

Halma plc Half Year Results 2015/16

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

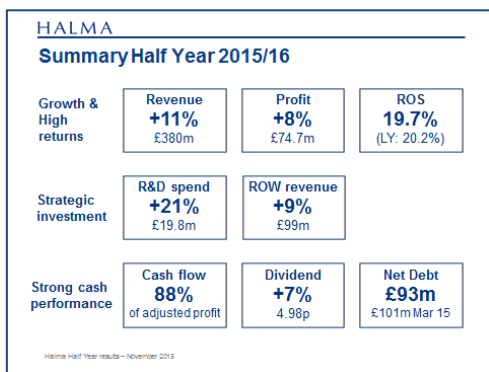
17 November 2015

Record results and continued dividend growth

Andrew Williams, Group Chief Executive, summarised the Half year results.

These record results demonstrate, once again, the strengths of Halma's strategy and business model in quite varied market conditions, including:

- Resilient market growth drivers and carefully selected market niches
- Market diversity across four sectors
- Geographic diversity and balance
- An agile organisational model supported by increasing strategic investment in innovation, international expansion and talent



Revenue increased by 11% and profit¹ by 8% to new record levels. Return on sales² was 19.7%, within our 18%-22% target range.

We continued to invest for the longer term. It was particularly pleasing to see R&D investment up by 21% to just under £20m. We aim to grow our business outside of our traditional strong markets in the UK, USA and Europe, with this element of Rest of World revenue up by 9%.

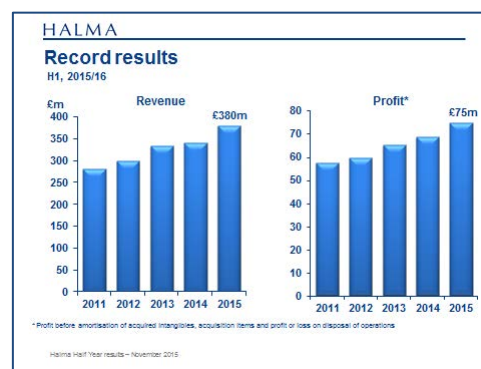
We delivered a strong operational and cash performance, with cash flow 88% of adjusted profit. We increased our interim dividend by 7% to 4.98p. We ended the period with net debt at £93m. Following the period end, we increased our financial capacity through a US Private Placement and completed the acquisition of

Firetrace USA, LLC for our Infrastructure Safety sector.

Overall this was an impressive performance which gives us a strong platform to continue to make progress in the second half.

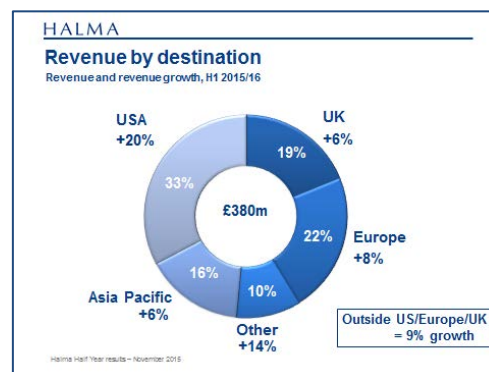
Kevin Thompson, Finance Director, reviewed the financial performance of the half year.

Halma delivered another set of record half year results with widespread revenue growth, and a strong cash performance. The good progress in the last five years is shown below.



Revenue grew by 11% to £380m. This included 1% contribution from acquisitions made in the current and prior year, and 3% currency translation benefit. Organic³ growth at constant currency (excluding the impact of acquisitions, disposals and currency translation) was 7%.

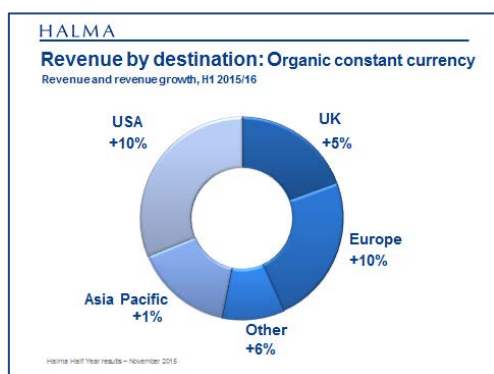
This was a strong performance, ahead of our underlying market growth rates, and in line with our long-term growth target.



There was revenue growth in all the major Regions.

The USA, which grew 20%, remained our largest sales destination and increased from 31% of total revenue in the first half last year to 33% this year. UK, Mainland Europe and Asia also grew well.

Revenue outside USA/Mainland Europe/UK grew by 9% to contribute 26% of total revenue. There was even stronger growth of 12% within USA/Mainland Europe/UK. Our new KPI is to exceed 10% growth outside USA/Mainland Europe/UK.



There was underlying revenue growth in all major regions excluding acquisitions, disposal and currency translation impacts. On this basis, the USA grew by 10% with high single digit growth in Process Safety and Medical sectors and double digit growth in the other two sectors. The UK grew 5% with good growth in three sectors and Process Safety holding revenue at last year's level.

Mainland Europe had underlying growth of 10% with strong growth in the Medical sector. Asia revenue growth was mixed with the two Safety sectors down but Medical and Environmental & Analysis growing strongly. In Other territories, Near and Middle East grew well but South America revenues were reduced across the sectors.

HALMA
Profit* growth
H1, 2015/16

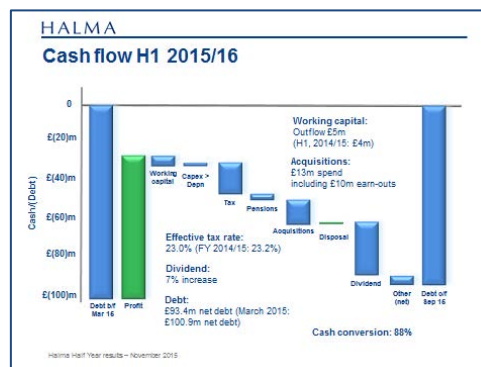
	% growth
> Headline growth	8%
> Acquisitions	(2%)
> Organic growth	6%
> Currency	(2%)
> Organic constant currency growth	4%

* Profit before amortisation of acquired intangibles, acquisition items and profit or loss on disposal of operations
Halma Half Year results – November 2015

Adjusted¹ profit grew by 8% to £75m including 2% benefit from acquisitions and 2% benefit from currency translation. Organic³ profit growth at constant currency was 4%, just below our KPI target although a good result given our increasing levels of strategic investment and the current varied market conditions.

The positive currency translation impact resulted from an 8% stronger US\$ and 12% weaker Euro than last year's first half, relative to Sterling. At current rates, the second half impacts would be reduced as we started to see a stronger US\$ and weaker Euro in the second half of last year. This would result in a broadly neutral currency translation impact in the full year.

Cash performance was good with an 88% cash conversion, ahead of our 85% KPI target. We ended the half year with net debt of £93m having financed taxation payments, a record dividend payment, investment in capital expenditure and significantly increased R&D expenditure.



Working capital was well managed. The effective tax rate was 23% and this is also our forecast for the full year (full year 2014/15: 23.2%). We continue to make extra contributions to fund our UK Defined Benefit pension plans, which were closed to future benefit accrual in December 2014.

In the half year we acquired VAS in the USA for \$5m (£3m) as a bolt-on to Diba Industries, in our Medical sector. Immediately after the half year we acquired Firetrace USA, headquartered in Phoenix, Arizona and now part of the Infrastructure Safety sector, for \$110m (£73m).

The interim dividend was increased by a further 7%. For the past 36 years we have increased our dividend by 5% or more each year.

Our objective is to double the Group revenue and profit every five years. In order to provide sufficient financial capacity to support this growth, now was the right time to build some cost effective longer term debt into our funding.

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Funding

- USPP agreed
 - \$250m
 - Weighted average interest rate of 2.5%
- £360m bank facility – 5 years to 2018
- Comfortable with:
 - net debt up to 1.25x EBITDA (H1: 0.5x)
 - temporarily higher gearing
- Strong balance sheet with significant capacity

Halma Half Year results – November 2015

We have secured a \$250m (£163m) US Private Placement, borrowing funds over a 5-10 year period starting in January 2016. The all-in interest rate over the life of the borrowing is 2.5%.

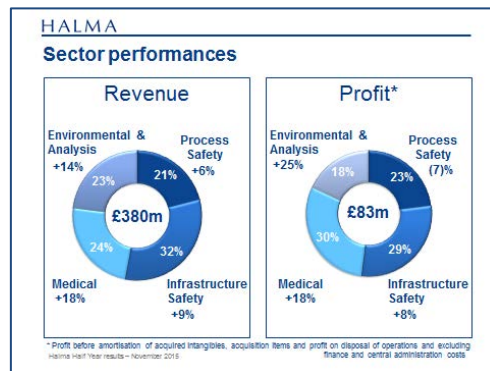
There is no change to our overall balance sheet strategy. We have a £360m syndicated bank facility which gives us access to variable funding. At half year gearing was 0.5x. We remain comfortable with net debt gearing levels of 1.25x EBITDA in the longer term. We would

increase gearing beyond that temporarily if we find high quality acquisitions.

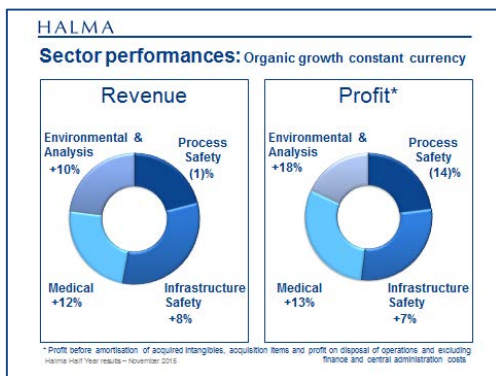
Halma's financial position remains strong with significant capacity to invest in our business, pay an increasing dividend and continue to make value-adding acquisitions.

Andrew Williams then looked at each sector's performance in more detail, highlighting the benefits of Halma's market and geographic diversity.

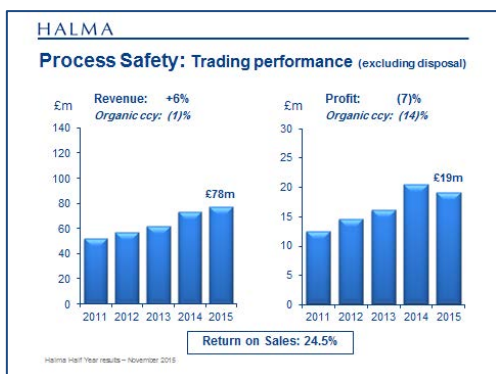
The consistency of Halma's performance is helped by having resilient market growth drivers such as increasing health and safety regulations, increasing demand for healthcare and increasing demand for life critical resources.



Infrastructure Safety, Medical and Environmental & Analysis all increased revenue and profit significantly during the period. Process Safety increased revenue, although profit was down. We are seeing the expected slow-down in demand from the oil & gas market; our businesses are balancing the need to keep overheads under control with the need to invest to diversify into other end-markets. Examples include the development of new bursting disk solutions for pharmaceutical, aerospace, fire suppression and other process industries.



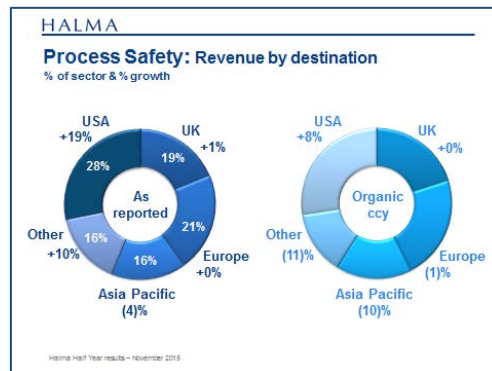
The organic constant currency figures show double-digit revenue and profit growth in Medical and Environmental & Analysis with high single digit growth in Infrastructure Safety. Process Safety had a (1)% organic constant currency decline in revenue and a (14)% organic constant currency decline in profit.



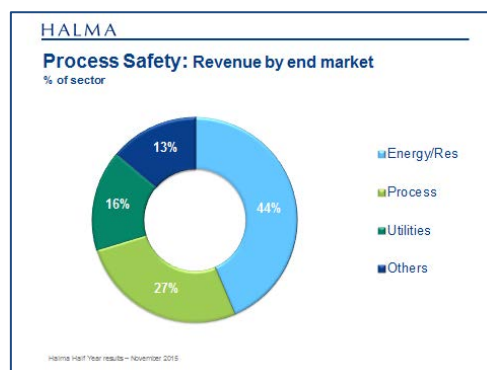
After recent years of strong growth, there was much slower progress in Process Safety. Revenue increased by 6% and profit was down by 7%. Return on sales, whilst lower than last year, remained at a high level of 24.5%. Gross margins were marginally down on the prior year so the profitability decline was mainly due to overhead costs increasing faster than revenue growth, with R&D investment increased by 15%.

There was a clear separation between the performance of those companies deriving the majority of their revenue from oil & gas (Bursting Disks and Pipeline Monitoring) and those companies selling to a diverse range of end-markets (Gas Detection and Trapped Key Interlocks). The benefit of this diversity for gas detection was clearly seen

by investors during our recent investor site visit to Crowcon.



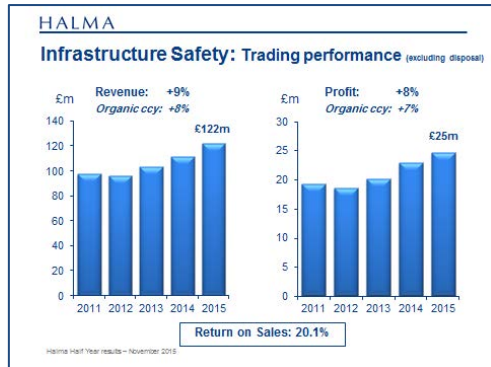
There was strong growth in the USA, over half of which was due to last year's RCS acquisition and currency impacts. However, the underlying organic constant currency growth was also good with our Trapped Key Interlock businesses growing sales from a broad range of Process Industries. Overall, UK and Mainland Europe revenue was flat. There was lower revenue performance from the Asia Pacific and Other regions. In Asia Pacific, China and India revenue was up but there was a reduction from Australia, where sales continued to be affected by weakness in the mining industry. In Other regions, South America was weak, with Brazil well down on the prior year.



Energy and Resources were 44% of the sector compared with 49% last year. Process Industries increased from 24% to 27% and Utilities from 15% to 16% of sector revenue.

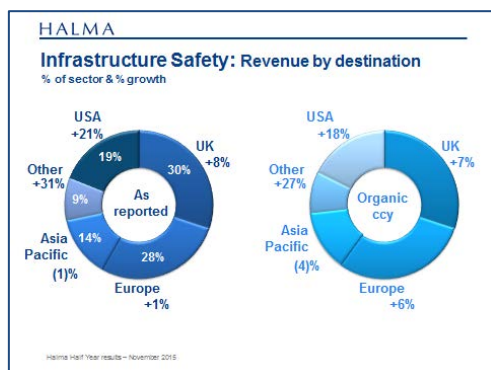
In summary, we will continue to invest for diversification and keep close control of costs. Trading in the Energy and

Resources markets is expected to remain challenging. Therefore we expect similar rates of organic constant currency growth in the second half to those we have seen during the first half.



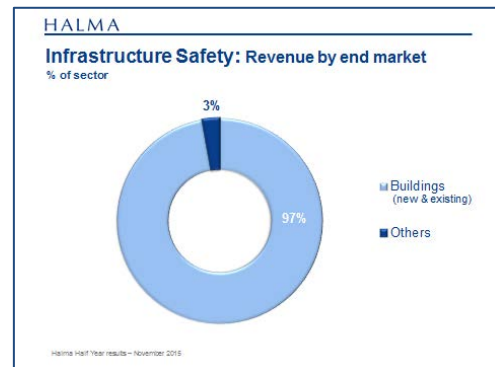
There was another excellent performance from Infrastructure Safety. Revenue was up by 9%, profit up by 8% and the organic constant currency figures were just below these levels at 8% and 7% respectively. Return on sales remained solidly in the middle of our 18% - 22% target range. Gross margins were steady and we increased investment for growth, with R&D up by 18%.

The Fire and Automatic Door Sensor businesses performed strongly helped by a good record of recent new product development. There were weaker performances from Elevator Safety and Security.



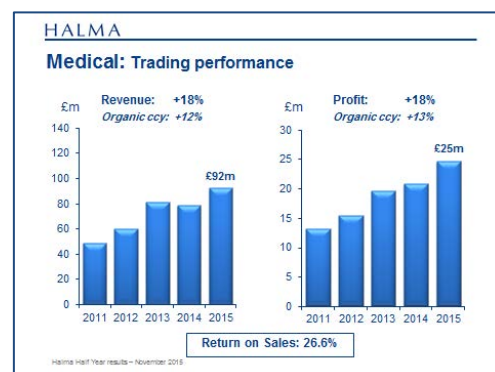
In the USA, Fire and Automatic Doors performed well while in the UK, all businesses increased revenue. In Europe, Automatic Doors performed well. Asia Pacific revenue was a little lower and this was the one Halma sector with reduced

revenue from China, where we are working to strengthen our senior management. In the Other region we had growth in Near and Middle East but a mixed result in South America. I expect these broad geographic trends to continue in the second half.



This sector is focused on the Buildings market. Two-thirds of revenue comes from existing buildings as demand is driven by safety legislation. Our Automatic Door Sensor business continues to make progress with diversification into other markets, including Transportation and Industrial Applications. This segment is still only 3% of sector revenue but should increase by the full year end due to the Firetrace acquisition.

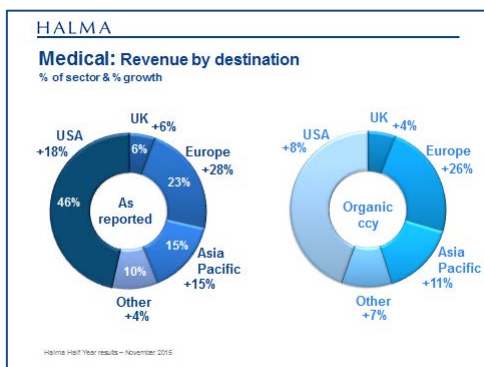
In summary, after a positive first half, we expect continued growth in the second half with good progress in developed markets more than offsetting any weakness in certain developing markets. This will be further supported by the contribution from Firetrace.



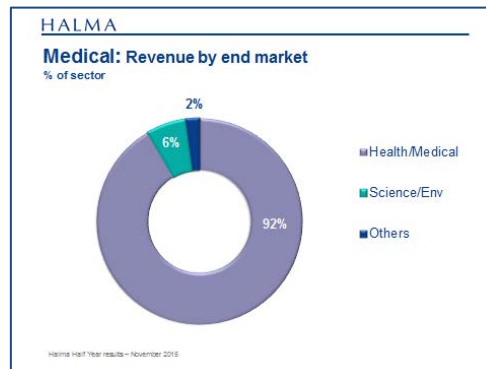
The Medical sector delivered an outstanding performance. Revenue was up 18%,

including 12% of organic constant currency growth. Profit improved by 18%, including 13% organic constant currency growth. Our three sub-sector businesses (Ophthalmology, Vital signs monitoring and Fluid Technology) all grew. Fluid Technology had a small benefit from a bolt-on acquisition, VAS, acquired for \$5m in May 2015.

Return on sales remained at 26.6%, and is now the highest of our four sectors. Investment in R&D increased by around 35%, equal to just under 5% of revenue. We will see the benefit of this investment coming through in the next year or so, particularly when we gain the necessary local product approvals.

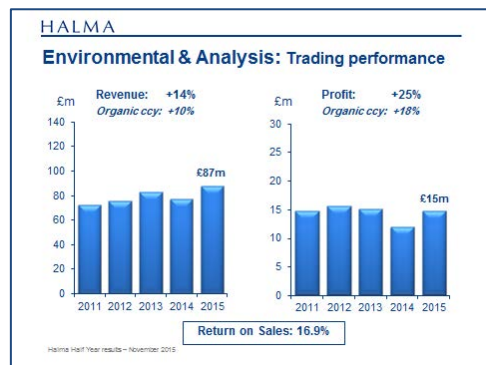


There was impressive revenue growth in all regions. The largest region, USA, representing 46% of total sector revenue, performed well with Ophthalmology strong and Fluid Technology seeing more activity from its OEMs as they increased new product development activity. In Europe, all businesses performed well in almost all major countries, with encouraging results from Vital Signs Monitoring. In Asia Pacific there was good growth in China as more products gained the local product approvals and the benefit of stronger channels to market in Ophthalmology came through. There was a similar picture to the other sectors in Other regions with Near and Middle East making progress and South America weak.



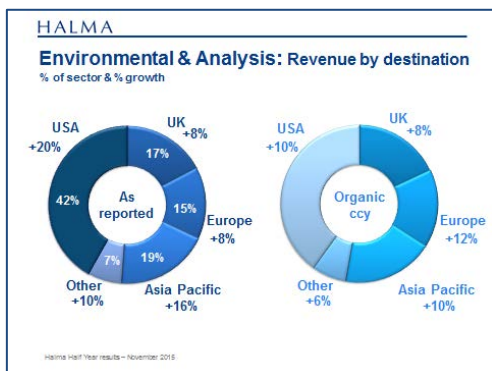
There is a strong focus on Health and Medical markets. We choose niches which can grow faster than the market overall, for example where demand is driven by the increasing prevalence of conditions such as diabetes, obesity and hypertension. Some of our Fluid Tech devices are also used in Science and Environmental markets where there are good growth opportunities here.

In summary, the outlook for the second half is continued strong growth backed up by an ongoing increasing investment in new product development, international expansion and talent.

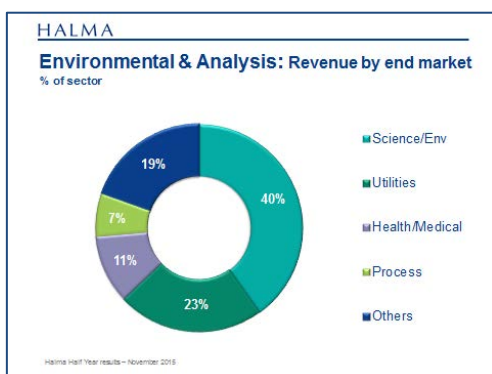


I am very pleased with the recovery in Environmental & Analysis so far this year. Revenue grew by 14%, including organic constant currency growth at 10%. Profit improved by 25%, including organic constant currency growth of 18%. Return on sales increased to just under 17% and is now well on the way to hitting our minimum 18% target. Gross margins remained strong and there was good overall control of overheads. R&D investment increased by 15%.

All three businesses Photonics, Analysis and Water contributed to this growth and in the second quarter we started to see evidence that the next cycle of AMP period investment from UK Water utilities is coming through.



There was growth in all major geographic regions including good growth in the USA, where our Photonics businesses saw more OEM customer spending on research. In the UK, the Water businesses performed well and there was fairly consistent performance across all major European countries. In Asia Pacific, China revenue increased including our Analysis businesses (e.g. pollution control) and Water businesses (e.g. UV treatment and quality testing). In Other regions, there were some strong performances in the Near and Middle East but South America revenue was lower.



This sector serves a diverse range of end markets and there was growth in all segments including strong performances in Utilities and Health/Medical. In summary, I am pleased that most of the structural changes we made in the last year are working well, resulting in a very encouraging

first half performance. I expect to see this progress continue in the second half enabling us to get profit back to record levels by the full year end.

Andrew Williams then looked at Halma's strategy and outlook for the rest of the year.

Halma's goal is to double earnings every five years through a balance of half organic growth and half by acquisition. We aim to increase our dividend to shareholders by 5% or more every year and deliver this growth and high returns without becoming a highly leveraged business.

To achieve these goals, we target markets with resilient, long-term growth drivers and have built an agile, decentralised operating model with resources close to our customers. We sustain organic growth by increasing levels of investment in Innovation, International Expansion and Talent development. We acquire businesses in our sectors which have similar financial and business characteristics to us.



In **Innovation**, we have seen a substantial increase in R&D investment during the period. We are encouraging our companies to do more local product development in key growth markets and encouraging more collaboration between them through events such as the Halma Innovation and Technology Exposition held earlier this year.

In **International Expansion** we are looking to expand the Halma India hub into three or four regional cities in the next year or so. In

China our current focus is on building greater depth in senior management talent.

For **Talent development** we are planning to introduce a new Enterprise Leadership Programme for our MDs and Sector Vice Presidents in 2016.

More details of these strategic investments will be given as we go through the next year, including at the full year results announcement in June 2016.

In M&A, we recently completed the acquisition of Firetrace. This was a typical Halma acquisition as it was a business that was privately owned and not for sale when we made contact initially. Over a two to three year period, we convinced management and the owners that Halma was the best home for their business. We completed the deal in October 2015, paying around \$110m (a multiple of around 10x EBIT). Firetrace is based near Phoenix, Arizona and designs and manufactures fire suppression devices for confined spaces. This is Halma's first fire suppression business, and a strong addition to our existing Fire Detection business.

Andrew Williams showed a short film introducing Firetrace. Available at <http://www.halma.com/news/video/acquisitions.asp>
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Firetrace Acquisition: Summary

- > privately owned, 'not-for-sale'
- > niche technology, simple & rugged solution
- > safety regulation/risk market demand driver
- > growth potential:
 - > new applications
 - > international market expansion
 - > collaboration with Halma safety businesses

Halma Half Year results - November 2015

Firetrace has niche technology providing a simple and rugged solution, backed up with strong intellectual property, manufacturing and applications know-how. Their market is driven by safety regulation/risk and offers sustainable growth. We will be helping Firetrace to find new applications, expand

their business internationally and improve innovation through collaboration with other Halma companies.

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Summary & Outlook

- > Record first half year results
 - > revenue growth in all sectors and major regions
 - > strong returns and cash generation
 - > continued investment for growth
- > Good start to second half year
 - > FireTrace acquisition
 - > increased financial capacity
 - > order intake ahead of last year and revenue

Halma Half Year results - November 2015

In summary, these were record first half year results for Halma. Revenue grew in all sectors and in all major regions and we continued to deliver strong returns and cash generation. We increased investment for growth, particularly in R&D.

We have made had a good start to the second half of the year, having completed the Firetrace acquisition and increased our financial capacity through a US Private Placement. Since the period-end, order intake has remained ahead of last year's order intake and ahead of revenue. We remain well placed to make progress in the second half of the year in line with our expectations.

¹ Adjusted to remove the amortisation of acquired intangible assets, acquisition items and profit or loss on disposal of operations totalling £10.4 million charge (2014/15: £7.8 million).

² Return on Sales is defined as Adjusted profit¹ before taxation from continuing operations expressed as a percentage of revenue from continuing operations.

³ 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 period has been equalised by adjusting for their contribution based on their revenue and profit at the date of acquisition or disposal.

* See the Half year report published on 17 November 2015 for more details.

CAUTIONARY NOTE.

This document contains statements about Halma plc that are or may be forward-looking statements.

Forward-looking statements include statements relating to (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Halma plc's operations and potential synergies; and (iii) the effects of government regulation on business.

These forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of Halma plc. They involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such statements. They are based on numerous assumptions regarding present and future business strategies and the future operating environment. All subsequent oral or written forward-looking statements attributable to Halma plc or any of its shareholders or any persons acting on its behalf are expressly qualified in their entirety by this cautionary statement. All forward-looking statements included in this document speak only as of the date they were made and are based on information then available to Halma plc. Investors should not place undue reliance on such forward-looking statements, and Halma plc does not undertake any obligation to update publicly or revise any forward-looking statements.

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