

2015 full year Group results

AGM presentation

Key highlights

- A solid set of results in very challenging market conditions
- Review of strategy performed and overall vision and direction established
- Execution priorities set to deliver resilient financial performance and faster growth

A solid set of results in a very challenging market

	FY15*	FY14*	% change from FY14	
			As reported	At constant currency
	£m	£m	%	%
Revenue	911.8	921.7	-1.1%	-1.2%
EBITA before restructuring and one-off items**	109.6	118.0	-7.1%	-7.7%
EBITA margin % before restructuring and one-off items**	12.0%	12.8%		
EBITA after restructuring and one-off items***	106.0	112.4	-5.7%	-6.2%
EBITA margin % after restructuring and one-off items***	11.6%	12.2%		
PBT before amortisation	88.2	91.6	-3.7%	
Underlying earnings per share	20.8p	22.1p	-5.9%	
Cash flow from operations	135.6	120.0	+13.0%	
Total dividend per share	11.0p	10.9p	+0.9%	

* 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

	FY15 £m	FY14 £m
Cash from trading*	136.8	146.1
Change in working capital	12.1	(10.4)
Change in provisions	(13.3)	(15.7)
Cash flow from operations	135.6	120.0
Net capital expenditure	(62.7)	(32.5)
Net interest paid	(11.2)	(15.3)
Tax paid on ordinary activities	(29.9)	(20.0)
Restructuring costs and other one-off items	(5.5)	(12.1)
Free cash flow before acquisitions and dividends	26.3	40.1
Dividends paid	(31.4)	(30.2)
Cash flows from other investing and financing activities	0.9	(23.0)
Exchange movement and other items	(4.8)	(7.4)
Opening net debt	(207.0)	(186.5)
Closing net debt	(216.0)	(207.0)

- Operating working capital/sales reduced to 20.7% (2014: 22.3%)
- Capex includes £12m for Swansea freehold; other major spend on capacity and capability in USA, Middle East, Korea and China, particularly Thermal
- Net debt:EBITDA at 1.6 times (2014: 1.4 times); impacted by \$ and € strength at year end

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

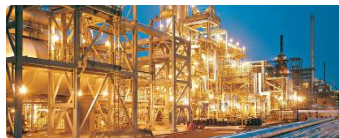
Strategy and operational update

First impressions

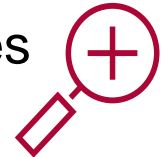


Strengths

- Leading technology and material science capability and process know-how
- Application engineering
- Customer focus, reputation and brand
- Strong market positions
- People and culture

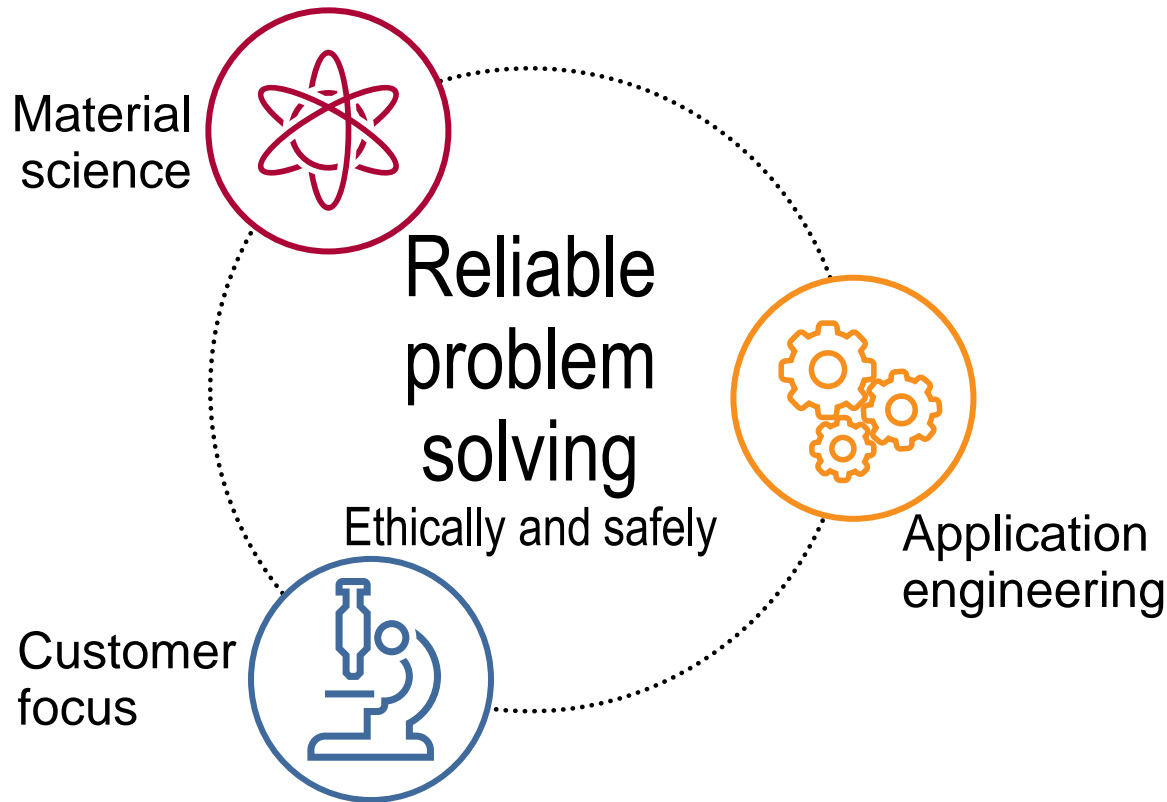


Opportunities to improve



- Complexity of the business
- Global coordination of the business
- Operational execution
- Sales effectiveness and market focus
- Talent management and development

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

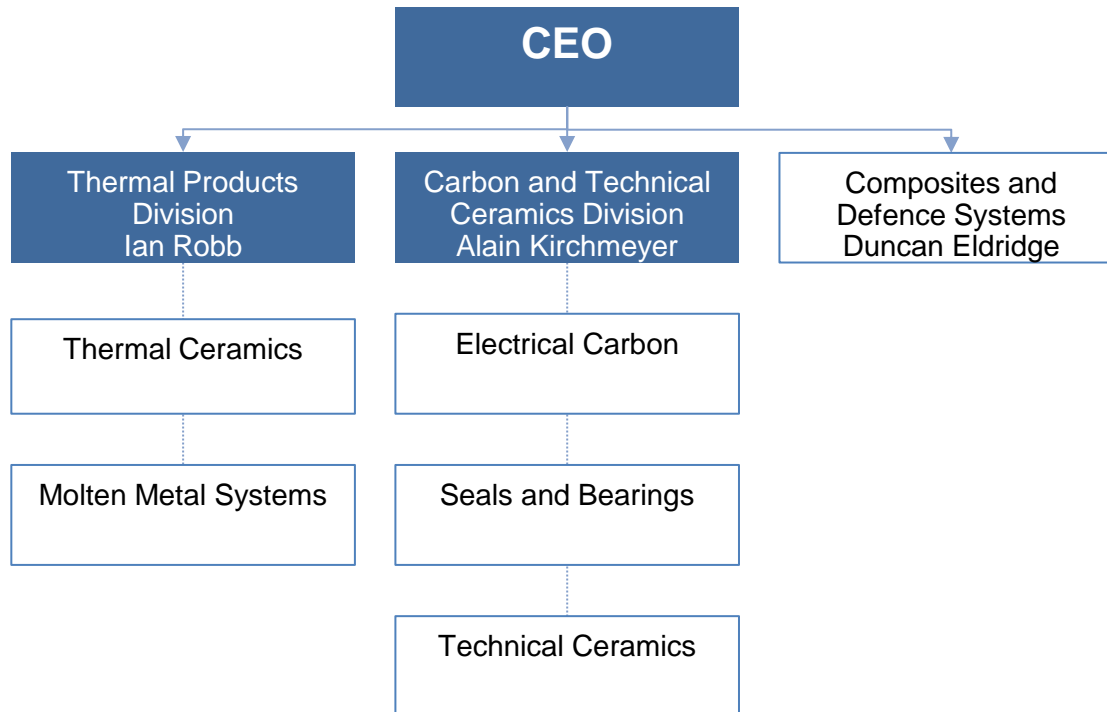
→ Strengthen the Group to deliver **resilient financial performance and faster growth**

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

Our new structure has two divisions and 6 Global Business Units

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- Simplified approach to global customers and market opportunities
- Improving operational efficiency through global best practice
- Leveraging R&D investment across regions
- Better global synergies
- Leaner cost structure

Two global divisions and six product-based Global Business Units

Six Global Business Units

Our business units	Revenue £m	EBITA margin	Position
Thermal Ceramics	372	14.7%	Leader
Molten Metal Systems	40	13.9%	Leader
Electrical Carbon	146	12.8%	Top 3
Seals and Bearings	88	11.2%	Leader
Technical Ceramics	238	11.4%	Niche
Composites and Defence Systems	28	(3.6%)	Niche
Group	912	12.0%	

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Characteristics of a Morgan business

- Scale and scalable global businesses
- Attractive growing markets
- Ability to add value - fit with our core capabilities
- Synergies with the rest of the portfolio
- Organisationally robust
- Delivering, or capable of delivering, strong financial performance

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Summary

- A solid set of results in very challenging market conditions
- Review of strategy performed and overall vision and direction established
- Execution priorities set to deliver resilient financial performance and faster growth
- We take a cautious view of market conditions, focusing on increasing our efficiency and reinvesting in the business