

# INDEPENDENT REVIEW REPORT

to Johnson Matthey Plc

## Introduction

We have been engaged by the company to review the condensed consolidated accounts in the Half-Yearly Report for the six months ended 30th September 2008 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Recognised Income and Expense and the related explanatory notes. We have read the other information contained in the Half-Yearly Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated accounts.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules (DTR) of the UK's Financial Services Authority (UK FSA). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

## Directors' responsibilities

The Half-Yearly Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half-Yearly Report in accordance with the DTR of the UK FSA.

The annual accounts of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU). The condensed consolidated accounts included in this Half-Yearly Report have been prepared in accordance with IAS 34 – 'Interim Financial Reporting' as adopted by the EU.

## Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated accounts in the Half-Yearly Report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 – 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the UK. A review of half-yearly financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated accounts in the Half-Yearly Report for the six months ended 30th September 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

## KPMG Audit Plc

Chartered Accountants  
8 Salisbury Square, London  
25th November 2008

# CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30th September 2008

		Six months ended 30.9.08	30.9.07 restated £ million	Year ended 31.3.08 £ million
	Notes	£ million	£ million	£ million
<b>Revenue</b>		<b>4,355.0</b>	3,512.0	7,498.7
Cost of sales	2	<b>(4,081.6)</b>	(3,293.6)	(7,006.7)
Gross profit		<b>273.4</b>	218.4	492.0
Operating expenses		<b>(109.1)</b>	(85.3)	(195.2)
Amortisation of acquired intangibles	4	<b>(4.6)</b>	(0.7)	(3.1)
<b>Operating profit</b>	2,3	<b>159.7</b>	132.4	293.7
Finance costs		<b>(22.7)</b>	(19.1)	(39.9)
Finance income		<b>2.8</b>	6.6	9.6
Share of profit of associate		<b>0.5</b>	0.2	(1.1)
<b>Profit before tax</b>		<b>140.3</b>	120.1	262.3
Income tax expense		<b>(41.3)</b>	(32.5)	(77.2)
<b>Profit for the period from continuing operations</b>		<b>99.0</b>	87.6	185.1
(Loss) / profit for the period from discontinued operations	7	<b>(0.4)</b>	–	0.3
<b>Profit for the period</b>		<b>98.6</b>	87.6	185.4
<b>Attributable to:</b>				
<b>Equity holders of the parent company</b>		<b>98.6</b>	88.1	186.2
Minority interests		<b>–</b>	(0.5)	(0.8)
		<b>98.6</b>	87.6	185.4
		<b>pence</b>	restated pence	pence
<b>Earnings per ordinary share attributable to the equity holders of the parent company</b>				
Continuing operations				
Basic	5	<b>47.0</b>	41.8	88.3
Diluted	5	<b>46.4</b>	41.2	86.9
Total				
Basic	5	<b>46.8</b>	41.8	88.5
Diluted	5	<b>46.2</b>	41.2	87.1

# CONDENSED CONSOLIDATED BALANCE SHEET

as at 30th September 2008

	Notes	30.9.08 £ million	30.9.07 £ million	31.3.08 restated £ million
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		755.6	611.3	717.6
Goodwill		483.0	399.4	480.4
Other intangible assets		110.4	39.7	110.3
Deferred income tax assets		9.8	11.5	22.3
Investments and other receivables		12.0	10.2	9.3
Swaps related to borrowings	9	6.5	–	12.6
Post-employment benefits net assets		73.9	53.5	68.5
<b>Total non-current assets</b>		<b>1,451.2</b>	1,125.6	1,421.0
<b>Current assets</b>				
Inventories		397.9	407.8	380.4
Current income tax assets		64.1	8.1	6.2
Trade and other receivables		661.7	499.6	647.3
Cash and deposits	9	82.3	90.0	102.1
Investments and other financial assets		16.3	8.7	6.0
Other current assets		–	7.1	–
Assets classified as held for sale		33.0	–	30.2
<b>Total current assets</b>		<b>1,255.3</b>	1,021.3	1,172.2
<b>Total assets</b>		<b>2,706.5</b>	2,146.9	2,593.2
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		(501.2)	(396.8)	(482.4)
Current income tax liabilities		(80.2)	(56.1)	(76.5)
Borrowings and finance leases	9	(58.4)	(31.5)	(122.0)
Other financial liabilities		(37.2)	(9.3)	(19.2)
Provisions		(6.6)	(9.2)	(5.1)
Liabilities classified as held for sale		(8.9)	–	(7.1)
<b>Total current liabilities</b>		<b>(692.5)</b>	(502.9)	(712.3)
<b>Non-current liabilities</b>				
Borrowings, finance leases and related swaps	9	(650.2)	(477.4)	(603.1)
Deferred income tax liabilities		(78.5)	(41.2)	(49.1)
Employee benefits obligations		(58.8)	(50.9)	(52.1)
Provisions		(14.3)	(8.5)	(13.3)
Other payables		(1.1)	(1.1)	(3.0)
<b>Total non-current liabilities</b>		<b>(802.9)</b>	(579.1)	(720.6)
<b>Total liabilities</b>		<b>(1,495.4)</b>	(1,082.0)	(1,432.9)
<b>Net assets</b>		<b>1,211.1</b>	1,064.9	1,160.3
<b>Equity</b>				
Share capital		220.7	220.7	220.7
Share premium account		148.3	148.3	148.3
Shares held in employee share ownership trusts		(62.1)	(71.8)	(68.6)
Other reserves		(10.1)	(11.3)	(20.6)
Retained earnings		913.1	777.3	879.1
<b>Total equity attributable to equity holders of the parent company</b>		<b>1,209.9</b>	1,063.2	1,158.9
Minority interests		1.2	1.7	1.4
<b>Total equity</b>	8	<b>1,211.1</b>	1,064.9	1,160.3

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30th September 2008

	Notes	Six months ended 30.9.08 £ million	30.9.07 £ million	Year ended 31.3.08 £ million
<b>Cash flows from operating activities</b>				
Profit before tax		140.3	120.1	262.3
Adjustments for:				
Share of (profit) / loss in associate		(0.5)	(0.2)	1.1
Discontinued operations		(0.4)	–	0.3
Depreciation, amortisation and profit on sale of non-current assets and investments		48.5	37.8	82.0
Share-based payments		2.4	2.0	4.3
Changes in working capital and provisions		(9.3)	(34.9)	(100.4)
Changes in fair value of financial instruments		10.8	1.3	2.3
Net finance costs		19.9	12.5	30.3
Income tax paid		(66.7)	(31.6)	(71.5)
<b>Net cash inflow from operating activities</b>		<b>145.0</b>	<b>107.0</b>	<b>210.7</b>
<b>Cash flows from investing activities</b>				
Dividends received from associate		–	0.3	0.4
Purchases of non-current assets and investments		(68.6)	(58.8)	(145.1)
Proceeds from sale of non-current assets and investments		0.1	1.2	1.5
Purchases of businesses and minority interests		(1.7)	–	(158.1)
Net proceeds from sale of businesses and minority interests		(0.3)	(0.8)	(1.8)
<b>Net cash outflow from investing activities</b>		<b>(70.5)</b>	<b>(58.1)</b>	<b>(303.1)</b>
<b>Cash flows from financing activities</b>				
Net purchase of own shares		0.6	(47.7)	(44.6)
Proceeds from borrowings and finance leases		40.3	72.4	208.0
Dividends paid to equity holders of the parent company	6	(54.7)	(50.0)	(72.3)
Interest paid		(21.2)	(18.8)	(39.4)
Interest received		2.8	6.7	9.7
<b>Net cash (outflow) / inflow from financing</b>		<b>(32.2)</b>	<b>(37.4)</b>	<b>61.4</b>
<b>Increase / (decrease) in cash and cash equivalents in period</b>		<b>42.3</b>	<b>11.5</b>	<b>(31.0)</b>
Exchange differences on cash and cash equivalents		(0.1)	0.2	9.5
Cash and cash equivalents at beginning of period		38.5	60.0	60.0
<b>Cash and cash equivalents at end of period</b>	9	<b>80.7</b>	<b>71.7</b>	<b>38.5</b>
<b>Reconciliation to net debt</b>				
Increase / (decrease) in cash and cash equivalents in period		42.3	11.5	(31.0)
Proceeds from borrowings and finance leases		(40.3)	(72.4)	(208.0)
Change in net debt resulting from cash flows		2.0	(60.9)	(239.0)
Borrowings acquired with subsidiaries		–	–	(3.6)
Exchange differences on net debt		(11.4)	6.8	(3.0)
Movement in net debt in period		(9.4)	(54.1)	(245.6)
Net debt at beginning of period		(610.4)	(364.8)	(364.8)
<b>Net debt at end of period</b>	9	<b>(619.8)</b>	<b>(418.9)</b>	<b>(610.4)</b>

# CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the six months ended 30th September 2008

	Six months ended <b>30.9.08</b> £ million	30.9.07 £ million	Year ended 31.3.08 £ million
Currency translation differences on foreign currency net investments and related loans	<b>31.6</b>	(0.9)	30.7
Fair value gain on available-for-sale investments transferred to profit on sale	–	–	(0.1)
Cash flow hedges	<b>1.3</b>	(0.5)	(12.3)
Fair value losses on net investment hedges	<b>(18.9)</b>	(0.2)	(37.5)
Actuarial gain on post-employment benefits assets and liabilities	–	–	16.2
Tax on above items taken directly to or transferred from equity	<b>(3.5)</b>	2.5	6.9
<b>Net income recognised directly in equity</b>	<b>10.5</b>	0.9	3.9
Profit for the period	<b>98.6</b>	87.6	185.4
<b>Total recognised income and expense relating to the period</b>	<b>109.1</b>	88.5	189.3
<b>Total recognised income and expense attributable to:</b>			
<b>Equity holders of the parent company</b>	<b>109.1</b>	89.2	190.1
Minority interests	–	(0.7)	(0.8)
	<b>109.1</b>	88.5	189.3

# NOTES ON THE ACCOUNTS

for the six months ended 30th September 2008

## 1 Basis of preparation

The half-yearly accounts were approved by the Board of Directors on 25th November 2008, and are unaudited but have been reviewed by the auditors. These condensed consolidated accounts do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985, but have been prepared in accordance with International Accounting Standard (IAS) 34 – ‘Interim Financial Reporting’ and on the basis of the accounting policies set out in the Annual Report and Accounts for the year ended 31st March 2008. Information in respect of the year ended 31st March 2008 is derived from the company’s statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors’ report on those statutory accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statement under sections 237(2) and 237(3) of the Companies Act 1985.

The balance sheet for 31st March 2008 has been restated for the adjustments to the fair value of the net assets acquired and goodwill on acquisition of Argillon described in note 11. The income statement for the six months ended 30th September 2007 has been restated to show amortisation of acquired intangibles separately (note 4).

## 2 Segmental information by business segment

	Environmental Technologies £ million	Precious Metal Products £ million	Fine Chemicals & Catalysts £ million	Total £ million
<b>Six months ended 30th September 2008</b>				
Sales to external customers	<b>1,316.2</b>	<b>2,719.0</b>	<b>319.8</b>	<b>4,355.0</b>
External sales excluding the value of precious metals	<b>595.8</b>	<b>168.3</b>	<b>160.2</b>	<b>924.3</b>
Underlying segment result	<b>77.8</b>	<b>64.2</b>	<b>32.4</b>	<b>174.4</b>
Amortisation of acquired intangibles	<b>(4.6)</b>	<b>–</b>	<b>–</b>	<b>(4.6)</b>
Segment result	<b>73.2</b>	<b>64.2</b>	<b>32.4</b>	<b>169.8</b>
Unallocated corporate expenses				<b>(10.1)</b>
<b>Operating profit</b>				<b>159.7</b>
<b>Six months ended 30th September 2007 (restated)</b>				
Sales to external customers	1,055.3	2,201.1	255.6	3,512.0
External sales excluding the value of precious metals	541.3	150.7	147.5	839.5
Underlying segment result	65.9	47.2	31.0	144.1
Amortisation of acquired intangibles	(0.7)	–	–	(0.7)
Segment result	65.2	47.2	31.0	143.4
Unallocated corporate expenses				(11.0)
<b>Operating profit</b>				<b>132.4</b>
<b>Year ended 31st March 2008</b>				
Sales to external customers	2,289.7	4,688.1	520.9	7,498.7
External sales excluding the value of precious metals	1,139.6	307.4	303.2	1,750.2
Underlying segment result	147.3	102.1	67.1	316.5
Amortisation of acquired intangibles	(3.1)	–	–	(3.1)
Segment result	144.2	102.1	67.1	313.4
Unallocated corporate expenses				(19.7)
<b>Operating profit</b>				<b>293.7</b>

# NOTES ON THE ACCOUNTS

for the six months ended 30th September 2008

## 3 Effect of exchange rate changes on translation of foreign subsidiaries' external sales excluding the value of precious metals and operating profits

	Six months ended 30.9.08	30.9.07	Year ended 31.3.08
<b>Average exchange rates used for translation of results of foreign operations</b>			
US dollar / £	1.934	2.005	2.007
Euro / £	1.262	1.471	1.417
South African rand / £	15.01	14.22	14.30

The main impact of exchange rate movements on the group's sales and operating profit comes from the translation of foreign subsidiaries' profits into sterling. The one significant exception is the South African rand where the translational impact is more than offset by the impact of movements in the rand on operating margins. Consequently the analysis below excludes the translational impact of the rand.

	Six months ended 30.9.08	Six months ended 30.9.07 At last year's rates restated £ million	At this year's rates	Change at this year's rates
	£ million	£ million	£ million	%
<b>External sales excluding the value of precious metals</b>				
Environmental Technologies	595.8	541.3	553.5	+8
Precious Metal Products	168.3	150.7	159.9	+5
Fine Chemicals & Catalysts	160.2	147.5	155.7	+3
<b>External sales excluding the value of precious metals</b>	<b>924.3</b>	<b>839.5</b>	<b>869.1</b>	<b>+6</b>
<b>Underlying operating profit</b>				
Environmental Technologies	77.8	65.9	67.7	+15
Precious Metal Products	64.2	47.2	49.4	+30
Fine Chemicals & Catalysts	32.4	31.0	32.4	–
Unallocated corporate expenses	(10.1)	(11.0)	(11.1)	
<b>Underlying operating profit</b>	<b>164.3</b>	<b>133.1</b>	<b>138.4</b>	<b>+19</b>

## 4 Amortisation of acquired intangibles

The amortisation of acquired intangible assets which arise on the acquisition of businesses is separated from operating expenses and is shown separately on the face of the income statement. The income statement for the six months ended 30th September 2007 has been restated accordingly. It is excluded from underlying operating profit.

## 5 Earnings per ordinary share

The calculation of earnings per ordinary share is based on a weighted average of 210,657,089 shares in issue (six months ended 30th September 2007 – 210,736,061 shares, year ended 31st March 2008 – 210,502,894 shares). The calculation of diluted earnings per ordinary share is based on the weighted average number of shares in issue adjusted by the dilutive outstanding share options and long term incentive plans. These adjustments give rise to an increase in the weighted average number of shares in issue of 2,983,515 (six months ended 30th September 2007 restated – 2,907,741 shares, year ended 31st March 2008 – 3,313,868 shares).

Underlying earnings per ordinary share are calculated as follows:

	Six months ended 30.9.08	30.9.07 restated £ million	Year ended 31.3.08
	£ million	£ million	£ million
Profit for the period attributable to equity holders of the parent company	98.6	88.1	186.2
Amortisation of acquired intangibles	4.6	0.7	3.1
Tax effect of UK corporation tax rate change	–	(1.8)	–
Tax thereon	(1.3)	(0.2)	(0.9)
<b>Underlying profit</b>	<b>101.9</b>	<b>86.8</b>	<b>188.4</b>
	<b>pence</b>	<b>restated pence</b>	<b>pence</b>
Basic underlying earnings per share	48.4	41.2	89.5

# NOTES ON THE ACCOUNTS

for the six months ended 30th September 2008

## 6 Dividends

An interim dividend of 11.1 pence per ordinary share will be paid on 3rd February 2009 to shareholders on the register at the close of business on 5th December 2008. The estimated amount to be paid is £23.4 million and has not been recognised in these accounts.

	Six months ended 30.9.08 £ million	30.9.07 £ million	Year ended 31.3.08 £ million
2006/07 final ordinary dividend paid – 23.7 pence per share	–	50.0	50.0
2007/08 interim ordinary dividend paid – 10.6 pence per share	–	–	22.3
2007/08 final ordinary dividend paid – 26.0 pence per share	<b>54.7</b>	–	–
	<b>54.7</b>	50.0	72.3

## 7 Discontinued operations

As part of the acquisition of Argillon (note 11) the group acquired an insulators and alumina business which it is actively marketing. At 30th September 2008 and 31st March 2008 it has been classified as held for sale.

## 8 Changes in equity

	Six months ended 30.9.08 £ million	30.9.07 £ million	Year ended 31.3.08 £ million
Equity at beginning of period	<b>1,160.3</b>	1,078.1	1,078.1
Total recognised income and expense relating to the period	<b>109.1</b>	88.5	189.3
Dividends paid to equity holders of the parent company	<b>(54.7)</b>	(50.0)	(72.3)
Dividends payable to minority interests	<b>(0.2)</b>	(0.2)	(0.4)
Minority interest arising on acquisition of subsidiary	–	0.2	0.2
New share capital subscribed	–	2.2	2.2
Purchase of own shares	–	(39.1)	(39.1)
Net purchase of shares for employee share ownership trusts	<b>0.6</b>	(10.8)	(7.7)
Share-based payments (net of shares transferred to employees)	<b>2.4</b>	2.0	4.3
Tax on items taken directly to or transferred from equity	<b>(6.4)</b>	(6.0)	5.7
<b>Equity at end of period</b>	<b>1,211.1</b>	1,064.9	1,160.3

## 9 Net debt

	30.9.08 £ million	30.9.07 £ million	31.3.08 £ million
Cash and deposits	<b>82.3</b>	90.0	102.1
Bank overdrafts	<b>(1.6)</b>	(18.3)	(63.6)
Cash and cash equivalents	<b>80.7</b>	71.7	38.5
Current other borrowings and finance leases	<b>(56.8)</b>	(13.2)	(58.4)
Non-current swaps related to borrowings	<b>6.5</b>	–	12.6
Non-current borrowings, finance leases and related swaps	<b>(650.2)</b>	(477.4)	(603.1)
<b>Net debt</b>	<b>(619.8)</b>	(418.9)	(610.4)

## 10 Precious metal operating leases

The group leases precious metals from banks for specified periods (typically a few months) and for which the group pays a fee. These arrangements are classified as operating leases. The group holds sufficient precious metal inventories to meet all the obligations under these lease arrangements as they fall due. At 30th September 2008 precious metal leases were £127.2 million (30th September 2007 £54.9 million, 31st March 2008 £86.1 million).

# NOTES ON THE ACCOUNTS

for the six months ended 30th September 2008

## 11 Acquisitions

On 6th February 2008 the group acquired 100% of the issued share capital of Argillon Group (Argillon). When the accounting records of the insulators and alumina businesses were separated from the other Argillon businesses it was found that the carrying amount of the assets and liabilities immediately prior to acquisition had been incorrectly allocated between the businesses. This changes the fair values at acquisition and the goodwill on acquisition and as a result the balance sheet at 31st March 2008 has been restated.

	Original fair value at time of acquisition £ million	Revised fair value at time of acquisition £ million	Correction to fair value and to 31.3.08 £ million
Property, plant and equipment	31.4	42.7	11.3
Intangible assets – capitalised software	0.4	0.4	–
Intangible assets – patents and trademarks	7.9	7.9	–
Intangible assets – customer contracts and relationships	35.0	35.0	–
Intangible assets – research and technology	16.6	16.6	–
Intangible assets – capitalised development	5.4	5.4	–
Assets classified as held for sale	39.0	24.6	(14.4)
Liabilities classified as held for sale	(24.1)	(9.7)	14.4
Inventories	11.5	11.5	–
Trade and other receivables	30.1	22.5	(7.6)
Cash and cash equivalents	2.3	2.3	–
Current other borrowings	(3.6)	(3.6)	–
Trade and other payables	(26.0)	(26.8)	(0.8)
Current income tax liabilities	(4.8)	(4.8)	–
Deferred income tax liabilities	(22.0)	(21.7)	0.3
Employee benefits obligations	(5.1)	(5.9)	(0.8)
Provisions	(4.6)	(4.6)	–
Total net assets acquired	89.4	91.8	2.4
Goodwill on acquisition	72.5	70.1	(2.4)
Total consideration and costs incurred	161.9	161.9	–

## 12 Transactions with related parties

The group's associate, AGR Matthey, is a related party. Details of related party transactions for the year ended 31st March 2008 can be found in note 41 on page 102 of the Annual Report and Accounts 2008. There have been no material changes in these relationships in the six months ended 30th September 2008 and no related party transactions have taken place which have materially affected the financial position or the performance of the group during that period.

## FINANCIAL CALENDAR

### 2008

#### 3rd December

Ex dividend date

#### 5th December

Interim dividend record date

### 2009

#### 3rd February

Payment of interim dividend

#### 4th June

Announcement of results for the year ending 31st March 2009

#### 10th June

Ex dividend date

#### 12th June

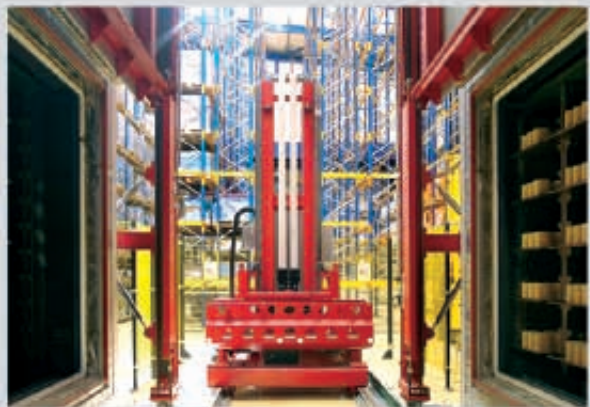
Final dividend record date

#### 21st July

118th Annual General Meeting (AGM)

#### 4th August

Payment of final dividend subject to declaration at the AGM



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