

# Presentation of Results for the half year ended 30<sup>th</sup> September 2011

23<sup>rd</sup> November 2011



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

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## Key Messages

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**Group continues to perform well**

**ROIC exceeds 20% long term target**

**Well placed to deliver strong performance in second half**

**Longer term prospects remain robust**

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# Financial Review

Robert MacLeod  
Group Finance Director



Johnson Matthey

## Underlying Results

Half year to 30 <sup>th</sup> September	1H 2011 £m	1H 2010 £m	Change as reported	Change const. curr.
Revenue	5,900	4,562	+29%	+31%
Sales excluding precious metals	1,293	1,104	+17%	+19%
Operating profit	214.7	174.0	+23%	+25%
Interest	(11.7)	(9.7)		
Profit before tax	203.0	164.3	+24%	
Tax	(48.7)	(43.6)		
Profit after tax	154.3	120.7	+28%	
Earnings per share	72.8p	56.3p	+29%	
Dividend per share	15.0p	12.5p	+20%	

Note: All figures are before amortisation of acquired intangibles, major impairment and restructuring charges, profit or loss on disposal of businesses and, where relevant, related tax effects

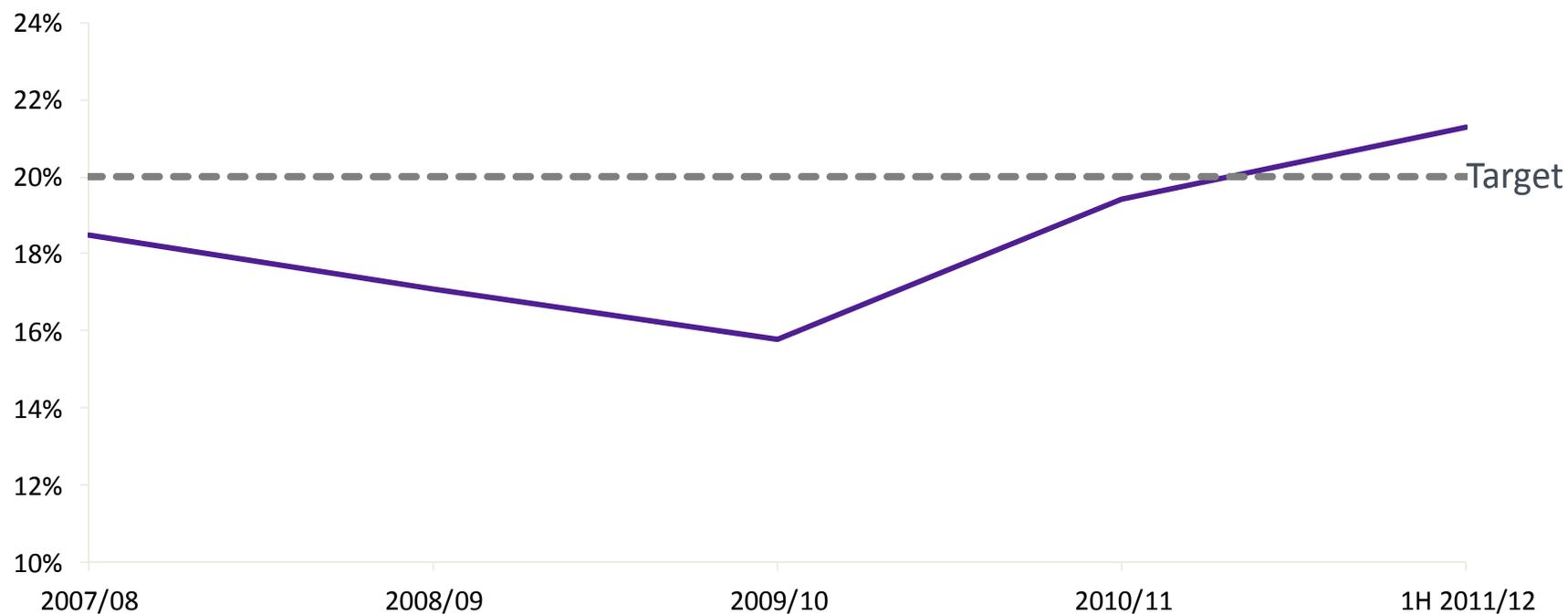
## Cash Flow from Operations

Half year to 30 <sup>th</sup> September	1H 2011 £m	1H 2010 £m
Underlying operating profit	214.7	174.0
Depreciation and amortisation	73.6	71.4
Tax paid	(42.5)	(37.7)
Working capital / other	(73.7)	(160.0)
<b>Cash flow from operations</b>	<b>172.1</b>	<b>47.7</b>

- At 30<sup>th</sup> September 2011, working capital days (excl. pms) were 69 (31<sup>st</sup> March 2011 60)
  - Increase in value of rare earth inventories
  - Growth in China – customers have longer payment terms

- During 1H 2011/12, working capital increased by:
  - Excl. pms           £110.7m
  - Pms                 £(78.5)m
- Net debt at 30<sup>th</sup> September 2011 – £617.1m, down by £22.3m since year end
  - Net debt (incl. post tax pension deficit) / EBITDA of 1.4

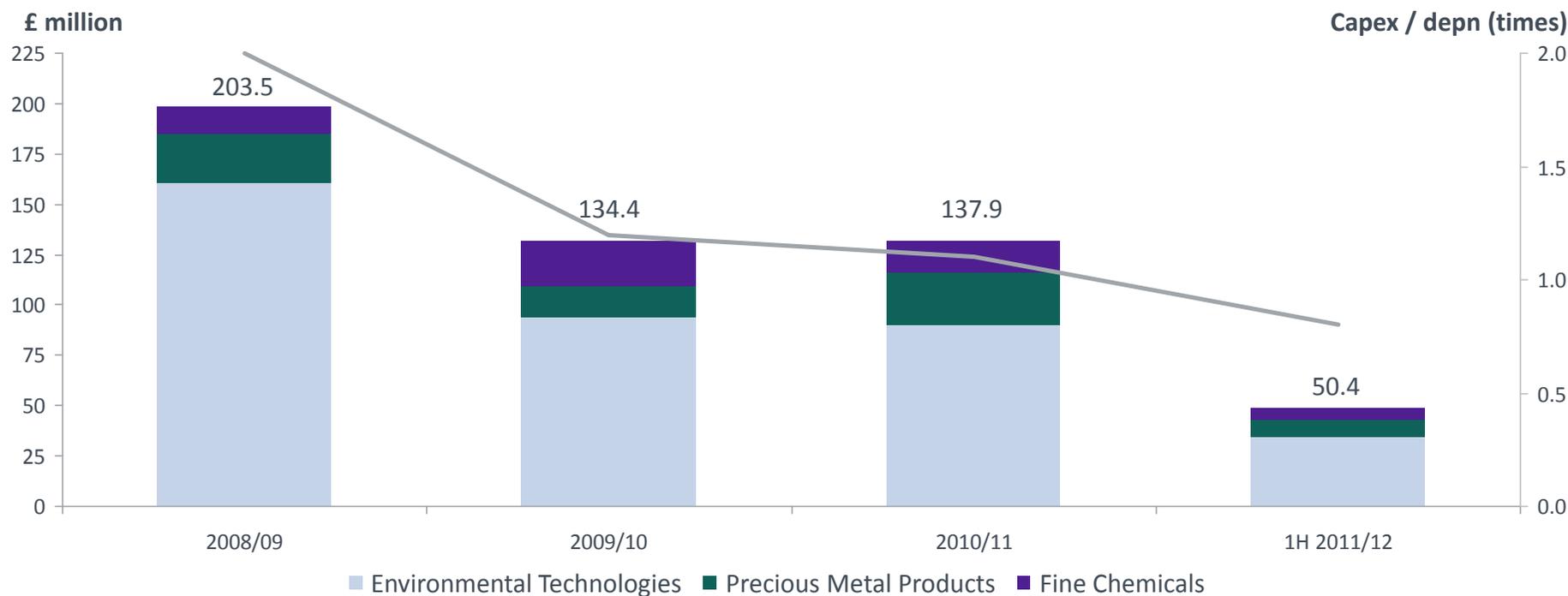
## Return on Invested Capital (ROIC)



- Higher operating profit and improved operational efficiency

- Exceeded long term target of 20%
- Double cost of capital

# Capital Expenditure



- Key projects in first half:
  - New pgm catalyst plant in Shanghai
  - Expansion of HDD catalyst plants in Germany and China
  - Additional process catalyst capacity

- 2011/12 capex likely to be around 1.3x depreciation



# Operating Review

Neil Carson  
Chief Executive



Johnson Matthey



# Environmental Technologies Division

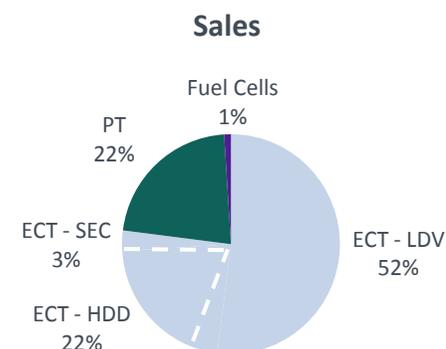


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# Environmental Technologies Division

£m	Half year to 30 <sup>th</sup> September		% change	% at constant rates
	1H 2011	1H 2010		
Revenue	1,533	1,264	+21	+22
Sales (excluding precious metals)	888	727	+22	+24
Underlying operating profit	90.9	76.6	+19	+20
Return on sales	10.2%	10.5%		

- Good growth in light duty catalysts
- HDD catalyst demand strong
- Excellent first half from DPT
- Intercat exceeding our expectations
- SEC continues to underperform



## Estimated Light Duty Vehicle Sales and Production

		1H	1H		1H	2H	
		2011/12	2010/11	change	2011/12	2010/11	change
		millions	millions	%	millions	millions	%
North America	Sales	7.8	7.4	+5.4	7.8	7.1	+9.9
	Production	6.3	6.1	+3.3	6.3	6.3	-
Europe	Sales	9.6	9.1	+5.5	9.6	9.5	+1.1
	Production	9.8	9.3	+5.4	9.8	10.6	-7.5
Asia	Sales	14.2	14.4	-1.4	14.2	15.8	-10.1
	Production	17.6	17.8	-1.1	17.6	19.3	-8.8
Global	Sales	36.4	35.7	+2.0	36.4	37.5	-2.9
	Production	37.2	36.3	+2.5	37.2	39.4	-5.6

Source: IHS Global Insight

# Emission Control Technologies

## JM's Light Duty Catalyst Sales

Total sales 1H 2011/12  
**£463m** up 11%



### North America

- JM sales slightly down
- Impacted by effect of tsunami on our Japanese transplant customers in US

### Europe

- Sales ahead of growth in vehicle production
- Diesel share 55%, up from 49%

### Asia

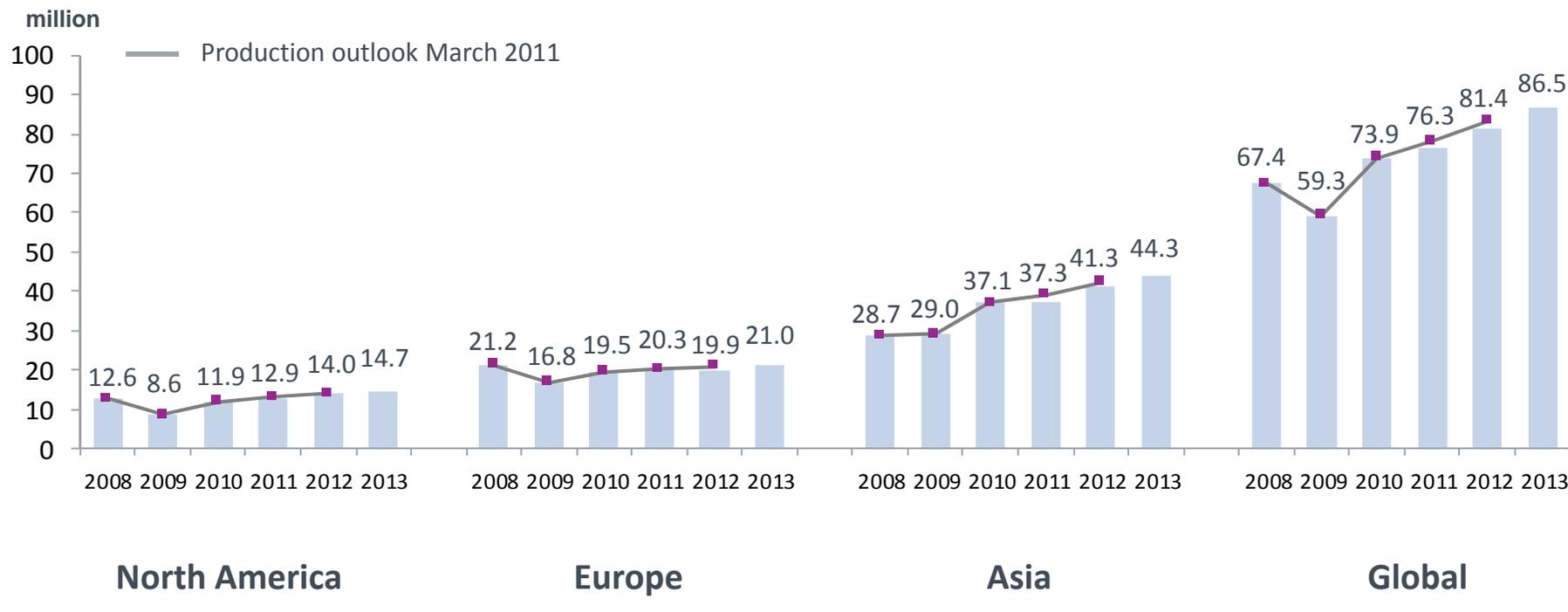
- Our sales well ahead of market growth
- New business in China and South East Asia

### Global

- Operating profit impacted by higher rare earth prices (circa £15m)
- Brussels closure boosts plant utilisation

# Emission Control Technologies

Light Duty Vehicle Production Outlook – 2008-2013 (calendar years)



- Latest forecasts for 2H 2011 and beyond slightly lower
- Global vehicle sales and production have so far remained stable

Source: IHS Global Insight (September 2011)

## Estimated HDD Truck Sales and Production

		1H	1H		1H	2H	
		2011/12	2010/11	change	2011/12	2010/11	change
		thousands	thousands	%	thousands	thousands	%
North America	Sales	192.2	134.2	+43.2	192.2	153.2	+25.5
	Production	214.1	133.2	+60.7	214.1	167.8	+27.6
EU	Sales	143.6	116.2	+23.6	143.6	138.7	+3.5
	Production	194.5	158.9	+22.4	194.5	205.1	-5.2

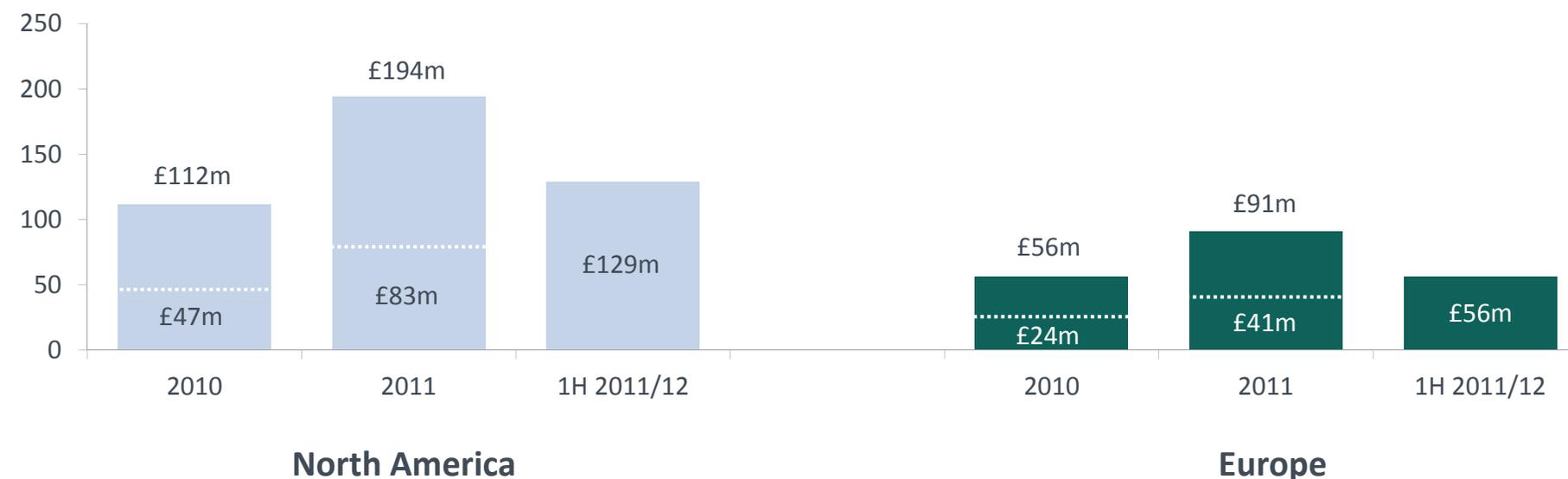
# Emission Control Technologies

JM's Heavy Duty Diesel Sales

Total sales 1H 2011/12

**£197m** up 54%

£ million



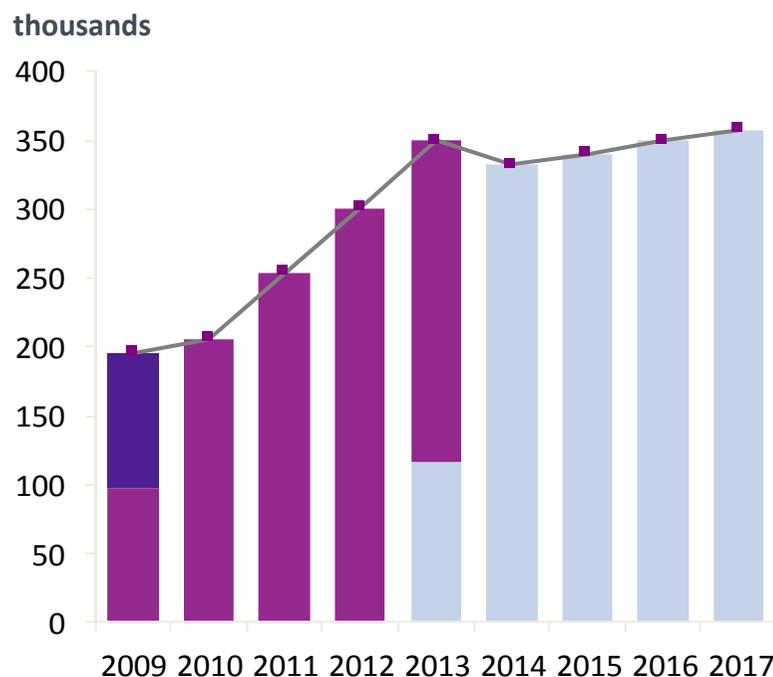
- Sales well ahead, up 56%, broadly in line with truck production
- Truck operators replacing ageing fleets

- Sales grew ahead of market, up 35%

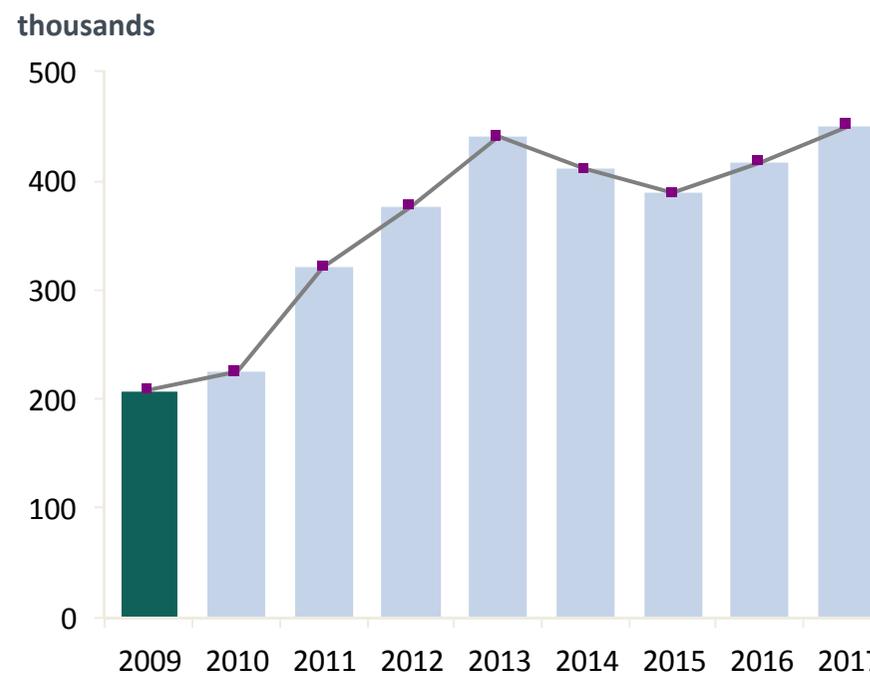
# Emission Control Technologies

## Heavy Duty Diesel Vehicle Sales Outlook (calendar years)

### Western European Truck Sales



### US Class 4-8 Truck Sales



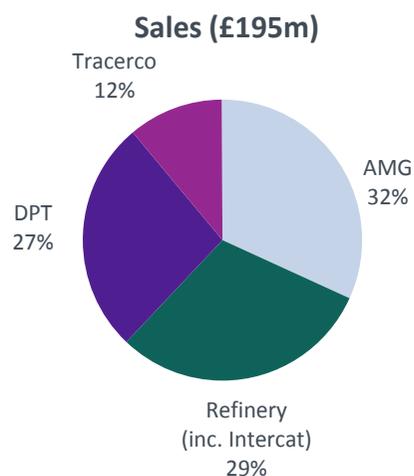
■ Euro IV 
 ■ US07 
 ■ Euro V 
 ■ Euro VI / US 2010 regulations 
 — Sales outlook at March 2011

Source: JD Power (September 2011)

# Process Technologies

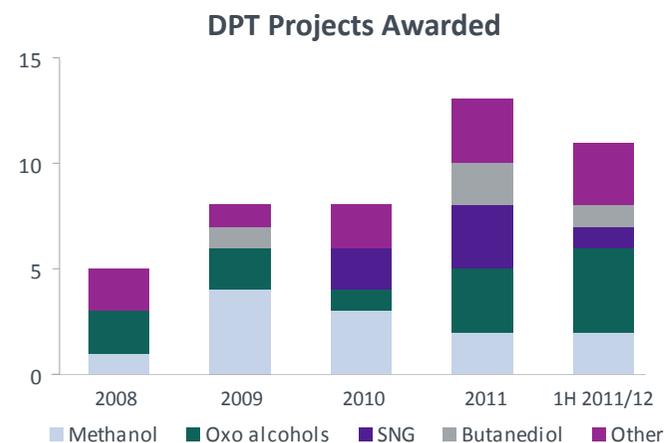
## Catalyst Businesses

- Sales benefited from inclusion of Intercat, up 38% at £120m
- Methanol catalyst demand down as expected, hydrogen catalysts growing strongly
- Starting to realise synergies from Intercat



## Davy Process Technology

- Very strong first half, sales up 55% to £52m
- 11 new projects won
- China continues to drive DPT's performance



# Environmental Technologies

## Looking Ahead

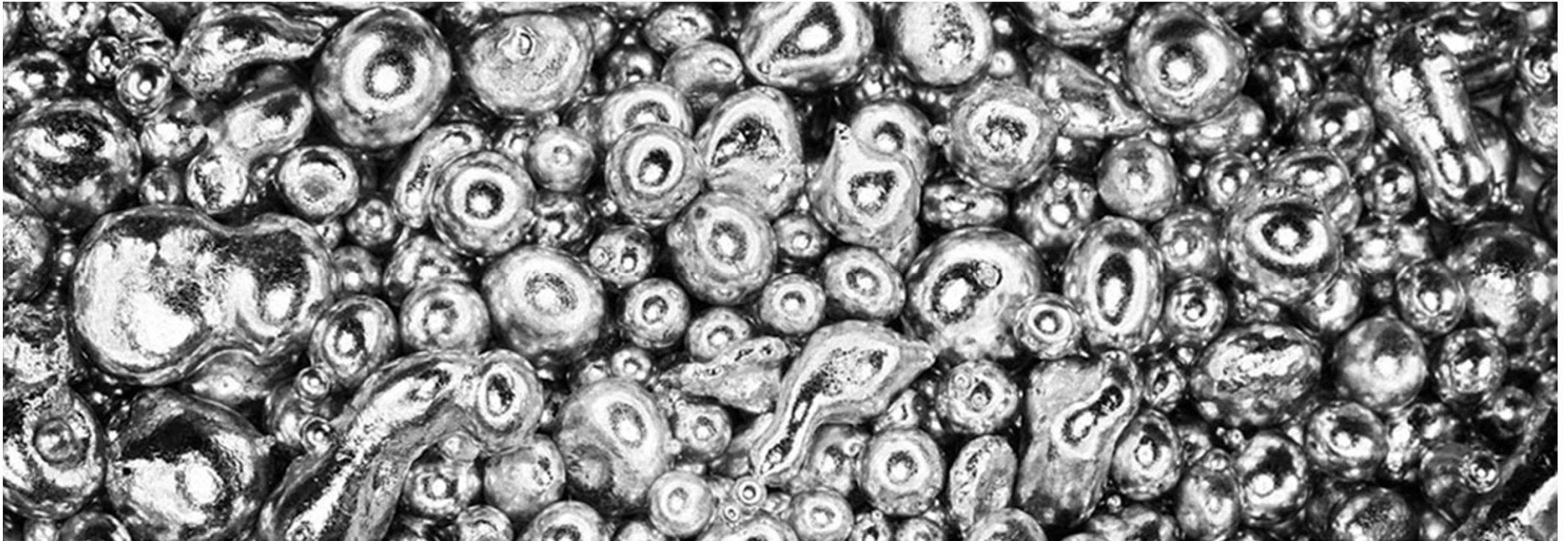


### Emission Control Technologies

- Outlook for light duty catalysts remains good despite macroeconomic uncertainties
  - Second half will benefit from rare earth pricing agreements
- HDD outlook remains good – second half has started well
  - Non-road sales increasing from low base

### Process Technologies

- Catalyst sales expected to show normal seasonality
  - Plants close to full capacity
- Outlook for DPT remains good
  - China continues to drive the business
  - Licence opportunities for our existing technologies expected to reduce next year



# Precious Metal Products Division



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## Precious Metal Products Division

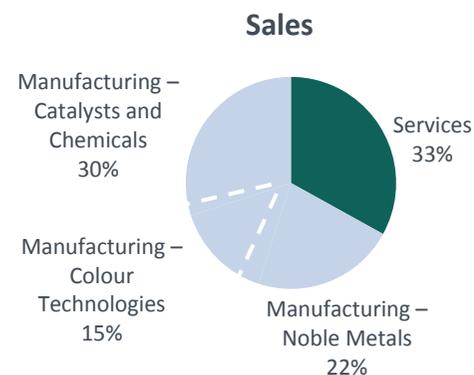
£m	Half year to 30 <sup>th</sup> September		% change	% at constant rates
	1H 2011	1H 2010		
Revenue	4,858	3,694	+32	+34
Sales (excluding precious metals)	298	274	+9	+10
Underlying operating profit	107.1	81.2	+32	+32
Return on sales	35.9%	29.7%		

### Services

- Higher average precious metal prices and operating leverage resulted in significant increase in OP

### Manufacturing

- Good growth driven by higher demand for our products



# Precious Metal Products Division

## Services Businesses

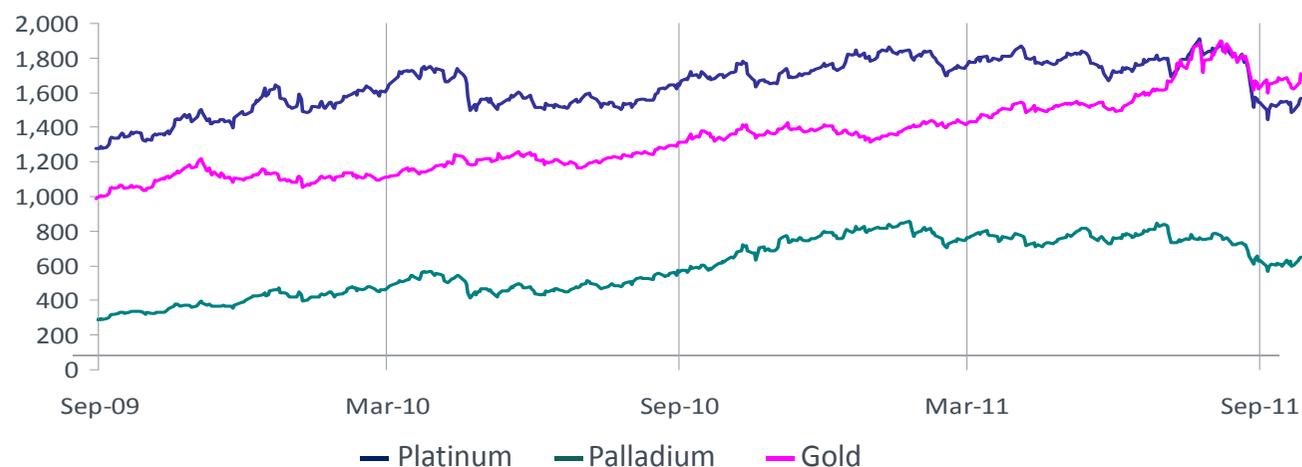
### Platinum Marketing and Distribution Business

- Average prices increased sharply
  - Pt      \$1,782/oz    up 12%
  - Pd      \$759/oz      up 53%
  - Au      \$1,611/oz    up 33%

### Refining Businesses

- Very strong first half
- Strong intakes, supported by higher average precious metal prices
- Operational improvements increase plant efficiency

US\$/oz      **Platinum, Palladium and Gold Prices**

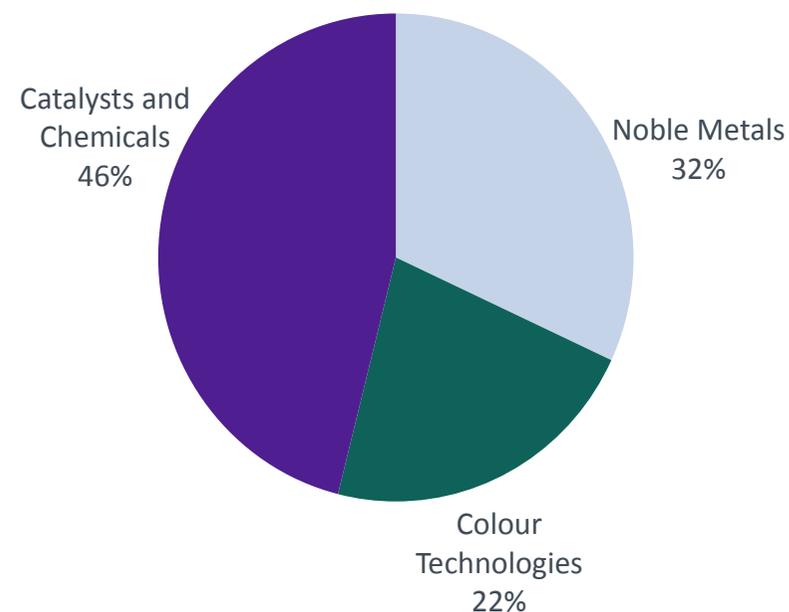


# Precious Metal Products Division

## Manufacturing Businesses

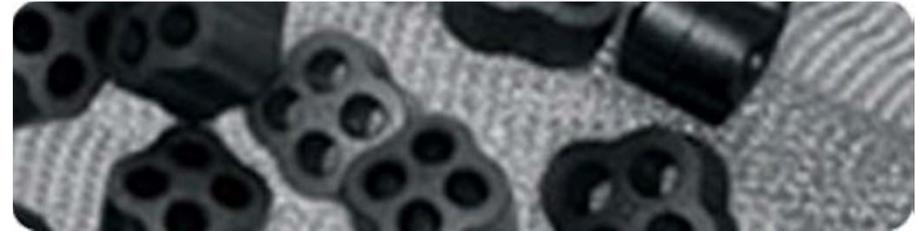
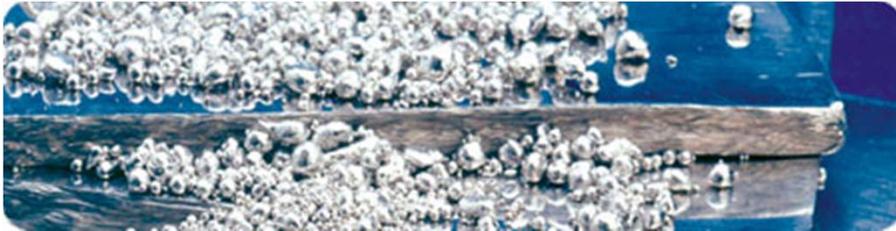
- Sales up 8% to £199m
- Noble Metals (up 10% to £64m)
  - Good demand across industrial product range
  - Medical device components business performed well
- Colour Technologies (down 3% to £44m)
  - Demand for automotive products in line with last year
  - Decorative products further impacted by high precious metal prices
- Catalysts and Chemicals (up 13% to £91m)
  - Good sales growth, particularly in Asia
  - e+™ performing well in customer trials
  - First commercial sales from new pgm catalyst plant in Shanghai expected shortly

### Sales



# Precious Metal Products Division

## Looking Ahead

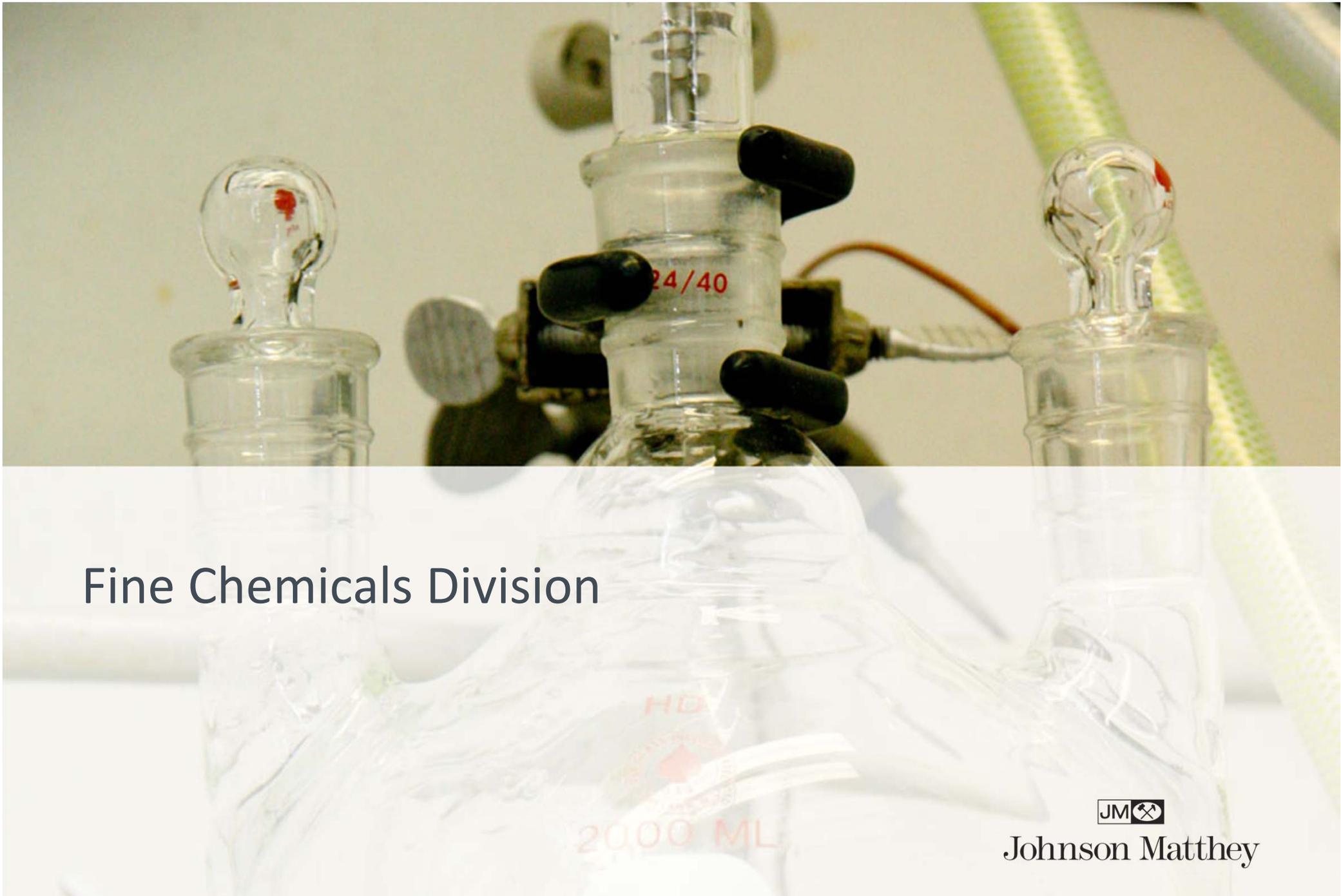


### Services

- Short term outlook for precious metal prices uncertain
  - Impact of investors increasing volatility
  - Fundamentals remain robust
- Refining intakes holding up

### Manufacturing

- Currently trading well
- Order visibility has reduced



# Fine Chemicals Division



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## Fine Chemicals Division

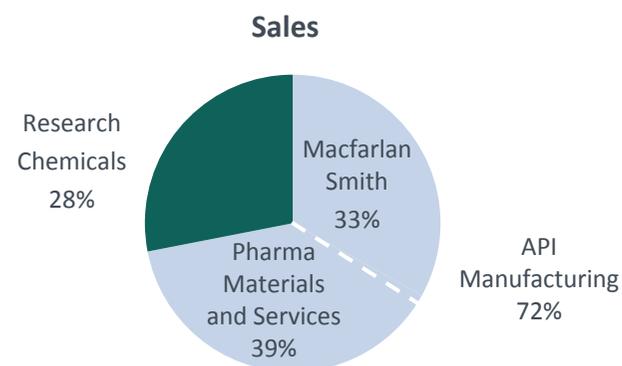
£m	Half year to 30 <sup>th</sup> September		% change	% at constant rates
	1H 2011	1H 2010		
Revenue	146	127	+15	+19
Sales (excluding precious metals)	142	122	+16	+19
Underlying operating profit	32.5	28.8	+13	+16
Return on sales	23.0%	23.6%		

### API Manufacturing

- Strong performance, particularly in the US

### Research Chemicals

- Good demand across all regions



# Fine Chemicals

## Business Performance and Looking Ahead



### API Manufacturing

#### Business Performance

- Sales up 17% to £102m
- Growth aided by acquired legacy business, new products and short term boost in market share
- First half slightly impacted by restructuring at Macfarlan Smith

#### Looking Ahead

- Plans being implemented to utilise Conshohocken facility for lower cost, higher efficiency production



### Research Chemicals

#### Business Performance

- Sales up 14% to £40m
- Good demand across all regions

#### Looking Ahead

- New biochemical product catalogue launched

# Outlook



## Environmental Technologies:

- Economic growth prospects increasingly uncertain but ECT has started second half well
- Opportunities for Process Technologies



## Fine Chemicals:

- Confident of continued good performance



## Precious Metal Products:

- Activity currently remains robust but visibility reduced



## Group:

- Short term macroeconomic outlook uncertain
- Well placed to respond to any changes in demand
- Currently anticipate second half to be slightly ahead of first six months

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## Key Messages

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**Group continues to perform well**

**ROIC exceeds 20% long term target**

**Well placed to deliver strong performance in second half**

**Longer term prospects remain robust**

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## Questions and Answers

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**Neil Carson**

Chief Executive

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**Robert MacLeod**

Group Finance Director

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**John Fowler**

Division Director, Fine Chemicals

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**Nick Garner**

Group Director, Corporate and  
Strategic Development

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**Geoff Otterman**

Division Director,  
Process Technologies

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**John Walker**

Division Director, Emission  
Control Technologies

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**Neil Whitley**

Division Director, Catalysts,  
Chemicals and Refining

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## Key Messages

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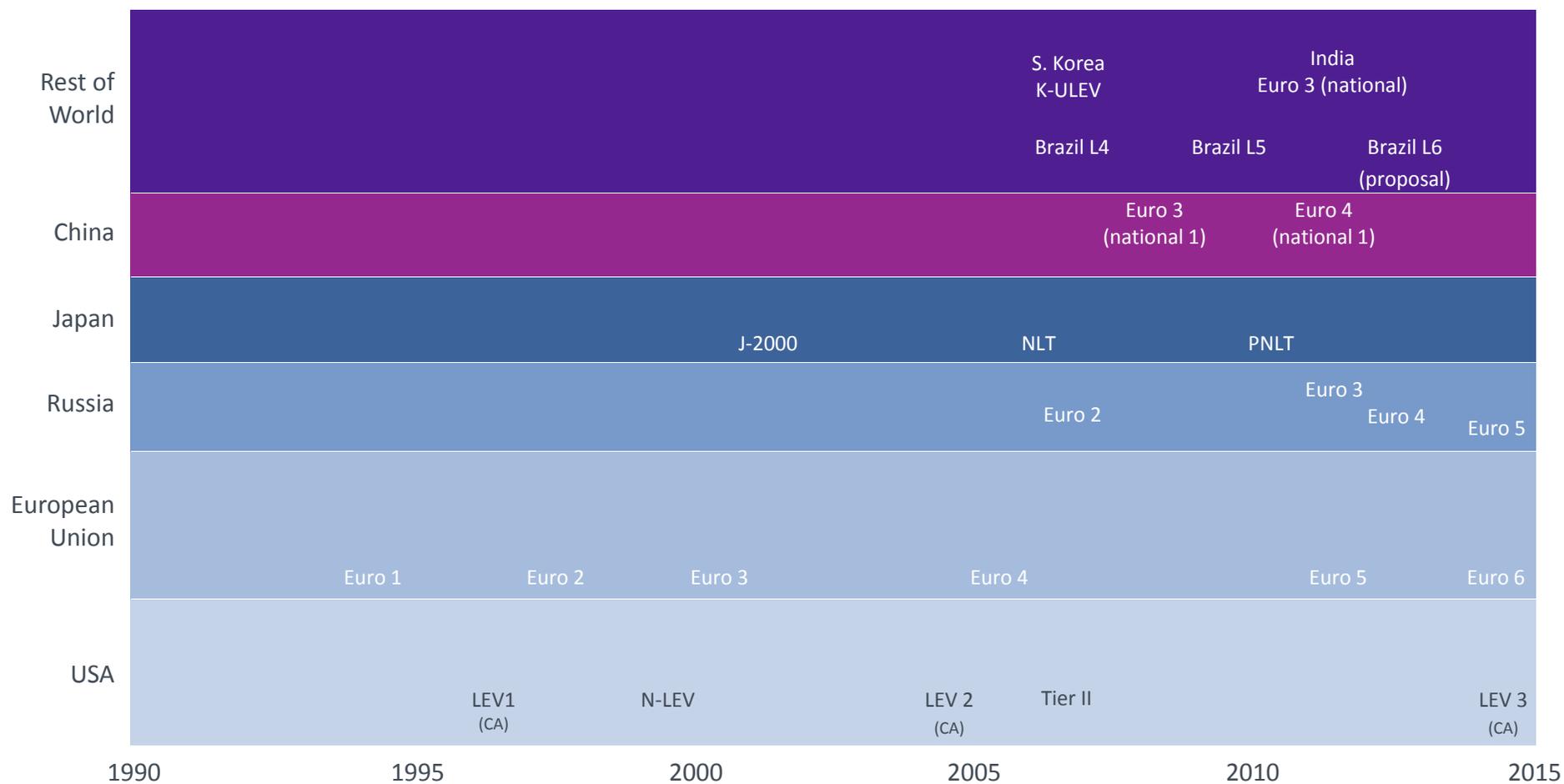


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# Emission Control Technologies

## Light Duty Vehicle Legislation



# Emission Control Technologies

## Heavy Duty Diesel Legislation

