



# Transformation of Bodycote

INVESTOR DAY  
24<sup>th</sup> October 2007

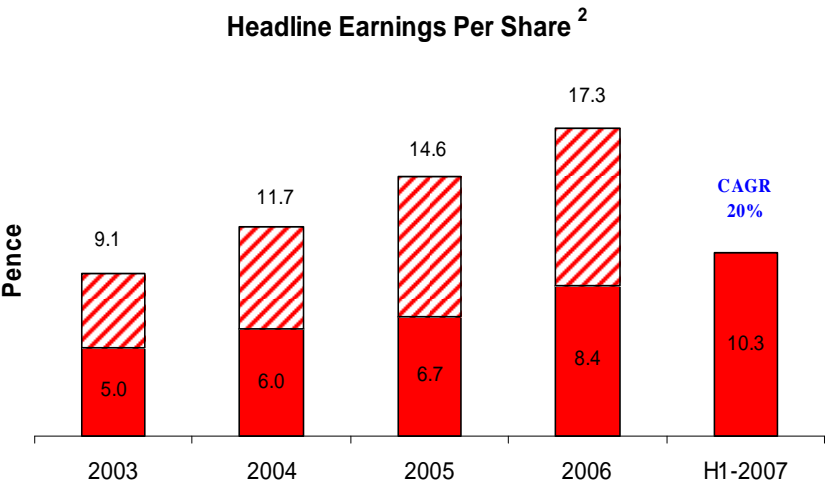
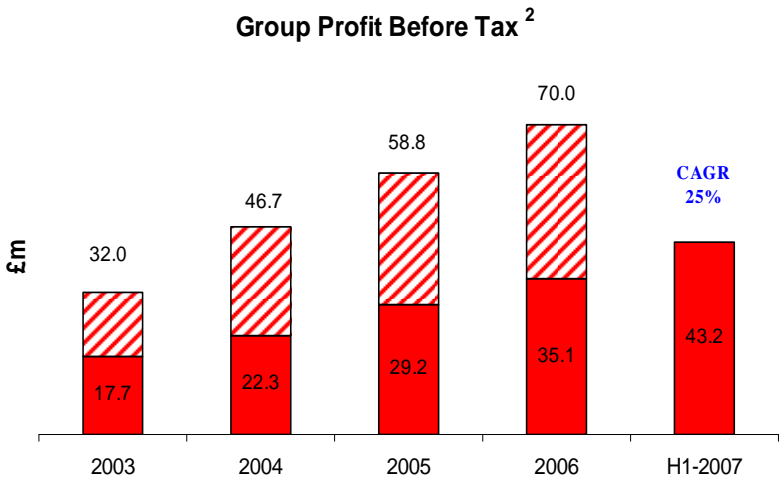
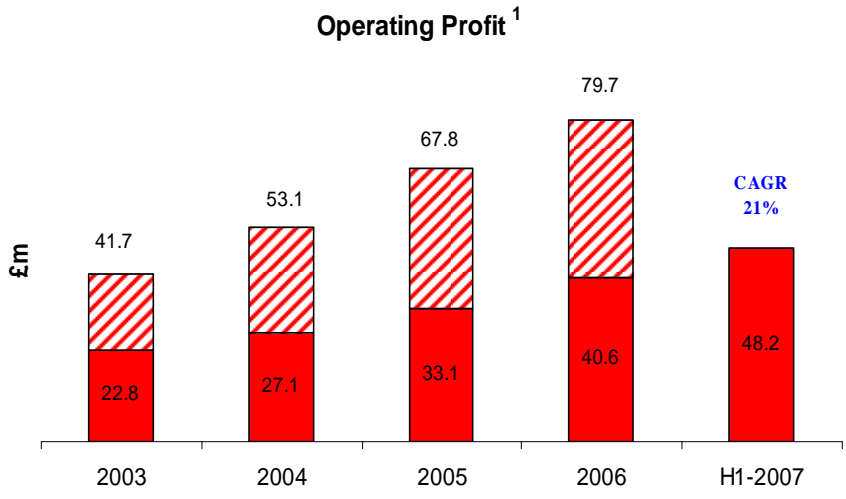
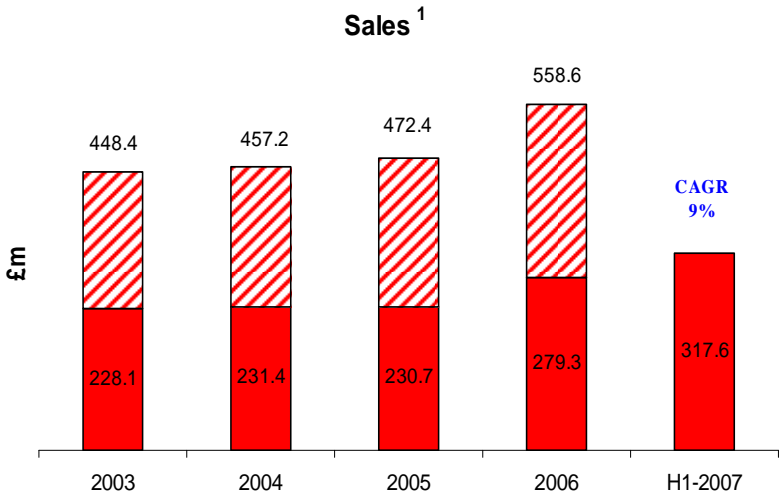
**Bodycote**

# What We are/What We are Not



- We provide materials technology and analytical services to industry globally
- We aim to offer a broad range of these services to our customers
- We are a global business which operates in 31 countries
- We serve a wide range of market sectors
- But with a focus on Aerospace, Power Generation, Automotive, Oil & Gas and Health Sciences
- We are not an engineer or a manufacturer

# Financial Highlights



1 Pre exceptional items and interest and tax on associates.  
 2 Pre exceptional items and tax on associates.  
 3 Pre exceptional items and tax settlements in respect of prior years.

# Key Performance Indicators

Financial	2003	2004	2005	2006	H1-2007	Target
Return on capital employed <sup>1</sup>	5.5%	7.6%	9.9%	10.8%	11.1%	Mid Teens %
Return on sales <sup>2</sup>	9.3%	11.6%	14.4%	14.3%	15.2%	Mid to high teens %
Organic sales growth <sup>3</sup>	-2%	8%	5%	6%	8%	Mid to high single digit %

# Key Performance Indicators



<b>Financial</b>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>H1-2007</u>	<u>Target</u>
People costs as a percentage of sales <sup>4</sup>						
Thermal Processing	43.9%	42.4%	41.8%	40.7%	39.1%	40%
Testing	49.6%	49.5%	50.7%	51.9%	52.7%	50%
Capital expenditure/depreciation ratio <sup>5</sup>	0.8x	0.8x	1.1x	1.2x	1.3x	0.8x -1.3x

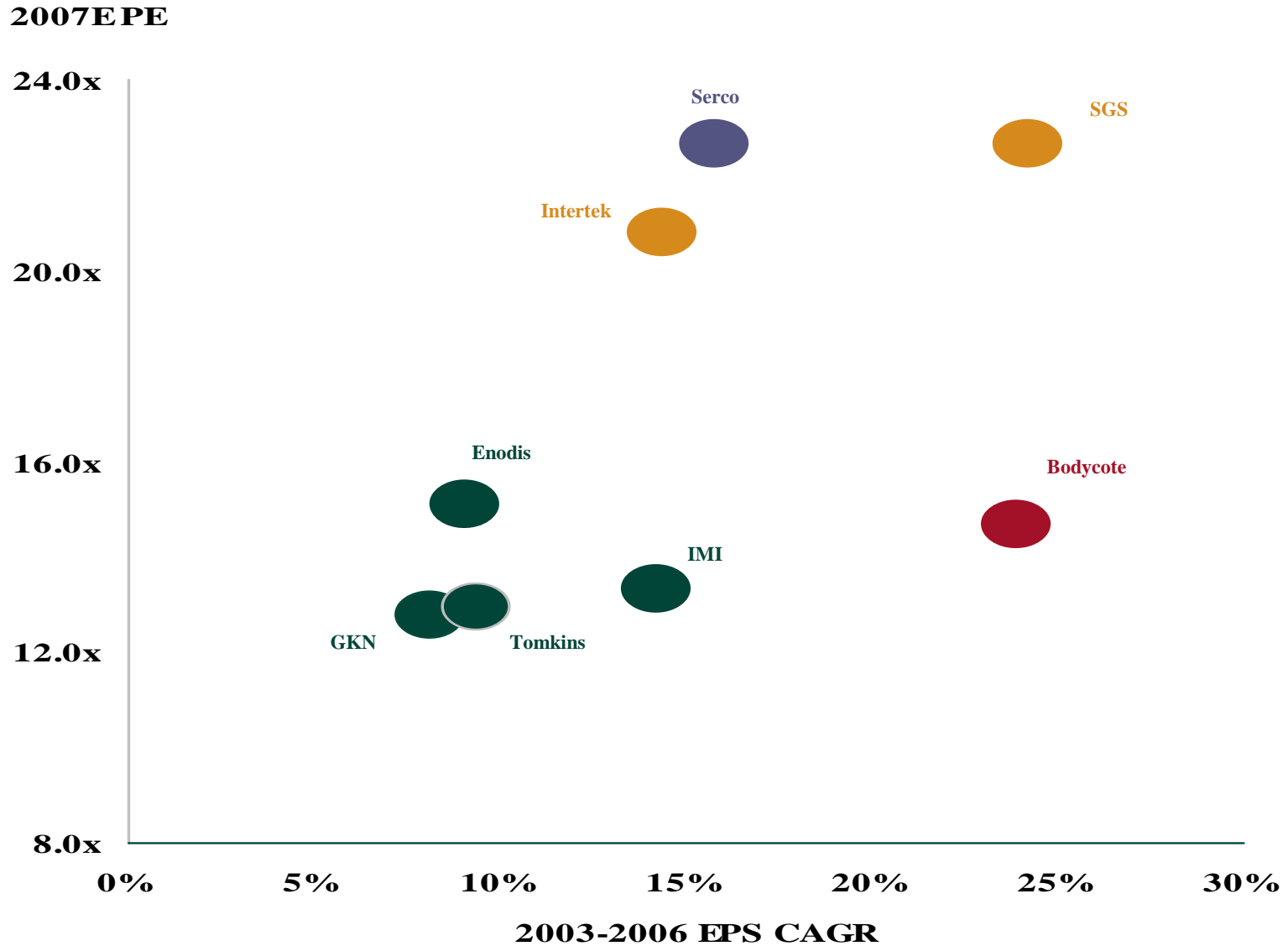
# Key Performance Indicators

Non Financial	2003	2004	2005	2006	H1-2007	Target
Utilisation Heat Treatment <sup>6</sup>	64%	67%	71%	72%	74%	>80%
Utilisation HIP <sup>6</sup>	58%	66%	70%	75%	76%	>80%
ISO 14001/17025 compliant facilities <sup>7</sup>	N/A	N/A	134	184	227	All facilities
Accident frequency <sup>8</sup>	3.3	3.3	2.1	2.2	1.7	Zero

# Historic EPS vs. Current Rating

**2003-2006 EPS CAGR v Current PE Rating**

Annual Reports and Reuters Consensus



## Delivery Against Strategy – Set 2005

- GOAL: Grow c.15% per annum and deliver mid teens ROCE

	<u>2005</u>	<u>2006</u>	<u>2007 (H1)</u>
Sales Growth	10%	19%	19%
ROCE	10%	11%	12% <sup>1</sup>

- STRATEGY:

Grow Testing

Sales Change YoY	+32%	+67%	+30%
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Increase in Emerging Markets

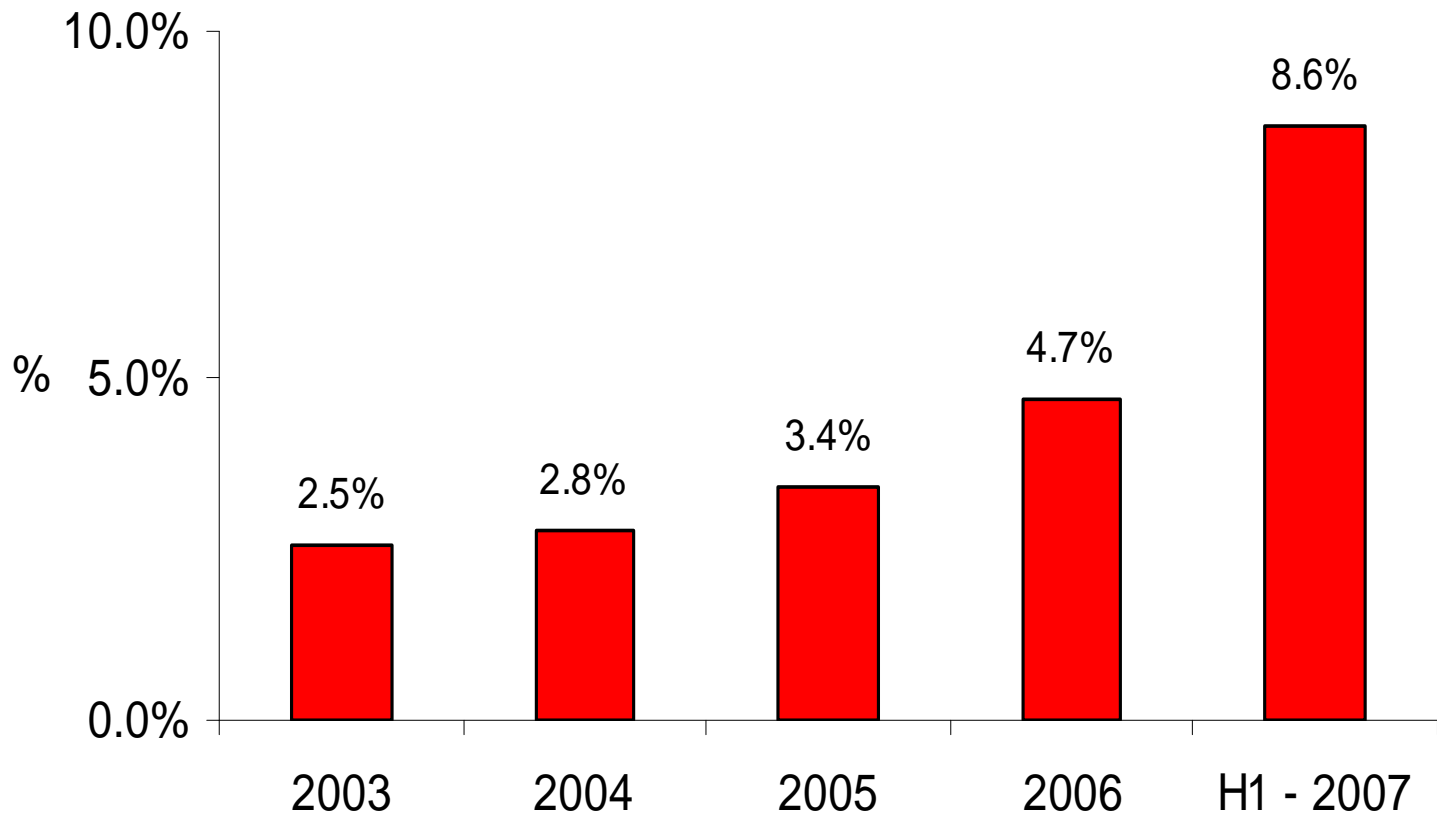
More Outsourcing

<sup>1</sup> Annualised

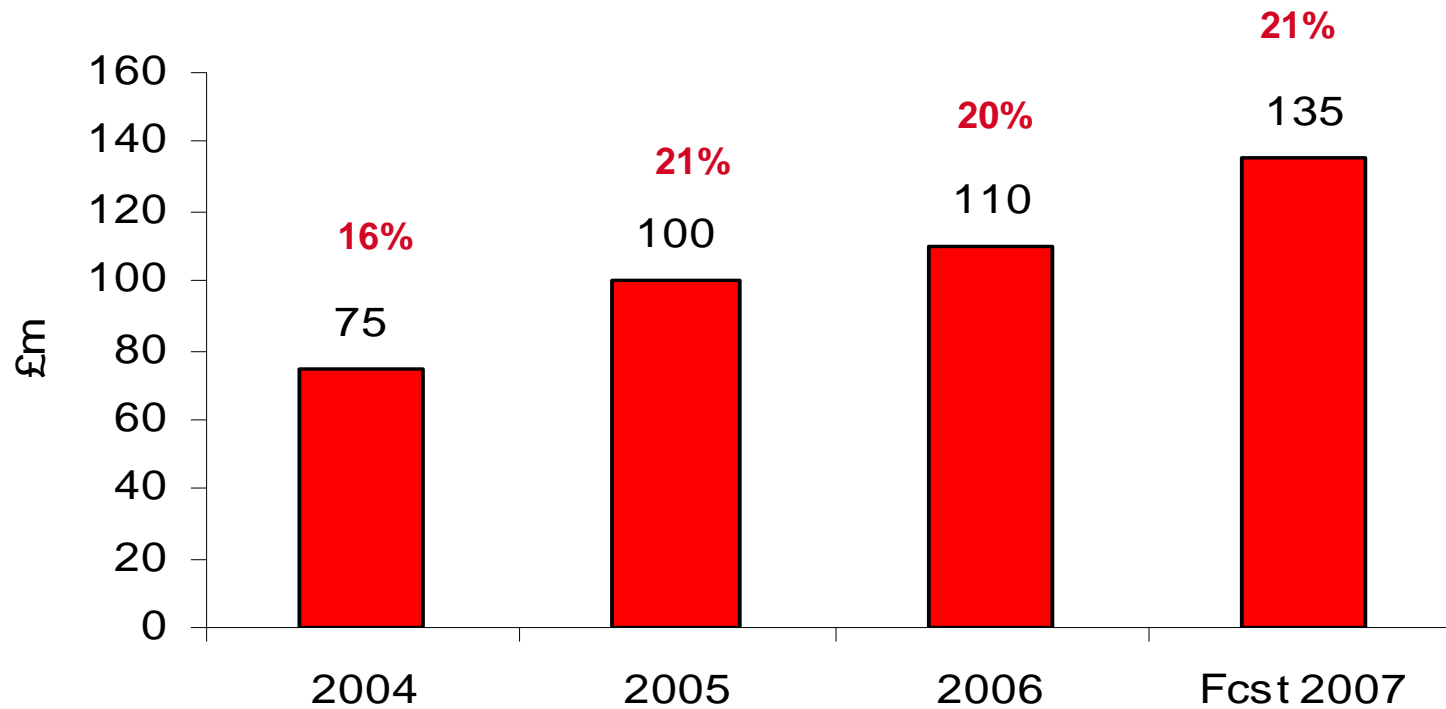


# Emerging Markets

### Emerging markets as a % of group sales



## Group sales from Strategic Partnerships and Long Term Agreements



## ROCE vs. MARGIN

	2003	2004	2005	2006
Thermal Processing				
ROCE	6%	8%	10%	11%
Margin	10.7%	12.7%	14.1%	15.2%
Testing				
ROCE	19%	21%	22%	20%
Margin	18.6%	18.9%	18.8%	14.7%

# Key Performance Indicator Definitions

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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. Operating profit is stated pre exceptional items and interest and tax on associates.
2. Headline operating profit as percentage of revenue from continuing operations. 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 six months.
4. The salary and benefit costs of all employees 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 or ISO 17025.
8. Accident frequency - the number of accidents x 200,000 (approximating 100 man years), divided by the total hours worked.



**Bodycote**