

DrKW Capital Goods Conference

17 March 2004, United Kingdom

Halma p.l.c.

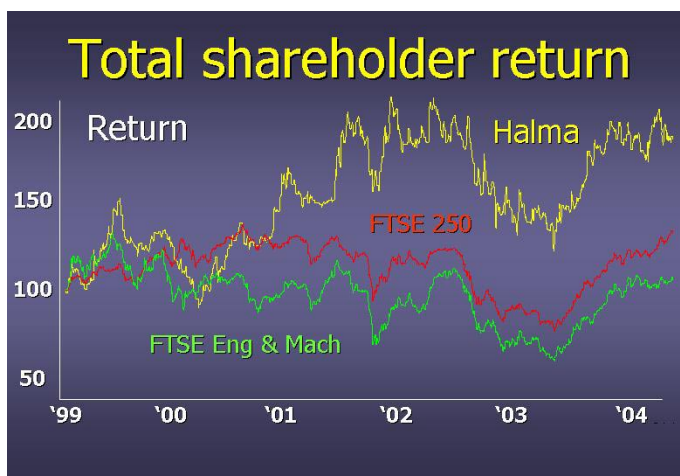
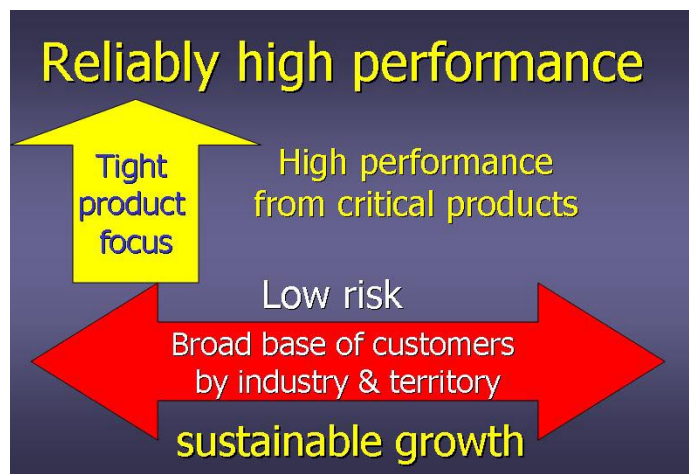
Stephen O'Shea, Group Chief Executive

After introducing himself and welcoming his audience of analysts and fund managers, Stephen O'Shea went on to describe Halma and its achievements and prospects.

Halma is a strongly cash generative and highly profitable group which develops, makes and markets products worldwide that are used to enhance public safety and minimise hazards at work. Last year we made £47 million of pre tax profits using £87 million of tangible assets with no net borrowing.

My task today is to show how we achieve our outstanding financial results, year after year, what the key growth drivers continue to be and how we manage Halma to create wealth.

We are highly profitable. We make 17% or more return on sales every year, selling products of very high value to our customers. The cost of our product is small compared to the benefits to our customers. The protection of your life and safety at work, indeed everywhere outside the home, is the main focus of our products. You will have used a number of them today – even though you probably didn't know it at the time. We concentrate on safety related, critical products from

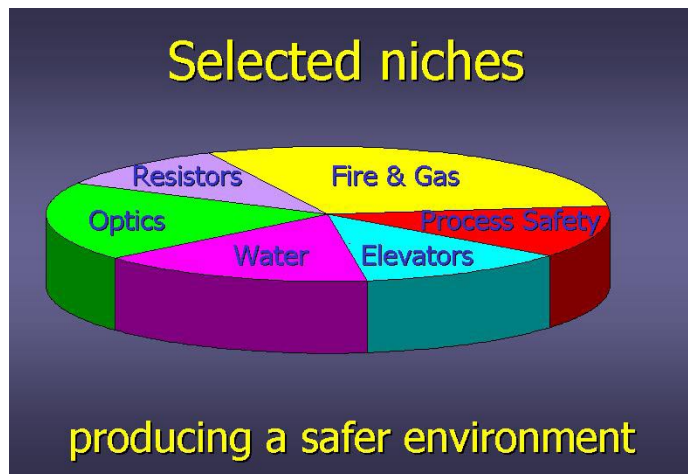


which we produce a strong financial performance. We do this consistently year after year because we make products that are used by every industry in almost every territory around the world. We create a flow of new products primarily through our own research and development. These earn loyalty from existing companies and help us convert new customers and invade new territories. This leads to a sustainable performance and provides opportunities for growth.

H A L M A

We are not immune to economic reality. The state of industry across the world and particularly in developed countries does affect our business. The operating model we have developed shows its robustness in these circumstances. We also create cash all the time. We have a progressive dividend policy. We paid over £21 million in dividends for last year. It is however the underlying strength of our business model that is producing our long term shareholder returns.

These are the principles, how do we do it in practice? We have selected six niche markets with the characteristics we seek and developed businesses, predominantly by organic growth from new products that command large market shares.



Safety in buildings while you work and whilst you move through them is the focus of Fire and Gas, Elevators and Doors and Process Safety sectors. We also make diagnostic equipment for eye care specialists, as well as high power resistors to keep electricity distribution and trains safe. We purify water using ultra violet light and help make sure it gets to you, still clean, by equipment that keeps the water distribution system safe and effective. We stop water leaks. This is one of the areas where we lead the world.

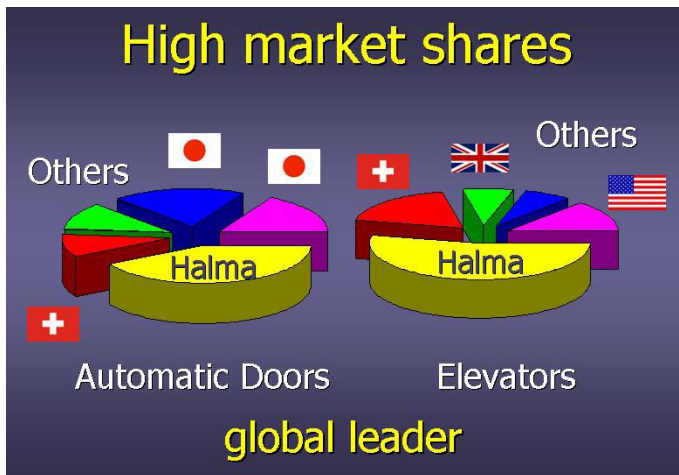
We are the largest company in this market by far and we have a powerful R&D resource constantly finding better ways of managing water leakage. We are market leaders in terms of volume, technology market leaders, service market leaders and price market leaders. This has been achieved entirely by organic growth.



More than half the total R&D in the world in our sector is done by us. This leads to a continuous flow of innovative new products. This flow of unique products, that satisfy the safety requirements of multiple territories, is one of our key growth drivers.

It is our customers who put us in the position of market leadership and often they are global customers who need global service. One example is Elevator and Door Safety and here we have multiple sales and manufacturing locations around the world.

Often we are the only suppliers that can genuinely meet this need through local manufacturing and supply and also through great local knowledge and multiple safety approvals. This supports local safety approvals. This supports large market shares. In our



Elevator and Door Safety sector we are the biggest supplier of safety sensors for elevator doors and automatic doors and make a major contribution to the rapid and safe movement of people in buildings.

We have built our position in Elevators mainly via organic growth but with some judicious acquisitions. For automatic doors we acquired the world leading business, BEA. There are very similar technologies and market factors across the whole of this sector.

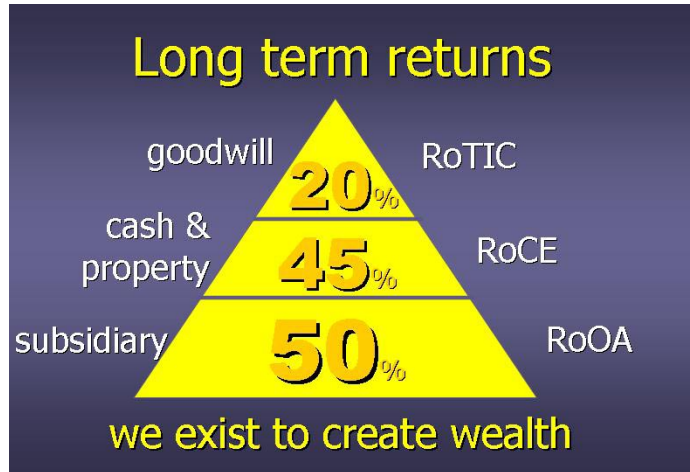
Over time two thirds of Halma's growth is organic.

Legislative demands on safety rise steadily across the world. Partly because risk has increased but also because risk has been recognised. We can help ameliorate or eliminate that risk. The best global companies export their safety standards to every plant they run around the world.



This is partly ethical, partly to avoid litigation but also it's profitable to run a safe enterprise. We create a continuous flow of new products. This is how we retain our high percentage return on sales and grow absolute profits.

Our key metric is based on wealth creation and combines effectiveness with profitability. We focus on the ratio of return to resources. Indeed we use EVA growth as the basis for senior executive bonuses.

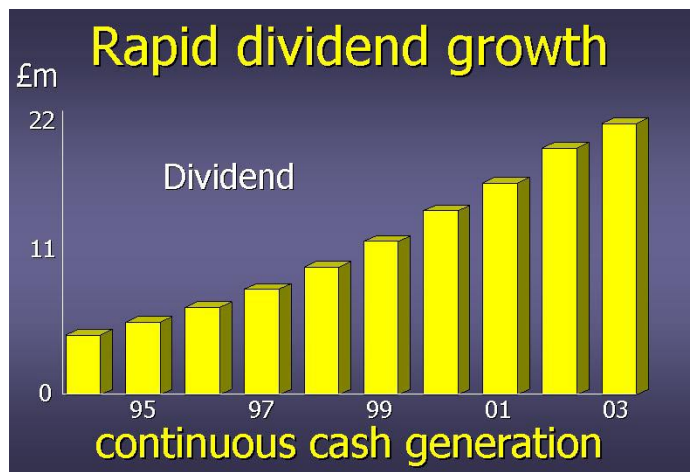


This gives a pyramid of returns.

Subsidiaries typically operate between 50-60% Return on their Operating Assets. That includes debtors, creditors, stock and fixed assets but we hold cash and properties centrally. These are lower performing assets and this is reflected in the central slice of the pyramid. Each time we acquire a company, since we only buy good companies, we pay goodwill. It's paid in cash.

If we didn't buy the companies we could instead give shareholders the cash we paid for the goodwill so the Return on Total Invested Capital at the peak of the pyramid takes this into account.

This pattern is consistent year to year. The Group's return on capital employed has been managed at this level for many years.



We create wealth and we generate cash, two essential characteristics of a good company. This funds our dividend growth.

We are not immune from the world economy and its changes but we have set ourselves up for better opportunities than most organisations.

They arise from the products we choose to make and the wide range of sectors we serve. Personal and public safety is enhanced by the use of our products. There is a growing demand from legislation and an increasing sensitivity to risk across the world.

Halma characteristics

£m	High financial ratios	£m
47	Critical applications	87
profits	Growth markets	assets
	Global positions	
management with proven record		

We save lives and protect people every day. We are frugal in our use of assets and highly profitable. That's how last year we made £47 million from £87 million of tangible assets.

Stephen O'Shea then invited the audience to ask further questions.

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