

Halma p.l.c.
Credit Suisse
European Capital
Goods Conference

Presentation by
Kevin Thompson, Group Finance Director

13 September 2006, London

Kevin Thompson spoke at the Credit Suisse European Capital Goods Conference in London. He talked about Halma's business sectors, strategy and track record. He also addressed some of the frequently asked questions about Halma and looked at the Group's priorities for the current year.

market capitalisation is around £700 million and we are listed in the UK within the FTSE 250 in the Electronic and Electrical Equipment sector.

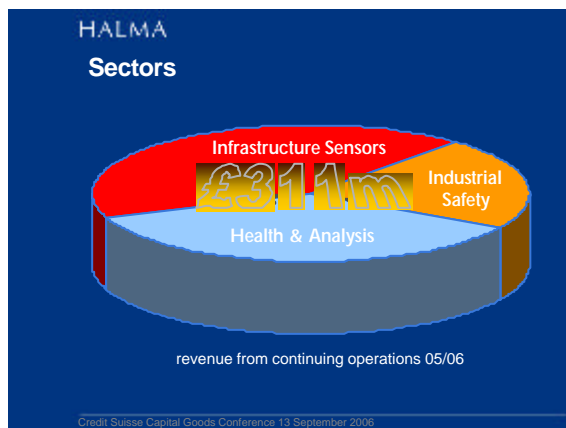
We have 3 operating sectors and this is briefly what they do:



Halma businesses focus on life safety and the manufacture of critical components and sensors which improve health and protect the environment across the world. We like to hold market leading positions, often in niche markets, where our products can command premium prices.

The products in the Infrastructure Sensor businesses detect hazards and protect people and property in buildings. We make intelligent fire detectors used in commercial applications and security sensors (a new addition to the range following the recent Texecom acquisition). We also produce elevator safety equipment and automatic door safety products and in both these areas are world market leaders in our niche.

To give an idea of the scale of the Halma business, revenue from continuing operations in 2005/2006 was £311 million.



Halma made profit before tax on continuing operations¹ of £58.1 million demonstrating the high margins we achieve. The Group's

Our Health and Analysis business improves public and personal health and helps protect the environment. Our Photonics products (which measure the interaction of substances with light) have many applications. We both sterilise water using ultraviolet light and also detect water leaks. Our Health Optics products assist the diagnosis and treatment of eye disorders and our Fluid Technology products are

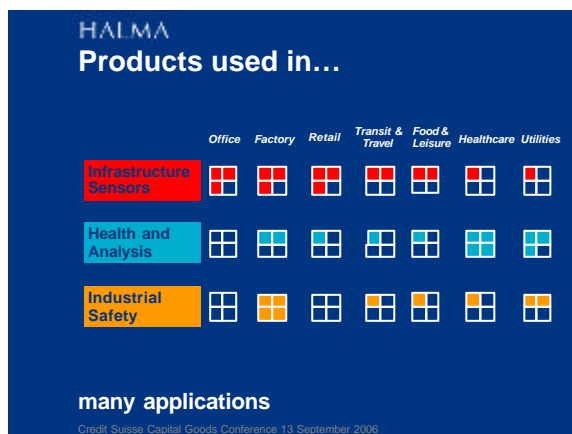
often critical components in health and life science analytical instruments.



Within Industrial Safety our businesses protect property and people at work. Interlocks prevent access to dangerous places and ensure processes are operated safely, gas detection products protect people at work and our bursting disks, which are pressure relief devices, prevent potentially dangerous pressure increases in Chemical process plants for example.

One common theme is that our products reduce risk and the cost of our solutions are small compared with the potential cost if the danger materialises.

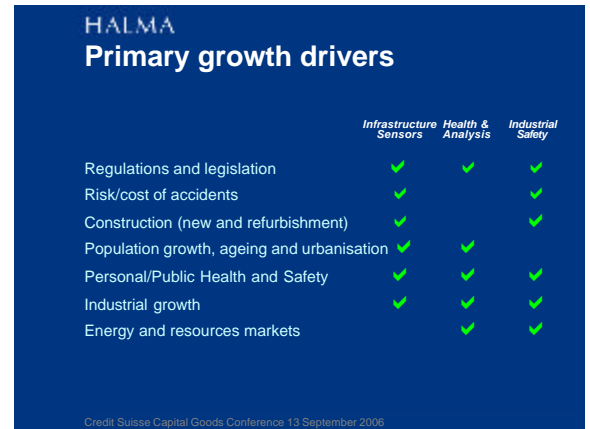
The following chart gives an idea of where our products are used. It shows the range of markets which are our major focus.



Infrastructure Sensors sell a lot of its products into offices, factories and retail operations, rarely residential uses. They also help people get around. Health and Analysis products are used a lot in the healthcare industry and by the utilities, in

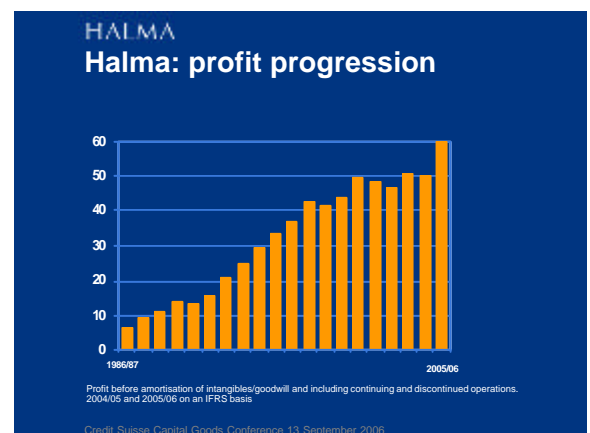
particular the Water sector. Industrial Safety products focus on people at work but there are a variety of applications and the Oil and Gas and Chemicals industries provide valuable customers. There are many applications for our products across the world.

Halma focuses on markets where there are sustainable growth drivers.



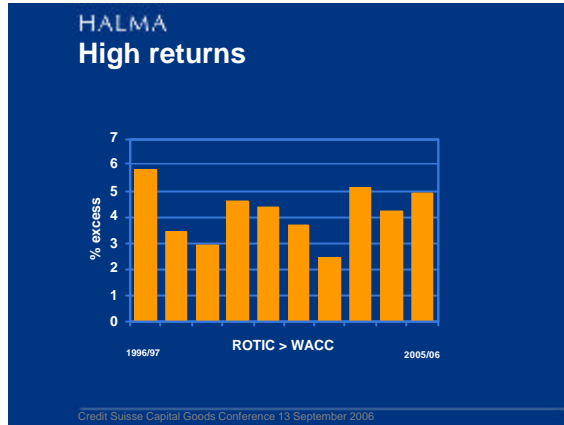
Legislation and regulation increases relentlessly and where this improves safety and health standards it will benefit our businesses. Population growth, ageing and urbanisation is another strong driver of demand for our products. More information can be found on this aspect of Halma in our Business and Financial Review in the 2005/06 Annual Report, available from our website www.halma.com.

Halma delivers a high level of financial performance and has achieved this over the long-term.

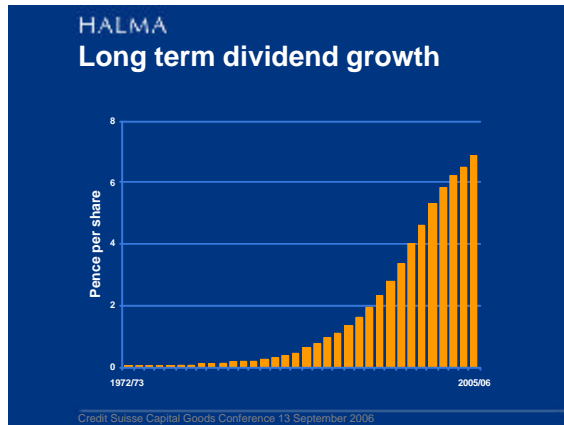


There has been long-term profit growth, however in the 5 year period prior to

2005/06 the Group was not achieving its desired level of growth – it generated good cash flow and returns but little revenue or profit growth. The 2005/06 results showed strong organic growth² of 11% in revenue and 15% in profit¹ from continuing operations.



High returns are a feature of the Group. The chart above shows the excess of ROTIC % (Return on Total Invested Capital³) over our WACC (Weighted Average Cost of Capital). ROTIC³ is a post tax return on all assets including all historic goodwill. This gives an insight into how we consistently generate wealth and cash. That cash generation has driven sustained dividend growth.



Dividends have grown each year for over 30 years. This is a good discipline for the business and a benefit for the shareholders.

People have been keen to know what has changed in the Group over the last 18 months and in particular how we have been stimulating growth – is it our efforts or just market buoyancy? This is a good opportunity to address some of those “frequently asked questions” (“FAQ”).

HALMA
FAQ – what has changed?

- How are we re-invigorating growth?
- Is the market growing, or us?
 - Clearer strategy
 - External 'v' internal focus
 - Emphasis on top line growth
 - Allocation based on opportunity
 - Big investment in senior people
 - Speed of decision making increased.

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The Group has been changing noticeably over the last 3 years but that change has accelerated over the past 18 months following the appointment of Andrew Williams as CEO.

Improvements are under-pinned by a clear strategy which, although not vastly different to the strategy in the past, has been cascaded down the Group with people now seeing more clearly their part in the overall picture. This has driven more decisive and significant actions throughout the business.

HALMA
...Strategy

- To invest in and develop businesses whose people create innovative products
- building barriers – to – entry
- within demand driven, global markets

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It is all about people, products, strong position in good markets and in particular the quality of our implementation.

One noticeable change is the move to a more outward looking and customer driven culture rather than being somewhat internally focused in recent years. We have placed a real emphasis on growing revenues and on allocating our resource in relation to the scale of opportunity rather than just equally across the Group. This approach led to the disposal of our High Power Resistor businesses early in 2006. Fundamental to the improvements is the

investment in our people. For example, our senior people are benefiting from a new bespoke Halma Executive Development Programme.

HALMA
FAQ – more M&A?

- Any more disposals?
- Big acquisitions?
- Focus of acquisition effort?
 - Resistors sale significant
 - Targetting certain characteristics
 - Health and Analysis getting most attention

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Should we expect more disposals and what is the focus of our acquisition effort?

Following the Resistors disposals the major phase of reorganisation is essentially complete. Our acquisition search is focused on good businesses with the characteristics already present in our existing businesses and in markets/technologies we understand. We offer something extra to entrepreneurial vendors of businesses who do not want to see the businesses they have grown be subsumed anonymously into a large group. In particular we are searching for acquisitions which fit our Health and Analysis Sector. Typically, we are looking for acquisitions in the £5m to £50m bracket. We are unlikely to make an acquisition of £100 million or more.

Do we expect to increase operating margins?

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FAQ – expanding margins?

- Aim to increase margins?
 - Sustain margins/get growth
 - Operational leverage
 - Innovation

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Increasing margins is not a specific target. We operate with a Return on Sales⁴ in the 17%-20% range (in 2005/06 it was 18.7%) and that works well for us. These high margins reflect the value we deliver to customers. Our approach is pragmatic – we want to sustain margins and get growth. Our high margins offer operational leverage – selling more is very profitable. We work to improve margins by better design and cost reduction and the flow of new products.

What is our attitude to debt?

HALMA
FAQ – debt?

- Attitude to debt?
 - Need to demonstrate growth
 - Facilities in place
 - Based on opportunity

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Our primary focus has been to demonstrate growth. Making acquisitions whilst taking on debt can be unwise if you cannot grow what you have. However, we now have a more open mind on debt and have put a £60 million facility in place so there is no barrier to investment. So at this stage, debt is driven by the right opportunities rather than ‘balance sheet efficiency’.

What is our dividend policy?

HALMA
FAQ – dividend policy?

- What is the dividend policy?
 - Progressive
 - Increasing dividend cover
 - Driven by earnings growth

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We have a progressive policy, as discussed earlier we like to increase dividends each year. However we aim to increase dividend cover, which has become too low, and do

so by growing earnings. We moved in this direction last year with a 5% dividend increase, raising dividend cover from 1.4 times to 1.6 times and towards our target of 2 times cover in due course.

What are our aspirations in Asia/China?

HALMA
FAQ – Asia

- Aspirations in Asia/China?
 - Developing our presence faster
 - Setting up 'hubs'
 - Long-term growth

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We already operate in Asia, our Elevator and Door businesses have manufactured in China for 12 years now. However the region represents only 11% of Group revenue and we believe the opportunity is bigger than this for us.

China in particular offers good opportunities with its focus on the environment, resources (water in particular) construction and health. Some of our companies do not have a sufficient presence in this market so we have set up Halma 'hubs' in Shanghai and Beijing to get them going or help them move faster. This is a long-term initiative for us.

Turning to the priorities for 2006/07 continuing the organic growth, re-established last year, is top of the agenda. As noted in our recent AGM trading update (see our website), we are off to an encouraging start.

HALMA
Priorities for 2006/07

- Organic growth
- Infrastructure Sensors growth
- Accelerate geographic expansion
- Faster new product innovation
- Leverage people development
- Acquisitions

renewed growth potential

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Generating profitable revenue growth in our biggest sector, Infrastructure Sensors, is plainly important and we are seeing early signs of progress and a return on increased investment made last year. We are continuing to expand geographically, not just through new sales offices in China and India but across the world.

We spend 4.3% of revenue on Research and Development, a relatively high rate. Our attention is being focused on using that expenditure to get products to market faster. We will continue to invest in developing our senior managers and are already benefiting from the increased training provided by the bespoke Halma Executive Development Programme. We have freed up more senior time to target acquisitions, now we need to deliver those which are right for the Group's long-term development.

In summary, we continue to operate in good markets and are starting to demonstrate greater growth. The actions already completed in new products, people development, acquisitions and disposals have enhanced our underlying growth potential and we are building real momentum across the Group.

Notes

¹ Before amortisation of acquired intangible assets.

² Organic growth measures the change in the revenue and profit from continuing operations. The effect of acquisitions made during the current or prior financial year is equalised by subtracting from the current year figures a pro-rated contribution based on their revenue and profits at the date of acquisition.

³ Return on Total Invested Capital is defined as profit for the period from continuing operations before amortisation of acquired intangibles after taxation expressed as a percentage of total shareholders' equity, adding back net retirement benefit obligations, cumulative amortisation of inquired intangibles and historic goodwill.

⁴ Return on Sales is defined as profit¹ before taxation from continuing operations expressed as a percentage of revenue from continuing operations.

CAUTIONARY NOTE. The information contained in this summary is correct at 13th September 2006. This document may include forward-looking statements that are not factual. Such statements involve both known and unknown risks. The actual results of Halma p.l.c may differ from results that are anticipated or implied by any forward-looking statements. The content of presentations, including any forward-looking statements, is not revised after publication.