GROUP OVERVIEW
John Hubbard and David Landless

MIDLANDS TOUR
10 MAY 2006
What is Heat Treatment?

Heat Treatment

increases the mechanical properties of critical components so they can last longer, operate with less mass and withstand extreme conditions.
What is Materials Testing?

Materials Testing provide independent, accredited materials testing services to almost every business sector. The results of testing facilitate product development, production release, forensic analysis and certification.
What is HIPping?

HIPping uses high temperature and pressure to achieve structural changes in metals and other materials. HIP technology enables critical castings to be densified, powder metallurgy products to be improved and novel materials to be made. HIPping is a vital step in manufacturing aero engine components.
Strategy

- Expand Testing
- Further develop Heat Treatment and HIP
- Extend global availability of Bodycote Services
Strategy

- Target outsourcing with a focus on high added value components for medium/large national/multinational companies

- Expand the network in lower cost economies – Eastern Europe, Asia, South America via bolt-on acquisitions and selective greenfield locations

- Acquisition of bolt-on specialist Thermal Processing and Testing businesses in NA/Europe

- Roll out high value processes

- Realign, close or dispose of underperforming and commodity orientated facilities

- A focus on ROCE
Heat Treatment

- Leveraging customer base
- Outsourcing
- Technology roll-out
- Manufacturing growth markets
Hot Isostatic Pressing

- Volume growth/operational gearing
- Applications being developed:
- Additional capacity being added
- Approaching ROCE goal
Testing

- Integrating acquisitions
- Margins
- Organic growth
- Outsourcing wins
- Acquisition pipeline
- Asia
Sales By Market - 2005

<table>
<thead>
<tr>
<th>Sector</th>
<th>Group %</th>
<th>Thermal Processing %</th>
<th>Testing %</th>
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<tbody>
<tr>
<td>Automotive</td>
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<tr>
<td>- Cars &amp; Light Truck</td>
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<tr>
<td>- Heavy Truck &amp; Bus</td>
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<tr>
<td>Aerospace/Defence</td>
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<tr>
<td>Construction, Agricultural, Railways &amp; Marine</td>
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<tr>
<td>Tooling</td>
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<tr>
<td>Oil &amp; Gas</td>
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<td>Health Science &amp; Environmental</td>
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<tr>
<td>Electronics &amp; Telecoms</td>
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<td>4</td>
<td>-</td>
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<tr>
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<td><strong>Total</strong></td>
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Bodycote Business Models

• ‘Strategic Partnership’ Agreements
  – ‘Factory Gates’ option – permits third party in-load
  – Reciprocal business development

• Long Term Agreements
  – Price stability and volume linked rebates
  – Capacity and service guarantees

• Conventional Subcontract Support
  – Concentrate on core business
  – Higher quality assurance
Market Conditions – Medium Term

• Automotive
  • underlying position stable in NA and Europe
  • growth coming from outsourcing and lower cost economies

• Aerospace/Defence/IGT
  • good medium term growth prospects

• Construction/Agricultural/Marine
  • will be cyclical – focus on outsourcing

• Oil & Gas
  • good demand whilst oil price remains high

• Tooling
  • some drift to lower cost economies to continue

• Health Science/Environmental
  • solid regulatory driven growth anticipated

• Energy Costs
  • will continue to be recovered
Furnace Utilisation

(75% of Heat Treatment is still captive in Europe)

In-House 5.5 days

Bodycote 7 days

Driver for cost down

From own business

Strategic Partnership
Summary

• A focus on ROCE

• Expansion of Testing

• Increasing presence in lower cost economies

• Bolt-on acquisitions

• Strategic Partnerships for higher added value components