

Bodycote plc
Results for the six months to 30 June 2019

Resilient performance; full year outlook unchanged

Financial highlights

| | Half year to 30 June 2019 | Restated ¹ Half year to 30 June 2018 | % Change | % Change Constant Currency |
|--|---------------------------------|--|----------|----------------------------------|
| Revenue | £366.5m | £368.0m | -0.4% | -1.5% |
| Headline operating profit ² | £66.9m | £71.0m | -6% | -7% |
| Return on sales ³ | 18.3% | 19.3% | | |
| Headline profit before taxation ² | £64.7m | £68.9m | -6% | -6% |
| Free cash flow ³ | £44.6m | £51.0m | -12% | |
| Basic headline earnings per share ⁴ | 25.6p | 27.2p | -6% | |
| Interim dividend per share | 6.0p | 5.7p | 5.3% | |

Statutory results

| | Half year to 30 June 2019 | Restated ¹ Half year to 30 June 2018 |
|--------------------------|---------------------------------|--|
| Operating profit | £64.4m | £69.1m |
| Profit before taxation | £62.2m | £67.0m |
| Basic earnings per share | 24.7p | 26.5p |

Highlights

- Civil aviation revenue growth of 21%⁵
- Specialist Technologies' revenue growth of 4%⁵
- Emerging markets revenue growth of 3%⁵
- Western Europe car & light trucks' revenues decline 16%⁵
- Resilient 18.3% return on sales performance
- £38m invested to support growth of the business, including two acquisitions
- Interim dividend of 6.0p, up 5.3%

Commenting, Stephen Harris, Group Chief Executive said:

'Bodycote delivered a resilient set of results in the face of challenging automotive and general industrial markets. The strong performance in civil aviation is expected to continue and provides a solid footing for the second half. The return on sales, at 18.3%, demonstrates the ability of the Group to adapt effectively to changes in business conditions.'

While trading conditions deteriorated in the second quarter, a number of areas of the Group's business remain strong and comparatives in the second half become easier. The Board's expectations for the full year remain unchanged.'

- 1 The Group adopted IFRS 16 Leases effective for accounting periods beginning on or after 1 January 2019 using the full retrospective approach. Consequently, prior periods have been restated to reflect IFRS 16 implementation. Further details are disclosed in note 10 of the condensed consolidated financial statements.
- 2 The headline performance measures represent the statutory results excluding certain non-operational items. These are deemed alternative performance measures under the European Securities and Markets Authority guidelines. Please refer to note 2 to the financial statements on page 13 for a reconciliation to the IFRS equivalent.
- 3 A detailed reconciliation is provided in note 2 on page 13.
- 4 A detailed reconciliation is provided in note 6 on page 20.
- 5 At constant currency.

END

A live webcast of the analysts' meeting will be available from 8.45am at www.bodycote.com and a copy of the presentation will be available on the Company's website in the investor section from 25th July.

For further information, please contact:

Bodycote plc

Stephen Harris, Group Chief Executive
Dominique Yates, Chief Financial Officer
Tel No +44 (0)1625 505 300

FTI Consulting

Richard Mountain
Susanne Yule
Tel No +44 (0)203 727 1340

Overview

Bodycote reported a decline in revenue of 0.4% to £366.5m (H1 2018: £368.0m). At constant currency, revenue declined 1.6%. Headline operating profit declined 6% to £66.9m. Return on sales was robust at 18.3% (H1 2018: 19.3%) despite high inflationary pressure from labour and utility costs. Statutory operating profit declined 7% to £64.4m.

This is a resilient set of results with good growth in specific markets, combined with focused operational management largely mitigating challenging market conditions in automotive and general industrial, and strong comparatives in 2018.

The following reflects constant currency growth rates unless stated otherwise.

Market sectors

Automotive revenues declined 8% in the first half to £103m. The decline was particularly accentuated in Western Europe, where car and light truck revenues fell 16% against strong comparatives from the first half of 2018 (as manufacturers accelerated deliveries ahead of the introduction of the Worldwide Harmonised Light Vehicles Test Procedure (WLTP) regulations).

General Industrial revenues declined 7% to £136m, in part due to the revenue impact of businesses that were discontinued in the second half of 2018. Excluding this impact and the positive impact from last year's acquisition, organic General Industrial revenues declined 6%. It is apparent that customers are delaying capital investment decisions in light of the prevailing uncertainty surrounding macroeconomic growth and trading conditions.

Western European oil and gas revenues grew strongly in the subsea segment. However, this was offset by weakness in North American onshore oil and gas business as specific customers lost market share. Industrial Gas Turbine (IGT) revenues continued to decline so that, in aggregate, Energy revenues were 2% lower at £31m.

Aerospace and Defence revenues grew 16% to £97m, with good growth in all key markets. Growth in the United States was particularly strong. Civil aviation revenues grew 21% following the strong pick-up that we saw in the second half of 2018, largely driven by growth in content and volume of LEAP engines.

Specialist Technologies and Emerging Markets

Specialist Technologies' revenues, accounting for 25% of the Group's revenues, grew 4%. HIP Services performed well in civil aviation, while Powdermet® grew well in subsea applications. The order book for Powdermet® continues to grow apace in subsea with prospects in aerospace starting to show significant promise.

LPC was adversely affected by the cancellation of an automotive programme in Western Europe that had been destined for the Chinese market. In addition, a significant piece of business was lost in S³P® as a result of a product change by a major customer. The rest of the S³P® business continues to grow well and further capacity expansion is being brought on stream.

Emerging markets' revenues grew 3% during the period, which is lower than we have seen over previous years. Much of the emerging markets business is in automotive. Eastern Europe softened as German manufacturers favoured their domestic production facilities over facilities in Eastern Europe, which are more easily flexed. Activity in China slowed and Mexico stalled in the second quarter amid cross border trade uncertainty.

Investment in growth

During the first half, we invested £38m across the business to support future growth. This included £23m spent on acquiring two bolt-on businesses in June. One of these is in Scandinavia and focuses on mining. The other is in Slovakia, which represents a new country for Bodycote in our emerging markets. Both fit well into our network of existing facilities.

Our new greenfield facilities, focused on supporting our strategic growth priorities, continue to ramp up their revenues as they mature. During the first half, a new facility in the Czech Republic opened and we are progressing well with a new facility in Hungary, which should become operational in 2020. We also made progress on new facilities in Illinois and upstate New York (USA).

Additional HIP capacity in Europe came on stream during the first half and will support growth in the second half of the year. We also continue to invest in additional HIP capacity in North America, which should become operational during 2020.

Profits and earnings

We continued to experience higher input cost inflation in most markets, with pressure coming from wage increases, as well as higher utility costs. Price increases and active management of costs once again enabled us to cover the impact of the cost increases.

Overall volumes declined. Significant increases in certain sectors, such as civil aviation, were more than offset by declines in other sectors, including the Western European automotive and general industrial markets in particular. Nonetheless, the 18.3% return on sales achieved in the period represents a very resilient performance in light of the challenges that the business has faced, and demonstrates once again the ability of the business to quickly adapt and adjust its cost base as business conditions change.

At 24.4%, the Group's headline tax rate is in line with guidance and similar to last year's rate (H1 2018: 24.5%). As a result, basic headline earnings per share were 25.6p (H1 2018: 27.2p). Basic earnings per share were 24.7p (H1 2018: 26.5p).

Strategic progress

The focus areas for growth of the business, namely civil aviation, Specialist Technologies and Emerging Markets, all grew revenues, representing a continued return on the investments that we have made to support profitable growth in these areas. Growth should be further supported by additional capacity in the second half.

Bolt-on acquisitions remain another key pillar of our growth strategy and we were pleased to complete two acquisitions during the period, which further strengthen our network and service offerings.

Dividend

The Board has declared an interim dividend of 6.0p (H1 2018: 5.7p), which represents an increase of 5.3% over the prior year. The interim dividend will be paid on 8 November 2019 to all shareholders on the register at the close of business on 11 October 2019.

The Group has become aware of an issue concerning technical compliance with the Companies Act 2006 in respect of the payment of the 2018 special dividend. The Group had not lodged interim accounts with Companies House to show that the dividend was supported by sufficient distributable reserves. The Group's historical reported trading results and financial condition are entirely unaffected, but the Group proposes to put a resolution to shareholders at its next general meeting to address this issue.

Summary and outlook

Bodycote has delivered a resilient set of results in the face of challenging automotive and general industrial markets. The strong performance in civil aviation is expected to continue and provides a solid footing for the second half. The return on sales, at 18.3%, demonstrates the ability of the Group to adapt effectively to changes in business conditions.

While certain trading conditions have deteriorated in the second quarter, a number of areas of the Group's business remain strong and comparatives in the second half become easier. The Board's expectations for the full year remain unchanged.

Business review

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

The ADE divisions

We have 64 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 £151.1m, an increase of 3% (6% at actual rates), benefiting from very strong growth in civil aviation revenues, but growth was tempered by the fact that almost a quarter of revenues from our ADE facilities support revenues in the automotive and general industrial market sectors. Revenue growth was also held back by the impact of discontinued businesses. Headline operating profit was £37.9m, an increase of 10% (13% at actual rates), benefiting from positive operational leverage as revenues grew. Accordingly, return on sales improved to 25.1% (H1 2018: 23.5%). Statutory operating profit grew to £37.4m (H1 2018: £33.2m).

Net capital expenditure in the period was £11.1m (H1 2018: £11.0m), representing 0.8 times depreciation (H1 2018: 1.0 times). Investment behind our growth is ongoing, particularly in support of our Specialist Technologies.

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 to the divisions' wide-ranging customer base.

Revenue was £215.4m, 5% lower than last year (4% at actual rates). This decline is predominantly due to an 8% decline in revenues in Western Europe (9% at actual rates).

Headline operating profit was £35.4m (H1 2018: £43.7m), while return on sales declined to 16.4% (H1 2018: 19.4%). The significant volume decline in Western Europe was entirely responsible for the decline in headline operating profit and in return on sales. Activity is ongoing to mitigate the impact of this volume downturn on the profitability of the business.

Net capital expenditure was £16.4m (H1 2018: £18.9m), representing 0.7 times depreciation. We continue to invest behind profitable programmes which will deliver growth and margin improvements, as well as value-adding bolt-on acquisitions.

Financial overview

| | Half year to 30 June | |
|--|----------------------|------------------|
| | 2019 | Restated 2018 |
| | £m | £m |
| Revenue | 366.5 | 368.0 |
| Headline operating profit | 66.9 | 71.0 |
| Amortisation of acquired intangible fixed assets | (2.1) | (1.9) |
| Acquisition costs | (0.4) | – |
| Operating profit | 64.4 | 69.1 |
| Net finance charge | (2.2) | (2.1) |
| Profit before taxation | 62.2 | 67.0 |
| Taxation | (15.2) | (16.4) |
| Profit for the period | 47.0 | 50.6 |

The 2018 figures in the above table have been restated for the impact of IFRS 16. This had the effect in 2018 of adding £0.9m to headline operating profit, with an offsetting £1.1m increase in finance costs, leaving statutory profit before taxation marginally lower at £67.0m.

Group revenue in the first half of 2019 was £366.5m, a decrease of 0.4% at actual rates (1.5% at constant currency). Headline operating profit for the six months decreased by 6% to £66.9m (H1 2018: £71.0m). Consequently, return on sales declined to 18.3% (H1 2018: 19.3%), largely as a result of the negative operating gearing impact from lower revenues in the Group's Western Europe AGI business. Statutory operating profit fell to £64.4m (H1 2018: £69.1m).

Finance charge

The net finance charge was £2.2m (H1 2018: £2.1m).

At 30 June 2019, the Group's £230m Revolving Credit Facility was drawn by £30m (H1 2018: £20m). It has a remaining life of 2 years and 10 months.

Taxation

The tax charge in the first half of 2019 was £15.2m, compared with a tax charge of £16.4m for the same period in 2018. The effective tax rate was 24.5% (H1 2018: 24.5%).

The headline tax rate, being stated after accounting for amortisation of acquired intangibles and acquisition costs, was 24.4%, in line with previous guidance.

On April 25, the European Commission released its decision that certain tax exemptions offered by the UK authorities constituted State Aid and, as such, will need to be recovered. The UK government has subsequently appealed against this decision. At this stage, we have not made any provision against this contingent liability. More details can be found in note 13 on page 23.

Earnings per share

Basic headline earnings per share for the half year were 25.6p (H1 2018: 27.2p). Diluted statutory earnings per share were 24.7p (H1 2018: 26.5p).

Cash flow

| £m | Half Year to 30 June 2019 | | Half Year to 30 June 2018 | | Year end 31 December 2018 | |
|--|------------------------------|---------------|------------------------------|---------------|------------------------------|--------------|
| | Post | Pre | Post | Pre | Post | Pre |
| | IFRS 16 | IFRS 16 | IFRS 16 | IFRS 16 | IFRS 16 | IFRS 16 |
| Headline operating profit | 66.9 | 65.7 | 71.0 | 70.1 | 140.7 | 138.3 |
| Depreciation and amortisation | 39.0 | 31.7 | 36.9 | 29.7 | 76.4 | 62.0 |
| Impairment of fixed assets | – | – | 0.4 | 0.4 | 1.8 | 1.8 |
| Income from associates | (0.2) | (0.2) | – | – | – | – |
| Loss on disposal of business | – | – | – | – | 0.6 | 0.6 |
| Profit on disposal of fixed assets | – | – | – | – | (1.7) | (1.8) |
| Headline EBITDA | 105.7 | 97.2 | 108.3 | 100.2 | 217.8 | 200.9 |
| Net maintenance capital expenditure | (32.7) | (25.1) | (23.4) | (14.4) | (48.7) | (29.8) |
| Net working capital movement | (13.3) | (13.3) | (18.5) | (18.5) | (3.7) | (3.7) |
| Headline operating cash flow | 59.7 | 58.8 | 66.4 | 67.3 | 165.4 | 167.4 |
| Restructuring | (1.2) | (1.2) | (2.1) | (2.1) | (2.8) | (2.8) |
| Financing costs | (2.1) | (0.9) | (2.0) | (0.8) | (4.3) | (1.9) |
| Tax | (11.8) | (11.8) | (11.3) | (11.3) | (24.5) | (24.5) |
| Free cash flow | 44.6 | 44.9 | 51.0 | 53.1 | 133.8 | 138.2 |
| Expansionary capital expenditure | (15.6) | (15.6) | (15.9) | (15.9) | (44.1) | (44.1) |
| Ordinary dividend | (25.2) | (25.2) | (23.0) | (23.0) | (34.3) | (34.3) |
| Acquisition spend | (28.6) | (22.7) | (1.3) | (1.3) | (8.8) | (8.8) |
| Special dividend | (38.1) | (38.1) | (47.5) | (47.5) | (47.5) | (47.5) |
| Own shares purchased less SBP and others | (4.8) | (5.0) | 0.9 | 0.9 | (6.7) | (6.6) |
| (Reduction)/increase in net cash | (67.7) | (61.7) | (35.8) | (33.7) | (7.6) | (3.1) |
| Opening net cash/(debt) | (44.1) | 36.2 | (34.8) | 39.6 | (34.8) | 39.6 |
| Foreign exchange movements | – | – | (0.2) | (0.3) | (1.7) | (0.3) |
| Closing net cash/(debt) | (111.8) | (25.5) | (70.8) | 5.6 | (44.1) | 36.2 |

The introduction of IFRS 16 has resulted in some changes to the management cash flow. The key impact of IFRS 16 is that depreciation increases, thereby increasing EBITDA, whilst, in order to be able to reconcile the cash flows to the relevant net cash/debt movements, we have treated lease additions and extensions as a form of capital expenditure outlay.

For ease of reference, we have shown both the pre and post IFRS 16 cash flows for both years in the table above.

We have also taken the opportunity to make some other changes to the cash flow. The key change is to distinguish maintenance (stay in business) capital expenditure, which is required for the operations to continue to run smoothly, from expansionary capital expenditure, which is discretionary in nature. Expansionary capital expenditure is, therefore, no longer deducted from free cash flow. We have also taken the logical steps of combining acquisition costs with the acquisition consideration and combining the share-based payments add back with the cash outlay to purchase our own shares (given that we settle share-based payments by buying shares in the market).

As a result, free cash flow in the six-month period was £44.6m compared with £51.0m in the corresponding period. The decrease reflects an increase in maintenance capital expenditure, which is mainly down to timing of payments in the first half.

Net debt

Group net debt excluding lease liabilities was £25.5m (H1 2018: £5.6m), having spent £22.7m on acquisitions in the first half. Group net debt (including lease liabilities) at 30 June 2018 was £111.8m (H1 2018: £70.8m and 31 December 2018: £44.1m). The first half increase in debt versus 31 December 2018 reflects the payment of ordinary and special dividends totalling £63.3m, as well as £15.6m spent on expansionary capital expenditure, £20.0m net consideration on acquisitions and a net outlay of £4.7m related to share purchases for future settlement of long-term incentives.

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 2018. The risks and associated risk management processes, including financial risks, can be found on pages 29-33, 115 and 116 of the 2018 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;
- Loss of key customers;
- Competitor action;
- Safety and health;
- Environment;
- Service quality;
- Major disruption at a facility;
- Capital projects;
- Information Technology projects; and
- Regulatory and legislative compliance.

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

25 July 2019

D. Yates

Chief Financial Officer

25 July 2019

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

| Restated ¹ Year ended 31 Dec 2018 £m | | Note | Half year to 30 June 2019 £m | Restated ¹ Half year to 30 June 2018 £m |
|---|-------------------------------|------|---------------------------------------|--|
| 728.6 | Revenue | 3 | 366.5 | 368.0 |
| (592.1) | Cost of sales and overheads | | (302.1) | (298.9) |
| 136.5 | Operating profit | 3 | 64.4 | 69.1 |
| 0.2 | Investment revenue | | 0.2 | 0.1 |
| (4.5) | Finance costs | | (2.4) | (2.2) |
| 132.2 | Profit before taxation | | 62.2 | 67.0 |
| (28.6) | Taxation charge | 5 | (15.2) | (16.4) |
| 103.6 | Profit for the period | | 47.0 | 50.6 |
| | Attributable to: | | | |
| 103.2 | Equity holders of the parent | | 46.9 | 50.4 |
| 0.4 | Non-controlling interests | | 0.1 | 0.2 |
| 103.6 | | | 47.0 | 50.6 |
| | Earnings per share | 6 | | |
| Pence | | | Pence | Pence |
| 54.2 | Basic | | 24.7 | 26.5 |
| 54.2 | Diluted | | 24.7 | 26.5 |

1 A reconciliation of restatement is provided in note 10 on page 21.

All activities have arisen from continuing operations.

Unaudited condensed consolidated statement of comprehensive income

| Restated ¹ Year ended 31 Dec 2018 £m | | | Half year to 30 June 2019 £m | Restated ¹ Half year to 30 June 2018 £m |
|---|--|--|---------------------------------------|--|
| 103.6 | Profit for the period | | 47.0 | 50.6 |
| | Items that will not be reclassified to profit or loss: | | | |
| (0.8) | Actuarial gains/(losses) on defined benefit pension schemes | | 0.3 | (2.0) |
| (0.5) | Tax on items that will not be reclassified | | – | 0.4 |
| (1.3) | Total items that will not be reclassified to profit or loss | | 0.3 | (1.6) |
| | Items that may be reclassified subsequently to profit or loss: | | | |
| 15.8 | Exchange gains on translation of overseas operations | | 0.4 | 1.7 |
| 15.8 | Total items that may be reclassified subsequently to profit or loss | | 0.4 | 1.7 |
| 14.5 | Other comprehensive income for the period | | 0.7 | 0.1 |
| 118.1 | Total comprehensive income for the period | | 47.7 | 50.7 |
| | Attributable to: | | | |
| 117.9 | Equity holders of the parent | | 47.6 | 50.6 |
| 0.2 | Non-controlling interests | | 0.1 | 0.1 |
| 118.1 | | | 47.7 | 50.7 |

1 A reconciliation of restatement is provided in note 10 on page 21.

Unaudited condensed consolidated balance sheet

| Restated ¹ As at 31 Dec 2018 £m | | Note | As at 30 June 2019 £m | Restated ¹ As at 30 June 2018 £m |
|--|--|------|--------------------------------|---|
| | Non-current assets | | | |
| 163.9 | Goodwill | | 174.5 | 158.5 |
| 43.0 | Other intangible assets | | 46.5 | 41.9 |
| 546.6 | Property, plant and equipment | | 550.0 | 521.4 |
| 73.7 | Right-of-use assets | | 79.8 | 69.6 |
| 4.1 | Investment in associate | | 4.3 | – |
| 24.7 | Deferred tax assets | | 24.3 | 26.7 |
| 1.4 | Trade and other receivables | | 1.3 | 0.8 |
| 857.4 | | | 880.7 | 818.9 |
| | Current assets | | | |
| 13.9 | Inventories | | 16.2 | 18.3 |
| – | Derivative financial instruments | | – | 0.1 |
| 7.0 | Current tax assets | | 8.5 | 13.7 |
| 146.3 | Trade and other receivables | | 156.5 | 151.6 |
| 38.5 | Cash and bank balances | | 12.5 | 28.6 |
| 1.8 | Assets held for sale | | 1.8 | 2.2 |
| 207.5 | | | 195.5 | 214.5 |
| 1,064.9 | Total assets | | 1,076.2 | 1,033.4 |
| | Current liabilities | | | |
| 140.4 | Trade and other payables | | 125.4 | 131.0 |
| 26.6 | Current tax liabilities | | 31.0 | 35.6 |
| 2.3 | Borrowings | | 38.0 | 23.0 |
| 13.6 | Lease liabilities | | 13.5 | 13.2 |
| – | Derivative financial instruments | | – | 0.1 |
| 4.7 | Provisions | 4 | 5.0 | 6.9 |
| 187.6 | | | 212.9 | 209.8 |
| 19.9 | Net current (liabilities)/assets | | (17.4) | 4.7 |
| | Non-current liabilities | | | |
| 66.7 | Lease liabilities | | 72.8 | 63.2 |
| 16.8 | Retirement benefit obligations | | 16.8 | 17.3 |
| 60.9 | Deferred tax liabilities | | 62.2 | 57.4 |
| 11.9 | Provisions | 4 | 11.4 | 11.2 |
| 2.2 | Other payables | | 2.5 | 2.2 |
| 158.5 | | | 165.7 | 151.3 |
| 346.1 | Total liabilities | | 378.6 | 361.1 |
| 718.8 | Net assets | | 697.6 | 672.3 |
| | Equity | | | |
| 33.1 | Share capital | | 33.1 | 33.1 |
| 177.1 | Share premium account | | 177.1 | 177.1 |
| (14.8) | Own shares | | (11.6) | (5.7) |
| 141.4 | Other reserves | | 141.8 | 139.7 |
| 64.2 | Translation reserves | | 64.6 | 50.0 |
| 317.1 | Retained earnings | | 291.8 | 277.5 |
| 718.1 | Equity attributable to equity holders of the parent | | 696.8 | 671.7 |
| 0.7 | Non-controlling interests | | 0.8 | 0.6 |
| 718.8 | Total equity | | 697.6 | 672.3 |

1 A reconciliation of restatement is provided in note 10 on page 21.

Unaudited condensed consolidated cash flow statement

| Restated ¹ Year ended 31 Dec 2018 £m | | Note | Half year to 30 June 2019 £m | Restated ¹ Half year to 30 June 2018 £m |
|---|---|------|---------------------------------------|--|
| 186.3 | Net cash from operating activities | 9 | 78.9 | 77.1 |
| | Investing activities | | | |
| (82.4) | Purchases of property, plant and equipment | | (41.0) | (31.0) |
| 10.2 | Proceeds on disposal of property, plant and equipment and intangible assets | | 0.2 | 1.1 |
| (1.8) | Purchases of intangible fixed assets | | (0.3) | (1.1) |
| (8.3) | Acquisition of businesses | | (19.6) | (1.3) |
| 0.7 | Disposal of businesses | | – | – |
| (81.6) | Net cash used in investing activities | | (60.7) | (32.3) |
| | Financing activities | | | |
| 0.2 | Interest received | | 0.2 | 0.1 |
| (4.3) | Interest paid | | (2.1) | (2.0) |
| (81.8) | Dividends paid | | (63.3) | (70.5) |
| (40.7) | Repayments of bank loans | | (5.0) | (20.0) |
| (14.4) | Payments of leases | | (7.2) | (6.8) |
| (10.6) | Own shares purchased | | (6.0) | (1.3) |
| 3.8 | Share-based payments | | 1.2 | 2.1 |
| 40.0 | New bank loans raised | | 35.0 | 40.0 |
| (107.8) | Net cash used in financing activities | | (47.2) | (58.4) |
| (3.1) | Net decrease in cash and cash equivalents | | (29.0) | (13.6) |
| 39.6 | Cash and cash equivalents at beginning of period | | 36.2 | 39.6 |
| (0.3) | Effect of foreign exchange rate changes | | (0.2) | (0.4) |
| 36.2 | Cash and cash equivalents at end of period | 9 | 7.0 | 25.6 |

1 A reconciliation of restatement is provided in note 10 on page 21.

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 |
|--|---------------------|-----------------------------|------------------|----------------------|----------------------------|-------------------------|---|---------------------------------|--------------------|
| Half year to 30 June 2019 | | | | | | | | | |
| 1 January 2019 | 33.1 | 177.1 | (14.8) | 141.4 | 64.2 | 317.1 | 718.1 | 0.7 | 718.8 |
| Net profit for the period | – | – | – | – | – | 46.9 | 46.9 | 0.1 | 47.0 |
| Exchange differences on translation of overseas operations | – | – | – | – | 0.4 | – | 0.4 | – | 0.4 |
| Actuarial gains on defined benefit pension schemes net of deferred tax | – | – | – | – | – | 0.3 | 0.3 | – | 0.3 |
| Total comprehensive income for the period | – | – | – | – | 0.4 | 47.2 | 47.6 | 0.1 | 47.7 |
| Acquired in the period/settlement of share options | – | – | 3.2 | (0.8) | – | (9.2) | (6.8) | – | (6.8) |
| Share-based payments | – | – | – | 1.2 | – | – | 1.2 | – | 1.2 |
| Deferred tax on share-based payment transactions | – | – | – | – | – | (0.2) | (0.2) | – | (0.2) |
| Dividends paid | – | – | – | – | – | (63.1) | (63.1) | – | (63.1) |
| 30 June 2019 | 33.1 | 177.1 | (11.6) | 141.8 | 64.6 | 291.8 | 696.8 | 0.8 | 697.6 |

| | 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 |
|---|---------------------|-----------------------------|------------------|----------------------|----------------------------|-------------------------|---|---------------------------------|--------------------|
| Half year to 30 June 2018 | | | | | | | | | |
| 1 January 2018, as previously reported (Audited) | 33.1 | 177.1 | (7.2) | 141.0 | 45.9 | 307.1 | 697.0 | 0.5 | 697.5 |
| Impact of change in accounting policy | – | – | – | – | 2.3 | (10.1) | (7.8) | – | (7.8) |
| Restated balance at 1 January 2018 | 33.1 | 177.1 | (7.2) | 141.0 | 48.2 | 297.0 | 689.2 | 0.5 | 689.7 |
| Net profit for the period | – | – | – | – | – | 50.4 | 50.4 | 0.2 | 50.6 |
| Exchange differences on translation of overseas operations | – | – | – | – | 1.8 | – | 1.8 | (0.1) | 1.7 |
| Actuarial losses on defined benefit pension schemes net of deferred tax | – | – | – | – | – | (1.6) | (1.6) | – | (1.6) |
| Total comprehensive income for the period (Restated) | – | – | – | – | 1.8 | 48.8 | 50.6 | 0.1 | 50.7 |
| 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) |
| Restated balance at 30 June 2018 | 33.1 | 177.1 | (5.7) | 139.7 | 50.0 | 277.5 | 671.7 | 0.6 | 672.3 |
| Year ended 31 December 2018 | | | | | | | | | |
| 1 January 2018, as previously reported (Audited) | 33.1 | 177.1 | (7.2) | 141.0 | 45.9 | 307.1 | 697.0 | 0.5 | 697.5 |
| Impact of change in accounting policy | – | – | – | – | 2.3 | (10.1) | (7.8) | – | (7.8) |
| Restated balance at 1 January 2018 | 33.1 | 177.1 | (7.2) | 141.0 | 48.2 | 297.0 | 689.2 | 0.5 | 689.7 |
| Net profit for the year | – | – | – | – | – | 103.2 | 103.2 | 0.4 | 103.6 |
| Exchange differences on translation of overseas operations | – | – | – | – | 16.0 | – | 16.0 | (0.2) | 15.8 |
| Actuarial losses on defined benefit pension schemes net of deferred tax | – | – | – | – | – | (1.3) | (1.3) | – | (1.3) |
| Total comprehensive income for the year | – | – | – | – | 16.0 | 101.9 | 117.9 | 0.2 | 118.1 |
| Return of capital to shareholders and redemption of B shares | – | – | – | – | – | (0.2) | (0.2) | – | (0.2) |
| Acquired in the year/settlement of share options | – | – | (7.6) | (3.4) | – | 0.4 | (10.6) | – | (10.6) |
| Share-based payments | – | – | – | 3.8 | – | – | 3.8 | – | 3.8 |
| Deferred tax on share-based payment transactions | – | – | – | – | – | (0.2) | (0.2) | – | (0.2) |
| Dividends paid | – | – | – | – | – | (81.8) | (81.8) | – | (81.8) |
| Restated balance at 31 December 2018 | 33.1 | 177.1 | (14.8) | 141.4 | 64.2 | 317.1 | 718.1 | 0.7 | 718.8 |

Included in other reserves is the capital redemption reserve arising on redemption of the Group's B shares of £129.8m (30 June 2018: £129.8m) and the share-based payment reserve of £11.2m (30 June 2018: £9.0m).

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 2019 has been prepared in accordance with IAS 34 Interim Financial Reporting.

These condensed consolidated financial statements and notes have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and other than stated below in respect of changes in accounting policies, in accordance with those disclosed in the Annual Report for the year ended 31 December 2018, which was filed with the Registrar of Companies on 3 June 2019.

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 2018 has been delivered to the Registrar of Companies. The previous auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the previous auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the UK Companies Act 2006.

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 2019 were as follows:

- £230m Revolving Credit Facility maturing 3 April 2022

At 30 June 2019, the Group's principal borrowing facility had drawings of £30.0m (31 December 2018: nil; 30 June 2018: £20.0m)

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

IFRIC 23 'Uncertainty over Income Tax Treatments' was issued in June 2017 and was implemented by the Group from 1 January 2019. The interpretation clarifies that if it is considered probable that a tax authority will accept an uncertain tax treatment, the tax charge should be calculated on that basis. If it is not considered probable, the effect of the uncertainty should be estimated and reflected in the tax charge. In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter. The Group has assessed the potential impact of the new interpretation and the application of IFRIC 23 on 1 January 2019 has not resulted in a material change to the provisions held for uncertain tax positions.

From 1 January 2019 the Group has adopted IFRS 16, 'Leases' on a fully retrospective basis. Refer to note 10 for restatement information. Right-of-use assets and lease liabilities recognised under IFRS 16 are presented separately on the face of the balance sheet. As at 30 June 2019 the carrying value of right-of-use assets of £79.8m (31 December 2018 (restated): £73.7m; 30 June 2018 (restated): £69.6m) comprises: Land & buildings of £64.5m (31 December 2018 (restated): £56.4m; 30 June 2018 (restated): £53.0m); plant & machinery of £8.9m (31 December 2018 (restated): £10.3m; 30 June 2018 (restated): £9.3m); and other assets of £6.4m (31 December 2018 (restated): £7.0m; 30 June 2018 (restated): £7.3m).

The carrying value of current lease liabilities at 30 June 2019 is £13.5m (31 December 2018 (restated): £13.6m; 30 June 2018 (restated): £13.2m), and non-current lease liabilities is £72.8m (31 December 2018 (restated): £66.7m; 30 June 2018 (restated): £63.2m).

Amounts recognised in respect of leases in the condensed consolidated income statement for the six months ended 30 June 2019 comprised: Right-of-use asset depreciation of £7.2m (year ended 31 December 2018 (restated): £14.4m; six months ended 30 June 2018 (restated): £7.0m); interest on lease liabilities of £1.2m (year ended 31 December 2018 (restated): £2.4m; six months ended 30 June 2018 (restated): £1.1m); and expenses relating to leases of low value assets, short leases and variable lease payments of £2.0m (year ended 31 December 2018 (restated): £3.1m; six months ended 30 June 2018 (restated): £1.6m).

1. Accounting policies (continued)

Amounts recognised in respect of leases in the condensed consolidated cash flow statement for the six months ended 30 June 2019 comprised: payments of capital elements of leases of £7.2m (year ended 31 December 2018 (restated): £14.4m; six months ended 30 June 2018 (restated): £6.8m); and payments of lease interest of £1.2m (year ended 31 December 2018 (restated): £2.4m; six months ended 30 June 2018 (restated): £1.1m).

The Group has adopted the following IFRS 16 accounting policy for leasing arrangements where it is the lessee:

To the extent that a right-of-control exists over an asset subject to a lease, with a lease term exceeding one year, a right-of-use asset, representing the Group's right to use the underlying leased asset, and a lease liability, representing the Group's obligation to make lease payments, are recognised in the Group's Consolidated Balance Sheet at the commencement of the lease. The right-of-use asset is initially measured at cost and includes the amount of initial measurement of the lease liability and any direct costs incurred, including advance lease payments and an estimate of the dismantling, removal and restoration costs required by the terms and conditions of the lease.

Depreciation is charged to the Consolidated Income Statement to depreciate the right-of-use asset from the commencement date until the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term shall include the period of any extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

The lease liability is measured at the present value of the future lease payments, including variable lease payments that depend on an index and the exercise price of purchased options where it is reasonably certain that the option will be exercised, discounted using the interest rate implicit in the lease, if readily determinable. If the rate cannot be readily determined, the lessee's incremental borrowing rate is used. Finance charges are recognised in the Consolidated Income Statement over the period of the lease.

Lease arrangements that are short term in nature or low value are charged directly to the Consolidated Income Statement when incurred.

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. 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, return on sales, headline profit before taxation, EBITDA, headline EBITDA, headline tax charge, headline tax rate, headline earnings per share (EPS), headline operating cash flow, free cash flow, headline operating cash conversion, net debt/cash, net debt plus lease liabilities and return on capital employed (ROCE). These measures reflect the underlying trading performance of the business as they exclude certain non-operational items, acquisition costs and 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 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, headline operating cash-flow) and share schemes (headline EPS and return on capital employed).

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.

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

Headline operating profit

| Restated Year ended 31 Dec 2018 £m | Half year to 30 June 2019 £m | Restated Half year to 30 June 2018 £m |
|--|---------------------------------------|---|
| 136.5 Statutory operating profit | 64.4 | 69.1 |
| Add back: | | |
| 3.7 Amortisation of acquired intangibles | 2.1 | 1.9 |
| 0.5 Acquisition costs | 0.4 | – |
| 140.7 Headline operating profit | 66.9 | 71.0 |

Return on sales

| Restated Year ended 31 Dec 2018 £m | Half year to 30 June 2019 £m | Restated Half year to 30 June 2018 £m |
|--|---------------------------------------|---|
| 140.7 Headline operating profit | 66.9 | 71.0 |
| 728.6 Revenue | 366.5 | 368.0 |
| 19.3% Return on sales | 18.3% | 19.3% |

2. Alternative performance measures (APMs) (continued)

Headline profit before taxation

| Restated Year ended 31 Dec 2018 £m | Half year to 30 June 2019 £m | Restated Half year to 30 June 2018 £m |
|--|---------------------------------------|---|
| 132.2 Profit before taxation | 62.2 | 67.0 |
| Add back: | | |
| 3.7 Amortisation of acquired intangibles | 2.1 | 1.9 |
| 0.5 Acquisition costs | 0.4 | – |
| 136.4 Headline profit before taxation | 64.7 | 68.9 |

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

| Restated Year ended 31 Dec 2018 £m | Half year to 30 June 2019 £m | Restated Half year to 30 June 2018 £m |
|---|---------------------------------------|---|
| 136.5 Operating profit | 64.4 | 69.1 |
| 80.1 Depreciation and amortisation | 41.1 | 38.8 |
| 1.8 Impairment of fixed assets | – | 0.4 |
| (1.7) Profit on disposal of property, plant and equipment | – | – |
| 0.6 Loss on disposal of businesses | – | – |
| – Income from associate | (0.2) | – |
| 217.3 EBITDA | 105.3 | 108.3 |
| 0.5 Acquisition costs | 0.4 | – |
| 217.8 Headline EBITDA | 105.7 | 108.3 |

Headline tax charge

| Restated Year ended 31 Dec 2018 £m | Half year to 30 June 2019 £m | Restated Half year to 30 June 2018 £m |
|---|---------------------------------------|---|
| 28.6 Tax charge | 15.2 | 16.4 |
| 0.9 Tax on amortisation of acquired intangibles | 0.6 | 0.5 |
| 29.5 Headline tax charge | 15.8 | 16.9 |

Headline tax rate

| Restated Year ended 31 Dec 2018 £m | Half year to 30 June 2019 £m | Restated Half year to 30 June 2018 £m |
|--|---------------------------------------|---|
| 29.5 Headline tax charge | 15.8 | 16.9 |
| 136.4 Headline profit before taxation | 64.7 | 68.9 |
| 21.7% Headline tax rate | 24.4% | 24.5% |

Headline earnings per share

A detailed reconciliation is provided in note 6.

Headline operating cash flow

| Restated Year ended 31 Dec 2018 £m | Half year to 30 June 2019 £m | Restated Half year to 30 June 2018 £m |
|--|---------------------------------------|---|
| 217.8 Headline EBITDA | 105.7 | 108.3 |
| Less: | | |
| (48.7) Net capital expenditure | (32.7) | (23.4) |
| (3.7) Net working capital movement | (13.3) | (18.5) |
| 165.4 Headline operating cash flow | 59.7 | 66.4 |

2. Alternative performance measures (APMs) (continued)

Free cash flow

| Restated Year ended 31 Dec 2018 £m | | Half year to 30 June 2019 £m | Restated Half year to 30 June 2018 £m |
|--|------------------------------|---------------------------------------|---|
| 165.4 | Headline operating cash flow | 59.7 | 66.4 |
| | Less: | | |
| (2.8) | Restructuring cash flows | (1.2) | (2.1) |
| (24.5) | Income taxes paid | (11.8) | (11.3) |
| (4.3) | Interest paid | (2.1) | (2.0) |
| 133.8 | Free cash flow | 44.6 | 51.0 |

Net debt and net debt plus lease liabilities

| Restated Year ended 31 Dec 2018 £m | | Half year to 30 June 2019 £m | Restated Half year to 30 June 2018 £m |
|--|--|---------------------------------------|---|
| 38.5 | Cash and bank balances | 12.5 | 28.6 |
| (2.3) | Bank overdrafts (included in borrowings) | (5.5) | (3.0) |
| – | Bank loans (included in borrowings) | (30.0) | (20.0) |
| – | Debt acquired (included in borrowings) | (2.5) | – |
| 36.2 | Net (debt)/cash | (25.5) | 5.6 |
| (80.3) | Lease liabilities | (86.3) | (76.4) |
| (44.1) | Net debt plus lease liabilities | (111.8) | (70.8) |

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 2019 | | | |
|---|---------------------------|-----------|--|--------------------|
| | ADE £m | AGI £m | Central costs and eliminations £m | Consolidated £m |
| Revenue | 151.1 | 215.4 | – | 366.5 |
| Constant exchange rates adjustment | (3.7) | (0.5) | – | (4.2) |
| Revenue at constant exchange rates | 147.4 | 214.9 | – | 362.3 |
| Headline operating profit/(loss) | 37.9 | 35.4 | (6.4) | 66.9 |
| Constant exchange rates adjustment | (0.9) | 0.4 | (0.1) | (0.6) |
| Headline operating profit/(loss) at constant exchange rates | 37.0 | 35.8 | (6.5) | 66.3 |

3. Business and geographical segments

The Group has more than 180 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 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. Allocations of plants between ADE and AGI are therefore derived by reference to the preponderance of markets served.

3. Business and geographical segments (continued)

| Group | Half year to 30 June 2019 | | | Consolidated £m |
|---|---------------------------|-----------|--|--------------------|
| | ADE £m | AGI £m | Central costs and eliminations £m | |
| Revenue | | | | |
| Total revenue | 151.1 | 215.4 | – | 366.5 |
| Result | | | | |
| Headline operating profit prior to share-based payments and unallocated central costs | 38.3 | 35.9 | – | 74.2 |
| Share-based payments (including social security charges) | (0.4) | (0.5) | (0.5) | (1.4) |
| Unallocated central costs | – | – | (5.9) | (5.9) |
| Headline operating profit/(loss) | 37.9 | 35.4 | (6.4) | 66.9 |
| Amortisation of acquired intangible fixed assets | (0.5) | (1.6) | – | (2.1) |
| Acquisition costs | – | – | (0.4) | (0.4) |
| Segment result | 37.4 | 33.8 | (6.8) | 64.4 |
| Investment income | | | | 0.2 |
| Finance costs | | | | (2.4) |
| Profit before taxation | | | | 62.2 |
| Taxation | | | | (15.2) |
| Profit for the period | | | | 47.0 |

Inter-segment sales are not material.

The Group does not rely on any individual major customers.

| Aerospace, Defence & Energy | Half year to 30 June 2019 | | | Total ADE £m |
|--|---------------------------|------------------------|---------------------------|-----------------|
| | Western Europe £m | North America £m | Emerging markets £m | |
| Revenue | | | | |
| Total revenue | 72.3 | 78.2 | 0.6 | 151.1 |
| Result | | | | |
| Headline operating profit prior to share-based payments | 18.3 | 19.9 | 0.1 | 38.3 |
| Share-based payments (including social security charges) | (0.1) | (0.3) | – | (0.4) |
| Headline operating profit | 18.2 | 19.6 | 0.1 | 37.9 |
| Amortisation of acquired intangible fixed assets | – | (0.5) | – | (0.5) |
| Segment result | 18.2 | 19.1 | 0.1 | 37.4 |

| Automotive & General Industrial | Half year to 30 June 2019 | | | Total AGI £m |
|--|---------------------------|------------------------|---------------------------|-----------------|
| | Western Europe £m | North America £m | Emerging markets £m | |
| Revenue | | | | |
| Total revenue | 129.3 | 55.5 | 30.6 | 215.4 |
| Result | | | | |
| Headline operating profit prior to share-based payments | 23.2 | 5.6 | 7.1 | 35.9 |
| Share-based payments (including social security charges) | (0.2) | (0.2) | (0.1) | (0.5) |
| Headline operating profit | 23.0 | 5.4 | 7.0 | 35.4 |
| Amortisation of acquired intangible fixed assets | (0.2) | (1.4) | – | (1.6) |
| Segment result | 22.8 | 4.0 | 7.0 | 33.8 |

3. Business and geographical segments (continued)

| Group | Restated | | | Consolidated £m |
|---|---------------------------|-----------|--|--------------------|
| | Half year to 30 June 2018 | | | |
| | ADE £m | AGI £m | Central costs and eliminations £m | |
| Revenue | | | | |
| Total revenue | 142.7 | 225.3 | – | 368.0 |
| Result | | | | |
| Headline operating profit prior to share-based payments and unallocated central costs | 34.1 | 45.5 | – | 79.6 |
| Share-based payments (including social security charges) | (0.5) | (1.8) | (0.4) | (2.7) |
| Unallocated central costs | – | – | (5.9) | (5.9) |
| Headline operating profit/(loss) | 33.6 | 43.7 | (6.3) | 71.0 |
| Amortisation of acquired intangible fixed assets | (0.4) | (1.5) | – | (1.9) |
| Segment result | 33.2 | 42.2 | (6.3) | 69.1 |
| Investment income | | | | 0.1 |
| Finance costs | | | | (2.2) |
| Profit before taxation | | | | 67.0 |
| Taxation | | | | (16.4) |
| Profit for the period | | | | 50.6 |

| Aerospace, Defence & Energy | Restated | | | Total ADE £m |
|---|---------------------------|------------------------|---------------------------|-----------------|
| | Half year to 30 June 2018 | | | |
| | Western Europe £m | North America £m | Emerging markets £m | |
| Revenue | | | | |
| Total revenue | 69.3 | 72.9 | 0.5 | 142.7 |
| Result | | | | |
| Headline operating profit prior to share-based payments | 16.9 | 17.4 | (0.2) | 34.1 |
| Share-based payments (including social charges) | (0.1) | (0.4) | – | (0.5) |
| Headline operating profit/(loss) | 16.8 | 17.0 | (0.2) | 33.6 |
| Amortisation of acquired intangible fixed assets | 0.2 | (0.6) | – | (0.4) |
| Segment result | 17.0 | 16.4 | (0.2) | 33.2 |

| Automotive & General Industrial | Restated | | | Total AGI £m |
|---|---------------------------|------------------------|---------------------------|-----------------|
| | Half year to 30 June 2018 | | | |
| | Western Europe £m | North America £m | Emerging markets £m | |
| Revenue | | | | |
| Total revenue | 142.3 | 52.4 | 30.6 | 225.3 |
| Result | | | | |
| Headline operating profit prior to share-based payments | 31.6 | 5.7 | 8.2 | 45.5 |
| Share-based payments (including social charges) | (1.3) | (0.3) | (0.2) | (1.8) |
| Headline operating profit | 30.3 | 5.4 | 8.0 | 43.7 |
| Amortisation of acquired intangible fixed assets | (0.3) | (1.2) | – | (1.5) |
| Segment result | 30.0 | 4.2 | 8.0 | 42.2 |

3. Business and geographical segments (continued)

| Group | Restated | | | Consolidated £m |
|---|-----------------------------|-----------|--|--------------------|
| | Year ended 31 December 2018 | | | |
| | ADE £m | AGI £m | Central costs and eliminations £m | |
| Revenue | | | | |
| Total revenue | 288.0 | 440.6 | – | 728.6 |
| Result | | | | |
| Headline operating profit prior to share-based payments and unallocated central costs | 69.7 | 87.2 | – | 156.9 |
| Share-based payments (including social charges) | (0.3) | (3.3) | (1.8) | (5.4) |
| Unallocated central costs | – | – | (10.8) | (10.8) |
| Headline operating profit/(loss) | 69.4 | 83.9 | (12.6) | 140.7 |
| Amortisation of acquired intangible fixed assets | (0.9) | (2.8) | – | (3.7) |
| Acquisition costs | – | – | (0.5) | (0.5) |
| Segment result | 68.5 | 81.1 | (13.1) | 136.5 |
| Investment income | | | | 0.2 |
| Finance costs | | | | (4.5) |
| Profit before taxation | | | | 132.2 |
| Taxation | | | | (28.6) |
| Profit for the year | | | | 103.6 |

| Aerospace, Defence & Energy | Restated | | | Total ADE £m |
|---|-----------------------------|------------------------|---------------------------|-----------------|
| | Year ended 31 December 2018 | | | |
| | Western Europe £m | North America £m | Emerging markets £m | |
| Revenue | | | | |
| Total revenue | 137.7 | 149.1 | 1.2 | 288.0 |
| Result | | | | |
| Headline operating profit prior to share-based payments | 33.8 | 36.4 | (0.5) | 69.7 |
| Share-based payments (including social charges) | 0.1 | (0.4) | – | (0.3) |
| Headline operating profit/(loss) | 33.9 | 36.0 | (0.5) | 69.4 |
| Amortisation of acquired intangible fixed assets | 0.2 | (1.1) | – | (0.9) |
| Segment result | 34.1 | 34.9 | (0.5) | 68.5 |

| Automotive & General Industrial | Restated | | | Total AGI £m |
|---|-----------------------------|------------------------|---------------------------|-----------------|
| | Year ended 31 December 2018 | | | |
| | Western Europe £m | North America £m | Emerging markets £m | |
| Revenue | | | | |
| Total revenue | 272.0 | 106.5 | 62.1 | 440.6 |
| Result | | | | |
| Headline operating profit prior to share-based payments | 58.3 | 12.2 | 16.7 | 87.2 |
| Share-based payments (including social charges) | (2.5) | (0.6) | (0.2) | (3.3) |
| Headline operating profit | 55.8 | 11.6 | 16.5 | 83.9 |
| Amortisation of acquired intangible fixed assets | (0.3) | (2.5) | – | (2.8) |
| Segment result | 55.5 | 9.1 | 16.5 | 81.1 |

4. Provisions

| | Restructuring £m | Restructuring environmental £m | Environmental £m | Total £m |
|--|---------------------|--------------------------------------|---------------------|-------------|
| Year ended 31 December 2018 | | | | |
| 31 December 2018, as previously reported (audited) | 2.4 | 3.2 | 8.7 | 14.3 |
| Impact of change in accounting policy | 2.3 | – | – | 2.3 |
| Restated balance at 31 December 2018 | 4.7 | 3.2 | 8.7 | 16.6 |

| | Restructuring £m | Restructuring environmental £m | Environmental £m | Total £m |
|-------------------------------------|---------------------|--------------------------------------|---------------------|-------------|
| Half year to 30 June 2019 | | | | |
| 1 January 2019 | 4.7 | 3.2 | 8.7 | 16.6 |
| Increase in provision | 1.3 | – | 0.1 | 1.4 |
| Utilisation of provision | (0.8) | (0.4) | (0.4) | (1.6) |
| 30 June 2019 | 5.2 | 2.8 | 8.4 | 16.4 |
| Included in current liabilities | | | | 5.0 |
| Included in non-current liabilities | | | | 11.4 |
| | | | | 16.4 |

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 31 Dec 2018 £m | | Half year to 30 June 2019 £m | Half year to 30 June 2018 £m |
|---------------------------------|---|---------------------------------------|---------------------------------------|
| 27.4 | Current tax – charge for the period | 14.9 | 17.7 |
| (0.4) | Current tax – adjustments in respect of prior periods | – | (1.0) |
| 1.6 | Deferred tax | 0.3 | (0.3) |
| 28.6 | | 15.2 | 16.4 |

The rate of tax for the interim period is 24.5% (2018: 24.5%) 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:

| Restated Year ended 31 Dec 2018 £m | | Half year to 30 June 2019 £m | Restated Half year to 30 June 2018 £m |
|--|--|---------------------------------------|---|
| | Earnings | | |
| 103.2 | Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent | 46.9 | 50.4 |
| | Number of shares | | |
| Number | | Number | Number |
| 190,289,981 | Weighted average number of ordinary shares for the purposes of basic earnings per share | 189,804,077 | 190,453,505 |
| – | Effect of dilutive potential ordinary shares: | | |
| – | Share options | – | – |
| 190,289,981 | Weighted average number of ordinary shares for the purposes of diluted earnings per share | 189,804,077 | 190,453,505 |
| | Earnings per share | | |
| Pence | | Pence | Pence |
| 54.2 | Basic and Diluted | 24.7 | 26.5 |
| | Headline earnings | | |
| £m | | £m | £m |
| 103.2 | Net profit attributable to equity holders of the parent | 46.9 | 50.4 |
| | Add back: | | |
| 2.8 | Amortisation of acquired intangible fixed assets (net of tax) | 1.5 | 1.4 |
| 0.5 | Acquisition costs | 0.4 | – |
| 106.5 | Headline earnings | 48.8 | 51.8 |
| | Headline earnings per share | | |
| Pence | | Pence | Pence |
| 55.9 | Basic and Diluted | 25.6 | 27.2 |

7. Dividends

Amounts recognised as distributions to equity holders in the period:

| Year ended 31 Dec 2018 £m | | Half year to 30 June 2019 £m | Half year to 30 June 2018 £m |
|---------------------------------|--|------------------------------------|------------------------------------|
| 23.3 | Final dividend for the year ended 31 December 2017 of 12.1p per share | – | 23.0 |
| 47.6 | Special dividend for the year ended 31 December 2017 of 25.0p per share | – | 47.5 |
| 10.9 | Interim dividend for the year ended 31 December 2018 of 5.7p per share | – | – |
| – | Final dividend for the year ended 31 December 2018 of 13.3p per share | 25.2 | – |
| – | Special dividend for the year ended 31 December 2018 of 20.0p per share | 38.1 | – |
| 81.8 | | 63.3 | 70.5 |
| | Proposed interim dividend for the year ended 31 December 2019 of 6.0p (2018: 5.7p) per share | 11.4 | 10.9 |

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

The Group has become aware of an issue concerning technical compliance with the Companies Act 2006 in respect of the payment of the 2018 special dividend. The Group had not lodged interim accounts with Companies House to show that the dividend was supported by sufficient distributable reserves. The Group's historical reported trading results and financial condition are entirely unaffected, but the Group proposes to put a resolution to shareholders at its next general meeting to address this issue.

8. Acquisition of businesses

During June 2019, the Group acquired two facilities in Europe for total cash consideration of £20.0m.

The acquisitions were made to strengthen the Group's network and to enhance the process offering within its Western European and Emerging Markets. The acquisitions fit well with the Group's automotive and general industrial strategy.

The transactions have been accounted for by the purchase method of accounting. The total provisional fair value of the net assets acquired amounted to £9.6m primarily comprising tangible assets of £7.9m and intangible assets excluding goodwill of £5.8m offset by liabilities, while the aggregate provisional goodwill representing synergies amounted to £10.4m. Pro forma revenues and profits generated from 1 January 2019 have not been included as it is not practicable to provide this information given the acquisitions were recently completed.

9. Notes to the cash flow statement

| Restated Year ended 31 Dec 2018 £m | | Half year to 30 June 2019 £m | Restated Half year to 30 June 2018 £m |
|---|---|------------------------------------|--|
| 103.6 | Profit for the period | 47.0 | 50.6 |
| | Adjustments for: | | |
| (0.2) | Investment income | (0.2) | (0.1) |
| 4.5 | Finance costs | 2.4 | 2.2 |
| 28.6 | Taxation | 15.2 | 16.4 |
| 136.5 | Operating profit | 64.4 | 69.1 |
| | Adjustments for: | | |
| 60.1 | Depreciation of property, plant and equipment | 30.9 | 29.0 |
| 14.4 | Depreciation of right-of-use assets | 7.2 | 7.0 |
| 5.6 | Amortisation of intangible assets | 3.0 | 2.8 |
| (1.7) | Profit on disposal of property, plant and equipment | – | – |
| – | Income from associate | (0.2) | – |
| 1.8 | Impairment of fixed assets | – | 0.4 |
| 0.6 | Loss on disposal of businesses | – | – |
| 217.3 | EBITDA ¹ | 105.3 | 108.3 |
| (3.9) | Increase in inventories | (2.3) | (2.1) |
| (4.0) | Increase in receivables | (9.0) | (10.9) |
| 5.1 | (Decrease)/increase in payables | (3.0) | (5.2) |
| (3.7) | Decrease in provisions | (0.3) | (1.7) |
| 210.8 | Cash generated by operations | 90.7 | 88.4 |
| (24.5) | Income taxes paid | (11.8) | (11.3) |
| 186.3 | Net cash from operating activities | 78.9 | 77.1 |

Cash and cash equivalents comprise:

| | | | |
|-------|--|-------|-------|
| 38.5 | Cash and bank balances | 12.5 | 28.6 |
| (2.3) | Bank overdrafts (included in borrowings) | (5.5) | (3.0) |
| 36.2 | | 7.0 | 25.6 |

1 Defined in note 2.

10. Restatement of comparative information

The following tables summarise the impacts resulting from the adoption of IFRS 16 on the Group's condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet and condensed consolidated cash flow statement.

Condensed consolidated income statement

| | Six months ended 30 June 2018 | | | Year ended 31 December 2018 | | |
|-------------------------------|-------------------------------|-----------------------------|-------------------|------------------------------|-----------------------------|-------------------|
| | As previously reported £m | Effect of restatement £m | As restated £m | As previously reported £m | Effect of restatement £m | As restated £m |
| Revenue | 368.0 | – | 368.0 | 728.6 | – | 728.6 |
| Cost of sales and overheads | (299.8) | 0.9 | (298.9) | (594.5) | 2.4 | (592.1) |
| Operating profit | 68.2 | 0.9 | 69.1 | 134.1 | 2.4 | 136.5 |
| Investment income | 0.1 | – | 0.1 | 0.2 | – | 0.2 |
| Finance costs | (1.1) | (1.1) | (2.2) | (2.1) | (2.4) | (4.5) |
| Profit before taxation | 67.2 | (0.2) | 67.0 | 132.2 | – | 132.2 |
| Taxation charge | (16.4) | – | (16.4) | (28.6) | – | (28.6) |
| Profit for the period | 50.8 | (0.2) | 50.6 | 103.6 | – | 103.6 |
| Attributable to: | | | | | | |
| Equity holders of the parent | 50.6 | (0.2) | 50.4 | 103.2 | – | 103.2 |
| Non-controlling interests | 0.2 | – | 0.2 | 0.4 | – | 0.4 |
| | 50.8 | (0.2) | 50.6 | 103.6 | – | 103.6 |

Earning per share (EPS) attributable to shareholders

| | Six months ended 30 June 2018 | | | Year ended 31 December 2018 | | |
|--------------------------------|-------------------------------|-----------------------|-------------|-----------------------------|-----------------------|-------------|
| | As previously reported | Effect of restatement | As restated | As previously reported | Effect of restatement | As restated |
| Basic and diluted EPS | 26.6p | (0.1) | 26.5p | 54.2p | – | 54.2p |
| Basic and diluted headline EPS | 27.3p | (0.1) | 27.2p | 55.9p | – | 55.9p |

Condensed consolidated statement of comprehensive income

| | Six months ended 30 June 2018 | | | Year ended 31 December 2018 | | |
|--|-------------------------------|--------------------------------|-------------------|------------------------------|--------------------------------|-------------------|
| | As previously reported £m | Effect of restatement £m | As restated £m | As previously reported £m | Effect of restatement £m | As restated £m |
| Profit for the period | 50.8 | (0.2) | 50.6 | 103.6 | – | 103.6 |
| Total comprehensive income for the period | 50.9 | (0.2) | 50.7 | 118.1 | – | 118.1 |
| Attributable to: | | | | | | |
| Equity holders of the parent | 50.8 | (0.2) | 50.6 | 117.9 | – | 117.9 |
| Non-controlling interests | 0.1 | – | 0.1 | 0.2 | – | 0.2 |
| | 50.9 | (0.2) | 50.7 | 118.1 | – | 118.1 |

Condensed consolidated balance sheet

| | Six months ended 30 June 2018 | | | Year ended 31 December 2018 | | |
|--|---|--------------------------------|-------------------|---|--------------------------------|-------------------|
| | As previously reported (Unaudited) £m | Effect of restatement £m | As restated £m | As previously reported (Audited) £m | Effect of restatement £m | As restated £m |
| Non-current assets | | | | | | |
| Goodwill | 158.5 | – | 158.5 | 163.9 | – | 163.9 |
| Other intangible assets | 41.9 | – | 41.9 | 43.0 | – | 43.0 |
| Property, plant and equipment | 521.4 | – | 521.4 | 546.6 | – | 546.6 |
| Right-of-use assets | – | 69.6 | 69.6 | – | 73.7 | 73.7 |
| Investment in associate | – | – | – | 4.1 | – | 4.1 |
| Deferred tax assets | 25.6 | 1.1 | 26.7 | 23.6 | 1.1 | 24.7 |
| Trade and other receivables | 0.8 | – | 0.8 | 1.4 | – | 1.4 |
| | 748.2 | 70.7 | 818.9 | 782.6 | 74.8 | 857.4 |
| Current assets | | | | | | |
| Inventories | 18.3 | – | 18.3 | 13.9 | – | 13.9 |
| Derivative financial instruments | 0.1 | – | 0.1 | – | – | – |
| Current tax assets | 13.7 | – | 13.7 | 7.0 | – | 7.0 |
| Trade and other receivables | 151.6 | – | 151.6 | 146.3 | – | 146.3 |
| Cash and bank balances | 28.6 | – | 28.6 | 38.5 | – | 38.5 |
| Assets held for sale | 2.2 | – | 2.2 | 1.8 | – | 1.8 |
| | 214.5 | – | 214.5 | 207.5 | – | 207.5 |
| Total assets | 962.7 | 70.7 | 1,033.4 | 990.1 | 74.8 | 1,064.9 |
| Current liabilities | | | | | | |
| Trade and other payables | 131.0 | – | 131.0 | 140.4 | – | 140.4 |
| Current tax liabilities | 35.6 | – | 35.6 | 26.6 | – | 26.6 |
| Borrowings | 23.0 | – | 23.0 | 2.3 | – | 2.3 |
| Lease liabilities | – | 13.2 | 13.2 | – | 13.6 | 13.6 |
| Derivative financial instruments | 0.1 | – | 0.1 | – | – | – |
| Provisions | 6.9 | – | 6.9 | 4.7 | – | 4.7 |
| | 196.6 | 13.2 | 209.8 | 174.0 | 13.6 | 187.6 |
| Net current assets | 17.9 | (13.2) | 4.7 | 33.5 | (13.6) | 19.9 |
| Non-current liabilities | | | | | | |
| Lease liabilities | – | 63.2 | 63.2 | – | 66.7 | 66.7 |
| Retirement benefit obligations | 17.3 | – | 17.3 | 16.8 | – | 16.8 |
| Deferred tax liabilities | 57.4 | – | 57.4 | 60.9 | – | 60.9 |
| Provisions | 8.9 | 2.3 | 11.2 | 9.6 | 2.3 | 11.9 |
| Other payables | 2.2 | – | 2.2 | 2.2 | – | 2.2 |
| | 85.8 | 65.5 | 151.3 | 89.5 | 69.0 | 158.5 |
| Total liabilities | 282.4 | 78.7 | 361.1 | 263.5 | 82.6 | 346.1 |
| Net assets | 680.3 | (8.0) | 672.3 | 726.6 | (7.8) | 718.8 |
| Equity | | | | | | |
| Share capital | 33.1 | – | 33.1 | 33.1 | – | 33.1 |
| Share premium account | 177.1 | – | 177.1 | 177.1 | – | 177.1 |
| Own shares | (5.7) | – | (5.7) | (14.8) | – | (14.8) |
| Other reserves | 139.7 | – | 139.7 | 141.4 | – | 141.4 |
| Translation reserves | 47.7 | 2.3 | 50.0 | 61.9 | 2.3 | 64.2 |
| Retained earnings | 287.8 | (10.3) | 277.5 | 327.2 | (10.1) | 317.1 |
| Equity attributable to equity holders of the parent | 679.7 | (8.0) | 671.7 | 725.9 | (7.8) | 718.1 |
| Non-controlling interests | 0.6 | – | 0.6 | 0.7 | – | 0.7 |
| Total equity | 680.3 | (8.0) | 672.3 | 726.6 | (7.8) | 718.8 |

Condensed consolidated cash flow statement

| | Six months ended 30 June 2018 | | | Year ended 31 December 2018 | | |
|--|-------------------------------|-----------------------------|-------------------|------------------------------|-----------------------------|-------------------|
| | As previously reported £m | Effect of restatement £m | As restated £m | As previously reported £m | Effect of restatement £m | As restated £m |
| Net cash from operating activities | 71.3 | 5.8 | 77.1 | 173.3 | 13.5 | 186.8 |
| Net cash used in investing activities | (32.3) | – | (32.3) | (81.6) | (0.5) | (82.1) |
| Net cash used in financing activities | (52.6) | (5.8) | (58.4) | (94.8) | (13.0) | (107.8) |
| Net decrease in cash and cash equivalents | (13.6) | – | (13.6) | (3.1) | – | (3.1) |

11. 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.

12. Financial Instruments

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 fair value gains and losses on these contracts recognised in the period were not material in either 2019 or 2018. The aggregate fair value of contracts held at 30 June 2019 was £1.4m (31 December 2018: £0.9m).

In accordance with IFRS 7 Financial Instruments: Disclosures, the Group's financial instruments are considered to be classified as level 2 instruments. Fair value is determined using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

13. Contingent liabilities

The international tax environment has received increased attention and seen rapid change over recent years, both at a US and European level, and by international bodies such as the Organisation for Economic Cooperation and Development (OECD). Against this backdrop, Bodycote has been monitoring developments and continues to engage transparently with the tax authorities in the countries where we operate. On 25 April 2019, the European Commission released its decision that part of the UK Group Financing Exemption measures in the UK-controlled foreign company rules were unlawful and incompatible State Aid and have instructed HM Revenue & Customs to recover the State Aid. The UK Government has subsequently appealed against the decision.

In common with other UK-based international companies whose arrangements were in line with current UK CFC legislation, Bodycote may be affected by the outcome of this decision and has calculated the maximum potential liability to be approximately £20.0m. Bodycote is reviewing the details of the decision and assessing any impact upon the Company's tax position. At present, Bodycote believes that no provision is required in respect of this matter.

The Group is subject to certain legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. 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 to the Group 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.

14. 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 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

Report on the condensed consolidated financial information

Our conclusion

We have reviewed Bodycote plc's condensed set of financial statements (the "interim financial statements") in the interim report 2019 of Bodycote plc for the six month period ended 30 June 2019. 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 International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union 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 2019;
- the unaudited condensed consolidated income statement and 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 report 2019 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1 to the interim financial statements, 'Accounting policies', the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim report 2019, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report 2019 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim report 2019 based on our review. 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.

What a review of interim financial statements involves

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 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 report 2019 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
25 July 2019