

# **2004 PRELIMINARY RESULTS**

# Highlights

- Sales<sup>1,2</sup> +9%
- Operating Profit<sup>1,2,3</sup> +20%
- Free Cash Flow +88%
- Headline EPS<sup>3</sup> +24%
- ROCE Improved +46%
- Divestiture of Electroplating
- **IonBond** Joint Venture
- Four Small Acquisitions

1 Excluding electroplating and PVD

2 At constant currency rates

3 Pre exceptional items and pre Goodwill amortisation

# Preliminary Results



	2004 £m	2003 £m Restated	Change %
<b>Sales</b>	<b>457.2</b>	<b>448.4</b>	<b>+2</b>
<b>EBITDA*</b>	<b>95.8</b>	<b>87.4</b>	<b>+10</b>
<b>Operating Profit*</b>	<b>52.1</b>	<b>41.7</b>	<b>+25</b>
<b>Profit before Tax*</b>	<b>44.2</b>	<b>32.0</b>	<b>+38</b>
<b>Profit/(loss) before Tax</b>	<b>24.5</b>	<b>(11.1)</b>	<b>-</b>
<b>Tax</b>	<b>(5.6)</b>	<b>(6.2)</b>	<b>-10</b>
<b>Profit/(loss) after tax</b>	<b>18.9</b>	<b>(17.3)</b>	<b>-</b>
<b>Free cashflow</b>	<b>57.1</b>	<b>30.3</b>	<b>+88</b>
<b>Headline EPS*</b>	<b>11.3p</b>	<b>9.1p **</b>	<b>+24</b>
<b>Dividend/Share</b>	<b>6.1p</b>	<b>5.7p**</b>	<b>+7</b>

# Profit Bridge



	£m
Operating Profit** 2003	41.4
Selling Prices	2.0
Sales Volume	13.1
Salary/Wage Inflation	(4.0)
Energy Costs	(0.7)
Maintenance Costs	(1.5)
Acquisitions	0.5
Electroplating Reduced Losses	3.8
Operating Profit 2004 at constant exchange rates	<u>54.6</u>
Currency Translation	(2.5)
Operating Profit** 2004	<u>52.1</u>

\*\* Pre Goodwill and Exceptional Items

# Impact Of Exchange Rates



	Sales £m	Operating Profit* £m
2004 As Reported	457.2	52.1
2004 Using 2003 Rates	476.6	54.6
Impact	(19.4)	(2.5)

\* Pre Goodwill and Exceptional items

# Exceptional Items

		2004	2003
		£m	£m
<u>Exceptional Items</u>			
Electroplating	- Goodwill	-	(11.1)
	- Fixed Assets	-	(18.9)
	- Costs	(7.4)	-
		(7.4)	(30.0)
PVD transfer to IonBond	- Assets	(2.8)	-
	- Costs	(1.0)	-
		(3.8)	
Profit on disposal of discontinued operations		-	3.5
<u>Operating Exceptional Items</u>			
Plant Restructuring		-	(7.5)
		(11.2)	(34.0)

# Sales and Operating Profit - By Region

2003 £m		2004 £m	Europe £m	North America £m	UK £m	Rest of World £m
	<u>Sales</u>					
302.5	Heat Treatment	309.0	178.3	101.9	28.8	-
61.2	Materials Testing	65.6	9.7	30.3	20.5	5.1
27.6	Hot Isostatic Pressing	32.1	9.0	18.4	4.7	-
18.4	Surface Engineering	19.4	14.4	1.4	3.6	-
409.7		426.1	211.4	152.0	57.6	5.1
26.0	Electroplating	19.4	14.7	-	4.7	-
12.7	PVD	11.7	8.1	3.3	0.3	-
448.4		457.2	234.2	155.3	62.6	5.1
	<u>Operating Profit*</u>					
31.5	Heat Treatment	34.2	22.4	6.5	5.3	-
11.4	Materials Testing	12.4	2.3	4.5	4.3	1.3
3.6	Hot Isostatic Pressing	7.0	1.2	5.5	0.3	-
2.3	Surface Engineering	3.3	2.5	0.5	0.3	-
(1.6)	Head Office	(2.7)	-	-	-	-
47.2		54.2	28.4	17.0	10.2	1.3
(6.8)	Electroplating	(3.0)	(1.8)	-	(1.2)	-
1.3	PVD	0.9	0.6	0.4	(0.1)	-
41.7		52.1	27.2	17.4	8.9	1.3

\*Pre goodwill and exceptional items

# Sales By Market

	2004	2003
Sector	%	%
Automotive		
- Cars & Light Truck	24	24
- Heavy Truck & Bus	5	4
Aerospace/Defence	17	17
Construction, Agricultural, Railways & Marine	15	15
Tooling	11	13
Oil & Gas	6	6
Power Generation	5	4
Consumer Products	4	4
Health Science & Environmental	5	4
Electronics & Telecoms	4	3
Miscellaneous(e.g pulp & paper, food, nuclear)	4	6
	<u>100</u>	<u>100</u>



## Summary Cash Flow and Financial Ratios

	2004 £m	2003 £m
<b>EBITDA*</b>	<b>95.8</b>	<b>87.4</b>
<b>Working Capital Movement</b>	<b>8.5</b>	<b>(3.6)</b>
<b>CAPEX</b>	<b>(34.0)</b>	<b>(38.3)</b>
<b>Interest</b>	<b>(7.8)</b>	<b>(10.3)</b>
<b>Tax</b>	<b>(5.4)</b>	<b>(4.9)</b>
<b>Free Cash Flow</b>	<b>57.1</b>	<b>30.3</b>
<b>Net Debt/EBITDA</b>	<b>0.9x</b>	<b>2.4x</b>
<b>Interest Cover*</b>	<b>6.6x</b>	<b>4.3x</b>
<b>Gearing</b>	<b>20%</b>	<b>56%</b>
<b>Free Cash Flow</b>	<b>12%</b>	<b>7%</b>
<b>Capex/Depreciation</b>	<b>0.8x</b>	<b>0.8x</b>

\*pre Goodwill and Exceptional items

# Balance Sheet



	2004	2003
	£m	£m
<b>Goodwill</b>	131.4	137.5
<b>Tangible Fixed Assets</b>	428.7	478.7
<b>Investments</b>	6.2	0.9
<b>Trading Working Capital</b>	26.3	35.8
<b>Other Net Current Assets</b>	(68.2)	(70.8)
	<u>524.4</u>	<u>582.1</u>
<b>Shareholders' Funds</b>	434.9	370.9
<b>Minority Interests</b>	1.0	0.9
<b>Net Borrowings</b>	88.5	210.3
	<u>524.4</u>	<u>582.1</u>

# IFRS Implementation



Work to date has identified the following areas of impact:

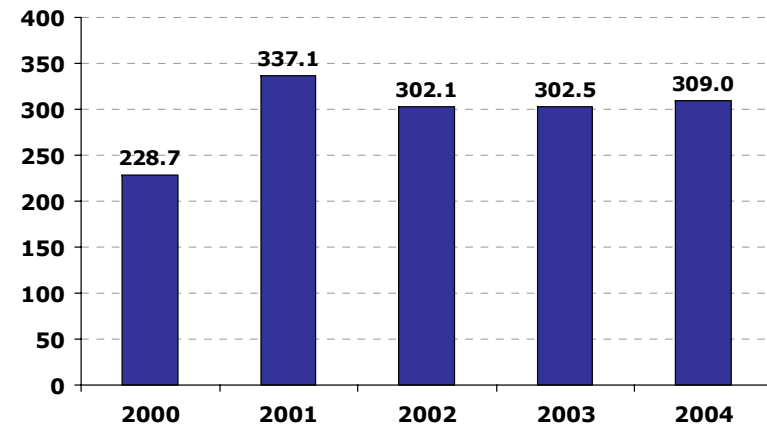
		£m
• Retirement Benefits	- Liability increase Dec 04	22.0
• Proposed Dividends	- Liability reduction Dec 04	12.3
• Deferred Tax	- Liability increase Dec 04	17.3
• Goodwill	- No amortisation in 2004 P&L	8.5
• Share Based Payments	- Options cost to be charged in 2004 P&L	0.3

- Bodycote positioned as subcontractor of choice
- Focused on core businesses
- Competitive advantages being exploited
- Roll-out proprietary value added processes
- Infill existing markets
- Follow customer expansion into low cost areas
- Development of people

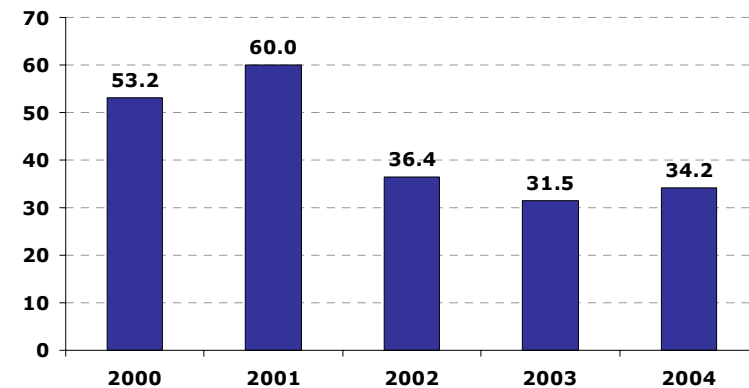
# Heat Treatment

- France/USA
- Leveraging customer base
- Rolling out proprietary processes
- Danish acquisition
- Eastern Europe

Revenue (£m)



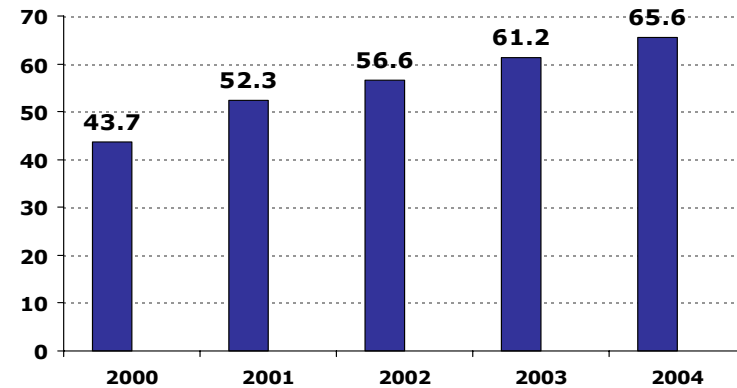
Operating Profit (£m)



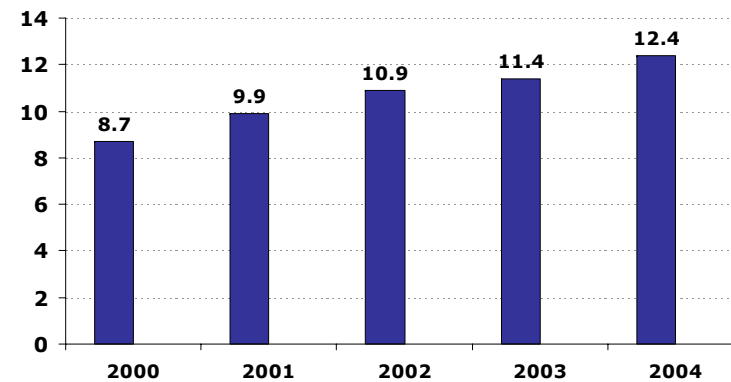
# Materials Testing

- Spreading technologies
- Outsourcing
- Two acquisitions: UK and Canada

Revenue (£m)



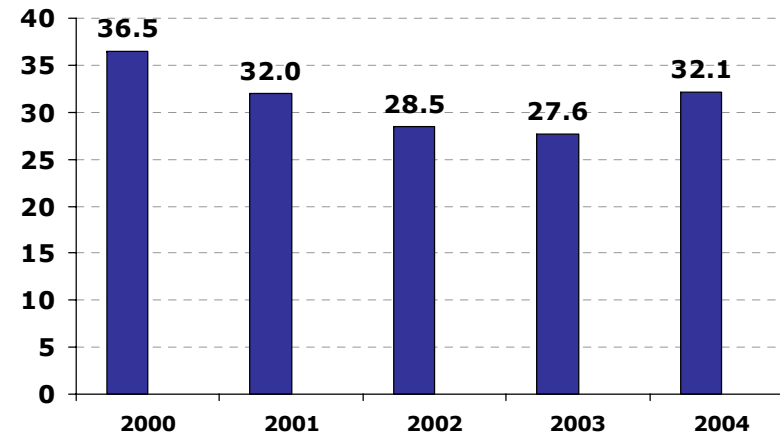
Operating Profit (£m)



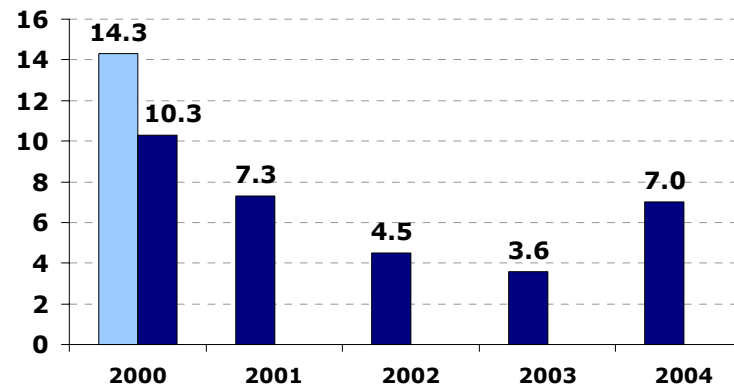
# Hot Isostatic Pressing

- Volume growth plus operational gearing
- Applications being developed:
  - Densal II®
  - ALON
  - Metal Matrix Composites
  - Extruded duplex pipe
- 2000 impacted by Business Interruption Insurance

Revenue (£m)



Operating Profit (£m)

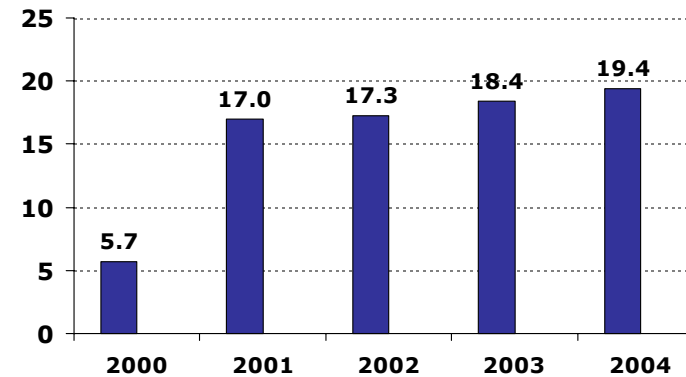


# Surface Engineering

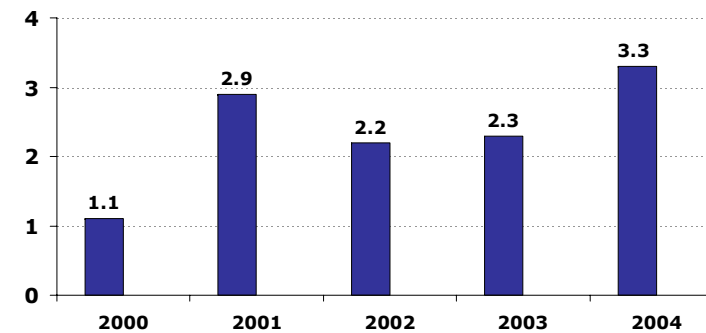


- Diffusion bonding
  - K Tech
  - CoatAlloy®
  - Sherardizing
  - Thermal Spray
- Anodising and organics

Revenue (£ m)



Operating Profit (£ m)





# Current Trading and Prospects

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- 05 started in line with expectations
- Aerospace and IGT markets exhibiting encouraging signs
- Automotive and tooling sectors soft
- Impact of energy costs being managed
- Outsourcing demand continues
- Confident of further progress in 05

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