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

Summary of analysts' presentation by:

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

20 June 2006

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"Record profit and revenues achieved against a background of major strategic change"

Andrew Williams started the presentation with an overview of the year.

It has been an outstanding year for the Group with all of our major priorities accomplished and our growth potential enhanced. Our profit on continuing operations[1] increased by 20% with underlying organic profit growth[2] of 15%. Sales have grown strongly and we have delivered a major recovery in our Water business. During the year we made eight disposals, including our underperforming Resistors business, and we made three important acquisitions. We made record investment in people, products and markets.

It is pleasing to see that significant growth has not been achieved at the expense of the quality of our margins. All of our key operating ratios increased during the year. As a result of our strategic actions, the underlying growth potential of the Group has been significantly enhanced coming into the new fiscal year. It is important to understand that I see this year as the beginning of our growth 'journey' rather than an end in itself.

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

These are a strong set of results with record profit, and it's good to see the figures reflecting what we set out to do at the start of the year.

Profit before tax on continuing operations[1] was up 20.3% to £58.1 million (2005: £48.3 million). We have made some disposals in the year and so the table below gives the results of continuing operations and also the total group (including discontinued operations).

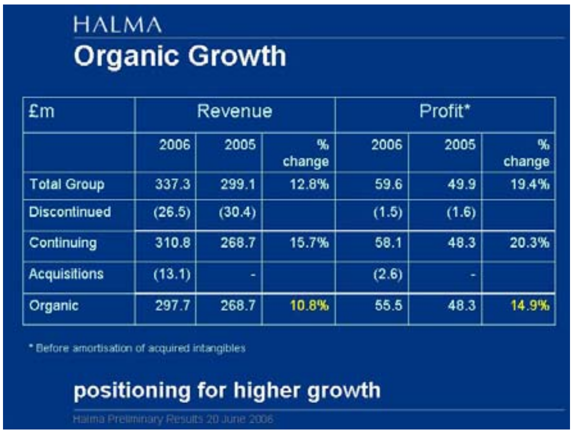
£m	Continuing			Including Discontinued		
	2006	2005	% change	2006	2005	% change
Revenue	310.8	268.7	15.7%	337.3	299.1	12.8%
Profit before tax*	58.1	48.3	20.3%	59.6	49.9	19.4%
Return on sales	18.7%	18.0%		17.7%	16.7%	

* Excludes profit on sale of discontinued operations and amortisation of acquired intangibles

The increase in profit from continuing operations came from revenue 15.7% (£42 million) higher. Including discontinued operations we see 19.4% profit growth on 12.8% revenue growth. The ratio of profit to revenue shows the good operational gearing we have.

Return on sales[3] increased to 18.7%, a combination of the disposal of lower margin businesses and an increased rate of profitability.

Significantly we returned to organic growth[2]. The table below shows revenue and profit before amortisation of intangibles, reconciling from figures including discontinued operations through to organic growth figures.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Organic Growth

£m	Revenue			Profit*		
	2006	2005	% change	2006	2005	% change
Total Group	337.3	299.1	12.8%	59.6	49.9	19.4%
Discontinued	(26.5)	(30.4)		(1.5)	(1.6)	
Continuing	310.8	268.7	15.7%	58.1	48.3	20.3%
Acquisitions	(13.1)	-		(2.6)	-	
Organic	297.7	268.7	10.8%	55.5	48.3	14.9%

* Before amortisation of acquired intangibles

positioning for higher growth

Halma Preliminary Results 20 June 2006

The adjustment relating to acquisitions includes both 2005/06 acquisitions, at their run rate at acquisition, and the extra months' benefit of prior year acquisitions. The net result is organic revenue growth[2] of 10.8% and organic profit growth[2] of 14.9%. The recovery in our water business and the impact of other actions taken, have come through quickly into the results.

We made three good acquisitions in the year, all at reasonable prices. The biggest was Texecom, which at a cost of £26 million gave an entry into the security market. Ocean Optics Inc., acquired in 2004/05, has hit all of its profit targets set at acquisition All of the businesses acquired this year and last are performing very well.

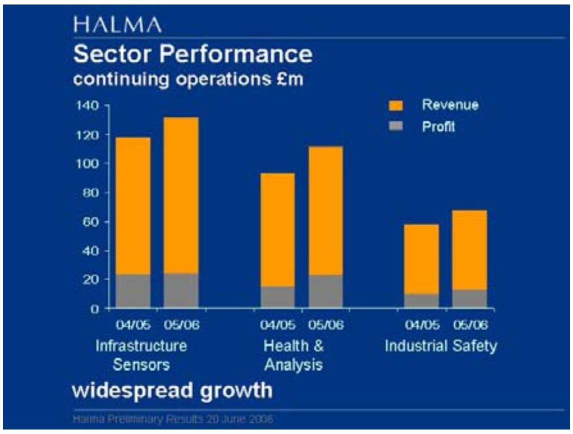
We sold eight non-core businesses in 2005/06 including our High Power Resistors businesses, collecting a total of £15 million. The gain on sale, after tax, was £5.8 million and after writing off the related goodwill a net gain of £0.4 million resulted. The sale of these businesses has released resources.

The pattern of revenue by destination is as shown in the following chart:

The main growth came from the US and UK, our biggest regions and still accounting for more than 50% of revenue. Part of the UK growth came from the addition of Texecom however the Health and Analysis businesses performed well in the UK and also particularly well in the USA, where our Water business and Photonics businesses were strong.

There was a 10% increase in revenue from Asia Pacific and Australasia and only 11% of Group business is in this region. We believe China in particular offers us a good opportunity for future growth and we are setting up two 'hubs' in China to assist our businesses in their development there.

All three of our sectors grew revenue by more than 10%, with revenue growth being a key objective for the year. The chart below shows that Infrastructure Sensors remains our largest sector. Its growth includes the Texecom acquisition and while there was organic revenue growth in this sector, there was no organic profit growth, with overheads having been added to secure growth in the future.

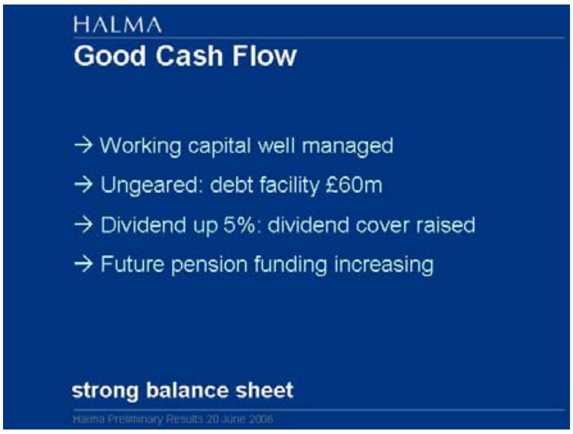


Health and Analysis performed excellently in achieving a 20% revenue growth and 56% profit growth (an increase of £8.4 million). Not only was there recovery in our Water business but also widespread organic growth. Industrial Safety delivered an extremely strong 27% profit increase with both our Bursting Disc and Interlocking businesses performing very well and benefiting from the buoyancy in the oil and gas sector.

This was the first full year reporting under International Financial Reporting Standards (IFRS) and all comparative figures have been restated accordingly. There was minimal impact on Group profit from the adoption of IFRS.

There was little year-on-year impact from currency translation on the 2005/06 revenue and profit. However there has been greater volatility in currencies so far in 2006/07 and in the US dollar relative to Sterling in particular. Approximately one third of Group revenue and profit is generated in US dollars and so significant movements in that currency can impact our results.

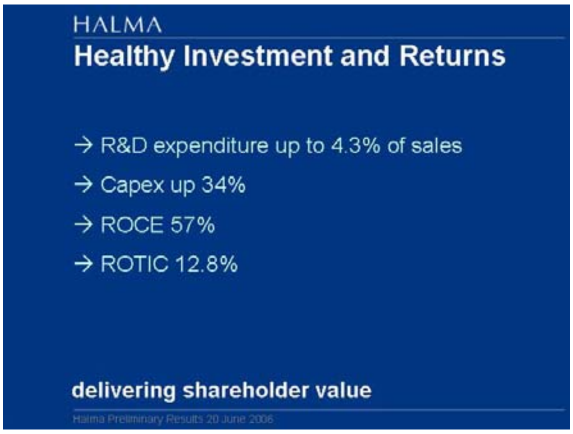
Cash flow was strong once again in 2005/06. Management of working capital was good and we started and finished the year ungeared. We put in place a £60 million debt facility during the year, giving us good access to finance.



We have previously declared our dividend policy – the continuation of progressive dividend increases but with the objective of raising dividend cover to a figure of around 2 over time. We have taken a good step towards this objective in the year with a further 5% increase in the dividend, and because of the high earnings growth, achieved an increase in the dividend cover to 1.6 times.

The triennial pension scheme valuation is in progress and we expect to contribute an extra £4 million in cash to the pension scheme in 2006/07. This is not an insignificant amount but we do not believe it will affect the Group's investment or growth potential significantly.

We have continued to invest in our business over the past year while increasing our margins and returns.



R&D expenditure on continuing operations as a percentage of revenue increased from 4.2% to 4.3%. Capital expenditure was 34% higher than last year, running at 150% of depreciation, higher than our typical rates but reflecting our commitment to future growth.

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Returns were exceptional with Return on Capital Employed (ROCE[4]) increased to 57%. Return on Total Invested Capital (ROTIC[5]) grew to 12.8% and is well ahead of our cost of capital, enabling the Group to continue to deliver significant shareholder value.

Andrew Williams continued with a review of operating performance for each sector and a summary of the Group's key priorities.

Operating Review

I would like to highlight three key success factors for the Group as a whole before looking at each sector in more detail.

Revenue growth is firmly at the top of the agenda of all Halma businesses. This is in contrast to a more inward looking focus that may have existed in past years. Whilst all of our major markets have remained good, Water and Oil/Gas/ Petrochemical markets have provided additional opportunities. We have increased our investment across our business and allocated a good proportion of this into our selling resources – particularly overseas.

Significant acquisition and disposal activity has been achieved against the backdrop of a clear strategy with clear objectives for each sector. We have allocated resources at a divisional level according to these strategic objectives. The acquisitions and disposals completed have resulted in Halma making more profit, having 10% fewer companies and a sharper market focus albeit with greater exposure to those markets offering more attractive growth opportunities.

We have continued to invest in our people at record levels. The major changes made at subsidiary board level in recent years in terms of both personnel and incentives, is having an impact. During the year we made a change at Executive Board level and added additional resource at a Divisional level according to our sectoral growth objectives.

The Halma Executive Development programme, launched in December 2005, is having a major impact on the senior managers who attend it. They are emerging with renewed enthusiasm and a clearer view of their role in the growth of their business and the Group. This not only improves the performance of these key people in their current role but also builds a pool of talent for future opportunities across the Group.

In **Infrastructure Sensors** the major highlight was the acquisition of Texecom. The Security Sensor market is becoming increasingly regulated and offers slightly higher growth than our other Infrastructure Sensor businesses. In addition to offering growth in its own right, Texecom offers commercial and technical collaboration opportunities with the rest of our Infrastructure Sensors businesses. For example, the microwave sensor technology used by Texecom is fundamentally the same as that used by our Automatic Door Safety business.

We are still increasing investment in Infrastructure Sensors to improve growth prospects in the longer term. We have opened new sales offices in both developing and developed countries. New locations include Dubai, Mumbai and Chongqing but also Spain, Ireland and the US. Our Elevator business has established a new manufacturing operation in the Czech Republic to serve the important European market, which is benefiting from increased modernisation of elevators driven by recent European legislation.

We are developing more products which are tailored to meet local needs, and this is becoming increasingly important as we implement our global sales strategies. In China, we have a strong market position in both Automatic Door Sensors and Elevator Safety Edges since we have been manufacturing both products there for more than ten years. In the past we may have been slow to react to the emerging threat of local competition but we are moving much faster now to reduce manufacturing costs and develop products specifically for the Chinese market.

In **Health and Analysis** I want to highlight two major growth businesses – Water and Photonics.

Our Water business recovered ahead of expectations. Revenue growth of 13% and operating profit growth of over 130% meant that financial performance bears good comparison with the previous record levels of profitability. The significant action taken with both people and products last year is delivering encouraging results.

We are also benefiting from an improvement in the market, particularly in the UK and US. The first year of a new five year investment cycle by the UK water companies meant that investment by them was higher than in recent years. In addition, the increasing water shortage problems in the Southern counties drove higher demand for leak detection and monitoring products.

In the US we won major leak detection contracts in Albuquerque, Birmingham and El Paso. El Paso now has the largest permanently installed leak detection system in the world incorporating 11,000 of our leak detection sensors. The system is credited with saving over 6 million gallons of water each day. Also in the US, management changes made in our UV business last year are starting to bear fruit.

Our prospect pipeline has improved and we have a more solid product platform from which to grow revenues.

In August 2005 we acquired Radio-Tech bringing to Halma new wireless communication technology.

Radio-Tech's products are used for a wide range of applications, including Water. For example, we have a pilot trial underway in Paris to add automatic meter reading capability to the existing water meters. In the UK, we have secured a tender from Network Rail to provide permanent monitoring of the temperature of rail tracks. Whilst Radio-Tech is currently a relatively small business it clearly offers us exciting new opportunities for growth.

Our Photonics businesses have also had a good year. Ocean Optics continues to grow strongly as they continue to find new applications and new markets for their technologies. Following a £1m investment at their specialised optical coating facility, Ocean has innovated a new product which is revolutionising theatrical lighting. Ocean's technology is also been used to explore new medical applications including research into Alzheimer's disease and skin cancer detection. These examples not only present attractive commercial opportunities but also reflect our entrepreneurial culture.

In **Industrial Safety**, it is pleasing to report more innovation and success across the sector. In February 2006, we sold our underperforming Resistor business and, prior to that, disposed of two other non-core businesses. In July, we acquired Netherlocks which increased our presence in the oil/gas and petrochemical market. One of the key benefits of these actions is that return on sales in this sector for 2005/06 was 19% compared to 13% in 2004/05.

There has been an improvement in the contribution from new product development. The Salvo product launched in 2004 has passed the £1 million sales milestone. During 2005, we launched a miniature gas detection product, Gasman, which has contributed almost £1 million of revenue in its first year. Following the year end, we were awarded a British Gas tender for a new flue gas analyser worth £1.4 million.

At an operational level our Bursting Disc companies continue to develop their export selling capability. Their technical support centre in Newcastle now supports international customers in 8 foreign languages. Customers in targeted regions can ring a 'local' telephone number which automatically directs the call to the Newcastle call centre where the call is answered not only in the customer's own language but also with first-hand technical support capability. This is proving to be an effective competitive advantage.

One of our French safety interlocks businesses has established a new manufacturing operation in Tunisia. This provides an interesting alternative to 'traditional' low cost manufacturing countries. The local work force is highly educated, speaks the same language and, of course, operates in the same time zone. We intend to exploit this opportunity further during the coming year.

Our top priority remains organic profit growth driven by revenue growth.

We will be looking for greater growth from our Infrastructure Sensors sector but will maintain an increasing level of investment to ensure this growth is sustained over the longer term.

We aim to accelerate the rate at which we establish sales and operations overseas, particularly in developing regions. Establishing Halma 'hubs' in Beijing and Shanghai demonstrates our commitment to ensuring all of our companies have the opportunity to grow their business in China.

We had a successful year of new product innovation with over 100 products launched, but we can still innovate faster. In some companies we are looking to use India as a source of additional technical effort to complement our essential in-house capabilities.

We will continue with our increased investment in people, with the Halma Executive Development Programme (HEDP) remaining a key element. We recognise that quality of implementation is a major factor in our success and growth. It is encouraging to see that many of the senior managers who have attended the HEDP are now increasing the level of training they provide for colleagues in their companies.

Finally, you will see from the Financial Review that we have strong capital resources for more acquisitions. We are looking at ways in which we can add more effort to search for acquisition opportunities. We want to make further acquisitions in the Health and Analysis sector although, as always, we will make acquisitions in any sector should a suitable opportunity arise.

It is clear from our actions and achievements not only have we had an outstanding year but that we are entering the new year with positive momentum. We have a clear and robust growth strategy and have a stronger platform with enhanced growth potential. We are in good shape to exploit our opportunities for the coming year.

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[1] Before amortisation of acquired intangible assets of £1.5 million (2005: £0.3 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 figures a pro-rated contribution based on their revenue and profits at the date of acquisition.
[3] Return on sales is defined as profit[1] before taxation from continuing operations expressed as a percentage of revenue from continuing operations.
[4] Return on capital employed is defined as operating profit[1] 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 20 June 2006 Preliminary announcement for more details

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