2011 Interim Results

28 July 2011

Bodycote

Introduction

Bodycote

Stephen Harris

Chief Executive

Plasma nitriding
Low temperature surface treatment for high hardness, wear resistance and enhanced fatigue properties.

Agenda

- Highlights — Stephen Harris
- Financial Review — David Landless
- Business Review — Stephen Harris

Highlights

- Bodycote outperforming the markets
- Progress on strategic growth initiatives
- Broad-based market recovery has continued
- Low cost base sustained following restructuring
- Sales up 17%, Headline Operating Profit up 92%
- 92% Headline Operating Cash Conversion
- Interim dividend increased by 22% to 3.60p

Financial Review

David Landless

Finance Director

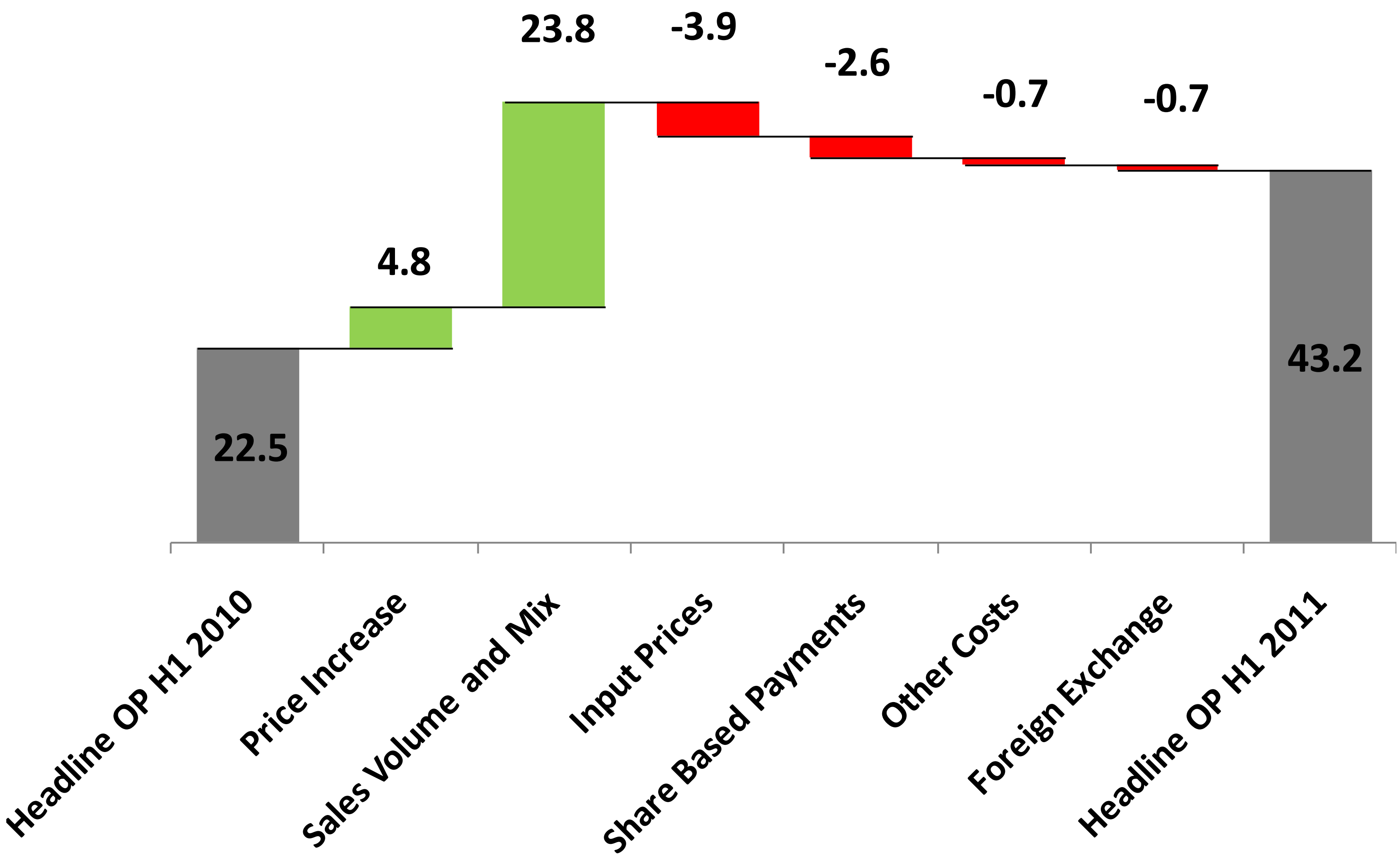
Thermochemical ceramic coating
Eliminates porosity in thermal sprayed coatings by thermochemically diffusing corrosion resistant, super hard ceramic particles into the substrate.

2011 Interim Results Summary

	H1 2011 £m	*Margin %*	H1 2010 £m	*Margin %*	*Increase %*
Revenue	**288.2**		**246.3**		***17%***
Headline EBITDA[1]	**70.6**	***24.5%***	**48.2**	***19.6%***	***46%***
Headline operating profit[2]	**43.2**	***15.0%***	**22.5**	***9.1%***	***92%***
Headline profit before taxation[2]	**40.8**		**19.6**		***108%***
Headline operating cash flow[3]	**39.8**		**29.7**		
Net debt	**33.7**		**87.5**		
Headline earnings per share (pence)[2]	**16.2**		**7.8**		***108%***
Dividend per share (pence)	**3.60**		**2.95**		***22%***

1. Earnings before interest, tax, depreciation, amortisation, impairment, loss on disposal of plant, property and equipment and share based payments
2. Headline operating profit and headline profit before taxation exclude the amortisation of acquired intangibles
3. Headline operating cash flow is stated before cash flow relating to exceptional items

Operating Profit Bridge
(£m)



Cash Flow

£m	H1 2011	H1 2010
Headline Operating Profit	**43.2**	**22.5**
Add back non-cash items:		
Depreciation and Amortisation	24.9	24.0
Share-Based Payments	2.5	1.7
Headline EBITDA[1]	**70.6**	**48.2**
Net Capital Expenditure	(20.6)	(15.7)
Working Capital	(10.2)	(2.8)
Headline Operating Cash Flow	**39.8**	**29.7**
Restructuring	(3.3)	(7.2)
Operating Cash Flow	**36.5**	**22.5**
Interest	(1.7)	(2.9)
Taxation	(6.4)	(2.6)
Free Cash Flow	**28.4**	**17.0**

Capex to depreciation: **6m 2011: 0.8x**
6m 2010: 0.7x

92% headline operating cash conversion[2]

Restructuring spend mainly plant closure costs and redundancies in Brazil and France

(1) Earnings before interest, tax, depreciation, amortisation, impairment, loss on disposal of plant, property and equipment and share based payments
(2) Cash conversion defined as Headline Operating Cash Flow divided by Headline Operating Profit

Net Debt / Finance Charge

£m	H1 2011
Opening balance	**(51.3)**
Movement in net debt due to:	
Free cash flow	28.4
Dividends paid	(10.8)
Closing balance	**(33.7)**

£m	H1 2011	H1 2010
Net interest payable	0.7	0.9
Financing costs	1.1	1.2
Other charges	0.3	0.3
Pension finance charge	0.3	0.5
Finance charge	**2.4**	**2.9**

Refinancing

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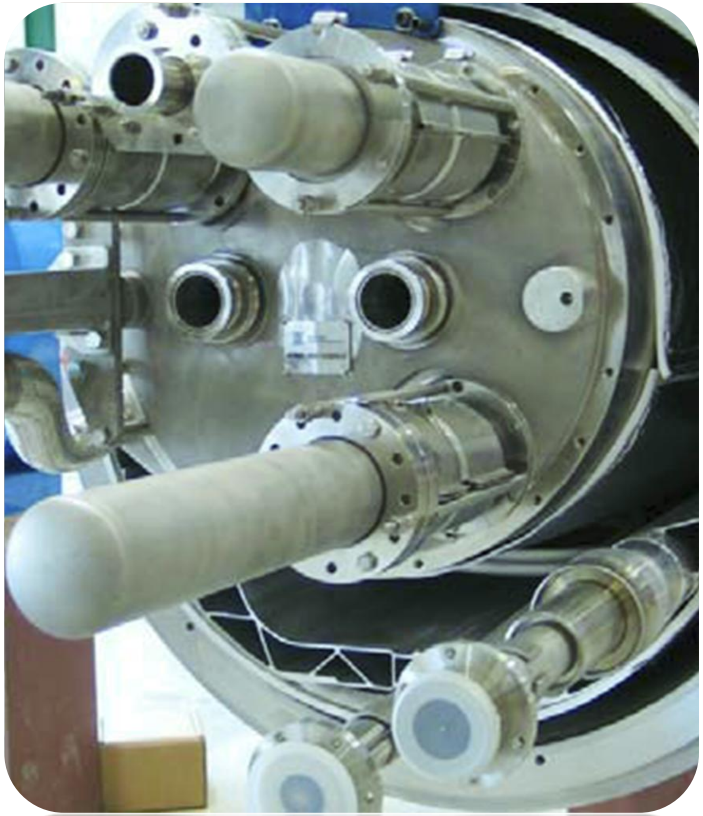
Revolving Credit Facility (RCF) refinancing completed 27 July 2011

- £125m RCF (replaces £110m and $20m RCFs)
- Five year term to 31 August 2016
- Margin reduced by 100 basis points
- Financial covenants unchanged
- Other terms more favourable
- Existing €125m RCF maturing 31 July 2013 remains in place

Business Review

Stephen Harris

Chief Executive

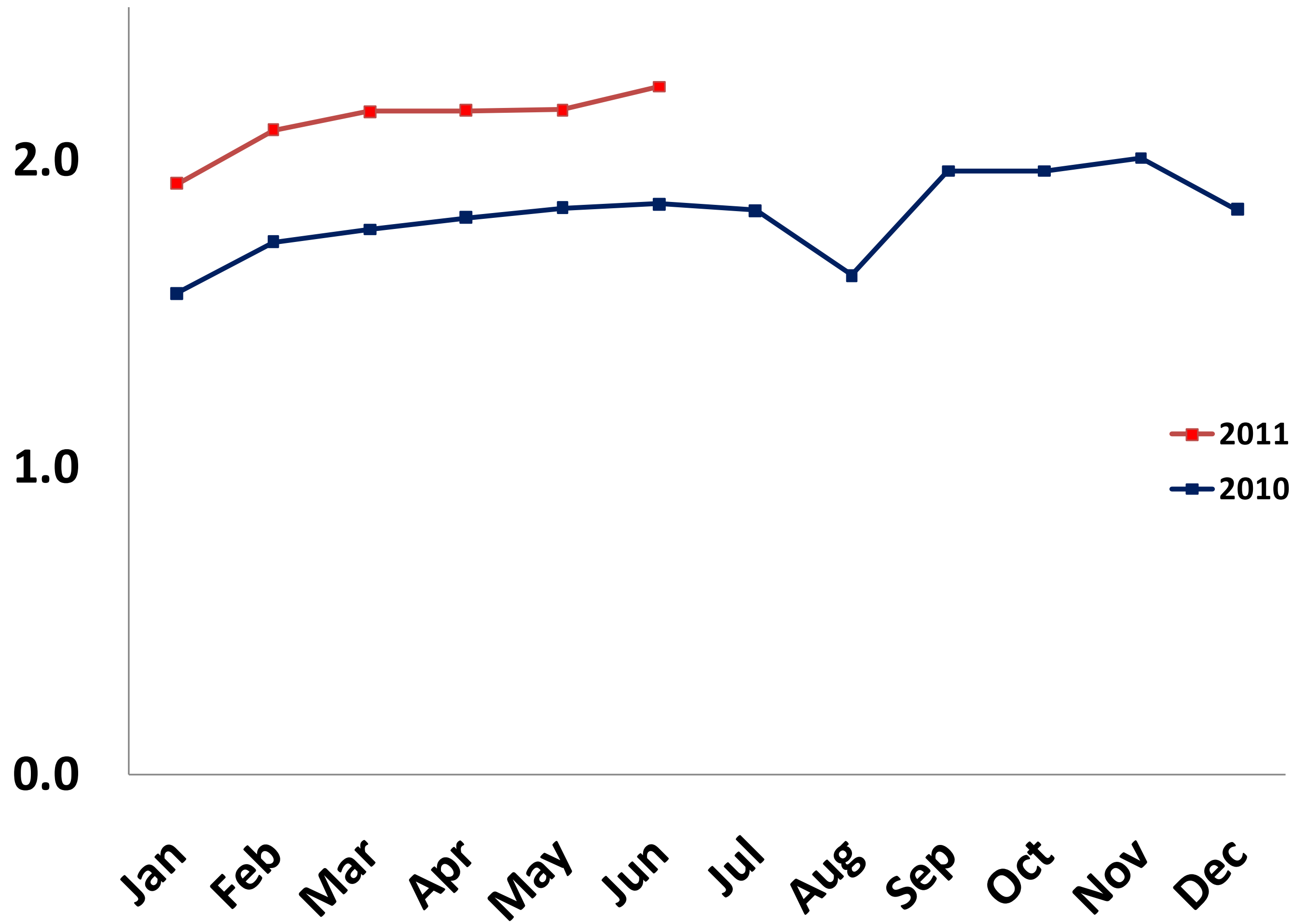


HIP Product Fabrication

Hot isostatic pressing (HIP) of powder metal (PM) was used to manufacture superconducting dipole cryomagnet end covers for the Large Hadron Collider (LHC).

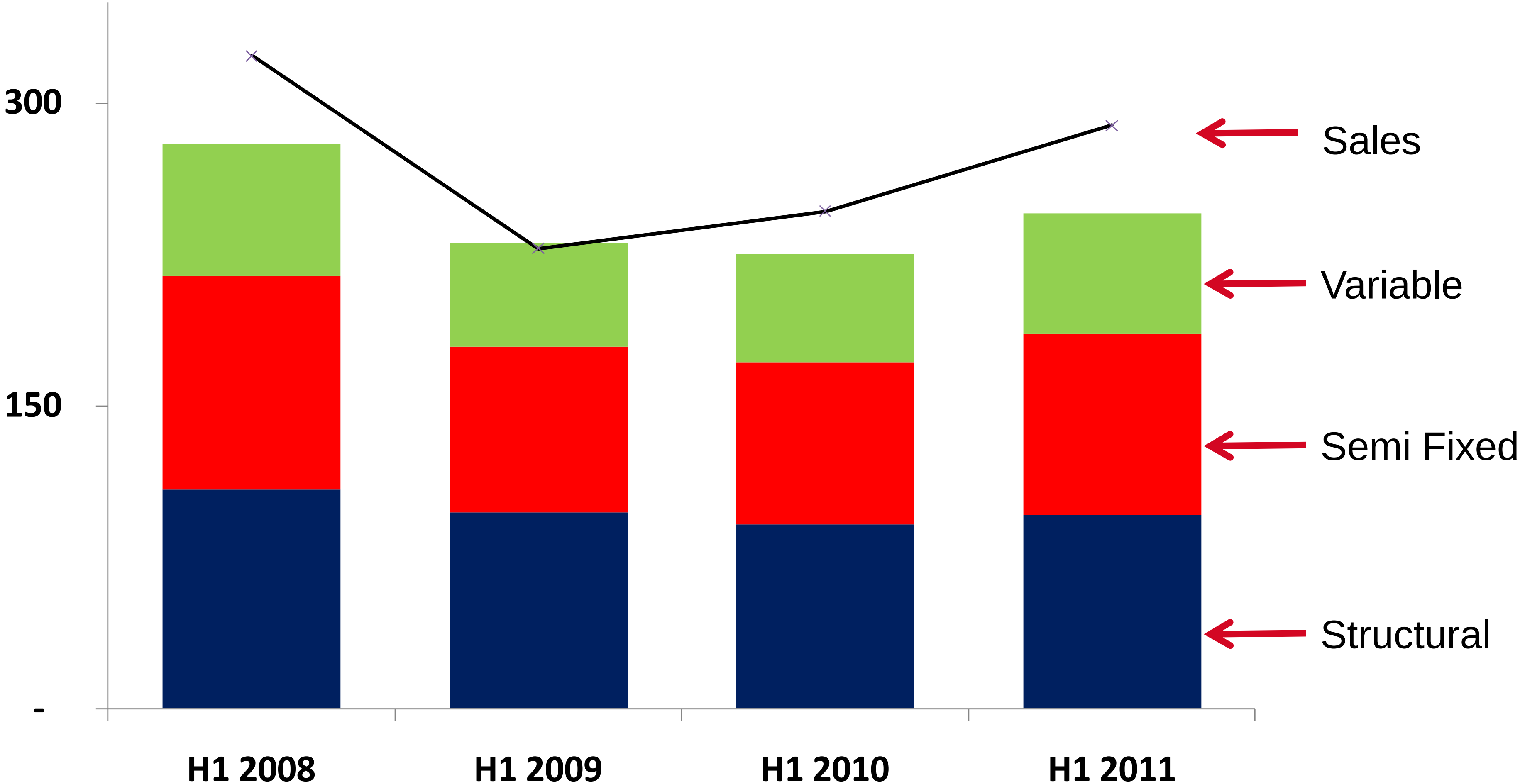
Daily Sales Trend – Group

Constant Exchange Rates (£m)



Four Year Perspective – Costs

At constant currency (£m)



Divisional Summary

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ADE Divisions

£m	H1 2011	H1 2010	Constant Currency increase
Revenue	**115.9**	**98.4**	**21%**
Adjusted Headline OP (1)	**26.2**	**15.0**	**79%**
Margin	***23%***	***15%***	

Emerging Markets (exc. Brazil)

+33%

AGI Divisions

£m	H1 2011	H1 2010	Constant Currency Increase
Revenue (2)	**172.3**	**147.9**	**15%**
Adjusted Headline OP (1)	**25.0**	**13.2**	**89%**
Margin	***15%***	***9%***	

(1) Headline Operating Profit before share based payments and head office costs

(2) £3.4m sales impact due to Brazilian restructuring

General Industrial Sector

Bodycote Performance	H1: £122m up 23%*

* At constant currency

Markets	H1	Future Trend
Heavy machinery	up	up
General capital goods	up	up
Restocking benefit – supply chain	up	flat

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- Growth is about twice market rate
- Benefiting from many new accounts
- Significant restocking benefit in 2011 H1 (c.£6m sales and c.£3m profit) – not expected in H2
- Strong growth from S3P

Automotive Sector

Bodycote Performance **H1: £75m up 12%***

* At constant currency

Markets	H1	Future Trend
European car production		
US car production		
Heavy trucks		
Technology driven change		

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- Growth higher than market
- Future growth drivers in excess of market:
  - Demand for smaller, lighter, stronger parts
  - Migration to emerging markets and outsourcing

Aerospace & Defence Sector

Bodycote Performance

H1: £58m up 13%*

* At constant currency

Markets	H1	Future Trend
New civilian aircraft build rate	↑	↑
Spares requirement	↑	↑
Defence – very program specific	→	→
Supply chain restocking	↑	↑

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- Strategic partnerships and outsourcing e.g. Rolls-Royce new 10 year contract
- Strong HIP growth
- Specific project capex expected – investing in a growing market

Energy Sector

Bodycote Performance	H1: £35m up 18%*

* At constant currency

Markets	H1	Future Trend
Oil and gas production	↑	↑
Oil and gas exploration	↑	↑
Power generation	→	↑
Supply chain restocking	→	↑

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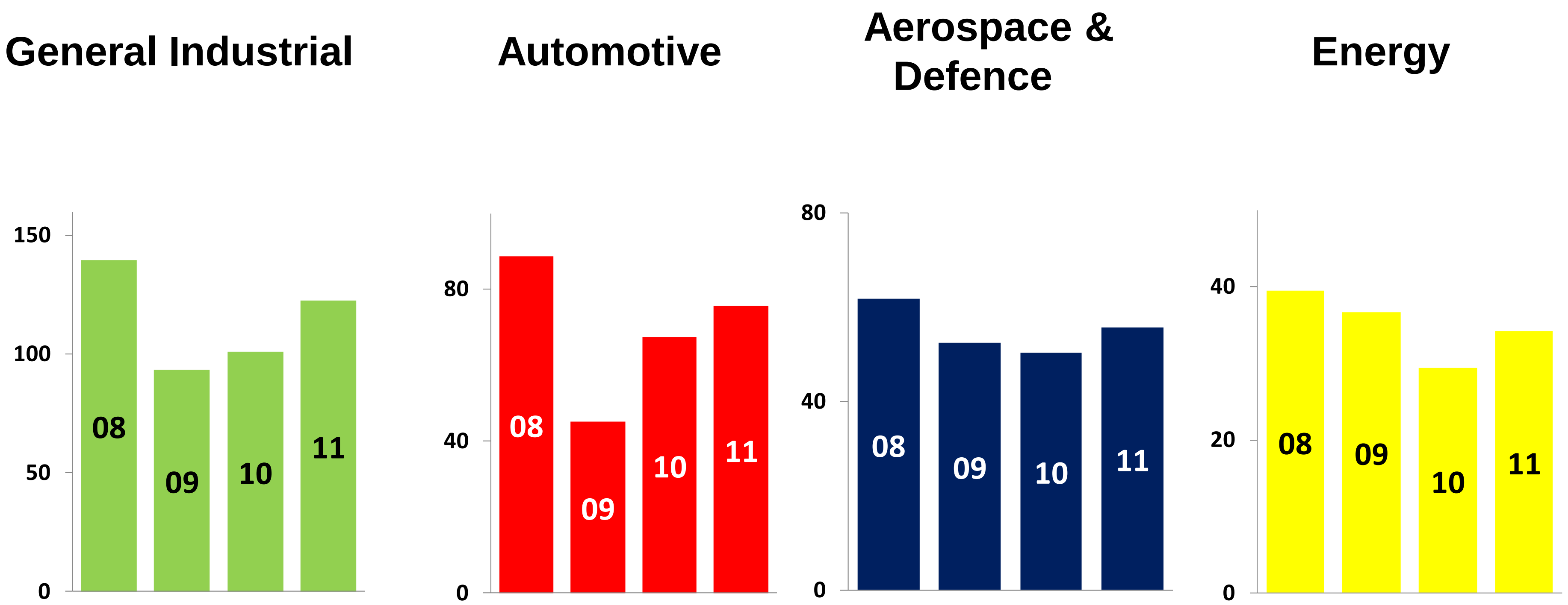
- Oil & Gas – outperforming the market
- Current IGT production at a low point - strong growth ahead
- Strong growth from HIP PF and more to come

H1 Sales Trends by Market

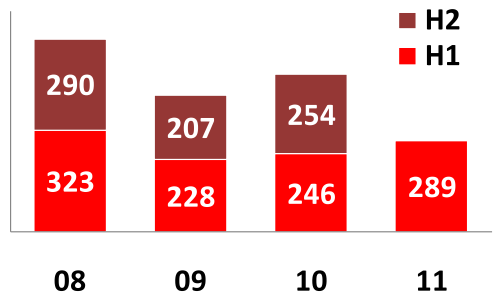
At constant currency (£m)



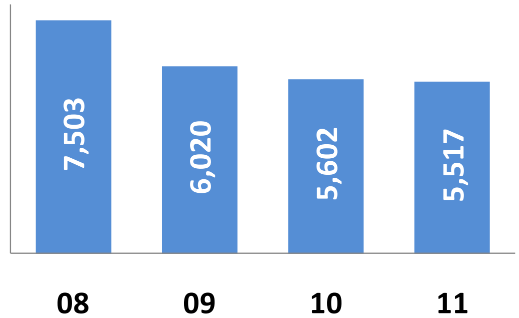
- Sales still below 2008 levels in all market areas

KPIs – Four Year Perspective

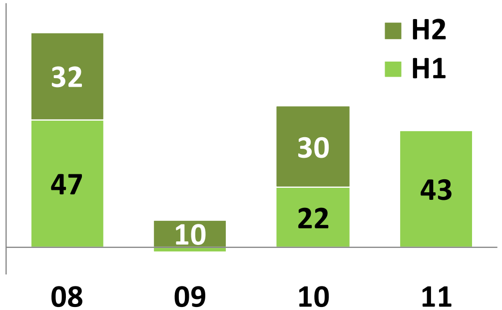
Sales* (£m)



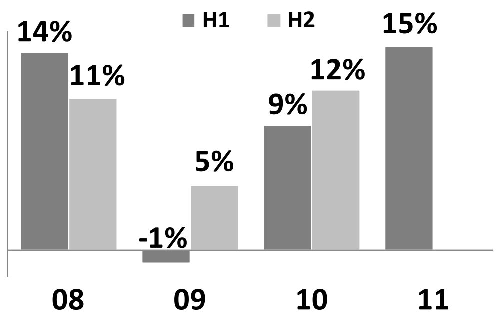
Average Headcount



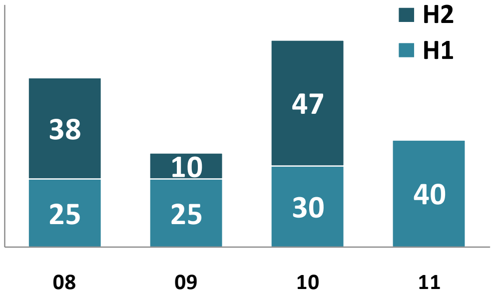
Headline Operating Profit*(£m)



Margin* (%)



Headline Operating Cash Flow (£m)



* At constant currency

Strategic Progress

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Sustain the low cost base in the upturn

- Headcount static
- Margins improved to 15%

✓

Selective investment

- Capex 0.8 times depreciation
- More investment ahead – growth projects

✓

Enhance business processes

- Plant operational efficiency
- Commercial – pricing, new accounts

✓

Expand footprint in emerging markets

- Programme continues, particularly Eastern Europe, Mexico and China

✓

Drive growth of chosen proprietary technologies

- S3P progressive expansion
- HIP PF growing strongly
- CPP still embryonic

Up 55%

✓

Summary

Top Line

- Growing ahead of the markets
- Positioned for strong growth in energy and aerospace
- Strong emerging markets growth
- Gaining traction on chosen proprietary technologies (S3P, HIP PF, CPP): sales up 55%

Bottom Line

- Benefiting from efficiency, mix and lower cost base
- Headline operating profits up 92%, margins at prior peak levels

Cash

- Cash conversion 92%, net debt low

Dividend

- Interim dividend up 22% to 3.60p

Outlook

Bodycote

The first half of 2011 has seen a continued and broad-based recovery in Group revenues. The near term macro-economic indicators are mixed and year on year comparables for the Group are more challenging in the second half than the first.

Nevertheless the Board's expectations for the full year headline operating profit are somewhat above the top of the range of analysts' current forecasts[1].

The Board remains confident that the ongoing execution of the Group's strategy will continue to deliver superior through-cycle shareholder returns.

(1) Consensus of current analysts' forecasts for full year headline operating profit (Bloomberg): £73.0m, with a range from £63.2m to £77.9m.

Capital Markets Day

Bodycote

17 November 2011

London


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H1 2011 Statutory Income Statement

£m	H1 2011	H1 2010
Revenue	**288.2**	**246.3**
Headline operating profit [1]	**43.2**	**22.5**
Amortisation of acquired intangible fixed assets	(0.5)	(0.5)
Operating profit	**42.7**	**22.0**
Net finance costs	(2.4)	(2.9)
Profit before taxation	**40.3**	**19.1**

Earnings per share (pence)	H1 2011	H1 2010
Basic	16.0	7.6

1. Prior to separately identified items

Pensions – net deficit

£m	H1 2011	2010
UK Funded	0.3	0.6
Other Western Europe Funded	0.8	0.7
Other Western Europe Unfunded	10.2	9.5
Western Europe Total	**11.3**	**10.8**
North America Funded	0.4	0.5
Emerging Markets Unfunded	0.2	0.3
Total retirement benefit obligations	**11.9**	**11.6**

Financial Information

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- Average shares in issue H1 2011: 185.5m (H1 2010: 185.1m)
- Exchange rates:

Currency	Description	H1 2011	H1 2010
Euro	Average (P&L)	**1.14**	**1.15**
	Closing (B/S)	**1.11**	**1.24**
US Dollar	Average (P&L)	**1.61**	**1.53**
	Closing (B/S)	**1.61**	**1.51**
SEK	Average (P&L)	**10.22**	**11.31**
	Closing (B/S)	**10.13**	**11.76**

- Net debt and interest related financial ratios

Financial Ratios	Jun-11	Jun-10
Net Debt : Headline EBITDA[1]	**0.3 x**	**1.1x**
Headline EBITDA[1] Interest Cover	**76 x**	**45 x**
Gearing (Net Debt to Total Equity)	**7%**	**21%**

1. Earnings before interest, tax, depreciation, amortisation, impairment, loss on disposal of plant, property and equipment and share based payments calculated on a LTM basis.

Geographical Summary - ADE

ADE

Revenue (£m)	H1 2011	H1 2010	Growth
Western Europe	**55.9**	45.3	23%
North America	**59.3**	52.7	13%
Emerging Markets	**0.7**	0.4	75%
	115.9	98.4	**18%**

Adjusted HOP [1] (£m)	H1 2011	H1 2010	Growth
Western Europe	**11.8**	6.6	79%
North America	**14.3**	8.6	66%
Emerging Markets	**0.1**	-0.2	
	26.2	15.0	**75%**

Margin	H1 2011	H1 2010
Western Europe	21%	15%
North America	24%	16%
Emerging Markets	14%	-50%
	23%	15%

(1) Headline Operating Profit before share based payments

Geographical Summary - AGI

AGI

Revenue (£m)	H1 2011	H1 2010	Growth
Western Europe	123.2	102.0	21%
North America	23.2	21.0	10%
Emerging Markets	25.9	24.9	4%
	172.3	147.9	**16%**

Adjusted HOP [1] (£m)	H1 2011	H1 2010	Growth
Western Europe	19.0	9.5	100%
North America	3.8	3.2	19%
Emerging Markets	2.2	0.5	340%
	25.0	13.2	**89%**

Margin	H1 2011	H1 2010
Western Europe	15%	9%
North America	16%	15%
Emerging Markets	8%	2%
	15%	9%

(1) Headline Operating Profit before share based payments

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