



2008 PRELIMINARY RESULTS

Introduction

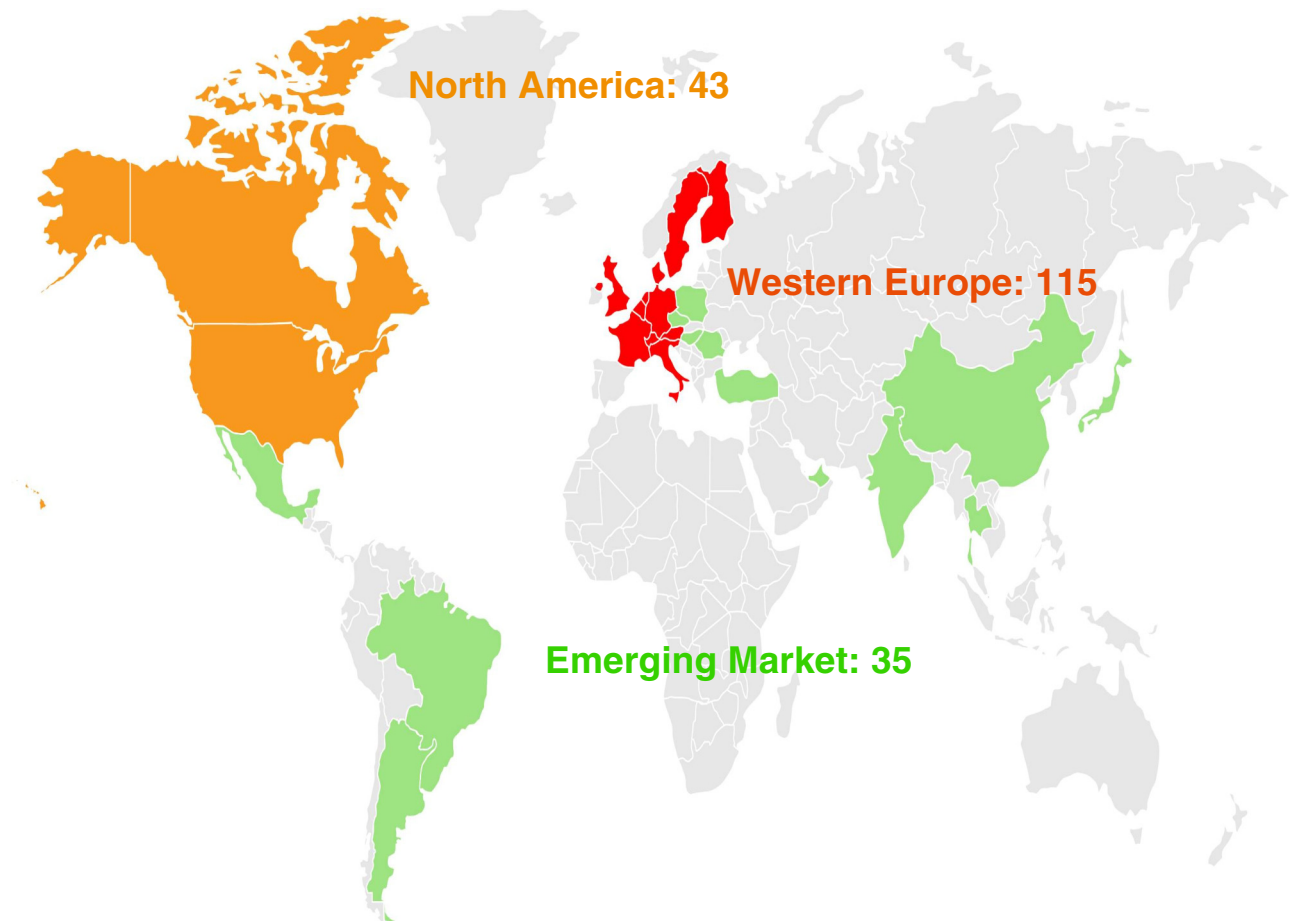


- Stephen Harris – CEO
- David Landless – Group FD
- John Hubbard – former CEO

Introduction



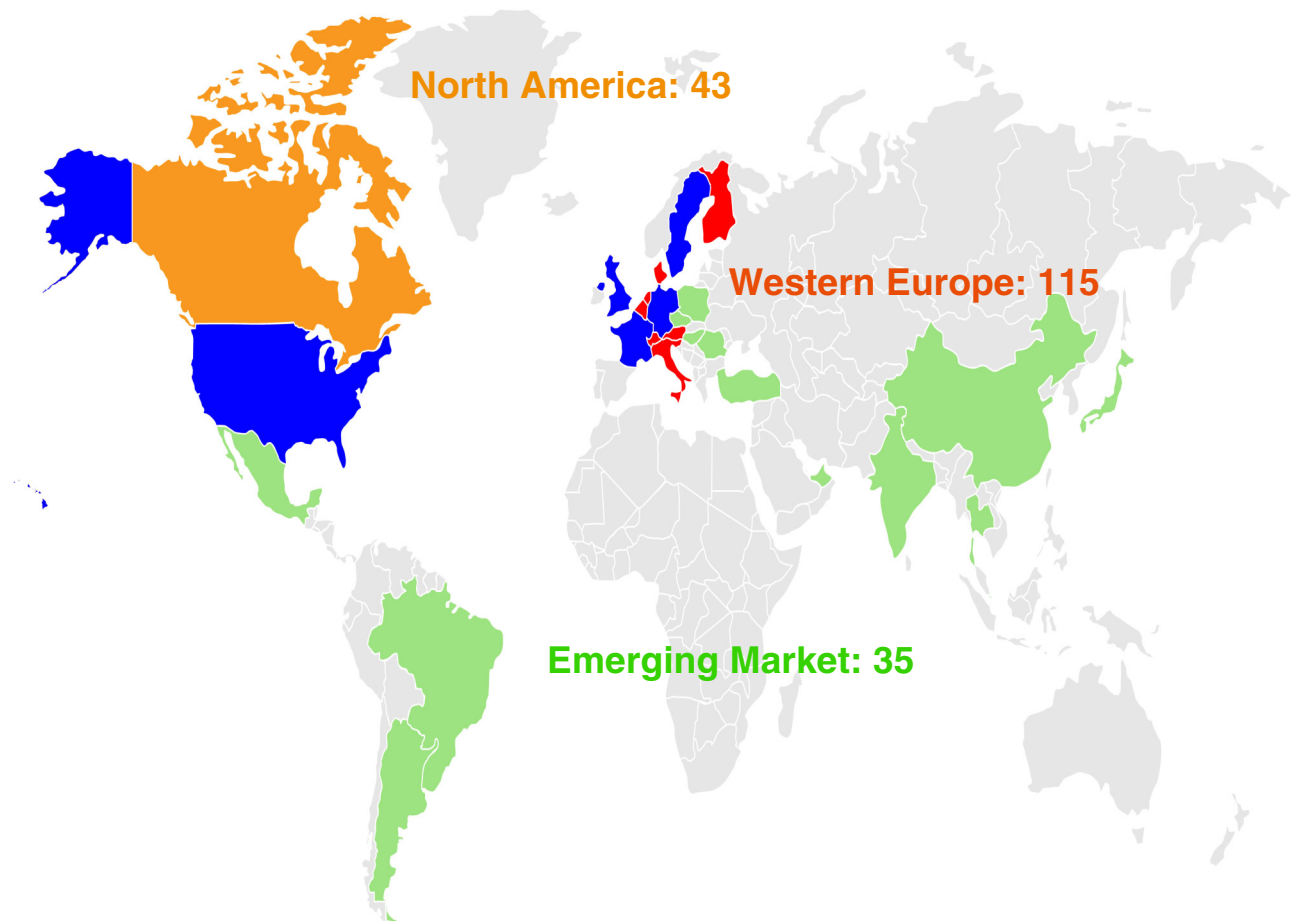
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Introduction



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Highlights



		<u>Group</u>			<u>Continuing Operations</u>
• Revenue		£717m	+12%		£552m +19%
• Headline Operating Profit ¹		£92m	+0.4%		£71m +1%
• Headline Earnings Per Share (Basic)		17.5p	+5%		
• Testing disposal proceeds		£420m			
• Exceptional charges					£123m
• Net Debt		£64.7m			
• Dividend/Share		8.3p	+4%		

Statutory Results



	2008	2007	Change
	£m	£m	%
Revenue	551.8	465.2	+19
Exceptional Charges	(122.9)	(7.2)	+1607
Operating Profit/(Loss)	(51.7)	63.1	-182
Profit/(Loss) Before Tax	(55.3)	60.6	-191
Profit from Testing	188.8	6.8	+2676
Earnings Per Share (Basic)	48.2p	16.6p	+190

Headline Results



	2008	2007	Change
Continuing Operations	£m	£m	%
Revenue	551.8	465.2	+19
EBITDA ¹	122.8	112.1	+10
Operating Profit ²	71.2	70.3	+1
Profit Before Tax ³	67.6	67.8	-
Earnings Per Share (Basic) ⁴	17.5p	16.6p	+5

1 Earnings before exceptionals, interest, tax, depreciation, amortisation, impairment and shared-based payments.

2 Pre exceptional items and interest and tax on associates.

3 Pre exceptional items and tax on associates.

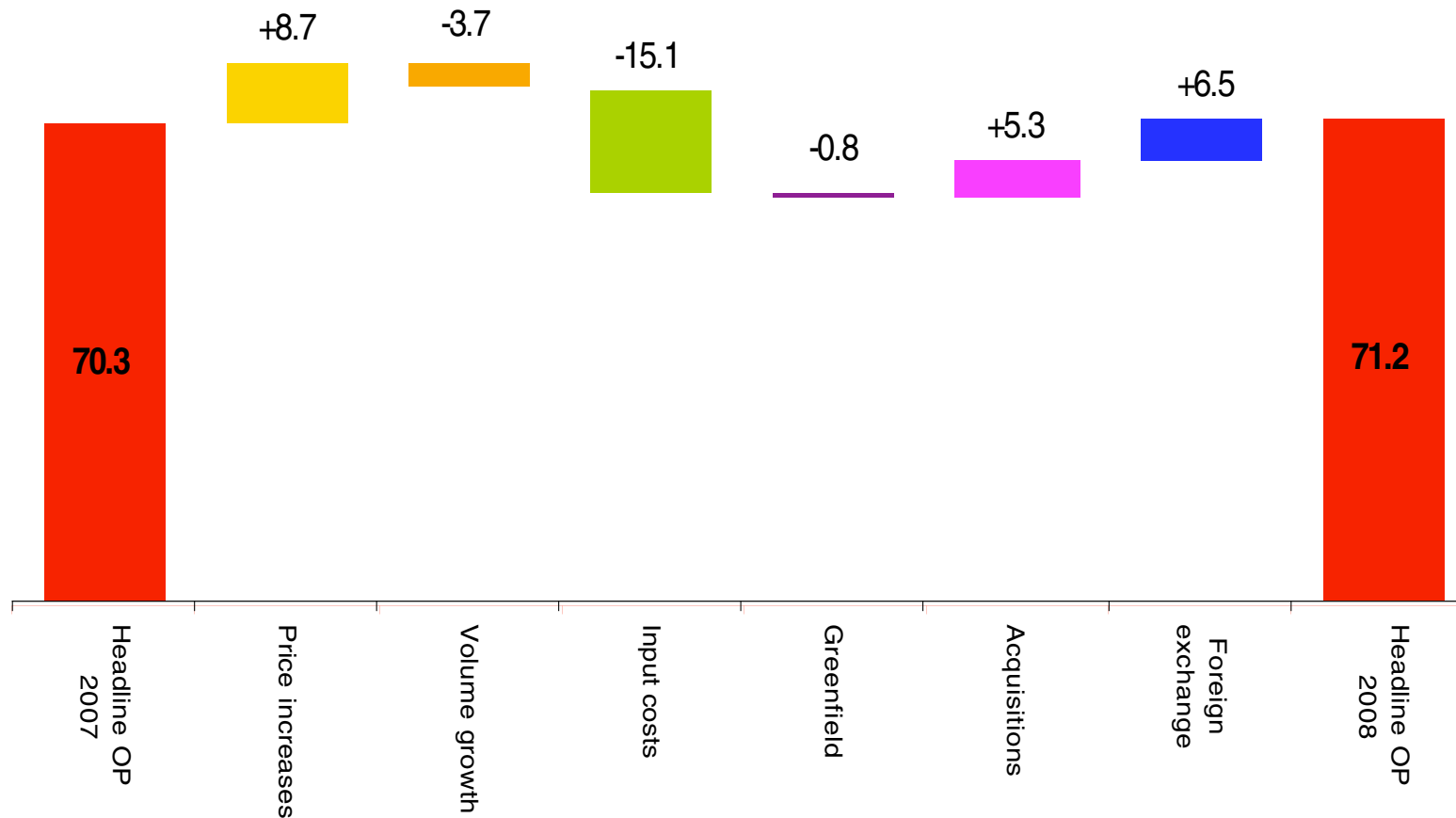
4 Pre exceptional items.

Profit Reconciliation – Continuing Operations



	2008	2007
	£m	£m
Headline Profit Before Tax ¹	67.6	67.8
Amortisation of acquired intangible fixed assets	(1.3)	(0.8)
Impairment of goodwill	(31.9)	(3.5)
Impairment of loan due from associate	(12.1)	-
Major facility closure costs (restructuring)	(77.6)	(3.4)
Change to pension scheme rules	-	2.6
Bid response costs	-	(2.1)
Profit/(Loss) Before Tax	(55.3)	60.6

Profit Bridge – Thermal Processing (£m)



Revenue and Operating Profit - By Region



2007 £m	Revenue	2008 £m	Western Europe £m	North America £m	Emerging Markets £m
421.7	Heat Treatment	499.9	326.5	118.4	55.0
43.5	Hot Isostatic Pressing	51.9	27.3	24.6	-
465.2	Thermal Processing	551.8	353.8	143.0	55.0
	<u>Headline Operating Profit ¹</u>				
61.6	Heat Treatment	60.0	46.8	13.6	(0.4)
15.4	Hot Isostatic Pressing	15.3	7.1	8.2	-
77.0	Thermal Processing	75.3	53.9	21.8	(0.4)
(6.7)	Head Office	(4.1)			
70.3	Continuing Operations	71.2			

YoY Change in Revenue



	TOTAL	Organic	Western Europe	Organic	North America	Organic	Emerging Markets	Organic
Revenue	%	%	%	%	%	%	%	%
Heat Treatment	18.5	(0.1)	18.3	(0.7)	15.7	(0.4)	26.6	4.8
Hot Isostatic Pressing	19.3	6.2	26.2	8.0	12.1	4.4	-	-
Thermal Processing	18.6	0.5	18.9	(0.1)	15.1	0.5	26.6	4.8

Headline Operating Margins



	TOTAL%		Western Europe%		North America%		Emerging Markets%	
	2008	2007	2008	2007	2008	2007	2008	2007
Headline Operating margins ¹								
Heat Treatment	12.0	14.6	14.3	17.6	11.5	10.2	(0.7)	5.7
Hot Isostatic Pressing	29.5	35.4	26.0	30.7	33.3	40.2	-	-
Thermal Processing	13.6	16.6	15.2	18.6	15.2	15.5	(0.7)	5.7

Revenue By Market – Continuing Operations



	2008	2007	YoY Change
Sector	%	%	in Revenue %
• Aerospace/Defence	19	20	+11
• Automotive			
- Cars & Light Truck	21	24	+2
- Heavy Truck & Bus	5	5	+24
• Civil Engineering, Agricultural, Railways & Marine	19	18	+24
• Tooling	10	10	+27
• Power Generation	8	6	+60
• Oil & Gas	7	5	+54
• Consumer Products	4	4	+17
• Electronics & Telecoms	3	3	+13
• Medical/Health Science & Environmental	2	2	+41
• Miscellaneous	2	3	-4
	100	100	+19

Finance Charge



	£m
Continuing Operations	
Net interest payable	(2.1)
Pension finance charge	(0.8)
Bank charges etc.	(0.7)
	(3.6)
Discontinued Operations	(6.4)
Total	(10.0)

Year End Cash and Debt at Various Exchange Rates



	At Dec-08 Rates	Equivalent At Nov-08 Rates	Equivalent At Dec-07 Rates
	£m	£m	£m
Cash	258.4	255.2	252.1
Debt	(323.1)	(291.1)	(242.1)
Net Cash / (Debt)	(64.7)	(35.9)	10.0
Impact		(28.8)	(74.7)
Reference rates Vs GBP			
EUR	1.03	1.20	1.36
USD	1.44	1.54	1.99

- Balance Sheet Hedging will be relaxed
- £225m RCF matures in August 2010 but could refinance in 2009
- Significant margin increase and fees expected for any refinancing
- €125m RCF matures July 2013

Taxation



	2008	Tax		2007	Tax
	£m	%		£m	%
<u>Continuing Operations</u>					
Headline profit before tax ¹	67.6	18.3%		67.8	20.6%
Exceptional charges	(122.9)	24.1%		(7.2)	5.6%
Profit/(Loss) before taxation	(55.3)	31.1%		60.6	22.4%
<u>Discontinued Operations</u>					
Headline profit before tax ¹	13.5	15.6%		13.2	10.6%
Exceptional charges	199.3	11.0%		(5.3)	5.7%
Profit before taxation	212.8	11.3%		7.9	13.9%
TOTAL	157.5	4.3%		68.5	21.5%

- 2009 anticipated tax rate on Headline Profit Before Tax¹ 25.0%

- Shares in issue – 2008 average 310.9m 2009 187.5m
- FX rates 2008 average

	<u>Year</u>	<u>H1</u>	<u>H2</u>
USD	1.87	1.98	1.75
EUR	1.26	1.29	1.23

2009 current*	USD	1.44
	EUR	1.13

Pension Deficits



	2008	2007
	£m	£m
UK Funded	0.7	13.4
Europe Funded	2.2	2.0
Europe Unfunded	11.0	8.3
	13.2	10.3
Americas Funded	1.0	0.2
Total	14.9	23.9

Summary Cash Flow



	2008	2007
	£m	£m
Headline EBITDA ¹	153.2	139.1
Exceptional items	(34.9)	4.6
EBITDA ²	118.3	143.7
Working capital movement	17.6	(20.4)
Net capital expenditure	(74.9)	(66.9)
Operating Cash Flow	61.0	56.4
Interest	(8.0)	(9.1)
Tax	(20.5)	(16.0)
Lump sum contribution to pension plan	(21.0)	-
Free Cash Flow	11.5	31.3

Financial Ratios



	<u>2008</u>	<u>2007</u>
Net debt/EBITDA ¹	0.5x	1.4x
Interest cover ²	10.1x	9.7x
Gearing	13%	40%
Debtor Days	68	68

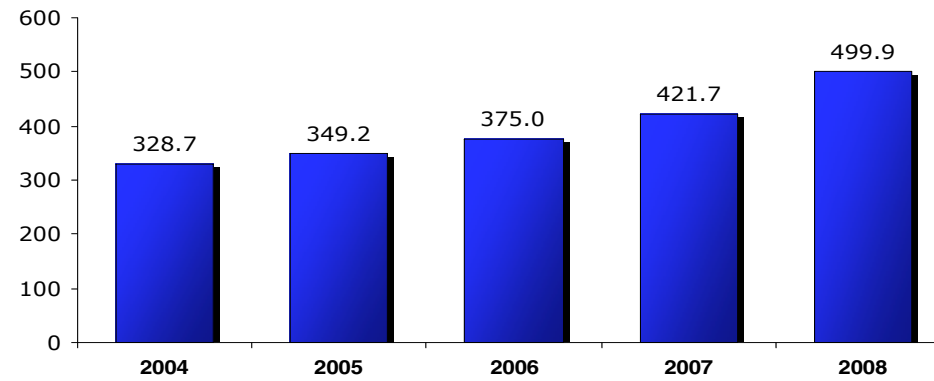
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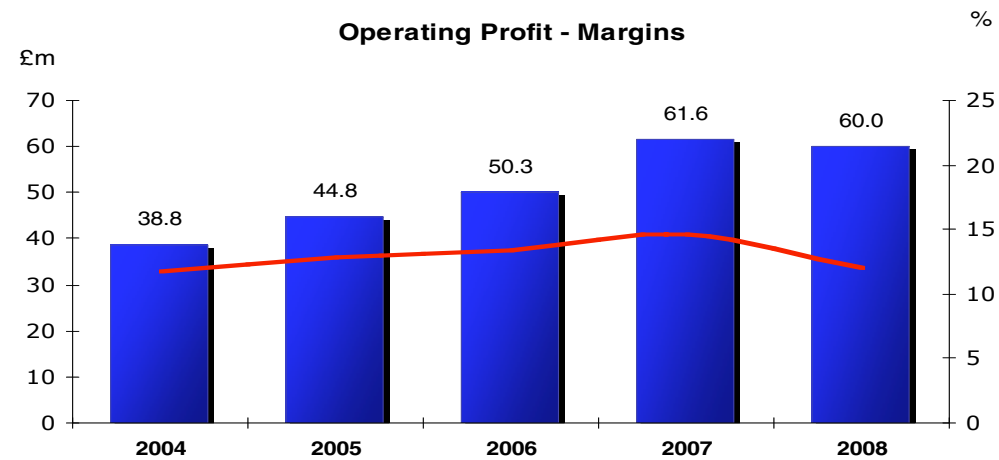
Heat Treatment



Revenue (£m)



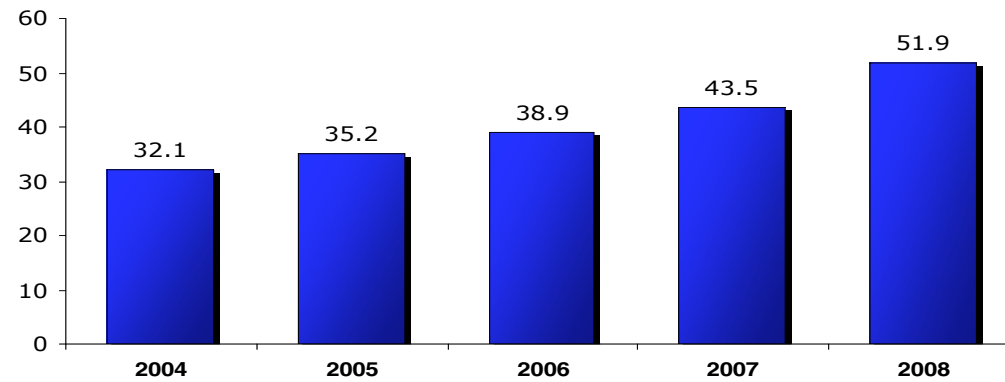
Operating Profit - Margins



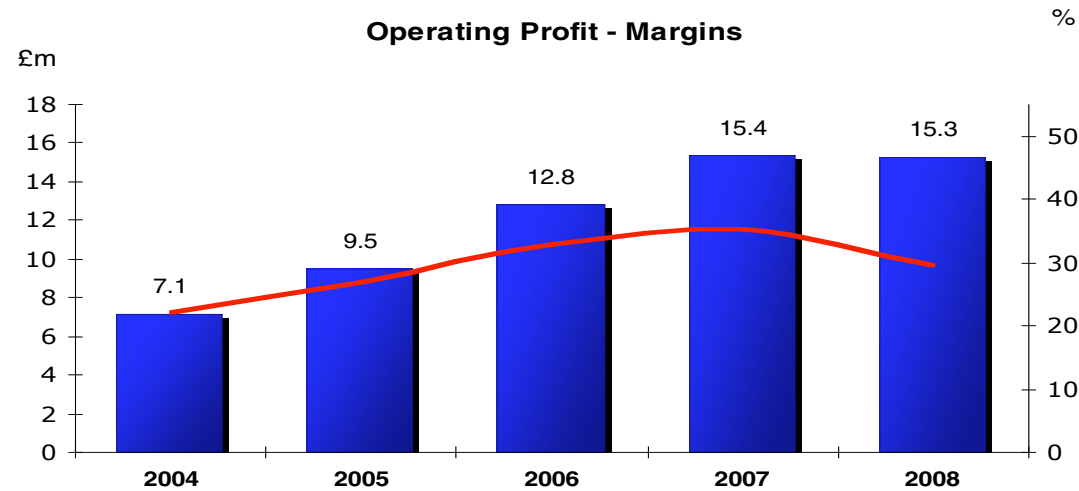
Hot Isostatic Pressing



Revenue (£m)



Operating Profit - Margins



- Match cost base with reduced demand
- Position business for recovery post recession
- Removing unprofitable and low value added parts of the network
- 31 facilities being closed or consolidated
- Headcount is being reduced by at least 10%
- Annualised cost saving £18m

Restructuring



		Asset Write Downs	Cash Costs	Total
		£m	£m	£m
Charges 2008		42.7	34.9	77.6
Total		44.9	40.7	85.6
			£m	
Spend	2008		4.0	
	2009		23.0	
	Later		13.7	
	Total		40.7	

Major Strategic Actions in 2008



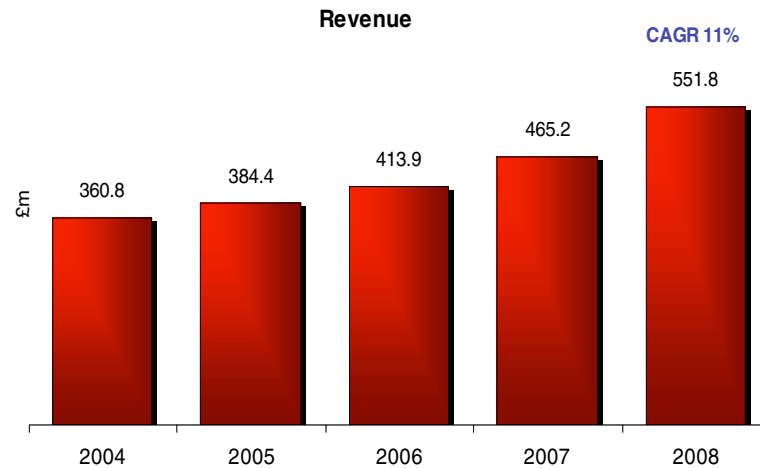
- Value of Testing Realised
- Balance sheet strengthened
- Restructuring underway
- Selective acquisitions

- Following the sale of the Testing activities Bodycote is a focused business with a strong balance sheet. While automotive markets have softened, demand from aerospace, power generation and oil & gas markets remain steady.
- Despite the uncertain economic environment, we remain confident in the medium and long term prospects for the Group.



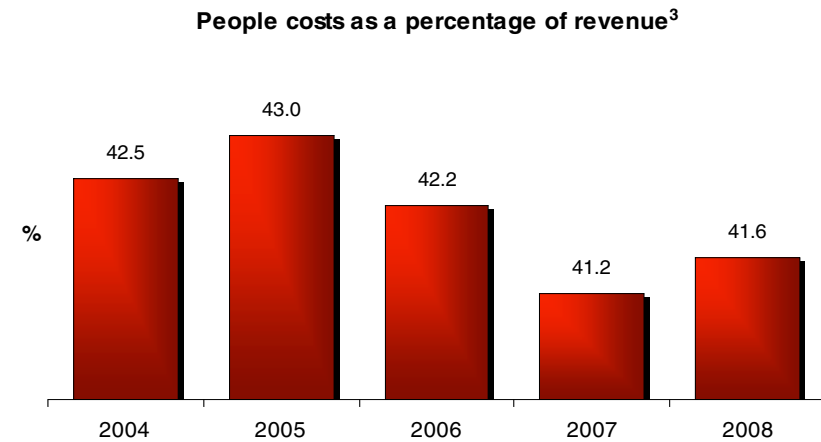
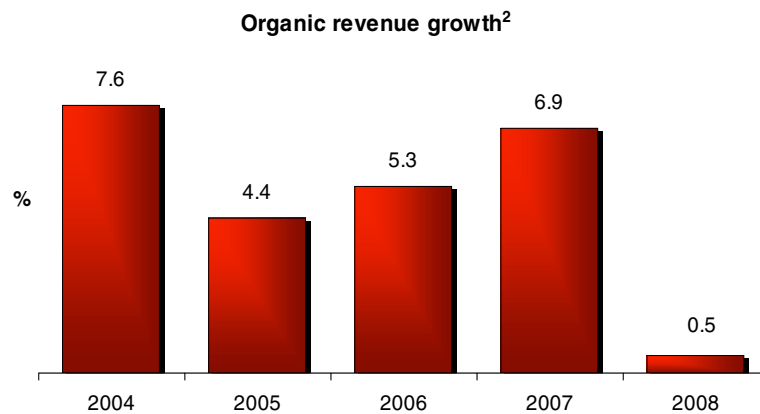
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Continuing Operations Financial Highlights



Target: Mid to high single digit %

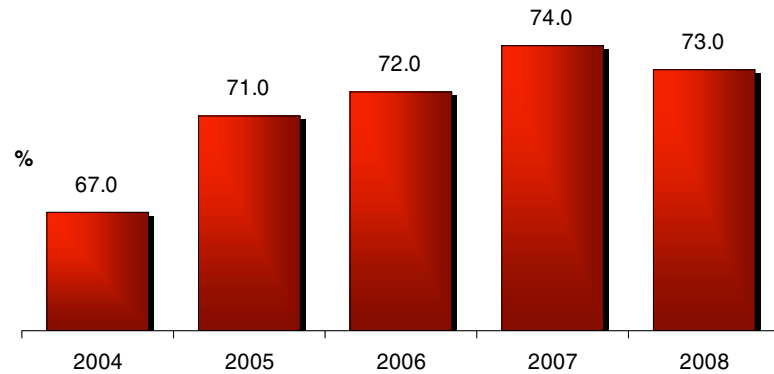
Target: TP: 40%



Key Performance Indicators non financial

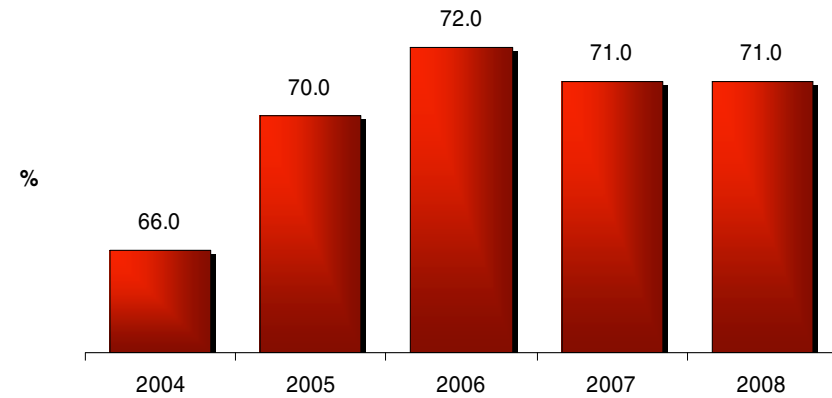
Target: >80%

Utilisation Heat Treatment⁶



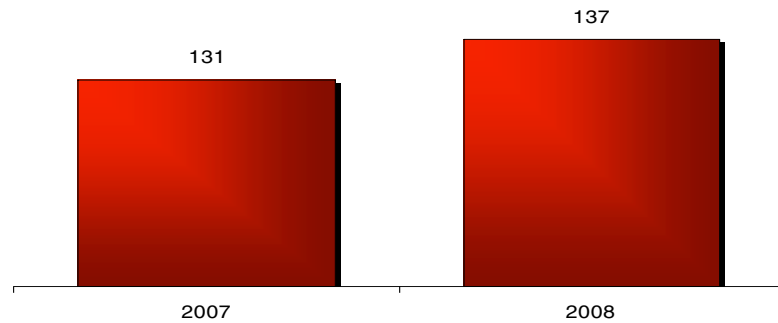
Target: >80%

Utilisation HIP⁷



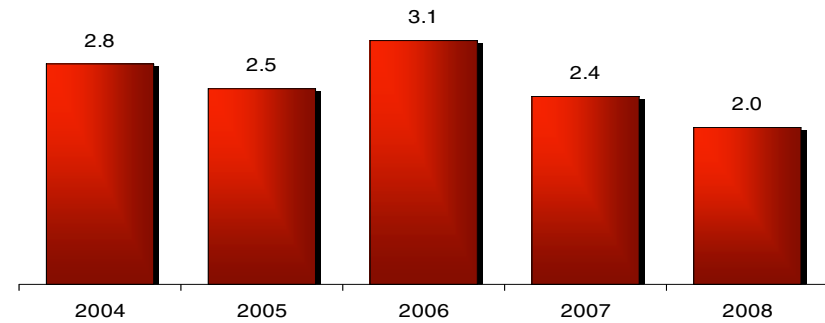
Target: All facilities

ISO 14001 compliant facilities⁸

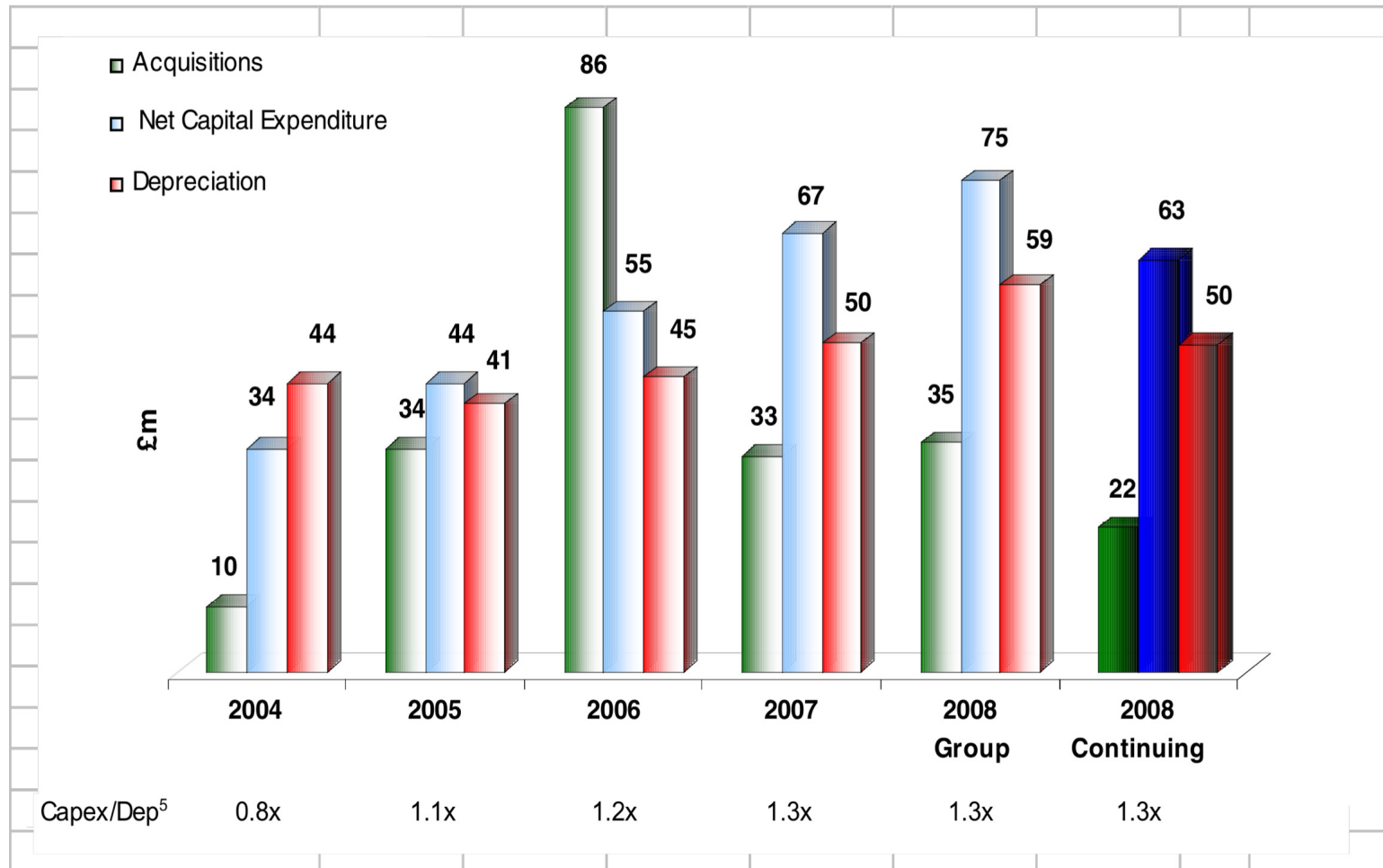


Target: Zero

Accident frequency⁹



Acquisitions, Capital Expenditure & Depreciation



Analysis Of Organic/Acquisition Growth



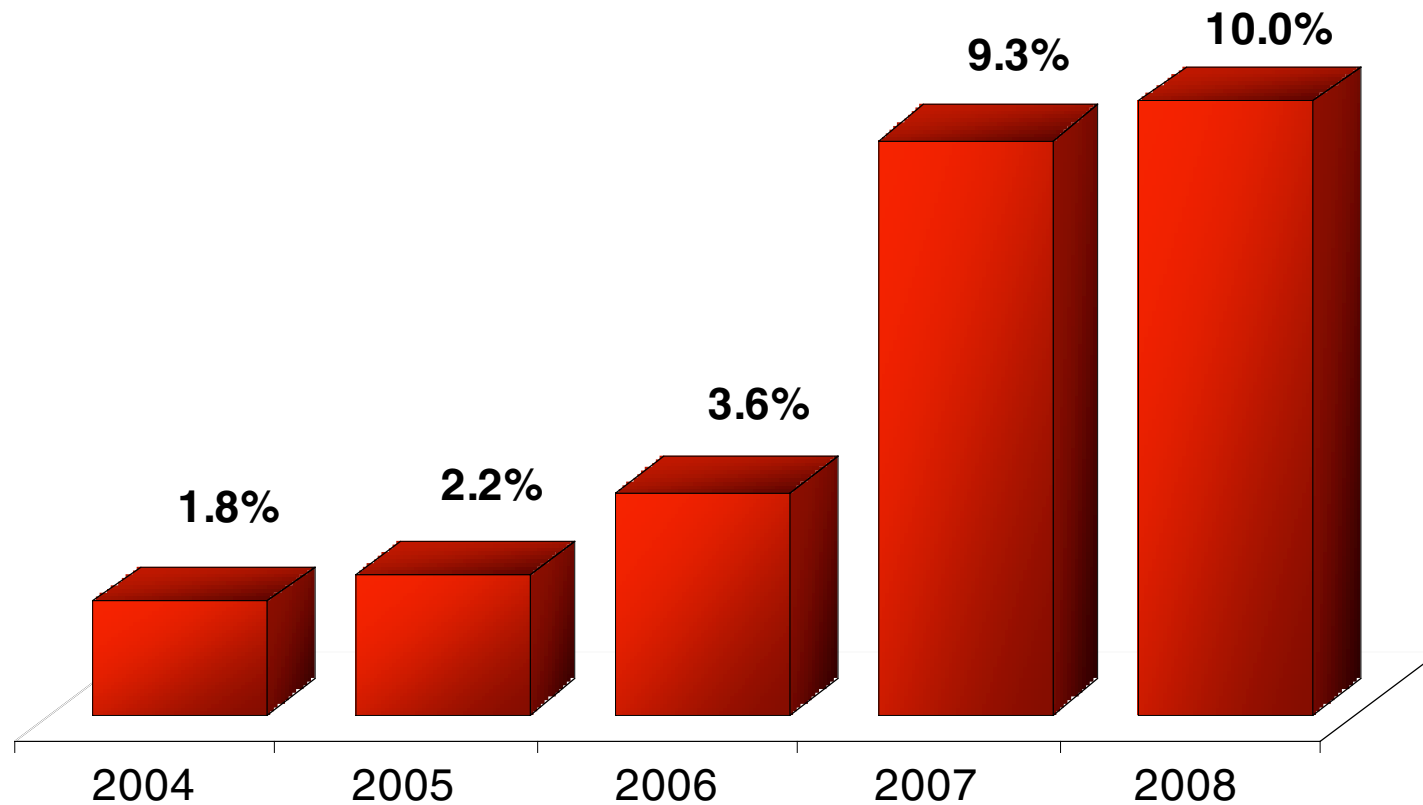
	HT £m	HIP £m	Head Office £m	Total £m
Revenue				
2007	421.7	43.5	-	465.2
Organic ¹	(0.3)	2.7	-	2.4
Acquisition	25.8	1.7	-	27.5
Currency	52.7	4.0	-	56.7
2008	499.9	51.9	-	551.8
Headline Operating Profit ²				
2007	61.6	15.4	(6.7)	70.3
Organic ¹	(12.4)	(1.2)	2.7	(10.9)
Acquisition	5.2	0.1	-	5.3
Currency	5.6	1.0	(0.1)	6.5
2008	60.0	15.3	(4.1)	71.2
% on sales				
2008	12.0%	29.5%	-	12.9%
2007	14.6%	35.4%	-	15.1%

Impact Of Exchange Rates



			Headline
		Sales	Operating Profit ¹
Continuing Operations		£m	£m
2008 As Reported		551.8	71.2
2008 Using 2007 Rates		495.1	64.7
Impact		56.7	6.5

Emerging markets as a % of Thermal Processing sales



Key performance indicators definitions

1. Headline operating profit as a percentage of average capital employed. Capital employed includes tangibles and intangibles assets including all previously amortised/impaired goodwill and all non interests bearing assets and liabilities. Headline operating profit is stated pre exceptional items and interest and tax on associates.
2. Headline operating profit as percentage of revenue from continuing operations. Headline operating profit is stated pre exceptional items and interest and tax on associates.
3. Year on year increase in revenue, at constant currencies from continuing operations excluding revenue from acquisitions made within the prior twelve months.
4. The salary and benefit costs of all employees as a percentage of revenue from continuing operations.
5. Net capital expenditure divided by depreciation.
6. Actual revenues expressed as a percentage of theoretical maximum revenue assuming that heat treatment facilities operate 24 hours per day, 365 days per year.
7. The number of facilities holding registrations for ISO 14001.
8. Accident frequency - the number of accidents x 200,000 (approximating 100 man years), divided by the total hours worked.



Bodycote