HALMA

Halma p.l.c.

Dresdner Kleinwort Capital Goods Conference

Presentation by:
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22 March 2007, London

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Andrew Williams, Halma Group Chief Executive spoke at the Dresdner Kleinwort Capital Goods Conference in London. Firstly, he gave general background on what Halma's businesses do, and secondly, gave insight into three keys areas of focus for the Group: organic growth, acquisitions and growing our business internationally - particularly in Asia.

Halma operates in three major market sectors:

- Infrastructure Sensors - we design and make electronic products which protect people and property in buildings.
- Industrial Safety - we make products which protect property and people at work.
- Health & Analysis - we have technology and products which improve public and personal health standards and also help to protect the environment.

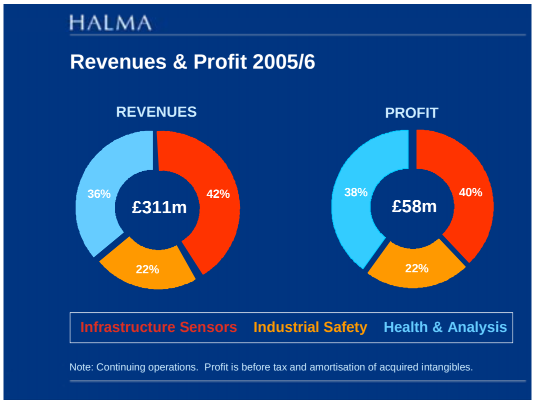
Each of these three major market sectors currently consist of four sub-sectors. Typically, these are clusters of two or three subsidiary businesses collaborating closely with each other to develop our business in particular niches.

We select our niches very carefully. For example, in Infrastructure Sensors there are many different sensors that could possibly be fitted in a building. We select the 'must have' sensors which are often critical components of larger systems. For example, we are the second largest manufacturer of commercial point smoke detectors in the world but do not manufacture control panels or install and maintain complete fire detection systems. Likewise we are the largest manufacturer of elevator door sensors and automatic door sensors in the world supplying these sensors to customers ranging from the major OEM elevator and door manufacturers through to the local installer and maintenance company. This focused yet flexible approach contributes towards building market leadership.

Although our products and markets are diverse there are key characteristics that are common throughout our businesses.

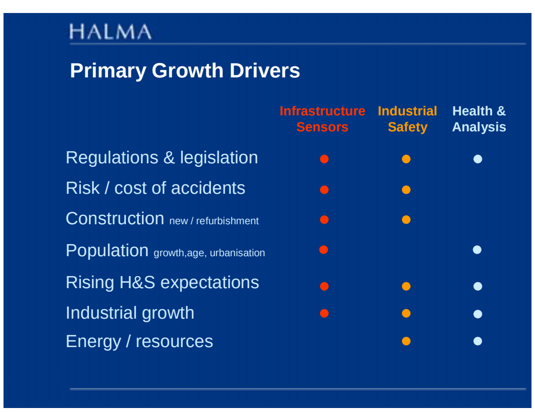
Halma has a lean corporate management structure. We build very strong local management teams at our subsidiaries. We give a great deal of autonomy to our subsidiaries and therefore rely on these strong local management teams to provide the entrepreneurial flair necessary to grow their businesses.

Our businesses have significant technical or applications intellectual property (IP). We leverage this IP by developing solutions for our customers which command premium prices and further develop market leadership in our selected niches. Halma businesses have high returns and margins resulting in strong cash generation.



All Halma's growth has essentially been self financed and we have little or no debt on the balance sheet. All three of our major market sectors generate a healthy Return on Sales[1] and, as a group, we have operated in the 17% to 20% bracket over many years. Last year we achieved pre-tax profits[2] on continuing operations of £58m on revenues of £311m, a return on sales of 18.7%. Our Return on Total Invested Capital[3] of 13% compares with a calculated weighted cost of capital of 8%.

Just over half our revenues are to Europe, a third of revenues to North America. Around 10% is to the Asia Pacific region. Infrastructure Sensors is our largest sector in both revenue and profit terms with Health & Analysis close behind.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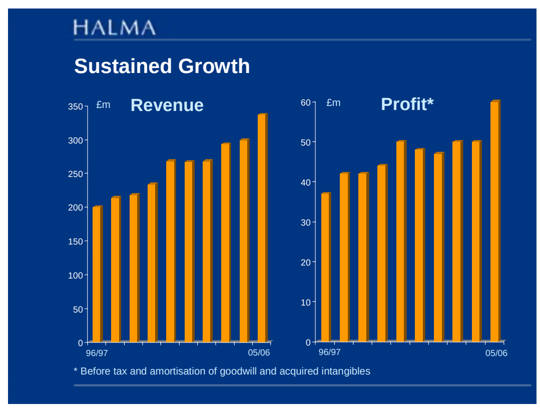
Primary Growth Drivers

	Infrastructure Sensors	Industrial Safety	Health & Analysis
Regulations & legislation	●	●	●
Risk / cost of accidents	●	●	
Construction new / refurbishment	●	●	
Population growth, age, urbanisation	●		●
Rising H&S expectations	●	●	●
Industrial growth	●	●	●
Energy / resources		●	●

We operate in niches where there are robust long term growth drivers. Whilst these growth drivers have relevance worldwide there are often regional differences. For example, population growth and increasing urbanisation is driving demand for our infrastructure sensor products in Asia. On the other hand, the ageing population in the Western World is increasing demand for our health products. Another example is Construction where the rate of new commercial building construction in Asia is again assisting sales of infrastructure sensors whilst in Western Europe there is continuing demand through refurbishment and modernisation. Finally, in Energy and Resources the demand for water is not only driven by population growth and climate change but also strong economic growth depending on where you are in the world.



These growth drivers have enabled us to grow consistently over the last 30 years. This chart shows revenue and profit growth over the last decade. Organic growth[4] between 2000 and 2005 stalled both in profit and revenue terms. However, last year there was a strong recovery followed by a good set of Interim Results published in December 2006 which gave further evidence that we are sustaining organic growth.

So what has changed and what are we doing to ensure this organic growth is sustainable over the longer term?

There are four key areas of change; Strategy, Acquisitions, People and Investment.

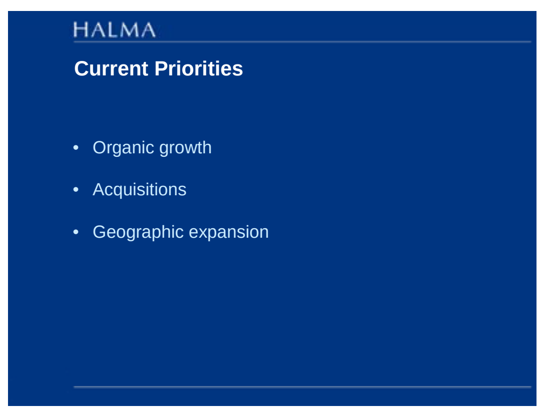
The Group now has much greater strategic clarity and expectations for each of our businesses. Not all markets offer equal growth opportunities therefore we are becoming more selective about where we allocate our resources. In a decentralised operating structure it is important that management at all levels clearly understand expectations and their strategic direction. This clearer understanding has resulted in an increase in momentum across the Group particularly with respect to the speed of decision making.

Since March 2005, Halma has sold eight businesses and acquired seven businesses. This has enhanced the underlying growth potential of our portfolio with more businesses operating in markets offering high growth potential.

Over the last three years we have changed around 45% of our senior management at subsidiary level. In addition, we have changed the short and long term incentives offered to management at all levels to align them with our strategic objectives for increased organic growth underpinned by strong returns. Our recognition that the quality of our people is a key to sustainable growth has meant that we have significantly ramped up our investment in people development. This includes our flagship senior executive development programme which takes place twice yearly at Henley Management College.

Finally, investment in all areas of the business has increased. For example, last year our investment in R&D increased to 4.3% of revenues, an increase of 20% in absolute terms. Our capital expenditure increased to 150% of depreciation and is forecast to be in the 130% to 150% range in the next two years. Whilst we are not a capital intensive business this indicates an increasing willingness to invest in our activities, particularly in manufacturing. It is encouraging that this investment is contributing directly to our growth and not just compensating for under investment in the past. For example, one of our Industrial Safety businesses has moved into niche aerospace applications because their increased automation enables them to make their product in higher quantities with higher quality at lower cost.

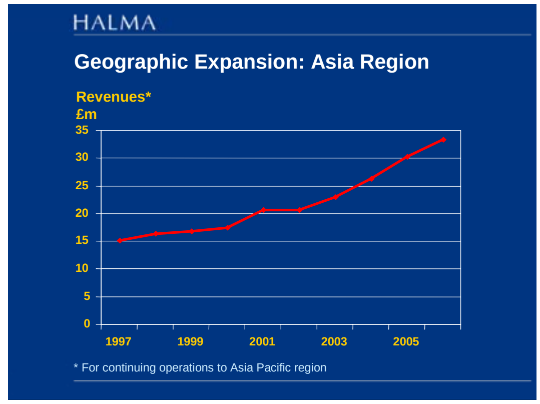
So what are our current priorities?



Organic growth remains our number one priority and, as we have just seen, is being driven at all levels in the organisation. However, acquisitions and geographic expansion are also major targets.

Over the past two years we have made acquisitions in all three major market sectors but are currently most active in the Health & Analysis sector. In particular, the photonics market is offering us some good opportunities. We look for businesses that deliver 'Halma' type financial results and have Halma business characteristics. We are not interested in acquiring turnaround situations and are extremely unlikely to consider making an acquisition in excess of £100m. However, we have plenty of financial resources and currently have very little gearing on the balance sheet.

We have made four acquisitions so far this year including Labsphere which we acquired in February 2007. We paid \$15m for a company with revenues of \$12.5m and profits of \$2.4m. Labsphere is a photonics business based in New Hampshire, US. They are a world leader in light measurement and specialise in the use of a high reflectance material called Spectralon. Whilst their core business is light measurement they are also branching into new niches. For example, they manufacture critical components which are used in laser based analytical instruments. These components improve the optical efficiency of the laser which is a critical factor in the performance of high-end spectrometer applications. Collaboration is already taking place between Labsphere and our existing photonics businesses, including Ocean Optics.



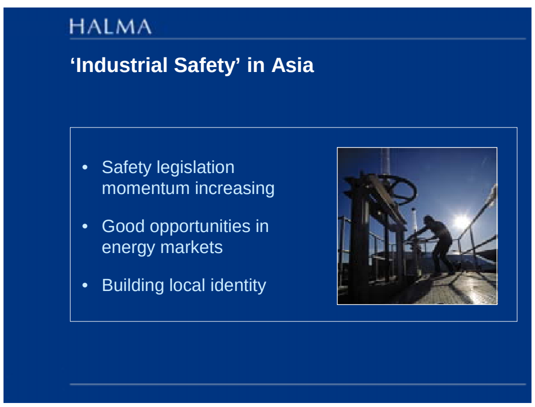
Over the last 10 years we have grown our revenues to Asia consistently. This rate is increasing but last year still only represented 11% of Group revenues. This represents a good opportunity for the Group because there is a good match between the products we have to offer and the needs in the region, particularly China. Consequently, we are increasing our rate of activity in the region which can be briefly summarised for our three sectors as follows.

Our Infrastructure Sensors activities can be split into two parts.

We have been manufacturing our automatic door sensors and elevator safety products in Asia for over a decade. We have manufacturing locations in China, Singapore and New Zealand. We are strong market leaders in both niches and have a particularly strong position in China. We are implementing a new regional strategy which will closely align our individual business activities with the major global

OEMs. For Asia this means adding regional sales and technical support offices to provide improved local service levels.

For our Fire & Security products we have typically sold via distributors and there is a need to increase our direct presence in many markets. We are therefore adding further local sales and technical support and putting more of our products through the regional product approvals. The next phase of development will be to establish regional manufacturing capability. This is particularly relevant for our Fire products where it is necessary to have a licence to manufacture in China.

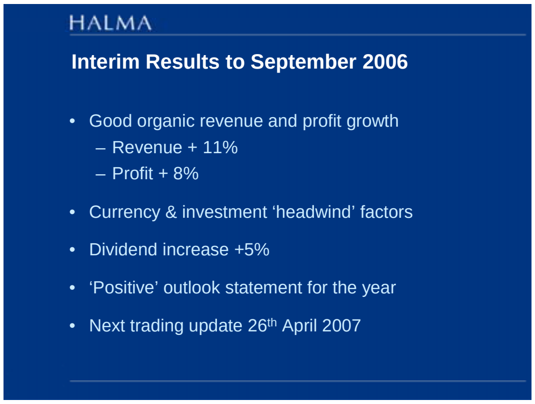


Industrial Safety represents a good long term opportunity. Safety legislation is increasing. At our recent Halma World Sales Conference in Shanghai, representatives of the legislative bodies indicated that whilst legislation is increasing in China there is currently limited enforcement or inspection. However, this next phase is underway and during the next five years will provide additional momentum. We are seeing good opportunities in the energy markets (oil and gas) particularly for interlocking products and overall we see a need to establish a strong regional identity and branding to position ourselves for growth over the long term.

Our Health & Analysis businesses have been most keen to exploit the opportunities presented by our Halma hubs in China. Last year we established two corporate offices in Shanghai and Beijing aimed at accelerating the rate at which our businesses established a direct presence in China. Our Water, Fluid Technology, Health Optics and Photonics businesses have added direct representation in these offices with our Photonics business now ready to move into independent facilities. Encouragingly, we have already had some early sales successes most notably the sale of leak detection equipment to the Beijing water utility.

In summary therefore, Halma is delivering organic growth and investing to ensure this is sustainable. We are targeting Health & Analysis as a sector for acquisitions and allocating more resources to search and integration. We continue to strive to grow our business internationally and are increasing our rate of progress in Asia significantly.

At our Interim Results for the six month period to September 2006 (announced in December 2006) we demonstrated organic[4] revenue and profit growth of 11% and 8% respectively.



We would typically expect profit growth to match or exceed revenue growth. However, we have increased our investment in overheads in certain Health & Analysis businesses where rapid growth over the last two or three years has resulted in the need for additional resources to ensure sustainability.

A third of our revenues and profits are in US$ denominated currency. Currency movements had a relatively modest impact in the first half but the strong £ relative to the US$ particularly in the second half of the current year will have an adverse impact on both revenue and profit of around 2.5% for the year as a whole.

Cashflow continued to be strong which enabled us to increase our interim dividend by another 5%. The Board made a ‘positive’ outlook statement for the year and we are due to make our next Trading Update on 26th April 2007 prior to our Preliminary Results Announcement in mid June 2007.

Notes:

[1] Return on Sales is defined as profit[2] before taxation from continuing operations expressed as a percentage of revenue from continuing operations.

[2] Before amortisation of acquired intangible assets.

[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] 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.

CAUTIONARY NOTE. The information contained in this summary is correct at 22 March 2007. 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.