VESUVIUS PLC

21 March 2013

Results for the year ended 31 December 2012 (unaudited)

Resilient financial performance delivered in a difficult second half trading environment:

- 2012 trading profit of £150.2m (including Precious Metals Processing), affected by Steel and Foundry trading environment being significantly weaker in second half (as previously announced)
- Final dividend of 9.5 pence per share, in line with guidance at demerger
- Free cash flow[(1),(2)] from continuing operations of £54.2m (2011: £32.1m)
- Year-end net debt[(2)] of £295m

Strategic transformation of Vesuvius into a focused, global leader in metal flow engineering:

- Restructuring programme well progressed across the Group, exiting low-margin business, reducing the cost base, improving operational flexibility and cash flow
- Successful demerger completed[(3)]
- Complete exit from Solar Crucibles business announced
- Discussions on disposal of Precious Metals Processing at an advanced stage

François Wanecq, Chief Executive of Vesuvius, commented:

"Vesuvius has demonstrated its resilience in the significantly weaker steel and foundry markets experienced in the second half of 2012. We have taken decisive action to exit low margin businesses and lower our fixed cost base, to drive profitability and cashflow. Since the year-end, we have decided to exit completely from the Solar Crucibles business.

We have clear market and technology leadership in both Steel and Foundry, a strong presence in developing markets, and opportunities to develop new higher value products and services for our customers. We will continue the drive to improve our operating efficiency, while maintaining our leadership in technology, innovation and global reach.

The Group is now positioned to increase margins, and as our end-markets start to strengthen, grow revenues. Our strong balance sheet and cash generation will enable us to continue to invest in our business and pursue further high value opportunities."

Full Year Results :

Headline Results [(1),(2)]	**2012**	2011
Revenue (£m)	**1,548**	1,686
Trading Profit (£m)	**133.0**	183.5
- *Including Precious Metals (£m)*	***150.2***	*190.6*
Headline PBT (£)	**110.9**	156.5
Headline EPS (pence)	**27.5**	39.4
- *Including Precious Metals (pence)*	***33.0***	*41.0*

(1) Continuing (excluding Alent and the Precious Metals Processing division) operations excluding all separately reported Items

(2) For definitions of non-GAAP items refer to note 17

(3) On 14 December 2012, Cookson Group plc ("Cookson") effected a group reorganisation and Vesuvius plc became the new holding company for Cookson. On 19 December 2012, the businesses of Cookson's former Performance Materials division were demerged from Vesuvius plc and separately listed on the London Stock Exchange as Alent plc

Outlook

We currently expect the trading environment during the first half of 2013 to be broadly similar to that experienced in the second half of 2012, with some improvement in general market conditions anticipated later in the year.

Following the significant restructuring of our operations and disposals, we anticipate that Group revenue in 2013 will be lower than in 2012. The expected disposal of Precious Metals Processing will enable Vesuvius to focus primarily on the steel and foundry markets.

We have undertaken a range of self-help actions to adjust our business to the current trading environment, including eliminating jobs and increasing our operational flexibility. We expect the benefits of these actions to start to drive a recovery in our trading margins towards the end of 2013.

CHIEF EXECUTIVE'S STATEMENT

Business overview

This has been a transformational period for Vesuvius, during which we have substantially restructured the business to create a focused, global leader in metal flow engineering. Vesuvius now operates predominantly in the steel and foundry casting industries, and has clear market and technology leadership across a range of mission critical products and services supplied into these sectors.

The demerger was completed successfully just before the year-end, and we can now pursue our strategic objectives independently.

Vesuvius' US Precious Metals Processing operation was sold in May 2012, and we expect to complete the disposal of the Precious Metals Processing business in the coming months. This business is a leading provider of semi-finished precious metals to the jewellery industry in the UK, Spain and France, and has a significant presence in precious metals recycling. However there are no material technical or commercial synergies with our core Steel and Foundry activities, and its disposal will further focus Vesuvius' resources on the global steel and foundry casting industries. (The Precious Metals Processing business and the business demerged to become Alent plc are treated as Discontinued Operations in these results).

During 2012 we implemented substantial restructuring within the core Steel and Foundry businesses, in order to exit low margin activities and to mitigate the impact of the rapid decline in the Solar Crucibles market that began in late 2011. In the first half of 2012 we announced the sale of our Andreco-Hurll refractory lining installation business in Australia, and the closure of a Solar Crucible facility in the Czech Republic, both of which took effect in July.

Demand for Solar Crucibles remained severely depressed through the year. Two further Solar Crucible facilities were closed during the second half, and subsequent to the year-end we have announced our decision to exit completely from this business.

During the second half of 2012 end-markets in both Steel and Foundry weakened significantly. Global steel production, excluding China, was flat during the first half. In the second half, however, production in the key markets of the EU and North America fell by almost 10% compared to the first half. In Foundry, following a strong start to the year, key end-markets such as heavy truck production in the US and Brazil, high end automotive in Europe, and the global wind power sector, weakened significantly from the middle of the year.

We reacted swiftly to this market downturn during the second half, closing a small steel consumables plant in China, transferring production to a larger, more efficient facility nearby. We also exited the small, low margin VGT-Dyko brick refractories business in Germany. In parallel we accelerated the drive to increase cost flexibility in our core manufacturing operations.

Following this period of intense transformational activity, Vesuvius is now a focused, global leader in molten metal engineering, with efficient, flexible manufacturing operations. We are well positioned to expand margins and, as our end-markets start to strengthen again, to grow revenues.

Strategy

Vesuvius is unique in having a worldwide presence, in both the Steel and Foundry divisions, and our industry experts are embedded within many of our customers' operations. These strong customer relationships, served by our low-cost, dispersed network of manufacturing plants located close to our customers' own facilities, and supported by our global technology centres, are the foundation of our profitable, sustainable business model.

The end-markets that we serve are subject to cycles, but our business model is resilient and Vesuvius has remained profitable and cash generative through major downturns, as demonstrated during the second half of 2012 and during the 2008/9 economic shock.

Our aim is to enhance shareholder value through further increasing our resilience to cyclical downturns and by building on our profitable growth opportunities, to deliver:

- Long-term revenue growth, ahead of the growth in our end-markets
- Higher trading margins and returns on net operating assets
- Strong cash-flow generation

Our commitment to achieve these objectives is underwritten by our core competitive strengths: leading technology and innovation; strong customer relationships; a well-established presence in developing markets; a low-cost manufacturing base; and global reach, enabling us to expand our addressable market. We will continue to actively reshape our portfolio and increase our focus on cash and working capital management.

A major strategic focus will be the development of our engineering services offering. In both Steel and Foundry our customers need to drive higher productivity in order to remain competitive globally. Vesuvius is well positioned to support them in this, by developing and deploying new services and systems that optimise production and minimise energy use and material waste. As well as driving sales of our consumable products, engineering services can provide better revenue visibility and more scope for value pricing, generating both revenue growth and higher margins.

The acquisitions in 2011 of SERT and AVEMIS were a significant step towards the development of our engineering services offering, providing process automation, measurement and control technologies which are already deployed at a number of customers' sites, with further projects in the pipeline.

Bolt-on acquisitions have extended Vesuvius product range. In March 2012 we acquired Metallurgica, a leading supplier of mould flux used alongside refractory products in the enclosed continuous steel casting process. Now integrated successfully within Vesuvius' Steel Flow Control business, Metallurgica made a positive contribution in 2012, in line with our expectations.

We are continuing to invest to maintain the strategic foundations of our business. In Steel, in 2012 we completed the expansion of a flow control plant in the Czech Republic, enabling us to service the Eastern European and CIS markets more effectively. A new facility in Brazil to improve our raw material sourcing and processing is on track for completion in 2013. Additional Advanced Refractory capacity in Australia and a new monolithic lining facility in the UAE will bring us closer to our customers and to new market opportunities in these areas.

In Foundry, we are expanding further our presence in China, establishing a molten metal filter manufacturing facility on an existing site in Suzhou, and acquiring a greenfield site in Changshu, close to Suzhou, where a new feeding systems and coatings plant will be constructed. Plans are also well advanced to establish a new dedicated foundry consumables research & development facility in the Netherlands.

Trading performance

Group revenue from our continuing operations was £1,548m, a reduction of 8.2% compared to 2011. Underlying revenue, excluding impact of exchange rate movements, acquisitions and disposals, declined by 4.4%. Trading profit for the year was £133.0m, down from £183.5m in 2011, reflecting the weaker market conditions in the second half,

Steel

World crude steel production in 2012 was 1.2% higher than in 2011, but there were wide geographic disparities, with lower production in the EU and South America offset by increased output in China and North America. Steel production in the second half of the year weakened significantly in the EU and North America. Production in the EU in the second half was over 9% lower than in the first half, and in North America production fell by almost 8% compared to the first half.

Our Steel division comprises two product lines, Steel Flow Control and Advanced Refractories.

Global steel represents almost 100% of the end-market for Vesuvius' Steel Flow Control products and services, and around 75% of the end-market for our Advanced Refractory business, so the weakness in steel production in the second half was reflected in our Steel division's revenue and trading margins. In addition, although China accounted for around half of total world steel production in 2012, and production in China grew by 3.1% during the year, this market represented less than 10% of Vesuvius steel business revenue in 2012, reflecting the higher proportion of infrastructure-driven long steel produced in China which uses less Vesuvius product than consumption-driven flat steel production.

Revenue (as reported)	H1 2012	H2 2012	FY 2012	H1 2011	H2 2011	FY 2011
Steel Flow Control £m	**278**	**264**	**542**	269	264	533
% change y-on-y	*+3.3%*	*0*	*+1.5%*	-	-	-
Advanced Refractories £m	**252**	**224**	**476**	269	276	545
% change y-on-y	*-6.3%*	*-18.8%*	*-12.7%*	-	-	-
Total Steel	**530**	**488**	**1,018**	**538**	**540**	**1,078**

Steel Flow Control

Revenue for the full year was £542m, 1% higher compared with 2011, principally reflecting the acquisition of Metallurgica in March 2012, partially offset by weaker global steel production in some of our key markets in the second half. On an underlying basis (at constant currency and adjusted for the acquisitions of Metallurgica and of SERT in November 2011) full year revenue was down 2% compared to 2011.

In the second half, Steel Flow Control revenue of £264m was unchanged compared to the same period in 2011. Underlying revenue in the second half declined by 5% year-on-year, reflecting the fall in steel production.

Advanced Refractories

Revenue for the full year was £476m, 13% lower than 2011, partially reflecting the sale of the Andreco-Hurll refractories installation business in Australia at the end of the first half, which reported full-year revenue of £56m in 2011, as well as the second half weakness in steel production. On an underlying basis (at constant currency and excluding the impact of the sale of Andreco-Hurll) full year revenue was 2% lower than in 2011.

Total steel (as reported)	H1 2012	H2 2012	FY 2012	H1 2011	H2 2011	FY 2011
Revenue £m	**530**	**488**	**1,018**	538	540	1,078
% change y-on-y	*-1.5%*	*-9.8%*	*-5.7%*			
Trading Profit (1) £m	**51**	**33**	**84**	53	54	107
% change y-on-y	*-3.8%*	*-38.9%*	*-21.5%*			
Trading Margin %	**9.7%**	**6.7%**	**8.2%**	9.8%	10.0%	9.9%

(1) Includes allocation of Corporate overheads previously disclosed separately

Total revenue from the Steel division was £1,018m, a decline of 6% compared to 2011. On an underlying basis revenue was 2% lower, reflecting the weakening in global steel production during the second half of the year.

Trading profit in the Steel division declined by 21% to £84m and the trading margin reduced to 8.2%, from 9.9% in 2011, mainly as a consequence of the fall in revenue in the second half.

Raw material prices, notably for magnesite which is the single most important raw material used in our Advanced Refractories business, were broadly stable during 2012, following large price increases in 2011.

Foundry

The foundry industry produces castings that are used in a wide variety of engineered products. Around 40% of castings are produced for the vehicle sector, of which around 25% are for cars and light trucks and the remaining 15% for heavy trucks. Other end-markets for foundry castings include equipment and machinery used in the construction, agriculture, mining, power generation, railway, and general engineering sectors.

The strong growth seen in foundry castings markets worldwide in 2011 did not extend beyond the first quarter of 2012. From the middle of 2012 onwards we saw a general slowdown in the global foundry market, which continued through the remainder of the year.

The drivers behind this slowdown varied by region but included reduced infrastructure spending in China and India, power shortages in India that affected industrial output, lower railroad traffic in North America, surplus truck inventories in Brazil, and a decline in automotive, truck and wind power activity in the EU. The general weakness across this range of end-markets had an adverse impact on the trading performance of Vesuvius' Foundry division.

Fused Silica

Vesuvius' Fused Silica activities are now managed and reported as part of Foundry. This business is one of the world's leading manufacturers of fused silica refractory products, used in a wide range of industrial applications including glass melting, as well as steel and aluminum casting. End-markets include the construction and automotive sectors. Fused Silica also included Solar Crucibles, used in the manufacture of solar power panels.

In the second half of 2011 the customers for our Solar Crucibles started to reduce their production substantially, in response to excess global inventories of finished solar panels. This weakness continued into 2012 and in April our largest customer in Europe announced the closure of its major production facility.

We implemented a series of actions to mitigate the impact of the rapid decline in the Solar Crucibles market and stem the consequent trading losses that were incurred. However it became clear that the business was not sustainable in the foreseeable future, and the decision has now been taken to exit it completely.

Total Foundry (as reported)	**H1 2012**	**H2 2012**	**FY 2012**	H1 2011	H2 2011	FY 2011
Revenue £m	**289**	**241**	**530**	313	295	608
% change y-on-y	*-7.7%*	*-18.0%*	*-12.8%*			
Trading Profit [1] £m	**29**	**20**	**49**	41	35	76
Trading Margin %	**10.0%**	**8.5%**	**9.3%**	13.0%	12.0%	12.6%

(1) Includes allocation of Corporate overheads previously disclosed separately

Total revenue for Foundry of £530m was 13% lower than 2011 (9% at constant exchange rates) and trading profit of £49m was 36% lower, reflecting weaker end-markets in the second half of the year and the deterioration in revenue and profit in Solar Crucibles during the year. Solar Crucible revenue in 2012 was £10m, down from £41m in 2011, and trading losses for the full year were £10m, compared to a £1m profit in 2011.

The sharp fall in revenue and increase in trading losses in the Solar Crucibles business was an important driver of the reduction in revenue and trading profit reported by the Foundry division in 2012.

Excluding Solar Crucible	**H1 2012**	**H2 2012**	**FY 2012**	H1 2011	H2 2011	FY 2011
Revenue £m	**283**	**237**	**520**	284	283	567
% change y-on-y	*0*	*-16.3%*	*-8.3%*			
Trading Profit[1] £m	**35**	**24**	**59**	35	40	75
% change y-on-y	*0*	*-40.0%*	*-21.3%*			
Trading Margin %	**12.4%**	**10.1%**	**11.3%**	12.3%	14.1%	13.2%

(1) Includes allocation of Corporate overheads previously disclosed separately

Excluding Solar Crucibles, Foundry revenue declined by 8.3% to £520m, reflecting the weakness in many foundry end-markets, in the second half. Revenue and trading profit were flat year-on-year in the first half, but revenue as reported declined by 16% in the second half, compared to the same period in 2011, and trading profit fell by 40%.

Excluding Solar Crucibles, trading profit for the year was £59m, down 21% compared to 2011. The trading margin in Foundry excluding Solar Crucibles was 11.3%, down from 13.2% in the prior year.

Group trading summary

Overall, trading conditions in both Steel and Foundry were more difficult than expected in the second half of 2012, and the rapid decline in demand for Solar Crucibles in particular had a significant adverse impact on our revenues and trading margins. However our business has proven resilient, and remained profitable and cash generative as the end-markets turned down through the period. We have now taken action across all our operations to adjust to this trading environment, which we expect to see continuing through a large part of 2013. However through this period we have continued to invest to build and maintain our core competitive strengths, and this makes us well positioned to increase margins, and as our end-markets start to strengthen, grow revenues.

Financial position

Vesuvius remains financially strong and flexible. We have a robust balance sheet, with net debt at the year-end of £295m, representing around half of the total borrowing facilities we have in place. The average maturity of our debt is just over four years. We have made major progress in de-risking the Group's pension liabilities in the UK and US and have reduced significantly our exposure to future pension funding volatility.

Interest payable on borrowings fell by £2.8m reflecting the reduction in the Group's overall interest rate on debt following the repayment in May of US$190m of the Group's US Private Placement loan notes which attracted an interest rate of 8.1%.

The average interest rate on the aggregate bank debt and US Private Placement loan notes was 3.6% in 2012 (2011: 4.2%).

Vesuvius is profitable and cash generative, and we are driving to reduce the working capital in our business. We have a well invested manufacturing base, located in close proximity to our customers' facilities, and in 2012 total capital expenditure in our continuing operations was £57m, around 4% of total revenue. Going forward we intend to focus rigorously on cashflow management and our return on net operating assets.

Directorate

Having served nine years as Non-executive Directors, both John Sussens and Jan Oosterveld will retire, as planned, from the Board at the close of the Annual General Meeting on 4 June 2013.

John Sussens will be succeeded as Senior Independent Director by Jeff Hewitt, and as Chair of the Remuneration Committee by Jane Hinkley.

Jane Hinkley joined the Board as a Non-executive Director in December 2012. Jane has significant international experience as Managing Director of Navion Shipping AS and CFO then CEO of Gotaas-Larsen Shipping Corp. Jane chairs the remuneration committee at Premier Oil plc and is a Non Executive Director of Teekay GP LLC.

Nelda Connors was appointed to the Board as a Non-executive Director on 1 March 2013. She is a non-executive Director of Blount International, Inc., and Boston Scientific Corporation, sits on the Board of the Federal Reserve Bank of Chicago and is Chairwoman and Founder of Pine Grove Holdings, LLC.

Rachel Fell will be replaced as Company Secretary by Richard Malthouse with effect from 21 March 2013 while she takes maternity leave.

Dividend

In line with the guidance set out at the demerger, the Board has recommended a final dividend of 9.5 pence per share. The final dividend, if approved at the Annual General Meeting on 4 June 2013, is to be paid on 27 June 2013 to shareholders on the register on 17 May 2013. Any shareholder wishing to participate in the Vesuvius Dividend Reinvestment Plan ("DRIP") needs to have submitted their election to do so by 6 June 2013.

Looking ahead, we expect Vesuvius to be a strongly cash generative business and we recognise the importance of cash distributions to shareholders, including long-term dividend growth. Future dividend decisions will take into account Vesuvius' underlying earnings, cash-flows investment plans and the prevailing market outlook, and the Board intends to announce the first dividend under this new policy along with the 2013 Interim results.

FOR FURTHER INFORMATION PLEASE CONTACT:

Shareholder/analyst enquiries:

Vesuvius plc	François Wanecq, Chief Executive	+44 (0) 207 822 0000
	Chris O'Shea, Chief Financial Officer	+44 (0) 207 822 0000
	Maddy Cox-Smith, Investor Relations Manager	+44 (0) 207 822 0016

Media enquiries:

MHP Communications	John Olsen/Ian Payne	+44 (0) 203 128 8100

Copies of Vesuvius' 2012 Annual Report are due to be posted to shareholders of the Company who have elected to receive a hard copy on 25 April 2013 and are also expected to be available on the Company's website and at the Registered Office of the Company on or before this date.

Vesuvius management will make a presentation to analysts on 21 March 2013 at 9.00am (UK time). This will be broadcast live on Vesuvius' website, http://investors.vesuvius.com/investor-relations and an archive version of the presentation will be available on the website later that day.

Forward looking statements

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

Statements in this announcement that are not historical facts are hereby identified as "forward looking statements". Such forward looking statements, including, without limitation, those relating to the future business prospects, revenue, working capital, liquidity, capital needs, interest costs and income, in each case relating to Vesuvius, wherever they occur in this announcement, are necessarily based on assumptions reflecting the views of Vesuvius and involve a number of known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied by the forward looking statements. Such forward looking statements should, therefore, be considered in light of various important factors. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward looking statements include without limitation: economic and business cycles; the terms and conditions of Vesuvius' financing arrangements; foreign currency rate fluctuations; competition in Vesuvius' principal markets; acquisitions or disposals of businesses or assets; and trends in Vesuvius' principal industries.

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

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

Vesuvius plc, 165 Fleet Street, London EC4A 2AE

Registered in England and Wales No. 8217766

www.vesuvius.com

FINANCIAL COMMENTARY

Restructuring

Of the total restructuring charge of £57.0m (£40.8m of which is non-cash asset write-offs), £46.3m relates to the Solar Crucibles product line where, due to a severe downturn in the market, the decision was taken in 2012 to close manufacturing facilities in the Czech Republic, Poland and China, leaving one plant in China producing Solar Crucibles. Subsequent to the end of the year, the decision was taken to exit the Solar Crucibles product line completely, as it became clear that the business would remain loss-making for the foreseeable future.

In addition, the Steel Flow Control plant at Tianjin in China was closed in 2012 as production was absorbed within other Chinese plants.

The £16.2m of restructuring cash costs, some of which will be incurred in 2013, related mainly to redundancy programmes initiated during the year.

Divestments

As part of the strategy to exit low margin businesses, principally in the Advanced Refractories product line of the Steel division, Andreco-Hurll, a construction business in Australia was disposed of on 24 July to Veolia Environmental Services for a cash consideration of Aus$8m (£5m). In 2012, Andreco-Hurll had revenue of Aus$19m (£12m) (2011: £56m) and a trading profit of Aus$0.7m (£0.4m).

On 22 February 2012 we entered into an agreement to sell our loss-making US Precious Metals business to Richline Group, Inc. a subsidiary of Berkshire Hathaway Inc. for a cash consideration of £18m. The sale completed on 1 May 2012. Following the decision to completely exit the Precious Metals Processing business, the results of this entire division are reported within Discontinued Operations.

Acquisitions

During the year Metallurgica, was purchased for £28m. Headquartered in Germany, Metallurgica is one of the world's leading suppliers of fluxes, a range of powders used alongside refractory products in the enclosed continuous casting technology for steel production. As well as absorbing impurities in the molten steel, these powders also help lubricate the mould and prevent oxidation of the molten steel during the production process. In 2011, Metallurgica had revenue of approximately £40m. Gross assets as at 31 December 2011 were approximately £20m.

Capital expenditure

Capital expenditure in the year, excluding acquisitions, comprised £57.2m on continuing businesses, with £38.5m invested in our Steel division and £18.7m invested in Foundry. This represents a reinvestment rate of 1.3 times depreciation of £43m.

Net finance costs

Interest payable on borrowings fell by £2.8m reflecting the reduction in the Group's overall interest rate on borrowings following the repayment in May of US$190m of the Group's US Private Placement loan notes which attracted an interest rate of 8.1%.

The pro forma finance costs represent the estimated finance costs attributable to the Vesuvius continuing operations had the demerger occurred on 1 January 2011.

Taxation

Based on the tax charge on ordinary activities from continuing operations of £29.6m (2011: £41.9m) the Group's headline effective tax rate in 2012 was 26.7% (2011: 26.6%).

Pensions

Significant progress was made in 2012 to de-risk the Group's pension liabilities in both the UK and the USA and substantially reduce the Group's exposure to future volatility in pension funding.

The net pension deficit at 31 December 2012 was £69m (31 December 2011: £32m, excluding deficits of £26m in plans which were demerged to Alent plc).

For the year ended 31 December 2013 the Group is required to adopt IAS 19 (revised), Employee Benefits. The adoption will impact the Group's income statement and the impact on the 2012 pension charge had the revised standard been in force would have been a £1.6m increase in operating costs due to the requirement to reclassify pension scheme administration costs from net finance charge to operating costs, together with an additional interest charge - and therefore reduction in earnings - of £1.2m. The latter change is projected to increase the net finance charge in 2013 by some £2m.

Working capital
We have embarked on a focused effort to reduce the level of working capital in our businesses and in 2012 we saw a cash inflow from reduced working capital of £11.2m (2011: £65.3m cash outflow). Average working capital to sales for the year was 27.3% (2011: 26.4%).

Cash flow
Free cash flow from continuing operations of £54.2m was generated in 2012 (2011 £32.1m). Cash generated from continuing operations (£118.9m; 2011: £141.5m), after capital expenditure (£56.2m; 2011: £66.5m) but before outflows for restructuring (£11.4m; 2011: £9.3m), demerger costs (£12.5m) and additional pension funding contributions (£45.2m; 2011: £11.5m), was £131.8m in 2012 (2011: £95.8m); which represents a cash conversion rate of 99% (2011: 52%) in relation to trading profit from continuing operations.

Funding position and liquid resources
The Group is well funded, with £580m of committed debt facilities available, of which £158m was undrawn at year end. Of this, £425m is a syndicated revolving credit facility with 16 banks which expires in 2016. The remainder comprises the US Private Placement notes, of which US$110m are repayable in 2017, with the remaining US$140m repayable in 2020.

Net debt at 31 December of £295.3m was well within existing banking covenants of 3.0 times EBITDA.

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

Tax-related costs of £11.4m were incurred by Vesuvius in connection with the transactions necessary to reorganise the legal entity structure to facilitate the demerger.

Group Income Statement (unaudited)

For the year ended 31 December 2012

	Notes	2012 Headline performance £m	2012 Separately reported items £m	2012 Total £m	2011 Headline performance £m	2011 Separately reported items £m	2011 Total £m
Continuing operations							
Revenue	2	**1,547.5**	**-**	**1,547.5**	1,685.8	-	1,685.8
Manufacturing costs		**(1,149.3)**	**-**	**(1,149.3)**	(1,249.8)	-	(1,249.8)
Administration, selling and distribution costs		**(265.2)**	**-**	**(265.2)**	(252.5)	-	(252.5)
Trading profit	2	**133.0**	**-**	**133.0**	183.5	-	183.5
Amortisation of intangible assets		**-**	**(17.5)**	**(17.5)**	-	(17.8)	(17.8)
Restructuring charges	3	**-**	**(57.0)**	**(57.0)**	-	(7.0)	(7.0)
Demerger costs	4	**-**	**(15.7)**	**(15.7)**	-	-	-
Gains relating to employee benefits plans		**-**	**-**	**-**	-	13.2	13.2
Profit/(loss) from operations		**133.0**	**(90.2)**	**42.8**	183.5	(11.6)	171.9
Finance costs	5	**(50.9)**	**-**	**(50.9)**	(60.7)	(1.9)	(62.6)
Finance income	5	**28.7**	**-**	**28.7**	34.9	-	34.9
Share of post-tax profit/(loss) of joint ventures		**0.1**	**-**	**0.1**	(1.2)	-	(1.2)
Loss on disposal of continuing operations	6	**-**	**(2.3)**	**(2.3)**	-	(1.6)	(1.6)
Profit/(loss) before tax		**110.9**	**(92.5)**	**18.4**	156.5	(15.1)	141.4
Income tax costs - ordinary activities	7	**(29.6)**	**(2.0)**	**(31.6)**	(41.9)	5.7	(36.2)
Profit/(loss) for the year from continuing operations		**81.3**	**(94.5)**	**(13.2)**	114.6	(9.4)	105.2
Discontinued operations							
Discontinued operations	12	**-**	**612.5**	**612.5**	-	47.5	47.5
Profit for the year		**81.3**	**518.0**	**599.3**	114.6	38.1	152.7
Profit attributable to:							
Owners of the parent		**76.2**	**518.0**	**594.2**	108.7	38.1	146.8
Non-controlling interests		**5.1**	**-**	**5.1**	5.9	-	5.9
Profit for the year		**81.3**	**518.0**	**599.3**	114.6	38.1	152.7
Earnings per share - pence	8						
Continuing operations - basic		**27.5**		**(6.6)**	39.4		36.0
- diluted		**27.2**		**(6.5)**	38.7		35.4
Total operations - basic				**214.2**			53.2
- diluted				**212.3**			52.3

The reported results presented within the audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, reflect the reverse acquisition of Vesuvius plc by Cookson Group plc on 14 December 2012 via a Scheme of Arrangement, by which Vesuvius became the new holding company of Cookson and following which, on 19 December 2012, Vesuvius demerged the Alent group of companies.

The following pro forma results assume that the demerger of Alent plc occurred on 1 January 2011 and are derived from the Group's continuing operations including an adjustment to the interest charge to reflect the allocation of debt on demerger between Vesuvius and Alent (note 5)

	2012	2011
Pro forma headline profit before taxation (£m)	**118.2**	162.1
Pro forma headline earnings per share (pence)	**29.4**	41.0

Group Statement of Comprehensive Income (unaudited)

For the year ended 31 December 2012

	2012 £m	2011 £m
Profit for the year	**599.3**	152.7
Other comprehensive income/(loss) for the year		
Exchange differences on translation of the net assets of foreign operations	**(80.8)**	(47.5)
Reclassification of exchange differences on disposal of foreign operations	**31.5**	-
Exchange translation differences arising on net investment hedges	**14.0**	(3.3)
Change in fair value of cash flow hedges	**2.3**	(0.2)
Change in fair value of cash flow hedges transferred to profit for the year	**(0.3)**	-
Actuarial gains on employee benefits plans	**1.4**	39.6
Actuarial losses on employee benefits plans	**(109.0)**	(18.4)
Change in fair value of available-for-sale investments	**(0.3)**	0.1
Income tax relating to components of other comprehensive income	**14.8**	(11.9)
Other comprehensive loss for the year, net of income tax	**(126.4)**	(41.6)
Total comprehensive income for the year	**472.9**	111.1
Total comprehensive income for the year attributable to:		
Owners of the parent	**469.5**	108.7
Non-controlling interests	**3.4**	2.4
Total comprehensive income for the year	**472.9**	111.1

Group Statement of Cash Flows (unaudited)

For the year ended 31 December 2012

	Notes	2012 £m	2011 £m
Cash flows from operating activities			
Cash generated from operations		**165.3**	233.3
Interest paid		**(24.1)**	(27.6)
Interest received		**5.4**	10.0
Income taxes paid		**(60.1)**	(55.9)
Net cash inflow from operating activities		**86.5**	159.8
Cash flows from investing activities			
Capital expenditure		**(80.0)**	(85.1)
Proceeds from the sale of property, plant and equipment		**3.3**	2.3
Acquisition of subsidiaries and joint ventures, net of cash acquired		**(26.1)**	(11.3)
Disposal of subsidiaries and joint ventures, net of cash disposed of		**(46.2)**	(4.4)
Settlement of closed-out interest rate swaps		**(1.0)**	(4.0)
Dividends received from joint ventures		**1.3**	1.2
Other investing outflows		**(2.4)**	(2.1)
Net cash outflow from investing activities		**(151.1)**	(103.4)
Net cash (outflow)/inflow before financing activities		**(64.6)**	56.4
Cash flows from financing activities			
Increase in borrowings	10	**119.1**	41.2
Settlement of forward foreign exchange contracts		**(23.7)**	(27.6)
Proceeds from the issue of share capital		**2.2**	-
Purchase of own shares		**(19.8)**	(7.8)
Borrowing facility arrangement costs		**(5.0)**	(4.3)
Dividends paid to equity shareholders	9	**(61.2)**	(51.8)
Dividends paid to non-controlling shareholders		**(1.2)**	(1.3)
Net cash inflow/(outflow) from financing activities		**10.4**	(51.6)
Net (decrease)/increase in cash and cash equivalents	10	**(54.2)**	4.8
Cash and cash equivalents at 1 January		**183.9**	181.4
Effect of exchange rate fluctuations on cash and cash equivalents		**(5.0)**	(2.3)
Cash and cash equivalents at 31 December		**124.7**	183.9

Group Balance Sheet (unaudited)

As at 31 December 2012

		Notes	2012 £m	2011 £m
Assets				
Property, plant and equipment			**277.8**	399.4
Intangible assets			**763.7**	1,104.7
Employee benefits – net surpluses		11	**23.3**	65.6
Interests in joint ventures			**14.4**	31.2
Investments			**4.6**	5.7
Income tax recoverable			**2.9**	3.4
Deferred tax assets			**17.9**	20.8
Other receivables			**14.1**	21.7
Total non-current assets			**1,118.7**	1,652.5
Cash and short-term deposits			**129.5**	188.1
Inventories			**194.1**	300.2
Trade and other receivables			**338.9**	530.0
Income tax recoverable			**2.8**	1.9
Derivative financial instruments			**-**	3.7
Assets classified as held for sale			**39.9**	28.8
Total current assets			**705.2**	1,502.7
Total assets			**1,823.9**	2,705.2
Equity				
Issued share capital			**27.8**	1,765.1
Other reserves			**(1,399.0)**	(1,356.7)
Retained earnings			**2,212.2**	899.3
Equity attributable to the owners of the parent			**841.0**	1,307.7
Non-controlling interests			**26.8**	24.6
Total equity		13	**867.8**	1,332.3
Liabilities				
Interest-bearing borrowings			**420.3**	421.3
Employee benefits – net liabilities		11	**92.1**	124.3
Other payables			**14.2**	19.2
Provisions			**31.8**	55.7
Deferred tax liabilities			**60.7**	106.5
Total non-current liabilities			**619.1**	727.0
Interest-bearing borrowings			**4.5**	130.7
Trade and other payables			**234.2**	409.4
Income tax payable			**45.0**	53.6
Provisions			**29.5**	24.9
Derivative financial instruments			**0.3**	19.6
Liabilities directly associated with assets classified as held for sale			**23.5**	7.7
Total current liabilities			**337.0**	645.9
Total liabilities			**956.1**	1,372.9
Total equity and liabilities			**1,823.9**	2,705.2
Net debt				
Interest-bearing borrowings	- non-current		**420.3**	421.3
	- current		**4.5**	130.7
Cash and short-term deposits			**(129.5)**	(188.1)
Net debt		10	**295.3**	363.9

Group Statement of Changes in Equity (unaudited)

For the year ended 31 December 2012

	Issued share capital £m	Other reserves £m	Retained earnings £m	Owners of the parent £m	Non-controlling interests £m	Total equity £m
As at 1 January 2011	1,765.1	(1,309.3)	797.8	1,253.6	23.5	1,277.1
Profit for the year	-	-	146.8	146.8	5.9	152.7
Exchange differences on translation of the net assets of foreign operations	-	(44.0)	-	(44.0)	(3.5)	(47.5)
Exchange translation differences arising on net investment hedges	-	(3.3)	-	(3.3)	-	(3.3)
Change in fair value of cash flow hedges	-	(0.2)	-	(0.2)	-	(0.2)
Actuarial gains on employee benefits plans	-	-	39.6	39.6	-	39.6
Actuarial losses on employee benefits plans	-	-	(18.4)	(18.4)	-	(18.4)
Change in fair value of available-for-sale investments	-	0.1	-	0.1	-	0.1
Income tax relating to components of other comprehensive income	-	-	(11.9)	(11.9)	-	(11.9)
Other comprehensive (loss)/income	-	(47.4)	9.3	(38.1)	(3.5)	(41.6)
Total comprehensive (loss)/income	-	(47.4)	156.1	108.7	2.4	111.1
Purchase of own shares	-	-	(7.8)	(7.8)	-	(7.8)
Recognition of share-based payments	-	-	5.0	5.0	-	5.0
Dividends paid (note 9)	-	-	(51.8)	(51.8)	(1.3)	(53.1)
Total transactions with owners	-	-	(54.6)	(54.6)	(1.3)	(55.9)
As at 1 January 2012	**1,765.1**	**(1,356.7)**	**899.3**	**1,307.7**	**24.6**	**1,332.3**
Profit for the year	**-**	**-**	**594.2**	**594.2**	**5.1**	**599.3**
Exchange differences on translation of the net assets of foreign operations	**-**	**(79.1)**	**-**	**(79.1)**	**(1.7)**	**(80.8)**
Reclassification of exchange differences on disposal of foreign operations	**-**	**31.5**	**-**	**31.5**	**-**	**31.5**
Exchange translation differences arising on net investment hedges	**-**	**14.0**	**-**	**14.0**	**-**	**14.0**
Change in fair value of cash flow hedges	**-**	**2.3**	**-**	**2.3**	**-**	**2.3**
Change in fair value of cash flow hedge transferred to profit for the year	**-**	**(0.3)**	**-**	**(0.3)**	**-**	**(0.3)**
Actuarial gains on employee benefits plans	**-**	**-**	**1.4**	**1.4**	**-**	**1.4**
Actuarial losses on employee benefits plans	**-**	**-**	**(109.0)**	**(109.0)**	**-**	**(109.0)**
Change in fair value of available-for-sale investments	**-**	**(0.3)**	**-**	**(0.3)**	**-**	**(0.3)**
Income tax relating to components of other comprehensive income	**-**	**-**	**14.8**	**14.8**	**-**	**14.8**
Other comprehensive (loss)/income	**-**	**(31.9)**	**(92.8)**	**(124.7)**	**(1.7)**	**(126.4)**
Total comprehensive (loss)/income	**-**	**(31.9)**	**501.4**	**469.5**	**3.4**	**472.9**
Purchase of own shares	**-**	**-**	**(19.8)**	**(19.8)**	**-**	**(19.8)**
Recognition of share-based payments	**-**	**-**	**4.8**	**4.8**	**-**	**4.8**
Dividends paid (note 9)	**-**	**-**	**(61.2)**	**(61.2)**	**(1.2)**	**(62.4)**
Issue of share capital	**12.8**	**(10.4)**	**-**	**2.4**	**-**	**2.4**
Capital reduction satisfied by transfer of Alent plc business (note 13)	**(862.4)**	**-**	**-**	**(862.4)**	**-**	**(862.4)**
Court approved capital reduction (note 13)	**(887.7)**	**-**	**887.7**	**-**	**-**	**-**
Total transactions with owners	**(1,737.3)**	**(10.4)**	**811.5**	**(936.2)**	**(1.2)**	**(937.4)**
As at 31 December 2012	**27.8**	**(1,399.0)**	**2,212.2**	**841.0**	**26.8**	**867.8**

1. Basis of preparation

1.1 Basis of accounting

The financial information set out in this annual results announcement does not constitute the Company's statutory accounts for the years ended 31 December 2012 or 2011. As stated in note 1.2, the Company was incorporated on 17 September 2012, so has not previously prepared statutory accounts. The financial information for 2011 is derived from but does not represent the audited accounts of Cookson Group plc for 2011 which have been delivered to the registrar of companies. The auditor has reported on the 2011 Cookson Group plc accounts; their report was (i) unqualified (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The Vesuvius plc statutory accounts for 2012 will be finalised on the basis of the financial information presented by the Directors in this annual results announcement and will be delivered to the Registrar of Companies in due course.

1.2 Group reorganisation and demerger

On 14 December 2012, Cookson Group plc ("Cookson") effected a group reorganisation and Vesuvius plc became the new holding company for Cookson via a Scheme of Arrangement. Vesuvius plc, which had been incorporated as Vesuvius Technologies plc on 17 September 2012, replaced Cookson Group plc (renamed Cookson Group Limited) as the parent company of the Cookson group as from this date. On 14 December 2012 shareholders were given one ordinary share of Vesuvius plc for every share of Cookson Group plc held on that date. Application was made to the UK Listing Authority and to the London Stock Exchange for the issued share capital of Vesuvius plc to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's market for listed securities as from 17 December 2012. Also on 17 December 2012, Vesuvius effected a court approved capital reduction to create distributable reserves.

The Scheme of Arrangement was accounted for using the principles of reverse acquisition accounting contained within IFRS 3, Business Combinations. In the Company's consolidated financial statements for 2012, the transaction to interpose the new holding company, Vesuvius plc, has been presented as though Cookson acquired Vesuvius plc.

In the Company's financial statements for 2012, the effect of adopting the principles of reverse acquisition accounting for the Scheme of Arrangement results in a continuation of the consolidated financial statements of Cookson, now renamed Vesuvius. As a consequence of this, the financial statements of Vesuvius include the full results of the Alent group of companies up to the date of the demerger becoming effective on 19 December 2012. In preparing the segmental disclosure of the total results of Vesuvius for 2012, the following approach has been applied:

(i) The costs incurred by Vesuvius within its central headquarters have been allocated in full across the underlying trading results of the three divisions of the former Cookson Group and therefore across continuing and discontinued operations in arriving at the results for Vesuvius as a whole.

(ii) As the legal entity Cookson remained with Vesuvius plc after the demerger, all of the borrowings entered into by Cookson in the period up to the date of demerger have been treated as belonging to Vesuvius in the Company's consolidated financial statements, with the consequence that all of the finance costs relating to those Cookson borrowings have been reported as finance costs of Vesuvius. Borrowings and borrowing costs relating to local debt arrangements established by individual Cookson Group companies other than Cookson Group plc have been reported according to whether they are in the Alent legal entity group structure or in that of Vesuvius. Similarly, financial assets (net cash) and the related finance income have been reported according to whether they are in the Alent legal entity group structure, or in that of Vesuvius.

(iii) Vesuvius has established policies, in a similar way to that established by Cookson, for managing the financial risks to which its Group activities are exposed, including the market risk resulting from fluctuations in exchange rates and interest rates; and liquidity risk, being the risk that Vesuvius has insufficient debt facilities to finance its operational cash flow requirements and any maturing financial liabilities. In managing these risks, Vesuvius uses derivative financial instruments, including forward foreign exchange contracts and interest rate swaps. As the borrowings entered into by Cookson in the period up to the date of demerger have been treated as belonging to Vesuvius in the Company's consolidated financial statements, any hedging activity relating to those borrowings is similarly reported within the Company's financial statements.

(iv) Tax charges in the consolidated financial statements have been determined based on the tax charges recorded by Vesuvius companies in their local statutory accounts, together with certain adjustments relating to those entities made for Group consolidation purposes. The tax charges recorded in the Group income statement have been affected by the tax arrangements within the former Cookson Group and are not necessarily representative of the tax charges that would have been reported had Vesuvius been an independent group throughout the period covered by the Company's financial statements. They are therefore not necessarily representative of the historical tax charges attributable to Vesuvius or tax charges that may arise in the future.

On 19 December 2012, the businesses of Cookson's former Performance Materials division were demerged from Vesuvius and thereafter became the Alent group. This was achieved by the reduction of capital and repayment of capital to the shareholders of Vesuvius, the latter being satisfied by the transfer of the former Performance Materials division to Alent plc, in consideration for which Alent plc issued the entirety of its shares to Vesuvius shareholders.

1.3 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.

1.4 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 2012 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 and the Company.

1.5 Functional and presentation currency

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

1.6 Disclosure of exceptional items as "separately reported items"

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 Group income statement, within the column entitled "Separately reported items", the effect of any components of financial performance for which the Directors consider separate disclosure would assist both in a better understanding of the financial performance achieved and in making projections of future results.

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

1.7 New and revised IFRS

During the year a number of amendments to IFRS became effective and were adopted by the Group, none of which had a material impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share. A number of other new and amended IFRS were issued during the year which do not become effective until after 1 January 2013, none of which are likely to have a material impact on the Group's net cash flows, 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 each 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 the two business segments, 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.

Discontinued operations

Discontinued operations in 2012 include the results of the Alent group of companies for the period up to 18 December 2012, when they were demerged from Vesuvius, together with the results of the US Precious Metals Processing business for the period up to 1 May 2012 when it was sold and the European Precious Metals Processing business, which was held for sale as at 31 December 2012, for the whole of the year. Prior year comparatives have been restated accordingly.

2.1 Income Statement

			2012
	Steel £m	**Foundry £m**	**Continuing operations £m**
Segment revenue	**1,017.3**	**530.2**	**1,547.5**
Segment EBITDA	**108.9**	**67.2**	**176.1**
Segment depreciation	**(25.1)**	**(18.0)**	**(43.1)**
Segment trading profit	**83.8**	**49.2**	**133.0**
Amortisation of intangible assets			**(17.5)**
Restructuring charges			**(57.0)**
Demerger costs			**(15.7)**
Profit from operations			**42.8**
Finance costs - ordinary activities			**(50.9)**
Finance income			**28.7**
Share of post-tax profit of joint ventures			**0.1**
Loss on disposal of continuing operations			**(2.3)**
Profit before tax			**18.4**

			2011
	Steel £m	Foundry £m	Continuing operations £m
Segment revenue	1,078.0	607.8	1,685.8
Segment EBITDA	131.8	95.8	227.6
Segment depreciation	(24.6)	(19.5)	(44.1)
Segment trading profit	107.2	76.3	183.5
Amortisation of intangible assets			(17.8)
Restructuring charges			(7.0)
Gains relating to employee benefits plans			13.2
Profit from operations			171.9
Finance costs - ordinary activities			(60.7)
- exceptional items			(1.9)
Finance income			34.9
Share of post-tax loss of joint ventures			(1.2)
Loss on disposal of continuing operations			(1.6)
Profit before tax			141.4

3. Restructuring charges from continuing operations

The restructuring charge for the year was £57.0m (2011: £7.0m) and arose in connection with initiatives that included redundancy programmes, the downsizing or closure of facilities, the streamlining of manufacturing processes and the rationalisation of product lines. Of the total charge, £46.3m arose in connection with the actions taken during 2012 to down-size the Solar Crucibles operations of the Foundry division. Of the total charges of £57.0m, £40.8m represented non-cash asset write-offs. The remaining £16.2m of total charges comprised cash-related costs in respect of redundancy and other cost-reduction initiatives. The net tax credit attributable to these restructuring charges was £4.6m (2011: £1.4m).

Cash costs of £11.4m (2011: £9.3m) were incurred in the year in respect of the restructuring initiatives commenced both in 2012 and in prior years, leaving provisions made but unspent of £17.1m as at 31 December 2012 (2011: £12.0m), of which £5.6m relates to future lease costs in respect of leases expiring between 1 and 10 years.

4. Demerger costs

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

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

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

5. Finance costs

Total net finance costs for the year of £23.4m comprise gross finance costs of £54.9m and finance income of £31.5m.

	Continuing operations £m	**Discontinued operations £m**	**Total 2012 £m**	Continuing operations £m	Discontinued Operations £m	Total 2011 £m
Interest cost of borrowings	**(20.6)**	**(0.8)**	**(21.4)**	(27.2)	(1.7)	(28.9)
Pension interest cost	**(27.5)**	**(2.8)**	**(30.3)**	(30.7)	(3.6)	(34.3)
Other finance cost	**(2.8)**	**(0.4)**	**(3.2)**	(2.8)	(1.0)	(3.8)
Exceptional finance costs	**-**	**-**	**-**	(1.9)	-	(1.9)
Total finance costs	**(50.9)**	**(4.0)**	**(54.9)**	(62.6)	(6.3)	(68.9)
Pension interest income	**26.9**	**2.3**	**29.2**	29.0	3.0	32.0
Other finance income	**1.8**	**0.5**	**2.3**	5.9	0.4	6.3
Total net finance costs	**(22.2)**	**(1.2)**	**(23.4)**	(27.7)	(2.9)	(30.6)
Total net finance costs – Pro Forma	**(14.9)**			(20.2)		

The majority of the Cookson Group external debt held pre-demerger was held by companies which formed the Vesuvius Group and, accordingly, the associated finance costs are reported in 2012 as part of continuing operations. The pro forma basis noted above aims to estimate the finance costs which would have been attributable to Vesuvius as a stand-alone company, had the demerger taken place at the beginning of 2011. On this basis, the total former Cookson debt is allocated between Vesuvius and Alent using the same 66:34 split as used to allocate the actual net debt at the demerger date, with account being taken for the Vesuvius allocation including all of the US Private Placement notes, which have a higher rate of interest than does the syndicated debt facility debt.

6. Loss on disposal of continuing operations

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

7. Income tax costs

The Group's effective tax rate, based on the tax charge on ordinary activities from continuing operations of £29.6m (2011: £41.9m), was 26.7% in 2012 (2011: 26.6%).

The Group's total income tax costs for continuing operations include a charge of £2.0m (2011: £5.7m credit) relating to exceptional items comprising: a credit of £4.6m (2011: £1.4m) in relation to restructuring charges; a credit of £6.7m (2011: £7.2m) relating to the amortisation of intangible assets; a charge of £11.4m (2011: nil) relating to demerger costs; a charge of nil (2011: £3.3m) in relation to gains relating to employee benefits plans; and a charge of £1.9m (2011: £0.4m credit) relating to the loss on disposal of continuing operations. Tax credited in the Group statement of comprehensive income in the year amounted to £14.8m (2011: £11.9m charge), all of which related to net actuarial gains and losses on employee benefits plans.

8. Earnings per share ("EPS")

8.1 Per share amounts

		Continuing operations pence	**Discontinued operations pence**	**Total 2012 pence**	Continuing operations pence	Discontinued operations pence	Total 2011 pence
Earnings/(loss) per share	- basic	**(6.6)**	**220.8**	**214.2**	36.0	17.2	53.2
	- diluted	**(6.5)**	**218.8**	**212.3**	35.4	16.9	52.3
	- headline	**27.5**			39.4		
	- diluted headline	**27.2**			38.7		

8.2 Earnings for EPS

Basic and diluted EPS from continuing operations are based upon the loss attributable to owners of the parent, as reported in the Group income statement, of £18.3m (2011: £99.3m profit), being the loss for the year of £13.2m (2011: £105.2m profit) less non-controlling interests of £5.1m (2011: £5.9m); headline and diluted headline EPS are based upon headline profit from continuing operations attributable to owners of the parent of £76.2m (2011: £108.7m). The table below reconciles these different profit measures.

	Continuing operations 2012 £m	Continuing operations 2011 £m
Profit attributable to owners of the parent	**(18.3)**	99.3
Adjustments for exceptional items:		
Amortisation of intangible assets	**17.5**	17.8
Restructuring charges	**57.0**	7.0
Demerger costs	**15.7**	-
Gains relating to employee benefits plans	**-**	(13.2)
Exceptional finance costs	**-**	1.9
Loss on disposal of continuing operations	**2.3**	1.6
Tax relating to exceptional items	**2.0**	(5.7)
Headline profit attributable to owners of the parent	**76.2**	108.7

8.3 Weighted average number of shares

	2012 m	2011 m
For calculating basic and headline EPS	**277.4**	275.7
Adjustment for dilutive potential ordinary shares	**2.5**	5.2
For calculating diluted and diluted headline EPS	**279.9**	280.9

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

For the purposes of calculating diluted 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.

In addition to the ordinary shares shown as being dilutive in the table above, the Company had no (2011: 0.2m) outstanding options and share awards in relation to its share-based payment plans that could dilute EPS in the future, but which are not included in the calculation of diluted and diluted headline EPS above because they were anti-dilutive in the years presented.

9. Dividends

A final dividend for the year ended 31 December 2011 of £40.3m (2011: £31.8), equivalent to 14.5p (2011: 11.5p) per ordinary share, was paid in June 2012 and an interim dividend for the year ended 31 December 2012 of £20.9m (2011: £20.0m), equivalent to 7.5p (2011: 7.25p) per ordinary share, was paid in October 2012.

A proposed final dividend for the year ended 31 December 2012 of £26.5m, equivalent to 9.5p per ordinary share, is subject to approval by shareholders at the Company's Annual General Meeting and has not been included as a liability in the Company's financial statements. If approved by shareholders, the dividend will be paid on 27 June 2013 to ordinary shareholders on the register at 17 May 2013. This is in line with the announcement at the time of the demerger process that, subject to general market conditions and trading performance, and consistent with the Cookson dividend policy immediately prior to the demerger.

10. Net debt

	Balance as at 1 January 2011 £m	Foreign exchange adjustments £m	Non-cash movements £m	Debt disposed £m	Cash flow £m	Balance as at 31 December 2012 £m
Cash and cash equivalents						
Short-term deposits	**42.1**	**(0.5)**	**-**	**-**	**(33.4)**	**8.2**
Cash at bank and in hand	**146.0**	**(4.5)**	**-**	**-**	**(20.2)**	**121.3**
Bank overdrafts	**(4.2)**	**-**	**-**	**-**	**(0.6)**	**(4.8)**
					(54.2)	
Borrowings, excluding bank overdrafts						
Current	**(127.7)**	**2.5**	**-**	**1.8**	**121.6**	**(1.8)**
Non-current	**(424.4)**	**13.9**	**-**	**227.8**	**(240.7)**	**(423.4)**
Capitalised borrowing costs	**4.3**	**-**	**3.8**	**(2.9)**	**-**	**5.2**
					(119.1)	
Net debt	**(363.9)**	**11.4**	**3.8**	**226.7**	**(173.3)**	**(295.3)**

As at 31 December 2012, the Group had committed borrowing facilities of £578.8m (2011: £883.7m), of which £157.7m (2011: £339.5m) were undrawn. These undrawn facilities are due to expire in April 2016. The Group's borrowing requirements are met by US Private Placement Loan Notes ("USPP") and a multi-currency committed syndicated bank facility of £425.0m (2011: £600.0m). The USPP facility was fully drawn as at 31 December 2012 and amounted to £153.8m ($250.0m), of which $110.0m is repayable in 2017 and $140.0m in 2020. The syndicated bank facility was renegotiated at the time of the Cookson demerger and the Vesuvius facility was reduced to a £425.0m revolving credit facility from the £600.0m in place at December 2011. The facility is repayable in April 2016.

11. Employee benefits

The net employee benefits balance as at 31 December 2012 of £68.8m (2011: £58.7m) in respect of the Group's defined benefit retirement plans and other post-retirement benefits plans, results from an interim actuarial valuation of the Group's defined benefit pension and other post-retirement obligations as at that date. As analysed in the following table, the net balance comprised net surpluses (assets) of £23.3m (2011: £65.6m), relating entirely to the Group's main defined benefit pension plan in the UK, together with net liabilities (deficits) of £92.1m (2011: £124.3m).

	2012 £m	2011 £m
Employee benefits - net surpluses		
UK defined benefit pension plan	**23.3**	65.6
Employee benefits - net liabilities		
US defined benefit pension plans	**35.2**	64.8
German defined benefit pension plans	**33.0**	35.3
ROW defined benefit pension plans	**15.4**	14.5
Other post-retirement benefit obligations, mainly US healthcare arrangements	**8.5**	9.7
	92.1	124.3

The total net credit of £0.6m (2011: £8.2m) recognised in the Group income statement in respect of the Group's defined benefit retirement plans and other post-retirement benefits plans is recognised in the following lines.

	2012 £m	2011 £m
In arriving at trading profit:		
- within other manufacturing costs	**1.8**	1.8
- within administration, selling and distribution costs	**1.4**	2.3
In arriving at profit from operations:		
- restructuring charges	**0.1**	-
- gains relating to employee benefits plans	**-**	(13.2)
In arriving at profit before tax:		
- within ordinary finance costs	**27.5**	30.7
- within finance income	**(26.9)**	(29.0)
Continuing operations – charge/(credit)	**3.9**	(7.4)
Discontinued operations – (credit)	**(4.5)**	(0.8)
Total net credit	**(0.6)**	(8.2)

For the year ended 31 December 2013 the Group is required to adopt IAS 19 (revised) *Employee Benefits*. The expected impact is summarised in the table below:

- The £1.6 million increase in operating costs in 2012 as a result of the requirement to reclassify pension scheme administration costs from net finance charge to operating costs. Such costs include the PPF levy and actuarial, audit, legal and trustee charges which, under the current IAS 19, are allowed to be included within the net finance charge.

- The projected increase in the net finance charge in 2013 is £2m and arises as a result of the reduction in 2012 in the UK pension surplus creating a lower net interest credit in 2013, in addition to the impact of the new requirement for the expected return on assets to be calculated by applying the corporate bond yield discount rate to the balance sheet pension-related assets.

	2012 Current £m	**Reclassify admin costs £m**	**Discount Rate adj £m**	**2012 Revised £m**
Operating costs	**3.3**	1.6	-	**4.9**
Net finance charge	**0.6**	(1.6)	1.2	**0.2**
Total IAS 19 charge	**3.9**	**-**	**1.2**	**5.1**

We do not expect there to be a material change in the Group pension deficit as a result of the change in the accounting standard.

12. Discontinued operations

The total net post-tax profit arising in respect of discontinued operations of £612.5m (2011: £47.5m) comprises a profit on the demerger of Alent, together with the post-tax profit of the Alent group of businesses for the period 1 January 2012 to 19 December 2012 and the post-tax profit of the Precious Metals Processing division for the year.

On 22 February 2012, an agreement was signed to sell the US Precious Metals business, a part of Vesuvius' Precious Metals Processing division, to Richline Group Inc. ("Richline"), a subsidiary of Berkshire Hathaway Inc. Completion of the sale, subject to finalisation of the closing balance sheet valuation, took place on 1 May 2012. On 19 September 2012, an agreement was entered into with Richline which settled the valuation of the completion balance sheet. As at 31 December 2011, the net assets of the US Precious Metals business were classified as held for sale in the balance sheet and a loss on disposal of operations was reported in the income statement for 2011. Post closing adjustments resulted in a further loss being booked in 2012, including the recycled historical foreign exchange differences relating to the businesses sold. In view of the remainder of the Precious Metals Processing division being reported as held for sale as at 31 December 2012, the whole of the division has been classified as a discontinued operation, including the previously reported loss on disposal of the US business.

On 19 December 2012, the Company demerged the Alent business (formerly the Performance Materials division of Cookson Group plc), whereby the share capital of the Company was reduced, with £862.4m - representing the fair market value of Alent plc on 19 December 2012 - being repaid, the repayment being satisfied by the transfer by the Company to Alent plc of the entire share capital of Alent Investments Limited, in consideration of the allotment and issue by Alent plc of one Alent plc share for each Vesuvius plc share held by the Vesuvius plc shareholders at the date of the demerger.

13. Shareholders equity

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

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

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

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.

15. Contingent liabilities

Guarantees given by the Group under property leases of operations disposed of amounted to £3.4m (2011: £4.1m).

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.

Cookson Precious Metals Ltd, a subsidiary of Vesuvius, was engaged in transactions involving the purchase of scrap platinum between August 2007 and October 2009. Vesuvius has been informed by HMRC that, in HMRC's view, certain external third parties within the supply chain for those transactions deliberately failed to account to HMRC for VAT. Such fraud is commonly known as Missing Trader Intra-Community Fraud. As a consequence of any fraudulent actions of those third parties, HMRC may argue that the ability of Vesuvius to retain VAT recovered on the relevant transactions should be limited. HMRC's investigations are on-going and the Vesuvius subsidiary has to date been notified of VAT loss in the supply chain relating to the trades in the relevant period of approximately £11m. The VAT relating to these trades has been repaid to Vesuvius pending completion of that investigation. Should the tax authorities seek to reclaim any part of this amount then, in the light of legal advice received by Vesuvius, the Directors intend to pursue the remedies available to Vesuvius to retain the VAT payment. If Vesuvius were to fail to retain the entirety of such VAT, this loss, along with any interest and penalties (which theoretically could be up to 100 per cent. but which, in practice, are expected to be significantly less), could have a material adverse effect on Vesuvius' financial position or profitability.

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. Each of Vesuvius and Alent anticipate filing motions for summary judgement in both cases by mid-2013 and, if any claims remain pending decisions on those motions, a trial in the first action is anticipated in the second half of 2013 or early 2014. Any liability relating to the MacDermid claim arising following the demerger of Cookson Group will be split equally between Alent plc and Vesuvius plc.

16. Exchange rates

The Group reports its results in pounds sterling. A substantial portion of the Group's revenue and profits 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 year 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 year-end rates. The principal exchange rates used were as follows:

	Year-end rates of exchange		Average rates of exchange	
	2012	2011	**2012**	2011
US dollar	**1.63**	1.55	**1.58**	1.60
Euro	**1.23**	1.20	**1.23**	1.15
Czech Republic koruna	**30.85**	30.49	**30.97**	28.32
Polish zloty	**5.01**	5.34	**5.15**	4.74
Brazilian real	**3.33**	2.89	**3.10**	2.68
Chinese renminbi	**10.12**	9.78	**10.00**	10.37

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.

a) Headline

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

b) Underlying

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

c) Return on sales

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

d) Trading profit

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

e) 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 not separately reported.

f) Headline earnings per share

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

g) 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.

h) Average working capital to sales ratio

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

i) EBITDA

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

j) 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.

k) Interest cover

Interest cover is the ratio of EBITDA to net interest.

l) Net debt

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

m) Net debt to EBITDA

Net debt to EBITDA is the ratio of net debt at the year-end to EBITDA for that year.

n) Return on net assets

Return on net assets (“RONA”) is calculated as trading profit plus share of post-tax profit of joint ventures, divided by average net operating assets (being the average over the previous 12 months of property, plant and equipment, trade working capital and other operating receivables and payables).