HALMA

Halma plc
Half year results 2012/13

Summary of analysts' presentation by:
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20 November 2012

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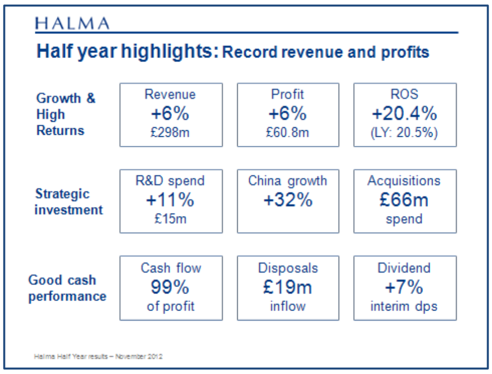
Halma's strategy is to create shareholder value through sustainable growth and high returns.

We do this through:-

- Operating in markets where there are long-term growth drivers including health and safety regulations, increasing demand for healthcare and increasing demand for life critical resources.
- Building competitive advantage in niche markets through developing innovative products and intellectual property.
- An agile operating model which allows us to direct resources to growth opportunities relatively easily and quickly as the market needs change.
- Increasing strategic investment for growth with a focus on innovation, people development and international expansion.
- An active approach to portfolio management through acquisitions and divesting businesses to reallocate capital.

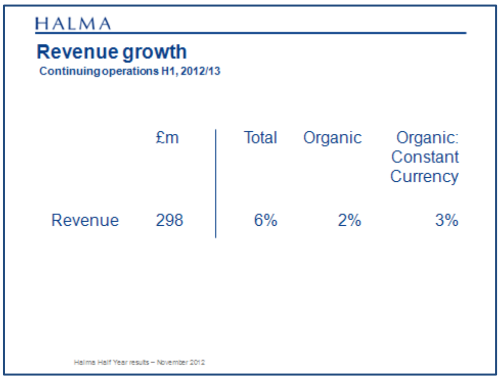
During this presentation you will see plenty of examples of this strategy in action.



Halma achieved record revenue and profit for the first half year. Both revenue and profit increased by 6% while Return on Sales of 20.4% was in line with last year (11/12: 20.5%).

We increased strategic investment to sustain growth in the longer term. R&D expenditure grew faster than revenue, with a total spend of £15m; 11% more than last year (11/12: £13m). All three sectors increased investment in R&D. There was good progress in international expansion, with revenue from China growing by 32%. We completed three acquisitions with a total spend of £66m. All three acquisitions were within our Health & Analysis sector.

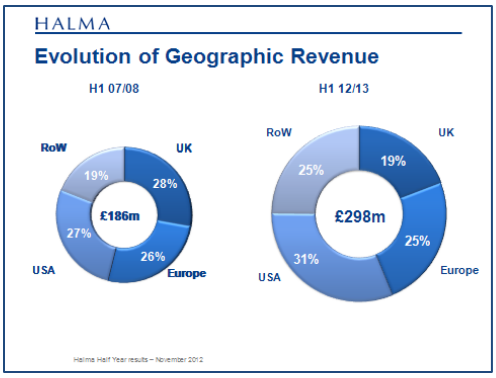
We maintained a good cash performance and a strong balance sheet. Our operating companies met expectations with cash flow of 99% of profit. There was a £19m cash inflow due to disposals. The Board has decided to increase the interim dividend by 7% which is the 34th consecutive year of increasing the interim dividend by 5% or more.



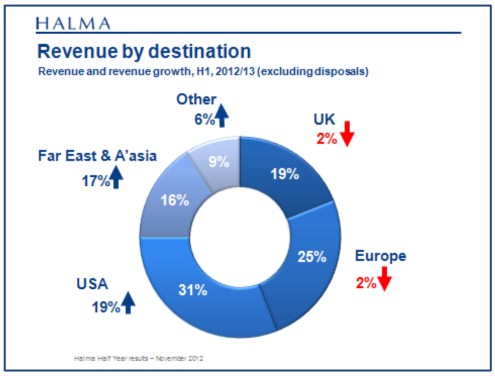
The net impact on revenue of currency translation was 1% negative with a stronger US$ but a weaker Euro relative to Sterling than in the previous year. Organic[2] revenue growth at constant currency (i.e. excluding the impact of acquisitions, disposals and currency) was 3%.

The underlying growth rate of revenue in the second quarter of the year was slightly higher than the first quarter.

The composition of our geographic revenue has changed noticeably in recent years.

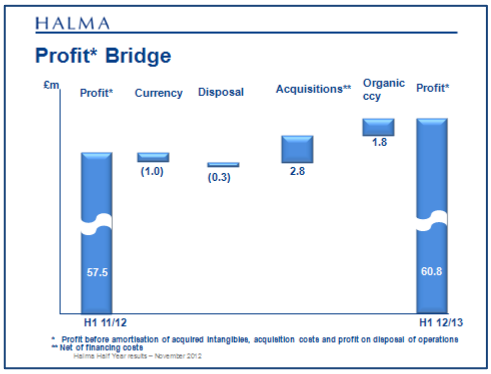


Revenue from outside UK/US/Europe has more than doubled since 2007/08 and now represents 25% of the total – heading towards our target of it being 30% by 2015. Conversely, revenue from the UK is now just 19% of the group total compared with 28% five years ago. Clearly, this change gives us a more favourable exposure to higher growth markets.



Nearly half of our revenue growth this half year came from outside of UK/US/Europe with our business in the Far East and Australasia growing by 17% and revenue in China up 32%.

Revenue in the UK excluding disposals was down only slightly on the previous year. Sales in Europe were also 2% lower with over 70% of the business from Northern European customers giving us more resilience in the uncertain economic environment. The USA grew by 19% boosted by acquisitions.



Profit increased by 6% to £60.8m (11/12: £57.5m) with 3% organic growth at constant currency. The net contribution from acquisitions and disposals was a positive 5% with currency 2% adverse.

Statutory profit and EPS increased by over 20% partly due to an £8.2m gain on the disposal of Tritech.

Current market consensus implies a 47:53 H1:H2 profit split which is in line with what we have typically achieved over the past 15 years.

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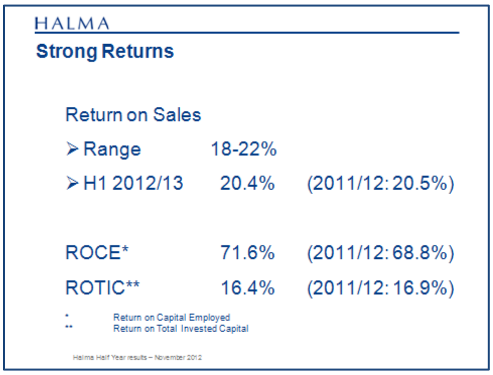
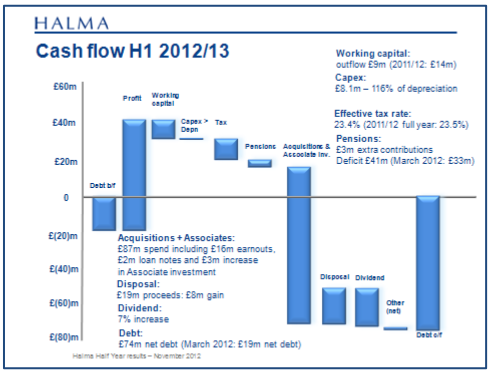


Return on Sales[3] was 20.4%, in line with the first half of last year and well within our target range of 18-22%. ROTIC[4] (Return on Total Invested Capital) and ROCE[5] (Return on Capital Employed – a measure of operating efficiency by our businesses) were both high at 16.4% (11/12: 16.9%) and 71.6% (11/12: 68.8%) respectively.

Cash flow was good. Net debt in March 2012 was £19m and this increased to £74m by September 2012 after financing acquisitions (net of disposals), paying the substantial final dividend for 2011/12 and investing in the growth of our businesses.

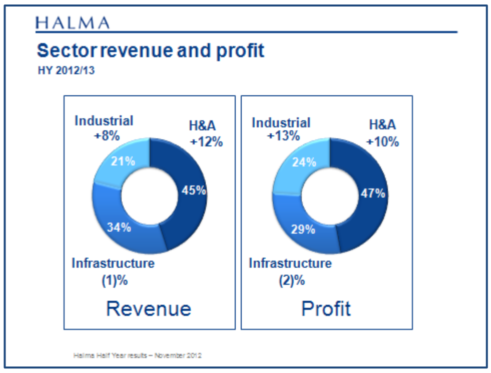


Working capital requirements increased, typical for the first half of the year. We invested £8.1m (11/12: £8.4m) in fixed assets.

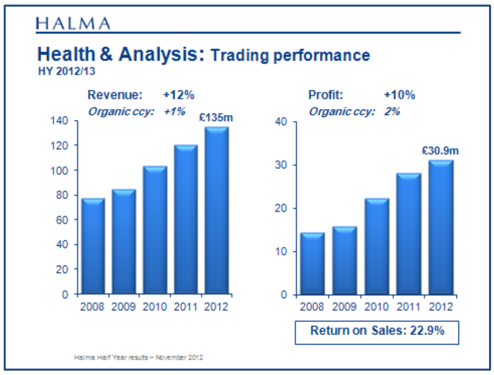
The effective tax rate was 23.4% which is also our forecast for the 2012/13 full year and in line with the 2011/12 full year rate. We continue to pay extra cash into the Group pension scheme (£7m per annum) as per the scheme actuaries' recommendation and this year we will pay an additional £1m following the Volumatic disposal in March 2012.

We spent £66m on the three acquisitions in the first half of 2011/12 and their integration into the Group is progressing well. Together with earn-out payments for prior year acquisitions and a further investment in an associated company, the total spend was £87m.

We have a strong financial position including a £260m bank facility which is available until 2016. Therefore, we have the resources to support value adding acquisitions and our growth initiatives.

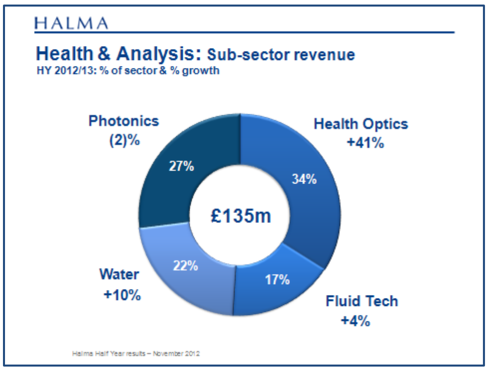


The relative revenue and profit trends for our three sectors show strong growth in Health & Analysis and Industrial Safety and a resilient performance in Infrastructure Sensors.

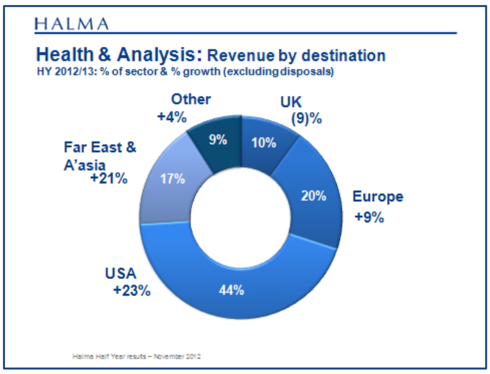


Health & Analysis revenue grew by 12% to £135m and profit by 10% to £30.9m. Return on Sales remained strong at 22.9% (11/12: 23.1%). There was a strong contribution from the three acquisitions made during the half year which more than offset the disposal of Volumatic, sold in March 2012.

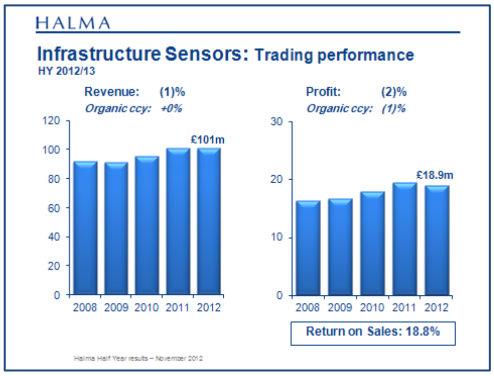
Our two medical related sub-sectors (Health Optics & Fluid Technology) performed well, especially in Asia and Europe. Fluid Technology's performance was particularly encouraging as it had a tough year last year. It is performing ahead of expectations so far in 2012 and its steady recovery is expected to continue during the second half.



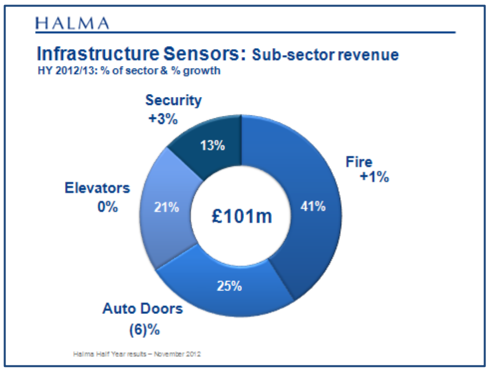
Our Environmental and Analysis sub-sectors (Photonics and Water) achieved a mixed performance. Water performed well in Asia although, as expected, there was lower spend by UK water companies as they are in the latter stages of their 5-year investment cycle. Photonics grew strongly in Asia although, in the US, lower government spend on Science and Research projects resulted in slightly lower revenue overall. We continue to refocus our Photonics business into markets where there are strong Halma growth drivers and remain confident in its long term growth prospects.



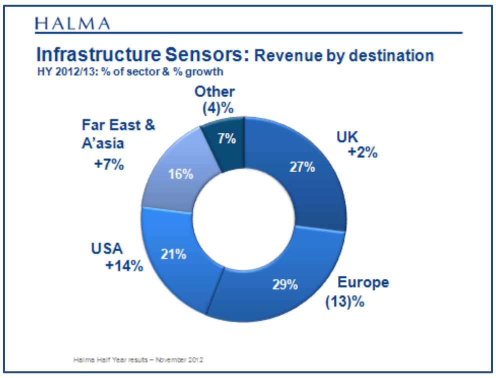
Health and Analysis has a greater proportion of revenue from the US than our two safety-related sectors. UK revenue was down 9% mainly due to Water. In the US we saw strong growth of 23% boosted by acquisitions. All four sectors performed strongly in the Far East and Australasia. Revenue from China was up by 68%.



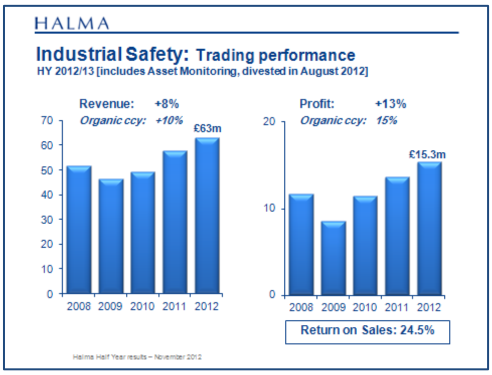
Infrastructure Sensors delivered a resilient performance. Revenue was down by 1% whilst profit was 2% lower. The latter included £1m of reorganisation costs. Return on Sales was strong at 18.8% (11/12: 19.2%).



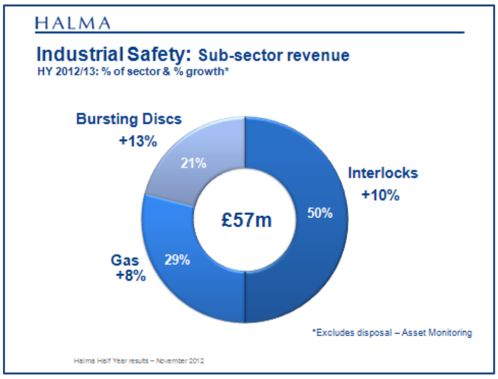
Automatic Door Sensors revenue was down 6% due to weakness in demand from European customers and Euro currency effects. Elevator Safety performed well. The reorganisation of our European and Asian businesses was completed with all manufacturing located to the Czech Republic or Asia. Even if there is no substantial revenue growth during the second half, we expect profit growth in Elevator Safety for the full year. Fire achieved strong growth in US and Asia with weaker demand from Europe.



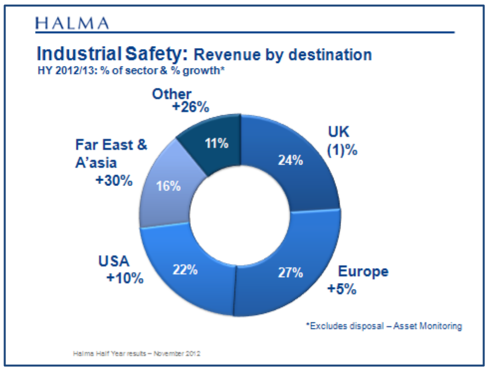
There was a solid performance in the UK (up 2%) but all sub-sectors had reduced revenue from Europe (down 13%). However, all sub-sectors achieved revenue growth from both US and Far East. Here, there were good contributions from new product launches especially in Fire Detection and Automatic Door Safety.



Industrial Safety was our strongest sector with revenue up by 8% and profit up by 13%. Return on Sales increased to 24.5% from 23.4% last year. Underlying organic growth at constant currency was 10% for revenue and 15% for profit.

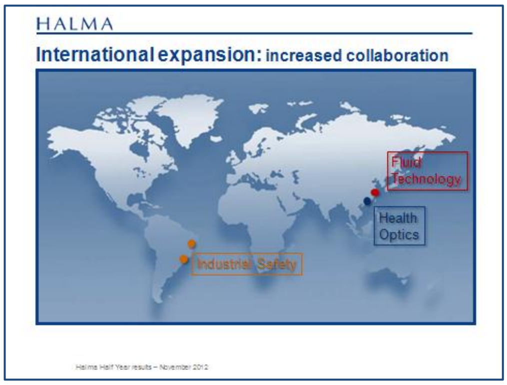


All three sub-sectors performed strongly. Safety Interlocks revenue increased by 10% with strong growth in oil and gas markets. Gas Detection increased revenue by 8% with 70% of revenue coming from products launched in the last 3 years. Bursting Disks saw strong demand in oil, gas and petrochemical markets and the new products introduced for new "fracking" process applications are doing well.



Industrial Safety had a 1% decline in revenue in the UK although this compares with a very strong performance last year (31% growth). It was particularly encouraging to see 30% growth in the Far East and Australasia.

We continue to increase investment in our strategic growth initiatives.



Revenue from outside UK/US/Europe increased to 25% of the group total (11/12: 23%), meaning we are well on the way to our goal of 30% by 2015.

Increasingly, Halma companies are working together to expand in developing regions.

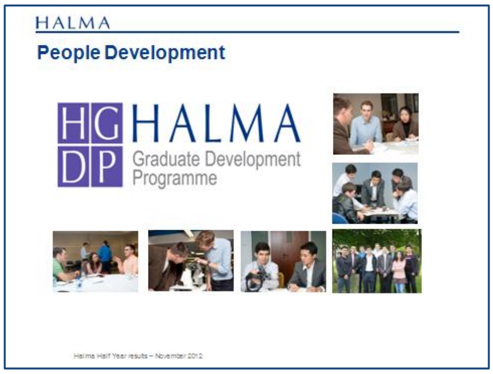
- South America - Our Industrial Safety companies are creating a single trading company in two cities in Brazil to serve oil, gas and petrochemical customers.
- Shanghai, China - Our Fluid Technology businesses are establishing a single manufacturing facility to serve local customers and international OEMS in China.
- Shenzhen, China - Following the recent acquisition of SunTech, our Health Optics businesses are exploring manufacturing their medical products in SunTech's manufacturing facility in Shenzhen.

Portfolio management is an important element of our strategy to sustain growth. SunTech, acquired in May 2012, is a good example of building a strong position in a new market niche.

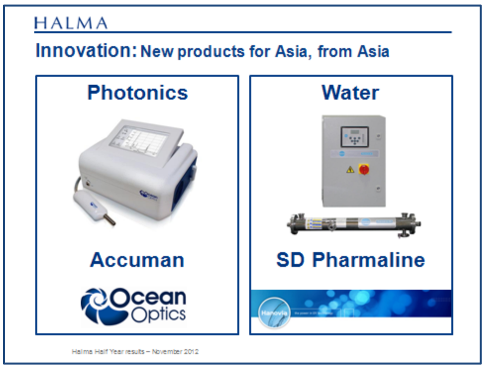
SunTech make clinical grade, non-invasive blood pressure products and technology with 25% of their products sold directly to the end-user and 75% through OEM customers. Key applications include Stress Blood Pressure Monitoring (used by cardiologists) and Ambulatory Blood Pressure Monitoring devices (for 24/7 remote patient monitoring)

The global market for blood pressure monitoring devices is estimated to be growing at 6% per annum due to increasing demand for healthcare and health and safety regulations. Ageing population, obesity, hypertension, increased remote monitoring plus overall growth in healthcare in developing nations are important demand drivers.

Looking ahead, our acquisition pipeline is good. We are seeing a steady increase in the number of opportunities in Asia and safety-related markets, although the majority of our opportunities remain in the Health & Analysis sector.



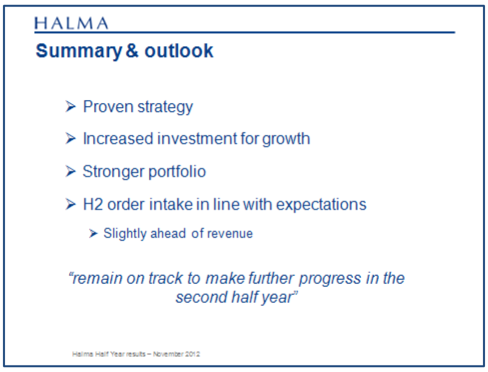
We increased investment in people development. The first ever Halma Graduate Development Programme (HGDP) started in October 2012 with a group of 9 technical graduates from top UK and US universities. This is a two year programme involving 6 month placements in Halma companies across the world and residential training modules. HGDP will help us build a stronger management pipeline and increase the diversity of our management talent over time. Recruitment for the 2013 programme is already underway.



We are increasing innovation in new products for customers in Asia.

- Photonics - Ocean Optics in Shanghai has developed a new product, Accuman. This is sold to pharmaceutical manufacturers for 100% inspection of raw materials to comply with new SFDA standards in China. Accuman has potential applications in other markets which require raw material identification and verification.

- Water – Hanovia has developed the SD UV water treatment range, which is targeted at the food and beverage and pharmaceutical markets in China. These customers require low flow rates of high water purity to ensure they meet national safety standards.



In summary, Halma's proven strategy continues to deliver sustainable growth and high returns. We continue to increase investment for growth in people development, innovation, and international expansion. We have strengthened our portfolio with three acquisitions and one disposal during the first half year. Our acquisition pipeline is strong and order intake since the end of the first half year is in line with our expectations continuing to be slightly ahead of revenue.

For these reasons we remain on track to make further progress in the second half.

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[1] Before amortisation of acquired intangible assets, acquisition costs, movement on contingent consideration and profit on disposal of operations of £1.4m credit (2011/12: £6.2m charge).

[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 Total Invested Capital (ROTIC) is defined as profit from continuing operations before amortisation of acquired intangible assets, acquisition costs, movement on contingent consideration and profit on disposal of operations but after taxation; expressed as a percentage of total shareholders' funds, adding back net retirement benefit obligations, cumulative amortisation of acquired intangible assets and historic goodwill.**

*[5] Return on Capital Employed (ROCE) is defined as operating profit from continuing operations before amortisation of acquired intangible assets, acquisition costs, movement on contingent consideration and profit on disposal of operations, as a percentage of capital employed. **

** see the Half year report published on 20 November 2012 for more details.*

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