2012 was \$22.60.

Table of Contents

## Share Options

The company has not granted share option awards since 2005. All remaining outstanding share option awards were fully vested and were expensed by the company over the applicable vesting periods (the latest of which ended prior to December 31, 2008). At the time of their grants, the exercise prices of the share options were denominated in the company's trading currency, which was the Pound Sterling. The exercise price remains in Pounds Sterling and was not changed to U.S. Dollars. Therefore, upon exercise of the share options, the Pound Sterling exercise price will be converted into U.S. Dollars using the spot foreign exchange rate in effect on the exercise date.

Changes in outstanding share option awards are as follows:

|  | Six months ended June 30, 2012     |   | Six months ended June 30, 2011     |   |
|--|------------------------------------|---|------------------------------------|---|
|  | Options<br>(millions of<br>shares) | Weighted<br>Average<br>Exercise Price<br>(£ Sterling) | Options<br>(millions of<br>shares) | Weighted<br>Average<br>Exercise Price<br>(£ Sterling) |
| Outstanding at the beginning of the period | 4.5                                | 7.85  | 10.7                               | 13.85   |
| Forfeited during the period                | (0.1 )                             | 14.80   | (0.5 )                             | 24.40   |
| Exercised during the period                | (0.9 )                             | 8.66  | (0.7 )                             | 8.53  |
| Outstanding at the end of the period       | 3.5                                | 7.36  | 9.5                                | 13.58   |
| Exercisable at the end of the period       | 3.5                                | 7.36  | 9.5                                | 13.58   |

## 7. RETIREMENT BENEFIT PLANS

## Defined Contribution Plans

The company operates defined contribution retirement benefit plans for all qualifying employees. The assets of the plans are held separately from those of the company in funds under the control of trustees. When employees leave the plans prior to vesting fully in the contributions, the contributions payable by the company are reduced by the amount of forfeited contributions.

The total amounts charged to the Condensed Consolidated Statements of Income for the six months ended June 30, 2012 and 2011, of \$30.9 million and \$29.7 million, respectively, represent contributions paid or payable to these plans by the company at rates specified in the rules of the plans. As of June 30, 2012, accrued contributions of \$12.4 million (December 31, 2011: \$20.0 million) for the current year will be paid to the plans when due.

## Defined Benefit Plans

The company maintains legacy defined benefit pension plans for qualifying employees of its subsidiaries in the U.K., Ireland, Germany, and Taiwan. All defined benefit plans are closed to new participants. The company also maintains a post-retirement medical plan in the U.S., which was closed to new participants in 2005. In 2006, the plan was amended to eliminate benefits for all participants who did not meet retirement eligibility by 2008. The assets of all defined benefit plans are held in separate trustee-administered funds. Under the plans, the employees are generally entitled to retirement benefits based on final salary at retirement.

The components of net periodic benefit cost in respect of these defined benefit plans are as follows:

|  | Three months ended June 30, |        |              |        | Six months ended June 30, |        |              |        |
|--|-----------------------------|--------|--------------|--------|---------------------------|--------|--------------|--------|
|  | Retirement Plans            |        | Medical Plan |        | Retirement Plans          |        | Medical Plan |        |
| \$ in millions                               | 2012                        | 2011   | 2012         | 2011   | 2012                      | 2011   | 2012         | 2011   |
| Service cost                                 | (1.1 )                      | (1.1 ) | (0.1 )       | (0.1 ) | (2.2 )                    | (2.1 ) | (0.2 )       | (0.3 ) |
| Interest cost                                | (4.8 )                      | (4.5 ) | (0.6 )       | (0.6 ) | (9.6 )                    | (9.1 ) | (1.2 )       | (1.3 ) |
| Expected return on plan assets               | 4.4                         | 3.8    | 0.1          | 0.1    | 8.8                       | 7.5    | 0.2          | 0.2    |
| Amortization of prior service cost           | —                           | (0.7 ) | 0.5          | 0.5    | —                         | (1.5 ) | 1.0          | 1.0    |
| Amortization of net actuarial<br>(loss)/gain | (0.3 )                      | 0.2    | (0.1 )       | (0.7 ) | (0.6 )                    | 0.3    | (0.2 )       | (1.4 ) |
| Net periodic benefit cost                    | (1.8 )                      | (2.3 ) | (0.2 )       | (0.8 ) | (3.6 )                    | (4.9 ) | (0.4 )       | (1.8 ) |

The estimated amount of contributions expected to be paid to the retirement plans during 2012 is \$6.1 million, with an additional expected contribution of \$2.1 million to the medical plan.



Table of Contents

## 8. TAXATION

At June 30, 2012, the total amount of gross unrecognized tax benefits was \$18.6 million as compared to the December 31, 2011, total of \$19.5 million. The company and its subsidiaries file annual income tax returns in the U.S. federal jurisdiction, various U.S. state and local jurisdictions, and in numerous foreign jurisdictions. A number of years may elapse before an uncertain tax position, for which the company has unrecognized tax benefits, is finally resolved. To the extent that the company has favorable tax settlements, or determines that accrued amounts are no longer needed due to a lapse in the applicable statute of limitations or other reasons, such liabilities, as well as the related interest and penalty, would be reversed as a reduction of income tax expense (net of federal tax effects, if applicable) in the period such determination is made.

## 9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income attributable to common shareholders by the weighted average number of shares outstanding during the period, excluding treasury shares. The weighted average number of shares outstanding during the period also includes participating securities such as unvested time-based restricted stock awards and restricted stock units that pay dividend equivalents. Diluted earnings per share is computed using the treasury stock method, which requires computing share equivalents and dividing net income attributable to common shareholders by the total weighted average number of shares and share equivalents outstanding during the period. The calculation of earnings per share is as follows:

| In millions, except per share data        | Net Income<br>Attributable<br>to<br>Common<br>Shareholders | Weighted<br>Average<br>Number of<br>Shares | Per Share<br>Amount |
|---|--|--|---------------------|
| For the three months ended June 30, 2012: |  |  |                     |
| Basic earnings per share                  | \$153.9  | 453.8                                      | \$0.34              |
| Dilutive effect of share-based awards     | —  | 1.5  | —                   |
| Diluted earnings per share                | \$153.9  | 455.3                                      | \$0.34              |
| For the three months ended June 30, 2011: |  |  |                     |
| Basic earnings per share                  | \$183.0  | 465.5                                      | \$0.39              |
| Dilutive effect of share-based awards     | —  | 1.9  | —                   |
| Diluted earnings per share                | \$183.0  | 467.4                                      | \$0.39              |

| In millions, except per share data      | Net Income<br>Attributable<br>to<br>Common<br>Shareholders | Weighted<br>Average<br>Number of<br>Shares | Per Share<br>Amount |
|---|--|--|---------------------|
| For the six months ended June 30, 2012: |  |  |                     |
| Basic earnings per share                | \$347.8  | 454.0                                      | \$0.77              |
| Dilutive effect of share-based awards   | —  | 1.6  | —                   |
| Diluted earnings per share              | \$347.8  | 455.6                                      | \$0.76              |
| For the six months ended June 30, 2011: |  |  |                     |
| Basic earnings per share                | \$360.5  | 467.7                                      | \$0.77              |
| Dilutive effect of share-based awards   | —  | 2.0  | —                   |
| Diluted earnings per share              | \$360.5  | 469.7                                      | \$0.77              |

See Note 6, "Share-based Compensation," for a summary of share awards outstanding under the company's share-based payment programs. These programs could result in the issuance of common shares that would affect the measurement of basic and diluted earnings per share.

There were no options to purchase or options outstanding for the six months ended June 30, 2012 (six months ended June 30, 2011: 4.9 million share options at a weighted average exercise price of £19.19) that were not included in the computation of diluted earnings per share because the options' exercise price were greater than the average market price of the shares and therefore their inclusion would have been anti-dilutive.

Table of Contents

10. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies may arise in the ordinary course of business.

Off Balance Sheet Commitments

The company has transactions with various private equity, real estate and other investment entities sponsored by the company for the investment of client assets in the normal course of business. Many of the company's investment products are structured as limited partnerships. The company's investment may take the form of the general partner or a limited partner, and the entities are structured such that each partner makes capital commitments that are to be drawn down over the life of the partnership as investment opportunities are identified. At June 30, 2012, the company's undrawn capital commitments were \$127.6 million (December 31, 2011: \$161.2 million).

During the fourth quarter of 2007, Invesco elected to enter into contingent support agreements for two of its investment trusts to enable them to sustain a stable pricing structure. These two trusts are unregistered trusts that invest in fixed income securities and are available only to limited types of investors. In June 2012, the agreements were amended to extend the term through December 31, 2012; further extensions are likely. As of June 30, 2012, the total committed support under these agreements was \$36.0 million with an internal approval mechanism to increase the maximum possible support to \$66.0 million at the option of the company. The estimated value of these agreements at June 30, 2012, was \$1.0 million (December 31, 2011: \$1.0 million), which is included in other current liabilities on the Condensed Consolidated Balance Sheet and represents a Level 3 measurement due to its determination from an expected present value technique. The estimated value of these agreements is lower than the maximum support amount, reflecting management's estimation that the likelihood of funding under the support agreements is low. Significant investor redemptions out of the trusts before the scheduled maturity of the underlying securities or significant credit default issues of the securities held within the trusts' portfolios could change the company's estimation of likelihood of funding. No payment has been made under either agreement nor has Invesco realized any loss from the support agreements through the date of this Report. These trusts were not consolidated because the company was not deemed to be the primary beneficiary.

A subsidiary of the company has received assessments related to various prior taxation periods for goods and services tax on revenue to which management fee rebates had been applied in those periods. The assessments, related interest, and penalty amounts are approximately \$19.8 million. Management believes Canada Revenue Agency's claims are unfounded and that these assessments are unlikely to stand, and accordingly no provision has been recorded in the Condensed Consolidated Financial Statements.

The Parent and various company subsidiaries have entered into agreements with financial institutions to guarantee certain obligations of other company subsidiaries. The company would be required to perform under these guarantees in the event of certain defaults. The company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

Legal Contingencies

In July 2010, various closed-end funds formerly advised by Van Kampen Investments or Morgan Stanley Investment Management included in the acquired business had complaints filed against them in New York State Court commencing derivative lawsuits purportedly brought on behalf of the common shareholders of those funds. The funds are nominal defendants in these derivative lawsuits and the defendants also include Van Kampen Investments (acquired by Invesco on June 1, 2010), Morgan Stanley Investment Management and certain officers and trustees of the funds who are or were employees of those firms. Invesco has certain obligations under the applicable acquisition agreement regarding the defense costs and any damages associated with this litigation. The plaintiffs allege breaches of fiduciary duties owed by the non-fund defendants to the funds' common shareholders related to the funds' redemption in prior periods of Auction Rate Preferred Securities (ARPS) theretofore issued by the funds. The complaints are similar to other complaints filed against investment advisers, officers and trustees of closed-end funds in other fund complexes which issued and redeemed ARPS. The complaints allege that the advisers, distributors and certain officers and trustees of those funds breached their fiduciary duty by redeeming ARPS at their liquidation value when there was no obligation to do so and when the value of ARPS in the secondary marketplace were significantly below their liquidation value. The complaints also allege that the ARPS redemptions were principally motivated by

the fund sponsors' interests to preserve distribution relationships with brokers and other financial intermediaries who held ARPS after having repurchased them from their own clients. The complaints do not specify alleged damages. Certain other funds included in the acquired business have received demand letters expressing similar allegations. Such demand letters could be precursors to additional similar lawsuits being commenced against those other funds. The Boards of Trustees of the funds established special committees of independent trustees to conduct an inquiry regarding the allegations set forth in the complaints and demand letters. Those evaluations have been completed, and the Boards of Trustees of the funds accepted the recommendation of their special litigation committees to (i) reject the demands contained in the demand letters and (ii) to seek dismissal of the related lawsuits. Motions to dismiss were filed on October 4, 2011, and remain pending.

Table of Contents

Invesco believes the cases and other claims identified above should be dismissed or otherwise will terminate, although there can be no assurance of that result. Invesco intends to defend vigorously any cases which may survive beyond initial motions to dismiss. The company cannot predict with certainty, however, the eventual outcome of such cases and other claims, nor whether they will have a material negative impact on the company. The nature and progression of litigation can make it difficult to predict the impact a particular lawsuit will have on the company. There are many reasons that the company cannot make these assessments, including, among others, one or more of the following: the proceeding is in its early stages; the damages sought are unspecified, unsupported, unexplained or uncertain; the claimant is seeking relief other than compensatory damages; the matter presents novel legal claims or other meaningful legal uncertainties; discovery has not started or is not complete; there are significant facts in dispute; and there are other parties who may share in any ultimate liability.

The company is from time to time involved in litigation relating to other claims arising in the ordinary course of its business. Management is of the opinion that the ultimate resolution of such claims will not materially affect the company's business, financial position, results of operation or liquidity. In management's opinion, adequate accrual has been made as of June 30, 2012 to provide for any such losses that may arise from matters for which the company could reasonably estimate an amount. Furthermore, in management's opinion, it is not possible to estimate a range of reasonably possible losses with respect to other litigation contingencies.

The investment management industry also is subject to extensive levels of ongoing regulatory oversight and examination. In the United States and other jurisdictions in which the company operates, governmental authorities regularly make inquiries, hold investigations and administer market conduct examinations with respect to compliance with applicable laws and regulations. Additional lawsuits or regulatory enforcement actions arising out of these inquiries may in the future be filed against the company and related entities and individuals in the U.S. and other jurisdictions in which the company and its affiliates operate. Any material loss of investor and/or client confidence as a result of such inquiries and/or litigation could result in a significant decline in assets under management, which would have an adverse effect on the company's future financial results and its ability to grow its business.

## 11. CONSOLIDATED INVESTMENT PRODUCTS

The company's risk with respect to each investment in consolidated investment products is limited to its equity ownership and any uncollected management fees. Therefore, the gains or losses of consolidated investment products have not had a significant impact on the company's results of operations, liquidity or capital resources. The company has no right to the benefits from, nor does it bear the risks associated with, these investments, beyond the company's minimal direct investments in, and management fees generated from, the investment products. If the company were to liquidate, these investments would not be available to the general creditors of the company, and as a result, the company does not consider investments held by consolidated investment products to be company assets. Additionally, the collateral assets of consolidated collateralized loan obligations (CLOs) are held solely to satisfy the obligations of the CLOs, and the investors in the consolidated CLOs have no recourse to the general credit of the company for the notes issued by the CLOs.

### Collateralized Loan Obligations

A significant portion of consolidated investment products are CLOs. CLOs are investment vehicles created for the sole purpose of issuing collateralized loan instruments that offer investors the opportunity for returns that vary with the risk level of their investment. The notes issued by the CLOs are backed by diversified collateral asset portfolios consisting primarily of loans or structured debt. For managing the collateral for the CLO entities, the company earns investment management fees, including in some cases subordinated management fees, as well as contingent incentive fees. The company has invested in certain of the entities, generally taking a portion of the unrated, junior subordinated position. The company's investments in CLOs are generally subordinated to other interests in the entities and entitle the company and other subordinated tranche investors to receive the residual cash flows, if any, from the entities. The company's subordinated interest can take the form of (1) subordinated notes, (2) income notes or (3) preference/preferred shares. The company has determined that, although the junior tranches have certain characteristics of equity, they should be accounted for and disclosed as debt on the company's Condensed Consolidated Balance Sheet, as the subordinated and income notes have a stated maturity indicating a date for which

they are mandatorily redeemable. The preference shares are also classified as debt, as redemption is required only upon liquidation or termination of the CLO and not of the company. The financial information of the consolidated CLOs is included in the company's consolidated financial statements on a one-month lag.

Prior to the adoption of guidance now encompassed in ASC Topic 810 (discussed in Note 1, "Accounting Policies"), the company's ownership interests, which were classified as available-for-sale investments on the company's Condensed Consolidated Balance Sheets, combined with its other interests (management and incentive fees), were quantitatively assessed to determine if the company is the primary beneficiary of these entities. The company determined, for periods prior to the adoption of this guidance, that it did not absorb the majority of the expected gains or losses from the CLOs and therefore was not their primary beneficiary.

Table of Contents

The company determined that it was the primary beneficiary of certain CLOs, as it has the power to direct the activities of the CLOs that most significantly impact the CLOs' economic performance, and the obligation to absorb losses/right to receive benefits from the CLOs that could potentially be significant to the CLOs. The primary beneficiary assessment includes an analysis of the rights of the company in its capacity as investment manager. In some CLOs, the company's role as investment manager provides that the company contractually has the power, as defined in ASC Topic 810, to direct the activities of the CLOs that most significantly impact the CLOs' economic performance, such as managing the collateral portfolio and its credit risk. In other CLOs, the company determined that it does not have this power in its role as investment manager due to certain rights held by other investors in the products or restrictions that limit the company's ability to manage the collateral portfolio and the CLO's credit risk. Additionally, the primary beneficiary assessment includes an analysis of the company's rights to receive benefits and obligations to absorb losses associated with its first loss position and management/incentive fees. As part of this analysis, the company uses a quantitative model to corroborate its qualitative assessments. The quantitative model includes an analysis of the expected performance of the CLOs and a comparison of the company's absorption of this performance relative to the other investors in the CLOs. The company has determined that it could receive significant benefits and/or absorb significant losses from certain CLOs in which it holds a first loss position and has the right to significant fees. It was determined that the company's benefits and losses from certain other CLOs could not be significant, particularly in situations where the company does not hold a first loss position and where the fee interests are based upon a fixed percentage of collateral asset value.

Private equity, real estate and fund-of-funds (partnerships)

For investment products that are structured as partnerships and are determined to be VIEs, including private equity funds, real estate funds and fund-of-funds products, the company evaluates the structure of the partnership to determine if it is the primary beneficiary of the investment product. This evaluation includes assessing the rights of the limited partners to transfer their economic interests in the investment product. If the limited partners lack rights to manage their economic interests, they are considered to be de facto agents of the company, resulting in the company determining that it is the primary beneficiary of the investment product. The company generally takes less than a 1% investment in these entities as the general partner. Non-VIE general partnership investments are deemed to be controlled by the company and are consolidated under a voting interest entity (VOE) model, unless the limited partners have the substantive ability to remove the general partner without cause based upon a simple majority vote or can otherwise dissolve the partnership, or unless the limited partners have substantive participating rights over decision making. Interests in unconsolidated private equity funds, real estate funds and fund-of-funds products are classified as equity method investments in the company's Condensed Consolidated Balance Sheets. The financial information of the consolidated private equity and real estate funds are included in the company's consolidated financial statements on a one-quarter lag.

Other investment products

As discussed in Note 10, "Commitments and Contingencies," the company has entered into contingent support agreements for two of its investment trusts to enable them to sustain a stable pricing structure, creating variable interests in these VIEs. The company earns management fees from the trusts and has a small investment in one of these trusts. The company was not deemed to be the primary beneficiary of these trusts after considering any explicit and implicit variable interests in relation to the total expected gains and losses of the trusts.

At June 30, 2012, the company's maximum risk of loss in significant VIEs in which the company is not the primary beneficiary is presented in the table below.

| \$ in millions                               | Footnote<br>Reference | Carrying<br>Value | Company's<br>Maximum<br>Risk of Loss |
|--|-----------------------|-------------------|--------------------------------------|
| CLO investments                              | 3                     | 2.5               | 2.5                                  |
| Partnership and trust investments            | —                     | 35.1              | 35.1                                 |
| Investments in Invesco Mortgage Capital Inc. | —                     | 28.7              | 28.7                                 |
| Support agreements*                          | 10                    | (1.0              | ) 36.0                               |
| Total  |                       |                   | 102.3                                |

\* As of June 30, 2012, the committed support under these agreements was \$36.0 million with an internal approval mechanism to increase the maximum possible support to \$66.0 million at the option of the company.

Table of Contents

During the six months ended June 30, 2012, the company invested in and consolidated a new CLO that it manages. The table below illustrates the summary balance sheet amounts related to this CLO before consolidation into the company.

| Balance Sheet                             |  | CLO - VIE |
|---|--|-----------|
| \$ in millions                            |  |           |
| During the six months ended June 30, 2012 |  |           |
| Current assets                            |  | 174.8     |
| Non-current assets                        |  | 325.6     |
| Total assets                              |  | 500.4     |
| Current liabilities                       |  | 155.7     |
| Non-current liabilities                   |  | 345.3     |
| Total liabilities                         |  | 501.0     |
| Total equity                              |  | (0.6 )    |
| Total liabilities and equity              |  | 500.4     |

During the six months ended June 30, 2012, the company determined it was no longer the primary beneficiary of certain CLOs due to reconsideration events leading to reassessments of the rights held by other unaffiliated investors and deconsolidated these products. The company continues to manage the collateral portfolio of these CLOs and maintains an investment in these products. The amounts deconsolidated from the Condensed Consolidated Balance Sheet are illustrated in the table below. There was no net impact to the Condensed Consolidated Statement of Income for the six months ended June 30, 2012 from the deconsolidation of these investment products.

| Balance Sheet                             |  | CLO - VIE |
|---|--|-----------|
| \$ in millions                            |  |           |
| During the six months ended June 30, 2012 |  |           |
| Current assets                            |  | 48.2      |
| Non-current assets                        |  | 594.1     |
| Total assets                              |  | 642.3     |
| Current liabilities                       |  | 18.7      |
| Non-current liabilities                   |  | 576.0     |
| Total liabilities                         |  | 594.7     |
| Total equity                              |  | 47.6      |
| Total liabilities and equity              |  | 642.3     |

Table of Contents

The following tables reflect the impact of consolidation of investment products into the Condensed Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011, and the Condensed Consolidated Statements of Income for the six months ended June 30, 2012 and 2011.

## Condensed Consolidating Balance Sheets

| \$ in millions   | Before Consolidation <sup>(1)</sup> | CLOs-VIEs | Other VIEs | VOEs    | Adjustments <sup>(2)</sup> | Subtotal - Impact of Consolidated Investment Products | Total    |
|--|-------------------------------------|-----------|------------|---------|----------------------------|---|----------|
| As of June 30, 2012  |                                     |           |            |         |                            |   |          |
| Current assets   | 3,190.3                             | 410.5     | 3.4        | 97.4    | (28.6 )                    | 482.7   | 3,673.0  |
| Non-current assets   | 8,974.1                             | 5,163.9   | 40.2       | 846.8   | (85.1 )                    | 5,965.8   | 14,939.9 |
| Total assets   | 12,164.4                            | 5,574.4   | 43.6       | 944.2   | (113.7 )                   | 6,448.5   | 18,612.9 |
| Current liabilities  | 2,546.2                             | 189.3     | 0.4        | 3.5     | (14.7 )                    | 178.5   | 2,724.7  |
| Long-term debt of consolidated investment products                               | —                                   | 5,133.3   | —          | —       | (63.6 )                    | 5,069.7   | 5,069.7  |
| Other non-current liabilities  | 1,699.7                             | —         | —          | —       | —                          | —   | 1,699.7  |
| Total liabilities  | 4,245.9                             | 5,322.6   | 0.4        | 3.5     | (78.3 )                    | 5,248.2   | 9,494.1  |
| Retained earnings appropriated for investors in consolidated investment products | —                                   | 251.8     | —          | —       | —                          | 251.8   | 251.8    |
| Other equity attributable to common shareholders                                 | 7,914.0                             | —         | 0.1        | 35.3    | (35.4 )                    | —   | 7,914.0  |
| Equity attributable to noncontrolling interests in consolidated entities         | 4.5                                 | —         | 43.1       | 905.4   | —                          | 948.5   | 953.0    |
| Total liabilities and equity   | 12,164.4                            | 5,574.4   | 43.6       | 944.2   | (113.7 )                   | 6,448.5   | 18,612.9 |
| As of December 31, 2011  |                                     |           |            |         |                            |   |          |
| Current assets   | 3,352.7                             | 394.5     | 3.1        | 113.7   | (29.9 )                    | 481.4   | 3,834.1  |
| Non-current assets   | 8,976.5                             | 5,682.3   | 42.8       | 903.8   | (92.5 )                    | 6,536.4   | 15,512.9 |
| Total assets   | 12,329.2                            | 6,076.8   | 45.9       | 1,017.5 | (122.4 )                   | 7,017.8   | 19,347.0 |
| Current liabilities  | 2,818.9                             | 179.2     | 0.4        | 5.8     | (29.9 )                    | 155.5   | 2,974.4  |
| Long-term debt of consolidated investment products                               | —                                   | 5,563.3   | —          | —       | (50.4 )                    | 5,512.9   | 5,512.9  |
| Other non-current liabilities  | 1,722.1                             | —         | —          | —       | —                          | —   | 1,722.1  |
| Total liabilities  | 4,541.0                             | 5,742.5   | 0.4        | 5.8     | (80.3 )                    | 5,668.4   | 10,209.4 |
| Retained earnings appropriated for investors in consolidated investment products | —                                   | 334.3     | —          | —       | —                          | 334.3   | 334.3    |

Edgar Filing: Invesco Ltd. - Form 10-Q

|  |          |         |      |         |        |   |         |          |
|--|----------|---------|------|---------|--------|---|---------|----------|
| Other equity attributable to common shareholders                         | 7,783.7  | —       | 0.1  | 43.1    | (42.1  | ) | 1.1     | 7,784.8  |
| Equity attributable to noncontrolling interests in consolidated entities | 4.5      | —       | 45.4 | 968.6   | —      |   | 1,014.0 | 1,018.5  |
| Total liabilities and equity   | 12,329.2 | 6,076.8 | 45.9 | 1,017.5 | (122.4 | ) | 7,017.8 | 19,347.0 |

(1) The Before Consolidation column includes the company's equity interest in the investment products subsequently consolidated, accounted for as equity method and available-for-sale investments.

Adjustments include the elimination of intercompany transactions between the company and its consolidated investment products, primarily the elimination of the company's equity at risk recorded as investments by the company (before

Table of Contents

consolidation) against either the equity (private equity and real estate partnership funds) or subordinated debt (CLOs) of the funds.

## Condensed Consolidating Statements of Income

| \$ in millions   | Before Consolidation <sup>(1)</sup> | CLOs-VIEs | Other VIEs | VOEs    | Adjustments <sup>(1)(2)</sup> | Subtotal - Impact of Consolidated Total Investment Products | Total   |
|--|-------------------------------------|-----------|------------|---------|-------------------------------|---|---------|
| Three months ended June 30, 2012   |                                     |           |            |         |                               |   |         |
| Total operating revenues   | 1,019.5                             | —         | —          | —       | (10.5 )                       | (10.5 )   | 1,009.0 |
| Total operating expenses   | 791.4                               | 13.9      | 0.2        | 11.1    | (10.5 )                       | 14.7  | 806.1   |
| Operating income   | 228.1                               | (13.9 )   | (0.2 )     | (11.1 ) | —                             | (25.2 )   | 202.9   |
| Equity in earnings of unconsolidated affiliates  | 9.7                                 | —         | —          | —       | (2.8 )                        | (2.8 )  | 6.9     |
| Interest and dividend income   | 5.7                                 | 68.7      | —          | —       | (3.5 )                        | 65.2  | 70.9    |
| Other investment income/(losses)   | (7.7 )                              | 28.2      | 1.8        | 53.3    | (6.1 )                        | 77.2  | 69.5    |
| Interest expense   | (13.4 )                             | (50.4 )   | —          | —       | 3.5                           | (46.9 )   | (60.3 ) |
| Income before income taxes   | 222.4                               | 32.6      | 1.6        | 42.2    | (8.9 )                        | 67.5  | 289.9   |
| Income tax provision   | (62.3 )                             | —         | —          | —       | —                             | —   | (62.3 ) |
| Net income   | 160.1                               | 32.6      | 1.6        | 42.2    | (8.9 )                        | 67.5  | 227.6   |
| Net (income)/loss attributable to noncontrolling interests in consolidated entities, net | —                                   | (32.6 )   | (1.6 )     | (39.5 ) | —                             | (73.7 )   | (73.7 ) |
| Net income attributable to common shareholders   | 160.1                               | —         | —          | 2.7     | (8.9 )                        | (6.2 )  | 153.9   |

| \$ in millions                                  | Before Consolidation <sup>(1)</sup> | CLOs-VIEs | Other VIEs | VOEs   | Adjustments <sup>(1)(2)</sup> | Subtotal - Impact of Consolidated Total Investment Products | Total   |
|---|-------------------------------------|-----------|------------|--------|-------------------------------|---|---------|
| Three months ended June 30, 2011                |                                     |           |            |        |                               |   |         |
| Total operating revenues                        | 1,082.1                             | —         | —          | 0.1    | (12.2 )                       | (12.1 )   | 1,070.0 |
| Total operating expenses                        | 833.4                               | 12.1      | 0.2        | 3.5    | (12.2 )                       | 3.6   | 837.0   |
| Operating income                                | 248.7                               | (12.1 )   | (0.2 )     | (3.4 ) | —                             | (15.7 )   | 233.0   |
| Equity in earnings of unconsolidated affiliates | 10.5                                | —         | —          | —      | 0.3                           | 0.3   | 10.8    |
| Interest and dividend income                    | 4.0                                 | 79.8      | —          | —      | (1.6 )                        | 78.2  | 82.2    |
| Other investment income/(losses)                | 6.0                                 | (73.8 )   | 0.6        | 3.4    | 5.1                           | (64.7 )   | (58.7 ) |
| Interest expense                                | (16.0 )                             | (48.1 )   | —          | —      | 1.6                           | (46.5 )   | (62.5 ) |
| Income before income taxes                      | 253.2                               | (54.2 )   | 0.4        | —      | 5.4                           | (48.4 )   | 204.8   |
| Income tax provision                            | (75.4 )                             | —         | —          | —      | —                             | —   | (75.4 ) |
| Net income                                      | 177.8                               | (54.2 )   | 0.4        | —      | 5.4                           | (48.4 )   | 129.4   |
|   | —                                   | 54.2      | (0.4 )     | (0.2 ) | —                             | 53.6  | 53.6    |

|  |       |   |   |        |     |     |       |
|--|-------|---|---|--------|-----|-----|-------|
| Net (income)/loss attributable to noncontrolling interests in consolidated entities, net |       |   |   |        |     |     |       |
| Net income attributable to common shareholders   | 177.8 | — | — | (0.2 ) | 5.4 | 5.2 | 183.0 |

The Before Consolidation column includes the company's equity interest in the investment products accounted for as equity method (private equity and real estate partnership funds) and available-for-sale investments (CLOs). Upon consolidation of the CLOs, the company's and the CLOs' accounting policies are effectively aligned, resulting in the reclassification of the company's loss for the three months ended June 30, 2012 of \$6.1 million (representing (1) the decrease in the market value of the company's holding in the consolidated CLOs) from other comprehensive income into other gains/losses (three months ended June 30, 2011: \$5.1 million gain). The company's loss (gain) on its investments in the CLOs (before consolidation) eliminates with the company's share of the offsetting gain (loss) on the CLOs' debt. The net income arising from consolidation of CLOs is therefore completely attributed to other investors in these CLOs, as the company's share has been eliminated through consolidation.

Table of Contents

Adjustments include the elimination of intercompany transactions between the company and its consolidated (2) investment products, primarily the elimination of management fees expensed by the funds and recorded as operating revenues (before consolidation) by the company.

| \$ in millions   | Before Consolidation <sup>(1)</sup> | CLOs-VIEs | Other VIEs | VOEs    | Adjustments <sup>(1)(2)</sup> | Subtotal - Impact of Consolidated Investment Products | Total    |
|--|-------------------------------------|-----------|------------|---------|-------------------------------|---|----------|
| Six months ended June 30, 2012   |                                     |           |            |         |                               |   |          |
| Total operating revenues   | 2,063.6                             | —         | —          | —       | (20.9 )                       | (20.9 )   | 2,042.7  |
| Total operating expenses   | 1,589.2                             | 24.1      | 0.5        | 17.1    | (20.9 )                       | 20.8  | 1,610.0  |
| Operating income   | 474.4                               | (24.1 )   | (0.5 )     | (17.1 ) | —                             | (41.7 )   | 432.7    |
| Equity in earnings of unconsolidated affiliates  | 16.0                                | —         | —          | —       | 0.6                           | 0.6   | 16.6     |
| Interest and dividend income   | 11.5                                | 137.7     | —          | —       | (6.9 )                        | 130.8   | 142.3    |
| Other investment income/(losses)   | 10.8                                | (40.6 )   | 0.9        | (3.0 )  | (1.9 )                        | (44.6 )   | (33.8 )  |
| Interest expense   | (27.0 )                             | (99.4 )   | —          | —       | 6.9                           | (92.5 )   | (119.5 ) |
| Income before income taxes   | 485.7                               | (26.4 )   | 0.4        | (20.1 ) | (1.3 )                        | (47.4 )   | 438.3    |
| Income tax provision   | (135.9 )                            | —         | —          | —       | —                             | —   | (135.9 ) |
| Net income   | 349.8                               | (26.4 )   | 0.4        | (20.1 ) | (1.3 )                        | (47.4 )   | 302.4    |
| Net (income)/loss attributable to noncontrolling interests in consolidated entities, net | —                                   | 26.4      | (0.4 )     | 19.4    | —                             | 45.4  | 45.4     |
| Net income attributable to common shareholders   | 349.8                               | —         | —          | (0.7 )  | (1.3 )                        | (2.0 )  | 347.8    |
| Six months ended June 30, 2011   |                                     |           |            |         |                               |   |          |
| Total operating revenues   | 2,120.5                             | —         | —          | 0.1     | (23.3 )                       | (23.2 )   | 2,097.3  |
| Total operating expenses   | 1,631.3                             | 24.3      | 0.5        | 5.8     | (23.3 )                       | 7.3   | 1,638.6  |
| Operating income   | 489.2                               | (24.3 )   | (0.5 )     | (5.7 )  | —                             | (30.5 )   | 458.7    |
| Equity in earnings of unconsolidated affiliates  | 18.4                                | —         | —          | —       | (0.9 )                        | (0.9 )  | 17.5     |
| Interest and dividend income   | 7.3                                 | 154.0     | —          | —       | (2.8 )                        | 151.2   | 158.5    |
| Other investment income/(losses)   | 13.9                                | (210.6 )  | 0.9        | 44.5    | 15.0                          | (150.2 )  | (136.3 ) |
| Interest expense   | (32.2 )                             | (89.3 )   | —          | —       | 2.8                           | (86.5 )   | (118.7 ) |
| Income before income taxes   | 496.6                               | (170.2 )  | 0.4        | 38.8    | 14.1                          | (116.9 )  | 379.7    |
| Income tax provision   | (151.0 )                            | —         | —          | —       | —                             | —   | (151.0 ) |
| Net income   | 345.6                               | (170.2 )  | 0.4        | 38.8    | 14.1                          | (116.9 )  | 228.7    |

Edgar Filing: Invesco Ltd. - Form 10-Q

|  |       |       |        |         |      |       |       |
|--|-------|-------|--------|---------|------|-------|-------|
| Net (income)/loss attributable to noncontrolling interests in consolidated entities, net | 0.1   | 170.2 | (0.4 ) | (38.1 ) | —    | 131.7 | 131.8 |
| Net income attributable to common shareholders   | 345.7 | —     | —      | 0.7     | 14.1 | 14.8  | 360.5 |

The Before Consolidation column includes the company's equity interest in the investment products accounted for as equity method (private equity and real estate partnership funds) and available-for-sale investments (CLOs). Upon consolidation of the CLOs, the company's and the CLOs' accounting policies are effectively aligned, resulting in the reclassification of the company's loss for the six months ended June 30, 2012 of \$1.9 million (representing (1) the decrease in the market value of the company's holding in the consolidated CLOs) from other comprehensive income into other gains/losses (six months ended June 30, 2011: \$15 million gain). The company's loss (gain) on its investments in the CLOs (before consolidation) eliminates with the company's share of the offsetting gain (loss) on the CLOs' debt. The net income arising from consolidation of CLOs is therefore completely attributed to other investors in these CLOs, as the company's share has been eliminated through consolidation.

Table of Contents

Adjustments include the elimination of intercompany transactions between the company and its consolidated (2) investment products, primarily the elimination of management fees expensed by the funds and recorded as operating revenues (before consolidation) by the company.

The carrying value of investments held, derivative contracts, and notes issued by consolidated investment products is also their fair value. The following table presents the fair value hierarchy levels of investments held, derivative contracts, and notes issued by consolidated investment products, which are measured at fair value as of June 30, 2012 and December 31, 2011:

| \$ in millions                              | As of June 30, 2012     |  |   |   |
|---|-------------------------|--|---|---|
|   | Fair Value Measurements | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets:                                     |                         |  |   |   |
| CLO collateral assets:                      |                         |  |   |   |
| Bank loans                                  | 4,846.9                 | —  | 4,846.9                                       | —   |
| Bonds                                       | 292.9                   | —  | 292.9   | —   |
| Equity securities                           | 24.1                    | —  | 24.1  | —   |
| CLO-related derivative assets               | 7.6                     | —  | 7.6   | —   |
| Private equity fund assets:                 |                         |  |   |   |
| Equity securities                           | 149.1                   | 23.3   | —   | 125.8                                     |
| Debt securities                             | 11.9                    | —  | —   | 11.9                                      |
| Investments in other private equity funds   | 564.3                   | —  | —   | 564.3                                     |
| Debt securities issued by the U.S. Treasury | 9.0                     | 9.0  | —   | —   |
| Real estate investments                     | 152.6                   | —  | —   | 152.6                                     |
| Total assets at fair value                  | 6,058.4                 | 32.3   | 5,171.5                                       | 854.6                                     |
| Liabilities:                                |                         |  |   |   |
| CLO notes                                   | (5,069.7 )              | —  | —   | (5,069.7 )                                |
| CLO-related derivative liabilities          | (9.2 )                  | —  | (9.2 )  | —   |
| Total liabilities at fair value             | (5,078.9 )              | —  | (9.2 )  | (5,069.7 )                                |

Table of Contents

| \$ in millions                              | As of December 31, 2011 |  |   |   |
|---|-------------------------|--|---|---|
|   | Fair Value Measurements | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets:                                     |                         |  |   |   |
| CLO collateral assets:                      |                         |  |   |   |
| Bank loans                                  | 5,354.3                 | —  | 5,354.3                                       | —   |
| Bonds                                       | 292.8                   | —  | 292.8   | —   |
| Equity securities                           | 35.3                    | —  | 35.3  | —   |
| CLO-related derivative assets               | 10.8                    | —  | 10.8  | —   |
| Private equity fund assets:                 |                         |  |   |   |
| Equity securities                           | 138.2                   | 11.4   | 0.1   | 126.7                                     |
| Debt securities                             | 10.0                    | —  | —   | 10.0                                      |
| Investments in other private equity funds   | 559.5                   | —  | —   | 559.5                                     |
| Debt securities issued by the U.S. Treasury | 6.0                     | 6.0  | —   | —   |
| Real estate investments                     | 232.9                   | —  | —   | 232.9                                     |
| Total assets at fair value                  | 6,639.8                 | 17.4   | 5,693.3                                       | 929.1                                     |
| Liabilities:                                |                         |  |   |   |
| CLO notes                                   | (5,512.9 )              | —  | —   | (5,512.9 )                                |
| CLO-related derivative liabilities          | (5.8 )                  | —  | (5.8 )  | —   |
| Total liabilities at fair value             | (5,518.7 )              | —  | (5.8 )  | (5,512.9 )                                |

The following table shows a reconciliation of the beginning and ending fair value measurements for level 3 assets and liabilities using significant unobservable inputs:

| \$ in millions  | Three months ended June 30, 2012 |                     | Six months ended June 30, 2012 |                     |
|---|----------------------------------|---------------------|--------------------------------|---------------------|
|   | Level 3 Assets                   | Level 3 Liabilities | Level 3 Assets                 | Level 3 Liabilities |
| Beginning balance   | 837.8                            | (5,345.0 )          | 929.1                          | (5,512.9 )          |
| Purchases   | —                                | —                   | 0.5                            | —                   |
| Sales   | (24.9 )                          | —                   | (55.7 )                        | —                   |
| Issuances   | —                                | —                   | —                              | (325.2 )            |
| Settlements   | —                                | 105.0               | —                              | 195.7               |
| Deconsolidation of consolidated investment products                           | —                                | —                   | —                              | 573.4               |
| Gains and losses included in the Condensed Consolidated Statements of Income* | 52.2                             | 23.7                | (8.8 )                         | (158.7 )            |
| Foreign exchange  | (10.5 )                          | 146.6               | (10.5 )                        | 158.0               |
| Ending balance  | 854.6                            | (5,069.7 )          | 854.6                          | (5,069.7 )          |

Table of Contents

| \$ in millions  | Three months ended June 30, 2011 |                     | Six months ended June 30, 2011 |                     |
|---|----------------------------------|---------------------|--------------------------------|---------------------|
|   | Level 3 Assets                   | Level 3 Liabilities | Level 3 Assets                 | Level 3 Liabilities |
| Beginning balance   | 950.3                            | (6,291.0 )          | 972.8                          | (5,865.4 )          |
| Purchases   | 17.7                             | —                   | 26.9                           | —                   |
| Sales   | (58.1 )                          | —                   | (131.5 )                       | —                   |
| Issuances   | —                                | —                   | —                              | —                   |
| Settlements   | —                                | 160.8               | —                              | 260.0               |
| Gains and losses included in the Condensed Consolidated Statements of Income* | 5.7                              | (52.8 )             | 47.4                           | (433.7 )            |
| Foreign exchange  | (5.8 )                           | (109.7 )            | (5.8 )                         | (253.6 )            |
| Ending balance  | 909.8                            | (6,292.7 )          | 909.8                          | (6,292.7 )          |

Included in gains and losses of consolidated investment products in the Condensed Consolidated Statement of Income for the three and six months ended June 30, 2012 are \$55.6 million in net unrealized gains and \$3.1 million \*in net unrealized losses attributable to investments still held at June 30, 2012 by consolidated investment products (three and six months ended June 30, 2011: \$6.9 million in net unrealized losses and \$11.0 million in net unrealized gains attributable to investments still held at June 30, 2011).

## Fair value of consolidated CLOs

The company elected the fair value option for collateral assets held and notes issued by its consolidated CLOs to eliminate the measurement and recognition inconsistency that would otherwise arise from measuring assets and liabilities and recognizing the related gains and losses on different accounting bases.

The collateral assets held by consolidated CLOs are primarily invested in senior secured bank loans, bonds, and equity securities. Bank loan investments, which comprise the majority of consolidated CLO portfolio collateral, are senior secured corporate loans from a variety of industries, including but not limited to the aerospace and defense, broadcasting, technology, utilities, household products, healthcare, oil and gas, and finance industries. Bank loan investments mature at various dates between 2012 and 2027, pay interest at Libor or Euribor plus a spread of up to 14.0%, and typically range in S&P credit rating categories from BBB down to unrated. At June 30, 2012 the unpaid principal balance exceeded the fair value of the senior secured bank loans and bonds by approximately \$483.0 million (December 31, 2011: \$701.0 million excess). Approximately 2% of the collateral assets are in default as of June 30, 2012 (December 31, 2011: less than 1% of the collateral assets were in default). CLO investments are valued based on price quotations provided by an independent third-party pricing source. These third party sources aggregate indicative price quotations daily to provide the company with a price for the CLO investments. The company has developed internal controls to review the reasonableness and completeness of these price quotations on a daily basis. If necessary, price quotations are challenged through the third-party pricing source challenge process. As of June 30, 2012, there have been no price quotation challenges by the company.

In addition, an internal valuation committee conducts an annual due diligence review of all independent third-party pricing sources to review the provider's valuation methodology as well as ensure internal controls exist over the valuation of the CLO investments. In the event that the third-party pricing source is unable to price an investment, other relevant factors, data and information are considered, including: i) information relating to the market for the investment, including price quotations for and trading in the investment, interest in similar investments, the market environment, investor attitudes towards the investment and interests in similar investments; ii) the characteristics of and fundamental analytical data relating to the investment, including, for senior secured corporate loans, the cost, current interest rate, period until next interest rate reset, maturity and base lending rate, the terms and conditions of the senior secured corporate loan and any related agreements, and the position of the senior secured corporate loan in the borrower's debt structure; iii) the nature, adequacy and value of the senior secured corporate loan's collateral, including the CLO's rights, remedies and interests with respect to the collateral; iv) for senior secured corporate loans, the

creditworthiness of the borrower, based on an evaluation of its financial condition, financial statements and information about the business, cash flows, capital structure and future prospects; v) the reputation and financial condition of the agent and any intermediate participants in the senior secured corporate loan; and vi) general economic and market conditions affecting the fair value of the senior secured corporate loan.

Notes issued by consolidated CLOs mature at various dates between 2015 and 2024 and have a weighted average maturity of 9.2 years. The notes are issued in various tranches with different risk profiles. The interest rates are generally variable rates based on Libor or Euribor plus a pre-defined spread, which varies from 0.21% for the more senior tranches to 7.25% for the more subordinated tranches. At June 30, 2012, the outstanding balance on the notes issued by consolidated CLOs exceeds their

Table of Contents

fair value by approximately \$0.7 billion (December 31, 2011: \$1.0 billion excess). The investors in this debt are not affiliated with the company and have no recourse to the general credit of the company. Notes issued by CLOs are recorded at fair value using an income approach. Fair value is determined using current information, notably market yields and projected cash flows of collateral assets, which are impacted by forecasted default and recovery rates. Market yields, default rates and recovery rates used in the company's estimate of fair value vary based on the nature of the investments in the underlying collateral pools. In periods of rising market yields, default rates and lower debt recovery rates, the fair value, and therefore the carrying value, of the notes may be adversely affected. The current liquidity constraints within the market for CLO products require the use of certain unobservable inputs for CLO valuation. Once the undiscounted cash flows of the collateral assets have been determined, the company applies appropriate discount rates that a market participant would use to determine the discounted cash flow valuation of the notes.

Certain consolidated CLOs with Euro-denominated debt have entered into swap agreements with various counterparties to hedge economically interest rate and foreign exchange risk related to CLO collateral assets with non-Euro interest rates and currencies. These swap agreements are not designated as qualifying as hedging instruments. The fair value of derivative contracts in an asset position is included in the company's Condensed Consolidated Balance Sheet in other current assets, and the fair value of derivative contracts in a liability position is included in the company's Condensed Consolidated Balance Sheet in other current liabilities. These derivative contracts are valued under an income approach using forecasted interest rates and are classified within level 2 of the valuation hierarchy. Changes in fair value of \$3.0 million and \$6.7 million are reflected as losses in gains/(losses) of consolidated investment products, net on the company's Condensed Consolidated Statement of Income for the three and six months ended June 30, 2012 (three and six months ended June 30, 2011: \$1.9 million and \$5.7 million, reflected as losses in gains/ (losses) of consolidated investment products). As of June 30, 2012, there were 60 open swap agreements with a notional value of \$98.1 million (December 31, 2011: 70 open swap agreements with a notional value of \$123.3 million). Swap maturities are tied to the maturity of the underlying collateral assets.

#### Fair value of consolidated private equity funds

Consolidated private equity funds are generally structured as partnerships. Generally, the investment strategy of underlying holdings in these partnerships is to seek capital appreciation through direct investments in public or private companies with compelling business models or ideas or through investments in partnership investments that also invest in similar private or public companies. Various strategies may be used. Companies targeted could be distressed organizations, targets of leveraged buyouts or fledgling companies in need of venture capital. Investees of these consolidated investment products may not redeem their investment until the partnership liquidates. Generally, the partnerships have a life that range from seven to twelve years unless dissolved earlier. The general partner may extend the partnership term up to a specified period of time as stated in the Partnership Agreement. Some partnerships allow the limited partners to cause an earlier termination upon the occurrence of certain events as specified in the Partnership Agreement.

For private equity partnerships, fair value is determined by reviewing each investment for the sale of additional securities of an issuer to sophisticated investors or for investee financial conditions and fundamentals. Publicly traded portfolio investments are carried at market value as determined by their most recent quoted sale, or if there is no recent sale, at their most recent bid price. For these investments held by consolidated investment products, level 1 classification indicates that fair values have been determined using unadjusted quoted prices in active markets for identical assets that the partnership has the ability to access. Level 2 classification may indicate that fair values have been determined using quoted prices in active markets but give effect to certain lock-up restrictions surrounding the holding period of the underlying investments.

The fair value of level 3 investments held by consolidated investment products are derived from inputs that are unobservable and which reflect the limited partnerships' own determinations about the assumptions that market participants would use in pricing the investments, including assumptions about risk. These inputs are developed based on the partnership's own data, which is adjusted if information indicates that market participants would use different assumptions. The partnerships which invest directly into private equity portfolio companies (direct private equity funds) take into account various market conditions, subsequent rounds of financing, liquidity, financial condition,

purchase multiples paid in other comparable third-party transactions, the price of securities of other companies comparable to the portfolio company, and operating results and other financial data of the portfolio company, as applicable.

The partnerships which invest into other private equity funds (funds-of-funds) take into account information received from those underlying funds, including their reported net asset values and evidence as to their fair value approach, including consistency of their fair value application. These investments do not trade in active markets and represent illiquid long-term investments that generally require future capital commitments. While the partnerships' reported share of the underlying net asset values of the underlying funds is usually the most significant input in arriving at fair value and is generally representative of fair value, other information may also be used to value such investments at a premium or discount to the net asset values as reported by the funds, including allocations of priority returns within the funds as well as any specific conditions and events affecting the funds.

Table of Contents

## Fair value of consolidated real estate funds

Consolidated real estate funds are structured as limited liability companies. These limited liability companies invest in other real estate funds, and these investments are carried at fair value and presented as investments in consolidated investment products. The net asset value of the underlying funds, which primarily consists of the real estate investment value and mortgage loans, is adjusted to fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Real estate fund assets are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Due to the illiquid nature of investments made in real estate companies, all of the real estate assets are classified as level 3. The real estate investment vehicles use one or more valuation techniques (e.g., the market approach, the income approach, or the cost approach) for which sufficient and reliable data is available to value investments classified within level 3. The income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used by the real estate funds in estimating the value of level 3 investments include the original transaction price, recent transactions in the same or similar instruments, as well as completed or pending third-party transactions in the underlying investment or comparable investments. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability. Other inputs used include discount rates, cap rates and income and expense assumptions. The fair value measurement of level 3 investments does not include transaction costs and acquisition fees that may have been capitalized as part of the investment's cost basis. Due to the lack of observable inputs, the assumptions used may significantly impact the resulting fair value and therefore the real estate funds' results of operations.

## Quantitative Information about Level 3 Fair Value Measurements

The following table shows significant unobservable inputs used in the fair value measurement of level 3 assets and liabilities:

| Assets and Liabilities *                    | Fair Value at<br>June 30, 2012<br>(\$ in millions) | Valuation Technique  | Unobservable Inputs          | Range                        |                             |
|---|--|----------------------|------------------------------|------------------------------|-----------------------------|
| Private Equity Funds<br>--Equity Securities | 125.8  | Market Comparable    | EBITDA Multiple              | 30 - 40x                     |                             |
|   |  |                      | Revenue Multiple             | 5 - 15x                      |                             |
|   |  |                      | Discount                     | 20% - 50%                    |                             |
| Real Estate Investments                     | 152.6  | Discounted Cash Flow | In-Place & Market Rent Rates | JPY 250 - JPY 700 per sq ft  |                             |
|   |  |                      | Revenue Growth Rate          | 0.0% - 2.0%                  |                             |
|   |  |                      | Discount Rate                | 5.75% - 8.00%                |                             |
|   |  |                      | Exit Capitalization Rate     | 6.00% - 8.25%                |                             |
|   |  |                      | Stabilized Occupancy Rate    | 92.0% - 96.0%                |                             |
|   |  |                      | Expense Growth Rate          | 1.00%                        |                             |
|   |  |                      | Market Comparable            | In-Place & Market Rent Rates | JPY 250 - JPY 700 per sq ft |
|   |  |                      |                              | Exit Capitalization Rate     | 6.00% - 8.25%               |
|   |  |                      |                              |                              |                             |
|   |  |                      | CLO Notes                    | (5,069.7)                    | Discounted Cash Flow- Euro  |
| Spread over Euribor **                      | 300 - 2850 bps                                     |                      |                              |                              |                             |
| Discounted Cash Flow- USD                   | Probability of Default                             | 1% - 4%              |                              |                              |                             |
|   | Spread over Libor **                               | 200 - 1800 bps       |                              |                              |                             |

Certain equity securities held by consolidated private equity funds are valued using third-party pricing information and/or recent private market transactions. Quantitative unobservable inputs for such valuations were not developed \*or adjusted by the company. Debt securities held by consolidated private equity funds of \$11.9 million are excluded from the table above as they are valued using a cost valuation technique. Investments in other private equity funds of \$564.3 million are also excluded from the table above as they are valued using the NAV practical expedient.

\*\* Lower spreads relate to the more senior tranches in the CLO note structure; higher spreads relate to the less senior tranches.

Table of Contents

The following narrative will indicate the sensitivity of inputs illustrating the impact of significant increases to the inputs. A directionally-opposite impact would apply for significant decreases in these inputs:

For investments held by consolidated private equity funds, significant increases in discounts in isolation would result in significantly lower fair value measurements, while significant increases in EBITDA and revenue multiple assumptions in isolation would result in significantly higher fair value measurements. An increase in discount assumptions would result in a directionally opposite change in the assumptions for EBITDA and revenue multiple resulting in lower fair value measurements.

For real estate investments, a change in the revenue growth rate generally would be accompanied by a directionally-similar change in the assumptions for in-place and market rent rates and stabilized occupancy rates. Significant increases in any of the unobservable inputs for in-place and market rent rates and stabilized occupancy rates in isolation would result in significantly higher fair values. An increase in these assumptions would result in a directionally-opposite change in the assumptions for discount rate, exit capitalization rate, and expense growth rate. Significant increases in the assumptions for discount rate, exit capitalization rate, and expense growth rate in isolation would result in significantly lower fair value measurements.

For CLO Notes, a change in the assumption used for spreads is generally accompanied by a directionally similar change in default rate. Significant increases in any of these inputs in isolation would result in a significantly lower fair value measurements.

**12. GUARANTOR CONDENSED CONSOLIDATING FINANCIAL STATEMENTS**

Invesco Holding Company Limited, the Issuer and a subsidiary of Invesco Ltd. (the Parent), issued 5.375% \$350.0 million senior notes due 2013, and 5.375% \$200.0 million senior notes due 2014. (See Note 4, "Debt," for outstanding balances at June 30, 2012 and March 31, 2012.) These senior notes, are fully and unconditionally guaranteed as to payment of principal, interest and any other amounts due thereon by the Parent, together with the following 100% owned subsidiaries: Invesco Management Group, Inc., Invesco Advisers, Inc., IVZ Inc., and Invesco North American Holdings, Inc. (the Guarantors). The company's remaining consolidated subsidiaries do not guarantee this debt. The guarantees of each of the Guarantors are joint and several. Presented below are Condensed Consolidating Balance Sheets as of June 30, 2012, and December 31, 2011, Condensed Consolidating Statements of Income and Comprehensive Income for the three and six months ended June 30, 2012 and 2011, and Condensed Consolidating Statements of Cash Flows for the six months ended June 30, 2012 and 2011.

Table of Contents

## Condensed Consolidating Balance Sheets

| \$ in millions  | Guarantors | Non-Guarantors | Issuer  | Parent  | Adjustments | Consolidated |
|---|------------|----------------|---------|---------|-------------|--------------|
| As of June 30, 2012   |            |                |         |         |             |              |
| <b>ASSETS</b>   |            |                |         |         |             |              |
| Current assets:   |            |                |         |         |             |              |
| Cash and cash equivalents                                     | 12.6       | 703.3          | 2.4     | 0.1     | —           | 718.4        |
| Cash and cash equivalents of consolidated investment products | —          | 380.5          | —       | —       | —           | 380.5        |
| Unsettled fund receivables                                    | —          | 487.1          | —       | —       | —           | 487.1        |
| Accounts receivable   | 152.3      | 246.1          | —       | —       | —           | 398.4        |
| Accounts receivable of consolidated investment products       | —          | 114.7          | —       | —       | —           | 114.7        |
| Investments   | 4.1        | 338.8          | —       | 1.6     | —           | 344.5        |
| Prepaid assets  | 11.8       | 39.4           | —       | 0.2     | —           | 51.4         |
| Other current assets  | 51.0       | 56.3           | 2.1     | —       | (21.0 )     | 88.4         |
| Deferred tax asset, net                                       | 17.5       | 6.7            | —       | —       | —           | 24.2         |
| Assets held for policyholders                                 | —          | 1,065.4        | —       | —       | —           | 1,065.4      |
| Intercompany receivables                                      | 16.5       | 38.3           | 328.9   | —       | (383.7 )    | —            |
| Total current assets  | 265.8      | 3,476.6        | 333.4   | 1.9     | (404.7 )    | 3,673.0      |
| Non-current assets:   |            |                |         |         |             |              |
| Investments   | 55.1       | 152.6          | 7.9     | 3.2     | —           | 218.8        |
| Investments of consolidated investment products               | —          | 6,050.9        | —       | —       | —           | 6,050.9      |
| Security deposit assets and receivables                       | —          | 75.0           | —       | —       | —           | 75.0         |
| Other non-current assets                                      | 10.0       | 5.5            | 2.9     | —       | —           | 18.4         |
| Deferred sales commissions                                    | 10.0       | 33.8           | —       | —       | —           | 43.8         |
| Property and equipment, net                                   | 138.7      | 175.9          | —       | —       | —           | 314.6        |
| Intangible assets, net  | 1,192.2    | 110.1          | —       | —       | —           | 1,302.3      |
| Goodwill  | 2,583.5    | 3,900.0        | 432.6   | —       | —           | 6,916.1      |
| Deferred tax assets, net                                      | —          | 30.1           | —       | —       | (30.1 )     | —            |
| Intercompany receivables                                      | 564.8      | 1,791.4        | 607.4   | —       | (2,963.6 )  | —            |
| Investment in subsidiaries                                    | 458.2      | 276.7          | 5,143.4 | 8,515.6 | (14,393.9 ) | —            |
| Total non-current assets                                      | 5,012.5    | 12,602.0       | 6,194.2 | 8,518.8 | (17,387.6 ) | 14,939.9     |
| Total assets  | 5,278.3    | 16,078.6       | 6,527.6 | 8,520.7 | (17,792.3 ) | 18,612.9     |
| <b>LIABILITIES AND EQUITY</b>                                 |            |                |         |         |             |              |
| Current liabilities:  |            |                |         |         |             |              |
| Current maturities of total debt                              | —          | —              | 333.5   | —       | —           | 333.5        |
| Unsettled fund payables                                       | —          | 472.7          | —       | —       | —           | 472.7        |
| Income taxes payable  | —          | 61.8           | 9.3     | —       | (21.0 )     | 50.1         |
| Other current liabilities                                     | 124.7      | 481.9          | 8.7     | 0.7     | —           | 616.0        |
| Other current liabilities of consolidated investment products | —          | 187.0          | —       | —       | —           | 187.0        |
| Policyholder payables   | —          | 1,065.4        | —       | —       | —           | 1,065.4      |
| Intercompany payables   | —          | 42.3           | 4.1     | 337.3   | (383.7 )    | —            |
| Total current liabilities                                     | 124.7      | 2,311.1        | 355.6   | 338.0   | (404.7 )    | 2,724.7      |
| Non-current liabilities:                                      |            |                |         |         |             |              |
| Long-term debt  | 589.0      | —              | 419.1   | —       | —           | 1,008.1      |
| Long-term debt of consolidated investment products            | —          | 5,069.7        | —       | —       | —           | 5,069.7      |

Edgar Filing: Invesco Ltd. - Form 10-Q

|  |         |          |         |         |             |          |
|--|---------|----------|---------|---------|-------------|----------|
| Deferred tax liabilities, net  | 337.9   | —        | —       | —       | (30.1 )     | 307.8    |
| Security deposits payable  | —       | 75.0     | —       | —       | —           | 75.0     |
| Other non-current liabilities  | 56.1    | 252.7    | —       | —       | —           | 308.8    |
| Intercompany payables  | 1,774.2 | 604.4    | 568.1   | 16.9    | (2,963.6 )  | —        |
| Total non-current liabilities  | 2,757.2 | 6,001.8  | 987.2   | 16.9    | (2,993.7 )  | 6,769.4  |
| Total liabilities  | 2,881.9 | 8,312.9  | 1,342.8 | 354.9   | (3,398.4 )  | 9,494.1  |
| Equity:  |         |          |         |         |             |          |
| Total equity attributable to common shareholders                         | 2,396.4 | 6,812.7  | 5,184.8 | 8,165.8 | (14,393.9 ) | 8,165.8  |
| Equity attributable to noncontrolling interests in consolidated entities | —       | 953.0    | —       | —       | —           | 953.0    |
| Total equity   | 2,396.4 | 7,765.7  | 5,184.8 | 8,165.8 | (14,393.9 ) | 9,118.8  |
| Total liabilities and equity   | 5,278.3 | 16,078.6 | 6,527.6 | 8,520.7 | (17,792.3 ) | 18,612.9 |

Table of Contents

## Condensed Consolidating Balance Sheets (continued)

| \$ in millions  | Guarantors | Non-Guarantors | Issuer  | Parent  | Adjustments | Consolidated |
|---|------------|----------------|---------|---------|-------------|--------------|
| As of December 31, 2011                                       |            |                |         |         |             |              |
| <b>ASSETS</b>   |            |                |         |         |             |              |
| Current assets:   |            |                |         |         |             |              |
| Cash and cash equivalents                                     | 20.6       | 703.0          | 3.1     | 0.7     | —           | 727.4        |
| Cash and cash equivalents of consolidated investment products | —          | 382.3          | —       | —       | —           | 382.3        |
| Unsettled fund receivables                                    | —          | 444.4          | —       | —       | —           | 444.4        |
| Accounts receivable   | 163.6      | 260.8          | —       | —       | —           | 424.4        |
| Accounts receivable of consolidated investment products       | —          | 98.5           | —       | —       | —           | 98.5         |
| Investments   | 4.2        | 266.2          | —       | 13.3    | —           | 283.7        |
| Prepaid assets  | 9.7        | 41.5           | —       | —       | —           | 51.2         |
| Other current assets  | 39.3       | 120.5          | 1.1     | —       | (10.9 )     | 150.0        |
| Deferred tax asset, net                                       | 18.9       | 9.8            | —       | —       | —           | 28.7         |
| Assets held for policyholders                                 | —          | 1,243.5        | —       | —       | —           | 1,243.5      |
| Intercompany receivables                                      | 37.9       | 38.0           | 29.0    | —       | (104.9 )    | —            |
| Total current assets  | 294.2      | 3,608.5        | 33.2    | 14.0    | (115.8 )    | 3,834.1      |
| Non-current assets:   |            |                |         |         |             |              |
| Investments   | 50.0       | 144.4          | 3.4     | 3.0     | —           | 200.8        |
| Investments of consolidated investment products               | —          | 6,629.0        | —       | —       | —           | 6,629.0      |
| Security deposit assets and receivables                       | —          | 81.2           | —       | —       | —           | 81.2         |
| Other non-current assets                                      | 8.5        | 6.6            | 2.8     | —       | —           | 17.9         |
| Deferred sales commissions                                    | 13.9       | 26.6           | —       | —       | —           | 40.5         |
| Property and equipment, net                                   | 145.3      | 167.5          | —       | —       | —           | 312.8        |
| Intangible assets, net  | 420.6      | 902.2          | —       | —       | —           | 1,322.8      |
| Goodwill  | 2,312.8    | 4,161.8        | 433.3   | —       | —           | 6,907.9      |
| Intercompany receivables                                      | 772.1      | 1,834.0        | 573.5   | —       | (3,179.6 )  | —            |
| Investment In Subsidiaries                                    | 1,228.2    | 5.6            | 5,116.3 | 8,465.0 | (14,815.1 ) | —            |
| Total non-current assets                                      | 4,951.4    | 13,958.9       | 6,129.3 | 8,468.0 | (17,994.7 ) | 15,512.9     |
| Total assets  | 5,245.6    | 17,567.4       | 6,162.5 | 8,482.0 | (18,110.5 ) | 19,347.0     |
| <b>LIABILITIES AND EQUITY</b>                                 |            |                |         |         |             |              |
| Current liabilities:  |            |                |         |         |             |              |
| Current maturities of total debt                              | —          | —              | 215.1   | —       | —           | 215.1        |
| Unsettled fund payables                                       | —          | 439.6          | —       | —       | —           | 439.6        |
| Income taxes payable  | —          | 63.1           | 7.4     | —       | (10.9 )     | 59.6         |
| Other current liabilities                                     | 144.3      | 685.4          | 11.1    | 0.7     | —           | 841.5        |
| Other current liabilities of consolidated investment products | —          | 175.1          | —       | —       | —           | 175.1        |
| Policyholder payables   | —          | 1,243.5        | —       | —       | —           | 1,243.5      |
| Intercompany payables   | —          | 62.8           | 29.9    | 12.2    | (104.9 )    | —            |
| Total current liabilities                                     | 144.3      | 2,669.5        | 263.5   | 12.9    | (115.8 )    | 2,974.4      |
| Non-current liabilities:                                      |            |                |         |         |             |              |
| Long-term debt  | 539.0      | —              | 530.6   | —       | —           | 1,069.6      |
| Long-term debt of consolidated investment products            | —          | 5,512.9        | —       | —       | —           | 5,512.9      |
| Deferred tax liabilities, net                                 | 29.6       | 244.4          | —       | —       | —           | 274.0        |

Edgar Filing: Invesco Ltd. - Form 10-Q

|  |         |          |         |         |             |          |
|--|---------|----------|---------|---------|-------------|----------|
| Security deposits payable  | —       | 81.2     | —       | —       | —           | 81.2     |
| Other non-current liabilities  | 55.1    | 242.2    | —       | —       | —           | 297.3    |
| Intercompany payables  | 1,728.3 | 444.8    | 656.5   | 350.0   | (3,179.6 )  | —        |
| Total non-current liabilities  | 2,352.0 | 6,525.5  | 1,187.1 | 350.0   | (3,179.6 )  | 7,235.0  |
| Total liabilities  | 2,496.3 | 9,195.0  | 1,450.6 | 362.9   | (3,295.4 )  | 10,209.4 |
| Equity:  |         |          |         |         |             |          |
| Total equity attributable to common shareholders                         | 2,749.3 | 7,353.9  | 4,711.9 | 8,119.1 | (14,815.1 ) | 8,119.1  |
| Equity attributable to noncontrolling interests in consolidated entities | —       | 1,018.5  | —       | —       | —           | 1,018.5  |
| Total equity   | 2,749.3 | 8,372.4  | 4,711.9 | 8,119.1 | (14,815.1 ) | 9,137.6  |
| Total liabilities and equity   | 5,245.6 | 17,567.4 | 6,162.5 | 8,482.0 | (18,110.5 ) | 19,347.0 |

Table of Contents

## Condensed Consolidating Statements of Income and Comprehensive Income

| \$ in millions  | Guarantors | Non-Guarantors | Issuer   | Parent  | Adjustments | Consolidated |   |
|---|------------|----------------|----------|---------|-------------|--------------|---|
| For the three months ended June 30, 2012  |            |                |          |         |             |              |   |
| Operating Revenues:   |            |                |          |         |             |              |   |
| Investment management fees  | 300.0      | 480.6          | —        | —       | —           | 780.6        |   |
| Service and distribution fees   | 23.4       | 163.7          | —        | —       | —           | 187.1        |   |
| Performance fees  | 0.7        | 14.7           | —        | —       | —           | 15.4         |   |
| Other   | 0.5        | 25.4           | —        | —       | —           | 25.9         |   |
| Intercompany Revenues   | 7.9        | (7.9)          | ) —      | —       | —           | —            |   |
| Total operating revenues  | 332.5      | 676.5          | —        | —       | —           | 1,009.0      |   |
| Operating expenses:   |            |                |          |         |             |              |   |
| Employee compensation   | 87.9       | 215.4          | —        | 1.3     | —           | 304.6        |   |
| Third-party distribution, service and advisory  | 20.2       | 296.4          | —        | —       | —           | 316.6        |   |
| Marketing   | 1.1        | 25.5           | —        | —       | —           | 26.6         |   |
| Property, office and technology   | 28.6       | 39.8           | —        | 0.1     | —           | 68.5         |   |
| General and administrative  | 20.1       | 68.0           | —        | 0.6     | —           | 88.7         |   |
| Transaction and integration   | —          | 1.1            | —        | —       | —           | 1.1          |   |
| Intercompany Expenses   | 58.7       | (59.1)         | ) —      | 0.4     | —           | —            |   |
| Total operating expenses  | 216.6      | 587.1          | —        | 2.4     | —           | 806.1        |   |
| Operating income/(loss)   | 115.9      | 89.4           | —        | (2.4)   | ) —         | 202.9        |   |
| Other income/(expense):   |            |                |          |         |             |              |   |
| Equity in earnings of unconsolidated affiliates   | 1.6        | 5.0            | 85.4     | 157.7   | (242.8)     | ) 6.9        |   |
| Interest and dividend income  | 0.3        | 21.6           | 12.9     | 0.1     | (32.7)      | ) 2.2        |   |
| Interest income of consolidated investment products   | —          | 68.7           | —        | —       | —           | 68.7         |   |
| Other gains/(losses) of consolidated investment products, net                                 | —          | 77.2           | —        | —       | —           | 77.2         |   |
| Interest expense  | (33.5)     | ) (0.6)        | ) (10.7) | ) (1.2) | ) 32.6      | (13.4)       | ) |
| Interest expense of consolidated investment products  | —          | (46.9)         | ) —      | —       | —           | (46.9)       | ) |
| Other gains and losses, net   | (1.4)      | ) (4.6)        | ) (1.4)  | ) (0.3) | ) —         | (7.7)        | ) |
| Income before income taxes  | 82.9       | 209.8          | 86.2     | 153.9   | (242.9)     | ) 289.9      |   |
| Income tax provision  | (32.3)     | ) (28.0)       | ) (2.0)  | ) —     | —           | (62.3)       | ) |
| Net income  | 50.6       | 181.8          | 84.2     | 153.9   | (242.9)     | ) 227.6      |   |
| Net (income)/loss attributable to noncontrolling interests in consolidated entities, net      | —          | (73.7)         | ) —      | —       | —           | (73.7)       | ) |
| Net income attributable to common shareholders  | 50.6       | 108.1          | 84.2     | 153.9   | (242.9)     | ) 153.9      |   |
| Total comprehensive income  | 49.9       | 66.7           | 43.8     | 62.7    | (109.9)     | ) 113.2      |   |
| Comprehensive loss (income) attributable to noncontrolling interests in consolidated entities | —          | (50.5)         | ) —      | —       | —           | (50.5)       | ) |
|   | 49.9       | 16.2           | 43.8     | 62.7    | (109.9)     | ) 62.7       |   |

Comprehensive income attributable to  
common shareholders

37

---

Table of Contents

## Condensed Consolidating Statements of Income and Comprehensive Income (continued)

| \$ in millions  | Guarantors | Non-Guarantors | Issuer   | Parent  | Adjustments | Consolidated |
|---|------------|----------------|----------|---------|-------------|--------------|
| For the three months ended June 30, 2011  |            |                |          |         |             |              |
| Operating Revenues:   |            |                |          |         |             |              |
| Investment management fees  | 301.5      | 517.6          | —        | —       | —           | 819.1        |
| Service and distribution fees   | 25.7       | 185.7          | —        | —       | —           | 211.4        |
| Performance fees  | 0.1        | 7.5            | —        | —       | —           | 7.6          |
| Other   | 4.3        | 27.6           | —        | —       | —           | 31.9         |
| Intercompany Revenues   | 6.9        | (6.9)          | )        | —       | —           | —            |
| Total operating revenues  | 338.5      | 731.5          | —        | —       | —           | 1,070.0      |
| Operating expenses:   |            |                |          |         |             |              |
| Employee compensation   | 85.6       | 227.2          | —        | 5.5     | —           | 318.3        |
| Third-party distribution, service and advisory  | 12.6       | 329.2          | —        | —       | —           | 341.8        |
| Marketing   | 10.3       | 15.8           | —        | —       | —           | 26.1         |
| Property, office and technology   | 26.3       | 35.3           | —        | 0.3     | —           | 61.9         |
| General and administrative  | 23.5       | 51.9           | 0.2      | 2.0     | —           | 77.6         |
| Transaction and integration   | —          | 11.3           | —        | —       | —           | 11.3         |
| Intercompany Expenses   | 50.4       | (50.4)         | )        | —       | —           | —            |
| Total operating expenses  | 208.7      | 620.3          | 0.2      | 7.8     | —           | 837.0        |
| Operating income/(loss)   | 129.8      | 111.2          | (0.2)    | (7.8)   | )           | 233.0        |
| Other income/(expense):   |            |                |          |         |             |              |
| Equity in earnings of unconsolidated affiliates   | 2.3        | 8.1            | 94.9     | 185.9   | (280.4)     | ) 10.8       |
| Interest and dividend income  | 0.6        | 21.4           | 12.1     | 0.3     | (32.0)      | ) 2.4        |
| Interest income of consolidated investment products   | —          | 79.8           | —        | —       | —           | 79.8         |
| Other gains/(losses) of consolidated investment products, net                                       | —          | (64.7)         | )        | —       | —           | (64.7)       |
| Interest expense  | (34.3)     | ) (0.5)        | ) (12.6) | ) (0.6) | ) 32.0      | (16.0)       |
| Interest expense of consolidated investment products  | —          | (46.5)         | )        | —       | —           | (46.5)       |
| Other gains and losses, net   | 0.2        | 0.7            | (0.1)    | ) 5.2   | —           | 6.0          |
| Income before income taxes  | 98.6       | 109.5          | 94.1     | 183.0   | (280.4)     | ) 204.8      |
| Income tax provision  | (40.0)     | ) (34.5)       | ) (0.9)  | ) —     | —           | (75.4)       |
| Net income  | 58.6       | 75.0           | 93.2     | 183.0   | (280.4)     | ) 129.4      |
| Net (income)/loss attributable to the noncontrolling interests in consolidated entities, net of tax | —          | 53.6           | —        | —       | —           | 53.6         |
| Net income attributable to common shareholders  | 58.6       | 128.6          | 93.2     | 183.0   | (280.4)     | ) 183.0      |
| Total comprehensive income  | 58.6       | 101.0          | 111.6    | 211.8   | (327.8)     | ) 155.2      |
| Comprehensive loss (income) attributable to noncontrolling interests in consolidated entities       | —          | 56.6           | —        | —       | —           | 56.6         |
| Comprehensive income attributable to common shareholders  | 58.6       | 157.6          | 111.6    | 211.8   | (327.8)     | ) 211.8      |



Table of Contents

## Condensed Consolidating Statements of Income and Comprehensive Income (continued)

| \$ in millions  | Guarantors | Non-Guarantors | Issuer  | Parent | Adjustments | Consolidated |
|---|------------|----------------|---------|--------|-------------|--------------|
| For the six months ended June 30, 2012  |            |                |         |        |             |              |
| Operating Revenues:   |            |                |         |        |             |              |
| Investment management fees  | 599.9      | 972.1          | —       | —      | —           | 1,572.0      |
| Service and distribution fees   | 46.1       | 330.0          | —       | —      | —           | 376.1        |
| Performance fees  | 8.4        | 27.5           | —       | —      | —           | 35.9         |
| Other   | 7.6        | 51.1           | —       | —      | —           | 58.7         |
| Intercompany Revenues   | 12.2       | (12.2 )        | —       | —      | —           | —            |
| Total operating revenues  | 674.2      | 1,368.5        | —       | —      | —           | 2,042.7      |
| Operating expenses:   |            |                |         |        |             |              |
| Employee compensation   | 181.9      | 437.8          | —       | 3.4    | —           | 623.1        |
| Third-party distribution, service and advisory  | 43.0       | 590.7          | —       | —      | —           | 633.7        |
| Marketing   | 2.4        | 50.9           | —       | —      | —           | 53.3         |
| Property, office and technology   | 56.8       | 78.4           | —       | 0.1    | —           | 135.3        |
| General and administrative  | 39.6       | 120.2          | —       | 2.2    | —           | 162.0        |
| Transaction and integration   | —          | 2.6            | —       | —      | —           | 2.6          |
| Intercompany Expenses   | 117.1      | (117.6 )       | —       | 0.5    | —           | —            |
| Total operating expenses  | 440.8      | 1,163.0        | —       | 6.2    | —           | 1,610.0      |
| Operating income/(loss)   | 233.4      | 205.5          | —       | (6.2 ) | —           | 432.7        |
| Other income/(expense):   |            |                |         |        |             |              |
| Equity in earnings of unconsolidated affiliates   | 2.7        | 13.5           | 177.6   | 355.3  | (532.5 )    | 16.6         |
| Interest and dividend income  | 1.7        | 43.3           | 25.0    | 0.2    | (65.6 )     | 4.6          |
| Interest income of consolidated investment products   | —          | 137.7          | —       | —      | —           | 137.7        |
| Other gains/(losses) of consolidated investment products, net                                       | —          | (44.7 )        | —       | —      | —           | (44.7 )      |
| Interest expense  | (67.1 )    | 0.3            | (23.3 ) | (2.5 ) | 65.6        | (27.0 )      |
| Interest expense of consolidated investment products  | —          | (92.5 )        | —       | —      | —           | (92.5 )      |
| Other gains and losses, net   | 4.3        | 6.8            | (1.1 )  | 0.9    | —           | 10.9         |
| Income before income taxes  | 175.0      | 269.9          | 178.2   | 347.7  | (532.5 )    | 438.3        |
| Income tax provision  | (67.0 )    | (67.1 )        | (1.9 )  | 0.1    | —           | (135.9 )     |
| Net income  | 108.0      | 202.8          | 176.3   | 347.8  | (532.5 )    | 302.4        |
| Net (income)/loss attributable to the noncontrolling interests in consolidated entities, net of tax | —          | 45.4           | —       | —      | —           | 45.4         |
| Net income attributable to common shareholders  | 108.0      | 248.2          | 176.3   | 347.8  | (532.5 )    | 347.8        |
| Total comprehensive income  | 109.0      | 193.5          | 174.5   | 364.4  | (547.0 )    | 294.4        |
| Comprehensive loss (income) attributable to noncontrolling interests in consolidated entities       | —          | 70.0           | —       | —      | —           | 70.0         |
| Comprehensive income attributable to common shareholders  | 109.0      | 263.5          | 174.5   | 364.4  | (547.0 )    | 364.4        |



Table of Contents

## Condensed Consolidating Statements of Income and Comprehensive Income (continued)

| \$ in millions  | Guarantors | Non-Guarantors | Issuer  | Parent | Adjustments | Consolidated |   |
|---|------------|----------------|---------|--------|-------------|--------------|---|
| For the six months ended June 30, 2011  |            |                |         |        |             |              |   |
| Operating Revenues:   |            |                |         |        |             |              |   |
| Investment management fees  | 596.7      | 1,014.7        | —       | —      | —           | 1,611.4      |   |
| Service and distribution fees   | 49.4       | 360.7          | —       | —      | —           | 410.1        |   |
| Performance fees  | 0.2        | 11.2           | —       | —      | —           | 11.4         |   |
| Other   | 4.8        | 59.6           | —       | —      | —           | 64.4         |   |
| Intercompany Revenues   | 17.6       | (17.6          | )       | —      | —           | —            |   |
| Total operating revenues  | 668.7      | 1,428.6        | —       | —      | —           | 2,097.3      |   |
| Operating expenses:   |            |                |         |        |             |              |   |
| Employee compensation   | 173.6      | 442.9          | —       | 7.7    | —           | 624.2        |   |
| Third-party distribution, service and advisory  | 25.1       | 641.2          | —       | —      | —           | 666.3        |   |
| Marketing   | 20.5       | 31.3           | —       | —      | —           | 51.8         |   |
| Property, office and technology   | 53.4       | 72.1           | —       | 0.4    | —           | 125.9        |   |
| General and administrative  | 41.3       | 105.5          | —       | 4.4    | —           | 151.2        |   |
| Transaction and integration   | —          | 19.2           | —       | —      | —           | 19.2         |   |
| Intercompany Expenses   | 101.1      | (101.1         | )       | —      | —           | —            |   |
| Total operating expenses  | 415.0      | 1,211.1        | —       | 12.5   | —           | 1,638.6      |   |
| Operating income/(loss)   | 253.7      | 217.5          | —       | (12.5  | )           | 458.7        |   |
| Other income/(expense):   |            |                |         |        |             |              |   |
| Equity in earnings of unconsolidated affiliates   | 0.6        | 16.3           | 217.2   | 367.7  | (584.3      | ) 17.5       |   |
| Interest and dividend income  | 0.8        | 42.1           | 24.9    | 0.4    | (63.7       | ) 4.5        |   |
| Interest income of consolidated investment products   | —          | 154.0          | —       | —      | —           | 154.0        |   |
| Other gains/(losses) of consolidated investment products, net                                       | —          | (150.2         | )       | —      | —           | (150.2       | ) |
| Interest expense  | (68.4      | ) (1.0         | ) (25.1 | ) (1.4 | ) 63.7      | (32.2        | ) |
| Interest expense of consolidated investment products  | —          | (86.5          | )       | —      | —           | (86.5        | ) |
| Other gains and losses, net   | 1.1        | 7.3            | (0.8    | ) 6.3  | —           | 13.9         |   |
| Income before income taxes  | 187.8      | 199.5          | 216.2   | 360.5  | (584.3      | ) 379.7      |   |
| Income tax provision  | (70.1      | ) (68.7        | ) (12.2 | ) —    | —           | (151.0       | ) |
| Net income  | 117.7      | 130.8          | 204.0   | 360.5  | (584.3      | ) 228.7      |   |
| Net (income)/loss attributable to the noncontrolling interests in consolidated entities, net of tax | —          | 131.8          | —       | —      | —           | 131.8        |   |
| Net income attributable to common shareholders  | 117.7      | 262.6          | 204.0   | 360.5  | (584.3      | ) 360.5      |   |
| Total comprehensive income  | 120.0      | 285.7          | 269.0   | 509.5  | (799.9      | ) 384.3      |   |
| Comprehensive loss (income) attributable to noncontrolling interests in consolidated entities       | —          | 125.2          | —       | —      | —           | 125.2        |   |
| Comprehensive income attributable to common shareholders  | 120.0      | 410.9          | 269.0   | 509.5  | (799.9      | ) 509.5      |   |



Table of Contents

## Condensed Consolidating Statements of Cash Flows

| \$ in millions  | Guarantors | Non-Guarantors | Issuer   | Parent   | Adjustments | Consolidated |
|---|------------|----------------|----------|----------|-------------|--------------|
| For the six months ended June 30, 2012                                |            |                |          |          |             |              |
| Operating activities:   |            |                |          |          |             |              |
| Net cash provided by/(used in) operating activities                   | 400.0      | 227.6          | (14.3 )  | 312.0    | (678.1 )    | 247.2        |
| Investing activities:   |            |                |          |          |             |              |
| Purchase of investments by consolidated investment products           | —          | (1,584.6 )     | —        | —        | —           | (1,584.6 )   |
| Proceeds from sale of investments by consolidated investment products | —          | 1,537.0        | —        | —        | —           | 1,537.0      |
| Returns of capital in investments of consolidated investment products | —          | (44.9 )        | —        | —        | —           | (44.9 )      |
| Purchase of other investments   | (4.3 )     | (3.3 )         | (1.6 )   | (54.2 )  | —           | (63.4 )      |
| Other net increases/(decreases) in investing activities               | (17.1 )    | (35.3 )        | 8.3      | 13.1     | —           | (31.0 )      |
| Net cash (used in)/provided by investing activities                   | (21.4 )    | (131.1 )       | 6.7      | (41.1 )  | —           | (186.9 )     |
| Financing activities:   |            |                |          |          |             |              |
| Purchases of treasury shares  | —          | —              | —        | (150.0 ) | —           | (150.0 )     |
| Dividends paid  | (436.6 )   | (241.5 )       | —        | (133.7 ) | 678.1       | (133.7 )     |
| Capital invested into consolidated investment products                | —          | 19.4           | —        | —        | —           | 19.4         |
| Capital distributed by consolidated investment products               | —          | (35.5 )        | —        | —        | —           | (35.5 )      |
| Repayments of debt of consolidated investment products                | —          | 145.7          | —        | —        | —           | 145.7        |
| Net borrowings/(repayments) under credit facility                     | 50.0       | —              | 222.0    | —        | —           | 272.0        |
| Repayments of senior notes  | —          | —              | (215.1 ) | —        | —           | (215.1 )     |
| Other net increases/(decreases) in financing activities               | —          | 11.9           | —        | 12.2     | —           | 24.1         |
| Net cash used in financing activities                                 | (386.6 )   | (100.0 )       | 6.9      | (271.5 ) | 678.1       | (73.1 )      |
| (Decrease)/increase in cash and cash equivalents                      | (8.0 )     | (3.5 )         | (0.7 )   | (0.6 )   | —           | (12.8 )      |
| Foreign exchange movement on cash and cash equivalents                | —          | 3.8            | —        | —        | —           | 3.8          |
| Cash and cash equivalents, beginning of year                          | 20.6       | 703.0          | 3.1      | 0.7      | —           | 727.4        |
| Cash and cash equivalents, end of period                              | 12.6       | 703.3          | 2.4      | 0.1      | —           | 718.4        |



Table of Contents

## Condensed Consolidating Statements of Cash Flows (continued)

| \$ in millions  | Guarantors | Non-Guarantors | Issuer   | Parent   | Adjustments | Consolidated |
|---|------------|----------------|----------|----------|-------------|--------------|
| For the six months ended June 30, 2011                                |            |                |          |          |             |              |
| Operating activities:   |            |                |          |          |             |              |
| Net cash provided by/(used in) operating activities                   | (243.0 )   | 77.5           | 63.8     | 440.0    | (192.3 )    | 146.0        |
| Investing activities:   |            |                |          |          |             |              |
| Purchase of investments by consolidated investment products           | —          | (2,075.3 )     | —        | —        | —           | (2,075.3 )   |
| Proceeds from sale of investments by consolidated investment products | —          | 2,300.9        | —        | —        | —           | 2,300.9      |
| Returns of capital in investments of consolidated investment products | —          | 75.5           | —        | —        | —           | 75.5         |
| Purchase of other investments   | (1.2 )     | 81.3           | (116.0 ) | (25.5 )  | —           | (61.4 )      |
| Other net increases/(decreases) in investing activities               | (20.9 )    | (57.1 )        | 51.4     | 19.3     | (2.5 )      | (9.8 )       |
| Net cash (used in)/provided by investing activities                   | (22.1 )    | 325.3          | (64.6 )  | (6.2 )   | (2.5 )      | 229.9        |
| Financing activities:   |            |                |          |          |             |              |
| Purchases of treasury shares  | —          | —              | —        | (333.0 ) | —           | (333.0 )     |
| Dividends paid  | —          | (194.9 )       | —        | (108.4 ) | 194.8       | (108.5 )     |
| Capital invested into consolidated investment products                | —          | 32.5           | —        | —        | —           | 32.5         |
| Capital distributed by consolidated investment products               | —          | (134.9 )       | —        | —        | —           | (134.9 )     |
| Repayments of debt of consolidated investment products                | —          | (246.3 )       | —        | —        | —           | (246.3 )     |
| Net borrowings/(repayments) under credit facility                     | 268.0      | —              | —        | —        | —           | 268.0        |
| Other net increases/(decreases) in financing activities               | —          | 2.8            | —        | 9.9      | —           | 12.7         |
| Net cash used in financing activities                                 | 268.0      | (540.8 )       | —        | (431.5 ) | 194.8       | (509.5 )     |
| (Decrease)/increase in cash and cash equivalents                      | 2.9        | (138.0 )       | (0.8 )   | 2.3      | —           | (133.6 )     |
| Foreign exchange movement on cash and cash equivalents                | —          | 14.6           | —        | —        | —           | 14.6         |
| Cash and cash equivalents, beginning of year                          | 12.4       | 725.9          | 1.1      | 1.1      | —           | 740.5        |
| Cash and cash equivalents, end of period                              | 15.3       | 602.5          | 0.3      | 3.4      | —           | 621.5        |

## 13. SUBSEQUENT EVENTS

On July 26, 2012, the company announced a second quarter 2012 dividend of \$0.1725 per share, payable on September 7, 2012, to shareholders of record at the close of business on August 22, 2012.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

## Forward-Looking Statements

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Condensed Consolidated Financial Statements and related Notes thereto, which appear

elsewhere in this Report. Except for the historical financial information, this Report may include statements that constitute “forward-looking statements” under the United States securities laws. Forward-looking statements include information concerning possible or assumed future results of our operations, expenses, earnings, liquidity, cash flows and capital expenditures, industry or market conditions, assets under management, acquisition activities and the effect of completed acquisitions, debt levels and our ability to obtain additional financing or make payments on our debt, regulatory developments, demand for and pricing of our products and other aspects of our business or general economic conditions. In addition, when used in this Report, the documents incorporated by reference herein or such other documents or statements, words such as “believes,” “expects,” “anticipates,”

Table of Contents

“intends,” “plans,” “estimates,” “projects,” “forecasts,” and future or conditional verbs such as “will,” “may,” “could,” “should” “would,” and any other statement that necessarily depends on future events, are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Although we make such statements based on assumptions that we believe to be reasonable, there can be no assurance that actual results will not differ materially from our expectations. We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider the risks described in our most recent Form 10-K and subsequent Forms 10-Q, filed with the Securities and Exchange Commission.

## References

In this Report, unless otherwise specified, the terms “we,” “our,” “us,” “company,” “Invesco,” and “Invesco Ltd.” refer to Invesco Ltd., a company incorporated in Bermuda, and its subsidiaries.

## Executive Overview

The following executive overview summarizes the significant trends affecting our results of operations and financial condition for the periods presented. This overview and the remainder of this management’s discussion and analysis supplements, and should be read in conjunction with the Condensed Consolidated Financial Statements of Invesco Ltd. and its subsidiaries and the notes thereto contained elsewhere in this Report.

Invesco is a leading independent global investment manager with offices in more than 20 countries. As of June 30, 2012, we managed \$646.6 billion in assets for retail, institutional and high-net-worth investors around the world. By delivering the combined power of our distinctive worldwide investment management capabilities, Invesco provides a comprehensive array of enduring solutions for our clients. We have a significant presence in the institutional and retail segments of the investment management industry in North America, U.K., Europe and Asia-Pacific, serving clients in more than 100 countries.

During the second quarter, most global equity markets gave up a portion of the significant gains earned during the first quarter as fears over the European sovereign debt crisis re-escalated ahead of the Greek election and the recapitalization of the Spanish banking sector. Further, the rating agency Moody's downgraded a number of global banks multiple notches, which served to increase volatility in the equity markets. Additionally, economic data out of China and the US pointed to a slowdown which contributed to the negative sentiment during the quarter. Reflecting the more negative tone in global equity markets, investors increased holdings of high quality, low yielding government debt as reflected in the increase in long-dated U.S. Treasury bonds. The U.S. treasury 10-year bond returns increased 5.8% and the 30-year bond returns increased 12.6%.

The table below summarizes the returns of several major market indices for the three and six months ended June 30, 2012 and 2011:

| Index                 | Three months ended June 30, |    |      |    | Six months ended June 30, |   |      |    |
|-----------------------|-----------------------------|----|------|----|---------------------------|---|------|----|
|                       | 2012                        |    | 2011 |    | 2012                      |   | 2011 |    |
| S&P 500               | (3.3                        | )% | (0.4 | )% | 8.3                       | % | 5.0  | %  |
| FTSE 100              | (3.4                        | )% | 0.6  | %  | 0.0                       | % | 0.8  | %  |
| Nikkei 225            | (10.7                       | )% | 0.6  | %  | 6.5                       | % | (4.0 | )% |
| MSCI Emerging Markets | (10.0                       | )% | (2.1 | )% | 2.3                       | % | (0.4 | )% |

A significant portion of our business and AUM is based outside of the U.S. The strengthening or weakening of the U.S. dollar against other currencies, primarily the Pound Sterling, Canadian dollar, Yen and Euro, will impact our reported revenues and expenses from period to period. Additionally, our revenues are directly influenced by the level and composition of our AUM. Therefore, movements in global capital market levels, net new business inflows (or outflows) and changes in the mix of investment products between asset classes and geographies may materially affect our revenues from period to period.

Over the past six years, we have focused on our multi-year strategy to grow and strengthen our business. Our commitment to investment excellence enables us to deliver strong, long-term investment performance to our clients. We have worked to enhance the depth and breadth of our investment capabilities and made successful strategic acquisitions that further expanded our capabilities. We also worked to further enhance the effectiveness of our global operating platform. The depth, breadth and strength of our business have put us in a position to evolve our capital

management priorities, as further discussed in the "Liquidity and Capital Resources" and "Dividends" sections of this Management's Discussion and Analysis.

As it has been in the past, our first priority is to reinvest in our business in ways that enhance our ability to deliver strong investment performance to our clients. In addition, dividends are now featured more prominently among our priorities, which will provide a more committed level of return to our shareholders. We will also continue our program of repurchasing shares. Furthermore, as we have said in the past, our goal is to achieve a cash buffer of approximately \$1 billion in excess of regulatory requirements. These priorities reflect our confidence in our ability to grow our business organically by meeting client needs

Table of Contents

and to further strengthen our capital position over time.

Presentation of Management's Discussion and Analysis of Financial Condition and Results of Operations

The company provides investment management services to, and has transactions with, various private equity, real estate, fund-of-funds, collateralized loan obligation products (CLOs), and other investment entities sponsored by the company for the investment of client assets in the normal course of business. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of the products. Certain of these entities are consolidated under variable interest or voting interest entity consolidation guidance and are referred to as "consolidated investment products." See Part I, Item 1, Financial Statements — Note 11, "Consolidated Investment Products," for additional details.

The majority of the company's consolidated investment products balances are CLO-related. The collateral assets of the CLOs are held solely to satisfy the obligations of the CLOs. The company has no right to the benefits from, nor does it bear the risks associated with, the collateral assets held by the CLOs, beyond the company's minimal direct investments in, and management fees generated from, the CLOs. If the company were to liquidate, the collateral assets would not be available to the general creditors of the company, and as a result, the company does not consider them to be company assets. Conversely, if the CLOs were to liquidate, their investors would have no recourse to the general credit of the company. The company therefore does not consider this debt to be a company liability.

The impact of consolidation of investment products is so significant to the presentation of the company's financial statements (but not to the underlying financial condition or results of operations of the company) that the company has elected to deconsolidate these products in its non-GAAP disclosures. The following discussion therefore combines the results presented under U.S. generally accepted accounting principles (GAAP) with the company's non-GAAP presentation. There are four distinct sections within this Management's Discussion and Analysis of Financial Condition and Results of Operations after the Assets Under Management discussion:

• Results of Operations (for the three and six months ended June 30, 2012 compared with the three and six months ended June 30, 2011);

• Schedule of Non-GAAP Information;

• Balance Sheet Discussion; and

• Liquidity and Capital Resources.

Each of the financial statement summary sections (Results of Operations, Balance Sheet Discussion, and Liquidity and Capital Resources) begins with a table illustrating the impact of the consolidation of investment products. The narrative that follows each of these sections separately provides discussion of the underlying financial statement activity for the company, before consolidation of investment products, as well as of the financial statement activity of consolidated investment products. Additionally, wherever a non-GAAP measure is referenced, a disclosure will follow in the narrative or in the note referring the reader to the Schedule of Non-GAAP Information, where additional details regarding the use of the non-GAAP measure by the company are disclosed, along with reconciliations of the most directly comparable U.S. GAAP measures to the non-GAAP measures. To further enhance the readability of the Results of Operations section, separate tables for each of the revenue, expense, and non-operating income/expense sections of the income statement introduce the narrative that follows, providing a section-by-section review of the company's income statements for the periods presented.

Table of Contents

## Summary Operating Information

Summary operating information is presented in the table below:

| \$ in millions, other than per share amounts, operating margins, ratios and AUM | Three months ended June 30, |           | Six months ended June 30, |           |
|---|-----------------------------|-----------|---------------------------|-----------|
|   | 2012                        | 2011      | 2012                      | 2011      |
| <b>U.S. GAAP Financial Measures Summary</b>                                     |                             |           |                           |           |
| Operating revenues  | \$1,009.0                   | \$1,070.0 | \$2,042.7                 | \$2,097.3 |
| Operating income  | \$202.9                     | \$233.0   | \$432.7                   | \$458.7   |
| Operating margin  | 20.1                        | % 21.8    | % 21.2                    | % 21.9    |
| Net income attributable to common shareholders                                  | \$153.9                     | \$183.0   | \$347.8                   | \$360.5   |
| Diluted EPS   | \$0.34                      | \$0.39    | \$0.76                    | \$0.77    |
| Debt/equity ratio (%)   | 70.3                        | % 85.6    | % 70.3                    | % 85.6    |
| <b>Non-GAAP Financial Measures Summary</b>                                      |                             |           |                           |           |
| Net revenues <sup>(1)</sup>   | \$712.1                     | \$751.2   | \$1,448.4                 | \$1,475.5 |
| Adjusted operating income <sup>(2)</sup>  | \$249.0                     | \$284.8   | \$518.2                   | \$556.9   |
| Adjusted operating margin <sup>(2)</sup>  | 35.0                        | % 37.9    | % 35.8                    | % 37.7    |
| Adjusted net income attributable to common shareholders <sup>(3)</sup>          | \$184.7                     | \$207.1   | \$385.7                   | \$398.8   |
| Adjusted diluted EPS <sup>(3)</sup>   | \$0.41                      | \$0.44    | \$0.85                    | \$0.85    |
| Debt/equity ratio excluding consolidated investment products <sup>(4)</sup>     | 16.9                        | % 20.2    | % 16.9                    | % 20.2    |
| <b>Assets Under Management</b>  |                             |           |                           |           |
| Ending AUM (billions)   | \$646.6                     | \$653.7   | \$646.6                   | \$653.7   |
| Average AUM (billions)  | \$651.2                     | \$652.8   | \$654.7                   | \$641.5   |

(1) Net revenues are operating revenues less third-party distribution, service and advisory expenses, plus our proportional share of the net revenues of our joint venture investments, plus management and performance fees earned from, less other revenue recorded by, consolidated investment products. See "Schedule of Non-GAAP Information" for the reconciliation of operating revenues to net revenues.

(2) Adjusted operating margin is adjusted operating income divided by net revenues. Adjusted operating income includes operating income plus our proportional share of the operating income of our joint venture investments, transaction and integration charges, amortization of acquisition-related prepaid compensation and other intangibles, compensation expense related to market valuation changes in deferred compensation plans, the operating income impact of the consolidation of investment products, European infrastructure expenses and other reconciling items. See "Schedule of Non-GAAP Information" for the reconciliation of operating income to adjusted operating income.

(3) Adjusted net income attributable to common shareholders is net income attributable to common shareholders adjusted to add back transaction and integration charges, amortization of acquisition-related prepaid compensation and other intangibles, and the tax cash flow benefits resulting from tax amortization of goodwill and indefinite-lived intangible assets. Adjusted net income attributable to common shareholders excludes the net income of consolidated investment products, and the net income impact of deferred compensation plans, European infrastructure expenses and other reconciling items. By calculation, adjusted diluted EPS is adjusted net income attributable to common shareholders divided by the weighted average number of diluted shares outstanding. See "Schedule of Non-GAAP Information" for the reconciliation of net income to adjusted net income.

(4) The debt-to-equity ratio excluding consolidated investment products is a non-GAAP financial measure. See the "Liquidity and Capital Resources" section for a recalculation of this ratio and the "Balance Sheet Discussion" section for a reconciliation of debt and equity balances before and after the consolidation of investment products.

#### Investment Capabilities Performance Overview

Invesco's first strategic priority is to achieve strong investment performance over the long-term for our clients. Long-term performance in our equities capabilities, as measured by the percentage of AUM ahead of benchmark and ahead of peer median, is generally strong with certain capabilities demonstrating outstanding performance. Within our equity asset class, U.S. Core, U.S. Value, U.K., and Global Ex-U.S. and Emerging Markets funds have strong long-term performance, with over 70% of assets ahead of benchmarks and peer group medians on a 5- year basis. Our Balanced asset class also reflects solid long-

Table of Contents

term performance, with over 70% of assets ahead of benchmarks and peers on a 5-year basis. Within our fixed income asset class our Global and U.S. fixed income products have achieved strong long-term performance with 70% or more of AUM ahead of peers on a 5- year basis.

|              |                                     | Benchmark Comparison        |       |       | Peer Group Comparison              |       |       |   |
|--------------|-------------------------------------|-----------------------------|-------|-------|------------------------------------|-------|-------|---|
|              |                                     | % of AUM Ahead of Benchmark |       |       | % of AUM In Top Half of Peer Group |       |       |   |
|              |                                     | 1yr                         | 3yr   | 5yr   | 1yr                                | 3yr   | 5yr   |   |
| Equities     | U.S. Core                           | 25                          | % 20  | % 96  | % 43                               | % 21  | % 73  | % |
|              | U.S. Growth                         | 2                           | % 22  | % 31  | % 23                               | % 39  | % 70  | % |
|              | U.S. Value                          | 15                          | % 58  | % 96  | % 99                               | % 94  | % 96  | % |
|              | Sector                              | 25                          | % 59  | % 66  | % 23                               | % 29  | % 39  | % |
|              | U.K.                                | 100                         | % 98  | % 96  | % 100                              | % 97  | % 96  | % |
|              | Canadian                            | 73                          | % 50  | % 53  | % 50                               | % 50  | % 52  | % |
|              | Asian                               | 26                          | % 40  | % 41  | % 27                               | % 35  | % 37  | % |
|              | Continental European                | 50                          | % 66  | % 94  | % 41                               | % 56  | % 56  | % |
|              | Global                              | 65                          | % 71  | % 59  | % 65                               | % 78  | % 22  | % |
|              | Global Ex U.S. and Emerging Markets | 80                          | % 82  | % 94  | % 81                               | % 81  | % 85  | % |
| Other        | Alternatives                        | 64                          | % 32  | % 64  | % 61                               | % 36  | % 25  | % |
|              | Balanced                            | 27                          | % 47  | % 80  | % 72                               | % 91  | % 77  | % |
| Money Market | Money Market                        | 35                          | % 38  | % 71  | % 96                               | % 96  | % 93  | % |
| Fixed Income | U.S. Fixed Income                   | 93                          | % 94  | % 66  | % 88                               | % 77  | % 79  | % |
|              | Global Fixed Income                 | 27                          | % 60  | % 75  | % 19                               | % 36  | % 81  | % |
|              | Stable Value                        | 100                         | % 100 | % 100 | % 100                              | % 100 | % 100 | % |

AUM measured in the one-, three-, and five-year peer group rankings represents 59%, 58%, and 57% of total Invesco AUM, respectively, and AUM measured versus benchmark on a one-, three-, and five-year basis represents 70%, 69%, and 66% of total Invesco AUM, respectively, as of June 30, 2012. Peer group rankings are sourced from a widely-used third party ranking agency in each fund's market (Lipper, Morningstar, Russell, Mercer, eVestment Alliance, SITCA) and are asset-weighted in USD. Rankings are as of prior quarter-end for most institutional products and preceding month-end for Australian retail funds due to their late release by third parties. Rankings for the most representative fund in each GIPS composite are applied to all products within each GIPS composite. Excludes passive products, closed-end funds, private equity limited partnerships, non-discretionary direct real estate, unit investment trusts, CLOs, alternative and stable value products. Certain funds and products were excluded from the analysis because of limited benchmark or peer group data. Had these been available, results may have been different. These results are preliminary and subject to revision. Performance assumes the reinvestment of dividends. Past performance is not indicative of future results and may not reflect an investor's experience.

Assets Under Management movements for the three months ended June 30, 2012 compared with the three months ended June 30, 2011

AUM at June 30, 2012, were \$646.6 billion (March 31, 2012: \$672.8 billion; June 30, 2011: \$653.7 billion). During the three months ended June 30, 2012, long-term net outflows decreased AUM by \$4.9 billion, while market movements decreased AUM by \$15.5 billion. We experienced net outflows in institutional money market funds of \$3.4 billion, and decreases in AUM of \$2.4 billion due to changes in foreign exchange rates during the three months ended June 30, 2012. During the three months ended June 30, 2011, long-term net inflows increased AUM by \$3.8 billion, while positive market movements increased AUM by \$3.2 billion. We experienced net inflows in institutional money market funds of \$3.5 billion and increases in AUM of \$1.3 billion due to changes in foreign exchange rates

during the three months ended June 30, 2011. Average AUM during the three months ended June 30, 2012, were \$651.2 billion compared to \$652.8 billion for the three months ended June 30, 2011.

The discussion below includes presentation of AUM as Passive and Active. Passive AUM includes ETFs, UITs, non-fee earning leverage, foreign exchange overlays and other passive mandates. Active AUM is total AUM less Passive AUM.

Long-term net outflows during the three months ended June 30, 2012 were \$4.9 billion and included net outflows of passive AUM of \$1.7 billion. Net long-term flows were split between outflows from our retail distribution channel of \$3.0 billion and outflows from our institutional channel of \$2.1 billion, which were primarily in the equity and alternatives asset classes. Our balanced asset class experienced net inflows of \$2.3 billion, including approximately \$3 billion in positive flows related to our balanced risk allocation strategies, for which we continue to see strong demand. These inflows were partially offset by outflows of traditional balanced products. The Invesco Balanced Risk Allocation Fund established its three-year track record during the

Table of Contents

three months ended June 30, 2012, raising its profile in the market. This quarterly period marks the eleventh consecutive quarter of positive flows into the balanced risk allocation strategies.

As discussed in the “Executive Overview” section of this Management’s Discussion and Analysis, during the three months ended June 30, 2012, the S&P 500 Index declined 3.3%, the FTSE declined 3.4%, the Nikkei 225 declined 10.7%, while the MSCI Emerging Markets index was down 10%. Of the \$15.5 billion decrease in AUM resulting from market losses during the three months ended June 30, 2012, \$13.7 billion of this decrease was due to the change in value of our equity asset class, with balanced and alternative asset classes also experiencing losses. Of the \$3.2 billion increase in AUM resulting from market gains during the three months ended June 30, 2011, \$2.4 billion of this increase was due to the change in value of our fixed income asset class.

The impact of the change in foreign exchange rates in the three months ended June 30, 2012, was driven primarily by the weakening of the Pound Sterling, the Euro and the Canadian Dollar relative to the U.S. Dollar, which was reflected in the translation of our Sterling-based, Euro-based, and Canadian Dollar-based AUM into U.S. Dollars, partially offset by the strengthening of the Japanese Yen relative to the U.S. Dollar, which was reflected in the translation of our Japanese Yen-based AUM into U.S. Dollars. The impact of the change in foreign exchange rates in the three months ended June 30, 2011, was driven by the strengthening of the Japanese Yen, the Pound Sterling, the Canadian Dollar, and the Euro relative to the U.S. Dollar.

The table below illustrates the spot foreign exchange rates for translation into the U.S. Dollar, the reporting currency of the company, at June 30, 2012 and 2011, as compared with the rates that existed at March 31, 2012 and 2011:

|                              | June 30, 2012 | March 31, 2012 | June 30, 2011 | March 31, 2011 |
|------------------------------|---------------|----------------|---------------|----------------|
| Pound Sterling (\$ per £)    | 1.57          | 1.60           | 1.61          | 1.60           |
| Canadian Dollar (CAD per \$) | 1.02          | 1.00           | 0.96          | 0.97           |
| Japan (¥ per \$)             | 79.82         | 82.33          | 80.66         | 82.94          |
| Euro (\$ per €)              | 1.27          | 1.33           | 1.45          | 1.42           |

Net revenue yield decreased 2.3 basis points to 43.7 basis points in the three months ended June 30, 2012, from the three months ended June 30, 2011 level of 46.0 basis points. Market driven changes in our asset mix significantly impact our net revenue yield calculation. Our equity AUM generally earn a higher net revenue rate than money market AUM. At June 30, 2012, equity AUM were \$283.8 billion, representing 43.9% of our total AUM at that date; whereas at June 30, 2011, equity AUM were \$301.9 billion, representing 46.2% of our total AUM at that date. With the mix of AUM less weighted in equity AUM at June 30, 2012, compared to June 30, 2011, net revenue yield decreased.

Furthermore, strong sales in our passive ETF products have contributed to passive AUM representing 16.6% of total AUM as at June 30, 2012, compared to 14.0% at June 30, 2011. The net revenue yield on passive AUM was approximately 9 basis points compared to approximately 51 basis points from active AUM (before performance fees) during the three months ended June 30, 2012, contributing to the overall yield reduction.

Gross revenue yield on AUM decreased 3.6 basis points to 62.3 basis points in the three months ended June 30, 2012, from the three months ended June 30, 2011, level of 65.9 basis points. Management does not consider gross revenue yield, the most comparable U.S. GAAP-based measure to net revenue yield, to be a meaningful effective fee rate measure. The numerator of the gross revenue yield measure, operating revenues, excludes the management and performance fees earned from consolidated investment products; however the denominator of the measure includes the AUM of these investment products. Therefore, the gross revenue yield measure is not considered representative of the company’s true effective fee rate from AUM. See “Schedule of Non-GAAP Information” for a reconciliation of operating revenues (gross revenues) to net revenues.

Table of Contents

Changes in AUM were as follows:

| \$ in billions  | 2012      |         |         | 2011      |         |         |
|---|-----------|---------|---------|-----------|---------|---------|
|   | Total AUM | Active  | Passive | Total AUM | Active  | Passive |
| March 31  | 672.8     | 560.2   | 112.6   | 641.9     | 550.2   | 91.7    |
| Long-term inflows   | 37.1      | 24.6    | 12.5    | 42.7      | 28.0    | 14.7    |
| Long-term outflows  | (42.0 )   | (27.8 ) | (14.2 ) | (38.9 )   | (25.1 ) | (13.8 ) |
| Long-term net flows   | (4.9 )    | (3.2 )  | (1.7 )  | 3.8       | 2.9     | 0.9     |
| Net flows in institutional money market funds                     | (3.4 )    | (3.4 )  | —       | 3.5       | 3.5     | —       |
| Market gains and (losses)/reinvestment                            | (15.5 )   | (12.1 ) | (3.4 )  | 3.2       | 4.1     | (0.9 )  |
| Foreign currency translation                                      | (2.4 )    | (2.5 )  | 0.1     | 1.3       | 1.2     | 0.1     |
| June 30   | 646.6     | 539.0   | 107.6   | 653.7     | 561.9   | 91.8    |
| Average long-term AUM   | 583.1     | 474.8   | 108.3   | 583.0     | 489.5   | 93.5    |
| Average institutional money market AUM                            | 68.1      | 68.1    | —       | 69.8      | 69.8    | —       |
| Average AUM   | 651.2     | 542.9   | 108.3   | 652.8     | 559.3   | 93.5    |
| Gross revenue yield on AUM <sup>(1)</sup>                         | 62.3bps   | 73.0bps | 8.7bps  | 65.9bps   | 75.1bps | 11.3bps |
| Gross revenue yield on AUM before performance fees <sup>(1)</sup> | 61.3bps   | 72.0bps | 8.7bps  | 65.4bps   | 74.6bps | 11.3bps |
| Net revenue yield on AUM <sup>(2)</sup>                           | 43.7bps   | 50.7bps | 8.7bps  | 46.0bps   | 51.8bps | 11.3bps |
| Net revenue yield on AUM before performance fees <sup>(2)</sup>   | 42.8bps   | 50.1bps | 8.7bps  | 45.6bps   | 51.3bps | 11.3bps |

Gross revenue yield on AUM is equal to annualized total operating revenues divided by average AUM, excluding joint venture (JV) AUM. Our share of the average AUM in the three months ended June 30, 2012, for our JVs in China was \$3.1 billion (three months ended June 30, 2011: \$3.5 billion). It is appropriate to exclude the average

(1) AUM of our JVs for purposes of computing gross revenue yield on AUM, because the revenues resulting from these AUM are not presented in our operating revenues. Under U.S. GAAP, our share of the pre-tax earnings of the JVs is recorded as equity in earnings of unconsolidated affiliates on our Condensed Consolidated Statements of Income.

(2) Net revenue yield on AUM is equal to annualized net revenues divided by average AUM. See “Schedule of Non-GAAP Information” for a reconciliation of operating revenues to net revenues.

Table of Contents

Our AUM by channel, by asset class, and by client domicile were as follows:

Total AUM by Channel<sup>(1)</sup>

| \$ in billions                                | Total  | Retail   | Institutional | Private<br>Wealth<br>Management |
|---|--------|----------|---------------|---------------------------------|
| March 31, 2012 AUM                            | 672.8  | 414.8    | 238.6         | 19.4                            |
| Long-term inflows                             | 37.1   | 30.6     | 5.6           | 0.9                             |
| Long-term outflows                            | (42.0) | ) (33.6) | ) (7.7)       | ) (0.7)                         |
| Long-term net flows                           | (4.9)  | ) (3.0)  | ) (2.1)       | ) 0.2                           |
| Net flows in institutional money market funds | (3.4)  | ) —      | (3.4)         | ) —                             |
| Market gains and (losses)/reinvestment        | (15.5) | ) (13.0) | ) (1.8)       | ) (0.7)                         |
| Foreign currency translation                  | (2.4)  | ) (2.1)  | ) (0.3)       | ) —                             |
| June 30, 2012 AUM                             | 646.6  | 396.7    | 231.0         | 18.9                            |
| March 31, 2011 AUM                            | 641.9  | 396.2    | 228.3         | 17.4                            |
| Long-term inflows                             | 42.7   | 33.2     | 8.6           | 0.9                             |
| Long-term outflows                            | (38.9) | ) (30.3) | ) (7.9)       | ) (0.7)                         |
| Long-term net flows                           | 3.8    | 2.9      | 0.7           | 0.2                             |
| Net flows in institutional money market funds | 3.5    | —        | 3.5           | —                               |
| Market gains and (losses)/reinvestment        | 3.2    | 2.2      | 1.1           | (0.1)                           |
| Foreign currency translation                  | 1.3    | 0.4      | 0.9           | —                               |
| June 30, 2011 AUM                             | 653.7  | 401.7    | 234.5         | 17.5                            |

Passive AUM by Channel<sup>(1)</sup>

| \$ in billions                                | Total  | Retail   | Institutional | Private<br>Wealth<br>Management |
|---|--------|----------|---------------|---------------------------------|
| March 31, 2012 AUM                            | 112.6  | 92.2     | 20.4          | —                               |
| Long-term inflows                             | 12.5   | 11.7     | 0.8           | —                               |
| Long-term outflows                            | (14.2) | ) (13.8) | ) (0.4)       | ) —                             |
| Long-term net flows                           | (1.7)  | ) (2.1)  | ) 0.4         | ) —                             |
| Net flows in institutional money market funds | —      | —        | —             | —                               |
| Market gains and (losses)/reinvestment        | (3.4)  | ) (3.2)  | ) (0.2)       | ) —                             |
| Foreign currency translation                  | 0.1    | —        | 0.1           | —                               |
| June 30, 2012 AUM                             | 107.6  | 86.9     | 20.7          | —                               |
| March 31, 2011 AUM                            | 91.7   | 78.2     | 13.5          | —                               |
| Long-term inflows                             | 14.7   | 12.7     | 2.0           | —                               |
| Long-term outflows                            | (13.8) | ) (13.3) | ) (0.5)       | ) —                             |
| Long-term net flows                           | 0.9    | (0.6)    | ) 1.5         | —                               |
| Net flows in institutional money market funds | —      | —        | —             | —                               |
| Market gains and (losses)/reinvestment        | (0.9)  | ) (0.9)  | ) —           | —                               |
| Foreign currency translation                  | 0.1    | —        | 0.1           | —                               |
| June 30, 2011 AUM                             | 91.8   | 76.7     | 15.1          | —                               |

See accompanying notes to these AUM tables on the following page.

Table of ContentsTotal AUM by Asset Class<sup>(2)</sup>

| \$ in billions   | Total   | Equity  | Fixed<br>Income | Balanced | Money<br>Market | Alternatives <sup>(3)</sup> |
|--|---------|---------|-----------------|----------|-----------------|-----------------------------|
| March 31, 2012 AUM                                       | 672.8   | 305.2   | 155.0           | 50.5     | 74.5            | <sup>(4)</sup> 87.6         |
| Long-term inflows  | 37.1    | 19.5    | 8.1             | 4.6      | 1.1             | 3.8                         |
| Long-term outflows                                       | (42.0 ) | (25.6 ) | (8.0 )          | (2.3 )   | (0.9 )          | (5.2 )                      |
| Long-term net flows                                      | (4.9 )  | (6.1 )  | 0.1             | 2.3      | 0.2             | (1.4 )                      |
| Net flows in institutional money<br>market funds         | (3.4 )  | —       | —               | —        | (3.4 )          | —                           |
| Market gains and<br>(losses)/reinvestment                | (15.5 ) | (13.7 ) | 0.8             | (0.9 )   | (0.3 )          | (1.4 )                      |
| Foreign currency translation                             | (2.4 )  | (1.6 )  | (0.3 )          | (0.4 )   | —               | (0.1 )                      |
| June 30, 2012 AUM  | 646.6   | 283.8   | 155.6           | 51.5     | 71.0            | <sup>(4)</sup> 84.7         |
| March 31, 2011 AUM                                       | 641.9   | 303.0   | 139.7           | 44.7     | 71.0            | 83.5                        |
| Long-term inflows  | 42.7    | 22.9    | 8.8             | 2.7      | 0.3             | 8.0                         |
| Long-term outflows                                       | (38.9 ) | (25.5 ) | (5.3 )          | (2.2 )   | (0.5 )          | (5.4 )                      |
| Long-term net flows                                      | 3.8     | (2.6 )  | 3.5             | 0.5      | (0.2 )          | 2.6                         |
| Net flows in institutional money<br>market funds         | 3.5     | —       | —               | —        | 3.5             | —                           |
| Market gains and<br>(losses)/reinvestment <sup>(6)</sup> | 3.2     | 0.8     | 2.4             | (0.8 )   | 0.1             | 0.7                         |
| Foreign currency translation                             | 1.3     | 0.7     | 0.2             | 0.1      | —               | 0.3                         |
| June 30, 2011 AUM  | 653.7   | 301.9   | 145.8           | 44.5     | 74.4            | 87.1                        |

Passive AUM by Asset Class<sup>(2)</sup>

| \$ in billions                                   | Total   | Equity  | Fixed<br>Income | Balanced | Money<br>Market | Alternatives <sup>(3)</sup> |
|--|---------|---------|-----------------|----------|-----------------|-----------------------------|
| March 31, 2012 AUM                               | 112.6   | 59.0    | 32.5            | —        | —               | 21.1                        |
| Long-term inflows                                | 12.5    | 9.8     | 2.0             | —        | —               | 0.7                         |
| Long-term outflows                               | (14.2 ) | (11.6 ) | (0.8 )          | —        | —               | (1.8 )                      |
| Long-term net flows                              | (1.7 )  | (1.8 )  | 1.2             | —        | —               | (1.1 )                      |
| Net flows in institutional money<br>market funds | —       | —       | —               | —        | —               | —                           |
| Market gains and<br>(losses)/reinvestment        | (3.4 )  | (2.6 )  | 0.2             | —        | —               | (1.0 )                      |
| Foreign currency translation                     | 0.1     | —       | —               | —        | —               | 0.1                         |
| June 30, 2012 AUM                                | 107.6   | 54.6    | 33.9            | —        | —               | 19.1                        |
| March 31, 2011 AUM                               | 91.7    | 47.3    | 23.7            | —        | —               | 20.7                        |
| Long-term inflows                                | 14.7    | 10.0    | 3.0             | —        | —               | 1.7                         |
| Long-term outflows                               | (13.8 ) | (10.9 ) | (0.3 )          | —        | —               | (2.6 )                      |
| Long-term net flows                              | 0.9     | (0.9 )  | 2.7             | —        | —               | (0.9 )                      |
| Net flows in institutional money<br>market funds | —       | —       | —               | —        | —               | —                           |
| Market gains and<br>(losses)/reinvestment        | (0.9 )  | (0.7 )  | 0.3             | —        | —               | (0.5 )                      |
| Foreign currency translation                     | 0.1     | —       | —               | —        | —               | 0.1                         |
| June 30, 2011 AUM                                | 91.8    | 45.7    | 26.7            | —        | —               | 19.4                        |

See accompanying notes to these AUM tables on the following page.



Table of ContentsTotal AUM by Client Domicile<sup>(5)</sup>

| \$ in billions                                | Total  | U.S.   | Canada | U.K.  | Continental Europe | Asia  |
|---|--------|--------|--------|-------|--------------------|-------|
| March 31, 2012 AUM                            | 672.8  | 462.9  | 24.8   | 98.0  | 35.7               | 51.4  |
| Long-term inflows                             | 37.1   | 25.8   | 0.8    | 3.0   | 4.7                | 2.8   |
| Long-term outflows                            | (42.0) | (28.5) | (1.2)  | (4.4) | (4.1)              | (3.8) |
| Long-term net flows                           | (4.9)  | (2.7)  | (0.4)  | (1.4) | 0.6                | (1.0) |
| Net flows in institutional money market funds | (3.4)  | (3.2)  | —      | (0.2) | 0.1                | (0.1) |
| Market gains and (losses)/reinvestment        | (15.5) | (9.7)  | (0.4)  | (1.6) | (1.6)              | (2.2) |
| Foreign currency translation                  | (2.4)  | —      | (0.5)  | (2.0) | (0.4)              | 0.5   |
| June 30, 2012 AUM                             | 646.6  | 447.3  | 23.5   | 92.8  | 34.4               | 48.6  |
| March 31, 2011 AUM                            | 641.9  | 435.2  | 28.2   | 94.2  | 36.2               | 48.1  |
| Long-term inflows                             | 42.7   | 26.8   | 0.7    | 4.3   | 4.9                | 6.0   |
| Long-term outflows                            | (38.9) | (27.0) | (1.5)  | (3.2) | (4.1)              | (3.1) |
| Long-term net flows                           | 3.8    | (0.2)  | (0.8)  | 1.1   | 0.8                | 2.9   |
| Net flows in institutional money market funds | 3.5    | 3.7    | —      | (0.2) | 0.1                | (0.1) |
| Market gains and (losses)/reinvestment        | 3.2    | 1.2    | (0.1)  | 2.0   | 0.5                | (0.4) |
| Foreign currency translation                  | 1.3    | —      | 0.2    | —     | 0.3                | 0.8   |
| June 30, 2011 AUM                             | 653.7  | 439.9  | 27.5   | 97.1  | 37.9               | 51.3  |

Passive AUM by Client Domicile<sup>(5)</sup>

| \$ in billions                                | Total  | U.S.   | Canada | U.K. | Continental Europe | Asia  |
|---|--------|--------|--------|------|--------------------|-------|
| March 31, 2012 AUM                            | 112.6  | 105.7  | —      | —    | 1.5                | 5.4   |
| Long-term inflows                             | 12.5   | 12.3   | —      | —    | 0.1                | 0.1   |
| Long-term outflows                            | (14.2) | (14.1) | —      | —    | (0.1)              | —     |
| Long-term net flows                           | (1.7)  | (1.8)  | —      | —    | —                  | 0.1   |
| Net flows in institutional money market funds | —      | —      | —      | —    | —                  | —     |
| Market gains and (losses)/reinvestment        | (3.4)  | (3.2)  | —      | —    | (0.1)              | (0.1) |
| Foreign currency translation                  | 0.1    | —      | —      | —    | —                  | 0.1   |
| June 30, 2012 AUM                             | 107.6  | 100.7  | —      | —    | 1.4                | 5.5   |
| March 31, 2011 AUM                            | 91.7   | 88.0   | —      | —    | 1.4                | 2.3   |
| Long-term inflows                             | 14.7   | 14.6   | —      | —    | 0.1                | —     |
| Long-term outflows                            | (13.8) | (13.7) | —      | —    | (0.1)              | —     |
| Long-term net flows                           | 0.9    | 0.9    | —      | —    | —                  | —     |
| Net flows in institutional money market funds | —      | —      | —      | —    | —                  | —     |
| Market gains and (losses)/reinvestment        | (0.9)  | (0.9)  | —      | —    | —                  | —     |
| Foreign currency translation                  | 0.1    | —      | —      | —    | —                  | 0.1   |
| June 30, 2011 AUM                             | 91.8   | 88.0   | —      | —    | 1.4                | 2.4   |

(1) Channel refers to the distribution channel from which the AUM originated. Retail AUM arose from client investments into funds available to the public with shares or units. Institutional AUM originated from individual

corporate clients, endowments, foundations, government authorities, universities, or charities. Private Wealth Management AUM arose from high net worth client investments.

Table of Contents

- (2) Asset classes are descriptive groupings of AUM by common type of underlying investments.
- (3) The alternatives asset class includes absolute return, real estate, commodities, currencies, financial structures, Global Macro, REITS, private capital, and Risk Premia Capture.
- (4) Ending Money Market AUM includes \$67.0 billion in institutional money market AUM and \$4.0 billion in retail money market AUM.
- (5) Client domicile disclosure groups AUM by the domicile of the underlying clients.
- (6) As a result of fund mergers in the second quarter of 2011, the market gains and losses / reinvestment line includes \$0.9 billion transferred from the balanced to the equity asset class.

Results of Operations for the three months ended June 30, 2012 compared with the three months ended June 30, 2011 Adoption of Guidance now encompassed in Accounting Standards Codification (ASC) Topic 810, "Consolidation" The company provides investment management services to, and has transactions with, various private equity, real estate, fund-of-funds, collateralized loan obligation products (CLOs), and other investment entities sponsored by the company for the investment of client assets in the normal course of business. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of the products. Certain of these entities are consolidated under variable interest or voting interest entity consolidation guidance. See Part I, Item 1, Financial Statements — Note 11, "Consolidated Investment Products," for additional details.

The majority of the company's consolidated investment products balances were CLO-related as of June 30, 2012. The collateral assets of the CLOs are held solely to satisfy the obligations of the CLOs. The company has no right to the benefits from, nor does it bear the risks associated with, the collateral assets held by the CLOs, beyond the company's minimal direct investments in, and management fees generated from, the CLOs. If the company were to liquidate, the collateral assets would not be available to the general creditors of the company, and as a result, the company does not consider them to be company assets. Conversely, if the CLOs were to liquidate, their investors would have no recourse to the general credit of the company. The company therefore does not consider this debt to be a company liability. The discussion that follows will separate consolidated investment product results of operations from the company's investment management operations through the use of non-GAAP financial measures. See "Schedule of Non-GAAP Information" for additional details and reconciliations of the most directly comparable U.S. GAAP measures to the non-GAAP measures.

## Condensed Consolidating Statements of Income

| \$ in millions   | Before<br>Consolidation <sup>(1)</sup> | Impact of<br>Consolidated<br>Investment<br>Products | Total   |
|--|--|---|---------|
| Three months ended June 30, 2012   |  |   |         |
| Total operating revenues   | 1,019.5                                | (10.5 )   | 1,009.0 |
| Total operating expenses   | 791.4                                  | 14.7  | 806.1   |
| Operating income   | 228.1                                  | (25.2 )   | 202.9   |
| Equity in earnings of unconsolidated affiliates  | 9.7                                    | (2.8 )  | 6.9     |
| Interest and dividend income   | 5.7                                    | 65.2  | 70.9    |
| Other investment income/(losses)   | (7.7 )                                 | 77.2  | 69.5    |
| Interest expense   | (13.4 )                                | (46.9 )   | (60.3 ) |
| Income before income taxes   | 222.4                                  | 67.5  | 289.9   |
| Income tax provision   | (62.3 )                                | —   | (62.3 ) |
| Net income   | 160.1                                  | 67.5  | 227.6   |
| Net (income)/loss attributable to noncontrolling interests in consolidated entities, net | —                                      | (73.7 )   | (73.7 ) |
| Net income attributable to common shareholders   | 160.1                                  | (6.2 )  | 153.9   |



Table of Contents

| \$ in millions   | Before<br>Consolidation <sup>(1)</sup> | Impact of<br>Consolidated<br>Investment<br>Products | Total   |
|--|--|---|---------|
| Three months ended June 30, 2011   |  |   |         |
| Total operating revenues   | 1,082.1                                | (12.1 )   | 1,070.0 |
| Total operating expenses   | 833.4                                  | 3.6   | 837.0   |
| Operating income   | 248.7                                  | (15.7 )   | 233.0   |
| Equity in earnings of unconsolidated affiliates  | 10.5                                   | 0.3   | 10.8    |
| Interest and dividend income   | 4.0                                    | 78.2  | 82.2    |
| Other investment income/(losses)   | 6.0                                    | (64.7 )   | (58.7 ) |
| Interest expense   | (16.0 )                                | (46.5 )   | (62.5 ) |
| Income before income taxes   | 253.2                                  | (48.4 )   | 204.8   |
| Income tax provision   | (75.4 )                                | —   | (75.4 ) |
| Net income   | 177.8                                  | (48.4 )   | 129.4   |
| Net (income)/loss attributable to noncontrolling interests in consolidated entities, net | —                                      | 53.6  | 53.6    |
| Net income attributable to common shareholders   | 177.8                                  | 5.2   | 183.0   |

The Before Consolidation column includes Invesco's equity interest in the investment products accounted for as equity method (private equity and real estate partnership funds) and available-for-sale investments (CLOs). Upon consolidation of the CLOs, the company's and the CLOs' accounting policies were effectively aligned, resulting in the reclassification of the company's loss for the three months ended June 30, 2012 of \$6.1 million (representing the (1) decrease in the market value of the company's holdings in the consolidated CLOs) from other comprehensive income into other gains/losses (three months ended June 30, 2011: \$5.1 million gain). The company's loss (gain) on its investments in the CLOs (before consolidation) eliminates with the company's share of the offsetting gain (loss) on the CLOs' debt. The net income arising from consolidation of CLOs is therefore completely attributed to other investors in these CLOs, as the company's share has been eliminated through consolidation.

## Operating Revenues and Net Revenues

The main categories of revenues, and the dollar and percentage change between the periods, were as follows:

| \$ in millions   | Three months ended June 30, |              |           |          |
|--|-----------------------------|--------------|-----------|----------|
|  | 2012                        | 2011         | \$ Change | % Change |
| Investment management fees   | 780.6                       | 819.1        | (38.5 )   | (4.7 )%  |
| Service and distribution fees  | 187.1                       | 211.4        | (24.3 )   | (11.5 )% |
| Performance fees   | 15.4                        | 7.6          | 7.8       | 102.6 %  |
| Other  | 25.9                        | 31.9         | (6.0 )    | (18.8 )% |
| Total operating revenues   | 1,009.0                     | 1,070.0      | (61.0 )   | (5.7 )%  |
| Third-party distribution, service and advisory expenses  | (316.6 )                    | (341.8 )     | 25.2      | (7.4 )%  |
| Proportional share of revenues, net of third-party distribution expenses, from joint venture investments | 9.2                         | 10.8         | (1.6 )    | (14.8 )% |
| Management fees earned from consolidated investment products   | 10.4                        | 12.2         | (1.8 )    | (14.8 )% |
| Performance fees earned from consolidated investment products  | 0.1                         | 12,300,000 — | 0.1       | N/A      |
| Net revenues   | 712.1                       | 751.2        | (39.1 )   | (5.2 )%  |

Operating revenues decreased by \$61.0 million (5.7%) in the three months ended June 30, 2012 to \$1,009.0 million (three months ended June 30, 2011: \$1,070.0 million). Net revenues decreased by \$39.1 million (5.2%) in the three

months ended June 30, 2012 to \$712.1 million (three months ended June 30, 2011: \$751.2 million). Net revenues are operating revenues less third-party distribution, service and advisory expenses, plus our proportional share of net revenues from joint venture arrangements, plus management and performance fees earned from, less other revenues recorded by, consolidated investment products. See “Schedule of Non-GAAP Information” for additional important disclosures regarding the use of net revenues.

Table of Contents

A significant portion of our business and managed AUM are based outside of the U.S. The income statements of foreign currency subsidiaries are translated into U.S. dollars, the reporting currency of the company, using average foreign exchange rates. Foreign exchange rate movements accounted for \$17.2 million (28.2%) of the decrease and was 1.7% of total operating revenues, during the three months June 30, 2012 when compared to the three months ended June 30, 2011. Additionally, our revenues are directly influenced by the level and composition of our AUM as more fully discussed above. Movements in global capital market levels, net new business inflows (or outflows) and changes in the mix of investment products between asset classes and geographies may materially affect our revenues from period to period.

**Investment management fees**

Investment management fees decreased by \$38.5 million (4.7%) in the three months ended June 30, 2012 to \$780.6 million (three months ended June 30, 2011: \$819.1 million) due primarily to changes in the mix of AUM between asset classes together with the impact of foreign exchange rate movement. Foreign exchange rate movements accounted for \$15.2 million of decrease in investment management fees during the three months ended June 30, 2012, compared to the three months ended June 30, 2011. As discussed above, the net revenue yield is lower in the current period due to changes in the composition of our AUM. The weighting of AUM flows out of active and into passive products has lowered the net revenue yield, despite the average AUM staying fairly flat. In addition, management fees have reduced due to the acquisition integration-related U.S. mutual fund mergers that commenced in June 2011, some of which lapsed in mid-2012. As previously discussed, acquisition integration-related fee waivers amounted to approximately \$30 million on an annualized basis. See the company's disclosures regarding the changes in AUM during the three months ended June 30, 2012 in the "Assets Under Management" section above for additional information regarding the movements in AUM. Investment management fees were also impacted by foreign exchange rate movement in AUM.

**Service and distribution fees**

In the three months ended June 30, 2012, service and distribution fees decreased by \$24.3 million (11.5%) to \$187.1 million, (three months ended June 30, 2011: \$211.4 million) due to decreases in transfer agent fees of \$8.7 million, distribution and redemption fees of \$8.4 million, and administration fees of \$5.8 million. The fee reductions are attributable to the fund mergers and fee waivers associated with the U.S. mutual fund product realignment, the continued conversion of B-share fee structures to class A-shares that generate a lower annual service fee, and other changes in the AUM mix as a larger percentage of AUM charges no or lower distribution fees. The impact of foreign exchange rate movements accounted for \$1.4 million of decrease in service and distribution fees during the three months ended June 30, 2012 compared to the three months ended June 30, 2011.

**Performance fees**

Of our \$646.6 billion in AUM at June 30, 2012, approximately \$50.3 billion, or 7.8%, have the potential to earn performance fees. In the three months ended June 30, 2012 recognized performance fees were \$15.4 million, an increase of \$7.8 million from the comparative period (three months ended June 30, 2011: \$7.6 million). The performance fees generated in the three months ended June 30, 2012 arose primarily from a bank loan partnership managed by our fixed income group. The performance fees generated in the three months ended June 30, 2011 arose primarily due to products managed by the private equity group and the UK group.

**Other revenues**

In the three months ended June 30, 2012, other revenues decreased by \$6.0 million (18.8%) to \$25.9 million (three months ended June 30, 2011: \$31.9 million). Other revenues were driven by a decrease in UIT revenues of \$2.7 million, mutual fund front end fees of \$2.2 million, other revenues of \$1.4 million, offset by increases in real estate portfolio acquisition and disposition fees of \$0.9 million during the period. The impact of foreign exchange rate movements accounted for \$0.5 million of the decrease in other revenues during the three months ended June 30, 2012, compared to the three months ended June 30, 2011.

**Third-party distribution, service and advisory expenses**

Third-party distribution, service and advisory expenses decreased by \$25.2 million (7.4%) in the three months ended June 30, 2012 to \$316.6 million (three months ended June 30, 2011: \$341.8 million). The decrease in third-party distribution, service and advisory expenses is closely linked to the reduction in service and distribution fees and

investment management fees over this period. The reduced expenses include decreases in distribution fees of \$7.2 million, transfer agent fees of \$4.7 million, renewal commissions of \$3.7 million, external commissions of \$1.9 million, and sub advisory fees of \$1.6 million. The impact of foreign exchange rate movements accounted for \$6.1 million of the decrease in third-party distribution, service and advisory expenses during the the three months ended June 30, 2012 as compared to the three months ended June 30, 2011.

Table of Contents

Proportional share of revenues, net of third-party distribution expenses, from joint venture investments  
 Management believes that the addition of our proportional share of revenues, net of third-party distribution expenses, from joint venture arrangements should be added to operating revenues to arrive at net revenues, as it is important to evaluate the contribution to the business that our joint venture arrangements are making. See “Schedule of Non-GAAP Information” for additional disclosures regarding the use of net revenues.

Our proportional share of revenues, net of third-party distribution expenses decreased by \$1.6 million (14.8%) to \$9.2 million in the three months ended June 30, 2012 (three months ended June 30, 2011: \$10.8 million). Our share of the Invesco Great Wall joint venture’s average AUM in the three months ended June 30, 2012 was \$3.1 billion (three months ended June 30, 2011: \$3.5 billion).

#### Management and performance fees earned from consolidated investment products

Management believes that the consolidation of investment products may impact a reader’s analysis of our underlying results of operations and could result in investor confusion or the production of information about the company by analysts or external credit rating agencies that is not reflective of the underlying results of operations and financial condition of the company. Accordingly, management believes that it is appropriate to adjust operating revenues for the impact of consolidated investment products in calculating net revenues. As management and performance fees earned by Invesco from the consolidated products are eliminated upon consolidation of the investment products, management believes that it is appropriate to add these operating revenues back in the calculation of net revenues. Such fees were \$10.5 million in the three months ended June 30, 2012 (three months ended June 30, 2011: \$12.2 million). See “Schedule of Non-GAAP Information” for additional disclosures regarding the use of net revenues.

#### Operating Expenses

The main categories of operating expenses, and the dollar and percentage changes between periods, are as follows:

| \$ in millions                                 | Three months ended June 30, |       |           |          |
|--|-----------------------------|-------|-----------|----------|
|  | 2012                        | 2011  | \$ Change | % Change |
| Employee compensation                          | 304.6                       | 318.3 | (13.7)    | (4.3)%   |
| Third-party distribution, service and advisory | 316.6                       | 341.8 | (25.2)    | (7.4)%   |
| Marketing                                      | 26.6                        | 26.1  | 0.5       | 1.9%     |
| Property, office and technology                | 68.5                        | 61.9  | 6.6       | 10.7%    |
| General and administrative                     | 88.7                        | 77.6  | 11.1      | 14.3%    |
| Transaction and integration                    | 1.1                         | 11.3  | (10.2)    | (90.3)%  |
| Total operating expenses                       | 806.1                       | 837.0 | (30.9)    | (3.7)%   |

The table below sets forth these cost categories as a percentage of total operating expenses and operating revenues, which we believe provides useful information as to the relative significance of each type of expense:

| Three months ended:                            | June 30, | % of Total | % of      | June 30, | % of Total | % of      |
|--|----------|------------|-----------|----------|------------|-----------|
| \$ in millions                                 | 2012     | Operating  | Operating | 2011     | Operating  | Operating |
|  |          | Expenses   | Revenues  |          | Expenses   | Revenues  |
| Employee compensation                          | 304.6    | 37.8       | % 30.2    | % 318.3  | 38.0       | % 29.7    |
| Third-party distribution, service and advisory | 316.6    | 39.3       | % 31.4    | % 341.8  | 40.8       | % 31.9    |
| Marketing                                      | 26.6     | 3.3        | % 2.6     | % 26.1   | 3.1        | % 2.4     |
| Property, office and technology                | 68.5     | 8.5        | % 6.8     | % 61.9   | 7.4        | % 5.8     |
| General and administrative                     | 88.7     | 11.0       | % 8.8     | % 77.6   | 9.3        | % 7.3     |
| Transaction and integration                    | 1.1      | 0.1        | % 0.1     | % 11.3   | 1.4        | % 1.1     |
| Total operating expenses                       | 806.1    | 100.0      | % 79.9    | % 837.0  | 100.0      | % 78.2    |

During the three months ended June 30, 2012, operating expenses decreased by \$30.9 million (3.7%) to \$806.1 million (three months ended June 30, 2011 \$837.0 million). The impact of foreign exchange rate movements accounted for \$16.7 million of the decrease in operating expenses during the three months ended June 30, 2012 as

compared to the three months ended June 30, 2011.

55

---

Table of Contents**Employee Compensation**

Employee compensation decreased \$13.7 million (4.3%) to \$304.6 million in the three months ended June 30, 2012 (three months ended June 30, 2011: \$318.3 million). Base salaries and variable compensation decreased by \$11.7 million, due primarily to lower discretionary bonus expenses compared to the prior period. Employee compensation was also reduced by a decrease in staff benefits expense of \$4.0 million due primarily to \$5.0 million prepaid compensation amortized expenses related to the 2006 acquisition of W.L. Ross & Co which was fully amortized in the third quarter of 2011. The decrease in employee compensation was offset by increases in staff related costs, principally due to higher termination costs and payroll taxes of \$1.9 million during the three months ended June 30, 2012 from the three months ended June 30, 2011. Additionally, included in compensation expenses are share-based compensation costs, which increased \$6.8 million during the three months ended June 30, 2012 compared to the three months ended June 30, 2011. The increase in share-based compensation costs during the period reflects a previous change in our vesting service period from three to four years, which results in 2012 being the first year with four award tranches being expensed, as compared to three award tranches in previous years. The impact of foreign exchange rate movements accounted for \$6.7 million of the decrease in employee compensation expense during the three months ended June 30, 2012 compared to the three months ended June 30, 2011.

Headcount at June 30, 2012 was 6,141 (June 30, 2011: 6,189).

**Third-Party Distribution, Service and Advisory Expenses**

Third-party distribution, service and advisory expenses are discussed above in the operating and net revenues section.

**Marketing**

Marketing expenses increased by \$0.5 million (1.9%) in the three months ended June 30, 2012 to \$26.6 million (three months ended June 30, 2011: \$26.1 million). The increase during the three months ended June 30, 2012 is primarily driven by an increase in advertising of \$1.9 million, offset by a decrease of \$1.3 million in corporate sponsorship expenses as compared to the three months ended June 30, 2011.

**Property, Office and Technology**

Property, office and technology expenses increased by \$6.6 million (10.7%) to \$68.5 million in the three months ended June 30, 2012 (three months ended June 30, 2011: \$61.9 million). Property and office expenses increased \$4.4 million over the comparable 2011 period, due to an increase of \$2.8 million in leased property rental expense, depreciation and improvements of \$1.2 million, and property management fees and service charges of \$0.4 million. The increase in rent expense includes a \$1.7 million exit charge for leased space, related to consolidation of office space. Technology and communications expenses increased \$3.6 million compared to the three months ended June 30, 2011, primarily due to continued investment in portfolio management and client engagement technology initiatives, which also contributed to increases in outsourced administration expenses of \$1.4 million, depreciation and maintenance expenses of \$1.0 million and \$1.2 million in other property, office and technology costs, including software purchases and telephone communications. The impact of foreign exchange rate movements offset the increase in property, office and technology expenses by \$1.4 million during the three months ended June 30, 2012 as compared to the three months ended June 30, 2011.

**General and Administrative**

General and administrative expenses increased by \$11.1 million (14.3%) to \$88.7 million in the three months ended June 30, 2012 (three months ended June 30, 2011: \$77.6 million). Increase in general and administrative expense is driven by expenses of our consolidated investment products, including legal and fund launch costs recorded by the consolidated products, which added \$10.8 million for the quarter ended June 30, 2012 as compared to the quarter ended June 30, 2011. U.K. value added tax decreased by \$0.8 million in the three months ended June 30, 2012 compared to the three June 30, 2011 period. The impact of foreign exchange rate movements reduced general and administrative expenses by \$1.8 million during the three months ended June 30, 2012.

**Transaction and integration**

Transaction and integration charges were \$1.1 million in the three months ended June 30, 2012 (three months ended June 30, 2011: \$11.3 million) and relate to the business acquired in 2010. Transaction and integration expenses during the three months ended June 30, 2012 relate to the final round of open-ended fund mergers and include professional services and shareholder communications costs. Transaction and integration expenses for the three months ended

June 30, 2011 included \$2.1 million of employee compensation costs, \$0.2 million of property and office costs, \$0.3 million of technology and communication costs and \$8.6 million of professional services costs, principally legal, proxy solicitation, consultancy, mutual fund and insurance.

Table of Contents

## Operating Income, Adjusted Operating Income, Operating Margin and Adjusted Operating Margin

Operating income decreased by \$30.1 million (12.9%) to \$202.9 million in the three months ended June 30, 2012 (three months ended June 30, 2011: \$233.0 million). Operating margin (operating income divided by operating revenues), decreased from 21.8% in the three months ended June 30, 2011 to 20.1% in the three months ended June 30, 2012. The decrease in operating income and margin resulted from a greater relative decrease in operating revenues (5.7%) than in operating expenses (3.7%). Adjusted operating income decreased by \$35.8 million (12.6%) to \$249.0 million in the three months ended June 30, 2012 from \$284.8 million in the three months ended June 30, 2011. Adjusted operating margin decreased to 35.0% in the three months ended June 30, 2012 from 37.9% in the three months ended June 30, 2011. See “Schedule of Non-GAAP Information” for definitions of these measures and a reconciliation of operating revenues to net revenues, a reconciliation of operating income to adjusted operating income and additional important disclosures regarding net revenues, adjusted operating income and adjusted operating margin.

## Other Income and Expenses

The main categories of other income and expenses, and the dollar and percentage changes between periods are as follows:

| \$ in millions  | Three months ended June |        |           |          |
|---|-------------------------|--------|-----------|----------|
|   | 2012                    | 2011   | \$ Change | % Change |
| Equity in earnings of unconsolidated affiliates               | 6.9                     | 10.8   | (3.9)     | (36.1)%  |
| Interest and dividend income                                  | 2.2                     | 2.4    | (0.2)     | (8.3)%   |
| Interest income of consolidated investment products           | 68.7                    | 79.8   | (11.1)    | (13.9)%  |
| Other gains/(losses) of consolidated investment products, net | 77.2                    | (64.7) | 141.9     | N/A      |
| Interest expense  | (13.4)                  | (16.0) | 2.6       | (16.3)%  |
| Interest expense of consolidated investment products          | (46.9)                  | (46.5) | (0.4)     | 0.9%     |
| Other gains and losses, net                                   | (7.7)                   | 6.0    | (13.7)    | N/A      |
| Total other income and expenses                               | 87.0                    | (28.2) | 115.2     | N/A      |

## Equity in earnings of unconsolidated affiliates

Equity in earnings of unconsolidated affiliates decreased by \$3.9 million (36.1%) to \$6.9 million in the three months ended June 30, 2012 (three months ended June 30, 2011: \$10.8 million). The decrease in equity in earnings is impacted by a decrease of \$2.6 million in our share of the market-driven valuation changes in the underlying holdings of certain partnership investments, including our investment in Invesco Mortgage Capital Inc. and a net decrease of \$1.3 million in the joint venture investments in China from the comparative period.

## Interest and dividend income and interest expense

Interest and dividend income decreased by \$0.2 million (8.3%) to \$2.2 million in the three months ended June 30, 2012 (three months ended June 30, 2011: \$2.4 million). The decrease in interest and dividend income for the three months ended June 30, 2012 is due to a decrease of \$0.2 million in dividend income on investments held to hedge economically deferred compensation plans. Interest expense decreased by \$2.6 million (16.3%) to \$13.4 million in the three months ended June 30, 2012 (three months ended June 30, 2011: \$16.0 million) due to a combination of lower average debt balances and lower borrowing costs versus the comparative period.

## Other gains and losses, net

Other gains and losses, net were a net loss of \$7.7 million in the three months ended June 30, 2012 as compared to a net gain of \$6.0 million in the three months ended June 30, 2011. Included in other gains and losses is a net loss of \$5.0 million resulting from the depreciation of investments held for our deferred compensation plans (three months ended June 30, 2011: \$3.1 million net gain), and a net loss of \$1.2 million related to the mark-to-market of 12-month foreign exchange put option contracts intended to provide protection against the impact of a significant decline in the pound sterling/U.S dollar foreign exchange rate, offset by net gains from seed investments and other net realized gains of \$0.6 million (three months ended June 30, 2011: \$3.1 million net realized gains). We incurred \$0.9 million in other-than-temporary impairment charges related to seed money investments during the three months ended June 30,

2012 (three months ended June 30, 2011: none). In the three months ended June 30, 2012, we incurred \$1.3 million in net foreign exchange losses on inter-group loans (three months ended June 30, 2011: \$0.3 million in net foreign exchange losses).

Table of Contents

## Non-operating income and expense of consolidated investment products

In the three months ended June 30, 2012, interest income of consolidated investment products decreased by \$11.1 million (13.9%) to \$68.7 million (three months ended June 30, 2011: \$79.8 million) primarily due to lower fee income associated with CLO collateral asset restructuring in the second quarter of 2012 versus the second quarter of 2011 and the impact of CLOs deconsolidated as of March 31, 2012. Interest expense of consolidated investment products increased by \$0.4 million (0.9%) to \$46.9 million (three months ended June 30, 2011: \$46.5 million) primarily due to interest expense payments on junior tranches of the CLO notes that do not bear interest at a stated rate.

Included in other gains/(losses) of consolidated investment products, net, are realized and unrealized gains and losses on the underlying investments and debt of consolidated investment products. In the three months ended June 30, 2012, other gains/(losses) of consolidated investment products were a net gain of \$77.2 million, as compared to a net loss of \$64.7 million in the three months ended June 30, 2011. The net gain in the 2012 period is primarily due to gains associated with private equity investments and the loss in market value long-term debt of CLOs. The net loss in the 2011 period is primarily due to an increase in the market value of long term debt of consolidated investment products which exceeded the increase in the market value of investments of consolidated investment products.

Net impact of consolidated investment products and related noncontrolling interests in noncontrolling entities As illustrated in the Condensed Consolidating Statements of Income for the three months ended June 30, 2012 and 2011 at the beginning of this Results of Operations section, the consolidation of investment products during the three months ended June 30, 2012 resulted in an increase to net income of \$67.5 million before attribution to noncontrolling interests (three months ended June 30, 2011: \$48.4 million decrease to net income). Invesco invests in only a portion of these products, and as a result this net gain is offset by noncontrolling interests of \$73.7 million (three months ended June 30, 2011: \$53.6 million), resulting in a net decrease in net income of the company of \$6.1 million (three months ended June 30, 2011: \$5.1 million net increase).

Noncontrolling interests in consolidated entities represent the profit or loss amounts attributed to third party investors in consolidated investment products. Movements in amounts attributable to noncontrolling interests in consolidated entities on the company's Consolidated Statements of Income generally offset the gains and losses, interest income and interest expense of consolidated investment products.

Additionally, consolidated investment products represent approximately 1% of the company's AUM. Therefore, the net gains or losses of consolidated investment products is not indicative of the performance of the company's aggregate assets under management.

## Income Tax Expense

The company's subsidiaries operate in several taxing jurisdictions around the world, each with its own statutory income tax rate. As a result, the blended average statutory tax rate will vary from year to year depending on the mix of the profits and losses of the company's subsidiaries. The majority of our profits are earned in the U.S., the U.K., and Canada.

The enacted U.K. statutory tax rate, for U.S. GAAP purposes, was 25% as of June 30, 2012. On March 26, 2012, the U.K. Parliament approved a rate reduction to 24%, effective April 1, 2012, and a further rate reduction to 23% effective April 1, 2013. However, the measures are not enacted for U.S. GAAP purposes (and cannot be accounted for) until Royal Assent is received, which did not occur until July 17, 2012. An additional reduction to the rate has been proposed as part of the U.K. Budget to reduce the rate to 22% beginning April 1, 2014.

On June 20, 2012, the Ontario government successfully introduced and passed Bill 114, which repealed the enacted general corporate income tax rate reductions scheduled to take effect in 2012 and 2013. The Canadian federal and provincial statutory tax rate increased to 26.5% in June from the previous rate of 26.25%. The U.S. Federal statutory tax rate was 35%.

Our effective tax rate, excluding noncontrolling interests in consolidated entities, for the three months ended June 30, 2012 was 28.8%, down from 29.2% for the three months ended June 30, 2011. The three months ended June 30, 2012 rate reflects a favorable profit mix and the impact of U.K. statutory tax rate reductions that was enacted in 2011 and effective for 2012.

Assets Under Management movements for the six months ended June 30, 2012 compared with the six months ended June 30, 2011

AUM at June 30, 2012 were \$646.6 billion (June 30, 2011: \$653.7 billion). During the six months ended June 30, 2012, long-term net inflows increased AUM by \$2.1 billion, while positive market movements increased AUM by \$21.8 billion. We experienced net outflows in institutional money market funds of \$2.3 billion, and decreases in AUM of \$0.3 billion due to changes in foreign exchange rates during the six months ended June 30, 2012. During the six months ended June 30, 2011, long-term net inflows increased AUM by \$10.4 billion, while positive market movements increased AUM by \$16.1 billion. We experienced net inflows in institutional money market funds of \$6.1 billion and increases in AUM of \$4.6 billion due to

Table of Contents

changes in foreign exchange rates during the six months ended June 30, 2011. Average AUM during the six months ended June 30, 2012 were \$654.7 billion compared to \$641.5 billion for the six months ended June 30, 2011.

The discussion below includes presentation of AUM as Passive and Active. Passive AUM includes ETFs, UITs, non-fee earning leverage, foreign exchange overlays and other passive mandates. Active AUM is total AUM less Passive AUM.

Long-term net inflows during the six months ended June 30, 2012 were \$2.1 billion and included net inflows of Passive AUM of \$6.2 billion, offset by outflows of Active AUM of \$4.1 billion. Net long-term flows were driven by net inflows into our Retail and high net worth distribution channels of \$4.5 billion and \$0.8 billion, respectively, while our Institutional distribution channel experienced net outflows of \$3.2 billion. On an asset class basis, the inflows were primarily in the balanced and fixed income asset classes, offset by outflows in equities and alternatives. Our balanced asset class experienced net inflows of \$5.4 billion, including approximately \$6.4 billion in positive flows related to our balanced risk allocation strategies, for which we continue to see strong demand, which was partially offset by outflows from traditional balanced products. The Invesco Balanced Risk Allocation Fund established its three-year track record during the six months ended June 30, 2012, raising its profile in the market. The three months ended June 30, 2012 marks the eleventh consecutive quarter of positive flows into the balanced risk allocation strategies.

Net flows in the six months ended June 30, 2011 included net inflows into our Retail and Institutional distribution channels of \$7.0 billion and \$3.1 billion, respectively.

As discussed in the "Executive Overview" section of this Management's Discussion and Analysis, the S&P 500, the Nikkei 225 and the MSCI Emerging Markets index increased 8.3%, 6.5% and 2.3%, respectively during the six months ended June 30, 2012, while the FTSE 100 was flat. During the six months ended June 30, 2012, our equity AUM increased in line with equity markets globally. Of the \$21.8 billion increase in AUM resulting from market gains during the six months ended June 30, 2012, \$15.6 billion of this increase was due to the change in value of our equity asset class. Our other asset classes were also impacted positively by the change in market valuations during the period. Of the \$16.1 billion increase in AUM resulting from market movements during the six months ended June 30, 2011, \$10.5 billion of this increase was due to the change in value of our equity asset class.

The impact of the change in foreign exchange rates in the six months ended June 30, 2012 was driven primarily by the weakening of the Euro relative to the U.S. Dollar, which was reflected in the translation of our Euro-based AUM into U.S. Dollars, as well as the weakening of the Japanese Yen relative to the U.S. Dollar, which was reflected in the translation of our Yen-based AUM into U.S. Dollars. These impacts were offset by the the strengthening of the Pound Sterling relative to the U.S. Dollar, which was reflected in the translation of our Sterling-based AUM into U.S.

Dollars. The impact of the change in foreign exchange rates in the six months ended June 30, 2011 was driven by the weakening of the U.S. Dollar relative to the the Pound Sterling, the Euro, the Canadian Dollar and the Japanese Yen. The table below illustrates the spot foreign exchange rates for translation into the U.S. Dollar, the reporting currency of the company, at June 30, 2012 and 2011, as compared with the rates that existed at December 31, 2011 and 2010:

|                              | June 30,<br>2012 | December 31,<br>2011 | June 30,<br>2011 | December 31,<br>2010 |
|------------------------------|------------------|----------------------|------------------|----------------------|
| Pound Sterling (\$ per £)    | 1.57             | 1.56                 | 1.61             | 1.56                 |
| Canadian Dollar (CAD per \$) | 1.02             | 1.02                 | 0.96             | 0.99                 |
| Japan (¥ per \$)             | 79.82            | 76.95                | 80.66            | 81.08                |
| Euro (\$ per €)              | 1.27             | 1.30                 | 1.45             | 1.34                 |

Net revenue yield decreased to 44.2 basis points in the six months ended June 30, 2012 from the six months ended June 30, 2011 level of 46.0 basis points. Market driven changes in our asset mix significantly impact our net revenue yield calculation. Our equity AUM generally earn a higher net revenue rate than money market AUM. At June 30, 2012 equity AUM were \$283.8 billion, representing 43.9% of our total AUM at that date; whereas at June 30, 2011 equity AUM were \$301.9 billion, representing 46.2% of our total AUM at that date. With the mix of AUM less weighted in equity AUM at June 30, 2012 compared to June 30, 2011, net revenue yield decreased. Furthermore, strong sales in our passive ETF products have contributed to passive AUM representing 16.6% of total AUM as at

June 30, 2012, compared to 14.0% at June 30, 2011. The net revenue yield on passive AUM was approximately 9 basis points compared to approximately 51 basis points from active AUM (before performance fees) during the six months ended June 30, 2012, contributing to the overall yield reduction.

Gross revenue yield on AUM decreased 3.0 basis points to 62.7 basis points in the six months ended June 30, 2012 from the six months ended June 30, 2011 level of 65.7 basis points. Management does not consider gross revenue yield, the most comparable U.S. GAAP-based measure to net revenue yield, to be a meaningful effective fee rate measure. The numerator of the gross revenue yield measure, operating revenues, excludes the management and performance fees earned from consolidated

Table of Contents

investment products; however the denominator of the measure includes the AUM of these investment products. Therefore, the gross revenue yield measure is not considered representative of the company's true effective fee rate from AUM. See "Schedule of Non-GAAP Information" for a reconciliation of operating revenues (gross revenues) to net revenues.

Changes in AUM were as follows:

| \$ in billions  | 2012      |         |         | 2011      |         |         |
|---|-----------|---------|---------|-----------|---------|---------|
|   | Total AUM | Active  | Passive | Total AUM | Active  | Passive |
| January 1   | 625.3     | 529.0   | 96.3    | 616.5     | 535.7   | 80.8    |
| Long-term inflows   | 80.0      | 51.2    | 28.8    | 90.7      | 57.0    | 33.7    |
| Long-term outflows  | (77.9 )   | (55.3 ) | (22.6 ) | (80.3 )   | (55.6 ) | (24.7 ) |
| Long-term net flows   | 2.1       | (4.1 )  | 6.2     | 10.4      | 1.4     | 9.0     |
| Net flows in institutional money market funds                     | (2.3 )    | (2.3 )  | —       | 6.1       | 6.1     | —       |
| Market gains and (losses)/reinvestment                            | 21.8      | 16.6    | 5.2     | 16.1      | 14.2    | 1.9     |
| Foreign currency translation                                      | (0.3 )    | (0.2 )  | (0.1 )  | 4.6       | 4.5     | 0.1     |
| June 30   | 646.6     | 539.0   | 107.6   | 653.7     | 561.9   | 91.8    |
| Average long-term AUM   | 585.6     | 478.6   | 107.0   | 573.6     | 483.5   | 90.1    |
| Average institutional money market AUM                            | 69.1      | 69.1    | —       | 67.9      | 67.9    | —       |
| Average AUM   | 654.7     | 547.7   | 107.0   | 641.5     | 551.4   | 90.1    |
| Gross revenue yield on AUM <sup>(1)</sup>                         | 62.7bps   | 73.3bps | 8.8bps  | 65.7bps   | 74.7bps | 11.1bps |
| Gross revenue yield on AUM before performance fees <sup>(1)</sup> | 61.6bps   | 72.0bps | 8.8bps  | 65.4bps   | 74.3bps | 11.1bps |
| Net revenue yield on AUM <sup>(2)</sup>                           | 44.2bps   | 51.2bps | 8.8bps  | 46.0bps   | 51.7bps | 11.1bps |
| Net revenue yield on AUM before performance fees <sup>(2)</sup>   | 43.1bps   | 50.1bps | 8.8bps  | 45.6bps   | 51.3bps | 11.1bps |

Gross revenue yield on AUM is equal to annualized total operating revenues divided by average AUM, excluding joint venture (JV) AUM. Our share of the average AUM in the six months ended June 30, 2012 for our JVs in China was \$3.0 billion (six months ended June 30, 2011: \$3.5 billion). It is appropriate to exclude the average (1) AUM of our JVs for purposes of computing gross revenue yield on AUM, because the revenues resulting from these AUM are not presented in our operating revenues. Under U.S. GAAP, our share of the pre-tax earnings of the JVs is recorded as equity in earnings of unconsolidated affiliates on our Condensed Consolidated Statements of Income.

(2) Net revenue yield on AUM is equal to annualized net revenues divided by average AUM. See "Schedule of Non-GAAP Information" for a reconciliation of operating revenues to net revenues.

Table of Contents

Our AUM by channel, by asset class, and by client domicile were as follows:

Total AUM by Channel<sup>(1)</sup>

| \$ in billions                                | Total | Retail  | Institutional | Private<br>Wealth<br>Management |
|---|-------|---------|---------------|---------------------------------|
| January 1, 2012 AUM                           | 625.3 | 373.9   | 233.5         | 17.9                            |
| Long-term inflows                             | 80.0  | 65.7    | 12.4          | 1.9                             |
| Long-term outflows                            | (77.9 | ) (61.2 | ) (15.6       | ) (1.1                          |
| Long-term net flows                           | 2.1   | 4.5     | (3.2          | ) 0.8                           |
| Net flows in institutional money market funds | (2.3  | ) —     | (2.3          | ) —                             |
| Market gains and (losses)/reinvestment        | 21.8  | 17.8    | 3.8           | 0.2                             |
| Foreign currency translation                  | (0.3  | ) 0.5   | (0.8          | ) —                             |
| June 30, 2012 AUM                             | 646.6 | 396.7   | 231.0         | 18.9                            |
| January 1, 2011 AUM                           | 616.5 | 378.1   | 221.4         | 17.0                            |
| Long-term inflows                             | 90.7  | 69.7    | 19.3          | 1.7                             |
| Long-term outflows                            | (80.3 | ) (62.7 | ) (16.2       | ) (1.4                          |
| Long-term net flows                           | 10.4  | 7.0     | 3.1           | 0.3                             |
| Net flows in institutional money market funds | 6.1   | —       | 6.1           | —                               |
| Market gains and (losses)/reinvestment        | 16.1  | 13.5    | 2.4           | 0.2                             |
| Foreign currency translation                  | 4.6   | 3.1     | 1.5           | —                               |
| June 30, 2011 AUM                             | 653.7 | 401.7   | 234.5         | 17.5                            |

Passive AUM by Channel<sup>(1)</sup>

| \$ in billions                                | Total | Retail  | Institutional | Private<br>Wealth<br>Management |
|---|-------|---------|---------------|---------------------------------|
| January 1, 2012 AUM                           | 96.3  | 76.9    | 19.4          | —                               |
| Long-term inflows                             | 28.8  | 26.7    | 2.1           | —                               |
| Long-term outflows                            | (22.6 | ) (21.8 | ) (0.8        | ) —                             |
| Long-term net flows                           | 6.2   | 4.9     | 1.3           | —                               |
| Net flows in institutional money market funds | —     | —       | —             | —                               |
| Market gains and (losses)/reinvestment        | 5.2   | 5.1     | 0.1           | —                               |
| Foreign currency translation                  | (0.1  | ) —     | (0.1          | ) —                             |
| June 30, 2012 AUM                             | 107.6 | 86.9    | 20.7          | —                               |
| January 1, 2011 AUM                           | 80.8  | 70.6    | 10.2          | —                               |
| Long-term inflows                             | 33.7  | 28.1    | 5.6           | —                               |
| Long-term outflows                            | (24.7 | ) (24.0 | ) (0.7        | ) —                             |
| Long-term net flows                           | 9.0   | 4.1     | 4.9           | —                               |
| Net flows in institutional money market funds | —     | —       | —             | —                               |
| Market gains and (losses)/reinvestment        | 1.9   | 2.0     | (0.1          | ) —                             |
| Foreign currency translation                  | 0.1   | —       | 0.1           | —                               |
| June 30, 2011 AUM                             | 91.8  | 76.7    | 15.1          | —                               |

See accompanying notes to these AUM tables on the following page.

Table of ContentsTotal AUM by Asset Class<sup>(2)</sup>

| \$ in billions   | Total | Equity  | Fixed<br>Income | Balanced | Money<br>Market | Alternatives <sup>(3)</sup> |
|--|-------|---------|-----------------|----------|-----------------|-----------------------------|
| January 1, 2012 AUM                                      | 625.3 | 271.0   | 149.0           | 44.6     | 74.0            | 86.7                        |
| Long-term inflows  | 80.0  | 42.2    | 17.7            | 9.5      | 1.4             | 9.2                         |
| Long-term outflows                                       | (77.9 | ) (45.0 | ) (15.2         | ) (4.1   | ) (1.8          | ) (11.8                     |
| Long-term net flows                                      | 2.1   | (2.8    | ) 2.5           | 5.4      | (0.4            | ) (2.6                      |
| Net flows in institutional<br>money market funds         | (2.3  | ) —     | —               | —        | (2.3            | ) —                         |
| Market gains and<br>(losses)/reinvestment                | 21.8  | 15.6    | 4.1             | 1.4      | (0.3            | ) 1.0                       |
| Foreign currency translation                             | (0.3  | ) —     | —               | 0.1      | —               | (0.4                        |
| June 30, 2012 AUM  | 646.6 | 283.8   | 155.6           | 51.5     | 71.0            | <sup>(5)</sup> 84.7         |
| January 1, 2011 AUM                                      | 616.5 | 294.0   | 132.0           | 43.5     | 68.3            | 78.7                        |
| Long-term inflows  | 90.7  | 47.9    | 22.1            | 4.8      | 0.7             | 15.2                        |
| Long-term outflows                                       | (80.3 | ) (53.3 | ) (12.0         | ) (4.6   | ) (0.9          | ) (9.5                      |
| Long-term net flows                                      | 10.4  | (5.4    | ) 10.1          | 0.2      | (0.2            | ) 5.7                       |
| Net flows in institutional<br>money market funds         | 6.1   | —       | —               | —        | 6.1             | —                           |
| Market gains and<br>(losses)/reinvestment <sup>(6)</sup> | 16.1  | 10.5    | 3.1             | 0.1      | 0.2             | 2.2                         |
| Foreign currency translation                             | 4.6   | 2.8     | 0.6             | 0.7      | —               | 0.5                         |
| June 30, 2011 AUM  | 653.7 | 301.9   | 145.8           | 44.5     | 74.4            | 87.1                        |

Passive AUM by Asset Class<sup>(2)</sup>

| \$ in billions                                   | Total | Equity  | Fixed<br>Income | Balanced | Money<br>Market | Alternatives <sup>(3)</sup> |
|--|-------|---------|-----------------|----------|-----------------|-----------------------------|
| January 1, 2012 AUM                              | 96.3  | 45.6    | 30.0            | —        | —               | 20.7                        |
| Long-term inflows                                | 28.8  | 21.6    | 4.8             | —        | —               | 2.4                         |
| Long-term outflows                               | (22.6 | ) (17.7 | ) (1.2          | ) —      | —               | (3.7                        |
| Long-term net flows                              | 6.2   | 3.9     | 3.6             | —        | —               | (1.3                        |
| Net flows in institutional money<br>market funds | —     | —       | —               | —        | —               | —                           |
| Market gains and<br>(losses)/reinvestment        | 5.2   | 5.1     | 0.3             | —        | —               | (0.2                        |
| Foreign currency translation                     | (0.1  | ) —     | —               | —        | —               | (0.1                        |
| June 30, 2012 AUM                                | 107.6 | 54.6    | 33.9            | —        | —               | 19.1                        |
| January 1, 2011 AUM                              | 80.8  | 42.8    | 19.8            | —        | —               | 18.2                        |
| Long-term inflows                                | 33.7  | 21.2    | 7.5             | —        | —               | 5.0                         |
| Long-term outflows                               | (24.7 | ) (19.7 | ) (0.8          | ) —      | —               | (4.2                        |
| Long-term net flows                              | 9.0   | 1.5     | 6.7             | —        | —               | 0.8                         |
| Net flows in institutional money<br>market funds | —     | —       | —               | —        | —               | —                           |
| Market gains and<br>(losses)/reinvestment        | 1.9   | 1.4     | 0.2             | —        | —               | 0.3                         |
| Foreign currency translation                     | 0.1   | —       | —               | —        | —               | 0.1                         |
| June 30, 2011 AUM                                | 91.8  | 45.7    | 26.7            | —        | —               | 19.4                        |

See accompanying notes to these AUM tables on the following page.



Table of ContentsTotal AUM by Client Domicile<sup>(5)</sup>

| \$ in billions                                | Total  | U.S.   | Canada | U.K.  | Continental Europe | Asia  |
|---|--------|--------|--------|-------|--------------------|-------|
| January 1, 2012 AUM                           | 625.3  | 430.0  | 23.4   | 89.8  | 32.0               | 50.1  |
| Long-term inflows                             | 80.0   | 54.9   | 1.7    | 6.7   | 10.2               | 6.5   |
| Long-term outflows                            | (77.9) | (51.2) | (2.6)  | (8.1) | (8.0)              | (8.0) |
| Long-term net flows                           | 2.1    | 3.7    | (0.9)  | (1.4) | 2.2                | (1.5) |
| Net flows in institutional money market funds | (2.3)  | (2.2)  | 0.1    | 0.1   | 0.1                | (0.4) |
| Market gains and (losses)/reinvestment        | 21.8   | 15.8   | 0.9    | 4.0   | 0.1                | 1.0   |
| Foreign currency translation                  | (0.3)  | —      | —      | 0.3   | —                  | (0.6) |
| June 30, 2012 AUM                             | 646.6  | 447.3  | 23.5   | 92.8  | 34.4               | 48.6  |
| January 1, 2011 AUM                           | 616.5  | 415.4  | 27.9   | 92.1  | 35.3               | 45.8  |
| Long-term inflows                             | 90.7   | 60.3   | 1.4    | 7.8   | 9.7                | 11.5  |
| Long-term outflows                            | (80.3) | (53.6) | (3.2)  | (7.5) | (9.5)              | (6.5) |
| Long-term net flows                           | 10.4   | 6.7    | (1.8)  | 0.3   | 0.2                | 5.0   |
| Net flows in institutional money market funds | 6.1    | 6.4    | 0.1    | (0.5) | 0.1                | —     |
| Market gains and (losses)/reinvestment        | 16.1   | 11.4   | 0.5    | 3.0   | 1.3                | (0.1) |
| Foreign currency translation                  | 4.6    | —      | 0.8    | 2.2   | 1.0                | 0.6   |
| June 30, 2011 AUM                             | 653.7  | 439.9  | 27.5   | 97.1  | 37.9               | 51.3  |

Passive AUM by Client Domicile<sup>(5)</sup>

| \$ in billions                                | Total  | U.S.   | Canada | U.K. | Continental Europe | Asia  |
|---|--------|--------|--------|------|--------------------|-------|
| January 1, 2012 AUM                           | 96.3   | 89.6   | —      | —    | 1.3                | 5.4   |
| Long-term inflows                             | 28.8   | 28.5   | —      | —    | 0.2                | 0.1   |
| Long-term outflows                            | (22.6) | (22.4) | —      | —    | (0.2)              | —     |
| Long-term net flows                           | 6.2    | 6.1    | —      | —    | —                  | 0.1   |
| Net flows in institutional money market funds | —      | —      | —      | —    | —                  | —     |
| Market gains and (losses)/reinvestment        | 5.2    | 5.0    | —      | —    | 0.1                | 0.1   |
| Foreign currency translation                  | (0.1)  | —      | —      | —    | —                  | (0.1) |
| June 30, 2012 AUM                             | 107.6  | 100.7  | —      | —    | 1.4                | 5.5   |
| January 1, 2011 AUM                           | 80.8   | 77.3   | —      | —    | 1.2                | 2.3   |
| Long-term inflows                             | 33.7   | 33.4   | —      | —    | 0.3                | —     |
| Long-term outflows                            | (24.7) | (24.5) | —      | —    | (0.2)              | —     |
| Long-term net flows                           | 9.0    | 8.9    | —      | —    | 0.1                | —     |
| Net flows in institutional money market funds | —      | —      | —      | —    | —                  | —     |
| Market gains and (losses)/reinvestment        | 1.9    | 1.8    | —      | —    | 0.1                | —     |
| Foreign currency translation                  | 0.1    | —      | —      | —    | —                  | 0.1   |
| June 30, 2011 AUM                             | 91.8   | 88.0   | —      | —    | 1.4                | 2.4   |

(1)

Channel refers to the distribution channel from which the AUM originated. Retail AUM arose from client investments into funds available to the public with shares or units. Institutional AUM originated from individual corporate clients, endowments, foundations, government authorities, universities, or charities. Private Wealth Management AUM arose from high net worth client investments.

Table of Contents

- (2) Asset classes are descriptive groupings of AUM by common type of underlying investments.
- (3) The alternatives asset class includes absolute return, real estate, commodities, currencies, financial structures, Global Macro, REITS, private capital, and Risk Premia Capture.
- (4) Ending Money Market AUM includes \$67.0 billion in institutional money market AUM and \$4.0 billion in retail money market AUM.
- (5) Client domicile disclosure groups AUM by the domicile of the underlying clients.
- (6) As a result of fund mergers in the second quarter of 2011, the market gains and losses / reinvestment line includes \$0.9 billion transferred from the balanced to the equity asset class.

Results of Operations for the six months ended June 30, 2012 compared with the six months ended June 30, 2011  
Adoption of Guidance now encompassed in Accounting Standards Codification (ASC) Topic 810, "Consolidation"  
The company provides investment management services to, and has transactions with, various private equity, real estate, fund-of-funds, collateralized loan obligation products (CLOs), and other investment entities sponsored by the company for the investment of client assets in the normal course of business. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of the products. Certain of these entities are consolidated under variable interest or voting interest entity consolidation guidance. See Part I, Item 1, Financial Statements — Note 11, "Consolidated Investment Products," for additional details.

The guidance now encompassed in ASC Topic 810, which was effective January 1, 2010, had a significant impact on the presentation of the company's financial statements, as its provisions required the company to consolidate certain CLOs that were not previously consolidated.

The majority of the company's consolidated investment products balances were CLO-related as of June 30, 2012. The collateral assets of the CLOs are held solely to satisfy the obligations of the CLOs. The company has no right to the benefits from, nor does it bear the risks associated with, the collateral assets held by the CLOs, beyond the company's minimal direct investments in, and management fees generated from, the CLOs. If the company were to liquidate, the collateral assets would not be available to the general creditors of the company, and as a result, the company does not consider them to be company assets. Conversely, if the CLOs were to liquidate, their investors would have no recourse to the general credit of the company. The company therefore does not consider this debt to be a company liability. The discussion that follows will separate consolidated investment product results of operations from the company's investment management operations through the use of non-GAAP financial measures. See "Schedule of Non-GAAP Information" for additional details and reconciliations of the most directly comparable U.S. GAAP measures to the non-GAAP measures.

Table of Contents

## Condensed Consolidating Statements of Income

| \$ in millions   | Before<br>Consolidation <sup>(1)</sup> | Subtotal -<br>Impact of<br>Consolidated<br>Investment<br>Products | Total     |
|--|--|---|-----------|
| Six months ended June 30, 2012   |  |   |           |
| Total operating revenues   | 2,063.6                                | (20.9   | ) 2,042.7 |
| Total operating expenses   | 1,589.2                                | 20.8  | 1,610.0   |
| Operating income   | 474.4                                  | (41.7   | ) 432.7   |
| Equity in earnings of unconsolidated affiliates  | 16.0                                   | 0.6   | 16.6      |
| Interest and dividend income   | 11.5                                   | 130.8   | 142.3     |
| Other investment income/(losses)   | 10.8                                   | (44.6   | ) (33.8   |
| Interest expense   | (27.0                                  | ) (92.5   | ) (119.5  |
| Income before income taxes   | 485.7                                  | (47.4   | ) 438.3   |
| Income tax provision   | (135.9                                 | ) —   | (135.9    |
| Net income   | 349.8                                  | (47.4   | ) 302.4   |
| Net (income)/loss attributable to noncontrolling interests in consolidated entities, net | —                                      | 45.4  | 45.4      |
| Net income attributable to common shareholders   | 349.8                                  | (2.0  | ) 347.8   |
|  |  |   |           |
| \$ in millions   | Before<br>Consolidation <sup>(1)</sup> | Subtotal -<br>Impact of<br>Consolidated<br>Investment<br>Products | Total     |
| Six months ended June 30, 2011   |  |   |           |
| Total operating revenues   | 2,120.5                                | (23.2   | ) 2,097.3 |
| Total operating expenses   | 1,631.3                                | 7.3   | 1,638.6   |
| Operating income   | 489.2                                  | (30.5   | ) 458.7   |
| Equity in earnings of unconsolidated affiliates  | 18.4                                   | (0.9  | ) 17.5    |
| Interest and dividend income   | 7.3                                    | 151.2   | 158.5     |
| Other investment income/(losses)   | 13.9                                   | (150.2  | ) (136.3  |
| Interest expense   | (32.2                                  | ) (86.5   | ) (118.7  |
| Income before income taxes   | 496.6                                  | (116.9  | ) 379.7   |
| Income tax provision   | (151.0                                 | ) —   | (151.0    |
| Net income   | 345.6                                  | (116.9  | ) 228.7   |
| Net (income)/loss attributable to noncontrolling interests in consolidated entities, net | 0.1                                    | 131.7   | 131.8     |
| Net income attributable to common shareholders   | 345.7                                  | 14.8  | 360.5     |

(1)The Before Consolidation column includes Invesco's equity interest in the investment products accounted for as equity method (private equity and real estate partnership funds) and available-for-sale investments (CLOs). Upon consolidation of the CLOs, the company's and the CLOs' accounting policies were effectively aligned, resulting in the reclassification of the company's loss for the six months ended June 30, 2012 of \$1.9 million (representing the decrease in the market value of the company's holdings in the consolidated CLOs) from other comprehensive income into other gains/losses (six months ended June 30, 2011: \$15.0 million). The company's loss (gain) on its investments in the CLOs (before consolidation) eliminates with the company's share of the offsetting gain (loss) on the CLOs' debt. The net income arising from consolidation of CLOs is therefore completely attributed to other

investors in these CLOs, as the company's share has been eliminated through consolidation.

Table of Contents

## Operating Revenues and Net Revenues

The main categories of revenues, and the dollar and percentage change between the periods, were as follows:

| \$ in millions   | Six months ended June 30, |              | \$ Change | % Change |   |
|--|---------------------------|--------------|-----------|----------|---|
|  | 2012                      | 2011         |           |          |   |
| Investment management fees   | 1,572.0                   | 1,611.4      | (39.4 )   | (2.4 )   | % |
| Service and distribution fees  | 376.1                     | 410.1        | (34.0 )   | (8.3 )   | % |
| Performance fees   | 35.9                      | 11.4         | 24.5      | 214.9    | % |
| Other  | 58.7                      | 64.4         | (5.7 )    | (8.9 )   | % |
| Total operating revenues   | 2,042.7                   | 2,097.3      | (54.6 )   | (2.6 )   | % |
| Third-party distribution, service and advisory expenses  | (633.7 )                  | (666.3 )     | 32.6      | (4.9 )   | % |
| Proportional share of revenues, net of third-party distribution expenses, from joint venture investments | 18.5                      | 21.2         | (2.7 )    | (12.7 )  | % |
| Management fees earned from consolidated investment products   | 20.1                      | 23.3         | (3.2 )    | (13.7 )  | % |
| Performance fees earned from consolidated investment products  | 0.8                       | 35,600,000 — | 0.8       | N/A      |   |
| Net revenues   | 1,448.4                   | 1,475.5      | (27.1 )   | (1.8 )   | % |

Operating revenues decreased by \$54.6 million (2.6%) in the six months ended June 30, 2012 to \$2,042.7 million (six months ended June 30, 2011: \$2,097.3 million). Net revenues decreased by \$27.1 million (1.8%) in the six months ended June 30, 2012 to \$1,448.4 million (six months ended June 30, 2011: \$1,475.5 million). Net revenues are operating revenues less third-party distribution, service and advisory expenses, plus our proportional share of net revenues from joint venture arrangements, plus management and performance fees earned from, less other revenues recorded by, consolidated investment products. See “Schedule of Non-GAAP Information” for additional important disclosures regarding the use of net revenues. A significant portion of our business and managed AUM are based outside of the U.S. The income statements of foreign currency subsidiaries are translated into U.S. dollars, the reporting currency of the company, using average foreign exchange rates. The impact of foreign exchange rate movements accounted for \$21.7 million (39.7%) of the decrease in operating revenues, and was 1.1% of total operating revenues, during the six months ended June 30, 2012 when compared to the six months ended June 30, 2011. Additionally, our revenues are directly influenced by the level and composition of our AUM as more fully discussed above. Movements in global capital market levels, net new business inflows (or outflows) and changes in the mix of investment products between asset classes and geographies may materially affect our revenues from period to period.

## Investment management fees

Investment management fees decreased by \$39.4 million (2.4%) in the six months ended June 30, 2012 to \$1,572.0 million (six months ended June 30, 2011: \$1,611.4 million) due primarily to changes in the mix of AUM between asset classes, together with the impact of foreign exchange rate movement. The impact of foreign exchange rate movements accounted for \$19.1 million (48.5%) of the decrease in investment management fees during the six months ended June 30, 2012, compared to the six months ended June 30, 2011. As discussed above, the net revenue yield is lower in the current period due to changes in the composition of our AUM. The weighting of AUM flows out of active and into passive products has lowered the net revenue yield, despite the increase in average AUM. In addition, management fees have reduced due to the acquisition integration-related U.S. mutual fund mergers that commenced in June 2011, some of which lapsed in mid-2012. As previously discussed, acquisition integration-related fee waivers amounted to approximately \$30 million on an annualized basis. See the company's disclosures regarding the changes in AUM and revenue yields during the six months ended June 30, 2012 in the “Assets Under Management” section above for additional information regarding the movements in AUM. Investment management fees were also impacted by foreign exchange rate movement in AUM.

## Service and distribution fees

In the six months ended June 30, 2012, service and distribution fees decreased by \$34.0 million (8.3%) to \$376.1 million, (six months ended June 30, 2011: \$410.1 million) due primarily to decreases in distribution and redemption fees of \$12.9 million, transfer agency fees of \$11.3 million and administration and custodial fees of \$8.0 million. The fee reductions are attributable to the fund mergers and fee waivers associated with the U.S. mutual fund product realignment, the continued conversion of B-share fee structures to class A-shares that generate a lower annual service fee, and other changes in the AUM mix as a larger percentage of AUM charges no or lower distribution fees. The impact of foreign exchange rate movements accounted for \$1.8 million of decrease in service and distribution fees during the six months ended June 30, 2012 compared to the six months ended June 30, 2011.

Table of Contents

## Performance fees

Of our \$646.6 billion in AUM at June 30, 2012, only approximately \$50.3 billion, or 7.8%, could potentially earn performance fees. In the six months ended June 30, 2012 recognized performance fees were \$35.9 million, an increase of \$24.5 million from the comparative period (six months ended June 30, 2011: \$11.4 million). The performance fees generated in the six months ended June 30, 2012 arose primarily from a bank loan partnership managed by our fixed income group, products managed in the U.K, and the real estate group. The performance fees generated in the six months ended June 30, 2011 arose primarily due to products managed in the U.K., in our private equity group and in Asia Pacific.

## Other revenues

In the six months ended June 30, 2012, other revenues decreased by \$5.7 million (8.9%) to \$58.7 million (six months ended June 30, 2011: \$64.4 million). Other revenues included an increase of \$6.1 million in acquisition and disposition fees, offset by decreases in mutual funds front end fees of \$5.1million, UIT revenues of \$3.8 million, other revenues of \$1.7 million and transaction commissions of \$0.5 million during the six months ended June 30, 2012 compared to six months ended June 30, 2011. The impact of foreign exchange rate movements accounted for \$0.7 million (12.3%) of the decrease in other revenues during the six months ended June 30, 2012, compared to the six months ended June 30, 2011.

## Third-party distribution, service and advisory expenses

Third-party distribution, service and advisory expenses decreased by \$32.6 million (4.9%) in the six months ended June 30, 2012 to \$633.7 million (six months ended June 30, 2011: \$666.3 million). The decrease in third-party distribution, service and advisory expenses is closely linked to the reduction in service and distribution fees and investment management fees over this period. The reduction in third-party distribution, service and advisory expenses include decreases in distribution fees of \$9.6 million, renewal commissions of \$7.0 million, external commissions of \$5.0 million, sub advisory fees of \$2.8 million and transfer agent fees of \$0.5 million. The impact of foreign exchange rate movements accounted for \$7.7 million of the decrease in third-party distribution, service and advisory expenses

## Proportional share of revenues, net of third-party distribution expenses, from joint venture investments

Management believes that the addition of our proportional share of revenues, net of third-party distribution expenses, from joint venture arrangements should be added to operating revenues to arrive at net revenues, as it is important to evaluate the contribution to the business that our joint venture arrangements are making. See “Schedule of Non-GAAP Information” for additional disclosures regarding the use of net revenues.

Our proportional share of revenues, net of third-party distribution expenses decreased by \$2.7 million (12.7%) to \$18.5 million in the six months ended June 30, 2012 (six months ended June 30, 2011: \$21.2 million). Our share of the Invesco Great Wall joint venture’s average AUM in the six months ended June 30, 2012 was \$3.0 billion (six months ended June 30, 2011: \$3.5 billion).

## Management and performance fees earned from consolidated investment products

Management believes that the consolidation of investment products may impact a reader’s analysis of our underlying results of operations and could result in investor confusion or the production of information about the company by analysts or external credit rating agencies that is not reflective of the underlying results of operations and financial condition of the company. Accordingly, management believes that it is appropriate to adjust operating revenues for the impact of consolidated investment products in calculating net revenues. As management and performance fees earned by Invesco from the consolidated products are eliminated upon consolidation of the investment products, management believes that it is appropriate to add these operating revenues back in the calculation of net revenues. See “Schedule of Non-GAAP Information” for additional disclosures regarding the use of net revenues.

Management and performance fees earned from consolidated investment products decreased by \$2.4 million (10.3%) to \$20.9 million in the six months ended June 30, 2012 (six months ended June 30, 2011: \$23.3 million), primarily due to the impact of funds deconsolidated as of March 31, 2012.

## Other revenues recorded by consolidated investment products

Operating revenues of consolidated investment products are included in U.S. GAAP operating revenues resulting from the consolidation of investment products into the company’s results of operations. Management believes that this

consolidation could impact a reader's analysis of our underlying results of operations. Therefore, management believes that it is appropriate to deduct operating revenues of consolidated investment products in calculating net revenues. See "Schedule of Non-GAAP Information" for additional disclosures regarding the use of net revenues.

Table of Contents

## Operating Expenses

The main categories of operating expenses, and the dollar and percentage changes between periods, are as follows:

| \$ in millions                                 | Six months ended June 30, |         |           |          |
|--|---------------------------|---------|-----------|----------|
|  | 2012                      | 2011    | \$ Change | % Change |
| Employee compensation                          | 623.1                     | 624.2   | (1.1)     | (0.2)%   |
| Third-party distribution, service and advisory | 633.7                     | 666.3   | (32.6)    | (4.9)%   |
| Marketing                                      | 53.3                      | 51.8    | 1.5       | 2.9%     |
| Property, office and technology                | 135.3                     | 125.9   | 9.4       | 7.5%     |
| General and administrative                     | 162.0                     | 151.2   | 10.8      | 7.1%     |
| Transaction and integration                    | 2.6                       | 19.2    | (16.6)    | (86.5)%  |
| Total operating expenses                       | 1,610.0                   | 1,638.6 | (28.6)    | (1.7)%   |

The table below sets forth these cost categories as a percentage of total operating expenses and operating revenues, which we believe provides useful information as to the relative significance of each type of expense:

Six months ended:

| \$ in millions                                 | June 30, 2012 | % of Total         |                    | June 30, 2011 | % of Total         |                    |
|--|---------------|--------------------|--------------------|---------------|--------------------|--------------------|
|  |               | Operating Expenses | Operating Revenues |               | Operating Expenses | Operating Revenues |
| Employee compensation                          | 623.1         | 38.7%              | 30.5%              | 624.2         | 38.1%              | 29.8%              |
| Third-party distribution, service and advisory | 633.7         | 39.4%              | 31.0%              | 666.3         | 40.6%              | 31.8%              |
| Marketing                                      | 53.3          | 3.3%               | 2.6%               | 51.8          | 3.2%               | 2.5%               |
| Property, office and technology                | 135.3         | 8.4%               | 6.6%               | 125.9         | 7.7%               | 6.0%               |
| General and administrative                     | 162.0         | 10.1%              | 7.9%               | 151.2         | 9.2%               | 7.2%               |
| Transaction and integration                    | 2.6           | 0.1%               | 0.2%               | 19.2          | 1.2%               | 0.9%               |
| Total operating expenses                       | 1,610.0       | 100.0%             | 78.8%              | 1,638.6       | 100.0%             | 78.2%              |

During the six months ended June 30, 2012, operating expenses decreased by \$28.6 million (1.7%) to \$1,610.0 million (six months ended June 30, 2011: \$1,638.6 million). The impact of foreign exchange rate movements accounted for \$20.6 million (72.0%) of the decrease in operating expenses, and was 1.3% of total operating expenses, during the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

#### Employee Compensation

Employee compensation decreased \$1.1 million (0.2%) to \$623.1 million in the six months ended June 30, 2012 (six months ended June 30, 2011: \$624.2 million). Employee compensation was reduced by a decrease in staff benefits expense of \$8.9 million due primarily to \$10.0 million prepaid compensation amortized expenses related to the 2006 acquisition of W.L. Ross & Co which was fully amortized in 2011. Staff related costs, including payroll taxes and termination costs, decreased \$0.9 million, offset by increases in base salaries and variable compensation of \$6.2 million during the six months ended June 30, 2012 from the six months ended June 30, 2011. Also included in compensation expenses are share-based costs which had an increase of \$10.7 million during the six months ended June 30, 2012 compared to six months ended June 30, 2011. The increase in share-based compensation costs during the period reflects a previous change in our vesting service period from three to four years, which results in 2012 being the first year with four award tranches being expensed, as compared to three award tranches in previous years. The impact of foreign exchange rate movements reduced employee compensation by \$8.2 million, during the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

Headcount at June 30, 2012 was 6,141 (June 30, 2011: 6,189).

#### Third-Party Distribution, Service and Advisory Expenses

Third-party distribution, service and advisory expenses are discussed above in the operating and net revenues section.

Table of Contents

## Marketing

Marketing expenses increased by \$1.5 million (2.9%) in the six months ended June 30, 2012 to \$53.3 million (six months ended June 30, 2011: \$51.8 million). The increase during the six months ended June 30, 2012 includes an increase in advertising expense of \$3.4 million, an increase in client event expense of \$1.3 million, and other marketing costs of \$1.5 million, offset by decreases in corporate sponsorships of \$3.0 million, sales literature and research of \$0.5 million, and marketing-related travel expense of \$0.3 million, as compared to the six months ended June 30, 2011. The impact of foreign exchange rate movements reduced marketing expenses by \$0.9 million during the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

## Property, Office and Technology

Property, office and technology expenses increased by \$9.4 million (7.5%) to \$135.3 million in the six months ended June 30, 2012 (six months ended June 30, 2011: \$125.9 million). Property and office expenses increased \$5.5 million over the comparable 2011 period, due to increases in rent expense of \$3.3 million, depreciation and improvement repairs of \$1.8 million, and property management and service charges of \$0.4 million. The increase in rent expense includes a \$1.7 million exit charge for leased space, related to consolidation of office space. Technology and communications expenses increased \$5.7 million due to increases in depreciation and maintenance expenses of \$3.7 million, outsourced administration of \$1.0 million, and other property, office and technology costs, to include software purchases and telephone communications of \$1.2 million, offset by a decrease in programing and consulting costs of \$0.2 million compared to the six months ended June 30, 2011. The impact of foreign exchange rate movements reduced the increase in property, office and technology expenses by \$1.8 million during the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

## General and Administrative

General and administrative expenses increased by \$10.8 million (7.1%) to \$162.0 million in the six months ended June 30, 2012 (six months ended June 30, 2011: \$151.2 million). Increase in general and administrative expense is driven by expenses of our consolidated investment products, including legal and fund launch costs recorded by the consolidated products, which added \$10.8 million for the six months ended June 30, 2012, as compared to the six months ended June 30, 2011.

## Transaction and integration

Transaction and integration charges were \$2.6 million in the six months ended June 30, 2012 (six months ended June 30, 2011: \$19.2 million) and relate to the business acquired in 2010. Transaction and integration expenses during the six months ended June 30, 2012 include \$2.3 million relating to the final round of open-ended fund mergers and include professional services and shareholder communications costs and \$0.3 million in marketing and property, office and technology costs. Transaction and integration expenses for the six months ended June 30, 2011 include \$2.4 million of employee compensation costs, \$1.1 million of property and office, \$1.0 million of technology and communication costs and \$14.4 million of professional services, principally legal, proxy solicitation, consultancy and insurance.

## Operating Income, Adjusted Operating Income, Operating Margin and Adjusted Operating Margin

Operating income decreased by \$26.0 million (5.7%) to \$432.7 million in the six months ended June 30, 2012 (six months ended June 30, 2011: \$458.7 million). Operating margin (operating income divided by operating revenues), decreased from 21.9% in the six months ended June 30, 2011 to 21.2% in the six months ended June 30, 2012. The decrease in operating income and margin resulted from a greater relative increase in operating revenues (2.6%) than in operating expenses (1.7%) during the period. Adjusted operating income, decreased by \$38.7 million (6.9%) to \$518.2 million in the six months ended June 30, 2012 from \$556.9 million in the six months ended June 30, 2011. Adjusted operating margin is equal to adjusted operating income divided by net revenues. Adjusted operating margin decreased to 35.8% in the six months ended June 30, 2012 from 37.7% in the six months ended June 30, 2011. See "Schedule of Non-GAAP Information" for definitions of these measures and a reconciliation of operating revenues to net revenues, a reconciliation of operating income to adjusted operating income and additional important disclosures regarding net revenues, adjusted operating income and adjusted operating margin.



Table of Contents

## Other Income and Expenses

The main categories of other income and expenses, and the dollar and percentage changes between periods are as follows:

| \$ in millions  | Six months ended June 30, |         |           |          |
|---|---------------------------|---------|-----------|----------|
|   | 2012                      | 2011    | \$ Change | % Change |
| Equity in earnings of unconsolidated affiliates               | 16.6                      | 17.5    | (0.9)     | (5.1)%   |
| Interest and dividend income                                  | 4.6                       | 4.5     | 0.1       | 2.2%     |
| Interest income of consolidated investment products           | 137.7                     | 154.0   | (16.3)    | (10.6)%  |
| Other gains/(losses) of consolidated investment products, net | (44.7)                    | (150.2) | 105.5     | (70.2)%  |
| Interest expense  | (27.0)                    | (32.2)  | 5.2       | (16.1)%  |
| Interest expense of consolidated investment products          | (92.5)                    | (86.5)  | (6.0)     | 6.9%     |
| Other gains and losses, net                                   | 10.9                      | 13.9    | (3.0)     | (21.6)%  |
| Total other income and expenses                               | 5.6                       | (79.0)  | 84.6      | (107.1)% |

## Equity in earnings of unconsolidated affiliates

Equity in earnings of unconsolidated affiliates decreased by \$0.9 million (5.1%) to \$16.6 million in the six months ended June 30, 2012 (six months ended June 30, 2011: \$17.5 million). The decrease in equity in earnings is primarily driven from the declines in our pre-tax earnings of our joint venture investments in China of \$1.8 million, offset by an increase of \$0.9 million in our share of the market-driven valuation changes in the underlying holdings of certain partnership investments, including our investment in Invesco Mortgage Capital Inc.

## Interest and dividend income and interest expense

Interest and dividend income increased by \$0.1 million (2.2%) to \$4.6 million in the six months ended June 30, 2012 (six months ended June 30, 2011: \$4.5 million). The six months ended June 30, 2012 increase in interest and dividend income includes an increase in income earned on investments of \$0.4 million, offset by a decrease in dividend income of \$0.3 million on investments held to hedge economically deferred compensation plans. This dividend income is passed through to employee participants in the deferred compensation plans. See "Schedule of Non-GAAP Information" for additional details. Interest expense decreased by \$5.2 million (16.1%) to \$27.0 million in the six months ended June 30, 2012 (six months ended June 30, 2011: \$32.2 million) due to a combination of lower average debt balances and lower borrowing costs versus the comparative period.

## Other gains and losses, net

Other gains and losses, net were a net gain of \$10.9 million in the six months ended June 30, 2012 as compared to a net gain of \$13.9 million in the six months ended June 30, 2011. Included in other gains and losses for the six months ended June 30, 2012 is a net gain of \$7.7 million resulting from the appreciation of investments held for our deferred compensation plans (six months ended June 30, 2011: \$7.4 million net gain), a \$3.5 million gain on an acquisition related loan note held to hedge the company's net interest in a consolidated investment products, and net realized gains on seed and other investments of \$1.5 million (six months ended June 30, 2011: \$6.3 million net gains). These gains in other gains and losses net were offset by a net loss of \$1.2 million related to the mark-to-market of 12-month foreign exchange put option contracts intended to provide protection against the impact of a significant decline in the pound sterling/U.S dollar foreign exchange rate. We incurred \$0.9 million in other-than-temporary impairment charges related to seed money investments during the six months ended June 30, 2012 (six months ended June 30, 2011: none).

## Non-operating income and expense of consolidated investment products

In the six months ended June 30, 2012, interest income of consolidated investment products decreased by \$16.3 million (10.6%) to \$137.7 million (six months ended June 30, 2011: \$154.0 million) primarily due to lower fee income associated with CLO collateral asset restructuring in 2012 versus 2011 and the impact of CLO deconsolidation as of the beginning of the first quarter of 2012. Interest expense of consolidated investment products increased by \$6.0 million (6.9%) to \$92.5 million (six months ended June 30, 2011: \$86.5 million) primarily due to interest expense payments on junior tranches of the CLO notes that do not bear interest at a stated rate.

Included in other gains/(losses) of consolidated investment products, net, are realized and unrealized gains and losses on the underlying investments and debt of consolidated investment products. In the six months ended June 30, 2012, other gains/(losses) of consolidated investment products were a net loss of \$44.7 million, as compared to a net loss of \$150.2 million in the six months ended June 30, 2011. The net loss in the 2012 period is primarily due to losses associated with real estate investments and increases in the market value long-term debt of CLOs that more than offset gains in the market value of investments held by CLOs. The net loss in the 2011 period is primarily due to an increase in the market value of long term debt

Table of Contents

of consolidated investment products which exceeded the increase in the market value of investments of consolidated investment products.

Net impact of consolidated investment products and related noncontrolling interests in noncontrolling entities  
As illustrated in the Condensed Consolidating Statements of Income for the six months ended June 30, 2012 and 2011 at the beginning of this Results of Operations section, the consolidation of investment products during the six months ended June 30, 2012 resulted in a decrease to net income of \$47.4 million before attribution to noncontrolling interests (six months ended June 30, 2011: \$116.9 million decrease to net income). Invesco invests in only a portion of these products, and as a result this net loss is offset by noncontrolling interests of \$45.4 million (six months ended June 30, 2011: \$131.7 million offset to net loss), resulting in a decrease in net income of the company of \$1.9 million (six months ended June 30, 2011: \$15.0 million net increase).

Noncontrolling interests in consolidated entities represent the profit or loss amounts attributed to third party investors in consolidated investment products. Movements in amounts attributable to noncontrolling interests in consolidated entities on the company's Consolidated Statements of Income generally offset the gains and losses, interest income and interest expense of consolidated investment products.

Additionally, consolidated investment products represent approximately 1% of the company's AUM. Therefore, the net gains or losses of consolidated investment products is not indicative of the performance of the company's aggregate assets under management.

#### Income Tax Expense

The company's subsidiaries operate in several taxing jurisdictions around the world, each with its own statutory income tax rate. As a result, the blended average statutory tax rate will vary from year to year depending on the mix of the profits and losses of the company's subsidiaries. The majority of our profits are earned in the U.S., the U.K., and Canada.

The enacted U.K. statutory tax rate, for U.S. GAAP purposes, was 25% as of June 30, 2012. On March 26, 2012, the U.K. Parliament approved a rate reduction to 24%, effective April 1, 2012, and a further rate reduction to 23% effective April 1, 2013. However, the measures are not enacted for U.S. GAAP purposes (and cannot be accounted for) until Royal Assent is received, which did not occur until July 17, 2012. An additional reduction to the rate has been proposed as part of the U.K. Budget to reduce the rate to 22% beginning April 1, 2014.

On June 20, 2012, the Ontario government successfully introduced and passed Bill 114, which repealed the enacted general corporate income tax rate reductions scheduled to take effect in 2012 and 2013. The Canadian federal and provincial statutory tax rate increased to 26.5% in June from the previous rate of 26.25%. The U.S. Federal statutory tax rate was 35%.

Our effective tax rate, excluding noncontrolling interests in consolidated entities, for the six months ended June 30, 2012 was 28.1%, down from 29.5% for the six months ended June 30, 2011. The six months ended June 30, 2012 rate reflects a favorable profit mix and the impact of U.K. statutory tax rate reductions that was enacted in 2011 and effective for 2012.

#### Schedule of Non-GAAP Information

We are presenting the following non-GAAP performance measures: net revenue (and by calculation, net revenue yield on AUM), adjusted operating income (and by calculation, adjusted operating margin), adjusted net income attributable to common shareholders (and by calculation, adjusted diluted earnings per share (EPS)). We believe these non-GAAP measures provide greater transparency into our business and allow more appropriate comparisons with industry peers. Management uses these performance measures to evaluate the business, and they are consistent with internal management reporting. The most directly comparable U.S. GAAP measures are operating revenues (and by calculation, gross revenue yield on AUM), operating income (and by calculation, operating margin), net income (and by calculation, diluted EPS). Each of these measures is discussed more fully below.

These non-GAAP measures should not be considered as substitutes for any measures derived in accordance with U.S. GAAP and may not be comparable to other similarly titled measures of other companies. Additional reconciling items may be added in the future to these non-GAAP measures if deemed appropriate. The Schedule of Non-GAAP Information contained in the company's most recent annual report on Form 10-K contains expanded definitions of

reconciling items from U.S. GAAP to non-GAAP information, including the reasons why management believes that the presentation of our non-GAAP measures provides useful information to investors.

Table of Contents

The following are reconciliations of operating revenues, operating income (and by calculation, operating margin), and net income (and by calculation, diluted EPS) on a U.S. GAAP basis to net revenues, adjusted operating income (and by calculation, adjusted operating margin), and adjusted net income attributable to common shareholders (and by calculation, adjusted EPS):

| \$ in millions, except per share data  | Three months ended June 30, |          | Six months ended June 30, |          |
|--|-----------------------------|----------|---------------------------|----------|
|  | 2012                        | 2011     | 2012                      | 2011     |
| Operating revenues, U.S. GAAP basis  | 1,009.0                     | 1,070.0  | 2,042.7                   | 2,097.3  |
| Third-party distribution, service and advisory expenses <sup>(1)</sup>   | (316.6 )                    | (341.8 ) | (633.7 )                  | (666.3 ) |
| Proportional share of net revenues from joint venture arrangements <sup>(2)</sup>  | 9.2                         | 10.8     | 18.5                      | 21.2     |
| Management fees earned from consolidated investment products eliminated upon consolidation <sup>(3)</sup>                    | 10.4                        | 12.2     | 20.1                      | 23.3     |
| Performance fees earned from consolidated investment products eliminated upon consolidation <sup>(3)</sup>                   | 0.1                         | —        | 0.8                       | —        |
| Net revenues   | 712.1                       | 751.2    | 1,448.4                   | 1,475.5  |
| Operating income, U.S. GAAP basis  | 202.9                       | 233.0    | 432.7                     | 458.7    |
| Proportional share of operating income from joint venture investments <sup>(2)</sup>   | 3.5                         | 5.0      | 8.0                       | 10.2     |
| Transaction and integration charges <sup>(4)</sup>   | 1.1                         | 11.3     | 2.6                       | 19.2     |
| Amortization of acquisition-related prepaid compensation <sup>(4)</sup>  | —                           | 5.0      | —                         | 10.0     |
| Amortization of other intangibles <sup>(4)</sup>   | 10.9                        | 12.9     | 19.4                      | 21.9     |
| Change in contingent consideration estimates <sup>(4)</sup>  | (0.2 )                      | (6.4 )   | (2.3 )                    | (6.4 )   |
| Compensation expense related to market valuation changes in deferred compensation plans <sup>(5)</sup>                       | (0.2 )                      | 2.5      | 6.3                       | 6.6      |
| Consolidation of investment products <sup>(3)</sup>  | 25.2                        | 15.7     | 41.6                      | 30.5     |
| Other reconciling items <sup>(6)</sup>   | 5.8                         | 5.8      | 9.9                       | 6.2      |
| Adjusted operating income  | 249.0                       | 284.8    | 518.2                     | 556.9    |
| Operating margin*  | 20.1                        | % 21.8   | % 21.2                    | % 21.9   |
| Adjusted operating margin**  | 35.0                        | % 37.9   | % 35.8                    | % 37.7   |
| Net income attributable to common shareholders, U.S. GAAP basis  | 153.9                       | 183.0    | 347.8                     | 360.5    |
| Transaction and integration charges, net of tax <sup>(4)</sup>   | 0.7                         | 6.9      | 1.6                       | 11.9     |
| Amortization of acquisition-related prepaid compensation <sup>(4)</sup>  | —                           | 5.0      | —                         | 10.0     |
| Amortization of other intangibles, net of tax <sup>(4)</sup>   | 10.1                        | 11.8     | 17.6                      | 19.6     |
| Change in contingent consideration estimates <sup>(4)</sup>  | (0.2 )                      | (6.4 )   | (2.3 )                    | (6.4 )   |
| Deferred compensation plan market valuation changes and dividend income less compensation expense, net of tax <sup>(5)</sup> | 2.4                         | (1.5 )   | (2.7 )                    | (2.2 )   |
| Deferred income taxes on intangible assets <sup>(4)</sup>  | 6.5                         | 8.3      | 13.0                      | 14.7     |
| Consolidation of investment products <sup>(3)</sup>  | 6.2                         | (5.2 )   | 2.0                       | (14.8 )  |
| Other reconciling items <sup>(6)</sup>   | 5.1                         | 5.2      | 8.7                       | 5.5      |
| Adjusted net income attributable to common shareholders  | 184.7                       | 207.1    | 385.7                     | 398.8    |
| Average shares outstanding — diluted   | 455.3                       | 467.4    | 455.6                     | 469.7    |
| Diluted EPS  | \$0.34                      | \$0.39   | \$0.76                    | \$0.77   |
| Adjusted diluted EPS***  | \$0.41                      | \$0.44   | \$0.85                    | \$0.85   |

\*Operating margin is equal to operating income divided by operating revenues.

\*\* Adjusted operating margin is equal to adjusted operating income divided by net revenues.

\*\*\* Adjusted diluted EPS is equal to adjusted net income attributable to common shareholders divided by the weighted average shares outstanding amount used in the calculation of diluted EPS.

Table of Contents

## (1) Third-party distribution, service and advisory expenses

Third-party distribution, service and advisory expenses include renewal commissions, management fee rebates and distribution costs (12b-1 and marketing support) paid to brokers and independent financial advisors. While the terms used for these types of expense vary by geography, they are all expense items that are closely linked to the value of AUM and the revenue earned by Invesco from AUM. Since the company has been deemed to be the principal in the third-party arrangements, the company must reflect these expenses gross of operating revenues under U.S. GAAP. Management believes that the deduction of third-party distribution, service and advisory expenses from operating revenues in the computation of net revenues (and by calculation, net revenue yield on AUM) and the related computation of adjusted operating income (and by calculation, adjusted operating margin) appropriately reflects the nature of these expenses as revenue-sharing activities, as these costs are passed through to external parties who perform functions on behalf of, and distribute, the company's managed funds. Further, these expenses vary extensively by geography due to the differences in distribution channels. The net presentation assists in identifying the revenue contribution generated by the business, removing distortions caused by the differing distribution channel fees and allowing for a fair comparison with U.S. peer investment managers and within Invesco's own investment units. Additionally, management evaluates net revenue yield on AUM, which is equal to net revenues divided by average AUM during the reporting period. This financial measure is an indicator of the basis point net revenues we receive for each dollar of AUM we manage and is useful when evaluating the company's performance relative to industry competitors and within the company for capital allocation purposes.

## (2) Proportional share of net revenues and operating income from joint venture investments

The company has two joint venture investments in China. Enhancing our operations in China is one effort that we believe could improve our competitive position over time. Accordingly, we believe that it is appropriate to evaluate the contribution of our joint venture investments to the operations of the business.

## (3) Consolidated investment products

See Part I, Item 1, Financial Statements, Note 11, "Consolidated Investment Products" for a detailed analysis of the impact to the company's Condensed Consolidated Financial Statements from the consolidation of investment products. The reconciling items add back the management and performance fees earned by Invesco from the consolidated products and remove the revenues and expenses recorded by the consolidated products that have been included in the U.S. GAAP Condensed Consolidated Statements of Income.

## (4) Acquisition-related reconciling items

Acquisition-related adjustments include transaction and integration expenses and intangible asset amortization related to acquired assets, amortization of prepaid compensation related to the 2006 acquisition of W.L. Ross & Co., and tax cash flow benefits resulting from tax amortization of goodwill and indefinite-lived intangible assets. These charges reflect the legal, regulatory, advisory, valuation, integration-related employee incentive awards and other professional or consulting fees, general and administrative costs, including travel costs related to the transaction and the costs of temporary staff involved in executing business combinations, and the post closing costs of integrating acquired businesses into the company's existing operations including incremental costs associated with achieving synergy savings. Transaction and integration expenses include legal costs related to the defense of auction rate preferred securities complaints raised in the pre-acquisition period with respect to various closed-end funds included in the acquisition. See Part I, Item 1, Financial Statements, Note 10, "Commitments and Contingencies" for additional information. Additionally, acquisition-related reconciling items include changes in estimates of acquisition earn-out liabilities booked from prior acquisitions, which is offset in the period by increased amortization related to the write-off of related management contract intangible assets.

## (5) Market movement on deferred compensation plan liabilities

Certain deferred compensation plan awards involve a return to the employee linked to the appreciation (depreciation) of specified investments, typically the funds managed by the employee. Invesco hedges economically the exposure to market movements by holding these investments on its balance sheet. U.S. GAAP requires the appreciation (depreciation) in the compensation liability to be expensed over the award vesting period in proportion to the vested amount of the award as part of compensation expense. The full value of the investment appreciation (depreciation) is immediately recorded below operating income in other gains and losses. This creates a timing

difference between the recognition of the compensation expense and the investment gain or loss impacting net income attributable to common shareholders and diluted EPS which will reverse over the life of the award and net to zero at the end of the multi-year vesting period. During periods of high market volatility these timing differences impact compensation expense, operating income and operating margin in a manner which, over the life of the award, will ultimately be offset by gains and losses recorded below operating income on the Condensed Consolidated Statements

73

---

Table of Contents

of Income. The non-GAAP measures exclude the mismatch created by differing U.S. GAAP treatments of the market movement on the liability and the investments.

Additionally, dividend income from investments held to hedge economically deferred compensation plans is recorded as dividend income and as compensation expense on the company's Condensed Consolidated Statements of Income on the record dates. This dividend income is passed through to the employee participants in the plan and is not retained by the company. The non-GAAP measures exclude this dividend income and related compensation expense.

**(6) Other reconciling items**

European infrastructure transformational initiative: As announced in 2011, the company is outsourcing its European transfer agency and is making certain structural changes to product and distribution platforms. Expenses incurred related to the European infrastructure activities are excluded in arriving at the non-GAAP financial information. For the second quarter 2012, this adjustment includes \$1.2 million in compensation expenses, primarily due to severance costs (first quarter 2012: \$1.2 million; second quarter 2011: \$3.1 million); \$2.5 million in general and administrative costs, primarily related to professional contractor services and mutual fund costs (first quarter 2012: \$1.3 million; second quarter 2011: \$2.5 million); \$0.6 million in shareholder communication-related costs (first quarter 2012: \$0.3 million; second quarter 2011: none); and \$1.5 million of property, office and technology costs (first quarter 2012: \$1.3 million; second quarter 2011: \$0.2 million). The company's income tax provision included tax benefits of \$1.5 million in the second quarter 2012 relating to this charge (first quarter 2012: \$0.5 million; second quarter 2011: \$0.6 million). Included within other gains and losses, net is a loss of \$1.0 million related to the mark-to-market of four foreign exchange put option contracts intended to provide protection against the impact of a significant decline in the pound sterling/U.S dollar foreign exchange rate. The cost to the company of these contracts was \$2.5 million at their inception date, which represents the company's maximum exposure to loss from the contracts over the 12-month cumulative contract period, and contract maturity ranges from September 25, 2012 to June 25, 2013. The adjustment from U.S. GAAP to non-GAAP earnings removes the impact of market volatility; therefore, the company's non-GAAP results include only the amortization of the cost of the contracts during the contract period. The company's income tax provision included tax benefits of \$0.2 million in the second quarter 2012 relating to this loss. Included within general and administrative expenses in the first quarter of 2011 was an additional charge of \$0.4 million relating to a levy from the U.K. Financial Services Compensation Scheme. Assessments were levied upon all Financial Services Authority (FSA)-registered investment management companies in proportion to their "eligible income" (as defined by the FSA) to cover claims resulting from failures of non-affiliated investment firms. The company's income tax provision included tax benefits of \$0.1 million in the first quarter of 2011 relating to this charge.

Due to the unique character and/or magnitude of these items, their impact has been excluded in calculating the non-GAAP financial measures.

**Balance Sheet Discussion**

Condensed Consolidating Balance Sheets are presented below and reflect the consolidation of investment products. The majority of the company's consolidated investment products ("CIP") were CLOs as of June 30, 2012. The collateral assets of the CLOs are held solely to satisfy the obligations of the CLOs. The company has no right to the benefits from, nor does it bear the risks associated with, the collateral assets held by the CLOs, beyond the company's minimal direct investments in, and management fees generated from, CLOs. If the company were to liquidate, the collateral assets would not be available to the general creditors of the company, and as a result, the company does not consider them to be company assets. Conversely, if the CLOs were to liquidate, their investors would have no recourse to the general credit of the company. The company therefore does not consider this debt to be a company liability. In the condensed consolidating balance sheets that follow, the Before Consolidation column includes Invesco's equity interest in the investment products, accounted for as equity method and available-for-sale investments and does not include any other adjustments related to non-GAAP financial measure presentation.



Table of Contents

## Condensed Consolidating Balance Sheets

| \$ in millions                          | June 30, 2012        |  |          | December 31, 2011    |  |          | June 30, 2011        |  |          |
|---|----------------------|--|----------|----------------------|--|----------|----------------------|--|----------|
|   | Before Consolidation | Impact of Consolidated investment products | Total    | Before Consolidation | Impact of Consolidated investment products | Total    | Before Consolidation | Impact of Consolidated investment products | Total    |
| <b>ASSETS</b>                           |                      |  |          |                      |  |          |                      |  |          |
| Current assets                          |                      |  |          |                      |  |          |                      |  |          |
| Cash and cash equivalents               | 718.4                | —  | 718.4    | 727.4                | —  | 727.4    | 621.5                | —  | 621.5    |
| Cash and cash equivalents of CIP        | —                    | 380.5                                      | 380.5    | —                    | 382.3                                      | 382.3    | —                    | 622.2                                      | 622.2    |
| Unsettled fund receivables              | 487.1                | —  | 487.1    | 444.4                | —  | 444.4    | 674.2                | —  | 674.2    |
| Accounts receivable                     | 404.5                | (6.1 )                                     | 398.4    | 434.6                | (10.2 )                                    | 424.4    | 481.5                | (16.4 )                                    | 465.1    |
| Accounts receivable of CIP              | —                    | 114.7                                      | 114.7    | —                    | 98.5                                       | 98.5     | —                    | 130.1                                      | 130.1    |
| Investments                             | 358.5                | (14.0 )                                    | 344.5    | 283.7                | —  | 283.7    | 352.0                | —  | 352.0    |
| Prepaid assets                          | 51.4                 | —  | 51.4     | 51.2                 | —  | 51.2     | 62.7                 | —  | 62.7     |
| Other current assets                    | 80.8                 | 7.6  | 88.4     | 139.2                | 10.8                                       | 150.0    | 108.2                | 16.4                                       | 124.6    |
| Deferred tax asset, net                 | 24.2                 | —  | 24.2     | 28.7                 | —  | 28.7     | 33.1                 | —  | 33.1     |
| Assets held for policyholders           | 1,065.4              | —  | 1,065.4  | 1,243.5              | —  | 1,243.5  | 1,373.2              | —  | 1,373.2  |
| Total current assets                    | 3,190.3              | 482.7                                      | 3,673.0  | 3,352.7              | 481.4                                      | 3,834.1  | 3,706.4              | 752.3                                      | 4,458.7  |
| Non-current assets                      |                      |  |          |                      |  |          |                      |  |          |
| Investments                             | 303.9                | (85.1 )                                    | 218.8    | 293.4                | (92.6 )                                    | 200.8    | 284.0                | (89.9 )                                    | 194.1    |
| Investments of CIP                      | —                    | 6,050.9                                    | 6,050.9  | —                    | 6,629.0                                    | 6,629.0  | —                    | 7,349.7                                    | 7,349.7  |
| Security deposit assets and receivables | 75.0                 | —  | 75.0     | 81.2                 | —  | 81.2     | 152.0                | —  | 152.0    |
| Other non-current assets                | 18.4                 | —  | 18.4     | 17.9                 | —  | 17.9     | 26.9                 | —  | 26.9     |
| Deferred sales commissions              | 43.8                 | —  | 43.8     | 40.5                 | —  | 40.5     | 43.2                 | —  | 43.2     |
| Property and equipment, net             | 314.6                | —  | 314.6    | 312.8                | —  | 312.8    | 281.8                | —  | 281.8    |
| Intangible assets, net                  | 1,302.3              | —  | 1,302.3  | 1,322.8              | —  | 1,322.8  | 1,318.6              | —  | 1,318.6  |
| Goodwill                                | 6,916.1              | —  | 6,916.1  | 6,907.9              | —  | 6,907.9  | 7,090.6              | —  | 7,090.6  |
| Total non-current assets                | 8,974.1              | 5,965.8                                    | 14,939.9 | 8,976.5              | 6,536.4                                    | 15,512.9 | 9,197.1              | 7,259.8                                    | 16,456.9 |
| Total assets                            | 12,164.4             | 6,448.5                                    | 18,612.9 | 12,329.2             | 7,017.8                                    | 19,347.0 | 12,903.5             | 8,012.1                                    | 20,915.6 |

Table of Contents

## Condensed Consolidating Balance Sheets (continued)

| \$ in millions                                    | June 30, 2012        |  |            | December 31, 2011    |  |            | June 30, 2011        |  |            |
|---|----------------------|--|------------|----------------------|--|------------|----------------------|--|------------|
|   | Before Consolidation | Impact of Consolidation of investment products | Total      | Before Consolidation | Impact of Consolidation of investment products | Total      | Before Consolidation | Impact of Consolidation of investment products | Total      |
| <b>LIABILITIES AND EQUITY</b>                     |                      |  |            |                      |  |            |                      |  |            |
| <b>Current liabilities</b>                        |                      |  |            |                      |  |            |                      |  |            |
| Current maturities of total debt                  | 333.5                | —  | 333.5      | 215.1                | —  | 215.1      | 215.1                | —  | 215.1      |
| Unsettled fund payables                           | 472.7                | —  | 472.7      | 439.6                | —  | 439.6      | 667.4                | —  | 667.4      |
| Income taxes payable                              | 50.1                 | —  | 50.1       | 59.6                 | —  | 59.6       | 45.4                 | —  | 45.4       |
| Other current liabilities                         | 624.5                | (8.5 )   | 616.0      | 861.1                | (19.6 )  | 841.5      | 689.6                | (18.9 )  | 670.7      |
| Other current liabilities of CIP                  | —                    | 187.0  | 187.0      | —                    | 175.1  | 175.1      | —                    | 392.8  | 392.8      |
| Policyholder payables                             | 1,065.4              | —  | 1,065.4    | 1,243.5              | —  | 1,243.5    | 1,373.2              | —  | 1,373.2    |
| Total current liabilities                         | 2,546.2              | 178.5  | 2,724.7    | 2,818.9              | 155.5  | 2,974.4    | 2,990.7              | 373.9  | 3,364.6    |
| <b>Non-current liabilities</b>                    |                      |  |            |                      |  |            |                      |  |            |
| Long-term debt                                    | 1,008.1              | —  | 1,008.1    | 1,069.6              | —  | 1,069.6    | 1,368.6              | —  | 1,368.6    |
| Long-term debt of CIP                             | —                    | 5,069.7  | 5,069.7    | —                    | 5,512.9  | 5,512.9    | —                    | 6,292.7  | 6,292.7    |
| Deferred tax liabilities, net                     | 307.8                | —  | 307.8      | 274.0                | —  | 274.0      | 269.6                | —  | 269.6      |
| Security deposits payable                         | 75.0                 | —  | 75.0       | 81.2                 | —  | 81.2       | 152.0                | —  | 152.0      |
| Other non-current liabilities                     | 308.8                | —  | 308.8      | 297.3                | —  | 297.3      | 270.3                | —  | 270.3      |
| Total non-current liabilities                     | 1,699.7              | 5,069.7  | 6,769.4    | 1,722.1              | 5,512.9  | 7,235.0    | 2,060.5              | 6,292.7  | 8,353.2    |
| Total liabilities                                 | 4,245.9              | 5,248.2  | 9,494.1    | 4,541.0              | 5,668.4  | 10,209.4   | 5,051.2              | 6,666.6  | 11,717.8   |
| <b>Equity</b>                                     |                      |  |            |                      |  |            |                      |  |            |
| <b>Equity attributable to common shareholders</b> |                      |  |            |                      |  |            |                      |  |            |
| Common shares                                     | 98.1                 | —  | 98.1       | 98.1                 | —  | 98.1       | 98.1                 | —  | 98.1       |
| Additional paid-in-capital                        | 6,100.2              | —  | 6,100.2    | 6,180.6              | —  | 6,180.6    | 6,152.6              | —  | 6,152.6    |
| Treasury shares                                   | (1,301.5 )           | —  | (1,301.5 ) | (1,280.4 )           | —  | (1,280.4 ) | (1,203.5 )           | —  | (1,203.5 ) |
| Retained earnings                                 | 2,597.3              | 30.0   | 2,627.3    | 2,381.3              | 31.9   | 2,413.2    | 2,129.7              | 26.7   | 2,156.4    |

Edgar Filing: Invesco Ltd. - Form 10-Q

|  |          |         |          |          |         |          |          |         |          |
|--|----------|---------|----------|----------|---------|----------|----------|---------|----------|
| Retained earnings appropriated for investors in CIP                      | —        | 251.8   | 251.8    | —        | 334.3   | 334.3    | —        | 340.2   | 340.2    |
| Accumulated other comprehensive income, net of tax                       | 419.9    | (30.0 ) | 389.9    | 404.1    | (30.8 ) | 373.3    | 670.7    | (26.2 ) | 644.5    |
| Total equity attributable to common shareholders                         | 7,914.0  | 251.8   | 8,165.8  | 7,783.7  | 335.4   | 8,119.1  | 7,847.6  | 340.7   | 8,188.3  |
| Equity attributable to noncontrolling interests in consolidated entities | 4.5      | 948.5   | 953.0    | 4.5      | 1,014.0 | 1,018.5  | 4.7      | 1,004.8 | 1,009.5  |
| Total equity   | 7,918.5  | 1,200.3 | 9,118.8  | 7,788.2  | 1,349.4 | 9,137.6  | 7,852.3  | 1,345.5 | 9,197.8  |
| Total liabilities and equity   | 12,164.4 | 6,448.5 | 18,612.9 | 12,329.2 | 7,017.8 | 19,347.0 | 12,903.5 | 8,012.1 | 20,915.6 |

76

Table of Contents

The company's Condensed Consolidated Statement of Changes in Equity in Part I, Item 1, "Financial Statements," contains a detailed analysis of the changes in balance sheet equity line items. The following discussion presents a comparative analysis of significant balance sheet assets and liabilities.

**Cash and Cash Equivalents**

See "Liquidity and Capital Resources — Cash Flows Discussion" for details of the movements in the company's cash and cash equivalents balances in the periods presented.

**Unsettled Fund Receivables**

Unsettled fund receivables increased by \$42.7 million from \$444.4 million at December 31, 2011 to \$487.1 million at June 30, 2012, due primarily to higher transaction activity between funds and investors in June 2012 when compared to December 2011 in our U.K. and offshore funds, together with \$13.6 million of unsettled balances associated with the unit investment trust (UIT) products.

**Investments (current and non-current)**

As of June 30, 2012, we had \$563.3 million in investments, of which \$344.5 million were current investments and \$218.8 million were non-current investments. Included in current investments are \$109.4 million of seed money investments in affiliated funds used to seed funds as we launch new products, and \$200.2 million of investments related to assets held for deferred compensation plans, which are also held primarily in affiliated funds. Seed investments increased by \$45.9 million during the six months to June 30, 2012, due primarily to seed money investment additions and market increases, offset by disposals of seed money investments. Investments held to hedge deferred compensation awards increased by \$15.8 million during the six month period, primarily attributable to additional investments in affiliated funds to hedge economically new employee plan awards. Included in non-current investments are \$198.2 million in equity method investments in our Chinese joint ventures and in certain of the company's private equity partnerships, real estate partnerships and other investments (December 31, 2011: \$193.1 million). The increase of \$5.1 million in equity method investments is primarily driven by an increase of \$8.2 million in co-investment in the Asian real estate funds with the remaining \$1.6 million increase in partnership investments due to various other capital calls and valuation improvements, offset by distributions and capital returns during the period. The value of the joint venture investments has decreased by \$4.7 million during the period as a result of current year earnings of \$7.3 million, \$0.4 million in positive impact of foreign exchange rate movements, offset by dividends paid of \$12.4 million.

**Assets Held for Policyholders and Policyholder Payables**

The decrease in the balance of assets held for policyholders and the offsetting policyholder payables from \$1,243.5 million at December 31, 2011, to \$1,065.4 million at June 30, 2012 was the result of a third party transfer of administration contracts to another provider, offset by the increase in the market values of these assets and liabilities.

**Intangible assets, net**

Intangible assets reflect a net decrease of \$20.5 million from \$1,322.8 million at December 31, 2011, to \$1,302.3 million at June 30, 2012. The decrease is due to amortization of \$19.5 million and decrease in foreign currency translation of \$1.0 million primarily related to Yen-denominated balances.

**Goodwill**

Goodwill increased by \$8.2 million from \$6,907.9 million at December 31, 2011, to \$6,916.1 million at June 30, 2012. The increase is due to the impact of foreign currency translation for certain subsidiaries whose functional currency differs from that of the Parent.

**Current Portion of total debt**

The current portion of total debt increased by \$118.4 million from December 31, 2011 as a result of the reclassification of the \$333.5 million 5.375% senior notes that mature on February 27, 2013 out of long-term and into current, net of the April 2012 repayment of the \$215.1 million of outstanding 5.625% Senior Notes.

**Long-term debt**

The non-current portion of our total debt was \$1,008.1 million at June 30, 2012 (December 31, 2011: \$1,069.6 million). The decrease during the six months ended June 30, 2012 is due to the reclassification of the \$333.5 million 5.375% senior notes that mature on February 27, 2013 out of long term into current, offset by a net draw on the credit facility of \$272.0 million.



Table of Contents

## Liquidity and Capital Resources

Our capital structure, together with available cash balances, cash flows generated from operations, existing capacity under our credit facility, proceeds from public offering of our shares and further capital market activities, if necessary, should provide us with sufficient resources to meet present and future cash needs, including operating, debt and other obligations as they come due and anticipated future capital requirements. On April 17, 2012, the company repaid the \$215.1 million of outstanding 5.625% senior notes that matured on that date. The repayment was funded from the credit facility and existing cash on hand. The company's 5.375% senior notes, which have a carrying value of \$333.5 million at June 30, 2012, mature on February 27, 2013. We have reduced our leverage at June 30, 2012, from a year ago, as illustrated by the change in our debt-to-equity ratios in the table below.

As discussed in the "Executive Overview" of this Management's Discussion and Analysis, our capital management priorities have evolved with the growth and success of our business and include:

- reinvestment in the business;
- steady annual growth of dividends (as illustrated and further discussed in the "Dividends" section below);
- share repurchase; and
- establishment of an approximate \$1 billion cash buffer in excess of regulatory requirements.

These priorities are executed in a manner consistent with our desire to maintain a strong, investment-grade credit rating.

During the three and six months ended June 30, 2012 there were 3.2 million and 6.3 million, respectively, of common shares purchased in the market at a cost of \$150.0 million.

Our ability to continue to access the capital markets in a timely manner depends on a number of factors, including our Moody's and Standard & Poor's credit ratings of A3/Stable and A-/Stable, respectively, the condition of the global economy, investors' willingness to purchase our securities, interest rates, credit spreads and the valuation levels of equity markets. If we are unable to access capital markets in a timely manner, our business could be adversely impacted.

Certain of our subsidiaries are required to maintain minimum levels of capital. These and other similar provisions of applicable law may have the effect of limiting withdrawals of capital, repayment of intercompany loans and payment of dividends by such entities. A sub-group of Invesco subsidiaries, including all of our regulated EU subsidiaries, is subject to consolidated capital requirements under applicable European Union (EU) directives, and capital is maintained within this sub-group to satisfy these regulations. These requirements mandate the retention of liquid resources in those jurisdictions, which we meet in part by holding cash and cash equivalents. This retained cash can be used for general business purposes in the European sub-group or in the countries where it is located. Due to the capital restrictions, the ability to transfer cash between certain jurisdictions may be limited. In addition, transfers of cash between international jurisdictions may have adverse tax consequences that may substantially limit such activity. At June 30, 2012, the European sub-group had cash and cash equivalent balances of \$445.7 million (December 31, 2011: \$440.0 million), much of which is used to satisfy these regulatory requirements. We are in compliance with all regulatory minimum net capital requirements. In addition, the company is required to hold cash deposits with clearing organizations or to otherwise segregate cash to maintain compliance with federal and other regulations in connection with its UIT broker dealer entity, which was included in the acquired business. At June 30, 2012 these cash deposits totaled \$11.3 million.

The consolidation of \$5.6 billion and \$5.1 billion of total assets and long-term debt of certain CLO products as of June 30, 2012, respectively, did not impact the company's liquidity and capital resources. The collateral assets of the CLOs are held solely to satisfy the obligations of the CLOs. The company has no right to the benefits from, nor does it bear the risks associated with, the collateral assets held by the CLOs, beyond the company's minimal direct investments in, and management fees generated from, these products, which are eliminated upon consolidation. If the company were to liquidate, the collateral assets would not be available to the general creditors of the company, and as a result, the company does not consider them to be company assets. Conversely, if the CLOs were to liquidate, their investors would have no recourse to the general credit of the company. The company therefore does not consider this debt to be an obligation of the company. See Part I, Item 1, "Financial Statements — Note 11, "Consolidated Investment Products," for additional details.



Table of Contents

Selected balance sheet information is reflected in the table below:

|                                       | Excluding Consolidated Investment Products (CIP)(Non-GAAP) <sup>(1)</sup> |                   |               | Including Consolidated Investment Products (CIP)(U.S. GAAP) |                   |               |   |
|---------------------------------------|---|-------------------|---------------|---|-------------------|---------------|---|
|                                       | June 30, 2012   | December 31, 2011 | June 30, 2011 | June 30, 2012   | December 31, 2011 | June 30, 2011 |   |
| \$ in millions                        |   |                   |               |   |                   |               |   |
| Cash and cash equivalents             | 718.4   | 727.4             | 621.5         | 718.4   | 727.4             | 621.5         |   |
| Investments of CIP                    | —   | —                 | —             | 6,050.9   | 6,629.0           | 7,349.7       |   |
| Total assets <sup>(1)</sup>           | 12,164.4  | 12,329.2          | 12,903.5      | 18,612.9  | 19,347.0          | 20,915.6      |   |
| Current maturities of total debt      | 333.5   | 215.1             | 215.1         | 333.5   | 215.1             | 215.1         |   |
| Long-term debt                        | 1,008.1   | 1,069.6           | 1,368.6       | 1,008.1   | 1,069.6           | 1,368.6       |   |
| Long-term debt of CIP                 | —   | —                 | —             | 5,069.7   | 5,512.9           | 6,292.7       |   |
| Total debt / Total debt plus CIP debt | 1,341.6   | 1,284.7           | 1,583.7       | 6,411.3   | 6,797.6           | 7,876.4       |   |
| Total liabilities <sup>(1)</sup>      | 4,245.9   | 4,541.0           | 5,051.2       | 9,494.1   | 10,209.4          | 11,717.8      |   |
| Total equity <sup>(1)</sup>           | 7,918.5   | 7,788.2           | 7,852.3       | 9,118.8   | 9,137.6           | 9,197.8       |   |
| Debt/Equity % <sup>(1) (2)</sup>      | 16.9  | % 16.5            | % 20.2        | % 70.3  | % 74.4            | % 85.6        | % |

The balance sheet line items excluding consolidated investment products are non-GAAP financial measures. See (1) the "Balance Sheet Discussion" section for a fully expanded balance sheet before and after the consolidation of investment products.

The debt-to-equity ratio excluding CIP is a non-GAAP financial measure. The debt-to-equity ratio is calculated as total debt divided by total equity for the balance sheet excluding CIP and total debt plus long-term debt of CIP divided by equity for the balance sheet including CIP. Management believes that it is important to illustrate for (2) users of our financial statements that calculating a balance sheet measure, such as the debt-to-equity ratio, including the impact of CIP causes the company to appear far more indebted than is the case. As disclosed above, the debt of CIP is not the company's debt, nor do the noteholders of the CIP debt have any recourse to the company.

#### Cash Flows Discussion

The ability to consistently generate cash from operations in excess of capital expenditures and dividend payments is one of our company's fundamental financial strengths. Operations continue to be financed from current earnings and borrowings. Our principal uses of cash, other than for operating expenses, include dividend payments, capital expenditures, acquisitions, purchase of our shares in the open market and investments in certain new investment products.

Cash flows of consolidated investment products (discussed in Part I, Item 1, Financial Statements — Note 11, "Consolidated Investment Products") (CIPs) are reflected in Invesco's cash used in operating activities, provided by investing activities and provided by financing activities. Cash held by consolidated investment products is not available for general use by Invesco, nor is Invesco cash available for general use by its consolidated investment products. Accordingly, the table below presents the cash flows of the company separately and before consolidation of investment products, as the cash flows of consolidated investment products do not form part of the company's cash flow management processes, nor do they form part of the company's significant liquidity evaluations and decisions for the reasons noted. The discussion that follows the table will focus on the company's cash flows as presented in the "Before Consolidation" column of the table.



Table of Contents

## Condensed Consolidating Statements of Cash Flows

Six Months Ended June 30, 2012

| \$ in millions  | Six Months Ended June 30, 2012 |  |            |
|---|--------------------------------|--|------------|
|   | Before Consolidation           | Impact of Consolidated Investment Products | Total      |
| <b>Operating activities</b>   |                                |  |            |
| Net income  | 349.8                          | (47.4                                      | ) 302.4    |
| Adjustments to reconcile net income to net cash (used in)/provided by operating activities: |                                |  |            |
| Amortization and depreciation   | 50.9                           | —  | 50.9       |
| Share-based compensation expense  | 67.0                           | —  | 67.0       |
| Gains on disposals of property, equipment, and software, net                                | (0.5                           | ) —  | (0.5       |
| Purchase of trading investments   | (5,210.0                       | ) —  | (5,210.0   |
| Proceeds from sale of trading investments   | 5,200.8                        | —  | 5,200.8    |
| Other gains and losses, net   | (10.9                          | ) —  | (10.9      |
| Losses/(gains) of consolidated investment products, net                                     | —                              | 44.7                                       | 44.7       |
| Tax benefit from share-based compensation   | 42.3                           | —  | 42.3       |
| Excess tax benefits from share-based compensation   | (12.0                          | ) —  | (12.0      |
| Equity in earnings of unconsolidated affiliates   | (16.0                          | ) (0.6                                     | ) (16.6    |
| Dividends from unconsolidated affiliates  | 13.1                           | —  | 13.1       |
| Changes in operating assets and liabilities   |                                |  |            |
| Decrease/(increase) in cash held by CIP   | —                              | (45.9                                      | ) (45.9    |
| Decrease/(increase) in receivables  | 238.9                          | 24.2                                       | 263.1      |
| (Decrease)/increase in payables   | (431.5                         | ) (9.7                                     | ) (441.2   |
| Net cash provided by/(used in) operating activities   | 281.9                          | (34.7                                      | ) 247.2    |
| <b>Investing activities</b>   |                                |  |            |
| Purchase of property and equipment  | (37.2                          | ) —  | (37.2      |
| Disposal of property and equipment  | 0.6                            | —  | 0.6        |
| Purchase of available-for-sale investments  | (73.5                          | ) 6.0                                      | (67.5      |
| Proceeds from available-for-sale investments  | 26.1                           | (2.3                                       | ) 23.8     |
| Purchase of investments by CIP  | —                              | (1,584.6                                   | ) (1,584.6 |
| Proceeds from sale of investments by CIP  | —                              | 1,537.0                                    | 1,537.0    |
| Returns of capital in investments of CIP  | —                              | (44.9                                      | ) (44.9    |
| Purchase of other investments   | (63.7                          | ) 0.3                                      | (63.4      |
| Proceeds from sale of other investments   | 46.2                           | —  | 46.2       |
| Returns of capital and distributions from equity method investments                         | 15.1                           | (6.4                                       | ) 8.7      |
| Acquisition earn-out payments   | (5.6                           | ) —  | (5.6       |
| Net cash provided by/(used in) investing activities   | (92.0                          | ) (94.9                                    | ) (186.9   |
| <b>Financing activities</b>   |                                |  |            |
| Proceeds from exercises of share options  | 12.1                           | —  | 12.1       |
| Purchases of treasury shares  | (150.0                         | ) —  | (150.0     |
| Dividends paid  | (133.7                         | ) —  | (133.7     |
| Excess tax benefits from share-based compensation   | 12.0                           | —  | 12.0       |
| Capital invested into CIP   | —                              | 19.4                                       | 19.4       |
| Capital distributed by CIP  | —                              | (35.5                                      | ) (35.5    |

Edgar Filing: Invesco Ltd. - Form 10-Q

|  |        |         |          |
|--|--------|---------|----------|
| Net borrowings/(repayments) of debt of CIP             | —      | 145.7   | 145.7    |
| Net borrowings/(repayments) under credit facility      | 272.0  | —       | 272.0    |
| Repayments of senior notes                             | (215.1 | ) —     | (215.1 ) |
| Net cash (used in)/provided by financing activities    | (202.7 | ) 129.6 | (73.1 )  |
| (Decrease)/increase in cash and cash equivalents       | (12.8  | ) —     | (12.8 )  |
| Foreign exchange movement on cash and cash equivalents | 3.8    | —       | 3.8      |
| Cash and cash equivalents, beginning of period         | 727.4  | —       | 727.4    |
| Cash and cash equivalents, end of period               | 718.4  | —       | 718.4    |

80

---

Table of Contents

## Condensed Consolidating Statements of Cash Flows (continued)

Six Months Ended June 30, 2011

| \$ in millions  | Six Months Ended June 30, 2011 |  |            |
|---|--------------------------------|--|------------|
|   | Before Consolidation           | Impact of Consolidated Investment Products | Total      |
| <b>Operating activities</b>   |                                |  |            |
| Net income  | 345.6                          | (116.9                                     | ) 228.7    |
| Adjustments to reconcile net income to net cash (used in)/provided by operating activities: |                                |  |            |
| Amortization and depreciation   | 60.0                           | —  | 60.0       |
| Share-based compensation expense  | 56.8                           | —  | 56.8       |
| Gains on disposals of property, equipment, and software, net                                | —                              | —  | —          |
| Purchase of trading investments   | (5,556.8                       | ) —  | (5,556.8   |
| Proceeds from sale of trading investments   | 5,516.5                        | —  | 5,516.5    |
| Other gains and losses, net   | (13.9                          | ) —  | (13.9      |
| Losses/(gains) of consolidated investment products, net                                     | —                              | 150.2                                      | 150.2      |
| Tax benefit from share-based compensation   | 72.2                           | —  | 72.2       |
| Excess tax benefits from share-based compensation   | (15.1                          | ) —  | (15.1      |
| Equity in earnings of unconsolidated affiliates   | (18.4                          | ) 0.9                                      | (17.5      |
| Dividends from unconsolidated affiliates  | 3.0                            | —  | 3.0        |
| Changes in operating assets and liabilities   | —                              | —  | —          |
| Decrease/(increase) in cash held by CIP   | —                              | 31.5                                       | 31.5       |
| Decrease/(increase) in receivables  | (244.8                         | ) (15.6                                    | ) (260.4   |
| (Decrease)/increase in payables   | (110.6                         | ) 1.4                                      | (109.2     |
| Net cash provided by/(used in) operating activities   | 94.5                           | 51.5                                       | 146.0      |
| <b>Investing activities</b>   |                                |  |            |
| Purchase of property and equipment  | (40.7                          | ) —  | (40.7      |
| Disposal of property and equipment  | —                              | —  | —          |
| Purchase of available-for-sale investments  | (28.0                          | ) —  | (28.0      |
| Proceeds from available-for-sale investments  | 38.3                           | (1.7                                       | ) 36.6     |
| Purchase of investments by CIP  | —                              | (2,075.3                                   | ) (2,075.3 |
| Proceeds from sale of investments by CIP  | —                              | 2,300.9                                    | 2,300.9    |
| Returns of capital in investments of CIP  | —                              | 75.5                                       | 75.5       |
| Purchase of other investments   | (62.1                          | ) 0.7                                      | (61.4      |
| Proceeds from sale of other investments   | 23.7                           | —  | 23.7       |
| Returns of capital and distributions from equity method investments                         | 21.8                           | (2.9                                       | ) 18.9     |
| Acquisitions of businesses  | (14.9                          | ) —  | (14.9      |
| Acquisition earn-out payments   | (5.4                           | ) —  | (5.4       |
| Net cash provided by/(used in) investing activities   | (67.3                          | ) 297.2                                    | 229.9      |
| <b>Financing activities</b>   |                                |  |            |
| Proceeds from exercises of share options  | 9.9                            | —  | 9.9        |
| Purchases of treasury shares  | (333.0                         | ) —  | (333.0     |
| Dividends paid  | (108.5                         | ) —  | (108.5     |
| Excess tax benefits from share-based compensation   | 15.1                           | —  | 15.1       |
| Capital invested into CIP   | —                              | 32.5                                       | 32.5       |

Edgar Filing: Invesco Ltd. - Form 10-Q

|  |        |          |          |   |
|--|--------|----------|----------|---|
| Capital distributed by CIP                             | —      | (134.9   | ) (134.9 | ) |
| Net borrowings/(repayments) of debt of CIP             | —      | (246.3   | ) (246.3 | ) |
| Net borrowings/(repayments) under credit facility      | 268.0  | —        | 268.0    |   |
| Repayments of senior notes                             | —      | —        | —        |   |
| Acquisition of noncontrolling interest in CIP          | (12.3  | ) —      | (12.3    | ) |
| Net cash (used in)/provided by financing activities    | (160.8 | ) (348.7 | ) (509.5 | ) |
| (Decrease)/increase in cash and cash equivalents       | (133.6 | ) —      | (133.6   | ) |
| Foreign exchange movement on cash and cash equivalents | 14.6   | —        | 14.6     |   |
| Cash and cash equivalents, beginning of period         | 740.5  | —        | 740.5    |   |
| Cash and cash equivalents, end of period               | 621.5  | —        | 621.5    |   |

81

---

Table of Contents

## Operating Activities

During the six months ended June 30, 2012, cash provided by operating activities increased \$101.2 million to \$247.2 million from cash provided by operating activities of \$146.0 million during the six months ended June 30, 2011. As shown in the table above, consolidated investment products utilized \$34.7 million of cash during the six months ended June 30, 2012 compared to \$51.5 million of cash generated in the six months ended June 30, 2011. The sum of the operating, investing and financing cash flows of consolidated investment products offsets to a zero impact to the company's change in cash and cash equivalent balances from period to period. Excluding the impact of consolidated investment products, cash provided by operations was \$281.9 million in the six months ended June 30, 2012 compared to cash provided by operations of \$94.5 million in the six months ended June 30, 2011.

The \$281.9 million of cash provided by operations during the six months ended June 30, 2012 included:

net purchases of trading investments of \$9.2 million. Trading investments are held to provide an economic hedge against staff deferred compensation plan awards together with investments held for a short period, often only a few days, for the purpose of creating a UIT.

net cash provided by other operating activities of \$291.1 million, representing net income, as adjusted for non-cash items, and the changes in operating assets and liabilities. This six month period included the use of \$364.1 million of cash to pay the annual staff bonuses, related payroll taxes, payroll taxes on annual share award vesting, and annual pension contributions.

The \$94.5 million of cash provided by operations during the six months ended June 30, 2011, included:

net purchases of trading investments of \$40.3 million, primarily to provide an economic hedge against staff deferred compensation plan awards, and

net cash provided by other operating activities of \$134.8 million, representing net income as adjusted for non-cash items and the changes in operating assets and liabilities. This six month period included the use of \$352.4 million of cash to pay the annual staff bonuses, related payroll taxes, payroll taxes on then annual share award vesting, and annual pension contributions, all of which result in increased operating cash utilization in the first half of the calendar year.

Increased realization of accounts receivables into cash of \$65.7 million this quarter when compared to a year ago and the receipt of the \$45.0 million this period related to the legal settlement accrued in 2011 greatly contributed to the increase of \$187.4 million of cash provided by operations in the six months ended June 30, 2012 from the six months ended June 30, 2011. In addition, there was a \$4.2 million increase in net income this quarter compared to a year ago and \$31.1 million less cash used in net purchases of trading investments. These increases were slightly offset by a decrease in other adjustments to reconcile net income to net cash of \$10.7 million for a total improvement of \$24.6 million in cash used in operating activities after changes in operating assets and liabilities in the six months ended June 30, 2012 from the six months ended June 30, 2011.

## Investing Activities

Net cash used in investing activities totaled \$186.9 million for the six months ended June 30, 2012 (six months ended June 30, 2011: net cash provided of \$229.9 million). As shown in the table above, consolidated investment products, including investment purchases, sales and returns of capital, used \$94.9 million of cash (six months ended June 30, 2011: \$297.2 million contributed). Excluding the impact of these consolidated investment product cash flows, net cash used in investing activities was \$92.0 million (six months ended June 30, 2011: net cash used of \$67.3 million).

During the six months ended June 30, 2012 the company purchased available-for-sale investments and other investments of \$137.2 million (six months ended June 30, 2011: \$90.1 million) and had capital expenditures of \$37.2 million (six months ended June 30, 2011: \$40.7 million). These cash outflows were partly offset from collected proceeds of \$87.4 million from sales and returns of capital of investments in the six months ended June 30, 2012 (six months ended June 30, 2011: \$83.8 million).

Our capital expenditures related principally in each year to technology initiatives, including enhancements to platforms from which we maintain our portfolio management systems and fund accounting systems, improvements in computer hardware and software desktop products for employees, new telecommunications products to enhance our internal information flow, and back-up disaster recovery systems. Also, in each year, a portion of these costs related to leasehold improvements made to the various buildings and workspaces used in our offices. These projects have been

funded with proceeds from our operating cash flows.

During the six months ended June 30, 2012, net acquisition payments were \$5.6 million, compared to \$20.3 million during the six months ended June 30, 2011.

Table of Contents

## Financing Activities

Net cash used in financing activities totaled \$73.1 million for the six months ended June 30, 2012 (six months ended June 30, 2011: \$509.5 million net cash used). As shown in the table above, the financing activities of the consolidated investment products provided cash of \$129.6 million (six months ended June 30, 2011: \$348.7 million used).

Excluding the impact of consolidated investment products, financing activities used cash of \$202.7 million in the six months ended June 30, 2012 (six months ended June 30, 2011: \$160.8 million net cash used).

Other financing cash flows during the six months ended June 30, 2012 included a \$215.1 million payment of a senior note (six months ended June 30, 2011: none), \$272.0 million net borrowings from the credit facility (six months ended June 30, 2011: \$268.0 million), \$133.7 million of dividend payments for the dividends declared in January and April (six months ended June 30, 2011: dividends paid of \$108.5 million), the purchase of treasury shares through market transactions totaling \$150.0 million (six months ended June 30, 2011: \$333.0 million), cash inflows from the exercise of options of \$12.1 million (six months ended June 30, 2011: \$9.9 million) and excess tax benefits cash inflows from share-based compensation of \$12.0 million (six months ended June 30, 2011: \$15.1 million).

## Dividends

Invesco declares and pays dividends on a quarterly basis in arrears. On April 26, 2012, the company's Board of Directors declared a first quarter 2012 cash dividend of 17.25 cents per share, which was paid on June 8, 2012 to shareholders of record at the close of business on May 18, 2012. On July 26, 2012, the company announced a second quarter 2012 cash dividend of 17.25 cents per share, which is payable on September 7, 2012 to shareholders of record at the close of business on August 22, 2012.

## Share Repurchase Plan

During the three and six months ended June 30, 2012, the company repurchased 3.2 million and 6.3 million common shares, respectively, in the market at a cost of \$75.0 million and \$150.0 million, respectively (three and six months ended June 30, 2011: 11.3 million and 13.4 million shares were repurchased at a cost of \$279.9 million and \$333.0 million, respectively), leaving approximately \$582 million authorized at June 30, 2012 (June 30, 2011: \$835.4 million). Separately, an aggregate of 1.7 million shares were withheld on vesting events during the six months ended June 30, 2012, to meet employees' tax obligations (six months ended June 30, 2011: 2.7 million). The fair value of these shares withheld at the respective withholding dates was \$42.6 million (six months ended June 30, 2011: \$70.8 million).

## Debt

Our total indebtedness at June 30, 2012 was \$1,341.6 million (December 31, 2011 is \$1,284.7 million) and was comprised of the following:

| \$ in millions                                      | June 30, 2012 | December 31,<br>2011 |
|---|---------------|----------------------|
| Unsecured Senior Notes:                             |               |                      |
| 5.625% — due April 17, 2012                         | —             | 215.1                |
| 5.375% — due February 27, 2013                      | 333.5         | 333.5                |
| 5.375% — due December 15, 2014                      | 197.1         | 197.1                |
| Floating rate credit facility expiring June 3, 2016 | 811.0         | 539.0                |
| Total debt  | 1,341.6       | 1,284.7              |
| Less: current maturities of total debt              | (333.5        | ) (215.1 )           |
| Long-term debt                                      | 1,008.1       | 1,069.6              |

For the six months ended June 30, 2012 the company's weighted average cost of debt was 3.29% (six months ended June 30, 2011: 3.47%). Total debt increased from \$1,284.7 million at December 31, 2011, to \$1,341.6 million at June 30, 2012, due to borrowings under our credit facility.

Financial covenants under the credit agreement include: (i) the quarterly maintenance of a debt/EBITDA ratio, as defined in the credit agreement, of not greater than 3.25:1.00 through June 30, 2014, and not greater than 3.00:1.00 thereafter, (ii) a coverage ratio (EBITDA, as defined in the credit agreement, divided by interest payable for the four consecutive fiscal quarters ended before the date of determination) of not less than 4.00:1.00. As of June 30, 2012, we were in compliance with our financial covenants. At June 30, 2012 our leverage ratio was 1.08:1.00 (December 31, 2011: 1.01:1.00), and our interest coverage ratio was 22.61:1.00 (December 31, 2011: 20.93:1.00).

Table of Contents

The June 30, 2012 coverage ratio calculations are as follows:

| \$ millions  | Total     | Q2 2012 | Q1 2012 | Q4 2011 | Q3 2011 |
|--|-----------|---------|---------|---------|---------|
| Net income attributable to common shareholders                     | 717.0     | 153.9   | 193.9   | 202.3   | 166.9   |
| Net (income)/loss attributable to consolidated investment products | (3.4 )    | 6.2     | (4.2 )  | (1.9 )  | (3.5 )  |
| Tax expense  | 271.0     | 62.3    | 73.6    | 76.0    | 59.1    |
| Amortization/depreciation  | 108.3     | 26.6    | 24.3    | 22.1    | 35.3    |
| Interest expense   | 56.6      | 13.4    | 13.6    | 14.3    | 15.3    |
| Share-based compensation expense                                   | 125.3     | 37.0    | 30.0    | 29.1    | 29.2    |
| Unrealized (gains) and losses from investments, net*               | 5.0       | 4.5     | (7.1 )  | (3.8 )  | 11.4    |
| EBITDA**   | 1,279.8   | 303.9   | 324.1   | 338.1   | 313.7   |
| Adjusted debt**  | \$1,385.8 |         |         |         |         |
| Leverage ratio (Debt/EBITDA — maximum 3.25:1.00)                   | 1.08      |         |         |         |         |
| Interest coverage (EBITDA/Interest Expense — minimum 4.00:1.00)    | 22.61     |         |         |         |         |

Adjustments for unrealized gains and losses from investments, as defined in our credit facility, include non-cash \*gains and losses on investments to the extent that they do not represent anticipated future cash receipts or expenditures.

EBITDA and Adjusted debt are non-GAAP financial measures; however management does not use these measures for anything other than these debt covenant calculations. The calculation of EBITDA above (a reconciliation from \*\*net income attributable to common shareholders) is defined by our credit agreement, and therefore net income attributable to common shareholders is the most appropriate GAAP measure from which to reconcile to EBITDA.

The calculation of adjusted debt is defined in our credit facility and equals total long-term debt of \$1,341.6 million plus \$44.2 million in letters of credit.

**Off Balance Sheet Commitments**

See Part I, Item 1, Financial Statements - Note 10, “Commitments and Contingencies - Off Balance Sheet Commitments,” for more information regarding undrawn capital commitments and support agreements.

**Contractual Obligations**

We have future obligations under various contracts relating to debt and interest payments, financing and operating leases, long-term defined benefit pension and post-retirement medical plans, and acquisition contracts. During the six months ended June 30, 2012, there were no significant changes to these obligations reported in our Annual Report on Form 10-K for the year ended December 31, 2011.

**Critical Accounting Policies and Estimates**

There have been no significant changes to the accounting policies that we believe are the most critical to an understanding of our results of operations and financial condition, which are disclosed in our most recent Form 10-K for the year ended December 31, 2011.

**Recent Accounting Standards**

See Part I, Item 1, “Financial Statements — Note 1, Accounting Policies — Accounting Pronouncements Recently Adopted and Pending Accounting Pronouncements.”

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

In the normal course of its business, the company is primarily exposed to market risk in the form of securities market risk, interest rate risk, and foreign exchange rate risk.

**AUM Market Price Risk**

The company’s investment management revenues are comprised of fees based on a percentage of the value of AUM. Declines in equity or fixed income security market prices could cause revenues to decline because of lower investment

management fees by:

Causing the value of AUM to decrease,

84

---

## Table of Contents

Causing the returns realized on AUM to decrease (impacting performance fees).

Causing clients to withdraw funds in favor of investments in markets that they perceive to offer greater opportunity and that the company does not serve,

Causing clients to rebalance assets away from investments that the company manages into investments that the company does not manage, and/or

Causing clients to reallocate assets away from products that earn higher revenues into products that earn lower revenues.

Underperformance of client accounts relative to competing products could exacerbate these factors.

### Securities Market Risk

The company has investments in sponsored investment products that invest in a variety of asset classes. Investments are generally made to establish a track record or to hedge exposure to certain deferred compensation plans. The company's exposure to market risk arises from its investments. A 20% increase or decrease in the fair value of investments exposed to market risk is not material to the operating results of the company.

### Interest Rate Risk

Interest rate risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to interest rate risk primarily through its external debt and cash and cash equivalent investments. On June 30, 2012, the interest rates on 40% of the company's borrowings were fixed for a weighted average period of 1.3 years. Borrowings under the credit facility, which represent 60% of the company's borrowings, have floating interest rates. A 1% change in the level of interest rates on current debt levels would change annualized interest expense by \$8.1 million but would not have a material impact on the ability of the company to continue to service its indebtedness.

### Foreign Exchange Rate Risk

The company has transactional currency exposures that occur when any of the company's subsidiaries receives or pays cash in a currency different from its functional currency. Such exposure arises from sales or purchases by operating subsidiaries in currencies other than the subsidiaries' functional currencies. These exposures are not actively managed. The company also has certain investments in foreign operations, whose net assets and results of operations are exposed to foreign currency translation risk when translated into U.S. dollars upon consolidation into Invesco Ltd. The company generally does not hedge these exposures; however, in the three months ended June 30, 2012, the company purchased four put option contracts to hedge economically foreign currency risk on the translation of its pound sterling-denominated earnings into U.S. dollars. The economic hedge is predominantly triggered upon the impact of a significant decline in the pound sterling/U.S. dollar foreign exchange rate, which could arise from a Greek Euro exit or other major European economic events. See Note 2, "Fair Value of Assets and Liabilities," for additional details. The company is exposed to foreign exchange revaluation into the income statement on monetary assets and liabilities that are held by subsidiaries in different functional currencies than the subsidiaries' functional currencies. Net foreign exchange revaluation losses were \$1.4 million for six months ended June 30, 2012 and are included in general and administrative and other gains and losses, net on the Condensed Consolidated Statements of Income. There were no material net foreign exchange revaluation gains or losses for the comparable prior year period. We continue to monitor our exposure to foreign exchange revaluation.

## Item 4. Controls and Procedures

Our management is responsible for establishing and maintaining disclosure controls and procedures that are designed to ensure that information the company is required to disclose in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in the reports that the company files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

We have evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of June 30, 2012. There are inherent limitations to the effectiveness of any

system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and chief financial officer concluded

85

---

Table of Contents

that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

We have evaluated any change in our internal control over financial reporting that occurred during the six months ended June 30, 2012 and have concluded that there was no change that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

See Part I, Item 1, Note 10, "Commitments and Contingencies," for information regarding legal proceedings.

## Item 1A. Risk Factors

The company has had no significant changes in its risk factors from those previously disclosed in its Annual Report on Form 10-K for the year ended December 31, 2011.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

## Repurchases of Equity Securities

The following table sets forth information regarding purchases of our common shares by us and any affiliated purchases during the three months ended June 30, 2012:

| Month            | Total Number of Shares Purchased <sup>(1)</sup> | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup> | Maximum Number at end of period (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup> (billions) |
|------------------|---|------------------------------|---|---|
| April 1-30, 2012 | 108,310   | 26.35                        | —   | \$0.7   |
| May 1-31, 2012   | 3,210,220                                       | 23.38                        | 3,208,792   | \$0.6   |
| June 1-30, 2012  | 122,546   | 21.65                        | —   | \$0.6   |
| Total            | 3,441,076                                       |                              | 3,208,792   |   |

(1) An aggregate of 232,284 shares were surrendered to us by Invesco employees to satisfy tax withholding obligations or loan repayments in connection with the vesting of equity awards.

(2) On April 23, 2008, our board of directors authorized a share repurchase authorization of up to \$1.5 billion of our common shares with no stated expiration date.

## Item 4. Mine Safety Disclosures

Not applicable.

## Item 5. Other Information

Not applicable.



Table of Contents

Item 6. Exhibits

Exhibit Index

- 3.1 Memorandum of Association of Invesco Ltd., incorporating amendments up to and including December 4, 2007, incorporated by reference to exhibit 3.1 to Invesco's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 12, 2007
- 3.2 Amended and Restated Bye-Laws of Invesco Ltd., incorporating amendments up to and including December 4, 2007, incorporated by reference to exhibit 3.2 to Invesco's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 12, 2007
- 31.1 Certification of Martin L. Flanagan pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Loren M. Starr pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Martin L. Flanagan pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Loren M. Starr pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS XBRL Instance Document
- 101.SCH XBRL Schema Document
- 101.CAL XBRL Calculation Linkbase Document
- 101.LAB XBRL Labels Linkbase Document
- 101.PRE XBRL Presentation Linkbase Document
- 101.DEF XBRL Definition Linkbase Document

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 1, 2012  
INVESCO LTD.  
/s/ MARTIN L. FLANAGAN  
Martin L. Flanagan  
President and Chief Executive Officer

August 1, 2012  
/s/ LOREN M. STARR  
Loren M. Starr  
Senior Managing Director and Chief Financial Officer