

CHARTER

Preliminary results 2005





CHARTER

David Gawler

Chairman and Chief Executive

Board changes

- **Non-Executive Directors**

John Neill

The Hon. James Bruce

Andrew Osborne

Grey Denham

John Biles

- **Executive Directors**

Pre 30 June 06

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

Post 30 June 06

- David Gawler (Chairman)
- Michael Foster (CEO)
- Robert Careless (Finance Director)

Michael Foster

Commercial Director



Preliminary Results (£m)

		<u>2005</u>	<u>2004</u>	
Adjusted operating profit ¹		97.5	54.9	+78%
Operating profit		101.7	51.9	+96%
Profit before tax		103.5	41.0	+152%
Profit after tax		83.5	36.6	+128%
Profit attributable to equity shareholders		74.0	29.8	+148%
Net debt		6.5	66.3	-90%
		<u>pence</u>	<u>pence</u>	
Earnings per share	Adjusted ²	43.0	19.8	+117%
	Basic	46.9	20.9	+124%

1. Before exceptionals

2. Before exceptionals and gains or losses on retranslation of intercompany loan balances

	<u>2005</u>	<u>2004</u>	<u>% Increase</u>
Welding (consumables and std equipment)	607.8	532.4	14.1
Cutting & automation	112.3	92.5	21.4
Total revenue	<u>720.1</u>	<u>624.9</u>	<u>15.2</u>
Welding	65.5	43.4	50.9
Cutting & automation	8.9	5.8	53.4
Adjusted operating profit ₁	<u>74.4</u>	<u>49.2</u>	<u>51.2</u>
Associates: post tax profits	<u>3.4</u>	<u>2.4</u>	<u>41.7</u>
Welding	10.8%	8.2%	
Cutting & automation	7.9%	6.3%	
Adjusted Operating margins ₁ (average)	<u>10.3%</u>	<u>7.9%</u>	

1. Before exceptionals

	2005	2004	% Increase
Europe	345.4	315.2	+9.6
North America	197.0	166.5	+18.3
South America	90.2	71.5	+26.2
China	15.0	11.5	+30.4
Rest of World	72.5	60.2	+20.4
Total sales	<u>720.1</u>	<u>624.9</u>	<u>+15.2</u>

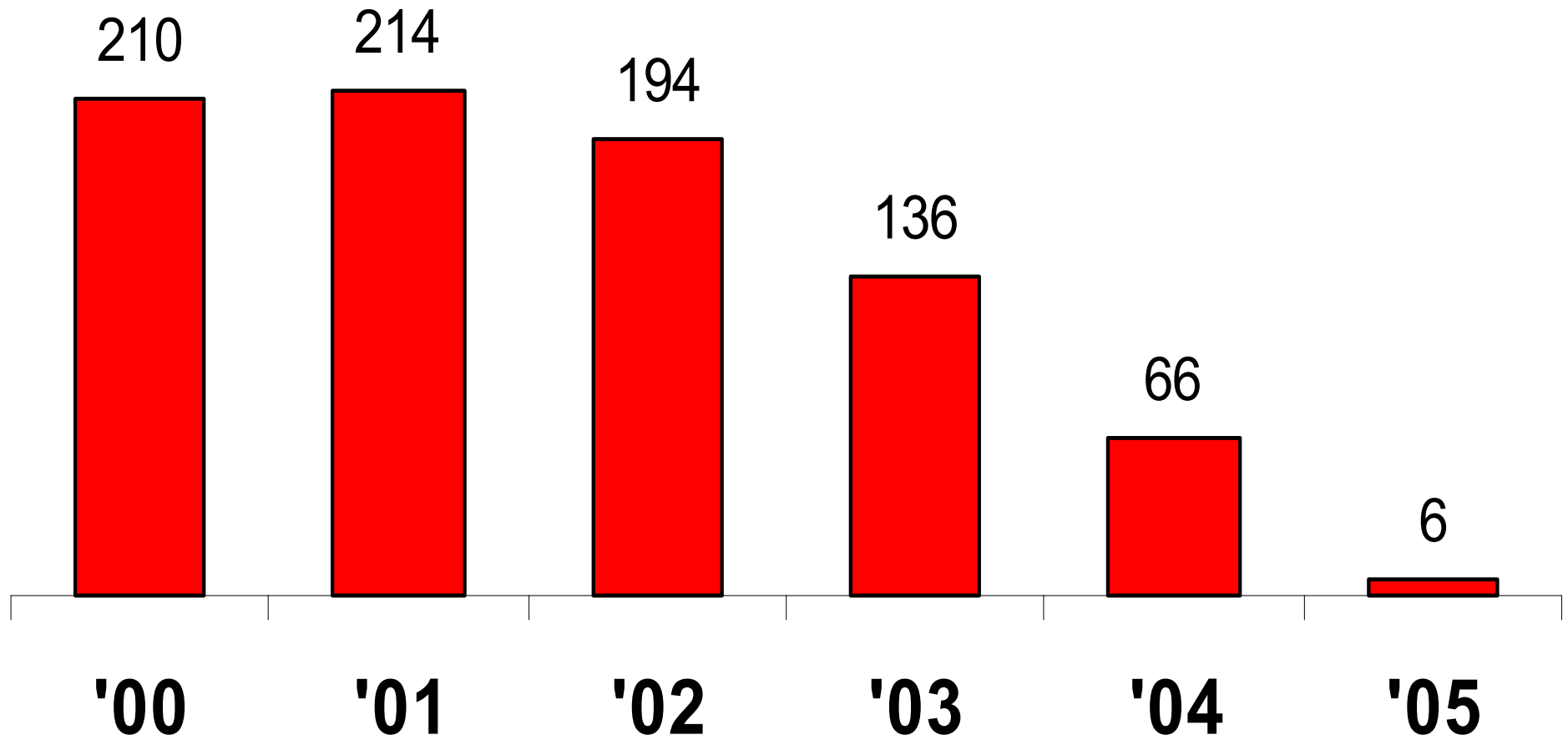
	2005	2004	% Increase
Sales	345.1	241.6	+42.8
Adjusted operating profit ¹	33.5	14.2	+135.9
Associates: post tax profit	1.1	1.2	-8.3
Order book	304	181	+67
Operating margins	9.7%	5.9%	

1. Before exceptionals

	2005	2004	% Increase
China	97.1	48.0	+102.3
Europe	96.7	79.5	+21.6
North America	60.6	52.7	+15.0
South America	8.9	4.2	+111.9
Rest of World	81.8	57.2	+43.0
Total	345.1	241.6	+42.8

	2005 £m	2004 £m
Howden Hua	87.8	38.0
Other sales to China	9.3	10.0
Total	97.1	48.0

Net Debt (£m)



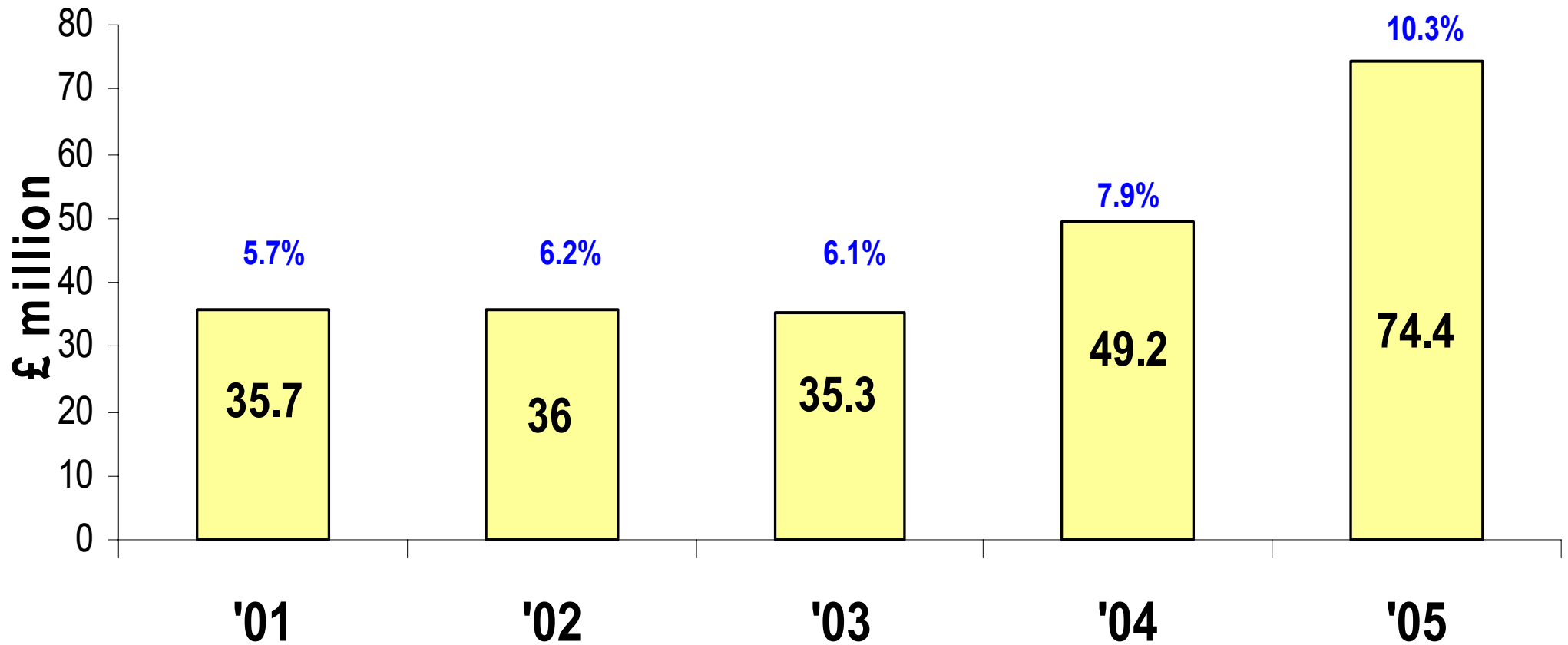
Figures for 2004/5 are prepared under IFRS; other years extracted from annual accounts prepared under UK GAAP

Consolidated Balance Sheet (£m)

	<u>2005</u>	<u>2004</u>
Shareholders' funds	135.1	11.5
Minority interests	13.5	22.2
Net borrowings	6.5	66.3
	<u>155.1</u>	<u>100.0</u>

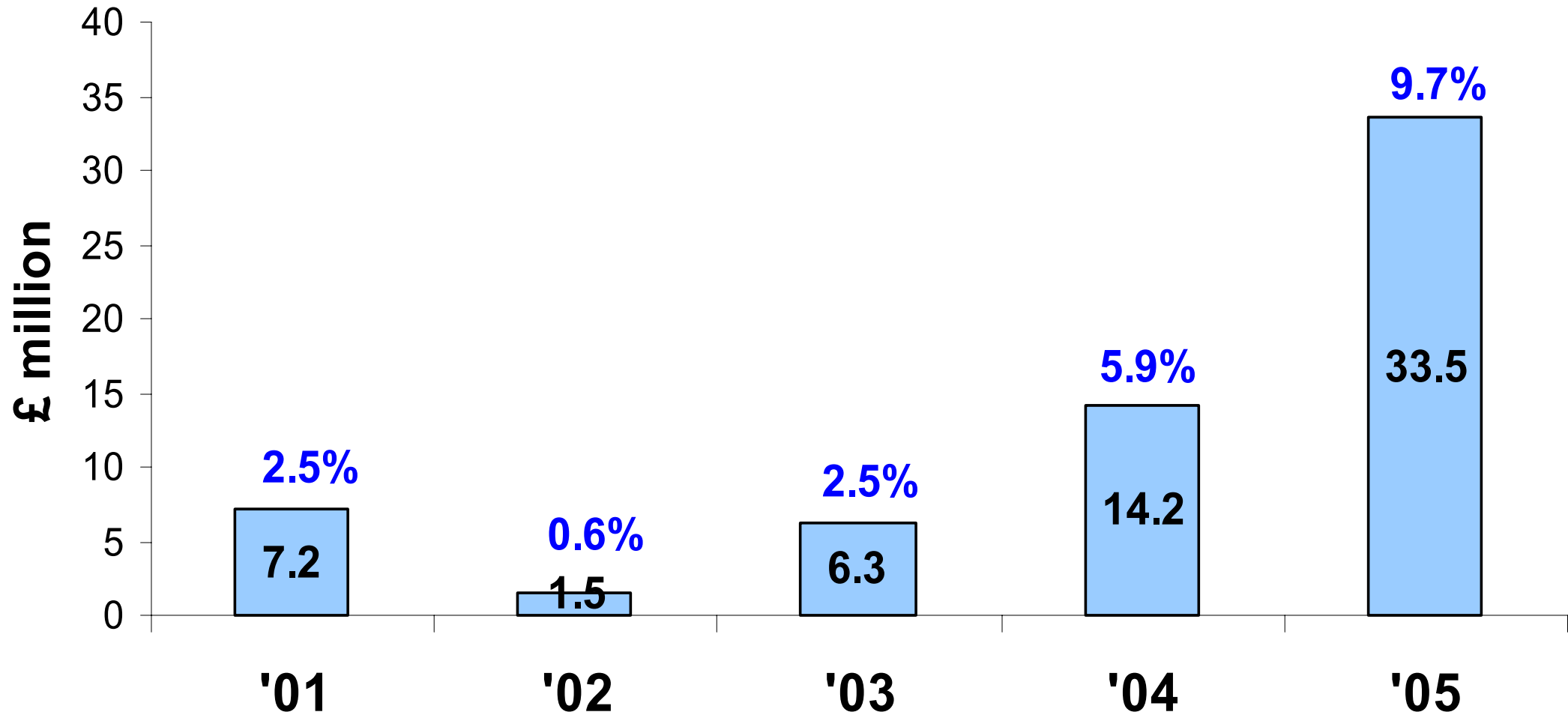
Shareholders' funds £24.6 million on 1 January 2001

ESAB's Operating Margins



Figures for 2004/5 are prepared under IFRS; other years extracted from annual accounts prepared under UK GAAP

Howden's Operating Margins



Figures for 2004/5 are prepared under IFRS; other years extracted from annual accounts prepared under UK GAAP



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Robert Careless

Finance Director

Cash Flow and Borrowings (£m)

	<u>2005</u>	<u>2004</u>
Cash flow from operating activities	84.5	47.7
Capital expenditure/acquisitions (less disposals)	(20.4)	2.3
Financing/tax	(20.7)	(26.5)
Share issues	20.2	44.6
Other	(2.2)	2.1
Movement in year	<u>61.4</u>	<u>70.2</u>

Consolidated Balance Sheet - £m

	<u>2005</u>	<u>2004</u>
Non current assets (excluding retirement benefits assets)	204.3	167.7
Net current assets (excluding net debt and provisions)	137.4	125.1
Net retirement benefit obligations	(127.1)	(134.8)
Provisions	(40.7)	(40.3)
Other long term liabilities (excluding net debt)	(18.8)	(17.7)
	<u>155.1</u>	<u>100.0</u>
Shareholders' funds	135.1	11.5
Minority interests	13.5	22.2
Net borrowings	6.5	66.3
	<u>155.1</u>	<u>100.0</u>

Retirement Benefit Obligations (£m)

Defined benefit schemes	<u>2005</u>	<u>2004</u>
Net retirement benefit obligations recognised	<u>127.1</u>	<u>134.8</u>
Amount not recognised	<u>26.3</u>	<u>17.6</u>
Amount charged against operating profit	<u>7.6</u>	<u>4.2</u>
Cash contribution	<u>18.4</u>	<u>16.6</u>

Tax

	2005	2004
Tax charge	£20.0m	£4.4m
Effective tax rate ¹	21.4%	27.4%

¹ Before exceptional items, gains/losses on retranslation of intercompany loan balances and share of post tax profits of associates



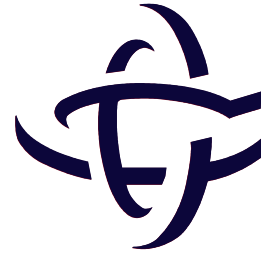
Conclusions

- Share price has recovered from a low of 35p in January 2003 to yesterday's closing price of £6.90, an increase of 1,870%
- At yesterday's close, the Company's market capitalisation of £1,140 million (£96 million on 1.1.04)
- Underlying Net debt, which peaked at £260 million in 2001 had by year end been reduced to only £6.5 million
- Excellent results reflecting substantial improvements in Sales, Operating profits, Operating margins and Earnings per share

Prospects

ESAB and Howden have started the year strongly and in the first 2 months of the year, are ahead of the Board's previous expectations in both operating profit and cash flow terms; furthermore, since year end Howden's order book has continued to grow.

For these reasons, given the excellent results achieved in 2005, the Board views the Company's trading prospects for 2006 with confidence.



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