

DrKW Capital Goods Conference

17 March 2005, London

Halma p.l.c.

presentation by Kevin Thompson, Group Finance Director

Kevin Thompson spoke today at the Dresdner Kleinwort Wasserstein Capital Goods Conference in London. The audience comprised mainly fund managers and buy-side analysts from the UK and Europe. He spoke about what Halma does and why, how it develops in its carefully chosen sectors, and about some of the opportunities for growth. The content of the presentation was as follows:

"When I joined Halma 17 years ago its turnover was £37 million, market capitalisation was £100 million and it paid £1 million in annual dividends. Last year's turnover was around £300 million, generating £50 million of profit and we still had no debt, despite dividends having grown to £23 million for the year. Our focus is on safety and health products. We have a very positive effect on the environment.

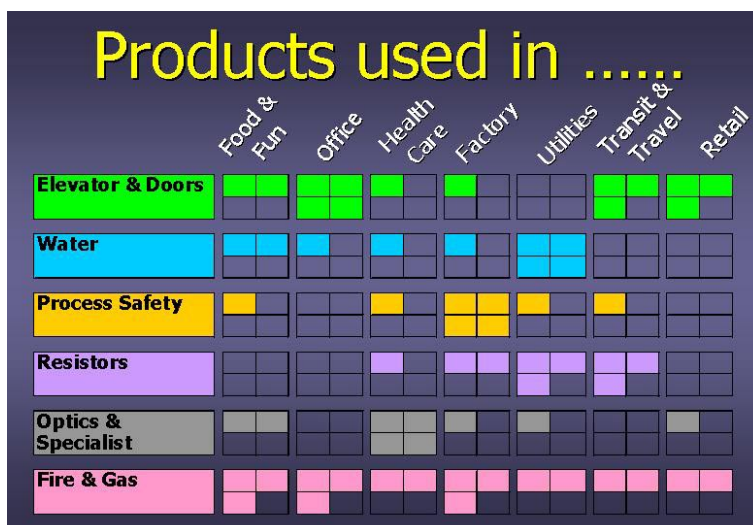
Halma overview

Turnover	£293 million
Pre tax profit*	£ 50 million
Dividends	£ 23 million
Market Cap	~ £600 million

March 2004 figures
* Before exceptional items and goodwill amortisation

focus on safety and health

We concentrate on six niche sectors which are all about protecting people outside the home. Our products protect people on their way to work, at work, at play or moving around. Fire & Gas and Elevator & Doors are the biggest sectors but the Optics sector is coming up fast.



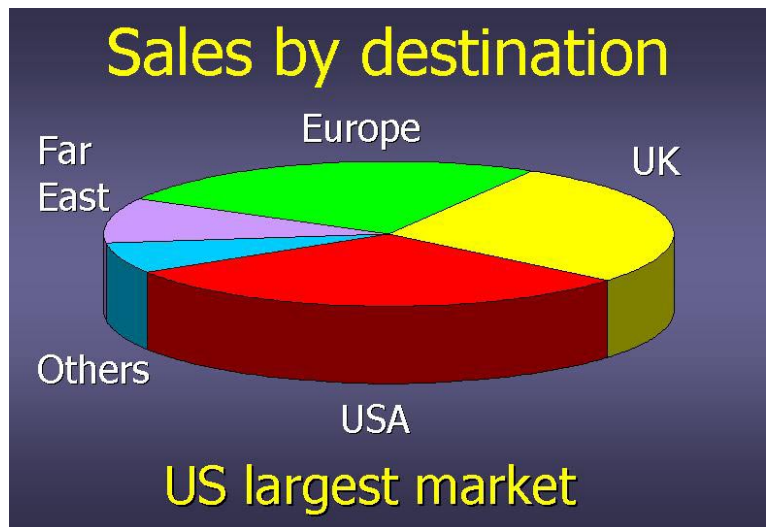
We intentionally serve lots of end markets across the world, giving us a wide and strong customer base, but we've focussed down over many years to product areas where we see long-term growth opportunities. Our Elevator & Door Safety business makes electronic sensors which stop elevator and other doors from crushing you. We have a more than 40% world market share in this area. We make water leak detection products and

H A L M A

equipment which sterilises water using ultraviolet light. Our Process Safety businesses protect machinery and prevent access to dangerous places until it is safe. The high power resistors we make get rid of excess energy, e.g. to slow down locomotives. The Optics businesses are more and more about critical components used in life science instruments, and we remain a leader in ophthalmic optics. Our Fire & Gas businesses deliver high quality fire detectors used in all types of commercial and public buildings, and gas sensors which protect people in dangerous places.

We sell right across the world. About 30% goes to the USA – a significant market with plenty of opportunities. 25% goes to the UK and another 25% to the rest of Europe. Of the remaining 20%, two thirds goes to the Far East and Australasia.

There is a lot of diversity across the Group but our companies are different by design. Thinking of us as a conglomerate is far from the truth. There are golden threads running through the entire Group. We build dominant positions in niches few others see - where performance, reliability and quality is far more important than price.



Business characteristics

Dominate "invisible" niches

Performance not price

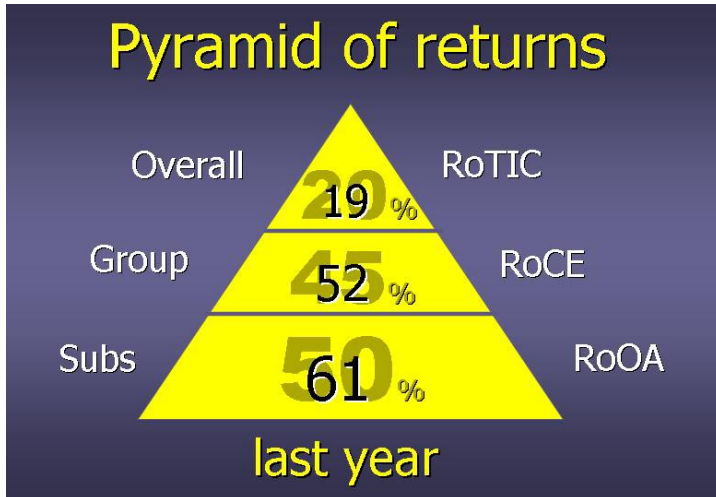
High tech : high touch

Focussed on innovation

Disciplined entrepreneurs

long term growth markets

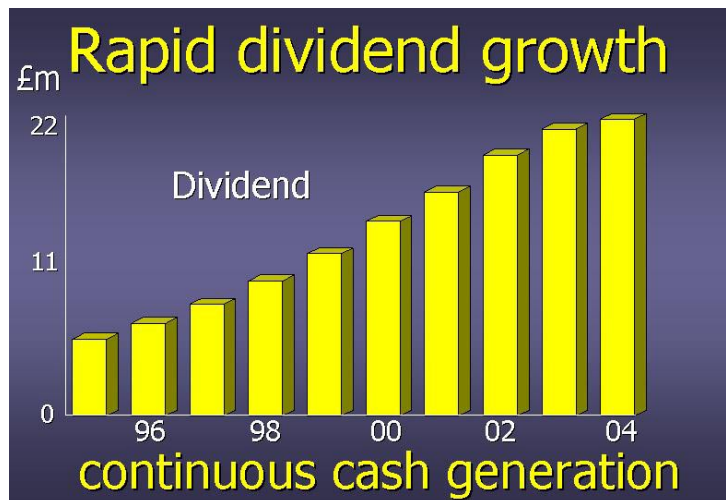
Peter Marsh in the Financial Times recently described us as "high tech : high touch" – we touch our customers frequently and at all levels. That's how we focus our considerable R&D and innovation on what our customers need – by understanding the job they need to do. We like legislation driven markets and high barriers to entry. Our decentralised and entrepreneurial culture is backed by strong financial discipline. We aim to be in long-term growth markets.



Our financial record is strong. We talk most about our high Return on Operating Assets (RoOA) and Return on Capital Employed (RoCE) because that is how we manage our business. However we are equally comfortable explaining our Return on Total Invested Capital (RoTIC) which is also consistently high - most recently at 19%. Comparison with our cost of capital (estimated at 8%) shows the continued value creation we achieve for our shareholders.

We have grown dividends rapidly over the long-term and have a progressive dividend policy. That is possible because of strong cash generation and together with a strong Balance Sheet, that gives us options for growth.

Even though we have a sound strategy and good drivers, there is a lot more to achieving success, and we have seen tougher market conditions in the last few years. As



Developing sectors

organic

- R&D
- OEMs
- New routes / higher shares

tough but essential

always, it's about implementation.

In essence though, we move forward by doing more of the things we know well, also targeting adjacent markets and technologies. Organic growth is the key to success. We spend a lot on R&D (4% of turnover) but focus absolutely on its output. R&D is decentralised and close to the customer - very much aimed at our customers' applications. We increasingly work closer with OEMs,

solving their problems in areas they don't have or don't want particular expertise. We aim to edge up market shares and to understand our competitors – it's them or us! Organic growth is hard work but essential.

Amongst the emerging markets, China and India are interesting. Around £20 million of our sales go into the Far East. As countries urbanise they tend to grow upwards. That is happening to a dramatic extent in China. Our biggest presence in China is in Elevators & Doors – we manufacture sensors for both locally. As the Indian population grows so does the demand for clean water, health needs grow, etc. Growth for us here is not necessarily rapid, as regulatory pressure is not yet as strong in these countries. However the issue is not about speed of growth or low cost of manufacture (although 10-15% of the materials we use come from China), but rather it is an issue of being present in growing local markets. Big potential and relatively slow development is fine with us. It is a long-term commitment.

We also grow by acquisition, going with what we know. You can think of our acquisitions as the "R&D we didn't do" – buying intellectual not physical assets. This strategy adds to our pricing power in our markets and reduces risk considerably. Our Divisional Chief Executives drive the process all the way through and are incentivised by the returns they get, after charging them the cost of assets including goodwill. We look at a lot of businesses but buy only the really good ones. We are an attractive purchaser – retaining the identity of businesses we buy, preferring management to stay, acting quickly and actively transferring knowledge to help those businesses grow.

Developing sectors
emerging markets

China – growing upwards
 India – expanding population
 Presence in local markets

long term commitment

Developing sectors
acquisitions

Go with what we know
 DCE manages and is accountable
 Very attractive purchaser

well controlled risk

We have spent over £150 million of self-generated cash on acquisitions in the last decade.

Although we see that acquisitions can be difficult and dangerous, by going after what we understand, we believe we put the odds in our favour.

We have been actively reallocating our resources and in particular repositioning our Optics sector, recognising that it is tough to get growth in certain markets. Over the past twelve months we have sold three businesses not meeting our growth/RoCE targets, expanded in the growing life sciences area,

and broadened our Optics technology with the acquisition of Ocean Optics. This gives a different and positive outlook to that part of our business.

Repositioning for growth
Optics & Specialist
 Sold 3 businesses
 Growth in life sciences
 Broadened Optics
positive sector outlook

So what does the future hold for Halma? We see continued globalisation in our markets as best practice and legislative standards get exported around the world. Countries are fighting harder to conquer disease and protect life. It is not necessarily an easy environment but we see it as a broadly favourable one.

We aim to push forward organic growth, focusing hard on R&D. We will press on with our key initiatives – sales process improvement, innovation (in its broadest sense) and people development. We will continue our active M&A process, building on our fastest growth sectors.

Future view
 Safety and health globalisation
 Push organic growth
 Active M&A
 Resource allocation
delivering value

We will take advantage of opportunities in emerging markets and continue the process of repositioning. The key issue is one of resource allocation and our objective is to deliver lots of value to our shareholders while positioning ourselves for long-term growth.

Within this paper we have used the following definitions.

- 1. Return on Capital Employed (RoCE) is defined as profit before tax, goodwill amortisation and exceptional items divided by all tangible assets.*
- 2. Return on Operating Assets (RoOA) is calculated at subsidiary level and excludes cash, goodwill and real estate from the assets.*
- 3. Return on Total Invested Capital (RoTIC) adds to the tangible assets all goodwill including that previously written off.*

CAUTIONARY NOTE. *The information contained in this summary is correct at 17 March 2005. 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.*