



Group Performance

For the first nine months of 2008, the Group's businesses generally performed well. During this period, the Ceramics division showed significant growth, including a better than expected contribution from recently-acquired Foseco, the Electronics division maintained its performance at 2007 levels and the Precious Metals division remained profitable. However, in the fourth quarter of 2008, the Group experienced a rapid and significant softening in its principal end-markets, including an unprecedented reduction in global steel production, combined with weaker automotive and consumer electronics markets. Despite prompt and decisive action to reduce the Group's cost base, this downturn had a significant negative impact on trading results in the fourth quarter and, consequently, for the year as a whole.

Group revenue in 2008 of £2,203 million was 23% ahead of 2007 at constant exchange rates and up 36% at reported exchange rates. The increase in revenue at constant exchange rates principally reflected the acquisition of Foseco on 4 April 2008 and the impact of higher metal prices being 'passed through' to customers in the Electronics and Precious Metals divisions. Once these factors are excluded, underlying revenue in 2008 decreased marginally by 2% compared to last year (at constant exchange rates). Revenue for the Group is well balanced geographically with 41% coming from the Group's operations in Europe, 27% from NAFTA and 25% from Asia-Pacific.

Trading profit increased significantly to £216.3 million, an increase of 11% at constant exchange rates and 28% at reported exchange rates. The increase in trading profit (at constant exchange rates) reflected a contribution of £52.8 million from Foseco, more than offsetting underlying trading profit reductions in all three divisions arising due to the fourth quarter market deterioration. Excluding Foseco, trading profit (at constant exchange rates) for the Group was down by 16%, with Ceramics (excluding Foseco) down by 8%, Electronics down by 22% and Precious Metals down by 59%.

The return on sales margin in 2008 decreased to 9.8% from 10.5% for 2007 (at reported exchange rates), reflecting the fourth quarter deterioration. The impact of higher metal prices, which increased reported revenue in the Electronics and Precious Metals divisions without any impact on profitability, depressed the return on sales margin in 2008 by around 0.3 percentage points compared to last year.

Headline profit before tax increased by 18% and headline earnings per share were up 9% to 8.9 pence, reflecting an 8% increase in the weighted average number of shares as a result of the October 2007 share placing associated with the acquisition of Foseco. The headline earnings per share number reflects an adjustment to reflect the impact of the rights issue completed subsequent to year-end on 4 March 2009. Prior to the effect of this adjustment, headline earnings per share were 58.8 pence.

Following the acquisition of Foseco, net debt at 31 December 2008 increased to £732 million with a proforma net debt to EBITDA ratio (as calculated for bank covenant purposes) of 2.6 times. On 4 March 2009, the Group completed a successful rights issue which raised cash proceeds of £241 million, net of expenses.

Foseco

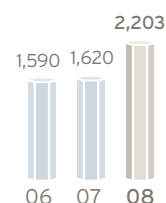
The acquisition of Foseco was completed on 4 April 2008 for around £620 million in cash and assumed debt. The acquisition was financed by the combination of the net proceeds of £151 million from a share placing on 11 October 2007 and a new bank facility. To satisfy the EU and US competition authorities' requirements, Foseco's Carbon Bonded Ceramics ("CBC") business was sold to RHI AG on 16 April 2008 and Cookson's Hi-Tech ceramic filters business ("Hi-Tech") was sold to Süd-Chemie AG on 23 December 2008.

The retained Foseco businesses are now managed within Cookson's Ceramics division. Foseco's "plc" headquarters have been closed and the global integration process is proceeding well, with integration benefits to be realised by 2010 now expected to be £24 million per annum (of which £10 million has been realised in 2008), against a target of £18 million per annum at the time of announcing the acquisition.

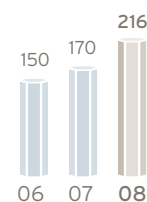
The retained Foseco businesses traded strongly in the first ten months of 2008 (of which seven months are included in Cookson's results) and well ahead of our original expectations. However, their trading was negatively impacted by deteriorating economic conditions in the last two months of the year. On a proforma basis (excluding CBC and "plc" costs), for the twelve months of 2008, Foseco reported revenue of £488 million and trading profit of £72.0 million, up by 18% and 24% respectively at reported exchange rates compared with 2007.

Foseco's operations have now been integrated into three of the four product lines within the Ceramics division. Foseco's 'Foundry' division now constitutes the majority of the Foundry product line, whilst the activities of Foseco's 'Steel' division are now included in the Steel Flow Control and Linings product lines.

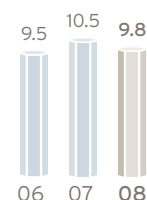
Revenue*
£m



Trading Profit*
£m



Return on Sales*
%



* Continuing operations