Morgan Crucible

The Morgan Crucible Company plc

2008 Full Year Financial Results

19th February 2009

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2008 Full Year Financial Results

Kevin Dangerfield

Revenue growth up +20%, underlying operating profit up +24%

	FY08	% Change from FY07 As reported
Revenue	£835.0m	+20.5%
EBITA after restructuring and one-off items *	£98.2m	+24.5%
Profit before tax	£82.8m	+15.5%
Underlying earnings per share	23.4p	+18.8%
Full year dividend per share (Final: 4.5p)	7.0p	+3.7%

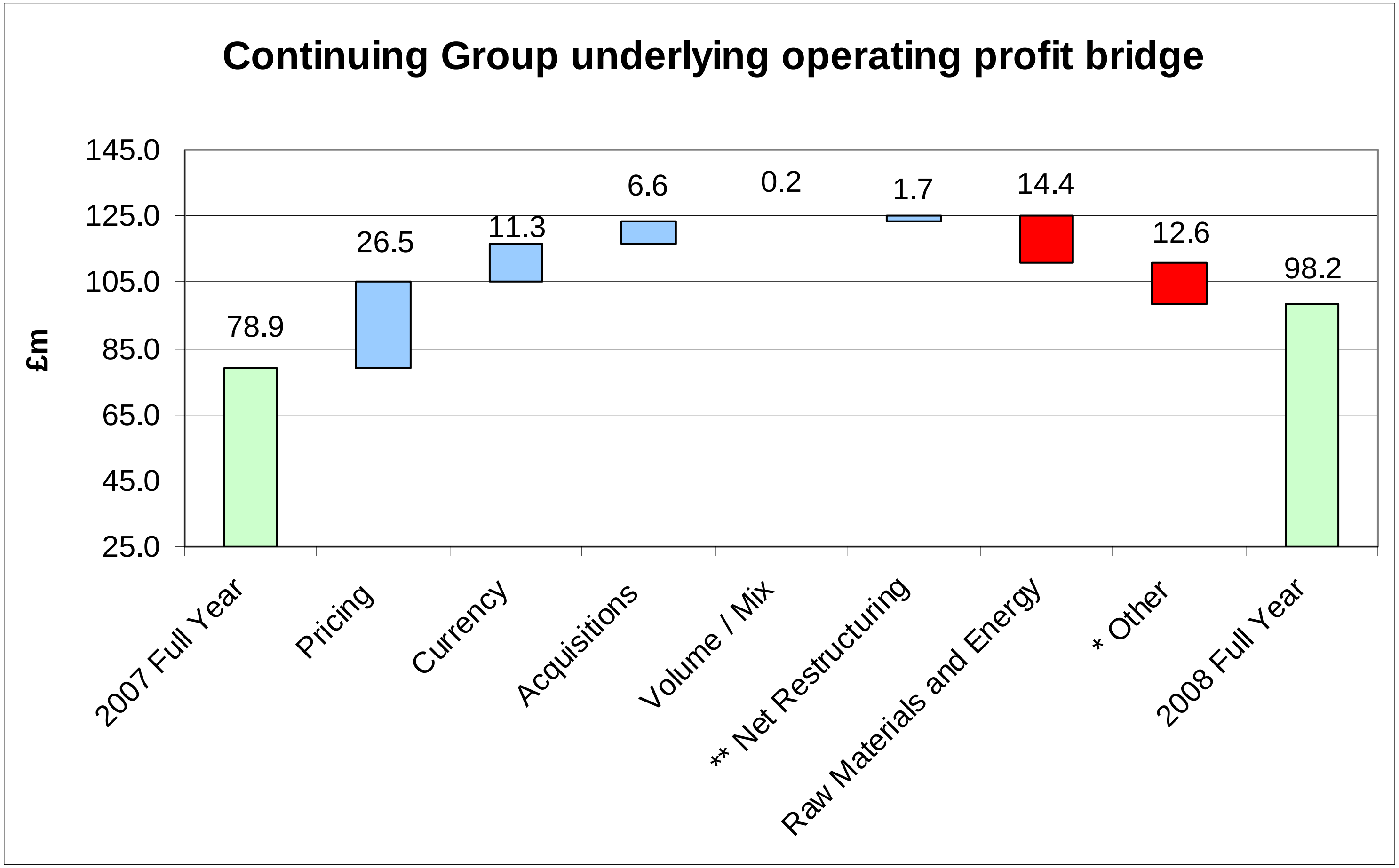
** EBITA after restructuring and one-off items is defined as operating profit before amortisation of intangible assets*

Positive margin progression before and after restructuring costs

	FY08 £m	FY07 £m
Revenue	**835.0**	**693.2**
EBITA before restructuring and one-off items *	**108.8**	**88.1**
EBITA margin before restructuring and one-off items *	***13.0%***	***12.7%***
Restructuring and one-off items*	**(10.6)**	**(9.2)**
EBITA after restructuring and one-off items *	**98.2**	**78.9**
EBITA margin after restructuring and one-off items *	***11.8%***	***11.4%***
Amortisation of intangible assets	**(3.2)**	**(1.6)**
Operating profit	**95.0**	**77.3**
Net finance charge	**(12.7)**	**(5.5)**
Loss on partial disposal of business	**(0.7)**	**(0.3)**
Share of profit/(loss) of associates	**1.2**	**0.2**
Profit before tax	**82.8**	**71.7**
Tax	**(20.1)**	**(15.2)**
Profit for the period	**62.7**	**56.5**

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

Price increases in excess of raw material and energy inflation

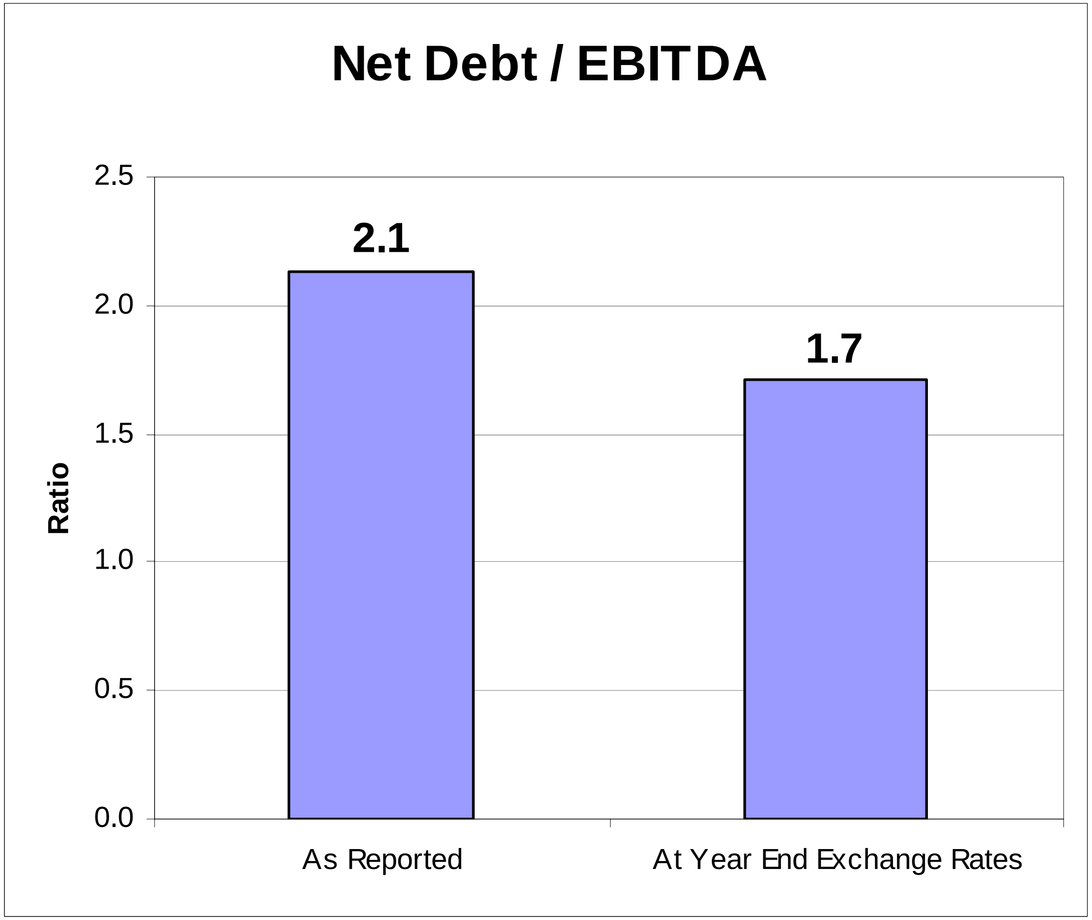


* e.g. impact of inflation on cost base, long term incentive costs, healthcare costs
** Net restructuring includes the benefits and costs of restructuring activity, ongoing costs associated with the settlement of prior period anti trust litigation and profit/(loss) on disposal of property.

Free cash flow positive in 2008

	FY08 £m	FY07 £m
Net cash flow from operating activities	111.2	89.5
Net capital expenditure	(31.5)	(33.1)
Restructuring costs and other one-off items	(11.5)	(11.4)
Net interest paid	(16.9)	(8.8)
Tax paid	(28.1)	(12.5)
FREE CASH FLOW BEFORE DIVIDENDS	23.2	23.7
Dividends paid	(18.8)	(18.8)
Cash flows from other investing and financing activities	(98.3)	(93.4)
Exchange movement	(76.8)	2.9
Opening net debt	(119.7)	(34.1)
Closing net debt	(290.4)	(119.7)

Balance sheet and net debt position robust



- Net debt comfortably within covenants despite exchange rate distortion at year end
- Headroom at year end of £150m
  - Banking facilities c.50% drawn
- Discussions well advanced with banks to refinance during the course of H1 2009

Summary of 2008 financials

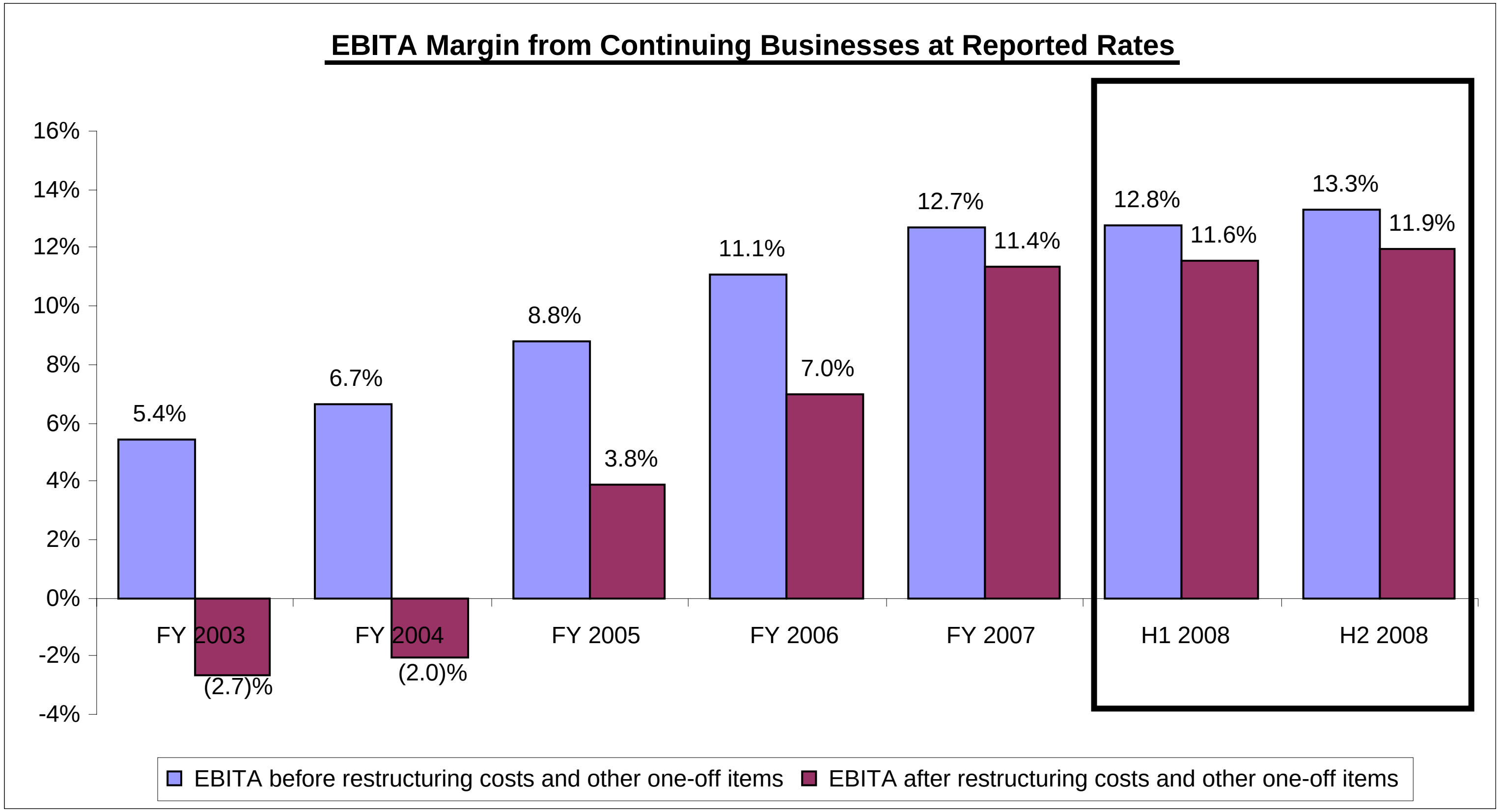
- **Good performance in 2008; year on year growth in revenues, profit and profit margins**

- **Balance sheet robust; comfortably within bank facility and covenants**

The Group Today and Divisional Business Review

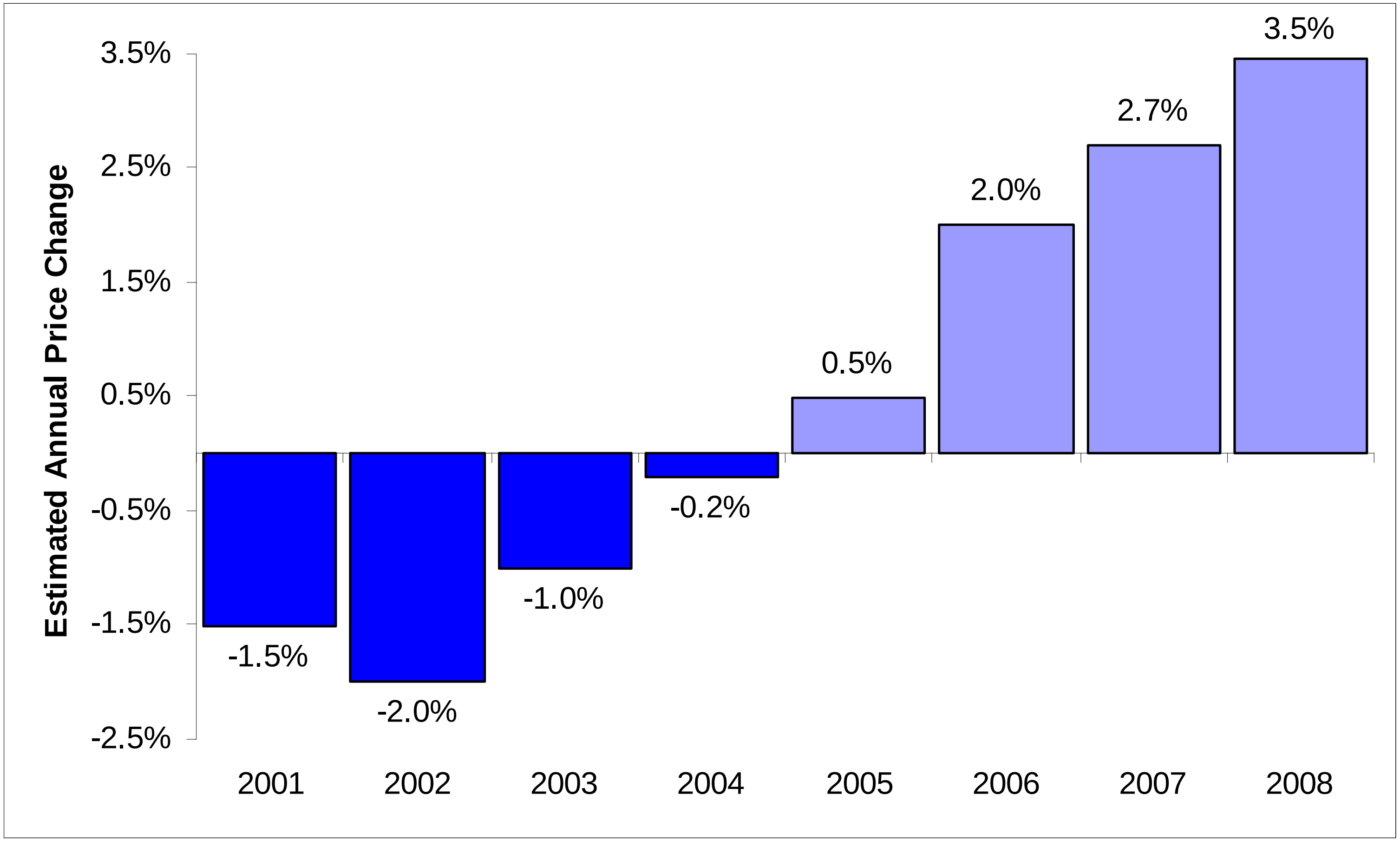
Mark Robertshaw

Further improvement made in operating profit margins in second half

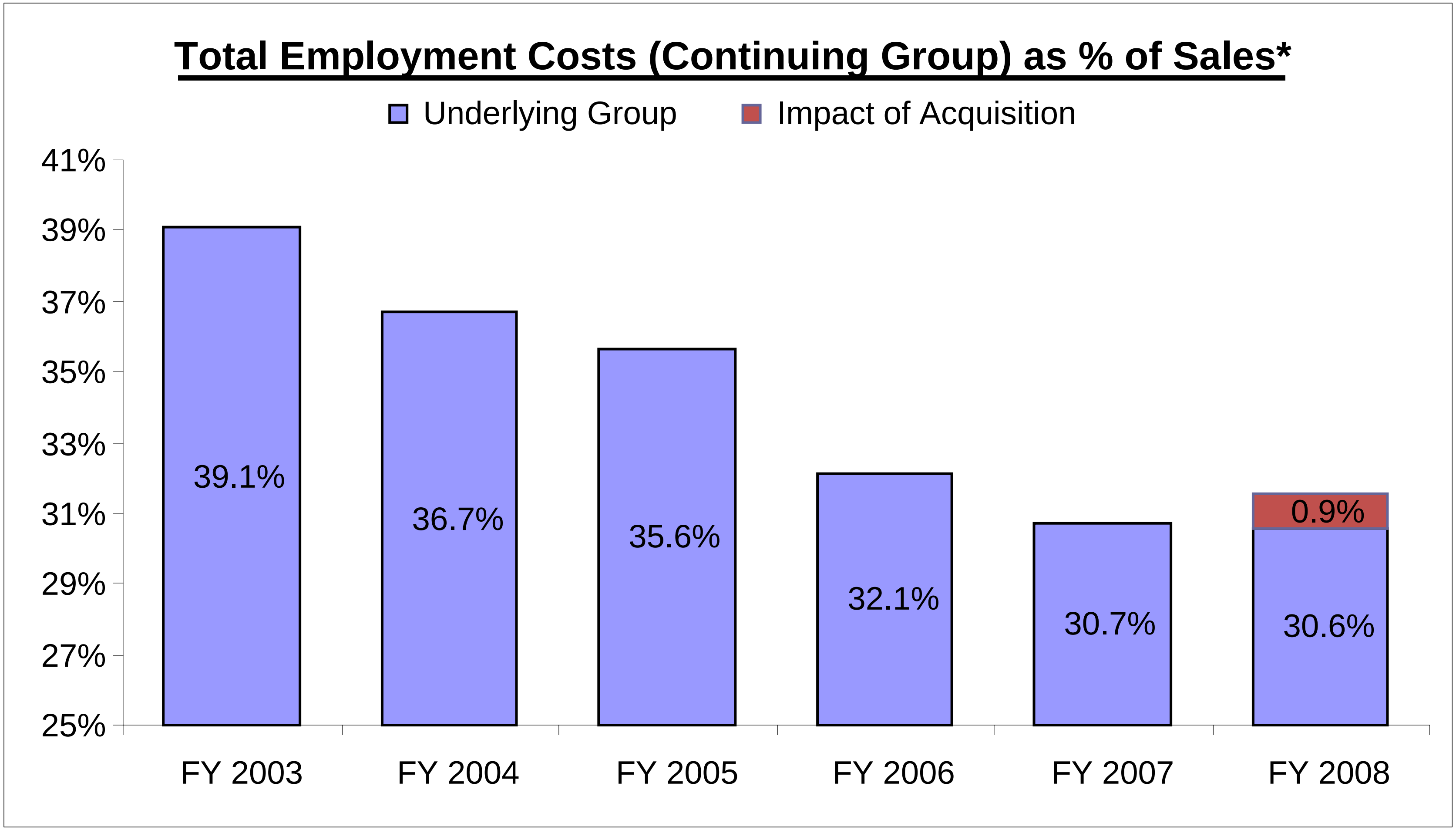


Strong pricing dynamics: >80% of Group sales from #1 or #2 positions

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



Continued improvement in employment cost to sales ratio



** Calculated at 2008 average rates*

Year on year progression in Group margins

£m	Revenue		EBITA		Profit Margins %	
	FY08	FY07	FY08	FY07	FY08	FY07
Technical Ceramics	212.2	152.6	31.6	20.0	14.9%	13.1%
Insulating Ceramics	382.9	324.0	45.6	37.5	11.9%	11.6%
Carbon	239.9	216.6	36.3	35.2	15.1%	16.3%
Unallocated Costs *			(4.7)	(4.6)	-	-
EBITA pre one-off items	***835.0***	***693.2***	***108.8***	***88.1***	***13.0%***	***12.7%***
One-off items **			(10.6)	(9.2)		
EBITA post one-off items			***98.2***	***78.9***	***11.8%***	***11.4%***

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

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

Technical Ceramics – strong performance in 2008

	H208 £m	H108 £m	H207 £m
Revenue	113.9	98.3	74.8
EBITA *	17.6	14.0	10.9
*EBITA margin **	*15.5%*	*14.2%*	*14.6%*

- Revenue, profit & margins all increased in 2nd half of year
- Constant currency organic revenue growth of 3.3% in 2008
- Carpenter acquisition performance above expectations
- End market activity mixed, medical strong, semicon weak

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

The Carpenter acquisition performing well

Carpenter (Aerospace and Power Generation)

	FY 08	FY 07	% Growth
Revenue	£55.6m	£50.7m	+10%
EBITA	£8.9m	£7.5m	+19%
EBITA Margin (%)	16.0%	14.8%	

- Performance ahead of 2008 expectations
- End markets – Aerospace some softness, industrial gas turbines (IGT) remain strong

MORGAN FULL YEAR RESULTS INCLUDE ONLY THE RESULTS OF THE CARPENTER BUSINESSES FOR THE 9 MONTHS FROM THE DATE OF ACQUISITION

Insulating Ceramics – a good performance across the year and margin enhancement in the 2nd half

	H208 £m	H108 £m	H207 £m
Revenue	198.1	184.8	164.2
EBITA *	23.7	21.9	18.9
EBITA margin *	*12.0%*	*11.9%*	*11.5%*

- Asia, Latin America and Middle East strong growth
- Constant currency organic revenue growth of 6.1% in 2008
- Europe/North America mainly flat performance
- End markets in automotive and building products weak in Q4; but large project business still holding up well

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

Carbon – remains a strong mid-teen margin business

	H208 £m	H108 £m	H207 £m
Revenue	121.8	118.1	106.4
EBITA *	18.9	17.4	16.8
EBITA margin *	*15.5%*	*14.7%*	*15.8%*

- **Constant currency organic revenue growth of 1.3% in 2008**
- **India lock-out resolved in H2 2008**
- **Increasing end-market softness being offset by cost base reductions**
- **US Body Armour outlook remains uncertain but potential new European opportunities for 2009**

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

NP Aerospace consolidated from 2009 onwards

- Accounted for as an associate in 2008
- Consolidating stake acquired for £12.2m in January 2009 to increase our equity holding to 60%
  - Remaining 4 tranches of 10% to be acquired annually from March 2010
- Order book of c.£150m most of which we expect to be delivered in 2009 at mid teen EBITA margins
- Fully consistent with our strategy of moving away from economically cyclical, commoditised markets

Summary and Outlook

Mark Robertshaw

Our strategic priorities are well established

- Focus on higher growth, higher margin non economically cyclical markets
- High value-added to our customers
- Number 1 or 2 in our chosen market segments
- Culture of operational excellence and cost efficiency
- Finding, keeping and developing the right people

The Group remains vigilant against further economic slow down

- Actions already taken in a number of businesses to reduce headcount and cost
- Mitigating action plans in place to react swiftly to softening demand in any of our end markets
- Continued focus on moving to lower cost manufacturing locations and improving the efficiency of our existing western world operations
- Continued focus on positive end market mix strategy (e.g. Defence, Medical, Aerospace)

Summary

A higher quality business better positioned to deal with the economic slowdown

- Strong market positions with price leadership
- Acquisitions outperforming initial targets, with NP Aerospace performance set to accelerate in 2009
- Ongoing reductions in operating cost base

Our goal remains mid teen margins in good times, double digit in bad times

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Appendix

Net Finance Charge

	FY08 £m	FY07 £m
Interest charge	21.4	11.1
Interest income	(7.1)	(3.9)
Foreign exchange gains on net investment hedge	(1.5)	-
IAS19 - Expected return on assets	(25.7)	(24.9)
- Interest cost on liability	25.6	23.2
	12.7	5.5

Greater proportion of the Group's business in less economically cyclical, higher margin end-markets

	% of Total Revenue		
	2003 Full Year	2008 Proforma Full Year	% points change in mix
Defense	0.9%	12.2%	11.3%
Aerospace	3.0%	6.4%	3.4%
Industrial Equipment	9.8%	12.9%	3.2%
Iron & Steel / Aluminium / Other Metals	11.0%	14.0%	3.0%
Petrochemical	5.6%	7.9%	2.2%
Construction	2.8%	3.4%	0.6%
Rail Transportation	4.5%	4.3%	(0.2)%
Medical	4.1%	3.8%	(0.3)%
Power Generation / Environmental	7.8%	5.1%	(2.8)%
Other	21.9%	18.0%	(4.0)%
Telecommunications / Electronics	7.7%	3.2%	(4.6)%
Consumer Goods	10.4%	5.0%	(5.4)%
Automotive	10.4%	3.8%	(6.6)%
	100.0%	100.0%	

Earnings per share

	FY08 p
Basic earnings per share	22.2
Amortisation per share	1.2
Underlying earnings per share	23.4
Weighted average number of shares in the period	266.9m

NP Aerospace (Defence and Medical)

	FY 08
Revenue	£72.0m
EBITA	£10.7m
EBITA Margin (%)	14.9%