GROUP AT A GLANCE

Revenue
£298.1m
Growth +6%

Adjusted profit before taxation
£60.8m
Growth +6%

Return on sales
20.4%

Interim dividend declared
4.06p
Growth +7%

Continuing operations	2012	2011	Change
Revenue	**£298.1m**	£280.0m	+6%
Adjusted Profit before Taxation[1]	**£60.8m**	£57.5m	+6%
Statutory Profit before Taxation	**£62.2m**	£51.3m	+21%
Adjusted Earnings per Share[2]	**12.34p**	11.75p	+5%
Statutory Earnings per Share	**13.14p**	10.52p	+25%
Interim Dividend per Share[3]	**4.06p**	3.79p	+7%
Return on Sales[4]	**20.4%**	20.5%	
Return on Total Invested Capital[5]	**16.4%**	16.9%	
Return on Capital Employed[5]	**71.6%**	68.8%	

Pro-forma information:

1 Adjusted to remove the amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration and profit on disposal of operations of £1.4m credit (2011/12: £6.2m charge). See note 2 for details.

2 Adjusted to remove the amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration, profit on disposal of operations and the associated tax. See note 6 for details.

3 Interim dividend declared per share.

4 Return on Sales is defined as adjusted[1] profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.

5 Organic growth rates, Return on Total Invested Capital and Return on Capital Employed are non-GAAP performance measures used by management in measuring the returns achieved from the Group's asset base. See note 9 for details.

CHAIRMAN'S STATEMENT

Halma: what we do and our strategy
Our business is to make products which protect lives and improve the quality of life for people worldwide. We do this through continuous innovation in market-leading products, which meet the increasing demands for improvements to safety, health and the environment. Our businesses are autonomous and entrepreneurial, building strong positions in market niches where the demand is global.

Half year results
In the first half, revenue from continuing operations of £298.1m increased by 6% compared with the prior year (2011/12: £280.0m); this included a net 4% contribution from acquisitions less disposals, and a negative currency impact of 1%, giving organic revenue[1] growth at constant currency of 3%. Adjusted[1] profit before tax from continuing operations also increased by 6% to £60.8m (2011/12: £57.5m), with organic growth of 3% at constant currency. Statutory profit before tax increased by 21% to £62.2m (2011/12: £51.3m). Return on Total Invested Capital[1] was 16.4% (2011/12: 16.9%).

We spent £65.6m (excluding £3.5m of cash but including £1.4m of debt acquired) on three acquisitions (2011/12: £14.5m) and £15.8m on earnouts for acquisitions made in previous years (2011/12: £5.4m). We also disposed of a business for £21.8m including £2.1m of deferred consideration. This resulted in a net debt of £74.1m at the end of the period compared with £18.7m at 31 March 2012. Our financial position remains strong.

Dividends
The Board declares a 7% increase in the interim dividend to 4.06 pence per share which will be paid on 6 February 2013 to shareholders on the register at 4 January 2013. This increase reflects the Board's continuing confidence in Halma's long-term growth prospects.

Progress
Despite weak economic growth and uncertainties in both Europe and the USA, Halma has made further progress, thanks to the continuous efforts of our employees to innovate. Return on Sales[1] was virtually unchanged at 20.4% (2011/12: 20.5%). Our investment in China again produced good results with sales growth of 32%. We continue to actively manage our portfolio of companies in line with our strategic objectives as illustrated by the following summary of acquisitions and disposals.

Acquisitions and disposals
During the first half year, Halma made three acquisitions: Accutome, a manufacturer of ophthalmic instruments, for US$20m (including US$2.3m of bank loans) plus an earnout of up to US$5m; Sensorex, a manufacturer of water analysis sensors, for US$38m; and Suntech Medical Group, a supplier of non-invasive blood pressure monitoring devices, for US$46m (plus US$5m for cash retained in the business) and up to US$6m earnout. We also sold Tritech (subsea asset monitoring equipment) for £21.8m, following the disposal at the very end of 2011/12 of Volumatic (cash counting equipment).

"Halma remains on track to make further progress in the second half of the year."

Outlook
Despite continuing global economic uncertainties, our structure of decentralised, market responsive management and the underpinning of demand from fundamental growth drivers have once more proved resilient in challenging markets. Halma remains on track to make further progress in the second half of the year.

Geoff Unwin
Chairman

[1] See Financial Highlights

Investment proposition

Halma has an impressive record of creating sustained shareholder value through the economic cycle. We have consistently delivered record profits, high returns, strong cash flows, low levels of balance sheet gearing and a 30+ year track record of growing dividend payments by 5% or more every year.

Our ability to achieve record profits through the recent periods of economic turbulence is derived from our strategy of having a group of businesses building strong competitive advantage in specialised safety, health and environmental technology markets with resilient growth drivers. These growth drivers, such as increasing Health and Safety regulation, mean that demand for our products is resilient, in both developed and developing regions, through periods of significant macro-economic change.

Organic growth generates the financial and business resources we need to fund acquisitions and keep increasing dividends.

We generate organic growth momentum by increasing levels of investment in people development, new products and establishing platforms for growth in developing markets. Here, the need for Safety, Health and Environmental regulation is increasingly recognised by governments and the wider population.

Over the long term, we actively manage the mix of businesses in our Group to ensure we can sustain strong growth and returns. Whilst acquisitions accelerate entry into more attractive market niches, we merge businesses when market characteristics change and we exit markets which offer less attractive long-term growth and returns through carefully planned disposals.

Halma's resilient market qualities, organic growth momentum and active portfolio management position us strongly to create shareholder value and achieve high levels of performance in the future.

CHIEF EXECUTIVE'S REVIEW

Halma made good progress during the period, achieving record revenue and profit and strong returns. Our focus on safety, health and environmental markets with long-term growth drivers is enabling us to continue to find growth opportunities.

Trading trends

We achieved strong revenue growth of 17% in Asia Pacific and Australasia including 32% revenue growth in China. Revenue growth of 6% in Africa, Near and Middle East and the Americas (ex-USA) contributed to the proportion of revenue from outside the UK/Europe/USA increasing to 25% of the Group total (2011/12: 23%), making further progress towards our goal of 30% by 2015. In absolute terms, half of our revenue growth during the period was generated from those regions.

There was a resilient trading performance in developed markets. Revenue grew by 19% in the USA which offset the performances in Europe and the UK, where revenue was down by 3% and 6% respectively. Acquisitions, disposals and currency rate changes had a significant impact on these figures. Taking these factors into account, we estimate that the underlying organic[1] growth rates at constant currency were as follows: USA up 2%, Europe up 0.3% and UK down 2%.

Order intake in the first half was slightly ahead of revenue – a trading pattern which has continued into the second half.

Sector performances

Health & Analysis grew revenue by 12% to £135.2m (2011/12: £121.1m) and profit by 10% to £30.9m (2011/12: £28.0m). Return on Sales remained strong at 22.9% (2011/12: 23.1%).

Our Water and Health Optics sub-sectors performed well, although we expect growth in Water to slow in the second half as UK water utilities move into the latter phases of their 5-year budget cycle. As forecast, Fluid Technology achieved a steady recovery as we progressed through 2012, although this was in contrast to Photonics where strong growth in Asia was insufficient to fully mitigate the impact of lower demand from US government research customers.

Infrastructure Sensor revenue was 1% lower at £100.5m (2011/12: £101.1m) whilst profit was down by 2% at £18.9m (2011/12: £19.4m). Return on Sales was slightly lower at 18.8% (2011/12: 19.2%). As forecast, there were one-off costs of £1m during the period, predominantly to complete the reorganisation of our European and Asian Elevator Safety businesses. This was completed on schedule in September 2012 so we expect to see the benefit of these changes emerge more strongly during the second half. Fire Detection, Elevator Safety and Security Sensors all achieved modest revenue increases whilst our Automatic Door Sensors business saw lower revenue due to weakness in European markets.

Industrial Safety had another strong performance with revenue increasing by 8% to £62.5m (2011/12: £58.0m) and profit up by 13% to £15.3m (2011/12: £13.6m). Return on Sales of 24.5% (2011/12: 23.4%) remained the highest of our three sectors. Gas Detection, Safety Interlocks and Bursting Disks all performed strongly and it was pleasing to see higher growth from regions outside the UK/Europe/USA. The disposal of our Asset Monitoring business in August 2012 (see details below) will further increase the proportion of this sector's revenues from developing markets. In the longer term, this will be boosted further by the increased internal collaboration to serve Industrial customers in South America.

Acquisitions and disposals

During the period we spent £66m (plus up to £7m in earn-outs based on future growth) acquiring three companies for our Health and Analysis sector, details of which were given in Halma's Annual Report 2012 and this Half Year Report. All three businesses are trading well, with Accutome and SunTech already progressing new opportunities through collaboration with our other Health Optics companies and Sensorex continuing to grow sales of its water quality sensors.

In August 2012, we sold our Asset Monitoring business, Tritech, to a UK subsidiary of Moog Inc. for a total consideration of £21.8m. We acquired Tritech in 2006 as our first entry into the subsea asset market and, whilst it has performed well, we believe we can create greater shareholder value by reallocating resources to other sub-sectors. Moog's presence in marine energy markets will enable Tritech to make strong progress under their ownership. A gain of £8.2m has been recognised in the Group Income Statement after accounting for the disposal of these assets, including the associated goodwill.

Although the first half was a busy period for M&A, our search for acquisition opportunities continues. We are aiming to increase the number of prospects

"Although the first half was a busy period for M&A, our search for acquisition opportunities continues."

within our two safety-related sectors (Infrastructure Sensors and Industrial Safety) although currently the majority of opportunities in our pipeline are still within our Medical and Environmental related sector (Health and Analysis).

Cash generation and financial resources

There was good cash generation during the first half year, when dividend payments tend to be greater than those made in the second half. We ended the period with net debt of £74.1m (March 2012: £18.7m) after funding acquisitions (net of disposals) of £62.5m (2011/12: £19.9m) and capital expenditure of £8.1m (2011/12: £8.4m). We have a £260m 5-year revolving credit facility in place until October 2016 so we are in a strong financial position to support our future investment.

Investment for growth

Halma increased investment in each of the three strategic initiatives which underpin the sustainability of our growth and high returns:

- Investment in Innovation increased across all three sectors. R&D expenditure grew by 11% to £14.9m (2011/12: £13.4m).
- Halma companies are working together to accelerate the pace of International Expansion. In China, our Fluid Technology companies have created a combined manufacturing company, whilst in Brazil our Industrial Safety businesses are together establishing a trading company to serve key Oil, Gas and Process industry customers in that region.

Risks and uncertainties

There are no significant changes to the risks and uncertainties in the Annual Report and on our website, www.halma.com. These are summarised in note 13 of this Half Year Report.

Summary

To meet the challenge of sustaining growth and high returns, the need to create competitive advantage is more critical than ever. Halma's business model is to operate with a diverse group of global businesses. Each has a management team empowered to adapt and allocate resources as the needs of their niche markets change leaving them well positioned to succeed.

Adjusted profit before taxation

£60.8m

Growth +6%

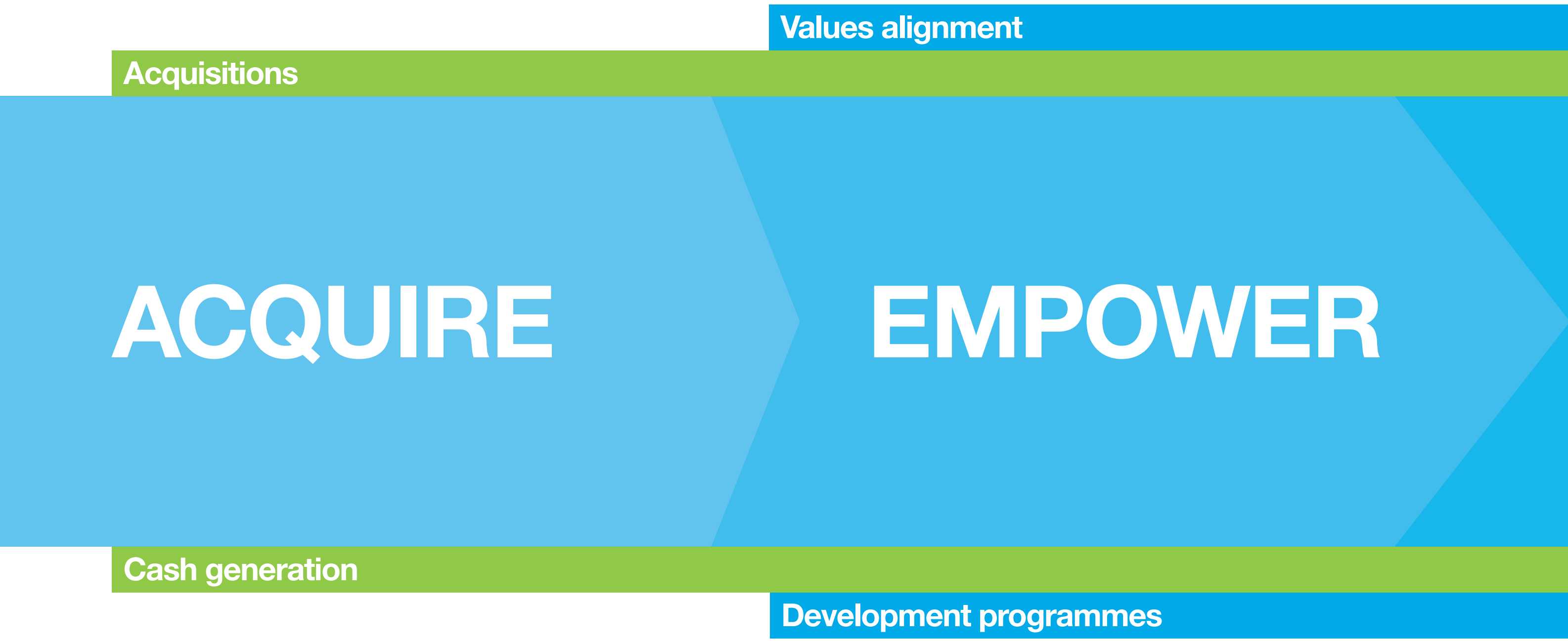
- In October 2012, a group of graduates started the first Halma Graduate Development Programme (HGDP) underpinning our commitment to People Development. This programme will provide them with a series of six-month placements in Halma companies across the world. The first group of nine technical graduates includes a mix from leading universities in the UK and USA. Recruitment for the 2013 HGDP is already underway.

Our focus on building strong positions in markets with sustainable, long-term growth drivers such as Health and Safety regulation, increasing demand for healthcare and the need for life-critical resources (including energy and water) is providing both resilience and opportunities to grow. Order intake continues to be slightly ahead of revenue and Halma remains on track to make further progress in the second half of the year.

Andrew Williams
Chief Executive

[1] See Financial Highlights

STRATEGY AND BUSINESS MODEL



Business model

What is Halma's growth objective?

We aim to double Group revenue and profit every five years.

Historically we have aimed to achieve this through a mix of acquisitions and organic growth. Return on Sales in excess of 18% and Return on Capital Employed over 45% ensure that cash generation is strong enough to sustain growth and increase dividends without the need for high levels of external funding.

Strategy

How do we grow?

We operate in relatively non-cyclical, specialised global niche markets. Our technology and application know-how provide the opportunity to generate growth, sustainable high returns and strong competitive advantage. Our chosen markets have significant barriers to entry. Demand for our products is underpinned by long-term, resilient growth drivers.

We place our operational resources close to our customers through locally managed autonomous businesses.

We reinvest cash into acquiring high performance businesses in, or close to, our existing markets.

Strategic priorities

Where do we invest?

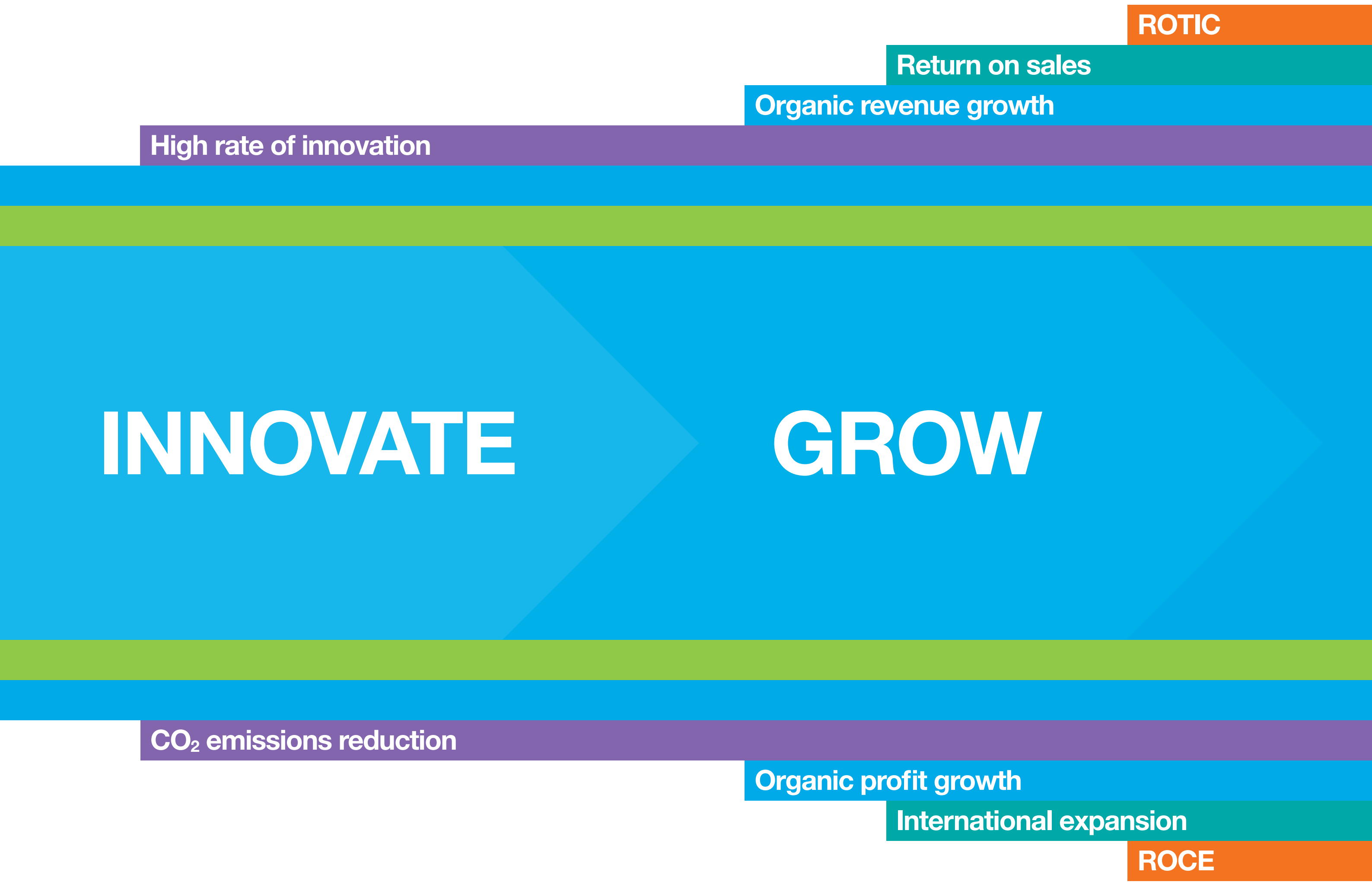
We are making the following key strategic investments across the Group to sustain growth above market rates:

– Acquisitions

– Innovation (products and process)

– People development

– International expansion (especially Asia)



Growth drivers
What drives long-term growth in our chosen markets?
Demand in each of our markets is driven by one or more of the following long-term growth drivers:

- Increasing demand for healthcare
- Increasing demand for energy and water
- Increasing urbanisation of population
- Increasing health and safety regulation

Values
How do we maintain a consistent culture across the Group?
Our values help to ensure a consistent set of standards and behaviours throughout the Group. This is particularly important given the Group's decentralised structure. Our core values are Achievement, Innovation, Empowerment and Customer Satisfaction. Our employees are required to act fairly in their dealings with fellow employees, customers, suppliers and business partners; these principles are included within our Code of Conduct which has been signed by each Group employee.

Our performance culture is underpinned by the alignment of reward and incentive plans.

Organisational structure
How does our structure help deliver competitive advantage?
Halma's three sectors are composed of around 40 autonomous businesses, each with their own board of directors. These are grouped into operating divisions, each chaired by a Halma Divisional Chief Executive (DCE), responsible for its own growth. DCEs understand the market needs of their companies and contribute broadly to their strategies. Through regular interaction between Executive Board members, common challenges and opportunities are identified. A small head office team focuses on setting the strategic framework and maintains a standard process of financial planning, reporting and control.