Morgan Crucible

The Morgan Crucible Company plc

2007 Interim Results

1 August 2007

Agenda

▪ Introduction	**Tim Stevenson**
▪ 2007 interim financial results	**Kevin Dangerfield**
▪ Our progress in 2007	**Mark Robertshaw**
▪ NP Aerospace acquisition	**Mark Robertshaw / Mark Lejman**

2007 Interim Financial Results

Kevin Dangerfield

c.10% top-line growth and 31.4% increase in underlying operating profit at constant currency

	1H07	% Change from 1H06 (at reported rates)	% Change from 1H06 (at constant currency)
Revenue	£347.8m	+3.4%	+ 9.7%
Underlying*Operating Profit (EBIT)	£43.1m	+20.7%	+31.4%
Underlying* Operating Profit (EBIT) Margin	12.4%	+180bps	+210bps
Operating profit** after one-off items	£39.6m		
Operating profit** margin after one-off items	11.4%		

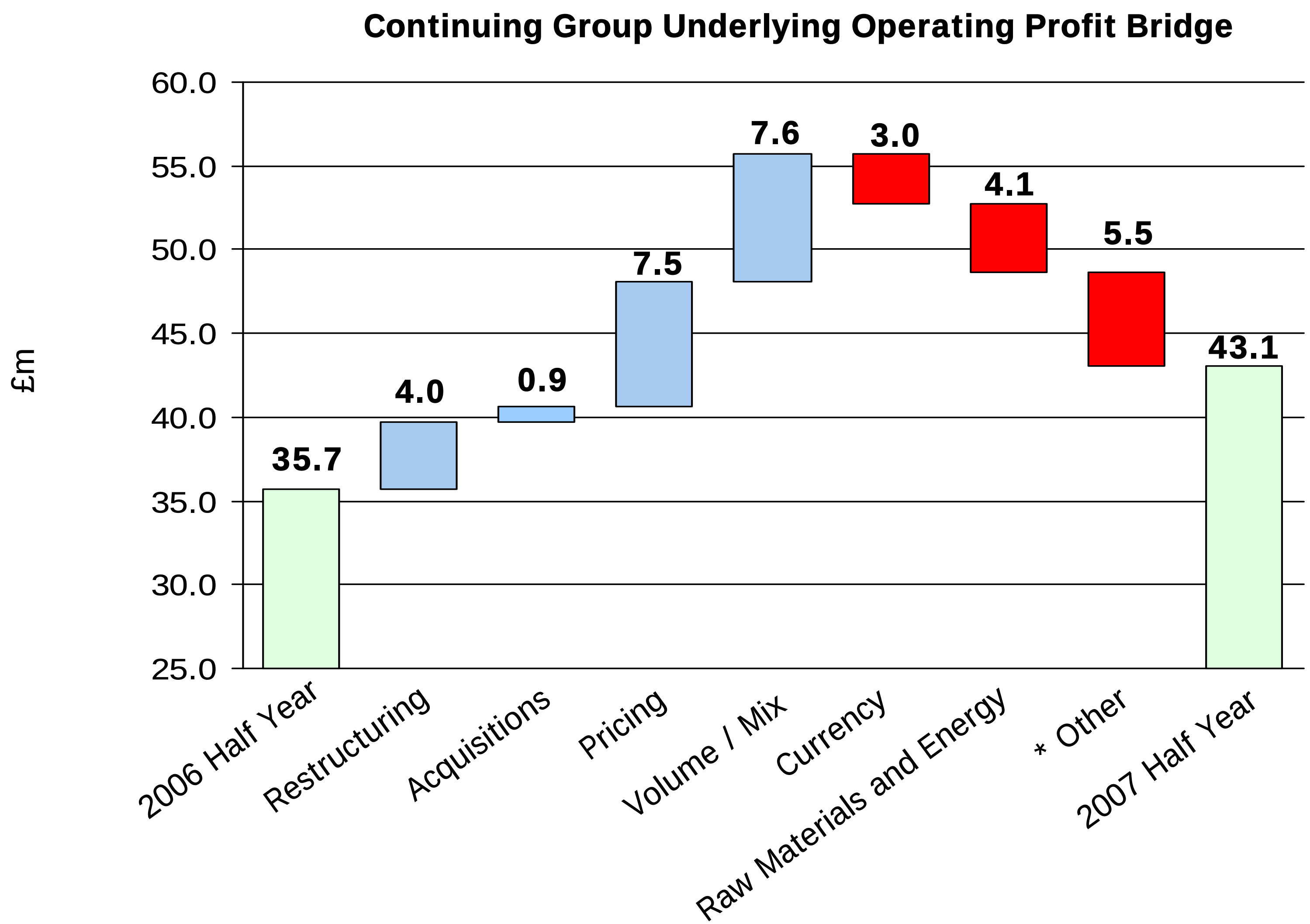
**Excludes discontinued activities and one-off items*

*** Operating profit after one-off items includes the costs of restructuring activity and ongoing costs associated with the settlement of prior period anti trust litigation*

Strong increase in underlying EPS

Half Year £m	1H07	1H06
Revenue	347.8	336.3
Underlying operating profit (EBIT)	43.1	35.7
Restructuring costs and costs of prior period anti-trust litigation	(3.5)	(15.2)
Operating profit after restructuring costs & prior period anti-trust litigation costs	39.6	20.5
Gain/(loss) on disposal of property	(0.5)	0.1
Changes to UK pension schemes	-	11.0
(Loss) on partial disposal of businesses/property	(0.3)	-
Net finance charge	(2.6)	(1.5)
Profit before tax	**36.2**	**30.1**
Tax	(7.1)	(6.7)
Loss on sale of discontinued operations, net of tax	-	(0.6)
Profit for the period	29.1	22.8
Underlying EPS (on a continuing basis)	11.3p	8.5p
Continuing business EBIT/sales ratio	12.4%	10.6%
Interim dividend declared	2.25p	1.5p

Revenue focused initiatives, both price and mix, making the biggest contributions to profit improvement



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

Continued profit margin improvement in all divisions

£m	Revenues		Underlying Operating Profit (EBIT)		EBIT/Sales%	
	1H07	1H06	1H07	1H06	1H07	1H06
Carbon	110.2	106.5	18.2	16.2	16.5%	15.2%
Technical Ceramics	77.8	84.0	9.1	8.9	11.7%	10.6%
Insulating Ceramics	159.8	145.8	18.1	13.1	11.3%	9.0%
Unallocated costs*			(2.3)	(2.5)		
Continuing Group	347.8	336.3	43.1	35.7	12.4%	10.6%

*Includes, 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 providing headroom for acquisitions

	1H07£m	1H06 £m
Net cash generated from operations (before one-off items and loss on disposal of businesses)	29.2	10.0
UK pension scheme contributions	-	(40.0)
Net capital expenditure	(15.1)	(14.1)
Restructuring costs	(4.7)	(13.0)
Anti-trust litigations cash costs	(0.3)	(1.3)
Net interest paid	(3.9)	(1.4)
Tax paid	(9.0)	(3.4)
Dividends paid	(4.4)	-
Free cash flow	(8.2)	(63.2)
Cash outflow from acquisitions/disposals	(2.8)	(5.8)
Share buy-back and LTIP purchases	(32.7)	(6.2)
Other cash flows	0.4	(0.2)
Exchange movement	1.3	2.0
Opening net debt	(34.1)	50.5
Closing net debt	(76.1)	(22.9)

Strength of £ sterling vs US dollar and other currencies has impacted our reported results

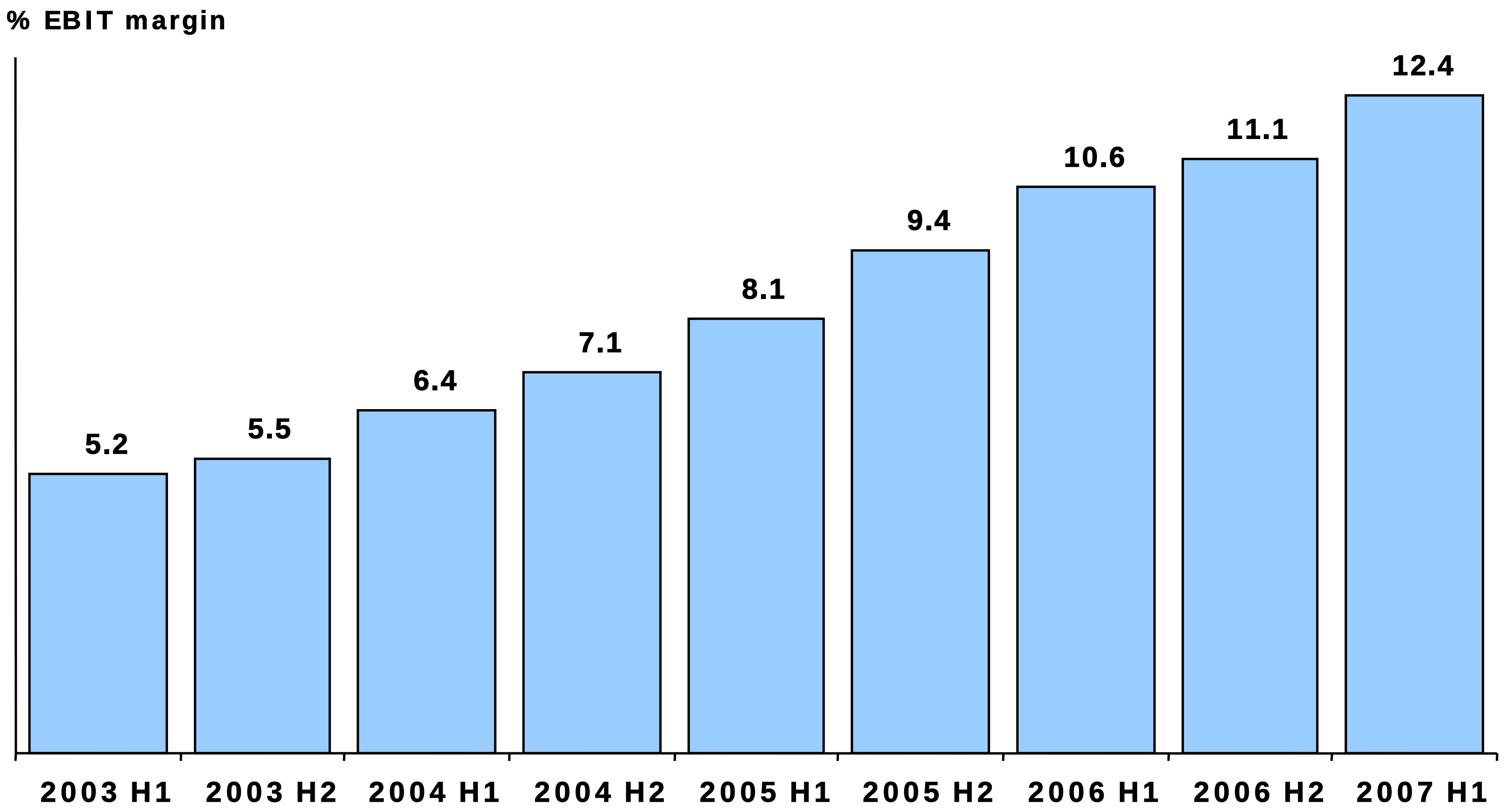
- US $ represents 38% of revenues and 57% of underlying operating profit
- US$ exchange rate was $1.79 last half year – v- $1.97 this half year
- It is not just dollar weakness - an overall basket of currencies representing 80% of our revenue has significantly weakened against sterling
- Full year impact of the basket of currencies at present weakness to £sterling, (i.e. US$ at $2/£) would be c£29m adverse to revenue and c£5.4m to underlying operating profit

Our continuing progress in 2007

Mark Robertshaw

Strong momentum continues in underlying operating profit margins

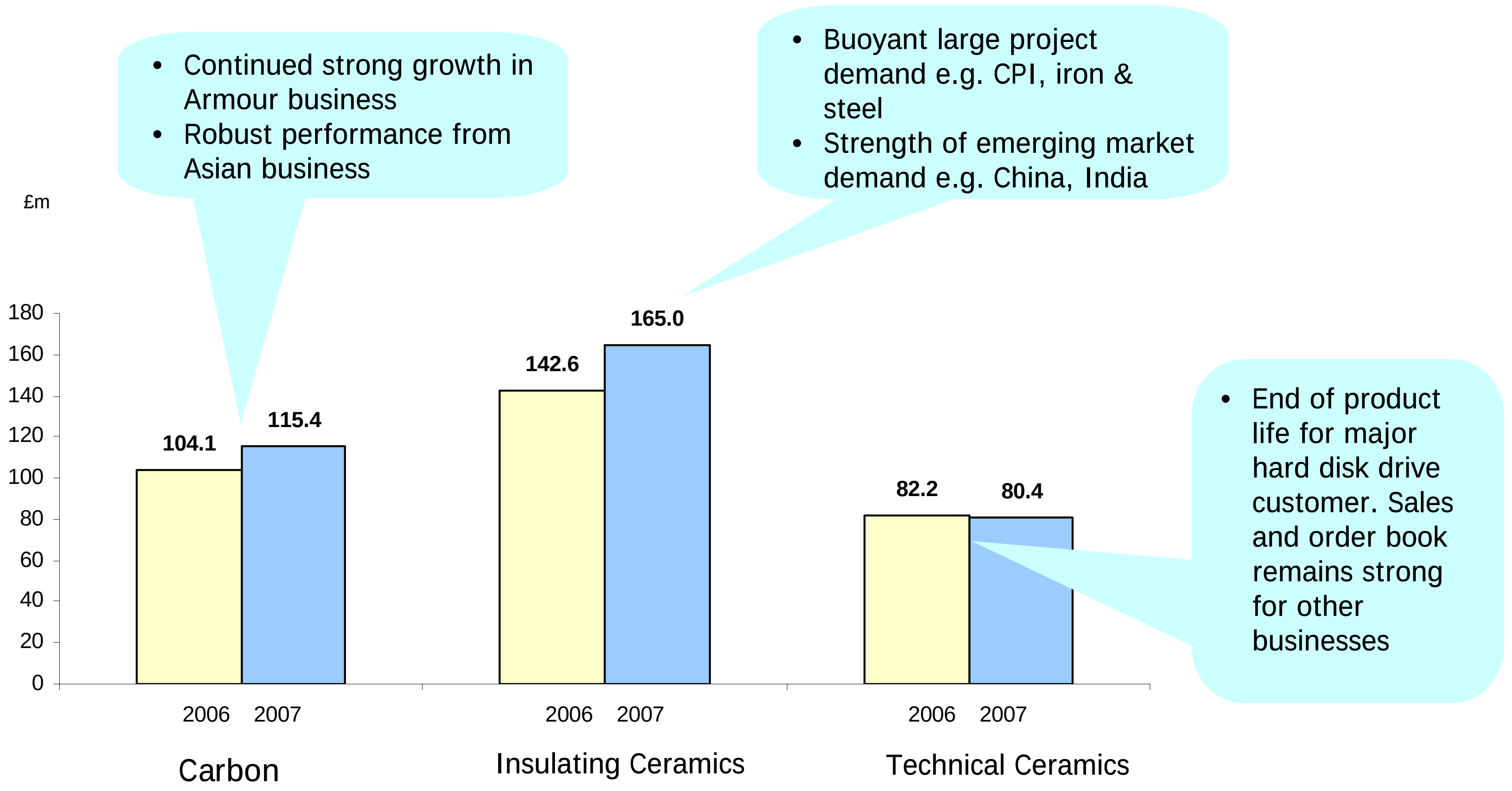
Underlying operating margins* on continuing businesses



* Excludes discontinued activities and one-off items

Approaching 10% top line growth on a constant currency basis

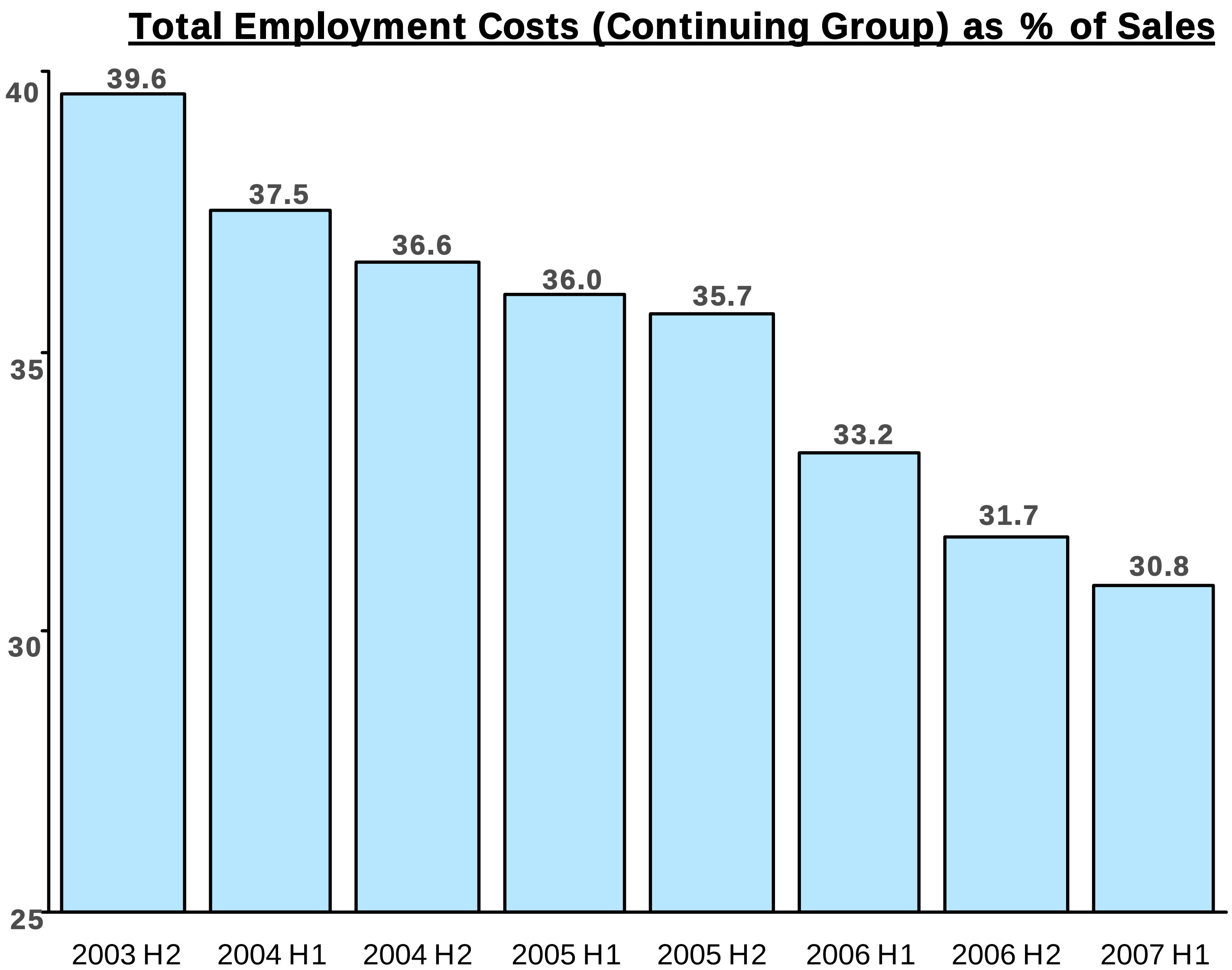
Revenues First Half of Year on a Constant Currency Basis *



Growth 10.9 %	Growth 15.7 %	Growth -2.2 %

* Using 2007 budget exchange rates

Total employment costs as a % of sales continuing to decline – benefiting from good operational leverage

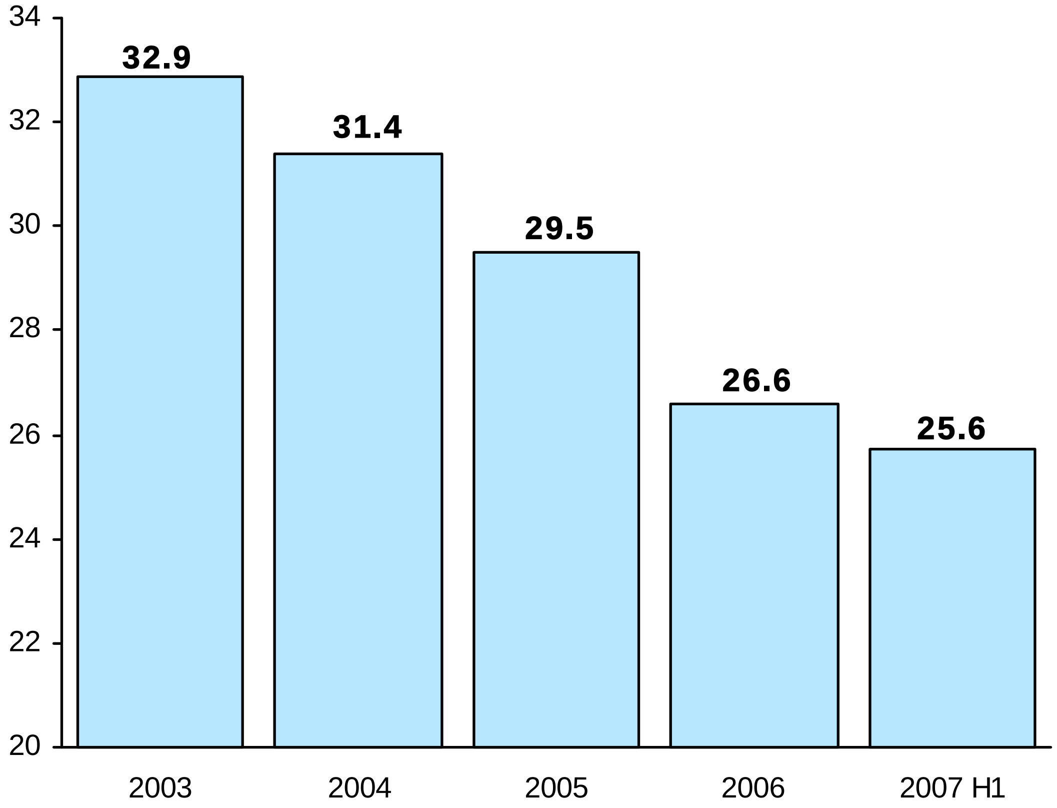


As a Group, we have significantly reduced our cyclical exposure

- Although Morgan Crucible is not immune to the economic cycle, the business today is very different from where it was 4-5 years ago
  - Disposal of more commoditised, cyclically exposed businesses (Auto Consumer, Magnetics)
  - Reduction in low margin, commodity product lines, e.g. telecommunications, semi-con
  - Proactive product / customer mix shift towards higher growth, less economically cyclical segments e.g. medical and aerospace
  - Entry into new, non economically cyclical segments e.g. Armour
  - Geographic expansion into high growth emerging markets, particularly in Asia
  - Much stronger pricing disciplines and tools
  - Significant rationalisation of our manufacturing footprint and major reduction in overhead expenses to reduce the fixed cost element of the cost base.

Our fixed cost base has been managed down substantially since 2003

Overheads as a % of sales



Continuing businesses at constant currency

Key Drivers

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

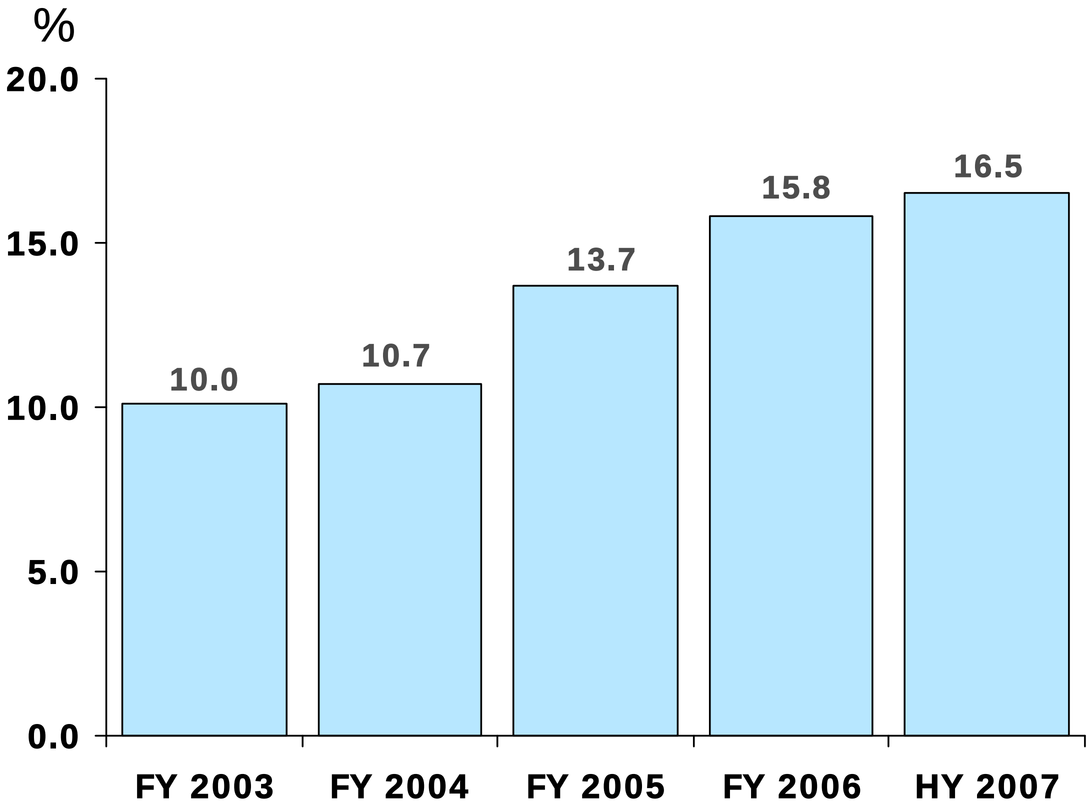
From a low and healthy debt base we will now look (judiciously) to increase gearing

- Historically we have indicated a gearing target of 1 to 1.5x net debt to EBITDA
- Going forward, given the positive mix change and reduced fixed cost base, we believe that 2 to 2.5x net debt to EBITDA is a more appropriate but still prudent level
- This implies £200 – 250m of net debt as our near to medium term gearing target
- Our preference is to use this gearing to accelerate profitable growth of the business both organically and through acquisitions e.g. NP Aerospace – if we cannot find the right things at the right price selective share buy-backs will continue

Divisional Focus

Carbon Division continues its move into higher teen margins

Carbon Division Underlying* Operating Profit Margins



Drivers of Margin improvement

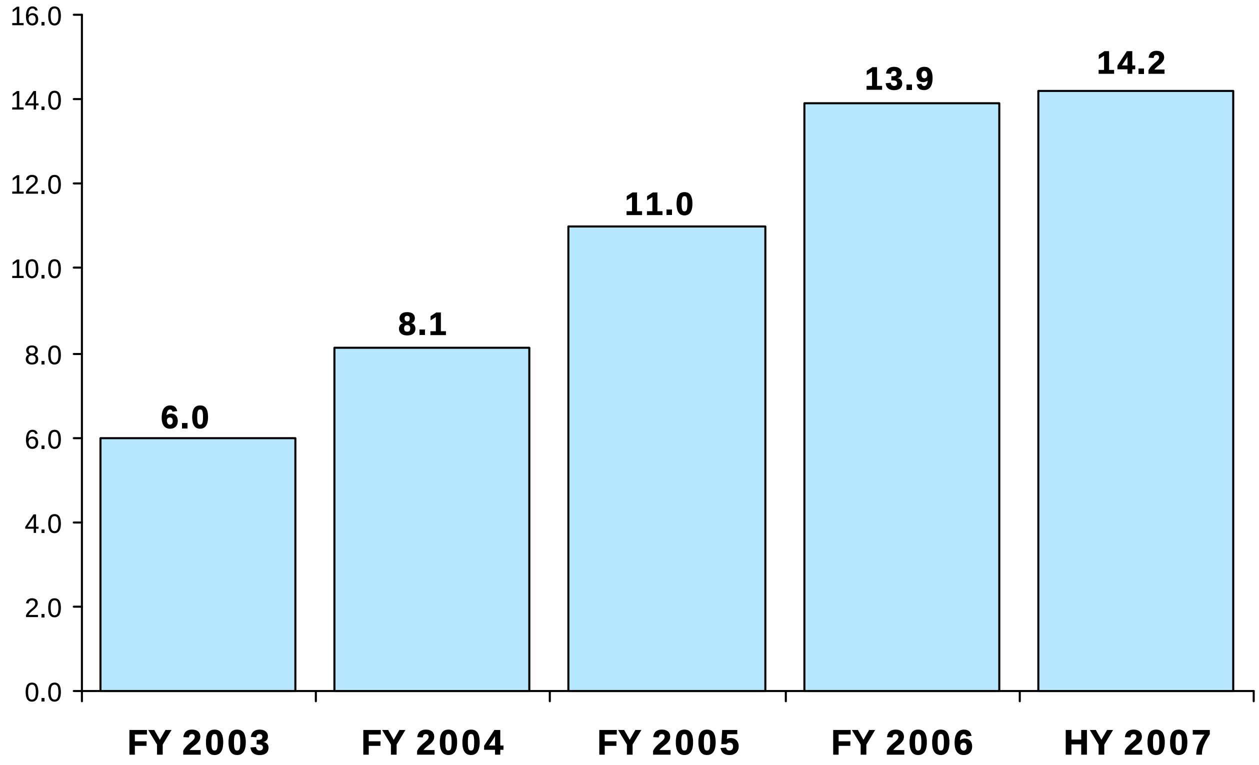
- Strong Armour performance
- Increased higher margin sales in the Americas and in Asia
- Benefit of restructuring projects in America and Europe
- Increased use of low cost manufacturing sites (e.g. Mexico)

* Excludes discontinued activities & one-off items

Carbon - migration to low cost manufacturing, as well as positive mix shift, contributing to ongoing margin improvement

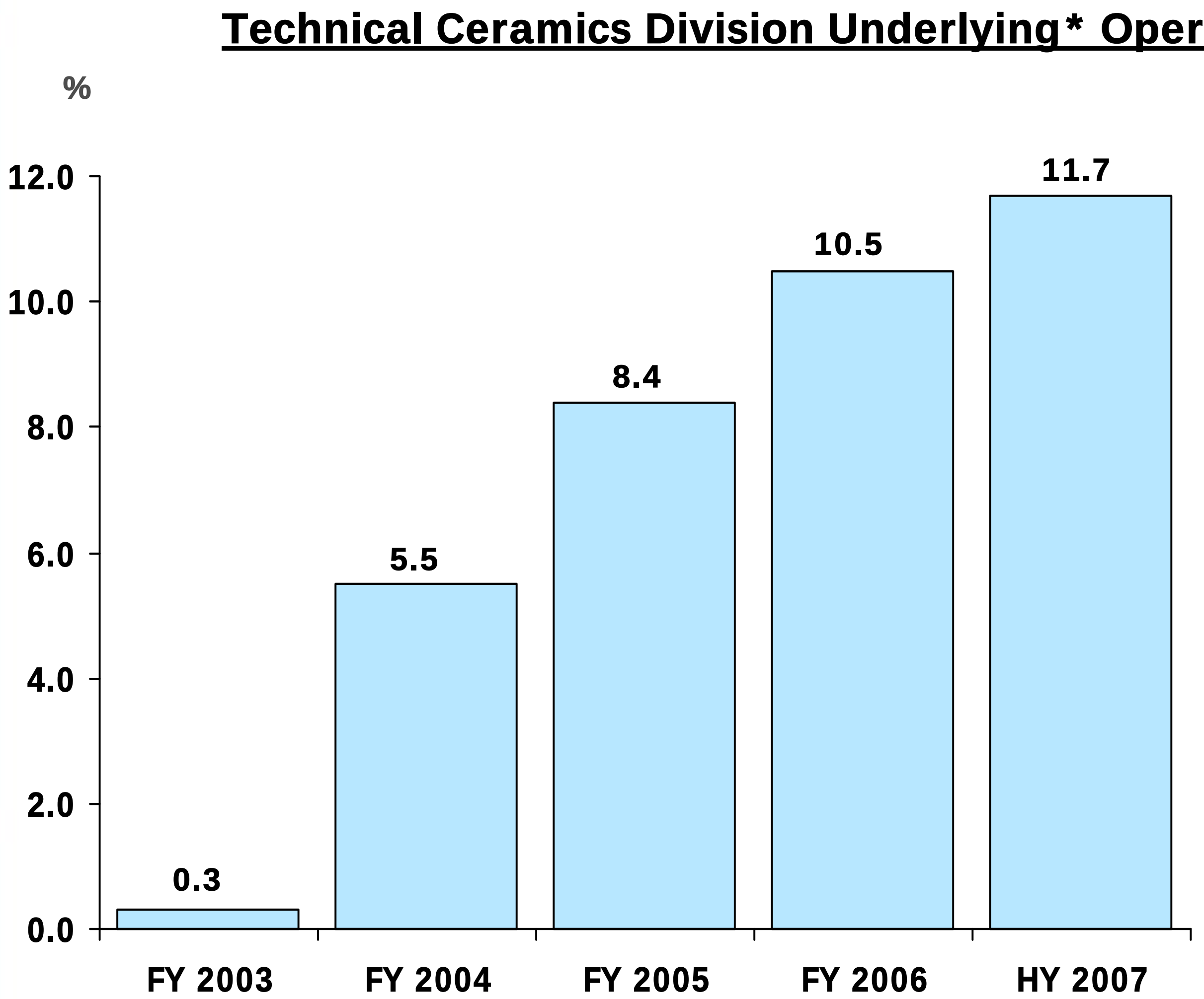
Example: Carbon Mexico

Mexico as % of Carbon Americas' headcount



- Productivity and quality levels in our Mexico site as good as that in US sites....
- ....but at substantially lower employment costs per head

Technical Ceramics also making further margin progress



* Excludes discontinued activities & one-off items

Drivers of Margin Improvement

- H1 revenues impacted by a major product line (HDD) coming to the end of its life cycle
- However margin momentum maintained through positive mix shift and further manufacturing footprint rationalisation
- Underlying markets continue to be strong with healthy order books

Two further foot print rationalisations underway in Technical Ceramics

Eindhoven

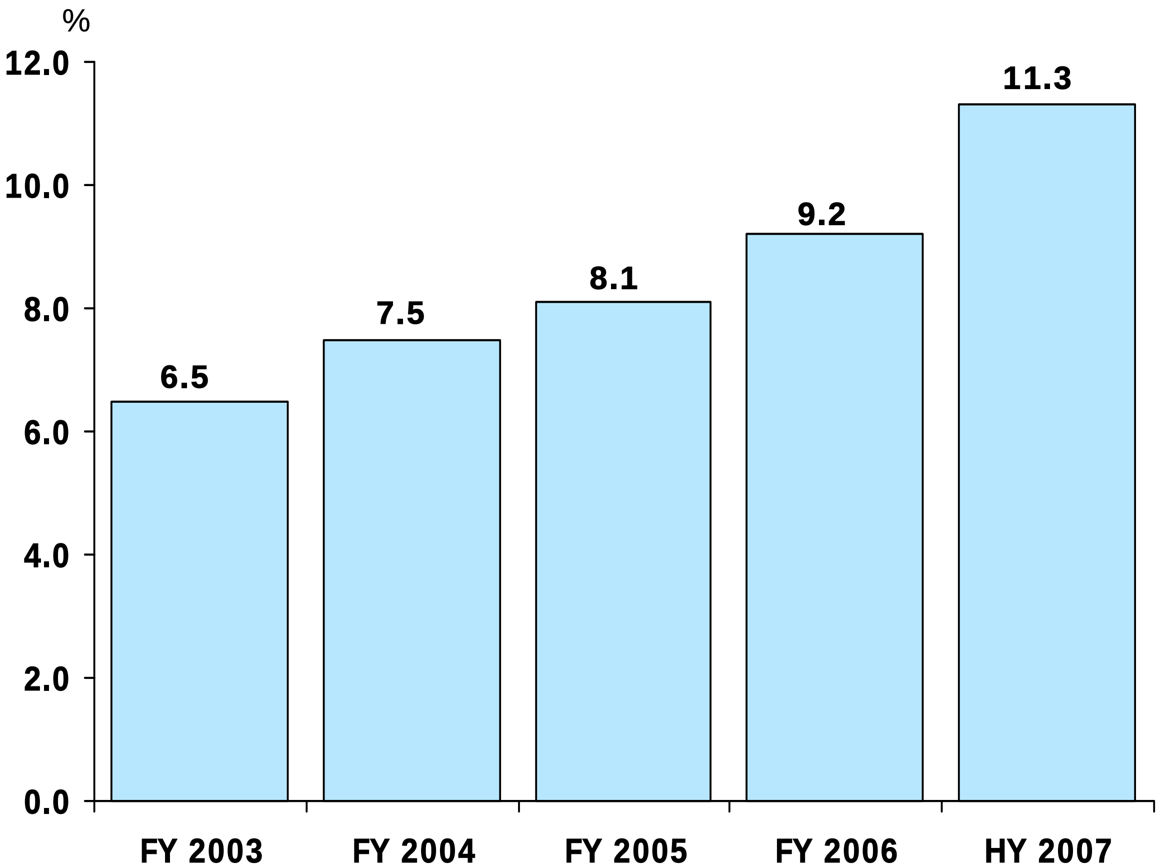
- Exit of small-scale Dutch site (c£4m annual sales)
- Consolidation of business into existing Technical Ceramics sites elsewhere in Europe

Stourport

- Proposed sale of c. 8 acres of existing site for residential land use
- Remaining site reconfigured to reduce overhead costs (e.g. rent, rates, utilities) and direct labour due to tighter, more efficient layout
- Overall programme will result in higher site operating profits and be cash positive

Insulating Ceramics now well into double digit margins

Insulating Ceramics Underlying* Operating Profit Margins



Drivers of Margin Improvement

- Significant project-based orders for petrochemical, aluminium and iron and steel products for the Middle Eastern, Indian and Asia markets
- Successfully implemented price rises
- Continued focus on reduction of overheads
- New CEO of the Thermal Division

* Excludes discontinued activities and one-off items

NP Aerospace acquisition

NP Aerospace: overview of deal

- Initial acquisition of 49% of equity for investment with phased process of moving to majority ownership and control (70% after year 3)
- Entry multiple represents c. 6.5 X EBITDA valuing NP Aerospace at £71m
- 2006 sales of c£46.0m and £10.9m of EBITDA
- Future equity tranches to be purchased based on 7.25 x EBITDA
- Earnings accretive from day one
- Accounted for initially as an associate
  - Morgan will have 2 out of 5 board seats

NP Aerospace: Background (i)

- NPA is a composite technical moulding business with international presence, that develops, manufactures and markets ballistic and non-ballistic products in the defence and civil sectors
- Founded in 1926 by Courtaulds and acquired by The Carlyle Group and NPA senior management from Reinhold Industries in November 2005
- Based in Coventry with 200 employees
- Strong growth across its product range in recent years with high levels of activity in 2006 and 2007 in support of UK MOD Urgent Operational Requirements *(UORs)*

NP Aerospace: Background (ii)

- NPA operates within four lines of business

NP Aerospace

	Personal Protection	Armoured Systems and Vehicles	Medical and Trade Moulding	J.V.
Sales (2006)	£22.8m	£16.4m	£3.5m	£3.2m
Product Description	Composite helmets, ballistic body armour, EOD suits	Armoured vehicles and armour solutions for troop vehicles, tactical logistical vehicles, helicopters	High performance mouldings for medical and other markets	51% holding NPA Jordan

NP Aerospace: 2006 audited financial results

£'m	2006 Actual
Revenues	46.0
EBIT	10.6
- Margin	23.1%
EBITDA	10.9
- Margin	23.6%

NP Aerospace: products

Helmets

Medical

Bomb Disposal

Body Armour

Vehicle Armour

NP Aerospace– Complementary business for Morgan Armour business

- Armour technology
  - Morgan strong ceramic materials capability and NPA expertise in vehicle armour and unique areas of application know-how e.g. helmets, blast protection suits
- Markets
  - Morgan global reach, NPA strong position in UK
- Customer base
  - Morgan diverse defence aerospace and medical business, NPA with UK and new geographic markets
- Management
  - Morgan management with extensive armour expertise, NPA with committed entrepreneurial management (with significant equity investment)

NP Aerospace: meeting our strategic priorities

1. Focus on higher growth, higher margin non-economically 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 ✓

Summary and Outlook

- Strong progression in both top and bottom lines continuing in 2007
- All divisions showing upward positive margin momentum with a strong outlook for 2007
- Robust balance sheet enables us to pursue acquisitions e.g. NP Aerospace
- We believe our exposure to cyclicality has been reduced enabling an increase in our gearing targets

We continue to target mid-teen operating profit margins

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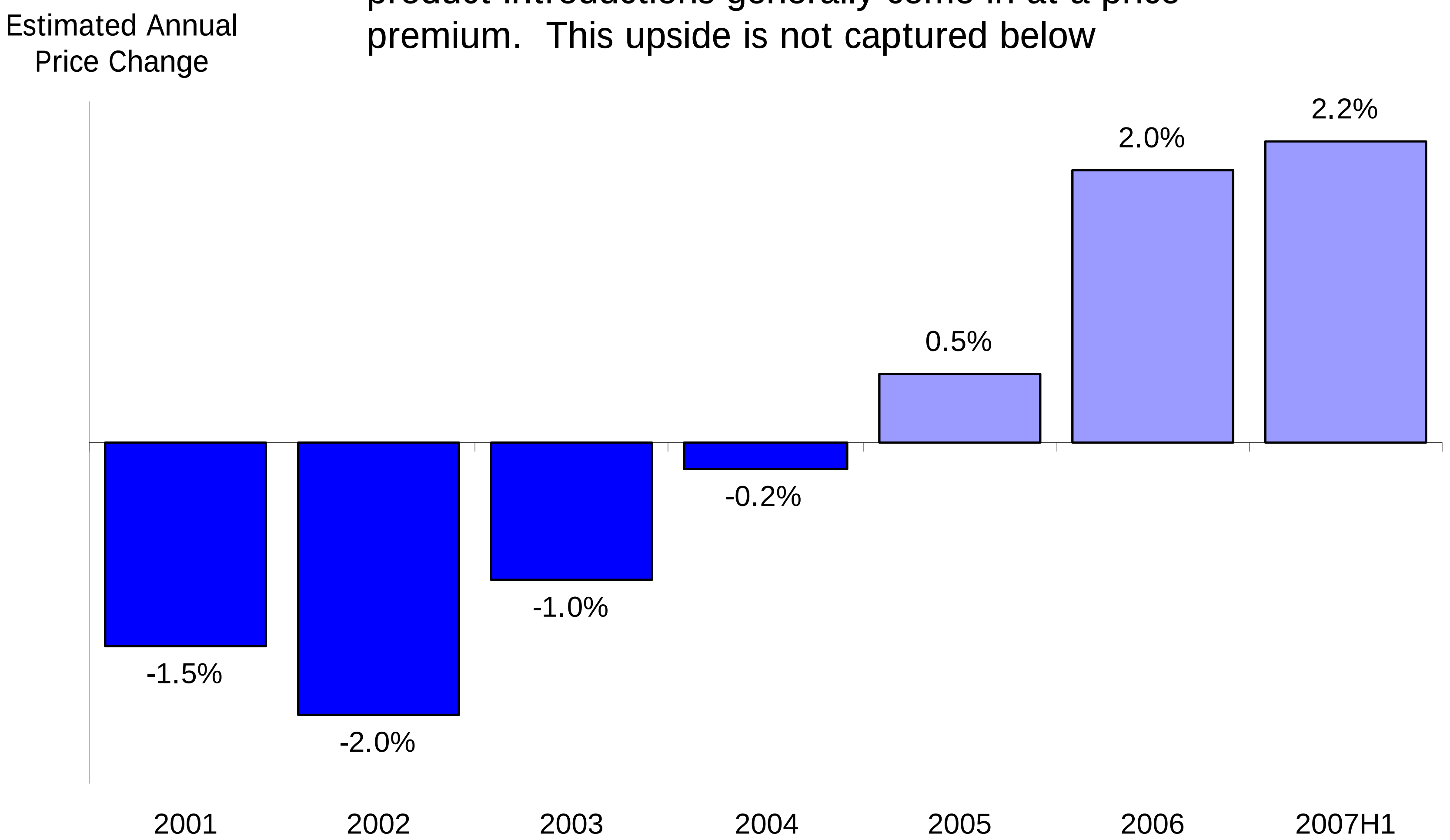
Appendix

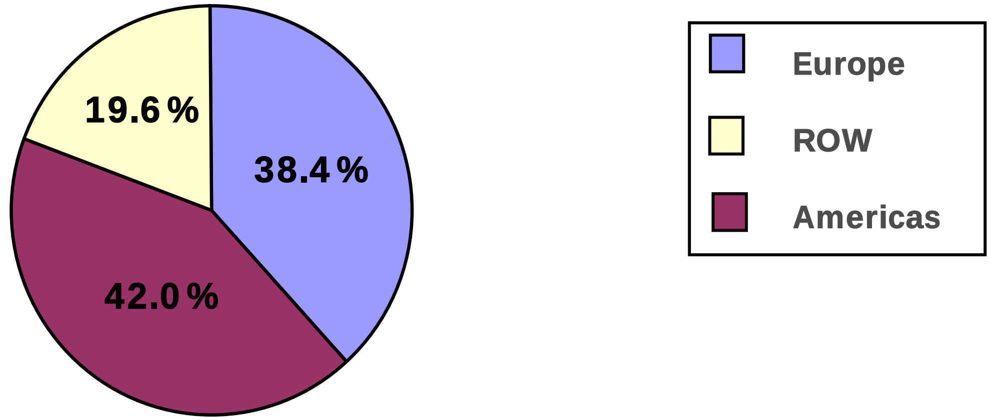
Like for like price increases coming through once more

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

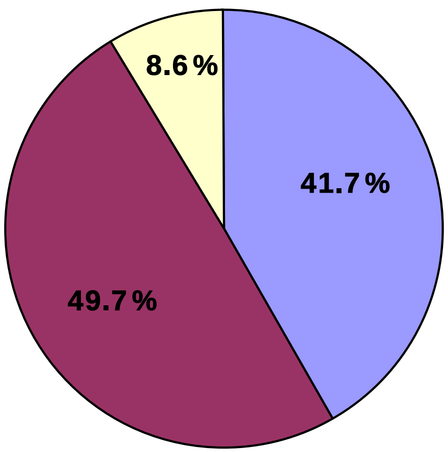


Revenues by destination

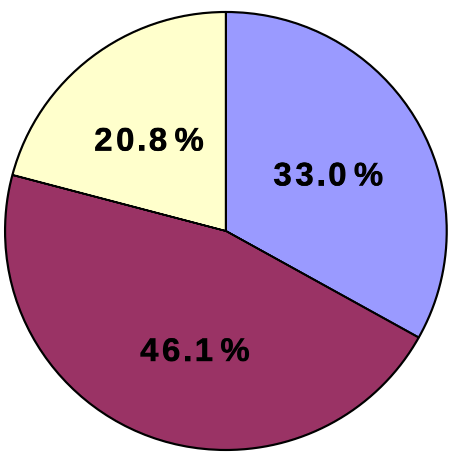
Group (Continuing)



Technical Ceramics



Carbon



Insulating Ceramics