Johnson Matthey

News Release

For Release at 7.00 am Wednesday 23rd November 2011

Half year results for the six months ended 30th September 2011

Summary Results

	Half Year to 30th September 2011	2010	% change
Revenue	**£5,900m**	**£4,562m**	**+29**
Sales excluding precious metals	**£1,293m**	**£1,104m**	**+17**
Profit before tax	**£195.1m**	**£144.1m**	**+35**
Total earnings per share	**70.3p**	**49.2p**	**+43**
Underlying*:			
Profit before tax	**£203.0m**	**£164.3m**	**+24**
Earnings per share	**72.8p**	**56.3p**	**+29**
Dividend per share	**15.0p**	**12.5p**	**+20**

*before amortisation of acquired intangibles, major impairment and restructuring charges, profit or loss on disposal of businesses and, where relevant, related tax effects

Johnson Matthey continues to perform well:

- Revenue up 29% to £5.9 billion
- Sales excluding precious metals (sales) 17% ahead at £1.3 billion with good growth across all of the group's divisions
- Underlying profit before tax and underlying earnings per share up 24% and 29% respectively
- Return on invested capital (ROIC) increased to 21.3%, exceeding the group's long term target
- Balance sheet remains strong with net debt (including the post tax pension deficit) / EBITDA of 1.4 times
- Interim dividend up 20% to 15.0 pence

Business Overview

- Environmental Technologies Division made further good progress with sales up 22% and underlying operating profit 19% ahead

- Emission Control Technologies' sales grew by 22%, benefiting from good growth in its heavy duty diesel business

- Sales in Process Technologies were up 26%. Davy Process Technology had an excellent start to the year and Intercat is performing ahead of our expectations

- Precious Metal Products Division's sales increased by 9% as its Services businesses benefited from higher average precious metal prices and its Manufacturing businesses saw continued growth in demand

- Fine Chemicals Division performed well with sales up 16% driven by increasing demand for its active pharmaceutical ingredients

Commenting on the results, Neil Carson, Chief Executive of Johnson Matthey said:

"Johnson Matthey continued to perform well in the first half of 2011/12 with growth across all of the group's divisions and a 29% increase in underlying earnings per share.

The short term prospects for the global economy are difficult to predict. Nonetheless we believe that Johnson Matthey is well placed and we currently anticipate that the group's results in the second half will be slightly ahead of those for the first six months of the year.

Notwithstanding current macroeconomic uncertainties, the drivers for our business remain robust. In addition, we continue to increase our investment in research and development to position the group for longer term growth."

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Report to Shareholders

Review of Results

Johnson Matthey continued to perform well in the first half of 2011/12 with growth across all of the group's divisions.

Revenue was 29% up at £5.9 billion as a result of increased activity and higher average precious metal prices. Sales excluding precious metals (sales) were 17% ahead at £1.3 billion led by Environmental Technologies which was 22% higher. At constant exchange rates, the group's sales grew by 19%.

Underlying operating profit was 23% higher at £214.7 million. Despite the adverse impact of higher rare earth prices on our light duty gasoline autocatalyst business, the group's underlying return on sales increased to 16.6% from 15.8%. This was chiefly a result of increased plant utilisation across much of the group and the effect of higher average precious metal prices on our Precious Metal Services businesses.

The increase in underlying operating profit and our continued emphasis on improving operational efficiency have yielded an increase in the group's ROIC to 21.3% (year ended 31st March 2011 19.4%).

Underlying profit before tax was 24% up at £203.0 million and profit before tax increased by 35% to £195.1 million.

Underlying earnings per share were 29% ahead at 72.8 pence. Total basic earnings per share increased by 43% to 70.3 pence.

Dividend

The interim dividend has been increased by 20% to 15.0 pence and will be paid on 7th February 2012 to ordinary shareholders on the register as at 2nd December 2011, with an ex-dividend date of 30th November 2011.

Operations

Environmental Technologies

	Half Year to 30th September			% at
	2011	2010	%	constant
	£ million	£ million	change	rates
Revenue	**1,533**	**1,264**	**+21**	**+22**
Sales (excl. precious metals)	**888**	**727**	**+22**	**+24**
Underlying operating profit	**90.9**	**76.6**	**+19**	**+20**
Return on sales	**10.2%**	**10.5%**		

Environmental Technologies Division, which comprises Emission Control Technologies (ECT), Process Technologies and Fuel Cells, made further good progress in the first half of 2011/12, especially in our heavy duty diesel (HDD) catalyst business and Davy Process Technology (DPT). The division's revenue grew 21% to £1,533 million; sales were 22% ahead at £888 million and underlying operating profit was 19% ahead at £90.9 million. A very strong performance from our DPT business and the ramp up in HDD failed to fully compensate for the impact of higher rare earth prices on our light duty gasoline autocatalyst business and consequently the division's return on sales fell slightly from 10.5% to 10.2%.

Emission Control Technologies' sales grew by 22% to £690 million.

ECT's Sales

	1H 2011 £ million	1H 2010 £ million	% change
LDV Catalysts	**463**	**419**	**+11**
HDD Catalysts	**197**	**128**	**+54**
SEC	**30**	**20**	**+45**
Total ECT	**690**	**567**	**+22**

Light Duty Vehicle (LDV) Catalysts – Sales in our LDV catalyst business, which accounted for 67% of ECT's sales in the period, grew by 11% to £463 million.

Estimated Light Vehicle Sales and Production

		Half year to 30th September		
		2011 millions	2010 millions	change %
North America	Sales	7.8	7.4	+5.4
	Production	6.3	6.1	+3.3
Total Europe	Sales	9.6	9.1	+5.5
	Production	9.8	9.3	+5.4
Asia	Sales	14.2	14.4	-1.4
	Production	17.6	17.8	-1.1
Global	Sales	36.4	35.7	+2.0
	Production	37.2	36.3	+2.5

Source: IHS Global Insight

Global light duty vehicle sales increased by 2.0% to 36.4 million with steady growth in both North America and Europe. Sales in Asia were slightly down, almost entirely due to a 24% drop in sales in Japan following the earthquake and tsunami in March this year. Excluding Japan, vehicle sales in the region grew by 3.4%. Global production was 2.5% up, reflecting a similar regional profile.

Johnson Matthey's Light Duty Vehicle Catalyst Sales by Region

	1H 2011 £ million	1H 2010 £ million	% change
North America	78	84	-6
Europe	289	256	+13
Asia	96	79	+22
Total	463	419	+11

Our sales in Europe, which represented 62% of our total LDV catalyst sales, were 13% higher and well ahead of the growth in European vehicle production. This was mainly as a result of our strong position in light duty diesel catalysts. Around 3.5 million diesel cars were sold in Western Europe in the first half of our year. These represent some 55% of total car sales, up from 49% last year, all of which were fitted with diesel particulate filters (DPFs). Complex systems are required to meet current diesel emissions standards and therefore our sales value for a diesel car represents approximately five times that of an equivalent gasoline vehicle.

In North America vehicle production was 3% up in the first half, however our sales were down 6%. This was mainly as a result of our Japanese transplant customers losing market share due to supply chain disruption in the aftermath of the earthquake and tsunami. We expect this situation to reverse in the second half as these customers resume full production. In Asia, our business grew strongly with sales up 22% to £96 million as a result of new business, won in the second half of last year, with a local Chinese car company and contract wins with several customers in South East Asia. Vehicle production in Asia was significantly impacted by the effect of reduced production in Japan, however total LDV production in China continued to grow, up 3%, with production of cars 10% ahead. Production in India, where we have a high market share, also grew by 9% in the period. Our business in Japan was significantly impacted in the first three months of the year but has recovered well in the second quarter.

As anticipated rare earth prices have had a significant impact on our light duty gasoline autocatalyst business in the first half, reducing operating profit by approximately £15 million. The business has made good progress in addressing this issue. We expect that the process of concluding rare earth price surcharge agreements with all our customers will be completed during the second half. The main rare earth material that we use is cerium oxide, which is used to provide oxygen storage capabilities in catalysts for gasoline vehicles.

As reported in our first quarter interim management statement, we closed our manufacturing facility in Brussels in July this year which has resulted in a significant improvement in plant utilisation across our European autocatalyst business.

Looking ahead, tighter emissions legislation in Europe, Euro 6 light duty, will become effective from September 2014 and will force increased catalyst fitment on light duty diesel vehicles. These selective catalytic reduction (SCR) and NOx absorber systems will add approximately an additional 15% to 20% to catalyst value per vehicle.

Heavy Duty Diesel Catalysts – Our sales of HDD catalysts continued to grow strongly in the first half, up 54% to £197 million, and hence our profitability was significantly higher.

Johnson Matthey's Heavy Duty Diesel Vehicle Catalyst Sales by Region

	1H 2011 £ million	**1H 2010 £ million**	**% change**
North America	**129**	**83**	**+56**
Europe	**56**	**41**	**+35**
Asia	**12**	**4**	**+205**
Total	**197**	**128**	**+54**

Estimated HDD Truck Sales and Production

		Half year to 30th September 2011 thousands	2010 thousands	change %
North America	**Sales**	**192.2**	**134.2**	**+43.2**
	Production	**214.1**	**133.2**	**+60.7**
EU	**Sales**	**143.6**	**116.2**	**+23.6**
	Production	**194.5**	**158.9**	**+22.4**

Source: J D Power

Sales and production of heavy duty diesel trucks in the US were well ahead as the market for new trucks continued to recover due to truck operators replacing ageing fleets that had been maintained or laid up during the recession. Our first half sales in North America grew broadly in line with truck production and were up 56% to £129 million as we maintained our market share. Our growth in sales in Europe was ahead of EU truck production up 35% to £56 million. We have continued to make early sales of HDD catalysts to Asian customers as they prepare for the implementation of Euro IV HDD legislation over the next few years. Sales in the new non-road markets of Europe, North America and Japan are increasing from a low base. Further increases will come at the start of 2012 when legislation requiring the use of catalysts is extended to smaller non-road engines.

Stationary Emissions Control (SEC) – ECT's SEC systems business, which manufactures catalysts and supplies systems for reducing emissions in a wide range of applications including power generation, industrial processes, coal fired power plants and marine applications, continued to underperform in the first half. Whilst sales increased to £30 million from £20 million, the business again made an operating loss. The market for plate catalysts for NOx control on power stations in China has failed to develop in line with our expectations. Major contracting companies are manufacturing catalysts in house and supplying them as part of a package. Whilst regulations governing NOx emissions for coal fired power stations in China are in place, they are not being uniformly monitored or enforced. As a result, our plate catalyst manufacturing facility in Shanghai has struggled. We have taken the decision to restructure this business, which will allow us to use the facility, which already houses ECT's Chinese R&D centre, to further develop our vehicle emission control catalyst manufacturing operations.

Process Technologies performed well with sales 26% ahead at £195 million. However, if the impact of the acquisition of Intercat, Inc. in November 2010 and the closure of Vertec are excluded, sales on a like for like basis grew by 17%. Operating profit was significantly higher than last year as a result of the excellent performance from DPT.

Sales in our Ammonia, Methanol, Oil and Gas (AMOG) business were up 38% at £120 million, benefiting from the inclusion of Intercat. Excluding Intercat, sales would have been 4% up. As we anticipated, sales of methanol catalysts were lower than this time last year, which saw the commissioning of a number of new plants in China and the Middle East. Demand for ammonia catalysts was in line with the first half of 2010/11. The market for gas purification products remained sluggish, however, sales of hydrogen catalysts grew strongly in the period. The integration of Intercat is going well and the business is performing ahead of our expectations. In addition, we are starting to realise commercial and technology benefits from this acquisition which will enable us to enhance the products and technical support that we provide to customers in the petroleum refining industry.

DPT had an exceptionally strong start to the year with sales of £52 million, up 55%, securing licence and engineering contracts for a total of 11 plants, compared with 13 during the whole of last year. The economic growth and subsequent development of the petrochemical industry in China continues to drive DPT's performance. In the first six months of the year the business won contracts for seven plants in the country. These range across DPT's technology portfolio, including two methanol plants and two oxo alcohols plants.

Over the last few years a significant amount of new capacity has been installed across DPT's current technology portfolio in China and the Middle East. Consequently, we expect that the number of new plants and hence licences available to DPT will reduce next year.

Despite this, the outlook for DPT remains positive as its broad portfolio of technologies is in demand and its continued investment in R&D positions it well for growth. In addition, the ongoing price differential between natural gas and oil in North America provides DPT and Process Technologies' catalyst businesses with good long term opportunities.

Tracerco's sales were 9% ahead at £23 million as it has started to recover from the difficult trading environment it encountered in the upstream oil and gas market last year.

Sales in our **Fuel Cells** business were down in the first half as a result of a slowdown in demand at our major customers. We currently do not expect that this will significantly improve in the second half of the year. We have also increased our R&D

investment in fuel cells for automotive applications. Consequently the net expense of this business for the year is likely to be higher than in 2010/11.

Precious Metal Products

	Half Year to 30th September 2011 £ million	2010 £ million	% change	% at constant rates
Revenue	**4,858**	**3,694**	**+32**	**+34**
Sales (excl. precious metals)	**298**	**274**	**+9**	**+10**
Underlying operating profit	**107.1**	**81.2**	**+32**	**+32**
Return on sales	**35.9%**	**29.7%**		

Precious Metal Products Division (PMPD) also performed well with sales 9% higher at £298 million. Underlying operating profit was 32% up at £107.1 million, reflecting strong profit growth across the division, particularly in Precious Metal Services which benefited from higher average precious metal prices.

Sales in our **Precious Metal Services** businesses, which comprise the division's Platinum Marketing and Distribution and Refining activities and represent 33% of PMPD's total sales, grew by 10% to £99 million. These businesses have a relatively high level of fixed costs and a significant proportion of their sales is influenced by precious metal prices. As a result of this operational leverage, operating profit from these businesses increased significantly.

Platinum Marketing and Distribution – The price of platinum has generally been supported by strong industrial demand and a positive investment trend in physically backed Exchange Traded Funds (ETFs). Price volatility has increased in turbulent markets as commodities respond to wider economic and political events. The average price of platinum in the first half was $1,782/oz, up 12%.

The platinum market is expected to be in a modest surplus in calendar year 2011, with growth in both global demand and supply. Industrial demand is expected to reach a new high, with increased production of heavy duty diesel vehicles in Europe and North America driving up demand for platinum containing emission control catalysts. The price sensitive jewellery sector will also grow modestly, supported by demand in China, despite rising platinum prices in much of 2011. Production increases have largely been seen outside South Africa, where underlying production has weakened.

Although palladium has traded at substantially higher levels than in the same period in 2010, the momentum that made the metal an outstanding performer in the commodity sector last year has been lost as the year has progressed. The price of palladium nonetheless averaged $759/oz, up 53%.

The market for palladium is expected to return to a significant surplus in 2011 after being in deficit in the previous year. Demand from the autocatalyst sector is predicted to reach an historic high with demand from other industrial sectors returning to pre-recession levels. Overall, gross demand is, however, expected to decline in 2011 as a consequence of a significant reversal in investment flows, with a net liquidation of metal held in ETFs. With mine production slightly higher, the balance of the market has moved decisively to a position of oversupply.

The rhodium market is expected to remain in surplus in 2011 as increases in mine output as well as recycling outstrip growth in gross demand. The average price of rhodium fell 18% to $2,029/oz in our first half.

Refining – Our Refining businesses had a very strong start to the year as all of our refineries benefited from good intakes of material in the first half and higher average metal prices.

Intake volumes in our Platinum Group Metal (Pgm) Refining business increased in the first six months aided by higher pgm prices. Refining feeds such as autocatalyst derived collector metal (despite the end of the various car scrappage incentive schemes), spent petrochemical catalysts and insoluble metals were particularly strong. In addition, our focus on operational improvements started last year has increased plant efficiency and enhanced profitability.

In our Gold and Silver business, both our Canadian and US refineries continued at record levels, with sales up 34% at improved margins. The business in particular benefited from higher gold prices, which climbed dramatically in the summer before falling back slightly by the end of our first half, although they were still higher than at the start of the period. Average prices in the period for gold and silver were $1,611/oz and $38/oz respectively, increases of 33% and 106% over the comparable period in 2010/11. Intakes, stimulated by these higher prices, were significantly up (15% to 20% across the various types of feed) from both our primary mine customers and continued strength in the secondary (scrap) markets for both metals. Demand for investment products such as kilo bars has also been buoyant.

Our **Precious Metal Manufacturing** businesses, which comprise the division's Noble Metals, Colour Technologies and Catalysts and Chemicals activities, delivered growth in sales of 8% to £199 million. Underlying operating profit was significantly ahead as utilisation levels in our factories increased in response to higher demand for our products.

Noble Metals – Our Noble Metals business continued to grow with good demand across its product range. Sales were up by 10% to £64 million and operating profit grew substantially as our plants, particularly in Europe, were operating close to capacity. The business' performance was supported by strong growth in pgm products for automotive applications, especially iridium alloy spark plug tips. Demand for catalyst gauzes for nitric acid manufacture and for nitrous oxide (N_2O) abatement catalysts also increased. Our medical device components business performed well in the first half and we have expanded our service offering in Asia to access this growing market. Whilst demand for our industrial products was good in the first few months of the period, sales in September were a little weaker which may suggest some inventory reduction by our customers.

Colour Technologies – Colour Technologies' sales were slightly lower, down 3% to £44 million, and operating profit was down in line with sales. Whilst demand for obscuration enamels for automotive glass and silver pastes for heated rear windows continued in line with last year, sales of decorative precious metal products were lower as higher metal prices impacted demand.

Catalysts and Chemicals – Catalysts and Chemicals had a robust start to the year with sales up by 13% at £91 million and operating profit well ahead. Chemical catalyst sales were particularly strong in Asia with a number of new product developments in pgm catalysts and we saw good growth in pgm chemicals in support of autocatalyst volume growth, especially in China. Our recently launched ethylene scavenger product, e+™, which delays the ripening of some fresh produce, is performing well in customer trials. Our new plant in Royston, UK to manufacture e+™ is close to completion and the outlook for this new product remains very encouraging. Commissioning of our pgm catalysts manufacturing plant in Shanghai, China is well underway and we expect to make our first commercial sales shortly.

Fine Chemicals

	Half Year to 30th September			% at
	2011	2010	%	constant
	£ million	£ million	change	rates
Revenue	**146**	**127**	**+15**	**+19**
Sales (excl. precious metals)	**142**	**122**	**+16**	**+19**
Underlying operating profit	**32.5**	**28.8**	**+13**	**+16**
Return on sales	**23.0%**	**23.6%**		

The performance of our Fine Chemicals Division was good with sales 16% higher at £142 million and underlying operating profit up 13% to £32.5 million. Fine Chemicals' return on sales fell slightly as a result of the impact of a restructuring programme at Macfarlan Smith.

The division's **Active Pharmaceutical Ingredient (API) Manufacturing** businesses, which comprise Macfarlan Smith and Pharmaceutical Materials and Services, grew their sales by 17% to £102 million partly as a result of legacy business associated with the Conshohocken, USA plant acquired in November last year, which benefited this period's sales by £7.6 million. Operating profit growth was slightly lower than growth in sales due to the impact of the restructuring at Macfarlan Smith.

The businesses made good progress, particularly in the US, with higher sales of methylphenidate as a result of a short term boost in market share and the launch of a new product. The Conshohocken plant gives the businesses access to much greater flexibility and capacity, and plans are being implemented to use this facility to manufacture intermediates and final products at lower cost and higher efficiency. The plant will enable the API Manufacturing businesses both to rationalise global production and secure new business which could not have been targeted previously. The full benefits of the facility will take some time to bear fruit as regulatory approval is required before any change to the existing manufacturing process is made.

Our **Research Chemicals** business increased its sales by 14% to £40 million with good demand for its products across all regions. Operating profit increased broadly in line with sales. In the first half of the year the business launched a new biochemical product catalogue which added over 3,000 products to its portfolio. The new range, which includes materials for biological research, is available throughout North America and will be launched globally over the next 18 months.

Financial Review

Exchange Rates

The main impact of exchange rates on the group's results comes from the translation of foreign subsidiaries' profit into sterling. Approximately 40% of the group's underlying operating profit derives from sterling denominated entities but around a quarter is made in North America, mainly in the USA. The average rate for the US dollar for the six months to 30th September 2011 was \$1.62/£ compared with \$1.52/£ for the same period last year. This decreased reported underlying operating profit by £2.4 million. A further 15% of the group's underlying operating profit comes from euro based countries. The euro was slightly stronger in the period averaging €1.14/£ compared with €1.19/£ in the first half of 2010/11 and this increased the group's underlying operating profit by £1.1 million.

Interest

The group's net finance cost increased from £9.7 million to £11.7 million as a result of higher average borrowings during the period.

Taxation

The group's underlying tax rate reduced from 26.5% to 24%, mainly due to the reduction in the main rate of UK corporation tax from 28% to 26% with effect from 1st April 2011.

Cash Flow

In the six months to 30th September 2011, the group generated net cash flow from operating activities of £172.1 million, well ahead of the same period last year (£47.7 million). This was despite a further increase in working capital as the businesses grew strongly. The group's working capital days, excluding the component that relates to precious metals, increased from 60 days at the start of the year to 69 days at 30th September 2011. This resulted from an increase in the value of rare earth inventories and a higher proportion of sales to customers in China where payment terms are longer. Working capital in respect of precious metal decreased substantially, by £78.5 million, primarily due to lower precious metal prices during the latter part of our first half.

During the period our capital expenditure was £50.4 million (of which £54.6 million was cash spent in the period), which represents 0.8 times depreciation. Capital expenditure in the second half of the year is expected to increase as we invest in our manufacturing facilities, particularly in Asia to extend capacity for our Environmental Technologies Division, and we currently expect that the ratio of capital expenditure to depreciation for the year as a whole will be approximately 1.3 times. The group's free cash inflow (i.e. net cash inflow from operating activities plus dividends received from associate less net purchases of non-current assets and investments and net interest paid) was £105.7 million compared with an outflow of £15.4 million in the same period last year. The cost of last year's final dividend payment was £71.2 million.

Pensions

The group's total pension charge for the period to 30th September 2011 was £13.8 million, a decrease of £1.9 million.

In order to reduce the deficit on the company's principal UK defined benefit pension scheme, in 2010 the company agreed a plan with the Trustees which requires it to contribute £23.1 million per annum for the ten year period to 31st March 2020. The next actuarial valuation of the scheme will take place as at 1st April 2012 but the results will only be known towards the latter part of 2012.

The IAS 19 post tax deficit of the group's pension schemes at 30th September 2011 is £140.2 million (30th September 2010 £141.3 million; 31st March 2011 £70.0 million). The increase in the deficit of the UK scheme since the year end is principally due to a decrease in asset values and the reduction in the discount rate used as bond yields have fallen during the period.

Net Debt

Net debt at 30th September 2011 was £617.1 million, a reduction of £22.3 million since the year end. This was, however, £91.2 million higher than the same time last year.

The group's net debt (including the group's post tax pension deficit) to EBITDA for the last 12 months at 30th September 2011 was 1.4 times, the same as at 31st March 2011.

Going Concern

The directors have assessed the future funding requirements of the group and are of the opinion that the group has adequate resources to fund its operations for the foreseeable future. Therefore they believe that it is appropriate to prepare the accounts on a going concern basis.

Outlook

The group's performance in the first half of the year was good and this has continued into the early part of the second half. The short term prospects for the global economy are difficult to predict. Nonetheless we believe that Johnson Matthey is well placed and we currently anticipate that the group's results in the second half will be slightly ahead of those for the first six months of the year.

Notwithstanding current macroeconomic uncertainties, the drivers for our business remain robust. In addition, we continue to increase our investment in research and development to position the group for longer term growth.

Environmental Technologies
Despite uncertainty about economic growth prospects, particularly in Europe since August, global light duty vehicle sales have so far remained stable but our visibility of future demand is limited. Johnson Matthey is well placed to respond to any changes in demand and our results in the second half will benefit from agreements reached with our customers with respect to rare earth prices. Heavy duty diesel vehicle production in Europe and North America has grown strongly during the last six months and the second half of the year has started well.

Davy Process Technology had an exceptionally strong start to the year and the outlook for its business in the second half of the year is good. The demand for our petrochemical and refineries products is harder to predict but we remain close to full capacity and the performance of our AMOG business is expected to follow its normal seasonal pattern.

As a whole, assuming in particular that light duty vehicle production stays at or around current levels, Environmental Technologies Division's operating profit in the second half of 2011/12 is expected to be well ahead of the first half of this year.

Precious Metal Products

In September, precious metal prices dropped sharply but industrial demand has remained robust. Overall, our Precious Metal Manufacturing businesses are currently trading well, although order visibility, which was already limited, has reduced further in the last few months. Refining intakes also remain good but the results of our Precious Metal Services businesses will ultimately depend upon pgm prices during the period. At current pgm prices, the performance of our Precious Metal Products Division is expected to be lower than the first half, but still ahead of the second half of last year.

Fine Chemicals

Our API Manufacturing businesses had a good start to the year. These businesses are driven by demographics and developments in healthcare and we are confident that the division will continue to perform well in the second half of 2011/12.

Risks and Uncertainties

The principal risks and uncertainties to which the group is exposed are unchanged from those identified in our 2011 annual report. The principal risks and uncertainties, together with the group's strategies to manage them, are set out on pages 38 to 41 of the annual report. They are:

STRATEGIC

- Failure to identify new business opportunities
- Inability to deliver anticipated benefits from acquisitions
- Technological change
- Changes to future environmental legislation

OPERATIONAL

- Changes to health, safety, environment and other regulations and standards
- Recruitment and retention of high quality staff
- Availability of raw materials
- Security
- Intellectual property

MARKET

- Commercial relationships
- Global political and economic conditions

FINANCIAL

- Movements in raw material prices
- Pension scheme funding

Responsibility Statement of the Directors in respect of the Half-Yearly Report

The Half-Yearly Report is the responsibility of the directors. Each of the directors as at the date of this responsibility statement, whose names and functions are set out below, confirms that to the best of their knowledge:

- the condensed consolidated accounts have been prepared in accordance with International Accounting Standard (IAS) 34 – 'Interim Financial Reporting'; and
- the interim management report included in the Half-Yearly Report includes a fair review of the information required by:
  a) DTR 4.2.7R of the United Kingdom Listing Authority Disclosure Rules and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated accounts; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  b) DTR 4.2.8R of the United Kingdom Disclosure Rules and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the company during that period; and any changes in the related party transactions described in the last annual report that could do so.

The names and functions of the directors of Johnson Matthey Plc are as follows:

T E P Stevenson	Chairman
N A P Carson	Chief Executive
A M Ferguson	Non-executive Director, Chairman of the Audit Committee
Sir Thomas Harris	Non-executive Director
R J MacLeod	Group Finance Director
L C Pentz	Executive Director, Environmental Technologies
M J Roney	Non-executive Director, Senior Independent Director and Chairman of the Management Development and Remuneration Committee
W F Sandford	Executive Director, Precious Metal Products
D C Thompson	Non-executive Director

The responsibility statement was approved by the Board of Directors on 22nd November 2011 and is signed on its behalf by:

T E P Stevenson

Chairman

INDEPENDENT REVIEW REPORT

to Johnson Matthey Plc

Introduction

We have been engaged by the company to review the condensed consolidated accounts in the Half-Yearly Report for the six months ended 30th September 2011 which comprise the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Total Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the Half-Yearly Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated accounts.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules (DTR) of the UK's Financial Services Authority (UK FSA). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The Half-Yearly Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half-Yearly Report in accordance with the DTR of the UK FSA.

The annual accounts of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU). The condensed consolidated accounts included in this Half-Yearly Report have been prepared in accordance with IAS 34 - 'Interim Financial Reporting' as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated accounts in the Half-Yearly Report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 - 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated accounts in the Half-Yearly Report for the six months ended 30th September 2011 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

D V Matthews
for and on behalf of KPMG Audit Plc
Chartered Accountants
15 Canada Square, London
22nd November 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30th September 2011

	Notes	Six months ended 30.9.11 £ million	30.9.10 £ million	Year ended 31.3.11 restated £ million
Revenue	2	**5,900.2**	4,562.3	9,984.8
Cost of sales		**(5,541.0)**	(4,255.9)	(9,328.2)
Gross profit		**359.2**	306.4	656.6
Operating expenses		**(144.5)**	(132.4)	(290.4)
Major impairment and restructuring charges		**-**	(15.8)	(71.8)
Amortisation of acquired intangibles	4	**(7.9)**	(4.5)	(14.5)
Operating profit	2,3	**206.8**	153.7	279.9
Finance costs		**(17.8)**	(16.2)	(33.1)
Finance income		**6.1**	6.5	12.4
Dissolution of associate		**-**	0.1	0.1
Profit before tax		**195.1**	144.1	259.3
Income tax expense		**(46.1)**	(38.6)	(75.5)
Profit for the period from continuing operations		**149.0**	105.5	183.8
Loss for the period from discontinued operations		**-**	-	(1.9)
Profit for the period		**149.0**	105.5	181.9
Attributable to:				
Owners of the parent company		**149.4**	104.7	181.5
Non-controlling interests		**(0.4)**	0.8	0.4
		149.0	105.5	181.9
		pence	pence	pence
Earnings per ordinary share attributable to the equity holders of the parent company				
Continuing operations				
Basic	5	**70.3**	49.2	86.1
Diluted	5	**69.6**	48.9	85.6
Total				
Basic	5	**70.3**	49.2	85.2
Diluted	5	**69.6**	48.9	84.7

CONDENSED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

for the six months ended 30th September 2011

	Notes	Six months ended 30.9.11 £ million	30.9.10 £ million	Year ended 31.3.11 restated £ million
Profit for the period		**149.0**	105.5	181.9
Other comprehensive income / (expense):				
Currency translation differences		**(17.6)**	(21.7)	(8.9)
Cash flow hedges		**(2.0)**	8.4	3.7
Fair value gains on net investment hedges		**8.0**	10.4	2.2
Actuarial (loss) / gain on post-employment benefits assets and liabilities	10	**(103.3)**	-	85.4
Tax on above items taken directly to or transferred from equity		**24.6**	(4.8)	(30.0)
Other comprehensive (expense) / income for the period		**(90.3)**	(7.7)	52.4
Total comprehensive income for the period		**58.7**	97.8	234.3
Attributable to:				
Owners of the parent company		**59.1**	97.1	233.9
Non-controlling interests		**(0.4)**	0.7	0.4
		58.7	97.8	234.3

CONDENSED CONSOLIDATED BALANCE SHEET

as at 30th September 2011

	Notes	30.9.11 £ million	30.9.10 £ million	31.3.11 restated £ million
Assets				
Non-current assets				
Property, plant and equipment		**890.1**	893.7	907.7
Goodwill		**526.4**	507.9	528.7
Other intangible assets		**141.5**	128.2	152.9
Deferred income tax assets		**52.8**	51.6	39.7
Investments and other receivables		**11.2**	10.8	11.0
Swaps related to borrowings	7	**33.1**	30.0	23.7
Post-employment benefits net assets	10	**3.7**	4.5	3.8
Total non-current assets		**1,658.8**	1,626.7	1,667.5
Current assets				
Inventories		**613.2**	562.3	556.3
Current income tax assets		**12.9**	13.1	9.4
Trade and other receivables		**884.5**	677.8	893.2
Cash and cash equivalents - cash and deposits	7	**96.3**	140.9	118.9
Other financial assets		**14.1**	8.3	6.9
Non-current assets classified as held for sale		**7.7**	-	-
Total current assets		**1,628.7**	1,402.4	1,584.7
Total assets		**3,287.5**	3,029.1	3,252.2
Liabilities				
Current liabilities				
Trade and other payables		**(678.5)**	(610.6)	(662.9)
Current income tax liabilities		**(108.3)**	(92.1)	(114.2)
Cash and cash equivalents - bank overdrafts	7	**(57.6)**	(14.8)	(24.5)
Other borrowings and finance leases	7	**(100.7)**	(128.6)	(181.8)
Other financial liabilities		**(9.4)**	(6.0)	(6.5)
Provisions		**(42.7)**	(13.3)	(60.1)
Total current liabilities		**(997.2)**	(865.4)	(1,050.0)
Non-current liabilities				
Borrowings, finance leases and related swaps	7	**(588.2)**	(553.4)	(575.7)
Deferred income tax liabilities		**(55.8)**	(55.9)	(59.5)
Employee benefits obligations	10	**(227.0)**	(237.9)	(134.2)
Provisions		**(28.8)**	(19.5)	(24.2)
Other payables		**(5.3)**	(7.3)	(4.8)
Total non-current liabilities		**(905.1)**	(874.0)	(798.4)
Total liabilities		**(1,902.3)**	(1,739.4)	(1,848.4)
Net assets		**1,385.2**	1,289.7	1,403.8
Equity				
Share capital		**220.7**	220.7	220.7
Share premium account		**148.3**	148.3	148.3
Shares held in employee share ownership trust (ESOT)		**(40.1)**	(32.3)	(35.8)
Other reserves		**57.4**	68.4	68.3
Retained earnings		**998.3**	883.1	1,001.2
Total equity attributable to owners of the parent company		**1,384.6**	1,288.2	1,402.7
Non-controlling interests		**0.6**	1.5	1.1
Total equity		**1,385.2**	1,289.7	1,403.8

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30th September 2011

	Notes	Six months ended 30.09.11 £ million	Six months ended 30.9.10 £ million	Year ended 31.3.11 restated £ million
Cash flows from operating activities				
Profit before tax		**195.1**	144.1	259.3
Adjustments for:				
Dissolution of associate		**-**	(0.1)	(0.1)
Discontinued operations		**-**	-	(1.9)
Depreciation, amortisation, impairment losses and profit on sale of non-current assets and investments		**73.6**	71.4	168.8
Share-based payments		**6.2**	4.0	11.3
Changes in working capital and provisions		**(65.8)**	(148.2)	(272.2)
Changes in fair value of financial instruments		**(6.2)**	4.5	1.7
Net finance costs		**11.7**	9.7	20.7
Income tax paid		**(42.5)**	(37.7)	(64.7)
Net cash inflow from operating activities		**172.1**	47.7	122.9
Cash flows from investing activities				
Dividends received from associate		**-**	3.5	3.5
Purchases of non-current assets and investments		**(54.6)**	(56.9)	(137.4)
Proceeds from sale of non-current assets and investments		**0.2**	0.1	3.9
Purchases of businesses		**1.1**	(2.5)	(53.1)
Net cash outflow from investing activities		**(53.3)**	(55.8)	(183.1)
Cash flows from financing activities				
Net (cost of) / proceeds on ESOT transactions in own shares		**(11.0)**	(3.3)	(9.1)
(Repayment of) / proceeds from borrowings and finance leases		**(81.9)**	31.2	96.2
Dividends paid to owners of the parent company	6	**(71.2)**	(59.4)	(86.1)
Dividends paid to non-controlling interests		**-**	(0.5)	(0.5)
Settlement of currency swaps for net investment hedging		**1.6**	12.1	7.4
Interest paid		**(18.0)**	(16.3)	(33.1)
Interest received		**6.0**	6.5	13.7
Net cash outflow from financing		**(174.5)**	(29.7)	(11.5)
Decrease in cash and cash equivalents in period		**(55.7)**	(37.8)	(71.7)
Exchange differences on cash and cash equivalents		**-**	(0.5)	1.7
Cash and cash equivalents at beginning of period		**94.4**	164.4	164.4
Cash and cash equivalents at end of period	7	**38.7**	126.1	94.4

	Notes	Six months ended 30.09.11 £ million	Six months ended 30.9.10 £ million	Year ended 31.3.11 restated £ million
Reconciliation to net debt				
Decrease in cash and cash equivalents in period		**(55.7)**	(37.8)	(71.7)
Repayment of / (proceeds from) borrowings and finance leases		**81.9**	(31.2)	(96.2)
Change in net debt resulting from cash flows		**26.2**	(69.0)	(167.9)
Borrowings acquired with subsidiaries		**-**	(0.1)	(20.5)
Exchange differences on net debt		**(3.9)**	16.6	22.4
Movement in net debt in period		**22.3**	(52.5)	(166.0)
Net debt at beginning of period		**(639.4)**	(473.4)	(473.4)
Net debt at end of period	7	**(617.1)**	(525.9)	(639.4)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30th September 2011

	Share capital £ million	Share premium account £ million	Shares held in ESOT £ million	Other reserves restated £ million	Retained earnings restated £ million	Non-controlling interests £ million	Total equity restated £ million
At 1st April 2010	220.7	148.3	(30.7)	73.4	837.7	1.4	1,250.8
Total comprehensive income for the period	-	-	-	(5.0)	102.1	0.7	97.8
Dividends paid (note 6)	-	-	-	-	(59.4)	(0.6)	(60.0)
Purchase of shares by ESOT	-	-	(5.9)	-	-	-	(5.9)
Share-based payments	-	-	-	-	6.8	-	6.8
Cost of shares transferred to employees	-	-	4.3	-	(4.5)	-	(0.2)
Tax on share-based payments	-	-	-	-	0.4	-	0.4
At 30th September 2010	220.7	148.3	(32.3)	68.4	883.1	1.5	1,289.7
Total comprehensive income for the period	-	-	-	(0.1)	136.9	(0.3)	136.5
Dividends paid (note 6)	-	-	-	-	(26.7)	(0.1)	(26.8)
Purchase of shares by ESOT	-	-	(10.8)	-	-	-	(10.8)
Share-based payments	-	-	-	-	10.3	-	10.3
Cost of shares transferred to employees	-	-	7.3	-	(5.8)	-	1.5
Tax on share-based payments	-	-	-	-	3.4	-	3.4
At 31st March 2011 (restated)	220.7	148.3	(35.8)	68.3	1,001.2	1.1	1,403.8
Total comprehensive income for the period	-	-	-	(10.9)	70.0	(0.4)	58.7
Dividends paid (note 6)	-	-	-	-	(71.2)	(0.1)	(71.3)
Purchase of shares by ESOT	-	-	(13.4)	-	-	-	(13.4)
Share-based payments	-	-	-	-	9.0	-	9.0
Cost of shares transferred to employees	-	-	9.1	-	(9.4)	-	(0.3)
Tax on share-based payments	-	-	-	-	(1.3)	-	(1.3)
At 30th September 2011	**220.7**	**148.3**	**(40.1)**	**57.4**	**998.3**	**0.6**	**1,385.2**

NOTES ON THE ACCOUNTS

for the six months ended 30th September 2011

1 Basis of preparation

The half-yearly accounts were approved by the Board of Directors on 22nd November 2011, and are unaudited but have been reviewed by the auditors. These condensed consolidated accounts do not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, but have been prepared in accordance with International Accounting Standard (IAS) 34 - ‘Interim Financial Reporting’ and the Disclosure and Transparency Rules of the UK's Financial Services Authority. The accounting policies applied are set out in the Annual Report and Accounts for the year ended 31st March 2011. None of the amendments to standards and interpretations which the group has adopted during the period has had a material effect on the reported results or financial position of the group. Information in respect of the year ended 31st March 2011 is derived from the company’s statutory accounts for that year which have been delivered to the Registrar of Companies. This information has been restated for measurement period adjustments to the fair values of the Intercat, Inc. acquisition (note 11). The auditor's report on those statutory accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statement under sections 498(2) or 498(3) of the Companies Act 2006.

2 Segmental information by business segment

	Environmental Technologies £ million	Precious Metal Products £ million	Fine Chemicals £ million	Eliminations £ million	Total £ million
Six months ended 30th September 2011					
Revenue from external customers	**1,528.8**	**4,226.9**	**144.5**	**-**	**5,900.2**
Inter-segment revenue	**4.4**	**631.2**	**1.3**	**(636.9)**	**-**
Total revenue	**1,533.2**	**4,858.1**	**145.8**	**(636.9)**	**5,900.2**
External sales excluding the value of precious metals	**884.0**	**268.2**	**140.4**	**-**	**1,292.6**
Inter-segment sales	**4.3**	**30.0**	**1.2**	**(35.5)**	**-**
Sales excluding the value of precious metals	**888.3**	**298.2**	**141.6**	**(35.5)**	**1,292.6**
Segmental underlying operating profit	**90.9**	**107.1**	**32.5**	**-**	**230.5**
Unallocated corporate expenses					**(15.8)**
Underlying operating profit					**214.7**
Amortisation of acquired intangibles (note 4)					**(7.9)**
Operating profit					**206.8**
Net finance costs					**(11.7)**
Profit before taxation					**195.1**
Segmental net assets	**1,542.6**	**342.7**	**420.6**	**-**	**2,305.9**

2 Segmental information by business segment (continued)

	Environmental Technologies £ million	Precious Metal Products £ million	Fine Chemicals £ million	Eliminations £ million	Total £ million
Six months ended 30th September 2010					
Revenue from external customers	1,261.3	3,175.1	125.9	-	4,562.3
Inter-segment revenue	2.5	518.9	0.7	(522.1)	-
Total revenue	1,263.8	3,694.0	126.6	(522.1)	4,562.3
External sales excluding the value of precious metals	724.3	257.7	121.6	-	1,103.6
Inter-segment sales	2.5	16.0	0.6	(19.1)	-
Sales excluding the value of precious metals	726.8	273.7	122.2	(19.1)	1,103.6
Segmental underlying operating profit	76.6	81.2	28.8	-	186.6
Unallocated corporate expenses					(12.6)
Underlying operating profit					174.0
Major impairment and restructuring charges					(15.8)
Amortisation of acquired intangibles (note 4)					(4.5)
Operating profit					153.7
Net finance costs					(9.7)
Dissolution of associate					0.1
Profit before taxation					144.1
Segmental net assets	1,360.6	328.5	398.4	-	2,087.5
Year ended 31st March 2011 (restated)					
Revenue from external customers	2,703.4	7,028.3	253.1	-	9,984.8
Inter-segment revenue	4.6	1,241.3	1.9	(1,247.8)	-
Total revenue	2,708.0	8,269.6	255.0	(1,247.8)	9,984.8
External sales excluding the value of precious metals	1,561.3	475.4	243.6	-	2,280.3
Inter-segment sales	4.5	65.8	1.8	(72.1)	-
Sales excluding the value of precious metals	1,565.8	541.2	245.4	(72.1)	2,280.3
Segmental underlying operating profit	164.7	172.9	56.2	-	393.8
Unallocated corporate expenses					(27.6)
Underlying operating profit					366.2
Major impairment and restructuring charges					(71.8)
Amortisation of acquired intangibles (note 4)					(14.5)
Operating profit					279.9
Net finance costs					(20.7)
Dissolution of associate					0.1
Profit before taxation					259.3
Segmental net assets	1,534.9	357.3	417.5	-	2,309.7

NOTES ON THE ACCOUNTS

for the six months ended 30th September 2011

3 Effect of exchange rate changes on translation of foreign subsidiaries' sales excluding the value of precious metals and operating profits

Average exchange rates used for translation of results of foreign operations	Six months ended **30.9.11**	30.9.10	Year ended 31.3.11
US dollar / £	**1.619**	1.520	1.555
Euro / £	**1.138**	1.186	1.176
Chinese renminbi / £	**10.45**	10.33	10.43
South African rand / £	**11.30**	11.31	11.18

The main impact of exchange rate movements on the group's sales and operating profit comes from the translation of foreign subsidiaries' profits into sterling. The one significant exception is the South African rand where the translational impact is more than offset by the impact of movements in the rand on operating margins. Consequently the analysis below excludes the translational impact of the rand.

	Six months ended 30.9.11 £ million	Six months ended 30.9.10 At last year's rates £ million	At this year's rates £ million	Change at this year's rates %
Sales excluding the value of precious metals				
Environmental Technologies	**888.3**	726.8	716.6	+24
Precious Metal Products	**298.2**	273.7	270.4	+10
Fine Chemicals	**141.6**	122.2	118.7	+19
Elimination of inter-segment sales	**(35.5)**	(19.1)	(18.7)	
Sales excluding the value of precious metals	**1,292.6**	1,103.6	1,087.0	+19
Underlying operating profit				
Environmental Technologies	**90.9**	76.6	75.6	+20
Precious Metal Products	**107.1**	81.2	80.9	+32
Fine Chemicals	**32.5**	28.8	28.1	+16
Unallocated corporate expenses	**(15.8)**	(12.6)	(12.4)	
Underlying operating profit	**214.7**	174.0	172.2	+25

4 Amortisation of acquired intangibles

The amortisation of acquired intangible assets which arise on the acquisition of businesses, together with any subsequent impairment of these intangible assets, is shown separately on the face of the income statement. It is excluded from underlying operating profit.

5 Earnings per ordinary share

The calculation of earnings per ordinary share is based on a weighted average of 212,540,201 shares in issue (six months ended 30th September 2010 212,930,024 shares, year ended 31st March 2011 212,907,178 shares).

The calculation of diluted earnings per ordinary share is based on the weighted average number of shares in issue adjusted by the dilutive outstanding share options and long term incentive plans. These adjustments give rise to an increase in the weighted average number of shares in issue of 2,094,941 (six months ended 30th September 2010 1,088,449 shares, year ended 31st March 2011 1,344,782 shares).

Underlying earnings per ordinary share are calculated as follows:

	Six months ended		Year ended
	30.9.11	30.9.10	31.3.11 restated
	£ million	£ million	£ million
Profit for the period attributable to owners of the parent company	**149.4**	104.7	181.5
Major impairment and restructuring charges	**-**	15.8	71.8
Amortisation of acquired intangibles (note 4)	**7.9**	4.5	14.5
Dissolution of associate	**-**	(0.1)	(0.1)
Loss on disposal of discontinued operations	**-**	-	1.9
Tax thereon	**(2.6)**	(5.0)	(16.2)
Underlying profit	**154.7**	119.9	253.4
	pence	pence	pence
Basic underlying earnings per share	**72.8**	56.3	119.0

6 Dividends

An interim dividend of 15.0 pence per ordinary share will be paid on 7th February 2012 to shareholders on the register at the close of business on 2nd December 2011. The estimated amount to be paid is £31.9 million and has not been recognised in these accounts.

	Six months ended		Year ended
	30.9.11	30.9.10	31.3.11
	£ million	£ million	£ million
2009/10 final ordinary dividend paid - 27.9 pence per share	**-**	59.4	59.4
2010/11 interim ordinary dividend paid - 12.5 pence per share	**-**	-	26.7
2010/11 final ordinary dividend paid - 33.5 pence per share	**71.2**	-	-
	71.2	59.4	86.1

7 Net debt

	30.9.11	30.9.10	31.3.11
	£ million	£ million	£ million
Cash and deposits	**96.3**	140.9	118.9
Bank overdrafts	**(57.6)**	(14.8)	(24.5)
Cash and cash equivalents	**38.7**	126.1	94.4
Current other borrowings and finance leases	**(100.7)**	(128.6)	(181.8)
Non-current swaps related to borrowings	**33.1**	30.0	23.7
Non-current borrowings, finance leases and related swaps	**(588.2)**	(553.4)	(575.7)
Net debt	**(617.1)**	(525.9)	(639.4)

8 Precious metal operating leases

The group leases, rather than purchases, precious metals to fund temporary peaks in metal requirements provided market conditions allow. These leases are from banks for specified periods (typically a few months) and for which the group pays a fee. These arrangements are classified as operating leases. The group holds sufficient precious metal inventories to meet all the obligations under these lease arrangements as they fall due. At 30th September 2011 precious metal leases were £147.2 million (30th September 2010 £96.3 million, 31st March 2011 £93.0 million).

9 Transactions with related parties

There have been no material changes in related party relationships in the six months ended 30th September 2011 and no related party transactions have taken place which have materially affected the financial position or the performance of the group during that period.

10 Post-employment benefits

As a result of the significant changes in market conditions since 31st March 2011 the group has updated the valuation of its main post-employment benefit plan, which is its UK pension plan, at 30th September 2011.

Movements in the net post-employment benefits assets and liabilities were:

	UK pensions £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2011	(60.6)	(12.5)	(18.1)	(23.8)	(13.1)	(128.1)
Current service cost	(11.4)	(0.1)	(4.1)	(0.6)	(1.0)	(17.2)
Interest on plan liabilities	(27.9)	(0.3)	(4.3)	(0.7)	(1.1)	(34.3)
Expected return on plan assets	32.3	-	4.2	-	0.8	37.3
Expected return on reimbursement rights	-	-	-	0.1	-	0.1
Past service cost - non-vested	-	-	-	0.3	-	0.3
Actuarial loss	(103.3)	-	-	-	-	(103.3)
Company contributions	22.1	-	2.6	0.3	0.5	25.5
Exchange adjustments	-	-	(0.6)	(0.7)	-	(1.3)
At 30th September 2011	**(148.8)**	**(12.9)**	**(20.3)**	**(25.1)**	**(13.9)**	**(221.0)**

These are included in the balance sheet as:

	30.9.11 Post-employment benefits net assets £ million	**30.9.11 Employee benefits obligations £ million**	30.9.10 Post-employment benefits net assets £ million	30.9.10 Employee benefits obligations £ million	31.3.11 Post-employment benefits net assets £ million	31.3.11 Employee benefits obligations £ million
UK pension plan	**-**	**(148.8)**	-	(144.9)	-	(60.6)
UK post-retirement medical benefits plan	**-**	**(12.9)**	-	(14.9)	-	(12.5)
US pension plans	**-**	**(20.3)**	-	(26.9)	-	(18.1)
US post-retirement medical benefits plan	**-**	**(25.1)**	-	(25.8)	-	(23.8)
Other plans	**3.7**	**(17.6)**	4.5	(22.7)	3.8	(16.9)
Total post-employment plans	**3.7**	**(224.7)**	4.5	(235.2)	3.8	(131.9)
Other long term employee benefits		**(2.3)**		(2.7)		(2.3)
Total long term employee benefits obligations		**(227.0)**		(237.9)		(134.2)

11 Acquisitions

On 1st November 2010 the group acquired 100% of Intercat, Inc. and its subsidiaries. The fair values disclosed at 31st March 2011 were provisional. These have now been finalised and the balance sheet at 31st March 2011 restated.

	Estimated fair value at time of acquisition £ million	Revised fair value at time of acquisition £ million	Measurement period adjustments £ million
Property, plant and equipment	11.5	11.5	-
Intangible assets - patents, trademarks and licences	10.1	8.5	(1.6)
Intangible assets - customer contracts and relationships	17.7	20.5	2.8
Intangible assets - acquired research and technology	2.8	2.8	-
Inventories	5.8	5.8	-
Trade and other receivables	5.4	5.2	(0.2)
Cash and cash equivalents	1.0	1.0	-
Current other borrowings	(21.5)	(20.5)	1.0
Trade and other payables	(10.6)	(11.0)	(0.4)
Current income tax liabilities	(1.4)	(1.8)	(0.4)
Deferred income tax liabilities	(8.0)	(7.6)	0.4
Provisions	-	(1.9)	(1.9)
Total net assets acquired	12.8	12.5	(0.3)
Goodwill on acquisition	20.2	19.4	(0.8)
Total consideration	33.0	31.9	(1.1)

As a result of these changes the amortisation of acquired intangibles for the year ended 31st March 2011 increased by £1.3 million to £14.5 million and the income tax expense decreased by £0.5 million to £75.5 million. Also the currency translation loss in other comprehensive income increased by £1.0 million to £8.9 million.

FINANCIAL CALENDAR

2011

30th November
Ex-dividend date

2nd December
Interim dividend record date

2012

7th February
Payment of interim dividend

7th June
Announcement of results for the year ending 31st March 2012

13th June
Ex-dividend date

15th June
Final dividend record date

25th July
121st Annual General Meeting (AGM)

7th August
Payment of final dividend subject to declaration at the AGM

Cautionary Statement

This announcement 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 the group operates. It is believed that the expectations reflected in this announcement 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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