

2011 Full Year Results

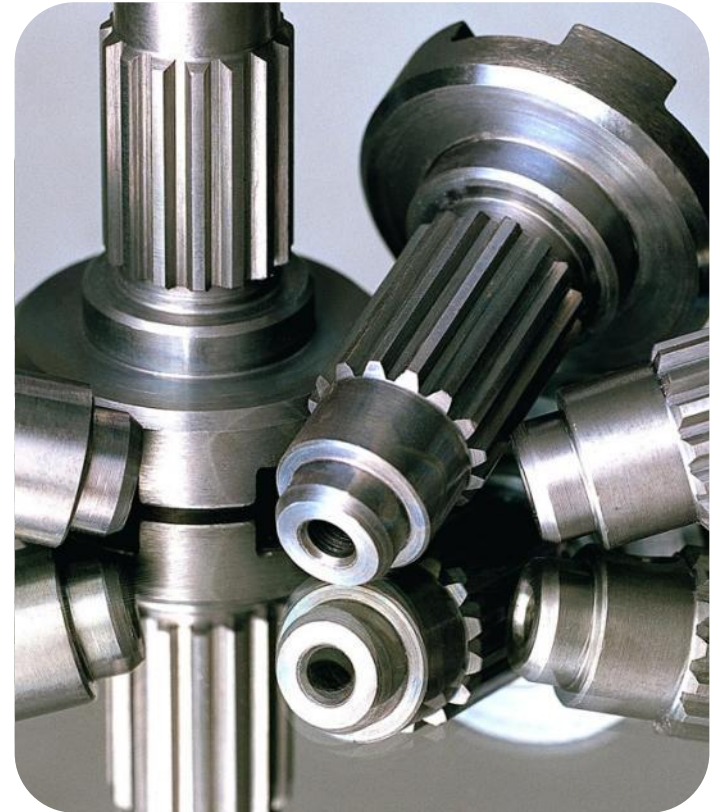
23 February 2012

The logo for Bodycote, featuring a red square inside a black square, followed by the word "Bodycote" in a bold, black, sans-serif font with a white outline.

Bodycote

Stephen Harris

Chief Executive



Plasma nitriding

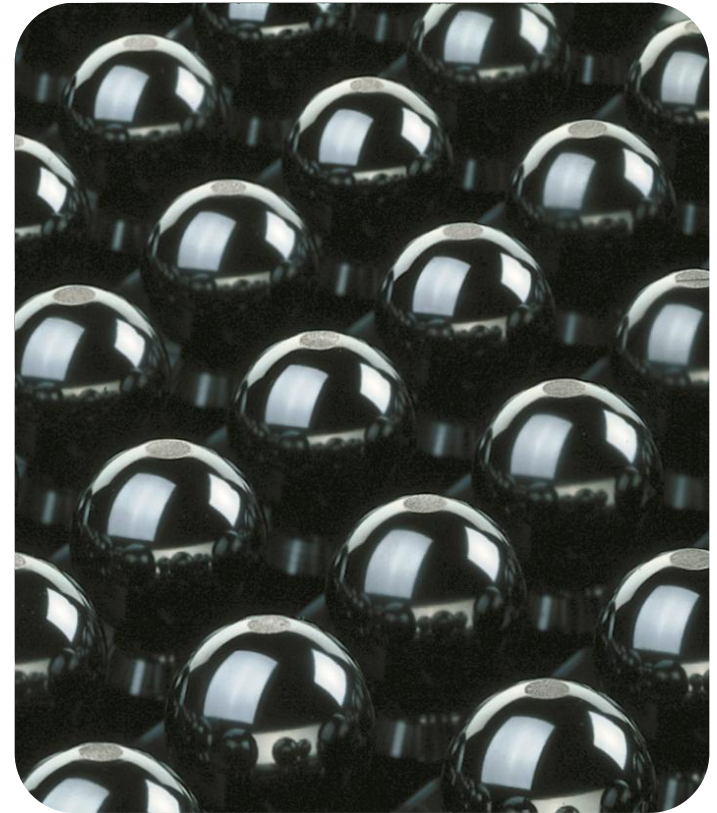
Low temperature surface treatment for high hardness, wear resistance and enhanced fatigue properties.

-
- Highlights Stephen Harris
 - Financial Review David Landless
 - Business Review Stephen Harris

- Sales growth across all market sectors
- Benefitting from growth initiatives
- Strong financial performance
 - Profit
 - Margin
 - Cash flow
 - ROCE
- Net debt eliminated
- Final dividend 7.3p, total of 10.9p for the year – up 25% in 2011

David Landless

Finance Director



Corr-I-Dur®

The diffusion of nitrogen into the surface of special alloy steels to improve surface hardness and fatigue resistance, without component distortion.

2011 Summary



£m		2011	margin	2010	margin	increase
Revenue		570.7		499.8		14%
Headline:	EBITDA¹	142.3	24.9%	104.4	20.9%	36%
	Operating profit²	85.5	15.0%	52.1	10.4%	64%
	Profit before taxation²	80.9		46.1		75%
Exceptional:	Goodwill write-down³	(4.2)		-		
Headline operating cash flow⁴		96.0		77.3		
Net cash / (debt)		0.1		(51.3)		
Headline EPS²	pence	32.7		18.3		79%
Dividend	pence	10.9		8.7		25%

1. Earnings before interest, tax, depreciation, amortisation, impairment, loss on disposal of property, plant and equipment and share based payments

2. Headline operating profit and headline profit before taxation exclude the goodwill impairment and amortisation of acquired intangibles

3. Write-down of South American goodwill and other intangibles

4. Cash generated by operations less net capex, before cash flow relating to exceptional items

Divisional Summary



ADE Divisions	£m	2011	2010	increase*
Revenue		233.5	202.1	17%
Headline Operating Profit¹		51.1	33.9	53%
Margin		21.9%	16.8%	
ROCE²		23.3%	14.7%	

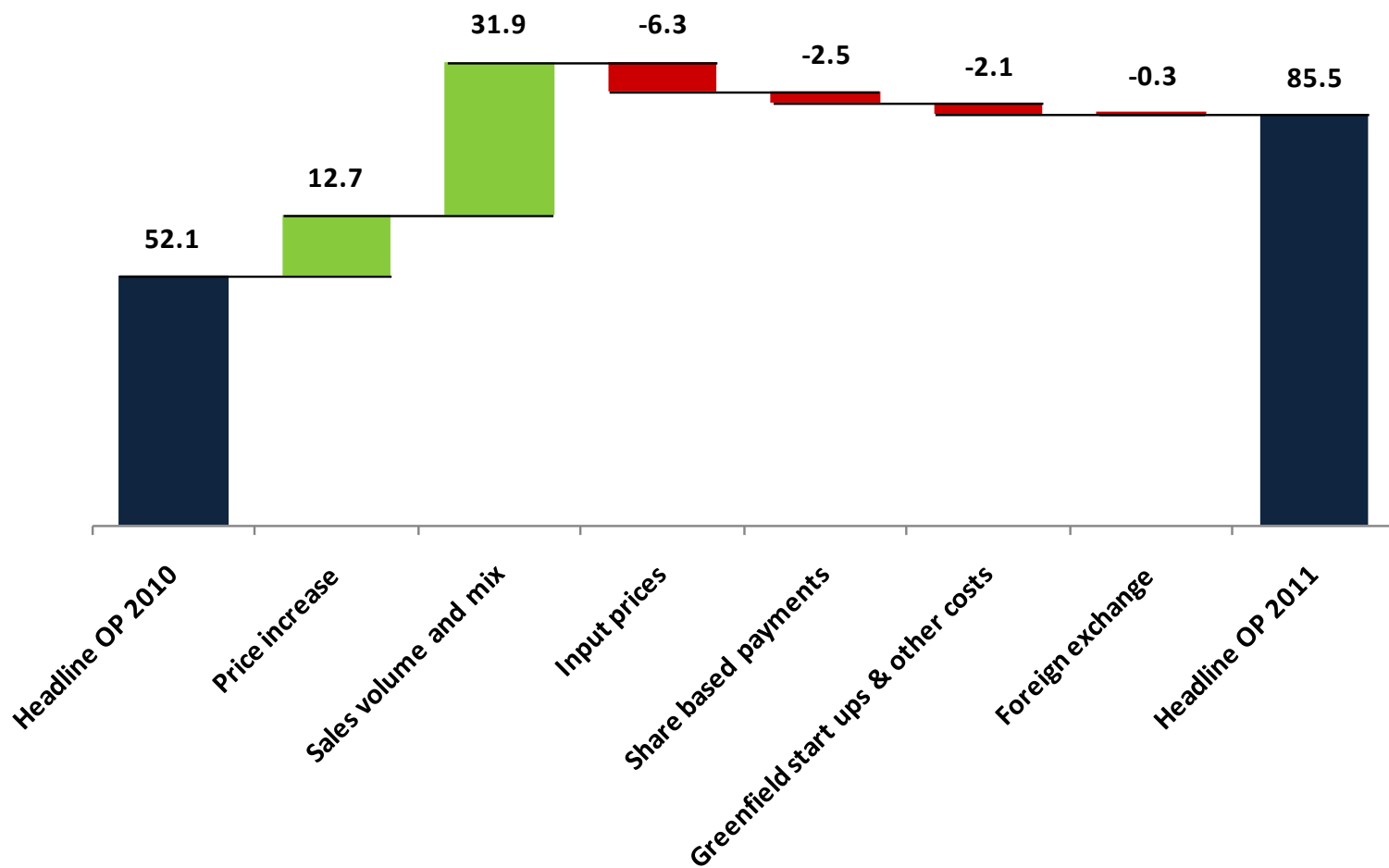
AGI Divisions	£m	2011	2010	increase*
Revenue		337.2	297.7	12%
Headline Operating Profit¹		44.7	25.6	72%
Margin		13.3%	8.6%	
ROCE²		15.6%	8.8%	

1. Headline operating profit before head office costs

2. ROCE defined as headline operating profit divided by average capital employed. Capital employed is defined as net assets minus/plus net cash / (debt).

* At 2011 currency rates

Operating Profit Bridge (£m)



Cash Flow



£m	2011	2010
Headline Operating Profit	85.5	52.1
Add back: Depreciation and Amortisation	51.4	48.1
Share-Based Payments	5.4	4.2
Headline EBITDA¹	142.3	104.4
Net Capital Expenditure	(44.5)	(35.8)
Working Capital	(1.8)	8.7
Headline Operating Cash Flow	96.0	77.3
Restructuring	(5.7)	(9.2)
Financing costs	(4.5)	(5.5)
Taxation	(15.3)	(5.4)
Free Cash Flow	70.5	57.2
Dividends ³	(17.5)	(21.0)
Currency & Other	(1.6)	(2.0)
Reduction in net debt	51.4	34.2

**Capex to depreciation: 2011: 0.9x
2010: 0.8x**

112% headline operating cash conversion⁽²⁾

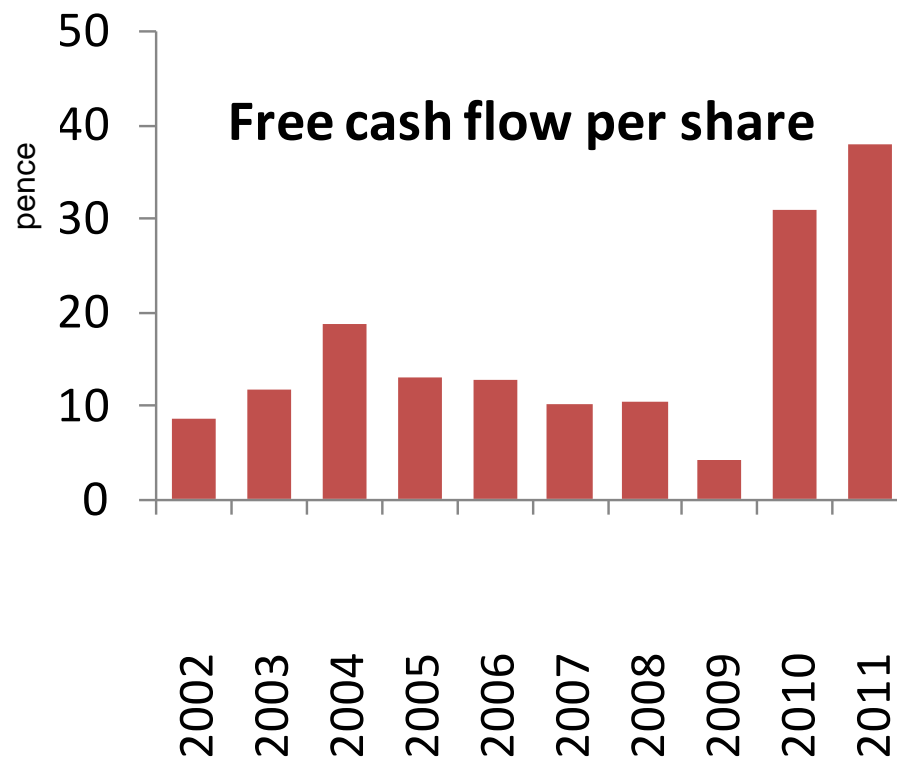
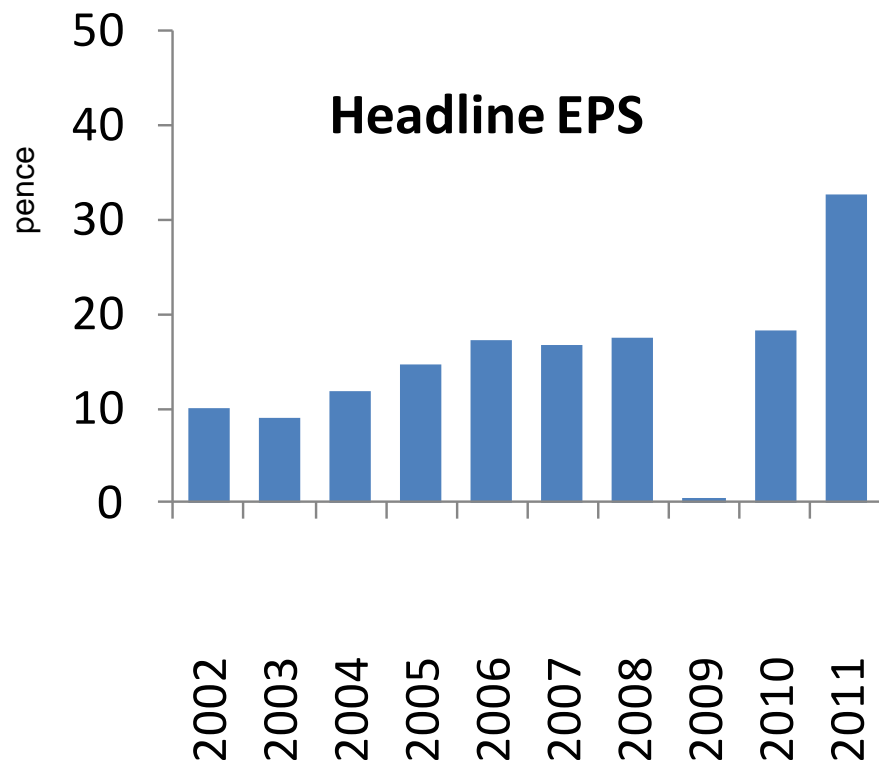
Restructuring spend - mainly Brazil and France

(1) Earnings before interest, tax, depreciation, amortisation, impairment, loss on disposal of plant, property and equipment and share based payments

(2) Cash conversion defined as Headline Operating Cash Flow divided by Headline Operating Profit

(3) In 2010, three dividends were paid as a result of a decision to move the dividend payments forward by two months

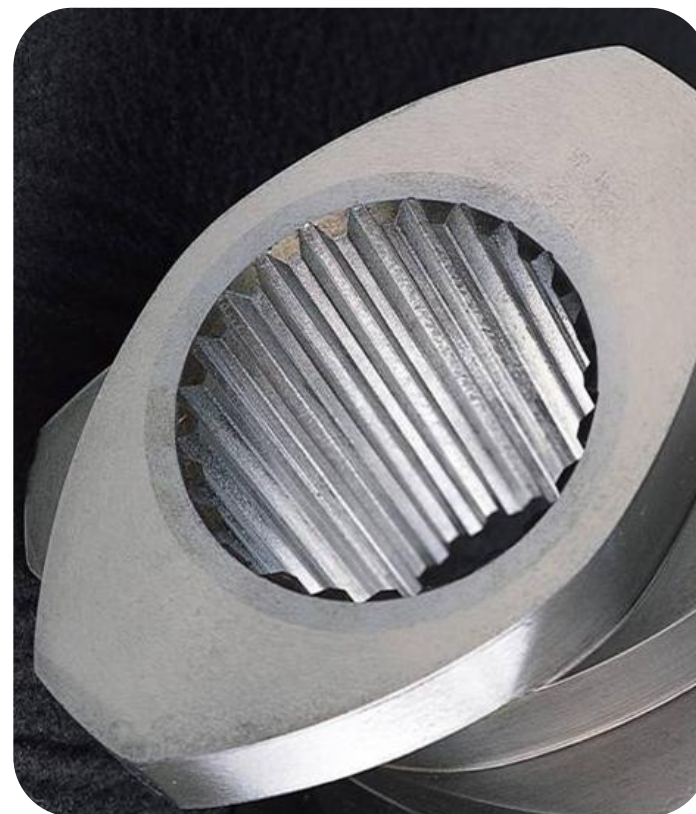
Long term perspective – Total group results



Note: Free cash flow excluding proceeds and costs relating to the disposal of the 'testing' business in 2008. Includes discontinued business.

Stephen Harris

Chief Executive

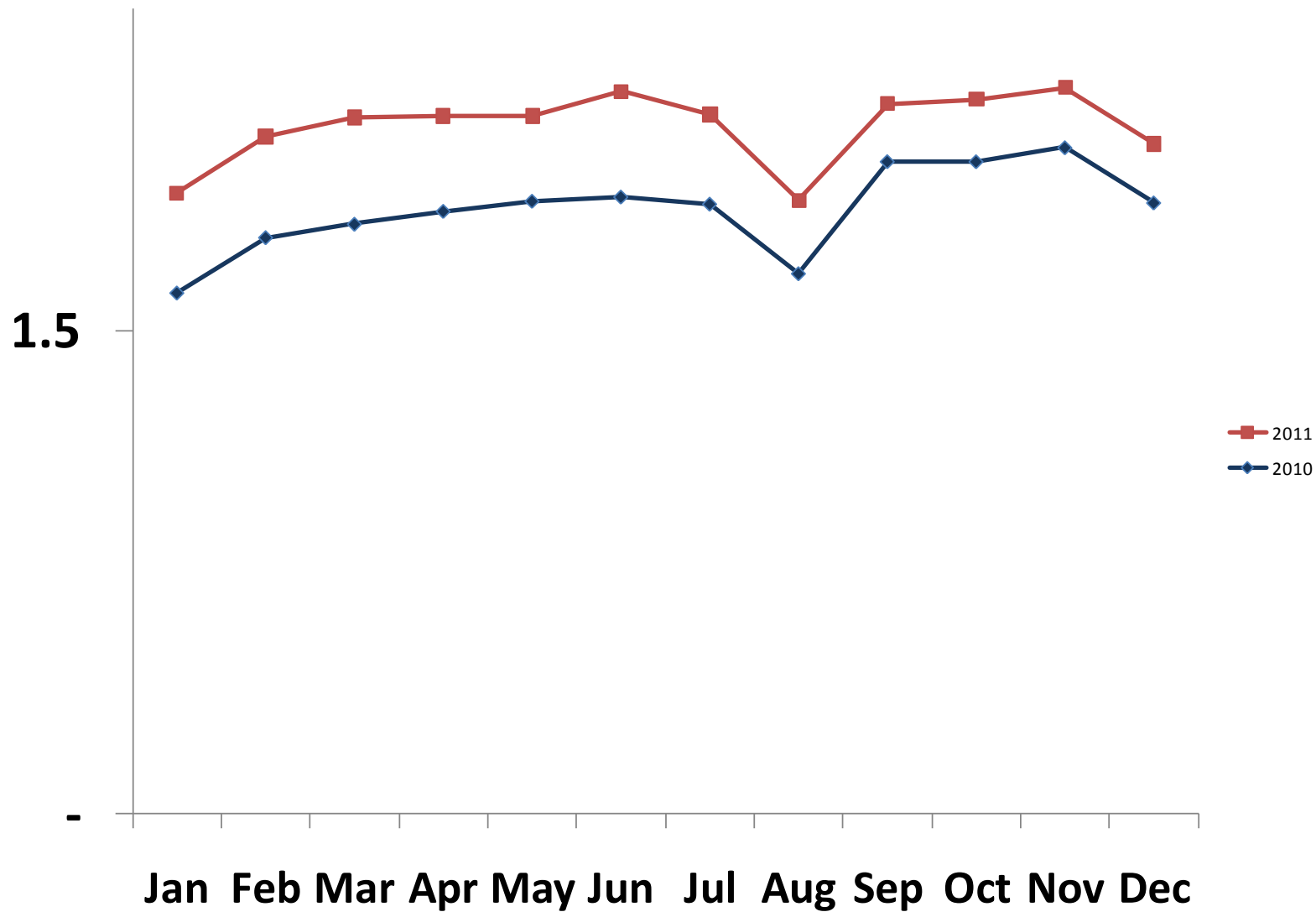


Bi-metallic materials (HIP PF)

Diffusion bonding of solid to solid or solid to powder material, to produce a bi-metallic component with premium material properties on selected surfaces by encapsulation and hot isostatic pressing.

Daily Sales Trend – Group

Constant Exchange Rates (£m)



Revenues: £238m – up 18%

End markets 2011

Future

Heavy machinery



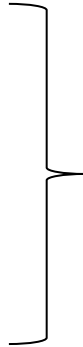
General capital goods



Supply chain stock build



Technology driven change



Economy dependent in short term

Bodycote

- **Technology change benefits**
- **Market share gains**
- **Proprietary processes - S3P growing very strongly**









Revenues: £147m – up 10%

End markets	2011	Future
European car production		
US car production		
Heavy trucks		
Technology driven change		
Bodycote*		

Economy dependent in short term









- **Car and light truck sales - USA up 7%, Europe up 5%**
- **Heavy trucks very strong**
- **Technology change benefits**

Revenues: £114m – up 12%

End markets	2011	Future
Commercial new build		
Spares requirement		
Defence		
Supply chain stock build		
Bodycote		

- Sales for Boeing & Airbus platforms increasing strongly
- Aftermarket sales growing in line with increasing traffic
- Strong HIP Services growth

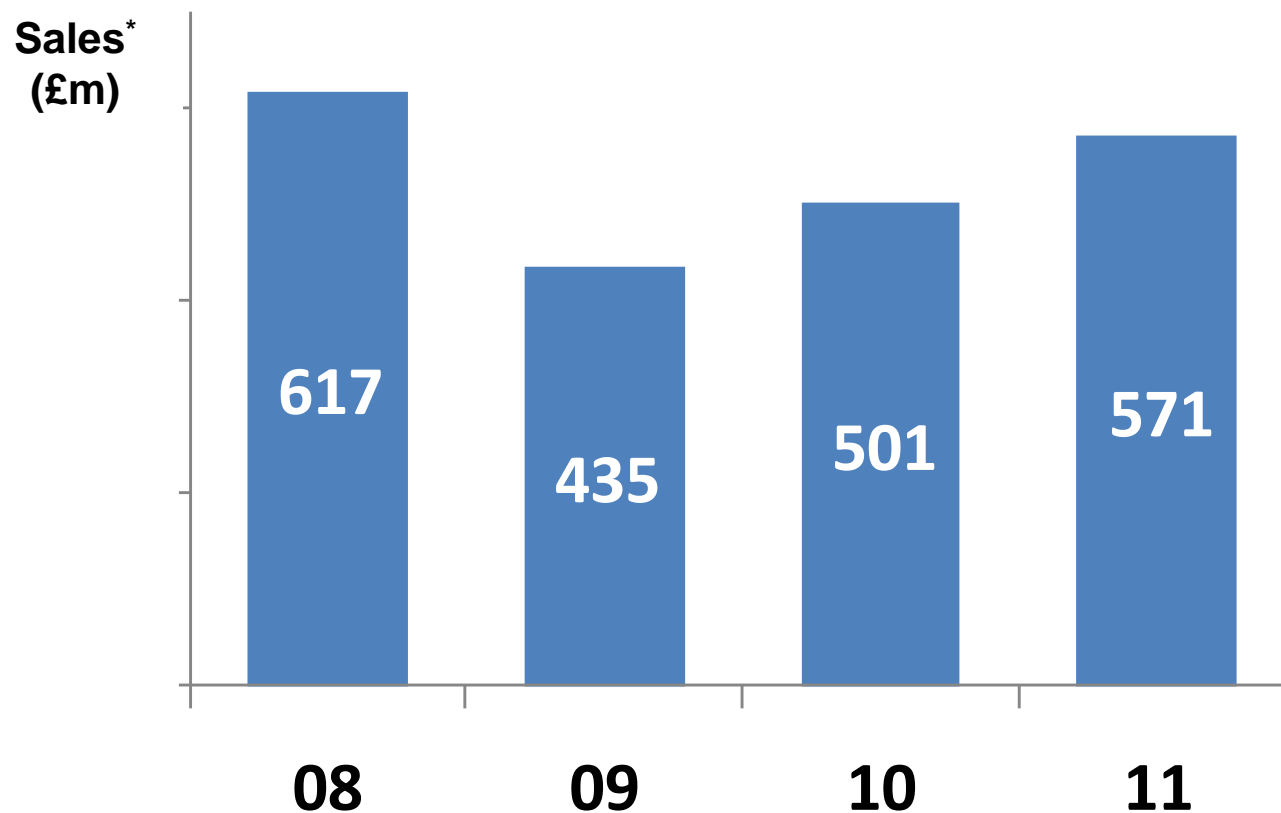
Revenues: £72m – up 16%

End markets	2011	Future
Oil & Gas production		
Oil & Gas exploration		
Power generation		
Supply chain stock build		

Bodycote

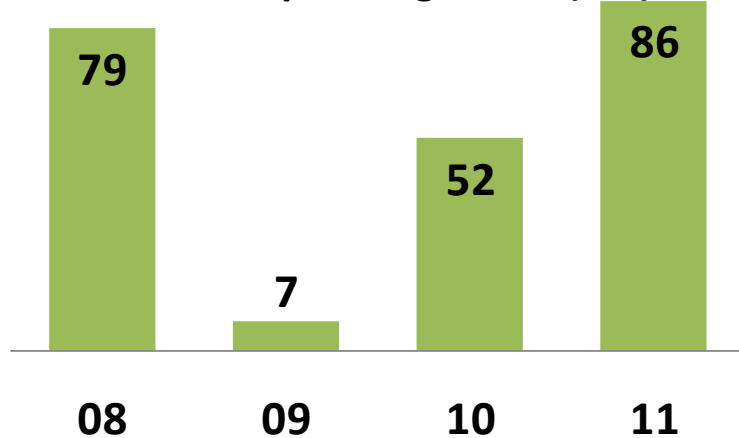
- **Global Oil & Gas revenue growth**
- **US IGT improving, European IGT yet to recover**
- **HIP PF growing very strongly**

Four Year Perspective

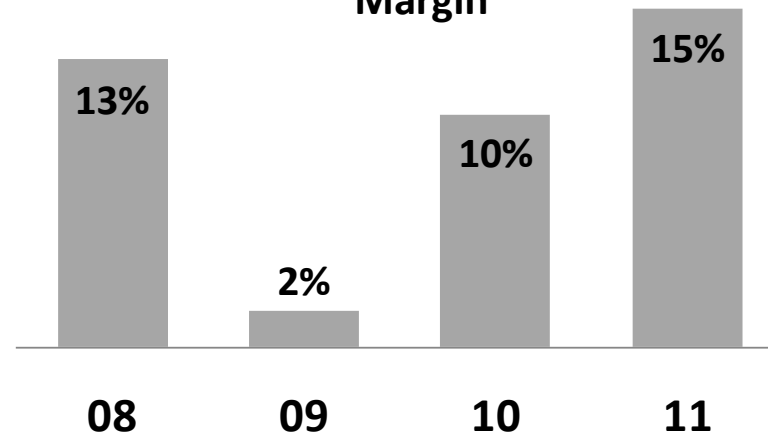


Four Year Perspective

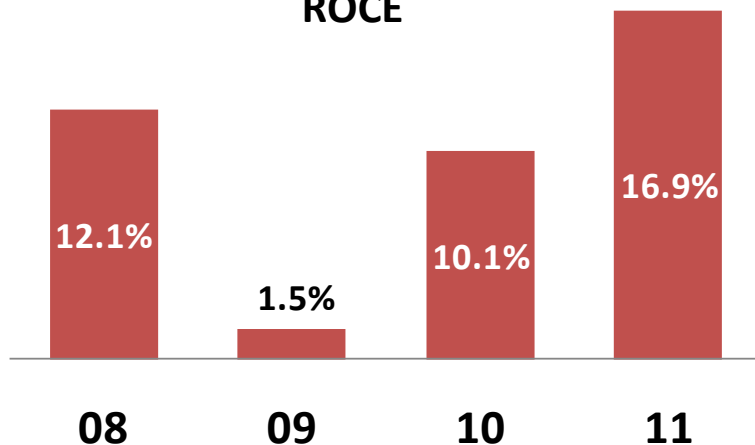
Headline Operating Profit (£m)*



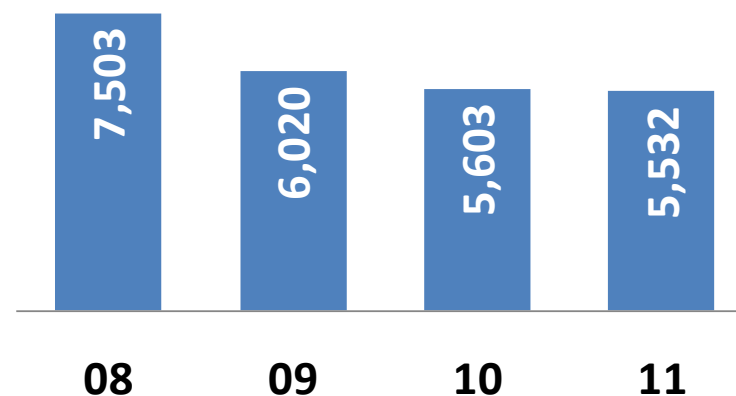
Margin



ROCE

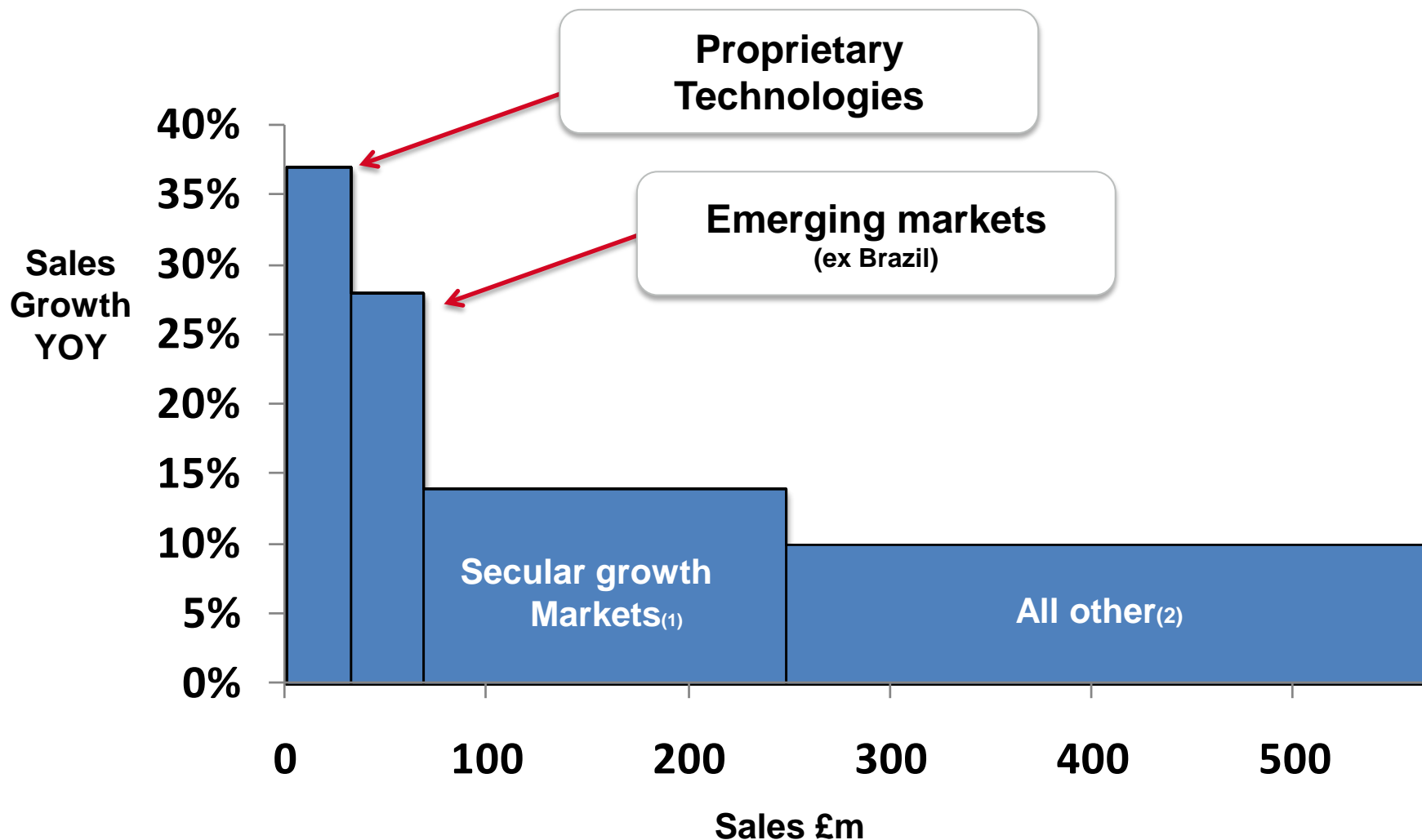


Average Headcount



* At 2011 currency rates

2011 – growth drivers



(1) Aerospace / Defence / Energy ex. Proprietary Technologies

(2) Automotive and General industrial ex. Proprietary Technologies & Emerging markets

Organic Investment

- Surplus capacity following recession
- Capex less than depreciation - £5.7m below in 2011
- Capex concentrated in high growth areas:
 - Selected technologies
 - Emerging markets
 - Aerospace

Organic Investment

- Increased capex for capacity – particularly in high growth areas
- Expected spend – depreciation plus circa £10m
- ROCE hurdle for expansion capital significantly in excess of WACC

Acquisitions

- Focus on return on investment
- Balance between
 - Immediate return
 - Growth prospects
 - Risk

2011 Results

- **14% increase in revenue**
- **Strong gains from “growth drivers”**
- **£85.5m headline operating profit**
- **15% margin**
- **16.9% ROCE**
- **Free cash flow £71m – now debt free**
- **25% increase in full year dividend**

Ahead

- **Long cycle markets set for strong growth**
- **Sales growth moderating in short cycle markets**
- **Selective growth enhancing investment**

“The macroeconomic environment may continue to be challenging, but with nearly half of the Group’s activity in areas that have long term growth drivers that are less likely to be impacted by economic headwinds we believe there is a good prospect that the business will continue to move forward in the coming year.”

The background of the image is a microscopic view of plant tissue, showing a network of dark, branching vascular structures (likely xylem and phloem) against a lighter, greenish-yellow background. The structures are dense and interconnected, creating a complex, web-like pattern.

Bodycote

2011 Statutory Income Statement



£m	2011	2010
Revenue	570.7	499.8
Headline operating profit ¹	85.5	52.1
Amortisation of acquired intangible fixed assets	(0.9)	(0.9)
Impairment charge	(4.2)	-
Operating profit	80.4	51.2
Net finance costs	(4.6)	(6.0)
Profit before taxation	75.8	45.2
Headline earnings per share (pence)	2011	2010
Basic	32.7	18.3

1. Prior to separately identified items

Pensions – net deficit



£m	2011	2010
UK Funded	1.8	0.6
Other Western Europe Funded	0.7	0.7
Other Western Europe Unfunded	9.9	9.5
Western Europe Total	12.4	10.8
North America Funded	0.9	0.5
Emerging Markets Unfunded	0.2	0.3
Total retirement benefit obligations	13.5	11.6

Financial Information



- Average shares in issue 2011: 185.8m (2010: 185.5m)
- Exchange rates:

Currency	Description	2011	2010
Euro	Average (P&L)	1.15	1.17
	Closing (B/S)	1.19	1.16
US Dollar	Average (P&L)	1.60	1.55
	Closing (B/S)	1.54	1.54
SEK	Average (P&L)	10.34	11.17
	Closing (B/S)	10.65	10.41

- Net debt and interest related financial ratios

Financial Ratios	2011	2010
Net Debt : Headline EBITDA¹	Net Cash	0.5x
Headline EBITDA¹ Interest Cover	118.6 x	54.9 x
Gearing (Net Debt to Total Equity)	Net Cash	11%

1. Earnings before interest, tax, depreciation, amortisation, impairment, loss on disposal of plant, property and equipment and share based payments calculated on a LTM basis.

Revolving Credit Facility (RCF) refinancing completed 27 July 2011

- £125m RCF (replaces £110m and \$20m RCFs)
- Five year term to 31 August 2016
- Margin reduced by 100 basis points
- Financial covenants unchanged
- Other terms more favourable
- Existing €125m RCF maturing 31 July 2013 remains in place

Net Debt / Finance Charge



£m	2011
Opening balance	(51.3)
Movement in net cash / (debt) due to:	
Free cash flow	70.5
Dividends paid	(17.4)
Currency & Other	(2.0)
Closing balance	0.1

£m	2011	2010
Net interest payable	1.2	1.9
Financing costs	2.0	2.3
Other charges	0.7	0.9
Pension finance charge	0.7	0.9
Net finance charge	4.6	6.0

Divisional summary - H1 vs. H2



ADE Divisions	£m	H1	H2	Total
Revenue		115.9	117.6	233.5
Headline Operating Profit ¹		25.2	25.9	51.1
<i>Margin</i>		21.7%	22.0%	21.9%

AGI Divisions	£m	H1	H2	Total
Revenue		172.3	164.9	337.2
Headline Operating Profit ¹		22.9	21.8	44.7
<i>Margin</i>		13.3%	13.2%	13.3%

1. Headline operating profit after share base payments and before head office costs

Bodycote