

Halma p.l.c. Preliminary Results 2002 / 2003

Summary of Analysts' Presentation, 17 June 2003

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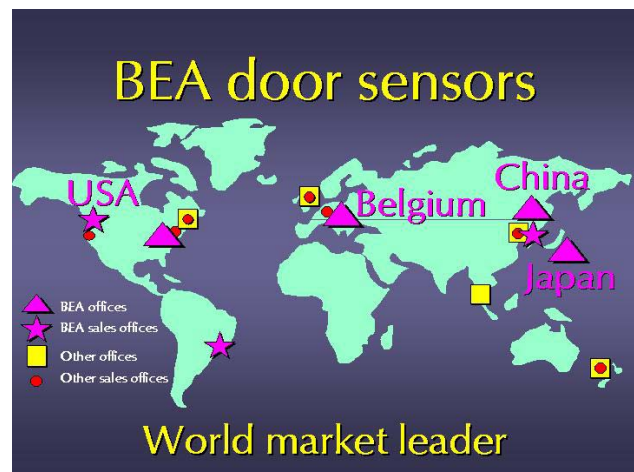
Halma is a team of 2,800 people who skilfully use the resources the Group supplies to create high levels of earnings for the benefit of all the people who have invested in us. Firstly this is our shareholders, to whom this year we will pay a record dividend of £21 million whilst at the same time building the Group by creating new products for customers. We have spent £10 million on Research and Development, the most we have ever spent, designing new products that protect people and the environment. We

Story of the year

Dedication to wealth creation
Some great successes
Some market reductions

No help from the World economy

also brought new products into the Group by buying two businesses for a total of £50 million. One of these, Radcom, designs and makes instruments that measure water flow, often reporting results through satellite communications. The other, BEA, is the world market leader in making sensors for automatic doors to help the rapid and safe flow of people through shopping malls, airports, offices and factories. BEA has been a successful acquisition, creating wealth even in the first six months since it joined the Group.



Altogether we made profits before tax and goodwill amortisation of £46.5 million and did this using resources of only £87 million. We have an outstanding record of wealth generation over more than 20 years, however, in 2002/03 the productivity of our resources reached new heights. It is truly remarkable that we made a return on operating assets of 54%.

Tough markets

Sales £267M
Profit £46.5M
Tangible assets £87M
BEA acquisition successful

Disciplined action

This doesn't happen by accident. All the Halma people who invest their lives and skills in our company have been working to reduce costs, increase productivity and to make products of increasing value to our customers.

Refining the businesses

Cost reductions
 Maintained margins
 Record investment in R&D

Determined action for the future

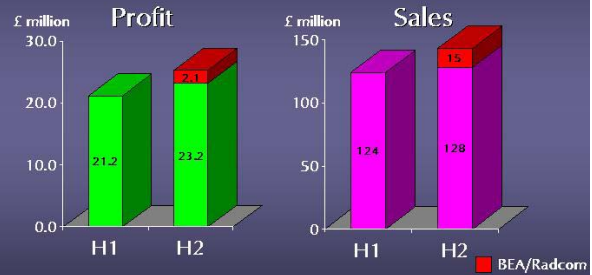
We got ourselves into even better shape this year with a record return on capital employed, producing lots of cash and investing for the future.

In good shape

Highest ever ROCE
 Strong cashflow
 Solid balance sheet
 More into R&D

Resilient business

Impact of acquisitions



Growth in second half

Profit, before tax and goodwill amortisation, was £46.5 million against £48.3 million last year on the same amount of sales. Stripping out the benefit of the acquisitions which were both made in the second half, we saw sales, profit and return on sales all higher in the second half than the first.

BEA statistics

Return on sales 20%
 Return on operating assets * >70%
 Post-tax ROI * 8.3%

* annualised

Significantly earnings enhancing

BEA, our largest acquisition to date was bought half-way through the year. Not only was it significantly earnings enhancing but its financial performance is very much in keeping with the Group's high achievement.

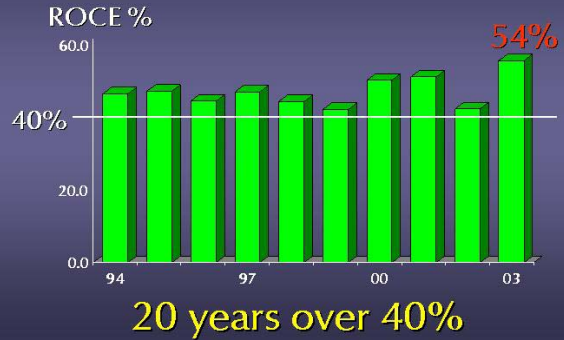
Adverse factors

Pensions
Insurances
Currency

Not anticipating help

The latest actuarial valuation of our pension schemes showed our main scheme to be 69% funded. This shortfall is a relatively small proportion of our market capitalisation. We are making increased cash contributions in line with the actuaries' recommendations and have closed our defined benefit scheme to new members. Insurance costs increased in 2002/03 and are still increasing. The weak US dollar and strong Euro had the net impact of reducing sales and profit by 2%.

Very high returns



The effect of all this is an excellent return on capital employed figure of 54%, our highest ever and the twentieth consecutive year in excess of 40%.

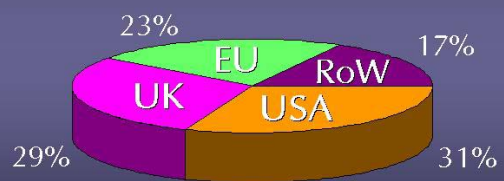
Our biggest market is now the USA. Sales into Europe increased by over £5 million and the Rest of the World grew a little. However, in the UK our customers bought less from us.

Free cash flow £36M



Cash flow was very good. We pushed working capital down by £8.8 million. Capital expenditure increased as expected. The dividend was increased by a further 10%. Despite the significant amount spent on acquisitions we still finished the year cash neutral. We spent a record amount on R&D, increasing the figure as a percentage of sales from 3.1% to 3.6%.

Geographical sales performance



USA now biggest market

The pattern of sales and profits was spread unevenly across the Group. We sold more of our highest value products in the Fire and Gas sector, increasing profits on marginally lower sales.



Going with the flow

UK water utilities defer spend on leaks

Creating new export markets

Radcom extends product range

Broadening territorial base

Our investment in Research and Development in this sector has resulted in important new products being sold for the first time in 2003/04. These include a new range of fire detectors and new personal gas monitors that make sure that personnel who work in enclosed spaces are safe from poisonous gasses and have enough oxygen in the air to work safely. There is strong evidence that in some territories, for example Germany, we have grown market share in this sector. Often we do this by making our products simpler for our customers to use and easier for us to make. Frequently this leads to opportunities for us in new markets.

We make a valuable contribution to improving the environment in our Water operations. The waste of clean water is reduced using our leak detection equipment where we lead the world. Alas, in the UK investment in leak detection and reduction has fallen, partly as a result of Offwat, the water regulator, no longer enforcing earlier good practice. We are creating new export markets but these are initially slow to grow.

We sterilise water using ultra-violet (UV) light. UV kills all the harmful organisms in drinking water. Using chlorine, a poisonous gas, is a common way of making water safer but it is not effective on all the parasites, and chlorine by-products are harmful to both buildings and people. The use of chlorine in swimming pools has been linked with childhood asthma. We supply UV sterilisation systems for swimming pools that reduce or eliminate the need for chlorine.

The use of our systems is resulting in many fewer tonnes of chlorine being released into the environment. There are growing opportunities for these products in the USA.

Clean water

Substituting UV for chlorine

Taste, life and health

US growth opportunity

Valuable environmental technology

In our Process Safety sector we supply products that ensure:

- Ordered processes are carried out safely
- Plant is protected from accidental damage
- Operator safety is preserved by gaining access to dangerous machinery only when it is safe
- Safe emergency pressure relief to stop explosions and reduce emissions.

Safe at work

More profit on lower sales
Improved product mix
Petrochemical boost

Manufacturing migrates eastward

Our process safety products are sold across the world. We have been increasingly supplying equipment for the most hazardous environments, including petrochemical applications. These devices attract the highest prices and the optimum performance. Even though sales to the UK declined, we still succeeded in increasing profits.

We make high-power, heavy duty resistors that are used to control motors, protect electricity distribution systems and for the braking systems for locomotives and very heavy earth movers. Much of our business is centred in the USA where the heavy industries we supply have not yet recovered from recent downturns.



Frugal management has retained the return on investment (ROI) we made last year, but both sales and profits are lower than last year. Nonetheless there have been successes. The huge Komatsu earth movers now use our resistors in their braking systems. This is valuable after-market business. We are also moving resource to increase penetration of export markets. This is a strong business, however, it is proving hard to grow in current economic conditions.

Our Optics business provides diagnostic aids to ophthalmic surgeons, optometrists and other medical professionals. Sales and profits were similar to last year. The specialist businesses had a difficult year with reduced sales and profits. We generally have smaller market shares in specialist companies and they have less purchasing power and a lower influence on their respective markets.

Elevators sector rises

Customer mix
 Purchasing savings
 US compensated for by
 Far East

Fixed doors provide momentum

For many years we have been world market leaders in controlling elevator doors. With the acquisition of BEA we now lead the world in making sensors for static automatic doors.

We have had some success in reducing material costs in our elevator sector, buying more from Eastern Europe and making more in our two Chinese manufacturing operations. This has offset the effect of the consolidation in the elevator industry that in seeing some of our biggest customers, with their maximum discounts, acquiring some of our smaller customers. This is particularly evident in the USA. Our growth is coming outside of America, particularly in the Far East where we benefit from local manufacture.

BEA successful

Strong management
 Unique products
 Targets met

A valuable addition

The sensors we make for automatic doors are used by every major door manufacturer and

often specified by end users. BEA, which we bought in October 2002, has met or exceeded our expectations. BEA customers include Boots, Shell and Walmart. BEA is a strong business with effective managers. Halma has a good record of attracting and retaining entrepreneurial managers.

It is a pool of talent, developed over many years, operating within our results orientated culture that produces results that are remarkably consistent and consistently remarkable. Nonetheless, we did not make a record profit this year. A flow of powerful new products and assets that are worked hard together produce a high return on investment – this year at a record level. This has not happened in favourable economic

Achievements

Record ROI 54%
 New products from record
 R&D
 Excellent resource management

But not a record profit

circumstances, quite the reverse. Currency also moved against us. We recognise that it is our actions that will drive profits upwards. Actions are already taken to develop new products and new markets, to build our market shares and the work we do during 2003/04 will determine future profits. Insurances, pensions and state payroll taxes will be higher but we will have BEA for a full year. We expect little or no help from the world economy but we have important new products for customers. We enjoy achieving record results and sharing the fruits of our success. You can be sure of our determination.

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