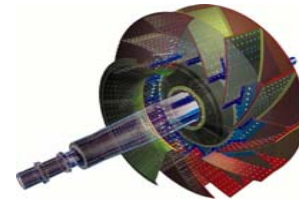


CHARTER



World market leading businesses providing excellence in technology and service



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David Gawler

Chairman and Chief Executive

Summary of results (unaudited)

Year ended 31 December	2003 £m	2002 £m
Turnover		
<i>Continuing operations</i>	842.4	867.6
<i>Discontinued operations</i>	28.8	32.9
	<u>871.2</u>	<u>900.5</u>
<i>Continuing operations</i> ¹		
Adjusted operating profit ¹	33.5	29.8
Goodwill amortisation	(1.2)	(1.2)
Operating exceptional items	(10.8)	(25.3)
	<u>21.5</u>	<u>3.3</u>
<i>Discontinued operations</i>	6.6	6.2
Operating profit	<u>28.1</u>	<u>9.5</u>
Non-operating exceptional items	(1.0)	21.8
Profit before interest	<u>27.1</u>	<u>31.3</u>
Interest	(16.8)	(19.3)
Exceptional financing costs	(6.5)	-
Profit before tax	<u>3.8</u>	<u>12.0</u>
Earnings (loss) per share - basic and diluted		
Headline	<u>(7.9) p</u>	<u>5.1 p</u>
Adjusted ¹	<u>12.5 p</u>	<u>8.6 p</u>
¹ before exceptional items and amortisation of goodwill		
Net debt	<u>136.8</u>	<u>194.0</u>

Highlights

- Encouraging trading performance in 2003, with better than expected second half and full year results
- Adjusted operating profit on continuing operations increased by 12% to £33.5 million
- Adjusted earnings per share increased 45% to 12.5p
- Net debt reduced by £57.2 million to £136.8 million



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David Eilbeck

Finance Director

Summary of 2003 results (£m)

<u>Year ended 31 December</u>	<u>Unaudited</u> <u>2003</u>	<u>2002</u>
Turnover		
Continuing operations	842.4	867.6
Discontinued operations	28.8	32.9
	<u>871.2</u>	<u>900.5</u>
Operating profit - adjusted*		
Continuing operations	33.5	29.8
Discontinued operations	6.6	6.2
	<u>40.1</u>	<u>36.0</u>
Interest	(16.8)	(19.3)
Profit before tax	<u>23.3</u>	<u>16.7</u>
Taxation	(7.1)	(5.1)
Profit after tax	<u>16.2</u>	<u>11.6</u>
Minority interests	(4.4)	(3.5)
Retained profit - adjusted *	<u>11.8</u>	<u>8.1</u>
Amortisation of goodwill	(1.2)	(1.2)
Exceptional items - net of tax	(18.0)	(2.1)
Retained profit	<u>(7.4)</u>	<u>4.8</u>
Headline earnings per share (pence)	<u>(7.9) p</u>	<u>5.1 p</u>
Adjusted earnings per share (pence) *	<u>12.5 p</u>	<u>8.6 p</u>
* before exceptional items and amortisation of goodwill		
Average number of shares in issue (000's)	<u>94,149</u>	<u>94,149</u>

Analysis of group results (£m)

Continuing operations	<u>1st half</u>	<u>2nd half</u>	<u>Unaudited</u>	
	<u>2002</u>	<u>2002</u>	<u>1st half</u>	<u>2nd half</u>
			2003	2003
Turnover:				
Welding and Cutting ("Esab")	300.6	281.3	283.7	293.4
Air and Gas Handling ("Howden")	124.5	142.9	115.6	141.3
Specialised Engineering	10.2	8.1	4.2	4.2
	<u>435.3</u>	<u>432.3</u>	<u>403.5</u>	<u>438.9</u>
Operating profit:				
Welding and Cutting ("Esab")	20.0	16.0	15.8	19.5
Air and Gas Handling ("Howden")	2.2	(0.7)	0.4	5.9
Specialised Engineering	(0.1)	(0.7)	(0.8)	(0.5)
	<u>22.1</u>	<u>14.6</u>	<u>15.4</u>	<u>24.9</u>
Central costs	(3.2)	(3.7)	(3.4)	(3.4)
Adjusted operating profit*	<u>18.9</u>	<u>10.9</u>	<u>12.0</u>	<u>21.5</u>

* before exceptional items and amortisation of goodwill



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Exceptional items (£m)

<u>Year ended 31 December</u>	<u>Unaudited</u> <u>2003</u>	<u>2002</u>
<u>Operating</u>		
Restructuring costs		
Welding & Cutting	(5.9)	(12.2)
Air & Gas Handling	(4.1)	(7.7)
Demaco	(0.4)	-
	<u>(10.4)</u>	<u>(19.9)</u>
Accounting correction	-	(3.9)
Litigation and warranty costs	(0.4)	(1.5)
	<u>(10.8)</u>	<u>(25.3)</u>
<u>Non-operating</u>		
<i>Continuing operations</i>		
Profit on sale of fixed assets	4.7	12.5
Losses on sale or termination of operations associated goodwill	(0.3)	(2.1)
Goodwill provision on discontinuing operation	-	(3.8)
	(4.0)	-
<i>Discontinued operations</i>		
Release of Wirth provision	-	15.2
Profit on sale of US Defence businesses associated goodwill	18.8	-
	(20.2)	-
	<u>(1.0)</u>	<u>21.8</u>
<u>Financing costs</u>		
	(6.5)	-
Total (before tax and minority interests)	<u>(18.3)</u>	<u>(3.5)</u>

Year end employee numbers

	<u>Year ended 31 December</u>		
	2001	2002	2003
Welding & Cutting	7,183	6,711	6,470
Air & Gas Handling	3,170	3,054	2,666
Specialised Engineering	367	280	119
Corporate	25	20	19
	<u>10,745</u>	<u>10,065</u>	<u>9,274</u>

Balance sheet (£m)

<u>Year ended 31 December</u>	<u>Unaudited</u> <u>2003</u>	<u>2002</u>
Fixed assets		
Intangibles - goodwill	17.3	18.5
Tangibles	105.7	133.1
Investments	27.9	24.2
	<u>150.9</u>	<u>175.8</u>
Working capital		
Stocks	102.0	112.4
Debtors	202.6	225.7
	304.6	338.1
Creditors	(182.2)	(183.6)
	122.4	154.5
Provisions	(111.6)	(123.3)
Net debt	(136.8)	(194.0)
Minority interests	(20.5)	(18.5)
Shareholders' funds	<u>4.4</u>	<u>(5.5)</u>

FRS 17 Retirement Benefits (£m)

	<u>UK</u> <u>Pensions</u>	<u>Overseas</u> <u>Pensions</u>	<u>Total</u>
<u>2002</u>			
Market value of assets	352.2	79.2	431.4
Present value of liabilities	(369.9)	(137.9)	(534.8)
Deficit	<u>(44.7)</u>	<u>(58.7)</u>	<u>(103.4)</u>
Balance sheet provision	(1.3)	38.1	36.8
Net pension liability	<u>(46.0)</u>	<u>(20.6)</u>	<u>(66.6)</u>
<u>2003</u>			
Market value of assets	379.4	82.8	462.2
Present value of liabilities	(418.6)	(140.5)	(559.1)
Deficit	<u>(39.2)</u>	<u>(57.7)</u>	<u>(96.9)</u>
Balance sheet provision	(2.5)	34.0	31.5
Net pension liability	<u>(41.7)</u>	<u>(23.7)</u>	<u>(65.4)</u>

Cash flow

<u>Year ended 31 December</u>	<u>Unaudited</u> <u>2003</u>	<u>2002</u>
Operating activities		
- Operating profit	32.1	29.5
- Depreciation	19.9	21.8
- Working capital	24.2	4.7
- Reorganisation and other	(21.3)	(23.8)
Cash flow from operating activities	<u>54.9</u>	<u>32.2</u>
Capital expenditure	(7.1)	(16.6)
Acquisitions	-	(0.6)
Disposals	43.1	27.7
Net debt	(136.8)	(194.0)
Net debt at 30 June 2003	(194.3)	

Current debt position

- Year end net debt was £136.8 million (2002: £194.0 million)
- On 10 March 2004 the syndicated loan facility (having already been reduced by £20 million at the end of November 2003) is scheduled to reduce by a further £26 million, to £74 million, and US loan notes totalling \$72.3 million (£40 million) are also due to be repaid on that date
- Future US\$ loan note repayments scheduled as follows:

	<u>US\$m</u>	<u>£m</u>
1 July 2004	3.0	1.7
1 July 2005	8.0	4.4
21 October 2007	85.0	47.2
21 October 2009	<u>35.0</u>	<u>19.4</u>
	<u>131.0</u>	<u>72.7</u>

the exchange rate of £1 = US\$1.80 has been used in this document

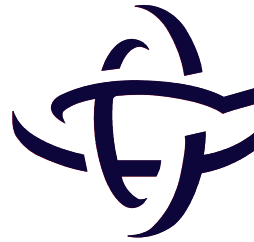


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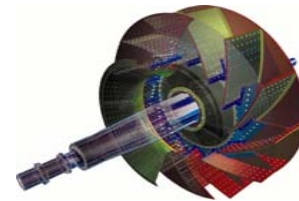
Prospects

Prospects

- Improved results for 2003
- Restructuring to date has reduced cost base and improved competitive position
- Starting to see some recovery in key markets
- Significant progress made in reducing debt level
- Rights Issue will strengthen the group's balance sheet and it is anticipated that a proportion of the proceeds will be used to:
 - resume the restructuring programme
 - undertake targeted expenditure
- The Directors believe the prospects for the group's core businesses are encouraging and view 2004 with confidence



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