Johnson Matthey

News release

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Half year results for the six months ended 30th September 2013

Strong Performance in the First Half:

	Half Year to 30th September 2013	2012 restated	% change
Revenue	**£6,411m**	**£4,892m**	**+31**
Sales excluding precious metals	**£1,486m**	**£1,310m**	**+13**
Profit before tax	**£202.1m**	**£180.1m**	**+12**
Earnings per share	**86.0p**	**69.2p**	**+24**
Underlying*:			
Profit before tax	**£212.9m**	**£187.9m**	**+13**
Earnings per share	**84.9p**	**71.7p**	**+18**
Dividend per share	**17.0p**	**15.5p**	**+10**

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

Summary

- A strong first half with:
  - Sales excluding precious metals (sales) 13% ahead at £1.5 billion
  - Underlying profit before tax 13% ahead
  - Underlying earnings per share up 18%
- Return on invested capital (ROIC) at 21.0%
- Free cash flow generation excluding movements in precious metal working capital was £111.2 million; net debt (including post tax pension deficits) / EBITDA of 1.5 times
- Interim dividend up 10% to 17.0 pence

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Business Overview

- A very strong first half for Emission Control Technologies with sales up 13% and underlying operating profit 16% ahead, benefiting from growth in sales across all regions, particularly in Europe for heavy duty diesel vehicle catalysts ahead of the new Euro VI legislation which comes fully into force from 1st January 2014

- Process Technologies grew well in the first half with sales up 15% and underlying operating profit up 17% due to strong catalyst demand and the contribution from Formox which was acquired in March 2013

- A steady first half from Precious Metal Products with sales broadly in line with last year but underlying operating profit increased by 24% as the division benefited from relatively easy comparables following last year's issues at our Salt Lake City refinery

- Fine Chemicals also made a steady start overall with sales up 5% and underlying operating profit up 1% with a good performance in its API Manufacturing business

- New Businesses made good progress driven mainly by its Battery Technologies business

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

"Johnson Matthey delivered a strong performance in the first half of 2013/14 driven primarily by good growth in Emission Control Technologies, where global car and truck production increased, and good demand for Process Technologies' products. Precious Metal Products, which had a poor first half last year, recovered and overall volumes in its Services businesses increased. Underlying earnings per share were up 18% at 84.9p.

The group's results in the first half of the year exceeded our expectations. In the second half, the group's long standing arrangements with Anglo American Platinum Limited (Anglo Platinum) will expire on 31st December 2013 and this will impact profitability in the fourth quarter. At the same time we should benefit from tighter European truck legislation but it is difficult to assess the extent of the pre-buy in the first half and its effect on volumes in the second half. We therefore expect that if the impact of the loss of the Anglo Platinum contracts is excluded, Johnson Matthey's performance in the second half will be in line with that of the first six months."

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Report to Shareholders

Review of Results

Johnson Matthey delivered a strong performance in the first half of 2013/14 driven primarily by good growth in Emission Control Technologies, where global car and truck production increased, and good demand for Process Technologies' products. Precious Metal Products, which had a poor first half last year, recovered and overall volumes in its Services businesses increased. Results from Fine Chemicals were in line with last year and New Businesses made good progress.

Sales excluding precious metals (sales) were 13% ahead at £1.5 billion led by a strong performance from Emission Control Technologies and Process Technologies. At constant exchange rates, the group's sales grew by 12%.

Underlying operating profit was up 15% at £234.2 million with growth across our four established divisions. The group's underlying return on sales increased slightly to 15.8%, up from 15.5% last year, and ROIC was 21.0% (1H 2012/13 21.7%; year ended 31st March 2013 19.8%).

Underlying profit before tax was 13% ahead at £212.9 million and profit before tax was also higher, up 12% to £202.1 million.

Underlying earnings per share were 18% higher at 84.9 pence and basic earnings per share were 24% ahead at 86.0 pence.

Dividend

The Board of Directors has increased the interim dividend by 10% to 17.0 pence and this will be paid on 4th February 2014 to ordinary shareholders on the register as at 29th November 2013, with an ex-dividend date of 27th November 2013.

Operations

Emission Control Technologies

	Half Year to 30th September 2013 £ million	2012 £ million	% change	% at constant rates
Revenue	1,448	1,218	+19	+19
Sales (excl. precious metals)	815	720	+13	+12
Underlying operating profit	94.2	81.4	+16	+14
Return on sales	11.6%	11.3%		
Return on invested capital (ROIC)	18.7%	18.3%		

Emission Control Technologies (ECT) Division, which primarily comprises our light duty vehicle (LDV) and heavy duty diesel (HDD) catalyst businesses, had a very strong first half, benefiting from growth in sales across all regions. The division's sales were up 13% at £815 million. Underlying operating profit was 16% ahead at £94.2 million, with good growth in both our LDV and HDD catalyst businesses. ECT's return on sales increased by 0.3% to 11.6% and ROIC was 18.7%.

Light Duty Vehicle Catalysts

Our LDV catalyst business performed well in the first half with good growth in both sales and underlying operating profit.

Estimated Light Duty Vehicle Sales and Production

		Half Year to 30th September 2013 millions	2012 millions	% change
North America	**Sales**	9.5	8.8	+8.0
	Production	8.0	7.6	+5.3
Total Europe	**Sales**	9.0	9.2	-2.2
	Production	9.3	9.4	-1.1
Asia	**Sales**	17.2	16.5	+4.2
	Production	20.6	19.6	+5.1
Global	**Sales**	41.6	40.5	+2.7
	Production	40.7	39.5	+3.0

Source: LMC Automotive

During our first half, global light duty vehicle sales increased by 3% to 41.6 million vehicles with further growth in North America and Asia, where vehicle sales in China increased by 8%, partly offsetting a slight decline in Europe. In Western Europe, vehicle sales have fallen steadily since 2007 and are now at 1993 levels. There are early signs that the market in Europe is bottoming out, however, there are significant variations by country. In the last six months vehicle sales in the UK and Spain have

increased by 7% and 6% respectively although sales have declined in Germany (-5%), France (-6%) and Italy (-7%). Global production grew in the period by 3%.

Johnson Matthey's Light Duty Vehicle Catalyst Sales by Region

	1H 2013 £ million	1H 2012 £ million	% change	% change at constant rates
Europe	**287**	**264**	**+9**	**+8**
Asia	**120**	**107**	**+12**	**+15**
North America	**96**	**93**	**+3**	**+1**
Total	**503**	**464**	**+8**	**+8**

Sales in our LDV catalyst business, which accounted for 62% of ECT's sales in the period, were 8% higher at £503 million and ahead of growth in vehicle production. Our sales in Europe of £287 million, which represented 57% of our total LDV catalyst sales, were up 9% (8% ahead at constant rates), substantially ahead of the change in vehicle production. Our performance was helped by an improved product mix and the continuing benefit of our relationship with some of the more successful car companies in the region. Diesel's share of production in Western Europe was broadly the same as last year, at 52%.

The growth in sales of our Asian light duty catalyst business exceeded the increase in regional vehicle production, with sales up 12% to £120 million in the first half of 2013/14. Our business in China grew strongly, well ahead of the 11% growth in vehicle production in the country. Our South East Asia business also performed well. This was partly offset by lower sales at our Japanese operations as Japanese car companies continued to move production to North America and China. Our sales in India also fell slightly due to the very weak market and our local customers are pessimistic about a recovery in the near future.

In North America our business benefited from continuing growth in the light duty vehicle market. Our sales increased by 3% to £96 million, slightly lagging vehicle production, mainly as a result of lower prices for rare earth materials (which are used in catalyst manufacturing), the cost of which is passed on to our customers. Our volumes increased broadly in line with market growth.

Heavy Duty Diesel Catalysts

Our HDD catalyst business also performed well in the first half with good growth in both sales and underlying operating profit.

Estimated HDD Truck Sales and Production

		Half Year to 30th September 2013 thousands	2012 thousands	% change
North America	Sales	233.1	223.2	+4.4
	Production	235.0	235.6	-0.3
EU	Sales	134.8	136.5	-1.2
	Production	180.6	187.4	-3.6

Source: LMC Automotive

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

	1H 2013 £ million	1H 2012 £ million	% change	% change at constant rates
North America	183	165	+10	+8
Europe	79	55	+44	+40
Asia	18	14	+30	+51
Total	280	234	+19	+18

Our sales of HDD catalysts continued to grow strongly in the first half, up 19% to £280 million.

Our North American HDD business had a good first half with sales 10% ahead of last year at £183 million, benefiting from a positive product mix. Truck sales in the region increased in the first half of 2013/14 and production was broadly flat. Demand for catalyst systems for non-road applications such as construction, mining and agricultural equipment continued to increase from its low base and represented 9% of our North American HDD catalyst sales (£17 million).

Truck production in the EU remained depressed in the period although truck sales in the region did return to growth in our first half compared to the second half of last year. Despite this, our European HDD catalyst business performed very strongly, exceeding our expectations and growing its sales by 44% to £79 million. In Europe, the tighter Euro VI legislation came into force from 1st January 2013 for new truck models and will apply to all production from 1st January 2014. This requires the fitment of particulate control filter catalysts and represents up to about a three times increase in catalyst sales value per vehicle. Our strong first half was partly due to early fitment of the higher value Euro VI systems, which represented about 25% of our sales, but also due to higher than expected sales of Euro V systems as truck and engine manufacturers pre-buy in advance of the new legislation, taking advantage of the lower catalyst costs. Sales of Euro V systems within Europe contributed just over half of our sales. The market in Brazil recovered and our export sales to the country, which are also Euro V systems, were around 10% of our European HDD sales.

Increased catalyst sales to non-road applications also benefited our European HDD business, contributing some 14% of sales (£11 million).

We have continued to make some progress in Asia, at present primarily with sales of HDD catalysts to customers in Japan. From 1st July, Euro IV equivalent legislation came into force in China which has resulted in some early catalyst sales for us and our market share is in line with our expectations. As predicted, China is following a phased approach with over 40 cities adopting the new legislation, albeit mainly for buses. Enforcement for trucks is currently low and consequently we continue to expect the market to develop gradually. We currently expect less than 10% of engines to be covered by the legislation during the first year and this could reach 100% over a five to six year period, although the exact rate and profile of implementation is very hard to predict with accuracy. As we have said before, although China is a large market in terms of vehicle numbers (China produces more trucks than both North America and the EU combined), the cost per truck is markedly lower, engine sizes are much smaller and the Euro IV legislation requires relatively simple catalyst technology.

ECT's major expansion projects to double capacity at its plant in Macedonia and to increase diesel particulate filter production capacity at its Royston, UK operations are both nearing completion, in time to meet our customers' requirements for the upcoming tighter European light and heavy duty diesel legislation.

Process Technologies

	Half Year to 30th September			
	2013 £ million	**2012 £ million**	**% change**	**% at constant rates**
Revenue	**291**	**256**	**+14**	**+13**
Sales (excl. precious metals)	**288**	**251**	**+15**	**+13**
Underlying operating profit	**48.9**	**41.7**	**+17**	**+16**
Return on sales	**17.0%**	**16.6%**		
Return on invested capital (ROIC)	**17.2%**	**13.5%**		

Process Technologies Division, which provides licensed technologies, catalysts and other services to the chemicals and oil and gas sectors, grew well in the first half with sales up by 15% to £288 million and underlying operating profit 17% ahead at £48.9 million. The division's return on sales increased to 17.0%. If the acquisition of Formox was excluded, the division's sales would have been 5% ahead of last year.

Chemicals

Process Technologies' Chemicals business licenses technologies to chemical customers through its Johnson Matthey Davy Technologies (JM Davy) business, formerly Davy Process Technology (DPT). It also manufactures a range of catalysts for the petrochemical industry and includes the Formox business, which was acquired at the end of last year. Overall, sales increased by 16% in the first half to £176 million driven by strong growth in catalyst sales which offset a weaker performance from JM Davy.

Process Technologies – Chemicals' Sales

	1H 2013 £ million	1H 2012 £ million	% change
JM Davy	**44**	**52**	**-17**
Catalysts	**132**	**99**	**+34**
Total	**176**	**151**	**+16**

In the first half of this year JM Davy continued to work on providing engineering designs on previously secured contracts. Following a period of intense licence activity, particularly in China, the business secured one new licence in the first half for an oxo alcohols plant, again in China, compared with four licences in the first half of last year. Whilst JM Davy posted lower sales, down 17% to £44 million, this hiatus was not unexpected and the business continues to work with a wide range of customers for potential new licence contracts, some of which we expect to secure in the second half. The forward workload on previously secured contracts remains good for at least the next 18 months.

To build on its existing portfolio, JM Davy has continued to invest in R&D to support the development of new technologies. For example, most recently, in conjunction with Eastman Chemical Company, JM Davy has developed advanced proprietary technology for the production of ethylene glycol, a key industrial chemical and a building block in the production of polyesters for fibre and packaging applications, from a variety of raw materials including coal. With the current shortage of ethylene glycol in China, this new technology should be attractive to the market.

Sales of catalysts to customers in the chemicals sector grew well, by 34% to £132 million. As expected, sales of methanol catalysts were strong, primarily driven by replacement fills, whilst demand for ammonia and other chemical catalysts was steady. Performance was boosted by sales of £23 million from Formox; excluding Formox, catalyst sales grew by 10%. The integration of Formox is going very well and its performance in the first half exceeded our expectations.

China's drive for energy and petrochemical self-sufficiency through the conversion of coal into substitute natural gas (SNG) will support growth in Process Technologies over the next few years through the provision of both technology licences and catalysts. In addition, continued interest in North America in the use of unconventional (shale) gas offers opportunities for the division in the longer term. Increased availability of lower priced gas is already stimulating the region's latent chemical industry which is evidenced by new plant constructions and the relocation of assets from other regions, such as South America, into North America.

Oil and Gas

Process Technologies' Oil and Gas business provides catalysts for hydrogen manufacture and purification applications, as well as additives which are used in oil refinery fluid catalytic cracking (FCC); its Tracerco unit provides specialist diagnostic and measurement technology and services. Overall, sales in the first half were 12% ahead at £112 million, supported by continuing activity in the oil and gas sector.

Process Technologies – Oil and Gas' Sales

	1H 2013 £ million	**1H 2012 £ million**	**% change**
Catalysts / Additives	**79**	**70**	**+13**
Tracerco	**33**	**30**	**+11**
Total	**112**	**100**	**+12**

Oil and gas catalysts and additives sales grew well and were 13% ahead of prior year. The market for purification products, which are used to remove harmful impurities such as sulphur and mercury from gas streams, continued to recover and sales were well ahead of last year. Demand for hydrogen catalysts, for the production of hydrogen which is used in the desulphurisation of transportation fuels, also increased, supported by the general economic recovery in the US. Sales of FCC additives grew well in the first half, despite lower prices for cerium containing rare earth materials which are used in our additives manufacturing processes and are a pass through cost for our business.

Tracerco's sales were 11% ahead at £33 million with good demand for technology and services which enable our customers to optimise the performance of their assets and exploit more difficult to recover resources. Demand for diagnostic services into shale gas applications in North America continued to grow, albeit from a small base, and the business launched a new high accuracy detection system to scan sub sea pipelines from the outside, thus allowing inspection of the condition of the pipe and flow without interrupting production.

Projects to expand catalyst manufacturing capability at our operations in Clitheroe, UK and Panki, India have been completed in the first half. This includes new capacity for catalysts for SNG plants in China licensed by JM Davy in recent years. Expansion at our additives manufacturing plant in Savannah, USA is now close to completion and we are investing in our chemical catalyst manufacturing operations in Germany to meet future demand. Work has also commenced on a new technology centre at Tracerco to support the research and development of new diagnostic and measurement services.

Precious Metal Products

	Half Year to 30th September			% at
	2013	2012	%	constant
	£ million	£ million	change	rates
Revenue	**5,070**	**3,734**	**+36**	**+34**
Sales (excl. precious metals)	**214**	**217**	**-1**	**-2**
Underlying operating profit	**74.3**	**59.7**	**+24**	**+23**
Return on sales	**34.7%**	**27.5%**		
Return on invested capital (ROIC)	**40.6%**	**48.2%**		

Precious Metal Products (PMP) Division had a steady first half with sales broadly in line with last year at £214 million. Underlying operating profit was, however, well ahead of last year, up 24% at £74.3 million, benefiting from relatively easy comparables.

Services
Sales in our Services businesses, which comprise the division's Platinum Marketing and Distribution and Refining activities, fell by 4% to £84 million and represented 39% of PMP's total sales in the first half. Operating profit, however, was substantially higher primarily because the operational issues in our gold and silver refining businesses, which impacted our results in the first half of last year, did not recur.

Our Platinum Marketing and Distribution business grew its sales in the first half by 4% to £31 million and underlying operating profit increased by a similar amount. Slightly higher production volumes from Anglo American Platinum Limited (Anglo Platinum) and steady average platinum group metal prices (average platinum and palladium prices in the period were $1,463/oz and $721/oz respectively compared with $1,500/oz and $622/oz last year) contributed to the increase in sales. Trading margins in the period were slightly ahead of last year.

As we have previously disclosed, our existing contracts with Anglo Platinum will expire on 31st December 2013. From 1st January 2014 we have agreed an extension to our metal supply agreement and a separate contract to supply market research services. The new metal supply agreement will, however, attract no discounts and we will be paid a fixed fee for our market research. We are resizing our team accordingly, mainly through internal moves within the group.

Our Refining businesses had a mixed start to the year with sales down 8% at £53 million.

Intake volumes in the first six months at our Platinum Group Metal (Pgm) Refining and Recycling business were ahead of the same period last year but, in response to the relatively weak platinum price, platinum intakes have started to decline slightly in recent months. If these lower volumes are maintained, this could impact business performance in the second half of the year. End of life autocatalyst recycling volumes have remained relatively stable but intakes from platinum jewellers are suffering from the weak platinum price.

Overall intakes at our Gold and Silver Refining business were in line with last year but volumes of the higher margin secondary gold material fell substantially, down by nearly 30%. This was partly due to the decrease in the gold price, which fell from an average of $1,630/oz in the first half of last year to $1,370/oz this year, but also due to the recovery in the US economy. We therefore expect that secondary volumes will remain at these lower levels which are more in line with historic norms. We have noticed the same effect for secondary silver material, the price of which has also fallen. On the other hand, feeds of primary gold and silver material from mining operations were relatively stable. The operational issues at our Salt Lake City refinery, which impacted the business significantly in the first half of last year, did not recur as a result of management actions at the site.

Manufacturing

Sales in our Manufacturing businesses, which consist of PMP's Noble Metals, Colour Technologies and Chemical Products activities, were in line with last year at £130 million. Weaker sales in Noble Metals and Chemical Products were balanced by growth in Colour Technologies. Underlying operating profit fell slightly due to the different mix between the businesses.

Our Noble Metals business experienced continued weaker demand in a number of its industrial product areas. Sales declined by 5% to £58 million and operating profit

was also lower. Sales of industrial products, particularly to our European customers, were down. Global fertiliser demand remains soft, resulting in our customers' plants running below capacity or indeed shut down, and this led to lower demand for our nitric acid products. Our medical device components business continued to make progress in the key US market although this was offset by a decline in demand in Europe.

Colour Technologies' sales were up 12% in the first half at £45 million but operating profit was well ahead. Demand for its obscuration enamels for automotive glass grew well, mostly in Europe where we believe there has been some restocking of the supply chain. Sales of products for decorative applications continued their long run decline.

Chemical Products' sales were down slightly at £27 million in the first half and operating profit also declined. The largest part of this business supplies pgm chemicals to internal and external autocatalyst producers. This area grew in line with global vehicle production.

Fine Chemicals

	Half Year to 30th September			% at
	2013	2012	%	constant
	£ million	£ million	change	rates
Revenue	**185**	**171**	**+8**	**+7**
Sales (excl. precious metals)	**161**	**154**	**+5**	**+3**
Underlying operating profit	**40.7**	**40.4**	**+1**	**-1**
Return on sales	**25.2%**	**26.3%**		
Return on invested capital (ROIC)	**17.2%**	**17.9%**		

Fine Chemicals Division, which comprises our Active Pharmaceutical Ingredient (API) Manufacturing business, our Catalysis and Chiral Technologies business and Research Chemicals, had a steady start to the year. Sales in the first half were 5% ahead at £161 million and underlying operating profit also grew slightly, by 1% to £40.7 million. The division's return on sales in the half year reduced from 26.3% to 25.2% due to a lower return from our Research Chemicals business.

API Manufacturing

Sales from the division's API Manufacturing business increased by 7% to £105 million and operating profit also grew well in the first half. Speciality opiate sales grew, particularly for the API used in buprenorphine which we manufacture in

the UK. This API is used in drug addiction treatments, for which a new generic drug was launched in the US by one of our customers during the period. The business also benefited from good demand for APIs used in attention deficit hyperactivity disorder (ADHD) treatments. On the other hand there was lower demand for bulk opiates which we expect to continue as a result of high stock balances at our customers. The restructuring of the UK business undertaken during the second half of last year has now been completed and we continue our discussions with the UK government to understand its future intentions on importation of controlled substances.

In the period, the business also benefited from a new long term agreement for the supply of a non-controlled API.

Catalysis and Chiral Technologies
Sales in Catalysis and Chiral Technologies, which serves the fine chemicals and pharmaceutical industries, were unchanged in the first half at £15 million and underlying operating profit was slightly ahead.

Research Chemicals
Sales in our Research Chemicals business were ahead in the period, up 4% to £41 million, with growth in Europe and Asia partly offset by slower sales in North America. Operating profit was, however, lower than last year partly as a result of the launch of the new catalogue and initial costs from warehouse expansions in Shanghai, China and west coast USA.

New Businesses

	Half Year to 30th September	
	2013	**2012**
	£ million	**£ million**
Revenue	**37**	**2**
Sales (excl. precious metals)	**35**	**2**
Underlying operating profit / (loss)	**(9.2)**	**(8.7)**

Our New Businesses Division made good progress in the first half of the year driven mainly by the Battery Technologies business. Increased investment in research and development across the division resulted in a slightly higher underlying operating loss in the period. The performance of the division’s two most established businesses is:

Battery Technologies

The Battery Technologies business primarily consists of Axeon (now Johnson Matthey Battery Systems) that we acquired in October last year. Its sales of £32 million were mostly battery systems to high performance powertool and E-bike customers in Europe, the demand for which is robust. Johnson Matthey Battery Systems also made some progress with its automotive customers and delivered the first units for McLaren's P1 supercar.

We are focusing on developing a battery materials business to service the automotive market whilst maximising the returns from our non-automotive systems business. We have spent some time establishing a research team whose objective is to develop innovative materials that will replace the current generation of products. In the first half, as anticipated, the business made a small underlying operating loss but we expect that it will break even for the year.

Fuel Cells

The Fuel Cells business increased its sales slightly, to £3 million, with higher volumes to combined heat and power customers. However, with continued investment in research and development for the automotive market, the business made a loss in line with that of last year. We continue to believe that a small number of fuel cell powered vehicles will be brought to market in California, USA in 2015 to 2016 in order to meet their tighter emissions legislation. Our objective is to be a supplier of membrane electrode assemblies (MEAs) to car companies and we have made some progress as we further improve our products.

Financial Review

Exchange Rates

The group's results in the first half were impacted by a slight strengthening of the US dollar against sterling. In the period the US dollar averaged $1.54/£ compared with $1.58/£ last year. This increased reported underlying operating profit by £1.4 million. Including all currency movements, the group's operating profit was £2.3 million higher.

In the latter part of the six month period, sterling appreciated against many currencies, in particular the US dollar. If the current exchange rate of $1.61/£ is maintained throughout the second half of the year, this will impact the group's reported results due to the retranslation of overseas subsidiaries' results. For a full

year, a one cent movement of sterling against the US dollar impacts the group's results by just over £1 million.

Interest

The group's net finance cost was £21.7 million, £6.4 million higher than last year. Average borrowings were well above those in the first half of 2012/13, mainly due to the special dividend of £212 million which was paid in August 2012.

As described later, in June the group arranged new long term loans primarily to refinance existing borrowings which mature this year. These new borrowings were completed ahead of debt maturities to take advantage of the attractive long term interest rates that were on offer at the time. Consequently, the group has carried a higher level of gross debt during the period with offsetting higher cash balances. In the short term, given the low interest receivable on cash balances, this has increased the interest charge in the period by approximately £2.6 million. From the fourth quarter of this year, once the maturing facilities have been repaid, the surplus cash balances will reduce substantially and hence the group's interest charge should reduce.

The pension interest charge was also higher than last year due to the higher IAS 19 pension deficit caused by lower discount rates. This increased the pension charge in the period by £1.4 million.

Taxation

The underlying tax rate for the group reduced from 21% to 19% (21% for the year ended 31st March 2013). This decrease was due to the further reduction in the main rate of UK corporation tax from 24% to 23% with effect from 1st April 2013 and from the advent of the patent box legislation in the UK.

The total tax charge for the period includes a deferred tax credit of £10.0 million which is due to the reduction in headline rates of UK corporation tax from 23% to 20% that was enacted in July 2013. This one-off credit has been excluded from underlying tax because of its size.

Cash Flow

In the six months to 30th September 2013 the group generated net cash flow from operating activities of £247 million (six months to 30th September 2012 £143 million).

The group's working capital (excluding the component that relates to precious metals) increased by £10 million compared with the year end. The working capital balance of £439 million at 30th September 2013 represents 53 days' sales. This compares with 65 days at the same time last year and 49 days at the year end. The reduction compared with last year is principally in ECT through a number of working capital management initiatives.

Working capital in relation to precious metals has decreased by £16 million since the year end to £361 million, principally as a result of the lower precious metal prices.

The group's free cash flow in the period was well ahead at £127.3 million compared with £70.6 million in the first half of last year. However, if the impact of movements in working capital related to precious metals is excluded, the group's free cash flow would have been £111.2 million compared with £105.8 million. The cash flow conversion was 68% compared with 85%, principally due to the higher level of capital expenditure in the period.

During the period, capital expenditure was £96.8 million (£101.4 million cash spent in the period) which represents 1.5 times depreciation. Major ongoing projects include the expansion of our ECT manufacturing plants in the UK and Macedonia, both of which are nearing completion, and expansion our Process Technologies capacity in the US.

Pensions

The group's total pension charge for the period to 30th September 2013 was £22.7 million, up from £22.2 million last year, due to the effect of lower discount rates.

The IAS 19 post tax pension deficit of the group's pension schemes, after taking account of bonds held to fund pensions, at 30th September 2013 is estimated at £87.7 million (30th September 2012 £82.6 million; 31st March 2013 £107.8 million).

Net Debt

Net debt at 30th September 2013 decreased by £43.0 million since the year end and was £792.6 million.

In June the group raised $500 million of new debt in the US private placement market. The new loans are for periods between 10 and 15 years, with a weighted average life of 12.3 years and an average fixed interest rate of 3.2%. This new debt is primarily to refinance existing debt which matures this year.

The group's net debt (including post tax pension deficits) to EBITDA for the 12 months to 30th September 2013 was 1.5 times, compared with 1.7 times at 31st March 2013.

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 results in the first half of the year exceeded our expectations principally due to the strength of the global automotive market. In the second half, the group's long standing arrangements with Anglo Platinum will expire on 31st December 2013 and this will impact profitability in the fourth quarter. At the same time we should benefit from tighter European truck legislation but it is difficult to assess the extent of the pre-buy in the first half and its effect on volumes in the second half. We therefore expect that if the impact of the loss of the Anglo Platinum contracts is excluded, Johnson Matthey's performance in the second half will be in line with that of the first six months.

Emission Control Technologies

ECT performed very well in the first six months of the year. The outlook for our LDV catalyst business appears steady and less uncertain than over the last few years. However, the performance of our HDD business in Europe in the second half is harder to assess. That business performed particularly well in the first half but it is difficult to judge how truck sales will be impacted by the new Euro VI legislation

which becomes effective on 1st January 2014. Having said that, every Euro VI compliant truck sold from that date in the EU will have substantially more catalyst value per truck. We currently believe that ECT's performance in the second half will therefore be slightly behind the first half.

Process Technologies

Process Technologies also performed well in the first half benefiting from strength in our catalyst businesses and the acquisition of Formox. In the second half, we are optimistic that JM Davy will be able to sign further new licences and we believe that the catalyst businesses will remain strong. However, we currently expect a weaker third quarter due to the timing of our customers' orders, but that should be followed by a strong fourth quarter. Whilst we cannot predict the timing of orders in the fourth quarter precisely, we currently expect the second half's performance to be slightly ahead of the first half.

Precious Metal Products

The headline performance of this division will be impacted by the expiry of our current Anglo Platinum agreements on 31st December 2013. The underlying business is expected to be stable in the second half if intake volumes at our refineries remain at current levels.

Fine Chemicals

The outlook for the division remains sound and we anticipate that performance in the second half will be in line with the first half.

New Businesses

The level of investment in research and development will be maintained at current levels throughout the second half.

Risks and Uncertainties

The principal risks and uncertainties to which the group is exposed are unchanged from those identified in our 2013 annual report. The principal risks and uncertainties, together with the group's strategies to manage them, are set out on pages 24 to 27 of the annual report. They are:

STRATEGIC
- Responding to, identifying or capitalising on appropriate new or growth opportunities
- Technological change

MARKET
- Responding to changes in global political and economic conditions or future environmental legislation

FINANCIAL
- Pension scheme funding

OPERATIONAL
- Operating safely, including in line with changes in health, safety, environmental and other regulations and standards
- Availability of strategic materials
- Security
- Systems failure
- The effective recruitment, retention and development of high quality staff to support the growth of our business
- Intellectual property and know how
- Failure of significant sites

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 Financial Conduct Authority's Disclosure 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 Financial Conduct Authority's Disclosure 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:

Tim Stevenson	Chairman
Neil Carson	Chief Executive
Odile Desforges	Non-executive Director
Alan Ferguson	Non-executive Director, Chairman of the Audit Committee
Robert MacLeod	Group Finance Director
Colin Matthews	Non-executive Director
Larry Pentz	Executive Director
Michael Roney	Non-executive Director, Senior Independent Director and Chairman of the Management Development and Remuneration Committee
Dorothy Thompson	Non-executive Director
John Walker	Executive Director, Emission Control Technologies

The responsibility statement was approved by the Board of Directors on

20th November 2013 and is signed on its behalf by:

Tim 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 2013 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 Conduct Authority (UK FCA). 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 FCA.

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 conducted 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 2013 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Stephen Oxley
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square, London E14 5GL

20th November 2013

Condensed Consolidated Income Statement

for the six months ended 30th September 2013

	Notes	Six months ended 30.9.13 £ million	Six months ended 30.9.12 restated £ million	Year ended 31.3.13 restated £ million
Revenue	2	**6,410.5**	4,892.2	10,728.8
Cost of sales		**(6,013.0)**	(4,553.8)	(10,024.5)
Gross profit		**397.5**	338.4	704.3
Operating expenses		**(163.3)**	(135.2)	(288.2)
Major impairment and restructuring charges		-	-	(17.4)
Amortisation of acquired intangibles	4	**(10.8)**	(7.8)	(16.9)
Operating profit	2	**223.4**	195.4	381.8
Finance costs		**(25.7)**	(19.5)	(41.4)
Finance income		**4.0**	4.2	8.2
Share of profit of joint venture		**0.4**	-	-
Profit before tax		**202.1**	180.1	348.6
Income tax expense		**(28.5)**	(36.8)	(77.5)
Profit for the period		**173.6**	143.3	271.1
Attributable to:				
Owners of the parent company		**174.3**	143.9	271.8
Non-controlling interests		**(0.7)**	(0.6)	(0.7)
		173.6	143.3	271.1
		pence	pence	pence
Earnings per ordinary share attributable to the equity holders of the parent company				
Basic	6	**86.0**	69.2	132.3
Diluted	6	**85.5**	68.7	131.2

Condensed Consolidated Statement of Total Comprehensive Income

for the six months ended 30th September 2013

	Notes	Six months ended 30.9.13 £ million	Six months ended 30.9.12 restated £ million	Year ended 31.3.13 restated £ million
Profit for the period		**173.6**	143.3	271.1
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Actuarial gain / (loss) on post-employment benefits assets and liabilities	10	**18.1**	7.7	(91.9)
Tax on above items taken directly to or transferred from equity		**(17.3)**	(5.3)	20.9
		0.8	2.4	(71.0)
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences		**(60.7)**	(29.2)	22.0
Cash flow hedges		**8.9**	0.6	(15.6)
Fair value gains on net investment hedges		**5.8**	13.0	(4.3)
Fair value loss on available-for-sale investments		**(2.0)**	-	(0.3)
Tax on above items taken directly to or transferred from equity		**(2.1)**	(0.1)	3.4
		(50.1)	(15.7)	5.2
Other comprehensive expense for the period		**(49.3)**	(13.3)	(65.8)
Total comprehensive income for the period		**124.3**	130.0	205.3
Attributable to:				
Owners of the parent company		**125.3**	130.7	206.0
Non-controlling interests		**(1.0)**	(0.7)	(0.7)
		124.3	130.0	205.3

Condensed Consolidated Balance Sheet

as at 30th September 2013

	Notes	30.9.13 £ million	30.9.12 restated £ million	31.3.13 restated £ million
Assets				
Non-current assets				
Property, plant and equipment		**987.0**	896.4	992.5
Goodwill		**574.1**	513.5	585.1
Other intangible assets		**193.2**	114.5	212.8
Deferred income tax assets		**39.0**	16.9	20.3
Investments and other receivables		**70.5**	14.5	65.3
Interest rate swaps	7	**20.1**	28.0	27.1
Post-employment benefits net assets	10	**2.1**	2.0	1.9
Total non-current assets		**1,886.0**	1,585.8	1,905.0
Current assets				
Inventories		**674.8**	713.9	663.8
Current income tax assets		**23.9**	16.8	15.1
Trade and other receivables		**874.8**	771.1	870.2
Cash and cash equivalents - cash and deposits	7	**261.3**	82.1	69.6
Other financial assets		**11.0**	12.4	5.7
Total current assets		**1,845.8**	1,596.3	1,624.4
Total assets		**3,731.8**	3,182.1	3,529.4
Liabilities				
Current liabilities				
Trade and other payables		**(759.3)**	(663.9)	(732.5)
Current income tax liabilities		**(117.0)**	(100.5)	(106.7)
Cash and cash equivalents - bank overdrafts	7	**(53.5)**	(48.8)	(48.2)
Other borrowings and finance leases	7	**(121.3)**	(182.1)	(273.8)
Other financial liabilities		**(7.2)**	(4.5)	(11.3)
Provisions		**(16.9)**	(23.9)	(19.8)
Total current liabilities		**(1,075.2)**	(1,023.7)	(1,192.3)
Non-current liabilities				
Borrowings, finance leases and related swaps	7	**(899.2)**	(575.3)	(610.3)
Deferred income tax liabilities		**(92.7)**	(51.4)	(57.3)
Employee benefits obligations	10	**(209.8)**	(154.6)	(245.8)
Provisions		**(30.0)**	(29.0)	(29.2)
Other payables		**(3.5)**	(4.3)	(3.6)
Total non-current liabilities		**(1,235.2)**	(814.6)	(946.2)
Total liabilities		**(2,310.4)**	(1,838.3)	(2,138.5)
Net assets		**1,421.4**	1,343.8	1,390.9
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)		**(52.5)**	(52.3)	(51.7)
Other reserves		**(1.7)**	27.4	48.2
Retained earnings		**1,112.0**	1,002.7	1,029.7
Total equity attributable to owners of the parent company		**1,426.8**	1,346.8	1,395.2
Non-controlling interests		**(5.4)**	(3.0)	(4.3)
Total equity		**1,421.4**	1,343.8	1,390.9

Condensed Consolidated Cash Flow Statement

for the six months ended 30th September 2013

	Notes	Six months ended 30.9.13 £ million	30.9.12 restated £ million	Year ended 31.3.13 restated £ million
Cash flows from operating activities				
Profit before tax		**202.1**	180.1	348.6
Adjustments for:				
Share of profit of joint venture		**(0.4)**	-	-
Depreciation, amortisation, impairment losses and profit on sale of non-current assets and investments		**74.5**	69.8	149.6
Share-based payments		**6.8**	4.2	7.9
Changes in working capital and provisions		**(38.5)**	(84.4)	(79.1)
Changes in fair value of financial instruments		**(0.6)**	(0.3)	(3.0)
Net finance costs		**21.7**	15.3	33.2
Income tax paid		**(19.0)**	(41.4)	(60.6)
Net cash inflow from operating activities		**246.6**	143.3	396.6
Cash flows from investing activities				
Purchases of non-current assets and investments		**(101.4)**	(60.0)	(233.4)
Proceeds from sale of non-current assets and investments		**0.2**	0.7	1.0
Purchases of businesses		**(1.4)**	(2.3)	(149.6)
Net cash outflow from investing activities		**(102.6)**	(61.6)	(382.0)
Cash flows from financing activities				
Net cost of ESOT transactions in own shares		**(19.1)**	(23.6)	(23.9)
Proceeds from borrowings and finance leases		**164.5**	182.0	280.2
Dividends paid to owners of the parent company	5	**(84.1)**	(297.0)	(328.4)
Settlement of currency swaps for net investment hedging		**(0.1)**	3.5	2.7
Interest paid		**(20.7)**	(17.6)	(35.2)
Interest received		**2.6**	4.2	7.5
Net cash inflow / (outflow) from financing activities		**43.1**	(148.5)	(97.1)
Increase / (decrease) in cash and cash equivalents in period		**187.1**	(66.8)	(82.5)
Exchange differences on cash and cash equivalents		**(0.7)**	(2.0)	1.8
Cash and cash equivalents at beginning of period		**21.4**	102.1	102.1
Cash and cash equivalents at end of period	7	**207.8**	33.3	21.4

	Notes	30.9.13 £ million	30.9.12 restated £ million	31.3.13 restated £ million
Reconciliation to net debt				
Increase / (decrease) in cash and cash equivalents in period		**187.1**	(66.8)	(82.5)
Proceeds from borrowings and finance leases		**(164.5)**	(182.0)	(280.2)
Change in net debt resulting from cash flows		**22.6**	(248.8)	(362.7)
Borrowings acquired with subsidiaries		**-**	(0.5)	(0.5)
Exchange differences on net debt		**20.4**	8.6	(17.0)
Movement in net debt in period		**43.0**	(240.7)	(380.2)
Net debt at beginning of period		**(835.6)**	(455.4)	(455.4)
Net debt at end of period	7	**(792.6)**	(696.1)	(835.6)

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30th September 2013

	Share capital £ million	Share premium account £ million	Shares held in ESOT £ million	Other reserves restated £ million	Retained earnings restated £ million	Non-controlling interests restated £ million	Total equity restated £ million
At 1st April 2012 (restated)	220.7	148.3	(50.2)	43.0	1,171.0	(2.2)	1,530.6
Total comprehensive income for the period	-	-	-	(15.6)	146.3	(0.7)	130.0
Dividends paid (note 5)	-	-	-	-	(297.0)	(0.1)	(297.1)
Purchase of shares by ESOT	-	-	(28.6)	-	-	-	(28.6)
Share-based payments	-	-	-	-	7.2	-	7.2
Cost of shares transferred to employees	-	-	26.5	-	(24.5)	-	2.0
Tax on share-based payments	-	-	-	-	(0.3)	-	(0.3)
At 30th September 2012 (restated)	220.7	148.3	(52.3)	27.4	1,002.7	(3.0)	1,343.8
Total comprehensive income for the period	-	-	-	20.8	54.5	-	75.3
Dividends paid (note 5)	-	-	-	-	(31.4)	(0.1)	(31.5)
Purchase of non-controlling interest	-	-	-	-	-	(1.2)	(1.2)
Share-based payments	-	-	-	-	7.1	-	7.1
Cost of shares transferred to employees	-	-	0.6	-	(3.6)	-	(3.0)
Tax on share-based payments	-	-	-	-	0.4	-	0.4
At 31st March 2013 (restated)	220.7	148.3	(51.7)	48.2	1,029.7	(4.3)	1,390.9
Total comprehensive income for the period	-	-	-	(49.9)	175.2	(1.0)	124.3
Dividends paid (note 5)	-	-	-	-	(84.1)	(0.1)	(84.2)
Purchase of shares by ESOT	-	-	(21.8)	-	-	-	(21.8)
Share-based payments	-	-	-	-	10.1	-	10.1
Cost of shares transferred to employees	-	-	21.0	-	(21.6)	-	(0.6)
Tax on share-based payments	-	-	-	-	2.7	-	2.7
At 30th September 2013	**220.7**	**148.3**	**(52.5)**	**(1.7)**	**1,112.0**	**(5.4)**	**1,421.4**

Notes on the Accounts
for the six months ended 30th September 2013

1 Basis of preparation

The half-yearly accounts were approved by the Board of Directors on 20th November 2013, 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 Conduct Authority. The accounting policies applied are set out in the Annual Report and Accounts for the year ended 31st March 2013, except as detailed below. Information in respect of the year ended 31st March 2013 is derived from the company’s statutory accounts for that year which have been delivered to the Registrar of Companies. The auditor's report on those statutory accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report and did not contain any statement under sections 498(2) or 498(3) of the Companies Act 2006.

As described in the Annual Report and Accounts for the year ended 31st March 2013, the group reorganised its divisional structure on 1st April 2013 to reflect its new management structure and internal reporting. The segmental information in note 2 reflects the new divisional structure.

From 1st April 2013 the group has adopted IFRS 10 – 'Consolidated Financial Statements', IFRS 11 – 'Joint Arrangements', IFRS 12 – 'Disclosure of Interests in Other Entities', the revised IAS 27 – 'Separate Financial Statements', the revised IAS 28 – 'Investments in Associates and Joint Ventures' and the revised IAS 19 – ‘Employee Benefits’ and has restated prior periods. The effect of the restatements is explained in note 12.

None of the other new standards or 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 and so no other restatements have been made.

2 Segmental information by business segment

	Emission Control Technologies £ million	Process Technologies £ million	Precious Metal Products £ million	Fine Chemicals £ million	New Businesses £ million	Eliminations £ million	Total £ million
Six months ended 30th September 2013							
Revenue from external customers	**1,414.9**	**288.5**	**4,489.2**	**182.1**	**35.8**	**-**	**6,410.5**
Inter-segment revenue	**33.0**	**2.6**	**581.2**	**2.6**	**1.2**	**(620.6)**	**-**
Total revenue	**1,447.9**	**291.1**	**5,070.4**	**184.7**	**37.0**	**(620.6)**	**6,410.5**
External sales excluding precious metals	**814.4**	**285.3**	**193.4**	**159.5**	**33.7**	**-**	**1,486.3**
Inter-segment sales	**0.1**	**2.5**	**20.8**	**1.9**	**1.0**	**(26.3)**	**-**
Sales excluding precious metals	**814.5**	**287.8**	**214.2**	**161.4**	**34.7**	**(26.3)**	**1,486.3**
Segmental underlying operating profit / (loss)	**94.2**	**48.9**	**74.3**	**40.7**	**(9.2)**	**-**	**248.9**
Unallocated corporate expenses							**(14.7)**
Underlying operating profit							**234.2**
Amortisation of acquired intangibles (note 4)							**(10.8)**
Operating profit							**223.4**
Net finance costs							**(21.7)**
Share of profit of joint venture							**0.4**
Profit before taxation							**202.1**
Segmental net assets	**951.6**	**652.9**	**336.4**	**453.2**	**78.1**	**-**	**2,472.2**

2 Segmental information by business segment (continued)

	Emission Control Technologies £ million	Process Technologies £ million	Precious Metal Products £ million	Fine Chemicals £ million	New Businesses £ million	Eliminations £ million	Total £ million
Six months ended 30th September 2012 (restated)							
Revenue from external customers	1,217.5	248.6	3,259.3	165.1	1.7	-	4,892.2
Inter-segment revenue	0.2	6.9	474.3	5.4	0.6	(487.4)	-
Total revenue	1,217.7	255.5	3,733.6	170.5	2.3	(487.4)	4,892.2
External sales excluding precious metals	720.2	244.5	193.7	150.1	1.2	-	1,309.7
Inter-segment sales	0.1	6.8	23.6	3.5	0.6	(34.6)	-
Sales excluding precious metals	720.3	251.3	217.3	153.6	1.8	(34.6)	1,309.7
Segmental underlying operating profit / (loss)	81.4	41.7	59.7	40.4	(8.7)	-	214.5
Unallocated corporate expenses							(11.3)
Underlying operating profit							203.2
Amortisation of acquired intangibles (note 4)							(7.8)
Operating profit							195.4
Net finance costs							(15.3)
Profit before taxation							180.1
Segmental net assets	930.0	505.4	348.1	452.2	29.9	-	2,265.6
Year ended 31st March 2013 (restated)							
Revenue from external customers	2,488.0	503.7	7,368.0	332.1	37.0	-	10,728.8
Inter-segment revenue	69.1	11.5	1,005.0	13.0	1.5	(1,100.1)	-
Total revenue	2,557.1	515.2	8,373.0	345.1	38.5	(1,100.1)	10,728.8
External sales excluding precious metals	1,460.5	497.2	381.9	300.4	35.7	-	2,675.7
Inter-segment sales	0.8	11.4	41.9	7.8	1.3	(63.2)	-
Sales excluding precious metals	1,461.3	508.6	423.8	308.2	37.0	(63.2)	2,675.7
Segmental underlying operating profit / (loss)	163.5	92.4	124.4	76.6	(16.0)	-	440.9
Unallocated corporate expenses							(24.8)
Underlying operating profit							416.1
Major impairment and restructuring charges							(17.4)
Amortisation of acquired intangibles (note 4)							(16.9)
Operating profit							381.8
Net finance costs							(33.2)
Profit before taxation							348.6
Segmental net assets	1,010.3	657.0	330.7	440.7	78.2	-	2,516.9

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

Average exchange rates used for translation of results of foreign operations	Six months ended 30.9.13	Six months ended 30.9.12	Year ended 31.3.13
US dollar / £	**1.544**	1.581	1.580
Euro / £	**1.173**	1.249	1.228
Chinese renminbi / £	**9.48**	10.03	9.93
South African rand / £	**15.03**	12.97	13.45

The main impact of exchange rate movements on the group's sales and operating profit comes from the translation of foreign subsidiaries' results 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 30.9.13	Six months ended 30.9.12		Change at this year's rates
		At last year's rates restated	At this year's rates restated	
	£ million	£ million	£ million	%
Sales excluding precious metals				
Emission Control Technologies	**814.5**	720.3	726.4	+12
Process Technologies	**287.8**	251.3	254.4	+13
Precious Metal Products	**214.2**	217.3	219.5	-2
Fine Chemicals	**161.4**	153.6	156.3	+3
New Businesses	**34.7**	1.8	1.8	
Elimination of inter-segment sales	**(26.3)**	(34.6)	(34.8)	
Sales excluding precious metals	**1,486.3**	1,309.7	1,323.6	+12
Underlying operating profit				
Emission Control Technologies	**94.2**	81.4	82.9	+14
Process Technologies	**48.9**	41.7	42.1	+16
Precious Metal Products	**74.3**	59.7	60.2	+23
Fine Chemicals	**40.7**	40.4	41.1	-1
New Businesses	**(9.2)**	(8.7)	(8.7)	+6
Unallocated corporate expenses	**(14.7)**	(11.3)	(12.1)	
Underlying operating profit	**234.2**	203.2	205.5	+14

4 Amortisation of acquired intangibles

The amortisation of 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 Dividends

An interim dividend of 17.0 pence per ordinary share has been proposed by the board which will be paid on 4th February 2014 to shareholders on the register at the close of business on 29th November 2013. The estimated amount to be paid is £34.5 million and has not been recognised in these accounts.

	Six months ended		Year ended
	30.9.13	30.9.12	31.3.13
	£ million	£ million	£ million
2011/12 final ordinary dividend paid - 40.0 pence per share	**-**	84.9	84.9
Special dividend paid - 100.0 pence per share	**-**	212.1	212.1
2012/13 interim ordinary dividend paid - 15.5 pence per share	**-**	-	31.4
2012/13 final ordinary dividend paid - 41.5 pence per share	**84.1**	-	-
Total dividends	**84.1**	297.0	328.4

6 Earnings per ordinary share

The calculation of earnings per ordinary share is based on a weighted average of 202,753,012 shares in issue (six months ended 30th September 2012 207,978,737 shares, year ended 31st March 2013 205,507,239 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 1,222,019 shares (six months ended 30th September 2012 1,540,303 shares, year ended 31st March 2013 1,683,218 shares).

Underlying earnings per ordinary share are calculated as follows:

	Six months ended		Year ended
	30.9.13	30.9.12	31.3.13
		restated	restated
	£ million	£ million	£ million
Profit for the year attributable to equity holders of the parent company	**174.3**	143.9	271.8
Major impairment and restructuring charges	**-**	-	17.4
Amortisation of acquired intangibles (note 4)	**10.8**	7.8	16.9
Tax thereon	**(2.9)**	(2.5)	(2.6)
Tax effect of UK corporation tax rate change	**(10.0)**	-	-
Underlying profit for the year	**172.2**	149.2	303.5
	pence	pence	pence
Basic underlying earnings per share	**84.9**	71.7	147.7

7 Net debt

	30.9.13	30.9.12	31.3.13
		restated	restated
	£ million	£ million	£ million
Cash and deposits	**261.3**	82.1	69.6
Bank overdrafts	**(53.5)**	(48.8)	(48.2)
Cash and cash equivalents	**207.8**	33.3	21.4
Other current borrowings and finance leases	**(121.3)**	(182.1)	(273.8)
Non-current interest rate swaps	**20.1**	28.0	27.1
Non-current borrowings, finance leases and related swaps	**(899.2)**	(575.3)	(610.3)
Net debt	**(792.6)**	(696.1)	(835.6)

Offset arrangements across group businesses have been applied to arrive at the cash and deposits and bank overdrafts figures. At 30th September 2013 the offsets were £97.0 million (30th September 2012 £114.1 million, 31st March 2013 £109.8 million).

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 2013 precious metal leases were £39.6 million (30th September 2012 £72.4 million, 31st March 2013 £96.8 million).

9 Transactions with related parties

There have been no material changes in related party relationships in the six months ended 30th September 2013 and no other related party transactions have taken place which have materially affected the financial position or performance of the group during that period.

10 Post-employment benefits

The group has updated the valuation of its main post-employment benefit plans, which are its UK and US pension plans and US post-retirement medical benefits plan, at 30th September 2013.

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

	UK pension £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2013 (restated)	(115.6)	(10.1)	(55.4)	(37.5)	(23.2)	(241.8)
Current service cost	(14.1)	-	(5.7)	(0.6)	(1.1)	(21.5)
Net interest on net liabilities	(2.7)	(0.2)	(1.0)	(0.8)	(0.4)	(5.1)
Curtailment gain	1.3	-	-	-	-	1.3
Settlement gain	-	-	2.5	-	-	2.5
Actuarial (loss) / gain	(9.5)	-	25.7	1.9	-	18.1
Company contributions	24.2	-	10.4	0.2	1.8	36.6
Exchange adjustments	-	-	2.0	2.3	0.2	4.5
At 30th September 2013	**(116.4)**	**(10.3)**	**(21.5)**	**(34.5)**	**(22.7)**	**(205.4)**

These are included in the balance sheet as:

	30.9.13 Post-employment benefits net assets £ million	**30.9.13 Employee benefits obligations £ million**	30.9.12 Post-employment benefits net assets £ million	30.9.12 Employee benefits obligations restated £ million	31.3.13 Post-employment benefits net assets £ million	31.3.13 Employee benefits obligations restated £ million
UK pension plan	**-**	**(116.4)**	-	(47.4)	-	(115.6)
UK post-retirement medical benefits plan	**-**	**(10.3)**	-	(12.0)	-	(10.1)
US pension plans	**-**	**(21.5)**	-	(48.6)	-	(55.4)
US post-retirement medical benefits plan	**-**	**(34.5)**	-	(24.7)	-	(37.5)
Other plans	**2.1**	**(24.8)**	2.0	(19.7)	1.9	(25.1)
Total post-employment plans	**2.1**	**(207.5)**	2.0	(152.4)	1.9	(243.7)
Other long term employee benefits		**(2.3)**		(2.2)		(2.1)
Total long term employee benefits obligations		**(209.8)**		(154.6)		(245.8)

11 Financial Instruments

Financial instruments measured at fair value at 30th September 2013 are:

	Fair values measured using:		
	Quoted prices in active markets (level 1) £ million	Significant other observable inputs (level 2) £ million	Significant unobservable inputs (level 3) £ million
Non-current available-for-sale investments:			
Quoted bonds purchased to fund pension deficit	**49.3**	**-**	**-**
Non-current assets: interest rate swaps	**-**	**20.1**	**-**
Non-current borrowings, finance leases and related swaps:			
Interest rate swaps	**-**	**(5.5)**	**-**
Current other financial assets:			
Forward foreign exchange contracts designated as cash flow hedges	**-**	**7.5**	**-**
Forward foreign exchange contracts and currency swaps held for trading	**-**	**1.3**	**-**
Embedded derivatives	**-**	**-**	**2.2**
	-	**8.8**	**2.2**
Current other financial liabilities:			
Forward foreign exchange contracts designated as cash flow hedges	**-**	**(1.8)**	**-**
Forward foreign exchange contracts and currency swaps held for trading	**-**	**(5.4)**	**-**
	-	**(7.2)**	**-**

The reconciliation of other financial assets valued using level 3 inputs is:

	£ million
At 1st April 2013	0.8
Gains recognised in cost of sales	1.4
At 30th September 2013	**2.2**

The fair values of level 2 financial instruments are calculated by discounting expected future cash flows using prevailing interest rate curves and foreign exchange rates.

The fair value of financial instruments is approximately equal to book value except for:

	30.9.13 Carrying amount £ million	**30.9.13 Fair value £ million**	30.9.12 Carrying amount £ million	30.9.12 Fair value £ million	31.3.13 Carrying amount £ million	31.3.13 Fair value £ million
US Dollar Bonds 2013, 2015, 2016, 2022, 2023, 2025 and 2028	**(682.5)**	**(653.9)**	(396.7)	(396.4)	(419.4)	(419.0)
Euro Bonds 2021 and 2023	**(100.3)**	**(112.1)**	(79.6)	(91.5)	(84.5)	(100.5)
Euro EIB loans 2013 and 2019	**(103.6)**	**(102.5)**	(99.7)	(102.4)	(210.6)	(212.9)
Sterling Bonds 2013 and 2024	**(65.0)**	**(61.4)**	(105.0)	(104.3)	(65.0)	(65.9)

Unquoted investments included in non-current available-for-sale investments are held at cost at 30th September 2013 of £8.4 million (30th September 2012 £8.1 million, 31st March 2013 £8.2 million) as their fair value cannot be measured reliably. There is no active market for these investments since they are investments in a company that is in the start up phase and in an investment vehicle that invests in start up companies.

12 Effect of restatements

The adoption of IFRS 10 – 'Consolidated Financial Statements', IFRS 11 – 'Joint Arrangements', IFRS 12 – 'Disclosure of Interests in Other Entities' and the revised IAS 27 – 'Separate Financial Statements' and IAS 28 – 'Investments in Associates and Joint Ventures' changes the definition of when the group controls another entity and, as a result, from 1st April 2013 one entity is accounted for as a joint venture rather than a subsidiary. The effect of the restatement at 30th September 2012 is to decrease net assets and increase non-controlling interests by £2.7 million. The effect of the restatement at 31st March 2013 is to decrease net assets and increase non-controlling interests by £2.9 million. There is no restatement of either consolidated income statement.

The revision to IAS 19 – 'Employee Benefits', which the group has adopted from 1st April 2013, removes the 'corridor approach' for recognising actuarial gains and losses and eliminates options for presenting gains and losses, neither of which have any effect on the group. It also amends the disclosures and requires the replacement of the expected return on plan assets and interest cost on plan obligations with net interest on the net defined benefit liability based on the discount rate. In addition, past service costs are no longer spread over the vesting period but are immediately expensed. The group has decided that it will include net interest on the net defined benefit liabilities in finance costs. The effect of the restatement on the six months ended 30th September 2012 was to increase operating profit by £0.4 million, increase finance costs by £3.7 million, decrease income tax expense by £0.9 million, increase the actuarial gain by £3.1 million and increase the related tax charge by £0.8 million, decrease employee benefit obligations by £2.1 million and increase deferred tax liabilities by £0.8 million. This decreases basic and underlying earnings per share by 1.2 pence and diluted earnings per share by 1.1 pence. The effect of the restatement on the year ended 31st March 2013 was to increase operating profit by £1.3 million, increase finance costs by £7.6 million, decrease income tax expense by £1.6 million, decrease the actuarial loss by £6.0 million and decrease related tax credit by £1.5 million, decrease employee benefit obligations by £2.1 million and increase deferred tax liabilities by £0.8 million. This decreases basic, diluted and underlying earnings per share by 2.3 pence.

Financial Calendar

2013

27th November
Ex dividend date

29th November
Interim dividend record date

2014

4th February
Payment of interim dividend

5th June
Announcement of results for the year ending 31st March 2014

11th June
Ex dividend date

13th June
Final dividend record date

23rd July
123rd Annual General Meeting (AGM)

5th 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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