

2006 INTERIM RESULTS

Highlights

- Revenue +22%
- Headline Operating Profit ¹ +23%
- Headline EPS +25%
- ROCE ¹ +1.3 percentage points
- Testing Sales Growth +82%
- Outsourcing 20% of sales
- Dividend +6%
- Improved Long Term Funding

¹ pre impairment of goodwill, amortisation of acquired intangibles, and interest and tax on associates

Interim Results



	H1 2006 £m	H1 2005 £m	Change %
Sales	279.3	229.3	+22
EBITDA¹	63.2	53.5	+18
Headline Operating Profit¹	40.6	33.1	+23
Headline Profit before Tax²	35.1	29.2	+20
Profit before Tax	34.8	27.3	+28
Tax	2.7	(7.3)	
Profit after tax	37.5	20.0	+88
Free cashflow	17.5	14.3	+22
Headline EPS³	8.4p	6.8p	+24
Dividend/Share	2.50 p	2.35p	+6

¹ pre impairment of goodwill, amortisation of acquired intangibles and interest and tax on associates

² pre impairment of goodwill, amortisation of acquired intangibles and tax on associates

³ pre impairment of goodwill, amortisation of acquired intangibles

Profit Bridge



	£m				
	HT	HIP	TESTING	HQ	Group
Headline Operating Profit ¹ 2005	23.5	4.2	6.5	(1.1)	33.1
Selling Prices	4.5	0.7	0.7		5.9
Sales Volume	3.1	1.4	0.5		5.0
Salary/Wage Inflation	(1.4)	(0.3)	(0.6)	(0.2)	(2.5)
Energy Costs	(1.9)	(0.1)	(0.1)		(2.1)
Maintenance	(0.3)	-	-		(0.3)
Transport/Industrial Gases	(0.4)	-	-		(0.4)
Depreciation	(0.4)	-	-		(0.4)
Infrastructure – Testing/Asia	-	-	(0.4)	(0.4)	(0.8)
Bodycote Incentive Plan	-	-	-	(0.5)	(0.5)
Acquisitions	0.5	-	2.7	(0.4)	2.8
Operating Profit 2006 at constant exchange rates	27.2	5.9	9.3	(2.6)	39.8
Currency Translation	0.4	0.1	0.3	-	0.8
Headline Operating Profit ¹ 2006	27.6	6.0	9.6	(2.6)	40.6

¹ pre impairment of goodwill, amortisation of acquired intangibles and interest and tax on associates

Sales and Operating Profit - By Region



2005 £m		2006 £m	Europe £m	Americas £m	Rest of World £m
	<u>Revenue</u>				
175.5	Heat Treatment	192.2	130.4	61.8	-
16.8	Hot Isostatic Pressing	19.7	8.5	11.2	-
37.0	Testing	67.4	33.6	28.8	5.0
<u>229.3</u>		<u>279.3</u>	<u>172.5</u>	<u>101.8</u>	<u>5.0</u>
1.4	Electroplating	-	-	-	-
<u>230.7</u>		<u>279.3</u>	<u>172.5</u>	<u>101.8</u>	<u>5.0</u>
	<u>Operating Profit</u> ¹				
23.5	Heat Treatment	27.6	20.7	7.0	(0.1)
4.2	Hot Isostatic Pressing	6.0	2.2	3.8	-
6.5	Testing	9.6	5.1	3.7	0.9
(1.1)	Head Office	(2.6)	-	-	-
<u>33.1</u>		<u>40.6</u>	<u>28.0</u>	<u>14.5</u>	<u>0.8</u>
-	Electroplating	-	-	-	-
<u>33.1</u>		<u>40.6</u>	<u>28.0</u>	<u>14.5</u>	<u>0.8</u>

¹ pre impairment of goodwill, amortisation of acquired intangibles and interest and tax on associates

Sales By Market



	2006	FY 2005
Sector	%	%
Automotive		
- Cars & Light Truck	20	21
- Heavy Truck & Bus	5	6
Aerospace/Defence	20	19
Construction, Agricultural, Railways & Marine	16	16
Tooling	8	9
Oil & Gas	7	7
Power Generation	6	5
Consumer Products	3	3
Health Science & Environmental	7	7
Electronics & Telecoms	3	3
Miscellaneous(e.g pulp & paper, nuclear)	5	4
	<hr/> 100	<hr/> 100

Summary Cash Flow and Financial Ratios



	H1 2006 £m	H1 2005 £m
EBITDA ¹	63.2	53.5
Non-cash Movements	0.1	(0.7)
Working Capital Movement	(12.4)	(12.6)
CAPEX	(25.3)	(18.5)
Interest	(4.9)	(4.8)
Tax	(3.2)	(2.6)
	<hr/>	<hr/>
Free Cash Flow	17.5	14.3
	<hr/>	<hr/>
Net Debt/EBITDA ²	1.2x	1.0x
Interest Cover ¹	9.2x	10.3x
Gearing	31%	23%
Free Cash Flow % of sales	6%	6%
Capex/Depreciation	1.1x	0.9x

¹ pre impairment of goodwill, amortisation of acquired intangibles, interest and tax on associates and pension finance costs

² based on rolling 12 months

Balance Sheet



	H1 2006	H1 2005
	£m	£m
Goodwill	188.9	148.6
Tangible and Intangible Fixed Assets	459.3	418.5
Investments	9.6	8.7
Trading Working Capital	90.1	70.7
Other Assets and Liabilities	(138.9)	(130.7)
	608.0	515.8
Shareholders' Funds	463.0	416.7
Minority Interests	1.8	1.1
Net Borrowings	143.2	98.0
	608.0	515.8

Reduction in Overall Funding Costs



- New 7 year, €125m committed loan facility
- Expensive and inflexible \$80m USPP to be repaid early
- One-off cost in 2006 of £3m with benefit of £4.5m over 3 years

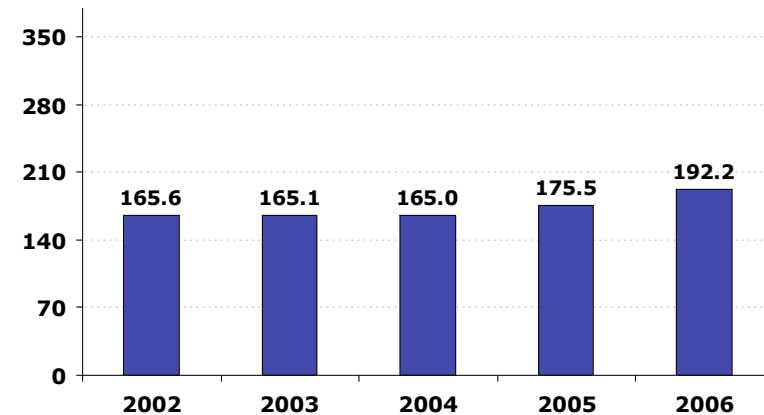
Strategy Implementation

- Testing grown to 28% of Group sales
- Expanding in developing geographies
 - Wuxi in production H2
 - ISTAS acquisition (60%)
 - Singapore greenfield
 - Middle East
- Outsourcing sales grow by £8m
- Technology transfer progressing
- Focused on ROCE improvement

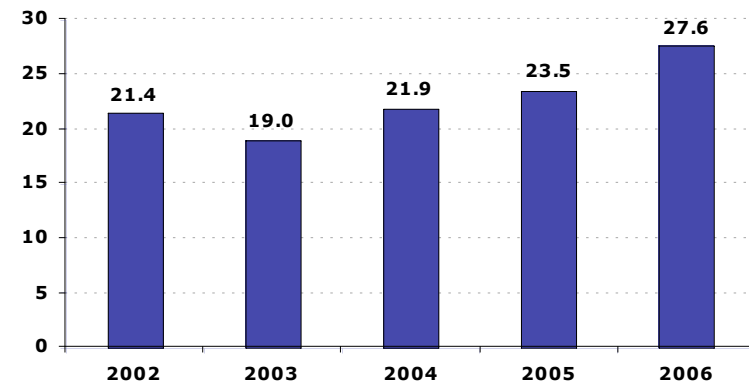
Heat Treatment

- Margins continue to improve
- Automotive stable
- Aerospace/oil & gas/power generation continued growth
- Outsourcing
 - LPC Livonia
- Technology roll-out
 - Kolsterising
 - Sherardizing (Germany)
 - LPC (Mexico)
- Manufacturing growth markets
 - Wuxi
 - Singapore
- 2006 ROCE target 9%

Revenue (£m)



Operating Profit ^{1,2} (£m)



¹ Pre impairment of goodwill, amortisation of acquired intangibles and interest and tax on associates

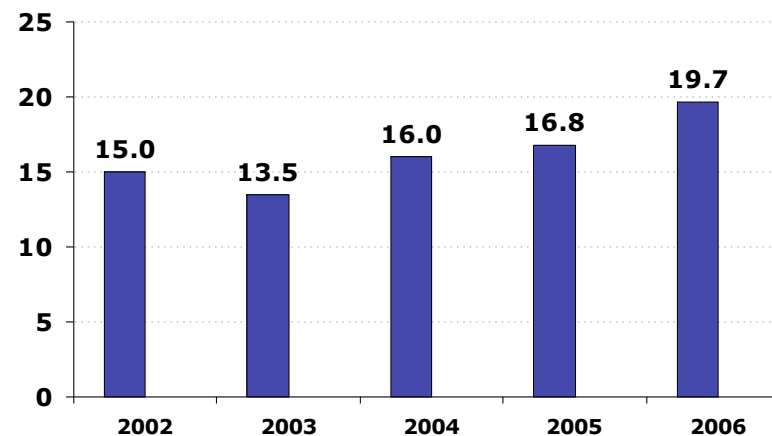
² 2002 and 2003 not restated for IFRS

Hot Isostatic Pressing

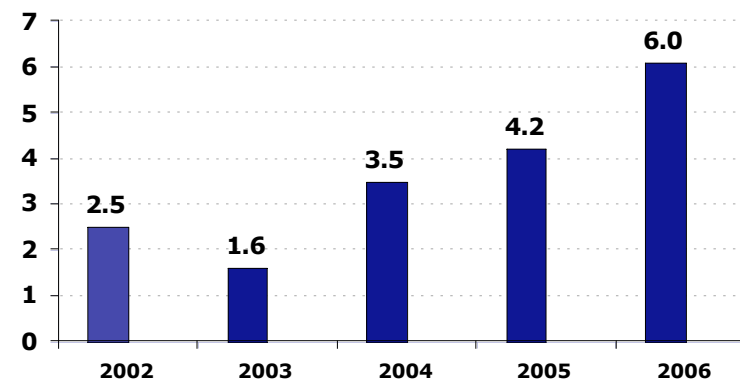


- 17% organic growth
- Excellent operational gearing
- Additional capacity being added
 - Princeton
 - Haag
 - Camas
- 2006 ROCE target 19%
 - Expect 15% over cycle

Revenue (£m)



Operating Profit¹ (£m)

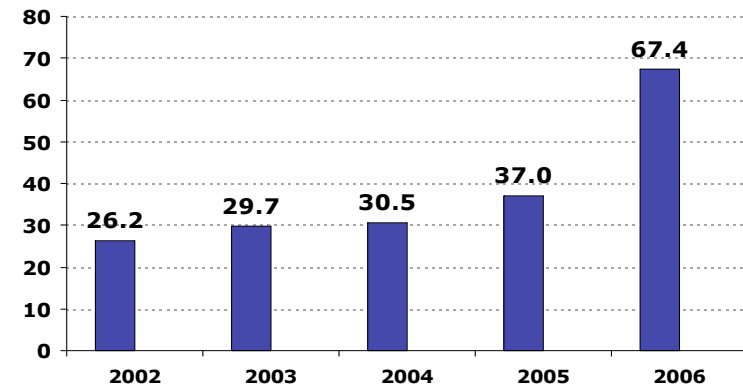


¹ 2002 and 2003 not restated for IFRS

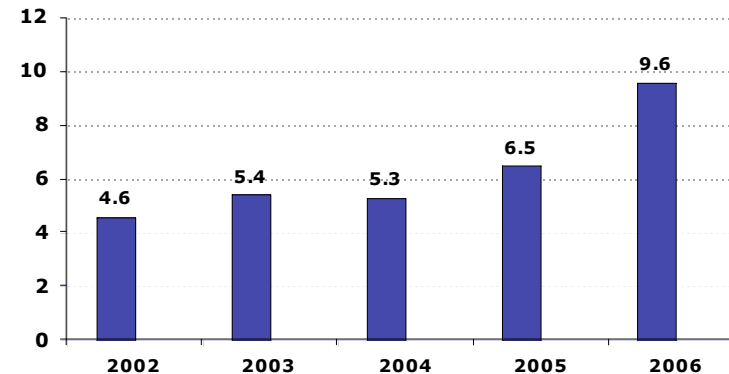
Testing

- Execution of growth strategy
 - Geographic
 - Food
 - Measurement Solutions
- Margins vs. ROCE
 - Margins have a wide range – ROCE is our focus
- Organic growth
 - Remains strong
- Outsourcing wins
 - Dubai Civil Defence
 - Nova
 - Mexico
- Acquisition pipeline
 - Many and at sensible prices
- Asia
 - Expect to have a presence by early 2007
- 2006 ROCE Target 18%

Revenue (_m)



Operating Profit^{1,2} (_m)



¹ Pre amortisation of acquired intangibles

² 2002 and 2003 not restated for IFRS

Current Trading and Prospects



- Sales continue H1 trend
- Integrate acquisitions
- Energy cost increases being managed
- Aerospace, power generation and oil & gas markets continue to grow. Automotive remains volatile
- Expansion into developing markets
- Operational flexibility/KPI management

2006 Interim Results

Appendix

Operational Locations



	Heat Treatment	HIP	Testing	IonBond	TOTAL
USA	41	4	11	12	68
UK	20	3	33	2	58
France	32	1	-	7	40
Germany	17	1	1	4	23
Sweden	11	1	10	1	23
Canada	2	-	16	2	20
Czech Republic	6	-	1	2	9
Netherlands	5	-	2	1	8
Italy	4	-	2	2	8
Finland	6	-	2	-	8
Switzerland	2	-	-	4	6
Poland	6	-	-	-	6
Denmark	2	-	3	-	5
Austria	3	-	-	1	4
Romania	3	-	-	1	4
UAE	-	-	4	-	4
Belgium	2	1	1	-	4
China	1	-	-	3	4
India	-	-	-	3	3
Mexico	-	-	-	2	2
Turkey	-	-	-	2	2
Oman	-	-	2	-	2
Liechtenstein	1	-	-	-	1
Norway	-	-	1	-	1
Hungary	1	-	-	-	1
Qatar	-	-	1	-	1
Australia	-	-	1	-	1
Hong Kong	-	-	1	-	1
Thailand	-	-	-	1	1
Singapore	-	-	-	1	1
Argentina	-	-	-	1	1
Korea	-	-	-	1	1
Brazil	-	-	-	1	1
Japan	-	-	-	1	1
Slovakia	-	-	-	1	1
TOTAL	165	11	92	56	324

Analysis Of Organic/Acquisition Growth

	HT £m	HIP £m	Testing £m	PVD/Electroplating £m	Head Office £m	Total £m
Sales						
2005	175.5	16.8	37.0	1.4		230.7
Organic	9.5	2.4	3.8	-		15.7
Acquisition	3.9	-	23.5	-		27.4
Disposal	-	-	-	(1.4)		(1.4)
Currency	3.3	0.5	3.1	-		6.9
2006	192.2	19.7	67.4	-		279.3
Operating Profit ¹						
2005	23.5	4.2	6.5	-	(1.1)	33.1
Organic	3.2	1.7	0.1	-	(1.1)	3.9
Acquisition	0.5	-	2.7	-	(0.4)	2.8
Currency	0.4	0.1	0.3	-	-	0.8
2006	27.6	6.0	9.6	-	(2.6)	40.6
% on Sales						
2006	14.4%	30.5%	14.2%			14.5%
2005	13.4%	25.0%	17.6%			14.3%

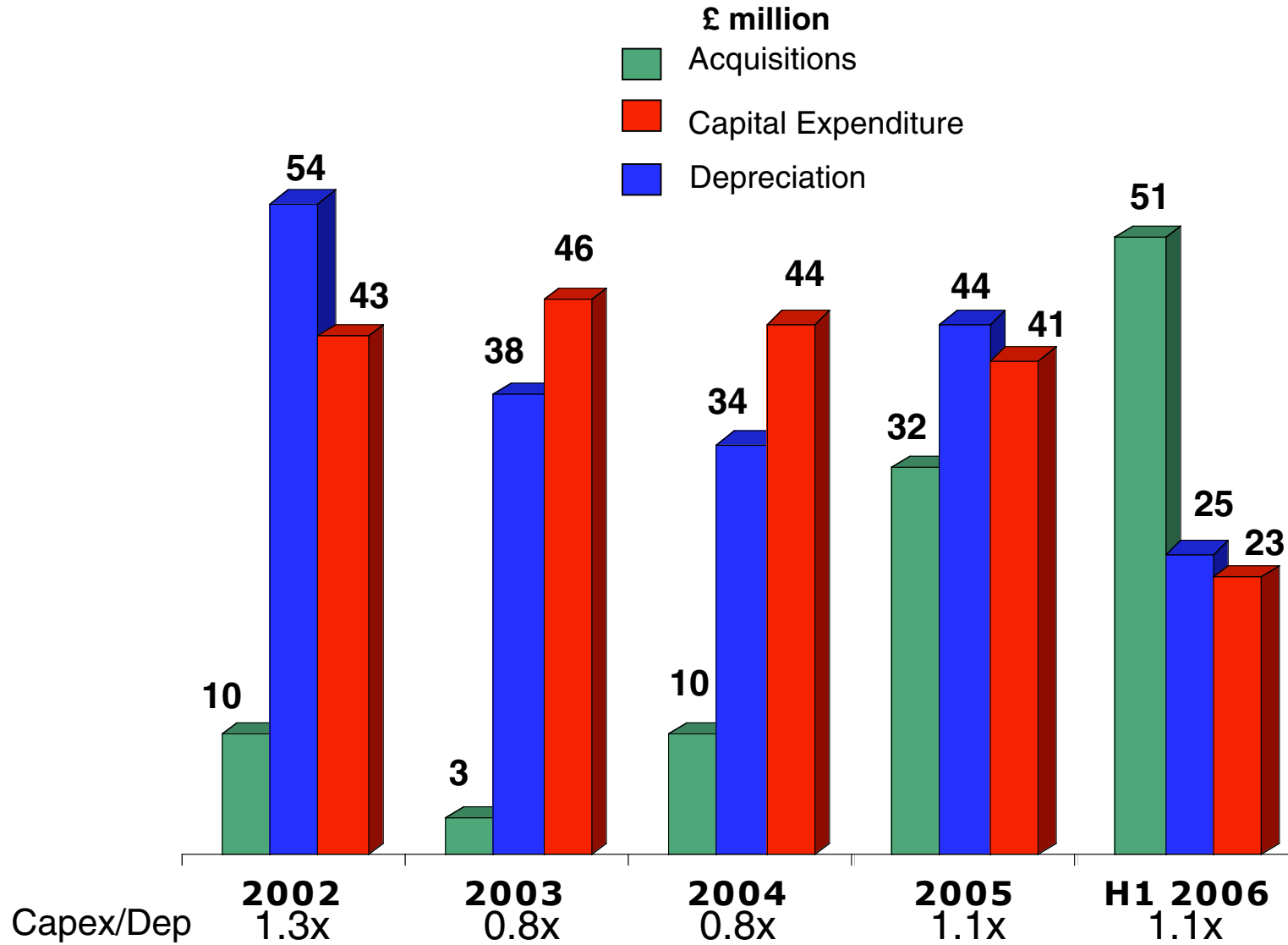
Impact Of Exchange Rates



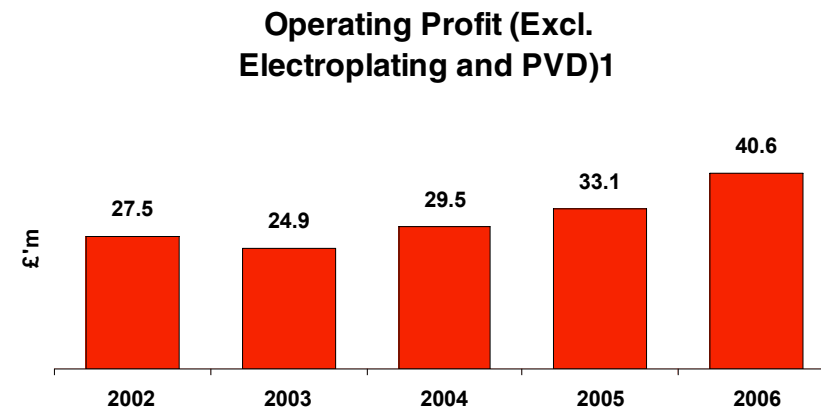
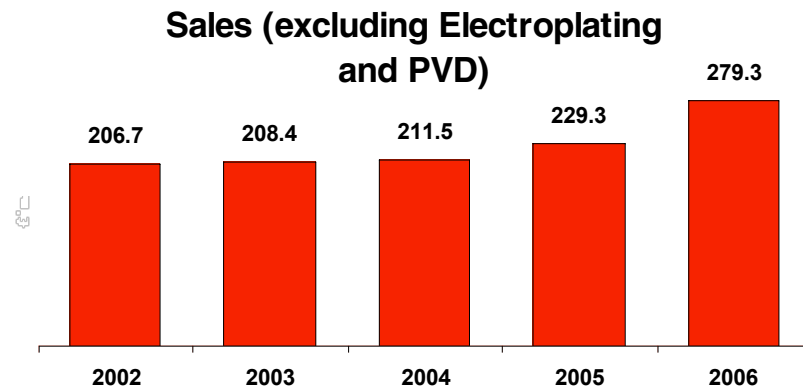
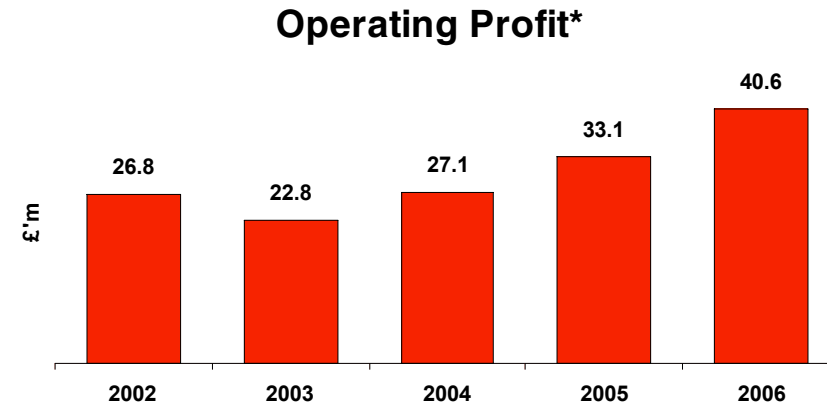
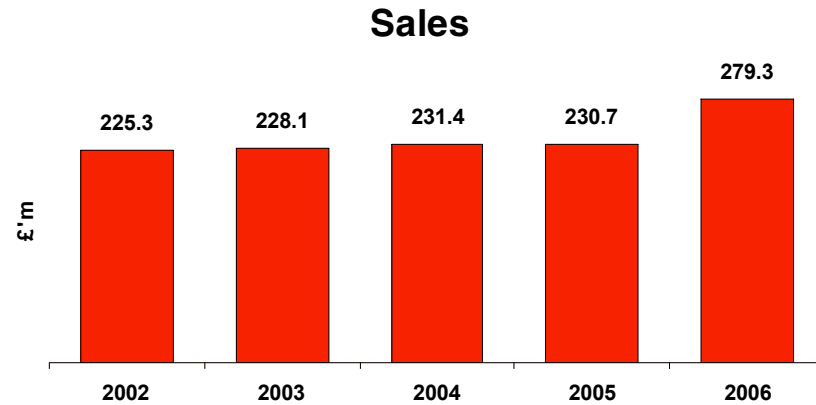
	Sales £m	Operating Profit¹ £m
2006 As Reported	279.3	40.6
2006 Using 2005 Rates	272.4	39.8
Impact	6.9	0.8

¹ Pre impairment of goodwill, amortisation of acquired intangibles and interest and tax on associates

Acquisitions, Capital Expenditure & Depreciation



Financial Highlights

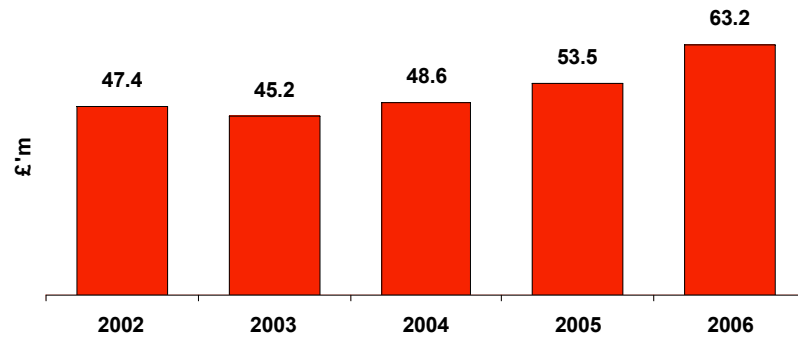


¹ Pre impairment of goodwill, amortisation of acquired intangibles and interest and tax on associates

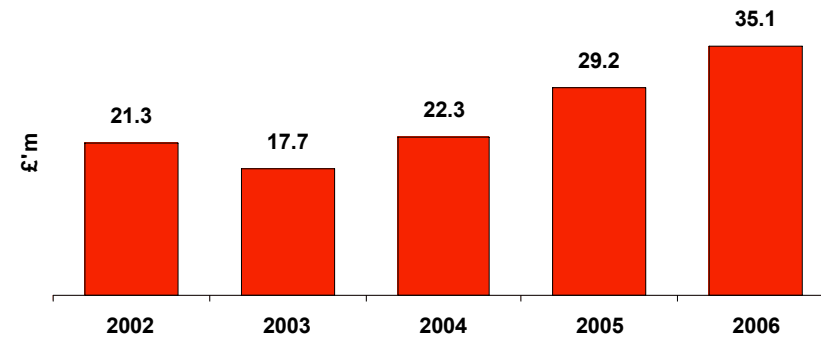
Financial Highlights



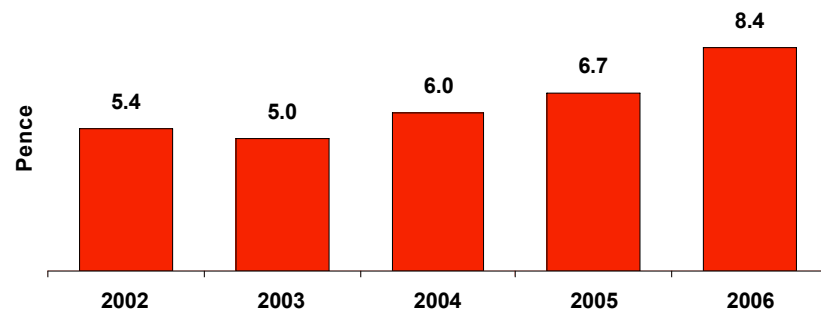
EBITDA¹



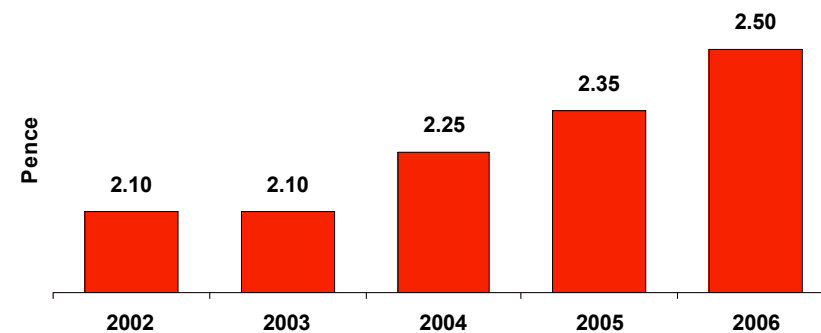
Group Profit Before Tax²



Headline Earnings Per Share²



Dividend Per Share^{*}



1 pre impairment of goodwill, amortisation of acquired intangibles and interest and tax on associates
 2 pre impairment of goodwill, amortisation of acquired intangibles and tax on associates
 3 As restated for the 1 for 4 rights issue in March 2004
 2002 and 2003 not restated for IFRS

