Message from our Chief Executive

The listing of Vesuvius plc on the London Stock Exchange, followed by the demerger of Alent plc, was the dominant event of 2012 for our company.

The demerger process involved a heavy workload and occupied much of the time of the corporate teams, but it did not affect the focus of the operational crews, who instead had to cope with a downturn in their markets, which started around the middle of the year. This led to major restructuring to adapt our cost structure and increase the flexibility of our business.

Meanwhile the new strategy for Vesuvius, involving an increased focus on providing technical services, principally to the steel and foundry industries, was presented to the investment community during the demerger process and was well received. We have a focused Board with a number of new Directors, and clearly stated objectives — the long–term future is very promising.

THE EMERGENCE OF VESUVIUS PLC
Vesuvius is a global leader in metal casting engineering. Our profitable business model derives from a presence across the world at all major customers' facilities. Vesuvius has established with them over the years a relationship of trust and partnership based on the true value we create in our customers' processes with our unique technological product and service offering.

This relationship of trust is essential, as we provide products and solutions that are on the critical path of the molten metal casting process with considerable impact on the safe and efficient performance of our customers' plants.

Our new existence as an independent company allows us to concentrate our considerable assets and talented workforce on the development of this service offering to our customers with a clear message and total focus. Our strategy will be consistent and clear and our commitment to it will now be more evident to our customers, as well as to our shareholders.

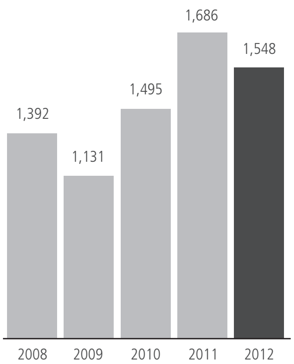
Our business is well prepared to cope with the cyclicality of our end-markets. While market growth rates were high for nearly a decade up to 2009, recent years have been more varied. Nonetheless, Vesuvius has been able to exceed the underlying growth rates of its end-markets over the long–term. This is due to our unique technological offering that brings value to our customers' process and allows us to make continuous improvements to the consumable products and related systems which we supply. To a certain extent, our customers are more in need of our market-leading solutions when the market conditions they face are more challenging, as we ultimately bring more efficient and therefore more cost-effective solutions to our customers.

"Our primary objectives for the coming two years will be to retain a strong balance sheet, to restore our margins, to grow our presence in China and to develop our strategy dedicated to providing superior technical services for the steel and foundry industries."

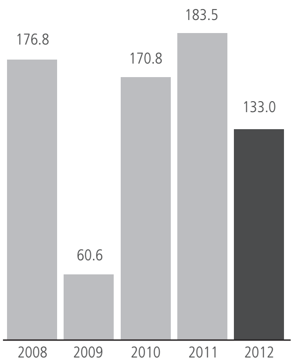
FRANÇOIS WANECQ,
CHIEF EXECUTIVE

Message from our Chief Executive
continued

GROUP
REVENUE*
£m



GROUP
TRADING PROFIT*
£m



* Headline performance

2012 MARKET EVOLUTION

After a promising start to the year, when the prospects of our steel and foundry end-markets appeared positive, by June there were clear signs that the economy was weakening. Whilst many commentators suggested this was due to a short-term inventory adjustment, we saw in September a clear deterioration that led us to reduce our expectations for the full year. The downturn was particularly marked in Foundry and was principally related to the weakness of the car market in Europe and the truck market globally. As expected, steel markets slowed down as well. Overall, for the entire year, world steel production increased marginally, as it did in 2011; however, the geographic split of world steel production since 2008 has now stabilised in three distinct groups: China, which has grown by 40% since 2008; Europe and NAFTA, which declined by close to 20% over the same period; and the rest of the world, which has stayed around the same level as seen in 2008.

THE SOLAR MARKET

During 2012 the market for the production of solar panels did not recover. Whilst the installation of solar panels around the world, especially in Germany, continued at a high level, the inventories accumulated in previous years and the overcapacity affecting all segments of the supply chain have continued to weigh on prices for the moderate volumes of Solar Crucibles sold. In addition, the substantial reduction of government subsidies for renewable energy projects is expected to act as a drag on the market going forward. Furthermore, the decrease of energy prices in the USA due to increased shale gas availability may discourage the appetite for renewable energy supplies in the USA and elsewhere. As a result of these various market forces, early in 2013 the Board decided regretfully to exit the Solar Crucible business.

A RAPID ADAPTATION TO MARKET CHANGES

When the first signs of a slowdown began appearing in June, we prepared an action plan that was triggered in September when the continued downward trend was confirmed. During the last four months of 2012 we closed or sold five plants (three manufacturing Solar Crucibles, and two in the Steel division) and secured the sale of one low-margin construction business. Headcount was reduced by 850 (close to 8%) in the second half of the year; we also activated many flexible employment agreements which had been negotiated following the crisis of 2008/2009 to reduce employment costs whilst avoiding the permanent loss of skilled workers.

During the same period, we reduced capital expenditure and developed a Group-wide programme of inventory reductions that has allowed us to reduce our net working capital in the year. Cost control and cash generation will remain at the centre of our management actions in 2013 to maintain our flexibility and restore our margins.

OVERVIEW OF GROUP RESULTS

With the trading results of Alent and the Precious Metals Processing division being reported as discontinued operations for 2012, Group revenue from continuing operations in 2012 of £1,548 million was 8% lower than 2011 on an as reported basis and 4% lower on an underlying basis, which adjusts for the SERT and Metallurgica acquisitions in 2011 and 2012 respectively, the sale in 2012 of the low-margin Andreco-Hurll business and foreign exchange differences. The underlying decline in revenue reflects the marked slowdown in trading in the second half of the year, when steel production in the key markets of the EU and North America fell by almost 10% compared to the first half; but also reflects the ongoing strategy to exit lower-margin business and a 2% reduction due to further erosion in Solar Crucibles revenue.

Trading profit from continuing operations of £133.0 million was 27% lower than that reported in 2011, reflecting the lower revenues, Solar Crucible losses and increased bad debts. Without Solar Crucibles and the higher bad debt charge, the reduction would have been 16%. The Group's reported return on sales margin from continuing operations was 8.6%, down from 10.9% in 2011.

A NEW STRATEGIC INITIATIVE

In November we presented to the investor community our ambitions for Vesuvius plc, with a strategy designed to deliver superior returns to our shareholders built around five key objectives:

- maintaining our existing technology leadership position;
- enlarging our addressable market through the penetration of product and service solutions;

- leveraging our strong positions in developing markets to capture growth;
- improving cost leadership and margins;
- building a comprehensive offering in metal casting engineering;

– and to achieve these whilst maintaining a rigorous focus on cash flow generation.

This strategy is being rigorously implemented, as evidenced by a number of recent developments. For example, we will be building three new research centres in the next two years in Pittsburgh, US, Enschede, the Netherlands and Visakhaptnam, India.

We have also recently succeeded in achieving the first industrial installation of our innovative robotic tundish technology in Hyundai (Korea) and we have already introduced 12 of our Initek systems, for the computer-controlled inoculation of ductile iron, since bringing this new technology concept to market globally in 2010.

In China, we have completely reorganised our local structure to give more autonomy to our local management and to accelerate expansion whilst at the same time developing a business model based on the superior quality and performance with which Vesuvius has succeeded in all other parts of the world. In Brazil and in the Middle East we have gained significant market share.

Furthermore, we have reduced our cost base and improved our productivity through a Group-wide Lean Manufacturing initiative.

Overall, we are building a strategy directed towards providing superior technical services for the steel and foundry industries based on our constant presence at customers' sites, our intimate knowledge of all processes industry-wide and our growing expertise in real time data capture and interpretation. This fundamental business initiative is aimed at developing the Group to be less capital-intensive and with better margins, putting technology leadership at the core of everything we do.

PRECIOUS METALS PROCESSING

We have been exiting businesses that are not core to our strategy — Precious Metals Processing comes into that definition. It is a good business, with healthy market positions and a strong management team, but it is not aligned with our future strategic direction. We are now in the process of disposing of this business to Possehl mbH, for whom the business will be more complementary. This will leave Vesuvius with a much clearer focus on its core areas of technological leadership and end-markets, with the objective to grow as the global leader in metal casting solutions and services.

OUTLOOK

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

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

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

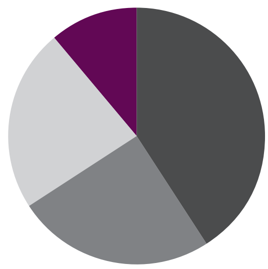
Our primary objectives for the coming two years will be to retain a strong balance sheet, to restore our margins, to grow our presence in China and to develop our strategy dedicated to providing superior technical services for the steel and foundry industries.

FRANÇOIS WANECQ
Chief Executive
28 March 2013

2012 REVENUE
BY CUSTOMER LOCATION*

EUROPE	33%
ASIA-PACIFIC	29%
NAFTA	25%
ROW	13%

2012 REVENUE
BY OPERATING LOCATION*



EUROPE	41%
NAFTA	25%
ASIA-PACIFIC	23%
ROW	11%

* Headline performance