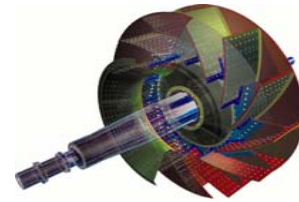


CHARTER



World market leading businesses providing excellence in technology and service



CHARTER

David Gawler

Chairman and Chief Executive

Overview (£m)

	Six months ended		
	30 June 2002	31 December 2002	30 June 2003
Adjusted operating profit ¹	21.8	14.2	15.4
Adjusted earning per share	6.7p	1.9p	3.8p
Net debt	222.8	194.0	194.3

¹Before exceptional items and amortisation of goodwill

Renewal of syndicated bank facility

- Initial facility amount of £120m
- Expiry date 31 March 2005
- Reduction of £20m on or before 30 November 2003
- Further reduction of £26m on or before 10 March 2004
- In certain limited circumstances additional £20m facility available on 10 March 2004

Plan to meet financial commitments

- Asset disposals
- Cash flow from operations
- Alternative sources of finance

Esab initiatives



- Transfer of production to low cost countries
- Improvements to operational efficiency
- Cost reduction
- Procurement savings
- New products

- Closure of the manufacturing plant in Springfield, Illinois, together with two small facilities in Canada, announced in May
- Closure of the commercial and HVAC fan facility in Camden, South Carolina, completed in the first quarter of 2003
- Closure of Calidair, a small dampers business in Gloucestershire, completed in the first half
- Disposal of Hertz Technologies, a loss making electrical motors business in South Africa

Employee numbers

	At 30 June 2003	At 31 December 2002
Welding & Cutting	6,599	6,711
Air & Gas Handling	2,902	3,054
Specialised Engineering	280	280
Charter head office	20	20
	<hr/>	<hr/>
	9,801	10,065
	<hr/>	<hr/>



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David Eilbeck

Finance Director

2003 interim results (£m)

	Six months ended 30.6.03 Before exceptional items	Six months ended 30.6.03 Exceptional items	Six months ended 30.6.03 Total	Six months ended 30.6.02 Total	Year ended 31.12.02 Total
Turnover	420.2	-	420.2	451.8	900.5
Adjusted operating profit ¹	15.4	-	15.4	21.8	36.0
Amortisation of goodwill	(0.6)	-	(0.6)	(0.6)	(1.2)
Operating exceptional items	-	(5.8)	(5.8)	(7.7)	(25.3)
Operating profit	14.8	(5.8)	9.0	13.5	9.5
Non-operating exceptional items	-	0.1	0.1	11.5	21.8
Profit/(loss) before interest	14.8	(5.7)	9.1	25.0	31.3
Interest	(8.6)	-	(8.6)	(9.9)	(19.3)
Exceptional refinancing costs	-	(5.0)	(5.0)	-	-
Profit/(loss) before tax	6.2	(10.7)	(4.5)	15.1	12.0
Net debt			194.3	222.8	194.0
Headline earnings per share			(8.3)p	10.3p	5.1p
Adjusted earnings per share ¹			3.8p	6.7p	8.6p

¹before exceptional items and amortisation of goodwill

- Sales down 5.6% at £283.7 million
- Operating margins down from 6.7% to 5.6%
- Demand from traditional markets in North America and Europe has remained weak but margins have been broadly maintained due to the benefits of restructuring
- Turnover and operating profits up in South America in local currency terms but down on translation into sterling
- Sales across Asia affected by SARS crisis and Iraqi conflict but profits up against last year

- Sales down by 7.1% to £115.6 million
- Adjusted operating profits £0.4 million compared with £2.2million last year
- First half results adversely affected by certain non-recurring costs
- Good performance from Global Power
- Delays and cancellation of capital projects has affected the industrial markets for fans and compressors
- Strong performance from South Africa

Specialised engineering

- Sales down 21.7% at £20.9 million
- Adjusted operating profits down 7.1% at £2.6million
- Strong performance from the North American aerospace and defence businesses
- Disappointing performance from the US food packaging and Hong Kong drilling equipment businesses



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Exceptional items (£m)

	Six months ended 30 June		Year ended 31 December
	2003	2002	2002
<u>Operating exceptional items</u>			
Restructuring costs	(5.8)	(7.7)	(19.9)
USA accounting correction	-	-	(3.9)
Litigation and warranty costs	-	-	(1.5)
	(5.8)	(7.7)	(25.3)
<u>Non-operating exceptional items</u>			
Continuing operations			
Net profit on sale of fixed assets	0.3	0.2	12.5
Losses on sale or termination of operations	(0.2)	(1.3)	(2.1)
Associated goodwill	-	(2.6)	(3.8)
	(0.2)	(3.9)	(5.9)
Discontinued operations			
Profit on release of Wirth guarantee provision	-	15.2	15.2
	0.1	11.5	21.8
<u>Exceptional refinancing costs</u>	(5.0)	-	-
Total	(10.7)	3.8	(3.5)

Cash flow

Six months ended 30 June

	2003	2002
	£m	£m
Operating activities - Operating profit	11.0	18.3
- Depreciation and amortisation	10.4	11.3
- Working capital	7.1	(11.9)
- Reorganisation	(8.5)	(7.2)
- Other	1.1	(1.3)
Cash flow from operating activities	<u>21.1</u>	<u>9.2</u>
Capital expenditure	(3.9)	(6.6)
Net debt	(194.3)	(222.8)
Net debt at 31 December 2002	(194.0)	



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Prospects

Prospects

- The reduction in the Group's ongoing cost base will improve our competitive position in the market, particularly when demand improves
- A significant reduction in net debt can be expected through planned disposals of non core assets and other initiatives
- Some improvement in demand in certain key markets is expected in the second half.