



2008 INTERIM RESULTS

Highlights

- Revenue £383m +21%
- Organic Revenue Growth £18m +6%
- Headline Operating Profit ¹ £53m +9%
- ROCE ¹ 11.9% +80bps
- 14 Greenfield Sites
- £32m Invested in Acquisitions
- Testing disposal progressing well

Interim Results



	H1 2008 £m	H1 2007 £m	Change %
Revenue	382.6	317.6	+21
EBITDA ¹	83.4	74.4	+12
Headline Operating Profit ²	52.5	48.2	+9
Operating Profit	50.8	47.6	+7
Headline Profit Before Tax ³	46.4	43.2	+7
Headline EPS ⁴	10.8p	10.3p	+5
Dividend/Share	2.95p	2.75p	+7

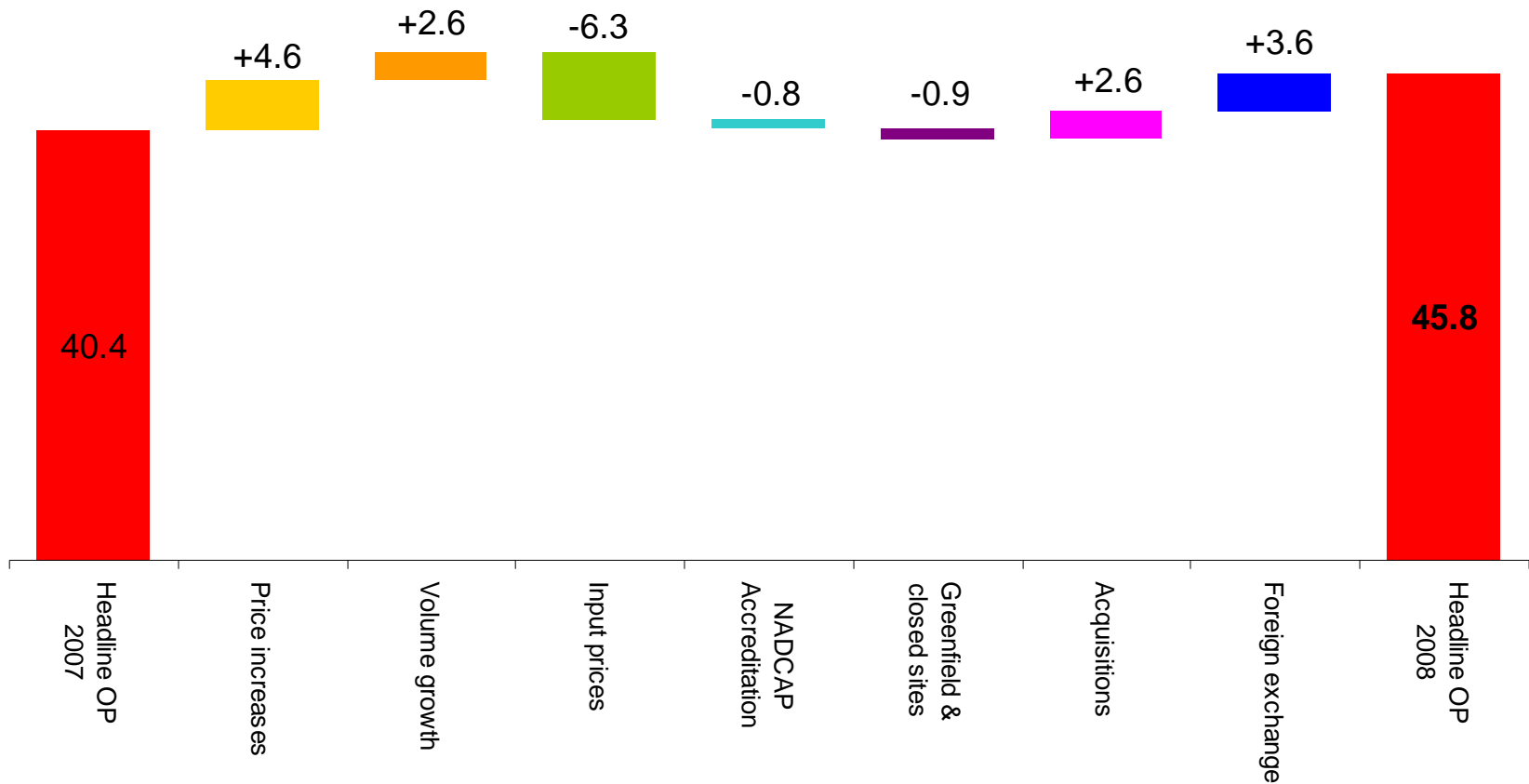
1 Pre exceptional items, interest, tax, depreciation, amortisation and share-based payments.

2 Pre exceptional items and interest and tax on associates.

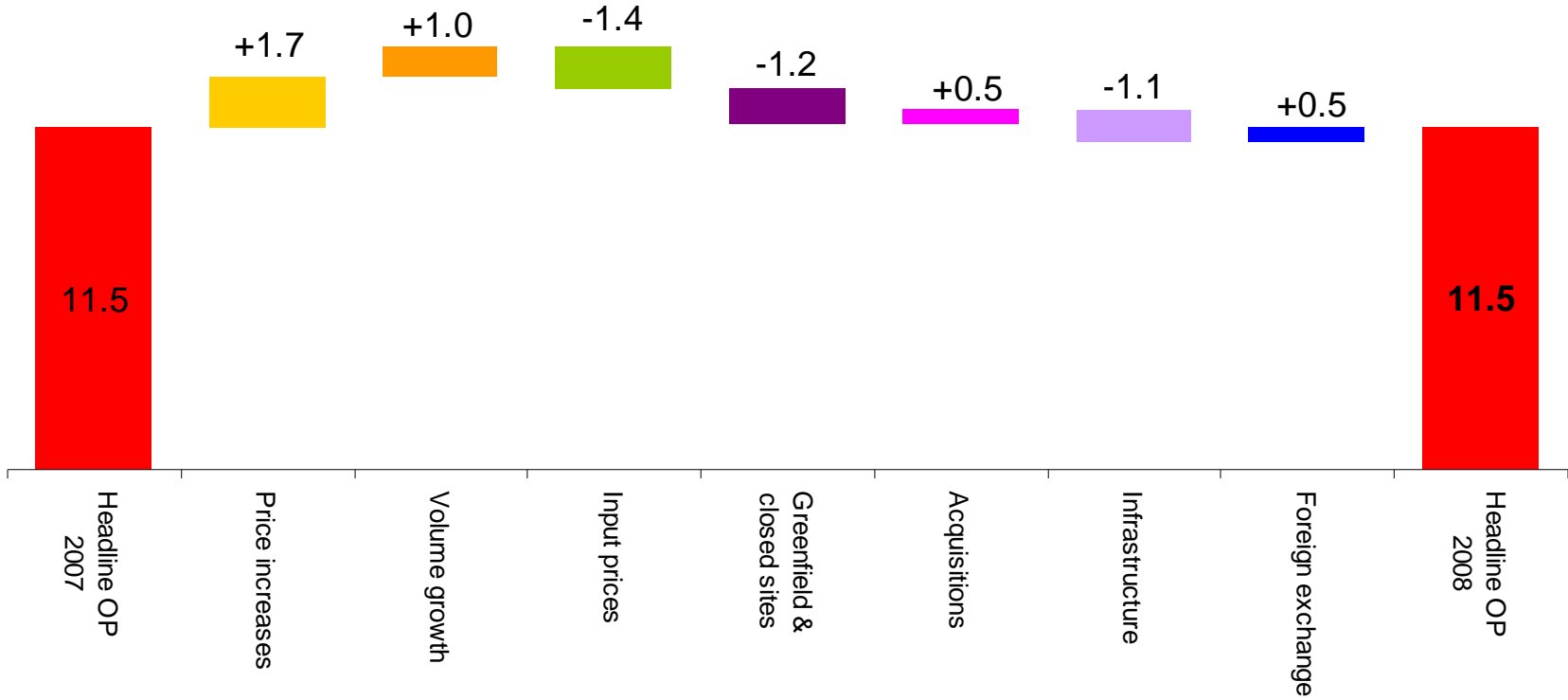
3 Pre exceptional items and tax on associates.

4 Pre exceptional items.

Profit Bridge – Thermal Processing (£m)



Profit Bridge - Testing (£m)



Revenue and Operating Profit - By Region

H1 2007		H1 2008	Western Europe	North America	Emerging Markets
£m	Revenue	£m	£m	£m	£m
210.8	Heat Treatment	256.6	171.6	56.9	28.1
21.3	Hot Isostatic Pressing	26.2	14.3	11.9	-
232.1	Thermal Processing	282.8	185.9	68.8	28.1
60.8	MEM*	71.4	39.0	20.1	12.3
24.7	HSE**	28.4	13.3	15.1	-
85.5	Testing	99.8	52.3	35.2	12.3
	Head Office	-			
317.6	Group	382.6	238.2	104.0	40.4
	<u>Headline Operating Profit</u> ¹				
32.9	Heat Treatment	37.7	29.1	6.6	2.0
7.5	Hot Isostatic Pressing	8.1	3.9	4.2	-
40.4	Thermal Processing	45.8	33.0	10.8	2.0
10.0	MEM*	9.0	5.5	2.1	1.4
1.5	HSE**	2.5	1.3	1.2	-
11.5	Testing	11.5	6.8	3.3	1.4
(3.7)	Head Office	(4.8)			
48.2	Group	52.5	39.8	14.1	3.4

¹ Pre exceptional items and interest and tax on associates.

* MEM: Materials Testing / Engineering Technology / Measurement Technology.

** HSE: Health Sciences and Environmental.

YoY Change in Revenue



	TOTAL	Organic	Western	Organic	North	Organic	Emerging	Organic
	%	%	Europe	%	America	%	Markets	%
Heat Treatment	22	4	24	5	8	1	40	13
Hot Isostatic Pressing	23	13	33	13	11	12	-	-
Thermal Processing	22	5	25	5	9	3	40	13
Testing MEM	17	7	19	3	1	(4)	55	51
Testing HSE	15	4	7	6	23	3	-	-
Testing	17	6	15	4	9	(2)	55	51
GROUP	20	6	23	5	9	1	44	24

Headline Operating Margins



Headline Operating Margins ¹

	TOTAL%		Western Europe%		North America%		Emerging Markets %	
	2008	2007	2008	2007	2008	2007	2008	2007
Heat Treatment	14.7	15.6	17.0	18.5	11.6	11.2	7.1	8.3
Hot Isostatic Pressing	30.9	35.2	27.3	32.2	35.3	36.0	-	-
Thermal Processing	16.2	17.4	17.8	19.4	15.7	15.4	7.1	8.3
Testing MEM	12.6	16.4	14.1	16.3	10.4	18.1	11.4	13.3
Testing HSE	8.8	6.1	9.8	8.7	7.9	3.3	-	-
Testing	11.5	13.5	13.0	14.2	9.4	12.5	11.4	13.3
GROUP	13.7	15.2	16.7	18.2	13.6	14.5	8.4	9.8

Revenue By Market - Group



Sector	H1 2008	H1 2007	YoY Change
	<u>%</u>	<u>%</u>	<u>in Revenue %</u>
• Aerospace/Defence	18	20	+9
• Automotive			
- Cars & Light Truck	19	19	+14
- Heavy Truck & Bus	5	5	+15
• Civil Engineering, Agricultural, Railways & Marine	19	15	+52
• Oil & Gas	8	8	+24
• Tooling	8	7	+29
• Medical/Health Science & Environmental	6	7	+13
• Consumer Products	5	6	+13
• Power Generation	5	6	+17
• Electronics & Telecoms	3	3	+10
• Miscellaneous	4	4	+9
	100	100	+20

Revenue By Market – Thermal Processing

Sector	H1 2008	H1 2007	YoY Change
	%	%	in Revenue %
• Aerospace/Defence	18	19	+14
• Automotive			
- Cars & Light Truck	23	24	+19
- Heavy Truck & Bus	6	6	+8
• Civil Engineering, Agricultural, Railways & Marine	19	16	+45
• Tooling	10	10	+30
• Oil & Gas	6	6	+18
• Power Generation	6	6	+21
• Consumer Products	4	4	+17
• Electronics & Telecoms	3	3	+12
• Medical/Health Science & Environmental	1	2	+12
• Miscellaneous	4	4	+15
	100	100	+22

Profit Reconciliation



	H1 2008	H1 2007	Change
	£m	£m	%
Headline Profit Before Taxation ¹	46.4	43.2	+7
Amortisation of acquired intangibles	(1.0)	(0.8)	
Share of associates' interest and tax	(0.1)	-	
Impairment of goodwill	-	(1.8)	
Change to pension scheme rules	-	4.1	
Bid response costs	-	(2.1)	
Disposal costs - Testing SBU	(0.6)	-	
Profit Before Taxation	44.7	42.6	+5
Taxation	(11.0)	(9.5)	
Profit After Taxation	33.7	33.1	+2

Summary Cash Flow and Financial Ratios

	H1 2008 £m	H1 2007 £m
EBITDA ¹	83.4	74.4
Working capital movement	(17.3)	(16.5)
Net capital expenditure	(36.6)	(33.9)
Other	(0.5)	-
Operating Cash Flow	29.0	24.0
Interest	(6.7)	(5.0)
Tax	(8.9)	(10.3)
Free Cash Flow	13.4	8.7
Net debt/EBITDA ²	1.6x	1.2x
Interest cover ³	9.3x	10.7x
Gearing	46%	34%
Free cash flow	4%	3%
Capex/depreciation	1.2x	1.3x

¹ Pre exceptional items, interest, tax, depreciation, amortisation and shared-based payments.

² EBITDA based on rolling 12 months basis.

³ Pre exceptional items, interest, tax and share of results of associates.

Balance Sheet



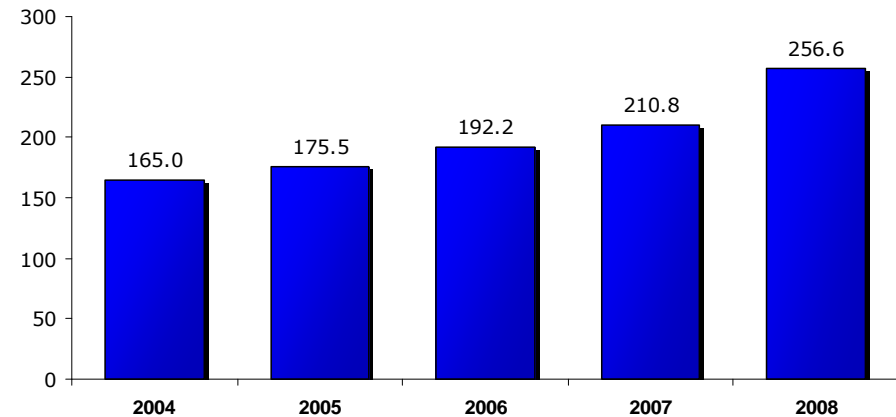
	H1 2008 £m	H1 2007 £m
Goodwill	240.5	202.7
Tangible and intangible fixed assets	554.0	469.4
Interests in associates	6.4	1.3
Trading working capital	118.5	94.2
Other net assets	<u>(162.9)</u>	<u>(122.4)</u>
Net assets before borrowings	<u><u>756.5</u></u>	<u><u>645.2</u></u>
Shareholders' funds	510.0	476.4
Minority interests	7.2	5.8
Net borrowings	<u>239.3</u>	<u>163.0</u>
Equity and borrowings	<u><u>756.5</u></u>	<u><u>645.2</u></u>

Heat Treatment

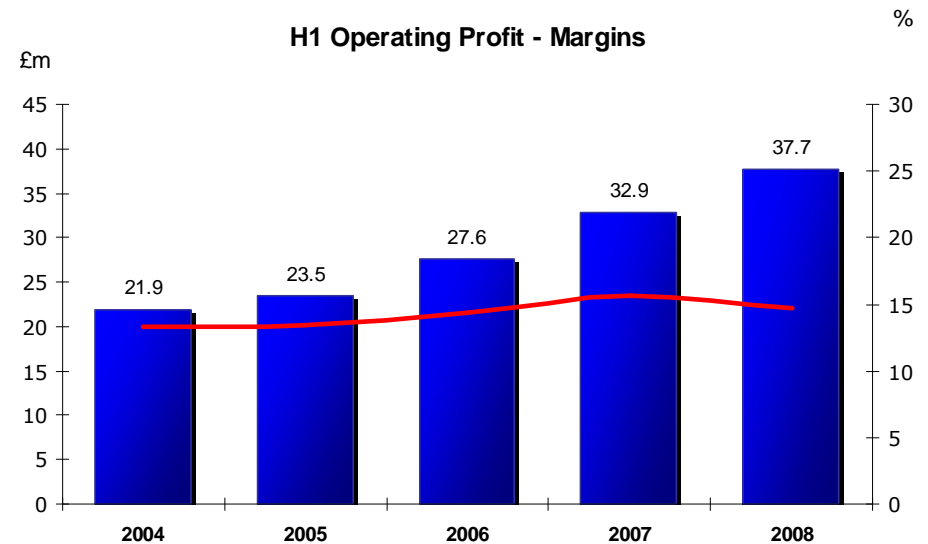


- Revenue + 22%
- Operating margin 15%
- Utilisation 75%
- Some cost pressures
- Outsourcing continues growth
- Technology roll-out progressing
- Emerging market presence growing but impact of start-up costs

H1 Revenue (£m)



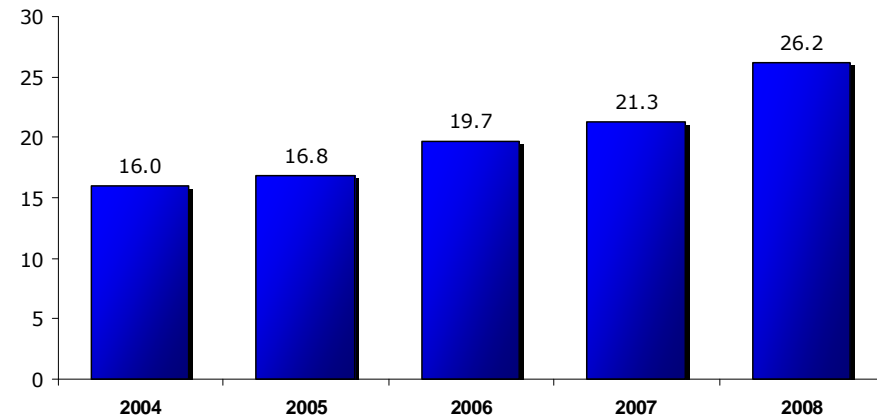
H1 Operating Profit - Margins



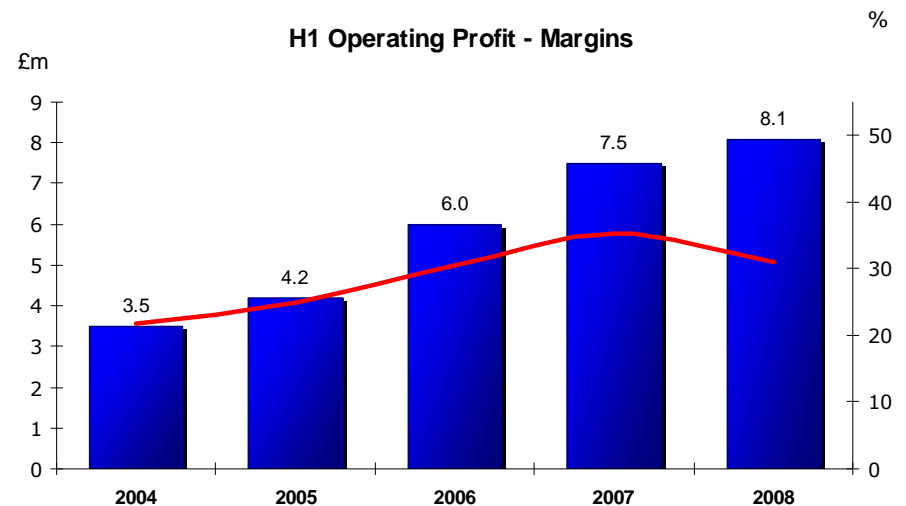
Hot Isostatic Pressing

- Revenue + 23%
- Operating margin 31%
- ROCE > 20%
- Utilisation 73%
- Additional capacity, temporary margin impact
- New applications

H1 Revenue (£m)



H1 Operating Profit - Margins

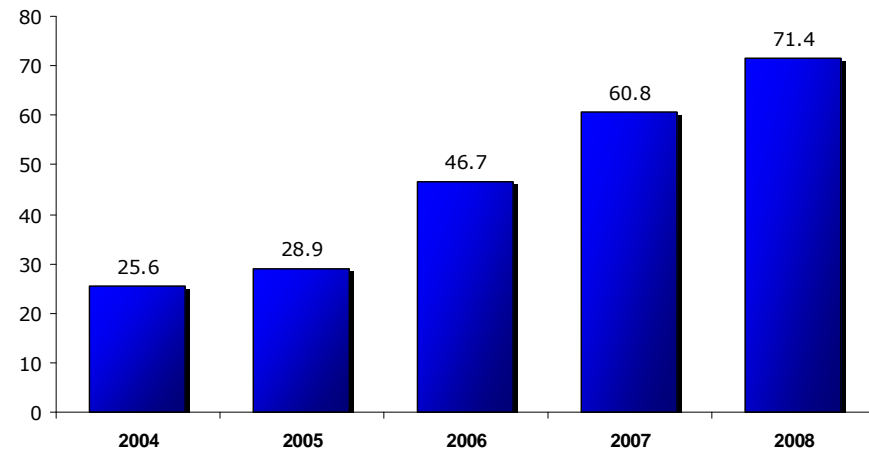


Testing MEM

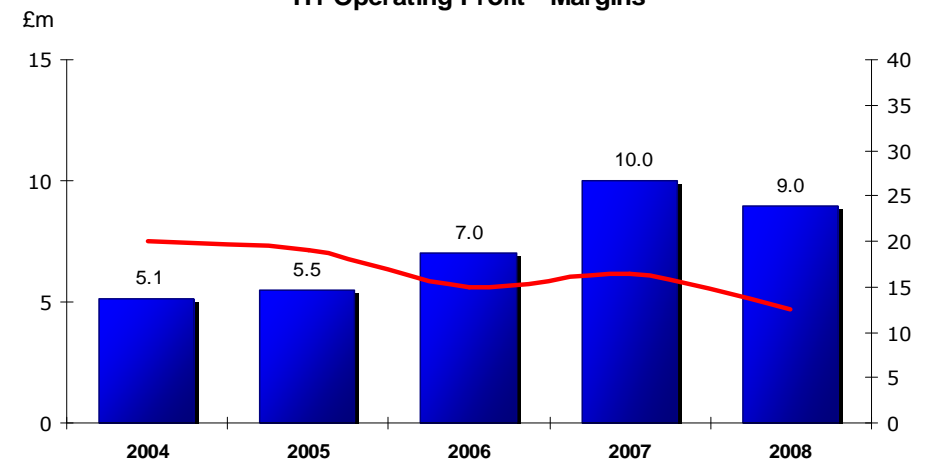


- Revenue + 17%
- Operating margin 13%
- Organic growth 7%
- Emerging market presence
- Integrating acquisitions

H1 Revenue (£m)



H1 Operating Profit - Margins

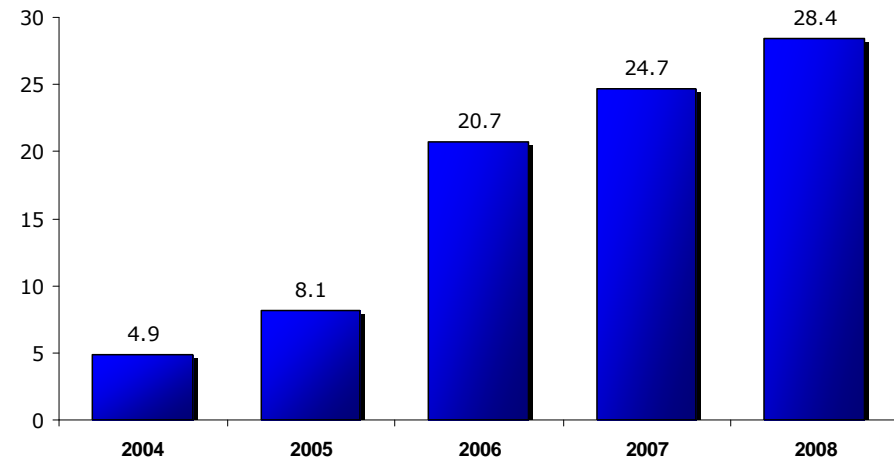


Testing HSE

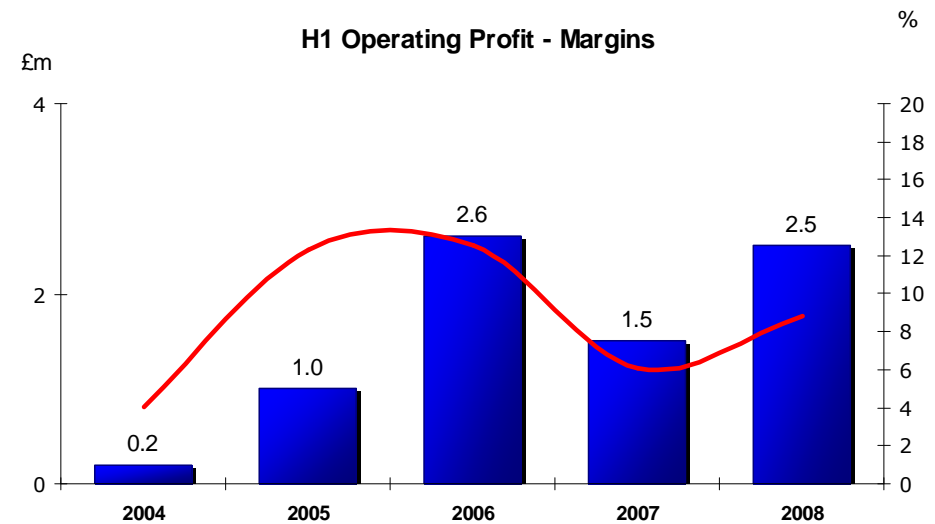


- Revenue +15%
- Operating margin – a significant improvement
- Lab rationalisation in Canada and UK
- Focus on client oriented Information Systems

H1 Revenue (£m)



H1 Operating Profit - Margins



Delivering the Strategy

- Realise value of Testing
- Enhance performance of existing Thermal Processing network
- Improve cash generation
- Continue outsourcing initiatives
- Selective acquisitions

Testing Division – Value Realisation

- Strategic Review Completed Q1
- Divestiture Decision Announced Completed April 30
- Information Memorandum Issued Completed June
- First Round Bids Received Completed June
- Debt Staple agreed Completed July
- Management Presentations Completed July
- Final Bids Due August
- Sale Agreed Early Autumn
- Final Completion Late Autumn

Enhance Performance of Thermal Processing

- Greenfields move to profit
- Under performers (fix, sell or close)
- Recover energy cost increases
- Advanced training of local leaders

Improve Cash Generation



- Margin improvement
- Working Capital – D.S.O.
- Capex back to 1.0x in 2009

Continue Outsourcing Initiatives



- Reduces carbon footprint
- Cost of materials
- Increases utilisation of assets
- Reduces cyclicalities
- Improves visibility
- Organic growth driver

Selective Acquisitions



- Niche technologies
- Developing economies
- Market consolidation

Current Trading and Prospects



- July in line with our expectations
- Aerospace, power generation, oil & gas continue to grow
- Automotive gaining share
- Energy costs continue to be recovered
- Outsourcing initiatives continue to deliver growth
- Markets are uncertain but we expect continued progress in H2



2008 INTERIM RESULTS



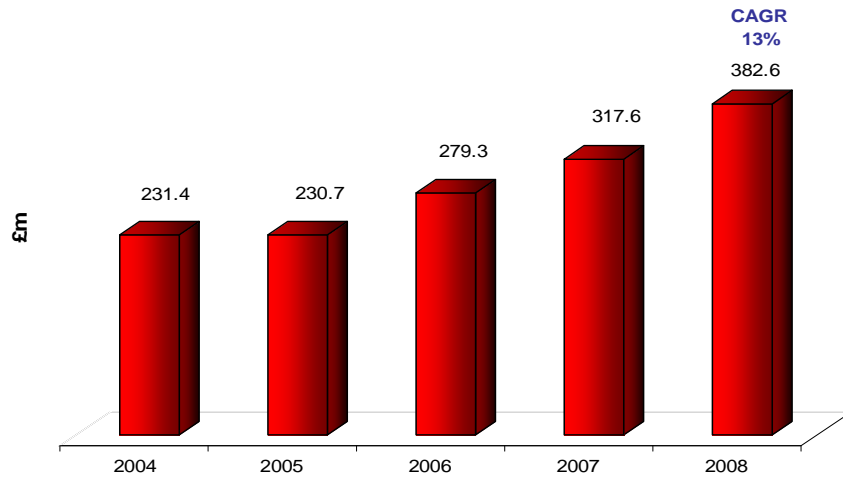
2008 INTERIM RESULTS

Appendix

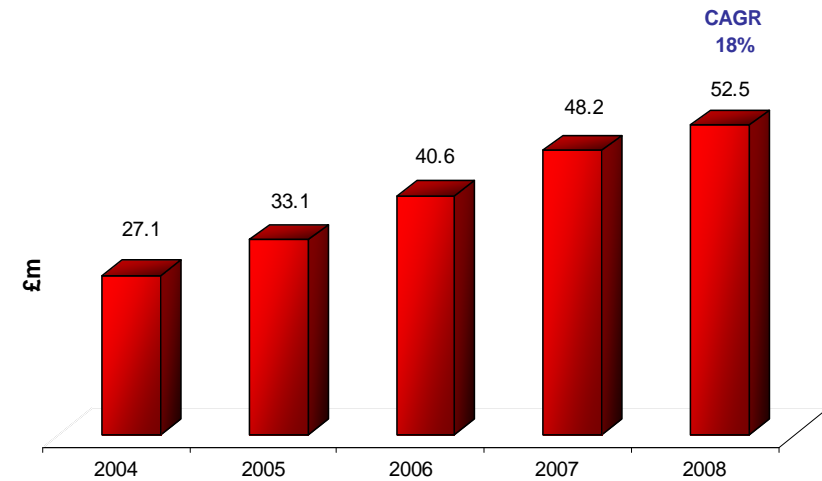
Financial Highlights H1



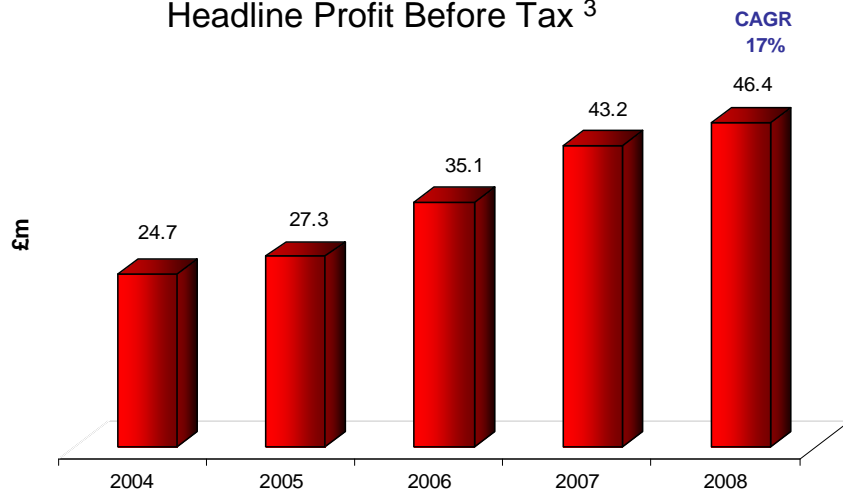
Revenue ¹



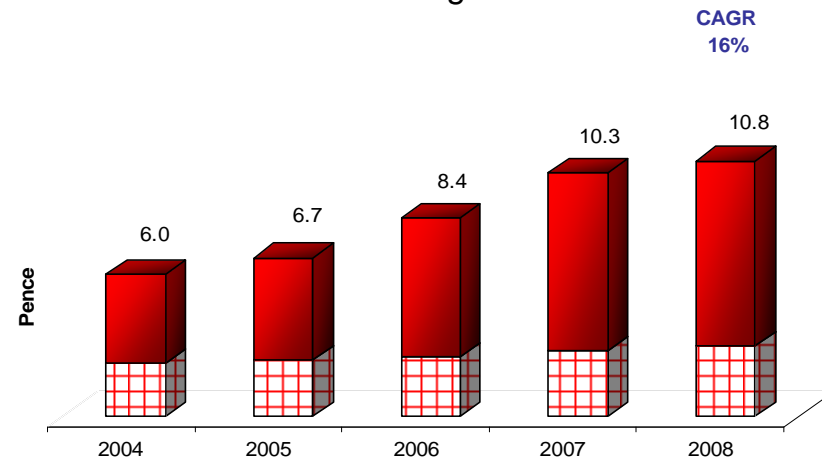
Headline Operating Profit ²



Headline Profit Before Tax ³



Headline Earnings Per Share ⁴



Dividend Per Share 2.25

□ Dividend per share

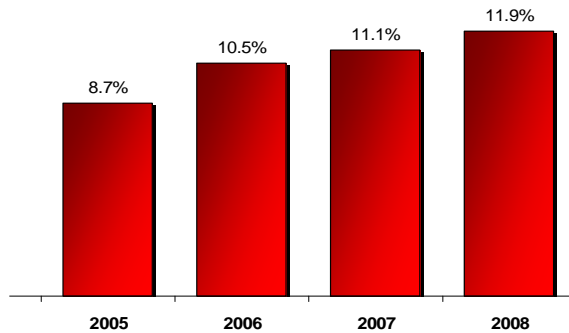
- 1 Including discontinued operations.
- 2 Pre exceptional items and interest and tax on associates.
- 3 Pre exceptional items and tax on associates.
- 4 Pre exceptional items and tax settlements in respect of prior year.

Financial Key Performance Indicators H1

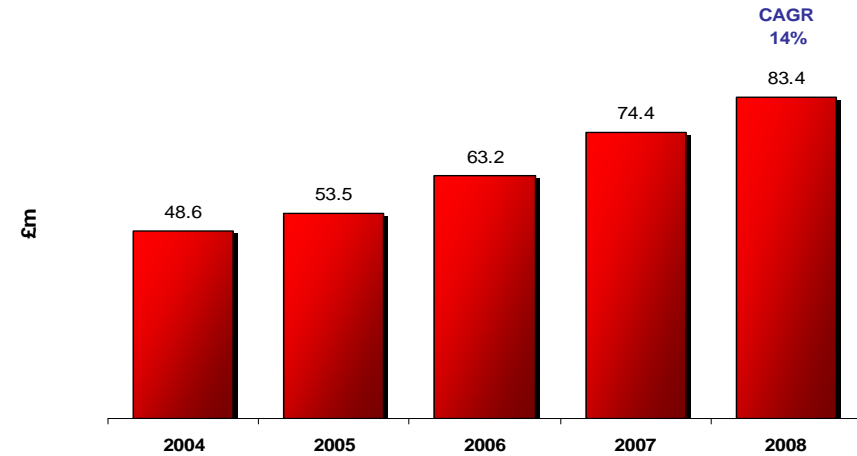


ROCE ¹

Target: Mid teens%

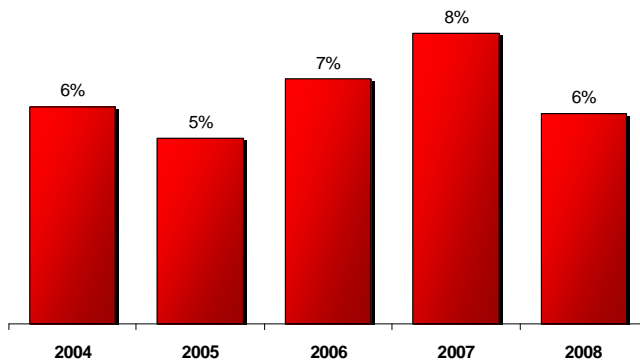


EBITDA ²



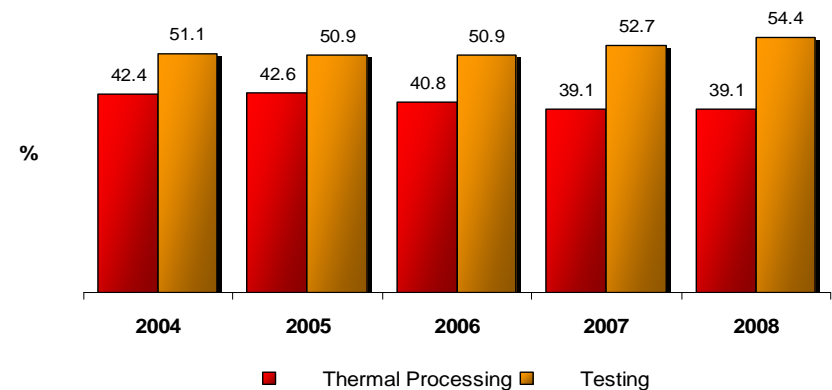
Organic revenue growth ³

Target: Mid to high single digit%



People costs as a percentage of revenue ⁴

Target: TP: 40% Testing: 50%

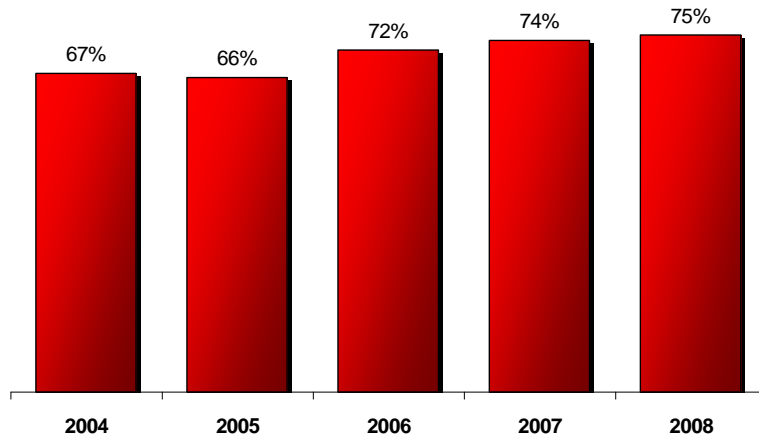


Non Financial Key Performance Indicators H1



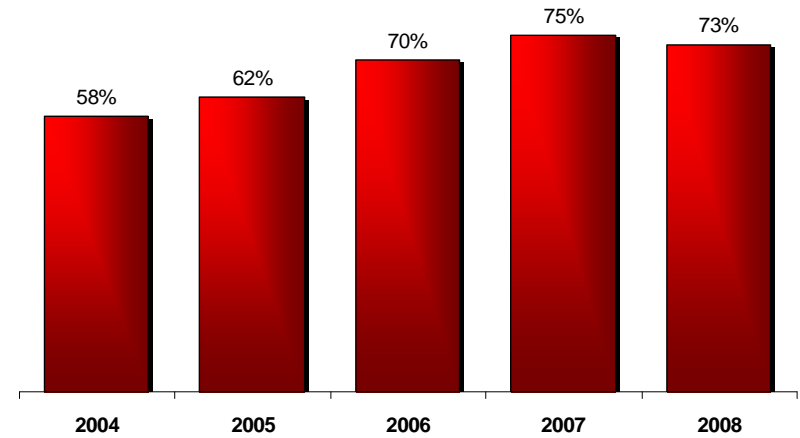
Utilisation Heat Treatment ⁶

Target: >80%



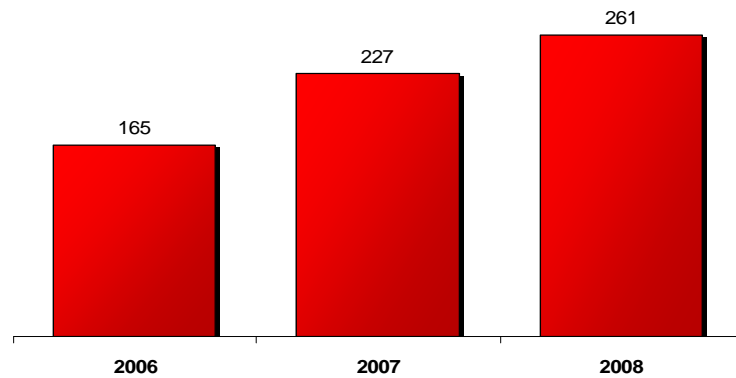
Utilisation HIP ⁶

Target: >80%



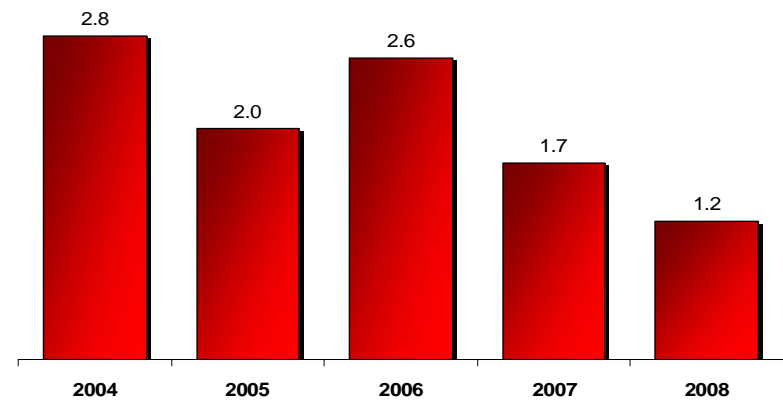
ISO 14001/17025 compliant facilities ⁷

Target: All facilities

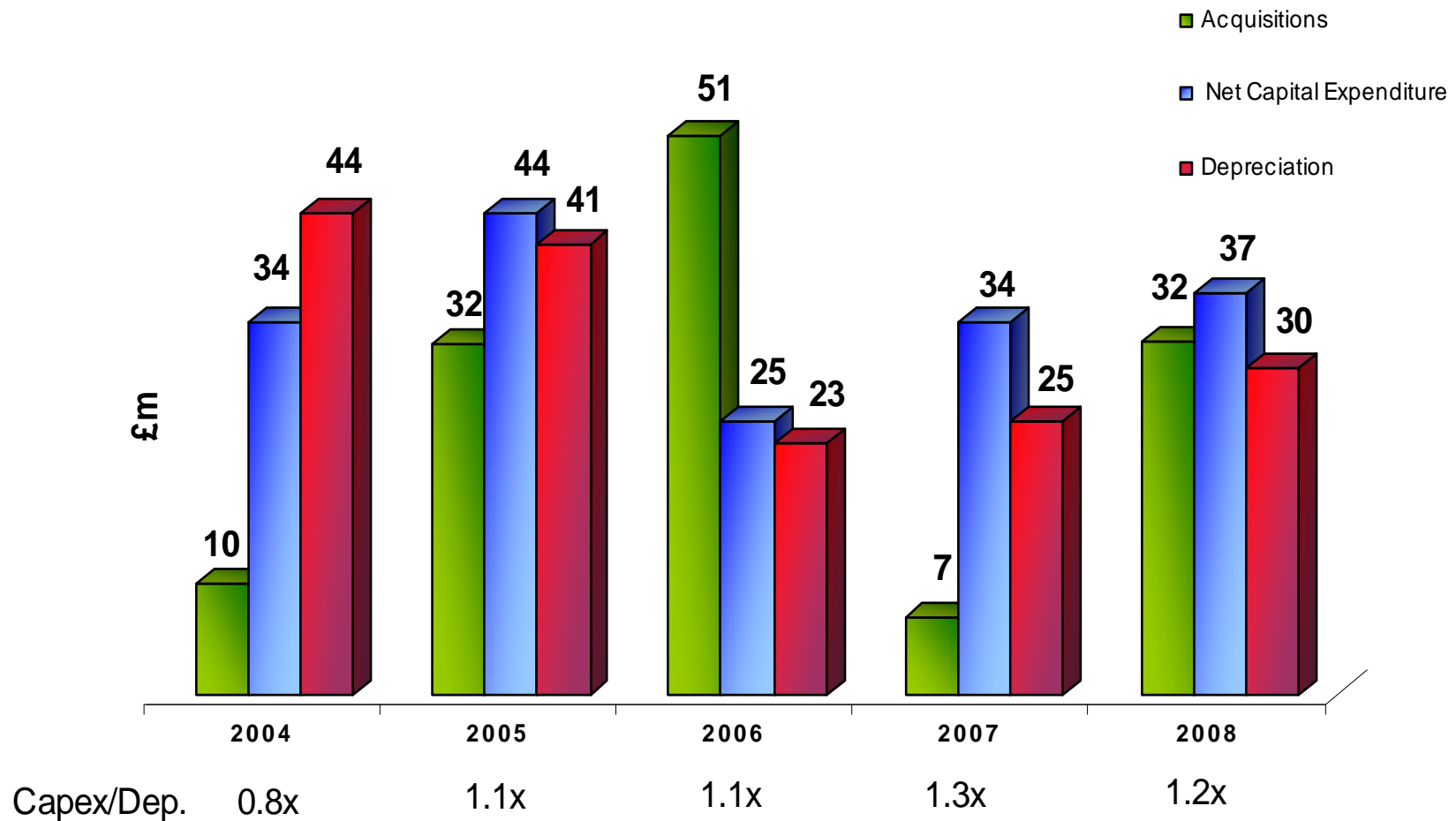


Accident frequency ⁸

Target: Zero



Acquisitions, Capital Expenditure & Depreciation



Analysis Of Organic/Acquisition Growth



	HT £m	HIP £m	Testing		Head Office £m	Total £m
			MEM £m	HSE £m		
Revenue						
2007	210.8	21.3	60.8	24.7		317.6
Organic	9.4	2.7	4.3	1.1		17.5
Acquisition	13.8	1.0	2.4	1.1		18.3
Currency	22.6	1.2	3.9	1.5		29.2
2008	256.6	26.2	71.4	28.4		382.6

Headline Operating Profit ¹						
2007	32.9	7.5	10.0	1.5	(3.7)	48.2
Organic	(1.1)	0.3	(1.9)	0.9	(1.1)	(2.9)
Acquisition	2.5	0.1	0.4	0.1	-	3.1
Currency	3.4	0.2	0.5	-	-	4.1
2008	37.7	8.1	9.0	2.5	(4.8)	52.5

% on sales						
2008	14.7%	30.9%	12.6%	8.8%		13.7%
2007	15.6%	35.2%	16.4%	6.1%		15.2%

Impact Of Exchange Rates



	Revenue £m	Headline Profit before tax ¹ £m
H1-2008 As Reported	382.6	46.4
H1-2008 Using H1-2007 Rates	353.4	42.3
Impact	29.2	4.1

Taxation



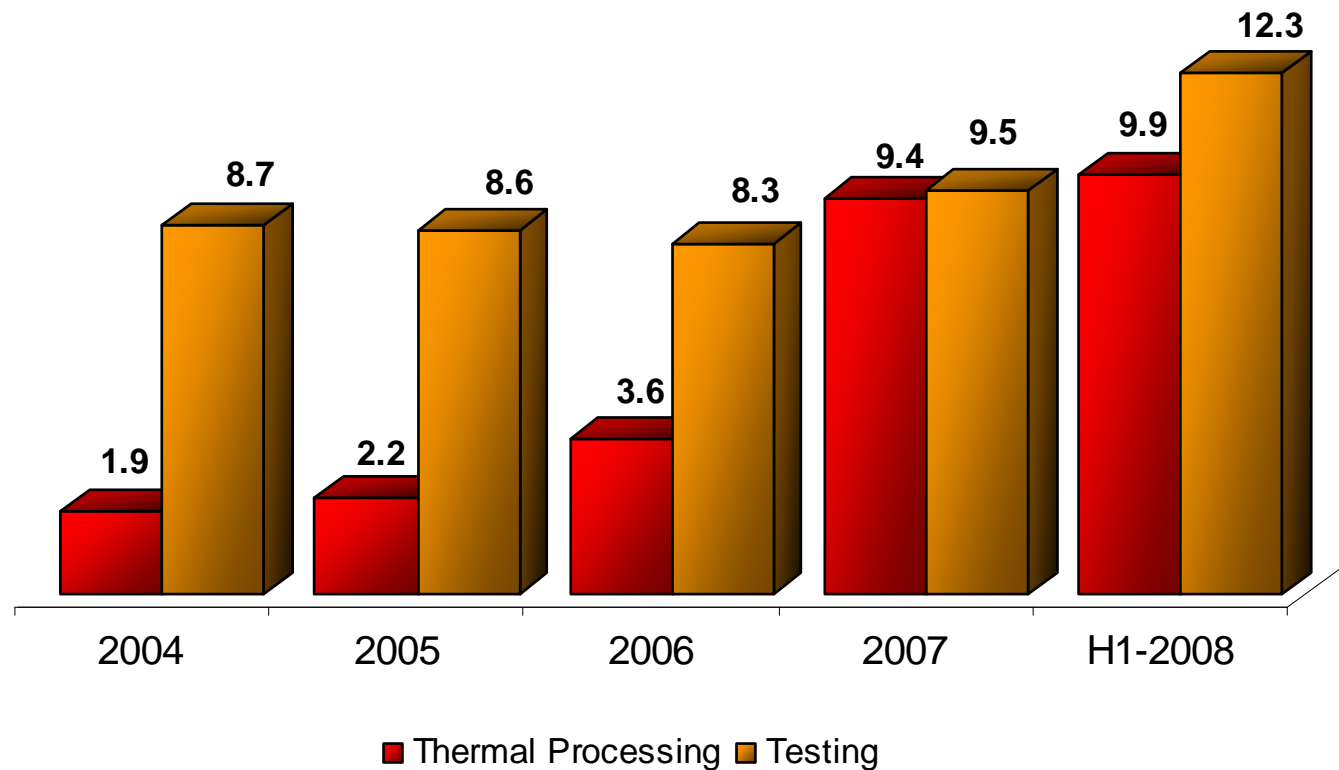
	H1 2008	H1 2007	FY 2007
	£m	£m	£m
Headline Profit before tax ¹	46.4	43.2	81.0
Tax on associates	(0.1)	-	-
Exceptional items & amortisation	(1.6)	(0.6)	(12.5)
Profit after exceptional items	44.7	42.6	68.5
Current year tax charge ¹	11.0	10.1	15.4
Tax effect of exceptional items	-	(0.6)	(0.7)
Total tax charge	11.0	9.5	14.7
Pre exceptional effective tax rate	23.7%	23.4%	19.0%
Post exceptional effective tax rate	24.6%	22.3%	21.5%

Revenue By Market – Testing

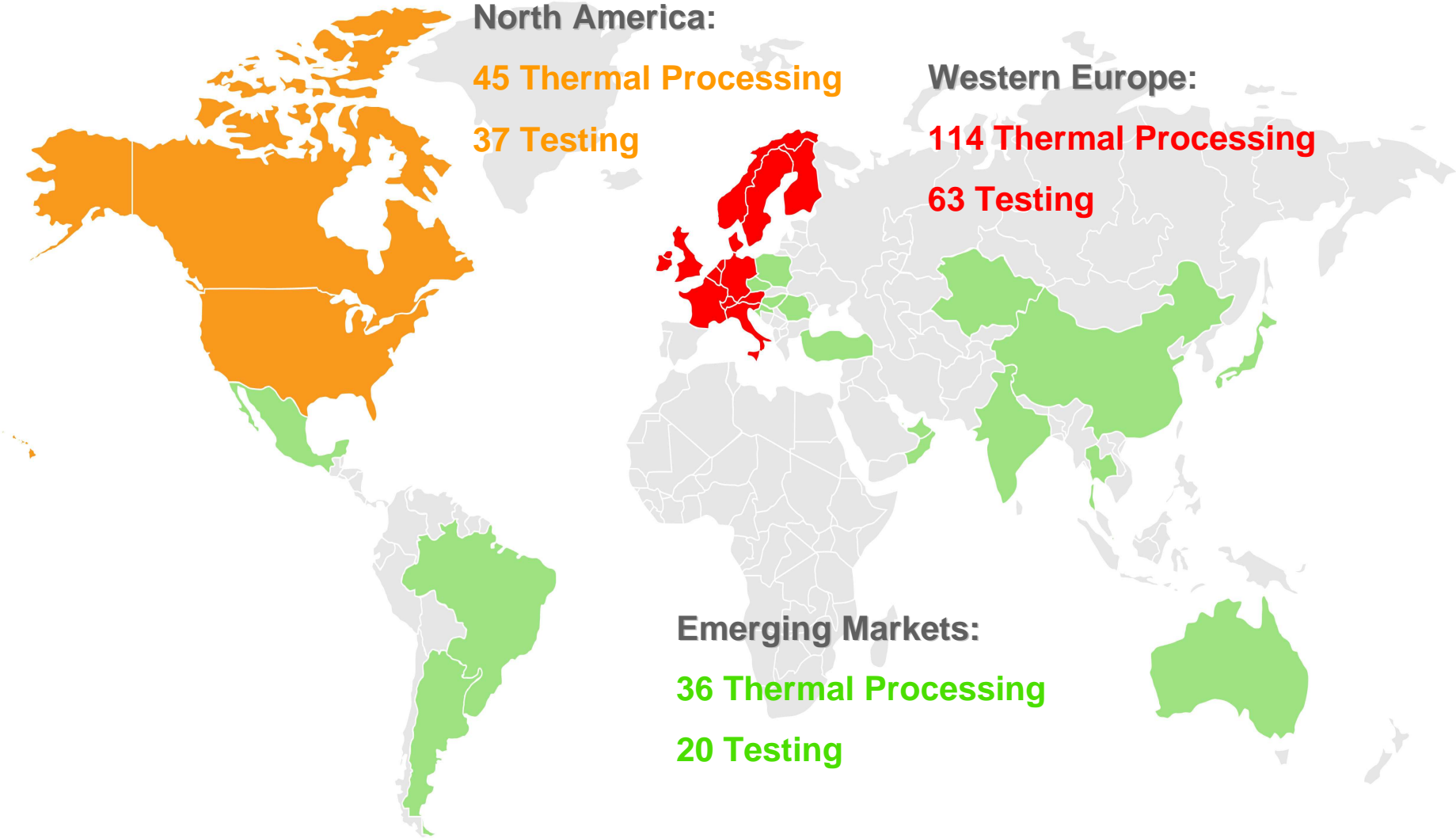


Sector	H1 2008	H1 2007	YoY Change
	%	%	in Revenue %
• Medical/Health Science & Environmental	20	21	+13
• Civil Engineering, Agricultural, Railways & Marine	19	13	+74
• Aerospace/Defence	18	21	-2
• Oil & Gas	15	13	+32
• Consumer Products	10	11	+10
• Automotive			
- Cars & Light Truck	5	7	-25
- Heavy Truck & Bus	4	3	+55
• Power Generation	3	4	+2
• Electronics & Telecoms	3	3	+5
• Miscellaneous	2	3	-12
• Tooling	1	1	+3
	100	100	+17

Emerging Markets as a % of Business Unit revenue



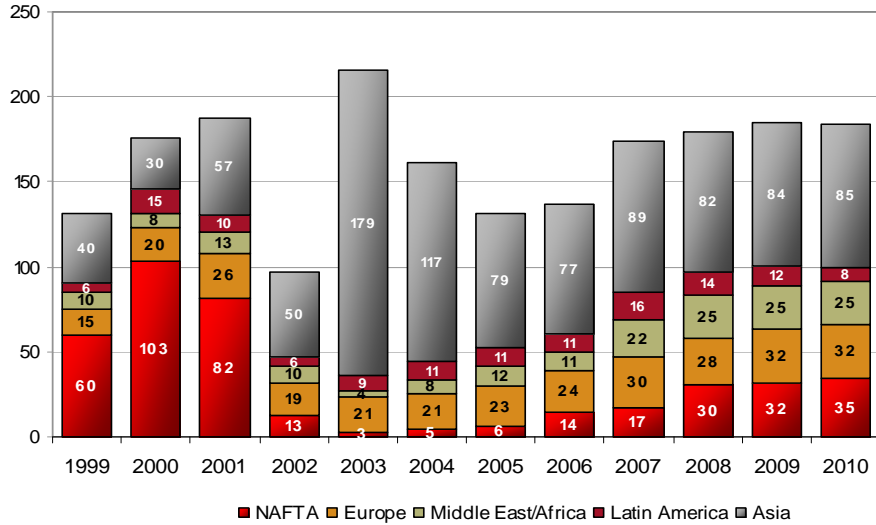
Worldwide Operational Locations



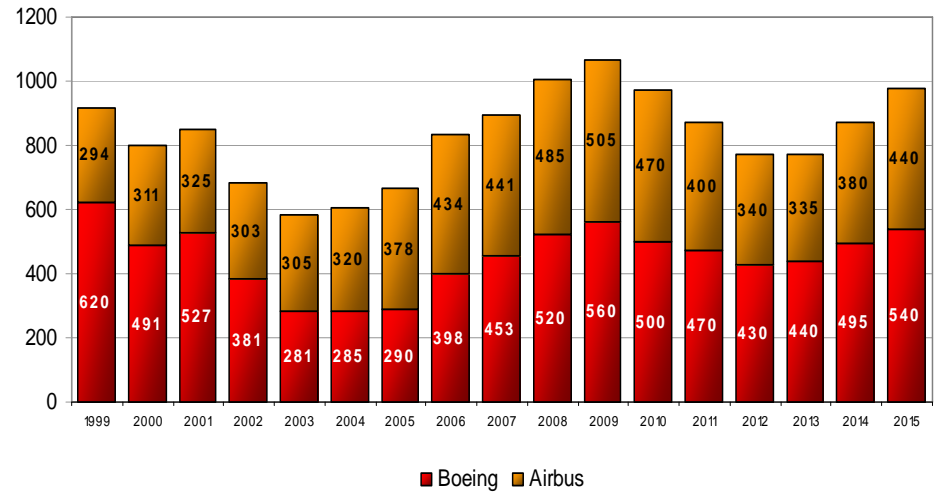
End Market Demand



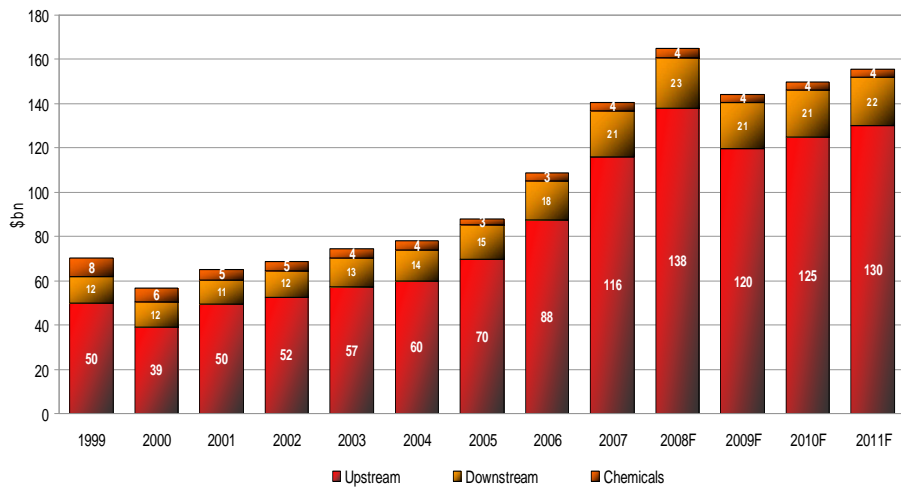
Gas Turbine Orders



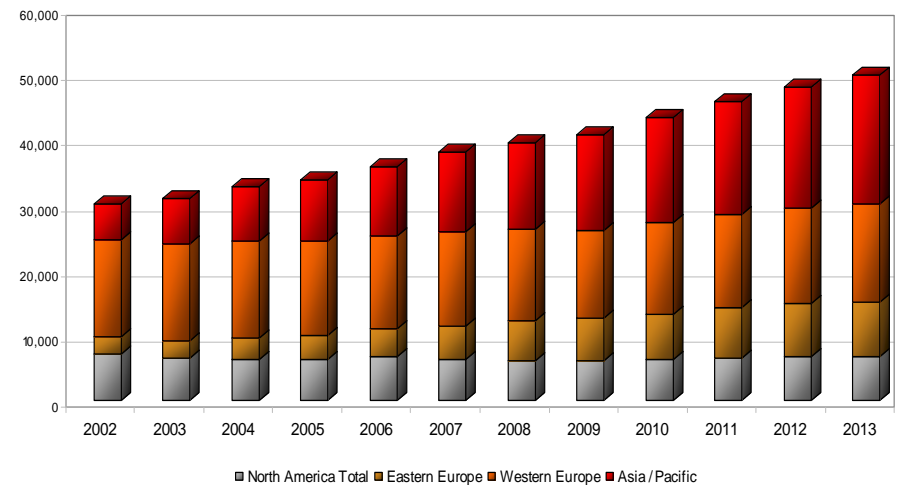
Boeing & Airbus Deliveries



Oil & Gas Industry Capex (\$bn)

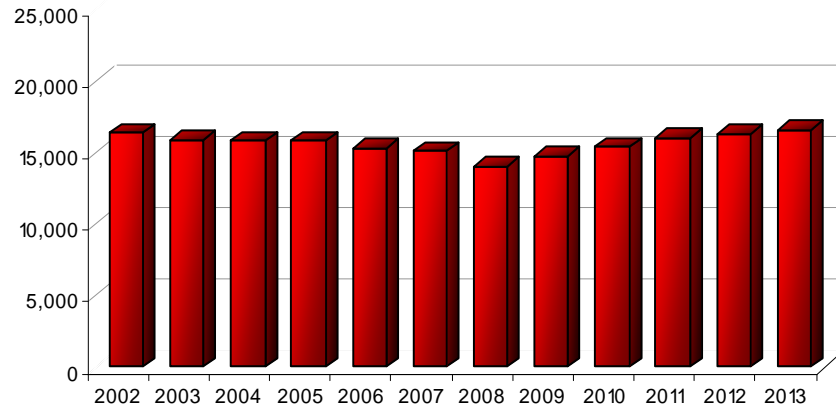


Commercial Vehicle Production ('000 Units)

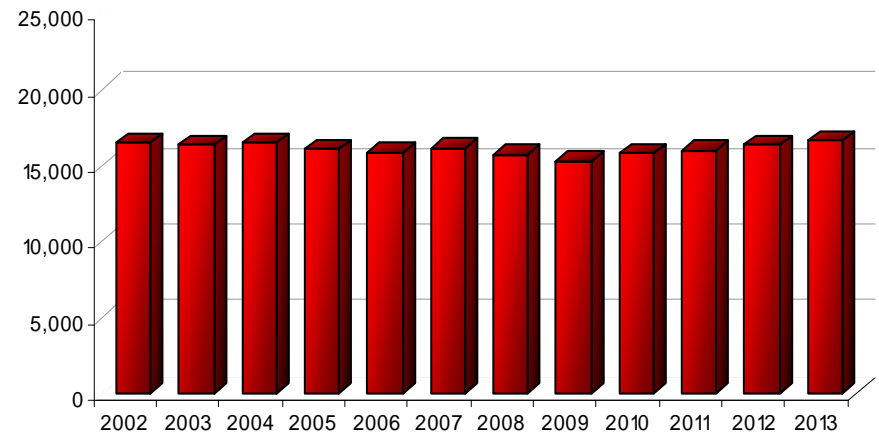


Light Vehicle assembly ('000 Units)

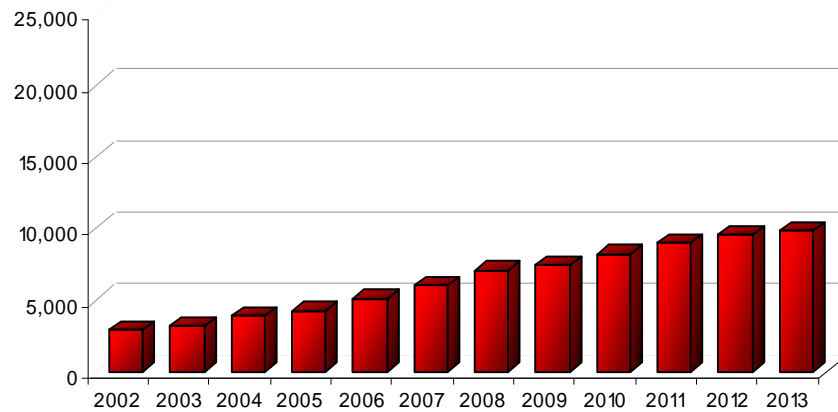
North America



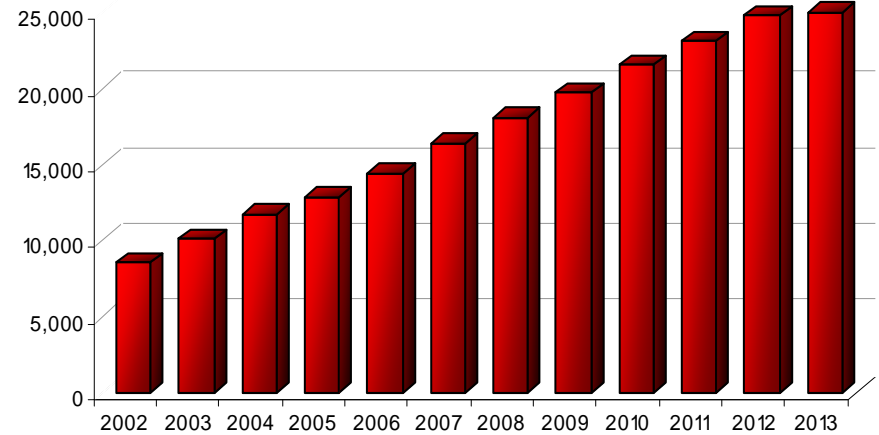
Western Europe



Eastern Europe



Asia Pacific



Key performance indicators definitions

1. Headline operating profit as a percentage of average capital employed. Capital employed includes tangible and intangible assets including all previously amortised/impaired goodwill and all non interest bearing assets and liabilities. Headline operating profit is stated pre exceptional items and interest and tax on associates.
2. Pre exceptional items, interest, tax, depreciation, amortisation and shared-based payments.
3. Year on year increase in revenue, at constant currencies from continuing operations excluding revenue from acquisitions made within the prior twelve months.
4. The salary and benefit costs of all employees as 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