



CHARTER



World market leading businesses providing excellence in technology and service



CHARTER

David Gawler

Chairman and Chief Executive

The Board

Executive

David Gawler – Chairman & Chief Executive

25.04.01

David Eilbeck – Finance Director

30.06.01

Non-Executive

James Bruce, Mike Foster and Homi Mullan

14.12.01

John Neill – continues in office

Resigned

Jeffrey Herbert (former Chairman) and
Peter Allen (Non-executive)

25.04.01

Nigel Robson (former FD)

30.06.01

Nigel Smith (former CEO)

31.08.01

Resigns

Martin Taylor (Deputy Chairman) and
Neil Johnson (Non-executive)

24.04.02

Overview

- Sales up 3% to £961.8m (2000: £934.0 million)
- Underlying profit of £23.1m in second half (2000: £20.3 million), up by 64% on the first half (£14.1 million) and up on the second half of last year
- 30 June 2001 debt of £238.9 million reduced to £214.1 million at 31 December 2001, a reduction of £24.8 million
- Positive operating cash flow of £37.3 million in second half compared with a £5.7 million outflow in the first half
- Restructuring programme to benefit profit and cash flow in 2002

2001 preliminary results

	2001			2000
	1 st half £m	2 nd half £m	Total £m	Total £m
Turnover	477.6	484.2	961.8	934.0
Underlying operating profit ¹	14.1	23.1	37.2	47.8
Amortisation of goodwill	(0.6)	(0.5)	(1.1)	(1.0)
	13.5	22.6	36.1	46.8
Interest ²	(9.5)	(8.8)	(18.3)	(16.4)
Profit before tax ²	4.0	13.8	17.8	30.4
Exceptional costs	(26.0)	(16.5)	(42.5)	3.8
Exceptional interest credit	-	4.4	4.4	-
(Loss)/profit before tax	(22.0)	1.7	(20.3)	34.2
Net debt	238.9	214.1	214.1	209.8
Underlying earnings per share ¹	3.1p	9.2p	12.3p	18.9p

¹ BEFORE EXCEPTIONAL ITEMS AND AMORTISATION OF GOOWILL

² BEFORE EXCEPTIONAL ITEMS

Analysis of group results by half year

	2000		2001	
	1 st half £m	2 nd half £m	1 st half £m	2 nd half £m
Welding & Cutting	27.4	16.5	20.8	14.9
Air & Gas Handling	6.2	6.9	(1.9)	9.1
Specialised Engineering	(2.5)	0.9	(0.2)	3.1
	<hr/> 31.1	<hr/> 24.3	<hr/> 18.7	<hr/> 27.1
Central Operations	(3.6)	(4.0)	(4.6)	(4.0)
Underlying Operating Profit (before amortisation of goodwill)	<hr/> 27.5	<hr/> 20.3	<hr/> 14.1	<hr/> 23.1

Exceptional Costs

	2001		2000
	1 st half £m	2 nd half £m	Total £m
● Restructuring costs			
Esab	(11.2)	(13.6)	(24.8)
Howden	(4.5)	(0.2)	(4.7)
Charter: head office	(2.5)	(0.1)	(2.6)
	<hr/>	<hr/>	<hr/>
	(18.2)	(13.9)	(32.1)
● Litigation and warranty costs			
Howden	(4.2)	1.6	(2.6)
● Bid costs	-	-	-
	<hr/>	<hr/>	<hr/>
	-	-	(2.8)
Operating exceptional items	(22.4)	(12.3)	(34.7)
Non-operating exceptional items	(3.6)	(4.2)	(7.8)
	<hr/>	<hr/>	<hr/>
Total	(26.0)	(16.5)	(42.5)
	<hr/>	<hr/>	<hr/>
			3.8

Esab restructuring



	Total £m
Closure of Atlanta headquarters	1.6
Sales companies and supply chain	6.7
Reduction of manufacturing capacity:	16.5
Closed -	
Chascomous, Argentina	
Bilston, UK	
Mesero, Italy	
Planned closures -	
Niagra Falls, US	
Bangkok, Thailand	
Utrecht, Holland	
Waltham Cross, UK	
	<hr/> 24.8 <hr/>

Howden restructuring

- VSH Systems in Holland closed
- The commercial fan business in Australia closed
- The centrifugal fan manufacturing plant in Ontario, Canada closed

Employee numbers

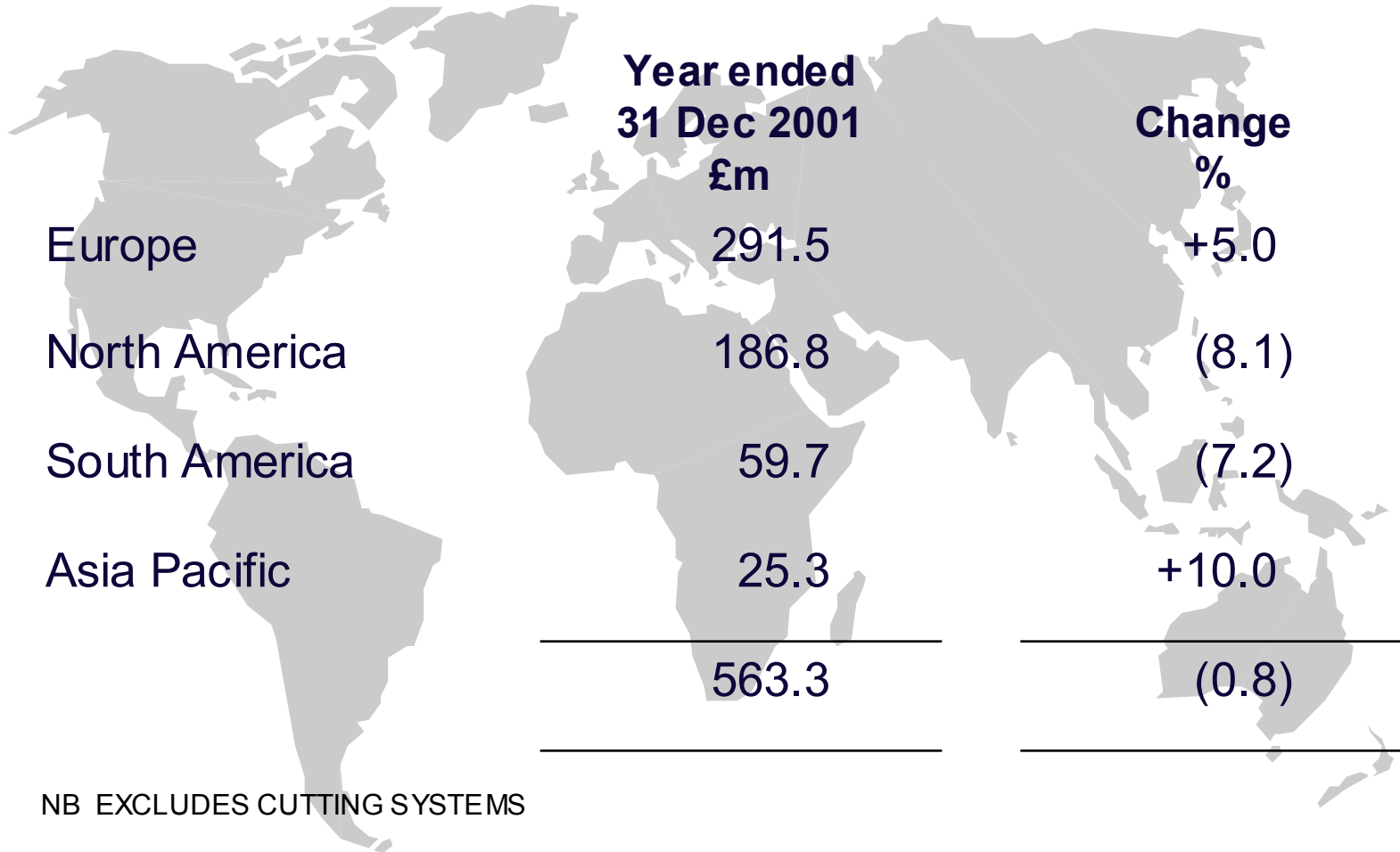
	Year ended 31 December	
	2001	2000
Welding & Cutting	7,183	7,515
Air & Gas Handling	3,170	3,230
Specialised Engineering	367	346
Charter head office	19	28
	<hr/>	<hr/>
	10,745	11,119
	<hr/>	<hr/>
Turnover per employee (£000s)	89.5	84.0
	<hr/>	<hr/>

Welding and Cutting



- Sales broadly unchanged at £621 million
- Increased operating profits from Europe and Asia Pacific
- North and South America suffered from deteriorating local markets
- Recovering from the uncertainty caused by the protracted bid for Charter in 2000

Welding Products Sales Growth by Region



NB EXCLUDES CUTTING SYSTEMS

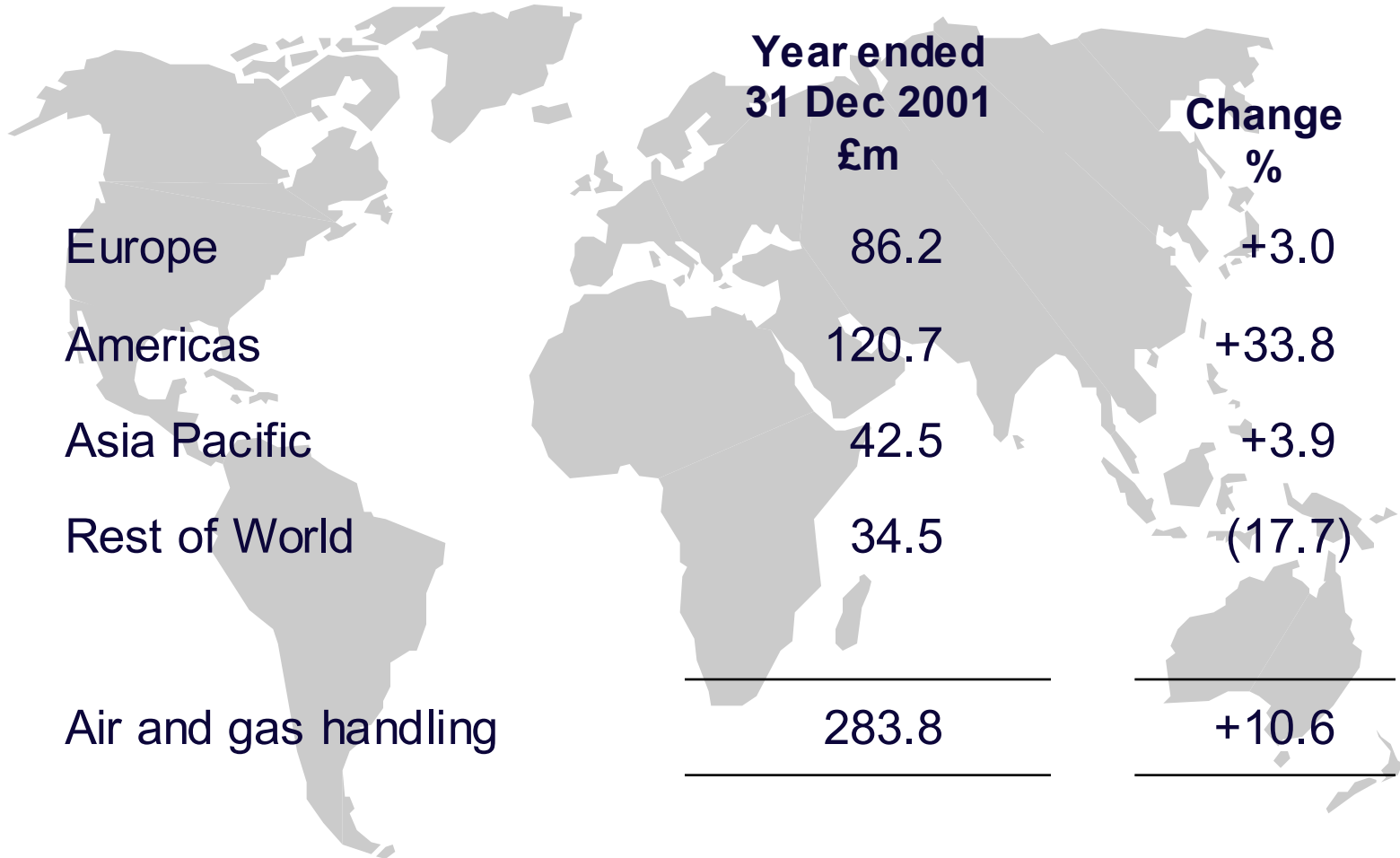
Welding and Cutting Sales Growth by Product



	Year ended 31 Dec 2001 £m	Change %
Consumables	402.6	(0.5)
Equipment	160.7	(1.7)
Welding products	<hr/> 563.3	<hr/> (0.8)
Cutting systems	58.2	(9.4)
Welding and cutting	<hr/> 621.5	<hr/> (1.7)

- Sales increased by 10.6% to £283.8 million
- Good performance from Global Power despite cost overruns on one major contract
- Disappointing performance from Howden businesses in the Americas
- 18% growth in order intake for the year

Air and Gas Handling Sales by Destination



Air and Gas Handling Sales by Product

	Year ended 31 December 2001 £m	Change %
Fans	195.2	+10.5
Preheaters, other	62.0	+10.9
Compressors	26.6	+10.4
Air & Gas Handling	<hr/> 283.8 <hr/>	+10.6

Specialised Engineering

- Sales up 25.8% to £56.5 million
- Underlying profit of £2.9 million compared with a loss of £1.6 million last year



CHARTER

David Eilbeck

Finance Director

Financial Highlights

	2001	2000
	£m	£m
Turnover	961.8	934.0
Operating profit*	37.2	47.8
Profit before taxation*	18.9	31.4
Underlying EPS*	12.3p	18.9p
Dividend	nil	8.0p
Operating margin	3.9%	5.1%
Operating cash flow	£31.6m	£44.5m
Tax rate	28.0%	26.0%
Interest cover*	2.0x	2.9x

* BEFORE AMORTISATION OF GOODWILL AND EXCEPTIONAL ITEMS

Segmental Analysis

	Year ended 31 December					
	2001			2000		
	Sales £m	EBIT £m	Margin %	Sales £m	EBIT £m	Margin %
● Welding and Cutting	621.5	35.7	5.7	632.4	43.9	6.9
● Air and Gas Handling	283.8	7.2	2.5	256.7	13.1	5.1
● Specialised Engineering	56.5	2.9	5.1	44.9	(1.6)	-
● Other costs (net)		(8.6)			(7.6)	
	961.8	37.2	3.9	934.0	47.8	5.1

Cash Flow

		Year ended 31 December	
		2001	2000
		£m	£m
Operating activities	- Operating profit	29.9	40.3
	- Depreciation	22.6	22.2
	- Working capital	(2.6)	(5.6)
	- Reorganisation	(12.4)	(6.5)
	- Other	(5.9)	(5.9)
Cash flow from operating activities		<u>31.6</u>	<u>44.5</u>
Capital expenditure		(17.2)	(21.8)
Acquisitions		(0.1)	(10.7)
Disposals		4.2	25.1
Net debt		(214.1)	(209.8)
Net debt at 30 June 2001			(238.9)

Balance Sheet

	31.12.01 £m	31.12.00 £m
● Fixed assets		
Intangibles – goodwill	19.8	20.9
Tangibles	154.5	167.2
Investments	24.6	22.6
	<hr/>	<hr/>
	198.9	210.7
● Working capital		
Stocks	129.5	135.4
Debtors	254.5	261.0
	<hr/>	<hr/>
	384.0	396.4
Creditors	(215.9)	(221.1)
	<hr/>	<hr/>
	168.1	175.3
Provisions	(137.1)	(121.1)
Net debt	(214.1)	(209.8)
Minority interests	(24.1)	(30.5)
	<hr/>	<hr/>
● Shareholders' funds	(8.3)	24.6
	<hr/>	<hr/>

FRS 17 Retirement Benefits

	UK Pensions £m	Overseas Pensions £m	Total £m
Market value of assets	399.2	89.8	489.0
Present value of liabilities	(384.9)	(126.6)	(511.5)
Surplus/(deficit)	14.3	(36.8)	(22.5)
Balance sheet provision	-	33.7	33.7
Net pension asset	14.3	(3.1)	11.2



CHARTER

Outlook

Outlook

- The Board has been completely restructured
- The management has been strengthened at head office and in the operating businesses
- There has been an improvement in profit and cash flow in the second half of the year
- A number of loss making business have been closed or will be closed
- A major restructuring programme has been initiated
- The ongoing cost base has been reduced
- Debt has been reduced from £238.9 million at 30 June to £214.1 million at 31 December