

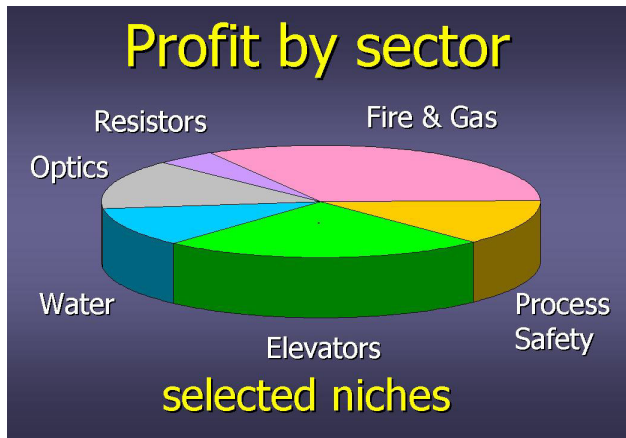
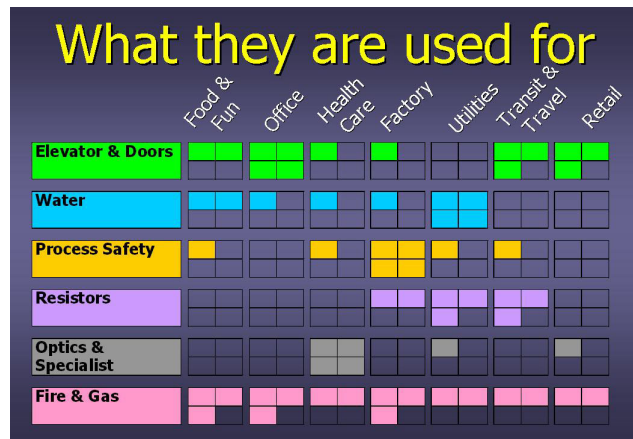
CSFB Capital Goods Conference

Summary of Presentation on Halma p.l.c. 14 September 2004

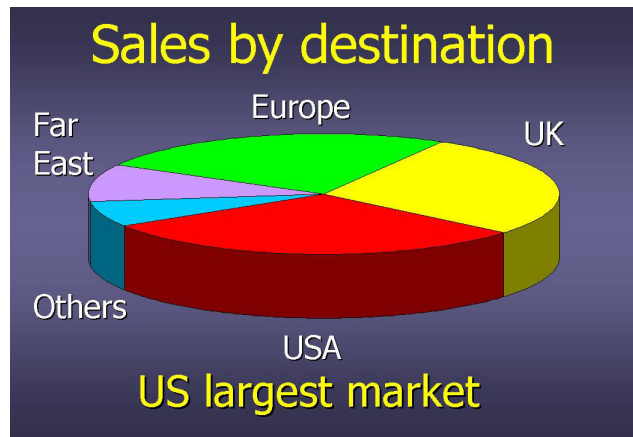
Stephen O'Shea, Group Chief Executive

The world has become a riskier place. We all know that. But we can do something about it. I don't mean in a geo-political sense but in everyday life.

Reducing risk is what we and our products do. We diagnose risk. We help to minimise it. We do this for everyone as soon as they leave home. Our task is valuable in every sense, it is an important task and is well worth paying for. Satisfying the need to detect hazards and protect against them is the source of our profits. We work in 6 profitable niche markets.



machinery and locomotives safer. Our products are widespread in life sciences instrumentation and in diagnosing eye disorders. We make safety equipment for utilities; gas, electricity and water. We work protecting people and the environment right across the world.



Typically the public don't even notice our products operating but as soon as someone leaves home, our products are working for him. Our products protect him as he travels to work, in the office or factory, at leisure or in hotels and restaurants, in shops and even in hospital.

The illustration shows how important each application area is to each of our businesses. We make safety components for fire alarms, for automatic doors and elevators. We sterilise water with ultra violet light. We make heavy US

The USA is the largest of our markets, we are big exporters to there and a third of our businesses are based there. We are therefore affected by the weakness of the US Dollar not least in the translation of our profits from the

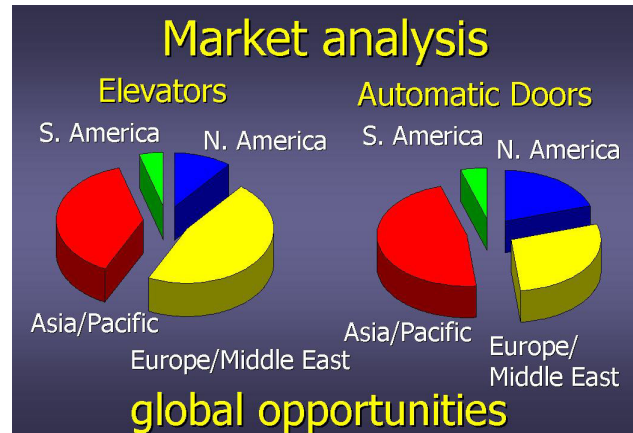
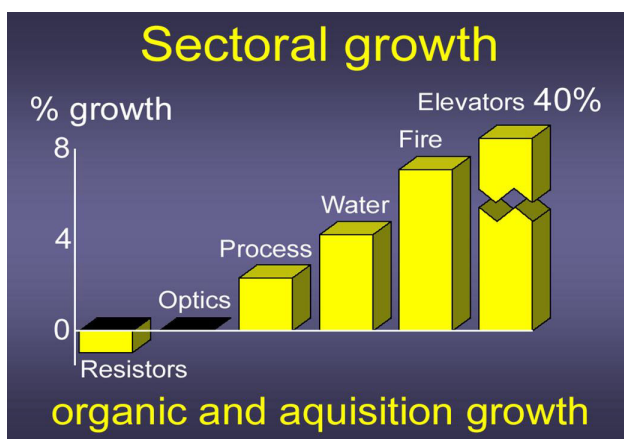
Dollar to Sterling. In the first half of last year we translated profits at US \$ 1.62 to the £. For the first half of this year we expect to translate profits at US \$ 1.81 to the £. We would have to grow profits in the USA by 12% just to report the same Sterling profits from there. By the end of the year this effect is expected to be proportionately much less significant.

The geographical spread, the technology base, the customers and the legislation are similar for both parts of our Elevator and Door Safety sector. The illustration shows these to be global markets. We service every territory.

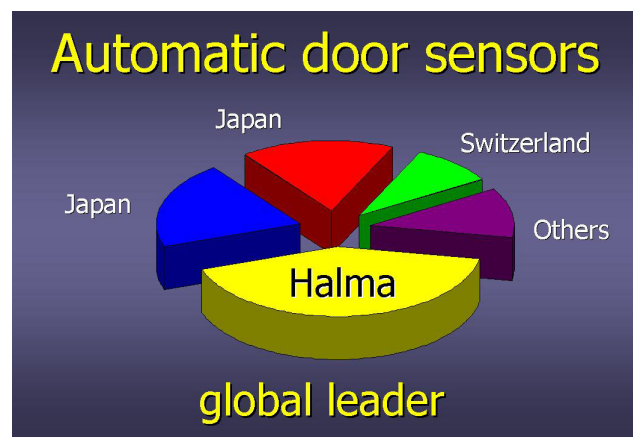


We are growing our sales in every market. Last year we made our highest organic growth in the Far East. Growth in 2003/04 in Europe was aided by acquisitions 18 months earlier.

This also shows in our sectoral growth where our Elevator and Door sector grew both organically and by earlier acquisition. This year two more great companies have joined the Optics and Specialist sector and this will show in our next reported results for the period up to September 2004.



We have wholly owned manufacturing subsidiaries in both Beijing and Shanghai servicing these markets. We have built on both technical leadership and service leadership in several of our businesses. An example of a strong market position is in Automatic Doors where we are twice as large as our next biggest competitor. We may do half of all the research and development carried out anywhere in the world in this area.



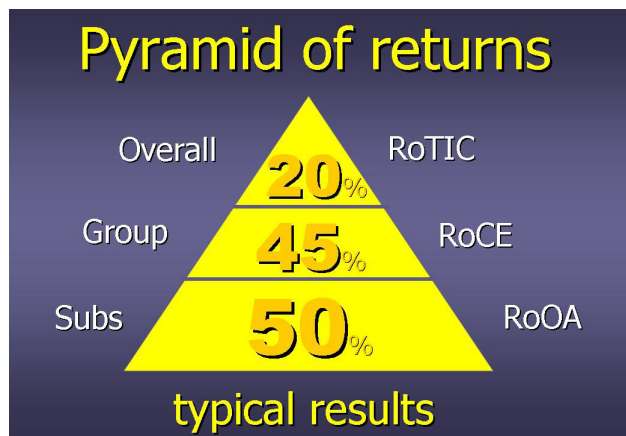
Research and development is one key to consistent profit growth as we raise barriers to competition with new products and continually refresh our intellectual assets.



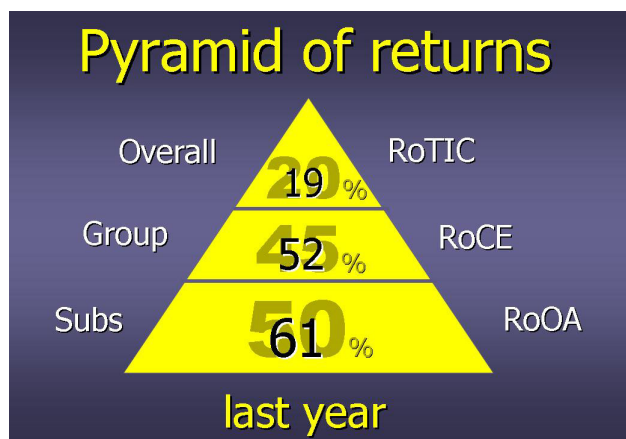
We make profits more from intellectual rather than from tangible assets. This is one factor that leads to a high and consistent return on capital employed (RoCE^{note 1}). Profit growth at a high return on capital employed (RoCE) is our key management metric.



We look at this in 3 ways. The foundation of the pyramid in the illustration is a measure of the achievements of our Managing Directors and their teams. The return on operating assets (RoOA^{note 2}) measures the combination of high profits and economic use of all the assets at their disposal. Typically this is 50%. We take cash centrally and own some of our factories and we account for these at Head Office. The return on capital employed (RoCE) is therefore slightly lower than in operating companies because these are, relatively speaking, lower performing assets. Nonetheless some 45% is representative of the Group's result over



many years. The peak of the pyramid is return on total invested capital (RoTIC^{note 3}) and adds to the tangible assets all goodwill purchased over 110 years, including that written off. This is the ultimate measure for us since each time we purchase goodwill we spend cash we have already earned and this could otherwise be distributed as dividends. If we add back all exceptional items over the period over which they have arisen then the typical RoTIC value of 20% changes by less than 1%.



The actual returns last year exceeded our typical results. There are no complicating factors. The Group is consistently ungeared. Last year we had £22 million of net cash which is included in the return on capital employed calculations. The Group's position tends to vary between cash neutral and having net cash. It is shareholders not banks who get the whole benefit of our success.

The consequence of our high returns is that Halma is a huge cash generator. We like to use this cash to distribute growing dividends and to reinvest in our best sectors.



The basis of this history of high performance is entrepreneurial management in a highly decentralised structure where nonetheless we select niche markets where product performance is more important than price. All our managers have identical, simple, clear objectives. This leads to common characteristics across the Group.

Safety legislation means customers have to buy the products we make. They choose to buy our market leading products for 3 reasons. We continually find new ways to make working life safer. Our product is the easiest to find because of our market leadership. It is profitable to run a safe company.

The flow of new products gives us more to sell and raises barriers to competition each year. It also reduces price sensitivity and produces market growth.

Halma's performance is driven by the power of its subsidiaries. It is the performance of our Managing Directors and their teams that produce our results. The Managing Directors are the 'Halma Heroes' They are motivated by making products that save lives and protect the environment every day and by simple, clear, challenging objectives. Ultimately it is people who create wealth and we have a wealth of people who do just that.

Stephen O'Shea

Notes:

1. Return on Capital Employed (ROCE) is defined as profits before tax, 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 all goodwill including that written off into the assets.

CAUTIONARY NOTE. *The information contained in this summary is correct at 14 September 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.*