Morgan Crucible
The Advanced Materials Group

2012 Half Year Financial Results

24th July 2012

Agenda

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2012 Half Year Group and Divisional results	Kevin Dangerfield
Group progress and goals	Mark Robertshaw
Summary and outlook	Mark Robertshaw

2012 Half Year Group and Divisional results

Kevin Dangerfield

Margins maintained on lower revenue, dividend increased c.10%

	HY12	HY11	% Change from HY11	
			As reported	At constant currency
Revenue	£533.0m	£560.0m	-4.8%	-4.9%
EBITA before restructuring and one-off items	£69.0m	£71.7m	-3.8%	-4.0%
EBITA margin % before restructuring and one-off items	12.9%	12.8%		
EBITA after restructuring and one-off items *	£67.7m	£71.5m	-5.3%	-5.5%
EBITA margin % after restructuring and one-off items *	12.7%	12.8%		
PBT before amortisation	£57.8m	£59.7m	-3.2%	-3.3%
Underlying earnings per share	14.5p	14.6p	-0.7%	
Interim dividend per share	3.60p	3.25p	+10.8%	

** EBITA after restructuring and one-off items is defined as operating profit before amortisation of intangible assets*

Income statement – key highlights

	HY12 £m	HY11 £m
Revenue	533.0	560.0
EBITA before restructuring and one-off items *	69.0	71.7
Net restructuring and one-off items*	(1.3)	(0.2)
EBITA after restructuring and one-off items *	67.7	71.5
Amortisation of intangible assets	(4.1)	(4.1)
Operating profit	63.6	67.4
Net financing costs	(9.9)	(11.8)
Profit before tax	53.7	55.6
Profit before tax and amortisation	57.8	59.7
Tax	(15.6)	(16.7)
Profit after tax	38.1	38.9
Discontinued operations	21.0	0.0
Profit for the period	59.1	38.9
Non-controlling interests	(2.2)	(3.3)
Profit attributable to owners of the parent for the period	56.9	35.6

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

- Net restructuring, FY guidance c.£5m
- Net interest payable of £8.6m (HY11 £11.0m)
- Estimated FY effective tax rate of 29%
- Discontinued operations is release of historic tax provisions for prior year disposals
- Non-controlling interests down due to reduced profits in China and NPA Jordan

Good cash generation in line with H1 2011

	HY12 £m	HY11 £m
Cash from trading	84.6	87.4
Change in working capital	(30.8)	(39.8)
Change in provisions	(3.9)	(2.7)
Cash flow from operations	**49.9**	**44.9**
Net capital expenditure	(12.0)	(8.0)
Net interest paid	(10.2)	(11.2)
Tax paid on ordinary activities	(14.9)	(11.6)
Restructuring costs and other one-off items	(2.8)	(4.0)
Free cash flow before acquisitions and dividends	**10.0**	**10.1**
Dividends paid	(4.8)	(5.5)
Cash flows from other investing and financing activities	(12.5)	(15.8)
Exchange movement	0.7	3.1
Opening net debt	(215.4)	(236.2)
Closing net debt	**(222.0)**	**(244.3)**

** Cash from trading is EBITA before restructuring and one-off items adjusted for depreciation and loss/profit on sale of plant and machinery*

- 3WC/Sales of 22.7% for Group expected to improve to c.20% by year end
- Gross cap ex of £14.3 million representing 0.92 times depreciation
- NPA deferred consideration of £6.8 million and purchase of own shares for share plans of £7.0 million
- Net Debt:EBITDA of 1.3x (YE 2011 1.2x)

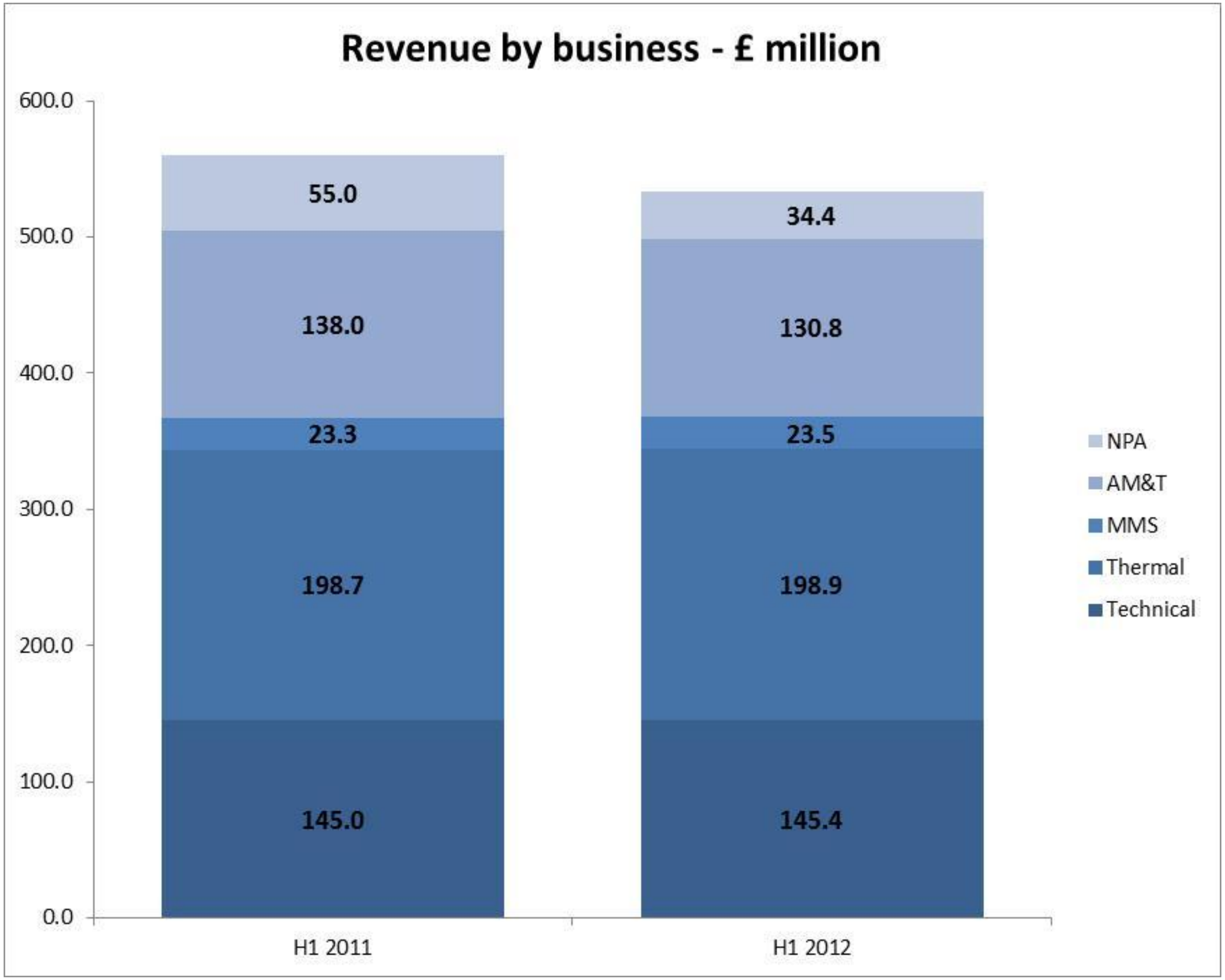
Profit and margin improved in Ceramics and MMS; AM&T and NPA impacted by specific revenue declines

£m	Revenue		EBITA		Profit Margins %	
	HY12	**HY11**	**HY12**	**HY11**	**HY12**	**HY11**
Technical Ceramics	145.4	145.0	23.5	21.4	**16.2%**	**14.8%**
Thermal Ceramics	198.9	198.7	27.5	23.3	**13.8%**	**11.7%**
Ceramics	**344.3**	**343.7**	**51.0**	**44.7**	**14.8%**	**13.0%**
AM&T	130.8	138.0	12.3	17.8	**9.4%**	**12.9%**
NP Aerospace	34.4	55.0	4.0	7.8	**11.6%**	**14.2%**
Molten Metal Systems	23.5	23.3	4.2	3.9	**17.9%**	**16.7%**
Engineered Materials	**188.7**	**216.3**	**20.5**	**29.5**	**10.9%**	**13.6%**
Unallocated Costs *			**(2.5)**	**(2.5)**	**-**	**-**
EBITA pre one-off items **	***533.0***	***560.0***	***69.0***	***71.7***	***12.9%***	***12.8%***
One-off items **			**(1.3)**	**(0.2)**		
EBITA post one-off items **			***67.7***	***71.5***	***12.7%***	***12.8%***

*** 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 property and other one-off items**

Group revenue £27.0 million lower than H1 2011 – NPA £20.6 million and AM&T £7.2 million



All at reported rates

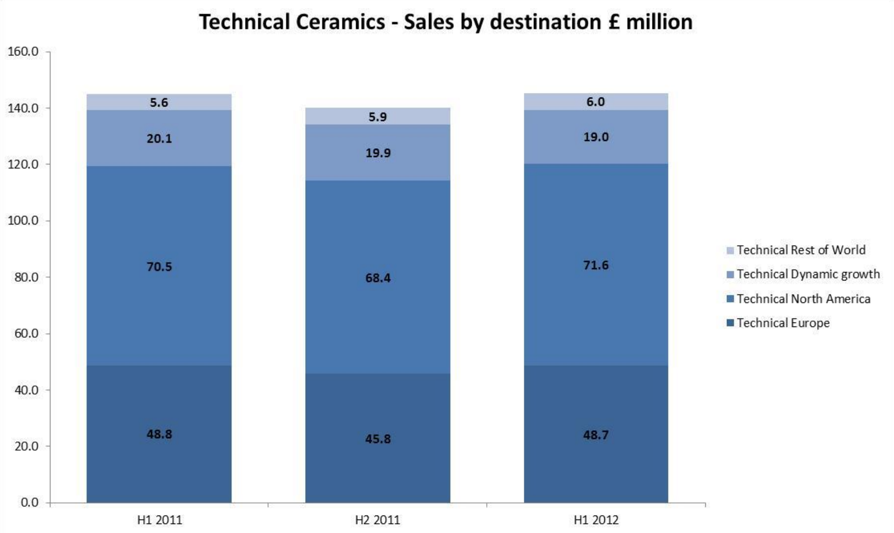
Ceramics' revenue flat year-on-year against back drop of tougher economic climate

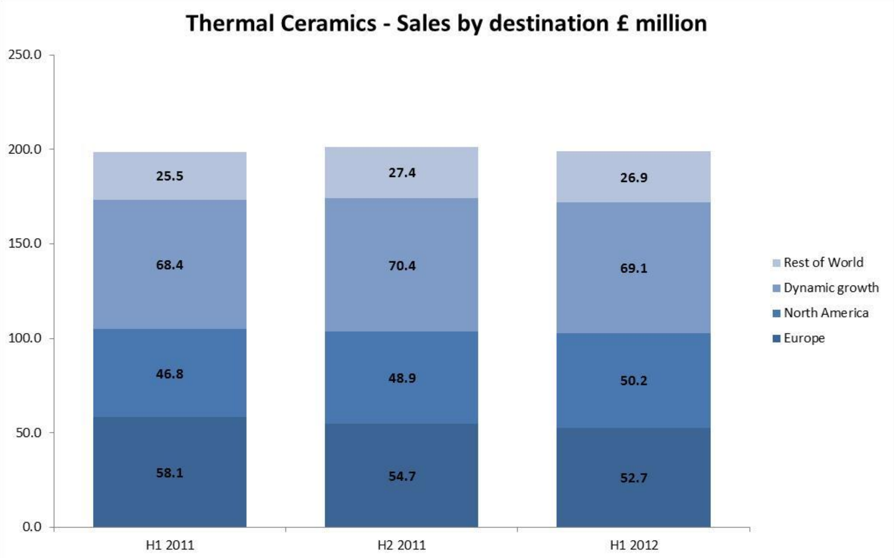
Technical Ceramics revenue flat at constant currency

- Aerospace remains robust, especially in USA, with IGT also up year-on-year
- HDD started year strongly but softened in Q2
- Decline in solar market affecting sales in dynamic growth region but new business opportunities continue to be identified in Asia and Latin America in other applications

Thermal Ceramics revenue up 1.8% at constant currency

- Key target markets (eg. CPI and fire protection) remaining resilient across all geographies
- Some softness in Europe more than offset by growth in other regions
- Increased sales to higher margin markets eg. aerospace and emission control applications





Dynamic growth markets include China, India, South East Asia, Central and South America, Middle East, Turkey and Russia.
All at 2012 half year rates

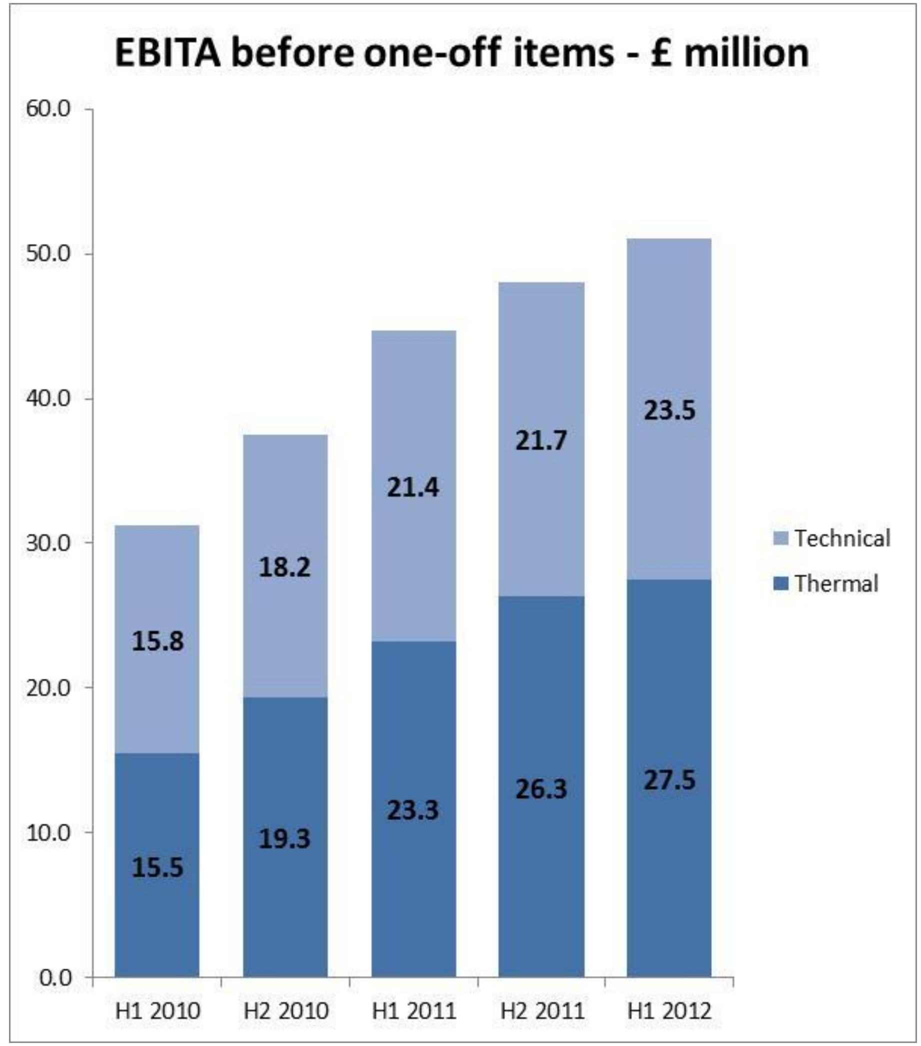
Ceramics' EBITA increased 14.1% against H1 2011

Technical Ceramics EBITA up 9.8% with margin improving 140 basis points to 16.2%

- Positive margin improvement across all regions
- Positive mix shift continues, supported by positive pricing and new product introductions
- Benefit from site rationalisation in US and relocation of work to Mexico

Thermal Ceramics EBITA up 18.0% and margin increased 210 basis points to 13.8%

- Profit and margin improvements in all regions
- Continuing growth in sales of and margin from Superwool® fibre
- Positive mix shift towards markets such as aerospace
- Improving operational efficiency gains across the business



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

Engineered Materials' revenue down £27.6 million – NPA £20.6 million, AM&T £7.2 million

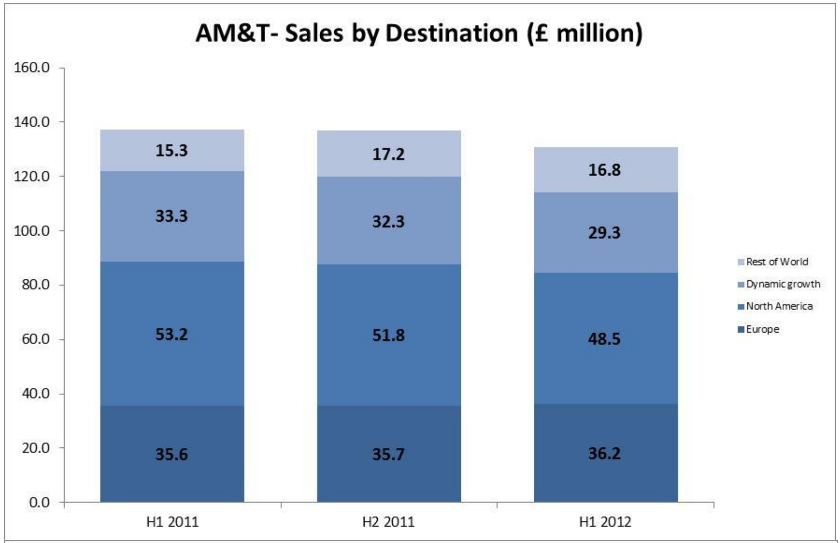
AM&T revenue down 4.8% at constant currency

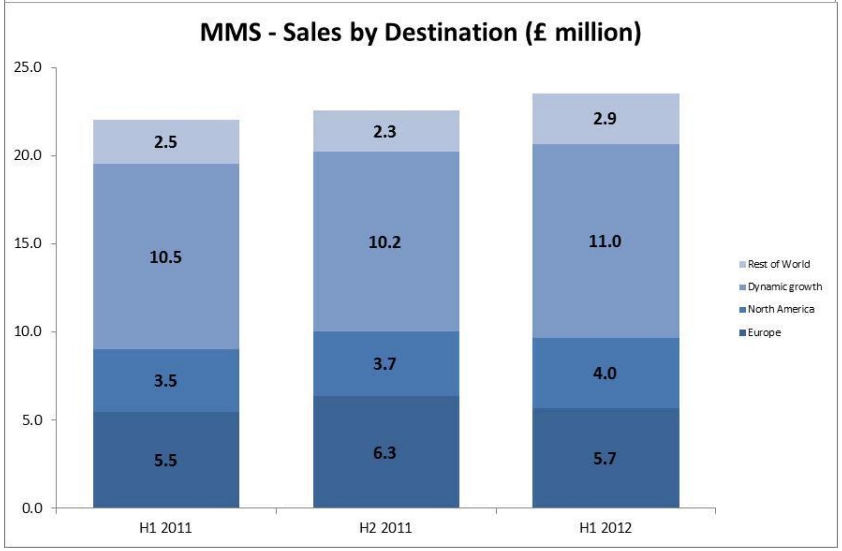
- Growth in Seals & Bearings and Semicon more than offset by lower revenue from renewables and US defence business
- Chinese revenue lower year-on-year, although H2 expected to begin to show upturn versus H1

NPA revenue down £20.6 million

- Continued reduction in UK MoD business associated with new vehicle programmes
- Spares and personal protection business (body armour and helmets) more stable
- First production order for vehicle protection shipped in North America and a further prototype order secured

MMS revenue up 6.8% at constant currency with robust sales across all regions





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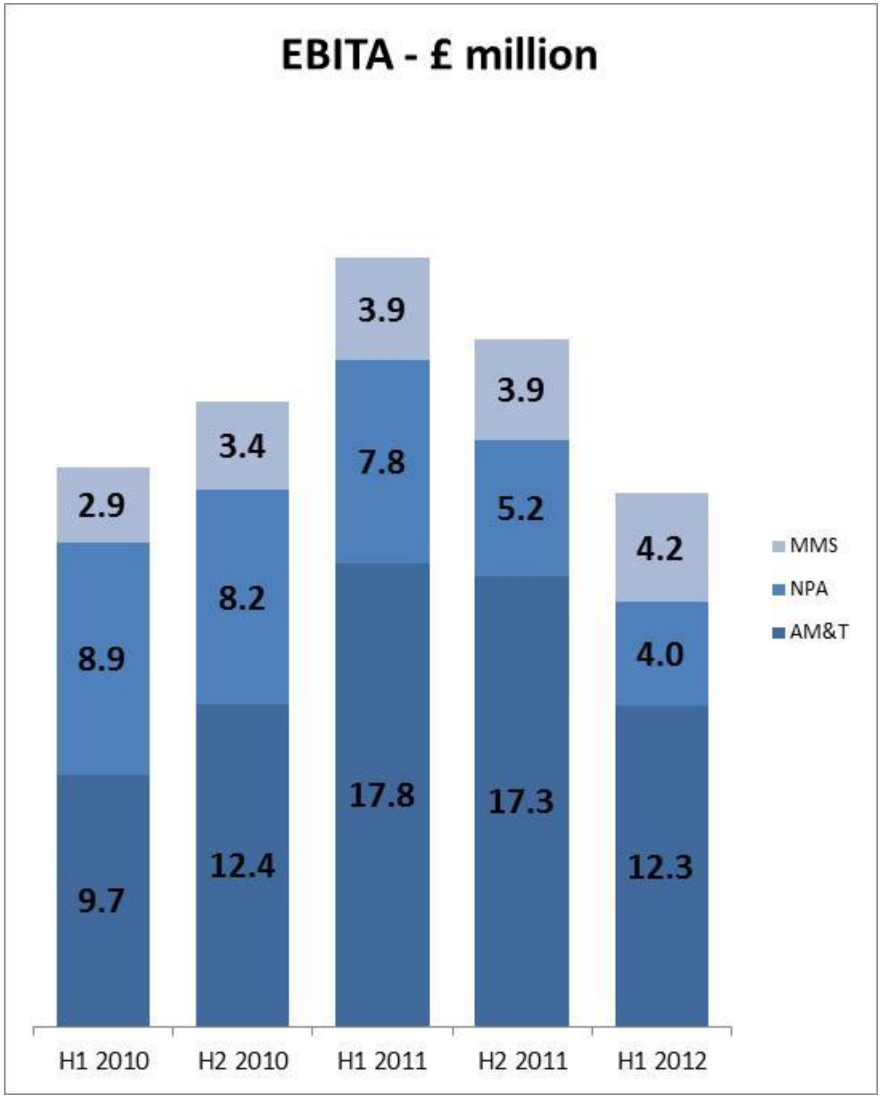
All at 2012 half year rates

Engineered Materials' EBITA reduced due to revenue reductions

AM&T has seen significant revenue declines in some of its highest margin areas, body armour and renewable energy, leading to a reduction in EBITA £ and %

NPA revenue reductions impacted profit and margin; headcount reductions implemented in Q2

MMS EBITA up 7.7% and margin improved by 120 basis points to 17.9% as a result of growth, strong pricing and continued operational improvements



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Summary of results

- Resilient Group results in more challenging economic times
- Group margins maintained – good profit and margin progression in Ceramics; Engineered Materials impacted by specific revenue declines, but further excellent performance from MMS
- Good free cash flow generation in line with expectations
- Dividend increased by c.10%

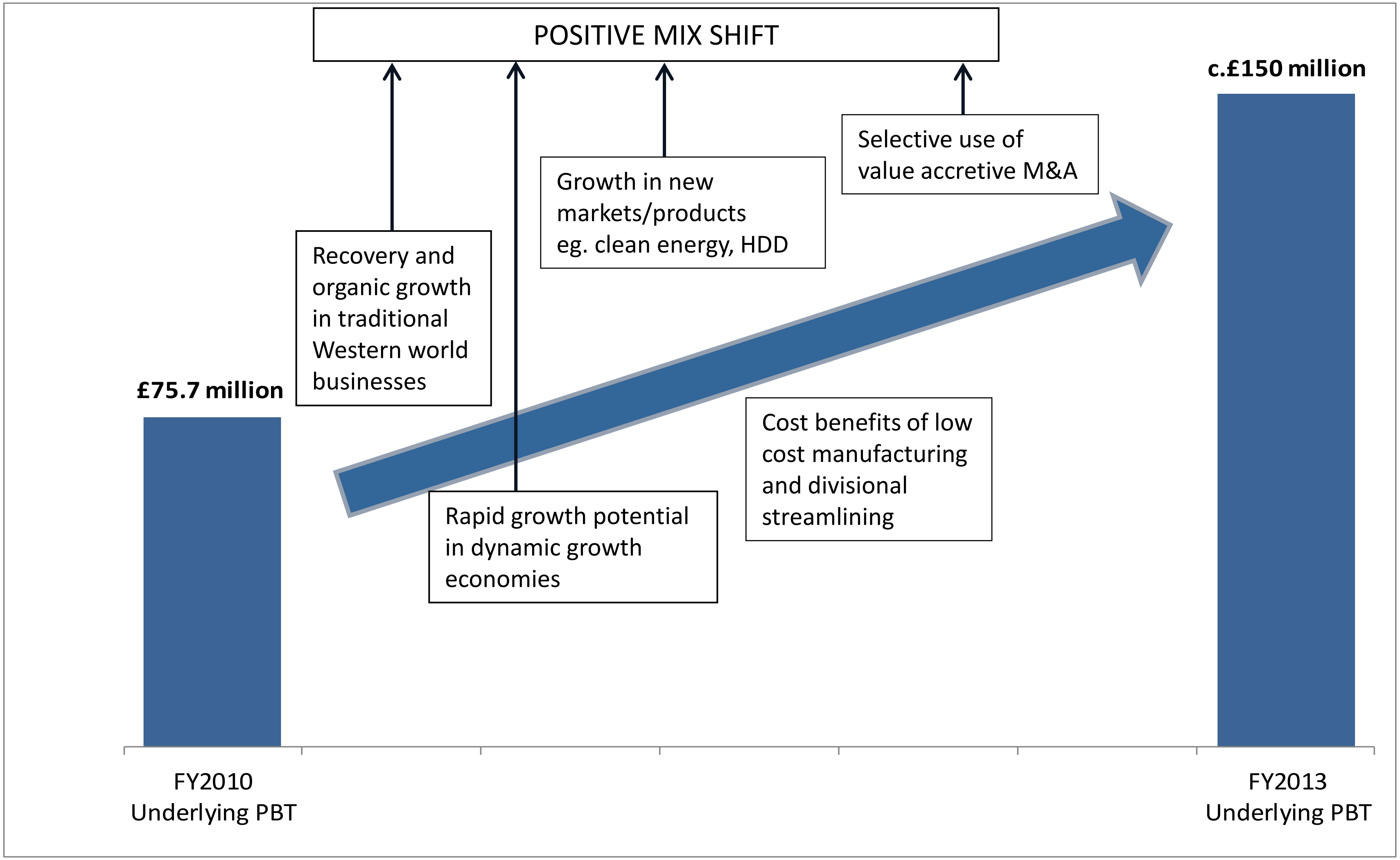
Group progress and goals

Mark Robertshaw

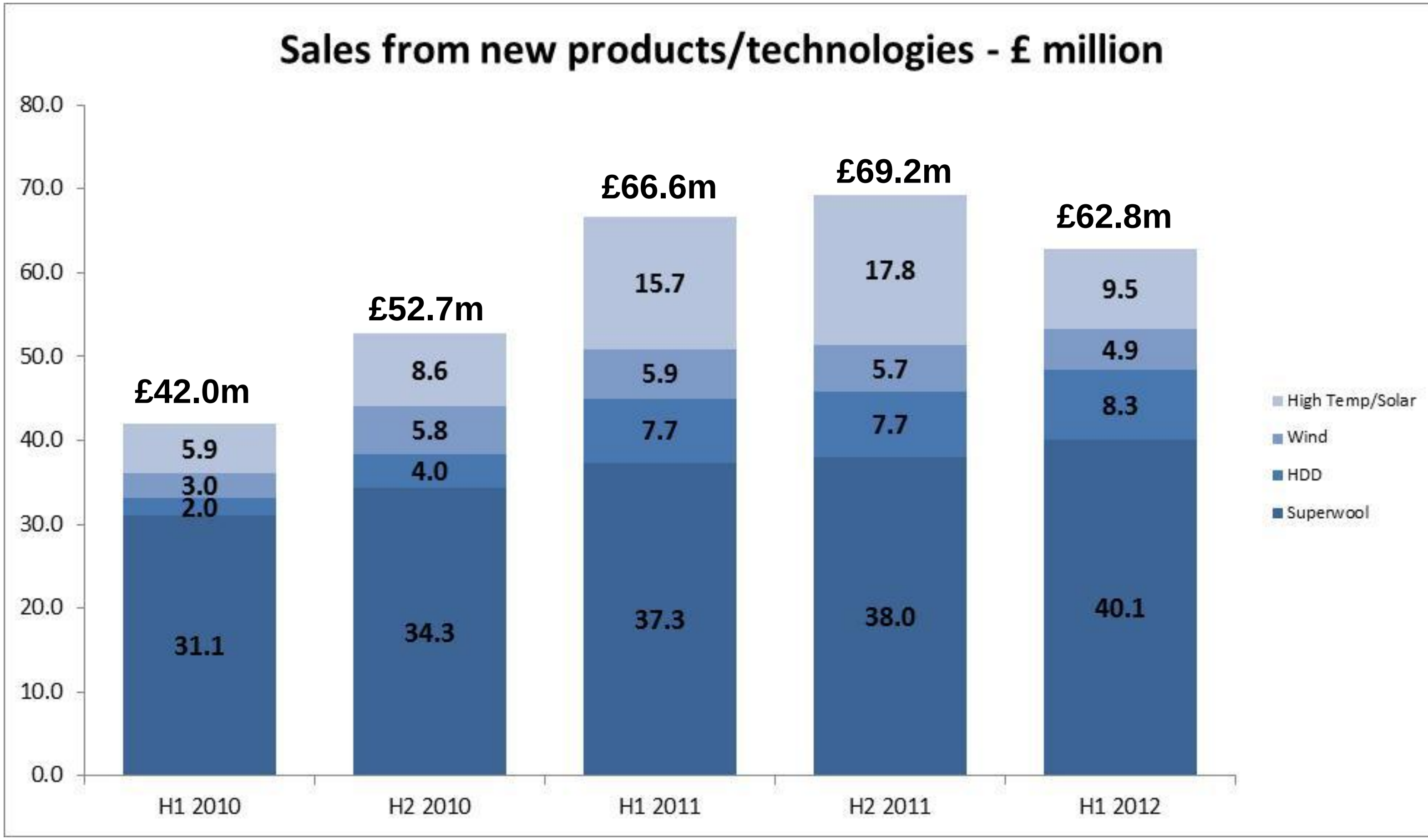
Financial ambitions by 2013

- 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

Building blocks for our doubling of underlying PBT goal

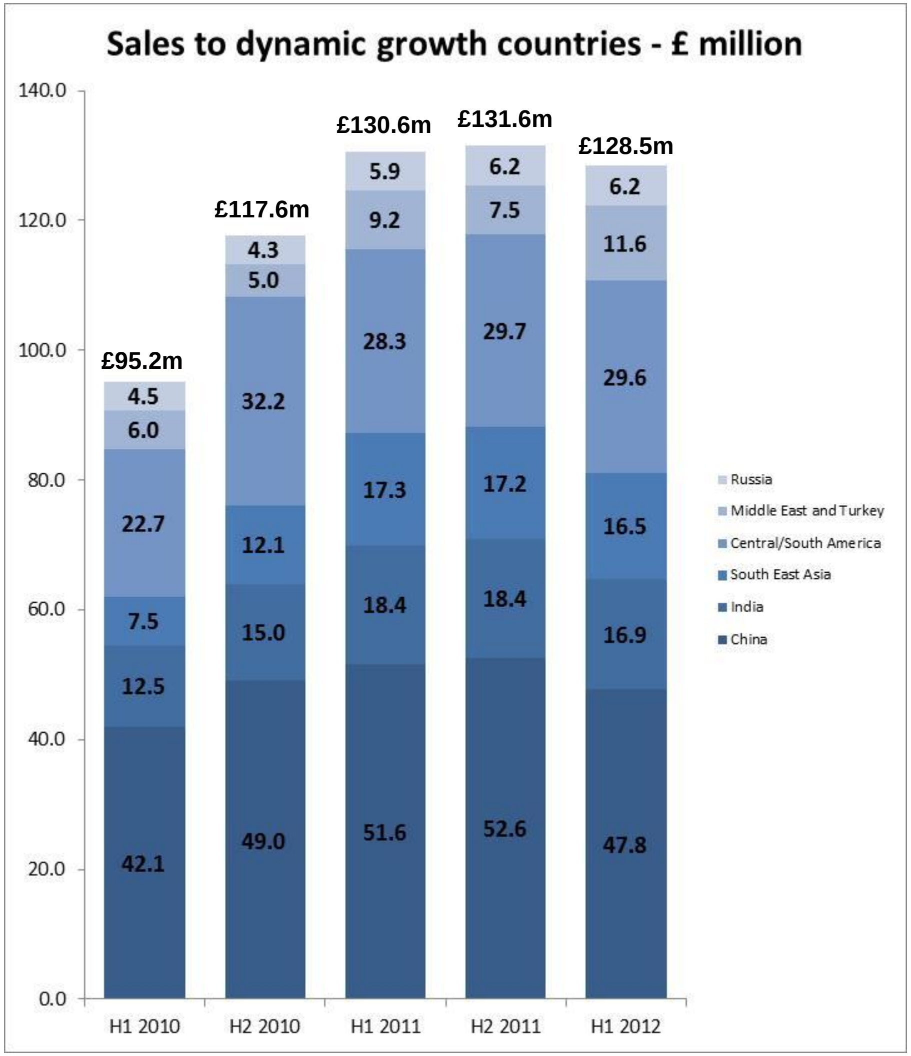


H1 2012 seen continued growth in Superwool® fibre and HDD but slow down in renewables



Sales to dynamic growth countries similar to 2011 levels

- China impacted by reduced renewables business but seeing some increase in petrochem and industrial sales
- Good growth in Middle East and Turkey, particularly in respect of CPI projects
- Medium to longer-term, our expectation remains that the dynamic growth economies will continue to grow much faster than the Western world

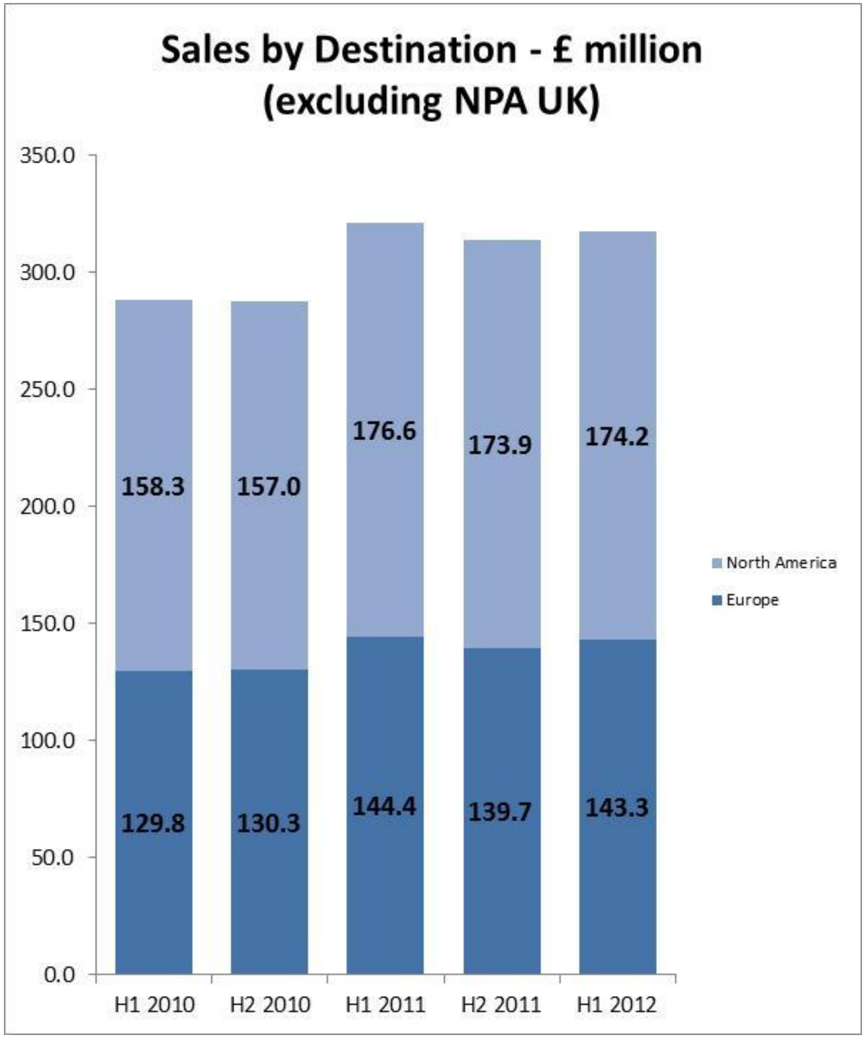


All at 2012 half year rates. China includes Hong Kong and Taiwan

Revenue to Western world markets also in line with last year

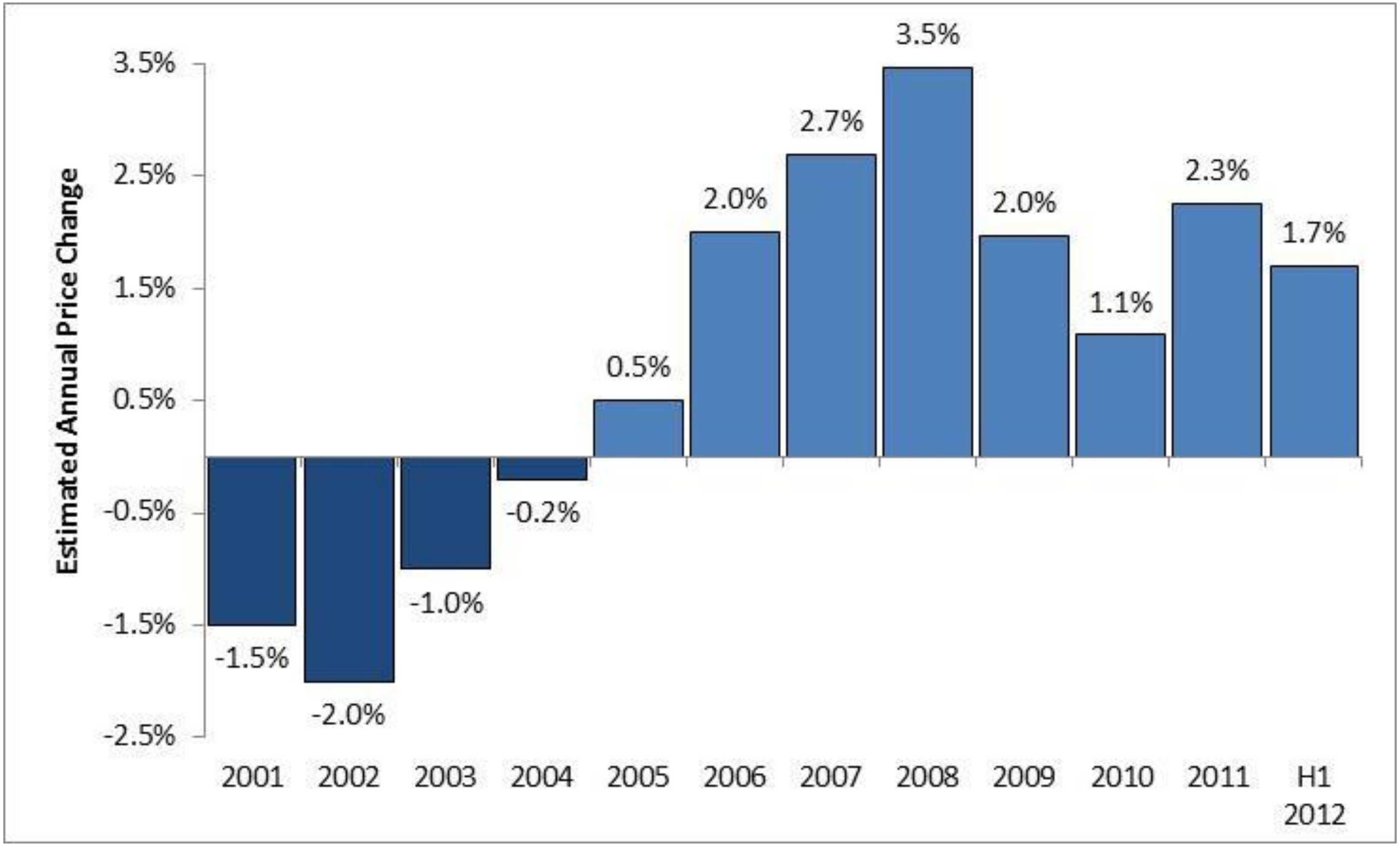
- Revenue maintained at 2011 levels despite the more challenging macro conditions in a number of markets

- Positive mix shift remains a key driver of our profit and margin goals - continued focus on and investment in more differentiated, higher margin, secular growth markets such as aerospace, medical and emission control



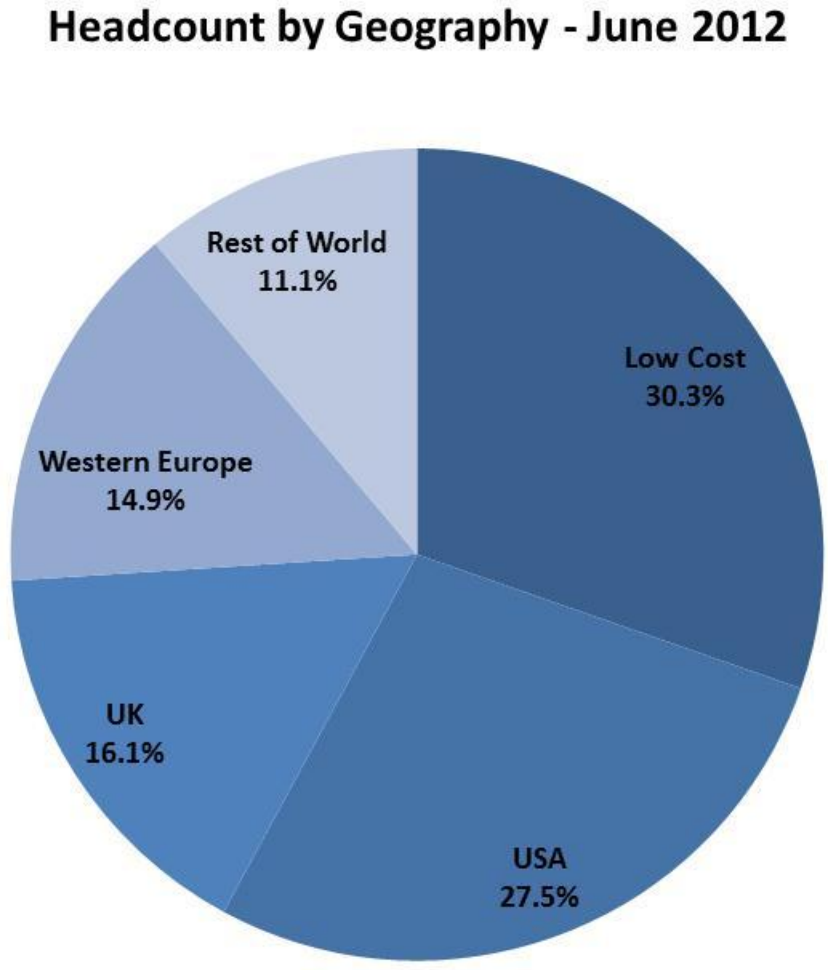
All at 2012 half year rates

Positive year-on-year pricing achieved once more

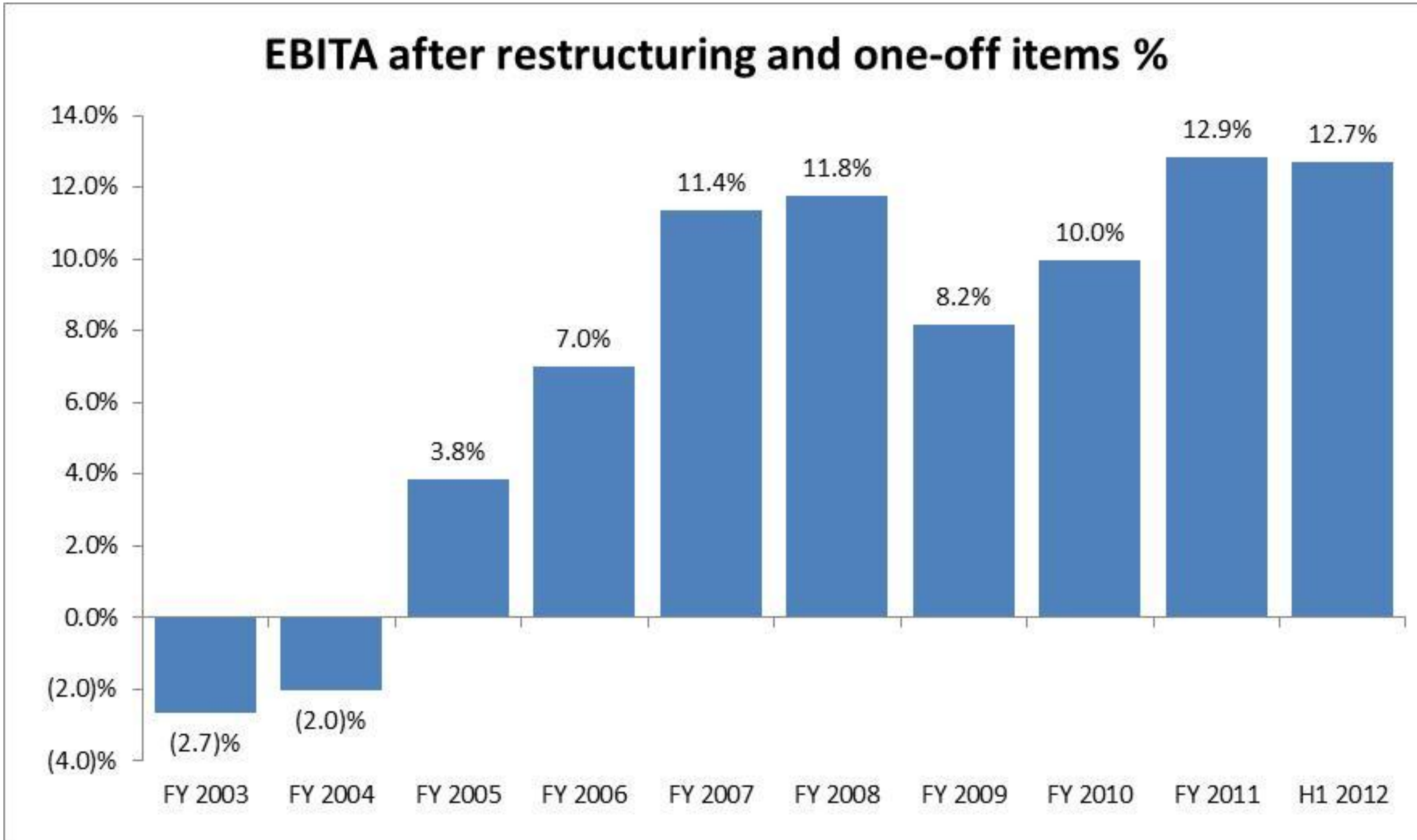


Headcount predominantly in low cost and/or flexible labour locations

- Over 30% of permanent headcount now in low-cost locations - further moves underway in 2012 eg. USA to Mexico in both Divisions
- c.44% in US and UK combined with good operational flexibility
- 13% of worldwide workforce are temps or contractors, providing the ability to flex as required
- Headcount reduced already where we have seen demand softness



Group margins broadly maintained despite more challenging macro environment



Summary and outlook

Mark Robertshaw

Summary and outlook

- Resilient profit and margin performance in a more difficult macro environment driven by the key building blocks of our strategy

- Despite the challenging environment that we expect to continue into the second half, we remain committed to delivering on our three year goals

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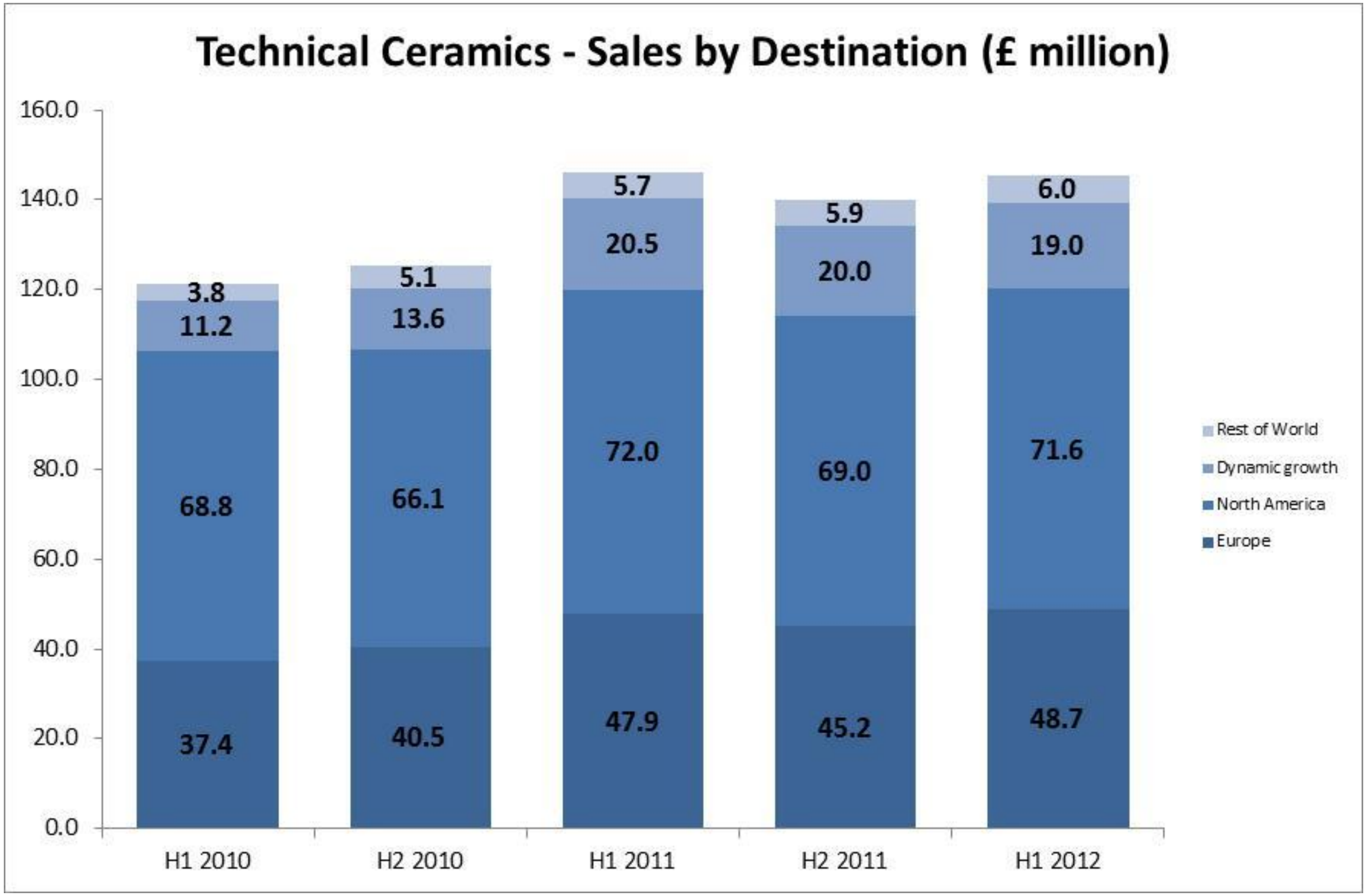
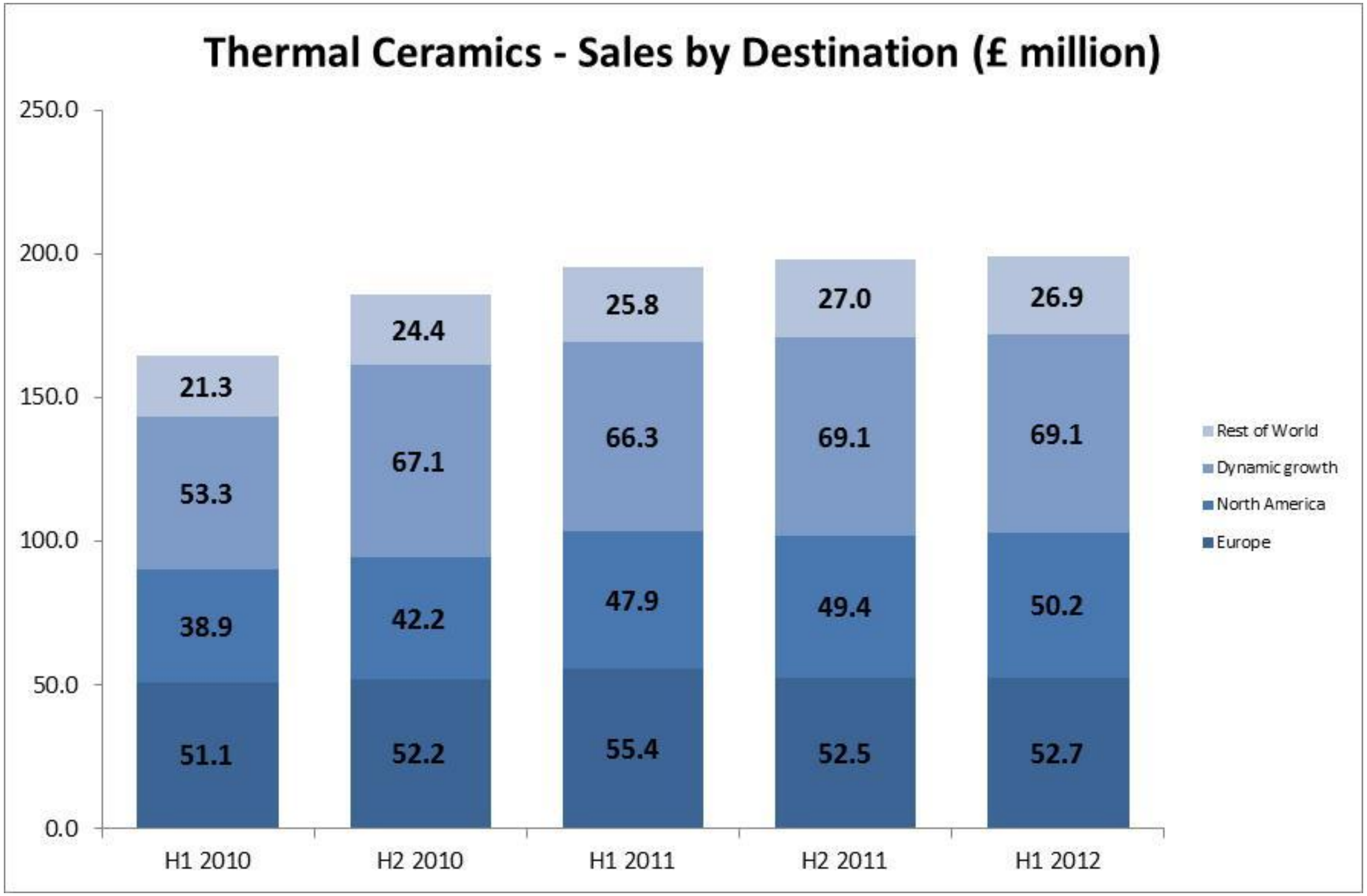
Appendix

Technical Ceramics



All at 2012 half year rates
Dynamic growth markets includes China, India, South America, South East Asia, Middle East, Russia and Turkey

Thermal Ceramics



All at 2012 half year rates

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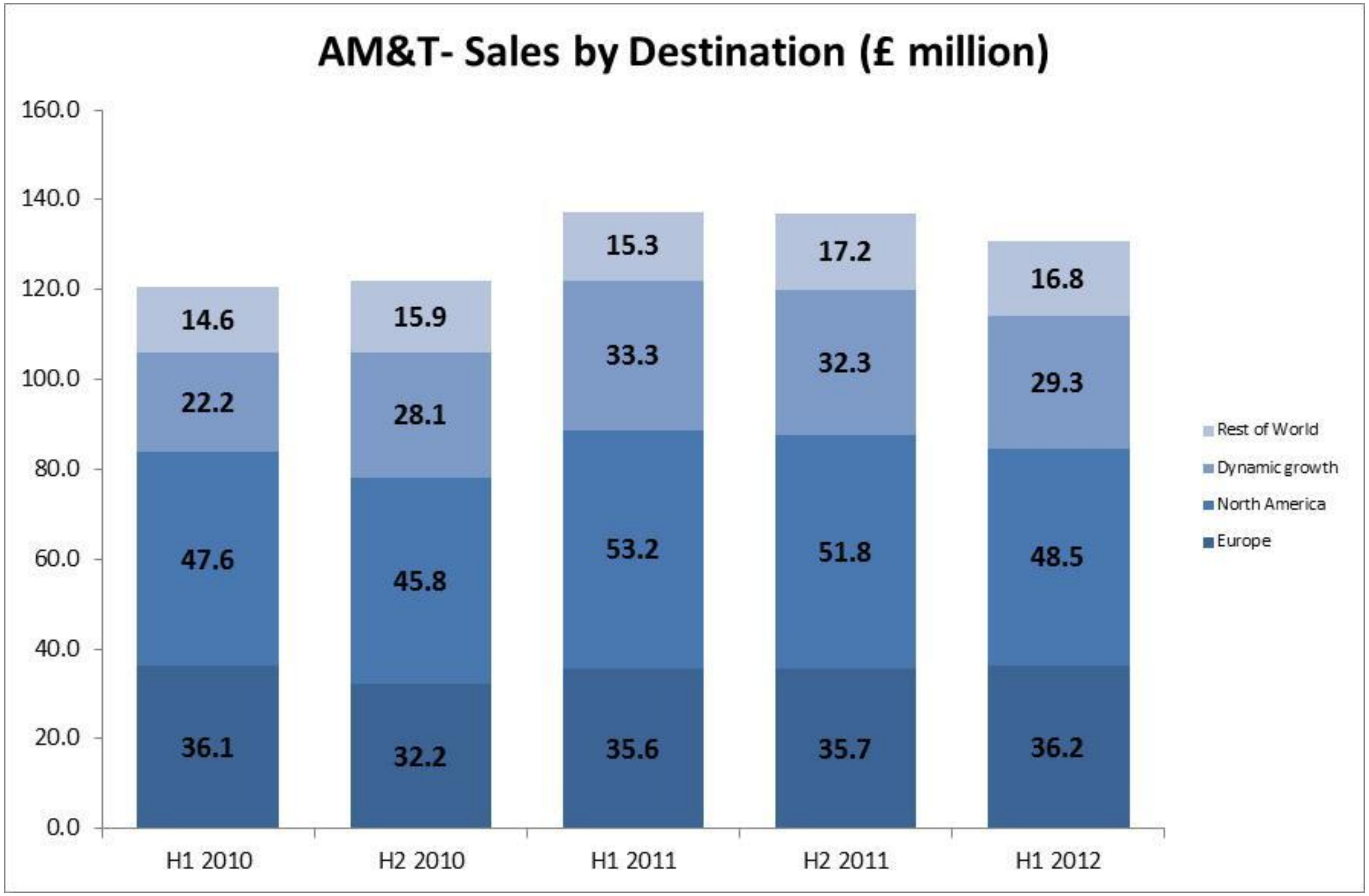
AM&T



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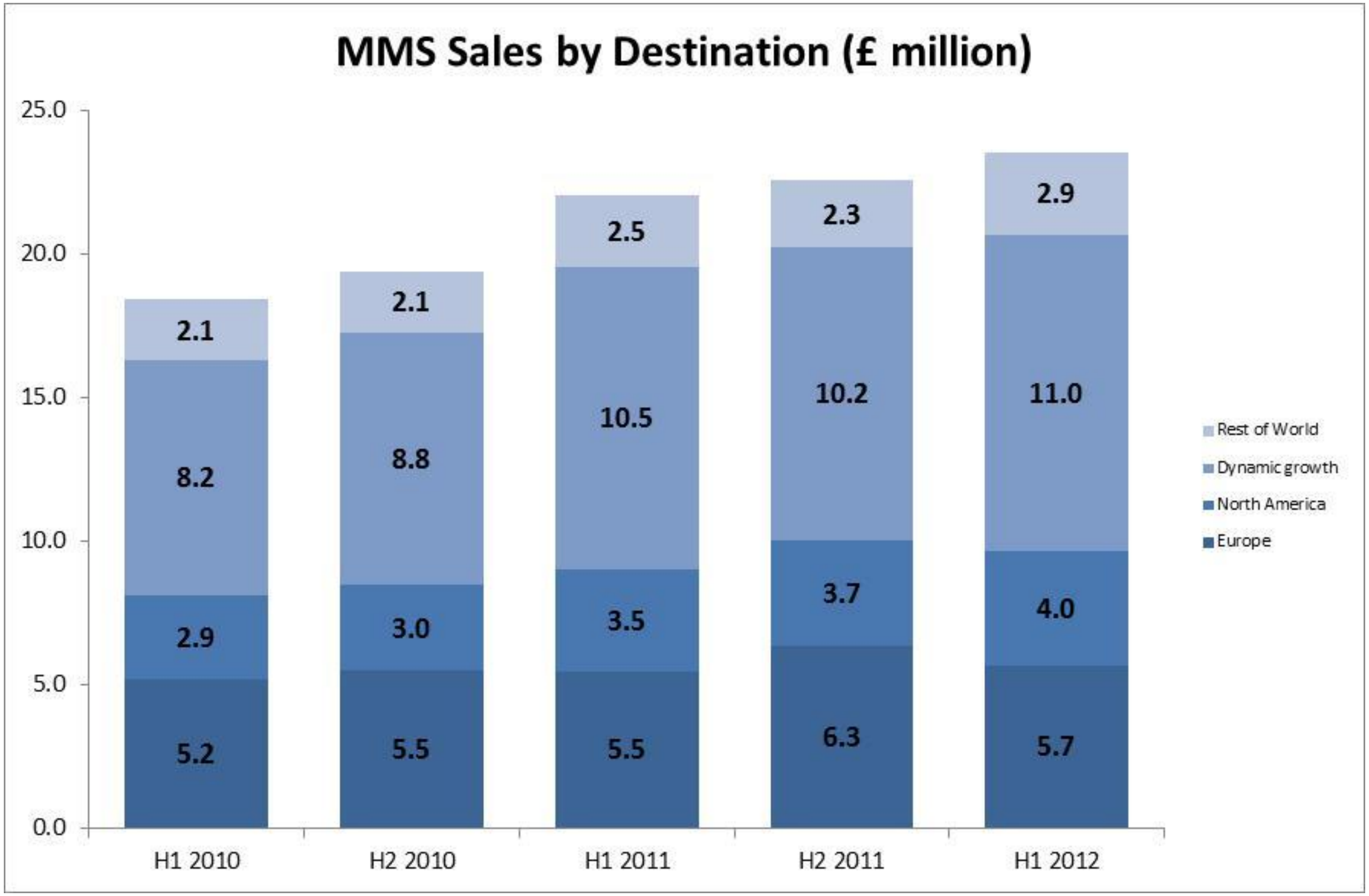
MMS



All at 2012 half year rates
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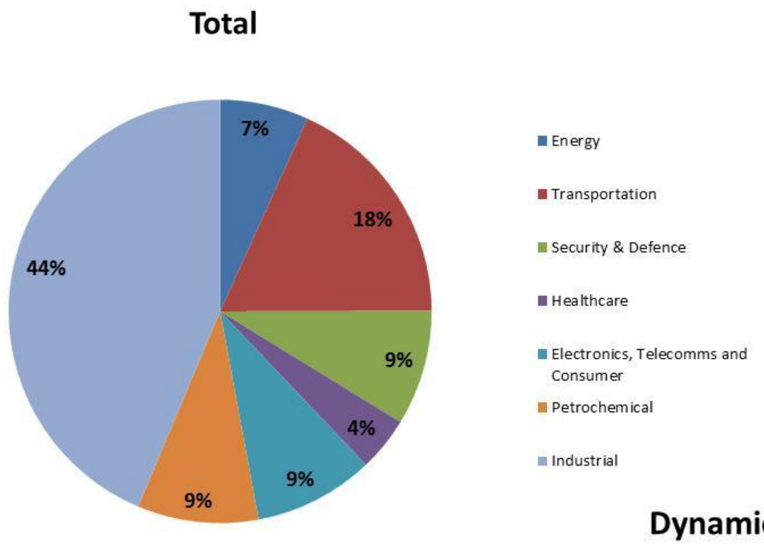
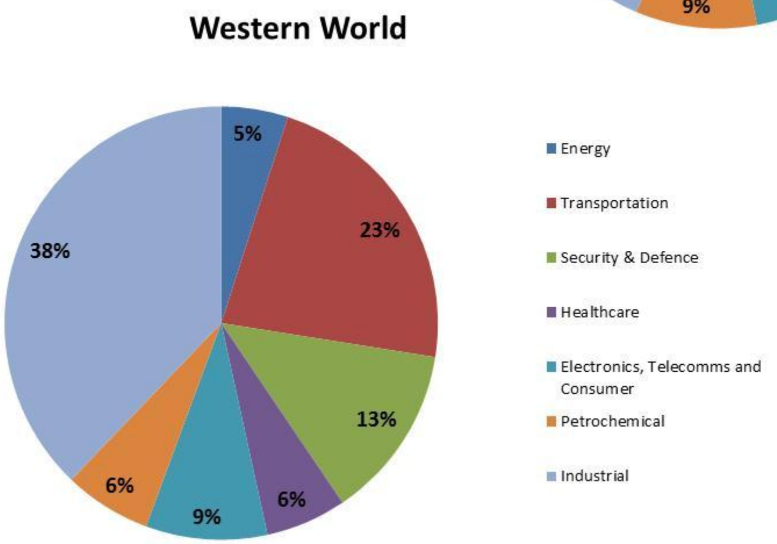
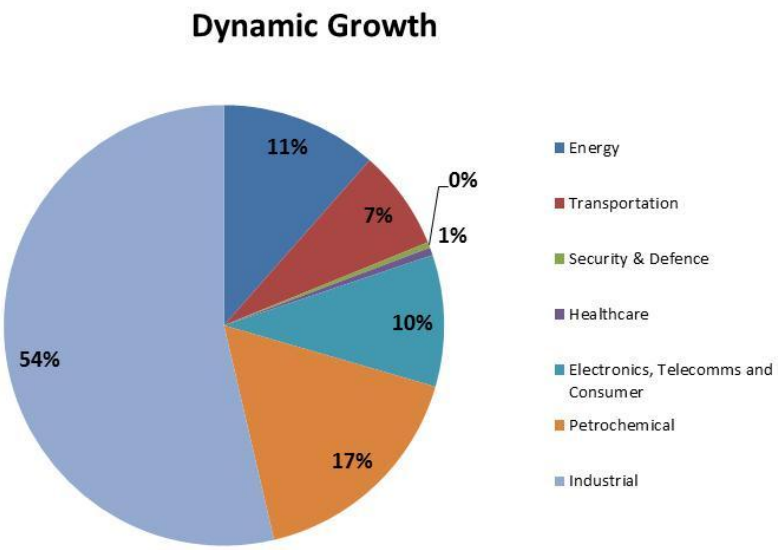
2012 H1 Sales by end market







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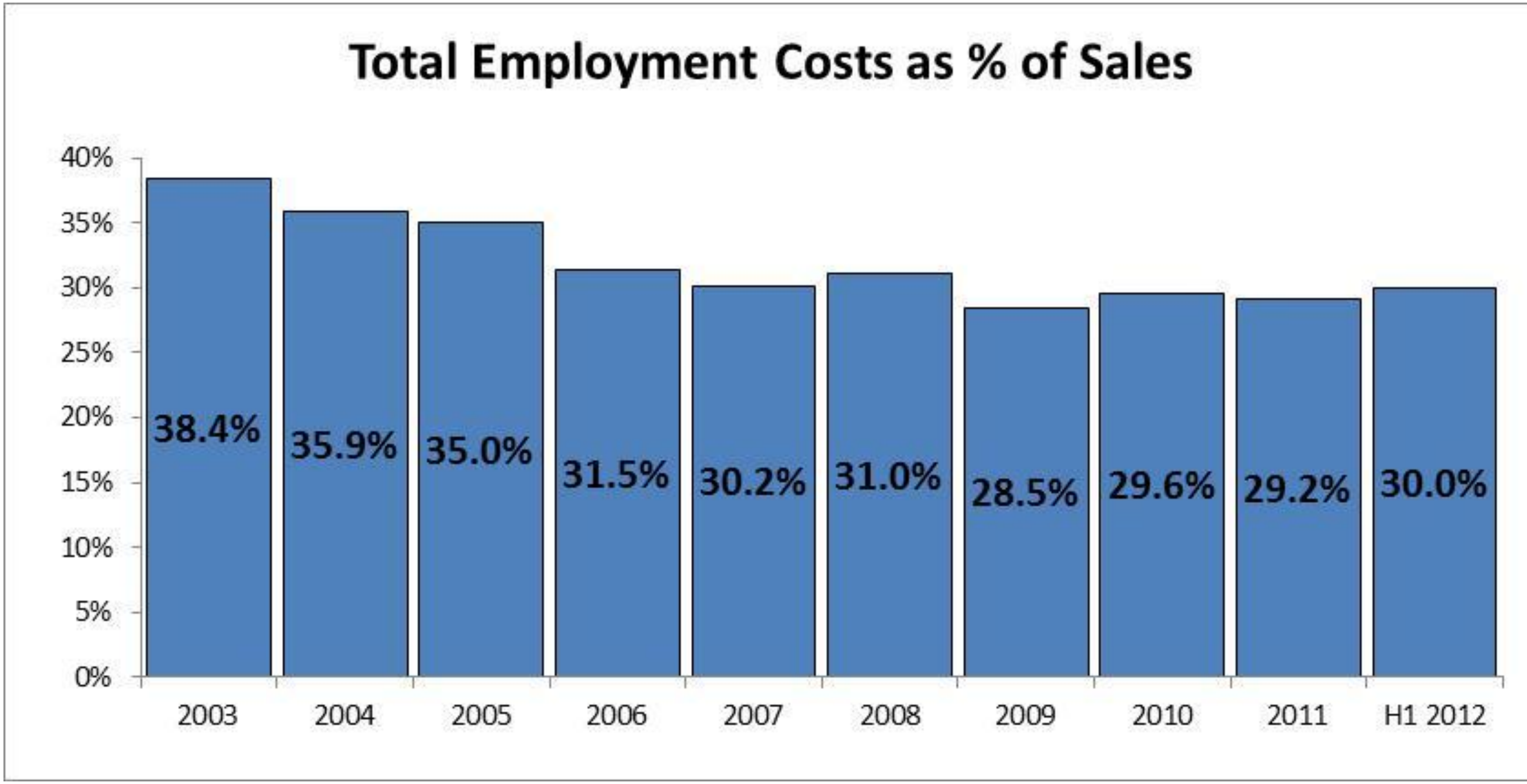
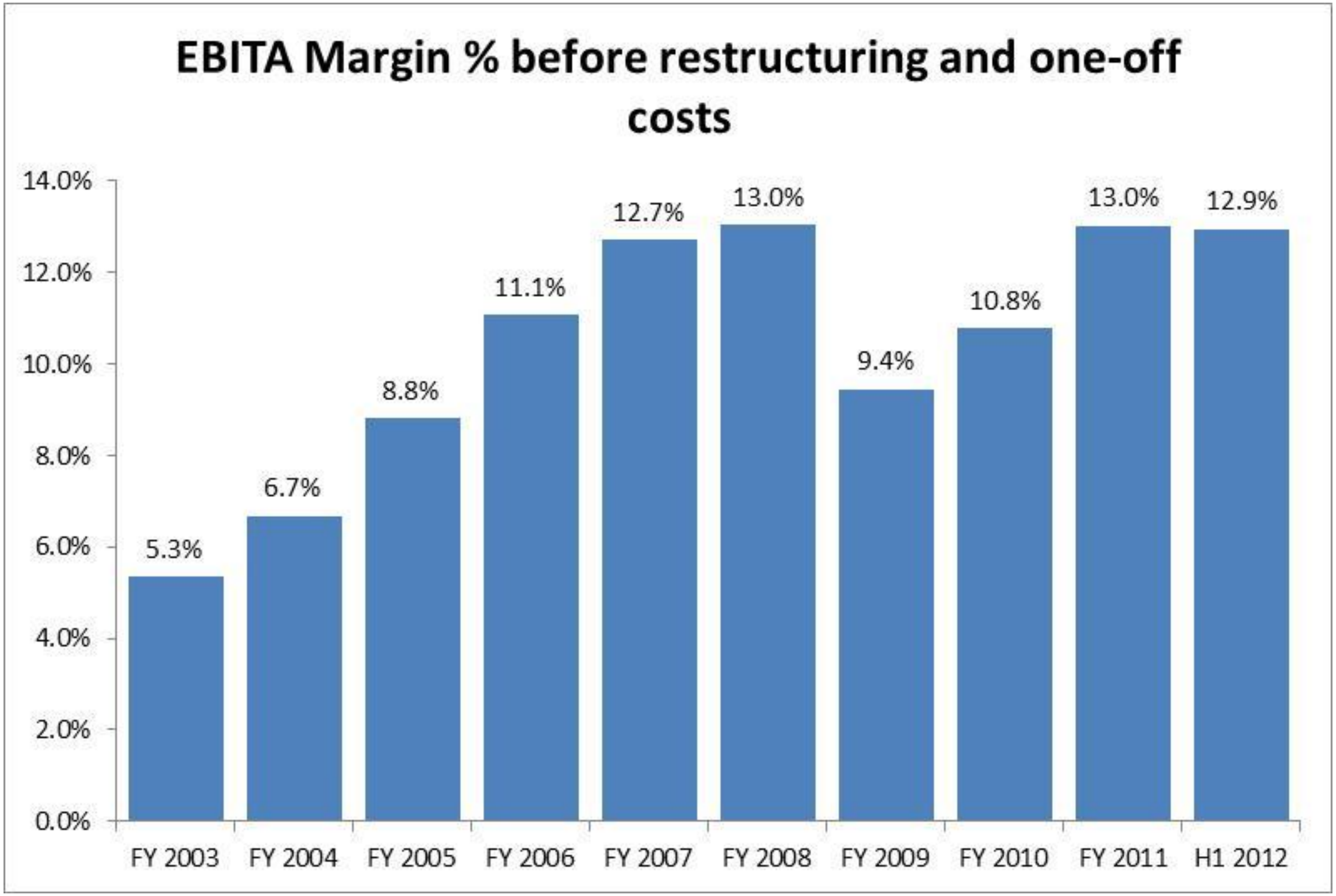
Total employment costs as % of sales



Margin remains very close to recent highs



Operating ROCE reduced compared with 2011 Year End, but ahead of H1 2011

All £ million At reported rates	2012 Half Year	2011 Year End	2011 Half Year	2010 Year End
LTM EBITA	137.3	141.5	125.0	101.5
Change -v- prior period	-3.0%	13.2%	23.2%	
Operating Capital				
Land & Building - NBV	98.7	102.4	106.1	108.8
Plant & Equipment - NBV	153.4	157.4	154.5	160.4
Third Party Working Capital	193.5	160.2	179.2	130.7
	445.6	420.0	439.8	399.9
Change -v- prior period	6.1%	-4.5%	10.0%	
Return on Operating Capital Employed	**30.8%**	**33.7%**	**28.4%**	**25.4%**

Net Finance Charge

		HY12 £m	HY11 £m
Bank interest charge		9.7	11.3
Bank interest income		(1.1)	(0.3)
Interest expense on unwinding of discount on deferred consideration		0.1	0.2
IAS19	- Interest cost on liability	13.2	13.6
	- Expected return on assets	(12.0)	(13.0)
		9.9	11.8

Underlying EPS

	HY12 £m	HY11 £m
Basic earnings from continuing operations	35.9	35.6
Amortisation	4.1	4.1
Underlying earnings	40.0	39.7
Weighted average number of shares in the period	275.5m	272.0m
Underlying earnings per share	14.5p	14.6p

Pensions – IAS 19 Income Statement charge

	HY12 Actual £m	HY11 Actual £m
Service Charge (within Operating costs)	2.0	1.7
Net Finance Charge	1.2	0.6
	3.2	2.3

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