2017 Results Presentation

27th February 2018

Agenda

- Introduction and key highlights – Pete Raby
- 2017 results – Peter Turner
- Operational and strategic update – Pete Raby

Key highlights

- Strategy implementation firmly on track
- Improving momentum with return to organic growth:
  - FY organic growth of 1.4%
  - 2H organic growth of 2.8%
- EBITA margins at 11.7% with additional investment of £8m in technology, sales and wider business infrastructure
- Two divestments completed, reducing complexity and net debt:EBITDA to 1.2x
- We expect our organic growth in 2018 to be closer to our market growth rates

2017 results

Peter Turner

Group performance summary

	FY 2017[1] £m	FY 2016[1] £m	% change from FY 2016 As reported	Organic % change from FY 2016 At constant currency
Revenue	**1,021.5**	**989.2**	**3.3%**	**1.4%**
Group headline operating profit[2]	**119.7**	**116.9**	**2.4%**	**3.5%**
Group headline operating profit margin % [2]	*11.7%*	*11.8%*		
Free cash flow before acquisitions, dividends and one-off US pension payment[3]	**54.0**	**48.0**		
Headline earnings per share	**22.5p**	**22.7p**	**(0.9)%**	
Total dividend per share	**11.0p**	**11.0p**		

1 Results before specific adjusting items
2 Group headline operating profit is before specific adjusting items and amortisation of intangibles
3 Before additional accelerated payment into US pension scheme of $36m

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Divisional performance

	Revenue (£m)		Headline Operating Profit (£m)		EBITA margin (%)	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Thermal Ceramics	426.2	413.3	56.9	55.0	13.4%	13.3%
Molten Metal Systems	46.9	43.5	7.0	6.7	14.9%	15.4%
Thermal Products	**473.1**	**456.8**	**63.9**	**61.7**	**13.5%**	**13.5%**
Electrical Carbon	157.1	156.2	16.7	19.7	10.6%	12.6%
Seals and Bearings	113.2	97.7	17.5	14.2	15.5%	14.5%
Technical Ceramics	257.1	248.1	28.3	26.6	11.0%	10.7%
Carbon and Technical Ceramics	**527.4**	**502.0**	**62.5**	**60.5**	**11.9%**	**12.1%**
Composites and Defence Systems	**21.0**	**30.4**	**(1.1)**	**1.1**	**(5.2)%**	**3.6%**
Corporate costs			**(5.6)**	**(5.4)**		
Restructuring Costs				**(1.0)**		
Group	**1,021.5**	**989.2**	**119.7**	**116.9**	**11.7%**	**11.8%**

Cash flow summary

	FY 2017 £m	FY 2016 £m
EBITDA	150.3	147.4
Change in working capital	1.3	(5.3)
Change in provisions & other	(22.1)	(13.8)
Additional pension payment to US scheme	(28.0)	-
Cash flow from operations	**101.5**	**128.3**
Cash flow from operations before one-off US pension payment	**129.5**	**128.3**
Capital expenditure	(34.4)	(38.4)
Net interest paid	(16.6)	(13.1)
Tax paid on ordinary activities	(24.5)	(22.2)
Restructuring costs and other one-off items	-	(6.6)
Free cash flow before acquisitions and dividends	**26.0**	**48.0**
Free cash flow before acquisitions, dividends and one-off US pension payment	**54.0**	**48.0**
Dividends paid	(31.4)	(31.4)
Cash flows from other investing and financing	(19.7)	(15.6)
Cash flows from divestments	78.1	-
Exchange movement	8.2	(27.5)
Opening net debt	(242.5)	(216.0)
Closing net debt	**(181.3)**	**(242.5)**

- Focus on working capital delivered benefits
- Closing net debt significantly lower than prior year due to disposal proceeds
- Significant additional pension payment made to US scheme
- Net debt:EBITDA at 1.2x (FY 2016: 1.6x)

Pensions update – funding position improved and increased asset allocation to ‘matching’ assets

Deficit movement since 31 Dec 2016 (£m)	
Deficit at 31 December 2016	**(271)**
Foreign exchange	1
Return on assets	27
Contributions (net of service and finance costs)	40
Disposal of Rotary Transfer Systems liability	2
Actuarial losses on liabilities	(17)
Deficit at 31 December 2017	**(218)**

£m	31 December 2017	31 December 2016
Equities	*164*	*208*
Bonds	*211*	*85*
Annuities	*188*	*194*
Other	*9*	*37*
Total Assets	572	524
Liabilities	(790)	(795)
Deficit	**(218)**	**(271)**
UK bond yields	*2.4%*	*2.6%*
US bond yields	*3.7%*	*4.2%*

Matching Assets
2016: 53%
2017: 70%

FY18 Guidance – financial items

Headline tax rate	**28 - 29%**
Interest charge (at current FX rates)	**c. £8m**
IAS19 pensions finance charge	**c. £5m**
Funded pension scheme contributions	**c. £16m**

c. £13m

Operational and strategic update

Pete Raby

Thermal Ceramics: performance summary

£m	FY 2017	FY 2016	% change from FY 2016 As reported	Organic % change from FY 2016 At constant currency
Revenue	426.2	413.3	*3.1%*	*-1.6%*
EBITA	56.9	55.0	*3.5%*	*-1.0%*
EBITA margin %	13.4%	13.3%		

Performance commentary

- Growth in Asia driven by strong progression in China and India
- North America and Europe were down on prior year
- Margin improvement driven by operational improvements
- Higher Superwool® conversion

Strategic focus

- Growth in automotive and passive fire protection
- Further Superwool® conversion
- Investment in sales and new product development to support growth
- Operational efficiency funding re-investment

Molten Metal Systems: performance summary

£m	FY 2017	FY 2016	% change from FY 2016 As reported	Organic % change from FY 2016 At constant currency
Revenue	46.9	43.5	*7.8%*	*0.9%*
EBITA	7.0	6.7	*4.5%*	*-2.8%*
EBITA margin %	14.9%	15.4%		

Performance commentary

- Modest growth against prior year, driven by a strong performance in the precious metal market
- Margin declined slightly following reinvestment in technology and product development

Strategic focus

- Sales effectiveness remains a priority, including focus on value selling and distribution in key growth markets
- Ongoing operational improvements funding Research and Development and sales effectiveness

Electrical Carbon: performance summary

£m	FY 2017	FY 2016	% change from FY 2016 As reported	Organic % change from FY 2016 At constant currency
Revenue	157.1	156.2	*0.6%*	*3.1%*
EBITA	16.7	19.7	*-15.2%*	*-6.2%*
EBITA margin %	10.6%	12.6%		

Performance commentary

- Growth in China and Europe, with North America flat
- Rail, wind and specialty graphite products have delivered growth on prior year
- Margin decline due to dilution from the divestment of the Rotary Transfer Systems business and some reinvestment in R&D

Strategic focus

- Growth opportunities in transport and wind markets
- Development and introduction of new products through the Carbon Science Centre of Excellence
- Further operational and production efficiency needed to improve margins

Seals and Bearings: performance summary

£m	FY 2017	FY 2016	% change from FY 2016 As reported	Organic % change from FY 2016 At constant currency
Revenue	113.2	97.7	*15.9%*	*10.9%*
EBITA	17.5	14.2	*23.2%*	*17.4%*
EBITA margin %	15.5%	14.5%		

Performance commentary

- Strong organic growth driven by the water, chemical and petrochemical markets and a stronger year for ceramic armour
- Continuing weakness in the Korean automotive market
- Margins improving as a result of volume increases

Strategic focus

- Growth opportunities targeted in automotive, aerospace and consumer appliances
- Carbon Science Centre of Excellence to build our technical differentiation

Technical Ceramics: performance summary

£m	FY 2017	FY 2016	% change from FY 2016 As reported	Organic % change from FY 2016 At constant currency
Revenue	257.1	248.1	*3.6%*	*6.1%*
EBITA	28.3	26.6	*6.4%*	*18.9%*
EBITA margin %	11.0%	10.7%		

Performance commentary

- Good growth driven by the semiconductor and aerospace markets
- IGT market slowed down towards the end of 2017 and Medical marginally down due to customer phasing
- Margins improved despite the dilutive impact of the divestment due to cost reductions post simplification and operational improvements

Strategic focus

- Growth opportunities in aerospace, medical and semiconductor
- Increasing Research and Development investment
- Improving sales effectiveness, especially key account management
- Improving yields and reducing scrap

Composites and Defence Systems: performance summary

£m	FY 2017	FY 2016	% change from FY 2016 As reported	Organic % change from FY 2016 At constant currency
Revenue	21.0	30.4	*-30.9%*	*-31.1%*
EBITA	(1.1)	1.1	*-200.0%*	*-200.0%*
EBITA margin %	-5.2%	3.6%		

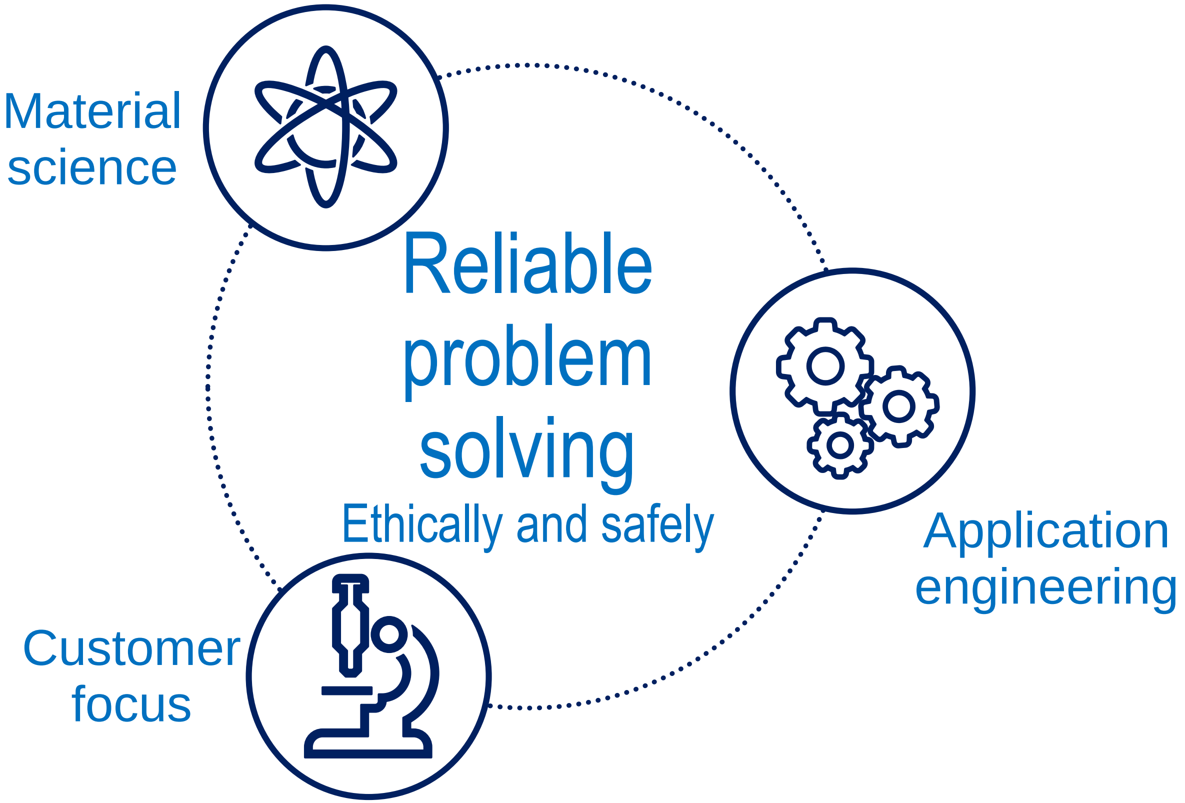
Performance commentary

- Revenue decline driven by reduction of activity with UK MoD and completion of a Danish vehicle programme
- Margin reduction due to loss of contribution from declining sales

Strategic focus

- Broader pipeline of new business opportunities
- Streamline the cost base
- Ongoing operational improvements to increase profitability

Our vision is to be renowned for world-class material science, application engineering and customer focus



- Scalable global businesses
- In growing markets
- Where technical differentiation is valued

Strengthening the Group to deliver resilient financial performance and faster growth

Six execution priorities

1. Move to a global structure

2. Extend our technology leadership

3. Improve operational execution

4. Drive sales effectiveness and market focus

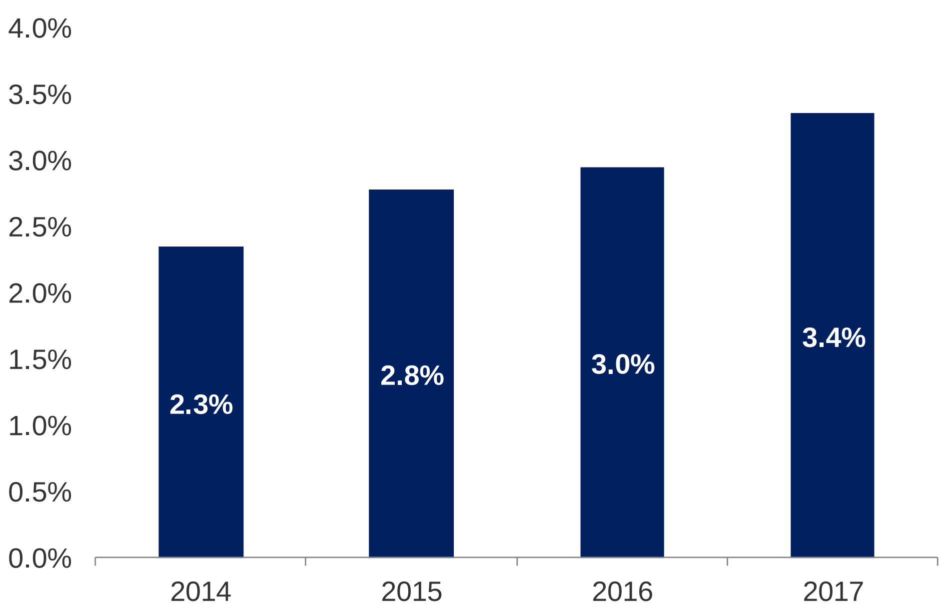
5. Increase investment in people management and development

6. Simplify the business

Execution priorities highlighted in blue will be covered in following slides

2. Technology investment on track

R&D as a percentage of sales, 2014-2017



In the next 2-3 years we plan to increase R&D investment towards 4%

- Investment in R&D increased to 3.4% of sales
- The four Centres of Excellence are driving a range of materials and process developments
- We will continue incrementally investing during the course of 2018, funded through operational improvements

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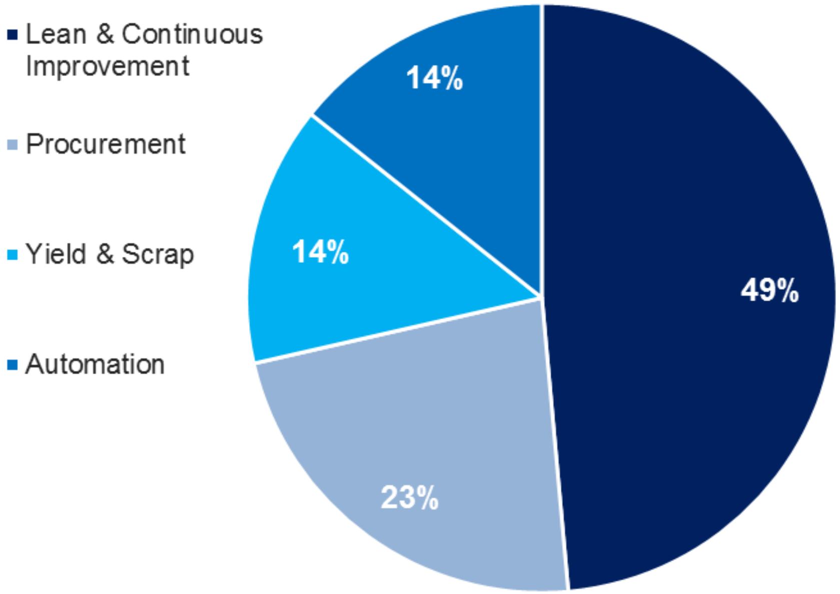
3. Operational improvements funding investment in technology and sales

Net operational efficiencies



£8.5m operational efficiencies delivered in 2017

Expected to deliver a further £8m in 2018

Key areas of focus

Lean & Continuous Improvement: Lean programme in Thermal Ceramics and site by site Continuous Improvement programmes across the business

Yield / Scrap: Technical Ceramics, Electrical Carbon and Seals & Bearings focused on improving yields and reducing scrap

Automation: increasing production automation across Thermal Ceramics, Electrical Carbon, Technical Ceramics and Seals and Bearings

Procurement: global focus on reducing raw material spend and maintenance services in Thermal Ceramics and Molten Metal Systems

4. We are focused on long term process and capability development in the sales teams

Process improvement	• Completed three pilot projects launched in H2 in Thermal Ceramics, Electrical Carbon and Seals and Bearings focused on pricing, value selling, segmentation and sales process
	  • Identified streamlining and automation opportunities for manual processes, freeing up sales capacity to spend more time with our customers
	  • Pricing pilot highlighted areas of price leakage and we have subsequently communicated price increases, and expect to see the impact in 2018

Sales incentives	• Created a new structure for sales incentive plans across the Group
	  • Going forward, sales incentives will be largely based on the performance of the individual, with larger variable compensation
	  • Trials are ongoing across four sales teams
	  • The plan designs will be refined following these trials and new sales incentive plans will be deployed across the business in 2019

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Summary

- Strategy implementation firmly on track
- Improving momentum with return to organic growth:
  - FY organic growth of 1.4%
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- EBITA margins at 11.7% with additional investment of £8m in technology, sales and wider business infrastructure
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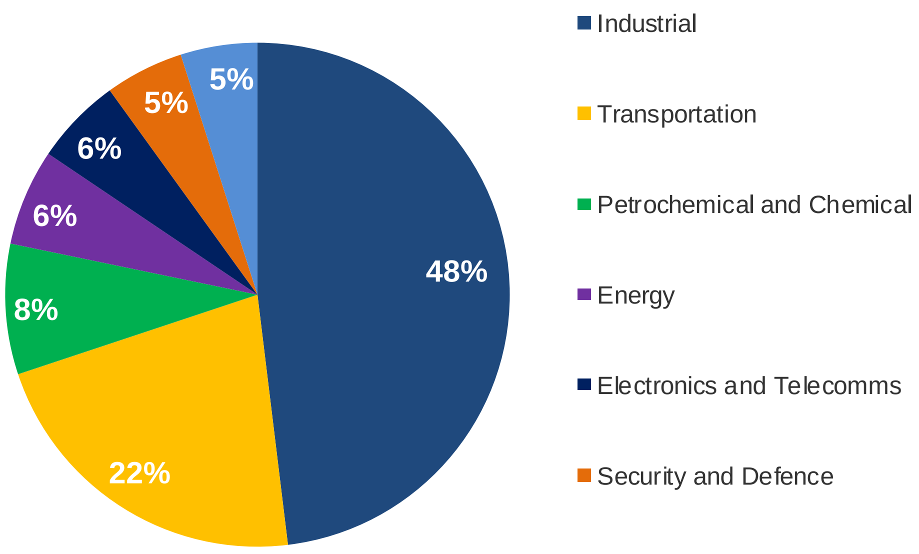
Appendix

End market mix (as a % of revenue)



Main markets by GBU

Thermal Ceramics:
Industrial, Chemical & Petrochemical, Metals, Automotive

MMS:
Aluminium (automotive), Copper (construction), Precious Metals

Electrical Carbon:
Rail, Industrial Equipment, Power Generation

Seals and Bearings:
Petrochemical, Pumps, Aerospace, Automotive, Home Appliances

Technical Ceramics:
Industrial Equipment, Electronics, Aerospace, Healthcare, Energy

Composites and Defence Systems:
Defence (military vehicles support, soldier protection & bomb suits, vehicle armour)

Reported statutory figures

	Results before specific adjusting items FY 2017 (£m)	Specific adjusting items FY 2017 (£m)	Total FY 2017 (£m)
Revenue	**1021.5**	**-**	**1021.5**
Operating costs before restructuring costs, other one-off items and amortisation / impairment of intangible assets	(901.8)	-	(901.8)
Profit from operations before restructuring costs, other one-off items and amortisation / impairment of intangible assets	**119.7**	**-**	**119.7**
Restructuring costs and other one-off items:	-	45.7	45.7
Profit from operations before amortisation / impairment of intangible assets	**119.7**	**45.7**	**165.4**
Amortisation of intangible assets	(7.3)	-	(7.3)
Impairment of intangible assets	-	-	-
Operating profit	**112.4**	**45.7**	**158.1**
Finance income	1.8	-	1.8
Finance expense	(24.3)	-	(24.3)
Net financing costs	**(22.5)**	**-**	**(22.5)**
Share of profit of associate (net of income tax)	0.2	-	0.2
Profit before taxation	**90.1**	**45.7**	**135.8**
Income tax expense	(26.9)	5.0	(21.9)
Profit for the period	**63.2**	**50.7**	**113.9**
Profit for the period attributable to:			
Owners of the parent	56.9	50.7	107.6
Non-controlling interests	6.3	-	6.3
Profit for the period	**63.2**	**50.7**	**113.9**

Key exchange rates

GBP to:	FY 2017 Closing rate	FY 2017 Average rate	FY 2016 Closing rate	FY 2016 Average rate
USD	1.35	1.29	1.23	1.35
EUR	1.13	1.14	1.17	1.22

Key exchange rate sensitivities on results	Revenue	EBITA
Increase in full year revenue / Group EBITA if:	**£m**	**£m**
GBP weakens by 10c against the US dollar in isolation	+35.2	+4.9
GBP weakens by 10c against the Euro in isolation	+20.9	+3.7

Retranslating the 2017 actual results at the January 2018 closing exchange rates would lead to revenue of **£969.7m** and headline operating profit of **£112.3m**

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Headline EPS

	FY 2017 £m	FY 2016 £m
Profit for the period attributable to ordinary shareholders	107.6	52.3
Amortisation	7.3	7.9
Total specific adjusting items post-income tax	(50.7)	4.5
Headline earnings	**64.2**	**64.7**
Weighted average number of shares in the period	285.0m	285.1m
Headline earnings per share	22.5p	22.7p

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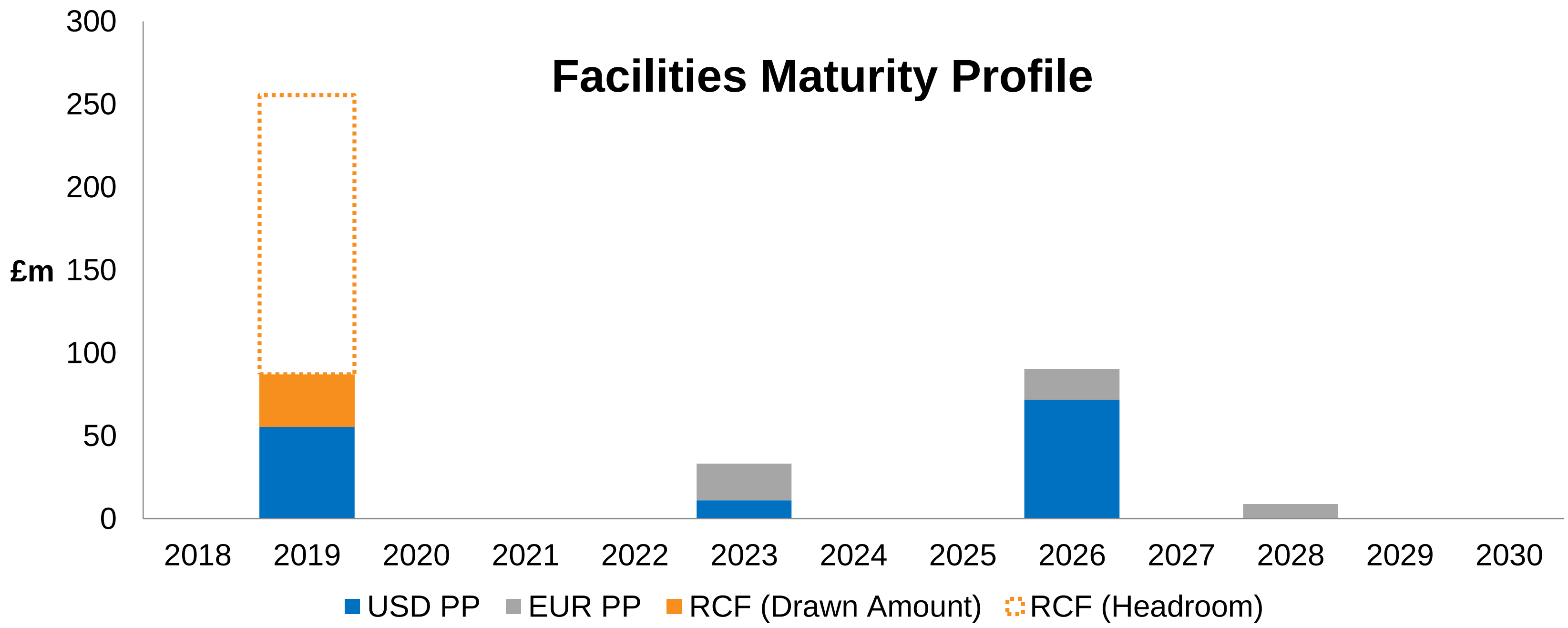
Group Funding

- Net debt to EBITDA: 1.2x (2016: 1.6x)
- €20m and $175m Private Placement Notes repaid in 2017
- £200m Revolving Credit Facility matures October 2019



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Impacts of new accounting standards

IFRS 15 Revenue from Contracts with Customers is effective for periods beginning on or after 1 January 2018 and introduces a new revenue recognition model that requires the transaction price receivable from customers to be allocated between the Group's performance obligations under contracts on a relative stand-alone selling price basis.

The Group has systematically reviewed its customer contracts and its data capture systems capability across the six global business units to assess the impact of the new Standard and ensure compliance.

Based on the Group's review, it is anticipated that there are no significant impacts to the Group as a result of the new Standard. The impacts at the Group level are presented below:

	Revenue as reported			Revenue restated for IFRS 15 impacts		
	Six months to 30 June	Six months to 31 December	Total 2017	Six months to 30 June	Six months to 31 December	Total 2017
	£m	£m	£m	£m	£m	£m
Third party revenue – total Group	518.9	502.6	1021.5	518.8	503.6	1022.4
Operating profit – total Group	61.6	58.1	119.7	61.2	58.5	119.7

2017 Results Presentation

27th February 2018