Cookson Group plc
Interim Report to Shareholders, July 2002

- Improving trend in turnover and operating profits experienced during the first half
- Positive free cash flow of £31 million generated; net debt unchanged from start of year
- Proposed rights issue to raise c. £277.5 million (net of expenses) announced
- Sale of the Precision Products businesses to be progressed

Commenting on the results and current outlook, Stephen Howard, Group Chief Executive, said:

"The Board believes Cookson is well positioned in its major markets. During the first half of 2002 the Group witnessed an improving trend in activity with turnover for the second quarter of 2002 8% higher than the first quarter of 2002. Furthermore, the rigorous action taken early in 2001 and which has continued into 2002, both to align the Group's cost base with the reduced levels of demand being experienced and to conserve cash, have mitigated the impact on profitability of the downturn in the Group's major markets.

Since the end of the first half of 2002, trading has been in line with the Company's expectations. Although the timing of a sustained recovery in the electronics industry remains unclear and activity in the third quarter is traditionally quieter than in the second quarter, Cookson expects to be able to leverage the benefits of its operational gearing to take advantage of an upturn when it occurs.

Having considered a number of strategic initiatives to improve the Group's financial position, the Board of Cookson has concluded that a rights issue is currently the most appropriate course of action. Further details of the background to the proposed rights issue are contained in a separate circular sent to shareholders today. The rights issue seeks to raise some £277.5 million in net cash proceeds, which will be used to reduce bank debt."

19 July, 2002

Cookson

STRATEGIC INITIATIVES

Prior to arranging its £450 million committed syndicated bank facility in December 2001, the Board determined that it would be in the best interests of the Company to reduce meaningfully the level of the Group's borrowings. At that time the Board considered that the best way to achieve this was to pursue a number of strategically attractive initiatives, including disposals and joint ventures, which would then be followed by a possible equity issue to supplement the proceeds of these initiatives. Certain of these initiatives that would have facilitated the objective of reducing Group borrowings were underway when the bank financing was completed. In the current environment, most of these initiatives did not materialise as planned. In light of this, and given the level of debt and the security and other constraints attaching to it, the Board was concerned that the Group's ability to pursue its strategies fully could increasingly be impacted.

In light of current circumstances, the Board has closely reviewed the Group's business activities. It has concluded that, given the leadership position that each core division holds, there is substantial potential for a significant recovery from the current cyclical downturn in the Group's major markets. Furthermore, the Board believes that such a recovery – combined with the Group's reduced operating cost base – would make a return to the levels of profitability seen prior to 2001 achievable. The Board therefore considers that the best immediate basis for maximising shareholder value is to continue to concentrate on and to support fully the Group's three divisions and to strengthen its balance sheet. Accordingly the Board has concluded that a rights issue is now the most appropriate course of action.

In addition, the Board has decided to progress the sale of the Precision Products businesses within the Precious Metals division and of certain small businesses. The Board will continue to review all strategic options, including further disposals or joint ventures, to maximise shareholder value.

GROUP OVERVIEW

Market conditions

Trading conditions in Cookson's major markets in the first half of 2002 were broadly similar to those of the second half of 2001. This was reflected in the Group's turnover from continuing operations which was virtually unchanged in the first half of 2002 compared with the second half of 2001. However, Cookson witnessed an improving trend during the first half of 2002 as Group turnover for the second quarter of 2002 was 8% higher than the first quarter of 2002.

There were signs in the first and second quarters of 2002 that the severe global downturn in the electronics industry which took hold in the first half of 2001 was continuing to abate. Nevertheless, levels of activity in the electronics industry and in the Group's Electronics division in the first half of 2002 remained significantly below the peak seen in the second half of 2000. The performance of the Group's Ceramics division improved as US steel production continued to hold up well in the second quarter of 2002 following an increase in production at the end of the first quarter, following the imposition of import tariffs by the US government. In Europe, steel production in the second quarter of 2002 was also higher, following a weak first quarter. For the Precious Metals division, trading conditions in the second quarter of 2002 improved gradually compared with the first quarter.

Cost-cutting and cash generation programmes

In the first half of 2002, management has continued many of the cost-saving programmes that commenced in early 2001. By the end of June 2002, a headcount reduction of some 3,500, representing 17% of the total workforce, had taken place. Supplemented by the Premier and Enthone acquisition integration programmes, which have resulted in an additional headcount reduction of some 500, the cost-saving programmes were aimed primarily at bringing the Group's cost base in line with the reduced levels of demand and streamlining operating processes. Care has been taken to ensure that the Group maintains the capacity and the ability to benefit from an upturn in its markets when it occurs.

During the first half of 2002, management has continued to focus on reducing working capital requirements, controlling capital expenditure and optimising internal investment, which resulted in the Group generating positive free cash flow in the first half of 2002 and ending the period with net debt of £749.1 million, virtually unchanged from the £749.6 million outstanding at the end of 2001.

RESULTS OF OPERATIONS

Turnover and Operating profit/(loss) by division – continuing operations[1]

	Six months ended 30 June			
	2002		2001	
	Turnover	Operating (loss)/ profit[2]	Turnover	Operating Profit[2]
	£ m	£ m	£ m	£ m
Electronics	357.6	(11.7)	496.6	10.9
Ceramics	344.9	18.6	381.5	26.6
Precious Metals	200.5	10.7	218.7	16.6
Continuing operations	903.0	17.6	1,096.8	54.1

Notes:
(1) Includes the Group's share of turnover and operating profit/(loss) attributable to joint ventures.
(2) Before goodwill amortisation and exceptional items.

Group – continuing operations

Turnover. Turnover of £903.0 million in the first half of 2002 was 18% lower than the first half of 2001 and down 17% on an organic basis (i.e. after excluding the impact of acquisitions, discontinued operations and foreign currency translation). The decrease was principally due to weakened end-market demand in the Electronics division, lower US and EU steel production volumes in the Ceramics division and lower consumer demand in the key markets of the Precious Metals division. The rate of the decline in turnover lessened over the period and for the first half of 2002 turnover was 1% lower than the second half of 2001. A gradually improving trend was also evidenced in the second quarter of 2002 and turnover in this period was 8% higher than that of the first quarter of 2002.

Operating profit. Operating profit declined from £54.1 million in the first half of 2001 to £17.6 million in the first half of 2002, a decrease of 67% both as reported and on an organic basis. The fall in operating profit was principally driven by an 18% decrease in Group turnover, but the extent of its decline in operating profit was, however, offset by the benefits of the cost-cutting programmes initiated during 2001, which continued into 2002. Despite a decline in turnover compared with the second half of 2001, the benefits of these programmes became more evident over time as operating profit in the first half of 2002 was £15.2 million higher than in the second half of 2001. The increased rate at which benefits were accruing was evidenced in the second quarter of 2002, as operating profit rose to £19.2 million from a loss of £1.6 million in the first quarter of 2002.

Geographical analysis of turnover and operating profit. The United States is the Group's principal operating market and the Group's US businesses are the biggest contributors to the total Group turnover from continuing operations, directly contributing 42% of turnover in the first half of 2002, compared with 43% in the first half of 2001. As a consequence of the depressed US market conditions experienced in the first half of 2002, the Group's continuing US operations incurred an operating loss of £15.1 million during that period, compared with a profit of £10.4 million in the first half of 2001 and a loss of £19.4 million in the second half of 2001.

Electronics division

Turnover. In the first half of 2002, turnover decreased by 28% to £357.6 million from £496.6 million in the first half of 2001 and by 27% on an organic basis. The division's relative contribution to Group turnover from continuing operations decreased from 45% in the first half of 2001 to 40% in the first half of 2002.

Turnover in the first half of 2001 was adversely impacted by a sharp fall in manufacturing output and end-market demand in the electronics industry, the extent of which was particularly severe in the United States. These market conditions resulted primarily from excess inventory that had built up throughout the industry from late 2000 and, by the end of the first quarter of 2001, demand across all segments of the industry began to deteriorate sharply. The downturn in the industry became more pronounced in the second quarter of 2001 and weakened still further in the second half of that year, exacerbated by the events of 11 September 2001.

In the first half of 2002, the downturn in the electronics industry began to show signs of abating and turnover for the division was virtually unchanged from the second half of 2001. Furthermore, a gradual improvement in

levels of activity began to appear in the second quarter of 2002 and as a result the division's turnover was 7% higher than the first quarter of 2002.

In the division's largest sector, PWB Materials and Chemistry, a solid first quarter for 2001 was followed by a sharp reduction in demand in the second quarter for Polyclad's laminate products, particularly in the United States. The fall in demand was, however, much less pronounced for Enthone's chemistry products during the first half of 2001. In the second half of 2001, the sector's turnover fell further, but stabilised at reduced levels in the fourth quarter of 2001. Following a slow first quarter, turnover for Enthone's chemistry products improved in the second quarter of 2002, whilst that of Polyclad's laminates business remained unchanged. This resulted in the sector's turnover for the first half of 2002 being 3% higher than the second half of 2001.

Following a marked reduction in order intake in the fourth quarter of 2000, turnover in the Equipment sector fell sharply throughout the first half of 2001 and into the second half of that year. Activity levels in the first half of 2002 remained depressed and at significantly lower levels than the first half of 2001, although only marginally lower than the second half of 2001.

Turnover for the Assembly Materials sector was also adversely impacted by the downturn in the electronics industry, driven by the decline in sales of solder paste and spheres during 2001, although to a lesser extent than the division's laminate business and its Equipment sector. The sector's turnover for the first half of 2002 was only marginally lower than in the second half of 2001.

Operating profit. Operating profit for the Electronics division for the first half of 2002 continued to be adversely impacted by the low level of trading activity within its principal markets and an operating loss of £11.7 million was incurred compared with an operating profit of £10.9 million in the first half of 2001. The fall in operating profit was mitigated by the cost-cutting measures implemented during 2001 and extended into 2002. Together with the acquisition integration programme associated with Enthone, which is now significantly complete, as at 30 June 2002 these initiatives have resulted in a reduction in the division's headcount by 2,750 employees, or 32% of the division's workforce, since the beginning of 2001. As a result, the operating loss in the first half of 2002 was £13.5 million lower than the operating loss in the second half of 2001 on unchanged turnover. Furthermore, on turnover of approximately £185 million in the second quarter of 2002, the division operated at break-even for that period. Acquisitions, discontinued operations and foreign currency translation did not have a material impact on operating profit between the first halves of 2001 and 2002.

Ceramics division

Turnover. The Ceramics division's turnover in the first half of 2002 was £344.9 million, down 10% on both a reported and organic basis from the £381.5 million achieved in the first half of 2001. The division's relative contribution to turnover of the Group's continuing operations increased from 35% in the first half of 2001 to 38% in the first half of 2002.

Approximately 80% of the division's turnover is closely linked to the level of steel production in the markets within which it operates, principally the United States and Europe. Lower levels of US and UK steel production in the first half of 2002 compared with the first half of 2001 contributed to a 9% decline in turnover in the division's Iron and Steel sector. However, turnover in developing markets such as South America, Central and Eastern Europe and Asia-Pacific remained sound, partially offsetting the effect of lower US and UK production volumes. However, US steel production did improve in the second quarter of 2002 and, as a result, turnover for the Ceramics division was 10% higher in the second quarter of 2002 than in the first quarter of 2002.

Turnover in the first half of 2002 in the Foundry and Industrial Products sector, which is indirectly linked to the level of US and European steel production, also decreased compared with the first half of 2001, but to a lesser extent than in the Iron and Steel sector. In the Glass sector, increased sales resulting from previously deferred furnace-lining projects were more than offset by decreased activity in the fused silica operations, leading to lower turnover in the sector in the first half of 2002 than in the same period last year.

Operating profit. The operating profit of the Ceramics division in the first half of 2002 was £18.6 million, representing a 30% decline from the £26.6 million achieved in the first half of 2001 and a decline of 28% on an organic basis. The decline in operating profit was primarily due to the lower level of turnover, although the impact was lessened by a reduction in the division's cost base. As a result of both cost-cutting initiatives and the now completed programme to integrate Premier, the division's headcount has been reduced by 900 employees, or

10% of the division's total since the beginning of 2001. The full benefits of these measures resulted in operating profit in the first half of 2002 being 34% higher than the second half of 2001, despite turnover being 1% lower.

Precious Metals division

Turnover. The Precious Metals division's turnover was down 8% on both a reported and organic basis to £200.5 million in the first half of 2002 from £218.7 million in the first half of 2001. The division's relative contribution to total turnover from continuing operations increased from 20% in the first half of 2001 to 22% in the first half of 2002.

A decrease in consumer demand in the United States and Europe, the principal markets for the division's Jewellery sector, which took effect increasingly during the second half of 2001, continued in the first quarter of 2002. There was, however, an improvement in trading conditions in the second quarter. Traditionally, turnover for the Jewellery sector is higher in the second half of the year due to the build-up in jewellery sales and inventory prior to the December holiday season and therefore comparisons between the first and second halves of the year are not necessarily meaningful.

The division's Precision Products sector experienced reduced demand from US-based automotive, electronics and telecommunications customers beginning in the second quarter of 2001 which continued through the second half of 2001 and into the first quarter of 2002. In the second quarter of 2002, turnover increased by 4% over the first quarter of 2002 as demand from these customers began to increase.

Operating profit. Operating profit of the Precious Metals division in the first half of 2002 was £10.7 million, representing a 35% decline on a reported basis and a 33% decline on an organic basis from the £16.6 million achieved in the first half of 2001. The reduction in operating profit was primarily due to turnover in the first half of 2002 being 8% down on the first half of 2001, although this decline was mitigated by a reduction in headcount of some 350, or 10% of the division's workforce, as part of the division's cost-cutting programmes since the beginning of 2001. After a slow start to the year, the division's operating profit in the second quarter of 2002 improved over that of the first quarter.

Operating exceptional items

In the first half of 2002, operating exceptional items of £8.0 million were charged as a result of cost-saving initiatives, as compared to £7.4 million charged in the first half of 2001. The costs associated with these initiatives in 2002 were £5.3 million in the Electronics division, £2.2 million in the Ceramics division and £0.5 million in the Precious Metals division.

Goodwill amortisation

In the first half of 2002, the Group's goodwill amortisation charge was £19.2 million compared with £19.4 million in the first half of 2001. Of the goodwill amortisation charge in 2002, £10.0 million related to the Electronics division, £7.8 million to the Ceramics division and £1.4 million to the Precious Metals division.

Discontinued operations – turnover and operating profit

In the first half of 2002, there was neither turnover nor operating profit or loss attributable to discontinued operations. In the first half of 2001, turnover and operating profit from discontinued operations amounted to £57.9 million and £2.5 million, respectively, reflecting the impact of the sale of the Magnesia Chemicals business in January 2001 and the disposal of the Group's Plastic Mouldings businesses in the second half of that year.

Net loss on sale or closure of operations

In the first half of 2002, the net loss on sale or closure of operations was £5.7 million, with no attributable goodwill write-off. The net loss related to the sale or closure of certain non-core businesses. The net loss on sale or closure of operations in the first half of 2001 was £4.5 million, including goodwill written-off of £15.4 million, mainly attributable to the sale of the Magnesia Chemicals business.

Net profit on sale of fixed assets

In the first half of 2002, the Group's net profit on the sale of fixed assets was £0.3 million, which included a gain of £2.3 million arising on the sale of the land and buildings of four of the Group's sites, offset by an increase of £2.0 million in the provision against the carrying costs of the Company's ESOP shares. The Group's net profit in the first half of 2001 of £12.7 million arose on the sale of two of the Group's properties. At the time of the sale of the sites in both 2001 and 2002, the Group entered into operating leaseback arrangements for two of the sites sold in each period.

Net interest expense

Net interest expense increased in the first half of 2002 to £29.5 million from £25.7 million in the first half of 2001, primarily as a result of higher average interest rates and a £1.8 million increase in the amortisation of financing fees.

Profit/(loss) before taxation

The Group loss before taxation amounted to £44.5 million for the first half of 2002, compared with a profit of £12.3 million in the first half of 2001. Group loss before tax, exceptional items and goodwill amortisation was £11.9 million in the first half of 2002, which compares with a profit of £30.9 million and a loss of £24.2 million in the first and second halves of 2001, respectively.

Taxation on profit/(loss) on ordinary activities

As of 1 January 2002, the Company adopted Financial Reporting Standard 19, "Deferred Taxation". As explained in note 1 to the accompanying interim financial statements, this change of accounting policy requires prior period comparative figures to be restated. The impact of this prior period adjustment is set out in the accompanying interim financial statements.

The Group had a net tax credit of £4.8 million in the first half of 2002. Excluding a £1.2 million tax credit on net exceptional items, the tax credit on the Group loss before taxation and goodwill amortisation amounted to £3.6 million. The Group's effective tax rate for the first half of 2002 was 30%, based on an estimate for the full year and was unchanged from the first half of 2001, as restated.

Minority interests in Group profit

The interest of third party shareholders in the post-taxation results of the Group represented a charge of £0.7 million in the first half of 2002, compared with £0.8 million in the first half of 2001.

Dividends

No interim dividend has been declared for the first half 2002. This is consistent with the dividend policy outlined in December 2001 in which the Board stated that no cash dividends would be paid in 2002 or until certain financial targets had been achieved. For the first half of 2001, an interim dividend of 4.5 pence per share was declared.

Group net (loss)/profit for the period

As a result of the above, the Group's net loss for the first half of 2002 was £40.4 million compared with a net loss of £30.3 million in the first half of 2001, as restated.

Earnings per share

Headline earnings per share, that is before goodwill amortisation and all exceptional items, amounted to a loss of 1.2 pence per share for the first half of 2002, compared with 2.9 pence achieved in the first half of 2001. The average number of shares in issue during the first half of 2002 was 723 million, unchanged from the first half of 2001.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow statement

Cash flows from operating activities

In the first half of 2002, the Group's net cash inflow from operating activities declined by £26.1 million to £52.9 million from £79.0 million in the first half of 2001. The decrease experienced in the first half of 2002 was primarily attributable to a £37.6 million decline in the Group's operating profit before exceptional items, interest, taxation, depreciation and goodwill amortisation ("EBITDA") from £85.8 million in the first half of 2001 to £48.2 million in the first half of 2002. The overall decline in cash flows from operating activities in the first half of 2002 was, however, mitigated by a reduction in working capital which, at £13.2 million in the first half of 2002, was £7.9 million higher than that in the first half of 2001. This improved working capital position resulted primarily from cost-saving and cash conservation initiatives implemented throughout the Group, which resulted in reduced levels of inventories and enhanced collections of receivables. Cash outflows for rationalisation costs were £10.4 million in the first half of 2002, compared with £12.1 million in the first half of 2001.

Dividends from joint ventures

The Group received £2.1 million in dividends from joint ventures in the first half of 2002 compared with £5.0 million in the first half of 2001. The higher amount received in the first half of 2001 resulted from increased dividends paid by the Group's principal Japanese joint venture.

Returns on investment and servicing of finance

The cash outflow for interest paid in the first half of 2002 was £29.8 million which compares with £28.4 million in the same period in 2001. Cash inflow from the close-out of interest rate swaps in the first half of each year amounted to £10.3 million in 2002 and £26.0 million in 2001.

Taxation

The £12.3 million decrease in tax payments, from £12.0 million outflow in the first half of 2001 to £0.3 million inflow in the first half of 2002 was largely the result of the lower profits experienced in 2001.

Capital expenditure

Payments to acquire fixed assets during the first half of 2002 decreased by 56% to £12.6 million from £28.5 million in the first half of 2001, principally attributable to reduced requirements due to lower activity levels. Capital expenditure payments also reduced to 0.4 times depreciation in comparison with 0.8 times in the first half of 2001. Receipts from the disposal of fixed assets, including those in respect of the sale and leasebacks of properties, were £8.0 million in the first half of 2002, down from £20.9 million in the first half of 2001.

Dividends paid

No dividends were paid in the first six months of 2002, whereas the final dividend of 5.5 pence per share for 2000, amounting to £39.8 million, was paid in June 2001.

Free cash flow

As a result of the above, free cash flow before and after dividends was £31.5 million in the first half of 2002 which compares with £62.5 million before dividends and £22.7 million after dividends in the first half of 2001. In the second half of 2001, free cash inflow before dividends was £10.8 million and a net cash outflow of £21.7 million after dividends.

Acquisitions and disposals

In the first half of 2002, net cash outflow from acquisitions and disposals was £15.7 million compared with a net cash inflow of £12.5 million in the first half of 2001. For the first half of 2002, cash inflows from the disposal of a number of small non-core businesses were £1.4 million, more than offset by certain small acquisitions and a prior period acquisition earnout payment totalling £10.8 million and £6.3 million of costs relating to prior period business disposals.

In the first half of 2001, cash inflows of £24.8 million primarily relating to the sale of the Group's Magnesia Chemicals businesses were offset partially by acquisition costs of £9.6 million and £2.7 million of costs relating to prior period business disposals.

Net cash inflow/(outflow) before and after financing

The aggregate effect of the above resulted in net cash inflow before financing for the first half of 2002 of £15.8 million compared with £35.2 million in the first half of 2001 and £1.0 million in the second half of 2001. The increase in cash balances in the first half of 2002 amounted to £5.0 million compared with an increase of £41.4 million in the first half of 2001. After taking account of cash inflows from the issue of equity of £1.7 million in the first half of 2001 and nil in the first half of 2002, together with refinancing costs paid of £8.1 million in the first half of 2002 (2001: nil), the resulting net decrease in debt was £2.7 million in the first half of 2002 compared with a net increase of £4.5 million in the first half of 2001.

Group borrowings

The following table presents the Group's net debt position at the end of June 2002, December 2001 and June 2001, respectively:

Net debt position	At 30 June 2002	At 31 December 2001	At 30 June 2001
	£m	£m	£m
Amounts falling due after more than one year:			
US Private Placement loan notes	**380.0**	391.6	403.1
Convertible Bonds	**80.0**	80.0	80.0
Committed bank facilities	**297.0**	292.6	326.0
Amounts falling due within one year:			
Other loans and overdrafts	**20.7**	9.0	47.6
Cash	**(28.6)**	(23.6)	(81.5)
Net debt	**749.1**	749.6	775.2

Group financing and consignment arrangements

The Group's current long term borrowing requirements have been satisfied by $570 million (£380 million) of long term loan notes due for repayment between 2005 and 2012 and £80 million of convertible bonds that are due for repayment in November 2004. The Group's near term borrowing requirements have been met by a committed syndicated bank facility of £450 million, which reduces to £400 million on 1 April 2003 and to £300 million on 1 September 2003, with a final maturity date of 30 September 2004. As at 30 June 2002, £297 million had been drawn down against the syndicated bank facility, leaving £153 million available for future drawings. Of the drawn amount, all was secured against certain assets of some of the Group's subsidiaries. The balance of the Group's borrowing requirements are satisfied by uncommitted facilities, including overdraft and money market facilities, which are used primarily to support the Group's cash management structures. As at 30 June 2002, the average interest payable on all the Group's borrowings, excluding the amortisation of fees, was approximately 6.5%.

Cookson has various precious metals consignment arrangements with precious metals consignors. As the consignors retain title and the associated risks and benefits of ownership under these arrangements, the physical metal so held is not recorded on the Group's balance sheet. Similarly, the obligations in respect of the consigned metal are not recorded as a liability on the Group's balance sheet. At 30 June 2002, the Group held precious metals on consignment terms with a total value of £273 million (30 June 2001: £298 million).

Having regard to bank and other facilities available to the Group, the Board is of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this Interim Report.

CURRENCY

The principal exchange rates used for the period were as follows:

	Six months ended 30 June			
	2002	2001	2002	2001
	Average rate		Period-end rate	
US dollar ($ per £)	**1.44**	1.44	**1.50**	1.41
Euro (€ per £)	**1.61**	1.60	**1.55**	1.66
Singapore dollar ($ per £)	**2.62**	2.57	**2.66**	2.58
Japanese yen (¥ per £)	**187.15**	171.84	**182.79**	175.93

For the first half of 2002, movements in average currency translation rates resulted in a £10 million adverse impact on turnover and a £1 million adverse impact on operating profit.

BOARD CHANGES

On 1 January 2002, Barry Perry, Chairman and CEO of Engelhard Corporation, was appointed as a non-executive Director of the Company.

CURRENT OUTLOOK

The Board believes Cookson is well positioned in its major markets. During the first half of 2002 the Group witnessed an improving trend in activity with turnover for the second quarter of 2002 8% higher than the first quarter of 2002. Furthermore, the rigorous action taken early in 2001 and which has continued into 2002, both to align the Group's cost base with the reduced levels of demand being experienced and to conserve cash, have mitigated the impact on profitability of the downturn in the Group's major markets.

Since the end of the first half of 2002, trading has been in line with the Company's expectations. Although the timing of a sustained recovery in the electronics industry remains unclear and activity in the third quarter is traditionally quieter than in the second quarter, Cookson expects to be able to leverage the benefits of its operational gearing to ta\ke advantage of an upturn when it occurs.

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Independent Review Report by KPMG Audit Plc to Cookson Group plc

Introduction

We have been instructed by the Company to review the financial information set out on pages 9 to 15 and we have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Listing Rules of the UK Listing Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: *Review of interim financial information* issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2002.

KPMG Audit Plc, Chartered Accountants
19 July 2002, London

Consolidated Group Profit and Loss Account

for the six months ended 30 June 2002

	note	Before exceptional items and goodwill amortisation £m	Exceptional items and goodwill amortisation £m	Half year 2002 £m	Before exceptional items and goodwill amortisation £m	Exceptional items and goodwill amortisation £m	Half year 2001 as restated (note 1) £m	Full year 2001 as restated (note 1) £m
Turnover	2							
Continuing operations		903.0	–	903.0	1,096.8	–	1,096.8	2,012.3
Discontinued operations		–	–	–	57.9	–	57.9	87.1
Total turnover		903.0	–	903.0	1,154.7	–	1,154.7	2,099.4
Share of joint ventures		(32.4)	–	(32.4)	(48.1)	–	(48.1)	(83.0)
Turnover of Group subsidiaries		870.6	–	870.6	1,106.6	–	1,106.6	2,016.4
Operating profit/(loss)	2							
Continuing operations, before goodwill amortisation		16.7	–	16.7	50.3	–	50.3	53.1
Operating exceptional items	2, 3	–	(8.0)	(8.0)	–	(7.4)	(7.4)	(31.2)
Goodwill amortisation	2	–	(19.2)	(19.2)	–	(19.4)	(19.4)	(38.6)
Continuing operations		16.7	(27.2)	(10.5)	50.3	(26.8)	23.5	(16.7)
Discontinued operations	2	–	–	–	2.5	–	2.5	2.6
Group operating profit/(loss)		16.7	(27.2)	(10.5)	52.8	(26.8)	26.0	(14.1)
Share of joint ventures		0.9	–	0.9	3.8	–	3.8	3.4
Total operating profit/(loss)		17.6	(27.2)	(9.6)	56.6	(26.8)	29.8	(10.7)
Net loss on sale or closure of operations	4							
(Loss)/profit before goodwill written-back/off		–	(5.7)	(5.7)	–	10.9	10.9	3.8
Goodwill written-back		–	–	–	–	(15.4)	(15.4)	(63.2)
		–	(5.7)	(5.7)	–	(4.5)	(4.5)	(59.4)
Net profit on sale of fixed assets	5	–	0.3	0.3	–	12.7	12.7	13.3
Profit/(loss) on ordinary activities before interest		17.6	(32.6)	(15.0)	56.6	(18.6)	38.0	(56.8)
Net Interest	6	(29.5)	–	(29.5)	(25.7)	–	(25.7)	(52.4)
(Loss)/profit on ordinary activities before taxation		(11.9)	(32.6)	(44.5)	30.9	(18.6)	12.3	(109.2)
Taxation on profit/(loss) on ordinary activities		3.6	1.2	4.8	(9.6)	0.3	(9.3)	4.6
(Loss)/profit on ordinary activities after taxation		(8.3)	(31.4)	(39.7)	21.3	(18.3)	3.0	(104.6)
Minority interests		(0.7)	–	(0.7)	(0.8)	–	(0.8)	(1.5)
(Loss)/profit for the financial period		(9.0)	(31.4)	(40.4)	20.5	(18.3)	2.2	(106.1)
Dividends		–	–	–	(32.5)	–	(32.5)	(32.3)
Net loss transferred to reserves		(9.0)	(31.4)	(40.4)	(12.0)	(18.3)	(30.3)	(138.4)
Earnings per share:	7							
Basic, before all exceptional items and goodwill amortisation				(1.2)p			2.9p	0.6p
Basic				(5.6)p			0.3p	(14.7)p
Diluted				(5.6)p			0.3p	(14.7)p

Consolidated Statement of Group Cash Flows

for the six months ended 30 June 2002

	note	Half year 2002 £m	Half year 2001 £m	Full year 2001 £m
Reconciliation of operating (loss)/profit to net cash inflow from operating activities				
Group operating profit before exceptional items, but after goodwill amortistion		(2.5)	33.4	17.1
Depreciation		31.5	33.0	62.7
Goodwill amortisation		19.2	19.4	38.6
Decrease in stocks		16.4	28.6	94.9
(Increase)/decrease in debtors		(8.8)	69.8	124.7
Increase/(decrease) in creditors		5.6	(93.1)	(150.1)
Net decrease in working capital		13.2	5.3	69.5
Other movements		1.9	–	(1.3)
Cash payments in respect of exceptional rationalisation costs	3	(10.4)	(12.1)	(32.2)
Net cash inflow from operating activities		52.9	79.0	154.4
Cash flow statement				
Net cash inflow from operating activities		52.9	79.0	154.4
Dividends from joint ventures		2.1	5.0	6.2
Returns on investment and servicing of finance				
Interest paid		(29.8)	(28.4)	(62.8)
Interest received		0.3	0.5	3.3
Proceeds from close-out of interest rate swaps	6	10.3	26.0	28.2
		(19.2)	(1.9)	(31.3)
Taxation		0.3	(12.0)	(21.6)
Capital expenditure				
Payments to acquire fixed assets		(12.6)	(28.5)	(68.4)
Receipts from disposal of fixed assets	5	8.0	20.9	34.0
		(4.6)	(7.6)	(34.4)
Dividends paid		–	(39.8)	(72.3)
Free cash flow		31.5	22.7	1.0
Acquisitions and disposals				
Net proceeds from disposal of subsidiaries and joint ventures		1.4	24.8	60.1
Consideration for acquisition of subsidiaries and joint ventures		(10.8)	(9.6)	(19.5)
Other, including additional costs for prior year disposals		(6.3)	(2.7)	(5.4)
		(15.7)	12.5	35.2
Net cash inflow before financing		15.8	35.2	36.2
Financing				
Issue of shares		–	1.7	1.7
Refinancing costs paid		(8.1)	–	–
(Decrease)/increase in debt		(2.7)	4.5	(27.7)
Increase in cash during the period		5.0	41.4	10.2

Consolidated Group Balance Sheet

as at 30 June 2002

	note	At 30 June 2002 £m	At 31 Dec 2001 as restated (note 1) £m	At 30 June 2001 as restated (note 1) £m
Fixed assets				
Goodwill	8	645.4	664.9	694.0
Tangible assets		453.8	487.2	535.2
Investment in joint ventures:				
Share of gross assets		50.9	49.9	55.8
Share of gross liabilities		(18.0)	(16.4)	(18.3)
		32.9	33.5	37.5
Other investments		42.7	46.3	53.2
Total investments	9	75.6	79.8	90.7
Total fixed assets		1,174.8	1,231.9	1,319.9
Current assets				
Stocks		214.6	230.7	312.8
Debtors: amounts falling due within one year	10	388.9	379.8	442.1
: amounts falling due after more than one year	10	117.6	116.7	79.4
Cash		28.6	23.6	81.5
Total current assets		749.7	750.8	915.8
Creditors: amounts falling due within one year				
Borrowings		(29.3)	(17.0)	(47.6)
Other creditors		(413.3)	(416.6)	(460.9)
Total current liabilities		(442.6)	(433.6)	(508.5)
Net current assets		307.1	317.2	407.3
Total assets less current liabilities		1,481.9	1,549.1	1,727.2
Creditors: amounts falling due after more than one year				
Convertible bond		(80.0)	(80.0)	(80.0)
Borrowings		(668.4)	(676.2)	(729.1)
Other creditors		(92.8)	(91.6)	(132.0)
Provisions for liabilities and charges		(65.8)	(77.4)	(88.4)
		574.9	623.9	697.7
Equity capital and reserves				
Called up share capital		363.8	363.8	363.8
Share premium account		377.0	377.0	377.0
Profit and loss account	11	(382.2)	(332.8)	(257.6)
Other reserves		205.9	205.9	205.9
Total shareholders' funds		564.5	613.9	689.1
Minority interests		10.4	10.0	8.6
		574.9	623.9	697.7

Consolidated Statement of Total Group Recognised Gains and Losses

for the six months ended 30 June 2002

	Half year 2002 £m	Half year 2001 as restated (note 1) £m	Full year 2001 as restated (note 1) £m
(Loss)/profit for the period	(40.4)	2.2	(107.6)
Exchange adjustments, including £nil charge (2001: half year £nil; full year £3.9m) relating to UK taxation	(9.0)	16.8	1.9
Total net recognised gains relating to the period	(49.4)	19.0	(105.7)
Effect of prior period adjustment:			
Total net recognised losses relating to the period (as above)	(49.4)		
Prior period adjustment (note 1)	63.3		
Total net gains recognised since the last annual accounts	13.9		

Consolidated Reconciliation of Movements in Group Shareholders' Funds

for the six months ended 30 June 2002

	Half year 2002 £m	Half year 2001 as restated (note 1) £m	Full year 2001 as restated (note 1) £m
Shareholders' funds as at 1 January:			
As previously stated	550.6	639.1	639.1
Prior period adjustment (note 1)	63.3	61.8	61.8
As restated	613.9	700.9	700.9
Total net recognised gains for the period (see above)	(49.4)	19.0	(105.7)
Dividends	–	(32.5)	(32.3)
New share capital issued	–	1.7	1.7
Goodwill in respect of discontinued operations	–	–	47.8
Net reduction to shareholders' funds	(49.4)	(11.8)	(88.5)
Shareholders' funds at end of period	564.5	689.1	612.4

Consolidated Reconciliation of Net Cash Flow to Movement in Net Debt

for the six months ended 30 June 2002

	Half year 2002 £m	Half year 2001 £m	Full year 2001 £m
Increase in cash during the period	5.0	41.4	10.2
Cash flow from movement in debt	2.7	(4.5)	27.7
Change in net debt resulting from cash flows	7.7	36.9	37.9
Accrued refinancing costs and issue costs amortised	(2.1)	(0.6)	7.2
Exchange adjustments	(5.1)	(17.5)	(0.7)
Movement in net debt during the period	0.5	18.8	44.4
Net debt at 1 January	(749.6)	(794.0)	(794.0)
Net debt at end of period	(749.1)	(775.2)	(749.6)

Notes to the accounts

1 Prior period adjustment

The prior period adjustment represents the effect of a change in the accounting policy for deferred taxation following the Company's adoption, for 2002 reporting, of Financial Reporting Statement ("FRS") 19, "Deferred Taxation".

Up to and including 31 December 2001, in accordance with Statement of Standard Accounting Practice 15, provision was made, on the liability basis, for taxation deferred due to the excess of capital allowances over depreciation and other timing differences, only to the extent that such tax may become payable in the foreseeable future. Deferred tax assets were recognised to the extent they were expected to reverse without replacement in the foreseeable future. As a consequence of the adoption of FRS 19, provision for deferred tax liabilities is now made on all timing differences which exist at the balance sheet date and deferred tax assets are recognised to the extent that they are considered to be recoverable.

The adoption of FRS 19 gives rise to a cumulative prior year adjustment to opening reserves of £63.3m credit in the 2002 accounts, of which £1.5m relates to the full year 2001 (2001 half year: £nil) and the balance of £61.8m relates to 2000 and prior periods. The comparative figures for 2001 have been restated in accordance with the new policy, resulting in no change to the aggregate tax charge for the first half of 2001 and a £1.5m increase in the tax credit for the full year 2001. As a result of the half year taxation charge being based on an estimate of the full year's effective tax rate, it is not practicable to give the actual effect on the current period had the new policy not been adopted in 2002.

2 Segmental analyses

In each of the following analyses, the costs of the Group's corporate activities have been allocated primarily according to the relative sales contribution of each continuing operating segment to the total. Inter-segment sales are not material in relation to total Group turnover, whether analysed by division or by geographic location of operations. The Group's share of results of joint ventures are not material in relation to the total amount for the Group and are included in the segments analysed below. Of the results of continuing operations, the contribution from acquisitions to turnover and operating profit in 2002 and 2001 was not material.

The results reported in 2001 as discontinued operations relate primarily to those of the Group's Plastic Mouldings and Magnesia Chemicals businesses, the latter having been disposed in the first half of 2001.

	Half year 2002		Half year 2001		Full year 2001	
By Division	Turnover £m	Operating (loss)/profit £m	Turnover £m	Operating profit £m	Turnover £m	Operating (loss)/profit £m
Electronics	357.6	(11.7)	496.6	10.9	855.6	(14.3)
Ceramics	344.9	18.6	381.5	26.6	731.1	40.5
Precious Metals	200.5	10.7	218.7	16.6	425.6	30.3
	903.0	17.6	1,096.8	54.1	2,012.3	56.5
Goodwill amortisation	–	(19.2)	–	(19.4)	–	(38.6)
Exceptional items	–	(8.0)	–	(7.4)	–	(31.2)
Continuing operations	903.0	(9.6)	1,096.8	27.3	2,012.3	(13.3)
Discontinued operations	–	–	57.9	2.5	87.1	2.6
Total Group	903.0	(9.6)	1,154.7	29.8	2,099.4	(10.7)

Of the total exceptional items of £8.0m (2001: half year £7.4m; full year £31.2m), £5.3m related to Electronics (2001: half year £6.4m; full year £25.1m), £2.2m to Ceramics (2001: half year £1.0m; full year £6.1m) and £0.5m to Precious Metals (2001: half year £nil; full year £nil).

Of the goodwill amortisation charge of £19.2m (2001: half year £19.4m; full year £38.6m), £10.0m related to Electronics (2001: half year £10.1m; full year £20.3m), £7.8m to Ceramics (2001: half year £7.8m full year £15.4m) and £1.4m to Precious Metals (2001: half year £1.5m; full year £2.9m).

	Half year 2002			Half year 2001			Full year 2001		
	By location of Group operations		By customer location	By location of Group operations		By customer location	By location of Group operations		By customer location
Geographical	Turnover £m	Operating (loss)/profit £m	Turnover £m	Turnover £m	Operating profit £m	Turnover £m	Turnover £m	Operating (loss)/profit £m	Turnover £m
United Kingdom	88.7	(0.7)	73.6	126.3	0.5	89.7	214.0	(3.9)	163.0
Continental Europe	230.4	8.3	232.1	286.4	16.3	301.1	533.1	21.5	552.0
USA	375.8	(15.1)	348.3	474.2	10.4	436.5	865.3	(9.0)	767.5
Asia-Pacific	138.8	17.7	161.0	146.4	19.1	175.0	276.6	36.8	338.4
Rest of the World	69.3	7.4	88.0	63.5	7.8	94.5	123.3	11.1	191.4
	903.0	17.6	903.0	1,096.8	54.1	1,096.8	2,012.3	56.5	2,012.3
Goodwill amortisation	–	(19.2)	–	–	(19.4)	–	–	(38.6)	–
Exceptional items	–	(8.0)	–	–	(7.4)	–	–	(31.2)	–
Continuing operations	903.0	(9.6)	903.0	1,096.8	27.3	1,096.8	2,012.3	(13.3)	2,012.3
Discontinued operations	–	–	–	57.9	2.5	57.9	87.1	2.6	87.1
Total Group	903.0	(9.6)	903.0	1,154.7	29.8	1,154.7	2,099.4	(10.7)	2,099.4

2 Segmental analyses *continued*

Of the exceptional items of £8.0m (2001: half year £7.4m; full year £31.2m), £7.5m (2001: half year £6.9m; full year £22.8m) was in the USA, £0.5m (2001: half year £nil; full year £1.3m) in Continental Europe, £nil (2001: half year £nil; full year £1.4m) in the Rest of the World and £nil (2001: half year £0.5m; full year £5.7m) in the UK.

Of the goodwill amortisation charge of £19.2m (2001: half year £19.4m; full year £38.6m), £11.5m (2001: half year £10.0m; full year £23.2m) was in the USA, £2.1m (2001: half year £3.4m; full year £4.3m) in Continental Europe, £3.1m (2001: half year £4.0m; full year £6.3m) in Asia-Pacific, £0.7m (2001: half year £0.5m; full year £1.2m) in the Rest of the World and £1.8m (2001: half year £1.5m; full year £3.6m) in the UK.

The majority of discontinued operations were located in the USA.

3 Operating exceptional Items

The charge of £31.2m for the full year 2001 related to the implementation of a programme of initiatives aimed at ensuring that the cost base of each of the Group's major businesses was aligned with the prevailing and near term market conditions which it faced. The initiatives implemented included redundancy programmes, the consolidation of facilities, plant closures, the streamlining of manufacturing processes and the rationalisation of product lines. Of the 2001 exceptional charge, £11.0m represents asset write-downs, the majority of which, together with the plant closures, were in the USA. The charge of £7.4m for the half year 2001 represented the costs of those parts of the programme which had become fully committed at that date. The charge of £8.0m in 2002 represents the costs of those parts of the Group-wide 2001 programme of initiatives which became committed during the current period, together with the cost of additional initiatives implemented within the Electronics division further to reduce its cost base.

The above-mentioned initiatives, together with acquisition integration programmes for Enthone and Premier, have resulted in headcount reductions since 1 January 2001 of some 4,000 by the end of June 2002. Total cash spend in the first half of 2002 in respect of operating exceptional items was £10.4m, leaving aggregate provisions made but unspent in respect of the above operating exceptional items of £14.7m as at 30 June 2002.

4 Net loss on sale or closure of operations

The net loss on sale or closure of operations in the first half of 2002 was £5.7m, with no attributable goodwill write-off. The net loss related to the sale or closure of certain non-core businesses. The net loss on sale or closure of operations in the first half of 2001 was £4.5m, after goodwill written-off of £15.4m, attributable to the sale of the Magnesia Chemicals business.

5 Net profit on sale of fixed assets

The net profit on sale of fixed assets of £0.3m in 2002 includes a gain of £2.3m arising on the sale of the land and buildings of three of the Group's sites for which the total consideration received was £8.0m. At the time of the disposal, the Group entered into operating leaseback arrangements for two of these sites. Also included in the net profit on sale of fixed assets for 2002 is a provision of £2.0m against the carrying cost of the Company's ESOP shares. The net profit arising in the first half of 2001 of £12.7m arose on the sale of two of the Group's properties for cash proceeds of £20.9m, each of these sites being the subject of operating leaseback arrangements.

6 Interest

Included in the 2002 net interest charge of £29.5m (2001: £25.7m) was £2.1m (2001: £0.3m) of charge in respect of the amortisation of debt fees.

As part of an ongoing hedging programme to optimise the mix of fixed and floating rate debt and to maintain stable and predictable effective interest rates, $225m (2001: $400m) of interest rate swaps were closed out during the period. This generated £10.3m (2001: £26.0m) in cash proceeds and accordingly net interest payments were only £19.2m in the first half (2001: £1.9m).

7 Earnings per share (EPS)

Basic EPS are calculated using a weighted average of 723m (2001: half year 723m; full year 723m) ordinary shares in issue during the period. Diluted EPS are calculated assuming conversion of outstanding dilutive share options. These adjustments give rise to an increase in average ordinary shares of 3m (2001: half year 2m; full year 1m). On the face of the Group profit and loss account, EPS are shown both before and after goodwill amortisation and all exceptional items. The number of shares in issue as at 30 June 2002 was 728m (2001: 728m).

The Directors believe that the calculation of EPS excluding goodwill amortisation and all exceptional items, together with the associated tax charge or credit, gives the most appropriate measure of the underlying earning capacity of the Group. This calculation is based on a loss of £40.4m (2001: half year £2.2m profit; full year £106.1m loss), to which goodwill amortisation and exceptional items totalling £31.4m, net of tax (2001: half year £18.3m; full year £110.5m) are added back. Prior period figures have been restated, as appropriate, to take into account the impact of the change of accounting policy referred to in note 1 above.

8 Goodwill

Goodwill arising in 2002 amounted to £6.8m (2001: half year £4.1m; full year £1.8m) and is being amortised over its estimated life of 20 years. Accumulated goodwill arising prior to 1998, which remains written-off directly against Group reserves, amounts to £433.6m.

9 Investments

Investments include £32.9m (31 December 2001: £33.5m; 30 June 2001: £37.5m) in respect of joint ventures and £42.7m (31 December 2001: £46.3m; 30 June 2001: £53.2m) in respect of other investments, £28.2m of which comprise the Group's investment in a revenue-sharing arrangement with Electric Lightwave, Inc.

Investments in joint ventures consist of the Group's share of gross assets of £50.9m (31 December 2001: £49.9m; 30 June 2001: £55.8m) less the Group's share of gross liabilities of £18.0m (31 December 2001: £16.4m; 30 June 2001: £18.3m).

10 Debtors

Included in debtors at 30 June 2002 were deferred tax assets of £107.4m. As required as a consequence of the Company's adoption of FRS 19 during the period, prior period comparatives have been restated, the deferred tax assets at 31 December 2001 and 30 June 2001 being £107.4m and £86.5m, respectively.

11 Profit and loss account

	At 30 June 2002 £m	At 30 June 2001 as restated (note1) £m	At 31 December 2001 as restated (note1) £m
Balance at beginning of period:			
As previously reported	(396.1)	(305.9)	(305.9)
Prior period adjustment (note 1)	63.3	61.8	61.8
As restated	(332.8)	(244.1)	(244.1)
Loss for the financial period	(40.4)	(30.3)	(138.4)
Exchange adjustments	(9.0)	16.8	1.9
Goodwill written-back on disposals	–	–	47.8
Balance at end of period	(382.2)	(257.6)	(332.8)

12 Financial Information

The interim financial statements have been prepared on the basis of the accounting policies adopted in the Group's audited statutory accounts for 2001, except as explained in note 1 above in relation to the change in accounting policy resulting from the Company's adoption of FRS 19 with effect from 1 January 2002. The interim accounts were approved by the Board of Directors on 19 July 2002. The financial information for the six month periods ended 30 June 2002 and 30 June 2001 is unaudited but has been reviewed by the Company's auditor. The comparative figures for the financial year ended 31 December 2001 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 and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. These sections address whether proper accounting records have been kept, whether the Company's accounts are in agreement with these records and whether the auditor has obtained all the information and explanations necessary for the purposes of their audit.

13 Forward Looking Statements

This report contains certain forward looking statements regarding 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 document that are not historical facts are hereby identified as "forward looking statements" for the purpose of the safe harbour provided by section 21E of the Exchange Act and section 27A of the Securities Act. Such forward looking statements, including, without limitation, those relating to the future business prospects, revenues, working capital, liquidity, capital needs, interest costs and income, in each case relating to Cookson, wherever they occur in this document, 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 and US regulators 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 the light of these risks, uncertainties and assumptions, the forward looking events discussed in this report might not occur.

Electronic Communication with Shareholders

Shareholders are now able to elect to receive shareholder communications, including the Annual Review, the Directors' Report and Accounts, notices of meetings and associated proxy forms, in electronic form rather than by post.

Shareholders can register through the online service provided by Lloyds TSB Registrars, at www.shareview.co.uk. The registration process requires input of a shareholder reference number, which can be found on share certificates. To ensure that shareholder communications are received in electronic form, "email" should be selected as the mailing preference.

Once registered, shareholders will be sent an email notifying them each time that a shareholder communication has been published on our website, and providing them with a link to the page on our website where it may be found.