

Halma p.l.c. Interim Results 2006/07

Summary of analysts' presentation by:
Andrew Williams, Group Chief Executive
Kevin Thompson, Group Finance Director

5 December 2006

“This half year Halma built on the organic growth momentum re-established last year”

Andrew Williams, Group Chief Executive, began by highlighting the major elements of Halma's strong first-half performance.

We have had a good half year achieving revenue growth on continuing operations of 19%, profit growth on continuing operations¹ of 17% and underlying organic growth² in revenue and profit of 11% and 8% respectively.

Encouragingly, revenues and profits increased in all of our three reporting sectors and across all regions of the world.

The highlights of the first half year are as follows:-

- Infrastructure Sensors increased profits and revenues significantly.
- We made two acquisitions and, following the half year end, we acquired Tritech. Our activity levels in searching for new acquisitions are on the rise.
- We are experiencing some 'headwind' factors but, broadly speaking, we are seeing sufficient market opportunities and our businesses are taking advantage of them.
- We have delivered another half year of strong cashflow and I am pleased to confirm that there will be an increase in our interim dividend of 5%.

Kevin Thompson, Group Finance Director, summarised the main elements of the Group's 2006/07 half year results.

This is our third consecutive half year of strong organic growth.

Revenue from continuing operations is up 19% to £167.5 million (2005/06: £140.4 million). Profit before tax on continuing operations¹ grew by 17% to £30.6 million (2005/06: £26.2 million). The table below shows revenue and profit before tax¹ reconciling through to organic growth figures.

HALMA Organic Growth						
£m	Revenue			Profit *		
	2006/7	2005/6	% change	2006/7	2005/6	% change
Continuing	167.5	140.4	19%	30.6	26.2	17%
Acquisitions	(11.6)	—	—	(2.2)	—	—
Organic	155.9	140.4	11%	28.4	26.2	8%

* Before amortisation of acquired intangibles

momentum sustained

Interim Results 2006/7

The adjustment in relation to acquisitions is based on their performance at the time of acquisition and predominantly relates to Texecom, the security sector business we acquired in November 2005. The net result is organic revenue growth² of 11% and organic profit growth² of 8%, sustaining the momentum started last year.

The growth we achieved was not at the expense of our strong financial ratios.

HALMA
Strong returns and cash

- ROCE 59.0% (05/06: 50.6%)
- ROTIC 13.3% (05/06: 12.5%)
- Good cashflow
- 5% dividend increase

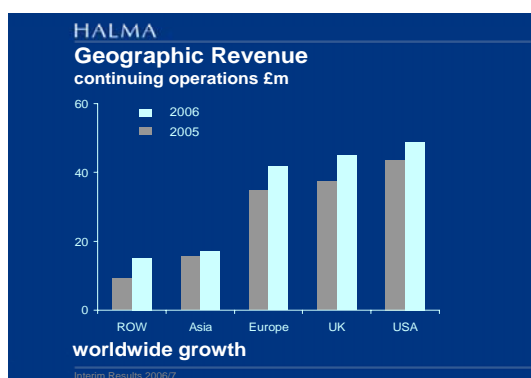
financial capacity

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Return on Capital Employed (ROCE)³ increased to 59% demonstrating the excellent management of assets by our operating companies. Return on Total Invested Capital (ROTIC)⁴ grew to 13.3%, well ahead of our cost of capital. Cash flow was good and in line with our expectations. We ended the half year with modest net debt of £2 million.

Our progressive dividend policy continues with an increase of 5% in the Interim dividend. Our dividend cover is building towards our target of two times.

The chart below shows revenue by destination including the revenue of businesses acquired. There was organic revenue growth in all regions.



The addition of Texecom boosted sales in South Africa (Rest of World) and the UK in particular. Our Door Sensor businesses made good progress in China and Europe, and Health & Analysis grew strongly, particularly in the USA. It is encouraging to see the widespread growth.

We would normally expect the rate of organic profit growth to at least match the rate of organic revenue growth. In the half year we achieved 8% organic profit growth on 11% organic revenue growth.

Return on sales⁵ in our three operating sectors remains firmly in our 17-20% target range. At Group level the return on sales is strong at 18.3%, a little below the 18.7% achieved by our continuing operations in the previous half year. The main factors causing this change are discussed below.

HALMA
Profit Factors

- Share based payments
- China
- HEDP
- Currency
- H1 : H2 split
- Tritech

investment and headwind

Interim Results 2006/7

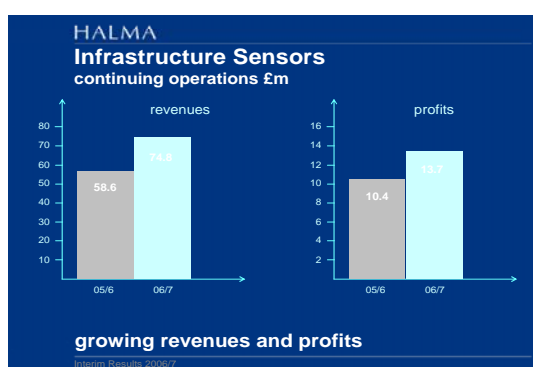
The amount charged against profit in relation to our recently introduced share based incentive plans is increasing each year as we build towards a regular run rate. Our extra investment in the newly established Chinese Halma hubs and our investment in the Halma Executive Development Programme impacted on the half year profit and will also add cost in the second half – these are valuable investments for the future. In the half year these factors added approximately £0.7 million to central costs.

Currency translation had a small adverse impact on the half year figures but we expect it to be more significant in the second half. The US\$ is the overseas currency most important to Group results and with its considerable movement relative to Sterling in recent months we anticipate that full year revenue and profit could be approximately 2% lower than would have been if last year's exchange rates had prevailed.

We acquired Tritech in November 2006 and at its current run rate should add £2 million to revenue and £400k to profit in the second half, taking into account the cost of financing the acquisition.

In summary, our underlying momentum is encouraging and there were some investment and headwind factors which we expect to impact on the results in the second half of the year.

Andrew Williams then reviewed the Group's operating performance and strategic progress.

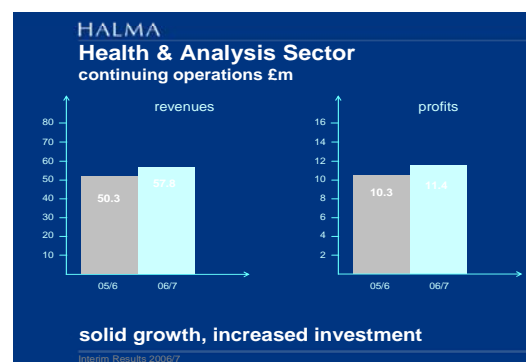


In **Infrastructure Sensors**, our profits grew by 32% and revenues by 28%, underpinned by organic growth of 13% and 11% respectively. This return to profitable sales growth signals the start of a payback from the increasing investment that commenced last year.

Our Automatic Door Sensor business, BEA, performed very well. Firstly, they launched a new product specifically for swinging doors or revolving doors named 4Safe. In some markets, for example Germany, we believe 4Safe is the only product which complies with the local regulation and legislation. Other new products launched into the Chinese market are growing more modestly but are also making a healthy contribution.

We are developing and implementing a new strategy for our Elevator Safety business. We have divided the market into three world regions and selected a 'lead' Halma business for each region. Each is tasked with selling all of the Group's Elevator Safety products and is

responsible for establishing stronger relationships with the major OEMs headquartered in their territory. Product development is focused more closely with Janus responsible for developing Emergency Communications products, Memco for developing Elevator Safety edges and T L Jones, together with E-Motive Display, for developing Elevator Display products. This is a much more coherent strategy which, importantly, fits more closely with the way our customers want to do business with us.

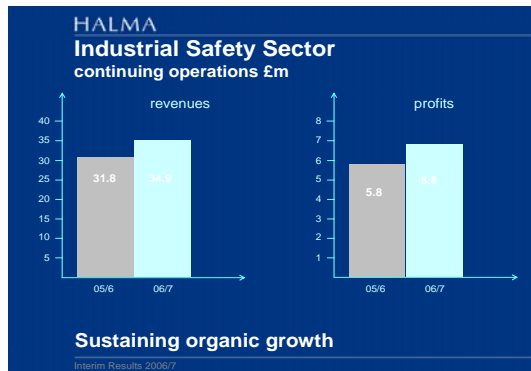


Health and Analysis performed well. Revenues grew by 15%, profit increased by 11%. Profit growth is slightly lower than revenue growth in percentage terms for two reasons. In certain businesses there was some margin erosion due to a delay in new product launches which are now being worked through. In others, the biggest factor was a 'catch-up' in overheads. Over the last two or three years we have seen high profit growth relative to revenue growth. Consequently, in businesses like Fluid Technology, there has been a need to increase resources to sustain the existing level of business and thereafter build the next phase of growth.

Our Photonics business is growing. Ocean Optics is moving rapidly to establish a presence in China through our new Halma hub in Shanghai. Over the next year I expect them to have sufficient resources to be able to set up their own business unit independent of the Halma hub facility.

We made two small acquisitions during the first half. Baldwin make Fluid

Technology products for applications including the conditioning of gas samples. They are being merged with our Perma Pure business. Mikropack make light sources which Ocean Optics sell with their spectrometers. Mikropack have been integrated into Ocean Optics. These two acquisitions bring new technology which strengthens our position in two of our key markets, Fluid Technology and Photonics.



Industrial Safety had a strong half year. Profits grew by 18% on revenue growth of 10%, continuing a record of solid organic growth over the last seven years. In the past this success has been masked by the decline of the other Safety businesses that we sold last year.

Active energy markets have helped us although less than 30% of our sales are made there. Our Interlocking business for example, has been very successful growing their sales internationally and our Bursting Disk business is doing well in the US and benefiting from the increased investment made in manufacturing over the past two years.



In November, we acquired Trittech. Trittech design and manufacture products fitted to Remote Operating Vehicles (ROVs) used in hazardous environments underwater. Their special sensing products are the 'eyes' and 'ears' of ROVs used in a wide range of applications. Over the longer term Trittech's advanced sensor and communications technology may help our Water business develop new products. The markets Trittech sell into have the growth drivers we look for including increased safety regulation and new energy resources development.

Trittech makes strategic sense as we build our Asset Monitoring business. Last year we acquired Radio-Tech who make products for asset monitoring in the water industry and other markets. Over the past year Radio-Tech's sales into Water markets have grown well and they have established close links with our Water businesses. However, Radio-Tech are finding many new opportunities in broader industrial safety applications. For example they monitor temperature on railtracks, pest control devices and transport safety systems. So with Trittech monitoring assets underwater and Radio-Tech doing it above ground, we believe we have a strong technology platform for asset monitoring across a wide range of industrial safety environments.

We plan to add management resources into Trittech in the coming months. This is an exciting acquisition, which is earnings enhancing from day one, and offers us new opportunities for growth.

Strategic Review

China provides an important geographic market opportunity for Halma. Our Elevator and Door Sensor businesses have strong market positions in China and have manufactured products there for over a decade. However, as a Group we have a relatively low level of sales directly into China. The opportunity arises because of the strong match between market needs in China

and the products Halma offers, whether in construction, resources markets (in particular energy and water), health and also personal and public safety.



We have established Halma hubs in Shanghai and Beijing providing support for our businesses in recruitment, market research and local administration. The Shanghai hub was opened officially at the time of our 4th Halma World Sales Conference held in Shanghai in October. Four of our operating companies are based in the Halma hubs with three more currently recruiting. The impact of this investment on our results is not yet significant but we have put the pieces in place for growth in the region over the next couple of years.

We have made good progress against the **Strategic Goals** we set at the beginning of the year.



- We have made three acquisitions; two in Health and Analysis and one in Industrial Safety. We are putting extra effort into our search activity.

- We are achieving widespread organic growth, and Infrastructure Sensors is now delivering profit growth as well as revenue growth.
- New product innovation / development is helping our Automatic Door business grow sales in developed markets like Germany and further afield in China.
- Our Halma Executive Development Programme remains a key part of our people development initiatives with programmes visiting China, India and shortly South America to broaden personal and professional perspectives.
- We are making strides in China and at the full year end we will talk in more detail about the tangible benefits we have seen from the early experiences of our Halma hubs in Shanghai and Beijing.



This half year Halma built on the organic growth momentum re-established last year. I am very pleased with progress during the first half and, taking into account our sales momentum and the factors that are providing a headwind, I remain positive about our prospects for the full year.

¹ Before amortisation of acquired intangible assets of £1.5 million (2005/06: £0.2 million)

² Organic growth measures the change in revenue and profit from continuing operations. The effect of acquisitions made during the current or prior financial period has been equalised by subtracting from the current period results a pro-rated contribution based on their revenue and profit at the date of acquisition

³ Return on capital employed is defined as annualised operating profit¹ from continuing operations expressed as a percentage of operating assets*

⁴ Return on Total Invested Capital is defined as annualised profit for the period from continuing operations before amortisation of acquired intangibles after taxation expressed as a percentage of total shareholders' equity, adding back net retirement benefit obligations, cumulative amortisation of acquired intangibles and historic goodwill*

⁵ Return on sales is defined as profit¹ before taxation from continuing operations expressed as a percentage of revenue from continuing operations.

* see 5 December 2006 Interim announcement for more details

The results for the 26 weeks to 1 October 2005 have been re-presented, as businesses subsequently sold are now shown within discontinued operations.

CAUTIONARY NOTE: The information contained in this summary is believed to be correct at 5 December 2006. This document may include forward-looking statements that are not factual. Such statements involve both known and unknown risks. The actual results of Halma p.l.c. may differ from results that are anticipated or implied by any forward-looking statements. The content of presentations, including forward-looking statements, is not revised after publication.