

Key performance indicators

Vesuvius' Board and executives monitor a large number of financial and non-financial performance indicators, reported on a periodic basis, to measure the Group's performance over time.

Non-financial KPIs	Purpose	2012 performance vs 2011
Lost time injury frequency	➤ Measured to monitor progress towards the Group's goal of zero work-related injuries and illness	➤ The number of work-related illnesses or injuries which resulted in an employee being absent from work for at least one day, per million hours worked, reduced to 1.8 from 2.5 in 2011
Research and development ("R&D") spend	➤ Monitored to ensure that adequate resources are being invested to maintain the Group's strong pipeline of new products and services	➤ R&D spend: £24.5m vs £23.2m in 2011
Total energy consumption	➤ Measured as part of the Group's programme to reduce usage and the associated carbon emissions	➤ Energy usage in manufacturing operations: — Gas use up 0.5% — Electricity use down 3.2%
Financial KPIs		
Underlying revenue growth	➤ Provides an important indicator of organic or "like-for-like" growth of Group businesses between reporting periods. This measure eliminates the impact of exchange rates, acquisitions, disposals and significant business closures	➤ Underlying revenue growth: — Group down 4% — Steel down 2% — Foundry down 9%
Trading profit, return on sales ("RoS")	➤ Used to assess the underlying trading performance of Group businesses	Continuing operations: ➤ Group trading profit: £133.0m, down 27% ➤ RoS: — Steel 8.2% down 1.7pts — Foundry 9.3% down 3.3pts
Headline profit before tax ("PBT") and headline earnings per share ("EPS")	➤ Used to assess the underlying financial performance and earnings capacity of the Group as a whole	➤ Headline PBT: £110.9m down 29% ➤ Headline EPS: 27.5p down 30%
Free cash flow and average working capital to sales ratio	➤ Free cash flow is used to assess the underlying cash generation of the Group. One of the factors driving the generation of free cash flow is the average working capital to sales ratio, which indicates the level of working capital used in the business	Continuing operations: ➤ Free cash flow: £54.2m vs £32.1m in 2011 ➤ Average working capital to sales of 27.3% (2011: 26.4%)
Return on net assets ("RONA")	➤ Used to assess the underlying financial performance of the Group's divisions and the Group as a whole	➤ Group RONA*: 20.0%
Interest cover ratio and ratio of net debt to EBITDA	➤ Both ratios are used to assess the financial position of the Group and its ability to fund future growth	➤ Interest cover*: 14.5 times ➤ Net debt to EBITDA*: 1.5 times

* The 2011 balance sheet represents total Cookson Group, making comparative indicators not meaningful.