

Message from our Chairman



It gives me great pleasure to introduce the first Annual Report & Accounts of Vesuvius plc.

Our new company is the result of a detailed strategic review by the Board of Cookson Group plc, which concluded that a separation of Cookson's main businesses would be in the interests both of its shareholders and of those respective businesses. That separation took effect on 19 December 2012 resulting in the creation of Vesuvius plc, comprising the Engineered Ceramics and Precious Metals Processing businesses of the old Cookson. Alent plc, which comprises Cookson's other businesses, is now listed on the Stock Exchange in its own right and is run as an entirely separate business.

I was honoured to be asked to join the Board of Vesuvius and to serve as its first Chairman. Our company is a global leader in metal flow engineering, principally serving the steel and foundry industries. We enjoy clear market leadership in the majority of the industry segments we serve. We have operations in 30 countries worldwide, with almost half our revenues generated in developing markets. Our businesses are technology-led, innovation-focused, with an increasingly important service dimension. Our products and services are critical to our customers' efficiency and therefore profitability. Our financial profile is strong, with a robust balance sheet and a flexible business model that has enabled the delivery of good levels of profit and cash over the cycle and in the face of changing market conditions.

RESULTS

End-market trends in Vesuvius' major steel and foundry markets were very challenging during the latter part of 2012. As a result, our performance in the second half was substantially below that of the first half, leading to pro forma headline earnings per share of 29.4 pence, down from the 41.0 pence for 2011. In response to those difficult conditions, decisive action was taken throughout the business, involving significant cost reduction and the permanent closure of three facilities. Our flexible business model allows management to continue to respond as necessary without affecting the underlying strength of our businesses, meaning that our competitive position entering 2013 remained very strong.

Since the year end we have announced the closure of our Solar Crucible business and also the disposal of our Precious Metals Processing division, enabling management to focus wholly on our core business of molten metal engineering serving the global steel and foundry industries.

DIVIDENDS

Dividends will play an important part in delivering superior returns to our shareholders. Vesuvius is an inherently cash generative and well-invested business and we aim to deliver long-term dividend growth whilst taking account of underlying earnings, cash flows, capital expenditure requirements and the prevailing market outlook.

As set out in our documentation relating to the demerger, the Board has recommended a final dividend of 9.5 pence per share. The final dividend, if approved at the Annual General Meeting ("AGM"), will be paid on 27 June to shareholders on the register at 17 May.

"We have assembled a highly experienced Board of Directors, committed to the highest standards of corporate governance, and benefit from a very strong executive management team led by François Wanecq."

JOHN McDONOUGH

RETURN OF CAPITAL

As a result of the disposal of our Precious Metals Processing division, the Board intends to return the majority of the net proceeds to shareholders through an on market repurchase of shares, demonstrating our desire to exercise strong capital discipline and generate superior returns. Our strong balance sheet and cash generation allows us to do this and remain able to fund attractive future growth opportunities.

BOARD AND GOVERNANCE

Since my appointment as Chairman, I have undertaken a thorough induction to the Company and its products and services. I have visited many of our major manufacturing and R&D Centres in China, Poland, Germany, Belgium and the United States, and met large numbers of our people.

We have assembled a highly experienced Board of Directors, committed to the highest standards of corporate governance.

As previously announced, Jan Oosterveld and John Sussens will retire as Non-executive Directors at this year's AGM. Both served as Non-executive Directors of Cookson for over eight years, and I am very grateful to them for their contribution to the creation of Vesuvius plc and for the continuity that they have provided.

John Sussens will be succeeded as Senior Independent Director by Jeff Hewitt and as Chair of the Remuneration Committee by Jane Hinckley, who was appointed as a Non-executive Director in December 2012.

Nelda Connors was appointed to the Board as a Non-executive Director on 1st March 2013 and Rachel Fell was replaced as Company Secretary by Richard Malthouse with effect from 21 March 2013 whilst she takes maternity leave.

We will therefore go forward after the AGM in 2013 with a slimmed down Board of seven Directors.

I have got to know our executive management team led by François Wanecq and am confident that we have a talented team in place to deliver our strategy.

The Board is responsible for setting Group strategy and charging the executive with the delivery of that strategy, including the management of resources and associated risks and controls. The Board has implemented a robust governance structure to manage those risks as described in the Governance Report on pages 64 to 99. Good corporate governance is central to the delivery of sustainable long-term shareholder value.

We have complied with the UK Corporate Governance Code throughout 2012 and continue to strive to evolve our governance arrangements to comply with emerging best practice.

ANNUAL GENERAL MEETING

Our 2013 AGM will be held on Tuesday 4 June 2013 and the Notice of the Meeting and explanatory notes accompany this Annual Report. I look forward to the opportunity to meet our shareholders at the AGM.

OUR PEOPLE

The Company's long-term success is dependent upon the diversity, dedication and commitment of all our people. We have invested in the development of our people and in succession planning. We have ensured that all our people share a common set of values. Leadership from the Board on corporate responsibility is important and paramount amongst the Board's priorities is the safety and well-being of all our people and of the communities in which we operate. We have made further good progress on Health and Safety both in terms of safe working practices and the reporting of performance.

PROSPECTS

After many years as a division of a diversified group, and following months of intensive work on the demerger process, Vesuvius now stands to benefit significantly from being a stand-alone, wholly focused global leader in metal flow engineering. The markets we serve have long-term growth dynamics, and we are strongly positioned to leverage our significant presence in the world's developing economies.

JOHN McDONOUGH CBE

Chairman
28 March 2013