



European Operations

December 2004

Mike Hallas – Managing Director
UK & Nordic Operations
(Heat Treatment, HIPping, Metallurgical Coatings)

UK Heat Treatment

- 16 plants in total
- All plants 24 hours, 7 days a week
- Full multi-site backup
- Present furnace utilisation – average 74%
- Targeted sustainable utilisation rate:
80–85%
- Present market share 22%

Birmingham Plant

**1st automotive sealed quench site in sub contract
heat treatment**



Partnership deal with Turner Powertrain (Caterpillar)

Growth

- Key growth driver: outsourcing and improvement in the aerospace and industrial gas turbine industries

- New contract with Delphi Diesel in 2004 shows major volume increase up to 2006

- Targeting:
 - Material sales growth
 - Margin improvement to historic levels

Major Organic Growth

World demand for energy and transportation is key

Customer	% Change in 2005	Market
W	50%	IGT
X	40%	Construction Machinery
Y	50%	Heavy Vehicles
Z	15%	Aerospace

Nordic Heat Treatment

➤ Present Utilisation 70%

➤ Number of Plants

➤ 3 - Denmark

➤ 4 - Finland

➤ 8 - Sweden

➤ Targeting:

➤ Consistent sales growth

➤ Margin improvement to historic levels

The Baltic Sea Area



**The Baltic Sea Area
for heat treatment**

Estimated Market Share

Finland	€18m	60%
Norway	€3-5m	0%
Sweden	€44m	60%
Denmark	€14m	75%
Baltic	€6-11m	0%
Germany	€3-6m	0%

Total €90 – 100m

Market

> Sweden

- Automotive – Volvo and Saab
- Heavy Truck – Volvo and Scania
- Mining Equipment

> Finland

- Mechanical Engineering Industry – large gears for marine and power transmission

> Denmark

- Light industry operating as sub supplier for the food, medical and plastics industry. Major growth predicted in the next three years

Geographical Expansion

- Estonia
 - Latvia
 - Lithuania
-
- Major customers are moving some of their production to this region. Bodycote is investigating the supply of services from within customers' premises to minimise our risk and investment in new buildings

CEG Heat Treatment

- | | | | |
|---|---------------|---|----------------|
| ➤ | Germany | — | 16 Plants |
| ➤ | Netherlands | — | 5 Plants |
| ➤ | Hungary | — | 1 Plant |
| ➤ | Switzerland | — | 2 Plants |
| ➤ | Liechtenstein | — | 1 Plant |
| ➤ | Austria | — | 3 Plants |
| ➤ | Czech | — | 6 Plants |
| ➤ | Poland | — | 1 Plant (2005) |
- Bodycote offers a network of service shops with a wide range of modern, high-tech processes as well as state-of-the-art, standard technologies to our customers

Growth

- Present Utilisation 70%

- Market €800m
Bodycote share 8%

- Targeting:
 - Consistent sales growth
 - Margin improvement to historic levels

Growth continued

- Increase market share in all regions
- Extend brazing skills
- Improve ROCE by reallocation of assets to new facilities in the East or other CEG or Bodycote facilities
- Expand market by entering new countries e.g. Poland, Slovakia, Slovenia, Romania and Turkey

Market Share

	Plants	Market (subcontract)	Estimated Market Share %
Germany	17	€800m	8%
Netherlands	5	€60m	50%
Switzerland	2	CHF60m	20%
Hungary	1	€6m	18%
Czech	6	€25m	25%
Austria	3	€27m	40%

FBI Heat Treatment Market

- Present Utilisation 65%

- Targeting:
 - Consistent sales growth
 - Material margin improvement

- Markets
 - Automotive
 - Tooling & Mechanical
 - Aerospace

F B I

	Plants	Market (subcontract)	Estimated Market Share %
France	29	€200m	45%
Italy	4	€400m	4%
Belgium	2	€12m	50%

Tooling Operation Bodycote Pusignan



Growth

- Aerospace –
 - PCC, Airbus, Snecma

- Automotive
 - Valeo, Peugeot, Renault
 - Delphi Diesel Systems

- Development of Low Pressure Carburising, Corr-I-Dur, and Kolsterising

- Bolt-on acquisitions – in Italy

Outsourcing

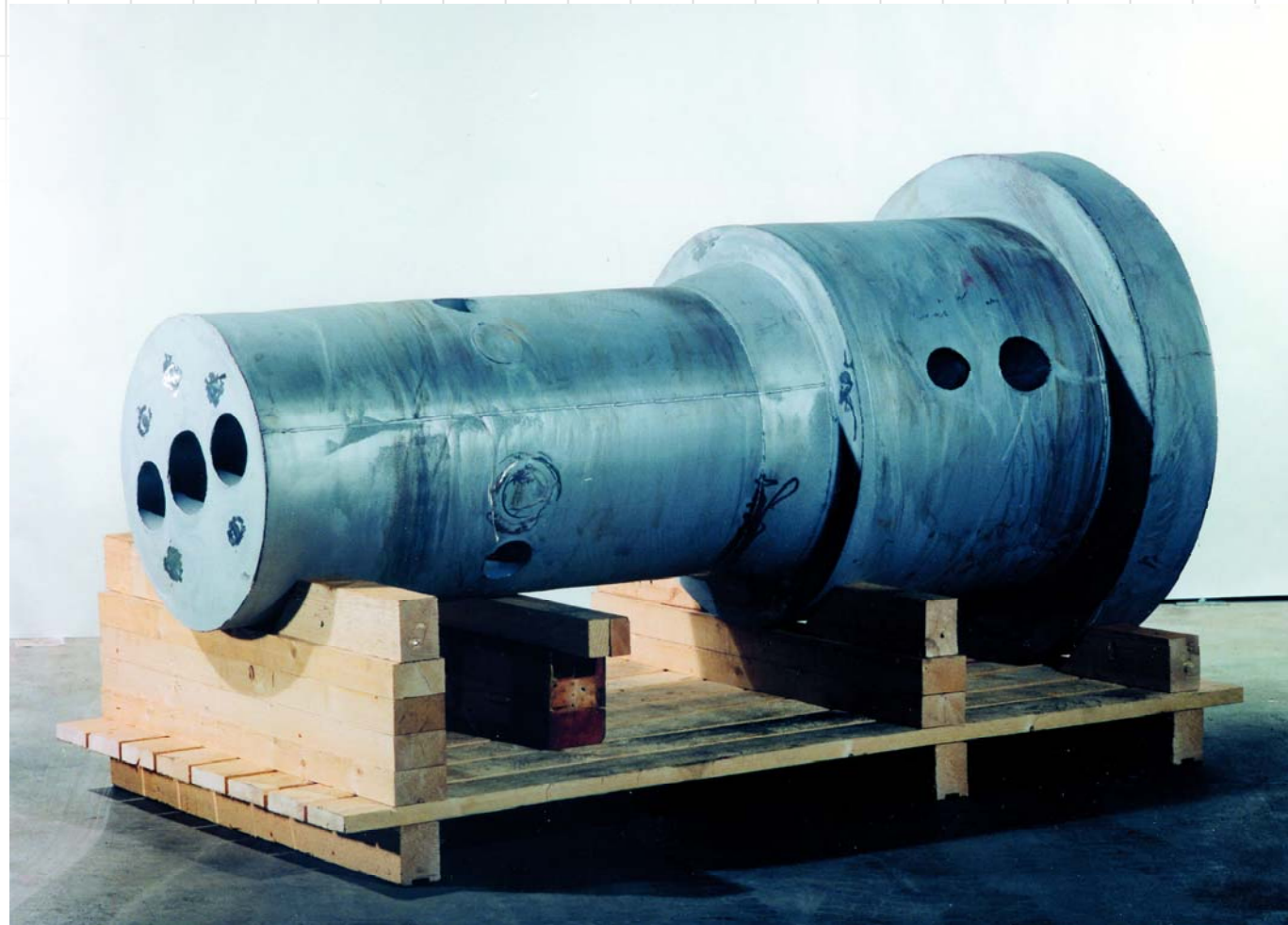
Estimated Annual Revenues
Once Operational

FRANCE			
A	Aerospace	Plasma Spray	€850k
B	Aerospace	Plasma Spray	€1000k
C	Tooling	Heat Treatment	€450k
D	Automotive	Heat Treatment	€1000k
E	Automotive	Heat Treatment	€500k
ITALY			
F	Automotive	Heat Treatment	€800k

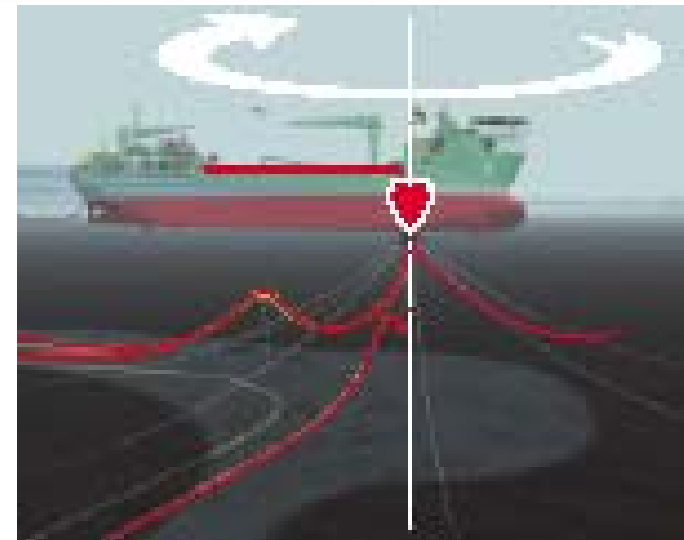
European HIP

- Operates from 7 sites
- UK
 - 70% market IGT + Densal
- France/Belgium
 - IGT + Aerospace Structural Parts
- Germany
 - 70% powder metal components
 - 25% Densal
- Sweden
 - Manufacture of near net shapes from powder

Swivel Core



Swivel Stack



Manifold



DENSAL

- DENSAL
- Affordable HIP of aluminium
- 10% of HIP Group turnover
- Niche products e.g. Formula 1, Defence
- Steady growth
- Now used in high performance production engines



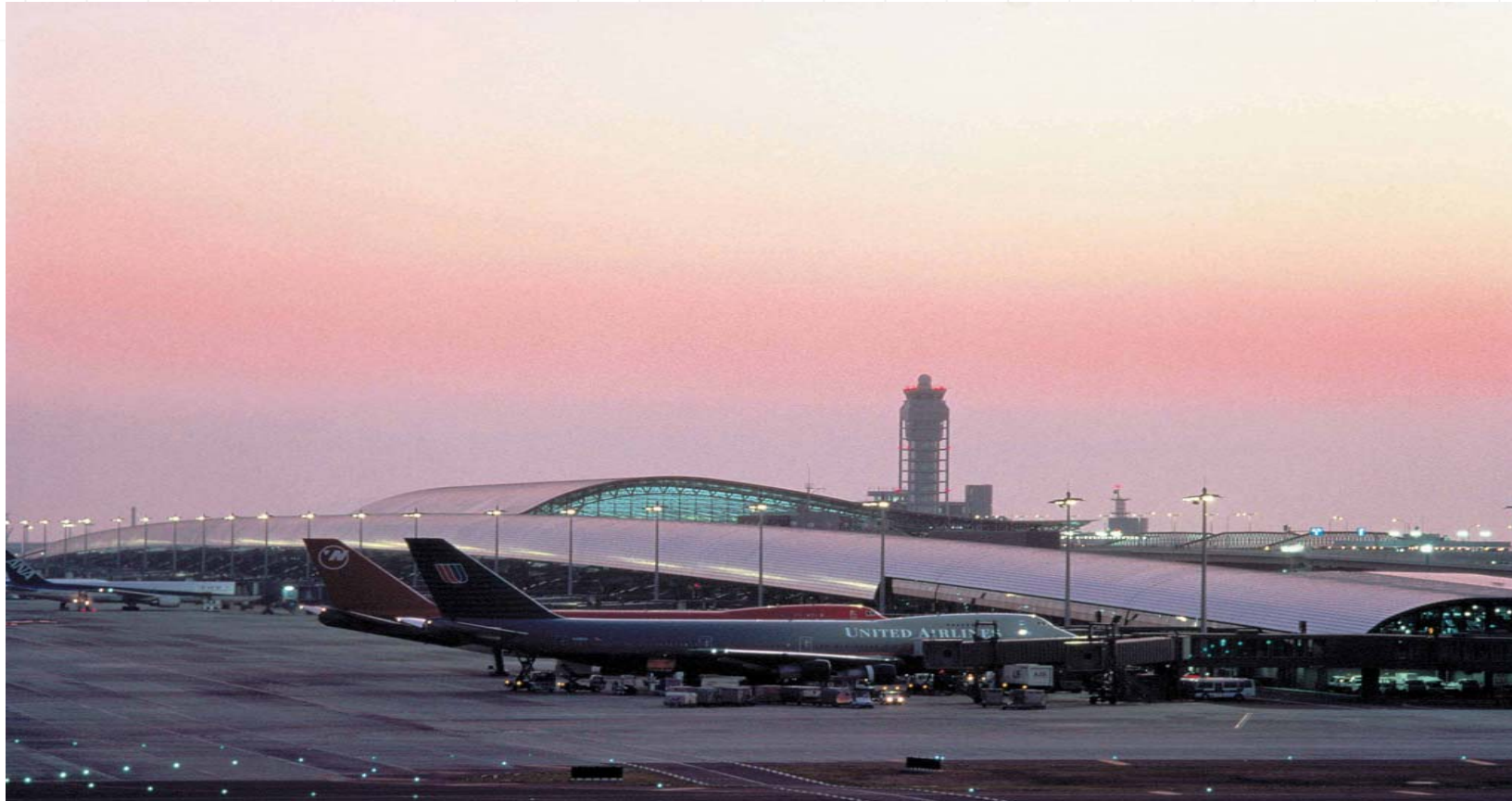
Metallurgical Coatings

	Market	Properties
Coatalloy	Oil & Gas, Petrochemical	Prevents coke formation in ethylene production
Compcote	Automotive	Wear & corrosion protection of aluminium
Nedox	Automotive	Hard chemical nickel protection for steel with low friction
Tufram	Heavy Truck	Aluminium protection coating (hard anodising) with Teflon
Sheraplex	Marine and Undersea	High corrosion protection in saline environments
Hard Anodising	Automotive	Wear and corrosion protection of aluminium

Metallurgical Coatings

	Market	Properties
Sherardizing	Construction, rail, automotive	Corrosion protection without embrittlement
Ceramic Coating	Oil, Gas, Steel	Exceptional Wear Resistance
Titanium Anodising	Medical, Defence	Corrosion protection
Coloured Anodising	Telecom, electrical, construction	Decorative
Standard Anodising	Automotive, telecom	Corrosion protection
Flame Spray	Aerospace	Undercarriage Protection

Kansia Airport Winged Gate Structure



Military Bridge Tank



Canary Wharf Extension London



Summary

- The European market leader in metallurgical services
- Many organic growth opportunities
- Expansion in the Baltic Area, Eastern Europe and Italy
- World leader in Quality Approved Systems
 - Most approved sites globally Nadcap
 - TS 16949
 - ISO 9001..2000
 - ISO 14001
- **Core focus - improvement on return on invested capital in France and HIP operations**

