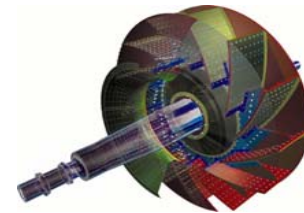


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World market leading businesses providing excellence in technology and service



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David Gawler

Chairman and Chief Executive

Highlights

- Substantially improved operating margins and trading results in the core businesses
- Adjusted operating profit from continuing operations more than doubled to £23.8 million
- Profit before tax of £6.1 million (2003 a loss of £4.5 million)
- Adjusted earnings per share up from 3.0p to 7.5 p
- Net debt reduced to £82.5 million, a reduction of £54.3 million since 31 December 2003

Rights Issue

- 3 for 5 rights issue at 85p raising £44.6m net of expenses
- Balance sheet strengthened
- Restructuring programme resumed
- Enables further development and investment in the group's businesses

Esab Restructuring



- Rationalisation of global manufacturing capacity continues
- Costs of £3.5 million provided in connection with restructuring and reorganising European businesses
- £14 million restructuring programme on target to generate cost savings of at least 75% in 2005

Unauthorised payments

- Identified £9.2 million of unauthorised payments over a 6 year period
- Some £5.0 million of these payments were made prior to 1 January 2004 and were fully expensed to reserves in the periods in which the payments were made
- Employee arrested by the police and is currently in jail having been charged with the theft of £9.1 million

Employee numbers

	At 31 Dec 2002	At 30 June 2003	At 31 Dec 2003	At 30 June 2004
Welding & cutting	6711	6,599	6,470	6,527
Air & gas handling	3054	2,902	2,666	2,630
Specialised engineering	280	280	119	105
Charter head office	20	20	19	18
	<u>10,065</u>	<u>9,801</u>	<u>9,274</u>	<u>9,280</u>



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**Robert
Careless**
Finance Director



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2004 interim results (£m)

	Six months ended 30.6.04 Before exceptional items	Six months ended 30.6.04 Exceptional items	Six months ended 30.6.04 Total	Six months ended 30.6.03 Total	Year ended 31.12.03 Total
Turnover					
<i>Continuing operations</i>	415.6	-	415.6	403.6	842.4
<i>Discontinued operations</i>	-	-	-	16.6	28.8
	<u>415.6</u>	<u>-</u>	<u>415.6</u>	<u>420.2</u>	<u>871.2</u>
<i>Continuing operations</i>					
Adjusted operating profit ¹	23.8	-	23.8	10.1	30.0
Goodwill amortisation	(0.6)	-	(0.6)	(0.6)	(1.2)
Operating exceptional items		(12.7)	(12.7)	(5.4)	(9.9)
	<u>23.2</u>	<u>(12.7)</u>	<u>10.5</u>	<u>4.1</u>	<u>18.9</u>
<i>Discontinued operations</i>					
Adjusted operating profit ¹	0.6	-	0.6	5.3	10.1
Operating exceptional items	-	-	-	(0.4)	(0.9)
	<u>0.6</u>	<u>-</u>	<u>0.6</u>	<u>4.9</u>	<u>9.2</u>
Operating profit/(loss)	<u>23.8</u>	<u>(12.7)</u>	<u>11.1</u>	<u>9.0</u>	<u>28.1</u>
Non-operating exceptional items		1.3	1.3	0.1	(1.0)
Profit/(loss) before interest	<u>23.8</u>	<u>(11.4)</u>	<u>12.4</u>	<u>9.1</u>	<u>27.1</u>
Interest	(6.3)	-	(6.3)	(8.6)	(16.8)
Exceptional financing costs	-	-	-	(5.0)	(6.5)
Profit/(loss) before tax	<u>17.5</u>	<u>(11.4)</u>	<u>6.1</u>	<u>(4.5)</u>	<u>3.8</u>
Taxation	(5.5)	0.1	(5.4)	(2.2)	(6.9)
Exceptional tax credit		6.6	6.6	-	-
Profit/(loss) after tax	<u>12.0</u>	<u>(4.7)</u>	<u>7.3</u>	<u>(6.7)</u>	<u>(3.1)</u>
Headline earnings per share			3.6 p	(6.5) p	(6.2) p
Adjusted earnings per share ¹			7.5 p	3.0 p	9.9 p

¹ before exceptional items and amortisation of goodwill

Analysis of group results (£m)



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	1st half 2003		2nd half 2003		1st half 2004	
Continuing operations						
Turnover						
Welding & cutting ("Esab")	283.7		293.4		303.4	
Air & gas handling ("Howden")	115.6		141.3		108.0	
Specialised engineering	4.3		4.1		4.2	
	<u>403.6</u>		<u>438.8</u>		<u>415.6</u>	
Adjusted operating profit						
		Margin		Margin		Margin
Welding & cutting ("Esab")	14.0	4.9%	17.8	6.1%	23.3	7.7%
Air & gas handling ("Howden")	0.4	0.3%	5.9	4.2%	4.0	3.7%
Specialised engineering	(0.9)		(0.4)		0.1	
	<u>13.5</u>		<u>23.3</u>		<u>27.4</u>	
Central costs	(3.4)		(3.4)		(3.6)	
	<u>10.1</u>	2.5%	<u>19.9</u>	4.5%	<u>23.8</u>	5.7%

Welding & cutting



- Sales up by 6.9% to £303.4 million (15% up at constant exchange rates)
- Operating profits from continuing businesses £23.3 million compared with £14.0 million for the first half last year
- Improved profitability due to benefits of prior year restructuring and stronger market conditions in North and South America and parts of central Europe

- Sales down slightly to £108.0 million but broadly unchanged on a like-for-like basis
- Operating profits £4.0 million compared with £0.4 million for the first half last year
- Improved profitability due to benefits of prior year restructuring and increased demand in China
- Strong order book



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Exceptional items (£m)

	Six months ended 30 June		Year ended
	2004	2003	31 December 2003
Operating exceptional items			
<i>Continuing operations</i>			
Restructuring costs	(3.5)	(5.4)	(9.5)
Unauthorised payments	(9.2)	-	-
Litigation & warranty costs	-	-	(0.4)
	<u>(12.7)</u>	<u>(5.4)</u>	<u>(9.9)</u>
<i>Discontinued operations</i>			
Restructuring costs	-	(0.4)	(0.9)
	<u>(12.7)</u>	<u>(5.8)</u>	<u>(10.8)</u>
Non-operating exceptional items			
<i>Continuing operations</i>			
Net profit on sale of fixed assets	-	0.3	4.7
Profit/(loss) on sale of operations	3.6	(0.2)	(0.3)
	<u>3.6</u>	<u>0.1</u>	<u>4.4</u>
<i>Discontinued operations</i>			
Profit on sale or termination of operations	5.4	-	18.8
Associated goodwill thereon	(6.0)	-	(20.2)
Loss on sale of operations	(0.6)	-	(1.4)
Goodwill provision on discontinuing operations	-	-	(4.0)
Additional costs in respect of disposals in prior years	(1.7)	-	-
	<u>(2.3)</u>	<u>-</u>	<u>(5.4)</u>
	<u>1.3</u>	<u>0.1</u>	<u>(1.0)</u>
Exceptional refinancing costs	-	(5.0)	(6.5)
Exceptional tax credit	6.6	-	-
<u>Total exceptional items</u>¹	<u>(4.8)</u>	<u>(10.7)</u>	<u>(18.3)</u>

¹Before attributable tax and minority interests



Balance Sheet (£m)

	31.12.02	30.06.03	31.12.03	30.06.04
Fixed assets	133.1	127.9	105.7	97.8
Investments in associates	24.2	26.3	27.9	20.7
Goodwill	18.5	17.9	17.3	16.8
Fixed assets	175.8	172.1	150.9	135.3
Cash	32.2	35.4	59.9	33.3
Stocks	112.4	116.8	102.0	110.4
Debtors	225.7	227.1	202.6	213.8
Current assets	370.3	379.3	364.5	357.5
Total assets	546.1	551.4	515.4	492.8
Funded by:				
Shareholders' funds	(5.5)	(10.5)	4.4	60.9
Minority interests	18.5	19.3	20.5	20.5
Equity interests	13.0	8.8	24.9	81.4
Creditors	183.6	191.9	182.2	194.3
Provisions	123.3	121.0	111.6	101.3
Creditors & provisions	306.9	312.9	293.8	295.6
US\$ loan notes ¹	128.1	125.0	113.6	72.0
Syndicated bank facilities	87.2	93.6	75.6	34.7
Other bank loans and overdrafts	6.1	6.9	4.1	6.3
Finance leases	4.8	4.2	3.4	2.8
Gross debt	226.2	229.7	196.7	115.8
	546.1	551.4	515.4	492.8
Cash	(32.2)	(35.4)	(59.9)	(33.3)
Gross debt	226.2	229.7	196.7	115.8
Net debt	194.0	194.3	136.8	82.5
¹ US\$ loan notes (\$m)	206.3	206.3	203.3	131.0
exchange rate	1.61	1.65	1.79	1.82
US\$ loan notes (£m)	128.1	125.0	113.6	72.0

Cash flow (£m)

	Six months ended 30 June		Year ended
	2004	2003	31 December 2003
Operating activities			
-operating profit before associates	21.0	11.0	32.1
-depreciation and amortisation	8.4	10.4	19.9
-working capital	(3.4)	7.1	24.2
-restructuring costs spend	(7.1)	(8.5)	(19.2)
-litigation costs spend	-	-	(0.1)
-unauthorised payments	(4.2)	-	-
-other provisions	(2.0)	1.2	(1.7)
-loss/(profit) on sales of assets	0.1	(0.1)	(0.3)
Cash flow from operating activities	12.8	21.1	54.9
Capital expenditure	(3.2)	(3.9)	(7.1)
Interest	(6.8)	(8.4)	(16.8)
Exceptional financing costs paid	(1.1)	(3.2)	(5.3)
Tax paid	(6.3)	(3.7)	(7.0)
Acquisitions and disposals ¹	12.6	(0.6)	41.6
Dividends ²	(0.8)	1.1	1.7
Net proceeds from rights issue	44.6	-	-
Net cash flow	51.8	2.4	62.0
Exchange adjustments	2.5	(2.7)	(4.8)
Opening net debt	(136.8)	(194.0)	(194.0)
Closing net debt	(82.5)	(194.3)	(136.8)

¹ including sale of tangible fixed assets and loan to associate

² dividends received from associates less paid to minorities



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Prospects

Prospects

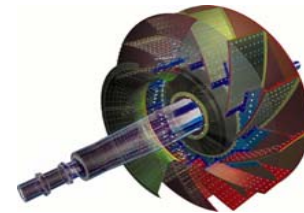
- Restructuring initiatives over past three years have resulted in improved operational efficiencies
- Both Esab and Howden are now better positioned to benefit from opportunities in their key markets

Conclusions

- Net debt at 30 June 2001 was £238.9 million
- Underlying net debt peaked at more than £260 million during the first half of 2001
- Net debt has been reduced to £82.5 million at 30 June 2004
- Some £90 million has been realised from the sale of surplus assets and non core businesses
- Trend of declining profits and margins finally arrested



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