Cookson

WE ARE A LEADING MATERIALS SCIENCE COMPANY OPERATING ON A WORLDWIDE BASIS IN CERAMICS, ELECTRONICS AND PRECIOUS METALS MARKETS, EMPLOYING OVER 15,000 PEOPLE IN MORE THAN 40 COUNTRIES.

WE AIM TO ADD VALUE TO OUR CUSTOMER'S BUSINESSES BY PROVIDING PRODUCTS, PROCESSES AND SERVICES THAT ALLOW THEM TO INCREASE THE EFFICIENCY AND QUALITY OF THEIR OPERATIONS.

THROUGHOUT THE WORLD, COOKSON COMPANIES SUPPLY LEADING TECHNOLOGY SUPPORTED BY OUTSTANDING TECHNICAL SERVICE.

Key to photo captions given on page 128

Our Business

OUR BUSINESS

Our Governance

OUR GOVERNANCE

Our Accounts

OUR ACCOUNTS

HIGHLIGHTS

→ 2008 RESULTS SIGNIFICANTLY AHEAD OF 2007 DESPITE WEAK FINAL QUARTER

- Revenue of £2,203 million, up 23%*
- Trading profit of £216.3 million, up 11%*
- Headline profit before tax of £176.2 million, up 18%
- Headline earnings per share of 8.9 pence, up 9%**
- Free cash flow of £73 million, up £26 million

→ SUCCESSFUL INTEGRATION OF FOSECO INTO CERAMICS DIVISION, WITH GREATER SYNERGY SAVINGS THAN INITIALLY ANTICIPATED

→ END-MARKET WEAKNESS CONTINUING INTO Q1 2009

→ MANAGEMENT ACTIONS CONTINUING AS PLANNED TO REDUCE COST BASE BY £40 MILLION AND CONSERVE CASH; SUSPENDING EXPANSION CAPEX, DIVIDENDS AND UK PENSION 'TOP-UP' PAYMENTS WILL REDUCE CASH OUTFLOW BY GREATER THAN £85 MILLION COMPARED TO 2008

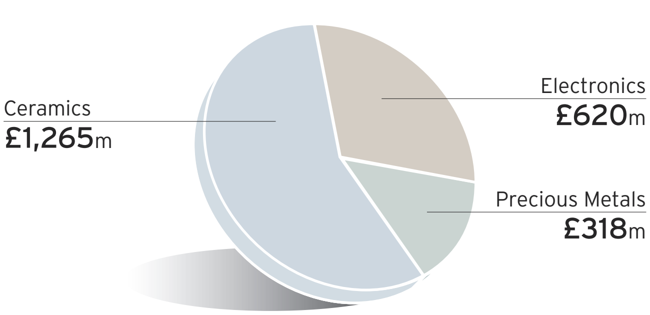
→ RIGHTS ISSUE SUCCESSFULLY COMPLETED (£241 MILLION NET PROCEEDS) ON 4 MARCH 2009, REDUCING INDEBTEDNESS AND PROVIDING MORE SUITABLE CAPITAL STRUCTURE FOR CURRENT ECONOMIC ENVIRONMENT

* At constant currency
** As restated for the effect of the rights issue in March 2009

REVENUE by division

£2,203m

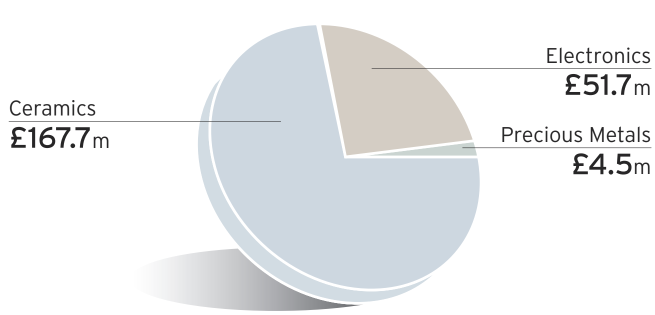
2007: £1,620m



TRADING PROFIT by division

£216.3m†

2007: £169.6m



† After central corporate costs of £7.6m

End-Markets

Steel, foundry, glass, solar, industrial | Electronics, industrial, automotive | Retail jewellery

SUMMARY OF RESULTS

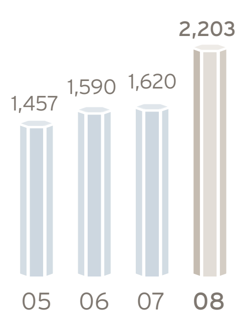
		2008	2007	Reported rates	Constant rates
Revenue		**£2,203m**	£1,620m	+36%	+23%
Trading profit*		**£216.3m**	£169.6m	+28%	+11%
Return on sales*		**9.8%**	10.5%	-0.7pts	-1.0 pts
Profit before tax	– headline*	**£176.2m**	£149.8m	+18%	
	– basic	**£89.6m**	£151.6m	-41%	
Tax rate – headline**		**27.5%**	26.9%	+0.6 pts	
Earnings per share***	– headline*	**8.9p**	8.2p	+9%	
	– basic	**3.3p**	8.0p	-59%	
Dividends per share***	– interim	**0.88p**	0.64p	+38%	
	– final	**–**	1.32p	-	
Free cash flow*		**£73.1m**	£47.6m	up £25.5m	
Net debt*		**£731.7m**	£50.6m	up £681.1m	

* Refer to Note 3.22 of the consolidated financial statements for definitions
** Tax rate on headline profit before tax from continuing operations (before share of post-tax profit of joint ventures)
*** As restated for the effect of the rights issue in March 2009

REVENUE*
£m

+36%

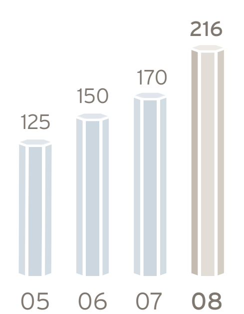
on 2007



TRADING PROFIT*
£m

+28%

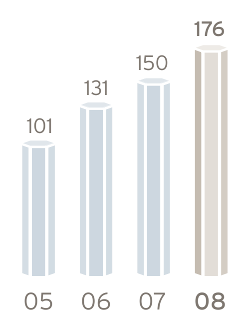
on 2007



HEADLINE PBT
£m

+18%

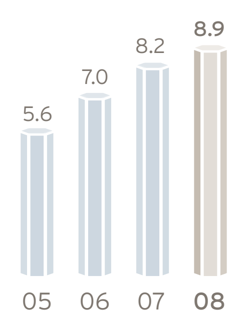
on 2007



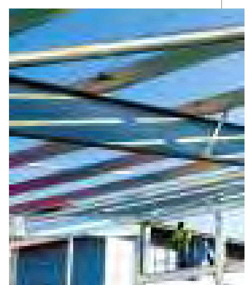
HEADLINE EPS
pence

+9%

on 2007



* Continuing operations



CERAMICS

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 specialist ceramic products to the glass and solar industries. It is also a regional leader in the US, UK and Australia in the supply and installation of monolithic refractory linings.

ELECTRONICS

The Electronics division is a leading supplier of advanced surface treatment and plating chemicals and assembly materials to the electronics, automotive and construction markets. It comprises two product lines; Assembly Materials (62% of revenue) and Chemistry (38% of revenue).

PRECIOUS METALS

The Precious Metals division is a leading supplier of fabricated precious metals (primarily gold, silver and platinum) to the jewellery industry. Products include alloy materials, semi-finished jewellery components and finished jewellery.

REVENUE BY GEOGRAPHY
(customer location)

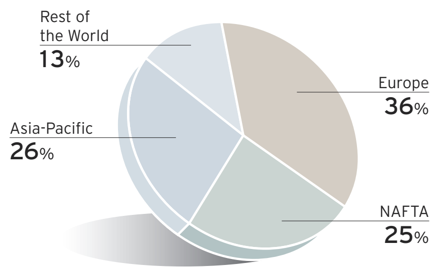
REVENUE BY END-MARKET

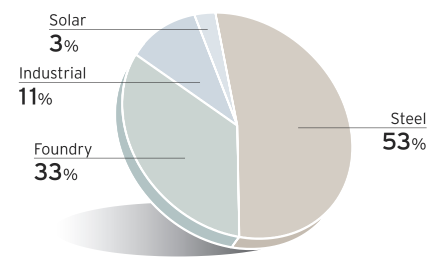
over 11,000
employees

57%
of Group revenue

75%
of Group trading profit*

£1,265m



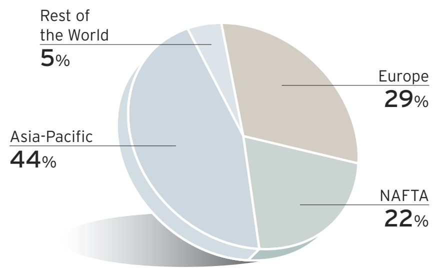


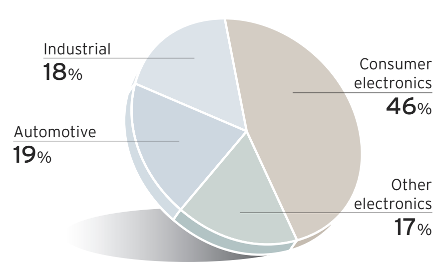
over 3,000
employees

28%
of Group revenue

23%
of Group trading profit*

£620m



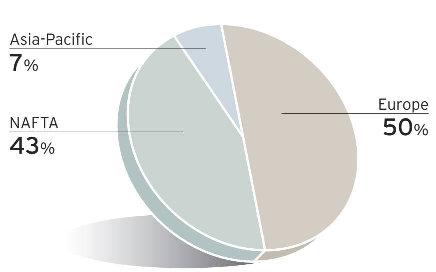


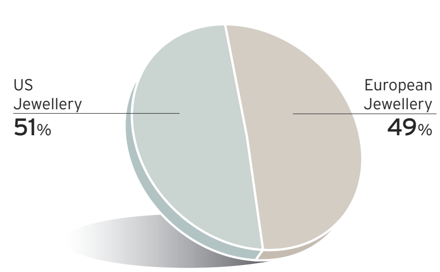
over 1,500
employees

15%
of Group revenue

2%
of Group trading profit*

£318m





* Before central corporate costs

IMPACT OF THE ECONOMIC DOWNTURN

RESPONSE TO THE DOWNTURN

From late September 2008 there has been a rapid and significant weakening of the Group's main end-markets, reflecting the severe global economic downturn.

In response, the following management actions have been initiated:

Cost reduction

- → Phase I completed Q4 2008 (annualised savings >£17m); 600 headcount reduction, extensive salary freeze, extended plant shutdowns etc.
- → Phase II underway in Q1 2009 (annualised savings >£23m); permanent closure of 6 plants and further overhead cuts, >750 headcount reduction
- → *Phase III; further plant closures and overhead reductions under evaluation, should markets deteriorate further*

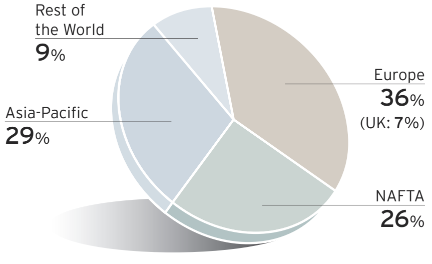
Cash and debt

- → Rights issue completed 4 March 2009 – £241m net proceeds
- → Focus on reducing working capital in line with reduced activity, including new incentive scheme
- → Suspending expansion CAPEX, dividends and UK pension 'top-up' payments – reduces cash outflow by >£85m compared to 2008
- → Early repayment of first maturity of bank facility in exchange for a one year delay in tightening of net debt to EBITDA covenant

WELL POSITIONED FOR WHEN THE GLOBAL ECONOMY RECOVERS

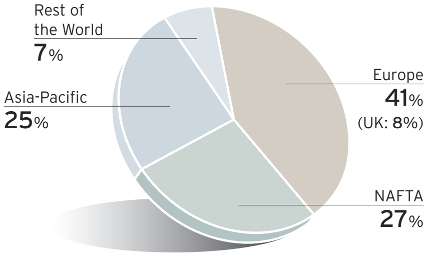
Longer-term we believe the Group is well positioned, with a portfolio of businesses supplying high-technology consumable products with leading positions in markets with sound prospects for growth as the global economy recovers.

2008 Revenue by customer location



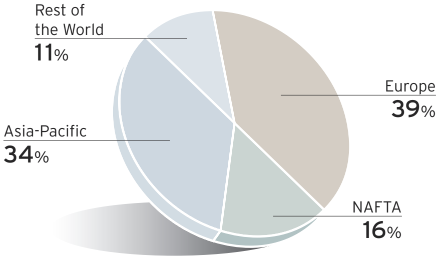
Balanced geographic market presence

2008 Revenue by operating location



Manufacturing in our regional markets

2008 Trading profit by operating location



Most profitable in highest growth markets

KEY PERFORMANCE INDICATORS

COOKSON'S BOARD AND EXECUTIVES MONITOR A LARGE NUMBER OF FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS, REPORTED ON A PERIODIC BASIS, TO MEASURE THE GROUP'S PERFORMANCE OVER TIME

The Group's financial key performance indicators ("KPIs") are more fully defined in note 3.22 to the consolidated financial statements. Performance data in relation to the KPIs for 2008 and the prior year are discussed in more detail in the Operating Review, in the Financial Review and in the Health, Safety and Environmental Statement. Targets are set annually for these performance indicators through the Group's annual budgeting process, in line with the Group's strategic objectives.

Non-Financial KPIs	Purpose	2008 performance vs 2007
Rate of injuries and illness resulting in absence from work	Measured to monitor progress towards the Group's goal of zero work-related injuries and illness	• Rate of injuries and illness resulting in absence from work at 1.4% compared with 1.5% in 2007
Research and development ("R&D") spend	Monitored to ensure that adequate resources are being invested to maintain the Group's strong pipeline of new products and services	• R&D spend: £30.7m vs £23.1m in 2007
Total energy consumption	Measured as part of the Group's programme to reduce energy usage and the associated carbon emissions	• Energy usage in manufacturing operations, excluding Foseco, for which comparative information is unavailable Gas use down 3.4% Electricity use down 6.7%

Financial KPIs	Purpose	2008 performance vs 2007
Underlying revenue growth	Provides an important indicator of organic or "like-for-like" growth of Group businesses between reporting periods. This measure eliminates the impact of exchange rates, metal prices, acquisitions, disposals and significant business closures. It is calculated using revenue for the Ceramics and Electronics divisions and net sales value for the Precious Metals division	• Underlying revenue growth: Ceramics +4% Electronics (9)% Precious Metals (2)%
Trading profit, return on sales ("RoS") and return on net sales value ("RoNSV")	Used to assess the underlying trading performance of Group businesses	• Group trading profit from continuing operations of £216.3m, up 28% • RoS (at constant currency): Ceramics 13.3%, down 1.1 pts Electronics 8.3%, down 2.3 pts • RoNSV (at constant currency): Precious Metals 3.8%, down 6.6 pts
Headline profit before tax ("PBT") and headline earnings per share ("EPS")	Both used to assess the underlying financial performance of the Group as a whole	• Headline PBT: £176.2m, up 18% • Headline EPS: 8.9p, up 9%
Free cash flow and average working capital to sales ratio	Free cash flow is used to assess the underlying cash-generation of the Group. One of the factors driving the generation of free cash flow is the average working capital to sales ratio, which indicates the level of working capital used in the business	• Free cash flow: £73.1m, up £25.5m • Average working capital to sales of 24.2% (2007: 23.0%)
Return on net assets ("RONA") and return on investment ("ROI")	Both used to assess the profitability achieved from the Group's asset base	• Group ROI: 8.2% down 1.6 pts • Divisional RONA: Ceramics 34.5%, down 5.1 pts Electronics 26.6%, down 13.4 pts Precious Metals 5.9%, down 8.0 pts
Interest cover and net debt to EBITDA	Both used to assess the financial position of the Group and its ability to fund future growth	• Interest cover 7.6 times (2007: 12.0 times) • Net debt to EBITDA 2.6 times (2007: 0.3 times)

"We remain a strong business with excellent positions in markets with good, fundamental, long-term growth prospects and I am confident that we will be ready to benefit from the economic recovery when it comes."

Robert Beeston Chairman

The past year has seen the most dramatic changes in the global economy and in our end-markets in living memory.

Over the first nine months of 2008, our main end-markets – of steel production, electronics and automotive – continued to see reasonable growth and the Group's trading results in the period showed a strong improvement over 2007.

In April, we completed the strategically significant acquisition of Foseco, a ceramics business operating in the foundry castings market which represents an excellent complement to our existing ceramics business, Vesuvius. Foseco's results exceeded our expectations in 2008 and the integration is proceeding very well.

As the global financial crisis spread to affect the broader global economy, our end-markets and trading performance deteriorated rapidly through the last quarter. By December, activity levels in our main end-markets showed an unprecedented decline of some one quarter on 2007 levels. Many steel producers, electronics and automotive manufacturers announced prolonged production shutdowns through December and into the first quarter of 2009.

Financial performance

Notwithstanding this sharp deterioration in the fourth quarter, our results for the year as a whole were an improvement over 2007. Trading profit (at constant exchange rates) increased 11%, with the benefit of nine months' contribution from Foseco. Headline profit before tax increased 18% to £176 million and headline earnings per share improved 9% to 8.9 pence (as restated for the rights issue).

Looking to 2009, we expect to see little to no improvement in market conditions through the first quarter and then, hopefully, a slow improvement through the second quarter and into the second half of the year. This is a view shared by almost all commentators on the global steel industry, to which over 40% of Group trading profit is linked. We hope to see the improving trend continuing in 2010, as the various governmental economic stimulus initiatives take effect, but we do not expect end-markets to recover to levels equivalent to the first nine months of 2008 until 2011 at the earliest.

Against this background, we have moved quickly and decisively to reduce our cost base to adapt to the lower level of prevailing economic activity, and to strengthen our financial position in order to create a capital structure more suited to the current environment.

Management action

Starting last September and continuing into the current year, we have implemented a series of actions aimed at reducing costs and further improving cash and working capital management. These are described more fully in the Chief Executive's Review. I regret that substantial job losses are an unavoidable consequence of the restructuring actions, but it is essential that we act swiftly to adapt to the current global economic reality.

Rights issue

On 29 January 2009, we announced a fully underwritten 12 for 1 rights issue to raise £241 million, net of expenses. Shareholder approval was obtained at an Extraordinary General Meeting held on 17 February and dealings in the new shares commenced on 5 March.

We have been very pleased by the support shown by shareholders for this initiative. By raising these funds at an early stage we have not only enhanced the covenant and longer-term liquidity headroom under our existing attractive bank facilities, but we have also created a position of greater strength and flexibility from which to move forward.

Dividend and dividend policy

Against this background and in the expectation of continued challenging trading conditions, the Board has reviewed its near-term dividend policy and has decided not to recommend a final dividend payment in respect of 2008 (an interim dividend of 0.88 pence per share (as restated for the rights issue) was paid in October 2008). A decision to resume dividend payments will be made once we can see a clear recovery in our end-markets and trading performance, and in the context of the Group's cash requirements at that time.

Board and corporate governance

The Board is responsible for overseeing the Group's strategy and monitoring its performance. Through its own actions and those of the Board committees, the Board continues to comply with the highest standards of corporate governance.

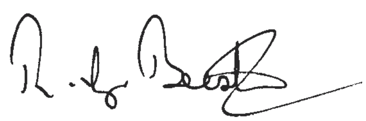
Both the Board and the Executive Committee have remained unchanged since my last report. I am confident that this continuity, together with the blend of skills and experience that the team brings to the Group, has played and will play an important part in our successful navigation of the current challenging economic environment.

Employees

I would like to offer my sincere thanks to all of our employees worldwide for their contribution over the past year, in the face of often very difficult circumstances. More than ever, their delivery of the highest standards of customer service remains a key factor in the Group's success.

Outlook

In recent months we have experienced an unprecedented downturn in our end-markets, to which we have responded promptly and decisively. This downturn, and the dramatic deterioration of the overall economic environment, has inevitably had a significant impact on our share price and we are resolutely focused on the need to rebuild shareholder value over time. We remain a strong business with excellent positions in markets with good, fundamental, long-term growth prospects and I am confident that we will be ready to benefit from the economic recovery when it comes.



Robert Beeston Chairman
9 March 2009

"We have reacted quickly to the economic downturn, implementing a series of cost reduction and cash conservation measures, and raising £241 million of net proceeds via a rights issue announced in January 2009."

Nick Salmon Chief Executive

2008 Results

The results for 2008 reflect two very different periods of trading. Over the first nine months we experienced continuing growth in our main end-markets of steel, consumer electronics and automotive. However, from late September we saw a rapid and significant weakening, reflecting the severe global economic downturn. As a result, we achieved a return on sales margin of 10.7% over the first nine months but this fell to 7.3% for the last quarter of the year.

Despite the weak fourth quarter, the full year results showed a significant improvement over 2007. Revenue of £2,203 million and trading profit of £216.3 million increased 23% and 11% respectively at constant exchange rates, reflecting both the contribution from Foseco following its acquisition in April 2008 and also the positive impact on revenue of passing through higher metal prices. The weakening of sterling had a significant positive impact such that on an 'as reported' basis, revenue and trading profit increased 36% and 28% respectively. Headline profit before tax increased by 18% and headline earnings per share by 9%.

Net debt at 31 December 2008 was £732 million with a net debt to EBITDA ratio of 2.6 times (as calculated for bank covenant purposes).

Response to the economic downturn

We have reacted quickly to the economic downturn, implementing a series of cost reduction and cash conservation measures, and raising £241 million of net proceeds via a rights issue announced in January 2009. These proceeds have reduced our indebtedness and created a more suitable capital structure for the current economic environment.

During the fourth quarter of 2008, we completed the first phase of cost reductions to yield annualised savings of £17 million from early 2009 onwards. This included reducing temporary and full-time headcount by a combined total of 600 and implementing an extensive salary freeze for the first half of 2009.

In January, we launched a second phase involving the proposed permanent closure of six Ceramics manufacturing facilities in the UK, Mexico, Belgium, Germany and the US, together with overhead staff reductions. These measures will result in a further total headcount reduction of over 750 and are expected to result in annualised savings of £23 million from mid-2009. Of the total annualised savings of £40 million arising from both phases, £30 million is anticipated to be realised in 2009 and an incremental £10 million in 2010.

We have also introduced a new Group-wide incentive programme to focus on cash generation with particular emphasis on reducing working capital in line with reduced business volumes. Further, all capacity expansion related capital expenditure projects have been postponed, pending clear signs of recovery in our end-markets. Similarly, the payment of dividends is being suspended for the time being.

More recently we have agreed with our banks to pre-pay the facility tranches originally due to be repaid next year in exchange for which the tightening of the net debt to EBITDA covenant from 3.5 times to 3.0 times has been deferred by a further year to 30 June 2010. We have also agreed with our UK pension trustee to suspend the monthly 'top-up' payments, which totalled £22 million in 2008, until the earlier of July 2010 or the recommencement of dividend payments.

Foseco

The acquisition of Foseco significantly expanded the existing Ceramics division and brought together the two largest worldwide specialists in ceramics for molten metal handling.

Following the completion of the acquisition on 4 April 2008 we promptly sold Foseco's Carbon Bonded Ceramics ("CBC") business to satisfy regulatory requirements, and closed its "plc" headquarters. Anti-trust requirements were finally met with the disposal of Vesuvius' Hi-Tech ceramic filters business in December 2008. The integration has progressed very well and further potential synergy opportunities have been identified such that we have increased the annual synergy savings target from the original £18 million to £24 million by 2010.

During 2008, the Foseco businesses have performed well ahead of our original expectations. On a pro-forma basis (excluding CBC and "plc" costs) for the full year 2008 they delivered revenue of £488 million and trading profit of £72.0 million, up by 18% and 24% respectively at reported exchange rates over full year 2007, despite a slowdown over the last two months of 2008.

Ceramics division

The enlarged division, which trades as Foseco in foundry markets and as Vesuvius in all other markets, recorded revenue of £1,265 million and trading profit of £167.7 million, giving a return on sales margin of 13.3%. Excluding the contribution from Foseco, underlying revenue was up 4% for the year as a whole, having been 8% ahead at the half year, but trading profit was down 8% for the year on a constant currency basis, reflecting the fourth quarter performance.

Including Foseco, the fourth quarter revenue was £326 million and trading profit £34.1 million, giving a return on sales margin for the fourth quarter of 10.5%.

Global steel production, our main end-market, when compared to the same periods in 2007 grew 5% in the first nine months but then fell 14% in October, 20% in November and 24% in December. The pattern in the foundry markets was similar but the slowdown only started in November. Our fused silica, Solar Crucible™, market continued to experience strong growth. Against this background, revenue and underlying growth for the four product lines was as follows (at constant exchange rates and including Foseco pro-forma on a full year basis); Steel Flow Control £430 million, +1%, Linings £433 million, +5%, Foundry £457 million, +6% and Fused Silica £72 million, +20%.

Electronics division

The division's revenue of £620 million was up 11% at reported exchange rates but, at constant exchange rates and eliminating the 'pass through' of increased metal prices, underlying revenue was down 9%. Trading profit of £51.7 million was down 11% at reported exchange rates and 22% at constant exchange rates. This again reflects a very poor fourth quarter, in which revenue was £135 million and trading profit £6.6 million, giving a return on sales margin of 4.9%.

Revenue for the Assembly Materials product line was £382 million and for the Chemistry product line was £238 million, down 10% and 9% respectively on an underlying basis. Chemistry had a particularly weak fourth quarter reflecting its exposure to the automotive as well as electronics end-markets.

Precious Metals division

Net sales value of £118 million was 3% higher than the prior year at constant exchange rates. This reflected higher levels of reclaim activity in Europe and gold coin blank production in the US, both stimulated by the high price of gold, together with the additional volumes from the Leach & Garner business acquired in September 2007, offsetting the sharp decline in consumer demand for retail jewellery.

Trading profit of £4.5 million was approximately half that of the prior year reflecting a lower margin product mix in the US, particularly much reduced gold chain sales.

Outlook

Cookson's divisions predominantly supply consumable products, on short lead times, to the global steel, foundry, electronics and precious metals industries. As such, the Group's expectations of future trading are based upon an assessment of end-market conditions and these conditions are subject to greater uncertainty than usual in the current economic climate.

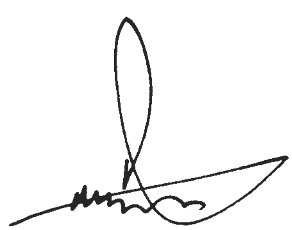
As predicted, our major markets have remained weak through January and February. We expect a slow improvement through the second quarter as the de-stocking in our end-markets comes to an end. Further improvements are expected in the second half reflecting the Group's normal trading seasonality and supported by the anticipated boost to infrastructure demand from the stimulus packages recently announced by governments around the world.

Actual trading performance will depend on the depth and duration of the global economic downturn. Despite the difficult trading conditions, our performance in 2009 will benefit from:

- anticipated cost savings of £30 million arising from the cost reduction actions described above;
- a full year contribution from Foseco (versus only nine months in 2008); and
- the realisation of further Foseco related integration synergies, anticipated to be £12 million in 2009.

The reported results will also benefit from significant currency translation gains if sterling remains at current levels relative to other major currencies.

For the longer-term we believe that Cookson is well positioned, with a portfolio of businesses supplying high-technology consumable products and related technical services, with leading positions in markets with sound prospects for growth as the global economy recovers.



Nick Salmon Chief Executive
9 March 2009

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 pro-forma 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

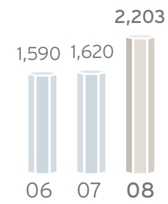
The acquisition of Foseco was completed on 4 April 2008 for around £620 million in cash and assumed debt. The acquisition was financed by the combination of the net proceeds of £151 million from a share placing on 11 October 2007 and a new bank facility. To satisfy the EU and US competition authorities' 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.

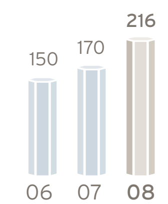
The retained Foseco businesses traded strongly in the first ten months of 2008 (of which seven months are included in Cookson's results) and well ahead of our original expectations. However, their trading was negatively impacted by deteriorating economic conditions in the last two months of the year. On a pro-forma 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.

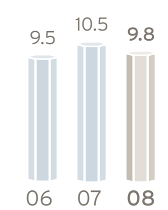
Revenue*
£m



Trading Profit*
£m



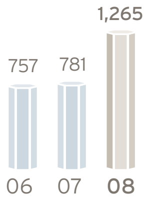
Return on Sales*
%



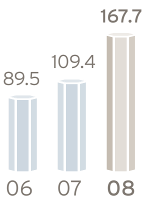
* Continuing operations

Ceramics

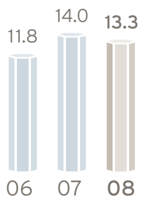
Revenue
£m



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.

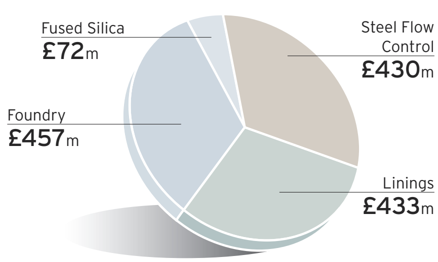
Steel Flow Control

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.

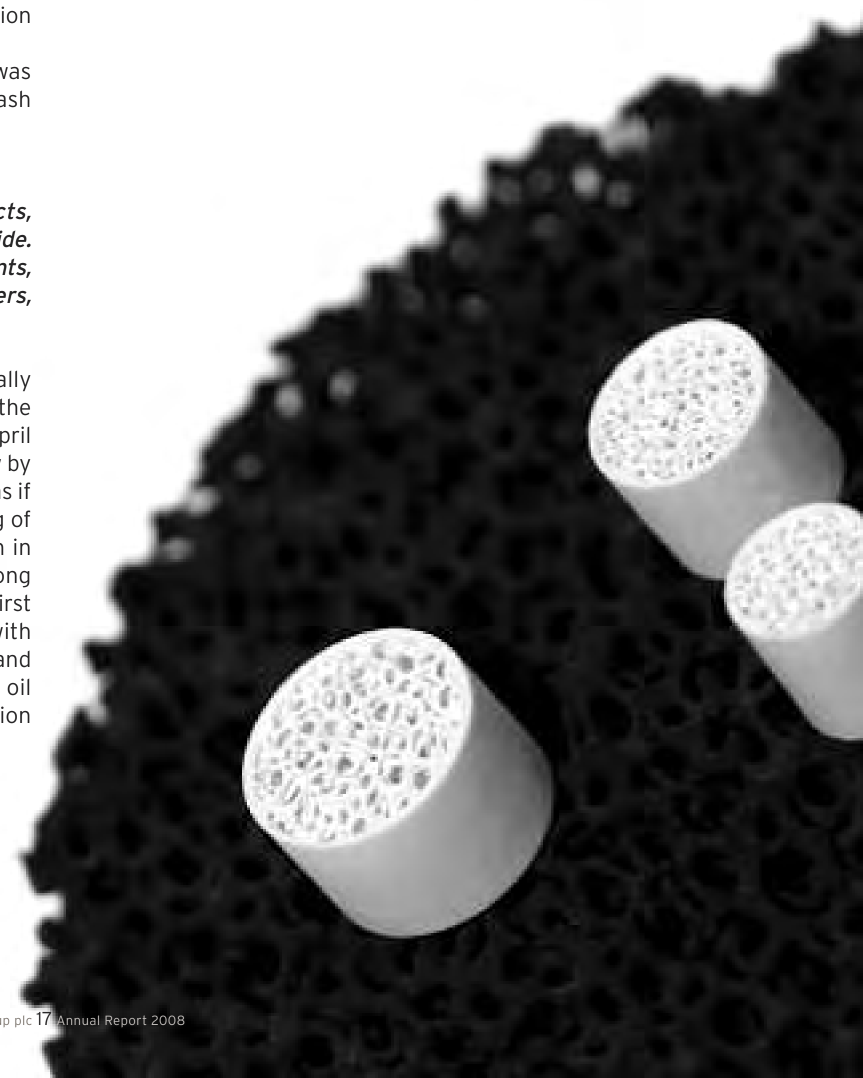
As part of the series of cost-cutting measures noted above, it is intended that two Linings facilities will be permanently closed in 2009, namely Hautrage in Belgium and Brownsville (Texas) in the US. The headcount reduction will total around 80 employees.

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.

Electronics

The Electronics division is a world leading supplier of advanced surface treatment and plating chemicals and comprises two product lines; the Assembly Materials product line is a supplier of solder and related products and the Chemistry product line is a supplier of electro-plating chemicals.

Revenue for 2008 was £620 million, 1% lower at constant exchange rates compared to 2007 (11% higher at reported exchange rates). Revenue in 2008 reflected the 'pass through' to customers in the Assembly Materials product line of higher metal prices and, excluding both this impact and precious metal sales in Chemistry, underlying revenue for the division was 9% lower than last year (on a constant currency basis).

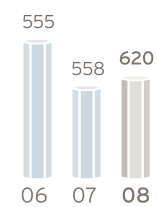
The reduction in underlying revenue reflected a significant slowdown in the production of electronic equipment (the end-market for just under two-thirds of the division's revenue) in the fourth quarter of 2008 due to a marked 'de-stocking' by equipment manufacturers exacerbated by weakening end-user demand. Electronic equipment production worldwide, which experienced high single digit growth over the last few years, was broadly unchanged between full year 2008 and 2007, but was down 10% in the fourth quarter compared to the corresponding period last year. A similar trend was evident for two of the key products within the consumer electronics market, namely mobile phone handsets and PCs. Mobile phone handset volumes were up 4% in 2008 compared to prior year, but were 12% down in the fourth quarter of 2008. PC volumes, including laptops, were up 10% in 2008, but were unchanged in the fourth quarter. The automotive sector, which represents around 19% of the division's end-markets, was also very weak in the fourth quarter, particularly in the US and Europe.

Trading profit of £51.7 million was 22% lower than 2007 at constant exchange rates and 11% lower at reported exchange rates. The reduction in trading profit reflected the impact of the deterioration in trading in the fourth quarter of 2008 more than offsetting the full year benefits of a number of restructuring initiatives enacted in 2007, the successful launch of new products and the continued growth of Assembly Materials' reclaim business. In response to the deterioration in trading towards the end of 2008, a number of cost reduction initiatives were launched including permanent headcount reductions of 70 in the fourth quarter of 2008 with a further 170 headcount reduction expected in the first quarter of 2009.

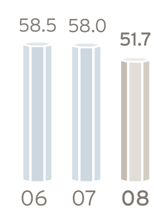
Return on sales for the division at reported exchange rates decreased from 10.4% to 8.3% – a reduction of 2.1 percentage points – due to the reduction in underlying volumes and the impact of higher metal prices. If metals prices in 2008 had remained at similar levels to those in 2007, the return on sales would have decreased by only 1.3 percentage points to 9.1%.

Asia-Pacific, the division's largest region, accounted for 45% of revenue in 2008 (by location of customer), a higher level than for 2007 reflecting the continuing migration of consumer electronics production to this region, a trend that has been matched through our investment in capacity in the region over the last few years.

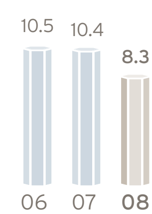
Revenue
£m



Trading Profit
£m



Return on Sales
%



Assembly Materials

Assembly Materials is a leading global supplier of materials to assemblers of printed circuit boards ("PCBs"), the semi-conductor packaging industry and to certain non-electronics markets such as plumbing, automotive and water treatment under the trade names of Alpha and Fry. In PCB assembly, its products include solder (which is available in bar, paste, powder and sphere form and in no-clean, water-soluble and lead-free options), fluxes, adhesives, cleaning chemistries and stencils.

The PCB and semi-conductor packaging segments of the electronics market account for approximately 65% of Assembly Materials' revenue, with the remaining 35% going into a variety of industrial applications.

Revenue for the year at £382 million was 5% higher than 2007 at constant exchange rates (17% higher at reported exchange rates). The higher revenue reflected the 'pass through' to customers of higher metal prices, in particular for tin and silver. In 2008, the average prices of tin and silver – Assembly Materials' major raw materials – were respectively 31% and 14% higher than 2007, such that approximately £54 million of the change in the division's revenue was as a result of these higher metal prices. Excluding the impact of higher metal prices, underlying revenue was 10% lower than last year (at constant exchange rates) reflecting the significant slowdown in the production of electronic equipment in the fourth quarter of 2008 combined with the continuation of the strategy to focus resources on higher margin, more value-added products. These products include solder paste (for which volumes were up 4% by weight due to the continuing shift from wave soldering to surface mount technology) and low-silver SACX™ solder (for which volumes were only marginally down by 3% by weight). At the same time, sales of some more commoditised products, such as leaded bar solder (for which volumes were down 21% by weight), have been selectively reduced.

A number of new products have been launched during the year including a 1% silver lead-free solder alloy, SACX™ solder paste and an expanded range of environmentally friendly Greenline™ products, which are halogen-free and contain low, or no, volatile organic compounds. The business has also benefited from the continued growth – stimulated by high metal prices – in the reclaim business in the US, in which scrap solder generated by our customers' production processes is reclaimed for processing back into solder alloys for sale to third parties or for reuse within the business. A similar reclaim business has been set up in Guangxi Province, China, which became operational at the end of 2008.

Trading profit for 2008 was lower than 2007 at constant exchange rates, but marginally higher at reported exchange rates. The return on sales margin in 2008 was slightly higher than for 2007 (assuming metal prices in 2008 had remained at similar levels to those in 2007).

In February 2008, the transfer of solder paste production from Ashford, UK to Hungary was announced for completion in the first half of 2009. This initiative will result in annualised savings of £1 million from the middle of 2009. 2008 also benefited from the full year effect of the transfer of Assembly Materials' manufacturing operations within NAFTA from the US to Mexico, which was completed towards the end of 2007.

Chemistry

The Chemistry product line manufactures speciality electro-plating chemicals for the electronics, automotive and surface metal finishing industries under the trade name Enthone.

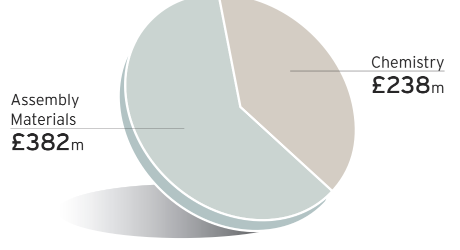
End-markets for the Chemistry product lines' plating chemical products (excluding precious metal sales) are split between the electronics industry (42%) and other industrial and automotive applications (58%).

Revenue for the year at £238 million was 8% lower than 2007 at constant exchange rates (3% higher at reported exchange rates). The lower revenue reflected the sharp deterioration in electronic and automotive markets in the fourth quarter of 2008 combined with the selective reduction in sales of non-proprietary electro-plating chemicals (revenue down from £18 million to £10 million). Sales of plating-on-plastics and corrosion and wear-resistant coating products for industrial and automotive markets were down 3%, whilst sales of surface coating products serving the PCB fabrication market within electronics were down 7%, both reflecting the difficult trading environment in these markets towards the end of the year.

Trading profit for 2008 fell substantially compared to 2007 at both constant and reported exchange rates, with a corresponding reduction in the return on sales margin.

Ormecon GmbH, a speciality surface finishing technology development company, was acquired on 3 September 2008 for a cash consideration of €13.5 million. This acquisition further strengthens Chemistry's market leading position in PCB surface coating products and the business has now been fully integrated within the existing German operations.

2008 Revenue by product line



Precious Metals

The Precious Metals division is a leading supplier of fabricated precious metals (primarily gold, silver and platinum) to the jewellery industry in the US, UK, France and Spain.

The Precious Metals division operates in two distinct geographic regions; the US, which constitutes 54% of the total net sales value (being revenue excluding the precious metals content) for the division, and Europe (which is focused on the UK, France and Spain). Average precious metal prices in 2008 were higher than for 2007 with gold and silver higher by 27% and 14% respectively. Gold prices at the end of 2008 were 6% higher than at the beginning of the year, whilst silver prices were 23% lower.

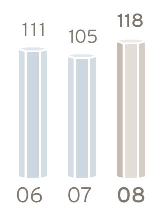
Net sales value of £118 million was 3% higher at constant exchange rates (12% higher at reported exchange rates). This reflected a sharp downturn in the demand for jewellery due to consumer spending cutbacks, being more than offset by additional net sales value from the Leach & Garner business, acquired in September 2007 and strong demand from the US Mint for gold coin blanks. The European businesses also benefited from higher levels of precious metal reclaim activity, stimulated by the high price of gold.

Trading profit for 2008 at £4.5 million was 55% (£5.4 million) below 2007 (at reported exchange rates). The profit shortfall arose wholly in the US due to the reduction in underlying volumes and the relatively low profitability of the Leach & Garner trading activity prior to its transfer to the division's principal US production facility in Attleboro (Massachusetts) which was completed in July 2008. Actions taken to mitigate the profit shortfall in the US included headcount reductions and the acceleration of the integration of the Leach & Garner business. Total headcount in the US was reduced by 13% (around 170 people) during 2008. A new low-cost facility was completed in the Dominican Republic in March 2008 and the manufacture of a number of product lines has been transferred from Attleboro to the new facility on a phased basis during 2008.

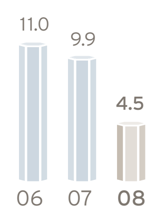
The performance of the European businesses has improved compared to 2007, benefiting from the restructuring initiatives undertaken in 2007 and the high level of reclaim activity. The restructuring initiatives included the downsizing of manufacturing operations in Birmingham (UK), the opening of a new low-cost facility in Thailand in the second half of 2007, and the closure of the Mauritius facility.

The return on net sales value for the division was 3.8% (2007: 9.4%).

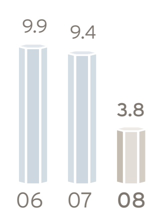
NSV
£m



Trading Profit
£m



Return on NSV
%



Group corporate

The Group's corporate costs, being the costs directly related to managing the Group holding company and which now incorporate the former central operations of Foseco, were £7.6 million, in line with 2007.

"Through the rights issue and other recent initiatives, we have strengthened our financial position and created a capital structure more suited to the current environment."

Mike Butterworth Group Finance Director

Group results highlights

	2008	2007	Change vs 2007
Profit before tax (£m)			
– headline	**176.2**	149.8	+18%
– basic	**89.6**	151.6	-41%
Earnings per share (pence)*			
– headline	**8.9**	8.2	+9%
– basic	**3.3**	8.0	-59%
Dividends per share (pence)*			
– interim	**0.88**	0.64	+38%
– final	**–**	1.32	–
Free cash flow (£m)	**73.1**	47.6	up 25.5
Net debt (£m)	**731.7**	50.6	up 681.1

* As restated for the effect of the rights issue in March 2009

As described in detail in the Operating Review, the significant deterioration in trading in the majority of the Group's businesses in the fourth quarter of 2008 led to a reduction in operating margins for the year which were 0.7 percentage points lower at 9.8%. However, as a result of the post-acquisition contribution from Foseco, trading profit increased to £216.3 million – an increase of 11% on that reported for 2007 at constant exchange rates. The positive impact of currency translation resulted in trading profit at reported exchange rates increasing by 28% compared to 2007.

After net finance costs (ordinary activities) of £40.8 million, increased from last year as a result of the higher borrowings arising from the completion of the Foseco acquisition in April 2008, headline profit before tax was up 18% over last year to £176.2 million. The Group's effective tax rate remained broadly in line with 2007 at 27.5% (2007: 26.9%).

The improvement in the Group's trading profit more than offset the increase in finance costs and with a broadly unchanged effective tax rate this resulted in a 9% increase in headline earnings per share over 2007, notwithstanding an 8% increase in the weighted average number of shares as a result of the October 2007 share placing. Despite this improvement, the very significant deterioration in end-market conditions in the fourth quarter of 2008, resulted in the Board's decision not to recommend a final dividend to shareholders in respect of 2008. As a result, total dividends for the year consist only of the interim dividend of 0.88 pence per ordinary share (as restated for the effect of the rights issue) which was paid in October 2008.

Following the completion of the acquisition of Foseco in April 2008 for a total consideration of £620 million, the Group ended the year with net debt of £732 million, an increase of £681 million from 31 December 2007. In March 2009, the Group completed a successful rights issue which raised cash proceeds of £241 million, net of expenses.

Group Income Statement

Headline profit before tax

Headline profit before tax was £176.2 million for 2008, which was £26.4 million higher than for 2007. The increase in headline profit before tax arose as follows:

	2008 £m	2007 £m	Change £m	Change %
Trading profit:				
– at 2008 exchange rates	**216.3**	194.1	22.2	+11%
– currency impact	**–**	(24.5)	24.5	
Trading profit – at reported exchange rates	**216.3**	169.6	46.7	+28%
Net finance costs (ordinary activities)	**(40.8)**	(21.5)	(19.3)	-90%
Post-tax income from joint ventures	**0.7**	1.7	(1.0)	-59%
Headline profit before tax	**176.2**	149.8	26.4	+18%

The £19.3 million higher charge for net finance costs (ordinary activities) arises from an increase in the average level of borrowings throughout the year resulting principally from the acquisition of Foseco in April 2008.

Items excluded from headline profit before tax

A net charge of £86.6 million was incurred in 2008 (2007: credit of £1.8 million) for the following items excluded from headline profit before tax:

Restructuring and integration costs: costs of £39.6 million (2007: £5.8 million) were incurred in 2008. Of the total charge, £8.2 million related to the non-cash write-down of assets and £31.4 million to cash-related costs. The principal items included in the charge for 2008 were as follows:

- £26.1 million arose in the Ceramics division, of which £17.1 million related to the integration of Foseco (of which £10.7 million related to redundancy costs), £7.7 million to asset write-offs associated with the announcement in January 2009 of the intended closure of six manufacturing facilities, and £1.3 million to other cost-saving initiatives completed in the fourth quarter of 2008 in response to the very significant deterioration in end-markets towards the end of 2008;
- £8.8 million in the Electronics division, of which the principal elements were £3.7 million related to the relocation of the Assembly Materials solder paste business from Ashford, UK to Hungary, £3.1 million to redundancy costs in the fourth quarter of 2008 in response to the very significant deterioration in end-markets towards the end of 2008, and £0.5 million in the Chemistry product line for further rationalisation of the sales, manufacturing and distribution network in Europe; and
- £3.3 million in the Precious Metals division, principally relating to the integration of Leach & Garner, the partial transfer of manufacturing from Birmingham, UK to the new low-cost facility in Thailand, closure of the Mauritius facility and further restructuring of the US operations.

The costs of integrating Foseco into the Ceramics division are currently expected to be around £21 million in total, of which the remaining £4 million is expected to be reported as a charge (all cash-related) in the full year 2009. In addition, non-Foseco related restructuring costs of around £23 million (all of which are cash-related) are currently expected in the full year 2009, reflecting additional cost-saving initiatives launched in response to the difficult trading environment. Of the total cost of £23 million, £15 million relates to additional costs (principally redundancy costs) associated with the announcement in January 2009 of the intended closure of six of the Ceramics division's manufacturing facilities (two in the US and one each in the UK, Belgium, Germany and Mexico).

Inventory fair value adjustment: non-cash costs of £2.6 million (2007: £nil) have been incurred in 2008 relating to the element of Foseco's inventory that was uplifted in value as part of the fair value exercise on acquisition. Current accounting rules require the value of all acquired inventory to be uplifted from its net book value to a fair value, deemed to be its selling price less disposal costs and the portion of the total profit attributable to the selling effort. This has the effect of capitalising into inventory the expected profit earned up to the stage of production that the inventory had reached at the acquisition date. The inventory on hand at acquisition was sold during the remainder of 2008 and this exceptional cost represents that element of total manufacturing costs that related to this Foseco-related inventory valuation uplift.

Profit relating to non-current assets: a profit of £3.4 million (2007: £7.0 million) was realised in 2008, principally relating to profit arising on the disposal of investments (comprising assets held in Rabbi Trusts), being partially offset by a write-down of property, plant and equipment in the Semi-conductor Packaging Materials business, part of the Electronics division.

Amortisation and impairment of intangible assets: costs of £52.5 million (2007: £nil) were incurred in 2008, of which £12.9 million related to the amortisation of intangible assets, being principally the customer relationships, intellectual property rights and the Foseco trade name, arising on the acquisition of Foseco. These intangible assets are being amortised over lives of either 10 or 20 years. The total cost of acquiring Foseco (including the net debt acquired) was £620 million, of which £41 million has been allocated to net tangible assets, £256 million to intangible assets and £323 million to goodwill.

The remaining charge of £39.6 million related to the write-off, as a non-cash charge, of all of the goodwill relating to the Precious Metals division. The Precious Metals division has been experiencing weak end-markets and, as a result, the calculations used for impairment testing purposes indicated that the carrying value of the goodwill relating to this division was not supportable.

Items excluded from headline profit before tax (continued)

Curtailment gains relating to employee benefits: a credit of £6.0 million (2007: £1.0 million) was realised in the year relating to the full closure to future accruals of Foseco's US defined benefit pension plans, the disposal of Foseco's CBC business and the impact of redundancy programmes in the UK and the US.

Finance costs – exceptional items: costs of £2.2 million were incurred in 2008 (2007: £nil) relating to the write-off of up-front fees arising from the cancelled part of the bank facilities put in place to finance the acquisition of Foseco.

Profit on disposal of continuing operations: a net profit of £0.9 million was realised in 2008 (2007: loss of £0.4 million) principally relating to a profit of £8.1 million on the disposal on 23 December 2008 of the Hi-Tech ceramic filters business (formerly part of the Ceramics division's foundry product line) and a net loss of £4.0 million relating to the closure of the Chinese operations of Foseco's CBC business. The substantive part of Foseco's CBC business, namely its operations in Europe and the US, were sold on 16 April 2008. The net credit included a write-off of goodwill of £2.6 million.

Group profit before tax and after the items noted above was £89.6 million for 2008 compared to £151.6 million in 2007, a reduction of 41%.

Taxation

The tax charge on ordinary activities was £48.3 million. The effective tax rate on headline profit before tax from continuing operations (before share of post-tax profit of joint ventures) was 27.5%, broadly in line with the 2007 rate of 26.9%. This effective tax rate is expected to remain broadly unchanged in 2009, absent any significant changes in the future geographic split of the Group's taxable profits and any material changes, beyond those already announced, in the statutory tax rates in those countries where the Group has significant taxable profits. The cash outflow in respect of tax in 2008 was £52.0 million (2007: £26.7 million).

A tax credit of £8.1 million (2007: charge of £3.5 million) arose in relation to all the items excluded from headline profit before tax noted above.

Profit attributable to equity holders

Headline profit attributable to equity holders for 2008 was £124.6 million (2007: £107.0 million), with the £17.6 million increase over 2007 principally arising from the significant increase in headline profit before tax. Profit attributable to minority interests of £3.3 million was broadly in line with 2007.

After taking account of all items excluded from headline profit before tax noted above (net of the related tax impact), the Group recorded a profit of £49.4 million for 2008, £58.5 million lower than the £107.9 million profit recorded in 2007.

Return on investment (ROI)

The Group's post-tax ROI in 2008 was 8.2%, below the 9.8% reported in 2007 reflecting the deterioration in end-market conditions in the fourth quarter of the year. The Group's post-tax cost of capital ("WACC") is approximately 9.0%.

Earnings per share (EPS)

The average number of shares in issue during 2008 was 1,407.8 million, 101.6 million higher than for 2007 principally reflecting the full year impact of the placing of 123.4 million new shares on 11 October 2007. The average number of shares in issue used in the calculation of EPS for all years has been multiplied by an adjustment factor to reflect the bonus element in the 2,551.3 million shares issued in respect of the rights issue announced on 29 January 2009. The adjustment factor used was 6.6391.

Headline EPS, based on the headline profit attributable to equity holders divided by the average number of shares in issue, amounted to 8.9 pence per share in 2008, an increase of 9% on the restated 8.2 pence for 2007. Excluding the impact of the rights issue made subsequent to the year-end, headline earnings per share in 2008 would have been 58.8 pence.

The Board believes the basis of calculating EPS on a 'headline' basis is an important measure of the underlying earnings per share of the Group. Basic EPS, based on the net profit attributable to parent company equity holders, was 3.3 pence (2007: 8.0 pence).

Dividend

For 2007 (adjusted for the impact of the bonus element of the rights issue in March 2009), the Company paid a total dividend of 1.96 pence per share; an interim dividend of 0.64 pence per share was paid in October 2007; and a final dividend of 1.32 pence per share was paid in June 2008.

For 2008 (and adjusted for the impact of the bonus element of the rights issue in March 2009), an interim dividend of 0.88 pence per share was paid in October 2008. Whilst the Group reported a good improvement in underlying earnings for 2008, the very significant deterioration in end-market conditions in the fourth quarter of 2008 and the beginning of 2009, has resulted in the Board's decision not to recommend a final dividend for 2008 to shareholders. As a result, total dividends for the year consist only of the interim dividend of 0.88 pence per ordinary share.

A decision to resume dividend payments will be made once a clear recovery can be seen in our end-markets and trading performance, and in the context of the Group's cash requirements at that time.

Group cash flow

Net cash inflow from operating activities

In 2008, the Group generated £120.4 million of net cash inflow from operating activities, £51.0 million higher than in 2007. This net increase principally arose from:

	2008 £m	2007 £m	Change £m
EBITDA	**263.5**	204.3	59.2
Trade and other working capital	**(8.9)**	(44.8)	35.9
Cash outflow related to assets and liabilities held for sale	**–**	(1.5)	1.5
Restructuring and integration costs paid	**(23.0)**	(14.7)	(8.3)
Additional pension contributions	**(25.0)**	(28.1)	3.1
Net interest paid	**(34.2)**	(19.1)	(15.1)
Taxation paid	**(52.0)**	(26.7)	(25.3)
Net cash inflow from operating activities	**120.4**	69.4	51.0

The £8.9 million cash outflow in respect of trade and other working capital was significantly lower than the £44.8 million outflow in 2007 as a result of both the significantly lower level of trading activity in the fourth quarter of 2008 as a result of the deterioration in end-markets and also lower metal prices towards the end of the year (notably for silver and tin) in the Assembly Materials sector. These factors were partially offset by the build up of raw material inventories in the Ceramics division in the second half of 2008, driven by concerns over raw material shortages caused by the Beijing Olympics and the prevailing high commodity prices at the time. These higher inventory levels are expected to unwind during the first half of 2009.

The significant reduction in revenue in the fourth quarter of 2008 resulted in the ratio of average trade working capital to sales for 2008 deteriorating by 1.2 percentage points to 24.2% compared to 2007.

Cash outflow for restructuring and integration was £23.0 million related to programmes that were initiated either in 2008 or prior years. Of the total cash outflow for restructuring and integration, £14.8 million related to the Ceramics division, all related to Foseco. A cash outflow for restructuring and integration of around £35 million is expected in 2009 relating both to the completion of the programmes initiated in 2008 or earlier years and to the cost-saving initiatives launched at the beginning of 2009.

Net cash outflow from investing activities

Capital expenditure: payments to acquire property, plant and equipment in 2008 were £72.8 million, 22% higher than 2007 and representing 154% of depreciation (2007: 172%). Of the total payments, £57.9 million arose in the Ceramics division in respect of the completion of a number of capacity expansion projects in China, the Czech Republic, Mexico and Belgium. A cash outflow for capital expenditure of not more than £45 million is expected in 2009 reflecting the suspension of all capacity expansion projects until there is clear evidence of market recovery.

Proceeds from the sale of surplus properties: net proceeds, principally arising in Italy, were £2.2 million (2007: £10.5 million).

Sale of other investments: net proceeds of £14.7 million (2007: £nil) principally arose from the disposal of a number of investments held in the US in Rabbi Trusts. These investments were being held to fund certain non-qualified US pension plan obligations which became payable at the end of 2008.

Dividends from joint ventures: dividends of £0.4 million were received in 2008 (2007: £1.3 million) from the Chemistry product line's Japanese joint venture.

Acquisitions: net cash outflow for acquisitions in 2008 was £502.2 million and included the following:

- The acquisition of Foseco on 4 April 2008 for £484.6 million, comprising cash to acquire Foseco's shares of £496.7 million, transaction costs of £8.4 million, and cash acquired of £20.5 million. In addition to this cash outflow, Cookson also assumed Foseco's gross borrowings at the date of acquisition of £126.4 million which is detailed below;
- The acquisition of an additional 20% interest in Foseco India, an Indian publicly listed company, in February 2008 for £7.3 million, including cash consideration for the shares of £6.9 million and transaction costs of £0.4 million. This transaction was required by Indian takeover regulations as a result of Cookson's acquisition of Foseco. Following the acquisition of Foseco, Cookson holds 86% of the shares of Foseco India; and
- The acquisitions in September 2008 of Ormecon GmbH and SG Blair for a combined cost of £10.3 million.

Disposals: net cash inflow from disposals in 2008 was £21.2 million, principally relating to the disposal on 16 April 2008 of Foseco's CBC business to RHI AG (gross proceeds of £8.0 million) and the disposal on 23 December 2008 of the Ceramics division's Hi-Tech ceramic filters business to Süd-Chemie AG (gross proceeds of £16.5 million).

Other investing outflows: net cash outflow from other investing activities in 2008 was £2.1 million (2007: £11.6 million) which principally comprised trailing costs of £4.9 million in respect of prior years' disposals.

Free cash flow

Free cash flow is defined as net cash flow from operating activities and after net outlays for the acquisition and disposal of property, plant and equipment, dividends received from joint ventures and paid to minority shareholders, but before additional funding contributions to Group pension plans.

Free cash inflow for 2008 was £73.1 million, £25.5 million higher than 2007, due to the £51.0 million increase in net cash flow from operating activities for the reasons described above, more than offsetting the £12.9 million increase in the payments to acquire property, plant and equipment.

As in prior years, free cash flow in the second half of the year increased strongly compared with the first half due to significantly higher cash inflows from trade working capital.

Net cash flow before financing

Net cash outflow before financing for 2008 was £418.2 million, £442.4 million higher than 2007. This arose due to the cash payments in respect of the acquisition of Foseco more than offsetting the increase in free cash flow.

Cash flow from financing activities: net cash outflow from financing activities (before movement in borrowings) was £24.3 million (2007: inflow of £104.2 million), principally comprising the following:

- Cash inflow of £18.3 million (2007: outflow of £20.0 million) relating to the settlement during the year of forward foreign exchange contracts, in particular the US dollar and euro swaps which were closed out in October and November in response to the significant weakening of sterling. These forward foreign exchange contracts had been taken out to broadly align the currency profile of the Group's borrowings with the net assets of the Group and formed part of the hedge on investments of the Group's foreign operations;
- Payments of £3.9 million to acquire Cookson Group plc shares for the purpose of satisfying the vesting of shares under the Group's Long-Term Incentive Plan;
- Payments of £6.0 million (2007: £4.8 million) in respect of the transaction costs for the £790 million committed bank facility entered into in October 2007; and
- Dividend payments to equity shareholders of £31.0 million in respect of the 2007 final dividend of 1.32 pence per share in June 2008 and the 2008 interim dividend of 0.88 pence per share in October 2008.

Net cash flow and movement in net debt: net cash outflow for 2008 (before movement in borrowings) was £442.5 million, £570.9 million higher than 2007.

With a £117.4 million negative foreign exchange adjustment, £128.1 million of gross borrowings assumed on acquisitions (of which £126.4 million was Foseco-related), and £6.9 million of other non-cash movements, the net cash outflow resulted in an increase in net debt of £681.1 million to £731.7 million. The negative translation impact arose principally as a result of the significant weakening of sterling against most major currencies between 1 January and 31 December, 2008. Between these two dates, sterling weakened 24% against the euro, 27% against the US dollar and 32% against the Chinese renminbi.

Group borrowings

The net debt of £731.7 million as at 31 December 2008 was primarily drawn on available medium to long-term committed facilities of just over £0.9 billion. The Group's net debt comprised the following:

	31 December 2008 £m	31 December 2007 £m
US Private Placement loan notes	250.4	183.0
Committed bank facility	565.5	13.0
Lease financing	4.8	1.5
Other loans and overdrafts	26.8	20.5
Gross borrowings	847.5	218.0
Cash and short-term deposits	(115.8)	(167.4)
Net Debt	731.7	50.6

The US Private Placement loan notes, currently US$365 million, are repayable in three tranches; US$40 million in November 2009, US$135 million in May 2010 and US$190 million in May 2012.

In October 2007, the Group entered into a new multi-currency, committed bank facility for approximately £790 million, raised for the purpose of the acquisition of Foseco. This facility was used, in combination with the net proceeds of £151 million from the share placing on 11 October 2007, to finance the acquisition of Foseco in April 2008. This included the refinancing of the existing committed bank facilities of Cookson and Foseco. This facility was originally repayable in three tranches; £75.0 million and €37.5 million in October 2010, £75.0 million and €37.5 million in October 2011 and £500.0 million and €75.0 million in October 2012.

On 6 March 2009, the Group came to an agreement with its banks whereby the Group agreed to prepay in March 2009 the £75.0 million and €37.5 million repayments originally due in October 2010. In exchange for this the banks have rescheduled the tightening of the net debt to EBITDA covenant. As a result, the covenant test will now be 3.5 times (previously 3.0 times) at 30 June 2009 and 31 December 2009, reverting to 3.0 times as at 30 June 2010 and thereafter.

For 2008, the Group's EBITDA to interest on borrowings ratio was 7.6 times (as compared with not less than 4.0 times for bank covenant purposes) and the net debt to EBITDA ratio (on a pro-forma basis reflecting the acquisition of Foseco) was 2.6 times.

On 4 March 2009, the Group completed a rights issue which raised £241 million of cash proceeds (net of expenses of £14 million). The rights issue resulted in the issue of 2,551 million new shares at an issue price of 10 pence with the shares being issued on the basis of 12 new shares for every 1 existing share.

Currency

The weakening of sterling during 2008, particularly in the second half of the year, had a marked impact on the average exchange rates used to translate the Group's overseas results into sterling for 2007 and 2008. Between these years, the average exchange rates for sterling weakened against most European currencies (notably the euro by 14%, the Polish zloty by 20% and the Czech Republic koruna by 23%), as well as against the US dollar (by 7%), the Chinese renminbi (by 15%) and the Brazilian real (by 14%).

In 2008, the net translation impact of currency changes compared to 2007 was to increase revenue by around £175 million and trading profit by around £25 million.

Pension fund and other post-retirement obligations

The Group operates defined contribution and defined benefit pension plans, principally in the UK and US. In addition, the Group has various other defined benefit post-retirement arrangements, being principally healthcare plans in the US. The Group's UK defined benefit pension plans, including that of Foseco, are closed to new members and its major defined benefit pension plans in the US, including Foseco, are now closed to new members and to further accrual for existing members.

As at 31 December 2008, a net liability of £95.3 million was recognised in respect of employee benefits, a similar level to the £96.1 million as at 31 December 2007, notwithstanding the inclusion of Foseco's net employee deficit, which totalled £54.9 million as at 31 December 2008. The increase in the Group's net liability as a result of the Foseco acquisition has been more than offset in the year by the effects of the increase of the prescribed discount rates used to calculate the present value of future liabilities and, in respect of Cookson's main UK defined benefit pension plan ("the UK Plan"), the additional 'top-up' funding payments made throughout 2008.

The total Group net liability comprises a surplus of £70.6 million, relating almost entirely to the UK Plan, together with a deficit of £165.9 million, of which £89.5 million relates to the Group's defined benefit pension plans in the US, £47.3 million to pension arrangements in other countries, and £29.1 million to unfunded post-retirement defined benefit arrangements, being mainly healthcare benefit arrangements in the US.

During 2008 it was agreed, in consultation with the Trustee of the UK Plan, to reduce the level of 'top-up' payments (made in addition to normal cash contributions). These payments had been made at a rate of £26.5 million per annum from February 2006 and became £14.0 million per annum with effect from 1 September 2008. Since the end of 2008, the Group has again consulted with the Trustee and both have agreed to a change to the existing schedule of 'top-up' payments, such that no further additional payments will be made from January 2009 until July 2010, or until such earlier time as the Group announces that it is to recommence payment of dividends to shareholders. Upon additional payments being recommenced, these will amount to a maximum of £16.3 million per annum until June 2015. A new triennial funding valuation is due for the UK Plan as at the end of 2009, based upon which the Company and Trustee expect to agree a new schedule of contributions to commence in July 2010.

The discount rate used to determine the liabilities of the UK Plan for IAS 19 accounting purposes is required to be a corporate bond yield. The UK Plan has, since 2006, operated a hedging strategy, using a combination of swaps and money market instruments, to mitigate the impact of interest rate and inflation rate movements on the value of its projected liabilities for meeting future pension payments (the UK Plan's "economic liabilities"), the value of which is related more to interest rate and inflation rate swap yields than to corporate bond yields. When the relationship between the relevant swap yields and corporate bond yields is stable, the UK Plan's hedging strategy should deliver a broadly stable funding ratio (the ratio of plan assets to plan liabilities) not just in relation to the UK Plan's economic liabilities, but also under an IAS 19 basis of valuation. However, the current spread of corporate bond yields over swap yields results in the IAS 19 value of the UK Plan's liabilities being significantly lower than the value of the actual underlying economic liabilities. As at the end of 2008, an interim funding valuation (incorporating the UK Plan's economic liabilities) showed a funding ratio of 85%, but the IAS 19 valuation reflected a funding surplus, giving a ratio of 120%. This represents a valuation difference of approximately £140 million, of which some £30 million is due to the use of the stronger Long Cohort mortality assumption for funding purposes and the rest is largely due to the difference in the discount rates used in each valuation methodology. The Group continues to fund the UK Plan with reference to its economic funding position.

Mike Butterworth Group Finance Director
9 March 2009

Corporate Responsibility Statement

Policy

Cookson recognises that its operations impact a wide community of stakeholders, including investors, employees, customers, business associates and local communities and that appropriate attention to the fulfilment of its corporate responsibilities can enhance overall performance. In structuring its approach to the various aspects of corporate social responsibility, the Company takes account of guidelines and statements issued by stakeholder representatives and other regulatory bodies from around the world.

Social, environmental and ethical matters are reviewed by the Board, particularly as regards the impact such matters may have on the Group's management of risk and the internal control systems in place for addressing any significant associated risks.

Code of Conduct

The Company has a Code of Conduct ("Cookson Code"), which has been distributed throughout the Group in 25 languages and by which all its businesses are required to operate. The Cookson Code emphasises the Company's commitment to compliance with the highest standards of legal and ethical behaviour. The Cookson Code is reproduced in full on the Company's website.

As stated in the Cookson Code, the primary goal of Cookson is the protection and advancement of the interests of investors by providing attractive returns on a long-term basis. In striving to achieve this goal, management must conduct its business in a responsible manner, while engaging in careful risk-taking as an essential ingredient of business success. The Cookson Code requires that particular care be given to the preservation and protection of Group assets by making prudent and effective use of resources. Long-term customer satisfaction is recognised as being essential to the attainment of Group goals, which means listening carefully to customers' product and service requirements and maintaining a reputation for integrity in all business and other dealings.

The Group can only achieve its goals through the efforts of its employees. Cookson recognises that job satisfaction requires working environments that motivate employees to be productive and innovative, and which provide opportunities for employee training and development to maximise personal potential and develop careers within the Group. Cookson believes that wherever in the world they work employees have the right to be treated in good faith and on the basis of respect for the dignity of the individual.

The Cookson Code requires all Group companies to ensure that recruitment, training, promotion, career development, termination and similar employment-related issues are based on individual ability, achievement, experience and conduct without regard to race, colour, nationality, culture, ethnic origin, religion, sex, sexual orientation, age, disability or any other reason not related to job performance or prohibited by applicable law.

The Cookson Code requires all employees, officers and Directors to have a duty of loyalty to the Group. Individuals may not use their positions to profit themselves or others at the expense of the Group. Personal interests that do, may or might appear to conflict with Group interests or improperly influence the performance of an individual's duties must be avoided at all times.

Cookson seeks to be a good corporate citizen wherever it conducts business. The Cookson Code requires employees to observe all national and local laws and never seek to gain any advantage through the inappropriate use of payments, business courtesies or other inducements. Bribery is strictly prohibited. Group businesses must respect and take into account regional and local concerns, customs and traditions.

Helpline

Cookson has a 24-hour Employee Business Concern Helpline telephone and email facility. This is operated by a professional, external provider of employee support, counselling and business concern services, which provides Cookson's employees and business associates worldwide with an independent and confidential service through which to register any concerns about any incorrect or irregular practices they perceive in Cookson's workplace. With the express permission of the caller or email correspondent, the service provider reports any matters raised to a designated team at Cookson's Head Office for investigation.

Health, Safety and Environmental Statement

Policy

Cookson has a Health, Safety and Environment ("HS&E") Policy based on the principle of operating in a manner that preserves health, safety and a sound environment. For Cookson companies worldwide, the minimum acceptable standard is to meet their legal HS&E obligations, however, the aim is to improve continually. Cookson believes that good HS&E performance is an integral part of effective and profitable business management. The policy, which is reviewed regularly, is available in full on the Group's website, www.cooksongroup.co.uk.

Management systems

The Board assumes ultimate responsibility for HS&E policy and for monitoring its implementation, while executives and line managers are directly responsible for HS&E matters in the operations under their control. A reporting system is in place to collect, collate and report on HS&E matters, including key performance indicators. Advice and support is available from the corporate HS&E function, led by the Group Head of HS&E who reports on these matters to the Board.

During 2008, the number of Cookson locations with certification to ISO 14001, the international standard for environmental management systems, and OHSAS 18001, the standard for health and safety management systems, increased, principally as a result of the Foseco acquisition. The Group now has 60 locations certified to ISO 14001 and 29 locations certified to OHSAS 18001.

Performance

Since 2004, Cookson has operated a programme aimed at reducing energy use and the associated emissions of carbon dioxide ("CO_2"), the principal greenhouse gas. The programme trains employees to understand energy use and conservation principles and introduces energy audits to assist high-use sites in identifying and implementing conservation measures. During 2008, Cookson conducted energy audits and prepared energy use-reduction plans at 17 facilities. These efforts have yielded a 3.4% reduction in gas use and a 6.7% reduction in electricity use from 2007 to 2008, excluding the impact of the Foseco acquisition.

A number of Cookson companies in the US have been named as potentially responsible parties under the Superfund law for wastes disposed of at sites owned by third parties. Although likely Group costs depend on many factors, the few cases that remain active are expected to be settled within the amounts already provided.

Like many manufacturers, some Group companies have potential environmental liabilities because of past operations at their current or former sites. Where remediation is required, Cookson environmental managers and external specialists work with government authorities to ensure that remediation is conducted effectively and efficiently.

Compliance

A small number of enforcement notices were issued to Cookson companies in 2008, including several that assessed minor penalties. One civil court action for alleged non-compliance with waste management requirements associated with managing an inactive site was filed against a Cookson company in 2006. The company expects to settle the case in 2009.

REACH

Cookson companies began implementing the European regulation for the Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") in 2008. Each chemical manufacturing business established a team to address REACH obligations. The businesses filed appropriate pre-registrations by the statutory deadline and contacted suppliers to ensure that the chemicals necessary for future operations would remain available.

Workplace

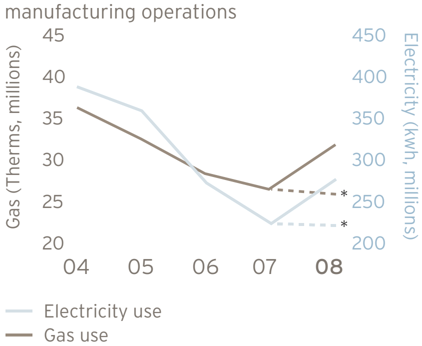
Cookson's success depends on retaining the commitment of the people who work within it. The Group strives to ensure that employees have a safe environment in which to work and that employment practices are fair and equitable.

Safety

Cookson's goal is zero work-related injuries and illness. To achieve this, a worldwide initiative was commenced in 2002 to improve safety performance, with a particular focus on applying sound risk assessments and ergonomic principles. The programme includes minimum standards of performance, targeted assistance to higher risk sites and a variety of training and awareness activities. To ensure continued progress, the Group set, in early 2007, a target of a further reduction in injury and illness rates of 30% by the end of 2009. In 2008, Cookson's largest division initiated a "Safety Breakthrough" campaign in response to several serious accidents and to renew emphasis on safety performance with a heightened focus on ensuring satisfactory health and safety environments in customers' locations where Cookson employees are required to work. By the end of 2008, Cookson's overall recordable injury rate had improved by 27% percent over the 2007 rate, and the rate of injuries that caused days away from work improved by 12% compared to the 2007 rate.

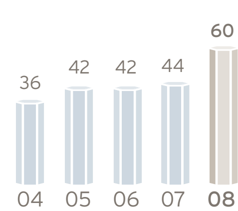
During 2008, Cookson continued to focus on the elimination of work-related injuries through better application of ergonomic principles. The last five years have seen extensive ergonomic training throughout the Group and the establishment of ergonomic teams at a number of facilities, leading to a significant improvement in their performance. Additional information on HS&E matters can be found on the Group's website – www.cooksongroup.co.uk.

Energy Consumption
manufacturing operations

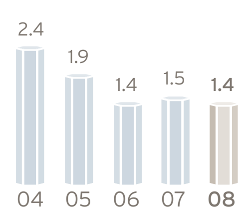


* Excluding Foseco

Facilities certified to ISO 14001



Rate of injuries & illness that resulted in absence from work
per 100 employees










From left to right
Top to bottom:

Robert Beeston
Nick Salmon
Mike Butterworth
John Sussens
Jeff Hewitt
Jan Oosterveld
Barry Perry
Richard Malthouse

BOARD OF DIRECTORS

Robert Beeston
Chairman c, d

Joined the Cookson Board in April 2003 and was appointed Chairman at the Company's Annual General Meeting later that month.

Bob was the Chief Executive Officer of FKI plc from 1992 to 2002 and prior to that was Managing Director of BTR Valve Group. He is Chairman of Elementis plc and Senior Independent Director and Chairman of the Remuneration Committee of D S Smith plc.

Nick Salmon
Chief Executive c, d, f

Appointed Chief Executive in July 2004.

Prior to joining Cookson, Nick was Executive Vice President at Alstom SA. Previously he was the CEO at Babcock International Group plc and held senior management positions at GEC and China Light & Power Company Limited. Nick is the Senior Independent Director of United Utilities Group plc.

Mike Butterworth
Group Finance Director d, f

Appointed to the Cookson Board in June 2005 and assumed the role of Group Finance Director in August 2005.

Prior to joining Cookson, Mike was Group Finance Director of Incepta Group plc. He previously spent five years as Group Financial Controller at BBA Group plc.

John Sussens
Non-executive Director a, b, e

Appointed to the Cookson Board in May 2004 and is Chairman of the Remuneration Committee and Senior Independent Director.

John was previously Managing Director of Misys plc. He is currently Senior Non-executive Director and Chairman of the Remuneration Committee of Admiral Group plc. He is also a non-executive director of Anglo & Overseas plc.

Jeff Hewitt
Non-executive Director a, b

Appointed to the Cookson Board in June 2005 and is Chairman of the Audit Committee.

Jeff was previously Deputy Chairman and Group Finance Director of Electrocomponents plc. He is Chairman of Regenersis plc and a non-executive director of ZincOx Resources plc and Cenkos Securities plc. He is also the external Chairman of the Audit Committee of the John Lewis Partnership. Jeff is a Chartered Accountant.

Jan Oosterveld
Non-executive Director a, b

Appointed to the Cookson Board in June 2004.

Jan spent the majority of his career at Royal Philips Electronics, latterly serving as a member of the Group Management Committee. He is Chairman of the Supervisory Board of Crucell N.V. and a non-executive director of Barco N.V. and Candover Investments plc. Jan is also a Professor at IESE Business School in Barcelona.

Barry W Perry
Non-executive Director a, b

Appointed to the Cookson Board in January 2002.

Barry was formerly Chairman and Chief Executive Officer of Engelhard Corporation, a US-based surface and materials science company. Prior to that he held senior executive positions with Rhone-Poulenc and with General Electric Co. Barry is a non-executive director of Arrow Electronics, Inc and Ashland Inc.

Richard Malthouse
Group Secretary f, g

Appointed Group Secretary in 1993.

He was previously the Group Secretary of Del Monte Foods International. He has held senior company secretarial positions in pharmaceutical, engineering and automobile manufacturing companies.

a Member of the Audit Committee
b Member of the Remuneration Committee
c Member of the Nominations Committee; the membership also includes any three non-executive Directors
d Member of the Finance Committee
e Senior Independent Director
f Member of the Executive Committee
g Not a member of the Board