Morgan Crucible
The Advanced Materials Group

2010 Half Year Financial Results

28th July 2010

Agenda

▪ Introduction	Tim Stevenson
▪ 2010 Half Year Financial Results	Kevin Dangerfield
▪ Group Performance	Mark Robertshaw
▪ Divisional Review	Mark Robertshaw
▪ Summary and Outlook	Mark Robertshaw

2010 Half Year Financial Results

Kevin Dangerfield

36% increase in EPS and 8% increase in dividend

	HY10	HY09
Revenue	£501.1m	£492.0m
EBITA before restructuring and one-off items	£50.3m	£45.3m
EBITA Margin % before restructuring and one-off items	10.0%	9.2%
EBITA after restructuring and one-off items *	£48.0m	£38.2m
EBITA Margin % after restructuring and one-off items *	9.6%	7.8%
PBT before amortisation	£35.9m	£23.4m
Underlying earnings per share	8.7p	6.4p
Interim dividend per share	2.7p	2.5p

** EBITA after restructuring and one-off items is defined as operating profit before amortisation of intangible assets*

Profit before tax and amortisation up by 53%

	HY10 £m	HY09 £m
Revenue	501.1	492.0
EBITA before restructuring and one-off items *	50.3	45.3
Restructuring and one-off items*	(2.3)	(7.1)
EBITA after restructuring and one-off items *	48.0	38.2
Amortisation of intangible assets	(3.9)	(8.1)
Operating profit	44.1	30.1
Net financing costs	(12.1)	(14.8)
Profit before tax	32.0	15.3
Profit before tax and amortisation	35.9	23.4
Tax	(9.6)	(4.3)
Profit for the period	22.4	11.0
Non-controlling Interest	(3.0)	(2.0)
Profit attributable to shareholders for the period	19.4	9.0

** Restructuring and one-off items include the costs of restructuring activity, profit/(loss) on disposal of property arising from restructuring activity and ongoing recovery associated with the settlement of prior period anti trust litigation.*

Return to growth has not prevented good cash flow delivery

	HY10 £m	HY09 £m
Net cash flow from operating activities	57.2	58.6
Net capital expenditure	(4.5)	(9.3)
Net interest paid	(10.5)	(11.2)
Tax paid on ordinary activities	(12.5)	(7.5)
FREE CASH FLOW	29.7	30.6
One-off costs:		
- Restructuring costs and other one-off items	(4.1)	(5.1)
- Tax Settlement	0.0	(19.0)
Dividends paid	(6.7)	0.0
Cash flows from other investing and financing activities	(15.9)	(31.2)
Exchange movement	(11.0)	32.2
Opening net debt	(252.7)	(290.4)
Closing net debt	(260.7)	(282.9)

Effective debt management

- €60m private placement completed in first half, extending maturity profile and locking in attractive long term rates
- Improved cash pooling arrangements across Group
- RCF facility reduced from £280m to £180m
- Net debt/EBITDA maintained at 2.1 times, targeting < 2.0 times by year end (at current exchange rates)

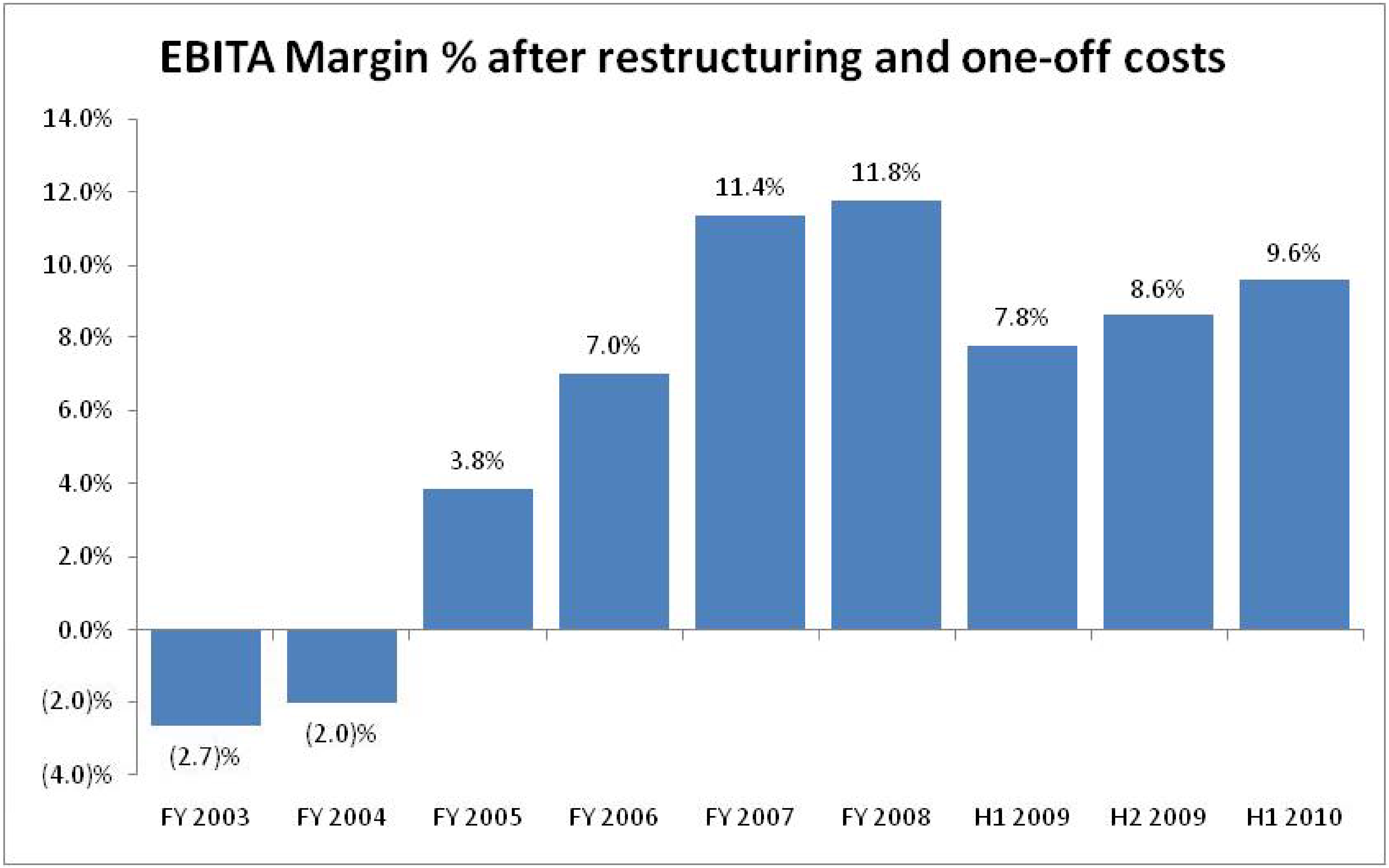
A good set of results

- Trading momentum, improving margins and increased earnings
- Good cash generation and effective debt management
- Dividend up by 8%

Group Performance

Mark Robertshaw

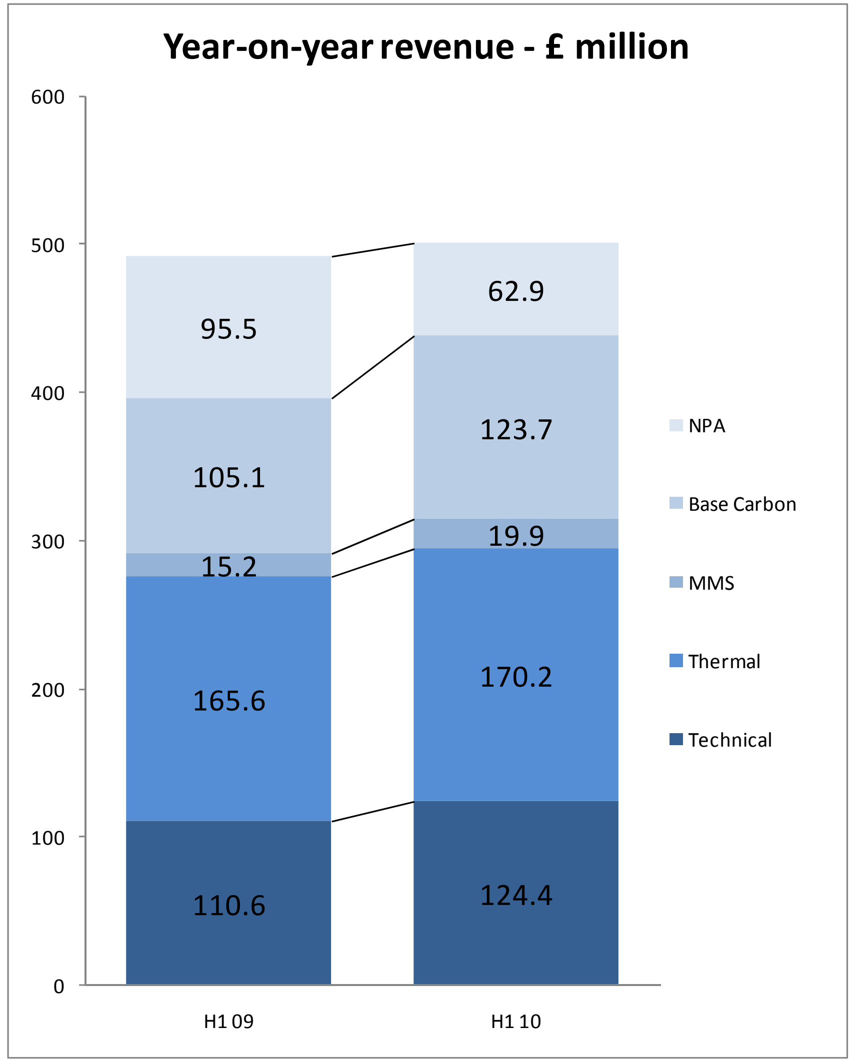
Good progress on operating margins vs both H1 and H2 of last year



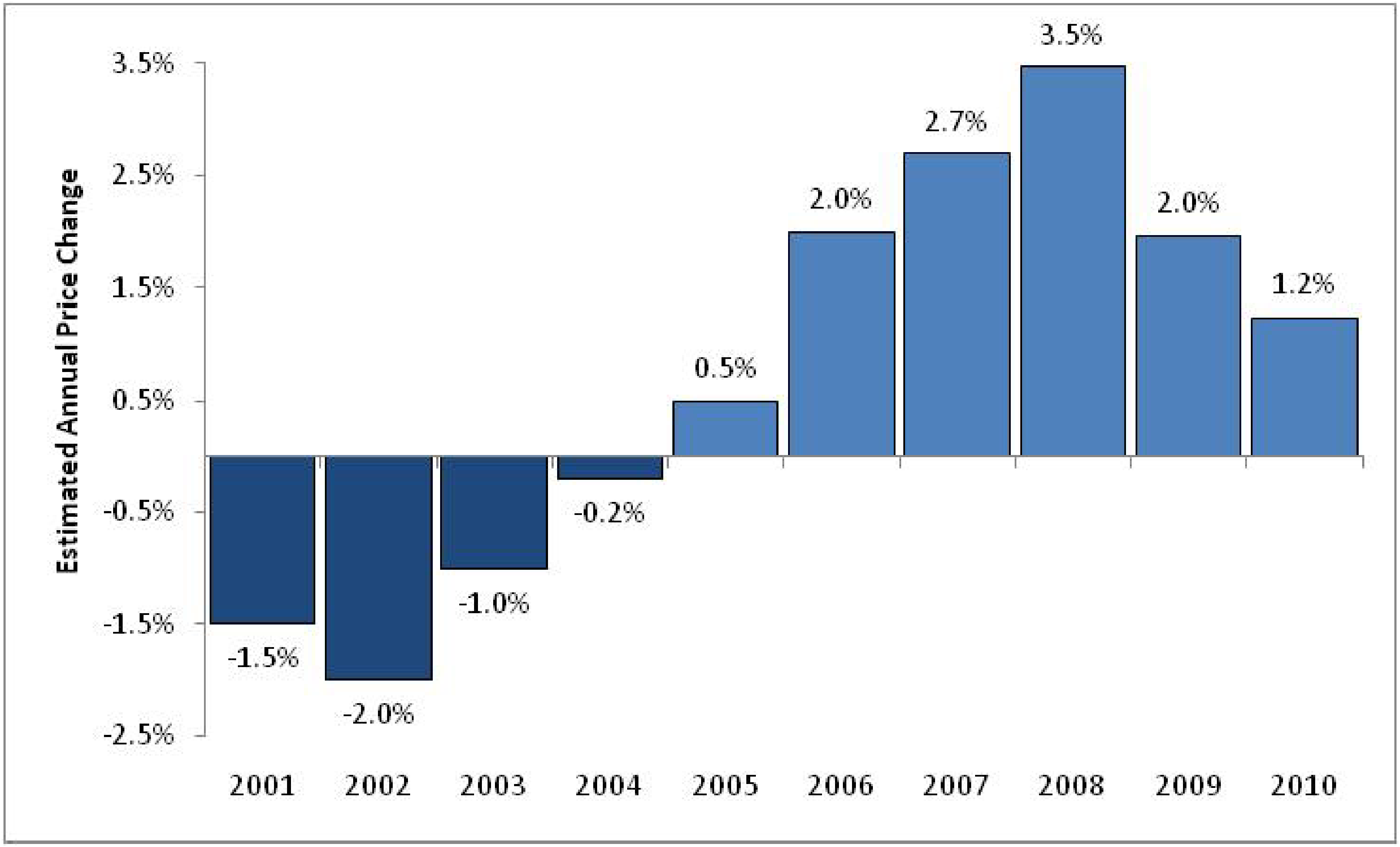
Year-on-year revenue growth taking H1 sales to over half a billion pounds

The Group's underlying order book has shown steady, month-on-month improvement since Q4 of last year...

...driving good year-on-year growth in underlying businesses, excluding NP Aerospace



Positive pricing delivered through a severe global downturn



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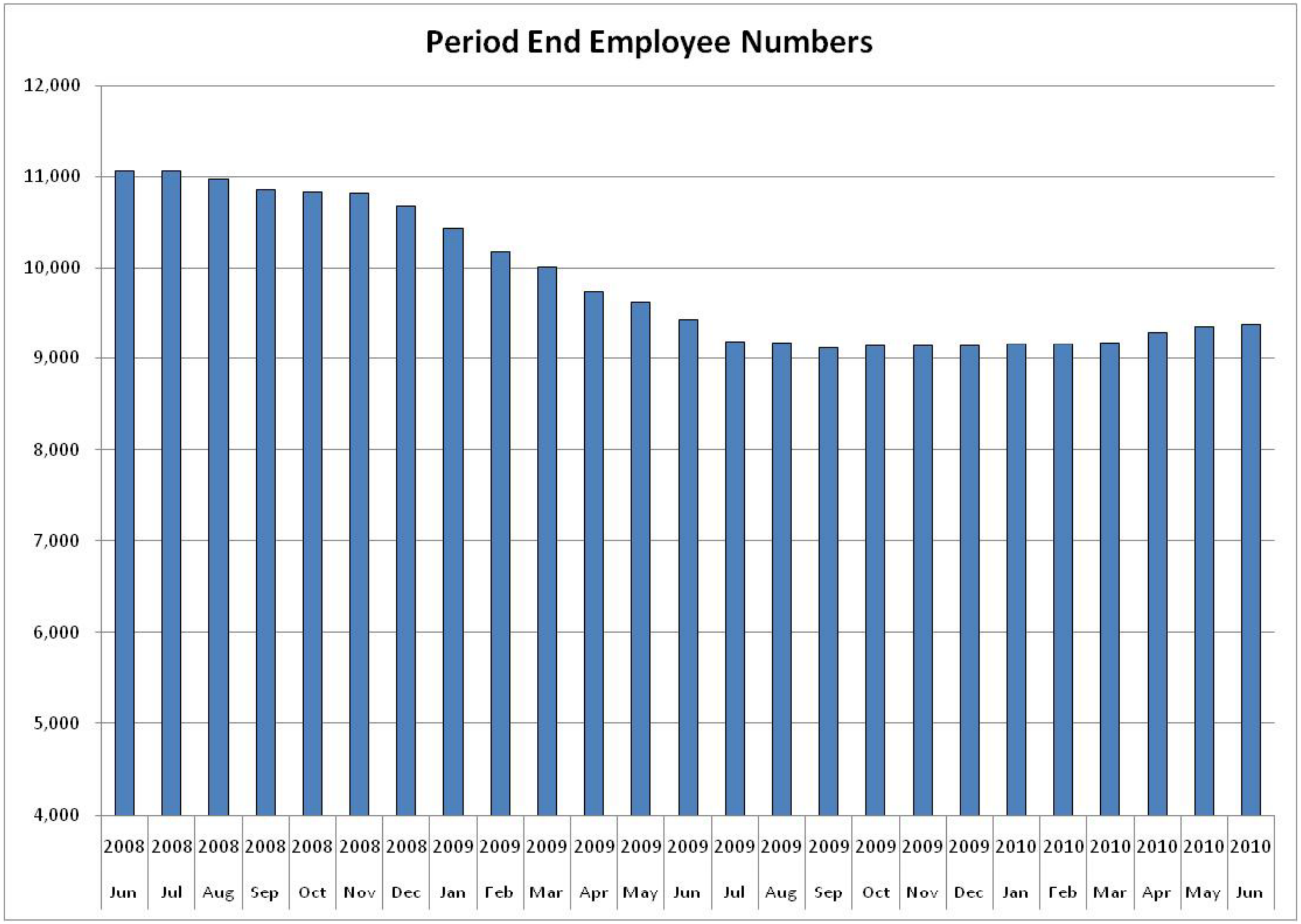
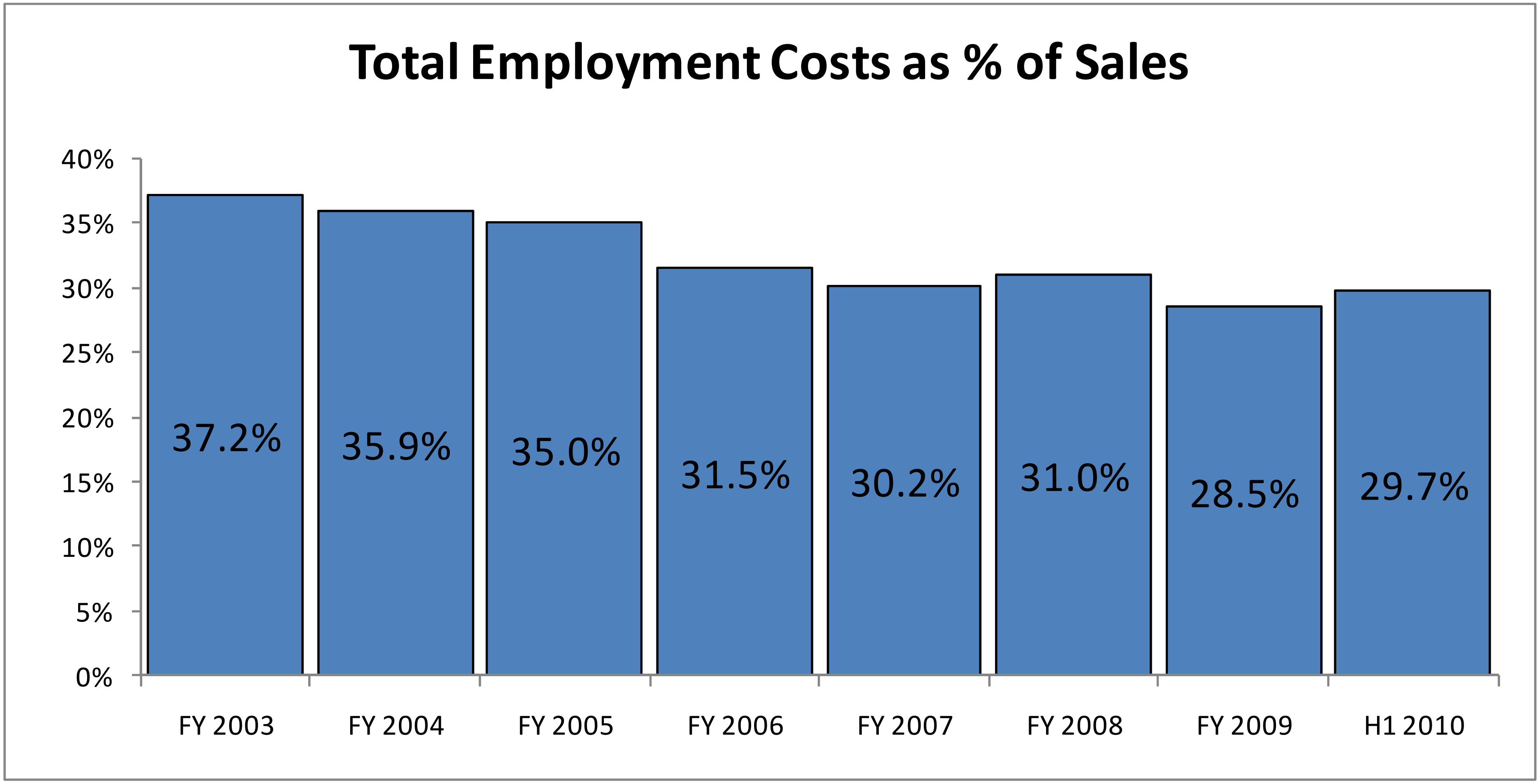
Tight control maintained on headcount as revenues recover



Excludes NPA

Total employment costs maintained below 30% of sales



Divisional Review

Mark Robertshaw

Improving profit margins across all divisions

£m	Revenue		EBITA		Profit Margins %	
	HY10	HY09	HY10	HY09	HY10	HY09
Technical Ceramics	124.4	110.6	15.8	12.3	12.7%	11.1%
Insulating Ceramics	190.1	180.8	18.4	15.8	9.7%	8.7%
Carbon	186.6	200.6	18.6	19.2	10.0%	9.6%
Unallocated Costs *			(2.5)	(2.0)	-	-
*EBITA pre one-off items ** *	*501.1*	*492.0*	*50.3*	*45.3*	*10.0%*	*9.2%*
One-off items **			(2.3)	(7.1)		
*EBITA post one-off items ** *			*48.0*	*38.2*	*9.6%*	*7.8%*

* Includes plc costs (e.g. Report & Accounts, AGM, Non-Executives) and Group management costs (e.g. corporate head office rent, utilities, staff, etc.)

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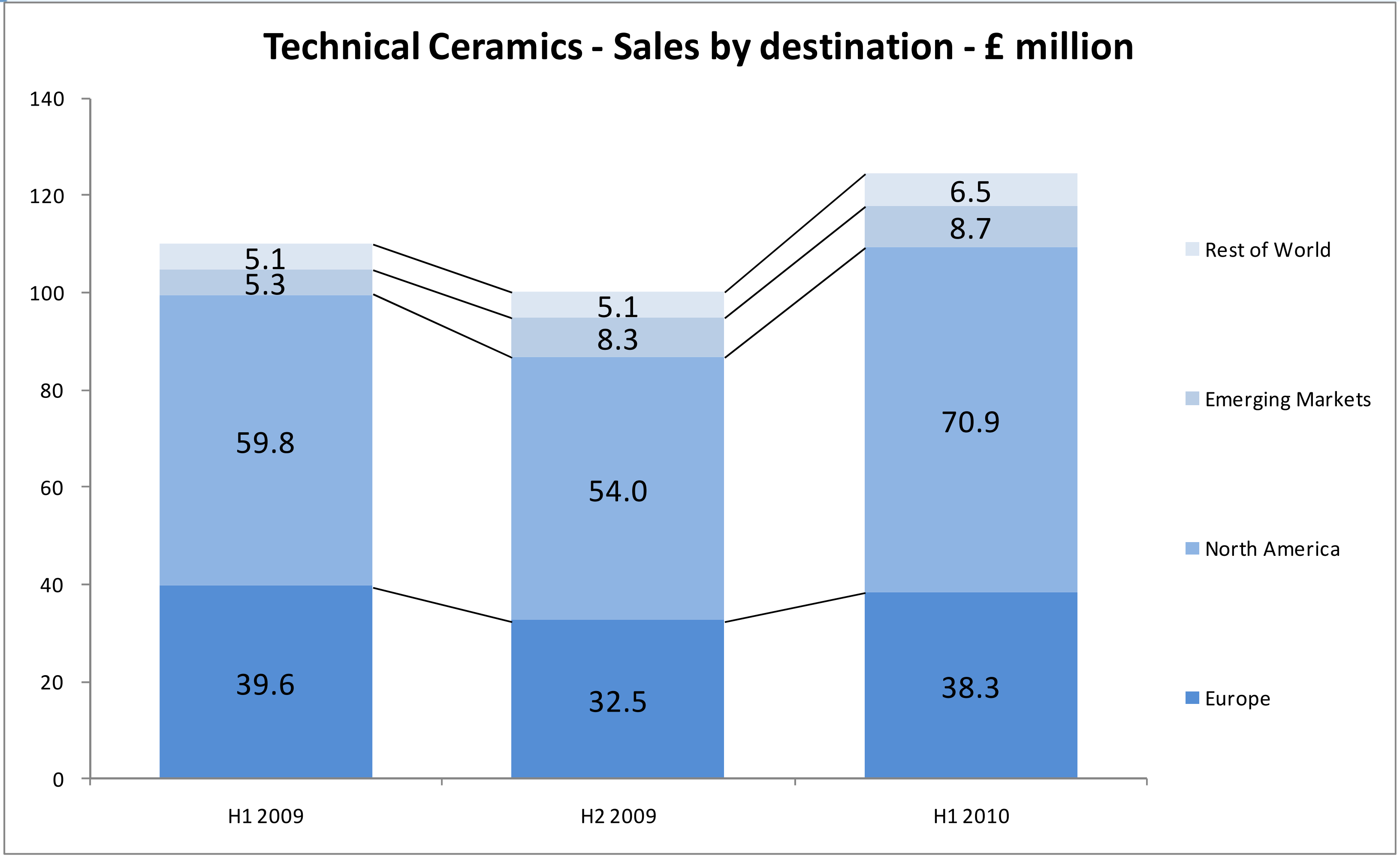
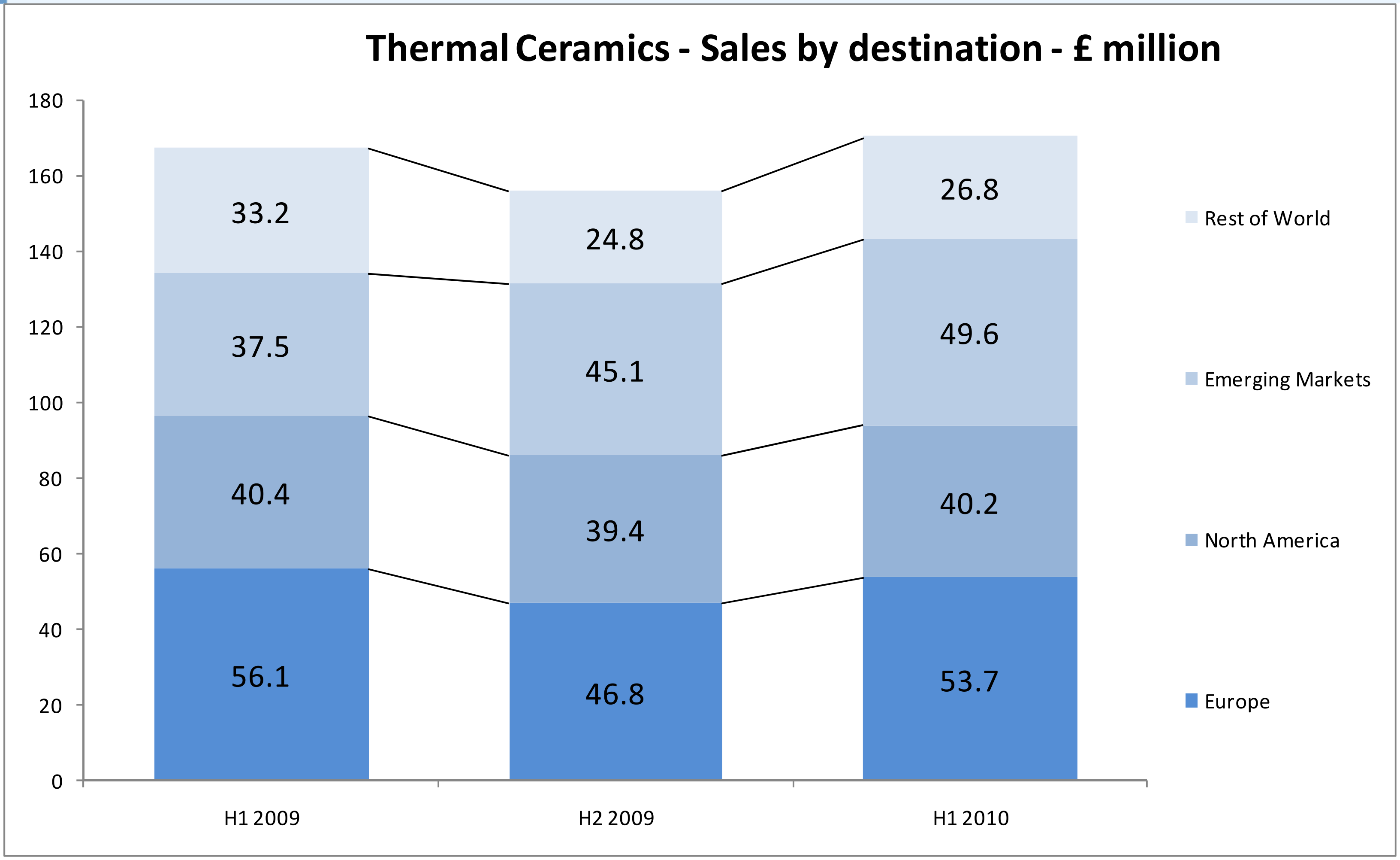
Technical Ceramics: 13% year-on-year revenue growth driven by strong North American business



Emerging markets includes: China, Brazil, India, Russia, Middle East
Rest of World includes: Japan, Korea, Australia, South Africa

All at 2010 H1 Exchange rates

Thermal Ceramics: Emerging Markets performing strongly, Western world businesses picking up



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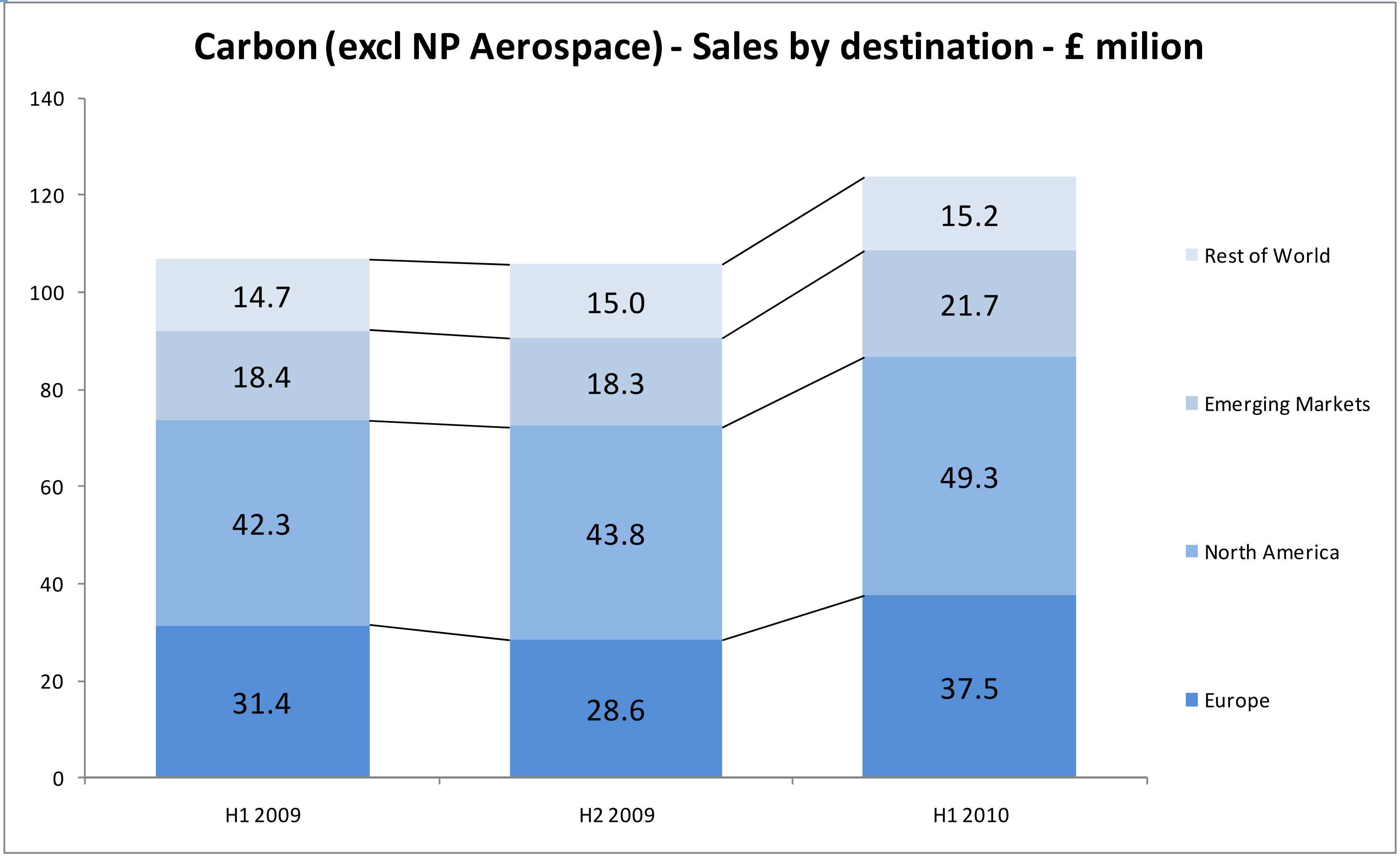
Base Carbon: 16% year-on-year revenue growth with an encouragingly broad-based recovery



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All at 2010 H1 Exchange rates

NP Aerospace in line with management expectations: £63m H1 sales at mid-teen margins

Vehicles

- £43m - Multiple programmes including - Mastiff, Ridgback, Wolfhound, MAN Trucks & Buffalo

Logistics & Spares

- £9m

Medical

- £2m

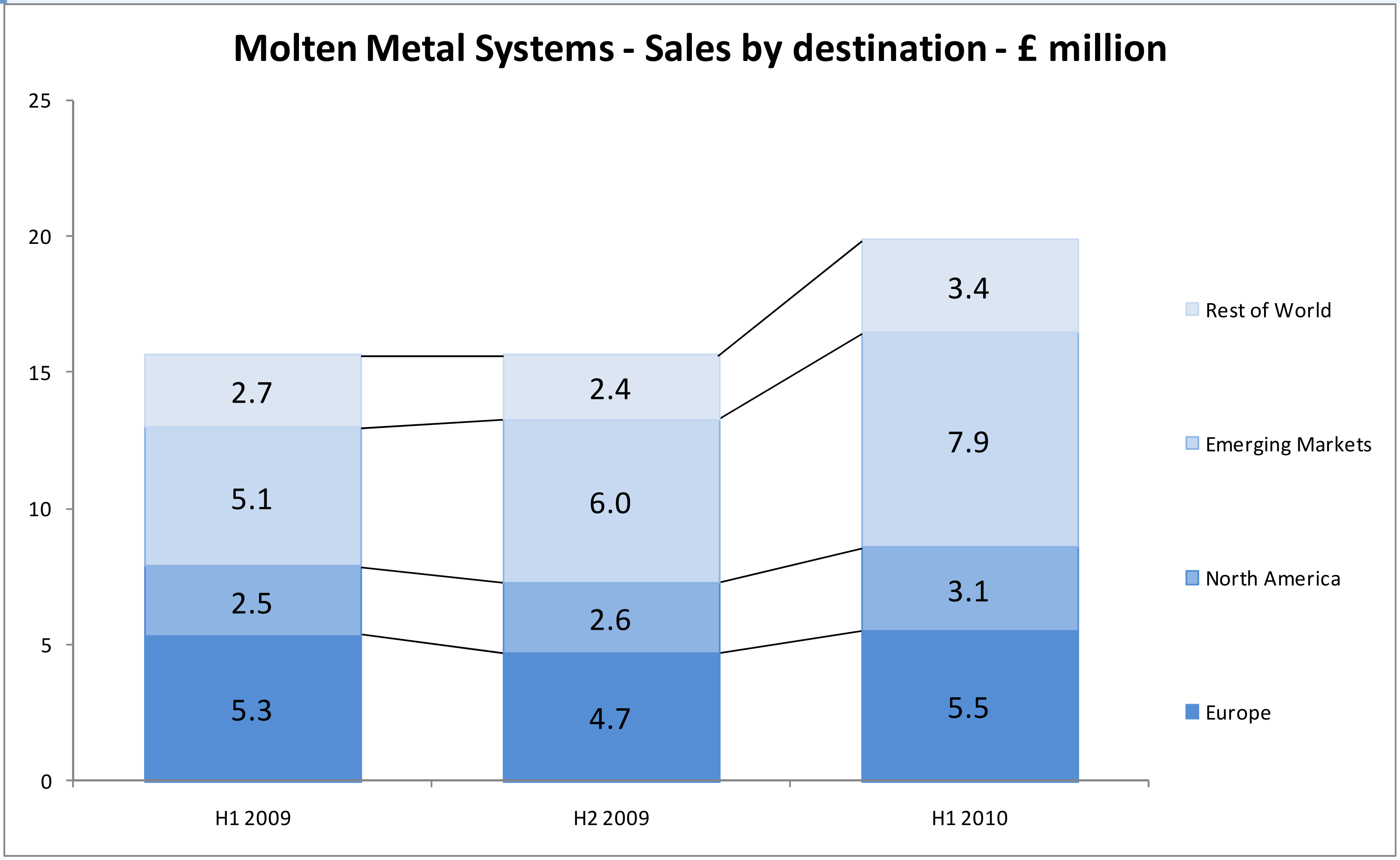
Personal Protection

- £8m - Body Armour, Helmets, EoD Suits

Other Composite Mouldings

- £1m

Molten Metal Systems – 27% year-on-year growth with a strong performance in Emerging Markets



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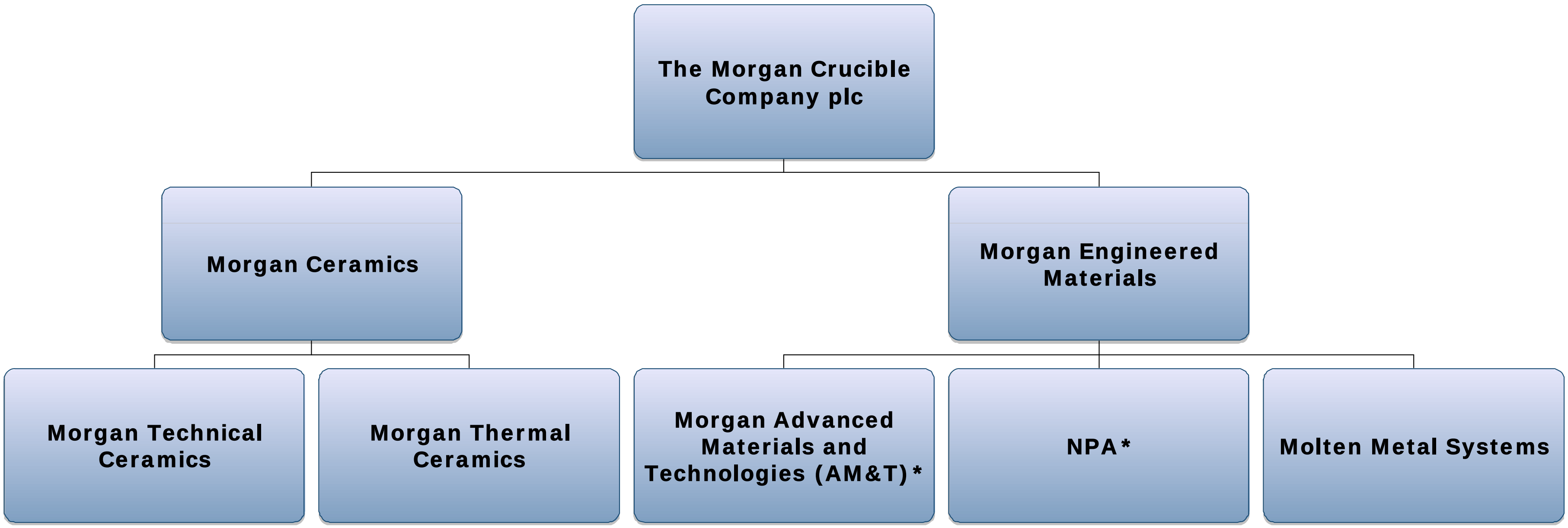
New Divisional Structure

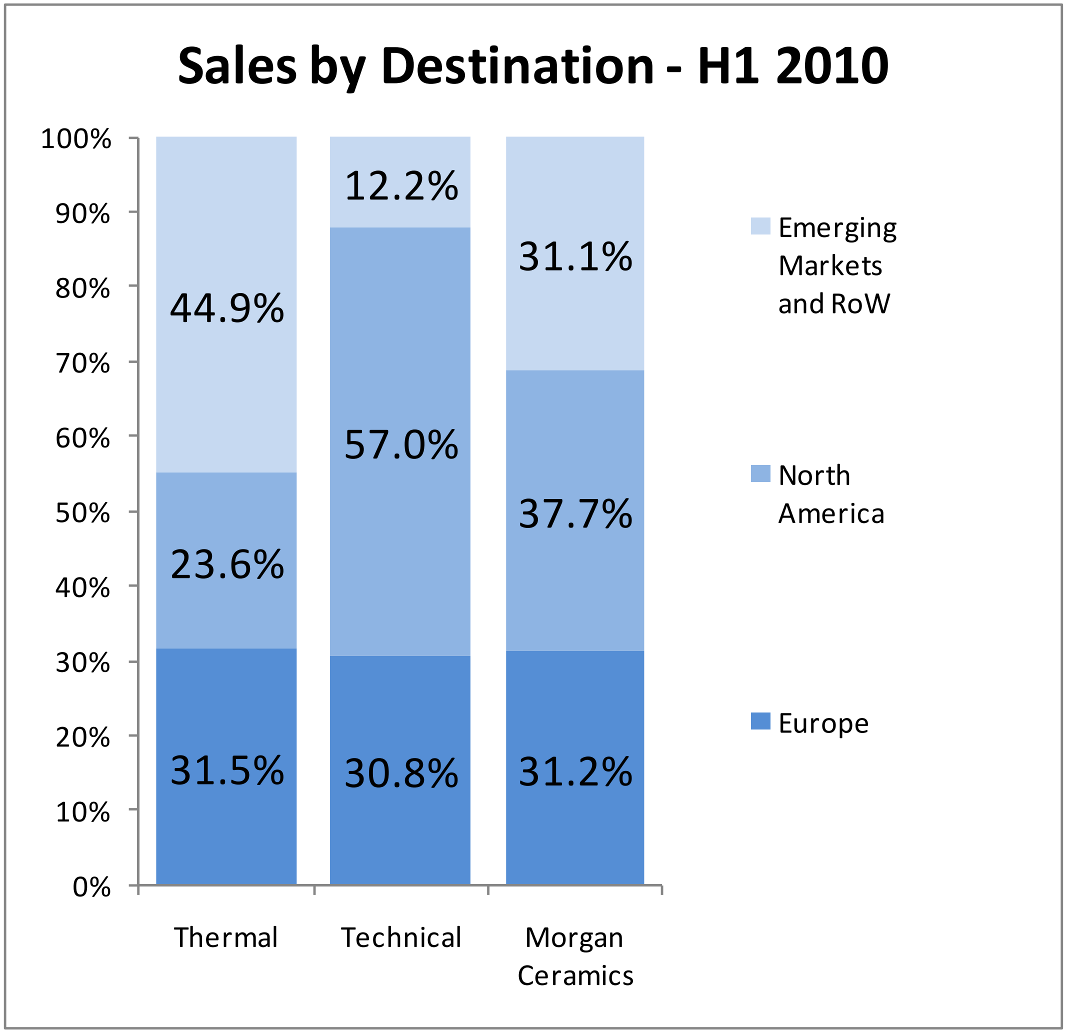
Mark Robertshaw

Streamlined and simplified two divisional structure now in place



* Formerly the Carbon division

Thermal's strong presence in emerging markets provides growth opportunity for Technical Ceramics



- 45% of Thermal Ceramics' sales by destination are to higher growth Emerging and Rest of World Markets
- Technical Ceramics with c.12% of sales to Emerging and Rest of World, historically has been significantly under-represented in these markets
- New Morgan Ceramics division has a much more balanced global spread

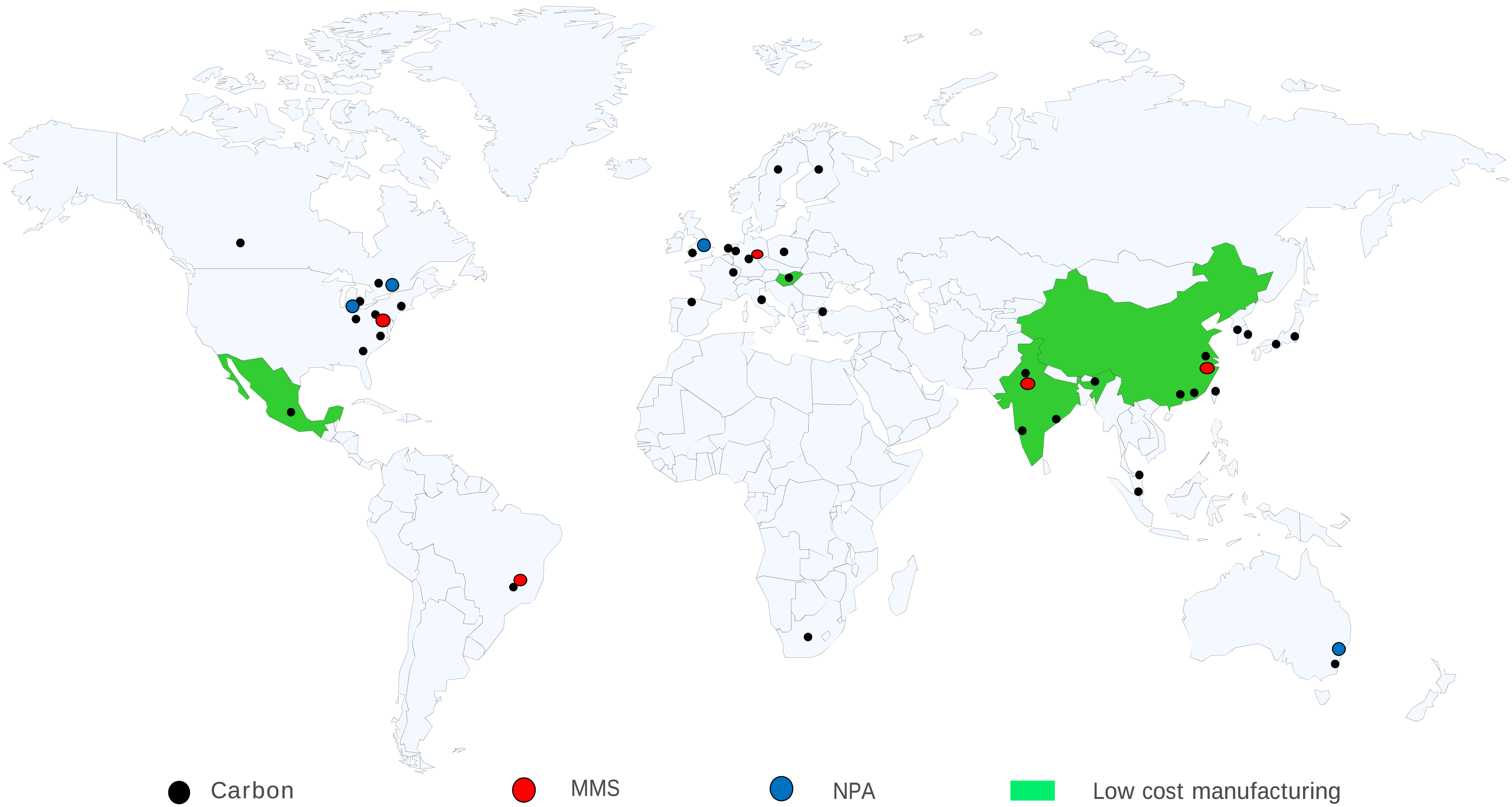
Investment casting a good example of complementary end markets







Carbon provides NP Aerospace and MMS with a global footprint with a low cost manufacturing base



NP Aerospace : continuing to build the capability and range of the business

Actions

- Integrated and enhanced R&D capability in UK bringing together NPA integration expertise and Carbon materials skills and technology
- Establishment of NPA USA sales and marketing office
- Dedicated armour resource now in place in both Canada and Australia

New Business Opportunities

- UK
  - Mastiff III and other variants (Counter IED)
  - LPPV
  - PECOC – new personal protection programme for MoD (helmets, armour etc.)
- Overseas
  - HMMWV Recap – USA
  - JLTV – USA
  - Canadian body and vehicle armour opportunities
  - Soldier Survivability - Australia

Pro-forma financials of the two new divisions

Morgan Ceramics

	Revenue £m HY10	Revenue £m HY09	EBITA £m HY10	EBITA £m HY09	Profit Margins % HY10	Profit Margins % HY09
Technical Ceramics	124.4	110.6	15.8	12.3	**12.7%**	**11.1%**
Thermal Ceramics	170.2	165.6	15.5	15.7	**9.1%**	**9.5%**
Ceramics	**294.6**	**276.2**	**31.3**	**28.0**	**10.6%**	**10.1%**

* Divisional EBITA and EBITA margins are quoted before the costs of restructuring activity and profit/(loss) on disposal of property arising from restructuring activity

Morgan Engineered Materials

	Revenue £m HY10	Revenue £m HY09	EBITA £m HY10	EBITA £m HY09	Profit Margins % HY10	Profit Margins % HY09
Base Carbon	123.7	105.1	9.7	5.4	**7.9%**	**5.2%**
NP Aerospace	62.9	95.5	8.9	13.8	**14.1%**	**14.4%**
Molten Metal Systems	19.9	15.2	2.9	0.1	**14.6%**	**0.7%**
Engineered Materials	**206.5**	**215.8**	**21.5**	**19.3**	**10.4%**	**8.9%**

* Divisional EBITA and EBITA margins are quoted before the costs of restructuring activity and profit/(loss) on disposal of property arising from restructuring activity

Summary and Outlook

Mark Robertshaw

Summary and Outlook

- Delivered increased revenues, profits and margins in H1
- Order book and Q2 trading provide good momentum for the second half
- Global outlook still hard to forecast but our focus remains on actions that we ourselves take to improve the level and quality of our earnings
- Simplification and streamlining of the divisional structure positions the Group for further margin improvement

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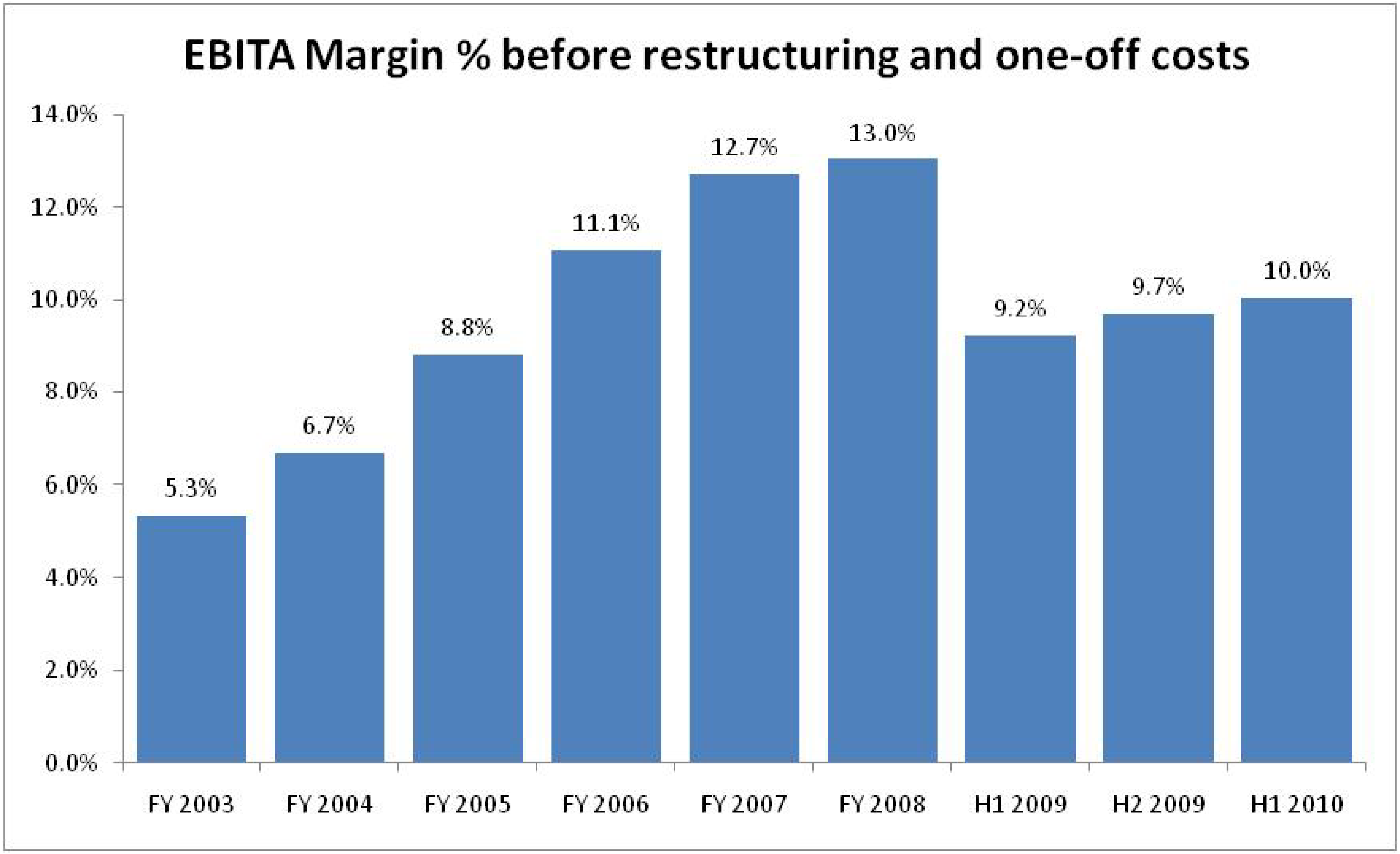
Appendix

Further margin progression for EBITA pre one-offs



Segmental details on new divisional structure

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Unallocated Costs *			**(2.5)**	**(2.0)**	**-**	**-**
EBITA pre one-off items **	***501.1***	***492.0***	***50.3***	***45.3***	***10.0%***	***9.2%***
One-off items **			**(2.3)**	**(7.1)**		
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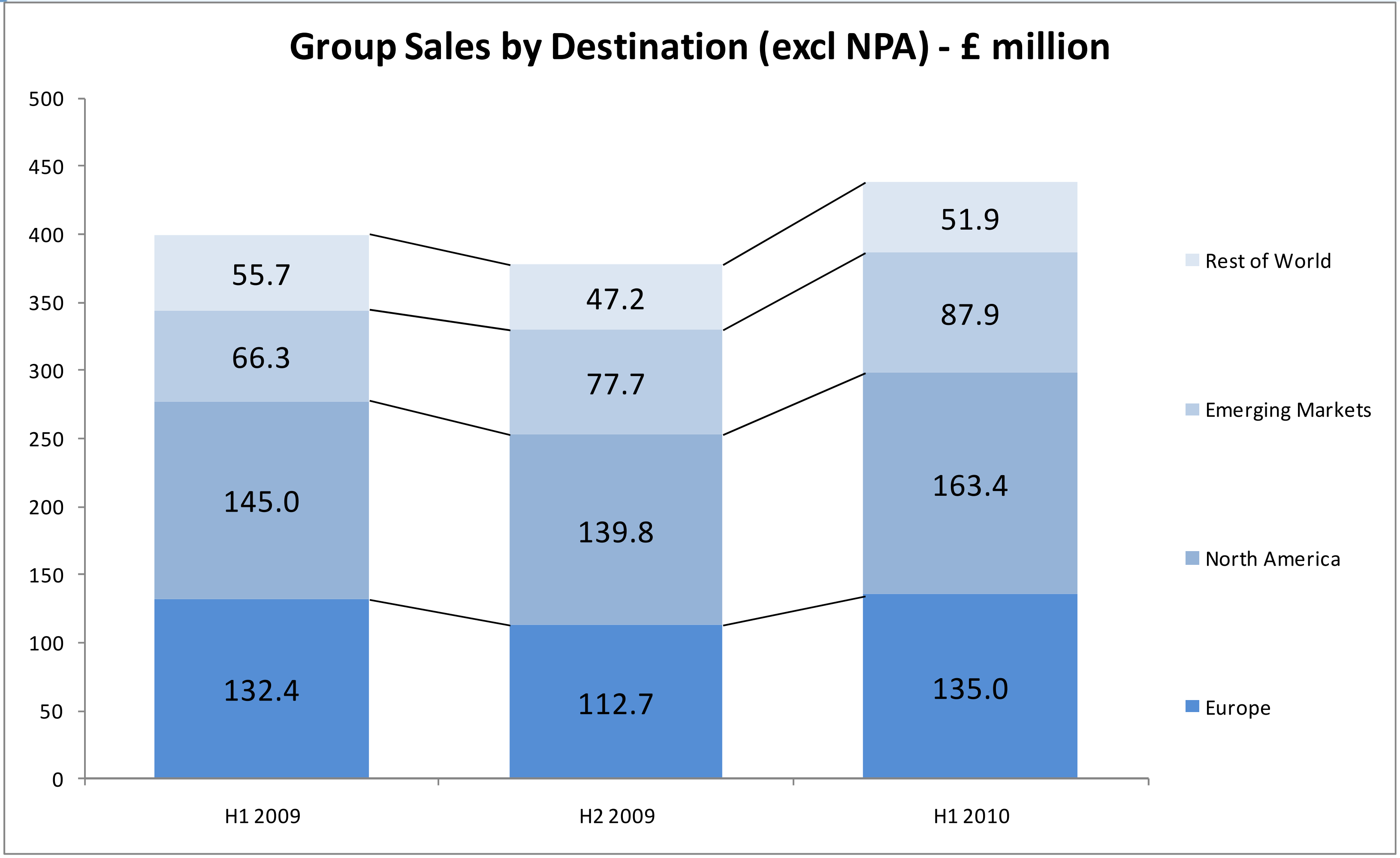
Group regional sales by geographic destination – excluding NP Aerospace



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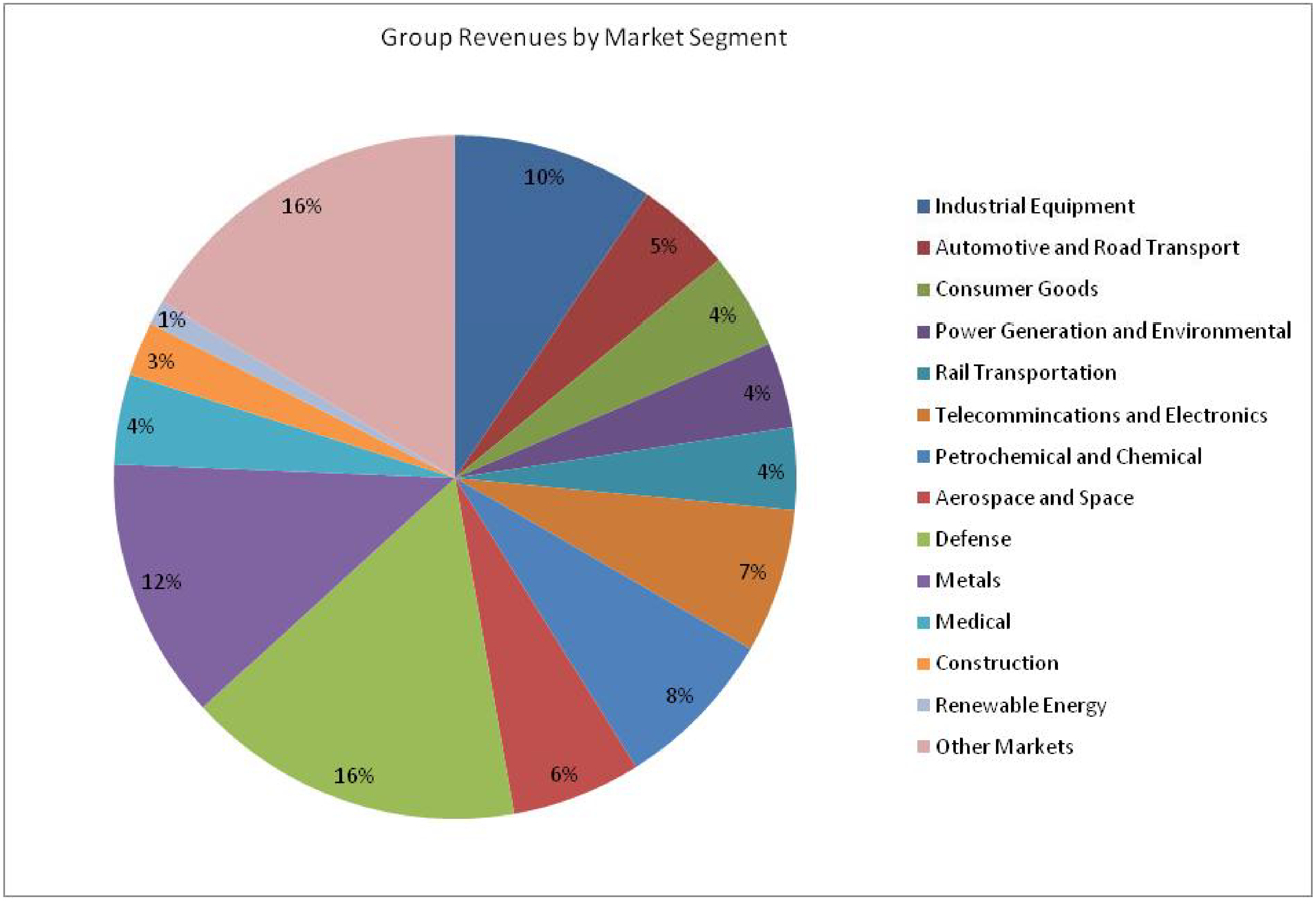
Group revenues by end-market for H1 2010



Net Finance Charge

		HY10 £m	HY09 £m
Bank interest charge		12.9	12.3
Bank interest income		(0.6)	(0.9)
Interest expense on unwinding of discount on deferred consideration		0.7	1.1
Gain on foreign exchange derivatives in respect of financial indebtedness		(2.0)	-
IAS19	- Interest cost on liability	14.0	13.3
	- Expected return on assets	(12.9)	(11.0)
		12.1	14.8

Underlying EPS

	HY10 £m	HY09 £m
Basic earnings	19.4	9.0
Amortisation	3.9	8.1
Underlying earnings	23.3	17.1
Weighted average number of shares in the period	268.7m	267.9m
Underlying earnings per share	8.7p	6.4p

Pensions - IAS 19 ‘Income Statement’ Charges

	FY10 Estimate* £m	HY10 Actual Approx £m	HY09 Actual £m
Service Charge (within Operating costs)	3.7	2.1	2.1
Net Finance Charge	1.9	1.1	2.3
	5.6	3.2	4.4

** Full year estimate was made at the beginning of 2010; likely to increase due to changes in assumptions and exchange rates*

Amortisation Charge

	FY10 Estimate £m	HY10 Actual £m	HY09 Actual £m
Ongoing amortisation	7.8	3.9	3.5
Amortisation in 2009 arising from the acquisition of the NP Aerospace Order Book at 5.1.09	-	-	4.6
	7.8	3.9	8.1