

2 August 2013

## Half Year Results for the six months ended 30 June 2013

### *Solid performance in generally stable market conditions*

#### Group highlights <sup>(1)</sup>:

- Revenue £773m, (H1 2012: £819m; H2 2012: £729m)
- Trading profit £71m, (H1 2012: £80m; H2 2012: £51m)
- Return on sales 9.2% (H1 2012: 9.7%; H2 2012: 7.1%)
- Headline EPS of 15.9 pence (H1 2012 pro-forma <sup>(2)</sup>: 16.5 pence)
- Free cash flow £38.2m (H1 2012: £2.2m)
- Net debt £273m at 30 June (31 December 2012: £295m)
- Interim dividend declared of 4.75 pence per share
- Successful portfolio rationalisation including sale of Precious Metals Processing division for €56.8m
- Share repurchase programme of up to £30m initiated on 4 June; £19.3m repurchased by 31 July
- Triennial pension valuation confirms UK Plan fully funded; compulsory contributions ceased

#### François Wanecq, Chief Executive, commented:

“Vesuvius has delivered a solid performance in the first half, in a trading environment that was generally stable but still operating at a substantially lower level than in the first half of last year. All of our businesses performed better than, or in-line with, their main end-markets.

Trading margins across the Group reflected our revenue performance, as well as the impact of the self-help initiatives we have implemented. Trading margins recovered somewhat following the substantial falls we saw in the second half of last year, although they are still below the levels achieved during the same period last year. In Steel, trading margins benefited from the recent sale of low-margin businesses, and margins in Foundry were enhanced by our decision to exit the loss-making Solar Crucibles business. Today we are announcing further portfolio rationalisation, with the disposal of our low-margin construction and installation business in Canada, following the disposal of VGT Dyko in the first quarter. Our increasing focus on cash and working capital management across all our businesses led to a cash conversion rate in excess of 100%.

Following completion of the sale of the Precious Metals Processing division, Vesuvius is now a focused molten metal engineering company. We are well positioned to deliver revenue growth ahead of our end-markets over the medium term, and we continue to implement a range of actions to improve further our trading margins. I am pleased to announce the first dividend to be declared as Vesuvius. This, together with the share buy-back, confirms our commitment to deliver superior cash returns to shareholders.”

<b>Headline Results (£m) <sup>(1)</sup></b>		<b>H1 2013</b>	<b>H1 2012</b>	<b>H2 2012</b>	<b>FY 2012</b>
<b>Revenue</b>	Steel	<b>514</b>	530	488	1,018
	Foundry	<b>259</b>	289	241	530
	<b>Group</b>	<b>773</b>	819	729	1,548
<b>Trading Profit</b>	Steel	<b>43</b>	51	32	83
	Foundry	<b>28</b>	29	19	48
	<b>Group</b>	<b>71</b>	80	51	131
<b>Trading Margin</b>		<b>9.2%</b>	9.7%	7.1%	8.5%
<b>Profit before Tax <sup>(2)</sup></b>		<b>64</b>	71	46	117
<b>Earnings per share <sup>(2)</sup> (pence)</b>		<b>15.9</b>	16.5	12.4	28.9
<b>Interim Dividend per share (pence)</b>		<b>4.75</b>			

(1) Continuing operations, on an as reported basis, excluding all separately reported items and as restated for IAS19 (revised) (Note 1.8). See Note 20 for non-GAAP measures definitions.

(2) 2012 pro-forma, after adjustments to the interest charge to reflect retrospectively the allocation of debt on demerger between Vesuvius and Alent.

## **Outlook**

We will continue to implement a range of operational initiatives across all of our businesses, to improve our trading margins and maintain our strong cash generation, and we believe that over the medium term these actions should help to drive trading margins towards the levels achieved previously.

Visibility remains limited in our end-markets and activity levels after the normal summer shut-downs in Europe in particular will be a major indicator of underlying end-market conditions in the second half.

## **Returns to shareholders**

The Board intends to deliver attractive returns to shareholders, including long-term dividend growth, and has declared an interim dividend of 4.75 pence per share, payable on 7 October 2013 to shareholders on the register at 30 August 2013.

During the period the Company paid £26.4m in dividends, representing the final dividend for 2012, with a further £0.8m being paid to non-controlling interests, and commenced an on-market share repurchase programme to return up to £30m of the proceeds from the Precious Metals Processing division to shareholders. As at 31 July 2013, £19.3m has been returned to shareholders through the share repurchase programme.

## **CHIEF EXECUTIVE'S STATEMENT**

### **Business overview**

The sale of the Precious Metals Processing division at the end of May completed the structural transformation of the Group following the demerger at the end of 2012, and Vesuvius is now a fully focused molten metal engineering company, principally serving the global steel and foundry industries.

The disposal of Precious Metals generated proceeds of €56.8m and, following the Annual General Meeting, at the beginning of June the Group initiated a programme to return up to £30m of cash to shareholders through on-market repurchases of shares. By the end of the first half a total of 2.8 million shares had been purchased for a total consideration of £10.3m; at close of business on 31 July 5 million shares had been purchased for £19.3m.

The trading environment in the first half of 2013 was stable overall, although there were significant geographic and sector variations across both the steel and foundry end-markets. Generally there was no further deterioration in end-market demand, following the sharp falls seen in the third quarter of 2012. Trading did improve noticeably through the second quarter, but this is typically the strongest period for Vesuvius, before customer summer shut-downs in Europe.

At the same time, it is evident that customer confidence has not yet returned fully, and there are no clear signs of re-stocking building up through the supply chain in either steel or foundry markets. Vesuvius has limited forward visibility of demand, and the most important driver of performance for the rest of the year will be the levels of activity seen in September, when major steel and foundry customers in Europe usually resume full operations after the summer.

Steel Flow Control delivered a good performance, in the context of steel production volumes in most markets being lower than in the same period in 2012. This reflected the impact of the 2012 acquisition of Metallurgica, as well as some 2012 price increases, product sales mix improvements, increased penetration of Vesuvius' technology in some markets, and a more stable raw material pricing environment.

Advanced Refractories delivered a solid performance and in most places, excluding the impact of disposals, revenue was ahead of or in line with the underlying end-markets. Revenue was particularly strong in the Indian and South East Asian markets, driven by improvements in the product sales mix.

A small, low margin refractory installation business in Canada was sold shortly after the end of the first half. This operation generated revenue of £9.5m in the first half, and the disposal is in line with the strategy of moving the Advanced Refractories business up the value chain. As part of the disposal, Vesuvius has entered into a materials supply agreement with the purchaser.

Trading margins in the Steel division reflected the year-on-year reductions in revenue in both businesses, significantly offset by the disposal of the low-margin Andreco Hurl and VGT Dyko refractory businesses, as well as the initial impact of the self-help cost management actions initiated in 2012 across the division.

Foundry produced a solid performance, in mixed end-market conditions, and in most places Foundry revenues were in line with the underlying end-market performance. Production of trucks and light vehicles was lower in most markets than in the same period of 2012, although some recovery was seen in certain geographies as the period progressed. However this was offset by weakness seen in other end-markets, such as mining and railways.

Foundry margins benefitted from the closure of the loss-making Solar Crucibles operations in China at the end of 2012. Excluding the impact of Solar Crucibles, Foundry margins broadly reflected the year-on-year reduction in revenues.

A focus on improved cash and working capital management across all Group businesses led to cash inflows from reduced working capital, and significantly improved trading profit cash conversion, compared to the first half of 2012.

The recent triennial valuation of the Group's UK defined benefit pension plan established that this plan was fully funded as at 31 December 2012. This follows the significant de-risking initiatives undertaken over the last ten years, and the Group has therefore agreed with the Trustee that the current cash contributions of £4.7m per annum will cease immediately, to be replaced by voluntary contributions of £2.0m per annum, starting in January 2014.

## Group trading performance

Group revenue from continuing operations was £773m, a reduction of 5.7% compared to the same period last year, reflecting the weaker conditions year-on-year in the global steel and foundry end-markets. On an underlying basis, adjusting for all acquisitions, disposals and currency differences, first half Group revenue was 5.5% lower than in the same period last year.

However, Group revenue was 6.1% higher than in the second half of 2012, as end-markets generally stabilised and the rapid de-stocking seen in the steel and foundry industries, following the sharp falls in demand in the second half of 2012, came to an end. On an underlying basis, adjusting for all acquisitions, disposals and currency differences, the Group's revenue in the first half was 3.5% higher than in the second half of last year.

Trading profit from continuing operations in the first half was £71m, a decline of 11% on the first half of 2012 (12% on an underlying basis), but 37% higher than the second half of last year (34% on an underlying basis). The first half trading margin was 9.2%, compared to 9.7% in the first half of last year and 7.1% in the second half of 2012. The impact on margins of the year-on-year decline in revenue was partially offset by the disposal of two low-margin refractory businesses, the decision at the end of 2012 to exit the Solar Crucibles business, and the initial benefit of a range of smaller-scale self-help operational actions. The loss-making Solar Crucibles operations in China ceased activity at the end of 2012.

## Steel division

World steel production in the first half of 2013 was 2.1% higher than during the same period last year, with crude steel production growth of 7.7% in China more than offsetting the 2.7% decline in production outside China. The Europe and NAFTA regions together account for more than 70% of Vesuvius' Steel division revenue, and steel production during the first half of 2013 declined year-on-year by 3.9% in EMEA and by 5.4% in the Americas.

Against this backdrop of lower steel production in its main markets, Vesuvius' Steel division revenues in the first half fell by 3.2% compared to the first half of 2012, to £514m. On an underlying basis, Steel division revenue in the first half was 2.9% lower year-on-year.

The trading profit of the Steel division declined by 16.1% year-on-year to £43m, partially reflecting the reduction in the division's revenue. The trading margin was 8.3%, compared to 9.6% in the same period last year and 6.5% in the second half of 2012. The sequential half-on-half margin improvement partially reflected the disposal of the low-margin Andreco Hurl and VGT Dyko businesses, as well as the impact of the self-help actions implemented following the downturn in mid-2012, such as more efficient capacity utilisation and flexible working practices.

Revenue (as reported)	H1 2011	H2 2011	H1 2012	H2 2012	H1 2013
<b>Steel Flow Control £m</b>	269	264	278	264	<b>279</b>
<i>% change y-o-y</i>			+3.3%	0%	+0.3%
<b>Advanced Refractories £m</b>	269	276	252	224	<b>235</b>
<i>% change y-o-y</i>			-6.3%	-18.8%	-7.0%
<b>Total Steel £m</b>	538	540	530	488	<b>514</b>
<b>Trading Profit £m</b>	53	54	51	32	<b>43</b>
<b>Trading Margin %</b>	9.8%	10.0%	9.6%	6.5%	<b>8.3%</b>

## Steel Flow Control

Global steel production represents almost 100% of the end-market for this business. Against the backdrop of lower steel production in its main geographical markets, Vesuvius' Steel Flow Control business revenue in the first half was

flat year-on-year at £279m. This mainly reflected the acquisition of Metallurgica in March 2012, while other factors offsetting the decline in steel production included improved penetration of Vesuvius' technology and positive developments in sales mix. On an underlying basis, Steel Flow Control revenue in the first half was 3.6% lower than in the same period last year.

Steel Flow Control revenue in all major regions was broadly flat in the first half, compared to the same period last year.

Revenue (£m)	EMEA	Americas	Asia	Total
1H 2013	120	101	58	279
1H 2012	117	102	59	278

Steel Flow Control revenue improved by 1.7% in the EMEA region, where crude steel production fell by 3.9% year-on-year. As well as the impact of the Metallurgica acquisition, this reflected some increased penetration of Vesuvius' technology and solutions.

Steel Flow Control also performed well in the Americas region. In South America the fall in steel production was offset by an improved product sales mix. Steel production in NAFTA was 5.8% lower than in the same period in 2012, affected by production outages for maintenance and industrial disputes at some customers and the closure of one producer. However, the impact on Vesuvius revenue in this region was partially mitigated by the continuing benefit of value pricing.

In the Asia region, crude steel production was up in all the main markets except South Korea, and Steel Flow Control revenues in all these markets broadly reflected the underlying market conditions except in China. Revenues were particularly strong in India, where steel production grew by 2.5% and an expansion of steel production capacity utilising Vesuvius' technology and solutions led to a higher value product sales mix.

Steel Flow Control revenue in China was down on the first half of last year but margins improved, with both factors reflecting the new country management's strategy of focusing on the higher quality segments of the Chinese steel production industry, and delivery of a higher value product mix to those customers. Steel Flow Control also benefitted from a more stable raw material pricing environment in China.

### **Advanced Refractories**

Global steel represents around three quarters of the end-market for the Advanced Refractories business, with other high temperature industrial process industries accounting for the remainder of the business's revenue. The strategy for Advanced Refractories is to improve profitability through driving higher value-added solutions for customers, and exiting product lines and businesses where returns are not acceptable.

Vesuvius' Advanced Refractories revenue declined by 7.0% to £235m, mainly reflecting the sale of the Andrecro Hurl and VGT Dyko operations in 2012 and early 2013 respectively. On an underlying basis, first half revenue in Advanced Refractories was 2.0% lower than in the same period last year, due to softer markets in Europe and the Americas.

Revenue (£m)	EMEA	Americas	Asia	Total
1H 2013	106	91	38	235
1H 2012	108	96	48	252

Lower revenue in the EMEA region mainly reflected the disposal of the VGT Dyko operation. In the Americas region, the pending sale of the low-margin construction operation in Canada resulted in reduced revenues.

In the Asia region, the sale of the Andrecro Hurl business in 2012 accounted for all of the year-on-year reduction in revenue in the first half, while significantly enhancing the trading margin delivered in the region. The Advanced Refractories business delivered a good revenue and profit performance in India and South East Asia, driven by a successful focus on delivering higher value products to a higher quality customer base.

### **Foundry division**

The heavy truck and light vehicle industries together represent almost half of the end-market for the Foundry division, with construction, power generation, agricultural and mining equipment and general engineering accounting for the remainder. The weakness in foundry end-markets seen in the second half of last year continued into early 2013. Excluding China, global production of light vehicles declined by 2.4% year-on-year in the first half, and heavy truck production is estimated to have fallen by almost 8%. Some casting end-markets began to show signs of improvement

over the period, although foundries serving the mining industry started to report significantly softer market conditions towards the end of the period.

The Foundry division includes the Fused Silica business, which accounted for less than 10% of the division's total revenue in the first half. This included the Solar Crucibles business, which the Group decided to exit earlier this year. The loss-making business in China ceased activity at the end of 2012 and closed fully at the end of March. In the first half of 2012 Solar Crucibles accounted for revenue of £6m and incurred a trading loss of £6m; in the same period this year, Solar Crucibles revenue was £3m, and the winding down of the activities resulted in a break even position.

Foundry division revenue in the first half, excluding Solar Crucibles, was £256m, down 9.5% compared to the same period in 2012, reflecting the reduction in end-market activity. Trading profit was £28m, 19% lower than the first half of 2012 (excluding Solar Crucibles) due to the normal operational leverage seen in this business, but also reflecting some cost reductions and a better product sales mix. The Foundry trading margin was 10.9% compared to 12.2% (excluding Solar Crucibles) in the same period in 2012.

Excluding Solar Crucible	H1 2011	H2 2011	H1 2012	H2 2012	H1 2013
<b>Revenue £m</b>	284	283	283	237	<b>256</b>
<i>% change y-o-y</i>			-0.4%	-16.2%	-9.5%
<b>Trading profit £m</b>	35	40	35	24	<b>28</b>
<i>% change y-o-y</i>			-0.6%	-39.2%	-19.4%
<b>Trading Margin %</b>	12.3%	14.1%	12.2%	10.3%	<b>10.9%</b>

Vesuvius' regional Foundry revenues broadly reflected the trading conditions in the regional end-markets.

Revenue (£m)	EMEA	Americas	Asia	Total	Solar
<b>1H 2013</b>	116	58	85	259	3
1H 2012	127	66	96	289	6

Heavy truck production in the first half in Europe is estimated to have fallen by around 10% year-on-year, and light vehicle production fell by 7.1%. The fall in vehicle production was particularly marked in the important Northern European markets, which represent the largest proportion of Foundry division sales in this region, and consequently Foundry division revenue in EMEA in the first half was down by 8.7% year-on-year.

Revenue in the Americas region was down by 11.2%, in line with the overall trading conditions in end-markets. Substantially reduced activity in the mining and railroad sectors in particular more than offset the growth seen in some of the region's vehicle markets. Revenue in the Asia region was down by 11.5%, again in line with the overall trading conditions in the end-markets.

The new Foundry division global R&D facility in the Netherlands, which will include an experimental foundry, remains on track to become fully operational by mid-2014.

## FINANCIAL REVIEW

### Restructuring

A restructuring charge of £3.0m was reported in the first half of 2013, representing mainly trailing costs related to the decision to exit the Solar Crucible business. A restructuring charge of £46.3m was incurred in 2012 in respect of the Solar Crucibles business.

Total cash spend on restructuring was £7.3m in the first half of 2013. The remaining provision for restructuring cash costs at the end of the period stood at £14.2m, of which approximately £5m is expected to be spent by the end of 2013.

### Divestments

Completion of the sale of the Precious Metals Processing division to Heimerle + Meule GmbH, a subsidiary of L.Possehl & Co, mbH, was announced on 3 June 2013. The cash consideration of €56.8m was received on completion and is subject to customary closing balance sheet adjustments. The results of the Precious Metals Processing division, together with the net profit arising on the disposal, are reported within discontinued operations.

### **Capital expenditure additions**

Capital expenditure on continuing businesses in the first half of 2013 was £18.9m (H1 2012: £19.1m), comprising £13.3m in the Steel division (H1 2012: £14.6m) and £5.6m in Foundry (H1 2012: £4.5m). Capital expenditure in the period represented a reinvestment rate of 1.0 times depreciation of £19.5m.

### **Net finance costs**

Net interest payable on borrowings in the first half was £6.5m, a reduction of £4.5m compared with the first half of 2012, reflecting the reduction in the Group's overall debt level on demerger, together with a reduction in the average interest rate on borrowings following the repayment in May 2012 of US\$190m of the Group's US Private Placement loan notes, which attracted an interest rate of 8.1%.

On a pro forma basis, finance costs for 2012 represent the estimated finance costs that would have been attributable to the Vesuvius' continuing operations had the demerger occurred on 1 January 2012. These were £8.2m for the first half and £14.4m for the full year.

### **Taxation**

Based on the tax charge on ordinary activities from continuing operations of £16.5m, the Group's headline effective tax rate for the first half of 2013 was 26.5%.

### **Pensions**

The significant amount of de-risking initiatives undertaken in relation to the Group's UK defined benefit plan ("the UK Plan") over the last ten years, culminating in the pensioner buy-in for £320m in 2012, has resulted in the UK plan being fully funded as at 31 December 2012, according to the latest triennial valuation recently approved by the UK Plan Trustee. As a consequence of this, the additional cash contributions of £4.7m per annum being paid by the Company ceased at the end of July 2013. However, the Company has agreed with the UK Plan Trustee to make voluntary contributions of £2.0m per annum, commencing in 2014, to continue to strengthen the position of the UK plan.

The total net deficit in all of the Group's pension and other post-retirement arrangements as at 30 June 2013 was £58m (31 December 2012: £69m).

The Group has adopted IAS19 (revised), Employee Benefits, and has restated prior year comparatives to reflect the position had the revised standard been in place throughout 2012. Administration costs previously reported as part of the Group's interest charge are now charged against trading profit, whilst the interest charge related to the Group's net pension liabilities has increased under the revised standard. The impact on the results previously reported for the first half of 2012 has been to reduce trading profit by £0.5m and to increase the interest charge by £0.1m.

The pension expense charged to trading profit in the first half of 2013 was £2.9m (H1 2012: £2.2m) and the net interest charge was £0.9m (H1 2012: £0.1m).

### **Working capital**

The drive to reduce the level of working capital across all of Vesuvius' businesses continued into 2013, and in the first half there was a cash inflow from reduced working capital of £2.5m (HY 2012: £42.3m cash outflow). Average trade working capital to sales for the trailing twelve month period was 25.8%.

### **Cash flow**

Free cash flow from continuing operations was £38.2m in the first half, compared to £2.2m in the same period in 2012.

Cash generated from continuing operations in the first half of 2013 (after capital expenditure but before outflows for restructuring, demerger costs and additional pension funding contributions) was £72.4m (H1 2012: £40.4m) which represents a cash conversion rate, relative to trading profit, of 102% (H1 2012: 51%; FY 2012: 100%).

### **Capital structure**

On the completion of the disposal of its Precious Metals Processing division, the Group initiated an on-market share repurchase programme, to return up to £30m to shareholders. As at 30 June, £10.3m had been spent on the repurchase of 2.8m shares, at an average price of 369 pence per share.

As a consequence of entering into an irrevocable agreement with the Group's broker for the repurchase of up to £15m of shares during the Close Period which commenced on 30 June 2013, the Group financial statements include an accrual for the repurchase of £15m of shares, estimated to represent some 4.1m shares. These additional shares have been taken into account when calculating the weighted average number of shares used in the calculation of earnings per share for the period, although this had no impact on the reported EPS for the period.

### **Funding position and liquid resources**

The Group is well funded, with £589m of committed debt facilities available, of which £229m was undrawn at 30 June. Of this, £425m is a syndicated revolving credit facility with 16 banks which expires in 2016. The remainder comprises US Private Placement notes, of which US\$110m are repayable in 2017, with the remaining US\$140m repayable in 2020.

Net debt at 30 June was £273m (31 December 2012: £295m). Net debt therefore remains well within existing banking covenants of 3.0 x EBITDA.

### **Risks and uncertainties**

Throughout its global operations, Vesuvius faces various risks, both internal and external, which could have a material impact on the Group's long-term performance. Vesuvius manages the risks inherent in its operations in order to mitigate exposure to all forms of risk, where practical, and to transfer risk to insurers, where cost effective. On pages 58 to 61 of its 2012 Annual Report (a copy of which is available on Vesuvius' website at [www.vesuvius.com](http://www.vesuvius.com)), the Company sets out what the Directors regarded as being the principal risks and uncertainties facing the Group as at 28 March 2013 and which could have a material impact on the Group's long-term performance. Following the disposal of the Group's Precious Metals Processing division in May 2013, the former risk associated with the withdrawal or reduction of precious metal consignment arrangements, or increased precious metal prices, has now been removed. The Directors continue to regard the remaining principal risks and uncertainties therein noted as being those facing the Group which might impact the Group's operations during the remainder of the second half of 2013. These can be summarised as risks associated with:

- Significant weakening in demand in the Group's core end-markets;
- Fluctuations in exchange rates, interest rates or the rate of inflation;
- Loss of customers to competitors if its businesses do not adapt to market developments or protect, maintain and enforce their intellectual property;
- Significant liabilities for any defects of its products or services; and
- Adverse political, legal, regulatory and other developments in countries in which the Group operates.

### **FOR FURTHER INFORMATION PLEASE CONTACT:**

#### **Shareholder/analyst enquiries:**

<b>Vesuvius plc</b>	François Wanecq, Chief Executive	+44 (0) 207 822 0000
	Chris O'Shea, Chief Financial Officer	+44 (0) 207 822 0000
	Maddy Cox-Smith, Investor Relations Manager	+44 (0) 207 822 0016
	Tony Harrison, Group Head of Corporate Finance	+44 (0) 207 822 0000

#### **Media enquiries:**

<b>MHP Communications</b>	John Olsen/Ian Payne	+44 (0) 203 128 8100
---------------------------	----------------------	----------------------

Vesuvius management will make a presentation to analysts and investors on 2 August 2013 at 9.00am (UK time). This will be broadcast live on Vesuvius' website, <http://investors.vesuvius.com/investor-relations> and an archive version of the presentation will be available on the website later that day. To participate in the conference call, please use the following dial in details: +44(0)20 3427 1902; confirmation code 2370873.

### **Forward looking statements**

This announcement contains certain forward looking statements which may include reference to one or more of the following: the Group's financial condition, results of operations, cash flows, dividends, financing plans, business strategies, operating efficiencies or synergies, budgets, capital and other expenditures, competitive positions, growth opportunities for existing products, plans and objectives of management and other matters.

Statements in this announcement that are not historical facts are hereby identified as "forward looking statements". Such forward looking statements, including, without limitation, those relating to the future business prospects, revenue, working capital, liquidity, capital needs, interest costs and income, in each case relating to Vesuvius, wherever they occur in this announcement, are necessarily based on assumptions reflecting the views of Vesuvius and involve a number of known and unknown risks, uncertainties

and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied by the forward looking statements. Such forward looking statements should, therefore, be considered in light of various important factors. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward looking statements include without limitation: economic and business cycles; the terms and conditions of Vesuvius' financing arrangements; foreign currency rate fluctuations; competition in Vesuvius' principal markets; acquisitions or disposals of businesses or assets; and trends in Vesuvius' principal industries.

The foregoing list of important factors is not exhaustive. When relying on forward looking statements, careful consideration should be given to the foregoing factors and other uncertainties and events, as well as factors described in documents the Company files with the UK regulator from time to time including its annual reports and accounts.

Such forward looking statements speak only as of the date on which they are made. Except as required by the Rules of the UK Listing Authority and the London Stock Exchange and applicable law, Vesuvius undertakes no obligation to update publicly or revise any forward looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward looking events discussed in this announcement might not occur.

Vesuvius plc, 165 Fleet Street, London EC4A 2AE  
Registered in England and Wales No. 8217766  
[www.vesuvius.com](http://www.vesuvius.com)



## Directors' responsibility statement

We confirm that to the best of our knowledge:

- (a) The condensed financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as adopted by the EU; and
- (b) This half-yearly financial report includes a fair review of the information required by:
  - DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  - DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period; and any changes in the related parties' transactions described in the last annual report that could do so.

On behalf of the Board

**Chris O'Shea**  
Chief Financial Officer  
2 August 2013

# Independent review report to Vesuvius plc

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-year financial report for the six months ended 30 June 2013 which comprises the condensed Group income statement, the condensed Group statement of comprehensive income, the condensed Group statement of cash flows, the condensed Group balance sheet, the condensed Group statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 reached.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34, *Interim Financial Reporting*, as adopted by the EU.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

**Paul Korolkiewicz**  
**for and on behalf of KPMG LLP**  
Chartered Accountants  
15 Canada Square  
London, E14 5GL

2 August 2013

# Condensed Group Income Statement

For the six months ended 30 June 2013

	Half year 2013				Half year 2012, as restated (note 1.8)			Full year 2012, as restated (note 1.8)		
	Notes	Headline	Separately	Unaudited	Headline	Separately	Unaudited	Headline	Separately	Full year
		Performance	reported items	Half year		performance	reported items		Half year	Performance
		£m	£m	2013		£m	£m		£m	£m
<b>Continuing operations</b>										
Revenue	2	772.7	-	772.7	819.2	-	819.2	1,547.5	-	1,547.5
Manufacturing costs		(562.4)	-	(562.4)	(603.2)	-	(603.2)	(1,149.3)	-	(1,149.3)
Administration, selling and distribution costs		(139.5)	-	(139.5)	(136.4)	-	(136.4)	(266.9)	-	(266.9)
<b>Trading profit</b>	2	<b>70.8</b>	-	<b>70.8</b>	79.6	-	79.6	131.3	-	131.3
Amortisation of intangible assets	3	-	(8.8)	(8.8)	-	(8.8)	(8.8)	-	(17.5)	(17.5)
Restructuring charges	4	-	(3.0)	(3.0)	-	(15.7)	(15.7)	-	(57.0)	(57.0)
Demerger costs	5	-	-	-	-	-	-	-	(15.7)	(15.7)
<b>Profit/(loss) from operations</b>	2	<b>70.8</b>	<b>(11.8)</b>	<b>59.0</b>	79.6	(24.5)	55.1	131.3	(90.2)	41.1
Net finance costs	6	(8.5)	-	(8.5)	(12.4)	-	(12.4)	(21.7)	-	(21.7)
Share of post-tax profit/(loss) of joint ventures		1.4	-	1.4	(0.6)	-	(0.6)	0.1	-	0.1
Loss on disposal of continuing operations	7	-	(0.2)	(0.2)	-	(0.7)	(0.7)	-	(2.3)	(2.3)
<b>Profit/(loss) before tax</b>		<b>63.7</b>	<b>(12.0)</b>	<b>51.7</b>	66.6	(25.2)	41.4	109.7	(92.5)	17.2
Income tax (costs)/credits	8	(16.5)	2.2	(14.3)	(21.2)	3.9	(17.3)	(29.6)	(2.0)	(31.6)
<b>Profit/(loss) for the period from continuing operations</b>		<b>47.2</b>	<b>(9.8)</b>	<b>37.4</b>	45.4	(21.3)	24.1	80.1	(94.5)	(14.4)
<b>Discontinued operations</b>	17	-	17.4	17.4	-	41.5	41.5	-	612.5	612.5
<b>Profit for the period</b>		<b>47.2</b>	<b>7.6</b>	<b>54.8</b>	45.4	20.2	65.6	80.1	518.0	598.1
<b>Profit attributable to:</b>										
Owners of the parent		44.1	7.6	51.7	42.8	20.2	63.0	75.0	518.0	593.0
Non-controlling interests		3.1	-	3.1	2.6	-	2.6	5.1	-	5.1
<b>Profit for the period</b>		<b>47.2</b>	<b>7.6</b>	<b>54.8</b>	45.4	20.2	65.6	80.1	518.0	598.1
<b>Earnings per share (pence)</b>										
	9									
<b>Continuing operations:</b>										
Basic				12.4			7.8			(7.0)
Diluted				12.3			7.7			(6.9)
<b>Total operations:</b>										
Basic				18.6			22.8			213.8
Diluted				18.5			22.5			211.9

# Condensed Group Statement of Comprehensive Income

For the six months ended 30 June 2013

	Unaudited Half year 2013	Unaudited Half year 2012 as restated	Full year 2012 as restated
Note	£m	£m	£m
<b>Profit for the period</b>	<b>54.8</b>	65.6	598.1
<b>Other comprehensive income/(loss) for the period</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Actuarial gains on employee benefits plans	9.8	0.5	1.4
Actuarial losses on employee benefits plans	-	(36.3)	(107.8)
Income tax relating to items not reclassified	(2.1)	5.3	14.8
<b>Items that will not be reclassified subsequently to profit or loss</b>	<b>7.7</b>	<b>(30.5)</b>	<b>(91.6)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of the net assets of foreign operations	31.6	(47.0)	(80.8)
Reclassification of exchange differences on disposal of foreign operation	(6.2)	4.6	31.5
Exchange translation differences arising on net investment hedges	(11.2)	11.2	14.0
Change in fair value of cash flow hedges	0.2	(0.2)	2.3
Change in fair value of cash flow hedges transferred to profit for the period	-	(0.2)	(0.3)
Change in fair value of available-for-sale investments	-	(0.1)	(0.3)
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>14.4</b>	<b>(31.7)</b>	<b>(33.6)</b>
<b>Other comprehensive income/(loss) net of income tax for the period</b>	<b>22.1</b>	<b>(62.2)</b>	<b>(125.2)</b>
<b>Total comprehensive income for the period</b>	<b>76.9</b>	<b>3.4</b>	<b>472.9</b>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the parent	74.2	2.0	469.5
Non-controlling interests	2.7	1.4	3.4
<b>Total comprehensive income for the period</b>	<b>76.9</b>	<b>3.4</b>	<b>472.9</b>

# Condensed Group Statement of Cash Flows

For the six months ended 30 June 2013

	Notes	Unaudited Half year 2013 £m	Unaudited Half year 2012 as restated £m	Full year 2012 as restated £m
<b>Cash flows from operating activities</b>				
Cash generated from operations	12	66.3	49.6	165.3
Net interest paid		(6.1)	(13.2)	(18.7)
Income taxes paid		(18.8)	(29.5)	(60.1)
<b>Net cash inflow from operating activities</b>		<b>41.4</b>	<b>6.9</b>	<b>86.5</b>
<b>Cash flows from investing activities</b>				
Capital expenditure		(20.5)	(34.1)	(80.0)
Proceeds from the sale of property, plant and equipment		1.1	3.6	3.3
Acquisition of subsidiaries and joint ventures, net of cash acquired		-	(26.4)	(26.1)
Disposal of subsidiaries and joint ventures, net of cash disposed of		46.8	14.8	(46.2)
Dividends received from joint ventures		0.8	1.0	1.3
Other investing outflows		(1.4)	(0.9)	(3.4)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>26.8</b>	<b>(42.0)</b>	<b>(151.1)</b>
<b>Net cash inflow/(outflow) before financing activities</b>		<b>68.2</b>	<b>(35.1)</b>	<b>(64.6)</b>
<b>Cash flows from financing activities</b>				
Repayment of borrowings		(76.1)	(117.0)	-
Increase in borrowings		-	155.6	119.1
Settlement of forward foreign exchange contracts		2.7	(4.9)	(23.7)
Proceeds from the issue of share capital		0.1	1.9	2.2
Purchase of own shares		(8.4)	(14.8)	(19.8)
Borrowing facility arrangement costs		-	-	(5.0)
Dividends paid to equity shareholders	10	(26.4)	(40.3)	(61.2)
Dividends paid to non-controlling shareholders		(0.8)	(1.0)	(1.2)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(108.9)</b>	<b>(20.5)</b>	<b>10.4</b>
<b>Net decrease in cash and cash equivalents</b>	11	<b>(40.7)</b>	<b>(55.6)</b>	<b>(54.2)</b>
Cash and cash equivalents at beginning of period		124.7	183.9	183.9
Effect of exchange rate fluctuations on cash and cash equivalents		3.6	(3.3)	(5.0)
<b>Cash and cash equivalents at end of period</b>		<b>87.6</b>	<b>125.0</b>	<b>124.7</b>

	Unaudited Half year 2013 £m	Unaudited Half year 2012 £m	Full year 2012 £m
<b>Free cash flow from continuing operations</b>			
Net cash inflow from operating activities	51.2	16.4	64.0
Additional funding contributions into Group pension plans	6.4	3.5	45.2
Capital expenditure	(20.5)	(19.7)	(56.2)
Proceeds from the sale of property, plant and equipment	1.1	2.0	1.4
Dividends received from joint ventures	0.8	1.0	1.0
Dividends paid to non-controlling shareholders	(0.8)	(1.0)	(1.2)
<b>Free cash flow from continuing operations</b>	<b>38.2</b>	<b>2.2</b>	<b>54.2</b>
<b>Discontinued operations</b>	<b>(9.8)</b>	<b>(22.3)</b>	<b>3.0</b>
<b>Free cash flow</b>	<b>28.4</b>	<b>(20.1)</b>	<b>57.2</b>

# Condensed Group Balance Sheet

As at 30 June 2013

	Notes	Unaudited 30 June 2013 £m	31 December 2012 £m	Proforma Unaudited 30 June 2012 £m
<b>Assets</b>				
Property, plant and equipment		286.0	277.8	293.9
Intangible assets		771.7	763.7	789.4
Employee benefits - net surpluses	13	32.3	23.3	46.2
Interests in joint ventures		15.9	14.4	13.7
Investments		4.9	4.6	4.8
Income tax recoverable		2.2	2.9	3.4
Deferred tax assets		21.0	17.9	11.9
Other receivables		15.4	14.1	12.1
<b>Total non-current assets</b>		<b>1,149.4</b>	<b>1,118.7</b>	<b>1,175.4</b>
Cash and short-term deposits		93.9	129.5	72.1
Inventories		212.7	194.1	244.8
Trade and other receivables		357.4	338.9	392.5
Income tax recoverable		3.7	2.8	1.9
Derivative financial instruments		0.6	-	0.3
Assets classified as held for sale		-	39.9	39.7
<b>Total current assets</b>		<b>668.3</b>	<b>705.2</b>	<b>751.3</b>
<b>Total assets</b>		<b>1,817.7</b>	<b>1,823.9</b>	<b>1,926.7</b>
<b>Equity</b>				
Issued share capital		27.8	27.8	1,777.2
Share premium		0.1	-	-
Other reserves		(1,384.2)	(1,399.0)	(1,368.3)
Retained earnings		2,220.8	2,212.2	330.6
Equity attributable to the owners of the parent		864.5	841.0	739.5
Non-controlling interests		28.7	26.8	25.0
<b>Total equity</b>		<b>893.2</b>	<b>867.8</b>	<b>764.5</b>
<b>Liabilities</b>				
Interest-bearing borrowings		361.8	420.3	575.0
Employee benefits - net liabilities	13	90.0	92.1	100.9
Other payables		14.9	14.2	17.4
Provisions		33.0	31.8	29.5
Deferred tax liabilities		61.5	60.7	68.5
<b>Total non-current liabilities</b>		<b>561.2</b>	<b>619.1</b>	<b>791.3</b>
Interest-bearing borrowings		4.6	4.5	18.0
Trade and other payables		277.6	234.2	259.5
Income tax payable		46.1	45.0	42.6
Provisions		35.0	29.5	15.6
Derivative financial instruments		-	0.3	12.5
Liabilities directly associated with assets classified as held for sale		-	23.5	22.7
<b>Total current liabilities</b>		<b>363.3</b>	<b>337.0</b>	<b>370.9</b>
<b>Total liabilities</b>		<b>924.5</b>	<b>956.1</b>	<b>1,162.2</b>
<b>Total equity and liabilities</b>		<b>1,817.7</b>	<b>1,823.9</b>	<b>1,926.7</b>
<b>Net debt</b>				
Interest-bearing loans - non-current		361.8	420.3	575.0
- current		4.6	4.5	18.0
Cash and short-term deposits		(93.9)	(129.5)	(72.1)
<b>Net debt</b>	11	<b>272.5</b>	<b>295.3</b>	<b>520.9</b>

# Condensed Group Statement of Changes in Equity

For the six months ended 30 June 2013

	Issued share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Owners of the parent £m	Non- controlling interests £m	Total equity £m
<b>As at 1 January 2012</b>	1,765.1	-	(1,356.7)	899.3	1,307.7	24.6	1,332.3
<b>Profit for the period</b>	-	-	-	63.0	63.0	2.6	65.6
<b>Other comprehensive income/(loss) for the period:</b>							
<b>Items that will not be reclassified subsequently to profit or loss:</b>							
Actuarial gains on employee benefits plans	-	-	-	0.5	0.5	-	0.5
Actuarial losses on employee benefits plans	-	-	-	(36.3)	(36.3)	-	(36.3)
Income tax relating to items not reclassified	-	-	-	5.3	5.3	-	5.3
<b>Items that will not be reclassified subsequently to profit or loss</b>	-	-	-	(30.5)	(30.5)	-	(30.5)
<b>Items that may be reclassified subsequently to profit or loss:</b>							
Exchange differences on the net assets of foreign operations	-	-	(45.8)	-	(45.8)	(1.2)	(47.0)
Reclassification of exchange differences on disposal of foreign operation	-	-	4.6	-	4.6	-	4.6
Exchange translation differences arising on net investment hedges	-	-	11.2	-	11.2	-	11.2
Change in fair value of cash flow hedges	-	-	(0.2)	-	(0.2)	-	(0.2)
Change in fair value of cash flow hedges transferred to profit	-	-	(0.2)	-	(0.2)	-	(0.2)
Change in fair value of available-for-sale investments	-	-	(0.1)	-	(0.1)	-	(0.1)
<b>Items that may be reclassified subsequently to profit or loss</b>	-	-	(30.5)	-	(30.5)	(1.2)	(31.7)
<b>Other comprehensive loss net of income tax for the period</b>	-	-	(30.5)	(30.5)	(61.0)	(1.2)	(62.2)
<b>Total comprehensive income for the period</b>	-	-	(30.5)	32.5	2.0	1.4	3.4
Shares issued in the period	12.1	-	(10.2)	-	1.9	-	1.9
Purchase of own shares	-	-	-	(14.8)	(14.8)	-	(14.8)
Recognition of share-based payments	-	-	-	3.1	3.1	-	3.1
Dividends paid (note 10)	-	-	-	(40.3)	(40.3)	(1.0)	(41.3)
<b>Total transactions with owners for the period</b>	12.1	-	(10.2)	(52.0)	(50.1)	(1.0)	(51.1)
<b>As at 1 July 2012, unaudited</b>	1,777.2	-	(1,397.4)	879.8	1,259.6	25.0	1,284.6
<b>Profit for the period</b>	-	-	-	530.0	530.0	2.5	532.5
<b>Other comprehensive income/(loss) for the period:</b>							
<b>Items that will not be reclassified subsequently to profit or loss:</b>							
Actuarial gains on employee benefits plans	-	-	-	0.9	0.9	-	0.9
Actuarial losses on employee benefits plans	-	-	-	(71.5)	(71.5)	-	(71.5)
Income tax relating to items not reclassified	-	-	-	9.5	9.5	-	9.5
<b>Items that will not be reclassified subsequently to profit or loss</b>	-	-	-	(61.1)	(61.1)	-	(61.1)
<b>Items that may be reclassified subsequently to profit or loss:</b>							
Exchange differences on the net assets of foreign operations	-	-	(33.3)	-	(33.3)	(0.5)	(33.8)
Reclassification of exchange differences on disposal of foreign operation	-	-	26.9	-	26.9	-	26.9
Exchange translation differences arising on net investment hedges	-	-	2.8	-	2.8	-	2.8
Change in fair value of cash flow hedges	-	-	2.5	-	2.5	-	2.5
Change in fair value of cash flow hedges transferred to profit	-	-	(0.1)	-	(0.1)	-	(0.1)
Change in fair value of available-for-sale investments	-	-	(0.2)	-	(0.2)	-	(0.2)
<b>Items that will may be reclassified subsequently to profit or loss</b>	-	-	(1.4)	-	(1.4)	(0.5)	(1.9)
<b>Other comprehensive loss net of income tax for the period</b>	-	-	(1.4)	(61.1)	(62.5)	(0.5)	(63.0)
<b>Total comprehensive income for the period</b>	-	-	(1.4)	468.9	467.5	2.0	469.5
Purchase of own shares	-	-	-	(5.0)	(5.0)	-	(5.0)
Recognition of share-based payments	-	-	-	1.7	1.7	-	1.7
Dividends paid (note 10)	-	-	-	(20.9)	(20.9)	(0.2)	(21.1)
Issue of share capital	0.7	-	(0.2)	-	0.5	-	0.5
Capital reduction satisfied by transfer of Alent plc business	(862.4)	-	-	-	(862.4)	-	(862.4)
Court approved capital reduction	(887.7)	-	-	887.7	-	-	-
<b>Total transactions with owners for the period</b>	(1,749.4)	-	(0.2)	863.5	(886.1)	(0.2)	(886.3)
<b>As at 1 January 2013</b>	27.8	-	(1,399.0)	2,212.2	841.0	26.8	867.8

# Condensed Group Statement of Changes in Equity

For the six months ended 30 June 2013

	Issued share capital	Share premium	Other reserves	Retained earnings	Owners of the parent	Non- controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
<b>As at 1 January 2013</b>	27.8	-	(1,399.0)	2,212.2	841.0	26.8	867.8
<b>Profit for the period</b>	-	-	-	51.7	51.7	3.1	54.8
<b>Other comprehensive income/(loss) for the period:</b>							
<b>Items that will not be reclassified subsequently to profit or loss:</b>							
Actuarial gains on employee benefits plans	-	-	-	9.8	9.8	-	9.8
Income tax relating to items not reclassified	-	-	-	(2.1)	(2.1)	-	(2.1)
<b>Items that will not be reclassified subsequently to profit or loss</b>	-	-	-	7.7	7.7	-	7.7
<b>Items that may be reclassified subsequently to profit or loss:</b>							
Exchange differences on the net assets of foreign operations	-	-	32.0	-	32.0	(0.4)	31.6
Reclassification of exchange differences on disposal of foreign operation	-	-	(6.2)	-	(6.2)	-	(6.2)
Exchange translation differences arising on net investment hedges	-	-	(11.2)	-	(11.2)	-	(11.2)
Change in fair value of cash flow hedges	-	-	0.2	-	0.2	-	0.2
<b>Items that may be reclassified subsequently to profit or loss</b>	-	-	14.8	-	14.8	(0.4)	14.4
<b>Other comprehensive loss net of income tax for the period</b>	-	-	14.8	7.7	22.5	(0.4)	22.1
<b>Total comprehensive income for the period</b>	-	-	14.8	59.4	74.2	2.7	76.9
Shares issued in the period	-	0.1	-	-	0.1	-	0.1
Purchase of own shares	-	-	-	(25.4)	(25.4)	-	(25.4)
Recognition of share-based payments	-	-	-	1.0	1.0	-	1.0
Dividends paid (note 10)	-	-	-	(26.4)	(26.4)	(0.8)	(27.2)
<b>Total transactions with owners for the period</b>	-	0.1	-	(50.8)	(50.7)	(0.8)	(51.5)
<b>As at 30 June 2013, unaudited</b>	27.8	0.1	(1,384.2)	2,220.8	864.5	28.7	893.2



# Notes to the condensed financial statements

## 1. Basis of preparation

### 1.1 Basis of accounting

These condensed financial statements of Vesuvius plc (“Vesuvius” or the “Company”) and its subsidiary and joint venture companies (“the Group”) have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as adopted by the EU and in accordance with the Disclosure and Transparency Rules of the UK’s Financial Conduct Authority.

Except as noted in note 1.8 below, these condensed financial statements have been prepared using the same accounting policies as used in the preparation of the Group’s annual financial statements for the year ended 31 December 2012, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU (“IFRS”). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2012. The financial information presented in this document is unaudited, but has been reviewed by the Company’s auditor.

The comparative figures for the financial year ended 31 December 2012 are not the Company’s statutory accounts for that financial year. Those accounts have been reported on by the Company’s auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. These sections address whether proper accounting records have been kept, whether the Company’s accounts are in agreement with those records and whether the auditor has obtained all the information and explanations necessary for the purposes of its audit.

### 1.2 Impact of Cookson Group demerger on comparative financial statement disclosure

The effect of adopting the principles of reverse acquisition to account for the Scheme of Arrangement, by which the demerger of Cookson Group plc was implemented, results in a continuation of the consolidated financial statements of Cookson, now renamed Vesuvius. As a consequence of this, the comparative financial statements of Vesuvius include the full results of the Alent group of companies up to the date of the demerger becoming effective on 19 December 2012. In preparing the disclosure of the results of Vesuvius for 2012, the following approach has been applied:

- The costs incurred by Vesuvius within its central headquarters for the 2012 half-year and full year have been allocated in full between the underlying trading results of continuing and discontinued operations in arriving at the results for Vesuvius as a whole.
- As Cookson Group Limited (formerly Cookson Group plc) remained with Vesuvius plc after the demerger, all of the borrowings and associated financial derivatives entered into by Cookson in the period up to the date of demerger have been treated as belonging to Vesuvius in the comparative financial statements, with the consequence that all of the finance costs relating to those Cookson borrowings have been reported as finance costs of Vesuvius. Borrowings and borrowing costs relating to local debt arrangements established by individual Cookson Group companies other than Cookson Group plc have been reported according to whether they were part of the Alent or Vesuvius group structure. This approach has also been applied to financial assets (net cash) and the related finance income.
- Tax charges in the comparative financial statements have been determined based on the tax charges recorded by Vesuvius companies in local statutory accounts, together with certain adjustments relating to those entities made for Group consolidation purposes. The tax charges recorded in the Group income statement for 2012 have been affected by the tax arrangements within the former Cookson Group and are not necessarily representative of the tax charges that would have been reported had Vesuvius been an independent group throughout 2012, nor of tax charges that may arise thereafter.

As a consequence of the above, the pre-demerger historical financial performance of Vesuvius in its comparative 2012 financial statements comprises the full consolidated financial performance of Cookson Group plc, albeit that in the income statements the total Group results have been analysed between continuing (Vesuvius companies only) and discontinued (Alent and Precious Metals Processing) operations.

The demerger of Alent was reflected in the Vesuvius financial statements as the sale, by Vesuvius, of the consolidated Alent business on 19 December 2012. Hence the 2012 income statement of Vesuvius includes, within “discontinued operations”, the trading performance of Alent up to 19 December 2012, together with the profit on the ‘sale’ of Alent. Similarly, the trading results of the Precious Metals Processing division (including the US operations) have been included within discontinued operations in the comparative financial statements.

### 1.3 Pro forma balance sheet as at 30 June 2012

In order to provide for a better comparison with the Group balance sheets as at 31 December 2012 and 30 June 2013, which are both post-demerger and therefore exclude Alent, the balance sheet as at 30 June 2012 has been adjusted in order to remove the balances related to the Alent group of companies. In addition, the assets and liabilities relating to the Precious Metals Processing division, whilst strictly not meeting the criteria for held for sale at 30 June 2013, have been reclassified to ‘held for sale’, which is how they were reported as at 31 December 2012.

# Notes to the condensed financial statements

## 1. Basis of preparation, continued

### 1.4 Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and entities controlled by the Company (its "subsidiaries"). Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing whether control exists, potential voting rights that are currently exercisable are taken into account. The results of subsidiaries acquired or disposed of during the year are included in the Group income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those detailed herein to ensure that the Group financial statements are prepared on a consistent basis. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's interest therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination together with the non-controlling interests' share of profit or loss and each component of other comprehensive income since the date of the combination. Total comprehensive income is attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### 1.5 Going concern

The Directors have prepared cash flow forecasts for the Group for a period in excess of 12 months from the date of approval of the 2013 interim financial statements. These forecasts reflect an assessment of current and future end-market conditions and their impact on the Group's future trading performance. The forecasts show that the Group will be able to operate within the current committed debt facilities and show continued compliance with the Company's financial covenants. On the basis of the exercise described above and the Group's available committed debt facilities, the Directors consider that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements of the Group.

### 1.6 Functional and presentation currency

The condensed financial statements are presented in millions of pounds sterling, which is the functional currency of the Company, and rounded to one decimal place

### 1.7 Disclosure of exceptional items as "separately reported items"

International Accounting Standard 1 ("IAS 1"), *Presentation of Financial Statements*, provides no definitive guidance as to the format of the income statement, but states key lines which should be disclosed. It also encourages the disclosure of additional line items and the reordering of items presented on the face of the income statement when appropriate for a proper understanding of the entity's financial performance. In accordance with IAS 1, the Company has adopted a policy of disclosing separately on the face of its condensed Group income statement, within the column entitled "Separately reported items", the effect of any components of financial performance for which the Directors consider separate disclosure would assist both in a better understanding of the financial performance achieved and in making projections of future results.

Both materiality and the nature and function of the components of income and expense are considered in deciding upon such presentation. Such items may include, *inter alia*, amortisation charges relating to intangible assets, the financial effect of major restructuring activity, profits or losses relating to non-current assets, gains or losses relating to employee benefits plans, finance costs, profits or losses arising on business disposals, and other items, including the taxation impact of the aforementioned items, which have a significant impact on the Group's results either due to their size or nature.

### 1.8 New and revised IFRS

During the period, the Group has adopted IAS 19 (revised), *Employee Benefits* which makes changes to the recognition, measurement and disclosure of defined benefit pension schemes. The impact can be summarized as follows which has required a restatement of the prior period's consolidated results:

- The net finance cost relating to employee benefits plans has been previously presented gross within finance income and finance expense within the condensed Group income statement. The amount is now considered to be a single finance cost on the net pension liability. Prior period comparatives have been restated.
- Operating costs have been increased by £0.5m for the half year 2012 (2012: full year £1.7m), as a result of the requirement to include pension scheme administration costs in operating costs. Such costs include the PFI levy and actuarial, legal and trustee charges which, under the previous IAS 19, were allowed to be included within net finance costs.
- IAS 19(R), requires the interest on the net defined benefit liability to be calculated by applying a high quality corporate bond yield to the net defined benefit liability. This has resulted in the net pension interest charge for the half year 2012 of £nil, as previously reported, to become £0.1m (2012: full year net charge of £0.6m becomes £0.1m, as restated) with an equal and opposite effect on the remeasurement of the net defined benefit liability in the Condensed Group statement of comprehensive income.

In addition, during the period, the Group adopted a number of other new standards and amendments which became effective, none of which had a material impact on the Group's net cash flow, financial position, total comprehensive income or earnings per share.

## Notes to the condensed financial statements

### 2. Segment information

#### Operating segments for continuing operations:

For reporting purposes, the Group is organised into two main business segments: Steel and Foundry and the senior executive management of these business segments reports to the Chief Executive of the Group. It is the Vesuvius Board which makes the key operating decisions in respect of these segments. The information used by the Vesuvius Board to review performance and determine resource allocation between the business segments is presented with the Group's activities segmented between Steel and Foundry. Taking into account the basis on which the Group's activities are reported to the Vesuvius Board, the Directors believe that these two business segments are the appropriate way to analyse the Group's results.

Segment revenue represents revenue from external customers (inter-segment revenue is not material). Trading profit includes items directly attributable to a segment as well as those items that can be allocated on a reasonable basis. The costs incurred by Vesuvius within its central headquarters have been allocated in full across the Group's two segments for the period ended 30 June 2013. In the comparative periods these costs were allocated in part to the Group's discontinued operations.

#### Discontinued operations:

Discontinued operations in 2013 comprise only the European Precious Metals Processing business.

Discontinued operations in 2012 include the results of the Alent group of companies for the period up to 19 December 2012, when they were demerged from Vesuvius, together with the results of the US Precious Metals Processing business for the period up to 1 May 2012 when it was sold and the European Precious Metals Processing business, which was held for sale as at 31 December 2012 and subsequently sold on 31 May 2013, for the whole of the year. Prior year comparatives have been restated accordingly.

The operating segment results from continuing operations are presented below.

	Unaudited half year 2013		
	Steel £m	Foundry £m	Continuing Operations £m
<b>Segment revenue</b>	<b>513.4</b>	<b>259.3</b>	<b>772.7</b>
Segment EBITDA (note 20.9)	55.1	35.2	90.3
Segment depreciation	(12.3)	(7.2)	(19.5)
<b>Segment trading profit</b>	<b>42.8</b>	<b>28.0</b>	<b>70.8</b>
Amortisation of intangible assets			(8.8)
Restructuring charges			(3.0)
<b>Profit from operations</b>			<b>59.0</b>
Net finance costs			(8.5)
Share of post-tax profit of joint ventures			1.4
Loss on disposal of continuing operations			(0.2)
<b>Profit before tax</b>			<b>51.7</b>
Return on sales margin (%) (note 20.3)	8.3	10.8	9.2
Capital expenditure additions (£m)	13.3	5.6	18.9

## Notes to the condensed financial statements

### 2. Segment information, continued

	Unaudited half year 2012, as restated		
	Steel £m	Foundry £m	Continuing Operations £m
<b>Segment revenue</b>	530.4	288.8	819.2
Segment EBITDA (note 20.9)	63.8	38.6	102.4
Segment depreciation	(12.8)	(10.0)	(22.8)
<b>Segment trading profit</b>	51.0	28.6	79.6
Amortisation of intangible assets			(8.8)
Restructuring charges			(15.7)
<b>Profit from operations</b>			55.1
Net finance costs			(12.4)
Share of post-tax loss of joint ventures			(0.6)
Loss on disposal of continuing operations			(0.7)
<b>Profit before tax</b>			41.4
Return on sales margin (%) (note 20.3)	9.6	9.9	9.7
Capital expenditure additions (£m)	14.6	4.5	19.1

	Full year 2012, as restated		
	Steel £m	Foundry £m	Continuing Operations £m
<b>Segment revenue</b>	1,017.3	530.2	1,547.5
Segment EBITDA (note 20.9)	107.8	66.6	174.4
Segment depreciation	(25.1)	(18.0)	(43.1)
<b>Segment trading profit</b>	82.7	48.6	131.3
Amortisation of intangible assets			(17.5)
Restructuring charges			(57.0)
Demerger costs			(15.7)
<b>Profit from operations</b>			41.1
Net finance costs			(21.7)
Share of post-tax profit of joint ventures			0.1
Loss on disposal of continuing operations			(2.3)
<b>Profit before tax</b>			17.2
Return on sales margin (%) (note 20.3)	8.1	9.2	8.5
Capital expenditure (£m)	38.5	18.7	57.2

## Notes to the condensed financial statements

### 3. Amortisation of intangible assets

Intangible assets other than goodwill arose on the acquisition of Foseco in 2008 and are being amortised on a straight-line basis over their useful lives. The assets acquired and their remaining useful lives are shown below.

	Remaining useful life years	Unaudited Net book value as at 30 June 2013 £m
Customer relationships	14.8	85.0
Trade name	14.8	53.4
Intellectual property rights	4.8	38.1
		<u>176.5</u>

### 4. Restructuring charges from continuing operations

In the first half of 2013, restructuring charges from continuing operations of £3.0m were incurred (2012: half year £15.7m; full year £57.0m) and arose mainly in connection with the decision, announced in March 2013, to exit the Solar Crucible business of the Foundry division, together with trailing costs of prior year initiatives that included redundancy programmes, the downsizing or closure of facilities, the streamlining of manufacturing processes and the rationalisation of product lines. The net tax credit attributable to these charges was £nil (2012: half year £0.5m; full year £4.6m).

Cash costs of £7.3m (2012: half year £5.7m; full year £11.4m) were incurred in the period in respect of the restructuring initiatives commenced both in 2013 and in prior years, leaving provisions made but unspent of £14.2m as at 30 June 2013 (2012: 30 June £13.5m; 31 December £17.1m), of which £5.2m (2012: 30 June £5.8m; 31 December £5.6m) relates to future lease costs in respect of leases expiring between one and ten years.

### 5. Demerger costs

The cash costs associated with the preparation and execution of the demerger of the Alent group of businesses from Cookson Group plc, to the extent that they were allocated to Vesuvius, have been separately reported in the income statement. Costs totalling £15.7m were charged in the year to 31 December 2012, primarily relating to professional advisor fees for financial, audit, accounting, legal and pensions advice. Fees in connection with the negotiated changes to the former Cookson debt arrangements in order to provide Vesuvius with ongoing borrowing facilities were £2.0m and were, as required by IFRS, capitalised against the associated borrowings and are being amortised over the expected life of those debt arrangements.

Tax-related costs of £11.4m were incurred in the year to 31 December 2012 in connection with the transactions necessary to reorganise the legal entity structure of the former Cookson group of companies so as to facilitate the demerger.

In addition to the costs charged to the income statement as noted above, a cash injection of £38.0m was agreed with the UK pension plan Trustee to be paid into the UK defined benefit plan in mitigation for the loss of strength in the employer covenant which resulted from the demerger as a consequence of the two UK Alent participating employers leaving the plan. The mitigation payment did not represent a charge to the income statement under IFRS, but is reported as an additional employer funding contribution to the UK pension plan. Of the total £38.0m, £34.0m was paid in December 2012, with the remaining £4.0m paid in January 2013.

## Notes to the condensed financial statements

### 6. Net finance costs

Total net finance costs for the half year 2013 of £8.5m is analysed in the table below.

	Unaudited Half year 2013 £m	Unaudited Half year as restated 2012 £m	Full year as restated 2012 £m
<b>Continuing operations</b>			
Interest cost of borrowings	(7.1)	(11.9)	(20.6)
Pension interest cost, net	(0.9)	(0.1)	(0.1)
Other finance costs	(1.3)	(1.5)	(2.8)
<b>Total finance costs</b>	<b>(9.3)</b>	<b>(13.5)</b>	<b>(23.5)</b>
<b>Finance income</b>	<b>0.8</b>	<b>1.1</b>	<b>1.8</b>
<b>Total net finance costs, continuing operations</b>	<b>(8.5)</b>	<b>(12.4)</b>	<b>(21.7)</b>
<b>Discontinued operations</b>	-	(0.6)	(1.2)
<b>Total net finance costs</b>	<b>(8.5)</b>	<b>(13.0)</b>	<b>(22.9)</b>
<b>Net finance costs, continuing operations – Pro forma</b>		<b>(8.2)</b>	<b>(14.4)</b>

The majority of the Cookson group external debt held pre-demerger was held by companies which subsequently formed the Vesuvius group and, accordingly, the associated finance costs are reported in 2012 as part of continuing operations. The pro forma basis noted above aims to estimate the finance costs which would have been attributable to Vesuvius as a stand-alone company, had the demerger taken place at the beginning of 2012.

### 7. Loss on disposal of continuing operations

The net loss on disposal of continuing operations in the first half of 2013 of £0.2m relates to the disposal of a non-core business held for sale as at 31 December 2012. In the first half of 2012, the net loss on disposal of continuing operations of £0.7m, included trailing costs related to prior year disposals and costs related to current period disposals. No tax was attributable to these losses.

In respect of the year to 31 December 2012, the loss on disposal of continuing operations comprised £4.0m profit on sale of the Andreco-Hurll refractory lining installation business in Australia, together with the write-down of £2.7m related to assets of a non-core business held for sale as at 31 December 2012, plus £3.6m of trailing costs of prior year disposals. The tax charge attributable to these net losses was £1.9m.

### 8. Income tax costs

The Group's effective tax rate, based on the tax charge on ordinary activities from continuing operations of £16.5m, was 26.5% in 2013.

Tax charges in the comparative financial statements have been determined based on the tax charges recorded by Vesuvius companies in local statutory accounts, together with certain adjustments relating to those entities made for Group consolidation purposes. The tax charges recorded in the Group income statement for 2012 have been affected by the tax arrangements within the former Cookson group and are not necessarily representative of the tax charges that would have been reported had Vesuvius been an independent group throughout 2012, nor of tax charges that may arise thereafter.

The Group's total income tax costs for continuing operations include a credit of £2.2m (2012: half year £3.9m credit; full year £2.0m charge) relating to exceptional items comprising: a credit of £nil (2012: half year £0.5m; full year £4.6m) in relation to restructuring charges; a credit of £2.2m (2012: half year £3.4m; full year £6.7m) relating to the amortisation of intangible assets; a charge of £nil (2012: half year £nil; full year £11.4m) relating to demerger costs; and a charge of £nil (2012: half year £nil; full year £1.9m) relating to the loss on disposal of continuing operations. Tax charged in the Group statement of comprehensive income in the year amounted to £2.1m (2012: half year £5.3m credit; full year £14.8m credit), all of which related to net actuarial gains and losses on employee benefits plans.

From 1 April 2013, the UK corporation tax rate reduced to 23% from 24%. On 2 July 2013, the UK Government passed the 2013 Finance Bill, which will reduce the main rate of corporation tax to 21% from 1 April 2014, with a further reduction to 20% from 1 April 2015, although these reductions were not substantively enacted at the balance sheet date. Accordingly, the Group's closing UK deferred tax liability has been provided using a tax rate of 23%. The impact of using the lower tax rate for the full year will be to increase the exceptional tax credit relating to the amortisation of intangible assets by approximately £2.7m.

## Notes to the condensed financial statements

### 9. Earnings per share ("EPS")

#### 9.1 Per share amounts

	Continuing operations	Discontinued operations	Unaudited Half year 2013	Continuing operations as restated pence	Discontinued operations as restated pence	Unaudited Half year 2012 as restated pence
	pence	pence	pence			
Earnings/(loss) per share - basic	12.4	6.2	18.6	7.8	15.0	22.8
- diluted	12.3	6.2	18.5	7.7	14.8	22.5
- headline	15.9			15.5		
- diluted headline	15.9			15.3		

	Continuing operations as restated pence	Discontinued operations as restated pence	Full year 2012 as restated pence
Earnings/(loss) per share - basic	(7.0)	220.8	213.8
- diluted	(6.9)	218.8	211.9
- headline	27.0		60.1
- diluted headline	26.8		59.6

#### 9.2 Earnings for EPS

Basic and diluted EPS from continuing operations are based upon the profit attributable to owners of the parent, as reported in the condensed Group income statement, of £34.3m (2012: half year £21.5m; full year £19.5m loss), being the profit for the period of £37.4m (2012: half year £24.1m; full year £14.4m loss) less non-controlling interests of £3.1m (2012: half year £2.6m; full year: £5.1m). Basic and diluted EPS from total operations are based on the profit attributable to owners of the parent of £51.7m (2012: half year £63.0m; full year £593.0m). Headline and diluted headline EPS are based upon headline profit from continuing operations attributable to owners of the parent of £44.1m (2012: half year £42.8m; full year £75.0m). The table below reconciles these different profit measures:

	Unaudited Half year 2013	Unaudited Half year 2012 as restated	Full year 2012 as restated
	£m	£m	£m
<b>Continuing operations</b>			
<b>Profit/(loss) attributable to owners of the parent</b>	<b>34.3</b>	21.5	(19.5)
Adjustments for exceptional items:			
Amortisation of intangible assets	8.8	8.8	17.5
Restructuring costs	3.0	15.7	57.0
Demerger costs	-	-	15.7
Loss on disposal of continuing operations	0.2	0.7	2.3
Tax relating to exceptional items	(2.2)	(3.9)	2.0
<b>Headline profit attributable to owners of the parent – continuing operations</b>	<b>44.1</b>	42.8	75.0
<b>Discontinued operations</b>	<b>(2.1)</b>	51.5	91.7
<b>Headline profit attributable to owners of the parent</b>	<b>42.0</b>	94.3	166.7

#### 9.3 Weighted average number of shares

	Unaudited Half year 2013	Unaudited Half year 2012	Full year 2012
	m	m	m
For calculating basic and headline EPS	277.6	276.7	277.4
Adjustment for dilutive potential ordinary shares	0.6	2.9	2.5
For calculating diluted and diluted headline EPS	278.2	279.6	279.9

## Notes to the condensed financial statements

### 9. Earnings per share ("EPS"), continued

#### 9.3 Weighted average number of shares, continued

As a result of the reorganisation of the Cookson legal structure in December 2012, Vesuvius plc became the new parent of Cookson Group plc. Therefore the weighted average number of ordinary shares outstanding for the full year 2012, has been calculated using the number of ordinary shares issued by Vesuvius plc at the date of reorganisation, 17 December 2012, and adjusted for movements in the number of ordinary shares of Cookson Group plc from the beginning of each period prior to the reorganisation and movements in the number of ordinary shares outstanding from the reorganisation date to 31 December 2012, using the actual number of ordinary shares in Vesuvius plc outstanding during that latter period. The weighted average number of shares for the half year 2012 relate to the number of ordinary shares of Cookson Group plc for that period.

For the purposes of calculating diluted basic and diluted headline EPS, the weighted average number of ordinary shares is adjusted to include the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares relating to the Company's share-based payment plans. Potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease earnings per share, or increase loss per share, from continuing operations.

### 10. Dividends

	Unaudited Half year 2013 £m	Unaudited Half year 2012 £m	Full year 2012 £m
<b>Amounts recognised as dividends and paid to equity holders during the period</b>			
Final dividend for the year ended 31 December 2011 of 14.5p per ordinary share	-	40.3	40.3
Interim dividend for the year ended 31 December 2012 of 7.5p per ordinary share	-	-	20.9
Final dividend for the year ended 31 December 2012 of 9.5p per ordinary share	<b>26.4</b>	-	-
	<b>26.4</b>	40.3	61.2

The Directors have declared an interim dividend of 4.75p per ordinary share in respect of the year ending 31 December 2013. The dividend will be paid on 7 October 2013 to ordinary shareholders on the register at the close of business on 30 August 2013. Based upon the number of ordinary shares in issue at 30 June 2013, the total cost of the dividend would be £13.1m.

The interim dividend in 2012 declared by Cookson Group plc was 7.5p per share. Had the same percentage split of that interim dividend been made between Vesuvius plc and Alent plc as was done for the final dividend for 2012, the comparative interim dividend for Vesuvius plc for 2012 would have been 4.75p per share.

### 11. Net debt

	Balance at 1 January 2013 £m	Unaudited			Balance at 30 June 2013 £m
		Foreign exchange adjustments £m	Non-cash Movements £m	Cash flow £m	
<b>Cash and cash equivalents</b>					
Short-term deposits	8.2	0.4	-	(2.1)	6.5
Cash at bank and in hand	121.3	3.2	-	(37.1)	87.4
Bank overdrafts	(4.8)	-	-	(1.5)	(6.3)
				(40.7)	
<b>Borrowings, excluding bank overdrafts</b>					
Current	(1.8)	-	-	1.6	(0.2)
Non-current	(423.4)	(15.2)	-	74.5	(364.1)
Capitalised borrowing costs	5.2	-	(1.0)	-	4.2
				76.1	
<b>Net debt</b>	<b>(295.3)</b>	<b>(11.6)</b>	<b>(1.0)</b>	<b>35.4</b>	<b>(272.5)</b>



## Notes to the condensed financial statements

### 12. Cash generated from operations

	Continuing operations	Discontinued operations	Unaudited Half year 2013	Continuing Operations as restated	Discontinued Operations as restated	Unaudited Half year 2012 as restated
	£m	£m	£m	£m	£m	£m
<b>Profit from operations</b>	<b>59.0</b>	<b>(2.2)</b>	<b>56.8</b>	55.1	58.6	113.7
Adjustments for:						
Amortisation of intangible assets	8.8	-	8.8	8.8	-	8.8
Restructuring charges	3.0	0.1	3.1	15.7	2.5	18.2
Depreciation	19.5	-	19.5	22.8	4.7	27.5
<b>EBITDA</b>	<b>90.3</b>	<b>(2.1)</b>	<b>88.2</b>	102.4	65.8	168.2
Increase in inventories	(12.6)	-	(12.6)	(6.2)	(1.6)	(7.8)
Increase in trade receivables	(18.3)	-	(18.3)	(28.0)	(1.8)	(29.8)
Increase/(decrease) in trade payables	11.0	-	11.0	(12.4)	(11.1)	(23.5)
Decrease/(increase) in other working capital balances	22.4	-	22.4	4.3	(33.2)	(28.9)
Net decrease/(increase) in trade and other working capital	2.5	-	2.5	(42.3)	(47.7)	(90.0)
Net operating outflow relating to assets and liabilities classified as held for sale	0.1	(7.7)	(7.6)	-	(1.6)	(1.6)
Outflow related to restructuring charges	(7.3)	-	(7.3)	(5.7)	(17.8)	(23.5)
Outflow related to demerger costs	(3.1)	-	(3.1)	-	-	-
Additional pension funding contributions	(6.4)	-	(6.4)	(3.5)	-	(3.5)
<b>Cash generated from operations</b>	<b>76.1</b>	<b>(9.8)</b>	<b>66.3</b>	50.9	(1.3)	49.6

	Continuing Operations as restated	Discontinued operations as restated	Full year 2012 as restated
	£m	£m	£m
<b>Profit from operations</b>	41.1	103.2	144.3
Adjustments for:			
Amortisation of intangible assets	17.5	-	17.5
Restructuring charges	57.0	3.8	60.8
Demerger costs	15.7	10.0	25.7
Depreciation	43.1	9.8	52.9
<b>EBITDA</b>	174.4	126.8	301.2
Decrease/(increase) in inventories	39.5	(7.2)	32.3
Decrease/(increase) in trade receivables	13.6	(10.9)	2.7
Decrease in trade payables	(31.6)	(8.7)	(40.3)
Increase in other working capital balances	(8.6)	(24.8)	(33.4)
Net decrease/(increase) in trade and other working capital	12.9	(51.6)	(38.7)
Net operating outflow relating to assets and liabilities classified as held for sale	0.7	0.4	1.1
Outflow related to restructuring charges	(11.4)	(20.5)	(31.9)
Outflow related to demerger costs	(12.5)	(6.6)	(19.1)
Additional pension funding contributions	(45.2)	(2.1)	(47.3)
<b>Cash generated from operations</b>	118.9	46.4	165.3

## Notes to the condensed financial statements

### 13. Employee benefits

The net employee benefits balance as at 30 June 2013 of £57.7m (2012: half year £54.7m; full year £68.8m) in respect of the Group's defined benefit pension and other post-retirement benefit obligations, comprised net surpluses of £32.3m (2012: half year £46.2m; full year £23.3m) and net liabilities of £90.0m (2012: half year £100.9m; full year £92.1m), and results from an interim actuarial valuation of the Group's defined benefit pension and other post-retirement obligations as at that date.

	Unaudited 30 June 2013 £m	31 December 2012 £m	Pro forma Unaudited 30 June 2012 £m
<b>Employee benefits – net surpluses</b>			
UK defined benefit pension plan	<b>32.3</b>	23.3	46.2
<b>Employee benefits – net liabilities</b>			
US defined benefit pension plans	<b>32.2</b>	35.2	45.8
Germany defined benefit pension plans	<b>33.0</b>	33.0	33.7
ROW defined benefit pension plans	<b>15.2</b>	16.6	13.0
Other post-retirement benefit obligations	<b>9.6</b>	7.3	8.4
	<b>90.0</b>	92.1	100.9
<b>Employee benefits – total net liabilities</b>	<b>57.7</b>	68.8	54.7

The total net charges in respect of the Group's defined benefit pension and other post-retirement benefit obligations are shown in the table below:

	Unaudited Half year 2013 as restated £m	Unaudited Half year 2012 as restated £m	Full year 2012 as restated £m
In arriving at trading profit - within manufacturing costs	<b>0.7</b>	0.9	1.8
- within administration, selling and distribution costs	<b>2.2</b>	1.3	3.1
In arriving at profit from operations - restructuring charges	-	-	0.1
In arriving at profit before tax - within net finance costs	<b>0.9</b>	0.1	0.1
<b>Continuing operations – charge</b>	<b>3.8</b>	2.3	5.1
<b>Discontinued operations</b>	-	-	(4.5)
<b>Total net charge</b>	<b>3.8</b>	2.3	0.6

Cash contributions into the Group's defined benefit pension plans amounted to £8.4m (2012: half year £7.8m; full year £56.5m), which included additional funding contributions of £6.4m (2012: half year £3.5m; full year £47.3m).

### 14. Shareholders' equity

Following the completion of the sale of the European Precious Metals division on 31 May 2013, the Group commenced an on-market share repurchase programme to return up to £30m to shareholders, and this exercise is expected to take up to six months to complete. As at 30 June 2013, the Group had repurchased 2,776,000 of its own ordinary shares for £10.3m. Further information of share repurchases after the balance sheet date is given in note 18.

On 14 December 2012, Vesuvius plc issued 278,448,752 ordinary shares of 638.5 pence each (£1,777.9m) to the public shareholders of Cookson Group plc in exchange for the entire share capital of Cookson Group plc. The excess of the Vesuvius plc share capital (£1,777.9m) over the total share capital and share premium of Cookson Group plc as at 14 December 2012 (£278.9m) gave rise to an "other reserve" of £1,499.0m.

On 19 December 2012, the Company demerged the Alent business (formerly the Performance Materials division of Cookson Group plc), whereby the share capital of the Company (£1,777.9m) was reduced by: a) cancelling and extinguishing paid-up capital on each of the Vesuvius plc shares in issue immediately prior to the confirmation by the Court of the Vesuvius plc capital reduction, to the extent that the amount paid up on each such Vesuvius plc share shall be 10 pence; and b) reducing the nominal value of each of the Vesuvius plc shares to 10 pence each.

In respect of the paid-up capital cancelled pursuant to (a) above: £862.4m was repaid, with such repayment being satisfied by the transfer by the Company to Alent plc of the entire share capital of Alent Investments Limited, in consideration of the allotment and issue by Alent plc of one Alent plc share for each Vesuvius plc share held by the Vesuvius plc shareholders at the date of the demerger; and the balance of £887.7m was retained and transferred to the reserves of the Company to be available for future distributions, leaving issued share capital of £27.8m.

## Notes to the condensed financial statements

### 15. Related parties

All transactions with related parties are conducted on an arm's length basis and in accordance with normal business terms. Transactions between related parties that are Group subsidiaries are eliminated on consolidation.

### 16. Contingent liabilities

Guarantees given by the Group under property leases of operations disposed of amounted to £3.3m (2012: £3.4m).

Vesuvius has extensive international operations and is subject to various legal and regulatory regimes, including those covering taxation and environmental matters. Several of the Group's subsidiaries are parties to legal proceedings, certain of which are insured claims arising in the ordinary course of the operations of the company involved, and the Directors are aware of a number of issues which are, or may be, the subject of dispute with tax authorities. Reserves are made for the expected amounts payable in respect of known or probable costs resulting both from legal or other regulatory requirements, or from third-party claims. As the settlement of many of the obligations for which reserve is made is subject to legal or other regulatory process, the timing and amount of the associated outflows is subject to some uncertainty.

Certain of Vesuvius' subsidiaries are subject to lawsuits, predominantly in the US, relating to a small number of products containing asbestos manufactured prior to the acquisition of those subsidiaries by Vesuvius. These suits usually also name many other product manufacturers. To date, Vesuvius is not aware of there being any liability verdicts against any of these subsidiaries. A number of lawsuits have been withdrawn, dismissed or settled and the amount paid, including costs, in relation to this litigation has not had a material adverse effect on the Group's financial position or results of operations.

Cookson Precious Metals Ltd, formerly part of the VAT group headed by Cookson Group Ltd, a continuing subsidiary of Vesuvius plc, was engaged in transactions involving the purchase of scrap platinum until October 2009. Vesuvius has been informed by HMRC that, in HMRC's view, certain external third parties within the supply chain for those transactions deliberately failed to account to HMRC for VAT. Such fraud is commonly known as Missing Trader Intra-Community Fraud. As a consequence of fraudulent actions of those third parties, HMRC have asserted that the ability of Vesuvius to retain VAT recovered on the relevant transactions should be limited. HMRC's investigations are on-going and Cookson Group Ltd has to date been notified of VAT loss in the supply chain relating to the trades in the relevant period of approximately £11m. It has been assessed on £8m of this amount to date, together with associated penalties, both of which the Company is disputing rigorously. The VAT relating to these trades has been repaid to Vesuvius pending completion of this investigation. In the light of legal advice received by Vesuvius, the Directors intend to pursue the remedies available to Vesuvius to retain the VAT repayment.

Certain subsidiary companies of Vesuvius plc and Alent plc are defendants in two actions brought by MacDermid (incorporated in the United States), which are pending in the Connecticut Superior Court and arise out of corporate activity involving the parties in the autumn of 2006. The first action was commenced in 2009 and the second action was commenced in August 2012. MacDermid claims damages of approximately \$62m, plus punitive or exemplary damages, costs and interest which are currently unquantifiable. Both Vesuvius and Alent believe these claims have no merit and are vigorously defending these actions. Each of Vesuvius and Alent anticipate filing motions for summary judgement in both cases by the end of 2013 and, if any claims remain pending decisions on those motions, a trial in the first action is anticipated in the second half of 2013 or early 2014. Any liability relating to the MacDermid claim arising following the demerger of Cookson Group will be split equally between Alent plc and Vesuvius plc.

### 17. Discontinued operations

Discontinued operations in 2013 comprise only the post-tax results of the European Precious Metals Processing business for the period up to 31 May 2013 when it was sold, together with the profit arising on its disposal.

In 2012, discontinued operations comprised: (i) the post-tax results of the Alent group of companies for the period up to 19 December 2012, when they were demerged from Vesuvius, together with the profit on demerger of Alent; (ii) the post-tax results of the US Precious Metals Processing business for the period up to 1 May 2012 when it was sold, together with the loss arising on its disposal; and (iii) the post-tax results the European Precious Metals Processing business, which was held for sale as at 31 December 2012, for the whole of the year. Prior year comparatives in the Group income statement have been restated accordingly.

The profit arising in the first half of 2013 in respect of the disposal of discontinued operations of £19.6m represents the profit on the sale of the Group's European Precious Metals Processing businesses to Heimerle + Meule, which was completed on 31 May 2013. The consideration received of €56.8m is subject to adjustment dependent upon the delivery of a specified level of assets per the closing balance sheet, which is expected by the end of 2013. Included in the profit on disposal is a credit of £6.2m for recycled foreign exchange differences which had previously been taken directly to reserves in the Group accounts relating to the businesses sold.

The profit arising in the full year 2012 in respect of the disposal of discontinued operations of £541.3m (Half year: £6.4m loss) comprised a profit on the demerger of Alent of £555.4m (Half year: £nil), net of a loss arising on the sale of the US operations of the Precious Metals Processing division of £8.4m (Half year: £6.4m) and other losses arising on the closure of non-core businesses and trailing costs related to prior year disposals of £5.7m (Half year: £nil).

## Notes to the condensed financial statements

### 17. Discontinued operations, continued

#### 17.1 Results of discontinued operations

	Unaudited Half year 2013 £m	Unaudited Half year 2012 £m	Full year 2012 £m
Revenue	65.0	481.0	888.0
Expenses	(67.2)	(423.1)	(785.7)
<b>(Loss)/profit before tax</b>	<b>(2.2)</b>	57.9	102.3
Income tax costs	-	(10.0)	(31.1)
Profit/(loss) on disposal of discontinued operations	19.6	(6.4)	541.3
<b>Profit for the period attributable to owners of the parent</b>	<b>17.4</b>	41.5	612.5
<b>Earnings per share – pence</b>			
Basic	6.2	15.0	220.8
Diluted	6.2	14.8	218.8

### 18. Events after the balance sheet date

The Group has repurchased, as part of its ongoing on-market share repurchase programme (see note 14) and under an irrevocable order, an additional 2.2m of its own ordinary shares at a cost of £9.0m between 1 July 2013 and 31 July 2013, resulting in total shares repurchased as at 31 July 2013 of 5.0m at a cost of £19.3m. The full value of the irrevocable purchase order has been included in the Group balance sheet as at 30 June 2013 as a liability and shown within equity.

### 19. Exchange rates

The Group reports its results in pounds sterling. A substantial portion of the Group's revenue and profit are denominated in currencies other than pounds sterling. It is the Group's policy to translate the income statements and cash flow statements of its overseas operations into pounds sterling using average exchange rates for the period reported (except when the use of average rates does not approximate the exchange rate at the date of the transaction, in which case the transaction rate is used) and to translate balance sheets using period end rates. The principal exchange rates used were as follows:

	Period end rates of exchange			Average rates of exchange for the period		
	30 June 2013	30 June 2012	31 Dec 2012	Half year 2013	Half year 2012	Full year 2012
US dollar	1.52	1.57	1.63	1.54	1.58	1.58
Euro	1.17	1.24	1.23	1.18	1.22	1.23
Czech Republic koruna	30.37	31.60	30.85	30.17	30.53	30.97
Polish zloty	5.05	5.25	5.01	4.90	5.15	5.15
Brazilian real	3.39	3.16	3.33	3.13	2.94	3.10
Chinese renminbi	9.34	9.98	10.12	9.56	9.97	10.00

### 20. Non-GAAP financial measures

The Company uses a number of non-Generally Accepted Accounting Practice ("non-GAAP") financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures, listed below, are important when assessing the underlying financial and operating performance of the Group and its divisions.

#### 20.1 Headline

Headline performance is from continuing operations (excluding Alent and the Precious Metals Processing division) and before items reported separately on the face of the income statement.

#### 20.2 Underlying

Underlying performance is adjusted to exclude the effects of changes in exchange rates and business acquisitions and disposals.

#### 20.3 Return on sales

Return on sales is calculated as trading profit divided by revenue.

#### 20.4 Trading profit

Trading profit is defined as profit from operations before items reported separately on the face of the income statement. The Directors believe that trading profit is an important measure of the underlying trading performance of the Group.

## Notes to the condensed financial statements

### 20. Non-GAAP financial measures, continued

#### 20.5 Headline profit before tax

Headline profit before tax is calculated as the net total of trading profit, plus the Group's share of post-tax profit of joint ventures and total net finance costs associated with ordinary activities.

#### 20.6 Headline earnings per share

Headline earnings per share is calculated as headline profit before tax and after income tax costs associated with ordinary activities and profit attributable to non-controlling interests, divided by the weighted average number of ordinary shares in issue during the period.

#### 20.7 Free cash flow

Free cash flow is defined as net cash flow from operating activities after net outlays for the purchase and sale of property, plant and equipment, dividends from joint ventures and dividends paid to non-controlling shareholders, but before additional funding contributions to Group pension plans.

#### 20.8 Average trade working capital to sales ratio

The average trade working capital to sales ratio is calculated as the percentage of average trade working capital balances to the annualised revenue for the period. Average trade working capital (comprising inventories, trade receivables, and trade payables) is calculated as the average of the twelve previous month-end balances, and annualised revenue is the revenue for the previous twelve months.

#### 20.9 EBITDA

EBITDA is calculated as the total of trading profit before depreciation charges.

#### 20.10 Net interest

Net interest is calculated as interest payable on borrowings less interest receivable, excluding any item therein reported separately on the face of the income statement.

#### 20.11 Interest cover

Interest cover is the ratio of EBITDA to net interest.

#### 20.12 Net debt

Net debt comprises the net total of current and non-current interest-bearing borrowings and cash and short-term deposits.

#### 20.13 Net debt to EBITDA

Net debt to EBITDA is the ratio of net debt at the period-end to EBITDA for the preceding 12 month period.

#### 20.14 Return on net assets

Return on net assets ("RONA") is calculated as trading profit plus share of post-tax profit of joint ventures, divided by average net operating assets (being the average over the previous twelve months of property, plant and equipment, trade working capital and other operating receivables and payables).