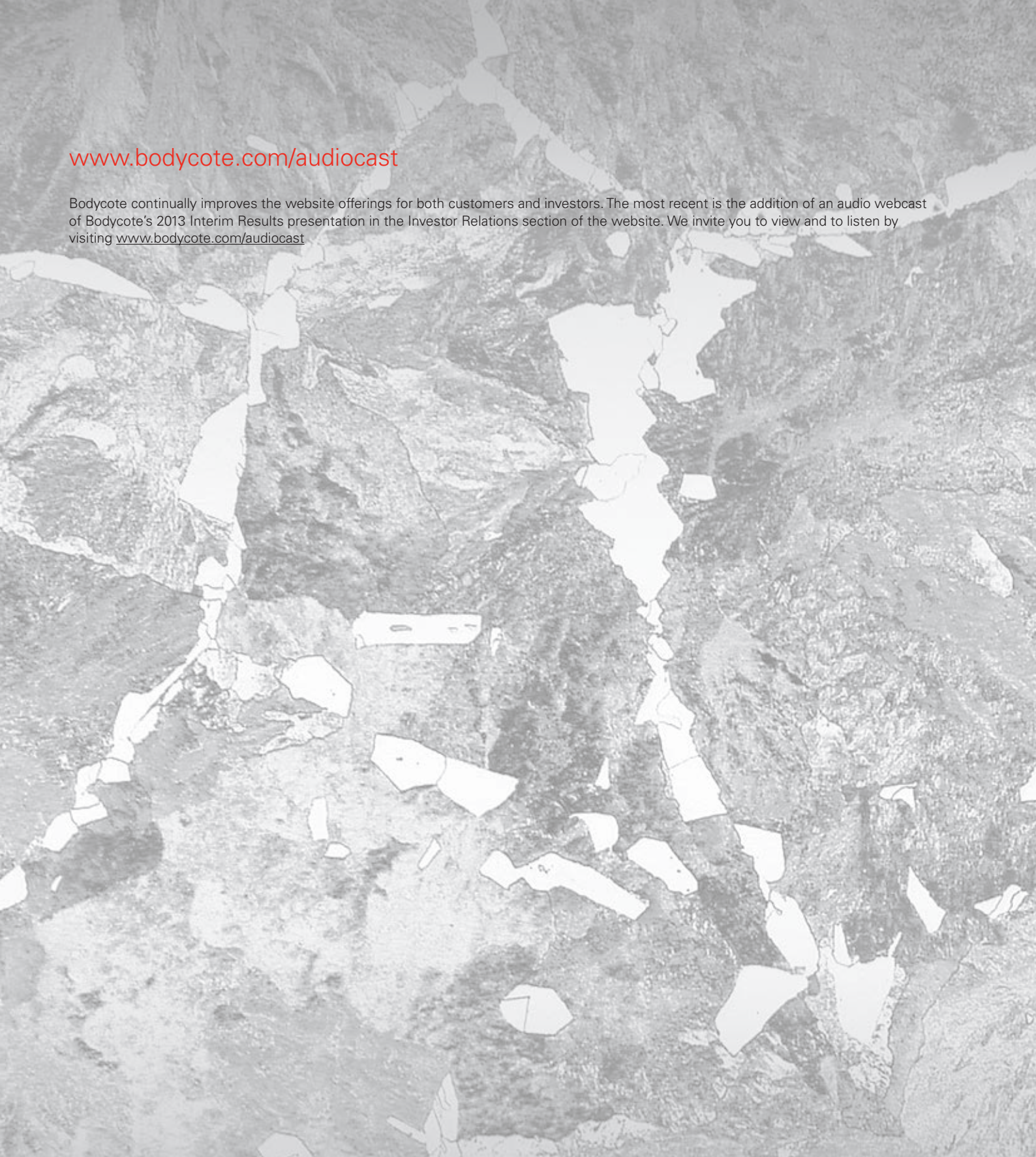




interim report 2013



www.bodycote.com/audiocast

Bodycote continually improves the website offerings for both customers and investors. The most recent is the addition of an audio webcast of Bodycote's 2013 Interim Results presentation in the Investor Relations section of the website. We invite you to view and to listen by visiting www.bodycote.com/audiocast

Cover image

This photo-micrograph shows a structure of a 0.7% carbon steel in the normalised condition. Normalising involves heat treatment followed by air cooling and is used typically for heavily forged and cold formed steel in order to return the structure to 'normal'.

Financial highlights

	Half year to 30 June 2013	Half year to 30 June 2012 (Restated) ¹
Revenue	£316.5m	£301.3m
Headline operating profit ²	£52.4m	£47.3m
Operating profit	£50.3m	£45.4m
Headline profit before taxation ²	£50.6m	£45.8m
Profit before taxation	£48.5m	£43.9m
Headline operating cash flow ³	£46.5m	£52.3m
Operating cash flow ⁴	£43.5m	£49.1m
Net debt	£27.1m	£16.7m
Basic headline earnings per share ⁵	20.0p	18.3p
Basic earnings per share ⁵	18.9p	17.3p
Interim dividend per share ⁶	4.4p	4.0p

Contents

01 Financial highlights	09 Unaudited condensed consolidated cash flow statement
02 Interim management report	10 Unaudited condensed consolidated statement of changes in equity
07 Unaudited condensed consolidated income statement	11 Notes to the condensed consolidated financial information
07 Unaudited condensed consolidated statement of comprehensive income	20 Independent review report
08 Unaudited condensed consolidated balance sheet	21 Company information

¹ 2012 restated for the adoption of IAS 19 (Revised) 'Employee Benefits', which has the effect of reducing headline operating profit and operating profit by £0.2m, reducing finance charge by £0.3m and increasing profit before taxation by £0.1m.

² Headline operating profit and headline profit before taxation exclude the amortisation of acquired intangibles of £2.1m (2012: £0.7m) and acquisition costs of £nil (2012: £1.2m).

³ Headline operating cash flow is defined as operating cash flow stated before cash flow relating to restructuring of £3.0m (2012: £2.0m) and acquisition costs of £nil (2012: £1.2m).

⁴ Operating cash flow is defined as cash generated by operations of £72.1m (2012: £75.7m) less net capital expenditure of £28.6m (2012: £26.6m).

⁵ A detailed reconciliation is provided in note 5 on page 17.

⁶ See note 6 on page 18.

Interim management report

Overview

Bodycote made good progress in the first half of 2013. Reported revenues increased by 5.0% (2.6% in constant currencies). Acquisitions made in 2012 added 7.0% to Group revenues, whilst organic revenues (in constant currencies) were lower by 4.5% (£13.5m) compared to the first half of 2012. Headline operating profit¹ grew by 10.8% to £52.4m, operating profit¹ grew by 10.8% to £50.3m, and Group headline margin² at 16.6% increased by 90 basis points (2012: 15.7%).

Two achievements within the results are worthy of note. The first is the resilience of the profits in the face of organic revenue³ declines in some sectors and the second is the further expansion of Group margins.

The profit resilience stems from the good cost management and efficiency gains in the parts of the Group that suffered revenue declines. In the Automotive & General Industrial (AGI) business the organic revenue declines of £10.9m were accompanied by a downside operational gearing of only 19%. This is far lower than seen in prior periods of sales decline and the resilience results directly from management actions and represents a validation of Group strategy. The lower organic sales in AGI were not unexpected given the global macroeconomic weakness. The heavy truck and tooling sectors were particularly weak, with sharp declines globally. The organic decline of £2.6m in the Aerospace, Defence & Energy (ADE) business revenues represented, we believe, a short-term slowdown in the inherent long-term growth of the aerospace and energy markets. The volatility of the oil & gas markets, with notable de-stocking in North America, combined with the weak general industrial elements of these divisions more than offset the growth segments. Notwithstanding this, organic profits increased by £1.2m in the ADE business.

The other key achievement in the half was the expansion of Group headline margin by 90 basis points over the same period in the prior year. Cost reductions played an important part in this with average headcount down a further 2.9% (excluding the impact of acquisitions). However, the contribution of some 70 basis points of the improvement in Group margins coming from the new technologies of S³P (Speciality Stainless Steel Processes) and HIP PF (Hot Isostatic Pressing Product Fabrication) was particularly pleasing. When the strategy of investing in these technologies was launched in 2010 it was clear that these nascent businesses would take some time before they had a meaningful impact on Group results. Growth in these technologies has been very good and margins have remained strong notwithstanding the investments in capital and operating expenses required. Now, some three years later, these growing businesses are thriving and are becoming a meaningful part of the Group.

The three acquisitions completed last year have been integrated into the Group and are performing well. The seamless integration of these businesses is not only due to the hard work of the North American management teams involved but is also testament to the attitude and skill sets of the employees who came with the acquisitions. To date, information flow and best practice transfer has been a two way street with the acquired businesses learning from the pre-existing businesses and vice versa. Overall the acquisitions added £21.2m in revenues and £4.6m in headline operating profit in the first six months of 2013, adding some 40 basis points to Group headline margin.

Headline operating cash flow conversion was 89%⁴ (2012: 111%) yielding an operating cash flow of £43.5m. Net capital expenditure of £28.6m represents a capital expenditure to depreciation ratio of 1.0 times (2012: 1.1 times), in line with our stated intent to invest in capacity to service specific areas of long-term demand growth. Investment has been focussed on our new technologies, notably in HIP and S³P, expanded capacity to service the aerospace market and replenishment of assets in some of the acquired businesses which were under-invested.

As we move into the second half of 2013 we will continue to implement our successful strategy. The key elements of the Group's strategy are: a focus on services that are highly valued by our customers; targeted customer engagement; increasing our emerging market footprint; growth in selected new technologies; and the drive for operational excellence.

- 1 2012 restated for the adoption of IAS 19 (Revised) 'Employee Benefits', which has the effect of reducing headline operating profit and operating profit by £0.2m, reducing finance charge by £0.3m and increasing profit before taxation by £0.1m.
- 2 Headline operating profit as a percentage of sales.
- 3 Organic revenue growth or decline is defined as the change in revenue excluding the impact of foreign exchange rate movements and the impact of acquisitions.
- 4 Headline operating cash flow divided by headline operating profit.

Business Review

Markets

Organic revenues from the aerospace and defence market grew 3.3% (in constant currencies) and would have been higher but for some slow down in the subcontracting strategy of some key US customers along with pressure on defence budgets, which together caused a temporary reduction in sales growth at a number of our facilities in the first half of the year.

The Group has seen very different conditions in oil & gas depending on the sub-sector. North American demand for onshore exploration and production equipment, particularly for gas fracking applications, weakened significantly in the first half as customers adjusted inventories to reflect the lower level of activity. Declines in North American sales were offset to some extent by growth in sales to customers serving the subsea market. Overall this resulted in an organic decline of 12.1% (in constant currencies) in Bodycote's global sales to oil & gas customers versus the same period in 2012. A greenfield facility for thermal spray was opened in Houston, Texas, giving the Group this capability in North America for the first time.

Sales to industrial gas turbine customers have continued to grow in North America and have begun to show some improvement in Europe. Organic revenues (in constant currencies) were ahead approximately 8% compared to the first half of 2012, although much of this gain was offset by a temporary reduction in demand from nuclear power customers.

Overall aerospace, defence and energy market revenues were up 5.1% compared to the same period in 2012.

Although market conditions in the European car and light truck sector have been weak, the Group has been able to maintain organic revenues (in constant currencies) in this region, as a result of continued share gains and a focus on premium models, sales of which have performed more strongly. Organic car and light truck sales in North America were modestly ahead (in constant currencies). In contrast, the heavy truck market has seen a sharp reduction in demand in both North America and Europe and overall revenues were down organically by over 20% (in constant currencies). Including acquisitions and at actual exchange rates, sales to automotive customers, including heavy truck, grew 8.3% in the first half of the year.

Demand from general industrial customers has been soft in all sectors. The tooling and mining equipment sectors saw the most significant declines but almost all markets were weaker. In total, organic revenues were down by 6.0% (in constant currencies) but with the benefit of acquisitions and at actual exchange rates, revenues were 3.0% higher than in the same period of 2012.

Demand in emerging markets has generally been weak, with sales in automotive and general industrial sectors down 5.8% (in constant currencies).

Overall automotive and general industrial market revenues were up 5.0% compared to the same period in 2012.

Aerospace, Defence & Energy

Revenues for the ADE business were £133.8m in the six months to June 2013 compared with £130.3m in 2012, an increase of 2.7% (0.5% in constant currencies), made up of an organic decline of 2.0% and growth from acquisitions of 2.5%.

Headline operating profit was £34.5m (2012: £31.3m), an increase of 10.2%. The headline operating margin improved from 24.0% to 25.8%.

Net capital expenditure was £17.3m (2012: £15.6m), representing a spend rate of 1.8 times depreciation (2012: 1.7 times). The majority of capital spend so far this year has been in North America. Notable projects include the expansion of HIP and thermal spray capacity.

Average capital employed for the period was £250.0m (2012: £228.7m).

Automotive & General Industrial

Revenues for the AGI business were £182.7m in the first half of 2013, compared with £171.0m in 2012, an increase of 6.8%. The growth in constant currencies was 4.1%, made up of an organic decline of 6.4% and growth from acquisitions of 10.5%.

Headline operating profit was £25.1m (2012: £22.8m), an increase of 10.1%. Despite the headwind of weak demand in a number of sectors, headline operating margin improved from 13.3% to 13.7%.

Net capital expenditure was £10.4m (2012: £9.5m) representing a spend rate of 0.6 times depreciation (2012: 0.6 times). The Group continues to focus investment and expand capacity in high added-value processes.

Average capital employed for the period was £317.2m (2012: £261.9m).

Interim management report continued

Financial Overview

Revenue and headline operating profit

	Half year to 30 June					
	Revenue		Headline operating profit		Headline operating margin	
	2013	2012	2013	2012	2013	2012
	£m	£m	£m	£m	%	%
ADE	133.8	130.3	34.5	31.3	25.8	24.0
AGI	182.7	171.0	25.1	22.8	13.7	13.3
	316.5	301.3	59.6	54.1	18.8	18.0
Head office costs	–	–	(7.2)	(6.8)	–	–
Total	316.5	301.3	52.4	47.3	16.6	15.7

Revenue for the half year was £316.5m (2012: £301.3m), an increase of 5.0% compared to the same period last year. In constant currencies the increase was 2.6% (£7.7m), of which £21.2m (7.0%) came from acquisitions, all of which were completed in 2012, together with a like-for-like reduction in revenue of £13.5m (4.5%). There was a year-on-year exchange gain of £7.5m.

Headline operating profit increased to £52.4m (2012: £47.3m) and headline operating margin improved to 16.6% (2012: 15.7%). The contribution to headline operating profit from acquisitions was £4.6m and the impact of exchange was a benefit of £1.7m, which offset a like-for-like reduction in headline operating profit of £1.2m. Operating profit increased to £50.3m (2012: £45.4m) and operating margin was 15.9% (2012: 15.1%).

Headline operating margins for the first six months improved in both ADE and AGI. ADE reported a headline operating margin of 25.8% (2012: 24.0%) and AGI reported a headline operating margin of 13.7% (2012: 13.3%).

Profit before taxation

	Half year to 30 June	
	2013	2012
	£m	(Restated) £m
Headline operating profit	52.4	47.3
Net finance charge	(1.8)	(1.5)
Headline profit before taxation	50.6	45.8
Amortisation of acquired intangible fixed assets	(2.1)	(0.7)
Acquisition costs	–	(1.2)
Profit before taxation	48.5	43.9

Finance charge

The net finance charge for the Group was £1.8m compared to £1.5m in 2012. Of the increase, £0.3m relates to higher average net debt, as a result of the 2012 acquisitions, offset by a reduction of £0.1m due to lower interest rates. Higher financing costs of £0.1m result primarily from the refinanced €125m Revolving Credit Facility completed earlier in the year.

Half year to 30 June

	2013	2012
	£m	(Restated) £m
Net interest payable	0.4	0.2
Financing costs	0.7	0.6
Other charges	0.4	0.4
Pension finance charge ¹	0.3	0.3
Net finance charge	1.8	1.5

Exceptional costs

Exceptional costs for the first six months amounted to £2.1m (2012: £1.9m). The charge comprises amortisation of acquired intangible fixed assets of £2.1m (2012: £0.7m) and acquisition costs of £nil (2012: £1.2m).

Cash flow

	Half year to 30 June	
	2013	2012
	£m	(Restated) £m
Headline operating profit	52.4	47.3
Add back non-cash items:		
Depreciation and amortisation	28.2	25.1
Share-based payments	3.0	3.0
Headline EBITDA ²	83.6	75.4
Net capital expenditure	(28.6)	(26.6)
Net working capital movement	(8.5)	3.5
Headline operating cash flow	46.5	52.3
Cash cost of restructuring	(3.0)	(2.0)
Acquisition costs	–	(1.2)
Operating cash flow	43.5	49.1
Interest	(1.7)	(1.2)
Taxation	(14.3)	(9.0)
Free cash flow	27.5	38.9

Free cash flow for the period was £27.5m compared to £38.9m in the first six months of 2012. The reason for the decrease compared to 2012 is primarily a result of the working capital outflow in the period, and an increase in taxes paid.

The net working capital outflow for the six month period amounted to £8.5m (2012: inflow of £3.5m). Inventories increased by £0.3m (2012: £0.4m increase). Receivables increased by £12.8m (2012: £7.9m increase) as a result of the seasonally higher sales in May and June in comparison to November and December and the impact of 30 June falling at a weekend pushing some cash receipts into July. Debtor days outstanding at 30 June 2013 remained consistent with 30 June 2012 at 59 days (31 December 2012: 58 days). Payables increased by £4.4m (2012: £11.9m increase). The movement in payables in 2012 was impacted by the timing of significant capital expenditure payments.

Provision balances decreased by £2.8m over the period (2012: £2.5m decrease), predominantly reflecting cash expenditure on restructuring.

¹ Restated for the adoption of IAS 19 (Revised) 'Employee Benefits', which has the effect of reducing the pension finance charge by £0.3m.

² Earnings before interest, tax, depreciation, amortisation, impairment, gain or loss on disposal of property, plant and equipment, cash flow relating to restructuring, acquisition costs and share-based payments.

The Group has continued to manage its capital expenditure programme carefully. Net capital expenditure for the first half was £28.6m (2012: £26.6m) and the ratio to depreciation was 1.0 times (2012: 1.1 times). Major capital projects that were in progress during the first half of 2013 included additional investment in the HIP business in the USA, the S³P business in Europe and additions to heat treatment capacity in both Europe and the USA.

Income taxes paid during the first six months at £14.3m were £5.3m higher than in 2012, reflecting the increase in profits generated in 2013 compared to the first half of 2012, aided by the impact of acquisitions made in the second half of 2012. Additionally, tax losses in certain countries were fully accessed and exhausted in 2012, resulting in higher cash tax payments for the subsequent comparative period.

Taxation

The tax charge in the first half of 2013 was £12.5m, compared to a charge of £11.2m for the same period of 2012. The effective tax rate of 25.7% (2012: 25.3%) results from the impact of differing tax rates in each of the numerous jurisdictions in which the Group operates. The rate represents the weighted average of corporation taxes expected for the full financial year.

Earnings per share

Basic headline earnings per share from operations for the half year were 20.0p (2012: 18.3p). Basic earnings per share from operations for the half year were 18.9p (2012: 17.3p). Diluted earnings per share were 18.9p (2012: 17.3p).

Dividend

The Board has declared an interim dividend of 4.4p (2012: 4.0p) which represents an increase of 10% over the prior year. The interim dividend will be paid on 7 November 2013 to all shareholders on the register at the close of business on 4 October 2013.

Net debt

Group net debt at 30 June 2013 was £27.1m (30 June 2012: £16.7m and 31 December 2012: £34.2m). Loans and letters of credit drawn under the committed facilities at 30 June 2013 totalled £22.6m, compared to £38.4m at 31 December 2012 and £22.2m at 30 June 2012. The Group continues to be able to borrow at competitive rates and therefore currently deems this to be the most effective means of funding. The debt to equity ratio at 30 June 2013 was 5% (2012: 3%).

Liquidity and investments

The Group is financed by a mix of cash flows from operations, short-term borrowings, longer-term loans and finance leases. The Group's funding policy aims to ensure continuity of finance at reasonable cost, based on committed facilities from several sources over a spread of maturities. At 30 June 2013, the Group had the following committed facilities:

Facility	Expiry date	Facility £m	Loan and Letter of Credit Utilisation £m	Facility Headroom £m
£125m Revolving Credit	31 August 2016	125.0	17.4	107.6
€125m Revolving Credit	1 March 2018	107.1	–	107.1
		232.1	17.4	214.7
\$10m Letter of Credit	31 August 2016	6.6	5.2	1.4
		238.7	22.6	216.1

Defined benefit pension schemes

The Group's principal defined benefit pension obligations have been reviewed as at 30 June 2013. The IAS 19 (Revised) deficit in the UK scheme decreased to £3.9m (31 December 2012: £4.2m). The decrease is a result of the contributions paid, which exceeded the interest on the deficit. In France, for its primarily unfunded cash lump sum obligation, the deficit is £8.7m (31 December 2012: £8.0m). The sum of the deficits for all other Group schemes is £7.2m (31 December 2012: £6.8m).

For the year ended 31 December 2013 the Group is required to adopt IAS 19 (Revised) 'Employee Benefits'. The accounts have been restated and the impact of the restatement is set out in note 1.

Acquisitions

In accordance with IFRS 3 'Business Combinations' the Group has carried out a review of the provisional acquisition fair values recognised in the accounts at 31 December 2012. Adjustments made to provisional acquisition fair values as a result of this review are not considered material to the financial statements.

Summary and outlook

The Group delivered a good first half result, with last year's acquisitions performing well. Improvements in mix and rigorous cost control outweighed softness in demand, resulting in increased margins.

Looking forward, we expect a broadly similar outcome in the second half and therefore the Board continues to expect modest progress for the year as a whole.

The Board remains confident that Bodycote's strategy will continue to deliver good profits, cash and returns through the business cycle.

S.C. Harris
Group Chief Executive
25 July 2013

D.F. Landless
Group Finance Director
25 July 2013

Interim management report continued

Principal risks and uncertainties

The Directors do not consider that the principal risks and uncertainties of the Group have changed since the publication of the annual report for the year ended 31 December 2012. The risks and associated risk management processes can be found in the 2012 Annual Report, on pages 26, 27, 82 and 83, which is available at www.bodycote.com. The risks referred to and which could have a material impact on the Group's performance for the remainder of the current financial year relate to:

- Markets;
- Loss of key customers;
- Human resources;
- Safety and health;
- Environment;
- Service quality;
- Regulatory and legislative compliance;
- Liquidity;
- Interest rate; and
- Currency fluctuation.

Going concern

As stated in note 1 to the condensed financial statements, the Directors have formed a judgement, at the time of approving the condensed financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the condensed financial statements.

Responsibility statement

We confirm to the best of our knowledge that:

- a. the condensed consolidated set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- b. the Interim Management Report includes a fair review of the information required by DTR 4.2.7R (indication of important events that have occurred during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c. the Interim Management Report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board,

S.C. Harris

Group Chief Executive
25 July 2013

D.F. Landless

Group Finance Director
25 July 2013

Cautionary statement

This Interim Management Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The Interim Management Report should not be relied on by any other party or for any other purpose.

The Interim Management Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Unaudited condensed consolidated income statement

Year ended 31 Dec 2012 (Restated)* £m		Note	Half year to 30 June 2013 £m	Half year to 30 June 2012 (Restated)* £m
587.8	Revenue	2	316.5	301.3
(490.3)	Cost of sales and overheads		(264.1)	(254.0)
97.5	Operating profit prior to exceptional items		52.4	47.3
(2.0)	Amortisation of acquired intangible fixed assets		(2.1)	(0.7)
2.4	Profit on disposal of investment		–	–
(2.5)	Acquisition costs		–	(1.2)
(2.4)	Reorganisation costs		–	–
93.0	Operating profit	2	50.3	45.4
0.2	Investment revenue		0.1	0.1
(3.2)	Finance costs		(1.9)	(1.6)
90.0	Profit before taxation		48.5	43.9
(22.8)	Taxation	4	(12.5)	(11.2)
67.2	Profit for the period		36.0	32.7
	Attributable to:			
67.1	Equity holders of the parent		35.8	32.6
0.1	Non-controlling interests		0.2	0.1
67.2			36.0	32.7
	Earnings per share	5		
Pence			Pence	Pence
35.9	Basic		18.9	17.3
35.9	Diluted		18.9	17.3

All activities have arisen from continuing operations.

* Restated for the adoption of IAS 19 (Revised) 'Employee Benefits' (see note 1).

Unaudited condensed consolidated statement of comprehensive income

Year ended 31 Dec 2012 (Restated)* £m			Half year to 30 June 2013 £m	Half year to 30 June 2012 (Restated)* £m
67.2	Profit for the period		36.0	32.7
	Items that will not be reclassified to profit or loss:			
(5.5)	Actuarial losses on defined benefit pension schemes		(0.4)	(2.0)
1.4	Tax on items not reclassified		–	0.5
(4.1)	Total items that will not be reclassified to profit or loss		(0.4)	(1.5)
	Items that may be reclassified subsequently to profit or loss:			
(14.2)	Exchange gains / (losses) on translation of foreign operations		22.6	(10.4)
–	Movements on hedges of net investments		–	0.1
(14.2)	Total items that may be reclassified subsequently to profit or loss		22.6	(10.3)
(18.3)	Other comprehensive income / (expense) for the period		22.2	(11.8)
48.9	Total comprehensive income for the period		58.2	20.9
	Attributable to:			
48.8	Equity holders of the parent		58.0	20.7
0.1	Non-controlling interests		0.2	0.2
48.9			58.2	20.9

Unaudited condensed consolidated balance sheet

As at 31 Dec 2012 (Restated) £m		Note	As at 30 June 2013 £m	As at 30 June 2012 (Restated) £m
	Non-current assets			
131.8	Goodwill		136.5	111.8
35.0	Other intangible assets		35.7	20.6
448.7	Property, plant and equipment		470.0	444.6
1.6	Other investments		1.6	1.6
33.5	Deferred tax assets		36.1	35.8
1.6	Trade and other receivables		2.2	2.1
652.2			682.1	616.5
	Current assets			
18.4	Inventories		19.5	16.7
0.6	Current tax assets		0.6	–
109.5	Trade and other receivables		127.0	114.3
10.0	Cash and bank balances		8.2	10.2
2.1	Assets held for sale		2.7	2.5
140.6			158.0	143.7
792.8	Total assets		840.1	760.2
	Current liabilities			
132.9	Trade and other payables		144.5	137.5
13.7	Current tax liabilities		12.1	13.2
0.2	Obligations under finance leases		0.1	0.1
43.4	Borrowings		17.5	8.8
0.1	Derivative financial instruments		–	0.3
8.9	Provisions	3	6.3	8.0
199.2			180.5	167.9
(58.6)	Net current liabilities		(22.5)	(24.2)
	Non-current liabilities			
0.3	Borrowings		17.4	17.5
19.0	Retirement benefit obligations		19.8	15.8
56.4	Deferred tax liabilities		62.2	59.3
0.3	Obligations under finance leases		0.3	0.5
9.4	Provisions	3	10.3	10.9
4.1	Other payables		3.5	4.1
89.5			113.5	108.1
288.7	Total liabilities		294.0	276.0
504.1	Net assets		546.1	484.2
	Equity			
33.1	Share capital		33.1	33.1
177.1	Share premium account		177.1	177.0
(11.3)	Own shares		(6.0)	(9.7)
141.6	Other reserves		139.8	141.0
10.5	Hedging and translation reserves		33.1	14.3
151.7	Retained earnings		167.4	127.0
502.7	Equity attributable to equity holders of the parent		544.5	482.7
1.4	Non-controlling interests		1.6	1.5
504.1	Total equity		546.1	484.2

Unaudited condensed consolidated cash flow statement

Year ended 31 Dec 2012 £m		Note	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m
131.2	Net cash from operating activities	7	57.9	66.5
	Investing activities			
(48.8)	Purchases of property, plant and equipment		(28.2)	(28.2)
4.7	Proceeds on disposal of property, plant and equipment and intangible assets		0.6	3.2
(3.6)	Purchases of intangible fixed assets		(1.0)	(1.6)
(84.7)	Acquisition of businesses		–	(32.0)
(0.9)	Purchases of sundry investments		–	(0.8)
2.7	Disposal of subsidiary		–	–
(130.6)	Net cash used in investing activities		(28.6)	(59.4)
	Financing activities			
0.3	Interest received		0.2	0.2
(2.8)	Interest paid		(1.9)	(1.4)
(21.3)	Dividends paid		(15.7)	(13.8)
(2.3)	Repayments of bank loans		(34.5)	(2.4)
(0.2)	Payments of obligations under finance leases		(0.1)	(0.1)
28.8	New bank loans raised		21.6	12.5
0.3	Proceeds on issue of ordinary share capital		–	0.2
(11.0)	Own shares purchased / settlement of share options		(3.5)	(8.5)
(8.2)	Net cash used in financing activities		(33.9)	(13.3)
(7.6)	Net decrease in cash and cash equivalents		(4.6)	(6.2)
9.5	Cash and cash equivalents at beginning of period		1.6	9.5
(0.3)	Effect of foreign exchange rate changes		0.1	(0.6)
1.6	Cash and cash equivalents at end of period		(2.9)	2.7

Unaudited condensed consolidated statement of changes in equity

	Share capital £m	Share premium account £m	Own shares £m	Other reserves £m	Hedging and translation reserves £m	Retained earnings £m	Equity attributable to equity holders of the parent £m	Non- controlling interests £m	Total equity £m
Half year to 30 June 2013									
1 January 2013 (as previously reported)	33.1	177.1	(11.3)	141.6	10.5	152.0	503.0	1.4	504.4
Impact of IAS 19 (Revised)	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
1 January 2013 (as restated)	33.1	177.1	(11.3)	141.6	10.5	151.7	502.7	1.4	504.1
Net profit for the period	–	–	–	–	–	35.8	35.8	0.2	36.0
Exchange differences on translation of overseas operations	–	–	–	–	22.6	–	22.6	–	22.6
Actuarial losses on defined benefit pension schemes net of deferred tax	–	–	–	–	–	(0.4)	(0.4)	–	(0.4)
Total comprehensive income for the period	–	–	–	–	22.6	35.4	58.0	0.2	58.2
Acquired in the period / settlement of share options	–	–	5.3	(4.8)	–	(4.0)	(3.5)	–	(3.5)
Share-based payments	–	–	–	3.0	–	–	3.0	–	3.0
Dividends paid	–	–	–	–	–	(15.7)	(15.7)	–	(15.7)
30 June 2013	33.1	177.1	(6.0)	139.8	33.1	167.4	544.5	1.6	546.1
Half year to 30 June 2012									
1 January 2012 (as previously reported)	33.0	176.9	(6.7)	143.1	24.7	110.3	481.3	1.3	482.6
Impact of IAS 19 (Revised)	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
1 January 2012 (as restated)	33.0	176.9	(6.7)	143.1	24.7	110.0	481.0	1.3	482.3
Net profit for the period	–	–	–	–	–	32.6	32.6	0.1	32.7
Exchange differences on translation of overseas operations	–	–	–	–	(10.5)	–	(10.5)	0.1	(10.4)
Movements on hedges of net investments	–	–	–	–	0.1	–	0.1	–	0.1
Realisation of revaluation surplus	–	–	–	(0.4)	–	0.4	–	–	–
Actuarial losses on defined benefit pension schemes net of deferred tax	–	–	–	–	–	(1.5)	(1.5)	–	(1.5)
Total comprehensive income for the period	–	–	–	(0.4)	(10.4)	31.5	20.7	0.2	20.9
Issue of share capital	0.1	0.1	–	–	–	–	0.2	–	0.2
Acquired in the period / settlement of share options	–	–	(3.0)	(4.7)	–	(0.7)	(8.4)	–	(8.4)
Share-based payments	–	–	–	3.0	–	–	3.0	–	3.0
Dividends paid	–	–	–	–	–	(13.8)	(13.8)	–	(13.8)
30 June 2012	33.1	177.0	(9.7)	141.0	14.3	127.0	482.7	1.5	484.2
Year ended 31 December 2012									
1 January 2012 (as previously reported)	33.0	176.9	(6.7)	143.1	24.7	110.3	481.3	1.3	482.6
Impact of IAS 19 (Revised)	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
1 January 2012 (as restated)	33.0	176.9	(6.7)	143.1	24.7	110.0	481.0	1.3	482.3
Net profit for the year	–	–	–	–	–	67.1	67.1	0.1	67.2
Exchange differences on translation of overseas operations	–	–	–	–	(14.2)	–	(14.2)	–	(14.2)
Realisation of revaluation surplus	–	–	–	(0.4)	–	0.4	–	–	–
Actuarial losses on defined benefit pension schemes net of deferred tax	–	–	–	–	–	(4.1)	(4.1)	–	(4.1)
Total comprehensive income for the year	–	–	–	(0.4)	(14.2)	63.4	48.8	0.1	48.9
Issue of share capital	0.1	0.2	–	–	–	–	0.3	–	0.3
Acquired in the year / settlement of share options	–	–	(4.6)	(5.0)	–	(1.4)	(11.0)	–	(11.0)
Share-based payments	–	–	–	3.9	–	–	3.9	–	3.9
Deferred tax on share-based payment transactions	–	–	–	–	–	1.0	1.0	–	1.0
Dividends paid	–	–	–	–	–	(21.3)	(21.3)	–	(21.3)
31 December 2012	33.1	177.1	(11.3)	141.6	10.5	151.7	502.7	1.4	504.1

Included in other reserves is the capital redemption reserve arising on redemption of the Group's B shares of £129.4m (2012: £129.4m) and the share-based payment reserve of £9.1m (2012: £10.2m).

Notes to the condensed consolidated financial information

1. Accounting policies

Basis of preparation

This condensed set of financial statements for the half year ended 30 June 2013 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'.

The Interim Management Report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) as adopted by the European Union and in accordance with those disclosed in the annual report for the year ended 31 December 2012, which was filed with the Registrar of Companies on 5 June 2013.

Going concern

In determining the basis of preparation for the Interim Management Report, the Directors have considered the Group's business activities, together with the factors likely to affect its future development, performance and position which are set out in the Financial Overview. This includes an overview of the Group's financial position, its cash flows, liquidity position and borrowing facilities.

The Group meets its working capital requirements through a combination of committed and uncommitted facilities and overdrafts. The overdrafts and uncommitted facilities are repayable on demand but the committed facilities are due for renewal as set out below. There is sufficient headroom in the committed facility covenants to assume that these facilities can be operated as contracted for the foreseeable future.

The committed facilities as at 30 June 2013 were as follows:

- £125m Revolving Credit Facility maturing 31 August 2016
- €125m Revolving Credit Facility maturing 1 March 2018
- \$10m Letter of Credit Facility maturing 31 August 2016

The weighted average life of the revolving credit committed facilities on 30 June 2013 was 3.9 years.

The Group's forecasts and projections, which cover a period of at least 12 months from the date of approval of this Interim Management Report, taking account of reasonable potential changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities.

The Directors have reviewed forecasts and projections for the Group's markets and services, assessing the committed facility and financial covenant headroom, central liquidity and the Group's ability to access further funding. The Directors also reviewed downside sensitivity analysis over the forecast period, thereby taking into account the uncertainties arising from the current economic environment. Following this review, the Directors have formed a judgement, at the time of approving the condensed financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the condensed financial statements.

Changes in accounting policies

In the current financial year, the Group has adopted the amendments to IAS 1 'Presentation of Items of Other Comprehensive Income', IAS 19 (Revised) 'Employee Benefits' and IFRS 13 'Fair Value Measurement'. Otherwise, the same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

The amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' require items of other comprehensive income to be grouped by those items that will be reclassified subsequently to profit or loss and those that will never be reclassified, together with their associated income tax. The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income have been restated to reflect the change. The effect of these changes is evident from the condensed consolidated statement of comprehensive income.

IAS 19 (Revised) 'Employee Benefits' and the related consequential amendments have impacted the accounting for the Group's defined benefit scheme by:

- reclassifying pension scheme administration costs from finance costs to operating costs in the income statement;
- replacing the interest cost and expected return on plan assets with a net interest charge on the net defined benefit liability; and
- charging past service costs immediately to the income statement as incurred.

Notes to the condensed consolidated financial information continued

1. Accounting policies (continued)

As a result of this change in accounting policy the comparative amounts have been restated, as follows:

	Year ended 31 Dec 2011 £m	Year ended 31 Dec 2012 £m	Half year to 30 June 2012 £m
Statement of financial position			
Retained earnings (as previously reported)	110.3	152.0	127.3
Increase in deferred tax asset	0.2	0.2	0.2
Increase in pension deficit	(0.5)	(0.5)	(0.5)
Retained earnings (as restated)	110.0	151.7	127.0

	Year ended 31 Dec 2012 £m	Half year to 30 June 2012 £m
Statement of comprehensive income		
Profit for the period (as previously reported)	67.0	32.6
Increase in operating costs	(0.4)	(0.2)
Reduction in finance costs	0.6	0.3
Profit for the period (as restated)	67.2	32.7
Other comprehensive expense (as previously reported)	(18.1)	(11.7)
Increase in actuarial losses on defined benefit pension schemes	(0.2)	(0.1)
Other comprehensive expense (as restated)	(18.3)	(11.8)

For the current period, the profit is £0.1m higher and other comprehensive expense is £0.1m higher than it would have been prior to the adoption of IAS 19 (Revised).

	Year ended 31 Dec 2012 (as previously reported) £m	Year ended 31 Dec 2012 (as restated) £m	Variance £m
Operating costs	1.1	1.5	0.4
Net finance charge	1.2	0.6	(0.6)
Total IAS 19 charge	2.3	2.1	(0.2)
Headline operating profit	97.9	97.5	(0.4)

The adoption of IFRS 13 'Fair Value Measurement' has had no material impact.

2. Business and geographical segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance.

The Group's reportable segments have been determined in accordance with the activity of the Group, focusing on key market sectors. Principally, this splits the Group into two business areas, being:

- Aerospace, Defence & Energy ('ADE'); and
- Automotive & General Industrial ('AGI').

This initial split is determined following consideration of factors including the different customer sets, differing service requirements and different characteristics of business activity. A further split is then made for the geographical divisional split of the Group, being:

- Western Europe;
- North America; and
- Emerging markets.

Group	Half year to 30 June 2013			
	ADE £m	AGI £m	Head Office and eliminations £m	Consolidated £m
Revenue				
Total revenue	133.8	182.7	–	316.5
Result				
Headline operating profit prior to share-based payments and unallocated corporate expenses	35.5	26.5	–	62.0
Share-based payments	(1.0)	(1.4)	(1.2)	(3.6)
Unallocated corporate expenses	–	–	(6.0)	(6.0)
Headline operating profit / (loss)	34.5	25.1	(7.2)	52.4
Amortisation of acquired intangible fixed assets	(0.7)	(1.4)	–	(2.1)
Segment result	33.8	23.7	(7.2)	50.3
Investment revenue				0.1
Finance costs				(1.9)
Profit before taxation				48.5
Taxation				(12.5)
Profit for the period				36.0

Inter-segment sales are not material.

The Group does not rely on any individual major customers.

Aerospace, Defence & Energy	Half year to 30 June 2013			
	Western Europe £m	North America £m	Emerging markets £m	Total ADE £m
Revenue				
Total revenue	61.7	70.5	1.6	133.8
Result				
Headline operating profit prior to share-based payments	15.7	19.5	0.3	35.5
Share-based payments	(0.3)	(0.7)	–	(1.0)
Headline operating profit	15.4	18.8	0.3	34.5
Amortisation of acquired intangible fixed assets	(0.2)	(0.5)	–	(0.7)
Segment result	15.2	18.3	0.3	33.8

Notes to the condensed consolidated financial information continued

2. Business and geographical segments (continued)

	Half year to 30 June 2013			
	Western Europe £m	North America £m	Emerging markets £m	Total AGI £m
Automotive & General Industrial				
Revenue				
Total revenue	114.9	44.8	23.0	182.7
Result				
Headline operating profit prior to share-based payments	16.6	8.4	1.5	26.5
Share-based payments	(0.9)	(0.4)	(0.1)	(1.4)
Headline operating profit	15.7	8.0	1.4	25.1
Amortisation of acquired intangible fixed assets	(0.1)	(1.2)	(0.1)	(1.4)
Segment result	15.6	6.8	1.3	23.7

	Half year to 30 June 2012 (Restated)			
	ADE £m	AGI £m	Head Office and eliminations £m	Consolidated £m
Group				
Revenue				
Total revenue	130.3	171.0	–	301.3
Result				
Headline operating profit prior to share-based payments and unallocated corporate expenses	32.5	24.3	–	56.8
Share-based payments	(1.2)	(1.5)	(1.3)	(4.0)
Unallocated corporate expenses	–	–	(5.5)	(5.5)
Headline operating profit / (loss)	31.3	22.8	(6.8)	47.3
Amortisation of acquired intangible fixed assets	(0.4)	(0.3)	–	(0.7)
Acquisition costs	(0.8)	(0.4)	–	(1.2)
Segment result	30.1	22.1	(6.8)	45.4
Investment revenue				0.1
Finance costs				(1.6)
Profit before taxation				43.9
Taxation				(11.2)
Profit for the period				32.7

	Half year to 30 June 2012			
	Western Europe £m	North America £m	Emerging markets £m	Total ADE £m
Aerospace, Defence & Energy				
Revenue				
Total revenue	58.8	70.8	0.7	130.3
Result				
Headline operating profit prior to share-based payments	12.9	19.6	–	32.5
Share-based payments	(0.4)	(0.8)	–	(1.2)
Headline operating profit	12.5	18.8	–	31.3
Amortisation of acquired intangible fixed assets	(0.1)	(0.3)	–	(0.4)
Acquisition costs	–	(0.8)	–	(0.8)
Segment result	12.4	17.7	–	30.1

2. Business and geographical segments (continued)

	Half year to 30 June 2012			
	Western Europe £m	North America £m	Emerging markets £m	Total AGI £m
Automotive & General Industrial				
Revenue				
Total revenue	117.2	31.4	22.4	171.0
Result				
Headline operating profit prior to share-based payments	16.6	7.0	0.7	24.3
Share-based payments	(1.1)	(0.3)	(0.1)	(1.5)
Headline operating profit	15.5	6.7	0.6	22.8
Amortisation of acquired intangible fixed assets	(0.1)	(0.1)	(0.1)	(0.3)
Acquisition costs	–	(0.4)	–	(0.4)
Segment result	15.4	6.2	0.5	22.1

	Year ended 31 December 2012 (Restated)			
	ADE £m	AGI £m	Head Office and eliminations £m	Consolidated £m
Group				
Revenue				
Total revenue	260.4	327.4	–	587.8
Result				
Headline operating profit prior to share-based payments and unallocated corporate expenses	71.4	45.1	–	116.5
Share-based payments	(1.8)	(1.5)	(2.1)	(5.4)
Unallocated corporate expenses	–	–	(13.6)	(13.6)
Headline operating profit / (loss)	69.6	43.6	(15.7)	97.5
Amortisation of acquired intangible fixed assets	(1.1)	(0.9)	–	(2.0)
Profit on disposal of investment	–	–	2.4	2.4
Acquisition costs	(0.8)	(1.7)	–	(2.5)
Reorganisation costs	–	–	(2.4)	(2.4)
Segment result	67.7	41.0	(15.7)	93.0
Investment revenue				0.2
Finance costs				(3.2)
Profit before taxation				90.0
Taxation				(22.8)
Profit for the year				67.2

	Year ended 31 December 2012			
	Western Europe £m	North America £m	Emerging markets £m	Total ADE £m
Aerospace, Defence & Energy				
Revenue				
Total revenue	118.3	140.4	1.7	260.4
Result				
Headline operating profit / (loss) prior to share-based payments	27.9	43.7	(0.2)	71.4
Share-based payments	(0.5)	(1.3)	–	(1.8)
Headline operating profit / (loss)	27.4	42.4	(0.2)	69.6
Amortisation of acquired intangible fixed assets	(0.3)	(0.8)	–	(1.1)
Acquisition costs	–	(0.8)	–	(0.8)
Segment result	27.1	40.8	(0.2)	67.7

Notes to the condensed consolidated financial information continued

2. Business and geographical segments (continued)

	Year ended 31 December 2012			
	Western Europe £m	North America £m	Emerging markets £m	Total AGI £m
Automotive & General Industrial				
Revenue				
Total revenue	219.2	61.8	46.4	327.4
Result				
Headline operating profit prior to share-based payments	30.3	13.1	1.7	45.1
Share-based payments	(1.0)	(0.5)	–	(1.5)
Headline operating profit	29.3	12.6	1.7	43.6
Amortisation of acquired intangible fixed assets	(0.2)	(0.5)	(0.2)	(0.9)
Acquisition costs	–	(1.7)	–	(1.7)
Segment result	29.1	10.4	1.5	41.0

3. Provisions

	Restructuring			Total £m
	Restructuring £m	Environmental £m	Environmental £m	
1 January 2013	4.4	7.1	6.8	18.3
Increase in provision	–	–	0.4	0.4
Utilisation of provision	(2.3)	(0.7)	(0.2)	(3.2)
Exchange difference	0.2	0.5	0.4	1.1
30 June 2013	2.3	6.9	7.4	16.6
Included in current liabilities				6.3
Included in non-current liabilities				10.3
				16.6

The restructuring provision relates to the remaining costs associated with the closure of various heat treatment sites and with the establishment of an accounting shared service centre in Prague.

The Group provides for the costs of environmental remediation that have been identified, either as part of acquisition due diligence, or in other circumstances where remediation by the Group is required. This provision is reviewed annually and is separated into Restructuring Environmental and Environmental to separately identify environmental provisions relating to the 2008 and 2009 restructuring programmes from those arising in the ordinary course of business.

The majority of cash outflows in respect of these liabilities are expected to occur within five years.

4. Taxation

Year ended 31 Dec 2012 £m		Half year to 30 June 2013 £m	Half year to 30 June 2012 £m
	Current tax:		
23.8	Current tax – charge for the period	12.8	13.3
(0.5)	Current tax – adjustments in respect of prior periods	(0.2)	–
23.3	Total current tax	12.6	13.3
(0.5)	Deferred tax	(0.1)	(2.1)
22.8	Total	12.5	11.2

The rate of tax for the interim period is 25.7% (2012: 25.3%) of the profit before tax. The rate of tax is reflective of the impact of blending profits and losses from different countries and the different tax rates associated with those countries. The tax rate includes the impact of the reduction in the UK's corporation tax rate from 24% to 23% with effect from 1 April 2013.

5. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Year ended 31 Dec 2012 (Restated) £m		Half year to 30 June 2013 £m	Half year to 30 June 2012 (Restated) £m
	Earnings		
67.1	Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	35.8	32.6
	Number of shares		
Number		Number	Number
186,981,962	Weighted average number of ordinary shares for the purposes of basic earnings per share	189,300,639	188,429,110
19,307	Effect of dilutive potential ordinary shares:		
	Share options	11,433	55,696
187,001,269	Weighted average number of ordinary shares for the purposes of diluted earnings per share	189,312,072	188,484,806
	Earnings per share		
Pence		Pence	Pence
35.9	Basic	18.9	17.3
35.9	Diluted	18.9	17.3
	Headline earnings		
£m		£m	£m
67.1	Net profit attributable to equity holders of the parent	35.8	32.6
	Add back:		
1.9	Amortisation of acquired intangible fixed assets (net of tax)	2.0	0.7
(2.2)	Profit on disposal of investment (net of tax)	–	–
1.6	Acquisition costs (net of tax)	–	1.2
1.8	Reorganisation costs (net of tax)	–	–
70.2	Headline earnings	37.8	34.5
	Headline earnings per share		
Pence		Pence	Pence
37.5	Basic	20.0	18.3
37.5	Diluted	20.0	18.3

Notes to the condensed consolidated financial information continued

6. Dividends

Amounts recognised as distributions to equity holders in the period:

Year ended 31 Dec 2012 £m		Half year to 30 June 2013 £m	Half year to 30 June 2012 £m
13.8	Final dividend for the year ended 31 December 2011 of 7.3p per share	–	13.8
7.5	Interim dividend for the year ended 31 December 2012 of 4.0p per share	–	–
–	Final dividend for the year ended 31 December 2012 of 8.3p per share	15.7	–
21.3		15.7	13.8
	Proposed interim dividend for the year ended 31 December 2013 of 4.4p (2012: 4.0p) per share	8.2	7.5

The proposed interim dividend was approved by the Board on 23 July 2013 and has not been included as a liability in these condensed financial statements.

7. Notes to the cash flow statement

Year ended 31 Dec 2012 (Restated) £m		Half year to 30 June 2013 £m	Half year to 30 June 2012 (Restated) £m
67.2	Profit for the period	36.0	32.7
	Adjustments for:		
(0.2)	Investment revenue	(0.1)	(0.1)
3.2	Finance costs	1.9	1.6
22.8	Taxation	12.5	11.2
48.7	Depreciation of property, plant and equipment	26.1	24.6
4.2	Amortisation of intangible assets	2.6	1.6
0.1	Loss on disposal of property, plant and equipment	–	–
3.9	Share-based payments	3.0	3.0
0.7	Impairment of fixed assets	1.6	–
(2.4)	Gain on disposal of businesses	–	–
148.2	EBITDA*	83.6	74.6
(1.8)	Increase in inventories	(0.3)	(0.4)
0.3	(Increase) / decrease in receivables	(12.8)	(7.9)
6.8	Increase in payables	4.4	11.9
(2.8)	Decrease in provisions	(2.8)	(2.5)
150.7	Cash generated by operations	72.1	75.7
(0.2)	Cash inflow / (outflow) from settlement of derivative financial instruments	0.1	(0.2)
(19.3)	Income taxes paid	(14.3)	(9.0)
131.2	Net cash from operating activities	57.9	66.5

* Earnings before interest, tax, depreciation, amortisation, impairment, gain or loss on disposal of property, plant and equipment and share-based payments.

Cash and cash equivalents comprise:

10.0	Cash and bank balances	8.2	10.2
(8.4)	Bank overdrafts (included in borrowings)	(11.1)	(7.5)
1.6		(2.9)	2.7

8. Related party transactions

Transactions between the Company and its wholly owned subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

9. General information

The comparative information for the year ended 31 December 2012 contained within these condensed financial statements does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. Those accounts have been reported on by the Group's auditor and delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Copies of this report and the last Annual Report and Accounts are available from the Secretary, Bodycote plc, Springwood Court, Springwood Close, Tytherington Business Park, Macclesfield, Cheshire SK10 2XF, and can each be downloaded or viewed via the Group's website at www.bodycote.com. Copies of this report have also been submitted to the UK Listing Authority, and will shortly be available at the UK Listing Authority's Document Viewing Facility at 25 The North Colonnade, Canary Wharf, London E14 5HS (Telephone +44 (0)207 676 1000).

Independent review report to Bodycote plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013, which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
25 July 2013

Company information

Financial calendar

Interim dividend for 2013
Results for 2013
Annual General Meeting
Final dividend for 2013
Interim results for 2014
Interim dividend for 2014

7 November 2013
February 2014
April 2014
May 2014
July 2014
November 2014

Shareholder enquiries

Enquiries on the following administrative matters can be addressed to the Company's registrars, at Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: 0871 664 0300 (calls to 0871 numbers cost 10p per minute plus network extras - lines are open 9.00am until 5.30pm, Monday to Friday) or +44 (0)208 639 3399; Fax: +44 (0)1484 600 911; and email: (ssd@capitaregistrars.com).

- Change of address
- Stock transfer form including guidance notes
- Dividend mandates
- ShareGift donation coupon

Forms for these matters can be downloaded from the registrars' website at www.capitaregistrars.com, where shareholders can also check their holdings and details.

Share dealing service

Information on a low cost share dealing service offered by our registrars is available from Capita on 0871 664 0364 (calls to 0871 numbers cost 10p per minute plus network extras) or at www.capitadeal.com.



To view the Bodycote Interim Report online visit
<http://bodycote.interimreport2013.com>

www.bodycote.com

Bodycote plc
Springwood Court
Springwood Close
Tytherington Business Park
Macclesfield
Cheshire
SK10 2XF

Tel: +44 (0)1625 505300
Fax: +44 (0)1625 505313
Email: info@bodycote.com

© Bodycote plc 2013
Produced by Jones and Palmer
www.jonesandpalmer.co.uk

