

2 August 2011

## COOKSON GROUP PLC – 2011 HALF YEAR FINANCIAL REPORT

### HIGHLIGHTS

- Strong performance improvement in H1 2011 (versus H1 2010):
  - Revenue of £1,421m, up 12% on underlying basis<sup>1</sup>
  - Trading profit of £145.9m, up 21%
  - Return on sales<sup>1</sup> of 10.3% (Ceramics 11.6%; Electronics 10.8%), versus 9.8%
  - Headline profit before tax<sup>1</sup> of £132.1m, up 27%
- Good progress towards our return on sales margin target of 12% by 2013 (assuming constant metal prices) – H1 2011 margin at constant metal prices was 10.9% versus 9.9% in FY2010
- Strong demand in key end-markets of steel production, foundry castings and electronics
- Continued investment in production capacity in key growth markets (China, India, Brazil, Eastern Europe, Japan and Singapore) and in increased R&D capability
- Headline EPS<sup>1</sup> of 35.2p, up 30% on H1 2010 (27.0p)
- Interim dividend declared of 7.25p per share (2010: interim dividend - nil; final dividend - 11.5p)
- Net debt of £429m; leverage ratio (net debt to EBITDA) of 1.3 times

	First half		Inc/(dec) vs H1 2010		Full year
	2011	2010	Reported rates	Constant rates	2010
Revenue	<b>£1,421m</b>	£1,233m	15%	16%	£2,546m
Trading profit	<b>£145.9m</b>	£120.3m	21%	21%	£252.1m
Return on sales <sup>1</sup>	<b>10.3%</b>	9.8%	0.5pts	0.5pts	9.9%
Profit before tax - headline <sup>1</sup>	<b>£132.1m</b>	£104.0m	27%		£222.1m
- basic	<b>£119.7m</b>	£92.5m	29%		£189.4m
Tax rate – headline <sup>2</sup>	<b>24.0%</b>	25.3%	(1.3)pts		21.1%
Earnings per share - headline <sup>1</sup>	<b>35.2p</b>	27.0p	30%		61.5p
- basic	<b>31.6p</b>	23.4p	35%		53.0p
Dividends per share <sup>3</sup>	<b>7.25p</b>	-	7.25p		11.5p
Free cash flow <sup>1</sup>	<b>£(29.3)m</b>	£(14.9)m	down £14.4m		£63.7m
Net debt <sup>1</sup>	<b>£428.8m</b>	£405.1m	up £23.7m		£329.7m

<sup>1</sup> Refer to Note 15 of the attached condensed financial statements for definitions

<sup>2</sup> Tax rate on headline profit before tax (before share of post-tax (loss)/profit of joint ventures)

<sup>3</sup> Dividends are presented on an "as declared" basis

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

"We have continued to make good progress this year towards our stated targets for 2013. With our leading global market positions, continued market penetration of newly developed products and services and further expansion of our strong presence in the faster growth emerging markets, we believe we are well positioned to continue to benefit from further growth in our end-markets.

"Given the strong performance in the first half of 2011 and our outlook for a marginally stronger second half, we now anticipate full year performance to be slightly ahead of our earlier expectations."

## **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 2011.

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**

The Group's performance continued to improve very significantly in the first half of 2011. Continued market penetration of newly-developed products and the further expansion of our presence in emerging markets have positioned our businesses favourably to benefit from further growth in our end-markets. We see considerable potential for further improvement and, in January 2011, we announced new three year performance targets, setting out our ambitions and strategy for continued strong progress. These targets are set out below.

## **TARGETS AND STRATEGY**

On 26 January 2011, we gave an extensive Capital Markets presentation setting out our targets for performance improvement over the three years ending December 2013 and our strategy for achieving those targets. The full presentation is available on our web site. The targets are:

- average annual revenue growth to exceed 1.5 times global GDP growth;
- return on sales margin of 12% by year 2013 (assuming constant metals prices);
- double digit average annual headline earnings growth;
- dividend growth at least in line with earnings growth;
- return on investment increasingly ahead of the Group's weighted average cost of capital; and
- maintaining a strong financial position with a leverage ratio (year-end net debt to EBITDA ratio) of not more than 1.5 times.

In setting these targets we are not assuming any significant acquisitions. No major disposals are anticipated but any opportunities to create value will be considered objectively. The significant improvement in the Group's portfolio of businesses means that achievement of the 12% margin target does not require any division to deliver higher margins than they have previously achieved (note: pro-forma for Foseco).

We see the achievement of these targets being underpinned by:

- leading global market positions, supplying consumables to essential industries – steel, foundry and electronics;
- a track record of market share gains with new, enhanced technology, higher margin products, together with increased R&D capability and spending;
- significant emerging market exposure (c.50% of revenue; >60% of trading profit);
- considerable further recovery potential in mature markets where the cost base has been significantly reduced; and
- opportunities to leverage further organic growth through bolt-on acquisitions.

## **SUMMARY OF GROUP PERFORMANCE**

### ***Trading performance***

Group revenue of £1,421m was 15% higher, as reported, than the first half of 2010 reflecting strong end-market demand combined with the pass through to customers of significant commodity price rises for tin, silver and gold in the Electronics and Precious Metals divisions. On an underlying basis (constant exchange rates and adjusted for differences in commodity metals), Group revenue increased by 12%. Trading profit of £145.9m was 21% higher than that reported for the first half of 2010 and the return on sales margin improved to 10.3% (H1 2010: 9.8%). If commodity metals prices had remained at average 2010 levels, the margin would have been 10.9%.

The Ceramics division's revenue of £851m was 16% higher than that reported in the first half of 2010 with, as expected, further progress in our steel related businesses (Steel Flow Control and Linings together up 10% at constant exchange rates) and particularly strong growth in the Foundry and Fused Silica businesses (up, respectively, 26% and 34% at constant exchange rates). Trading profit of £98.5m was 13% higher than the first half of 2010. The return on sales margin was 11.6% (first half 2010: 11.8%). Raw material minerals costs rose faster than expected over the period and compensating selling price increases have now largely been agreed with customers, albeit with some time lag. Hence margins are expected to improve through the second half of the year as the price increases come into effect.

The Electronics division's revenue of £418m was 21% higher than that reported in the first half of 2010. In large part this strong growth reflects the pass through of higher tin, silver and gold commodity prices. On an underlying basis, the revenue increase was 4%. This relatively low figure reflected the continuing strategy of exiting more commoditised products (such as bar solder). However, this effect was more than offset by the continued market penetration of innovative, higher margin, products such as advanced solder pastes, copper damascene, 'tape and reel' packaged solder pre-forms, and plating-on-plastics chemicals. As a result of this mix change, trading profit rose significantly to £45.0m, an increase of 44% over that reported in the first half of 2010. The return on sales margin rose to 10.8% (first half 2010: 9.1%). The net sales value for the division, being revenue less the value of tin and precious metals included in revenue, was £207m (first half 2010: £200m) and the return on net sales value was 21.8% (first half 2010: 15.7%).

The Precious Metals division's net sales value of £65m decreased by 4%, as reported, compared with the first half of 2010 with continuing weakness in retail markets largely offset by the continued strength of precious metals recycling activity in Europe and US Mint coin blank production. Trading profit of £6.7m was in line with the first half of 2010 and the return on net sales value improved to 10.3% (first half 2010: 9.7%).

### ***Exceptional items***

A net charge, pre-tax, of £12.4m was incurred (first half 2010: £11.5m), principally comprising amortisation of intangible assets.

### ***Taxation***

The tax charge on ordinary activities was £31.7m (first half 2010: £26.5m) on a headline profit before tax of £132.1m, an effective tax rate (before share of post-tax loss of joint ventures) of 24%.

### ***Attributable profits and earnings***

Headline attributable profit for the first half of 2011 was £97.1m (first half 2010: £74.7m) and headline earnings per share was 35.2p, an increase of 30% over the first half of 2010.

After taking account of all items excluded from headline profit before tax noted above (net of the related tax impact), the Group recorded a profit of £87.3m for the first half of 2011 (first half 2010: £64.5m).

### ***Dividend and dividend policy***

Given the strong trading performance in the first half of 2011 and the outlook for the remainder of 2011, the Board is declaring an interim dividend of 7.25p per share (2010: interim dividend - nil; final dividend - 11.5p). It is the Board's intention to balance the split of interim and final dividends broadly on a one third/two thirds basis.

### ***Financial position***

In line with expectations, net debt at 30 June 2011 was £429m compared with £405m at June 2010 and £330m at December 2010. Working capital increased by £135m reflecting normal seasonality, the strong growth in underlying revenue and the revenue pass through of higher commodity metals prices. Whilst the absolute level of trade working capital rose during the first half of 2011, the ratio of average trade working capital to sales in the first half of 2011 of 21.6% remained in line with expectations and compares with 21.1% for the full year 2010.

On 14 April, we announced the signing of a new £600m, five year revolving credit facility with a group of sixteen banks to replace the existing bank facility which was due to mature in October 2012. This followed the successful issue in December 2010 of US\$250m of private placement loan notes with an average maturity of 8.5 years.

At 30 June 2011, the ratio of net debt to EBITDA was 1.3 times which is expected to reduce significantly by year end in line with the normal seasonality of net debt. Hence the Group's financial position is strong with ample liquidity under long-term financing arrangements.

## **DIRECTORATE**

Having served for nine years as a non-executive Director, Barry Perry retired from the Board at the close of the Annual General Meeting on 12 May 2011.

As announced on 27 June 2011, Dr Emma FitzGerald joined the Board as a non-executive Director on 1 August 2011. Dr FitzGerald is Vice President, Global Retail Network for Shell International. She joined Shell in 1992, and has held a variety of general management, strategic and technical roles. Dr FitzGerald has extensive experience of the Asia-Pacific region and has served on boards in Korea and China.

The Board would like to record its sincere thanks to Barry for his considerable contribution to Cookson over many years and to welcome Emma on to the Board.

## **OUTLOOK**

While macro-economic conditions remain uncertain, to date we have seen no material change in end-market, or trading, trends beyond normal seasonal effects.

For the full year 2011 we continue to expect mid-single digit growth in global steel production, slightly higher growth in electronic equipment production and double digit growth in our foundry castings end-market. Although for our foundry business year on year performance comparisons will become more demanding through the second half of the year.

In line with normal seasonality, we would expect somewhat lower volumes in the Ceramics division's steel and foundry markets in the second half when compared with the first. We are also expecting, temporarily, lower volumes in the solar crucible business although this is a relatively small part of the division's activity. Margins should improve as the recently agreed selling price increases work through. Overall we therefore expect the Ceramics division's second half performance to be broadly in line with the first half.

The Electronics division should see some normal seasonal strengthening of demand through the third quarter and hence a slightly stronger second half performance is expected. The Precious Metals division is expected to deliver a similar performance in the second half.

Given the strong performance in the first half of 2011 and our outlook for a marginally stronger second half, we currently anticipate full year performance to be slightly ahead of our earlier expectations.

With ongoing investment to expand capacity in the faster growth regions and share gains with innovative products and services, we continue to believe the Group is well placed to achieve our 2013 targets.

## REVIEW OF OPERATIONS

### Group

	First half		Inc/(dec) vs H1 2010		Full year
	2011	2010	Reported rates	Constant rates	2010
Revenue	<b>£1,421m</b>	£1,233m	15%	16%	£2,546m
Trading profit	<b>£145.9m</b>	£120.3m	21%	21%	£252.1m
Return on sales	<b>10.3%</b>	9.8%	0.5pts	0.5pts	9.9%

Group revenue in the first half of 2011 of £1,421m was 15% higher than the same period in 2010 and 12% higher on an underlying basis (being revenue at constant exchange rates and adjusted for differences in commodity metals). Compared with the second half of 2010, revenue was 7% higher on an underlying basis. Demand in the Group's key end-markets of steel production, foundry castings and electronics has been strong during the period and in line with previous expectations. Revenue for the Group was well balanced geographically with 34% coming from sales to customers in Europe, 33% from Asia-Pacific, 23% from NAFTA and 10% from the Rest of the World.

Trading profit in the first half of 2011 rose significantly to £145.9m (2010: £120.3m), being 21% higher at both reported and constant exchange rates. Trading profit was also 10% higher than the second half of 2010 at constant currency (11% at reported exchange rates). Trading profit improved in all three of the Group's divisions compared to both the first and second halves of 2010.

The return on sales margin in the first half of 2011 was 10.3%, continuing the progressive improvement seen in 2010 (first half 2010: 9.8%; second half 2010: 10.0%). This improvement was achieved notwithstanding the impact of higher metal prices (notably for gold, silver and tin), which increased reported revenue in the Electronics and Precious Metals divisions without any impact on profitability. The return on sales margin in the first half of 2011 would have been 10.9% if these metal prices had remained at 2010 average levels.

*Note: in the divisional and product line narrative analysis below, all of the financial information is presented at constant currency, unless indicated otherwise.*

## 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 industry (which accounts for a little over half of revenue) and the global foundry industry (approximately one third of revenue) and is a leading supplier of speciality products to the glass and solar industries.*

	First half		Inc/(dec) vs H1 2010		Full year
	2011	2010	Reported rates	Constant rates	2010
Revenue	<b>£851m</b>	£734m	16%	16%	£1,495m
Trading profit	<b>£98.5m</b>	£86.8m	13%	13%	£177.4m
Return on sales	<b>11.6%</b>	11.8%	(0.2)pts	(0.3)pts	11.9%

The Ceramics division experienced strong demand in its key end-markets in the first half of 2011. Revenue of £851m was 16% higher than the first half of 2010 and 11% higher than the second half of 2010 (at reported exchange rates; 16% and 12% respectively).

Trading profit in the first half of 2011 rose significantly to £98.5m (first half 2010: £86.8m), being 13% higher at both reported and constant exchange rates. Trading profit was also 8% higher than the second half of 2010 (9% at reported exchange rates). The return on sales margin in the first half of 2011 was 11.6%, marginally lower than both halves of 2010 (first half: 11.8%; second half: 11.9%). Raw material input costs rose faster than expected over the period, particularly for graphite, zirconia and magnesite minerals. Compensating selling price increases have now largely been agreed with customers, albeit with some time lag. Hence margins are expected to improve through the second half of the year as the price increases come into force.

The Ceramics division provides leading technologies to its customers supported by outstanding technical support and R&D resources. As outlined in the Capital Markets presentation on 26 January 2011, the division expects to double its R&D spend over the next five years. As part of this initiative, investments in land and facilities for R&D centres are being made in Pittsburgh, US and Visag, India.

## **Steel Flow Control**

*The Steel Flow Control business provides a full range of consumable products, systems and technical 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, and mould and tundish fluxes.*

Global steel production represents almost 100% of the end-market for Steel Flow Control products and services. According to the World Steel Association (“WSA”), global steel production was 758m tonnes in the first half of 2011. This compares to production of 704m tonnes in the first half of 2010, an 8% increase. Excluding China, steel production in the first half of 2011 was 6% higher than the first half of 2010. Following the unprecedented collapse in steel production in the fourth quarter of 2008, production levels started to recover from May 2009 with the recovery continuing through 2010 and the first half of 2011. Whilst this improvement in steel production is encouraging, production levels in the

developed world are still materially below the levels seen prior to the economic downturn, suggesting scope for considerable further growth in steel output in the medium term. Production in Europe and the US in the second quarter of 2011 represented only 86% and 85% respectively of the production levels seen in the second quarter of 2008.

Revenue of £269m was 9% higher compared to both the first and second halves of 2010. These growth rates were marginally ahead of the increase in steel production in the key markets in which Vesuvius operates, reflecting favourable product mix, including increased market penetration of its new, higher value-added, tundish tube changer and ladle shroud products, and the partial pass-through of higher raw material costs.

Our new 'Robotic Casting Technology' R&D project is progressing well with several customers now agreeing to host in-service proving trials of key components, including the new robotically manipulated ladle shroud tube changer. The object of this project is to significantly improve the health and safety environment in our customers' steel mills and to increase their production quality and yields.

Projects are ongoing during 2011 to increase both capacity and production efficiency in our manufacturing facilities in China, India and Brazil in order to meet the continuing growth in demand in these countries. New facilities are being built in Brazil and China to improve the efficiency of raw material processing, and the project to double capacity at the Indian facility in Kolkata was completed during the period. A project has also recently been initiated to double the capacity of the existing facility in Trinec, Czech Republic to service more effectively the Eastern Europe and CIS markets. The first phase of this expansion should be completed by the end of 2011.

### ***Linings***

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

Global iron and steel production represents more than 75% of the end-market for Linings products and services with the remainder arising from a variety of non-steel markets including the cement, lime, aluminium, power generation, petrochemical and waste incineration industries.

Revenue of £269m represented an 11% increase compared to the first half of 2010 and 9% increase compared to the second half of 2010. The growth reflected increased levels of maintenance as steel producers increased production, and the partial pass-through of higher raw material prices.

Production capacity at our Chinese specialist magnesia carbon brick-lining business, BRC, is being increased by around one-half through the installation of automated presses.

## **Foundry**

*The Foundry business is a leading supplier of consumable products and technical services 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 used in the production of metal castings. These products improve quality and yields whilst reducing energy consumption and production costs.*

The global foundry industry 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 ('automotive') and 15% for heavy trucks. Other end-markets for foundry castings include construction, agriculture and mining machinery; power generation equipment, pipes and valves; railroad, and general engineering equipment. The foundry castings market deteriorated significantly towards the end of 2008 and has subsequently demonstrated more "late-cycle" characteristics in its recovery. Whilst automotive production started to improve from mid-2009 onwards, truck production (particularly in Europe) only started to recover from mid-2010 onwards. It was only towards the end of the first half of 2010 that the Foundry business started to experience a more positive impact on its revenue with this improvement continuing during the remainder of 2010 and into the first half of 2011.

Revenue of £266m represented a 26% increase compared to the first half of 2010 and a 14% increase compared to the second half of 2010. There has been strong growth in most regions, particularly Northern Europe (especially Germany which accounted for c.20% of revenue), NAFTA and India, reflecting the strong demand in these markets for cars, trucks, mining and agricultural equipment and general engineering machinery. Southern European markets are recovering more slowly. Whilst these trends are encouraging, revenue in the first half of 2011 was still 7% below the revenue achieved in the first half of 2008 (pro-forma for Foseco), suggesting scope for further improvement.

The first orders for the recently launched INITEK™ system have been secured with five systems now in operation, eight in the process of being commissioned and a further twenty under negotiation with potential customers. The INITEK™ system is based on a proprietary combination of additives and processes in a purpose-designed converter vessel which significantly improves casting quality and reduces customers' production costs by some 10% through reductions in the consumption of energy and materials.

The manufacturing facility in Chambéry, France was closed during the period with production transferring to existing facilities in Poland and India. Additional production capacity for filters and feeding systems is also being installed in our facilities in the UK and Japan for completion in early 2012.

The Chinese foundry castings end-market is expected to grow strongly over the next few years. In anticipation of this growth, it has been decided to build a new production facility in China. A number of locations are currently under evaluation.

## **Fused Silica**

*The Fused Silica business' principal products are Solar Crucibles™ used in the manufacture of photovoltaic ("solar") panels and tempering rollers used in the glass industry.*

The Fused Silica business experienced much improved trading conditions in the first half of 2011, although some softening in the demand for Solar Crucibles™ became evident towards the end of the period as a number of customers cut production in response to excess global inventories of finished solar panels. A significant slow-down in demand for one or two quarters due to de-stocking of finished panels is expected. However, the prospects for the solar industry in the medium to long-term remain very promising.

Revenue of £47m represented a 34% increase compared to the first half of 2010 and 17% increase compared to the second half of 2010. Solar Crucible™ revenue, which represents around 60% of total Fused Silica revenue, increased by 38% compared to the first half of 2010 and by 23% compared to the second half of 2010.

For glass tempering rollers and other speciality products used in the manufacture of glass, revenue increased 29% compared to the first half of 2010 and 8% compared to the second half of 2010.

A new Solar Crucible™ facility in China commenced production in the first quarter of 2011 and the expansion of the existing facility in Moravia, Czech Republic, to produce the larger, "G5" Solar Crucible™ is progressing with completion expected in 2012. The doubling of capacity of the line for production of the recently introduced 'ready to use' ('RTU') Solar Crucibles™ in the facility in Skawina, Poland is expected to be completed by the third quarter of 2011. RTU Solar Crucibles™ are crucibles pre-coated with a patented solution which increases customers' manufacturing productivity. A new raw material processing plant is being built in China for completion by year-end, which will enable us to source cheaper raw materials from a wider variety of sources and which will also enable us to supply processed materials to our European factories.

## **Electronics division**

*The Electronics division is a world leading supplier of electronic assembly materials and advanced surface treatment and plating chemicals. The electronic equipment production end-market accounts for approximately three-quarters of revenue with the other quarter being direct applications (non-electronics) in automotive and industrial production. The division comprises two businesses; Assembly Materials, which is a supplier of solder and related products, and Chemistry, which is a supplier of electro-plating chemicals.*

	First half		Inc/(dec) vs H1 2010		Full year
	2011	2010	Reported rates	Constant rates	2010
Revenue	<b>£418m</b>	£344m	21%	23%	£721m
Net sales value	<b>£207m</b>	£200m	4%	1%	£410m
Trading profit	<b>£45.0m</b>	£31.3m	44%	45%	£71.0m
Return on sales	<b>10.8%</b>	9.1%	1.7pts	1.7pts	9.8%
Return on net sales value	<b>21.8%</b>	15.7%	6.1pts	6.5pts	17.3%

Electronics end-markets have been strong during the half year with good growth in demand for personal computers (including 'tablets'), mobile phones (particularly smartphones), and automotive electronics. According to estimates from Gartner, global personal computer unit shipments in the first half of 2011 were only 1% higher than the first half of 2010. However this data excludes tablet personal computers, volumes of which according to Henderson are expected to double from 20m units in 2010 to around 45m units in 2011. Global unit shipments of mobile phones increased 15% compared to the first half of 2010, according to estimates from IDC, with an increasing proportion of these being more technically sophisticated smartphones. Automotive markets have shown good improvement.

Revenue of £418m was 23% higher than the first half of 2010 and 10% higher than the second half of 2010 (at reported exchange rates; 21% and 11% respectively).

The higher revenue partially reflects the 'pass through' to customers of higher tin and silver prices, both major raw materials for Assembly Materials, and higher gold and palladium prices in the Chemistry business. In the first half of 2011, the average prices of tin, silver and gold were respectively 72%, 108% and 28% higher than the same period last year, such that approximately £63m of the division's revenue increase was as a result of these higher metal prices. Excluding the impact of these commodity metals and adjusting for a small disposal in December 2010, underlying revenue was 4% higher compared to the first half of 2010 and 3% lower compared to the second half. These trends reflect the continuing strategy of exiting more commoditised products (particularly bar solder) offset by the continued market penetration of innovative, higher margin, products such as advanced solder pastes, copper damascene, 'tape and reel' packaged solder pre-forms, and plating-on-plastics chemicals. The division normally sees a slightly stronger second half compared to the first due to the third quarter peak in electronic equipment production ahead of the Thanksgiving and Christmas consumer spending. Asia-Pacific, the division's largest region, accounted for 46% of revenue in the first half of 2011 (by location of customer).

In the first half of 2011, the division's revenue included £114m of tin, £62m of silver and £35m of gold and palladium. Net sales value (which excludes these amounts from revenue) in the first half of 2011 was £207m, 4% higher than the first half of 2010 (as reported).

As a result of the improving mix in the profitability of revenue, trading profit for the first half of 2011 rose significantly to £45.0m (first half 2010: £31.1m), a 45% increase (44% higher at reported exchange rates). The trading profit in the first half of 2011 was also 14% higher (13% higher at reported rates) than the £39.4m achieved in the second half of 2010, notwithstanding the normal seasonality of the business.

The return on sales margin in the first half of 2011 was 10.8%, well ahead of both halves of 2010 as reported (first half: 9.1%; second half: 10.5%). The pass through to customers of the higher tin and precious metals commodity prices discussed above increased revenue by some £63m but had no material impact on trading profit. The return on sales margin in the first half of 2011 would have been 12.7% if metal prices had remained at average 2010 levels.

The return on net sales value in the first half of 2011 was 21.8%, well ahead of both halves of 2010 as reported (first half 2010: 15.7%; second half 2010: 18.8%).

## **Assembly Materials**

*Assembly Materials is a leading global supplier of materials to assemblers of printed circuit boards ("PCBs") and the semi-conductor packaging industry and to certain non-electronics markets such as automotive and water treatment. Its principal brand name is Alpha and products include solder (in bar, wire, paste, powder and sphere form) and fluxes, adhesives, cleaning chemicals and stencils.*

Revenue of £271m was 30% higher than the first half of 2010 and 13% higher than the second half of 2011 (at reported exchange rates the percentages were 30% and 14% respectively). Excluding the impact of passing through higher tin and silver prices and adjusting for a small disposal in December 2010, on an underlying basis revenue was 2% higher than the first half of 2010 and 8% lower than the second half. These growth rates reflect the strong growth in the global production of electronic equipment, the continuation of the successful strategy to focus on higher margin, enhanced technology products, and exiting more commoditised products such as bar solder. For solder products, which account for three-quarters of Assembly Materials' revenue, sales of higher margin solder pastes were up 7% by weight compared to the first half of 2010 while bar solder was down 12%, partially reflecting the continuing shift from wave soldering to surface mount technology for the production of PCBs.

Net sales value (which excludes the value of tin and silver from revenue) in the first half of 2011 was £95m, 3% lower than the first half of 2010.

A number of new production lines are currently being installed in the US, the Netherlands, and Singapore related to the launch in 2012 of some innovative new products. These products include Ready Ribbon™, a pre-fluxed, solder coated, copper ribbon used for connecting solar cells within a solar panel, and nano-silver die attach products for use in the manufacture of LED lights and power electronics. Completion of these production lines is expected towards the end of 2011.

## **Chemistry**

*The Chemistry business manufactures and supplies speciality electro-plating chemicals under the trade name Enthone. Approximately 45% of sales are to the electronics industry and 55% to industrial and automotive applications.*

Revenue of £147m for the first half of 2011 was 11% higher than the first half of 2010 and 5% higher than the second half (at reported exchange rates; 9% and 5% respectively). Net sales value (which excludes the value of gold and palladium from revenue) in the first half of 2011 was £112m, 6% and 2% higher than the first and second halves of 2010 respectively. Compared to the first half of 2010, sales of plating-on-plastics and corrosion and wear resistant products for automotive and industrial applications were up 7%, whilst sales of surface coating products serving the PCB fabrication market were up 5%. Copper damascene sales into the semi-conductor market were up 11% compared to the first half of 2010.

The construction of the new £14m Chemistry facility in Shanghai, to serve China's growing electronic materials, automotive and industrial end-markets, is expected to be completed in the first half of 2012. Currently the Chinese market is served from Cookson facilities in Shenzhen, Tianjin and Singapore.

## 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, and also has significant precious metal recycling operations in Europe.*

---

	First half		Inc/(dec) vs H1 2010		Full year
	2011	2010	Reported rates	Constant rates	2010
Revenue	<b>£152m</b>	£155m	(3)%	Unchanged	£330m
Net sales value	<b>£65m</b>	£68m	(4)%	(2)%	£134m
Trading profit	<b>£6.7m</b>	£6.6m	2%	2%	£12.7m
Return on net sales value	<b>10.3%</b>	9.7%	0.6pts	0.3pts	9.5%

---

The Precious Metals division operates in two distinct geographic regions; Europe (which is focused on the UK, France and Spain), which constitutes 62% of the total net sales value (being revenue excluding the precious metals content) of the division, and the US. Average precious metal prices in the first half of 2011 have been significantly higher than the first half of 2010, being approximately 28% higher for gold, 108% for silver and 15% for platinum.

Net sales value of £65m in the first half of 2011 was 2% lower (4% lower at reported exchange rates) compared to the same period last year. This reflected continuing weak retail jewellery markets being largely offset by strong sales of coin blanks to the US Mint and higher levels of precious metal recycling in Europe, stimulated by the high price of gold.

Trading profit for the first half of 2011 at £6.7m was in line with the same period last year due to improved profits in Europe reflecting the high level of recycling business (particularly in Spain and France) offsetting weaker profitability in the US. The return on net sales value was 10.3%, well ahead of the 9.7% achieved in the first half of 2010 as reported.

## Group corporate

The Group's corporate costs, being the costs directly related to managing the Group holding company were £4.3m, in line with the same period last year.

## FINANCIAL REVIEW

### Group results highlights

	First half		Full year
	2011	2010	2010
Profit before tax (£m)			
- headline	<b>132.1</b>	104.0	222.1
- basic	<b>119.7</b>	92.5	189.4
Earnings per share (pence)			
- headline	<b>35.2</b>	27.0	61.5
- basic	<b>31.6</b>	23.4	53.0
Dividends per share (pence) <sup>1</sup>			
- interim	<b>7.25p</b>	-	-
- final			11.5p
Free cash flow (£m)	<b>(29.3)</b>	(14.9)	63.7
Net debt (£m)	<b>428.8</b>	405.1	329.7

<sup>1</sup> Dividends are presented on an "as declared" basis

### Group Income Statement

#### Headline profit before tax

Headline profit before tax was £132.1m for the first half of 2011, compared to £104.0m for the same period in 2010. The increase in headline profit before tax arose as follows:

	First half		Change £m
	2011 £m	2010 £m	
Trading profit:			
- at first half 2011 exchange rates	<b>145.9</b>	120.6	25.3
- currency exchange rate impact	-	(0.3)	0.3
Trading profit - as reported	<b>145.9</b>	120.3	25.6
Net finance charges - ordinary activities	<b>(13.7)</b>	(15.8)	2.1
Post-tax loss from joint ventures	<b>(0.1)</b>	(0.5)	0.4
<b>Headline profit before tax</b>	<b>132.1</b>	104.0	28.1

The £2.1m lower charge for net finance costs (interest) principally comprised of £1.3m lower interest on borrowings, due partially to a decrease in the average level of borrowings throughout the period and £0.5m lower pension interest. The lower average level of borrowings in the first half of 2011 reflects the benefits of the strong operating cash flow generation in the second half of 2010.

#### Items excluded from headline profit before tax

A net charge of £12.4m was incurred in the first half of 2011 (first half 2010: £11.5m) for the following items excluded from headline profit before tax:

*Amortisation of intangible assets:* costs of £8.9m (first half 2010: £8.9m) were incurred in the first half of 2011 relating to the amortisation of intangible assets, being 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.

*Restructuring charges:* the £1.6m incurred in the first half of 2011 (first half 2010: £8.6m) comprises total costs of £4.3m, less profits of £2.7m arising on the sale of vacant property. Of the costs of £4.3m, £2.4m arose in Ceramics and £1.7m in Electronics, both principally arising from headcount reductions.

Restructuring charges of around £10m are expected to be incurred in the full year 2011.

*Finance costs – exceptional items:* costs of £1.9m (first half 2010: £nil) were incurred in the first half of 2011 arising from the write-off of unamortised borrowing costs relating to the syndicated bank facility which was terminated in April 2011 following the renegotiation of a new facility.

Group profit before tax and *after* the items noted above was £119.7m for the first half of 2011 compared to a profit before tax of £92.5m in the first half of 2010.

### ***Taxation***

The tax charge on ordinary activities was £31.7m on a headline profit before tax of £132.1m, an effective tax rate (before share of post-tax loss of joint ventures) of 24.0%. The effective tax rate in the full year 2010 was 21.1%, although this reflected the benefit of a number of non-recurring credits. The underlying effective tax rate for the full year 2010 was around 24%.

Whilst the Group's effective tax rate going forward will be affected by the geographic split of profit before tax, it is currently expected that the effective tax rate for the full years 2011 and 2012 will be around 24%.

### ***Profit attributable to owners of the parent***

Headline attributable profit for the first half of 2011 was £97.1m (first half 2010: £74.7m).

After taking account of all items excluded from headline profit before tax noted above (net of the related tax impact), the Group recorded a profit of £87.3m for the first half of 2011 (first half 2010: £64.5m).

### ***Return on investment (“ROI”)***

The Group's post-tax ROI in the first half of 2011 was 10.0%, ahead of the 9.6% reported in full year 2010, reflecting the continuing improvement in trading performance during the period.

### ***Earnings per share (“EPS”)***

Headline EPS, based on the headline profit attributable divided by the average number of shares in issue, amounted to 35.2p per share in the first half of 2011, 30% higher than the 27.0p in the first half of 2010. Basic EPS, based on the net profit attributable to owners of the parent, was 31.6p (first half 2010: 23.4p). The average number of shares in issue during the first half of 2011 was 276.0m, 0.2m lower than for the first half of 2010.

## **Dividend and dividend policy**

In the Capital Markets presentation on 26 January 2011, it was stated that one of the financial targets for the three year period to 2013 was that dividends would grow at least in line with earnings growth.

Given the strong trading performance in the first half of 2011 and the outlook for the remainder of 2011, the Board is declaring an interim dividend of 7.25p per share (2010 interim dividend: nil). This interim dividend is to be paid on 17 October 2011 to shareholders on the register on 16 September 2011. It is the Board's intention to balance the split of interim and final dividends broadly on a one third/two thirds basis. Any shareholder wishing to participate in the Cookson Dividend Reinvestment Plan ("DRIP") needs to have submitted their election to do so by 3 October 2011.

## **Group cash flow**

### **Net cash flows from operating activities**

In the first half of 2011, there was a £6.5m net cash outflow from operating activities compared to a £6.6m net cash outflow in the first half of 2010. This change arose from:

	<b>First Half</b>		
	<b>2011</b>	2010	<i>Change</i>
	<b>£m</b>	£m	<i>£m</i>
EBITDA	<b>173.6</b>	147.8	25.8
Trade and other working capital	<b>(134.9)</b>	(98.5)	(36.4)
Restructuring charges paid	<b>(7.9)</b>	(14.2)	6.3
Additional pension plan funding contributions	<b>(6.6)</b>	(8.8)	2.2
Net interest paid	<b>(3.9)</b>	(8.7)	4.8
Taxation paid	<b>(26.8)</b>	(23.7)	(3.1)
Assets held for sale	-	(0.5)	0.5
<b>Net cash outflow from operating activities</b>	<b>(6.5)</b>	(6.6)	0.1

The cash outflow of £134.9m from trade and other working capital reflects the strong increase in underlying revenue in the first half of 2011, the high level of commodity metal prices at period-end, and the Group's normal seasonality (with a build-up of working capital in the first half of the year and some reduction expected during the second half). Whilst the absolute level of trade working capital rose during the first half of 2011, the ratio of average trade working capital to sales in the first half of 2011 of 21.6% remained in line with expectations and compares with 21.1% for the full year 2010.

Cash outflow for restructuring was £7.9m. A cash outflow for restructuring of around £15m is expected in the full year 2011.

The cash outflow for additional pension plan funding contributions included the following:

*UK defined benefit pension plan ("UK Plan"):* payments totalling £3.5m were made into the UK Plan in the first half of 2011. A new funding valuation for the UK Plan as at the end of 2009 was completed in July 2010, based upon which Cookson and the Trustee agreed a

new schedule of contributions of £7m per annum commencing in August 2010. The level of 'top-up' payments will be reviewed based on the UK Plan's next triennial valuation as of December 2012, which should be available in mid-2013.

*US defined benefit pension plans:* payments totalling £3.1m were made into the US pension plans in the first half of 2011, in line with the previously announced intention to make additional 'top-up' payments of approximately £6m per annum into the plans with effect from the beginning of 2011.

### ***Net cash flows from investing activities***

*Capital expenditure:* payments to acquire property, plant and equipment in the first half of 2011 were £31.5m, £15.8m higher than the first half of 2010 and representing 114% of depreciation (first half 2010: 57%). A cash outflow for capital expenditure of around £90m is expected in the full year 2011 principally reflecting the expansion of production capacity in China, India, Brazil, Eastern Europe, Japan and Singapore; and customer installations in the Ceramics and Electronics divisions.

### ***Free cash flow***

Free cash flow is defined as net cash flow from operating activities after net outlays for capital expenditure, dividends received from joint ventures and paid to non-controlling shareholders, but before additional funding contributions to Group pension plans.

Free cash outflow for the first half of 2011 was £29.3m, £14.4m higher than the £14.9m outflow in the first half of 2010. Whilst net cash outflow from operating activities was broadly unchanged between periods, the decrease in free cash flow principally arose from the £15.8m increase in capital expenditure described above.

The Group traditionally experiences lower free cash flows in the first half of the year compared with the second half, due to the seasonality of trade working capital cash flows. Free cash flow is expected to be strongly positive in the second half of 2011. The free cash inflow for the year ended June 2011 was £49.3m (year ended December 2010: £63.7m; year ended June 2010: £58.0m).

### ***Net cash flow before financing***

Net cash outflow before financing for the first half of 2011 was £41.5m, £15.0m higher than the first half of 2010 due principally to the increase in cash outflow from investing activities described above.

### ***Cash flow from financing activities***

Net cash outflow from financing activities (before movement in borrowings) was £67.2m (first half of 2010: £1.5m), principally comprising the following:

*Settlement of forward foreign exchange contracts:* a cash outflow of £25.5m arose relating to the settlement during the period of forward foreign exchange contracts, in particular those relating to the Singapore and US dollar (first half 2010: cash inflow of £0.5m). These forward foreign exchange contracts had been taken out in previous years to align broadly the currency profile of the Group's borrowings with the net assets of the Group and formed part of the hedge on investments of the Group's foreign investments.

*Dividends paid:* a cash outflow of £31.8m arose in respect of the payment in June 2011 of the final dividend for 2010 (first half 2010: £nil).

### **Net cash outflow and movement in net debt**

Net cash outflow for the first half of 2011 (before movement in borrowings) was £108.7m, £80.7m higher than the first half of 2010.

With a £7.8m positive foreign exchange adjustment and £1.8m in other non-cash movements, this resulted in an increase in net debt from £329.7m at 31 December 2010 to £428.8m at 30 June 2011, an increase of £99.1m.

### **Net debt**

The net debt of £428.8m as at 30 June 2011 was primarily drawn on available committed facilities of around £874m. The Group's net debt comprised the following:

	<b>30 June 2011 £m</b>	31 December 2010 £m	30 June 2010 £m
US Private Placement loan notes (US\$440m)	<b>273.9</b>	282.2	127.0
Committed bank facility	<b>260.5</b>	223.2	400.0
Lease financing	<b>3.7</b>	3.8	3.7
Other	<b>35.7</b>	7.2	12.9
Gross borrowings	<b>573.8</b>	516.4	543.6
Cash and short-term deposits	<b>(145.0)</b>	(186.7)	(138.5)
<b>Net debt</b>	<b>428.8</b>	329.7	405.1

In December 2010, the Group issued US\$250m of new US Private Placement loan notes. The notes were issued in two series: US\$110m at a fixed interest rate of 4.16% - maturing in December 2017, and US\$140m at a fixed interest rate of 4.87% - maturing in December 2020. The average weighted interest rate on the new notes is 4.57% and the average weighted duration from issuance is 8.7 years. The remaining US\$190m of US Private Placement loan notes are repayable in May 2012 and have an average fixed interest rate of 8.1%.

In April 2011, the Group entered into a new £600m revolving credit facility with a syndicate of banks to replace the existing £511m bank facility which was due to mature in October 2012. The new facility matures in April 2016.

In the Capital Markets presentation on 26 January 2011, it was stated as part of the financial targets for the three year period to 2013 that the Group would maintain a strong financial position with a leverage ratio (net debt to EBITDA ratio) of not more than 1.5 times at year end and 1.75 times at the half year. The Group is currently operating very comfortably within this limit and, as at June 2011, the net debt to EBITDA ratio was 1.3 times (as compared with not more than 3.25 times for bank covenant purposes). Also as at 30 June 2011, the ratio of EBITDA to interest on borrowings was 15.6 times (as compared with not less than 4.0 times for bank covenant purposes). Based on these covenant ratios, the Group will pay a margin of 95bps over LIBOR on its borrowings under the committed bank facility.

As at 30 June 2011, the Group had undrawn committed debt facilities totalling around £340m.

The average interest rate on net debt for the full year 2011 - excluding pension interest - is expected to be around 5.7%. This rate reflects both the relatively expensive US\$190m tranche of US Private Placement loan notes which are repayable in May 2012, and the low levels of interest income earned on cash balances. Currently around two-thirds of the

Group's current gross borrowings are at fixed interest rates for an average period of just under four years from June 2011. This reflects both the fixed interest rate nature of the US Private Placement loan notes and the Group entering into a number of interest rate swaps.

## **Currency**

In the first half of 2011, the net translation impact of using 2011 rates to translate 2010 first half results was not material i.e. a decrease in first half 2010 revenue of £7m and an increase of first half 2010 trading profit by £0.3m. Between these periods, the average exchange rates for sterling strengthened against the US dollar by 6%, the Chinese renminbi by 2% and the euro by 0.5%, but weakened against the Brazilian real by 4%, the Czech koruna by 5% and the Polish zloty by 1%.

The Group has a policy of broadly matching the currency of borrowings to the currency of operating activities. Currently, around 75% of the Group's gross borrowings are non-sterling denominated, principally in US dollars, euros and Chinese renminbi.

## **Pension fund and other post-retirement obligations**

The Group operates defined contribution and defined benefit pension plans, principally in the UK, the US and Germany. In addition, the Group has various other post-retirement defined benefit arrangements, being principally healthcare arrangements in the US. The Group's principal defined benefit pension plans in the UK and the US are closed to new members and to further accruals for existing members.

As at 30 June 2011, a net deficit of £88.3m was recognised in respect of employee benefits. The reduction of £25.5m from the net deficit as at 31 December 2010 of £113.8m primarily arose in respect of the UK arrangements, as a result of strong asset performance and additional 'top-up' contributions of £3.5m. The deficit in the Group's US pension arrangements decreased by £9.4m to £48.5m, partially due to additional 'top-up' contributions of £3.1m. The net deficit in the plans in the remainder of the Group was broadly the same as at the end of 2010.

The total Group net deficit comprises a surplus of £20.6m relating to Cookson's UK defined benefit plan ("the UK Plan"), deficits of £48.5m relating to the Group's defined benefit pension plans in the US, £34.8m to plans in Germany, £16.1m to pension arrangements in other countries, and £9.5m to other, unfunded, post-retirement defined benefit arrangements.

Following its announcement in 2010, the UK government has implemented, with effect from 1 January 2011, the use of the Consumer Price Index ("CPI") instead of the Retail Prices Index ("RPI") for the purpose of determining statutory minimum pension increases for private sector pension schemes. Following a review by the Company and the UK Plan Trustee, the Trustee has communicated to deferred members in July 2011 the change, from the use of RPI to value their benefit, to the use of CPI with effect from 1 January 2011. At the same time, deferred members have been advised that the Company is intending to shortly offer them the opportunity to transfer their benefits out of the UK Plan to another arrangement at an enhanced value, including the retention of RPI to value any deferred benefits so transferred. In view of the timing of this announcement to members, the actuarial impact on the IAS 19 valuation of UK pension benefits of the change from RPI to CPI and of the impact of the result of the enhanced transfer value offer will both be taken into account as at the year-end.

Following the December 2009 triennial funding valuation for the UK Plan, completed in July 2010, the Company and Trustee agreed a schedule of additional contributions under which the Company is making 'top-up' payments of £7.0m per annum until February 2016, targeted at eliminating the deficit in the UK Plan by that date. The level of 'top-up' payments will be reviewed based on the UK Plan's next triennial valuation as of December 2012, which should be available in mid-2013.

The UK Plan assets include a liability-driven investment portfolio of financial derivative contracts which significantly reduces the risk that the Plan's assets will fall materially relative to the value of its projected liabilities for meeting future pension payments (the UK Plan's "economic liabilities"). When there is a stable relationship between the swap yields relevant to the UK Plan's derivatives and the corporate bond yields used for the IAS 19 discount rate, 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. As at 30 June 2011, the estimated 'economic' funding position showed a funding ratio of 97%, whilst the IAS 19 valuation showed a funding ratio of 105%. This represents a valuation difference of around £36m, reflecting the use of more prudent valuation assumptions for deriving the economic funding position, the basis by which the Company continues to fund the UK Plan.

With effect from the beginning of 2011, additional 'top-up' payments of approximately £6m per annum are being made into the US pension plans.

The total charge to the income statement in the first half of 2011 for all pension plans (including defined contribution plans) was £12.5m, broadly in line with the first half of 2010 (before exceptional curtailment gains). Of this charge, £10.9m (first half 2010: £10.3m) has been deducted in arriving at trading profit and £1.6m (first half 2010: £2.1m) has been included within net finance charges. Total pension cash contributions amounted to £17.3m in 2011 (first half 2010: £21.3m), which included £6.6m (first half 2010: £8.8m) of additional cash funding contributions into the UK and US plans.

## **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 27 to 29 of its 2010 Annual Report (a copy of which is available at Cookson's website at [www.cooksongroup.co.uk](http://www.cooksongroup.co.uk)), the Company set out what the Directors regarded as being the principal risks and uncertainties facing the Group as at 1 March 2011 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 2011.

**Shareholder/analyst enquiries:**

Nick Salmon, Chief Executive  
Mike Butterworth, Group Finance Director

Cookson Group plc  
Tel: +44 (0)20 7822 0000

**Media enquiries:**

John Olsen/Anthony Arthur

MHP Communications  
Tel: +44 (0)20 3128 8100

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](http://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 2 August 2011 at 10.15am (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.

**About Cookson Group plc:**

Cookson Group plc is a leading materials science company operating on a worldwide basis in Ceramics, Electronics and Precious Metals markets.

The Ceramics division is the world leader in the supply of advanced consumable refractory products and systems to the global steel and foundry industries and a leading supplier of speciality ceramic products to the glass and solar industries. It is also a regional leader in the US, UK and Australia in the supply and installation of monolithic refractory linings.

The Electronics division is a leading supplier of advanced surface treatment and plating chemicals and assembly materials to the electronics, automotive, industrial and construction markets.

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

**Forward-looking statements**

This announcement contains certain forward-looking statements which may include reference to one or more of the following: the Group's financial condition, results of operations, cash flows, dividends, financing plans, business strategies, operating efficiencies or synergies, budgets, capital and other expenditures, competitive positions, growth opportunities for existing products, plans and objectives of management and other matters.

Statements in this announcement that are not historical facts are hereby identified as "forward-looking statements". Such forward-looking statements, including, without limitation, those relating to the future business prospects, revenue, working capital, liquidity, capital needs, interest costs and income, in each case relating to Cookson, wherever they occur in this announcement, are necessarily based on assumptions reflecting the views of Cookson and involve a number of known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements. Such forward-looking statements should, therefore, be considered in light of various important factors. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include without limitation: economic and business cycles; the terms and conditions of Cookson's financing arrangements; foreign currency rate fluctuations; competition in Cookson's principal markets; acquisitions or disposals of businesses or assets; and trends in Cookson's principal industries.

The foregoing list of important factors is not exhaustive. When relying on forward-looking statements, careful consideration should be given to the foregoing factors and other uncertainties and events, as well as factors described in documents the Company files with the UK regulator from time to time including its annual reports and accounts.

Such forward-looking statements speak only as of the date on which they are made. Except as required by the Rules of the UK Listing Authority and the London Stock Exchange and applicable law, Cookson undertakes no obligation to update publicly or revise any forward looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this announcement might not occur.

Cookson Group plc, 165 Fleet Street, London EC4A 2AE  
Registered in England and Wales No. 251977  
[www.cooksongroup.co.uk](http://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.

On behalf of the Board

**Mike Butterworth**  
Group Finance Director  
2 August 2011

# Independent review report to Cookson Group plc

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-year financial report for the six months ended 30 June 2011 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-year 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 2011 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  
15 Canada Square  
London, E14 5GL

2 August 2011

# Condensed Group Income Statement

For the six months ended 30 June 2011

	Notes	Unaudited Half year 2011 £m	Unaudited Half year 2010 £m	Full year 2010 £m
<b>Revenue</b>	2	<b>1,420.5</b>	1,232.9	2,545.5
Manufacturing costs		<b>(1,036.3)</b>	(877.5)	(1,834.3)
Administration, selling and distribution costs		<b>(238.3)</b>	(235.1)	(459.1)
<b>Trading profit</b>	2	<b>145.9</b>	120.3	252.1
Amortisation of intangible assets	3	<b>(8.9)</b>	(8.9)	(17.7)
Restructuring charges	4	<b>(1.6)</b>	(8.6)	(17.3)
Profit relating to non-current assets	5	-	0.7	0.6
Gains relating to employee benefits plans	6	-	5.3	5.3
<b>Profit from operations</b>	2	<b>135.4</b>	108.8	223.0
Finance costs - ordinary activities	7	<b>(33.5)</b>	(35.0)	(67.7)
- exceptional items	7	<b>(1.9)</b>	-	(3.0)
Finance income	7	<b>19.8</b>	19.2	37.3
Share of post-tax (loss)/profit of joint ventures		<b>(0.1)</b>	(0.5)	0.4
Net loss on disposal of continuing operations	8	-	-	(0.6)
<b>Profit before tax</b>		<b>119.7</b>	92.5	189.4
Income tax costs - ordinary activities	9	<b>(31.7)</b>	(26.5)	(46.7)
- exceptional items	9	<b>2.6</b>	1.3	9.4
Discontinued operations		-	-	(1.2)
<b>Profit for the period</b>		<b>90.6</b>	67.3	150.9
<b>Profit for the period attributable to:</b>				
Owners of the parent		<b>87.3</b>	64.5	145.3
Non-controlling interests		<b>3.3</b>	2.8	5.6
<b>Profit for the period</b>		<b>90.6</b>	67.3	150.9
<b>Headline profit before tax</b>				
Trading profit		<b>145.9</b>	120.3	252.1
Net finance costs - ordinary activities		<b>(13.7)</b>	(15.8)	(30.4)
Share of post-tax (loss)/profit of joint ventures		<b>(0.1)</b>	(0.5)	0.4
<b>Headline profit before tax</b>	15.4	<b>132.1</b>	104.0	222.1
Income tax costs - ordinary activities		<b>(31.7)</b>	(26.5)	(46.7)
Profit attributable to non-controlling interests		<b>(3.3)</b>	(2.8)	(5.6)
<b>Headline profit attributable to owners of the parent</b>		<b>97.1</b>	74.7	169.8
<b>Earnings per share (pence)</b>				
From profit from continuing operations attributable to owners of the parent:				
Basic		<b>31.6</b>	23.4	53.0
Diluted		<b>31.3</b>	23.4	52.2
From profit attributable to owners of the parent:				
Basic		<b>31.6</b>	23.4	52.6
Diluted		<b>31.3</b>	23.4	51.7

# Condensed Group Statement of Comprehensive Income

For the six months ended 30 June 2011

	Unaudited Half year 2011 £m	Unaudited Half year 2010 £m	Full year 2010 £m
<b>Profit for the period</b>	<b>90.6</b>	67.3	150.9
<b>Other comprehensive income/(loss) for the period</b>			
Exchange differences on translation of the net assets of foreign operations	<b>16.3</b>	40.2	84.5
Exchange translation differences arising on net investment hedges	<b>(2.6)</b>	(15.3)	(26.1)
Change in fair value of cash flow hedges	<b>0.2</b>	(5.2)	(4.2)
Change in fair value of cash flow hedges transferred to profit for the period	-	-	2.4
Actuarial gains on employee benefits plans	<b>19.4</b>	28.7	34.9
Actuarial losses on employee benefits plans	<b>(0.2)</b>	(20.4)	(32.4)
Change in fair value of available-for-sale investments	<b>0.7</b>	0.4	(1.4)
Change in fair value of available-for-sale investments transferred to profit for the period	-	(0.6)	(1.3)
Income tax relating to components of other comprehensive income	<b>(4.5)</b>	(1.8)	(0.7)
<b>Other comprehensive income net of income tax for the period</b>	<b>29.3</b>	26.0	55.7
<b>Total comprehensive income for the period</b>	<b>119.9</b>	93.3	206.6
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the parent	<b>116.8</b>	88.2	198.5
Non-controlling interests	<b>3.1</b>	5.1	8.1
<b>Total comprehensive income for the period</b>	<b>119.9</b>	93.3	206.6

# Condensed Group Statement of Cash Flows

For the six months ended 30 June 2011

	Notes	Unaudited Half year 2011 £m	Unaudited Half year 2010 £m	Full year 2010 £m
<b>Cash flows from operating activities</b>				
Profit from operations		135.4	108.8	223.0
Adjustments for:				
Amortisation of intangible assets		8.9	8.9	17.7
Restructuring charges		1.6	8.6	17.3
Profit relating to non-current assets		-	(0.7)	(0.6)
Gains relating to employee benefits plans		-	(5.3)	(5.3)
Depreciation		27.7	27.5	54.2
<b>EBITDA</b>	15.8	<b>173.6</b>	147.8	306.3
Net increase in trade and other working capital		(134.9)	(98.5)	(92.4)
Net operating outflow related to assets and liabilities classified as held for sale		-	(0.5)	(1.6)
Outflow related to restructuring charges	4	(7.9)	(14.2)	(23.8)
Additional funding contributions into Group pension plans	13	(6.6)	(8.8)	(11.6)
<b>Cash generated from operations</b>		<b>24.2</b>	25.8	176.9
Interest paid		(11.1)	(15.6)	(27.9)
Interest received		7.2	6.9	8.8
Income taxes paid		(26.8)	(23.7)	(48.2)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(6.5)</b>	(6.6)	109.6
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(31.5)	(15.7)	(57.2)
Proceeds from the sale of property, plant and equipment		2.1	0.5	1.6
Proceeds from the sale of investments		-	0.7	4.6
Acquisition of subsidiaries and joint ventures, net of cash acquired		(0.4)	(0.3)	(3.9)
Disposal of subsidiaries and joint ventures, net of cash disposed of		(1.9)	0.2	6.2
Settlement of closed-out interest rate swaps		(3.3)	(3.9)	(6.5)
Dividends received from joint ventures		1.2	0.3	0.9
Other investing outflows		(1.2)	(1.7)	(3.5)
<b>Net cash outflow from investing activities</b>		<b>(35.0)</b>	(19.9)	(57.8)
<b>Net cash (outflow)/inflow before financing activities</b>		<b>(41.5)</b>	(26.5)	51.8
<b>Cash flows from financing activities</b>				
Repayment of borrowings		(252.8)	(89.0)	(189.3)
Increase in borrowings		289.6	79.8	160.6
Settlement of forward foreign exchange contracts		(25.5)	0.5	(3.3)
Proceeds from the issue of share capital		-	0.2	0.1
Purchase of treasury shares		(4.4)	-	-
Borrowing facility arrangement costs		(4.3)	-	(0.9)
Dividends paid to owners of the parent		(31.8)	-	-
Dividends paid to non-controlling shareholders		(1.2)	(2.2)	(2.8)
<b>Net cash outflow from financing activities</b>		<b>(30.4)</b>	(10.7)	(35.6)
<b>Net (decrease)/increase in cash and cash equivalents</b>	12	<b>(71.9)</b>	(37.2)	16.2
Cash and cash equivalents at beginning of period		181.4	157.7	157.7
Effect of exchange rate fluctuations on cash and cash equivalents		-	6.1	7.5
<b>Cash and cash equivalents at end of period</b>		<b>109.5</b>	126.6	181.4
<b>Free cash flow</b>				
Net cash (outflow)/inflow from operating activities		(6.5)	(6.6)	109.6
Additional funding contributions into Group pension plans		6.6	8.8	11.6
Purchase of property, plant and equipment		(31.5)	(15.7)	(57.2)
Proceeds from the sale of property, plant and equipment		2.1	0.5	1.6
Dividends received from joint ventures		1.2	0.3	0.9
Dividends paid to non-controlling shareholders		(1.2)	(2.2)	(2.8)
<b>Free cash (outflow)/inflow</b>	15.6	<b>(29.3)</b>	(14.9)	63.7

# Condensed Group Balance Sheet

As at 30 June 2011

	Notes	Unaudited 30 June 2011 £m	31 December 2010 £m	Unaudited 30 June 2010 £m
<b>Assets</b>				
Property, plant and equipment		411.7	411.3	385.8
Intangible assets		1,134.3	1,137.1	1,129.3
Employee benefits - net surpluses	13	20.6	4.3	6.9
Interests in joint ventures		27.1	28.9	25.2
Investments		6.3	5.7	10.1
Deferred tax assets		19.9	19.9	11.3
Other receivables		10.4	12.4	10.7
<b>Total non-current assets</b>		<b>1,630.3</b>	1,619.6	1,579.3
Cash and short-term deposits		145.0	186.7	138.5
Inventories		346.7	287.5	277.8
Trade and other receivables		615.6	522.9	506.2
Income tax recoverable		4.0	4.6	4.6
Derivative financial instruments		2.5	2.4	1.0
Assets classified as held for sale		-	-	5.3
<b>Total current assets</b>		<b>1,113.8</b>	1,004.1	933.4
<b>Total assets</b>		<b>2,744.1</b>	2,623.7	2,512.7
<b>Equity</b>				
Issued share capital		276.4	276.4	276.5
Share premium account		0.1	0.1	0.1
Other reserves		194.1	179.3	145.1
Retained earnings		866.4	797.8	718.7
Equity attributable to the owners of the parent		1,337.0	1,253.6	1,140.4
Non-controlling interests		25.4	23.5	21.1
<b>Total equity</b>		<b>1,362.4</b>	1,277.1	1,161.5
<b>Liabilities</b>				
Interest-bearing borrowings		415.8	390.4	527.7
Employee benefits - net liabilities	13	108.9	118.1	120.7
Other payables		22.7	23.1	21.8
Provisions		49.7	53.2	56.5
Derivative financial instruments		11.5	14.1	14.2
Deferred tax liabilities		96.8	95.7	102.4
<b>Total non-current liabilities</b>		<b>705.4</b>	694.6	843.3
Interest-bearing borrowings		158.0	126.0	15.9
Trade and other payables		432.9	425.7	398.0
Income tax payable		52.5	48.4	47.6
Provisions		29.6	32.6	31.3
Derivative financial instruments		3.3	19.3	12.9
Liabilities directly associated with assets classified as held for sale		-	-	2.2
<b>Total current liabilities</b>		<b>676.3</b>	652.0	507.9
<b>Total liabilities</b>		<b>1,381.7</b>	1,346.6	1,351.2
<b>Total equity and liabilities</b>		<b>2,744.1</b>	2,623.7	2,512.7
<b>Net debt</b>				
Interest-bearing loans - non-current		415.8	390.4	527.7
- current		158.0	126.0	15.9
Cash and short-term deposits		(145.0)	(186.7)	(138.5)
<b>Net debt</b>	15.11, 12	<b>428.8</b>	329.7	405.1

# Condensed Group Statement of Changes in Equity

For the six months ended 30 June 2011

	Issued share capital £m	Share premium account £m	Hedging reserve £m	Investment- revaluation reserve £m	Translation Reserve £m	Retained earnings £m	Owners of the parent total £m	Non- controlling interests £m	Total equity £m
<b>As at 1 January 2010</b>	276.4	-	(0.2)	2.5	125.6	643.9	1,048.2	18.2	1,066.4
<b>Profit for the period</b>	-	-	-	-	-	64.5	64.5	2.8	67.3
Exchange differences on the net assets of foreign operations	-	-	-	-	37.9	-	37.9	2.3	40.2
Exchange translation differences arising on net investment hedges	-	-	-	-	(15.3)	-	(15.3)	-	(15.3)
Change in fair value of cash flow hedges	-	-	(5.2)	-	-	-	(5.2)	-	(5.2)
Actuarial gains on employee benefits plans	-	-	-	-	-	28.7	28.7	-	28.7
Actuarial losses on employee benefits plans	-	-	-	-	-	(20.4)	(20.4)	-	(20.4)
Change in fair value of available-for-sale investments	-	-	-	0.4	-	-	0.4	-	0.4
Change in fair value of available-for-sale investments transferred to profit for the period	-	-	-	(0.6)	-	-	(0.6)	-	(0.6)
Income tax relating to components of other comprehensive income	-	-	-	-	-	(1.8)	(1.8)	-	(1.8)
<b>Other comprehensive income net of income tax for the period</b>	-	-	(5.2)	(0.2)	22.6	6.5	23.7	2.3	26.0
<b>Total comprehensive income for the period</b>	-	-	(5.2)	(0.2)	22.6	71.0	88.2	5.1	93.3
Shares issued in the period	0.1	0.1	-	-	-	-	0.2	-	0.2
Recognition of share-based payments	-	-	-	-	-	3.8	3.8	-	3.8
Dividends paid	-	-	-	-	-	-	-	(2.2)	(2.2)
<b>Total transactions with owners for the period</b>	0.1	0.1	-	-	-	3.8	4.0	(2.2)	1.8
<b>As at 1 July 2010</b>	276.5	0.1	(5.4)	2.3	148.2	718.7	1,140.4	21.1	1,161.5
<b>Profit for the period</b>	-	-	-	-	-	80.8	80.8	2.8	83.6
Exchange differences on the net assets of foreign operations	-	-	-	-	44.1	-	44.1	0.2	44.3
Exchange translation differences arising on net investment hedges	-	-	-	-	(10.8)	-	(10.8)	-	(10.8)
Change in fair value of cash flow hedges	-	-	1.0	-	-	-	1.0	-	1.0
Change in fair value of cash flow hedges transferred to profit for the period	-	-	2.4	-	-	-	2.4	-	2.4
Actuarial gains on employee benefits plans	-	-	-	-	-	6.2	6.2	-	6.2
Actuarial losses on employee benefits plans	-	-	-	-	-	(12.0)	(12.0)	-	(12.0)
Change in fair value of available-for-sale investments	-	-	-	(1.8)	-	-	(1.8)	-	(1.8)
Change in fair value of available-for-sale investments transferred to profit for the period	-	-	-	(0.7)	-	-	(0.7)	-	(0.7)
Income tax relating to components of other comprehensive income	-	-	-	-	-	1.1	1.1	-	1.1
<b>Other comprehensive income net of income tax for the period</b>	-	-	3.4	(2.5)	33.3	(4.7)	29.5	0.2	29.7
<b>Total comprehensive income for the period</b>	-	-	3.4	(2.5)	33.3	76.1	110.3	3.0	113.3
Shares issued in the period	(0.1)	-	-	-	-	-	(0.1)	-	(0.1)
Recognition of share-based payments	-	-	-	-	-	3.0	3.0	-	3.0
Dividends paid	-	-	-	-	-	-	-	(0.6)	(0.6)
<b>Total transactions with owners for the period</b>	(0.1)	-	-	-	-	3.0	2.9	(0.6)	2.3
<b>As at 1 January 2011</b>	276.4	0.1	(2.0)	(0.2)	181.5	797.8	1,253.6	23.5	1,277.1
<b>Profit for the period</b>	-	-	-	-	-	87.3	87.3	3.3	90.6
Exchange differences on the net assets of foreign operations	-	-	-	-	16.5	-	16.5	(0.2)	16.3
Exchange translation differences arising on net investment hedges	-	-	-	-	(2.6)	-	(2.6)	-	(2.6)
Change in fair value of cash flow hedges	-	-	0.2	-	-	-	0.2	-	0.2
Actuarial gains on employee benefits plans	-	-	-	-	-	19.4	19.4	-	19.4
Actuarial losses on employee benefits plans	-	-	-	-	-	(0.2)	(0.2)	-	(0.2)
Change in fair value of available-for-sale investments	-	-	-	0.7	-	-	0.7	-	0.7
Income tax relating to components of other comprehensive income	-	-	-	-	-	(4.5)	(4.5)	-	(4.5)
<b>Other comprehensive income net of income tax for the period</b>	-	-	0.2	0.7	13.9	14.7	29.5	(0.2)	29.3
<b>Total comprehensive income for the period</b>	-	-	0.2	0.7	13.9	102.0	116.8	3.1	119.9
Purchase of treasury shares	-	-	-	-	-	(4.4)	(4.4)	-	(4.4)
Recognition of share-based payments	-	-	-	-	-	2.8	2.8	-	2.8
Dividends paid (note 11)	-	-	-	-	-	(31.8)	(31.8)	(1.2)	(33.0)
<b>Total transactions with owners for the period</b>	-	-	-	-	-	(33.4)	(33.4)	(1.2)	(34.6)
<b>As at 30 June 2011</b>	276.4	0.1	(1.8)	0.5	195.4	866.4	1,337.0	25.4	1,362.4

# Notes to the condensed financial statements

## 1. BASIS OF PREPARATION

### 1.1 BASIS OF ACCOUNTING

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 2010, 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 2010. 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 2010 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 498(2) or (3) of the Companies Act 2006. 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 GOING CONCERN

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the condensed financial statements for the six months ended 30 June 2011.

### 1.3 NEW AND REVISED IFRS

During the period the Group has adopted a number of revised and amended standards and interpretations, none of which has had a material 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, *Presentation of Financial Statements*, provides no definitive guidance as to the format of the income statement, but states key lines which should be disclosed. It also encourages the disclosure of additional line items and the reordering 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, 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. Such items may include, inter alia, amortisation charges relating to intangible assets, the financial effect of major restructuring and integration activity, profits or losses relating to non-current assets, gains or losses relating to employee benefits plans, finance costs, 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 due either to their size or nature.

## 2. SEGMENT INFORMATION

For reporting purposes, the Group is organised into three main business segments: Ceramics, Electronics and Precious Metals. The Chief Executive Officer of each of these business segments reports to the Chief Executive of the Group and it is the Cookson Board which makes the key operating decisions in respect of these segments. The information used by the Cookson Board to review performance and determine resource allocation between the business segments is presented with the Group's activities segmented between the three business segments, Ceramics, Electronics and Precious Metals. Taking into account not only the basis on which the Group's activities are reported to the Cookson Board, but also the nature of the products and services of the product lines within each of these segments, the production processes involved in each and the nature of their end-markets, the Directors believe that these three business segments are the appropriate way to analyse the Group's results. The principal activities of each of these segments are described in the Review of Operations.

Segment revenue represents revenue from external customers (inter-segment revenue is not material) and segment result is equivalent to trading profit excluding corporate costs directly related to managing the parent company, which are reported separately in the table below. Segment result includes items directly attributable to a segment as well as those items that can be allocated on a reasonable basis.

## Notes to the condensed financial statements

	Unaudited half year 2011				Group £m
	Ceramics £m	Electronics £m	Precious Metals £m	Unallocated £m	
<b>Segment revenue</b>	<b>851.3</b>	<b>417.7</b>	<b>151.5</b>	<b>-</b>	<b>1,420.5</b>
Net sales value (note 15.1)	<b>851.3</b>	<b>206.6</b>	<b>65.1</b>	<b>-</b>	<b>1,123.0</b>
Segment EBITDA (note 15.8)	<b>120.2</b>	<b>49.2</b>	<b>8.5</b>	<b>-</b>	<b>177.9</b>
Segment depreciation	<b>(21.7)</b>	<b>(4.2)</b>	<b>(1.8)</b>	<b>-</b>	<b>(27.7)</b>
<b>Segment result</b>	<b>98.5</b>	<b>45.0</b>	<b>6.7</b>	<b>-</b>	<b>150.2</b>
Corporate costs	-	-	-	<b>(4.3)</b>	<b>(4.3)</b>
<b>Trading profit</b>	<b>98.5</b>	<b>45.0</b>	<b>6.7</b>	<b>(4.3)</b>	<b>145.9</b>
Amortisation of intangible assets	<b>(8.9)</b>	-	-	-	<b>(8.9)</b>
Restructuring charges	<b>(1.5)</b>	-	<b>(0.1)</b>	-	<b>(1.6)</b>
<b>Profit from operations</b>	<b>88.1</b>	<b>45.0</b>	<b>6.6</b>	<b>(4.3)</b>	<b>135.4</b>
Finance costs - ordinary activities					<b>(33.5)</b>
- exceptional items					<b>(1.9)</b>
Finance income					<b>19.8</b>
Share of post-tax loss of joint ventures					<b>(0.1)</b>
<b>Profit before tax</b>					<b>119.7</b>
<b>Return on sales (%)</b> (note 15.2)	<b>11.6</b>	<b>10.8</b>	<b>4.4</b>		<b>10.3</b>
<b>Return on net sales value (%)</b> (note 15.2)	<b>11.6</b>	<b>21.8</b>	<b>10.3</b>		<b>13.0</b>

	Unaudited half year 2010				Group £m
	Ceramics £m	Electronics £m	Precious Metals £m	Unallocated £m	
<b>Segment revenue</b>	<b>733.7</b>	<b>343.8</b>	<b>155.4</b>	<b>-</b>	<b>1,232.9</b>
Net sales value (note 15.1)	<b>733.7</b>	<b>199.5</b>	<b>67.8</b>	<b>-</b>	<b>1,001.0</b>
Segment EBITDA (note 15.8)	<b>108.1</b>	<b>35.7</b>	<b>8.4</b>	<b>-</b>	<b>152.2</b>
Segment depreciation	<b>(21.3)</b>	<b>(4.4)</b>	<b>(1.8)</b>	<b>-</b>	<b>(27.5)</b>
<b>Segment result</b>	<b>86.8</b>	<b>31.3</b>	<b>6.6</b>	<b>-</b>	<b>124.7</b>
Corporate costs	-	-	-	<b>(4.4)</b>	<b>(4.4)</b>
<b>Trading profit</b>	<b>86.8</b>	<b>31.3</b>	<b>6.6</b>	<b>(4.4)</b>	<b>120.3</b>
Amortisation of intangible assets	<b>(8.9)</b>	-	-	-	<b>(8.9)</b>
Restructuring charges	<b>(5.8)</b>	<b>(2.6)</b>	<b>(0.2)</b>	-	<b>(8.6)</b>
Profit relating to non-current assets	-	<b>0.7</b>	-	-	<b>0.7</b>
Gains relating to employee benefits plans	-	-	-	<b>5.3</b>	<b>5.3</b>
<b>Profit from operations</b>	<b>72.1</b>	<b>29.4</b>	<b>6.4</b>	<b>0.9</b>	<b>108.8</b>
Finance costs - ordinary activities					<b>(35.0)</b>
Finance income					<b>19.2</b>
Share of post-tax loss of joint ventures					<b>(0.5)</b>
<b>Profit before tax</b>					<b>92.5</b>
<b>Return on sales (%)</b> (note 15.2)	<b>11.8</b>	<b>9.1</b>	<b>4.2</b>		<b>9.8</b>
<b>Return on net sales value (%)</b> (note 15.2)	<b>11.8</b>	<b>15.7</b>	<b>9.7</b>		<b>12.0</b>

## Notes to the condensed financial statements

	Full year 2010				Group £m
	Ceramics £m	Electronics £m	Precious Metals £m	Unallocated £m	
<b>Segment revenue</b>	1,494.9	720.9	329.7	-	2,545.5
Net sales value (note 15.1)	1,494.9	410.2	134.3	-	2,039.4
Segment EBITDA (note 15.8)	219.2	79.7	16.3	-	315.2
Segment depreciation	(41.8)	(8.7)	(3.6)	-	(54.1)
<b>Segment result</b>	177.4	71.0	12.7	-	261.1
Corporate costs	-	-	-	(9.0)	(9.0)
<b>Trading profit</b>	177.4	71.0	12.7	(9.0)	252.1
Amortisation of intangible assets	(17.7)	-	-	-	(17.7)
Restructuring charges	(9.6)	(5.5)	(2.2)	-	(17.3)
(Loss)/profit relating to non-current assets	(0.2)	0.8	-	-	0.6
Gains relating to employee benefits plans	-	-	-	5.3	5.3
<b>Profit from operations</b>	149.9	66.3	10.5	(3.7)	223.0
Finance costs - ordinary activities					(67.7)
- exceptional items					(3.0)
Finance income					37.3
Share of post-tax profit of joint ventures					0.4
Net loss on disposal of continuing operations					(0.6)
<b>Profit before tax</b>					189.4
<b>Return on sales (%)</b> (note 15.2)	11.9	9.8	3.9		9.9
<b>Return on net sales value (%)</b> (note 15.2)	11.9	17.3	9.5		12.4

### 3. AMORTISATION OF INTANGIBLE ASSETS

Intangible assets other than goodwill arose on the acquisition of Foseco in 2008 and are being amortised on a straight-line basis over their useful lives. The assets acquired and their remaining useful lives are shown below.

	Remaining useful life years	Unaudited Net book value as at 30 June 2011 £m
Customer relationships	16.8	106.5
Trade name	16.8	60.6
Intellectual property rights	6.8	54.2
		<b>221.3</b>

### 4. RESTRUCTURING CHARGES

In the first half of 2011, £1.6m of net restructuring charges were incurred (2010: half year £8.6m; full year £17.3m), comprising £2.7m (2010: half year £nil; full year £nil) of profits on disposal of properties that had been the subject of restructuring activity in prior years and £4.3m (2010: half year £8.6m; full year £17.3m) of restructuring charges relating to 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. None of the restructuring charge in the period related to non-cash asset write-downs (2010: half year £1.0m; full year £0.9m).

A cash outflow of £7.9m (2010: half year £14.2m; full year £23.8m) was incurred in the period in respect of the restructuring initiatives commenced both in 2011 and in prior years, leaving provisions made but unspent of £35.8m as at 30 June 2011 (2010: 30 June £37.8m; 31 December £38.4m) of which £24.9m (2010: 30 June £25.5m; 31 December £25.1m) related to onerous lease provisions in respect of leases terminating between three and eighteen years. The net tax credit attributable to these restructuring charges was £0.5m (2010: half year £0.3m; full year £3.6m).

## Notes to the condensed financial statements

### 5. PROFIT RELATING TO NON-CURRENT ASSETS

The net profit of £0.7m from non-current assets in the first half of 2010 arose on the sale of investments. The profit of £0.6m in the full year 2010 additionally included the sale of surplus property and £1.4m of write-downs principally relating to surplus plant and machinery. The net taxation charge attributable to these transactions was £nil in the first half of 2010 and £0.2m for the full year 2010.

### 6. GAINS RELATING TO EMPLOYEE BENEFITS PLANS

With effect from 31 July 2010, the Group's main defined benefit pension plan in the UK was closed to future benefit accrual. This closure, together with the closure of one of the remaining defined benefit plans in the US, resulted in the recognition of curtailment gains of £5.3m in 2010.

### 7. FINANCE COSTS AND FINANCE INCOME

#### 7.1 ORDINARY FINANCE COSTS AND FINANCE INCOME

Included within finance costs from ordinary activities is the interest cost associated with the liabilities of the Group's defined benefit pension and other post-retirement benefit plans of £17.6m (2010: half year £18.3m; full year £36.3m) and included within finance income is the expected return on the assets of the Group's defined benefit pension plans of £16.0m (2010: half year £16.2m; full year £32.7m).

#### 7.2 EXCEPTIONAL FINANCE COSTS

Exceptional finance costs of £1.9m (2010: half year £nil; full year £3.0m) were incurred in the period resulting from the early write-off of unamortised borrowing costs as a consequence of the Group entering into a new revolving credit facility. The costs written off related to the old facility that had been due to expire in 2012. The exceptional finance costs of £3.0m reported in the full year 2010, resulted from the early repayment of certain committed bank facility borrowings, as a consequence of the issuance of \$250m US Private Placement Loan Notes in December 2010. The tax associated with these exceptional finance costs was £nil (2010: £nil).

### 8. NET LOSS ON DISPOSAL OF CONTINUING OPERATIONS

The net loss on disposal of continuing operations of £0.6m in 2010 related to a number of small disposals from the Group's Ceramics and Electronics divisions, which generated £6.2m of net proceeds. The tax charge associated with these disposals was £nil (2010: £nil).

### 9. INCOME TAX COSTS

The Group's total income tax cost of £29.1m (2010: half year £25.2m; full year £37.3m) comprised a tax charge on ordinary activities of £31.7m (2009: half year £26.5m; full year £46.7m), and a credit relating to exceptional items of £2.6m (2009: half year £1.3m; full year £9.4m), which is analysed in the table below.

	Unaudited Half year 2011 £m	Unaudited Half year 2010 £m	Full year 2010 £m
<b>Exceptional tax in relation to:</b>			
Amortisation of intangible assets	3.6	2.6	6.4
Restructuring charges	0.5	0.3	3.6
Profit relating to non-current assets	-	-	(0.2)
Deferred tax on goodwill	(1.5)	(1.6)	(0.4)
<b>Total net tax credit relating to exceptional items</b>	<b>2.6</b>	<b>1.3</b>	<b>9.4</b>

The £4.5m of income tax charged in the condensed Group statement of comprehensive income (2010: half year £1.8m charge; full year £0.7m charge) relates to net actuarial gains and losses on employee benefits plans.

### 10. EARNINGS PER SHARE ("EPS")

#### 10.1 PER SHARE AMOUNTS

	Unaudited Half year 2011 Total Group pence	Unaudited Half year 2010 Total Group pence	Full year 2010		Total Group pence
			Continuing operations pence	Discontinued operations pence	
EPS- basic	31.6	23.4	53.0	(0.4)	52.6
- diluted	31.3	23.4	52.2	(0.5)	51.7
- headline	35.2	27.0	61.5	-	61.5
- diluted headline	34.8	27.0	60.4	-	60.4

## Notes to the condensed financial statements

### 10.2 EARNINGS FOR EPS

Basic and diluted EPS are based upon the profit attributable to owners of the parent, as reported in the condensed Group income statement. Headline and diluted headline EPS are based upon headline profit attributable to owners of the parent. The table below reconciles the profit attributable to owners of the parent as reported in the condensed Group income statement to headline profit attributable to owners of the parent.

	Unaudited	Unaudited	Full year 2010		
	Half year 2011 Total Group £m	Half year 2010 Total Group £m	Continuing operations £m	Discontinued operations £m	Total Group £m
<b>Profit attributable to owners of the parent</b>	<b>87.3</b>	64.5	146.5	(1.2)	145.3
Adjustments for exceptional items:					
Amortisation of intangible assets	<b>8.9</b>	8.9	17.7	-	17.7
Restructuring charges	<b>1.6</b>	8.6	17.3	-	17.3
Profit relating to non-current assets	-	(0.7)	(0.6)	-	(0.6)
Gains relating to employee benefits plans	-	(5.3)	(5.3)	-	(5.3)
Finance costs	<b>1.9</b>	-	3.0	-	3.0
Net loss on disposal of continuing operations	-	-	0.6	-	0.6
Discontinued operations	-	-	-	1.2	1.2
Tax relating to exceptional items	<b>(2.6)</b>	(1.3)	(9.4)	-	(9.4)
<b>Headline profit attributable to owners of the parent</b>	<b>97.1</b>	74.7	169.8	-	169.8

### 10.3 WEIGHTED AVERAGE NUMBER OF SHARES

	Unaudited Half year 2011 m	Unaudited Half year 2010 m	Full year 2010 m
For calculating basic EPS and headline EPS	<b>276.0</b>	276.2	276.2
Adjustment for dilutive potential ordinary shares	<b>3.1</b>	-	4.7
For calculating diluted EPS and diluted headline EPS	<b>279.1</b>	276.2	280.9

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.

### 11. DIVIDENDS

	Unaudited Half year 2011 £m	Unaudited Half year 2010 £m	Full year 2010 £m
<b>Amounts recognised as dividends to equity holders during the period</b>			
Final dividend for the year ended 31 December 2010 of 11.5p per ordinary share	<b>31.8</b>	-	-

The Directors have declared an interim dividend of 7.25p per ordinary share in respect of the year ending 31 December 2011. The dividend will be paid on 17 October 2011 to ordinary shareholders on the register at the close of business on 16 September 2011. Based upon the number of ordinary shares in issue at 30 June 2011, the total cost of the dividend would be £20.0m. No interim dividend was paid in respect of the year ending 31 December 2010 and no interim or final dividend was paid in respect of the year ended 31 December 2009.

## Notes to the condensed financial statements

### 12. BORROWINGS

	Balance at 1 January 2011 £m	Unaudited Foreign exchange adjustment £m	Unaudited Non-cash movements £m	Unaudited Cash flow £m	Unaudited Balance at 30 June 2011 £m
<b>Cash and cash equivalents</b>					
Short-term deposits	39.6	0.3	-	(23.9)	16.0
Cash at bank and in hand	147.1	0.7	-	(18.8)	129.0
Bank overdrafts	(5.3)	(1.0)	-	(29.2)	(35.5)
				(71.9)	
<b>Borrowings, excluding bank overdrafts</b>					
Current	(122.1)	(1.4)	(117.5)	117.3	(123.7)
Non-current	(392.1)	9.2	117.5	(154.1)	(419.5)
Capitalised borrowing costs	3.1	-	1.8	-	4.9
				(36.8)	
<b>Net debt</b>	<b>(329.7)</b>	<b>7.8</b>	<b>1.8</b>	<b>(108.7)</b>	<b>(428.8)</b>

In April 2011, the Group entered into a new £600m revolving credit facility with a syndicate of banks to replace the existing £511m bank facility which was due to mature in October 2012. The new facility matures in April 2016.

### 13. EMPLOYEE BENEFITS

The net employee benefits balance as at 30 June 2011 of £88.3m (2010: half year £113.8m; full year £113.8m) in respect of the Group's defined benefit pension and other post-retirement benefit obligations, comprised net surpluses of £20.6m (2010: half year £6.9; full year £4.3) and net liabilities of £108.9m (2010: half year £120.7m; full year £118.1m), and results from an interim actuarial valuation of the Group's defined benefit pension and other post-retirement obligations as at that date.

	Unaudited 30 June 2011 £m	31 December 2010 £m	Unaudited 30 June 2010 £m
<b>Employee benefits - net surpluses</b>			
UK defined benefit pension plan	20.6	4.3	6.9
<b>Employee benefits – net liabilities</b>			
US defined benefit pension plans	48.5	57.9	63.0
Germany defined benefit pension plans	34.9	35.0	33.6
ROW defined benefit pension plans	15.2	14.7	13.1
Other post-retirement benefit obligations, mainly US healthcare arrangements	10.3	10.5	11.0
	108.9	118.1	120.7

The total net charges in respect of the Group's defined benefit pension and other post-retirement benefit obligations are shown in the table below.

	Unaudited Half year 2011 £m	Unaudited Half year 2010 £m	Full year 2010 £m
In arriving at trading profit			
- within manufacturing costs	1.0	1.3	2.5
- within administration, selling and distribution costs	1.5	2.1	4.0
In arriving at profit from operations			
- as exceptional gains relating to employee benefits plans	-	(5.3)	(5.3)
In arriving at profit before tax			
- within ordinary finance costs	17.6	18.3	36.3
- within finance income	(16.0)	(16.2)	(32.7)
<b>Total net charge</b>	<b>4.1</b>	<b>0.2</b>	<b>4.8</b>

Cash contributions into the Group's defined benefit pension plans amounted to £8.9m (2010: half year £14.4m; full year £20.2m), which included additional funding contributions of £6.6m (2010: half year £8.8m; full year £11.6m).

## Notes to the condensed financial statements

Following its announcement in 2010, the UK government has implemented, with effect from 1 January 2011, the use of the Consumer Price Index ("CPI") instead of the Retail Prices Index ("RPI") for the purpose of determining statutory minimum pension increases for private sector pension schemes. Following a review by the Company and the UK defined benefit plan ("the UK Plan") Trustee, the Trustee has communicated to deferred members in July 2011 the change, from the use of RPI to value their benefit, to the use of CPI with effect from 1 January 2011. At the same time, deferred members have been advised that the Company is intending to shortly offer them the opportunity to transfer their benefits out of the UK Plan to another arrangement at an enhanced value, including the retention of RPI to value any deferred benefits so transferred. In view of the timing of this announcement to members, the actuarial impact on the IAS 19 valuation of UK pension benefits of the change from RPI to CPI and of the impact of the result of the enhanced transfer value offer will both be taken into account as at the year-end.

### 14. 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 2011	30 June 2010	31 Dec 2010	Half year 2011	Half year 2010	Full year 2010
US dollar	<b>1.61</b>	1.50	1.56	<b>1.62</b>	1.53	1.55
Euro	<b>1.11</b>	1.22	1.17	<b>1.15</b>	1.15	1.17
Czech Republic koruna	<b>26.94</b>	31.36	29.21	<b>28.08</b>	29.54	29.48
Polish zloty	<b>4.41</b>	5.05	4.61	<b>4.56</b>	4.59	4.66
Chinese renminbi	<b>10.38</b>	10.15	10.27	<b>10.58</b>	10.42	10.47

## Notes to the condensed financial statements

### 15. 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. The Directors believe that these non-GAAP measures, listed below, are important when assessing the underlying financial and operating performance of the Group and its divisions.

#### 15.1 NET SALES VALUE

Net sales value is calculated as revenue, excluding the amount included therein related to commodity metals.

#### 15.2 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.

#### 15.3 UNDERLYING REVENUE

Underlying revenue is calculated as net sales value, adjusted to exclude the effects of changes in exchange rates and business acquisitions, disposals and closures.

#### 15.4 HEADLINE PROFIT BEFORE TAX

Headline profit before tax is calculated as the net total of trading profit, plus share of post-tax profit/(loss) of joint ventures and total net finance costs.

#### 15.5 HEADLINE EARNINGS PER SHARE

Headline earnings per share is calculated as headline profit before tax after income tax costs associated with ordinary activities and profit attributable to non-controlling interests, divided by the weighted average number of ordinary shares in issue during the period.

#### 15.6 FREE CASH FLOW

Free cash flow, defined as net cash flow from operating activities after net outlays for the purchase and sale of property, plant and equipment, dividends from joint ventures and dividends paid to non-controlling shareholders, but before additional funding contributions to Group pension plans, is disclosed on the face of the condensed Group statement of cash flows.

#### 15.7 AVERAGE WORKING CAPITAL TO SALES RATIO

The average working capital to sales ratio is calculated as the percentage of average working capital balances to the annualised revenue for the period. Average working capital (comprising inventories, trade and other receivables, and trade and other payables) is calculated as the average of the six previous month end balances and annualised revenue is derived from the revenue for the previous six months.

#### 15.8 EBITDA

EBITDA is calculated as the total of trading profit before depreciation charges.

#### 15.9 NET INTEREST

Net interest is calculated as interest payable on borrowings less interest receivable, excluding any item therein considered by the Directors to be exceptional.

#### 15.10 INTEREST COVER

Interest cover is the ratio of EBITDA to net interest.

#### 15.11 NET DEBT

Net debt comprises the net total of current and non-current interest-bearing loans and borrowings and cash and short-term deposits.

#### 15.12 NET DEBT TO EBITDA

Net debt to EBITDA is the ratio of net debt at the period-end, to EBITDA for the preceding 12 month period.

#### 15.13 RETURN ON NET ASSETS

Return on net assets (“RONA”) is calculated as trading profit plus share of post-tax profit/(loss) of joint ventures, divided by average net operating assets (being property, plant and equipment, trade working capital and other operating receivables and payables).

#### 15.14 RETURN ON INVESTMENT

Return on investment (“ROI”) is calculated as trading profit after tax plus share of post-tax profit/(loss) of joint ventures, divided by invested capital (being shareholders’ funds plus net debt, employee benefits net surpluses and net liabilities and goodwill previously written off to, or amortised against, reserves).