

CHARTER

Interim Results 2006



David Gawler

Chairman

- Excellent first half results
- Adjusted earnings per share more than doubled to 32.5p
- Strong growth in sales and profit across both businesses
- Continued margin growth
 - Esab 11.8% (1H 2005: 10.5%)
 - Howden 10.1% (1H 2005: 6.9%)
- Net cash at 30 June 2006 of £36.2 million (compared with net debt of £6.5 million at 31 December 2005)

Robert Careless

Finance Director

Interim results (£m)

| | Six months to 30.6.06 | Six months to 30.6.05 | | |
|---|----------------------------------|----------------------------------|---|------|
| Revenue | 624.7 | 495.9 | + | 26% |
| Operating profit <i>(includes profit on sale of property of £4.8 million in the six months to 30.6.06)</i> | 70.3 | 41.2 | + | 71% |
| Profit before tax | 68.9 | 44.4 | + | 55% |
| Profit after tax | 59.2 | 33.0 | + | 79% |
| Profit attributable to equity shareholders | 56.2 | 27.7 | + | 103% |
| Net cash/(debt) at period end | 36.2 | (45.9) | | |

Earnings per share (pence)

| | Six months to 30.6.06 | Six months to 30.6.05 | |
|--|----------------------------------|----------------------------------|--------|
| Earnings per share - basic | 34.0 | 18.1 | + 88% |
| <i>(of which: profit on sale of property represents 2.9p)</i> | | | |
| Items not related to underlying performance: | | | |
| Exceptional tax credit | (3.2) | - | |
| (Losses)/Gains on retranslation of intercompany loan balances ₁ | 1.7 | (2.0) | |
| Earnings per share - adjusted | 32.5 | 16.1 | + 102% |

₁ including tax and minority interest

Consolidated cash flow (£m)

| | Six months to 30.6.06 | Six months to 30.6.05 | Twelve months to 31.12.05 |
|--|----------------------------------|-----------------------------|------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Cash generated from operations (see slide 8) | 58.9 | 21.4 | 84.5 |
| Capital expenditure/acquisitions less disposals (see slide 9) | (6.9) | (5.9) | (20.4) |
| Financing/tax | (10.6) | (11.8) | (20.9) |
| Share issues | 0.3 | 19.1 | 20.2 |
| Other | 1.0 | (0.8) | (2.0) |
| | <u> </u> | <u> </u> | <u> </u> |
| Reduction in net debt | 42.7 | 22.0 | 61.4 |
| | <u> </u> | <u> </u> | <u> </u> |
| Net cash/(debt) at period end | 36.2 | (45.9) | (6.5) |

Cash generated from operations (£m)

| | Six months to 30.6.06 | Six months to 30.6.05 | 12 months to 31.12.05 |
|---------------------------------------|----------------------------------|--------------------------|--------------------------|
| Operating profit | 70.3 | 41.2 | 101.7 |
| Depreciation and amortisation | 7.6 | 7.6 | 15.5 |
| Working capital/provisions | (17.0) | (28.1) | (26.8) |
| Other items ¹ | (2.0) | 0.7 | (5.9) |
| Cash generated from operations | 58.9 | 21.4 | 84.5 |

¹ Other items include share based payments, profit on sale of fixed assets, recovery of unauthorised payments and restructuring

Capital expenditure, acquisitions and disposals (£m)

| | <u>Six months to 30.6.06</u> | <u>Six months to 30.6.05</u> | <u>12 months to 31.12.05</u> |
|--|----------------------------------|----------------------------------|----------------------------------|
| Capital expenditure ¹ | 12.4 | 7.5 | 22.2 |
| Acquisitions ² | <u>5.8</u> | <u>0.5</u> | <u>1.9</u> |
| | 18.2 | 8.0 | 24.1 |
| Disposals | <u>(11.3)</u> | <u>(2.1)</u> | <u>(3.7)</u> |
| Capital expenditure/acquisitions less disposals | <u><u>6.9</u></u> | <u><u>5.9</u></u> | <u><u>20.4</u></u> |
| <i>Depreciation and amortisation</i> | <u><u>7.6</u></u> | <u><u>7.6</u></u> | <u><u>15.5</u></u> |

¹ Including capitalised development costs

² Excluding acquisitions financed through share issues

Total equity (£m)

| | As at 30.6.06 | As at 31.12.05 | As at 30.6.05 |
|----------------------------|--------------------------|-------------------|------------------|
| Equity shareholders' funds | 189.1 | 135.1 | 55.8 |
| Minority interests | 14.2 | 13.5 | 26.5 |
| | <u>203.3</u> | <u>148.6</u> | <u>82.3</u> |

Retirement obligations - defined benefit

- As at 31 December 2005:

| | |
|------------------------------------|--------------|
| | £m |
| Amount recognised on balance sheet | 127.1 |
| Amount not recognised (IAS 19) | 26.3 |
| Amount not recoverable | (1.8) |
| Net deficit | <u>151.6</u> |

- By 30 June 2006, the reduction in defined benefit liabilities less the reduction in total plan assets had substantially eliminated the amount not recognised

| | | |
|-------------------------------------|--------------------------------|------------------------|
| Income and cash impact | 6 months to 30.6.06 | 6 months to 30.6.05 |
| | <u>£m</u> | <u>£m</u> |
| Net charge against operating profit | 3.1 | 3.9 |
| Cash payment | <u>7.4</u> | <u>9.3</u> |

Tax (£m)

| | Six months to 30.6.06 | Year ended 31.12.05 |
|---|----------------------------------|------------------------|
| Tax on profit on ordinary activities (before the items set out below) | (14.7) | (19.5) |
| <i>Effective adjusted tax rate</i> ¹ | 21.4% | 21.4% |
| Exceptional tax credit ² | 5.3 | - |
| Tax on gains/(losses) on intercompany loan balances | (0.3) | (0.5) |
| Tax on profit on ordinary activities | (9.7) | (20.0) |

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

² The figure of £5.3 million is half the total exceptional tax credit expected for the year as a whole

Post balance sheet event

- Retirement of US\$120 million of loan notes took place on 25 August 2006, ahead of scheduled repayment in 2007/9
 - repaid out of cash balances
 - “make whole” amount of £2 million in second half financing charge
 - net interest saving over outstanding period

Michael Foster

Chief Executive

Summary of results (£m)

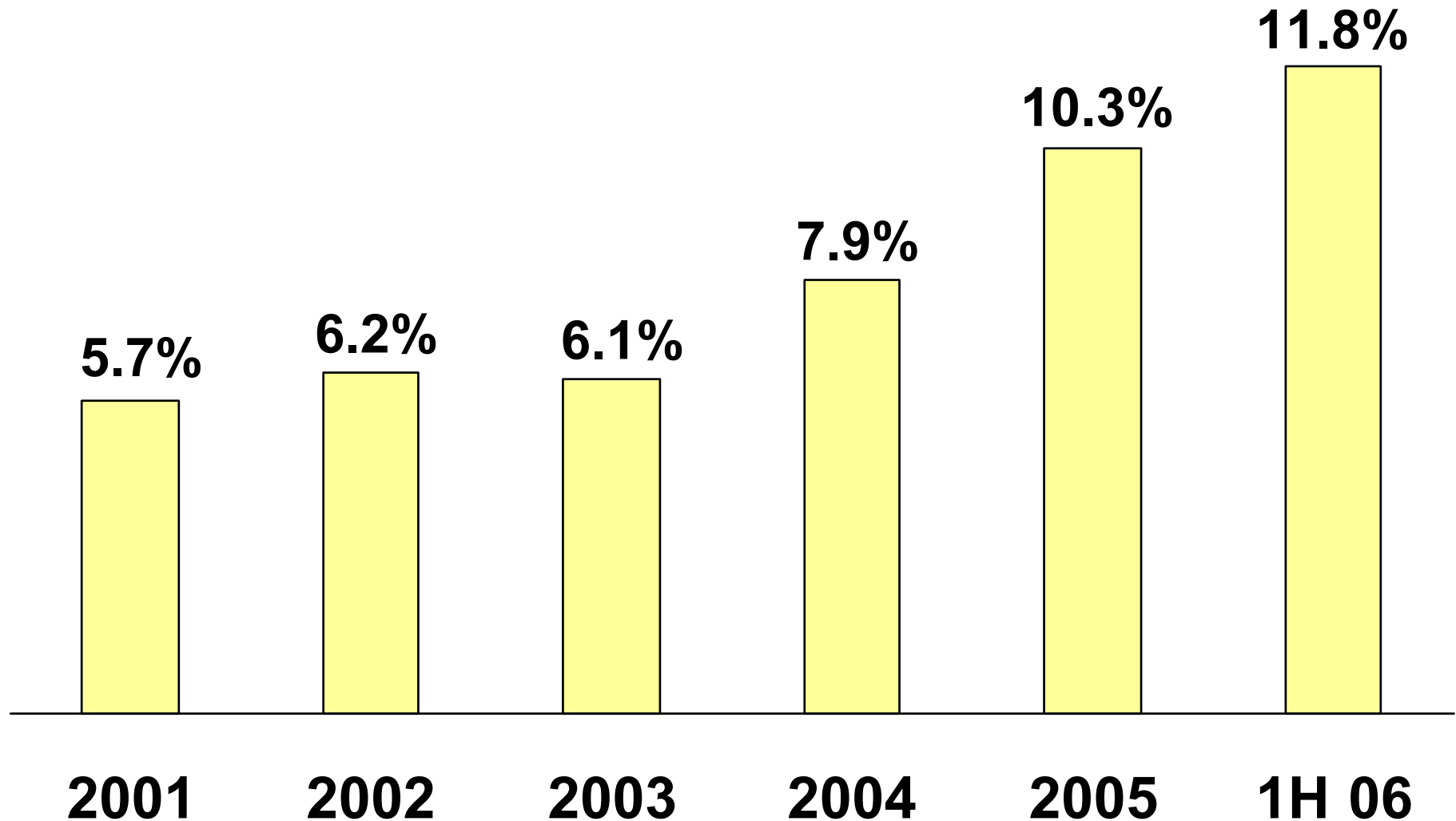
| | <u>Six months to 30.6.06</u> | | <u>Six months to 30.6.05</u> |
|---|----------------------------------|-------------|----------------------------------|
| ESAB | 414.8 | +19% | 347.7 |
| Howden | 209.9 | +42% | 147.8 |
| Food equipment | - | | 0.4 |
| | <u>624.7</u> | +26% | <u>495.9</u> |
| | | | |
| ESAB | 48.9 | +34% | 36.6 |
| Howden (excluding profit on sale of a property) | 21.3 | +109% | 10.2 |
| Howden - profit on sale of a property | 4.8 | | - |
| Food equipment/Central operations | (4.7) | | (5.6) |
| Operating profit | <u>70.3</u> | +71% | <u>41.2</u> |
| | | | |
| Share of post tax profits of associates | <u>2.7</u> | | <u>1.9</u> |
| | | | |
| Operating margins | | | |
| ESAB | 11.8% | | 10.5% |
| Howden (excluding profit on sale of a property) | 10.1% | | 6.9% |

- Continuation of strong performance
- Sales of £414.8 million, up 19 per cent over comparable period
- Operating profit of £48.9 million, up 34 per cent
- Operating margins increased to 11.8 per cent (1H 2005: 10.5 per cent)
- Increases in manufacturing capacity in progress or planned for 2006/7

ESAB: summary of results (£m)



| | Six months to 30.6.06 | Six months to 30.6.05 | Year ended 31.12.05 |
|---|----------------------------------|--------------------------|------------------------|
| Welding | 352.6 | 295.8 | 607.8 |
| Cutting and automation | 62.2 | 51.9 | 112.3 |
| Revenue | 414.8 | 347.7 | 720.1 |
| Welding | 43.3 | 31.3 | 65.5 |
| Cutting and automation | 5.5 | 5.3 | 8.9 |
| Operating profit | 48.9 | 36.6 | 74.4 |
| Share of profits of associates (post tax) | 2.1 | 1.7 | 3.4 |
| Operating margins: | | | |
| - Welding | 12.3% | 10.6% | 10.8% |
| - Cutting and automation | 8.8% | 10.2% | 7.9% |
| - Overall | 11.8% | 10.5% | 10.3% |



Figures for 2004/5/6 are prepared under IFRS; other years extracted from annual accounts prepared under UK GAAP

| | First half 2006 | | Second half 2005 | First half 2005 |
|--------------------|----------------------------|---------------|-----------------------------|----------------------------|
| Europe | 197.1 | 47.5% | 174.5 | 170.9 |
| North America | 110.0 | 26.5% | 101.1 | 96.0 |
| South America | 51.7 | 12.5% | 49.1 | 41.2 |
| China | 8.8 | 2.1% | 10.1 | 4.8 |
| Rest of World | 47.2 | 11.4% | 37.7 | 34.7 |
| Total sales | 414.8 | 100.0% | 372.5 | 347.6 |

Sales growth:

First half 2006 over first half 2005 19 per cent

First half 2006 over second half 2005 11 per cent

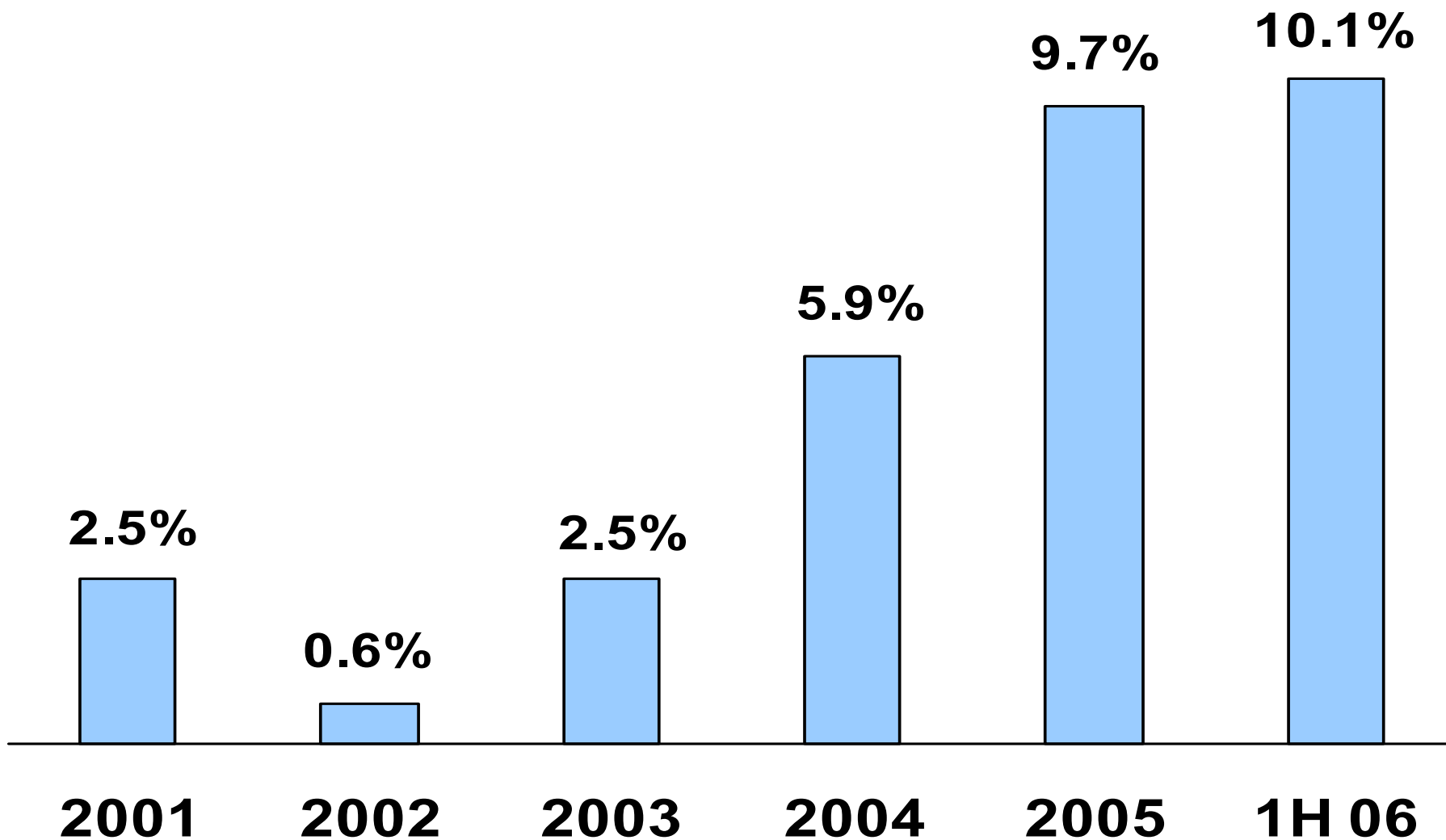
- Europe (sales up 15 per cent over first half of 2005)
 - Strong demand particularly from shipbuilding, energy and pipeline industries
 - European emerging markets, especially Russia, the former CIS states and Turkey, performed particularly well
- North America (sales up 15 per cent)
 - Increased demand from end users in most sectors
- South America (sales up 25 per cent)
 - Currency factors and underlying growth

- China (sales up 83 per cent)
 - New consumables factory opened on schedule in July
- Rest of World (sales up 36 per cent)
 - Results significantly ahead in Asia Pacific, with strong shipbuilding and energy sectors in Singapore and Malaysia
 - Strong results in Middle East, due to activity in construction and energy sectors

- In key developing markets (China, Central/Eastern Europe, South America, South East Asia)
 - investment in new manufacturing capacity
 - new sales offices and distribution centres
 - enhancing local/regional management
- In mature markets (Western Europe, North America)
 - increase utilisation through additional shifts and higher manning levels
- Continued product development
- Increase cost effectiveness
 - lean manufacturing initiative

- Continuation of strong performance
- Sales of £209.9 million, up 42 per cent over comparable period
- Operating profit of £21.3 million (before £4.8 million property profit), up 109 per cent
- Operating margins increased to 10.1 per cent (1H2005: 6.9 per cent)
- Order book increased to £360 million (31 December 2005: £304 million)
- Aftermarket margins and profits improved

| | Six months to 30.6.06 | Six months to 30.6.05 | Year ended 31.12.05 |
|--|----------------------------------|--------------------------|------------------------|
| Revenue | 209.9 | 147.8 | 345.1 |
| Operating profit – excluding profit on a property sale | 21.3 | 10.2 | 33.5 |
| Operating profit – including profit on a property sale | 26.1 | 10.2 | 33.5 |
| Share of profits of associates (post tax) | 0.6 | 0.2 | 1.1 |
| Operating margin - excluding profit on a property sale | 10.1% | 6.9% | 9.7% |



Figures for 2004/5/6 are prepared under IFRS; other years extracted from annual accounts prepared under UK GAAP

| | First half 2006 | | Second half 2005 | First half 2005 |
|---------------|----------------------------|---------------|-----------------------------|----------------------------|
| China | 79.8 | 38.0% | 58.5 | 38.6 |
| Europe | 50.2 | 23.9% | 59.3 | 37.4 |
| North America | 37.7 | 18.0% | 29.0 | 31.6 |
| South America | 5.9 | 2.8% | 5.5 | 3.4 |
| Rest of World | 36.3 | 17.3% | 45.0 | 36.8 |
| Total | 209.9 | 100.0% | 197.3 | 147.8 |

Sales growth:

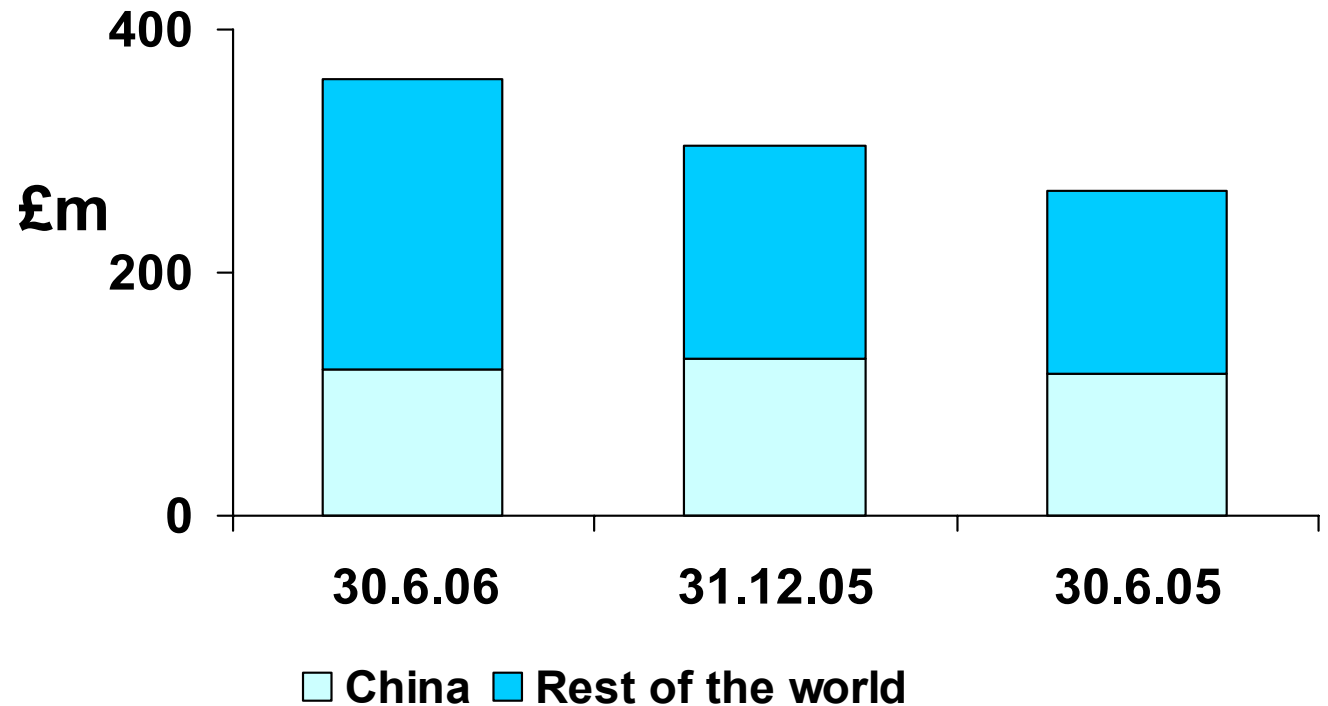
First half 2006 over first half 2005

42 per cent

First half 2006 over second half 2005

6 per cent

| | | | |
|----------------------------|-------------------|-------------------|-------------------|
| Order book at period start | 304 | 267 | 181 |
| Orders booked | 266 | 234 | 234 |
| Sales | (210) | (197) | (148) |
| Order book at period end | <u>360</u> | <u>304</u> | <u>267</u> |



- China (sales up 107 per cent)
 - Sales increase driven by new build of coal fired generating capacity
- Europe (sales up 34 per cent)
 - Strong demand for new build and aftermarket
- North America (sales up 19 per cent)
 - Strong markets for new build, especially power generation and mining

- South America (sales up 74 per cent)
 - Remains small but saw increased sales to the iron and steel industry in Brazil
- Rest of World (sales down 1 per cent)
 - Improved results in South Africa, reflecting return-to-service in electricity industry and strong mining sector
 - Australian mining sector strong, but overall remains small

- The full range of Howden products is being introduced into China; the aftermarket is being developed
- Sales offices are being opened in new markets, such as India and Russia
- Increased emphasis on North America and Europe with significant development of new coal-fired power generating capacity
- Increased presence in the petrochemical industry
- To support the above, additional manufacturing capacity is being built in China and further use will be made of sub-contractors for non-critical components

Prospects

- The exceptional tax credit of £5.3 million arising from the recognition of deferred tax assets in the period represents half of the exceptional tax credit currently expected for the full year
- The Board continues to see growth opportunities for both businesses and expects there will be an increase in the amount of investment made in the second half in order to take advantage of these
- Given the strong market conditions which are currently being experienced, ESAB and Howden are well placed to achieve growth in the second half of the year over the comparable period in 2005 and the Board now expects that the full year's results will be ahead of its previous expectations



CHARTER

Interim Results 2006

