

1 August 2014

## Half Year Results for the six months ended 30 June 2014

### Strong margin improvement through the delivery of Group strategy

Vesuvius plc, a global leader in molten metal flow engineering, announces its half year results for the six months ended 30 June 2014.

### Highlights

- Revenue of £729.8m, up 4.7% on an underlying basis<sup>(1)</sup>; down 5.6% on a reported basis (H1 2013: £772.7m)
- Trading profit<sup>(2)</sup> of £71.2m, up 14.3% on an underlying basis<sup>(1)</sup>; up 0.7% on a reported basis (H1 2013: £70.8m)
- Return on sales<sup>(2)</sup> of 9.8% improved by 83 basis points on an underlying basis<sup>(1)</sup>; up by 60 basis points on a reported basis
- Net debt<sup>(2)</sup> £261.7m at 30 June 2014 (30 June 2013: £272.5m)
- Headline<sup>(3)</sup> earnings per share of 16.4 pence; up 17.3% on an underlying basis; up 3.2% on a reported basis (H1 2013: 15.9 pence)
- Interim dividend increased by 5.3% to 5.0 pence per share (2013: 4.75 pence)

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

“Vesuvius has delivered a good performance in the first half against a backdrop of mixed conditions in our end-markets. The strong performance in our Steel division has been driven by the delivery of our Group strategy to invest in technology and to focus on segments where customers recognise the value we add to their manufacturing processes in terms of efficiency, reliability and safety.

In our second year as an independent company we are actively implementing our strategy. We are delivering strong underlying margin progression reflecting our continuing focus on quality, lean manufacturing and selling products where we are rewarded for the value we add. In addition we are close to concluding agreement to acquire two technical services businesses, in Brazil and the USA, for a combined consideration of around £30m. However as highlighted in our Preliminary Results announcement, our reported growth numbers continue to be impacted by the significant strengthening of sterling over the past 12 months.

Performance in the current year has been in line with our expectations and whilst we expect market conditions to remain mixed with second half trading broadly similar to the first half, we are focused on delivering further improvements with our plans for margin growth and strong cash generation.”

### Headline Results:

|                                       | H1 2014      | H1 2013 | Year-on-year change | Underlying change <sup>(1)</sup> |
|---------------------------------------|--------------|---------|---------------------|----------------------------------|
| Revenue (£m)                          | <b>729.8</b> | 772.7   | -5.6%               | +4.7%                            |
| Trading Profit <sup>(2)</sup> (£m)    | <b>71.2</b>  | 70.8    | +0.7%               | +14.3%                           |
| Return on Sales                       | <b>9.8%</b>  | 9.2%    | +60 bps             | +83 bps                          |
| Headline Earnings <sup>(2)</sup> (£m) | <b>44.3</b>  | 44.1    | +0.5%               | +14.1%                           |
| Headline EPS <sup>(2)</sup> (pence)   | <b>16.4</b>  | 15.9    | +3.2%               | +17.3%                           |

### Outlook

We expect the underlying trading environment for the second half to be broadly similar to that experienced in the first half. As previously commented, if the strength of Sterling continues it will have a negative impact on our reported numbers for the year as a whole.

We continue to implement a range of operational and strategic initiatives across all of our businesses, to improve our trading margins across the Group and remain focused on improving working capital performance and cash generation, whilst investing in the future development of the business. Consequently, the Board remains confident in its expectations for the full year.

<sup>(1)</sup> Underlying basis is at constant currency and excludes separately reported items and the impact of acquisitions and disposals

<sup>(2)</sup> For definition of non-GAAP measures, please refer to note 17.8 of the financial statements

<sup>(3)</sup> Headline results refer to continuing operations and exclude separately reported items

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

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

|                     |  |                      |
|---------------------|--|----------------------|
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|                     | Chris O'Shea, Chief Financial Officer          | +44 (0) 207 822 0000 |
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### **Media enquiries:**

|                           |                          |                      |
|---------------------------|--------------------------|----------------------|
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|---------------------------|--------------------------|----------------------|

Vesuvius management will hold a presentation for analysts and investors today at 10.30am (UK time) at JP Morgan Cazenove, 1 John Carpenter St, London EC4Y 0JP. For those unable to attend in person, an audio webcast and conference call will also be available (UK participant dial in +44(0)20 3427 1900; US participant dial in +1 646 254 3367; confirmation code 1007012). The presentation will also be broadcast live on Vesuvius' website <http://investors.vesuvius.com/> and an archive version of the presentation will be available on the website later today.

### **About Vesuvius plc**

Vesuvius operates in the steel and foundry casting industries, with market and technology leadership across a range of mission critical products and services supplied to these sectors, including flow control solutions, advanced refractories and other consumable products.

We have a worldwide presence in both Steel and Foundry. We serve our customers through a low-cost network of manufacturing plants located close to their own facilities, and by embedding our industry experts within their operations, all supported by our global technology centres.

Vesuvius' core competitive strengths are our leading technology and innovation, strong customer relationships, well established presence in developing markets, low-cost manufacturing base, and our global reach, all of which enable us to expand our addressable markets.

### **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 that could cause actual results to differ materially from estimates or projections contained in the forward looking statements. These 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 considering 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.

You should not place undue reliance on such forward looking statements which 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)

**Vesuvius plc**  
**Half Year Results for the six months ended 30 June 2014**

**Group Trading Performance**

Group revenue from continuing operations was £729.8m, a reduction of 5.6% compared to the same period last year on a reported basis, reflecting the significant strengthening of Sterling over the last 12 months, together with the disposals of our German brick business in March 2013 and our Canadian construction business in July 2013. However on an underlying basis, adjusting for all disposals and currency translation differences, Group revenue was 4.7% higher than in the same period last year. Despite market conditions remaining mixed, trading profit for the half year was up 14.3% to £71.2m on an underlying basis and up 0.7% on a reported basis (H1 2013: £70.8m), reflecting the ongoing success of management's focus on improving margins through cost control and increasing penetration of value added products and solutions.

**Market Trends and Business Performance**

Our business comprises two divisions, Steel and Foundry, with the Steel division operated as two principal product lines, Steel Flow Control and Advanced Refractories.

Except where stated otherwise, the commentary on divisional performance set out below is on an underlying basis, at constant currency and excludes separately reported items and the impact of acquisitions and disposals.

**Steel Division**

World steel production in the first half of 2014 was 2.5% higher than during the same period last year, with crude steel production growth slowing in China to 3.0%, and production outside China, growing by 2.0%. The EMEA and Americas regions together account for more than 75% of Vesuvius' Steel division revenue, with steel production during the first half of 2014 rising by 2.3% year-on-year in EMEA and by 0.5% in the Americas.

Against this backdrop, our Steel division revenue rose by 6.0% in the first half of 2014, outperforming the global steel market excluding China, as we continue to increase the penetration of our technologically advanced systems and products together with the introduction of new product ranges.

The trading profit of the Steel division increased by 22.7% year-on-year to £47.2m, with strong performances in both Steel Flow Control and Advanced Refractories. The trading margin rose by 131 bps, reflecting the ramping up of new system installations in China, Korea and the USA in Flow Control. This was coupled with an active focus in Advanced Refractories on business segments where we are rewarded for the value we add, in addition to further rationalisation of our product range where we are actively exiting lower margin sales and introducing new premium product ranges.

| <b>Steel Division (as reported)</b> | <b>H1 2014<br/>(£m)</b> | <b>H1 2013<br/>(£m)</b> | <b>Year-on-year<br/>change (%)</b> | <b>Underlying<br/>change (%)<sup>(1)</sup></b> |
|-------------------------------------|-------------------------|-------------------------|------------------------------------|--|
| Steel Flow Control Revenue          | 273.9                   | 278.9                   | -1.8%                              | +6.5%  |
| Advanced Refractories Revenue       | 215.6                   | 234.6                   | -8.1%                              | +5.3%  |
| <b>Total Steel Revenue</b>          | <b>489.5</b>            | <b>513.5</b>            | <b>-4.7%</b>                       | <b>+6.0%</b>                                   |
| <b>Total Steel Trading Profit</b>   | <b>47.2</b>             | <b>42.9</b>             | <b>10.2%</b>                       | <b>+22.7%</b>                                  |
| <b>Total Steel Return on Sales</b>  | <b>9.7%</b>             | <b>8.3%</b>             | <b>+130 bps</b>                    | <b>+131 bps</b>                                |

<sup>(1)</sup> Underlying basis is at constant currency and excludes separately reported items and the impact of acquisitions and disposals

## Steel Flow Control

Global steel production represents almost 100% of the end-market for Steel Flow Control. Against a backdrop of moderate steel production growth in our main markets, Steel Flow Control revenue was up 6.5% with revenue growth in all major regions.

| Steel Flow Control Revenue (as reported) | H1 2014<br>(£m) | H1 2013<br>(£m) | Year-on-year<br>change (%) | Underlying<br>change (%) <sup>(1)</sup> |
|--|-----------------|-----------------|----------------------------|---|
| Americas                                 | 92.9            | 99.9            | -7.0%                      | +4.3%                                   |
| Europe, Middle East & Africa (EMEA)      | 122.1           | 124.2           | -1.6%                      | +3.0%                                   |
| Asia-Pacific                             | 58.9            | 54.8            | +7.5%                      | +18.9%                                  |
| Total                                    | 273.9           | 278.9           | -1.8%                      | +6.5%                                   |

Revenue rose by 3.0% in the EMEA region. Crude steel production volumes grew by 2.3%, driven by relatively strong growth in the European Union and Gulf area, partially offset by declining volumes in Turkey and Ukraine.

Steel Flow Control also performed well in the Americas despite sluggish growth in steel production volumes in North America (affected by adverse weather conditions impacting the entire supply chain during the first half of the year), and declining steel production in South America. This outperformance was driven by the installation of new systems and technology with a number of key customers across the region.

In Asia, crude steel production was up in all the main markets and was particularly strong in South Korea. Revenues increased by 18.9%, boosted by strong volume growth at our main customer in the region, where we recently extended a long-term supply agreement. We continue to make progress in China with revenue up 3.6% and further margin improvement reflecting efficiency gains.

In line with our stated strategy, we continue to invest for the medium-term in our automation capability. We are driving further development of technical solutions as we harness the technologies and specialities acquired through Avemis, Metallurgica and SERT, resulting in increased market penetration in Europe, NAFTA and South America.

## Advanced Refractories

Global steel production represents around three quarters of the end-market for the Advanced Refractories business, with other high temperature industrial process industries accounting for the remaining revenue. During the first half of 2014, we have started to capture the benefits of our strategy to focus on business segments where we can deliver more differentiated, higher value-added solutions for customers, and to exit lower margin business.

| Advanced Refractories Revenue (as reported) | H1 2014<br>(£m) | H1 2013<br>(£m) | Year-on-year<br>change (%) | Underlying<br>change (%) <sup>(1)</sup> |
|---|-----------------|-----------------|----------------------------|---|
| Americas                                    | 79.0            | 91.1            | -13.3%                     | +7.7%                                   |
| Europe, Middle East & Africa (EMEA)         | 97.3            | 106.3           | -8.5%                      | -2.1%                                   |
| Asia-Pacific                                | 39.3            | 37.2            | +5.7%                      | +22.7%                                  |
| Total                                       | 215.6           | 234.6           | -8.1%                      | +5.3%                                   |

Advanced Refractories revenue rose by 5.3%, with particularly strong performances delivered from our North American and Asian businesses.

The introduction of new premium product ranges in North America has driven a strong performance in the first half, despite the disruption to industrial production activity in the region in the first quarter of 2014 as a result of the adverse weather conditions.

Our performance in Asia has been driven by strong revenue growth in South East Asia with increased penetration of products and solutions to our customers, together with the re-commencement of some customer facilities in the region.

These stronger performances were partially offset by a decline in revenue of 2.1% in the EMEA region reflecting lower revenues in Russia and Ukraine.

Following the expansion of our successful ELBY™ ladle bottom product range into new geographical territories in 2013, we are seeing increased penetration in both Europe and Asia.

## Foundry Division

The heavy truck and light vehicle industries together represent the largest component of the end-market for the Foundry division, with construction, power generation, agriculture and mining equipment and general engineering accounting for a large part of the remainder.

The foundry market continues to experience difficult trading, with no substantial improvement in end-market conditions. Excluding China, global production of light vehicles increased by 1.3% in the first half, and heavy truck production increased by around 2%. In the mining sector the ongoing weakness in commodity and precious metals prices continues to impact investment spending, whilst the automotive industry in South America has also been weak.

Notwithstanding the market environment, revenue in the Foundry division was up 2.0%.

| Foundry Division (as reported) | H1 2014<br>(£m) | H1 2013<br>(£m) | Year-on-year<br>change (%) | Underlying<br>change (%) <sup>(1)</sup> |
|--------------------------------|-----------------|-----------------|----------------------------|---|
| Foundry Revenue                | 240.3           | 259.2           | -7.3%                      | +2.0%                                   |
| Foundry Trading Profit         | 24.0            | 27.9            | -14.1%                     | +0.8%                                   |
| Foundry Return on Sales        | 10.0%           | 10.8%           | -79 bps                    | -12 bps                                 |

Our businesses in both EMEA and North America delivered underlying revenue growth which was partially offset by weaker results in Asia and South America.

| Foundry Revenue (as reported)       | H1 2014<br>(£m) | H1 2013<br>(£m) | Year-on-Year<br>change (%) | Underlying<br>change (%) <sup>(1)</sup> |
|-------------------------------------|-----------------|-----------------|----------------------------|---|
| Americas                            | 52.2            | 58.4            | -10.7%                     | +1.3%                                   |
| Europe, Middle East & Africa (EMEA) | 117.0           | 117.1           | -0.1%                      | +6.1%                                   |
| Asia-Pacific                        | 71.1            | 83.7            | -15.1%                     | -3.5%                                   |
| Total                               | 240.3           | 259.2           | -7.3%                      | +2.0%                                   |

The solid performance in EMEA was driven by increased penetration of products and solutions to existing customers, together with market share gains in Central Europe and the Middle East. In North America, Mexico is an increasingly attractive market as large international companies, including many of our end-customers, are investing and strengthening their manufacturing operations in this country.

The weaker performance in our Asian business reflects the lower level of mining activity in Indonesia and Australia, together with reduced production volumes in the Thai automotive sector. Weaker automotive production volumes in Brazil have also impacted performance in South America.

Trading profit in the Foundry division rose 0.8% to £24.0m in the first half, with the trading margin showing a marginal decline of 12 bps as a number of external challenges led to reduced profitability being incurred in a number of higher margin countries. We continue to mitigate the effects of challenging market conditions through manufacturing efficiency programmes and active cost management.

In line with our stated strategy, we continue to invest for the medium-term, with Phase One of the construction of our new manufacturing plant at Changshu in China now complete and Phase Two scheduled for completion in 2015. This new facility will enhance our capability to serve an increasingly sophisticated domestic foundry market in China, where more companies are adopting best practice in global manufacturing standards which requires more advanced technological solutions; we see attractive growth opportunities over the next five to ten years as companies seek to produce higher quality castings in China.

The new Foundry division global R&D facility at Enschede in the Netherlands remains on track to open in the second half of this year.

## **FINANCIAL REVIEW**

### **Restructuring**

In the first half of the year there were no separately reported restructuring charges. In the comparative period last year, £3.0 million was reported for restructuring charges which comprised £2.1 million of additional charges associated with the decision in 2012, to exit the Solar Crucible business of the Foundry division, together with £0.9 million of 'trailing' costs, being mainly redundancy costs, associated with other restructuring initiatives commenced in 2012 or prior years.

### **Divestments**

No divestments have been made in the first half of 2014. In the comparative period last year, Vesuvius completed the sale of the Precious Metals Processing division for a cash consideration of €56.8 million and the disposal of VGT-Dyko, a German brick manufacturing business in the Advanced Refractories product line of the Steel division. The results of the Precious Metals Processing division together with the net profit arising on disposal, are reported within discontinued operations.

### **Capital expenditure additions**

Capital expenditure on continuing businesses in the first half of 2014 was £14.3 million (H1 2013: £18.9 million), comprising £8.6 million in the Steel division (H1 2013: £13.3 million) and £5.7 million in the Foundry division (H1 2013: £5.6 million). This included further investment in our new foundry plant in China and continued expenditure on the new Foundry R&D facility in the Netherlands.

## **Net finance costs**

Net interest payable on borrowings in the first half was £9.2 million, an increase of £0.7 million compared with the same period last year, reflecting a combination of a reduction in the average net debt for the period, with an increase in the average interest rate on borrowings following the raising of new long-term fixed rate debt on the US Private Placement market in December 2013, which has significantly improved our debt maturity profile.

## **Taxation**

Based on the tax charge on ordinary activities from continuing operations of £16.4 million (H1 2013: £16.5 million), the Group's headline effective tax rate for the first half of 2014 was 26.5% (H1 2013: 26.5%).

## **Pensions**

The total net deficit in all of the Group's pension and other post-retirement arrangements as at 30 June 2014 was £66.5 million. The increase in the net deficit of £18.6 million when compared to the 2013 year-end deficit of £47.9m is as a result of the reduction in discount rate assumptions in the UK, US and Germany, reflecting the low interest rate environment in these countries.

The pension expense charged to trading profit in the first half of 2014 was £3.0 million (H1 2013: £2.9 million) and the net interest charge was £0.9 million (H1 2013: £0.9 million).

## **Working Capital**

There was a working capital outflow of £32.8 million in the first half of 2014 (H1 2013: £2.5 million cash inflow), driven by the underlying increase in sales in the period when compared to the second half of 2013. Inventory days reduced to 74.3 days (H1 2013: 81.0 days; FY 2013 76.6 days) and receivables days reduced to 72.8 days (H1 2013: 74.7 days; FY 2013 73.1 days).

## **Cash flow**

Free cash flow from continuing operations was £22.1 million in the first half, compared to £38.2 million in the same period last year. Operating cash flow after net capital expenditure in the first half of 2014 was £44.7 million (H1 2013: £73.5 million) which represents a cash conversion rate, relative to trading profit, of 63% (H1 2013: 104%, FY 2013 107%). The reduction in the operating cash flow and cash conversion rate in the first half reflects the working capital outflow detailed above, as a result of increased sales in the period.

## **Funding position and liquid resources**

The financial position of the Group at 30 June 2014 was better than anticipated with net debt of £261.7 million (30 June 2013: £272.5 million; 31 December 2013: £256.4 million). As at 30 June 2014, the Group had committed facilities of £630 million of which £311 million was unutilised. The Group's committed facilities expire between April 2016 and December 2028, with a weighted average term of 3.4 years.

The Group is in full compliance with the financial covenants in the Group's debt instruments as at 30 June 2014 with the Net Debt:EBITDA ratio standing at 1.5 times (H1 2013: 1.7 times).



## **Dividend**

The Board has declared an interim dividend of 5.0 pence per share (H1 2013: 4.75 pence per share), an increase of 5.3%. The interim dividend will be paid on 26 September 2014 to shareholders on the register on 15 August 2014. Any shareholder wishing to participate in the Vesuvius Dividend Reinvestment Plan (“DRIP”) is required to submit their election to do so to Equiniti, the Company’s Registrars, by 5 September 2014.

## **Principal 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 where practical, and where cost effective the risk is transferred to insurers. On pages 18 and 19 of our 2013 Annual Report (a copy of which is available on Vesuvius’ website at [www.vesuvius.com](http://www.vesuvius.com)), we set out what the Directors regarded as being the principal risks and uncertainties facing the Group as at 4 March 2014 and which could have a material impact on the Group’s long-term performance. The Directors continue to regard the principal risks noted therein as being those facing the Group which could impact the Group’s operations during the remainder of the second half of 2014. These can be summarised as risks associated with:

- End-market cyclicalities;
- Protectionism in key countries;
- Product liability issues;
- Regulatory compliance;
- Maintenance and protection of leading technologies;
- Foreign exchange, capital market, interest rate and inflation uncertainty;
- Loss of a major site;
- Ability to source and use critical raw materials;
- Cyber security; and
- Attraction and retention of staff.

## 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

1 August 2014

### **Vesuvius plc Board of Directors:**

John McDonough CBE, Chairman

François Wanecq, Chief Executive

Chris O'Shea, Chief Financial Officer

Jeff Hewitt, Non-executive Director, Senior Independent Director and Chairman of the Audit Committee

Nelda Connors, Non-executive Director

Jane Hinkley, Non-executive Director and Chairman of the Remuneration Committee

Christer Gardell, Non-executive Director

# 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-yearly financial report for the six months ended 30 June 2014 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-yearly 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 IFRSs 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 2014 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

1 August 2014

# Condensed Group Income Statement

For the six months ended 30 June 2014

| Half year 2014                                     |       |                               |                                    |                                      | Half year 2013 |                               |                                    | Full year 2013                       |  |                               |                                    |                         |
|--|-------|-------------------------------|------------------------------------|--------------------------------------|----------------|-------------------------------|------------------------------------|--------------------------------------|--|-------------------------------|------------------------------------|-------------------------|
|  | Notes | Headline<br>Performance<br>£m | Separately<br>reported items<br>£m | Unaudited<br>Half year<br>2014<br>£m |                | Headline<br>performance<br>£m | Separately<br>reported items<br>£m | Unaudited<br>Half year<br>2013<br>£m |  | Headline<br>Performance<br>£m | Separately<br>reported items<br>£m | Full year<br>2013<br>£m |
| <b>Continuing operations</b>                       |       |                               |                                    |                                      |                |                               |                                    |                                      |  |                               |                                    |                         |
| Revenue  | 2     | 729.8                         | -                                  | 729.8                                |                | 772.7                         | -                                  | 772.7                                |  | 1,510.5                       | -                                  | 1,510.5                 |
| Manufacturing costs                                |       | (526.1)                       | -                                  | (526.1)                              |                | (562.4)                       | -                                  | (562.4)                              |  | (1,100.0)                     | -                                  | (1,100.0)               |
| Administration, selling and distribution costs     |       | (132.5)                       | -                                  | (132.5)                              |                | (139.5)                       | -                                  | (139.5)                              |  | (270.5)                       | -                                  | (270.5)                 |
| Trading profit                                     | 2     | 71.2                          | -                                  | 71.2                                 |                | 70.8                          | -                                  | 70.8                                 |  | 140.0                         | -                                  | 140.0                   |
| Amortisation of intangible assets                  | 3     | -                             | (8.5)                              | (8.5)                                |                | -                             | (8.8)                              | (8.8)                                |  | -                             | (17.4)                             | (17.4)                  |
| Restructuring charges                              | 4     | -                             | -                                  | -                                    |                | -                             | (3.0)                              | (3.0)                                |  | -                             | (3.9)                              | (3.9)                   |
| Profit on disposal of non-current assets           |       | -                             | 0.6                                | 0.6                                  |                | -                             | -                                  | -                                    |  | -                             | -                                  | -                       |
| Operating profit/(loss)                            | 2     | 71.2                          | (7.9)                              | 63.3                                 |                | 70.8                          | (11.8)                             | 59.0                                 |  | 140.0                         | (21.3)                             | 118.7                   |
| Net finance costs                                  | 5     | (9.2)                         | -                                  | (9.2)                                |                | (8.5)                         | -                                  | (8.5)                                |  | (17.3)                        | -                                  | (17.3)                  |
| Share of post-tax profit of joint ventures         |       | 0.8                           | -                                  | 0.8                                  |                | 1.4                           | -                                  | 1.4                                  |  | 2.5                           | -                                  | 2.5                     |
| (Loss)/profit on disposal of continuing operations | 6     | -                             | -                                  | -                                    |                | -                             | (0.2)                              | (0.2)                                |  | -                             | 0.2                                | 0.2                     |
| Profit/(loss) before tax                           |       | 62.8                          | (7.9)                              | 54.9                                 |                | 63.7                          | (12.0)                             | 51.7                                 |  | 125.2                         | (21.1)                             | 104.1                   |
| Income tax (costs)/credits                         | 7     | (16.4)                        | 1.9                                | (14.5)                               |                | (16.5)                        | 2.2                                | (14.3)                               |  | (32.5)                        | 38.8                               | 6.3                     |
| Profit/(loss) from continuing operations           |       | 46.4                          | (6.0)                              | 40.4                                 |                | 47.2                          | (9.8)                              | 37.4                                 |  | 92.7                          | 17.7                               | 110.4                   |
| Discontinued operations                            | 16    | -                             | -                                  | -                                    |                | -                             | 17.4                               | 17.4                                 |  | -                             | 29.9                               | 29.9                    |
| Profit   |       | 46.4                          | (6.0)                              | 40.4                                 |                | 47.2                          | 7.6                                | 54.8                                 |  | 92.7                          | 47.6                               | 140.3                   |
| <b>Profit attributable to:</b>                     |       |                               |                                    |                                      |                |                               |                                    |                                      |  |                               |                                    |                         |
| Owners of the parent                               |       | 44.3                          | (6.0)                              | 38.3                                 |                | 44.1                          | 7.6                                | 51.7                                 |  | 87.7                          | 47.6                               | 135.3                   |
| Non-controlling interests                          |       | 2.1                           | -                                  | 2.1                                  |                | 3.1                           | -                                  | 3.1                                  |  | 5.0                           | -                                  | 5.0                     |
| Profit   |       | 46.4                          | (6.0)                              | 40.4                                 |                | 47.2                          | 7.6                                | 54.8                                 |  | 92.7                          | 47.6                               | 140.3                   |
| <b>Earnings per share (pence)</b>                  |       |                               |                                    |                                      |                |                               |                                    |                                      |  |                               |                                    |                         |
| 8  |       |                               |                                    |                                      |                |                               |                                    |                                      |  |                               |                                    |                         |
| <b>Continuing operations:</b>                      |       |                               |                                    |                                      |                |                               |                                    |                                      |  |                               |                                    |                         |
| Basic  |       |                               |                                    | 14.2                                 |                |                               |                                    | 12.4                                 |  |                               |                                    | 38.4                    |
| Diluted  |       |                               |                                    | 14.1                                 |                |                               |                                    | 12.3                                 |  |                               |                                    | 38.3                    |
| <b>Total operations:</b>                           |       |                               |                                    |                                      |                |                               |                                    |                                      |  |                               |                                    |                         |
| Basic  |       |                               |                                    | 14.2                                 |                |                               |                                    | 18.6                                 |  |                               |                                    | 49.2                    |
| Diluted  |       |                               |                                    | 14.1                                 |                |                               |                                    | 18.5                                 |  |                               |                                    | 49.1                    |

# Condensed Group Statement of Comprehensive Income

For the six months ended 30 June 2014

|  | Note | Unaudited<br>Half year<br>2014<br>£m | Unaudited<br>Half year<br>2013<br>£m | Full year<br>2013<br>£m |
|--|------|--------------------------------------|--------------------------------------|-------------------------|
| <b>Profit</b>  |      | <b>40.4</b>                          | <b>54.8</b>                          | <b>140.3</b>            |
| <b>Other comprehensive (loss)/income, net of income tax:</b>                 |      |                                      |                                      |                         |
| <b>Items that will not be reclassified subsequently to income statement:</b> |      |                                      |                                      |                         |
| Remeasurement of defined benefit liabilities/assets                          |      | (21.8)                               | 9.8                                  | 10.2                    |
| Income tax relating to items not reclassified                                | 7    | 3.1                                  | (2.1)                                | (1.6)                   |
| <b>Items that will not be reclassified subsequently to income statement</b>  |      | <b>(18.7)</b>                        | <b>7.7</b>                           | <b>8.6</b>              |
| <b>Items that may be reclassified subsequently to income statement:</b>      |      |                                      |                                      |                         |
| Exchange differences on translation of the net assets of foreign operations  |      | (32.4)                               | 31.6                                 | (55.0)                  |
| Reclassification of exchange differences on disposal of foreign operation    |      | -                                    | (6.2)                                | (6.2)                   |
| Exchange translation differences arising on net investment hedges            |      | 7.0                                  | (11.2)                               | 0.3                     |
| Change in fair value of cash flow hedges                                     |      | (0.3)                                | 0.2                                  | 0.4                     |
| Change in fair value of available-for-sale investments                       |      | -                                    | -                                    | 0.1                     |
| <b>Items that may be reclassified subsequently to income statement</b>       |      | <b>(25.7)</b>                        | <b>14.4</b>                          | <b>(60.4)</b>           |
| <b>Other comprehensive (loss)/income, net of income tax</b>                  |      | <b>(44.4)</b>                        | <b>22.1</b>                          | <b>(51.8)</b>           |
| <b>Total comprehensive (loss)/income</b>                                     |      | <b>(4.0)</b>                         | <b>76.9</b>                          | <b>88.5</b>             |
| <b>Total comprehensive income attributable to:</b>                           |      |                                      |                                      |                         |
| Owners of the parent   |      | (5.7)                                | 74.2                                 | 86.9                    |
| Non-controlling interests  |      | 1.7                                  | 2.7                                  | 1.6                     |
| <b>Total comprehensive (loss)/income</b>                                     |      | <b>(4.0)</b>                         | <b>76.9</b>                          | <b>88.5</b>             |

# Condensed Group Statement of Cash Flows

For the six months ended 30 June 2014

|  |       | Unaudited<br>Half year<br>2014 | Unaudited<br>Half year<br>2013 | Full year<br>2013 |
|--|-------|--------------------------------|--------------------------------|-------------------|
|  | Notes | £m                             | £m                             | £m                |
| <b>Cash flows from operating activities</b>                          |       |                                |                                |                   |
| Cash generated from operations                                       | 11    | 52.6                           | 66.3                           | 160.7             |
| Net interest paid  |       | (6.6)                          | (6.1)                          | (11.8)            |
| Income taxes paid  |       | (10.9)                         | (18.8)                         | (30.4)            |
| <b>Net cash inflow from operating activities</b>                     |       | <b>35.1</b>                    | <b>41.4</b>                    | <b>118.5</b>      |
| <b>Cash flows from investing activities</b>                          |       |                                |                                |                   |
| Capital expenditure  |       | (14.3)                         | (20.5)                         | (46.3)            |
| Proceeds from the sale of property, plant and equipment              |       | 1.1                            | 1.1                            | 1.6               |
| Proceeds from sale of investments                                    |       | 0.3                            | -                              | 0.3               |
| Disposal of subsidiaries and joint ventures, net of cash disposed of |       | -                              | 46.8                           | 44.1              |
| Dividends received from joint ventures                               |       | -                              | 0.8                            | 1.3               |
| Other investing outflows   |       | (0.8)                          | (1.4)                          | (1.4)             |
| <b>Net cash (outflow)/inflow from investing activities</b>           |       | <b>(13.7)</b>                  | <b>26.8</b>                    | <b>(0.4)</b>      |
| <b>Net cash inflow before financing activities</b>                   |       | <b>21.4</b>                    | <b>68.2</b>                    | <b>118.1</b>      |
| <b>Cash flows from financing activities</b>                          |       |                                |                                |                   |
| Increase/(repayment) of borrowings                                   |       | 24.3                           | (76.1)                         | (112.2)           |
| Settlement of forward foreign exchange contracts                     |       | (2.9)                          | 2.7                            | (1.4)             |
| Proceeds from the issue of share capital                             |       | -                              | 0.1                            | 0.1               |
| Purchase of own shares   |       | (0.4)                          | (8.4)                          | (34.1)            |
| Borrowing facility arrangement costs                                 |       | -                              | -                              | (0.4)             |
| Dividends paid to equity shareholders                                | 9     | (27.7)                         | (26.4)                         | (39.4)            |
| Dividends paid to non-controlling shareholders                       |       | (1.2)                          | (0.8)                          | (1.1)             |
| <b>Net cash outflow from financing activities</b>                    |       | <b>(7.9)</b>                   | <b>(108.9)</b>                 | <b>(188.5)</b>    |
| <b>Net increase/(decrease) in cash and cash equivalents</b>          | 10    | <b>13.5</b>                    | <b>(40.7)</b>                  | <b>(70.4)</b>     |
| Cash and cash equivalents at beginning of period                     |       | 52.8                           | 124.7                          | 124.7             |
| Effect of exchange rate fluctuations on cash and cash equivalents    |       | (1.8)                          | 3.6                            | (1.5)             |
| <b>Cash and cash equivalents at end of period</b>                    |       | <b>64.5</b>                    | <b>87.6</b>                    | <b>52.8</b>       |

|   |  | Unaudited<br>Half year<br>2014 | Unaudited<br>Half year<br>2013 | Full year<br>2013 |
|---|--|--------------------------------|--------------------------------|-------------------|
|   |  | £m                             | £m                             | £m                |
| <b>Free cash flow from continuing operations</b>          |  |                                |                                |                   |
| Net cash inflow from operating activities                 |  | 35.5                           | 51.2                           | 128.4             |
| Additional funding contributions into Group pension plans |  | 1.0                            | 6.4                            | 11.0              |
| Capital expenditure                                       |  | (14.3)                         | (20.5)                         | (46.3)            |
| Proceeds from the sale of property, plant and equipment   |  | 1.1                            | 1.1                            | 1.6               |
| Dividends received from joint ventures                    |  | -                              | 0.8                            | 1.3               |
| Dividends paid to non-controlling shareholders            |  | (1.2)                          | (0.8)                          | (1.1)             |
| <b>Free cash flow from continuing operations</b>          |  | <b>22.1</b>                    | <b>38.2</b>                    | <b>94.9</b>       |
| <b>Discontinued operations</b>                            |  | <b>(0.4)</b>                   | <b>(9.8)</b>                   | <b>(9.9)</b>      |
| <b>Free cash flow</b>                                     |  | <b>21.7</b>                    | <b>28.4</b>                    | <b>85.0</b>       |

# Condensed Group Balance Sheet

As at 30 June 2014

|   | Notes | Unaudited<br>30 June<br>2014<br>£m | 31 December<br>2013<br>£m | Unaudited<br>30 June<br>2013<br>£m |
|---|-------|------------------------------------|---------------------------|------------------------------------|
| <b>Assets</b>                                   |       |                                    |                           |                                    |
| Property, plant and equipment                   |       | 260.9                              | 274.7                     | 286.0                              |
| Intangible assets                               |       | 694.9                              | 717.7                     | 771.7                              |
| Employee benefits - net surpluses               | 12    | 17.9                               | 28.7                      | 32.3                               |
| Interests in joint ventures                     |       | 15.3                               | 15.4                      | 15.9                               |
| Investments                                     |       | 3.8                                | 4.2                       | 4.9                                |
| Income tax recoverable                          |       | 4.2                                | 4.2                       | 2.2                                |
| Deferred tax assets                             |       | 43.4                               | 43.7                      | 21.0                               |
| Other receivables                               |       | 15.3                               | 14.3                      | 15.4                               |
| <b>Total non-current assets</b>                 |       | <b>1,055.7</b>                     | <b>1,102.9</b>            | <b>1,149.4</b>                     |
| Cash and short-term deposits                    |       | 72.8                               | 68.4                      | 93.9                               |
| Inventories                                     |       | 193.3                              | 181.9                     | 212.7                              |
| Trade and other receivables                     |       | 329.5                              | 313.7                     | 357.4                              |
| Income tax recoverable                          |       | 3.0                                | 3.5                       | 3.7                                |
| Derivative financial instruments                |       | 0.2                                | 0.3                       | 0.6                                |
| <b>Total current assets</b>                     |       | <b>598.8</b>                       | <b>567.8</b>              | <b>668.3</b>                       |
| <b>Total assets</b>                             |       | <b>1,654.5</b>                     | <b>1,670.7</b>            | <b>1,817.7</b>                     |
| <b>Equity</b>                                   |       |                                    |                           |                                    |
| Issued share capital                            |       | 27.8                               | 27.8                      | 27.8                               |
| Retained earnings                               |       | 2,277.5                            | 2,284.6                   | 2,220.8                            |
| Other reserves                                  |       | (1,481.1)                          | (1,455.8)                 | (1,384.1)                          |
| Equity attributable to the owners of the parent |       | 824.2                              | 856.6                     | 864.5                              |
| Non-controlling interests                       |       | 27.8                               | 27.3                      | 28.7                               |
| <b>Total equity</b>                             |       | <b>852.0</b>                       | <b>883.9</b>              | <b>893.2</b>                       |
| <b>Liabilities</b>                              |       |                                    |                           |                                    |
| Interest-bearing borrowings                     |       | 321.6                              | 309.5                     | 361.8                              |
| Employee benefits - net liabilities             | 12    | 84.4                               | 76.6                      | 90.0                               |
| Other payables                                  |       | 16.7                               | 18.6                      | 14.9                               |
| Provisions                                      |       | 34.0                               | 35.3                      | 33.0                               |
| Deferred tax liabilities                        |       | 46.2                               | 51.0                      | 61.5                               |
| <b>Total non-current liabilities</b>            |       | <b>502.9</b>                       | <b>491.0</b>              | <b>561.2</b>                       |
| Interest-bearing borrowings                     |       | 12.9                               | 15.3                      | 4.6                                |
| Trade and other payables                        |       | 216.6                              | 214.5                     | 277.6                              |
| Income tax payable                              |       | 50.9                               | 45.0                      | 46.1                               |
| Provisions                                      |       | 18.7                               | 20.8                      | 35.0                               |
| Derivative financial instruments                |       | 0.5                                | 0.2                       | -                                  |
| <b>Total current liabilities</b>                |       | <b>299.6</b>                       | <b>295.8</b>              | <b>363.3</b>                       |
| <b>Total liabilities</b>                        |       | <b>802.5</b>                       | <b>786.8</b>              | <b>924.5</b>                       |
| <b>Total equity and liabilities</b>             |       | <b>1,654.5</b>                     | <b>1,670.7</b>            | <b>1,817.7</b>                     |
| <b>Net debt</b>                                 |       |                                    |                           |                                    |
| Interest-bearing loans - non-current            |       | 321.6                              | 309.5                     | 361.8                              |
| - current                                       |       | 12.9                               | 15.3                      | 4.6                                |
| Cash and short-term deposits                    |       | (72.8)                             | (68.4)                    | (93.9)                             |
| <b>Net debt</b>                                 | 10    | <b>261.7</b>                       | <b>256.4</b>              | <b>272.5</b>                       |

# Condensed Group Statement of Changes in Equity

For the six months ended 30 June 2014

|  | Issued<br>share<br>capital<br>£m | Other<br>reserves<br>£m | Retained<br>earnings<br>£m | Owners of<br>the parent<br>£m | Non-<br>controlling<br>interests<br>£m | Total<br>equity<br>£m |
|--|----------------------------------|-------------------------|----------------------------|-------------------------------|--|-----------------------|
| <b>As at 1 January 2013</b>  | 27.8                             | (1,399.0)               | 2,212.2                    | 841.0                         | 26.8                                   | 867.8                 |
| <b>Profit</b>  | -                                | -                       | 51.7                       | 51.7                          | 3.1                                    | 54.8                  |
| <b>Other comprehensive income/(loss), net of income tax:</b>                 |                                  |                         |                            |                               |  |                       |
| <b>Items that will not be reclassified subsequently to income statement:</b> |                                  |                         |                            |                               |  |                       |
| Remeasurement of defined benefit liabilities/assets                          | -                                | -                       | 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 income statement</b>  | -                                | -                       | 7.7                        | 7.7                           | -                                      | 7.7                   |
| <b>Items that may be reclassified subsequently to income statement:</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 income statement</b>       | -                                | 14.8                    | -                          | 14.8                          | (0.4)                                  | 14.4                  |
| <b>Other comprehensive income/(loss), net of income tax</b>                  | -                                | 14.8                    | 7.7                        | 22.5                          | (0.4)                                  | 22.1                  |
| <b>Total comprehensive income</b>  | -                                | 14.8                    | 59.4                       | 74.2                          | 2.7                                    | 76.9                  |
| Shares issued  | -                                | 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 9)  | -                                | -                       | (26.4)                     | (26.4)                        | (0.8)                                  | (27.2)                |
| <b>Total transactions with owners</b>  | -                                | 0.1                     | (50.8)                     | (50.7)                        | (0.8)                                  | (51.5)                |
| <b>As at 1 July 2013, unaudited</b>  | 27.8                             | (1,384.1)               | 2,220.8                    | 864.5                         | 28.7                                   | 893.2                 |
| <b>Profit</b>  | -                                | -                       | 83.6                       | 83.6                          | 1.9                                    | 85.5                  |
| <b>Other comprehensive income/(loss), net of income tax:</b>                 |                                  |                         |                            |                               |  |                       |
| <b>Items that will not be reclassified subsequently to income statement:</b> |                                  |                         |                            |                               |  |                       |
| Remeasurement of defined benefit liabilities/assets                          | -                                | -                       | 0.4                        | 0.4                           | -                                      | 0.4                   |
| Income tax relating to items not reclassified                                | -                                | -                       | 0.5                        | 0.5                           | -                                      | 0.5                   |
| <b>Items that will not be reclassified subsequently to income statement</b>  | -                                | -                       | 0.9                        | 0.9                           | -                                      | 0.9                   |
| <b>Items that may be reclassified subsequently to income statement:</b>      |                                  |                         |                            |                               |  |                       |
| Exchange differences on the net assets of foreign operations                 | -                                | (83.6)                  | -                          | (83.6)                        | (3.0)                                  | (86.6)                |
| Exchange translation differences arising on net investment hedges            | -                                | 11.5                    | -                          | 11.5                          | -                                      | 11.5                  |
| Change in fair value of cash flow hedges                                     | -                                | 0.2                     | -                          | 0.2                           | -                                      | 0.2                   |
| Change in fair value of available-for-sale investments                       | -                                | 0.1                     | -                          | 0.1                           | -                                      | 0.1                   |
| <b>Items that will may be reclassified subsequently to income statement</b>  | -                                | (71.8)                  | -                          | (71.8)                        | (3.0)                                  | (74.8)                |
| <b>Other comprehensive (loss)/income, net of income tax</b>                  | -                                | (71.8)                  | 0.9                        | (70.9)                        | (3.0)                                  | (73.9)                |
| <b>Total comprehensive (loss)/income</b>                                     | -                                | (71.8)                  | 84.5                       | 12.7                          | (1.1)                                  | 11.6                  |
| Purchase of own shares   | -                                | -                       | (8.7)                      | (8.7)                         | -                                      | (8.7)                 |
| Recognition of share-based payments  | -                                | -                       | 1.1                        | 1.1                           | -                                      | 1.1                   |
| Dividends paid (note 9)  | -                                | -                       | (13.0)                     | (13.0)                        | (0.3)                                  | (13.3)                |
| Redemption of redeemable preference shares                                   | -                                | 0.1                     | (0.1)                      | -                             | -                                      | -                     |
| <b>Total transactions with owners</b>  | -                                | 0.1                     | (20.7)                     | (20.6)                        | (0.3)                                  | (20.9)                |
| <b>As at 1 January 2014</b>  | 27.8                             | (1,455.8)               | 2,284.6                    | 856.6                         | 27.3                                   | 883.9                 |



# Condensed Group Statement of Changes in Equity

For the six months ended 30 June 2014

|  | Issued<br>share<br>capital | Other<br>reserves | Retained<br>earnings | Owners of<br>the parent | Non-<br>controlling<br>interests | Total<br>equity |
|--|----------------------------|-------------------|----------------------|-------------------------|----------------------------------|-----------------|
|  | £m                         | £m                | £m                   | £m                      | £m                               | £m              |
| <b>As at 1 January 2014</b>  | <b>27.8</b>                | <b>(1,455.8)</b>  | <b>2,284.6</b>       | <b>856.6</b>            | <b>27.3</b>                      | <b>883.9</b>    |
| <b>Profit</b>  | <b>-</b>                   | <b>-</b>          | <b>38.3</b>          | <b>38.3</b>             | <b>2.1</b>                       | <b>40.4</b>     |
| <b>Other comprehensive (loss)/income, net of income tax:</b>                 |                            |                   |                      |                         |                                  |                 |
| <b>Items that will not be reclassified subsequently to income statement:</b> |                            |                   |                      |                         |                                  |                 |
| Remeasurement of defined benefit liabilities/assets                          | -                          | -                 | (21.8)               | (21.8)                  | -                                | (21.8)          |
| Income tax relating to items not reclassified                                | -                          | -                 | 3.1                  | 3.1                     | -                                | 3.1             |
| <b>Items that will not be reclassified subsequently to income statement</b>  | <b>-</b>                   | <b>-</b>          | <b>(18.7)</b>        | <b>(18.7)</b>           | <b>-</b>                         | <b>(18.7)</b>   |
| <b>Items that may be reclassified subsequently to income statement:</b>      |                            |                   |                      |                         |                                  |                 |
| Exchange differences on the net assets of foreign operations                 | -                          | (32.0)            | -                    | (32.0)                  | (0.4)                            | (32.4)          |
| Exchange translation differences arising on net investment hedges            | -                          | 7.0               | -                    | 7.0                     | -                                | 7.0             |
| Change in fair value of cash flow hedges                                     | -                          | (0.3)             | -                    | (0.3)                   | -                                | (0.3)           |
| <b>Items that may be reclassified subsequently to income statement</b>       | <b>-</b>                   | <b>(25.3)</b>     | <b>-</b>             | <b>(25.3)</b>           | <b>(0.4)</b>                     | <b>(25.7)</b>   |
| <b>Other comprehensive (loss), net of income tax</b>                         |                            | <b>(25.3)</b>     | <b>(18.7)</b>        | <b>(44.0)</b>           | <b>(0.4)</b>                     | <b>(44.4)</b>   |
| <b>Total comprehensive (loss)/income</b>                                     | <b>-</b>                   | <b>(25.3)</b>     | <b>19.6</b>          | <b>(5.7)</b>            | <b>1.7</b>                       | <b>(4.0)</b>    |
| Purchase of own shares   | -                          | -                 | (0.4)                | (0.4)                   | -                                | (0.4)           |
| Recognition of share-based payments  | -                          | -                 | 1.4                  | 1.4                     | -                                | 1.4             |
| Dividends paid (note 9)  | -                          | -                 | (27.7)               | (27.7)                  | (1.2)                            | (28.9)          |
| <b>Total transactions with owners</b>  | <b>-</b>                   | <b>-</b>          | <b>(26.7)</b>        | <b>(26.7)</b>           | <b>(1.2)</b>                     | <b>(27.9)</b>   |
| <b>As at 30 June 2014, unaudited</b>   | <b>27.8</b>                | <b>(1,481.1)</b>  | <b>2,277.5</b>       | <b>824.2</b>            | <b>27.8</b>                      | <b>852.0</b>    |

# 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 1.6 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 2013, 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 2013. 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 2013 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 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.

### 1.3 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 2014 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.

### 1.4 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

### 1.5 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. In its adoption of this policy, the Company applies an even-handed approach to both gains and losses and aims to be both consistent and clear in its accounting and disclosure of such items.

## Notes to the condensed financial statements

### 1. Basis of preparation, continued

#### 1.5 Disclosure of exceptional items as "separately reported items", continued

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*, the financial effect of exceptional items which occur infrequently, such as major restructuring activity, initial recognition and subsequent increase, decrease and amortisation of deferred tax assets, together with items always reported separately, such as amortisation charges relating to intangible assets, profits or losses arising on the disposal of continuing or discontinued operations and the taxation impact of the aforementioned exceptional items and items separately reported.

#### 1.6 New and revised IFRS

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.

### 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 2014. 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.

The operating segment results from continuing operations are presented below.

|  | Unaudited half year 2014 |               |                                |
|--|--------------------------|---------------|--------------------------------|
|  | Steel<br>£m              | Foundry<br>£m | Continuing<br>Operations<br>£m |
| <b>Segment revenue</b>                     | <b>489.5</b>             | <b>240.3</b>  | <b>729.8</b>                   |
| Segment EBITDA (note 17.11)                | 59.7                     | 30.6          | 90.3                           |
| Segment depreciation                       | (12.5)                   | (6.6)         | (19.1)                         |
| <b>Segment trading profit</b>              | <b>47.2</b>              | <b>24.0</b>   | <b>71.2</b>                    |
| Amortisation of intangible assets          |                          |               | (8.5)                          |
| Profit on disposal of non-current assets   |                          |               | 0.6                            |
| <b>Operating profit</b>                    |                          |               | <b>63.3</b>                    |
| Net finance costs                          |                          |               | (9.2)                          |
| Share of post-tax profit of joint ventures |                          |               | 0.8                            |
| <b>Profit before tax</b>                   |                          |               | <b>54.9</b>                    |
| Return on sales margin (%) (note 17.3)     | 9.7                      | 10.0          | 9.8                            |
| Capital expenditure additions (£m)         | 8.6                      | 5.7           | 14.3                           |

# Notes to the condensed financial statements

## 2. Segment information, continued

|  | Unaudited half year 2013 |               |                                |
|--|--------------------------|---------------|--------------------------------|
|  | Steel<br>£m              | Foundry<br>£m | Continuing<br>Operations<br>£m |
| <b>Segment revenue</b>                     | 513.5                    | 259.2         | 772.7                          |
| Segment EBITDA (note 17.11)                | 55.2                     | 35.1          | 90.3                           |
| Segment depreciation                       | (12.3)                   | (7.2)         | (19.5)                         |
| <b>Segment trading profit</b>              | 42.9                     | 27.9          | 70.8                           |
| Amortisation of intangible assets          |                          |               | (8.8)                          |
| Restructuring charges                      |                          |               | (3.0)                          |
| <b>Operating profit</b>                    |                          |               | 59.0                           |
| 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>                   |                          |               | 51.7                           |
| Return on sales margin (%) (note 17.3)     | 8.3                      | 10.8          | 9.2                            |
| Capital expenditure additions (£m)         | 13.3                     | 5.6           | 18.9                           |

|   | Full year 2013 |               |                                |
|---|----------------|---------------|--------------------------------|
|   | Steel<br>£m    | Foundry<br>£m | Continuing<br>Operations<br>£m |
| <b>Segment revenue</b>                      | 1,017.5        | 493.0         | 1,510.5                        |
| Segment EBITDA (note 17.11)                 | 114.1          | 65.2          | 179.3                          |
| Segment depreciation                        | (25.4)         | (13.9)        | (39.3)                         |
| <b>Segment trading profit</b>               | 88.7           | 51.3          | 140.0                          |
| Amortisation of intangible assets           |                |               | (17.4)                         |
| Restructuring charges                       |                |               | (3.9)                          |
| <b>Operating profit</b>                     |                |               | 118.7                          |
| Net finance costs                           |                |               | (17.3)                         |
| Share of post-tax profit of joint ventures  |                |               | 2.5                            |
| Profit on disposal of continuing operations |                |               | 0.2                            |
| <b>Profit before tax</b>                    |                |               | 104.1                          |
| Return on sales margin (%) (note 17.3)      | 8.7            | 10.4          | 9.3                            |
| Capital expenditure additions (£m)          | 28.6           | 18.9          | 47.5                           |

## 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<br>useful life<br>years | Unaudited<br>Net book<br>value as at<br>30 June<br>2014<br>£m |
|------------------------------|-----------------------------------|---|
| Customer relationships       | 13.8                              | 72.6  |
| Trade name                   | 13.8                              | 49.8  |
| Intellectual property rights | 3.8                               | 30.1  |
|                              |                                   | <b>152.5</b>  |

### 4. Restructuring charges from continuing operations

In the first half of 2014 there were no separately reported restructuring charges (2013: half year £3.0m; full year £3.9m). In 2013 these charges related to redundancy programmes, downsizing or closure of facilities, streamlining of manufacturing processes and the rationalisation of product lines in 2013. No net tax credit was attributable to the half year £nil charge (2013: half year £nil; full year £2.6m).

Cash costs of £3.9m (2013: half year £7.3m; full year £10.3m) were incurred in the period in respect of the restructuring initiatives commenced in prior years, leaving provisions made but unspent of £9.6m as at 30 June 2014 (2013: 30 June £14.2m; 31 December £12.9m), of which £4.7m (2013: 30 June £5.2m; 31 December £4.9m) relates to future lease costs in respect of leases expiring between one and ten years.

### 5. Net finance costs

Total net finance costs for the half year 2014 of £9.2m is analysed in the table below.

|                                | Unaudited<br>Half year<br>2014<br>£m | Unaudited<br>Half year<br>2013<br>£m | Full year<br>2013<br>£m |
|--------------------------------|--------------------------------------|--------------------------------------|-------------------------|
| <b>Continuing operations</b>   |                                      |                                      |                         |
| Interest cost of borrowings    | 7.9                                  | 7.1                                  | 13.2                    |
| Pension interest cost, net     | 0.9                                  | 0.9                                  | 1.8                     |
| Other finance costs            | 1.6                                  | 1.3                                  | 4.1                     |
| <b>Total finance costs</b>     | <b>10.4</b>                          | 9.3                                  | 19.1                    |
| <b>Finance income</b>          | <b>(1.2)</b>                         | (0.8)                                | (1.8)                   |
| <b>Total net finance costs</b> | <b>9.2</b>                           | 8.5                                  | 17.3                    |

## Notes to the condensed financial statements

### 6. (Loss)/profit 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. The net profit on disposal of continuing operations in respect of the year ended 31 December 2013 comprised £0.4m profit on sale of a construction and installation business in Canada, together with the loss relating the non-core business held for sale as at 31 December 2012.

### 7. Income tax costs

The Group's effective tax rate, based on the income tax costs associated with headline performance of £16.4m, was 26.5% in the first half of 2014.

The Group's total income tax costs associated with headline performance include a credit of £1.9m (2013: half year £2.2m credit; full year £38.8m credit) relating to separately reported items comprising: a credit of £nil (2013: half year £nil; full year £2.6m) in relation to restructuring charges; a credit of £1.9m (2013: half year £2.2m; full year £7.0m) relating to the amortisation of intangible assets; and a credit of £nil (2013: half year £nil; full year £29.9m) in respect of the potential recognition of US temporary differences. Tax credited in the Group statement of comprehensive income in the year amounted to £3.1m (2013: half year £2.1m charge; full year £1.6m charge), all of which related to net actuarial gains and losses on employee benefits plans.

On 2 July 2013, the UK Government passed the 2013 Finance Bill, which reduced the main rate of corporation tax to 21% from 1 April 2014, with a further reduction to 20% from 1 April 2015. Accordingly, the Group's closing UK deferred tax liability has been provided using a tax rate of 20%.

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

#### 8.1 Per share amounts

|                    |                    | Continuing<br>operations<br>pence | Discontinued<br>operations<br>pence | Unaudited<br>Half year<br>2014<br>pence | Continuing<br>operations<br>pence | Discontinued<br>operations<br>pence | Unaudited<br>Half year<br>2013<br>pence |
|--------------------|--------------------|-----------------------------------|-------------------------------------|---|-----------------------------------|-------------------------------------|---|
| Earnings per share | - basic            | 14.2                              | -                                   | 14.2                                    | 12.4                              | 6.2                                 | 18.6                                    |
|                    | - diluted          | 14.1                              | -                                   | 14.1                                    | 12.3                              | 6.2                                 | 18.5                                    |
|                    | - headline         | 16.4                              |                                     |   | 15.9                              |                                     |   |
|                    | - diluted headline | 16.4                              |                                     |   | 15.9                              |                                     |   |
| <hr/>              |                    |                                   |                                     |   |                                   |                                     |   |
|                    |                    |                                   |                                     |   | Continuing<br>operations<br>pence | Discontinued<br>operations<br>pence | Full year<br>2013<br>pence              |
| Earnings per share | - basic            |                                   |                                     |   | 38.4                              | 10.8                                | 49.2                                    |
|                    | - diluted          |                                   |                                     |   | 38.3                              | 10.8                                | 49.1                                    |
|                    | - headline         |                                   |                                     |   | 31.9                              |                                     |   |
|                    | - diluted headline |                                   |                                     |   | 31.8                              |                                     |   |

## Notes to the condensed financial statements

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

#### 8.2 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 £38.3m (2013: half year £34.3m; full year £105.4m), being the profit for the period of £40.4m (2013: half year £37.4m; full year £110.4m) less non-controlling interests of £2.1m (2013: half year £3.1m; full year £5.0m). Basic and diluted EPS from total operations are based on the profit attributable to owners of the parent of £38.3m (2013: half year £51.7m; full year £135.3m). Headline and diluted headline EPS are based upon headline profit from continuing operations attributable to owners of the parent of £44.3m (2013: half year £44.1m; full year £87.7m). The table below reconciles these different profit measures:

|   | Unaudited<br>Half year<br>2014<br>£m | Unaudited<br>Half year<br>2013<br>£m | Full year<br>2013<br>£m |
|---|--------------------------------------|--------------------------------------|-------------------------|
| <b>Continuing operations</b>  |                                      |                                      |                         |
| <b>Profit attributable to owners of the parent</b>                                  | <b>38.3</b>                          | <b>34.3</b>                          | <b>105.4</b>            |
| Adjustments for separately reported items:  |                                      |                                      |                         |
| Amortisation of intangible assets   | 8.5                                  | 8.8                                  | 17.4                    |
| Restructuring costs   | -                                    | 3.0                                  | 3.9                     |
| Profit on disposal of non-current assets  | (0.6)                                | -                                    | -                       |
| Loss/(profit) on disposal of continuing operations                                  | -                                    | 0.2                                  | (0.2)                   |
| Tax relating to separately reported items   | (1.9)                                | (2.2)                                | (38.8)                  |
| <b>Headline profit attributable to owners of the parent – continuing operations</b> | <b>44.3</b>                          | <b>44.1</b>                          | <b>87.7</b>             |

#### 8.3 Weighted average number of shares

|   | Unaudited<br>Half year<br>2014<br>m | Unaudited<br>Half year<br>2013<br>m | Full year<br>2013<br>m |
|---|-------------------------------------|-------------------------------------|------------------------|
| For calculating basic and headline EPS            | 270.2                               | 277.6                               | 274.8                  |
| Adjustment for dilutive potential ordinary shares | 0.6                                 | 0.6                                 | 0.9                    |
| For calculating diluted and diluted headline EPS  | 270.8                               | 278.2                               | 275.7                  |

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.

### 9. Dividends

|   | Unaudited<br>Half year<br>2014<br>£m | Unaudited<br>Half year<br>2013<br>£m | Full year<br>2013<br>£m |
|---|--------------------------------------|--------------------------------------|-------------------------|
| <b>Amounts recognised as dividends and paid to equity holders during the period</b> |                                      |                                      |                         |
| Final dividend for the year ended 31 December 2012 of 9.5p per ordinary share       | -                                    | 26.4                                 | 26.4                    |
| Interim dividend for the year ended 31 December 2013 of 4.75p per ordinary share    | -                                    | -                                    | 13.0                    |
| Final dividend for the year ended 31 December 2013 of 10.25p per ordinary share     | 27.7                                 | -                                    | -                       |
|   | <b>27.7</b>                          | <b>26.4</b>                          | <b>39.4</b>             |

The Directors have declared an interim dividend of 5.0p per ordinary share in respect of the year ending 31 December 2014. The dividend will be paid on 26 September 2014 to ordinary shareholders on the register at the close of business on 15 August 2014. Based upon the number of ordinary shares in issue at 30 June 2014, the total cost of the dividend would be £13.5m.

## Notes to the condensed financial statements

### 10. Net debt

|  | Unaudited                             |  |                             |                 |
|--|---------------------------------------|--|-----------------------------|-----------------|
|  | Balance at<br>1 January<br>2014<br>£m | Foreign<br>exchange<br>adjustments<br>£m | Non-cash<br>Movements<br>£m | Cash flow<br>£m |
| <b>Cash and cash equivalents</b>             |                                       |  |                             |                 |
| Cash at bank and in hand                     | 68.4                                  | (2.0)                                    | -                           | 6.4             |
| Bank overdrafts                              | (15.6)                                | 0.2                                      | -                           | 7.1             |
|  |                                       |  |                             | 13.5            |
| <b>Borrowings, excluding bank overdrafts</b> |                                       |  |                             |                 |
| Current                                      | (1.5)                                 | -  | -                           | (3.3)           |
| Non-current                                  | (310.7)                               | 9.0                                      | -                           | (21.0)          |
| Capitalised borrowing costs                  | 3.0                                   | -  | (1.7)                       | -               |
|  |                                       |  |                             | (24.3)          |
| <b>Net debt</b>                              | <b>(256.4)</b>                        | <b>7.2</b>                               | <b>(1.7)</b>                | <b>(10.8)</b>   |

### 11. Cash generated from operations

|   | Continuing<br>operations<br>£m | Discontinued<br>operations<br>£m | Unaudited<br>Half year<br>2014<br>£m | Continuing<br>Operations<br>£m | Discontinued<br>Operations<br>£m | Unaudited<br>Half year<br>2013<br>£m |
|---|--------------------------------|----------------------------------|--------------------------------------|--------------------------------|----------------------------------|--------------------------------------|
| <b>Operating profit/(loss)</b>  | <b>63.3</b>                    | <b>-</b>                         | <b>63.3</b>                          | 59.0                           | (2.2)                            | 56.8                                 |
| Adjustments for:  |                                |                                  |                                      |                                |                                  |                                      |
| Amortisation of intangible assets   | 8.5                            | -                                | 8.5                                  | 8.8                            | -                                | 8.8                                  |
| Restructuring charges   | -                              | -                                | -                                    | 3.0                            | 0.1                              | 3.1                                  |
| Profit on disposal of non-current assets  | (0.6)                          | -                                | (0.6)                                | -                              | -                                | -                                    |
| Depreciation  | 19.1                           | -                                | 19.1                                 | 19.5                           | -                                | 19.5                                 |
| <b>EBITDA</b>   | <b>90.3</b>                    | <b>-</b>                         | <b>90.3</b>                          | 90.3                           | (2.1)                            | 88.2                                 |
| Increase in inventories   | (17.0)                         | -                                | (17.0)                               | (12.6)                         | -                                | (12.6)                               |
| Increase in trade receivables   | (17.6)                         | -                                | (17.6)                               | (18.3)                         | -                                | (18.3)                               |
| Increase in trade payables  | 9.6                            | -                                | 9.6                                  | 11.0                           | -                                | 11.0                                 |
| (Increase)/decrease in other working capital balances   | (7.4)                          | (0.4)                            | (7.8)                                | 22.4                           | -                                | 22.4                                 |
| Net (increase)/decrease in trade and other working capital                                    | (32.4)                         | (0.4)                            | (32.8)                               | 2.5                            | -                                | 2.5                                  |
| Net operating inflow/(outflow) relating to assets and liabilities classified as held for sale | -                              | -                                | -                                    | 0.1                            | (7.7)                            | (7.6)                                |
| Outflow related to restructuring charges  | (3.9)                          | -                                | (3.9)                                | (7.3)                          | -                                | (7.3)                                |
| Outflow related to demerger costs   | -                              | -                                | -                                    | (3.1)                          | -                                | (3.1)                                |
| Additional pension funding contributions  | (1.0)                          | -                                | (1.0)                                | (6.4)                          | -                                | (6.4)                                |
| <b>Cash generated from operations</b>   | <b>53.0</b>                    | <b>(0.4)</b>                     | <b>52.6</b>                          | 76.1                           | (9.8)                            | 66.3                                 |

|  | Continuing<br>Operations<br>£m | Discontinued<br>operations<br>£m | Full year<br>2013<br>£m |
|--|--------------------------------|----------------------------------|-------------------------|
| <b>Operating profit</b>  | 118.7                          | 10.6                             | 129.3                   |
| Adjustments for:   |                                |                                  |                         |
| Amortisation of intangible assets  | 17.4                           | -                                | 17.4                    |
| Restructuring charges  | 3.9                            | 0.1                              | 4.0                     |
| Depreciation   | 39.3                           | -                                | 39.3                    |
| <b>EBITDA</b>  | 179.3                          | 10.7                             | 190.0                   |
| Decrease in inventories  | 4.8                            | -                                | 4.8                     |
| Increase in trade receivables  | (3.5)                          | -                                | (3.5)                   |
| Decrease in trade payables   | (4.5)                          | -                                | (4.5)                   |
| Decrease/(increase) in other working capital balances                                | 19.0                           | (3.5)                            | 15.5                    |
| Net decrease/(increase) in trade and other working capital                           | 15.8                           | (3.5)                            | 12.3                    |
| Net operating outflow relating to assets and liabilities classified as held for sale | -                              | (17.1)                           | (17.1)                  |
| Outflow related to restructuring charges   | (10.3)                         | -                                | (10.3)                  |
| Outflow related to demerger costs  | (3.2)                          | -                                | (3.2)                   |
| Additional pension funding contributions   | (11.0)                         | -                                | (11.0)                  |
| <b>Cash generated from operations</b>  | 170.6                          | (9.9)                            | 160.7                   |



## Notes to the condensed financial statements

### 12. Employee benefits

The net employee benefits balance as at 30 June 2014 of £66.5m (2013: half year £57.7m; full year £47.9m) in respect of the Group's defined benefit pension and other post-retirement benefit obligations, comprised net surpluses of £17.9m (2013: half year £32.3m; full year £28.7m) and net liabilities of £84.4m (2013: half year £90.0m; full year £76.6m), and results from an interim actuarial valuation of the Group's defined benefit pension and other post-retirement obligations as at that date.

|  | Unaudited<br>30 June<br>2014<br>£m | 31 December<br>2013<br>£m | Unaudited<br>30 June<br>2013<br>£m |
|--|------------------------------------|---------------------------|------------------------------------|
| <b>Employee benefits – net surpluses</b>         |                                    |                           |                                    |
| UK defined benefit pension plan                  | 17.9                               | 28.7                      | 32.3                               |
| <b>Employee benefits – net liabilities</b>       |                                    |                           |                                    |
| US defined benefit pension plans                 | 27.8                               | 23.3                      | 32.2                               |
| Germany defined benefit pension plans            | 35.1                               | 32.6                      | 33.0                               |
| ROW defined benefit pension plans                | 13.4                               | 12.6                      | 15.2                               |
| Other post-retirement benefit obligations        | 8.1                                | 8.1                       | 9.6                                |
|  | 84.4                               | 76.6                      | 90.0                               |
| <b>Employee benefits – total net liabilities</b> | 66.5                               | 47.9                      | 57.7                               |

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<br>Half year<br>2014<br>£m | Unaudited<br>Half year<br>2013<br>£m | Full year<br>2013<br>£m |
|---|--------------------------------------|--------------------------------------|-------------------------|
| In arriving at trading profit - within manufacturing costs  | 1.1                                  | 0.7                                  | 1.9                     |
| - within administration, selling and distribution costs     | 1.9                                  | 2.2                                  | 4.1                     |
| In arriving at profit before tax - within net finance costs | 0.9                                  | 0.9                                  | 1.8                     |
| <b>Total net charge - continuing operations</b>             | 3.9                                  | 3.8                                  | 7.8                     |

Cash contributions into the Group's defined benefit pension plans amounted to £2.8m (2013: half year £8.4m; full year £15.3m), which included additional funding contributions of £1.0m (2013: half year £6.4m; full year £11.0m).

### 13. 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 was completed by 31 December 2013.

### 14. 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.

## Notes to the condensed financial statements

### 15. Contingent liabilities

Guarantees given by the Group under property leases of operations disposed of amounted to £2.4m (2013: £2.7m).

Vesuvius has extensive international operations and is subject to various legal and regulatory regimes, including those covering taxation and environmental matters. Several of Vesuvius' 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 Vesuvius' financial position or results of operations.

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 arising 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. Vesuvius and Alent filed a motion for summary judgement in May 2014 in the first action. If any claims remain following decision on that motion, a trial in the first action is presently scheduled for January 2015. Each of Vesuvius and Alent anticipate filing a motion to consolidate the two actions and, if granted, a consolidated trial of the two actions is currently anticipated in late summer 2015. Any liability relating to the MacDermid claim arising following the demerger of Cookson Group will be split equally between Alent plc and Vesuvius plc.

### 16. 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.

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 was subject to adjustment dependent upon the delivery of a specified level of assets per the closing balance sheet, which resulted in a full year profit on disposal of £19.3m. 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.

## Notes to the condensed financial statements

### 16. Discontinued operations, continued

#### 16.1 Results of discontinued operations

|   | Unaudited<br>Half year<br>2014<br>£m | Unaudited<br>Half year<br>2013<br>£m | Full year<br>2013<br>£m |
|---|--------------------------------------|--------------------------------------|-------------------------|
| Revenue   | -                                    | 65.0                                 | 65.0                    |
| Expenses  | -                                    | (67.2)                               | (54.4)                  |
| <b>(Loss)/profit before tax</b>                                   | -                                    | (2.2)                                | 10.6                    |
| Income tax costs  | -                                    | -                                    | -                       |
| Profit on disposal of discontinued operations                     | -                                    | 19.6                                 | 19.3                    |
| <b>Profit for the period attributable to owners of the parent</b> | -                                    | 17.4                                 | 29.9                    |
| <b>Earnings per share – pence</b>                                 |                                      |                                      |                         |
| Basic   | -                                    | 6.2                                  | 10.8                    |
| Diluted   | -                                    | 6.2                                  | 10.8                    |

The profit before tax of £10.6m for the full year 2013 includes the release of £10.2m of a provision relating to a VAT case which was resolved in Vesuvius' favour.

### 17. 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.

#### 17.1 Headline

Headline performance is from continuing operations and before items reported separately on the face of the income statement.

#### 17.2 Underlying

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

#### 17.3 Return on sales

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

#### 17.4 Trading profit

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

#### 17.5 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 headline performance.

#### 17.6 Effective tax rate

The Group's effective tax rate is calculated as the income tax costs associated with headline performance, divided by headline profit before tax and before the Group's share of post-tax profit of joint ventures.

#### 17.7 Headline earnings per share

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

#### 17.8 Operating cash flow

Operating cash flow is cash generated from continuing operations before restructuring, demerger payments and additional pension funding contributions but after deducting capital expenditure net of assets disposals.

## Notes to the condensed financial statements

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

#### 17.9 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.

#### 17.10 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 12 previous month end balances, and annualised revenue is the revenue for the previous 12 months.

#### 17.11 Earnings before interest tax depreciation and amortisation ("EBITDA")

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

#### 17.12 Net interest

Net interest is calculated as interest payable on borrowings less interest receivable, excluding any item therein considered by the Directors to be exceptional and therefore separately reported.

#### 17.13 Interest cover

Interest cover is the ratio of EBITDA to net interest.

#### 17.14 Net debt

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

#### 17.15 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.

#### 17.16 Return on net assets ("RONA")

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 12 months of property, plant and equipment, trade working capital and other operating receivables and payables).

#### 17.17 Constant rates

Figures presented at constant rates represent December and June 2013 results retranslated at June 2014 exchange rates.

### 18. 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:

|                    | Income and expense |                   |                   |                                     |                                     | Assets and liabilities |                   |                   |                                     |                                     |
|--------------------|--------------------|-------------------|-------------------|-------------------------------------|-------------------------------------|------------------------|-------------------|-------------------|-------------------------------------|-------------------------------------|
|                    | Average rates      |                   |                   |                                     |                                     | Period end rates       |                   |                   |                                     |                                     |
|                    | Half year<br>2014  | Half year<br>2013 | Full year<br>2013 | Half year to<br>Half year<br>change | Half year to<br>full year<br>change | Half year<br>2014      | Half year<br>2013 | Full year<br>2013 | Half year to<br>Half year<br>change | Half year to<br>full year<br>change |
| US Dollar          | 1.6683             | 1.5443            | 1.5638            | 8.0%                                | 6.7%                                | 1.7104                 | 1.5210            | 1.6556            | 12.5%                               | 3.3%                                |
| Euro               | 1.2169             | 1.1760            | 1.1776            | 3.5%                                | 3.3%                                | 1.2493                 | 1.1693            | 1.2045            | 6.8%                                | 3.7%                                |
| Chinese Renminbi   | 10.2879            | 9.5587            | 9.6139            | 7.6%                                | 7.0%                                | 10.6106                | 9.3350            | 10.0225           | 13.7%                               | 5.9%                                |
| Japanese Yen       | 170.9417           | 147.3083          | 152.5203          | 16.0%                               | 12.1%                               | 173.2635               | 150.7615          | 174.3347          | 14.9%                               | (0.6%)                              |
| Brazilian Real     | 3.8305             | 3.1331            | 3.3747            | 22.3%                               | 13.5%                               | 3.7863                 | 3.3941            | 3.9102            | 11.6%                               | (3.2%)                              |
| Indian Rupee       | 101.3751           | 84.7442           | 91.5828           | 19.6%                               | 10.7%                               | 102.7010               | 90.5345           | 102.3161          | 13.4%                               | 0.4%                                |
| South African Rand | 17.7995            | 14.1531           | 15.0314           | 25.8%                               | 18.4%                               | 18.1884                | 14.9514           | 17.2961           | 21.7%                               | 5.2%                                |

## Non-GAAP supplementary information

### 5 year history at constant currency

|                            | 2009           | 2010           | 2011           | 2012           | 2013           | 2014 H1      |
|----------------------------|----------------|----------------|----------------|----------------|----------------|--------------|
| <b>Revenue (£m)</b>        | <b>1,057.3</b> | <b>1,347.2</b> | <b>1,507.4</b> | <b>1,441.0</b> | <b>1,411.2</b> | <b>729.8</b> |
| Steel                      | 708.1          | 888.3          | 970.2          | 953.3          | 953.2          | 489.5        |
| Foundry                    | 349.2          | 458.8          | 537.3          | 487.7          | 458.0          | 240.3        |
| <b>Trading Profit (£m)</b> | <b>54.4</b>    | <b>148.4</b>   | <b>157.5</b>   | <b>116.6</b>   | <b>128.8</b>   | <b>71.2</b>  |
| Steel                      | 44.3           | 90.0           | 93.0           | 76.2           | 82.9           | 47.2         |
| Foundry                    | 10.1           | 58.4           | 64.5           | 40.4           | 45.9           | 24.0         |
| <b>Return on Sales</b>     | <b>5.1%</b>    | <b>11.0%</b>   | <b>10.5%</b>   | <b>8.1%</b>    | <b>9.1%</b>    | <b>9.8%</b>  |
| Steel                      | 6.2%           | 10.1%          | 9.6%           | 8.0%           | 8.7%           | 9.7%         |
| Foundry                    | 2.9%           | 12.7%          | 12.0%          | 8.3%           | 10.0%          | 10.0%        |