



# Johnson Matthey

**Presentation of Results for the year  
ended 31<sup>st</sup> March 2005**

**2<sup>nd</sup> June 2005**



**Johnson Matthey**

**Introduction**

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

# Cautionary Statement

**This presentation contains forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which Johnson Matthey operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.**



# Update on 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%. Target 20%
- Rationalise underperforming assets
- Use cash from disposals / rationalisation to buy back shares



**Johnson Matthey**

**Financial Review**

**John Sheldrick**

**Group Finance Director**

# Summary Results

|  | 2005<br>£m | 2004<br>£m | %   |
|--|------------|------------|-----|
| <b>Statutory Basis:</b>  |            |            |     |
| Turnover   | 4,639      | 4,493      | +3  |
| Profit before tax  | 131.0      | 178.0      | -26 |
| Earnings per share   | 40.6p      | 56.0p      | -28 |
| <b>Before Exceptional Items and Goodwill<br/>Amortisation:</b> |            |            |     |
| Profit before tax  | 204.0      | 195.7      | +4  |
| Earnings per share   | 67.1       | 64.0       | +5  |
| Dividend per share   | 27.7p      | 26.4p      | +5  |

# Operating Profit

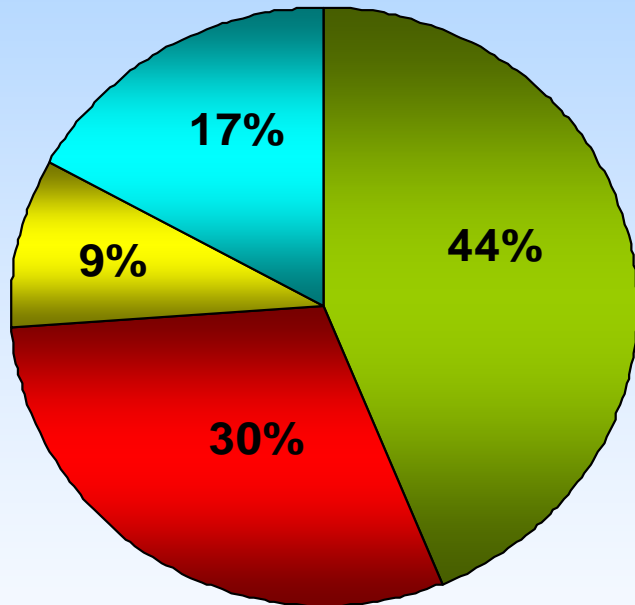
|                          | 2005         | 2004         |     | 2005 at 2004<br>exchange rates* |     |
|--------------------------|--------------|--------------|-----|---------------------------------|-----|
|                          | £m           | £m           | %   | £m                              | %   |
| Catalysts                | 111.5        | 109.2        | +2  | 115.8                           | +6  |
| Precious Metal Products  | 45.4         | 44.2         | +3  | 46.8                            | +6  |
| Pharmaceutical Materials | 40.0         | 42.3         | -5  | 41.5                            | -2  |
| Colours & Coatings       | 27.4         | 24.2         | +13 | 28.4                            | +17 |
| Corporate                | (16.6)       | (16.4)       |     | (16.8)                          |     |
| Continuing operations    | <u>207.7</u> | <u>203.5</u> | +2  | <u>215.7</u>                    | +6  |
| Discontinued operations  | <u>0.4</u>   | <u>2.5</u>   |     | <u>0.4</u>                      |     |
| Operating profit         | <u>208.1</u> | <u>206.0</u> | +1  | <u>216.1</u>                    | +5  |

\*Excluding South African rand

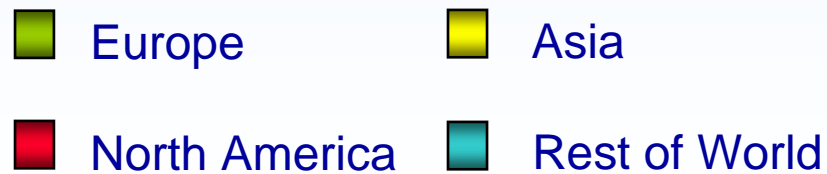
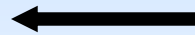
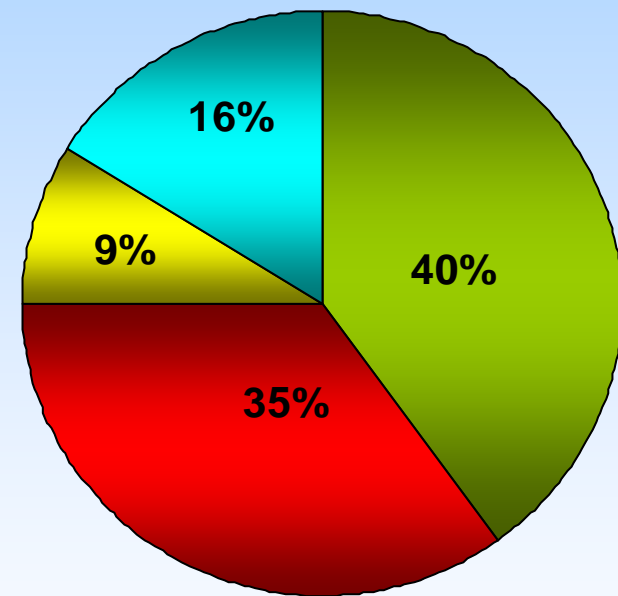


# Geographical Split Operating Profit

2005  
£208.1m



2004  
£206.0m





# Return on Sales

## Excluding Precious Metals

|                          | Sales excl. PM's |              |        | ROS         |             |
|--------------------------|------------------|--------------|--------|-------------|-------------|
|                          | 2005             | 2004         | Growth | 2005        | 2004        |
|                          | £m               | £m           | %      | %           | %           |
| Catalysts                | 698              | 720          | -3     | 16.0        | 15.2        |
| Precious Metal Products  | 124              | 121          | +3     | 36.6        | 36.7        |
| Pharmaceutical Materials | 125              | 131          | -5     | 32.1        | 32.2        |
| Colours & Coatings       | 241              | 222          | +8     | 11.4        | 10.9        |
|                          | <u>1,188</u>     | <u>1,194</u> | -1     | <u>17.5</u> | <u>17.0</u> |
| Discontinued             | 12               | 30           |        | 3.3         | 8.4         |
|                          | <u>1,200</u>     | <u>1,224</u> | -2     | <u>17.3</u> | <u>16.8</u> |

# Exceptional Items

|  | 2005<br>£m |
|--|------------|
| <b>Included in operating profit:</b>         |            |
| AMC integration costs                        | 1.0        |
| Lancaster integration costs                  | 2.0        |
| Closure of Colours sites                     | 10.3       |
| Rationalisation of UK refining               | 10.2       |
|  | <hr/>      |
|  | 23.5       |
| <b>Other exceptionals:</b>                   |            |
| Loss on disposal of Pigments & Dispersions   | 15.2       |
| Loss on closure of UK gold & silver refinery | 13.2       |
|  | <hr/>      |
|  | 51.9       |

# Interest

|   | 2005<br>£m   | 2004<br>£m    |
|---|--------------|---------------|
| Net interest  | (13.3)       | (16.3)        |
| Net return on retirement<br>benefits assets & liabilities | 9.2          | 6.0           |
|   | <u>(4.1)</u> | <u>(10.3)</u> |

# Taxation

|                              | 2005        | 2004        |
|------------------------------|-------------|-------------|
|                              | £m          | £m          |
| Underlying tax               | 59.6        | 58.3        |
| Tax on exceptionals          | (13.7)      | 1.6         |
| Tax on goodwill amortisation | (1.9)       | (2.0)       |
|                              | <u>44.0</u> | <u>57.9</u> |
| Underlying tax rate          | 29.2%       | 29.8%       |

# Return on Investment

|                            | 2005<br>£m   | 2004<br>£m   |
|----------------------------|--------------|--------------|
| Operating profit           | <u>208</u>   | <u>206</u>   |
| Average assets:            |              |              |
| Equity and minorities      | 870          | 835          |
| Cumulative goodwill w/o    | 38           | 41           |
| Net borrowings             | 382          | 398          |
| Total investment           | <u>1,290</u> | <u>1,274</u> |
| Pre-tax ROA                | 16.1%        | 16.2%        |
| Return on invested capital | 11.4%        | 11.4%        |
| WACC                       | 8%           | 8%           |

# Net Cash Flow

|                                  | 2005<br>£m | 2004<br>£m |
|----------------------------------|------------|------------|
| Operating profit                 | 163        | 188        |
| Depreciation and amortisation    | 86         | 84         |
| Working capital / other          | (18)       | (12)       |
| <b>Cash flow from operations</b> | <b>231</b> | <b>260</b> |
| Interest / tax / dividends       | (124)      | (116)      |
| Capex                            | (87)       | (114)      |
| Free cash flow                   | 20         | 30         |
| Acquisitions / disposals         | 19         | (18)       |
| Shares bought                    | (16)       | (9)        |
| <b>Net cash flow</b>             | <b>23</b>  | <b>3</b>   |

# Capital

|  | Mar 05<br>£m | Mar 04<br>£m |
|--|--------------|--------------|
| Net debt   | 370          | 395          |
| Shareholders' funds                                  | 861          | 862          |
| Minorities   | 7            | 9            |
| Capital employed                                     | <u>1,238</u> | <u>1,266</u> |
| <br>   |              |              |
| Gearing<br>(debt / shareholders' funds + minorities) | 43%          | 45%          |

# IFRS

## Overview of Impact

|                    | UK GAAP | IFRS    | % change |
|--------------------|---------|---------|----------|
| Profit before tax  | £131.0m | £167.4m | +28      |
| Earnings per share | 40.6p   | 53.0p   | +31      |
| Net assets         | £868.7m | £929.1m | +7       |

### Major changes to PBT

- Goodwill amortisation, discontinued

### Major changes to balance sheet

- Goodwill amortisation, capitalised development, deferred tax, final dividend



# IFRS

Impact on profit before tax, exceptional items and goodwill amortisation:

|   | 2005<br>£m |
|---|------------|
| Capitalised development                 | 5.4        |
| Amortisation of capitalised development | (1.1)      |
| Share options                           | (4.1)      |
| Employee benefits                       | 0.3        |
| Discontinued businesses                 | (0.4)      |
|   | <hr/>      |
|   | 0.1        |
|   | <hr/>      |



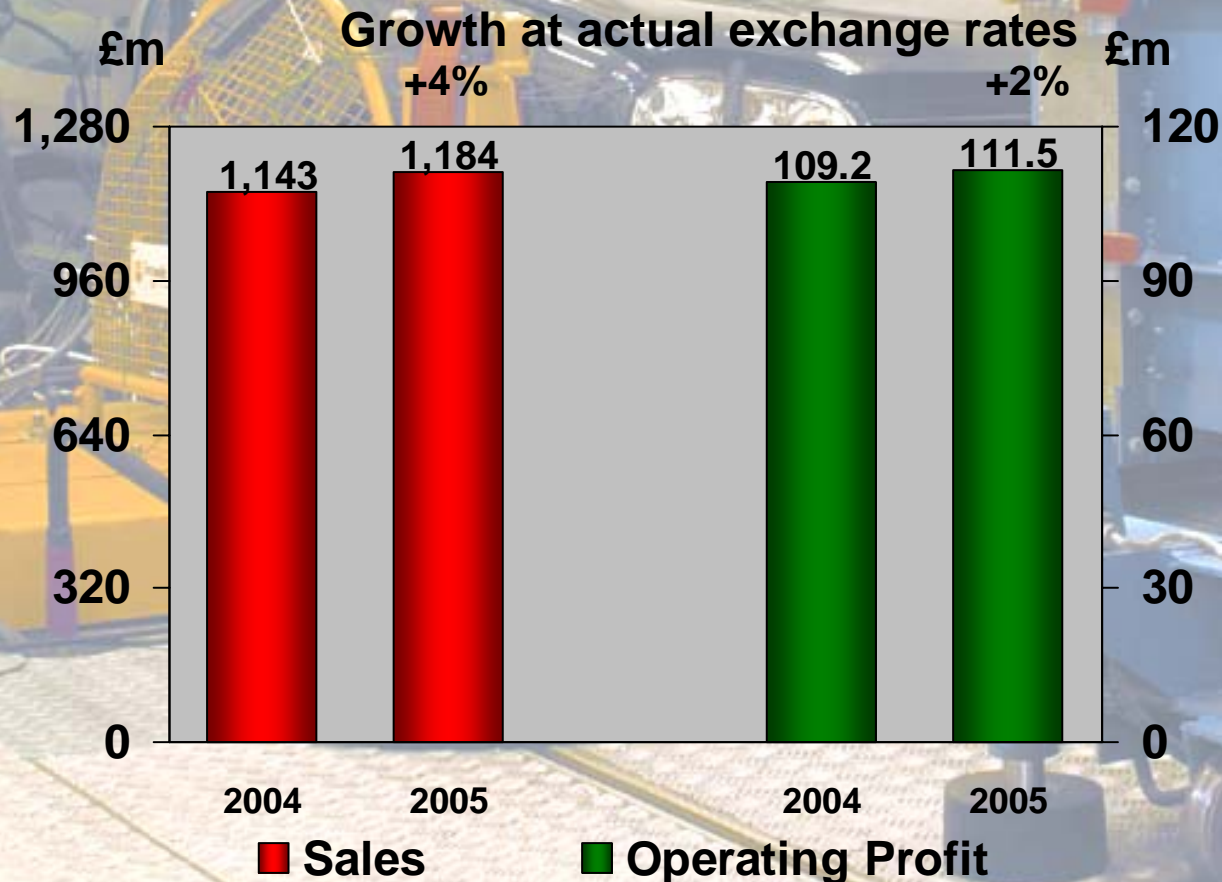
**Johnson Matthey**

**Operating Review**

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

# Catalysts Division

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



# Light Vehicle Sales and Production

|                      |                   | Year to 31 <sup>st</sup> March |              |              |
|----------------------|-------------------|--------------------------------|--------------|--------------|
|                      |                   | 2005                           | 2004         | change       |
|                      |                   | millions                       | millions     | %            |
| <b>North America</b> |                   |                                |              |              |
|                      | <b>Sales</b>      | <b>19.46</b>                   | <b>19.35</b> | <b>0.6%</b>  |
|                      | <b>Production</b> | <b>15.56</b>                   | <b>15.85</b> | <b>-1.8%</b> |
| <b>Europe</b>        |                   |                                |              |              |
|                      | <b>Sales</b>      | <b>17.98</b>                   | <b>17.68</b> | <b>1.7%</b>  |
|                      | <b>Production</b> | <b>20.30</b>                   | <b>19.90</b> | <b>2.0%</b>  |
| <b>Asia</b>          |                   |                                |              |              |
|                      | <b>Sales</b>      | <b>13.68</b>                   | <b>13.14</b> | <b>4.1%</b>  |
|                      | <b>Production</b> | <b>21.10</b>                   | <b>19.70</b> | <b>7.1%</b>  |
| <b>Global</b>        |                   |                                |              |              |
|                      | <b>Sales</b>      | <b>62.09</b>                   | <b>60.36</b> | <b>2.9%</b>  |
|                      | <b>Production</b> | <b>63.00</b>                   | <b>60.80</b> | <b>3.6%</b>  |

Source: Global Insight



# **Environmental Catalysts and Technologies**

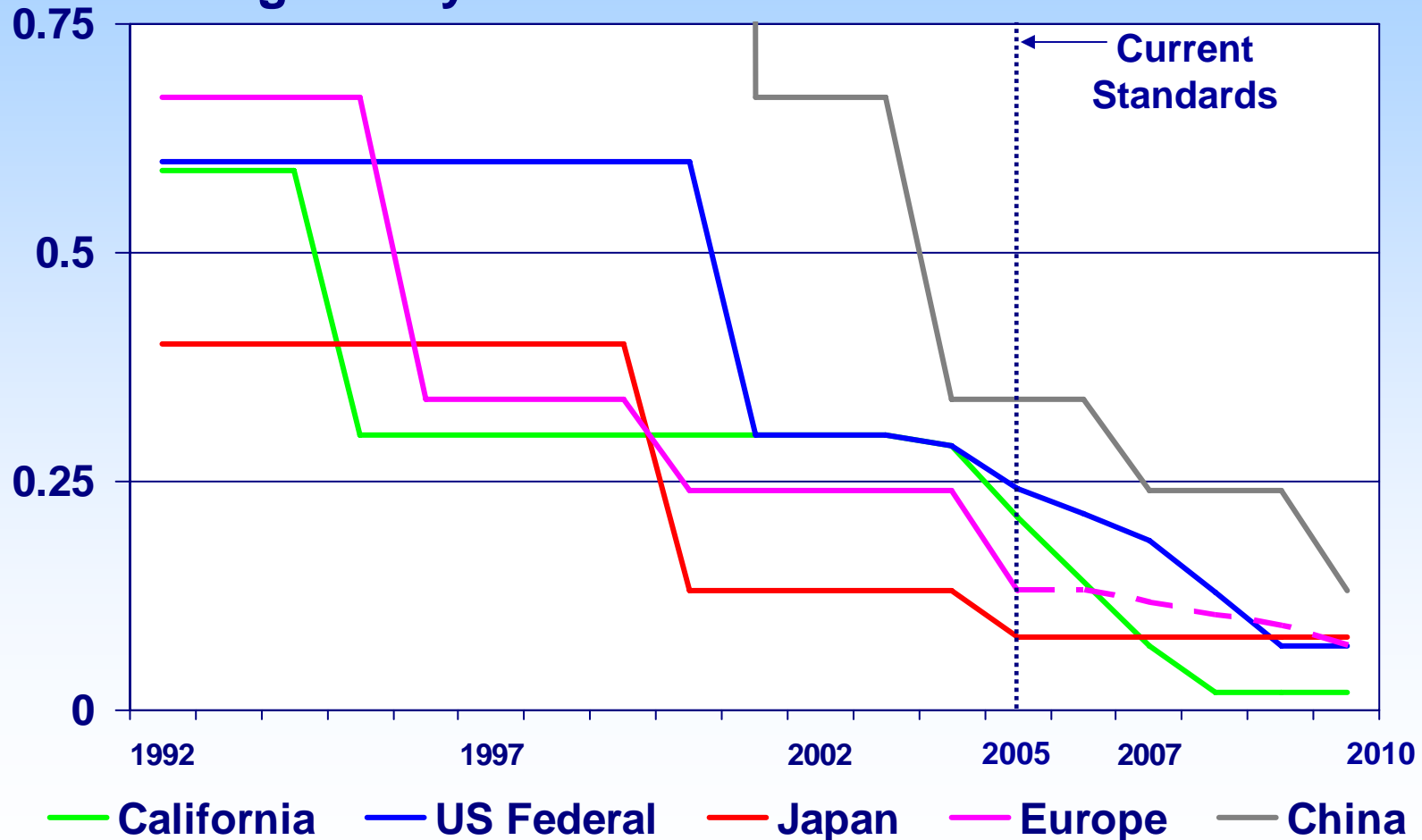
## **Light Duty Trends**

- **Growth in Europe driven by increase in diesel sales**
- **Catalysed soot filters (CSFs)**
- **Profits lower in North America**
- **Expansion in Asia**
- **Emissions standards continue to tighten worldwide**

# Environmental Catalysts and Technologies

g/mile

## Light Duty Petrol NOx Emission Standards

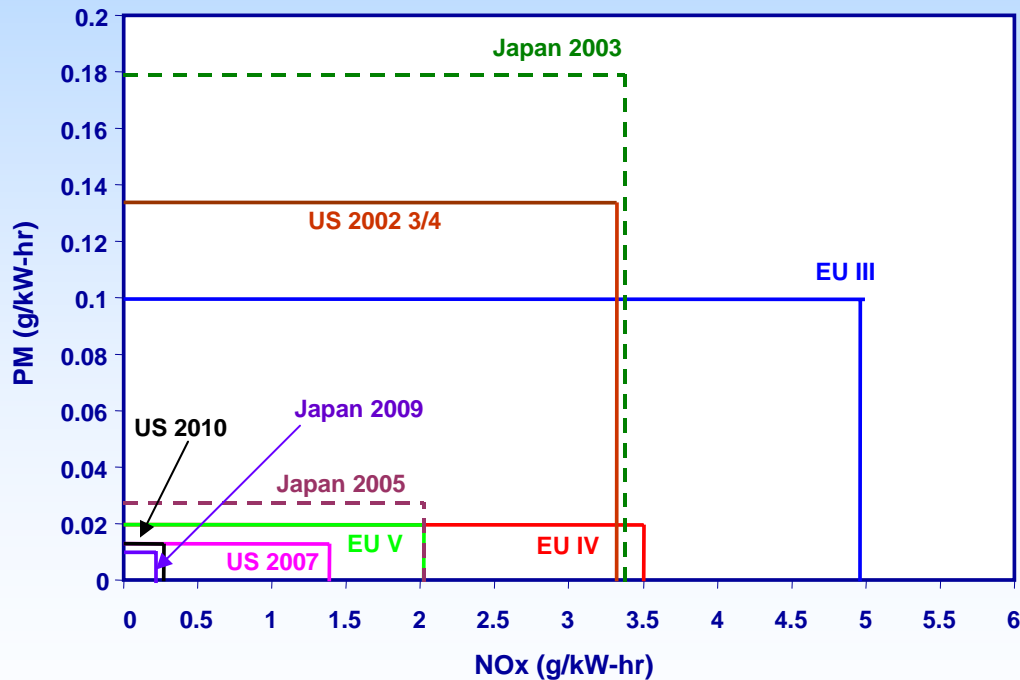


— California — US Federal — Japan — Europe — China



# Environmental Catalysts and Technologies

## HDD on-road regulation development



|                          | New Models | All Models |
|--------------------------|------------|------------|
| <b>Europe</b>            |            |            |
| Euro 4                   | 01-Oct-05  | 01-Oct-06  |
| Euro 5                   | 01-Oct-08  | 01-Oct-09  |
| <b>United States</b>     |            |            |
| US2007                   | 01-Jan-07  | 01-Jan-07  |
| US2010                   | 01-Jan-10  | 01-Jan-10  |
| <b>Japan</b>             |            |            |
| <i>Short Term</i>        |            |            |
| 2.5-12t                  | 01-Oct-03  | 01-Oct-03  |
| 12t +                    | 01-Oct-04  | 01-Oct-04  |
| <i>New Long Term</i>     |            |            |
| 2.5t+                    | 01-Oct-05  | 01-Oct-05  |
| Japan Diesel 09<br>2.5t+ | 31-Dec-09  | 31-Dec-09  |
| <b>China</b>             |            |            |
| Euro 3                   | 2008?      |            |
| <b>India</b>             |            |            |
| Euro 3                   | 2005?      |            |

# **Environmental Catalysts and Technologies**

## **Heavy Duty Diesel**

- **Commercial arrangements with OEs secured. Pre-production sales have commenced**
- **Expect gradual growth in demand from October 05**
- **\$600 million per annum market (ex pms) by end of calendar 08**
- **Our rate of sales expected to exceed \$200 million p.a. (ex pms) during 2007**





# **Environmental Catalysts and Technologies**

## **Summary**

- **Good growth in European LDD products including CSFs**
- **Good growth in Asia continues**
- **US autocatalysts market remains dull**
- **Increasing contribution from heavy duty diesel OE market**
- **Double digit top line growth in second half of 2005/06**

# Process Catalysts and Technologies

- **Good growth in catalysts sales**
- **Strong performance from gas processing and purification catalysts**
- **Increasing demand for hydrogen**
- **Recovery in catalysts for edible oils**

# **Process Catalysts and Technologies**

## **Developments**

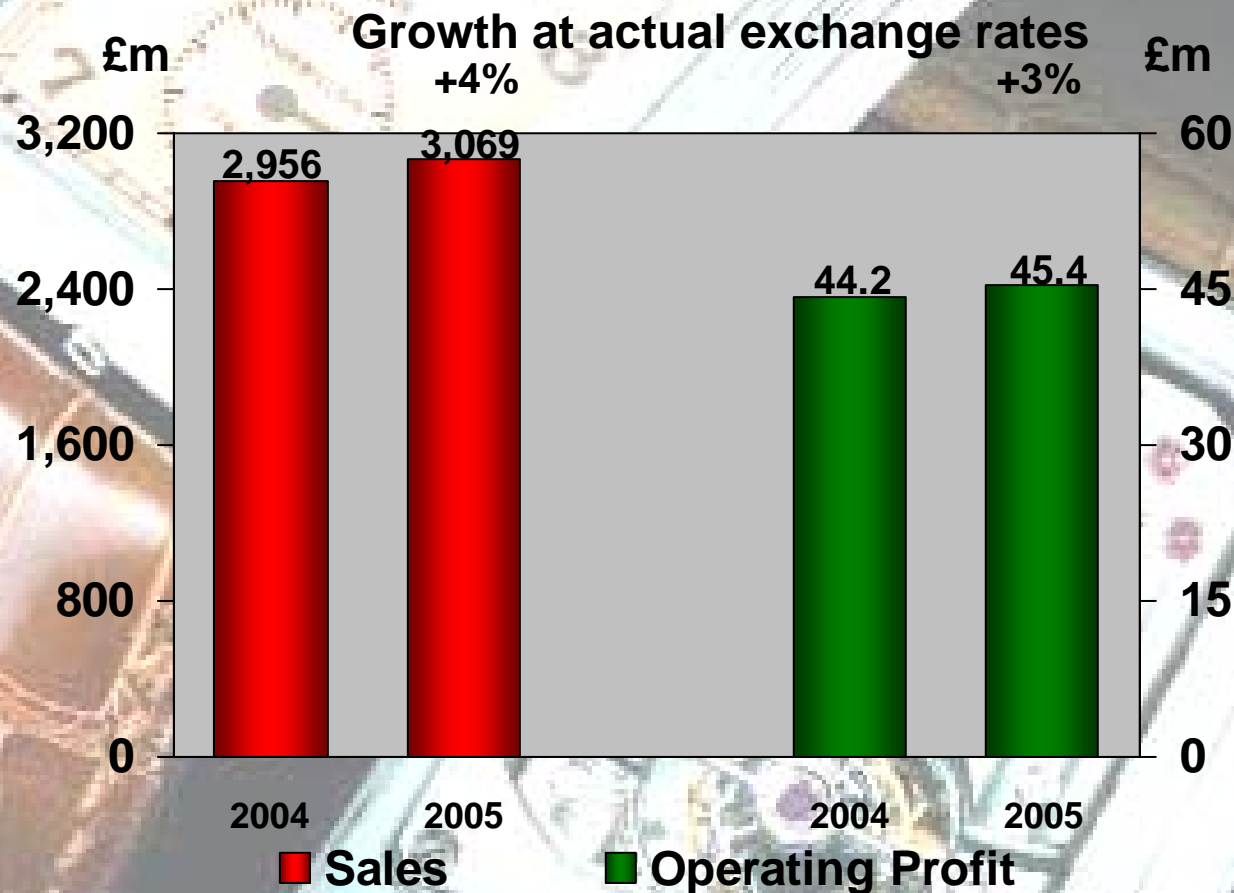
- **Good contribution from AMC acquisition**
- **Integration of Lancaster Synthesis going very well**
- **Restructuring of UK platinum group metals refining**
- **Increased investment in gas to liquids and methanol catalysts**

# Fuel Cells

- Outlook for automotive remains encouraging
- Opportunities in nearer term applications
- Net expense down

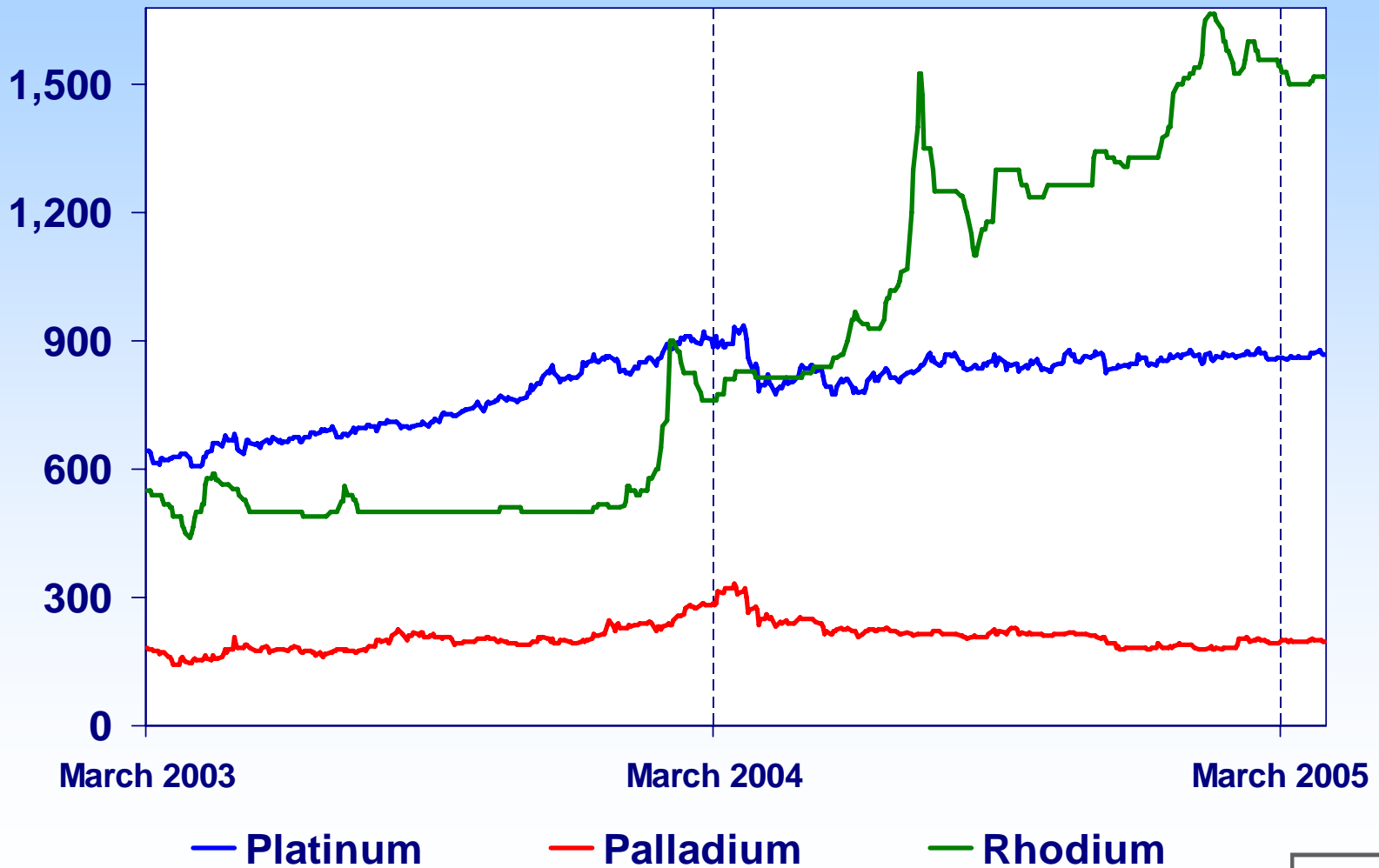
# Precious Metal Products

- Profits up 6% on constant currency basis
- Trading conditions remain good



# Platinum, Palladium and Rhodium Prices

US\$/oz



— Platinum

— Palladium

— Rhodium



# Precious Metal Products

- **Platinum demand robust. Palladium demand up 22% on prior year**
- **PGM basket price up on last year**
- **Good trading conditions continue**
- **Impact of Anglo Platinum contract renewal more than offset by improved pgm market and volume growth**

# Precious Metal Products

- Continued growth in fabricated products
- Strong demand for medical parts
- UK gold refinery closed
- Significant proportion of UK business transferred to US and Canada refineries



# Pharmaceutical Materials

- Profits down 2% on constant currency basis following expiry of carboplatin patent
- Good growth in opiates



# Pharmaceutical Materials

## US Operations

- Carboplatin patent expired in October 04
- Impact on contribution
- Volatility in contract research
- Development of US opiate market encouraging

# Pharmaceutical Materials

## European Operations

- **Good growth at Macfarlan Smith**
- **Increased sales of specialist opiates**
- **High potency facility performing well**
- **Expanding capacity for specialist opiates**

# Pharmaceutical Materials

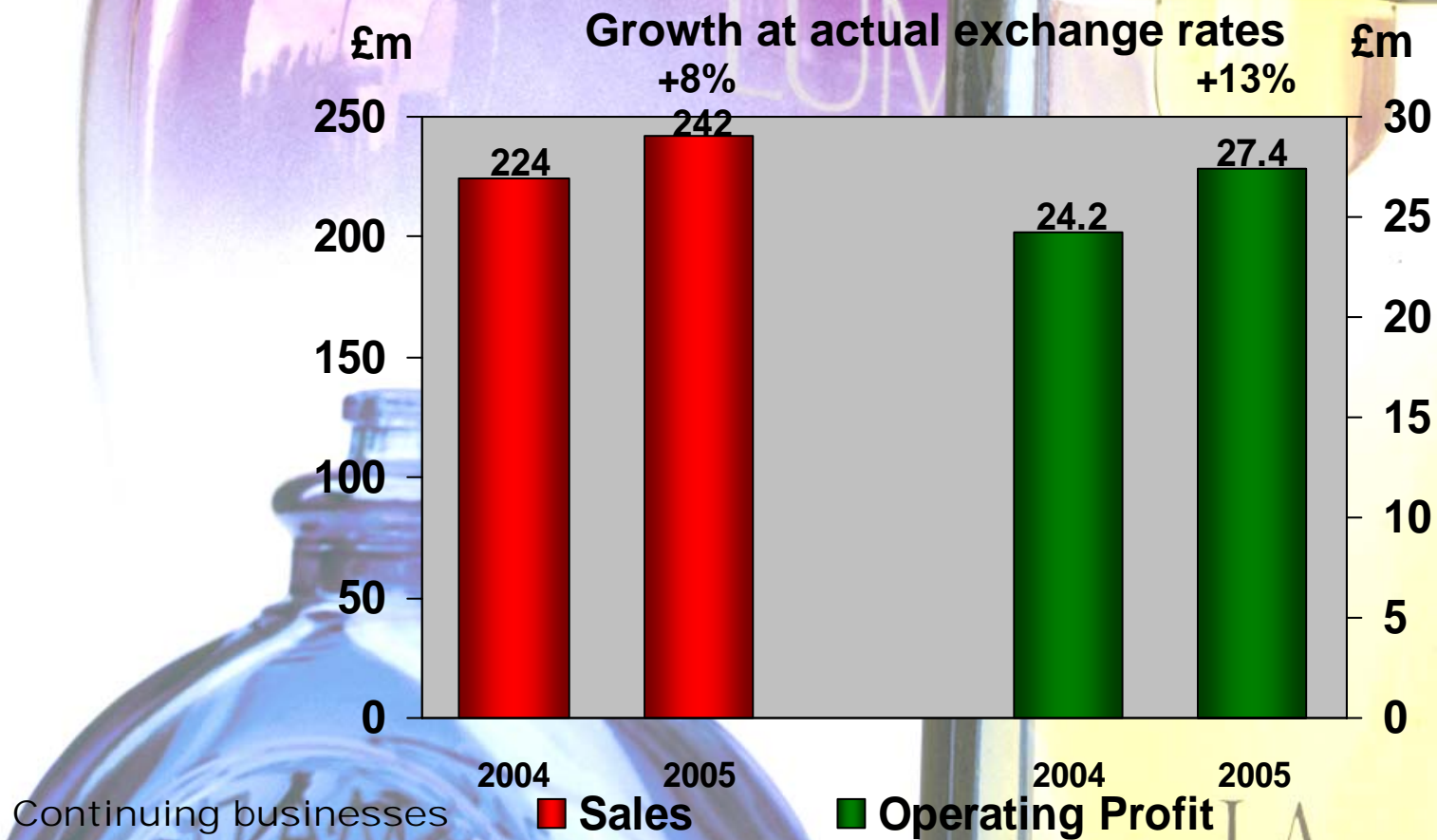
## Future Growth

- **Launch of new generic drugs to benefit calendar 06**
- **Filing of new generic products using our prostaglandin APIs**
- **Product pipeline strong with over 80 APIs in development**



# Colours & Coatings

- Profits 17% up on constant currency basis
- Sale of Pigments & Dispersions



# **Colours & Coatings**

## **Restructuring**

- **Pigments & Dispersions business sold**
- **Closure of surplus sites**
- **Colour Technologies to be transferred to Precious Metal Products Division**
- **Ceramics to be shown as stand alone division**

# **Colours & Coatings**

## **Business Performance**

- **Good growth in Colour Technologies**
- **Continued recovery in Ceramics**
- **Return on assets improved to 16%**
- **Both businesses highly cash generative**

# Outlook

- **First half 2005/06 comparatives affected by**
  - **Currency translation**
  - **Carboplatin contribution**
- **Increased earnings growth expected in second half of 2005/06**
- **Further £25 million share buy-back in first half will benefit earnings growth**



# Outlook

- **HDD starts to impact results from October 2005**
  - **Europe all models from October 06**
  - **US all models from January 07**
- **CSFs will provide additional growth**
- **New product introductions to benefit Pharmaceutical Materials in calendar 06**



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