



# Presentation of Results for the year ended 31st March 2009

4<sup>th</sup> June 2009



Johnson Matthey



## 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.



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# Introduction

Neil Carson  
Chief Executive



Johnson Matthey

## Highlights

- Strong first half
- Second half hit by credit crunch and recession. Global car production down 26%
- Non-automotive businesses perform well. Overall, group sales (ex pms) up 3%, underlying profit before tax up 1%
- Strong cash generation
- No signs of improvement in market conditions, but...
- Medium term prospects remain good



# Financial Review

John Sheldrick  
Group Finance Director



Johnson Matthey

# Summary Results

	Year to 31 <sup>st</sup> March		% change
	2009 £m	2008 £m	
Revenue	7,848	7,499	+5
Sales excluding precious metals	1,797	1,750	+3
Profit before tax	249.4	262.3	-5
Total earnings per share	82.6p	88.5p	-7
Underlying*:			
Profit before tax	267.9	265.4	+1
Earnings per share	89.6p	89.5p	-
Dividend per share	37.1p	36.6p	+1

\* Before amortisation of acquired intangibles, restructuring charges and profit on disposal of businesses

## Operating Profit / Exchange

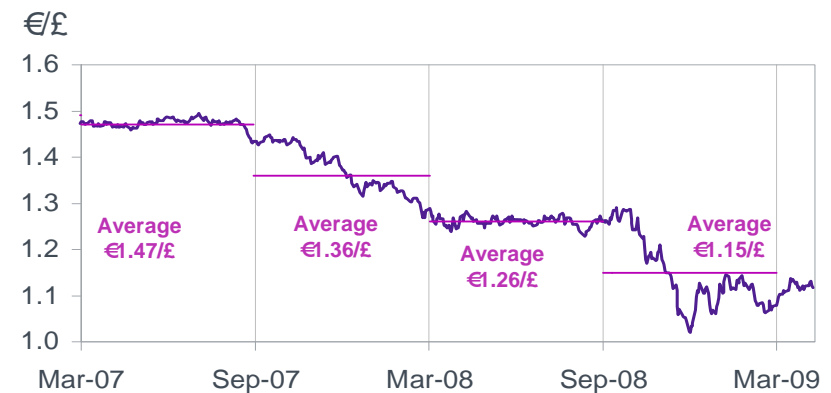
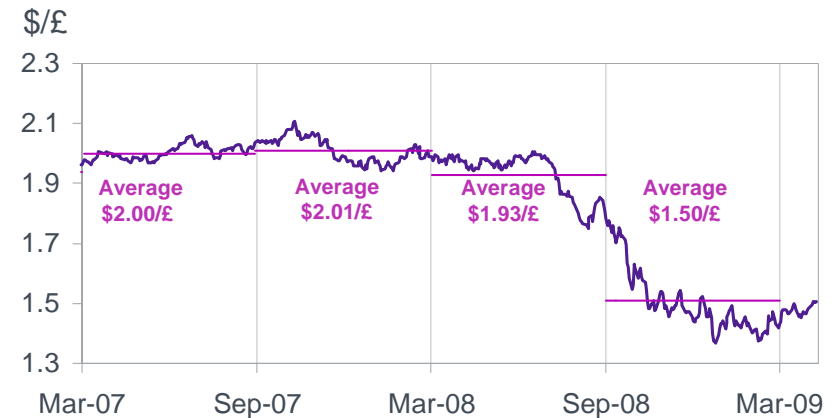
	Year to 31 <sup>st</sup> March			2008 at 2009 exchange rates £m	Growth at constant rates %
	2009 £m	2008 £m	Change %		
Environmental Technologies	124.3*	147.3*	-16	158.7*	-22
Precious Metal Products	119.7	102.1	+17	109.7	+9
Fine Chemicals & Catalysts	72.8 <sup>+</sup>	67.1	+8	73.6	-1
Corporate	(18.3)	(19.7)		(20.0)	
Group	298.5	296.8	+1	322.0	-7

\* Before amortisation of acquired intangibles

+ Before restructuring charge

# Exchange Rates

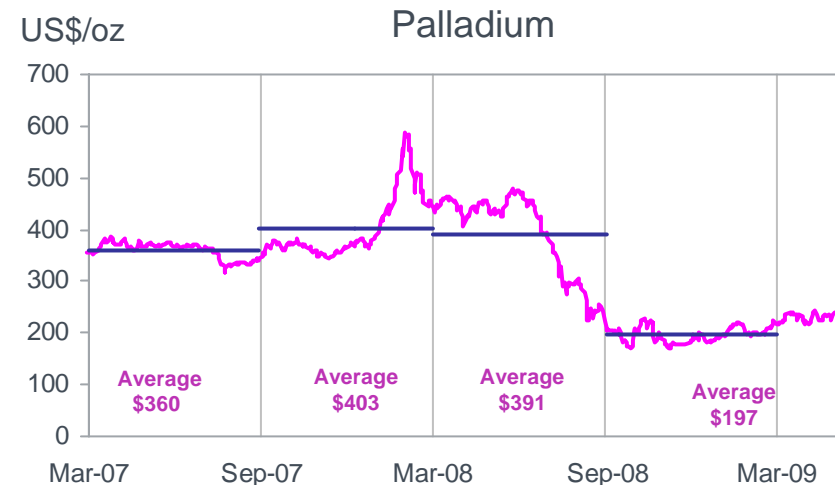
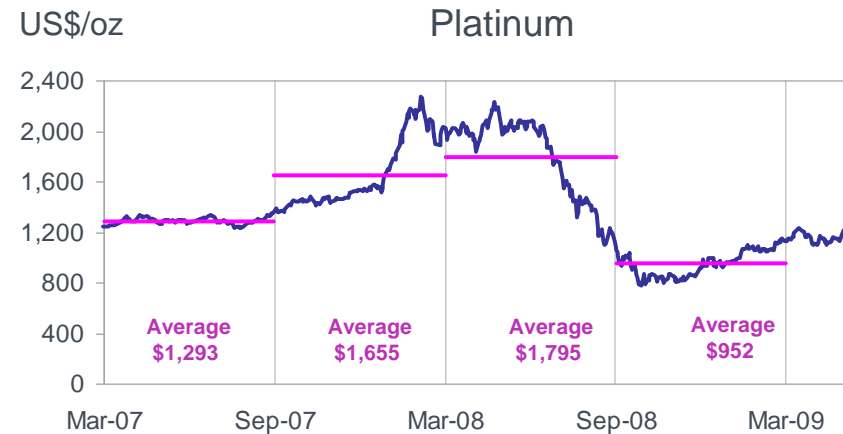
- Average rate for 2008/09 was \$1.719/£
- Each 1 cent change in the average US dollar / sterling rate affects operating profit by £0.4m in a full year
- Average rate for 2008/09 was €1.205/£
- Each 1 cent change in the average euro / sterling rate affects operating profit by £0.3m in a full year





# Pgm Prices

- At current prices (Pt \$1,250/oz, Pd \$250/oz) a 10% change in the basket of pgms can impact commission / distribution income by approx £2.5m p.a. (but volatility also a significant factor)
- Demand for recycling secondary materials (e.g. spent catalysts, autocatalyst scrap) affected by pgm prices

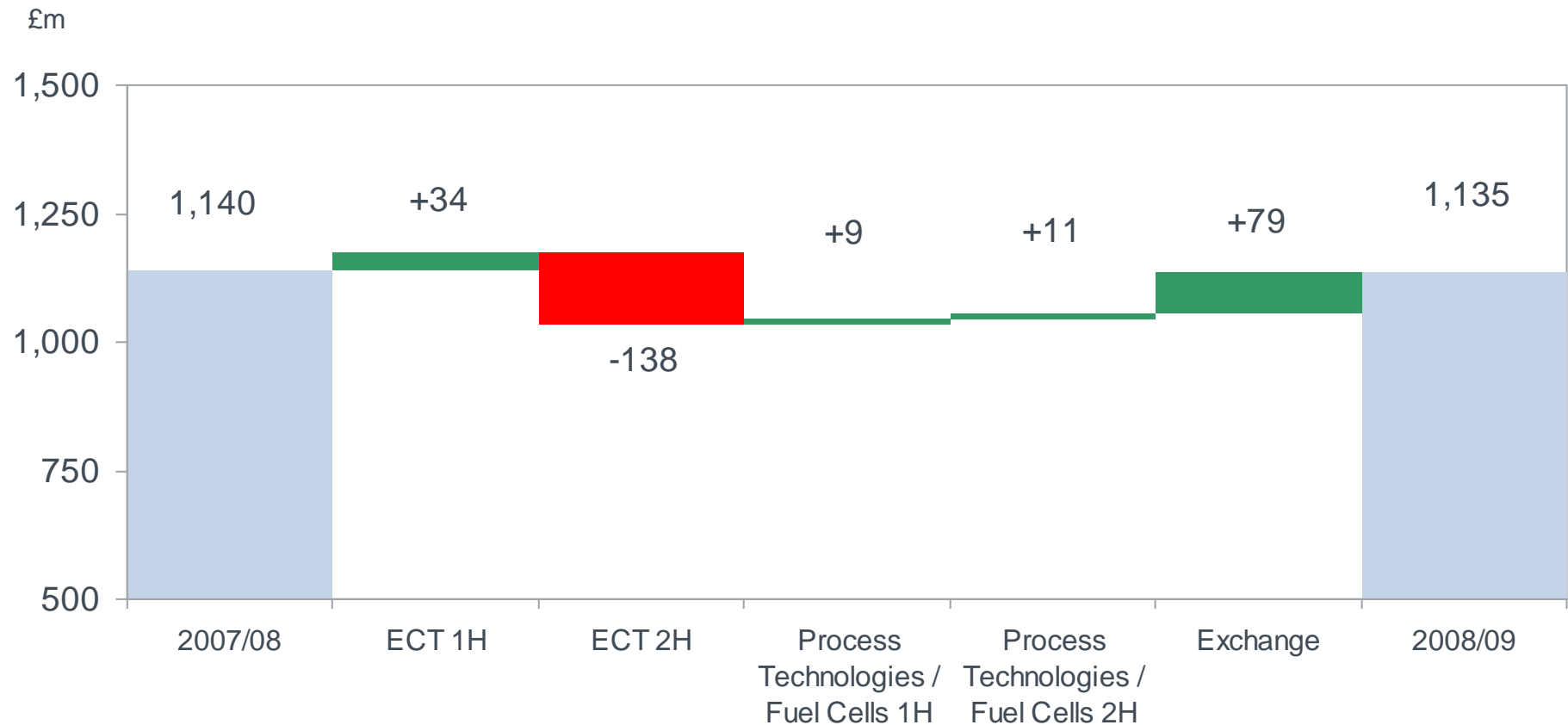


# Return on Sales

## Excluding Precious Metals

	Sales ex pms			ROS	
	Year to 31 <sup>st</sup> March			Year to 31st March	
	2009	2008	Growth	2009	2008
	£m	£m	%	%	%
Environmental Technologies	1,135	1,140	-	10.9	12.9
Precious Metal Products	314	307	+2	38.1	33.2
Fine Chemicals & Catalysts	347	303	+15	21.0	22.1
Group	1,797	1,750	+3	16.6	17.0

# Sales Excluding Precious Metals Environmental Technologies



## Return on Invested Capital (ROIC)

	Year to 31 <sup>st</sup> March	
	2009 £m	2008 £m
Operating profit*	298.5	296.8
Average invested capital:		
Equity	1,169	1,119
Net debt	572	488
Total investment	1,741	1,607
Pre-tax ROIC	17.1%	18.5%
Pre-tax cost of capital	11.5%	11.3%

\* Before amortisation of acquired intangibles and restructuring charges

## Interest and Taxation

	Year to 31 <sup>st</sup> March	
	2009	2008
	£m	£m
Net finance costs (interest)	32.6	30.3
Income tax expense	76.7	77.2
Tax on amortisation / restructuring	2.5	0.9
Underlying tax	79.2	78.1
Underlying tax rate (underlying tax / underlying pbt)	29.6%	29.4%

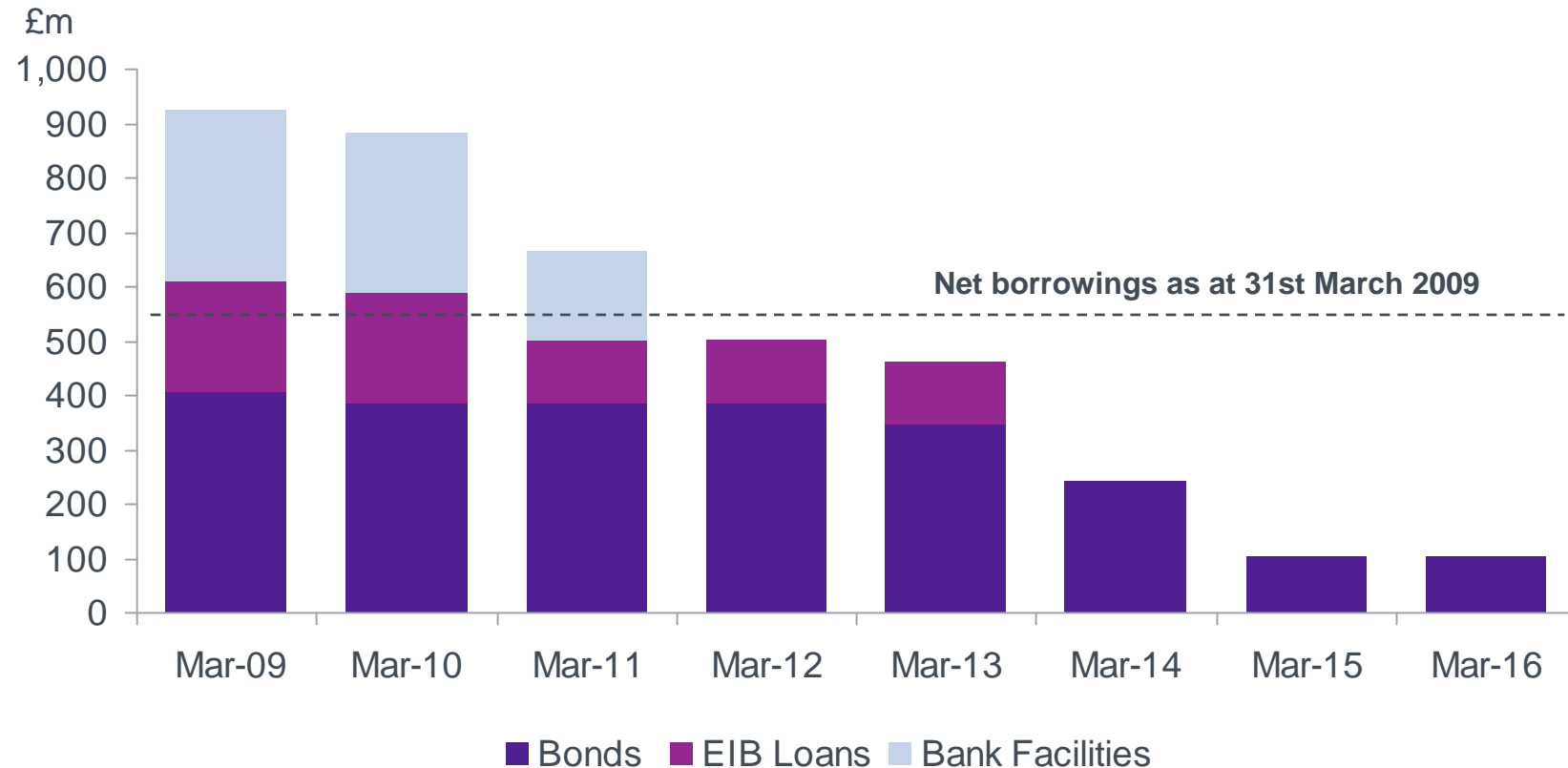
# Net Cash Flow

	Year to 31 <sup>st</sup> March	
	2009 £m	2008 £m
Operating profit	280	294
Depreciation and amortisation	110	82
Tax paid	(85)	(72)
Working capital / other	196	(74)
<b>Cash flow from operations</b>	<b>501</b>	<b>230</b>
Interest / dividends	(112)	(102)
Net investment hedges	(94)	(19)
Net capital investment	(209)	(144)
Acquisitions / disposals	9	(160)
Shares released / (bought)	1	(45)
<b>Net cash flow</b>	<b>97</b>	<b>(239)</b>


# Capital

	31 <sup>st</sup> March 09 £m	31 <sup>st</sup> March 08 £m
Net debt	534	610
Equity	1,176	1,160
Capital employed	1,710	1,770
Gearing (net debt / equity)	45%	53%
Net debt / EBITDA	1.3 x	1.6 x

# Maturity Profile of Debt Facilities







# Operating Review

Neil Carson  
Chief Executive



Johnson Matthey



# Environmental Technologies Division



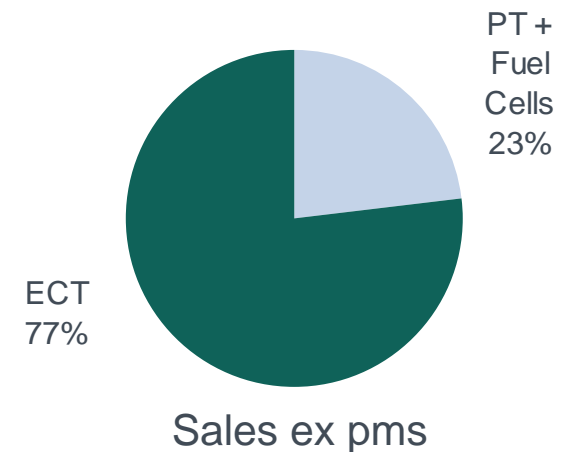
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# Environmental Technologies Division

£m	Year to 31 <sup>st</sup> March		%	% at
	2009	2008		
Revenue	2,226	2,290	-3	-9
Sales excluding precious metals	1,135	1,140	-	-7
Operating profit*	124.3	147.3	-16	-22

\* Before amortisation of acquired intangibles

- Emission Control Technologies' sales excluding precious metals down 3%
- Process Technologies' sales (ex pms) up 11%



# Estimated Light Vehicle Sales and Production

## Year to 31<sup>st</sup> March

		Year to 31 <sup>st</sup> March		
		2009 millions	2008 millions	Change %
North America	Sales	14.4	18.6	-22.6
	Production	10.8	14.7	-26.5
Total Europe	Sales	19.1	22.0	-13.2
	Production	18.9	22.5	-16.0
Asia	Sales	16.7	17.2	-2.9
	Production	25.8	27.4	-5.8
Global	Sales	60.3	68.5	-12.0
	Production	61.6	71.1	-13.4

Source: Global Insight

# Estimated Light Vehicle Sales and Production

## Second half

		Second half to 31 <sup>st</sup> March		
		2009 millions	2008 millions	Change %
North America	Sales	5.7	8.6	-33.7
	Production	4.4	7.1	-38.0
Total Europe	Sales	7.7	10.8	-28.7
	Production	7.8	11.7	-33.3
Asia	Sales	8.2	9.1	-9.9
	Production	12.4	14.5	-14.5
Global	Sales	27.3	35.0	-22.0
	Production	27.0	36.4	-25.8

Source: Global Insight

# Emission Control Technologies

## Light Duty

- Demand for autocatalysts down by more than 30% in the second half
- North America and Europe hardest hit
- China the one bright spot, market growth and JM gaining share



# Emission Control Technologies

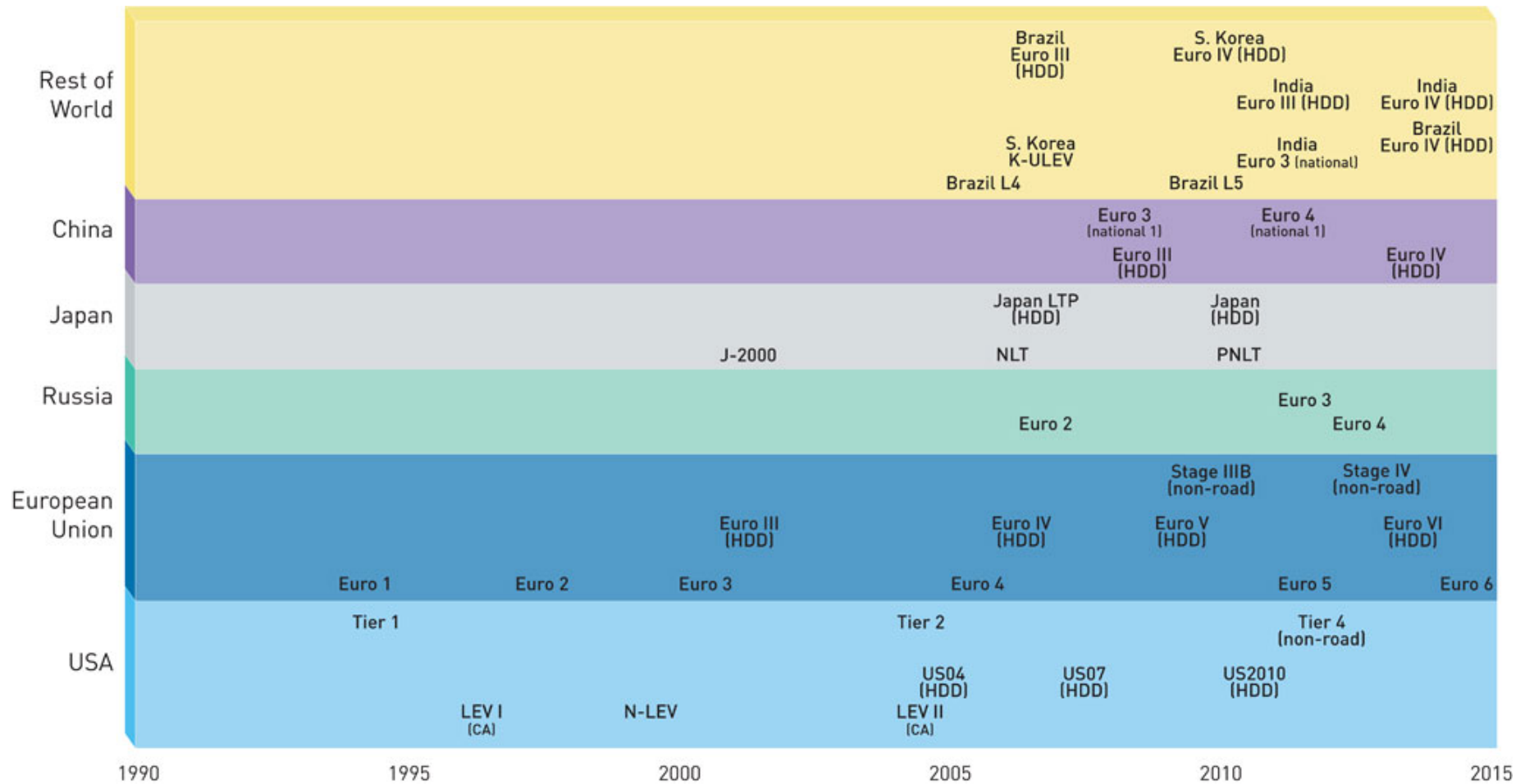
## Light Duty

- Costs reduced in response to downturn. Headcount down by 13%. Production / distribution efficiencies reduce costs by £10m p.a.
- Credit exposure to Chrysler less than \$5m, some of which covered by insurance and indemnities from our suppliers. Exposure to GM in North America very small
- DPF sales decline less than flow through catalysts. Sales to double by January 2011. Growth now likely to happen towards end of 2010



# Emission Control Technologies

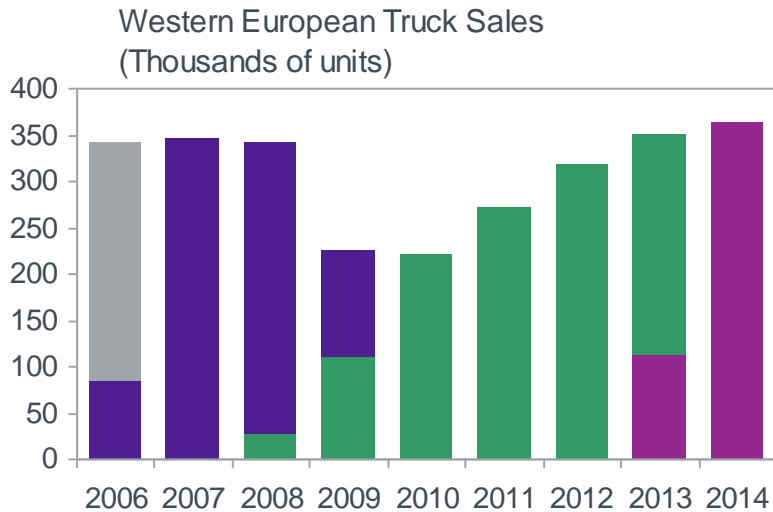
## Legislation Timeline



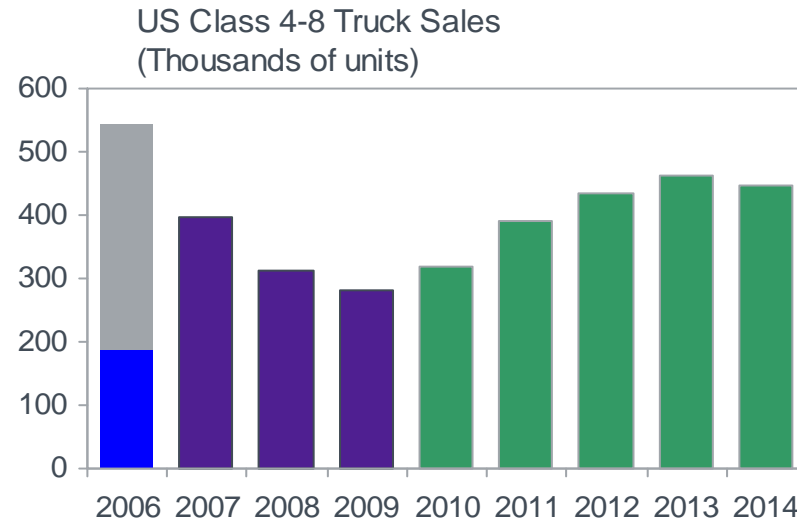


# Emission Control Technologies

## Heavy Duty Diesel Vehicle Sales Outlook (April 2009)



Source: JD Power and Johnson Matthey



- No catalyst fitted
- DOC fitted
- Current regulations (Euro IV / US 07)
- Euro V / US 2010 regulations
- Euro VI regulations

# Emission Control Technologies

## Heavy Duty Diesel

- HDD market for 2008 estimated to be US \$600m (ex pms), JM share >45%
- In 2010 legislation in North America will substantially increase sales of HDD catalysts
- JM's new HDD facility in western Pennsylvania operational later this year
- Some developing countries may delay introduction of legislation because of lack of low sulphur diesel fuel
- Using industry forecasts for truck sales and current legislation, we estimate HDD market will rise to US \$2.5bn (ex pms) by end of 2014

Estimated market value 2014	US\$ bn
Developed markets	1.6
Developing markets	0.4
Non-road	0.5
Total	2.5

# Stationary Emissions Control (SEC) Markets

## Current Markets



Power  
Generation



Industrial  
Processes



Coal Power  
Plants

## Future Markets



Marine



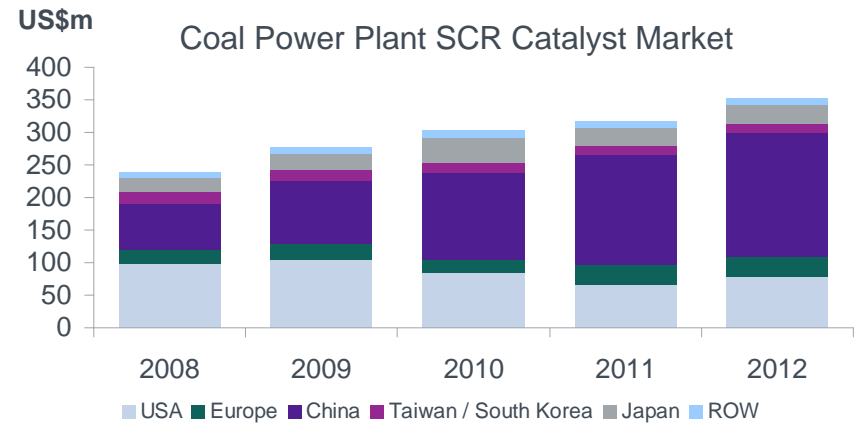
Locomotives



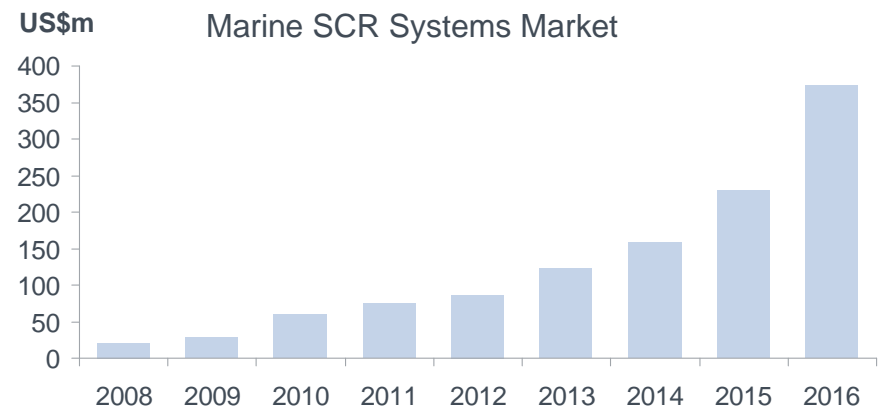
Small Utility  
Engines

# SEC Future Growth

- NOx control for SEC applications should grow significantly over next decade
- Currently the market is worth approximately US \$500m sales (ex pms)
- By end of 2016 we expect total SEC markets to grow to around US \$1.2bn
- JM is well positioned. Only supplier of coated, extruded and plate type SCR catalyst technology



Source: Boston Consulting Group

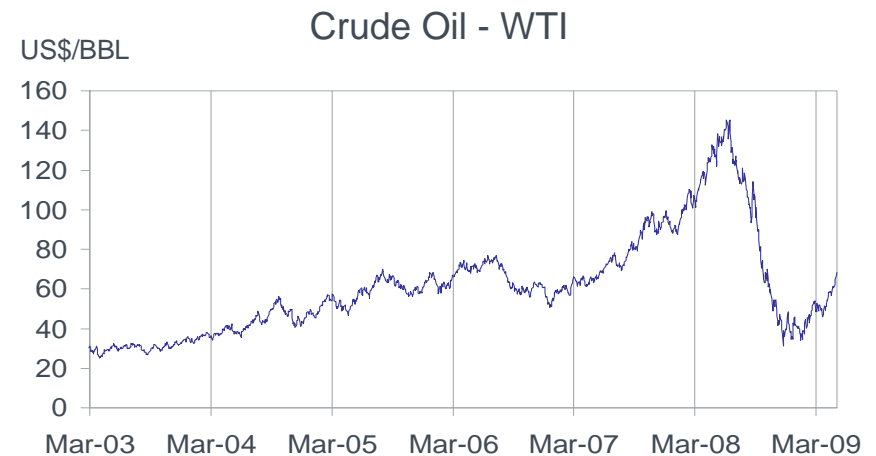


Source: Maritime equipment supplier

# Process Technologies

## Ammonia, Methanol, Oil and Gas (AMOG)

- Despite the fall in the oil price, demand for hydrogen catalysts strong, driven by increased demand for low sulphur fuels
- Good demand for sulphur, chlorine and mercury removal products
- Demand for methanol catalysts in second half driven by sales for new plants



# Process Technologies

## Davy Process Technology

- Eight major licences in 2008/09
- Two oxo alcohol plants, one in China and one in South East Asia, a butanediol plant in China and a biodiesel plant in the USA licensed in year
- Four new methanol plants in China



# Process Technologies

## Future Growth Prospects

- Energy security remains a priority for many countries. Interest in utilising local hydrocarbon reserves supports continued project activity
- Tightening of fuel specifications continues to drive demand for hydrogen catalysts
- New methanol synthesis catalyst facility at Clitheroe, UK being commissioned. New catalysts will provide significant benefits to customers
- Focus on low carbon and CO<sub>2</sub> sequestration should increase demand for reforming technologies and catalysts



# Fuel Cells

- Growing demand for our fuel cell products from wider customer base
- Increasing sales of DMFC products to leisure and military applications. DMFC battery charger systems in late stages of development
- US government support for stationary fuel cells will benefit natural gas powered fuel cells for urban CHP projects







# Precious Metal Products Division



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## Precious Metal Products Division

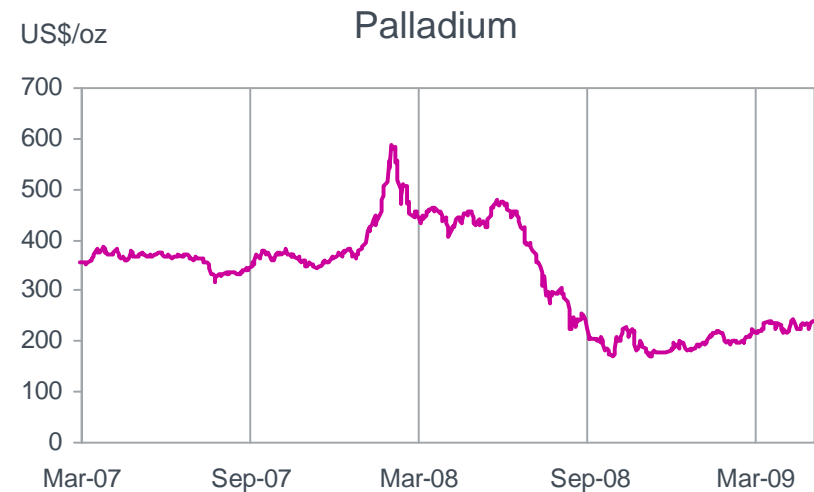
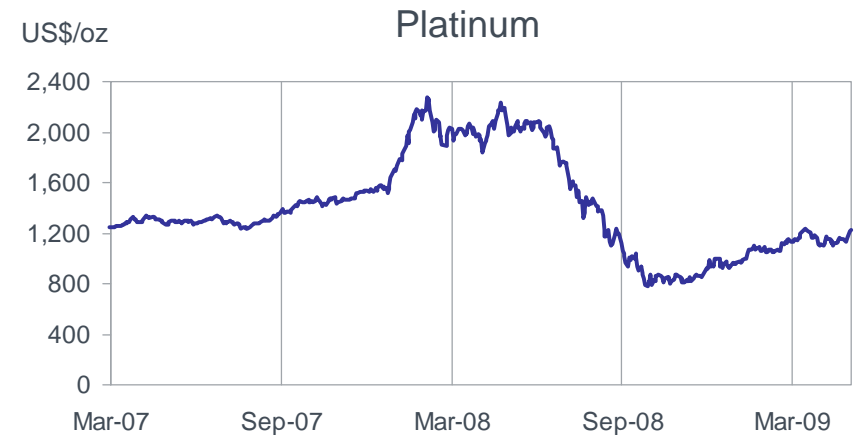
£m	Year to 31 <sup>st</sup> March		% change	% at constant rates
	2009	2008		
Revenue	5,016	4,688	+7	-
Sales excluding precious metals	314	307	+2	-8
Operating profit	119.7	102.1	+17	+9

- High pgm prices in first quarter and volatility provided favourable trading conditions for our Platinum Marketing and Distribution business in the first half
- Much lower pgm prices in second half. Weakening demand for manufacturing businesses in final quarter

# Precious Metal Products Division

## Metal Prices

- Pt demand fell by 5% in calendar year 2008
  - Supply fell by 9.5%
  - Average price in 2008/09 \$1,380/oz, down 6%
- 
- Pd demand slightly up
  - Supply fell by 15%
  - Average price in 2008/09 \$295/oz, down 23%



# Precious Metal Products Division

## Manufacturing Businesses

- Results for the manufacturing businesses were mixed
- Noble Metals achieved good growth in 2008/09. Sales of medical products and catalysts to control N<sub>2</sub>O emissions were well ahead
- Pgm Refining and Recycling performed well but is expected to be down in 2009/10 as a result of reduced demand for recovery of autocatalyst scrap
- Colour Technologies' sales were well down in the second half as demand for automotive glass enamels fell sharply
- Gold and Silver had an excellent year with high gold price supporting demand for gold refining and products





# Fine Chemicals & Catalysts Division



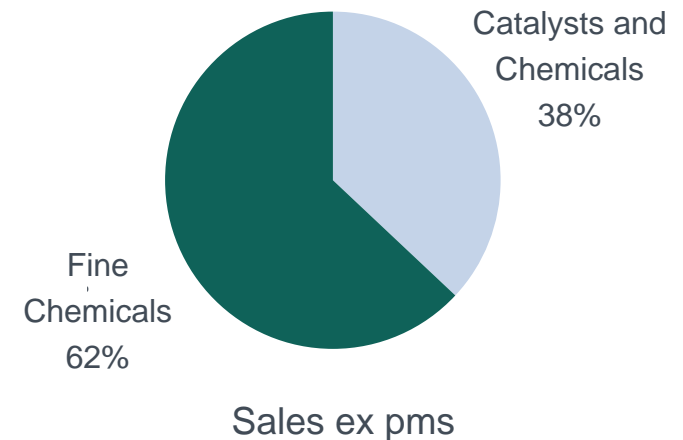
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## Fine Chemicals & Catalysts Division

£m	Year to 31 <sup>st</sup> March		% change	% at constant rates
	2009	2008		
Revenue	606	521	+16	+2
Sales excluding precious metals	347	303	+15	+3
Operating profit*	72.8	67.1	+8	-1

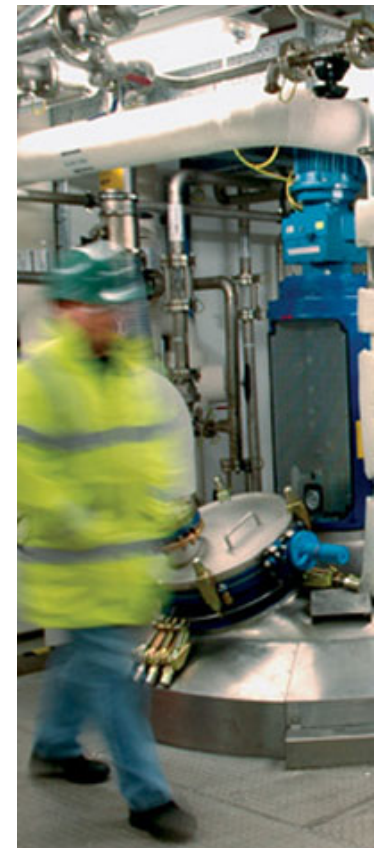
\* Before restructuring charge

- Good growth in Fine Chemicals
- Catalysts and Chemicals down in second half with lower sales of pgm chemicals
- Division benefited from exchange translation with a significant proportion of its operations in US



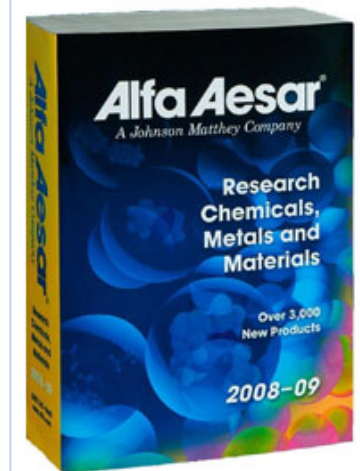
## Fine Chemicals

- Good sales growth at Macfarlan Smith. Codeine phosphate and oxycodone demand up
- Pharmaceutical Materials and Services achieved good growth in product sales, particularly methylphenidate and opiates. Contract research revenue fell in second half as smaller customers affected by lack of funding
- Research Chemicals also achieved good growth with all three regions ahead



# Fine Chemicals Developments

- Facility in Cork, Ireland to be closed at cost of £9.4m. Production of prostaglandins to be consolidated in the USA
- Additional income in 2009/10 from generic version of ADDERALL XR<sup>®</sup> (launched by Barr Laboratories in April 2009)
- In March 2009 we bought our partner's share of our Chinese catalogue joint venture for £5.2m. New manufacturing JV starting production this year





## Catalysts and Chemicals

- Good growth in the first half but demand down in the second
  - Pgm chemicals for automotive catalysts well down
  - Sales of catalysts to pharmaceutical industry achieved good growth
  - Going forward the numbers will be reported in PMPD
- Results for 2008/09 were:

### Catalysts and Chemicals

	1H £m	2H £m	Year £m
Revenue	224	162	386
Sales ex pms	67	65	132
Operating profit	12.5	10.8	23.3

# Outlook

## First Half 2009/10

- In first half of 2009/10 Environmental Technologies' profit will be lower than in 1H 2008/09. Autocatalyst demand and HDD sales remain well down
- Precious Metal Products' profit will also be below last year in the first half. Platinum price currently 30% lower than average for first half of 2008/09. Demand for pgm refining and recycling also lower
- Fine Chemicals expected to perform well
- Exchange translation and interest should provide some upside
- Overall, first half likely to be well below very strong result achieved in 1H 2008/09

# Outlook

## Second Half 2009/10

- Comparisons for second half of 2009/10 easier, as second half of 2008/09 was weaker than the first
- New US HDD legislation starts on 1<sup>st</sup> January 2010
- If global market conditions improve the group should return to growth in the second half

# Outlook

## Medium Term

- Tighter emissions legislation already in place
  - Full fitment of DPFs on diesel cars in Europe in 2011
  - HDD market to quadruple by 2014
  - SEC market to see significant growth
- Energy security and environmental concerns continue to drive growth in Process Technologies
- When global activity picks up demand for platinum and palladium set to increase. Prices likely to be firm
- JM has strong balance sheet to weather the downturn. We will continue to invest in R&D for long term growth



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