Markets

Aerospace, Defence & Energy markets

Civil aerospace revenues increased in 2013 by 10% (8% at constant exchange rates, of which 5% was organic and 3% from acquisitions), due to a combination of new contract gains and market demand. Original equipment sales improved as both Boeing and Airbus continued to increase production rates. Available seat kilometres grew by 5% indicating an increase in aircraft flying hours, which in turn drove an increase in demand for aftermarket parts.

Sales into the defence sector, which accounted for around 5% of Group sales, were weak as the effect of the widespread reduction in military budgets took effect. Revenues were 6% lower than in 2012 (7% at constant exchange rates).

Demand for the Group's services in the power generation sector grew well with sales ahead by 11% in 2013 (9% at constant exchange rates, of which 5% was organic and 4% from acquisitions) compared to 2012. Additional capability came on stream at the end of 2013. The organic growth was driven mainly by our European operations.

Market conditions were markedly different in onshore and subsea oil & gas during 2013. The majority of the Group's revenues in the onshore sector are in the USA covering both conventional and fracking requirements. Customers for components for fracking undertook significant destocking during the year, which resulted in sales in North America being down 19% (21% at constant exchange rates). Conversely, sales into subsea continued to improve so that, in total, revenues to the oil & gas sector were lower by 7% (8% at constant exchange rates).

Automotive & General Industrial markets

Car and light truck production showed improvement in most territories in 2013. Backed by the Group's value-added technologies, revenues increased year-on-year by 18% (15% at constant exchange rates, of which 4% was organic and 11% coming from acquisitions completed in 2012). Particularly pleasing was an 8% increase in sales in Europe (4% at constant exchange rates) notwithstanding weak consumer demand.

As anticipated 2013 was a difficult year in heavy truck with very weak demand in both North America and Europe for much of the year. North American revenues were helped from a low base by the acquisitions undertaken in 2012 but overall sales to the sector were down 1% (4% at constant exchange rates).

Bodycote provides thermal processing services for a wide range of heavy equipment. Cutbacks in capital expenditure in the mining sector were a notable drag on demand and requirements for agricultural equipment have been subdued. Together these areas more than offset some increase in demand for construction machinery and rail. With the benefit of currency movements overall revenues increased by 2% but fell by 1% at constant exchange rates.