

2010 Full Year Financial Results

16th February 2011

Agenda

- Introduction Tim Stevenson
- 2010 Full Year Financial Results Kevin Dangerfield
- Group Performance Mark Robertshaw
- Divisional Reviews Mark Robertshaw/
Andrew Hosty
- Summary and Outlook Mark Robertshaw

2010 Full Year Financial Results

Kevin Dangerfield

Good performance momentum in 2010 - underlying operating profit increased by 31.9%

	FY10	FY09	<u>% Change from FY09</u>
			As reported
Revenue	£1,017.1m	£942.6m	+7.9%
EBITA before restructuring and one-off items	£109.5m	£89.0m	+23.0%
EBITA margin % before restructuring and one-off items	10.8%	9.4%	
Underlying operating profit *	£101.6m	£77.0m	+31.9%
Underlying operating profit margin *	10.0%	8.2%	
PBT before amortisation	£75.7m	£47.7m	+58.7%
Underlying earnings per share	18.7p	13.2p	+41.7%
Total dividend	7.7p	7.0p	+10.0%
Final 5.0p (2009: 4.5p)			

* Underlying Operating Profit is after restructuring and one-off items

Profit before tax and amortisation up by c.59%

	FY10 £m	FY09 £m
Revenue	<u>1,017.1</u>	<u>942.6</u>
EBITA before restructuring and one-off items *	109.5	89.0
Restructuring and one-off items*	(7.9)	(12.0)
EBITA after restructuring and one-off items *	<u>101.6</u>	<u>77.0</u>
Amortisation of intangible assets	(8.0)	(16.3)
Operating profit	<u>93.6</u>	<u>60.7</u>
Net financing costs	(25.9)	(29.3)
Profit before tax	67.7	31.4
Profit before tax and amortisation	75.7	47.7
Tax	(19.7)	(8.7)
- <i>effective tax rate</i>	<u>29.1%</u>	<u>27.7%</u>
Profit for the period	48.0	22.7
Non-controlling interest	(5.5)	(3.7)
Profit attributable to shareholders for the period	<u>42.5</u>	<u>19.0</u>

* Restructuring and one-off items include the costs of restructuring activity and profit/(loss) on disposal of property arising from restructuring activity.

Strong cash generation

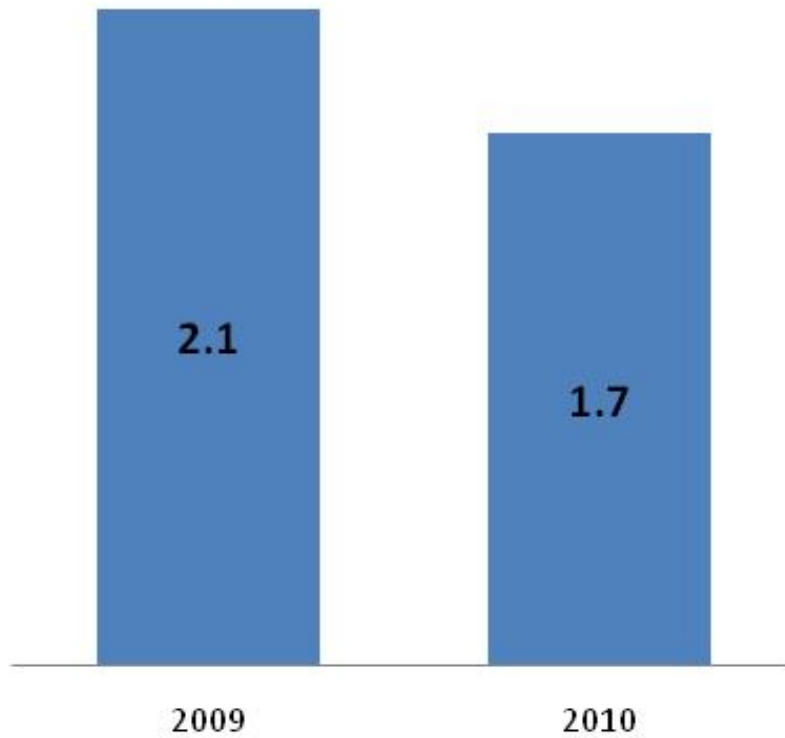
	FY10 £m	FY09 £m
Cash from trading *	141.9	120.5
Change in working capital	10.5	25.8
Change in provisions	(4.3)	(11.8)
CASH FLOW FROM OPERATIONS	148.1	134.5
Net capital expenditure	(17.0)	(13.7)
Restructuring costs and other one-off items	(7.8)	(12.1)
Net interest paid	(22.7)	(23.2)
Tax paid	(24.1)	(32.0)
FREE CASH FLOW BEFORE ACQUISITIONS AND DIVIDENDS	76.5	53.5
Cash flows in respect of acquisitions	(32.9)	(31.9)
Dividends paid	(15.4)	(12.1)
Exchange movement and other items	(11.7)	28.2
Movement in net debt in period	16.5	37.7
Opening net debt	(252.7)	(290.4)
Closing net debt	(236.2)	(252.7)

* Cash from trading is EBITA adjusted for depreciation and loss/profit on sale of plant and machinery

- Third party working capital to sales ratio below 20%
- Free cash flow before acquisitions and dividends up 43%
- Significant acquisition payments and adverse currency impact ...
- ...but net debt still reduced £16.5 million year-on-year

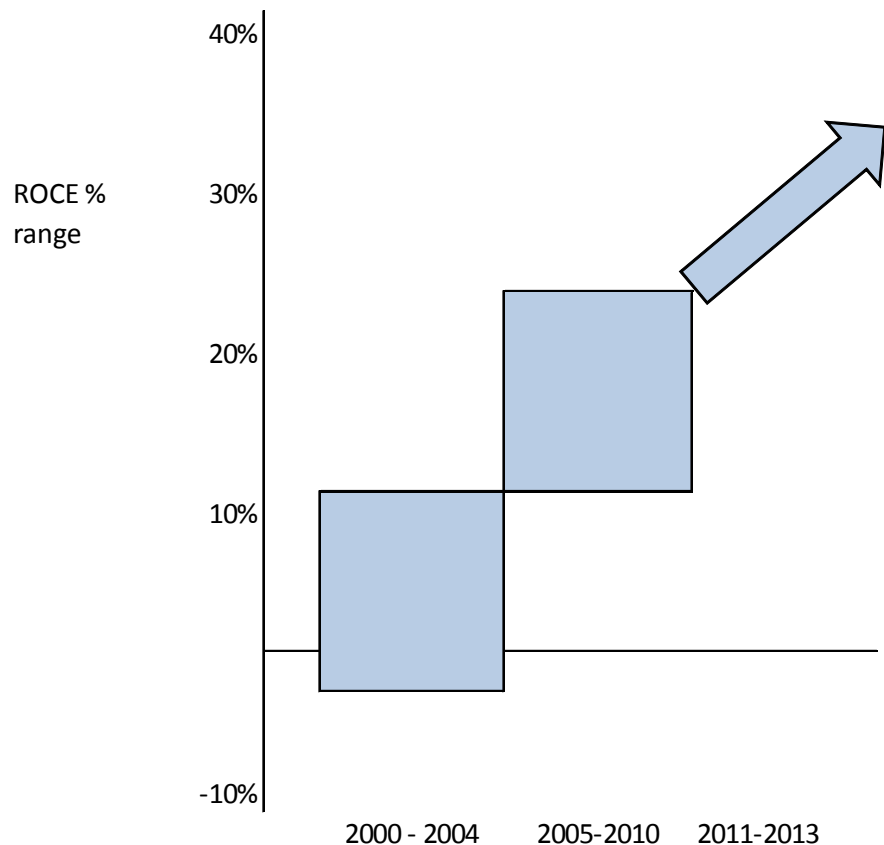
Improving and flexible balance sheet with good cash generation

Net Debt:EBITDA ratio



- Net debt reduced to £236.2 million (2009: £252.7 million)
- Bank facility reduced from £280 million to £180 million during 2010 and to £150 million in January 2011
- Strong position from which to refinance the bank syndicate in the first half of 2011

Improving Operating Return on Capital (Operating ROCE%)* in 2010



- Pre tax Operating ROCE % in 2010 at 25.4%
- Strong improvement in Operating ROCE% in recent years
- Focus on continued improvement going forward – key element of LTIP plans

*Return on Operating Capital Employed is defined as Underlying Operating Profit divided by the sum of Working Capital (which excludes pension liability and provisions) and the net book value of tangible assets. Goodwill and other intangible assets are excluded.

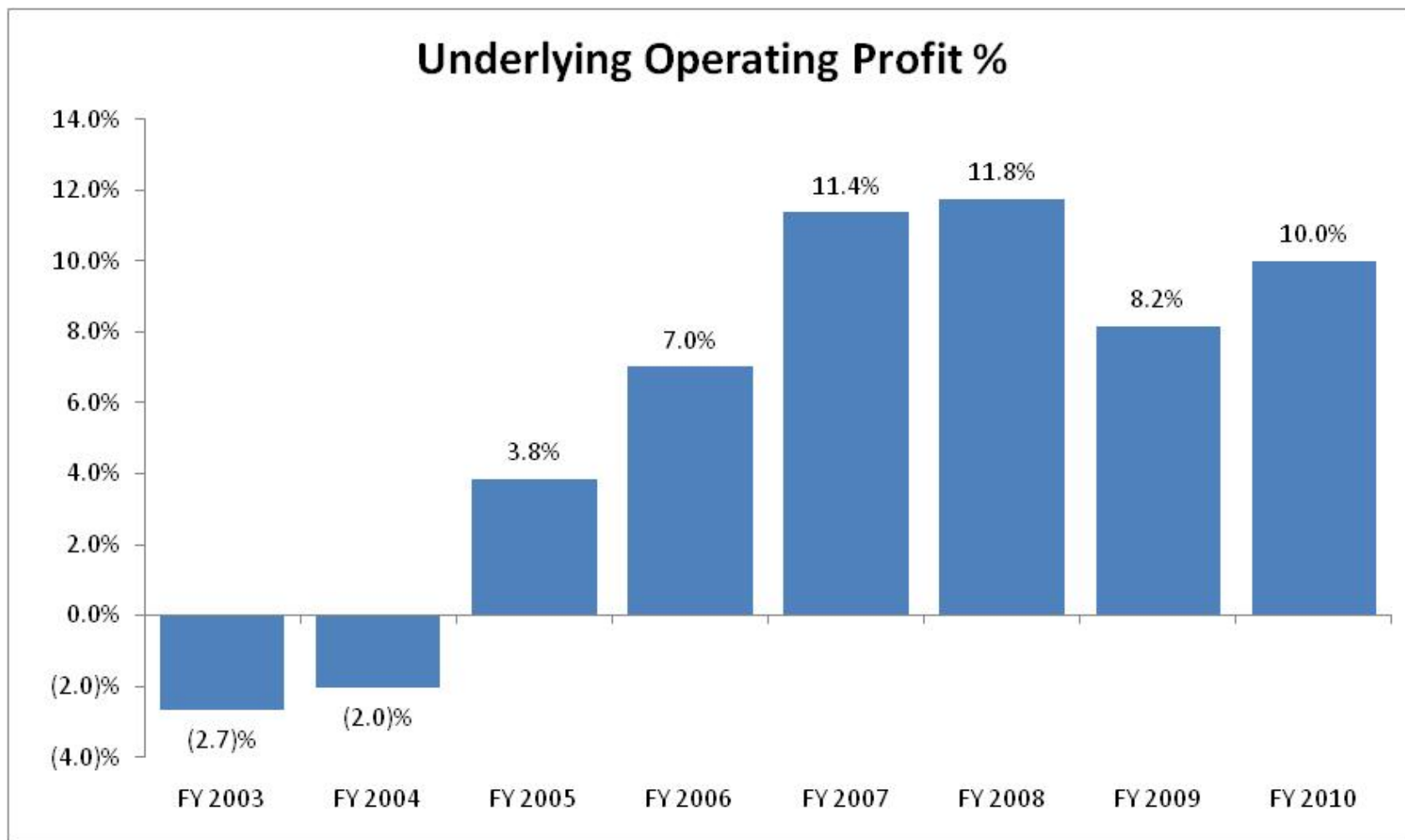
A good set of results in 2010

- Good revenue momentum in to 2011 with improving order book – book-to-bill > 1 x
- Margin performance continuing to improve
- Improving and flexible balance sheet with good cash generation

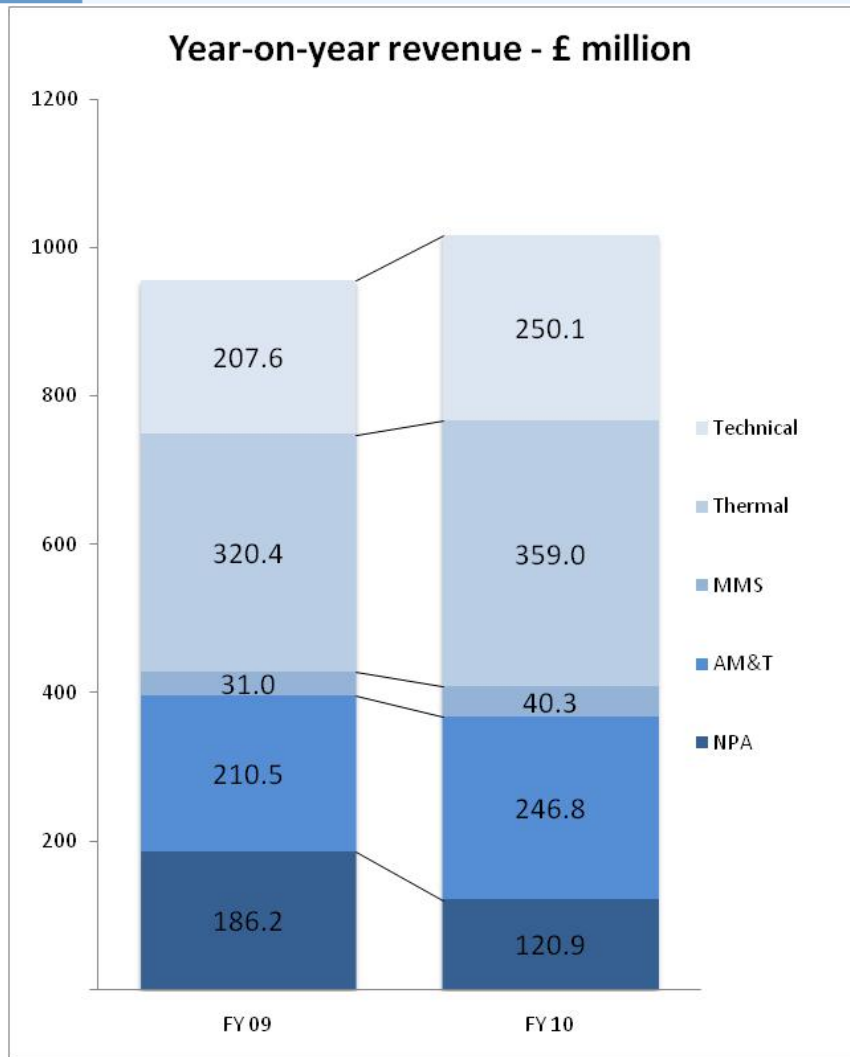
Group Performance

Mark Robertshaw

Improving margins in 2010 with good momentum entering 2011



Year-on-year revenue growth taking 2010 sales comfortably through the billion pound threshold

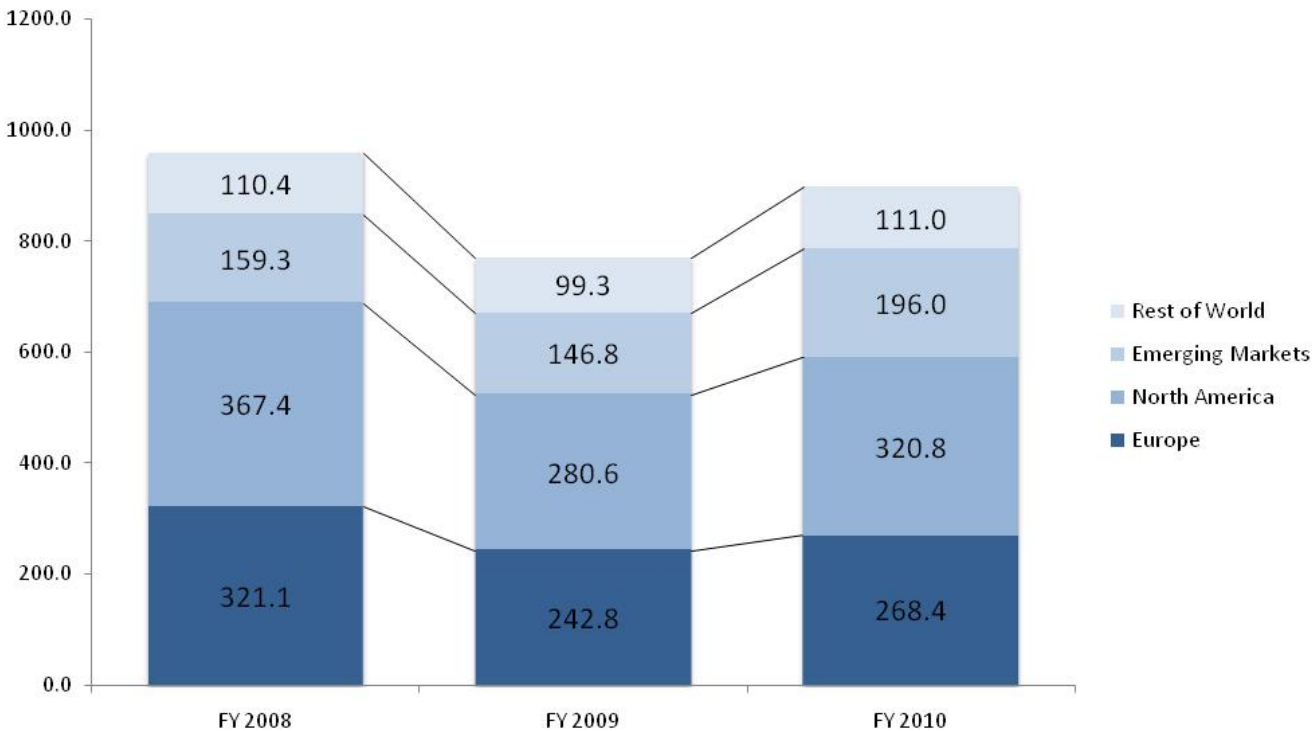


All at 2010 actual rates

- Overall reported revenue up 7.9% year-on-year
- NP Aerospace delivered £120 million of revenue in 2010 after the exceptional level of business in 2009
- At constant currency and excluding NP Aerospace revenue was up 16.5% year-on-year with strong performance across the board
 - AM&T (formerly Carbon) up 17.2%
 - MMS up 29.9%
 - Thermal Ceramics up 12.1%
 - Technical Ceramics up 20.5%

Constant currency revenue recovering but not yet back to 2008 levels

Group Sales by Destination (excl NPA)

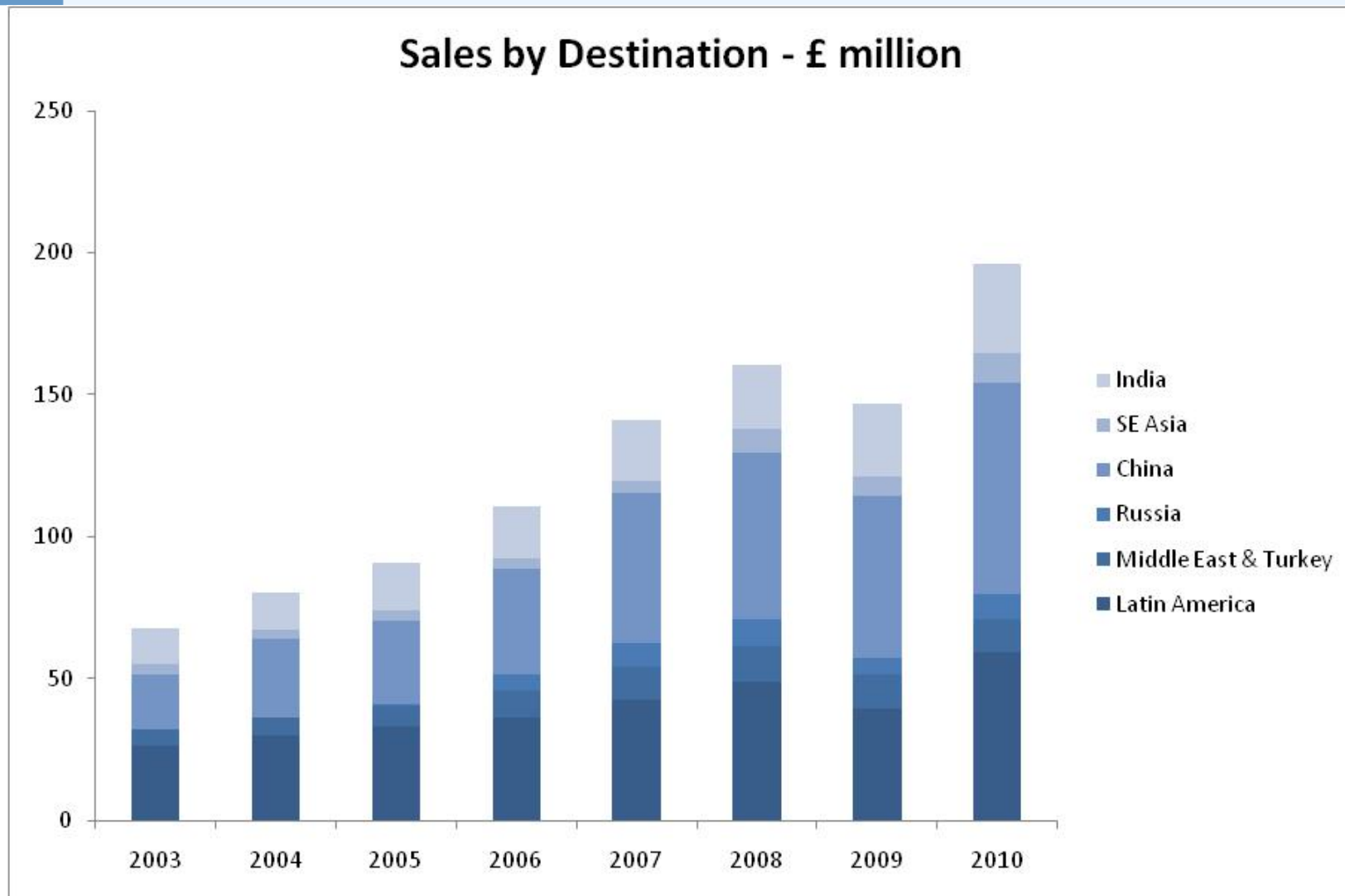


All at 2010 actual rates

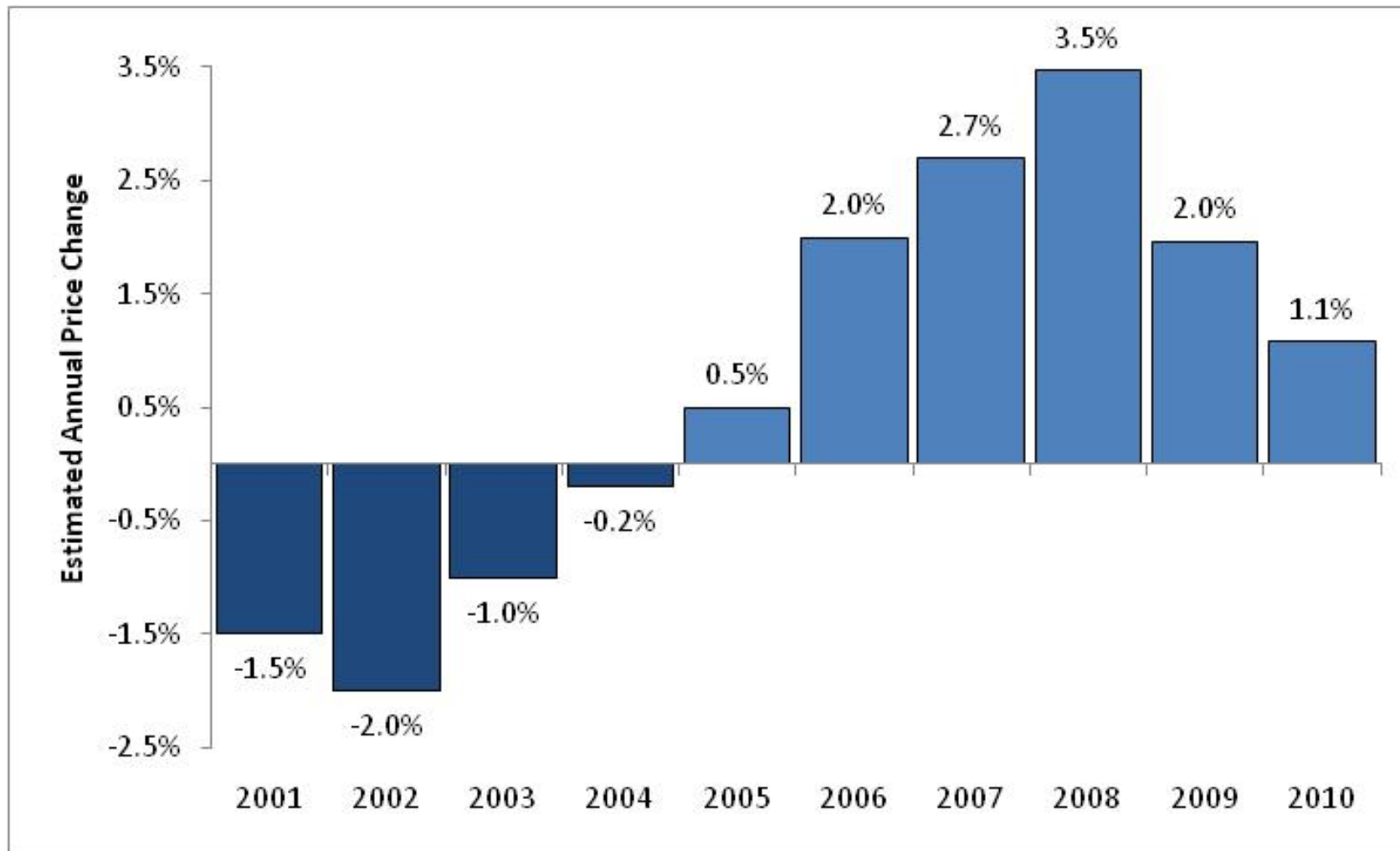
Emerging markets includes: China, India, Latin America, Russia, Turkey and Middle East
Rest of World includes: Japan, Korea, Australia, South Africa

- Western world revenue (Europe and North America) picked up in 2010 but with further recovery potential still to go
- Strong growth in emerging markets with constant currency revenue up over 33% in 2010 vs 2009

Group revenue to emerging markets have trebled in the past 7 years



Pricing once more a positive contributor to Group revenue



Divisional Review – Engineered Materials

Mark Robertshaw

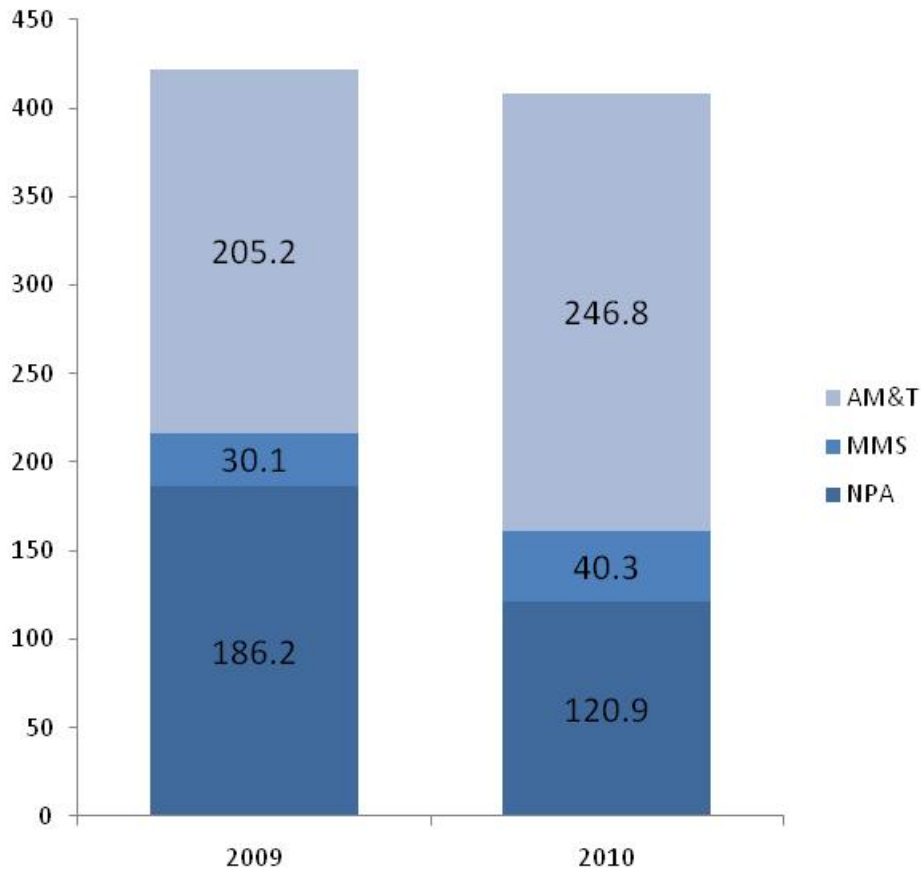
Engineered Materials: profits up year-on-year with non-NP Aerospace revenue increasing c.22%

£m	Revenue		EBITA pre-restructuring and one-off items		Profit Margins %	
	<u>FY10</u>	<u>FY09</u>	<u>FY10</u>	<u>FY09</u>	<u>FY10</u>	<u>FY09</u>
AM&T (formerly Carbon)	246.8	205.2	22.1	11.6	8.9%	5.7%
NP Aerospace	120.9	186.2	17.1	28.9	14.2%	15.5%
Molten Metal Systems	40.3	30.1	6.3	0.9	15.6%	3.0%
Engineered Materials	408.0	421.5	45.5	41.4	11.2%	9.8%

- Profits up £4.1 million on lower revenue following the exceptional level of sales by NP Aerospace in 2009
- 22% increase in non-NP Aerospace revenue driving significant improvement in AM&T and MMS margins

Engineered Materials: non-NP Aerospace revenue increased c.22%

Revenue - £ million



2010 Highlights

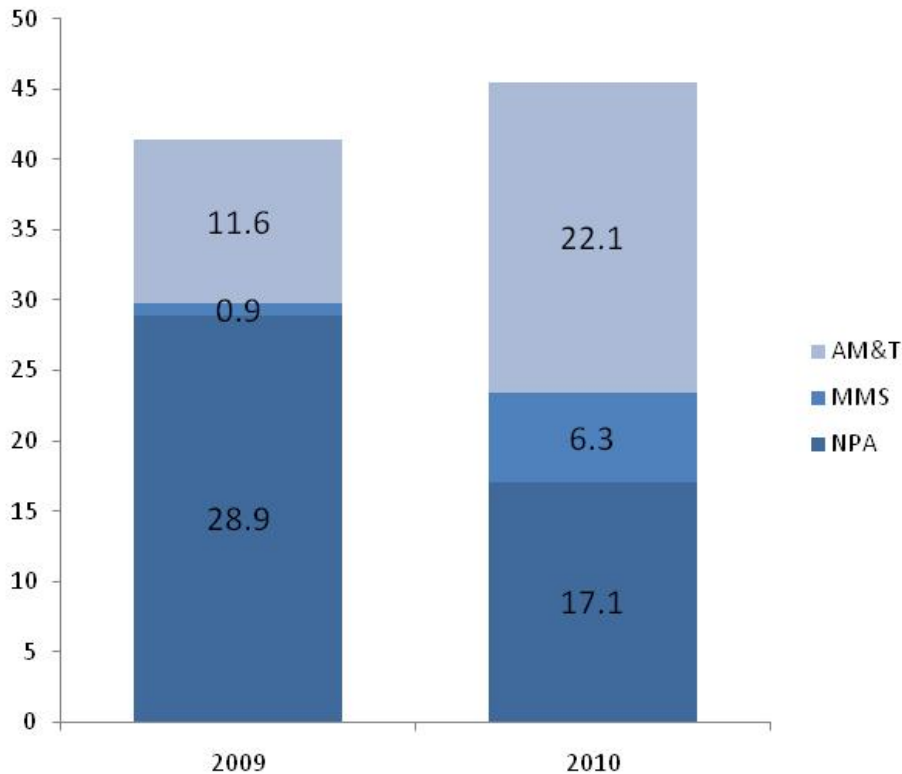
- AM&T revenue up c.20% compared to 2009:
 - >40% growth in China
 - Growth in clean energy sectors
 - Recovering industrial markets
- MMS revenue of c.£40 million up c.34% compared to 2009 primarily driven by strong emerging markets sales
- NP Aerospace revenue of £120.9 million (2009:£186.2 million):
 - Continued delivery of UK contracts
 - Global armour strategy and focus in place

All at reported rates

Engineered Materials: profits up year-on-year and Divisional margins increased from 9.8% to 11.2%

2010 Highlights

EBITA - £ million



EBITA is defined as operating profit before restructuring costs, other one-off items and amortisation of intangible assets

All at reported rates

- AM&T profitability much improved
 - £ profits doubled relative to 2009
 - EBITA margin improved to 8.9% (2009: 5.7%) through a combination of top line growth and benefits of cost reduction programmes
- MMS profits up from £0.9 million to £6.3 million
 - Manufacturing footprint and sales successfully refocused on emerging markets
 - EBITA margin improved significantly to 15.6% (2009: 3.0%)
- NP Aerospace successfully maintained mid-teen margins despite much lower revenue than 2009

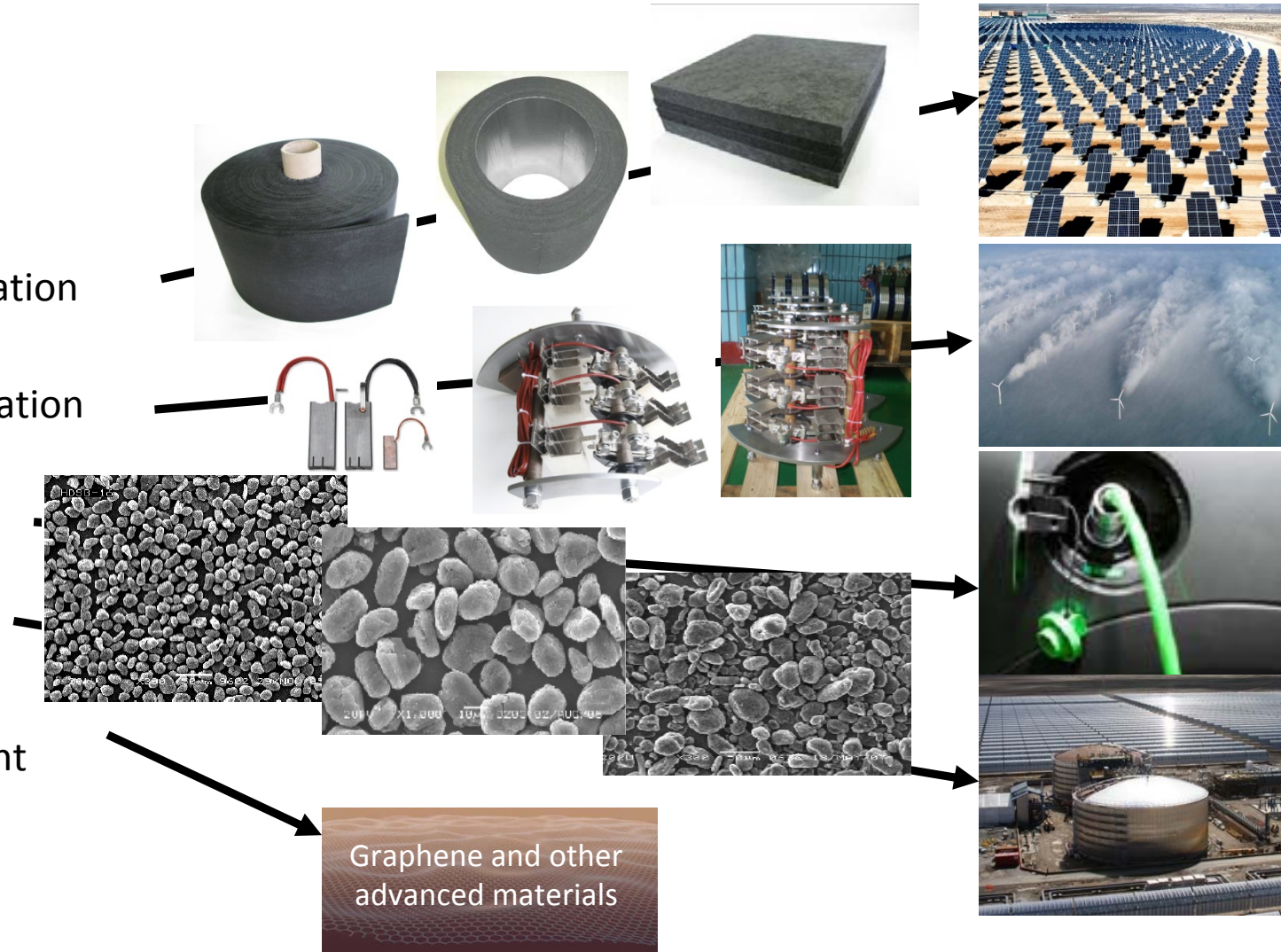
Engineered Materials: key value drivers for 2011 and beyond

	2010 Position	Future prospects
Extracting GDP or better growth from our base industrial businesses	Ongoing recovery from the 2009 downturn	++
Growth in the clean energy sector	Good progress made in Wind and Solar. Lithium Ion acquisition	+++
Capitalising on Chinese growth	>40% growth seen in 2010. Strong in-country presence	+++
Expanding our armour business internationally	US NP Aerospace office established in Detroit	++
Developing tomorrow's technologies	R&D centres established around the world	++
Driving cost-efficiencies throughout the business	34% of divisional direct labour now in low-cost economies	+

Clean energy business targeted to treble from c.£20 million of revenue in 2010 to c.£60 million in 2013

Key Markets

- Solar power generation
- Wind power generation
- Electric vehicles
- Energy storage
- Future development



Divisional Review – Ceramics

Andrew Hosty

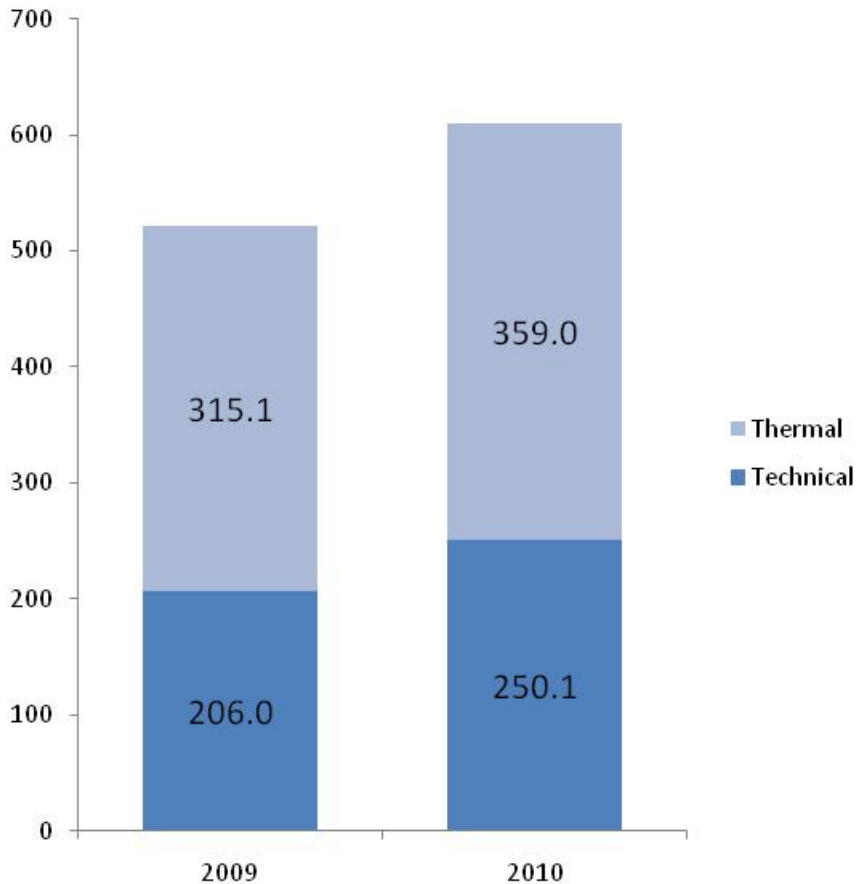
Ceramics: strong progress in revenue, profit and margins

£m	Revenue		EBITA pre-restructuring and one-off items		Profit Margins %	
	<u>FY10</u>	<u>FY09</u>	<u>FY10</u>	<u>FY09</u>	<u>FY10</u>	<u>FY09</u>
Technical Ceramics	250.1	206.0	34.0	25.1	13.6%	12.2%
Thermal Ceramics	359.0	315.1	34.8	26.7	9.7%	8.5%
Ceramics	609.1	521.1	68.8	51.8	11.3%	9.9%

- Ceramics Division revenue increased c.17% with strong year-on-year growth from both Technical and Thermal Ceramics
- EBITA increased c.33% driving operating margin to 11.3%

Ceramics: revenue up c.17% year-on-year

Revenue - £ million

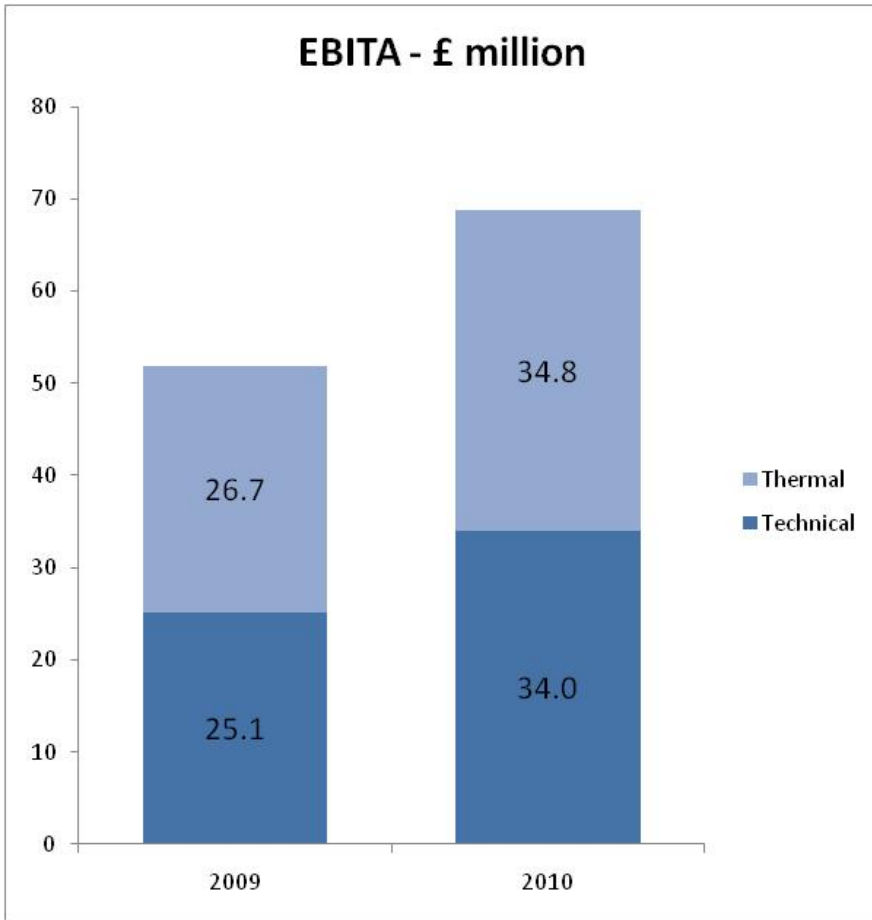


All at reported rates

2010 Highlights

- Technical Ceramics revenue up over 21% year-on-year led by the US but with good contributions from all regions
 - Strong performance in aerospace and defence
 - Further recovery potential in IGT and North American medical
- Thermal Ceramics is on balance a later cycle business but revenue still up c.14% on 2009 and strengthening through the year
 - Strong growth in China
 - Good engineered project business in the US, and petrochemical programmes in Latin America

Ceramics: profit up c.33% year-on-year



EBITA is defined as operating profit before restructuring costs, other one-off items and amortisation of intangible assets

All at reported rates

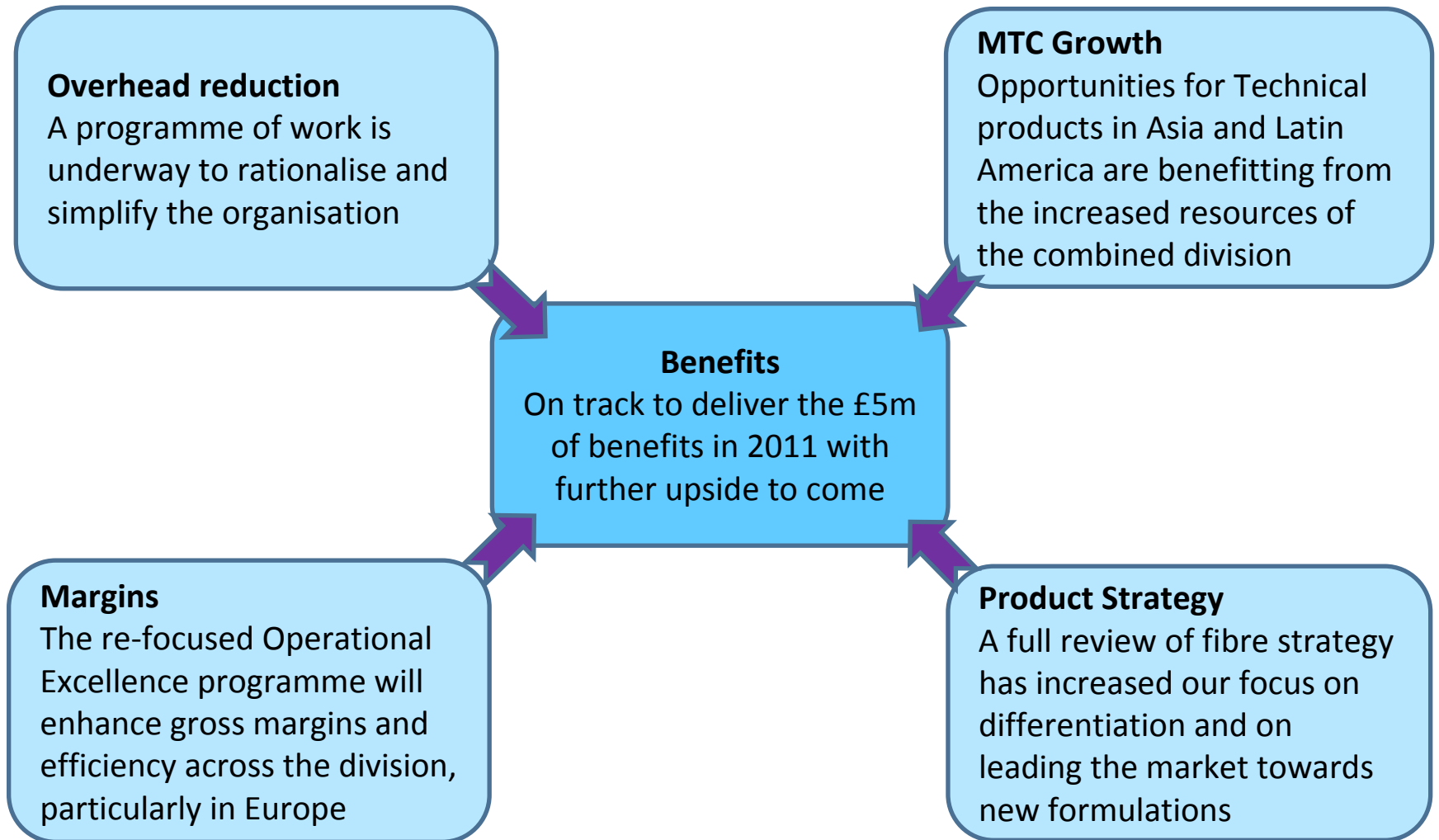
2010 Highlights

- Technical Ceramics EBITA up over 35% and EBITA margin advanced to 13.6%
 - US West Coast rationalisation benefits delivered on top of organic growth
 - Growth in sales to the differentiated medical and security markets in Europe have boosted margin
- Thermal Ceramics EBITA grew over 30% with EBITA margin increasing to 9.7%
 - Chinese business extremely strong
 - Operational excellence programmes supported good drop through in both North and South America
 - Europe started to pick up in H2

Ceramics: key value drivers in 2011 and beyond

	2010 Position	Future prospects
Organic growth from targeting markets with > GDP growth drivers	Successful market positioning in Technical allowed strong growth	++
Emerging markets growth strategy	Strong Thermal base in Asia , and LatAm offers leverage for Technical	+++
Roll out of extended Superwool range	Superwool product range now without equal in the market	++
Read-write head positioning technology for high capacity hard disc drives (HDD)	Project progressing well; excellent growth prospects	+++
Full recovery of IGT and medical markets	Remained slow in 2010 but signs of improvement for 2011	++
Divisional integration benefits and operational improvements	Integration proceeding to plan – “best of both” approach	++

The integration of Technical and Thermal businesses is delivering real benefits

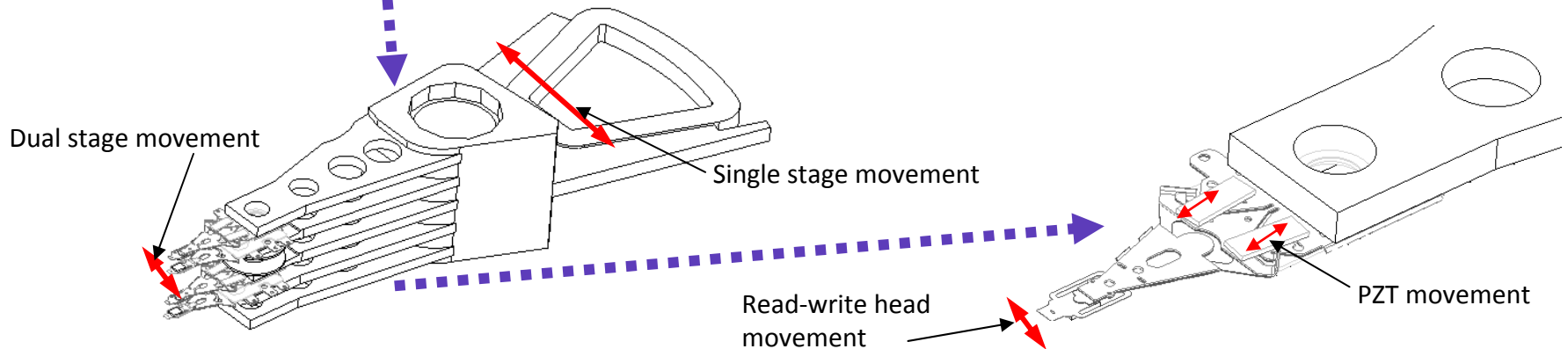
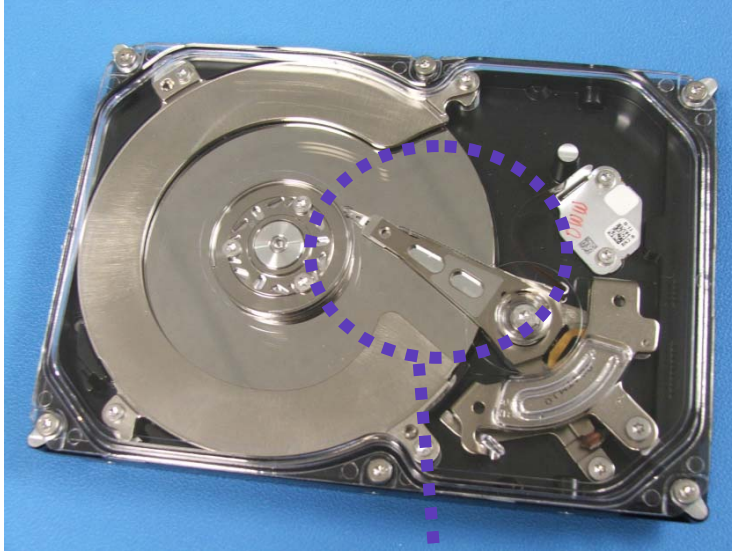


Positioned for a huge market with tiny piezo components in data storage

Ceramics is working with computer disk drive manufacturers to incorporate piezoelectric components on the next generation of drives

These components allow for improved control of the read-write head, which enables data density to increase allowing more data per disc and drive to increase total storage

We are partnered with the market leader



Summary and Outlook

Mark Robertshaw

Summary

- Good year-on-year progress in 2010 with H2 stronger than H1 in revenue, profit and margin
- Encouraging momentum as we enter 2011 – book to bill > 1 times on growing revenue
- Opportunity for further performance improvement this year and beyond
 - Operational gearing as Western world later cycle demand continues to recover
 - Exciting growth potential both in emerging markets and in key applications such as HDD and clean energy
 - Still more to come in cost base reductions through self-help initiatives

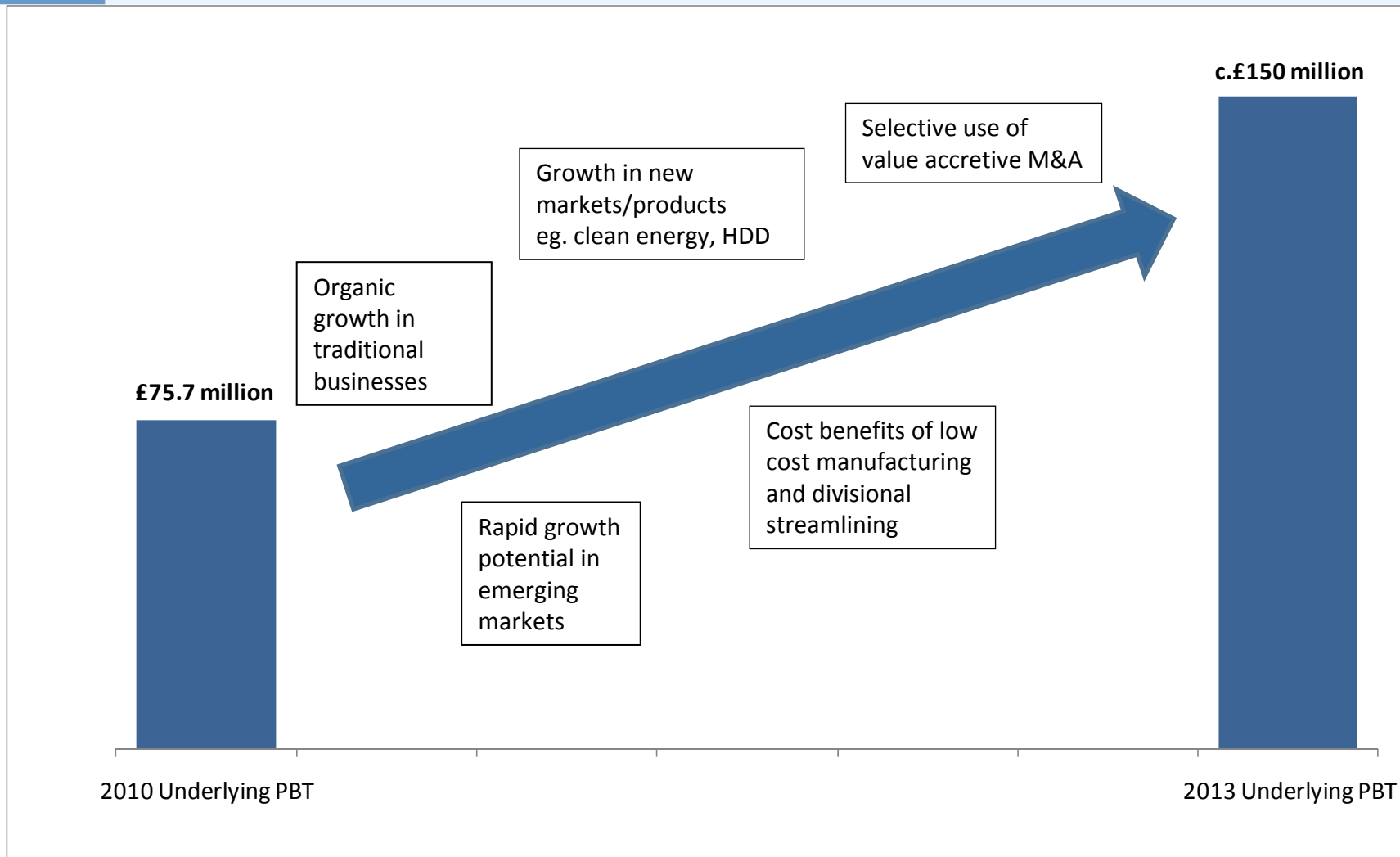
Financial ambitions by 2013

- Double Group underlying PBT* from £75.7 million to c.£150 million
- Mid-teen underlying operating profit margins
- Improve Operating ROCE from c.25% in 2010 to c.35% by 2013

Capital markets presentation on March 31st to provide more details on the roadmap and major drivers

*Underlying PBT is defined as operating profit before amortisation, less net financing costs

Our ambition is to double underlying PBT by 2013



2010 Full Year Financial Results

16th February 2011

Appendix

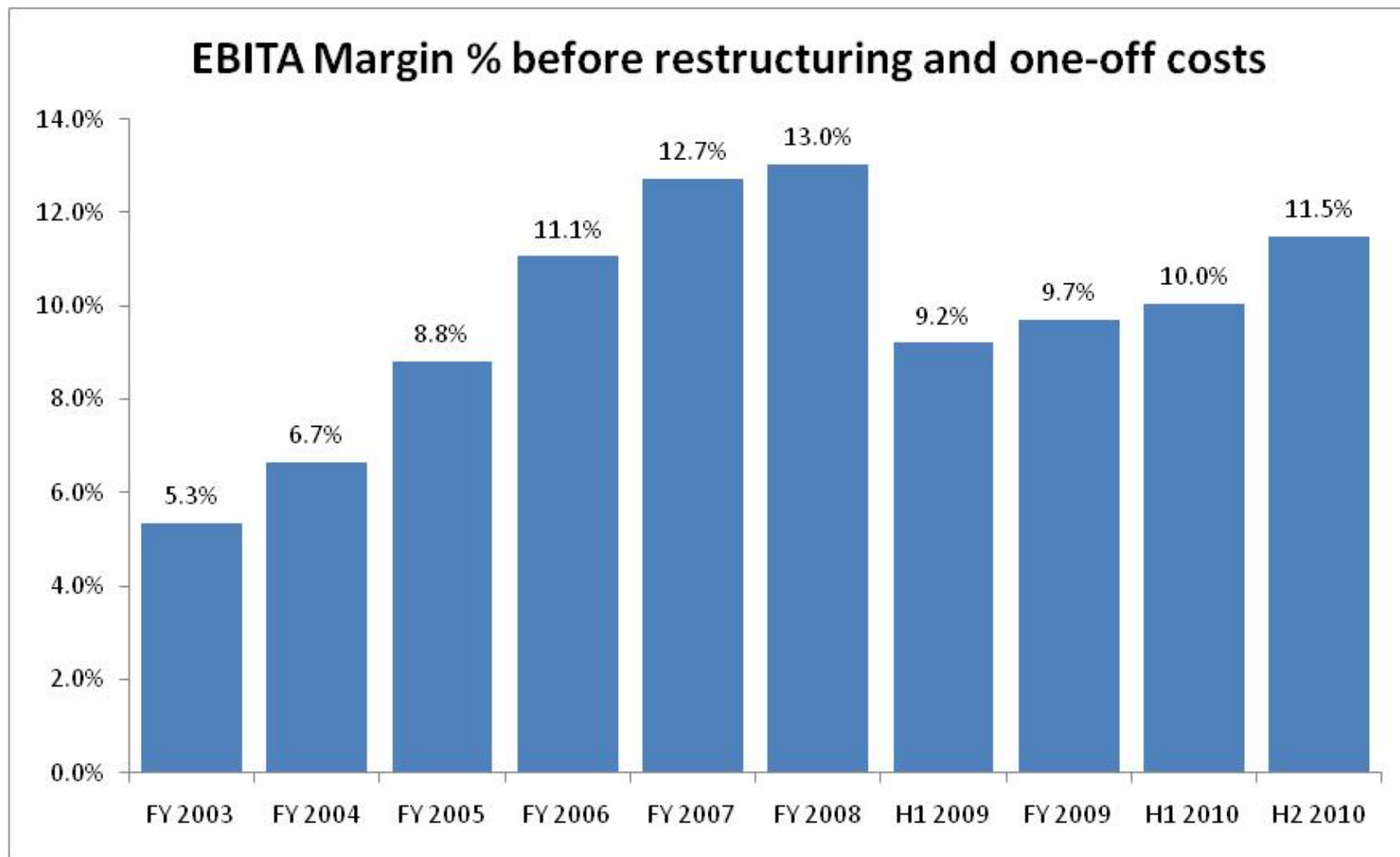
Improving profit and margin performance across both Divisions

£m	Revenue		EBITA		Profit Margins %	
	FY10	FY09	FY10	FY09	FY10	FY09
Technical Ceramics	250.1	206.0	34.0	25.1	13.6%	12.2%
Thermal Ceramics	359.0	315.1	34.8	26.7	9.7%	8.5%
Ceramics	609.1	521.1	68.8	51.8	11.3%	9.9%
Advanced Materials & Technology	246.8	205.2	22.1	11.6	8.9%	5.7%
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Molten Metal Systems	40.3	30.1	6.3	0.9	15.6%	3.0%
Engineered Materials	408.0	421.5	45.5	41.4	11.2%	9.8%
Unallocated Costs *			(4.8)	(4.2)	-	-
EBITA pre one-off items **	<u>1,017.1</u>	<u>942.6</u>	<u>109.5</u>	<u>89.0</u>	<u>10.8%</u>	<u>9.4%</u>
One-off items **			(7.9)	(12.0)		
EBITA post one-off items **			<u>101.6</u>	<u>77.0</u>	<u>10.0%</u>	<u>8.2%</u>

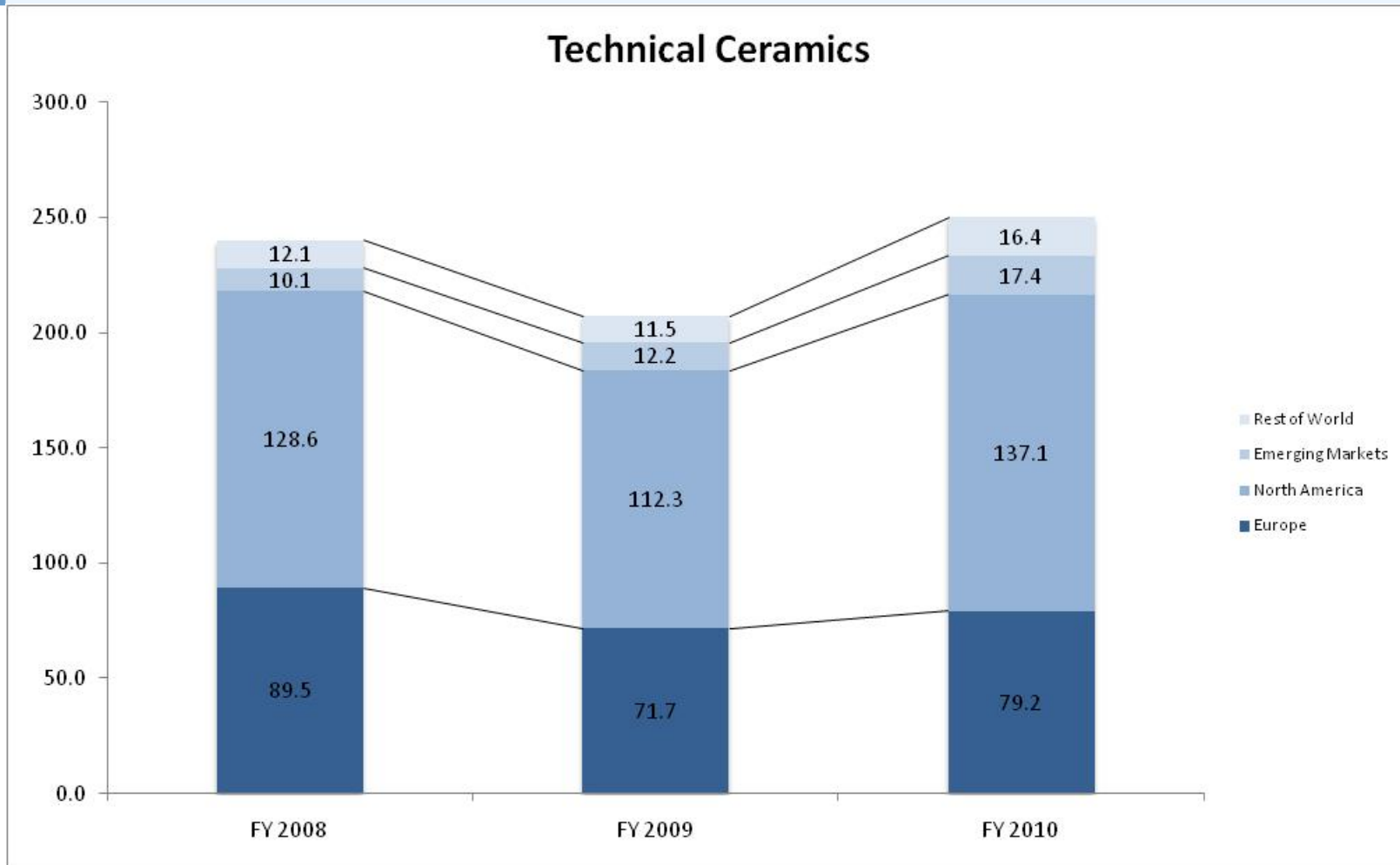
* Includes plc costs (e.g. Report & Accounts, AGM, Non-Executives) and Group management costs (e.g. corporate head office rent, utilities, staff, etc.)

** One-off items include the costs of restructuring activity, profit/(loss) on disposal of property and ongoing recovery/(costs) associated with the settlement of prior period anti-trust litigation.

Good margin progression in H2 2010 for EBITA before one-offs



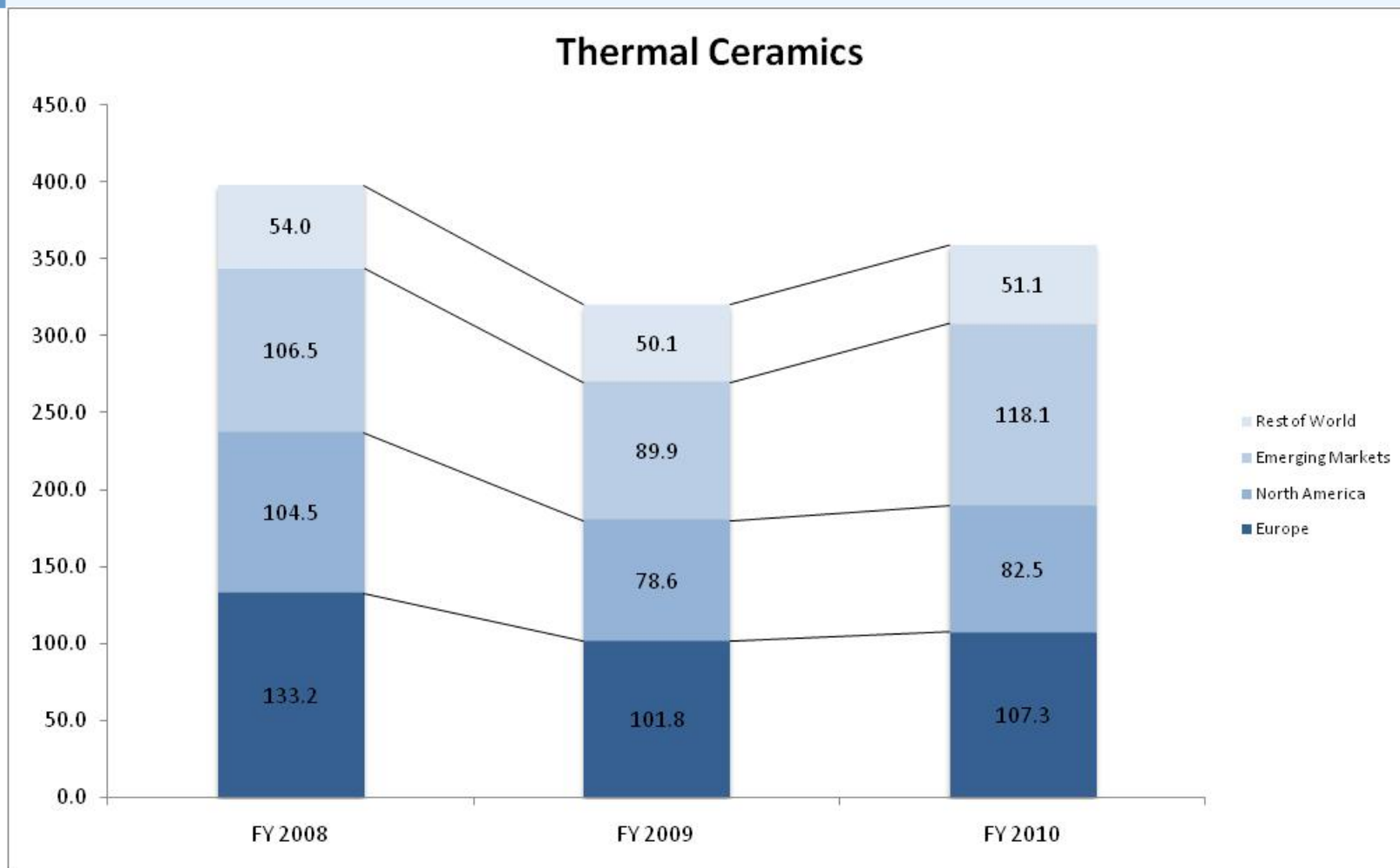
Technical Ceramics: c.21% year-on-year revenue growth driven by strong North American business



Emerging markets includes: China, India, Latin America, Russia, Turkey and Middle East
 Rest of World includes: Japan, Korea, Australia, South Africa

All at 2010 Year End Exchange rates

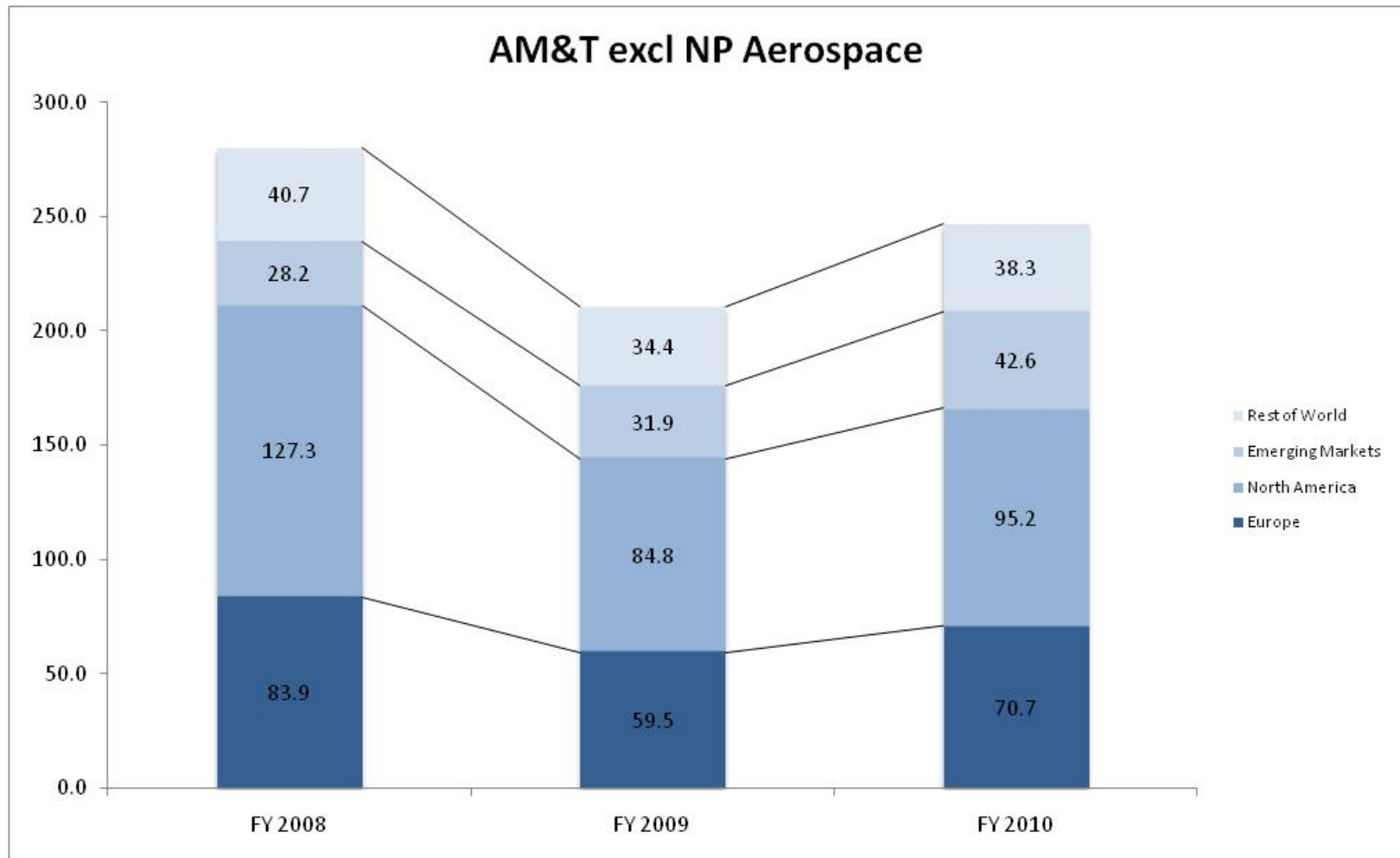
Thermal Ceramics: c.12% growth full year with strong pick up in H2; emerging markets up c.31%



Emerging markets includes: China, India, Latin America, Russia, Turkey and Middle East
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All at 2010 Year End Exchange rates

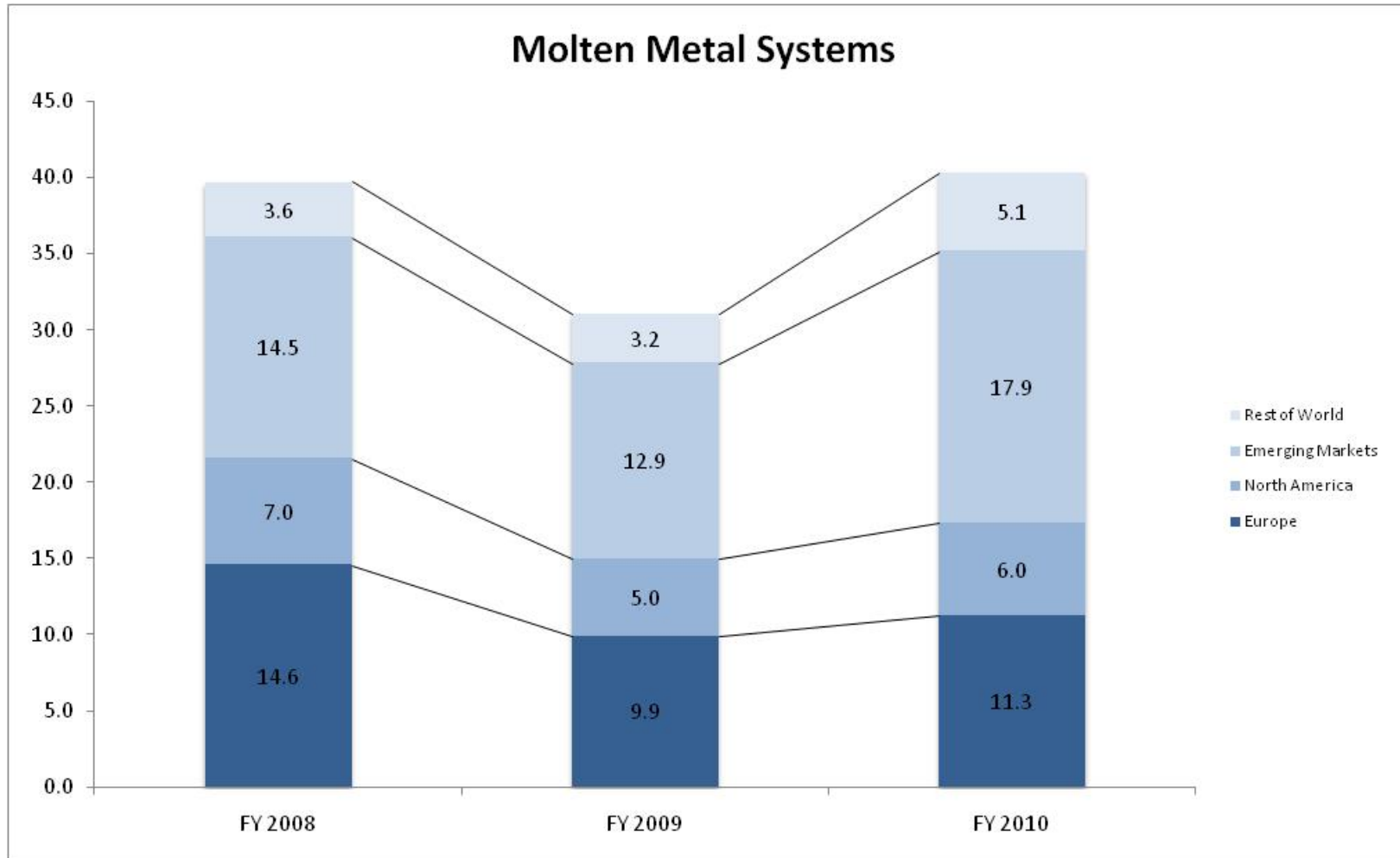
AM&T (excl. NPA): > 10% growth in all regions, leading to c.17% total; China especially strong



Emerging markets includes: China, India, Latin America, Russia, Turkey and Middle East
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All at 2010 Year End Exchange rates

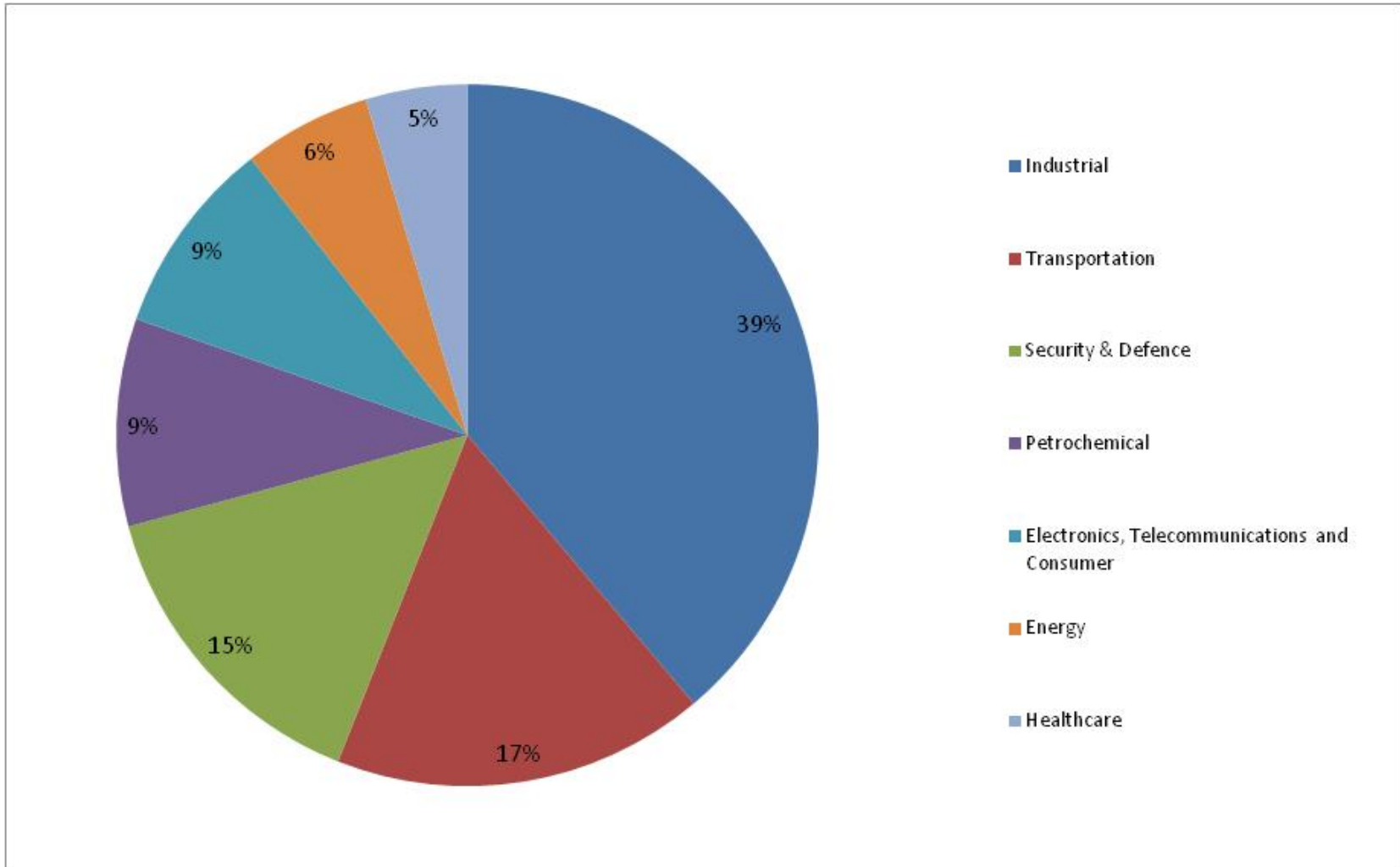
MMS: c.30% growth as market recovered and low cost capacity successfully scaled up



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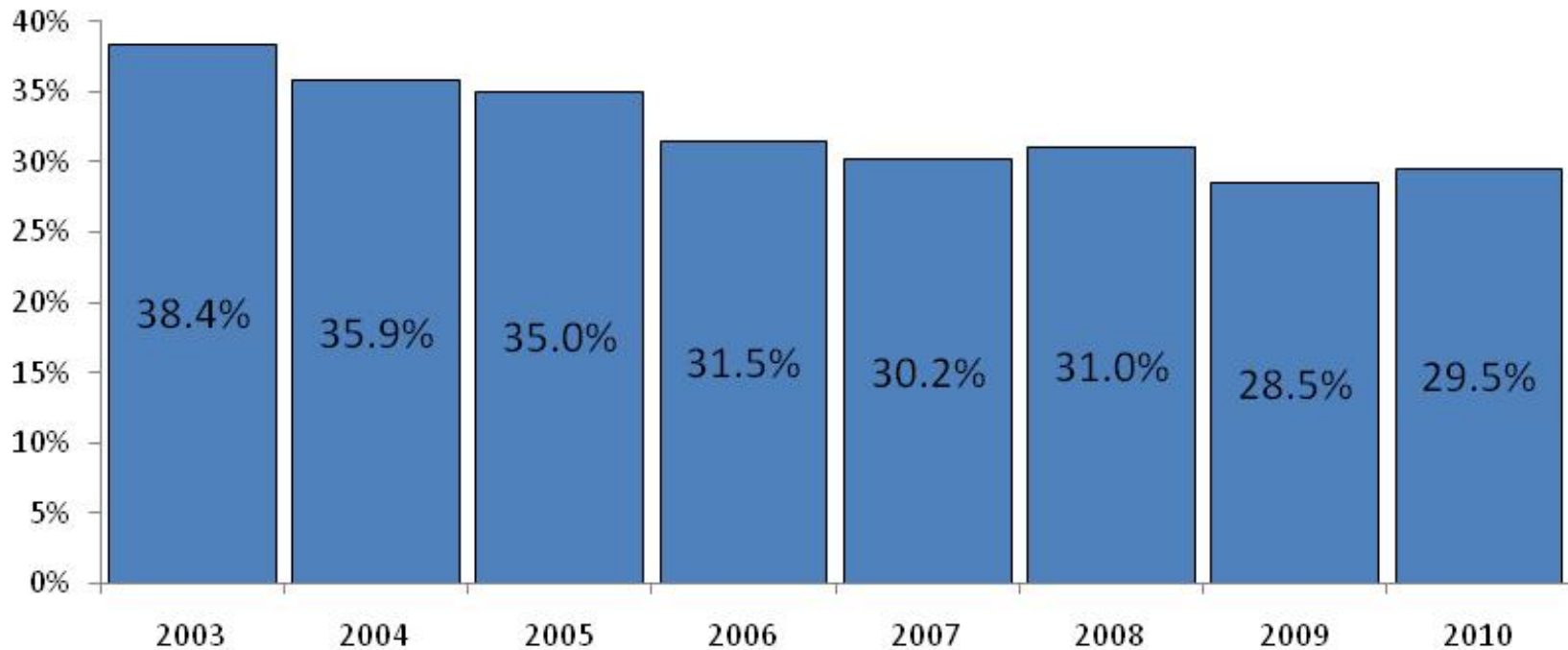
All at 2010 Year End Exchange rates

Group revenue by end-market: full year 2010



Total employment costs maintained below our 30% target level

Total Employment Costs as % of Sales



Net Finance Charge

	FY10	FY09
	£m	£m
Bank interest charge	25.7	25.1
Bank interest income	(1.0)	(2.3)
Interest expense on unwinding of discount on deferred consideration	1.2	2.2
Gain on foreign exchange derivatives in respect of financial indebtedness	(2.0)	-
IAS19 - Interest cost on liability	28.0	26.4
- Expected return on assets	(26.0)	(22.1)
	<u>25.9</u>	<u>29.3</u>

Underlying EPS

	FY10	FY09
	£m	£m
Basic earnings	42.5	19.0
Add back Amortisation	8.0	16.3
Underlying earnings	<u>50.5</u>	<u>35.3</u>
Weighted average number of shares in the period	269.8m	268.1m
Underlying earnings per share	18.7p	13.2p

Pensions - IAS 19 'Income Statement' Charges

	FY10	FY09
	Actual	Actual
	£m	£m
Service Charge (within Operating costs)	5.1	5.2
Net Finance Charge	2.0	4.3
	<u>7.1</u>	<u>9.5</u>

Amortisation Charge

	FY11	FY10	FY09
	Estimate	Actual	Actual
	£m	£m	£m
Ongoing amortisation	8.4	8.0	7.1
Amortisation in 2009 arising from the acquisition of the NP Aerospace Order Book at 5.1.09	-	-	9.2
	8.4	8.0	16.3