



## Chairman's AGM and Interim Management Statement

April 30, 2008

MACCLESFIELD, UK– Bodycote is issuing its first interim management statement covering the period from 1 January 2008 to 30 April 2008 to coincide with the company's 55th Annual General Meeting.

### **Trading**

Based on actual performance to the end of March and our expectations for April, sales growth (at actual exchange rates) for the year to date is about 18% with approximately 6% from organic improvement, 5% from acquisitions and 7% as a result of currency translation. All of the Group's major markets remain firm with the exception of the anticipated softness in North American automotive. Operating margins and cash flow are in line with the Board's expectations.

The Group has spent £25.7m (approximately 5.3 billion yen) on seven acquisitions in the year to date of which four are in Thermal Processing, with facilities in the UK, USA and Thailand and three in Testing, with laboratories in Eire, France and Canada.

### **Outlook**

Demand in the Group's key aerospace, power generation and oil & gas sectors continues to be buoyant. Automotive business remains satisfactory in Europe and soft in North America. Sales growth in both Eastern Europe and the Middle East is strong and is expected to remain so and our nascent businesses in Asia are meeting the Board's expectations.

The Board is confident that the Group will make further progress towards its performance objectives in the remainder of the year.

### **Corporate Development**

The Board has undertaken an in-depth strategic review of both the Group's Thermal Processing and Testing Strategic Business Units (SBU). It has carefully considered the findings and concluded that substantial shareholder value should be unlocked both through a successful sale of the entire Testing SBU and by focusing on the wide ranging opportunities for further development of the Thermal Processing SBU.

Accordingly the Board has appointed advisors to assist in the possible sale of the Testing SBU and expects formally to contact potential purchasers shortly.

The Board believes that there are significant opportunities for the Group's Thermal Processing SBU to replace the profit stream of the Testing SBU. The Board continues to pursue its strategy of increasing revenues through outsourcing, by widening the geographic spread of the Group in emerging markets and by pursuing selected earnings enhancing acquisitions..

Should this initiative result in a sale of the Testing SBU, and generate substantial shareholder value, then at the time of seeking approval for the transaction the Board will indicate how net proceeds might be utilised, including the potential for capital return.

J A S Wallace  
Chairman

## **Valediction**

After the close of the Annual General Meeting today James Wallace will step down as chairman and be succeeded by Alan Thomson, who was appointed as director and deputy chairman in December 2007. The Board wishes to express its sincere gratitude to James for his significant contribution to Bodycote over his many years of service.

The Interim Results will be announced in August 2008.

*The Interim Management Statement, issued in accordance with the EU Disclosure and Transparency Directive, may contain forward-looking statements which:*

*have been made by the directors in good faith based on the information available to them up to the time of their approval of this statement; and*

*should be treated with caution due to the inherent uncertainties, which are beyond Board's ability to control or estimate precisely and include both economic and business risk factors, underlying such forward looking information.*

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