

### Electronic communications

Our shareholder records show that you have not signified that you wish to receive paper copies of Bodycote's annual and interim results and meeting notices. As a result we are writing to tell you that Bodycote's 2011 Annual Report, highlights of which are provided below, together with the notice of the Annual General Meeting, are now available on our website – [www.bodycote.com](http://www.bodycote.com). Shareholders should read the whole of both these items and not rely on the summarised information set out in this letter.

Bodycote's Annual General Meeting will be held at 11:00 am on 25 April 2012 at Springwood Court, Springwood Close, Tytherington Business Park, Macclesfield, Cheshire SK10 2XF. Enclosed with this letter is your personalised proxy card, with which you can vote; you can, of course, attend the meeting in person if you wish.

Should you wish to revert to receiving physical copies of documents, you can request this by contacting our registrars, Capita, by telephone on 0871 664 0300 (within the UK calls cost 10p per minute plus network extras; lines are open 8.30 am to 5.30 pm, Monday – Friday) or +44(0)208 639 3399 (from overseas) or online at [www.capitashareportal.com](http://www.capitashareportal.com).

### Dear Shareholder,

Bodycote delivered a strong financial result in 2011, moving the Group closer to achieving the kind of performance to which we aspire. Sales increased 14% to £570.7m, headline operating profit was £85.5m, an increase of 64%<sup>1</sup> and headline margins improved to 15%. Basic headline EPS grew to 32.7 pence, a major step forward from the EPS performance the Bodycote group has previously achieved.

Bodycote's strategy is aimed at growing the business above and beyond the background growth rate of the global economy while delivering consistently superior value. The pace of execution of this strategy is gaining momentum and we enter 2012 in good shape.

### 2011 results highlights:

Continuing operations	2011	2010
Revenue	<b>£570.7m</b>	£499.8m
Headline operating profit	<b>£85.5m</b>	£52.1m
Operating profit	<b>£80.4m</b>	£51.2m
Headline profit before taxation	<b>£80.9m</b>	£46.1m
Profit before taxation	<b>£75.8m</b>	£45.2m
Headline operating cash flow	<b>£96.0m</b>	£77.3m
Operating cash flow	<b>£90.3m</b>	£68.1m
Net cash/(debt)	<b>£0.1m</b>	£(51.3)m
Basic headline earnings per share	<b>32.7p</b>	18.3p
Basic earnings per share	<b>30.0p</b>	14.9p
Dividend per share	<b>10.9p</b>	8.7p
Return on capital employed	<b>16.9%</b>	10.1%

### 2011 Annual Report Overview

Bodycote has continued to develop in line with the strategic direction that we outlined at the start of 2010. Our differentiated focus on each of Automotive & General Industrial and Aerospace & Energy is delivering results. Some of the evidence of this is the increased rate of securing larger long term contracts that has been a notable feature of the business in 2011.

In general, the expansion strategy in our emerging markets has been going extremely well. Our business in China, Poland, the Czech Republic and Turkey has grown strongly as capacity has been added. The business in Romania is, as yet, still small but is doing well and has attractive prospects for the future.

Significant progress has been made on the development of the Group's proprietary products business units.

- Speciality Stainless Steel Products (S<sup>3</sup>P) continues to exceed our expectations, with demand for these specialist processes continuing to outstrip supply. Sales grew by 21%, we added 25% more capacity during the year and a further 50% capacity increase is under construction to meet the increasing opportunities we have.

<sup>1</sup>Operating profit from continuing operations increased 57% to £80.4m.

- The Hot Isostatic Pressing Product Fabrication (HIP PF) business unit revenues grew by over 60%, with expansion of activity in all territories. Demand for HIP services from the aerospace and industrial gas turbine markets is buoyant and we expect further growth in this area for some considerable time. As a result of the HIP PF growth and the HIP Services growth trends, we are starting to see capacity constraints ahead. In response to this we have agreed to invest over \$20m of expansion capital to this area which will be deployed over the next eighteen months.

Opportunities to expand the business continue to surface at a high rate in our more established markets in Europe and North America. A good proportion of these are as a result of technology changes driven by environmental factors such as elimination of chrome plating or the pursuit of lighter vehicles with better fuel efficiency and lower emissions. The services and processes we offer in these areas such as Corr-I-Dur® and low pressure carburising provide our customers with a very high value proposition and consequently we are able to secure above average returns on investment.

The combination of the various elements of our strategy, in technology driven expansion, emerging markets expansion and specific secular growth market expansion, leads to a higher demand for capital investment. Returns on investment in these areas are all very attractive and we expect in the near term that the Group will invest in capital expenditure at a slightly higher level than the depreciation charge.

Bodycote is now debt free and has strong cash generation. These characteristics enable us to consider enhancing our potential for future profit growth by increased investment, both internally for organic growth and through selective acquisitions. We seek a balance between gaining immediate returns, longer term growth prospects and limitation of risk. Our acquisition focus is on achieving attractive returns on investment through 'bolt-ons' to our existing business.

Taking into consideration the ongoing improvement in the Group's results and its strengthened financial position the Board is recommending a final dividend of 7.3p per share payable in May 2012 following shareholder approval at the AGM. Together with the interim dividend of 3.6p per share paid in November 2011, the total dividend for the year will amount to 10.9p costing £20.7m, which represents an increase of 25.3% when compared to the 2010 amount. If approved at the Annual General Meeting, the dividend will be paid on 4 May 2012 to all holders on the register on 10 April 2012.

The macroeconomic environment may continue to be challenging, but with nearly half of the Group's activity in areas which have long-term growth drivers that are less likely to be impacted by economic headwinds we believe there is a good prospect that the business will continue to move forward in the coming year.

As you will see from the enclosed form of proxy, in addition to the ordinary business your Board is proposing four items of special business as set out in resolutions 12 to 15. Briefly, these relate to: the renewal of the authority for Directors to allot shares; the dis-application of pre-emption rights to permit limited allotment of ordinary shares for cash; the renewal of authority for the Company to purchase its own shares; and authority for the Company to call General Meetings at 14 days' notice.

You will find enclosed a form of proxy which, to be effective, you should please complete in accordance with the instructions given and return so as to reach the Company's registrar as soon as possible, but in any event not later than 48 hours before the time of the meeting. The completion of the form of proxy will not prevent you from attending the meeting in person, if you wish to do so.

Copies of the full notice of meeting and the 2011 annual report and accounts are available to read in full on the Company's website, together with the presentation made to City analysts.

Yours faithfully,



**A.M Thomson**  
Chairman

**Financial Calendar 2012–13**

<b>Annual General Meeting</b>	25 April 2012
<b>Final dividend for 2011</b>	4 May 2012
<b>Interim results for 2012</b>	July 2012
<b>Interim dividend for 2012</b>	November 2012
<b>Results for 2012</b>	February 2013

Bodycote plc · Springwood Court · Springwood Close · Tytherington Business Park · Macclesfield · Cheshire · SK10 2XF  
UK Tel: +44 (0)1625 505300 · Fax: +44 (0)1625 505313

Registered Office: As above – Registered No. 519057 (England)