DrKW Capital Goods Conference

30 March 2006, London

Halma p.l.c.

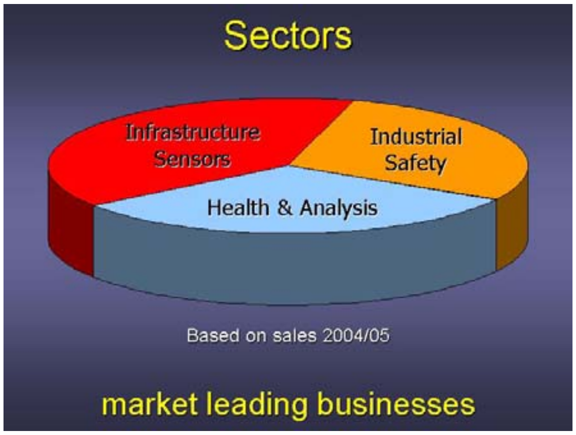
presentation by Andrew Williams, Group Chief Executive

Andrew Williams spoke at the DrKW Capital Goods Conference in London. He talked about Halma's businesses and sectors, gave an insight into how Halma operates and highlighted the key challenges and actions taking place - in particular to increase the rate of growth.

Our business is about creating products which protect lives or improve the quality of life for people worldwide. Our goal is to make our customers safe, more competitive and more profitable. It's through this that we are able to be competitive and profitable ourselves and provide shareholders with significant, sustained and growing returns.

Our strategy is to invest in developing businesses which operate in markets where there are robust long-term growth drivers, and build barriers to entry by creating Intellectual Property, for example through product innovation or product approvals. We invest in market-leading businesses where there are still opportunities to broaden their position through innovative new products or geographic expansion. Consequently, Halma businesses have common operating and market characteristics which reflect our strategy.

Halma businesses are entrepreneurial and thrive on autonomy. Intentionally, our central resources are slim and we rely on strong operating company boards to grow their business. We aim to create an innovative culture and combine this with strong financial disciplines. This results in businesses which are highly cash generative and able to deliver world class returns on a sustainable basis. Our Group values - innovation, empowerment and achievement - underpin the behaviours we see in our subsidiary businesses.



We have three major business sectors; Infrastructure Sensors, Health and Analysis and Industrial Safety and achieved total revenues from continuing operations of £299 million in the last full year (2004/05) and revenues of £152 million in the half year to September 05. Each of these major business sectors offer common characteristics and opportunities.

Infrastructure Sensors is our largest sector and delivered 38% of revenues and 39% of profit[1] in the half year to September 05. There are four sub-sectors.

Fire - we are the second largest maker of point smoke detectors in the world.

Elevator Safety - we are the largest maker of Elevator Door Safety Edges in the world with a 40-45% market share. We also make elevator controls, displays and emergency communication devices.

Door Safety - we are the largest maker of automatic door sensors in the world with a 35-40% market share.

Security – in November 2005, we acquired Texecom, a maker of security sensors with a particularly strong position in the UK and South African markets. This filled an important gap in our Infrastructure Sensors offering and is a sector with aspects which complement both our Fire (sales and distribution) and Door Safety (technology) sub-sectors.

Typically we supply discrete products, not system installations or long-term maintenance contracts. We both collaborate and compete with the major global players in these markets, and sell through global or national distributors or directly to the local system installers. Product quality, product performance and product approvals are crucial. Indeed, our Fire business now has over 2,000 product approvals. This is vitally important for us to develop global strength and builds competitive advantage. The consensus of our view and those of many other players in these markets is that the blended Infrastructure Sensors market growth rate is of the order of 5% per annum.

Health and Analysis is our fastest growing business sector achieving 34% of Group revenues and 38% of Group profit[1] at the last Interim stage. There are four sub-sectors.

Photonics - we make instruments and products which generate light and analyse the interaction of light with substances. There are a very wide range of applications and end markets for these products including environmental control, life sciences, bio-hazard detection, clinical diagnostics, food and beverage manufacturing and leisure markets. For example, we have a leading position in the testing of swimming pool water.

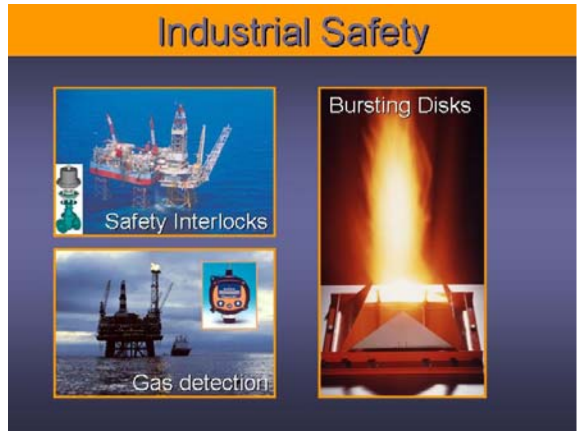
Health Optics - we make instruments used by eye specialists which assess the health of the eye, diagnose disease or are used in eye surgery.

Fluid Technology - we supply the major life science and clinical diagnostic equipment manufacturers with critical fluid components including valves, pumps, tubing and connectors. Our products deal with very small flow rates where accuracy and the consistency of sample delivery is critical.

Water - we make UV treatment chambers and instruments used to find leaks and monitor the flow/pressure in underground water networks all over the world.

Often we are selling critical components or sub-assemblies of larger systems. Technical research and new product development are key features of our businesses and also of our customer's businesses. We benefit from their innovation too. Typically, we sell directly into our home markets and through local distributors internationally. We are recognised as among the world leaders in Water, Health Optics and miniature spectroscopy – a significant part of the Photonics market.

In August 2005, we acquired Radio-Tech which has brought wireless RF technology to our Water business and the rest of the Group. Our Health and Analysis markets have growth rates ranging from 6-9% per year. Health and Analysis remains a sector where we will be actively looking for further acquisitions.



Industrial Safety, which includes some of the longest established businesses within the Group, contributed 28% of revenues and 23% of profit[1] in the last half year. In February 2006 we disposed of our high power Resistor businesses to allow us to concentrate our resources in this sector on those businesses offering better growth prospects.

Bursting Disks – these are used to provide the safe exhaust of a potentially hazardous pressure build up in pressurised systems or vessels. We sell to many process industries.

Safety Interlocks – these are used to protect people from hazardous machinery or to control the sequence of valve operations in potentially hazardous process plants.

Gas Detection - we make portable and fixed gas detection instruments and are a market leader in the UK.

The market growth rates in Industrial Safety are in the 3-5% per year range although recently we have been benefiting from buoyancy in the Oil and Gas market. We have strong market positions in Bursting Disks and Interlocks and a 3-4% share of the global market in gas detection.

Typically these businesses are driven by legislation and regulation but also the risk and cost of accidents. Of all our businesses they are most exposed to macro industrial development cycles and, with the exception of parts of the Gas business, experience longer product cycles. However, the ongoing need to maintain safety standards, replace and refurbish plants even when new construction is less prevalent means that these market drivers are robust.

In June 2005, we made one acquisition to strengthen our position in Oil and Gas Interlocks but we are generally looking for Industrial Safety to grow organically rather than through major acquisitions.

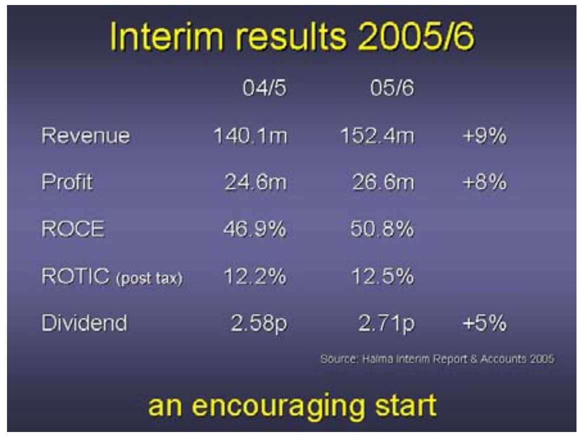
	Sensors	Health	Safety
Regulations & legislation	✔	✔	✔
Risk/cost of accidents	✔		✔
Construction (New & refurb)	✔		✔
Demographics	✔	✔	
Personal/Public H&S standards	✔	✔	✔
Industrial growth	✔	✔	✔
Energy and resources markets		✔	✔

It is clear that all three of our business sectors have common characteristics including market drivers. This table shows the main market drivers across the Group. Construction refers to both new build and refurbishment of mainly commercial rather than residential property. Demographics includes more than just population growth. Population ageing also drives demand for our health products and increasing urbanisation raises demand for Infrastructure Sensors. People want to live safer and they want to live longer. There is increasing demand for scientists to find new ways of diagnosing and conquering disease. Energy and Resources is not just about the Oil and Gas market but also the need to develop and conserve water resources. All of these factors drive growth over the long term and continue to generate new opportunities for us. We are in good markets and our challenge is to exploit these market opportunities more successfully.

I would now like to look at my current priorities, the progress we are making and what the future holds for us.

Our top priority for the current fiscal year is organic profit growth driven by revenue growth. We have been investing in stronger sales and technical support resources and we continue to ensure we get the right people in the right positions with the right resources to do the job. Our goal is to deliver success in the short term but also to strategically reposition the Group for greater growth in the longer term. We need to get growth but not at the expense of eroding the quality of returns.

At our Interim results announcement in December 2005, we announced that underlying organic growth was 6% in both revenue and profit terms. Our Return on Capital Employed[2] increased to over 50%. Our post-tax Return on Total Invested Capital[3] increased further to 12.5%. We also increased our interim dividend by 5% continuing an unbroken record of dividend increases going back over 20 years. This shows that our businesses took on board the growth message without sacrificing the discipline of managing their assets.



Acquisitions are a major contributor to our growth but, combined with disposals, are also an important way to allocate resource according to the growth opportunities. In the past year, we have spent £30 million on three acquisitions - one in each sector (see details above). We have also realised £16 million from eight disposals including an exit from a long underperforming sector, Resistors.

The net result is that we have reduced the number of subsidiaries and increased the underlying growth potential of our business. We have concentrated our resources on fewer, faster growing, businesses and should end the year ungeared.

This map shows the location of our principal manufacturing and sales facilities. The three colours correspond to a particular sector (red - Infrastructure Sensors, blue - Health and Analysis and orange - Industrial Safety). Clearly we are strong in Western Europe and the US East Coast reflecting where our customers

are and have been. You can also see that we are making greater efforts to build our resources in developing regions. So far this year, we have opened new offices in China, India, Eastern Europe, Southern Europe, South Africa, the Arabian Gulf, Malaysia and Tunisia. Tunisia is proving to be an interesting alternative to China for off-shore manufacturing.

Our autonomous business strategy depends on building high quality boards at Group subsidiaries. I believe giving autonomy and making people accountable demands clear strategic objectives and the availability of resources to do the job. During the last two years we have made major personnel changes in our subsidiary boards and aligned short and long term incentive plans with our Group objectives. More recently we established a senior executive development programme at Henley Management College to develop the leadership skills of our many talented senior people across the Group. Travelling around the Group I can clearly see that more people are acting more decisively, being more creative, and, importantly, being more successful.

In summary, you can see that we have made major progress so far this year and that we remain committed to investing and developing our sales and new product development resources. I believe that we have the capability, both in terms of people and capital to deliver sustained organic growth and make further acquisitions to increase the underlying growth potential of our Group. As we stated in our February Trading update we are on track to have an encouraging year in terms of organic sales and profit growth and are now seeing greater momentum in all areas of the business.

Notes

[1] From continuing operations and before amortisation of acquired intangible assets
[2] Return on capital employed is defined as profit[1] expressed as a percentage of operating assets
[3] Return on Total Invested Capital is defined as profit from continuing operations before amortisation of acquired intangible assets after taxation, expressed as a percentage of total shareholders' equity, adding back net retirement benefit obligations, cumulative amortisation of acquired intangibles and historic goodwill

CAUTIONARY NOTE:

The information contained in this summary is correct at 30 March 2006. This document may include forward-looking statements that are not factual. Such statements involve 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.