



# Johnson Matthey

**Presentation of Results for the half  
year ended 30<sup>th</sup> September 2006**

**22nd November 2006**

# 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.**



Johnson Matthey

**Introduction**

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

# Business Developments

- Strong first half
- Focus on delivery of organic growth
- Increase in sales of diesel catalysts this year
  - CSFs
  - HDD
- Environmental concerns and energy prices drive long term growth
- Major investment in capex and working capital. ROA is key performance measure



Johnson Matthey

**Financial Review**

**John Sheldrick**

**Group Finance Director**

# Summary Results

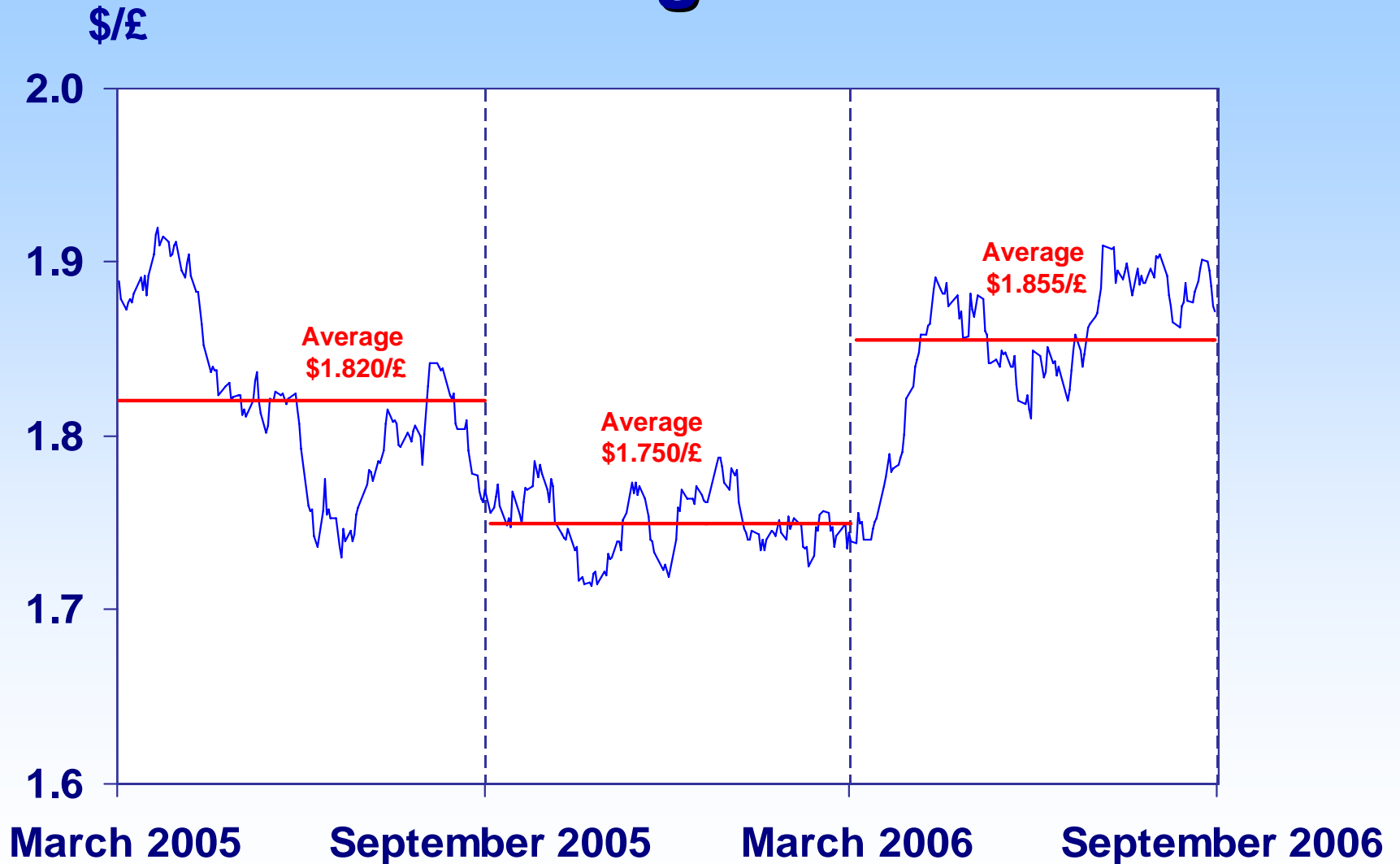
	1H 2006 £m	1H 2005 £m	% change
Revenue	3,012	2,283	+32
Sales excluding precious metals	744	637	+17
Operating profit	126.8	114.5	+11
Profit before tax	115.1	106.4	+8
Total earnings per share	38.3p	35.2p	+9
Dividend per share	9.9p	9.1p	+9

# Operating Profit

	1H 2006 £m	1H 2005 £m		1H 2006 at 1H 2005 exchange rates* £m	
			%		%
Catalysts	70.8	65.2	+9	71.5	+10
Precious Metal Products	37.2	30.6	+22	37.3	+22
Pharmaceutical Materials	17.0	16.2	+5	17.1	+6
Ceramics	10.2	10.8	-6	10.1	-6
Corporate	(8.4)	(8.3)		(8.4)	
Operating profit	<u>126.8</u>	<u>114.5</u>	+11	<u>127.6</u>	+11

\* excluding South African rand

# Exchange Rates





# Return on Sales

## Excluding Precious Metals

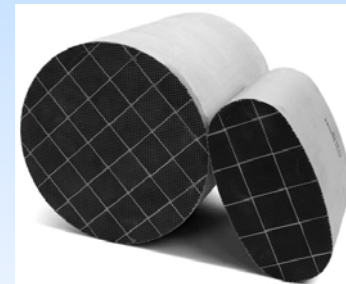
	Sales excl. PM's			ROS	
	1H 2006 £m	1H 2005 £m	Growth %	1H 2006 %	1H 2005 %
Catalysts	458	375	+22	15.5	17.4
Precious Metal Products	134	117	+14	27.7	26.1
Pharmaceutical Materials	61	55	+12	27.8	29.6
Ceramics	90	90	-	11.3	12.0
<b>Group</b>	<b>744</b>	<b>637</b>	<b>+17</b>	<b>17.1</b>	<b>18.0</b>

# Substrate Costs

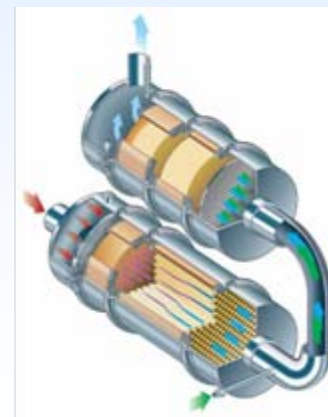
**Autocatalyst    £3 - £10**



**CSF                £100 - £120**



**HDD                Flow through £60  
Filter system £300**



# Interest

	1H 2006 £m	1H 2005 £m
Interest payable	(17.2)	(15.7)
Interest receivable	5.0	8.0
	<u>(12.2)</u>	<u>(7.7)</u>

# Net Cash Flow

	1H 2006 £m	1H 2005 £m
Operating profit	126.8	114.5
Depreciation and amortisation	37.5	33.2
Tax paid	(41.9)	6.4
Working capital / other	(71.5)	(27.6)
<b>Cash flow from operations</b>	<u>50.9</u>	<u>126.5</u>
Interest / dividends	(59.1)	(48.5)
Net capital investment	(55.9)	(46.5)
Acquisitions / disposals	(7.5)	(1.1)
Shares (bought) / issued	(12.2)	(11.9)
<b>Net cash flow</b>	<u>(83.8)</u>	<u>18.5</u>

# Capital

	Sep 06 £m	Mar 06 £m
Net debt	478	412
Equity	1,041	1045
Capital employed	<u>1,520</u>	<u>1,457</u>
Gearing (net debt / equity)	46%	39%



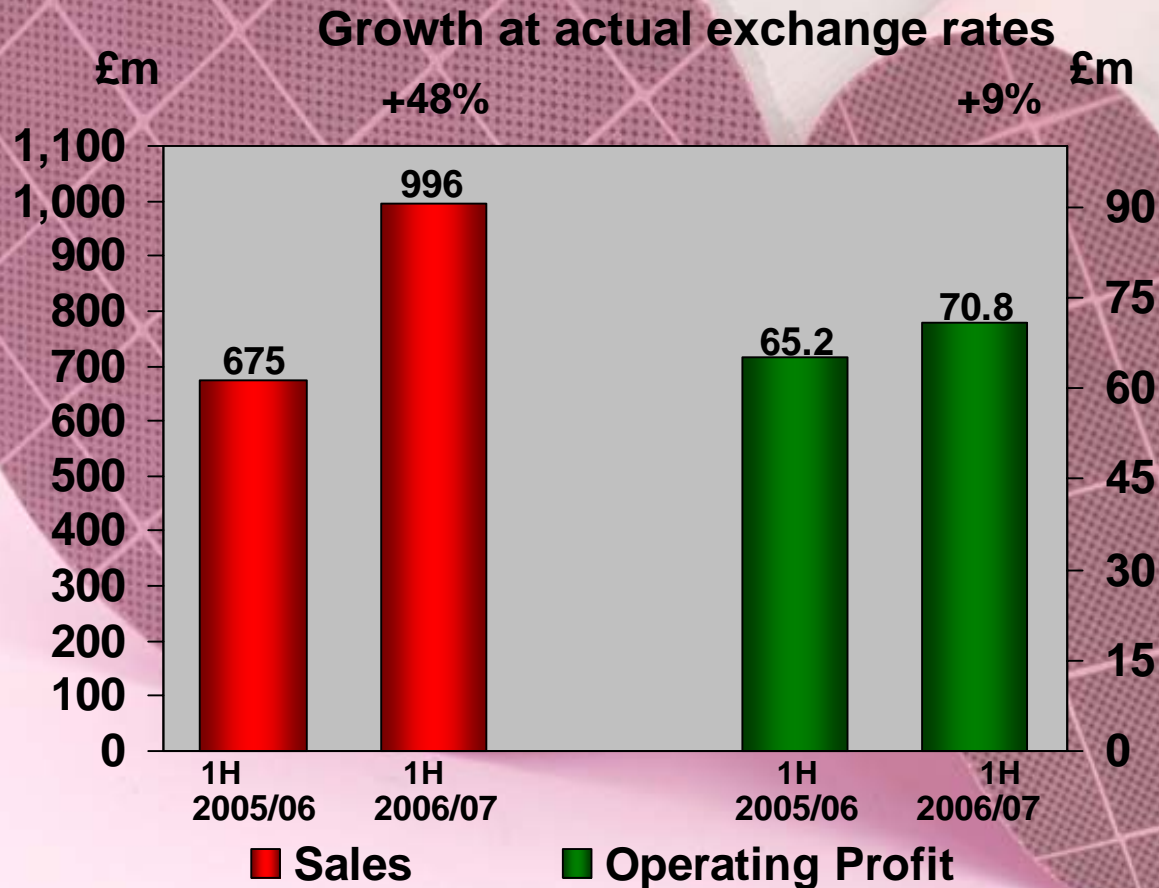
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**Operating Review**

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

# Catalysts Division

- Profits up 9%
- Both ECT and PCT achieve good growth



# Light Vehicle Sales and Production

		Half year to 30 <sup>th</sup> September		
		2006	2005	change
		millions	millions	%
<b>North America</b>				
	<b>Sales</b>	<b>10.2</b>	<b>10.7</b>	<b>-4.7%</b>
	<b>Production</b>	<b>7.5</b>	<b>7.8</b>	<b>-3.8%</b>
<b>Europe</b>				
	<b>Sales</b>	<b>9.2</b>	<b>9.3</b>	<b>-1.1%</b>
	<b>Production</b>	<b>9.2</b>	<b>9.3</b>	<b>-1.1%</b>
<b>Asia</b>				
	<b>Sales</b>	<b>7.6</b>	<b>7.2</b>	<b>+5.6%</b>
	<b>Production</b>	<b>11.9</b>	<b>10.9</b>	<b>+9.2%</b>
<b>Global</b>				
	<b>Sales</b>	<b>32.1</b>	<b>32.1</b>	<b>-</b>
	<b>Production</b>	<b>32.0</b>	<b>31.5</b>	<b>+1.6%</b>

Source: Global Insight





# **Environmental Catalysts and Technologies**

- **Good top line growth**
- **Significant increase in sales of CSFs in Europe**
- **Further weakness in North American market**
- **Good growth in Asia**
- **Overall strong growth in Europe and Asia more than offsets weakness in North America**

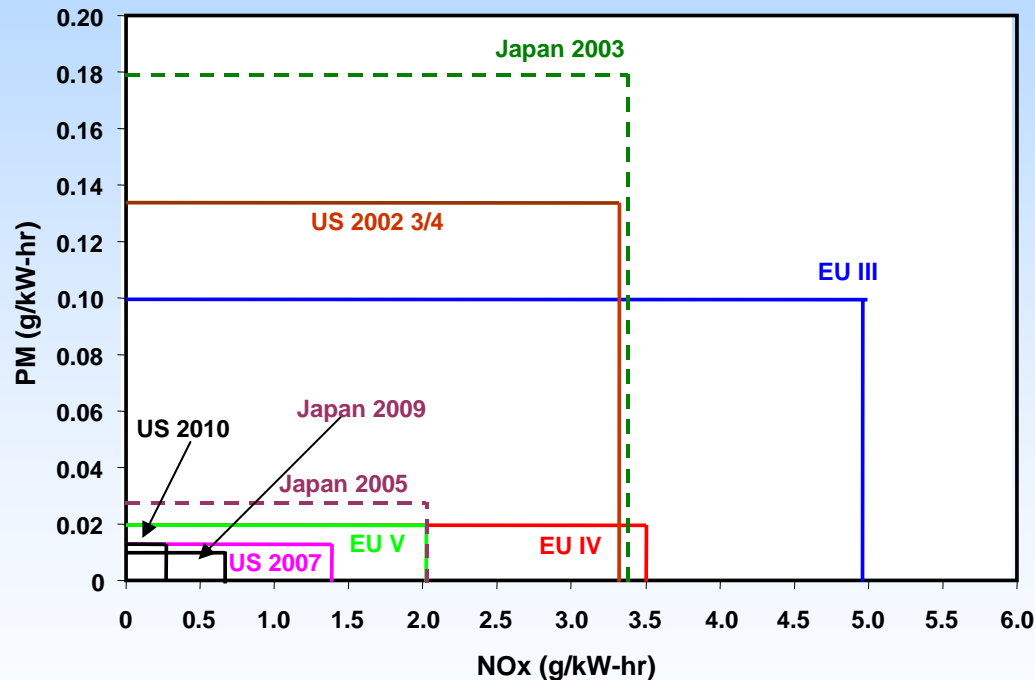
# **Environmental Catalysts and Technologies**

## **Developments in Diesel Business**

- **Early adoption of 2010 regulations in Europe drives growth in CSFs**
- **New sales of diesel catalysts for pick-up trucks in US this year**
- **HDD sales now starting to grow in Europe. Will start in US in January**
- **Significant pre-buying of trucks in 2006**

# Environmental Catalysts and Technologies

## HDD on-road regulation development

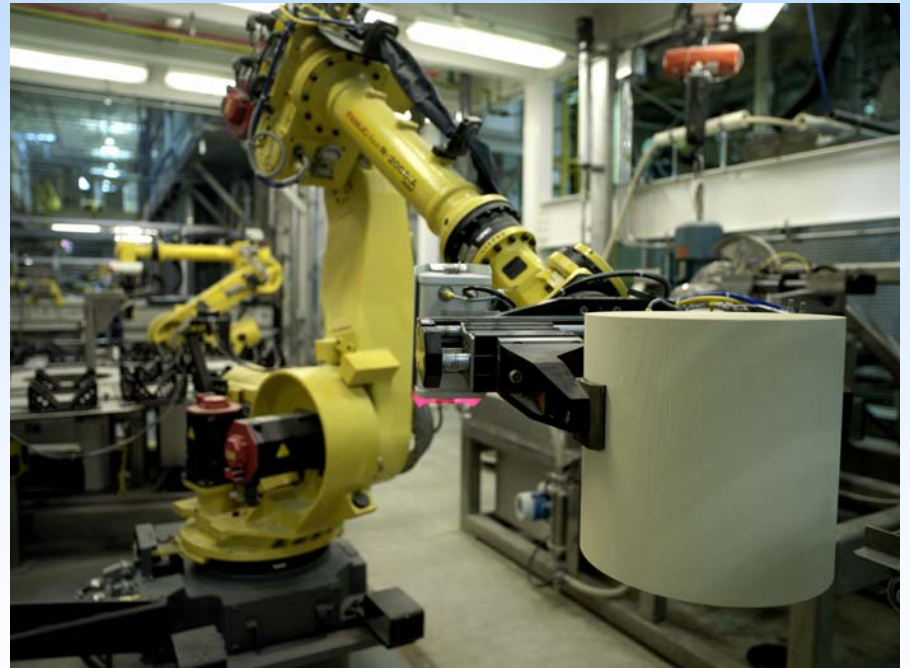


	New Models	All Models
<b>Europe</b>		
Euro 4	01-Oct-05	01-Oct-06
Euro 5	01-Oct-08	01-Oct-09
<b>United States</b>		
US2007	01-Jan-07	01-Jan-07
US2010	01-Jan-10	01-Jan-10
<b>Japan</b>		
<i>Short Term</i>		
2.5-12t	01-Oct-03	01-Oct-03
12t +	01-Oct-04	01-Oct-04
<i>New Long Term</i>		
2.5t+	01-Oct-05	01-Oct-05
Japan Diesel 09	31-Dec-09	31-Dec-09
<b>China</b>		
Beijing - Euro 4	2008	
Rest of country - Euro 4	2010	
<b>India</b>		
Major cities	2010 (or earlier?)	
<b>South Korea</b>		
Euro 4	01-Jan-06	01-Jan-08
<b>Brazil</b>		
Euro 4	2009	

# Environmental Catalysts and Technologies

## Investment

- Extension to CSF facility in Royston
- Completion of HDD plant in US
- Further investment in Japan
- New factories in South Korea and Russian Federation



# Process Catalysts and Technologies

- **Good growth in sales and operating profits**
- **AMOG business well ahead. Sales of syngas catalysts strong, particularly for methanol production**
- **Good growth in sponge nickel catalysts**
- **Increasing sales of catalysts for fine chemicals and pharmaceuticals**
- **Good contribution from DPT**

# Process Catalysts and Technologies

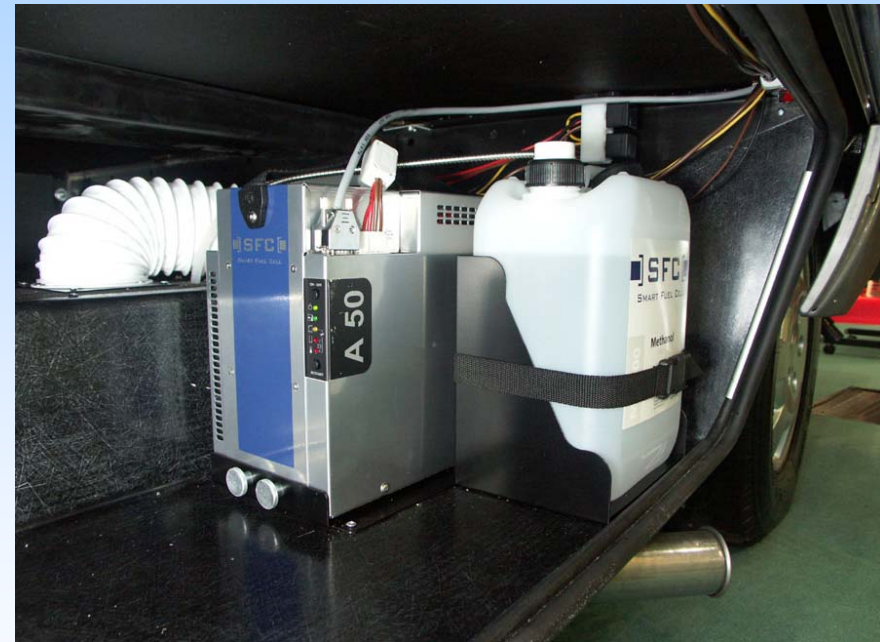
## Developments

- Increasing activity in hydrocarbons to products technologies
- Low carbon initiatives should benefit future growth
- Research Chemicals benefits from new joint venture in China



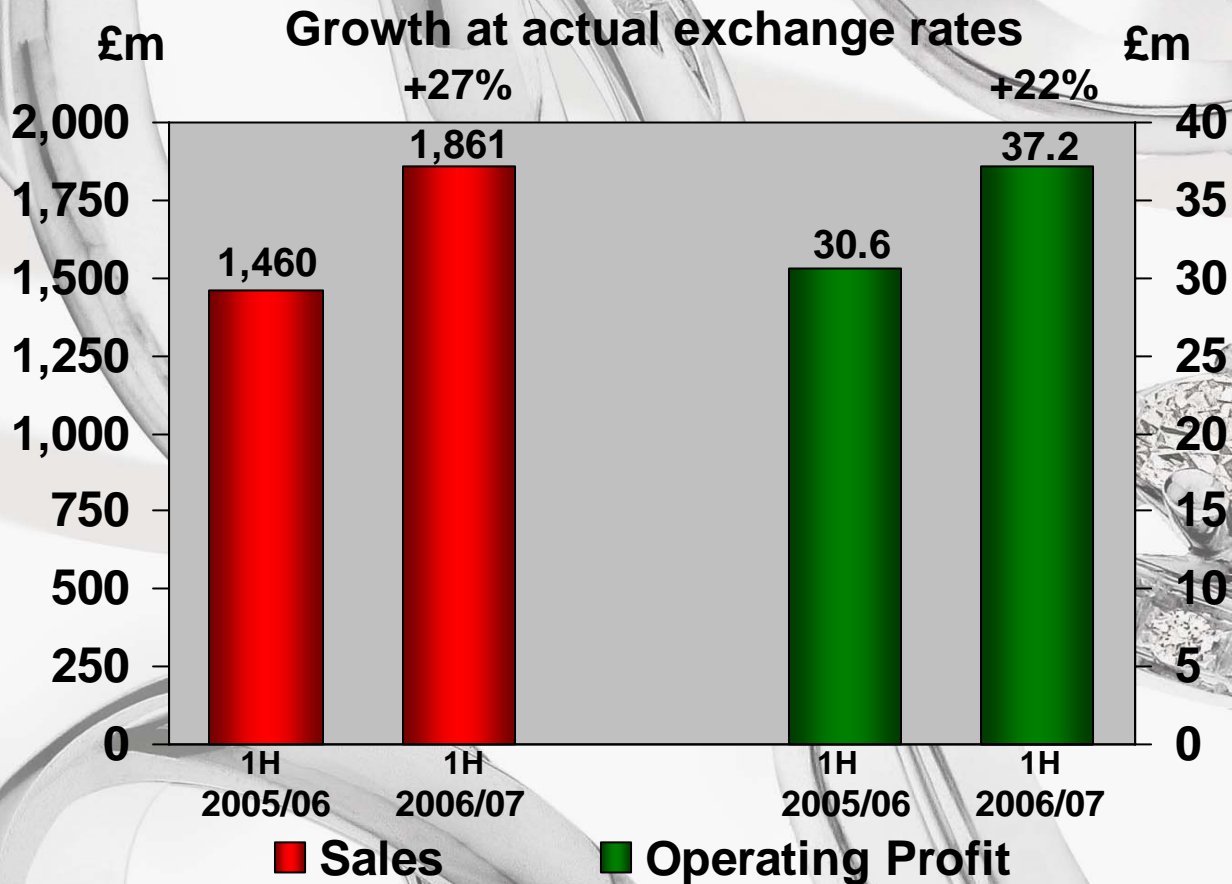
# Fuel Cells

- Increased interest in Direct Methanol Fuel Cells (DMFC)
- Growing sales of MEAs for portable DMFC applications in Europe
- Continuing to work on consumer electronics applications particularly in Asia



# Precious Metal Products

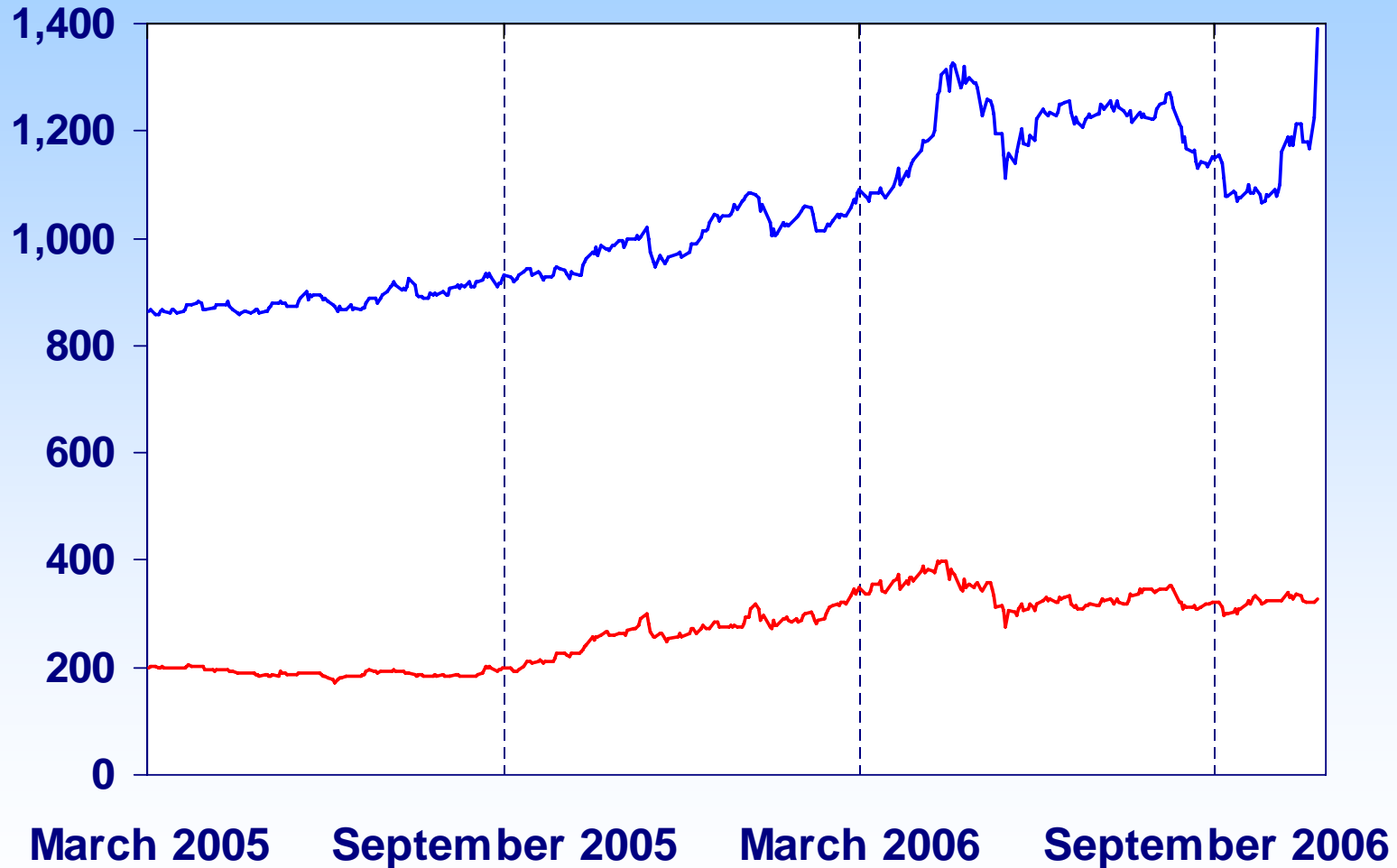
- Profits up 22%
- Both marketing and manufacturing businesses performed well





# Platinum and Palladium Prices

US\$/oz



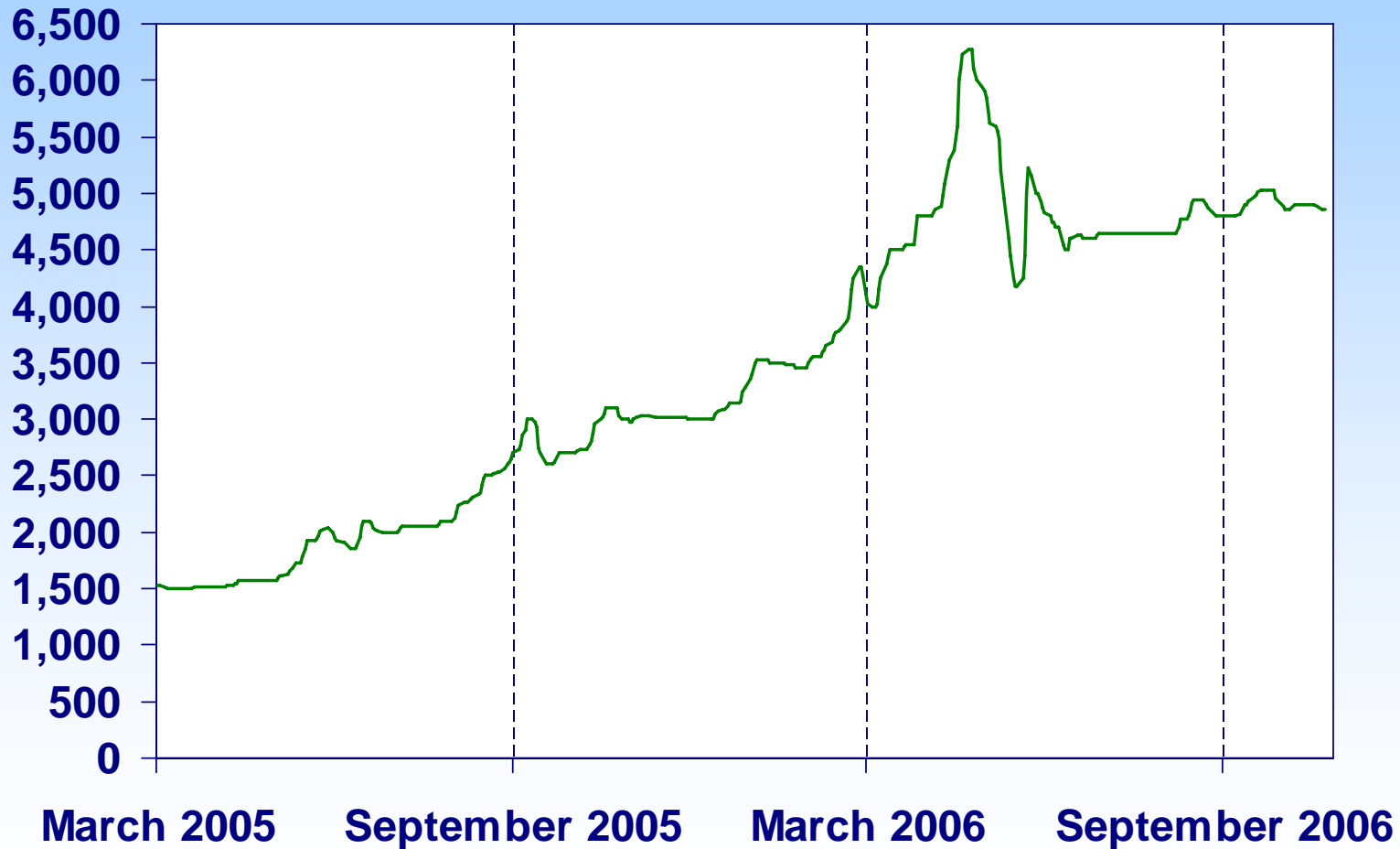
— Platinum

— Palladium



# Rhodium Price

US\$/oz



— Rhodium

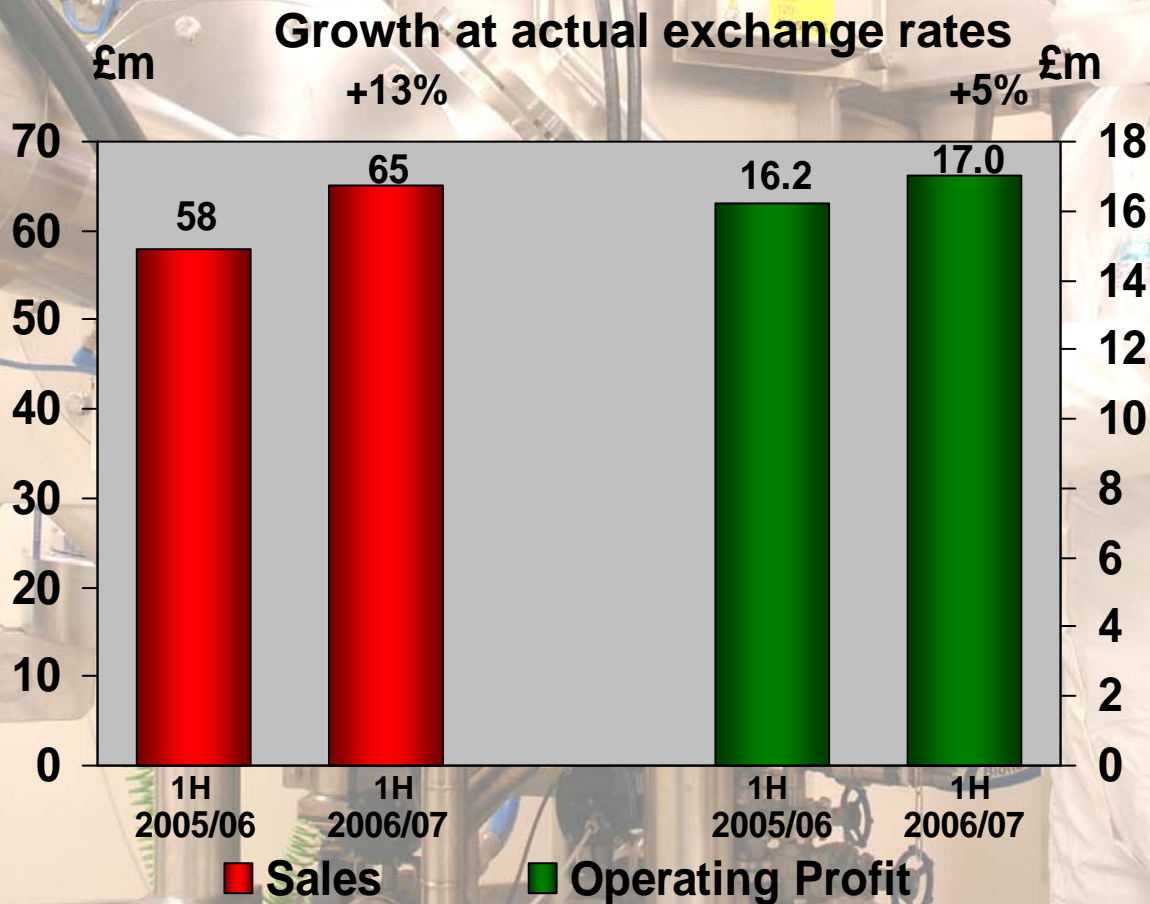


# Precious Metal Products

- **Strong growth in marketing and distribution business**
- **Good growth in pgm fabrication business, particularly in US**
- **Pgm refining demand strong. Focus on high grade materials**
- **Colour Technologies continues to perform well**

# Pharmaceutical Materials

- Profits up 5%
- Recovery in US businesses



# Pharmaceutical Materials

## US Operations

- **Good growth in platinum anticancer compounds**
- **Encouraging clinical trial results for Satraplatin<sup>®</sup>**
- **Second half to benefit from sales of Adderall<sup>®</sup>**
- **Barr's generic Adderall XR<sup>®</sup> product to be launched in April 2009**

# Pharmaceutical Materials

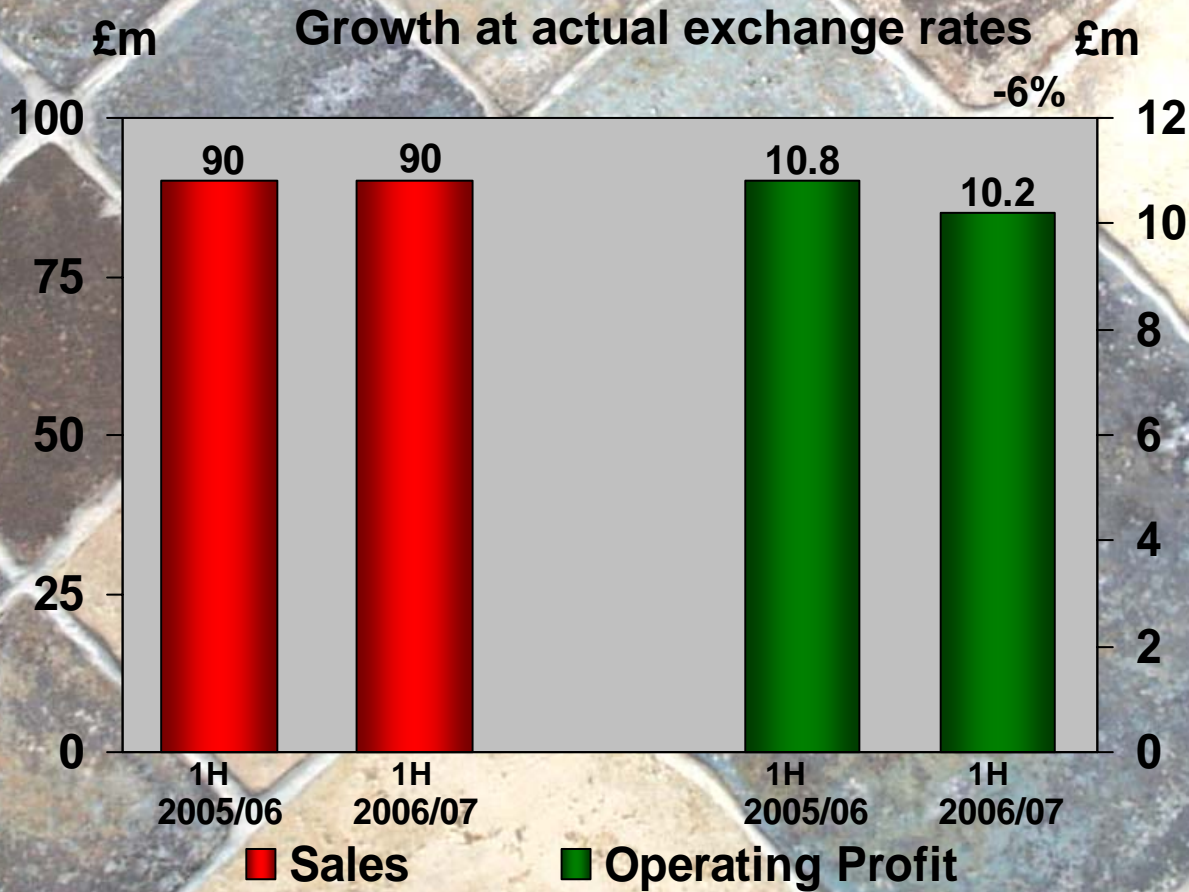
## Europe

- Profits slightly ahead of last year
- Sales of bulk opiates below first half of last year but expected to recover in second half
- Small acquisition of UK poppy growing operation



# Ceramics

- Sales unchanged
- Profits down 6%



# Ceramics

- Margins slightly down but remain good
- Impact of increased energy costs
- Investment in new capacity in India
- Continued strong cash generation



# Outlook

## Catalysts

- Continued strong demand for light duty diesel products in Europe
- Further growth in Asia
- HDD legislation now in force in Europe and to start in US in January 2007
- Pre-buying of trucks in 2006 will impact vehicle sales in 2007 however JM will still see good growth
- We expect ECT to achieve double digit growth in sales and profits this year
- Further growth in PCT driven by high oil price and strong order book at DPT

# Outlook

## Other Divisions

- **Strong pgm prices and good demand will benefit Precious Metal Products**
- **Recovery in Pharmaceutical Materials expected to continue with further growth in the US**
- **Ceramics Division's performance in second half likely to be below last year. Continued good cash generation**

# Outlook

## Group Summary

- Overall, we expect to achieve further good growth in sales and profits in the second half
- Compared with the second half of last year exchange translation likely to be negative
- Despite adverse exchange translation earnings growth should be slightly stronger in the second half



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