



26 April 2010

Press release

## **COOKSON GROUP PLC (“Cookson” or “the Group”) INTERIM MANAGEMENT STATEMENT**

In advance of a number of scheduled investor meetings and given that Cookson’s outlook for the first half of 2010 has improved since its preliminary results announcement on 2 March 2010, the Group has brought forward to today its Interim Management Statement, which now covers the period from 1 January to 25 April, 2010.

### **Current expectations for H1 2010**

- Reported revenue up 13% to 15% on H2 2009 (25% to 27% on H1 2009)
- Underlying revenue up 8% to 10% on H2 2009 (22% to 24% on H1 2009)
- Half year trading profit in the region of £110m to £115m, up 15% to 20% on H2 2009 (£95m)

### **Current trading and outlook**

Global steel production, notably for Europe and NAFTA, has grown at a faster rate in the first quarter of 2010 than previously anticipated. Foundry castings end-markets have shown some improvement in the emerging economies, but remained low in Europe and NAFTA. Electronics end-markets have shown faster growth in the first quarter of 2010 than previously anticipated. The Precious Metals division continues to benefit from very high levels of reclaim business. As a result of these improvements, reported revenue for the first half of 2010 is now expected to be in the region of 13% to 15% ahead of the second half of 2009 (25% to 27% ahead of the first half of 2009). Underlying revenue, which is revenue at constant exchange rates adjusted for the impact of commodity metal prices, for the first half of 2010 is expected to be in the region of 8% to 10% ahead of the second half of 2009 (22% to 24% ahead of the first half of 2009).

Following the extensive cost reduction measures implemented since the fourth quarter of 2008, the majority of which were completed by mid-2009, profit “drop-through” from the increased revenue in the first quarter has been strong. As a result, trading profit for the first half of 2010 is expected to be in the region of £110m to £115m, 15% to 20% above that reported for the second half of 2009 (first half 2009: £17m; second half 2009: £95m). With the geographic distribution of profit before tax currently anticipated (which includes better than expected profitability in the US), the effective tax rate on headline profit before tax (before share of joint ventures) for full year 2010 is now expected to be marginally lower than the previous guidance of 30%.



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Global steel production in the first quarter of 2010 (according to the World Steel Association) was 4.7% higher than the fourth quarter of 2009. Excluding China (China currently accounts for less than 10% of the Ceramics division's steel-related revenue), the growth in steel production between quarters was 2.3%, with growth in Europe and the US of 4.6% and 9.1% respectively. On 20 April 2010, the World Steel Association issued a new short range forecast for global apparent steel use, revising the 2010 growth estimate to 10.7% from its previous forecast of 9.2% (world excluding China revised to 14.4% from 13.1%). They also published for the first time a forecast for 2011, which predicts growth in global apparent steel use of 5.3% (world excluding China 7.4%). Prospects in the later cycle foundry castings market remain less clear. Major castings users are not reporting any material upturn in production activity to date but are anticipating some level of improvement later in the year. In March 2010, JD Power increased its forecast for global truck production growth in 2010 from 15.6% (as per their December 2009 report) to 18.2%.

For electronics end-markets, several market commentators have recently been increasing their forecasts for end-market demand. For example, in April 2010 Henderson Ventures revised its forecast for year-on-year global electronics production growth to 8.3% in 2010 and 9.5% in 2011 (6.7% and 8.5% respectively as per their February report).

While underlying demand in the Group's end-markets has clearly improved overall, uncertainty as to macro-economic conditions going forward remains. In addition, the level of inventory re-stocking by customers, which may be having the effect of increasing demand for Cookson's products in the short-term, remains unclear. We therefore remain cautious in anticipating further out-performance in the second half of the year. Nonetheless, given our much reduced cost base, performance should continue to improve as further end-market recovery is confirmed.

## **Financial position**

During 2009, working capital was reduced by just under £150m as the Group's operations were adapted to the much reduced level of activity. In line with previous guidance, working capital trends in 2010 are expected to revert to more normal seasonality, with a build up of working capital in the first half of the year and some reduction during the second half. Overlaying this normal seasonality, working capital during 2010 in total is expected to increase reflecting the continued recovery in business activity.

The Group has very substantial liquidity headroom within its committed debt facilities, which will total just over £800m following the scheduled repayment of US\$135m of US Private Placement Loan Notes in early May 2010. The principal maturities for these facilities are late 2011 and 2012. Net debt as at 31 December 2009 was £371m.



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## Conference call

Nick Salmon, Chief Executive, will be hosting a conference call for analysts and investors at 8.30am (UK time) today (26 April). To join the call, please use the dial in number below:

Conference call:  
+44 (0)20 7806 1957 all participants  
Confirmation code: 6345790

A replay of the call will be available one hour after the event on the following number:

Replay (available until 11 May 2010):  
+44 (0)20 7111 1244 non-US participants  
+1 347 366 9565 US participants  
Access code: 6345790#

## Further announcements

Cookson's half year results for the six months ending 30 June 2010 are expected to be announced in early August 2010.

– **Ends** –

For further information please contact:

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## **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.

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