

Chairman's Statement

A successful first year for Vesuvius plc



John McDonough CBE
Chairman

I am pleased to be able to report on a successful first year for Vesuvius plc (the "Company"). There is no doubt that your Company has benefited from the independent status and greater focus it has enjoyed since its creation as a result of the demerger of Cookson Group in December 2012. This is reflected both in our very solid trading performance and in the strategic progress achieved.

Since the demerger, the Board has taken important further steps structurally to transform the business. In the first quarter of 2013, we completed the restructuring of the Fused Silica business and in May we completed the disposal of the Precious Metals Processing division. As a result, Vesuvius is now a fully focused molten metal engineering company, principally serving the global steel and foundry industries. We enjoy global leadership positions in those markets, providing technologically advanced products and services that are critical to our customers' efficiency and therefore their profitability.

The benefits of this greater focus and strong competitive positioning can be seen in our financial results for 2013. Against stable but relatively subdued market conditions overall, our profit performance improved over the prior year with, importantly, our margins benefiting from the internal performance improvement initiatives that have been implemented. Cash generation remained strong, and our balance sheet is robust.

Strategy

The Board is responsible for setting the strategic direction of your Company, and for ensuring that the business model, remuneration and all associated key performance indicators are aligned to its successful delivery.

Our strategy, which remains consistent with that set out at the time of the demerger, is to capitalise on our leading position in molten metal flow engineering to create sustainable shareholder value. We aim to do this by:

- 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 where appropriate through carefully evaluated acquisitions, an increasingly comprehensive product and technical services offering.

Our flexible business model is capable of delivering attractive levels of profit and cash over the cycle and in the face of changing market conditions. Firm financial and capital discipline is a central strategic priority.

Further detail on our strategy, and on its execution during 2013, is set out within the Strategic Report on pages 10 to 47.

Dividend

The Board has recommended a final dividend of 10.25 pence per share for 2013. This would result in a total dividend for the year of 15 pence per share, an increase on Vesuvius' share of the full year Cookson Group dividend for 2012 of 5.3%. The final dividend, if approved at the Annual General Meeting, will be paid on 23 May 2014 to shareholders on the register at 25 April 2014.



Vesuvius is a cash generative and well-invested business. Our dividend policy aims to deliver long-term dividend growth, provided that this is supported by underlying earnings, cash flows, capital expenditure requirements and the prevailing market outlook.

Capital Discipline

Alongside dividends, capital discipline plays a part in our commitment to delivering superior returns to our shareholders. Having completed the disposal of the Precious Metals Processing division for €56.8 million in May 2013, the Company returned some £30 million of those proceeds to shareholders by way of an on-market share repurchase programme which concluded in September, with the balance being applied to the reduction of net debt. Consequently, during the year we returned £70 million to shareholders as a result of the payment of dividends and the repurchase of our shares.

In December, we further strengthened our financial position through the issue of c.US\$100 million of US Private Placement loan notes with a good mix of maturities out to 2028. With our balance sheet strength and cash generative characteristics, we remain in a strong position to fund attractive future growth opportunities.

Reporting

The Board has concluded that this Annual Report is fair, balanced and understandable, and that it provides the necessary information for shareholders to assess the Group's strategy, business model and performance, as well as our approach to and performance in the important areas of gender diversity, human rights, environmental impact and specifically our direct carbon emissions. Further detail on these can be found within the Strategic Report referred to above.

Board Composition

A substantially new Board of Directors was appointed in late 2012 as a result of the demerger and strengthened further on 1 March 2013 by the appointment of Nelda Connors as a Non-executive Director. Having served nine years as Non-executive Directors of Cookson Group plc prior to the demerger, both John Sussens and Jan Oosterveld retired from the Board, as planned, at the close of the Annual General Meeting on 4 June 2013. I would like to thank them for their considerable contribution to the successful start-up of Vesuvius plc. John Sussens was succeeded as Senior Independent Director by Jeff Hewitt and as Chair of the Remuneration Committee by Jane Hinkley. There have been no further changes to the Board since that date. With our strong diversity and appropriate mix of skills and experience, I am confident that the Board has operated effectively in its first full year.

In September 2013, Henry Knowles was appointed as Company Secretary and General Counsel, succeeding Richard Malthouse. On behalf of the Board, I thank Richard for his important contribution to the Company over many years.

The composition, responsibilities and operation of the Board, and Directors' Biographies are set out within the Governance Report on pages 54 to 60 and 50 to 51, respectively.

Governance

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. Given the broad international spread of the business, the Board considers that risk management is a significant priority and consequently places considerable emphasis on this area within its overall governance agenda.

Throughout 2013 we have operated under a robust governance structure which also complied with the UK Corporate Governance Code. We continue to evolve our governance arrangements to comply with emerging best practice and we firmly believe that strong corporate governance is central to the delivery of sustainable long-term shareholder value.

The Board is committed to embedding the right culture throughout the Group and the Company's Code of Conduct clearly sets out the values and behaviour that we expect from all our people. Further details are set out on page 39 of the Strategic Report.

Annual General Meeting

The Annual General Meeting will be held at 11.00 am on 15 May 2014 at the Lincoln Centre, 18 Lincoln's Inn Fields, London. The Notice of the Meeting and explanatory notes accompany this Annual Report. I look forward to the opportunity to meet as many of our shareholders as possible at that time.

Our People

Our success over the past year has been in large part down to the talent and efforts of our people. We continue to invest in our people – in their training, development (see pages 39 to 43), and in their health and safety on which we continue to place increasing emphasis, as reported on pages 32 and 33.

On behalf of the Board, I would like to thank all our people for their significant contribution to a very successful first year as a stand-alone company.

John McDonough CBE

Chairman

4 March 2014