

Halma plc Half year results 2016/17

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

22 November 2016

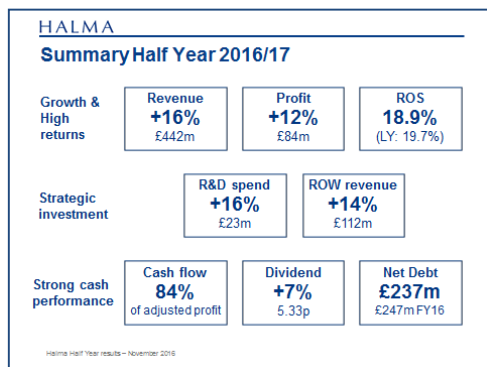
Record first half results and continued dividend growth

Andrew Williams, Halma's Chief Executive, summarised the half year results.

A lot has changed in the world since we announced our full year results in June 2016. The results we have announced today are another demonstration of the real strengths of Halma's strategy and business model delivering in what were, and indeed remain, quite varied market conditions.

We continued to benefit from our market and geographic diversity. The value of our market diversity is demonstrated with three of our sectors continuing to grow and more than compensating for a challenging first half for Process Safety. We also have good geographic diversity and balance with growth in all of our major regions. Our agile and flexible operating model ensured that our businesses were capable of adjusting quickly as market opportunities changed.

We have had a good first half of the year delivering another record set of results.



We had good growth and high returns with revenue up 16% to £442m and adjusted¹ profit up 12% to £84m. Return on sales² of 18.9% was below last year although within our 18% - 22% target range.

We continue to increase strategic investment. R&D spend was up by 16% to £23m with larger increases in Infrastructure Safety (now 6% of sector revenue) and Environmental & Analysis (6.7% of sector

revenue). The total R&D spend represented 5.2% of Group revenue.

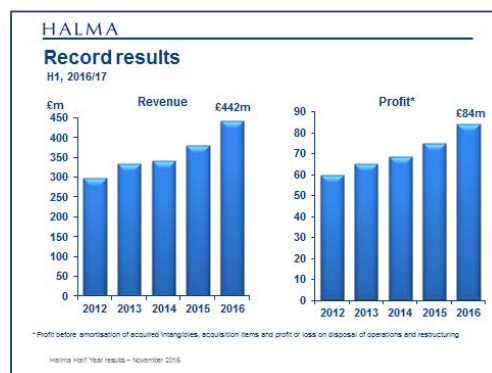
We continued to grow our revenue from outside the UK, USA and Mainland Europe. Revenue from these Rest of the World territories increased by 14% to £112m (above our 10% growth target) and included continued good growth in China.

We had a strong operational and cash performance with cash flow at 84% of adjusted¹ profit. We are increasing our interim dividend by 7%. Our net debt has reduced slightly to £237m from the year-end level and we have increased our revolving credit facility to support growth in the future.

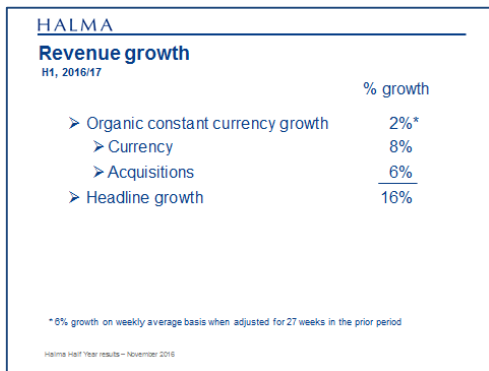
Overall, this is a good first half performance and we have a good platform to continue to make progress in the second half.

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

Halma has delivered another good set of half year results. The strong progress over the past five years is shown in the following table with record results each year.



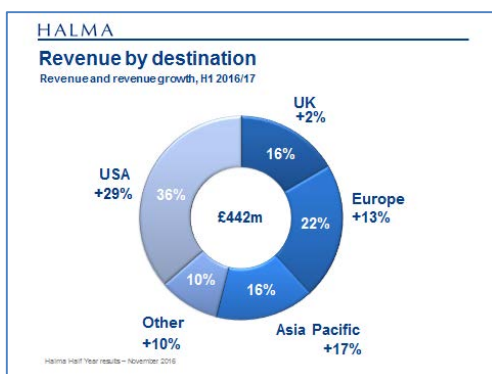
Revenue grew by 16% to £442m.



Organic³ revenue growth at constant currency (excluding the impact of acquisitions and currency translation) was 2%. This half year comprised 26 weeks compared with 27 weeks in the first half of last year. On a weekly average basis the growth this half year was 6% when adjusted for the 27 weeks in the prior period.

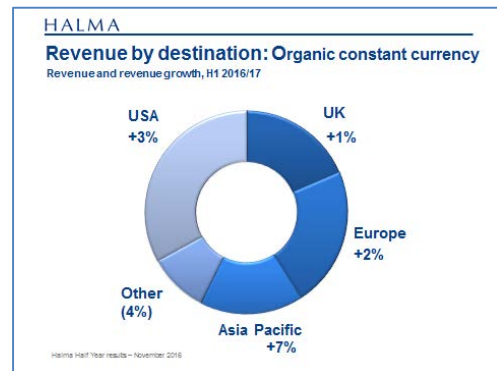
There was an 8% positive impact in the half year from currency translation and 6% contribution to revenue from acquisitions made in the second half of 2015/16.

There was revenue growth in all the major regions.



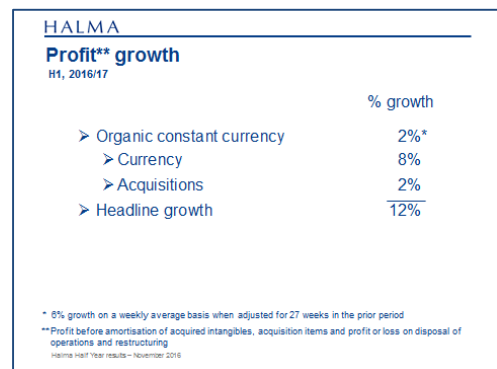
The USA remains our largest sales destination, growing 29% this half year and representing 36% of total revenue (2015/16: 33%); this was boosted by acquisitions and currency translation. Mainland Europe and Asia Pacific also showed strong increases with China up 17%.

There was underlying growth in all the major regions at organic constant currency, excluding acquisitions and currency translation impacts.



Asia Pacific showed the strongest growth at 7% with good progress in China, Japan and Singapore in particular. The USA, UK and Mainland Europe delivered low single digit revenue growth with a mixed picture in each region and tough conditions in the Oil & Gas market continuing to hold back progress in the Process Safety sector. In Europe there was good growth in Germany, Italy and Spain.

Revenue in Other territories was down. Near and Middle East revenue was lower in all sectors, Infrastructure Safety in particular. There was a better performance in South America following the decline we experienced last year.



Adjusted¹ profit grew by 12% to £84m. There was organic³ constant currency growth of 2% and, as noted above for revenue, the weekly average growth rate was 6% when adjusting for the 26 weeks this half year period versus 27 weeks in the prior period.

There was 8% benefit to profit from currency translation. Acquisitions made in the second half of 2015/16 contributed 2% to profit growth this half year.

Return on Sales² for the Group was 18.9% compared with 19.7% in the first half last year, within our target range of 18-22%. This reduction was due to the performance of the acquisitions made in the second half of 2015/16 and excluding these the Return on Sales² for the half year was in line with last year at 19.7%.

HALMA				
Return on Sales				
	2016/17			2015/16
	H1 £m	Acquisition* contribution £m	Without acquisitions £m	H1 £m
Revenue	442	25	417	380
Adjusted profit	83.6	1.5**	82.1	74.7
Return on Sales	18.9%		19.7%	19.7%

*Acquisition of Firetrace, Viometrics and CenTrak made in H2 2015/16
 ** Net of financing cost

Halma Half Year results – November 2016

In the half year acquisitions added £25m to revenue, £3.2m to operating profit and £1.5m to adjusted¹ profit after financing costs. Their performance in the period was below expectations due to increased investment and specific customer project delays. We are expecting improved performance from these businesses in the second half. In 2017/18, revenue and profit are expected to be back above the acquisition run rates and with exciting growth potential in the years beyond.

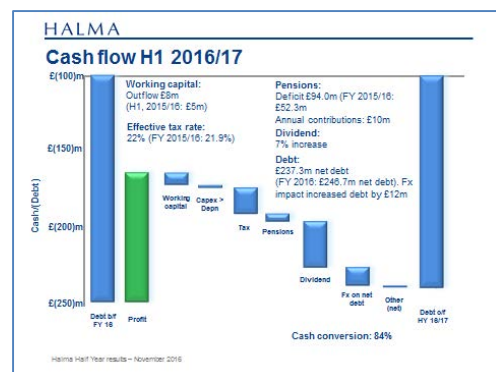
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Currency	
➤ Translation impact H1 16/17 v H1 15/16	
➤ US\$/£: Δ 11% stronger US\$	
➤ Euro/£: Δ 12% stronger €	
➤ Net positive impact: 8% revenue and profit	
➤ At current Fx rates	
➤ FY: ~ 10% positive	
➤ More information in Appendix	

Halma Half Year results – November 2016

As expected we saw a very positive currency translation impact due to 11% stronger \$ and 12% stronger Euro relative to Sterling. The big changes came as Sterling weakened after the EU referendum results in June, the end of our first quarter. This resulted in a net 8% benefit to revenue and profit in the half year.

Sterling has weakened further since September. We are currently expecting around 10% currency translation benefit to revenue and profit for the full year if current exchange rates continue and assuming our expected revenue and profit mix. We are encouraging our UK exporting businesses to take the commercial opportunities of weaker Sterling.

Cash conversion at 84% of adjusted¹ profit was just below our KPI target of 85%. We ended the year with net debt of £237m (Year end 2015/16: £247m) with the weakening of Sterling increasing currency denominated debt by £12m. In the half year we financed higher taxation and pension payments, a record dividend and increased investment in capital expenditure, up 27%, and in Research and Development, up 16%.



Working capital continues to be managed closely. The effective tax rate for the half year was 22%, which is also our forecast for the 2016/17 full year (Full year 2015/16: 21.9%)

Although the assets in our UK defined benefit pension plans grew this half year, the reduction in the discount rate following the EU referendum increased liabilities by more. The pension deficit increased from £52m at last year end to £94m, a significant increase, but not material to the Group. Following the most recent triennial valuations we increased pension contributions to ~£10m/year, with steady increases in future years, and will review the level of contributions again at the next valuation.

For the past 37 consecutive years we have increased the dividend by 5% or more. The interim dividend will be increased by 7%, continuing that record.

In early November 2016 we increased our Revolving Credit Facility to £550m from £360m for five years to 2021, with a syndicate of eight banks, on improved terms. With continued economic uncertainty expected over the next 12 months this seemed a very good time to take the opportunity to secure increased funding and for a longer period. This gives us additional variable funding on top of the \$250m US Private Placement we put in place a year ago.

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Increased financial capacity

- > Revolving Credit Facility
 - > increased to £550m (previously £360m)
 - > to November 2021
 - > 5 existing plus 3 new banks
- > In addition to existing \$250m USPP
- > Capacity for medium term growth
- > Comfortable with ~1.25x gearing, and up to 2x

Halma Half Year results – November 2016

There is no change in our approach to our balance sheet gearing. We don't intend to become highly geared and are comfortable with the current level of gearing around 1.25 times (1.17 times at half year). We would go up to 2 times if we found the right acquisitions.

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Full year factors

- > H1/H2 pattern
- > Growth – one less week
- > Currency translation benefit HY: 8%, FY: ~ 10%
- > Restructuring – small benefit in E&A sector
- > Acquisition performance – expected improvement H2 with strong growth prospects

Halma Half Year results – November 2016

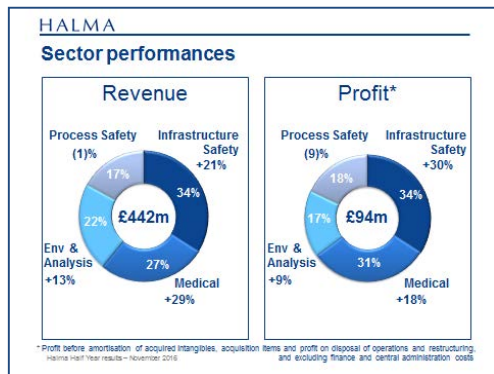
Other than assumptions about future growth rates, the other factors driving full year profits are as follows:

- In 2015/16 the split of first half /second half profit was 45%/55%. For 2016/17 analyst consensus for profits indicates that results are expected to be slightly more weighted to the second half with perhaps 56% or 57% of profit falling in the second half.
- As noted above there is one less week in the first half and full year this year. In future years, Halma's accounting calendar will be revised so that each half year finishes on 30 September and each full year finishes on 31 March, giving year on year comparability.
- Currency translation is expected to have a 10% positive impact on full year results assuming current exchange rates and the current mix of revenue and profit persist.
- There should be some benefit in the full year from restructuring in the Environmental & Analysis sector as described later.
- We expect an improved performance from recent acquisitions in the full year with strong growth prospects in 2017/18 and beyond.

Andrew Williams then reviewed each sector's performance in more detail and highlighted progress on strategic investment.

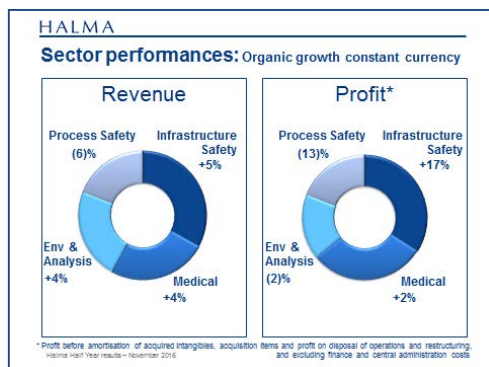
The trading performance reflects the benefits of our market and geographic diversity which can be seen in the overall group performance as well as within each sector.

Our sustained growth is underpinned by the resilience of our market growth drivers, including increased health and safety regulations, increased demand for healthcare and increased demand for life critical resources.



Infrastructure Safety, Medical and Environmental & Analysis all increased revenue and profit while Process Safety saw lower revenue and profit at similar rates to last year. In Process Safety as expected we still saw subdued demand from energy and resource markets and we continue to balance overhead control with the need to invest to diversify into other end markets. We expect to see improved performance as the benefits of this investment continue to emerge in the second half.

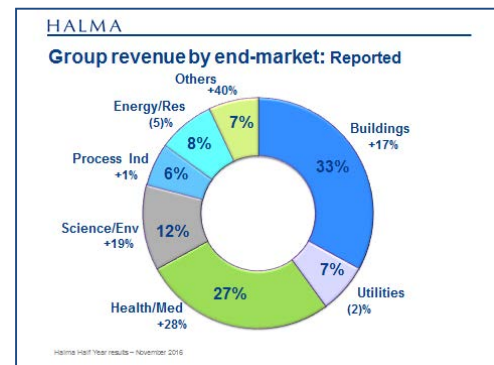
There was a significant impact from currency and prior year acquisitions in the headline reported figures as demonstrated by the organic constant currency numbers.



In summary, there was a really strong underlying performance from Infrastructure Safety. There was good revenue growth but slightly lower profit growth from Medical. There was good revenue growth and disappointing profit growth from Environmental & Analysis and we expect to see an improvement in Process Safety's performance in the second half in absolute and relative terms. Restating these figures on a weekly average basis, the overall picture in relative terms remains the same

although Environmental & Analysis has organic constant currency profit growth on that basis.

Previously, I have shown each sector's revenue by end market sector. However I think the group picture has more value when we look at both the proportion of revenue going into each of the end markets and also the growth rates achieved.



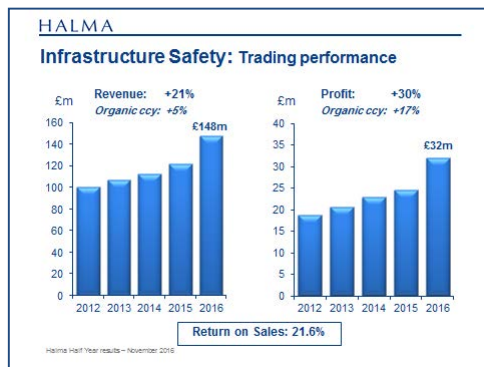
The chart underlines the diversity of our business and the visibility we have of our different end markets with every company in the group reporting this data each month. The variability in the growth rates across these end markets underpins the value of having a flexible and agile organisational structure where companies are free to search for growth opportunities.

Our three largest end market segments grew well. Our Buildings end market segment is dominated by the sale of Infrastructure Safety sensors and these products mainly go into existing infrastructure. The Health/Medical segment main contributor is the Medical sector and the Science/Environmental segment has a strong contribution from Environmental & Analysis sector. All three of these markets showed good growth in the half year.

The Energy and Resources segment represents just 8% of the Group, which shows our relatively limited exposure to this end market. This segment's revenue was down during the half, and is reflected in the performance of our Process Safety sector.

The **Infrastructure Safety** sector achieved a very strong performance continuing its

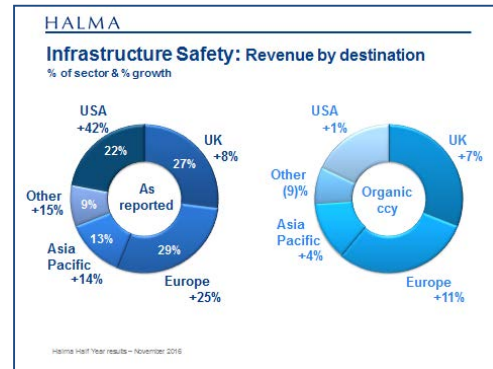
good growth in recent years. Revenue improved by 21% with organic constant currency growth of 5%. Profit grew by 30% including organic constant currency growth of 17%. Return on sales increased to 21.6% with gross margins increasing by 1% points and good overhead control. R&D investment increased by 34% to represent 6% of revenue. Even excluding the Firetrace acquisition, R&D spend increased by 27%.



The Fire and Automatic Door Safety businesses performed strongly with solid performances from the Elevator Safety and Security businesses.

Firetrace, the fire suppression business acquired in October 2015, performed below expectations in the first half. At the time of acquisition, we commented that it was a project based business and, indeed, the business saw a delay in gaining a customer approval prior to shipping a major project during the half. This approval process is now progressing well and we expect shipments to resume in the first half of 2017, providing a significant benefit in the next financial year.

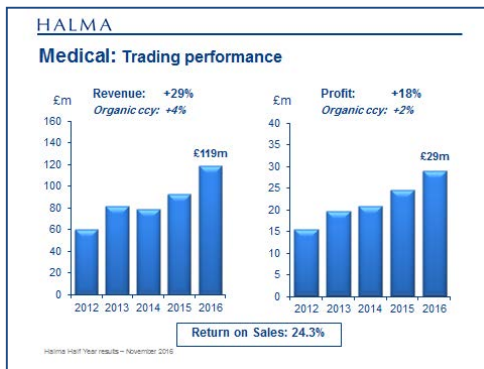
There was revenue growth in all major regions with the reported figures benefiting from currency translation and the Firetrace acquisition. There was organic constant currency growth in all major regions. The majority of revenue is to the non-residential market with two thirds of what we sell driven by refurbishment rather than new construction.



In the developed markets, our Fire business grew strongly in the USA, UK and Mainland Europe. Our Door Sectors business grew well in the USA and Europe whilst our Security business made good progress in the UK. There was a more mixed picture in Asia Pacific with China flat and Japan and Australasia showing good increases. In Other markets, revenue was lower with the big Fire projects in the Middle East last year not repeating this year.

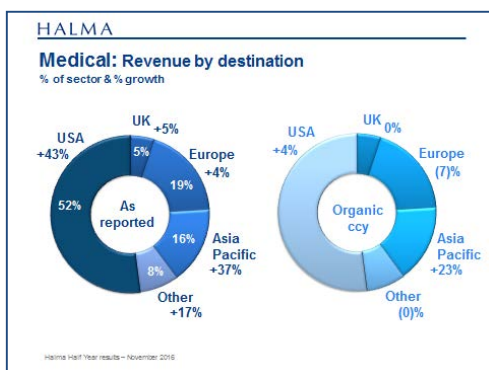
In summary, this was a very strong first half with widespread growth. We expect to see similar organic constant currency revenue growth in the second half but maybe not the exceptional rates of profit growth as we continue to invest in these businesses.

Our **Medical** sector had a good first half continuing the strong run it has had over the previous five years. Revenue improved by 29% including 4% organic constant currency growth. Profit grew by 18% including 2% organic constant currency growth. Return on sales at 24.3% was below last year as almost all of last year's acquisitions had lower return on sales than the sector average. Gross margins remained very solid with R&D spend representing 3.9% of revenue.



CenTrak, the real-time health care monitoring business acquired in February 2016, had a delay to a major project delivery due to issues between the end-customer and another third party. We believe these issues are now resolved and expect shipments for this project to resume in the first half of the next financial year. The silver lining to this delay was that it enabled CenTrak to focus on new applications and regional expansion. Examples of this include monitoring of patient elopement and wandering, environmental monitoring of vaccines and blood samples and new pilot trials with the NHS in the UK. All of these initiatives are going well and we remain excited about CenTrak's growth potential.

There were some impressive growth rates in all regions in our reported figures which included significant contributions from both currency and prior year acquisitions. The organic constant currency picture was a little more mixed.

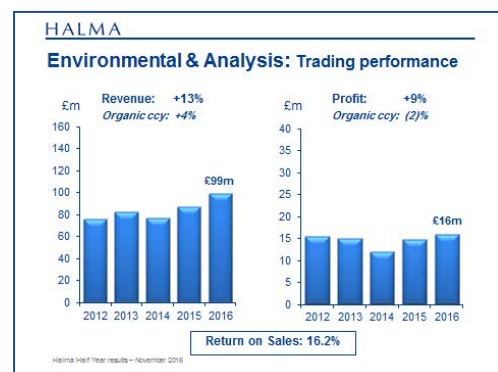


The USA, representing 52% of total sector revenue, was up by 4% following strong performances from Ophthalmology and Vital Signs Monitoring. Revenue from Asia

Pacific was up by 23%. There was very encouraging progress in China and other bright spots included Japan and Singapore. Revenue from Europe was down by 7% with quite big variations between different countries. These variations were often determined by the location of major OEM customers even though the ultimate end customer location may be outside of the European continent.

In summary, the Medical sector remains on track and made quite pleasing progress in the first half. We expect more of the same in the second half supported by a positive currency translation impact. However, the full benefit of prior year acquisitions will not be felt until we move into the first half of the next financial year.

The **Environmental & Analysis** sector made pleasing progress in the first half of the year although this was not fully reflected in the numbers. Revenue increased by 13% with organic constant currency growth of 4%. Profit was up by 9% including organic constant currency decline of 2%. Return on sales was slightly lower than last year at 16.2%. There were higher Gross Margins and R&D spend increased by 12% to 6.7% of revenue. R&D spend in this sector is typically higher than the group average.



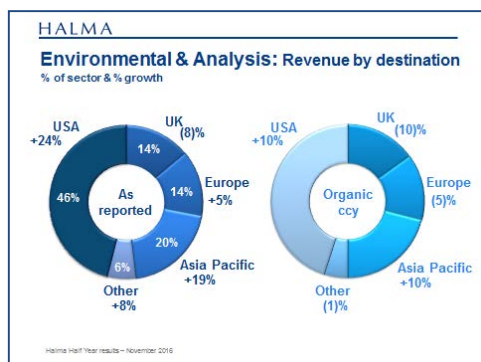
The Environmental, Water and Food Safety businesses performed well but there was lower profit in Life Science and Research mainly due to the performance of Pixelteq.

Two years ago we completed the geographic consolidation of Pixelteq's two manufacturing facilities to secure its multi-

spectral imaging (MSI) intellectual property. Although we secured that IP successfully, the rest of their optical coatings business remained unprofitable. In September 2016, we announced a restructuring and folded the MSI capability into Ocean Optics and stopped the loss-making coating contracts. This incurred an exceptional £2m charge which is in our statutory figures for the first half.

We expect this action to benefit the sector's profit by at least £0.5m in the second half and over £1.5m in the next financial year. This is a good example of how our decentralised structure allows us to fix problems quickly and relatively cheaply.

The revenue by destination figures show growth in all regions except the UK. The organic constant currency figures showed more of a mix, with strong growth in the USA and Asia Pacific and lower revenue elsewhere.

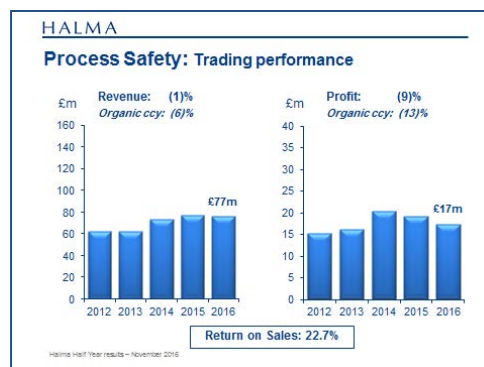


The USA represents almost half the sector revenue and saw growth in all sub-sectors, with especially strong performances from the Water monitoring and testing businesses. Asia Pacific revenue also increased by 10% with very encouraging performances in China and a good improvement in Japan too.

UK revenue was down by 10% with revenue from the UK water utilities a bit slow, although we expect this to improve during the second half. Revenue from Mainland Europe showed a varied picture with Scandinavia weaker but most other North European countries showing increases.

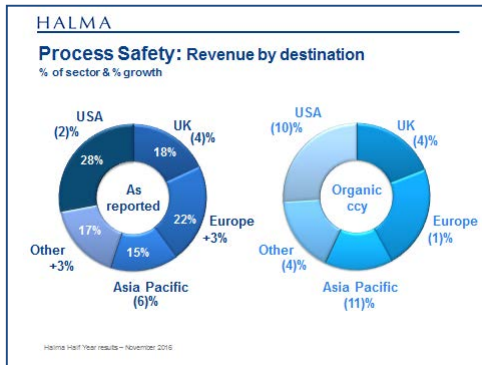
In summary, the sector made reasonable progress in the first half with good growth in the USA and Asia Pacific. It has continued to invest to grow, including a significant increase in R&D spend. The actions completed to restructure Pixelteq will improve profitability and we expect the sector to make further progress in the second half.

The **Process Safety** sector revenue was down 1% including 6% organic constant currency decline. Profit was down by 9% including organic constant currency decline of 13%. Return on sales remained at a good level, 22.7%, despite being lower than last year. Gross margins were slightly down on the prior year but remained at a healthy level whilst overheads were higher than the prior year. R&D spend was 3.6% of revenue.



The Energy and Resources markets represent 40% of sector revenue, compared with 50% two years ago. As expected, this market continues to be subdued although we expect to see the benefit of our investment to diversify into new regions and end markets continue to emerge during the second half.

The sector has a good balance of regional revenue. The reported figures show a mixed picture including a positive currency translation impact, but no acquisitions in the prior year.



In organic constant currency terms all regions had lower revenue. The decline in the US was predominantly due to reduced demand in our Pipeline Management and Pressure Relief businesses although the latter is starting to see faint signs of improvement beginning to emerge from shale gas. In the UK and Europe, there was a real mixture of trends including a strong performance in Italy and weaker demand in Russia. As expected Asia Pacific was lower despite increased demand from China. This was predominantly due to lower demand from the energy and resources markets in Australasia.

In summary, this was a challenging first half. However, with order intake trends improving, the benefits of investment to diversity starting to emerge and easier year-on-year comparatives we expect this sector to return to growth in the second half.

Andrew Williams completed the presentation with a brief review of Halma's growth strategy and strategic investment priorities.

Our strategy is to deliver value to shareholders by consistently delivering a balance of organic, acquisition and dividend growth against our strategic target of doubling earnings every five years.

To do that we choose markets with resilient long-term growth drivers and we select product niches, with strong intellectual property, that deliver high returns on a sustainable basis. We have an agile, decentralised operating model where resources are placed close to customers. We support organic growth via increased

investment in innovation, international expansion and talent. We acquire businesses in, and adjacent to, our existing sectors which have similar financial and business characteristics to us. We have four areas of focus for our strategic investment.



Innovation: We increased R&D investment by 16% during the period. We believe that an R&D spend equivalent to 5% - 6% of revenue is appropriate for our markets and we continue to see the benefit of more local product development in our key growth markets, with more collaboration between Halma companies.

International Expansion: In the first half, we recruited a new President of Halma China, replacing Martin Zhang who has moved into a Sector Vice President (SVP) role in our Infrastructure Safety sector. Clearly the role in China today is different to that of ten years ago, with more focus on both senior management development and acquisition activity within the region. The role has been expanded to include the whole of Asia Pacific.

Talent: This continues to be a major priority and competitive differentiator for Halma, reflected in Jennifer Ward's recent promotion to the Halma plc Board as Group Talent Director. During the first half, we completed the first new flagship HPD-Enterprise programme, which encourages our senior leaders to think more entrepreneurially and develop digital business strategies. In addition, our Sector CEOs continued to build their sector boards including the addition of new SVPs and

Sector M&A Directors. All sectors now have dedicated M&A resources.

These new **M&A** resources are already helping to build broader and deeper acquisition pipelines for each sector. The approval process for acquisitions has remained the same with Kevin Thompson and me continuing to be involved at the same stages of the M&A approval process as we were before the Sector Boards were created. Even though we made no acquisitions in the first half, I remain confident that we can still achieve our M&A growth targets in the medium-term whilst keeping disciplined with our capital allocation decisions.

HALMA	
Summary & H2 Outlook	
➤ Record first half year results	
➤ widespread growth, strength in diversity	
➤ continued investment for growth	
➤ H2 remains in line with our expectations	
➤ H2 order intake so far ahead of last year and revenue	
➤ increased FX impact	
➤ Longer term	
➤ increased financial capacity	
➤ broader/deeper sector acquisition pipelines	
<small>Halma Half Year results – November 2016</small>	

In summary, we have delivered record first half results with widespread growth which demonstrates the strength of having a diverse range of end-markets underpinned by resilient growth drivers. We have also continued to invest for growth in the medium-term through innovation, international expansion and talent development. We are also well positioned for growth in the longer-term through our increased financial capacity and stronger sector acquisition pipelines.

Since the period end, order intake has continued to be ahead of revenue and order intake last year and we are benefitting from the currency tailwind due to the weakening of Sterling since June. Halma remains on track to make progress in the second half of the year in line with the Board's expectations.

¹ Adjusted to remove the amortisation of acquired intangible assets, acquisition items and profit or loss on disposal of operations and restructuring totalling £18.4 million charge (2015/16: £10.4 million).

² Return on Sales is defined as Adjusted¹ profit 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 year has been equalised. Acquisitions are removed to calculate organic results for the first full year of ownership.

⁴ The first half's trading in the current 2016/17 financial year included 26 weeks from 3 April to 1 October 2016. The first half's trading in the 2015/16 financial year included 27 weeks from 29 March to 3 October 2015.

* See the Half year report published on 22 November 2016 for more details. A webcast of the half year results presentation will be available on Halma's website www.halma.com, from 22 November 2016.

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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