

ANNUAL GENERAL MEETING

Friday 5th May 2017

2016 Full Year Results

AGM Presentation

Key highlights

- Financial performance in line with management expectations
- Strategy implementation is on track, with operational improvements and investment ahead of plan
- Refinancing completed successfully, providing secure long-term capital structure
- Two businesses divested, simplifying the Group and providing funds for re-investment in the core business

Group performance summary

	FY 2016 ¹	FY 2015 ¹	% change from FY 2015	
	£m	£m	As reported	At constant currency
Revenue	989.2	911.8	8.5%	-1.5%
Group headline operating profit²	116.9	106.0	10.3%	-2.5%
<i>Group headline operating profit margin %²</i>	<i>11.8%</i>	<i>11.6%</i>		
Cash flow from operations³	128.3	139.4	-8.0%	
Free cash flow before acquisitions and dividends³	48.0	30.1	59.5%	
Headline earnings per share	22.7p	20.8p	9.1%	
Full-Year dividend per share	11.0p	11.0p		

¹ Results before specific adjusting items

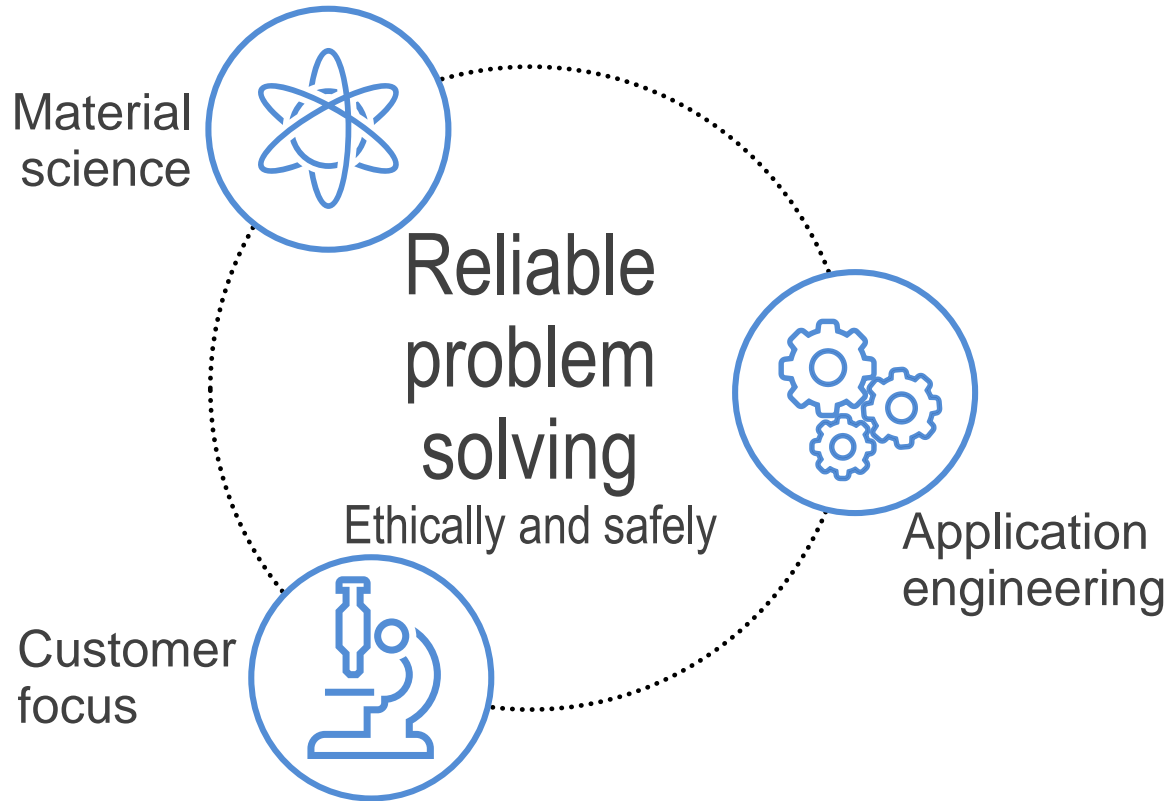
² Group headline operating profit is before specific adjusting items and amortisation of intangibles

³ 2015 has been re-presented for the reclassification of £3.8 million of dividends paid to non-controlling interests from 'Cash flow from operations' to 'Net cash flows from other investing and financing activities'

Divisional performance

	Revenue (£m)		EBITA (£m)		EBITA margin (%)	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Thermal Ceramics	413.3	372.4	55.0	55.2	13.3%	14.8%
Molten Metal Systems	43.5	39.7	6.7	5.3	15.4%	13.4%
Thermal Products	456.8	412.1	61.7	60.5	13.5%	14.7%
Electrical Carbon	156.2	145.6	19.7	19.3	12.6%	13.3%
Seals and Bearings	97.7	88.6	14.2	9.9	14.5%	11.2%
Technical Ceramics	248.1	237.8	26.6	26.1	10.7%	11.0%
Carbon and Technical Ceramics	502.0	472.0	60.5	55.3	12.1%	11.7%
Composites and Defence Systems	30.4	27.7	1.1	(1.0)	3.6%	-3.6%
Corporate costs			(5.4)	(5.2)		
Restructuring costs (net of proceeds from disposal of assets)			(1.0)	(3.6)		
Group	989.2	911.8	116.9	106.0	11.8%	11.6%

Our vision is to be renowned for world-class material science, application engineering and customer focus



- Scalable global businesses
- In growing markets
- Where technical differentiation is valued

Strengthening the Group to deliver resilient financial performance and faster growth

Six execution priorities

1. Move to a global structure

2. Extend our technology leadership

3. Improve operational execution

4. Drive sales effectiveness and market focus

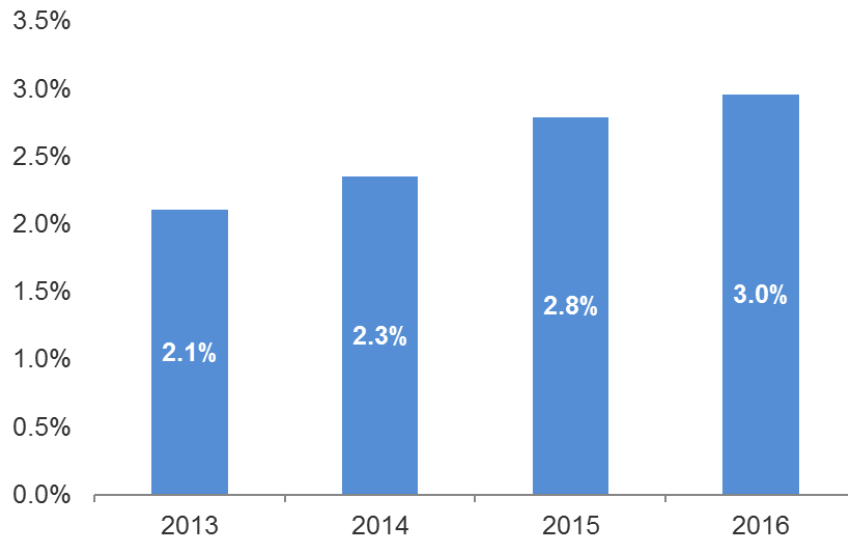
5. Increase investment in people management and development

6. Simplify the business

 Detail on following slides

2. Technology investment on track

R&D as a percentage of sales, 2013-2016



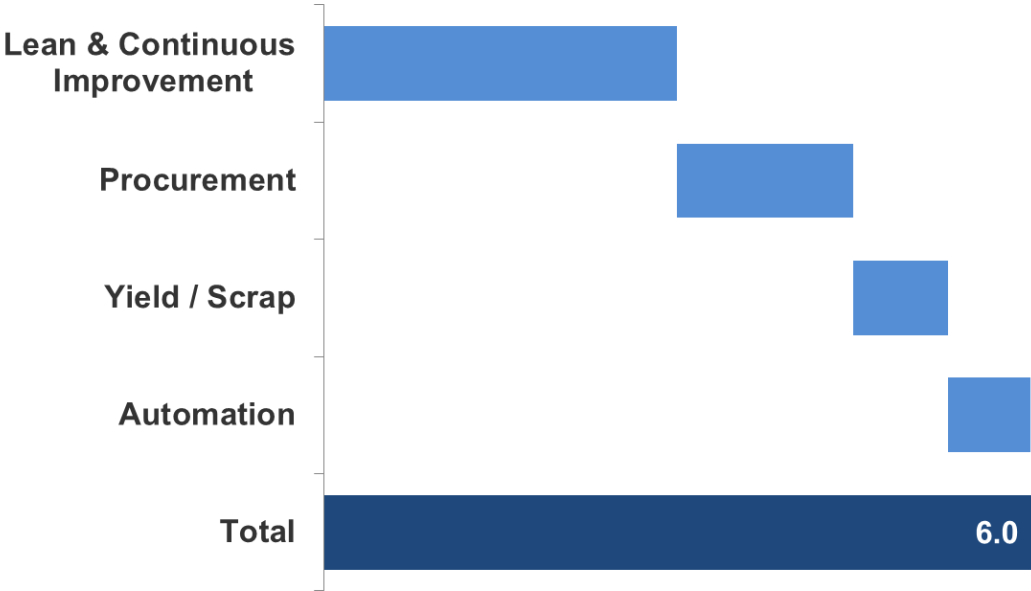
In the next 2-4 years we plan to increase R&D investment towards 4%

- Investment in R&D increased to 3% of sales
- Materials development activity now focused through four centres of excellence:
 - Fibre
 - Structural Ceramics
 - Carbon Science
 - Metals & Joining
- We are planning to invest a further £3 million in 2017, funded through operational improvements

3. Operational improvements ahead of plan, funding £3m investment in technology & £3m in sales

Expected FY17 operational efficiencies, net of inflation:

Key areas of focus:



Lean & Continuous Improvement: improving efficiency across all processes and manufacturing sites globally

Yield / Scrap: Technical Ceramics focused on improving yields and reducing scrap

Automation: increasing production automation across the business, particularly within Electrical Carbon

Procurement: global focus on reducing raw material spend and maintenance services

4. We are investing £3m in sales resources, capability building and process improvements

Process improvement

- Two pilot projects underway in Thermal, and a further pilot to be launched in Electrical Carbon:
 - Daily / weekly sales process
 - Account management
 - Performance management

Capability building

- Role mapping completed for the whole salesforce to enable:
 - Aligning individuals to their optimum roles
 - Training and development of sales personnel
 - Clear definition of roles & responsibilities

Sales resource

- We are adding additional business development and application engineering resources across:
 - Rail collectors
 - Automotive
 - Fire Protection
- Circa 14 people added to grow our business in these markets

6. Portfolio simplification: two divestments announced with gross consideration c.£80m

1. Rotary Transfer Systems (Electrical Carbon GBU)

- small player, not scalable
- no synergy with Electrical Carbon
- limited material science content
- stand alone business

2. Electro-ceramics (Technical Ceramics GBU)

UK sale

- eliminates technology risk
- limited synergy with Technical Ceramics
- stand alone business

US closure

- closing a single site in the US



1. Reduces portfolio breadth and complexity
2. Enables streamlining of our cost structure
3. Increases focus on scaling core business
4. Provides proceeds for reinvestment in the core business

Summary

- Financial performance in line with management expectations
- Strategy implementation on track with two divestments completed and re-investment ahead of plan, good progress on operational improvements
- Refinancing successfully completed
- We continue to take a cautious view on market conditions, focusing on improving efficiency and reinvesting in the business