

The Directors present their report, together with the audited financial statements for the year ended 31 December 2009.

Principal activities and review of operations

A review of the activities and operations of Charter International plc and its subsidiaries is given in the Chairman's statement on page 5, the Chief Executive's statement on pages 6 to 9 and the Business and financial review on pages 12 to 35. These sections, together with the other sections of the annual report referred to in the Directors' report are incorporated, by reference, into and form part of the Directors' report.

Business and financial review

The Business and financial review is a review of the development, the operational and financial performance of and key trends and factors within the business during the year ended 31 December 2009 and contains a description of the principal risks and uncertainties facing the business.

Profits

The profit after tax for the year ended 31 December 2009 was £74.8 million (2008: £158.7 million).

Dividends

On 23 March 2010 the Directors declared a second interim dividend of 14.5 pence per ordinary share (2008: 14 pence per ordinary share) to be paid on 7 May 2010 to holders of ordinary shares registered on 16 April 2010. An interim dividend of 7 pence per ordinary share was paid in respect of the six months ended 30 June 2009 (2008: 7 pence).

Directors

The names and brief biographical details of the Directors and key management of the Company appear on pages 42 to 44. Manfred Wennemer was appointed as a Non-Executive Director on 26 March 2009 and the Hon. James Bruce retired from the Board on 29 April 2009, whereupon Grey Denham became Senior Independent Non-Executive Director and Chairman of the Remuneration Committee.

At the Company's Annual General Meeting ('AGM') John Neill will offer himself for re-election, in accordance with provision A.7.2. of the Combined Code on Corporate Governance of the Financial Reporting Council ('Combined Code') as he has served as a Non-Executive Director of Charter plc and Charter International plc in aggregate for more than nine years.

Further details regarding the Company's procedures for the appointment of Directors can be found on page 50 – Nominations Committee and Board balance and independence and on page 51 – Re-appointment. The Board of Directors, which is responsible for the management of the business, may exercise all the powers of the Company subject to the provisions of relevant legislation, the Company's Memorandum and Articles of Association and any special resolution of the Company passed at a general meeting. The Directors have the power to issue and buy back shares in the Company, as well as to grant options over or otherwise dispose of unissued shares in the Company, to such persons, at such times and on such terms as they think proper.

ESAB Holdings Limited, Howden Group Limited and The ESAB Group Inc., subsidiaries of the Company, are party to arms length consultancy agreements with Unipart Logistics Limited ('Unipart Logistics') for the provision of lean manufacturing and other consultancy services to ESAB, Howden and Anderson Group Inc. respectively. John Neill, a Non-Executive Director of the Company, is currently Group Chief Executive of the Unipart Group of Companies. The total charges paid to Unipart Logistics during the

year amounted to £2.3 million (2008: £2.7 million). The amount payable to Unipart Logistics as at 31 December 2009 was £0.2 million (2008: £0.6 million).

Hoeganaes Corporation ('Hoeganaes'), a wholly-owned subsidiary of GKN plc, supplied powdered metal to two subsidiaries of the Company, being the ESAB Group Inc. and ESAB Mexico SA de CV, with a total sales value of US\$2.1 million (2008: US\$2.8 million). The amount payable to Hoeganaes at 31 December 2009 was US\$0.3 million (2008: US\$0.1 million). The relationship between Hoeganaes and the Company's subsidiaries is on an arms length basis and in the ordinary course of trade. Grey Denham, a Non-Executive Director of the Company, was Company Secretary and Group Director Legal and Compliance of GKN plc until retirement on 7 May 2009. He had no day-to-day involvement in the management of Hoeganaes.

No other Directors had any interest in contracts with the Company or its subsidiaries at any time during the period other than service contracts and indemnity agreements. Directors' interests in the ordinary shares of the Company as well as details of their remuneration and service contracts can be found in the Remuneration report on pages 55 to 61.

Settlement with City Index

In May 2009 City Index discontinued the pursuit of its claims for contribution against certain current and former Directors of the Company and against the Company's Auditors.

Corporate governance

A review of the Company's application of the principles and provisions of the 2008 Combined Code can be found on pages 49 to 52.

Directors' indemnities

Each of the Directors has been granted an indemnity by the Company, to the extent permitted by applicable law, in respect of certain liabilities that may arise as a result of the Director acting as a Director or employee of the Company or an associated company. Under the terms of each indemnity, the relevant Director is indemnified against liability to third parties excluding the liability to pay criminal fines and regulatory penalties and certain other liabilities. In relation to any third-party claim, the Company may loan funds to a Director to allow him to fund his legal costs. Any such loan must be repaid by the Director if the Director is convicted of an offence, judgment is given against the Director or the Director's application for relief is refused by the court.

Financial instruments

The financial risk management objectives and policies of the Company including interest rate, currency and credit risk are outlined in note 21 to the Company's consolidated financial statements.

Annual General Meeting

The Company's AGM will take place at 2.00 pm on 29 April 2010 at 27 Northwood House, Northwood Park, Santry, Dublin 9, Ireland. The notice of AGM (the 'Notice') can be found in a separate circular to shareholders. The Notice sets out details of the resolutions that will be proposed at the AGM as well as explanatory notes giving the background and reasons for such resolutions.

In particular, the Notice contains a resolution proposing certain amendments to the Company's Articles of Association ('the Articles'). The proposed amendments are intended to ensure that the Company retains a corporate governance framework equivalent to that of a UK incorporated listed company to the extent practicable. The proposed amendments reflect the final

phase implementation of the UK Companies Act 2006, the introduction of the Shareholders' Rights Regulations 2009 in the UK effective on 3 August 2009 and certain miscellaneous updates.

The Notice also contains a resolution proposing an amendment to the Charter International plc Long-Term Incentive Plan in respect of the maximum annual award which may be made to an employee of the Company.

Employees

The Company's policy is to encourage effective communication and consultation between employees and management. Subsidiaries develop their own consultation and communication procedures as part of their employment practices. Further details can be found in the corporate responsibility report on pages 36 to 41 of the Business and financial review. The Company and its subsidiaries are equal opportunities employers and seek to attract, develop, deploy and reward prospective and present employees solely on the basis of merit, regardless of gender, race, colour, nationality, ethnic or racial origins, marital status, sexual orientation, age, religion or disability. In addition, the Company and its subsidiaries give full and fair consideration to applications for employment made by disabled people, having regard to their aptitudes and abilities. Should employees become disabled during employment, they would be considered for any necessary retraining and available work within their capabilities. For the purposes of training, career development and promotion, disabled employees are treated in the same way as other employees.

Creditor payment policy

The Group companies are responsible for establishing terms and conditions with their suppliers.

The creditor payment policy of the Company and its subsidiaries is to settle amounts due to creditors in accordance with agreed terms. The policy provides that local practice must be observed in the countries in which they operate and that standard payment terms in each country may also be varied by negotiation with individual suppliers. The Company had no trade creditors at the year end.

Charitable and political contributions

During the year the Company and its subsidiaries donated £113,000 (2008: £121,000) to charities of which £9,000 (2008: £13,000) was to charities in the United Kingdom. Within the United Kingdom, donations were made in the year to support charities working in medical research/support £6,000 (2008: £10,350) and community support £3,000 (2008: £2,650). There were no political donations made during the year (2008: £nil).

Research and development

The Company and its subsidiaries continue to place strong emphasis on research and development to meet the changing needs of the markets they serve. Research and development expenditure, which excludes engineering and production support costs, totalled £17.1 million (2008: £13.2 million) for the year of which £11.4 million (2008: £8.8 million) has been charged to the income statement for the year and £5.7 million (2008: £4.4 million) has been capitalised as intangible assets.

Share capital structure

Share capital

As at 23 March 2010, the Company had 166,955,167 fully paid ordinary shares of £0.02 each in issue which are listed on the London Stock Exchange. The Company has a single class of shares.

Rights and obligations attaching to shares

The rights and obligations attaching to the Company's shares are contained in the Articles of Association, a copy of which can be obtained upon request to the Company Secretary. The Articles may only be changed by a special resolution passed at a general meeting of the Company. Holders of ordinary shares are entitled to receive notice of, attend, speak and vote at any general meeting of the Company, except as described below.

Voting

On a show of hands, every shareholder who is present has one vote and on a poll every member who is present has one vote for every £0.02 in nominal amount of his shares. Where shares are held jointly, the vote of the shareholder who first appears on the register of members in respect of the share shall be conclusive. At any general meeting, a poll may be demanded by shareholders who are present and entitled to vote when (i) not less than five such shareholders make such a demand; (ii) any shareholders represent not less than one-tenth of the total voting rights of all shareholders having the right to vote at the meeting; or (iii) any shareholders represent not less than one-tenth of the total paid-up share capital. Holders of ordinary shares also have various rights to appoint a proxy or proxies (who need not be members of the Company) or, where appropriate, a corporate representative, to attend and vote on their behalf. Further details about the right to appoint a proxy or a corporate representative are set out in the Notice. The Directors may make calls on shareholders in respect of monies unpaid on their shares. If any call is not complied with, the Directors may serve a notice requiring payment with interest and expenses. Failure to comply with this may result in forfeiture of any share the subject of the notice. The Company has a lien on any share which is not fully paid.

Voting restrictions

No member shall, unless the Directors otherwise determine, be entitled to vote at a general meeting either personally or by proxy, or to exercise any other right conferred by membership in relation to meetings of the Company, if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid. Further, a shareholder is not, unless the Directors otherwise determine, entitled to attend or vote at any general meeting if the shareholder has failed to comply with a notice under the Articles (an 'Article 16 notice') to investigate interests in the Company's shares within 14 days.

Dividends and other distributions

Subject to the provisions of Jersey Companies Law, the Company may by ordinary resolution declare dividends up to the amount recommended by the Directors. The Board may, if authorised by an ordinary resolution of the Company, offer any holder of shares (excluding treasury shares) the right to elect to receive a dividend in the form of fully-paid ordinary shares. Subject to the provisions of Jersey Companies Law, the Board may authorise the payment of dividends of such amount and on such dates as it thinks justified by the financial position of the Company.

If a shareholder who holds at least 0.25 per cent in nominal value of the ordinary shares is in default of an Article 16 notice, then the Directors may also withhold the payment of any dividend to and restrict the transfer of shares held by that shareholder.

Payments of dividends

The Company's Income Access Share Arrangements ('IAS') mean that shareholders are able to elect whether they receive their dividends from a company resident for tax purposes in the Republic of Ireland or, instead, under the IAS arrangements from a company resident for tax purposes in the UK.

Where no election has been made to receive dividends under the IAS, dividends paid by the Company will be treated as having an Irish source and may, subject to the availability of exemptions, be paid subject to Irish Dividend Withholding Tax.

Where an election has been made to receive dividends under the IAS, dividends will instead be paid from a UK tax resident company (Charter Limited) and will be treated as having a UK source. Dividends paid under the IAS will not be subject to UK Withholding Tax.

Copies of the IAS election form are available on the Company's website at www.charter.ie.

For a general summary of some of the tax implications of receiving dividends with an Irish source from the Company, or dividends with a UK source under the IAS, please see the section on the Company's website at: www.charter.ie relating to the IAS.

Transfer restrictions

The Directors may refuse to register any transfer of any share which is not a fully paid-up share and refuse to register any transfer in favour of more than four persons jointly. The Directors may also refuse to recognise any instrument of transfer unless it is in respect of any one class of share, is lodged at such place as they may determine and, where appropriate, is accompanied by any relevant share certificates and such other evidence as they may reasonably require to show the right of the transferor to make the transfer. The Directors may also suspend transfers where a shareholder has failed to comply with an Article 16 notice, in the manner noted above.

Certain restrictions on transfers of shares may from time to time be imposed by laws and regulations (for example, insider trading laws) and pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

Securities carrying special rights

Without prejudice to any special rights which have been conferred on any shareholders, any share of the Company may be issued with such preferred, deferred or other special rights or subject to such restrictions as the Directors or the shareholders may determine. No shares have been issued that carry any special rights with regard to the control of the Company.

Variation of rights

Subject to the provisions of Jersey Companies Law and to any rights attached to existing shares (and except in the case where there is only one holder of the issued shares of a class of shares, in which case any and all of the rights attached to that class of shares may be varied only with the consent in writing of that holder), rights attached to any class of shares may be varied with the written consent of the holders of not less than two-thirds in nominal value of the issued shares of that class (calculated excluding any shares held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting (except an adjourned meeting) the quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares).

Appointment and replacement of Directors

Shareholders may, by special resolution, set out regulations or provisions by which the Directors must abide. The Directors shall

be not less than two in number. The Company may by ordinary resolution vary the minimum and/or maximum number of Directors. A Director shall not be required to hold any shares in the Company. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next following AGM of the Company and is then eligible for re-appointment. The Board or any committee authorised by the Board may from time to time appoint one or more Directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment.

At every AGM of the Company, any Director who has been appointed by the Board since the last AGM, or who held office at the time of the two preceding AGMs and who did not retire at either of them, or who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the AGM, shall retire from office and may offer himself for re-appointment by the members. The Company may by ordinary resolution remove any Director before the expiration of his period of office. The office of a Director shall be vacated if: (i) he resigns or offers to resign and the Board resolves to accept such offer; (ii) his resignation is requested by all of the other Directors and all of the other Directors are not less than three in number; (iii) he is or has been suffering from mental or physical ill health and the Board resolves that his office be vacated; (iv) he is absent without the permission of the Board from meetings of the Board (whether or not an alternate director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated; (v) he becomes bankrupt or compounds with his creditors generally; (vi) he is prohibited by law from being a Director; (vii) he ceases to be a Director by virtue of the provisions of Jersey Companies Law; or (viii) he is removed from office pursuant to the Company's Articles.

Powers of the Directors

Subject to the Company's Memorandum and Articles of Association, the Jersey Companies Law and any directions given by the Company by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. In particular, the Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge any of its undertaking, property, assets (present and future) and uncalled capital and subject to the Jersey Companies Law to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party.

Powers in relation to the Company issuing or buying back its own shares

At the AGM shareholders will be asked to grant a further authority to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company (i) up to a nominal amount of £1,113,034, and (ii) comprising equity securities (as defined in the Articles) up to a nominal amount of £2,226,068 (after deducting from such limit any allotments or grants made under (i) in connection with an offer by way of a rights issue (the 'allotment authority'), such allotment authority to apply until the end of next year's AGM (or, if earlier, until 30 June 2011).

A special resolution will also be proposed to renew the Directors' power to make non-pre-emptive issues for cash in connection with rights issues and otherwise up to a nominal amount of £166,955.

No market purchases were made by the Company during the year ended 31 December 2009.

Directors' report continued

A special resolution will also be proposed to renew the Directors' authority to repurchase the Company's ordinary shares in the market. The authority will be limited to a maximum of 16,695,516 ordinary shares and sets the minimum and maximum prices which may be paid.

Major shareholders

As at 23 March 2010, the Company had received the following notifications pursuant to DTR 5 of the Disclosure and Transparency Rules of the FSA (the 'DTR').

Date of notification	Shareholder	Direct/indirect interest	No. of shares/voting rights	% of issued share capital/voting rights
19/03/10	Ignis Investment Services Limited	Indirect	5,088,564	3.05%
21/12/09	AXA S.A.	Direct	2,284,274	1.37%
		Indirect	6,597,416	3.95%
		Total	8,881,690	5.32%
07/12/09	Blackrock Inc.	Indirect	10,941,558	6.55%
11/11/09	Standard Life Investments Limited	Direct	4,984,872	2.98%
		Indirect	1,499,491	0.89%
		Total	6,484,363	3.87%
05/11/09	Lloyds Banking Group plc	Direct	1,868,623	1.11%
		Indirect	8,020,015	4.8%
		Total	9,888,638	5.91%
20/08/09	Legal & General Group plc	Direct	6,571,031	3.93%

Significant agreements

The Company acts as guarantor in respect of a £75 million Multi-Currency Revolving Facility Agreement dated 3 September 2008 between HSBC Bank ('HSBC') and Charter Central Finance Limited, a subsidiary of the Company. This contains a change of control provision which, if triggered, could restrict further utilisations and/or require the repayment of all outstanding utilisations. In such circumstances HSBC may also call for cash collateral for outstanding utilisations under separate documentary credit facilities, totalling US\$130 million provided to two subsidiaries of the Company.

Similar change of control provisions are contained in other credit facilities that Charter Central Finance Limited has entered into with Skandinaviska Enskilda Banken AB, Bank of China (UK) Limited, Lloyds TSB Bank plc and Barclays Bank plc.

The Company's Long-Term Incentive Plan contains provisions that allow outstanding awards to vest in certain circumstances upon a change of control of the Company. Conditional awards made pursuant to the Charter International plc Deferred Bonus Plan will automatically vest on a change of control of the Company. Further details concerning the above can be found in the Remuneration Report on pages 55 to 61.

Rights under the employee share schemes

Under the rules of the Charter International Long-Term Incentive Plan and the Charter International Deferred Bonus Plan eligible employees are awarded shares in the Company. As at 23 March 2010, Appleby Trust (Jersey) Limited as trustee of the Charter Employee Trust holds 0.044 per cent of the issued share capital of the Company on trust for the benefit of the Executive Directors, senior executives and managers of the Group. The voting rights in relation to these shares have been waived by the Trustee.

Corporate responsibility ('CR')

The Company's report on CR, including its approach to health and safety, social, environmental and other related environmental issues, can be found on pages 36 to 41 of the Business and financial review.

Statement of disclosure of information to Auditors

So far as the Directors each are aware, there is no relevant audit information (that is, information needed by the Company's Auditors in connection with preparing their report) of which the Company's Auditors are unaware, and each Director has taken all reasonable steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Directors' statement pursuant to the Disclosure and Transparency Rules

The Directors (whose names and functions are set out on pages 42 and 43) confirm that, to the best of their knowledge, the financial statements are prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group taken as a whole; and the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as Auditors to the Company and a further resolution to authorise the Board to fix the Auditors' remuneration will be proposed at the AGM.

By order of the Board

Michael Hampson

Company Secretary and General Counsel
23 March 2010

Registered office:
22 Grenville Street
St Helier
Jersey JE4 8PX
Registered in Jersey Number 100249