

2017 Full Year Results

AGM Presentation

11th May 2018

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

Group performance summary

	FY 2017 ¹	FY 2016 ¹	% change from FY 2016	Organic % change from FY 2016
	£m	£m	As reported	At constant currency
Revenue	1,021.5	989.2	3.3%	1.4%
Group headline operating profit²	119.7	116.9	2.4%	3.5%
<i>Group headline operating profit margin %²</i>	<i>11.7%</i>	<i>11.8%</i>		
Free cash flow before acquisitions, dividends and one-off US pension payment³	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

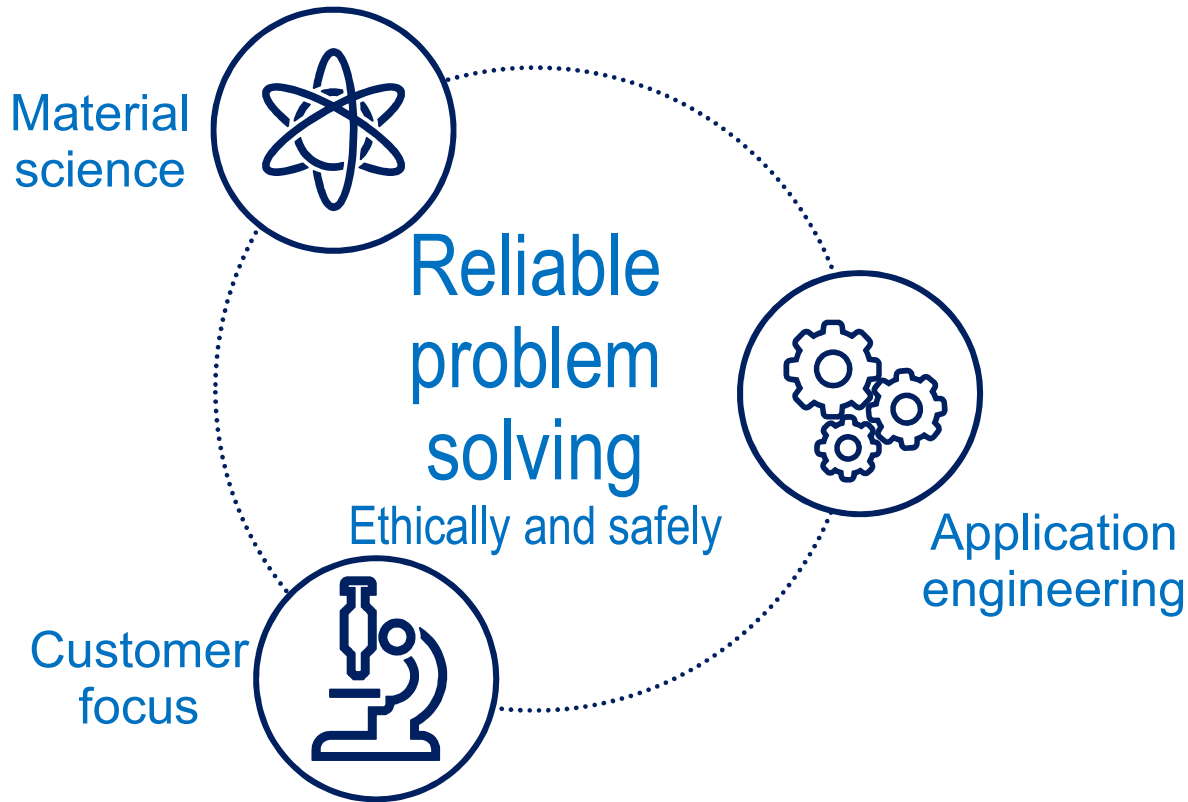
2 Group headline operating profit is before specific adjusting items and amortisation of intangibles

3 Before additional accelerated payment into US pension scheme of \$36m

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%

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

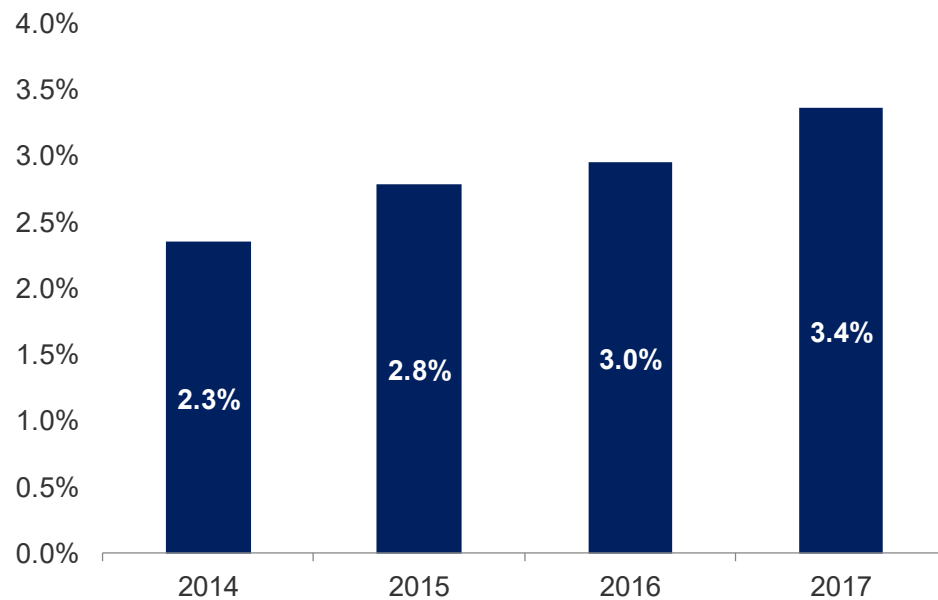
5. Increase investment in people management and development

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

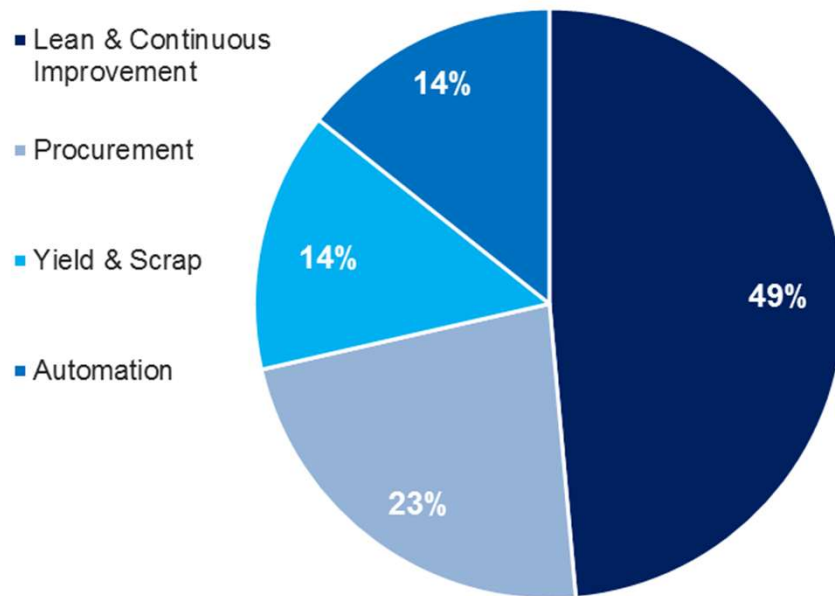


- Investment in R&D increased to 3.4% of sales
- The four Centres of Excellence are driving a range of materials and process developments
- We will continue incrementally investing during the course of 2018, funded through operational improvements

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

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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