

4 August 2009

COOKSON GROUP PLC – 2009 HALF YEAR FINANCIAL REPORT

HIGHLIGHTS

- Revenue of £929 million, down by one-third on an underlying basis*
- Trading profit of £16.5 million. All divisions profitable
- Cost-reduction programmes proceeding as planned to reduce annual cost base by over £65 million and headcount by 3,200 (19%) from September 2008 level
- Exceptional charges (pre tax) of £86 million, including £66 million for restructuring
- Strong free cash flow of £84 million, compared to £7 million in first half 2008
- Net debt reduced by £294 million to £438 million, through rights issue and strong cash generation and after £24 million cash outflow for restructuring
- Some recent signs of recovery in ceramics end-markets; progressively improving trends in electronics end-markets since March continuing into third quarter

* at constant currency and metal prices and as if Foseco had been acquired on 1 January 2008

	First Half		Increase/(decrease) vs H1 2008		Year
	<u>2009</u>	<u>2008</u>	<u>Reported rates</u>	<u>Constant rates</u>	<u>2008</u>
Revenue	£929m	£1,058m	(12)%	(27)%	£2,203m
Trading profit ¹	£16.5m	£113.3m	£(96.8)m	£(120.1)m	£216.3m
Return on sales ¹	1.8%	10.7%	(8.9)pts	(9.0)pts	9.8%
(Loss)/profit before tax					
- headline ¹	£(3.3)m	£99.1m	£(102.4)m		£176.2m
- basic	£(89.7)m	£75.2m	£(164.9)m		£89.6m
(Loss)/earnings per share ²					
- headline ¹	(6.2)p	50.1p	(56.3)p		88.5p
- basic	(42.6)p	34.3p	(76.9)p		32.7p
Dividends per share ^{2,3}	-	8.8p			8.8p
Free cash flow ¹	£84.4m	£6.5m	£77.9m		£73.1m
Net debt ¹	£438.2m	£706.3m			£731.7m

¹ Refer to Note 1 of the attached condensed financial statements for definitions

² As restated for the effects of the rights issue in March 2009 and the share consolidation in May 2009

³ Dividends are presented on an "as declared" basis

Commenting on the Group's results and outlook, Nick Salmon, Chief Executive, said:

“We have faced very tough trading conditions throughout the first half of 2009. However, through the rapid implementation of our cost-reduction programmes all divisions have remained profitable.

“After trading just above break-even levels in the first quarter, trading profit has progressively improved through the second quarter. Our main ceramics end-market of steel production has recently seen some signs of recovery and our electronic materials end-markets have seen progressively increasing levels of activity since late March.

“Combined with the rights issue, a strong focus on cash generation and lower working capital levels has enabled us to make further progress in reducing debt to £438 million, notwithstanding a cash outflow of £24 million for restructuring.

“Whilst the timing and extent of recovery in our end-markets remains very difficult to predict with accuracy, we continue to expect a progressive improvement in our performance in the second half of the year as further cost-reduction benefits materialise and sales volumes improve.”

INTERIM MANAGEMENT REPORT

The Directors submit their Interim Management Report (“IMR”), together with condensed financial statements of the Group, for the six months ended 30 June 2009.

This announcement contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of the preparation of this announcement and the Company undertakes no obligation to update these forward-looking statements. Nothing in this IMR should be construed as a profit forecast.

This IMR has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Cookson Group plc and its subsidiaries when viewed as a whole.

OVERVIEW

Summary of Group results

Group revenue in the first half of 2009 of £929 million was 27% lower than the same period last year at constant exchange rates and 12% lower at reported exchange rates. This reflected the severe downturn in the global economy and all of Cookson's end-markets, being only partially offset by a six month contribution from Foseco in the first half of 2009 versus a three month contribution in the prior period. On an underlying basis (as if Foseco had been acquired with effect from 1 January 2008, at constant exchange rates and adjusted for the pass-through of lower metals prices in

the Electronics and Precious Metals divisions), revenue was down by one-third compared with the same period last year.

Trading profit was £16.5 million (first half 2008: £113.3 million). Almost all of this was earned in the second quarter which benefited from the ongoing cost-reduction programmes, a progressive pick-up in electronics end-markets in Asia since late March and the first signs of a pick up in ceramics end-markets in June. Exceptional charges (pre tax), excluded from headline results, totalled £86.4 million.

Net debt as at 30 June 2009 was £438 million, compared to £732 million as at 31 December 2008, as a result of the £241 million net proceeds of the rights issue in March, and reduced levels of working capital and strong cash generation. The net debt to EBITDA ratio was 2.6 times as at 30 June 2009 (compared to the bank covenant requirement of not more than 3.5 times), placing the Group in full compliance with the financial covenants contained within its debt facilities.

Ceramics

Revenue of £543 million was 7% lower than that reported for the same period last year. On an underlying basis (at constant exchange rates and as if Foseco had been acquired on 1 January 2008), revenue was down 35%. Trading profit was £11.4 million (first half 2008: £85.1 million).

Global steel production is the division's main end-market corresponding to a little over half of its total revenue. Over 80% of the Steel Flow Control revenue and almost all of the Linings revenue currently arises outside China, the world's largest steel producer. According to the World Steel Association, global steel production fell 21% in the first half compared to the same period last year but, excluding China, it fell 35%. June saw a modest improvement in this trend, with a year on year decline, excluding China, of 30%, better than any month since November 2008. Weekly steel production in the US has continued to rise through July indicating that the inventory de-stocking phase is complete in NAFTA, although short-term trends in Europe are more difficult to predict due to the impact of the summer vacation season.

Underlying revenue in Steel Flow Control and Linings was down 38% and 25% respectively. Linings was less affected by the downturn in steel production as around one-quarter of its revenue is related to other industrial processes and, in its steel related activities, it benefitted from an order backlog of maintenance projects.

The foundry castings market, which represents around one-third of Ceramics division's revenue, has similarly experienced weak trading reflecting, in particular, very low levels of light vehicle and heavy truck production, and underlying revenue was down 42%.

Fused Silica product line markets have also experienced significantly reduced demand. The solar panel industry has been experiencing a sharp de-stocking of excess inventory which was built up over the second half of last year in anticipation of strongly rising demand which has not yet materialised. Underlying revenue in the Fused Silica product line was down 27%.

From a breakeven position in January and February, trading profit for the division improved as the first half progressed mainly due to the progressive realisation of savings from the cost-reduction programmes which are discussed below.

Electronics

Revenue of £240 million was 25% lower than that reported for the same period last year. On an underlying basis, at constant exchange rates and adjusted for the pass-through of lower metals prices and precious metal sales, revenue was down 33%. Trading profit was £6.3 million (first half 2008: £29.9 million).

All of the division's key end-markets - electronics, industrial and automotive - were very weak through the first quarter of 2009. Underlying revenue in the first quarter was down 37%, but since late March, electronic materials end-markets (nearly two-thirds of revenue) have progressively improved as the customer de-stocking phase appears to be largely over and end-demand recovers. Industrial and automotive markets (one-third of revenue) have continued to be weak throughout the first half.

The division traded around breakeven in January and February, but recorded an increasing month-on-month trend thereafter, both as a result of the improvement in electronics end-markets, but also due to the increasing benefit of the cost-reduction programmes.

Precious Metals

Retail jewellery markets in both the US and Europe remain very weak. Significant cost-reduction measures have been taken during the year to date including a major reduction in headcount in the US production facility. The division remained profitable in the first half, benefiting both from these restructuring initiatives and from an increase in precious metal reclaim activity in Europe, stimulated by the high price of gold.

Cost-reduction programmes

Phase I of the Group's cost-reduction initiatives was completed in the fourth quarter of 2008 and Phase II was initiated in early 2009 and is now substantially complete. These have involved significant headcount reductions in all three divisions. Together they are expected to generate around £40 million of annualised savings, of which £30 million is expected to be realised in 2009. In May, Phase III was announced which is expected to generate approximately £13 million of additional annualised savings, of which £5 million is expected to be realised in 2009.

In addition, the Foseco integration cost-reduction programme, launched in April 2008, has been successfully completed in the period.

As a result of these initiatives, Group headcount by the end of 2009 is expected to be around 3,200 lower than at September 2008, a reduction of 19%. Eight production facilities will have been permanently closed and three more significantly downsized, together with substantial reductions in overhead costs, mainly in Europe and the US. The benefit to trading profit in the first half of 2009 is estimated to have been approximately £16 million. The incremental benefit to trading profit in the second half of 2009 (when compared with the first half) is expected to be around £15 million.

Total cash-related restructuring and integration costs for full year 2009 are now expected to be around £70 million. The cash outflow in full year 2009 relating to restructuring and integration initiatives (including some announced in 2008) is expected to be around £50 million.

Financial position

The Group's financial position has been significantly strengthened by the £241 million net proceeds of the rights issue in March 2009 and by very positive cash generation in the first half of the year, notwithstanding a cash outflow of £24 million for restructuring. Capital expenditure has been severely restricted, and dividend and UK pension 'top-up' contributions suspended. As a result of all these measures, net debt was reduced to £438 million as at 30 June 2009, from £732 million as at 31 December 2008.

Outlook

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

In our ceramics end-markets we are starting to see some signs of recovery in steel production in Asia and NAFTA, which may also be confirmed in Europe after the summer vacation season. The progressively improving trends in our electronics end-markets are continuing into the third quarter. Precious Metals end-market demand is also expected to improve in the second half as a result of normal seasonality. Whilst the timing and extent of recovery remains very difficult to predict with accuracy, we continue to expect a progressive improvement in our performance in the second half of the year as further cost-reduction benefits materialise and sales volumes improve.

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. Our reduced cost-base and high levels of operational gearing should ensure that our performance benefits strongly as market conditions improve.

REVIEW OF OPERATIONS

Note: the data provided in the tables below are at reported exchange rates.

Group

	First Half		Year
	2009	2008	2008
Revenue (£m)	929	1,058	2,203
Trading profit (£m)	16.5	113.3	216.3
Return on sales	1.8%	10.7%	9.8%

Group revenue in the first half of 2009 was 27% below the same period in 2008 at constant exchange rates and 12% below at reported exchange rates. These comparatives are impacted by the acquisition of Foseco on 4 April 2008 and the effect of lower metal prices being 'passed through' to customers in the Electronics and Precious Metals divisions. Once these factors are adjusted for (at constant exchange rates and with Foseco included as if it has been acquired on 1 January 2008), underlying revenue in the first half of 2009 was 33% lower than the same period last

year. Revenue is well balanced geographically with 37% of sales going to customers in Europe, 29% in Asia-Pacific and 26% in NAFTA.

Trading profit in the first half of 2009 fell significantly to £16.5 million (first half 2008: £113.3 million), being £120.1 million lower at constant exchange rates and £96.8 million lower at reported exchange rates.

The return on sales margin in the first half of 2009 was 1.8% (first half 2008: 10.7%). The impact of lower metal prices, which decreased reported revenue in the Electronics and Precious Metals divisions without any impact on profitability, increased the return on sales in the first half of 2009 by around 0.2 percentage points.

A number of cost-reduction initiatives have been launched which are discussed in more detail in the divisional reviews below. These initiatives are expected to generate around £68 million of total cost savings, of which £47 million is expected to be realised in 2009 (£16 million in the first half of 2009 with an incremental £15 million realised in the second half), with the full benefits realised in 2010. As a result of these programmes, Group headcount by the end of 2009 is expected to be around 3,200 lower than at September 2008, a reduction of 19%.

Ceramics division

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.

	First Half		Year 2008
	2009	2008	
Revenue (£m)	543	582	1,264
Trading profit (£m)	11.4	85.1	167.7
Return on sales	2.1%	14.6%	13.3%

The Ceramics division suffered from a continuation of the very weak trading conditions which started in the fourth quarter of 2008 and have continued throughout the first half of 2009. Revenue of £543 million was 7% lower than the same period last year. On an underlying basis (at constant exchange rates and as if Foseco had been acquired with effect from 1 January 2008), revenue was down 35%. Revenue was £279 million in the first quarter and £264 million in the second quarter (at constant exchange rates), a reduction of 5%. This reflected a small improvement in Steel Flow Control being more than offset by reductions in the other three product lines, most notably Foundry. As a result of the depressed revenue, trading profit was only £11.4 million compared with £85.1 million in the same period in 2008.

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

End-markets experienced a severe deterioration in the fourth quarter of 2008 and remained very weak throughout the first half of 2009, with the World Steel Association's statistics showing global steel production down 21% for the first half. The monthly trend was broadly consistent during the first five months of 2009 with each month down between 21% and 24% year-on-year. However, June showed

some improvement with production only 16% down on June 2008. Within global steel production for the first half of 2009, regional trends have been markedly different with production in China (which now accounts for just under 50% of global steel production) broadly in line with the same period last year, but 35% lower than last year in the rest of the world. These regional trends have had a significantly negative impact on the division's trading results as China accounts for less than 10% of the division's steel-related revenue. In the Steel Flow Control product line, for which global steel production represents 100% of the end-market, China is slightly less than 20% of total global revenue as the majority of steel production in China is not currently based on the enclosed continuous casting technology which uses flow control products. The use of enclosed continuous casting is expected to continue to increase over time as the Chinese steel industry continues to modernise. In the Linings product line, for which global steel production represents around three-quarters of the end-market, there is almost no revenue arising in China as yet since this market has only recently been addressed, but revenue is expected to grow over the coming years with the newly formed Angang joint venture (see below).

The foundry castings market, which represents around one-third of the division's revenue, produces castings which are used in a wide variety of engineered products. Approximately 40% of castings (and therefore a similar percentage of the revenue for the Foundry product line) are produced for the vehicle sector, being 25% for cars and light trucks and 15% for heavy trucks. As with steel production, the foundry casting market was generally strong in the first ten months of 2008, but towards the end of the year the market deteriorated significantly, largely driven by an unprecedented reduction in automotive and heavy truck production (particularly in the US and Europe). This trend continued throughout the first half of 2009 with JD Power statistics showing production of light vehicles in the first half of 2009, being down 32% in Western Europe, 51% down in North America and 26% down in the rest of the world (excluding China) albeit with a recovering trend, particularly in the second quarter.

The principal products in Vesuvius' Fused Silica product line are tempering rollers used mainly in the production of glass for construction and automotive applications, and Solar Crucibles™, which are used in the production of photovoltaic ("solar") panels. Both products have experienced very difficult trading conditions with weakening end-market demand exacerbated by a sharp de-stocking of solar panels, particularly in China.

In response to the market conditions, management took prompt action to reduce the operating cost base of the division across all product lines. In the fourth quarter of 2008, Phase I of these cost savings was implemented, reducing production and overhead headcount and introducing extended shutdowns and reduced working hours at many production facilities. In January 2009, Phase II was initiated to close permanently six manufacturing facilities, one in each of the UK, Mexico, Belgium and Germany, and two in the US. These closures were substantially completed by the end of June 2009. Phase II also involved additional overhead staff reductions. Given the low level of steel production continuing through the first half of 2009, Phase III was announced in May and related employee consultations are now in progress on the proposed closure of a further two manufacturing facilities and the substantial downsizing of three other facilities, plus additional overhead reductions.

As a result of these restructuring and integration initiatives, Ceramics headcount is expected to be around 2,600 lower than at September 2008, a reduction of 21%.

Note: in the product line analysis below for the Ceramics division, all of the financial information is presented at constant currency and as if Foseco had been acquired with effect from 1 January 2008.

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. Products 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.

Underlying revenue in Steel Flow Control of £164 million fell by 38% compared to the same period last year, broadly in line with the reduction in steel production in the key markets in which Vesuvius operates. Steel Flow Control made a small trading profit in the first half of 2009 with trading around breakeven in the first quarter and a small trading profit in the second quarter as revenue increased marginally (by 3% quarter-on-quarter) and more cost-savings were captured.

As a result of the cost-cutting measures noted above, it is proposed that three steel flow control facilities will be permanently closed, namely Newmilns in the UK, Fisher (Illinois) in the US and Emmerich in Germany, whilst Langreo in Spain is expected to be substantially downsized.

Linings

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

Underlying revenue in the Linings product line fell by 25% to £190 million principally reflecting the reduced level of maintenance and new-build activity in the steel industry, as steel production levels fell sharply and a number of customer facilities were temporarily closed. This product line is more project-based than the others and benefited from entering the downturn with an order backlog of maintenance projects. As a result, second quarter revenue was 3% lower than the first quarter as some of this order backlog was worked down. The level of activity in non-steel markets was also relatively subdued as a result of the global economic downturn.

Linings made a small trading profit in the first half of 2009 with increasing profitability in the second quarter, as the increased capture of cost-savings in the second quarter more than offset the marginally lower revenue.

As a result of the cost-cutting measures noted above, two linings facilities will be closed permanently by the end of the third quarter of 2009, namely Hautrage in Belgium and Brownsville (Texas) in the US, and the pre-cast monolithic activity at the facility in Conneaut (Ohio) has been discontinued.

The terms of the Linings joint venture with Anshan Iron and Steel Corporation Group ("Angang"), China's fourth largest steel producer, were recently finalised and

production from a newly built facility is expected to commence in the third quarter of 2009, thereby enhancing our linings capacity in this important region.

Foundry

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

Underlying revenue in the Foundry product line fell by 42% to £159 million in the first half of 2009 principally reflecting the very significant decrease in global casting production driven by very low levels of light vehicle and heavy truck production. Other end-markets such as construction, agriculture and mining machinery; pipes and valves; railroad; and general engineering were also weak as investment projects were cancelled or deferred and as de-stocking took place throughout the supply chain. This significant fall in revenue occurred slightly later than for the Steel Flow Control product line, such that revenue for Foundry in the second quarter was 13% lower than the first quarter despite the increasing level of global vehicle production. This lag between vehicle production trends and Foundry product line revenue trends is attributed to de-stocking through the supply chain.

Foundry reported a modest trading profit for the half year, with lower profitability in the second quarter, as the lower revenue more than offset the increased capture of cost-savings.

As part of the series of cost-cutting measures noted above, the Foundry facility in Tlalnepantla, Mexico was closed permanently in the first half of 2009. Two further facilities, one in each of the UK and the US, will also be closed permanently by the first quarter of 2010 and a facility in the US will be substantially downsized.

Fused Silica

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

Underlying revenue fell by 27% to £30 million in the first half of 2009, with difficult market conditions in both principal end-markets.

Solar Crucible™ revenue, which represents just over half of total Fused Silica revenue, fell by 23% reflecting a severe de-stocking of solar panels, particularly in China. Revenue fell 31% for tempering rollers and other speciality products used in the manufacture of glass due to weakness in the construction and automotive sectors.

The Fused Silica product line reported a small trading profit for the first half of 2009 evenly spread between the first and second quarters.

To align production capacity better with current end-market demand for Solar Crucibles™, the facility in Hautrage, Belgium is being closed and headcount at the facility in Feignes, France, is in the process of being reduced by around 30%. Construction of the Sunrise facility in China was completed at the end of 2008 but the plant has not been commissioned and is temporarily closed pending a pick up in demand.

Electronics division

The Electronics division is a world leading supplier of electronic assembly materials and 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.

	First Half		Year
	2009	2008	2008
Revenue (£m)	240	321	620
Trading profit (£m)	6.3	29.9	51.7
Return on sales	2.6%	9.3%	8.3%

Revenue for the first half of 2009 was £240 million, 39% lower at constant exchange rates (25% lower at reported exchange rates) when compared to the same period last year. The lower revenue partially reflects the 'pass through' to customers in the Assembly Materials product line of lower metal prices, in particular for tin and silver. In the first half of 2009, the average prices of tin and silver - Assembly Materials' major raw materials - were respectively 40% and 23% lower than the same period last year, such that approximately £29 million of the division's revenue decrease was as a result of these lower metal prices. Excluding both the impact of lower metal prices in Assembly Materials and precious metal sales in Chemistry, underlying revenue was 33% lower than last year (on a constant currency basis), with Assembly Materials 34% lower and Chemistry 32% lower, continuing the trend seen in the last two months of 2008. The slowdown reflected both a weakening in end-market demand (notably for consumer electronics and automotive) and a marked de-stocking of components and finished products within the supply chain. Since late March, certain sectors within electronic materials end-markets have progressively improved as customer de-stocking comes to an end and end-markets recover. However, industrial and automotive markets remained weak throughout the second quarter of 2009.

For solder products in the Assembly Materials product line, sales of higher margin, more value-added products such as solder paste (for which volumes were down 19%) were less affected than the more commoditised products such as bar solder (for which volumes were down 41%). The reclaim business has continued its recent volume growth, particularly in China where the new facility in Guangxi Province became operational at the end of last year, although its profitability has been somewhat impacted by lower metal prices. For the Chemistry product line, sales from both plating-on-plastics and corrosion and wear-resistant products for automotive and industrial applications, and sales of surface coating products serving the printed circuit board fabrication market within electronics, were each down 34%, reflecting the difficult trading environment in both these markets.

Trading profit for the first half of 2009 was £6.3 million (first half 2008: £29.9 million). The division was trading at around breakeven in the first quarter with all of the half year trading profit earned progressively through the second quarter as electronic materials end-markets started to improve and additional cost-savings were captured.

Asia-Pacific, the division's largest region, accounted for 42% of revenue in the first half of 2009 (by location of customer).

In response to market conditions, management has taken prompt action to significantly reduce the cost base, particularly in overheads. This has involved headcount reductions, short-time working and the suppression of discretionary spending in areas such as travel and expenses. Phase I of these measures was initiated in the fourth quarter of 2008 and Phase II has continued through the first half of 2009. The largest impact has been in the European operations. By the end of 2009, the total headcount reduction compared to September 2008 will be 340 people, 11% of the total workforce.

The transfer of European solder paste production from Ashford, UK to Hungary is on track to be completed by the end of the third quarter of 2009.

Precious Metals division

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.

	First Half		Year
	2009	2008	2008
Revenue (£m)	147	155	318
Net sales value (£m)	63	55	118
Trading profit (£m)	2.3	1.9	4.5
Return on net sales value	3.7%	3.5%	3.8%

The Precious Metals division operates in two distinct geographic regions; the US, which constitutes 47% 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 the first half of 2009 have been broadly in line with the same period last year for gold but significantly lower for silver and platinum (23% and 43% lower respectively).

Net sales value of £63 million was 6% lower at constant exchange rates (15% higher at reported exchange rates). This reflected weak retail jewellery markets, particularly in the US, being only partially offset by strong sales to the US Mint of gold coin blanks and higher levels of precious metal reclaim in Europe, stimulated by the high price of gold.

Trading profit for the first half of 2009 at £2.3 million was 21% (£0.4 million) above the same period last year with improved profits in Europe reflecting earlier restructuring and the high level of reclaim business, particularly in Spain, more than offsetting a small loss in the US due to the reduction in underlying volumes. Action was taken in the first quarter to mitigate the profit shortfall in the US including a 21% reduction in headcount at the US production facility and the continued relocation of production to the new Dominican Republic facility, which opened in 2008. As a result, the US operations traded profitably in the second quarter.

Group corporate

The Group's corporate costs, being the costs directly related to managing the Group holding company were £3.5 million, broadly in line with the same period last year.

GROUP FINANCIAL REVIEW

	First Half		Year
	2009	2008	2008
(Loss)/profit before tax (£m)			
- headline	(3.3)	99.1	176.2
- basic	(89.7)	75.2	89.6
(Loss)/earnings per share (pence) ¹			
- headline	(6.2)	50.1	88.5
- basic	(42.6)	34.3	32.7
Dividends per share (pence) ^{1,2}	-	8.8	8.8
Free cash flow (£m)	84.4	6.5	73.1
Net debt (£m)	438.2	706.3	731.7

¹ As restated for the effects of the rights issue in March 2009 and the share consolidation in May 2009

² Dividends are presented on an "as declared" basis

Group Income Statement

Headline (loss)/profit before tax

Headline loss before tax was £3.3 million for the first half of 2009, compared to a profit before tax of £99.1 million for the same period in 2008. The decrease in headline profit before tax arose as follows:

	First Half			
	2009	2008	Change	
	£m	£m	£m	%
Trading profit:				
Total operations				
- at first half 2009 exchange rates	16.5	136.6	(120.1)	(88)%
Currency exchange rate impact		(23.3)	23.3	
Trading profit – as reported	16.5	113.3	(96.8)	(85)%
Net finance charges - ordinary activities	(20.2)	(14.3)	(5.9)	(41)%
Post-tax JV income	0.4	0.1	0.3	
Headline (loss)/profit before tax	(3.3)	99.1	(102.4)	(103)%

The £5.9 million higher charge for net finance costs (interest) principally comprised of £4.4 million higher interest on borrowings due mainly to an increase in the average level of borrowings throughout the period and £1.0 million higher pension interest. The higher average level of borrowings in the first half of 2009 reflects the impact of the acquisition of Foseco in April 2008 being only partially offset by the benefit of the proceeds (net of expenses) of £241 million from the rights issue in March 2009. The higher level of pension interest principally reflects the impact of the acquisition of Foseco.

Items excluded from headline (loss)/profit before tax

A net charge of £86.4 million was incurred in the first half of 2009 (first half 2008: £23.9 million) for the following items excluded from headline (loss)/profit before tax:

Restructuring and integration costs: of the total charge of £66.0 million (first half 2008: £12.0 million) incurred in the first half of 2009, £44.0 million related to items, principally redundancies, where there will be a fairly immediate cash cost, and £22.0 million to provisions for onerous lease obligations where the cash outflow will be spread over the remaining years of the related leases. The principal items included in the charge for the first half of 2009 were as follows:

- £39.1 million arose in the Ceramics division, of which £4.0 million related to the integration of Foseco and £35.1 million to Phases II and III of the cost-saving initiatives announced in March and May 2009 respectively. Of these costs, £25.4 million related to redundancy costs, £5.7 million to provisions for discounted future onerous lease rental costs and £8.0 million to other cash-related costs;
- £24.2 million in the Electronics division, of which the principal element was a £16.3 million provision for discounted future onerous lease rental costs. The recent restructuring of the Electronics division's UK operations has resulted in the transfer of a significant amount of UK production to other existing Electronics facilities outside of the UK, resulting in significant unutilised space at one of the division's facilities in the UK. This facility is subject to a lease under which the future rentals related to the now unutilised part of this facility represent an onerous obligation. The remaining restructuring costs in the Electronics division comprise £4.1 million of redundancy costs and £3.8 million of other cash-related costs associated with the rationalisation of the division's UK operations; and
- £1.7 million in the Precious Metals division, of which £1.3 million related to redundancy costs associated with the restructuring of the division's US operations.

Additional cash-related restructuring costs of around £4 million (principally redundancy costs) are expected to be incurred in the second half of 2009 relating to the completion of Phase III of the cost-saving initiatives.

Amortisation of intangible assets: costs of £8.9 million (first half 2008: £4.2 million) were incurred in the first half of 2009 relating to the amortisation of intangible assets, principally customer relationships, intellectual property rights and the Foseco trade name, arising on the acquisition of Foseco in April 2008. These intangible assets are being amortised over lives varying between 10 and 20 years.

Finance costs - exceptional items: costs of £14.0 million were incurred in the first half of 2009 principally relating to the close-out of some interest rate swaps. The Group's borrowing profile was amended such that all of the foreign currency-denominated borrowings drawn under the syndicated bank facility have been converted into sterling. In March 2009, following receipt of the £241 million of rights issue proceeds, the Group prepaid £75 million and €37.5 million of term debt, with an original maturity of October 2010, under its syndicated bank facility. Following these transactions, the Group closed out a number of interest rate swaps that had originally been taken out to

hedge the interest payments relating to these borrowings. As a result of the reduction in global interest rates over the last eighteen months, the swaps had accumulated a negative fair value of £12.8 million. Under hedge accounting rules, this fair value, which prior to the close-outs had been reported in reserves, was transferred to the income statement as an exceptional item along with £1.2 million of other associated costs. On the assumption that interest rates remain at current levels, the closing out of these interest rate swaps will have a beneficial impact on the Group's finance costs going forward.

Net profit/(loss) on disposal of continuing operations: a net profit of £3.1 million (first half 2008: loss of £3.3 million) was realised in the first half of 2009 principally relating to the disposal of the Ceramics division's Pyrobor operations, a small non-core business manufacturing high temperature insulation boards acquired with Foseco.

Group loss before tax and *after* the items noted above was £89.7 million for the first half of 2009 compared to a profit before tax of £75.2 million in the first half of 2008.

Taxation

The tax charge on ordinary activities was £9.9 million on a headline loss before tax of £3.3 million. For the first half of 2009, the Group reported profits before tax in a number of tax-paying jurisdictions (such as China and India), whilst incurring losses before tax in jurisdictions (such as the UK and the US) where it is not appropriate to record a tax credit due to the existence of substantial tax losses. The Group's effective tax rate for full year 2009 will similarly be critically impacted by the geographic split of profit before tax. Whilst this split is currently very difficult to forecast with any certainty given the current market conditions, it is likely that the effective tax rate for full year 2009 will be higher than the 27.5% reported in the full year 2008.

A tax credit of £3.0 million (first half 2008: £1.6 million) arose in relation to all the items excluded from headline loss before tax noted above. A significant amount of these exceptional items arose in jurisdictions (notably the UK and the US) where it is not appropriate to record a tax credit due to the existence of substantial tax losses.

(Loss)/profit attributable to owners of the parent

Headline loss attributable to owners of the parent for the first half of 2009 was £14.2 million (first half 2008: profit of £70.5 million).

After taking account of all items excluded from headline (loss)/profit before tax noted above (net of the related tax impact), the Group recorded a loss of £96.6 million for the first half of 2009 compared to a profit of £49.6 million recorded in the first half of 2008.

(Loss)/earnings per share ("EPS")

The average number of shares in issue during the first half of 2009 was 229.1 million, 88.4 million higher than for the first half of 2008 principally reflecting the issue of 255.1 million new shares in respect of the rights issue in March 2009. In accordance with IAS 33, the average number of shares in issue used in the calculation of EPS for all periods prior to the rights issue has been multiplied by an adjustment factor to reflect the bonus element in the new shares issued. The adjustment factor used was 6.6391. The average number of shares also reflects the share consolidation in May 2009 whereby shareholders exchanged 10 existing shares for 1 new share.

Headline loss per share, based on the headline loss attributable to owners of the parent divided by the average number of shares in issue, amounted to 6.2 pence per share in the first half of 2009, compared to an earnings per share of 50.1 pence per share in the first half of 2008. The Board believes this basis of calculating EPS is an important measure of the underlying earnings per share of the Group. Basic loss per share, based on the net loss attributable to owners of the parent, was 42.6 pence (first half 2008: earnings per share of 34.3 pence).

Dividend

As a result of the very significant deterioration in end-market conditions in the fourth quarter of 2008 and the first quarter of 2009, the Board decided not to recommend a final dividend for 2008 to shareholders and has similarly decided not to declare an interim dividend for 2009.

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

Group cash flow

Net cash flows from operating activities

In the first half of 2009, there was a £86.7 million net cash inflow from operating activities, £69.8 million higher than the first half of 2008. This increase principally arose from:

	First Half		
	2009	2008	<i>Change</i>
	£m	£m	<i>£m</i>
EBITDA	43.7	134.9	<i>(91.2)</i>
Trade and other working capital	120.8	(63.9)	<i>184.7</i>
Restructuring and integration costs paid	(24.1)	(8.5)	<i>(15.6)</i>
Additional pension plan funding contributions	(9.8)	(16.0)	<i>6.2</i>
Net interest paid	(20.2)	(6.7)	<i>(13.5)</i>
Taxation paid	(23.7)	(22.9)	<i>(0.8)</i>
Net cash inflow from operating activities	86.7	16.9	<i>69.8</i>

Of the £120.8 million cash inflow in respect of trade and other working capital, £117.1 million relates to the reduced level of inventory and trade receivables in the Ceramics division. This decrease resulted principally from the significantly reduced trading activity in this division, combined with a reduction in raw material inventories which had been built up in the second half of 2008.

Cash outflow for restructuring and integration was £24.1 million of which the majority related to Foseco integration and Phase II of the cost-saving initiatives in the

Ceramics and Electronics divisions. A cash outflow for restructuring and integration of around £50 million is expected in the full year 2009.

Net cash flows from investing activities

Capital expenditure: payments to acquire property, plant and equipment in the first half of 2009 were £12.6 million, £12.7 million lower than the first half of 2008 and representing 46% of depreciation (first half 2008: 117%). A cash outflow for capital expenditure of around £25 million is expected in the full year 2009 reflecting the suspension of all capacity expansion projects until there is clear evidence of market recovery.

Disposals of subsidiaries and joint ventures: net cash inflow from disposals of subsidiaries and joint ventures in the first half of 2009 was £6.1 million, principally relating to the disposals in February 2009 of the Ceramics division's high temperature insulation board business ("Pyrobor") and the Precious Metals division's emblematic jewellery business ("Masters of Design").

Free cash flow

Free cash flow is defined as net cash flow from operating activities 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 the first half of 2009 was £84.4 million, £77.9 million higher than the £6.5 million inflow in the first half of 2008, due principally to the £69.8 million increase in cash flow from operating activities for the reasons described above and the reduced level of capital expenditure.

The Group traditionally experiences weaker free cash inflows in the first half of the year compared with the second half, due to the seasonality of trade working capital cash flows. However, the significantly reduced trading activity combined with continued management focus on cash generation has resulted in strong free cash flow in the first half of 2009. The annualised free cash inflow for the year ended June 2009 was £151.0 million (year ended June 2008: £91.0 million).

Net cash flow before financing

Net cash inflow before financing for the first half of 2009 was £78.2 million, compared with a net cash outflow of £494.3 million in the first half of 2008 which arose principally from the acquisition of Foseco.

Cash flow from financing activities: net cash inflow from financing activities (before movement in borrowings) was £194.8 million (first half 2008: outflow of £40.6 million), principally comprising the following:

- Proceeds of £241 million (net of expenses of £14 million) relating to the rights issue which was completed in March 2009. The rights issue resulted in the issue of 255.1 million new shares at an issue price of 100 pence (as restated for the subsequent share consolidation in May 2009) with the shares being issued on the basis of 12 new shares for every 1 existing share; and

- Cash outflow of £43.0 million relating to the settlement during the period of forward foreign exchange contracts, in particular those relating to the Chinese renminbi and US dollars. These forward foreign exchange contracts had been taken out to align the currency profile of the Group's borrowings broadly with the net assets of the Group and formed part of the hedge on investments of the Group's foreign operations.

Net cash inflow and movement in net debt: net cash inflow for the first half of 2009 (before movement in borrowings) was £273.0 million, £807.9 million higher than the first half of 2008.

With a £19.6 million positive foreign exchange adjustment and £0.9 million in other non-cash movements, this resulted in a decrease in net debt from £731.7 million at 31 December 2008 to £438.2 million at 30 June 2009, a reduction of £293.5 million.

Group borrowings

The net debt of £438.2 million as at 30 June 2009 was primarily drawn on available committed facilities of around £900 million. The Group's net debt comprised the following:

	30 June 2009 £m	31 December 2008 £m	30 June 2008 £m
US Private Placement loan notes	221.7	250.4	183.0
Committed bank facility	336.9	565.5	588.7
Lease financing	3.6	4.8	2.3
Other	(2.1)	26.8	23.7
Gross borrowings	560.1	847.5	797.7
Cash and short-term deposits	(121.9)	(115.8)	(91.4)
Net Debt	438.2	731.7	706.3

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.

On 10 October 2007, the Group entered into a new multi-currency, committed bank facility for approximately £750 million, raised for the purpose of the acquisition of Foseco. On completion of the acquisition in April 2008, 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. 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 reached agreement with its banks whereby the Group prepaid in March 2009 the £75.0 million and €37.5 million repayments originally due in October 2010. In exchange for this the banks rescheduled the tightening of the net debt to EBITDA covenant. As a result, the covenant test is now 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.

As at June 2009, the Group's EBITDA to interest on borrowings ratio was 4.6 times (as compared with not less than 4.0 times for bank covenant purposes) and the net debt to EBITDA ratio was 2.6 times (as compared with not more than 3.5 times for bank covenant purposes).

Cash flow forecasts for the Group have been prepared for a period in excess of twelve months from the date of approval of this half year financial report. These forecasts reflect an assessment of current end-market conditions, their impact on the Group's future trading performance and the actions taken by management in response to the difficult market conditions. The forecasts completed on this basis reflect a partial recovery in our business in the second half of the year and show that the Group will be able to operate within the current committed debt facilities and continue to be in compliance with its financial covenants. In addition, management has considered various mitigating actions that could be taken in the event that end-market conditions are worse than their current assessment. Such measures include further reductions in costs, further reductions in capital expenditure and further reductions in those items of working capital within management's control. However, should the improvement in end-markets not happen to the extent or as quickly as anticipated, it is possible that the Group may have insufficient headroom under the financial covenants in its syndicated bank facility when tested at 31 December 2009 or 30 June 2010. In such circumstances the Directors are confident that the Group would be able to renegotiate the terms of its debt facilities in order to provide sufficient covenant headroom, albeit at potentially significant additional cost.

Currency

The weakening of sterling over the last year has had a marked impact on the average exchange rates used to translate the Group's overseas results into sterling for the first halves of 2008 and 2009. Between these periods, the average exchange rates for sterling weakened against the euro by 13%, the US dollar by 24%, and the Chinese renminbi by 27%.

In the first half of 2009, the net translation impact of currency changes compared to the same period last year was to increase 2008 revenue by around £208 million and 2008 trading profit by around £23 million.

All of the currency-denominated borrowings under both the US Private Placement loan notes and the syndicated bank facility have been swapped into sterling such that going forward changes in exchange rates will not have a material impact on the level of gross borrowings.

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 plan ("the UK Plan"), now merged with that of Foseco, is closed to new members and its two principal defined benefit pension plans in the US are closed to new members and to further accruals for existing members.

As at 30 June 2009, a net liability of £131.5 million was recognised in respect of employee benefits, an increase from the £95.3 million as at 31 December 2008. The increase in the Group's net liability principally arose from the effect of the increase of

the inflation rate assumption used in the valuation of the UK Plan liabilities, together with a negative return on the UK pension assets.

The total Group net liability comprises deficits of £7.8 million relating to the UK Plan, £56.7 million to the Group's defined benefit pension plans in the US, £41.4 million to pension arrangements in other countries, and £25.6 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) to £14.0 million per annum with effect from 1 September 2008. In March 2009, the Group again consulted with the Trustee and both agreed to a change to the 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. 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 30 June 2009, the estimated funding position (incorporating the UK Plan's economic liabilities) showed a funding ratio of 74%, but the IAS 19 valuation reflected a funding ratio of 98%. This represents a valuation difference of some £120 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.

The total charge to the income statement in the first half of 2009 for all pension plans (including defined contribution plans) was £13.0 million, an increase of £3.1 million over the first half of 2008. Of this charge, £10.3 million (first half 2008: £8.2 million) has been deducted in arriving at trading profit and £2.7 million (first half 2008: £1.7 million) has been included within finance charges. Total pension cash contributions amounted to £21.9 million in the first half of 2009 (first half 2008: £28.4 million), which included additional funding contributions into the UK Plan of £1.2 million and a non-recurring funding contribution into the US plans of £8.6 million.

RISKS AND UNCERTAINTIES

Throughout its global operations, Cookson faces various risks, both internal and external, which could have a material impact on the Group's long-term performance. Cookson manages the risks inherent in its operations in order to mitigate exposure to all forms of risk, where practical, and to transfer risk to insurers, where cost effective.

On pages 35 to 39 of its 2008 Annual Report (a copy of which is available at Cookson's website at www.cooksongroup.co.uk), the Company set out what the Directors regarded as being the principal risks and uncertainties facing the Group as at 9 March 2009 and which could have a material impact on the Group's long-term performance. Many of these risks are such that their potential to impact the Group's operations are inherent to Cookson as a global business and they remain valid as regards their potential to impact the Group during the remainder of the second half of 2009.

In particular, the Company's 2008 Annual Report made reference to the risks and uncertainties arising from the difficult global economic environment, its impact on the end-markets which the Group's operations serve, and the potential negative impact of these weak end-markets on the Group's trading results and financial position. These risks and uncertainties, which are discussed more fully in the Group Financial Review above, continue to be of relevance and are the subject of considerable management focus and this will continue to be the case during the remainder of the second half of the year.

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Copies of the Half Year Financial Report will not be mailed to shareholders. Copies can be obtained from the Cookson website (www.cooksongroup.co.uk), or by contacting the Investor Relations department at the Company's registered office (see below).

Cookson management will make a presentation to analysts on 4 August 2009 at 10.30am (UK time). This will be broadcast live on Cookson's website. An archive version of the presentation will be available on the website later that day.

Cookson Group plc, 165 Fleet Street, London EC4A 2AE
Registered in England and Wales No. 251977
www.cooksongroup.co.uk

Directors' responsibility statement

We confirm that to the best of our knowledge:

- (a) The condensed financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as adopted by the EU; and
- (b) This half-yearly financial report includes a fair review of the information required by:
 - DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
 - DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period; and any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

By order of the Board

Robert Beeston

Chairman

4 August 2009

Mike Butterworth

Finance Director

4 August 2009

Independent review report on the condensed financial statements to the members of Cookson Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the condensed Group income statement, the condensed Group statement of comprehensive income, the condensed Group statement of cash flows, the condensed Group balance sheet, the condensed Group statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34, *Interim Financial Reporting*, as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Stephen Oxley
for and on behalf of KPMG Audit Plc
Chartered Accountants
London

4 August 2009

Condensed Group Income Statement

For the six months ended 30 June 2009

	Notes	Unaudited Half year 2009 £m	Unaudited Half year 2008 £m	Full year 2008 £m
Revenue	2	929.4	1,057.8	2,202.5
Manufacturing costs - raw materials		(464.4)	(528.6)	(1,107.2)
- other		(235.5)	(236.2)	(508.1)
Administration, selling and distribution costs		(213.0)	(179.7)	(370.9)
Trading profit	2	16.5	113.3	216.3
Restructuring and integration costs	3	(66.0)	(12.0)	(39.6)
Inventory fair value adjustment	4	-	(2.6)	(2.6)
(Loss)/profit relating to non-current assets	5	(0.6)	-	3.4
Amortisation and impairment of intangible assets	6	(8.9)	(4.2)	(52.5)
Curtailed gains relating to employee benefits	7	-	0.4	6.0
(Loss)/profit from operations	2	(59.0)	94.9	131.0
Finance costs - ordinary activities	8	(40.4)	(35.0)	(85.3)
- exceptional items	8	(14.0)	(2.2)	(2.2)
Finance income	8	20.2	20.7	44.5
Share of post-tax profit of joint ventures		0.4	0.1	0.7
Net profit/(loss) on disposal of continuing operations	9	3.1	(3.3)	0.9
(Loss)/profit before tax		(89.7)	75.2	89.6
Income tax costs - ordinary activities	10	(9.9)	(27.2)	(48.3)
- exceptional items	10	3.0	1.6	8.1
(Loss)/profit for the period		(96.6)	49.6	49.4
(Loss)/profit for the period attributable to:				
Owners of the parent		(97.6)	48.2	46.1
Non-controlling interests		1.0	1.4	3.3
(Loss)/profit for the period		(96.6)	49.6	49.4
Headline (loss)/profit before tax				
Trading profit		16.5	113.3	216.3
Net finance costs - ordinary activities		(20.2)	(14.3)	(40.8)
Share of post-tax profit of joint ventures		0.4	0.1	0.7
Headline (loss)/profit before tax	1.5	(3.3)	99.1	176.2
Income tax costs - ordinary activities		(9.9)	(27.2)	(48.3)
Profit attributable to non-controlling interests		(1.0)	(1.4)	(3.3)
Headline (loss)/profit attributable to owners of the parent		(14.2)	70.5	124.6
(Loss)/earnings per share (pence)				
Basic	11	(42.6)	34.3	32.7
Diluted		(42.6)	34.2	32.7

Results for the period are all derived from continuing operations.

Condensed Group Statement of Comprehensive Income

For the six months ended 30 June 2009

	Unaudited Half year 2009 £m	Unaudited Half year 2008 £m	Full year 2008 £m
	Notes		
(Loss)/profit for the period	(96.6)	49.6	49.4
Other comprehensive income for the period:			
Exchange differences on translation of the net assets of foreign operations	(170.3)	48.0	377.8
Exchange translation differences arising on net investment hedges	27.6	(6.8)	(166.8)
Change in fair value of cash flow hedges	(0.8)	3.3	(11.7)
Change in fair value of cash flow hedges transferred to profit for the period	12.8	-	-
Actuarial gains on employee benefits plans	18.1	27.9	78.0
Actuarial losses on employee benefits plans	(78.8)	(13.4)	(44.3)
Change in fair value of available-for-sale investments	(0.5)	(1.0)	2.5
Change in fair value of available-for-sale investments transferred to profit for the period	-	-	(6.5)
Income tax relating to components of other comprehensive income	19.6	-	(20.5)
	10		
Other comprehensive income for the period, net of tax	(172.3)	58.0	208.5
Comprehensive income for the period	(268.9)	107.6	257.9
Comprehensive income for the period attributable to:			
Owners of the parent	(268.1)	106.8	252.2
Non-controlling interests	(0.8)	0.8	5.7
Comprehensive income for the period	(268.9)	107.6	257.9

Condensed Group Statement of Cash Flows

For the six months ended 30 June 2009

	Notes	Unaudited Half year 2009 £m	Unaudited Half year 2008 £m	Full year 2008 £m
Cash flows from operating activities				
(Loss)/profit from operations		(59.0)	94.9	131.0
Adjustments for:				
Restructuring and integration costs		66.0	12.0	39.6
Inventory fair value adjustment		-	2.6	2.6
Loss/(profit) relating to non-current assets		0.6	-	(3.4)
Amortisation and impairment of intangible assets	13	8.9	4.2	52.5
Curtailment gains relating to employee benefits		-	(0.4)	(6.0)
Depreciation		27.2	21.6	47.2
EBITDA	1.5	43.7	134.9	263.5
Net decrease/(increase) in trade and other working capital		120.8	(63.9)	(8.9)
Outflow related to restructuring and integration costs	3	(24.1)	(8.5)	(23.0)
Additional funding contributions into Group pension plans	16	(9.8)	(16.0)	(25.0)
Cash generated from operations		130.6	46.5	206.6
Interest paid		(27.8)	(13.1)	(41.4)
Interest received		7.6	6.4	7.2
Income taxes paid		(23.7)	(22.9)	(52.0)
Net cash inflow from operating activities		86.7	16.9	120.4
Cash flows from investing activities				
Purchase of property, plant and equipment		(12.6)	(25.3)	(72.8)
Proceeds from the sale of property, plant and equipment	5	0.4	0.3	2.2
Proceeds from the sale of investments		0.4	-	14.7
Acquisition of subsidiaries and joint ventures, net of cash acquired		(0.2)	(491.5)	(502.2)
Disposal of subsidiaries and joint ventures, net of cash disposed of	9	6.1	8.9	21.2
Dividends received from joint ventures		0.6	0.4	0.4
Other investing outflows, including additional costs for prior periods' disposals		(3.2)	(4.0)	(2.1)
Net cash outflow from investing activities		(8.5)	(511.2)	(538.6)
Net cash inflow/(outflow) before financing activities		78.2	(494.3)	(418.2)
Cash flows from financing activities				
Repayment of borrowings	15	(250.5)	-	-
Increase in borrowings		-	459.7	365.6
Settlement of forward foreign exchange contracts		(43.0)	(10.6)	18.3
Proceeds from the issue of share capital	14	240.7	0.1	0.1
Purchase of treasury shares		-	(3.9)	(3.9)
Proceeds from the sale of treasury shares		-	0.2	0.3
Borrowing facility arrangement costs		(2.4)	(6.0)	(6.0)
Dividends paid to equity shareholders	12	-	(18.6)	(31.0)
Dividends paid to minority shareholders		(0.5)	(1.8)	(2.1)
Net cash (outflow)/inflow from financing activities		(55.7)	419.1	341.3
Net increase/(decrease) in cash and cash equivalents	15	22.5	(75.2)	(76.9)
Cash and cash equivalents at beginning of period		105.6	153.2	153.2
Effect of exchange rate fluctuations on cash and cash equivalents		(8.6)	-	29.3
Cash and cash equivalents at end of period		119.5	78.0	105.6
Free cash flow				
Net cash inflow from operating activities		86.7	16.9	120.4
Additional funding contributions into Group pension plans		9.8	16.0	25.0
Purchase of property, plant and equipment		(12.6)	(25.3)	(72.8)
Proceeds from the sale of property, plant and equipment		0.4	0.3	2.2
Dividends received from joint ventures		0.6	0.4	0.4
Dividends paid to minority shareholders		(0.5)	(1.8)	(2.1)
Free cash flow	1.5	84.4	6.5	73.1

Condensed Group Balance Sheet

As at 30 June 2009

	Notes	Unaudited 30 June 2009 £m	31 December 2008 £m	Unaudited 30 June 2008 £m
Assets				
Property, plant and equipment		380.2	446.6	353.0
Intangible assets	13	1,081.0	1,187.6	1,024.2
Employee benefits - net surpluses	16	-	70.6	4.7
Interests in joint ventures		18.9	22.2	15.0
Investments		8.3	10.2	15.3
Income tax recoverable		-	-	2.6
Deferred tax assets		18.6	14.8	12.1
Other receivables		11.7	12.1	8.4
Derivative financial instruments		0.2	-	3.1
Total non-current assets		1,518.9	1,764.1	1,438.4
Cash and short-term deposits		121.9	115.8	91.4
Inventories		231.2	331.6	292.4
Trade and other receivables		365.7	479.0	499.0
Income tax recoverable		1.0	1.0	1.5
Derivative financial instruments		0.7	6.7	2.6
Assets classified as held for sale		6.1	0.3	4.8
Total current assets		726.6	934.4	891.7
Total assets	2	2,245.5	2,698.5	2,330.1
Equity				
Issued share capital	14	276.4	21.3	21.3
Share premium account		-	8.1	8.1
Other reserves		62.7	192.1	43.9
Retained earnings		610.9	753.1	767.5
Total parent company owners' equity		950.0	974.6	840.8
Non-controlling interests		16.3	17.6	13.0
Total equity		966.3	992.2	853.8
Liabilities				
Interest-bearing loans and borrowings		448.9	786.4	766.6
Employee benefits - net liabilities	16	131.5	165.9	97.8
Other payables		30.3	23.7	23.6
Provisions		57.7	37.7	28.9
Derivative financial instruments		3.7	24.3	-
Deferred tax liabilities		106.9	134.5	103.0
Total non-current liabilities		779.0	1,172.5	1,019.9
Interest-bearing loans and borrowings		111.2	61.1	31.1
Trade and other payables		291.7	344.6	340.2
Income tax payable		46.1	59.3	63.7
Provisions		40.4	29.5	20.8
Derivative financial instruments		9.1	39.3	0.3
Liabilities directly associated with assets classified as held for sale		1.7	-	0.3
Total current liabilities		500.2	533.8	456.4
Total liabilities		1,279.2	1,706.3	1,476.3
Total equity and liabilities		2,245.5	2,698.5	2,330.1
Net debt				
Interest-bearing loans and borrowings - non-current		448.9	786.4	766.6
- current		111.2	61.1	31.1
Cash and short-term deposits		(121.9)	(115.8)	(91.4)
Net debt	1.5, 15	438.2	731.7	706.3

Condensed Group Statement of Changes in Equity

For the six months ended 30 June 2009

	Issued share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non- controlling interests £m	Total equity £m
As at 1 January 2008	21.3	8.0	(0.2)	724.9	754.0	11.9	765.9
Comprehensive income for the period	-	-	44.1	62.7	106.8	0.8	107.6
Shares issued in the period	-	0.1	-	-	0.1	-	0.1
Recognition of share-based payments	-	-	-	2.2	2.2	-	2.2
Treasury shares - additions	-	-	-	(3.9)	(3.9)	-	(3.9)
- disposals	-	-	-	0.2	0.2	-	0.2
Dividends paid	-	-	-	(18.6)	(18.6)	(1.8)	(20.4)
Acquisition of minority interest	-	-	-	-	-	2.1	2.1
As at 30 June 2008	21.3	8.1	43.9	767.5	840.8	13.0	853.8
Comprehensive income for the period	-	-	148.2	(2.8)	145.4	4.9	150.3
Recognition of share-based payments	-	-	-	0.7	0.7	-	0.7
Treasury shares - disposals	-	-	-	0.1	0.1	-	0.1
Dividends paid	-	-	-	(12.4)	(12.4)	(0.3)	(12.7)
As at 31 December 2008	21.3	8.1	192.1	753.1	974.6	17.6	992.2
Comprehensive income for the period	-	-	(129.4)	(138.7)	(268.1)	(0.8)	(268.9)
Shares issued in the period	255.1	(8.1)	-	(6.3)	240.7	-	240.7
Recognition of share-based payments	-	-	-	2.8	2.8	-	2.8
Dividends paid	-	-	-	-	-	(0.5)	(0.5)
As at 30 June 2009	276.4	-	62.7	610.9	950.0	16.3	966.3

Notes to the condensed financial statements

1. BASIS OF PREPARATION

1.1 GENERAL INFORMATION

These condensed financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as adopted by the EU and in accordance with the Disclosure and Transparency Rules of the UK's Financial Services Authority.

Except as noted in 1.3 below, these condensed financial statements have been prepared using the same accounting policies as used in the preparation of the Group's annual financial statements for the year ended 31 December 2008, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2008. The financial information presented in this document is unaudited, but has been reviewed by the Company's auditor.

The comparative figures for the financial year ended 31 December 2008 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. These sections address whether proper accounting records have been kept, whether the Company's accounts are in agreement with those records and whether the auditor has obtained all the information and explanations necessary for the purposes of its audit.

1.2 BASIS FOR PREPARATION OF FINANCIAL STATEMENTS ON A GOING CONCERN BASIS

The Company's 2008 annual report, which was approved by the Board on 9 March 2009, included information on the business environment in which the Group operates, including the factors that are likely to impact the future prospects of the Group, together with the principal risks and uncertainties that the Group faces throughout its global operations. In addition, the notes to the consolidated financial statements set out the Group's objectives, policies and processes for managing its capital; financial risks; financial instruments and hedging activities; and its exposures to credit, market (both currency and interest rate related) and liquidity risk. Many of the risks and uncertainties reported in the 2008 annual report are such that their potential to impact the Group's operations are inherent to Cookson as a global business and they remain valid as regards their potential to impact the Group during the remainder of the second half of 2009. The impact of the economic and end-market environments in which the Group's businesses operate are considered in the trading section of this half-yearly financial report on pages 2 to 11, together with an indication if management is aware of any changes in this situation.

The financial position of the Group, its cash flows, liquidity position and debt facilities are described in the Group Financial Review on pages 12 to 20. Further details of the Group's borrowings are included in note 15 to the condensed financial statements. In March 2009, the Group completed a rights issue which raised proceeds (net of expenses) of £241m which were used to repay gross borrowings. This rights issue significantly strengthened the Group's financial position.

The Group has two committed debt facilities, approximately £670m of syndicated bank facility and approximately £220m of US Private Placement loan notes ("USPP"). These facilities, which together total approximately £890m, have no significant debt maturities in the second half of 2009, with the principal maturities due in 2011 and 2012. In May 2010, US\$135m (£82m) of the USPP is repayable and this will be financed by available headroom under the syndicated bank facility. Each of these committed facilities contain a number of financial covenants with which the Group is required to comply. The Group was in full compliance with the financial covenants contained within its debt facilities at 30 June 2009.

The Directors have prepared cash flow forecasts for the Group for a period in excess of twelve months from the date of approval of these condensed financial statements. These forecasts reflect an assessment of current end-market conditions, their impact on the Group's future trading performance and the actions taken by management in response to the difficult market conditions. The forecasts completed on this basis reflect a partial recovery in our business in the second half of the year and show that the Group will be able to operate within the current committed debt facilities and continue to be in compliance with its financial covenants. In addition, management has considered various mitigating actions that could be taken in the event that end-market conditions are worse than their current assessment. Such measures include further reductions in costs, further reductions in capital expenditure and further reductions in those items of working capital within management's control. However, should the improvement in end-markets not happen to the extent or as quickly as anticipated, it is possible that the Group may have insufficient headroom under the financial covenants in its syndicated bank facility when tested at 31 December 2009 or 30 June 2010. In such circumstances the Directors are confident that the Group would be able to renegotiate the terms of its debt facilities in order to provide sufficient covenant headroom, albeit at potentially significant additional cost.

On the basis of the exercise as described above and the available committed debt facilities, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements of the Group.

Notes to the condensed financial statements

1.3 REVISED AND AMENDED STANDARDS AND INTERPRETATIONS

The following revised and amended standards and interpretations, which have all been endorsed by the EU, have been adopted by the Group in these condensed financial statements.

- IAS 1 (Revised), *Presentation of Financial Statements*, has resulted in the Statement of Recognised Income and Expense being renamed the Statement of Comprehensive Income and the introduction of the Statement of Changes in Equity as a primary statement. IAS 1 (Revised) has no impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share.
- IAS 23 (Revised), *Borrowing Costs*, has removed the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The revised standard requires such borrowing costs to be capitalised as part of the cost of the asset. The Group's previous policy in relation to borrowing costs was to recognise them in the income statement using the effective interest rate method. IAS 23 (Revised) has no significant impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share.
- Amendments to IAS 32, *Financial Instruments: Presentation*, and IAS 1, *Presentation of Financial Statements*, relating to puttable financial instruments and obligations arising on liquidation. These amendments have no impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share.
- Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards*, and IAS 27, *Consolidated and Separate Financial Statements*. These amendments, which relate to the measurement of the initial cost of investment in subsidiaries in the financial statements of the Company-only, have no impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share.
- Amendment to IFRS 2, *Share-based Payment*, clarifies that vesting conditions are service conditions and performance conditions only; other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment to IFRS 2 has no significant impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share.
- IFRIC 13, *Customer Loyalty Programmes*, addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services, and has no impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share.

1.4 DISCLOSURE OF EXCEPTIONAL ITEMS

IAS 1 (Revised) provides no definitive guidance as to the format of the income statement, but states key lines which should be disclosed. It also encourages additional line items and the re-ordering of items presented on the face of the income statement when appropriate for a proper understanding of the entity's financial performance. In accordance with IAS 1 (Revised), the Company has adopted a policy of disclosing separately on the face of its Condensed Group Income Statement the effect of any components of financial performance considered by the Directors to be exceptional, or for which separate disclosure would assist both in a better understanding of the financial performance achieved and in making projections of future results.

Both materiality and the nature and function of the components of income and expense are considered in deciding upon such presentation. Exceptional items may include, inter alia, the financial effect of major restructuring and integration activity, inventory fair value adjustments, profits or losses on sale or impairment of non-current assets, amortisation and impairment charges relating to intangible assets, curtailment gains or losses relating to employee benefits, finance costs, any profits or losses arising on business disposals, and other items, including the taxation impact of the aforementioned items, which have a significant impact on the Group's results of operations either due to their size or nature.

1.5 NON-GAAP FINANCIAL MEASURES

The Company uses a number of non-Generally Accepted Accounting Practice ("non-GAAP") financial measures in addition to those reported in accordance with IFRS. Because IFRS measures reflect all items which affect reported performance, the Directors believe that certain non-GAAP measures, which reflect what they view as the underlying performance of the Group, are important and should be considered alongside the IFRS measures. The following non-GAAP measures are used by the Company:

(a) Net sales value

Net sales value is calculated as the total of revenue less the amount included therein related to any precious metal component. The Directors believe that net sales value provides an important measure of the underlying sales performance of the Group's Precious Metals division.

(b) Return on sales and return on net sales value

Return on sales is calculated as trading profit divided by revenue. Return on net sales value is calculated as trading profit divided by net sales value. The Directors believe that return on sales provides an important measure of the underlying trading performance of the Group and the Group's Ceramics and Electronics divisions and that return on net sales value provides an important measure of the underlying trading performance of the Group's Precious Metals division.

Notes to the condensed financial statements

(c) Underlying revenue growth

Underlying revenue growth measures the organic growth in revenue from one period to the next after eliminating the effects of changes in exchange rates and metals prices and the effects of business acquisitions, disposals and closures. The Directors believe that underlying revenue growth gives an important measure of the organic revenue generation capacity of Group businesses.

(d) Trading profit

Trading profit, defined as profit from operations before restructuring and integration costs, inventory fair value adjustments, profits or losses relating to non-current assets, amortisation and impairment charges relating to intangible assets and curtailment gains or losses relating to employee benefits, is separately disclosed on the face of the Group income statement. The Directors believe that trading profit is an important measure of the underlying trading performance of the Group.

(e) Headline profit before tax

Headline profit before tax is calculated as the net total of trading profit, plus the Group's share of post-tax profit of joint ventures and total net finance costs associated with ordinary activities. The Directors believe that headline profit before tax provides an important measure of the underlying financial performance of the Group.

(f) Headline earnings per share

Headline earnings per share is calculated as the net total of trading profit, plus the Group's share of post-tax profit of joint ventures and total net finance costs and income tax costs associated with ordinary activities, less profit attributable to minority interests, divided by the weighted average number of ordinary shares in issue during the period. The Directors believe that headline earnings per share provides an important measure of the underlying earnings capacity of the Group.

(g) Free cash flow

Free cash flow, defined as net cash flow from operating activities after net outlays for the acquisition and disposal of non-current assets, dividends from joint ventures and dividends paid to minority shareholders, but before additional funding contributions to Group pension plans, is disclosed on the face of the condensed Group statement of cash flows. The Directors believe that free cash flow gives an important measure of the underlying cash generation capacity of the Group.

(h) Average working capital to sales ratio

The average working capital to sales ratio is calculated as the percentage of average working capital balances (being inventories, trade and other receivables and trade and other payables) for a period to the reported revenue for that period. The Directors believe that the average working capital to sales ratio provides an important measure of the underlying effectiveness with which working capital balances are managed throughout the Group.

(i) EBITDA

EBITDA is calculated as the total of trading profit before depreciation charges. The Directors believe that EBITDA provides an important measure of the underlying financial performance of the Group.

(j) Interest cover

Interest cover is the ratio of EBITDA to net interest. Net interest for bank covenant purposes is calculated as interest payable on borrowings less interest receivable, excluding any item therein considered by the Directors to be exceptional. The Directors believe that interest cover provides an important measure of the underlying financial position of the Group.

(k) Net debt

Net debt comprises the net total of current and non-current interest-bearing loans and borrowings and cash and short-term deposits. The Directors believe that net debt is an important measure as it shows the Group's aggregate net indebtedness to banks and other external financial institutions.

(l) Net debt to EBITDA

Net debt to EBITDA is the ratio of net debt at the end of the period, to EBITDA for the preceding 12 month period. The Directors believe that net debt to EBITDA provides an important measure of the underlying financial position of the Group.

(m) Return on net assets

Return on net assets is calculated as trading profit, plus the Group's share of post-tax profit of joint ventures divided by average operating net assets (being property, plant and equipment, trade working capital and other operating receivables and payables). The Directors believe that return on net assets provides an important measure of the underlying financial performance of the Group's divisions.

(n) Return on investment

Return on investment is calculated as trading profit after tax, plus share of post-tax profit of joint ventures divided by invested capital (being shareholders' funds plus net debt, net employee benefits deficit and goodwill previously written-off to, or amortised against, reserves). The Directors believe that return on investment provides an important measure of the underlying financial performance of the Group.

Notes to the condensed financial statements

2. SEGMENT INFORMATION

For reporting purposes, the Group is organised into three business segments: Ceramics, Electronics and Precious Metals. Segment revenue represents revenue from external customers; inter-segment revenue is not material. Segment result is equivalent to trading profit and includes items directly attributable to a segment as well as items that can be allocated on a reasonable basis.

2.1 SEGMENT REVENUE AND SEGMENT RESULT

	Segment revenue			Segment result		
	Half year	Half year	Full year	Half year	Half year	Full year
	2009	2008	2008	2009	2008	2008
	£m	£m	£m	£m	£m	£m
Ceramics	543.1	581.6	1,264.3	11.4	85.1	167.7
Electronics	239.6	321.4	620.3	6.3	29.9	51.7
Precious Metals	146.7	154.8	317.9	2.3	1.9	4.5
Segment totals	929.4	1,057.8	2,202.5	20.0	116.9	223.9

2.2 RECONCILIATION OF SEGMENT RESULT TO PROFIT BEFORE TAX

	Half year	Half year	Full year
	2009	2008	2008
	£m	£m	£m
Segment result	20.0	116.9	223.9
Corporate costs	(3.5)	(3.6)	(7.6)
Trading profit	16.5	113.3	216.3
Restructuring and integration costs	(66.0)	(12.0)	(39.6)
Inventory fair value adjustment	-	(2.6)	(2.6)
(Loss)/profit relating to non-current assets	(0.6)	-	3.4
Amortisation and impairment of intangible assets	(8.9)	(4.2)	(52.5)
Curtailed gains relating to employee benefits	-	0.4	6.0
(Loss)/profit from operations	(59.0)	94.9	131.0
Finance costs - ordinary activities	(40.4)	(35.0)	(85.3)
- exceptional items	(14.0)	(2.2)	(2.2)
Finance income	20.2	20.7	44.5
Share of post-tax profit of joint ventures	0.4	0.1	0.7
Net profit/(loss) on disposal of continuing operations	3.1	(3.3)	0.9
(Loss)/profit before tax	(89.7)	75.2	89.6

2.3 SEGMENT TOTAL ASSETS

	30 June	31 Dec	30 June
	2009	2008	2008
	£m	£m	£m
Ceramics	1,480.7	1,761.5	1,537.0
Electronics	485.1	566.9	497.7
Precious Metals	100.9	120.1	138.6
Unallocated assets	178.3	249.7	156.2
Discontinued operations	0.5	0.3	0.6
Total Group	2,245.5	2,698.5	2,330.1

Notes to the condensed financial statements

3. RESTRUCTURING AND INTEGRATION COSTS

The restructuring and integration costs of £66.0m (2008: half year £12.0m; full year £39.6m) comprise the following:

- £4.0m (2008: half year £6.4m; full year £17.1m) of costs associated with the integration of Foseco into the Group's Ceramics division;
- £22.0m (2008: half year £nil; full year £4.2m) in respect of onerous lease costs in the Ceramics and Electronics divisions, of which £16.3m arises in the Electronics division's UK operations. Consequent to the recent restructuring of the Electronics division's manufacturing operations in the UK, a significant amount of UK production has been transferred to other existing Electronics division facilities outside of the UK. As a result, there is significant unutilised space at the division's facility in Woking. This property is subject to a lease, under which the future rentals that relate to the now unutilised part of this facility represent an onerous obligation; and
- £40.0m (2008: half year £5.6m; full year £18.3m) for the cost of a number of initiatives throughout the Group aimed at reducing the Group's cost base and re-aligning its manufacturing capacity with its customers' markets. These latter initiatives included redundancy programmes, the downsizing or closure of facilities, the streamlining of manufacturing processes and the rationalisation of product lines.

Of the restructuring and integration charge in the period, £nil (2008: half year £0.1m; full year £8.2m) related to asset write-downs.

Cash costs of £24.1m (2008: half year £8.5m; full year £23.0m) were incurred in the period in respect of the restructuring and integration initiatives commenced both in 2009 and in prior years, leaving provisions made but unspent of £56.3m as at 30 June 2009 (2008: 30 June £12.0m; 31 December £19.5m). The net tax credit attributable to these restructuring and integration costs was £2.7m (2008: half year £1.5m; full year £2.9m).

4. INVENTORY FAIR VALUE ADJUSTMENT

The value of the inventory acquired on the acquisition of Foseco in 2008 was increased by £2.6m in order to restate the value of finished goods inventory from cost, as it had been valued in Foseco's balance sheet immediately prior to acquisition, to its fair value as recognised on acquisition by Cookson, in accordance with the requirements of *IFRS 3, Business Combinations*. The inventory that was subject to this valuation adjustment had all been sold by 30 June 2008.

5. (LOSS)/PROFIT RELATING TO NON-CURRENT ASSETS

Non-current assets were disposed of during the first six months of 2009 at a loss of £0.6m (2008: half year £nil; full year £3.4m profit), generating cash proceeds of £0.4m (2008: half year £0.3m; full year £2.2m).

6. AMORTISATION AND IMPAIRMENT OF INTANGIBLE ASSETS

6.1 SUMMARY OF INCOME STATEMENT CHARGES

	Half year 2009 £m	Half year 2008 £m	Full year 2008 £m
Amortisation of intangible assets	8.9	4.2	12.9
Impairment of goodwill	-	-	39.6
	8.9	4.2	52.5

6.2 AMORTISATION

Intangible assets are amortised over their useful lives as summarised below.

	Cost on acquisition £m	Remaining useful life years	Charged in half year		Charged in Full year 2008 £m
			2009 £m	2008 £m	
Foseco - customer relationships	103.7	18.8	3.0	1.3	4.0
- trade name	72.4	18.8	1.8	0.9	2.7
- intellectual property rights	80.3	8.8	4.0	2.0	6.0
Other	1.0		0.1	-	0.2
	257.4		8.9	4.2	12.9

7. CURTAILMENT GAINS RELATING TO EMPLOYEE BENEFITS

The curtailment gain of £0.4m in the first half of 2008 resulted from the disposal of Foseco's Carbon Bonded Ceramics business and from the closure of a US facility in the Ceramics division. The £6.0m gain in the full year 2008 resulted from reductions in liabilities arising from the freezing of benefits for existing members of the Group's two largest Foseco US defined benefit pension plans, together with reductions arising from business disposals and redundancy programmes.

Notes to the condensed financial statements

8. FINANCE COSTS AND FINANCE INCOME

8.1 ORDINARY FINANCE COSTS AND FINANCE INCOME

Included within finance costs from ordinary activities of £40.4m (2008: half year £35.0m; full year £85.3m) is the interest cost associated with the liabilities of the Group's defined benefit pension and other post-retirement benefit plans of £17.5m (2008: half year £15.5m; full year £33.4m) and included within finance income of £20.2m (2008: half year £20.7m; full year £44.5m) is the expected return on the assets of the Group's defined benefit pension plans of £14.8m (2008: half year £13.8m; full year £29.7m).

8.2 EXCEPTIONAL FINANCE COSTS

On 6 March 2009, the Group came to an agreement with the banks that provide its syndicated facility whereby the Group agreed to prepay, in March 2009, the £75.0m and €37.5m tranches originally due to be repaid in October 2010. The interest payable in relation to these tranches had been hedged by means of interest rate swaps, in respect of which cash flow hedge accounting had been applied.

In April 2009, the Group converted the remainder of its foreign currency-denominated borrowings under its syndicated bank facility into sterling. The interest payable in relation to these borrowings had also been hedged by means of interest rate swaps in respect of which cash flow hedge accounting had been applied.

Subsequent to the repayment of the tranches and the conversion of the remaining foreign currency-denominated borrowings into sterling, as outlined above, the associated hedge accounting was discontinued. As a result, the cumulative loss of £12.8m, that had been recognised in other reserves from changes in the fair value of the interest rate swaps during the period when they were effective hedges, was reclassified to profit or loss as an exceptional finance cost, together with £0.5m of capitalised borrowing costs related to the prepaid tranches of the syndicated facility and £0.7m of early repayment fees.

The exceptional charge of £2.2m in 2008, related to the write-off of costs associated with the arrangement of a tranche of the Group's syndicated facility, which was cancelled during the first half of 2008 without being utilised.

9. NET PROFIT/(LOSS) ON DISPOSAL OF CONTINUING OPERATIONS

The net profit on disposal of continuing operations of £3.1m (2008: half year £3.3m loss; full year £0.9m profit) related to three small disposals, one from each of the Group's divisions, which generated £6.1m (2008: half year £8.9m; full year £21.2m) of net proceeds.

The net loss on disposal of continuing operations of £3.3m reported for the half year 2008, related to costs associated with the disposal of Foseco's Carbon Bonded Ceramics business. The net profit on disposal of continuing operations of £0.9m reported for the full year 2008, related to the sale of the Group's Hi-Tech ceramic filters business, formerly part of the Ceramics division, and to the disposal of Foseco's Carbon Bonded Ceramics business, both of which disposals were required for compliance with anti-trust clearances in relation to the acquisition of Foseco, together with net costs associated with a number of other small business disposals.

The tax charge associated with these disposals was £0.9m (2008: half year £0.3m; full year £0.3m) as described in note 10 below.

10. INCOME TAX COSTS

The Group's total income tax cost of £6.9m (2008: half year £25.6m; full year £40.2m) comprised a tax charge on ordinary activities of £9.9m (2008: half year £27.2m; full year £48.3m), and a credit relating to exceptional items of £3.0m (2008: half year £1.6m; full year £8.1m).

The credit relating to exceptional items included a credit of £2.7m (2008: half year £1.5m; full year £2.9m) in relation to restructuring and integration costs, £nil (2008: half year £0.8m credit; full year £0.8m credit) relating to the inventory fair value adjustment, a credit of £2.6m (2008: half year £1.2m; full year £3.7m) relating to the amortisation and impairment of intangible assets, a charge of £1.4m (2008: half year £1.6m charge; full year £1.2m credit) relating to deferred tax on goodwill, £nil (2008: half year £nil; full year £0.2m charge) relating to non-current assets and a charge of £0.9m (2008: half year £0.3m; full year £0.3m) relating to the profit/(loss) on disposal of continuing operations.

The £19.8m of income tax credited within other comprehensive income (2008: half year £nil; full year £20.5m charge) comprises a credit of £19.8m (2008: half year £nil; full year £19.8m charge) in relation to actuarial gains and losses on employee benefit plans and £nil (2008: half year £nil; full year £0.7m charge) relating to foreign exchange gains.

Notes to the condensed financial statements

11. EARNINGS PER SHARE ("EPS")

	Unaudited Half year 2009 pence	Unaudited Half year 2008 pence	Full year 2008 pence
Basic EPS	(42.6)	34.3	32.7
Diluted EPS	(42.6)	34.2	32.7
	Unaudited Half year 2009 pence	Unaudited Half year 2008 pence	Full year 2008 pence
Headline EPS	(6.2)	50.1	88.5
Headline diluted EPS	(6.2)	50.1	88.4
	Unaudited Half year 2009 m	Unaudited Half year 2008 m	Full year 2008 m
Weighted average number of ordinary shares	229.1	140.7	140.8
Diluted weighted average number of ordinary shares	229.1	140.8	140.9

Half year 2008 EPS figures have been multiplied by 10 to take account of the share consolidation in May 2009 and divided by 6.6391 to take account of the bonus element of the rights issue in March 2009. Full year 2008 earnings per share figures have been multiplied by 10 to take account of the share consolidation in May 2009.

EPS is based upon the result for the period attributable to owners of the parent, which was a loss of £97.6m (2008: half year £48.2m profit; full year £46.1m profit).

For the purposes of calculating diluted EPS, the weighted average number of ordinary shares is adjusted to include the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares. Potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease earnings per share, or increase loss per share, from continuing operations. There were no dilutive potential ordinary shares in issue during the period.

Headline EPS is based upon the headline result for the period attributable to owners of the parent, which was a loss of £14.2m (2008: half year £70.5m profit; full year £124.6m profit).

12. DIVIDENDS

The Directors have decided not to declare an interim dividend in respect of the year ending 31 December 2009 (2008: 8.8p per ordinary share). No final dividend was paid in respect of the year ended 31 December 2008 (2007: 13.2p per ordinary share).

The dividend per ordinary share amounts shown in the table below have been restated from those originally reported to reflect (a) the bonus element in the shares issued under the rights issue that completed on 4 March 2009 (previously reported amounts have been divided by 6.6391) and (b) the 10 for 1 share consolidation (note 14) that took effect on 14 May 2009 (previously reported amounts have been multiplied by 10).

	Half year 2009 £m	Half year 2008 £m	Full year 2008 £m
Amounts recognised as distributions to equity holders during the period:			
Interim dividend for the year ended 31 December 2008 of 8.8p ¹ per ordinary share	-	-	12.4
Final dividend for the year ended 31 December 2007 of 13.2p ² per ordinary share	-	18.6	18.6
Total dividends paid in the period	-	18.6	31.0

¹ Originally reported as 5.85p per ordinary share in 2008 half-year report. ² Originally reported as 8.75p per ordinary share in 2007 annual report.

Notes to the condensed financial statements

13. INTANGIBLE ASSETS

13.1 SUMMARY OF INTANGIBLE ASSETS MOVEMENTS IN THE PERIOD

	30 June 2009			31 December 2008			30 June 2008		
	Goodwill £m	Other intangible assets £m	Total £m	Goodwill £m	Other intangible assets £m	Total £m	Goodwill £m	Other intangible assets £m	Total £m
Cost									
As at the beginning of the period	962.8	278.0	1,240.8	430.8	-	430.8	430.8	-	430.8
Exchange adjustments	(89.7)	(10.9)	(100.6)	202.3	20.6	222.9	16.7	0.9	17.6
Business acquisitions	-	-	-	332.3	257.4	589.7	325.4	256.4	581.8
Business disposals	(6.6)	-	(6.6)	(2.6)	-	(2.6)	-	-	-
Transferred to held for sale	-	-	-	-	-	-	(1.8)	-	(1.8)
As at the end of the period	866.5	267.1	1,133.6	962.8	278.0	1,240.8	771.1	257.3	1,028.4
Amortisation and impairment									
As at the beginning of the period	39.6	13.6	53.2	-	-	-	-	-	-
Exchange adjustments	(3.7)	(0.6)	(4.3)	-	0.7	0.7	-	-	-
Amortisation charge	-	8.9	8.9	-	12.9	12.9	-	4.2	4.2
Impairment loss	-	-	-	39.6	-	39.6	-	-	-
Business disposals	(5.2)	-	(5.2)	-	-	-	-	-	-
As at the end of the period	30.7	21.9	52.6	39.6	13.6	53.2	-	4.2	4.2
Net book value									
As at the end of the period	835.8	245.2	1,081.0	923.2	264.4	1,187.6	771.1	253.1	1,024.2

Goodwill and other intangible assets arising from business acquisitions in 2008 principally related to the acquisition of Foseco.

13.2 GOODWILL IMPAIRMENT TESTING

Goodwill impairment testing is carried out annually and whenever there is an indication of impairment.

During the first half of 2009, the key end-markets for the Group's Chemistry cash-generating unit were weak compared to the same period in 2008, giving rise to an indication of possible impairment in the carrying value of its goodwill. Accordingly, the Directors have remeasured the recoverable amount of the Chemistry cash-generating unit as at 30 June 2009, based upon value in use calculations, and determined that the carrying value of the goodwill is not impaired. For the Group's other cash-generating units with goodwill balances, the headroom of recoverable amount over carrying value of goodwill when it was previously tested as at 31 December 2008 was sufficient to allow the Directors to determine that there was no evidence of goodwill impairment as at 30 June 2009, notwithstanding the relative weakness in their end-markets compared to the same period in 2008.

14. SHARE CAPITAL

Under the terms of a fully underwritten rights issue, ordinary shareholders of the Company on the register at the close of business on 13 February 2009 were offered 2,551,293,144 new ordinary shares of 10p each on the basis of twelve new ordinary shares for every existing ordinary share held. These shares were fully subscribed on 4 March 2009, resulting in total proceeds on issue of £240.7m, net of expenses of £14.4m.

At the Company's Annual General Meeting held on 14 May 2009, shareholders approved a share consolidation, which took effect following the close of business on that same date, whereby shareholders received one new ordinary share of 100p each for every 10 existing ordinary shares of 10p each held at the close of business on 14 May 2009. Trading in the new ordinary shares of 100p commenced on 15 May 2009.

Notes to the condensed financial statements

15. BORROWINGS

	Balance at 1 January 2009 £m	Foreign exchange adjustment £m	Non-cash movements £m	Cash flow £m	Balance at 30 June 2009 £m
Cash and cash equivalents					
Short-term deposits	41.5	(2.2)	-	(27.4)	11.9
Cash at bank and in hand	74.3	(7.0)	-	42.7	110.0
Bank overdrafts	(10.2)	0.6	-	7.2	(2.4)
				22.5	
Borrowings, excluding bank overdrafts					
Current	(53.1)	12.6	(90.7)	19.0	(112.2)
Non-current	(791.4)	15.6	90.7	231.5	(453.6)
Capitalised borrowing costs	7.2	-	0.9	-	8.1
				250.5	
Net debt	(731.7)	19.6	0.9	273.0	(438.2)

On 6 March 2009, the Group came to an agreement with the banks that provide its syndicated facility whereby the Group agreed to prepay, in March 2009, the £75.0m and €37.5m tranches originally due to be repaid in October 2010. In exchange for this, the banking syndicate rescheduled by one year the tightening of the net debt to EBITDA covenant attached to the facility. As a result, the covenant test is now 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. Following this change to the facility, the required future repayments are £75.0m and €37.5m in 2011, with the balance of £500.0m and €75.0m being repayable in 2012.

16. EMPLOYEE BENEFITS

The net employee benefits balance as at 30 June 2009 of £131.5m (2008: half year £93.1m; full year £95.3m) in respect of the Group's defined benefit pension and other post-retirement benefit obligations, results from an interim actuarial valuation of the Group's defined benefit pension and other post-retirement obligations as at that date. As analysed in the following table, the net employee benefits balance comprised surpluses (assets) of £nil (2008: half year £4.7m; full year £70.6m) together with deficits (liabilities) of £131.5m (2008: half year £97.8m; full year £165.9m).

	30 June 2009 £m	31 Dec 2008 £m	30 June 2008 £m
Employee benefits - net surpluses			
UK defined benefit pension plans	-	70.0	4.6
US defined benefit pension plans	-	0.6	-
ROW defined benefit pension plans	-	-	0.1
	-	70.6	4.7
Employee benefits - net liabilities			
UK defined benefit pension plans	7.8	1.3	2.2
US defined benefit pension plans	56.7	89.5	41.6
ROW defined benefit pension plans	41.4	46.0	33.4
Other post-retirement benefit obligations, mainly US healthcare arrangements	25.6	29.1	20.6
	131.5	165.9	97.8

The total net charges for the first half of 2009 in respect of the Group's defined benefit pension and other post-retirement benefit obligations were £3.9m (2008: half year £3.3m; full year £7.6m) in arriving at trading profit, £nil (2008: half year £nil; full year £0.2m) in respect of restructuring and integration costs, £nil (2008: half year £0.4m; full year £6.0m) in respect of curtailment gains and £2.7m (2008: half year £1.7m; full year £3.7m) within net finance costs. Net actuarial losses added £60.7m to the increase in the employee benefits balance in the period (2008: half year £14.5m net gains; full year £33.7m net gains).

Cash contributions into the Group's defined benefit pension plans amounted to £15.5m (2008: half year £23.5m; full year £41.5m), which included additional funding contributions into the UK pension plan of £1.2m and a non-recurring funding contribution into the US plans of £8.6m.

Notes to the condensed financial statements

17. RELATED PARTY TRANSACTIONS

There have been no changes in the nature of the related party transactions undertaken by the Group as described in the Group's 2008 annual report and no significant related party transactions undertaken that could have had a material effect on the financial position or performance of the Group in the first six months of the financial year.

18. CONTINGENT LIABILITIES

There have been no significant changes to the Group's contingent liabilities from the position reported in the Group's 2008 annual report.

19. EXCHANGE RATES

The Group reports its results in pounds sterling. A substantial portion of the Group's revenue and profits are denominated in currencies other than pounds sterling. It is the Group's policy to translate the income statements and cash flow statements of its overseas operations into pounds sterling using average exchange rates for the period reported (except when the use of average rates does not approximate the exchange rate at the date of the transaction, in which case the transaction rate is used) and to translate balance sheets using period end rates. The principal exchange rates used were as follows:

	Period end rates of exchange			Average rates of exchange for the period		
	30 June 2009	30 June 2008	31 Dec 2008	Half year 2009	Half year 2008	Full year 2008
US dollar	1.65	2.00	1.46	1.49	1.97	1.86
Euro	1.17	1.26	1.04	1.12	1.29	1.26
Czech Republic koruna	30.48	30.18	27.99	30.38	32.61	31.44
Polish zloty	5.23	4.23	4.33	5.00	4.52	4.42
Chinese renminbi	11.25	13.67	9.95	10.17	13.95	12.92