Introduction

Stephen Harris
Group Chief Executive
Agenda

- Summary
- Financial review
- Business review
- Outlook
Summary

- Revenue
  - Down 4% at constant currency
  - Group – excl. Energy* 0.4%
  - Energy* -22.1%

- Headline operating margin
  - 18.0% (2014: 18.2%)

- Business development
  - Restructuring virtually complete
  - Brazil sold
  - Investment accelerated for future growth

- Final dividend
  - 10.3p, up 5.1%

- Balance sheet
  - Net cash £12.3m
  - Special dividend of 10.0p

* Like-for-like sales growth rates are at constant exchange rates and exclude closed sites and Brazil
Financial review

David Landless
Group Finance Director
## 2015 Results summary

<table>
<thead>
<tr>
<th>£m</th>
<th>2015</th>
<th>2014</th>
<th>Constant</th>
<th>Currency</th>
<th>Total change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>567.2</td>
<td>609.1</td>
<td>(25.0)</td>
<td>(16.9)</td>
<td>(41.9)</td>
</tr>
<tr>
<td><strong>Headline:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Operating profit</td>
<td>102.1</td>
<td>111.1</td>
<td>(6.7)</td>
<td>(2.3)</td>
<td>(9.0)</td>
</tr>
<tr>
<td>Margin</td>
<td>18.0%</td>
<td>18.2%</td>
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<tr>
<td>Profit before tax</td>
<td>99.2</td>
<td>107.8</td>
<td>(6.2)</td>
<td>(2.3)</td>
<td>(8.6)</td>
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<tr>
<td>Restructuring charge</td>
<td>(20.0)</td>
<td>-</td>
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</table>

### Headline tax rate
- 2015: 24.4%
- 2014: 22.7%

### Net cash
- 2015: £12.3m
- 2014: £35.7m

### Headline EPS
- 2015: 39.5p
- 2014: 43.8p

### Return on Capital Employed
- 2015: 19.0%
- 2014: 20.7%

### Dividend
- Ordinary: 2015: 15.1p, 2014: 14.4p, change: 5%
- Special: 2015: 10.0p, 2014: 20.0p, change: -60%
## Divisional summary

<table>
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<tr>
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<th>2014</th>
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<td>(19.5)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>-8%</td>
<td></td>
<td>-7%</td>
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<tr>
<td>Headline Operating Profit</td>
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<td>59.2</td>
<td>70.6</td>
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<td>1.0</td>
<td>(11.4)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-18%</td>
<td></td>
<td>-16%</td>
</tr>
<tr>
<td>Margin</td>
<td></td>
<td>24.3%</td>
<td>26.8%</td>
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<tr>
<td><strong>AGI Divisions</strong></td>
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<tr>
<td>Revenue</td>
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<td>323.7</td>
<td>346.1</td>
<td>(3.8)</td>
<td>(18.6)</td>
<td>(22.4)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-1%</td>
<td></td>
<td>-6%</td>
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<td>Headline Operating Profit</td>
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<td>53.4</td>
<td>54.1</td>
<td>2.6</td>
<td>(3.3)</td>
<td>(0.7)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5%</td>
<td></td>
<td>-1%</td>
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<td>Margin</td>
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<td>16.5%</td>
<td>15.6%</td>
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Headline operating profit bridge

£m

<table>
<thead>
<tr>
<th>2014</th>
<th>Price minus cost increases</th>
<th>Sales volume</th>
<th>Start-Ups</th>
<th>Share-based payments</th>
<th>Central costs</th>
<th>2015 Constant currency</th>
<th>Foreign exchange translation</th>
<th>2015</th>
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<tr>
<td>111.1</td>
<td>-0.1</td>
<td>-9.4</td>
<td>-1.2</td>
<td>2.8</td>
<td>1.2</td>
<td>104.4</td>
<td>-2.3</td>
<td>102.1</td>
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</table>
Cash flow

£m

2014

Headline EBITDA = £166m

Depreciation

Capex 1.0x depn

Working Capital

Tax, Interest & Other

Headline Operating Profit

£75m free cash

2015

Headline EBITDA = £150m

Depreciation

Capex 1.2x depn

Working Capital

Tax, Interest & Other

Restructuring

£47m free cash

See slide 28 for detailed cash flow disclosure
Restructuring

- Half year restructuring programme, £20m charge (£9m non-cash impairment)
  - Brazil and India: Sold September
  - Oil & Gas: Fixed cost reduction completed July
  - AGI Europe: Exiting low margin activity
    - 3 facilities closed, further 2 in process of closure
    - Rationalised an additional 5 sites
    - Equipment and revenues transferred where possible

- Restructuring actions reduced headcount by 513

Total benefit £10m - £4m delivered H2 2015, £6m incremental benefit in 2016
Notes

Taxation

- Headline tax rate 24.4% (2014: 22.7%)
- Headline tax rate expected to be c.28% in 2016
  - Historical tax losses now largely exhausted
  - Proportion of profits from higher tax jurisdictions

Currency

- Every cent change in the US dollar is worth c.£300k of operating profit
- Every cent change in the Euro is worth c.£400k of operating profit
Five year perspective
At 2015 exchange rates

Sales £m
- 2011: 512
- 2012: 552
- 2013: 571
- 2014: 592
- 2015: 567

Headline operating profit £m
- 2011: 79
- 2012: 96
- 2013: 101
- 2014: 110
- 2015: 102

Headline margin %
- 2011: 15
- 2012: 17
- 2013: 17
- 2014: 18
- 2015: 18

ROCE %
- 2011: 16.3
- 2012: 17.9
- 2013: 19.9
- 2014: 20.7
- 2015: 19.0
Business review

Stephen Harris

Group Chief Executive
Aerospace & Defence

Revenue: £135m

- Civil Aerospace up 1.1%
- Good growth on new generation engines, particularly in France
- UK Aerospace down 8%
Energy

Revenue: £66m

Constant currency decline: -22.1%

- Sharp fall in Oil & Gas
- Impact mitigated by HIP PF
- IGT and power generation soft
- Energy business continues to generate good returns
Automotive

Revenue: £153m  Constant currency growth: 3.7% (Like-for-like growth*: 6.6%)

- Like-for-like* car & light truck revenues up 8%
- Heavy truck revenues declined marginally
- LPC, CiD and S³P Specialist Technologies delivered strong growth

*Like-for-like sales growth rates are at constant exchange rates and exclude closed sites and Brazil
General Industrial

Revenue: £213m

Constant currency decline: -5.2%

- Capital equipment demand weak
- Commodity price weakness affected industrial machinery
- Downward pressure from slowing growth in China and embargo on global trade with Russia
Headline operating margin bridge

%
Improving the mix
The Bodycote Margin Model

Margin analysis

Customer A: PENETRATION
Increase penetration
Increase profitability

Customer B: HIGH PENETRATION
Increase penetration without loss of profitability

Customer C: SECURE
Secure position

Customer D: IMPROVE
Increase prices
Restructure processes

Customer E: IMPROVE OR REDUCE
Improve margin
Selective price increases or Exit

Share of customer's wallet

Margin

Bubble size proportionate to customer revenue
Improving the mix
The Bodycote Margin Model

Customer A: PENETRATION
Increase penetration
Increase profitability

Customer B: HIGH PENETRATION
Increase penetration without loss of profitability

Customer C: SECURE
Secure position

Customer D: IMPROVE
Increase prices
Restructure processes

Customer E: IMPROVE OR REDUCE
Improve margin
Selective price increases or Exit

Margin analysis

Bubble size proportionate to customer revenue
2015 Revenue & headline operating profit split

2015 Revenue

- Classical Heat Treatment: 75%
- Specialist Technologies: 25%
  (2014: 24%)

2015 Headline operating profit

- Specialist Technologies: 39%
  (2014: 38%)
- Classical Heat Treatment: 60%
Investing in future growth

Specialist Technologies

- HIP PF: New facility to be constructed
- HIP: New high pressure capacity recently added
- S³P: New facility under construction in North Carolina
- New capacity added in Ohio
- CiD: New capacity recently added
- LPC: New facility now online in Mexico
- ST: Increased investment in capacity
- ST: Increased investment in UK capacity
- S³P: New facility operational in France
- S³P: New facility planned for Germany
- LPC: Capacity expansion in Poland and the Netherlands
- New facility planned / under construction
- Investment in expansion / additional capacity
Investing in future growth

Classical Heat Treatment

- New facility planned for Southeast USA
- New facility planned for Northern UK
- New facility under construction in Toulouse
- Greenfield AGI in Wroclaw, Poland, now operational
- New ADE facility planned for Poland
- Gebze, Turkey, ramping up
- Significant capacity expansion underway in Turkey
- Kunshan, China, ramping up
- Greenfield in Taicang, China, now operational

ADE
Significant investment in aerospace

AGI
Further expansion into rapid growth countries
The Group delivered a resilient performance in 2015. Automotive and aerospace revenues moved ahead. However, the decline in oil price combined with downward pressures on our general industrial business led to Group revenues falling by 4% at constant exchange rates. The speed and effectiveness of management’s actions, in addition to the continued focus on improved mix, enabled headline operating margins to be sustained. Recognising the Group’s net cash position, the Board is recommending a further special dividend.

The Group will continue to follow its strategy of investing in areas of robust revenue opportunity, notably in Specialist Technologies and in higher growth territories, as well as further enriching the mix towards higher added value services. The Board is confident that management’s continued focus on business improvements will generate good returns throughout the cycle.
## Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td>Headline Operating Profit</td>
<td>Operating profit before exceptional costs and amortisation of acquired intangibles</td>
</tr>
<tr>
<td>Headline Profit Before Tax</td>
<td>Profit before tax, exceptional costs and amortisation of acquired intangibles</td>
</tr>
<tr>
<td>Headline Operating Cash Flow</td>
<td>Cash generated by operations, less net capital expenditure and before cash flow relating to exceptional items</td>
</tr>
<tr>
<td>Headline EBITDA</td>
<td>Earnings before interest, tax, depreciation, amortisation, impairment of fixed assets, profit or loss on disposal of property, plant and equipment, cash flow relating to restructuring, acquisition costs and share-based payments</td>
</tr>
<tr>
<td>Headline EPS</td>
<td>Earnings per share excluding exceptional costs and tax on exceptional costs</td>
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<tr>
<td>Headline Operating Cash Conversion</td>
<td>Headline operating cash flow divided by headline operating profit</td>
</tr>
<tr>
<td>ROCE</td>
<td>Headline operating profit divided by the average of opening and closing capital employed as adjusted for certain items of goodwill written off</td>
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<tr>
<td>Capital Employed</td>
<td>Net assets adjusted for net cash/(debt)</td>
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## 2015 Statutory income statement

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<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
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<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>£m</td>
<td></td>
</tr>
<tr>
<td></td>
<td>567.2</td>
<td>609.1</td>
</tr>
<tr>
<td><strong>Headline operating profit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>102.1</td>
<td>111.1</td>
</tr>
<tr>
<td>Amortisation of acquired intangible fixed assets</td>
<td>(4.2)</td>
<td>(3.9)</td>
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<tr>
<td>Acquisition costs</td>
<td>-</td>
<td>(0.2)</td>
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<tr>
<td>Reorganisation costs</td>
<td>(20.0)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>77.9</td>
<td>107.0</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(2.9)</td>
<td>(3.3)</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>75.0</td>
<td>103.7</td>
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<tr>
<td><strong>Headline earnings per share (pence)</strong></td>
<td></td>
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<td>Basic</td>
<td>39.5p</td>
<td>43.8p</td>
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## Cash flow detail

<table>
<thead>
<tr>
<th>£m</th>
<th>2015</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td>Headline operating profit</td>
<td>102.1</td>
<td>111.1</td>
</tr>
<tr>
<td>Add back: Depreciation and amortisation</td>
<td>49.6</td>
<td>53.9</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>(0.4)</td>
<td>1.9</td>
</tr>
<tr>
<td>Profit on disposal of fixed assets</td>
<td>(2.1)</td>
<td>(1.4)</td>
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<tr>
<td><strong>Headline EBITDA</strong></td>
<td><strong>149.2</strong></td>
<td><strong>165.5</strong></td>
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<tr>
<td>Net capital expenditure</td>
<td>(61.3)</td>
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<tr>
<td>Net working capital movement</td>
<td>(6.3)</td>
<td>(11.7)</td>
</tr>
<tr>
<td><strong>Headline operating cash flow</strong></td>
<td><strong>81.6</strong></td>
<td><strong>100.0</strong></td>
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<td>Restructuring</td>
<td>(8.4)</td>
<td>(3.0)</td>
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<td>Acquisition expenses</td>
<td>-</td>
<td>(0.2)</td>
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<tr>
<td><strong>Operating cash flow</strong></td>
<td><strong>73.2</strong></td>
<td><strong>96.8</strong></td>
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<tr>
<td>Financing costs</td>
<td>(2.6)</td>
<td>(2.7)</td>
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<td>Tax</td>
<td>(23.2)</td>
<td>(19.0)</td>
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<tr>
<td><strong>Free cash flow</strong></td>
<td><strong>47.4</strong></td>
<td><strong>75.1</strong></td>
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<td>Acquisitions</td>
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<tr>
<td>Disposals</td>
<td>1.6</td>
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</tr>
<tr>
<td>Dividends</td>
<td>(66.0)</td>
<td>(45.2)</td>
</tr>
<tr>
<td>Other</td>
<td>(6.4)</td>
<td>(6.5)</td>
</tr>
<tr>
<td><strong>Reduction in net cash</strong></td>
<td><strong>(23.4)</strong></td>
<td><strong>20.7</strong></td>
</tr>
<tr>
<td><strong>Net cash</strong></td>
<td><strong>12.3</strong></td>
<td><strong>35.7</strong></td>
</tr>
</tbody>
</table>

- Net capex to depreciation ratio 1.2 times
- Includes payment of 2014 Special Dividend (£38m)
### Specialist technologies

#### What are they?

| HIP Services | Application of high temperature and pressure to densify cast material  
|              | Removal of porosity defects improves strength, toughness and machinability  
|              | Can eliminate internal voids created by additive manufacturing methods  |
| HIP PF       | Method of manufacturing components by HIP technology using powder or solid  
|              | Can create parts with the complexity of a casting but the strength of a forging  
|              | Can be used to produce materials that can’t be manufactured by any other means  |
| Specialty Stainless Steel Processes | A family of proprietary technologies for the treatment of stainless steel  
|              | Unique solution for improving the strength, hardness and wear resistance of stainless steels  
|              | Does not affect the inherent corrosion-resistant properties of stainless steel  |
| Surface Technology | Comprises thermally sprayed ceramic and metallic coatings, and chemically-formed ceramics  
|              | Prolongs component life by protecting from corrosion, abrasion and temperature  
|              | Leads to reduced environmental impact by eliminating chrome  |
| Low Pressure Carburising | A ‘clean’ heat treatment process carried out under vacuum  
|              | Provides a hardened surface and tough core – improves wear resistance and fatigue life  
|              | Environmentally friendly  |
| Corr-I-Dur®  | Proprietary heat treatment process for improving corrosion resistance and wear properties  
|              | Successful alternative to hard chromium  
|              | Leads to reduced environmental impact by eliminating chrome  |
### Net finance charge/facilities

<table>
<thead>
<tr>
<th>£m</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest payable</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Financing and other costs</td>
<td>2.3</td>
<td>2.5</td>
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<tr>
<td>Pension finance charge</td>
<td>0.3</td>
<td>0.6</td>
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<tr>
<td><strong>Net finance charge</strong></td>
<td><strong>2.9</strong></td>
<td><strong>3.3</strong></td>
</tr>
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</table>

- Committed facility headroom of £230m at 31 December 2015
- The remaining life of the £230m committed facility is 3.5 years
- Closing net cash of £12.3m
## Pension analysis

<table>
<thead>
<tr>
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<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>£m</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK Funded</td>
<td>2.7</td>
<td>1.0</td>
</tr>
<tr>
<td>Other Western Europe Funded</td>
<td>2.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Other Western Europe Unfunded</td>
<td>12.6</td>
<td>13.7</td>
</tr>
<tr>
<td><strong>Western Europe Total</strong></td>
<td><strong>17.3</strong></td>
<td><strong>16.3</strong></td>
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<td>North America Funded</td>
<td>0.5</td>
<td>0.6</td>
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<tr>
<td>Emerging Markets Unfunded</td>
<td>0.1</td>
<td>0.1</td>
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<tr>
<td><strong>Total retirement benefit obligations</strong></td>
<td><strong>17.9</strong></td>
<td><strong>17.0</strong></td>
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### Western Europe Unfunded:

<table>
<thead>
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<tbody>
<tr>
<td>Italy</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td>France</td>
<td>8.6</td>
<td>8.9</td>
</tr>
<tr>
<td>Germany</td>
<td>3.4</td>
<td>4.1</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>12.6</strong></td>
<td><strong>13.7</strong></td>
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Financial information

<table>
<thead>
<tr>
<th>Shares in issue</th>
<th>2015</th>
<th>2014</th>
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<tr>
<td>Weighted average</td>
<td>190.0m</td>
<td>190.2m</td>
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<th>Exchange rates</th>
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<tr>
<td>EUR</td>
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</tr>
<tr>
<td>Average (P&amp;L)</td>
<td>1.38</td>
<td>1.24</td>
</tr>
<tr>
<td>Closing (B/S)</td>
<td>1.36</td>
<td>1.29</td>
</tr>
<tr>
<td>USD</td>
<td></td>
<td></td>
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<tr>
<td>Average (P&amp;L)</td>
<td>1.53</td>
<td>1.65</td>
</tr>
<tr>
<td>Closing (B/S)</td>
<td>1.47</td>
<td>1.56</td>
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<tr>
<td>SEK</td>
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<td>Average (P&amp;L)</td>
<td>12.89</td>
<td>11.31</td>
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<tr>
<td>Closing (B/S)</td>
<td>12.43</td>
<td>12.16</td>
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Analysis by currency, 2015:

<table>
<thead>
<tr>
<th>Exchange</th>
<th>Sales</th>
<th>Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR</td>
<td>35%</td>
<td>39%</td>
</tr>
<tr>
<td>USD</td>
<td>37%</td>
<td>49%</td>
</tr>
<tr>
<td>SEK</td>
<td>7%</td>
<td>5%</td>
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</table>

<table>
<thead>
<tr>
<th>Financial ratios</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Debt : Headline EBITDA</td>
<td>net cash</td>
<td>net cash</td>
</tr>
<tr>
<td>Headline EBITDA Interest Cover</td>
<td>498x</td>
<td>827x</td>
</tr>
<tr>
<td>Gearing (Net Debt:Total Equity)</td>
<td>net cash</td>
<td>net cash</td>
</tr>
</tbody>
</table>

Average headcount

- **2011**: 5,532
- **2012**: 5,720
- **2013**: 5,813
- **2014**: 5,836
- **2015**: 5,667
## Divisional summary – 2015 H1 v H2

£m

<table>
<thead>
<tr>
<th>Division</th>
<th>H1</th>
<th>H2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADE Divisions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>128.8</td>
<td>114.7</td>
<td>243.5</td>
</tr>
<tr>
<td>Headline operating profit</td>
<td>31.5</td>
<td>27.7</td>
<td>59.2</td>
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<tr>
<td>Margin</td>
<td>24.5%</td>
<td>24.1%</td>
<td>24.3%</td>
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<tr>
<td><strong>AGI Divisions</strong></td>
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<tr>
<td>Revenue</td>
<td>171.0</td>
<td>152.7</td>
<td>323.7</td>
</tr>
<tr>
<td>Headline operating profit</td>
<td>27.6</td>
<td>25.8</td>
<td>53.4</td>
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<tr>
<td>Margin</td>
<td>16.1%</td>
<td>16.9%</td>
<td>16.5%</td>
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</tbody>
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