Morgan Crucible

The Morgan Crucible Company plc

2006 Preliminary Results

20th February 2007

Agenda

▪ Introduction	**Tim Stevenson**
▪ 2006 preliminary financial results	**Kevin Dangerfield**
▪ Our continuing progress in 2006 and strategic priorities	**Mark Robertshaw**
▪ Divisional focus	**Mark Robertshaw**
▪ Summary and outlook	**Mark Robertshaw**

2006 Preliminary Financial Results

Kevin Dangerfield

33% increase in underlying operating profit

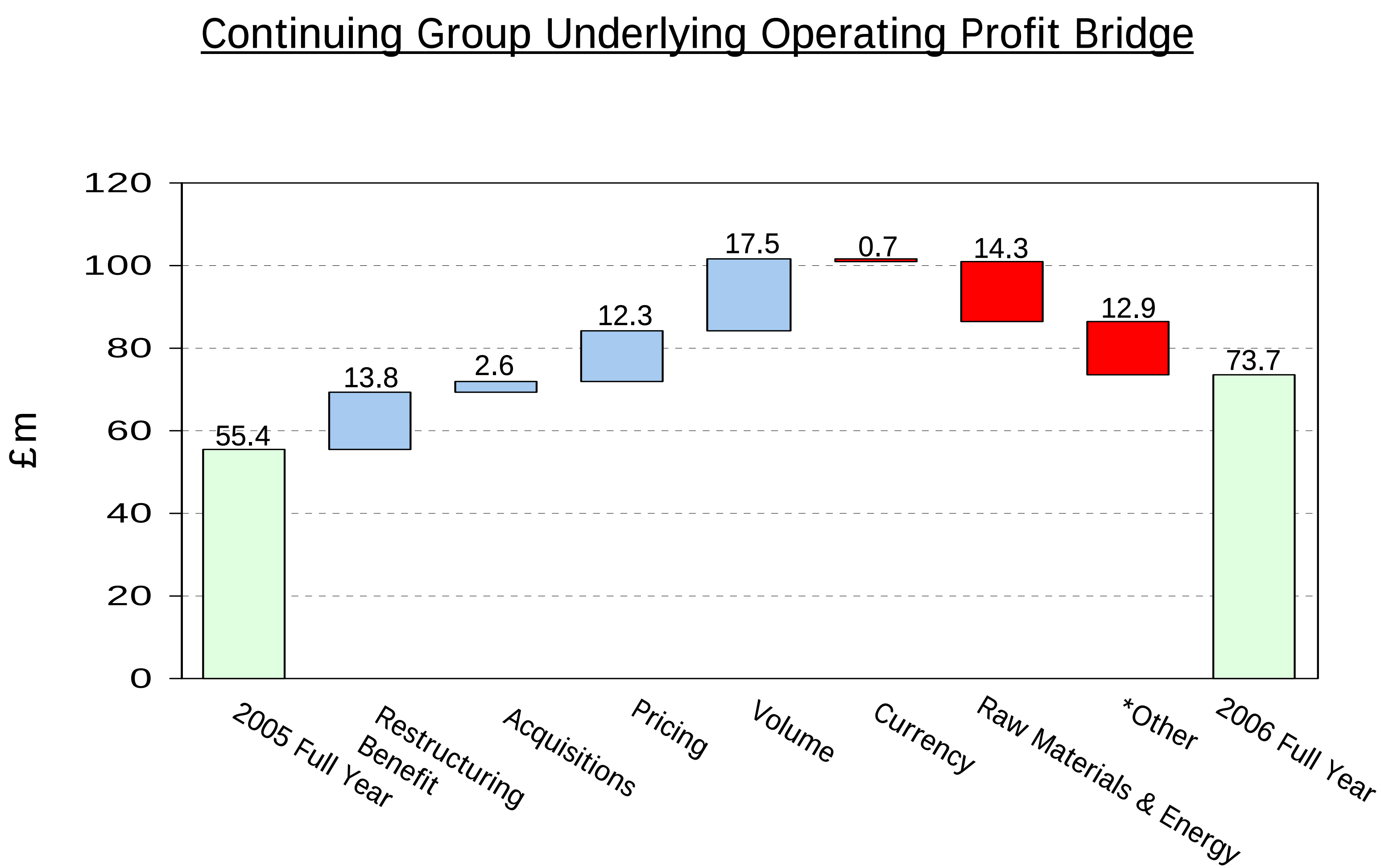
Continuing basis:	FY06	% change from FY05
Revenue	£677.8m	+11.2%
Underlying * EBITDA	£99.6m	+24.3%
Underlying * EBITDA margin	14.7%	+160 bps
Underlying* Operating Profit (EBIT)	£73.7m	+33.0%
Underlying* Operating Profit Margin (EBIT)	10.9%	+180 bps
Underlying* EPS	17.9p	+36.6%
Pension Deficit	£42.7m	-65.6%

* Excludes discontinued activities and one-off items

36.6% increase in underlying EPS

Full Year £m		2006	2005
Revenue	**-continuing**	677.8	609.8
	-discontinued	-	135.9
Underlying operating profit (EBIT)	**-continuing**	73.7	55.4
	-discontinued	-	10.6
Restructuring costs		(23.9)	(24.7)
Legal cost of prior period liigation		(3.8)	(2.3)
Changes to UK pension schemes		11.0	-
Costs of terminated bid approach		(2.1)	-
Loss on partial disposal of businesses/property		(1.2)	(0.5)
Net finance charge		(3.4)	(13.1)
Profit/(loss) before tax		**50.3**	**20.4**
Tax		(10.6)	(8.8)
Profit/(loss) on sale of discontinued operations, net of tax		-	42.6
Profit for the period		**39.7**	**54.2**
Underlying EPS (on a continuing basis)		**17.9**	**13.1**
Continuing business EBIT/sales ratio		10.9%	9.1%
Final dividend proposed		3.0 p	2.5p

Profit growth – both volume and pricing – major contributors to profit improvement



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

Continued profit margin enhancement in all divisions

£m	Sales		Underlying Operating profit (EBIT)		EBIT/Sales %	
	2006	2005	2006	2005	2006	2005
Carbon	213.6	199.9	33.8	27.4	15.8%	13.7%
Technical Ceramics	162.5	144.8	17.0	12.2	10.5%	8.4%
Insulating Ceramics	301.7	265.1	27.9	21.5	9.2%	8.1%
Unallocated costs *	-	-	(5.0)	(5.7)	-	-
Continuing Group	677.8	609.8	73.7	55.4	10.9%	9.1%

* For example, plc costs (e.g. Report & Accounts, AGM, non-executives) and Group management costs (e.g. corporate head office rental/utilities, insurance, corporate staff etc.)

Net debt remains low even after cash payments into the UK pension fund, acquisitions, restructuring and share buy-backs/LTIP purchases

	FY 2006 £m	FY 2005 £m
Net cash from operating activities	66.9	99.2
UK pension scheme contributions	(40.0)	-
Net capital expenditure	(32.9)	(38.1)
Restructuring costs	(27.1)	(25.6)
US anti-trust litigations cash costs	(7.2)	(5.2)
Net interest paid	(4.7)	(11.4)
Tax paid	(6.3)	(6.2)
Dividends paid	(7.4)	-
Free Cash Flow	**(58.7)**	**12.7**
Cash outflow from acquisitions/disposals	(9.1)	192.9
Share buy-back and LTIP purchases	(19.4)	(3.5)
Other cash flows	(1.6)	(0.4)
Exchange movement	4.2	(3.3)
Opening net debt	50.5	(147.9)
Closing net debt	(34.1)	50.5

US$ weakness would impact our sterling reported results in 2007

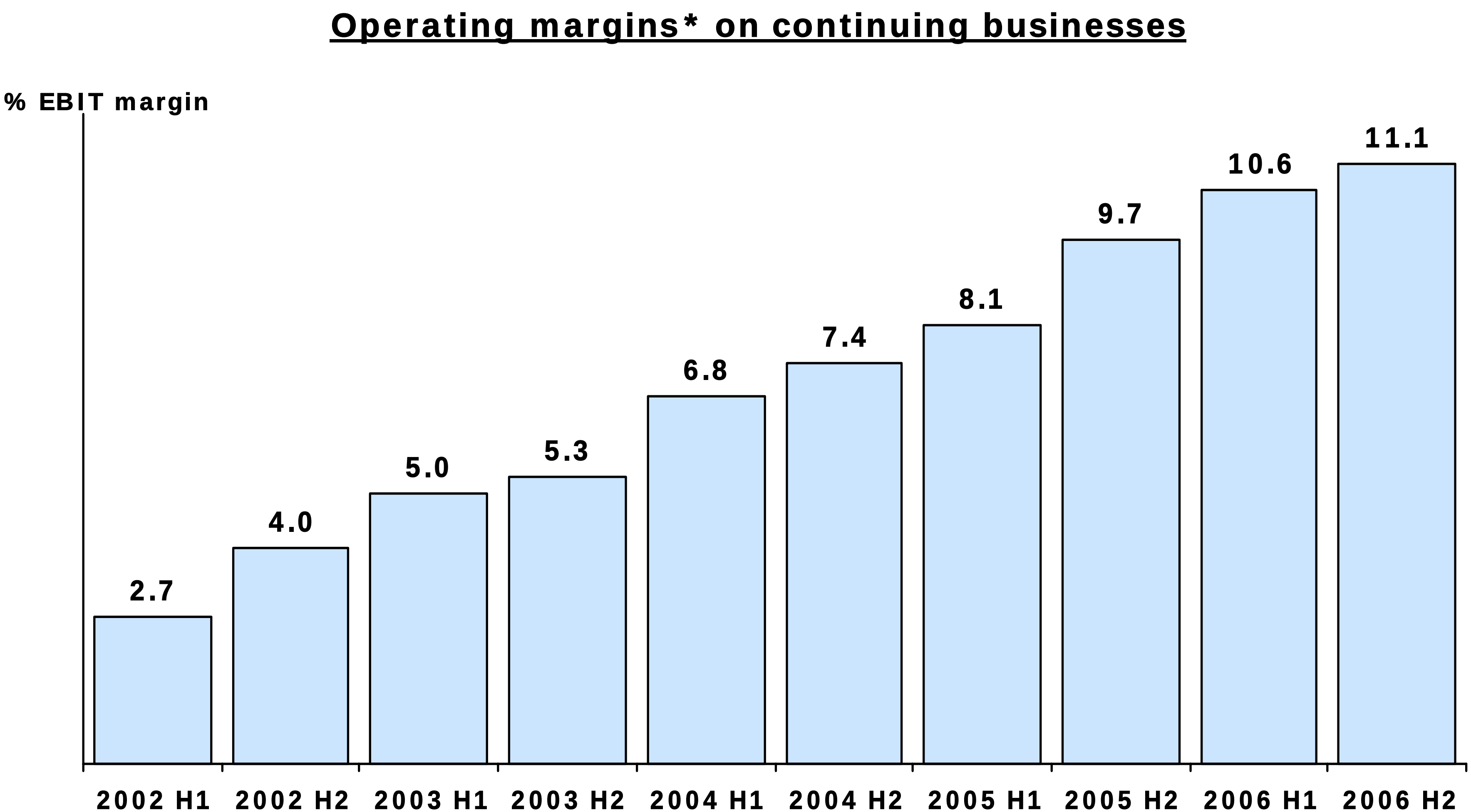
A 1 cent move in the US $ represents
Sales movement of £1.4m
EBIT movement of £0.2m

Reported Exchange Rates	Exchange Impact	January 2007 Exchange Rates
US$ 1.8440 av. rate		US$ 1.9554 av. rate
2006 Full Year Sales £677.8m	(£15.1m)	£662.7m
2006 Full Year EBIT £73.7m	(£2.5m)	£71.2m

Our continuing progress in 2006 and priorities going forward

Mark Robertshaw

Margin progression continues – H206 in excess of 11%



* Excludes discontinued activities and one-off items

Goal: Mid-teen operating profit margins in good times, double digit in bad times

- Drivers of continued margin progression:
  - Ongoing manufacturing footprint rationalisation and relocation
  - Reducing our fixed cost and overhead base as a % of sales
  - Reducing total employment costs to sales

Cost focused

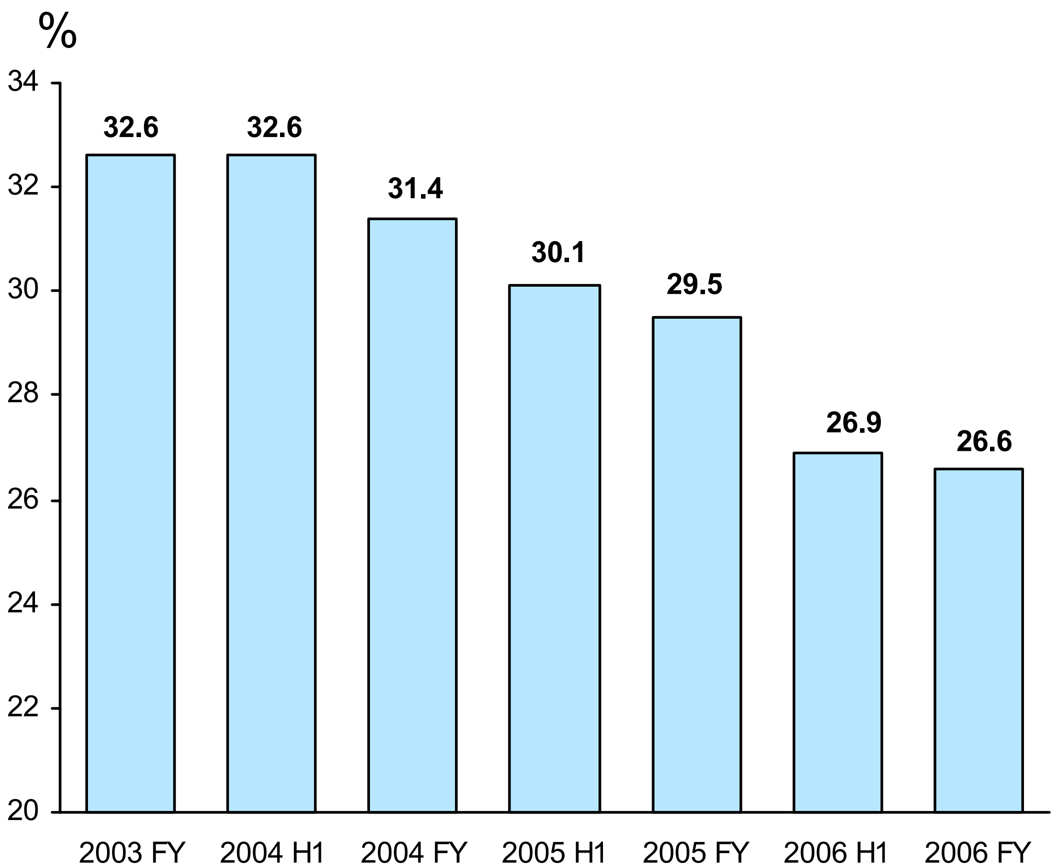
  - Positive mix shift to higher growth, higher value-added end markets
  - Positive pricing
  - Leveraging growth potential of emerging economic giants e.g. China, India

Revenue focused

- Mid-teen operating profit (EBIT) margins = c.20% EBITDA margin

Margin improvement: continuing to drive down fixed / overhead costs

Total overheads (Continuing Group) as a % of sales



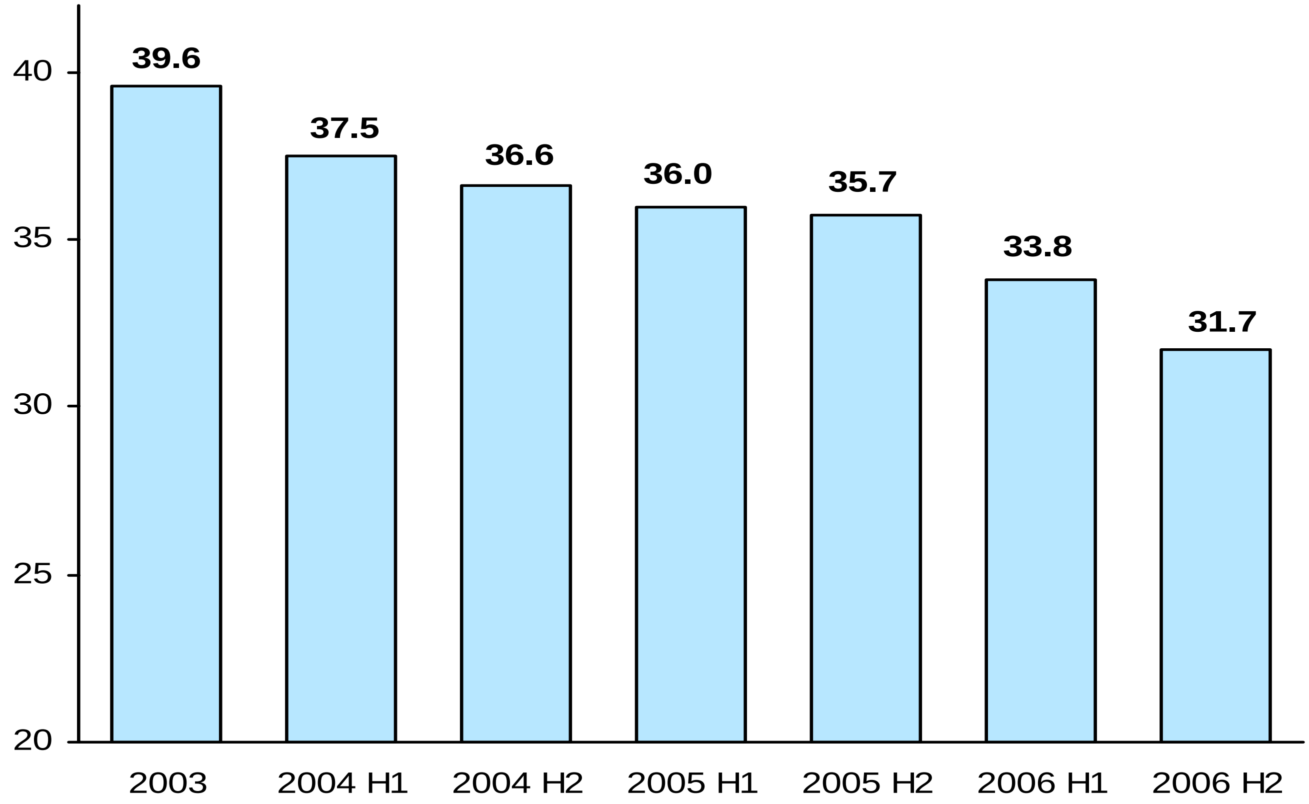
Key Drivers

- Reduction in number and complexity of divisions
- Simplification and rationalisation of manufacturing footprint
- Corporate centre streamlining
- Operational leverage – keeping fixed costs fixed as the top line grows

Note: Restated from slide previously shown in the preliminary results presentation on 20 February 2007 to include overheads attributable to divisional management across all periods

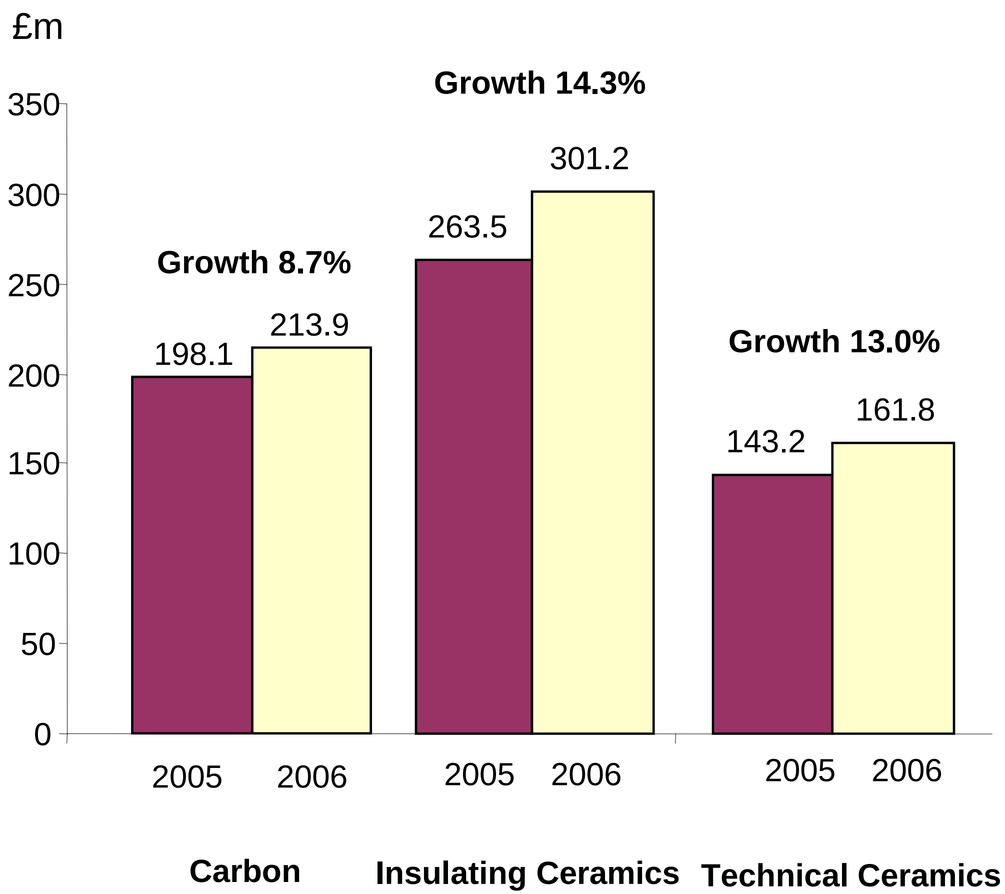
Total employment costs as a % of sales also continuing to come down

Total Employment Costs (Continuing Group) as % of Sales



Over 11% top line growth in 2006; of which c. 9% is organic

2006 Revenues on a Constant Currency Basis *



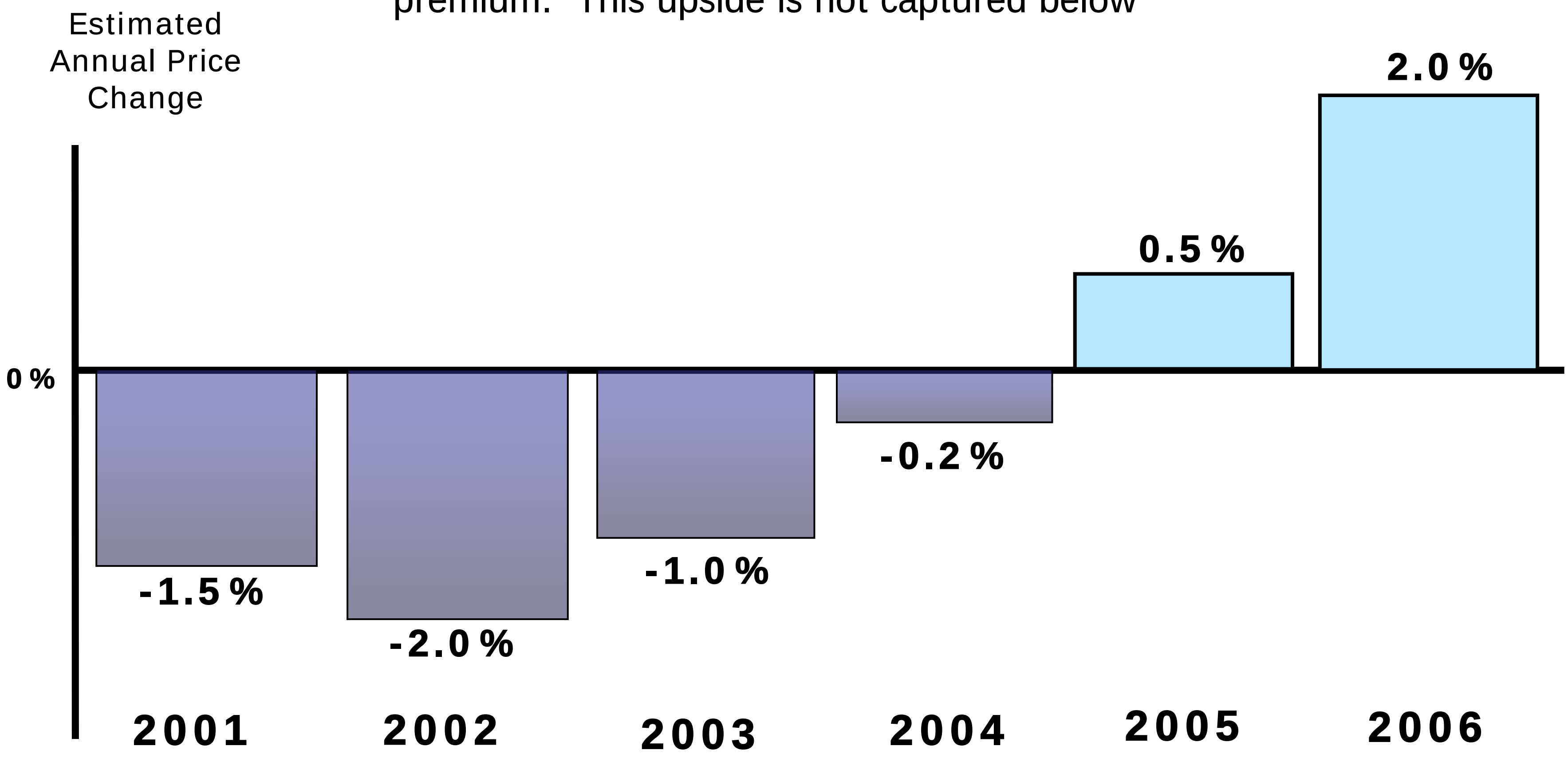
Key Drivers of Organic Growth

- Positive mix shift e.g. Armour
- Positive pricing
- Leveraging high growth emerging market economies e.g. China, India
- Increases in metals prices for Technical Ceramics

*** Using 2006 budget exchange rates**

Like for like price increases approaching 2% in 2006

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



Strategic priorities going forward

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

M&A is a way of accelerating delivery of the strategy – it is not a separate strategy

- Alignment with our strategic priorities is the key filter for potential targets
  - takes us further into **higher growth, higher margin non-cyclical, non-commoditised markets**
  - enhances our **high value-added offering to our customers**
  - helps establish number **#1 or 2 in our chosen market segments**
  - enhances **operational excellence and cost efficiency**
  - helps us **find, keep and develop the right people**
- Target size £20-50m
  - ideally non-core for other businesses but very much core for us
  - smaller deals considered where technology platform is compelling e.g. Aceram Body Armour business

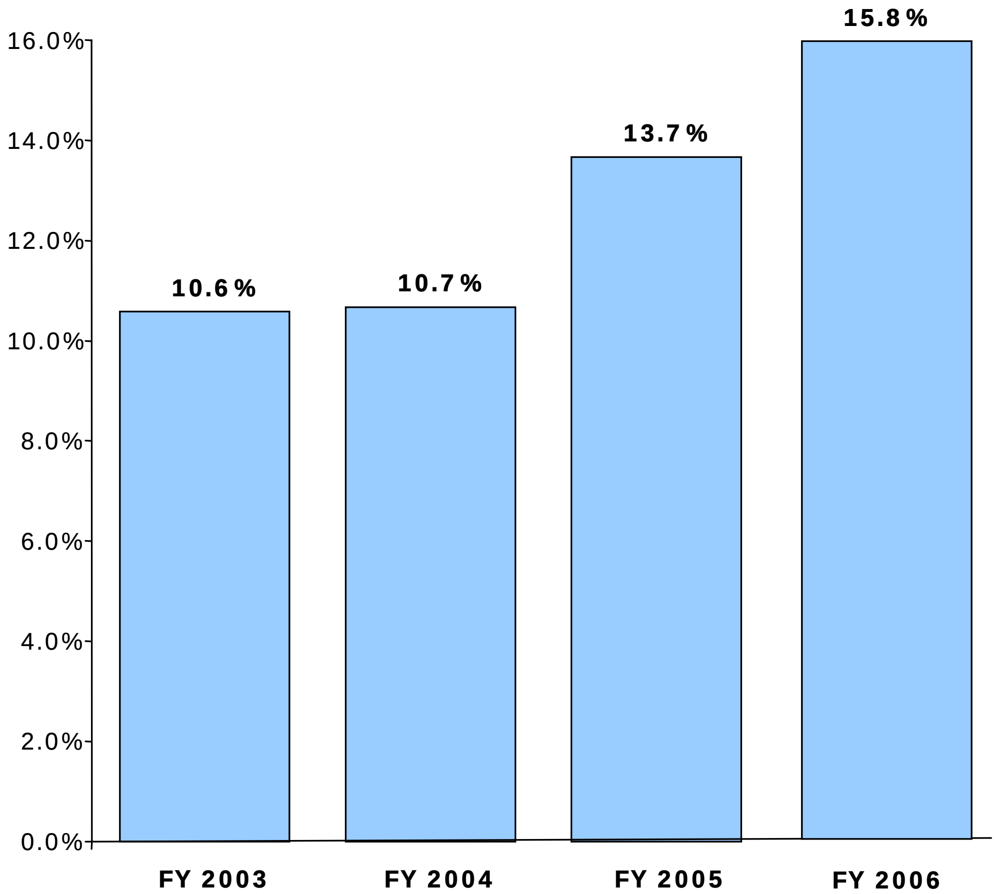
Acquisitions and JVs added c.2% to our top line growth in 2006

Acquisition	Date of Acquisition	Sales in 2006 £m
Insulating Ceramics – Vesuvius fibre (Thermal)	April 2006	7.2
Insulating Ceramics - Sukhoy (Thermal)	April 2006	4.9
Insulating Ceramics - Yingtelai (Thermal)	October 2006	0.3
Insulating Ceramics - India (Crucibles)	April 2006	1.0
Carbon - Aceram	July 2006	0.3
Total		**13.7**

Divisional Focus

Carbon leads the way – already achieving mid-teens margins

Carbon Underlying* Operating Profit Margins



Drivers of Margin Improvements

- Strong core businesses – electrical and mechanical
- Healthy top-line growth bolstered by strong armour/defence sales
- Strong growth in China
- Continued benefits from site rationalisation feeding through to the bottom line
- Manufacturing in lower-cost countries (e.g. Mexico) bringing greater operational efficiencies

*** Excludes discontinued activities & one-off items**

Carbon Division: key priorities

- Defend and enhance our core and mature #1 and #2 market positions e.g. electrical
- Leverage our advanced materials portfolio – focus on new and/or high growth, high margin businesses e.g. Armour
- Develop more ‘added value’ technologies – e.g. rotary systems, energy substitutions
- Enhance our new and high growth businesses through acquisitions – e.g. Aceram
- Invest in high growth economies, supporting our customers as they move geographically, i.e. China and India
- Continue to reduce cost base – invest in ongoing operational efficiencies

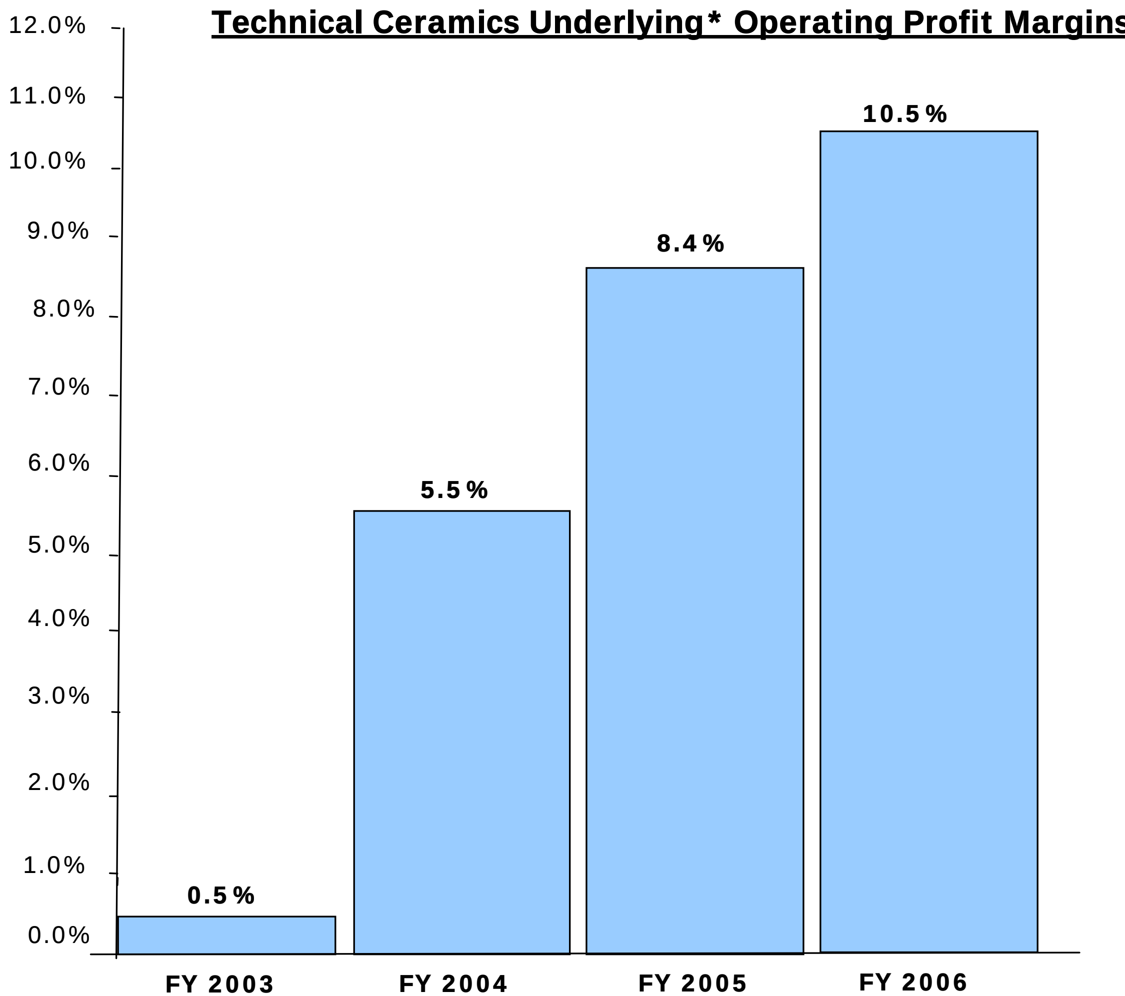
A business with strong positions in its core markets and with the advanced materials portfolio to capitalise on new high growth opportunities

Carbon – leveraging our advanced materials capabilities

Example : Armour

- Leverage our technology base into new higher growth, higher margin advanced materials
- Broaden customer base from US towards a wider geographic portfolio, e.g. UK, Western Europe
- Bring on additional production capacity in both US and Europe
- Enhance technology and product offering through acquisitions e.g. Aceram Body Armour business

Technical Ceramics continuing its upward momentum



*** Excludes discontinued activities & one-off items**

Drivers of Margin Improvement

- Focusing on selected higher growth, higher margin markets where we have differentiated capability
- Exiting low margin cyclical commodity business
- Constraining fixed costs as top line grows to create operational leverage
- Embedding "Continuous Improvement" programmes in the business to drive up operational efficiency levels

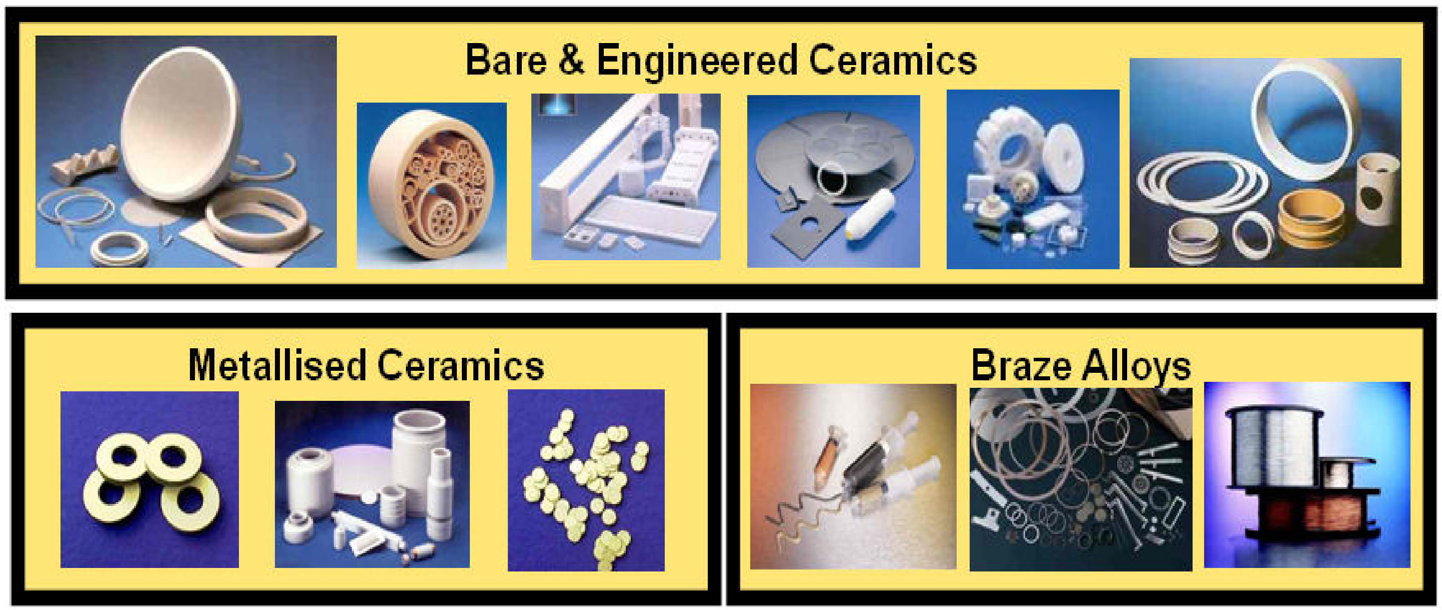
Technical Ceramics Division : key priorities

- Target positive mix shift through chosen niche and bespoke margins where higher value-added means margin enhancement
- Provide our customers with differentiated solutions underpinned by application engineering and our distinctive competencies
- Utilise operational toolkits (e.g. share of wallet analysis, a new business development pipeline model) to identify and pursue new business opportunities with both existing and new customers
- Use continuous improvement initiatives and rigorous fixed cost disciplines to create operational leverage from top-line growth
- Accelerate profitable growth by pursuing bolt-on acquisitions in favoured niche markets

A transformed business that now has a demonstrable track record of profitable growth

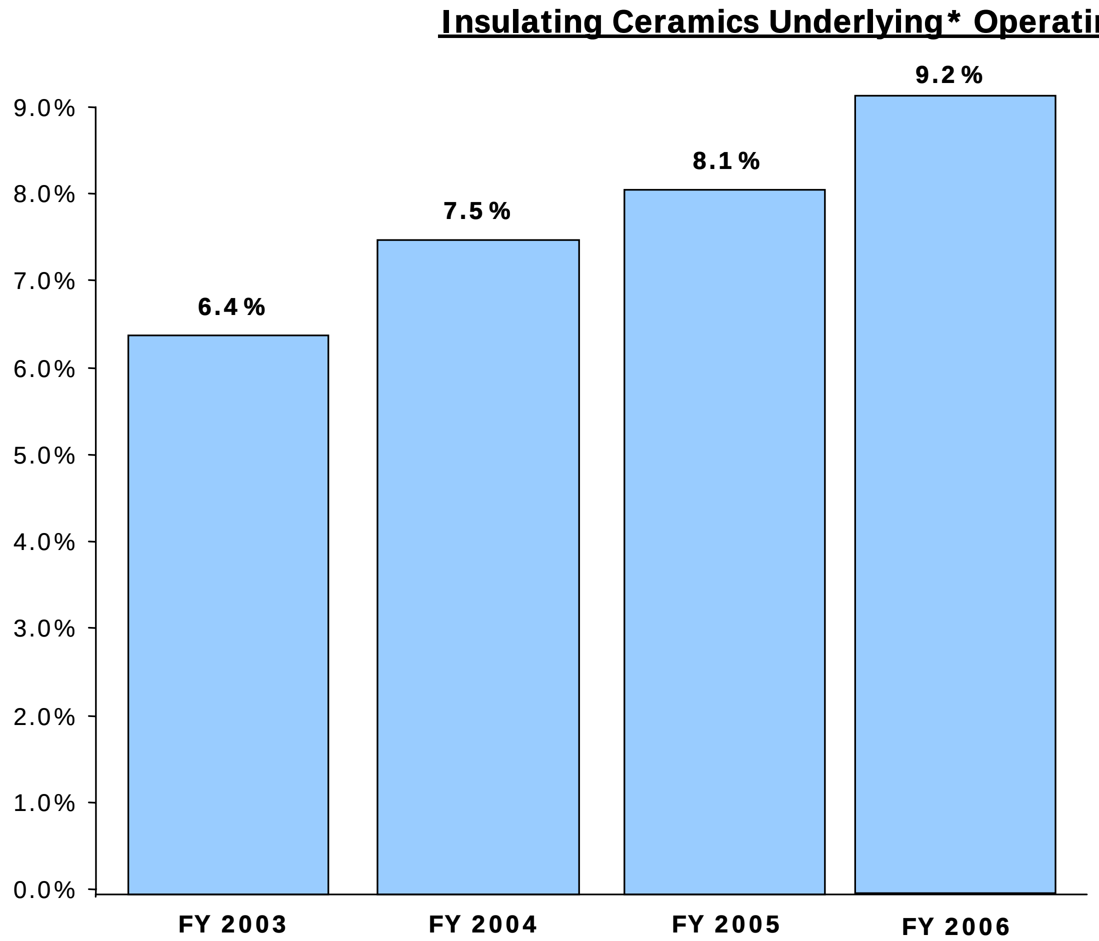
Technical Ceramics: providing high value-added solutions to our customers

Examples of product ranges



- Over 80% of products are bespoke and unique to that customer
- Value-added focused on delivering benefits that the customer truly wants - not just on adding features

Insulating Ceramics: moving towards double-digit margins



*** Excludes discontinued activities & one-off items**

Drivers of Margin Improvement

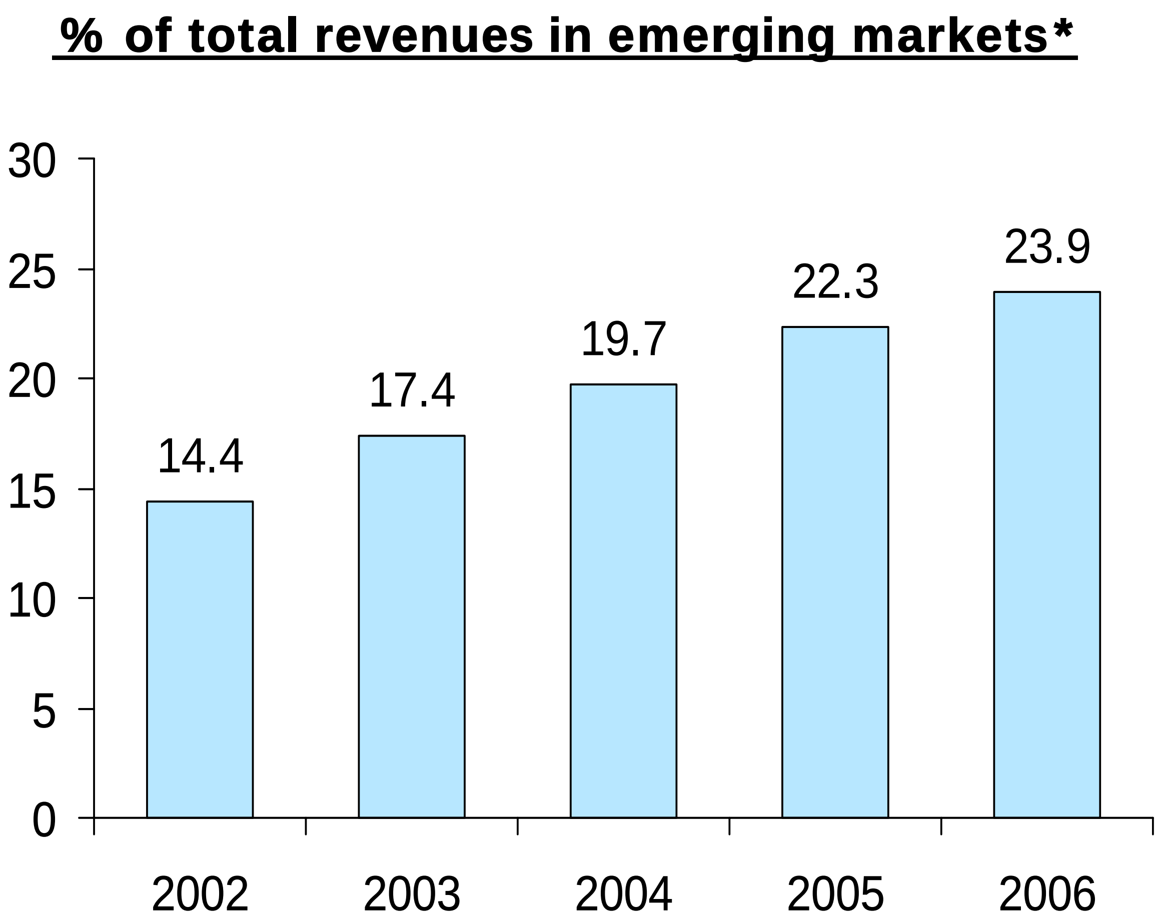
- Strong volume growth in industrial markets e.g. iron and steel, chemical processing and aluminium
- Growth of Superwool^{TM} sales
- Overhead reductions and operational efficiency projects now beginning to deliver results
- Pricing increases have only partially negated input cost rises to date

Insulating Ceramics – key priorities

- Drive the profitability of core products in insulating fibre and insulating fire brick by continued focus on operational excellence e.g. energy efficiency, yield enhancements, plant loading
- Maximise competitive advantage in our engineered product solutions - Superwool™ and Superwool 607HT
- Optimise our organisational and operational footprint to consolidate our market positions in the Americas and Europe and be the lowest cost producer in these markets
- Continue our geographical expansion into high growth economies where we can establish profitable market positions - 50% of global GDP will come from Asia by 2010

A business that has the market leadership position and cost base opportunities for continued margin improvement

Thermal Ceramics: increasing revenues in emerging markets



- Absolute revenues from emerging market economies have doubled in the past four years
- Vast majority sourced from our expanded local manufacturing operations
- Strong ongoing opportunity for growth going forward as China and India continue to rapidly industrialise

*Sales into India, China, South America, South Korea, Africa, Russia

Summary and Outlook

Goal: Mid-teen operating profit margins in good times, double digit in bad times

- Drivers of continued margin progression:
  - Ongoing manufacturing footprint rationalisation and relocation
  - Reducing our fixed cost and overhead base as a % of sales
  - Reducing total employment costs to sales

Cost focused

  - Positive mix shift to higher growth, higher value-added end markets
  - Positive pricing
  - Leveraging growth potential of emerging economic giants e.g. China, India

Revenue focused

- Mid-teen operating profit (EBIT) margins = c.20% EBITDA margin

Summary and Outlook

- Continued strong progression in top and bottom line in 2006
- All divisions showing positive momentum
- Further margin enhancement targeted
- Trading outlook remains robust

We look to the future with confidence

Morgan Crucible

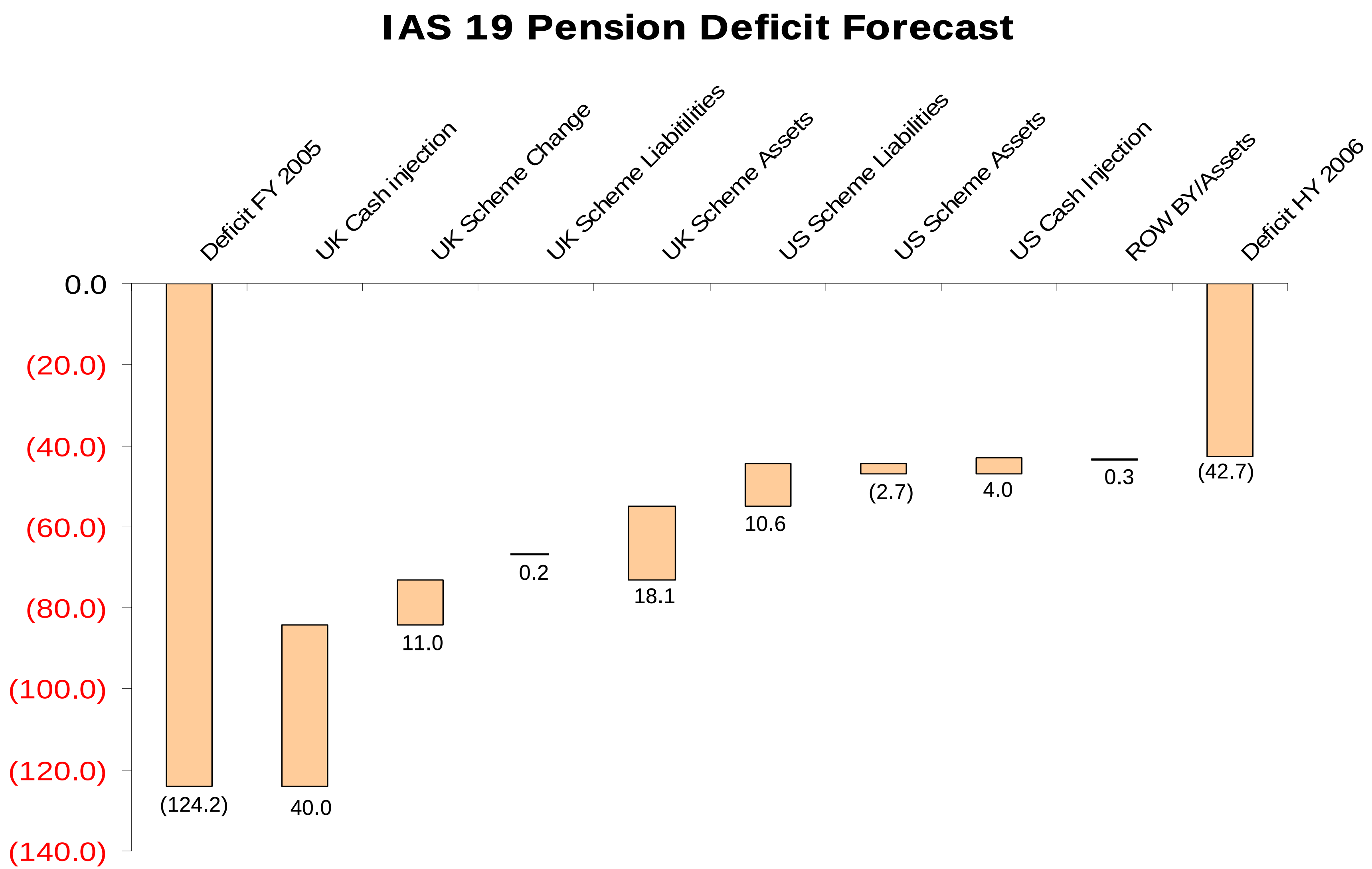
The Morgan Crucible Company plc

2006 Preliminary Results

20th February 2007

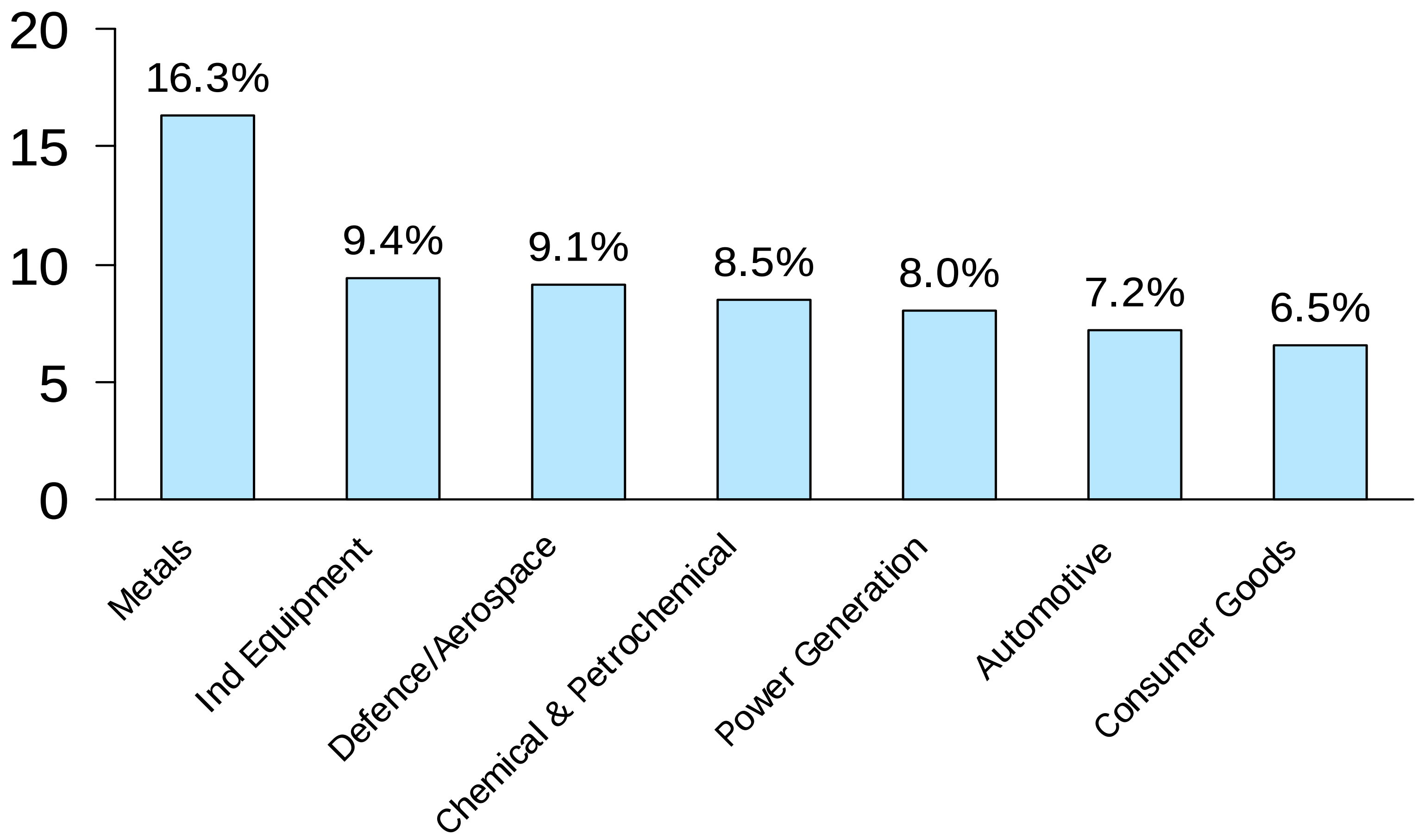
Appendix

Group pension deficit significantly reduced – UK deficit eliminated



Morgan Crucible

2006 revenues at year end are diversified across a number of end-use markets



Revenues by geography