

Halma p.l.c. Preliminary Results 2006 / 2007

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

19 June 2007

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“Record revenues and profits once again demonstrating our ability to deliver organic growth”

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Andrew Williams started the presentation by giving an overview of the year.



HALMA
Record results

- Organic revenue and profit growth
- 5 acquisitions completed
- Good product and process innovation
- Continued management development
- Growing presence in Asia

another year of strong progress

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Halma has had another very good year achieving record profit and significant organic growth.

We completed 5 acquisitions and it was a good year for innovation. More than 70 new products were launched and process innovations contributed well to our revenue growth. We continue to build our management strength. Over the past two years this has transformed our culture and increased the pace of change across the organisation. We grew our presence in Asia in particular via our Halma 'hubs' in China which were opened in August 2006.

Kevin Thompson, Group Finance Director, reviewed Halma's financial performance for the 2006/07 year.

These are another strong set of results continuing the trend of organic growth resumed last year.

The Group achieved its highest ever revenue of £354.6 million (2006: £310.8 million) and highest ever profit¹ of £66.1 million (2006: £58.1 million). We made some disposals in

2005/06 and these figures relate to continuing operations only.

These results represent a 14% growth in both revenue and profit with organic growth² of 8%.



HALMA
Organic Growth

£m	Revenue			Profit*		
	2007	2006	% change	2007	2006	% change
Continuing operations	354.6	310.8	14%	66.1	58.1	14%
Acquisitions	(18.8)	-		(3.5)	-	
Organic	335.8	310.8	8%	62.6	58.1	8%
Currency	7.4	-		1.4	-	
Constant currency	343.2	310.8	10%	64.0	58.1	10%

* Before tax and amortisation of acquired intangibles

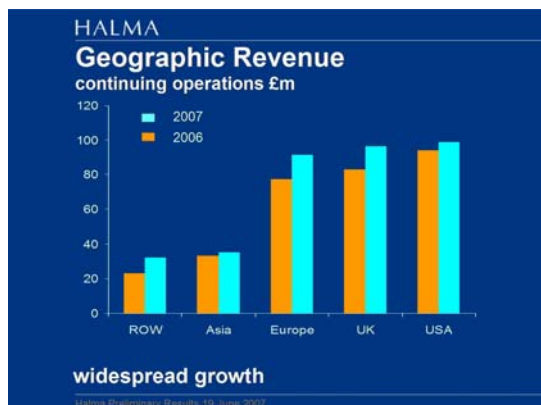
good momentum

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The table above shows how these growth figures are derived. To calculate organic growth we adjust for the extra months of contribution from acquisitions, at the run rate and the time of acquisition, to get a like for like comparison. Return on sales³ was maintained at the high rate of 18.6%.

We achieved these strong results despite the adverse impact of currency. At constant currency the organic growth was 10% in both revenue and profit.

Achieving and sustaining revenue growth is a very important part of the Halma model so it is encouraging to see widespread geographic growth in revenue.



Revenue growth in the Rest of World (ROW) region is mainly due to a full year of Texecom's South African branch, acquired last year. There was also a strong performance in the Middle East from our Industrial Safety businesses selling into the oil and gas industry.

Asian growth was patchy, good in China and India but some business elsewhere in Asia last year did not repeat. There is a major opportunity for us in the Asian region and we are building our resources there.

Infrastructure Sensors did particularly well in mainland Europe including strong growth by BEA, our door sensors business. Revenue in the UK was up 16%, partly due to acquisitions but with good performances from gas detection and water leak detection.

The USA showed more modest growth but was hit hardest by the weak US dollar relative to sterling. Despite this, our Health and Analysis sector moved ahead nicely with the Photonics business continuing to do well.

We continued our strategy of buying successful businesses and helping them grow.

HALMA
More quality acquisitions

	Acquired	Consideration	
		Initial	Maximum deferred
Tritech/Systems Tech	Nov 06	£10m	£4.5m
Labsphere	Feb 07	£7m	-
Others		£2m	£2m

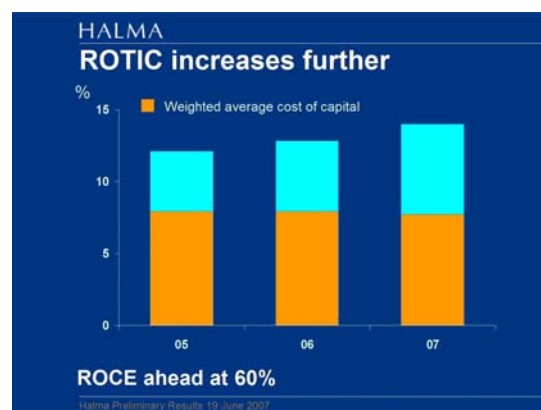
earnings enhancing

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The largest businesses acquired this year were Tritech/Systems Technologies – two linked businesses based in the UK – and Labsphere, which is based in the US. Tritech/Systems Technologies were acquired in November 2006 for an initial payment of £10 million and Labsphere was acquired in February 2007 for £7 million.

These businesses and the other smaller acquisitions made during the year have all performed well, are very much earnings enhancing and deliver a return well in excess of the Group's weighted average cost of capital (WACC). We are working hard to keep our pipeline of potential acquisitions full.

As in the previous year, we achieved growth together with strong margins and returns.



We measure our value creation in terms of return on total invested capital⁴ (ROTC). ROTC is a post tax measure comparing earnings with all tangible and intangible assets including all historic goodwill. ROTC increased from 12.8% to 14% this year – another good result.

Return on capital employed⁵ (ROCE) also increased to 60.1% (2006: 56.9%), a measure of our operating companies efficient use of assets.

The high return on sales we achieve demonstrates the value our customers place on our products. Our performance by this measure is strong and consistent over a long period.

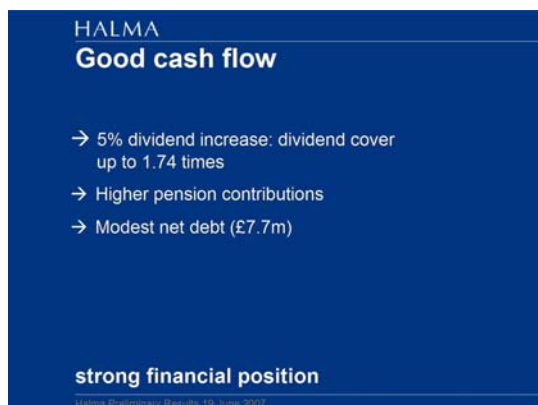
The following charts show the past 20 years' revenue growth and Return on sales.



The top chart shows the strong growth in revenue over a long period. The bottom chart demonstrates the consistency of our Return on sales, in excess of 16% throughout the 20 years.

It is these consistently high margins and returns which underpin our confidence in sustainability for the future.

Currency movements have been a notable factor in the results this year and are likely to be in the near future. We earn over 30% of our revenue and profit in US Dollars or Dollar related currencies and about 15% in Euros. We estimate that there was an adverse currency impact on our results of 2-3% this year and if the US Dollar stays at current levels there will be a further adverse impact in 2007/08, more so in the first half.



Cash flow continues to be well managed in our businesses.

We propose a further 5% increase in the final dividend in line with our progressive dividend policy. This raises the dividend cover to 1.74 times, towards our medium term target of 2 times.

The pension deficit is £9 million lower this year end than last, in part because of the £3 million increase we have made in contributions. Higher pension contributions will continue for the foreseeable future.

We ended the year with modest (£7.7 million) net debt. We are working hard to find good acquisitions and internal opportunities to invest the cash we have available to us. We continue to invest actively for the future.

R&D expenditure was 14% higher than last year and remains at 4.3% of revenue. The highest percentage spend is in the Health and Analysis sector where much of the technology provides a platform for many different developments.



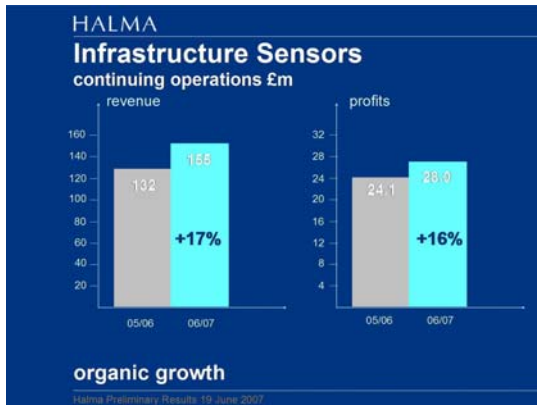
We are continuing to invest in our infrastructure in China, developing our opportunities there and accelerating action.

In addition to the three Halma businesses with an existing presence in China, we opened two hubs, one in Shanghai and the other in Beijing. These hubs have provided a springboard for seven further businesses with several more about to use them. One Halma business, Ocean Optics Inc, has grown so rapidly in China that it has relocated to its own nearby office.

Sales into China increased by 26% in the year and we are developing momentum with a number of excellent staff.

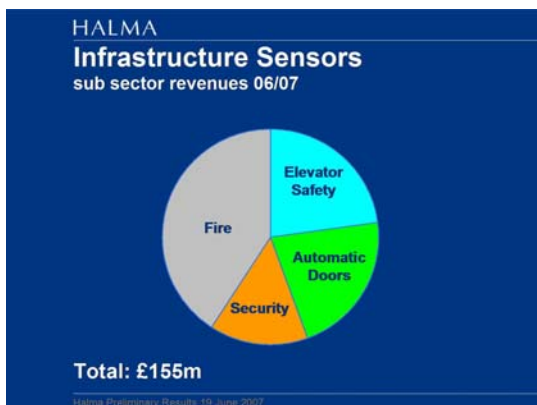
We have achieved a great deal over the past two years, building an even stronger financial position and a solid platform for future growth.

Andrew Williams continued with a review of sector performances and strategic progress.



Infrastructure Sensors delivered strong growth with 17% revenue growth and 16% profit growth. The increased investment and management change which started last year is already starting to pay off.

Fire Detection and Automatic Door Sensors delivered strong results with significant increases in both revenues and profits. Elevator Safety grew revenue and profits whilst Security Sensors' profit growth did not match their strong revenue growth. Product margins remain very robust.



Our Infrastructure Sensor products protect people and property in buildings. We sell into commercial construction rather than residential construction. The major growth drivers include safety regulation and legislation; the risk and cost of accidents; commercial construction (including refurbishment); population growth and urbanisation.

We believe we are world leaders in Elevator Safety Sensors and Automatic Door Sensors. We are the second largest maker of point smoke detectors in the world. Our Security Sensors business is among the leaders in the UK and South African markets.

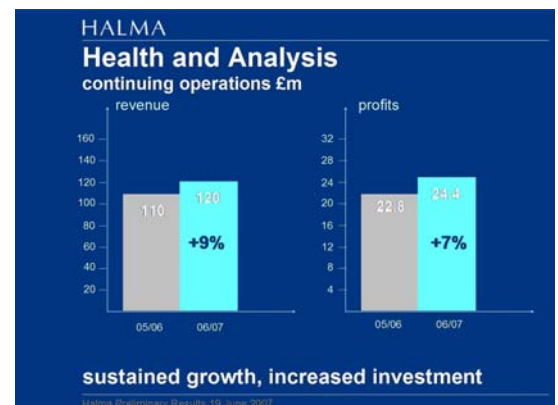
We continue to change and invest to build sustainable growth. This has resulted in significant management change as we allocate our resources according to individual business needs and opportunities. Despite our success in growing our Infrastructure Sensors businesses over many years, we are not complacent. In April, we allocated a third Divisional Chief Executive to this sector to accelerate the pace of change further.

Implementation of our new regional sales and product development strategy for Elevator Safety is well underway. Importantly, we have significantly strengthened management at our Asia regional headquarters in Singapore.

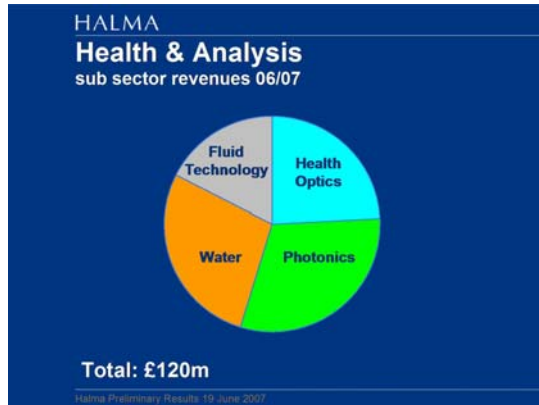
In Security Sensors we have carried out a strategic review and can see attractive OEM opportunities in the medium term. Whilst revenues continue to grow well this refined strategy requires change and investment. Management changes have already commenced and product certification for selling into new territories is well underway. We expect to have completed our reorganisation by the end of the current fiscal year. This will position our Security Sensor business in accordance with the successful business models we have developed in our other Infrastructure Sensor businesses.

As seen during our recent Investor visit to the BEA facilities in Belgium, our Automatic Door Sensor businesses have new products and technology which, in the medium term, will diversify their product offering into adjacent market segments. An example is industrial door safety.

In Fire, we are broadening our product range around our traditional smoke detector business and we are increasing our direct sales and support resources overseas.



It was another year of good progress in Health and Analysis with revenues up by 9% and profits up by 7%. In constant currency, organic revenue and profit growth was 10% (almost half of our Group revenues in US\$ (or US\$ related currencies) are from our Health and Analysis businesses). We have increased investment, especially in Fluid Technology, and our R&D investment in this sector grew to 5.3% - considerably above the Group average of 4.3%.



In Health and Analysis, we develop technology and products which improve personal and public health and are also used for analysis in safety, environmental and leisure markets.

The major market growth drivers include safety regulation and legislation; population growth and ageing; the rising expectations of safety in health; the growing need for water globally.

We have significant positions in the world markets for Photonics (miniature spectrometer instruments), Water (UV treatment and leak detection) and Health Optics (handheld diagnostic instruments). Our Fluid Technology business supplies



critical components to the world's major analytical instrument manufacturers.

In February 2007, we acquired Labsphere who are based in New Hampshire, US. They are the world leader in light measurement and have a market share over 25%. Their core technology is used to capture and measure light in the development of products such as light sources, displays and photonic instruments. They have already identified potential collaboration opportunities with other Halma businesses.



It has been another year of significant growth for Industrial Safety with revenues increased by 15% and profits up by 19%. Organic growth in revenue and profit was 11% and 13% respectively. All business sectors performed well and the oil, gas and petrochemical markets continue to offer exciting opportunities for growth. In a number of businesses, we have significantly improved our customer service levels resulting in improved market shares.



Our Industrial Safety products protect people and property at work. Consequently the key market growth drivers include: safety legislation and regulation; the risk and cost of accidents at work; rising health and safety

expectations; capital expenditure in industry; industrialisation in the developing world and growth in the energy resources market, particularly oil and gas.

HALMA
Industrial Safety
Tritech acquisition



- Market leader in subsea sensor and communication devices
- UK subsea sector worth £5bn+ p.a.
- Addressable market £100m +

international opportunities

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Tritech, based in Aberdeen, was acquired in November 2006 and make sensor and communication devices which are fitted to subsea vehicles for inspection/surveys and to support construction activity under water. They are the UK market leader in what is a substantial but relatively little known niche market. Due to experiences in the North Sea, the UK is the world leader in the subsea activities which is estimated to be a £5 billion plus market. A recent survey indicated there were 800 UK companies active in this niche, employing over 30,000 people. We believe the addressable market for Tritech's products to be more than £100 million. There are opportunities for growth internationally as the level of subsea activity increases and more energy exploration is carried out in deep water locations.

HALMA
Priorities highlighted June 2005

- Increase organic growth rate; maintain returns
- Tighten sector focus; target resources
- More acquisitions; consider disposals
- Consider moderate gearing
- Progressive dividend policy

focus shifted to growth

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On becoming group CEO, two years ago I stated my key strategic objectives for the Group, with our focus shifting towards increasing growth. Since then we have made excellent progress.

- We have achieved strong organic growth whilst improving the quality of our returns. Overall profits have increased by 32%.
- We have increased our investment in R&D, selling and capital expenditure targeting those areas of the business that offer us the greatest opportunities.
- We have completed 8 acquisitions and disposed of 8 non-core businesses.
- We have a modest debt of £7.7 million and significant resources are available to support future growth.

The underlying growth potential of the Group has been enhanced significantly both through this corporate activity and, importantly, a significant change in our management and culture now focussed on delivering growth whilst maintaining high returns.

HALMA
Changing expectations

In June 2005,

		Profit*
Market expectations	05/06	£53.5m
Actual	05/06	£58.1m
Market expectations	06/07	£55.5m
Actual	06/07	£66.1m

* before tax and amortisation of intangibles

greater ambition

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With these initial strategic objectives achieved, not surprisingly expectations have been raised and we have greater ambitions for the future. In June 2005, market consensus for 2005/06 for profit before tax and amortisation of acquired intangibles was £53.3 million compared with an actual result of £58.1 million. At the same time, the market consensus for 2006/07 was £56.7 million and we have just announced actual profits of £66.1 million. Since then I believe that the market has become more attuned to our growth capabilities which is reflected in its shorter term forecasts.

HALMA
Strategic priorities 2007/08

- Organic growth
- Manage investment/profitability
- Management development
- Acquisitions in existing/adjacent markets
- Rate of innovation
- Develop business in Asia

sustained growth

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Our strategic priorities for 2007/08 are to continue to deliver organic growth and to continue to strike a good balance between investment and profitability. Having the 'headroom' in our business to make additional investment at the right time or to make changes when they need to be made is an important factor in the turnaround in our performance over the past 2 years.

We will continue to strengthen our management depth. Over 65% of our 200 senior managers have joined us during the last four years. Our investment in training is working well and resulting in an increased level of movement of managers across Group companies. Executive Board responsibilities are changing and are adjusted to match our strategic priorities. I believe this 'active' management of our people resources at all levels of the Group is a key factor in our ability to sustain growth over the longer term.

We are more active in our search for acquisitions and are improving our integration processes to improve capability. Typically, we have around 30 acquisition opportunities under review at any time with a monthly churn rate of around 20%. The characteristics of the businesses we look for and their markets are more important than the size of the opportunity. We are ambitious to make more deals but they have got to be right for the Group and fit clearly with our culture and strategy.

Innovation in new products and processes is improving further from an already high standard. The quality of entries in our monthly and annual innovation awards together with the high number of new products launched in the year gives good visibility of this success. Across the Group we have plenty of ideas and many creative

people. Our efforts are becoming more focussed on improving commercialisation of our ideas.

Finally it is good to see the progress and opportunities in Asia - which currently represents around 10% of our revenues in direct sales. Our businesses which are already well established in the region are making good progress. As the activities of those companies in the Halma China 'hubs' start to increase we will get a clearer view of the scale of the opportunities available to us, particularly in some of our less visible niches.

HALMA
Outlook

"We are making good progress and we remain positive about our prospects for the year and the longer term."

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In summary, it has been a good year and growth momentum is established. There is no room for complacency and we continue to actively manage our resources. Our markets are sound and we still seek opportunities for further acquisitions. We remain positive about our prospects for this year and the longer term.

¹ Before amortisation of acquired intangible assets of £3.5 million (2006: £1.5 million).

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

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 Total Invested Capital is defined as profit for the year from continuing operations before amortisation of acquired intangible assets, after taxation; expressed as a percentage of total shareholders' equity, adding back net retirement benefit obligations, cumulative amortisation of acquired intangible assets and historic goodwill.*

⁵ Return on capital employed is defined as operating profit¹ from continuing operations expressed as a percentage of operating assets.*

* see 19 June 2007 Preliminary Announcement for more details.

CAUTIONARY NOTE. The information contained in this summary is correct at 19 June 2007. 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.