



Johnson Matthey

**Presentation of Results for the half
year ended 30th September 2005**

23rd November 2005

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

Progress on Strategic Initiatives

- Focus on delivery of organic growth
- Good share of future HDD catalyst market secured. Sales started in Europe
- Further growth in Catalysts driven by CSFs, Asia and impact of high oil price on process catalyst demand
- Increased investment in new capacity
- Cash generated from restructuring programme used to buy back shares



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Financial Review

John Sheldrick

Group Finance Director

Summary Results

	1H 2005 £m	1H 2004 £m	% Change	% Underlying Growth
Revenue	2,283	2,461	-7	-7
Sales excluding precious metals	637	586	+9	+9
Profit before tax	106.4	88.3	+20	+3
Total earnings per share	35.2p	25.8p	+36	+5
Dividend per share	9.1p	8.7p	+5	+5

IFRS

Overview of impact on first half of 2004

	UK GAAP	IFRS
Profit before tax	£62.0m	£88.3m
Total earnings per share	18.5p	25.8p
Net assets	£901.2m	£927.2m

Major changes to PBT

- Goodwill amortisation, discontinued

Major changes to balance sheet

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

IFRS

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

	1H 2005 £m	1H 2004 £m	Full Year 2004/05 £m
UK GAAP	<u>105.0</u>	<u>103.3</u>	<u>204.0</u>
Capitalised development	3.2	2.4	5.4
Amortisation of capitalised development	(0.6)	(0.6)	(1.1)
Share options	(2.1)	(1.9)	(4.1)
Employee benefits	0.9	0.9	0.3
Discontinued businesses	-	(0.4)	(0.4)
IFRS	<u>106.4</u>	<u>103.7</u>	<u>204.1</u>

Operating Profit

	1H 2005 £m	1H 2004 £m	%	1H 2005 at 1H 2004 exchange rates £m	%
Catalysts	65.2	61.2	+7	65.1	+6
Precious Metal Products	30.6	27.5	+11	30.3	+10
Pharmaceutical Materials	16.2	21.1	-23	16.2	-23
Ceramics	10.8	9.2	+17	10.5	+14
Corporate	(8.3)	(8.2)		(8.3)	
	<u>114.5</u>	<u>110.8</u>	+3	<u>113.8</u>	+3

Return on Sales

Excluding Precious Metals

	Sales excl. PM's			ROS	
	1H 2005 £m	1H 2004 £m	Growth %	1H 2005 %	1H 2004 %
Catalysts	375	329	+14	17.4	18.6
Precious Metal Products	117	113	+4	26.1	24.3
Pharmaceutical Materials	55	63	-13	29.6	33.6
Ceramics	90	81	+11	12.0	11.3
Group	637	586	+9	18.0	18.9*

*excluding restructuring costs

Interest

	1H 2005 £m	1H 2004 £m
Interest payable	(15.7)	(13.4)
Interest receivable	8.0	6.2
	<hr/>	<hr/>
	(7.7)	(7.2)
	<hr/>	<hr/>

Taxation

	1H 2005 £m	1H 2004 £m
Underlying tax	31.1	31.1
Tax relief on restructuring costs	-	(4.7)
	<u>31.1</u>	<u>26.4</u>
Underlying tax rate	29.2%	30.0%

Net Cash Flow

	1H 2005 £m	1H 2004 £m
Operating profit	114.5	95.4
Depreciation and amortisation	33.2	32.7
Working capital / tax / other	<u>(21.2)</u>	<u>(37.0)</u>
Cash flow from operations	126.5	91.1
Interest / dividends	(48.5)	(46.1)
Net capital investment	(46.5)	(37.0)
Acquisitions / disposals	(1.1)	21.3
Shares (bought) / issued	<u>(11.9)</u>	<u>1.1</u>
Net cash flow	<u>18.5</u>	<u>30.4</u>

Capital

	Sep 05 £m	Mar 05 £m
Net debt	361	370
Equity	978	930
Capital employed	<u>1,339</u>	<u>1,300</u>
Gearing (net debt / equity)	37%	40%



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Operating Review

Neil Carson
Chief Executive

Catalysts Division

- Profits up 7%
- Good growth despite weak US automotive market



Light Vehicle Sales and Production

		Half year to 30 th September		
		2005	2004	change
		millions	millions	%
North America				
	Sales	10.7	10.3	3.9%
	Production	7.8	7.8	0.0%
Europe				
	Sales	9.3	9.1	2.2%
	Production	10.2	10.1	1.0%
Asia				
	Sales	7.2	6.5	10.8%
	Production	10.9	10.2	6.9%
Global				
	Sales	32.3	30.8	4.9%
	Production	31.7	30.8	2.9%

Environmental Catalysts and Technologies

- **Good top line growth in Europe and Asia, North America flat**
- **Europe benefits from strong sales of diesel products**
- **Good volume growth in Asia, particularly in China and Japan**

Environmental Catalysts and Technologies

HDD on-road regulation timetable and sales

	New Models	All Models
Europe		
Euro 4	01-Oct-05	01-Oct-06
Euro 5	01-Oct-08	01-Oct-09
United States		
US2007	01-Jan-07	01-Jan-07
US2010	01-Jan-10	01-Jan-10
Japan		
<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
<i>Japan Diesel 09</i>		
2.5t+	31-Dec-09	31-Dec-09
China		
Euro 3	2008?	
India		
Euro 3	2006?	

HDD Vehicle Production 2004 over 6 tonnes gross weight	
Europe	433,000
United States	386,000
Japan	258,000
Total regulated markets	1,077,000

Source DRI

Environmental Catalysts and Technologies

Heavy Duty Diesel

- **HDD catalyst sales to OEMs beginning to grow**
- **Main growth in Europe to occur as we approach October '06 when legislation covers all new vehicles**
- **US legislation applies to all new vehicles from January '07**
- **Johnson Matthey has secured a good share of these new markets**

Environmental Catalysts and Technologies

Light Duty Diesel

- **LDD Pt/Pd technology adopted by most OEMs**
- **Very tight particulate control will be required to meet European 2010 LDD emissions standards**
- **Strong consumer demand ahead of legislation**
- **New CSF factory commissioned at Royston. Further expansion planned in second half**
- **£30 million additional investment in second half for HDD and CSF capacity worldwide**

Environmental Catalysts and Technologies

Growth in Asia

- Good growth across the region
- New facility announced in Korea
- Further expansion in Japan



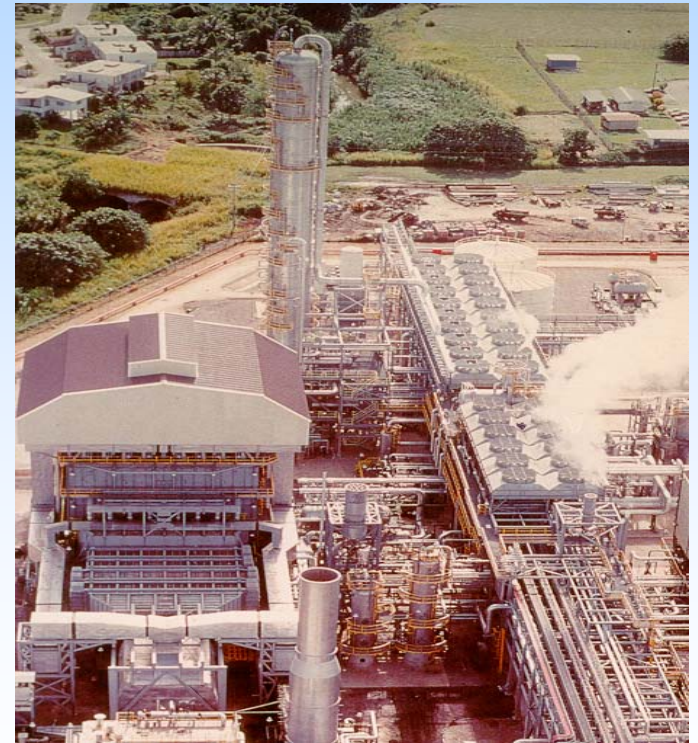
Process Catalysts and Technologies

- **Good growth in the first half**
- **AMOG business well ahead benefiting from strong demand for catalysts in hydrogen based processes and for gas purification products**
- **New methanol licences awarded to OneSynergy**
- **Edible oil catalysts ahead, polymer catalysts down**
- **Research Chemicals makes good progress. New global catalogue launch commenced October**

Process Catalysts and Technologies

Future Trends

- High oil price
- Increasing demand for greener fuels (low sulphur, low aromatic, bio fuels, gas derived fuels etc)
- Dirtier crude oil
- Investment in synthetic liquid products from natural gas and coal
- Increased investment in catalyst R&D



Fuel Cells

- Continuing progress in automotive MEAs
- Energy and global warming concerns drive interest in fuel cells
- Renewed demand for PAFC fuel cells for medium scale stationary applications



Courtesy of UTC Power



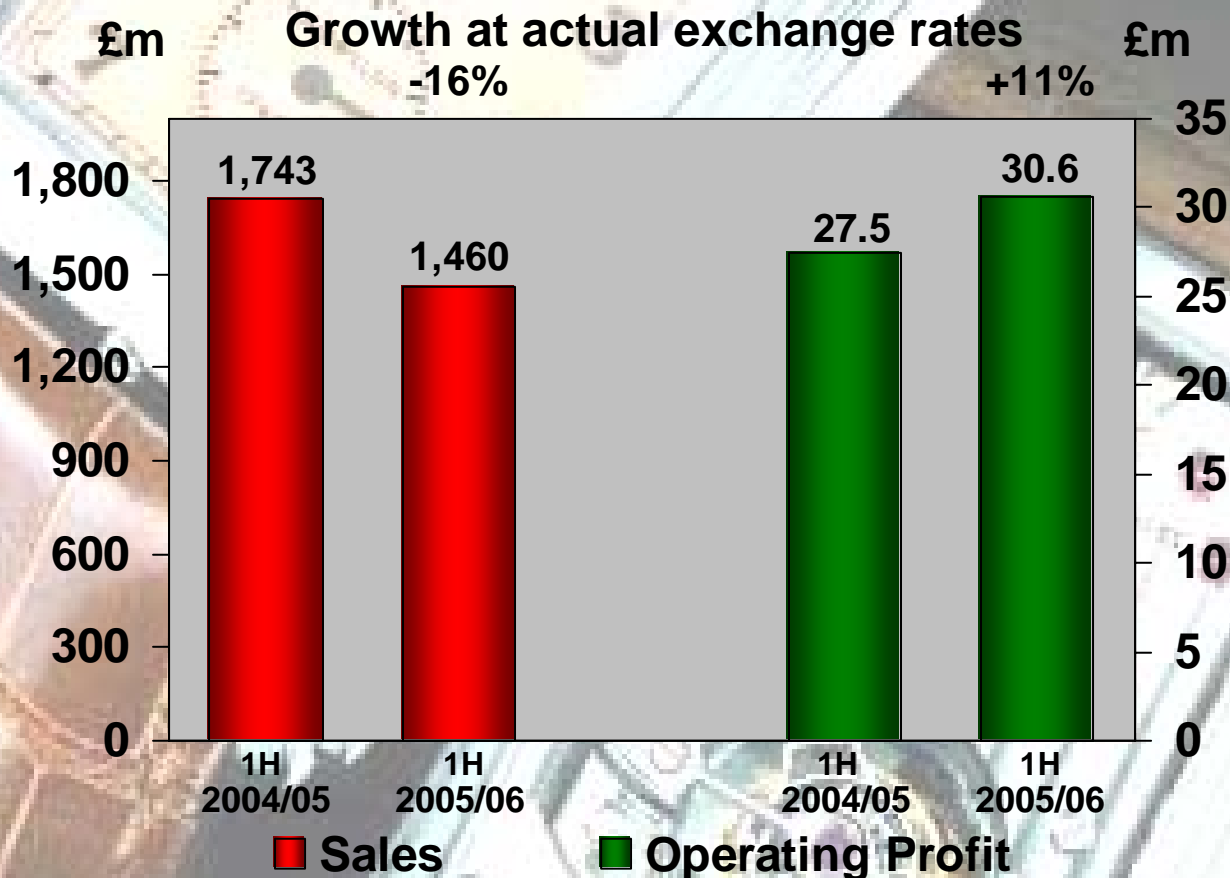
Fuel Cells

- Considerable interest in DMFC technology for laptops and mobile phone chargers
- Collaborations with a number of major consumer electronics companies

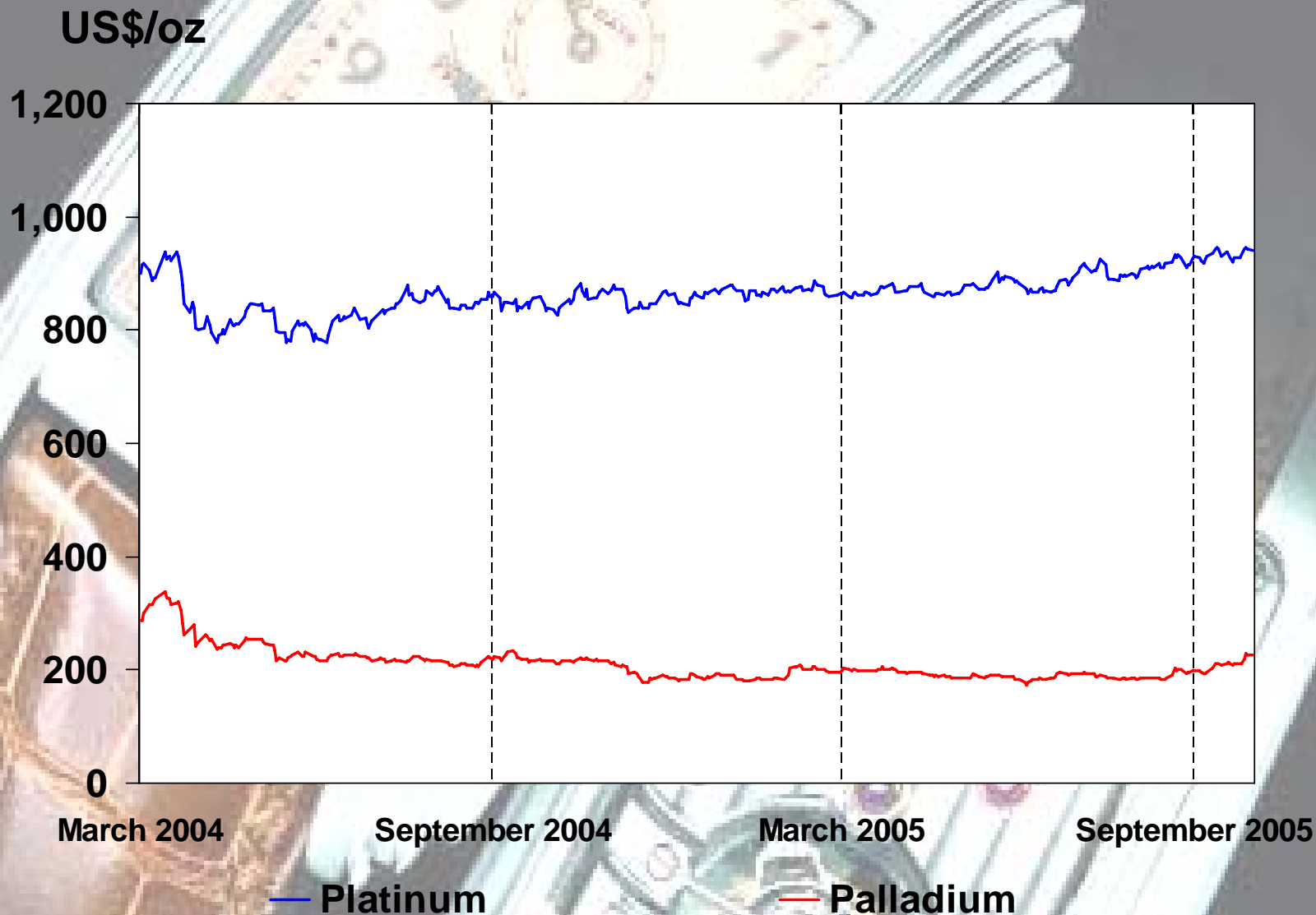


Precious Metal Products

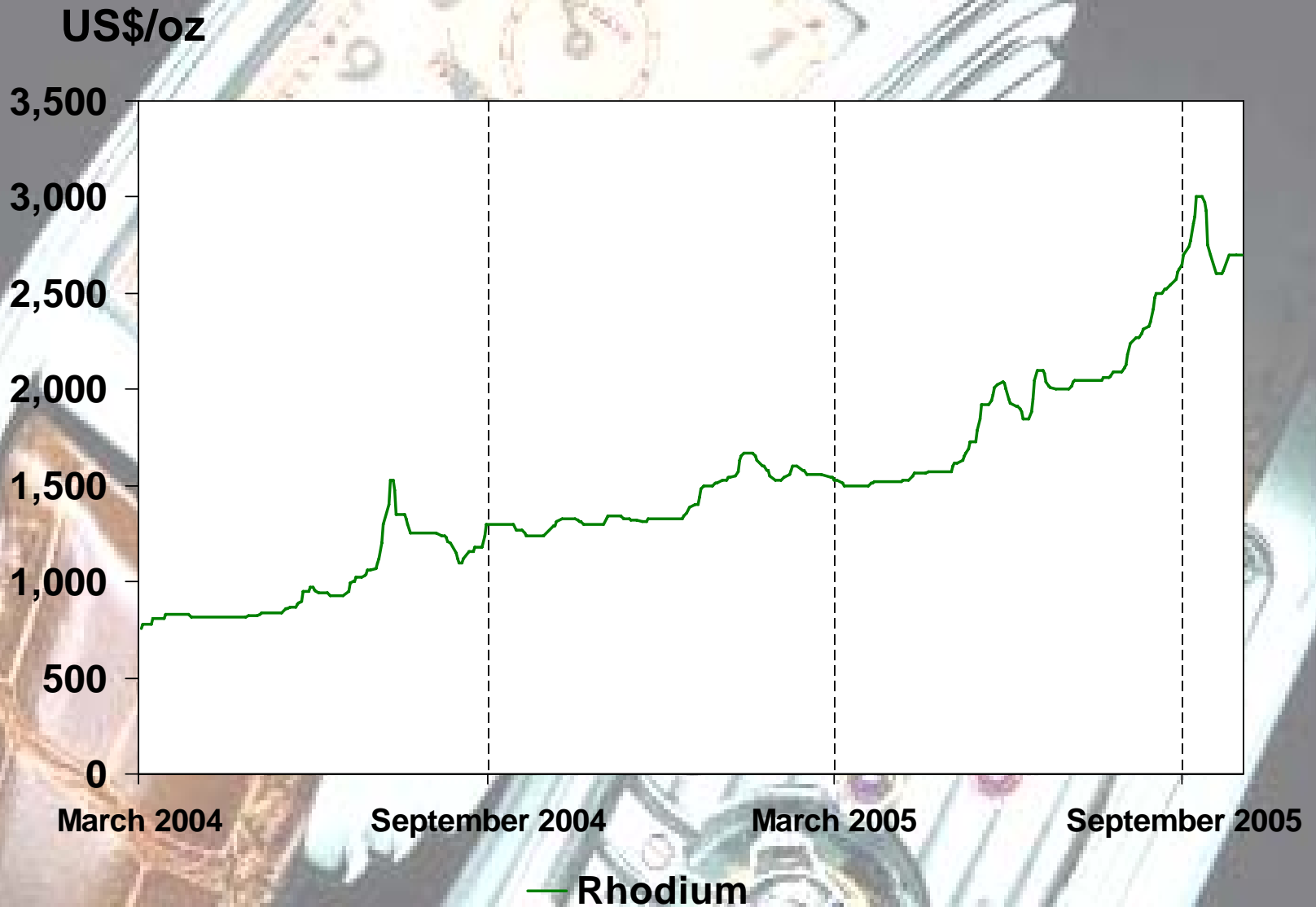
- Profits up 11%
- Most of growth comes from manufacturing businesses



Platinum and Palladium Prices



Rhodium Prices



Precious Metal Products

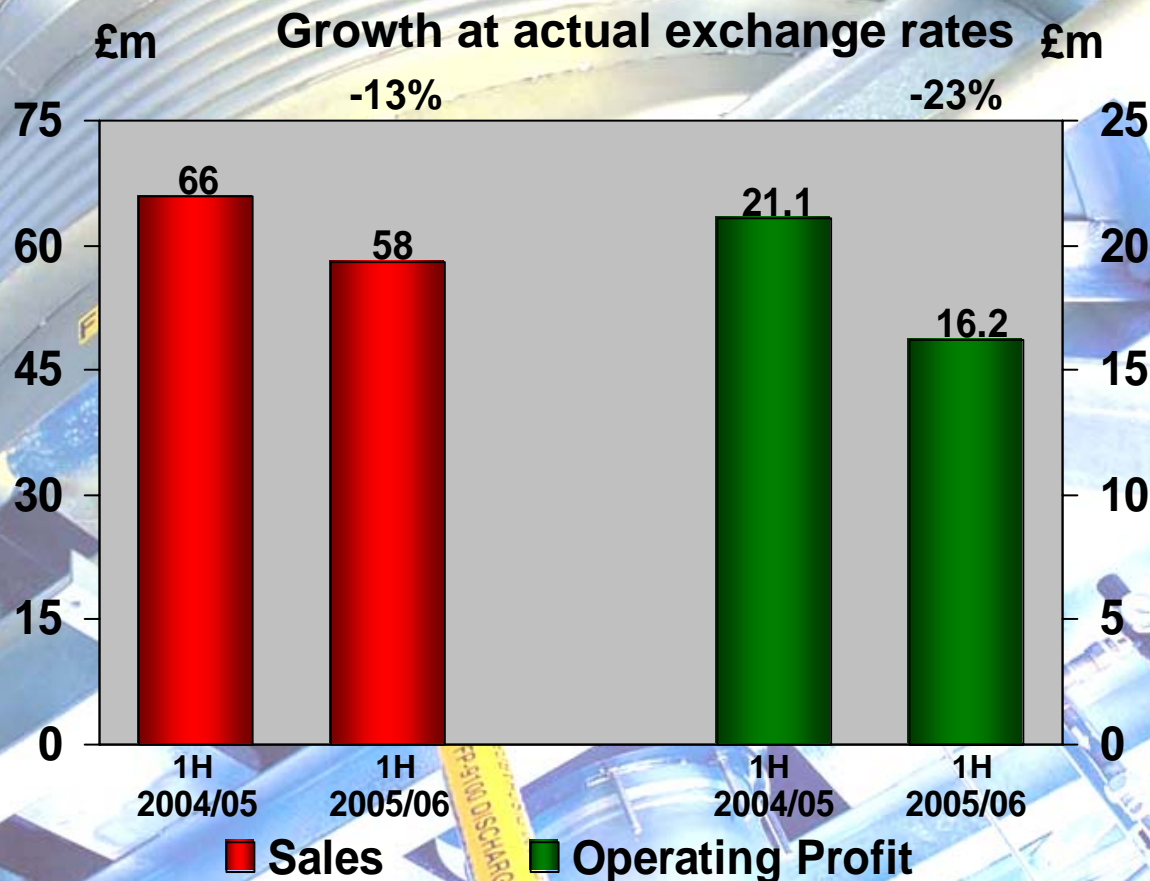
- Price volatility in platinum and palladium subdued compared with first half of last year
- However, platinum demand continues to grow
- Rise in rhodium price provides some benefits in trading but adversely impacts working capital

Precious Metal Products

- **Colour Technologies business benefits from strong demand and cost reductions**
- **Gold and Silver's profits improve as result of closure of UK refinery**
- **Continued good progress in fabricated pgm products, especially medical parts**
- **Pgm refining transferred to Precious Metal Products**

Pharmaceutical Materials

- Profits down 23%
- US business down, Macfarlan Smith continues to perform well



Pharmaceutical Materials

US Operations

- Impact of expiry of carboplatin patent in October '04
- Weaker contract research market compared with first half of last year
- Improvement expected in second half
- 2006 to benefit from new product launches and growth in opiates

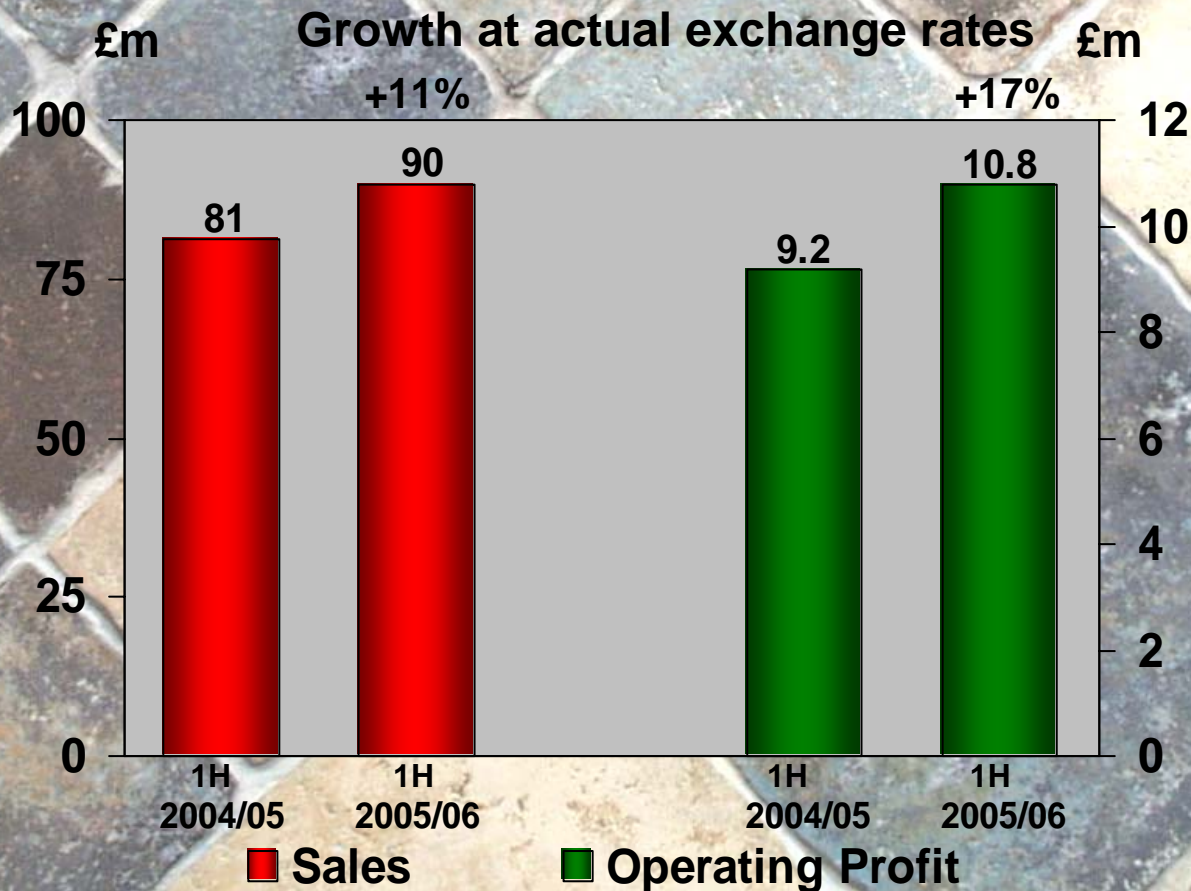
Pharmaceutical Materials

Europe

- **Profits up at Macfarlan Smith**
- **Good growth in high potency products**
- **Strong demand for specialist opiates**
- **New manufacturing capacity coming on stream at end of year**

Ceramics

- Profits up 17%
- New division benefiting from restructuring and top line growth



Ceramics

- **Ceramics Division formed following restructuring of Colours & Coatings**
- **Global supplier of decorative materials to tile manufacturers**
- **Good growth in demand from Eastern Europe and Asia, particularly China**
- **Strong cash generation**

Divisional Outlook

- ECT expected to achieve 10% growth driven by diesel and Asia
- Good growth expected in PCT
- PMP's profits in the second half expected to be ahead of last year but down on particularly strong first half
- Pharmaceutical Materials' profits to improve reflecting stronger sales in the US
- Ceramics' second half expected to be similar to the first with strong cash generation

Group Outlook

- Overall, good growth in earnings expected for the year
- Outlook very encouraging
- Environmental and energy concerns will underpin future growth



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