

CHARTER

Interim Results 2007





CHARTER

David Gawler

Chairman

Chairman Designate



Lars Emilson



Chairman

- Introduction and overview

Finance Director

- Detailed financial results

CEO

- Operating and financial results of Esab and Howden

CEO

- Prospects

Executive Directors

- Q & A

Overview

- Excellent interim results
- Adjusted EPS of **41.6p** (**+26%** over 1H 2006)
- Further growth in Sales and Operating Profits in both businesses
- Continued improvement in Operating Margins
 - ESAB **13.7%** (12.2%: 1H 2006)
 - Howden **12.2%** (10.4%: 1H 2006)
- Net cash of **£60 million** (£ 43.1 m at 31.12.06)
- Equity shareholders' funds **£347.7 million** (£246.1 m at 31.12.06)

Note: 2006 figures are restated



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Robert Careless

Finance Director

Interim results (£m)

	Six months to 30.6.07	Six months to 30.6.06	
Revenue	691.5	624.7	+ 11%
Operating profit <i>(includes profit on sale of property of £4.8 million in the six months to 30.6.06)</i>	85.4	71.0	+ 20%
Profit before tax	92.1	69.6	+ 32%
Profit after tax	75.4	59.9	+ 26%
Profit attributable to equity shareholders	72.2	56.9	+ 27%
Net cash at period end	60.0	36.2	

Note: 2006 figures are restated

Earnings per share (pence)

	Six months to 30.6.07	Six months to 30.6.06	
Earnings per share - basic	43.3	34.4	+ 26%
Items not related to underlying performance:			
Amortisation and impairment of acquired intangibles and goodwill	0.1	-	
Exceptional tax credit	-	(3.2)	
(Gains)/losses on retranslation of intercompany loan balances ₁	(1.8)	1.8	
Earnings per share - adjusted	41.6	33.0	+ 26%

₁ including tax

Note: 2006 figures are restated

Restatement of 2006 results (£m)

	Six months to 30.6.06	Year ended 31.12.06
ESAB	1.5	3.2
Howden	0.6	1.0
Central operations	(1.4)	(2.8)
Operating profit	0.7	1.4
Financing credit	-	-
Profit before tax and for period	<u>0.7</u>	<u>1.4</u>
Adjusted earnings per share	<u>0.5 p</u>	<u>0.9 p</u>
<u>Adjusted earnings per share:</u>		
As reported	32.5 p	67.2 p
As restated	33.0 p	68.1 p

All 2006 figures within this presentation have been restated

Restatement of 2006 results – equity shareholders' funds (£m)

	<u>30.6.06</u>	<u>31.12.06</u>
As reported	189.1	250.7
Retirement benefit assets recognised	14.6	15.3
Retirement benefit liabilities recognised	(15.6)	(15.5)
Deferred income tax assets	0.7	0.6
Deferred income tax liabilities	(4.6)	(5.0)
As restated	<u>184.2</u>	<u>246.1</u>
Decrease in equity shareholders' funds	<u>(4.9)</u>	<u>(4.6)</u>

All 2006 figures within this presentation have been restated

Consolidated cash flow (£m)

	Six months to 30.6.07	Six months to 30.6.06	Year ended 31.12.06
Cash generated from operations	48.5	58.9	106.8
Capital expenditure/acquisitions less disposals	(12.0)	(6.9)	(26.7)
Financing/tax/dividends	(19.4)	(10.6)	(33.6)
Share issues	-	0.3	0.6
Other	(0.2)	1.0	2.5
Net cash inflow	16.9	42.7	49.6
Net cash at period end	60.0	36.2	43.1

Cash generated from operations (£m)

	Six months to 30.6.07	Six months to 30.6.06	12 months to 31.12.06
Operating profit	85.4	71.0	144.6
Depreciation and amortisation	7.6	7.6	15.0
Increase in inventories	(25.1)	(13.6)	(19.9)
Increase in receivables	(72.9)	(40.6)	(58.2)
Increase in payables	61.0	25.5	29.5
Net working capital increase	(37.0)	(28.7)	(48.6)
Movement in retirement benefit obligations	(8.5)	(5.0)	(15.7)
Movement in provisions	1.0	16.0	14.3
Other items	-	(2.0)	(2.8)
Cash generated from operations	48.5	58.9	106.8

Capital expenditure, acquisitions and disposals (£m)

	Six months to 30.6.07	Six months to 30.6.06	12 months to 31.12.06
Capital expenditure ¹	17.0	12.4	26.9
Repayment of loans to associates	-	-	(1.5)
Acquisitions	0.5	5.8	13.5
	17.5	18.2	38.9
Disposals	(5.5)	(11.3)	(12.2)
Capital expenditure/acquisitions less disposals	12.0	6.9	26.7
<i>Depreciation and amortisation</i>	7.6	7.6	15.0

¹ including capitalised development costs

Tax (£m)

	Six months to 30.6.07	Year ended 31.12.06
Tax on profit on ordinary activities (before the items set out below)	(16.4)	(27.1)
<i>Effective adjusted tax rate</i> ¹	19.0%	19.4%
Exceptional tax credit	-	10.5
Tax on gains/(losses) on intercompany loan balances	(0.3)	(0.3)
Tax on profit on ordinary activities	(16.7)	(16.9)

¹ *Before amortisation and impairment of acquired intangibles and goodwill, exceptional items, gains/(losses) on retranslation of intercompany loan balances and share of post tax profits of associates*

Financing credit/(charge) (£m)

	Six months to 30.6.07	Six months to 30.6.06	Year ended 31.12.06
Retirement benefit obligations			
- interest on scheme liabilities	(16.7)	(16.2)	(32.1)
- return on scheme assets	17.9	16.2	32.1
	1.2	-	-
Interest payable (including fees)	(1.7)	(4.1)	(6.8)
Interest income	1.8	2.7	4.7
"Make whole" payment to US note holders	-	-	(2.1)
Unwinding of discount on provisions	(0.3)	(0.1)	(0.4)
	(0.2)	(1.5)	(4.6)
Gains/(losses) on retranslation of intercompany loans	3.3	(2.6)	0.2
Net financing credit/(charge)	4.3	(4.1)	(4.4)

Notes: 2006 figures are restated

Reconciliation of post-retirement benefit obligations (£m)

At 31.12.06	- as reported		(108.6)
	- assets recognised	15.3	
	- liabilities recognised	<u>(15.5)</u>	<u>(0.2)</u>
	- as restated		(108.8)
Charge to operating profit			(1.4)
Credit to financing costs			1.2
Net actuarial gain			32.7
Contributions paid			9.9
Acquisitions			(0.2)
Exchange adjustments			1.5
At 30.6.07			<u>(65.1)</u>

Total equity (£m)

	As at 30.6.07	As at 31.12.06	As at 30.6.06
Equity shareholders' funds	347.7	246.1	184.2
Minority interests	12.4	10.3	14.2
	360.1	256.4	198.4

Notes: 2006 figures are restated



CHARTER

Michael Foster

Chief Executive

Summary of results (£m)

	<u>Six months to 30.6.07</u>		<u>Six months to 30.6.06</u>
ESAB	464.3	+ 12%	414.8
Howden	227.2	+ 8%	209.9
Sales	<u>691.5</u>	<u>+ 11%</u>	<u>624.7</u>
ESAB	63.5	+ 26%	50.4
Howden (excluding profit on sale of a property)	27.7	+ 26%	21.9
Howden - profit on sale of a property	-		4.8
Central operations	(5.8)		(6.1)
Operating profit	<u>85.4</u>	<u>+ 20%</u>	<u>71.0</u>
Share of post tax profits of associates	<u>2.4</u>		<u>2.7</u>
Operating margins			
ESAB	13.7%		12.2%
Howden (excluding profit on sale of a property)	12.2%		10.4%

Note: 2006 figures are restated

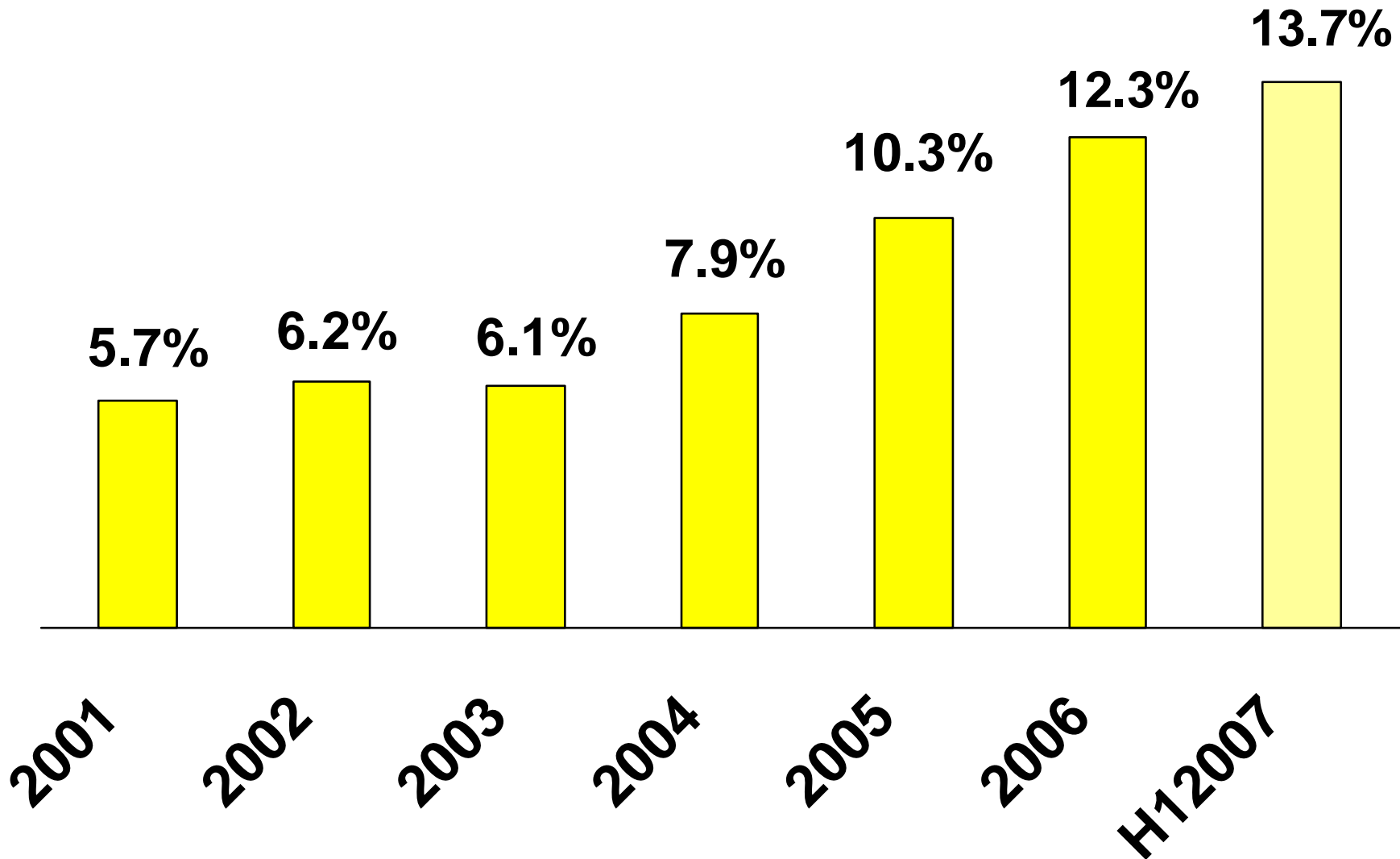
- Continuation of strong performance

- Sales: £464.3 million +12 per cent
- Operating profit: £63.5 million +26 per cent
- Operating margins: 13.7 per cent +150 basis points

Note: 2006 results restated

	<u>Six months to 30.6.07</u>	<u>Six months to 30.6.06</u>	<u>Year ended 31.12.06</u>
Welding	396.9 +12.6%	352.6	698.6
Cutting and automation	67.4 +8.4%	62.2	129.8
Revenue	<u>464.3</u> +11.9%	<u>414.8</u>	<u>828.4</u>
Welding	60.2 +34.7%	44.7	91.4
Cutting and automation	3.3 -42.1%	5.7	10.7
Operating profit	<u>63.5</u> +26.0%	<u>50.4</u>	<u>102.1</u>
Share of profits of associates (post tax)	<u>2.3</u>	<u>2.1</u>	<u>4.3</u>
Operating margins:			
- Welding	15.2%	12.7%	13.1%
- Cutting and automation	4.9%	9.2%	8.2%
- Overall	13.7%	12.2%	12.3%

Note: 2006 results restated



Figures for 2001 to 2003 are extracted from annual accounts prepared under UK GAAP. Subsequent periods are prepared under IFRS.

Note: 2006 results restated

	First half 2007		Second half 2006	First half 2006
Europe	233.2	50.2%	201.8	197.1
North America	107.9	23.2%	100.2	110.0
South America	62.0	13.4%	54.5	51.7
China	9.9	2.1%	12.1	8.8
Rest of World	51.3	11.1%	45.0	47.2
Total sales	464.3	100.0%	413.6	414.8

Sales growth:

First half 2007 over first half 2006	12 per cent
First half 2007 over second half 2006	12 per cent

- Europe (sales up 18 per cent over first half of 2006)
 - Strong demand particularly from shipbuilding, energy and pipeline industries
 - Growth in core Western European markets underpinned performance
 - European emerging markets, especially Russia, Central and Southern Europe, performed particularly well

- North America (sales down 2 per cent)
 - Sales increased by 9 per cent in US dollar terms
 - End user markets remain strong
 - Recovery from Hanover strike

- South America (sales up 20 per cent)
 - Strong volume growth, partly offset by currency factors
- China (sales up 13 per cent)
 - Further progress made on establishing ESAB in China
- Rest of World (sales up 9 per cent)
 - Results ahead in Asia Pacific, with strong shipbuilding and energy sectors in Singapore and Malaysia
 - Strong results in Middle East and South Africa, due to activity in construction and energy sectors

- Consumables manufacturing capacity:
 - Achieved forecast increase of 20 per cent (90,000 tonnes) between June 2006 and June 2007
 - An additional 10 per cent will be added around end of Q1 2008, mainly in China

- Continuing improvement in cost efficiencies:
 - Maintaining high plant utilisation
 - Roll-out of Lean-manufacturing
 - Locate new capacities in low cost areas

- Development standard equipment
- Cutting/Automation

Charter has three main criteria for making acquisition

- To strength market position
 - ESAB acquired a further 18% in ESAB India for a consideration of £17 million
 - ESAB acquired the welding business of Air Liquide in Argentina in July for £4 million

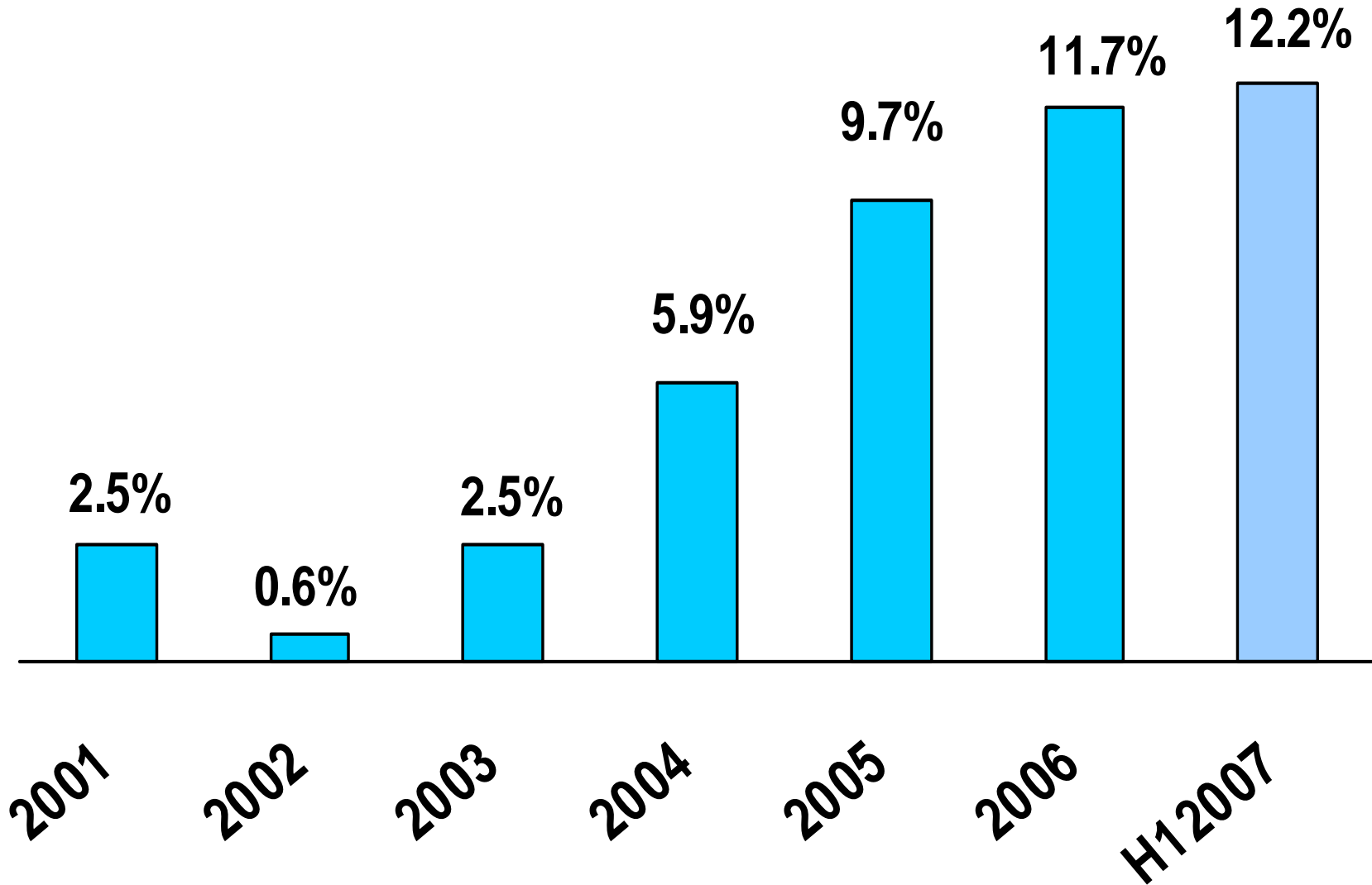
- To enter new markets
 - ESAB exchanged contracts to acquire Electrodi AD Ihtiman, the market leader in welding electrodes in Bulgaria expected consideration of £5m

- To improve the technological base of the company
 - ESAB completed the acquisition of ATAS a technology acquisition to enhance the cutting business in July for £2 million

- Continuation of strong performance
 - Sales: £227.2 million + 8 per cent
 - Operating profit: £27.7 million + 26 per cent
 - Operating margins: 12.2 per cent + 180 basis points
 - Order book: £425 million up £64 million
- Aftermarket revenue £54.7 million, up 2.1 per cent after an adverse exchange impact of 7 per cent; gross margins improved

Note: 2006 results restated

	Six months to 30.6.07	Six months to 30.6.06	Year ended 31.12.06
Revenue	<u>227.2</u>	<u>209.9</u>	<u>429.5</u>
Operating profit – excluding profit on a property sale	<u>27.7</u>	<u>21.9</u>	<u>50.3</u>
Operating profit – including profit on a property sale	<u>27.7</u>	<u>26.7</u>	<u>55.1</u>
Share of profits of associates (post tax)	<u>0.1</u>	<u>0.6</u>	<u>1.5</u>
Operating margin - excluding profit on a property sale	12.2%	10.4%	11.7%



Figures for 2001 to 2003 are extracted from annual accounts prepared under UK GAAP. Subsequent periods are prepared under IFRS.

Note: 2006 results restated

	First half 2007		Second half 2006	First half 2006
Europe	66.6	29.3%	50.3	50.2
China	58.7	25.8%	69.1	79.8
North America	50.2	22.1%	49.9	37.7
South America	6.8	3.0%	6.8	5.9
Rest of World	44.9	19.8%	43.5	36.3
Total	227.2	100.0%	219.6	209.9

Sales growth:

First half 2007 over first half 2006

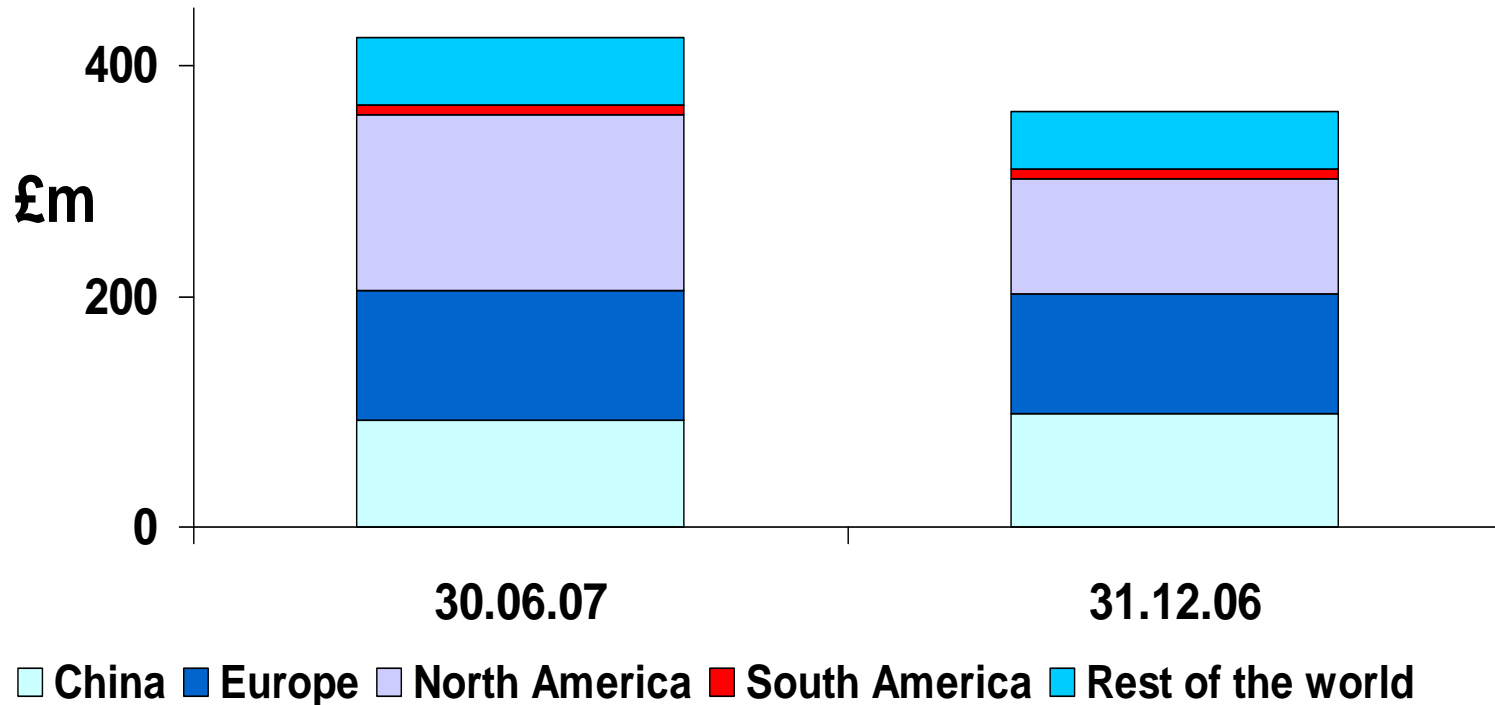
8 per cent

First half 2007 over second half 2006

3 per cent

Howden: order book progression (£m)

	<u>Six months to 30.6.07</u>	<u>Six months to 31.12.06</u>
Order book at period start	361	360
Orders booked	291	221
Sales	(227)	(220)
Order book at period end	<u>425</u>	<u>361</u>



- Europe (sales up 33 per cent)
 - Strong demand for new build and aftermarket
 - Sales further boosted by the acquisition of Howden Compressors Ltd
- China (sales down 26 per cent)
 - Sales levels down due to anticipated slowdown in demand for new generating capacity
- North America (sales up 33 per cent)
 - Strong markets for retrofits to reduce sulphur dioxide emissions
 - Increase in aftermarket sales

- South America (sales up 15 per cent)
 - Sales and order book grew due to increased demand from iron and steel industries
- Rest of World (sales up 24 per cent)
 - Improved results in South Africa, reflecting return-to-service in electricity industry and strong mining sector
 - Australian mining sector strong, but overall Australia remains a relatively small market for Howden

- North America:
 - Likely to be the strongest area for at least the next 12 months
 - Flue gas desulphurisation equipment and new generating capacity
 - Demand will be met from factories in North America and Europe

- Europe:
 - Expect significant development of new coal fired generating capacity

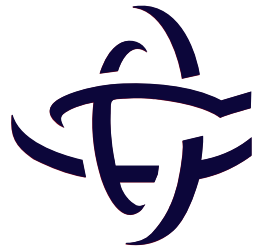
- Petrochemical:
 - Important in many geographic areas
 - Howden's presence developed via the acquisition of Howden Compressors

- China
 - New compressor factory opened and launch orders won
 - Opportunities in new applications, eg waste water treatment and petrochemical
 - Aftermarket developing strongly with retrofit contracts
 - Signs that replacement of older power generating plant is accelerating, aided by environmental pressures

- Other areas:
 - India/Russia: presence established
 - South Africa: outstanding 50 per cent in Bateman Howden subsidiary, a gas cleaning systems company acquired in July.

Prospects

- Going forward, ESAB will continue to benefit from recent additions to its capacity and on-going programmes to increase production efficiencies and to improve technology.
- Howden expects increasing sales to its customers in North America and Europe, which will compensate for the slow down in sales to China.
- ESAB and Howden are well placed to achieve further progress and the Board views Charter's prospects with confidence



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Interim Results 2007