Morgan Crucible

The Morgan Crucible Company plc

2007 Preliminary Results

19 February 2008

Agenda

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▪ 2007 preliminary financial results	Kevin Dangerfield
▪ Our progress in 2007 – Overall Group – Divisional Focus – Acquisitions	Mark Robertshaw
▪ Looking forward	Mark Robertshaw

2007 Preliminary Financial Results

Kevin Dangerfield

Revenue growth of 6.3% and OP growth of 49.2% at constant currency

	FY07	% Change from FY06 (at reported rates)	% Change from FY06 (at constant currency)
Revenue	£693.2m	+2.3%	+6.3%
Operating profit before one-off items *	£86.5m	+17.4%	+24.8%
Operating profit after one-off items *	£77.3m	+40.0%	+49.2%
Operating profit margin after one-off items *	11.2%	+ 310 bps	+ 330 bps
Profit Before Tax	£71.7m	+42.5%	+47.8%

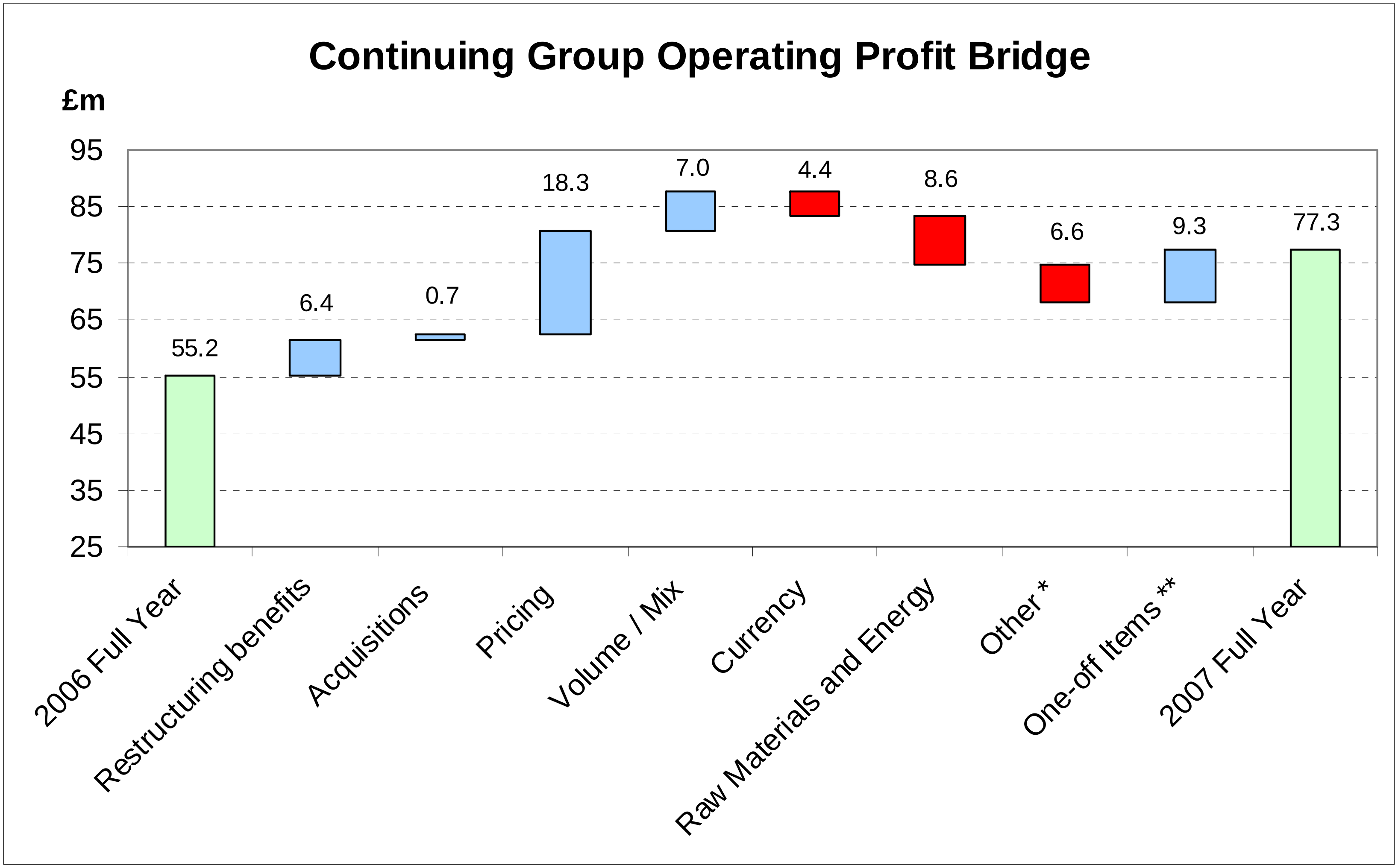
** One-off items include the costs of restructuring activity, ongoing costs associated with the settlement of prior period anti trust litigation and profit/(loss) on disposal of property. In 2006, they also included inter alia the gain on curtailment of UK employee benefit schemes (£11.0m).*

PBT of £71.7m up 42.5% year-on-year

	FY07 £m	FY06 £m
Revenue	693.2	677.8
Operating profit before one-off items *	86.5	73.7
One-off items *	(9.2)	(18.5)
Operating profit after one-off items *	77.3	55.2
Net finance charge	(5.5)	(3.4)
Loss on partial disposal of business	(0.3)	(1.5)
Share of profit/(loss) of associates	0.2	-
Profit before tax	71.7	50.3
Tax	(15.2)	(10.6)
Profit for the period	56.5	39.7
Profit for the period attributable to equity shareholders	52.6	36.9
Operating profit (after one-off items) / sales ratio	11.2%	8.1%
EPS (before one-off items *)	22.3p	17.9p
EPS (after one-off items *)	19.1p	12.9p
Full year dividend	6.75p	4.5p

* *One-off items include the costs of restructuring activity, ongoing costs associated with the settlement of prior period anti trust litigation and profit/(loss) on disposal of property. In 2006, they also included inter alia the gain on curtailment of UK employee benefit schemes (£11.0m).*

Positive price pass through a key driver of profit growth



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

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Continued profit margin improvement in all divisions, with particularly strong progress in both Technical and Insulating Ceramics

£m	Revenue		Operating Profit (EBIT)		EBIT Margin %	
	FY07	FY06	FY07	FY06	FY07	FY06
Carbon	216.6	213.6	34.6	33.8	16.0%	15.8%
Technical Ceramics	152.6	162.5	19.9	17.0	13.0%	10.5%
Insulating Ceramics	324.0	301.7	36.6	27.9	11.3%	9.2%
Unallocated Costs *			(4.6)	(5.0)	-	-
Continuing Group pre one-off items	693.2	677.8	86.5	73.7	12.5%	10.9%
One-off items **			(9.2)	(18.5)		
Continuing Group post one-off items			77.3	55.2	11.2%	8.1%

* 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, ongoing costs associated with the settlement of prior period anti trust litigation and profit/(loss) on disposal of property. In 2006, they also included inter alia the gain on curtailment of UK employee benefit schemes (£11.0m).

Free cash flow positive in 2007 with modest closing net debt

	FY07 £m	FY06 £m
Net cash flow from operating activities	89.5	66.9
UK pension scheme contributions	-	(40.0)
Net capital expenditure	(33.1)	(32.9)
Restructuring costs	(11.1)	(27.1)
Anti-trust litigation cash costs	(0.3)	(7.2)
Net interest paid	(8.8)	(4.7)
Tax paid	(12.5)	(6.3)
FREE CASH FLOW BEFORE DIVIDENDS	23.7	(51.3)
Dividends paid	(18.8)	(7.4)
Cash inflow/(outflow) from disposals/(acquisitions)	(45.4)	(9.1)
Share buy-back and LTIP purchases	(47.7)	(19.4)
Other cash flows	(0.3)	(1.6)
Exchange movement	2.9	4.2
Opening net debt	(34.1)	50.5
Closing net debt	(119.7)	(34.1)

Strong balance sheet: low net debt, long term financing secured with healthy level of headroom still available

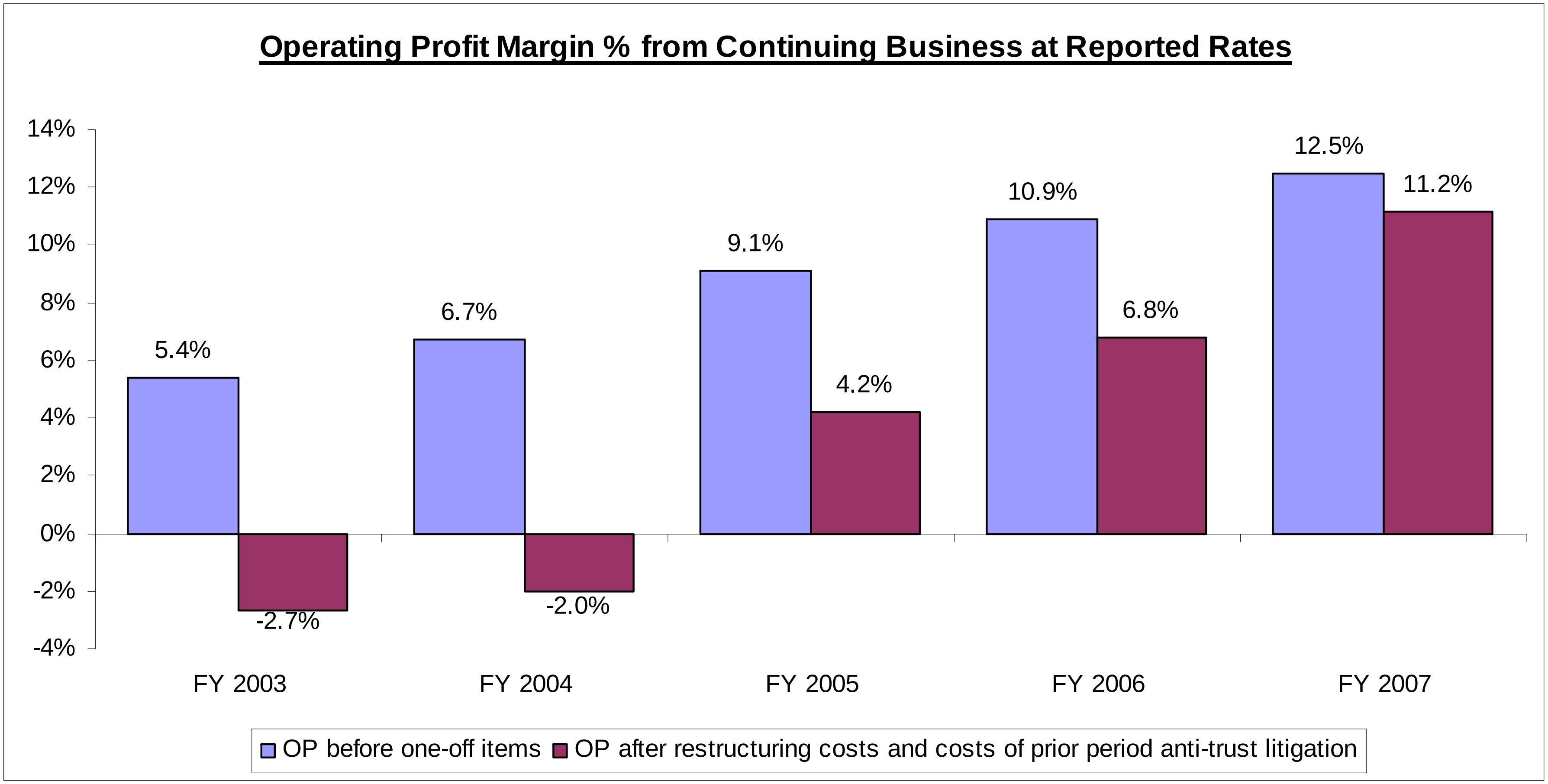
- Net debt at c. £120 million at year end
- Carpenter acquisition will take proforma* year-end net debt to c.£200 million
  - represents 1.8 x EBITDA
  - comfortably below our gearing target of 2 to 2.5 x EBITDA
- $350 million of long term Private Placement debt (at c. 6% coupon) secured in December 2007
- Facility capacity (post-Carpenter deal) > £100 million

* Including Carpenter EBITDA

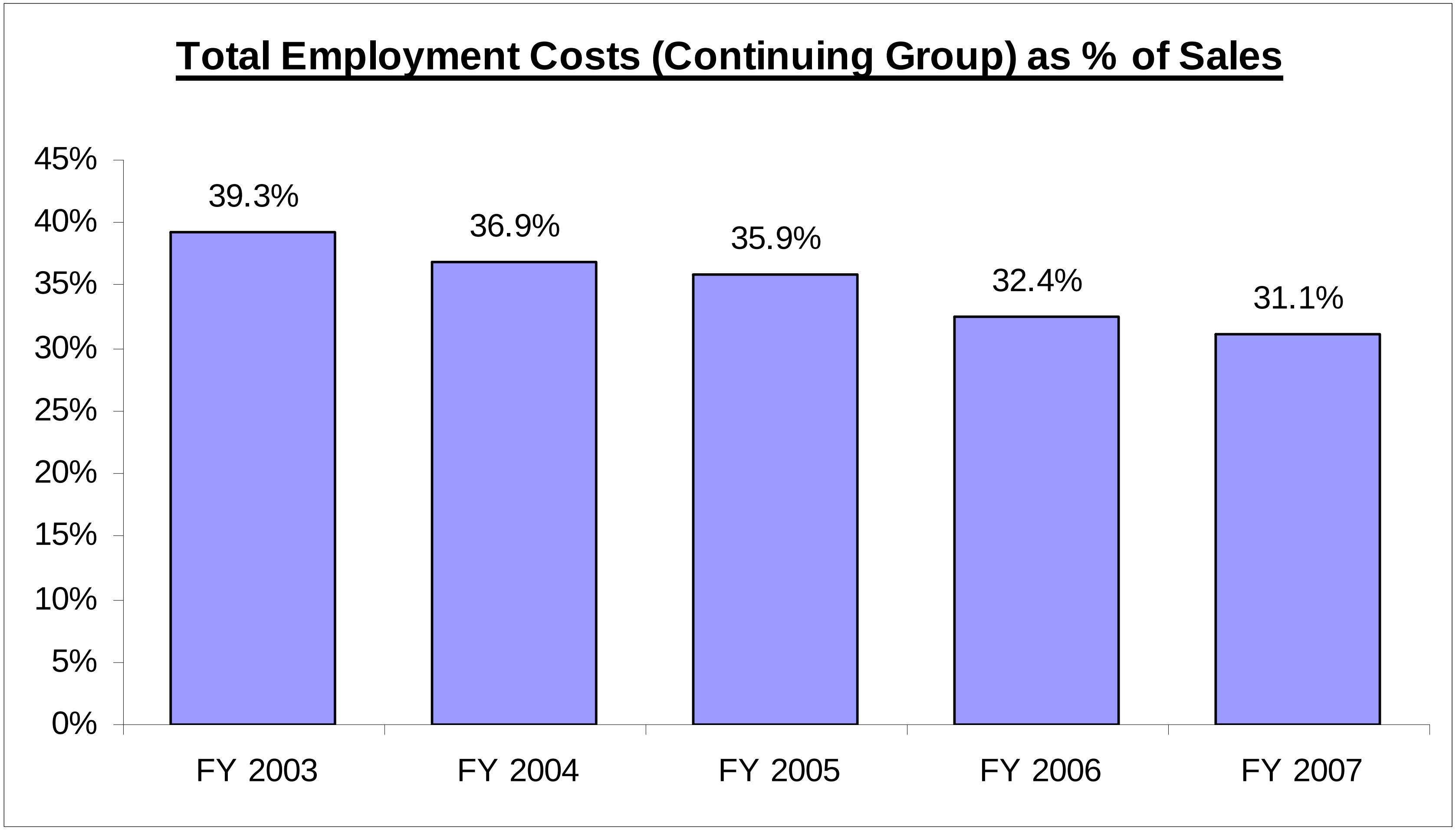
Our progress in 2007

Mark Robertshaw

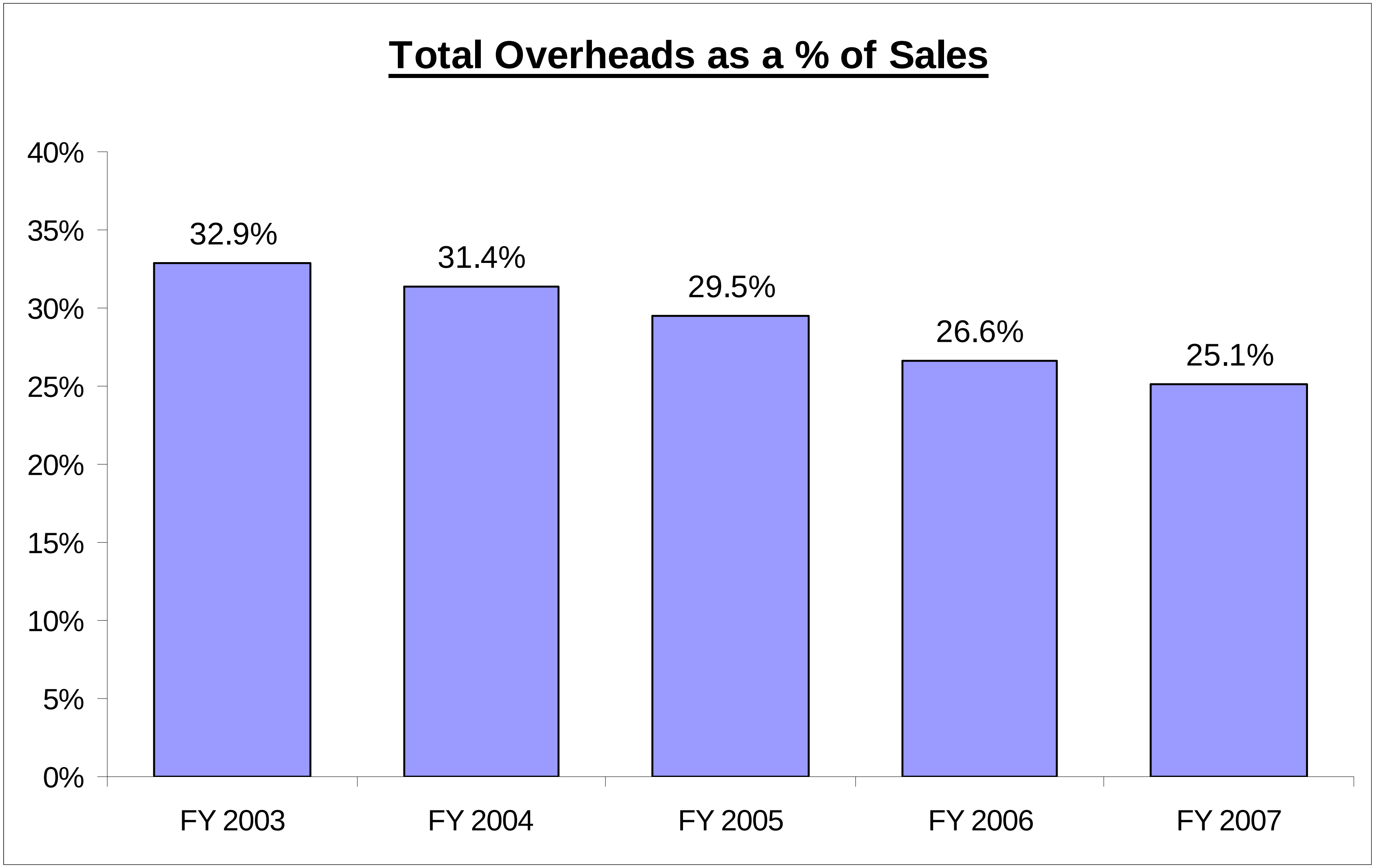
Strong momentum continues in operating profit margins



Total employment costs as a % of sales continuing to decline



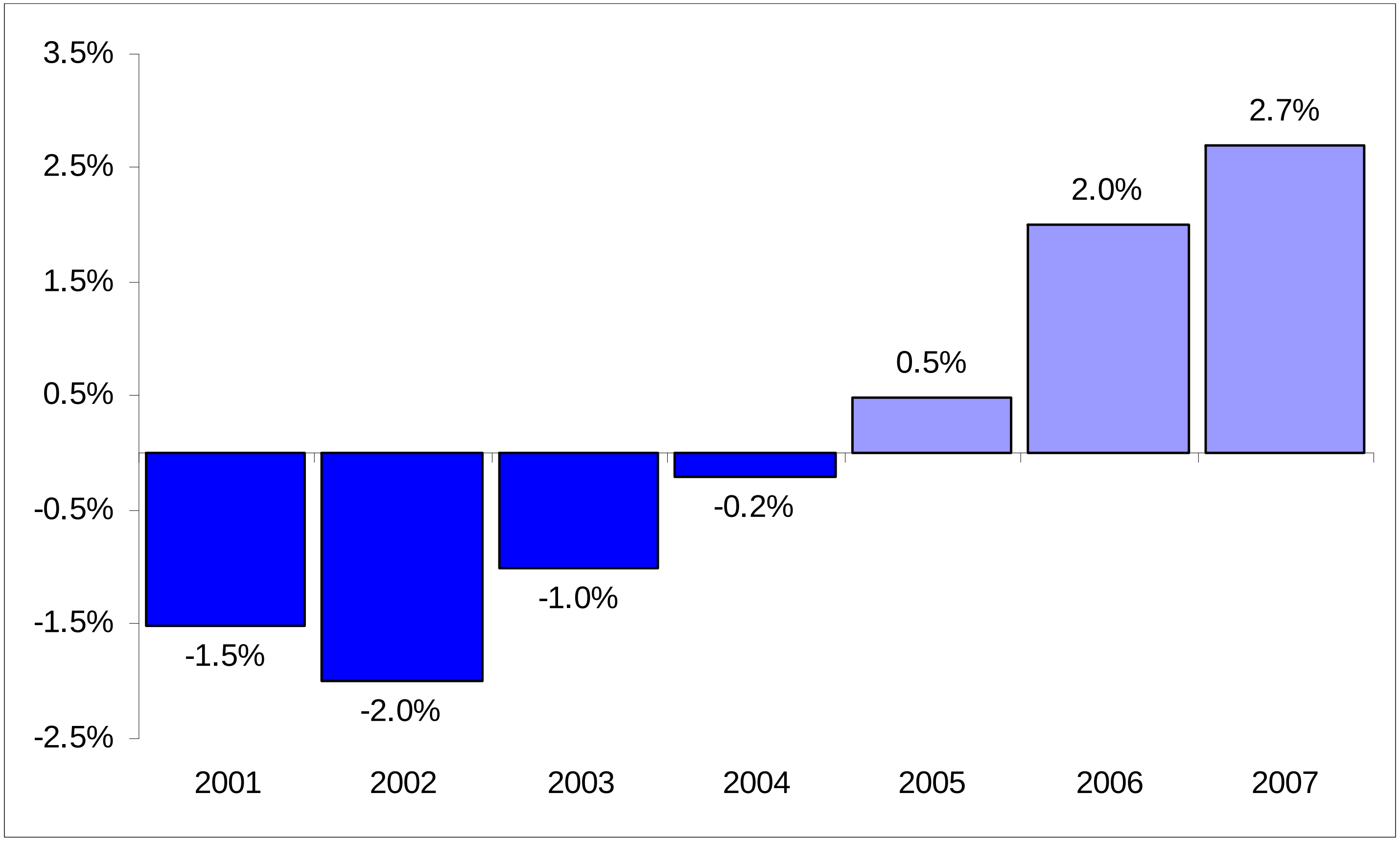
Fixed cost base also continues to decline as a % of sales



Like for like price increases coming through strongly

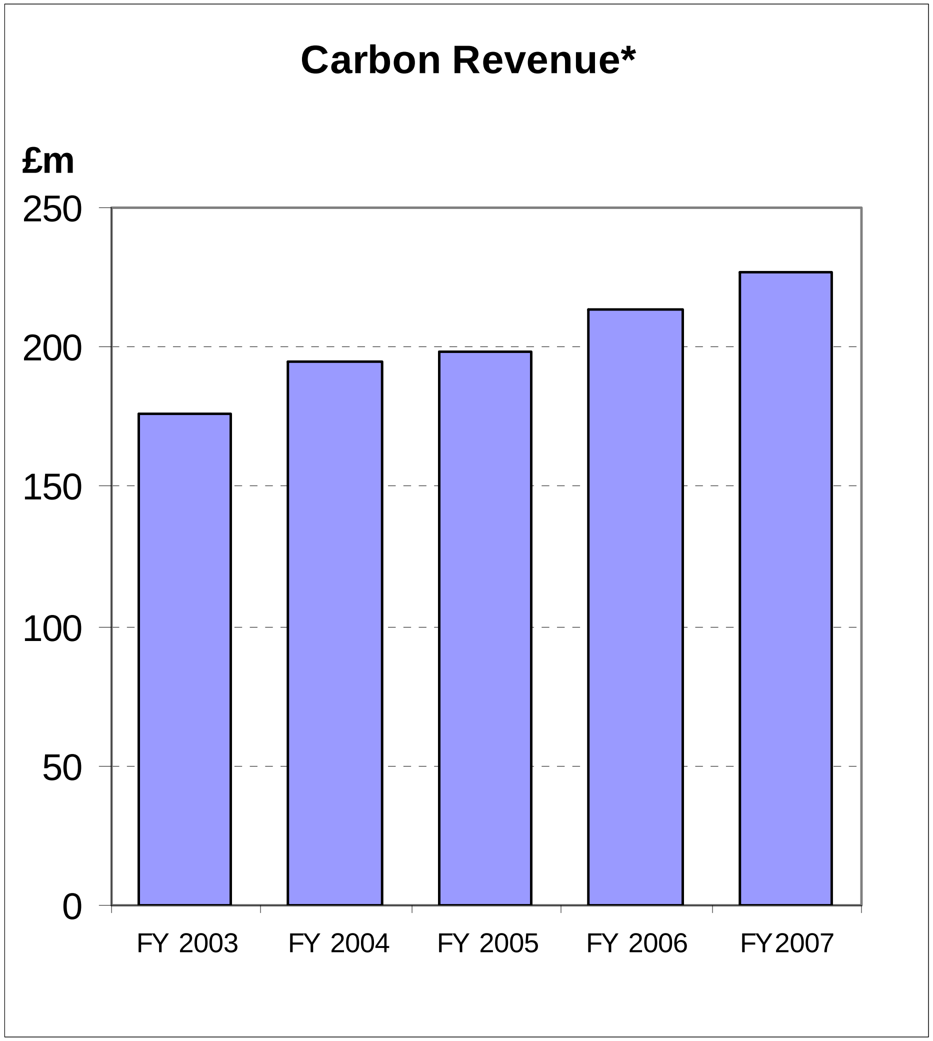
- Analysis shows like-for-like comparison only: new product introductions generally come in at a price premium. This upside is not captured below

Estimated Annual Price Change



Divisional Focus

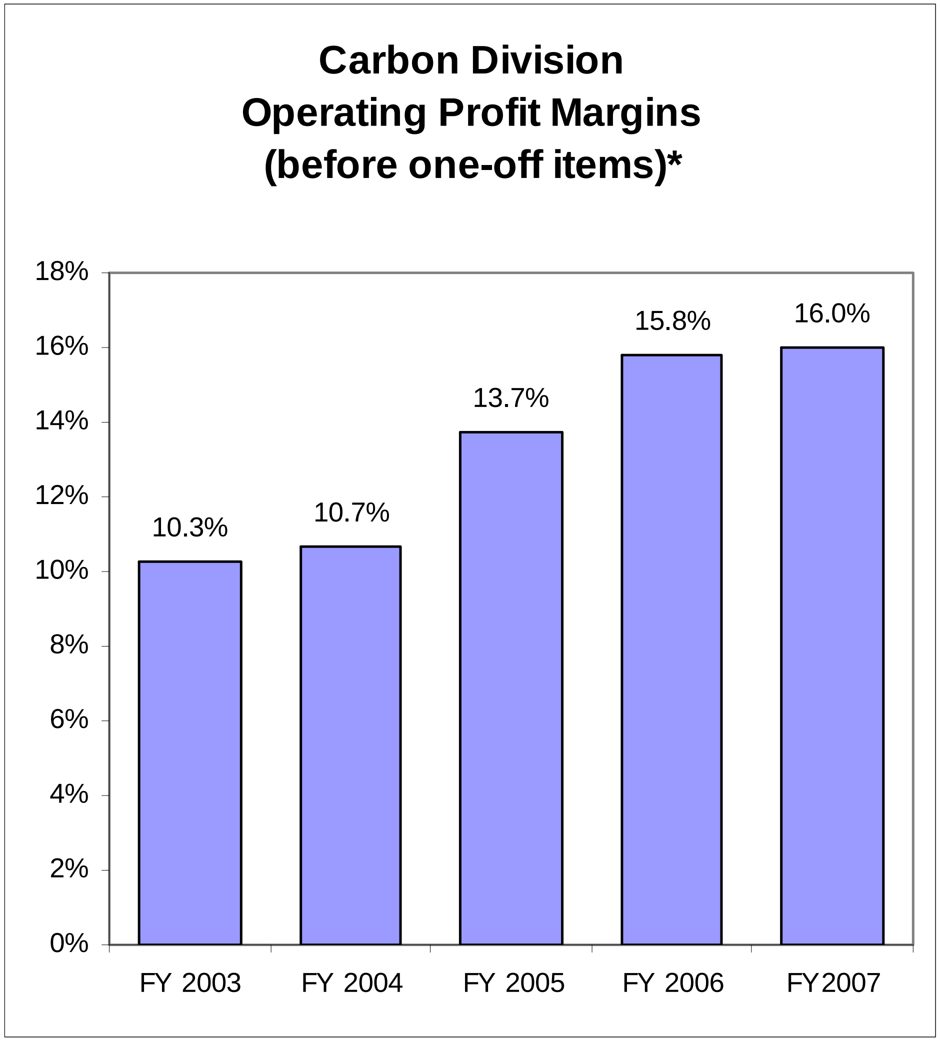
Carbon revenues have grown 6.6% p.a. over the past 5 years on a constant currency basis



* At constant currency using 2007 Budget Rates [US$ 1.85; €1.46]

- **Traditional, mature Electrical business now accounts for only c.40% of divisional sales vs well over 50% in 2003**
- **Strong growth in key target markets, such as Armour and China**
- **Revenue growth guidance, going forward: 4 to 5% p.a.**

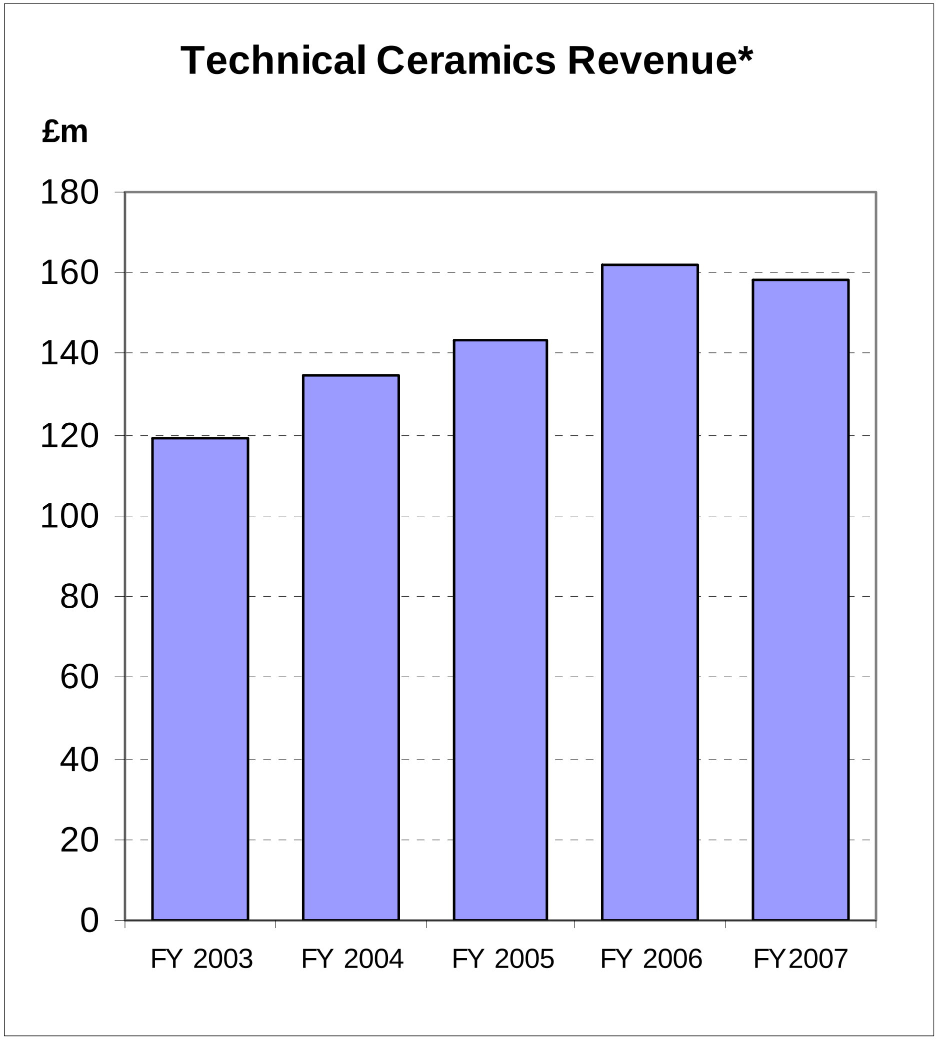
Further margin progression in Carbon, which remains our highest margin division



* Excludes discontinued activities

- **Year-on-year increase in Armour business**
- **Strong performance from Americas and Far East**
- **Going forward, additional operational improvement still required in Europe**

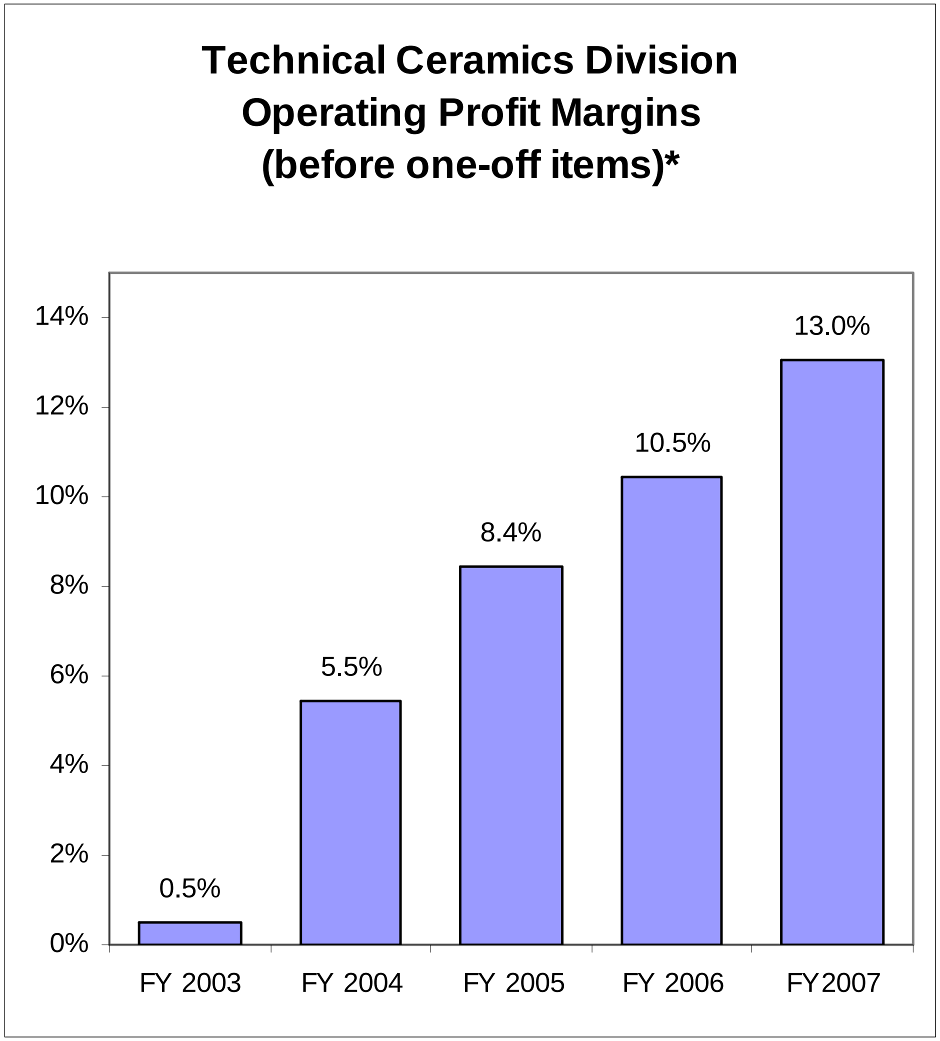
Technical Ceramics revenues have grown 7.4% p.a. over the past 5 years on a constant currency basis



* At constant currency using 2007 Budget Rates [US$ 1.85; €1.46]

- **Strong increases from markets in secular growth**
  - **Medical**
  - **Aerospace**
  - **Laser & Power Tube**
- **Order book is looking particularly healthy year-on-year**
- **Revenue growth guidance, going forward: 6 to 7% p.a.**

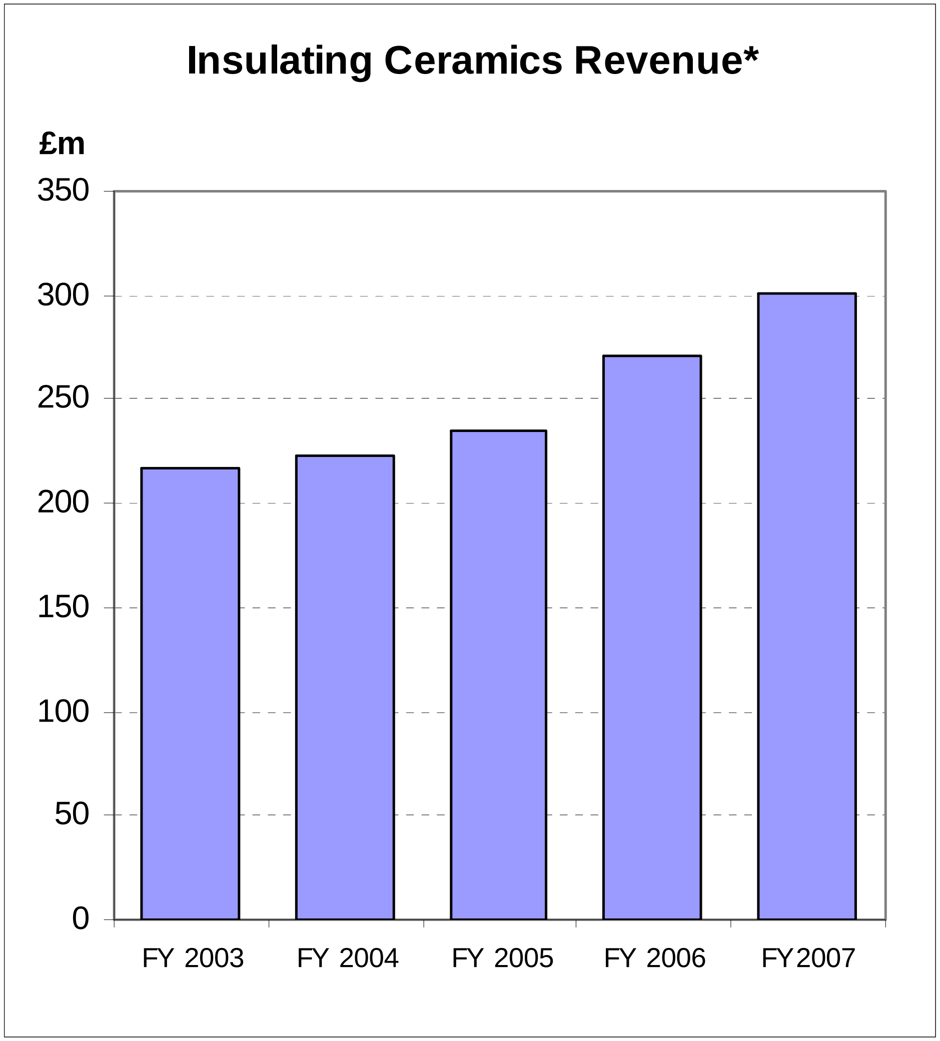
Technical Ceramics strong margin progression



* Excludes discontinued activities

- **Significant progress made on margins in 2007 despite single largest customer (hard disk drives) coming to the end of its product life cycle**
- **Pricing, mix and operational efficiencies driving up gross margins**
- **Strong performance from our European sites, particularly those in Germany**

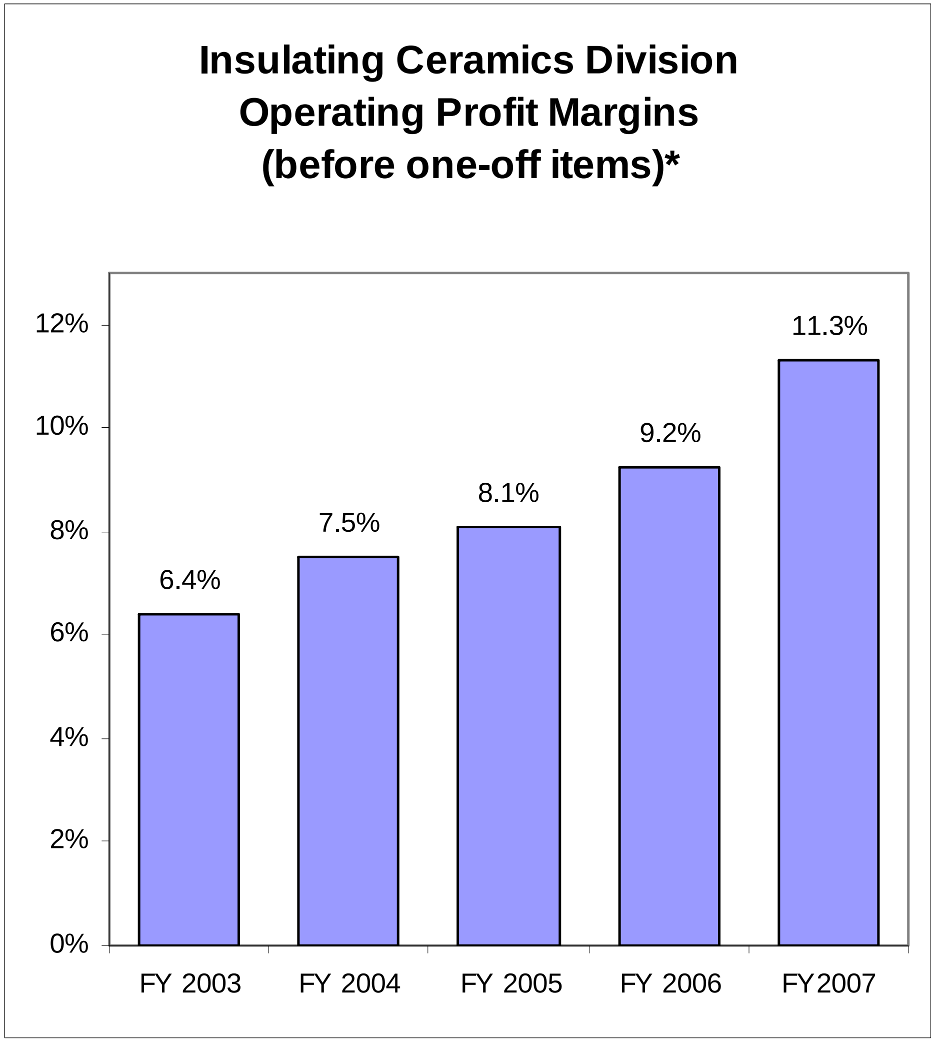
Insulating Ceramics revenues have grown 7.7% p.a. over the past 5 years on a constant currency basis



* At constant currency using 2007 Budget Rates [US$ 1.85; €1.46]

- **Particularly strong growth in Asia which now represents c. 30% of divisional sales**
  - **major strategic move, in recent years, of manufacturing footprint from mature Western world markets to dynamic economies of China, India, Russia**
- **Bolt-ons / JVs serving to accelerate the already strong levels of organic growth**
- **Revenue growth guidance, going forward: 5 to 6% p.a.**

Insulating Ceramics the stand-out performer of our divisions in 2007



* Excludes discontinued activities

- **Strong top line performance in 2007 with large project orders linked to emerging market infrastructure build**
  - **Chemical / Petroleum (CPI)**
  - **Power Generation**
  - **Iron & Steel**

- **Improvement in gross margin through pricing and operational efficiencies**

Update on 2007 acquisitions

Both our acquisitions are fully aligned with our strategic priorities

	NP Aerospace	Carpenter
Take us further into high growth, high margin non-economically cyclical markets	Defence, Medical	Aerospace, Power Generation
Enhance our high value-added offering to our customers	Both are high performance, technically differentiated businesses	
Help establish number #1 or 2 in our chosen market segments	No. 1 for personal protection for UK military	No. 1 independent manufacturer of ceramic cores
Enhance operational excellence and cost efficiency	Both high margin, cost efficient organisations	
Help us find, keep and develop the right people	Both have strong existing management teams	

NP Aerospace : Overview

- **Initial acquisition of 49% of equity for investment with phased process of moving to majority ownership and control (70% at end of 2010)**
- **2007 Sales of c. £53m and EBITDA of c. £10m**
- **Develops / manufactures and markets ballistic and non-ballistic products in the defence and civil sectors**
- **Complementary business for Morgan's existing Armour offering**
  - Armour technology: NP expertise in vehicle armour and unique area of application know-how e.g. helmets, blast protection suits
  - Customer base: Morgan has diverse global distribution; NP has particular strength with UK MOD
- **Very strong order book for 2008 driven primarily by vehicle armour contracts**

Carpenter: Overview

- Two divisions: Certech and Carpenter Advanced Ceramics
- Price $147million, cash & debt free
- Good fit, and many opportunities for Morgan to add value
- Key markets are in strong secular markets:
  - Aerospace (Jet Engines)
  - Power Generation (Industrial Gas Turbines)
- 900 employees; sites in US, UK, Mexico and Australia
- Turnover c.$90 million; strong record of top line growth
- Operating profit margins >15%
- Immediately EPS accretive – adds c.0.5p in 2008

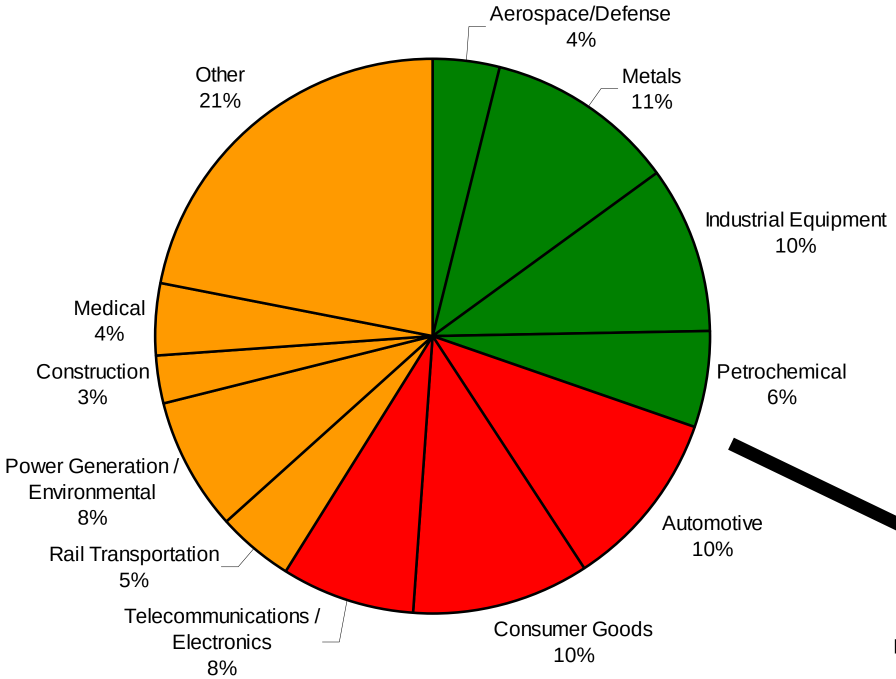
Financials quoted are year to 30/6/07 Actuals. EPS impact before amortisation of intangibles

Group Proforma revenues approaching £800m at 12.1% EBITA margin

	Group £m	Carpenter £m	NP Aerospace £m	PROFORMA Group £m
Revenue	693.2	46.0	53.3	792.5
EBITDA (after one-off items)	102.6	8.9	10.0	121.5
EBITA (after one-off items)	78.9	7.1	9.7	95.7
EBITA (after one-off items) Margin %	11.4%	15.4%	18.2%	12.1%
Amortisation	(1.6)	(1.5)	(1.3)	(4.4)
Operating profit	77.3	5.6	8.4	91.3

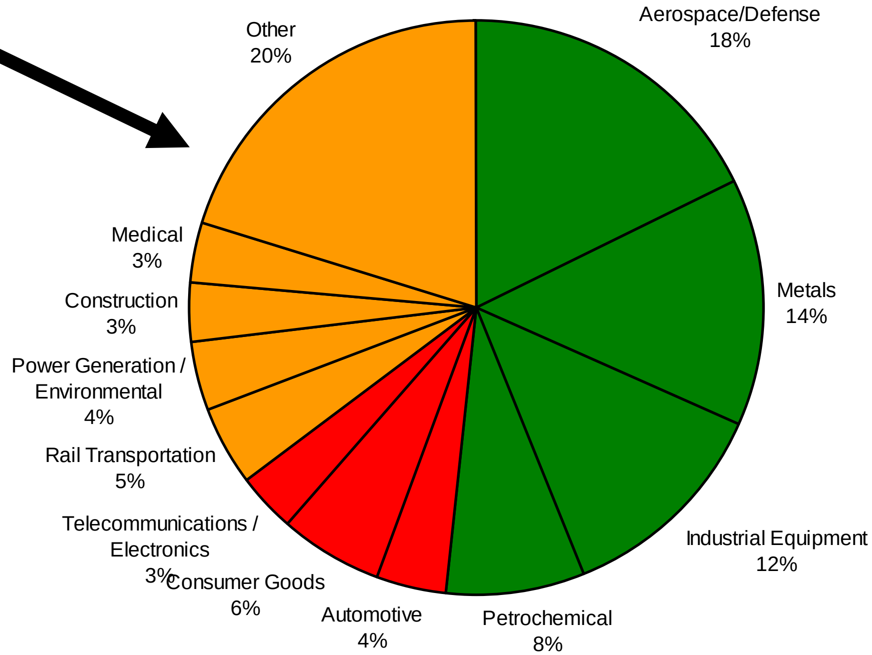
NP AEROSPACE IS CURRENTLY ACCOUNTED FOR AS AN ASSOCIATE.
ITS RESULTS WILL BE FULLY CONSOLIDATED FROM THE END OF 2010

Reduced exposure to economically cyclical markets



2003

2007 Proforma*



*** Including revenues from latest financial years of Carpenter & NP Aerospace**

Outlook

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

. . . and our goal remains mid-teen margins

Summary and Outlook

- Continued strong progression in top and bottom line in 2007
- All divisions showing positive margin momentum
- Less exposure to the economic cycle
- Robust balance sheet
- Strong order book: up 6% vs 2006 year end

. . . We look to the future with confidence

Morgan Crucible

The Morgan Crucible Company plc

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