

Cookson Group plc  
Interim Results 2009  
4 August 2009

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# Summary

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

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

# Agenda

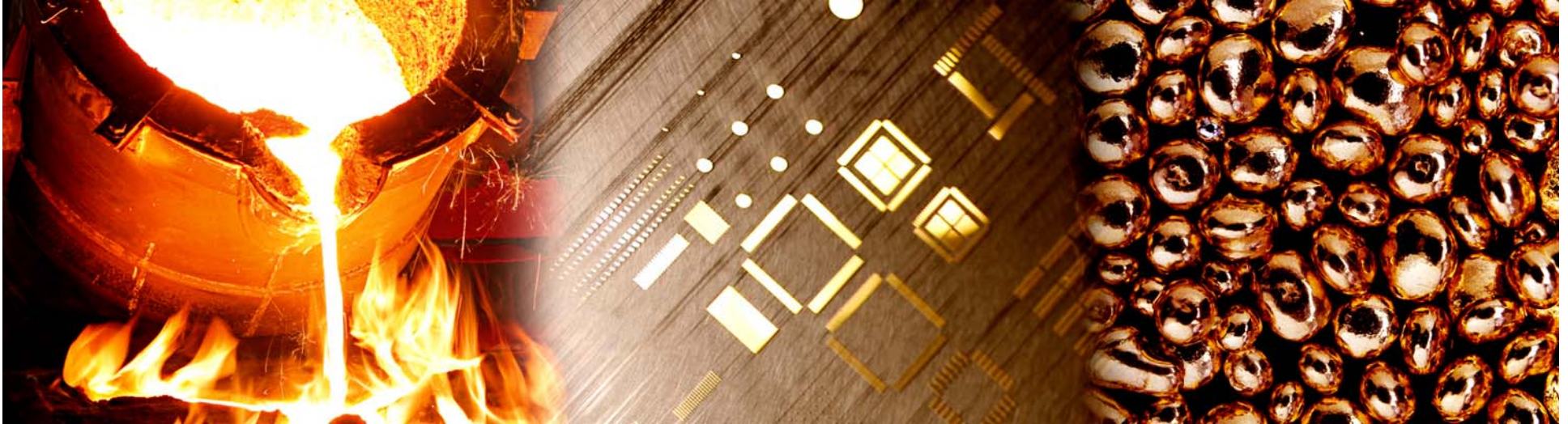
## Financial Review

Mike Butterworth

## Operational Review

Nick Salmon

- Market trends
- Trading performance
- Cost reduction progress
- Outlook



# Financial Review

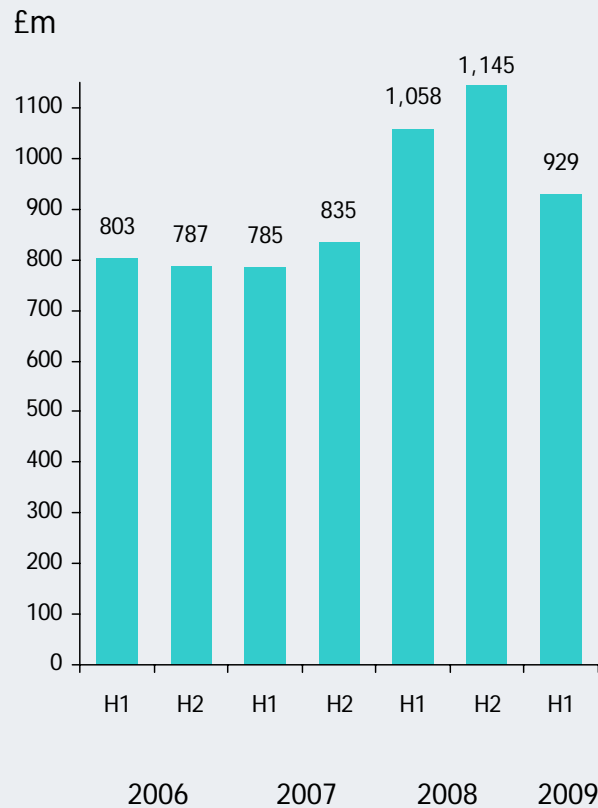
# Group

	H1 2009		vs H1 2008	
	Actual	As reported	Constant currency	Underlying*
Revenue	£929m	-12%	-27%	-33%
Trading Profit	£16.5m	£(96.8)m	£(120.1)m	
Return on Sales	1.8%	10.7%		

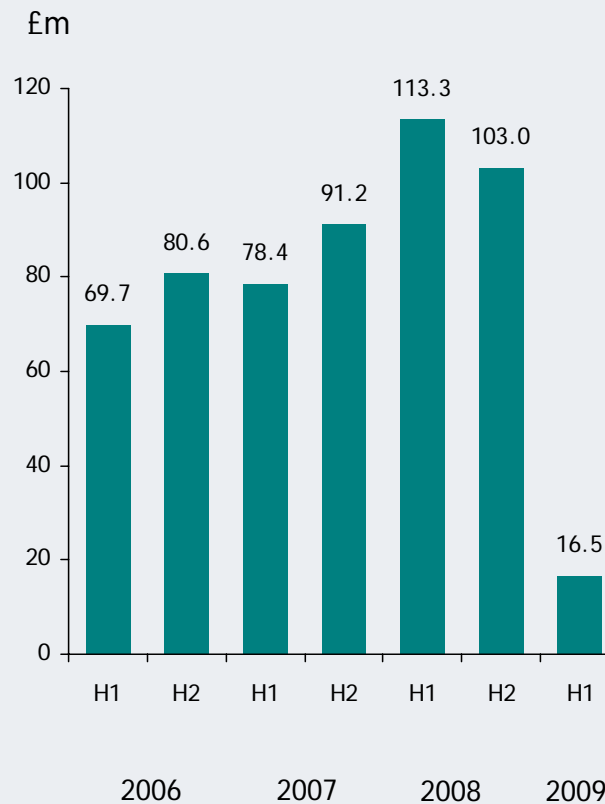
\* At constant currency and metal prices and as if Foseco had been acquired on 1 January 2008

# Group (as reported)

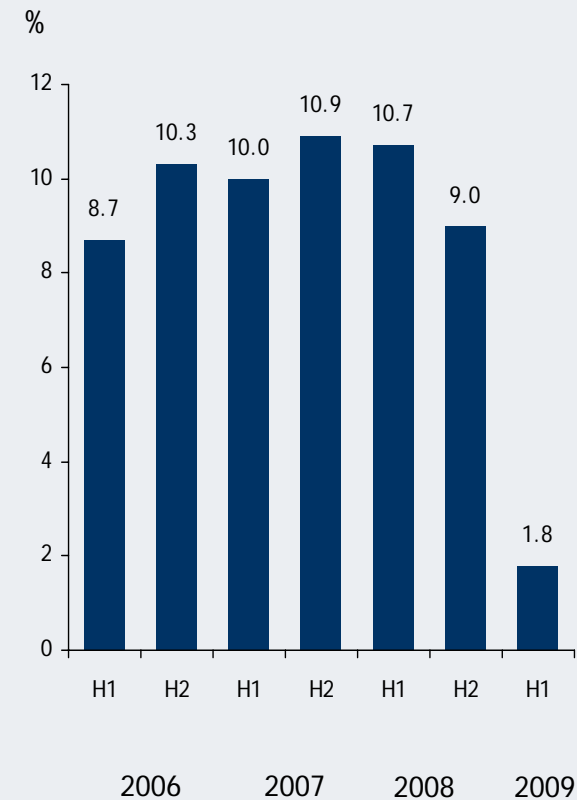
## Revenue



## Trading Profit



## Return on Sales



• H1 2008 includes 3 months of Foseco results versus 6 months in H1 2009

# Group Trading Profit

£m	H1 2009	H1 2008	Change vs H1 2008
Total Operations			
- at H1 2009 exchange rates	17	136	(119)
Ceramics	12	100	(88)
Electronics	6	38	(32)
Precious Metals	2	2	-
Corporate costs	(3)	(4)	1
Exchange rate impact	-	(23)	23
Group - at reported exchange rates	17	113	(96)

# Headline Attributable (Loss)/Profit

£m	H1 2009	H1 2008	Change vs H1 2008
Trading Profit	17	113	(96)
Interest	(20)	(14)	(6)
Headline (Loss)/Profit Before Tax	(3)	99	(102)
Taxation	(10)	(27)	17
Minority Interest	(1)	(1)	-
Headline Attributable (Loss)/Profit	(14)	71	(85)

# Earnings and Dividends per Share

	H1 2009	H1 2008	FY 2008
<b>(Loss)/earnings per share*:</b>			
Headline EPS	(6.2)p	50.1p	88.5p
Average number of shares	229.1m	140.7m	140.8m
<b>Dividends declared*:</b>			
- Interim	Nil	8.8p	8.8p
- Final			Nil

- Dividends suspended pending market recovery

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

# Exceptional Items

£m Charge/(credit)	H1 2009
<b>Restructuring and integration:</b>	
- Foseco integration	4
- Restructuring	40
- Onerous lease provisions:	
Ceramics	6
Electronics	16
	66
<b>Amortisation of intangibles</b>	9
<b>Interest rate swap close-out</b>	14
<b>Profit on disposal of continuing operations</b>	(3)
	<b>86</b>

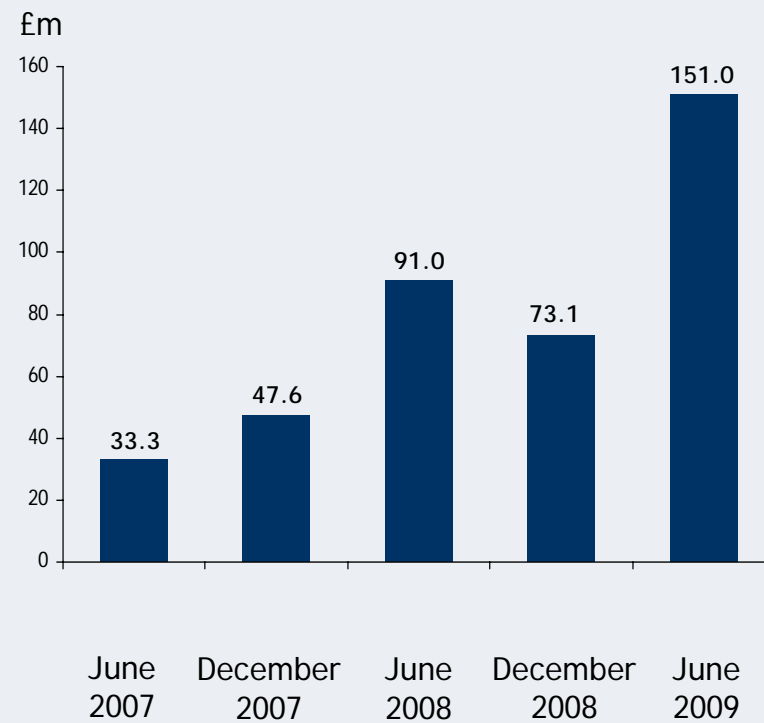
**FY 2009: cash-related restructuring and integration charge of c.£70m**

# Free Cash Flow

Half Yearly:



Annualised (last twelve months):



# Net Cash Flow from Operating Activities

£m	Inflow / (outflow)		Change vs H1 2008
	H1 2009	H1 2008	
EBITDA	44	135	(91)
Restructuring and integration	(24)	(8)	(16)
Working capital	121	(64)	185
Pensions - additional contributions	(10)	(16)	6
<b>Cash generated from operations</b>	<b>131</b>	<b>47</b>	<b>84</b>
Interest & tax	(44)	(30)	(14)
<b>Net cash inflow from operating activities</b>	<b>87</b>	<b>17</b>	<b>70</b>

	£m
Trade	113
Other	8
	<u>121</u>

Slide 19

FY 2009: restructuring and integration cash spend of c.£50m

# Trade Working Capital

## Decrease in Trade Working Capital

£m	H1 2009
Ceramics	80
Assembly Materials	13
Chemistry	7
Precious Metals	11
Other	2
	<u>113</u>

Lower working capital:		£m
Inventory	60	→ of which £34m is raw materials
Trade receivables	57	
Trade payables	(37)	
	<u>80</u>	

Lower working capital:		£m
Inventory	72	
Trade receivables	71	
Trade payables	(30)	
	<u>113</u>	

### Trade Working Capital to Sales %

	H1 2009	FY 2008
	%	%
Ceramics	26.1	25.4
Electronics	17.8	20.1
Precious Metals	22.1	18.6
Group	<u>22.6</u>	<u>22.7</u>

# Free Cash Flow

£m	Inflow / (outflow)		Change vs H1 2008
	H1 2009	H1 2008	
Net cash inflow from operating activities	87	17	70
Pensions - additional contributions	10	16	(6)
Capital expenditure	(13)	(25)	12
Other	-	(1)	1
<b>Free cash flow</b>	<b>84</b>	<b>7</b>	<b>77</b>

FY 2009: Capex of c.£25m

# Net Cash Flow & Decrease in Net Debt

£m	H1 2009
Free cash flow	84
Rights issue (net of expenses)	241
Pensions - additional contributions:	
- UK	(1)
- Other	(9)
Dividends	-
Other	1
Exchange rate impact	(22)
<b>Decrease in net debt</b>	<b>294</b>
Net debt - 1 January 2009	(732)
<b>Net debt - 30 June 2009</b>	<b>(438)</b>

## Rights issue (March 2009):

- 255m shares issued at 100 pence\*
- Expenses of £14m

- UK contribution level renegotiated with Trustees in March 2009

- No additional contributions payable for 18 months from February 2009 (unless dividends resumed)

- December 2009 Triennial review available mid-2010

\* As restated for the effect of the share consolidation in May 2009

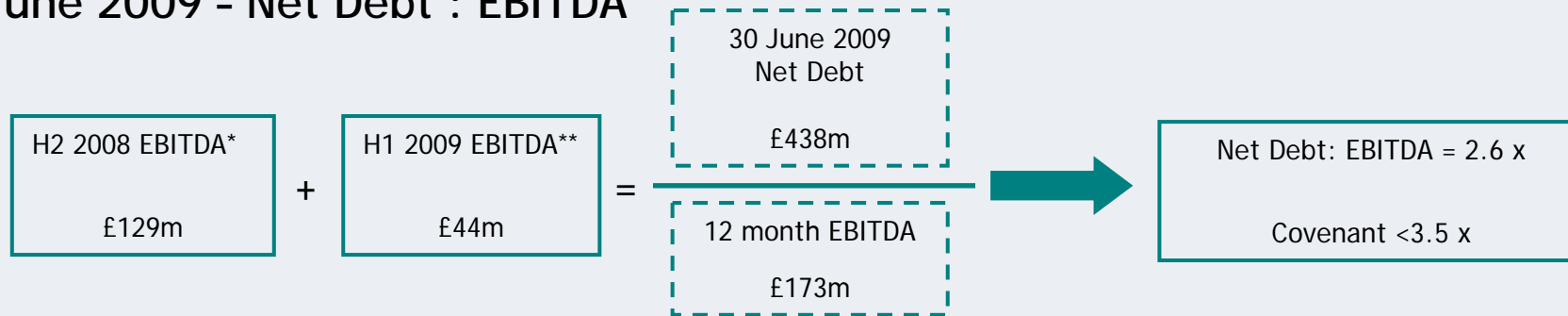
# Debt Facilities - Maturity Profile



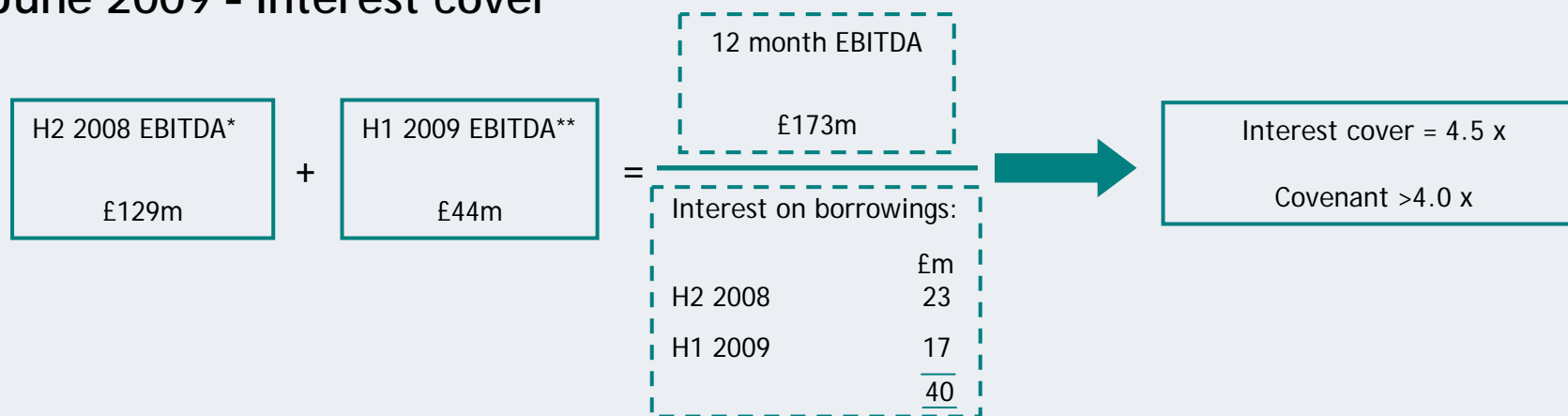
- Substantial liquidity headroom in place
- No significant debt maturities in 2009; principal maturities in 2011 & 2012

# Bank Covenants

## 30 June 2009 - Net Debt : EBITDA



## 30 June 2009 - Interest cover



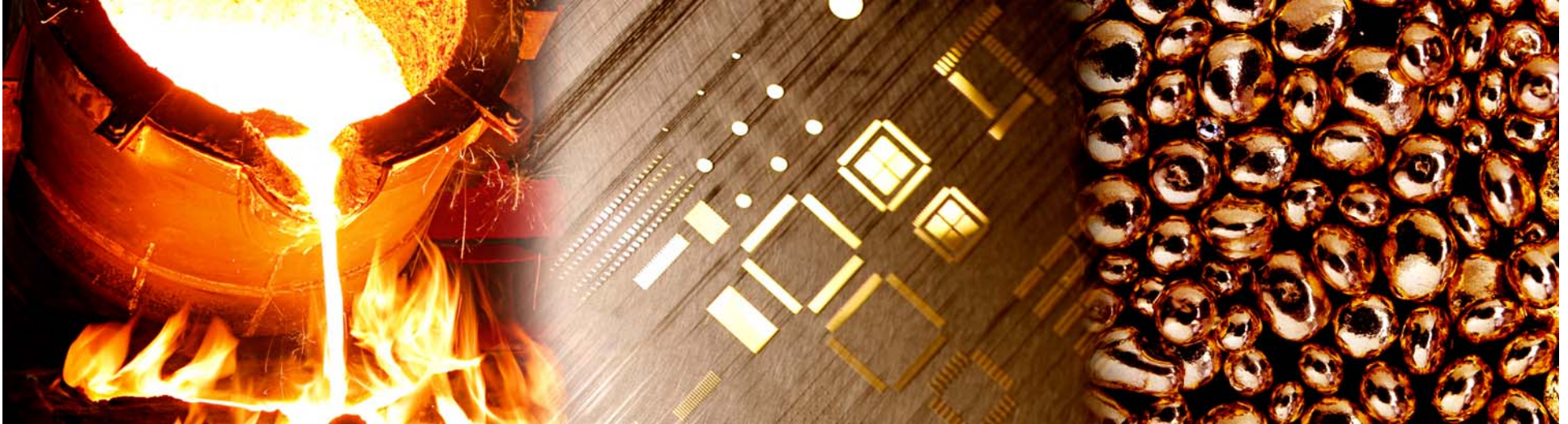
\* H2 2008 depreciation = £26m

\*\* H1 2009 Depreciation = £27m

# Net Employee Benefit Deficit

£m	Pension plans			Retiree medical	Total
	UK	US	RoW		
31 December 2008	69	(89)	(46)	(29)	(95)
P&L charge	(1)	(2)	(3)	(1)	(7)
Cash contributions	3	9	2	1	15
Actuarial assumption changes	(33)	14	1	-	(18)
(Loss)/gain on assets	(46)	4	-	-	(42)
Foreign exchange	-	7	5	3	15
30 June 2009	(8)	(57)	(41)	(26)	(132)

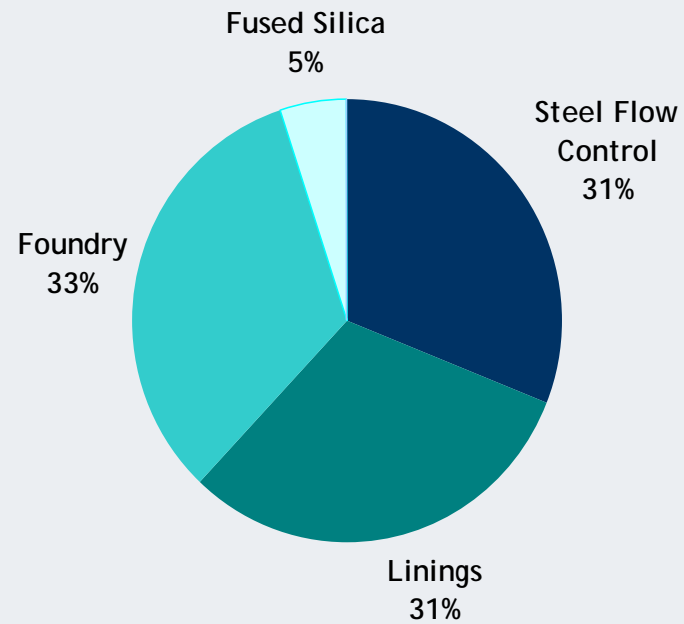
	£m
Assets	475
Liabilities	(607)



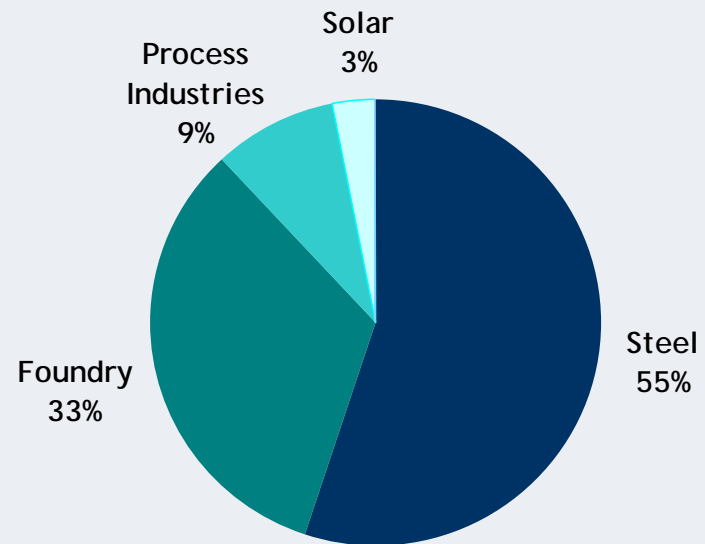
# Operational Review

# Ceramics - End Markets

FY 2008\* Revenue by Product Line

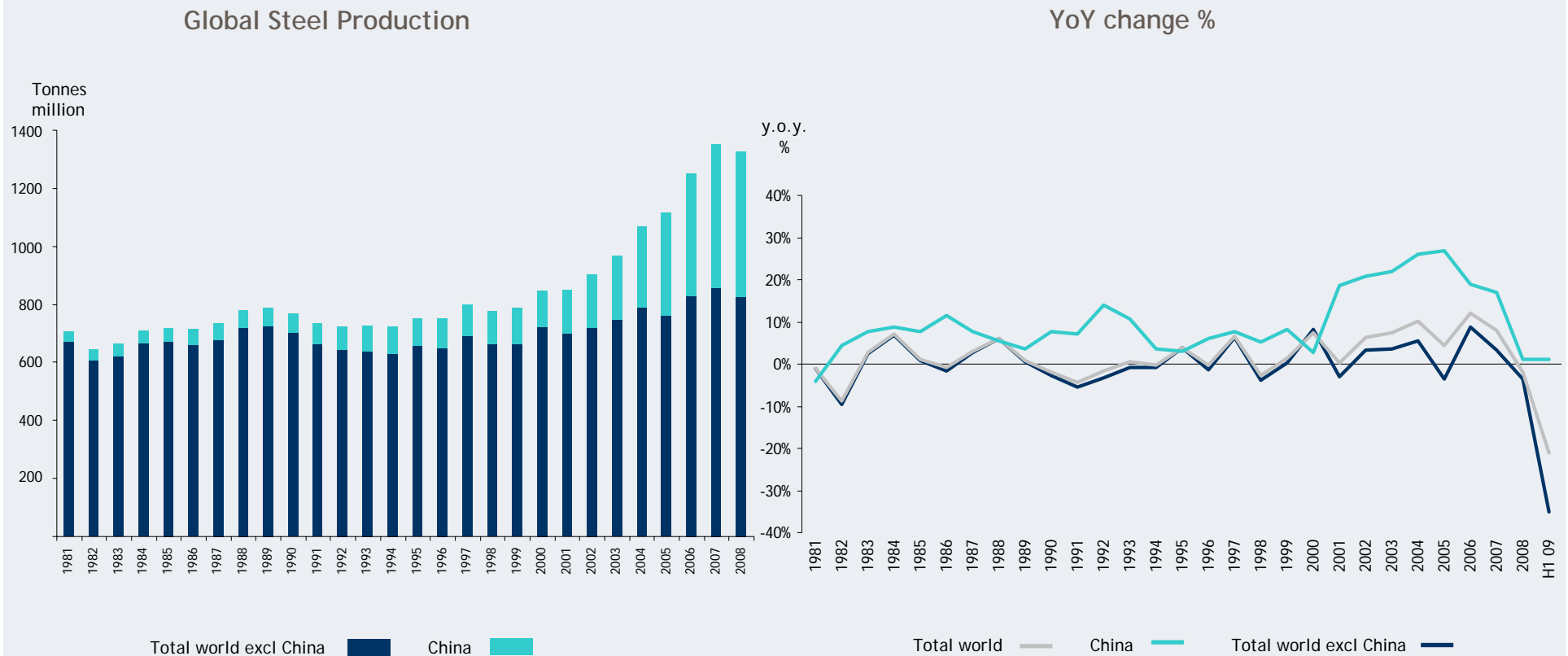


FY 2008\* Revenue by End Markets



\* Pro-forma incl. Foseco pre-acquisition

# Ceramics - End Markets: Steel Production



- Global production growth over the past decade has been driven by China. Trends outside China have been relatively stable until this year.
- China currently represents <10% of Cookson's steel related sales - but this % will increase as modernisation continues

# Ceramics - End Markets: Steel Production

Global Steel Production



Total world excl China ■ China ■

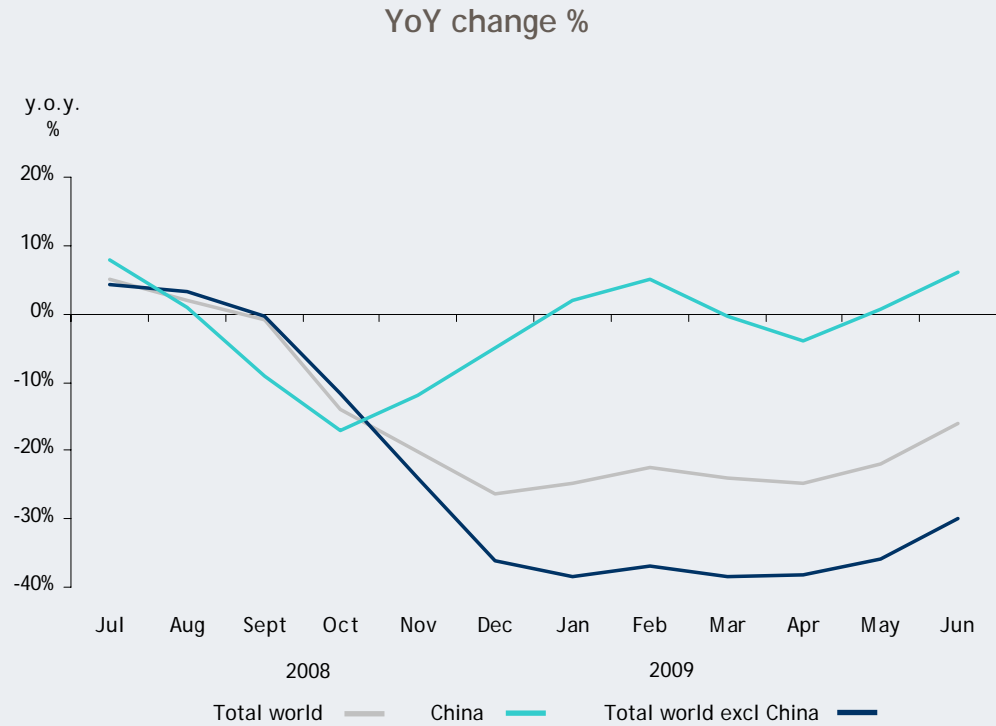
YoY change %



Total world ■ China ■ Total world excl China ■

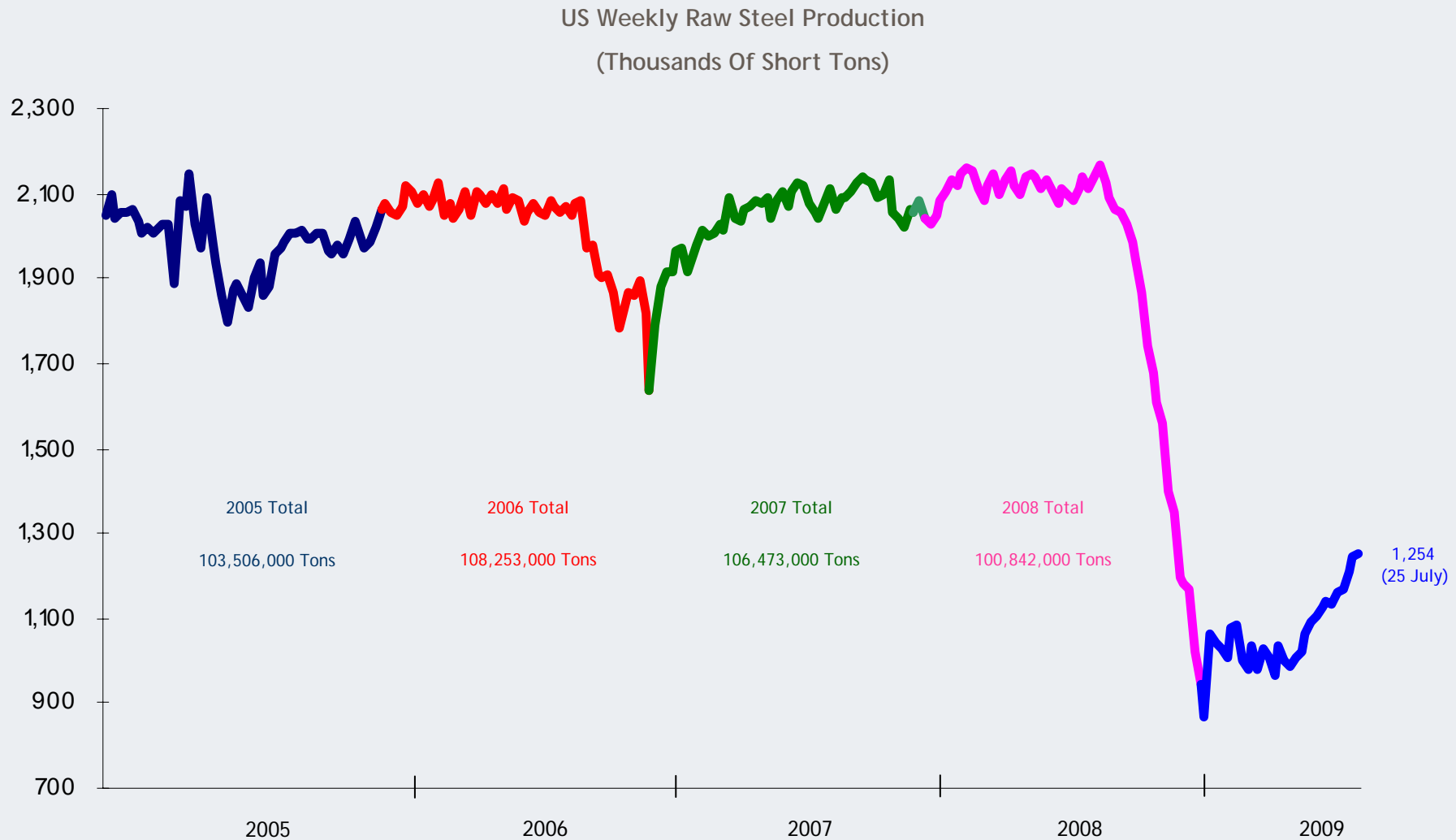
- Market trends excluding China are the most significant for Cookson in the short term as >90% of steel related sales are outside China (>80% Steel Flow Control and c.100% Linings)

# Ceramics - End Markets: Steel Production



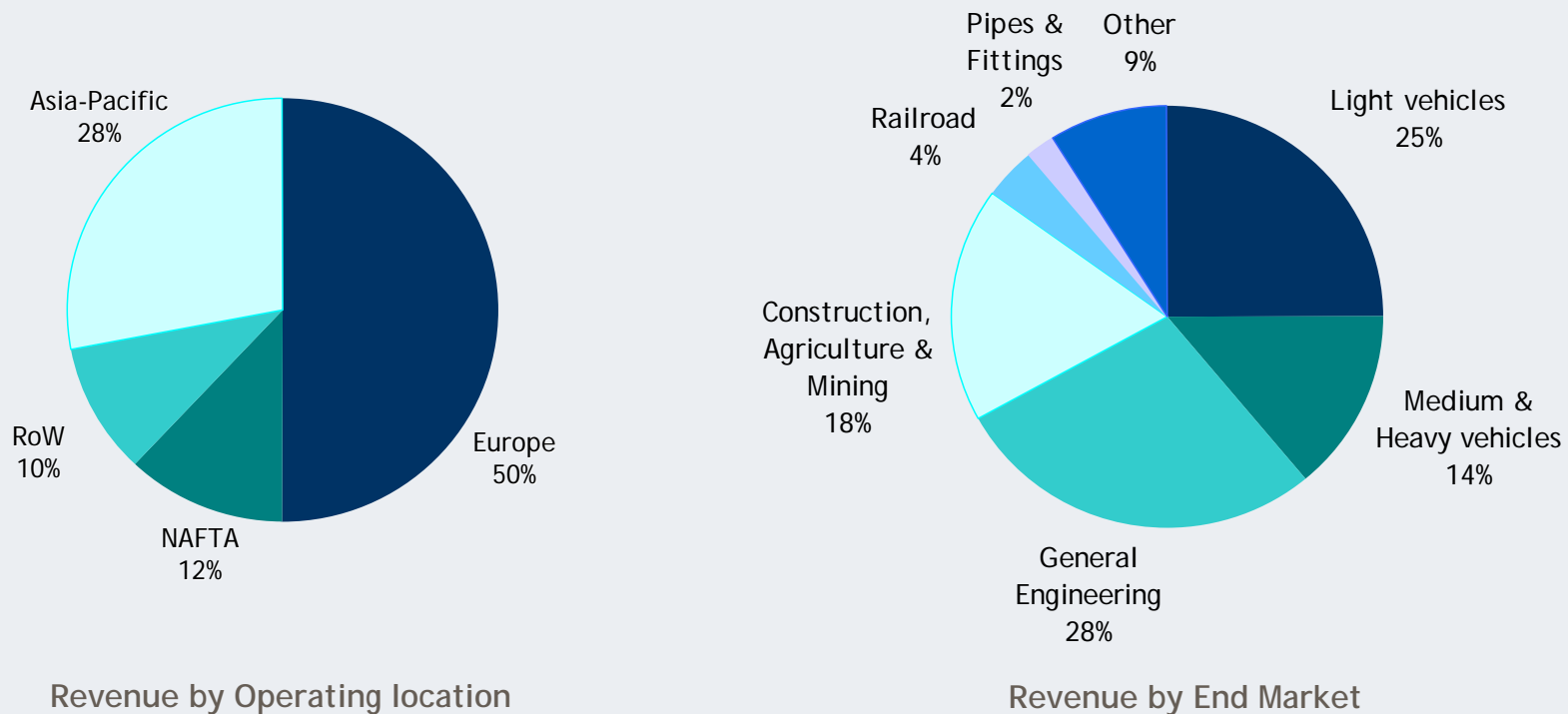
YoY change %	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09
World	-19%	-24%	-24%	-22%	-24%	-24%	-21%	-16%
NAFTA	-19%	-48%	-51%	-54%	-52%	-49%	-48%	-44%
CIS	-30%	-45%	-47%	-32%	-33%	-30%	-34%	-27%
EU	-25%	-39%	-46%	-41%	-45%	-49%	-45%	-39%
CHINA	-12%	-6%	2%	5%	-	-4%	1%	6%
<b>World excl. China</b>	<b>-23%</b>	<b>-35%</b>	<b>-39%</b>	<b>-37%</b>	<b>-38%</b>	<b>-36%</b>	<b>-34%</b>	<b>-30%</b>

# Ceramics - End Markets: Steel Production



# Ceramics - End Markets: Foundry

- We supply consumable ceramic components used in the production of a very wide variety of metal castings. The end use of these castings is estimated as follows:



- Light vehicle and heavy trucks production represents c.40% of the foundry end market

# Ceramics - End Markets: Foundry

Light vehicle production



Light vehicle Production relative to Jan 2008



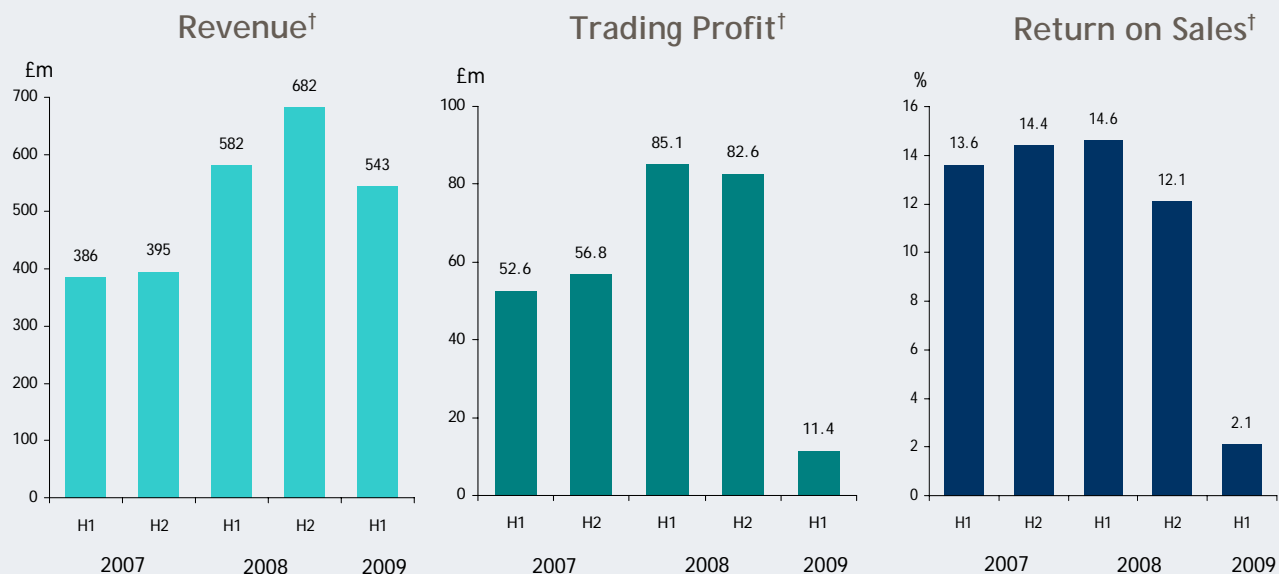
- Cookson's Foundry sales have lagged vehicle production trends with Q2 2009 revenue 13% lower than Q1 - supply chain destocking

Source: J D Power Global Automotive Production Forecasts June 2009

# Ceramics

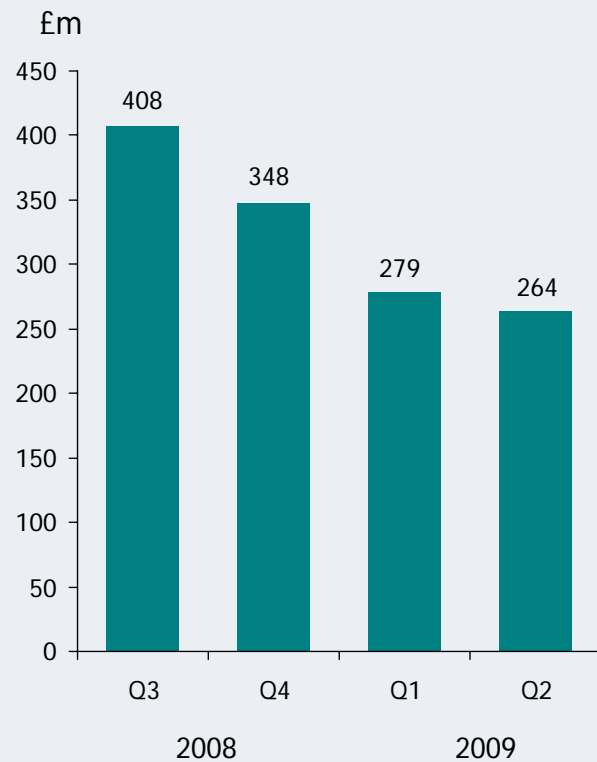
	H1 2009			H1 2008				
	Actual	Pro-forma*	Change	Actual	As reported	Constant currency	Underlying*	
Steel Flow Control	£164m	£261m	-38%	Revenue	£543m	-7%	-21%	-35%
Linings	£190m	£254m	-25%	Trading Profit	£11.4m	£(73.7)m	£(88.9)m	£(109.6)m
Foundry	£159m	£274m	-42%	Return on Sales	2.1%	14.6%	15.0%	14.9%
Fused Silica	£30m	£42m	-27%					
<b>Total</b>	<b>£543m</b>	<b>£831m</b>	<b>-35%</b>					

\* Includes Foseco pre-acquisition and at constant currency

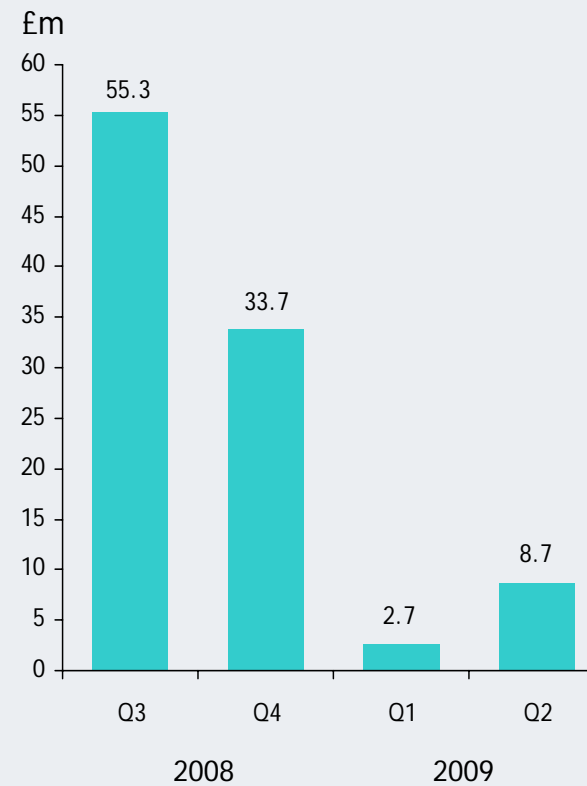


# Ceramics - Quarterly Trends

## Revenue\*



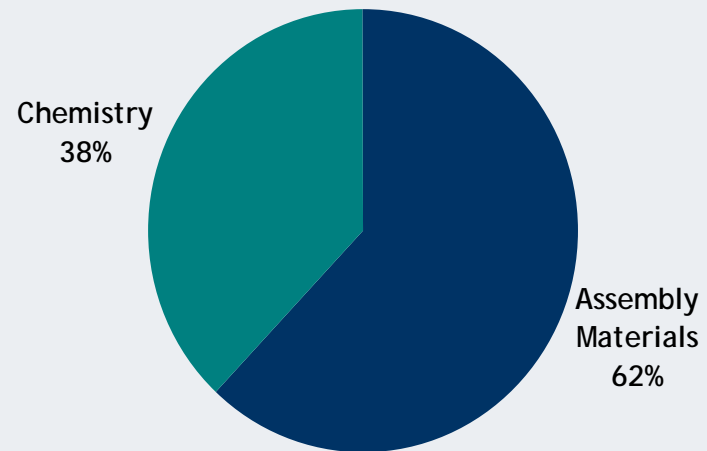
## Trading Profit\*



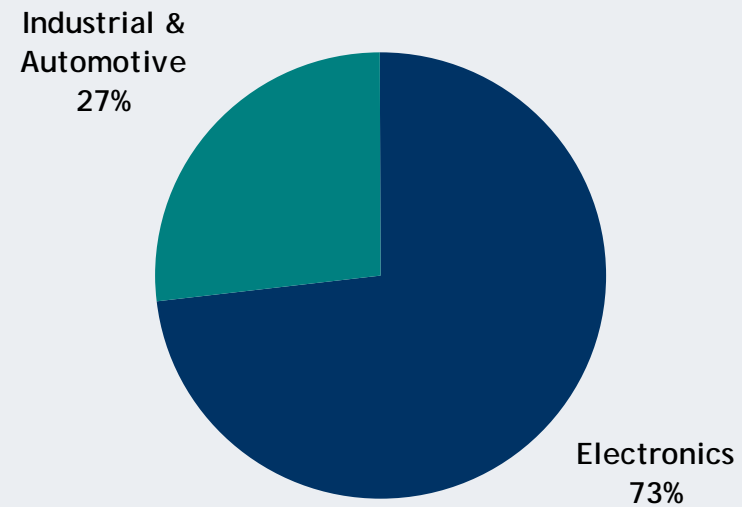
- Q2 trading profit improved due to cost reductions and pick up in Steel Flow Control sales in June

# Electronics - End Markets

FY 2008 Revenue by Product Line

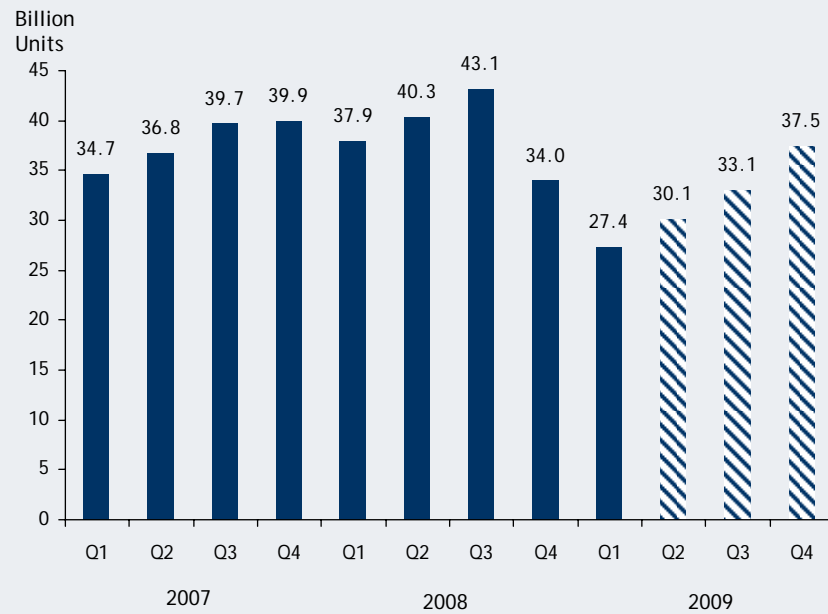


FY 2008 Revenue by End Markets

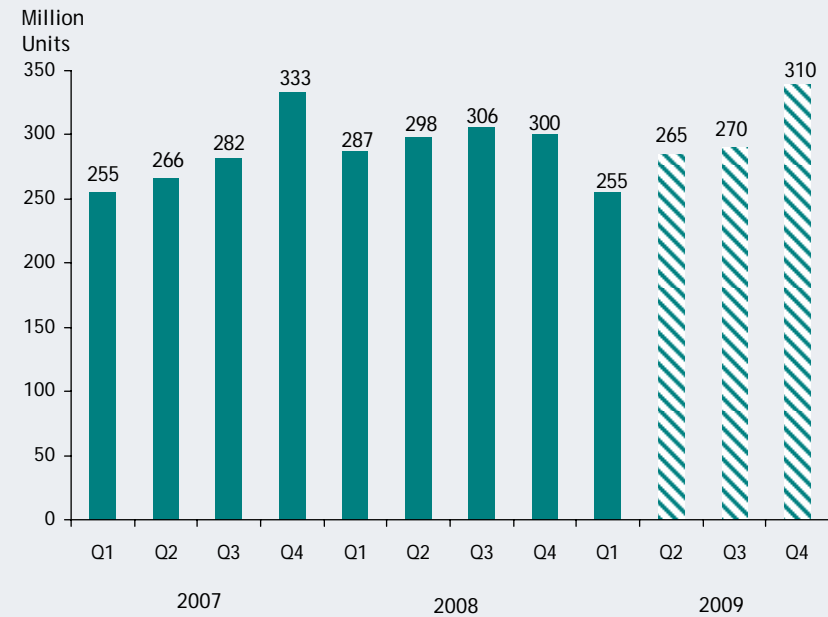


# Electronics - End Markets

## Semiconductor Shipments



## Mobile Phone Handset Shipments

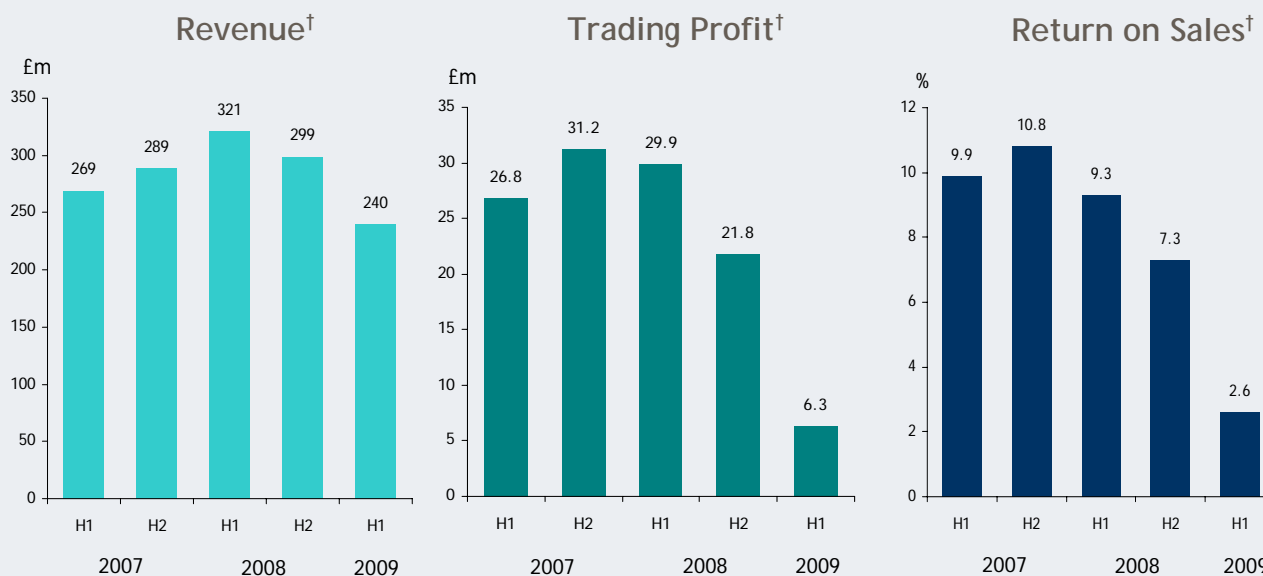


# Electronics

	H1 2009		vs H1 2008	
	Actual	As reported	Constant currency	Underlying*
Assembly Materials	£138m	-29%	-42%	-34%
Chemistry	£102m	-20%	-34%	-32%
Total Revenue	£240m	-25%	-39%	-33%
Trading Profit	£6.3m	£(23.6)m	£(31.5)m	
Return on Sales	2.6%	9.3%		

- Pass through of lower tin and silver prices reduced Assembly Materials revenue by approx £29m

\* 'Underlying' is at constant currency eliminating the impact of commodity metal price variations (tin, silver etc.)

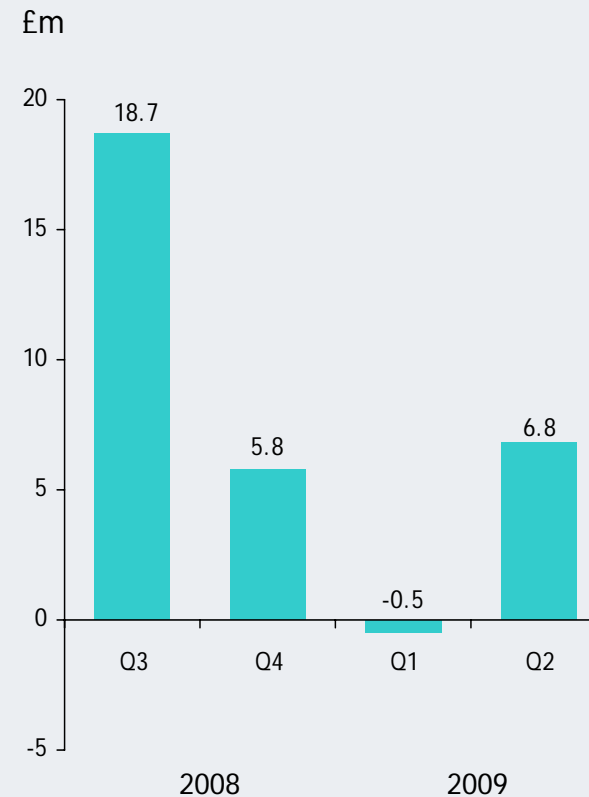


# Electronics - Quarterly Trends

## Revenue\*



## Trading Profit\*



- Q2 profit improvement reflected a progressive increase in electronic materials sales since March and cost reductions

# Precious Metals

	H1 2009 Actual	vs H1 2008 As reported	Constant currency
Revenue	£147m	-5%	-22%
Net Sales Value*	£63m	+15%	-6%
Trading Profit	£2.3m	+21%	+10%
Return on NSV	3.7%	3.5%	

- European business trading profit improved, benefiting from earlier restructuring initiatives and increase in gold reclaim activity offsetting weak retail jewellery demand
- US business restructured in Q4 2008 and Q1 2009. 21% headcount reduction. Trading profitably in Q2 2009 despite weak retail jewellery demand

\* Net Sales Value is revenue excluding the precious metals content



# Cost Reduction Initiatives

	Launched	Completed	Savings	
Phase I	Q4 2008	Q4 2008	>£17m p.a.	<ul style="list-style-type: none"> <li>• Headcount reductions</li> <li>• Reduction in working hours/extended shutdowns</li> <li>• Salary freeze &amp; clampdown on T&amp;E</li> </ul>
Phase II	Q1 2009	Most by end Q2 2009	>£23m p.a.	<ul style="list-style-type: none"> <li>• 6 factories closed</li> <li>• Further headcount reductions mainly in overheads in US and EU</li> </ul>
Phase III	Q2 2009	Most by end Q3 2009	>£13m p.a.	<ul style="list-style-type: none"> <li>• 2 factories closed and 3 more significantly downsized</li> <li>• Further overhead cuts</li> </ul>
Foseco integration	Q2 2008	End Q2 2009	£10m in 2008 £22m in 2009 £24m in 2010 onwards	<ul style="list-style-type: none"> <li>• Foseco integration complete. Target savings of £24m per year achieved</li> </ul>

## Phasing of cost savings:

	H1 2009	H2 2009	FY 2009	H1 2010	H2 2010	FY 2010
Savings vs 2008 cost base (£m)	16	31	47	34	34	68

- Incremental cost savings of £15m anticipated in H2 2009
- Total headcount reduced from 17,300 at September 2008 to 14,400 at June and 14,100 forecast for December 2009 (-19%)

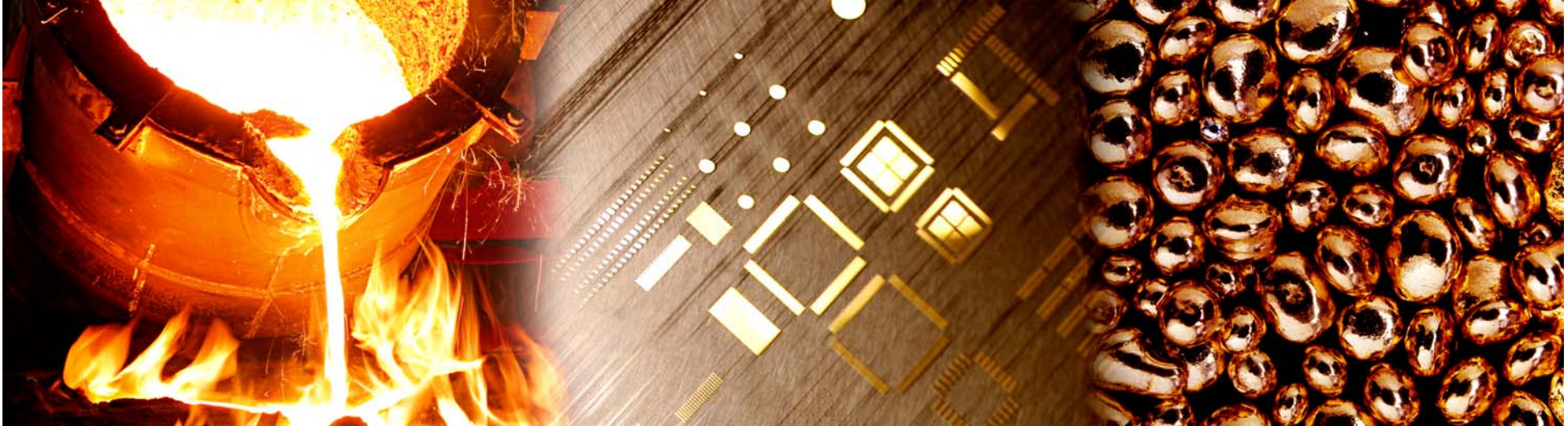
# Raw Materials and Pricing

- Raw materials prices have been declining from mid 2008 peaks (e.g. bauxite, magnesite) but benefits limited so far as we have been working down excess December 2008 inventory levels
- Despite much lower revenue, the margin over materials\* percentage has been maintained at H1 2008 levels. Pricing discipline maintained
- For H2 2009, expect to be able to offset pricing pressures by raw materials cost reductions

\* Revenue less raw material costs as a % of revenue

# Outlook

- Ceramics end markets have remained weak through the first half of 2009 but we are now seeing some signs of recovery in steel production
- Electronics materials end markets have improved progressively since March and this trend is continuing
- Precious Metals markets should improve in H2 with normal seasonality
- Visibility remains limited and it is difficult to predict the timing and extent of recovery in the global economy and our end markets
- However, we continue to expect a progressive improvement in our performance in H2 2009 as further cost reduction benefits materialise and sales volumes improve
- Our reduced cost base and high operational gearing should ensure performance picks up strongly as and when markets improve



# Appendix

# Bank Covenants – how are they calculated

## Leverage (Net debt to EBITDA)

$$\frac{\text{Net debt}}{\text{EBITDA}} < 3.5 \text{ times as at 30 June 2009 \& 31 December 2009 (3.0 times thereafter)}$$

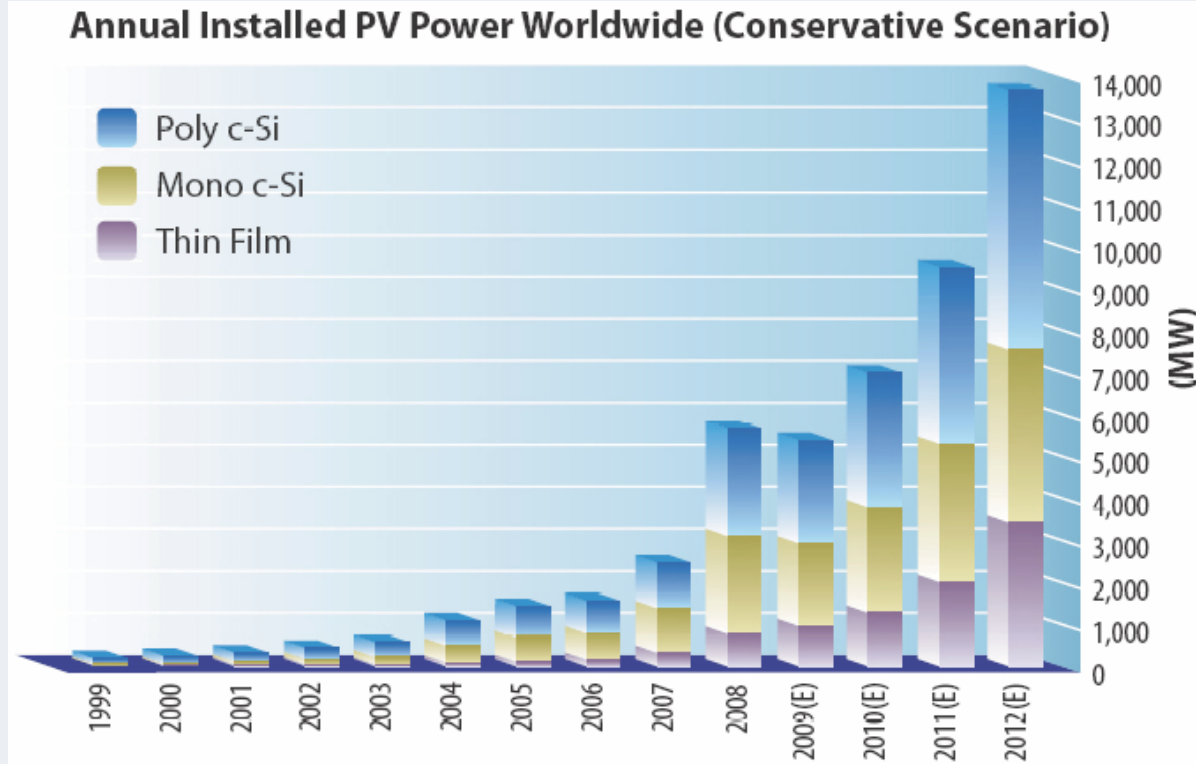
- Tested twice a year (30 June & 31 December)
- EBITDA is pre exceptionals (incl. restructuring)
- EBITDA is trailing 12 months (i.e. 30 June 2009 test includes H2 2008)
- FX:
  - EBITDA: average 12 month rates
  - Net debt: spot rates (so immaterial non-sterling borrowings)
- Banks agreed in February 2009 to relax covenant (to 3.5 times from 3.0 times) in exchange for early repayment of one maturity (£111m) out of rights issue proceeds

## Interest Cover

$$\frac{\text{EBITDA}}{\text{Interest on borrowings}} > 4.0 \text{ times}$$

- Tested twice a year (30 June & 31 December)
- EBITDA is pre exceptionals and is trailing 12 months
- Interest on borrowings excludes pension interest (£6m per annum)
- FX: Both EBITDA and Interest translated at average 12 month rates

# Ceramics - End Markets: Solar Panels



Source: Envision, 01/2009

- PV installation market flat in 2009 due to limit on government subsidies (e.g. Spain)
- PV production low in H1 2009 following overbuild of inventories throughout the supply chain in H2 2008
- Strong growth should return as destocking ends and with new government subsidy packages (China, Japan, USA etc)