HALMA

Halma p.l.c. Half year results 2010/11

Summary of analysts' presentation by:

Andrew Williams, Chief Executive

Kevin Thompson, Finance Director

30 November 2010

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"Strong growth with record revenue and profit"

Andrew Williams, Halma's Chief Executive, began by outlining highlights of a record first half performance.

- We have achieved strong growth across the Group with revenue up by 12% to £249m and profit[1] up by 29% to £49.3m. There was only a small contribution from currency exchange rate movement and acquisitions, therefore almost all of this growth was organic[2].

- All Return metrics were higher. In particular Return on Sales[3] was up from 17.1% to 19.8%.

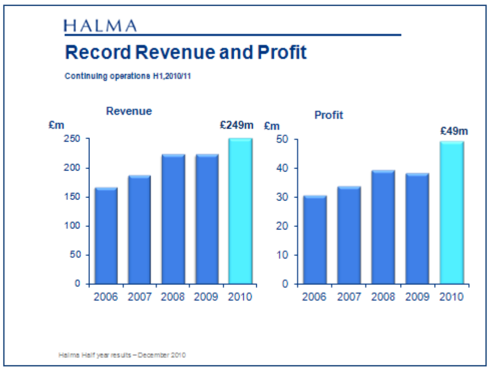
- We increased investment in our strategic growth initiatives. For example, R&D investment was up by 12% and continued to equate to around 5% of revenue.

- We made good progress on acquisitions. In November, following the period end, we acquired Alicat Scientific Inc, adding new products and technology to our Fluid Technology business within the Health and Analysis sector.

- Finally, we are announcing a 7% increase in our interim dividend.

Kevin Thompson, Finance Director, then gave further details of Halma's financial performance.

This is a strong set of results showing good growth and high returns.



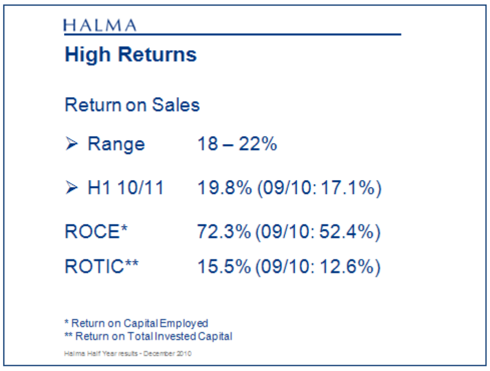
We delivered record revenue and profit in this half year. Revenue increased 12% to £249.1m and that produced profit[1] up 29% to £49.3m. As can be seen from the chart above, this was a year of growth from a strong base rather than recovery from a poor position. Last year's first half profit was only 2% below the preceding year's record performance and contributed to us delivering record results in the full year 2009/10.

There was little contribution from acquisitions this half year although we completed the acquisition of Alicat Scientific Inc. for $25.2m (£15.7m) shortly after the half year end.

There was a relatively small (1% - 2%) benefit from currency translation on our revenue and profit. The main currencies for our business, other than Sterling, are US$ and Euros, with 35% of Group revenue now earned by companies transacting in US$ and 20% by those in Euros.

So at constant currency, organic growth[2] was 10% in revenue and 28% in profit[1].

We have increased our profitability.



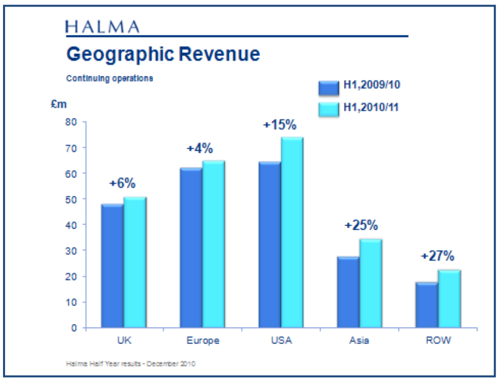
Halma has a long track record of delivering high returns. When we announced our 2009/10 full year results we said that we were raising our target range for Return on Sales[3] from 16-20% up to 18-22%, and that this higher range was achievable if we delivered good revenue growth.

In this half year we achieved a high and increased level of Return on Sales[3] of 19.8%. This increase was widespread across the Group with 11 of our 12 subsectors increasing their profitability.

Our companies held their product margins steady, although we saw some increases in raw material prices in parts of the Group. We increased overheads by 6% to drive the 12% revenue growth. Within that overhead increase we raised our investment in Research and Development in line with the revenue increase – so it remains at 4.9% of revenue, a level appropriate for our future business growth.

Return on Capital Employed (ROCE)[4] increased to the high rate of 72.3%, showing the efficiency we achieve at operating company level. Return on Total Invested Capital (ROTIC)[5] also increased to 15.5%.

We achieved growth in all territories.



Revenue to the UK was up 6%, a good performance with our companies continuing to see tough market conditions here. The UK is now 21% of our total revenue (it was 26% five years ago) although our performance remains resilient.

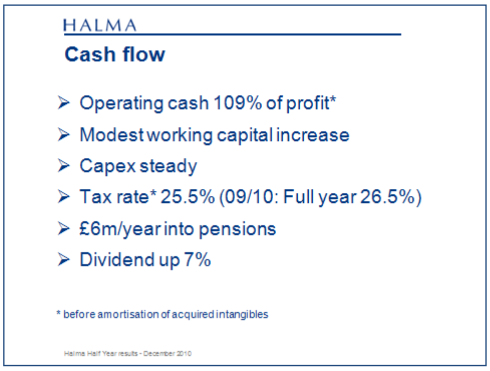
Mainland European revenue was 4% ahead of last year – all three sectors made a little progress. The majority of our business is in Northern Europe with business in France and the Netherlands going well.

Revenue was up 15% in the US with our Health and Analysis business performing very well and within that our Photonics subsector delivering strong growth. The US has overtaken Mainland Europe to once again be our largest sales destination.

Asia revenue was up 25%. China was 34% higher and our target remains for China to be 10% of Group revenue by 2015. India revenue increased by 41%. Rest of World revenue was up 27% with Africa, Near and Middle East making good progress.

Revenue from outside of UK/Europe/USA now represents 23% of total revenue (up from 21% last year) and about half of this year's absolute £ growth came from there. We are making good progress toward our target of 30% of revenue coming from outside of UK/Europe/USA by 2015.

Cashflow was good with operating cash at 109% of operating profit.

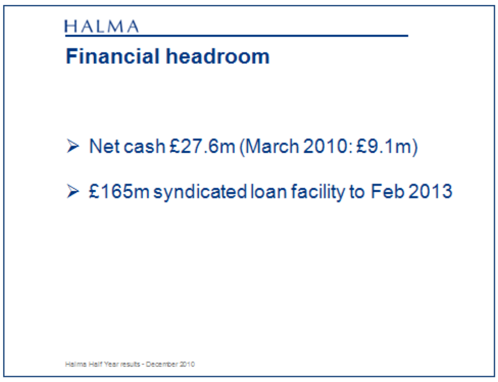


There was a modest increase in working capital, a good achievement given the growth we achieved and following on from an excellent cash performance in 2009/10.

Capital expenditure was a little ahead of last year and we expect it to be higher in the second half. The effective tax rate on profit[1] was 25.5% - our forecast for the full year rate.

We continue to pay cash into our pension scheme to reduce the scheme deficit in line with the actuaries' recommendations. The deficit is not significant relative to the size of the Group.

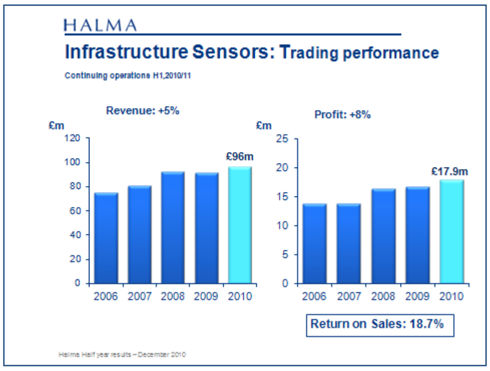
We are increasing the Interim dividend by a further 7% - in line with the increase for the 2009/10 year, indicating our confidence in the future. We balance these increases with our continued use of cash for acquisitions and further investment in the business.



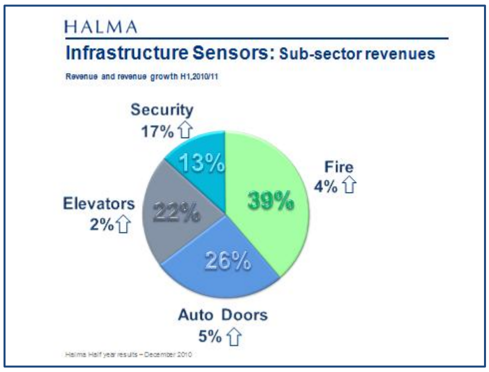
We ended the half year with £27.6m of net cash up from £9.1m at March 2010. As mentioned above we spent £15.7m of this cash in November 2010 on the Alicat acquisition. We also have a £165m syndicated loan facility which runs to February 2013. Therefore we have good headroom for growth and further acquisitions.

Andrew Williams continued by giving an overview of the sector performances.

All three sectors increased both revenue and profit during the half year.

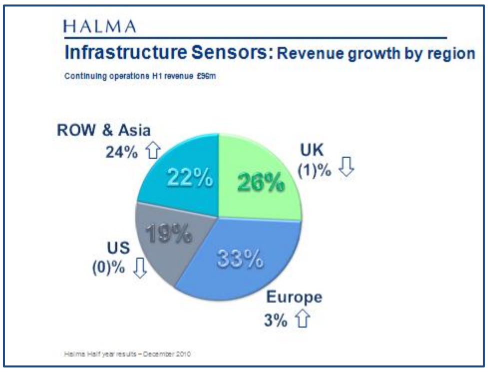


Our **Infrastructure Sensors** business had a solid first half with revenue up 5% to £96m and profit up 8% to £17.9m. This profit contributes 35% to the Group total. Return on Sales improved from 18.2% to 18.7%. All sub-sectors increased revenue despite market conditions remaining subdued in developed regions.



Our Fire Detection and Security Sensor businesses generate 75% of their revenue from UK and Mainland Europe. Growth in Fire was achieved through good progress in Asia and, since the period end, we have completed a small £1m acquisition in China. This gives us a manufacturing base, local product approvals and a stronger market presence to further develop our Fire business in this important region. Our Security business performed well in the UK and South Africa. We are gaining market share in the UK and building relationships with new OEM customers.

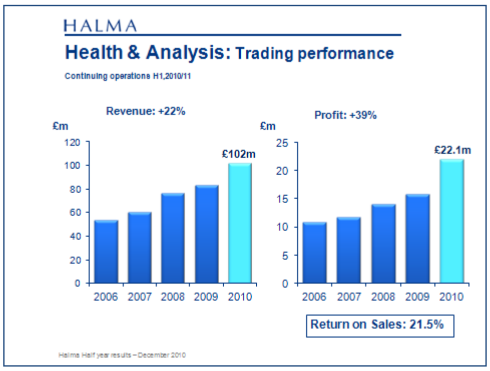
Our Automatic Door Sensor and Elevator Safety businesses have an excellent global footprint with a well-balanced presence in Europe, US and Asia. In both businesses, revenue in Asia grew strongly. Our Automatic Door Sensor business continues to benefit from diversifying away from the pedestrian door sensor market into new markets such as transportation.



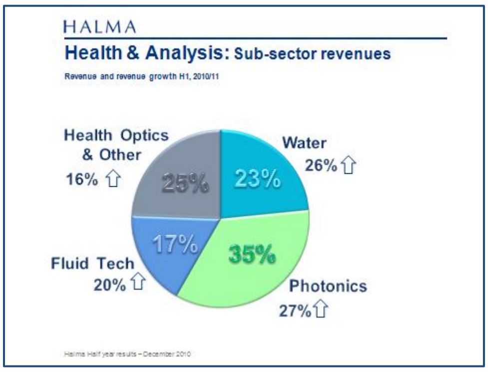
The regional trends in Infrastructure Sensors show that markets in the developed world were resilient whilst higher growth was available in developing regions. Revenue from the Rest of the World and Asia was up 24%.

In Security, we recently launched the new Ricochet wireless security system which solves the problem of inconsistent signal quality of wireless systems in buildings. Ricochet uses a unique and patented mesh technology which allows each device to communicate through other devices in the system rather than only directly to a single point. This makes the system easily scalable from a small residential home up to a large commercial office building with the usual 'ease-of-installation' advantages over a wired system.

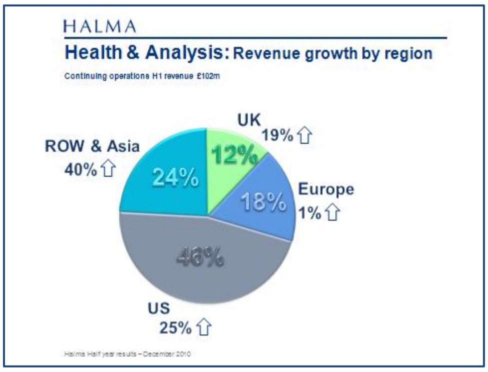
In Elevator Safety, we have continued to develop our 'Commander' technology platform. This combines interactive lift display technology with the lift control system in one product. We have generated significant interest from major global Elevator OEMs and in Asian markets where in-car Elevator display technology is more prevalent than in the West.



Our **Health and Analysis** sector delivered a tremendous first half result with revenue up 22% to £102m and profit up 39% to £22.1m. This profit represents 43% of the Group and is now our largest sector. Return on Sales improved from 19% to 21.5% with all sub-sectors increasing both revenue and profit.



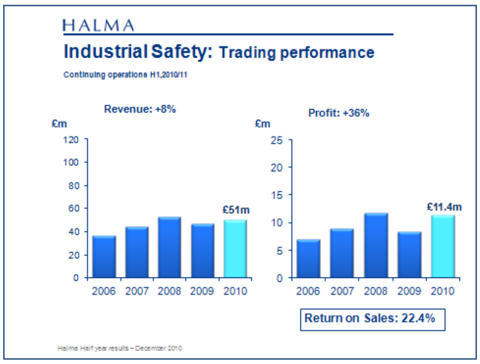
Water revenues were up 26% with growth in all segments (UV treatment, leakage control, water quality testing). Our Photonics business increased revenue by 27% boosted by strong growth in Asia – especially from low energy lighting and display customers. Fluid Technology grew by 20% after seeing a good pick-up in demand from medical and life science diagnostic system OEMs. In Health Optics and Other, revenue grew by 16%. Our Health Optics business continues to build a strong global distribution network and now generates around 45% of revenue from outside the UK/Europe/USA. Our cash-counting business ('Other') performed well too.



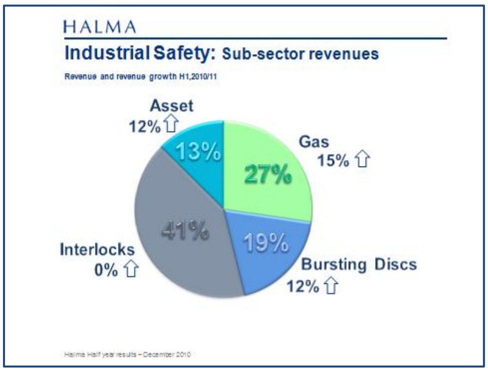
We achieved strong growth in the UK, particularly from the Water and cash counting businesses. In Europe, revenue was fairly 'flat' in all sub-sectors. In the US we saw strong growth especially in Photonics and Fluid Technology. Rest of the World and Asia grew by 40% with excellent performances from Photonics and Health Optics.

In Photonics, we recently launched our new 'TOCS' system which allows LED developers to measure the thermal, optical and electrical performance of LEDs (and their interaction with each other) in one system. This enables LED component and display developers to optimise performance and we see encouraging potential for this new system in Asia.

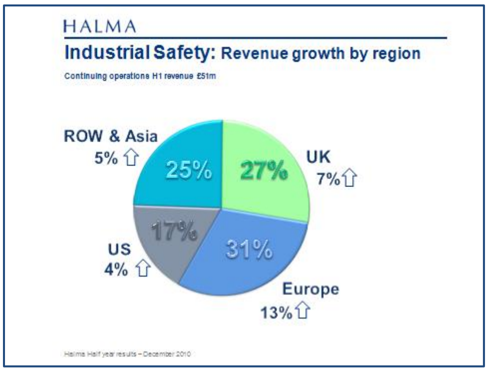
In Health Optics, we recently launched the 'Merlin' surgical accessory. This is fitted to an ophthalmic surgeon's microscope and incorporates our world leading 'Volk' lenses. It enables the surgeon to carry out procedures with greater precision and is easier to use than other systems on the market.



Industrial Safety made excellent progress after a tough first half last year. Revenue increased by 8% to £51m whilst profit grew by 36% to £11.4m. This profit represents 22% of the Group total. This sector has increased Return on Sales from 17.7% to 22.4% this year – the highest in the Group.



All sub-sectors benefitted from the growth in global energy and natural resources markets. We also saw modest improvement in demand from European process industries and were encouraged by progress in some newer market niches in Asia. For example, Safety Interlocks in the China nuclear industry.



The regional revenue trends in Industrial Safety contrast with our other two sectors. There was stronger growth in Europe with growth at lower rates elsewhere. It is notable that revenue from Rest of World and Asia grew by only 5%. I think there are two possible reasons for this. Firstly, Health and Safety at work lags other areas, such as basic health care, in the economic development cycle so the demand drivers for our products are still to be fully established. Secondly, our businesses do need to add more resource into Asia and South America more quickly, and this continues to be a focus of our strategic investment.

Industrial Safety has longer product life-cycles and hence lower R&D investment than our other two sectors.

Our Gas Detection business has launched the 'IREX' product range which is used to detect hazardous hydro-carbons in Oil, Gas and Petro-chemical industries. It uses Photonics technology (optical Infra-red sensor) to replace the existing chemical sensor based systems. It has the advantages of increased reliability and a longer lasting product-life. It can interface with the same control system as used by the existing chemical sensor and therefore provides an excellent retrofit opportunity.

In Asset Monitoring, our sub-sea business, Tritech, has recently launched the 'Gemini' digital imaging product. Gemini provides real time, high definition imaging and can be used to inspect sub-sea objects on the sea-bed in low visibility conditions. The example on this side shows the image that can be seen from a vessel on the sea surface 15 metres above a well-head drilling operation.

HALMA

Strategy

Organic growth
- Innovation
- International expansion – Asia
- Management development

M&A
- Stronger pipeline
- Financial headroom

Halma Half year – December 2010

Our strategy for growth remains on track and we made good progress on all fronts during the period. In new product development, we increased R&D spend by 12%. The benefits of this continuing investment can be seen in the new products regularly introduced by Group companies – examples of which are shown in this presentation.

We are increasing investment in international expansion – particularly in Asia. In China, we opened new Halma regional offices in Chengdu and Guangzhou whilst a third, in Shenyang, (Northern China) will open in early 2011. We are also increasing our resources in India, where we now have nine Halma companies with direct representation compared with three at the beginning of the period.

In Management Development, we launched the first HCAT training programme which targets the development of our technical engineers. A second programme is planned for 2011.

The M&A environment is more positive than it was at the beginning of the year. We have a stronger pipeline with greater quality and quantity of prospects. Vendor valuation expectations are becoming more realistic. As Kevin mentioned earlier, we have financial headroom to invest as we find businesses which meet our acquisition criteria.

HALMA

Fluid Technology Acquisition: Alicat

- Mass Flow Meters & Controllers
- $250m addressable market
- Common customers
- Clear growth strategy

Halma Half year – December 2010

In November, we acquired Alicat Scientific Inc. for $25m. In their last financial year, adjusted EBIT was approximately $3.2m. Alicat is based in Tucson, Arizona and employs around 40 people. As with most of our acquisitions, Alicat's senior management is remaining with the business. Alicat makes Mass Flow Meters and Mass Flow Controllers. These devices are used to control the flow of a gas very precisely in specialised industrial and scientific processes.

The total global market for Mass flow measurement is around $700m with 65% of this in the semi-conductor industry. Alicat targets the remaining 35%, which is mainly to research laboratories and specialised industries such as life sciences. They share many common customers with our existing Fluid Technology businesses. We have a clear strategy for growth and see new opportunities to cross-sell products between Halma businesses, convert larger OEM opportunities and expand internationally. Currently 70% of Alicat's revenue is from the US.

HALMA

Outlook

- Earnings momentum maintained
- Market conditions steadier
- More evenly balanced H1:H2
- Acquisition opportunities

Halma Half year – December 2010

We have maintained earnings momentum throughout the financial downturn and in 2010 have seen steadier demand on a month-to-month basis than we saw in 2009. We therefore expect a much more evenly balanced performance in the first half and second half of this year compared with 2009/10. Finally we are finding more acquisition opportunities in our markets and have the financial resources necessary to acquire good quality businesses.

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[1] Before amortisation of acquired intangible assets of £2.0 million (2009/10: £2.7 million).

[2] Organic growth measures the change in the revenue and profit from continuing operations. The effect of acquisitions and disposals during the current or prior financial year has been equalised by adjusting for their contribution based on their revenue and profit at the date of acquisition or disposal.

[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 (ROCE) is defined as operating profit from continuing operations before amortisation of acquired intangible assets as a percentage of capital employed. **

*[5] Return on Total Invested Capital (ROTIC) is defined as profit for the year from continuing operations before amortisation of acquired intangible assets, but after taxation; expressed as a percentage of total shareholders' funds, adding back net retirement benefit obligations less associated deferred tax, cumulative amortisation of acquired intangible assets and historic goodwill.**

** see the Half year report published on 30 November 2010 for more details.*