

Chairman's statement



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A.M. Thomson | Chairman

Overview

Against the backdrop of a soft economic environment, particularly in Europe, I am pleased to report that Bodycote made further progress in 2013. The ongoing execution of the Group's strategy to direct the mix of sales towards higher added-value work linked to careful management of costs has enabled us once again to improve our profitability and return on investment. Going forward we will continue to seek out opportunities to expand the Group through a combination of organic growth initiatives in new markets and technologies, investment in capability in emerging markets and acquisition of high quality businesses at reasonable prices.

Headline earnings per share at 41.2p grew by 10%, headline operating margins exceeded 17% and operating profit was fully backed by positive cash generation. As a result I am very pleased to report a strong net cash position of £15m at 31 December 2013. The return on capital employed increased to 19.9%.

Dividend

The Board is proposing a final ordinary dividend of 9.1p, an increase of 10%, which will be paid on 2 May 2014 subject to shareholder approval at the AGM. This brings the total ordinary dividend for 2013 to 13.5p (2012: 12.3p) costing £25.7m, which is a year-on-year increase of 10%. The Board is also recommending a supplemental distribution, by way of a special dividend, amounting to 10.0p per share costing £19.1m.

Governance

As Chairman, one of my primary responsibilities is to ensure that the Group operates to the highest standards in all aspects of governance and risk management. Our aim within Bodycote is to manage a growing business effectively, while ensuring that proper operating procedures and internal controls are maintained at all times in each of the 26 countries where we operate. Transparency is central to this objective and you will find more detail about our approach and progress over the last year in the Corporate Governance section starting on page 32. The Remuneration Committee report is in accordance with the new reporting requirements of the large and medium sized companies regulations. These came into force in October 2013.

During the year I met a number of Bodycote's major shareholders and received positive feedback from them on their views of the Group. Going forward I will maintain this valuable dialogue with our shareholders and look forward to meeting increasing numbers of you at this year's AGM, when there will be an opportunity to discuss the Group's business and prospects.

People

The people who work for the Company are undoubtedly our key asset and I am certain that the existing opportunities for long-term growth will ensure that our employees find Bodycote a place where they will continue to enjoy rewarding careers. On behalf of the Board I congratulate them all for delivering another year of successful trading and excellent financial performance.

Summary

Bodycote has once again delivered value in terms of total shareholder return and remains in a strong financial position.

I believe that the Group will continue to deliver positive returns in the years ahead. Underpinned by the ongoing focus upon excellent customer service, strong cash management and the quality of our global workforce, I look forward to the future with confidence.

A.M. Thomson

Chairman

27 February 2014