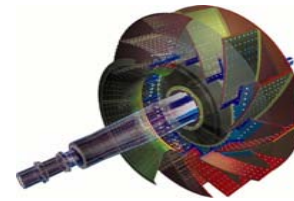


CHARTER



World market leading businesses providing excellence in technology and service



CHARTER

David Gawler

Chairman and Chief Executive



Composition of the Board

Executive

| | | |
|----------------------------|---|------------------------|
| Chairman and CEO | - | David Gawler |
| Commercial Director | - | Michael Foster |
| Finance Director | - | Robert Careless |

Non-Executive

The Hon. James Bruce
Andrew Osborne
Grey Denham
John Neill
John Biles (from 1 April 2005)



Summary of results

- A highly successful year for Charter with substantially improved results
- Adjusted operating profit from continuing operations up 81% to £54.3 million
- Operating margins: Esab 7.8% (2003: 5.5%) / Howden 6.3% (2003: 2.5%)
- Profit before tax, goodwill and exceptional items increased to £43.3 million (2003: £23.3)
- Adjusted EPS is up 62% to 16.0p (after adjusting for Rights Issue)
- Net debt reduced by £70.3 million to £66.5 million

Esab Restructuring



- £14.0 million project to restructure Esab European businesses
- Transfer of FCW plants to Eastern Europe



CHARTER

Robert Careless

Finance Director



Summary of 2004 results (£m)

| <u>Year ended 31 December</u> | <u>2004</u> | <u>2003</u> |
|--|----------------|----------------|
| Turnover | | |
| Continuing operations | 870.4 | 842.4 |
| Discontinued operations | - | 28.8 |
| | <u>870.4</u> | <u>871.2</u> |
| Operating profit - adjusted* | | |
| Continuing operations | 54.3 | 30.0 |
| Discontinued operations | 0.6 | 10.1 |
| | <u>54.9</u> | <u>40.1</u> |
| Interest | (11.6) | (16.8) |
| Profit before tax | <u>43.3</u> | <u>23.3</u> |
| Taxation | (13.6) | (7.1) |
| Profit after tax | <u>29.7</u> | <u>16.2</u> |
| Minority interests | (6.8) | (4.4) |
| Retained profit - adjusted * | <u>22.9</u> | <u>11.8</u> |
| Amortisation of goodwill | (1.2) | (1.2) |
| Exceptional items | (14.0) | (18.3) |
| Exceptional tax | 7.1 | 0.3 |
| Retained profit/(loss) | <u>14.8</u> | <u>(7.4)</u> |
| Headline earnings per share (pence) | <u>10.4 p</u> | <u>(6.2) p</u> |
| Adjusted earnings per share (pence) * | <u>16.0 p</u> | <u>9.9 p</u> |
| * before exceptional items and amortisation of goodwill | | |
| The earnings per share calculations for 2003 have been restated for the rights issue | | |
| Average number of shares in issue (000's) (2003 restated for Rights Issue) | <u>142,749</u> | <u>119,087</u> |



Group Results (£m)

| | <u>2004</u> | | <u>2003</u> | |
|-----------------------------------|--------------|-------|--------------|-------|
| Continuing operations | | | | |
| Turnover: | | | | |
| Welding and Cutting ("Esab") | 621.5 | | 577.1 | |
| Air and Gas Handling ("Howden") | 241.6 | | 256.9 | |
| Specialised Engineering | 7.3 | | 8.4 | |
| | <u>870.4</u> | | <u>842.4</u> | |
| Operating profit: | | | | |
| Welding and Cutting ("Esab") | 48.7 | 7.8 % | 31.8 | 5.5 % |
| Air and Gas Handling ("Howden") | 15.1 | 6.3 % | 6.3 | 2.5 % |
| Specialised Engineering | (2.1) | | (1.3) | |
| | <u>61.7</u> | | <u>36.8</u> | |
| Central costs | (7.4) | | (6.8) | |
| Adjusted operating profit* | <u>54.3</u> | | <u>30.0</u> | |

* before exceptional items and amortisation of goodwill



Exceptional items (£m)

| <u>Year ended 31 December</u> | <u>2004</u> | <u>2003</u> |
|---|---------------|---------------|
| <u>Operating</u> | | |
| Restructuring costs | | |
| Welding & Cutting ("Esab") | (12.8) | (5.9) |
| Air & Gas Handling ("Howden") | - | (4.1) |
| Demaco | - | (0.4) |
| | <u>(12.8)</u> | <u>(10.4)</u> |
| Unauthorised payments | (4.5) | - |
| Legal and environmental costs | (1.9) | (0.4) |
| | <u>(19.2)</u> | <u>(10.8)</u> |
| <u>Non-operating</u> | | |
| <i>Continuing operations</i> | | |
| Profit/(loss) on sale of fixed assets | (0.3) | 4.7 |
| Profit/(loss) on sale or termination of operations associated goodwill | 3.6 | (0.3) |
| Goodwill provision on discontinuing operation | - | (4.0) |
| <i>Discontinued operations</i> | | |
| Additional costs in respect of prior year disposals | (2.0) | - |
| Release of prior year provisions | 4.2 | - |
| Profit on sale of businesses associated goodwill | 5.7 | 18.8 |
| | (6.0) | (20.2) |
| | <u>5.2</u> | <u>(1.0)</u> |
| <u>Financing costs</u> | - | (6.5) |
| Total (before tax and minority interests) | <u>(14.0)</u> | <u>(18.3)</u> |



Year end employee numbers

| | <u>Year ended 31 December</u> | | |
|-------------------------|-------------------------------|--------------|---------------------|
| | 2002 | 2003 | 2004 |
| Esab | 6,711 | 6,470 | 6,277 |
| Howden | 3,054 | 2,666 | 2,658 |
| Specialised Engineering | 280 | 119 | 96 |
| Corporate | 20 | 19 | 24 |
| | <u>10,065</u> | <u>9,274</u> | <u>9,055</u> |



Balance sheet (£m)

| <u>Year ended 31 December</u> | <u>2004</u> | <u>2003</u> |
|-------------------------------|-------------|-------------|
| Fixed assets | | |
| Intangibles - goodwill | 16.6 | 17.3 |
| Tangibles | 98.4 | 105.7 |
| Investments | 22.1 | 27.9 |
| | <hr/> 137.1 | <hr/> 150.9 |
| Working capital | | |
| Stocks | 121.0 | 102.0 |
| Debtors | 223.9 | 202.6 |
| | <hr/> 344.9 | <hr/> 304.6 |
| Creditors | (222.1) | (182.2) |
| | <hr/> 122.8 | <hr/> 122.4 |
| Provisions | (95.5) | (111.6) |
| Net debt | (66.5) | (136.8) |
| Minority interests | (22.2) | (20.5) |
| Shareholders' funds | <hr/> 75.7 | <hr/> 4.4 |



FRS 17 Retirement Benefits (£m)

| | <u>UK</u> <u>Pensions</u> | <u>Overseas</u> <u>Pensions</u> | <u>Total</u> |
|---------------------------------------|------------------------------|------------------------------------|----------------------|
| <u>2004</u> | | | |
| Market value of assets | 398.9 | 88.1 | 487.0 |
| Present value of liabilities | (442.2) | (149.4) | (591.6) |
| Deficit | <u>(43.3)</u> | <u>(61.3)</u> | <u>(104.6)</u> |
| Adjustment for surplus not recognised | | (2.1) | (2.1) |
| Balance sheet provision | <u>(3.2)</u> | <u>36.0</u> | <u>32.8</u> |
| Net pension liability | <u><u>(46.5)</u></u> | <u><u>(27.4)</u></u> | <u><u>(73.9)</u></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 | <u>(2.5)</u> | <u>34.0</u> | <u>31.5</u> |
| Net pension liability | <u><u>(41.7)</u></u> | <u><u>(23.7)</u></u> | <u><u>(65.4)</u></u> |



Cash flow (£m)

| Year ended 31 December 2004 | 2004 | 2003 |
|--|---------------|----------------|
| Operating activities | | |
| -operating profit before associates | 48.3 | 32.1 |
| -depreciation and amortisation | 17.4 | 19.9 |
| -working capital | 8.1 | 24.2 |
| -restructuring costs spend | (15.2) | (19.2) |
| -litigation costs spend | - | (0.1) |
| -unauthorised payments | (4.4) | - |
| -other provisions | (6.9) | (1.7) |
| -loss/(profit) on sales of assets | 0.2 | (0.3) |
| Cash flow from operating activities | 47.5 | 54.9 |
| Capital expenditure | (10.0) | (7.1) |
| Interest | (12.2) | (16.8) |
| Exceptional financing costs paid | (1.1) | (5.3) |
| Tax paid | (11.7) | (7.0) |
| Acquisitions and disposals ¹ | 12.5 | 41.6 |
| Dividends ² | (1.5) | 1.7 |
| Net proceeds from rights issue | 44.6 | - |
| Net cash flow | 68.1 | 62.0 |
| Exchange adjustments | 2.8 | - |
| New finance leases | (0.6) | (4.8) |
| Opening net debt | (136.8) | (194.0) |
| Closing net debt | (66.5) | (136.8) |

¹ including sale of tangible fixed assets and loan to associate

² dividends received from associates less paid to minorities



Events of 2004

- February Settled the US \$ loan note holders' dispute
- February Published 2003 Preliminary Results (unaudited)
- March 9 Publish 2003 Preliminary Results (audited)
- March 10 Retired US\$72m loan notes
- March 10 Satisfied all of the onerous terms that the banking syndicate had imposed on Charter, at the time of the July 2003 renewal (including loan repayments and reduced availabilities under the syndicated facility).



Events of 2004

- April Received £44.6m net proceeds of Rights Issue.
- May 1 Resumed Esab's restructuring programmes
- September Announced vastly improved Interim Results
- December 31 Ended the year with net debt of £66.5m, a reduction of £70.3m.



Events of 2005

- March 18 Cancelled onerous syndicated bank facility
- March 18 Executed a new facility with HSBC on conventional terms
- March 22 Charter's market capitalisation was £406m up from £96m on 1 January 04
- March 23 Published excellent 2004 Preliminary Results



CHARTER

Prospects



CHARTER

Prospects

“In the light of the 2004 results, trading to date and the incremental restructuring benefits expected this year, the Board views the outlook for 2005 with confidence”