Bodycote Testing Group - an introduction

Midlands Tour
10 May 2006
Format

1. Introduction
2. Business Model
3. Financial KPI’s
4. Services/Markets/Competition
5. Growth Strategy
6. Summary, Q&A
Introduction Testing Group

• One of 2 core Strategic Business Units within Bodycote International plc
  – Testing Group
  – Thermal Processing
• 90 accredited laboratories / 60 at 2005 year end
• £85m at 2005 year end
• Growing to 40% of Bodycote sales by 2010
• 2,800 employees - scientists, engineers, technicians
• Operating in 16 countries
• Highly respected in its markets
• International Group of national identity businesses
• Global business strategy adjusted for local sensitivities
• Decentralised management structure
• Embracing prevailing cultures in the regions and countries where the Group operates
BTG is a knowledge based company providing independent, accredited materials testing services to almost every business sector. The results of testing facilitate product development, production release, forensic analysis and certification.

“But the Contractor said his tests passed”
**Business Model Strategic Plan Elements**

**Value Proposition**
Provision of **Value added** service tailored to clients needs

**Distinctive Attributes**

- Structure operations along business streams
- Align business development to core markets, e.g. Aerospace, Pharma, etc.
- Leverage Intellectual Property
- Maintain strong relationships with OEMS, suppliers, retailers etc.
- Leverage technical know-how & transfer technology
- Position IS systems to ensure key client deliverables
- Develop innovative staff training & development programs
- Constantly improve integration to enable seamless acquisition assimilation
Overall Testing Group Organisation

BODYCOTE PLC

TESTING Group S.I.M. BOARD

EUROPE

AMERICAS

MIDDLE EAST & ASIA

MATERIALS TESTING

ENGINEERING & TECHNOLOGY

HEALTH SCIENCES

METROLOGY

MATERIALS TESTING

ENGINEERING & TECHNOLOGY

HEALTH SCIENCES

ENVIRONMENTAL

MATERIALS TESTING

ENGINEERING & TECHNOLOGY

HEALTH SCIENCES
Group Sales Analysis

2005

2006

Materials 44%
Engineering & Technology 27%
Health Sciences 17%
Environmental 12%

Materials 28%
Reliability 17%
Health Sciences 15%
Environmental 12%
Metrology 10%
Services/Markets/Competition ‘Materials’ – core services

- Tensile testing
- Impact testing
- Exposure cabinet
- CNC specimen machining
- Microscopy
- Micro-focus radiography
‘Engineering & Technology’ - core services

High load test on bridge damper

Airbag activation test

Fracture mechanics – aircraft skin

Turbine blade test

Vehicle testing

Corrosion testing
‘Health Sciences’ - core services

Food testing

Testing and surveying for asbestos in buildings

Testing and evaluating pharmaceuticals

Advisory services
‘Environmental’ - core services

Sampling hazardous substances  Testing soil and water  Stack emission testing

Eco-toxicology  Lagoon water sampling
‘Metrology’ – core services

Telecommunications

Healthcare

Metrology

Avionics
Where is the service provided from?

Americas - 32
Middle East - 7
Europe - 50
Australia - 1
What sectors does Bodycote Testing serve?

Almost all industries:-
  Aerospace
  Automotive
  Construction
  Defence
  Electronics
  General Engineering
  Oil & Gas
  Power Generation
  Rail
  Medical
  Water
  Environmental
Sales Segmentation 2005

- Health Science & Environ. 29%
- Power Generation 5%
- Oil & Gas 18%
- Automotive 9%
- Miscellaneous 7%
- Aerospace/Defence 21%
- Construct., Agricul., R/way, Marine 11%
Competition

- Numerous smaller independents >1000 globally
- A few larger independents – Staveley, USA; Stork, US & Europe; Canspec, Canada
- Manufacturers with in-house facilities
- Multinational certification companies – DNV, SGS, Intertek – in a few areas only
- Universities & Technical institutions (RAPRA, Edison Welding Institute, TWI)
- Life Science Groups – Alcontrol, Eurofins, ALS, etc.
- Calibration & Metrology groups – Trescal, Qinetiq, Agilent Technologies, Rohde & Schwarz GmbH & Co
Growth Strategy

Bodycote plans to grow the testing group both organically and by acquisition.

1. Diversify away from routine and commodity testing by expanding further up the value chain
2. Increase BTG exposure to regulatory driven markets, as opposed to cyclical engineering/manufacturing markets
3. Broaden scope of services and network provision
4. Expand into new geographical markets
<table>
<thead>
<tr>
<th>Acquisition</th>
<th>Country</th>
<th>Sales</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dubai Light Railway</td>
<td>UAE</td>
<td>£3.4M</td>
<td>Materials</td>
</tr>
<tr>
<td>Festival City</td>
<td>UAE</td>
<td>£1.3M</td>
<td>Materials</td>
</tr>
<tr>
<td>Effluent Analysis</td>
<td>UAE</td>
<td>£0.5M</td>
<td>Environmental</td>
</tr>
<tr>
<td>Engine Testing</td>
<td>Mexico</td>
<td>£2.0M</td>
<td>Eng/Tech</td>
</tr>
<tr>
<td>Emissions Testing</td>
<td>US</td>
<td>£3.0M</td>
<td>Eng/Tech</td>
</tr>
<tr>
<td>Effluent Analysis</td>
<td>Canada</td>
<td>£0.4M</td>
<td>Environmental</td>
</tr>
<tr>
<td>Turbine Blade X-ray</td>
<td>UK</td>
<td>£2.2M</td>
<td>Materials</td>
</tr>
<tr>
<td>Product Labelling</td>
<td>UK</td>
<td>£0.5M</td>
<td>HS</td>
</tr>
<tr>
<td>Microbiology</td>
<td>UK</td>
<td>£0.2M</td>
<td>HS</td>
</tr>
</tbody>
</table>
## List of 2006 acquisitions (sector)

<table>
<thead>
<tr>
<th>Acquisition</th>
<th>Country</th>
<th>Sales PA</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tetra</td>
<td>UK</td>
<td>£0.5M</td>
<td>HS</td>
</tr>
<tr>
<td>WCAL</td>
<td>USA</td>
<td>£5M</td>
<td>HS</td>
</tr>
<tr>
<td>Norwest</td>
<td>Canada</td>
<td>£10M</td>
<td>ENV/HS</td>
</tr>
<tr>
<td>Warrington Fire</td>
<td>UK/Belgium</td>
<td>£10M</td>
<td>ENG/TECH</td>
</tr>
<tr>
<td>ACT Labs</td>
<td>US</td>
<td>£7M</td>
<td>ENG/TECH</td>
</tr>
<tr>
<td>Saab Metech</td>
<td>Scandinavia/</td>
<td>£17M</td>
<td>Metrology</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
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</tbody>
</table>
### New Geographical Markets

Bodycote are investigating projects/acquisitions/outsourcing in the following countries:

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>Division</th>
<th>MARKET SECTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>ME / MT</td>
<td>Aerospace</td>
</tr>
<tr>
<td>Germany</td>
<td>ME / MT</td>
<td>Aerospace/Gen. Engineering</td>
</tr>
<tr>
<td>Croatia</td>
<td>MT</td>
<td>Oil/Gas</td>
</tr>
<tr>
<td>Poland</td>
<td>ME / MT</td>
<td>Automotive</td>
</tr>
<tr>
<td>Ireland</td>
<td>HS</td>
<td>Food/Pharmaceutical</td>
</tr>
<tr>
<td>China</td>
<td>MT / ME</td>
<td>Aerospace / Auto</td>
</tr>
<tr>
<td>Mexico</td>
<td>ME / MT</td>
<td>Aerospace/Auto</td>
</tr>
<tr>
<td>Libya</td>
<td>MT</td>
<td>Oil/Gas – Civils</td>
</tr>
<tr>
<td>Caspian Region</td>
<td>MT / HS</td>
<td>Oil/Gas/Food</td>
</tr>
<tr>
<td>S.E. Asia</td>
<td>MT</td>
<td>Oil/Gas</td>
</tr>
<tr>
<td>Turkey</td>
<td>MT / HS</td>
<td>Oil/Gas/Food</td>
</tr>
</tbody>
</table>
Summary

- A proven track record of consistent revenue EBIT and ROCE performance
- Growth strategy moving forwards with business expanded >150% in last 12 months
- Business Development function provides pipeline of outsourcing/organic/acquisition opportunities
- Integration planning resource to ensure seamless assimilation of acquisitions
- Highly motivated management team committed to achievement of strategic goals