Morgan Crucible
The Advanced Materials Group

2011 Full Year Financial Results

15th February 2012

Agenda

2011 Group and Divisional results	Kevin Dangerfield
A higher quality business - progress towards our 2013 goals	Mark Robertshaw
Summary and outlook	Mark Robertshaw

2011 Group and Divisional Results

Kevin Dangerfield

Underlying earnings up c.60%

	FY11 £m	FY10 £m	% Change from FY10 As reported	% Change from FY10 At constant currency
Revenue	**1,101.0**	**1,017.1**	**+8.2%**	**+9.3%**
EBITA before restructuring and one-off items	**143.4**	**109.5**	**+31.0%**	**+32.8%**
EBITA margin % before restructuring and one-off items	**13.0%**	**10.8%**		
EBITA after restructuring and one-off items *	**141.5**	**101.6**	**+39.3%**	**+41.3%**
EBITA margin % after restructuring and one-off items *	**12.9%**	**10.0%**		
PBT before amortisation	**119.7**	**75.7**	**+58.1%**	**+59.9%**
Underlying earnings per share	**29.9p**	**18.7p**	**+59.9%**	
Total dividend per share	**9.25p**	**7.70p**	**+20.1%**	

* EBITA after restructuring and one-off items is also referred to as underlying operating profit (operating profit before amortisation of intangible assets)

Restructuring and one-offs, financing and tax

	FY11 £m	FY10 £m
Revenue	**1,101.0**	**1,017.1**
EBITA before restructuring and one-off items *	**143.4**	**109.5**
Net restructuring and one-off items*	**(1.9)**	**(7.9)**
EBITA after restructuring and one-off items *	**141.5**	**101.6**
Amortisation of intangible assets	**(8.3)**	**(8.0)**
Operating profit	**133.2**	**93.6**
Net financing costs	**(21.8)**	**(25.9)**
Profit before tax	**111.4**	**67.7**
Profit before tax and amortisation	**119.7**	**75.7**
Tax	**(32.6)**	**(19.7)**
Profit for the period	**78.8**	**48.0**
Non-controlling interest	**(5.8)**	**(5.5)**
Profit attributable to shareholders for the period	**73.0**	**42.5**

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

Net restructuring and one-off costs

	FY11 £m	FY10 £m
Restructuring and one-off items		
- restructuring costs	(5.6)	(8.5)
- profit on disposal of properties	2.4	0.6
- UK pension credit	3.1	0.0
- North America pension charge	(1.8)	0.0
	(1.9)	(7.9)

Free cash flow before dividends > £50 million

	FY11 £m	FY10 £m
Cash from trading	174.3	141.9
Change in working capital	(29.1)	10.5
Change in provisions	(7.8)	(4.3)
Cash flow from operations	**137.5**	**148.1**
Net capital expenditure	(25.5)	(17.0)
Net interest paid	(20.4)	(22.7)
Tax paid on ordinary activities	(25.6)	(24.1)
Restructuring costs and other one-off items	(8.1)	(7.8)
Free cash flow before acquisitions and dividends	**57.9**	**76.5**
Dividends paid	(18.4)	(15.4)
Cash flows from other investing and financing activities	(17.7)	(38.6)
Exchange movement	(0.9)	(6.0)
Opening net debt	(236.2)	(252.7)
Closing net debt	**(215.4)**	**(236.2)**

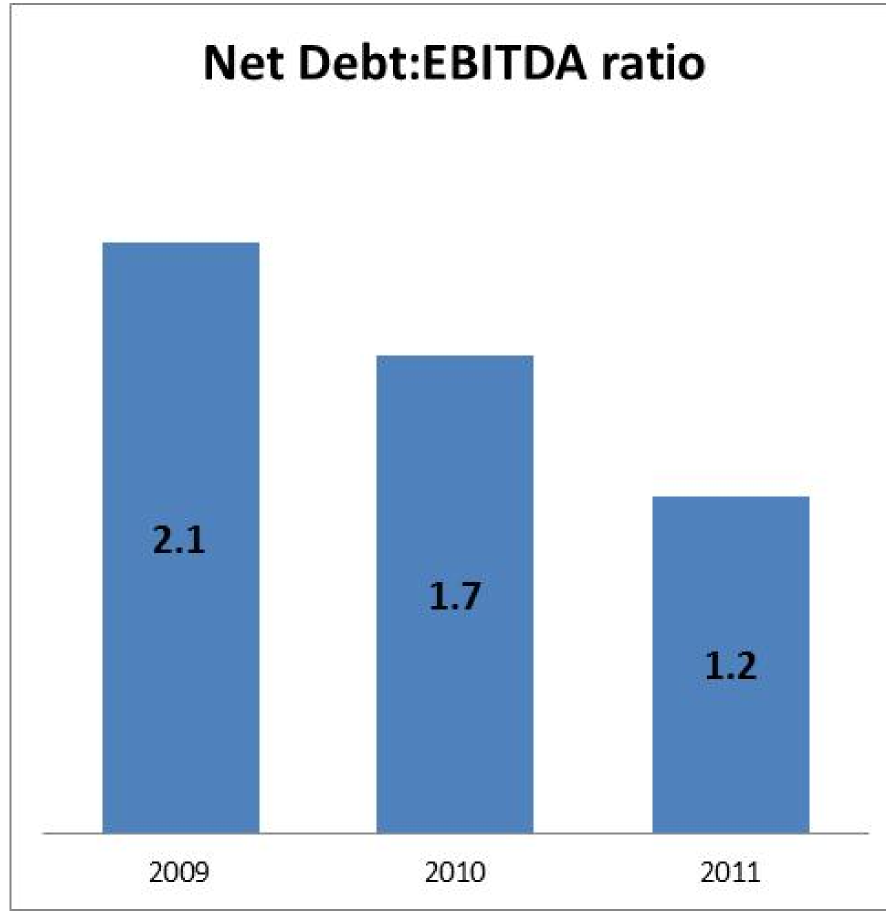
* Cash from trading is EBITA adjusted for depreciation and loss/profit on sale of plant and machinery

- 3WC/Sales ratio for the Group excluding NPA improved to 19.2% from 20.0% at the end of 2010
- NPA working capital high at 2011 year end – reversing out during course of 2012
- Gross capital expenditure of £28.7 million – ratio of 0.9 x depreciation
- Net debt reduced by a further £20 million

Net debt to EBITDA ratio improved to 1.2 times

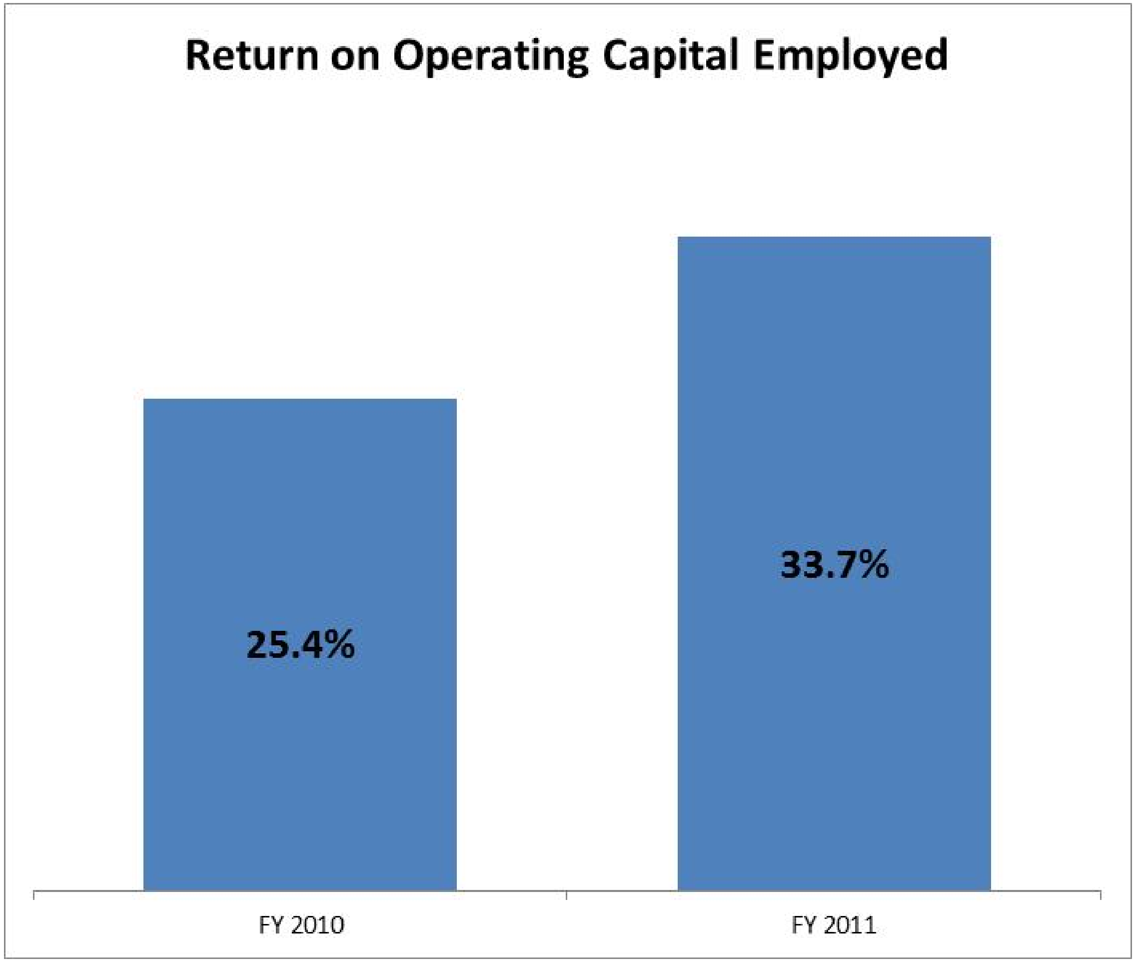
- Core debt made up of long-term private placement notes ($368 million and €60 million) with no significant maturities before December 2014

- New £150m five-year bank facility in April 2011 – zero drawn at the year end



Significant progress on Operating ROCE

- EBITA up 39% while operating capital increased by only 5%
- Operating ROCE very close to the three-year goal of 35%
- Ambition to maintain a high Operating ROCE whilst continuing to grow the business



Strong progress made in each Division

£ million	Revenue		EBITA		Profit Margins %	
	FY11	**FY10**	**FY11**	**FY10**	**FY11**	**FY10**
Technical Ceramics	285.1	250.1	43.1	34.0	**15.1%**	**13.6%**
Thermal Ceramics	400.1	359.0	49.6	34.8	**12.4%**	**9.7%**
Ceramics	**685.2**	**609.1**	**92.7**	**68.8**	**13.5%**	**11.3%**
AM&T	276.1	246.8	35.0	22.1	**12.7%**	**9.0%**
NP Aerospace	93.0	120.9	13.0	17.1	**14.0%**	**14.1%**
Molten Metal Systems	46.7	40.3	7.7	6.3	**16.5%**	**15.6%**
Engineered Materials	**415.8**	**408.0**	**55.7**	**45.5**	**13.4%**	**11.2%**
Unallocated Costs *			**(5.0)**	**(4.8)**	**-**	**-**
EBITA pre one-off items **	***1,101.0***	***1,017.1***	***143.4***	***109.5***	***13.0%***	***10.8%***
One-off items ***			**(1.9)**	**(7.9)**		
EBITA post one-off items **			***141.5***	***101.6***	***12.9%***	***10.0%***

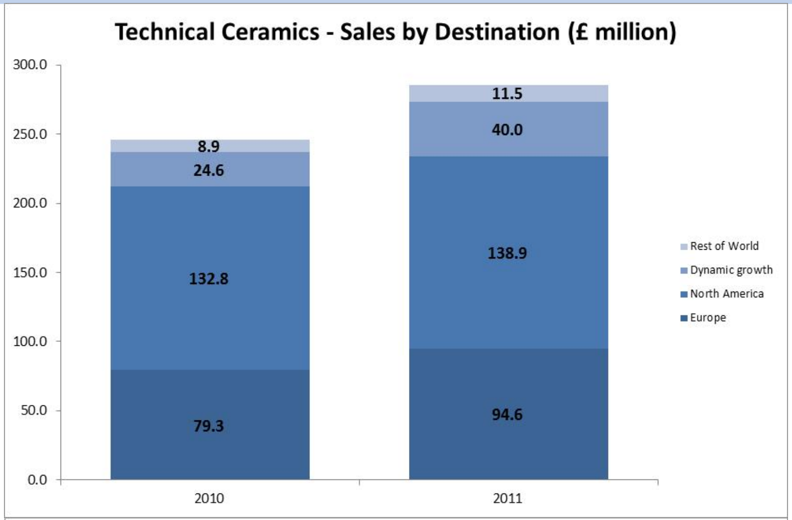
*** Includes plc costs (e.g. Report & Accounts, AGM, Non-Executives) and Group management costs (e.g. corporate head office rent, utilities, staff, etc.)**

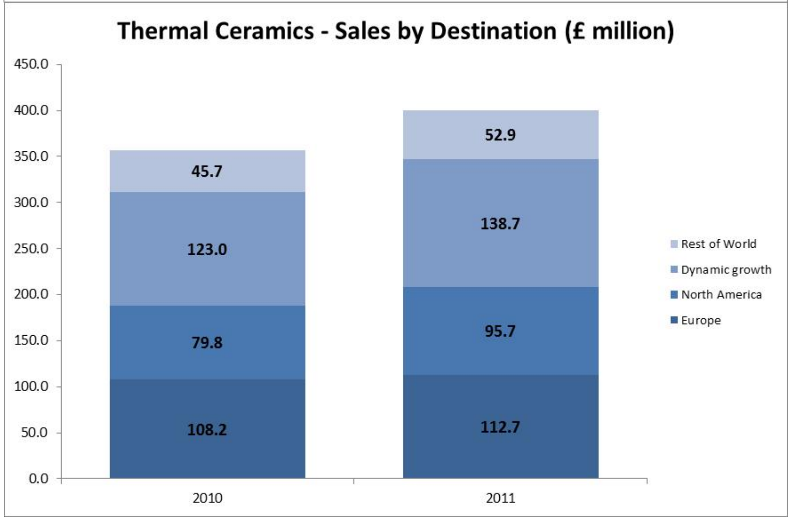
**** One-off items include the costs of restructuring activity, gain on disposal of properties and other one-off items**

Ceramics revenue up 12.5% year-on-year (13.7% at constant currency)

- Technical Ceramics revenue up 14.0% (16.1% constant currency)
  - Dynamic growth market sales up from c.£25 million to £40 million driven by new technologies and initial benefits of leveraging the strong Thermal Ceramics presence in these regions
  - Strong growth in aerospace business, up 19.3% year-on-year

- Thermal Ceramics revenue up 11.4% (12.2% constant currency)
  - Dynamic growth markets – major investments in India, China and Brazil supporting further growth
  - North America up c.20%; all major markets showing good growth

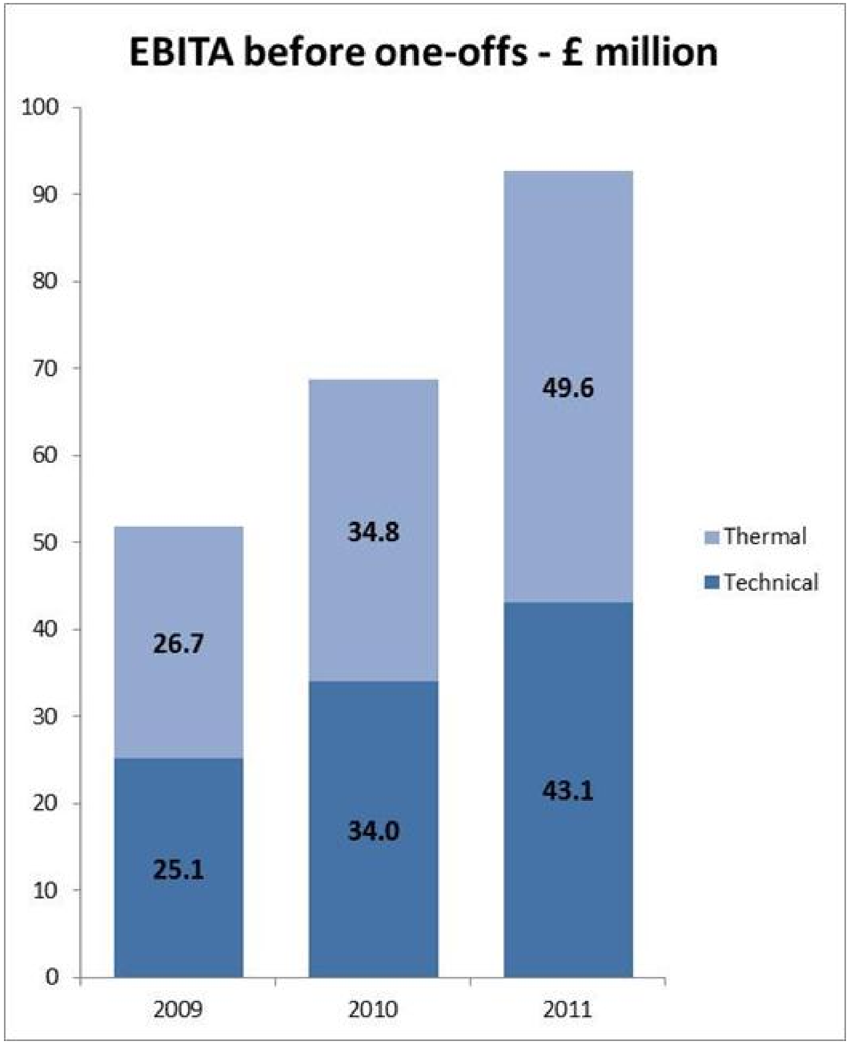




Dynamic growth markets include China, India, South East Asia, Central and South America, Middle East, Turkey and Russia.
All at 2011 year end rates

Ceramics EBITA increased 34.7% year-on-year, with growth and operational benefits

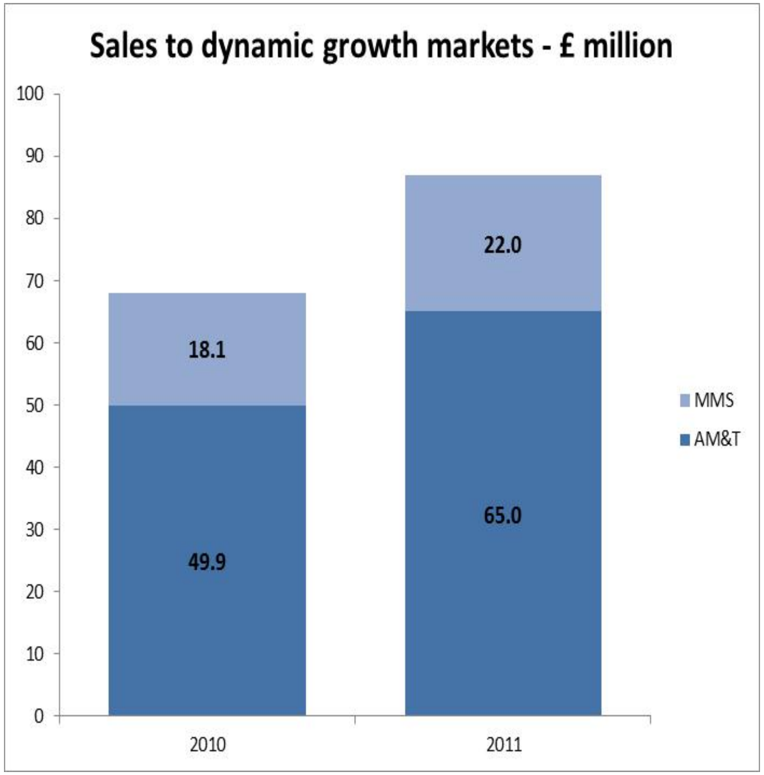
- Technical Ceramics EBITA up 26.8% and margin improved 150 basis points to 15.1%
  - Positive margin improvement across all regions
  - Positive mix shift, targeted pricing actions and increased new product ramps all contributing to margin progression
- Thermal Ceramics EBITA up 42.5% and margin increased 270 basis points to 12.4%
  - Profit and margin improvements in all regions, particularly Europe and North America
  - Benefits of Divisional restructuring completed to time and expected benefits delivered mainly in Thermal Business



All at reported rates. EBITA is defined as operating profit before one-off items and amortisation

Engineered Materials revenue up 1.8%; 12.4% excluding NPA revenue (13.7% at constant currency)

- AM&T revenue up 11.9% (13.1% constant currency)
  - Strong growth (c.£15 million) from new differentiated high temperature products
  - > 30% increase in sales to dynamic growth economies, particularly China
- MMS revenue up 15.9% (17.6% constant currency) driven by China, India and Turkey - c.50% of MMS sales now to dynamic growth economies
- AM&T and MMS sales to dynamic growth markets increased by c.28% compared with 2010 and now represent c.27% of AM&T and MMS total sales
- NP Aerospace in line with guidance at £93.0 million
  - Expected reduction in UK UOR vehicle sales
  - First contract success in North America



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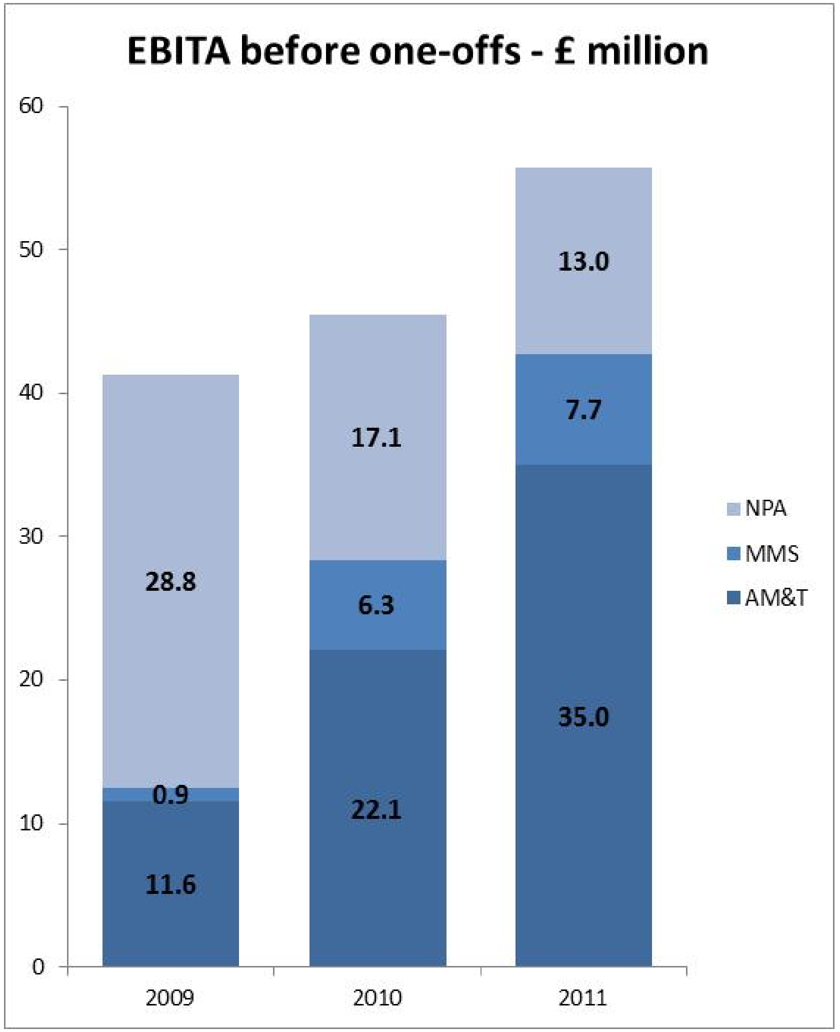
All at 2011 year end rates

Engineered Materials profit up 22.4% despite the NPA headwind; up 50.4% ex-NPA

- AM&T EBITA up 58.4%
  - Profits of AM&T have trebled since 2009
  - Strong profit drop through of 44% on incremental revenue
  - Continued cost rationalisation and rebalancing of infrastructure to low-cost
- MMS EBITA up 22.2%
  - EBITA margin further improved to 16.5%
  - Improved operational performance from low-cost sites in India and China
- NP Aerospace maintained mid-teen margins at reduced revenue



EBITA is defined as operating profit before one-off items and amortisation.
All at reported rates

Summary of results

- Significant profit and margin increases for the Group and in each Division
- Good free cash flow generation- net debt:EBITDA improved further to 1.2x
- Dividend increased by 20%
- Substantial progress against the 2013 targets of underlying PBT, underlying operating profit margin and Operating ROCE

A higher quality business - progress towards our 2013 goals

Mark Robertshaw

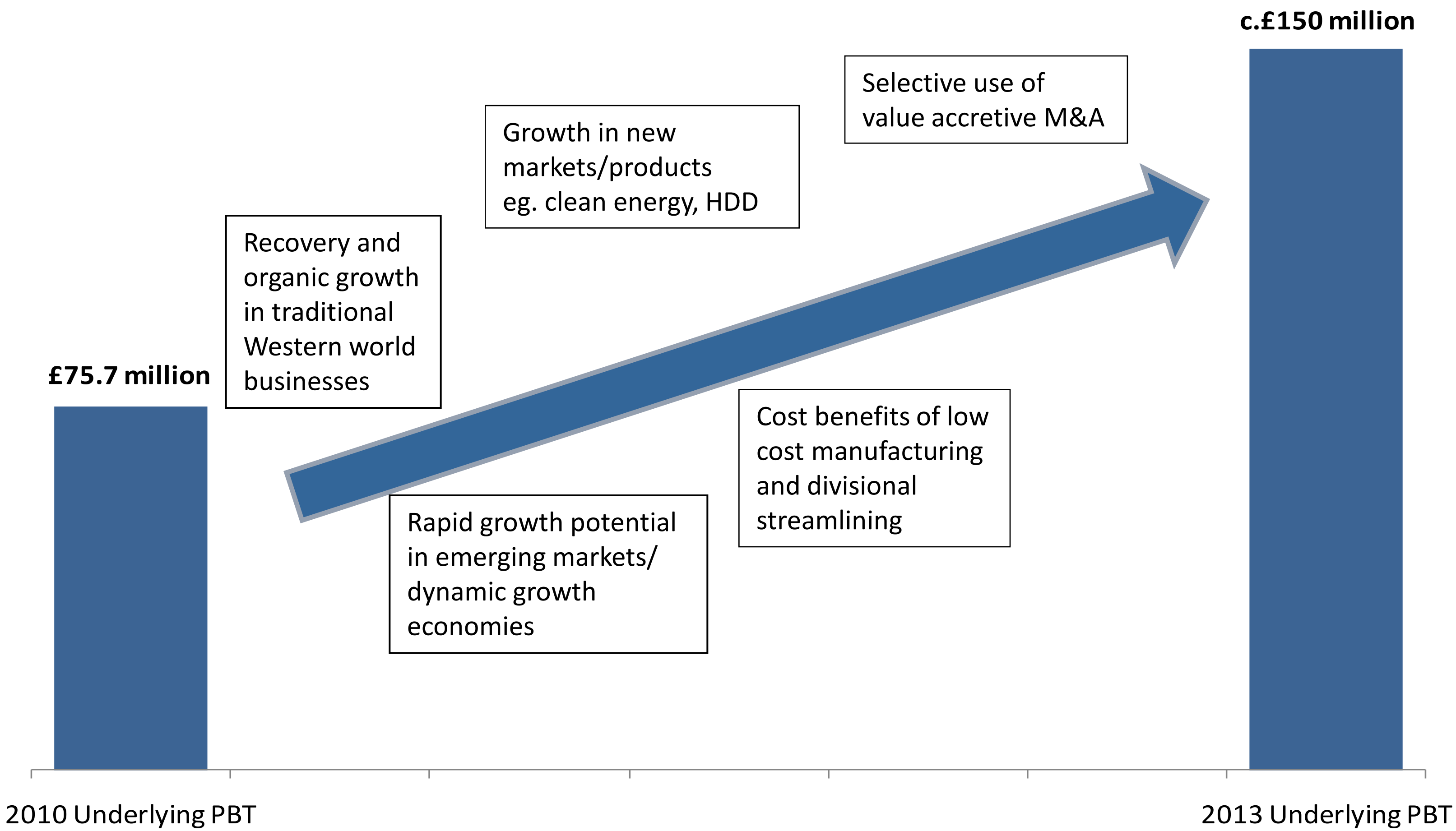
Financial ambitions by 2013

- 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 35% by 2013

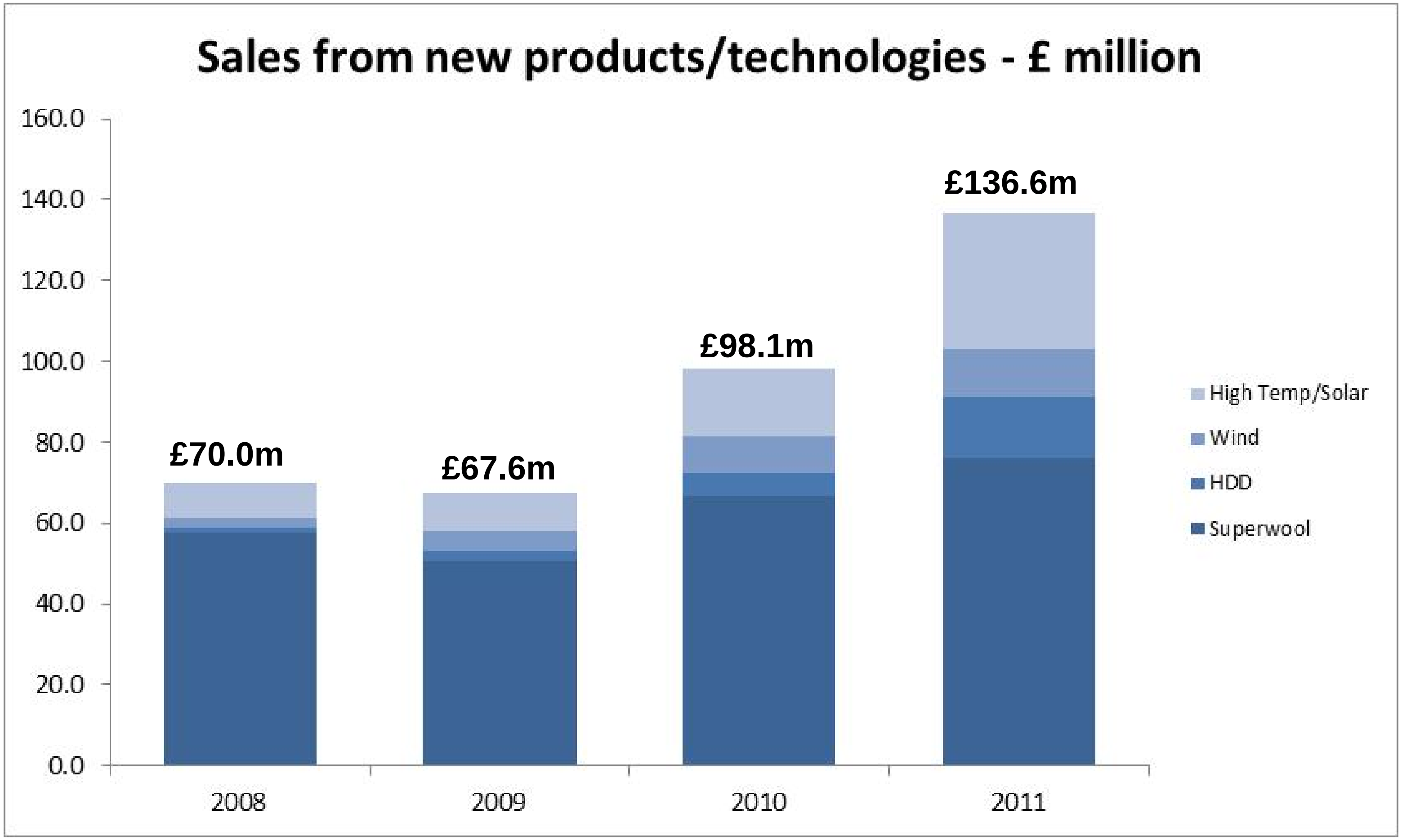
Significant progress made on all three financial goals in 2011

	2010	2011	2011 Progress
Underlying PBT	£75.7m	£119.7m	+£44.0m
Underlying operating profit margin	10.0%	12.9%	+290 basis points
Operating ROCE	25.4%	33.7%	+830 basis points

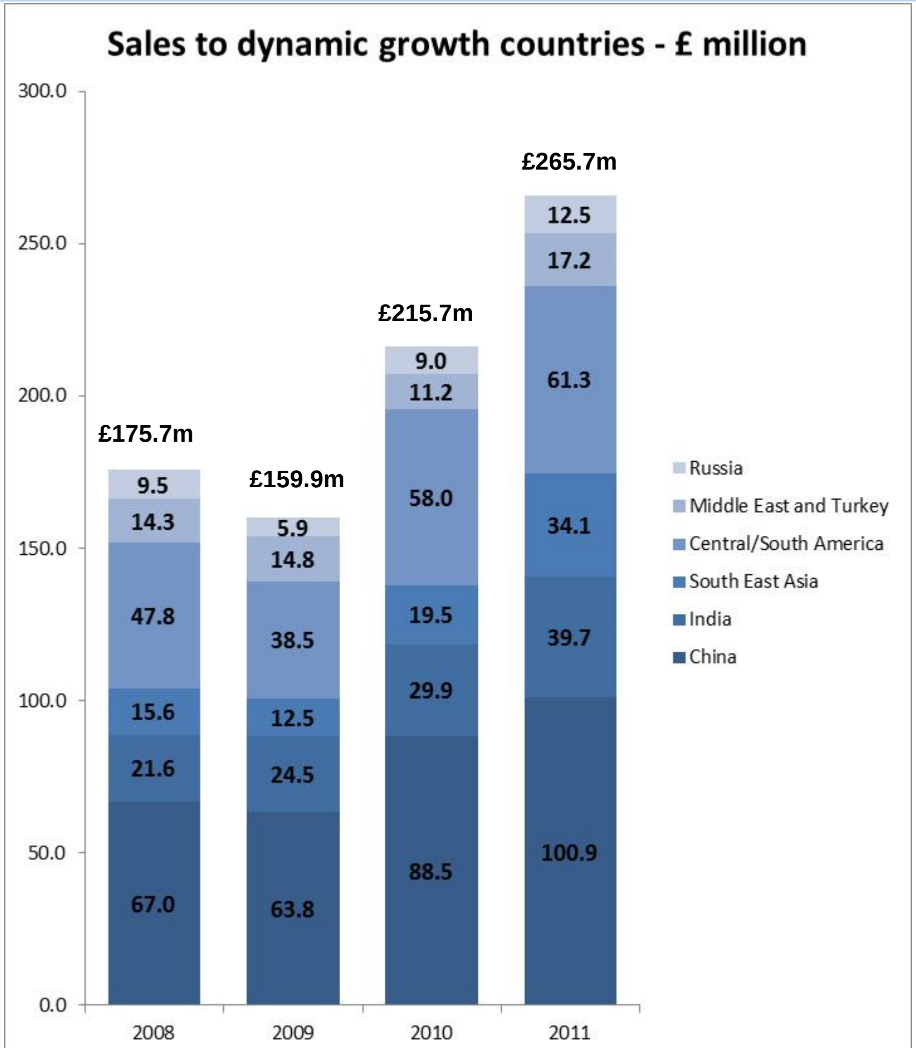
Our ambition remains to double the 2010 underlying PBT by 2013



Significant growth from new products and technologies – four biggest areas showing 39.3% year-on-year increase



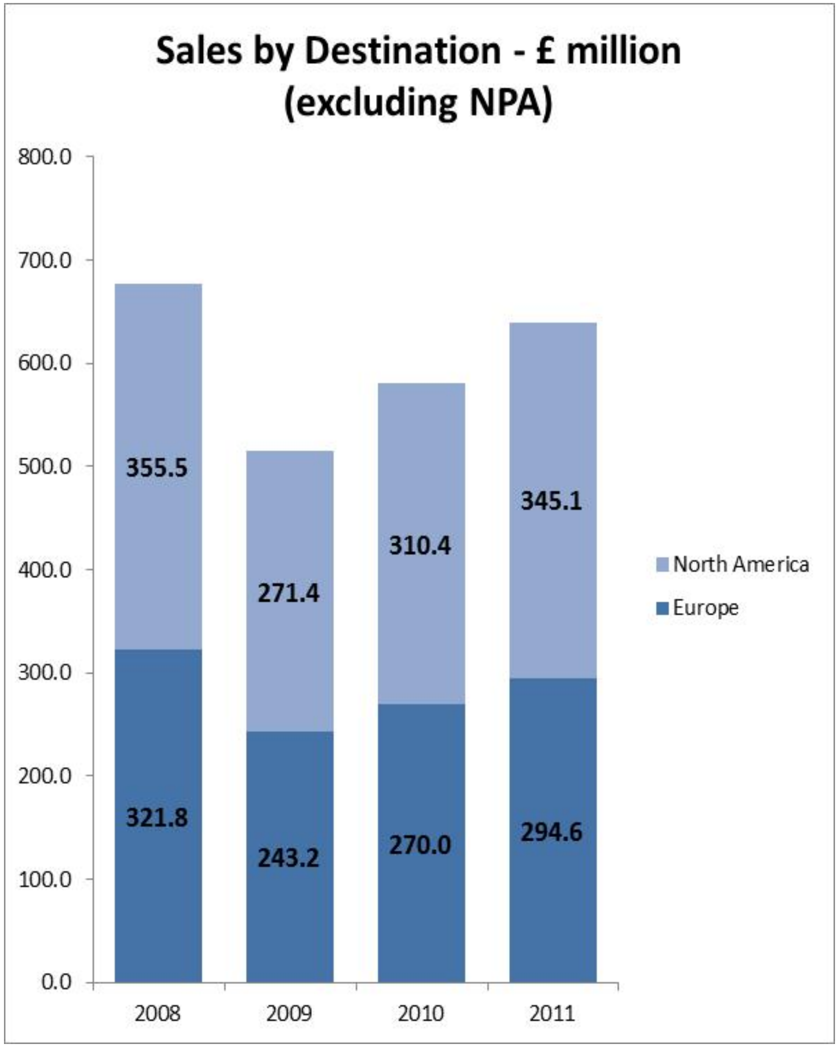
Sales to dynamic growth countries increased 23% and now represent c.25% of total Group sales



All at 2011 year end rates. China includes Hong Kong and Taiwan

- China now a £100 million market for Morgan – rapidly approaching close to 10% of overall Group sales
- India up more than 30% versus 2010 driven primarily by strong growth in Thermal and MMS businesses
- South East Asian revenue up c.75% with excellent growth from the commercial ramp-up of hard disk drive (HDD) business
- Strong increases also in sales to Middle East, Turkey and Russia

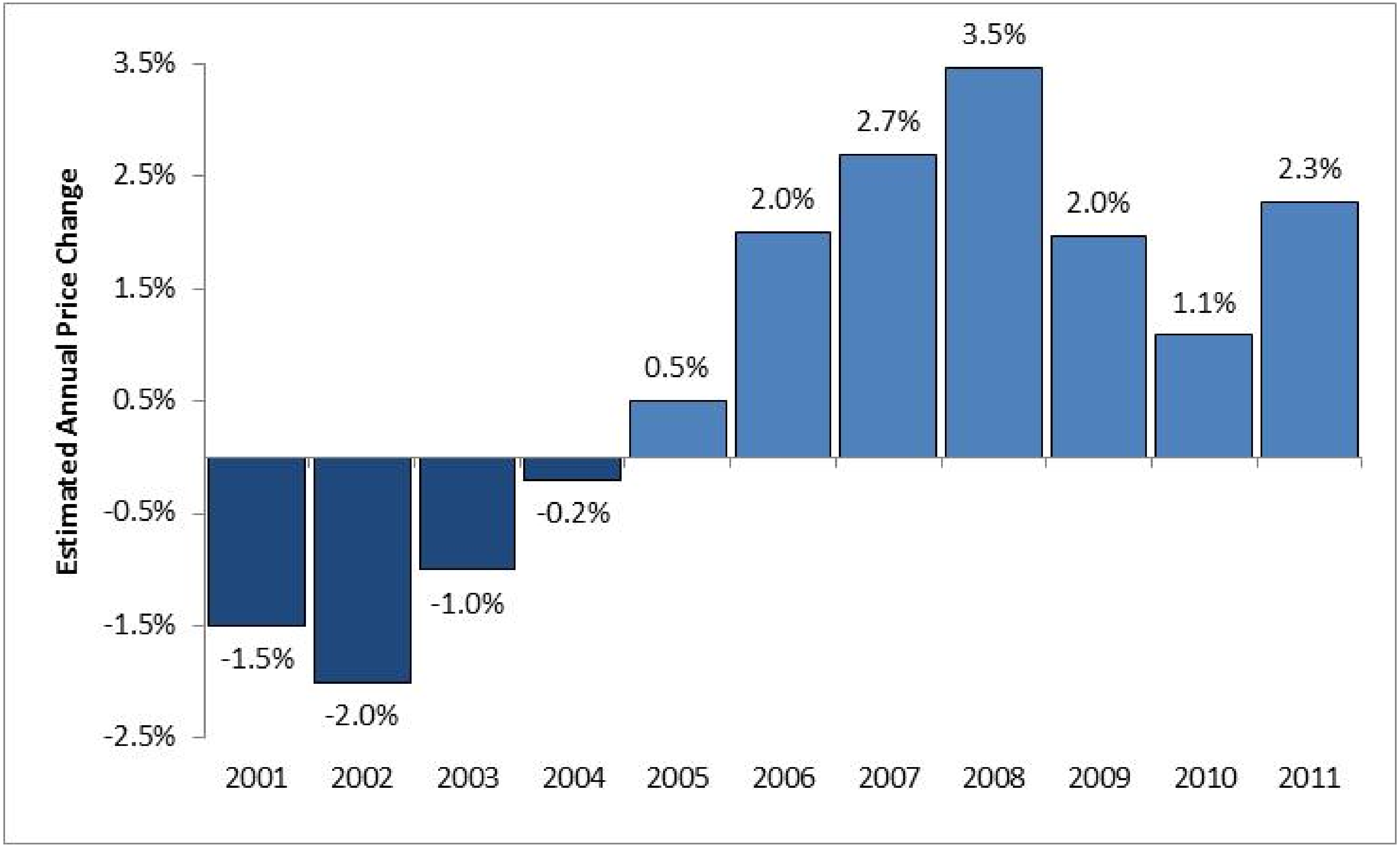
Revenue to Western world markets also grew over 10% in 2011



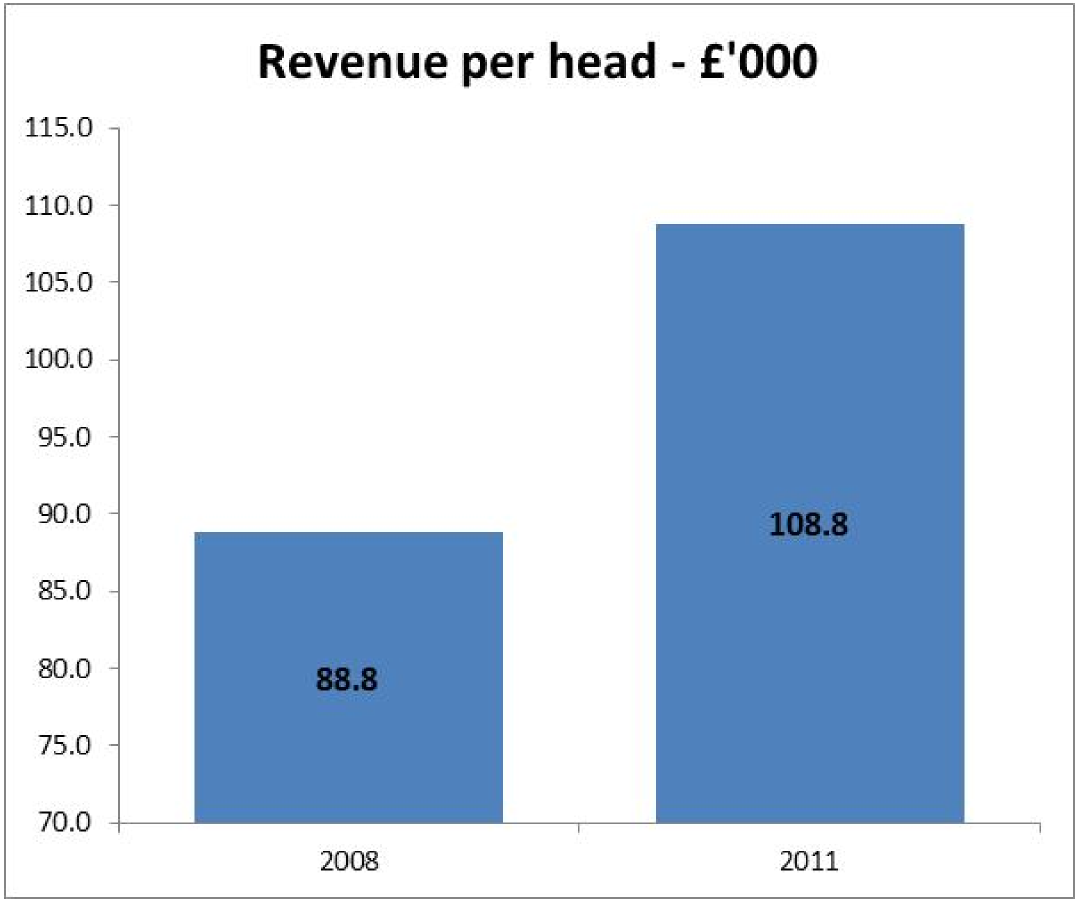
All at 2011 year end rates

- North America up 11.2% versus 2010; above 2008 levels excluding US body armour (£35 million in 2008, £7 million in 2011)
- Europe up 9.1% versus 2011 but still below 2008
    - European revenue primarily centred on UK, Germany and France
    - 2011 sales to Italy, Spain, Portugal and Greece total less than 5% of Group revenue
- Good top line increases from new products and technologies and in key secular growth markets such as aerospace

Positive year-on-year pricing again

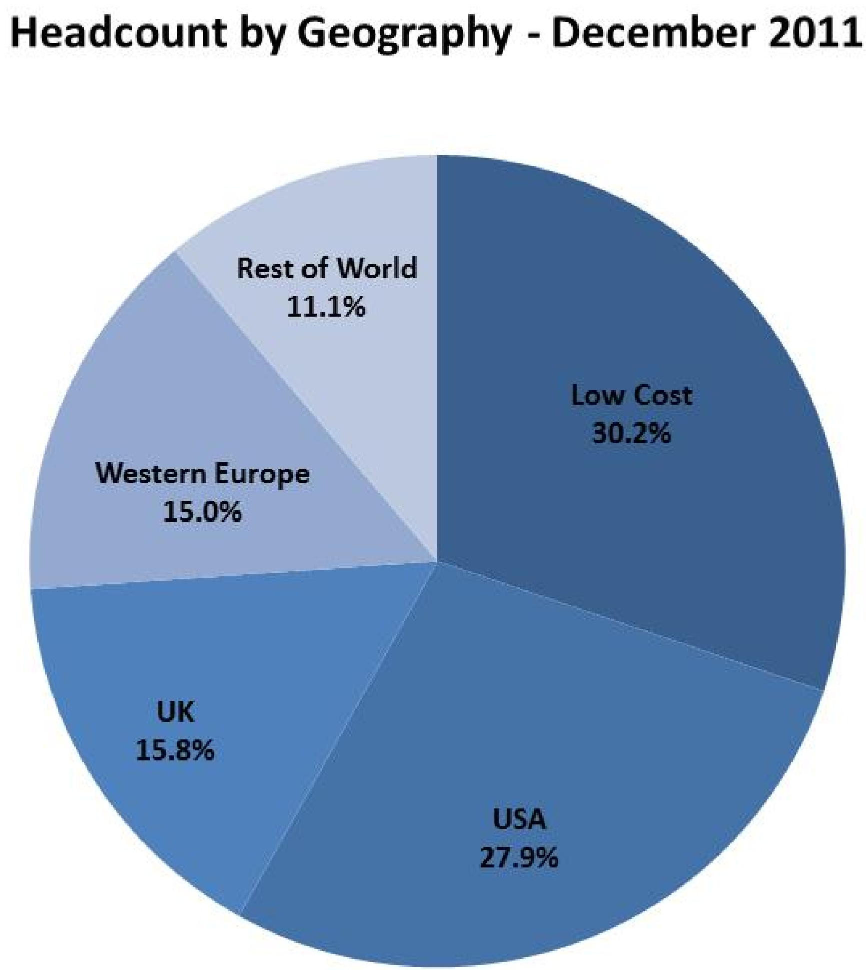


Revenue per head increased from £88.8k to £108.8k since 2008



- Record levels of Group revenue in 2011
- c.1,000 fewer employees than 2008

Headcount predominantly in low cost and/or flexible labour locations



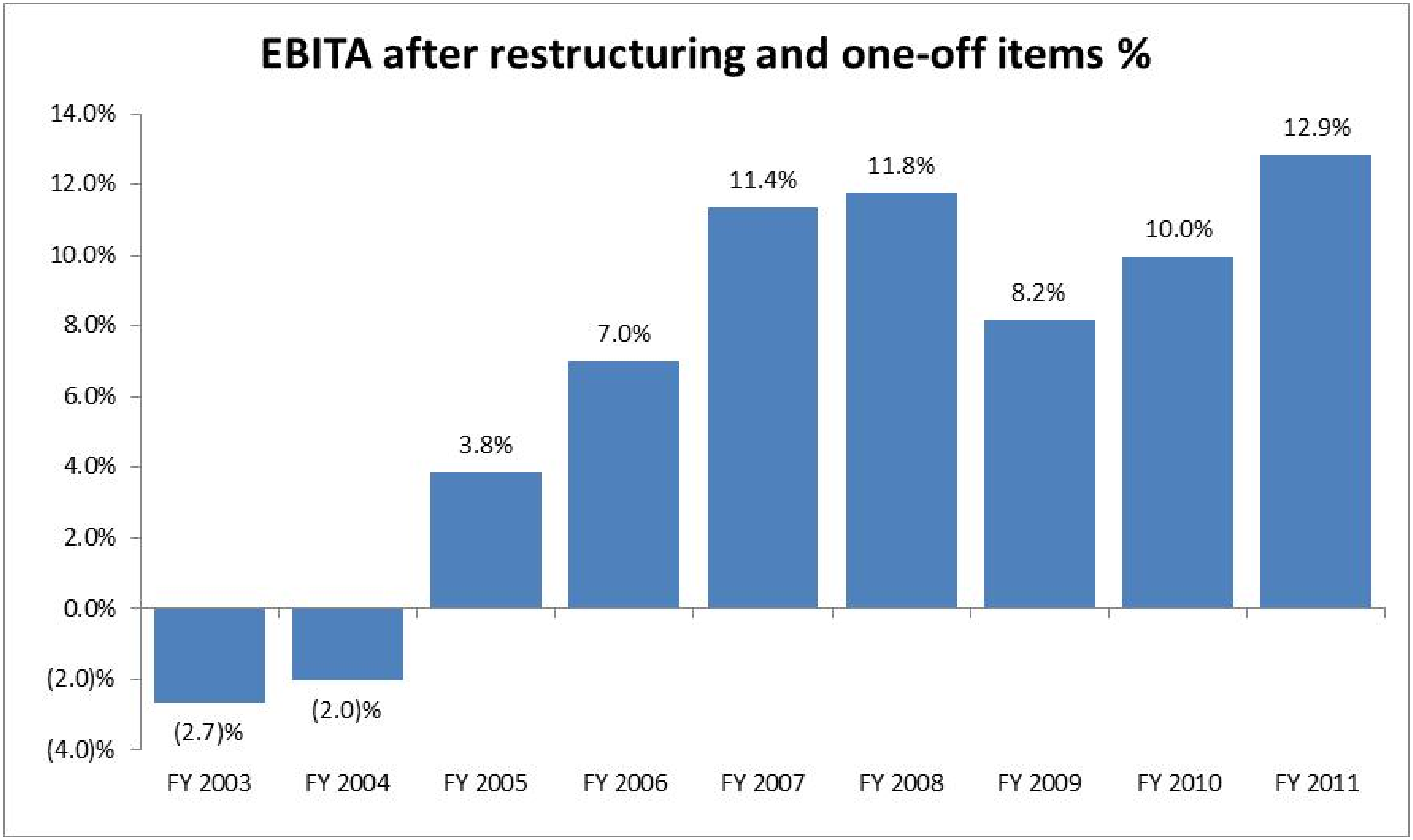
Over 30% of permanent headcount now in low-cost locations (China, India, Mexico, Hungary and Turkey)

Also close to 30% in US with its highly flexible labour

Over 15% in the UK which also has good flexibility

Only 15% now in Western Europe – with temps and contractors being widely used here to increase flexibility

Robust revenue growth and ongoing cost efficiencies drove a 290 basis point increase in EBITA margin



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The Advanced Materials Group

Summary and outlook

Mark Robertshaw

Significant progress made on all three financial goals in 2011

	2010	2011 Progress	2011	2013 Goal
Underlying PBT	£75.7m	+£44.0m	£119.7m	£150m
Underlying operating profit margin	10.0%	+290 basis points	12.9%	Mid-teens
Operating ROCE	25.4%	+830 basis points	33.7%	35%

Record results and continued ambition

- A higher quality business
- Good progress against our 2013 financial goals
- Continued uncertainty in the global macroeconomic environment but we believe we are well placed for further progress in 2012

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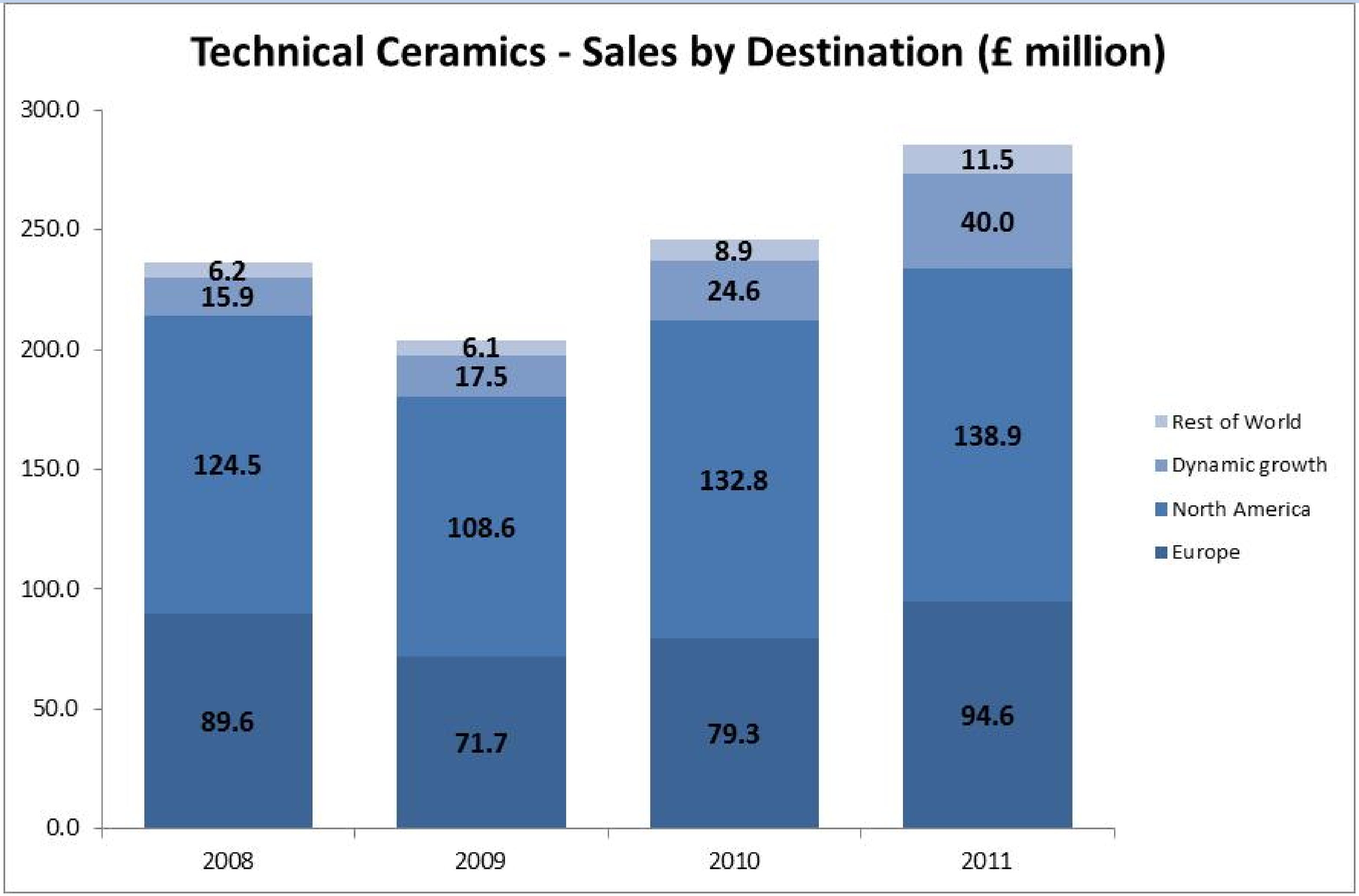
Appendix

A higher quality business – key ratios

	2006	2011	2013 Goals
Metrics for 2013 financial goals			
Underlying PBT	£51.5m	£119.7m	£150m
Underlying operating profit margin	7.0%	12.9%	Mid-teens
Operating ROCE	15.0%	33.7%	35%
Other key metrics			
Revenue per employee	£72.2k	£108.8k	
% of revenue from dynamic growth economies	15.2%	24.1%	
Underlying EPS	17.9p	29.9p	
Free cashflow before acquisitions and dividends	£(44.9)m	£57.8m	

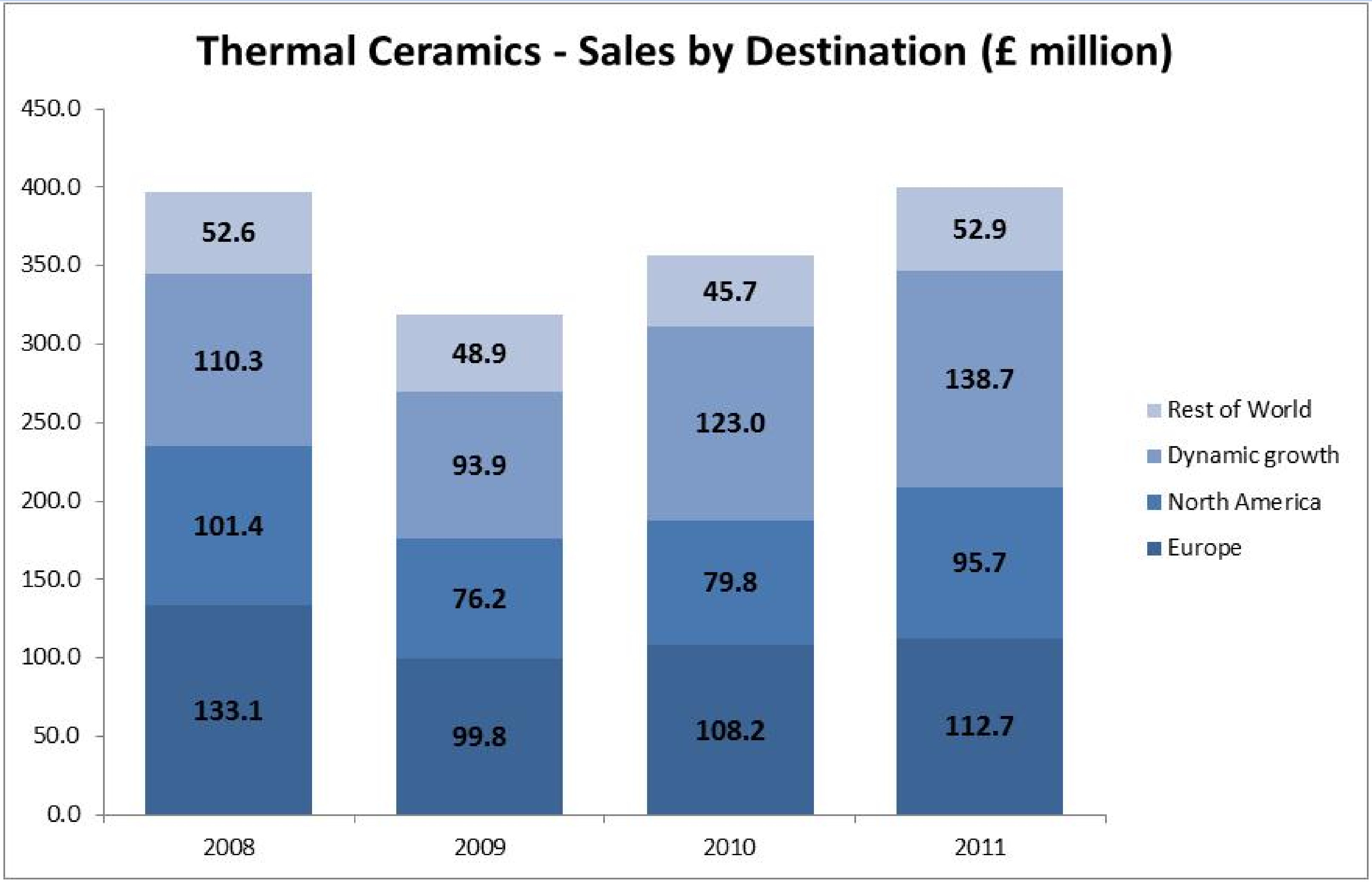
Technical – good growth in all regions with Europe and dynamic growth particularly strong



All at 2011 year end rates

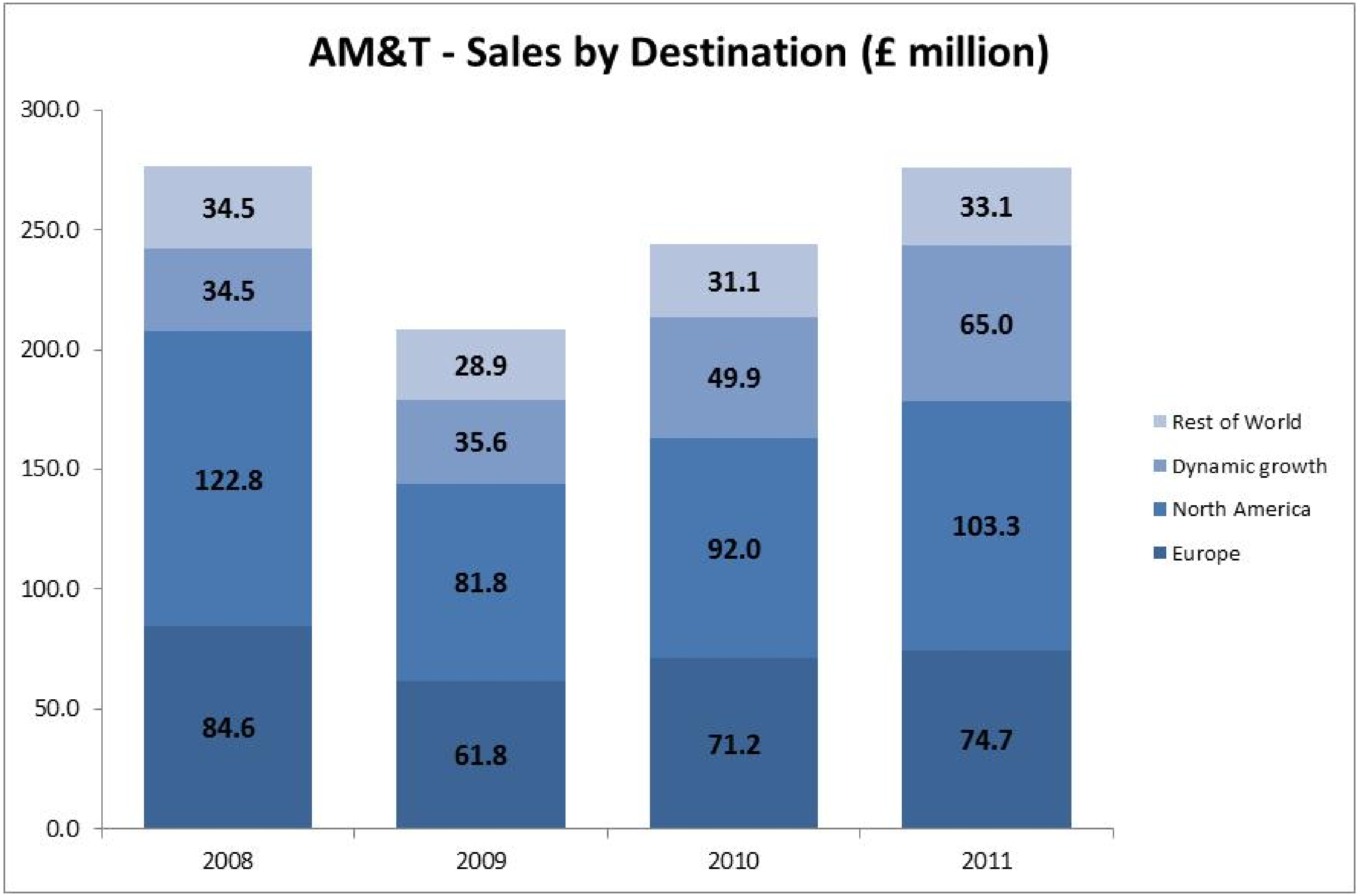
Dynamic growth markets includes China, India, South America, South East Asia, Middle East, Russia and Turkey

Thermal – large increase in US sales; dynamic growth by far the largest region



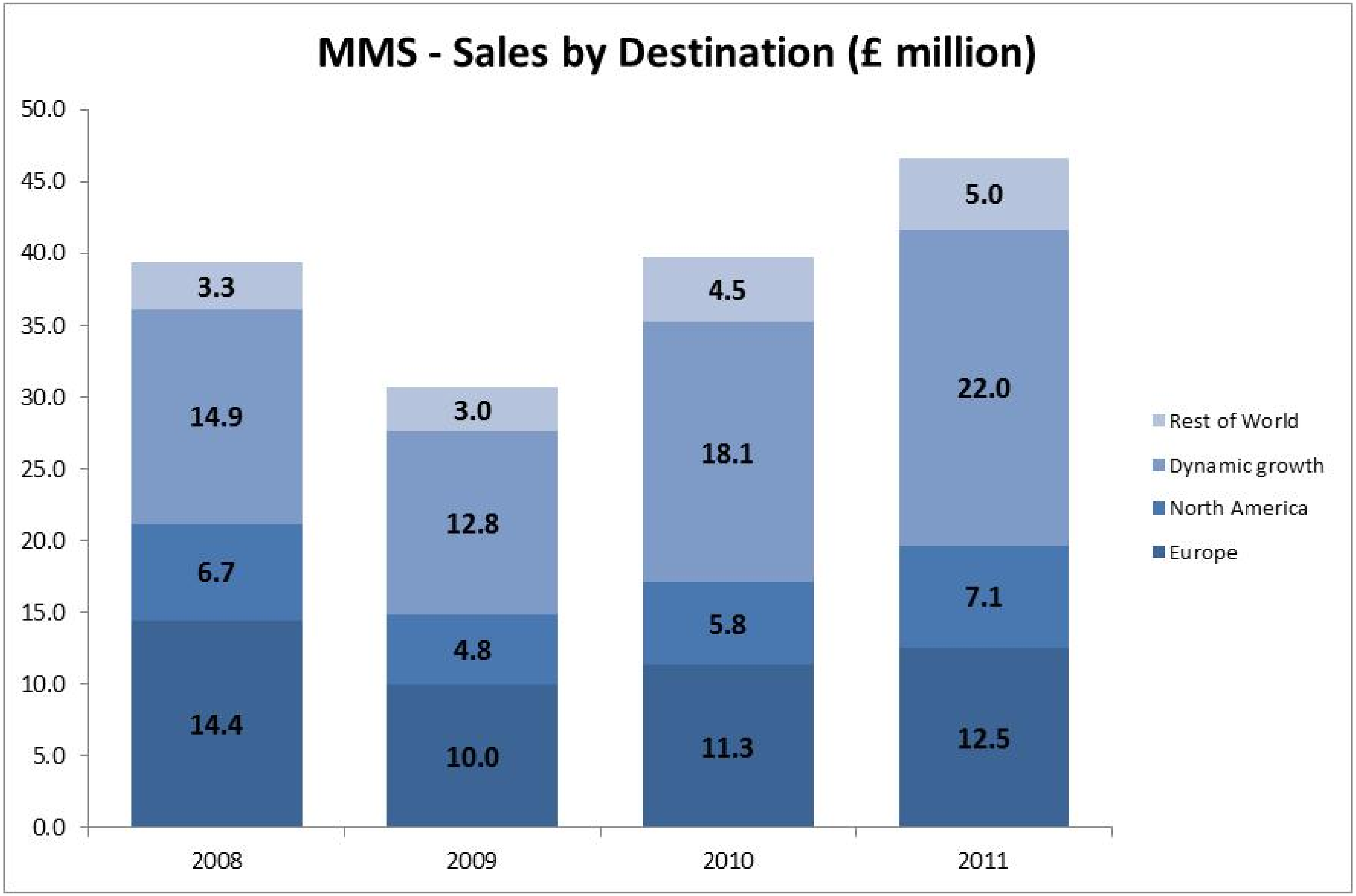
All at 2011 year end rates
Dynamic growth markets includes China, India, South America, South East Asia, Middle East, Russia and Turkey

AM&T – another year of significant expansion in dynamic growth locations and in North America



All at 2011 year end rates
Dynamic growth markets includes China, India, South America, South East Asia, Middle East, Russia and Turkey

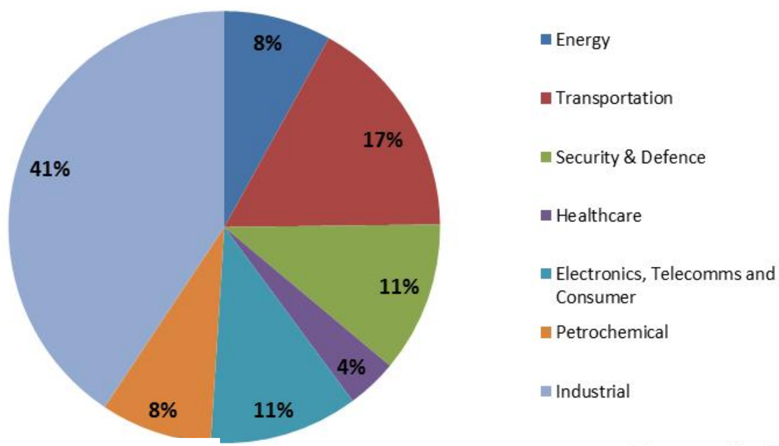
MMS – growth continued in each region



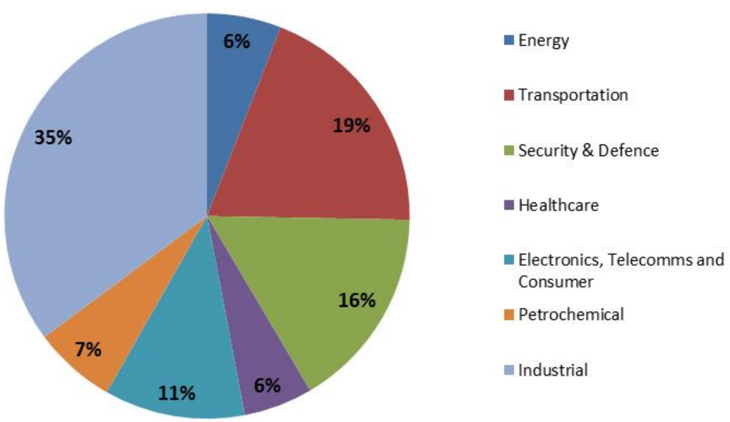
All at 2011 year end rates
Dynamic growth markets includes China, India, South America, South East Asia, Middle East, Russia and Turkey

2011 Sales by end market

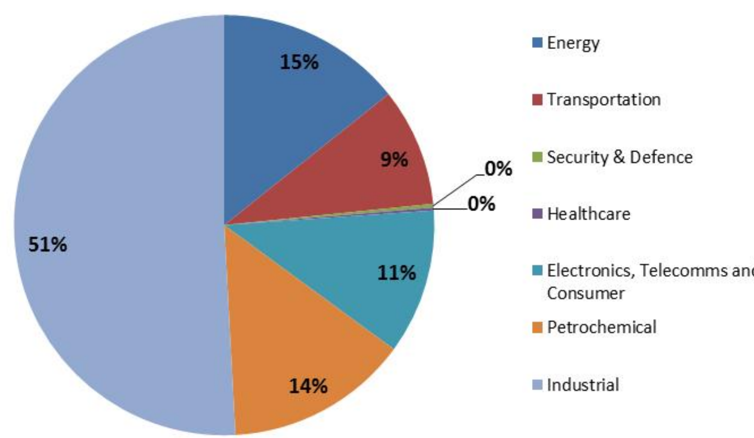
Total



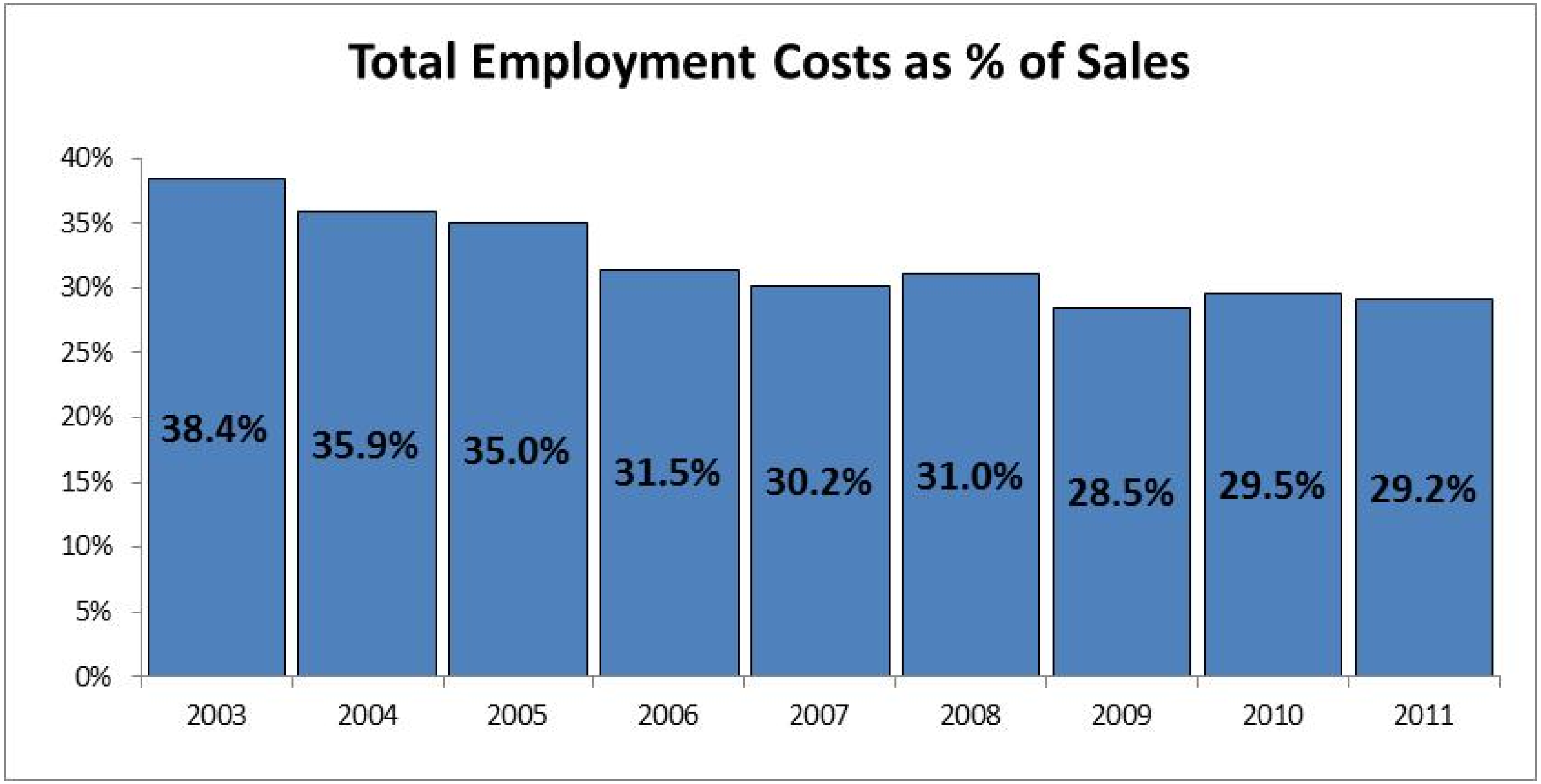
Western World



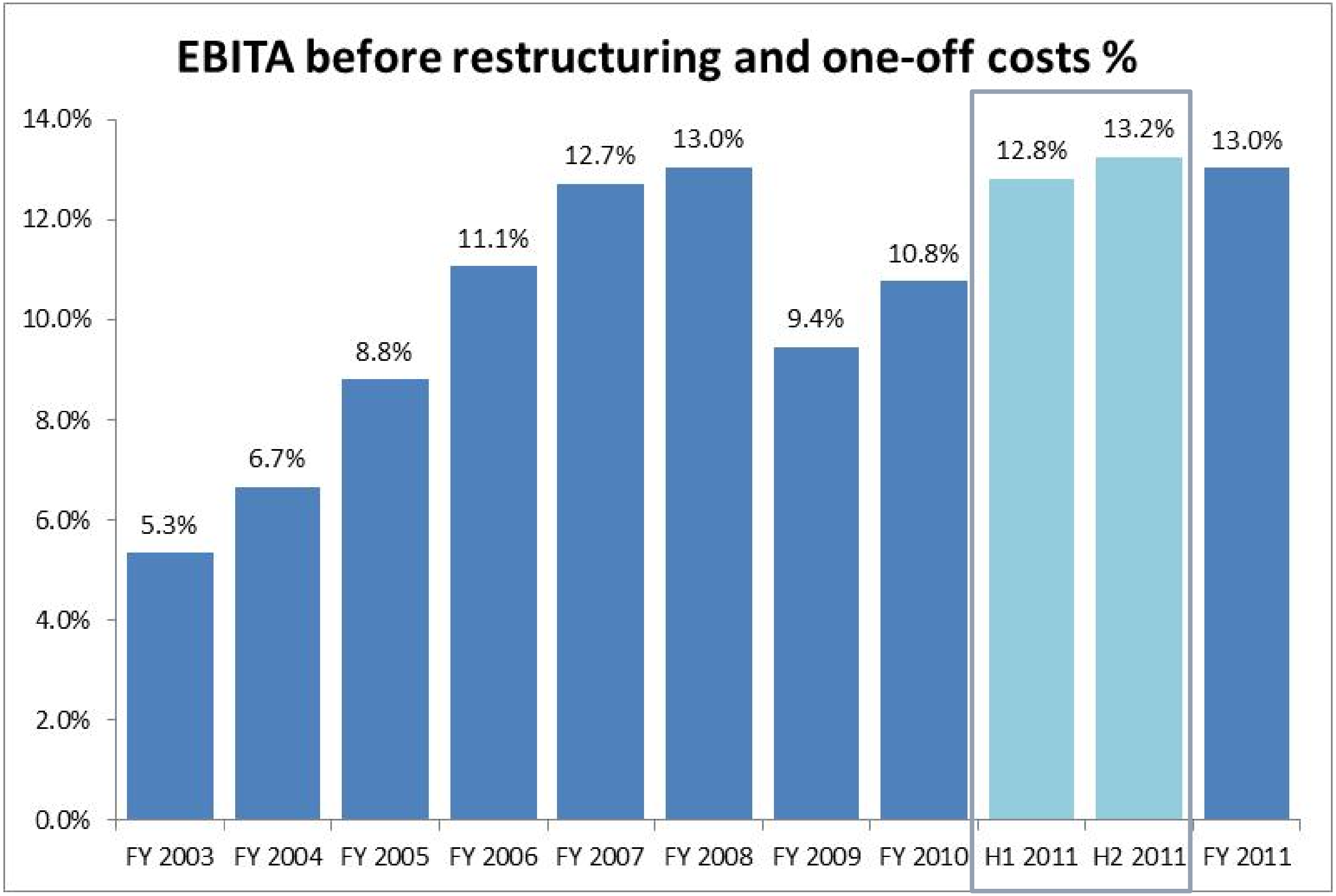
Dynamic Growth



Total employment costs as % of sales



Strong margin progression through 2011



Significant improvement in Operating ROCE

All £ million At reported rates	2011 Year End	2010 Year End
LTM EBITA	141.5	101.5
Increase -v- 2010 Year End	39.4%	
Operating Capital		
Land & Building - NBV	102.4	108.8
Plant & Equipment - NBV	157.4	160.4
Third Party Working Capital	160.2	130.7
	420.0	399.9
Increase -v- 2010 Year End	5.0%	
Return on Operating Capital Employed	**33.7%**	**25.4%**

Net Finance Charge

	FY11 £m	FY10 £m
Bank interest charge	21.7	25.7
Bank interest income	(1.3)	(1.0)
Interest expense on unwinding of discount on deferred consideration	0.5	1.2
Gain on foreign exchange derivatives in respect of financial indebtedness	0.0	(2.0)
IAS19 - Interest cost on liability	27.3	28.0
- Expected return on assets	(26.4)	(26.0)
	21.8	25.9

Underlying EPS

	FY11 £m	FY10 £m
Basic earnings	73.0	42.5
Amortisation	8.3	8.0
Underlying earnings	81.3	50.5
Weighted average number of shares in the period	271.7m	269.8m
Underlying earnings per share	29.9p	18.7p

Pensions – IAS 19 Income Statement charge

	FY11 Actual	FY10 Actual
	£m	£m
Service Charge (within Operating costs)	4.8	5.1
Net Finance Charge	0.9	2.0
	5.7	7.1

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