

A GLOBAL LEADER IN METAL FLOW ENGINEERING

2015 Full Year Results

3 March 2016
François Wanecq
Chief Executive

VESUVIUS PLC

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Agenda



- 2015 full year Group results – François Wanecq
- Financial Review – Guy Young
- Strategy and outlook – François Wanecq

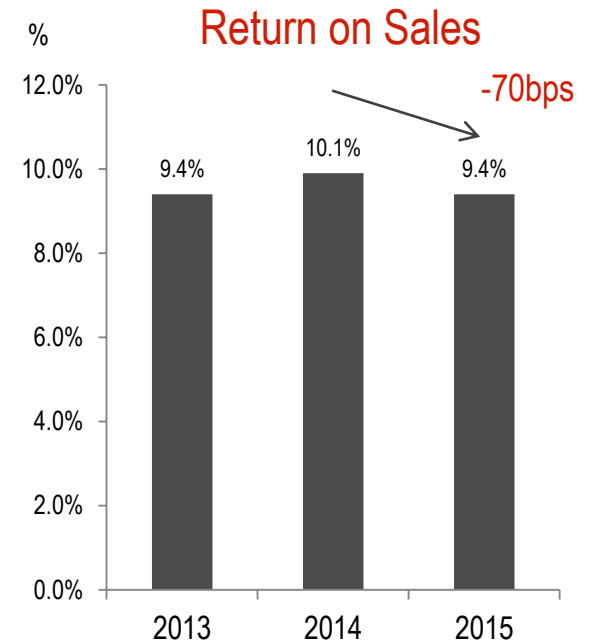
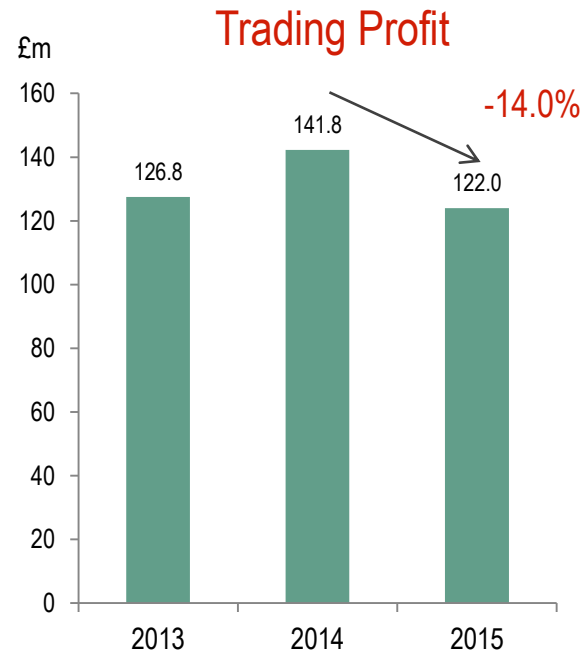
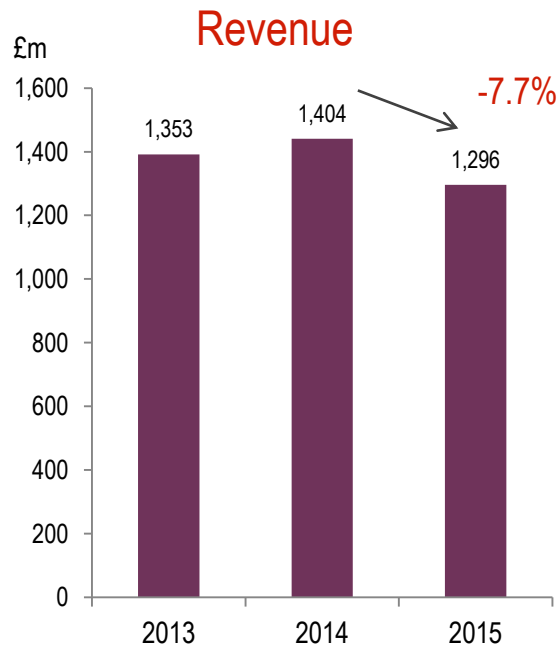


Summary

- Lower performance in line with previous guidance, reflecting the ongoing deterioration in global steel and foundry markets
- Continued outperformance in India, China & Brazil, identified areas for strategic growth
- Restructuring plan initiated in Q2, delivering earlier with cost savings of £8.8m for costs of £14.6m
- Cash conversion ratio of 100.3%
- Strong balance sheet, with long-term bank facilities in place to 2020
- Maintained the final dividend at 11.125p per share; increasing the total dividend by 0.9% to 16.275p per share



2015 Underlying⁽¹⁾ Trading Performance



⁽¹⁾ Underlying basis is at constant currency and excludes separately reported items and the impact of acquisitions and disposals

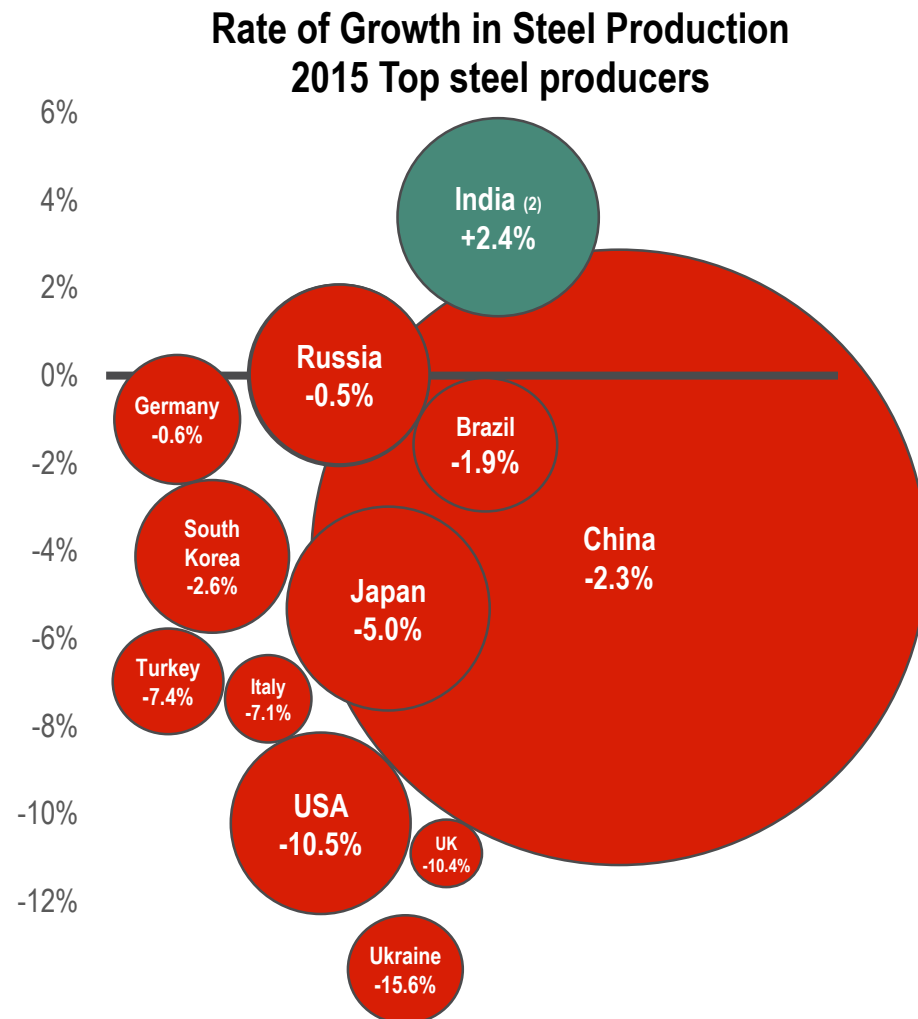
2013 Excludes disposed VGT, Canada and Andreco-Hurl

2014 Excludes ECIL Met Tec and Process Metrix results (Revenue £3.2m, trading profit £0.5m)

2015 Excludes ECIL Met Tec, Process Metrix and Sidermes results (Revenue £26.5m, trading profit £2.1m)

The world steel markets show substantial decline...

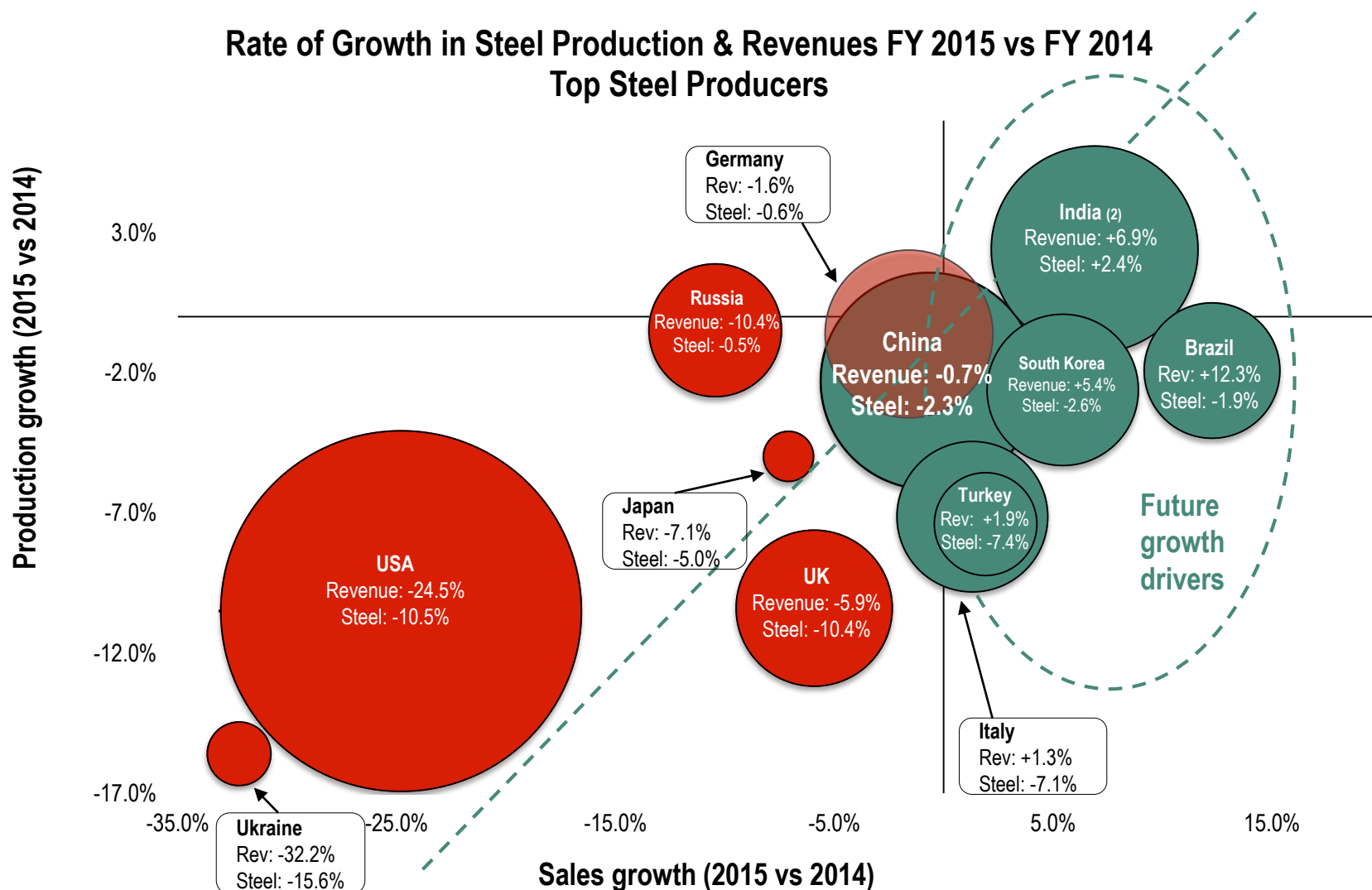
- World steel production down 2.8%
 - China (49.5% of global production) down 2.3%
 - 18.9 million tonnes reduction
 - Rest of world ex China down 3.4%
 - 28.5 million tonnes reduction
 - USA down 10.5%
- 14 of the top 15 producers reported drops
 - Represent 88.8% of global production
- India now 3rd largest producer in the world behind China and Japan, confirming our strategy at CMD



(1) Size of bubble refers to relative amount of steel produced

(2) India includes Kazakhstan

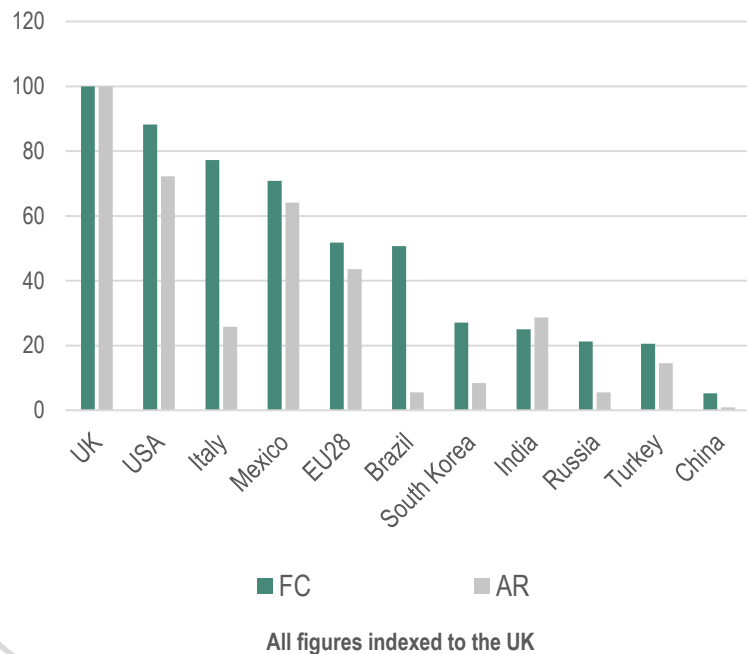
...whilst revenue grows ahead of market in our strategic targeted areas



- (1) Size of bubble refers to relative size of Flow Control and Advanced Refractories FY 2015 Revenue in each country
(2) India includes Kazakhstan

Vesuvius sales in Europe and USA declined more than market

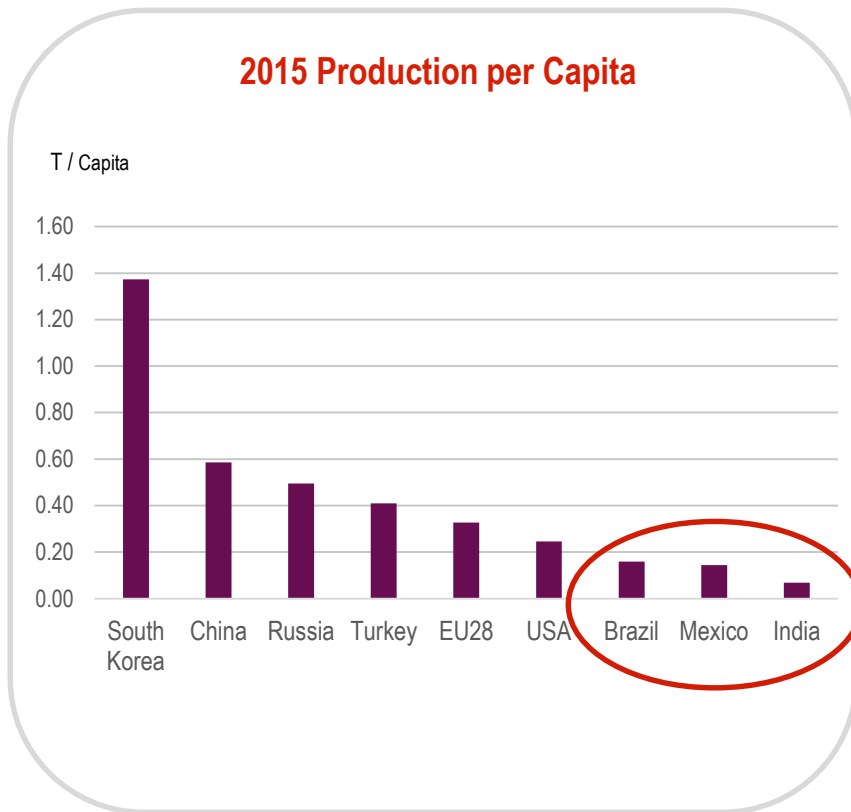
2015 Sales per Tonne



Source World Steel Assoc., Company

- The biggest steel production decline happened in countries where we have the highest penetration:
 - UK down 10.4%
 - USA down 10.5%
 - Italy down 7.1%

Potential for growth



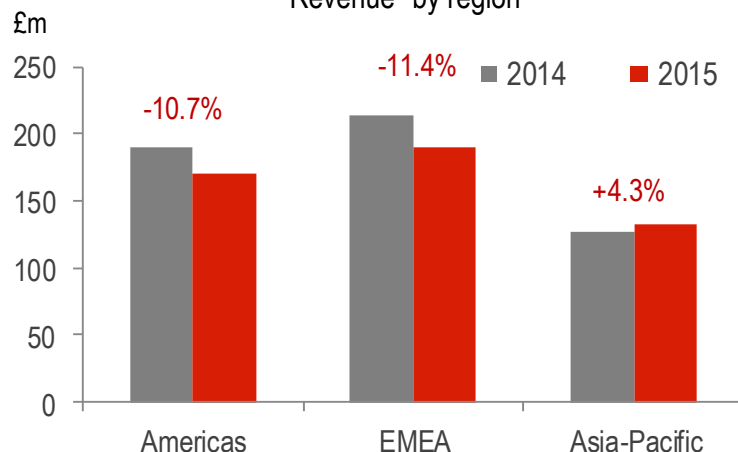
Source World Steel Assoc., Company

- Three heavily populated countries constitute considerable potential for growth
- All have low steel production tonnes per capita vs peers, indicating expected growth in infrastructure and construction development
 - India
 - Brazil
 - Mexico

Trading review: Steel division revenue

Steel Flow Control

Revenue* by region



Americas:

- Reduction in crude steel production, reflecting decline in pipe demand and increased imports

EMEA:

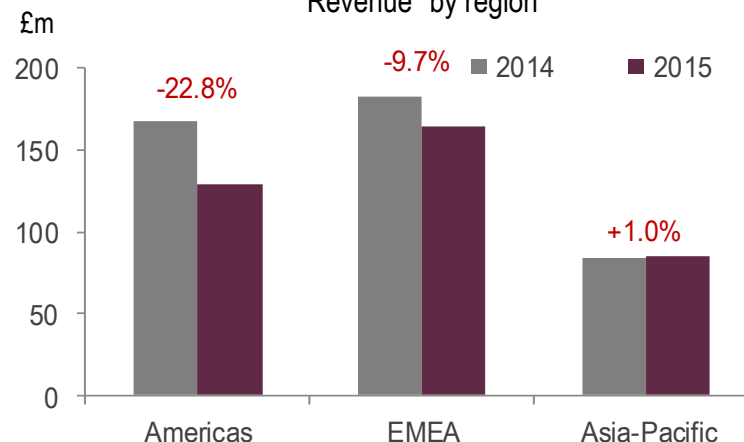
- Significant decline in steel production in the UK and Italy where we have high penetration

Asia-Pacific:

- Sales in China supported by continuing shift from long to flat steel production and the progressive acceptance of our value creating solutions
- Strong sales in Korea and India, outperforming underlying steel production in region

Advanced Refractories

Revenue* by region



Americas:

- Lower activity in North America, driven by reduction in crude steel production and resistance to major decreases in prices
- Increased imports in the region

EMEA:

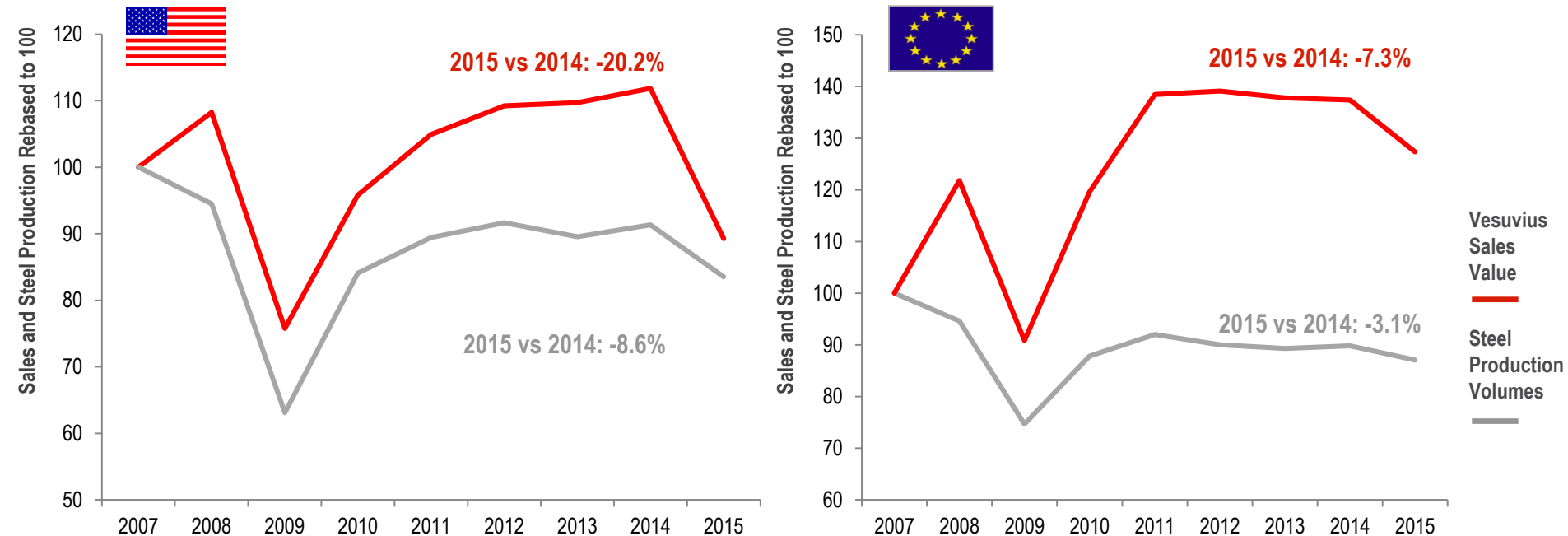
- Lower revenues due to decline in UK steel production

Asia-Pacific:

- Revenue growth through market penetration
- Recommencement of customer facilities

*On an underlying basis: at constant currency and excluding the impact of acquisitions and disposals

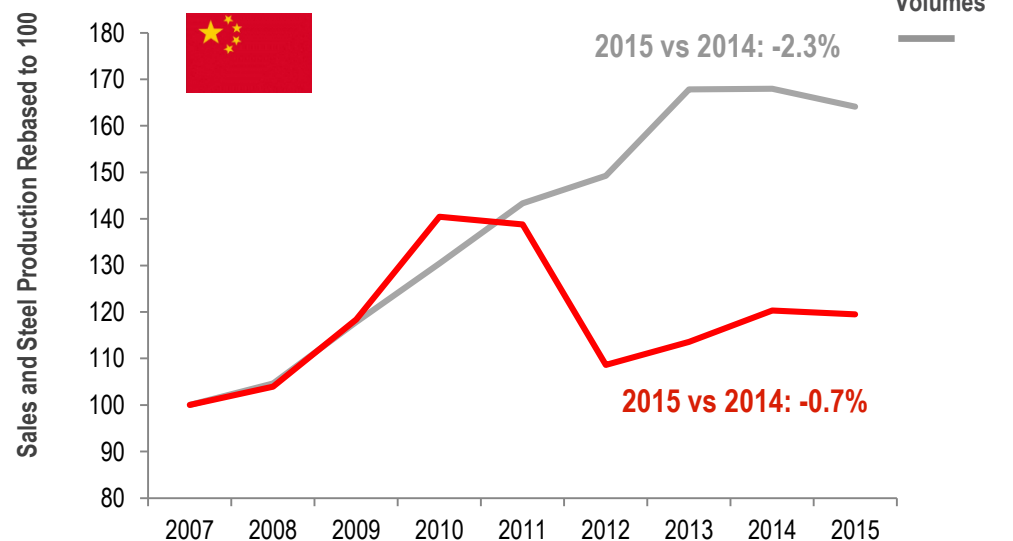
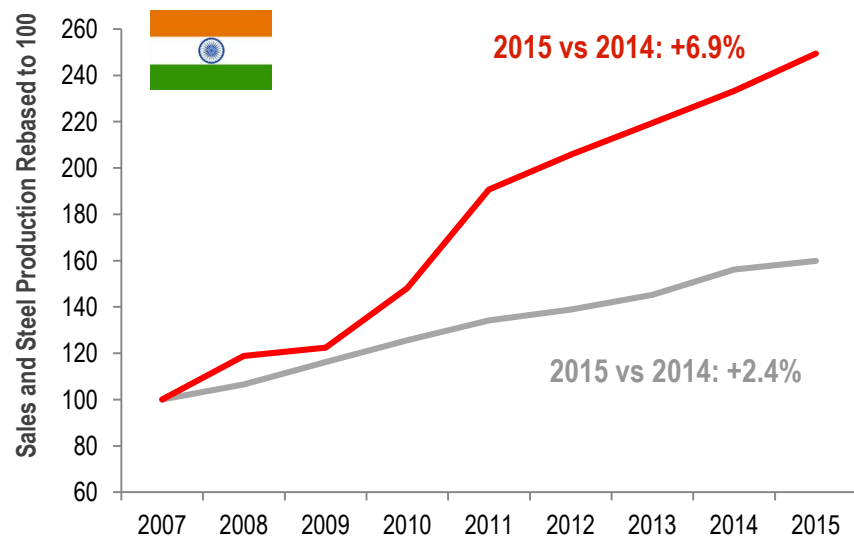
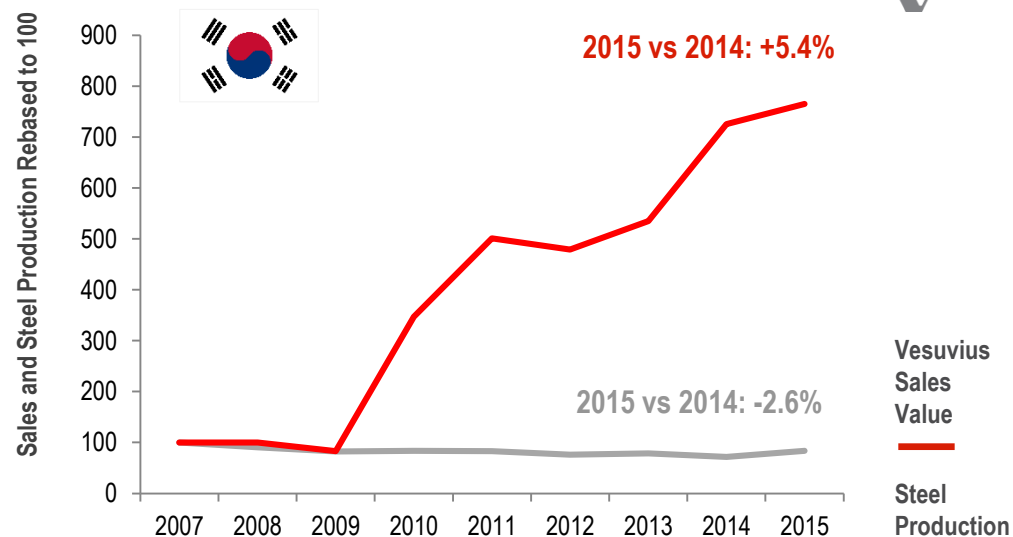
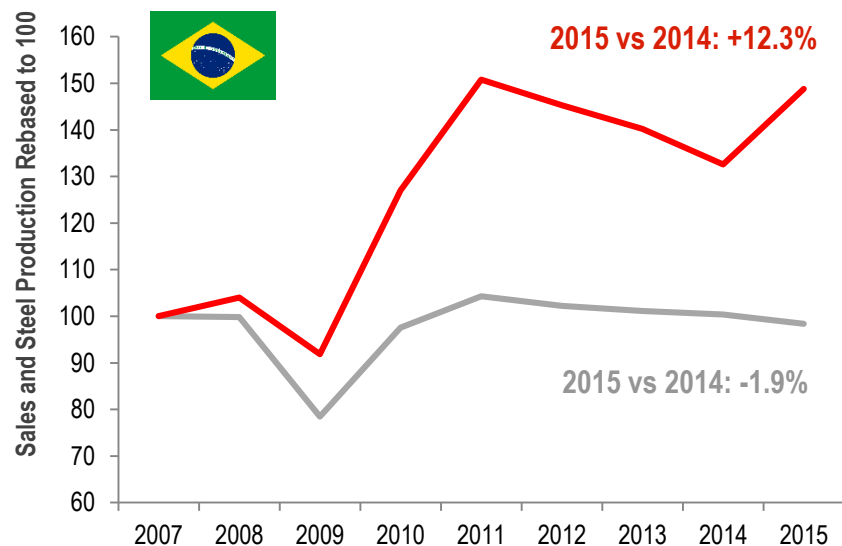
Amplified decline in mature markets



- Our sales in NAFTA and EMEA declined more than underlying market due to:
 - Reduction in inventories
 - Retrenchment onto lower qualities when demand is low
 - Slowdown in high-end market

Source: WSA for steel production volumes, Vesuvius internal data for Vesuvius sales at constant currency. Note 2007 figures are rebased to 100.

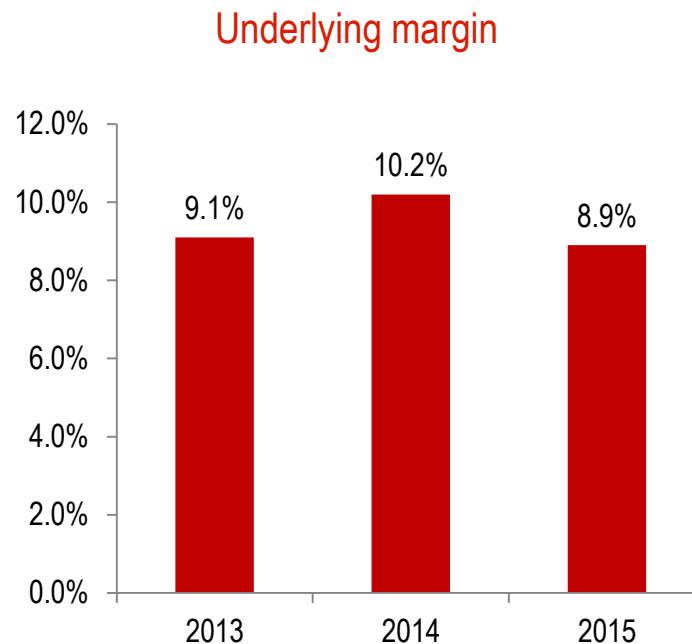
Continued overperformance in emerging steel markets



Source: WSA for steel production volumes, Vesuvius internal data for Vesuvius sales at constant currency. Note 2007 figures are rebased to 100.

Trading review: Steel division margins

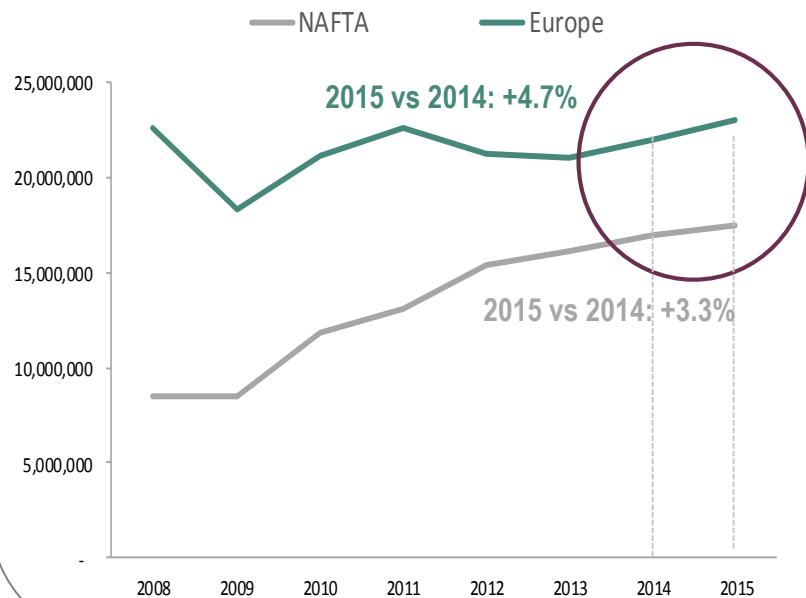
£m	2015	2014	Y-o-Y change	Underlying change
Total Revenue	897.6	981.4	-8.5%	-9.7%
Total Trading Profit	79.5	96.4	-17.5%	-21.3%
Trading Margin %	8.9%	9.8%	-100bps	-130bps



- Underlying trading profit down 21.3% reflecting:
 - Lower activity in key regions of NAFTA and EMEA, together accounting for 67% of revenue
 - Revenue decline driven by inventory reductions in supply chain
 - Margins lowered by our materials purchased in US Dollar and inventory reduction action

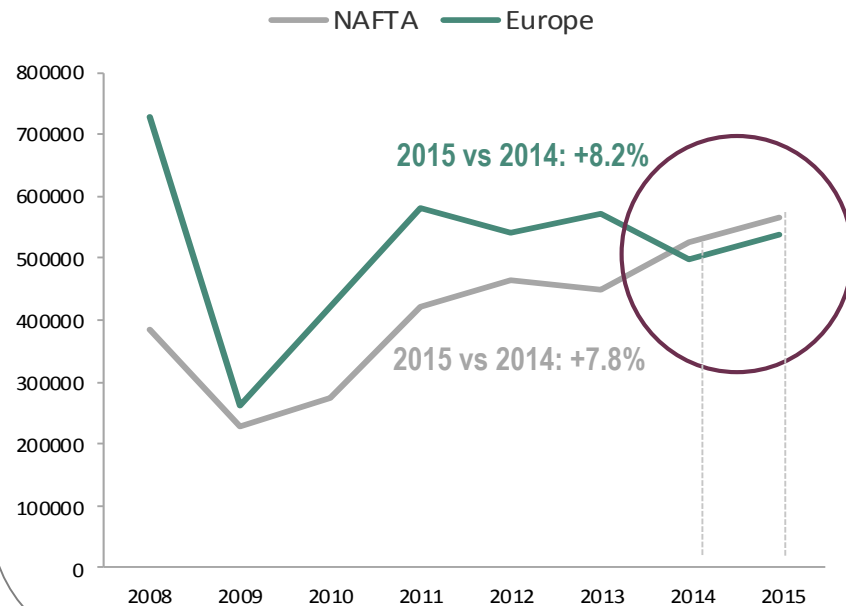
Foundry market

Light vehicle production



Source : LMC Automotive

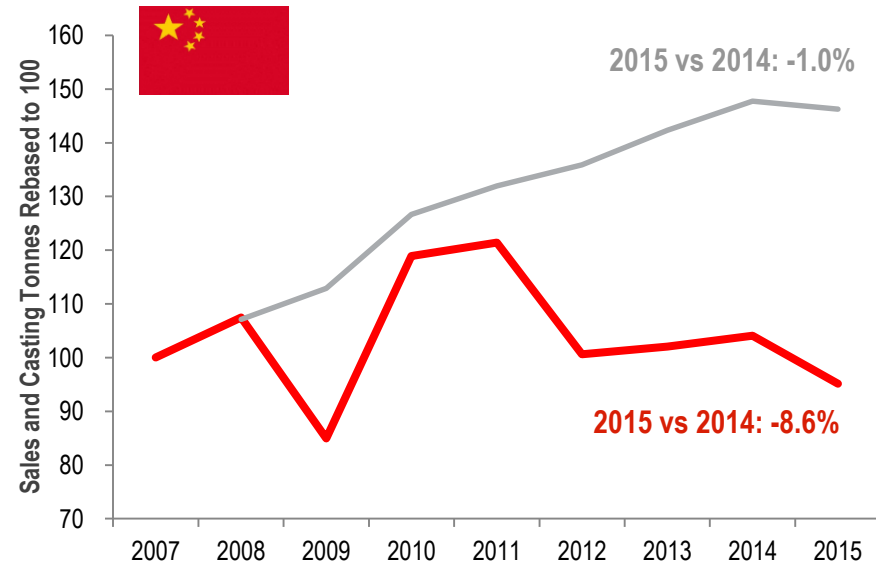
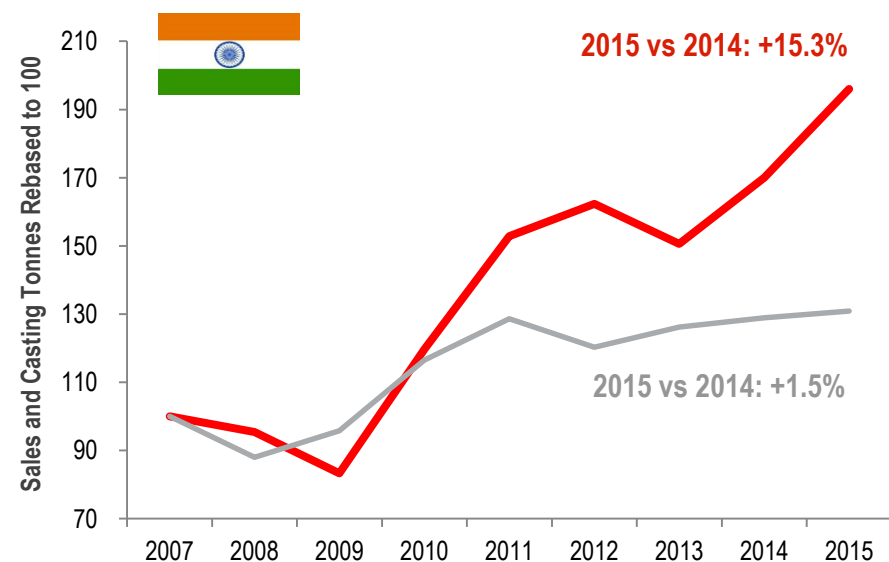
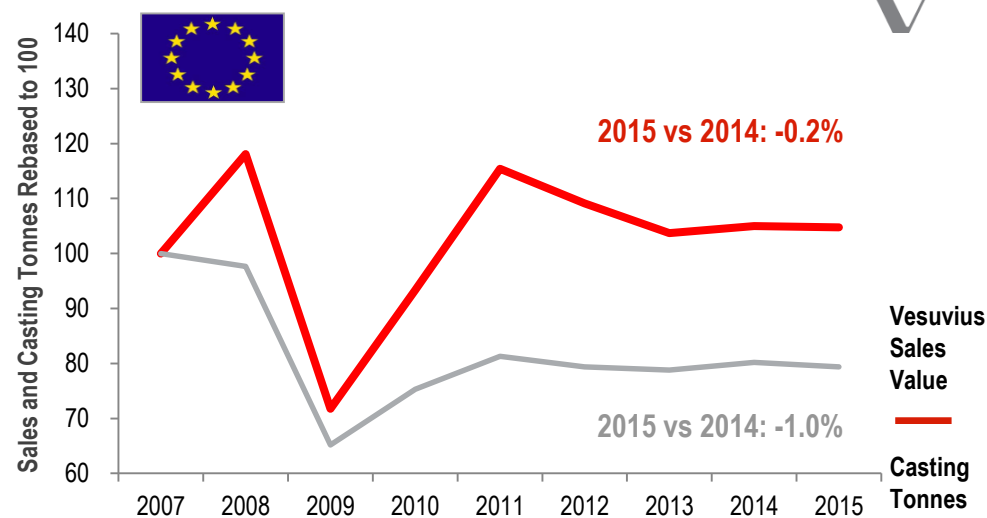
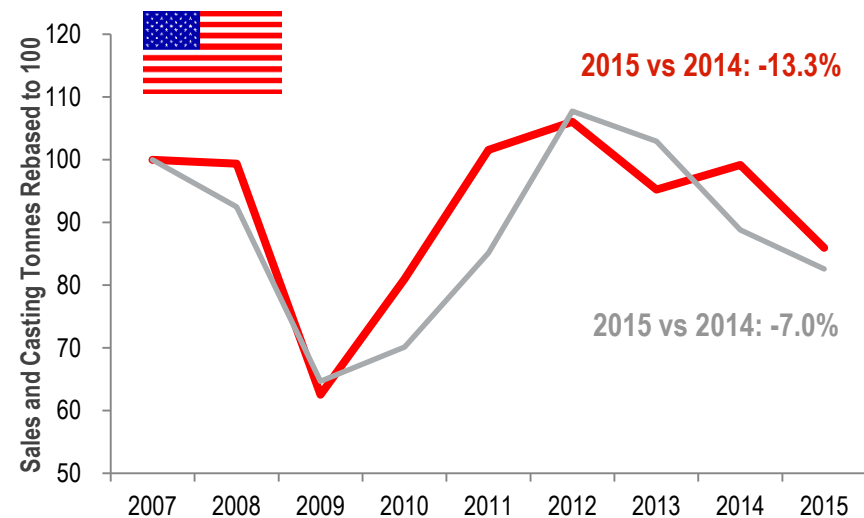
Truck production



Source : LMC Automotive

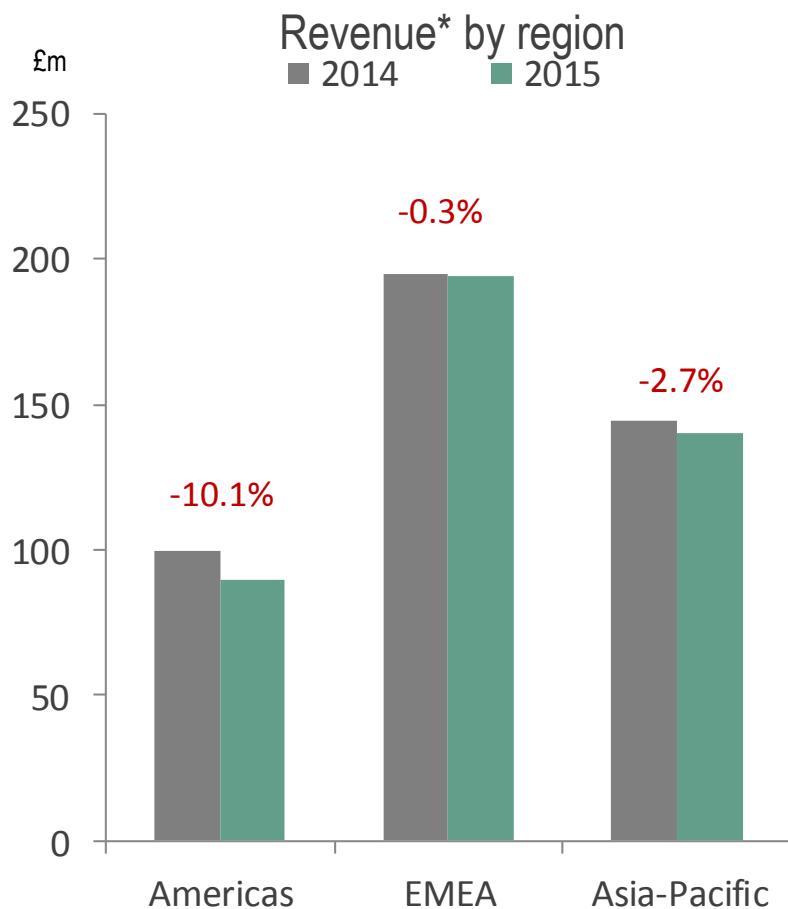
- Truck and Light Vehicle markets represent approximately 40% of Foundry product line sales
- Growth in light vehicle output counteracted by low demand in mining, construction and agriculture
- Steel foundries in US moving to China

Foundry underlying markets



Source Modern Casting and Vesuvius estimates for 2015 casting tonnes, Vesuvius internal data for Vesuvius sales at constant currency. Note 2007 figures are rebased to 100.

Trading review: Foundry revenue



Americas:

- Growth in NAFTA light vehicle and truck production offset by:
 - Reduced foundry activity in Brazil
 - Weak demand in mining, construction and agriculture foundries

EMEA:

- Decrease driven by lower truck production in the Central Europe and Middle East region

Asia-Pacific:

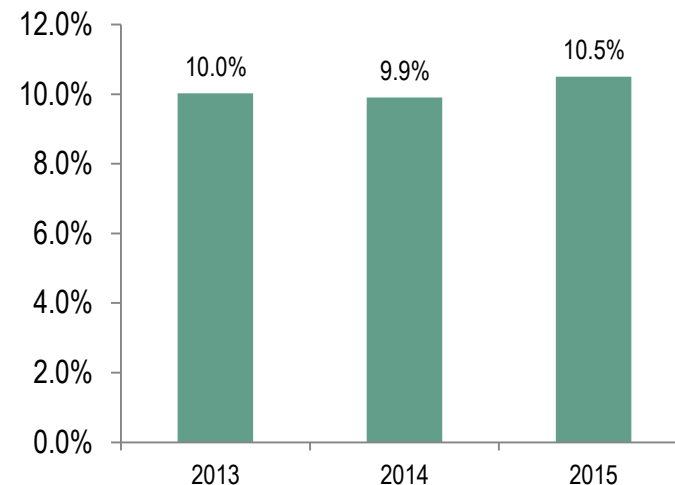
- Growth in Chinese light vehicle output offset by:
 - Severe downturn in auto sector in Thailand
 - Reduction in automotive production in North Asia (excluding China)
 - Truck production down in China

**On an underlying basis: at constant currency and excluding the impact of acquisitions and disposals*

Trading review: Foundry division margins

£m	2015	2014	Y-o-Y change	Underlying change
Revenue	424.4	463.0	-8.4%	-3.3%
Trading Profit	44.5	46.4	-4.2%	+2.7%
Trading Margin %	10.5%	10.0%	+50bps	+60bps

Underlying ROS improvement



- Despite the global foundry market remaining mixed:
 - Underlying profit increased by 2.7%
 - Underlying margin improvement of 60bps as a result of self-help measures



What has been delivered by Restructuring at end Dec 2015

- **Variety of programmes delivered across business lines and central functions in 2015, aimed at flexing the cost base**
 - Raw materials substitution and sourcing changes
 - Reduction of shifts and consolidation of management positions
 - Consolidation of customer services
 - Closure of sales offices and warehouses
 - Reduction in central and admin functions
- **£8.8m of yearly savings implemented in 2015 for £14.6m of costs, well ahead of expectations**
- **Headcount reduction of 1,001 year on year**

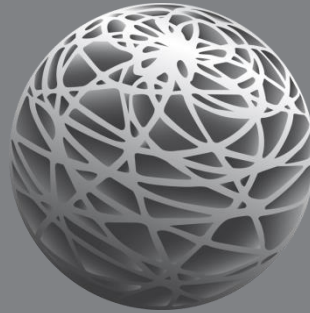


2015 Trading summary



- Weak markets overall, but continued outperformance in strategic growth areas of India, China and Brazil
- Margin improvement in Foundry
- Initiated group-wide restructuring programme
- Launch of new products in Technical Services
- Strong balance sheet, with long-term bank facilities in place to 2020
- Maintained the final dividend at 11.125p per share; increasing the total dividend by 0.9% to 16.275p per share





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Financial Review

Guy Young
Chief Financial Officer

VESUVIUS PLC

Income statement

	2015	2014	Year on Year Change	
	£m	£m	As reported	Underlying ⁽¹⁾
Revenue	1,322.0	1,444.4	-8.5%	-7.7%
Trading Profit	124.0	142.8	-13.1%	-14.0%
Trading margin %	9.4%	9.9%	-50bps	-70bps
Net finance costs	(15.4)	(16.4)		
Share of JV	–	1.4		
Profit before Tax	108.6	127.8		
Effective tax rate %	25.5%	26.0%		
Tax	(27.7)	(32.9)		
Non-controlling Interest	(5.2)	(4.6)		
Headline Earnings	75.7	90.3	-16.2%	-18.1%
Headline Earnings per share (p)	28.1	33.4	-16.0%	-17.9%

⁽¹⁾ Underlying basis is at constant currency and excludes separately reported items and the impact of acquisitions and disposals

2015: Tale of two halves

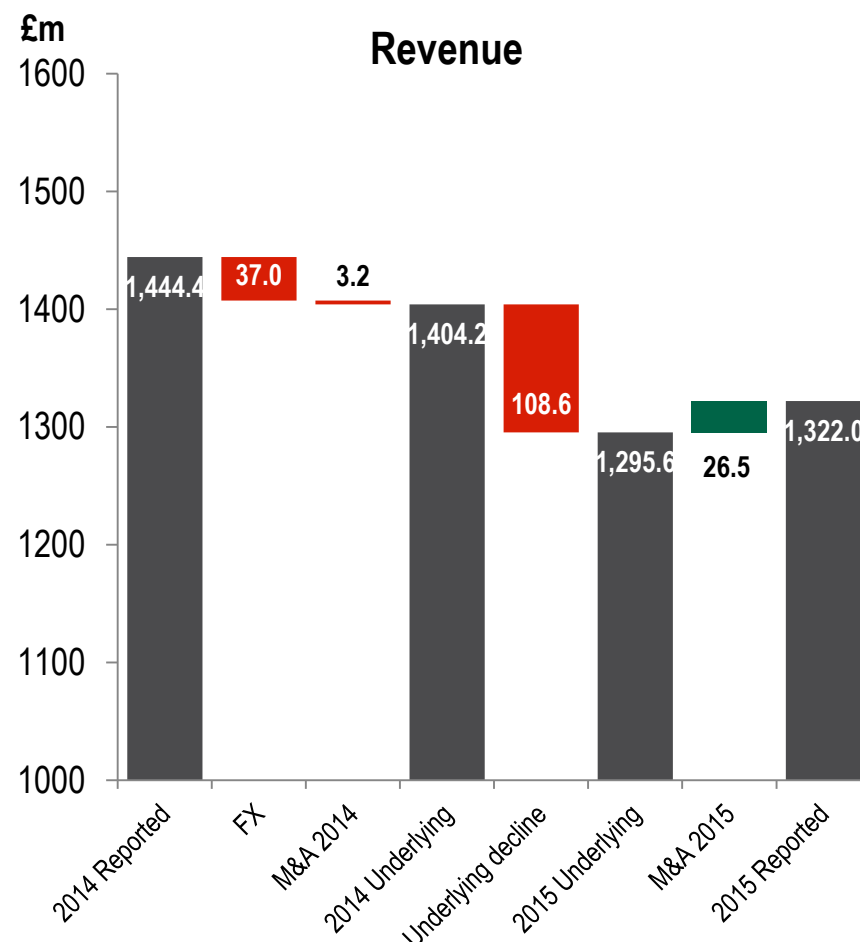
Dec '15 constant rates £m / (%)	2014/H1	2014/H2	2015/H1	2015/H2	H1'15 v H1'14	H2'15 v H2'14
Direct Sales	707.4	700.1	688.8	633.3	-2.6%	-9.5%
Gross Margin	197.1	189.5	186.4	166.7	-5.4%	-12.0%
Trading Profit	69.3	73.0	69.0	55.0	-0.4%	-24.6%
Gross Margin %	27.9%	27.1%	27.1%	26.3%	-80 bps	-70 bps
Trading Profit %	9.8%	10.4%	10.0%	8.7%	-20 bps	-170 bps

- Sales and trading margin decline in H2 2015 much more severe than H1 2015
 - Indicative of potential trend through H1 2016
- Restructuring gathered pace in H2 2015 and partially mitigated the decline

Underlying revenue fell by 7.7%...

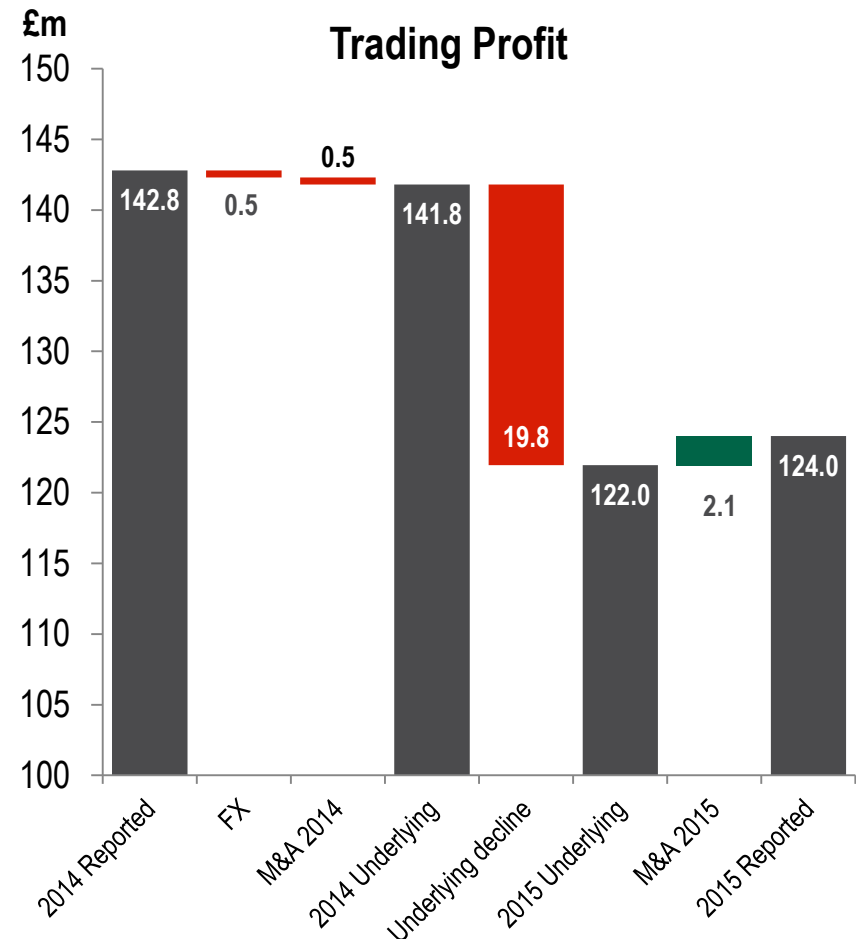
- Revenue down £122.4 million on a reported basis (-8.5%)
- Revenue down £108.6 million on an underlying basis (-7.7%)
- Acquisitions added £26.5 million of revenue
 - Ecil Met Tec, Process Matrix, Reliacheck and Sidermes
- Underlying revenue growth in developing markets more than offset by decline in mature markets

▪ Asia	+0.7%	+£2.5m
▪ EMEA	-7.2%	-£42.7m
▪ Americas	-15.0%	-£68.5m



...whilst underlying trading profit fell 14%

- Trading profit down £18.8 million on a reported basis (13.1%)
- Trading profit down £19.8 million on an underlying basis (14.0%)
- Return on Sales down 50 bps on a reported basis
- Return on Sales down 70 bps on an underlying basis
- Acquisitions added £2.1 million of trading profit
 - Ecil Met Tec, Process Metrix, Reliacheck and Sidermes



The translational FX position has neutralised somewhat

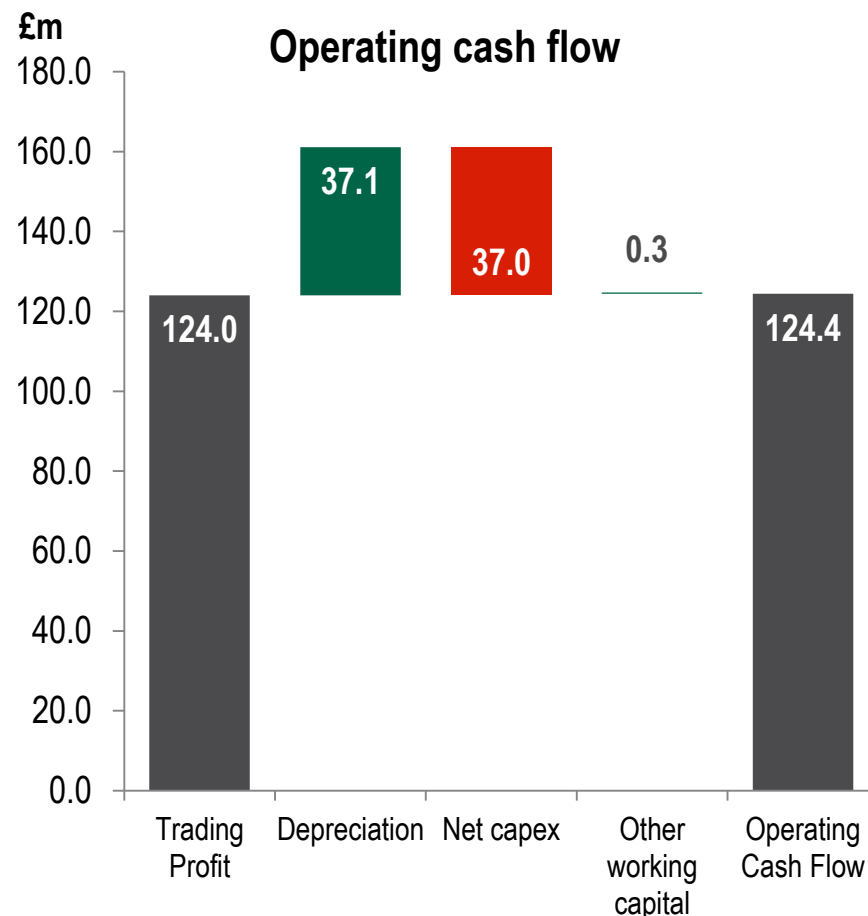
Currencies (Impact of FX translation on GBP reporting currency)	2015 FY Average Rates	2014 FY Average Rates	2015 Average Rates v 2014 Average Rates
USD	1.53	1.65	7.3%
EUR	1.38	1.24	-11.0%
INR	98.00	100.49	2.5%
RMB	9.60	10.16	5.5%
JPY	185.07	174.09	-6.3%
BRL	5.09	3.87	-31.5%
ZAR	19.48	17.83	-9.2%

USD and RMB strength offset by weakness in EUR and BRL

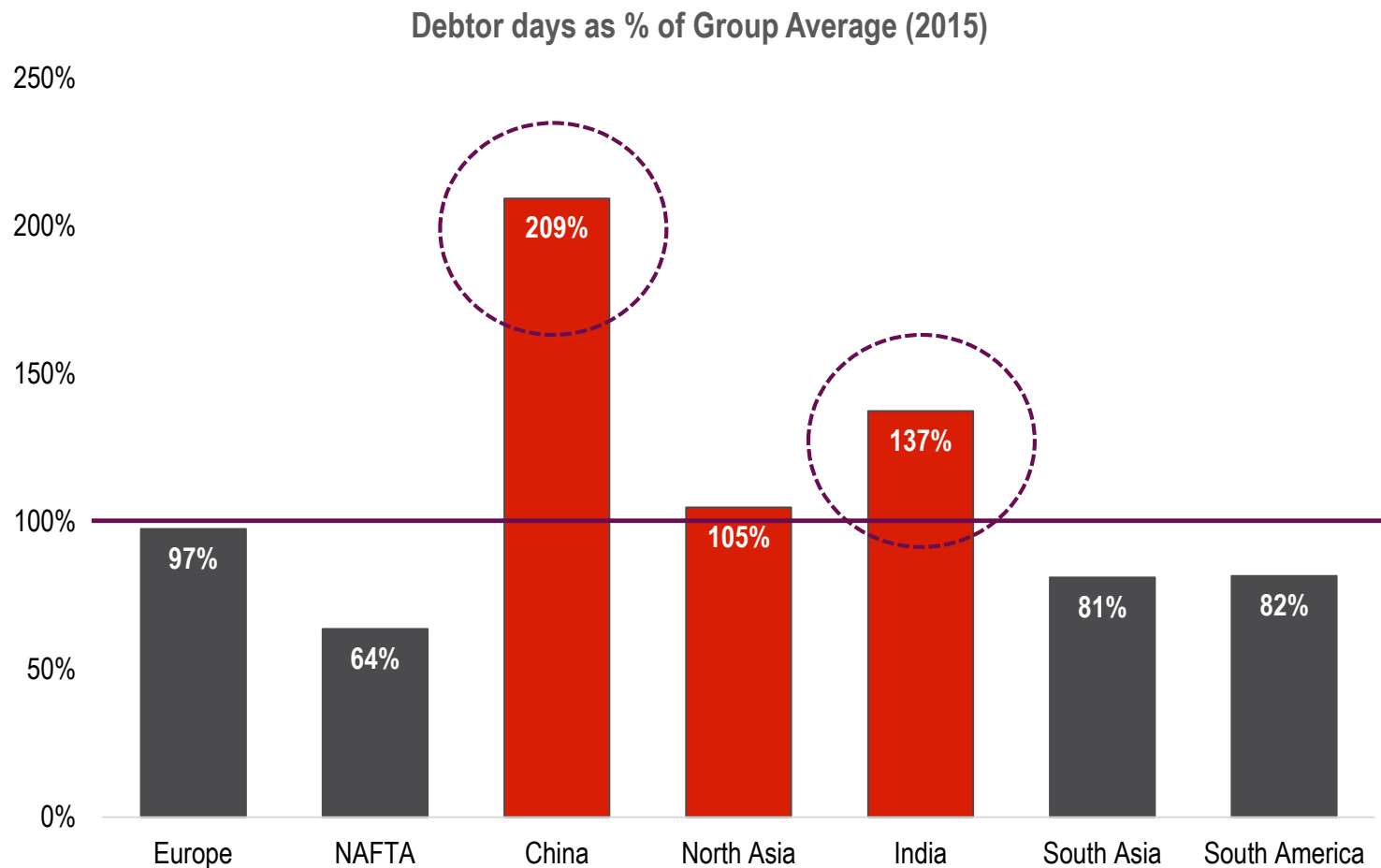


The cash conversion rate held above 100%

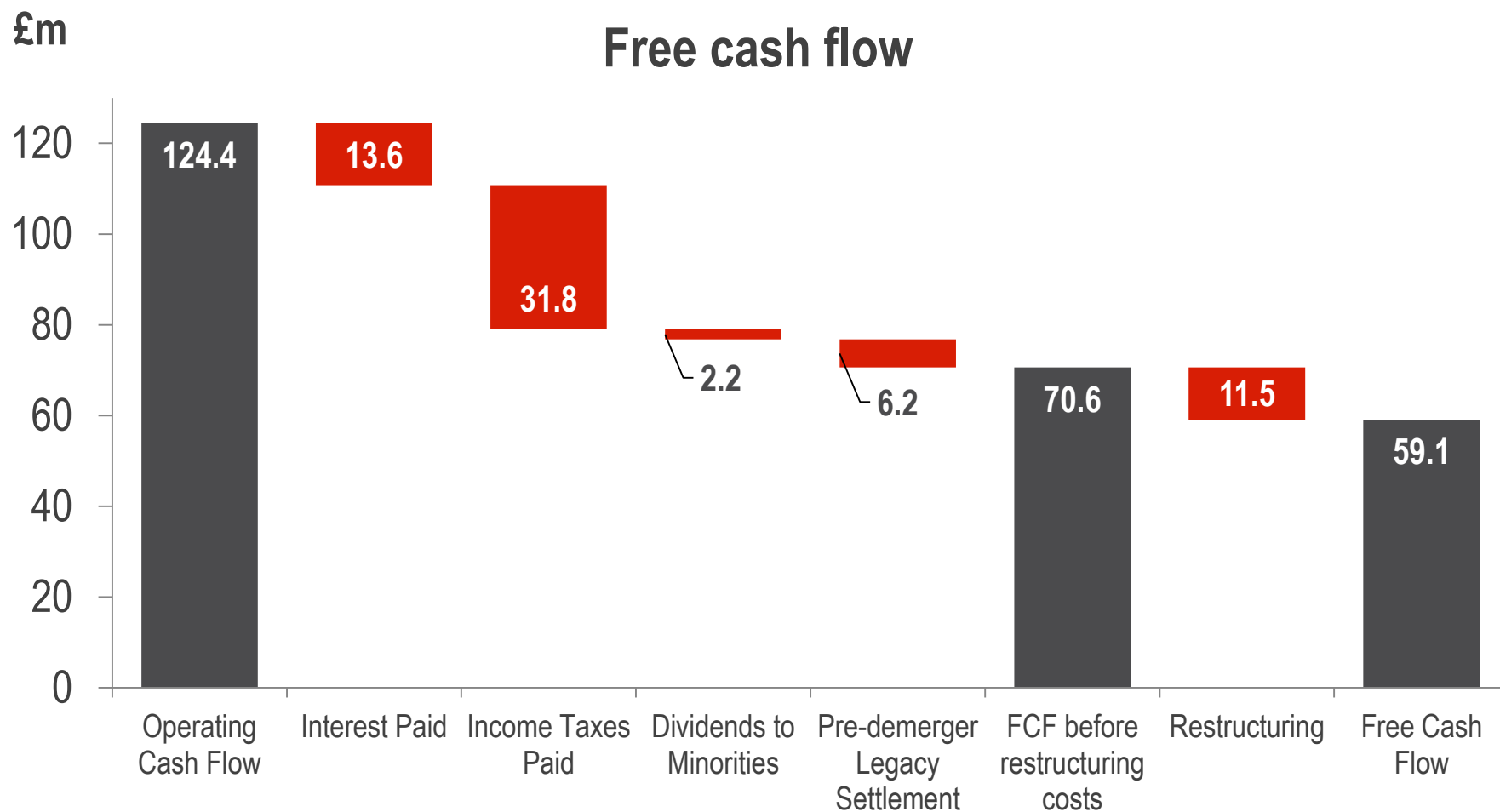
- Full year cash conversion of 100.3%
- Working capital is flat in 2015
 - Trade working capital improved by £19.8m,
 - Offset by other working capital -£19.5m outflow
- CAPEX in 2015 excluding customer installation investment of £6.2m is below depreciation



China, Italy receivables drag & emerging market longer credit terms



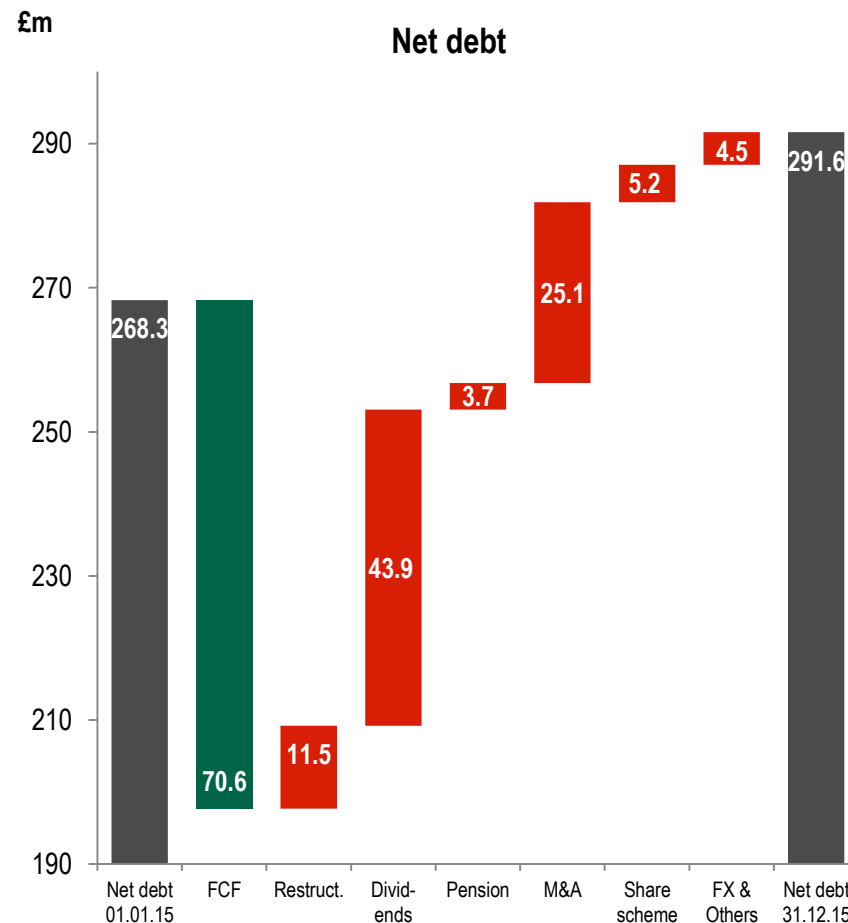
Free cash flow of £71m before restructuring is 57% of OCF



At December 2015 FX rates

...Net debt increase to £291.6m due to lower OCF & M&A

- Net debt increased £23.3m in the year
- Acquisition of Sidermes at £23.8m, and £1.3m payments for prior year acquisition
- FX impact was pronounced at year end, USD denominated USPP loans revalued higher by £4.5m in Dec 15 alone
- Net debt to EBITDA 1.8x well within covenants



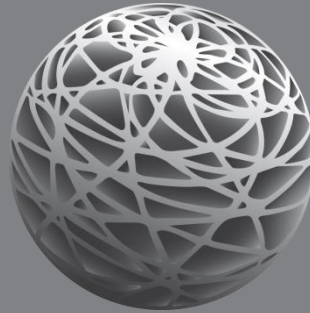
At December 2015 FX rates

Financial objectives remain consistent...



- Focus on cost control and delivery of restructuring
- Improve working capital efficiency
- Maintain high levels of cash conversion
- Continue with the conservative approach to gearing
- Maintain financial flexibility
- Improve shareholder returns





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Strategy and Outlook

François Wanecq
Chief Executive

VESUVIUS PLC

Delivering on the strategy

- Maintain technology leadership

Building our R&D centres;
Launching new products

- Increase penetration of value creating solutions

Start up of the new SST caster at Hyundai;
Further success with INITEK

- Capture growth in developing markets

Growing ahead of underlying market in China, India
and Brazil;
Confirming our India strategy

- Improve cost leadership

Foundry margin improved by 60 basis points;
Commenced a restructuring programme

- Build technical services offering

Acquisition of Sidermes

Technical Services: Deliveries and potential

- Acquisitions bring us greater technological inroads and market intimacy in data capture
 - Temperature and gas content with ECIL Met Tec and Sidermes
 - Laser technology with Process Metrix
 - Sidermes integration is underway
- Identifying new opportunities in boosting our R&D capabilities in data capture
 - Roll-out Accuoptix
 - Roll-out X Mat
- Exploring synergies across our businesses
- Continue to pursue further acquisitions



Incremental restructuring plans



- Steel
 - Flow Control Europe efficiency and manufacturing optimisation
 - South American optimisation opportunities
- Foundry
 - Additional NAFTA plant optimisation
- Group wide
 - Raw materials efficiencies
 - Standardisation of business processes
- Series of new actions identified to deliver £10m additional savings by end of 2017 for additional cost of £10m compared to previous announcement
- In total, £20m of savings for £30m of costs since inception, including what was delivered in 2015



Recurring savings to increase to £20m with one off cost of £30m

Savings	<i>Previously Announced</i>	Delivered in 2015	<i>Incremental Planned</i>	Cumulative / Annualized
Total	10.0	8.8	11.2	20.0
One-off Costs				One off total
Total	20.0	-14.6	-15.4	-30.0

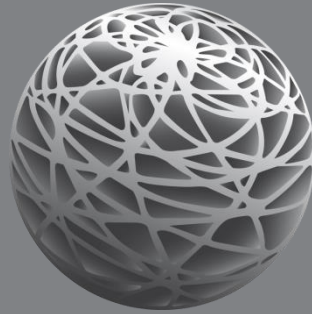
- 2015 savings of £8.8m comprised of £7.7m overhead reduction and £1.1m variable cost efficiency



Outlook

- Underlying trading environment to remain broadly similar to the second half of 2015
 - Growth in steel production not expected before 2017
- Continued focus on medium-term strategy:
 - Building Technical Services business
 - Continued growth in India, China and Brazil as outlined at Capital Markets Day
- Restructuring programme to gather pace
 - Annualised benefits of £20 million delivered by end of 2017
- Maintain focus on cash, balance sheet strength and returns to shareholders

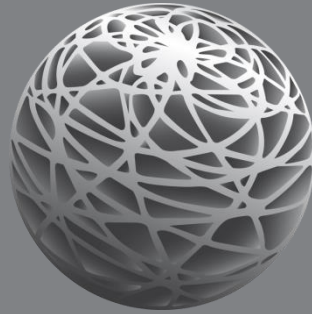




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Q&A

VESUVIUS PLC



A GLOBAL LEADER IN METAL FLOW ENGINEERING

Appendix

VESUVIUS PLC

5 year history at constant currency⁽¹⁾

	2011	2012	2013	2014	2015
Revenue	1,449.7	1,390.4	1,366.0	1,407.4	1,322.0
Steel	946.8	932.8	935.4	968.5	897.6
Foundry	502.9	457.6	430.6	438.9	424.4
Trading Profit	150.1	112.2	127.8	142.3	124.0
Steel	91.7	76.0	84.9	99.0	79.5
Foundry	58.4	36.2	42.9	43.3	44.5
Margins	10.4%	8.1%	9.4%	10.1%	9.4%
Steel	9.7%	8.1%	9.1%	10.2%	8.9%
Foundry	11.6%	7.9%	10.0%	9.9%	10.5%

(1) All numbers shown at December 2015 full year average exchange rates



Currency – Ready Reckoner

Currencies	Approximate Change in profits
US Dollar	£0.2 million
Euro	£0.1 million
Chinese Renminbi	£0.2 million
Japanese Yen Indian Rupee Brazilian Real	£0.3 million

- Rule of thumb for impact of a movement in currency against sterling (1 unit change)
 - Amounts shown are movements for each currency
 - Works both for strengthening and weakening of currencies



Market leading positions across many of our products

Molten metal in steel industry



A world leader in flow control systems (slide gates)

A world leader in isostatically pressed refractories

A world leader in flow control pre-cast solutions

A world leader in mould & tundish fluxes

Steel Flow Control Competitors



Molten metal in foundries



A world leader in filters

A world leader in feeding systems

A world leader in coatings

Foundry Technologies Competitors



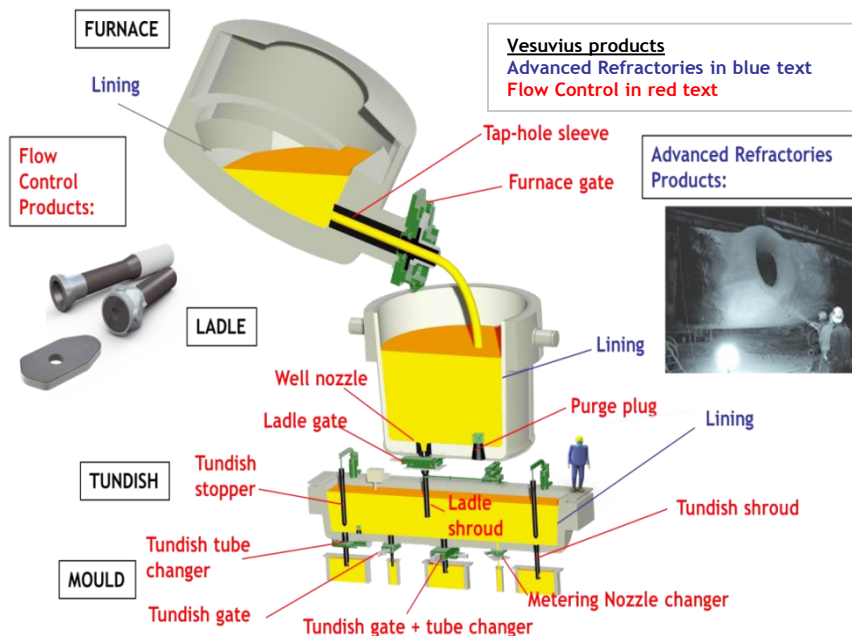
Hamilton



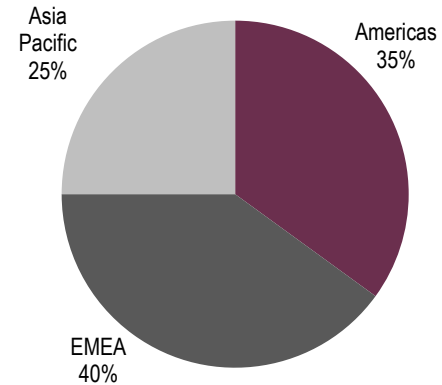
Main products and markets – Steel business segment

Steel business segment overview

- World leader in the supply of consumable **Steel Flow Control** products used in the enclosed continuous casting process and a leading supplier of **Advanced Refractories** used as high temperature linings



Steel business segment revenue by operating location



Source Vesuvius breakdown of 2015 Reported Revenues

Well balanced presence in all major areas

- Vesuvius is the only truly global player in Flow Control
- Asia Pacific major volume growth potential
- Europe and NAFTA as laboratories for innovation

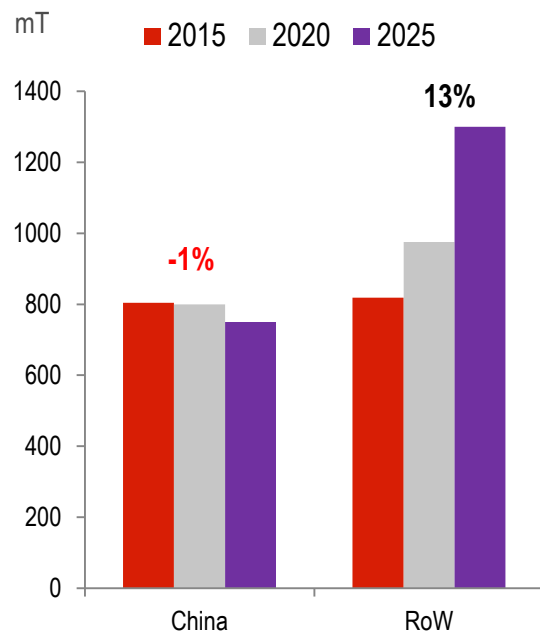


A global leader for steel flow control consumable ceramics

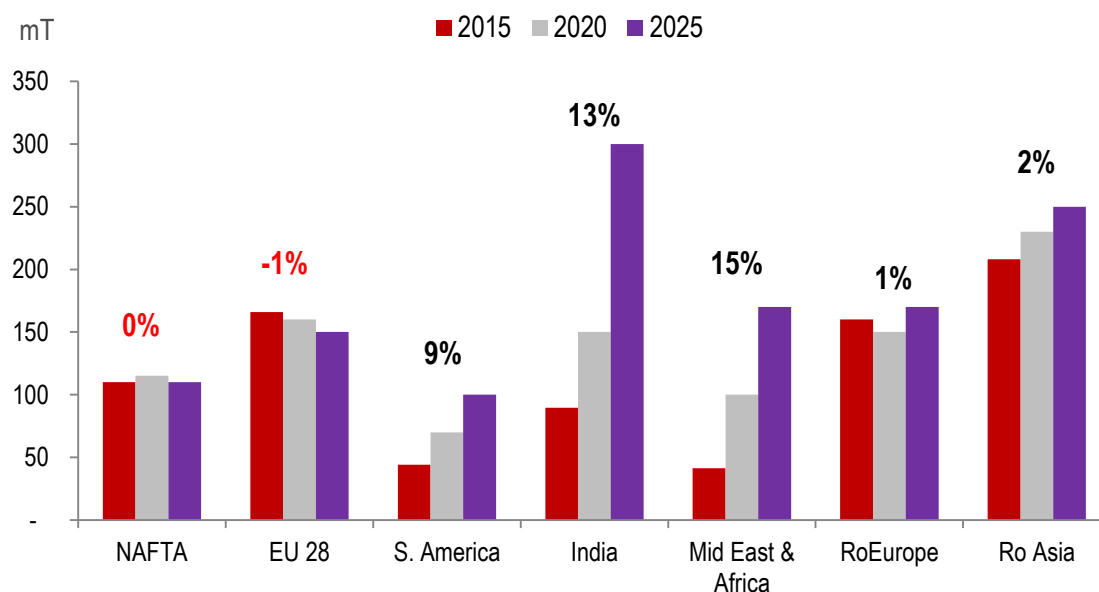
Steel market growth scenario



Global Steel Production



CAGR%



Global forecast production

2016 – 1.6 billion tonnes
2020 – 1.8 billion tonnes
2025 – 2.0 billion tonnes

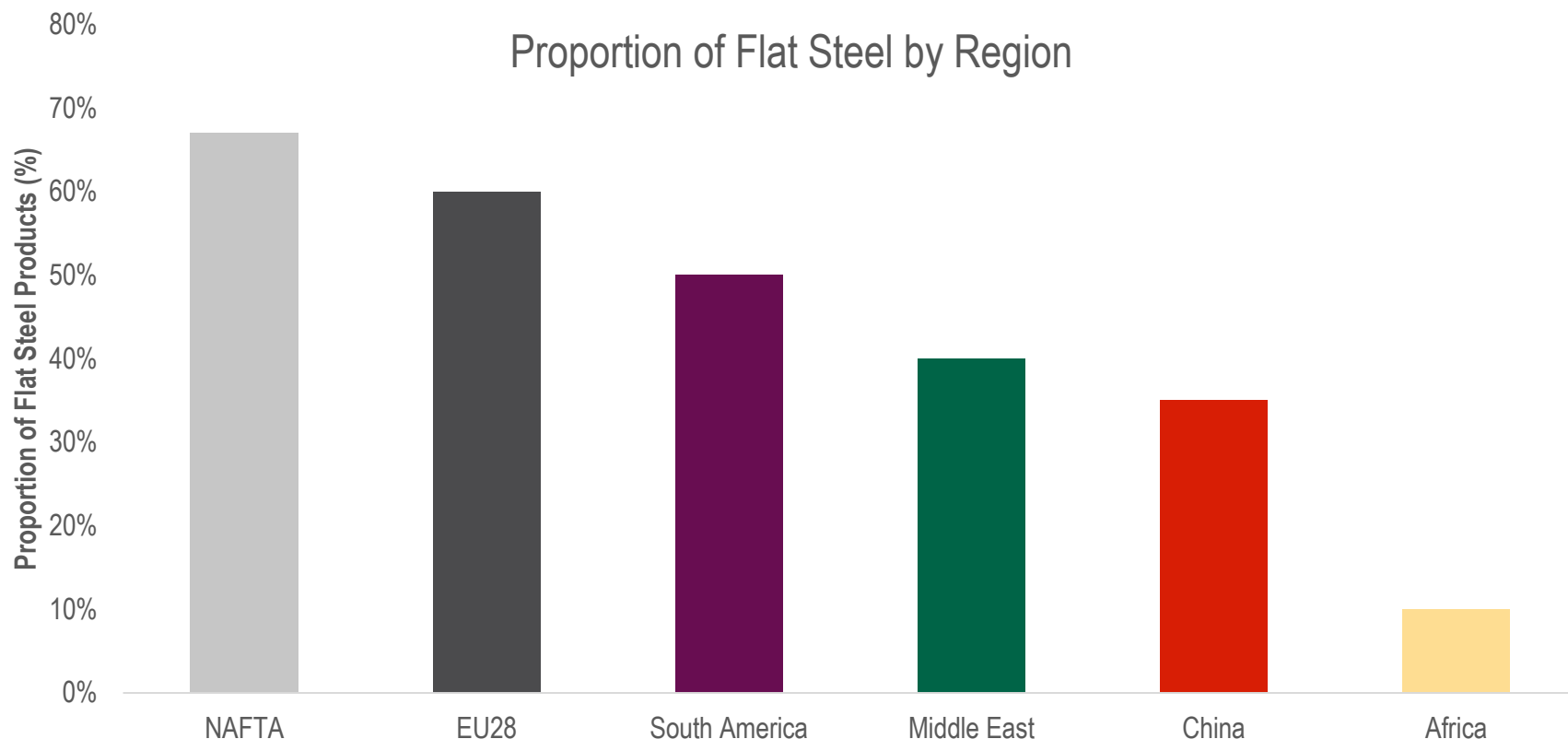
- NAFTA and Europe should decrease slowly as their economic growth model requires less steel
- China stabilises and starts declining at the end of the period
- India enters in a major steel growth episode
- South America, Middle East and at the end of the period, Africa, enjoy sustained growth



Growth opportunities – Steel

Vesuvius serves mainly the flat products market which will grow at a higher pace than global steel as developing markets evolve towards consumption driven economies

Typical consumption of Flow Control products in flat steel is £1.5 /T of steel vs £0.5/T of steel in long

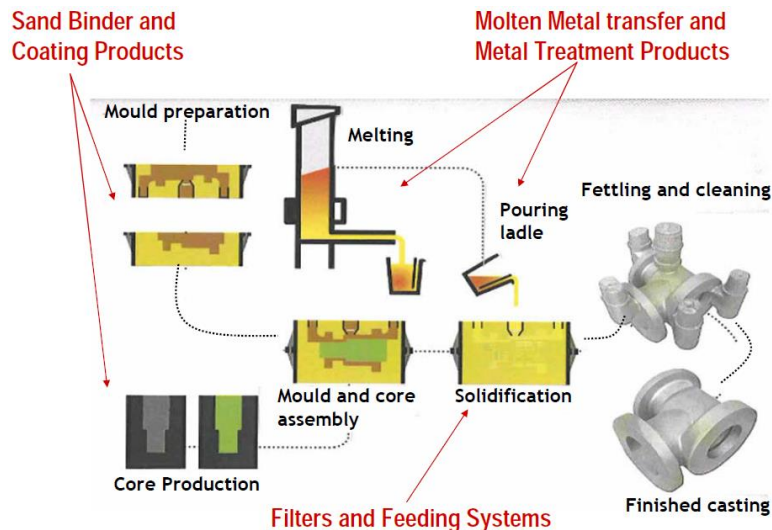


Source Based on data from WSA & SBB, with Vesuvius assumptions used for China

Main products and markets – Foundry business segment

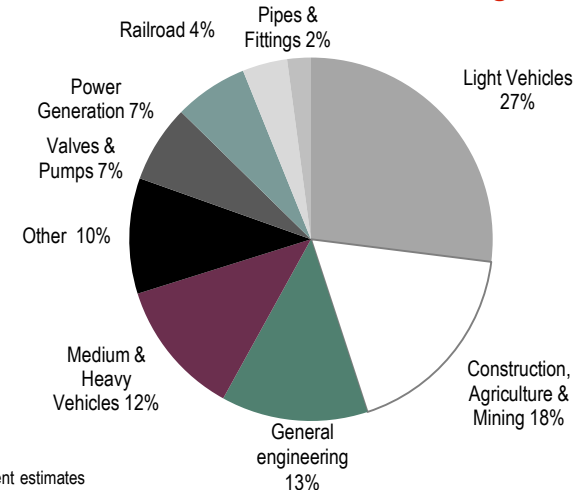
Foundry casting process

- World leader in the supply of consumable products and technical services used in the production of metal castings which themselves have a wide variety of uses in engineered products



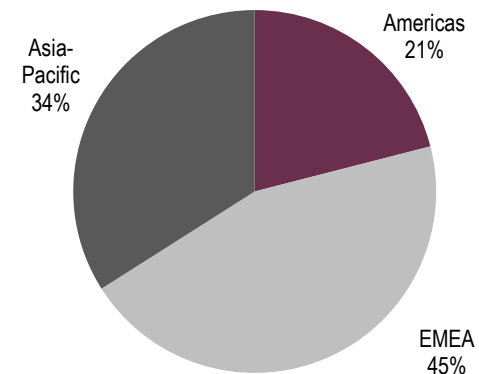
Note Red text denotes Vesuvius products

Ultimate end markets for castings



Source Management estimates

Foundry business segment revenue by operating location



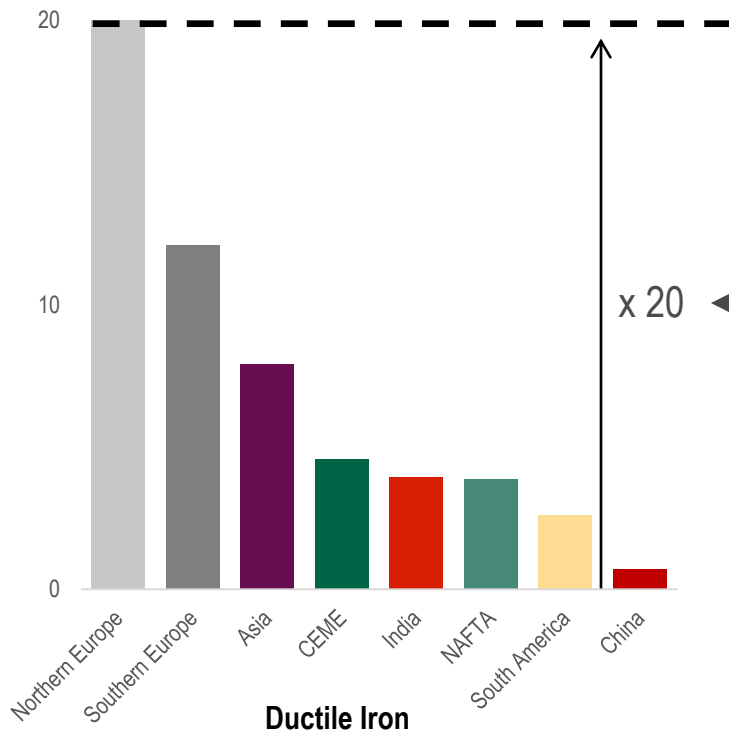
Source Vesuvius breakdown of 2015 Reported Revenues



A global leader in consumables for mould & methoding

Long term growth in Foundry will come from innovation and marketing

Foundry sales £/T of total market casting (2014)



Significant upside potential through continuing market penetration as emerging markets move towards higher quality foundry castings



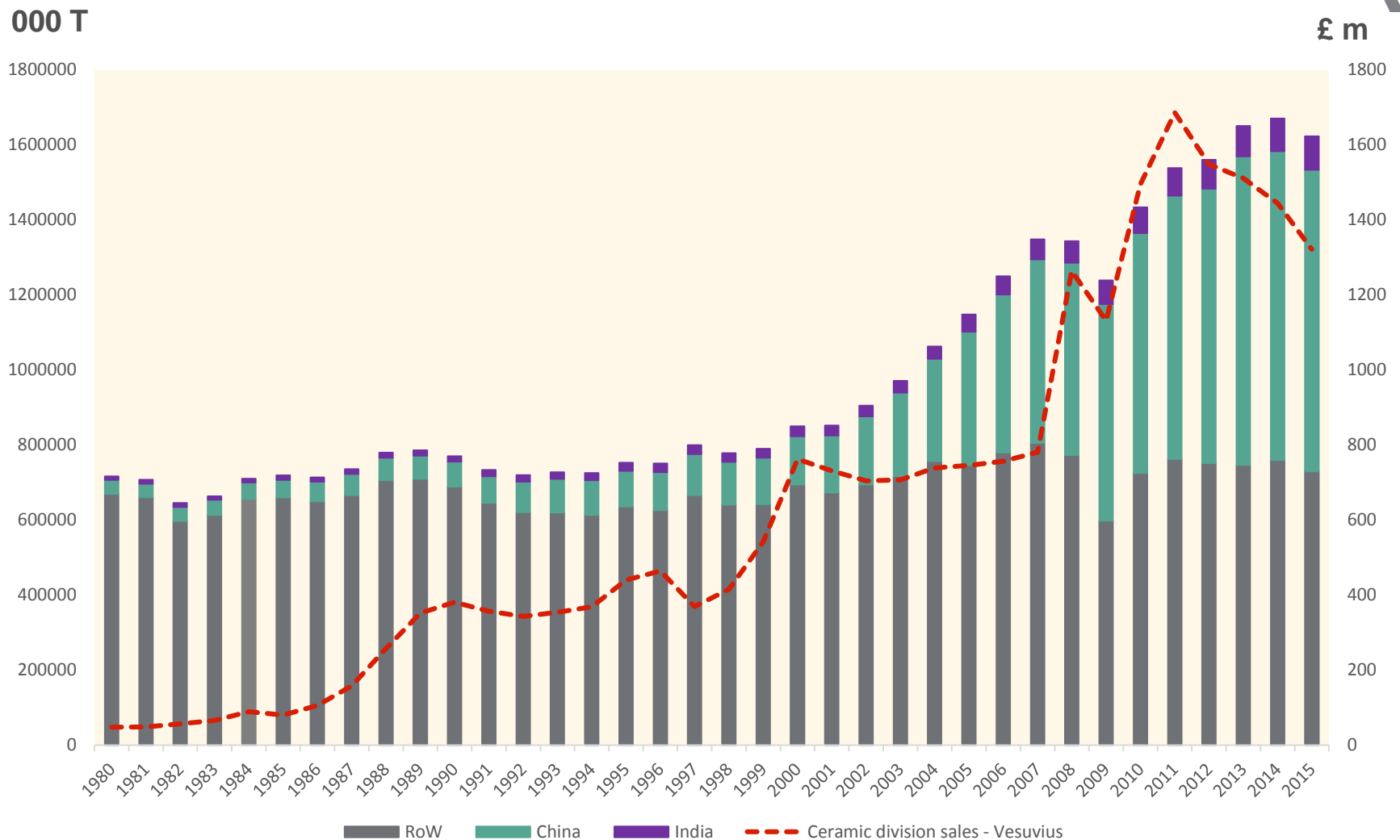
Mining capital expenditure has fallen significantly since 2012



Source: Bloomberg, JPMC Research

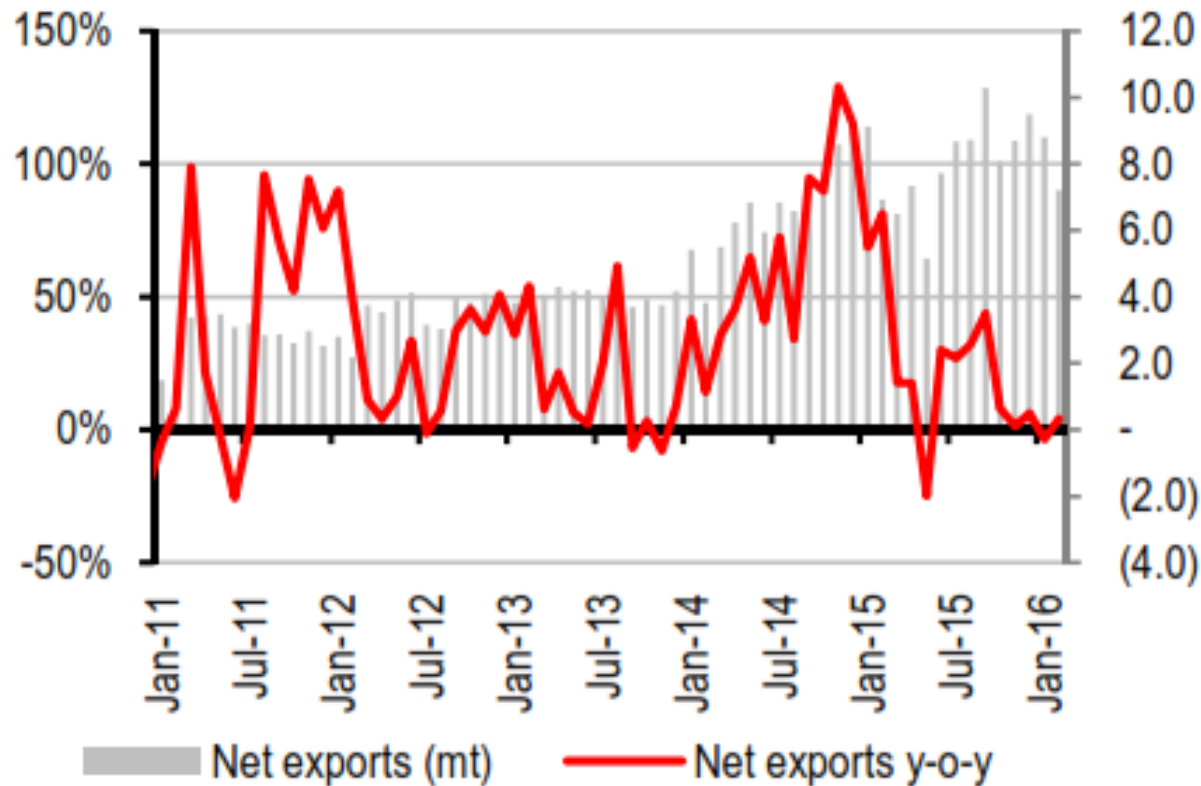


World Steel Production – Long term trends by region



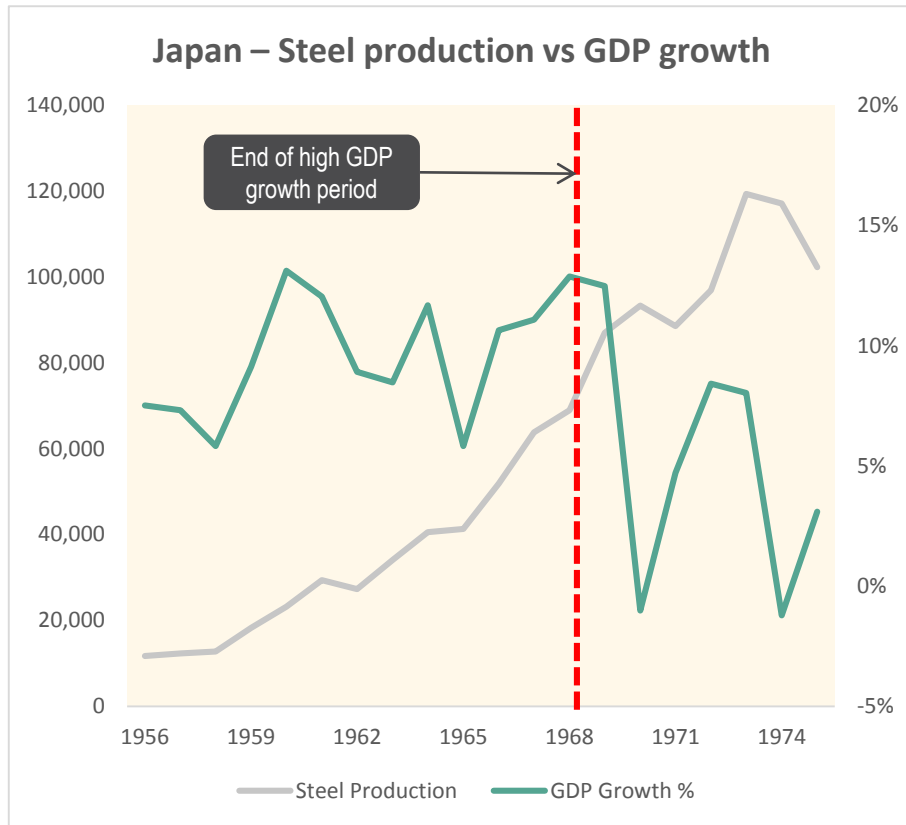
Source: WSA and Vesuvius/Cookson data

Steel exports from China are now falling as barriers to trade increase



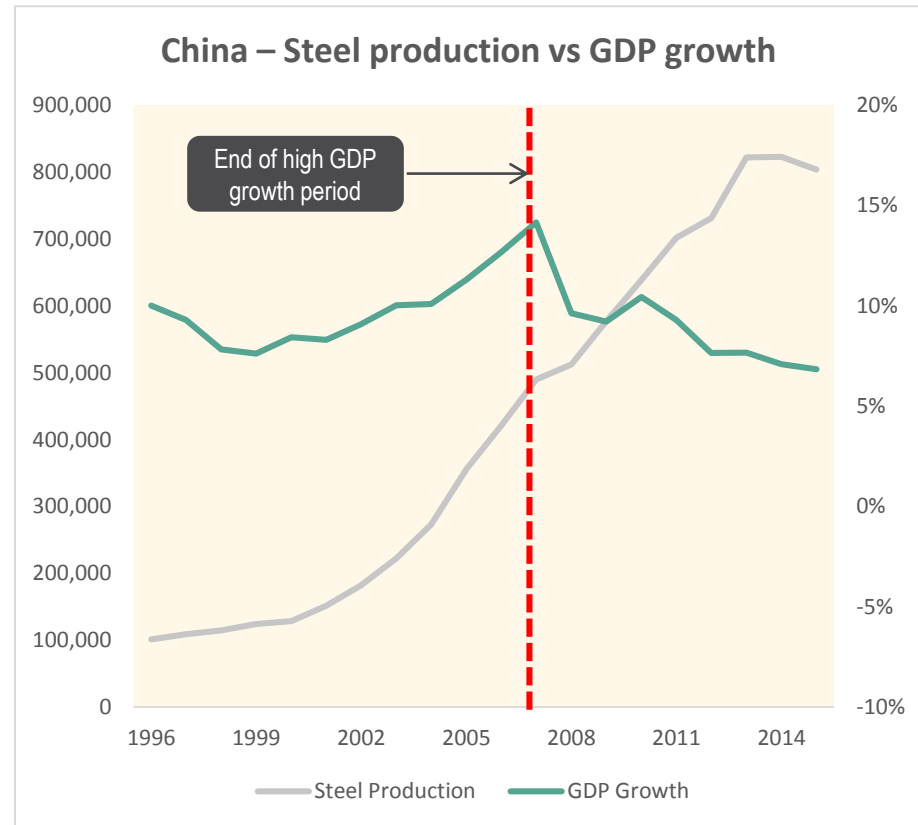
Source: CEIC, HSBC

China Steel Production: Has the limit been reached? Parallel with Japan



Steel production per capita in Japan 831kg

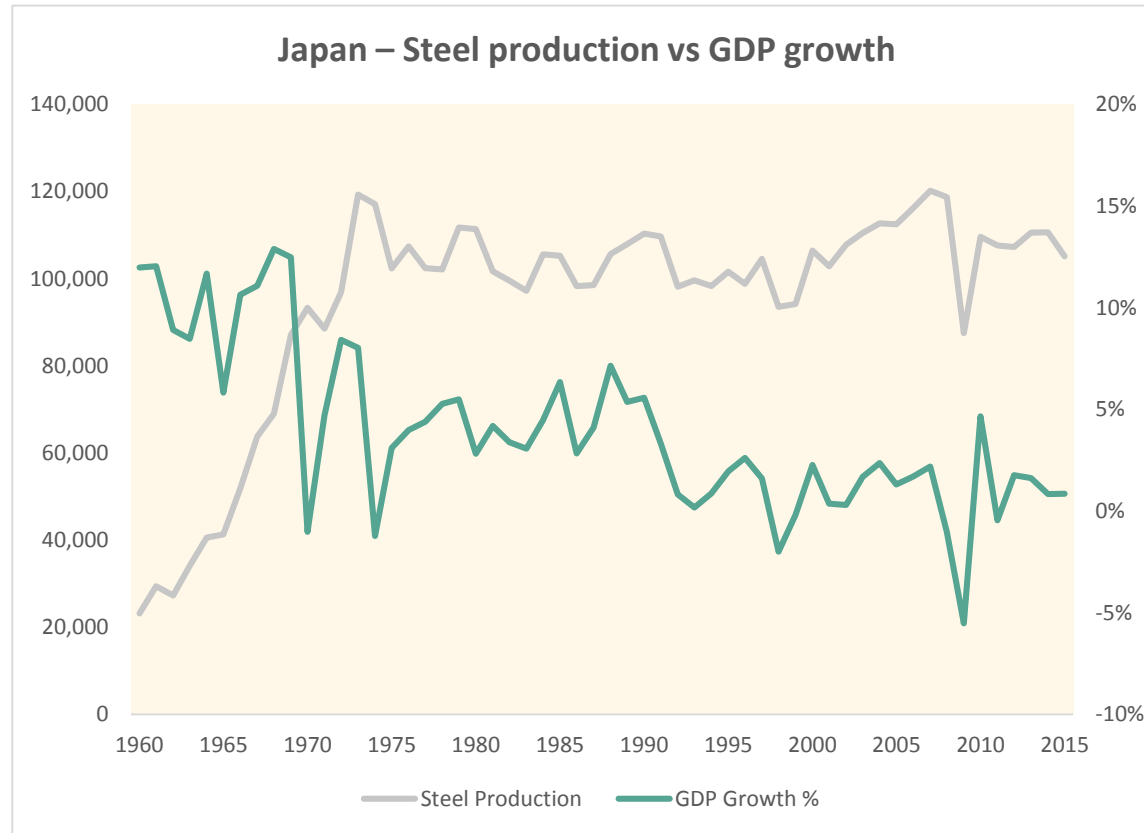
From 1956 to 1973 (18 years) steel production was multiplied 10x



Steel production per capita in China 585kg

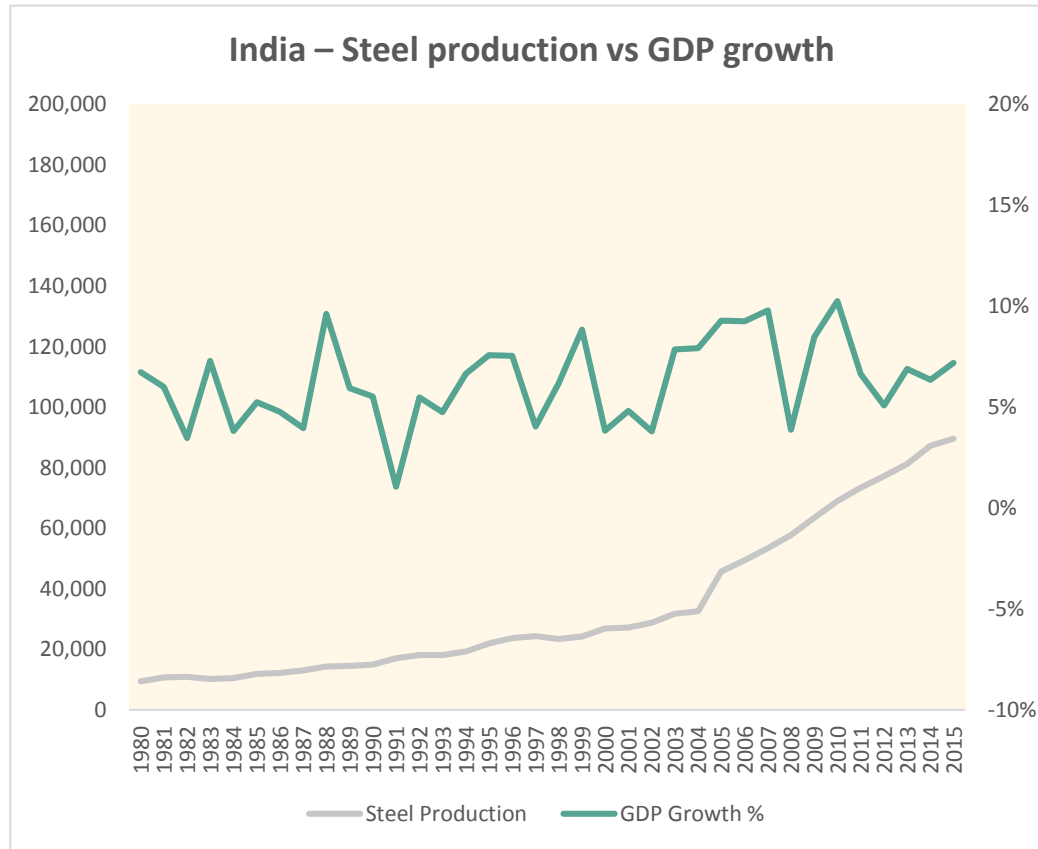
From 1996 to 2013 (18 years) steel production was multiplied 8x

What is the steel profile of a maturing economy: The case of Japan



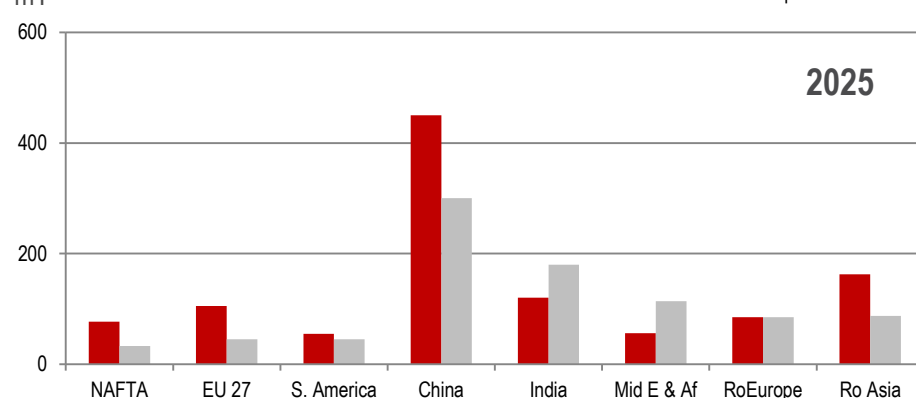
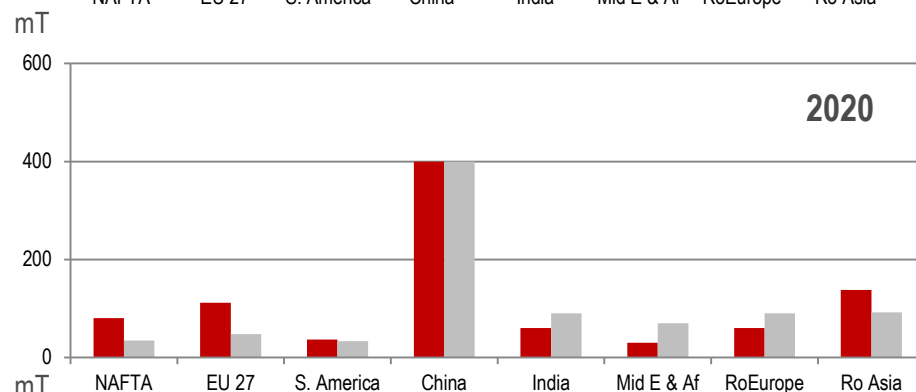
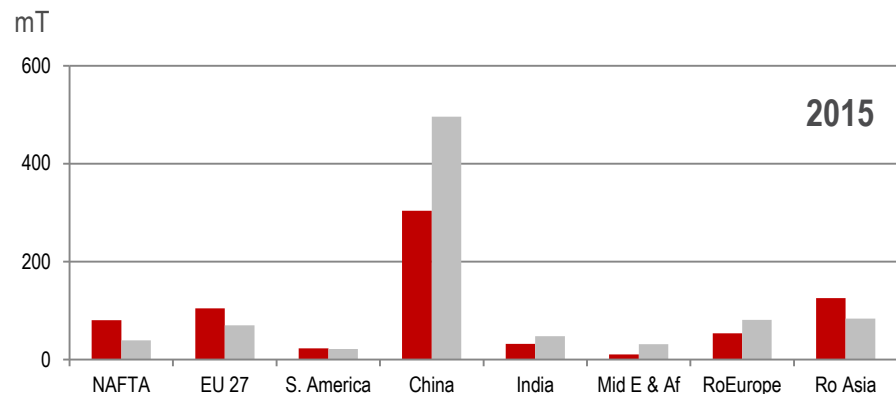
- Steel production per capita in Japan 831kg
- After the peak in 1973 steel production declined a little and recovered to about 88% of peak over 40 years

Has India started its high growth sequence?

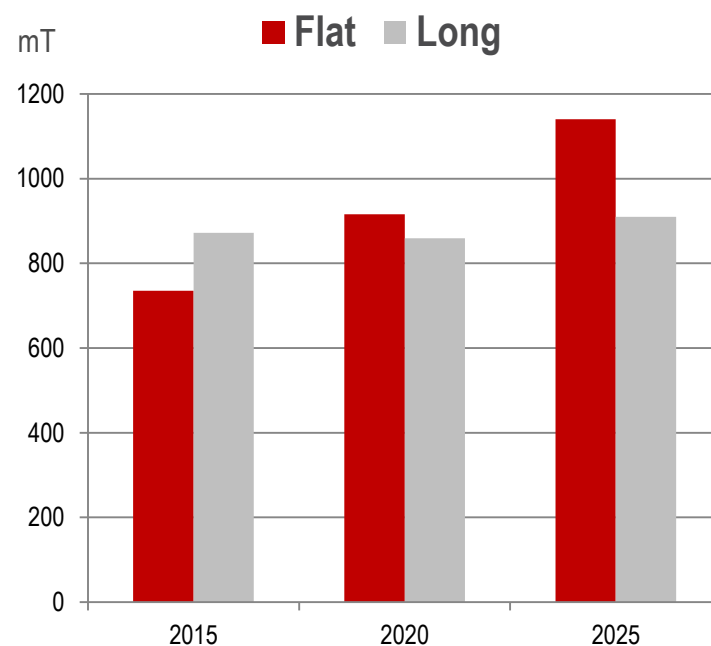


- Steel production per capita in India 70kg (vs 585kg in China)
- The long term steel growth episode should start in the coming three years and last longer than in Japan and China
- Official objective is 300 million tonnes in 2025

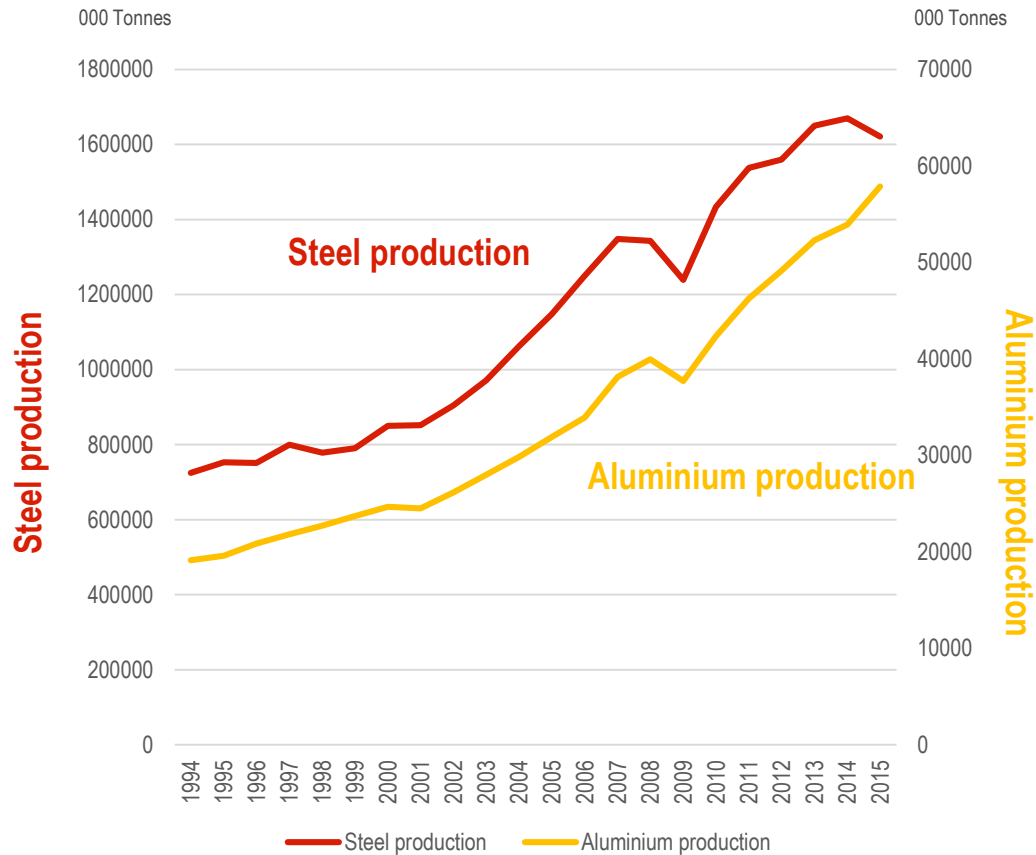
Conversion to flat steel is a growth opportunity



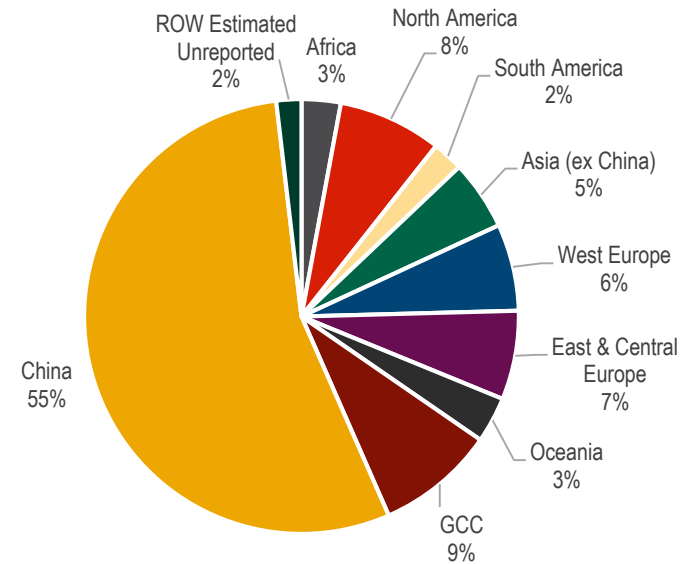
- Progression of flat steel vs long steel could generate growth in our accessible market of 30% in 2020 and 55% in 2025
- In the same period global steel production is expected to grow by only 10% and 28% respectively



Steel vs Aluminum: Parallel growth

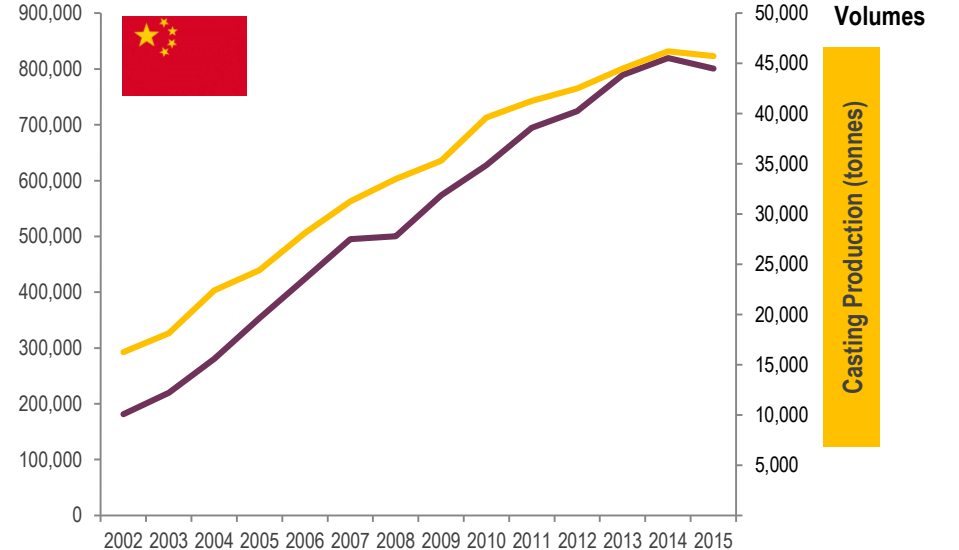
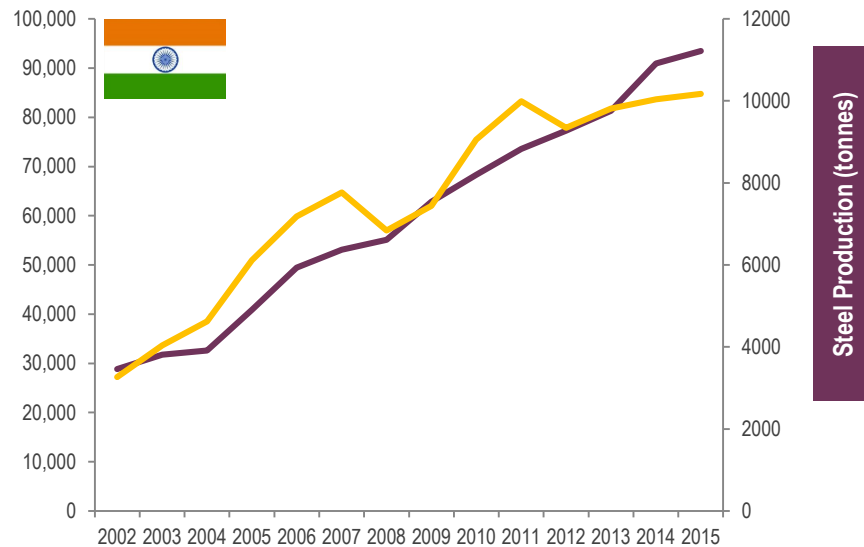
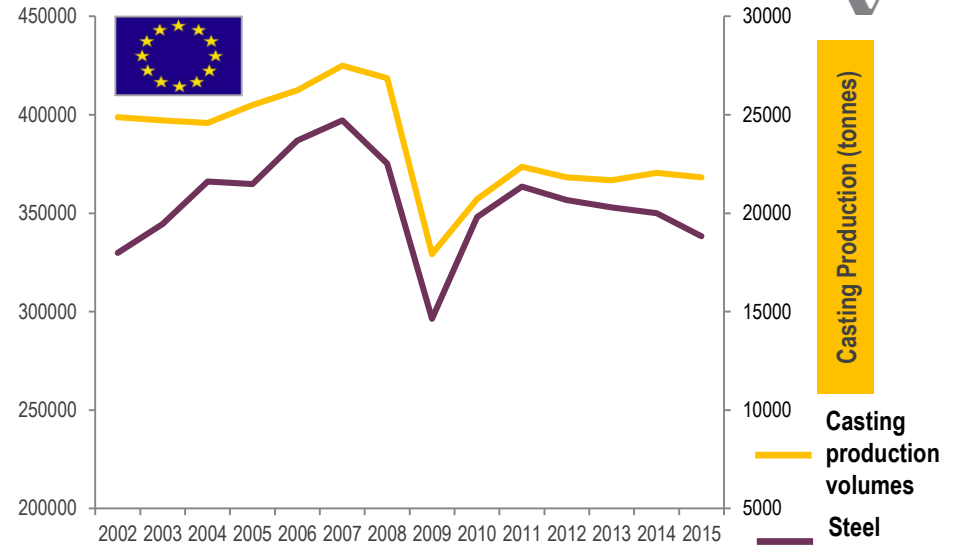
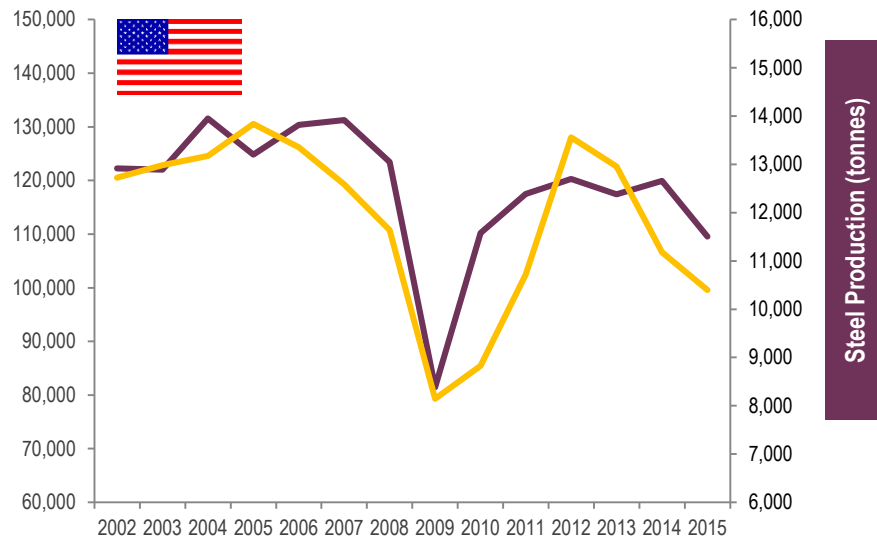


Aluminium production by region – 2015



Steel and Foundry casting production tonnages move in parallel

Growth perspectives should be similar: Foundry should benefit from China and India



Source WSA for steel production volumes; Modern Casting and Vesuvius estimates for casting tonnes.