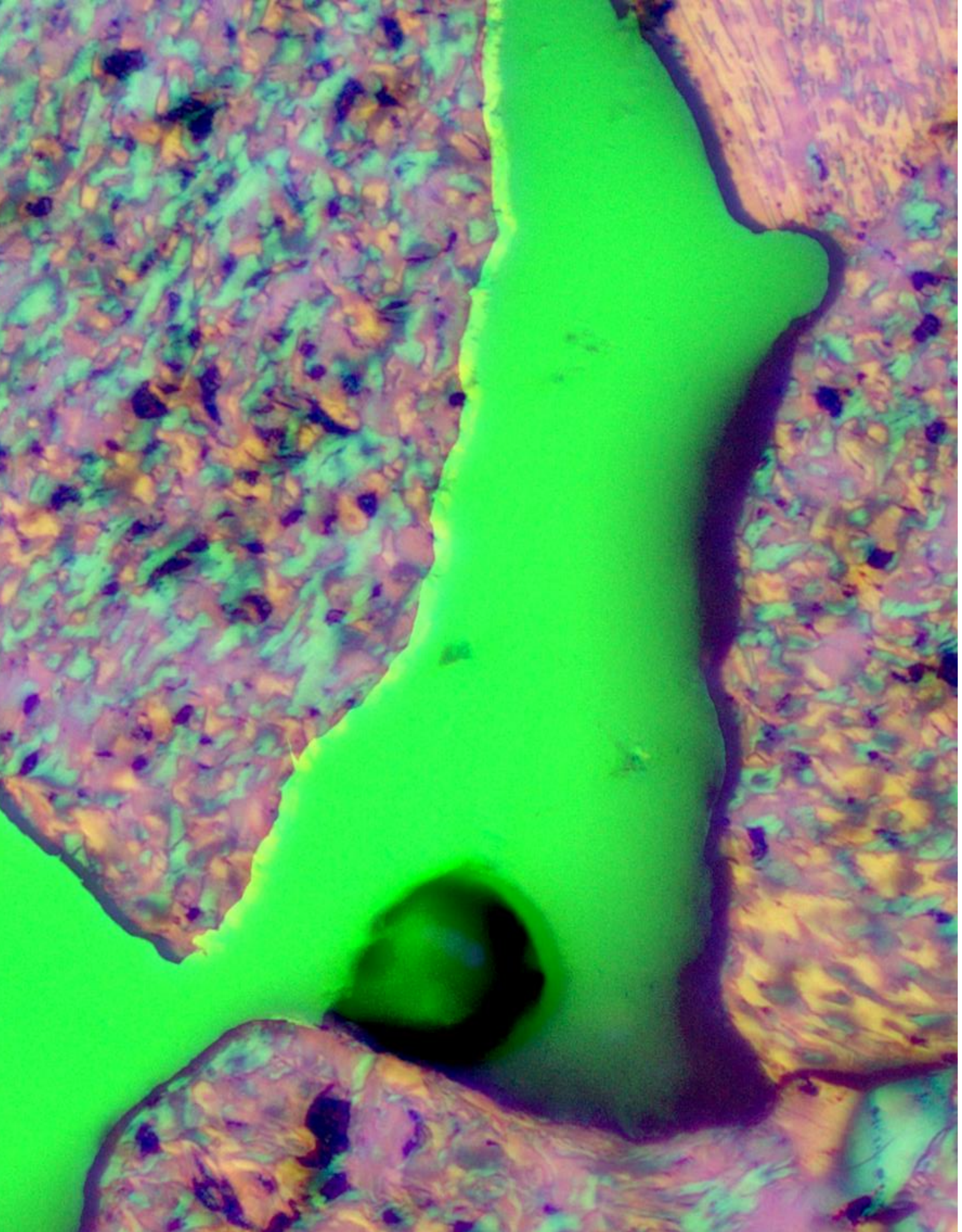


Morgan Advanced Materials

2021 Interim results presentation

29 July 2021

Agenda

- Introduction and summary – Pete Raby
- 2021 Interim results – Peter Turner
- Operational and strategic update – Pete Raby

Key highlights

- The safety of our people is our priority and we continue to operate protection measures to keep our employees safe during the pandemic
- Organic constant-currency revenue growth was 4.2%, with broad based growth across our healthcare, semiconductor, energy and industrial segments
- Adjusted operating profit margin was 12.8%, up by 170bps, driven by the acceleration of the benefits from our restructuring programme and volume leverage
- Pricing and continuous improvement efficiency actions continue to more than offset cost inflation
- Strong first half cash flow, with free cash flow of £36.5m driving a further reduction in leverage, with net debt / EBITDA (excluding leasing) of 0.5x
- Adjusted earnings per share of 12.7p, up 10.4% on the prior year
- Interim dividend of 3.2p, up 60% on the interim dividend declared in Q4 2020
- CO_2 emissions reduced by 17% compared to the prior year

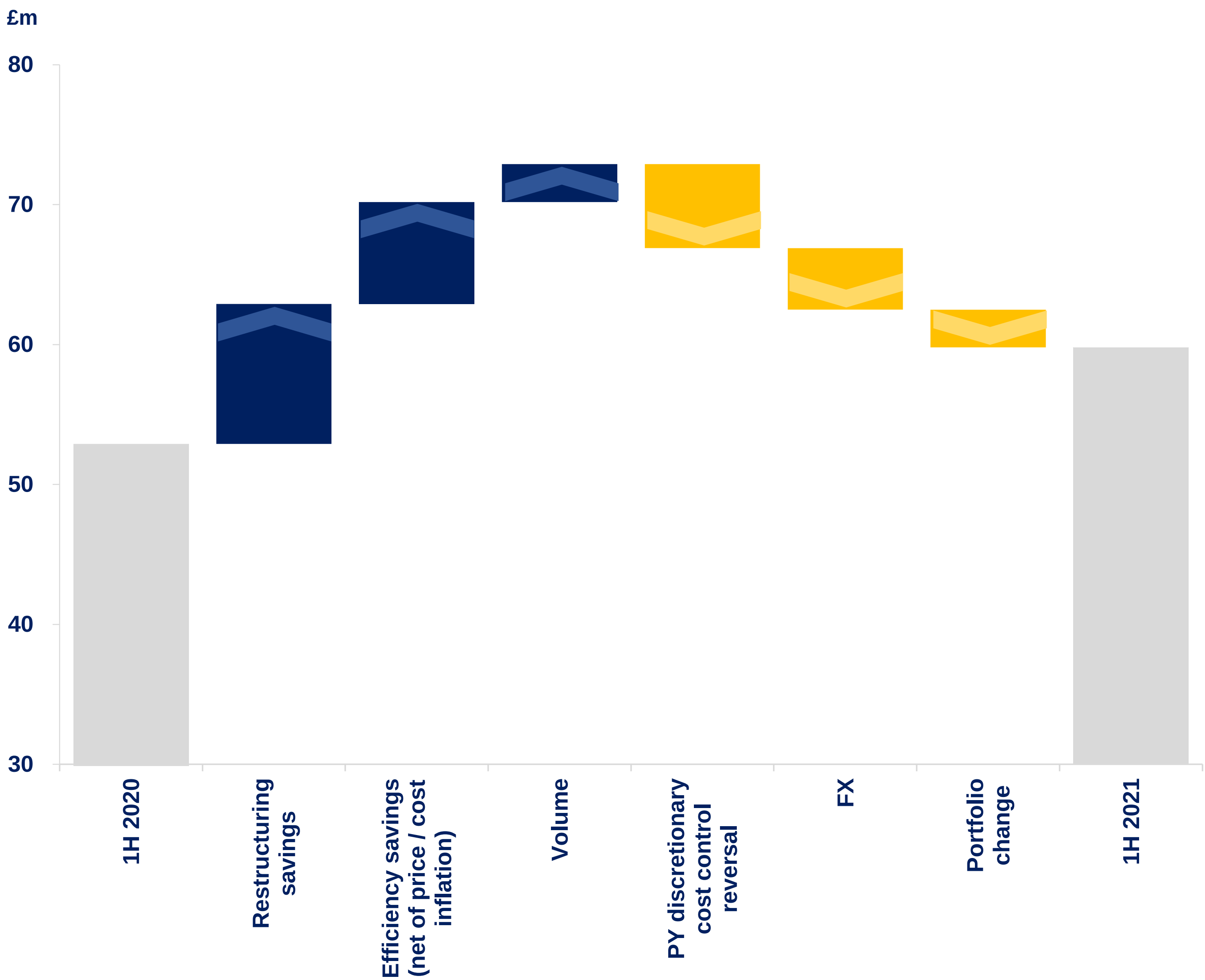
2021 Interim results
Peter Turner

Group performance

£m	1H 2021	1H 2020	% change from 1H 2020	
			As reported	At organic constant-currency
Revenue	**461.2**	**477.8**	**(3.5%)**	**4.2%**
Group adjusted operating profit[1]	**59.1**	**52.9**	**11.7%**	**29.0%**
Group adjusted operating profit margin % [1]	*12.8%*	*11.1%*		
ROIC %	*15.4%*	*15.6%*		
Cash generated from continuing operations	**63.1**	**59.0**	**6.9%**	
Free cash flow before acquisitions, disposals and dividends	**36.5**	**26.4**		
Adjusted earnings per share	**12.7p**	**11.5p**	**10.4%**	
Interim dividend per share	**3.2p**	**- [2]**		

1 Group adjusted operating profit is before specific adjusting items and amortisation of intangible assets.
2 2020 interim dividend of 2.0 pence per share was declared and paid in Q4 2020.

Group adjusted operating profit bridge



- Acceleration of the restructuring programme benefits
- Pricing and continuous improvement efficiency actions continue to more than offset cost inflation
- Margin expansion from volume growth driven by recovery in the economy
- Reversal of prior year discretionary cost control measures
- Headwind from foreign exchange translations
- Business exits in Technical Ceramics

Emerging stronger: Group restructuring and efficiency programme

The Group restructuring and efficiency programme to simplify Morgan’s structure and drive efficiency in operations is ahead of plan.

We have made significant progress across the programme, with only one remaining site closure to be completed in the second half of the year.

We have accelerated our actions with further benefit delivery in 2021 and current year savings are now expected to be £20m (vs £17m previously reported). Full year run rate benefits of £23m in 2022 remain unchanged.

The expected phasing of the benefits and costs is as follows:

£m	FY 2020	FY 2021	FY 2022	Total
Adjusted operating profit[1] benefits (incremental)	6	20	23	**-**
Cash costs charged to specific adjusting items	(24)	(4)	-	**(28)**

1 Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

Cash flow summary

£m	1H 2021	1H 2020[1]
EBITDA	77.5	75.3
Change in working capital	(7.4)	(4.4)
Change in provisions and other	(7.0)	(11.9)
Cash generated from continuing operations	**63.1**	**59.0**
Net capital expenditure	(8.6)	(15.8)
Net interest on cash and borrowings	(2.5)	(3.2)
Tax paid	(9.9)	(7.0)
Lease payments and interest	(5.6)	(6.6)
Free cash flow before acquisitions, disposals and dividends	**36.5**	**26.4**
Dividends paid to external plc shareholders	(10.0)	-
Net cash flows from other investing and financing activities	7.5	(7.2)
Net cash flows from discontinued operations	-	(0.1)
Exchange movement and other non-cash movements	1.8	(10.6)
Opening net debt excluding lease liabilities	(101.0)	(157.3)
Closing net debt excluding lease liabilities	**(65.2)**	**(148.8)**
Closing lease liabilities	(51.4)	(63.5)
Closing net debt	**(116.6)**	**(212.3)**

- Working capital outflow driven by business growth
- Free cash flow of £36.5m as a result of lower capex, net interest and lease payments
- £12.2m proceeds received from the divestment of our associate
- Net debt (excluding lease liabilities) of £65.2m
- Net debt to EBITDA (excluding leasing) 0.5x (FY2020: 0.8x)
- Lease liabilities of £51.4m

1 1H 2020 has been restated to present the Group's cumulative preference shares as debt.

Pensions update

Deficit movement since 31 December 2020	£m
Deficit at 31 December 2020	**(176)**
Contributions (net of service costs)	9
Net IAS 19 interest costs	(1)
Actuarial gain on liabilities	55
Remeasurement loss on assets	(17)
Currency adjustment	2
Deficit at 30 June 2021	**(128)**

£m	30 June 2021	31 December 2020	31 December 2019
Equities and growth assets	*142*	*165*	*153*
Bonds and LDI	*281*	*287*	*252*
Annuities	*157*	*169*	*168*
Other	*32*	*10*	*5*
Total assets	612	631	578
Liabilities	(740)	(807)	(735)
Deficit	**(128)**	**(176)**	**(157)**
UK discount rate	*1.87%*	*1.23%*	*2.06%*
US discount rate	*2.65%*	*2.34%*	*3.21%*
Europe discount rate	*0.80%*	*0.40%*	*0.90%*

FY21 financial framework

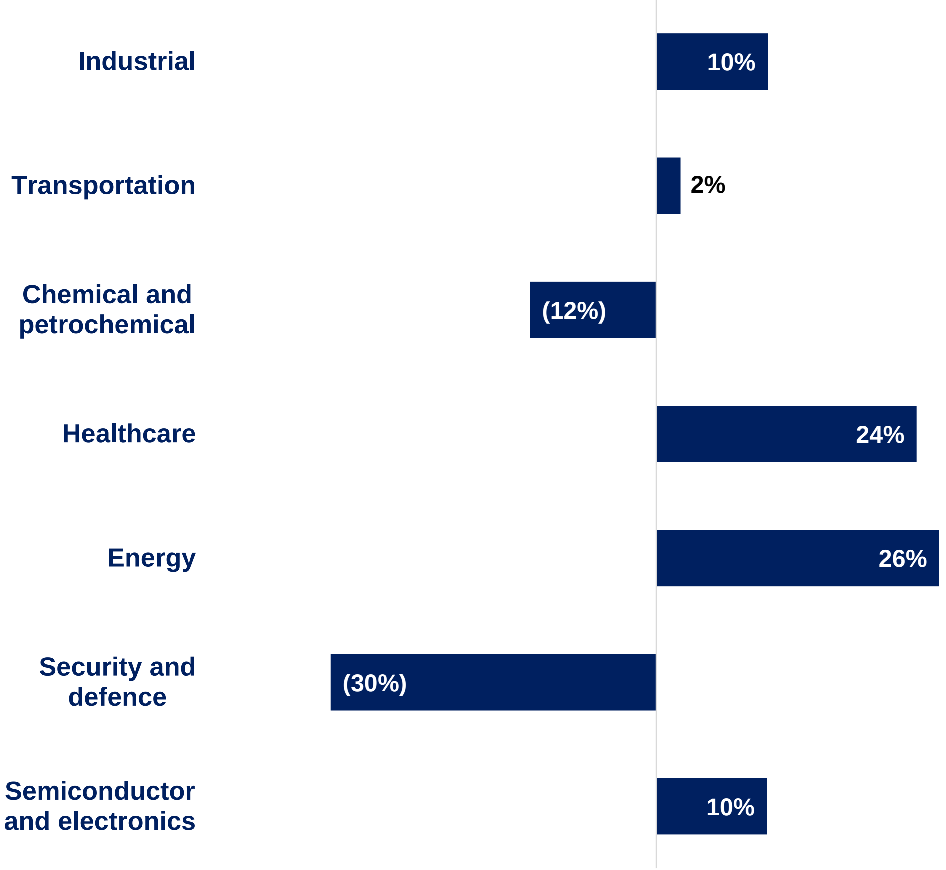
Effective tax rate	27-28%
Net finance charge: Interest charge (c. £6m) IAS 19 pensions net interest charge (c. £2m) IFRS 16 lease interest (c. £2m)	c. £10m
Defined benefit pension scheme contributions	c. £20m
Foreign currency impacts	*see slide 29*
Portfolio impacts	
Capital expenditure	c. £40-45m

Operational and strategic update

Pete Raby

Broad based growth across our healthcare, semiconductor, energy and industrial segments

Year-on-year organic % change at constant-currency



Segment	% of Group revenue	
Industrial	45%	• Broad based recovery in all global business units
Transportation	18%	• Automotive growth partially offset by a Q1 decline in aerospace
Chemical and petrochemical	10%	• Decline reflecting the late cycle nature
Healthcare	8%	• Growth from medical transportation and storage, implantable feedthroughs and medical imaging
Energy	7%	• Growth in power generation from wind and solar reflecting the improving industrial economy
Security and defence	6%	• Decline in ceramic armour sales in Seals & Bearings as expected
Semiconductor and electronics	6%	• Growth in ceramic and braze products for lithography, etch and ion implantation

Thermal Ceramics performance summary

£m	1H 2021	1H 2020	% change from 1H 2020	
			As reported	At organic constant-currency
Revenue	174.7	175.3	(0.3%)	5.5%
Adjusted operating profit[1]	21.2	13.5	57.0%	73.8%
Margin %	*12.1%*	*7.7%*		

Performance commentary

- Strong growth in automotive, healthcare and industrial market segments reflecting general market recovery
- Decline in the chemical and petrochemical market segment reflecting the late cycle nature
- Margin expansion driven by volume leverage, operational efficiencies and accelerated restructuring benefits

1 Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

Molten Metal Systems performance summary

£m	1H 2021	1H 2020	% change from 1H 2020	
			As reported	At organic constant-currency
Revenue	22.8	20.4	11.8%	16.3%
Adjusted operating profit[1]	2.5	1.7	47.1%	47.1%
Margin %	*11.0%*	*8.3%*		

Performance commentary

- Revenue growth from strong demand in the aluminium and copper segments
- Margin improvement from volume leverage and efficiency measures

1 Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

Electrical Carbon performance summary

£m	1H 2021	1H 2020	% change from 1H 2020	
			As reported	At organic constant-currency
Revenue	82.3	77.7	5.9%	10.5%
Adjusted operating profit[1]	15.6	12.5	24.8%	32.2%
Margin %	*19.0%*	*16.1%*		

Performance commentary

- Growth in the industrial, renewable energy and transportation market segments
- Margin expansion from volume, strong operational efficiencies and cost reduction actions

1 Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

Seals and Bearings performance summary

£m	1H 2021	1H 2020	% change from 1H 2020	
			As reported	At organic constant-currency
Revenue	64.3	77.6	(17.1%)	(12.2%)
Adjusted operating profit[1]	10.7	15.5	(31.0%)	(25.2%)
Margin %	*16.6%*	*20.0%*		

Performance commentary

- Ceramic armour declined as expected to £13m in the first half (1H 2020: £25m) and lower volume in the aerospace segment
- Growth in the industrial market segment
- Margin decline from lower ceramic armour volume

1 Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

Technical Ceramics performance summary

£m	1H 2021	1H 2020	% change from 1H 2020	
			As reported	At organic constant-currency
Revenue	117.1	126.8	(7.6%)	6.6%
Adjusted operating profit[1]	12.1	12.2	(0.8%)	45.8%
Margin %	*10.3%*	*9.6%*		

Performance commentary

- Growth in the healthcare, renewable energy and semiconductor segments partially offset by a decline in aerospace in the first quarter
- Margin improvement from operational efficiencies and benefits from the restructuring programme offset by a £3m headwind from business exits

1 Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

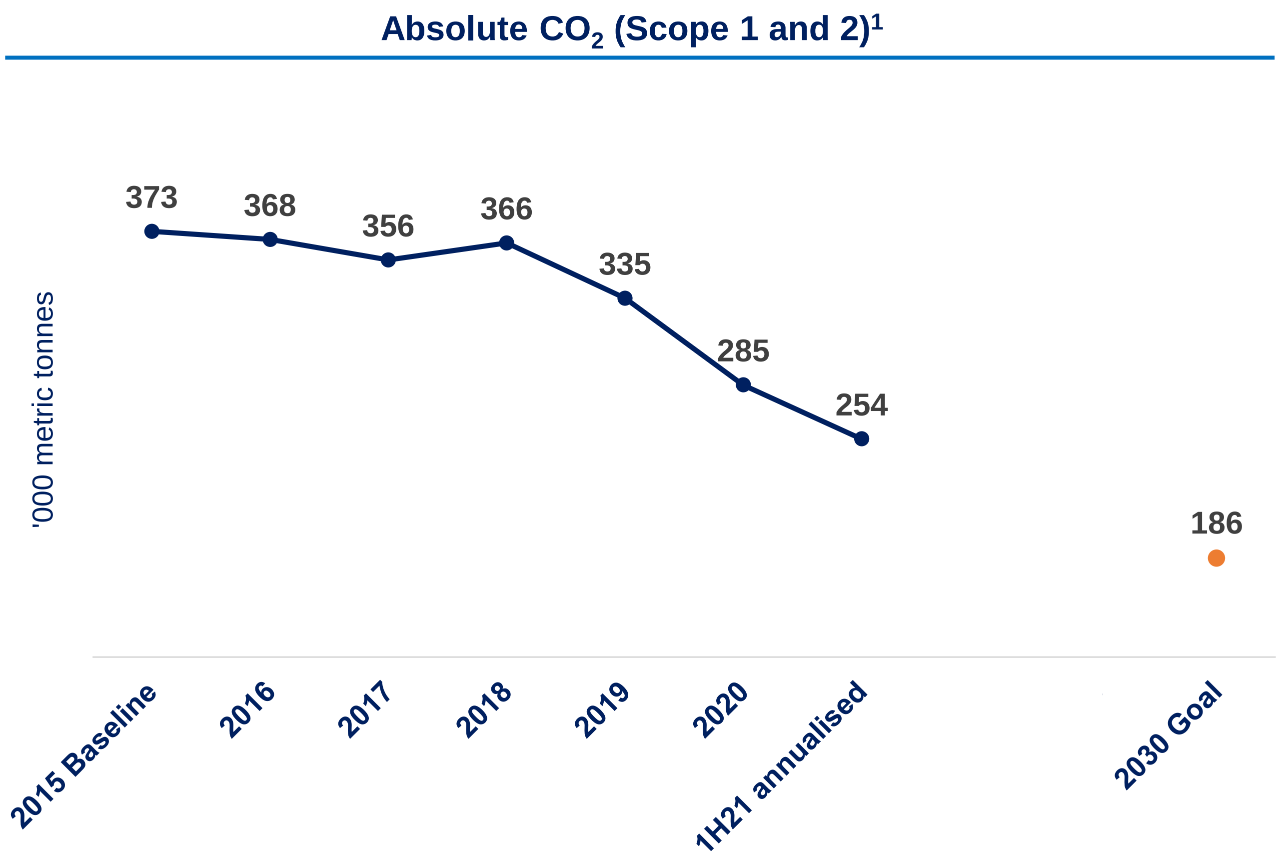
Environment, Social and Governance (ESG)

Our purpose is to use advanced materials to make the world more sustainable and to improve the quality of life.

	Our aspiration	Our 2030 goals[2]
Protect the environment	• A CO_2 net zero business by 2050[1] • Use water sustainably across our business	• 50% reduction in Scope 1 and Scope 2[3] CO_2 emissions • 30% reduction in water use in high and extremely high stress areas • 30% reduction in total water usage
Provide a safe, fair and inclusive workplace	• Zero harm to our employees • A workforce reflective of the communities in which we operate • A welcoming and inclusive environment where employees can grow and thrive	• 0.10 lost time accident rate • 40% of our leadership population is female • Top quartile engagement score

1 Excludes indirect emissions generated by our supply chain, distribution network and employee travel.
2 Reduction targets shown are compared to a 2015 baseline.
3 Scope 1 and 2 relate to CO_2 emissions from direct and indirect sources, respectively.

CO_2 emissions progress



17% reduction in absolute CO_2 emissions on the prior year driven by improvements in:

- **Green energy procurement:** transitions to renewable and other carbon free energy sources
- **Behavioural changes:** changes in our behaviours such as turning off lights and idle machines
- **Operational and Engineering projects:** production schedule optimisation and projects that result in process changes to improve efficiencies
- **Capital projects:** replaced inefficient assets and improved control systems

1 Scope 1 and 2 relate to CO_2 emissions from direct and indirect sources, respectively.

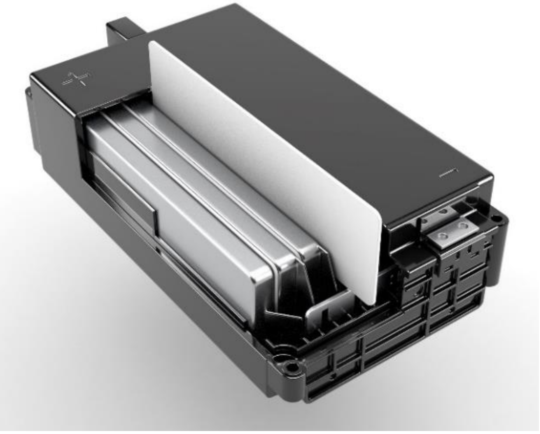
Growth opportunities in our faster growing markets

Clean Energy

- Brush solutions for wind turbines
- Ceramic and carbon products enabling solar panel manufacture
- Insulation and fire protection materials for batteries and fuel cells

Clean Transportation

- Brush and collector solutions for electrified rail and metro systems
- Fire protection, pump and grounding solutions for electric vehicles



Healthcare

- Sealing solutions for apheresis
- Feedthroughs and braze solutions for implantable devices
- Power tube components for medical scanners
- Low temperature insulation for medicine and vaccine transport and storage

Semiconductors

- Ceramic and carbon components integral to the key manufacturing steps: wafer growth, lithography, ion implantation, etch, deposition

Summary

- The safety of our people is our priority and we continue to operate protection measures to keep our employees safe during the pandemic
- Organic constant-currency revenue growth was 4.2%, with broad based growth across our healthcare, semiconductor, energy and industrial segments
- Adjusted operating profit margin was 12.8%, up by 170bps, driven by the acceleration of the benefits from our restructuring programme and volume leverage
- Pricing and continuous improvement efficiency actions continue to more than offset cost inflation
- Strong first half cash flow, with free cash flow of £36.5m driving a further reduction in leverage, with net debt / EBITDA (excluding leasing) of 0.5x
- Adjusted earnings per share of 12.7p, up 10.4% on the prior year
- Interim dividend of 3.2p, up 60% on the interim dividend declared in Q4 2020
- CO_2 emissions reduced by 17% compared to the prior year
- We have good momentum going into the second half and expect full year organic revenue growth to reach 7-9% with a further improvement in margins

Appendix

Our strategy for growth

We have a strategy to ensure we are the leaders in our field, with the customer and materials insight to apply our capabilities quickly and effectively

We apply these skills to a portfolio of businesses where:

- Our technical expertise and differentiation is valued
- We can operate on a global scale
- We are scalable
- Market segments are growing and we have room to grow

Strengthening the Group to deliver resilient financial performance and faster growth

End-market mix (as a % of revenue)

Main markets by GBU

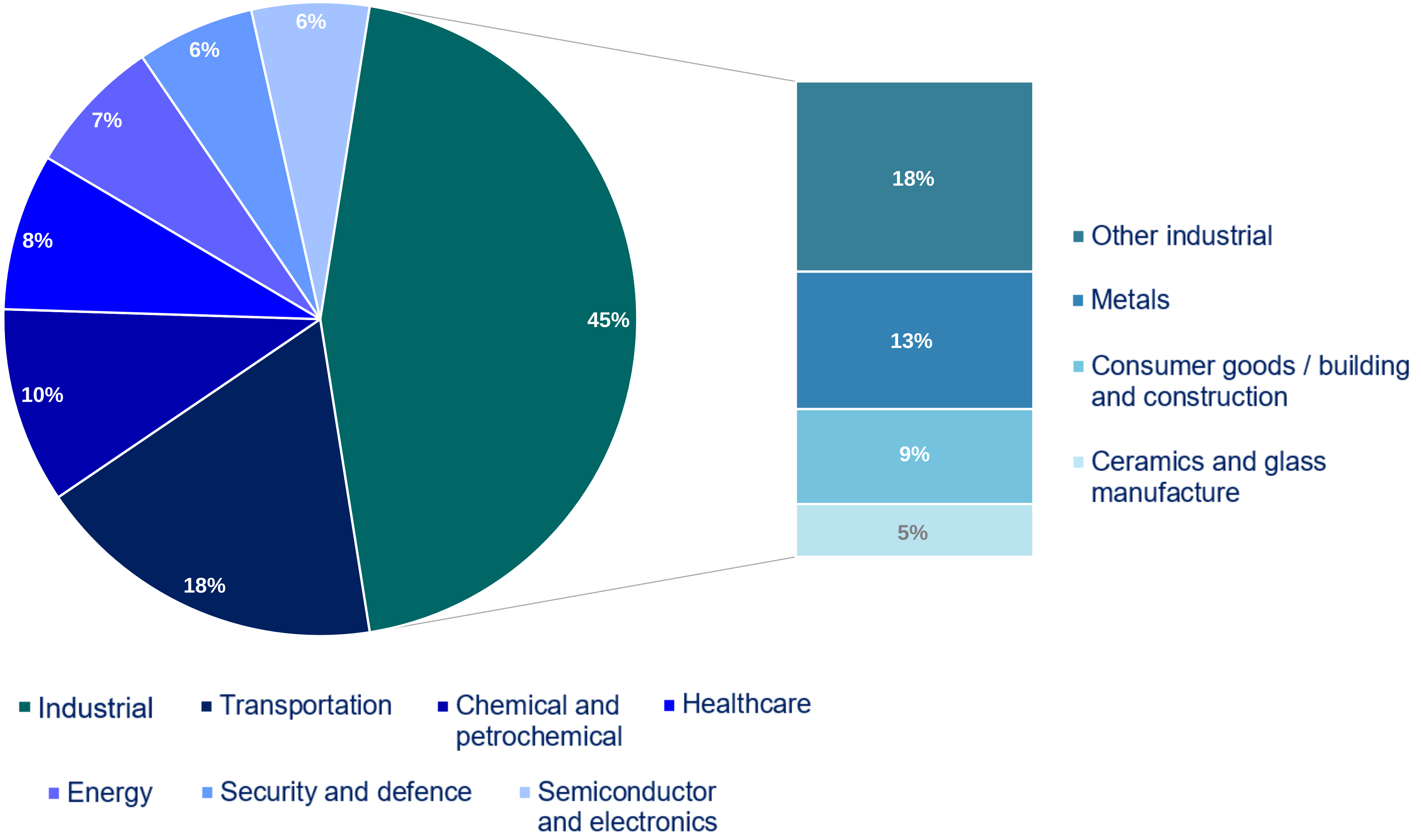
Thermal Ceramics
Industrial, Chemical and petrochemical, Metals, Automotive

MMS
Aluminium (automotive), Copper (construction), Precious metals

Electrical Carbon
Rail, Industrial equipment, Power generation, Electronics and semiconductor

Seals and Bearings
Petrochemical, Pumps, Aerospace, Automotive, Home appliances

Technical Ceramics
Industrial equipment, Electronics, Aerospace, Healthcare, Energy



Divisional performance

	Revenue £m		Adjusted operating profit[1] £m		Margin %	
	1H 2021	1H 2020	1H 2021	1H 2020	1H 2021	1H 2020
Thermal Ceramics	174.7	175.3	21.2	13.5	12.1%	7.7%
Molten Metal Systems	22.8	20.4	2.5	1.7	11.0%	8.3%
Thermal Products division	**197.5**	**195.7**	**23.7**	**15.2**	**12.0%**	**7.8%**
Electrical Carbon	82.3	77.7	15.6	12.5	19.0%	16.1%
Seals and Bearings	64.3	77.6	10.7	15.5	16.6%	20.0%
Technical Ceramics	117.1	126.8	12.1	12.2	10.3%	9.6%
Carbon and Technical Ceramics division	**263.7**	**282.1**	**38.4**	**40.2**	**14.6%**	**14.3%**
Corporate costs	-	-	(3.0)	(2.5)	-	-
Group	**461.2**	**477.8**	**59.1**	**52.9**	**12.8%**	**11.1%**

1 Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

Reported statutory figures

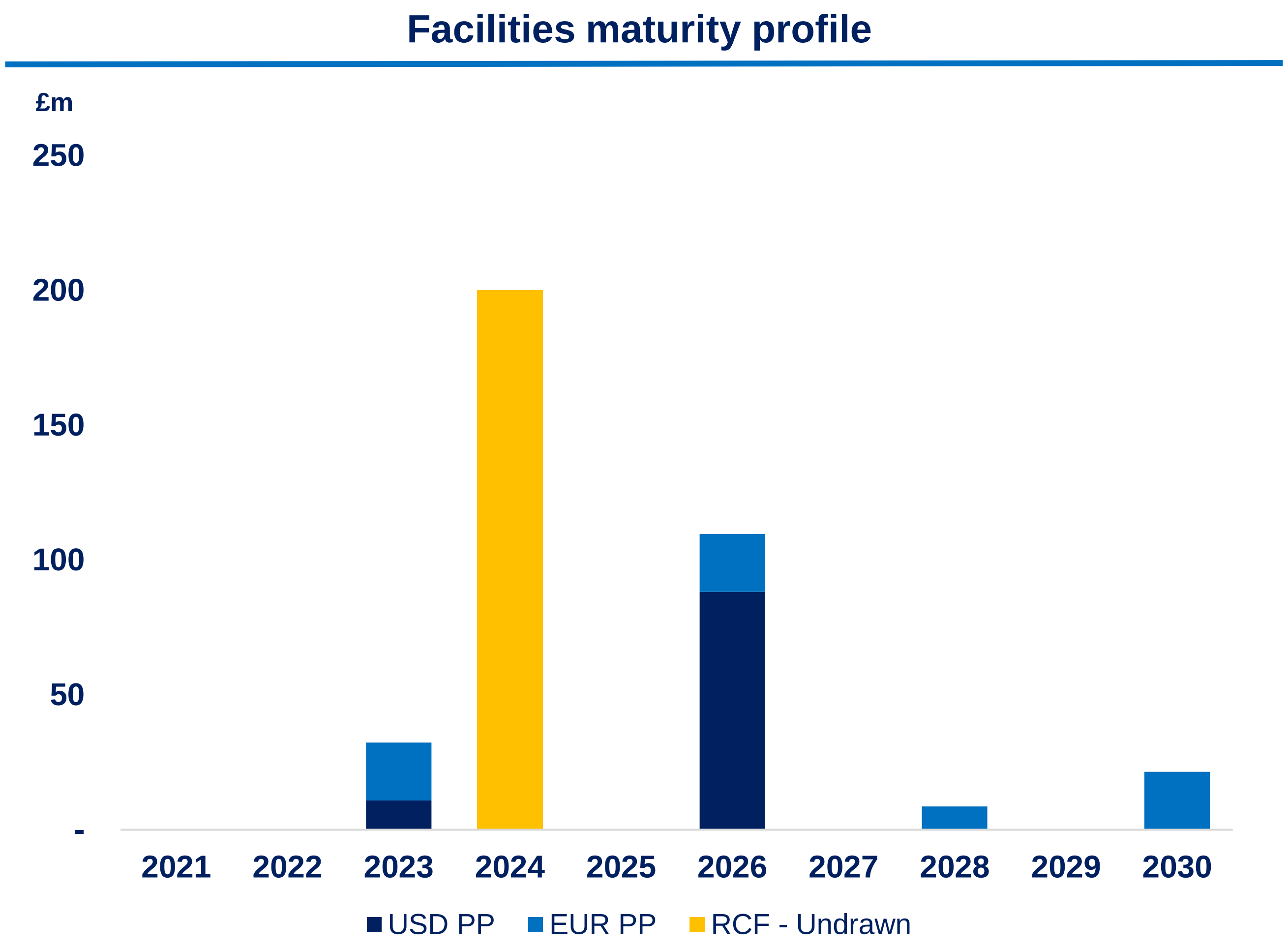
£m	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Results before specific adjusting items	Specific adjusting items	Total	Results before specific adjusting items	Specific adjusting items	Total
Revenue	**461.2**	**-**	**461.2**	**477.8**	**-**	**477.8**
Operating costs before amortisation of intangible assets	(402.1)	3.7	(398.4)	(424.9)	(68.9)	(493.8)
Profit/(loss) from operations before amortisation of intangible assets	**59.1**	**3.7**	**62.8**	**52.9**	**(68.9)**	**(16.0)**
Amortisation of intangible assets	(2.6)	-	(2.6)	(3.7)	-	(3.7)
Operating profit/(loss)	**56.5**	**3.7**	**60.2**	**49.2**	**(68.9)**	**(19.7)**
Net financing costs	(4.4)	-	(4.4)	(5.9)	-	(5.9)
Share of profit of associate (net of income tax)	0.4	-	0.4	0.1	-	0.1
Profit/(loss) before taxation	**52.5**	**3.7**	**56.2**	**43.4**	**(68.9)**	**(25.5)**
Income tax (charge)/credit	(14.4)	0.3	(14.1)	(11.7)	10.2	(1.5)
Profit/(loss) from continuing operations	**38.1**	**4.0**	**42.1**	**31.7**	**(58.7)**	**(27.0)**
Profit/(loss) from discontinued operations	-	-	-	-	0.8	0.8
Profit/(loss) for the period	**38.1**	**4.0**	**42.1**	**31.7**	**(57.9)**	**(26.2)**
Profit/(loss) for the period attributable to:						
Shareholders of the Company	33.6	4.0	37.6	29.1	(56.5)	(27.4)
Non-controlling interests	4.5	-	4.5	2.6	(1.4)	1.2
Profit/(loss) for the period	**38.1**	**4.0**	**42.1**	**31.7**	**(57.9)**	**(26.2)**

Specific adjusting items

£m	1H 2021	1H 2020
Impairment of assets	(0.8)	(63.4)
Restructuring costs	(0.6)	(5.5)
Net profit on disposal of business	5.1	-
Total specific adjusting items	**3.7**	**(68.9)**

- Specific adjusting items were a £3.7m gain (1H 2020: £68.9m loss)
- Impairment losses of £0.8m were recognised in relation to closed manufacturing lines in Thermal Ceramics
- Redundancies and other costs of our restructuring programme were £0.6m
- Net profit on disposal from sale of businesses was £5.1m

Strong balance sheet and available liquidity



Headroom on banking covenants

- Net debt to EBITDA excluding the impact of IFRS 16: 0.5x (FY2020: 0.8x)

Significant liquidity

- £200m undrawn RCF plus available net cash and cash equivalents of £107.5m

Average cost of fixed rate debt = 2.90%

All figures are shown on a pre-IFRS16 basis to align more closely to banking covenants.
Net cash and cash equivalents is defined as cash and cash equivalents less bank overdrafts.

Foreign currency impacts

The principal exchange rates used in the translation of the results of overseas subsidiaries were as follows:

GBP to:	1H 2021 Closing rate	1H 2021 Average rate	1H 2020 Closing rate	1H 2020 Average rate
USD	1.38	1.39	1.24	1.26
EUR	1.17	1.15	1.10	1.14

For illustrative purposes, the table below provides details of the impact on 1H 2021 revenue and adjusted operating profit[1] if the actual reported results, calculated using 1H 2021 average exchange rates, were restated for GBP weakening by 10 cents against the US dollar in isolation and 10 cents against the Euro in isolation:

Increase in 1H 2021 revenue/adjusted operating profit[1] if:	Revenue £m	Adjusted operating profit[1] £m
GBP weakens by 10c against the US dollar in isolation	14.4	1.8
GBP weakens by 10c against the Euro in isolation	9.1	1.6

1 Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

Adjusted earnings per share

£m	1H 2021	1H 2020
Profit/(loss) for the period attributable to shareholders of the Company	37.6	(27.4)
(Profit)/loss from discontinued operations	-	(0.8)
Profit/(loss) from continuing operations	37.6	(28.2)
Specific adjusting items	(3.7)	68.9
Amortisation of intangible assets	2.6	3.7
Tax effect of the above	(0.3)	(10.2)
Non-controlling interests' share of the above adjustments	-	(1.4)
Adjusted earnings	**36.2**	**32.8**
Weighted average number of shares in the period	284.8	284.6
Adjusted earnings per share (pence)	**12.7**	**11.5**