

**BODYCOTE PLC****HALF YEARLY RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2008****Financial Highlights**

- Revenue from continuing operations increased by 20.5% to £382.6 million (H1 2007: £317.6 million)
- Headline operating profit<sup>1</sup> grew by 8.9% to £52.5 million (H1 2007: £48.2 million)
- Operating profit ahead 6.7% at £50.8 million (H1 2007: £47.6 million)
- Headline profit before tax<sup>2</sup> up 7.4% to £46.4 million (H1 2007: £43.2 million)
- Profit before tax improved by 4.9% to £44.7 million (H1 2007: £42.6 million)
- Operating cash flow<sup>3</sup> increased by 20.8% to £29.0 million (H1 2007: £24.0 million)
- Basic headline earnings per share<sup>4</sup> lifted by 4.9% to 10.8p (H1 2007: 10.3p)
- Basic earnings per share increased 2.0% to 10.3p (H1 2007: 10.1p)
- Interim dividend increased by 7.3% to 2.95 pence per share (H1 2007: 2.75p)

**Operational Highlights**

- Thermal Processing revenues increased by 21.8% to £282.8 million (11.6% increase at constant exchange rates), ROCE improved to 12.4% (H1 2007: 10.8%)
- Enhanced Thermal Processing presence – new operations in Latin America, Dubai, India, Thailand and Japan
- Strong Q2 performance from Testing benefiting from earlier cost reduction initiatives
- Eight acquisitions completed in H1 (plus an investment in an associate) totalling £32.2 million
- Testing disposal process progressing well

**Commenting on the results, John D. Hubbard, Chief Executive, said:**

“Bodycote delivered solid progress with record sales and profits in the first half of 2008. Our core Thermal Processing operations enjoyed broad based growth. Testing achieved a much improved run rate in the second quarter as the effects of further management action began to be seen. We expanded Heat Treatment’s geographic footprint, with new operations in Latin America, Dubai, India and Thailand and we established a new office in Japan.

The sale of our Testing SBU is progressing well and we expect to make a further announcement in early autumn.

All our markets remain resilient, with the exception, as expected, of North American automotive. We anticipate that results for the full year will meet expectations.”

<sup>1&2</sup> Detailed reconciliations are provided in the 2008 Interim Statement Financial Review Section.

<sup>3</sup> Operating cash flow is defined as cash generated by operations (£65.6 million, 2007: £57.9 million) less net capital expenditure (£36.6 million, 2007: £33.9 million).

<sup>4</sup> A detailed reconciliation is provided in Note 4 to the condensed consolidated interim financial information.

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## **2008 INTERIM STATEMENT**

### **INTRODUCTION**

Bodycote delivered strong sales growth in the first half of 2008 with revenue ahead of the first half of 2007 by 20.5%, and record headline operating profit which rose by 8.9%.

We announced our intention to seek a buyer for our Testing SBU in our 30 April 2008 Interim Management Statement. The Board believes that substantial shareholder value can be unlocked both through a successful sale of the entire Testing SBU and by focusing on the wide ranging opportunities for further development of the Thermal Processing SBU. The disposal process is progressing well and we expect to make a further announcement in the early autumn.

### **RESULTS FOR THE FIRST HALF OF 2008**

Revenue growth was robust. At constant exchange rates revenue increased by 11.3% in the first half of 2008. The improvement was split evenly between organic and acquired growth. Reported revenue was £382.6m compared to £317.6m in 2007, an increase of 20.5%. The effect of exchange rates on translation increased reported revenue by 9.2%.

Strategic Partnerships and Long Term Agreements continue to account for in excess of 20% of Group revenue. In the first half the Group acquired eight businesses and made an investment in an associate undertaking for a total cash consideration of £32.2m.

Headline operating profit increased by 8.9% to £52.5m (2007: £48.2m) while operating profit increased 6.7% to £50.8m (2007: £47.6m).

Cash performance, which is an area of particular management focus, was good with cash from operating activities at £51.7m (2007: £48.6m) and operating cash flow of £29.0m (2007: £24.0m) up 20.8%. Shareholders' funds stand at £510.0m (2007: £476.4m) an increase of 7.1% and the Group's financial position is strong with net debt at 1.6x earnings before interest, tax, depreciation, amortisation and share-based payments (EBITDA) compared to 1.2x at 30 June 2007.

### **REVIEW BY STRATEGIC BUSINESS UNIT (SBU)**

#### **Thermal Processing SBU**

Thermal Processing, which represents 73.9% of Group revenue, recorded increased revenue of 11.6% at constant exchange rates. The increase comprised 5.2% of organic growth and an additional 6.4% from acquisitions. Reported revenues were £282.8m (2007: £232.1m) after allowing for favourable exchange rate movements of 10.2%. Return on Capital Employed was 12.4% (2007: 10.8%) and headline operating margins eased to 16.2% (2007:17.4%).

In the first half of 2008 we made two acquisitions of subsidiaries; Plasma & Thermal Coatings Ltd. and SAP Engineering Ltd. in the UK, as well as the acquisition of an associate venture, Thai Inductions Services Company Ltd., (Tisco), in Thailand.

#### **Heat Treatment**

Revenue increased by 11.0% at constant exchange rates, compared to the same period in 2007, of which 4.5% was organic growth.

Revenue was £256.6m (2007: £210.8m) and headline operating profit was £37.7m (2007: £32.9m). The headline operating margin was 14.7% (2007: 15.6%) and was impacted by site closures in developed markets and start-up costs in emerging economies, coupled with an average 7% increase in the unit cost of energy. Operational efficiencies continue to be implemented and those costs

which have not already been mitigated are expected to be recovered through price adjustments in the second half. Losses of £0.9m were incurred in starting up three greenfield operations (India, Singapore and Mexico) along with the costs of a new Japanese business development office.

Europe Heat Treatment delivered total revenue of £185.0m for the first six months, an increase of 11.5%, at constant exchange rates, compared to the same period in 2007. In most countries we achieved or exceeded our targets with acceptable results and with strong support from the acquisitions completed in 2007 and 2008.

The Northern Europe region achieved an excellent result driven by a strong demand in aerospace, power generation and oil & gas markets, despite significant energy cost increases in the Nordic countries.

Central Europe produced satisfactory results with a good position in the niche market of high end automotive products such as fuel injector and brake components and from a wide range of heavy machinery industries.

Eastern Europe produced excellent results. Poland showed a good performance with the greenfield plant in Warsaw delivering its first profit. The Czech Republic and Romania both delivered good growth and strong margins. Turkey delivered a much improved performance and increased revenue. A new management team and relocated underutilised equipment from other parts of the Group supported the improvement in Turkey.

The Western Europe region continued to see solid demand in the automotive market and strong demand from the aerospace industry. In Neuilly en Thelle (France), we installed the largest vacuum furnace in Europe (4.5m x 1.2m ø 2,000kg, 1250°C). The furnace is designed mainly for the aerospace market. Including Neuilly en Thelle, 43 facilities in Thermal Processing (along with 16 Testing laboratories) are Nadcap accredited. Nadcap is a leading cooperative programme of major companies which aims to manage a cost-effective approach to quality assurance for special processes and products within the aerospace industry.

The acquisition in 2007 of Nitruvid in France and Nitron in Germany is providing Bodycote worldwide with new nitriding technologies from which we expect significant revenue growth because of the material properties achieved combined with low energy consumption.

All major plants in Europe are very well utilised assisted by the cross border transfer of work. The outlook for Europe remains good.

North America delivered revenue of £56.9m, an increase of 8.3%. The first half showed a continuing strong performance from both the east and west coast facilities that are predominantly aerospace and defence focused. We expect a slight flattening in revenue through the summer months due to delays on some programmes, although we expect this to be short lived and the performance to be strong for the rest of the year. Conversely the locations serving the North American automotive markets saw continuing weakness and declines in revenue from the main component suppliers to the OEMs. We continue to monitor the situation closely and actions are underway to reduce costs further and to focus our operations on segments, such as powertrain components, that we believe offer future growth opportunities.

South America delivered revenue of £13.2m (growth of 21.8%) of which 20.0% was due to currency movements. The strengthening of the Brazilian Real is causing fluctuations and loss of business to other countries from the automotive sector, which represents about 60% of our business in South America. Agricultural equipment, our other main market, remains strong, and we expect this to continue. A number of opportunities in the growing aerospace business and transferred process offerings from other Bodycote geographies are expected to improve performance in the second half.

Our entry into Asia continues at a controlled pace with seven operational plants positioned across China, India, Thailand and Singapore. The greenfield site in Ranjangaon, India started production in June. Our newly built facility in Thailand will be operational at year end when we will assume full control of production at our current associate venture. We are primarily servicing automotive, tool & die, oil and gas and aerospace customers. We have also entered Japan with an office devoted to either acquiring an existing business or establishing a greenfield site for heat treatment and, potentially, HIP. This office is also supplying valuable liaison services between large Japanese manufacturing customers and Bodycote's plants around the world who undertake work for their distributed organisations.

#### Hot Isostatic Pressing (HIP)

Revenue increased by 17.4% at constant exchange rates compared to the same period in 2007, of which 12.7% was organic growth. Revenue grew 23.0% to £26.2m (2007:£21.3m), headline operating profit was £8.1m (2007:£7.5m) and headline operating margin was 30.9% (2007: 35.2%).

Global demand for HIP continues to grow impressively. Power generation, aerospace and oil & gas have strong forecasts and we continue to develop new applications for HIP. Our targeted investment in enhanced capacity for the North American market came on stream at the end of 2007 in response to customer demand and is filling up as expected. The integration of the French HIP operation, in which we acquired control at the end of last year, is progressing as planned although its current low utilisation is temporarily reducing margins. Last autumn we completed an investment in a highly efficient near-net-shape container design and fabrication facility in Sweden. This has allowed us to reduce our design to delivery time for near-net-shape HIP components by more than two thirds. To support our continuing growth we have ordered a large HIP unit for Sweden (aimed at the mining & mineral, oil & gas and pulp & paper sectors) and a high pressure/high temperature unit for North America (focused on medical applications) both of which will come into production in 2009. We continue to explore the most effective way to enter the Asian HIP market.

#### Testing SBU

Revenue at constant exchange rates grew 10.4% of which 6.3% was organic and 4.1% from acquisitions. Revenue was £99.8m (2007: £85.5m) after allowing for favourable exchange rate movement of 6.3% and this represents 26.1% of the Group's total revenue (2007: 26.9%). Headline operating profit was £11.5m (2007: £11.5m). The headline operating margin was 11.5% (2007: 13.5%). The standstill in headline operating profit was anticipated, as the business recovers from a poor end to 2007, particularly in our North American businesses. Q2 2008 delivered a much improved run-rate in line with H2 budgeted levels as a number of cost reduction plans implemented in late 2007/early 2008 come to fruition. Several one-off costs are included in the results which have temporarily impacted the operating margin: seven greenfield operations (£0.3m), Americas restructuring costs (£0.2m) and the slow ramp-up of the Warren, US, site consolidation (£0.7m) totalling £1.2m, equating to 1.2% of revenue. The greenfield operations are forecast to be in profit in the second half and the Americas redundancy costs will not recur. Warren is forecasting considerable profit improvement in H2 2008 building on the much improved May/June performance.

#### Materials Testing / Engineering & Technology / Measurement Technology (MEM)

Revenue was £71.4m (2007: £60.8m) an increase of 11.0% (7.1% organic) at constant exchange rates and 17.4% as reported. Headline operating profit was £9.0m (2007: £10.0m) with a headline operating margin 12.6% (2007: 16.4%).

Revenue at our specialist Fire Safety & Technology laboratories across Europe and Asia grew by 14% as regulatory demand boosted volumes. We opened a consultancy division in Belgium to support our fire safety testing. The greenfield oil & gas laboratory in Singapore goes from strength to strength as very

high volumes of specialist corrosion business enabled the operation to move into substantial profit in Q2 2008.

In the Middle East, our Civil & Material Engineering business continues to benefit from the buoyant demand for value-added testing services, with dedicated on-site testing laboratories supporting large infrastructure and development projects. Revenue grew by 52% with a total of 24 on-site laboratories now in operation complementing our seven permanent facilities. Our new Bahrain laboratory is now trading and is anticipated to move into profit in H2.

The new Brazilian laboratory is performing in line with expectations with business growth opportunities in both aerospace and oil & gas markets.

The five acquisitions made in 2008 namely Metlab (Int.) Ltd. (Eire), Centech SA (France), Brandhaus Hoechst (fire testing division of Siemens AG) (Germany), Rotterdam Painting Consultants BV (Netherlands) and Orange County Materials Test Laboratory Inc. (USA) are trading ahead of targets.

#### Health Sciences and Environmental (HSE)

Revenue was £28.4m (2007: £24.7m) an increase of 15.0%. At constant currencies revenue increased by 8.9% of which 4.5% was due to organic growth. Headline operating profit was £2.5m (2007: £1.5m) with headline margin significantly improved at 8.8% (2007: 6.1%).

Following the poor operational performance in the UK and Canadian businesses in 2007, management's focus has been firmly set on improving service performance, driving efficiency gains and introducing new bottom line enhancing technologies. We have also introduced a number of initiatives to reduce costs including site consolidation, with three UK laboratories closed or in the process of being closed. In addition, several new business development managers were recruited to capitalise on the improved operational efficiencies. Consequently our European organic growth was 5.6% with headline operating profit rising to £1.5m (2007: £1.1m).

Demand from the Canadian tar sands operations, the cost benefits of closing two laboratories in 2007 and a number of operational efficiency improvements, resulted in North American headline operating profit increasing threefold to £1.2m. We are driving improved pricing through our investment in new instrumentation, allowing premium delivery service provision to our oil & gas environmental client base. We continue to seek outsourcing opportunities from large clients with in-house laboratories and under-utilised facilities. Our pharma facilities performed admirably with significant investment made in our Californian laboratories in very low level parts per billion (PPB) analysis technologies. Our acquisition of Accutest Laboratories Ltd. in Ontario, Canada in February 2008 is performing well after a slow start and is expected to perform strongly in H2.

## FINANCIAL REVIEW

	Revenue		Headline Operating Profit		Margin	
	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007
	£m	£m	£m	£m	%	%
Heat Treatment	256.6	210.8	37.7	32.9	14.7	15.6
HIP	26.2	21.3	8.1	7.5	30.9	35.2
Thermal Processing	282.8	232.1	45.8	40.4	16.2	17.4
Testing	99.8	85.5	11.5	11.5	11.5	13.5
Head Office Costs	-	-	(4.8)	(3.7)	-	-
Group Total	382.6	317.6	52.5	48.2	13.7	15.2

Headline Operating Profit is defined as follows:

	Half Year to 30 June	
	2008	2007
	£m	£m
Headline operating profit	52.5	48.2
Amortisation of acquired intangible fixed assets	(1.0)	(0.8)
Impairment of goodwill	-	(1.8)
Share of associates' interest and tax	(0.1)	-
Disposal costs - Testing	(0.6)	-
Change to pension scheme rules	-	4.1
Bid response costs	-	(2.1)
Operating profit per the interim condensed financial report	50.8	47.6

### Revenue

Group revenue, as reported for the half year, was £382.6m, an increase of £65.0m (20.5%) on 2007 (£317.6m). In constant currency terms the increase in revenue was £35.8m with organic growth accounting for £17.5m (5.5%) of the improvement and acquisitions for £18.3m (5.8%). Foreign currency movements led to an increase in revenues of £29.2m, primarily as a result of the weakness of sterling against a number of currencies, but most significantly against the Euro. Revenue growth for Thermal Processing was £50.7m (up 21.8% on 2007) and for Testing £14.3m (up 16.7% on 2007).

### Operating Profit and Margins

Group reported headline operating profit increased by 8.9% and by 0.4% at constant exchange rates. Heat Treatment increased headline operating profits by 14.6% (4.3% at constant exchange rates). HIP improved by 8.0% (5.3% at constant exchange rates) and Testing's headline operating profits were unchanged from 2007 (a fall of 4.3% at constant exchange rates).

Margins in Heat Treatment were 14.7% (2007: 15.6%). Excluding the impact of site closure costs and emerging market start-up costs, margins would have been 15.0%. As in previous years, selling prices have temporarily lagged behind input cost increases, notably energy costs which have increased 7% year on year, but this is expected to be recovered in the second half through selling price increases which are already in hand. We anticipate that the margin for the full year will be similar to that achieved in 2007.

In HIP, our margin continues to be satisfactory at 30.9% (2007: 35.2%) in light of the capital intensity of the business. The margin has been temporarily reduced as expected due to the additional costs of the

newly installed large HIP unit in the Camas, Washington facility and following the acquisition in December 2007 of the remaining shares in Traitements Compression Services SAS (TCS), France. As throughput and hence utilisation increases, margins will improve. This is likely to take until the end of 2009.

In the MEM division of Testing margins 12.6% (2007: 16.4%) were affected by a poor first quarter. In part this was due to additional infrastructure costs being put in place in Europe in anticipation of increased business and acquisitions that actually materialised in Q2 2008. Margins were also affected by the slower than expected start-up of the new automotive testing facility at Warren, Michigan which replaced four old locations. Q2 2008 has seen margins return to previous levels and we expect this to continue for the remainder of the year.

The HSE division of Testing delivered a much improved margin of 8.8% (2007: 6.1%) as the benefits of integrating acquisitions made in 2006 came to fruition and the fact that the winter weather in Canada was not as severe as last year. We anticipate that this improving trend will continue in the second half of the year.

### Interest

The net finance charge for the Group was £6.1m compared to £5.0m in 2007. The increase is a result of higher average net debt levels resulting from acquisitions in 2007 and 2008, offset by the favourable impact of lower interest on debt drawings in currencies other than sterling. Interest cover remains strong at 9.3x (2007: 10.7x).

### Profit before tax

Headline Profit Before Taxation is defined as follows:	<u>Half Year to 30 June</u>	
	<u>2008</u>	<u>2007</u>
	<u>£m</u>	<u>£m</u>
Headline operating profit	52.5	48.2
Net finance charge	(6.1)	(5.0)
Headline profit before tax	<u>46.4</u>	<u>43.2</u>
Amortisation of acquired intangible fixed assets	(1.0)	(0.8)
Impairment of goodwill	-	(1.8)
Disposal costs - Testing	(0.6)	-
Change to pension scheme rules	-	4.1
Bid response costs	-	(2.1)
Share of associates' tax	(0.1)	-
Profit before taxation per the interim condensed financial report	<u>44.7</u>	<u>42.6</u>

Headline profit before tax was £46.4m compared to £43.2m in 2007. Profit before tax was £44.7m against £42.6m in 2007.

### Taxation

The tax charge was £11.0m in the period, £1.5m higher than in the same period of 2007. The increase in the charge is explained by both higher taxable profits in 2008 and a blend of tax rates in the numerous worldwide locations in which the Group operates. The £11.0m tax charge for the first half of 2008, represents an underlying effective tax rate for the Group, stated prior to goodwill impairment and amortisation of acquired intangibles (which are not generally allowed for tax) and before non-recurring items of 23.7% (2007: 23.4%). The tax rate represents the weighted average corporation tax rate expected for the full financial year.

### Earnings per share

Basic and diluted headline earnings per share rose to 10.8p (2007: 10.3p). Basic and diluted earnings per share for the half year were 10.3p (2007: 10.1p).

### Dividend

The Board has recommended an interim dividend of 2.95p (2007: 2.75p), a 7.3% increase. The dividend is covered 3.7 times by headline earnings (2007: 3.7 times). This will be paid on 6 January 2009 to all shareholders on the register at the close of business on 28 November 2008.

## **CAPITAL STRUCTURE**

### Net Debt

Group net debt was £239.3m (2007: £163.0m). During 2008, additional loans of £41.2m were drawn down under committed facilities. The Group continues to be able to borrow at competitive rates and therefore currently deems this to be the most effective means of funding. Gearing at end of June 2008 was 46% (2007: 34%).

### Cash flow

Cash flow from operating activities was £51.7m (2007: £48.6m) and operating cash flow was £29.0m (2007: £24.0m). After allowing for interest and tax payments, the Group generated free cash flow of £13.4m in the first half of the year (2007: £8.7m). There has been continued focus on cash collection and average debtor days for the first six months have improved to 65.4 days (2007: 66.8 days). Acquisitions resulted in net cash outgoings of £32.2m (2007: £6.6m). Due to the pattern of trading, the Group tends to generate more cash in the second half. 2008 is expected to follow that pattern.

### Capital Expenditure

The Group continues to expand into emerging markets and to invest in ROCE enhancing outsourcing opportunities. Net capital expenditure for the first half year was £36.6m compared to £33.9m in 2007. The multiple of net capital expenditure to depreciation was 1.2 times (2007: 1.3 times). We anticipate that capital expenditure will continue at this level for the remainder of the year but will be reduced closer to 1.0 times in 2009.

Major capital projects that were in progress during the first six months of the year included the expansion of the HIP facilities in Camas, (USA) and in Surahammar (Sweden), additional Kolsterising capacity in southern Germany and France, and greenfield heat treatment and testing facilities in Mexico. Further greenfield projects in progress are heat treatment sites in Finland, Thailand and India, laboratories in USA, Belgium, Dubai, Bahrain, Saudi Arabia and Croatia.

### Liquidity and Investments

Bodycote is financed by a mix of cash flows from operations, short-term borrowings, longer-term loans and finance leases. Bodycote's funding policy aims to ensure continuity of finance at reasonable cost, based on committed facilities from several sources and arranged for a spread of maturities. At 30 June 2008, Bodycote had £68.7m of unutilised committed facilities with an average remaining life of 3.0 years. The Group's principal committed facility of £225m (£38.2m of which was unutilised at 30 June 2008) has a maturity of 2.1 years. The €125m loan facility is committed until July 2013, €36m of which was unutilised at 30 June 2008. The \$20m loan facility is committed until July 2010, \$4.1m of which was unutilised at 30 June 2008.



Bodycote also has access to uncommitted and short-term facilities, used principally to manage day-to-day liquidity and working capital requirements. In addition pooling, netting and concentration techniques are used to minimise borrowings.

#### UK DEFINED BENEFIT PENSION SCHEME

The normal triennial valuation of the UK defined benefit pension scheme is currently being undertaken. That work has identified experience losses of £3.6m compared to the assumptions used in the last valuation undertaken in 2005 and which was used as the basis for IAS 19 calculations at 31 December 2007. This amount has been taken directly to reserves. All other changes and movements since 31 December 2007 have in aggregate increased the deficit by a further £4.0m, with £4.8m being charged directly to reserves in accordance with IAS 19.

#### PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remainder of the financial year and could cause actual results to differ materially from expected and historical results. These include, but are not limited to, commercial relationships, competitor activity, human resources, safety and health, brand and reputation, energy prices, operational efficiency, environmental matters, changes in foreign exchange rates and changes in interest rates. Details of key risks facing the Group's businesses at an operational level are included on pages 9 to 12 of the Group's annual report for the year ended 31 December 2007, as part of the Group Business Review.

#### OPERATIONAL FOCUS

##### Training & Education

The Bodycote Educational Foundation continues to support work placements as a means to attract new talent into the Group. The e-learning system we have been developing is being rolled out on a global basis. This system facilitates on-demand training wherever the employee is located. Incorporated into the system is a records management system to assure training has been completed. The Talent Development programme currently being trialled in Testing is providing positive results and will be rolled out into Thermal Processing over the next year.

##### Health & Safety

Our continuing efforts to improve our safety culture and performance are starting to pay off through lower frequency and severity of accidents as we increasingly focus on eliminating the root causes of accidents and potential accidents.

##### Environmental

Nearly all Thermal Processing locations are now certified to the international environmental standard ISO-14001. This is an investment which will pay off in the future as we continue to reduce our environmental footprint. Our testing facilities have a very low environmental impact but essentially all are ISO-17025 certified for laboratory management which incorporates appropriate environmental requirements. Continuous reduction of our environmental footprint is our goal.

##### Customer Service

Our dedicated team of professionals continue to provide each customer with consistent quality through use of our Bodycote Management System (BMS) and reliable delivery at good value, thus allowing them and us to grow profitably. We are proud of our people and the professional reputation they create each day with each customer interaction.

## **CURRENT TRADING AND OUTLOOK**

We will continue to implement our strategy of providing high value-added thermal processing services to manufacturers, helping them to compete in the global market. In particular we will focus on improving the performance of the existing network and increasing the proportion of high added value services we offer. We believe that high energy and raw material prices offer Bodycote a significant opportunity to help our customers to be more efficient, both in terms of cost and through a reduction in their carbon footprint by outsourcing their work to us. As an aggregator we operate 24/7 with optimum efficiency as well as offering specialist technologies. The highly fragmented markets we compete in will offer us opportunities to acquire selectively those companies which meet our market and investment criteria. With the anticipated divestiture of Testing, we will maintain our focus on enhancing ROCE by leveraging our global market leadership position in Thermal Processing.

All our markets remain resilient, with the exception, as expected, of North American automotive and we will continue to win new business as customers outsource. Typically our second half performance is seasonally slower in Thermal Processing due to the greater number of customer holidays but stronger in Testing, where the first half is impacted by winter weather in our Canadian activities. We expect this pattern to be repeated in 2008. Despite all the negative macro economic news we anticipate that the results for the year will meet expectations.

We expect to announce the sale of Testing and provide an update on the strategy for Thermal Processing in early autumn 2008. Looking beyond 2008, the Board remains confident that our strategy, the execution of which will be adjusted as necessary to meet macro economic conditions, will create significant value for our shareholders.

John D. Hubbard  
Chief Executive

David Landless  
Group Finance Director

29 July 2008

## Unaudited condensed consolidated income statement

Year ended 31 December 2007		Half year to 30 June 2008	Half year to 30 June 2007
£m		£m	£m
	<b>Revenue</b>		
631.4	Existing operations	374.7	314.6
9.1	Acquisitions	7.9	3.0
<u>640.5</u>		<u>382.6</u>	<u>317.6</u>
	<b>Operating profit</b>		
77.5	Existing operations	49.0	46.8
1.2	Acquisitions	1.5	0.7
0.1	Share of results of associates after tax	0.3	0.1
<u>78.8</u>		<u>50.8</u>	<u>47.6</u>
91.3	Operating profit prior to exceptional items	52.4	48.2
(1.9)	Amortisation and impairment of acquired intangible fixed assets	(1.0)	(0.8)
-	Disposal costs - Testing	(0.6)	-
(7.2)	Impairment of goodwill	-	(1.8)
4.1	Change to pension scheme rules	-	4.1
(2.1)	Bid response costs	-	(2.1)
(5.4)	Major facility closure costs	-	-
78.8	<b>Operating profit</b>	50.8	47.6
3.3	Investment revenue	1.3	1.6
(13.6)	Finance costs	(7.4)	(6.6)
<u>68.5</u>	<b>Profit before taxation</b>	<u>44.7</u>	<u>42.6</u>
(14.7)	Taxation	(11.0)	(9.5)
<u>53.8</u>	<b>Profit for the period</b>	<u>33.7</u>	<u>33.1</u>
	Attributable to:		
52.8	Equity holders of the parent	32.9	32.6
1.0	Minority interest	0.8	0.5
<u>53.8</u>		<u>33.7</u>	<u>33.1</u>
	<b>Earnings per share</b>		
	From continuing operations:		
16.6	Basic	10.3	10.1
16.6	Basic - diluted	10.3	10.1

All activity arose from continuing operations.

Unaudited condensed consolidated statement of recognised income and expense

Year ended 31 December 2007		Half year to 30 June 2008	Half year to 30 June 2007
£m		£m	£m
12.5	Exchange differences on translation of foreign operations	8.1	0.8
4.7	Actuarial ( losses ) /gains on defined benefit pension schemes	(8.4)	8.2
(3.1)	Tax on items taken directly to equity	2.1	(2.7)
<u>14.1</u>	<b>Net income recognised directly in equity</b>	<u>1.8</u>	<u>6.3</u>
53.8	<b>Profit for the period</b>	33.7	33.1
<u>67.9</u>	<b>Recognised income and expense for the period</b>	<u>35.5</u>	<u>39.4</u>
	Attributable to:		
66.9	Equity holders of the parent	34.7	38.9
1.0	Minority interest	0.8	0.5
<u>67.9</u>		<u>35.5</u>	<u>39.4</u>

## Unaudited condensed consolidated balance sheet

As at 31 December 2007		As at 30 June 2008	As at 30 June 2007
£m		£m	£m
	<b>Non-current assets</b>		
215.1	Goodwill	240.5	202.7
14.3	Other intangible assets	14.3	11.0
506.8	Property, plant and equipment	539.7	458.4
0.6	Interests in associates	6.4	1.3
1.0	Finance lease receivables	0.9	1.3
29.7	Deferred tax assets	33.0	27.3
0.1	Derivative financial instruments	0.1	0.1
13.3	Trade and other receivables	13.1	13.6
780.9		848.0	715.7
	<b>Current assets</b>		
19.8	Inventories	21.5	16.3
0.4	Finance lease receivables	0.4	0.2
-	Derivative financial instruments	0.2	1.3
159.3	Trade and other receivables	193.6	151.8
37.7	Cash and cash equivalents	38.1	36.8
1.8	Assets classified as held for sale	3.2	2.3
219.0		257.0	208.7
999.9	<b>Total assets</b>	1,105.0	924.4
	<b>Current liabilities</b>		
124.5	Trade and other payables	138.9	116.2
8.8	Dividends payable	16.7	14.6
13.0	Current tax liabilities	16.5	11.6
1.7	Obligations under finance leases	1.0	1.1
9.0	Bank overdrafts and loans	15.6	6.2
5.2	Derivative financial instruments	11.0	0.3
5.7	Provisions	4.7	1.3
167.9		204.4	151.3
51.1	<b>Net current assets</b>	52.6	57.4
	<b>Non-current liabilities</b>		
221.8	Bank loans	257.8	189.7
3.0	Derivative financial instruments	2.0	0.1
23.9	Retirement benefit obligation	32.6	19.8
74.3	Deferred tax liabilities	77.7	68.9
3.4	Obligations under finance leases	3.0	2.8
2.2	Provisions	2.3	3.2
6.8	Other payables	8.0	6.4
335.4		383.4	290.9
503.3	<b>Total liabilities</b>	587.8	442.2
496.6	<b>Net assets</b>	517.2	482.2

## Unaudited condensed consolidated balance sheet

As at 31 December 2007		As at 30 June 2008	As at 30 June 2007
£m		£m	£m
	<b>Equity</b>		
32.4	Share capital	32.4	32.4
305.0	Share premium account	305.1	304.5
(11.0)	Own shares	(11.0)	(3.9)
6.0	Other reserves	7.9	5.4
16.9	Hedging and translation reserves	25.0	5.2
140.7	Retained earnings	150.6	132.8
<hr/> 490.0	<b>Equity attributable to equity holders of the parent</b>	<hr/> 510.0	<hr/> 476.4
6.6	<b>Minority interest</b>	7.2	5.8
<hr/> <hr/> 496.6	<b>Total equity</b>	<hr/> <hr/> 517.2	<hr/> <hr/> 482.2

## Unaudited condensed consolidated cash flow statement

Year ended 31 December 2007		Half year to 30 June 2008	Half year to 30 June 2007
£m		£m	£m
108.0	<b>Net cash from operating activities</b>	51.7	48.6
	<b>Investing activities</b>		
(72.5)	Purchases of property, plant and equipment	(38.4)	(34.7)
6.6	Proceeds on disposal of property, plant and equipment and intangible assets	2.9	1.2
(1.0)	Purchases of intangible fixed assets	(1.1)	(0.4)
(0.2)	Acquisition of investment in an associate	(5.5)	-
(32.7)	Acquisition of subsidiaries	(26.7)	(6.6)
<u>(99.8)</u>	<b>Net cash used in investing activities</b>	<u>(68.8)</u>	<u>(40.5)</u>
	<b>Financing activities</b>		
3.4	Interest received	1.2	1.5
(12.5)	Interest paid	(7.9)	(6.5)
(22.6)	Dividends paid	(8.9)	(8.2)
(0.1)	Dividends paid to a minority shareholder	(0.1)	-
(187.1)	Repayments of bank loans	(3.1)	(0.8)
(1.9)	Repayments of obligations under finance leases	(1.7)	(1.0)
216.4	New bank loans raised	32.5	6.3
0.6	New obligations under finance leases	-	0.2
3.1	Proceeds on issue of ordinary share capital	0.1	2.6
(8.6)	Own shares purchased/settlement of share options	-	(1.5)
<u>(9.3)</u>	<b>Net cash generated from/(used in) financing activities</b>	<u>12.1</u>	<u>(7.4)</u>
(1.1)	<b>Net (decrease)/increase in cash and cash equivalents</b>	(5.0)	0.7
33.4	<b>Cash and cash equivalents at beginning of period</b>	34.3	33.4
2.0	Effect of foreign exchange rate changes	2.3	(0.3)
<u>34.3</u>	<b>Cash and cash equivalents at end of period</b>	<u>31.6</u>	<u>33.8</u>

## Notes to the condensed consolidated financial information

### 1. Basis of preparation

This unaudited consolidated interim financial information for the half year ended 30 June 2008 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described therein.

### 2. Business segments

Half year to 30 June 2008	Heat Treatment	Hot Isostatic Pressing	Testing MEM*	Testing HSE*	Head Office and Eliminations	Continuing operations
	£m	£m	£m	£m	£m	£m
<b>Revenue</b>						
External sales	256.6	26.2	71.4	28.4	-	382.6
Inter-segment sales	-	-	0.4	-	(0.4)	-
Total revenue	<u>256.6</u>	<u>26.2</u>	<u>71.8</u>	<u>28.4</u>	<u>(0.4)</u>	<u>382.6</u>
<b>Result</b>						
Segment result prior to exceptional items and share of associates' profit after tax	37.3	8.1	9.0	2.5	-	56.9
Share of associates' operating profit	0.4	-	-	-	-	0.4
Unallocated corporate expenses	-	-	-	-	(4.8)	(4.8)
Headline operating profit	<u>37.7</u>	<u>8.1</u>	<u>9.0</u>	<u>2.5</u>	<u>(4.8)</u>	<u>52.5</u>
Amortisation of acquired intangible fixed assets	(0.6)	-	(0.4)	-	-	(1.0)
Disposal costs - Testing	-	-	-	-	(0.6)	(0.6)
Segment result	<u>37.1</u>	<u>8.1</u>	<u>8.6</u>	<u>2.5</u>	<u>(5.4)</u>	<u>50.9</u>
Share of associates' interest and tax	<u>(0.1)</u>					<u>(0.1)</u>
Operating profit						50.8
Investment revenue						1.3
Finance costs						<u>(7.4)</u>
Profit before taxation						44.7
Taxation						<u>(11.0)</u>
Profit for the period						<u>33.7</u>



Notes to the condensed consolidated financial information (continued)

Half year to 30 June 2007	Heat Treatment	Hot Isostatic Pressing	Testing MEM*	Testing HSE*	Head Office and Eliminations	Continuing Operations
	£m	£m	£m	£m	£m	£m
<b>Revenue</b>						
External sales	210.8	21.3	60.8	24.7	-	317.6
Inter-segment sales	-	-	0.4	-	(0.4)	-
Total revenue	210.8	21.3	61.2	24.7	(0.4)	317.6
<b>Result</b>						
Segment result prior to exceptional items and share of associates' profit after tax	32.9	7.4	10.0	1.5	-	51.8
Share of associates' operating profit	-	0.1	-	-	-	0.1
Unallocated corporate expenses	-	-	-	-	(3.7)	(3.7)
Headline operating profit	32.9	7.5	10.0	1.5	(3.7)	48.2
Amortisation of acquired intangible fixed assets and impairment of goodwill	(2.2)	-	(0.2)	(0.2)	-	(2.6)
Change to pension scheme rules	2.0	0.2	1.3	0.2	0.4	4.1
Bid response costs	-	-	-	-	(2.1)	(2.1)
Segment result	32.7	7.7	11.1	1.5	(5.4)	47.6
Share of associates' interest and tax	-					-
Operating profit						47.6
Investment revenue						1.6
Finance costs						(6.6)
Profit before taxation						42.6
Taxation						(9.5)
Profit for the period						33.1

Notes to the condensed consolidated financial information (continued)

Year ended 31 December 2007	Heat Treatment	Hot Isostatic Pressing	Testing MEM*	Testing HSE*	Head Office and Eliminations	Continuing operations
	£m	£m	£m	£m	£m	£m
<b>Revenue</b>						
External sales	421.7	43.5	124.4	50.9	-	640.5
Inter-segment sales	-	-	0.8	-	(0.8)	-
Total revenue	421.7	43.5	125.2	50.9	(0.8)	640.5
<b>Result</b>						
Segment result prior to exceptional items and share of associates' profit after tax	61.6	15.3	16.9	4.1	-	97.9
Share of associates' operating profit	-	0.1	-	-	-	0.1
Unallocated corporate expenses	-	-	-	-	(6.7)	(6.7)
Headline operating profit	61.6	15.4	16.9	4.1	(6.7)	91.3
Amortisation and impairment of acquired intangible fixed assets and impairment of goodwill	(4.3)	-	(0.3)	(4.5)	-	(9.1)
Major facility closure costs	(3.4)	-	(0.4)	(1.6)	-	(5.4)
Change to pension scheme rules	2.0	0.2	1.3	0.2	0.4	4.1
Bid response costs	-	-	-	-	(2.1)	(2.1)
Segment result	55.9	15.6	17.5	(1.8)	(8.4)	78.8
Share of associates' interest and tax	-					-
Operating profit						78.8
Investment revenue						3.3
Finance costs						(13.6)
Profit before taxation						68.5
Taxation						(14.7)
Profit for the year						53.8

\* Testing comprises MEM (Materials Testing, Engineering and Technology and Measurement Technology) and HSE (Health Sciences and Environmental).

Inter-segment sales are charged at prevailing market prices.

Disposal costs – Testing relates to costs associated with the disposal of the Testing SBU.

Change to pension scheme rules refers to gains made as a result of favourable changes to the rules of the UK final salary pension scheme.

Notes to the condensed consolidated financial information (continued)

3. Taxation

Year ended 31 December 2007 £m		Half year to 30 June 2008 £m	Half year to 30 June 2007 £m
	<b>Current tax:</b>		
-	UK corporation tax	(0.5)	(1.0)
20.4	Foreign tax	11.7	13.3
20.4		11.2	12.3
	<b>Deferred tax:</b>		
(5.7)	Other deferred tax	(0.2)	(2.8)
(5.7)		(0.2)	(2.8)
14.7		11.0	9.5

The rate of tax for the interim period is 24.6% of profit before tax (2007: 22.3%), which represents the Group's expected effective rate of tax for the year. The Group's underlying rate is 23.7% (2007: 23.4%). The underlying rate represents the tax rate stated prior to exceptional items, and is calculated as a weighted average annual corporation tax rate expected for the full financial year.

4. Earnings per share

**From continuing operations**

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

Year ended 31 December 2007 £m		Half year to 30 June 2008 £m	Half year to 30 June 2007 £m
	<b>Earnings</b>		
52.8	Earnings for the purposes of basic earnings per share, being net profit attributable to equity holders of the parent	32.9	32.6
	<b>Number of shares</b>		
317,934,910	Weighted average number of ordinary shares for the purposes of basic earnings per share	318,606,650	321,230,823
732,862	Effect of dilutive potential ordinary shares: Share options	320,114	899,630
318,667,772	Weighted average number of ordinary shares for the purposes of diluted earnings per share	318,926,764	322,130,453

Notes to the condensed consolidated financial information (continued)

<b>Earnings per share from continuing operations:</b>			
<b>Pence</b>		<b>Pence</b>	<b>Pence</b>
16.6	Basic	10.3	10.1
16.6	Diluted	10.3	10.1
<b>Headline earnings</b>			
<b>Year ended 31 December 2007</b>		<b>Half year to 30 June 2008</b>	<b>Half year to 30 June 2007</b>
<b>£m</b>		<b>£m</b>	<b>£m</b>
52.8	Net profit attributable to equity holders of the parent	32.9	32.6
	Add back/(deduct):		
7.2	Impairment of goodwill	-	1.8
1.9	Amortisation and impairment of acquired intangible fixed assets	1.0	0.8
-	Disposal costs - Testing	0.6	-
(3.0)	Change to pension scheme rules	-	(4.1)
2.1	Bid response costs	-	2.1
3.6	Major facility closure costs	-	-
64.6	Headline earnings	34.5	33.2
<b>Earnings per share from headline earnings:</b>			
<b>Pence</b>		<b>Pence</b>	<b>Pence</b>
20.3	Basic	10.8	10.3
20.3	Diluted	10.8	10.3

## Notes to the condensed consolidated financial information (continued)

### 5. Acquisition of subsidiaries

The Group acquired the following subsidiaries during the period:

Interest	Date of acquisition	% of shares acquired	Principal activity
Accutest Laboratories Limited	25 Jan 2008	100.0	Testing HSE
Metlab (Int.) Limited	8 Feb 2008	100.0	Testing MEM
Plasma & Thermal Coatings Limited	29 Feb 2008	100.0	Thermal Processing
SAP Engineering Limited	3 Mar 2008	100.0	Thermal Processing
Centech SA	10 Mar 2008	100.0	Testing MEM
Rotterdam Painting Consultants BV	30 May 2008	100.0	Testing MEM
Orange County Materials Test Laboratory Inc.	31 May 2008	100.0	Testing MEM

In addition, the Group acquired the following business during the period:

Interest	Date of acquisition	Principal activity
Brandhaus Höchst (Fire Testing division of Siemens AG)	30 May 2008	Testing MEM

All transactions have been accounted for by the purchase method of accounting and the provisional fair values are summarised below. These acquisitions have been aggregated as they are considered individually immaterial to the Group's results. A provisional value of nil has been attributed to intangibles.

	Thermal Processing £m	Testing £m	Total Group £m
<b>Book value and fair value of net assets acquired:</b>			
Property, plant and equipment	0.5	2.1	2.6
Inventories	0.8	0.4	1.2
Trade and other receivables	2.7	2.7	5.4
Cash and cash equivalents	0.8	1.9	2.7
Trade payables and other payables	(2.7)	(1.8)	(4.5)
Current tax liability	(0.3)	(0.2)	(0.5)
Bank loans	(0.1)	(0.4)	(0.5)
Finance leases	(0.3)	(0.1)	(0.4)
Deferred tax liabilities	(0.3)	-	(0.3)
	<u>1.1</u>	<u>4.6</u>	<u>5.7</u>
Goodwill	13.7	10.0	23.7
Total consideration	<u>14.8</u>	<u>14.6</u>	<u>29.4</u>
Satisfied by:			
Cash	14.7	14.4	29.1
Directly attributable costs	0.1	0.2	0.3
	<u>14.8</u>	<u>14.6</u>	<u>29.4</u>
Net cash outflow arising on acquisition:			
Cash consideration	14.8	14.6	29.4
Cash and cash equivalents acquired	(0.8)	(1.9)	(2.7)
	<u>14.0</u>	<u>12.7</u>	<u>26.7</u>

## Notes to the condensed consolidated financial information (continued)

The cash consideration in relation to Thermal Processing acquisitions includes deferred consideration in respect of acquisitions made in the prior year.

The goodwill arising on the acquisitions is attributable to the anticipated profitability of the distribution of the Group's services and the anticipated future operating synergies from the combination.

The acquired businesses contributed £7.9 million to the Group's revenue and £1.5 million to the Group's profit before tax for the period between their dates of acquisition and the balance sheet date.

If the acquisition of all the businesses had been completed on the first day of the financial year, Group revenues for continuing operations for the period would have been £387.1 million and Group profit attributable to equity holders of the parent would have been £33.1 million.

Following revision to provisional fair values in respect of prior year acquisitions, goodwill recognised at 31 December 2007 has increased by £2.1 million and property, plant and equipment have reduced by the same amount.

### 6. Movement on reserves

	Share premium account £m	Own shares £m	Other reserves £m	Hedging and translation reserves £m	Retained earnings £m	Total £m
<b>Half year to 30 June 2008</b>						
1 January 2008	305.0	(11.0)	6.0	16.9	140.7	457.6
Premium arising on issue of equity shares	0.1	-	-	-	-	0.1
Share based payments	-	-	1.8	-	-	1.8
Revaluation increase on land and buildings	-	-	0.1	-	-	0.1
Exchange differences on translation of overseas operations	-	-	-	17.5	-	17.5
Movement on hedges of net investments	-	-	-	(9.4)	-	(9.4)
Dividend declared	-	-	-	-	(16.7)	(16.7)
Net profit for the period	-	-	-	-	32.9	32.9
Items taken directly to equity	-	-	-	-	(6.3)	(6.3)
<b>30 June 2008</b>	<b>305.1</b>	<b>(11.0)</b>	<b>7.9</b>	<b>25.0</b>	<b>150.6</b>	<b>477.6</b>
<b>Half year to 30 June 2007</b>						
1 January 2007	302.1	(2.4)	3.8	4.4	109.4	417.3
Premium arising on issue of equity shares	2.4	-	-	-	-	2.4
Acquired in the year/settlement of share options	-	(1.5)	-	-	-	(1.5)
Share based payments	-	-	1.6	-	-	1.6
Exchange differences on translation of overseas operations	-	-	-	1.0	-	1.0
Movement on hedges of net investments	-	-	-	(0.2)	-	(0.2)
Dividend declared	-	-	-	-	(14.7)	(14.7)
Net profit for the period	-	-	-	-	32.6	32.6
Items taken directly to equity	-	-	-	-	5.5	5.5
<b>30 June 2007</b>	<b>304.5</b>	<b>(3.9)</b>	<b>5.4</b>	<b>5.2</b>	<b>132.8</b>	<b>444.0</b>
<b>Year ended 31 December 2007</b>						
1 January 2007	302.1	(2.4)	3.8	4.4	109.4	417.3
Premium arising on issue of equity shares	2.9	-	-	-	-	2.9
Acquired in the year/settlement of share options	-	(8.6)	-	-	-	(8.6)
Share based payments	-	-	2.5	-	-	2.5
Release of revaluation reserve on disposal of assets	-	-	(0.3)	-	0.3	-
Exchange differences on translation of overseas operations	-	-	-	22.2	-	22.2
Movement on hedges of net investments	-	-	-	(9.7)	-	(9.7)
Dividend declared	-	-	-	-	(23.4)	(23.4)
Net profit for the year	-	-	-	-	52.8	52.8
Items taken directly to equity	-	-	-	-	1.6	1.6
<b>31 December 2007</b>	<b>305.0</b>	<b>(11.0)</b>	<b>6.0</b>	<b>16.9</b>	<b>140.7</b>	<b>457.6</b>

Notes to the condensed consolidated financial information (continued)

7. Note to the cash flow statement

Reconciliation of operating profit to net cash from operating activities

Year ended 31 December 2007		Half year to 30 June 2008	Half year to 30 June 2007
£m		£m	£m
78.8	Operating profit	50.8	47.6
-	Share of associates' interest and tax	0.1	-
49.3	Depreciation of property, plant and equipment	29.2	24.2
2.7	Amortisation and impairment of intangible fixed assets	1.5	1.2
7.2	Impairment of goodwill	-	1.8
2.5	Share-based payments	1.8	1.6
(4.1)	Change to pension scheme rules	-	(4.1)
2.1	Bid response costs	-	2.1
5.4	Major facility closure costs	-	-
<u>143.9</u>	EBITDA*	<u>83.4</u>	<u>74.4</u>
(0.1)	(Gain)/loss on disposal of property, plant and equipment	(0.1)	0.1
(0.1)	Income from associates	(0.4)	(0.1)
143.7	Operating cash flows before movements in working capital	82.9	74.4
(3.7)	Decrease/(increase) in inventories	0.5	(1.3)
(8.4)	Increase in receivables	(21.2)	(13.9)
(2.9)	Increase/(decrease) in payables	4.8	1.2
(5.4)	Decrease in provisions	(1.4)	(2.5)
<u>123.3</u>	Cash generated by operations	<u>65.6</u>	<u>57.9</u>
0.7	Cash (outflow)/ inflow from settlement of derivative financial instruments	(5.0)	1.0
(16.0)	Income taxes paid	(8.9)	(10.3)
<u>108.0</u>	Net cash from operating activities	<u>51.7</u>	<u>48.6</u>

\* Earnings before interest, tax, depreciation, amortisation and share-based payments.

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

## Notes to the condensed consolidated financial information (continued)

### 8. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

#### Trading transactions

During the period, Group companies entered into the following transactions with related parties who are not members of the Group:

Year ended 31 December 2007		Half year to 30 June 2008	Half year to 30 June 2007
£m		£m	£m
2.0	Sale of goods and services	1.3	1.2
0.1	Purchase of goods and services	0.1	0.1
-	Amounts owed to related parties	0.1	0.2
<u>12.2</u>	<u>Amounts owed by related parties</u>	<u>13.6</u>	<u>8.4</u>

Sales of goods and services includes the sale of property, payments received from finance leases and the provision of management services. All transactions were made at arms' length. The amounts outstanding will be settled in cash, of which £0.8m is secured. No guarantees have been given or received. £1.8m of pensions have been made for doubtful debts, of which £0.7m was expensed during the period in respect of the amounts owed by related parties.

### 9. General information

The information for the year ended 31 December 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

### 10. Accounting policies

The interim financial report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) and in accordance with those disclosed in the annual report for the year ended 31 December 2007, which was filed with the Registrar of Companies on 1 May 2008. Copies of this report and the last Annual Report and Accounts are available from the Secretary, Bodycote plc, Hulley Road, Macclesfield, Cheshire, SK10 2SG 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) 207 676 1000).

Enquiries: Tuesday 29 July 2008

0900 hrs - 1130 hrs Telephone: 0207 831 3113  
John Hubbard, Chief Executive  
David Landless, Group Finance Director

Website: <http://www.bodycote.com>



## **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 2008 which comprises the income statement, the balance sheet, the statement of recognised income and expense, the cash flow statement 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 2410 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 them 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 Services Authority.

As disclosed in note 10, 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 2008 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 Services Authority.

### **Deloitte & Touche LLP**

Chartered Accountants and Registered Auditor  
Manchester, UK  
29 July 2008