The Morgan Crucible Company plc

2006 Interim Results

3rd August 2006

Agenda

- Introduction
- 2006 Interim financial results
- Delivery of promises - well positioned for the future
- Targeting mid-teen margins
- Outlook

2006 Interim Financial Results

Mark Robertshaw

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Strong results continue to be delivered

Continuing basis:		% change from 1H05
Revenue	£336.3m	+11.7%
Underlying* Operating Profit	£35.7m	+39.5%
Underlying* Operating Profit Margin	10.6%	+210 bps
Underlying* EPS	8.5p	+63.5%
Pension Deficit	£44.4m	-76.0%
Net Assets	£218.8m	+41.1%

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* Excludes discontinued activities and one-off items

Another c.200 basis point year-on-year profit margin increase

Half Year £m		**2005**	**2006**
Revenue	**-continued**	301.0	336.3
	-discontinued	90.7	-
Underlying operating profit (EBIT)	**-continued**	25.6	35.7
	-discontinued	7.6	-
Restructuring costs and prior period litigation costs		(11.0)	(15.2)
Changes to UK pension schemes		-	11.0
Loss on partial disposal of businesses/property		(0.4)	0.1
Net finance charge		(6.7)	(1.5)
Profit / (loss) before tax		**15.1**	**30.1**
Tax		(5.5)	(6.7)
Profit/(loss) on sale of discontinued operations, net of tax		(0.6)	(0.6)
Profit for the period		**9.0**	**22.8**
Underlying EPS (on a continuing basis)		**5.2**	**8.5**
Continuing business EBIT/sales ratio		8.5%	10.6%
Interim dividend declared		-	1.5p

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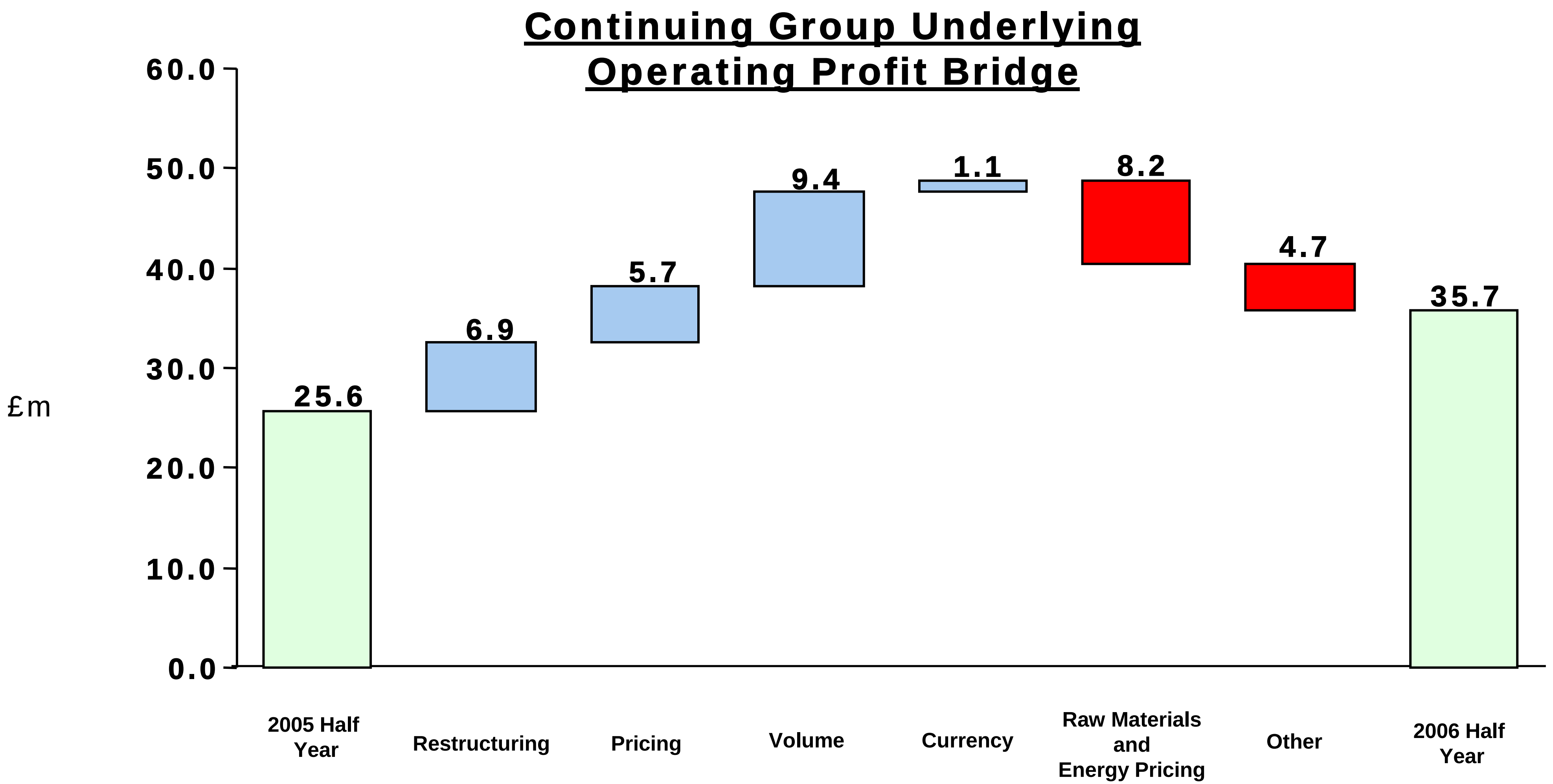
Revenue growth has now overtaken cost cutting as a major driver for profit



All GBUs showing increased profit margins

£m	Sales		Underlying Operating profit (EBIT)		EBIT/Sales %	
	H1 2005	H1 2006	H1 2005	H1 2006	H1 2005	H1 2006
Carbon	100.9	106.5	12.4	16.2	12.3%	15.2%
Technical Ceramics	71.1	84.0	6.1	8.9	8.6%	10.6%
Insulating Ceramics	129.0	145.8	9.9	13.1	7.7%	9.0%
Unallocated costs *	-	-	(2.8)	(2.5)	-	-
Continuing Group	301.0	336.3	25.6	35.7	8.5%	10.6%

* For example, plc costs (e.g. Report & Accounts, AGM, non-executives) and Group management costs (e.g. corporate head office rental/utilities, insurance, corporate staff etc.)

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Net debt remains negligible

	HY 2006 £m	HY 2005 £m
Net cash flow from op. activities before UK pension payment	(11.4)	2.7
UK pension scheme payment	(40.0)	-
Interest received	2.3	0.9
Net capital expenditure	(14.1)	(12.3)
Free cash flow	**(63.2)**	**(8.7)**
Cash flows from other investing activities	(5.8)	(4.2)
Cash flows from financing activities	(6.4)	(3.4)
Exchange movement	2.0	(0.8)
Opening net cash /(debt)	50.5	(147.9)
Closing net (debt)	(22.9)	(165.0)

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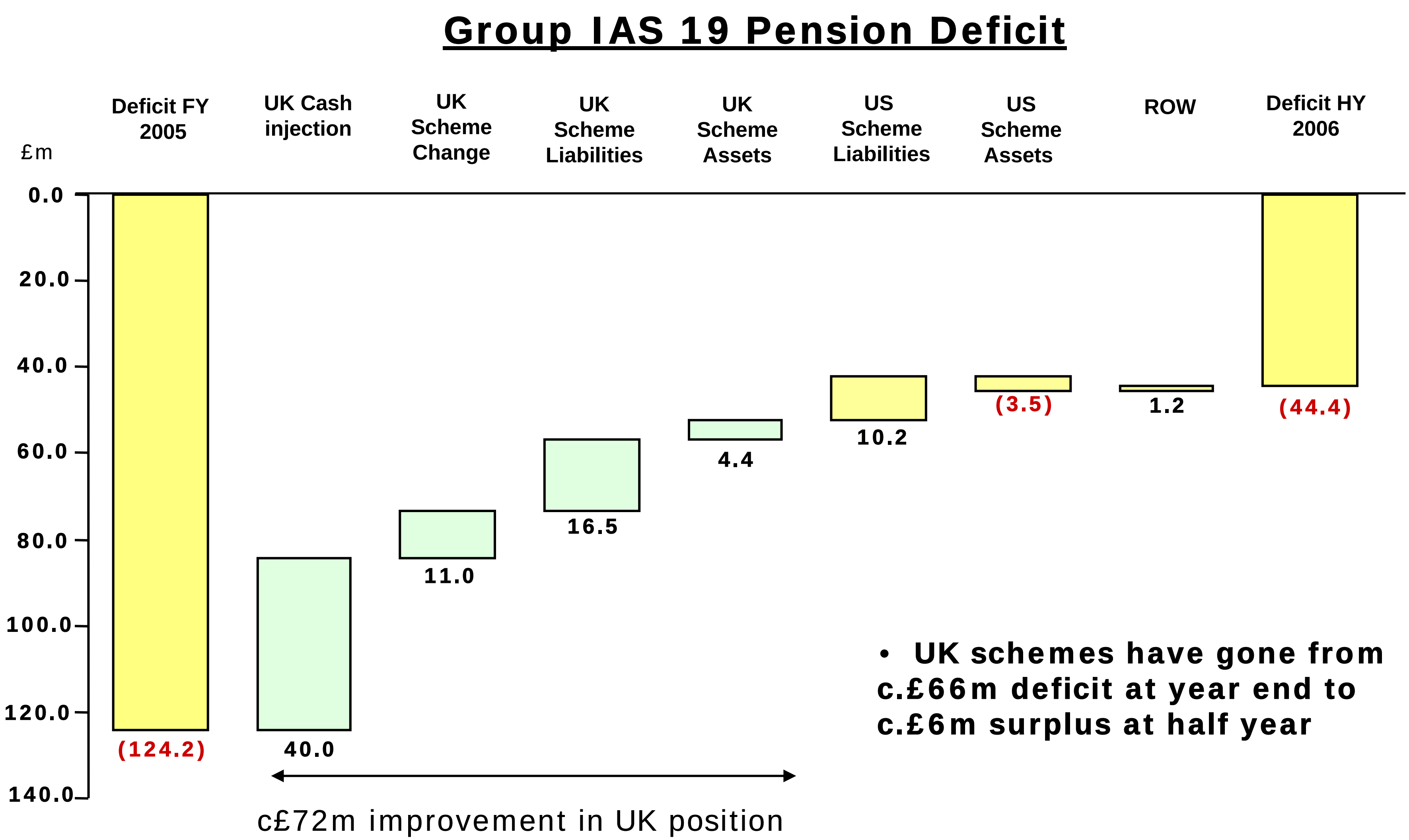
Group pension deficit significantly reduced – UK deficit eliminated



- **UK schemes have gone from c.£66m deficit at year end to c.£6m surplus at half year**

6 bolt-on acquisitions / JVs completed so far this year

Acquisitions		**Investment***
		£'m
• Vesuvius insulating fibre business -US & Poland	(Insulating)	12.0
• Aceram – Canada**	(Carbon)	6.0
• Indian Crucible expansion	(Insulating)	3.5
JVs		
• Shandong - China	(Insulating)	0.7
• Yekaterinburg - Russia	(Insulating)	1.0
• Yingtelai - China	(Insulating)	4.6
		27.8

** Includes capex*

***Final investment subject to earn-out requirements; upfront payment is £1.8m*

Annualised revenues from the 6 bolt-ons/JVs are approaching 1x the costs of acquisition

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Bolt on acquisitions : further developing our low cost manufacturing footprint

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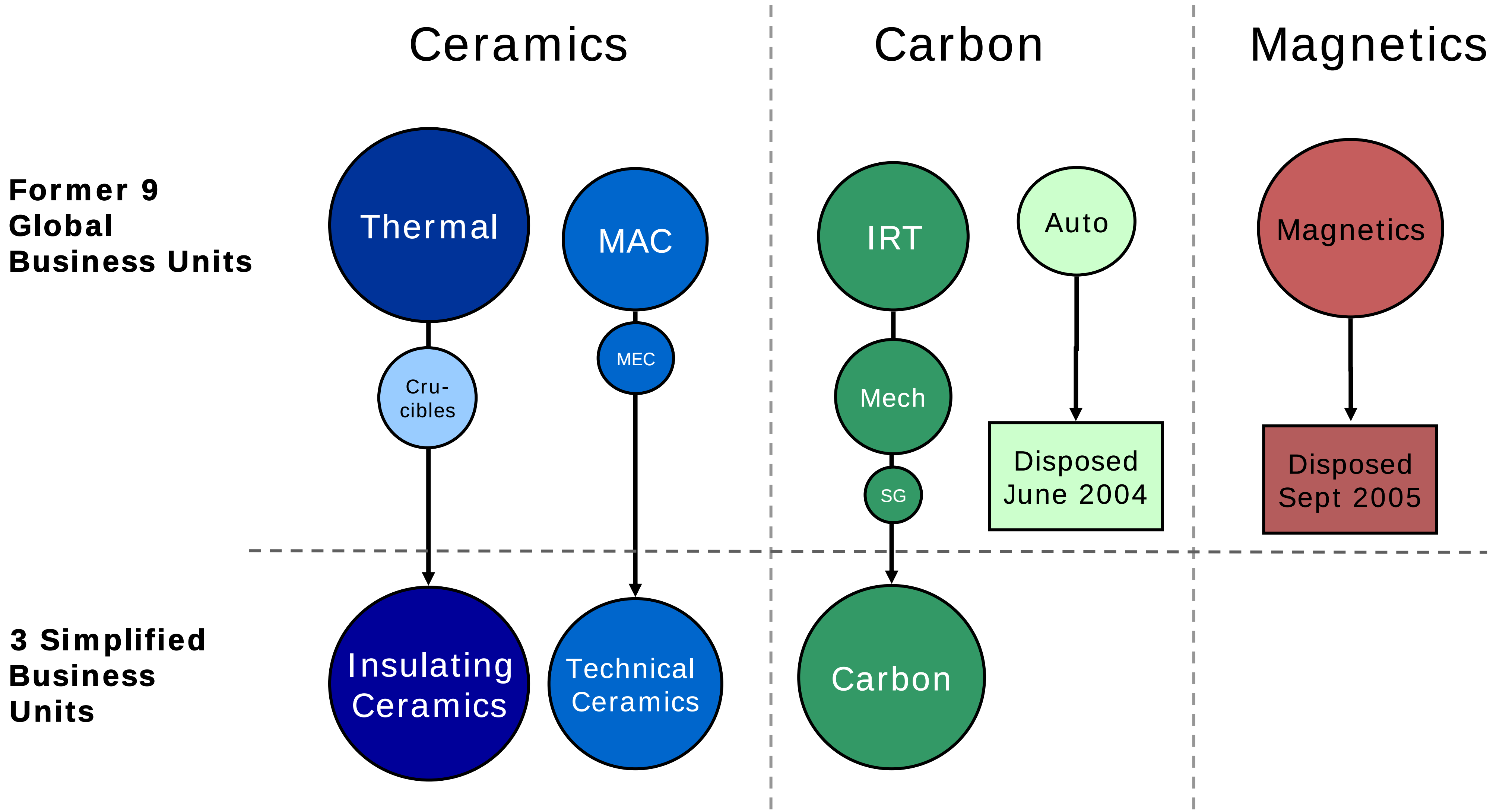
Delivery of promises - well positioned for the future

Warren Knowlton

Promises delivered

Quarter 1 2003	Quarter 2 2006
• Simplify business structure	• Rationalised Group from 9 divisions to 3 • Head Office staff reduced by c. 75% • R&D streamlined and relocated into the businesses • Former manufacturing footprint reduced by approximately a half • Selective investments only to reinforce core businesses
• Instil performance based culture across GBUs	• LTIP & option plans introduced based on total shareholder return outperformance criteria • Pay-linked performance through tough individual standards • Year-on-year price erosion reversed; now in positive territory
• Accelerate and extend re-structuring	• c.80 manufacturing sites sold, closed or consolidated since 2002 • Profit improvement plan delivered ahead of schedule
• Turn around under-performing businesses	• All major businesses show greatly improved margins and top line growth in advance of GDP
• Dispose of operations that fail to meet core criteria	• 5 major disposals: Graflon, Superconductors, Soft Coatings, Auto Consumer and Magnetics. c.80% of Group revenues now come from businesses with #1 or #2 market positions

Delivered - A business simplified



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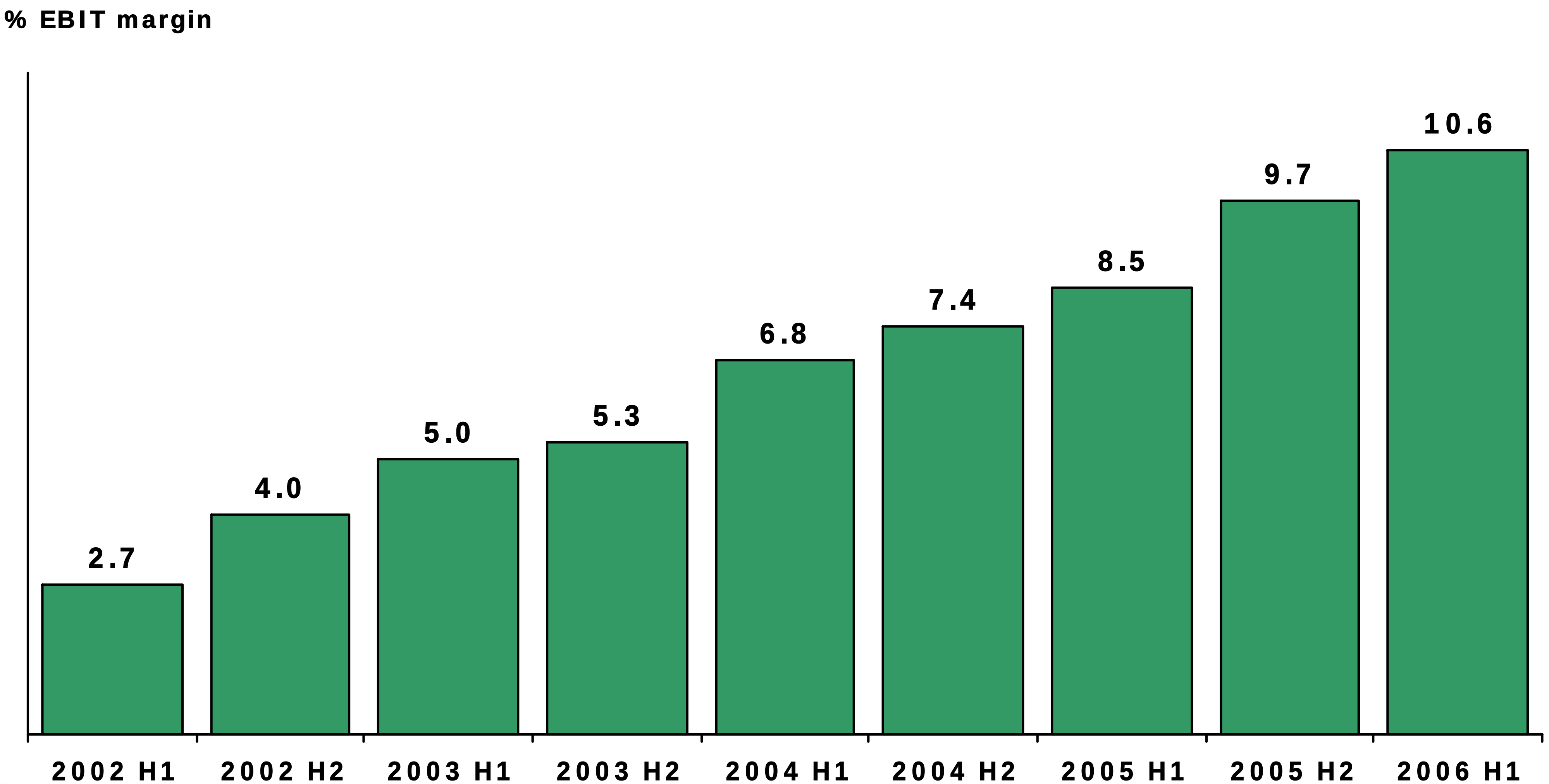
Double digit margins delivered ahead of expectations

Operating margins* on continuing businesses



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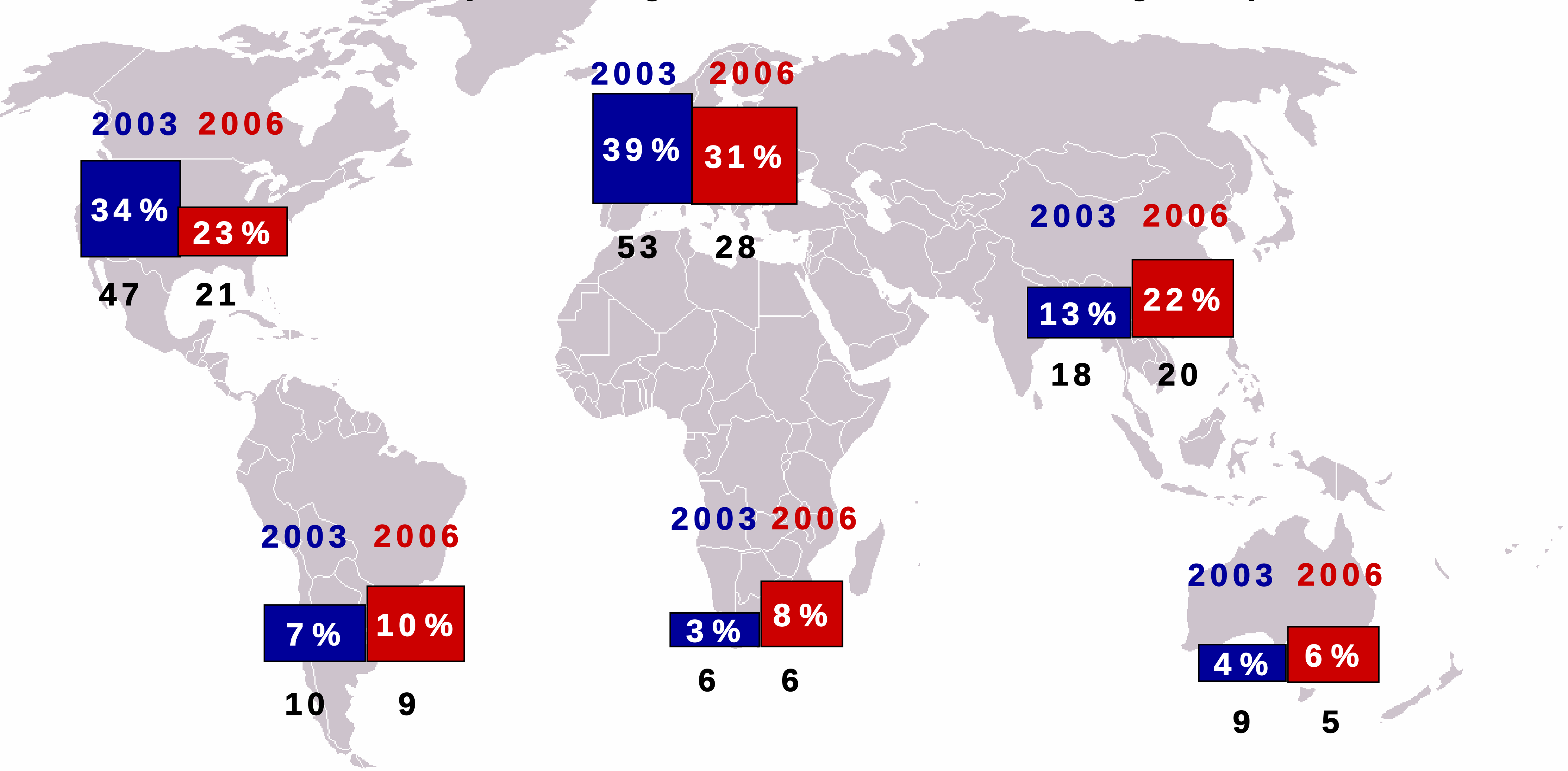
* Excludes discontinued activities and one-off items

Ongoing shift of operations toward lower-cost locations

Group operations have been significantly consolidated and simplified
Lower cost sites as a percentage of total manufacturing footprint increased



Note: numbers in black denote number of sites; percentages denote the sites by continent expressed as a percentage of total number of sites

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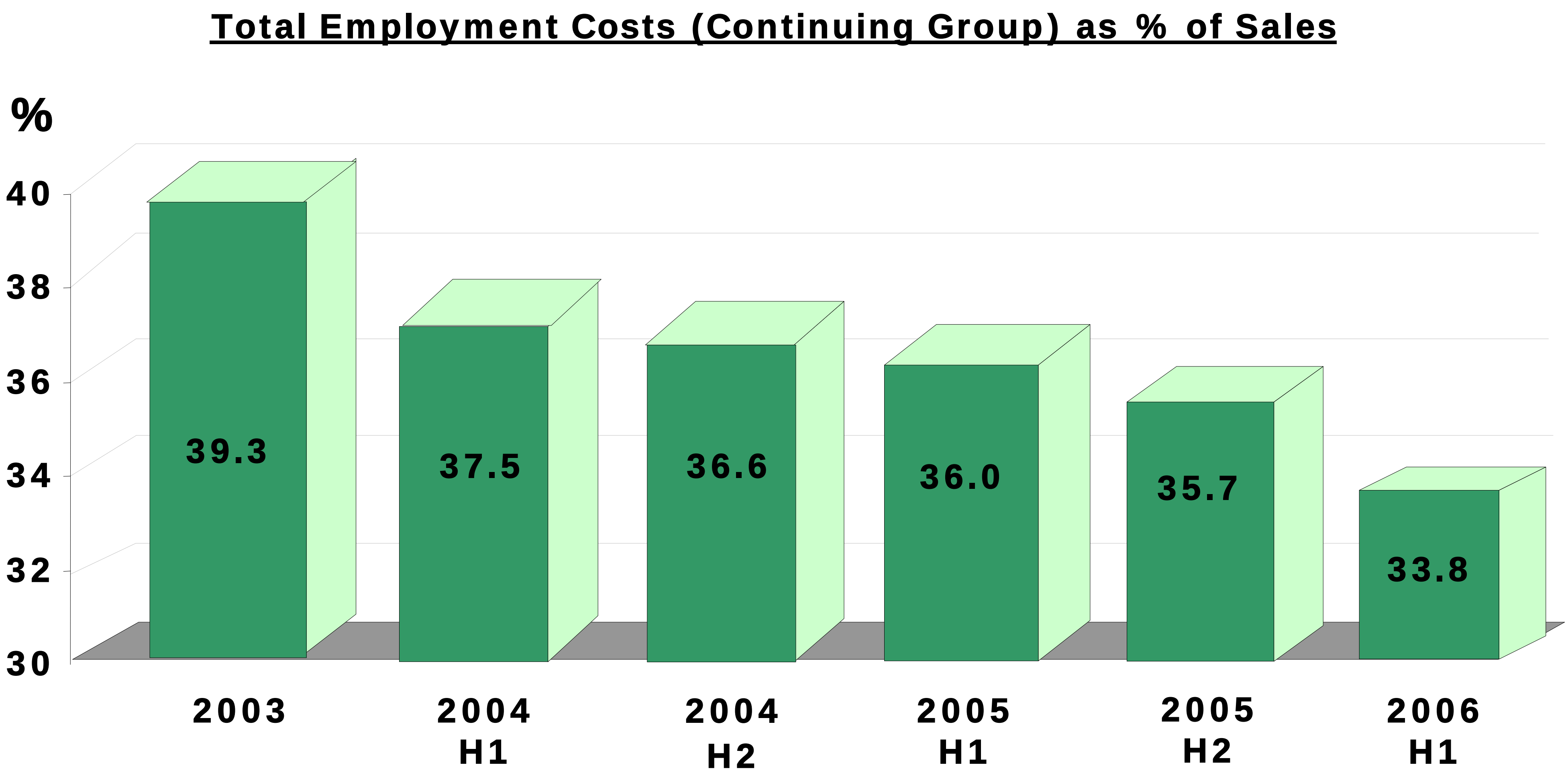
Total employment cost reductions playing a key role in margin improvement



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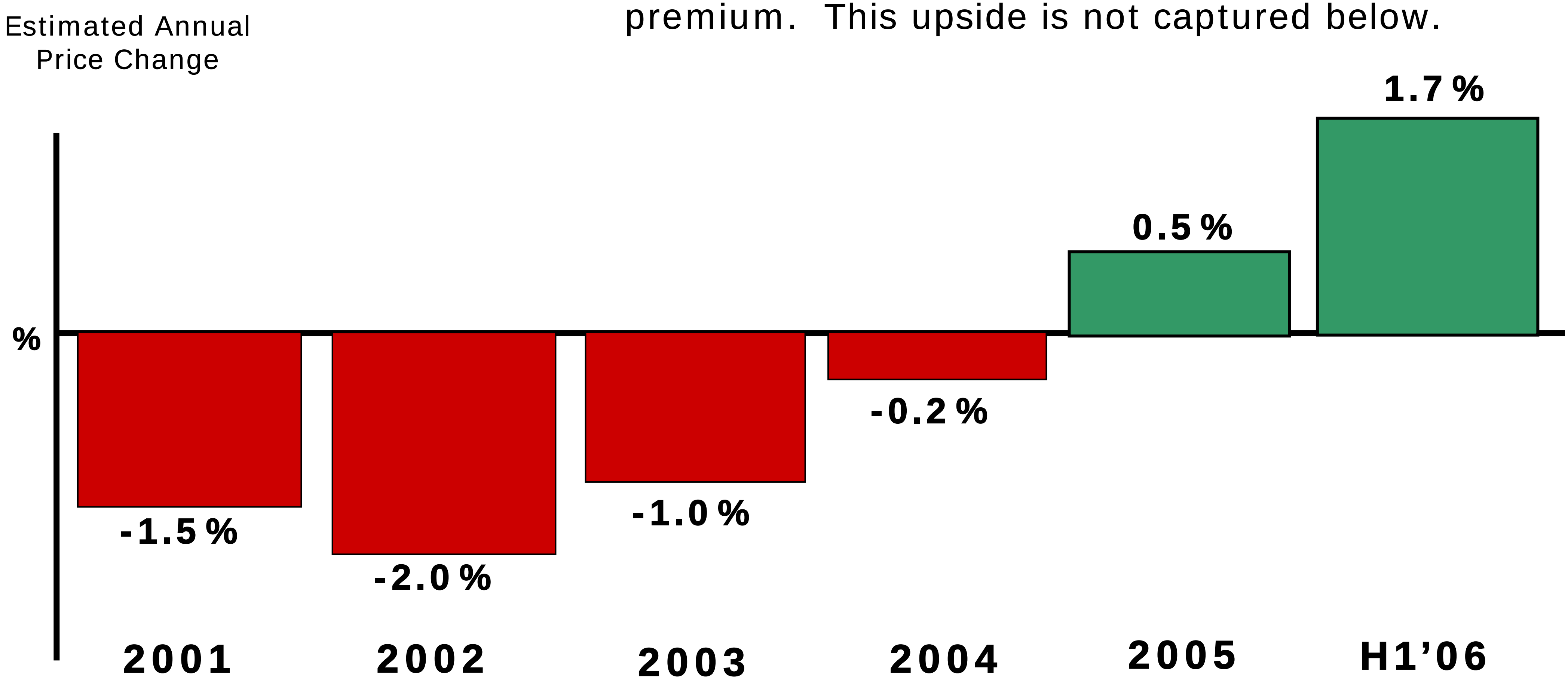
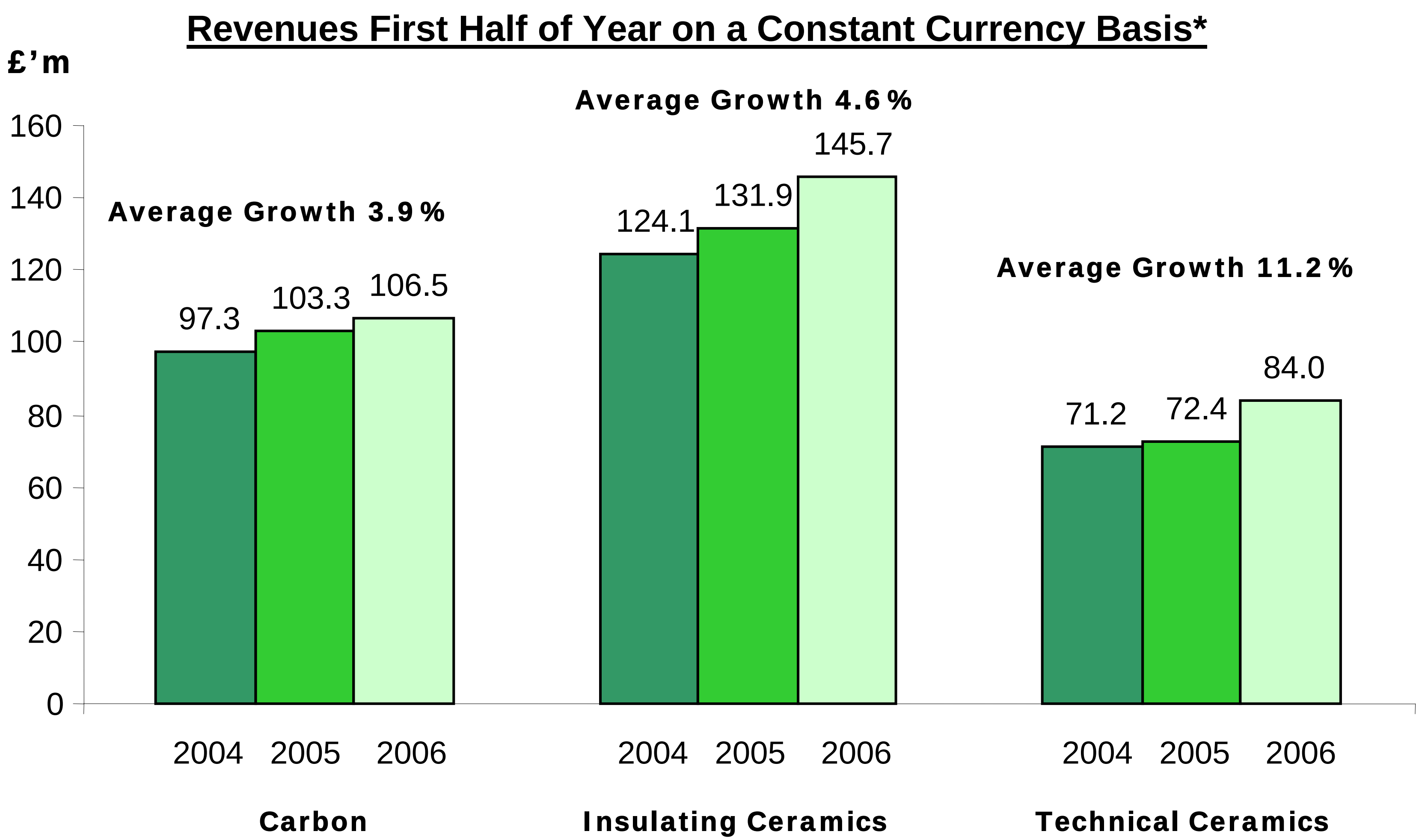
Pricing position now strongly positive

- Analysis shows like-for-like comparison only: new product introductions generally come in at a price premium. This upside is not captured below.



Healthy top-line growth across all divisions



Average growth rates cover the period 2003 to 2006

***using 2006 half year actual exchange rates**

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Well positioned for the future

Morgan Crucible in 2006

Financial & operational improvements

- Operationally positioned for growth
  - Restructuring promises delivered
  - Better and leading market positions
  - Leaner and more effective Group structure
  - Strong leadership accountable for results
  - Reduction of commodity products
- Financially robust
  - Significant improvement in operating margins
  - Debt reduction targets fully achieved
  - Pension and employee benefit liabilities reduced
  - Well positioned to invest in selective profitable growth initiatives
  - Robust balance sheet
  - Return to dividend list

Cultural transformation

~80% of revenues from businesses with #1 or #2 market position

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Targeting mid-teen margins

Mark Robertshaw

Road map for profitable growth

- **Concentrating the portfolio on markets with attractive growth characteristics**, less cyclicality, 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 product offering** via technological leadership and/or a higher level of customisation
- Continuing to focus on rigorous **cost management**

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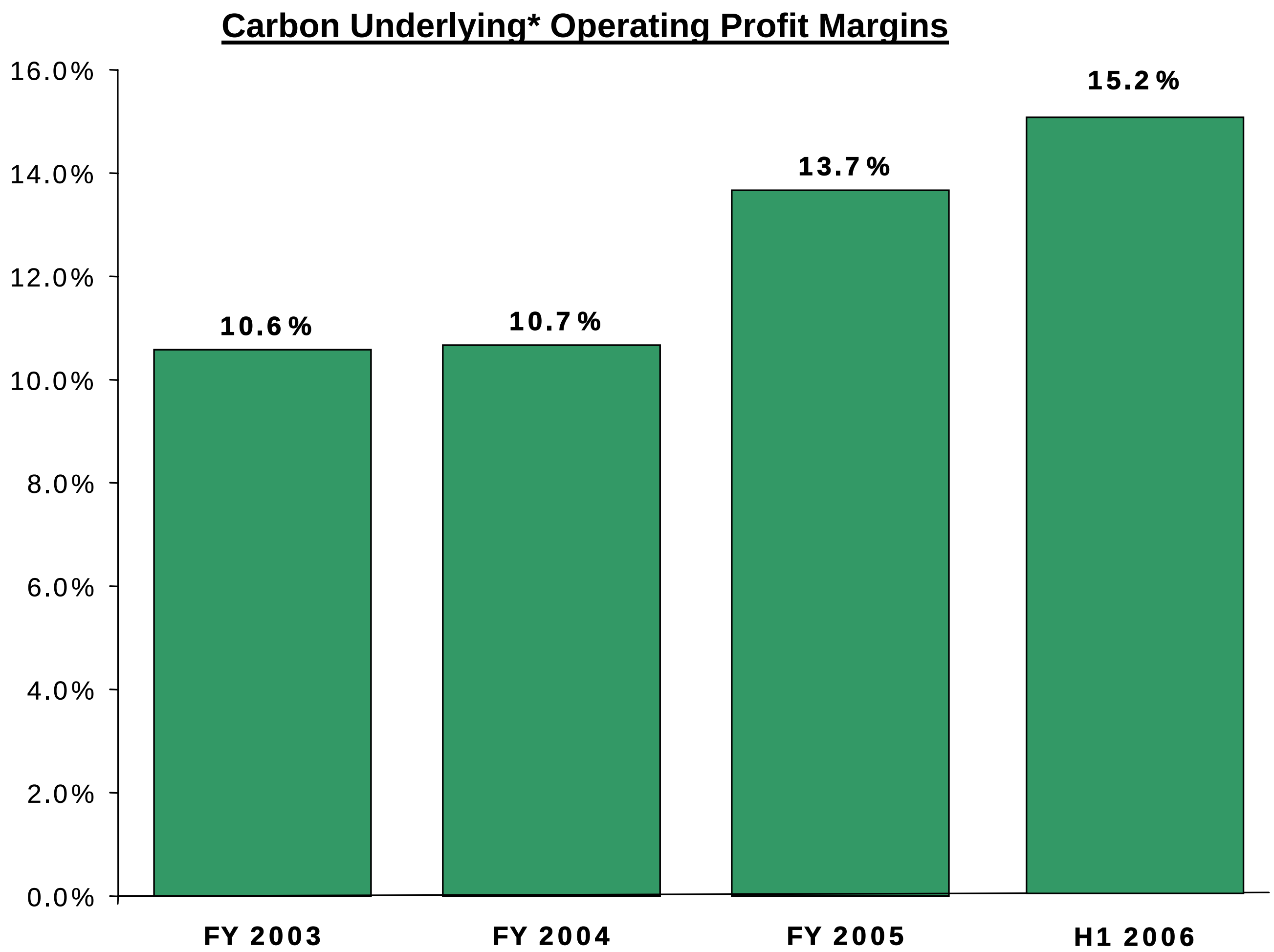
Carbon leads the way – already achieving mid-teen margins



- Healthy top-line growth bolstered by resurgence in armour sales
- Continued benefits from site rationalisation feeding through to the bottom line

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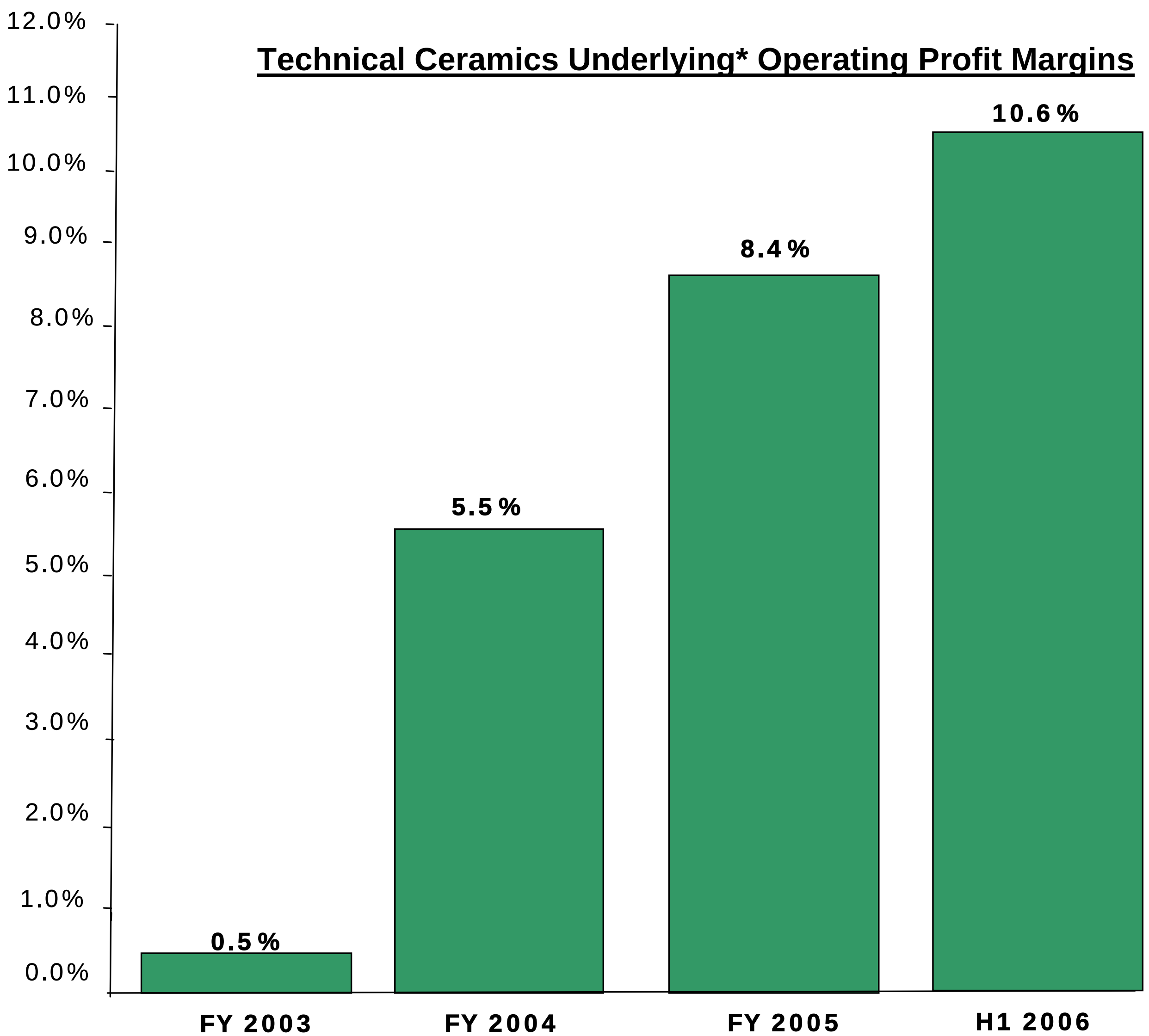
*** Excludes discontinued activities & one-off items**

Technical Ceramics: another strong improvement to margins



- Continuing strong topline growth driven by increasing focus on attractive end-use markets such as medical, aerospace and powertubes
- Healthy new business pipeline
- Rising input costs offset by positive pricing

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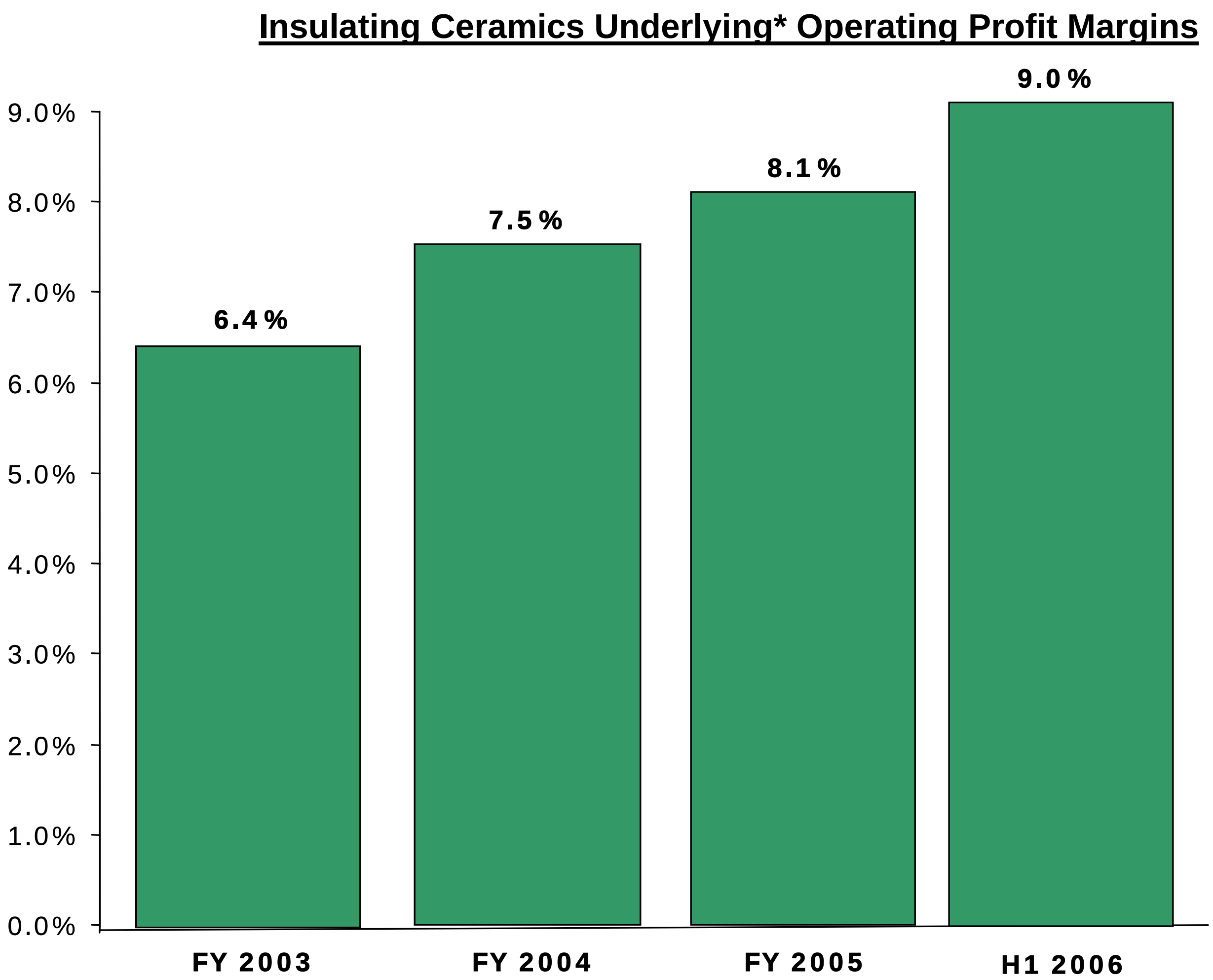
*** Excludes discontinued activities & one-off items**

Insulating Ceramics: continuing steady momentum and on track



- Bolt on acquisitions of Vesuvius ceramic fibre business and Indian Crucible business
- Geographical expansion through new JVs
- Significant energy and raw material increases
  - pricing increases introduced to mitigate input costs
  - additional cost reduction programme initiated in Thermal (£8m cost for £8m annualised savings)

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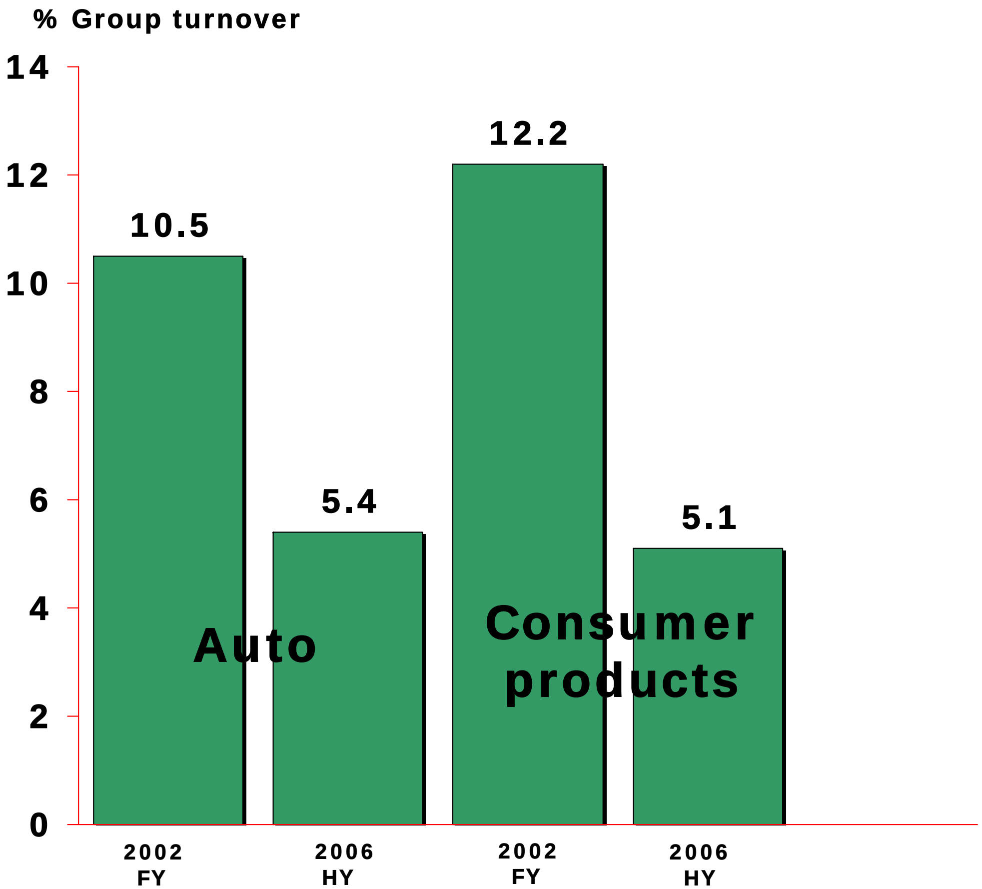
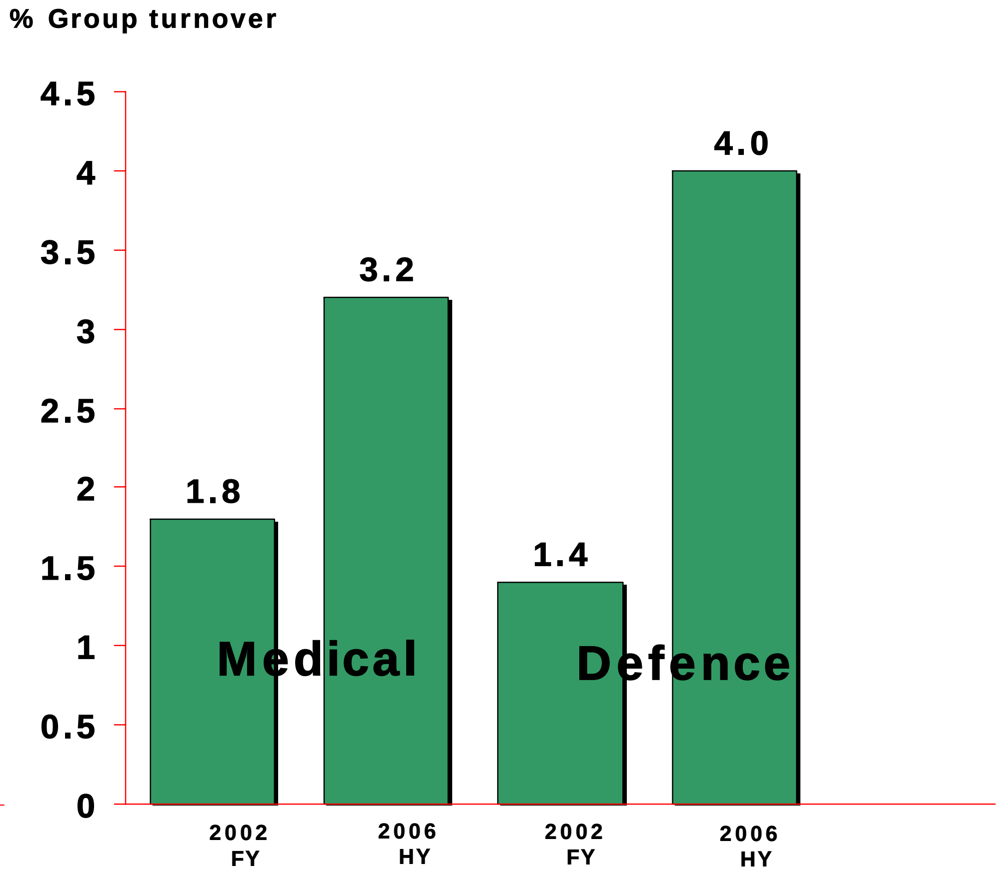
* Excludes discontinued activities & one-off items

Positive product mix shift

Exiting / de-emphasising price competitive cyclical markets



Proactively targeting high-growth, higher value added, less cyclical markets



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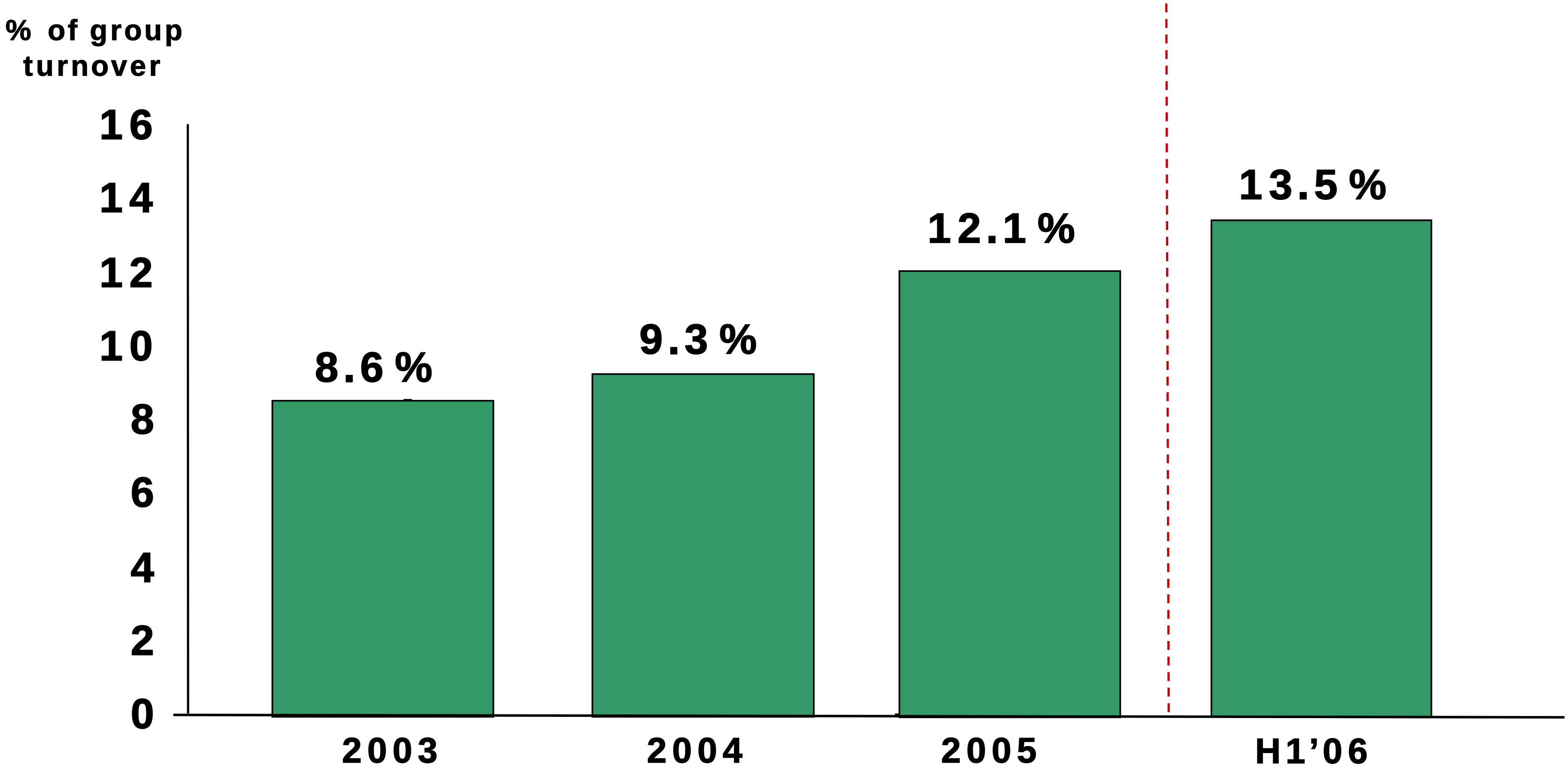
Increased exposure to high growth emerging markets

Reported Group turnover in emerging markets*



* E.g. China, India, Latin America

Trading Outlook

Trading Outlook

- Continuing strength in North America and Asia with improvement in Europe
- Margin improvement continuing to come through in all businesses
- The balance sheet remains strong

We look to the future with confidence

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