

Bodycote plc
Interim results for the six months to 30 June 2022

Strong revenue growth; FY expectations unchanged

Financial summary

	Half year to 30 June 2022	Half year to 30 June 2021	% Change	% Change Constant Currency
Revenue	£358.5 m	£312.9 m	14.6%	14.1%
Headline operating profit ¹	£50.5 m	£48.7 m	4%	6%
Headline operating margin ¹	14.1 %	15.6 %		
Net debt ^{1,5}	£57.5 m	£69.6 m		
Basic headline earnings per share ^{1,2}	19.1 p	18.5 p	3%	
Interim dividend per share	6.4 p	6.2 p		

Additional statutory measures

	Half year to 30 June 2022	Half year to 30 June 2021
Operating profit	£45.0 m	£43.4 m
Profit after tax	£32.5 m	£31.5 m
Net cash from operating activities	£61.0 m	£78.2 m
Basic earnings per share	16.9 p	16.4 p

Highlights

- Revenues up 14.6% to £358.5m (14.1% at constant currency)
- Pricing and surcharges successfully mitigating inflation and drove approximately 10% revenue growth
- Headline Operating Profit up 6%³ to £50.5m
- Net debt⁵ of £57m
- Full year expectations unchanged

Commenting, Stephen Harris, Group Chief Executive, said:

“I am happy to confirm that in line with our announcement last year we have now submitted emission reduction targets to the Science Based Targets initiative committing to a 28% reduction in absolute emissions by 2030.

The Group performed well in the first half. Revenues were up 14.6%, benefiting from price increases and energy surcharges which we have successfully passed on to our customers in response to the cost inflation we have experienced. We have produced strong revenue growth⁴ in the majority of our markets with Civil Aerospace revenues up 30%, General Industrial revenues up 19% and Emerging Markets revenues up 22%. Automotive revenues declined 4%, although the significant daily demand volatility that we saw in April and May is now stabilising and we have managed to contain the impact on operating efficiency to modest proportions.

The price increases implemented across the business, along with the decisive management actions we have taken over the past two years, including the £30m annualised cost savings achieved from the 2020 restructuring programme, position us well to adapt to changes in market conditions. Our strong balance sheet also allows us to take advantage of opportunities as they arise.

While there are obvious geopolitical uncertainties, as matters stand today, we see the prospect of volume growth in each of our key market sectors and geographies and we anticipate making progress in the second half.”

- 1 The headline performance measures represent the statutory results excluding certain non-operational items. These are deemed alternative performance measures under the Financial Reporting Council (FRC) guidelines. Please refer to the alternative performance measures at the end of this report for a reconciliation to the nearest IFRS equivalent.
- 2 A detailed earnings per share reconciliation is provided in note 5.
- 3 At constant currency.
- 4 At organic constant currency.
- 5 Net debt excludes lease liabilities

END

Interim Results Presentation

Bodycote will be presenting its results via webcast at **9.00 am UK BST on 29 July 2022**. Please find the following instructions to connect to the presentation and audio:

Webcast URL:

<https://bodycote.com/half-year-results2022>

For dial-in only:

Participant dial-in numbers are:

United Kingdom: 0800 640 6441

UK local: 0203 936 2999

All other locations: +44 203 936 2999

Participant Access Code: **455343**

An audiocast and presentation will be available from 9.00am at www.bodycote.com in the investor section from 29 July 2022.

For further information, please contact:

Bodycote plc

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Overview

The Group performed well in the first half with revenues increasing 14.6% to £358.5m (H1 2021: £312.9m). At constant currency, revenues increased 14.1%. Almost 10% of this revenue growth was derived from price increases and energy surcharges which we have successfully implemented in response to the cost inflation we have experienced.

Headline operating profit was £50.5m (H1 2021: £48.7m), representing a 6% increase versus last year at constant currency. Statutory operating profit increased from £43.4m to £45.0m. There were several factors influencing operating profit performance.

As previously reported, there has been a lag in being able to pass on the impact of cost inflation to customers, as the pricing is a response to experienced increases. In the strongly inflationary environment of the first half, with another step up in energy inflation seen after the Russian invasion of Ukraine, this lag effect reduced headline operating profit by approximately £5m. We are pleased to report that, by the end of the first half, we are now fully covering the experienced inflationary impact through our price increases and energy surcharges.

We saw unprecedented daily demand volatility through April and May, particularly in Automotive. This volatility was driven by ongoing supply chain issues and was exacerbated by disruption from COVID-19 shutdowns in China and the invasion of Ukraine. Managing labour costs (which represent almost half of our total costs) in the face of changes in demand is critical to maintaining profitability and, while we have shown that we are able to adapt to shifts in demand rapidly, the unprecedentedly large daily demand fluctuations witnessed during the second quarter led to some plant level inefficiency. The fact that the impact of this was only approximately £2m is testament to the effectiveness of our management team in addressing this challenge. As we enter the second half, we are seeing demand stabilising.

These two factors more than offset the additional £5m of incremental cost savings benefit from the 2020 restructuring programme achieved in the first half. So we are now realising the full £30m of annualised cost savings from the 2020 restructuring programme, £20m of which was already delivered last year.

Overall, therefore, we are pleased with our headline operating profit growth.

The headline operating margin was 14.1% (H1 2021: 15.6%), with a decline versus last year entirely due to the dilutive impact of the increases to revenues from price rises and energy surcharges which only cover cost increases.

Cash flows were impacted by higher trade receivables from the increase in revenue, but, with net debt at £57m, Bodycote's financial leverage is at very low levels and we have plenty of available liquidity under our £251m Revolving Credit Facility.

The following reflects organic constant currency growth rates versus the comparable period last year, unless stated otherwise.

Market Sectors

General Industrial revenues (including energy revenues) increased by 19% to £181.4m in the period, with volume growth across all of our geographies. The Industrial Machinery, Agriculture and to a certain extent, Construction, segments are primarily driven by capital investment decisions. These enjoyed good volume growth, which lends further support to our view that a capital expenditure cycle is ongoing, having been held back for a number of years. The Tooling segment is a lead indicator for the Automotive sector and volumes in this segment also increased during the first half.

Civil Aerospace revenues increased by 30% to £65.8m. Both Airbus and Boeing have increased new plane production, particularly in narrow body aircraft, and it is noteworthy that Airbus plans on shipping more A320s in 2022 than it did in 2019 (700 in 2022 vs. 640 in 2019). They intend to ramp production to 900 aircraft by 2025. Global air freight tonnage is now well above pre-COVID levels and continues to grow robustly. Air passenger travel is also returning strongly, particularly for short-haul flights where passenger numbers are fast approaching pre-pandemic levels. All of this provides us with confidence that we will see continued growth in our Civil Aerospace business. Defence revenues are yet to pick up, although we would expect them to do so following the announced increases in spending by many countries in response to the Russian invasion of Ukraine. These are expected to start coming through in 2023.

Automotive revenues declined by 4% to £88.6m in the period, as vehicle production continued to be hampered by supply chain issues, which have been exacerbated by COVID-19 shutdowns in China. Significant pent-up demand for new vehicles remains, however, and there is an expectation that H2 will show volume growth. IHS forecasts H2 sequential vehicle production in Europe and North America to be growing in high single figures, with 2023 growing by double figures.

Specialist Technologies

Specialist Technologies' revenues grew 10% to £109m, representing 30% of Group revenues. It should be noted that our Specialist Technologies are typically lower energy, lower emission technologies and the boost to revenues from energy surcharges was considerably lower. Longer term, therefore, higher energy prices should help drive volume growth for the technologies which, in a number of cases, are a substitute for higher energy, higher emissions Classical Heat Treatment alternatives.

Given the higher margins that we achieve within our Specialist Technologies, they contributed 39% of the Group's headline operating profit, although it should be noted that Specialist Technologies' profits are disproportionately impacted by Long Term Agreements with customers, where our ability to pass on increases is delayed.

Emerging Markets

Emerging Markets represented 12% of Group revenues, growing 22% in the period, with strong growth in General Industrial revenues. The Emerging Markets have significant exposure to the Automotive market and the decline in this market together with the lockdowns in China in the second quarter weakened the overall growth in the Emerging Markets.

Science Based Targets

Bodycote has submitted emission reduction targets to the Science Based Targets initiative committing to a 28% reduction in absolute emissions by 2030. We have been working on energy efficiency and carbon reduction for many years, and we have multiple projects underway across the organisation in order to meet these targets.

It is worth reiterating that Bodycote is not only reducing its own carbon emissions but is also helping to reduce global carbon emissions even further. By virtue of aggregating multiple customers' work, we run at higher average fill rates than our customers are able to working individually. We continually drive energy consumption down. As a result, we operate far more efficiently than our customers and are able to process their components with as much as 60% less carbon emissions than they can do themselves.

In addition, not only do our Specialist Technologies give our customers' components superior attributes (making them last longer, which of itself contributes to sustainability and lower emissions), but also those technologies that are substitutes for Classical Heat Treatment are lower emission technologies. So growing our Specialist Technologies business and converting our customers to these technologies further contributes to lower overall emissions.

Energy Security

Given the historic dependence of a number of European countries on natural gas supplies from Russia, there is concern over the stability of supplies to a number of key European markets, particularly to Germany.

As part of our strategy, we have been moving away from processes that are most typically gas-fired. Today, three-quarters of our profits in Europe are generated from electrically powered processes. While the precise direct and indirect consequences of any disruption to supplies and eventual rationing are uncertain, it is likely that we would see our customers weight their production and supply chains towards markets that have greater energy security. We have a stronger market position in the surrounding markets than we do in Germany, and we also have spare capacity. So any shift in production from Germany could disproportionately benefit us elsewhere.

Earnings

The increase in headline operating profit to £50.5m (H1 2021: £48.7m) translated into an increase in headline earnings per share to 19.1p in the first half (H1 2021: 18.5p).

In terms of statutory measures, statutory operating profit was £45.0m (H1 2021: £43.4m). Basic earnings per share were 16.9p (H1 2021: 16.4p).

Dividend

The Board has declared an interim dividend for 2022 of 6.4p (2021: 6.2p) which will be paid on 4 November 2022 to all shareholders on the register at close of business on 7 October 2022.

Summary and outlook

Civil Aerospace revenue grew strongly in the half and we should continue to see good growth in demand as the original equipment manufacturers (OEMs) ramp up their new build programmes and passenger numbers continue to grow. General Industrial volumes and revenue were also robust and, given the breadth of end markets and geographies underpinning this business, we should see continued demand momentum in the second half. Automotive volumes declined, as supply chain issues continued to hamper OEM production, but there is significant pent-up demand for new vehicles, and volumes are expected to grow in the second half.

The significant daily demand volatility that we saw in April and May is now stabilising and we have managed to contain the impact on operating efficiency to modest proportions. The price increases implemented across the business, along with the decisive management actions we have taken over the past two years, including the £30m annualised cost savings achieved from the 2020 restructuring programme, position us well to both adapt to changes in market conditions. Our strong balance sheet also allows us to take advantage of opportunities as they arise.

While there are obvious geopolitical uncertainties, as matters stand today, we see the prospect of volume growth in each of our key market sectors and geographies and we anticipate making progress in the second half.

Business review

The following review reflects constant currency growth rates versus the comparable period last year unless stated otherwise.

The AGI divisions

Revenue for the first half of the year was £209.6m, 10% higher than last year (9% at actual rates), entirely reflecting price increases to offset cost inflation.

Headline operating profit was £35.0m (H1 2021: £38.9m), affected by the lag effect on pricing versus the impact of cost inflation, as well as inefficiencies associated with the demand volatility experienced in our automotive business. Statutory operating profit was £33.7m (H1 2021: £37.1m).

Net capital expenditure was £13.2m (H1 2021: £11.8m). We will continue to invest in profitable programmes which will deliver growth and margin improvements.

The ADE divisions

Revenue for the first half of the year was £148.9m, an increase of 20% (24% at actual rates), reflecting good revenue growth in Civil Aerospace and General Industrial revenues. Headline operating profit was £23.3m, (H1 2021: £17.6m), while statutory operating profit grew to £19.6m (H1 2021: £14.3m).

Net capital expenditure in the period was £7.7m (H1 2021: £3.9m). Investment for growth will continue where there is a compelling business case, particularly in support of our Specialist Technologies.

Financial overview

	Half year to 30 June 2022 £m	Half year to 30 June 2021 £m
Revenue	358.5	312.9
Headline operating profit	50.5	48.7
Amortisation of acquired intangible assets	(4.8)	(5.1)
Acquisition costs	(0.7)	(0.2)
Exceptional items	-	-
Operating profit	45.0	43.4
Net finance charge	(3.4)	(2.9)
Profit before taxation	41.6	40.5
Taxation charge	(9.1)	(9.0)
Profit for the period	32.5	31.5

Group revenue in the first half of 2022 was £358.5m, an increase of 14.6% at actual rates, 14.1% at constant currency. Headline operating profit for the six months increased by 4% to £50.5m (H1 2021: £48.7m), with headline operating margin decreasing to 14.1% (H1 2021: 15.6%). Statutory operating profit rose to £45.0m (H1 2021: £43.4m).

Finance charge

The net finance charge was £3.4m (H1 2021: £2.9m), with interest rates having increased. During the first half, the Group successfully extended its £251m Revolving Credit Facility by one year, to May 2027. The facility was drawn by £90.8m as at 30 June 2022 (30 June 2021: £98.7m).

Taxation

The tax charge in the first half of 2022 was £9.1m compared with a tax charge of £9.0m for the same period in 2021. The effective tax rate was 21.9% (H1 2021: 22.2%).

The headline tax rate, being stated before accounting for amortisation of acquired intangibles, acquisition costs and exceptional items, was 22.2% (H1 2021: 22.5%).

Earnings per share

Basic headline earnings per share for the half year were 19.1p (H1 2021: 18.5p) and basic earnings per share were 16.9p (H1 2021: 16.4p).

Cash flow

	Half year to 30 June 2022 £m	Half year to 30 June 2021 £m	Year ended 31-Dec-21 £m
Headline operating profit	50.5	48.7	94.8
Depreciation and amortisation	36.6	37.7	73.4
Income from associate prior to disposal	-	-	(0.1)
Loss on disposal of associate	-	-	0.4
Profit on disposal of fixed assets	(0.5)	(2.3)	-
Headline EBITDA	86.6	84.1	168.5
Net maintenance capital expenditure	(24.5)	(14.3)	(43.1)
Net working capital movement	(18.1)	4.1	(3.4)
Headline operating cash flow	44.0	73.9	122.0
Restructuring costs	(4.3)	(8.1)	(2.3)
Finance costs	(2.6)	(2.7)	(5.2)
Tax	(5.3)	(2.7)	(9.5)
Free cash flow	31.8	60.4	105.0
Expansionary capital expenditure	(7.2)	(10.3)	(15.6)
Ordinary dividend	(26.3)	(37.0)	(49.0)
Acquisition spend	(0.7)	(58.5)	(65.4)
Own shares purchased less SBP and others	2.9	1.7	4.7
Decrease/(Increase) in net debt	0.5	(43.7)	(20.3)
Opening net debt	(116.3)	(98.1)	(98.1)
Foreign exchange movements	(5.8)	1.9	2.0
Closing net debt	(121.6)	(139.9)	(116.4)
IFRS 16 lease liabilities	64.1	70.3	64.5
Net debt excluding lease liabilities	(57.5)	(69.6)	(51.9)

The Group's underlying cash generation remained strong in the first half. Headline operating cash flow declined to £44.0m (H1 2021: £73.7m), with the decline versus last year due to a large working capital outflow, mainly as a result of higher receivables from the increased revenue, with maintenance capital expenditure also returning to more 'normal' levels. The statutory measure, net cash from operating activities, declined to £61.0m (H1 2021: £78.2m).

Free cash flow in the period was £31.8m (H1 2021: £60.2m). Net debt (excluding lease liabilities) increased by £5.6m in the half to £57.5m after paying £26.3m of dividends to shareholders and investing £7.2m in expansionary capital expenditure.

The Group remains focused on careful cash management.

Principal risks and uncertainties

The Directors have reviewed the principal risks and uncertainties of the Group. The Directors consider that the principal risks and uncertainties of the Group published in the Annual Report for the year ended 31 December 2021 remain appropriate and the risks and associated risk management processes, including financial risks, can be found on pages 29-33 and 125-127 of the 2021 Annual Report, 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;
- Competitor action;
- Safety and health;
- Climate change;
- Service quality;
- Contract review;
- Loss of key accreditations;
- Major disruption at a facility;
- Machine downtime;
- Information technology and cybersecurity; and
- Regulatory and legislative compliance.

Going concern

As described in the condensed consolidated financial statements, the Directors have formed a judgement, at the time of approving the condensed consolidated financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months. In making this judgement they have considered the current and plausible impact of macro-economic factors, including the war in Ukraine, energy and price inflation, global supply chain impacts and the ongoing COVID-19 impacts.

For this reason, the Directors continue to adopt the going concern basis in preparing the condensed consolidated 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 UK adopted IAS 34 Interim Financial Reporting;
- (b) the Interim results includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the Interim results include 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
29 July 2022

D. Yates

Chief Financial Officer
29 July 2022

Cautionary statement

These Interim results have 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 results should not be relied on by any other party or for any other purpose.

These Interim results contain 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.

Independent review report to Bodycote plc

Report on the condensed consolidated half year financial statements

Our conclusion

We have reviewed Bodycote plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim results 2022 of Bodycote plc for the 6 month period ended 30 June 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the unaudited condensed consolidated balance sheet as at 30 June 2022;
- the unaudited condensed consolidated income statement and the unaudited condensed consolidated statement of comprehensive income for the period then ended;
- the unaudited condensed consolidated cash flow statement for the period then ended;
- the unaudited condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim results 2022 of Bodycote plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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, 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.

We have read the other information contained in the Interim results 2022 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim results 2022, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim results 2022 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim results 2022, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim results 2022 based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
29 July 2022

Unaudited condensed consolidated income statement

Year ended 31 Dec 2021 £m		Note	Half year to 30 June 2022 £m	Half year to 30 June 2021 £m
615.8	Revenue	1	358.5	312.9
(533.2)	Cost of sales and overheads excluding exceptional items		(312.9)	(269.5)
1.2	Net impairment (losses)/gains on financial assets		(0.6)	-
83.8	Operating profit prior to exceptional items	1	45.0	43.4
-	Exceptional items	2	-	-
83.8	Operating profit		45.0	43.4
0.3	Finance income		0.1	0.1
(6.6)	Finance charge		(3.5)	(3.0)
77.5	Profit before taxation		41.6	40.5
(17.5)	Taxation charge	3	(9.1)	(9.0)
60.0	Profit for the year		32.5	31.5
	Attributable to:			
59.5	Equity holders of the parent		32.2	31.2
0.5	Non-controlling interests		0.3	0.3
60.0			32.5	31.5
	Earnings per share	5		
Pence			Pence	Pence
31.2	Basic		16.9	16.4
31.2	Diluted		16.9	16.4

All activities have arisen from continuing operations.

Unaudited condensed consolidated statement of comprehensive income

Year ended 31 Dec 2021 £m		Note	Half year to 30 June 2022 £m	Half year to 30 June 2021 £m
60.0	Profit for the year		32.5	31.5
	Items that will not be reclassified to profit or loss:			
1.7	Actuarial gains on defined benefit pension schemes		0.1	0.2
0.1	Tax on items that will not be reclassified		-	-
1.8	Total items that will not be reclassified to profit or loss		0.1	0.2
	Items that may be reclassified subsequently to profit or loss:			
(14.8)	Exchange gains/(losses) on translation of overseas operations		47.3	(15.6)
0.5	Movements on hedges of net investments	10	(2.9)	1.9
0.5	Movements on cash flow hedges		-	-
(13.8)	Total items that may be reclassified subsequently to profit or loss		44.4	(13.7)
(12.0)	Other comprehensive income/(expense) for the year		44.5	(13.5)
48.0	Total comprehensive income for the year		77.0	18.0
	Attributable to:			
48.2	Equity holders of the parent		76.8	17.9
(0.2)	Non-controlling interests		0.2	0.1
48.0			77.0	18.0

Unaudited condensed consolidated balance sheet

As at 31 Dec 2021 £m		Note	As at 30 June 2022 £m	As at 30 June 2021 £m
Non-current assets				
213.9	Goodwill	6	225.7	212.9
108.1	Other intangible assets		116.2	103.1
489.3	Property, plant and equipment		510.2	497.9
57.6	Right-of-use assets		57.3	64.3
-	Investment in associate		-	3.9
2.2	Deferred tax assets		2.4	2.5
1.6	Trade and other receivables		1.3	1.7
872.7			913.1	886.3
Current assets				
19.3	Inventories		24.8	16.1
20.6	Current tax assets		20.2	19.8
117.0	Trade and other receivables		151.5	114.5
39.3	Cash and bank balances		36.2	31.5
0.5	Derivative financial instruments	10	-	-
0.4	Assets held for sale		0.3	1.3
197.1			233.0	183.2
1,069.8	Total assets		1,146.1	1,069.5
Current liabilities				
110.0	Trade and other payables		128.9	111.8
34.0	Current tax liabilities		36.7	36.3
91.7	Borrowings		93.7	101.3
12.9	Lease liabilities		12.7	13.3
14.4	Provisions	7	10.2	18.3
263.0			282.2	281.0
(65.9)	Net current liabilities		(49.2)	(97.8)
Non-current liabilities				
51.6	Lease liabilities		51.4	57.0
13.9	Retirement benefit obligations		14.3	15.5
47.0	Deferred tax liabilities		50.3	41.7
7.4	Provisions	7	8.1	8.7
1.5	Other payables		1.1	1.5
121.4			125.2	124.4
384.4	Total liabilities		407.4	405.4
685.4	Net assets		738.7	664.1
Equity				
33.1	Share capital		33.1	33.1
177.1	Share premium account		177.1	177.1
(6.2)	Own shares		(5.2)	(6.3)
137.5	Other reserves ¹		136.5	133.5
23.8	Translation reserves ¹		71.2	24.4
319.4	Retained earnings		325.1	301.3
684.7	Equity attributable to equity holders of the parent		737.8	663.1
0.7	Non-controlling interests		0.9	1.0
685.4	Total equity		738.7	664.1

1 A reclassification of £1.0m has been made as at 31 December 2021 to Other reserves from Translation reserves to ensure consistency with the Statement of Changes in Equity.

Unaudited condensed consolidated cash flow statement

Year ended 31 Dec 2021			Half year to 30 June 2022	Half year to 30 June 2021
£m	Note		£m	£m
144.3	8	Net cash from operating activities	61.0	78.2
		Investing activities		
(45.1)		Purchases of property, plant and equipment	(24.5)	(24.4)
11.7		Proceeds on disposal of property, plant and equipment and intangible assets	1.9	6.0
(6.9)		Purchases of other intangibles assets	(5.3)	(2.3)
1.5		Proceeds from disposal of investment in an associate	-	-
(66.0)		Acquisition of businesses, net of cash acquired	-	(58.3)
0.3		Interest received	0.1	0.1
(104.5)		Net cash used in investing activities	(27.8)	(78.9)
		Financing activities		
(5.5)		Interest paid	(2.7)	(2.9)
(49.0)	4	Dividends paid	(26.3)	(37.0)
(14.4)		Principal elements of lease payments	(6.9)	(7.2)
155.5		Drawdown of bank loans	17.0	75.6
(116.9)		Repayments of bank loans	(19.0)	(27.9)
(30.3)		Net cash (used in)/generated from financing activities	(37.9)	0.6
9.5		Net (decrease)/increase in cash and cash equivalents	(4.7)	(0.1)
29.2		Cash and cash equivalents at beginning of year	37.9	29.2
(0.8)		Effect of foreign exchange rate changes	0.1	(0.2)
37.9	8	Cash and cash equivalents at end of year	33.3	28.9

Unaudited condensed consolidated statement of changes in equity

	Share capital £m	Share premium account £m	Own shares £m	Other reserves £m	Translation reserves £m	Retained earnings £m	Equity attributable to equity holders of the parent £m	Non-controlling interests £m	Total equity £m
1 January 2022	33.1	177.1	(6.2)	137.5	23.8	319.4	684.7	0.7	685.4
Profit for the year	-	-	-	-	-	32.2	32.2	0.3	32.5
Exchange differences on translation of overseas operations	-	-	-	-	47.4	-	47.4	(0.1)	47.3
Movements on hedges of net investments	-	-	-	(2.9)	-	-	(2.9)	-	(2.9)
Actuarial gains on defined benefit pension schemes net of deferred tax	-	-	-	-	-	0.1	0.1	-	0.1
Total comprehensive income for the year	-	-	-	(2.9)	47.4	32.3	76.8	0.2	77.0
Acquired in the year/settlement of share options	-	-	1.0	(1.0)	-	(0.2)	(0.2)	-	(0.2)
Share-based payments	-	-	-	2.9	-	-	2.9	-	2.9
Deferred tax on share-based payment transactions	-	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Dividends	-	-	-	-	-	(26.3)	(26.3)	-	(26.3)
30 June 2022	33.1	177.1	(5.2)	136.5	71.2	325.1	737.8	0.9	738.7
1 January 2021	33.1	177.1	(6.9)	132.6	37.9	306.7	680.5	0.9	681.4
Profit for the year	-	-	-	-	-	31.2	31.2	0.3	31.5
Exchange differences on translation of overseas operations	-	-	-	-	(15.4)	-	(15.4)	(0.2)	(15.6)
Movements on hedges of net investments	-	-	-	-	1.9	-	1.9	-	1.9
Actuarial gains on defined benefit pension schemes net of deferred tax	-	-	-	-	-	0.2	0.2	-	0.2
Total comprehensive income for the year	-	-	-	-	(13.5)	31.4	17.9	0.1	18.0
Acquired in the year/settlement of share options	-	-	0.6	(0.8)	-	0.1	(0.1)	-	(0.1)
Share-based payments	-	-	-	1.7	-	-	1.7	-	1.7
Deferred tax on share-based payment transactions	-	-	-	-	-	0.1	0.1	-	0.1
Dividends	-	-	-	-	-	(37.0)	(37.0)	-	(37.0)
30 June 2021	33.1	177.1	(6.3)	133.5	24.4	301.3	663.1	1.0	664.1
1 January 2021	33.1	177.1	(6.9)	132.6	37.9	306.7	680.5	0.9	681.4
Profit for the year	-	-	-	-	-	59.5	59.5	0.5	60.0
Exchange differences on translation of overseas operations	-	-	-	-	(14.1)	-	(14.1)	(0.7)	(14.8)
Movements on hedges of net investments	-	-	-	0.5	-	-	0.5	-	0.5
Movements on cash flow hedges	-	-	-	0.5	-	-	0.5	-	0.5
Actuarial gains on defined benefit pension schemes net of deferred tax	-	-	-	-	-	1.8	1.8	-	1.8

	Share capital	Share premium account	Own shares	Other reserves	Translation reserves	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total comprehensive income for the year	-	-	-	1.0	(14.1)	61.3	48.2	(0.2)	48.0
Acquired in the year/settlement of share options	-	-	0.7	(0.8)	-	0.1	-	-	-
Share-based payments	-	-	-	4.7	-	-	4.7	-	4.7
Deferred tax on share-based payment transactions	-	-	-	-	-	0.3	0.3	-	0.3
Dividends	-	-	-	-	-	(49.0)	(49.0)	-	(49.0)
31 December 2021	33.1	177.1	(6.2)	137.5	23.8	319.4	684.7	0.7	685.4

Included in other reserves is a capital redemption reserve of £129.8m (31 December 2021: £129.8m; 30 June 2021: £129.8m) and a share-based payments reserve of £7.9m (31 December 2021: £4.7m; 30 June 2021: £2.9m). The capital redemption reserve arose from B shares which were converted into deferred shares in 2008 and 2009, and as a result, £129.8m was transferred from retained earnings to a capital redemption reserve.

The own shares reserve represents the cost of shares in Bodycote plc purchased in the market. At 30 June 2022, 642,544 (31 December 2021: 775,962; 30 June 2021: 779,717) ordinary shares of 17 3/11p each were held by the Bodycote Employee Benefit Trust to satisfy share-based payments under the Group's incentive schemes.

Notes to the condensed consolidated financial information

Accounting policies

Basis of preparation

These condensed consolidated financial statements for the half year ended 30 June 2022 have been prepared in accordance with the UK adopted International Accounting Standard 34, 'Interim financial reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority (FCA).

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021, which were prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under these standards.

The financial information does not constitute statutory accounts as defined by section 434 of the UK Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2021 has been delivered to the Registrar of Companies. The auditors have reported on those accounts; their reports were (i) unqualified and (ii) did not contain a statement under section 498 (2) or (3) of the UK Companies Act 2006. These interim financial statements have been reviewed, not audited.

In preparing the interim condensed consolidated financial statements management has considered the impact of climate change, particularly in the context of the disclosures included in the Strategic Report of the Annual Report for the year ended 31 December 2021. These considerations did not have a material impact on the financial reporting judgements and estimates nor on the Director's going concern assessment of the Group.

The Group is not significantly affected by timing differences in its operations. As such, seasonality has had no material impact on the preparation of these condensed consolidated financial statements and notes.

Going concern

In determining the basis of preparation for the Group's condensed consolidated financial statements, the Directors have considered the Group's business activities, together with the factors likely to affect its future development, performance and position. The financial overview included in these Interim results provides a summary of the Group's financial position, cash flows, liquidity position and borrowings.

The current and plausible impact of macro-economic factors, including the war in Ukraine, energy and price inflation, the ongoing COVID-19 impacts and global supply chain impacts on the Group's activities on revenue, profits and cashflows have been considered in preparing the going concern assessment. The Group has modelled a base case, which reflects the Directors' current expectations of future trading in addition to potential severe but plausible impacts on revenues, profits and cash flows in a downside scenario as well as an even more severe, but highly improbable 'stress test' case.

The base case scenario was built upon the budgeting and forecasting processes for 2022 and extended up to the end of December 2023. This scenario shows an improvement in performance in both revenue and profits for 2022 and 2023 compared to 2021. The Group's record of cash conversion was used to estimate the cash generation and level of net debt over that period. Management then established a severe but plausible downside scenario which assumes a significant decline in revenues and profits broadly consistent with the decline experienced during the COVID-19 pandemic, with a significant revenue shortfall of around 25% below the base case modelled through to the end of 2023. A 'stress test' scenario was also modelled, entailing a 50% reduction in revenues, which is deemed highly improbable.

In performing the scenarios, the assessment has considered both liquidity and compliance with the Group's covenants. The key covenants attached to the Group's Revolving Credit Facility relate to financial gearing (net debt to EBITDA) and interest cover, which are measured on a pre-IFRS 16 basis. The maximum financial gearing ratio permitted under the covenants is 3.0x (with a one-time acquisition spike at 3.5x) and the minimum interest cover ratio permitted is 4.0x. In the base case, the severe but plausible downside scenario and the 'stress test' case, the Group continues to maintain sufficient liquidity and meets its gearing and interest cover covenants under the Revolving Credit Facility with substantial headroom in the base case and severe but plausible scenarios.

The Group meets its working capital requirements through a combination of committed and uncommitted facilities and overdrafts. For the purposes of the going concern assessment, the Directors have only taken into account the capacity under existing committed facilities, being predominantly the Group's Revolving Credit Facility.

In May 2022, the Group extended its £250.9m Revolving Credit Facility by one year to now mature in May 2027. The Group's committed facilities at 30 June 2022 totalled £164.7m while uncommitted facilities totalled £56.5m. At 30 June 2022, the Group's Revolving Credit Facility had drawings of £90.8m (31 December 2021: £90.3m, 30 June 2021: £98.7m) and the Group's net debt was £57.5m (31 December 2021: £51.9m, 30 June 2021: £69.8m). The liquidity headroom was £200.9m (31 December 2021: £202.8m, 30 June 2021: £172.7m) excluding uncommitted facilities.

Following this assessment, the Directors have formed a judgement, at the time of approving the financial statements, that there are no material uncertainties that cast doubt on the Group's going concern status and that it is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months. For this reason, the Directors continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

Changes in accounting policies

The same accounting policies, presentation and methods of computation are followed in the condensed set of consolidated financial statements as applied in the Group's latest annual audited financial statements, except as set out below.

In determining the tax charge for the interim period under IAS 34, the Group has applied the forecast annual effective corporate income tax rate to the pre-tax income for the six month period.

The Group's latest annual audited financial statements set out the key sources of estimation uncertainty and the critical judgements that were made in preparing those financial statements, which related to the assumptions (in particular the discount rate and mortality rates) used to account for retirement benefit pension schemes under IAS 19 (revised), the recognition of tax provisions and the decision to not recognise an asset in relation to the surplus on the UK defined benefit pension scheme. There have been no changes to these key sources of estimation uncertainty or these critical judgements since year end.

The Group has operations in Turkey which as of 30 June 2022 is considered a hyperinflationary economy and is subject to IAS 29 Financial Reporting in Hyperinflationary Economies. The Group has considered the impact of applying IAS 29 to the condensed consolidated financial statements and has concluded that the impact is not material and it has therefore not been applied.

1. Business and geographical segments

The Group has more than 165 facilities across the world serving a range of market sectors with various thermal processing services. The range and type of services offered is common to all market sectors.

In accordance with IFRS 8 Operating Segments, the segmentation of Group activity reflects the way the Group is managed by the chief operating decision maker, being the Group Chief Executive, who regularly reviews the operating performance of six operating segments, split between the Aerospace, Defence & Energy (ADE) and Automotive & General Industrial (AGI) business areas, as follows:

- ADE – Western Europe;
- ADE – North America;
- ADE – Emerging Markets;
- AGI – Western Europe;
- AGI – North America; and
- AGI – Emerging Markets.

The split of operating segments by geography reflects the business reporting structure of the Group. We have also presented combined results of our two key business areas, ADE and AGI. The split being driven by customer behaviour and requirements, geography, and services provided. Customers in the ADE segment tend to operate and purchase more globally and have long supply chains, whilst customers in the AGI segment tend to purchase more locally and have shorter supply chains.

Bodycote plants do not exclusively supply services to customers of a given market sector. Allocations of plants between ADE and AGI are therefore derived by reference to the preponderance of markets served.

Group	Half year to 30 June 2022			
	ADE	AGI	Central costs	Consolidated
	30 June 2022 £m	30 June 2022 £m	and eliminations 30 June 2022 £m	30 June 2022 £m
Revenue				
Total revenue	148.9	209.6	-	358.5
Result				
Headline operating profit ¹ prior to share-based payments and unallocated central costs	24.2	35.8	-	60.0
Share-based payments (including social charges) ²	(0.9)	(0.8)	(1.0)	(2.7)
Unallocated central costs	-	-	(6.8)	(6.8)
Headline operating profit/(loss)	23.3	35.0	(7.8)	50.5
Amortisation of acquired intangible assets	(3.4)	(1.4)	-	(4.8)
Acquisition costs	-	-	(0.7)	(0.7)
Operating profit/(loss) prior to exceptional items	19.9	33.6	(8.5)	45.0
Exceptional items	(0.3)	0.1	0.2	-
Segment result	19.6	33.7	(8.3)	45.0
Finance income				0.1
Finance costs				(3.5)
Profit before taxation				41.6
Taxation				(9.1)
Profit for the year				32.5

1 Headline operating profit is an alternative performance measure and is defined in the APM section.

2 The IFRS 2 share based payment charge in the period ended 30 June 2022 was £2.9m (31 December 2021: £4.7m; 30 June 2021 £1.7m) plus £0.2m credit (31 December 2021: £0.3m charge; 30 June 2021 £0.2m charge) for social security charges.

Inter-segment sales are not material in either year.

The Group does not have any one customer that contributes more than 10% of revenue.

	Half year to 30 June 2022			
	Western Europe	North America	Emerging markets	Total ADE
	30 June 2022	30 June 2022	30 June 2022	30 June 2022
	£m	£m	£m	£m
Aerospace, Defence & Energy				
Revenue				
Total revenue	65.7	79.9	3.3	148.9
Result				
Headline operating profit prior to share-based payments	10.8	13.3	0.1	24.2
Share-based payments (including social charges)	(0.1)	(0.8)	-	(0.9)
Headline operating profit	10.7	12.5	0.1	23.3
Amortisation of acquired intangible assets	(0.2)	(3.2)	-	(3.4)
Operating profit prior to exceptional items	10.5	9.3	0.1	19.9
Exceptional items	0.5	(0.8)	-	(0.3)
Segment result	11.0	8.5	0.1	19.6

	Half year to 30 June 2022			
	Western Europe	North America	Emerging markets	Total AGI
	30 June 2022	30 June 2022	30 June 2022	30 June 2022
	£m	£m	£m	£m
Automotive & General Industrial				
Revenue				
Total revenue	119.9	49.5	40.2	209.6
Result				
Headline operating profit prior to share-based payments	24.5	3.7	7.6	35.8
Share-based payments (including social charges)	(0.4)	(0.4)	-	(0.8)
Headline operating profit	24.1	3.3	7.6	35.0
Amortisation of acquired intangible assets	(0.2)	(1.0)	(0.2)	(1.4)
Operating profit prior to exceptional items	23.9	2.3	7.4	33.6
Exceptional items	0.2	(0.1)	-	0.1
Segment result	24.1	2.2	7.4	33.7

	Half year to 30 June 2021			
	ADE	AGI	Central costs and eliminations	Consolidated
	30 June 2021	30 June 2021	30 June 2021	30 June 2021
	£m	£m	£m	£m
Group				
Revenue				
Total revenue	120.4	192.5	-	312.9
Result				
Headline operating profit prior to share-based payments and unallocated central costs	17.9	39.4	-	57.3
Share-based payments (including social charges) ²	(0.3)	(0.5)	(1.1)	(1.9)
Unallocated central costs	-	-	(6.7)	(6.7)
Headline operating profit/(loss)	17.6	38.9	(7.8)	48.7
Amortisation of acquired intangible assets	(3.3)	(1.8)	-	(5.1)
Acquisition costs	-	-	(0.2)	(0.2)
Segment result	14.3	37.1	(8.0)	43.4
Finance income				0.1
Finance costs				(3.0)
Profit before taxation				40.5
Taxation				(9.0)
Profit for the year				31.5

	Half year to 30 June 2021			
	Western Europe	North America	Emerging markets	Total ADE
	30 June 2021	30 June 2021	30 June 2021	30 June 2021
	£m	£m	£m	£m
Aerospace, Defence & Energy				
Revenue				
Total revenue	52.3	66.3	1.8	120.4
Result				
Headline operating profit prior to share-based payments	9.6	8.5	(0.2)	17.9
Share-based payments (including social charges)	(0.1)	(0.2)	-	(0.3)
Headline operating profit/(loss)	9.5	8.3	(0.2)	17.6
Amortisation of acquired intangible assets	-	(3.3)	-	(3.3)
Segment result	9.5	5.0	(0.2)	14.3

	Half year to 30 June 2021			
	Western Europe	North America	Emerging markets	Total AGI
	30 June 2021	30 June 2021	30 June 2021	30 June 2021
	£m	£m	£m	£m
Automotive & General Industrial				
Revenue				
Total revenue	113.8	43.3	35.4	192.5
Result				
Headline operating profit prior to share-based payments	25.6	4.2	9.6	39.4
Share-based payments (including social charges)	(0.3)	(0.1)	(0.1)	(0.5)
Headline operating profit	25.3	4.1	9.5	38.9
Amortisation of acquired intangible assets	(0.3)	(1.3)	(0.2)	(1.8)
Segment result	25.0	2.8	9.3	37.1

	Year ended 31 December 2021			
	ADE	AGI	Central costs and eliminations	Consolidated
	31 Dec 2021	31 Dec 2021	31 Dec 2021	31 Dec 2021
	£m	£m	£m	£m
Group				
Revenue				
Total revenue	245.6	370.2	-	615.8
Result				
Headline operating profit prior to share-based payments and unallocated central costs	45.2	72.5	-	117.7
Share-based payments (including social charges) ²	(1.0)	(3.0)	(1.0)	(5.0)
Unallocated central costs	-	-	(17.9)	(17.9)
Headline operating profit/(loss)	44.2	69.5	(18.9)	94.8
Amortisation of acquired intangible assets	(6.7)	(3.6)	-	(10.3)
Acquisition costs	(0.5)	-	(0.2)	(0.7)
Operating profit/(loss) prior to exceptional items	37.0	65.9	(19.1)	83.8
Exceptional items	(4.2)	(0.6)	4.8	-
Segment result	32.8	65.3	(14.3)	83.8
Finance income				0.3
Finance costs				(6.6)
Profit before taxation				77.5
Taxation				(17.5)
Profit for the year				60.0

	Year ended 31 December 2021			
	Western Europe 31 Dec 2021 £m	North America 31 Dec 2021 £m	Emerging markets 31 Dec 2021 £m	Total ADE 31 Dec 2021 £m
Aerospace, Defence & Energy				
Revenue				
Total revenue	105.3	136.0	4.3	245.6
Result				
Headline operating profit prior to share-based payments	21.7	23.3	0.2	45.2
Share-based payments (including social charges)	(0.4)	(0.6)	-	(1.0)
Headline operating profit	21.3	22.7	0.2	44.2
Amortisation of acquired intangible assets	-	(6.7)	-	(6.7)
Acquisition costs	(0.5)	-	-	(0.5)
Operating profit prior to exceptional items	20.8	16.0	0.2	37.0
Exceptional items	(1.7)	(2.5)	-	(4.2)
Segment result	19.1	13.5	0.2	32.8

	Year ended 31 December 2021			
	Western Europe 31 Dec 2021 £m	North America 31 Dec 2021 £m	Emerging markets 31 Dec 2021 £m	Total AGI 31 Dec 2021 £m
Automotive & General Industrial				
Revenue				
Total revenue	217.0	85.3	67.9	370.2
Result				
Headline operating profit prior to share-based payments	47.8	7.9	16.8	72.5
Share-based payments (including social charges)	(1.8)	(0.5)	(0.7)	(3.0)
Headline operating profit	46.0	7.4	16.1	69.5
Amortisation of acquired intangible assets	(0.5)	(2.7)	(0.4)	(3.6)
Operating profit prior to exceptional items	45.5	4.7	15.7	65.9
Exceptional items	(0.3)	(0.1)	(0.2)	(0.6)
Segment result	45.2	4.6	15.5	65.3

2. Exceptional items

In 2020, the Group announced an organisational restructuring initiative which was driven by a combination of both macroeconomic uncertainties and longer term automobile and aerospace market structural shifts. A number of plants were closed as a result of these restructuring activities. The related costs were recorded as exceptional items in line with the Group's accounting policy for exceptional items. Exceptional losses from the sale of property associated with the restructuring programme in the period were £0.2m (31 December 2021: gain of £4.8m; 30 June 2021: £nil). A breakdown of exceptional items is shown in the table below:

Year ended 31 Dec 2021 £m		Half year to 30 June 2022 £m	Half year to 30 June 2021 £m
(2.7)	Severance and redundancy release	(0.5)	(0.3)
5.5	Net (reversal)/impairment of assets	(0.4)	-
1.9	Site closure costs	0.8	0.3
(4.8)	Losses/(gains) on sales of property, plant and equipment recognised in exceptional items	0.2	-
0.1	Environmental provisions (credit)/charge - see note 7	(0.1)	-
-	Total exceptional items	-	-

Asset impairments of £0.4m have been reversed subsequent to the sale of property that formed part of the 2020 restructuring program.

Further details of this restructuring programme are outlined in the 2021 Annual Report. At 30 June 2022, £6.2m was held as provisions relating to the exceptional restructuring programme. Refer to note 7 for more information.

3. Taxation charge

Year ended 31 Dec 2021		Half year to 30 June 2022	Half year to 30 June 2021
£m		£m	£m
18.9	Current taxation - charge for the year	10.4	9.1
(5.9)	Current taxation - adjustments in respect of previous years	(1.0)	0.1
4.5	Deferred tax	(0.3)	(0.2)
17.5	Total taxation charge	9.1	9.0

The headline rate of tax for the six months ended 30 June 2022 was 22.2% (31 December 2021: 22.3%; 30 June 2021: 22.5%) of the headline operating profit before tax. The effective tax rate was 21.9% (31 December 2021: 22.5%; 30 June 2021: 22.2%).

4. Dividends

Amounts recognised as distributions to equity holders in the period:

Year ended 31 Dec 2021		Half year to 30 June 2022	Half year to 30 June 2021
£m		£m	£m
	Amounts recognised as distributions to equity holders in the year:		
11.4	Interim dividend for the year ended 31 December 2020 of 6.0p per share	-	11.4
25.7	Final dividend for the year ended 31 December 2020 of 13.4p per share	-	25.6
11.9	Interim dividend for the year ended 31 December 2021 of 6.2p per share	-	-
-	Final dividend for the year ended 31 December 2021 of 13.8p per share	26.3	-
49.0		26.3	37.0
	Interim dividend for the year ended 31 December 2022 of 6.4p per share	12.2	

The interim dividend was declared by the Board on 29 July 2022 and has not been included as a liability in these condensed consolidated financial statements.

The dividends are waived on shares held by the Bodycote Employee Benefit Trust.

5. Earnings per share

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

Year ended 31 Dec 2021 £m		Half year to 30 June 2022 £m	Half year to 30 June 2021 £m
Earnings			
59.5	Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	32.2	31.2
Number of shares			
190,651,774	Weighted average number of ordinary shares for the purpose of basic earnings per share	190,744,285	190,624,409
79,678	Effect of dilutive potential ordinary shares: Shares subject to performance conditions ¹	7,647	-
192,117	Shares subject to vesting conditions	185,487	123,076
190,923,569	Weighted average number of ordinary shares for the purpose of diluted earnings per share	190,937,419	190,747,485
Earnings per share:			
31.2	Basic	16.9	16.4
31.2	Diluted ¹	16.9	16.4

Year ended 31 Dec 2021 £m		Half year to 30 June 2022 £m	Half year to 30 June 2021 £m
Headline earnings			
59.5	Net profit attributable to equity holders of the parent	32.2	31.2
7.8	Add back: Amortisation of acquired intangible assets (net of tax)	3.6	3.8
1.0	Acquisition costs (net of tax)	0.6	0.2
68.3	Headline earnings	36.4	35.2
Headline earnings per share:			
35.8	Basic	19.1	18.5
35.8	Diluted ¹	19.1	18.5

¹ As at 30 June 2022, 31 December 2021 and 30 June 2021, in accordance with IAS 33, the related performance conditions for most open plans have not been met resulting in nil dilution of earnings per share.

6. Goodwill

As at 31 Dec 2021 £m		As at 30 June 2022 £m	As at 30 June 2021 £m
Cost			
276.3	At 1 January	274.5	276.3
(1.8)	Exchange differences	12.3	(2.7)
274.5	Total cost	286.8	273.6
Accumulated impairment			
60.8	At 1 January	60.6	60.9
(0.2)	Exchange differences	0.5	(0.2)
60.6	Total accumulated impairment	61.1	60.7
213.9	Carrying amount	225.7	212.9

Goodwill acquired through business combinations is allocated to the cash generating units (CGUs) that are expected to benefit from the synergies of the combination. The recoverable amounts of these CGUs are the higher of fair value less costs to dispose and value-in-use.

Impairment is monitored at the CGU level which is the same level at which goodwill is allocated. These CGUs are grouped into the business and geographical segments as follows:

As at 31 Dec 2021 £m		As at 30 June 2022 £m	As at 30 June 2021 £m
ADE:			
26.8	Western Europe	26.9	26.8
93.2	North America	100.2	92.2
AGI:			
27.6	Western Europe	27.8	28.0
54.7	North America	59.1	54.0
11.6	Emerging markets	11.7	11.9
213.9		225.7	212.9

In accordance with IAS 36, the Group tests goodwill at least annually for impairment, and performs a trigger assessment at the end of each reporting period to determine if there is any indication of impairment, or more frequently if there are indicators that goodwill might be impaired. The most recent impairment test was performed as at 31 December 2021 and no impairment was identified. As at 30 June 2022, the Group has performed a trigger assessment to determine whether impairment testing is required on any of its CGUs. This assessment focused on a review of the year to date performance of each CGU versus the budget, and also considered the headroom at 31 December 2021 to determine whether it was reasonably possible that the performance of any CGU in the six months ended 30 June 2022 could result in an impairment if a full test was performed. Following this review the Directors concluded that no impairment triggers were identified and consequently no impairment testing is required as at 30 June 2022.

7. Provisions

	Restructuring £m	Restructuring environmental £m	Environmental £m	Legal and operational £m	Total £m
At 1 January 2022	9.0	3.6	6.0	3.2	21.8
Increase in provision	0.8	-	-	0.8	1.6
Release of provision	(0.5)	(0.1)	-	-	(0.6)
Utilisation of provision	(4.0)	(0.8)	(0.5)	(0.7)	(6.0)
Exchange difference	0.5	0.3	0.5	0.2	1.5
At 30 June 2022	5.8	3.0	6.0	3.5	18.3
Included in current liabilities					10.2
Included in non-current liabilities					8.1
					18.3

Included within the above balances as at 30 June 2022 are £12.1m of non-exceptional provisions which comprised of £1.4m of restructuring provisions, £1.2m of environmental restructuring provisions and £6.0m of environmental provisions, and £3.5m of legal and operational provisions which are unrelated to the Group's 2020 exceptional restructuring programme.

Exceptional restructuring

At 30 June 2022, restructuring provisions of £4.4m (31 December 2021: £7.8m; 30 June 2021: £15.1m) and restructuring environmental provisions of £1.8m (31 December 2021: £2.4m; 30 June 2021: £2.4m) relate to restructuring initiatives across North America and Europe announced in 2020. Further details of this programme can be found in our 2020 and 2021 Annual Report.

At 30 June 2022 £4.7m of the brought forward exceptional restructuring provision was utilised in order to carry out planned activities which were mainly focused on employee severance and redundancy (£1.7m), costs associated with closing plants (£2.3m) and the remediation of environmental issues (£0.7m). The majority of the remaining cash outflows on these activities are expected to occur within 2022.

Management has performed a review of the restructuring activities in order to determine the best estimate of future expenditure required to settle the present obligations and the relating timing. This assessment resulted in small movements to the existing provision which have been recognised as exceptional costs/income on the basis that they relate to the exceptional restructuring programme announced in 2020. Refer to note 2.

The Group remains exposed to contingent liabilities in respect of environmental remediation liabilities. In particular, the Group could be subjected to regulatory or legislative requirements to remediate sites in the future. However, it is not possible at this time to determine whether any liabilities exist or could be reliably estimated other than for those recognised above. Therefore no provision is recognised in relation to these items.

8. Notes to the cash flow statement

Year ended 31 Dec 2021 £m		Half year to 30 June 2022 £m	Half year to 30 June 2021 £m
60.0	Profit for the year	32.5	31.5
	Adjustments for:		
(0.3)	Finance income	(0.1)	(0.1)
6.6	Finance costs	3.5	3.0
17.5	Taxation charge	9.1	9.0
83.8	Operating profit	45.0	43.4
	Adjustments for:		
58.0	Depreciation of property, plant and equipment recognised in operating profit	29.3	29.8
0.6	Depreciation on mothballed sites due to restructuring recognised in exceptional items	-	-
13.6	Depreciation of right-of-use assets	6.5	6.9
12.1	Amortisation of other intangible assets	5.7	6.1
(4.8)	Profit on disposal of property, plant and equipment recognised in operating profit	(0.6)	(2.3)
-	Loss on disposal of property, plant and equipment recognised in exceptional items	0.2	-
4.7	Share-based payments	2.9	1.7
(0.1)	Income from associate prior to disposal	-	(0.2)
0.4	Loss on disposal of associate	-	-
5.5	Impairment (reversal) of property, plant and equipment and other assets recognised in exceptional items	(0.4)	-
173.8	EBITDA (See definition in APM section)	88.6	85.4
(2.7)	Increase in inventories	(4.7)	(0.9)
(1.6)	Increase in receivables	(27.4)	(1.2)
1.9	Increase in payables	11.2	6.7
(17.6)	Decrease in provisions	(1.6)	(9.1)
153.8	Cash generated by operations	66.1	80.9
(9.5)	Income taxes paid	(5.3)	(2.7)
-	Settlement of derivatives	0.2	-
144.3	Net cash from operating activities	61.0	78.2
As at 2021 £m		As at 2022 £m	As at 2021 £m
	Cash and cash equivalents comprise:		
39.3	Cash and bank balances	36.2	31.5
(1.4)	Bank overdrafts (included in borrowings)	(2.9)	(2.6)
37.9		33.3	28.9

9. Related party transactions

Transactions between subsidiaries of the Group, which are related parties to each other, have been eliminated on consolidation and are not disclosed in this note. Information on the remuneration of the Board of Directors, who are considered key management personnel of the Group, is disclosed in note 27 to the consolidated financial statements in the 2021 Annual Report.

10. Financial Instruments

In accordance with IFRS 7 Financial Instruments: Disclosures, the Group's financial instruments are considered to be classified as level 2 and level 3 instruments. Fair value measurements are those derived from inputs other than quoted prices which are defined as level 1.

There have been no transfers of assets or liabilities between levels of the fair value hierarchy in the period ended 30 June 2022. The carrying values of financial instruments at amortised cost as presented in the condensed consolidated financial statements approximate their fair values.

The Group uses foreign currency forward contracts in the management of its exchange rate exposures. The contracts are primarily denominated in the currencies of the Group's principal markets. The gains recognised in the condensed consolidated income statement on the contracts which matured in 2022 amounted to £nil (31 December 2021: £nil; 30 June 2021: £nil). The unrealised gains and losses were not material in either 2022 or 2021.

The following summarises the aggregate notional amount (aggregate face value) of all open contracts and their related fair values for the period 30 June 2022:

	Contractual or notional amount 30 June 2022 £m	Fair value 30 June 2022 £m	Contractual or notional amount 30 June 2021 £m	Fair value 30 June 2021 £m	Contractual or notional amount 31 Dec 2021 £m	Fair value 31 Dec 2021 £m
Currency forward foreign exchange contracts (Level 2)	1.2	-	0.3	-	-	-
Cross currency interest rate swap (Level 2)	17.2	-	-	-	25.8	0.5

In accordance with IFRS 7 Financial Instruments Disclosures, fair value is determined using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

All forward foreign exchange contracts are due within one year.

The Group's interest rate risk is primarily in relation to its floating rate borrowings. From time-to-time the Group will use interest rate derivative contracts to manage its exposure to interest rate movements within Group policy. At the balance sheet date, the Group has a cross currency interest rate swap which has been classified as a level 2 instrument with a fair value of £nil (31 December 2021: £0.5m; 30 June 2021: £nil) which is due to terminate on 30 June 2023. The cross currency interest rate swap is combined with the GBP Revolving Credit Facility and designated as the hedging instrument for the EUR Net Investment Hedge. The hedged item is identified as the carrying amount of the Group's net investment in two foreign operations. Hedge ineffectiveness may occur due to differences in the critical terms between the loans as set out in the Net Investment Hedge section below and the interest rate swaps. There was no material ineffectiveness in relation to interest rate swaps recorded in the periods ended 30 June 2022 and 2021.

The Group continues to draw on the Revolving Credit Facility (RCF) as this was used to partly fund the Ellison acquisition in 2020 and the related deferred payments in 2021. The related loans are denominated in US dollars and euro, combined with a euro cross-currency interest rate swap. The amounts are designated as net investment hedges to the net assets of certain subsidiaries of the Group with a matching functional currency on a 1:1 ratio.

The foreign exchange loss of £2.9m on translation on the hedging instruments to GBP at the end of the reporting period is recognised in other comprehensive income and accumulated in other reserves in shareholders' equity. There was no ineffectiveness to be recorded from the net investment hedges.

11. Contingent liabilities

The Group is subject to certain legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. These may include tax audits across jurisdictions in which the company operates, and legal proceedings may include, but are not limited to, alleged breach of contract and alleged breach of environmental, competition, securities and health and safety laws. The Group may not be insured fully, or at all, in respect of such risks. The Group cannot predict the outcome of individual legal actions or claims or complaints or investigations. The Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. The Group may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when it considers it has valid defences to liability. The Group considers that no material loss is expected to result from these legal proceedings, claims, complaints and investigations. Provision is made for all liabilities that are expected to materialise through legal and tax claims against the Group.

Alternative performance measures - APMs

Bodycote uses various APMs, in addition to those reported under IFRS, as management consider these measures enable users of the financial statements to assess the headline trading performance of the business. These APMs of financial performance, position or cash flows are not defined or specified according to International Financial Reporting Standards (IFRS) and are defined below and, where relevant, are reconciled to IFRS measures. APMs are prepared on a consistent basis for all periods presented in this report.

The APMs used include headline operating profit, headline operating margin, headline profit before taxation, EBITDA, headline EBITDA, organic sales, headline operating cash flow, free cash flow, headline operating cash conversion, free cash flow conversion, headline tax charge, headline tax rate, headline earnings per share (EPS), net debt and net debt plus lease liabilities. These measures reflect the headline trading performance of the business as they exclude certain non-operational items, exceptional items, acquisition costs and the amortisation of acquired intangible assets. The Group also uses revenue growth percentages adjusted for the impact of foreign exchange movements, where appropriate, to better represent the trading performance of the business. The measures described above are also used in the targeting process for executive and management annual bonuses (headline operating profit and headline operating cash flow) and share schemes (headline EPS).

The constant exchange rate comparison uses the current year reported segmental information, stated in the relevant functional currency, and translates the results into its presentational currency using the prior year's monthly exchange rates. Expansionary capital expenditure is defined as capital expenditure invested to grow the Group's business.

Headline operating profit

Year ended 31 Dec 2021		Half year to 30 June 2022	Half year to 30 June 2021
£m		£m	£m
83.8	Operating profit	45.0	43.4
	Add back:		
10.3	Amortisation of acquired intangibles	4.8	5.1
0.7	Acquisition costs	0.7	0.2
-	Exceptional items	-	-
94.8	Headline operating profit	50.5	48.7

Headline operating margin

Year ended 31 Dec 2021		Half year to 30 June 2022	Half year to 30 June 2021
£m		£m	£m
94.8	Headline operating profit	50.5	48.7
615.8	Revenue	358.5	312.9
15.4%	Headline operating margin	14.1%	15.6%

Headline profit before taxation

Year ended 31 Dec 2021		Half year to 30 June 2022	Half year to 30 June 2021
£m		£m	£m
77.5	Profit before taxation	41.6	40.5
	Add back:		
10.3	Amortisation of acquired intangibles	4.8	5.1
0.7	Acquisition costs	0.7	0.2
-	Exceptional items	-	-
88.5	Headline profit before taxation	47.1	45.8

EBITDA and Headline EBITDA (Earnings Before Interest, Taxation, Depreciation, and Amortisation)

Year ended 31 Dec 2021		Half year to 30 June 2022	Half year to 30 June 2021
£m		£m	£m
83.8	Operating profit	45.0	43.4
83.7	Depreciation and amortisation	41.5	42.8
0.6	Depreciation on mothballed sites due to restructuring recognised in exceptional items	-	-
5.5	Impairment (reversal)/charge of property, plant and equipment and other assets - recognised in exceptional items	(0.4)	-
(4.8)	Profit on disposal of property, plant and equipment	(0.6)	(2.3)
-	Profit on disposal of property, plant and equipment recognised in exceptional items	0.2	-
4.7	Share-based payments	2.9	1.7
(0.1)	Income from associate prior to disposal	-	(0.2)
0.4	Loss on disposal of associate	-	-
173.8	EBITDA	88.6	85.4
0.7	Acquisition costs	0.7	0.2
(1.3)	Exceptional items, excluding impairments	0.2	-
(4.7)	Share-based payments	(2.9)	(1.7)
168.5	Headline EBITDA	86.6	83.9
27.4%	Headline EBITDA margin	24.2%	26.8%

Organic sales

Excludes revenues from acquisitions in the current and comparative period to provide a like-for-like comparison:

Year ended 31 Dec 2021		Half year to 30 June 2022	Half year to 30 June 2021
£m		£m	£m
615.8	Total revenue	358.5	312.9
(32.8)	Less adjustments for revenue from acquisitions	(4.8)	(15.7)
583.0	Total organic revenue	353.7	297.2

Headline operating cash flow

Year ended 31 Dec 2021		Half year to 30 June 2022	Half year to 30 June 2021
£m		£m	£m
168.5	Headline EBITDA	86.6	83.9
	Less:		
(43.1)	Net maintenance capital expenditure	(24.5)	(14.3)
(3.4)	Net working capital movement	(18.1)	4.1
122.0	Headline operating cash flow	44.0	73.7

Free cash flow

Year ended 31 Dec 2021		Half year to 30 June 2022	Half year to 30 June 2021
£m		£m	£m
122.0	Headline operating cash flow	44.0	73.7
	Less:		
(2.3)	Restructuring cash flows	(4.3)	(8.1)
(9.5)	Income taxes paid	(5.3)	(2.7)
(5.2)	Interest paid	(2.6)	(2.7)
105.0	Free cash flow	31.8	60.2

Headline operating cash conversion

Year ended 31 Dec 2021 £m		Half year to 30 June 2022 £m	Half year to 30 June 2021 £m
122.0	Headline operating cash flow	44.0	73.7
94.8	Headline operating profit	50.5	48.7
128.7%	Headline operating cash conversion	87.1%	151.4%

Free cash flow conversion

Year ended 31 Dec 2021 £m		Half year to 30 June 2022 £m	Half year to 30 June 2021 £m
105.0	Free cash flow	31.8	60.2
94.8	Headline operating profit	50.5	48.7
110.8%	Free cash flow conversion	63.0%	123.6%

Headline tax charge

Year ended 31 Dec 2021 £m		Half year to 30 June 2022 £m	Half year to 30 June 2021 £m
17.5	Tax charge	9.1	9.0
2.5	Tax on amortisation of acquired intangibles	1.2	1.3
(0.3)	Tax charge/(credit) on exceptional items and acquisition costs	0.1	-
19.7	Headline tax charge	10.4	10.3

Headline tax rate

Year ended 31 Dec 2021 £m		Half year to 30 June 2022 £m	Half year to 30 June 2021 £m
19.7	Headline tax charge	10.4	10.3
88.5	Headline profit before taxation	47.1	45.8
22.3%	Headline tax rate	22.2%	22.5%

Headline earnings per share

A detailed reconciliation is provided in note 5 of the condensed consolidated financial statements.

Net debt and net debt plus lease liabilities

Year ended 31 Dec 2021 £m		Half year to 30 June 2022 £m	Half year to 30 June 2021 £m
39.3	Cash and bank balances	36.2	31.5
(1.4)	Bank overdrafts (included in borrowings)	(2.9)	(2.6)
0.5	Derivative financial instruments	-	-
(90.3)	Bank loans (included in borrowings)	(90.8)	(98.7)
(51.9)	Net debt	(57.5)	(69.8)
(64.5)	Lease liabilities	(64.1)	(70.3)
(116.4)	Net debt plus lease liabilities	(121.6)	(140.1)

Revenue and headline operating profit at constant currency

Reconciled to revenue and headline operating profit in the table below:

	Half year to 30 June 2022			
	ADE £m	AGI £m	Central cost and eliminations £m	Consolidated £m
Revenue	148.9	209.6	-	358.5
Constant currency exchange rates adjustment	(4.3)	2.8	-	(1.5)
Revenue at constant currency	144.6	212.4	-	357.0
Headline operating profit	23.3	35.0	(7.8)	50.5
Constant currency exchange rates adjustment	(0.8)	1.4	0.3	0.9
Headline operating profit at constant currency	22.5	36.4	(7.5)	51.4

Company information

Financial calendar

Results for 2022	March 2023
Annual General Meeting	May 2023
Final dividend for 2022	June 2023
Interim results for 2023	July 2023
Interim dividend for 2023	November 2023

Shareholder enquiries

Enquiries on the following administrative matters can be addressed to the Company's registrars at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Telephone 0333 207 5951 (+44 333 207 5951 if calling from outside the UK). Lines open 8:30am to 5.30pm (UK time), Monday to Friday excluding public holidays in England and Wales); Email: Log on to help.shareview.co.uk (from here you will be able to email your query securely).

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

Forms for some of these matters can be downloaded from the registrars' website www.shareview.co.uk. Shareholders can easily access and maintain their shareholding online by registering at www.shareview.co.uk. To register, shareholders will require their shareholder reference number which was recently provided.

Shareholder dealing service

For information on the share dealing service offered by Equiniti Limited, telephone 0345 603 7037 (+44 345 603 7037 if calling from outside the UK). Lines open 8.00am to 4.30pm (UK time), Monday to Friday excluding public holidays in England and Wales). Please either telephone Equiniti or look online at www.shareview.co.uk for the up to date commission rates.

General information

Copies of this report and the last Annual Report are available from the Group Company 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 FCA Electronic Submission System which is situated at: <https://data.fca.org.uk/#/nationalstoragemechanism>.

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