

Halma p.l.c. Interim Results 2005 / 2006

Summary of Analysts' Presentation, 6 December 2005

Andrew Williams, Group Chief Executive
Kevin Thompson, Group Finance Director

Andrew Williams started the presentation by identifying the major themes and agenda.

Today we will not just review our interim results. We will also look at how we are making the Group easier to understand (through our simplified reporting sector structure); how proactive we are internationally and how the Group is raising the levels of technology throughout the business (~70% of Group sales are from electronic or electromechanical products). In addition, you will get an insight into the significant changes going on around the Group and the greater sense of common purpose which now exists.

Tangible benefits will arise from our strategic move to three sectors. We will find new ways to enable our companies to grow faster.



By having more collaboration on technical issues, customers, markets and manufacturing capabilities we are going to be able to leverage greater growth. For example, our Fluid Technology and Photonics businesses both sell to large global

instrumentation manufacturers so there are opportunities for them to collaborate technically and by sharing distribution channels. Our latest acquisition, Texecom (which operates in the security market) and our Door Safety business both use the same sensing technology so they can learn a lot from each other about solving a variety of technical problems. Improved co-ordination at a sectoral level will encourage this collaboration between individual operating companies.

There is clear accountability throughout the Group. Individual Divisional Chief Executives have sole responsibility for a group of businesses and are accountable to the Group CEO for their results. Subsidiary CEOs have autonomy to make decisions for their business but remain accountable to one Divisional Chief Executive.

A further benefit of reducing the number of reporting sectors will also be to make the Group easier to understand externally. A copy of our announcement explaining the details of the change is available on our



website www.halma.com.

Our progress so far against the priorities we set ourselves for the year is very pleasing. In the first half we delivered organic¹ sales and profit growth of 6%. The recovery in our Water and Resistor businesses is going well. During the first half we made two acquisitions and one disposal and following the half year end we made the second largest acquisition in our history, Texecom. This represents a strategic move into an important and growing adjacent market – Security Sensors. Today we announced a 5% increase in our interim dividend.

Kevin Thompson, Group Finance Director, summarised the main elements of the Group's Interim results for 2005/06.

In the half year Halma has demonstrated growth at good margins. Revenue from continuing operations was up 9% to £152.4 million (2004: £140.1 million) and profit before taxation from continuing operations² increased by 8% to £26.6 million (2004: £24.6 million).

Growth at good margins

- 6% underlying organic growth
- Gross margins held firm
- Neutral currency

in good shape

We achieved organic growth¹ of 6% in both revenue and profit². Return on sales remained strong at 17.5%³ and product margins held firm. There was little currency impact on the half year revenue and profit, unlike recent periods.

We are getting on with further strengthening the Group. As we flagged at last year end, we have exited from the unprofitable Resistor transit business and we also sold a non-core specialist business, SEAC. The total impact of these is £2.1 million loss net of tax, of which £1.3 million is the write-off of goodwill. This action reduces the load on management and, more significantly, gives greater clarity to the performance of our other Resistor businesses.

Strengthening the Group

- Exit from Resistor Transit contracts
- Specialist business sold
- Net loss £2.1m (including £1.3m goodwill)

aiding clarity

The Group balance sheet remains strong. We have increased the flexibility of our cash resources through continued good cash flow, ending the half year with net cash, and also by putting in place a £60 million, five year debt facility.

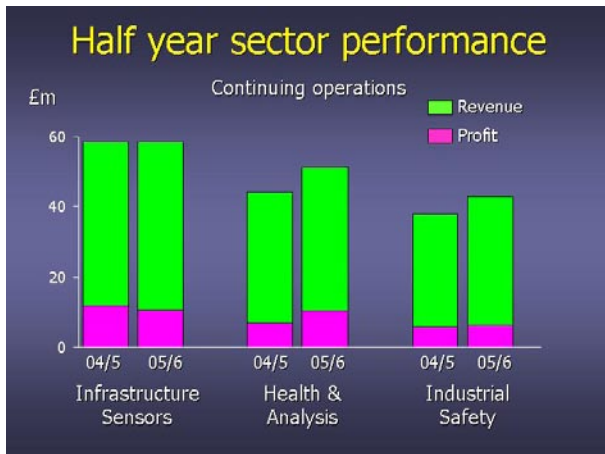
In the half year we spent £4 million as the initial consideration on two small high quality businesses (Netherlocks Safety Systems B.V., based in Holland, and Radio-Tech Limited in the UK) and in November 2005 paid £26 million for Texecom Limited. These acquisitions were made at sensible prices and all three show that we offer real extra value to many people selling their business. By buying businesses we understand, we offer extensive experience in how to grow such businesses, but we also most typically retain the identity and character of businesses coming into the Group. We find

that these are often very important factors in the acquisition process.

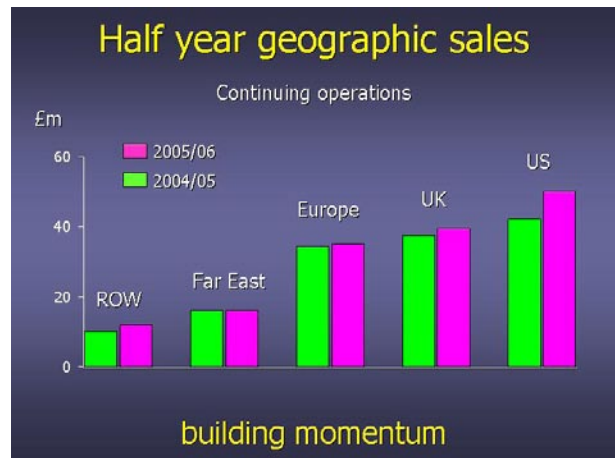
Our strong cash flow supports a further 5% increase on our interim dividend. As previously indicated, we are starting to raise dividend cover, backed by growth in earnings.

Return on Capital Employed⁴ was once again high at 50.8%, showing the effective use of our operating assets. Return on Total Invested Capital⁵, which is a post tax measure of return achieved on all capital invested in the Group, increased to 12.5%. Both measures have been restated to align with International Financial Reporting Standard (IFRS) figures.

Looking at the operating sector performance in overview (current period figures and comparatives on an IFRS basis) we see that Infrastructure Sensors revenue was flat overall, with product margins steady but overheads up and profits down.



The Health and Analysis sector was usefully ahead in terms of revenue and profit, not only because of the positive impact of acquisitions made last year but also because of the recovery in our Water activities and organic growth in our other businesses in this sector. The Industrial Safety sector increased revenue and profit, including recovery in our Resistors business and also benefiting from buoyant petrochemical markets.



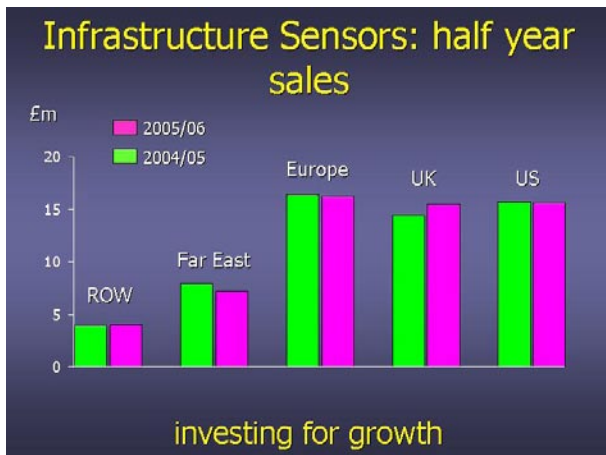
Looking geographically, sales to Europe, UK and Rest of World were up, but sales to the Far East were flat. Our Infrastructure Sensors business made lower sales to the Far East and this is targeted for action. Sales into the USA, our largest territory, increased well, boosted by the recovery in our Water and Resistors business together with good growth in other areas.

As with other European listed companies, the Group's figures look quite different under the new IFRS disclosure requirements. IFRS restatement has a modest impact on our results and causes no change to our business economics or strong cash flows.

Excluding the amortisation of acquired intangibles, IFRS adjustments have reduced half year profit by £0.3 million and the comparative by £0.1 million. In the full year we expect profits to be reduced by approximately £0.4 million (comparative reduced by £0.5 million). The main IFRS adjustments affecting profit are a charge for share based payments (a charge which we expect to increase over the next few years) and in the current year, a benefit from capitalised development costs in excess of amortisation. None of the IFRS adjustments in relation to profit are significant.

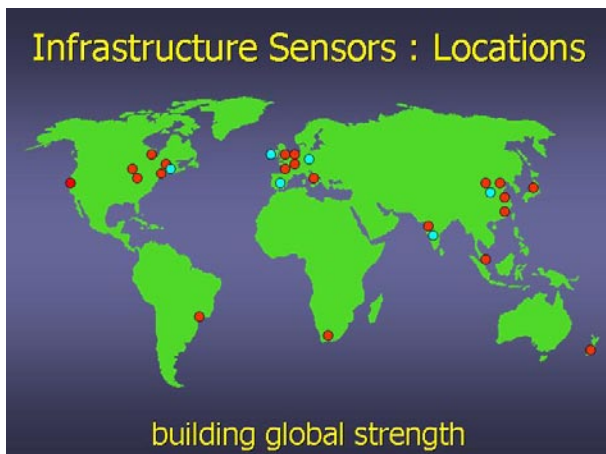
Andrew Williams continued with a review of operating performance for each sector and a look at the Group's current priorities.

In **Infrastructure Sensors** the key issues are sales growth and the acquisition of Texecom.



Our Fire business sales were up by 2% and Elevator and Door Safety sales down by 1%. The UK market was strong but our sales to the Far East and Australasia were down. This is a key challenge and opportunity for the sector and Group as a whole.

In this sector, we have good global coverage which we are continually strengthening. It is clear that the major challenge is not so much structural but more the pace and quality of the implementation of our strategy.



During the first half we spent an additional £1 million on overheads in this sector on actions aimed at generating growth.

In Elevator and Door Safety, we established a production facility in the Czech Republic and opened another regional sales office in China (Chongqing). Last month, I opened our first sales office in Mumbai, India. We merged two of our US businesses together, to leverage sales channels. We have also made some significant senior management changes in our US businesses.

In Fire we opened new sales offices in the US, China, Spain and Ireland. We converted a major European distributor of one of our competitors to our smoke detectors and acquired Texecom.

The acquisition of Texecom makes great sense financially and strategically. It has filled a major gap in our product range and allowed us to enter the growing Security Sensor market.



Like all of our other Infrastructure Sensor businesses, Texecom is a hardware supplier rather than an installer or maintainer of systems. They have a strong presence in UK and South Africa but have lower penetration in the rest of the world. Only 10% of our Fire distributors who sell security products, buy from Texecom. Therefore, Halma brings

Texecom new business management skills and also new routes to market and opportunities for technical collaboration.

Industrial Safety achieved strong sales and profit growth.



The recovery in Resistors is going well. We continued to refocus our activities through an acquisition and a disposal. Sales in Process Safety were 17% up and the continuing Resistors businesses grew by 15%. Sales by our Gas business also increased by 5%.

The petrochemical and oil market is strong and sales grew in all regions, except the UK. New products are starting to contribute to that growth. Salvo, the logistics depot safety product, is starting to gather momentum in



the UK and the US. Overall it is an encouraging growth picture.

In Industrial Safety we have reasonable global coverage but clearly we need to build our presence outside of the UK and Europe.

During the first half one of our French businesses established a low cost manufacturing facility in Tunisia. This gives us the benefits of a low cost manufacturing location, in the same time zone, with no language barrier.

In Resistors, we exited from the unprofitable Resistor Transit contracts and merged two of our US businesses. Resistor sales and profits increased substantially. We are on track with our strategic review of Resistor activity as signalled back in June.

Industrial Safety : M&A

Netherlocks acquired

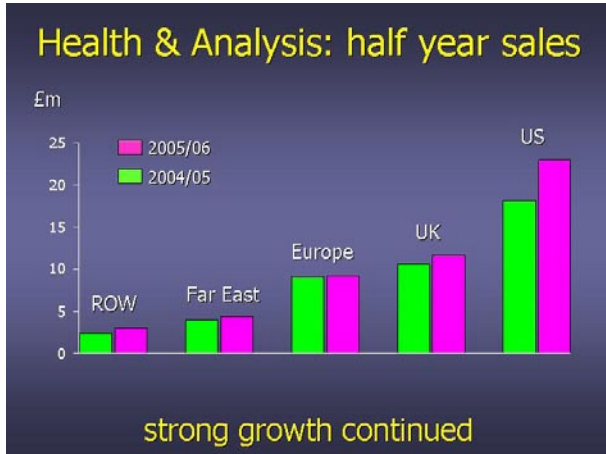
SEAC sold

focussing our activities

Netherlocks, who we acquired in July, supply valve interlocks to the petrochemical and oil industry. They performed in line with expectations and I am encouraged with the collaboration between Netherlocks and our other interlock businesses. We disposed of SEAC, who manufacture plastic headed screws. These two steps give further evidence of a more focussed strategy and the raising of technology levels in this sector.

Our **Health and Analysis** business achieved strong sales growth.

Recovery in our Water business is going very well, whilst Fluid Technology and Optics activities continue to perform strongly. In August, we acquired new technology with our purchase of Radio-Tech.



In our Water business, sales have increased by 11%. During the first half, our net margin was 16% compared with 9% last year. Sales in the US and UK markets have been encouraging and we are starting to see some evidence of the UK water companies increasing investment at the start of their new five year budget cycle.

Optics and Fluid Technology continue to perform well. Most of our businesses in these areas are reporting high single digit or double digit sales growth. Our Ophthalmic products are selling strongly in the UK and the US. The two acquisitions we made last year, Diba Industries and Ocean Optics, continue to grow. Diba Industries have secured new OEM contracts with major instrumentation manufacturers, and Ocean Optics are starting to benefit from a major capital investment in their optical coating facility. This new coating facility may also open up new product opportunities elsewhere in the Group.

Our Health and Analysis sector locations are very much based in Europe and the US since this is where the major markets have been, historically. We will continue to build a much



stronger direct presence outside of these territories too. For example, the biotech industries in India and China are growing fast. There are many potential new customers for us here.



Radio-Tech is a wireless communications solutions provider which we acquired in August. Their technology can be used in a very wide range of asset monitoring applications including automatic meter reading. One of our challenges is to help Radio-Tech identify which applications will be the most profitable and those in which they have the most robust technical solution. Other Group companies can help Radio-Tech determine these target markets.

Halma key initiatives

- Sales
- Innovation
- People

developing our culture

During the half year we established a Sales Zone on our Group Intranet. This is a place where all of the sales people within the Group can go to share knowledge about customers, regions, markets and products.

In August we held our second Annual Innovation Awards. The award this year, with a prize of £20,000 for the individual winner, was won by a design engineer from one of our Water businesses. This new product brings the latest technology to residential swimming pool owners at an affordable cost so that they can test the quality of their pool water accurately.

We have created a bespoke Executive Development Programme. This is for senior people across the Group and the plan is to have at least 2 courses completed each year. This will not only raise the levels of performance of senior people in existing roles, but also enable us to identify and develop top talent capable of further progression.

Organic growth remains our top priority. We've made a very good start in the first half and we need to continue to build on that during the second half.

Priorities

- Organic growth
- Water & Resistors recovery
- M&A
- Infrastructure Sensors growth
- Increased activity in Asia

growing our business

Our recovery in Water and Resistors is going well but is not complete. We need to continue to build our presence in the US and improve our new product development delivery.

We are still very active in reviewing acquisition and disposal opportunities.

We are looking at ways in which we can grow sales in our Infrastructure Sensor businesses. We are already doing a lot but there's more to be done - Texecom has a good part to play in that.

Finally, growing our business in Asia is becoming increasingly important to us. We need to have more local sales people, local technical support and local manufacturing. Although the absolute size of some markets in Asia are still small, compared to Europe and the US, we need to continue to do more now for the medium and long term.

So to summarise I am happy with these results. It is encouraging to see the higher energy levels throughout the Group and the greater levels of activity driven by a more focussed strategy. We are now two months into the second half and I remain confident of the Group's prospects for the full year.

Notes

¹ Organic growth measures the change in the 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 year figures a pro-rated contribution based on their revenue and profits at the date of acquisition

² Before amortisation of acquired intangible assets of £0.2 million (2004: £0.2 million)

³ Return on sales is defined as profit¹ before taxation from continuing operations expressed as a percentage of revenue from continuing operations

⁴ Return on capital employed is defined as operating profit¹ from continuing operations expressed as a percentage of operating assets*

⁵ Return on Total Invested Capital is defined as 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*

* see 6 December 2005 Interim announcement for more details

CAUTIONARY NOTE. *The information contained in this summary is correct at 6 December 2005. 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 any forward-looking statements, is not revised after publication.*