2014 Full Year Financial Results

AGM 8th May 2015

Full year margin increased to 12.8%; 13.0% in H2 2014

	FY14*	FY13*	% change from FY13	
			As reported	At constant currency
	£m	£m	%	%
Revenue	**921.7**	**957.8**	**-3.8%**	**+1.8%**
EBITA before restructuring and one-off items**	**118.0**	**119.0**	**-0.8%**	**+6.2%**
EBITA margin % before restructuring and one-off items**	**12.8%**	**12.4%**		
EBITA after restructuring and one-off items***	**112.4**	**108.5**	**+3.6%**	**+11.0%**
EBITA margin % after restructuring and one-off items***	**12.2%**	**11.3%**		
PBT before amortisation	**91.6**	**85.2**	**+7.5%**	**+16.0%**
Underlying earnings per share	**22.1p**	**21.5p**	**+2.8%**	
Total dividend per share	**10.9p**	**10.5p**	**+3.8%**	

* Results before specific adjusting items

** Restructuring and one-off items include the costs of restructuring activity and profit on disposal of properties

*** EBITA after restructuring and one-off items is also referred to as underlying operating profit (operating profit before amortisation of intangible assets)

Strong operating cash flow, with significant investment

	FY14 £m	FY13 £m
Cash from trading*	**146.1**	**148.3**
Change in working capital	**(10.4)**	**(4.4)**
Change in provisions	**(15.7)**	**(16.9)**
Cash flow from operations	**120.0**	**127.0**
Net capital expenditure	**(32.5)**	**(33.7)**
Net interest paid	**(15.3)**	**(17.0)**
Tax paid on ordinary activities	**(20.0)**	**(24.9)**
Restructuring costs and other one-off items	**(12.1)**	**(14.0)**
Free cash flow before acquisitions and dividends	**40.1**	**37.4**
Dividends paid	**(30.2)**	**(24.7)**
Cash flows from other investing and financing activities	**(24.7)**	**(4.9)**
Exchange movement and other items	**(5.7)**	**(1.5)**
Opening net debt	**(186.5)**	**(192.8)**
Closing net debt	**(207.0)**	**(186.5)**

* Operating working capital/sales ratio of 22.3% (2013: 20.5%)
* Gross capital expenditure of £33.8m – ratio of c.1.2x depreciation
* Acquisition of Porextherm in July 2014 for €26.0m
* Net debt:EBITDA at 1.4 times (2013: 1.3 times)

* Cash from trading is EBITA adjusted for depreciation and profit on sale of plant and machinery

Significant margin improvement in Asia/RoW, progress in Europe and North America maintaining mid-teen margins

£ million	Revenue		EBITA*		Profit Margins %	
	FY14	FY13	FY14	FY13	FY14	FY13
North America	353.1	359.9	52.5	55.5	**14.9%**	**15.4%**
Europe	325.7	357.3	39.8	42.0	**12.2%**	**11.8%**
Asia/Rest of World	242.9	240.6	31.2	26.4	**12.8%**	**11.0%**
Unallocated Costs **			(5.5)	(4.9)	-	-
EBITA before restructuring and one-off items ***	***921.7***	***957.8***	***118.0***	***119.0***	***12.8%***	***12.4%***
Restructuring and one-off items ***			(5.6)	(10.5)		
EBITA after restructuring and one-off items ***			***112.4***	***108.5***	***12.2%***	***11.3%***

*** Results before specific adjusting items**

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

***** Restructuring and one-off items include the costs of restructuring activity and profit on disposal of properties**

Material movement in exchange rates during 2014 impacting sterling reported numbers

	FY 2013 at 2013 average rates	FX impact of using 2014 average rates	Constant currency FY 2013 at 2014 average rates	Constant currency FY 2014 at 2014 average rates	FX impact of using 2014 closing rates	FY 2014 at 2014 closing rates
	£m	£m	£m	£m	£m	£m
Revenue	957.8	(52.3)	905.5	921.7	11.1	932.8
EBITA before restructuring and one-off items**	119.0	(7.9)	111.1	118.0	2.1	120.1
EBITA margin %	12.4%		12.3%	12.8%		12.9%

* Results before specific adjusting items

** Restructuring and one-off items include the costs of restructuring activity and profit on disposal of properties

The above analysis shows:

- Translational effect of restating 2013 reported results at 2014 average rates
- Translational effect of restating 2014 reported results from 2014 average rates to 2014 year end closing rates

Note: Key exchange rates included in Appendix

Financial summary

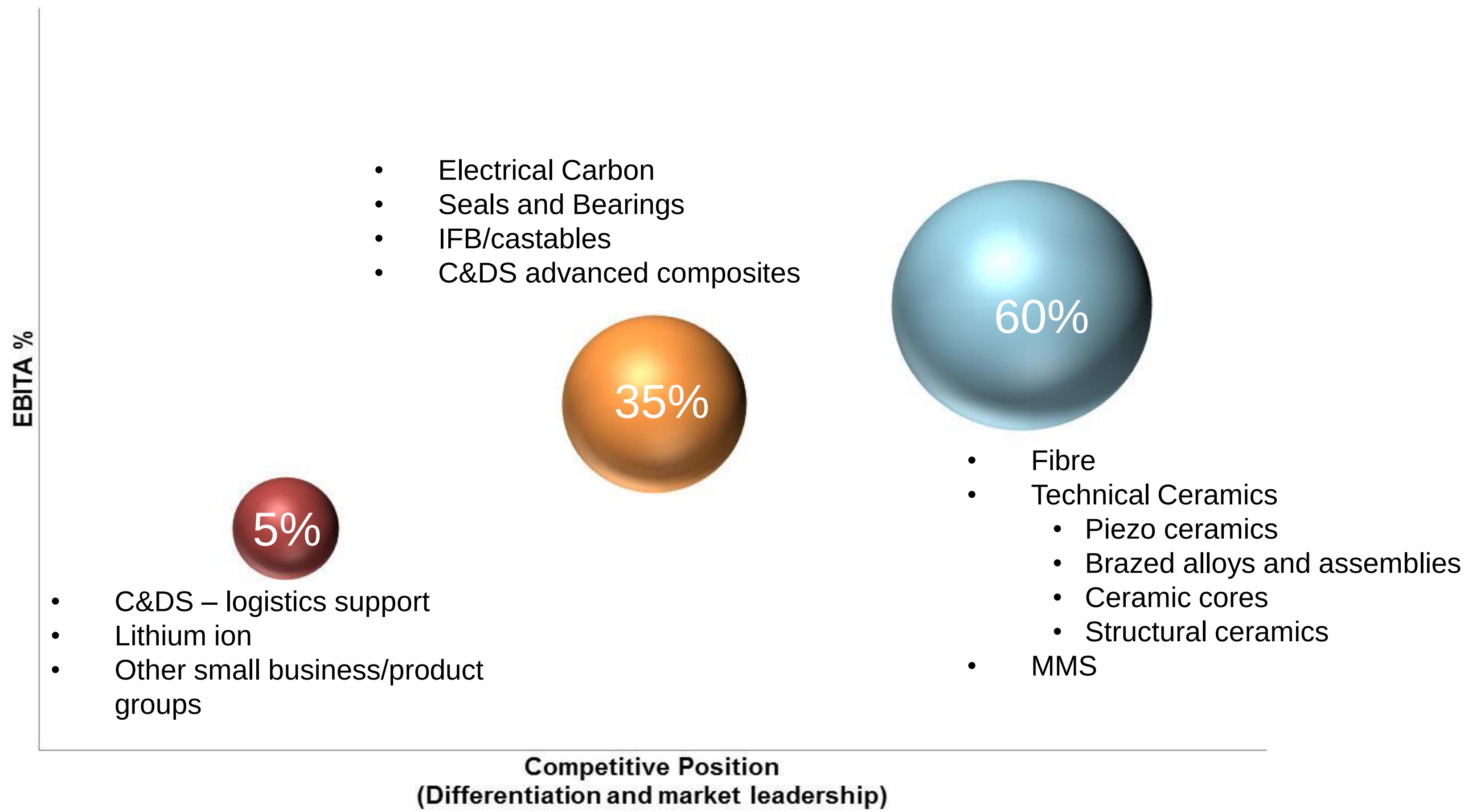
- Revenue growth of 1.8% at constant currency, 3.8% higher H2 v H1 on an organic and constant currency basis
- 12.8% margins achieved in 2014, 13.0% in H2
- Strong operating cash flow and net debt at 1.4 times net debt:EBITDA ratio with significant investment in the Group
- Full-year dividend increased by 3.8%

Strategy and operational update

Strategy – reminder of key themes

- Building sustainable competitive advantage in attractive markets…
- …with truly, differentiated products underpinned by world-leading technology
- Our goal is for all of our businesses and technologies to have the potential to deliver mid-teen EBITA margins…
- …targeting through-cycle growth rates in excess of our end-markets

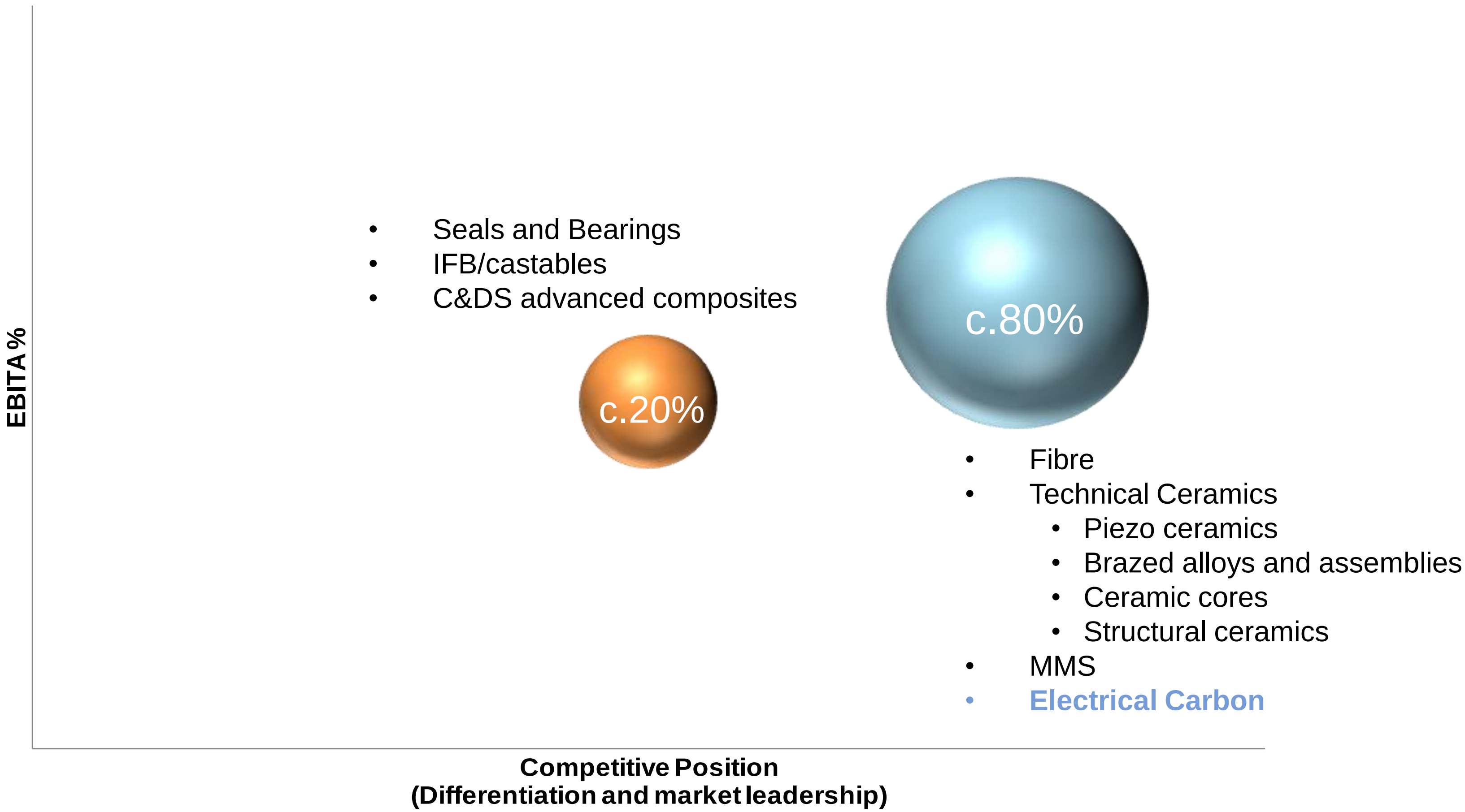
Portfolio reshaping – where we were



Solutions achieved for all low margin businesses

- Indian carbon business – reduced to minority stake
- UK MoD vehicles logistics/spares contract exited
- UK fired shapes business – JV arrangement
- Chinese lithium ion materials business sold
- Thermal Ceramics business in Wissembourg (France) sold in January 2015

Current status – exited/sold low margin businesses, good progress with margin improvement of Electrical Carbon



R&D investment increased to 2.3% of revenue

- Increasing investment in R&D – 2.3% of revenue (2013: 2.1%, 2012: 1.9%)
- Global Materials Centre of Excellence for Structural Ceramics (Stourport, UK) operational in H1 2015
- Additional Global Materials Centres of Excellence planned
- R&D investment focused on main technologies where we see the highest long term growth prospects e.g. next generation fibre technology and Structural Ceramics
- Increased collaboration with leading universities and research centres across the world

Capital investment for long-term profitable growth

- Capex c.1.2x depreciation in 2014
- Key projects:
  - High-temperature ceramics manufacturing site in Dalian, China
  - Superwool® greenfield site in Abu Dhabi
  - Expansion of South Korean carbon site
  - Ongoing Superwool® fibre line conversion and capacity upgrades
- £35m-£40m of investment projects for 2015:
  - Completion of above footprint projects and capacity for differentiated "added value" thermal product lines

Key highlights & summary for 2014

- Positive revenue and EBITA margin momentum in mixed market conditions

- “One Morgan” model has improved the business through organisational restructuring and footprint rationalisation

- Exits of low growth/margin and non-differentiated businesses completed; addition of Porextherm to the portfolio

- Near record margins of 13.0% in H2 - investment in technology and innovation driving profitable growth

Focus areas for 2015

- Key areas of focus for 2015
  - Continual investment in innovation & differentiation to drive profitable growth
  - Positive mix shift
  - Operational improvements