



**FOSECO**

**INTERIM REPORT 2007**

**Foseco** is a world leader in products and solutions for improving performance in the foundry and steel-making industries.

Founded in 1932 in the UK, **Foseco** has developed into a global business with operating units in thirty-two countries, including all the major industrial economies.

Using its detailed industry knowledge, product and application expertise and innovative approach, combined with high levels of service, **Foseco** works closely with customers to add measurable value to their production processes.

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### Business split

#### Foseco Foundry

80%

#### Foseco Steel

20%

### Market areas

Automotive



Railway and heavy transport



Construction and heavy machinery



General engineering



Infrastructure



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## Highlights

- Turnover of £215.1 million (2006: £210.2 million) **up 2%**
- Operating profit of £25.8 million before exceptional items (2006: £24.8 million) **up 4%**
- Operating profit of £24.6 million after exceptional items (2006: £24.8 million)
- Basic and diluted EPS for continuing operations before exceptional items 8.3p (2006: 7.7p) **up 8%**
- Basic and diluted EPS for continuing operations after exceptional items 7.6p (2006: 7.7p)
- Interim dividend of 1.73p (2006: 1.54p) **up 12.5%**

▲ £215.1m

Turnover

▲ £25.8m

Operating profit before exceptionals

▲ 8.3p

EPS before exceptionals

# Chairman's Statement

I am pleased to report another strong set of results for the six months to 30 June 2007.

Foseco Foundry remains the core driver of the Group's profits as we continue to invest in the development of our Steel business. It is therefore pleasing to report that Foundry had a strong first half, driven by particularly good results from Europe.

The smaller Foseco Steel business achieved a 4.5% turnover increase in markets that were static overall. Strategic investment continued to depress operating margins, but we have made good progress in achieving our internal milestones.

As we indicated when we announced the full year results, the strength of sterling from mid 2006 onwards has had a significant impact on the translation of the results. Turnover was up 7.4% on a constant currency basis (£215.1 million against £200.2 million) but only 2.3% on a reported basis (£215.1 million against £210.2 million).

For the Group as a whole, operating profit has increased by 11.7% (£2.7 million) on a constant currency basis (4.0% or £1.0 million on a reported basis); the operating margin has now increased to 12.0%. The tax rate has edged down and a further reduction is anticipated in 2008 as the impact of German tax reforms is now clearer.

Also included in the results are £1.2 million of exceptional costs relating to a restructuring project in Western Europe. Over the last few years, certain foundry and steel markets in this region have contracted and it is important that Foseco responds to this challenge by ensuring that it has an appropriate infrastructure. At the same time, Foseco continues to invest in both human and capital resources in growing markets; we are currently investing in increased manufacturing capacity in Poland, Turkey, Germany and India.

Excluding the exceptional costs, profit after tax of £14.4 million was up 19.0% on a constant currency basis (8.3% on a reported basis). Earnings per share pre-exceptional were 8.3 pence, up 7.8% on the figure reported for 2006.

The directors have declared an interim dividend of 1.73 pence, 12.5% higher than the 2006 interim dividend.

## Business Overview

### Foseco Foundry

£m	H1		Change YOY	Full Year	
	2007	2006		2006	2006
	H1 (current 2007	H1 (historic 2006	(historic rates)	(historic rates)	(historic rates)
Turnover	173.3	160.2	8.2%	168.6	327.3
Operating profit*	27.4	23.6	16.1%	25.2	47.7

\* Stated pre-exceptional items throughout the Business Overview. All comparative figures are quoted on the basis of current (i.e. H1 2007) exchange rates throughout the Chairman's Statement unless stated otherwise.

Foseco Foundry supplies consumable products, technical services and support to the foundry industry worldwide. The products are designed to improve customers' process capabilities, yields and productivity.

Turnover growth of 8.2% was stronger than the first half of 2006 and the 7.8% recorded for the full year 2006. Once again demand was particularly strong in Europe and the developing economies of China and India. In contrast, the market in North America remained challenging, particularly in the heavy truck segment.

Operating margins improved by a further percentage point. Europe reported an exceptionally strong performance whilst the Americas suffered from reduced volumes. Margins in the Rest of the World were also down slightly due mainly to revenue investment and delays in recovering input cost increases.

Overall operating profit rose by 16.1% (£3.8 million) to £27.4 million.

### Foundry Europe

£m	H1		Change YOY	Full Year	
	2007	2006		2006	2006
	H1 (current 2007	H1 (historic 2006	(historic rates)	(historic rates)	(historic rates)
Turnover	81.9	72.6	12.8%	74.0	143.1
Operating profit	16.9	13.2	28.0%	13.5	24.7

Castings volumes again grew substantially in the first half of 2007. In the West, the picture was once again dominated by Germany with production up by 8.8%, but there was also strong growth in

Scandinavia and Iberia. Market growth in Eastern Europe was more muted as steel foundries, in particular, reached capacity limits.

Against this market backdrop, turnover grew substantially by 12.8%. Turnover growth was clearly well ahead of the increase in casting output and reflects the trend towards more complex castings (which require more sophisticated Foseco products) and market development as the value of the Foseco product is demonstrated in applications where they had not previously been used.

Operating margins rose by 2.4 points to 20.6%. Gross margin was maintained and the record operating margin was achieved due principally to the operational gearing effect of higher volumes, plus a positive geographic and product mix. Operating profit rose by 28.0% (£3.7 million).

The outlook for 2007 remains strong. For the medium term, a number of foundries, such as Volvo, Fritz Winter and Torgelow, have stated publicly their intentions to invest in increased capacity.

## Foundry Americas

	H1 2006		H1 2006		Full Year 2006
£m	H1 (current 2007	Change (historic rates)	YOY	(historic rates)	(historic rates)
Turnover	39.0	39.8	(2.0%)	42.7	80.5
Operating profit	3.9	4.2	(7.1%)	4.5	8.2

In the USA and Canada, the market for steel castings used in mining and oil exploration remained buoyant but there was lower demand for automotive castings. The predicted decline in heavy truck castings, following the introduction of new emissions legislation, also materialised, and a sharp volume decline was seen in the railroad segment. Overall casting volumes are estimated to be down by 5.4% on the first half of 2006. In Central and South America, the market backdrop was more favourable and in Brazil, ABIFA, the local foundry institute, reported that a number of foundries have announced further investments to meet the increasing demand. However, until this new capacity becomes productive, casting output is forecast to be flat.

The small reduction in turnover reflected a number of factors. The adverse market in North America and the continuing strategy of moving away from low margin business pushed sales down but this

was partially offset by the benefit of selling price increases and some share gains. In addition, good progress was made in Brazil and Mexico.

Gross profits in North America were squeezed by the lower volume recoveries, but this was largely offset by the benefit of tight cost control. South America was adversely impacted by the cost of increased investment. The net effect was an operating margin decline of 0.6 points; operating profit fell by 7.1% (£0.3 million).

The second half of 2007 in North America is expected to see a slight improvement, with continuing high demand for mining castings and a gradual recovery of the truck market as the year develops. The outlook for South America remains positive.

## Foundry Rest of the World

	H1 2006		H1 2006		Full Year 2006
£m	H1 (current 2007	Change (historic rates)	YOY	(historic rates)	(historic rates)
Turnover	52.4	47.8	9.6%	51.9	103.7
Operating profit	11.1	10.9	1.8%	11.9	23.5

The markets outside of the Americas and Europe present a less homogenous picture. Turnover continued to grow very strongly in India (+21.4%), where the Solutions Partnering Strategy has helped Foseco to grow well ahead of the market, which rose by around 12%, and China (+29.4%) due to the continuing development of our sales and marketing capacity. ASEAN, in contrast, fell slightly (-3.7%) due to sluggish automotive demand in both Indonesia and Thailand, where consumer confidence has been hit by political uncertainty. In the more mature economies, the picture was again mixed. Japan (+4.0%), South Africa (+7.2%) and Australia (+7.7%) all recorded solid growth whilst Korea (-7.6%) suffered from a weak iron castings market. Overall turnover was up by 9.6%.

Whilst the increased turnover contributed to improved overhead recoveries, there were a number of factors that adversely affected the margin. Raw material challenges in Japan (currency related) and China (increased resin raw material prices) had a short-term impact on gross profits. In China, there was considerable investment in new human resources in anticipation of the next stage of the company's growth strategy.

Overall, the operating margin remained strong at 21.2% but fell on the prior year. Operating profit rose by 1.8% (£0.2 million) to £11.1 million.

The outlook for the full year remains positive; benefits from the actions and investment taken in the first half are anticipated to flow through in the second half of the year, though these may be offset by slightly weaker end-user demand for automotive castings.

### Foseco Steel

	H1 2006		Change YOY	H1 2006		Full Year 2006
£m	H1 2007	(current rates)	(historic rates)	(historic rates)	(historic rates)	(historic rates)
Turnover	41.8	40.0	4.5%	41.6	81.5	
Operating profit	1.1	1.7	(35.3%)	1.8	3.0	

Despite the flat market conditions, turnover grew by 4.5%. At 6.2%, Europe grew slightly ahead of the market (+3.0% — MEPS) with good sales development in CIS. In the Americas, turnover fell by 1.6% as lower steel production in the USA (-5.1% — MEPS) and unplanned maintenance shutdowns at key customers led to decreases in all product segments, except Carbon Bonded Ceramics (CBCs).

Steel margins were held back by the time taken to recover raw material price increases and by start-up costs as production was scaled up at the new CBC plant in Tianjin.

Internal milestones set for the implementation of the Steel strategy have largely been achieved in the USA and Europe. In China, the business is still at a very early stage of development, but turnover is growing.

The outlook for steel production in the second half of the year remains uncertain and it is likely to be flat overall. However, the strategy of developing core strategic products and expanding into the emerging markets remains on course. Steel should continue to grow ahead of the market with an improvement in the margin in the second half of the year.

### Central Costs

	H1 2006		Change YOY	H1 2006		Full Year 2006
£m	H1 2007	(current rates)	(historic rates)	(historic rates)	(historic rates)	(historic rates)
Operating profit	(2.7)	(2.2)	(22.7%)	(2.2)	(4.6)	

Central costs for the first half of 2007 have increased by 22.7% (£0.5 million) compared to last year. This increase is due to a number of factors, the most significant of which is the third award under the Long term incentive plan (Ltip).

### Balance Sheet

The overall shape of the balance sheet is very similar to June 2006, and total assets remain unchanged at £254.5 million. This is due to higher inventories and receivables resulting from the growth of the business, offset by a £6.9 million reduction in cash balances following the purchase of 2.7 million shares by the Company in May and June 2007 at a cost of £5.8 million.

Total liabilities are £12.6 million (5.3%) lower. This mainly relates to pensions, which decreased by £7.4 million, principally due to a combination of higher discount rates and better than anticipated investment returns.

Own shares held have increased by £2.3 million as the Foseco Employee Benefit Trust has purchased 1.1 million shares since June 2006.

Net debt (net cash and borrowings gross of issue costs) at £99.5 million is £3.8 million higher than June 2006.

Compared with the balance sheet at 31 December 2006, the most significant movements are in cash balances, which have reduced by £13.6 million, and in the level of receivables, which have increased by £10.7 million, largely reflecting higher sales activity. Overall, debtor days have remained in line with December 2006.



## Cash Flow

The exceptional items in the first half of 2007 distort the comparative cash flows. The following table disaggregates the cash flow:

£m	H1 2006		
	H1 2007	Historic rates	% Change
Operating profit before exceptionals	25.8	24.8	4.0%
Depreciation and amortisation	5.6	5.5	
Non cash Ltip charge	0.6	0.4	
Working capital	(13.2)	(7.2)	
Borrowing costs	(3.0)	(2.7)	
Income tax paid	(9.7)	(9.1)	
Operating cash flow before exceptional items	6.1	11.7	(47.9%)
Cash flow from exceptional items	(0.9)	—	
<b>Operating cash flow after exceptional items</b>	<b>5.2</b>	<b>11.7</b>	<b>(55.6%)</b>

Before exceptional items, net operating cash flows were £6.1 million, £5.6 million below last year. This was due to the higher outflow on working capital that reflects the continued growth of the business and the unusually low level of working capital at June 2006. Exceptional items include the restructuring costs in Western Europe.

At £4.0 million, capital expenditure remains below the charge for depreciation.

A total of 2.7 million shares were purchased by the Company for cancellation in May and June 2007 at a cost of £5.8 million, under the authority granted at the annual general meeting. In addition, the Foseco Employee Benefit Trust has purchased 0.8 million shares in the first half year at a total cost of £1.8 million.

## Dividend

The directors have declared an interim dividend of 1.73 pence, 12.5% higher than the 2006 interim dividend. The dividend will be paid on 21 November 2007 to shareholders on the register at close of business on 19 October 2007.

## Outlook

Foseco has delivered strong results for the first half of 2007 and we continue to pursue our strategy of developing our position in the mature markets and expanding geographically where markets are attractive.

Our Foundry business has maintained its growth trend, particularly in Europe where demand from industrial customers is buoyant, and the outlook remains favourable.

In Steel, we have seen further growth, despite reduced steel production in North America, and we anticipate further progress in the second half of the year.

Overall, the Group continues to perform well and, assuming that world economies do not falter and that there is no further significant strengthening of sterling, we are confident of being able to report further progress in the second half of the year.

### Danny Rosenkranz

Chairman

12 September 2007



# Independent Review Report to Foseco plc

## Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2007 which comprises Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Recognised Income and Expense, and the related notes 1 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our work, for this report, or for the conclusions we have formed.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

## Ernst & Young LLP

Birmingham  
12 September 2007

# Consolidated Income Statement

for the six months ended 30 June 2007

	Note	(Unaudited) Six months ended 30 June 2007			(Unaudited) Six months ended 30 June 2006			(Audited) Year ended 31 December 2006		
		Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
<b>Continuing operations</b>										
Revenue	3	215.1	—	215.1	210.2	—	210.2	408.8	—	408.8
Cost of sales		(136.8)	—	(136.8)	(132.3)	—	(132.3)	(258.9)	—	(258.9)
Gross profit		78.3	—	78.3	77.9	—	77.9	149.9	—	149.9
Distribution costs		(9.4)	—	(9.4)	(9.6)	—	(9.6)	(18.3)	—	(18.3)
Administration expenses	5	(43.1)	(1.2)	(44.3)	(43.5)	—	(43.5)	(85.5)	—	(85.5)
Group operating profit	3	25.8	(1.2)	24.6	24.8	—	24.8	46.1	—	46.1
Finance costs	6	(3.1)	—	(3.1)	(3.1)	—	(3.1)	(6.3)	—	(6.3)
Finance income	6	0.4	—	0.4	0.3	—	0.3	0.6	—	0.6
Profit on ordinary activities before tax		23.1	(1.2)	21.9	22.0	—	22.0	40.4	—	40.4
Tax: UK		—	—	—	—	—	—	(0.2)	—	(0.2)
Tax: Overseas		(8.7)	—	(8.7)	(8.7)	—	(8.7)	(15.4)	—	(15.4)
<b>Profit for the period from continuing operations</b>		<b>14.4</b>	<b>(1.2)</b>	<b>13.2</b>	13.3	—	13.3	24.8	—	24.8
<b>Discontinued operations</b>										
Net profit for the period from discontinued operations	4	—	—	—	0.1	—	0.1	0.1	—	0.1
<b>Profit for the period</b>		<b>14.4</b>	<b>(1.2)</b>	<b>13.2</b>	13.4	—	13.4	24.9	—	24.9
Attributable to:										
Equity holders of the parent		13.9	(1.2)	12.7	13.0	—	13.0	24.0	—	24.0
Minority interests		0.5	—	0.5	0.4	—	0.4	0.9	—	0.9
		14.4	(1.2)	13.2	13.4	—	13.4	24.9	—	24.9
<b>Earnings per share</b>										
— basic on profit for the period	7			7.6p			7.7p			14.3p
— diluted on profit for the period	7			7.6p			7.7p			14.2p
— basic on profit for the period from continuing operations	7	8.3p	(0.7)p	7.6p	7.7p	—	7.7p	14.2p	—	14.2p
— diluted on profit for the period from continuing operations	7	8.3p	(0.7)p	7.6p	7.7p	—	7.7p	14.1p	—	14.1p
<b>Dividends</b>										
— declared and paid										
— pence per share				3.41p			3.1p			4.64p
— total amount £m				5.7			5.2			7.8
— proposed and not yet paid (not recognised as a liability at the balance sheet date)										
— pence per share				1.73p			1.54p			3.41p
— total amount £m				2.8			2.6			5.7



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# Consolidated Balance Sheet

at 30 June 2007

	Note	(Unaudited) 30 June 2007 £m	(Unaudited) 30 June 2006 £m	(Audited) 31 December 2006 £m
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		77.2	77.4	78.3
Intangible assets		24.1	24.4	24.2
Pensions		0.1	—	0.1
Deferred tax assets		0.6	0.7	0.7
		<b>102.0</b>	102.5	103.3
<b>Current assets</b>				
Inventories		42.9	41.6	39.6
Trade and other receivables		90.8	85.8	80.1
Other financial assets		3.4	2.3	2.5
Cash and short-term deposits		15.4	22.3	29.0
		<b>152.5</b>	152.0	151.2
<b>Total assets</b>		<b>254.5</b>	254.5	254.5
<b>Equity and liabilities</b>				
Issued capital	9	0.1	0.1	0.1
Own shares held	9	(4.3)	(2.0)	(2.5)
Share premium	9	0.1	0.1	0.1
Capital redemption reserve	9	0.7	0.7	0.7
Foreign currency translation reserve	9	(1.3)	0.9	(1.4)
Hedge accounting reserve	9	2.6	1.7	1.9
Retained earnings	9	27.8	11.9	26.0
		<b>25.7</b>	13.4	24.9
Minority interests	9	3.0	2.7	2.9
<b>Total equity</b>		<b>28.7</b>	16.1	27.8
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings		107.1	110.7	108.2
Other long-term liabilities		4.2	3.7	4.1
Provisions		1.8	3.7	1.9
Deferred tax liabilities		3.5	4.1	3.4
Pensions		28.8	36.2	28.7
		<b>145.4</b>	158.4	146.3
<b>Current liabilities</b>				
Trade and other payables		65.6	65.3	64.2
Interest-bearing loans and borrowings		6.8	6.0	6.4
Income tax payable		6.4	7.3	7.7
Provisions		1.6	1.4	2.1
		<b>80.4</b>	80.0	80.4
<b>Total liabilities</b>		<b>225.8</b>	238.4	226.7
<b>Total equity and liabilities</b>		<b>254.5</b>	254.5	254.5

# Consolidated Cash Flow Statement

for the six months ended 30 June 2007

Note	(Unaudited) Six months ended 30 June 2007		(Unaudited) Six months ended 30 June 2006		(Audited) Year ended 31 December 2006	
	£m	£m	£m	£m	£m	£m
<b>Cash flows from operating activities</b>						
Profit on ordinary activities before tax		21.9		22.0		40.4
Net finance costs charged in the income statement		2.7		2.8		5.7
Group operating profit		24.6		24.8		46.1
Depreciation	5.3		5.2		10.4	
Amortisation of intangible assets	0.3		0.3		0.6	
Non-cash charge for the Ltip	0.6		0.4		0.8	
Non-cash movements		6.2		5.9		11.8
Increase in inventories	(3.3)		(2.3)		(1.5)	
Increase in trade and other receivables	(10.9)		(7.4)		(5.7)	
Increase in trade and other payables and provisions	1.2		2.5		2.9	
Loss on disposals of property, plant and equipment	0.1		—		—	
Interest paid	(3.0)		(2.7)		(5.7)	
Income tax paid	(9.7)		(9.1)		(16.0)	
Cash movements		(25.6)		(19.0)		(26.0)
<b>Net cash flows from operating activities</b>		5.2		11.7		31.9
<b>Cash flows from investing activities</b>						
Proceeds from sale of property, plant and equipment		—		—		0.2
Purchase of property, plant and equipment	(3.9)		(4.6)		(12.9)	
Purchase of intangible assets	(0.1)		—		(0.2)	
Interest received	0.4		0.3		0.6	
<b>Net cash flows from investing activities</b>		(3.6)		(4.3)		(12.3)
<b>Cash flows from financing activities</b>						
Purchase of own shares	8	(7.6)		(1.0)		(1.5)
New borrowings		0.3		1.2		1.8
Repayment of borrowings		(1.2)		(1.2)		(2.5)
Finance lease payments		(0.5)		(0.4)		(1.0)
Dividends paid to minority interests		(0.5)		(1.0)		(1.3)
Equity dividends	9	(5.7)		(5.2)		(7.8)
<b>Net cash flows from financing activities</b>		(15.2)		(7.6)		(12.3)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(13.6)		(0.2)		7.3
Exchange differences		(0.2)		(0.9)		(1.5)
Cash and cash equivalents at 1 January		28.6		22.8		22.8
<b>Cash and cash equivalents at the end of the period</b>		14.8		21.7		28.6
<b>Cash and cash equivalents are presented in the balance sheet as:</b>						
Cash and short-term deposits		15.4		22.3		29.0
Bank overdrafts (within current interest-bearing loans and borrowings)		(0.6)		(0.6)		(0.4)
		14.8		21.7		28.6

# Consolidated Statement of Recognised Income and Expense

for the six months ended 30 June 2007

	<b>(Unaudited)</b> <b>Six months</b> <b>ended</b> <b>30 June</b> <b>2007</b> <b>£m</b>	(Unaudited) Six months ended 30 June 2006 £m	(Audited) Year ended 31 December 2006 £m
Currency translation adjustments	<b>0.2</b>	(4.5)	(6.8)
Cash flow hedges taken to equity	<b>0.9</b>	1.6	1.8
Deferred tax on cash flow hedges	<b>(0.2)</b>	(0.4)	(0.4)
Actuarial adjustments on pension liabilities	<b>—</b>	—	5.3
Net income recognised directly in equity	<b>0.9</b>	(3.3)	(0.1)
Profit for the period	<b>13.2</b>	13.4	24.9
<b>Total recognised income and expense for the period</b>	<b>14.1</b>	10.1	24.8
Attributable to:			
Equity holders of the parent	<b>13.5</b>	10.0	24.2
Minority interests	<b>0.6</b>	0.1	0.6
	<b>14.1</b>	10.1	24.8



# Notes to the Consolidated Financial Statements

for the six months ended 30 June 2007

## 1 Authorisation of financial statements

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Foseco plc is a public limited company incorporated and domiciled in England whose shares are publicly traded. The principal activities of the Group are described in note 3.

The interim consolidated financial statements of Foseco plc for the six months ended 30 June 2007 were authorised in accordance with a resolution of the directors on 12 September 2007.

## 2 Accounting policies

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The accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2006.

From a legal perspective, Foseco plc acquired Foseco (Jersey) Limited in May 2005. However, as Foseco (Jersey) Limited had the power to govern the financial and operating activities of its legal parent at the date of the acquisition, the transaction was accounted for as a "reverse acquisition" in accordance with IFRS 3. As a consequence of this, the balance sheet presented shows the share capital of Foseco (Jersey) Limited rather than the share capital issued by Foseco plc.

### 3 Segmental analysis

The Group's primary reporting format is business segments. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The foundry segment ("Foundry") is a supplier of technical product and service solutions to the foundry industry.

The steel mills ("Steel") segment provides high performance consumables and services to the steel-making industry.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

The following table presents revenue and profit information regarding the Group's business segments.

		Six months ended 30 June 2007		Six months ended 30 June 2006		Year ended 31 December 2006	
		£m	£m	£m	£m	£m	£m
<b>Revenue</b>							
Foundry	Segment revenue	<b>173.9</b>		169.3		328.6	
	Sales between businesses	<b>(0.6)</b>		(0.7)		(1.3)	
Revenue			<b>173.3</b>		168.6		327.3
Steel	Segment revenue	<b>42.0</b>		41.7		81.6	
	Sales between businesses	<b>(0.2)</b>		(0.1)		(0.1)	
Revenue			<b>41.8</b>		41.6		81.5
Continuing operations			<b>215.1</b>		210.2		408.8
<b>Operating profit before exceptional items</b>							
Foundry			<b>27.4</b>		25.2		47.7
Steel			<b>1.1</b>		1.8		3.0
Unallocated expenses			<b>(2.7)</b>		(2.2)		(4.6)
Continuing operations			<b>25.8</b>		24.8		46.1
<b>Segment result</b>							
Foundry			<b>26.4</b>		25.2		47.7
Steel			<b>0.9</b>		1.8		3.0
Unallocated expenses			<b>(2.7)</b>		(2.2)		(4.6)
Continuing operations			<b>24.6</b>		24.8		46.1
Discontinued operations			<b>—</b>		0.2		0.2
Total operations			<b>24.6</b>		25.0		46.3

#### 4 Discontinued operations

	<b>Six months ended 30 June 2007 £m</b>	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Profit before tax from discontinued activities	—	0.2	0.2
Tax	—	(0.1)	(0.1)
<b>Net profit for the period from discontinued operations</b>	<b>—</b>	<b>0.1</b>	<b>0.1</b>
Basic and diluted earnings per share on profit for the period from discontinued operations (pence per share)	—	0.1p	0.1p

Discontinued operations during the periods shown represent charges and releases of provisions arising from the sale of the Chem-Trend business (in 2004) and Fosbel joint venture (in 2003).

#### 5 Exceptional items before interest and tax

	<b>Six months ended 30 June 2007 £m</b>	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Restructuring of manufacturing facilities	<b>1.2</b>	—	—
<b>Loss before interest and tax</b>	<b>1.2</b>	—	—

The manufacturing operations in Western Europe have been reviewed in the light of market conditions, and it has been decided to rationalise production to fit better the ongoing requirements of the business. Due to the size and nature of the rationalisation costs, they have been classified as exceptional in these financial statements.

**6 Finance costs and income**

	<b>Six months ended 30 June 2007 £m</b>	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
<b>Finance costs</b>			
Interest on borrowings	2.9	2.9	5.9
Finance charges payable under finance lease and hire purchase contracts	0.1	—	0.1
Net interest on pension liabilities	—	0.2	0.3
Unwinding of discount on discounted liabilities	0.1	—	—
<b>Total finance costs</b>	<b>3.1</b>	<b>3.1</b>	<b>6.3</b>

	<b>Six months ended 30 June 2007 £m</b>	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
<b>Finance income</b>			
Bank interest receivable	0.4	0.3	0.6
<b>Total finance income</b>	<b>0.4</b>	<b>0.3</b>	<b>0.6</b>

**7 Earnings per share**

As the Group has used reverse acquisition accounting in accordance with IFRS 3, earnings per share is calculated by reference to the share capital of the legal parent rather than the legal subsidiary, whose share capital is disclosed in the consolidated balance sheet.

Basic and diluted earnings per share is calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the period. The weighted average number of shares used in the calculation excludes ordinary shares purchased by the Group and deducted from equity.

The following income and share data is used in the basic and diluted earnings per share computations for total operations:

	<b>Six months ended 30 June 2007 £m</b>	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
<b>Earnings for basic and diluted earnings per share</b>			
Profit for the period attributable to ordinary shareholders of the parent	12.7	13.0	24.0
Basic earnings per share on profit for the period	7.6p	7.7p	14.3p
Diluted earnings per share on profit for the period	7.6p	7.7p	14.2p

## 7 Earnings per share continued

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
<b>Earnings for basic and diluted earnings per share from continuing operations</b>			
Profit for the period attributable to ordinary shareholders of the parent	12.7	13.0	24.0
Less: Net profit for the period from discontinued operations	—	(0.1)	(0.1)
Profit for the period attributable to ordinary shareholders from continuing operations	12.7	12.9	23.9
Basic earnings per share on profit for the period from continuing operations	7.6p	7.7p	14.2p
Diluted earnings per share on profit for the period from continuing operations	7.6p	7.7p	14.1p
<b>Earnings for basic and diluted earnings per share from continuing operations before exceptional items</b>			
Profit for the period attributable to ordinary shareholders from continuing operations	12.7	12.9	23.9
Add: Exceptional items	1.2	—	—
Profit for the period attributable to ordinary shareholders from continuing operations before exceptional items	13.9	12.9	23.9
Basic earnings per share on profit for the period from continuing operations before exceptional items	8.3p	7.7p	14.2p
Diluted earnings per share on profit for the period from continuing operations before exceptional items	8.3p	7.7p	14.1p
<b>Earnings for basic and diluted earnings per share from discontinued operations</b>			
Profit for the period attributable to ordinary shareholders from discontinued operations	—	0.1	0.1
Basic and diluted earnings per share on profit for the period from discontinued operations	—	0.1p	0.1p
<b>Weighted average number of ordinary shares in issue</b>			
For basic earnings per share	166,917,185	168,363,273	168,098,116
Dilutive potential shares arising from vesting of Ltips	905,947	—	818,186
For diluted earnings per share	167,823,132	168,363,273	168,916,302

## 8 Purchase of own shares

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Purchased by Foseco Employee Benefit Trust	1.8	1.0	1.5
Purchased and subsequently cancelled by Foseco plc	5.8	—	—
	7.6	1.0	1.5

**9 Reconciliation of movements in equity**

	Note	Issued capital £m	Own shares held £m	Share premium £m	Capital redemption reserve £m	Foreign currency translation reserve £m	Hedge accounting reserve £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1 January 2007		0.1	(2.5)	0.1	0.7	(1.4)	1.9	26.0	24.9	2.9	27.8
Changes in equity for the period:											
Currency translation adjustments		—	—	—	—	0.1	—	—	0.1	0.1	0.2
Cash flow hedge gains taken to equity		—	—	—	—	—	0.9	—	0.9	—	0.9
Cash flow hedge losses removed from equity		—	—	—	—	—	—	—	—	—	—
Deferred tax on cash flow hedges		—	—	—	—	—	(0.2)	—	(0.2)	—	(0.2)
Profit for the period		—	—	—	—	—	—	12.7	12.7	0.5	13.2
Total recognised income and expense for the period		—	—	—	—	0.1	0.7	12.7	13.5	0.6	14.1
Purchase of own shares	a)	—	(1.8)	—	—	—	—	—	(1.8)	—	(1.8)
Purchase and cancellation of own shares	b)	—	—	—	—	—	—	(5.8)	(5.8)	—	(5.8)
Credit in respect of Ltip		—	—	—	—	—	—	0.6	0.6	—	0.6
Equity dividends	c)	—	—	—	—	—	—	(5.7)	(5.7)	(0.5)	(6.2)
<b>At 30 June 2007</b>		<b>0.1</b>	<b>(4.3)</b>	<b>0.1</b>	<b>0.7</b>	<b>(1.3)</b>	<b>2.6</b>	<b>27.8</b>	<b>25.7</b>	<b>3.0</b>	<b>28.7</b>

- a) The Group makes regular purchases of its own shares so that share awards made under the Ltip can be distributed to employees as and when they vest. These shares are treated as a deduction from equity in accordance with IAS 32.
- b) Due to the reverse acquisition accounting that was employed when Foseco plc was floated, the share capital disclosed in the balance sheet does not reflect subsequent movements in the share capital of Foseco plc. During the period, Foseco plc purchased and subsequently cancelled 2,685,000 of its ordinary shares with a nominal value of £671,250 for a total consideration of £5,792,284, including transaction costs of £57,509.
- c) The directors declared a final dividend for 2006 of 3.41p per share, which was paid on 13 June 2007 to shareholders on the register at the close of business on 18 May 2007.

The directors proposed an interim dividend for 2007 of 1.73p per share, which will be paid on 21 November 2007 to shareholders on the register at the close of business on 19 October 2007.



## 10 Statutory accounts

The financial information shown in this publication is unaudited and does not constitute statutory accounts in accordance with section 240 of the Companies Act 1985. Under the reverse acquisition accounting rules set out in IFRS 3, the consolidated results of Foseco plc are a continuation of the accounts of its legal subsidiary Foseco (Jersey) Limited. The 2006 annual report and financial statements of Foseco plc are available on the Company's website at [www.foseco.com](http://www.foseco.com). The information for the year ended 31 December 2006 is extracted from the audited accounts for the year ended 31 December 2006, which have been filed with the Registrar of Companies and on which the auditors have expressed an unqualified opinion.

A copy of this report will be sent to all shareholders and further copies will be available on request from the Company Secretary, Foseco plc, Coleshill Road, Fazeley, Tamworth, Staffordshire, United Kingdom, B78 3TL, or from the Company's website, [www.foseco.com](http://www.foseco.com).

## Forward-looking Statements

Certain statements in this announcement are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak as only of the date of this announcement.

The Company is under no obligation to update or keep current the forward-looking statements contained in this announcement or to correct any inaccuracies which may become apparent in such forward-looking statements.



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