



**Bodycote plc**  
**Results for the six months to 30 June 2018**

<b>Financial highlights</b>	<b>Half year to 30 June 2018</b>	Half year to 30 June 2017	<i>Growth</i>	<i>Growth constant currency</i>
Revenue	<b>£368.0m</b>	£345.7m	6.4%	8.7%
Headline operating profit <sup>1</sup>	<b>£70.1m</b>	£61.7m	14%	15%
Return on sales <sup>2</sup>	<b>19.0%</b>	17.8%		
Headline profit before taxation <sup>1</sup>	<b>£69.1m</b>	£60.5m	14%	16%
Free cash flow <sup>3</sup>	<b>£39.4m</b>	£42.1m		
Basic headline earnings per share <sup>4</sup>	<b>27.3p</b>	23.6p	16%	
Interim dividend per share	<b>5.7p</b>	5.3p	8%	
<b>Statutory results</b>				
Operating profit	<b>£68.2m</b>	£59.4m		
Profit before taxation	<b>£67.2m</b>	£58.2m		
Basic earnings per share	<b>26.6p</b>	22.9p		

### Highlights

- Revenue growth of 8.7%; headline operating profit growth of 15%<sup>5</sup>
- Further improvement in return on sales to 19.0%
- Free cash flow of £39.4m
- Specialist Technologies' growth of 11%<sup>5</sup>
- Emerging Markets' revenue growth of 22%<sup>5</sup>
- Interim dividend of 5.7p, up 8%

Commenting, Stephen Harris, Group Chief Executive said:

“Bodycote has enjoyed a strong first half of 2018. Robust growth has continued with double-digit revenue progression in Specialist Technologies, contract wins on automotive and aerospace programmes, and excellent growth across the Emerging Markets. We continue to invest in the ongoing growth of the business through capital expenditure and increased resources.

<sup>1</sup> Headline operating profit and headline profit before taxation exclude amortisation of acquired intangibles of £1.9m (H1 2017: £2.3m) and acquisition costs of £nil (H1 2017: £nil).

<sup>2</sup> Return on sales is defined as headline operating profit as a percentage of revenue.

<sup>3</sup> Free cash flow is defined as cash generated by operations of £82.6m (H1 2017: £87.3m) less net capital expenditure of £31.0m (H1 2017: £29.7m), net interest paid of £0.9m (H1 2017: £1.2m), and taxation of £11.3m (H1 2017: £14.3m).

<sup>4</sup> A detailed EPS reconciliation is provided in note 6 to this announcement.

<sup>5</sup> At constant currency.

“While our business by its nature, has limited forward visibility, at current exchange rates, the Board expects that the full year result will be marginally ahead of current consensus<sup>6</sup>.”

END

A live webcast of the analysts’ meeting will be available from 10.30am at [www.bodycote.com](http://www.bodycote.com) and a copy of the presentation will be available on the Company’s website in the investor section from 0700am.

For further information, please contact:

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<sup>6</sup> The Company compiled consensus forecast for headline operating profit (EBITA) is £135.3m.

## OVERVIEW

Bodycote reported revenue growth of 6.4% to £368.0m (H1 2017: £345.7m), which includes a negative impact from foreign exchange translation. At constant currency, revenue grew 8.7%.

The following review reflects constant currency growth rates unless stated otherwise.

### Technologies<sup>7</sup>

The Classical Heat Treatment business contributed 77% of our total revenue and around 60% of headline operating profit in the first six months of the year. Overall Classical Heat Treatment revenue growth was 8%, supported by growth across all of our key market sectors.

Specialist Technologies contributed 23% of revenue and around 40% of headline operating profit in the first six months of the year. Specialist Technologies delivered 11% revenue growth, in line with our growth aspirations for this group of early stage technologies. Low pressure carburising (LPC) and Speciality Stainless Steel Processes (S<sup>3</sup>P), which are largely focused on automotive and general industrial markets, delivered strong growth as we rolled out additional capacity to meet customer demand and invested in expertise to continue marketing these highly differentiated processes. HIP<sup>8</sup> Product Fabrication (HIP PF) and Surface Technology, which have both been impacted by the significant decline in oil & gas revenues in recent years, returned to growth as subsea revenue showed early signs of recovery. HIP Services growth was held back by the previously indicated decline in the large frame industrial gas turbine market.

### Market sectors<sup>7</sup>

Aerospace and defence revenues grew 3.6% to £82m. Growth remains very strong in the UK, where we are delivering new capacity to meet the increased demand. The capacity shortfalls in our customer's supply chain in Continental Europe and the USA have continued throughout this period, constraining our growth.

Energy revenues grew 20.0% to £31m, benefiting from the continuing recovery in onshore North American oil & gas. Subsea revenues, which have historically been driven by our HIP PF and Surface Technology processes, are now showing some early signs of recovery. Large frame industrial gas turbine revenues are down as previously indicated.

Our automotive business continues to perform ahead of the market, delivering 9.4% revenue growth to £110m, with more than 85% of revenues coming from the car & light truck market. This performance, in a sector which is flat, builds on the double-digit revenue growth performance that we saw in 2017 and reflects the success that Bodycote has had in winning new contracts on some key platforms for the auto manufacturers. We have also benefited in our Emerging Markets business, aided by new facilities, as auto manufacturers increasingly build capacity in these rapid growth territories. We continue to invest in LPC and S<sup>3</sup>P to service our auto customers. These technologies are establishing themselves as enablers for some of the developments in auto technology, with the resultant benefit to revenue growth.

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<sup>7</sup> A review of the Company's Operating Segments is contained in the Business Review section on page 5.

<sup>8</sup> HIP is Hot Isostatic Pressing.

General industrial revenues were 9.0% higher, growing to £145m, with particularly good growth coming from our Specialist Technologies which contributed 2.5% of the growth. We have seen good growth across all key markets and believe the recovery in the resources sector is having a secondary benefit to the general industrial market.

### **Investment in growth**

Our facilities in Emerging Markets grew revenues at 22% with China and Mexico both delivering growth in excess of 30%. Although Emerging Market revenue only accounts for 8% of our revenue today, we have four new facilities in the early phase of revenue ramp up. We are well positioned to benefit from auto manufacturers' continued transition into these markets.

In the first half of the year we have invested £16m (more than 50% of overall capex) to support the growth of the business adding new capacity into existing facilities and developing new facilities. Typically it takes three to five years for revenues to fully mature in a new facility. Since 2015 we have either opened or have under development 12 facilities. These include three Specialist Technologies facilities, three Emerging Market facilities and one Specialist Technologies facility in an Emerging Market. Of the ten facilities that are already operational, we benefitted from a contribution of almost 2% to the overall revenue growth in the first half of this year, with further significant future revenue growth potential.

### **Profit and earnings improvement**

Return on sales has continued to improve to 19.0% (H1 2017 17.8%). We have once again recovered the impact of cost inflation through price increases and continued to focus on cost discipline and improving operational efficiencies. At the same time, we are investing to ensure that we can continue to support future growth effectively. The Group's headline operating profit grew 14% to £70.1m (13% growth in statutory operating profit to £68.2m).

The Group's good profit improvement, coupled with a headline tax rate of 24.5% (H1 2017: 25.5%) increased basic headline earnings per share to 27.3p (H1 2017 23.6p). Basic earnings per share increased to 26.6p from 22.9p.

### **Dividend**

The Board has declared an interim dividend of 5.7p (H1 2017 5.3p) which represents an increase of 8% over the prior year. The interim dividend will be paid on 2 November 2018 to all shareholders on the register at the close of business on 5 October 2018.

### **Outlook**

Bodycote has enjoyed a strong first half of 2018. Robust growth has continued with double-digit revenue progression in Specialist Technologies, contract wins on automotive and aerospace programmes, and excellent growth across the Emerging Markets. We continue to invest in the ongoing growth of the business through capital expenditure and increased resources.

While our business by its nature, has limited forward visibility, at current exchange rates, the Board expects that the full year result will be marginally ahead of current consensus.<sup>9</sup>

## **BUSINESS REVIEW**

The following review reflects constant currency growth rates unless stated otherwise.

### **The ADE Divisions**

We have 63 ADE facilities around the world including classical heat treatment, hot isostatic pressing (HIP) and Surface Technology facilities.

Revenue for the first half of the year was £142.7m, an increase of 8.8% (4.8% at actual rates). Headline operating profit was £33.3m an increase of 13% (8% at actual rates), benefiting from positive operational leverage as revenues grew. Accordingly, return on sales improved to 23.3% (H1 2017: 22.6%). Statutory operating profit grew to £32.9m (H1 2017: £29.9m).

Net capital expenditure in the period was £11.0m (H1 2017: £10.8m), representing 1.0 times depreciation. We have invested in new HIP capacity in Europe with Belgium receiving a new HIP later this year and we have also placed an order to increase our HIP capacity in North America. In addition we commenced investment in a new UK facility to support our growing UK civil aviation business.

### **The AGI Divisions**

Our extensive network of more than 120 AGI facilities enables the business to offer the widest range of technical capability and security of supply, while continuing to increase the proportion of technically differentiated services that it offers. Bodycote has a long and successful history of servicing this division's wide-ranging customer base.

Revenue was £225.3m, 8.6% ahead of the prior year (7.5% at actual rates). Our new facilities, including LPC and S<sup>3</sup>P facilities and those in Emerging Markets, are developing in line with expectations. Emerging Market growth was above 20%, with growth in Mexico and China over 30%. The addition of LPC capacity in Mexico for specific automotive programmes has helped drive this significant growth.

Headline operating profit was £43.2m (H1 2017: £36.9m) 17% ahead of the prior period (17% at actual rates). Return on sales expansion has been a focus for our AGI business over many years now, and, at 19.2% we delivered return on sales improvement once again (H1 2017: 17.6%). Statutory operating profit grew to £41.7m (H1 2017: £35.4m).

Net capital expenditure was £18.9m (H1 2017: £16.2m) representing 1.0 times depreciation. We are continuing to invest in the rapid growth Emerging Markets, as well as supporting new capacity for auto programmes that we have won.

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<sup>9</sup> The Company compiled consensus forecast for headline operating profit (EBITA) is £135.3m.

## FINANCIAL OVERVIEW

	Half year to 30 June	
	2018	2017
	£m	£m
<b>Revenue</b>	<b>368.0</b>	345.7
<b>Headline operating profit</b>	<b>70.1</b>	61.7
Amortisation of acquired intangible fixed assets	<b>(1.9)</b>	(2.3)
<b>Operating profit</b>	<b>68.2</b>	59.4
Net finance charge	<b>(1.0)</b>	(1.2)
<b>Profit before taxation</b>	<b>67.2</b>	58.2
Taxation	<b>(16.4)</b>	(14.6)
<b>Profit for the period</b>	<b>50.8</b>	43.6

Group revenue was £368.0m, an increase of 6.4% at actual exchange rates and 8.7% at constant currency. Headline operating profit for the six months increased by 14% to £70.1m (H1 2017: £61.7m), and return on sales increased to 19.0% (H1 2017: 17.8%). Headline operating profit at constant currency increased by 15% to £71.2m. Once again, increases in input costs were more than recovered via price increases and the Group maintained a strong focus on cost control and operational efficiency. Statutory operating profit grew to £68.2m (H1 2017: £59.4m).

### Finance charge

The net finance charge was £1.0m compared to £1.2m in H1 2017.

As at 30 June 2018, the Group's £230m Revolving Credit Facility was drawn by £20m. It has a remaining life of 3 years and 10 months.

### Taxation

The tax charge in the first half of 2018 was £16.4m, compared to a charge of £14.6m for the same period of 2017. The effective tax rate was 24.5% (H1 2017: 25.1%), representing an improvement on previous guidance of 26.5% as the Group benefits from the utilisation of some historic losses.

The headline tax rate, being stated after accounting for amortisation of goodwill and acquired intangibles, is 24.5% in the first six months of 2018 (H1 2017: 25.5%).

The final impact of the changes from the passing of the Tax Cuts and Jobs Act in the US in December 2017 are subject to a number of detailed provisions in the legislation and any implementation guidance issued by the Treasury Department and the IRS. The exact workings of these provisions remains unclear. Bodycote will continue to monitor any developments and give due consideration to the impact of any guidance, along with ongoing market interpretation and assessment on the accounting implications of this Act.

Nonetheless, we have revised guidance as we do not anticipate that the Group's headline tax rate for the full year will exceed 24.5%.

## Earnings per share

Basic headline earnings per share from operations for the half year were 27.3p (H1 2017: 23.6p). Basic earnings per share from operations for the half year were 26.6p (H1 2017: 22.9p). Diluted earnings per share were 26.6p (H1 2017: 22.9p).

## Cash flow

	<b>Half year to 30 June</b>	
	<b>2018</b>	2017
	<b>£m</b>	£m
<b>Headline operating profit</b>	<b>70.1</b>	61.7
Add back non-cash items:		
Depreciation and amortisation	<b>29.9</b>	29.4
Impairment of fixed assets	<b>0.4</b>	0.4
Share-based payments	<b>2.1</b>	2.7
Profit on disposal of property, plant and equipment	<b>-</b>	(0.1)
<b>Headline EBITDA<sup>1</sup></b>	<b>102.5</b>	94.1
Net capital expenditure	<b>(31.0)</b>	(29.7)
Net working capital movement	<b>(17.8)</b>	(4.5)
<b>Headline operating cash flow</b>	<b>53.7</b>	59.9
Cash cost of restructuring	<b>(2.1)</b>	(2.3)
<b>Operating cash flow</b>	<b>51.6</b>	57.6
Interest	<b>(0.9)</b>	(1.2)
Taxation	<b>(11.3)</b>	(14.3)
<b>Free cash flow<sup>2</sup></b>	<b>39.4</b>	42.1

<sup>1</sup> Earnings before interest, tax, depreciation, amortisation, impairment, profit or loss on disposal of property, plant and equipment and share-based payments.

<sup>2</sup> Free cash flow is defined as cash from operating activities of £82.6m (H1 2017: £87.3m) less net capital expenditure of £31.0m (H1 2017: £29.7m), interest paid of £0.9m (H1 2017: £1.2m), and taxation of £11.3m (H1 2017: £14.3m).

Free cash flow for the period was £39.4m compared to £42.1m in the first six months of 2017. The decrease is mainly a result of a larger net working capital outflow which amounted to £17.8m. This reflects two key items. Firstly, there is a £11m seasonal outflow on trade receivables reflecting the fact that higher revenues in June result in higher outstanding receivables than in December. Secondly, bonuses are paid during the first half of the year, and the working capital outflow associated with these payments was £7m. In 2017, this was actually an inflow as the 2016 bonuses paid in the first half of 2017 were lower than those accrued for the first half of 2017.

The utilisation of restructuring provisions resulted in a cash outflow of £2.1m (H1 2017: £2.3m).

Income taxes paid during the first six months at £11.3m were £3.0m less than the same period last year due to lower tax payments in the US in the first half of the year.

The Group's headline operating cash flow decreased to £53.7m (H1 2017: £59.9m), as higher EBITDA was offset by the difference in working capital movements, explained above. In June, £70.5m was paid out to shareholders for the 2017 special and final ordinary dividends (H1 2017: £20.5m) leaving the Group with closing net cash of £5.6m (30 June 2017: £17.7m).

## **Capital Expenditure**

Net capital expenditure (capital expenditure less proceeds from asset disposals) for the period was £31.0m (H1 2017: £29.1m). The multiple of net capital expenditure to depreciation was 1.0 times (H1 2017: 1.0 times). Slightly more than half of the capital expenditure was on growth investment projects, including investment in incremental capacity for Specialist Technologies (notably HIP Services, S<sup>3</sup>P and LPC), expenditure on several new facilities and investments in capacity and technology expansion in a number of existing locations.

The Group continues to invest in maintaining its assets to a high quality.

## **Net debt**

Group net cash at 30 June 2018 was £5.6m (31 December 2017 net cash: £39.6m and 30 June 2017 net cash: £17.7m), after payment of ordinary and special dividends to the value of £70.5m during the first half. As at 30 June 2018 £20m was drawn under the committed facilities, compared to nil at 31 December 2017 and 30 June 2017. The Group continues to be able to borrow at competitive rates and therefore currently deems this to be the most effective means of funding.

## **Principal risks and uncertainties**

The directors have reconsidered the principal risks and uncertainties of the Group. The directors do not consider that the principal risks and uncertainties of the Group have significantly changed since the publication of the Annual Report for the year ended 31 December 2017. The risks and associated risk management processes, including financial risks, can be found on pages 25-29, 115 and 116 of the 2017 Annual Report, which is available at [www.bodycote.com](http://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;
- Competitor action;
- Safety and health;
- Environment;
- Service quality;
- Major disruption at a facility;
- Capital projects;
- Information Technology;



- Regulatory and legislative compliance;
- Liquidity;
- Interest rate fluctuation; and
- Currency exchange rate 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:

- (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 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  
26 July 2018

D. Yates  
Chief Financial Officer  
26 July 2018

**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 2017 £m		Half year to 30 June 2018 £m	Half year to 30 June 2017 £m	Note
690.2	<b>Revenue</b>	<b>368.0</b>	345.7	3
(570.8)	Cost of sales and overheads	<b>(299.8)</b>	(286.3)	
119.4	<b>Operating profit</b>	<b>68.2</b>	59.4	3
0.1	Investment revenue	<b>0.1</b>	–	
(2.5)	Finance costs	<b>(1.1)</b>	(1.2)	
117.0	<b>Profit before taxation</b>	<b>67.2</b>	58.2	
6.4	Tax impact in relation to change in US tax rate	–	–	
(26.1)	Taxation	<b>(16.4)</b>	(14.6)	
(19.7)	Taxation charge	<b>(16.4)</b>	(14.6)	5
97.3	<b>Profit for the period</b>	<b>50.8</b>	43.6	
	Attributable to:			
97.1	Equity holders of the parent	<b>50.6</b>	43.5	
0.2	Non-controlling interests	<b>0.2</b>	0.1	
97.3		<b>50.8</b>	43.6	
	<b>Earnings per share</b>			6
Pence		<b>Pence</b>	Pence	
51.0	Basic	<b>26.6</b>	22.9	
51.0	Diluted	<b>26.6</b>	22.9	

All activities have arisen from continuing operations.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 Dec 2017 £m		Half year to 30 June 2018 £m	Half year to 30 June 2017 £m
97.3	<b>Profit for the period</b>	<b>50.8</b>	43.6
	<b>Items that will not be reclassified to profit or loss:</b>		
6.7	Actuarial (losses)/gains on defined benefit pension schemes	<b>(2.0)</b>	0.3
(1.0)	Tax on items not reclassified	<b>0.4</b>	–
5.7	<b>Total items that will not be reclassified to profit or loss</b>	<b>(1.6)</b>	0.3
	<b>Items that may be reclassified subsequently to profit or loss:</b>		
(11.7)	Exchange gains/(losses) on translation of overseas operations	<b>1.7</b>	(2.3)
(11.7)	<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>1.7</b>	(2.3)
(6.0)	<b>Other comprehensive income/(expense) for the period</b>	<b>0.1</b>	(2.0)
91.3	<b>Total comprehensive income for the period</b>	<b>50.9</b>	41.6
	Attributable to:		
91.2	Equity holders of the parent	<b>50.8</b>	41.5
0.1	Non-controlling interests	<b>0.1</b>	0.1
91.3		<b>50.9</b>	41.6

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 Dec 2017 £m		As at 30 June 2018 £m	As at 30 June 2017 £m	Note
	<b>Non-current assets</b>			
157.6	Goodwill	158.5	158.8	
43.4	Other intangible assets	41.9	45.2	
520.5	Property, plant and equipment	521.4	504.6	
24.5	Deferred tax assets	25.6	32.7	
1.0	Trade and other receivables	0.8	1.2	
747.0		748.2	742.5	
	<b>Current assets</b>			
16.4	Inventories	18.3	16.4	
–	Derivative financial instruments	0.1	–	
12.8	Current tax assets	13.7	21.0	
140.4	Trade and other receivables	151.6	135.8	
41.0	Cash and bank balances	28.6	20.0	
2.1	Assets held for sale	2.2	2.6	
212.7		214.5	195.8	
959.7	<b>Total assets</b>	962.7	938.3	
	<b>Current liabilities</b>			
138.4	Trade and other payables	131.0	132.9	
29.2	Current tax liabilities	35.6	39.1	
1.4	Borrowings	23.0	2.3	
–	Derivative financial instruments	0.1	0.1	
8.7	Provisions	6.9	10.0	4
177.7		196.6	184.4	
35.0	<b>Net current assets</b>	17.9	11.4	
	<b>Non-current liabilities</b>			
15.2	Retirement benefit obligations	17.3	21.9	
57.2	Deferred tax liabilities	57.4	66.9	
8.7	Provisions	8.9	8.4	4
3.4	Other payables	2.2	4.4	
84.5		85.8	101.6	
262.2	<b>Total liabilities</b>	282.4	286.0	
697.5	<b>Net assets</b>	680.3	652.3	
	<b>Equity</b>			
33.1	Share capital	33.1	33.1	
177.1	Share premium account	177.1	177.1	
(7.2)	Own shares	(5.7)	(7.3)	
141.0	Other reserves	139.7	135.9	
45.9	Translation reserves	47.7	55.2	
307.1	Retained earnings	287.8	257.8	
697.0	<b>Equity attributable to equity holders of the parent</b>	679.7	651.8	
0.5	Non-controlling interests	0.6	0.5	
697.5	<b>Total equity</b>	680.3	652.3	

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 Dec 2017 £m		Half year to 30 June 2018 £m	Half year to 30 June 2017 £m
159.9	<b>Net cash from operating activities</b>	<b>71.3</b>	73.0
	<b>Investing activities</b>		
(73.3)	Purchases of property, plant and equipment	<b>(31.0)</b>	(28.2)
3.7	Proceeds on disposal of property, plant and equipment and intangible assets	<b>1.1</b>	1.7
(5.2)	Purchases of intangible fixed assets	<b>(1.1)</b>	(3.2)
(14.2)	Acquisition of businesses	<b>(1.3)</b>	(5.2)
(89.0)	<b>Net cash used in investing activities</b>	<b>(32.3)</b>	(34.9)
	<b>Financing activities</b>		
0.1	Interest received	<b>0.1</b>	–
(2.1)	Interest paid	<b>(0.9)</b>	(1.2)
(30.6)	Dividends paid	<b>(70.5)</b>	(20.5)
(5.0)	Repayments of bank loans	<b>(20.0)</b>	(5.0)
(0.1)	Payments of obligations under finance leases	<b>–</b>	–
–	Own shares purchased	<b>(1.3)</b>	–
–	New bank loans raised	<b>40.0</b>	–
(37.7)	<b>Net cash used in financing activities</b>	<b>(52.6)</b>	(26.7)
(33.2)	<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(13.6)</b>	11.4
6.2	<b>Cash and cash equivalents at beginning of period</b>	<b>39.6</b>	6.2
0.2	Effect of foreign exchange rate changes	<b>(0.4)</b>	0.1
39.6	<b>Cash and cash equivalents at end of period</b>	<b>25.6</b>	17.7

## 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
<b>Half year to 30 June 2018</b>									
1 January 2018	33.1	177.1	(7.2)	141.0	45.9	307.1	697.0	0.5	697.5
Net profit for the period	-	-	-	-	-	50.6	50.6	0.2	50.8
Exchange differences on translation of overseas operations	-	-	-	-	1.8	-	1.8	(0.1)	1.7
Actuarial gains on defined benefit pension schemes net of deferred tax	-	-	-	-	-	(1.6)	(1.6)	-	(1.6)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.8</b>	<b>49.0</b>	<b>50.8</b>	<b>0.1</b>	<b>50.9</b>
Acquired in the period/settlement of share options	-	-	1.5	(3.4)	-	1.9	-	-	-
Share-based payments	-	-	-	2.1	-	-	2.1	-	2.1
Deferred tax on share-based payment transactions	-	-	-	-	-	0.3	0.3	-	0.3
Dividends paid	-	-	-	-	-	(70.5)	(70.5)	-	(70.5)
<b>30 June 2018</b>	<b>33.1</b>	<b>177.1</b>	<b>(5.7)</b>	<b>139.7</b>	<b>47.7</b>	<b>287.8</b>	<b>679.7</b>	<b>0.6</b>	<b>680.3</b>
<b>Half year to 30 June 2017</b>									
1 January 2017	33.1	177.1	(8.0)	133.9	57.5	234.3	627.9	0.4	628.3
Net profit for the period	-	-	-	-	-	43.5	43.5	0.1	43.6
Exchange differences on translation of overseas operations	-	-	-	-	(2.3)	-	(2.3)	-	(2.3)
Actuarial losses on defined benefit pension schemes net of deferred tax	-	-	-	-	-	0.3	0.3	-	0.3
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.3)</b>	<b>43.8</b>	<b>41.5</b>	<b>0.1</b>	<b>41.6</b>
Acquired in the period/settlement of share options	-	-	0.7	(0.7)	-	-	-	-	-
Share-based payments	-	-	-	2.7	-	-	2.7	-	2.7
Deferred tax on share-based payment transactions	-	-	-	-	-	0.2	0.2	-	0.2
Dividends paid	-	-	-	-	-	(20.5)	(20.5)	-	(20.5)
<b>30 June 2017</b>	<b>33.1</b>	<b>177.1</b>	<b>(7.3)</b>	<b>135.9</b>	<b>55.2</b>	<b>257.8</b>	<b>651.8</b>	<b>0.5</b>	<b>652.3</b>
<b>Year ended 31 December 2017</b>									
1 January 2017	33.1	177.1	(8.0)	133.9	57.5	234.3	627.9	0.4	628.3
Net profit for the year	-	-	-	-	-	97.1	97.1	0.2	97.3
Exchange differences on translation of overseas operations	-	-	-	-	(11.6)	-	(11.6)	(0.1)	(11.7)
Actuarial losses on defined benefit pension schemes net of deferred tax	-	-	-	-	-	5.7	5.7	-	5.7
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11.6)</b>	<b>102.8</b>	<b>91.2</b>	<b>0.1</b>	<b>91.3</b>
Acquired in the year/settlement of share options	-	-	0.8	(0.7)	-	-	0.1	-	0.1
Share-based payments	-	-	-	7.8	-	-	7.8	-	7.8
Deferred tax on share-based payment transactions	-	-	-	-	-	0.6	0.6	-	0.6
Dividends paid	-	-	-	-	-	(30.6)	(30.6)	-	(30.6)
<b>31 December 2017</b>	<b>33.1</b>	<b>177.1</b>	<b>(7.2)</b>	<b>141.0</b>	<b>45.9</b>	<b>307.1</b>	<b>697.0</b>	<b>0.5</b>	<b>697.5</b>

Included in other reserves is the capital redemption reserve arising on redemption of the Group's B shares of £129.8m (2017: £129.8m) and the share-based payment reserve of £9.0m (2017: £5.3m).

## 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 2018 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 2017, which was filed with the Registrar of Companies on 19 June 2018.

#### 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, 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.

On 3 April 2017, the Group extended the £230m Revolving Credit Facility for five years to April 2022. The committed facilities as at 30 June 2018 were as follows:

- £230m Revolving Credit Facility maturing 3 April 2022

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

As at 1 January 2018, the Group adopted IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'. Apart from these standards, 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.

No new or revised standards adopted in the current period have had a material impact on the Group's financial statements.

## 2. Alternative performance measures (APMs)

Bodycote uses various APMs, in addition to those reported under IFRS, as management believe these measures enable users of the financial statements to assess the underlying trading performance of the business. The APMs used include headline operating profit, headline profit before taxation, EBITDA, headline EBITDA, headline earnings per share (EPS), headline operating cash flow, free cash flow and net cash. These measures reflect the underlying performance of the business as they exclude the impact of amortisation of acquired intangible assets and exceptional items. The Group also uses revenue growth percentages adjusted for the impact of foreign exchange movements, where appropriate, to better represent the underlying performance of the business. The measures described above are also used in the targeting process for executive and management annual bonuses (headline operating profit, operating cash-flow) and share schemes (headline operating profit, headline operating cash flow, 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.

APMs are defined and reconciled to the IFRS statutory measure as follows:

<b>Headline operating profit</b>			
Year ended		<b>Half year to</b>	Half year to
31 Dec		<b>30 June</b>	30 June
2017		<b>2018</b>	2017
£m		<b>£m</b>	£m
119.4	Statutory operating profit	<b>68.2</b>	59.4
	Add back:		
4.5	Amortisation of acquired intangibles	<b>1.9</b>	2.3
<u>123.9</u>	<b>Headline operating profit</b>	<u><b>70.1</b></u>	<u>61.7</u>
<b>Headline profit before taxation</b>			
Year ended		<b>Half year to</b>	Half year to
31 Dec		<b>30 June</b>	30 June
2017		<b>2018</b>	2017
£m		<b>£m</b>	£m
117.0	Profit before taxation	<b>67.2</b>	58.2
	Add back:		
4.5	Amortisation of acquired intangibles	<b>1.9</b>	2.3
<u>121.5</u>	<b>Headline profit before taxation</b>	<u><b>69.1</b></u>	<u>60.5</u>



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

Year ended 31 Dec 2017 £m		Half year to 30 June 2018 £m	Half year to 30 June 2017 £m
119.4	Operating profit	<b>68.2</b>	59.4
64.3	Depreciation and amortisation	<b>31.8</b>	31.7
0.4	Impairment of fixed assets	<b>0.4</b>	0.4
(0.7)	Profit on disposal of property, plant and equipment	-	(0.1)
7.8	Share-based payments	<b>2.1</b>	2.7
<u>191.2</u>	<b>EBITDA and Headline EBITDA</b>	<u><b>102.5</b></u>	<u>94.1</u>

**Headline earnings per share**

A detailed reconciliation is provided in note 6 to this announcement

**Headline operating cash flow**

Year ended 31 Dec 2017 £m		Half year to 30 June 2018 £m	Half year to 30 June 2017 £m
182.8	Cash generated by operations	<b>82.6</b>	87.3
	Less:		
(74.8)	Net capital expenditure	<b>(31.0)</b>	(29.7)
	Add:		
3.7	Restructuring cash flows	<b>2.1</b>	2.3
<u>111.7</u>	<b>Headline operating cash flow</b>	<u><b>53.7</b></u>	<u>59.9</u>

**Free cash flow**

Year ended 31 Dec 2017 £m		Half year to 30 June 2018 £m	Half year to 30 June 2017 £m
182.8	Cash generated by operations	<b>82.6</b>	87.3
	Less:		
(74.8)	Net capital expenditure	<b>(31.0)</b>	(29.7)
(2.1)	Financing costs	<b>(0.9)</b>	(1.2)
(22.9)	Taxation	<b>(11.3)</b>	(14.3)
<u>83.0</u>	<b>Free cash flow</b>	<u><b>39.4</b></u>	<u>42.1</u>

**Net Cash**

Year ended 31 Dec 2017 £m		Half year to 30 June 2018 £m	Half year to 30 June 2017 £m
41.0	Cash and bank balances	<b>28.6</b>	20.0
(1.4)	Bank overdrafts (included in borrowings)	<b>(3.0)</b>	(2.3)
-	Bank loans (included in borrowings)	<b>(20.0)</b>	-
<u>39.6</u>	<b>Net cash</b>	<u><b>5.6</b></u>	<u>17.7</u>

### Revenue and headline operating profit at constant exchange rates

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

	Half year to 30 June 2018			
	ADE £m	AGI £m	Central costs and eliminations £m	Consol- idated £m
Revenue	142.7	225.3	–	368.0
Constant exchange rates adjustment	5.4	2.3	–	7.7
<b>Revenue at constant exchange rates</b>	<b>148.1</b>	<b>227.6</b>	<b>–</b>	<b>375.7</b>
Headline operating profit	33.3	43.2	(6.4)	70.1
Constant exchange rates adjustment	1.3	(0.1)	(0.1)	1.1
<b>Headline operating profit at constant exchange rates</b>	<b>34.6</b>	<b>43.1</b>	<b>(6.5)</b>	<b>71.2</b>

### 3. Business and geographical segments

The Group has 187 locations 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 on a monthly basis 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 divisional reporting structure of the Group.

In accordance with the aggregation criteria of IFRS 8, the operating segments are aggregated into the Group's two key business areas, ADE and AGI, the split being driven by customer behaviour and requirements. 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. The allocation of plants between ADE and AGI is therefore derived by reference to the preponderance of markets served.

Group	Half year to 30 June 2018			Consolidated £m
	ADE £m	AGI £m	Central costs and eliminations £m	
<b>Revenue</b>				
Total revenue	142.7	225.3	–	368.0
<b>Result</b>				
Headline operating profit prior to share-based payments and unallocated central costs	33.8	45.0	–	78.8
Share-based payments (including social charges)	(0.5)	(1.8)	(0.4)	(2.7)
Unallocated central costs	–	–	(6.0)	(6.0)
Headline operating profit/(loss)	33.3	43.2	(6.4)	70.1
Amortisation of acquired intangible fixed assets	(0.4)	(1.5)	–	(1.9)
Segment result	32.9	41.7	(6.4)	68.2
Investment revenue				0.1
Finance costs				(1.1)
Profit before taxation				67.2
Taxation				(16.4)
Profit for the period				50.8

Inter-segment sales are not material.

The Group does not rely on any individual major customers.

Aerospace, Defence & Energy	Half year to 30 June 2018			Total ADE £m
	Western Europe £m	North America £m	Emerging markets £m	
<b>Revenue</b>				
Total revenue	69.3	72.9	0.5	142.7
<b>Result</b>				
Headline operating profit prior to share-based payments	16.9	17.1	(0.2)	33.8
Share-based payments (including social charges)	(0.1)	(0.4)	–	(0.5)
Headline operating profit	16.8	16.7	(0.2)	33.3
Amortisation of acquired intangible fixed assets	0.2	(0.6)	–	(0.4)
Segment result	17.0	16.1	(0.2)	32.9

Automotive & General Industrial	Half year to 30 June 2018			Total AGI £m
	Western Europe £m	North America £m	Emerging markets £m	
<b>Revenue</b>				
Total revenue	142.3	52.4	30.6	225.3
<b>Result</b>				
Headline operating profit prior to share-based payments	31.5	5.5	8.0	45.0
Share-based payments (including social charges)	(1.3)	(0.3)	(0.2)	(1.8)
Headline operating profit	30.2	5.2	7.8	43.2
Amortisation of acquired intangible fixed assets	(0.3)	(1.2)	–	(1.5)
Segment result	29.9	4.0	7.8	41.7

### 3. Business and geographical segments (continued)

Group	Half year to 30 June 2017			Consolidated £m
	ADE £m	AGI £m	Central costs and eliminations £m	
<b>Revenue</b>				
Total revenue	136.1	209.6	–	345.7
<b>Result</b>				
Headline operating profit prior to share-based payments and unallocated central costs	31.6	38.6	–	70.2
Share-based payments (including social charges)	(0.9)	(1.7)	(0.7)	(3.3)
Unallocated central costs	–	–	(5.2)	(5.2)
Headline operating profit/(loss)	30.7	36.9	(5.9)	61.7
Amortisation of acquired intangible fixed assets	(0.8)	(1.5)	–	(2.3)
Segment result	29.9	35.4	(5.9)	59.4
Finance costs				(1.2)
Profit before taxation				58.2
Taxation				(14.6)
Profit for the period				43.6

Aerospace, Defence & Energy	Half year to 30 June 2017			Total ADE £m
	Western Europe £m	North America £m	Emerging markets £m	
<b>Revenue</b>				
Total revenue	61.8	73.6	0.7	136.1
<b>Result</b>				
Headline operating profit prior to share-based payments	13.4	18.0	0.2	31.6
Share-based payments (including social charges)	(0.4)	(0.5)	–	(0.9)
Headline operating profit	13.0	17.5	0.2	30.7
Amortisation of acquired intangible fixed assets	(0.2)	(0.6)	–	(0.8)
Segment result	12.8	16.9	0.2	29.9

Automotive & General Industrial	Half year to 30 June 2017			Total AGI £m
	Western Europe £m	North America £m	Emerging markets £m	
<b>Revenue</b>				
Total revenue	129.6	54.7	25.3	209.6
<b>Result</b>				
Headline operating profit prior to share-based payments	25.1	6.4	7.1	38.6
Share-based payments (including social charges)	(1.2)	(0.3)	(0.2)	(1.7)
Headline operating profit	23.9	6.1	6.9	36.9
Amortisation of acquired intangible fixed assets	(0.2)	(1.3)	–	(1.5)
Segment result	23.7	4.8	6.9	35.4

### 3. Business and geographical segments (continued)

Group	Year ended 31 December 2017			Consolidated £m
	ADE £m	AGI £m	Central costs and eliminations £m	
<b>Revenue</b>				
Total revenue	273.1	417.1	–	690.2
<b>Result</b>				
Headline operating profit prior to share-based payments and unallocated central costs	65.6	77.3	–	142.9
Share-based payments (including social charges)	(1.4)	(3.1)	(4.6)	(9.1)
Unallocated central costs	–	–	(9.9)	(9.9)
Headline operating profit/(loss)	64.2	74.2	(14.5)	123.9
Amortisation of acquired intangible fixed assets	(1.5)	(3.0)	–	(4.5)
Segment result	62.7	71.2	(14.5)	119.4
Investment revenue				0.1
Finance costs				(2.5)
Profit before taxation				117.0
Taxation				(19.7)
Profit for the year				97.3

Aerospace, Defence & Energy	Year ended 31 December 2017			Total ADE £m
	Western Europe £m	North America £m	Emerging markets £m	
<b>Revenue</b>				
Total revenue	126.0	145.7	1.4	273.1
<b>Result</b>				
Headline operating profit/ prior to share-based payments	30.7	34.7	0.2	65.6
Share-based payments (including social charges)	(0.5)	(0.9)	–	(1.4)
Headline operating profit	30.2	33.8	0.2	64.2
Amortisation of acquired intangible fixed assets	(0.3)	(1.2)	–	(1.5)
Segment result	29.9	32.6	0.2	62.7

Automotive & General Industrial	Year ended 31 December 2017			Total AGI £m
	Western Europe £m	North America £m	Emerging markets £m	
<b>Revenue</b>				
Total revenue	258.9	105.5	52.7	417.1
<b>Result</b>				
Headline operating profit prior to share-based payments	51.2	11.6	14.5	77.3
Share-based payments (including social charges)	(2.4)	(0.4)	(0.3)	(3.1)
Headline operating profit	48.8	11.2	14.2	74.2
Amortisation of acquired intangible fixed assets	(0.4)	(2.6)	–	(3.0)
Segment result	48.4	8.6	14.2	71.2

#### 4. Provisions

	Restructuring £m	Restructuring environmental £m	Environmental £m	Total £m
<b>1 January 2018</b>	<b>4.0</b>	<b>4.9</b>	<b>8.5</b>	<b>17.4</b>
Increase in provision	1.2	–	0.2	1.4
Release of provision	(0.7)	–	–	(0.7)
Utilisation of provision	(1.7)	(0.4)	(0.3)	(2.4)
Exchange difference	–	–	0.1	0.1
<b>30 June 2018</b>	<b>2.8</b>	<b>4.5</b>	<b>8.5</b>	<b>15.8</b>
Included in current liabilities				6.9
Included in non-current liabilities				8.9
				<b>15.8</b>

The restructuring provision relates to the costs associated with the closure of a number of Heat Treatment sites.

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 identify separately environmental provisions relating to 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.

Whilst the Group's use of chlorinated solvents and other hazardous chemicals continues to reduce, 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 and to what extent any liabilities exist, other than for those recognised above. Therefore no provision is recognised in relation to these items.

#### 5. Taxation

Year ended		Half year to	Half year to
31 Dec		30 June	30 June
2017		2018	2017
£m		£m	£m
28.1	Current tax – charge for the period	17.7	15.3
(6.3)	Current tax – adjustments in respect of prior periods	(1.0)	–
(2.1)	Deferred tax	(0.3)	(0.7)
19.7		16.4	14.6

The rate of tax for the interim period is 24.5% (H1 2017: 25.1%) of the profit before tax.

## 6. Earnings per share

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

Year ended 31 Dec 2017 £m		Half year to 30 June 2018 £m	Half year to 30 June 2017 £m
	<b>Earnings</b>		
97.1	Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	50.6	43.5

<b>Number of shares</b>			
Number		Number	Number
190,250,855	Weighted average number of ordinary shares for the purposes of basic earnings per share	190,453,505	190,274,928
	Effect of dilutive potential ordinary shares:		
–	Share options	–	–
190,250,855	Weighted average number of ordinary shares for the purposes of diluted earnings per share	190,453,505	190,274,928

<b>Earnings per share</b>			
Pence		Pence	Pence
51.0	Basic	26.6	22.9
51.0	Diluted	26.6	22.9

<b>Headline earnings</b>			
£m		£m	£m
97.1	Net profit attributable to equity holders of the parent	50.6	43.5
	Add back:		
2.9	Amortisation of acquired intangible fixed assets (net of tax)	1.4	1.5
	Less:		
(6.4)	Impact of US Tax Cuts and Jobs Act treated as an exceptional item	–	–
93.6	<b>Headline earnings</b>	52.0	45.0

<b>Headline earnings per share</b>			
Pence		Pence	Pence
49.2	Basic	27.3	23.6
49.2	Diluted	27.3	23.6

## 7. Dividends

Amounts recognised as distributions to equity holders in the period:

Year ended 31 Dec 2017 £m		Half year to 30 June 2018 £m	Half year to 30 June 2017 £m
20.5	Final dividend for the year ended 31 December 2016 of 10.8p per share	–	20.5
10.1	Interim dividend for the year ended 31 December 2017 of 5.3p per share	–	–
	– Final dividend for the year ended 31 December 2017 of 12.1p per share	<b>23.0</b>	–
	– Special dividend for the year ended 31 December 2017 of 25.0p per share	<b>47.5</b>	–
<b>30.6</b>		<b>70.5</b>	<b>20.5</b>
	Proposed interim dividend for the year ended 31 December 2018 of 5.7p (2017: 5.3p) per share	<b>10.8</b>	10.1

The proposed interim dividend was approved by the Board on 24 July 2018 and has not been included as a liability in these condensed financial statements.

## 8. Notes to the cash flow statement

Year ended 31 Dec 2017 £m		Half year to 30 June 2018 £m	Half year to 30 June 2017 £m
97.3	Profit for the period	<b>50.8</b>	43.6
	Adjustments for:		
(0.1)	Investment revenue	<b>(0.1)</b>	–
2.5	Finance costs	<b>1.1</b>	1.2
19.7	Taxation	<b>16.4</b>	14.6
58.1	Depreciation of property, plant and equipment	<b>29.0</b>	28.8
6.2	Amortisation of intangible assets	<b>2.8</b>	2.9
(0.7)	Profit on disposal of property, plant and equipment	–	(0.1)
7.8	Share-based payments	<b>2.1</b>	2.7
0.4	Impairment of fixed assets	<b>0.4</b>	0.4
<b>191.2</b>	<b>EBITDA*</b>	<b>102.5</b>	94.1
0.5	(Increase)/decrease in inventories	<b>(2.1)</b>	0.5
(17.0)	Increase in receivables	<b>(10.9)</b>	(9.8)
10.2	(Decrease)/increase in payables	<b>(5.2)</b>	4.0
(2.1)	Decrease in provisions	<b>(1.7)</b>	(1.5)
<b>182.8</b>	<b>Cash generated by operations</b>	<b>82.6</b>	87.3
(22.9)	Income taxes paid	<b>(11.3)</b>	(14.3)
<b>159.9</b>	<b>Net cash from operating activities</b>	<b>71.3</b>	73.0

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

Cash and cash equivalents comprise:

41.0	Cash and bank balances	<b>28.6</b>	20.0
(1.4)	Bank overdrafts (included in borrowings)	<b>(3.0)</b>	(2.3)
<b>39.6</b>		<b>25.6</b>	17.7



## **9. 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.

## **10. General information**

The comparative information for the year ended 31 December 2017 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 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](http://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)207 066 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 2018 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 10. 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 2018 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**  
Statutory Auditor  
London, United Kingdom  
26 July 2018