PRESS RELEASE

BODYCOTE INTERNATIONAL PLC

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

Financial Highlights

- Revenue rose by 14% to £317.6m (H1 2006: £279.3m)
- Operating profit grew by 19% to £48.2m (H1 2006:£40.6m)
- At constant exchange rates:
    - Revenue increased by 19%
    - Headline* operating profit increased by 23%
    - ROCE continues to improve – now over 11%
- Headline* profit before tax increased by 23% to £43.2m (H1 2006: £35.1m)
- Profit before tax £42.6m (2006: £34.8m)
- Headline* earnings per share rose by 23% to 10.3p (H1 2006: 8.4p)
- Basic earnings per share 10.1p (2006: 11.6p)
- Interim dividend 2.75 pence per share (H1 2006: 2.5p), up 10%

* Stated before exceptional items. Refer to Notes 1 and 3.

Operational Review

- Robust first half demand in Aerospace, Power Generation and Oil & Gas markets
- Outsourcing now comprises 22% of Group sales (H1 2006: 20%) - 118 new outsourcing agreements
- 4 new acquisitions in Thermal Processing in H1, 2 acquisitions already completed in H2
- Expansion of Heat Treatment into Asia and developing markets continues as planned
- Global demand for HIP remains high and expected to increase further
- Energy cost increases now fully recovered

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

"Bodycote's strong performance continued in the first half of 2007, with increased demand in most of our key end markets and geographies. Our strategy of increasing return on capital continues to be successful.

"Our rate of acquisitions was intentionally lower than in the equivalent period of 2006, as we concentrated on integrating the 17 businesses in 52 facilities we acquired last year. We continue to anticipate a full year acquisition spend of approximately £60 million. Our expansion into developing markets continues with facilities in India, China, Singapore, Dubai, Bahrain, Saudi Arabia, Mexico and Croatia opening in 2007.

"Looking ahead, we are confident that our performance will show further improvement and that our full year results will be in line with our expectations. Acquisition prospects are good and our focus on operational excellence and financial discipline means we are well placed for the second half."

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2007 INTERIM STATEMENT

INTRODUCTION

Bodycote performed strongly in the first half of 2007 with further improvement, compared to the first half of 2006, in the key areas of return on capital employed (up 0.6%), headline* operating margins (better by 0.7%), headline* operating profit at constant exchange rates (ahead 23.4%) and sales at constant currency (better by 18.8%). Reported sales were £317.6m (2006: £279.3m), ahead 13.7% and operating profit was £47.6m (2006: £39.7m), up 19.9%. Sales growth was driven by outsourcing wins, with 118 new agreements contributing an increase in sales of £16.2m compared to the first half of 2006 and strong market demand in Aerospace, Power Generation, and Oil & Gas.

The progress in European Heat Treatment (organic growth 9.7 %), HIP worldwide (organic growth 15.3 %) and the Materials Testing/Engineering & Technology/Measurement Technology (MEM) division of Testing (organic growth 12.6 %) has been particularly good. In the first half we acquired four Thermal Processing and two Testing businesses at a cost of £6.6m. Acquisition activity, as planned, has been at a lower rate in the first half whilst we focus on the integration of the 17 businesses in 52 facilities acquired last year. Since the end of June we have acquired a further two Thermal Processing companies and, as previously indicated, we expect to invest c. £60m in acquisitions for the year as a whole.

RESULTS FOR THE FIRST HALF OF 2007

Underlying sales growth was robust. At constant exchange rates sales increased by 18.8% in the first half of 2007 and reported sales were £317.6m compared to £279.3m in 2006, an increase of 13.7%. Of this improvement 8.3% was organic, on a like for like basis, but was reduced to 6.3% after the impact of closed or sold heat treatment facilities. Acquisitions added 12.5%. The effect of exchange rates on translation impacted reported sales by 5.1%.

Revenue from Strategic Partnerships and Long Term Agreements increased to 22% (2006: 20%) of Group sales and in absolute terms this represents an increase of £16.2m or 29.7% year on year.

Headline* operating profit increased by 23.4% at constant exchange rates. Statutory operating profit increased 18.7% to £48.2m (2006: £40.6m). The headline* operating margin has improved from 14.5% to 15.2%.

Operating profit increased by £7.9m after allowing for favourable changes to the rules of the UK final salary pension scheme (£4.1m), largely offset by goodwill impairment (£1.8m) and bid response costs (£2.1m), each of which is exceptional in nature. A charge of £1.1m (2006: £0.5m) has been accrued in head office for the Group's share-based long term incentive plan (LTIP).

As the Group is targeting significant growth in Asia, incremental management and business development costs have been incurred, with a spend in the first half of £0.6m (2006: £0.2m). In addition, facilities which are in the start-up phase in China, Singapore and India have recorded operating losses of £0.5m in the first half (2006: £0.1m). We expect levels of expense to be similar in the second half.

REVIEW BY STRATEGIC BUSINESS UNIT (SBU)

Thermal Processing SBU

Thermal Processing recorded increased sales of 14.1% at constant exchange rates. This was split 8.4% organic, -2.7% in respect of closed plants and 8.4% from acquisitions. Reported sales were £232.1m (2006: £211.9m) after allowing for adverse exchange rate movement of 4.6%. Return on Capital Employed (ROCE) improved to 10.8% (2006: 9.4%) and the headline* operating margin was increased to 17.4% (2006: 15.9%).

In the first half of 2007 there were four acquisitions in Thermal Processing; three small businesses from the Group's associate undertaking SSCP Coating Sarl (SSCP), in India, Brazil and Argentina and Techmeta SA, an electron beam welding business in France.

Since the end of June we have acquired two further businesses; Ruidahong Heat Treatment Co. Ltd which has two facilities in the Ningbo region of China and provides batch and mesh belt atmosphere heat treating and Nitruvid SA, which operates from three sites in France and specialises in patented plasma nitriding processes.

Heat Treatment

Sales increased, at constant exchange rates, by 14.0% compared to the same period in 2006, of which 4.7% was organic and if the impact of closing facilities in USA and UK was excluded would have been 7.7% on a like for like basis.

Sales were £210.8m (2006: £192.2m) and headline* operating profit was £32.9m (2006: £27.6m) and would have been £1.1m higher had currency been constant. Headline* operating margin rose to 15.6 % (2006: 14.4%), driven by organic growth and the exit from underperforming locations.

Organic sales growth in Europe was 9.7%, on the back of robust demand in Germany and Sweden and was enhanced by new outsourcing wins in UK, France, Germany and Sweden in the automotive, Heavy Truck and Mining sectors. Bodycote currently operates in five countries in Eastern Europe, where sales growth is in double digits and overall profitability is good. The integration of the recent acquisition in Turkey is progressing according to plan.

In North America, Aerospace, Power Generation and Oil & Gas sectors are buoyant and are anticipated to remain so. As expected Automotive was weaker in quarter two than quarter one, although half one sales to the sector in constant currencies are up £1.6m in ongoing facilities. Costs have been reduced following the closure of two plants and the sale of another. Operating margins have improved but, as anticipated sales were reduced in the half year, by £5.2m (at constant exchange rates) which represents 8.9% of half year sales in North America. In the Brazilian heat treatment business acquired in November 2006, sales are ahead of the same period last year by 6.7%. In both North and South America we continue to focus on higher added value opportunities and more advanced processing solutions to move the mix more in line with our European business.

Our expansion into Asia continues at a controlled pace as planned with Wuxi, China, now in production and with the acquisition of two facilities near Ningbo China and two facilities in India. In addition to service the Oil & Gas sector, a greenfield thermal spray facility in Singapore is now in production and we are offering thermal spray and K-Tech services in Dubai via a licensee.

Hot Isostatic Pressing (HIP)

Sales were £21.3m (2006: £19.7m), which equates to organic growth of 14.8% before the impact of currency movements which impacted sales by (-6.7%). Headline* operating profit was £7.5m (2006: £6.0m) and the headline* operating margin was 35.2% (2006: 30.5%).

Global demand for HIP is high and is expected to increase further over the next three years. In addition to Power Generation and Aerospace, HIPping of powdered metal, to produce both near net shape parts and advanced material billets for extrusion and rolling, is growing. These opportunities will be addressed by completion of the installation of the new large HIP unit in Camas, Washington, which will be in production at the end of 2007, and the addition of a large HIP unit into Surahammar, Sweden and a medium sized high pressure HIP unit in the USA, both of which will be available in 2009.

Densal® continues to perform well in Europe and we have launched a pilot project in the USA to extend and improve the capabilities of this aluminium densification process. In addition, to increase effective capacity, we are continuing to look at ways to improve our cycle times for all HIP processes, as well as capsule fabrication for near net shape powdered metal components.

Testing SBU

At constant exchange rates sales grew 33.4% of which organic growth was 8.2% and acquisitions accounted for 25.2%. Sales, as reported, were £85.5m (2006: £67.4m) an increase of 26.9%. Testing now represents 27% of Group sales (2006: 24%) in line with our strategic goal of increasing the proportion of Group sales contributed by this SBU. Headline* operating profit was £11.5m (2006: £9.6m) and at 2006 exchange rates would have been £12.1m, an increase of 26%. ROCE continues to exceed Group target at 17% and together with strong sales growth more than compensates for a modest reduction in return on sales to 13.4% (2006: 14.2%). The change in headline* operating margin is due to the addition of infrastructure to support our rapid growth plans, increasing exposure to lower margin business notably Health Sciences and Measurement Technologies, a degree of pricing pressure in the UK food and environmental businesses and slower than expected trading conditions in Western Canada due to adverse weather conditions throughout the first half. As usual we expect a notable increase in margin in the second half which will be enhanced by a catch up in the Canadian environmental business.

Our level of acquired sales growth in 2006 of circa 60% has resulted in considerable integration activity during the first half of 2007. Consequently only two facilities have been acquired in this period; Drayton Valley Laboratory in Western Canada which provides support to the tar sands oil development industry and a sensing and controls laboratory from Honeywell in Illinois, USA. Acquisition activity is planned to increase in the second half.

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

Sales were £61.9m (2006: £46.7m), an increase of 38.1% (12.6% organic) at constant exchange rates and 32.5% as reported. Headline* operating profit was £10.3m (2006: £7.0m) and headline* operating margin improved to 16.6% (2006: 15.0%).

Strong demand in our key market sectors of Oil & Gas, Aerospace & Defence and Power Generation continues to drive growth. Particularly strong margin growth (up 1.5% basis points in Europe) was achieved as a result of significant cross-selling of our core service offerings into our expanding client base. Our specialist Fire Safety & Technology laboratories experienced strong revenue growth in both European and Asian markets.

North American engine testing remained robust in line with our expansion of emission testing capacity. Some softness in the automotive interiors testing sector impacted on the recently acquired ACT business, in Michigan, USA and so we have decided to consolidate activity from several sites into one.

The Measurement Technology business, acquired in April 2006, continues its integration process.

Our Civils & Materials Engineering business grew significantly, up 59%, as continued economic growth fuelled demand in the Middle East. A number of outsourcing contracts were won and we continue to expand our geographical footprint in this region. We opened up a new flagship laboratory in Dubai in February of this year and this will be followed by greenfield facilities in Bahrain and Saudi Arabia.

Health Sciences and Environmental (HSE)

Sales were £23.6m (2006: £20.7m), an increase of 22.7% (-1.9% organic) at constant exchange rates and 14.0% as reported. HSE represents 7.4% of Group sales. Headline* operating profit was £1.2m (2006: £2.6m) and headline* margin was 5.1% (2006: 12.6%)

This business stream delivered a varied set of results as a number of operational and adverse trading conditions impacted on both organic growth and margins achieved. Our Pharma business performed satisfactorily with strong demand in both the Quality Control and Development segments.

The Food/Agricultural business suffered due to soft market conditions in the UK and North America where price competition was notable but now appears to be abating. We have developed a number of new technologies during the period and expect these to provide improvements in the second half.

The Environmental services business was impacted in the first half, particularly in Canada, where weather related issues reduced the on-site sampling capability. Revenues were reduced by 22% from the prior year; however, field operators and consultants expect a surge in the second half to catch-up the significant backlog of work leading to significant revenue recovery. Evidence of this has already been seen in July. We therefore expect a much better performance in the second half of 2007.

Our Middle East business grew 30% from 2006 as several large contracts were won following the expansion of our capabilities in the region.

FINANCIAL REVIEW

Revenue

Group revenue, as reported for the half year was £317.6m, an increase of £38.3m (13.7%) on 2006 (£279.3m). In constant currency terms the increase in revenue was £52.5m with organic growth accounting for £17.6m of the increase and acquisitions for £34.9m. The net impact of foreign currency movements on revenues reduced this by £14.2m primarily as a result of the weakness of the US dollar. Revenue growth for Thermal Processing was £20.2m (up 9.5% on 2006) and for Testing £18.1m (up 26.9% on 2006).

Operating Profit and Margins

Group reported headline* operating profit increased by 18.7% and by 23.4% at constant exchange rates. Heat Treatment increased headline* operating profits by 19.2% (23.3% at constant exchange rates). HIP by 25.0% (28.1% at constant exchange rates) and Testing by 19.8% (26.0% at constant exchange rates).

The overall Group operating margin increased to 15.2% (2006: 14.5%). Demand was robust in most of our markets in the first half of 2007 with the exception of Automotive in North America. On average, selling prices have increased by 2.3%, whilst labour rates have increased year on year by approximately 3%. Natural gas prices have fallen in the USA and UK but electricity prices have continued to rise in all regions except North America and Scandinavia. As a result, total energy costs as a percentage of Thermal Processing sales are fractionally lower than in the same period in 2006, as the impact has been recovered in selling prices. Energy cost changes in the second half are expected to be small.

In Heat Treatment, headline* operating margins improved from 14.4% to 15.5% while HIP continued to benefit from robust aerospace and power generation demand and headline* operating margins moved ahead from 30.5% to 35.2%. Testing headline* operating margins fell back from 14.2% to 13.4% due to the continuing impact of the lower margin businesses acquired in 2006 and difficult trading conditions in Health Sciences and Environmental testing activities in the UK and Western Canada.

SSCP Coating Sarl

At the beginning of the year, as part of the refinancing of SSCP, its shareholders agreed that £10.4m of new funding would have share warrants attaching. Bodycote decided that it was in the Group's interest to maintain its shareholding in SSCP and thus subscribed to a pro rata share of the new funding, investing £3.4m. The Group currently owns 23.0% of the share capital of SSCP.

Bid Response Costs

In responding to the approach from Sulzer AG of Switzerland, the Group incurred costs of £2.1m.

Pension Scheme Rule Changes

Following a review of the Group's UK final salary pension scheme, which has been closed to new members since 2001 but allows benefit accrual for members who remain employees of the Group, an agreement was reached with the trustees to cap increases in future pensionable salaries at RPI or 3%, whichever is the lower. The Scheme's actuary has calculated that this will reduce liabilities by £4.1m, an exceptional item which has been credited to the income statement in the first half of 2007 in line with the requirements of IAS19.

Interest

The net finance charge for the Group was £5.0m compared to £4.9m in 2006. The increase is a result of higher average net debt levels resulting from acquisitions in 2006 and 2007, offset by the favourable impact of interest on debt drawings in currencies other than sterling. Interest cover is 10.7x (2006: 8.8x).

Profit before tax

Headline* profit before tax was £43.2m compared to £35.1m in 2006. Profit before tax was £42.6m as against £34.8m in 2006.

Taxation

The tax charge was £9.5m in the period, £12.2m higher than in the same period of 2006. This increase is attributable to higher taxable profits in 2007 and the benefit of a £10.6m tax credit in 2006, which resulted from settlements reached with Tax Authorities in respect of earlier periods. The underlying charge for the first half of 2007 at 23.4% (full year 2006: 22.5%) represents an underlying effective tax rate for the Group, stated prior to goodwill impairment and amortisation of acquired other intangibles and before exceptional items. The actual effective tax rate represents the weighted average corporation tax rate expected for the full financial year.

Earnings per share

Headline* earnings per share, after adding back the post-tax effect of goodwill impairment, amortisation of acquired intangibles, change in pension scheme rules, bid response costs and prior year exceptional tax benefits, rose by 22.6% to 10.3p (2006: 8.4p). Basic earnings per share for the half year were 10.1p (2006: 11.6p) and diluted earnings per share were 10.1p (2006: 11.6p).

Dividend

The Board has recommended an interim dividend of 2.75p (2006: 2.5p), a 10% increase. The dividend is covered 3.7 times by headline* earnings (2006: 3.4 times). This will be paid on 4 January 2008 to all shareholders on the register at the close of business on 30 November 2007.

CAPITAL STRUCTURE

Net Debt

Group net debt was £163.0m (2006: £143.2m). During the year additional loans of £3.5m 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 2007 was 34% (2006: 31%).

Cash flow

Cash flow from operating activities was £48.6m (2006: £47.7m). After allowing for interest and significantly increased tax payments, the Group generated free cash flow of £9.7m in the first half of the year (2006: £17.5m). There has been continued focus on cash collection and debtor days have improved to 66 (2006: 68). Acquisitions resulted in net cash outgoings of £6.6m (2006:£51.0m). Due to the pattern of trading, the Group tends to generate more cash in the second half. This year is expected to follow that pattern.

Capital Expenditure

As a result of the Group expanding into emerging markets and continuing to invest in ROCE enhancing outsourcing opportunities, net capital expenditure for the first half year was £33.9m compared to £25.3m in 2006. The multiple of net capital expenditure to depreciation was, as forecast, 1.3 times (2006: 1.1 times). With buoyant demand in a number of the Group's markets, we anticipate that capital expenditure will continue at this level for the remainder of the year and in 2008.

Major projects that were started last year and that have been continuing in 2007 include the establishment of a combined Thermal Spray and Testing facility in Singapore, expansion of the HIP facility in Camas, USA, additional Kolsterising capacity in southern Germany and France, the development of greenfield heat treatment and testing facilities in Mexico and the consolidation of two laboratories in Manchester, UK. Projects that have been approved in the first half of 2007 include a modernised and expanded heat treatment plant in Tampere, Finland, the enhancement of the former Honeywell Materials Testing facility in Freeport, Illinois, the upgrade of the two newly acquired heat treatment plants in India and the establishment of new testing facilities in Saudi Arabia, Bahrain and Alberta.

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 2007 Bodycote had £122.1m of unutilised committed facilities with average remaining life of 3.9 years. The Group's principal committed facility of £225m (£81.1m of which was unutilised at 30 June 2007) has a maturity of 3.1 years. The €125m loan facility is committed until July 2013, €61m of which was unutilised at 30 June 2007.

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.

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 efforts to improve safety performance are starting to pay off through the lower frequency and severity of accidents and we are increasingly focussing on eliminating the root causes of accidents and potential accidents. The companies we acquire are typically not as mature as Bodycote in this area, resulting in the need for improvement as we integrate them into our systems and expectations.

Environmental

By year end all Thermal Processing locations, barring some of those acquired in the last two years, will be 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 are expected to achieve ISO 17025 status for laboratory management, which incorporates basic environmental requirements.

CURRENT TRADING AND OUTLOOK

We are successfully executing our strategy and remain confident that our performance will continue to improve. We are maintaining our focus on operational excellence and financial discipline. All parts of the Group are focused on enhancing ROCE through increasing the proportion of high value added services provided to our customers.

The majority of sectors that we operate in are buoyant and based on current market forecasts we anticipate demand for our services will continue to be strong through the remainder of the year and beyond. Outsourcing continues to be a significant theme for manufacturers to reduce their costs, increase flexibility and assure their global competitiveness. We continue to have a pipeline of good acquisition candidates and expect to complete several acquisitions in the second half with Testing playing a larger role. A number of greenfield sites are due to start production in the second half of 2007; most notably thermal spray and Oil & Gas testing facilities in Singapore, an Aerospace laboratory in Monterrey, Mexico and a heat treatment facility in Silao, Mexico. These, coupled with an increasing number of outsourcing opportunities in North America and Europe, will continue to drive organic growth in the business.

With high utilisation in HIP and demand forecast to continue increasing in a market in which Bodycote is the clear market leader, we expect to invest approximately £30m in additional capability over the next 3 years to support market growth. We have capacity coming into production in the second half in Camas, Washington USA and by mid 2009 we will have a new, large HIP unit in production at Surahammar, Sweden and a medium sized high pressure unit in the USA. With our strategy to grow in the Asia/Pacific region, we anticipate establishing a HIP facility in that region in the next few years.

Our dedicated team of professionals continue to provide each customer with consistent quality through 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.

Our second half performance is seasonally slower in Thermal Processing due to the greater number of customer holidays but stronger in Testing and we expect this to be so in 2007. With markets generally robust and continuing outsourcing potential we are confident that the results for the year will meet our expectations.

Looking beyond 2007, the Board is confident that end market demand, continued outsourcing wins and bolt-on acquisitions will support delivery of our Strategic Plan.

John D. Hubbard Chief Executive	David Landless Group Finance Director

31 July 2007

* Headline values are stated before exceptional items. Refer to Notes 1 and 3

Unaudited consolidated income statement

Year ended 31 December 2006 £m		Half year to 30 June 2007 £m	Half year to 30 June 2006 £m
	Revenue		
510.3	Existing operations	314.6	263.7
48.3	Acquisitions	3.0	15.6
558.6	Revenue – continuing operations	317.6	279.3
	Operating profit		
51.3	Existing operations	46.8	36.7
7.2	Acquisitions	0.7	2.7
0.3	Share of results of associates after tax	0.1	0.3
58.8	**Operating profit – continuing operations**	47.6	39.7
79.1	Operating profit prior to exceptional items	48.2	40.0
(1.0)	Amortisation and impairment of acquired intangible fixed assets	(0.8)	(0.3)
(6.0)	Impairment of goodwill	(1.8)	-
-	Change to pension scheme rules	4.1	-
-	Bid response costs	(2.1)	-
(8.3)	Impairment of investment in associate	-	-
(5.0)	Major facility closure costs	-	
58.8	**Operating profit – continuing operations**	47.6	39.7
3.4	Investment income	1.6	1.3
(15.6)	Finance costs	(6.6)	(6.2)
46.6	**Profit before taxation**	42.6	34.8
(2.7)	Taxation	(9.5)	2.7
43.9	**Profit for the period**	33.1	37.5
	Attributable to:		
43.1	Equity holders of the parent	32.6	37.2
0.8	Minority interest	0.5	0.3
43.9		33.1	37.5
Pence	**Earnings per share**	**Pence**	**Pence**
	From continuing operations:		
13.4	Basic	10.1	11.6
13.4	Basic - diluted	10.1	11.6

Unaudited consolidated statement of recognised income and expense

Year ended 31 December 2006		Half year to 30 June 2007	Half year to 30 June 2006
£m		**£m**	**£m**
(6.7)	Exchange differences on translation of foreign operations	0.8	0.6
(3.7)	Actuarial gains/(losses) on defined benefit pension schemes	8.2	5.2
1.6	Tax on items taken directly to equity	(2.7)	(1.6)
(8.8)	**Net profit/(loss) recognised directly in equity**	6.3	4.2
43.9	**Profit for the period**	33.1	37.5
35.1	**Recognised income and expense for the period**	39.4	41.7
	Attributable to:		
34.3	Equity holders of the parent	38.9	41.4
0.8	Minority interests	0.5	0.3
35.1		39.4	41.7

Unaudited consolidated balance sheet

As at 31 December 2006		As at 30 June 2007	As at 30 June 2006
£m		£m	£m
	Non-current assets		
201.9	Goodwill	202.7	187.9
10.4	Other intangible assets	11.0	6.0
448.4	Property, plant and equipment	458.4	453.3
1.2	Interests in associates	1.3	9.6
1.4	Finance lease receivables	1.3	1.7
23.2	Deferred tax assets	27.3	21.8
0.6	Derivative financial instruments	0.1	-
11.3	Trade and other receivables	13.6	6.1
698.4		715.7	686.4
	Current assets		
13.7	Inventories	16.3	13.0
0.3	Finance lease receivables	0.2	0.4
1.9	Derivative financial instruments	1.3	139.4
138.1	Trade and other receivables	151.8	38.0
34.7	Cash and cash equivalents	36.8	
188.7		206.4	190.8
2.3	Non-current assets classified as held for sale	2.3	1.1
889.4	**Total assets**	924.4	878.3
	Current liabilities		
111.1	Trade and other payables	116.2	107.6
8.0	Dividends payable	14.6	13.0
6.7	Current tax liabilities	11.6	7.0
1.4	Obligation under finance leases	1.1	1.2
4.4	Bank overdrafts and loans	6.2	5.8
0.2	Derivative financial instruments	0.3	0.2
2.5	Short-term provisions	1.3	2.2
134.3		151.3	137.0
54.4	**Net current assets**	55.1	53.8
	Non-current liabilities		
186.5	Bank loans	189.7	170.3
0.1	Derivative financial instruments	0.1	0.3
32.8	Retirement benefit obligation	19.8	24.7
68.7	Deferred tax liabilities	68.9	70.9
3.3	Obligations under finance leases	2.8	3.9
4.1	Long-term provisions	3.2	4.4
5.7	Other payables	6.4	2.0
301.2		290.9	276.5
435.5	**Total liabilities**	442.2	413.5
453.9	**Net assets**	482.2	464.8

Unaudited consolidated balance sheet

As at 31 December 2006 £m		As at 30 June 2007 £m	As at 30 June 2006 £m
	Equity		
32.2	Share capital	32.4	32.2
302.1	Share premium account	304.5	301.6
(2.4)	Own shares	(3.9)	(2.4)
3.8	Other reserves	5.4	2.7
4.4	Hedging and translation reserves	5.2	11.7
109.4	Retained earnings	132.8	117.2
449.5	Equity attributable to equity holders of the parent	476.4	463.0
4.4	**Minority interest**	5.8	1.8
453.9	**Total equity**	482.2	464.8

Unaudited consolidated cash flow statement

Year ended 31 December 2006		Half year to 30 June 2007	Half year to 30 June 2006
£m		£m	£m
109.2	**Net cash from operating activities**	48.6	47.7
	Investing activities		
(59.5)	Purchases of property, plant and equipment	(34.7)	(26.0)
4.8	Proceeds on disposal of property, plant and equipment and intangible assets	1.2	0.9
(0.7)	Purchases of intangible fixed assets	(0.4)	(0.2)
-	Acquisition of investment in an associate	-	(0.1)
(86.3)	Acquisition of subsidiaries	(6.6)	(51.0)
0.1	Disposal of subsidiaries	-	-
(141.6)	**Net cash used in investing activities**	(40.5)	(76.4)
	Financing activities		
2.9	Interest received	1.5	1.4
(15.7)	Interest paid	(6.5)	(6.3)
(20.5)	Dividends paid	(8.2)	(7.5)
(0.1)	Dividend paid to minority shareholder	-	-
(65.5)	Repayments of bank loans	(0.8)	(201.9)
(1.8)	Repayments of obligations under finance leases	(1.0)	(0.9)
46.0	New bank loans raised	6.3	158.3
0.5	New obligations under finance leases	0.2	0.1
1.9	Proceeds on issue of ordinary share capital	2.6	1.4
0.1	Own shares purchased/settlement of share options	(1.5)	0.1
(52.2)	**Net cash used in financing activities**	(7.4)	(55.3)
(84.6)	**Net increase/(decrease) in cash and cash equivalents**	0.7	(84.0)
120.7	**Cash and cash equivalents at beginning of period**	33.4	120.7
(2.7)	Effect of foreign exchange rate changes	(0.3)	(0.7)
33.4	**Cash and cash equivalents at end of period**	33.8	36.0

Notes to the consolidated financial information

1. Business and geographical segments

Half year to 30 June 2007	Heat Treatment	Hot Isostatic Pressing	Testing	Head Office and Eliminations	Continuing Operations
	£m	£m	£m	£m	£m
Revenue					
External sales	210.8	21.3	85.5	-	317.6
Inter-segment sales	-	-	0.4	(0.4)	-
Total revenue	210.8	21.3	85.9	(0.4)	317.6
Result					
Segment result prior to exceptional items and share of associates' profit after tax	32.9	7.4	11.5	-	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	11.5	(3.7)	48.2
Amortisation of acquired intangible fixed assets and impairment of goodwill	(2.2)	-	(0.4)		(2.6)
Change to pension scheme rules	2.0	0.2	1.5	0.4	4.1
Bid response costs	-	-	-	(2.1)	(2.1)
Segment result	32.7	7.7	12.6	(5.4)	47.6
Share of associates' interest and tax	-				-
Operating profit – continuing operations					47.6
Investment revenues					1.6
Finance costs					(6.6)
Profit before tax					42.6
Tax					(9.5)
Profit for the period					33.1

Notes to the consolidated financial information (continued)

Half year to 30 June 2006	Heat Treatment	Hot Isostatic Pressing	Testing	Head Office and Eliminations	Continuing Operations
	£m	£m	£m	£m	£m
Revenue					
External sales	192.2	19.7	67.4	-	279.3
Inter-segment sales	-	-	0.3	(0.3)	-
Total revenue	192.2	19.7	67.7	(0.3)	279.3
Result					
Segment result prior to exceptional items and share of associates' profit after tax	26.7	6.0	9.6	-	42.3
Share of associates' operating profit	0.9	-	-	-	0.9
Unallocated corporate expenses	-	-	-	(2.6)	(2.6)
Headline operating profit	27.6	6.0	9.6	(2.6)	40.6
Amortisation of acquired intangible fixed assets	-	-	(0.3)	-	(0.3)
Segment result	27.6		9.3	(2.6)	40.3
Share of associates' interest and tax	(0.6)				(0.6)
Operating profit – continuing operations					39.7
Investment revenues					1.3
Finance costs					(6.2)
Profit before tax					34.8
Tax					2.7
Profit for the period					37.5

Notes to the consolidated financial information (continued)

Year ended 31 December 2006	**Heat Treatment**	**Hot Isostatic Pressing**	**Testing**	**Head Office and Eliminations**	**Continuing Operations**
	£m	**£m**	**£m**	**£m**	**£m**
Revenue					
External sales	375.0	38.9	144.7	-	558.6
Inter-segment sales			0.6	(0.6)	-
Total revenue	375.0	38.9	145.3	(0.6)	558.6
Result					
Segment result prior to exceptional items and share of associates' profit after tax	49.5	12.7	21.3	-	83.5
Share of associates' operating profit	0.8	0.1	-	-	0.9
Unallocated corporate expenses	-	-	-	(4.7)	(4.7)
Headline operating profit	50.3	12.8	21.3	(4.7)	79.7
Amortisation and impairment of acquired intangible fixed assets and impairment of goodwill and investment in associate	(10.7)	-	(4.6)	-	(15.3)
Major facility closure costs	(5.0)	-	-	-	(5.0)
Segment result	34.6	12.8	16.7	(4.7)	59.4
Share of associates' interest and tax	(0.6)				(0.6)
Operating profit – continuing operations					58.8
Investment revenues					3.4
Finance costs					(15.6)
Profit before tax					46.6
Tax					(2.7)
Profit for the period					43.9

Inter-segment sales are charged at prevailing market prices

Notes to the consolidated financial information (continued)

2. Taxation

Year ended 31 December 2006 £m		Half year to 30 June 2007 £m	Half year to 30 June 2007 £m
	Current tax		
(0.7)	UK corporation tax	(1.0)	(1.6)
12.8	Foreign tax	13.3	8.3
12.1		12.3	6.7
	Deferred tax		
(11.2)	Tax settlements in respect of prior years	-	(10.6)
1.8	Other deferred tax	(2.8)	1.2
(9.4)		(2.8)	(9.4)
2.7		9.5	(2.7)

The rate of tax for the interim period is 22.3% of profit before tax (2006: -7.8%), which represents the Group's expected effective rate of tax for the year. The Group's underlying rate is 23.4% (2006: 22.5%). 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.

3. 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 2006 £m		Half year to 30 June 2007 £m	Half year to 30 June 2007 £m
	Earnings		
43.1	Earnings for the purposes of basic earnings per share, being net profit attributable to equity holders of the parent	32.6	37.2
	Number of shares		
Number		**Number**	**Number**
320,462,772	Weighted average number of ordinary shares for the purposes of basic earnings per share	321,230,823	320,191,253
880,065	Effect of dilutive potential ordinary shares: Share options	899,630	1,200,457
321,342,837	Weighted average number of ordinary shares for the purposes of diluted earnings per share	322,130,453	321,391,710

Notes to the consolidated financial information (continued)

Pence	Earnings per share from continuing operations:	Pence	Pence
13.4	Basic	10.1	11.6
13.4	Diluted	10.1	11.6

Year ended 31 December 2006	Headline earnings	Half year to 30 June 2007	Half year to 30 June 2007
£m		£m	£m
43.1	Net profit attributable to equity holders of the parent	32.6	37.2
	Add back/(deduct):		
6.0	Impairment of goodwill	1.8	-
1.0	Amortisation and impairment of acquired intangible fixed assets	0.8	0.3
-	Change to pension scheme rules	(4.1)	-
-	Defence costs	2.1	-
8.3	Impairment of investment in associate	-	-
5.0	Major facility closure costs	-	-
3.1	Costs of early settlement of US dollar private placement debt	-	-
(11.2)	Tax settlements in respect of prior years	-	(10.6)
55.3	Headline earnings	33.2	26.9

Pence	Earnings per share from headline earnings:	Pence	Pence
17.3	Basic	10.3	8.4
17.2	Diluted	10.3	8.4

Notes to the consolidated financial information (continued)

4. Acquisition of subsidiaries

The Group acquired the following subsidiaries during the period:

Interest	Date of acquisition	% of shares acquired	Principal activity
Techmeta SA	01 Feb 2007	87.7%	Electron Beam Welding
IonBond do Brasil Tretamento de Superficies Ltda	24 Apr 2007	100.0%	PVD
IonBond Argentina SA	24 Apr 2007	80.0%	PVD

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

Interest	Date of acquisition	Principal activity
IonBond Coatings Private Limited (Indian facilities)	01 Mar 2007	Heat Treatment
Honeywell International Inc. (Freeport, Illinois facility)	18 May 2007	Testing
Newalta Corporation (Drayton Valley facility)	20 Jun 2007	Testing

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

	Total Group £m
Book value and fair value of net assets acquired:	
Intangible assets:	
At book value	-
Fair value adjustment	1.2
At provisional fair value	1.2
Property, plant and equipment	2.8
Deferred tax assets	0.8
Inventories	1.3
Trade and other receivables	1.9
Cash and cash equivalents	3.3
Trade payables and other payables	(1.7)
Current tax liability	(0.8)
Bank loans	(0.1)
Finance leases	-
Deferred tax liabilities	-
Provisions	(0.4)
	8.3
Minority interest	(0.8)
Goodwill	2.4
Total consideration	9.9
Satisfied by:	
Cash	9.7
Directly attributable costs	0.2
	9.9
Net cash outflow arising on acquisition	
Cash consideration	9.9
Cash and cash equivalents acquired	(3.3)
	6.6

Notes to the consolidated financial information (continued)

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 £3.0 million to the Group's revenue and £0.8 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 £318.9 million and Group profit attributable to equity holders of the parent would have been £32.7 million.

After the period end the Group acquired Ningbo Jiangdong Ruidahong Heat Treatment Co. Ltd and Nitruvid SAS for a total cash consideration of £5.7 million.

5. Movement on reserves

	Share premium account £m	Own shares £m	Other reserves £m	Hedging and translation reserves £m	Retained earnings £m	Total £m
Half year to 30 June 2007						
1 January 2007						
Premium arising on issue of equity shares	302.1	(2.4)	3.8	4.4	109.4	417.3
Acquired in the year	2.4	-	-	-	-	2.4
Share based payments	-	(1.5)	-	-	-	(1.5)
Exchange differences on translation of overseas operations	-	-	1.6	-	-	1.6
Dividend declared	-	-	-	0.8	-	0.8
Net profit for the period	-	-	-	-	(14.7)	(14.7)
Items taken directly to equity	-	-	-	-	32.6	32.6
					5.5	5.5
30 June 2007	304.5	(3.9)	5.4	5.2	132.8	444.0
Half year to 30 June 2006						
1 January 2006	300.3	(2.5)	1.7	11.1	89.4	400.0
Premium arising on issue of equity shares	1.3	-	-	-	-	1.3
Settlement of share options	-	0.1	-	-	-	0.1
Share based payments	-	-	1.0	-	-	1.0
Exchange differences on translation of overseas operations	-	-	-	0.6	-	0.6
Dividend declared	-	-	-	-	(13.0)	(13.0)
Net profit for the period	-	-	-	-	37.2	37.2
Items taken directly to equity	-	-	-	-	3.6	3.6
30 June 2006	301.6	(2.4)	2.7	11.7	117.2	430.8
Year ended 31 December 2006						
1 January 2006	300.3	(2.5)	1.7	11.1	89.4	400.0
Premium arising on issue of equity shares	1.8	-	-	-	-	1.8
Settlement of share options	-	0.1	-	-	-	0.1
Share based payments	-	-	2.1	-	-	2.1
Exchange differences on translation of overseas operations	-	-	-	(6.7)	-	(6.7)
Dividend declared	-	-	-	-	(21.0)	(21.0)
Net profit for the period	-	-	-	-	43.1	43.1
Items taken directly to equity	-	-	-	-	(2.1)	(2.1)
31 December 2006	302.1	(2.4)	3.8	4.4	109.4	417.3

Notes to the consolidated financial information (continued)

6. Note to the cash flow statement

Reconciliation of operating profit to net cash from operating activities

Year ended 31 December 2006 £m		Half year to 30 June 2007 £m	Half year to 30 June 2006 £m
58.8	Operating profit from continuing operations	47.6	39.7
0.6	Share of associates' interest and tax	-	0.6
44.8	Depreciation of property, plant and equipment	24.2	22.3
1.6	Amortisation and impairment of intangible fixed assets	1.2	0.6
6.0	Impairment of goodwill	1.8	-
-	Change to pension scheme rules	(4.1)	-
-	Bid response costs	2.1	-
8.3	Impairment of investment in associate	-	-
5.0	Major facility closure costs	-	-
125.1	EBITDA*	72.8	63.2
0.3	Loss on disposal of property, plant and equipment	0.1	-
(0.9)	Income from associates	(0.1)	(0.9)
2.1	Share-based payments	0.9	1.0
126.6	Operating cash flows before movements in working capital	73.7	63.3
(0.4)	Increase in inventories	(1.3)	-
(15.5)	Increase in receivables	(13.9)	(15.5)
9.5	Increase in payables	1.9	4.0
(2.6)	Decrease in provisions	(2.5)	(0.9)
117.6	Cash generated by operations	57.9	50.9
-	Cash inflow from settlement of derivative financial instruments	1.0	
(8.4)	Income taxes paid	(10.3)	(3.2)
109.2	Net cash from operating activities	48.6	47.7

* Earnings before interest, tax, depreciation and amortisation.

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.

7. 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:

Notes to the consolidated financial information (continued)

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 2006		Half year to 30 June 2007	Half year to 30 June 2006
£m		£m	£m
2.1	Sale of goods and services	1.2	0.3
0.7	Purchase of goods and services	0.1	0.1
0.7	Amounts owed to related parties	0.2	0.1
9.3	Amounts owned by related parties	8.4	5.5

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 are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful receivables in respect of the amounts owed by related parties.

8. General information

The information for the year ended 31 December 2006 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.

9. 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 2006, which was filed with the Registrar of Companies on 4 June 2007. The requirements of IAS 34 'Interim Financial Reporting' do not apply to this interim statement. Copies of this report and the last Annual Report and Accounts are available from the Secretary, Bodycote International plc, Hulley Road, Macclesfield, Cheshire, SK10 2SG 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) 207 676 1000).

Enquiries: Tuesday 31 July 2007

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 INTERNATIONAL PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2007, which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement and related notes 1 to 9. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority, which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

Deloitte & Touche LLP
Chartered Accountants
Manchester

31 July 2007