Morgan Crucible

The Morgan Crucible Company plc

2009 Half Year Financial Results

29th July 2009

Agenda

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▪ Group and Divisional Business Review	Mark Robertshaw
▪ Summary and Outlook	Mark Robertshaw

2009 Half Year Financial Results

Kevin Dangerfield

Robust revenue and profit performance in a challenging environment. Dividend maintained at 2.5 pence….

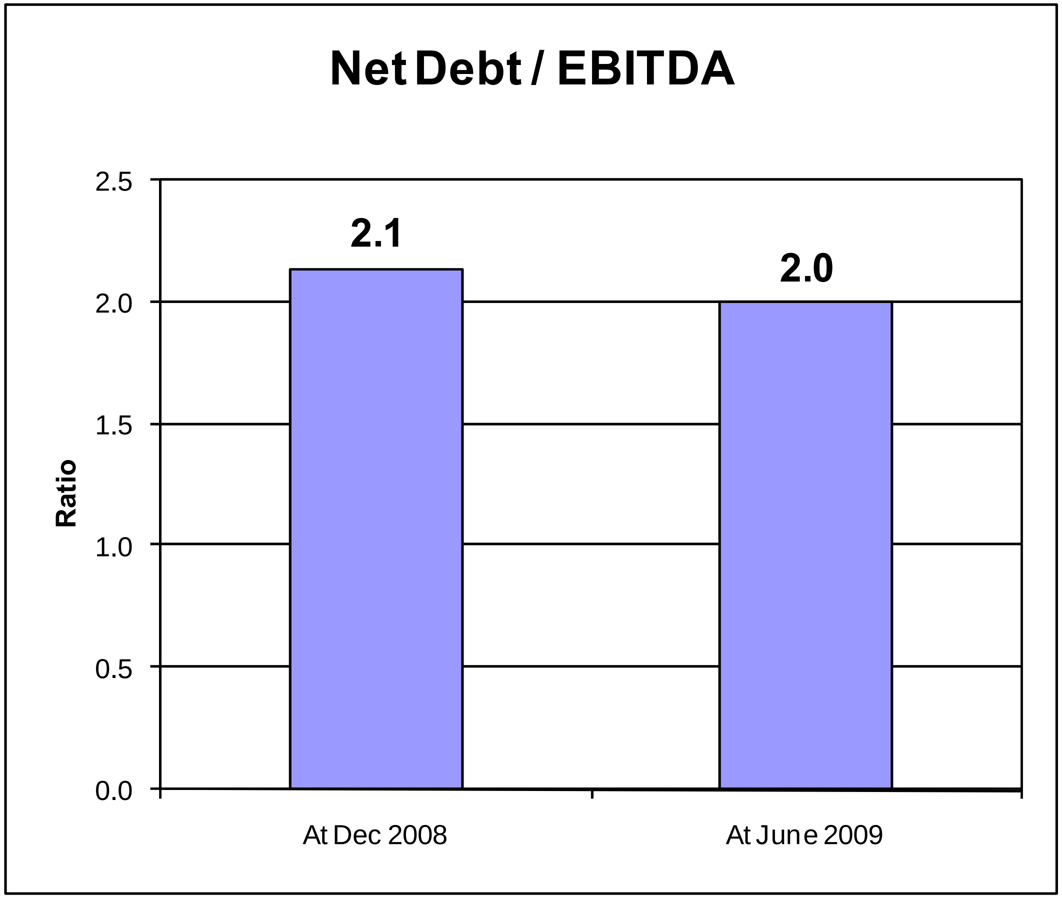
	HY09	HY08
Revenue	£492.0m	£401.2m
EBITA before restructuring and one-off items	£45.3m	£51.3m
EBITA Margin % before restructuring and one-off items	9.2%	12.8%
EBITA after restructuring and one-off items *	£38.2m	£46.4m
EBITA Margin % after restructuring and one-off items *	7.8%	11.6%
Underlying earnings per share	6.4p	11.3p
Interim dividend per share	2.5p	2.5p

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

…underpinned by significant positive operating cash flow generation

	HY09 £m	HY08 £m
Net cash flow from operating activities	**58.6**	**33.0**
Net capital expenditure	(9.3)	(12.3)
Net interest paid	(11.2)	(9.3)
Tax paid on ordinary activities	(7.5)	(13.1)
FREE CASH FLOW BEFORE ONE-OFF COSTS and DIVIDENDS	**30.6**	**(1.7)**
One-off costs:		
- Restructuring costs and other one-off items	(5.1)	(6.3)
- Tax Settlement	(19.0)	-
Dividends paid	-	(12.9)
Cash flows from other investing and financing activities	(31.2)	(88.7)
Exchange movement	32.2	2.5
Opening net debt	(290.4)	(119.7)
Closing net debt	**(282.9)**	**(226.8)**

Progress made in improving net debt to EBITDA ratios



- Absolute level of net debt reduced since 2008 year end – now at £282.9m
- New £280m banking facilities in place with ample headroom and a supportive banking group
- Well within our financial covenants
  - Net debt/EBITDA* ≥ 3
  - EBITDA*/Net Bank Interest ≥ 4

** EBITDA pre restructuring*

Accounting impact of consolidating NP Aerospace

	HY09 £m	HY08 £m
Revenue	**492.0**	**401.2**
EBITA after restructuring and one-off items *	**38.2**	**46.4**
Amortisation of intangible assets	**(8.1)**	**(1.3)**
Operating profit	**30.1**	**45.1**
Net finance charge	**(14.8)**	**(6.3)**
- Net bank interest	*(11.4)*	*(6.1)*
- Interest expense on unwinding of discount on deferred consideration	*(1.1)*	*-*
- Net IAS19 Employee Benefits charge	*(2.3)*	*(0.2)*
Share of profit of associate	**-**	**0.7**
Profit before tax	**15.3**	**39.5**
Tax	**(4.3)**	**(9.3)**
Profit for the period	**11.0**	**30.2**
Minority interest	**(2.0)**	**(1.4)**
Profit attributable to shareholders for the period	**9.0**	**28.8**

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

Restructuring costs forecast to be c. £15m for the full year with annualised benefits of c. £12m

- Restructuring spend of £8.2m in H1

- Forecast of c£15m for the full year

- Annualised benefits of c£12m, progressively benefiting the second half of 2009 and full year 2010

- Significant additional cost reductions in place that do not have one-off cost implications

Summary of 2009 half year financials

- Resilient revenue and profit performance against the backdrop of a very challenging market environment
- Acquisitions performing well and successfully mitigating the impact of the global downturn in more traditional industrial markets
- Good operational cash generation driven by tight working capital management and rigorous capital expenditure control
- Encouraging progress made in improving net debt to EBITDA ratios year to date
- Dividend maintained at last year’s level

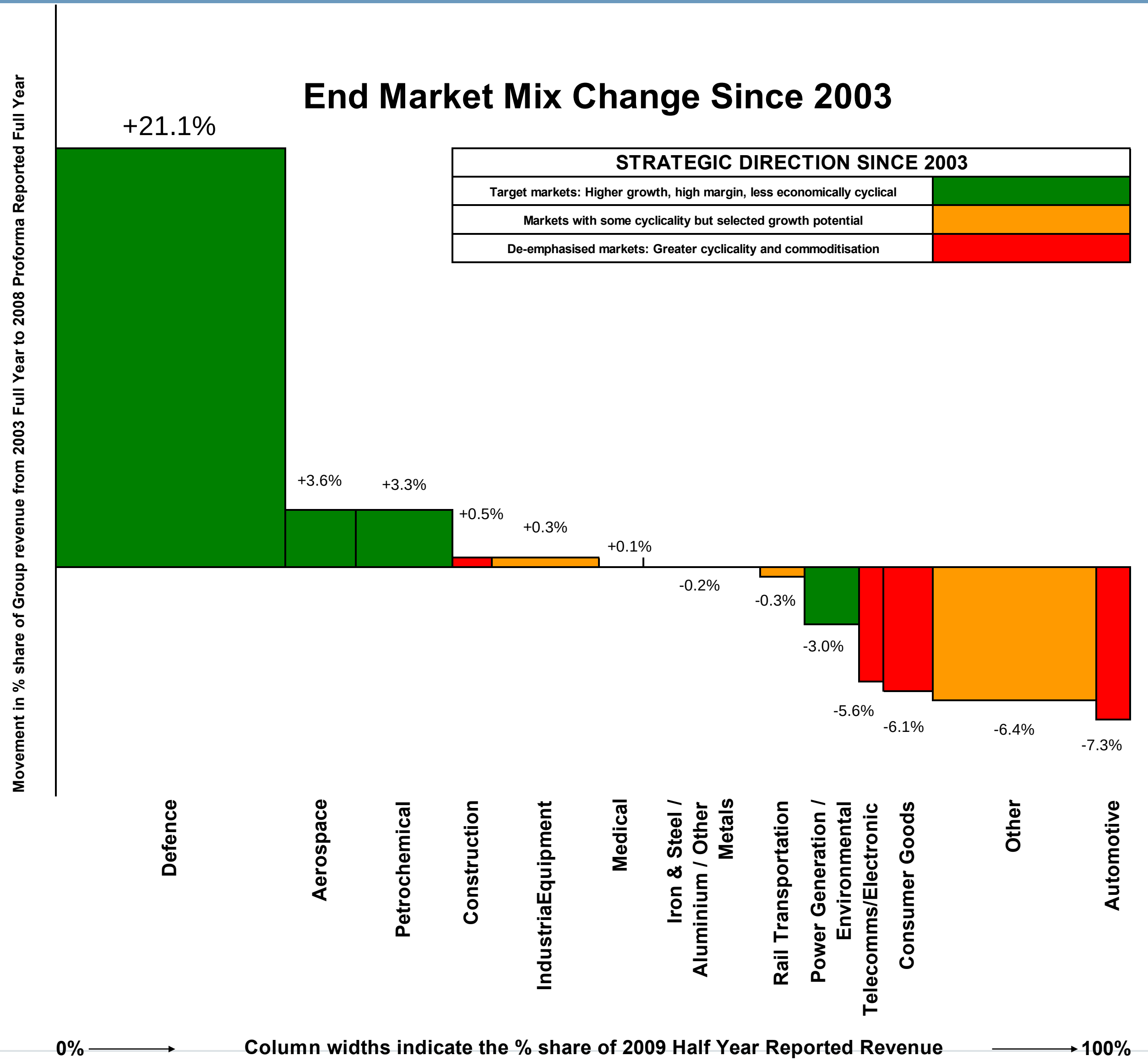
Group and
Divisional Business Review

Mark Robertshaw

The strategy we have been pursuing for a number of years is, as intended, serving us well in this downturn environment

- **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**

We have delivered a fundamental and positive change in our end-market mix



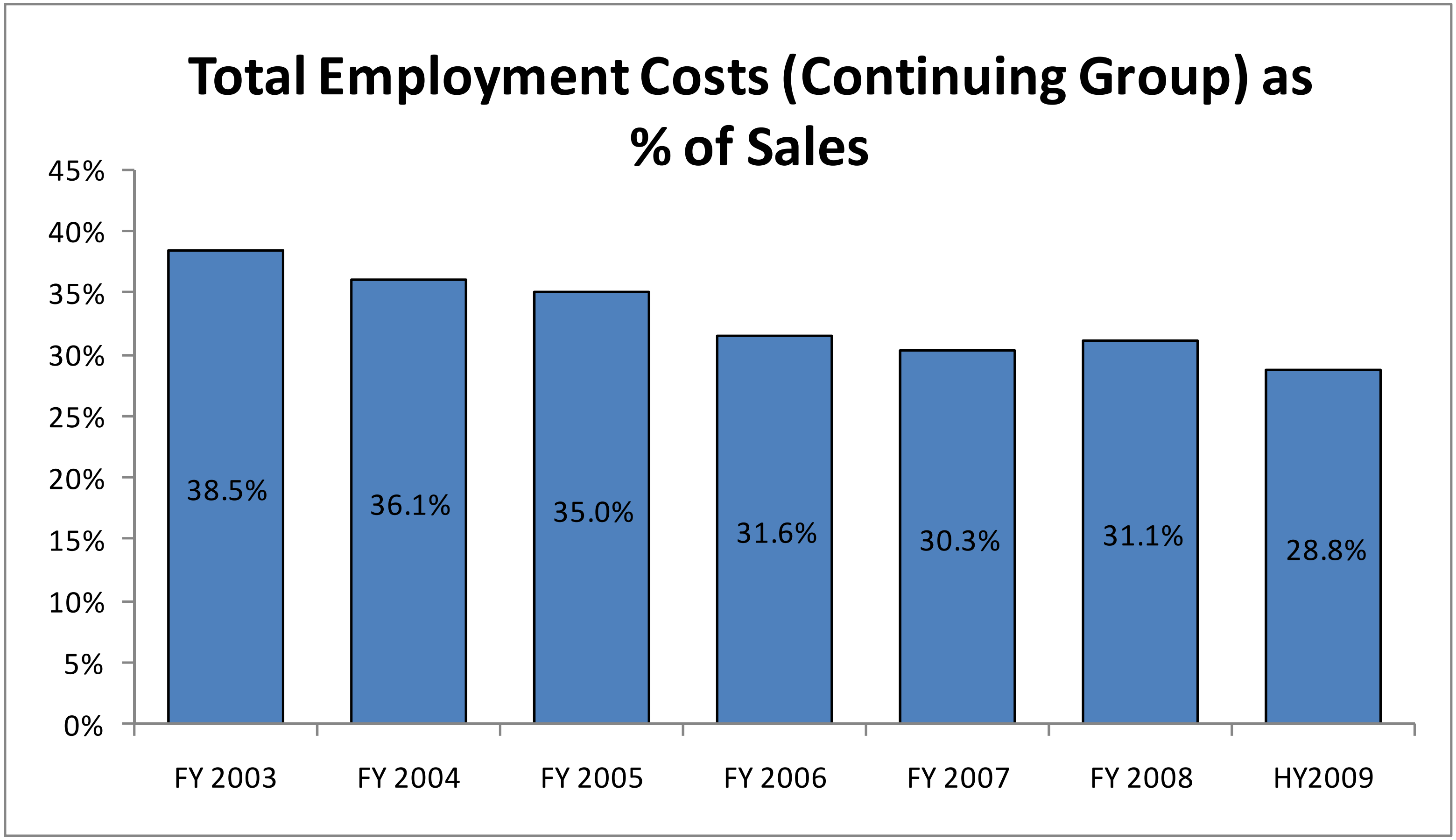
The mix changes have mitigated the worst impacts of the global downturn - like for like revenues down only 7.3% year on year

	Group		
	H1 2009	H1 2008	Year on Year % Change
Defence	108.2	59.7	81.2%
Metals	53.2	76.0	-30.0%
Industrial Equipment	49.9	64.8	-23.0%
Petrochemical	43.9	41.3	6.3%
Aerospace	32.6	37.8	-13.8%
Power Generation / Environmental	23.7	26.6	-10.9%
Consumer Goods	21.0	26.8	-21.6%
Rail Transportation	20.9	23.2	-9.9%
Medical	20.9	18.0	16.1%
Construction	16.3	17.4	-6.3%
Automotive	15.4	23.0	-33.0%
Telecommunications / Electronics	10.1	12.2	-17.2%
Other	75.9	103.9	-26.9%
Total	492.0	530.7	-7.3%

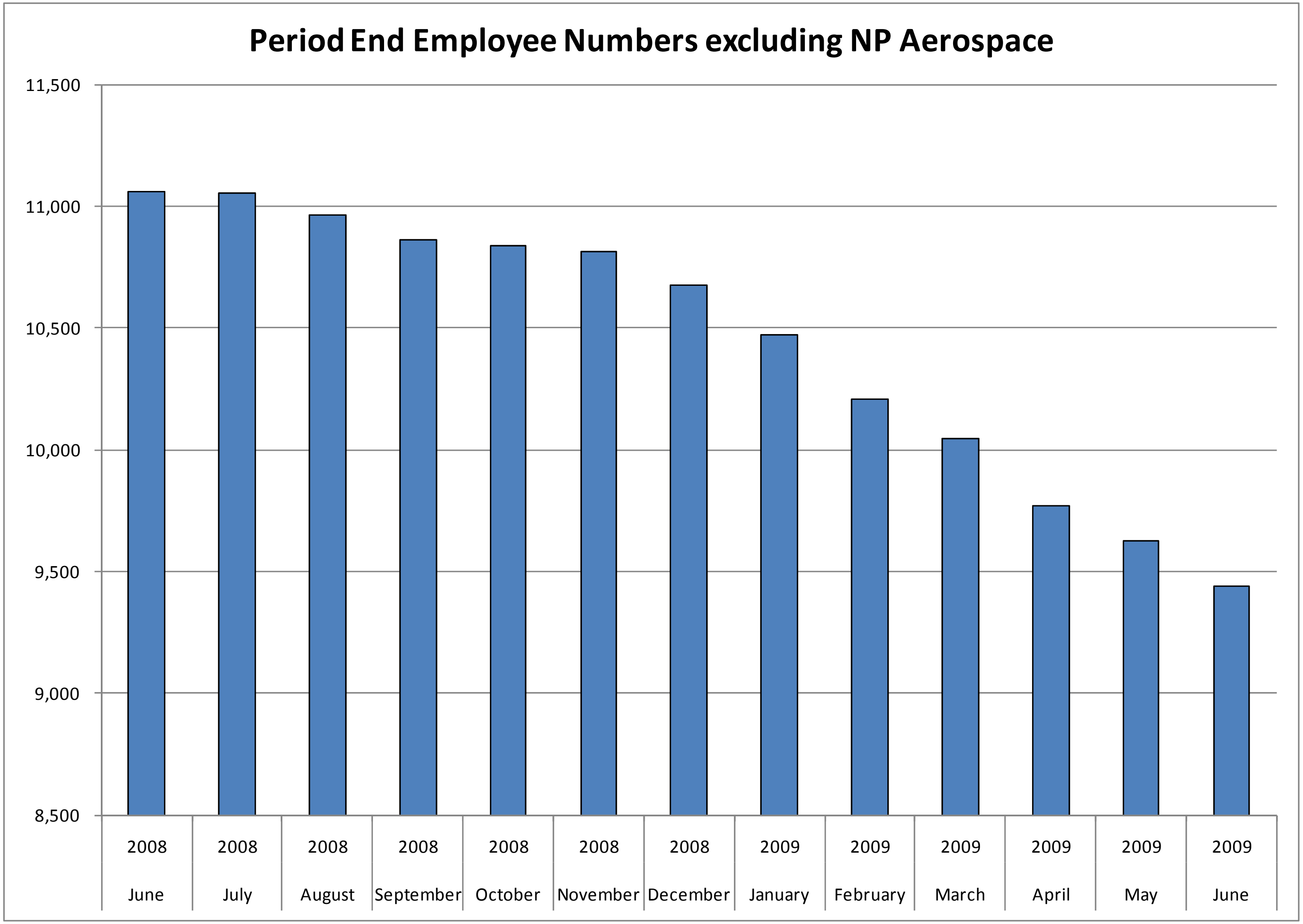
- **H1 pro forma numbers include the NP Aerospace and Carpenter businesses and are on a constant currency basis to allow a like for like comparison of the portfolio as it is now**

- **The greater resilience of Defence, Medical and Petrochemical sales have mitigated the downturns in the much more economically cyclical Automotive and Metals markets**

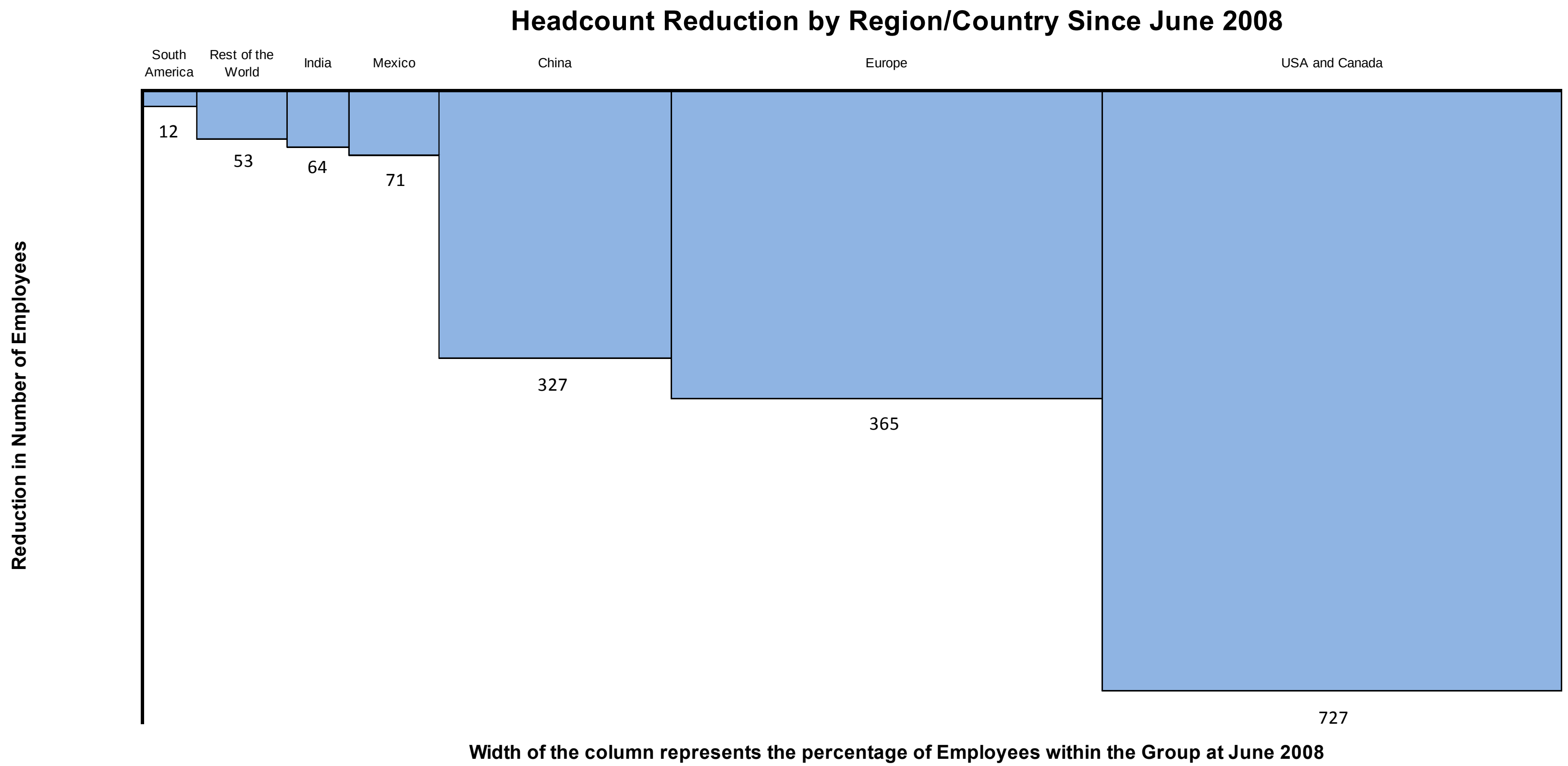
We have also continued to improve the Group's total employment costs to sales ratio which is now down to 28.8%



Group headcount reduced by over 1,600 in the past 12 months

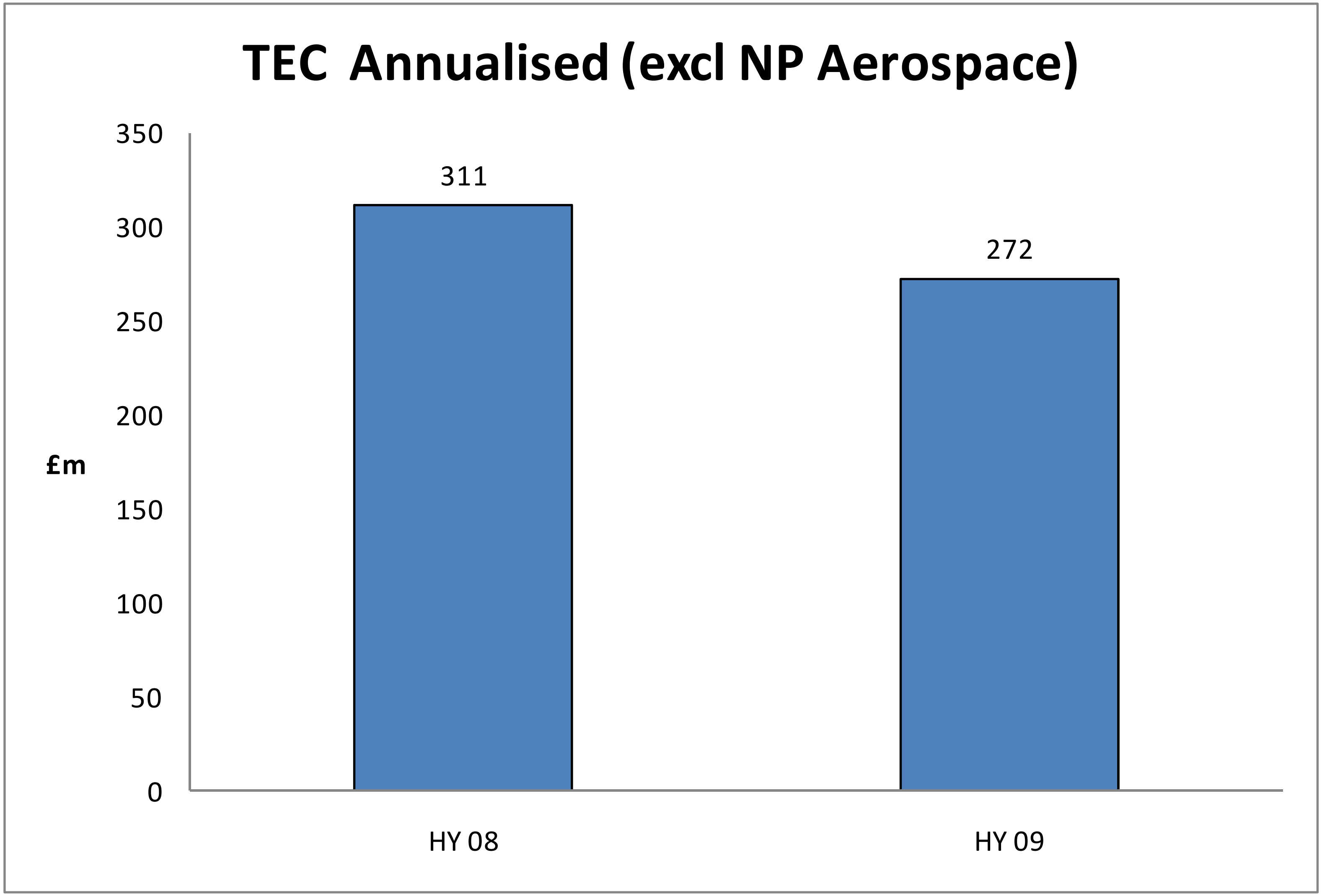


Headcount reduced worldwide but disproportionately more in the higher cost Western economies



- Greater use of reduced working hours and temporary shut down periods used in European markets

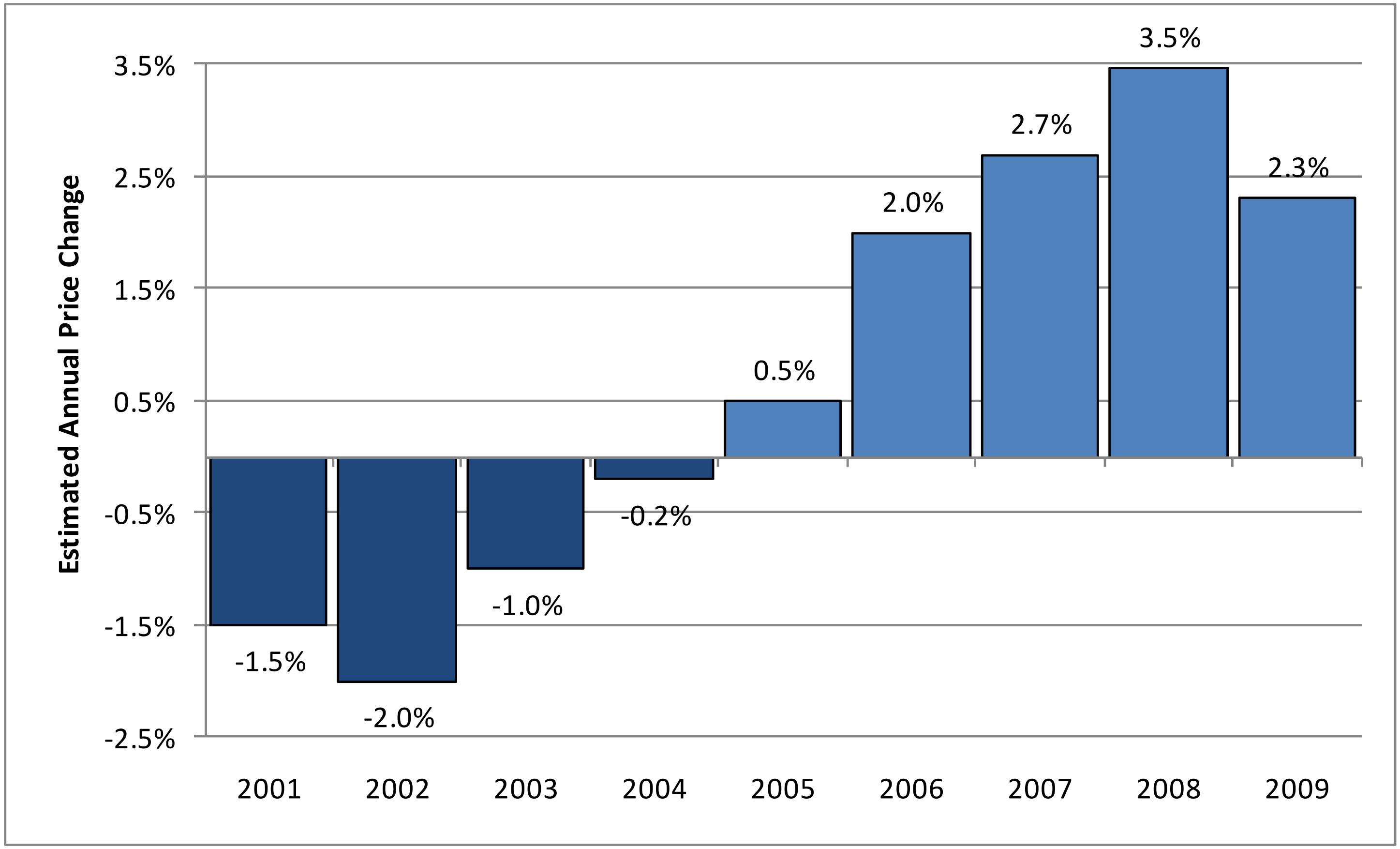
c.£40m of annualised savings in total employment costs*



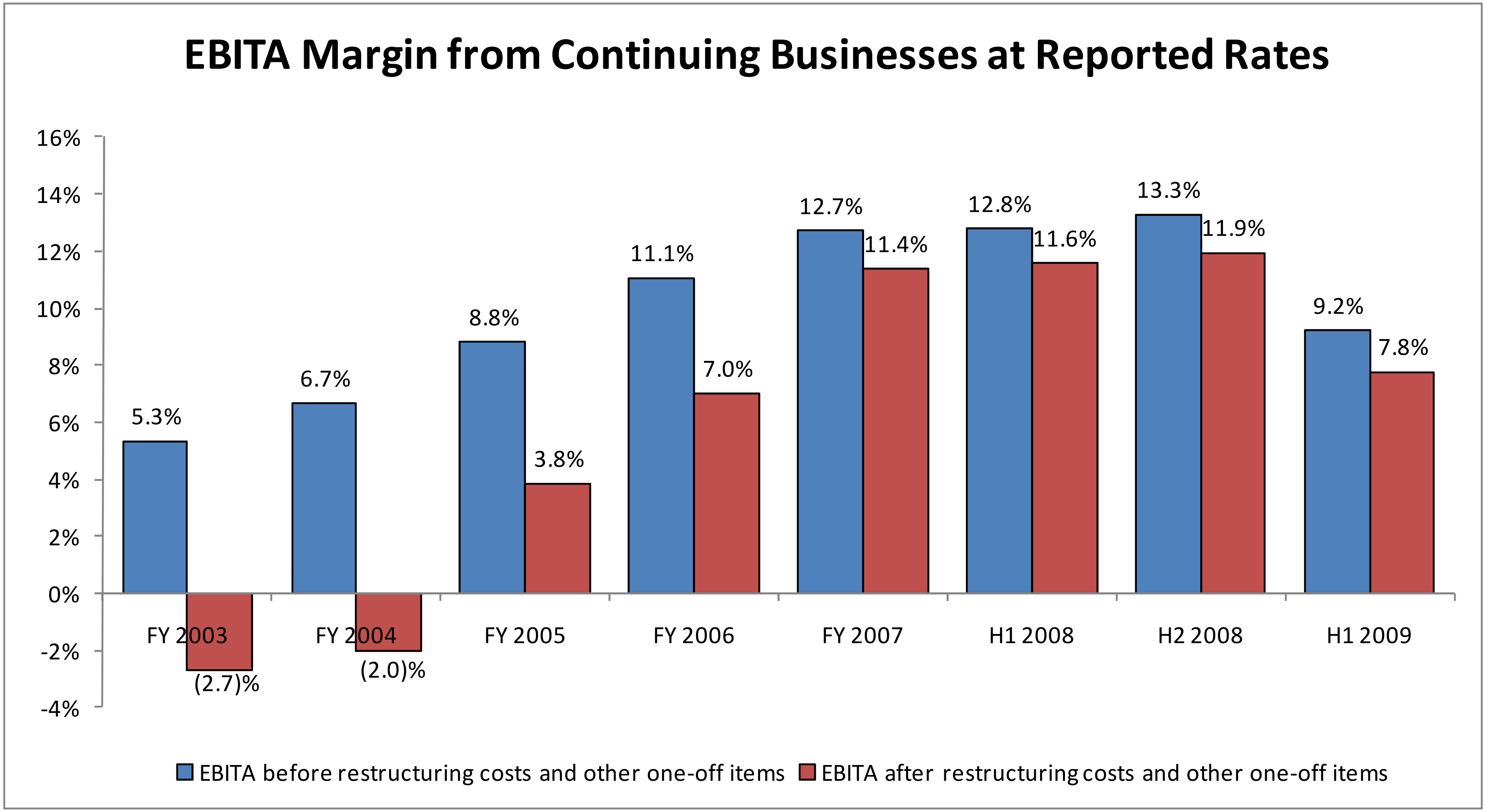
* (TEC) on a constant currency basis in H1 2009 compared to H1 2008

Positive price pass through achieved

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



The Group is delivering high single digit profit margins at a time when many of our peers have been struggling to reach breakeven



Divisional margins have remained close to 10% in the first half of 2009

£m	Revenue		EBITA		Profit Margins %	
	HY09	HY08	HY09	HY08	HY09	HY08
Technical Ceramics	110.6	98.3	12.3	14.0	11.1%	14.2%
Insulating Ceramics	180.8	184.8	15.8	21.9	8.7%	11.9%
Carbon	200.6	118.1	19.2	17.4	9.6%	14.7%
Unallocated Costs *			(2.0)	(2.0)	-	-
*EBITA pre one-off items ** *	*492.0*	*401.2*	*45.3*	*51.3*	*9.2%*	*12.8%*
One-off items **			(7.1)	(4.9)		
*EBITA post one-off items ** *			*38.2*	*46.4*	*7.8%*	*11.6%*

* 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 recovery/(costs) associated with the settlement of prior period anti trust litigation.

Technical Ceramics – resilient organic performance and the Carpenter business acquisition successfully integrated

	HY09 £m	HY08 £m
Revenue	**110.6**	**98.3**
EBITA *	**12.3**	**14.0**
EBITA margin *	***11.1%***	***14.2%***

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

- **Underlying margins > 10% despite market conditions**
- **Carpenter acquisition has been well integrated and delivered margins close to 14%**
- **Aggressive and proactive cost reduction programme implemented – divisional headcount reduced by c600 employees since June of last year**
- **Benefits of cost reductions coming through in the second half will mitigate impact of any further weakening in end-markets**

Insulating Ceramics – revenues and profits held up well in H1

	HY09 £m	HY08 £m
Revenue	**180.8**	**184.8**
EBITA *	**15.8**	**21.9**
EBITA margin *	***8.7%***	***11.9%***

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

- **For the Thermal Ceramics business, resilience in Asia and Latin America offset reduced demand levels in USA & Europe**
- **Significant cost reduction initiatives including fibre plant closures announced in USA and Poland**
- **Later cycle characteristics of Thermal Ceramics likely to mean end market demand will be weaker in H2 than H1**
- **Molten Metal Systems business particularly impacted by the slowdown in H1 – improved level of profits expected in H2 with demand stabilising and benefits of cost reductions kicking in**

Carbon –strong performance from NP Aerospace offset weaker demand levels in the traditional businesses

	HY09 £m	HY08 £m
Revenue	**200.6**	**118.1**
EBITA *	**19.2**	**17.4**
EBITA margin *	***9.6%***	***14.7%***

** 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 revenue up 160% driven primarily by UK vehicle armour; traditional electrical and seal and bearing businesses down c.18% year on year on a constant currency basis**
- **US ceramic armour business had limited sales in H1 2009: $9.4m vs $27.5m in H1 2008. Second half expected to be better**
- **Significant reductions in operating cost base will see progressive benefits to the bottom line in the second half**
- **Benefits of cost reductions combined with strong NP Aerospace order book likely to mean improved H2 performance compared to H1**

Summary and Outlook

Mark Robertshaw

Summary: a resilient set of results in a very challenging environment

- The strategy of reducing the Group's exposure to economically cyclical markets has, as intended, mitigated the worst effects of the significant downturn in global industrial demand
- Acquisitions are performing well, particularly NP Aerospace which is on track to deliver a record year of sales and profits
- We have acted rapidly and decisively on the cost base to align our operating expenses to much reduced market demand levels
- Rigorous focus on cash generation is delivering significant positive inflows

Outlook

- Our expectation is that industrial markets will remain weak in the second half of this year
- However, our strategy is predicated on self-help, rather than market recovery, with cost reductions delivering progressively greater benefits in the second half
- Overall, Morgan Crucible is a higher quality, more resilient business than in the past
- We look forward to continuing to demonstrate this improved resilience over the coming months

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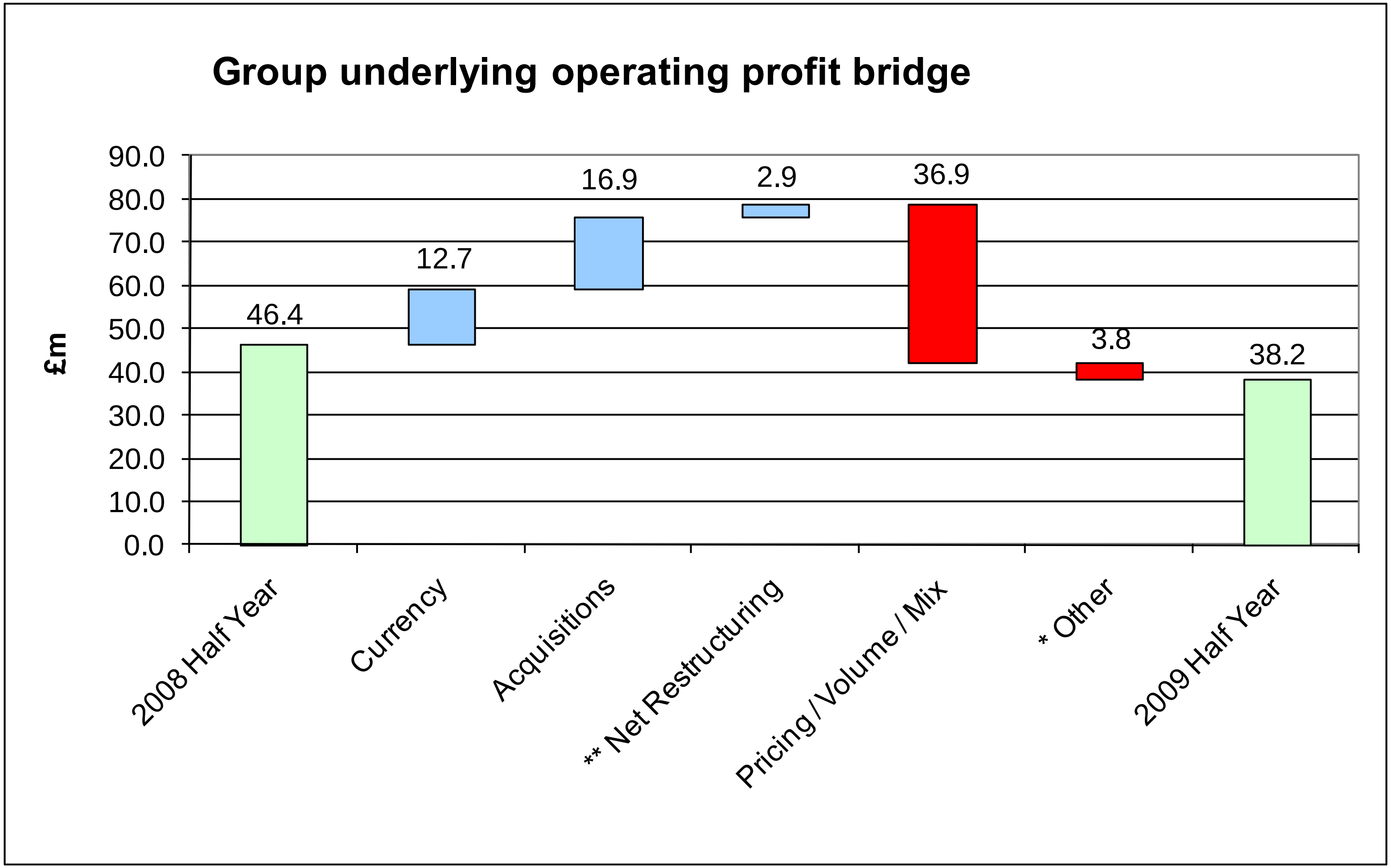
Appendix

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

	% of Total Revenue		
	2003 Full Year	2009 Half Year	% points change in mix
Defence	0.9%	22.0%	21.1%
Aerospace	3.0%	6.6%	3.6%
Industrial Equipment	9.8%	10.1%	0.3%
Iron & Steel / Aluminium / Other Metals	11.0%	10.8%	(0.2)%
Petrochemical	5.6%	8.9%	3.3%
Construction	2.8%	3.3%	0.5%
Rail Transportation	4.5%	4.2%	(0.3)%
Medical	4.1%	4.2%	0.1%
Power Generation / Environmental	7.8%	4.8%	(3.0)%
Other	22.0%	15.6%	(6.4)%
Telecommunications / Electronics	7.7%	2.1%	(5.6)%
Consumer Goods	10.4%	4.3%	(6.1)%
Automotive	10.4%	3.1%	(7.3)%
	100.0%	100.0%	

Significant year on year volume declines but encouraging contributions both from pricing and acquisitions



* 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.

Net Financing Costs

	HY09 £m	HY08 £m
Bank interest charge	12.3	9.5
Bank interest income	(0.9)	(3.4)
Interest expense on unwinding of discount on deferred consideration	1.1	-
IAS19 - Interest cost on liability	13.3	12.6
- Expected return on assets	(11.0)	(12.4)
	14.8	6.3

Underlying earnings per share

	HY09 £m	HY08 £m
Basic earnings	9.0	28.8
Amortisation	8.1	1.3
Underlying earnings	17.1	30.1
Weighted average number of shares in the period	267.9m	266.1m
Underlying earnings per share	6.4p	11.3p