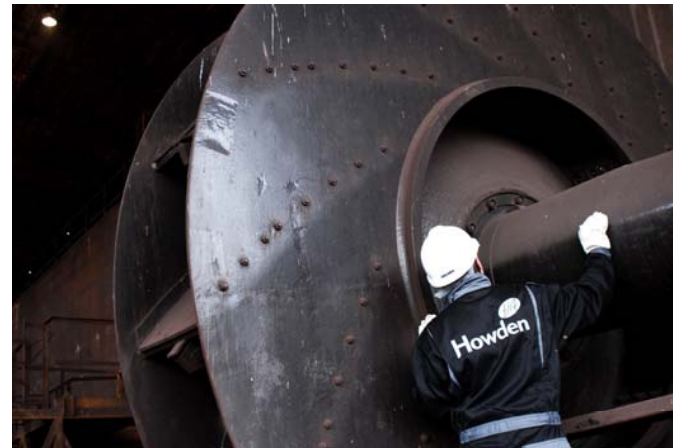




CHARTER

2009 Results

19 February 2010





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Michael Foster

Chief Executive



- Cash generated from operations of £171.5 million (2008: £159.5 million)
- Balance sheet remains strong with £50.9 million of net cash
- Total dividend of 21.5 pence per share (2008: 21.0 pence)
- For the year ended 31 December 2009:
 - Revenue of £1,659.2 million (2008: £1,887.0 million)
 - Adjusted operating profit of £125.6 million (2008: £211.2 million)
 - Adjusted earnings per share of 55.0 pence (2008: 99.2 pence)
- Rapid restructuring in ESAB in response to downturn saved over £50 million in 2009
- Howden performance solid



The financial results set out in this announcement are unaudited. Audited accounts will be published following clarification of matters that the Company has recently discovered relating to the possibility that irregular payments may have been made in connection with an attempt to obtain business by an overseas Howden subsidiary in an emerging market. The Company has immediately commenced an investigation to determine the nature and extent of the issue and the financial results set out herein may be adjusted in the audited accounts of the Company to reflect the findings of that investigation. Accordingly, the Company's auditors are not at this stage in a position to approve these financial results or to finalise the audit and these results do not constitute a preliminary statement of the Company's annual results.



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Robert Careless

Finance Director

Summary of results



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	2009	2008
Revenue (£m)	1,659.2	1,887.0
Adjusted operating profit (£m)	125.6	211.2
Adjusted profit before tax (£m)	126.0	213.2
Adjusted profit after tax attributable to equity shareholders (£m)	91.8	165.3
Adjusted earnings per share (pence)	55.0	99.2
Cash generated from operations (£m)	171.5	159.5

Summary of business results



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	2009 £m	2008 £m	Change
ESAB	1,031.4	1,259.8	(18.1)%
Howden	627.8	627.2	0.1%
Revenue	1,659.2	1,887.0	(12.1)%
ESAB	64.5	148.6	(56.6)%
Howden	70.5	73.1	(3.6)%
Central operations	(12.2)	(12.4)	(1.6)%
Operating profit before exceptional items	122.8	209.3	(41.3)%
Share of post tax profits of associates and joint ventures	3.5	3.2	9.4%
Operating margins			
ESAB	6.3%	11.8%	
Howden	11.2%	11.7%	

Currency translation effects*



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	2009 £m	Underlying movement at constant exchange	2008 translated at 2009 exchange	Currency Fluctuations*	2008 £m
Revenue					
ESAB	1,031.4	(348.8)	1,380.2	120.4	1,259.8
Howden	627.8	(80.6)	708.4	81.2	627.2
Total revenue	1,659.2	(429.4)	2,088.6	201.6	1,887.0
ESAB	64.5	(96.4)	160.9	12.3	148.6
Howden	70.5	(13.7)	84.2	11.1	73.1
Central companies	(12.2)	0.2	(12.4)	-	(12.4)
Operating profit before exceptional items	122.8	(109.9)	232.7	23.4	209.3

*excludes transaction effects

Adjusting items



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	2009		2008	
	Earnings £m	Earnings per share pence	Earnings £m	Earnings per share pence
Unadjusted results	63.5	38.1	150.2	90.1
Exceptional items				
Restructuring*	26.3	15.7	6.2	3.7
Business disposal	0.5	0.3	2.1	1.3
Acquisition costs	0.3	0.2	-	-
Amortisation and impairment of acquired goodwill and intangibles	2.5	1.5	1.9	1.1
Net finance charge – retirement benefit obligations	7.7	4.6	-	-
Retranslation of intercompany loan balances	(4.0)	(2.4)	4.6	2.8
Taxation on adjusting items	(4.8)	(2.9)	0.5	0.3
Minority share of adjusting items	(0.2)	(0.1)	(0.2)	(0.1)
Adjusted results	91.8	55.0	165.3	99.2

* 2009 restructuring charge is split ESAB £24.3 million; Howden £2.0 million

Summarised cash flow



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	2009 £m	2008 £m
Cash generated from operations (see next slide)	171.5	159.5
Capital expenditure and capitalised development costs	(65.7)	(70.9)
Acquisitions	(2.6)	(39.4)
Business and fixed asset disposals	2.2	1.7
Tax	(46.0)	(49.7)
Finance charges etc.	(0.5)	(2.0)
Dividends paid to equity shareholders	(35.0)	(31.7)
Dividends paid to minority shareholders	(6.9)	(4.3)
Investment in associates and joint ventures	(1.9)	-
Cash settlement of net investment hedges	(13.7)	-
Foreign exchange adjustments	(5.4)	1.1
Other	3.1	(0.7)
Net cash generation/(absorption)	(0.9)	(36.4)

Cash generated from operations



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	2009	2008
	£m	£m
Operating profit before exceptional items	122.8	209.3
Exceptional items	(26.8)	(8.3)
Operating profit	96.0	201.0
Depreciation and amortisation	37.3	26.9
Reduction/(increase) in inventories	37.7	(57.4)
Reduction/(increase) in receivables	132.1	(28.1)
(Reduction)/Increase in payables	(119.1)	29.8
Net working capital decrease/(increase)	50.7	(55.7)
Movement in retirement benefit obligations	(17.9)	(16.0)
Movement in other provisions	4.0	2.2
Other items ¹	1.4	1.1
Cash generated from operations	171.5	159.5
Cash conversion rate after exceptional items	178.6%	79.4%
Cash conversion rate before exceptional items	139.7%	76.2%

Note: ¹Other items include share based payments, loss/(profit) on sale of business and fixed assets

Shareholders' funds



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	As at 31.12.09 £m	As at 31.12.08 £m
Equity shareholders' funds	549.9	578.3
Minority interests	41.4	40.0
Total equity	591.3	618.3

Movements in equity shareholders' funds

<i>Brought forward</i>	578.3	426.4
Profit attributable to equity shareholders	63.5	150.2
Exchange translation (losses)/gains	(33.8)	116.3
Net after tax gains/(losses) on cash flow and net investment hedges	13.7	(36.0)
Net after tax losses on retirement benefit obligations	(37.0)	(45.8)
Dividends paid to equity shareholders	(35.0)	(31.7)
Other	0.2	(1.1)
As at period end	549.9	578.3

Dividend



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	Pence per share	Total (£m)
2007 Final	12.0	20.0
2008 Interim	7.0	11.7
2008 Final	14.0	23.4
2009 Interim	7.0	11.7
2009 Final	14.5	24.2

Retirement benefit obligations



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	Year ended 31.12.08 £m	Exchange movements £m	Other movements £m	Year ended 31.12.09 £m
Assets	517.6	(7.7)	39.5	549.4
Liabilities	(656.6)	16.9	(69.9)	(709.6)
Net assets/(liabilities) before adjustments	(139.0)	9.2	(30.4)	(160.2)
Not recognised	(0.3)	(0.1)	(1.6)	(2.0)
Net assets/(liabilities) after adjustments	(139.3)	9.1	(32.0)	(162.2)

Retirement benefit obligations



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	Year ended 31.12.09 £m	Year ended 31.12.08 £m
Opening balance	(139.3)	(76.6)
Income statement		
Operating profit	(2.1)	(2.2)
Net finance charge – retirement benefit obligations*	<u>(7.7)</u>	<u>(0.7)</u>
	(9.8)	(2.9)
Net actuarial losses**	(42.2)	(54.0)
Exchange adjustments	9.1	(24.0)
Contributions paid	<u>20.0</u>	<u>18.2</u>
Net movement during the period	(22.9)	(62.7)
Closing balance	(162.2)	(139.3)
Fair value of plan assets	549.4	517.6

Note: * Excluded from calculation of adjusted earnings per share

** Experience adjustment on plan assets, plus changes in assumptions re plan liabilities

Tax



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	2009	2008
	£m	£m
Tax on underlying profits	(22.7)	(38.5)
Effective adjusted tax rate ¹	18.5%	18.4%
Taxation on amortisation and impairment of acquired intangibles and goodwill	0.7	0.4
Taxation on exceptional items	4.2	1.5
Taxation on net financing charge – retirement benefit obligations	1.1	-
Tax on net losses on retranslation of intercompany loan balances	(1.2)	(2.4)
Tax on profit on ordinary activities	(17.9)	(39.0)

Note: ¹Before exceptional items, aborted acquisition costs, amortisation and impairment of acquired intangibles and goodwill, net financing charge on retirement benefit obligations, gains/(losses) on retranslation of intercompany loan balances and share of post tax profits of associates and joint ventures.



CHARTER

Michael Foster

Chief Executive



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- Two market leading businesses
- Aim for operational improvement and invest in technology and infrastructure
- Continue to increase market shares
- Maintain strong balance sheet





- Invest in brand, customer service and technology
- In developed markets, build on strong positions; emphasize high growth, welding intensive sectors, such as nuclear, pipelines and offshore
- In developing markets, build upon leading positions in Brazil, Russia and India, and grow elsewhere (e.g. China, Asia and Africa)
- Act as an industry consolidator



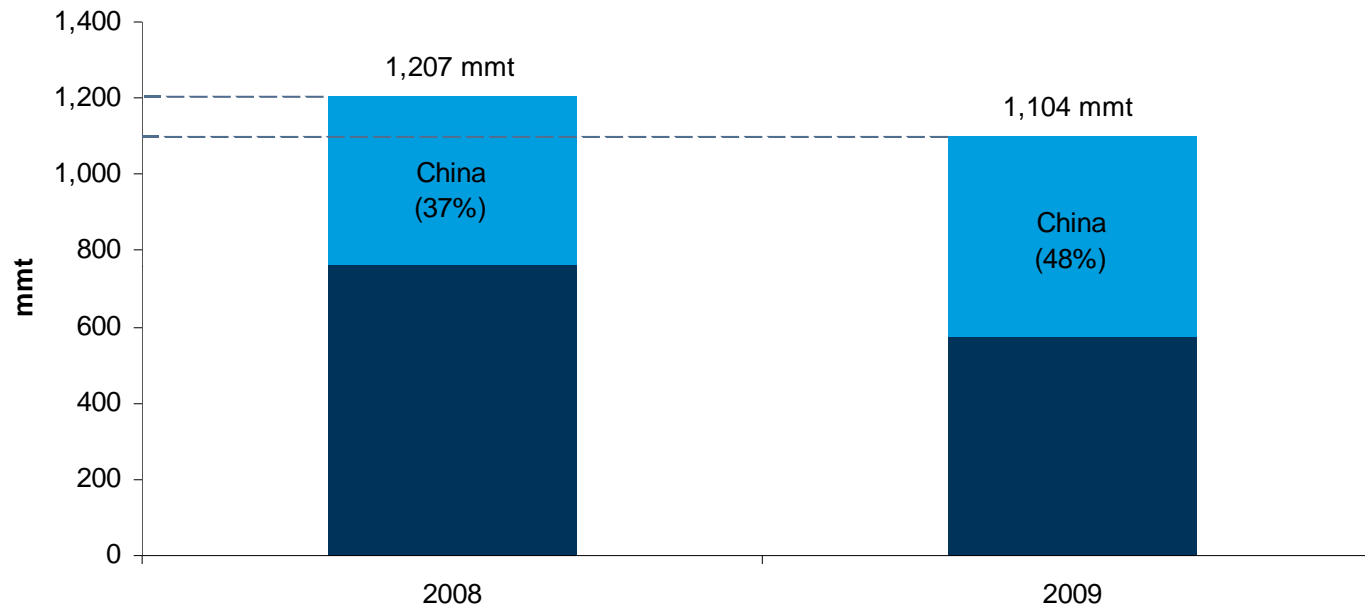
- Power – build upon strong positions in Europe, China, North America and South Africa, and develop positions in India, Russia and South America
- Oil and gas – develop niche positions
- Develop presence in new industries, e.g. bio-fuels and waste water
- Continue to develop aftermarket, especially in China
- Use acquisitions to strengthen market positions and technology



- Despite the economic conditions, ESAB has remained profitable and cash generative
- Restructuring has been timely and effective with over £50 million of cost savings achieved
- Revenue of £1,031.4 million and operating profit of £64.5 million (before exceptionals)
- Operating margin of 6.3 per cent
- Improvement in second half led by consumables business but held back by cutting
- Continued investment in future growth



Global steel consumption



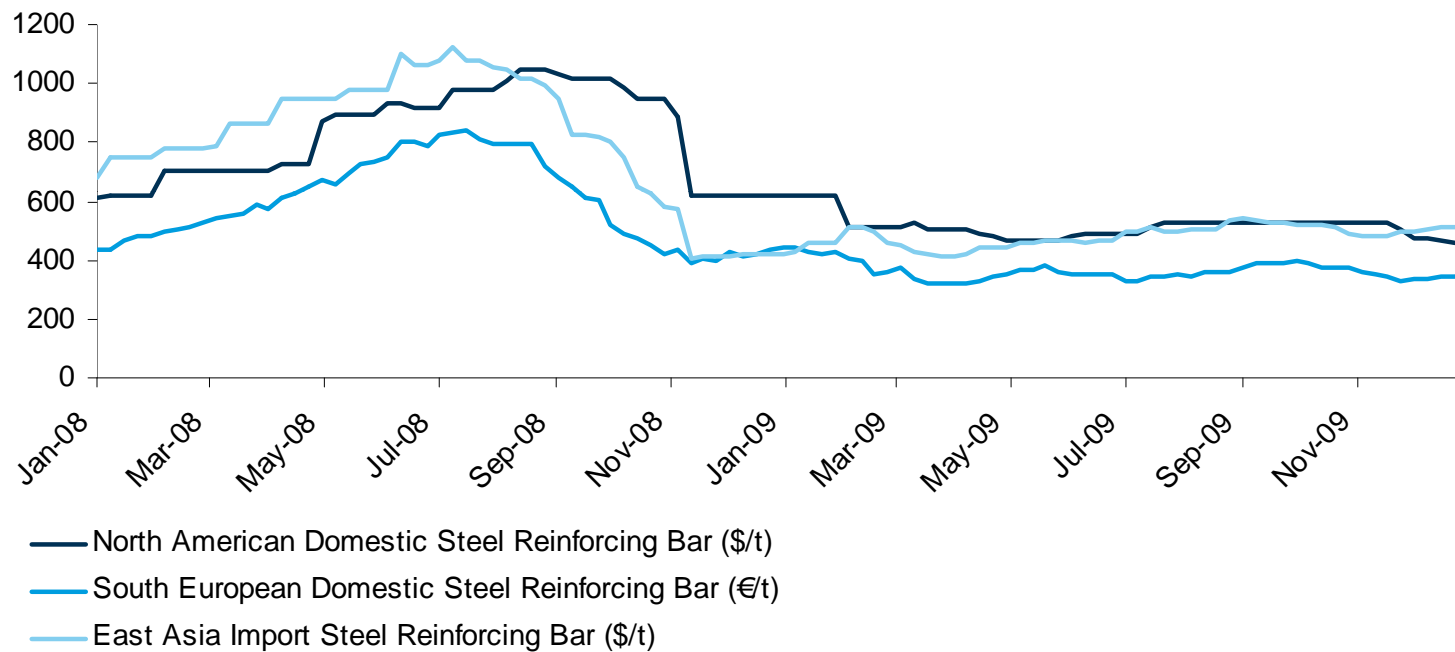
China	+18.8%
North America	-35.8%
European Union (27)	-32.6%
India	+8.9%
World	-8.6%
World excluding China	-24.4%

Source: WSA

ESAB: demand environment



Steel price movements

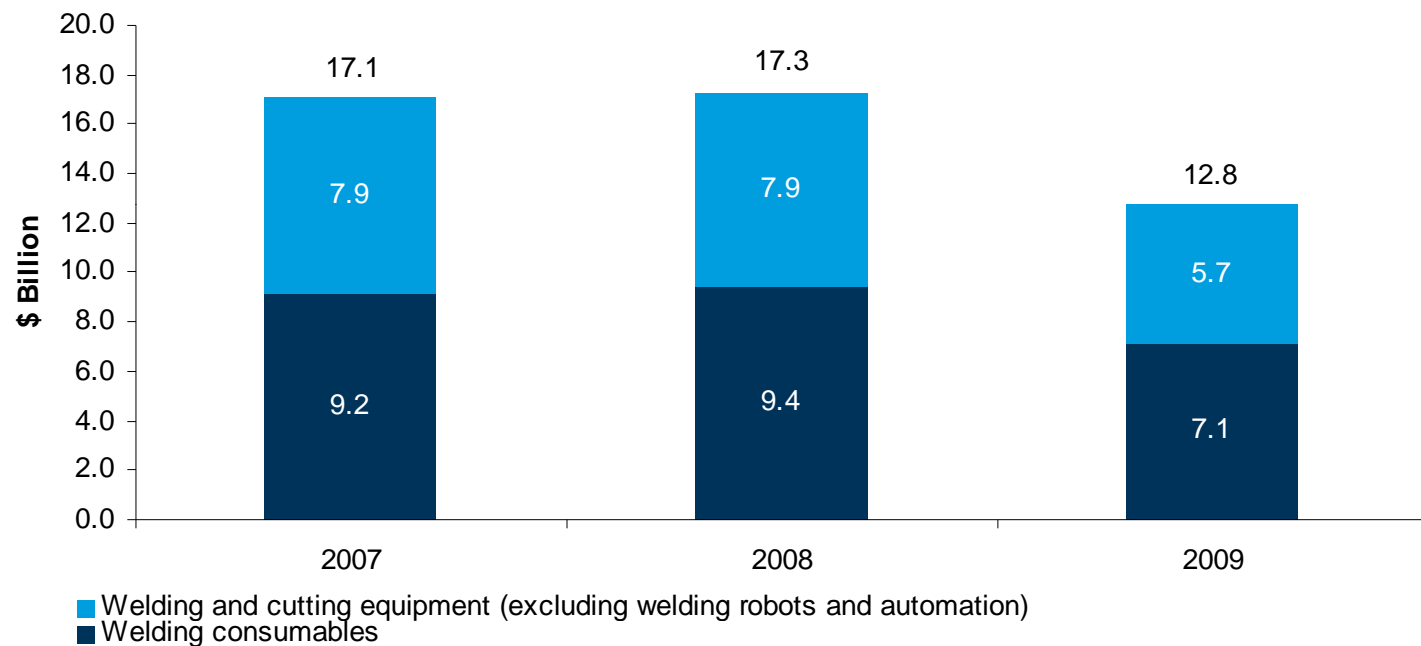


Source: Bloomberg

ESAB: world welding industry



By value



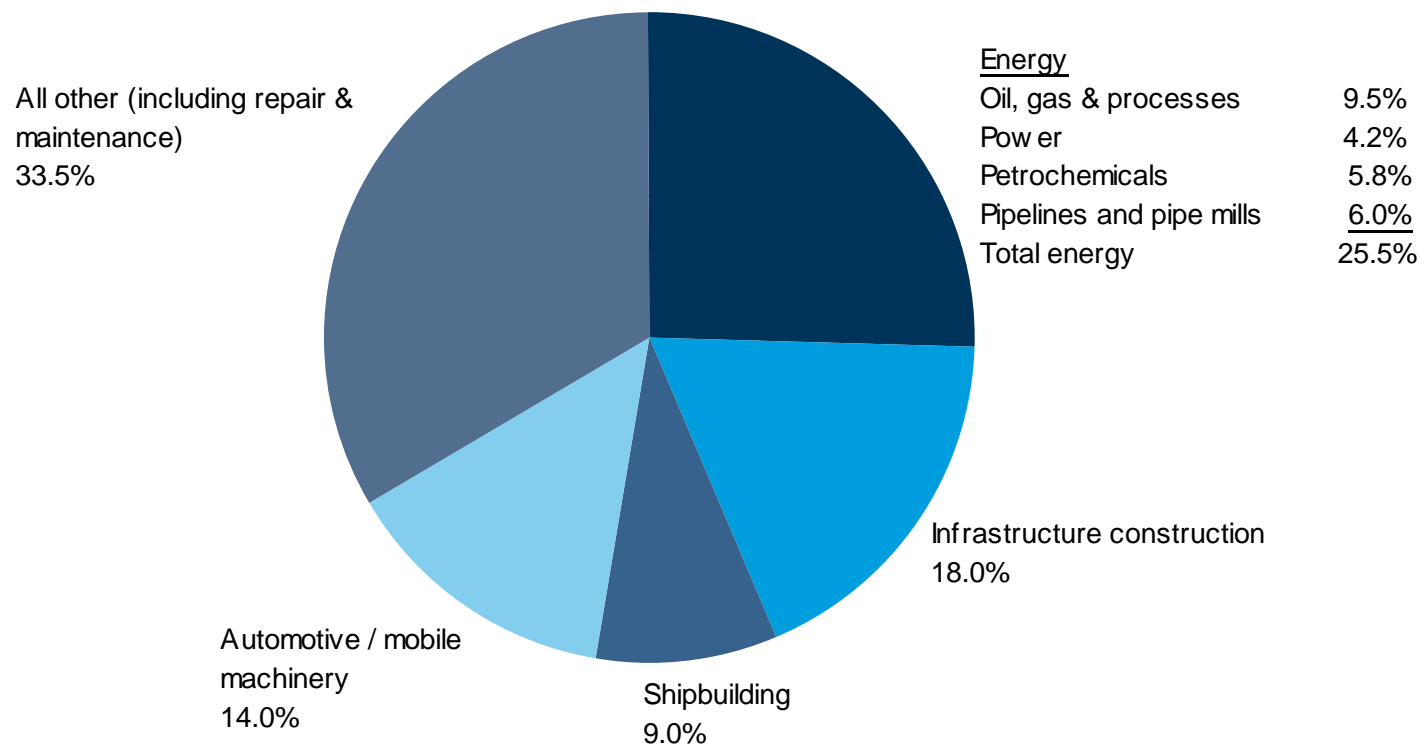
Annual changes:

2007/08	+1.2%
2008/09	-26.0%

Source: Frost & Sullivan



By end user segment



Source: Frost & Sullivan

ESAB: revenue



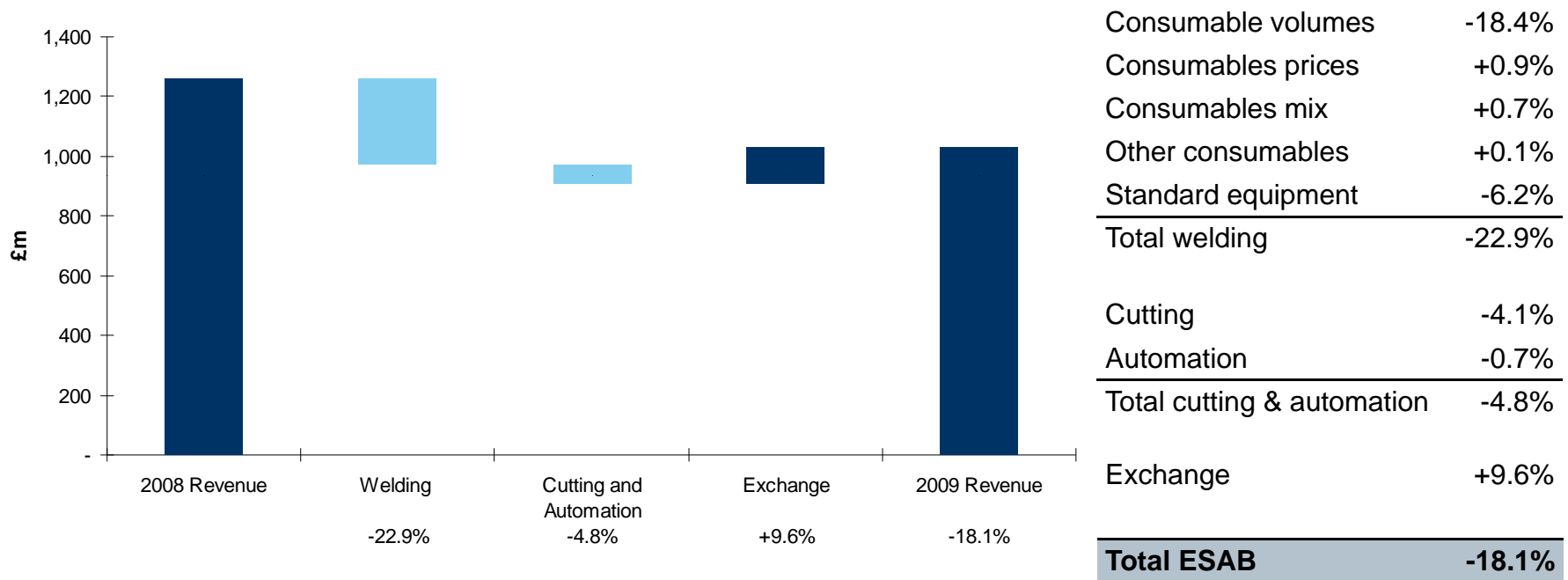
	2009	2008	Year on year change
	£m	£m	%
Welding	846.7	1,042.2	-18.8%*
Cutting and automation	184.7	217.6	-15.1%
Revenue	1,031.4	1,259.8	-18.1%

* Consumables volumes fell by 24%

ESAB: revenue



2008/09 revenue bridge



ESAB: operating profit and margins



	2009 £m	2008 £m	Change %
Welding	54.7	122.7	-55.4%
Cutting and automation	9.8	25.9	-62.2%
Operating profit before exceptional items	64.5	148.6	-56.6%
Share of profits of associates and joint ventures (post tax)	3.5	3.1	12.9%

Operating margins

Welding	6.5%	11.8%
Cutting and automation	5.3%	11.9%
Overall	6.3%	11.8%

ESAB: consumables pricing



- ESAB has maintained premium pricing for its products
- Average net selling price trended downwards reflecting pass through of lower steel prices
- Gross margin in 2009 was in line with 2008
- In 2010, pricing to date has been stable and we expect some price escalation later in the year

ESAB: revenue by destination



	2009 £m	% of total	2008 £m	Change %	Change at constant exchange rates %
Europe	424.6	41.2%	594.7	-28.6%	-35.4%
North America	218.6	21.2%	238.6	-8.4%	-22.9%
South America	171.9	16.7%	198.0	-13.2%	-19.4%
China	27.1	2.6%	36.4	-25.5%	-45.9%
Rest of world	189.2	18.3%	192.1	-1.5%	-14.7%
Total sales	1,031.4	100.0%	1,259.8	-18.1%	-27.7%

ESAB: 2009 restructuring process



- Since the commencement of the downturn in October 2008, ESAB has:
 - Reduced headcount by 1,600 people (equivalent to 17% of the peak workforce), reducing manned capacity by around one-third (consumables) and one-half (equipment)
 - Closed three consumables factories (Finland, Italy and Sweden)
 - Mothballed one consumables factory (Italy) and an equipment factory (China)
 - Implemented measures to improve procurement and reduce business overheads
 - Commenced restructuring of US equipment business, with production moving to Europe, China and South America (to complete 1H10)
 - Commenced restructuring of European supply chain to improve efficiency and customer service

- Prior to the year end, ESAB:
 - Restored some manned capacity to meet specific requirements
 - Re-commissioning of Italian consumables factory

ESAB: 2010 business development and cost savings



- Continued investment:
 - Capital expenditure
 - Research and development
 - Supply chain

- Cutting:
 - Additional restructuring measures to reflect demand outlook

- Cost savings will reflect:
 - Add-back of manned capacity as demand recovers
 - Permanent benefits (estimated at £10 million, or 1% on margin)
 - On-going restructuring initiatives

ESAB: summary of restructuring costs



	£m
2008	6.2
1 st half 2009	12.7
2 nd half 2009	11.6
2009	24.3
Restructuring costs deferred from 2009 to 2010	6.0
Cutting: further restructuring and other initiatives (European supply chain)	9.0
2010	15.0

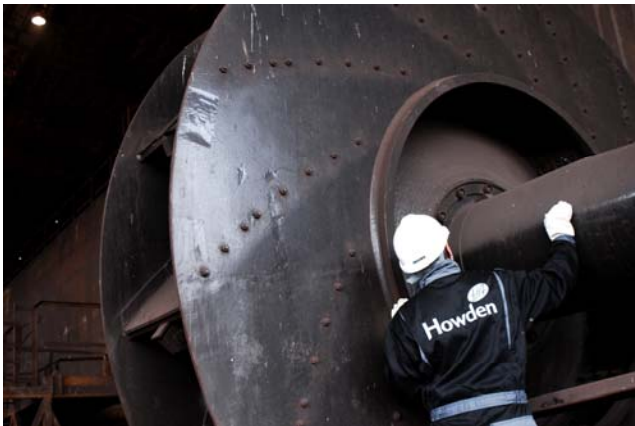


- No clear trends yet emerging
 - Western Europe / North America: flat
 - Russia, South America and India are best performing markets

- ESAB pricing firm

- WSA has forecast a 13 per cent increase in global steel use (excluding China)
 - Will first be reflected in volumes of consumables, followed by standard equipment
 - Potential for significant 'drop through' from higher consumables volumes
 - Likely also to be reflected in firming prices

- Outlook for cutting equipment remains weak
 - Further restructuring required



- Revenue £627.8 million including aftermarket sales of £189.2 million (up 16.6 per cent)
- Operating profit £70.5 million
- Operating margin of 11.2 per cent (2008: 11.7 per cent)
- Order book of £441 million at 31 December 2009
- Restructuring will lead to £8 million of cost savings in 2010



- Power generation
 - Fans and heaters for generation and emission control
- Oil and gas and petrochemical
 - Mainly compressors for use in refineries

- **Power**
 - Early part of the year saw falling demand for electricity as worldwide economy declined, but strong recovery in China later in the year
 - In North America, continued uncertainty over the Obama administration's policies on energy and environmental protection

- **Cement, steel and general industrial**
 - Continued depressed conditions

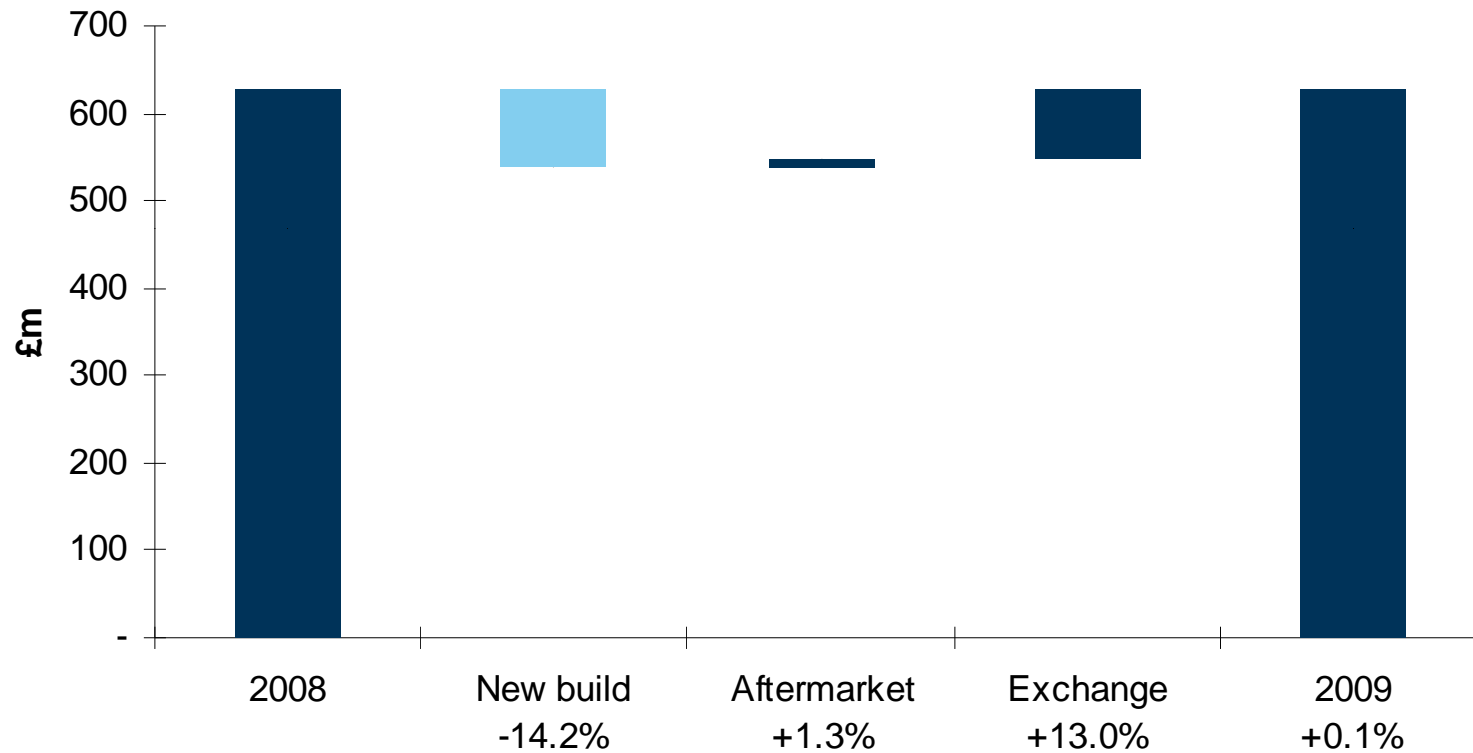
- **Oil, gas and petrochemicals**
 - Total capital expenditure by Howden customers fell during the year, but significant spending by state oil companies in China, Middle-East, Brazil and elsewhere continued

Howden: summary of results



	2009	2008	Change
	£m	£m	%
New equipment	438.6	465.0	-5.7%
Aftermarket	189.2	162.2	+16.6%
Revenue	627.8	627.2	+0.1%
Operating profit before exceptional items	70.5	73.1	-3.6%
Operating margin	11.2%	11.7%	

Howden: revenue bridge



Howden: revenue by destination



	2009 £m	% of total	2008 £m	Change %	Change at constant exchange rate %
Europe	171.1	27.3%	165.3	3.5%	-4.2%
North America	149.0	23.7%	181.5	-17.9%	-34.0%
China	123.1	19.6%	136.6	-9.9%	-28.1%
South America	31.7	5.0%	30.3	4.6%	-1.0%
Rest of world	152.9	24.4%	113.5	34.7%	23.5%
Total sales	627.8	100.0%	627.2	0.1%	-12.9%

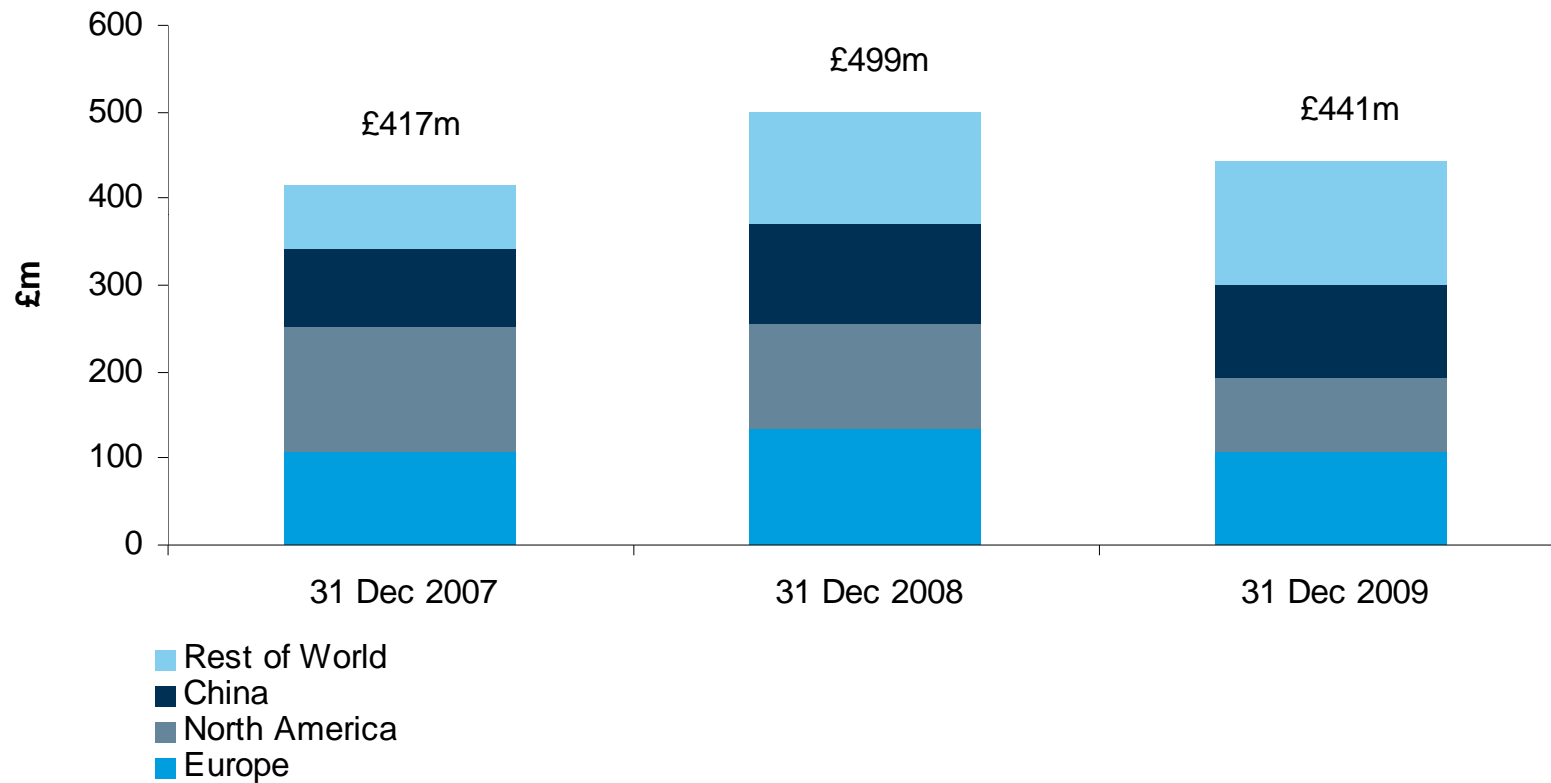
Howden: order book movements (£m)



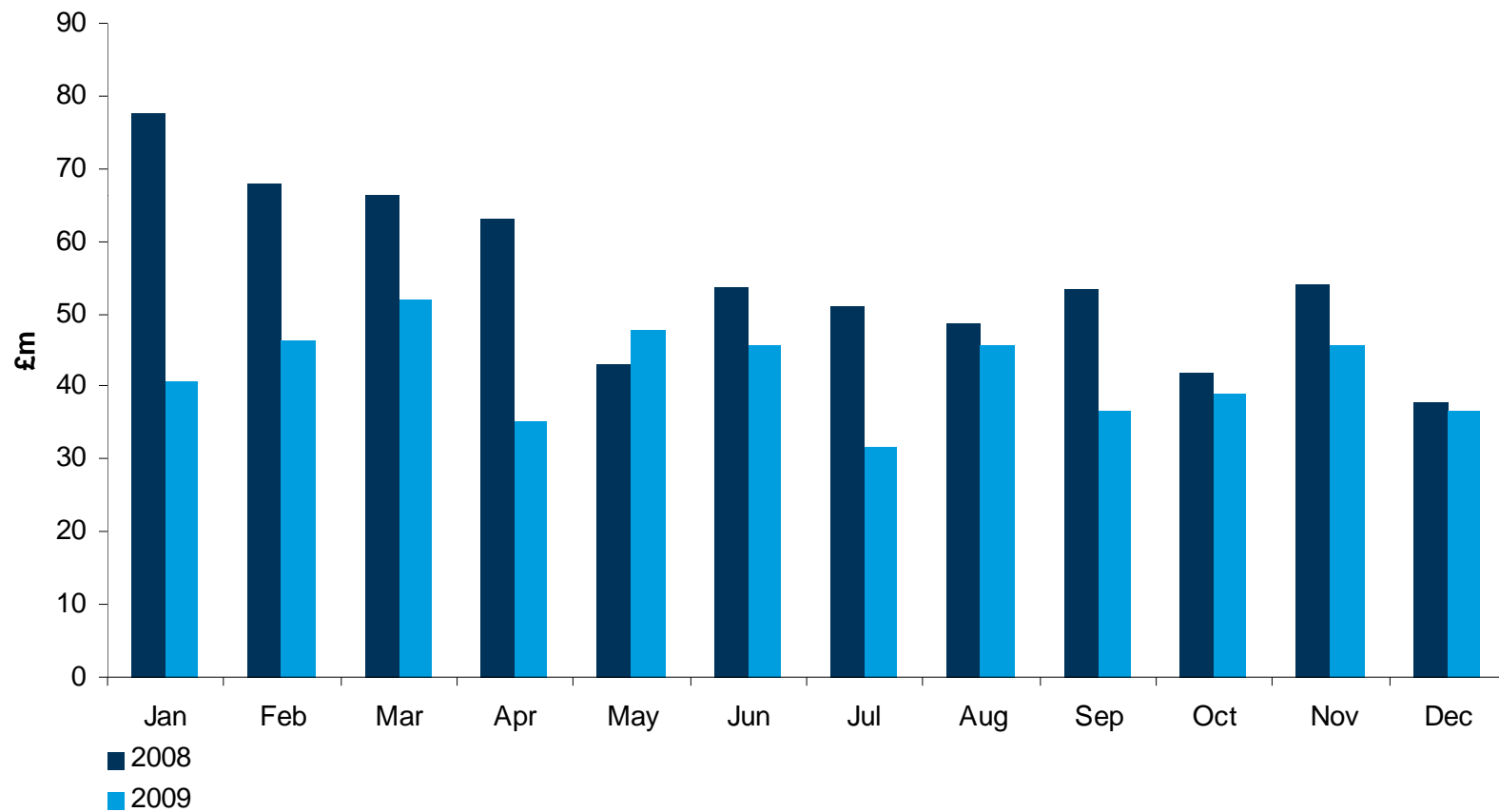
Order book	2009 £m	2008 £m
Balance brought forward	499.3	416.7
Orders booked*	513.6	667.1
Sales	(627.8)	(627.2)
Orders cancelled	(11.0)	-
Foreign exchange impact	67.0	42.7
Balance carried forward	441.1	499.3

* Includes the benefit of acquisitions in 2008

Howden: order book composition (£m)



Orders received: 2008 vs 2009



- Order book includes £340 million of orders for delivery in 2010
- Aftermarket should show further growth
- Restructuring (including 270 redundancies) will save £8 million of costs
- Likely to see slight margin erosion
- Higher enquiry levels should translate into improved bookings for delivery in 2011 onwards
- Long-term dynamics in power, petrochemical and other industries remain positive



- Worst of the recession appears to be over
 - Emerging economies are likely to recover first
- ESAB's recovery will be led by its consumables business, followed by equipment
- Howden's performance in 2010 is likely to be slightly behind 2009, but outlook should be improved by higher bookings
- Both businesses will benefit from performance efficiencies, restructuring measures and continued investment
- Longer term dynamics remain favourable



Certain sections of this presentation contain forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstance occurring from time to time in the countries and sectors in which the Company and its subsidiaries and associates operate. It is believed that the expectations reflected in this presentation are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated



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2009 Results

19 February 2010

