The Morgan Crucible Company plc

2005 Preliminary Results

22nd February 2006

Agenda

- Introduction
- 2005 preliminary results and Group financial position
- Continued delivery of the profit improvement plan
- The potential for mid-teen margins
- Operating Model and Group News
- Outlook and Conclusion

2005 Preliminary Results and Group Financial Position

Mark Robertshaw

Strong financial momentum continues

- Turnover on continuing business up 4.8% to £609.8m
- Underlying operating profit on continuing business up by c. 33% from £41.7m to £55.4m
- Underlying operating profit margin on continuing business up from 7.2% to 9.1%
- Balance sheet transformed following sale of Magnetics business
  - net cash position at year end of £50.5m
  - pension deficit reduced by a third to £124.2m

33% growth in underlying operating profit from continuing businesses

Full Year £m		2004	2005
Turnover	**-continued**	581.6	609.8
	-discontinued *	214.3	135.9
Underlying operating profit (EBIT)	**-continued**	41.7	55.4
	-discontinued *	14.1	10.6
Restructuring costs		(47.5)	(29.7)
Prior period litigation costs		(11.2)	(2.3)
Loss on partial disposal of businesses/property		(12.0)	(0.5)
Net finance charge		(16.1)	(13.1)
Profit/(loss) before tax		**(31.0)**	**20.4**
Tax		(2.5)	(8.8)
Profit/(loss) on sale of discontinued operations, net of tax		(26.7)	42.6
Profit for the period		**(60.2)**	**54.2**
Underlying EPS		**10.0**	**13.1**
Group EBIT/sales ratio		7.0%	8.9%
Continuing business EBIT/sales ratio		7.2%	9.1%

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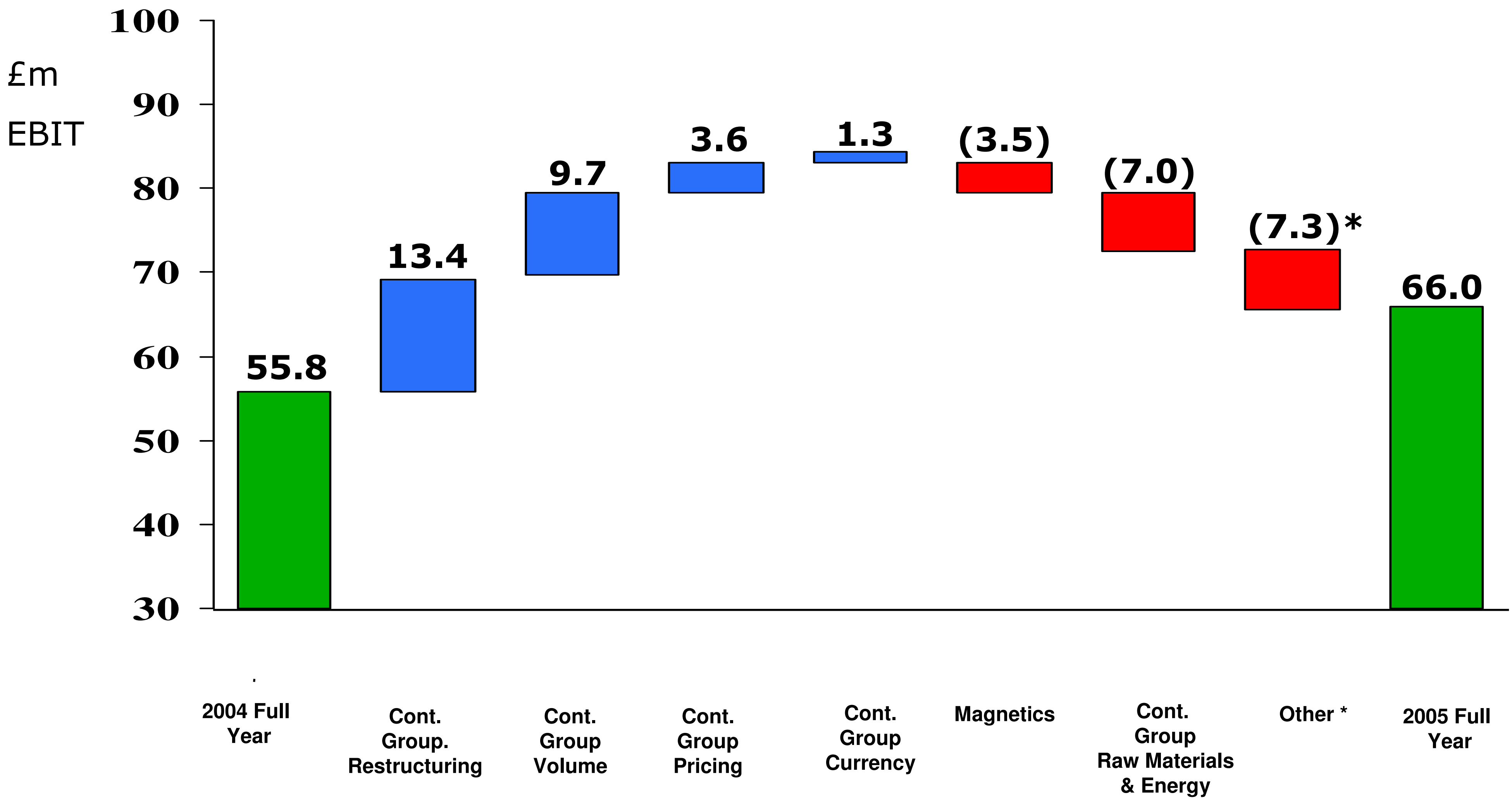
* 2004 discontinued business is primarily 6 months of Auto Consumer and full year of Magnetics; 2005 discontinued business is primarily 9 months of Magnetics

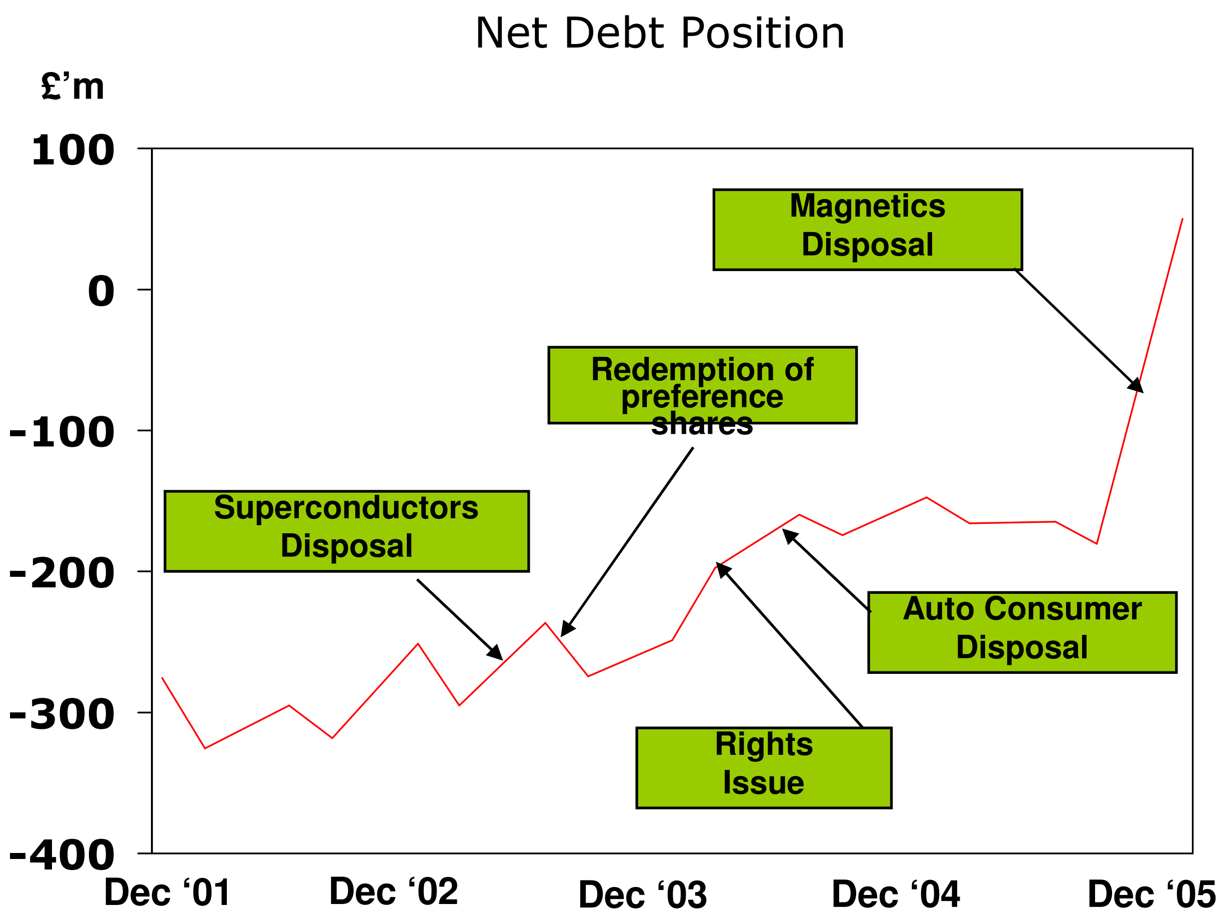
Continued cost reduction and volume growth main drivers for profit improvement

2005 Profit Bridge



* e.g. impact of inflation on cost base, long term incentive costs, health care costs

Balance sheet transformed with elimination of net debt: c£400m of debt wiped out in 3 years



- Net debt reduced from peak of c. **£350m** (including preference shares)in 2002 to net cash of **£50m** at year end
- Interest cover now at 7.4 times vs sector average of 5.6 times

Net cash of £50.5m at year end

£'m	2005 Half Year	2005 Year End
$350m Revolving Credit Facility (RCF)	(125.2)	-
US Private Placements *	(61.5)	(60.7)
Receivables financing	(27.7)	(14.8)
Other e.g. finance leases	(6.4)	(7.6)
Gross debt	(220.8)	(83.1)
Cash	**55.8**	**133.6**
Net cash/(debt)	(165.0)	**50.5**

Net Debt expected to be broadly neutral by mid 2006 following:

- Pension fund contribution contemplated in H1 2006 c.£30-40m
- Cancellation of receivables financing c£15m effective mid-February 2006
- First instalment payment on 2003 Private Placement c.£5m in March 2006

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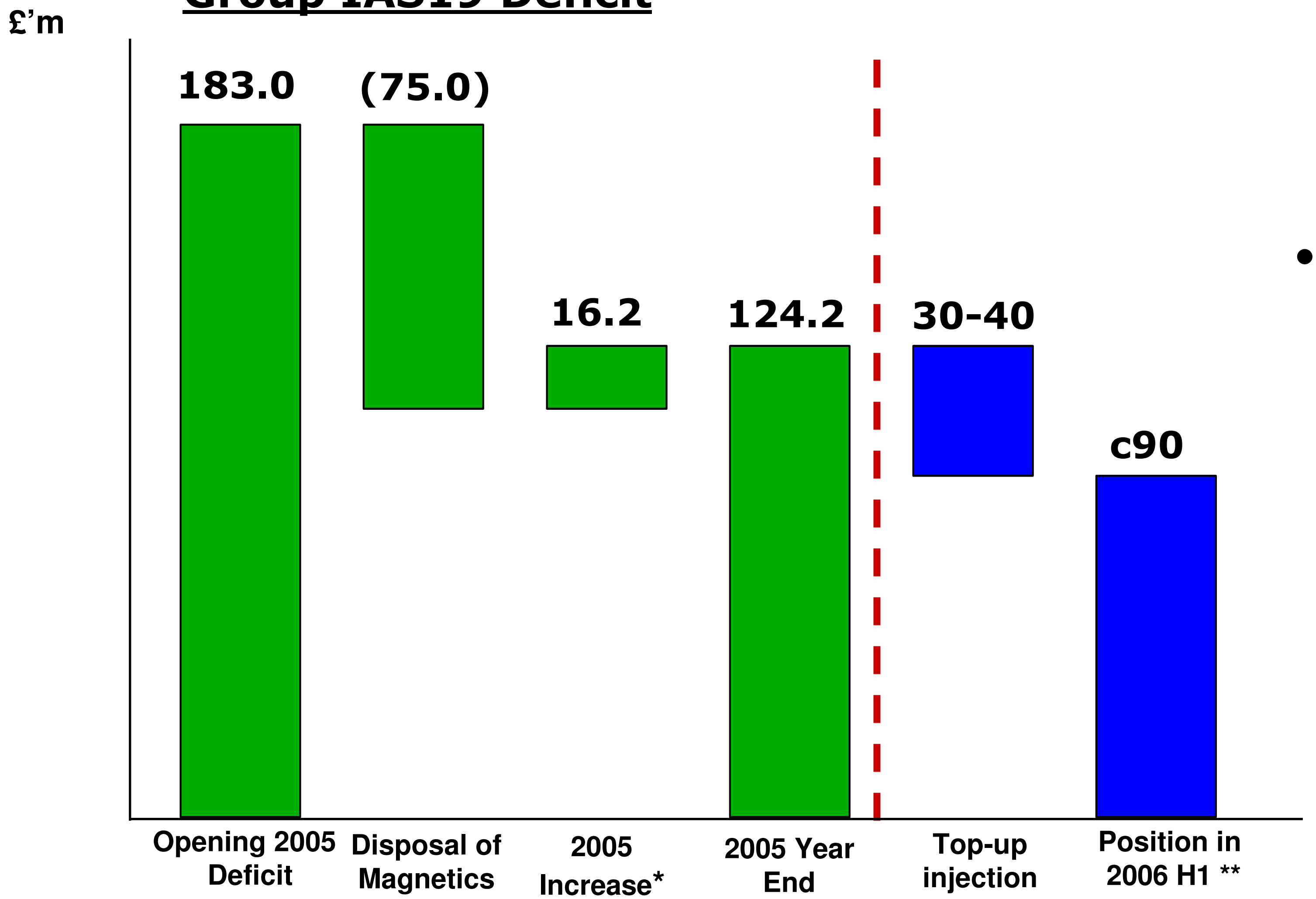
* **Average interest rate c.6.5%**

Pension deficit reduced from c.40% of market capitalisation at the beginning of 2005 to less than 15% in H1 2006

Group IAS19 Deficit



- Pension deficit was c. 3 times market cap 3 years ago
  - Morgan market cap Feb 2003 c. £60m
  - FRS17 deficit 3 years ago circa £170m

* *Predominantly due to falling bond yields increasing present value of liabilities*

** *Based on year end asset and liability assumptions*

Robust financial health underpins resumption of dividend

- On track delivery of profit improvement programme ✓
- Net debt position eliminated ✓
- Sustained positive cash generation ✓
  - c£40m free cashflow pre operating exceptionals and one-off costs

2.5p per share dividend to be paid in July 2006

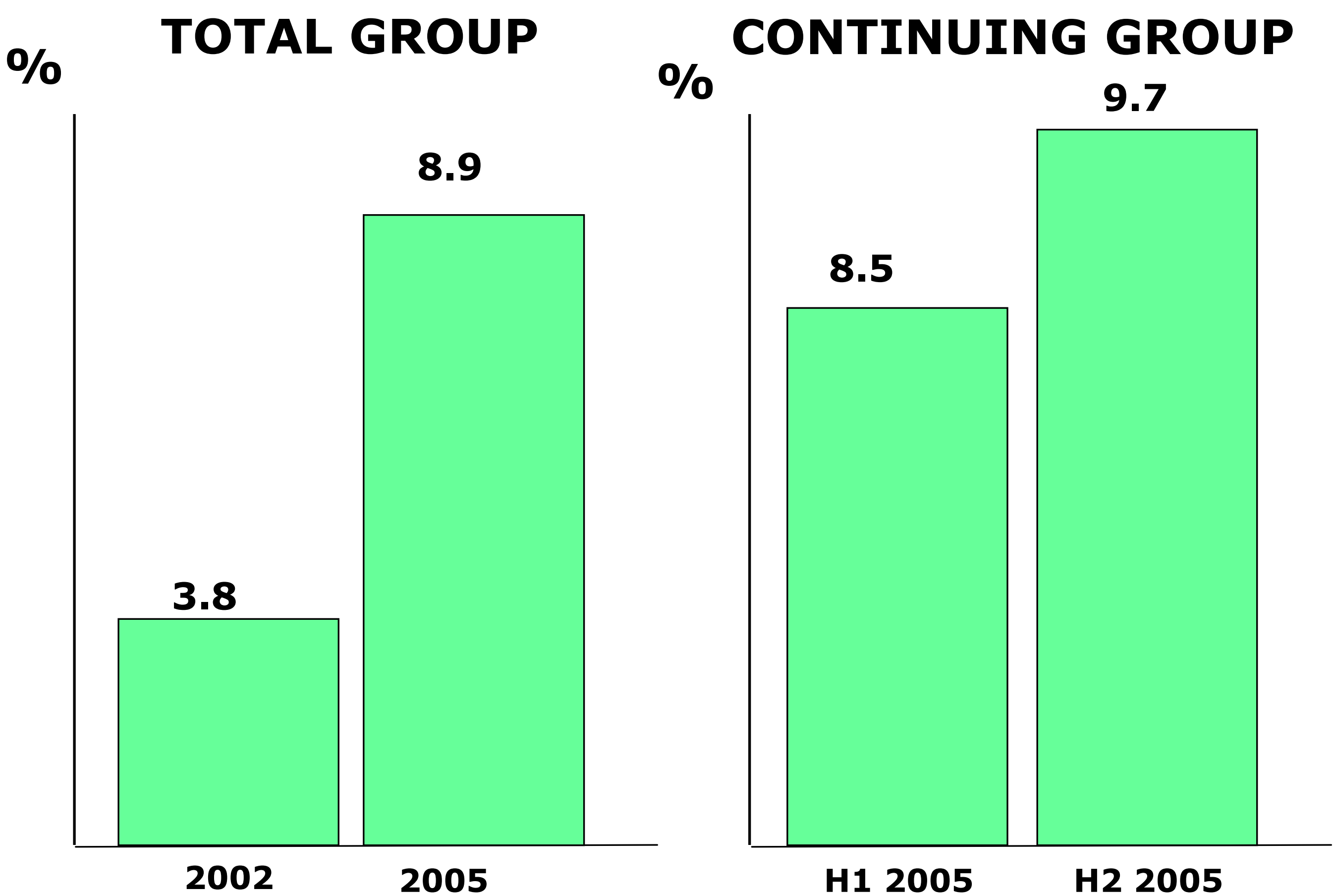
Continued Delivery

Warren Knowlton

Promises delivered

March 2003	February 2006
• Simplify business structure	Rationalised Group from 9 divisions to 3. Head Office staff reduced from nearly 80 in 2002 to c. 25 employees and moved to smaller, single floor office site. R&D streamlined and relocated into the 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
• Accelerate and extend re-structuring	c.80 manufacturing sites sold, closed or consolidated since 2002. Operating profit margin targets being delivered ahead of schedule (9.7% in H2 2005)
• Turn around under-performing businesses	All major businesses show improved margins and top line growth
• 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

Operating profit margins improving strongly



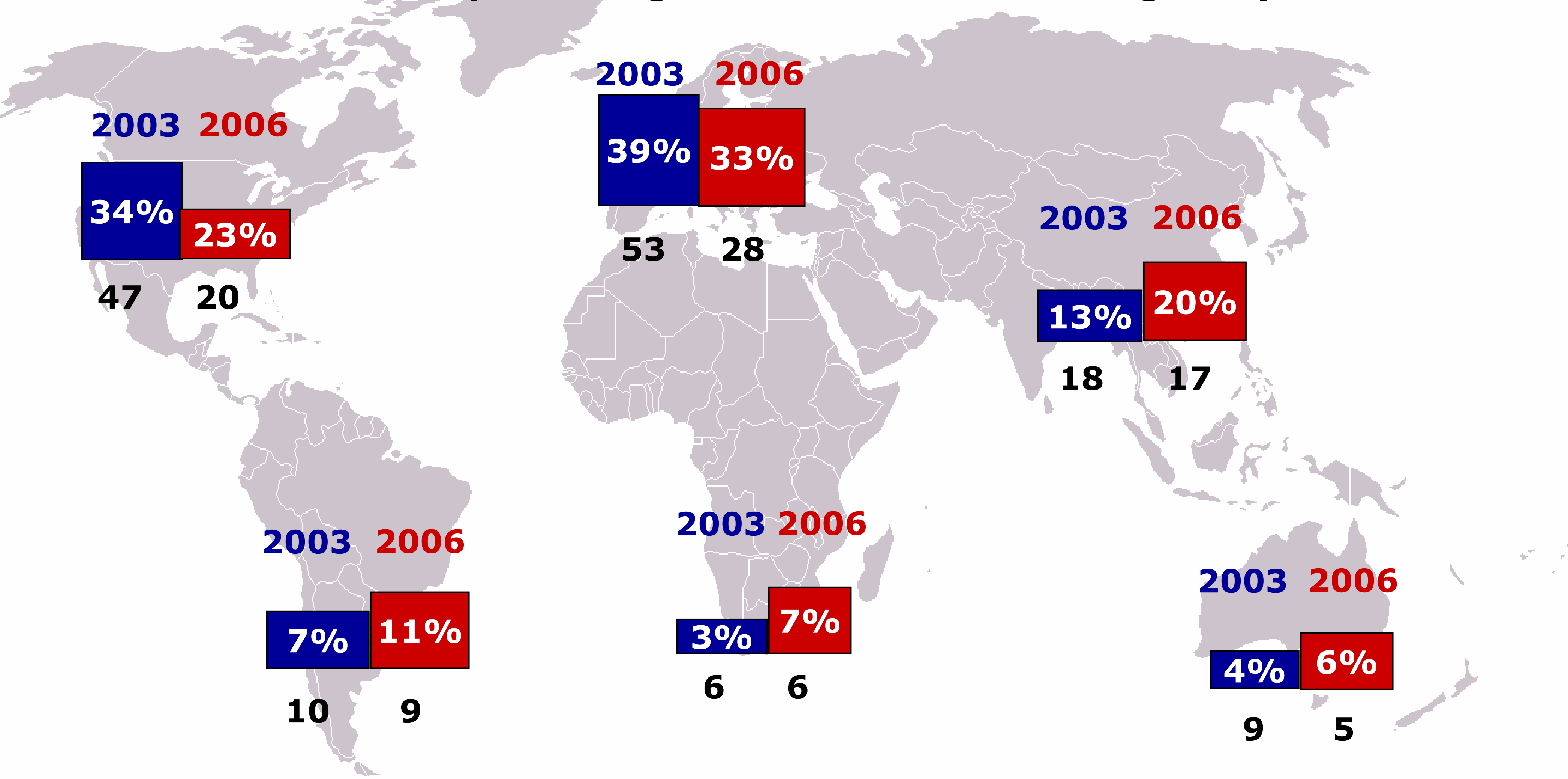
Underlying Operating Profit Margin*

* **Excluding one-off restructuring costs, costs associated with the settlement of prior period litigation and property disposals**

- Double digit margin target by end of 2006 close to being met a year ahead of schedule
- 3 year profit improvement programme completes this year but ongoing restructuring will remain a fact of life (c.£5-10m p.a.) and will be absorbed in the income statement

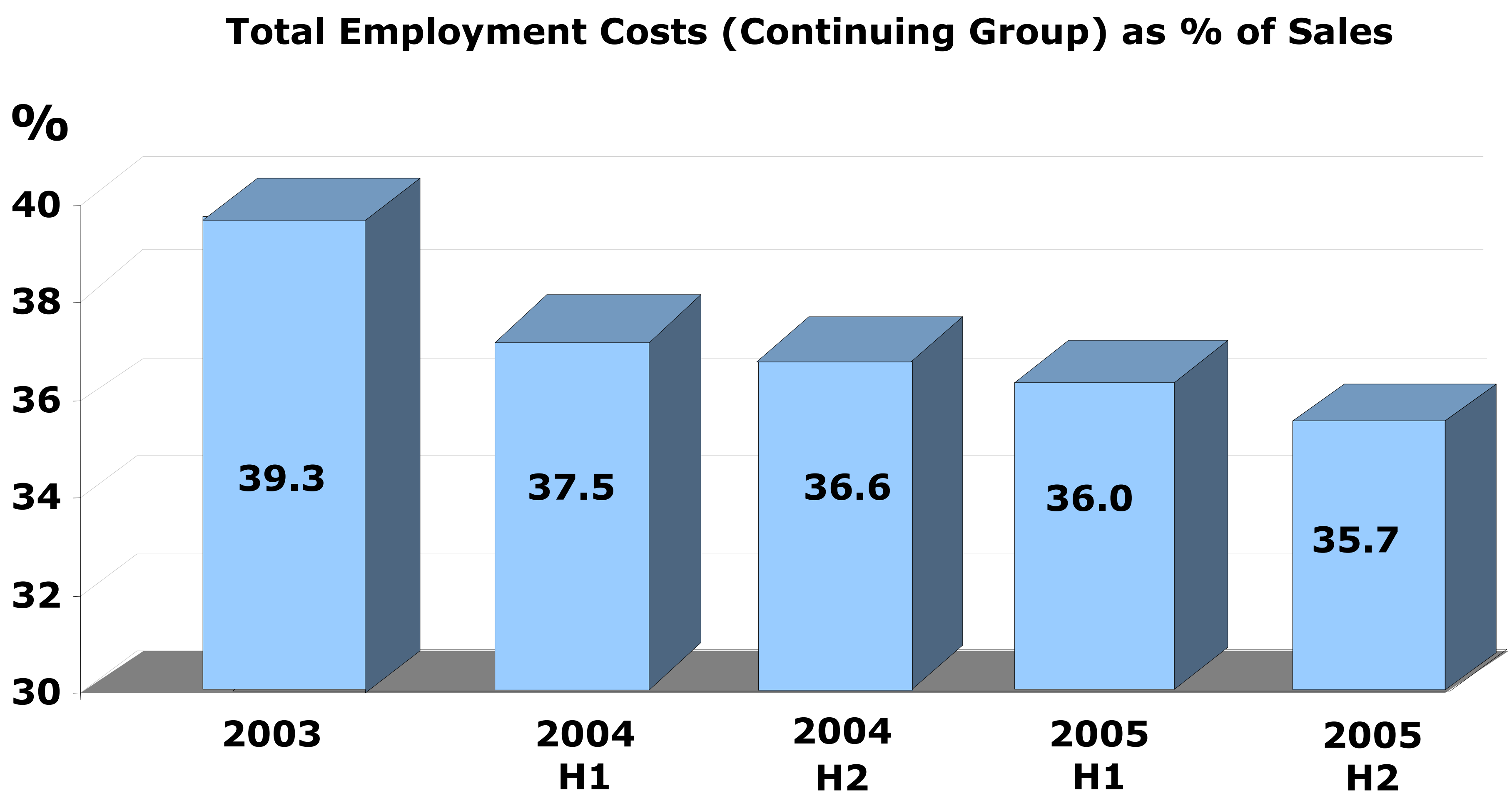
Ongoing shift of operations toward lower-cost locations

- 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

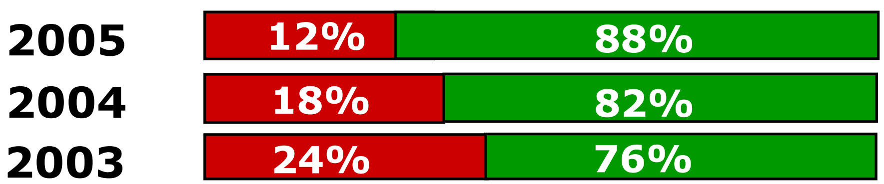
Total employment cost reductions playing a key role in margin improvement



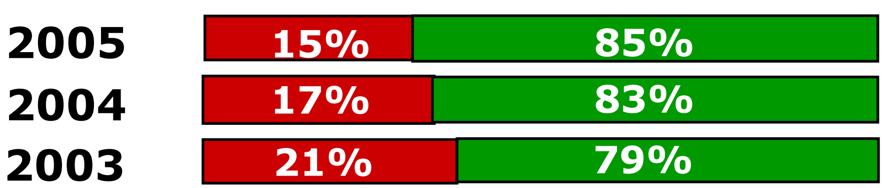
We believe that the opinions of our people contribute to the bottom line

- **I understand how my job/role contributes to company goals**

- **I know what the goals and strategies for my site are**



- **I feel optimistic about the overall direction that Morgan is taking**

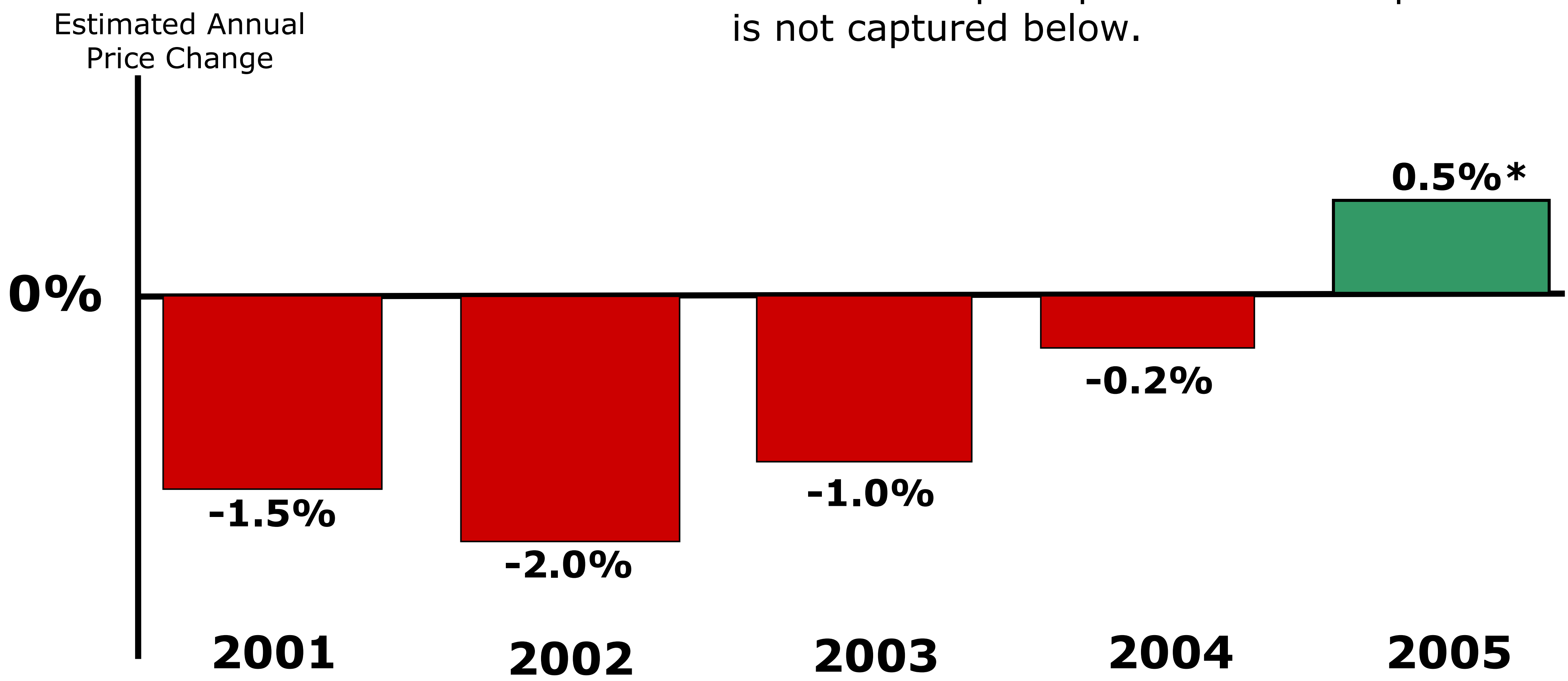


= disagree   = neutral or agree

- **Since 2003 we have asked all employees for their opinions**
- **Topics are asked in areas such as knowledge of direction, quality of communication and the alignment of employees with Morgan and their site**
- **Voluntary participation in the research has doubled since 2003**
- **Three sample questions are shown here. The number of neutral responses have reduced significantly**

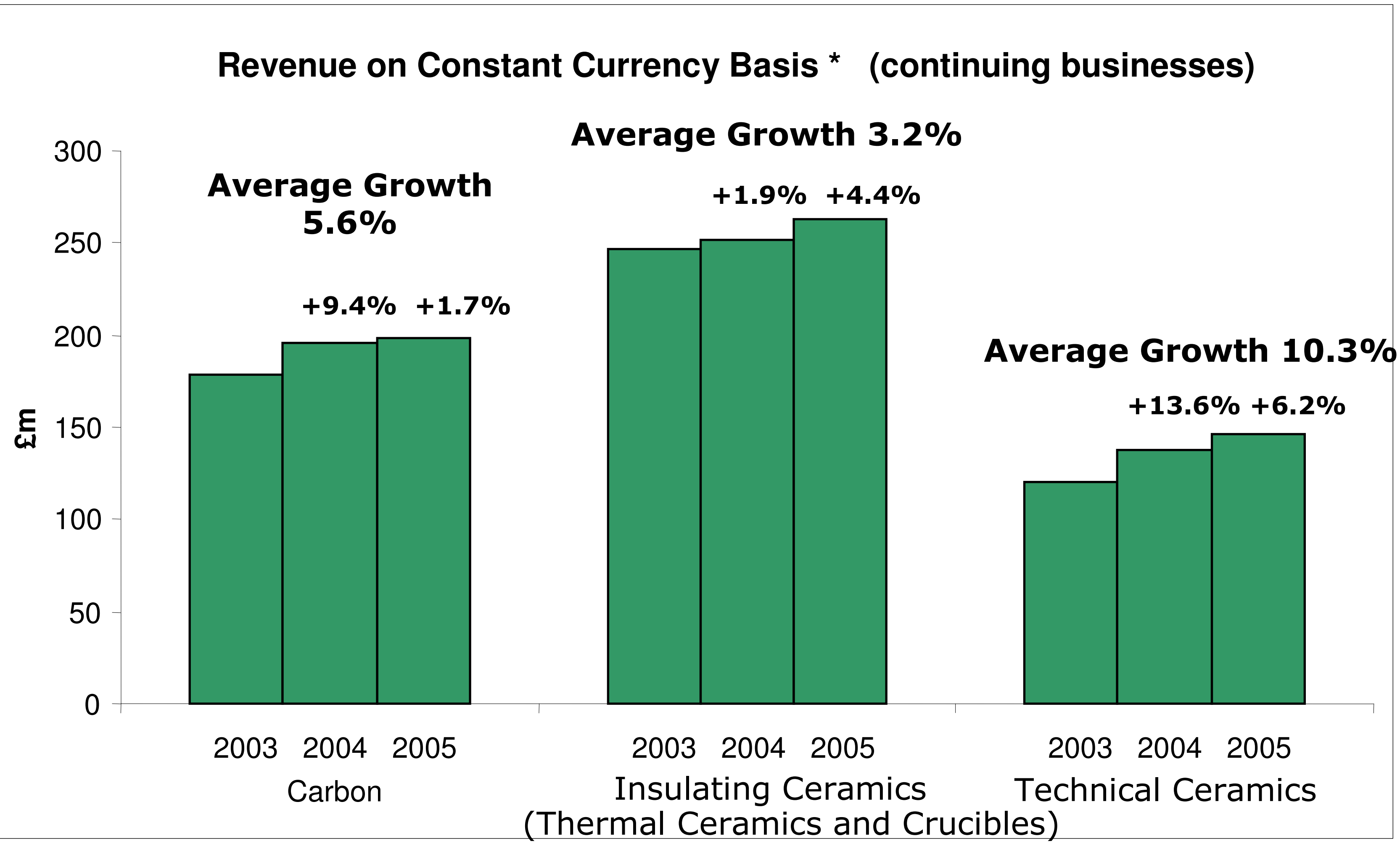
Pricing continues to move into positive territory

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



* 2005 result is Continuing Group

Revenue growth on average 5-6% p.a.over past two years for the continuing Group overall



***Using 2005 exchange rates**

- **Carbon held back in 2005 due to changes in US Military specification for body armour**
- **Insulating Ceramics up relative to 2004 as capacity constants addressed**
- **Technical Ceramics positive momentum continued, despite tough 2004 comparatives**

The potential for mid-teen margins

Warren Knowlton

Our strategy for profitable growth

As well as improving financial results, Morgan is systematically improving its **strategic position**:

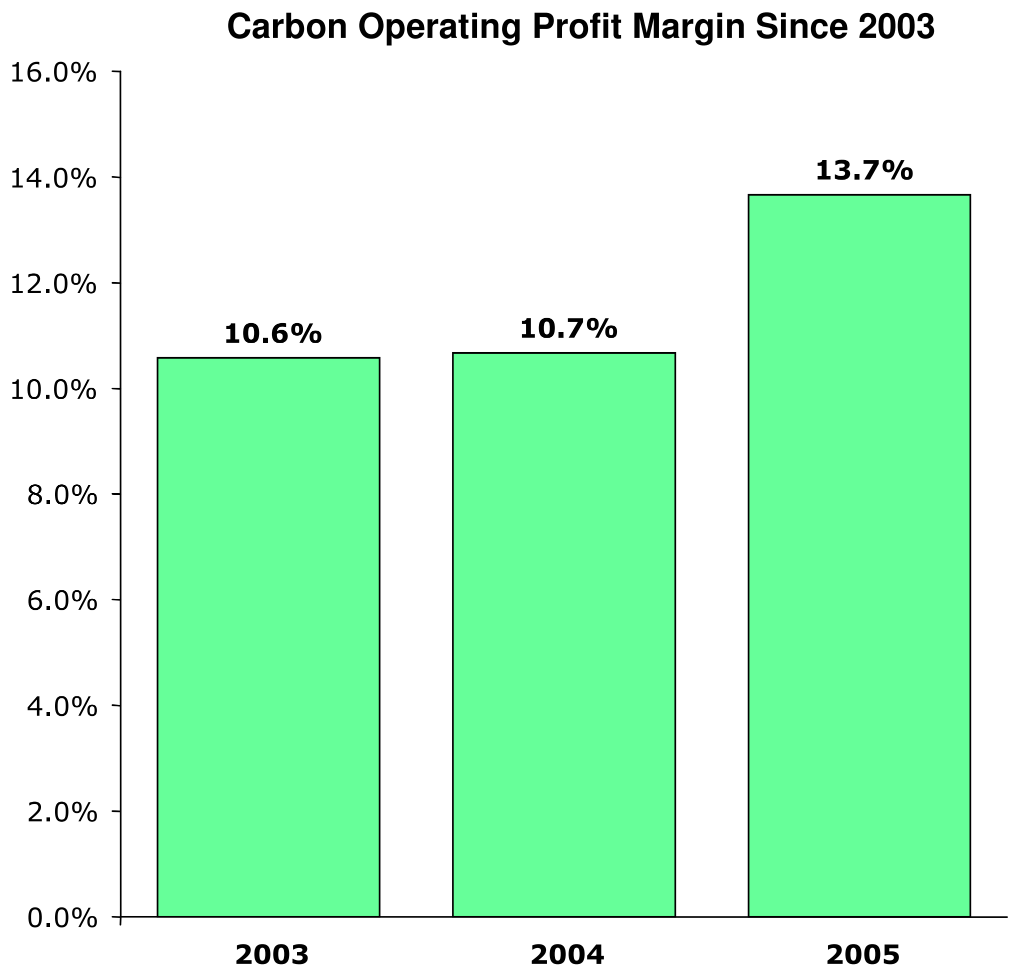
- Continuing to focus on rigorous **cost management**
- **Concentrating the portfolio on markets with attractive growth characteristics,** less cyclicality, and less price commoditisation
- **Focusing on achieving market leadership** i.e. #1 or #2 market position in these target segments
- **Increasing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

All divisions showing profit and margin growth

£m	Operating profit (EBIT)		OP % Sales	
	2004	**2005**	**2004**	**2005**
Carbon	20.9	27.4	10.7%	13.7%
Technical Ceramics	7.4	12.2	5.5%	8.4%
Insulating Ceramics	18.8	21.5	7.5%	8.1%
Unallocated costs *	(5.4)	(5.7)	-	-
Continuing Group	41.7	55.4	7.2%	9.1%

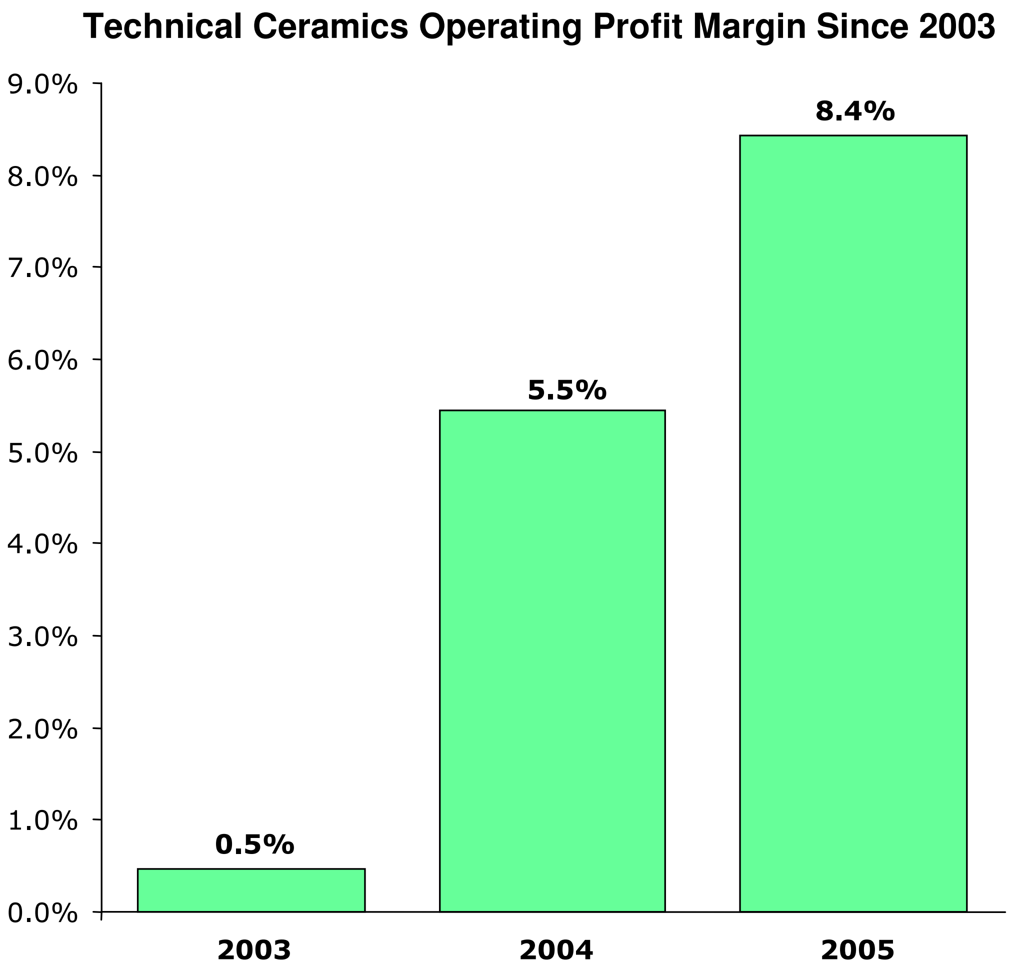
* For example, plc costs (e.g. Report & Accounts, AGM, non-executives) and Group management costs (e.g. corporate head office rental/utilities, insurance, corporate staff etc.)

Carbon already in mid-teen margins but with the potential for more to come



- Benefits of site rationalisation programme now coming through
- #1 market position in many markets
- Growth opportunities in mechanical carbon and other niche markets offsetting gradual decline in traditional brush market

Technical Ceramics has shown strongest margin progress but much more still to go for



- The business has gone from essentially breakeven to over 8% margin in two years
  - Cost base rationalisation
  - Revenue focus on higher growth, less commoditised markets such as medical, aerospace and powertube applications
- However we believe there is significant further upside
  - Growing proportion of manufacturing in low-cost countries:
    - Remaining Yixing (Eastern China) 30% minority stake acquired in 2005
    - New plant planned in Eastern Europe
- Niche-focussed Technical Ceramic competitors such as Ceramtec and Ceradyne have EBITDA margins in excess of 20%

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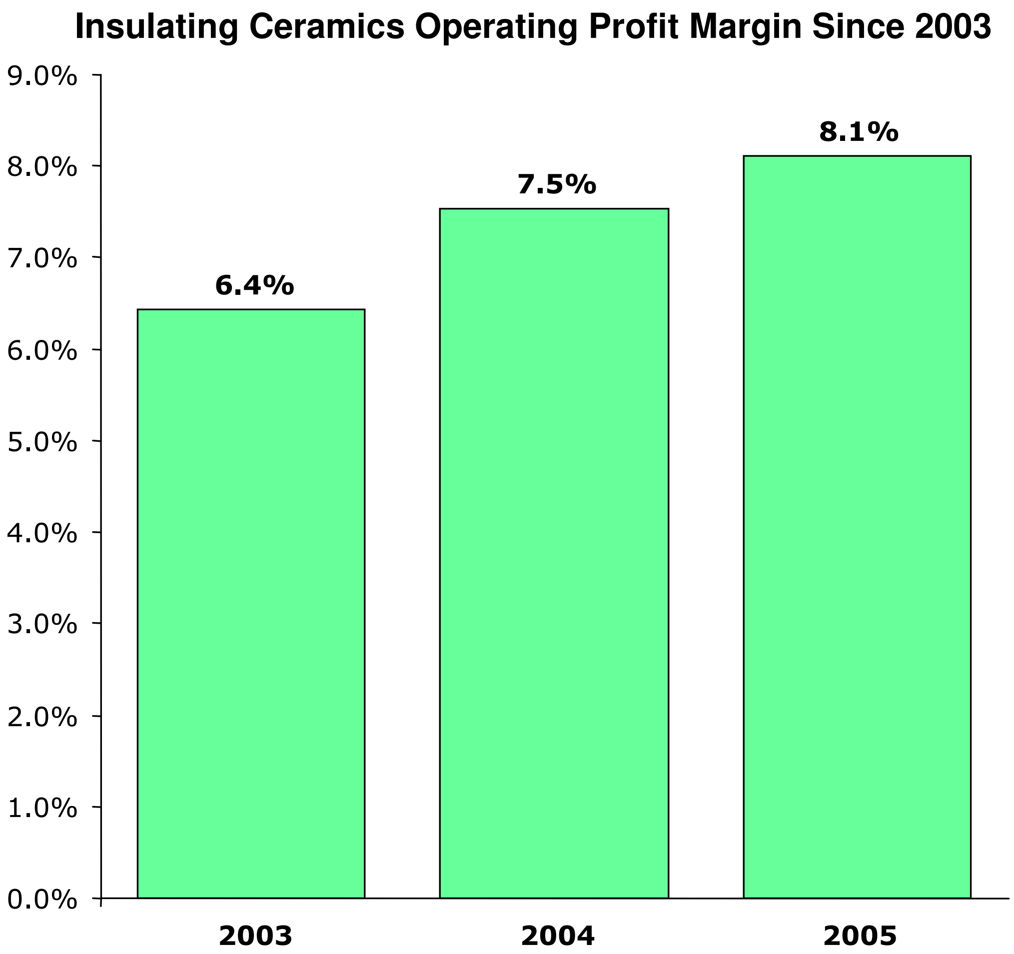
Insulating Ceramics making steady progress despite input cost increases



- Successful launch of high temperature Superwool in late 2005
- Continued expansion into high growth emerging market economies. Two new JVs formed since the beginning of 2006
  - Yekaterinburg, Russia
  - Shandong, China

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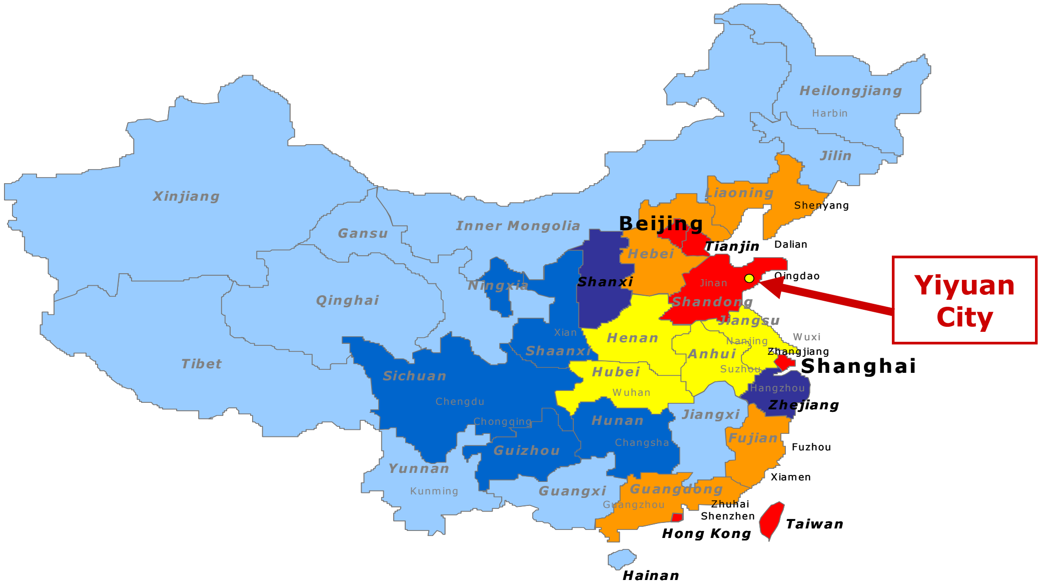
Thermal Joint Ventures

- 51% majority owned: JV participation to begin in April
- Total cost $3-4 million
- Opportunity to take immediate fibre market share for very little cost
- Base to ship into lucrative oil producing areas north of the Caspian Sea



- 51% majority owned JV in the Shandong province
- Sol-gel has unique properties within the fibre industry, such as withstanding temperatures up to 1600°c
- Market for Sol-gel driven by strong demand created by automotive pollution control devices

Bolt-on Acquisitions

Criteria

- Re-inforce leading market position in our core businesses
- Focus on higher growth, less commoditised market segments
- Increase Group exposure to more dynamic markets than “old” Europe both for manufacturing footprint and end-use customers
- Likely to be in £10 – 40m price range
    - below the radar screen of private equity and large corporates
    - non-core businesses for other corporates but core to us
    - potential upside on this price range if a particularly compelling deal identified
- Ideally EV/EBITDA multiple accretive

Thermal Ceramics: Acquisition of Fibre Division of Cookson plc

- [$21m] for fibre production sites in US and Poland
- Expected to generate c.$18m sales with good incremental profit margins
- Enhances geographic position in Eastern Europe and productivity/ synergy in USA
- Supply agreement with Vesuvius division of Cookson for distribution into iron and steel industry

Bolt-on Acquisitions – Fibre Division of Cookson plc

Criteria

- Re-inforce leading market position in our core businesses ✓
- Focus on higher growth, less commoditised market segments ✓
- Increase Group exposure to more dynamic markets than "old" Europe both for manufacturing footprint and end-use customers ✓
- Likely to be in £10 – 40m price range
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Morgan's Operating Model
and

Outlook/Conclusion

Warren Knowlton

Holding Company Model - History

- In 2003, we began to position Morgan as more of a holding company than as an operating company.
- Morgan had become so complicated that no one really knew what it was.
- Two thirds of the corporate staff now eliminated.
- GBU structure enormously simplified - (9 GBU's into 3).
- At this time, we are well along in the process.

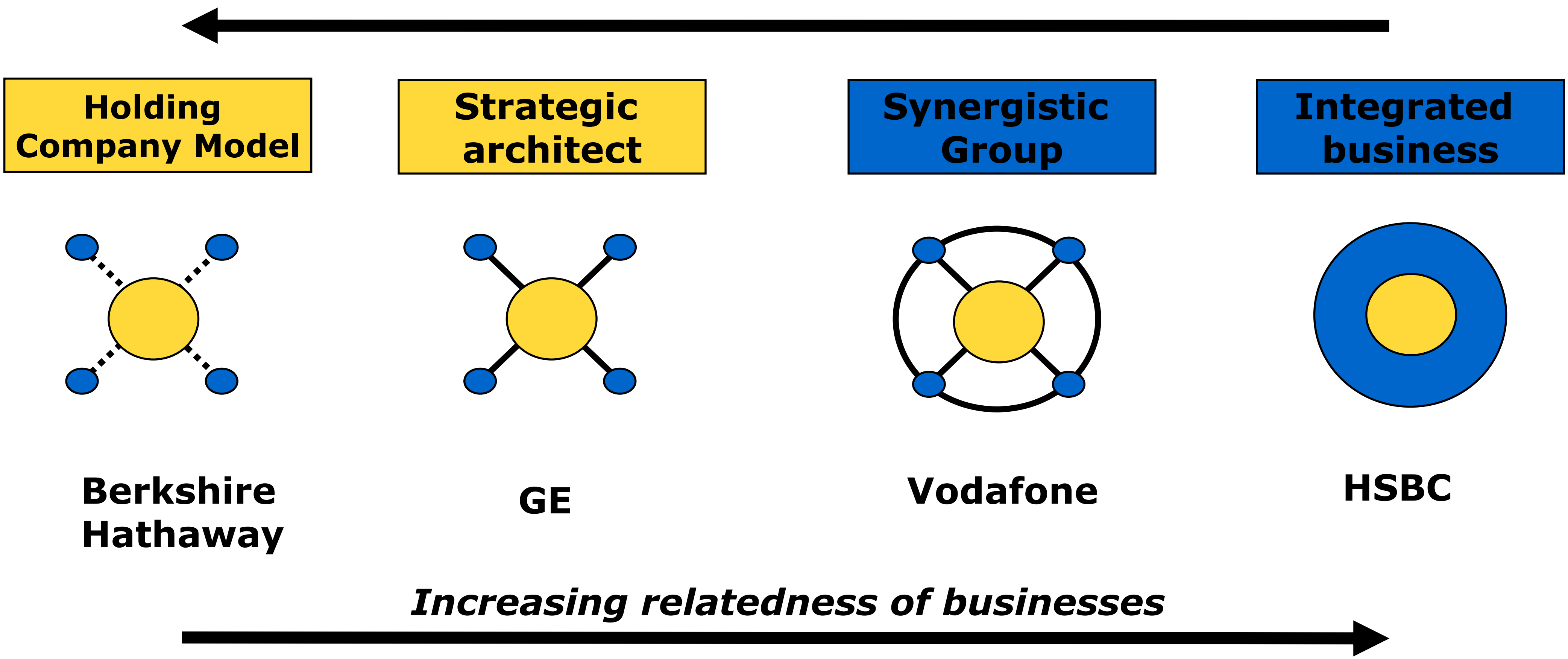
Holding Company Model – Rationale

Automonous businesses recognising that there are only limited operational synergies:

- Fewer and more focussed global business units (GBUs).
- GBUs manage and are responsible for their own operational requirements.
- Collaboration across GBUs on sharing of best practices via self-directed teams with oversight from the Centre.
- Ambitious value creation agendas with rewards and incentivisation linked to business success.

Delivered – A business simplified. From a portfolio perspective, Morgan moving to a holding company mode

- ***Different cost structures and drivers for each business***
- ***Very limited customer overlap among them***
- ***Centre structure moving towards a holding company role***



Holding Company CEO and team focus on:

- Portfolio strategy, e.g. are we in the right businesses?
- Execution / monitoring skills; are we consistently updating strategies and stretching execution parameters?
- Financial synergies, e.g. tax and treasury
- City/shareholder relationships; presence with third parties (JV partners, bolt-on's)
- Resource allocation: capital expenditure, M&A funding, pension management
- Comprehensive management of company's risks/upsides
- Shareholder value creation as Morgan's raison d'être

Group News

Continue to streamline Head Office to be consistent with Holding Company model

- relocate functional roles to global businesses, e.g. information systems, operational best practice, R&D
- utilise self-directed business work teams to leverage and disseminate best practices (e.g. HR)

Ensure smooth GBU leadership succession planning

- New Insulating Ceramics CEO announced today

Outlook & Conclusion

Financial transformation provides strong platform for organic and non-organic profitable growth

Margin improvement ongoing in major divisions with more still to come

Morgan remains committed to performance with or without help from its markets

Board's confidence in the future reflected in the resumption of dividend payments

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The Morgan Crucible Company plc

2005 Preliminary Results

22nd February 2006

Appendix

Elimination of net debt has transformed the balance sheet

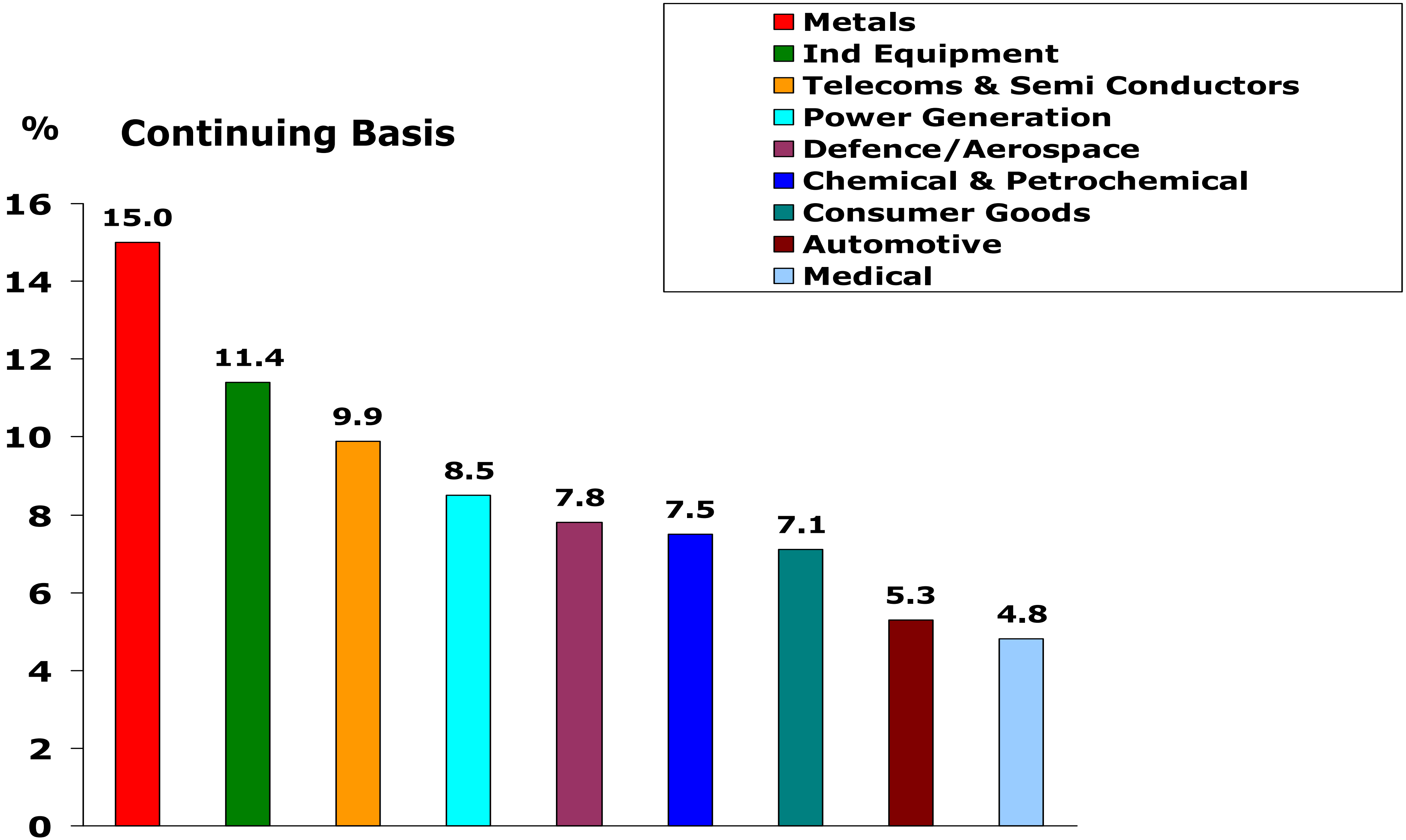
Improving headroom and coverage ratios

Full Year £m	**2004**	**2005**
Opening net borrowings	(250.0)	(147.9)
Free cash inflow (outflow)	23.6	12.7
Disposals/(acquisitions)	23.3	190.8
Other (inc. Rights issue net £54.2m in 2004)	55.2	(5.1)
Closing net borrowings	(147.9)	50.5
Net assets	153.1	195.7
Gearing (%)	96.6%	N/A
Unutilised committed bank facilities ("Headroom")	59.6	198.9
Interest cover (EBITDA/net finance charge)	5.7	7.4
Net debt/EBITDA	1.6	N/A

IAS 19 – Employee benefit charge will reduce substantially

	2005	2005	2006
	Pensions	Excluding Magnetics	Estimate post UK Pension Fund Injection
Income Statement Impact	£m	£m	£m
Service Cost	11.7	8.9	c7.0
Net Interest cost	3.5	1.1	c(0.5)
Total	15.2	10.0	6.4
Employer Contributions (Cash)	14.3	10.9	c10.0

Proportion of group turnover at year end is diversified across a number of end-use markets



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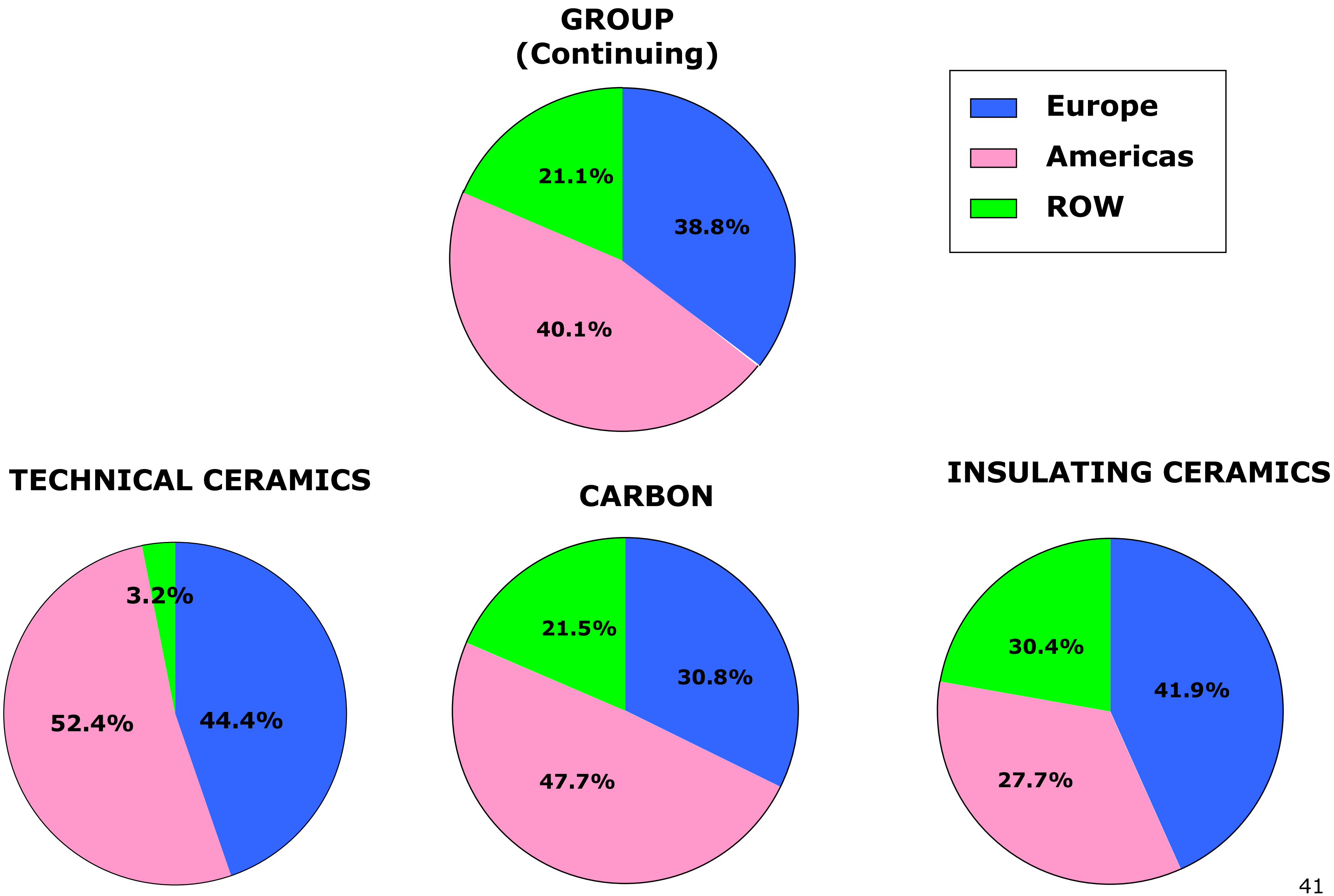
Sales well balanced geographically



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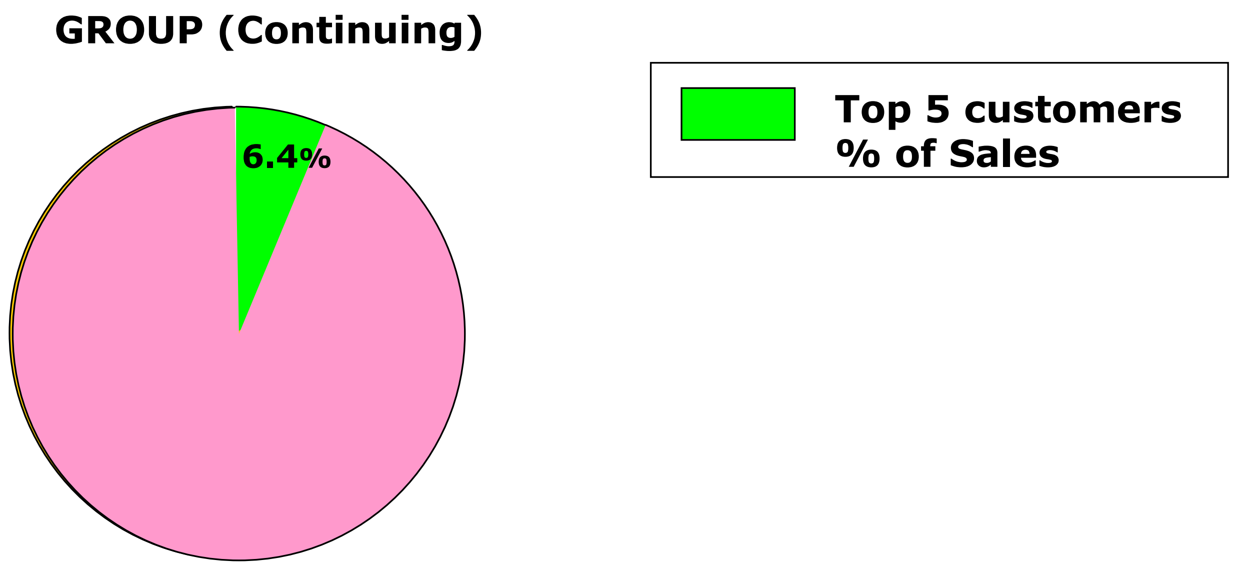
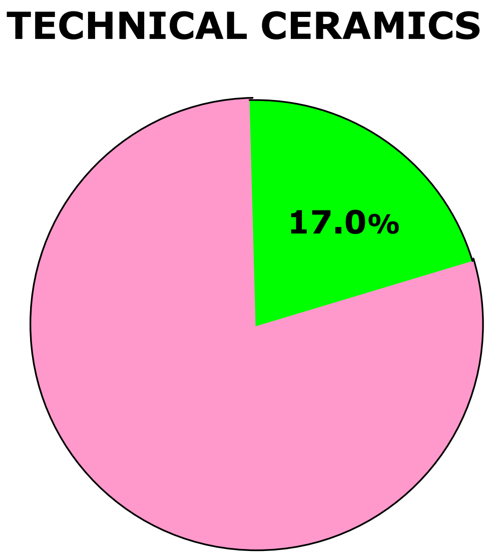
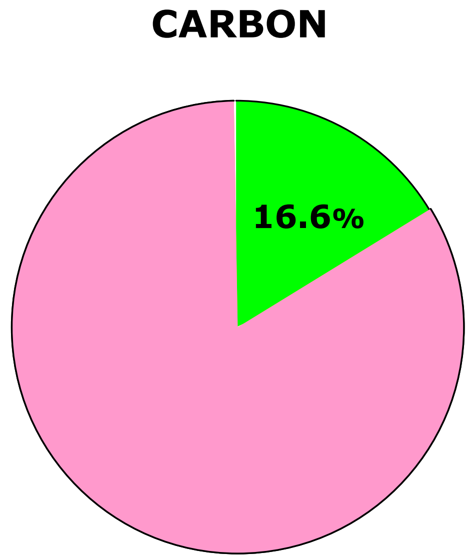
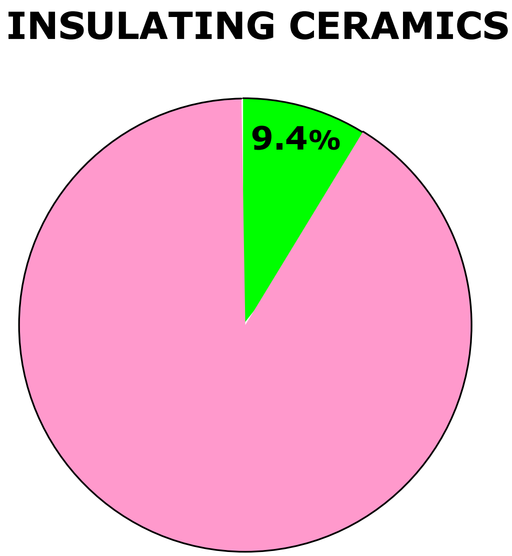
Limited exposure to any one single customer









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