

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you are recommended immediately to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document together with the accompanying Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

Hoare Govett Limited, which is authorised in the United Kingdom under the Financial Services and Markets Act 2000 and which is regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Charter plc in connection with the Acquisition and for no one else and will not be responsible to anyone other than Charter plc for providing the protections afforded to clients of Hoare Govett Limited or for providing advice in relation to the Acquisition.

Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the Official List and to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that Admission will become effective and that dealings will commence at 8.00 a.m. on 13 September 2005.

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# CHARTER PLC

*(incorporated in England and Wales with registered number 2794949)*



## CHARTER

### **Proposed acquisition of the minority interest in the South American Welding and Cutting Businesses and Notice of Extraordinary General Meeting**

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This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Charter plc set out on pages 5 to 8 of this document in which the Directors of Charter plc recommend that you approve the Acquisition by voting in favour of the Resolution to be proposed at the Extraordinary General Meeting referred to below.

Notice of an Extraordinary General Meeting of Charter plc to be held at 10.30 a.m. on 12 September 2005 at 199 Bishopsgate, London EC2M 3XW, is set out at the end of this document.

A Form of Proxy for use at the Extraordinary General Meeting is enclosed. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed thereon to the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8FB, as soon as possible but, in any event, so as to arrive no later than 10.30 a.m. on 10 September 2005. The completion and return of a Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person if you wish to do so.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy	10.30 a.m. on 10 September 2005
Extraordinary General Meeting	10.30 a.m. on 12 September 2005
Expected date of Completion	13 September 2005

## DEFINITIONS

The following definitions apply throughout this document and in the accompanying Form of Proxy, unless the context requires otherwise:

“Acecal”	Acecal SA, one of the group of companies proposed to be acquired as part of the Acquisition
“Acevedo Holding Companies”	Acecal, Insutrading, Margarita, Mercoweld SA, Mercoweld do Brasil and Soiar, being the group of companies proposed to be acquired as part of the Acquisition
“Acquisition”	the proposed acquisition of the minority interest in the South American Welding and Cutting Businesses on the terms of the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement between Charter and the Vendors, dated 25 August 2005 in connection with the Acquisition, details of which are set out in Part II of this document
“Admission”	admission of the New Ordinary Shares to the Official List and to trading on the London Stock Exchange’s market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards of the London Stock Exchange
“associate”	has the meaning set out in the Listing Rules
“Board” or “Directors”	the directors of Charter whose names are set out in paragraph 2 of Part III
“Charter” or “Company”	Charter plc
“Charter Group” or “Group”	Charter, its subsidiaries and its subsidiary undertakings
“Companies Act”	the Companies Act 1985 (as amended)
“Completion”	the point in time of completion of the Acquisition in accordance with the terms of the Acquisition Agreement
“Conarco”	Conarco Alambres y Soldaduras SA, the principal operating company of the Businesses in Argentina
“Daily Official List”	the Daily Official List of the London Stock Exchange
“ESAB SA”	ESAB SA Industria e Comercio, the principal operating company of the Businesses in Brazil
“Exelvia”	Exelvia Holdings BV, a wholly owned subsidiary of Charter
“Extraordinary General Meeting”	the extraordinary general meeting of the Company convened for 12 September 2005, notice of which is set out at the end of this document, or any reconvened meeting following any adjournment thereof
“Form of Proxy”	the form of proxy accompanying this document for use by Shareholders in connection with the Extraordinary General Meeting
“Hoare Govett”	Hoare Govett Limited
“Insutrading”	Insutrading Comercio Internacional e Servicos Lda, one of the group of companies proposed to be acquired as part of the Acquisition

“Listing Rules”	the Listing Rules of the UK Listing Authority
“London Stock Exchange”	London Stock Exchange plc
“Margarita”	Margarita SA, one of the group of companies proposed to be acquired as part of the Acquisition
“Mercoweld SA”	Mercoweld SA, one of the group of companies proposed to be acquired as part of the Acquisition
“Mercoweld do Brasil”	Mercoweld do Brasil Importação e Exportação Lda, one of the group of companies proposed to be acquired as part of the Acquisition
“New Ordinary Shares” or “New Charter Shares”	Ordinary Shares to be issued to the Vendors in accordance with the terms of the Acquisition Agreement
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 2 pence each in the capital of the Company
“Placing”	the placing by Hoare Govett on 27 April 2005 of 7,531,800 Ordinary Shares with institutions
“Related Party”	has the meaning set out in Chapter 11 of the Listing Rules
“Resolution”	the resolution relating to the Acquisition to be considered by Shareholders at the Extraordinary General Meeting
“Shareholder”	holders of Ordinary Shares from time to time
“Skyrise”	Skyrise Consultoria Comercial SA, a subsidiary of the Company which owns shares in ESAB SA and Conarco
“Soiar”	Soiar SA, one of the group of companies proposed to be acquired as part of the Acquisition
“South American Welding and Cutting Businesses” or “Businesses”	the welding and cutting businesses of Charter and the Vendors in South America
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“Vendors”	Jorge Eduardo Acevedo, Maria Matilde de Orelli de Acevedo, Arturo Tomas Acevedo, Guillermo Carlos Acevedo, Rafael Pablo Acevedo and Fernando Manuel Calvente

Solely for the convenience of the reader, this document, unless otherwise stated, contains translations of pound sterling amounts to US dollars (and, where appropriate, vice versa) based on a rate of £1.00 = US\$1.80, being the mid-point spot exchange rate set out in the Financial Times on 25 August 2005, the latest practicable date prior to the publication of this document.

## PART I

### Letter from the Chairman of Charter



## CHARTER

*(incorporated in England and Wales with registered number 2794949)*

*Directors:*

David Gawler *Chairman and Chief Executive*  
Robert Careless *Finance Director*  
Michael Foster *Commercial Director*  
The Hon. James Bruce *Senior Independent Non-executive Director*  
John Neill CBE *Independent Non-executive Director*  
Grey Denham *Independent Non-executive Director*  
Andrew Osborne *Independent Non-executive Director*  
John Biles *Independent Non-executive Director*

*Registered office:*

52 Grosvenor Gardens  
London  
SW1W 0AU

26 August 2005

*To Shareholders and, for information only, to holders of options over Ordinary Shares*

Dear Shareholder,

#### **Proposed acquisition of the minority interest in the South American Welding and Cutting Businesses**

##### **1. Introduction**

On 25 August 2005, your Board announced that Charter had entered into a conditional contract to acquire for approximately US\$38 million (£21 million) the outstanding 49 per cent. of the shares in the South American Welding and Cutting Businesses which the Group does not already own. The contract is conditional, *inter alia*, on the approval of Shareholders. As set out below, the Vendors will also receive an additional amount of approximately US\$7.9 million (£4.4 million) in lieu of dividends.

The Vendors, who comprise certain members of the Acevedo family whose names are set out in Part II of this document, are Related Parties under the Listing Rules by virtue of their substantial shareholdings in the South American Welding and Cutting Businesses, and therefore Shareholder approval is being sought for the Acquisition at the Extraordinary General Meeting.

The purpose of this document is to provide you with details of the Acquisition, including the background to and reasons for it, to explain why the Directors consider it to be in the best interests of Shareholders as a whole and to seek your consent to the Acquisition by unanimously recommending you approve the Acquisition by voting in favour of the Resolution to be proposed at the Extraordinary General Meeting.

If the Resolution is passed at the Extraordinary General Meeting, Completion is expected to take place on 13 September 2005.

##### **2. Information on the South American Welding and Cutting Businesses**

The South American Welding and Cutting Businesses principally comprise ESAB SA and its wholly owned subsidiary Eutectic do Brasil Ltda in Brazil, Conarco in Argentina and its wholly owned subsidiary ESAB Chile SA in Chile. The Businesses are engaged in the manufacture and distribution of welding equipment and consumables.

In the year ended 31 December 2004, the Businesses generated profit before taxation of £8.9 million on sales of £72.1 million (including intra-group sales of £2.3 million); these results represented considerable improvements over the previous year in which profit before tax was £5.3 million and sales were £56.0 million (including intra-group sales of £1.6 million). As at 31 December 2004, the Businesses had shareholders' funds of £22.4 million, gross assets of £34.6 million and net cash of £2.0 million.

The performance of the Businesses in 2005 has continued to show further positive progress compared to the same period in 2004. The Directors expect this to continue for the remainder of the current financial year.

### **3. Background to and reasons for the Acquisition**

On 2 September 2004, Charter announced that it had increased its indirect shareholding in the Businesses from 41.7 per cent. to 51.0 per cent. At the same time, the Vendors increased their shareholding from 38.0 per cent. to 49.0 per cent. Both the Group and the Vendors acquired their additional shareholdings from their two previous partners.

The Acquisition will increase the Group's exposure to the Brazilian and Argentine markets which the Directors believe offer attractive growth opportunities. The Directors believe that full ownership of the Group's businesses in these countries will provide a firm base from which to further develop the Group's business in South America.

The Acquisition will permit the Group to assume complete management control of the Businesses; this will allow them to be managed in a way which is more closely aligned with the interests of the Charter Group and its Shareholders. It will also ease the transfer of more modern technology to the Businesses from the remainder of the Charter Group.

As a result of the Acquisition, the shareholders agreement which relates to the management and direction of the Businesses will be terminated. That agreement currently places restrictions on the ability of Charter to market certain of its products in Central and South America; the lifting of these restrictions will provide additional opportunities for the enlarged Charter Group.

### **4. Details of the Acquisition**

Charter has entered into a conditional agreement with the Vendors, under which Charter will acquire the Vendors' entire shareholdings in the Businesses by means of acquiring their interests in the Acevedo Holding Companies whose only material assets are shareholdings in the Businesses.

The consideration payable by Charter is approximately US\$38 million (£21 million), to be satisfied by the issue to the Vendors of New Charter Shares. The New Charter Shares will rank *pari passu* in all respects with existing Ordinary Shares. The number of New Charter Shares to be issued will be determined by the average mid-market closing price of Ordinary Shares over the period from 26 August 2005 to 9 September 2005 (as derived from the Daily Official List) translated at an exchange rate of US\$1.7995/£1.00 (being the exchange rate as at the close of business in London on 24 August 2005 as supplied by HSBC Bank plc), subject to a maximum of approximately 7.46 million New Charter Shares and a minimum of approximately 6.12 million New Charter Shares (representing approximately 4.7 per cent. and 3.9 per cent. respectively of Charter's existing issued share capital).

The consideration has been calculated on the basis of the Acevedo Holding Companies having net liabilities (excluding their net investments in the Businesses) of approximately US\$1 million; to the extent that the actual net liabilities are different at Completion, an appropriate adjustment to the consideration will subsequently be made on a dollar for dollar basis.

In addition, the Vendors will receive approximately US\$7.9 million (£4.4 million) in cash in lieu of receipt of any further dividends from the Businesses for the period prior to Completion. This sum represents the Vendors' share of the expected profit of the Businesses for the period from 1 January 2004 until Completion, less any dividends previously paid in respect of this period.

The New Charter Shares are being issued pursuant to the authority granted to the Directors under section 80 of the Companies Act at the 2005 annual general meeting held on 24 June 2005.

The Vendors have agreed to retain at least 50 per cent. of their New Charter Shares for at least one year (after allowing for a disposal of Charter shares to meet their expenses in relation to the Acquisition), except in certain circumstances, including the prior approval of Charter. Any sale of Charter shares by the Vendors which takes place within one year following Completion will be subject to a private opinion from the Company's broker that such sale can take place without materially adversely affecting the market in Charter shares.

At Completion, the Vendors and their representatives will resign from the boards of all of the Acevedo Holding Companies, the companies contained within the Businesses and from the Businesses' executive committee.

The Acquisition Agreement contains certain warranties and indemnities given by the Vendors to Charter in relation to the affairs of the Acevedo Holding Companies. The Vendors have agreed that, for a period of five years following Completion and subject to certain exceptions, they will not be engaged in any business which competes with the Charter Group's welding and cutting businesses including the Businesses in Latin America.

The Acquisition Agreement is conditional, *inter alia*, on the passing of the Resolution at the Extraordinary General Meeting.

Further details of the Acquisition Agreement are contained in Part II of this document.

#### **5. Financial effects of the Acquisition**

The results of the Businesses are already fully consolidated into the accounts of the Charter Group. As a consequence of the Acquisition, the minority interests attributable to the Vendors' interest in the Businesses in the Group's consolidated profit and loss account and consolidated balance sheet will be eliminated. In accordance with International Financial Reporting Standards ("IFRS"), the excess of the consideration paid over net assets acquired will be accounted for as goodwill.

The Acquisition is expected to enhance Charter's earnings per Ordinary Share from the time at which the Acquisition is completed, but this statement should not be interpreted to mean that earnings per share in the first full financial year following Completion, or in any subsequent period, will necessarily match or be higher than those for the relevant preceding financial period.

#### **6. Extraordinary General Meeting**

The Acquisition is conditional, *inter alia*, upon the approval of Shareholders and, accordingly, you will find set out at the end of this document a notice convening an Extraordinary General Meeting to be held at 10.30 a.m. on 12 September 2005 at 199 Bishopsgate, London EC2M 3XW, at which the Resolution to approve the Acquisition will be proposed.

#### **7. Action to be taken**

You will find enclosed with this document a Form of Proxy for use at the Extraordinary General Meeting. Whether you intend to be present at the Extraordinary General Meeting or not, you are requested to complete the Form of Proxy in accordance with the instructions printed thereon and return it to the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8FB, as soon as possible but, in any event, so as to arrive no later than 10.30 a.m. on 10 September 2005.

The completion and return of a Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person if you wish to do so.

## **8. Trading updates**

On 23 March 2005, Charter announced its preliminary results for the year ended 31 December 2004, in which it was stated that, in the light of the 2004 results, trading to date and the incremental restructuring benefits expected during the current year, the Board viewed the outlook for 2005 with confidence.

On 27 April 2005, Charter announced that the trading performance for the first quarter of 2005 was ahead of the Directors' previous expectations and the Board continued to view the Group's prospects with confidence.

On 26 May 2005, Charter confirmed that ESAB was enjoying strong performances in its core businesses and growth in developing markets. The order book for the air and gas handling operations was continuing to strengthen given the strong economic growth in China and increased activity in North America. The Board stated that, as a result, it expected the Group's full year trading performance to be ahead of the Board's expectations of 27 April 2005.

In its AGM statement of 24 June 2005, Charter confirmed that the improvement seen in trading earlier in the year had been sustained during the first five months of 2005 and that the Board viewed the Group's full year forecast with increasing confidence.

## **9. Adoption of International Financial Reporting Standards**

The Company is required to adopt IFRS in preparing its consolidated results with effect from 1 January 2005. As part of the transition to IFRS, the Company released an announcement on 17 June 2005 setting out the expected restatement of its 2004 results under IFRS, together with explanations of the new accounting policies adopted and their effect on the results. It should be noted that the adoption of IFRS should have no direct impact on the fundamental economics of the Group's businesses or its underlying cash flows.

## **10. Placing of 7,531,800 Charter Shares**

On 27 April 2005, Charter announced a placing of 7,531,800 Ordinary Shares, which represented five per cent. of the issued share capital of the Company at that time. The Placing was fully underwritten by Hoare Govett. The Ordinary Shares were placed at a price of 258 pence each, raising approximately £19.4 million before commissions and expenses. The proceeds of the Placing are to be used for general corporate purposes.

## **11. Additional information**

Your attention is drawn to the additional information set out in Parts II and III of this document. You are advised to read the whole of this document and not merely rely on the key summarised information in this letter.

## **12. Recommendation**

The Board, who have been so advised by Hoare Govett, consider that the Acquisition is fair and reasonable so far as the Shareholders are concerned. In providing advice to the Directors, Hoare Govett has taken into account the Directors' commercial assessment of the Acquisition.

Under the Listing Rules, the Related Parties are precluded from voting in relation to the Acquisition. The Related Parties have undertaken to abstain and to take reasonable steps to ensure that their associates will abstain from voting at the Extraordinary General Meeting.

The Board believe that the Acquisition is in the best interests of Shareholders as a whole and unanimously recommend that Shareholders approve the Acquisition by voting in favour of the Resolution to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own beneficial holdings which in aggregate amount to 83,005 Ordinary Shares, representing less than one per cent. of the existing issued Ordinary Shares of the Company.

Yours faithfully,

**David Gawler**

*Chairman*

## PART II

### Further information relating to the Acquisition

Charter has entered into the Acquisition Agreement with Jorge Eduardo Acevedo, Maria Matilde de Orelli de Acevedo, Arturo Tomas Acevedo, Guillermo Carlos Acevedo, Rafael Pablo Acevedo and Fernando Manuel Calvente (together “the Vendors”) to acquire their entire respective shareholdings in Acecal, Soiar, Margarita and Mercoweld SA. Acecal, Margarita and Soiar, together with Fernando Manuel Calvente, own the entire issued share capital of Mercoweld SA.

Mercoweld SA owns 49 per cent. of the issued share capitals of each of ESAB SA and Conarco. The remaining 51 per cent. of each of ESAB SA and Conarco is owned by Skyrise.

Mercoweld SA, Acecal and Soiar own indirectly the entire issued share capital of Insutrading, which owns 49 per cent. of the B shares in Skyrise. The remaining 51 per cent. of the B shares in Skyrise and 100 per cent. of the A shares in Skyrise are owned by Exelvia.

As a consequence, on Completion of the Acquisition, ESAB SA and Conarco will become wholly owned subsidiaries of Charter.

The consideration payable by Charter is approximately US\$38 million (£21 million), to be satisfied by the issue to the Vendors of New Charter Shares. The New Charter Shares will rank *pari passu* in all respects with existing Ordinary Shares. The number of New Charter Shares to be issued will be determined by the average mid-market closing price of Ordinary Shares over the period from 26 August 2005 to 9 September 2005 (as derived from the Daily Official List) translated at an exchange rate of US\$1.7995/£1.00 (being the exchange rate at the close of business in London on 24 August 2005 as supplied by HSBC Bank plc), subject to a maximum of approximately 7.46 million New Charter Shares and a minimum of approximately 6.12 million New Charter Shares (representing approximately 4.7 per cent. and 3.9 per cent. respectively of Charter’s existing issued share capital).

In addition, the Vendors will receive approximately US\$7.9 million (£4.4 million) in cash in lieu of receipt of any further dividends from the Businesses for the period prior to Completion. This sum, which is payable in full by no later than 7 January 2006, represents the Vendors’ share of the expected profit of the Businesses for the period from 1 January 2004 until Completion, less any dividends previously paid in respect of this period.

The New Charter Shares are being issued pursuant to the authority granted to the Directors under section 80 of the Companies Act at the 2005 annual general meeting held on 24 June 2005.

The Vendors have undertaken to retain 50 per cent. of their New Charter Shares for at least one year following Completion (after allowing for a disposal of Charter shares to meet their expenses in relation to the Acquisition), subject to certain exceptions including:

- if an offer is made for Charter, which either is recommended by the Board or has become unconditional in all respects;
- in relation to transfers to members of a Vendor’s immediate family or family trust or another Vendor;
- to accept an offer by Charter to purchase its own shares;
- with Charter’s prior approval; or
- if Charter is in material breach of its obligations under the Acquisition Agreement.

Any sale of Charter shares by the Vendors which takes place within one year following Completion will be subject to a private opinion from the Company’s broker that such sale can take place without materially adversely affecting the market in Charter shares.

The Vendors have agreed to indemnify certain members of the Charter Group against any payment obligation, loss, liability, cost, expense or damage existing in any of the Acevedo Holding Companies at Completion. The Vendors have also agreed to indemnify the Charter Group in relation to the Acevedo Holding Companies' tax affairs. The Vendors have given representations and warranties in relation to the affairs of the Acevedo Holding Companies, including in relation to the Vendors' title to the shares being sold, the absence of liabilities, claims and litigation in any of the companies, the solvency of the companies, the preparation of the companies' accounts and compliance by the companies with all applicable laws and regulations. The Vendors have agreed to indemnify Charter in connection with a breach of warranty. The liability of the Vendors under the warranties and indemnities is subject to an overall cap of US\$39.3 million and certain other customary limitations. The Vendors have also agreed that (after allowing for a disposal of New Charter Shares to meet their expenses of the Acquisition) 100 per cent. of the new Charter Shares (or, if sold, the proceeds of sale) will be held in escrow for a period of twelve months, 50 per cent. for a period of 18 months and 25 per cent. for a period of two years to meet claims which Charter may make against the Vendors under certain warranties and indemnities in the Acquisition Agreement. Charter has agreed to reduce these proportions to 75 per cent., 37.5 per cent. and 18.75 per cent. respectively in certain circumstances.

The Vendors have agreed that, for a period of five years following Completion and subject to certain exceptions, they will not be engaged in any business which competes with the Charter Group's welding and cutting businesses including the Businesses in Latin America.

At Completion, the Vendors and their representatives will resign from the boards of all of the Acevedo Holding Companies, the companies contained within the Businesses and from the Businesses executive committee and will waive any entitlement to compensation for loss of office.

The Acquisition Agreement is conditional on (1) the approval of shareholders of Charter; (2) the listing and admission to trading of the New Charter Shares to be issued as consideration for the Acquisition; and (3) no written statement having been issued to the Charter Group by the Brazilian competition authority as a result of which it would be expected that the Brazilian Council of Economic Defense will not approve the Acquisition. The Acquisition is expected to complete, and the New Charter Shares are expected to be issued, on 13 September 2005.

## PART III

### Additional information

#### 1. Responsibility

The Directors, whose names appear in paragraph 2 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Directors and registered office

David Gawler	<i>Chairman and Chief Executive</i>
Robert Careless	<i>Finance Director</i>
Michael Foster	<i>Commercial Director</i>
The Hon. James Bruce	<i>Senior Independent Non-executive Director</i>
John Neill CBE	<i>Independent Non-executive Director</i>
Grey Denham	<i>Independent Non-executive Director</i>
Andrew Osborne	<i>Independent Non-executive Director</i>
John Biles	<i>Independent Non-executive Director</i>

The registered office of the Company is at 52 Grosvenor Gardens, London SW1W 0AU.

#### 3. Interests of Related Parties

3.1 Guillermo Carlos Acevedo holds 10,000 Ordinary Shares. As at 25 August 2005 (being the latest practicable date prior to the publication of this document), and save as disclosed above:

- (i) none of the Related Parties nor any of their respective associates had any interest, beneficial or otherwise, in the issued share capital of the Company; and
- (ii) none of the Related Parties nor any of their respective associates had any options to subscribe for Ordinary Shares in the Company.

3.2 Save as described in paragraph 7.3 below, none of the Related Parties nor any of their respective associates has or has had any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company and which were effected by the Company during the current or immediately preceding financial year or were effected by the Company during an earlier financial year and remain in any respect outstanding or unperformed.

3.3 Save as disclosed in paragraph 7.3 below, no loans have been granted or guarantees provided to or for the benefit of the Related Parties or any of their respective associates by any member of the Charter Group.

#### 4. Related Party directorships

Fernando Calvente is a director of ESAB SA and will resign at Completion. Save as aforesaid, none of the Related Parties nor any of their respective associates are directors of any Charter Group companies.

## 5. Substantial shareholdings

As at 25 August 2005 (being the latest practicable date prior to the date of publication of this document), insofar as is known to the Company, the following are interested, directly or indirectly, in three per cent. or more of the existing issued ordinary share capital of the Company:

<i>Holder</i>	<i>Number of Ordinary Shares (000's)</i>	<i>Percentage</i>
Schroder Investment Management	18,970	11.99
Hermes Asset Management	10,977	6.94
Barclays Global Investors	8,699	5.50
Ennismore Fund Management	5,085	3.21
Legal & General Investment Management	4,851	3.06

Save as set out above, the Company is not aware of any person who is interested, whether directly or indirectly in three per cent. or more of the issued ordinary share capital of the Company.

## 6. Share capital

- 6.1 The Ordinary Shares currently in issue are, and the New Charter Shares will be, in registered form and capable of being held in uncertificated form in CREST.
- 6.2 The New Charter Shares to be issued as consideration for the Acquisition will be credited as fully paid and will rank equally in all respects with the existing issued Ordinary Shares.
- 6.3 The New Charter Shares are being issued pursuant to the authority granted to the Directors under section 80 of the Companies Act at the 2005 annual general meeting of the Company held on 24 June 2005.

## 7. Material contracts

The contracts mentioned in this paragraph 7 are (i) all of the contracts which have been entered into by Charter within the two years immediately preceding the date of this document that are, or may be, material; and (ii) the contracts (not entered into in the ordinary course of business) which have been entered into by Charter or any member of the Charter Group at any time which contain provisions under which Charter or any member of the Charter Group has an obligation or entitlement which is, or may be, material to the Charter Group at the date of this document.

- 7.1 A summary of the Acquisition Agreement is set out in Part II above.
- 7.2 On 27 April 2005, Charter announced the placing of 7,531,800 Ordinary Shares, which represented five per cent. of the then issued ordinary share capital of Charter. The Placing was fully underwritten by Hoare Govett. Hoare Govett entered into a placing agreement with Charter whereby Hoare Govett, on the terms and subject to the conditions set out therein, agreed to use its reasonable endeavours as agent for and on behalf of Charter to procure places for the Placing and, failing which, to subscribe itself for the Ordinary Shares to be issued pursuant to the Placing. Charter announced on 27 April 2005 that the total proposed placing of 7,531,800 Ordinary Shares had been placed by Hoare Govett with institutions at a price of 258 pence per Ordinary Share, raising approximately £19.4 million before commissions and expenses. The Ordinary Shares allotted under the Placing were admitted to the Official List and admitted to trading by the London Stock Exchange on 3 May 2005.
- 7.3 On 2 September 2004, certain inter-conditional agreements were entered into, the combined effect of which was that Charter increased its indirect shareholding in the

South American Welding and Cutting Businesses from 41.7 per cent. to 51.0 per cent. and Mercoweld SA increased its direct and indirect shareholding from 38.0 per cent. to 49.0 per cent.:

- (i) Exelvia entered into a sale and purchase agreement (the “Pareto Agreement”) with *inter alia* Prateleira Trading S.A. and Ponta Do Sol Comercio e Investimentos, S.A. (the “Sellers”) and Mercoweld SA to acquire from the Sellers the outstanding shares in Fortunate-Gestao e Servicos S.A. (“Fortunate”). The total purchase price was US\$9 million. Under the terms of the Pareto Agreement, Exelvia agreed to meet US\$4.1 million of the purchase price, of which US\$1.4 million was paid immediately and a further US\$0.9 million (plus interest) was paid in January 2005 with the balance of approximately US\$1.8 million (plus interest) payable in instalments, the last of which is in September 2007. The balance of US\$4.9 million is payable by Mercoweld SA directly to the Sellers on the same instalment basis. The purchase price is subject to downward adjustment in certain circumstances. The agreement and related documentation contained customary warranties, mutual releases, guarantees, a tax indemnity and certain non-compete covenants given by the Sellers and members of the Pareto family.
- (ii) Fortunate entered into agreements with Insutrading under which the parties agreed to restructure the preference shares in Skyrise so that 51 per cent. would be held by Fortunate and 49 per cent. by Insutrading.
- (iii) Fortunate also entered into agreements with Mercoweld SA under which Fortunate agreed to procure that Skyrise transfer to Mercoweld SA eleven per cent. of the shares in ESAB SA, eleven per cent. of the shares in Conarco and 1.7 per cent. of the shares in Electroodos S.A.

The contracts entered into relating to the issue by way of rights of 56,489,412 Charter Shares and certain other contracts previously entered into, as set out in the Listing Particulars dated 20 February 2004, were put on display from 20 February 2004 until 8 March 2004 at the offices of Slaughter and May, One Bunhill Row, London EC1 8YY.

## **8. Significant change**

On 27 April 2005, Charter announced a placing of 7,531,800 Ordinary Shares representing five per cent. of the issued ordinary share capital of the Company. The Placing was fully underwritten by Hoare Govett. The Ordinary Shares were placed at a price of 258 pence each, raising approximately £19.4 million before commissions and expenses. The proceeds of the Placing will be used for general corporate purposes.

Save as disclosed in this paragraph, there has been no significant change in the financial or trading position of the Group since 31 December 2004, being the date to which the audited accounts of the Group were prepared.

## **9. Consent**

Hoare Govett has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which it is included.

## **10. Documents available for inspection**

Copies of the following documents may be inspected at the offices of Slaughter and May, One Bunhill Row, London EC1 8YY, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including the date of the Extraordinary General Meeting and for the duration of the Extraordinary General Meeting:

- (i) the Acquisition Agreement;
- (ii) the material contracts referred to in paragraph 7 of this Part III;

- (iii) the Memorandum and Articles of Association of the Company;
- (iv) the audited consolidated accounts for the Company for the years ended 31 December 2003 and 31 December 2004;
- (v) the consent letter referred to in paragraph 9 of this Part III; and
- (vi) this document.

26 August 2005

# CHARTER PLC

(incorporated in England and Wales with registered number 2794949)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Charter plc (the “Company”) will be held at 199 Bishopsgate, London EC2M 3XW on 12 September 2005 at 10.30 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution:

“That the proposed acquisition of the minority interest in the welding and cutting joint venture in South America, as described in the circular to shareholders dated 26 August 2005, a copy of which has been produced to the meeting and initialled by the Chairman for the purposes of identification, on the terms and subject to the conditions of the agreement between the Company and Jorge Eduardo Acevedo, Maria Matilde de Orelli de Acevedo, Arturo Tomas Acevedo, Guillermo Carlos Acevedo, Rafael Pablo Acevedo and Fernando Manuel Calvente, dated 25 August 2005 (the “Acquisition Agreement”) be and is hereby approved and the directors of the Company (or a duly authorised committee thereof) be and they hereby are authorised to take all such steps as may be necessary and appropriate in relation thereto and to carry the same into effect with such modifications, variations, revisions, waivers or amendments (provided such modifications, variations, revisions, waivers or amendments are not of a material nature) to the Acquisition Agreement or documents relating thereto as they shall deem necessary, expedient or appropriate.”

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A Form of Proxy accompanies this notice.

*By order of the Board*  
A R Yapp  
*Company Secretary*

52 Grosvenor Gardens  
London  
SW1W 0AU

26 August 2005

### Notes:

1. To have the right to attend and vote at the extraordinary general meeting you must hold ordinary shares in the Company and your name must be entered on the share register of the Company at least 48 hours before the meeting.
2. Forms of Proxy must reach the Company’s registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS13 8FB, not less than 48 hours before the meeting. A Form of Proxy accompanies this notice.
3. Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at the meeting must comply with the relevant conditions governing share warrants to bearer.
4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those holders of ordinary shares in the Company registered in the register of members of the Company at 10.30 a.m. on 10 September 2005 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 10.30 a.m. on 10 September 2005 should be disregarded in determining the rights of any person to attend or vote at the meeting.

