



# Johnson Matthey

**Presentation of Results for the half  
year ended 30<sup>th</sup> September 2004**

**25<sup>th</sup> November 2004**



Johnson Matthey

**Introduction**

**Neil Carson**  
**Chief Executive**

# Strategic Initiatives

- Focus on delivery of organic growth
- Major opportunity in HDD catalysts
- Good growth prospects elsewhere in Catalysts and in Pharmaceutical Materials
- Improve ROA from current 16% level
- Rationalise underperforming assets
- Use cash from disposals / rationalisation to buy back shares



Johnson Matthey

**Financial Review**

**John Sheldrick**

**Group Finance Director**

# Summary Results

	1H 2004 £m	1H 2003 £m	%
<b>Statutory basis:</b>			
Turnover	2,473	2,165	+14
Profit before tax	62.0	87.6	-29
Earnings per share	18.5p	27.8p	-33
<b>Before exceptional items and goodwill amortisation:</b>			
Operating profit	106.1	103.1	+3
Profit before tax	103.3	97.5	+6
Earnings per share	33.6p	31.8p	+6
Dividend	8.7p	8.2p	+6

# Operating Profit

	1H 2004 £m	1H 2003 £m	%	1H 2004 at 1H 2003 exchange rates* £m	%
Catalysts	56.9	56.5	+1	59.9	+6
Precious Metals	23.4	21.9	+7	24.4	+11
Pharmaceutical Materials	20.9	20.7	+1	22.2	+7
Colours & Coatings	12.8	10.4	+23	13.8	+33
Corporate	(8.3)	(7.8)		(8.3)	
	<u>105.7</u>	<u>101.7</u>	+4	<u>112.0</u>	+10
Discontinued	0.4	1.4		0.4	
	<u>106.1</u>	<u>103.1</u>	+3	<u>112.4</u>	+9

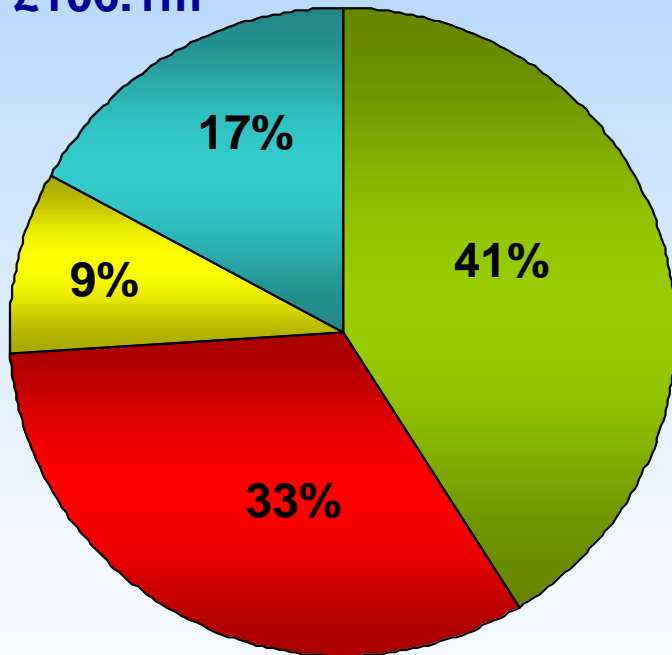
\*Excluding South African rand



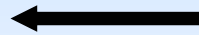
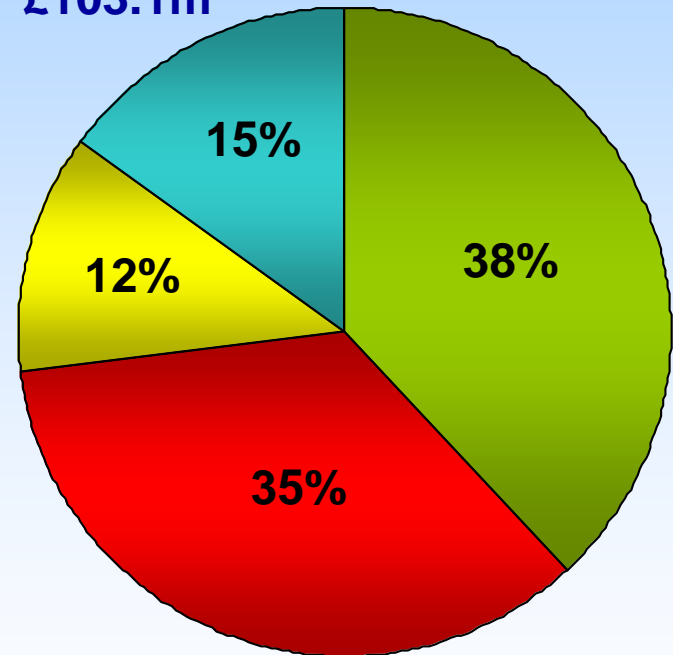
# Geographical Split

## Operating Profit

1H  
2004  
£106.1m



1H  
2003  
£103.1m



■ Europe

■ Asia

■ North America

■ Rest of the World

# Return on Sales

## Excluding Precious Metals

	Sales excl. PM's			ROS	
	1H 2004 £m	1H 2003 £m	Growth %	1H 2004 %	1H 2003 %
Catalysts	342	380	-10	16.6	14.9
Precious Metals	64	59	+8	36.6	37.1
Pharmaceutical Materials	63	61	+3	33.3	33.9
Colours & Coatings	117	109	+7	10.9	9.5
	<u>586</u>	<u>609</u>	-4	<u>18.0</u>	<u>16.7</u>
Discontinued	12	16		3.3	8.9
	<u>598</u>	<u>625</u>	-4	<u>17.7</u>	<u>16.5</u>



# Exceptional Items

	1H 2004 £m
Included in operating profit:	
AMC integration costs	1.0
Lancaster integration costs	2.0
	<hr/>
	3.0
Other exceptionals:	
Loss on disposal of Pigments & Dispersions	15.3
Loss on closure of UK gold & silver refinery	12.4
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	30.7
	<hr/>

# Interest

	1H 2004 £m	1H 2003 £m
Net interest	(7.4)	(8.5)
Net return on retirement benefits assets & liabilities	4.6	2.9
	<u>(2.8)</u>	<u>(5.6)</u>

# Taxation

	1H 2004 £m	1H 2003 £m
Underlying tax	30.9	29.2
Tax on exceptional items	(7.6)	-
Tax on goodwill amortisation	(1.0)	(1.2)
	<u>22.3</u>	<u>28.0</u>
Underlying tax rate	29.9%	29.9%

# Net Cash Flow

	1H 2004 £m	1H 2003 £m
Operating profit	92.2	93.0
Depreciation and amortisation	42.7	40.1
Working capital / other	<u>(14.0)</u>	<u>9.3</u>
<b>Cash flow from operations</b>	<b>120.9</b>	<b>142.4</b>
Interest / tax / dividends	(78.3)	(66.2)
Capex	(34.6)	(62.4)
Acquisitions / disposals	21.3	2.2
Shares issued	<u>1.1</u>	<u>3.5</u>
<b>Net cash flow</b>	<b><u>30.4</u></b>	<b><u>19.5</u></b>

# Capital

	Sep 04 £m	Mar 04 £m
Net debt	363	394
Equity and minorities	901	872
Capital employed	<u>1,264</u>	<u>1,266</u>
Gearing (debt / equity + minorities)	40%	45%
Interest cover	14x	12x



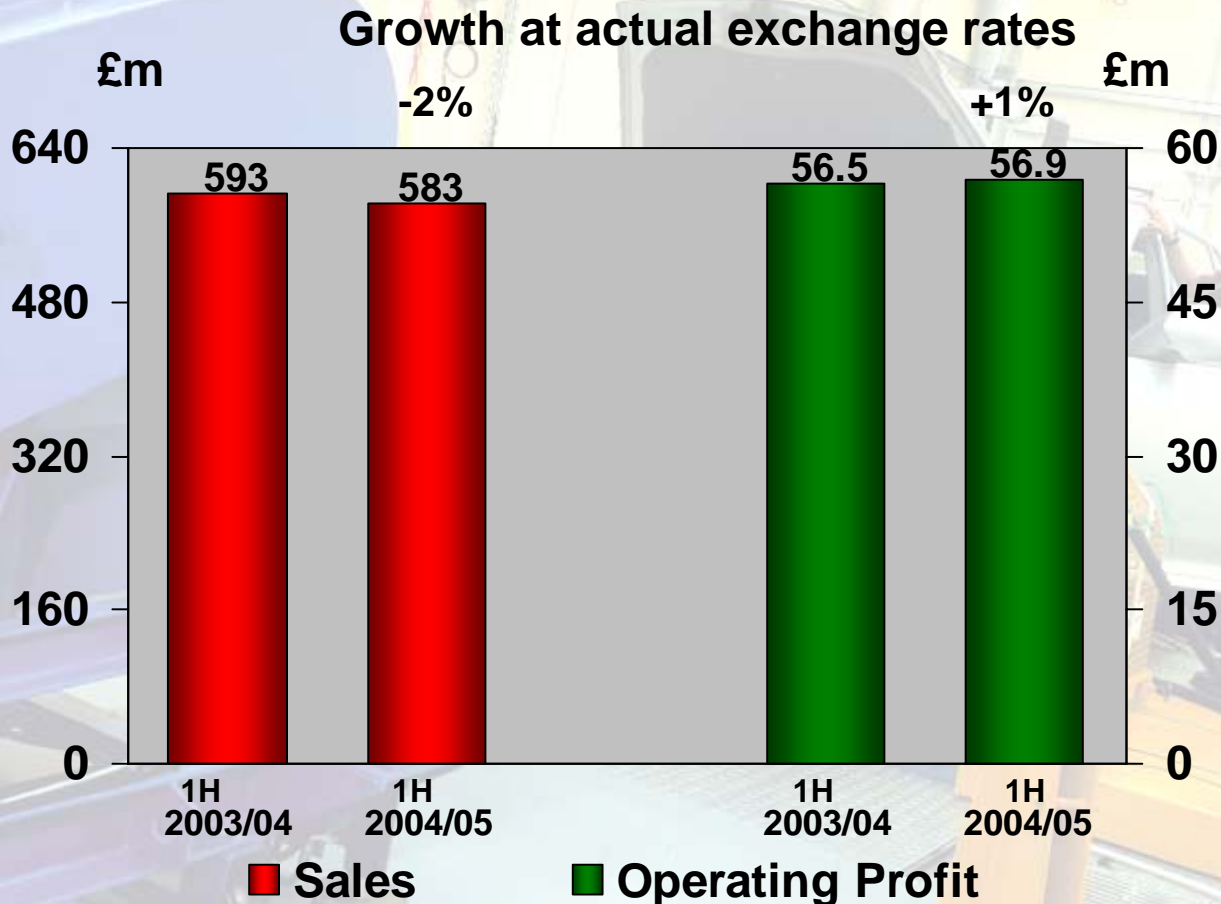
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**Operating Review**

**Neil Carson**  
**Chief Executive**

# Catalysts Division

- Profits up 6% on constant currency basis
- Good demand for autocatalysts and process catalysts



# 1H 2004/05 Light Vehicle sales and production

	<u>Vehicles</u>	<u>Growth vs 1H 2003/04</u>
<b>North America</b>		
Sales	10.24m	0
Production	7.8m	-0.3%
<b>Western Europe</b>		
Sales	8.17m	1.5%
Production	8.01m	1.3%
<b>Asia</b>		
Sales	6.37m	4.2%
Production	10.2m	9.7%
<b>Global</b>		
Sales	27.4m	3.0%
Production	29.8m	5.5%

Source: Global Insight





# **Environmental Catalysts and Technologies**

- **Autocatalysts up in Europe with good sales of diesel products**
- **Good demand for autocatalysts in Asia, although China slows**
- **Weaker demand in the US, profits flat**
- **Lower contribution from HDD retrofit programmes**
- **Increased investment in HDD development**

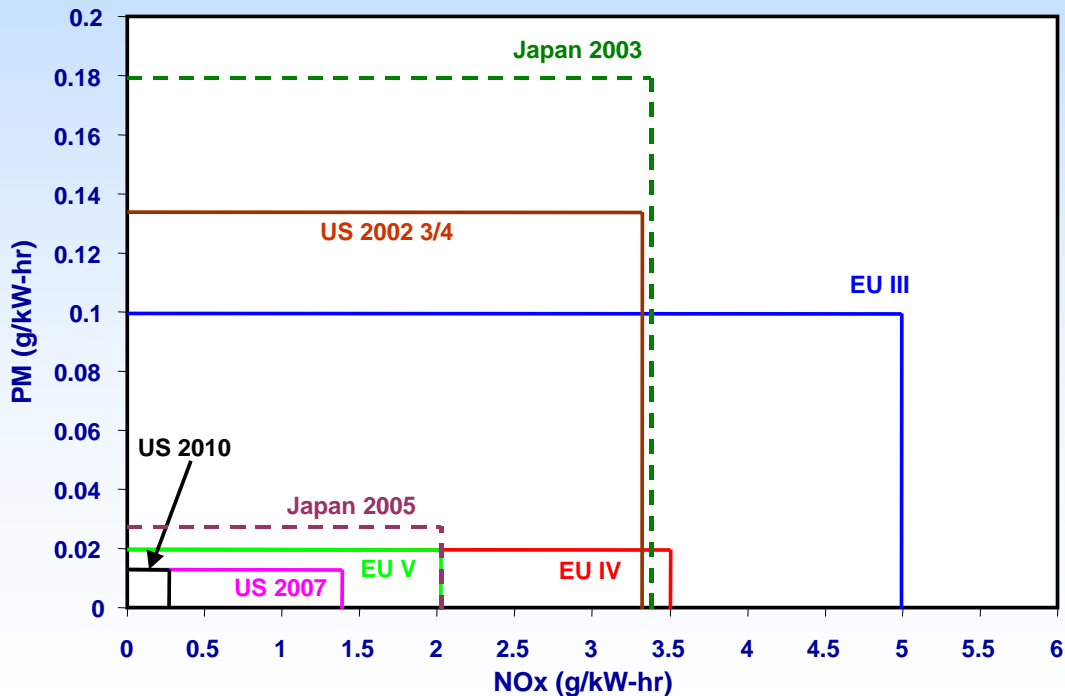
# **Environmental Catalysts and Technologies**

## **Light Duty Vehicles**

- **Emissions legislation continues to provide important growth opportunities**
- **Euro IV and US Tier II tightening standards require increasing level of catalyst performance**
- **Health concerns drive market for advanced catalysed particulate filters for light duty diesels**

# Environmental Catalysts and Technologies

## HDD on-road regulation development



	New Models	All Models
<b>Europe</b>		
Euro 4	Oct-05	Oct-06
Euro 5	Oct-08	Oct-09
<b>United States</b>		
US2007	Jan-07	Jan-07
US2010	Jan-10	Jan-10
<b>Japan</b>		
<i>New Short Term</i>		
2.5-12t	Oct-03	Oct-03
12t +	Oct-04	Oct-04
<i>New Long Term</i>		
2.5t+	Oct-05	Oct-05
<b>China</b>		
Euro 3 - selected cities	2008?	
<b>India</b>		
Euro 3 - selected cities	Apr-05	
Euro 3 - nationwide	2010?	

# Process Catalysts and Technologies

- **Good contribution from AMC acquired in March 2004**
- **Catalyst businesses ahead, good demand for gas processing products and syngas catalysts**
- **Margin pressure in pgm refining**

# Process Catalysts and Technologies

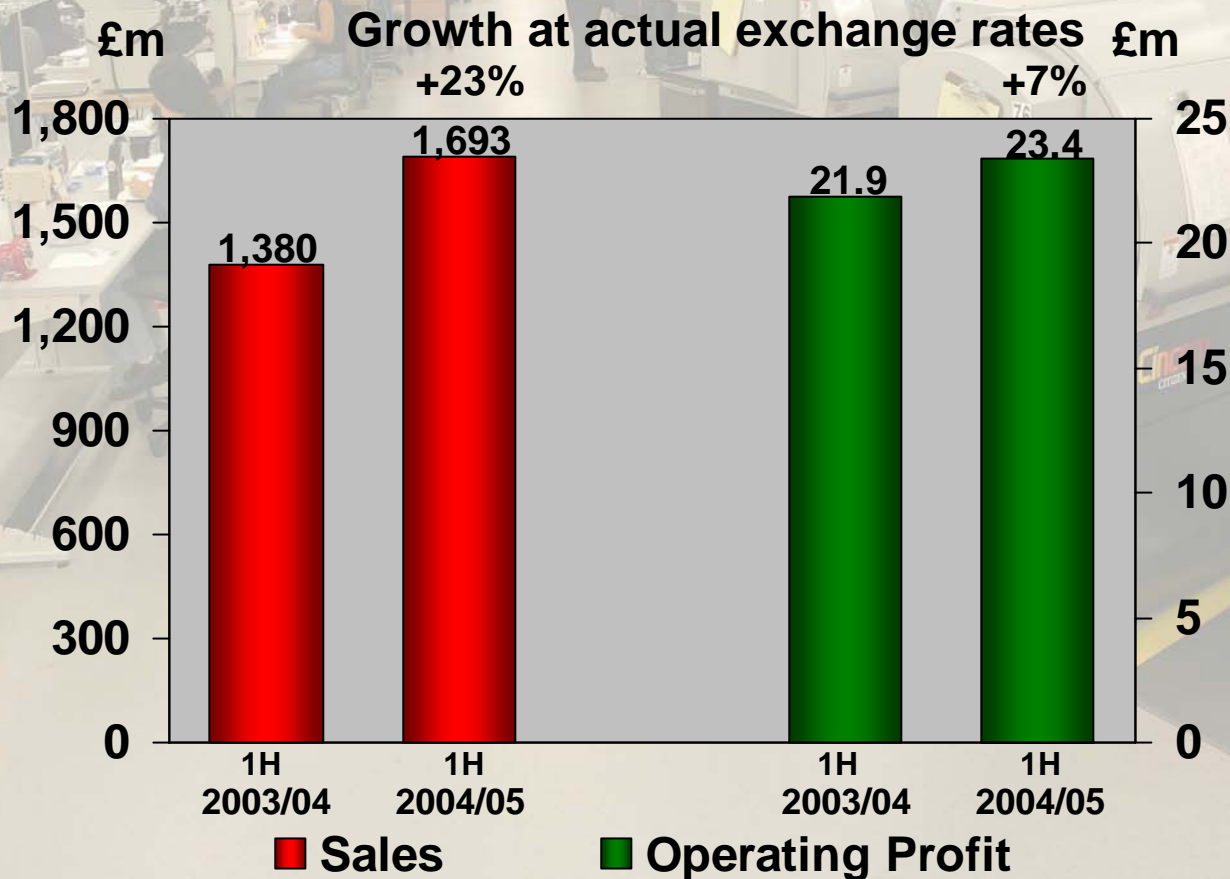
- Increased investment in gas to liquids R&D
- Lancaster Synthesis acquired from Clariant
- Increases JM's share of research chemicals market

# Fuel Cells

- Demand from automotive sector continues to grow
- Increased government support
- California Hydrogen Highway
- Development of stationary market slower than anticipated
- Net expense slightly down

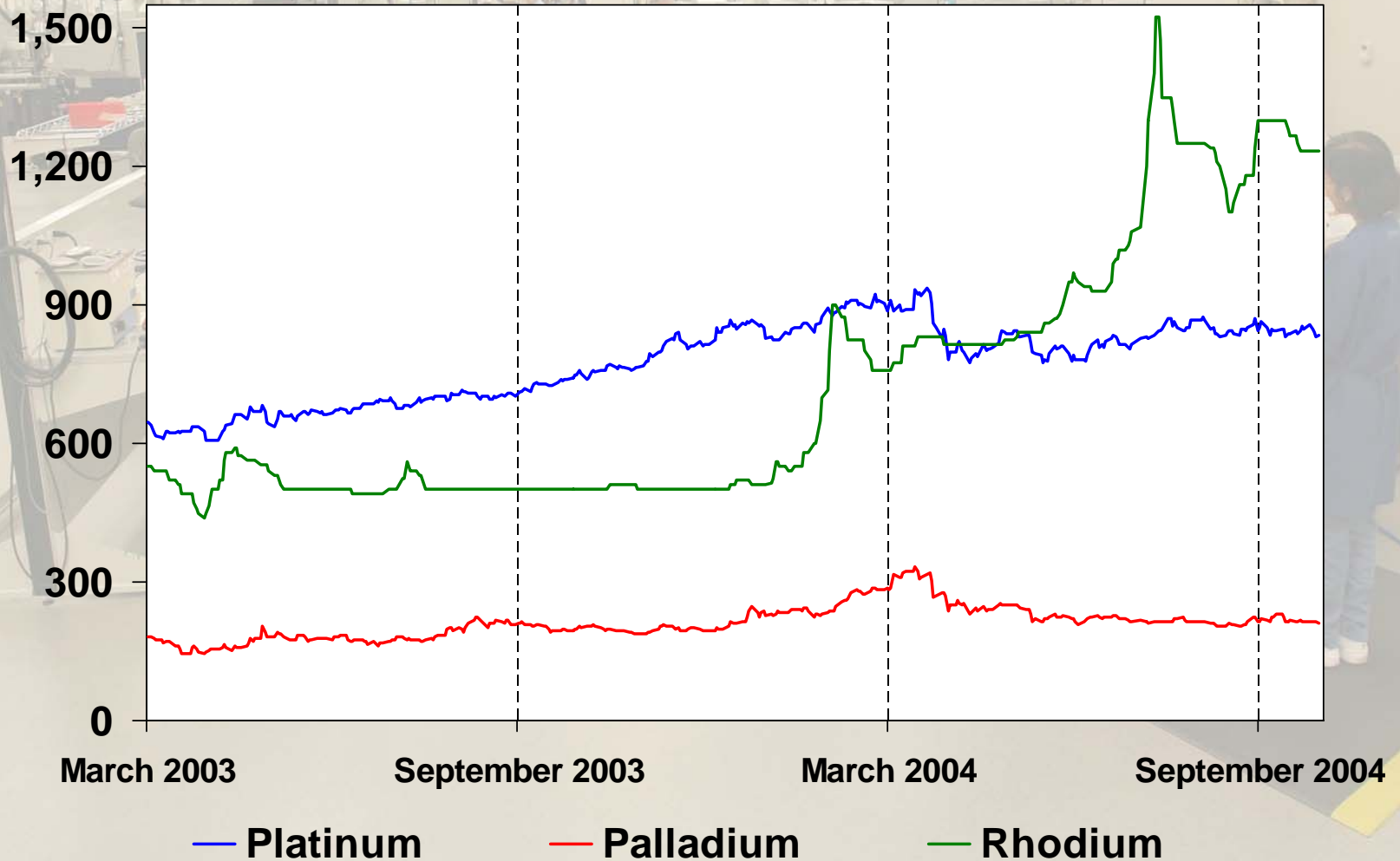
# Precious Metals

- Profits up 11% on constant currency basis
- Much improved trading conditions



# Platinum, Palladium and Rhodium Prices

US\$





# Precious Metals

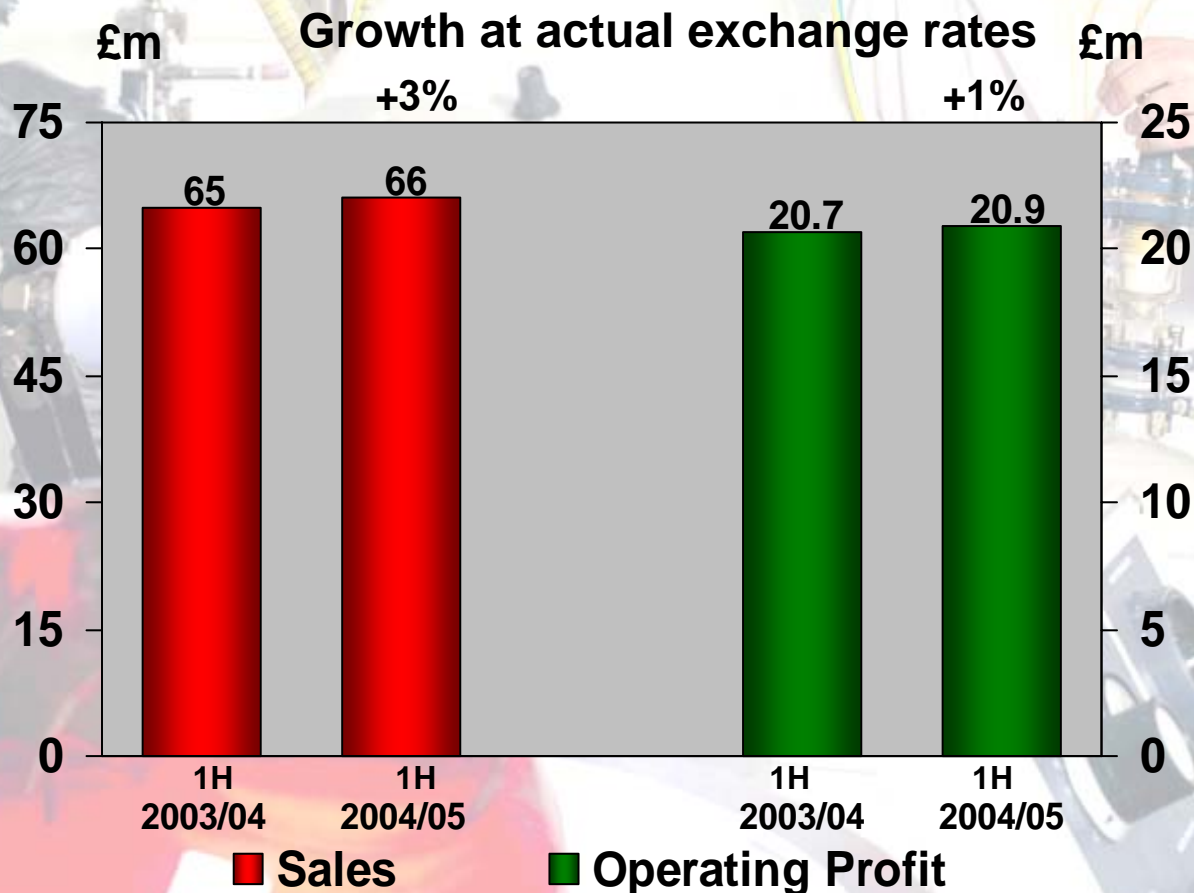
- **Platinum group metals basket price substantially up on last year**
- **Improved trading conditions continue**
- **Impact of Anglo Platinum contract renewal more than offset by improved pgm market and volume growth**

# Precious Metals

- **Good growth in fabricated products**
- **Demand for medical parts continues to increase**
- **Gold refining business satisfactory in North America and Hong Kong**
- **UK gold refinery being closed**

# Pharmaceutical Materials

- Profits up 7% on constant currency basis
- Good growth in specialist opiate products



# Pharmaceutical Materials

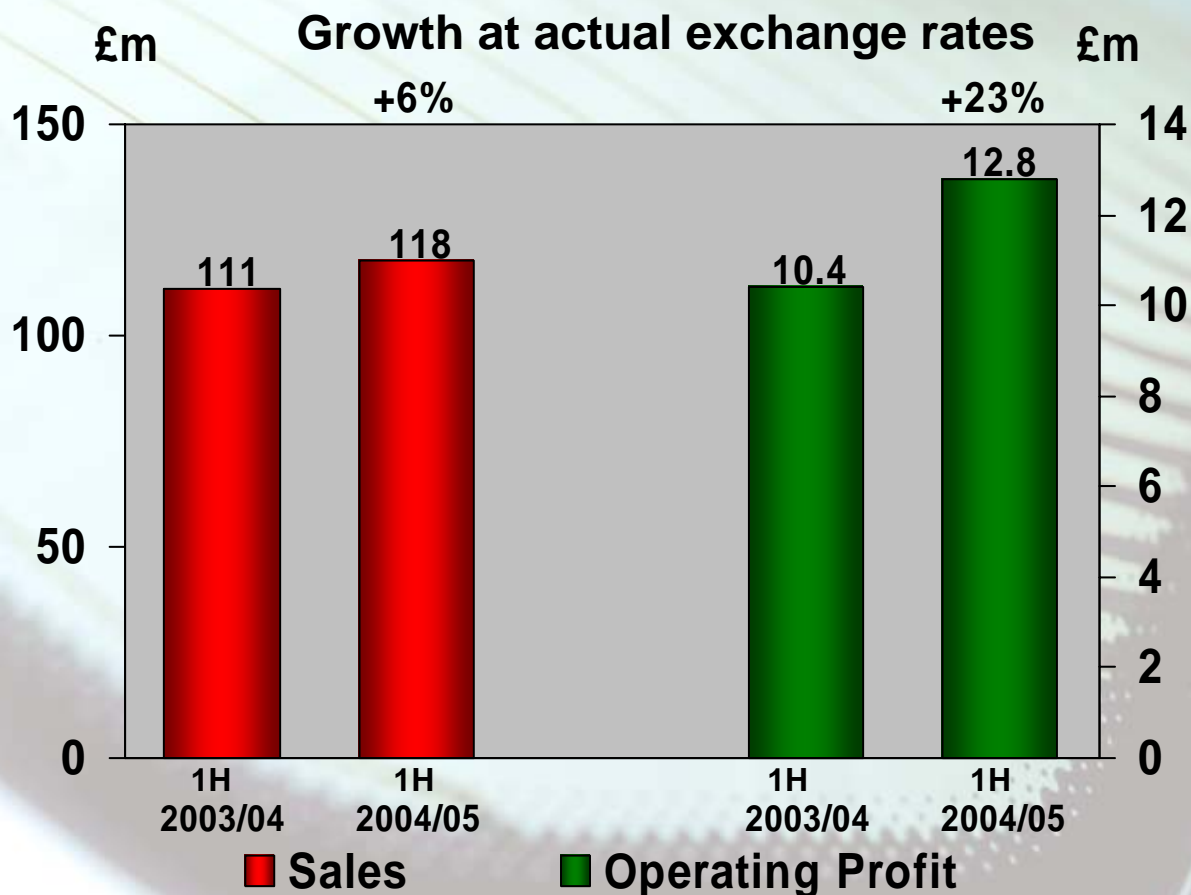
- **Carboplatin patent cover continued until October 2004**
- **Generic competition for carboplatin will impact second half**
- **Other platinum pharmaceuticals perform well**

# Pharmaceutical Materials

- **Good growth at Macfarlan Smith**
- **Increase in sales of specialist opiates**
- **New high potency drug facility successfully commissioned and in production**
- **Investment in new capacity**
- **Product pipeline strong with over 80 APIs in development**

# Colours & Coatings

- Profits up 33% on constant currency basis
- Glass and Structural Ceramics perform well



# Colours & Coatings

- **Good growth in Glass business**
- **Structural Ceramics continues recovery which started in second half of 2003/04**
- **Pigments & Dispersions sold**
- **Restructuring of remaining Speciality Coatings business**
- **Structural Ceramics to be retained**

# Strategy

- **Focus on core businesses**
- **Well positioned in several new markets**
- **Now focused on delivering these opportunities and improving ROA**



# Outlook

- All four divisions performed well in first half
- PGM market recovery continues
- Currency effect – impact of weak dollar
- Expect further growth in earnings before exceptional items and goodwill amortisation



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