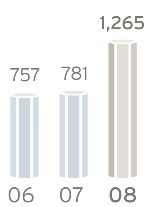
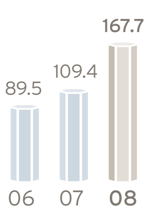
Ceramics

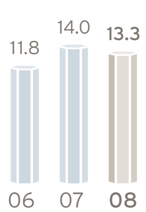
Revenue
£m



Trading Profit
£m



Return on Sales
%



Trading under the Vesuvius and Foseco brand names, the Ceramics division is the world leader in the supply of advanced consumable products and systems to the global steel and foundry industries and a leading supplier of speciality products to the glass and solar industries.

The acquisition of Foseco in April 2008 significantly expanded the existing Ceramics division and brought together the two largest worldwide manufacturers of specialist ceramics for molten metal handling. The enlarged division performed satisfactorily in 2008 with revenue of £1,265 million, up 62%, and trading profit of £167.7 million, an increase of 53% (both at reported exchange rates), giving a return on sales margin of 13.3%. At constant exchange rates, revenue and trading profit were higher by 46% and 35% respectively.

Excluding the contribution from Foseco, underlying revenue was up 4%, trading profit was down 8% (both at constant exchange rates) with the return on sales margin decreasing to 12.7% (compared to 14.0% for 2007).

Following the acquisition of Foseco, the key end-markets for Vesuvius are global steel production (which accounts for just over half of the division's revenue on a pro-forma basis) and the foundry casting market (just over one-third of the division's pro-forma revenue). The division's other key end-markets are solar, glass and industrial process plants.

End-markets continued to grow satisfactorily during the first nine months of the year and then experienced a severe deterioration in the fourth quarter. Over the first nine months of the year, global steel production was up 5% on the corresponding period in 2007. However, in the last quarter of 2008, many of the larger steel producers, including ArcelorMittal, Tata Steel/Corus and Severstal, announced their intention to cut back production in response to market conditions and to reduce inventories in the face of falling demand. During October and November 2008, the number and scale of production cut-backs continued to increase and, as a result, global steel production was 19% lower in the fourth quarter of 2008 than for the corresponding period in 2007. Compared to the corresponding months in 2007, global steel production in the months of October, November and December 2008 was lower by 14%, 20% and 24% respectively. For the year as a whole, global steel production fell by 1% to 1.3 billion tonnes, the first annual decline in ten years. China continued its position as the world's leading steel producer with year-on-year growth of 3% and accounted for 38% of the world's total production in 2008. Global production outside of China was down 3%, with growth in India (up 4%) being more than offset by reductions in the US (down 7%), the enlarged European Union (down 5%) and the CIS (down 8%).

The foundry castings market, which represents around one-third of the division's revenue on a pro-forma basis, produces castings which are used in a wide variety of engineered products and approximately 25% of the revenue from the division's Foundry product line relates to the production of castings for the automotive sector (being cars and light trucks). The foundry casting market was generally strong in the first ten months of the year, particularly in Brazil, Germany, India and China. However, towards the end of the year the market deteriorated significantly largely driven by an unprecedented reduction in automotive production, particularly in the US and Europe.

The principal products in Vesuvius' Fused Silica product line are Solar Crucibles™, which are used in the production of photovoltaic ("solar") cells. Global solar cell production continued to grow well during 2008.

Following the 19% reduction in global steel production in the fourth quarter of 2008 and weakening end-markets for foundry castings, management took prompt action to reduce the operating cost base of the division across all product lines. In the fourth quarter of 2008, headcount was reduced with over 250 temporary workers being released (notably in Europe) along with 300 permanent positions. Overtime and premium shift working was eliminated where practicable and extended facility shutdowns were introduced over the Christmas and New Year period to match the shutdowns initiated by a number of our customers. In addition, in January 2009, the process was initiated to permanently close six manufacturing facilities, one in each of the UK, Mexico, Belgium and Germany, and two in the US. Formal employee consultation procedures are now underway and it is anticipated that the closures will be substantially completed by the end of June 2009. This, together with additional staff reductions in overhead positions during 2009, will result in a further total headcount reduction of over 600 people. A renegotiation of existing raw material contracts is also currently in progress.

Following the acquisition of Foseco, the management reporting responsibilities of the enlarged Ceramics division were restructured on a product line, rather than geographic, basis. This enables the business to better serve its increasingly global customer base and also helps facilitate the integration of the Foseco business. An overview of each product line is given below.

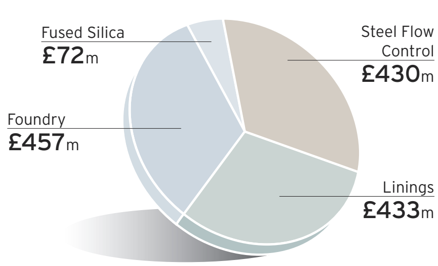
Steel Flow Control

The Steel Flow Control product line provides a full range of products and services to control, regulate and protect the flow of steel in the enclosed continuous casting process. These include VISO™ and VAPEX™ products, slide-gate and tube changer systems and refractories, gas purging and temperature control devices, mould and tundish fluxes and ingot hot-topping systems.

Global steel production represents 100% of the end-market for Steel Flow Control products and services. Underlying revenue (at constant currency and as if Foseco had been acquired with effect from the beginning of January 2007) grew by 1% for the year, marginally ahead of the 1% reduction in global steel production. For the first nine months of the year, underlying revenue grew by 7% but then fell sharply in the fourth quarter reflecting the 19% reduction in steel production in this period. This underlying growth, combined with the integration of the steel flow control operations of Foseco, resulted in reported revenue (at reported exchange rates and only including Foseco from the date of acquisition) of £427 million, a 2% increase on 2007. Underlying trading profit for the year (at constant currency and as if Foseco had been acquired with effect from the beginning of 2007) was 16% lower than for 2007 reflecting the very difficult trading environment in the fourth quarter.

Capacity was increased in Europe with the construction of a new £8 million facility in Ostend, Belgium, which became operational at the end of 2008. Production of the more standardised Steel Flow Control products has been reallocated from our other European factories to this new, highly automated facility to yield significant overall productivity gains.

2008 Revenue by product line*

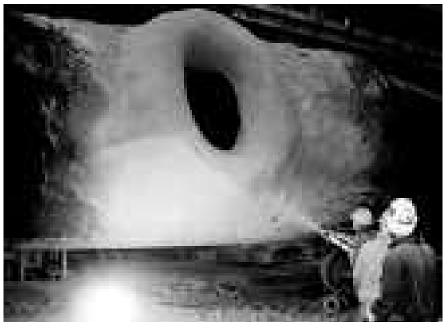


* Including pre-acquisition results of Foseco

Steel Flow Control (continued)

Vesuvius' main operations in China are 100% owned. Since 2003, the division has operated a 50/50 joint venture with Wuhan Iron & Steel Corporation ("WISCO"), China's fifth largest steel producer, producing slide-gate refractories. This operation had revenue of £11 million in 2008. Based on this success, a further 50/50 joint venture with WISCO was announced in October 2007 for the production of VISO™, the division's range of isostatically-pressed alumina-carbon products used to control and protect the flow of molten metal in the enclosed continuous casting steelmaking process. The joint venture, managed by Cookson, involved the construction of a new facility in Wuhan, Hubei Province. The new facility, of which Vesuvius' share of the investment was £2 million, became operational in July 2008. Around half of the production is to be dedicated to supplying VISO™ products to satisfy the anticipated expansion of WISCO's own steel-making capacity, with the remainder available to the Ceramics division to sell to other Chinese steel producers.

Following the acquisition of Foseco, a number of complementary Steel Flow Control products, notably mould fluxes (refractory materials used to prevent oxidation of the molten steel in the tundish and during casting) and ingot hot-topping systems, have been added to Vesuvius' existing range of products and services to further enhance our offering to steelmakers.



As part of the series of cost-cutting measures noted above, it is intended that three Steel Flow Control facilities will be permanently closed in 2009, namely Newmilns in the UK, Fisher (Illinois) in the US and Emmerich in Germany. The headcount reduction will total around 320 employees.

Linings

Linings includes products and services that enable our customers' industrial furnaces and vessels to withstand the effects of extreme temperatures or erosive chemical attack. The business manufactures castables, gunning materials, ramming mixes, pre-cast shapes, taphole clay, bricks, mortars, and provides construction and installation services.

Global steel production represents around 70% of the end-market for Linings products and services with the remainder arising from a variety of non-steel markets including the cement, lime, aluminium, petrochemical and waste incineration industries.

The Linings product line continued its recent good progress with revenue (at constant currency and as if Foseco had been acquired with effect from the beginning of 2007) up 6% to £433 million compared to 2007. Strong underlying growth of 5% was complemented by the full year contribution arising from the acquisition of Bayuquan Refractories Co. Limited ("BRC") in April 2007, the acquisition of SG Blair in September 2008 and the integration of the linings operations of Foseco's Steel division in April 2008, such that reported revenue (at reported exchange rates and only including Foseco from the date of acquisition) of £415 million was up 20% on 2007. The underlying growth was driven by the growth in worldwide steel production, good growth in non-steel markets and the 'pass through' of higher raw material costs. As with the Steel Flow Control product line, strong growth in the first nine months of the year was partially offset by a decline in the fourth quarter. Underlying trading profit (at constant currency and as if Foseco had been acquired with effect from the beginning of 2007) remained unchanged compared to 2007, resulting in a return on sales margin (pre divisional and central cost allocations) for 2008 of 7.4% (2007: 7.8%). The reduction in the return on sales margin reflects the significant deterioration in trading in the fourth quarter. This business saw a reasonably significant increase in raw material costs (which comprise a broad range of ceramic minerals) in the first nine months of 2008, although these increases started to abate towards the end of the year. These additional costs have, to a very significant extent, been successfully passed through to customers.

Linings has been increasing its capabilities particularly in emerging markets where it is able to leverage the expertise gained from its strong presence in the more established markets in order to capture the expected growth for these products. In India, the construction of a new facility producing monolithics, pre-cast linings and taphole clay became operational at the end of 2007. Following the acquisition of BRC in China in April 2007, the facility – which manufactures brick-lining products and had been previously operating at full capacity – underwent a £1 million expansion which was completed in the second quarter of 2008.

Foseco's Steel division had a significant monolithics business, including a range of complex shaped pre-cast products (known as the Turbostop™ range) used in controlling the flow of molten steel in the tundish. These products are now being sold alongside Vesuvius' existing Linings products and services.

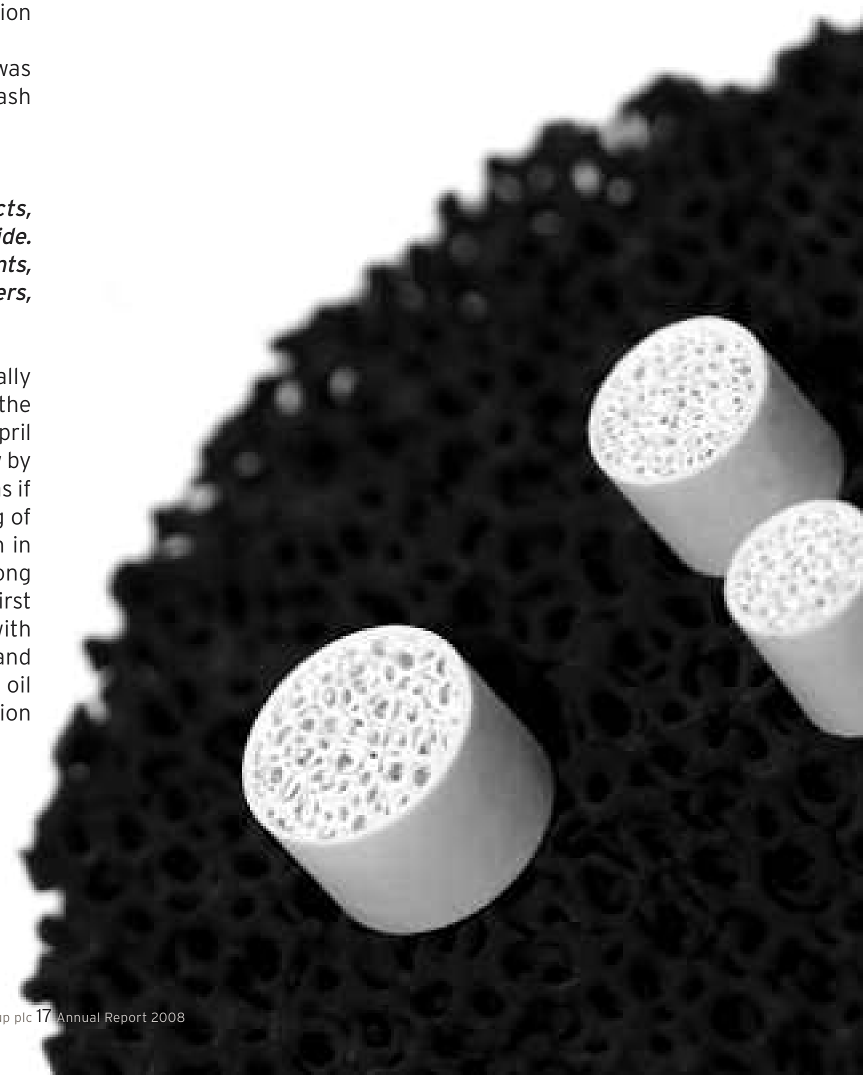
As part of the series of cost-cutting measures noted above, it is intended that two Linings facilities will be permanently closed in 2009, namely Hautrage in Belgium and Brownsville (Texas) in the US. The headcount reduction will total around 80 employees.

SG Blair, a specialist UK-based linings business, was acquired on 28 September 2008 for a maximum cash consideration of £0.4 million.

Foundry

The Foundry business is a leading supplier of products, services and solutions to the foundry industry worldwide. Products include feeding systems, filters, metal treatments, metal transfer systems, crucibles, stoppers, sand binders, coatings and moulding materials.

Vesuvius' existing Foundry business, which principally manufactures crucibles, was significantly expanded with the acquisition of Foseco's much larger Foundry business in April 2008. As a result, reported revenue for the business grew by nearly nine times to £350 million. On a pro-forma basis (as if Foseco had been acquired with effect from the beginning of 2007 and at constant currency), the underlying growth in revenue was 6%. This growth has been driven by strong market conditions in the foundry casting market for the first ten months of 2008 and increased sales penetration, with particularly good performance in infrastructure and commodity-related markets such as mining machinery, oil and gas, railway and heavy transportation, construction and heavy machinery, and wind power generation.



Foundry (continued)

The automotive market (being cars and light trucks), which globally represents around one-quarter of our foundry castings market, whilst weak in the US, showed strong growth in the larger emerging markets of Brazil, India and China. Trading conditions deteriorated significantly in the last two months of the year, driven by an unprecedented reduction in global automotive production, particularly in the US and Europe. On a pro-forma basis (as calculated above), the underlying growth in trading profit was 4% and the Foundry product line now contributes one-third of the division's trading profit.

Production of crucibles was transferred from Vesuvius' Buffalo (New York) facility to an existing facility in Monterrey, Mexico, with the Buffalo facility closing in the fourth quarter of 2008. The closure will generate cost savings of approximately £1 million per annum from the beginning of 2009. The new £5 million crucible facility in Suzhou, Jiangsu Province, became operational in the third quarter of 2008. This facility produces long-life, high-performance alumina-graphite crucibles for the growing non-ferrous foundry market.

Production capacity has been increased during 2008 with the completion of four new facilities in Gliwice, Poland (feeding systems and coatings), Alrode, South Africa (coatings), Pune, India (feeding systems) and Gebze, Turkey (feeding systems and coatings).

To satisfy EU authority requirements, Vesuvius' Hi-Tech ceramic filters business was sold on 23 December 2008. This business contributed £12 million of revenue and £3 million of trading profit in 2008.

The integration of Vesuvius' existing crucibles business into Foseco's Foundry business, with its much wider range of products and services, is proceeding well.

As part of the series of cost-cutting measures noted above, it is intended that the Foundry facility in Tlalnepantla, Mexico will be permanently closed in 2009. The headcount reduction will total around 90 employees.

Fused Silica

The principal products in the Fused Silica product line are Solar Crucibles™ used in the manufacture of photovoltaic ("solar") cells and tempering rollers used in the glass industry.

Underlying revenue grew by 20% to £72 million compared to 2007, driven by good market conditions in the solar cell market.

Solar Crucible™ revenue, which represents half of total Fused Silica revenue, grew strongly by 44% reflecting an acceleration in the solar energy industry as supply shortages of the polycrystalline silicon material used in the majority of solar panels have eased with additional capacity now coming on stream. This higher level of customer demand has been met by the increased production capacity that has been put in place by the division over the last two years.

Underlying revenue growth of 2% in tempering rollers and other speciality products reflects satisfactory growth in the glass industry, driven in particular by strong demand from the construction industry in China in the first nine months of the year. In order to meet this increased demand, Vesuvius' principal glass roller facility in Kua Tang, China underwent a £1 million capacity expansion, which was completed in the second quarter of 2008.

Trading profit for the Fused Silica product line has increased by 39% on 2007 with the strong volume growth from Solar Crucibles™ more than offsetting the normal 'one-off' production start-up costs arising from the two new Solar Crucible™ facilities completed in 2008.

To enable Vesuvius to continue to benefit from the good growth in the solar energy market and maintain its leading position as a key supplier to the industry, two new Solar Crucible™ facilities were completed in 2008, with a third expected to become operational in the second quarter of 2009. In March 2008, the new £6 million facility in Moravia, Czech Republic became operational and in September 2008 the doubling of capacity of our existing facility in Wei Ting was completed for an investment of £2 million. A further new facility ("Sunrise") located in Jiangsu Province, close to Wei Ting, has recently been completed for a total investment of just over £11 million. Following start-up trials, it is expected to become operational in the second quarter of 2009.