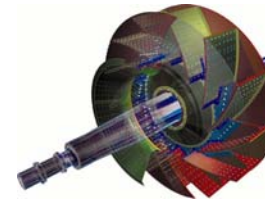


CHARTER



World market leading businesses providing excellence in technology and service



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David Gawler

Chairman and Chief Executive

Summary of results (£m)

	Before exceptional items	Exceptional items	Total	Total
	2002	2002	2002	2001
Turnover	900.5	-	900.5	961.8
Adjusted operating profit ¹	36.0	-	36.0	37.2
Amortisation of goodwill	(1.2)	-	(1.2)	(1.1)
Operating exceptional items	-	(25.3)	(25.3)	(34.7)
Operating profit	34.8	(25.3)	9.5	1.4
Non-operating exceptional items	-	21.8	21.8	(7.8)
Profit/(loss) before interest	34.8	(3.5)	31.3	(6.4)
Interest	(19.3)	-	(19.3)	(18.3)
Exceptional interest credit	-	-	-	4.4
Profit/(loss) before tax	15.5	(3.5)	12.0	(20.3)
Net debt			194.0	214.1
(pence per share)				
Headline earnings per share			5.1	(34.8)
Adjusted earnings per share ¹			8.6	12.3

¹before exceptional items and amortisation of goodwill

Highlights

- Operating profit of £9.5 million (2001: £1.4 million)
- Profit before tax of £12.0 million (2001: loss of £20.3 million before tax)
- Headline earnings per share 5.1 pence (2001: loss per share of 34.8 pence)
- Net debt reduced by £20.1 million and further reductions targeted
- Further progress made in restructuring the group

Analysis of group results (£m)

	Year ended 31 December	
	2002	2001
Welding & Cutting (“Esab”)	36.0	35.7
Air & Gas Handling (“Howden”)	1.5	7.2
Specialised Engineering	5.4	2.9
	<hr/>	<hr/>
	42.9	45.8
Central overheads	(6.9)	(8.6)
	<hr/>	<hr/>
Adjusted operating profit*	36.0	37.2
	<hr/>	<hr/>

* BEFORE EXCEPTIONAL ITEMS AND AMORTISATION OF GOODWILL

Exceptional items (£m)

	Year ended 31 December	
	2002	2001
Operating exceptional items		
Restructuring costs	(19.9)	(32.1)
USA accounting correction (not arising in 2002)	(3.9)	-
Litigation and warranty costs	(1.5)	(2.6)
	<u>(25.3)</u>	<u>(34.7)</u>
<u>Non-operating exceptional items</u>		
<i>Continuing operations</i>		
Profit on sale of fixed assets	12.5	-
Losses on sale or termination of operations	(2.1)	-
Associated goodwill	(3.8)	(4.1)
<i>Discontinued operations</i>		
Release of Wirth provision	15.2	-
Losses on sale or termination of operations in prior years	-	(3.7)
	<u>21.8</u>	<u>(7.8)</u>
<u>Exceptional interest credit</u>		
Exceptional gain on swap contracts	-	4.4
Total	<u>(3.5)</u>	<u>(38.1)</u>

- Indepth investigation completed
- Exceptional charge £3.9 million in respect of the overstatement of one business unit's profits not arising in 2002
- No evidence of defalcation or cash or other assets leaving the group
- Measures taken to address lack of profitability
 - Closure of Camden announced in November 2002
 - Withdrawal from US commercial and HVAC markets
- Strategic and operational review in progress

Esab restructuring (£m)



- Closure of the Niagara Falls plant in USA and the Thailand equipment plant completed
- Ongoing reorganisation of European sales companies and supply chain
- Relocation of global and European headquarters to London
- Ongoing transfer of production from UK, Holland and USA to Poland, the Czech Republic and Mexico
- Transfer of part of production for standard equipment from Sweden and Poland
- Closure of Australian subsidiary

Howden restructuring

- The light industrial and commercial fan business in Malaysia has been closed
- Manufacture of large variable pitch axial fans is being transferred from Denmark to Belfast
- The gas compressors business in the US closed and headcount reduction in France
- Closure of the Camden South Carolina plant which is scheduled to be completed by 31 March 2003
- Closure of Calidair dampers business during first half of 2003
- Headcount reductions in Springfield Illinois factory in January 2003

Employee numbers

	Year ended 31 December	
	2002	2001
Welding & Cutting	6,711	7,183
Air & Gas Handling	3,054	3,170
Specialised Engineering	281	367
Charter head office	20	19
	<hr/> 10,065 <hr/>	<hr/> 10,745 <hr/>
Turnover per employee (£000s)	<hr/> 89.5 <hr/>	<hr/> 89.5 <hr/>

Welding & cutting



- Sales down 6.4% at £581.9 million
- Operating profit broadly unchanged at £36.0 million
- Profit margin up 0.5% to 6.2%
- Demand in major markets remains weak with little sign of recovery

Air and gas handling

- Sales down 5.8% to £267.4 million
- Operating profits down from £7.2 million to £1.5 million
- Divisional performance marred by a marked decline in profitability in North America exacerbated by accounting irregularities
- Excluding North America, operating profits improved despite a 2% decline in sales



Air and gas handling Sales by product



	Year ended 31 Dec 2002 £m	Change %
Fans	157.1	(11.4)
Preheaters, other	72.9	2.1
Compressors	37.4	6.4
Air & Gas Handling	<u>267.4</u>	<u>(5.8)</u>

Specialised engineering

- Sales down 9% to £51.2 million
- Operating profits up 86% to £5.4 million
- Disposals of Solbern and Bauer Howden completed in the year



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David Eilbeck

Finance Director

Financial highlights (£m)

	2002	2001
Turnover	900.5	961.8
Operating profit*	36.0	37.2
Profit before taxation*	16.7	18.9
Adjusted EPS*	8.6p	12.3p
Dividend	nil	nil
Operating margin	4.0%	3.9%
Operating cash flow	£32.2m	£31.6m
Tax rate*	30.5%	26.5%
Interest cover*	1.9x	2.0x

* BEFORE AMORTISATION OF GOODWILL AND EXCEPTIONAL ITEMS

Segmental analysis

	Year ended 31 December					
	2002			2001		
	Sales £m	EBIT £m	Margin %	Sales £m	EBIT £m	Margin %
● Welding and Cutting	581.9	36.0	6.2	621.5	35.7	5.7
● Air and Gas Handling	267.4	1.5	0.6	283.8	7.2	2.5
● Specialised Engineering	51.2	5.4	10.5	56.5	2.9	5.1
● Other costs (net)		(6.9)			(8.6)	
	900.5	36.0	4.0	961.8	37.2	3.9

Cash flow (£m)

	Year ended 31 December	
	2002	2001
Operating activities		
- Operating profit	29.5	29.9
- Depreciation	21.8	22.6
- Working capital	4.7	(2.6)
- Reorganisation	(20.2)	(12.4)
- Other	(3.6)	(5.9)
Cash flow from operating activities	<u>32.2</u>	<u>31.6</u>
Capital expenditure	(16.6)	(17.2)
Acquisitions	(0.6)	(0.1)
Disposals	27.7	4.2
Net debt	(194.0)	(214.1)
Net debt at 30 June 2002	(222.8)	

Balance sheet (£m)

	Year ended 31 December	
	2002	2001
● Fixed assets		
Intangibles – goodwill	18.5	19.8
Tangibles	133.1	154.5
Investments	24.2	24.6
	<hr/>	<hr/>
	175.8	198.9
● Working capital		
Stocks	112.4	129.5
Debtors	225.7	254.5
	<hr/>	<hr/>
	338.1	384.0
Creditors	(183.6)	(215.9)
	<hr/>	<hr/>
	154.5	168.1
Provisions	(123.3)	(137.1)
Net debt	(194.0)	(214.1)
Minority interests	(18.5)	(24.1)
● Shareholders' funds	<hr/>	<hr/>
	(5.5)	(8.3)
	<hr/>	<hr/>

FRS 17 Retirement Benefits (£m)

	UK Pensions	Overseas Pensions	Total
2002			
Market value of assets	352.2	79.2	431.4
Present value of liabilities	(396.9)	(137.9)	(534.8)
Deficit	(44.7)	(58.7)	(103.4)
Balance sheet provision	(1.3)	38.1	36.8
Net pension liability	(46.0)	(20.6)	(66.6)
2001			
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



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Initiatives taken/ Outlook

Initiatives taken

- The management continues to be strengthened at head office and in the operating businesses
- There has been an improvement in profit and cash flow
- A number of loss making businesses in both Howden and Esab have been closed or will be closed shortly
- A major restructuring programme is ongoing
- The ongoing cost base has been reduced further
- Debt has been reduced from £214.1million at 31 December 2001 to £194.0million at 31 December 2002

Outlook

Significant progress has been made during the year in closing loss making units in Howden and Esab, and restructuring several of the group's operating businesses. These measures have reduced the group's ongoing cost base which should provide the foundation for an improvement in the competitive position of the group's operating businesses.

Demand in 2002 was below that experienced in the prior year and, provided that market conditions do not decline further, and the Company's banking facilities are renewed on satisfactory terms, the Board anticipates that the group's operating profit, before exceptional items, in 2003 will be broadly in line with market expectations.