

# Markets

## Aerospace, Defence & Energy markets



Civil aerospace revenues increased in 2016 by 2%<sup>1</sup> at constant exchange rates (12%<sup>1</sup> at actual exchange rates), with strong growth in Western Europe. Available seat kilometres grew globally again in 2016 by a further 6%, and prospects remain good, with a number of key development programmes expected to boost output in coming years once they are properly up and running. In the meantime, supply chain adjustments and the exact pace of the changeover of aircraft and engine platforms make this a difficult market to forecast.

Revenues in oil & gas were substantially lower again in 2016, falling by more than 40%<sup>1</sup> at constant exchange rates as a result of the knock-on impact from the fall in crude oil prices noted above. The Specialist Technologies of HIP Product Fabrication and Surface Technology were both affected as the commercial rationale for oil field projects remained difficult at current crude oil prices. While crude oil prices closed 2016 at their highest levels in over two years, they remain at less than half the prices seen through most of 2011 to 2014. It is too early to tell whether investment will pick up in the oil & gas sector in the near term.

## Automotive & General Industrial markets



Automotive revenues increased year on year by 2%<sup>1</sup> at constant exchange rates (13%<sup>1</sup> at actual exchange rates), reflecting a strong performance in car and light truck, particularly in the second half. This was most notable in businesses served by our Western European plants, which benefited from the buoyant global market, as well as new contract wins. Car and light truck revenue growth of 3%<sup>1</sup> in the first half accelerated to 6%<sup>1</sup> in the second half. Heavy truck revenues, on the other hand, were weak, reflecting softness in the heavy truck market more generally.

Bodycote also provides services for a wide range of capital equipment customers in our General Industrial markets. In 2016, these customers suffered from the knock-on effect of lower demand from the oil & gas and other resources sectors. As a result, General Industrial revenues fell by 3%<sup>1</sup> at constant exchange rates (8%<sup>1</sup> increase at actual exchange rates).

1. Like-for-like year-on-year revenue growth rates exclude acquisitions, closed sites and the impact of the disposal of businesses.