

Halma p.l.c. Preliminary Results 2003 / 2004

Summary of Analysts' Presentation, 22 June 2004

Stephen O'Shea, Group Chief Executive
Kevin Thompson, Group Finance Director

Stephen O'Shea Halma's Chief Executive commented on the results for the 2003/04 financial year. The Group has had a strong year, achieving good results and building up the strength of Halma by both broadening and improving our product range, building sales despite flat underlying markets and by further refining our use of assets. Our management team has increased the intensity of our asset utilisation, managed our material flows and invested in new product tooling. As a result of this and our record profits we reached a 52% return on capital employed¹, an outstanding result for any engineering and manufacturing group.

Building the Group

Improved products
Grown sales in flat markets
Better use of assets

active management of resources

Such results only come about through active and effective management. This is confirmed by action taken in the year during which we consolidated two businesses to bring them closer to their customers, closed one operation and sold three businesses that were incompatible with our requirements for growth and rate of wealth creation. The three businesses we sold were from our Optics and Specialist sector where we are refocusing on higher technology, higher performance

companies. After the year end we bought two businesses in this sector and paid for them out of the cash we earned during the year.

Our cash was also invested in new products fuelling future growth, in paying a record dividend and strengthening our management team. Our organic and acquisition growth is based on the investment we make in creating and acquiring new intellectual assets and the margins we earn from unique products.

Fruits of investment in products

- #1 further benefits to loyal customers
- #2 attracting new customers and territories
- #3 cost effective designs

growth at high margins

Record profit and organic growth

Kevin Thompson noted the achievement of a record profit² of £50.3 million. Just as pleasing is the return to organic growth – continuing the progress at the half year.

There was organic sales growth of 6% and the inclusion of BEA, acquired in 2002, for a full year added a further 6% growth. Currency translation (mainly the weak US\$) took 2% off sales, giving a 10% overall growth in sales on continuing businesses. Despite funding £1.7 million higher pensions,

Organic sales growth

	Sales £m	% change vs last year
Organic growth	15	6%
Acquisitions	16	6%
Currency translation	(5)	(2%)
2002/03 continuing sales	254	-
2003/04 continuing sales	280	10%

net profit growth at same rate

payroll tax and insurance costs, profit before goodwill amortisation and exceptional items followed a very similar pattern with 6% underlying organic growth.

There has been particularly active management in our Optics and Specialist sector. The three non-core businesses which were sold had aggregate sales of £13 million but contributed no profit. The resulting exceptional charge of £9 million includes £6 million of recycled goodwill which has no effect on shareholders' funds, and the net cash impact will be positive.

Shortly after year end we purchased Diba Industries and Ocean Optics giving us access to valuable new technology.

Recent acquisitions

	Initial consideration £m	Acquired annual profit £m
Diba	8	1
Ocean Optics	14	2.6

2004/5 net contribution £1.8 million

new opportunities

Diba makes components for handling high purity fluids and is a strong complement to our existing activities in the area of life sciences. Ocean Optics is a world leading business making spectrometers that analyse substances via their reaction to light.

All territories grew



Halma's strong returns continue and led once again to a very good cash performance with £22 million of cash generated and working capital reducing while our businesses grew.

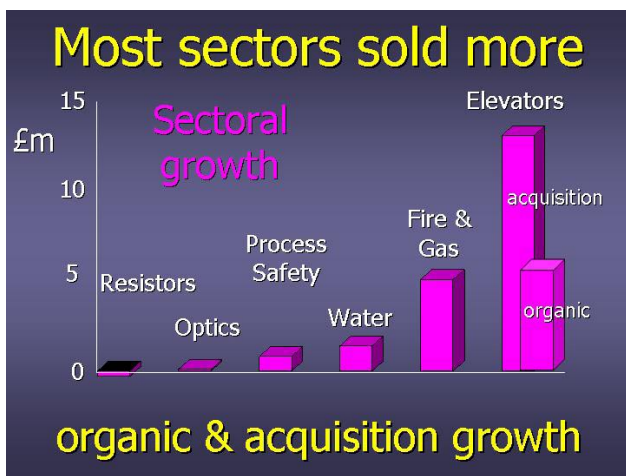
Widespread profit growth



We grew sales by £25 million, improving our penetration of markets around the world. It is worth noting that the growth in the USA in US Dollar terms is greater than as shown in Sterling equivalent value.

The same applies in terms of where the profits were made by our companies around the world. About half our profits continue to be made by companies based in the UK. We increased sales in every sector except Resistors where, as predicted, we continue to face tough markets in the USA and made somewhat lower sales and profits. For clarity, the illustration shows separately the organic growth and acquisition growth achieved in Elevator and Door sector.

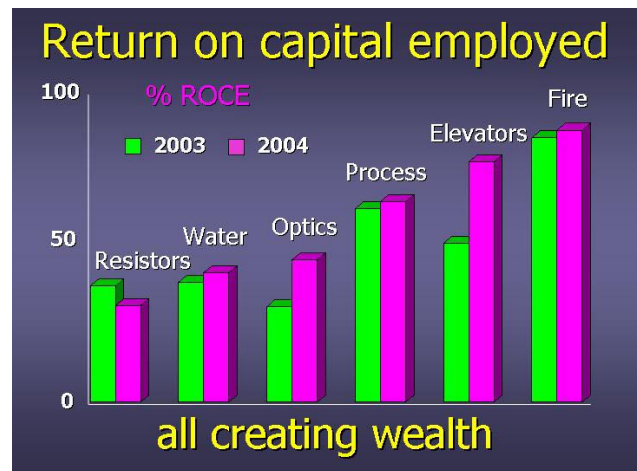
For the last two years margins on resistors have been lower, however every single sector created wealth for our shareholders. The increase in return on capital employed in our Elevator and Door Safety sector is partly due to the inclusion of a full year of profits from BEA. Last year the whole capital employed at the year end was included, whilst only the profits made for the six months we owned BEA contributed to the calculation.



The overall growth is the sum of the two columns.

Over a long period we have managed the sectors so as to consistently achieve an enviable return on sales³ which has been at or above 17% every year for over ten years.

This has been a year when we have created all of our own opportunities. We helped BEA grow, and they helped their colleagues with new innovation techniques that have been adopted by several companies in their own and other sectors. At the same time we have repositioned our Optics and Specialist sector thereby conditioning it for future growth. Our grounds for confidence in the future are based on our achievement of record sales and profits, demonstrating both organic and



acquisition growth in every identified territory. We earned cash that funded our growth, paid for acquisitions and helped us both marginally increase our dividend cover and pay a record dividend.

As we move into the new financial year we see only a few favourable indications from the markets we serve. In the current year we expect to create our own opportunities just as we have in 2003/04.

Notes

1 return on capital employed is defined as profit² expressed as a percentage of net tangible assets (being equity shareholders' funds less intangible assets).

2 profit referred to above means profit before taxation and before goodwill amortisation of £4.2 million (2003:£3.2 million) and exceptional items on disposal of non-core business of £9.1 million (2003:£nil).

3 return on sales is defined as profit² expressed as a percentage of turnover.

CAUTIONARY NOTE. *The information contained in this summary is correct at 22 June 2004. 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.*