

Chair's statement

"I continue to be impressed with the commitment, passion and knowledge of Bodycote employees at all levels from across the Group"

A. C. Quinn CBE
Chair



Overview

Bodycote delivered a good performance in 2018, with management continuing to implement the Group's Strategy. I am very pleased to note how well the management team continues to drive the business forward, delivering on our commitments and investing to support future growth opportunities for our business.

Dividend

The Board is proposing a final dividend of 13.3p, an increase of 10%, which will be paid on 7 June 2019, subject to shareholder approval at the 2019 Annual General Meeting (AGM). This brings the total ordinary dividend for 2018 to 19.0p (2017: 17.4p) costing £36.1m which represents a year on year increase of 9.1%. This increase in the level of dividend underscores the Board's view of the Group's excellent future earnings and cash flow potential.

Furthermore, in keeping with our current policy of sweeping cash remaining at year end for which we see no immediate use the Board is recommending a supplemental distribution by way of a special dividend, also payable on 7 June 2019 of 20.0p per share, costing £38.3m.

Board and governance

The Board is mindful of the 2018 corporate governance code and changes in legislation introduced during the year that are intended to encourage responsible corporate behaviour. Bearing this in mind, we have incorporated information on our stakeholders and stakeholder engagement in this Annual Report.

One of the key roles of Chair is to ensure that the Board members possess a range of complementary skills which are relevant to Bodycote's business. After completing my first year as Chair and spending considerable time with my Board colleagues I am confident that we have a well-balanced Board that, in terms of governance, is functioning effectively.

During the year, the Board also underwent an external board evaluation, which is conducted every three years. I am pleased to report that the results of the review were very positive. And as always, there were a number of observations and recommendations that we have carefully evaluated to ensure that the Board is as effective as possible in exercising its various responsibilities.

As Chair, I have a responsibility to promote effective governance across the Group to ensure we remain a successful and sustainable entity with good governance procedures across all 23 countries of operation. We are committed to conducting business responsibly. By maintaining these high standards of corporate governance we are able to enhance business performance underpinned by our business model. The approach to Governance is set by the Board and implemented by our Executive Committee. Effective and robust governance remains a strong pillar supporting the sustainable success of the Group.

People

During the year, I have continued to visit many of our facilities around the world and engaged with many of our executives and management. I continue to be impressed with the commitment, passion and knowledge of Bodycote employees at all levels from across the Group and appreciate that our talented workforce is key to Bodycote maintaining its market position and the long term success of the business.

Shareholders

Meetings with shareholders have taken place throughout the year with very positive feedback and I look forward to seeing more of you during the coming year and at this year's AGM in May 2019.

Summary

Our strategy is designed to generate superior margins and returns through strong service delivery and operational efficiency. We aim to drive revenue growth through investments to support markets with structural growth (e.g. civil aviation), growth in our Specialist Technologies business, and targeted investment in rapid-growth Emerging Markets. The results in 2018 demonstrate continued progress in each of these areas.

The Company remains well positioned to deliver attractive returns for our shareholders.

A.C. Quinn CBE

Chair
8 March 2019