The Morgan Crucible Company plc
2002 Preliminary Results

11 March 2003

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Introduction

Warren Knowlton

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Financial Review

Nigel Young

Summary Profit and Loss Account

Full Year £m		2002	2001
Turnover (continuing)		879.4	990.0
Underlying operating profit	- continuing	34.4	63.5
	- discontinued	(0.3)	0.8
Goodwill amortisation		(7.7)	(7.7)
Exceptional items	- Operating	(57.3)	(0.0)
	- Corporate	(15.0)	(17.6)
Net finance charge		(12.8)	(19.2)
Pre-tax (loss)/profit		(58.7)	19.8
Tax charge		0.5	(12.5)
(Loss)/Profit after tax		(58.2)	7.3
Underlying EPS	p	5.0	12.5

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Cost Reduction Programme

- Announced February 2002
- 2002 charge of £45m
- Performance on track

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Divisional performance

Full Year £m	Turnover		Operating profit	
	2002	2001	2002	2001
Carbon - Electrical	199.9	210.0	14.6	17.0
- Engineered	111.3	127.3	3.8	8.4
Magnetics	186.2	215.1	(2.9)	5.8
Ceramics - Technical	125.2	149.9	5.0	13.5
- Insulating	256.8	287.7	13.9	18.8
	879.4	990.0	34.4	63.5
Discontinued	0.9	34.5	(0.3)	0.8

Note: Operating Profit is stated before goodwill amortisation and exceptional costs

Operating cash flow

Full Year £m Inflow/(outflow)	2002	2001
Operating profit	(30.9)	56.6
Depreciation & Amortisation	54.4	55.7
Loss on sale/write off of P&M	17.6	0.3
Decrease / (Increase) in working capital	18.7	(4.3)
Increase in provisions	15.4	1.1
Operating cash flow	75.2	109.4

Free cash flow

Full Year £m Inflow/(outflow)	2002	2001
Operating cash flow	75.2	109.4
Net interest	(13.4)	(19.7)
Taxation	(10.8)	(14.1)
Cash earnings	51.0	75.6
Dividends	(19.3)	(39.0)
Net cash flow before capex	31.7	36.6
Net capital spend	(26.6)	(44.0)
Free cash flow	5.1	(7.4)

Borrowings and gearing

Full Year £m Inflow/(outflow)	2002	2001
Opening net borrowings	(276.1)	(220.0)
Free cash flow	5.1	(7.4)
Acquisitions/disposals	(4.5)	(41.8)
Other	23.9	(6.9)
Closing net borrowings	(251.6)	(276.1)
Net assets	350.4	421.5
Gearing	71.8%	65.5%

Funding

- Debt and facilities profile
- New medium term banking facilities in place
- Private placement and securitisation in place
- Target to reduce net debt to £200m
  - non-core corporate disposals in progress
  - surplus property disposals of £6.8m achieved in H2 2002
    - ✓ proceeds anticipated from total programme c.£20m
  - tight working capital control
    - ✓ 2002 reduction of £18.7m achieved
    - ✓ initiatives continuing in 2003

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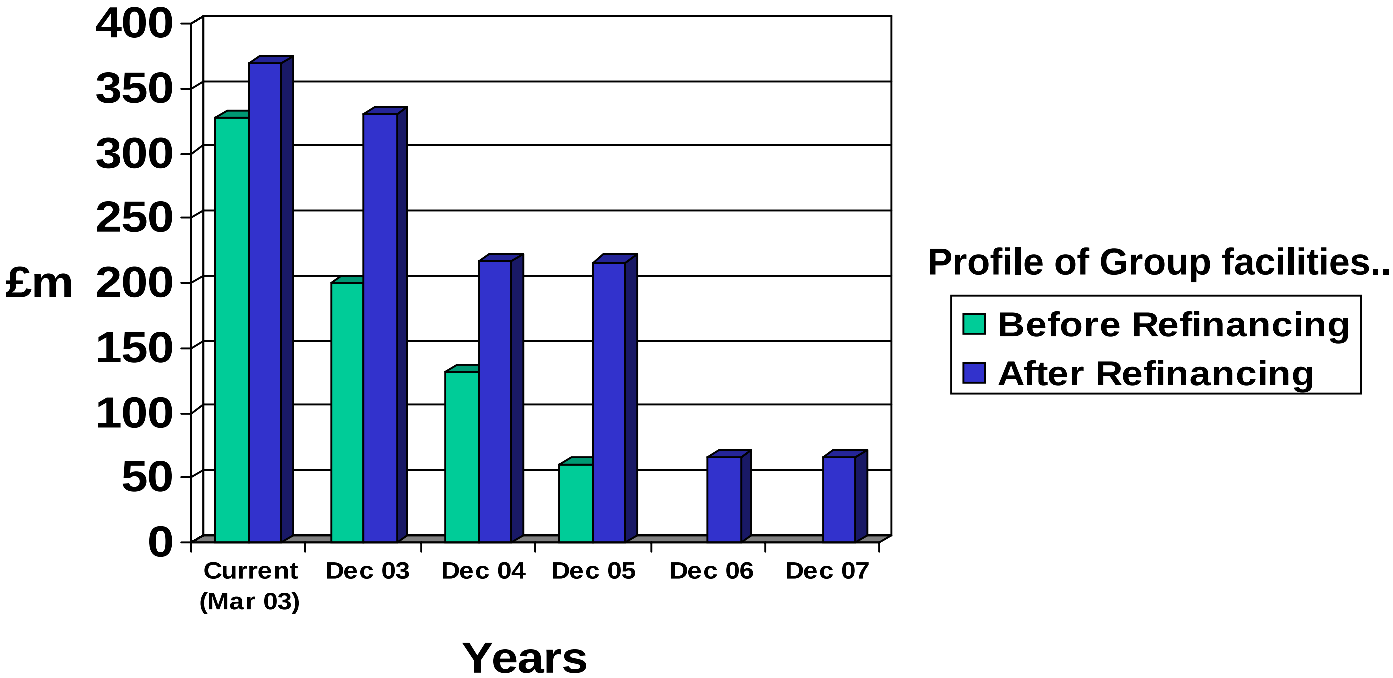
Maturity Profile of Committed Bank & Private Placement Note Facilities



At January 4, 2003: Committed Facilities utilisation £273m
New Private Placement of £65.5m, matures 2010 to 2013
3 year Syndication of £187.2m (incl. £37.4m 364 days)
Excludes Receivables Securitisation (USD 50m) and Finance Leases.

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Pensions

- Over 70 pension schemes throughout the world
- Majority are defined benefit schemes (funded or unfunded)
- SSAP 24 basis
  - Total pension charge £20.8m (£19.4m)
  - Unfunded defined benefit - balance sheet provisions £87m (£85m)
  - Funded defined benefit – prepayment £23m (£24m)

Pensions

- UK Defined Benefits Schemes exceed MFR
- FRS 17 shortfall increased in the year, due to equity investment performance
  - Market value of investments v. actuarial liabilities shows £65m increase in deficit to £82m at year end
  - No cash implications as MFR exceeded
- Actuarial review of main UK scheme (4/02) showed surplus

Strategy & Operations

Warren Knowlton

Initial Actions

- Refinance the debt
  - $300m new bank facility in place;
  - $105m private placement accomplished
  - Window extended from 2003 to 2006 (and beyond)

- Launch intensive review of the portfolio
  - Reviewing in detail current business plans
  - Assess facts

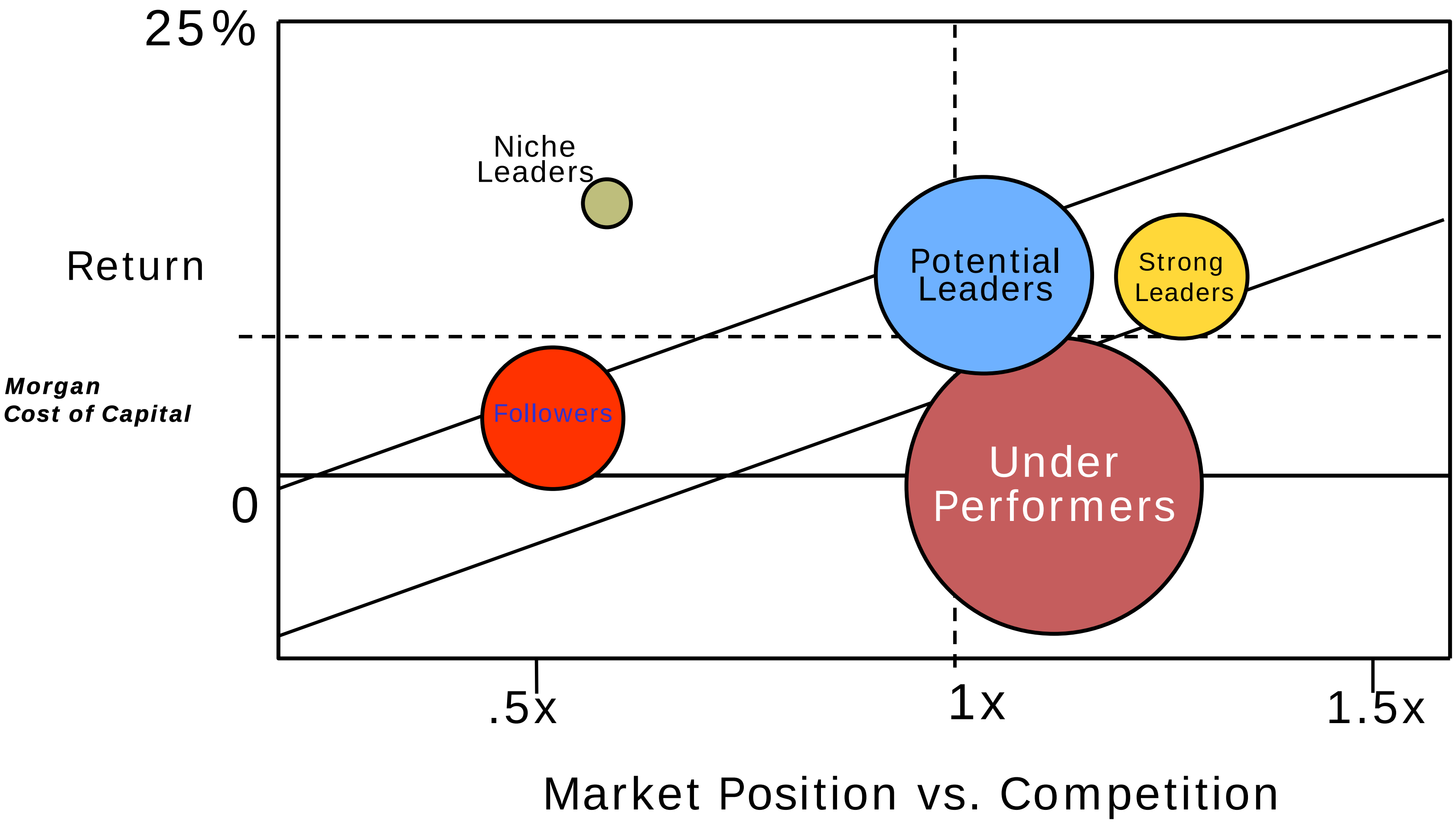
- Get to know the business and people
  - 25 sites visited, over 50% of group turnover
  - Senior management reviews to agree progress

Fresh Approach

- Group Infrastructure
  - Why does it exist?
  - How can it be simplified?
  - Where can it leverage the individual businesses?

- Individual Businesses
  - What is full potential?
  - How do the businesses realise this potential?
  - Cross synergy potential between the businesses?

Key responsibilities to define core businesses



Initial Impressions

Significant value creation potential

- People are passionate about their businesses
- Many businesses are market leaders
- Areas of significant expertise and strength
- Good balance of cash generation and growth
- Reasonable gross margins

Initial Observations

- Lack of credible track record - need for performance based culture
- Need for greater speed and simplicity - reduced cycle time is critical
- Silo mentality - lack of communication between companies

Initial Observations

- Synergies often left unexploited - *purchasing/distribution/"best practices"/benchmarking*
- Little evidence of accountability and clear performance standards
- High overheads

Performance Improvement

- In past plans, a reliance on:
  - Market share gains
  - Favourable margin, through new products
  - Favourable price moves

$\Rightarrow$

- In future, plans will be based on:
  - Reduced overheads
  - No 'nice to have' assets, no sacred cows
  - Focus on shareholder value

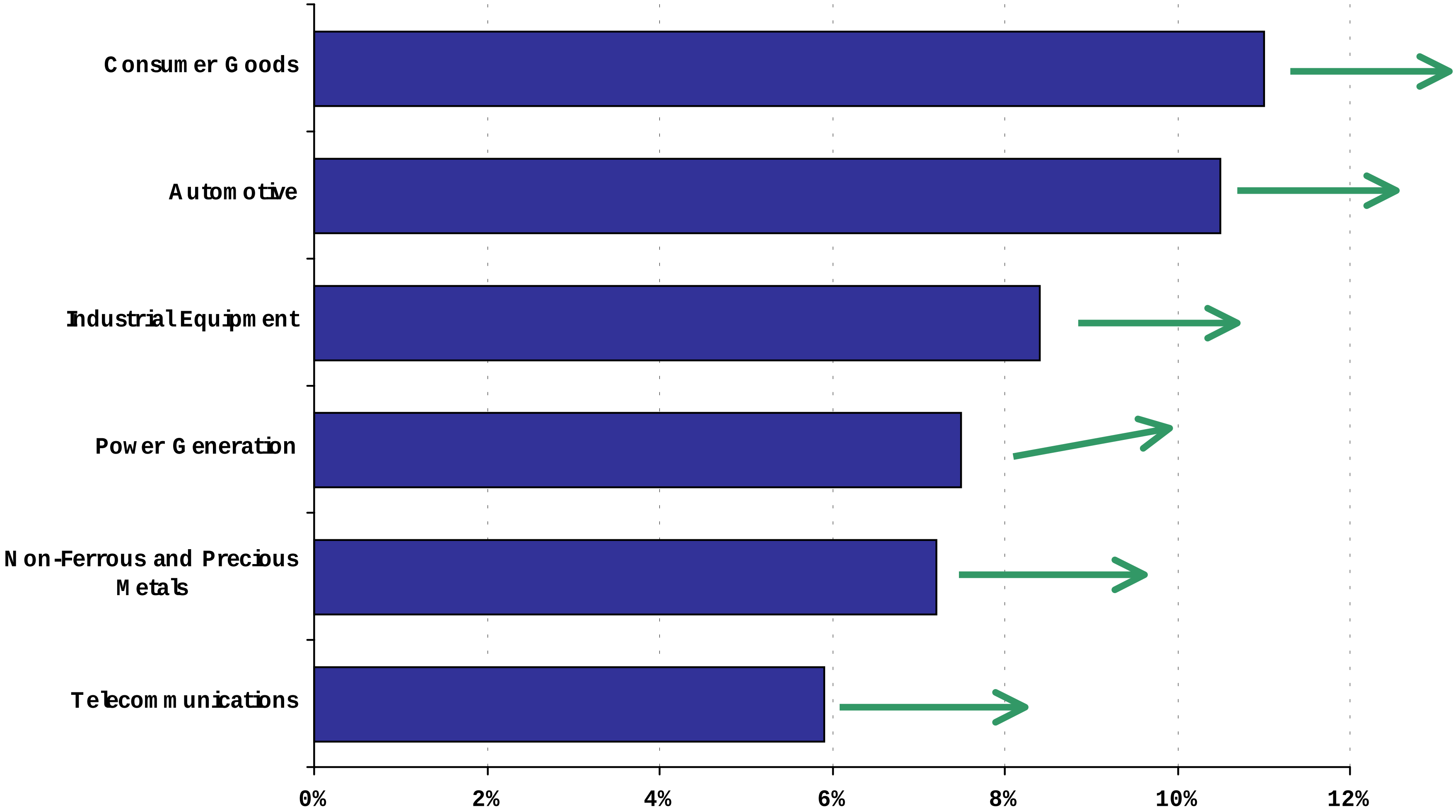
Priorities and Identified Actions

- Priorities
  - Accelerate and extend current restructuring programme
  - Reduce complexity of businesses and operations
  - Aggressively redirect resources to areas of advantage
  - Turnaround performance of under-performing businesses
  - Selective sale of businesses with no role in Group

Priorities and Identified Actions

- Specific identified actions:
  - Aggressive reduction in overheads.
  - Focus R&D on commercial winners : fewer R&D programmes, with focus on commercial applications
  - Improve data management : enhance decision-making, greater ability to identify contributors to gross margin
  - Sale or closure of businesses with limited potential for Morgan

Outlook



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Summary

- 2002 Performance reasonable relative to the market environment
- Scope to significantly improve the operating and financial performance in 2003 and beyond
- Initial actions identified and being executed
- Update on progress at interim results in September 2003

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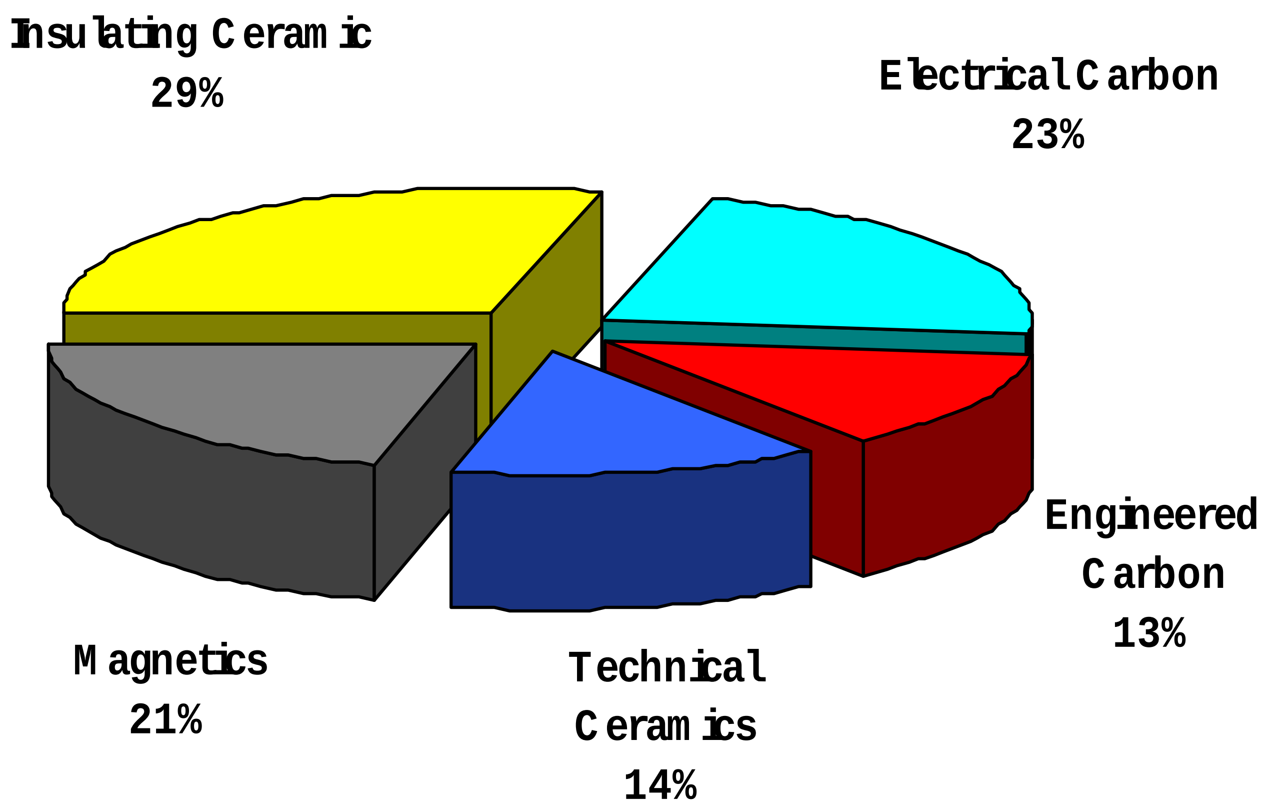
Appendix

The Group

STRONG SPREAD OF DIVISIONAL REVENUES

% of Revenues by Division: 2002



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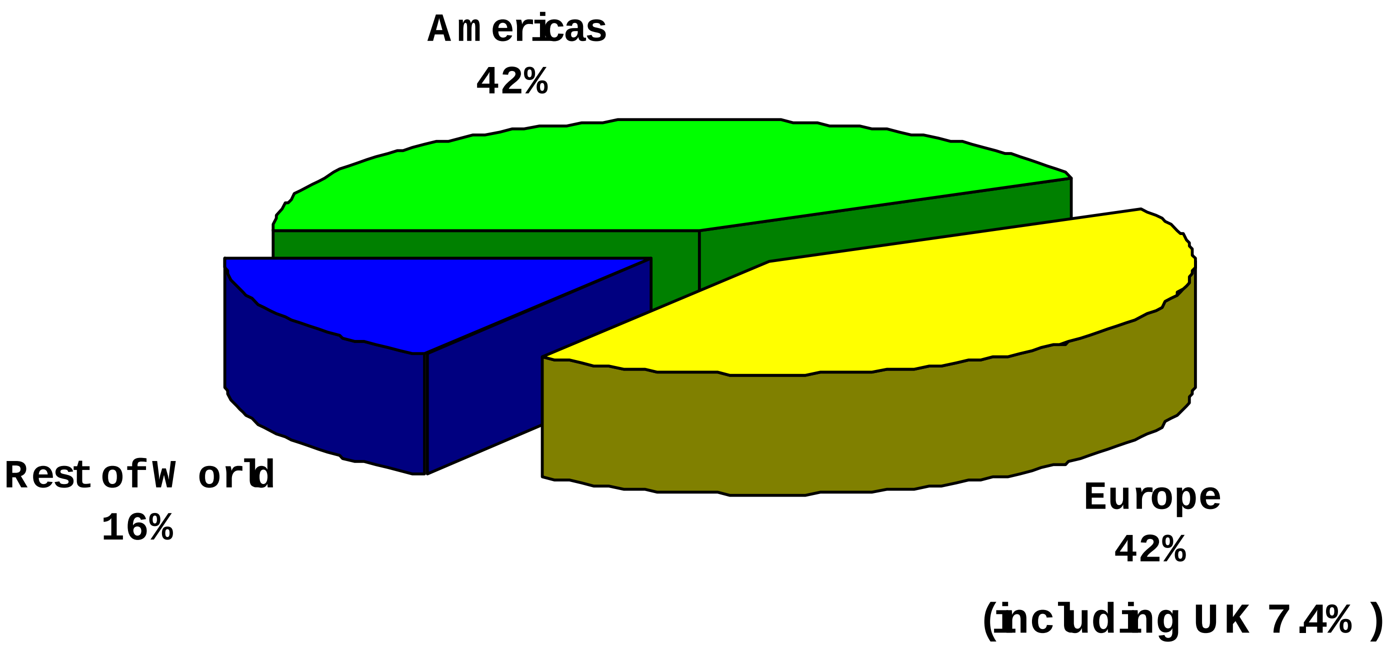
STRONG GEOGRAPHICAL SPREAD

<u>% of Revenues by Geographical Region: 2002</u>



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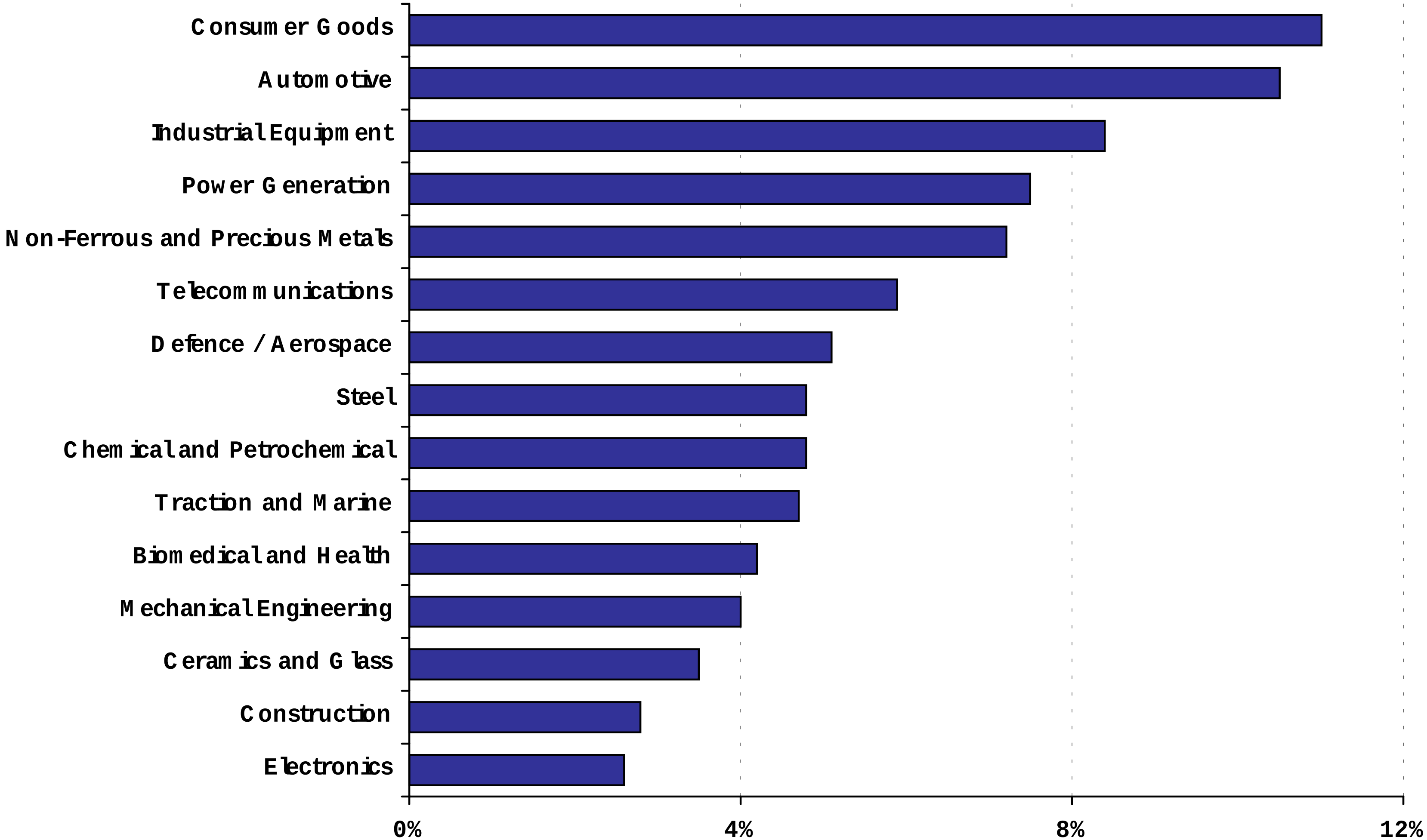
The Group

STRONG SECTOR SPREAD: 2002



% of Revenues: 2002

Business Highlights

Full Year £m	Turnover		Operating profit before goodwill	
	2002	2001	2002	2001
Electrical Carbon	199.9	210.0	14.6	17.0

- Industrial replacement business steady
- US consumer customers relocating to South East Asia where Morgan has long established facilities
- Major new auto contract successfully started with Valeo
- Consolidation of US auto sites completed

Note: Operating Profit is stated before goodwill amortisation and exceptional costs

Business Highlights

Full Year £m	Turnover		Operating profit before goodwill	
	2002	2001	2002	2001
Engineered Carbon	111.3	127.3	3.8	8.4

- OEM markets weak but steady, commercial aircraft market down 25%
- Three sites closed and closure of major UK site in Gosport
- Gross Margin sustained despite reduced sales
- Major body armour contract
- Long term contract for Thiokol rocket nozzles

Note: Operating Profit is stated before goodwill amortisation and exceptional costs

Business Highlights

Full Year £m	Turnover		Operating profit before goodwill	
	2002	2001	2002	2001
Magnetics	186.2	215.1	(2.9)	5.8

- Telecom and disc drive markets severely depressed
- Price pressure in high volume markets
- New CEO appointed
- Relocation of assembly business to Slovakia is working well
- Further rationalisation planned
- Sensormatic resumed growth after de-stocking
- The loss making US division restructured

Note: Operating Profit is stated before goodwill amortisation and exceptional costs

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Business Highlights

Full Year £m	Turnover		Operating profit before goodwill	
	2002	2001	2002	2001
Technical Ceramics	125.2	149.9	5.0	13.5

- Telecom and semicon markets severely depressed
- Medical defense market developing strongly
- Major site consolidation in US completed
- European restructuring in progress – Barcelona sold
- Increased approvals gained at Applied Materials
- Gross Margin improving
- Major electro ceramics project to start mid 2003

Note: Operating Profit is stated before goodwill amortisation and exceptional costs

Business Highlights

Full Year £m	Turnover		Operating profit before goodwill	
	2002	2001	2002	2001
Insulating Ceramics	256.8	287.7	13.9	18.8

- Gross Margin improving on lower sales
- US crucible manufacturing closed & site sold
- Thermal restructuring in line with plan
- Increasing demand for Superwool™ range of products
- Petrochemical demand strong

Note: Operating Profit is stated before goodwill amortisation and exceptional costs

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Cost reduction and Rationalisation

- Impact of programme in 2002
  - 14 site closures
  - net headcount reduction of 762
  - jobs transferred to lower cost areas
  - annualised savings achieved of £11.2m
- Impact of programme in 2003 & 2004
  - total annualised savings
    by Dec 2003 £26m and by June 2004 £33m

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Cost reduction and Rationalisation

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