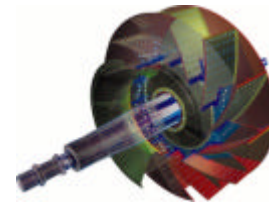




# CHARTER



World market leading businesses providing excellence in technology and service



CHARTER

# David Gawler

Chairman and Chief Executive



# 2002 interim results (£m)

	Six months ended 30 June		Year ended 31 December
	2002	2001	2001
Turnover	<b>451.8</b>	477.6	961.8
Underlying operating profit <sup>1</sup>	<b>21.8</b>	14.1	37.2
Amortisation of goodwill	<b>(0.6)</b>	(0.6)	(1.1)
	<b>21.2</b>	13.5	36.1
Interest <sup>2</sup>	<b>(9.9)</b>	(9.5)	(18.3)
Exceptional items	<b>3.8</b>	(26.0)	(38.1)
Profit/(loss) before tax	<b>15.1</b>	(22.0)	(20.3)
Net debt	<b>222.8</b>	238.9	214.1
Underlying earnings per share <sup>1</sup>	<b>6.7p</b>	3.1p	12.3p
Headline earnings per share	<b>10.3p</b>	(22.6p)	(34.8p)

<sup>1</sup> BEFORE EXCEPTIONAL ITEMS AND AMORTISATION OF GOODWILL

<sup>2</sup> BEFORE EXCEPTIONAL ITEMS



# Analysis of group results (£m)

	Six months ended 30 June		Year ended 31 December
	2002	2001	2001
Welding & Cutting (“Esab”)	20.0	20.8	35.7
Air & Gas Handling (“Howden”)	2.2	(1.9)	7.2
Specialised Engineering	2.8	(0.2)	2.9
	<hr/>	<hr/>	<hr/>
	25.0	18.7	45.8
Central overheads	(3.2)	(4.6)	(8.6)
	<hr/>	<hr/>	<hr/>
<b>Underlying operating profit*</b>	<b>21.8</b>	<b>14.1</b>	<b>37.2</b>
	<hr/>	<hr/>	<hr/>

\* BEFORE EXCEPTIONAL ITEMS AND AMORTISATION OF GOODWILL



# Exceptional items (£m)

	Six months ended 30 June		Year ended 31 December
	2002	2001	2001
● Restructuring costs			
Esab	(3.6)	(11.2)	(24.8)
Howden	(4.1)	(4.5)	(4.7)
Charter: head office	-	(2.5)	(2.6)
	<b>(7.7)</b>	<b>(18.2)</b>	<b>(32.1)</b>
● Litigation and warranty costs			
Howden	-	(4.2)	(2.6)
Operating exceptional items	<b>(7.7)</b>	<b>(22.4)</b>	<b>(34.7)</b>
● Loss on sale of operations	<b>(1.3)</b>	<b>(3.6)</b>	<b>(3.7)</b>
Associated goodwill	<b>(2.6)</b>	-	<b>(4.1)</b>
● Release of Wirth guarantees	<b>15.2</b>	-	-
● Profit on sale of fixed assets	<b>0.2</b>	-	-
Non-operating exceptional items	<b>11.5</b>	<b>(3.6)</b>	<b>(7.8)</b>
Exceptional gain on swap contract	-	-	4.4
<b>Total</b>	<b>3.8</b>	<b>(26.0)</b>	<b>(38.1)</b>

# Esab restructuring



	Total £m
● Relocation of Esab Global to London	1.9
● Sales companies and supply chain	0.8
● Transfer of equipment assembly from Sweden to Poland and from the USA to Mexico	0.6
● Other	0.3
	<hr/>
	3.6
	<hr/>

# Howden restructuring

- The light industrial and commercial fan business in Malaysia closed
- Manufacture of large variable pitch axial fans being transferred from Denmark to Northern Ireland
- The gas compressors business in the US to be closed before the year end



# Exceptional credit arising on the release of Wirth guarantees

- Wirth, a German tunnelling business, was sold in 1999
- Charter plc guaranteed Wirth's ongoing bank indebtedness in 1999
- Provision made against guarantees at time of sale (£20.3 million at 31.12.01 exchange rates)
- Wirth's bankers called for cash collateral (£15.6 million) in 2001
- Settlement negotiated, guarantees cancelled, cash collateral returned to Charter in exchange for a Charter contribution of £5.1 million
- Hence exceptional credit of £15.2 million



CHARTER

# David Eilbeck

Finance Director

# Welding & cutting

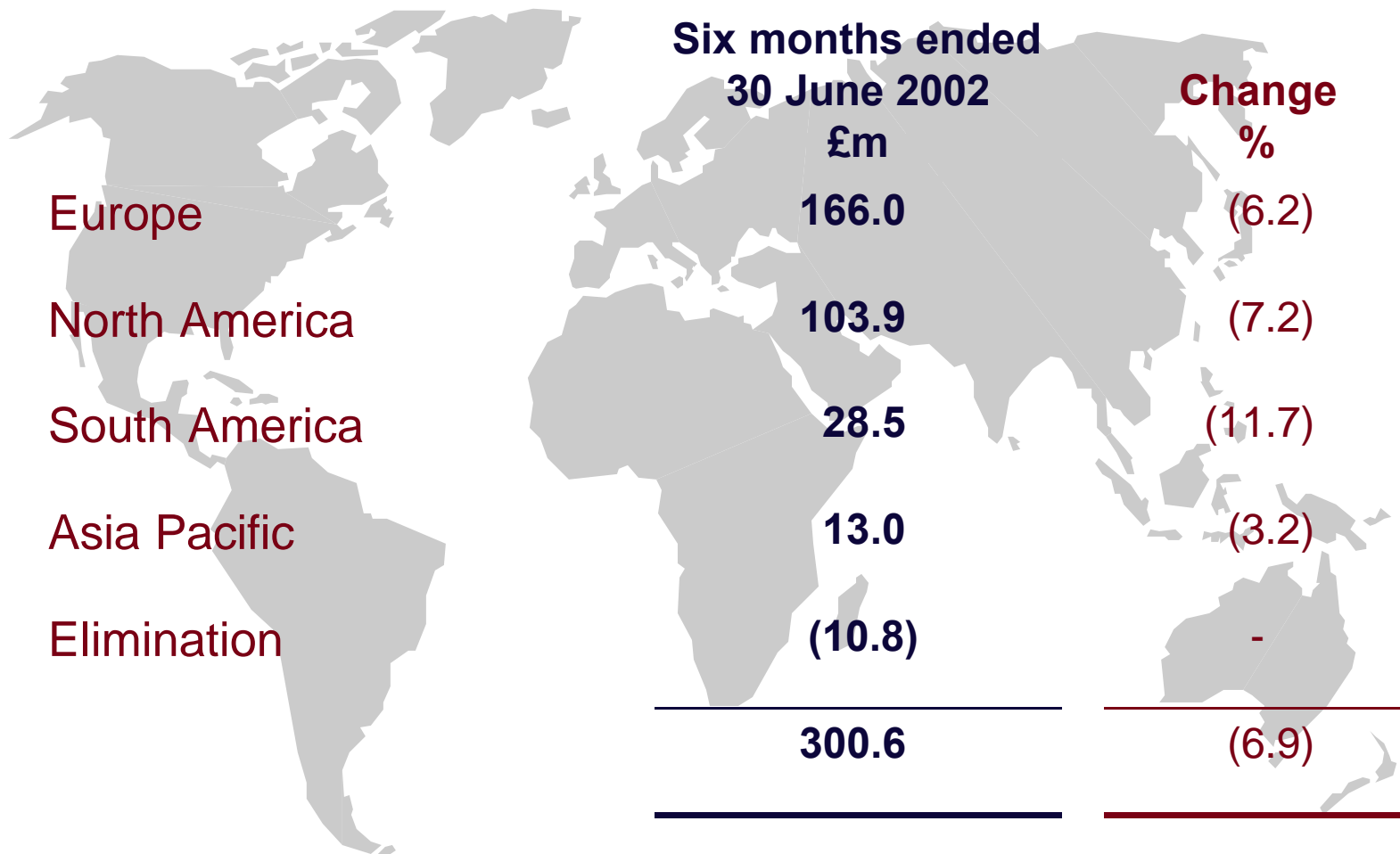


- Sales down 6.9% at £300.6 million
- Operating margins up from 6.4% to 6.7%
- Benefits of restructuring are beginning to flow through
- Demand from traditional markets in North America and Europe has been weak



# Welding products

## Sales growth by region





# Welding & cutting

## Sales growth by product



	Six months ended 30 June 2002 £m	Change %
Consumables	196.5	(6.3)
Equipment	61.7	(10.1)
Automation	15.7	2.6
Welding products	<hr/> 273.9	<hr/> (6.7)
Cutting systems	26.7	(8.9)
Welding and cutting	<hr/> 300.6	<hr/> (6.9)

- Sales down by 3% to £124.5 million, principally due to business closures
- Restructuring and closure of loss making businesses in 2001, together with improved margins has resulted in operating profit of £2.2 million compared with a loss of £1.9 million last year
- Good performance from Americas
- Disappointing performance from the Industrial businesses
- Slowdown in Power and Industrial markets is affecting order intake

# Air and gas handling Sales by destination



# Air and gas handling Sales by product

	Six months ended 30 June 2002 £m	Change %
Fans	71.8	(7.9)
Preheaters	21.9	3.3
Compressors, other	30.8	5.2
Air & Gas Handling	<u>124.5</u>	<u>(3.0)</u>



# Specialised engineering

- Sales broadly unchanged at £26.7 million
- Underlying profit of £2.8 million compared with a loss of £0.2 million last year
- Sale of Solbern completed in February and negotiations underway for sale of Bauer



# Interest, tax and dividends

	Six months ended 30 June	
	2002	2001
Interest	£9.9m	£9.5
Interest cover*	2.2x	1.5x
Tax rate	30.0%	28.0%
Dividends	Nil	Nil

\* BEFORE AMORTISATION OF GOODWILL AND EXCEPTIONAL ITEMS



# Cash flow

		Six months ended 30 June	
		2002	2001
		£m	£m
Operating activities	- Operating profit*	18.3	9.7
	- Depreciation	11.3	11.5
	- Working capital	(12.4)	(15.9)
	- Reorganisation	(6.7)	(7.0)
	- Other	(1.3)	(4.0)
Cash flow from operating activities		<u>9.2</u>	<u>(5.7)</u>
Capital expenditure		(8.7)	(8.8)
Acquisitions		(0.5)	(0.1)
Disposals		1.7	(0.5)
<b>Net debt</b>		<b>(222.8)</b>	<b>(238.9)</b>
<b>Net debt at 31 December 2001</b>			<b>(214.1)</b>

\* BEFORE EXCEPTIONAL ITEMS



# Balance sheet

	30.06.01 £m	31.12.01 £m
● Fixed assets		
Intangibles – goodwill	19.2	19.8
Tangibles	148.9	154.5
Investments	23.6	24.6
	<hr/>	<hr/>
	191.7	198.9
● Working capital		
Stocks	127.6	129.5
Debtors	251.0	254.5
	<hr/>	<hr/>
	378.6	384.0
Creditors	(199.1)	(215.9)
	<hr/>	<hr/>
	179.5	168.1
Provisions	(126.7)	(137.1)
Net debt	(222.8)	(214.1)
Minority interests	(19.8)	(24.1)
	<hr/>	<hr/>
● Shareholders' funds	1.9	(8.3)
	<hr/>	<hr/>



# Highlights/ Prospects



# Highlights

- Underlying operating profit of £21.8 million up 55% on the first half of 2001
- Headline earnings per share 10.3 pence (2001: loss per share of 22.6 pence)
- Debt stabilised and targeted to be reduced by year end
- Further initiatives implemented in restructuring programme

# Prospects

Demand during the period under review was below that experienced last year, however, provided market conditions do not deteriorate further, the Board anticipates that the Group's underlying operating profits for the full year will be in line with market expectations