VESUVIUS PLC

3 March 2015

Results for the year ended 31 December 2014

Strong margin improvement through the delivery of Group strategy

Vesuvius plc, a global leader in molten metal flow engineering, announces its preliminary audited results for the year ended 31 December 2014.

Full Year Results Highlights

	2014 (£m)	2013 (£m)	Year-on-year change	Underlying change[1]
Revenue	**1,444**	1,511	-4.4%	+3.5%
Trading Profit[2]	**142.8**	140.0	+2.0%	+11.6%
Return on Sales	**9.9%**	9.3%	+62bps	+71bps
Headline Earnings[3]	**90.3**	87.7	+3.0%	+14.0%
Headline EPS[3] (pence)	**33.4**	31.9	+4.7%	+15.9%

- Year-end net debt[2] of £268.3m; net debt to EBITDA ratio of 1.48
- Recommended final dividend of 11.125 pence per share, giving full year dividend of 16.125 pence (2013: 15.0 pence), an increase of 7.5%, to be paid on 22 May 2015

Business Highlights

- Strong underlying revenue performance from Steel Flow Control in all regions, and from Advanced Refractories in the Americas and Asia-Pacific
- Product portfolio of activities further streamlined, with increased focus on products and services where value-add is rewarded
- Implementation of self-help measures to increase productivity
- Investment in technology, with new R&D facility in Netherlands to drive innovation and growth in Foundry
- Further growth of presence in China, with the opening of a new state-of-the-art manufacturing plant for Foundry
- Acquisition of Process Metrix and ECIL Met Tec, expanding our Technical Services offering – an important medium-term growth opportunity

François Wanecq, Chief Executive of Vesuvius, commented:

"During 2014 we made encouraging progress in line with our objectives and strategy, against a backdrop of mixed trading conditions.

We have delivered further margin progression on the back of moderate underlying revenue growth, and we have maintained our long-term trend of expanding our addressable markets by building further on our strong base in Asia, and in China in particular. We have invested in new R&D centres, and we have completed acquisitions, building our new Technical Services offering for our steel and foundry customers.

We expect the underlying trading environment in the current year to be broadly similar to that experienced in 2014. We are progressing with our plan to improve operational efficiency across the Group and these actions should drive further improvement in our trading margins during 2015."

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[1] Underlying basis is at constant currency and excludes separately reported items and the impact of acquisitions and disposals
[2] For definitions of non-GAAP measures, refer to the notes in the financial statements
[3] Headline results refer to continuing operations and exclude separately reported items

Copies of Vesuvius' 2014 Annual Report are due to be posted to shareholders of the Company who have elected to receive a hard copy on 7 April 2015 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 and investors on 03 March 2015 at 10.00am (GMT). 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.

About Vesuvius plc

Vesuvius is a global leader in molten metal flow engineering principally serving the steel and foundry industries.

We develop innovative and customised solutions, often used in extremely demanding industrial environments, which enable our customers to improve their manufacturing processes, enhance product quality and reduce energy consumption. These include flow control solutions, advanced refractories and other consumable products and – increasingly – related technical services including data capture.

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

Our core competitive strengths are our market and technology leadership, strong customer relationships, well established presence in developing markets and our global reach, all of which facilitate the expansion of our addressable markets.

Our ultimate goal is to create value for our customers, and to deliver sustainable, profitable growth for our shareholders giving a superior return on their investment whilst providing each of our employees with a safe workplace where he or she is recognised, developed and properly rewarded.

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.

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Vesuvius plc

Results for the year ended 31 December 2014

During 2014, Vesuvius continued to make encouraging progress both in its financial performance and its strategic positioning.

Group trading performance

Group revenue from our continuing operations was £1,444.4m, a reduction of 4.4% compared to 2013, reflecting the significant strengthening of sterling during the year. However underlying Group revenue, adjusting for the effects of acquisitions and disposals and currency translation differences, increased by 3.5% compared to 2013. Trading profit for the year was £142.8m, up 11.6% on an underlying basis and up 2.0% on a reported basis (2013: £140.0m), reflecting the success of management's ongoing focus on self-help initiatives, improving margins through cost control and increasing penetration of value added products and solutions.

Strategic progress

The Board has put in place a clearly defined strategy for profitable growth, and our priority in 2014 has been to execute on our five stated strategic priorities:

- reinforcing our technology and innovation leadership positions;
- enlarging our addressable markets through the increasing penetration of existing and new value-creating solutions;
- leveraging our strong positions in developing markets to capture the growth opportunities that they represent;
- improving our cost leadership and our margins; and
- building organically, and through acquisition, an increasingly comprehensive technical services offering.

We have made encouraging progress on all five of these priorities. In particular, we have continued to strengthen our business and competitive positioning in China which remains a strategically important growth market for us in the long-term, and were pleased in the second half of the year to complete two further technical services acquisitions in Brazil and the USA.

Board and senior management

Having created a substantially new Board at the time of the demerger in late 2012, there were no further changes to its composition during 2014. As separately announced today, the Board will be strengthened by the appointments of Douglas Hurt and Hock Goh as Non-executive Directors with effect from 2 April 2015. Douglas will succeed Jeff Hewitt as Senior Independent Director and Audit Committee Chairman, after Jeff steps down from the Board at the end of the 2015 Annual General Meeting, following a combined tenure of nine years as a Non-executive Director of Cookson Group plc and Vesuvius plc. Hock joins the Board as an additional Independent Non-executive Director. Both Douglas Hurt and Hock Goh will join the Audit, Remuneration and Nomination Committees.

In November 2014, Glenn Cowie, previously President, Advanced Refractories, assumed the position of President, Foundry. Glenn was replaced as President, Advanced Refractories by Tanmay Ganguly, previously the Managing Director of Vesuvius India Limited (a company listed on both the National Stock Exchange and the Bombay Stock Exchange) and Vice President for Vesuvius' Steel division activities in India and South East Asia. Luis Reyes, previously Vice President, Steel Flow Control North America, was appointed as President, Technical Services in February 2015 with the mandate to drive the growth in this important new area and to develop our recently acquired businesses. In their new roles, Tanmay and Luis have joined Glenn on the Group Executive Committee.

Health and safety

The Board places great emphasis on the importance of health and safety in the workplace and in the communities in which we operate. Safety is of paramount importance as our employees often operate in harsh environments, and we track lost time incidents as a fundamental indicator of our operational performance. Having made very steady progress against this measure over a number of years, 2014 saw this improving trend plateau and as a consequence, we did not achieve our targets in the reduction of lost time accidents. We are launching new programmes and redoubling our efforts to ensure that we continue to build on the progress made in previous years.

Dividend

The Board has recommended a final dividend of 11.125 pence per share, which if approved at the Annual General Meeting on 14 May 2015, will be paid on 22 May 2015 to shareholders on the register at 10 April 2015. Any shareholder wishing to participate in the Vesuvius Dividend Reinvestment Plan (“DRIP”) needs to have submitted their election to do so by 30 April 2015. When added to the 2014 interim dividend of 5 pence per share paid on 26 September 2014 this represents an increase of 7.5% on the 2013 full year dividend of 15 pence per share. The Board intends to deliver long-term dividend growth provided that this is supported by underlying earnings, cash flows, capital expenditure requirements and the prevailing market outlook.

Outlook

While global economic prospects remain uncertain in our main markets, we expect the underlying trading environment in the current year to be broadly similar to that experienced in 2014. We are confident we will be able to continue to drive improvement in our trading margins and working capital performance through self-help actions. We also continue to focus on the acquisition of bolt-on companies to reinforce our growth opportunities. We will do this whilst retaining a strong balance sheet in order to give us financial flexibility.

Operational Review

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

Steel Division

World crude steel production in 2014 was 1.1% higher than in 2013, with growth of 1.4% in Asia, 1.0% in Americas and 0.4% in EMEA, respectively.

Revenue in Vesuvius' Steel division rose by 4.4% in 2014 on an underlying basis, substantially outperforming the global steel market. The growth was driven by continued penetration of our technologically advanced systems and products together with the introduction of new product ranges.

Underlying trading profit of the Steel division increased by 17.1% year-on-year to £96.4m, with strong performances in both Steel Flow Control and Advanced Refractories. The underlying trading margin rose by 106 basis points to 9.8%, reflecting increased activity in higher value-added products and services in Steel Flow Control in Korea, South East Asia, India and North America, an active focus in Advanced Refractories on business segments where we are rewarded for the value we add, and further rationalisation of our product range where we are actively exiting lower margin sales and introducing new premium product ranges.

Steel Division	**2014 (£m)**	**2013 (£m)**	**Year-on-year change (%)**	**Underlying change (%)**
Steel Flow Control Revenue	**544.8**	555.7	*-2.0*	*+4.3*
Advanced Refractories Revenue	**436.6**	461.8	*-5.5*	*+4.5*
Total Steel Revenue	**981.4**	1,017.5	*-3.5*	*+4.4*
Total Steel Trading Profit	**96.4**	88.7	*+8.7*	*+17.1*
Total Steel Return on Sales	**9.8%**	8.7%	*+109bps*	*+106bps*

Steel Flow Control

Steel Flow Control supplies products used to channel and control the flow of molten steel from ladle to tundish and from tundish to mould; slide-gate refractories for furnaces, ladles and tundishes; slide gate systems; temperature measurement and slag level detection; tundish systems and mould fluxes; and control devices to monitor and regulate steel flow into the mould. These products have been designed to resist extreme thermomechanical stress and corrosive environments. The majority of these products are consumed during the process of making steel and, consequently, demand is primarily linked to steel production volumes. However, continuing innovation allows us to offer enriched solutions that create additional value in our customers' processes leading to a sales progression regularly ahead of steel production volumes.

Steel Flow Control Revenue	**2014 (£m)**	**2013 (£m)**	**Year-on-year change (%)**	**Underlying change (%)**
Americas	**190.7**	194.7	*-2.0*	*+4.7*
Europe, Middle East & Africa (EMEA)	**230.6**	241.6	*-4.6*	*+1.0*
Asia-Pacific	**123.4**	119.4	*+3.4*	*+10.4*
Total	**544.8**	555.7	*-2.0*	*+4.3*

Revenue in Steel Flow Control was up 4.3% on an underlying basis with revenue growth in all major regions.

Revenue rose by 1.0% in EMEA, compared to crude steel production volume in the region, which grew by 0.5%. This outperformance reflects strong growth in the Middle East, modest growth in the European Union, partially offset by declining volumes in Turkey and a significant reduction in Ukraine.

Flow Control also performed well in the Americas despite declining steel production in South America, with 4.7% underlying revenue growth against 1.1% growth in crude steel production volumes. This outperformance was driven by strong automotive and pipe demand in the United States and by the installation of new systems and technology with a number of key customers across the region.

In Asia, crude steel production was up 1.4% with growth in all main markets and was particularly strong in South Korea. Our revenues grew 10.4% on an underlying basis with South Korea increasing by 24.9%, boosted by strong volume growth at our main customer in the region. We continue to make progress in China with revenue up 3.0% and further margin improvement reflecting efficiency gains.

In line with our stated strategy, we continue to invest in solutions to further automate our customers' production processes. We are also continuing to develop technical solutions to harness the engineering services acquired through Avemis, Metallurgica and SERT, which have increased our market penetration in Europe, NAFTA and South America. We intend to do the same with our recent acquisitions, ECIL Met Tec and Process Metrix.

Advanced Refractories

Products of the Advanced Refractories product line include specialist refractory materials for lining steelmaking vessels such as blast furnaces, ladles and tundishes. These are in the form of powder mixes, which are spray-applied or cast onto the vessel to be lined ("monolithics") and refractory shapes (e.g. bricks, pads and dams). Vesuvius is one of the world's largest manufacturers of monolithic refractory linings for vessels subject to extreme temperatures, corrosion and abrasion. Key success factors in the Advanced Refractories product line are installation technologies, products adapted to fit customers' processes and effective and efficient logistics services. These factors are successfully combined by Vesuvius' R&D centres, its knowledge of customers' processes and its project management capability to deliver market-leading solutions to our customers.

Advanced Refractories Revenue	**2014 (£m)**	**2013 (£m)**	**Year-on-year change (%)**	**Underlying change (%)**
Americas	**160.6**	176.4	*-9.0*	*+5.7*
Europe, Middle East & Africa (EMEA)	**192.3**	207.6	*-7.4*	*-1.3*
Asia-Pacific	**83.8**	77.8	*+7.7*	*+17.4*
Total	**436.6**	461.8	*-5.5*	*+4.5*

Revenue in Advanced Refractories rose by 4.5% on an underlying basis, with particularly strong performances delivered by our North American and Asian businesses.

The strong performance in North America was driven by the introduction of new premium product ranges, despite disruption to industrial production activity earlier in the year due to adverse weather conditions. Moving away from low margin segments and concentrating on high margin business were also key performance drivers.

Strong revenue growth in South East Asia was achieved through increased market penetration, together with the re-commencement of some customer facilities in the region.

Underlying revenue in EMEA declined by 1.3% due to declines in Russia and Ukraine.

Foundry Division

Vesuvius' Foundry division, trading as Foseco, is a world leader in the supply of consumable products, solutions and associated services related to the foundry industry. The foundry process is highly sequential and, similar to the continuous casting of steel, is critically dependent on consistency of quality and productivity optimization. The Foundry division's solutions and advanced computer simulation techniques allow foundries to reduce defects and hence reduce labour-intensive fettling and machining, minimise metal usage requirements, influence the metal solidification process and automate moulding and casting, thus reducing cost, energy usage and mould size.

The conditioning of molten metal, the nature of the mould used and, especially, the design of the way metal flows into the mould are key parameters in a foundry, determining both the quality of the finished castings and the labour, energy and metal usage efficiency of the foundry.

Vesuvius provides consumable products and associated services to foundries that improve these parameters.

Foundry Division	**2014 (£m)**	**2013 (£m)**	**Year-on-year change (%)**	**Underlying change (%)**
Foundry Revenue	**463.0**	493.0	*-6.1*	*+1.8*
Foundry Trading Profit	**46.4**	51.3	*-9.5*	*+1.8*
Foundry Return on Sales	**10.0%**	10.4%	*-35bps*	*+1bps*

Underlying revenue in the Foundry division increased 1.8% year-on-year, and underlying profitability was maintained as a result of a series of self-help measures to offset the marked impact of reduced activity in traditionally higher-margin emerging markets.

The worldwide foundry market grew moderately, supported by the progression in light vehicle output in North America, Europe and China. However, it was affected by the continued reduction of investment spending in the mining sector as well as a severe downturn in the auto sector in Brazil and Thailand. Coupled with the political instability in Ukraine, this affected sales in Brazil, Australia, South Africa, Thailand and Indonesia.

Foundry Revenue	**2014 (£m)**	**2013 (£m)**	**Year-on-Year change (%)**	**Underlying change (%)**
Americas	**102.8**	110.2	*-6.7*	*+1.8*
Europe, Middle East & Africa (EMEA)	**215.9**	223.1	*-3.3*	*+3.8*
Asia-Pacific	**144.4**	159.7	*-9.5*	*-1.1*
Total	**463.0**	493.0	*-6.1*	*+1.8*

We achieved a solid performance in North America, benefitting from increased light vehicle and truck production of 4.7% and 16.7% respectively. However, this was offset by reduced foundry activity in Brazil which experienced a 20% drop in light vehicle production and a 14.7% reduction in heavy vehicle output, and by considerably reduced mining activity, a small but nonetheless traditionally high margin end-market.

Revenue in Europe increased by 3.8%, driven by an 3.8% increase in light vehicle production, and despite lackluster truck production especially in Northern Europe which saw a decrease of 11.1%.

In Asia-Pacific, we benefited from 6.1% growth in Chinese light vehicle output but this was offset by a reduction in automotive production in Thailand, the impact of a ban on the export of metallic ores from Indonesia and continued deterioration of castings produced in the Australian mining industry.

Construction of phase one of a new manufacturing plant for foundry products in Changshu, China was completed during the year and was fully operational from Q4 2014. More than 40% of global foundry castings are currently produced in China, so this represents a very important growth market for us. In addition, the new R&D facility located in Enschede, Netherlands was opened in late 2014 to drive product innovation and further growth.

FINANCIAL REVIEW

The following review considers our financial KPIs, our financial risks, and sets out other relevant financial information

Basis of Preparation
We have adopted a columnar presentation format for our accounts to identify separately headline performance results, as we considered that this gives a better view of the underlying results of the ongoing business.

Headline PBT and EPS
Net finance costs of £16.4 million in 2014 comprised £16.1 million of net interest payable on borrowings (2013: £16.0 million), £1.8 million on retirement benefit plans (2013: £1.8 million), and £1.1 million relating to the unwinding of discounts on provisions (2013: £1.3 million); this was partially offset by £2.6 million of finance income (2012: £1.8 million) which principally comprised interest income.

Headline PBT, including our share of the profits from joint ventures of £1.4 million (2013: £2.5 million) has increased by 2.1% to £127.8 million (2013: £125.2 million).

Headline EPS grew 4.7% to 33.4 pence per share in 2014 (2013: 31.9 pence per share), reflecting the increased profitability of the Group, and a lower effective tax rate of 26.8% (2013: 26.5%).

Return on Net Operating Assets
RONA is affected by both the assets employed by the business, and the returns earned by the business. In 2014, the improvement in profitability led to an increase in Group pre-tax RONA of 25.5% (2013: 24.4%).

Free Cash Flow and Working Capital
Trade working capital as a percentage of sales in 2014 was 24.8% (2013: 24.7%). Both numbers are measured on a 12 month moving average basis to ensure sustainable improvements.

Operating cash flow was £103.4 million, down £47 million from £150.4 million in 2013. This represented a cash conversion ratio of 72%, a reduction from the level seen in 2013 of 107%, and 92% on average between 2012 and 2014. This reduction in cash flow was primarily driven by:

- an increase in cash capital expenditure of £6.8 million to £53.1 million in 2014 from £46.3 million in 2013; and
- an increase in cash invested in working capital of £26.8 million (including £4.8 million due to the retirement of a debt factoring programme in Germany).

Partially offsetting this was an increase in EBITDA of £2 million to £181.3m in 2014.
Improving our working capital performance will be a priority for all our management teams in 2015.

This £47 million reduction in operating cash flow translates into a reduction of £35.7 million in free cash flow. This difference is due to lower income taxes paid of £6.0 million, lower cash costs of prior restructuring programmes of £4.5 million, and the non-recurrence of demerger related cash costs of £3.2 million incurred in 2013; partially offset by lower dividends received from joint ventures (down by £0.7 million to £0.6 million) and higher dividends paid to the owners of minority stakes in non-wholly owned subsidiaries, mainly in India.

Net Debt and Interest Cover
The Group's debt facilities have financial covenants with specific limits on the ratios of Net Debt to EBITDA (maximum three times limit) and EBITDA to Interest (minimum four times limit). These ratios are monitored regularly to ensure the Group has sufficient financing available to run the business and fund future growth. At year end, the Net Debt to EBITDA ratio was 1.48, a slight increase on the 2013 position of 1.43; EBITDA covered net interest paid 13.1 times; accordingly, the Group was well within its covenants.

At the end of 2014 we had £647.4 million of gross committed debt facilities (2013: £637.1 million), of which £343.5 million was unutilised (2013: £328.6 million). Our net debt was £268.3 million at the end of 2014, an increase of £11.9 million on 2013, reflecting the net cash expenditure of £23.4 million on the acquisition of ECIL Met Tec and Process Metrix.

We regularly review our capital structure, and determined no new debt was required in 2014. The largest part of our committed debt facilities is a £425 million multi-currency revolving credit facility which expires in April 2016. Work is underway to replace that facility during 2015.

Capital Expenditure

Capital expenditure in 2014 of £53.5 million (2013: £47.5 million) comprised £28.6 million in the Steel division (2013: £28.6 million) and £24.9 million (2013: £18.9 million) in the Foundry division. This represented 3.7% of revenue (2013: 3.2%) and included expenditure of £2.4 million on the acquisition of a site in Pittsburgh, USA for a new global R&D centre for the Steel division (Flow Control product line) and a further £2.5 million on the recently opened global R&D centre for the Foundry division in Enschede, Netherlands.

Corporate Activity

In 2014, we acquired two businesses in line with our strategy to build a business in technical services. The consideration for these businesses was US$11.7 million (£7.1 million) for Process Metrix and BRL89 million (£22.5 million) for ECIL Met Tec. Revenue of £3.6 million and trading profit of £0.5 million was included in the 2014 results relating to these acquired businesses. Had these businesses been acquired on 1 January 2014, a further £19.2 million of revenue and £3.1 million of trading profit would have been recognised.

Pensions

The net pension deficit in our post-retirement employee benefits plans increased during the year from £47.9 million to £51.1m. This is driven primarily by a reduction in discount rates in the UK (0.9% reduction), USA (0.8%), and Germany (1.6%) which increased the defined benefit obligations by £78.2 million coupled with an increase in the mortality rate assumptions for retirees in the USA that increased the liability by a further £5.5 million. However, the increase in liabilities was largely offset by gains on plan assets of £76.8 million, reflecting the effects of prior de-risking initiatives principally in the UK plan and £3.6 million of curtailment gains coming from the closure of Netherlands defined benefit plan.

Taxation

The headline effective income tax rate for the year reduced to 26.0% (2013: 26.5%). The income tax credit on separately reported items principally consists of non-cash deferred tax movements relating to the amortisation of a deferred liability arising from the acquisition of Foseco plc in 2008 of £4 million (2013: £7 million) and an increase in the deferred tax asset due to the forecast utilisation of US tax losses incurred in prior years (£21.8 million). We initially recognised a deferred tax asset of £29.2 million in 2013 in respect of these US losses. However, our confidence has increased regarding the future realisation of value for these losses, and at the end of 2014 we have increased the total deferred tax asset recognised to £54m.

Financial Risk Factors

Following a detailed review of the risks facing the Group, it was apparent that there was no significant change from those which the Group disclosed in 2013. Accordingly, there remain two main financial risk factors: demand volatility, and risks relating to foreign exchange (FX), capital market, interest rate and inflation uncertainties. Despite the mitigations described in the Annual Report, we operate in many countries and, as such, our reported results vary with FX rates. When sterling strengthens against a currency, our revenues and profits as reported in sterling are reduced; however, the underlying revenues and profits in the local currency are unaffected. When measured against 2013, sterling strengthened against all of our trading currencies constraining the growth in our profits (our 2014 trading profit of £142.8 million would have been £154.6 million if the same FX rates in 2013 had been used to translate our 2014 non UK results into sterling). We continue to monitor this closely, and where possible seek to balance our cost and revenue base in similar currencies to minimise exposure. As with all international companies, and particularly ones like ours focused on growth in emerging markets, this continues to be an area of attention.

Principal Risks and Uncertainties

The Group faces various risks, both internal and external, which could significantly impact long-term performance.

All of the risks set out below could materially affect the Group, its businesses, results of future operations and financial condition and could cause actual results to differ materially from expected or historical results.

The Board is responsible for the Group's risk management and assessment of the measures used in managing risk across the Group. Vesuvius operates a continuous process for identifying, evaluating and managing significant risks and regular reports are made to the Board on the process of how these are being managed. Thus, the Board receives regular reports on major issues that have arisen during the year, can make an assessment of how the risks have changed over any given period, and can assess whether they are being effectively managed. Where practical, risks are managed in order to mitigate exposure and, where cost effective, the risk is transferred to our insurers. The risks identified below are seen by the Board as being the most relevant to the Group in relation to their possible impact on it achieving its strategic objectives. The risks below are not the only ones that the Group will face. Some risks are not yet known and some that are not currently deemed material could later become so.

Risk	Potential Impact	Mitigation
Demand volatility	• Unplanned drop in demand and revenue • Failure of one or more customers leading to debtor bankruptcy	• Prudent balance sheet management to maintain robust financial position • Strong internal reporting and monitoring of external data to identify economic trends • Flexible cost base to react quickly to end-market conditions • No one customer exceeds 10% of Vesuvius revenue • Robust credit control processes
Protectionism	• Loss of business from enforced preference of local suppliers • Imposition of increased import duties • Increased tax burden or changes to rules and enforcement • Local competitors promoted overseas by government to government action	• Local manufacturing operations in 26 countries • Robust internal tax policies and strict transfer pricing rules • Strong internal control of inter-company trading • Maintenance of quality and innovation leadership differentiating Vesuvius and mitigating government intervention in supplier selection
Product liability	• Claims from third parties resulting from use of potentially hazardous materials • Customer claims and loss of business from product quality issues	• Appropriate insurance cover obtained • Active monitoring of HSE issues • Stringent quality control standards systematically implemented in manufacturing • Experienced legal team used to negotiate appropriate customer agreements
Regulatory compliance	• Financial loss through failure to comply with appropriate regulations • Business disruption from investigations • Reputational damage	• Widely disseminated Code of Conduct and supporting policies which highlight the Group's ethical approach to business • Speak-up procedure implemented across the Group • Ongoing training and review of policy effectiveness
Protection of leading technologies	• Loss of business through new technology developed by others • Failure to adapt solutions to meet changing customer needs • Revenue lost through ineffective protection of intellectual property	• Market-leading research and development team with significant investment in R&D, and use of structured development methodologies • Patent protection sought when new developments are made • Stringent defence of patents and other intellectual property • Control of access to intellectual property through IT controls and physical security
Financial uncertainty	• Inability to raise sufficient capital to fund growth of business • Reduction in earnings from increased interest charges	• Long-term capital structure planning to secure availability of capital at acceptable costs • Substantial proportion of debt capital secured at fixed rates of interest

	• Weakness in foreign currencies leading to reduced profitability	• International presence reduces the Group's reliance on any one currency • Hedging of transactional foreign exchange exposure when necessary • Alignment of cost structure with revenue where possible • The Group adopted USD as the functional currency for its operations in some countries to reduce further FX translational risk
Loss of a major site	• Loss of revenue resulting from inability to supply customers on loss of production facilities	• Diversified manufacturing footprint with some 65 facilities across 26 countries • Maintenance of excess capacity to allow plants to meet peak demands
Ability to source critical raw materials	• Manufacturing interruption from failure of a key supplier, or the loss of availability of a source of critical raw materials	• Strategic stocks of certain materials are retained • Number of single-sourced materials reduced through expanding supplier base • Development of new products and research on substitution of raw materials
Retention of staff	• Insufficient high quality staff to run base business and generate growth through innovation • Availability of suitable talent in the pipeline to offer sufficient internal succession options for senior positions including the Group Executive Committee and Executive Directors	• Contacts with universities to identify and develop talent • Internal programme to attract and develop high potential staff from emerging markets through cross border exchange programmes • Extensive internal courses run by experienced staff to transfer knowledge in a structured manner • Building career trajectories for technical staff to show potential and reduce attrition • Appointment of Group Talent Management Director to drive improved assessment of internal talent at the mid and senior management level, identifying gaps and implementing of development programmes to provide suitable succession options
Loss of business reputation	• Products or applications failures not promptly addressed may create an adverse financial impact and damage our reputation of technological leader • Incident at customer plant resulting in significant health and safety breach and/or customer downtime	• Active quality management programme in place with full root cause analysis for customer complaints and follow up • Stringent product qualification process in place for raw materials • Diversified manufacturing footprint with some 65 facilities across 26 countries • Active monitoring of customers' improvement requests • Appropriate insurance cover obtained

Group Income Statement

For the year ended 31 December 2014

	Notes	2014 Headline performance £m	2014 Separately reported items £m	2014 Total £m	2013 Headline performance £m	2013 Separately reported items £m	2013 Total £m
Continuing operations							
Revenue	2	**1,444.4**	-	**1,444.4**	1,510.5	-	1,510.5
Manufacturing costs		**(1,048.3)**	-	**(1,048.3)**	(1,100.0)	-	(1,100.0)
Administration, selling and distribution costs		**(253.3)**	-	**(253.3)**	(270.5)	-	(270.5)
Trading profit	2	**142.8**	-	**142.8**	140.0	-	140.0
Amortisation of intangible assets		-	**(17.0)**	**(17.0)**	-	(17.4)	(17.4)
Restructuring charges	4	-	-	-	-	(3.9)	(3.9)
Operating profit/(loss)		**142.8**	**(17.0)**	**125.8**	140.0	(21.3)	118.7
Net finance costs	5	**(16.4)**	-	**(16.4)**	(17.3)	-	(17.3)
Share of post-tax profit of joint ventures		**1.4**	-	**1.4**	2.5	-	2.5
Profit on disposal of continuing operations	6	-	**0.4**	**0.4**	-	0.2	0.2
Profit/(loss) before tax		**127.8**	**(16.6)**	**111.2**	125.2	(21.1)	104.1
Income tax (costs)/credits	7	**(32.9)**	**25.8**	**(7.1)**	(32.5)	38.8	6.3
Profit/(loss) from:							
Continuing operations		**94.9**	**9.2**	**104.1**	92.7	17.7	110.4
Discontinued operations	16	-	**(3.6)**	**(3.6)**	-	29.9	29.9
Profit		**94.9**	**5.6**	**100.5**	92.7	47.6	140.3
Profit attributable to:							
Owners of the parent		**90.3**	**5.6**	**95.9**	87.7	47.6	135.3
Non-controlling interests		**4.6**	-	**4.6**	5.0	-	5.0
Profit		**94.9**	**5.6**	**100.5**	92.7	47.6	140.3
Earnings per share - pence	8						
Continuing operations - basic				**36.8**			38.4
- diluted				**36.7**			38.3
Total operations - basic				**35.5**			49.2
- diluted				**35.4**			49.1

Group Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 £m	2013 £m
Profit	**100.5**	140.3
Other comprehensive (loss)/income, net of income tax		
Items that will not be reclassified subsequently to income statement:		
Remeasurement of defined benefit liabilities/assets	**(9.9)**	10.2
Income tax relating to items not reclassified	**0.5**	(1.6)
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of the net assets of foreign operations	**(9.6)**	(55.0)
Reclassification of exchange differences on disposal of foreign operations	**-**	(6.2)
Exchange translation differences arising on net investment hedges	**(0.3)**	0.3
Change in fair value of cash flow hedges	**(0.2)**	0.4
Change in fair value of available-for-sale investments	**(0.2)**	0.1
Other comprehensive loss, net of income tax	**(19.7)**	(51.8)
Total comprehensive income	**80.8**	88.5
Total comprehensive income attributable to:		
Owners of the parent	**75.7**	86.9
Non-controlling interests	**5.1**	1.6
Total comprehensive income	**80.8**	88.5

Group Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 £m	2013 £m
Cash flows from operating activities			
Cash generated from operations		**145.0**	160.7
Net interest paid		**(12.0)**	(11.8)
Income taxes paid		**(24.4)**	(30.4)
Net cash inflow from operating activities		**108.6**	118.5
Cash flows from investing activities			
Capital expenditure		**(53.1)**	(46.3)
Proceeds from the sale of property, plant and equipment		**2.0**	1.6
Proceeds from sale of investments		**0.6**	0.3
Acquisition of subsidiaries and joint ventures, net of cash acquired	15	**(23.4)**	-
Disposal of subsidiaries and joint ventures, net of cash disposed of		-	44.1
Dividends received from joint ventures		**0.6**	1.3
Other investing outflows		**(2.3)**	(1.4)
Net cash outflow from investing activities		**(75.6)**	(0.4)
Net cash inflow before financing activities		**33.0**	118.1
Cash flows from financing activities			
Repayment of borrowings	10	**(9.8)**	(112.2)
Settlement of forward foreign exchange contracts		**4.8**	(1.4)
Proceeds from the issue of share capital		-	0.1
Purchase of own shares		**(0.5)**	(34.1)
Borrowing facility arrangement costs		-	(0.4)
Dividends paid to equity shareholders	9	**(41.2)**	(39.4)
Dividends paid to non-controlling shareholders		**(2.6)**	(1.1)
Net cash outflow from financing activities		**(49.3)**	(188.5)
Net decrease in cash and cash equivalents	10	**(16.3)**	(70.4)
Cash and cash equivalents at 1 January		**52.8**	124.7
Effect of exchange rate fluctuations on cash and cash equivalents		**2.0**	(1.5)
Cash and cash equivalents at 31 December		**38.5**	52.8

	Continuing operations £m	**Discontinued operations £m**	**2014 Total £m**	Continuing operations £m	Discontinued operations £m	2013 Total £m
Free cash flow						
Net cash inflow/(outflow) from operating activities	**109.1**	**(0.5)**	**108.6**	128.4	(9.9)	118.5
Additional funding contributions into Group pension plans	**3.2**	-	**3.2**	11.0	-	11.0
Capital expenditure	**(53.1)**	-	**(53.1)**	(46.3)	-	(46.3)
Proceeds from the sale of property, plant and equipment	**2.0**	-	**2.0**	1.6	-	1.6
Dividends received from joint ventures	**0.6**	-	**0.6**	1.3	-	1.3
Dividends paid to non-controlling shareholders	**(2.6)**	-	**(2.6)**	(1.1)	-	(1.1)
Free cash flow	**59.2**	**(0.5)**	**58.7**	94.9	(9.9)	85.0

Group Balance Sheet
As at 31 December 2014

	Notes	2014 £m	2013 as restated £m
Assets			
Property, plant and equipment		**291.8**	274.7
Intangible assets		**703.9**	717.7
Employee benefits – net surpluses	12	**49.8**	28.7
Interests in joint ventures		**16.9**	15.4
Investments		**3.3**	4.2
Income tax recoverable		**2.9**	4.2
Deferred tax assets		**71.4**	43.7
Other receivables		**16.5**	14.3
Total non-current assets		**1,156.5**	1,102.9
Cash and short-term deposits		**76.9**	76.6
Inventories		**191.9**	181.9
Trade and other receivables		**334.1**	313.7
Income tax recoverable		**4.0**	3.5
Derivative financial instruments		**-**	0.3
Total current assets		**606.9**	576.0
Total assets		**1,763.4**	1,678.9
Equity			
Issued share capital		**27.8**	27.8
Retained Earnings		**2,332.1**	2,284.6
Other reserves		**(1,466.7)**	(1,455.8)
Equity attributable to the owners of the parent		**893.2**	856.6
Non-controlling interests		**29.9**	27.3
Total equity		**923.1**	883.9
Liabilities			
Interest-bearing borrowings		**304.9**	309.5
Employee benefits – net liabilities	12	**100.9**	76.6
Other payables		**18.2**	18.6
Provisions		**31.9**	35.3
Deferred tax liabilities		**50.3**	51.0
Total non-current liabilities		**506.2**	491.0
Interest-bearing borrowings		**40.3**	23.5
Trade and other payables		**221.0**	214.5
Income tax payable		**51.8**	45.0
Provisions	17	**20.8**	20.8
Derivative financial instruments		**0.2**	0.2
Total current liabilities		**334.1**	304.0
Total liabilities		**840.3**	795.0
Total equity and liabilities		**1,763.4**	1,678.9
Net debt			
Interest-bearing borrowings - non-current		**304.9**	309.5
- current		**40.3**	23.5
Cash and short-term deposits		**(76.9)**	(76.6)
Net debt	10	**268.3**	256.4

Group Statement of Changes in Equity

For the year ended 31 December 2014

	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 2013	27.8	(1,399.0)	2,212.2	841.0	26.8	867.8
Profit	-	-	135.3	135.3	5.0	140.3
Other comprehensive income/(loss), net of income tax						
Items that will not be reclassified subsequently to income statement						
Remeasurement of defined benefit liabilities/assets	-	-	10.2	10.2	-	10.2
Income tax relating to items not reclassified	-	-	(1.6)	(1.6)	-	(1.6)
Items that may be reclassified subsequently to income statement						
Exchange differences on translation of the net assets of foreign operations	-	(51.6)	-	(51.6)	(3.4)	(55.0)
Reclassification of exchange differences on disposal of foreign operations	-	(6.2)	-	(6.2)	-	(6.2)
Exchange translation differences arising on net investment hedges	-	0.3	-	0.3	-	0.3
Change in fair value of cash flow hedges	-	0.4	-	0.4	-	0.4
Change in fair value of available-for-sale investments	-	0.1	-	0.1	-	0.1
Other comprehensive (loss)/income, net of income tax	-	(57.0)	8.6	(48.4)	(3.4)	(51.8)
Total comprehensive (loss)/income	-	(57.0)	143.9	86.9	1.6	88.5
Purchase of own shares	-	-	(34.1)	(34.1)	-	(34.1)
Recognition of share-based payments	-	-	2.1	2.1	-	2.1
Dividends paid (note 9)	-	-	(39.4)	(39.4)	(1.1)	(40.5)
Redemption of redeemable preference shares	-	0.1	(0.1)	-	-	-
Issue of share capital	-	0.1	-	0.1	-	0.1
Total transactions with owners		0.2	(71.5)	(71.3)	(1.1)	(72.4)
As at 1 January 2014	**27.8**	**(1,455.8)**	**2,284.6**	**856.6**	**27.3**	**883.9**
Profit			**95.9**	**95.9**	**4.6**	**100.5**
Other comprehensive income/(loss), net of income tax						
Items that will not be reclassified subsequently to income statement						
Remeasurement of defined benefit liabilities/assets	-	-	**(9.9)**	**(9.9)**	**-**	**(9.9)**
Income tax relating to items not reclassified	-	-	**0.5**	**0.5**	**-**	**0.5**
Items that may be reclassified subsequently to income statement						
Exchange differences on translation of the net assets of foreign operations	**-**	**(10.2)**	**-**	**(10.2)**	**0.6**	**(9.6)**
Exchange translation differences arising on net investment hedges	**-**	**(0.3)**	**-**	**(0.3)**	**-**	**(0.3)**
Change in fair value of cash flow hedges	**-**	**(0.2)**	**-**	**(0.2)**	**-**	**(0.2)**
Change in fair value of available-for-sale investments	**-**	**(0.2)**	**-**	**(0.2)**	**-**	**(0.2)**
Other comprehensive (loss)/income, net of income tax		**(10.9)**	**(9.4)**	**(20.3)**	**0.6**	**(19.7)**
Total comprehensive (loss)/income		**(10.9)**	**86.5**	**75.6**	**5.2**	**80.8**
Purchase of own shares	**-**	**-**	**(0.5)**	**(0.5)**	**-**	**(0.5)**
Recognition of share-based payments	**-**	**-**	**2.7**	**2.7**	**-**	**2.7**
Dividends paid (note 9)	**-**	**-**	**(41.2)**	**(41.2)**	**(2.6)**	**(43.8)**
Total transactions with owners	**-**	**-**	**(39.0)**	**(39.0)**	**(2.6)**	**(41.6)**
As at 31 December 2014	**27.8**	**(1,466.7)**	**2,332.1**	**893.2**	**29.9**	**923.1**

Notes to the financial statements

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 2014 or 2013, but is derived from those accounts. Statutory accounts for 2013 have been delivered to the registrar of companies and those for 2014 will be delivered in due course. The auditor has reported on those accounts; their reports were (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.

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 direct the relevant activities of an entity that significantly affect the entity's return so as to have rights to the variable return 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 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 a period of 12 months from the date of approval of the 2014 financial statements. Accordingly, they continue to adopt a going concern basis in preparing the financial statements of the Group and the Company.

1.4 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.

1.5 Disclosure of "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 columnar presentation for its Group income statement, to separately identify Headline Performance results, as the Directors consider that this gives a better view of the underlying results of the ongoing business. As part of this presentation format, 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. 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.

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

Following the implementation of Amendments to IAS 32 Financial Instruments which clarified the circumstances in which financial instruments can be offset within financial statements, the Group has reviewed the presentational treatment of its notional cash pooling arrangements and consequently has made the following restatements to prior year consolidated results; Cash and short term deposits have increased by £8.2m from the previously reported 2013 number £68.4m to £76.6m, overdrafts within current interest bearing borrowings have increased by £8.2m from the previously reported 2013 number £15.6m to £23.8m. This presentational disclosure change has no effect on Cash and cash equivalents as shown in the Group statement of cash flows, or the Group's overall financial position, total comprehensive income or earnings per share in either the current or prior year.

The Group also adopted a number of other new standards and amendments which became effective during the year, none of which had a material impact on the Group's net cash flow, 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 2015 and which have not been early adopted.

IFRS 9 Financial Instruments (effective after 1 January 2018, for the year end 2018), replaces the existing guidance in IAS39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. The Group is currently assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers (effective after 1 January 2017, for the year end 2017), establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Based on a preliminary assessment of the adoption of IFRS 15, the Group currently does not believe there will be a significant impact on its consolidated financial statements.

Other new or amended standards are not expected to have a significant impact on the Group's financial statements.

2 Segment information

Operating segments for continuing operations

For reporting purposes, the Group is organised into two main business segments: Steel and Foundry. 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.

2.1 Income Statement

			2014
	Steel	**Foundry**	**Continuing operations**
	£m	**£m**	**£m**
Segment revenue	**981.4**	**463.0**	**1,444.4**
Segment EBITDA	**121.9**	**59.4**	**181.3**
Segment depreciation	**(25.5)**	**(13.0)**	**(38.5)**
Segment trading profit	**96.4**	**46.4**	**142.8**
Amortisation of intangible assets			**(17.0)**
Operating profit			**125.8**
Net finance costs			**(16.4)**
Share of post-tax profit of joint ventures			**1.4**
Profit on disposal of continuing operations			**0.4**
Profit before tax			**111.2**

			2013
	Steel	Foundry	Continuing operations
	£m	£m	£m
Segment revenue	1,017.5	493.0	1,510.5
Segment EBITDA	114.1	65.2	179.3
Segment depreciation	(25.4)	(13.9)	(39.3)
Segment trading profit	88.7	51.3	140.0
Amortisation of intangible assets			(17.4)
Restructuring charges			(3.9)
Operating profit			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
Profit before tax			104.1

3 Amortisation of intangible assets

Other intangible assets arose in 2008 on the acquisition of Foseco plc and are being amortised on a straight-line basis over their estimated useful lives. The assets acquired and their remaining useful lives are shown below.

	Remaining useful life years	Net book value 2014 £m
Customer relationships	13.3	**68.4**
Trade name	13.3	**48.0**
Intellectual property rights	3.3	**26.1**
		142.5

4 Restructuring charges from continuing operations

There were no separately reported restructuring charges for the year from continuing operations. The 2013 charge of £3.9m 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 this total charge, £0.1m arose in connection with the actions taken to downsize the Solar Crucibles operations of the Foundry division, comprising of redundancy and other cash costs of £1.1m, net of the release of a reserve of £1.0m for lease costs no longer required. The net tax credit attributable to the total restructuring charges in 2013 was £2.6m.

Cash costs of £5.8m (2013: £10.3m) were incurred in the year in respect of the restructuring initiatives of continuing operations commenced in prior years, leaving provisions made but unspent of £8.0m as at 31 December 2014 (2013: £12.9m), of which £4.4m relates to future costs in respect of leases expiring between one and eight years.

5 Finance costs

Total net finance costs for the year of £16.4m is analysed in the table below.

	2014 £m	2013 £m
Interest payable on borrowings		
Loans, overdrafts and factoring arrangements	**14.2**	13.2
Obligations under finance leases	**0.1**	0.2
Amortisation of capitalised borrowing costs	**1.8**	2.6
Total interest payable on borrowings	**16.1**	16.0
Interest on net retirement benefits obligations	**1.8**	1.8
Unwinding of discounted provisions	**1.1**	1.3
Finance income	**(2.6)**	(1.8)
Total net finance costs	**16.4**	17.3

6 Profit on disposal of continuing operations

The net profit on disposal of continuing operations in 2014 of £0.4m comprised £0.8m profit on the sale of non current assets in the USA and Czech Republic, and a £0.4m loss on the dilution of interests in an investment holding in Italy. The net profit on disposal of continuing operations in 2013 of £0.2m comprised £0.4m profit on the sale of a construction and installation business in Canada, together with a loss relating to a non-core business held for sale as at 31 December 2012. The tax charge attributable to these transactions was nil (2013: nil).

7 Income tax costs

The Group's effective tax rate, based on the income tax costs associated with headline performance of £32.9m (2013: £32.5m), was 26.0% in 2014 (2013: 26.5%).

The Group's total income tax costs include a credit of £25.8m (2013: £38.8m) relating to separately reported items comprising: a credit of nil (2013: £2.6m credit) in relation to restructuring charges; a credit of £4.0m (2013: £7.0m credit) relating to the amortisation of intangible assets; a credit of £21.8m (2013: £29.2m) in respect of the potential recognition of US temporary differences. Tax credited in the Group statement of comprehensive income in the year amounted to £0.5m (2013: £1.6m charge), £0.5m (2013: £1.4m charge) of which related to net actuarial gains and losses on employee benefits plans.

8 Earnings per share ("EPS")

8.1 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 Group income statement, of £99.5m (2013: £105.4m), being the profit for the year of £104.1m (2013: £110.4m) less non-controlling interests of £4.6m (2013: £5.0m); headline and diluted headline EPS are based upon headline profit from continuing operations attributable to owners of the parent of £90.3m (2013: £87.7m). The table below reconciles these different profit measures.

	Continuing operations 2014 £m	Continuing operations 2013 £m
Profit attributable to owners of the parent	**99.5**	105.4
Adjustments for separately reported items:		
Amortisation of intangible assets	**17.0**	17.4
Restructuring charges	**-**	3.9
(Profit) on disposal of continuing operations	**(0.4)**	(0.2)
Tax relating to separately reported items	**(25.8)**	(38.8)
Headline profit attributable to owners of the parent	**90.3**	87.7

8.2 Weighted average number of shares

	2014 £m	2013 £m
For calculating basic and headline EPS	**270.3**	274.8
Adjustment for dilutive potential ordinary shares	**0.8**	0.9
For calculating diluted and diluted headline EPS	**271.1**	275.7

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 expected to vest, 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.

8.3 Per share amounts

		Continuing operations pence	Discontinued operations pence	Total 2014 pence	Continuing operations pence	Discontinued operations pence	Total 2013 pence
Earnings/(loss) per share	- basic	**36.8**	**(1.3)**	**35.5**	38.4	10.8	49.2
	- **headline**	**33.4**			31.9		
	- diluted	**36.7**	**(1.3)**	**35.4**	38.3	10.8	49.1
	- **diluted headline**	**33.3**			31.8		

9 Dividends

	2014 £m	2013 £m
Amounts recognised as dividends		
Final dividend for the year ended 31 December 2012 of 9.5p per ordinary share	**-**	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**	-
Interim dividend for the year ended 31 December 2014 of 5.00p per ordinary share	**13.5**	-
	41.2	39.4

A final dividend for the year ended 31 December 2013 of £27.7m (2012: £26.4m) equivalent to 10.25 pence (2012: 9.5 pence) per ordinary share, was paid in May 2014 (June 2013) and an interim dividend for the year ended 31 December 2014 of £13.5m (2013: £13.0m) equivalent to 5.00 pence (2013: 4.75 pence) per ordinary share was paid in September 2014 (October 2013).

A proposed final dividend for the year ended 31 December 2014 of £30.1m, equivalent to 11.125 pence 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 these financial statements. If approved by shareholders, the dividend will be paid on 22 May 2015 to ordinary shareholders on the register at 10 April 2015.

10 Net debt

	Balance as at 1 January 2014 as restated £m	Foreign exchange adjustments £m	Non-cash movements £m	Cash flow £m	Balance as at 31 December 2014 £m
Cash and cash equivalents					
Cash at bank and in hand	**76.6**	**0.9**	**-**	**(0.6)**	**76.9**
Bank overdrafts	**(23.8)**	**1.1**	**-**	**(15.7)**	**(38.4)**
	52.8	**2.0**	**-**	**(16.3)**	**38.5**
Borrowings, excluding bank overdrafts					
Current	**(1.5)**	**-**	**-**	**(0.7)**	**(2.2)**
Non-current	**(310.7)**	**(5.6)**	**-**	**10.5**	**(305.8)**
	(312.2)	**(5.6)**	**-**	**9.8**	**(308.0)**
Capitalised borrowing costs	**3.0**	**-**	**(1.8)**	**-**	**1.2**
Net debt	**(256.4)**	**(3.6)**	**(1.8)**	**(6.5)**	**(268.3)**

As at 31 December 2014, the Group had committed borrowing facilities of £647.4m (2013: £637.1m), of which £343.5m (2013: £328.6m) 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 £425m (2013: £425m). The USPP facility was fully drawn as at 31 December 2014 and amounted to £222.4m ($310m and €30m), of which $110m is repayable in 2017, $140m in 2020, €15m in 2021, $30m in 2023, €15m in 2025 and $30m in 2028. The syndicated bank facility is repayable in April 2016.

11 Cash generated from operations

	Continuing operations £m	Discontinued operations £m	Total 2014 £m	Continuing Operations £m	Discontinued Operations £m	Total 2013 £m
Operating profit	**125.8**	**(3.6)**	**122.2**	118.7	10.6	129.3
Adjustments for:						
Amortisation of intangible assets	**17.0**	**-**	**17.0**	17.4	-	17.4
Restructuring charges	**-**	**-**	**-**	3.9	0.1	4.0
Depreciation	**38.5**	**-**	**38.5**	39.3	-	39.3
EBITDA	**181.3**	**(3.6)**	**177.7**	179.3	10.7	190.0
Net (increase)/decrease in trade and other working capital	**(26.8)**	**3.1**	**(23.7)**	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	**(5.8)**	**-**	**(5.8)**	(10.3)	-	(10.3)
Outflow related to demerger costs	**-**	**-**	**-**	(3.2)	-	(3.2)
Additional pension funding contributions	**(3.2)**	**-**	**(3.2)**	(11.0)	-	(11.0)
Cash generated from operations	**145.5**	**(0.5)**	**145.0**	170.6	(9.9)	160.7

12 Employee benefits

The net employee benefits balance as at 31 December 2014 of £51.1m (2013: £47.9m) in respect of the Group's defined benefit retirement plans and other post-retirement benefits plans, results from an 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 £49.8m (2013: £28.7m), relating entirely to the Group's main defined benefit pension plan in the UK, together with net liabilities (deficits) of £100.9m (2013: £76.6m).

	2014 £m	2013 £m
Employee benefits - net surpluses		
UK defined benefit pension plan	**49.8**	28.7
Employee benefits - net liabilities		
US defined benefit pension plans	**35.6**	23.3
German defined benefit pension plans	**39.9**	32.6
ROW defined benefit pension plans	**20.0**	12.6
Other post-retirement benefit obligations	**5.4**	8.1
	100.9	76.6

The total net charge of £4.1m (2013:£7.8m) 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.

		2014 £m	2013 £m
In arriving at trading profit:	-within other manufacturing costs	**2.0**	1.9
	-within administration, selling and distribution costs	**0.3**	4.1
In arriving at profit before tax:	-within net finance costs	**1.8**	1.8
Total net charge - continuing operations		**4.1**	7.8

As at 31 December 2014, the defined benefit pension plan in the Netherlands was converted to a defined contribution plan, eliminating the net obligation of the defined benefit plan, resulting in a settlement gain of £3.6m from the conversion of the plan, recognised within trading profit.

13 Contingent liabilities

Guarantees given by the Group under property leases of operations disposed of amounted to £2.3m (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.

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 Acquisition of subsidiaries and joint ventures, net of cash acquired

During the year, the Group acquired 100% ownership interests in ECIL Met Tec and Process Metrix subsidiaries providing technical services.

	2014 £m
Consideration transferred	
Cash	24.6
Deferred	3.8
Contingent	1.2
Total consideration transferred	**29.6**
Identifiable assets acquired and liabilities assumed at fair value	
Property, plant and equipment	8.2
Inventories	6.7
Trade and Other receivables	6.1
Cash	1.2
Trade and other payables	(2.9)
Taxation	(1.3)
Total identifiable net assets at fair value	**18.0**
Goodwill	**11.6**

The £23.4m disclosed in the Group statement of cash flows in respect of the acquisition of subsidiaries, net of cash acquired, comprised £24.6m paid for current year acquisitions, less £1.2m of cash acquired with current year acquisitions. For Process Metrix, US$7.7m was paid on completion of the acquisition with the remaining US$4.0m deferred for a period of up to five years (US$2.0m in equal annual instalments and US$2.0m on the achievement of certain specified performance related milestones). For ECIL Met Tec, BRL79m was paid on completion; a further BRL5m is payable upon the completion on the subdivision of property and subsequent ownership transfer to Vesuvius, with the remaining BRL5m payable after 6 years.

These acquisitions contributed £3.6m of revenue, and £0.5m of trading profit to the Group's results. Management estimate that if the acquisitions had occurred on 1 January 2014, then the contribution would have been £19.2m of revenue, and £3.1m of trading profit, using similar fair value adjustments which arose at the acquisition dates. The Group incurred acquisition related costs of £0.4m relating to external legal fees and due diligence costs which have been included within administration costs in the Group income statement.

16 **Discontinued operations**

Discontinued operations in 2014 comprise of a release of £1.1m of provision relating to a VAT case which was resolved in Vesuvius' favour and a charge of £4.7m in relation to settlement of actions brought by MacDermid (incorporated in the United States) against Vesuvius and Alent plc that arose out of corporate activity between the parties in 2006. Further details of the MacDermid claims can be found in note 17. Discontinued operations in 2013 comprise 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 before tax of £10.6m in 2013 includes the release of £10.2m of a provision relating to a VAT case which was resolved in Vesuvius' favour.

16.1 Results of discontinued operations

	2014 £m	2013 £m
Revenue	-	65.0
Expenses	**(3.6)**	(54.4)
Profit before tax	**(3.6)**	10.6
Income tax costs	-	-
Profit on disposal of discontinued operations	-	19.3
Profit for the year attributable to owners of the parent	**(3.6)**	29.9
Earnings per share – pence		
Basic	**(1.3)**	10.8
Diluted	**(1.3)**	10.8

17 **Provisions**

During 2014 the Group recognised net charges of £5.8m (2013: net credit £3.2m) in the income statement to provide for various litigation settlements and other claims. Of these charges, £4.7m (2013: £2.2m) is to set aside a total provision of £6.9m relating to the full and final settlement of actions brought by MacDermid (incorporated in the United States) against Vesuvius and Alent plc that arose out of corporate activity between the parties in 2006. The £6.9m provision for the settlement of MacDermid claims consists of £6.4m, being Vesuvius' share of the net settlement; and a further £0.5m set aside for remaining legal fees associated with MacDermid claims. This matter was noted as a contingent liability in Vesuvius' 2013 Annual Report.

18 **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.

18.1 Headline

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

18.2 Underlying

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

18.3 Return on sales

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

18.4 Trading profit

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

18.5 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.

18.6 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.

18.7 Headline earnings per share

Headline earnings per share is calculated by dividing headline profit before tax less associated income tax costs attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

18.8 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 asset disposals.

18.9 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.

18.10 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 total revenue for the year, using constant foreign exchange rates. Average trade working capital (comprising inventories, trade receivables, and trade payables) is calculated as the average of the 12 previous month-end balances.

18.11 Earnings before interest tax depreciation and amortisation ("EBITDA")

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

18.12 Net interest

Net interest is calculated as interest payable on borrowings less interest receivable, excluding any item separately reported.

18.13 Interest cover

Interest cover is the ratio of EBITDA to net interest.

18.14 Net debt

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

18.15 Net debt to EBITDA

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

18.16 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, at constant foreign exchange rates (being the average over the previous 12 months of property, plant and equipment, trade working capital and other operating receivables and payables).

18.17 Constant rates

Figures presented at constant rates represent December 2013 numbers re-translated to December 2014 exchange rates.

19 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:

	Income and expense Average rates		Change	Assets and liabilities Year End rates		Change
	2014	2013		**2014**	2013	
US Dollar	**1.65**	1.56	(5.4%)	**1.56**	1.66	5.9%
Euro	**1.24**	1.18	(5.3%)	**1.29**	1.20	(6.9%)
Chinese Renminbi	**10.16**	9.61	(5.6%)	**9.66**	10.02	3.6%
Japanese Yen	**174.09**	152.52	(14.1%)	**186.38**	174.33	(6.9%)
Brazilian Real	**3.87**	3.37	(14.6%)	**4.14**	3.91	(5.8%)
Indian Rupee	**100.49**	91.58	(9.7%)	**98.16**	102.32	4.1%
South African Rand	**17.83**	15.03	(18.6%)	**18.01**	17.30	(4.1%)

Non-GAAP supplementary information

5 year history at constant currency

	2010	2011	2012	2013	2014
Revenue (£m)	**1,342.2**	**1,501.5**	**1,435.2**	**1,405.9**	**1,444.4**
Steel	886.6	968.0	950.8	950.9	981.4
Foundry	455.6	533.5	484.4	455.0	463.0
Trading Profit (£m)	**147.9**	**156.8**	**115.9**	**128.6**	**142.8**
Steel	90.1	93.0	76.0	83.0	96.4
Foundry	57.8	63.8	39.9	45.6	46.4
Return on Sales	**11.0%**	**10.4%**	**8.1%**	**9.1%**	**9.9%**
Steel	10.2%	9.6%	8.0%	8.7%	9.8%
Foundry	12.7%	12.0%	8.2%	10.0%	10.0%