

Financial Highlights

	Change	2005	2004
Turnover	+2%	£299.1m	£292.6m
Profit before taxation ⁽¹⁾	0%	£50.4m	£50.3m
Earnings per share ⁽²⁾	0%	9.42p	9.44p
Earnings per share – statutory	+31%	7.97p	6.09p
Dividend per share	+5%	6.50p	6.19p
Return on sales ⁽³⁾		16.8%	17.2%
Return on total invested capital ⁽⁴⁾		13.1%	13.7%
Return on capital employed ⁽⁵⁾		62.4%	52.4%

Pro-forma information:

1. Before goodwill amortisation of £5,491,000 (2004: £4,220,000) and exceptional items on disposal of non-core businesses of £nil (2004: £9,149,000).
2. Before goodwill amortisation of 1.45p (2004: 1.07p) and exceptional items of nil (2004: 2.28p) per share.
3. Return on sales is defined as profit⁽¹⁾ before taxation expressed as a percentage of turnover.
4. Return on total invested capital is defined as profit before goodwill amortisation and exceptional items and after taxation of £34,690,000 (2004: £34,557,000) expressed as a percentage of net assets plus goodwill in reserves of £70,931,000 (2004: £70,931,000) and cumulative goodwill amortisation of £18,668,000 (2004: £13,177,000).
5. Return on capital employed is defined as profit⁽¹⁾ before taxation expressed as a percentage of net tangible assets (being equity shareholders' funds less intangible assets).

Highlights of the year

- Pre-tax profits⁽¹⁾ of £50.4m marginally exceed last year's record level (2004 – 53 week period: £50.3m). On a statutory basis, profit before taxation was £44.9 million (2004: £36.9 million).
- Turnover from ongoing operations up 7% at £299.1m (2004: £279.6m), reflecting an increased contribution from the Group's enlarged Optics and Specialist business.
- Healthy margins maintained as Halma consistently delivers strong returns, with return on capital employed⁽⁵⁾ of 62% and return on total invested capital⁽⁴⁾ of 13%.
- Strong cash generation with two high quality acquisitions made and no gearing at year end (net cash £12m).
- Continuation of progressive dividend policy with an increase of 5%.

Business profile

Halma is a strongly cash generative and highly profitable group which develops, makes and markets products that are used to protect lives, or improve the quality of life, for individuals and businesses worldwide.

Our six specialist business groupings are:

Fire and Gas detection

Water leak detection and UV treatment

Elevator and Door Safety

Bursting discs and sequential locking for Process Safety

High power electrical Resistors

Optics and Specialist technology

Value creation strategy

Our over-riding objective is to create shareholder value by:

Building global businesses that sustain a leading position in specialised markets in areas of long-term sales growth

Concentrating on high margin activities where products and services are differentiated on the basis of performance, not price, and where barriers to entry are high

Tightly managing our asset base in order to maintain our outstanding operating ratios and powerful cash generation

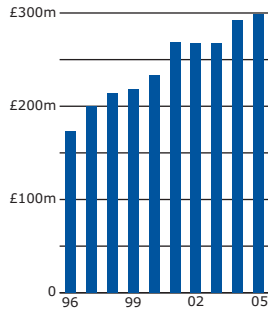
Investing in marketing, new product development and innovation to create high organic growth

Acquiring businesses and intellectual assets that extend our existing activities, add value, contribute to growth and will produce our exceptional operating ratios

Maintaining a high return on capital employed to fund organic growth, acquisition activity and rising dividends

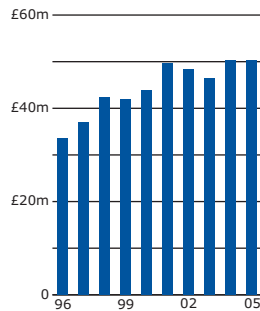
Recruiting and retaining top quality management by preserving an entrepreneurial culture within a framework of rigorous financial planning, reporting and control

Sales



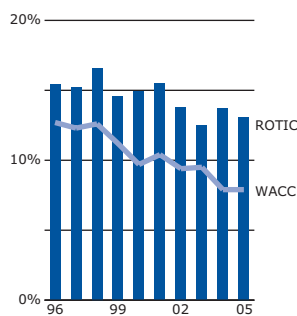
Growing sales worldwide.

Profit growth
(before goodwill amortisation and exceptional items)*



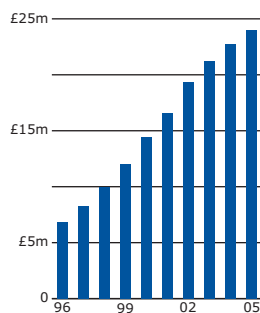
Long-term profit growth accompanied by excellent cash generation.

ROTIC*



ROTIC* consistently above weighted average cost of capital (WACC) delivering real shareholder value.

Dividend growth



An exceptional record of unbroken dividend growth over more than 20 years.

*see Financial Highlights