



The Morgan Crucible Company plc

2005 Interim Results

2nd August 2005

Agenda

- Introduction
- 2005 Interim Results
- Delivering On Our Promises
- Future Shareholder Value Creation
- Outlook And Conclusion

2005 Interim Results

(on an 'International Financial Reporting Standards' (IFRS) basis)

Mark Robertshaw

First half financial results (IFRS Basis) - Summary

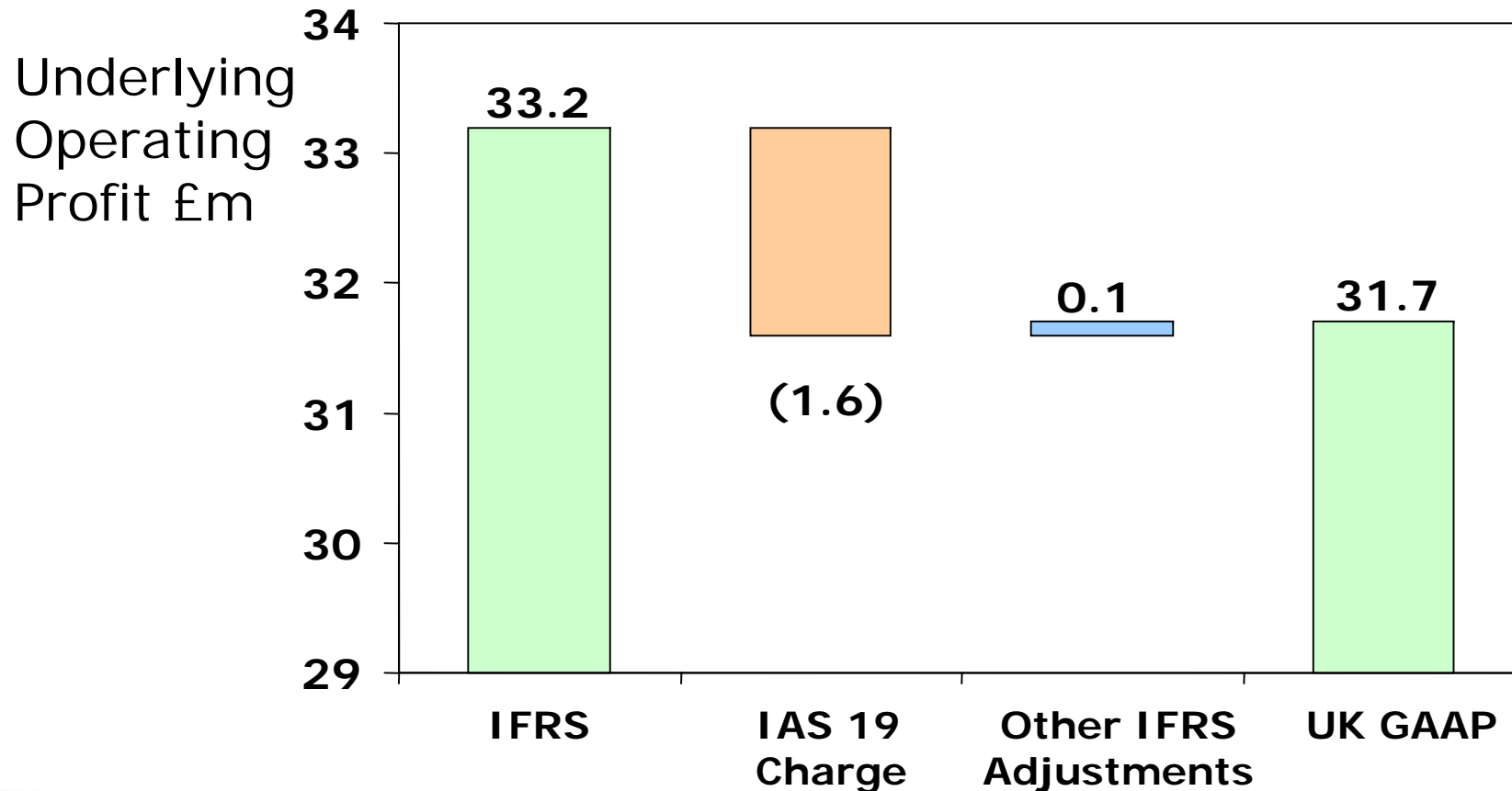
- Turnover on continuing business up by £20.3m (5.5%) including £1.9m favourable currency impact
- Underlying operating profit on continuing business up by 32% from £25.1m to £33.2m
- Underlying operating profit margin on continuing business up from 6.8% to 8.5% (H1 2005 would be 8.1% under UK GAAP)
- Overall impact of IFRS negligible on the income statement at PBT level – albeit £1.5m “benefit” at EBIT level
- Net debt broadly in line with comparable period last year but with improving headroom and coverage ratios
- Continued healthy improvement in operating profit and profit margins across GBUs

Summary income statement

Half Year £m		2005	2004
Turnover	-continuing	391.7	371.4
	-discontinued	-	34.8
Underlying operating profit (EBIT)	-continuing	33.2	25.1
	-discontinued	-	0.1
Restructuring costs		(9.8)	(14.8)
Prior period litigation costs		(1.2)	(2.7)
Loss on partial disposal of businesses/property		(0.4)	(4.5)
Net finance charge		(6.7)	(8.8)
Profit/(loss) before tax		15.1	(5.6)
Tax		(5.5)	(2.9)
Loss on sale of discontinued operations, net of tax		(0.6)	(25.3)
Profit for the period		9.0	(33.8)
Underlying EPS		6.3p	4.1p
Group EBIT/sales ratio		8.5%	6.2%
Continuing business EBIT/sales ratio		8.5%	6.8%

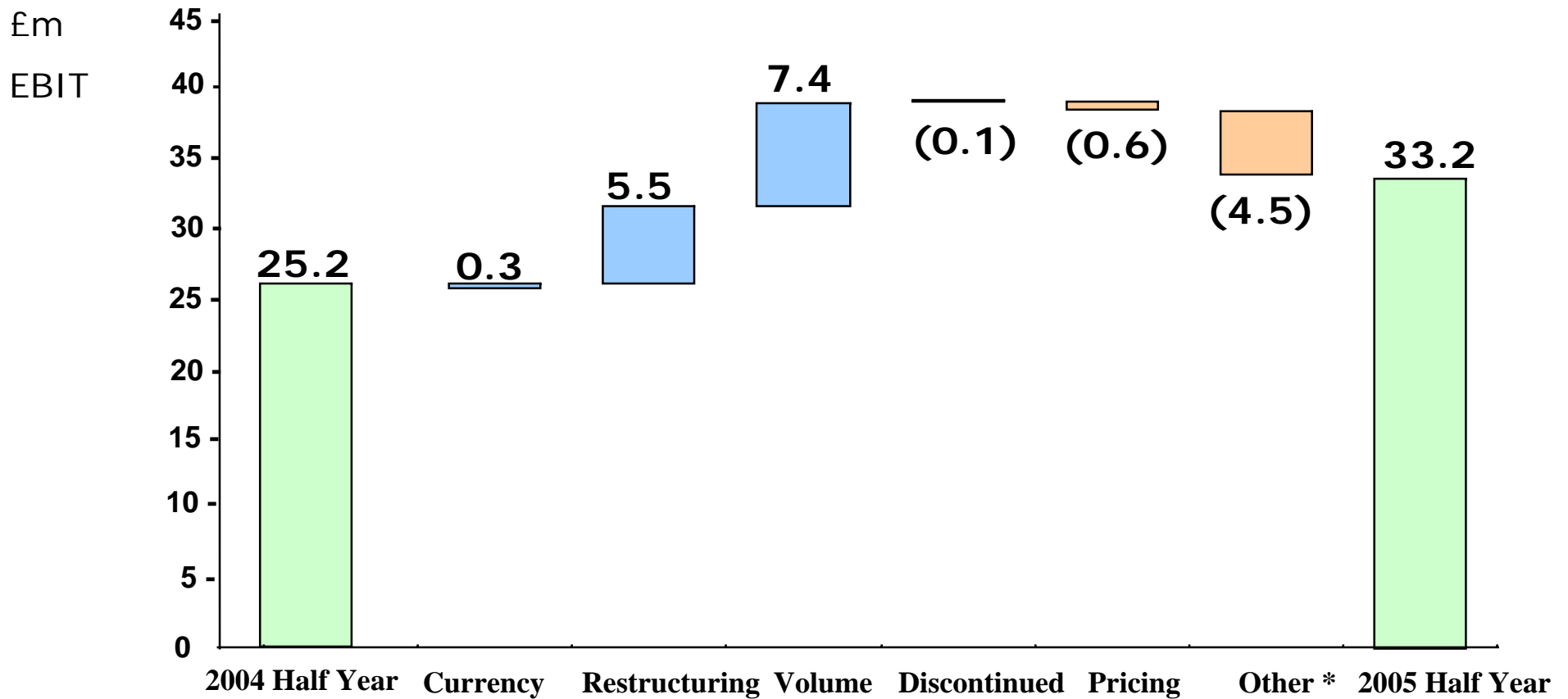
Half year 2005 IFRS – UK GAAP underlying operating profit bridge

The only material change at EBIT level is for IAS 19 charge due to different classification of line items – overall impact to PBT is negligible



Profit Bridge

Underlying profit increase of 31.7%



* Net impact of items such as raw material and energy increases, offset by items such as lean manufacturing initiatives within the profit improvement plan

Cashflow, borrowings and gearing

Improving headroom and coverage ratios

Half Year £m	2005	2004
Opening net borrowings	(147.9)	(250.0)
Free cash inflow (outflow)	(8.7)	7.8
Disposals/(acquisitions)	(4.2)	26.1
Other (inc. Rights issue net £54.2m in 2004)	(4.2)	56.1
Closing net borrowings	(165.0)	(160.0)
Net assets	155.1	182.8
Gearing (%) *	106.4%	87.5%
Unutilised committed bank facilities ("Headroom")	73.5	68.4
Interest cover (EBITD/net finance charge)	7.4	5.0

* Note: Pension costs under IAS19 now accounted for on the Balance Sheet.
Gearing would be c.60% on a UK GAAP basis

Divisional performance

Continued improvement in operating profit and profit margins across GBUs

Half Year £m	Operating profit (EBIT)		OP % Sales	
	2005	2004	2005	2004
Carbon	12.4	9.2	12.3%	9.7%
Magnetics	7.6	7.2	8.4%	8.3%
Technical Ceramics	6.1	4.4	8.6%	6.3%
Insulating Ceramics	9.9	7.8	7.7%	6.5%
Discontinued	-	0.1	-	-
Unallocated costs	(2.8)	(3.5)	-	-
	<hr/> 33.2	<hr/> 25.2	<hr/> 8.5%	<hr/> 6.2%

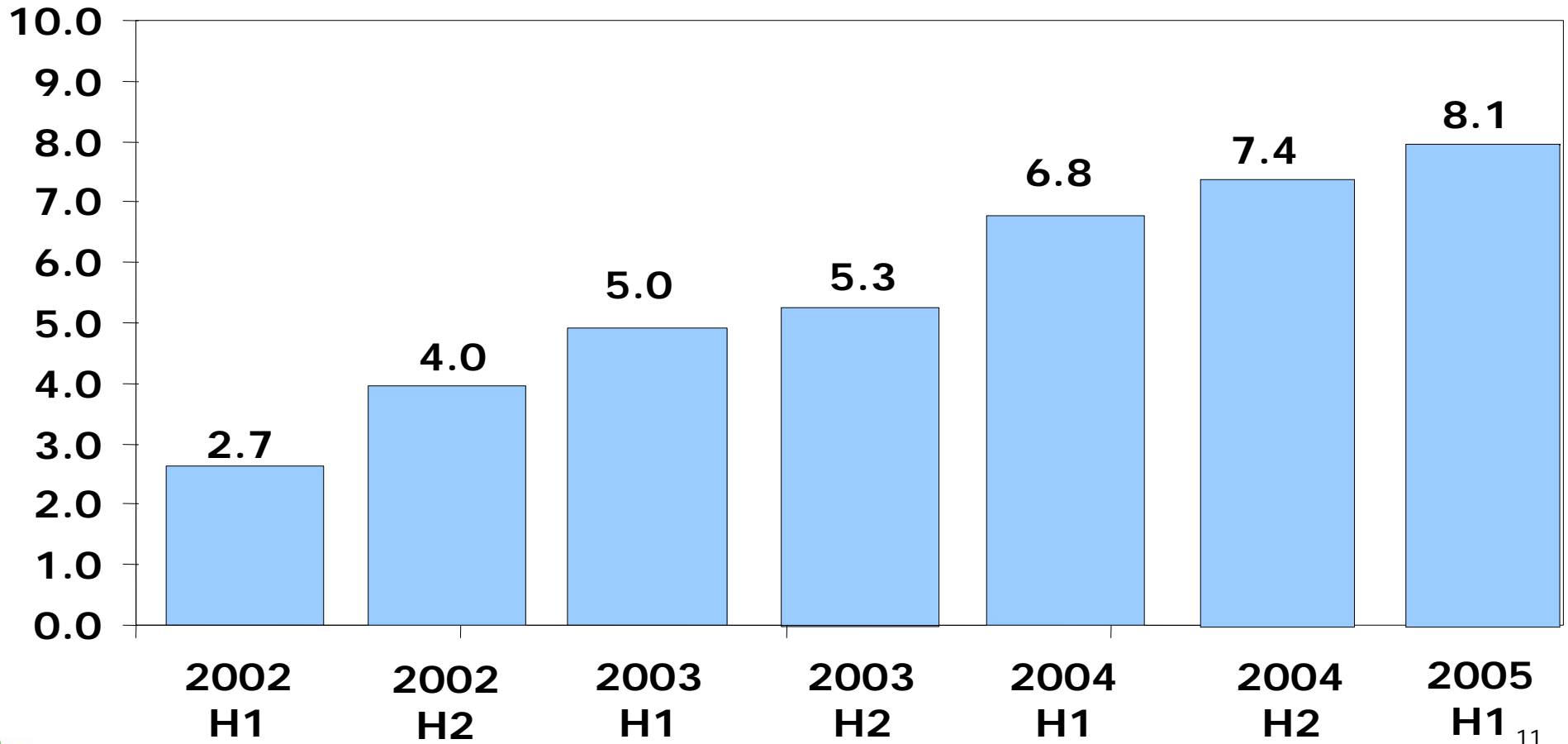
Delivering on our promises

Warren Knowlton

Operating profit margins continuing to improve

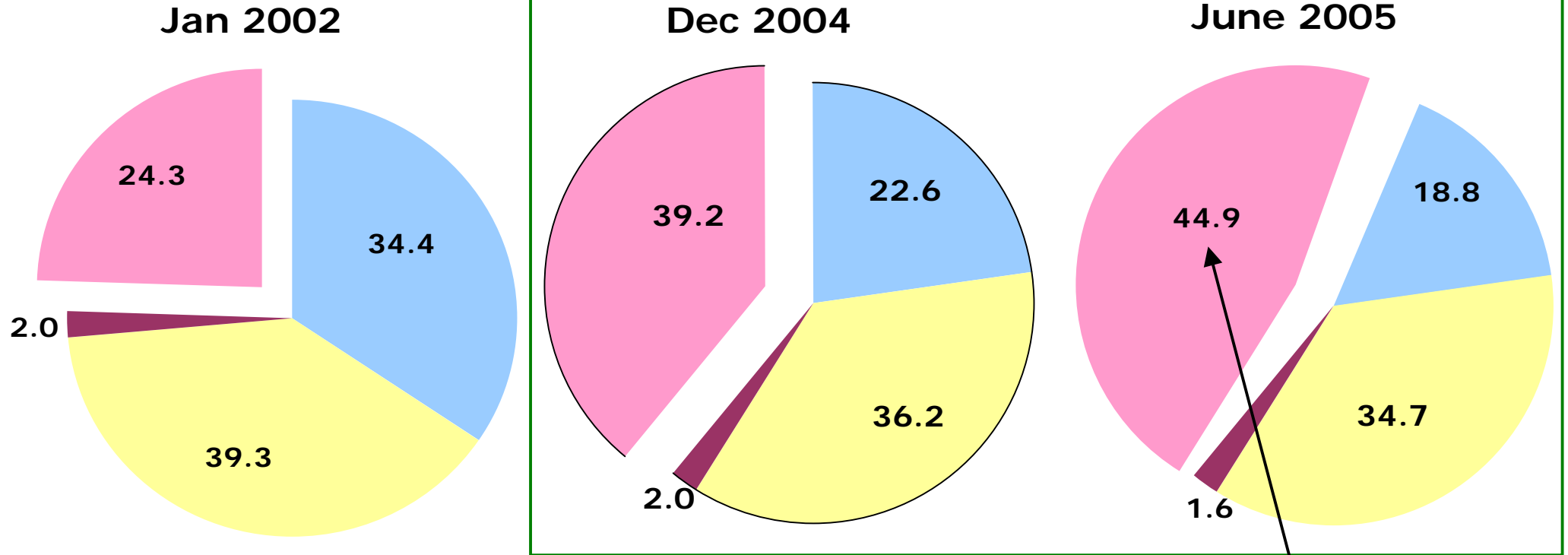
Operating margins on continuing businesses (UK GAAP basis)

% EBITA Margin



Headcount mix still moving rapidly to low cost countries

Headcount mix by region %

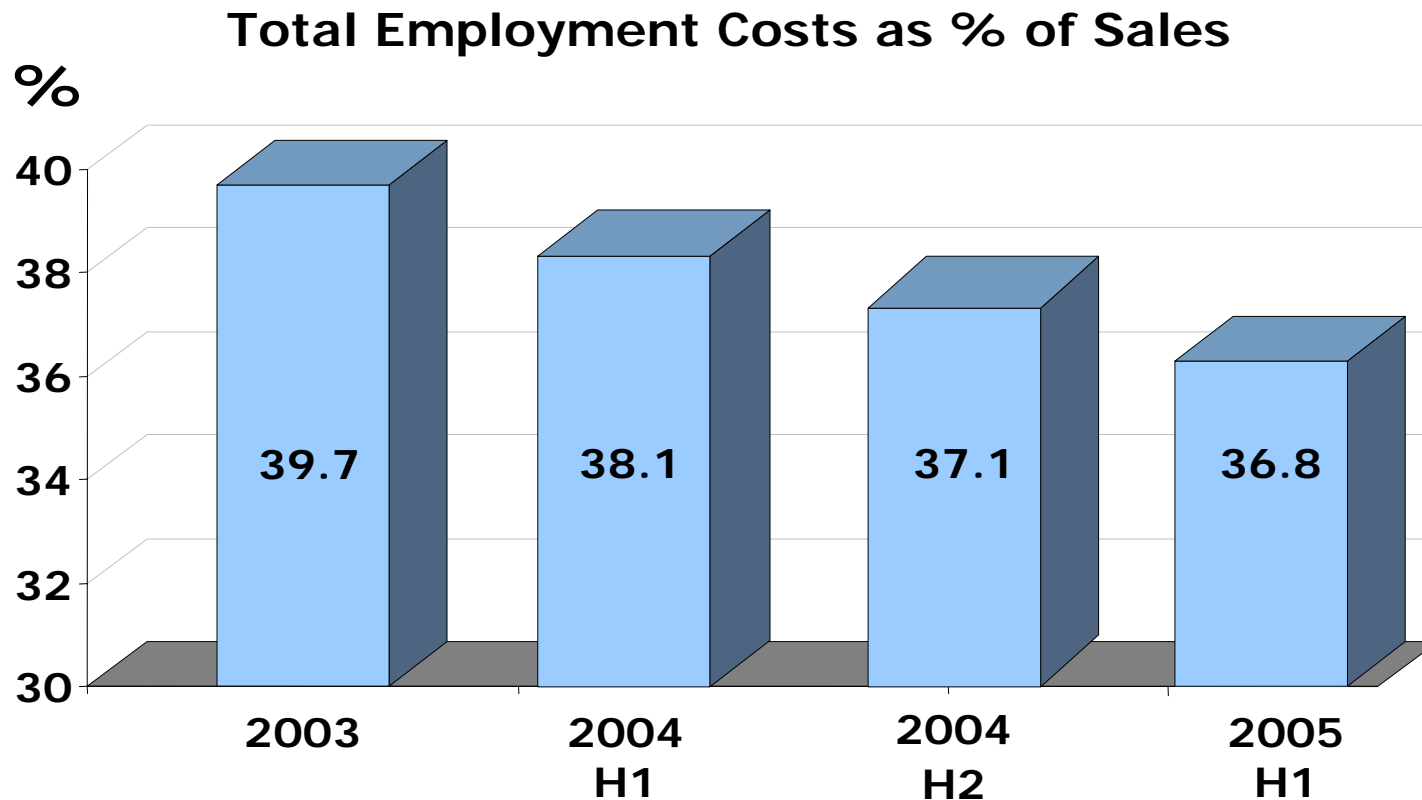


Further 5.7% improvement over past 6 months

Note: including subcontractors

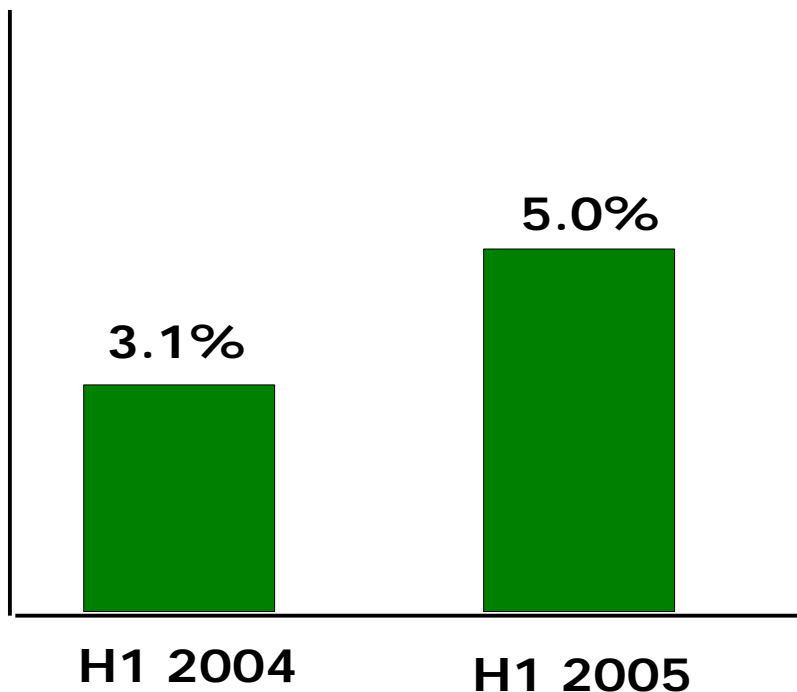
Cost base rationalisation playing a key role in margin improvement

Geographic shift + ongoing overhead reductions drive lower TEC as a % of sales



Revenue growth also increasingly a factor to margin improvement

Revenue growth from continuing business (constant currency*)

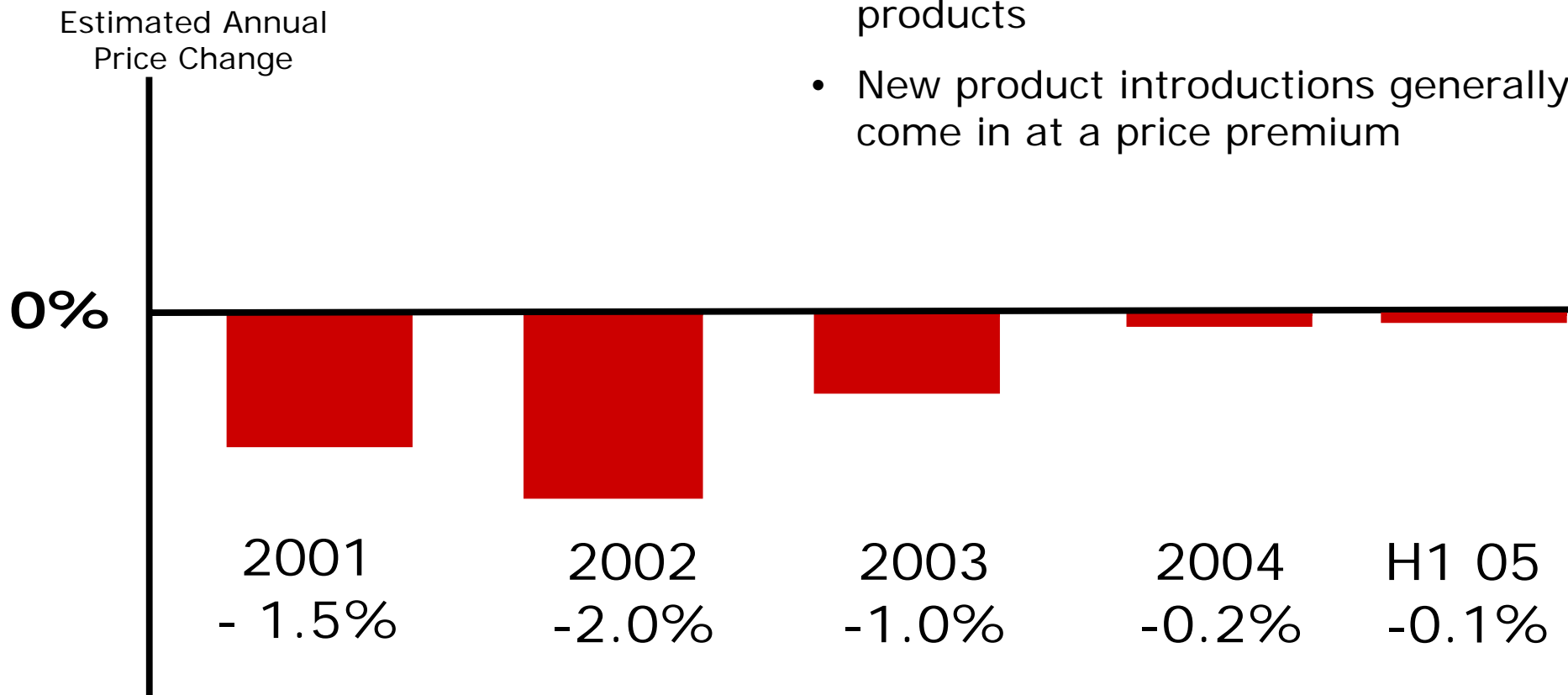


- Revenue from continuing business grew 7.1% in full year 2004 on a constant currency basis (using 2004 actual rates)
- Revenue in H1 2005 has continued to grow at approximately 2 times the weighted GDP of Morgan's geographic end markets (c. 2.5% p.a)

* Based on \$1.80 and 1.46 euro to the £

Volume growth is being achieved without sacrificing pricing

- Pricing kept steady on like-for-like products
- New product introductions generally come in at a price premium



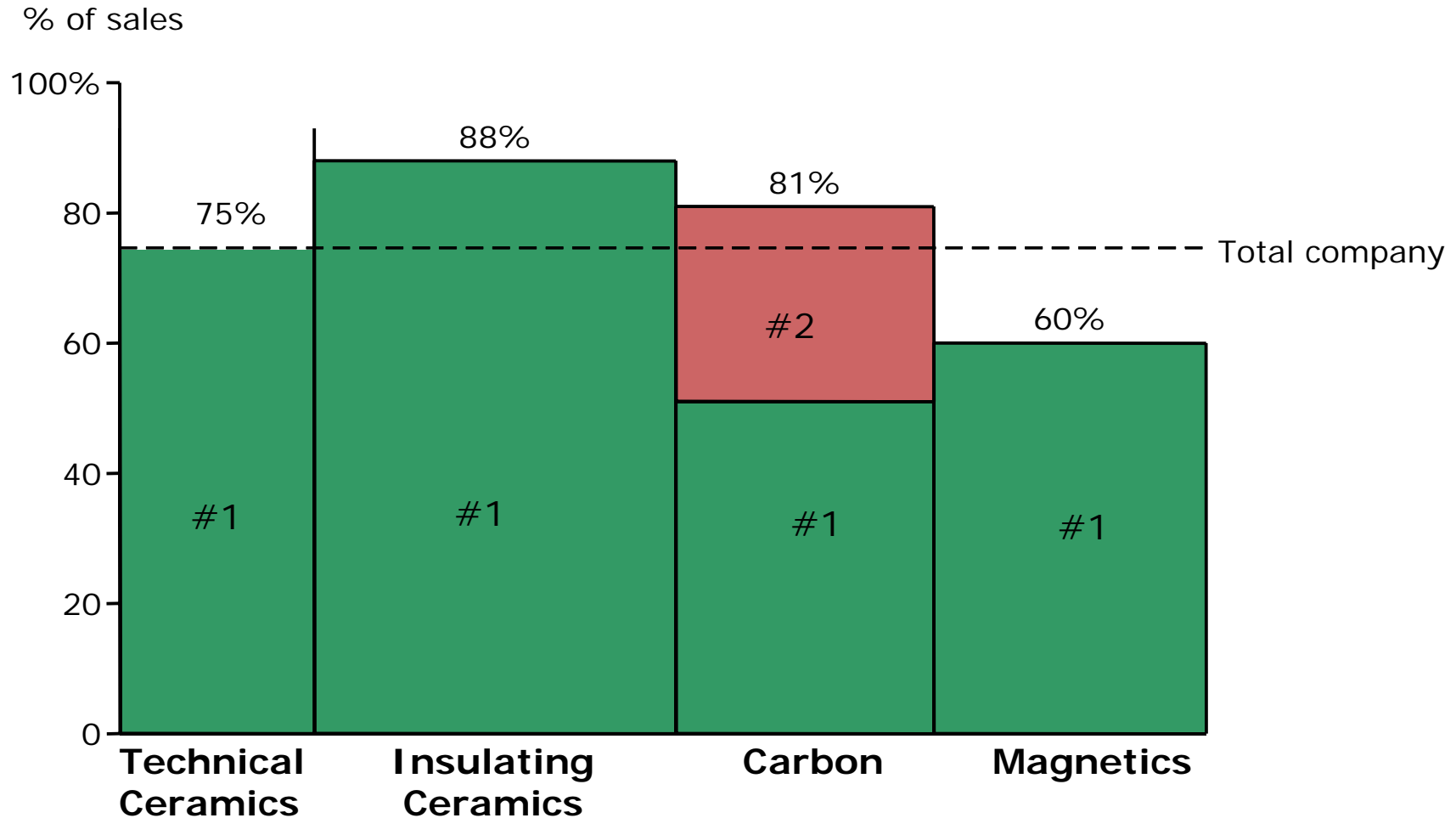
Future Shareholder Value Creation

Creating Sustained Value

As well as improved financials, Morgan has been systematically improving its **strategic position**:

- **Concentrating the portfolio on markets with attractive growth characteristics**, less cyclical, and less price commoditisation
- **Focusing on achieving market leadership** i.e. #1 or #2 market position in these target segments
- **Increasing the value-added component in our offering** via technological leadership and/or a higher level of customisation
- Continuing to focus on rigorous **cost management**

~75% of Morgan's revenues come from segments where we have a #1 or #2 market position



Note: Technical market position refers to share of wallet at current customers
Insulating Ceramics includes Crucibles

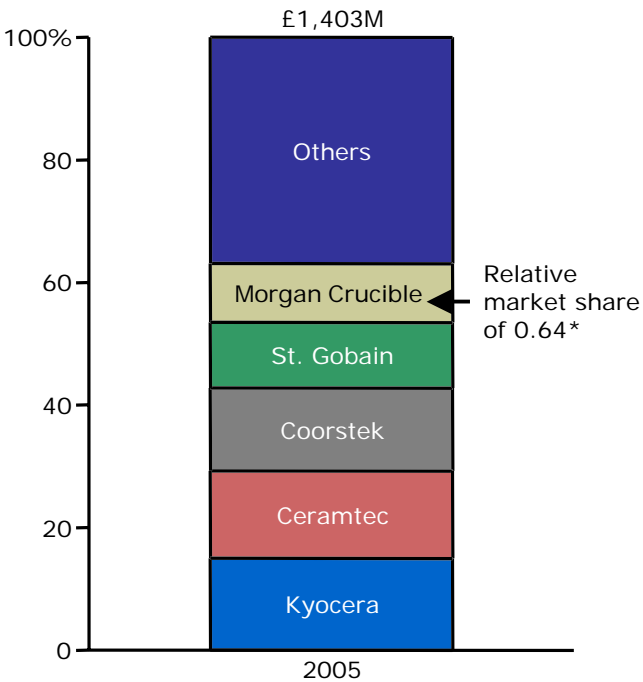
Technical Ceramics: focus on higher growth, less commoditised segments

Solid market position overall...

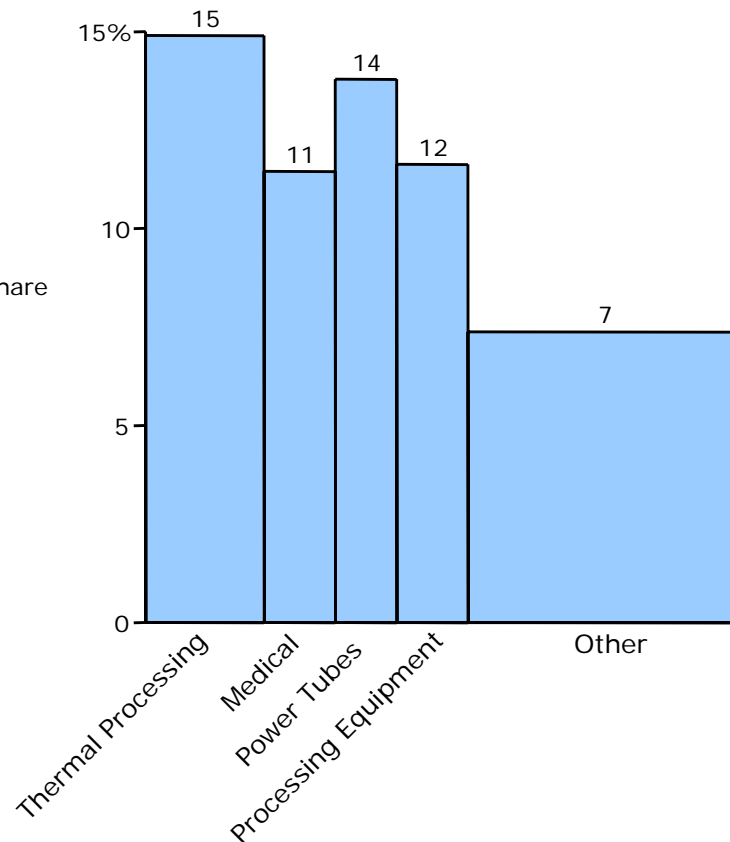
...but higher market share in key segments...

...driven by niche focus and customization

Technical ceramics market share



Market share and revenue by end-market

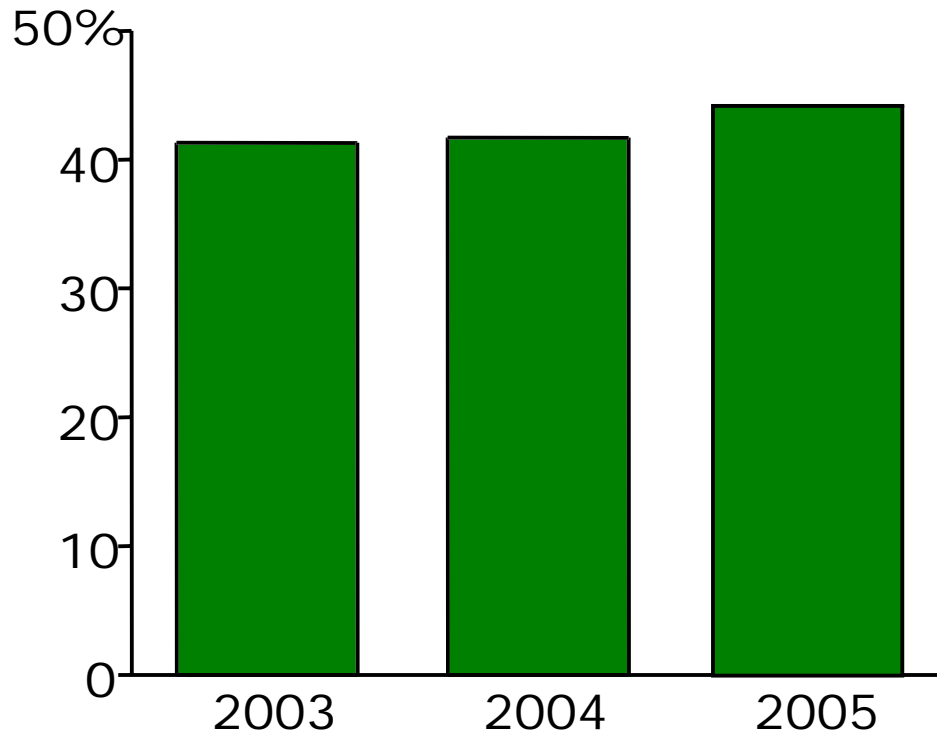


- c.10% overall market share
- Up to 15% of share of market in our four core target segments
- >80% "share of wallet" in our key customers

*Defined as market share as a ratio to industry leader

Technical Ceramics: improving margins through reduced costs and higher “value add”

Gross margin (%)



Aggressively reducing costs...

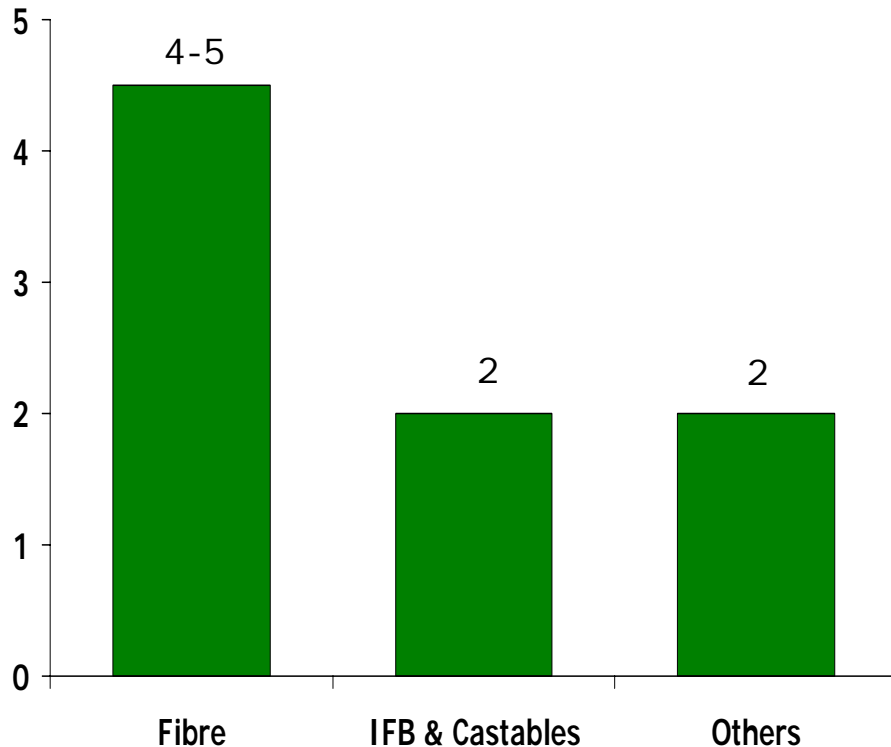
- Reducing headcount in US and Europe to create leaner organisation
- Moving from high cost production sites to lower cost countries

...while moving to higher value add goods

- Continuing to exit commodity bare ceramics
- Focus on rapidly growing electro ceramics market
 - Specifically increase leading position in booming HDD market
- Focus on highly engineered products that require custom solutions at higher prices

Thermal Ceramics: focus on the higher growth Fibre segment

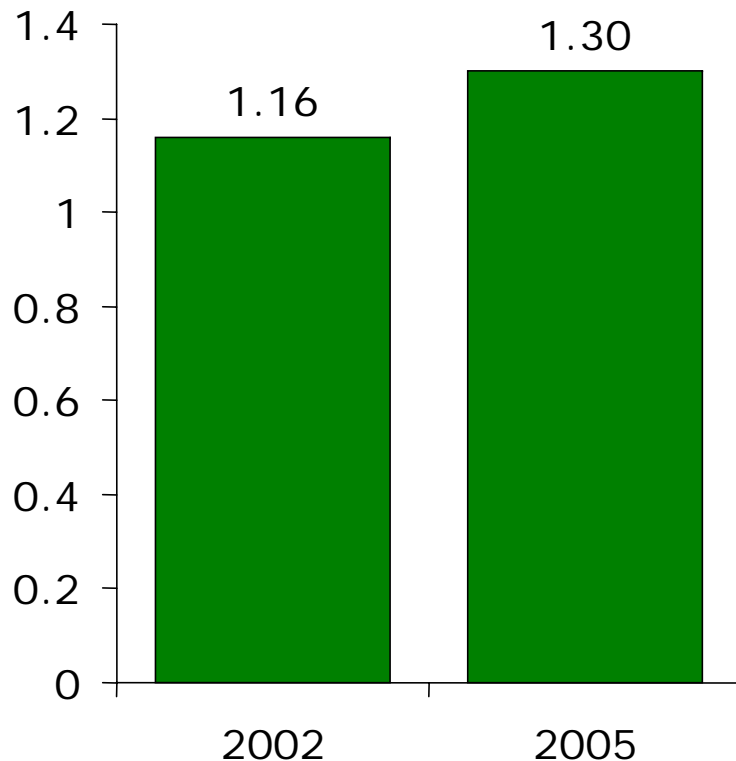
Forecast % Market Growth p.a. 2005 -09



- Fibre market segment is forecast to grow at 4-5 % pa
- Fibre now represents approximately two-thirds of total Thermal sales
- Exited businesses with low margin, low market share and low future growth prospects (e.g. majority of building related products, dense refractory products etc.)

Thermal Ceramics: increasing relative market share (RMS)

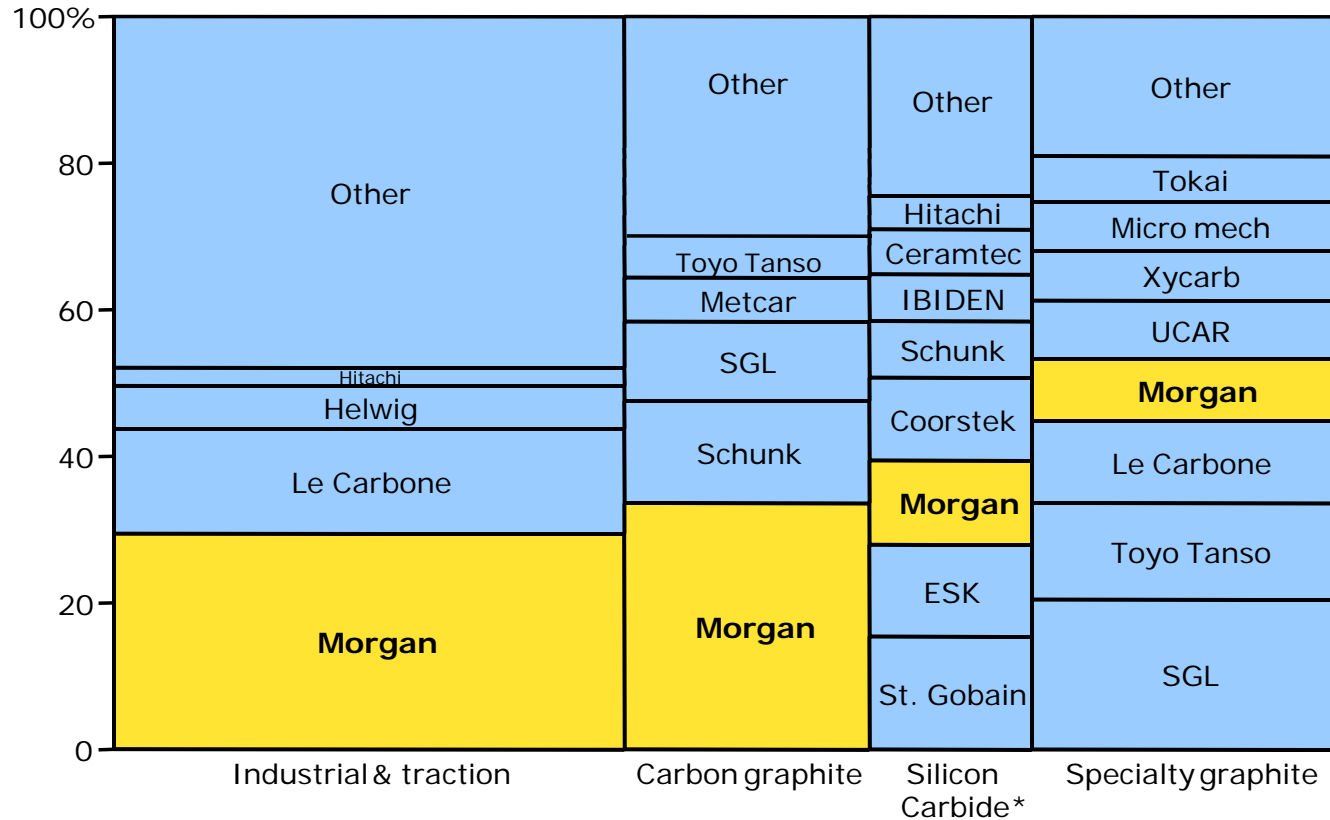
Thermal Relative Market Share (overall)



- Aggressive growth both organically and via JVs has led to market share gains, particularly in Asia
 - #1 market position now in Asia
 - forecast of c.25% of Thermal sales from Asia by 2006 compared to only 10% in 2002
- New, technically advanced products have led to more customer wins e.g.
 - Thermal is only player in Japan with bio-soluble product
 - Firemaster gaining fire protection standard in the US

Carbon: market leadership in our biggest market segments

Carbon market share

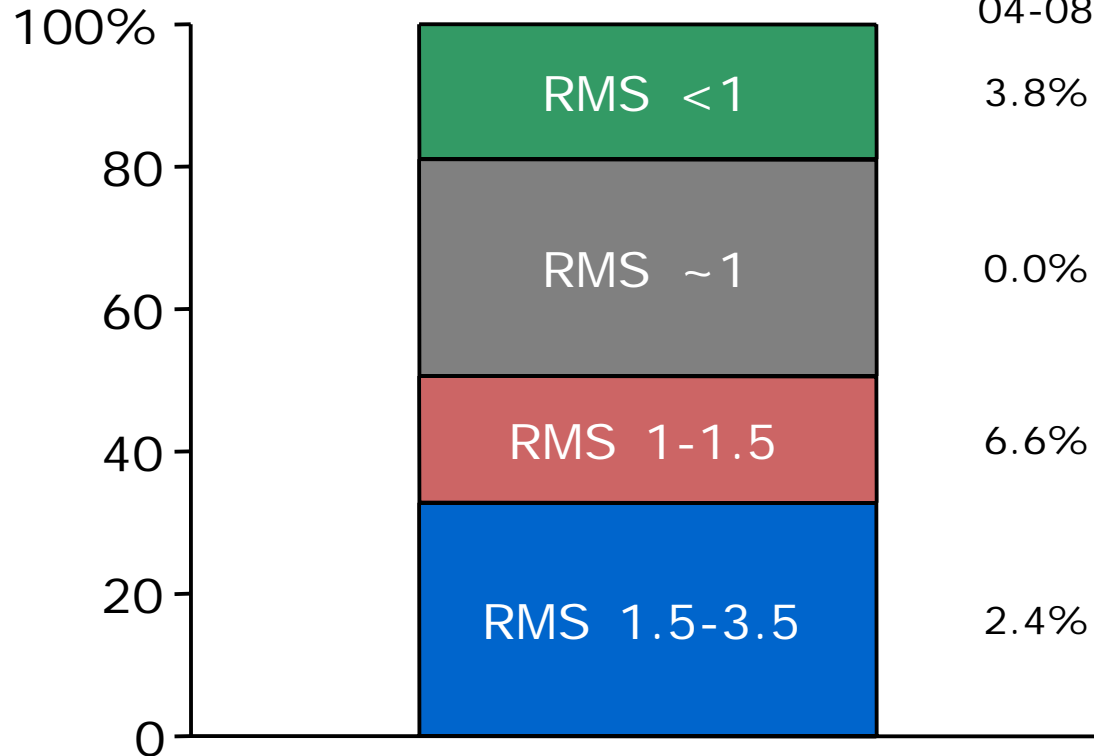


- Overall, 80% of Carbon revenue is driven from #1 or leading regional market positions

* Includes Armor

Carbon: ~80% of revenues from segments with relative market share of greater than 1

% of total revenue



Carbon relative market share in key markets 2004

Market segments

Market growth

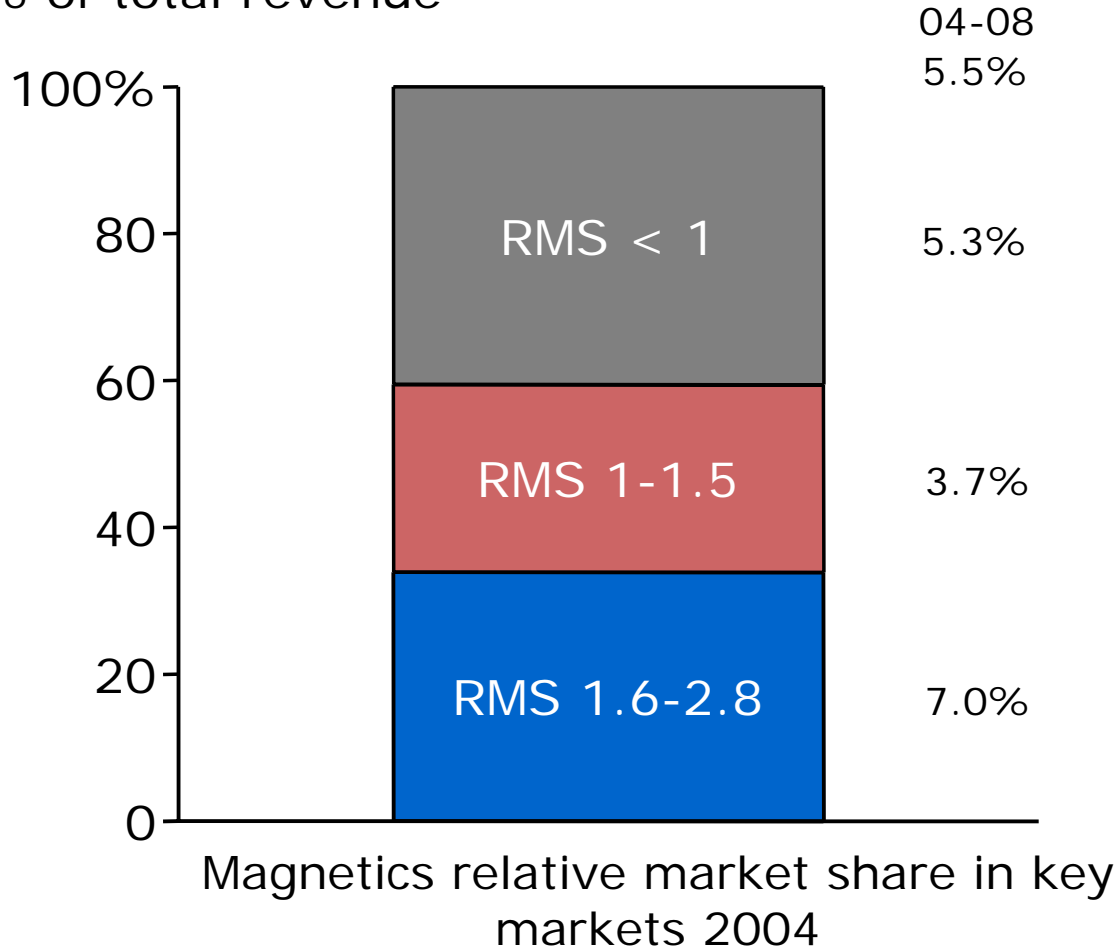
- | Market Growth (04-08) | Market Segments |
|-----------------------|--|
| 3.8% | <ul style="list-style-type: none"> • Silicon carbide (Europe & Americas) • Specialty graphite (Europe, Americas & Asia) • Mechanical Carbon (Asia) |
| 0.0% | <ul style="list-style-type: none"> • IRT (Europe) |
| 6.6% | <ul style="list-style-type: none"> • Carbon graphite (Europe) • IRT (Asia) |
| 2.4% | <ul style="list-style-type: none"> • Carbon graphite (Americas) • IRT (Americas) |

Magnetics: ~60% of revenues from segments with relative market share > 1

Market segments

% of total revenue

Market growth



MP = Materials and Parts Division

CC = Cores and Components Division

PM = Permanent Magnets Division

- MP Crystalline alloys
- MP Rapid solidification
- CC Installation

- MP Crystalline alloys
- CC Telecom

- CC Industrial
- PM Magnets and assemblies
- CC Automotive

Outlook and Conclusion

Warren Knowlton

Creating Sustained Value

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Profit Improvement Plan Remains On Track

- c £70m cash spend
- £50m annualised profit improvement by early 2007 remains the goal

	Cash Spend	Benefit *
2004	£32 m	£20 m
2005 E	c. £20 – 25 m	£16- 18m
2006 E	c. £10 – 15 m	£12 – 14m

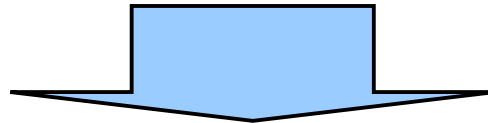
*Includes lean manufacturing initiatives

Trading Outlook

- European market remains weak, offset by demand in North America and Asia markets
- H2 2005 performance likely to compare favourably to H2 2004 given less pronounced impact of input cost headwinds
- Niche value-added focus will continue to drive revenue growth ahead of end market GDP growth

Summary

- Morgan continues to deliver on its promises of restructuring and cost rationalisation
- Revenue growth well in advance of GDP playing an increasing role in profit improvement
 - Morgan's portfolio of businesses is being moved progressively towards higher growth, lower cyclical markets
 - Ongoing move from commoditised products to those with a high level of value-add and significant competitive differentiation
 - Leadership positions in a high number of markets



- Well on the way to hitting and exceeding the committed 10% operating profit margins



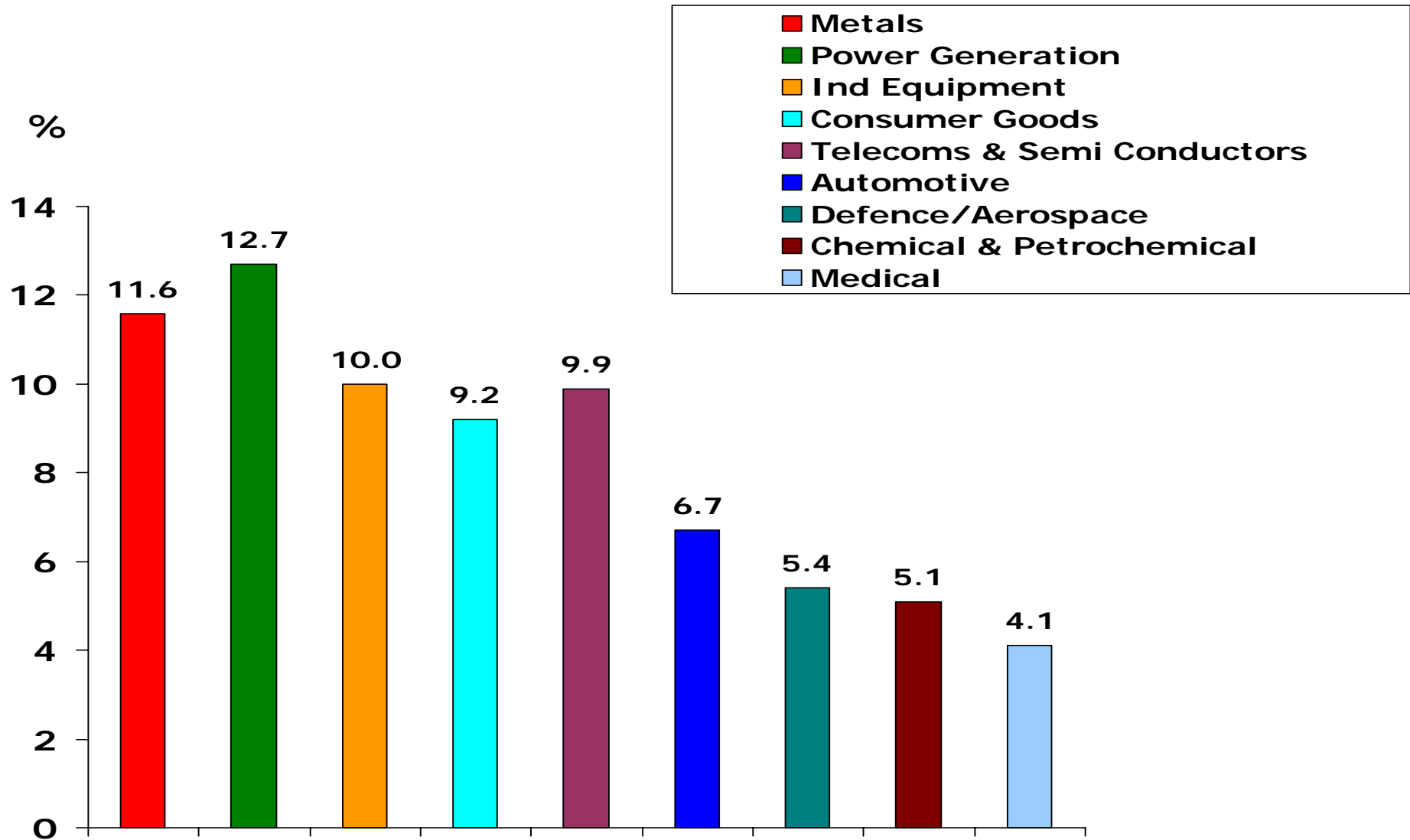
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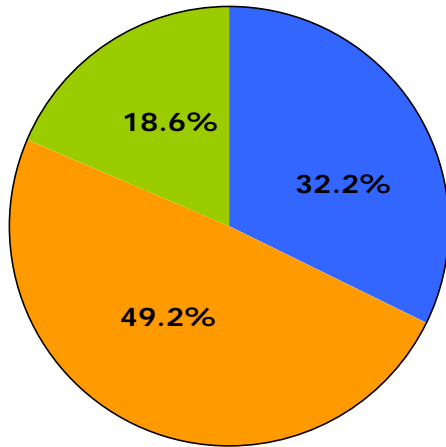
Appendix

Proportion of group turnover in selected end-use markets

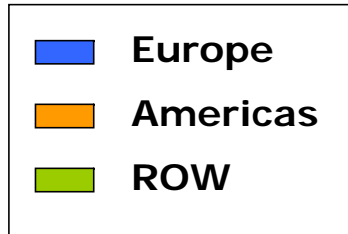
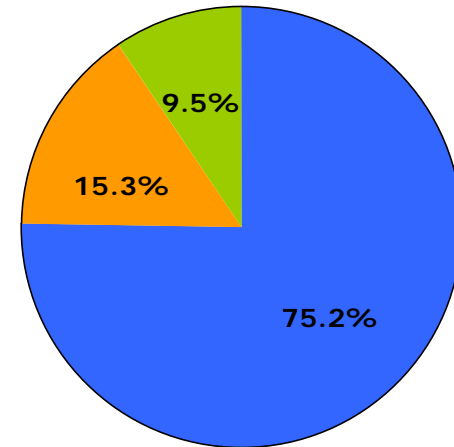


Sales by Geographical Origin

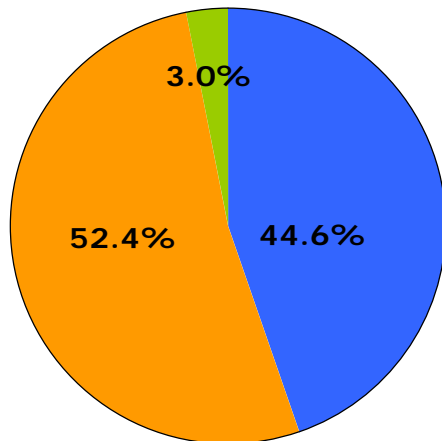
CARBON



MAGNETICS



TECHNICAL CERAMICS



INSULATING CERAMICS

