2014

Johnson Matthey

HALF-YEARLY REPORT

SUSTAINABLE TECHNOLOGIES

for today and for the future

Contents

SUSTAINABLE TECHNOLOGIES
for today and for the future

JOHNSON MATTHEY IS A LEADING SPECIALITY CHEMICALS COMPANY.

As a business, we always aim to deliver what we promise. We work together, applying our expertise in advanced materials and technology to innovate and improve solutions that:

- are valued by our customers;
- optimise the use of natural resources; and
- enhance the quality of life for the people of the world, both today and for the future.

To us, good performance is not just about profit. It's about running our business in the most sustainable way and we have five elements of sustainability which have a material impact on our business. In this report we will update you on our progress.

BUILDING A SUSTAINABLE BUSINESS

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.

Summary Results

	Half Year to 30th September 2014	2013	% change	% at constant rates[1]
Revenue	**£4,800m**	£6,411m	-25	-22
Sales excluding precious metals	**£1,514m**	£1,486m	+2	+8
Profit before tax	**£207.8m**	£202.1m	+3	+12
Earnings per share	**85.6p**	86.0p	–	
Underlying[2]:				
Profit before tax	**£216.4m**	£212.9m	+2	+10
Earnings per share	**88.7p**	84.9p	+4	
Dividend per share:	**18.5p**	17.0p	+9	

1 % change if 1H 2013/14 results are converted at average exchange rates for 1H 2014/15.

2 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.

Johnson Matthey continues to make good progress:

- Sales excluding precious metals (sales) increased by 2% to £1.5 billion; at constant exchange rates and adjusting for loss of commission income from Anglo American Platinum Limited (Anglo Platinum) the group's sales grew by 10%
- Profit before tax increased by 3%; underlying profit before tax increased by 2%, and 10% at constant rates
- Earnings per share (EPS) flat; underlying EPS increased by 4%
- Investment in R&D of £80 million, up 10%
- Cash flow conversion of 50% (1H 2013/14 68%)
- Strong balance sheet; net debt (including post tax pension deficits) / EBITDA of 1.4 times
- Return on invested capital (ROIC) 20.3%
- Interim dividend up 9% to 18.5 pence
- Performance for the full year expected to be slightly ahead of 2013/14

Divisional Overview

- Emission Control Technologies performed strongly with sales up 7% and underlying operating profit 25% higher, benefiting from:
  - Tighter legislation in Europe and Asia
  - Increased demand for heavy duty diesel trucks in the US
  - Process efficiency improvements and higher plant utilisation
- Process Technologies' sales were 2% down but underlying operating profit was 2% ahead due to:
  - A good performance in its Oil and Gas businesses
  - A weaker first half in its Chemicals businesses as a result of the timing of catalyst orders and slower licensing activity
- Precious Metal Products' sales and underlying operating profit were down 10% and 30% respectively, impacted, as expected, by the loss of commission revenue from Anglo Platinum
- Fine Chemicals' sales reduced by 4% but underlying operating profit was 3% ahead mainly as a result of a positive product mix in its API Manufacturing business
- New Businesses made further progress with sales up 5% supported by growth in Battery Technologies. Continued investment led to a modest increase in the underlying operating loss

Review of Results

Summary

Johnson Matthey made good progress in the first half of 2014/15 notwithstanding the effect of foreign currency translation and the loss of commission revenue from Anglo American Platinum Limited (Anglo Platinum). Emission Control Technologies (ECT) continued to perform strongly with growth across all regions, partly as a result of tightening legislation in Europe and Asia and good demand for heavy duty diesel (HDD) trucks in the US. As expected, Process Technologies' results were broadly in line with those for the first half of last year as lower sales to the chemicals markets were offset by good demand from customers in the oil and gas sector. Whilst Precious Metal Products continued to feel the impact of the change to our contracts with Anglo Platinum, demand in many of its markets remained steady. Operating profit in Fine Chemicals was slightly ahead and New Businesses made further progress, particularly in its Battery Technologies business.

Overall, sales were up by 2% to £1.5 billion and underlying operating profit was flat at £234.1 million. The group's sales grew by 10% if the impact of foreign exchange movements (approximately £90 million) and the loss of commission income from Anglo Platinum (around £20 million) are both excluded. The effect of foreign exchange reduced underlying operating profit in the period by £16 million; at constant exchange rates, underlying operating profit grew by 7%.

Underlying earnings per share increased by 4% to 88.7 pence and basic earnings per share were flat at 85.6 pence.

The Board of Directors has increased the interim dividend by 9% to 18.5 pence and this will be paid on 3rd February 2015 to ordinary shareholders on the register as at 28th November 2014, with an ex-dividend date of 27th November 2014.

Commenting on the results, Robert MacLeod, Chief Executive of Johnson Matthey said:

"I am pleased to report that Johnson Matthey continued to make good progress in the first half of 2014/15, particularly in Emission Control Technologies. The group's sales were up by 2% and were 10% ahead if the impact of the change in our contracts with Anglo Platinum and foreign currency translation are excluded. Underlying earnings per share grew by 4% and the interim dividend of 18.5 pence is 9% ahead of last year. We have also taken further steps in our strategy to establish new businesses in areas that align with our technology competences.

The group's results in the first half of 2014/15 were in line with our expectations. In the second half we expect good underlying growth compared to the same period last year. However, this will be partly offset by the impact of the loss of commission income from Anglo Platinum in the third quarter. If current exchange rates prevail, foreign currency translation will not materially impact results in the second half. The group's performance in 2014/15 is expected to be slightly ahead of 2013/14."

Financial Review

Corporate Costs

Corporate costs for the first half of 2014/15 increased 5% from £14.7 million to £15.5 million, which continued to represent around 1% of sales.

Research and Development

Operating profit includes gross expenditure on R&D of £80 million, an increase of 10% compared with the first half of 2013/14. In line with previous years, this represented just over 5% of group sales.

Exchange Rates

The group's results for the first six months of the year were impacted by the strengthening of sterling against most currencies. The average exchange rates during the first half of 2014/15 compared to the same period last year were:

	Average exchange rate 1H 2014/15	1H 2013/14	% change
US dollar	1.676	1.544	+9
Euro	1.244	1.173	+6
Chinese renminbi	10.39	9.48	+10

The effect of exchange rates on the translation of profits of the group's overseas subsidiaries reduced reported group underlying operating profit for the first half by about £16 million. Towards the end of the period sterling weakened against a number of currencies, including the US dollar, and if current exchange rates prevail, foreign currency translation will not materially impact underlying operating profit in the second half.

Pensions

The group's total pension charge for the period to 30th September 2014 was £21.8 million, down from £22.8 million last year, due to the effect of higher 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 2014 is estimated at £50.1 million (30th September 2013 £87.7 million, 31st March 2014 £54.0 million).

Interest

The group's net finance costs were £17.9 million, down £3.8 million from the first half of last year. This decrease was primarily due to lower average interest rates and gross debt levels as in June 2013 we took advantage of the low interest rate environment to refinance some of our long term debt facilities ahead of their expiry later on in that year.

Taxation

On underlying profit before tax of £216.4 million, the tax charge was £37.2 million, which represents an effective tax rate of 17.2%, down from 19.4% last year. This decrease was primarily due to the reduction in the headline rate of corporation tax in the UK from 23% to 21% with effect from 1st April 2014.

Cash Flow

During the six months ended 30th September 2014 the group generated a net cash inflow from operating activities of £163 million (six months to 30th September 2013 £247 million). The group's total working capital has increased by £95 million since the year end. Excluding the element that relates to precious metals, working capital increased by £119 million, from 45 days at 31st March 2014 to 59 days. This is partly due to higher levels of receivables in Process Technologies as a result of increased sales of catalysts towards the end of the period and higher inventory levels ahead of expected demand in the second half. In addition, ECT's payables decreased following the completion of some capital and inventory building projects during the first half.

However, working capital in respect of precious metals fell by £24 million as a result of the high levels of metal inventories held at the year end due to the South African supply disruption which have reduced as the situation improved.

The group's free cash flow was £67.9 million (six months to 30th September 2013 £127.3 million). The group's free cash flow excluding the effect of movements in precious metal working capital balances was £43.5 million compared with £111.2 million last year.

The group's cash flow conversion (adjusting for the effect of movements in precious metal working capital) was 50% compared with 68%, reflecting the increase in working capital.

Capital Expenditure

Capital expenditure was £71.3 million which equated to 1.1 times depreciation. The principal investments were projects to:

- add further autocatalyst manufacturing capacity in Europe to meet demand from the new light duty and heavy duty legislation; and
- expand chemical catalyst manufacturing capacity in China and Europe to meet future demand.

We currently expect capital expenditure for the full year to be around £200 million.

Capital Structure

Net debt at 30th September 2014 was £802.0 million, up £72.8 million since the year end. When the post tax pension deficits and bonds purchased to fund pensions of £50.1 million are included, net debt rises to £852.1 million.

The group's net debt (including post tax pension deficits) to EBITDA for the 12 months to 30th September 2014 increased to 1.4 times from 1.3 times at 31st March 2014.

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.

Operations: EMISSION CONTROL TECHNOLOGIES

	Half Year to 30th September 2014 £ million	2013 £ million	% change	% at constant rates
Revenue	**1,750**	1,448	+21	+31
Sales (excluding precious metals)				
LDV Europe	**305**	287	+6	+13
LDV Asia	**123**	120	+2	+12
LDV North America	**89**	96	-7	+1
Total Light Duty Vehicles (LDV)	**517**	503	+3	+10
HDD North America	**206**	187	+10	+20
HDD Europe	**116**	103	+13	+21
HDD Asia	**30**	22	+42	+59
Total Heavy Duty Diesel	**352**	312	+13	+23
Total sales	**869**	815	+7	+15
Underlying operating profit	**118.1**	94.2	+25	+37
Return on sales	**13.6%**	11.6%		
Return on invested capital (ROIC)	**23.4%**	18.7%		

Estimated LDV Sales and Production*

		Half Year to 30th September 2014 millions	2013 millions	% change
North America	Sales	**10.2**	9.6	+6
	Production	**8.4**	8.1	+3
Total Europe	Sales	**9.0**	9.1	-1
	Production	**9.7**	9.8	–
Asia	Sales	**18.4**	17.4	+6
	Production	**21.8**	20.6	+6
Global	Sales	**43.2**	41.9	+3
	Production	**42.6**	41.6	+3

Estimated HDD Truck Sales and Production*

		Half Year to 30th September 2014 thousands	2013 thousands	% change
North America	Sales	**255.2**	225.1	+13
	Production	**260.1**	236.3	+10
EU	Sales	**128.9**	134.6	-4
	Production	**186.9**	207.2	-10

* Source: LMC Automotive

ECT continued its strong performance, benefiting from tighter legislation in Europe and Asia and increased demand for HDD trucks in the US. Sales increased by 7% to £869 million (15% ahead at constant rates) and underlying operating profit was up 25% at £118.1 million (up 37% at constant rates).

ECT's return on sales for the first half increased to 13.6% (1H 2013/14 11.6%, FY 2013/14 12.4%). This was due to further process efficiency improvements and higher plant utilisation as production in the UK and Macedonia ramped up to meet European legislation for both cars and trucks. ROIC improved significantly, from 18.7% to 23.4%, driven by the increase in underlying operating profit. During the period we completed the expansion of our facility in Macedonia and continued work to extend capacity in the UK for products to meet demand from the new European legislation being introduced over the next few years.

Light Duty Vehicle Catalysts

Sales in our LDV catalyst business increased by 3% to £517 million (10% up at constant rates) and underlying operating profit was well ahead. Global car sales grew by 3% to 43.2 million vehicles and global production also increased by 3% compared to the same period last year. Car production in North America and Asia both increased whilst in Europe, production was broadly flat. Within Asia, vehicle production in China continued to grow and was up 10%.

In Europe, our LDV catalyst sales were up 6% to £305 million and 13% ahead at constant rates, despite a flat market. The business benefited from our strong position, especially in diesel technology, with some of the more successful car companies in the region; the proportion of diesel vehicles produced in Western Europe in our first half remained relatively steady at 53%.

Operations: EMISSION CONTROL TECHNOLOGIES continued

Sales were also supported by growing demand for Euro 6b catalyst products as our customers built inventory ahead of the introduction of this new legislation for new models on 1st September 2014. Euro 6b, which imposes tighter NOx emission standards on light duty diesel vehicles, requires additional catalyst technology and we estimate this will increase the catalyst value per vehicle by around 20%. We expect Euro 6b catalyst sales to ramp up as products are fitted to new models in the first full year of the legislation and to continue as the legislation comes into force for all light duty diesel vehicle production from 1st September 2015.

In Asia, LDV catalyst sales increased 2% to £123 million. At constant rates sales were 12% higher, well ahead of the 6% growth in car production in the region. Our business in China continued to benefit from the buoyant car market and a good performance at our customers. Catalyst sales in South East Asia grew strongly supported by some new business wins, despite a weaker market in the region. We also increased our sales in India as vehicle production there showed signs of recovery whilst on the other hand, sales in Japan were slightly down as a result of the trend toward smaller engined vehicles.

Our business in North America continued its steady performance. Demand for our LDV catalysts grew broadly in line with the market although our sales were 7% down at £89 million due to the impact of foreign currency translation and a less favourable product mix.

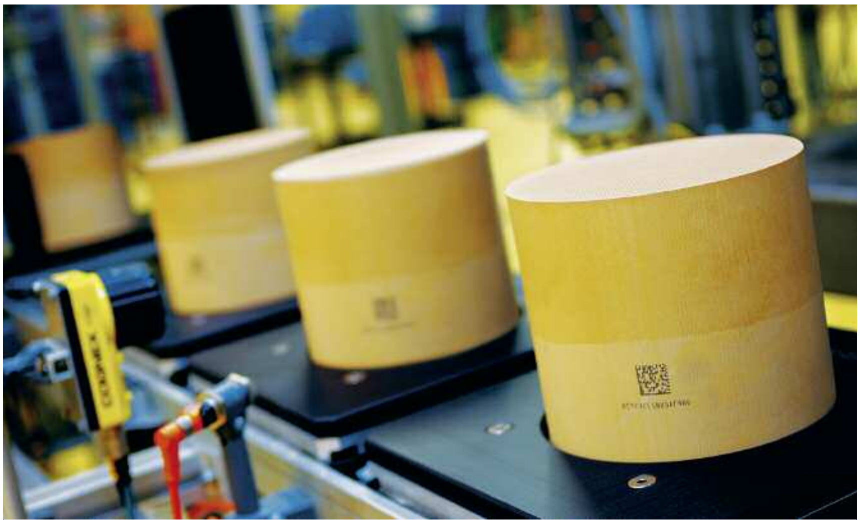
Heavy Duty Diesel Catalysts

Our HDD catalyst business performed very well with sales up 13% to £352 million (23% up at constant rates) and operating profit was higher. Sales of catalysts to non-road applications represented around £30 million.

Our North American HDD catalyst business had a strong first half, increasing its sales by 10% to £206 million. At constant rates, sales were up 20%, well ahead of the 10% growth in truck production which was supported by the continued recovery in the US economy and replacement of ageing fleets. Throughout the period demand was especially good for catalysts for larger 'Class 8' trucks and we also benefited from increased sales of catalysts for smaller models.

Growth in our European HDD business has continued in line with our expectations, supported by sales of higher value Euro VI catalyst systems now that the legislation is fully in place. Our sales were 13% ahead at £116 million and 21% ahead at constant rates. This was against a weak EU market where truck production was 10% down following strong demand last year due to pre-buying of trucks ahead of Euro VI. In addition, during the last six months the economic climate deteriorated in some parts of the region which also impacted truck demand. In the first half, sales of Euro VI catalysts represented around 60% of our European HDD catalyst business.

Our HDD catalyst business in Asia continued to develop, increasing its sales by 42% to £30 million mainly due to the continued roll out of Euro IV equivalent emissions standards for buses and trucks in China's major cities. Low sulphur diesel fuel will be available nationwide from 2015, and consequently, regulations are now also starting to be phased in outside of the major cities. Although the precise rate of uptake is uncertain we continue to believe that full fitment is unlikely to be achieved until well into the second half of the decade. To date, around 30% of vehicles have been fitted with catalysts.



- Since the 1970s emission control catalysts made by Johnson Matthey have prevented over half a billion tonnes of pollutants from reaching the atmosphere.

Operations: PROCESS TECHNOLOGIES

	Half Year to 30th September 2014 £ million	2013 £ million	% change	% at constant rates
Revenue	**286**	291	-2	+2
Sales (excluding precious metals)				
Syngas	**81**	85	-4	–
Oleo/biochemicals	**35**	36	-3	+1
Petrochemicals	**43**	55	-21	-19
Chemicals	**159**	176	-9	-6
Refineries	**66**	56	+17	+23
Gas Processing	**21**	23	-11	-10
Diagnostic Services	**37**	33	+13	+19
Oil and Gas	**124**	112	+10	+15
Total sales	**283**	288	-2	+2
Underlying operating profit	**49.7**	48.9	+2	+8
Return on sales	**17.6%**	17.0%		
Return on invested capital (ROIC)	**15.0%**	17.2%		

Process Technologies' sales were £283 million, down 2% but underlying operating profit grew by 2% to £49.7 million. A good performance in the Oil and Gas businesses was offset by weakness in the Chemicals businesses. Return on sales improved slightly to 17.6% but ROIC was lower at 15.0% as a result of increased capital investment to support the future growth of the division. We continued to invest in projects to expand our manufacturing capacity for chemical catalysts in Germany and China to meet future demand.

Chemicals

Sales in our Chemicals businesses were 9% lower at £159 million as a result of the timing of catalyst orders, especially in the first quarter, and slower licensing activity. Operating profit was broadly in line with the same period last year. Sales from licensing, engineering and related activities accounted for £40 million of Chemicals' sales (1H 2013/14 £44 million).

Sales of catalysts and licences in our Syngas business were 4% down at £81 million. Demand for methanol, ammonia and formaldehyde catalysts was lower as a result of the timing of customer orders which we expect to come through in the second half. Sales of catalysts and licences for the production of substitute natural gas (SNG) increased, albeit from a small base, and one new SNG licence was secured for a plant in India.

In our Oleo/biochemicals business, sales were 3% down at £35 million. Increased demand for nickel based catalysts used in the food and personal care industry was offset by lower licensing income. One new licence was secured in the period.

Sales in our Petrochemicals business fell by 21% to £43 million. Demand for catalysts was down, mainly due to the phasing of the catalyst refill cycle at some customers which benefited the business in the first half of last year. As expected, our licensing income was lower after several years of strong growth in China for higher value technologies such as oxo alcohols where capacity is now in line with current levels of demand. We are in discussions with customers regarding our recently introduced technologies for mono ethylene glycol and vinyl chloride monomer and we expect that we will begin to secure licences during 2015/16.

Oil and Gas

The Oil and Gas businesses had a good first half with increased demand across many of its markets. Sales of £124 million were up 10% and operating profit also grew.

Sales of catalysts and additives in our Refineries business grew by 17% to £66 million, mainly driven by demand for catalysts for hydrogen manufacture. Boosted by a number of new plant builds, our sales of hydrogen catalysts increased strongly. Demand for our speciality additives, which we manufacture in the US, was good. Sales were slightly ahead, held back by the effect of foreign currency translation.

Sales in our Gas Processing business were lower at £21 million as phasing of orders by some customers resulted in lower demand for our purification products which are used to remove harmful impurities such as sulphur and mercury from gas streams.

Our Diagnostic Services business (Tracerco) performed well, growing its sales by 13% to £37 million, supported by increasing demand from customers in North America for reservoir studies to optimise shale gas production processes.

Operations: PRECIOUS METAL PRODUCTS

	Half Year to 30th September 2014 £ million	2013 £ million	% change	% at constant rates
Revenue	3,432	5,070	-32	-31
Sales (excluding precious metals)				
Precious Metals Management	9	31	-73	-72
Refining	52	59	-9	-2
Services	61	90	-32	-28
Noble Metals	69	58	+17	+25
Advanced Glass Technologies	41	45	-7	-2
Chemical Products	22	21	+2	+8
Manufacturing	132	124	+6	+12
Total sales	193	214	-10	-5
Underlying operating profit	52.0	74.3	-30	-27
Return on sales	26.9%	34.7%		
Return on invested capital (ROIC)	32.9%	40.6%		

Sales in Precious Metal Products (PMP) were down 10% at £193 million and underlying operating profit was 30% lower at £52.0 million. The division's performance was adversely impacted by the change in our contracts with Anglo Platinum which reduced both sales and underlying operating profit by approximately £20 million. This also impacted return on sales, which decreased from 34.7% to 26.9%, and ROIC, which fell by 7.7% to 32.9%. Excluding this, sales were broadly in line although results across PMP's businesses were mixed, as detailed below.

Services

Sales in the division's Services businesses, which comprise its Precious Metals Management and Refining activities, fell by 32% to £61 million. Underlying operating profit was also lower.

As expected, sales in our Precious Metals Management business reduced sharply to £9 million and operating profit was also similarly down. Notwithstanding the change in the Anglo Platinum contracts, trading was steady throughout the period, supported by precious metal price volatility in the market. In our first half, platinum and palladium prices averaged $1,447/oz (down 1%) and $849/oz (up 18%) respectively.

Performance in our Refining businesses was mixed with sales down 9% at £52 million as a result of weakness in gold and silver refining. Underlying operating profit was also lower.

In Platinum Group Metal (Pgm) Refining and Recycling, sales at constant rates were ahead, benefiting from the higher average price for palladium. At reported rates both sales and underlying operating profit were broadly flat. Refining volumes were ahead of the same period last year and were steady throughout our first half. Intake mix and pricing were also stable, as was the general business environment in this sector.

In Gold and Silver Refining, market conditions continued to be challenging and sales in our business were 23% lower. Underlying operating profit was also down. Falling gold and silver prices (which were down 6% to $1,286/oz and 11% to $20/oz respectively) adversely affected secondary volumes whilst intakes of primary material, where we have long term contracts with well established mines, remained stable.

Manufacturing

Sales in our Manufacturing businesses were up 6% to £132 million. Operating profit was also slightly ahead.

Our Noble Metals business, which supplies high technology products to the industrial, automotive and medical device sectors, increased its sales by 17% to £69 million. Operating profit was ahead compared to the same period last year. Sales of industrial products increased to £47 million, up 28%, with growth in both the US and Europe.

Results include £10 million of sales from a small business which we transferred from ECT into Noble Metals in the second half of last year. After a slow year in 2013/14, demand for pgm alloy catalysts used in fertiliser manufacture improved. Sales of medical components were steady at £21 million.

Advanced Glass Technologies (formerly Colour Technologies) had a slower first half with sales down 7% to £41 million. Demand for products used in automotive glass applications declined as our customers were holding sufficient inventories to meet their end market needs. Following our decision last year to exit the decorative ceramics industry (which resulted in a charge to underlying operating profit of £8.2 million in the second half of 2013/14) we continued to make sales of colour products for this industry in our first half but have now completed the closure of this part of the business.

Chemical Products' sales were flat at £22 million supported by steady demand, particularly for pgm chemicals used in the automotive sector.

Operations: FINE CHEMICALS

	Half Year to 30th September 2014 £ million	2013 £ million	% change	% at constant rates
Revenue	**174**	185	-6	–
Sales (excluding precious metals)				
API Manufacturing	**100**	105	-5	–
Catalysis and Chiral Technologies	**18**	15	+14	+21
Research Chemicals	**37**	41	-8	-2
Total sales	**155**	161	-4	+1
Underlying operating profit	**41.8**	40.7	+3	+9
Return on sales	**26.9%**	25.2%		
Return on invested capital (ROIC)	**18.4%**	17.2%		

Sales in Fine Chemicals were 4% lower at £155 million but underlying operating profit was 3% ahead at £41.8 million. The division's return on sales improved by 1.7% to 26.9%, in line with the second half of 2013/14, as a result of a positive product mix in the Active Pharmaceutical Ingredient (API) Manufacturing business. ROIC also increased, up 1.2% to 18.4%.

API Manufacturing

Sales in our API Manufacturing business decreased by 5% to £100 million but underlying operating profit was ahead. Volumes increased for bulk opiates and demand for APIs for attention deficit hyperactivity disorder (ADHD) treatment was strong. The business continued to benefit from additional revenue following some supply shortages for one generic product that resulted in an increase in its prices although we expect these prices to fall back slightly in the second half. However, sales of speciality opiates were down, partly as a result of phasing of orders for an API used in a generic product for the treatment of drug addiction. We also saw increased competition from generic manufacturers for an API used in pain relief medication and this adversely impacted our sales.

Catalysis and Chiral Technologies (CCT)

CCT's sales grew strongly to £18 million and operating profit was also well ahead as the business saw good growth across its range, especially from sales of catalyst products in Europe and North America.

Research Chemicals

Sales in Research Chemicals, which operates globally under the Alfa Aesar brand name, were down 8% at £37 million and operating profit was also lower. Sales growth was held back primarily by adverse foreign currency translation effects and also due to increased competition in China. During the first half new warehouses in the US and Asia became operational and these should support future growth.

▪ Developing catalysts and chiral technologies for fine chemical and pharmaceutical applications.

Operations: NEW BUSINESSES

	Half Year to 30th September 2014 £ million	2013 £ million	% change	% at constant rates
Revenue	37	37	-1	+3
Sales (excluding precious metals)	37	35	+5	+9
Underlying operating profit / (loss)	(12.0)	(9.2)	-30	-29

New Businesses made further progress with sales up 5% to £37 million, supported by growth in its Battery Technologies business. We have continued to invest in R&D to support the development of this and other long term new business areas, including water purification, and the division's underlying operating loss was £12.0 million.

Battery Technologies

Our Battery Technologies business had a good first half with sales 10% ahead at £35 million as a result of growing demand for battery systems for high performance power tools and e-bikes. Sales of battery systems to customers in the automotive sector also made progress. We have continued to invest in R&D to support our battery technologies development and the business made a slight operating loss in the period.

Within Battery Technologies, our focus is on the development of battery materials for highly demanding applications such as for the automotive sector. In September 2014 we completed the purchase of a cathode material manufacturing facility in China from A123 Systems LLC, a leading lithium-ion (Li-ion) battery manufacturer, for US $26 million. The acquisition also includes a long term agreement where Johnson Matthey will supply all of A123's lithium iron phosphate (LFP) requirements.

As announced in October 2014, we have entered into an agreement to acquire the Energy Storage business of Clariant AG for US $75 million. The transaction, which is expected to be completed early in 2015, includes a world scale battery materials manufacturing facility in Canada, an R&D centre and pilot plant in Germany together with the customer order book and a substantial IP portfolio. The business is a leading supplier of LFP cathode material to the Li-ion battery sector for both automotive and non-automotive applications.

These two complementary transactions strengthen Johnson Matthey's position in the battery materials sector and provide us with a strong platform from which to develop a broad portfolio of battery materials. Over the coming months the two businesses will be integrated into our Battery Technologies business to deliver benefits from R&D, manufacturing and commercial synergies.

Fuel Cells

Sales in our Fuel Cells business were lower as a result of our principal customer for membrane electrode assemblies (MEAs) for stationary applications entering US bankruptcy proceedings in May 2014. This customer has since been acquired by a larger organisation who has assumed the obligations of our supply contract and we are in discussions with them about their future plans for the business.

We have continued to invest in developing our MEAs and manufacturing technology for automotive applications ahead of forthcoming legislation in California and remain in discussions with the original equipment manufacturers (OEMs) on how they will meet the new legislative requirements.

The net expense of our Fuel Cells business was broadly in line with last year at £6.1 million.

- Johnson Matthey Battery Systems specialises in the design, development and manufacture of integrated battery systems.

Outlook

The group's results in the first half of 2014/15 benefited from the strong performance in ECT which was driven by the buoyant market for HDD trucks in the US and good demand for Euro 6b products ahead of the new legislation. In the second half we expect good underlying growth compared to the same period last year. However, this will be partly offset by the impact of the loss of commission income from Anglo Platinum in the third quarter. If current exchange rates prevail, foreign currency translation will not materially impact results in the second half. The group's performance in 2014/15 is expected to be slightly ahead of 2013/14.

On a reported currency basis the outlook for the divisions is as follows:

Emission Control Technologies

ECT performed strongly in the first half of the year and the outlook for the division remains positive. In the second half, ECT's light duty catalyst business will continue to benefit from the ramp up of Euro 6b legislation in Europe and good demand in Asia.

In HDD, we expect European truck markets to remain subdued as demand in the second half last year was boosted by pre-buying of trucks ahead of Euro VI. However, demand in the US is expected to remain robust. Consequently, ECT's performance in the second half of 2014/15 is expected to be similar to the first half of the year.

Process Technologies

We expect Process Technologies' Oil and Gas businesses to continue their good performance in the second half. Following a softer first half in the Chemicals' businesses, we expect stronger sales of catalysts to the syngas and petrochemicals sectors, particularly in the fourth quarter. We believe the slower pace of licensing activity will continue although we anticipate that our business will secure further new licences this year. Consequently, we currently expect the division's performance to be ahead of the first half. Whilst we cannot predict the timing of orders in the fourth quarter precisely, for the year as a whole, we continue to expect that the division will make progress.

Precious Metal Products

We expect volumes in our Refining business to remain stable but performance will be adversely impacted if current precious metal prices prevail. The outlook for our Manufacturing businesses is steady. Taken together, at current precious metal prices, the division's performance is expected to be lower in the second half compared to the first half of the year.

Fine Chemicals

The outlook for Fine Chemicals remains positive and we expect the performance in the second half to be ahead of the first half, supported by good growth in API Manufacturing and some progress in Research Chemicals.

New Businesses

New Businesses' sales in the second half will benefit from the contribution from the battery material assets acquired from A123. We currently expect that the level of investment in the division will reduce in the second half compared to the first half. However, investment for the year as a whole will be slightly higher than in 2013/14.

Risks and Uncertainties

The principal risks and uncertainties to which the group is exposed are unchanged from those identified in our 2014 annual report. The principal risks and uncertainties, together with the group's strategies to manage them, are set out on pages 18 to 21 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

Operational

- Operating safely, including in line with changes in health, safety, environmental and other regulations and standards
- Availability of strategic materials
- Security of assets
- 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
Odile Desforges	Non-executive director
Alan Ferguson	Non-executive director, Senior Independent Director and Chairman of the Audit Committee
Den Jones	Group Finance Director
Robert MacLeod	Chief Executive
Colin Matthews	Non-executive director
Larry Pentz	Executive director
Dorothy Thompson	Non-executive director, Chairman of the Remuneration Committee
John Walker	Executive director

The responsibility statement was approved by the Board of Directors on 19th November 2014 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 2014 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 2014 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

19th November 2014

Condensed Consolidated Income Statement

for the six months ended 30th September 2014

	Notes	Six months ended 30.9.14 £ million	30.9.13 £ million	Year ended 31.3.14 £ million
Revenue	2	**4,799.9**	6,410.5	11,155.2
Cost of sales		**(4,403.4)**	(6,013.0)	(10,356.1)
Gross profit		**396.5**	397.5	799.1
Operating expenses		**(162.4)**	(163.3)	(330.2)
Amortisation of acquired intangibles	4	**(8.6)**	(10.8)	(20.7)
Operating profit	2	**225.5**	223.4	448.2
Finance costs		**(23.1)**	(25.7)	(50.4)
Finance income		**5.2**	4.0	8.3
Share of profit of joint venture		**0.2**	0.4	0.5
Profit before tax		**207.8**	202.1	406.6
Income tax expense		**(35.0)**	(28.5)	(67.9)
Profit for the period		**172.8**	173.6	338.7
Attributable to:				
Owners of the parent company		**173.7**	174.3	340.2
Non-controlling interests		**(0.9)**	(0.7)	(1.5)
		172.8	173.6	338.7
		pence	pence	pence
Earnings per ordinary share attributable to the equity holders of the parent company				
Basic	6	**85.6**	86.0	167.7
Diluted	6	**85.3**	85.5	166.9

Condensed Consolidated Statement of Total Comprehensive Income

for the six months ended 30th September 2014

	Notes	Six months ended 30.9.14 £ million	30.9.13 £ million	Year ended 31.3.14 £ million
Profit for the period		**172.8**	173.6	338.7
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurements of post-employment benefits assets and liabilities	10	**(13.6)**	18.1	43.5
Tax on above items taken directly to or transferred from equity		**3.6**	(17.3)	(19.3)
		(10.0)	0.8	24.2
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences		**(16.3)**	(60.7)	(95.3)
Cash flow hedges		**(1.8)**	8.9	9.3
Fair value gains on net investment hedges		**10.0**	5.8	9.7
Fair value gain / (loss) on available-for-sale investments		**2.5**	(2.0)	(0.4)
Tax on above items taken directly to or transferred from equity		**0.3**	(2.1)	0.3
		(5.3)	(50.1)	(76.4)
Other comprehensive expense for the period		**(15.3)**	(49.3)	(52.2)
Total comprehensive income for the period		**157.5**	124.3	286.5
Attributable to:				
Owners of the parent company		**158.3**	125.3	288.3
Non-controlling interests		**(0.8)**	(1.0)	(1.8)
		157.5	124.3	286.5

Condensed Consolidated Balance Sheet

as at 30th September 2014

	Notes	30.9.14 £ million	30.9.13 restated £ million	31.3.14 £ million
Assets				
Non-current assets				
Property, plant and equipment		**1,035.4**	987.0	1,023.4
Goodwill		**566.7**	574.1	571.0
Other intangible assets		**176.8**	193.2	183.3
Deferred income tax assets		**33.8**	39.0	32.1
Investments and other receivables		**77.2**	70.5	70.7
Interest rate swaps	*7*	**11.1**	20.1	12.1
Post-employment benefits net assets	*10*	**8.5**	9.2	8.2
Total non-current assets		**1,909.5**	1,893.1	1,900.8
Current assets				
Inventories		**634.2**	674.8	672.5
Current income tax assets		**33.6**	23.9	27.4
Trade and other receivables		**1,009.5**	874.8	955.3
Cash and cash equivalents – cash and deposits	*7*	**133.0**	261.3	221.8
Interest rate swaps		**2.1**	–	4.0
Other financial assets		**9.9**	11.0	7.5
Total current assets		**1,822.3**	1,845.8	1,888.5
Total assets		**3,731.8**	3,738.9	3,789.3
Liabilities				
Current liabilities				
Trade and other payables		**(751.1)**	(759.3)	(830.0)
Current income tax liabilities		**(112.1)**	(117.0)	(124.4)
Cash and cash equivalents – bank overdrafts	*7*	**(25.1)**	(53.5)	(39.2)
Other borrowings, finance leases and related swaps	*7*	**(172.1)**	(121.3)	(175.9)
Other financial liabilities		**(5.8)**	(7.2)	(3.1)
Provisions		**(18.6)**	(16.9)	(17.4)
Total current liabilities		**(1,084.8)**	(1,075.2)	(1,190.0)
Non-current liabilities				
Borrowings, finance leases and related swaps	*7*	**(751.0)**	(899.2)	(752.0)
Deferred income tax liabilities		**(90.9)**	(92.7)	(89.3)
Employee benefits obligations	*10*	**(177.1)**	(216.9)	(173.5)
Provisions		**(27.9)**	(30.0)	(28.6)
Other payables		**(4.4)**	(3.5)	(2.7)
Total non-current liabilities		**(1,051.3)**	(1,242.3)	(1,046.1)
Total liabilities		**(2,136.1)**	(2,317.5)	(2,236.1)
Net assets		**1,595.7**	1,421.4	1,553.2
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)		**(54.6)**	(52.5)	(52.7)
Other reserves		**(33.3)**	(1.7)	(27.9)
Retained earnings		**1,324.6**	1,112.0	1,271.1
Total equity attributable to owners of the parent company		**1,605.7**	1,426.8	1,559.5
Non-controlling interests		**(10.0)**	(5.4)	(6.3)
Total equity		**1,595.7**	1,421.4	1,553.2

Condensed Consolidated Cash Flow Statement

for the six months ended 30th September 2014

	Notes	Six months ended 30.9.14 £ million	30.9.13 £ million	Year ended 31.3.14 £ million
Cash flows from operating activities				
Profit before tax		**207.8**	202.1	406.6
Adjustments for:				
Share of profit of joint venture		**(0.2)**	(0.4)	(0.5)
Depreciation, amortisation, impairment losses and profit on sale of non-current assets and investments		**73.9**	74.5	150.9
Share-based payments		**4.1**	6.8	10.5
Changes in working capital and provisions		**(92.4)**	(38.5)	(83.6)
Changes in fair value of financial instruments		**(2.2)**	(0.6)	(0.5)
Net finance costs		**17.9**	21.7	42.1
Income tax paid		**(45.7)**	(19.0)	(48.6)
Net cash inflow from operating activities		**163.2**	246.6	476.9
Cash flows from investing activities				
Dividends received from joint venture		**0.4**	–	–
Purchases of non-current assets and investments		**(79.8)**	(101.4)	(213.7)
Proceeds from sale of non-current assets and investments		**0.1**	0.2	3.5
Purchases of businesses		**(29.0)**	(1.4)	(8.0)
Net cash outflow from investing activities		**(108.3)**	(102.6)	(218.2)
Cash flows from financing activities				
Net cost of ESOT transactions in own shares		**(17.1)**	(19.1)	(19.3)
(Repayment of) / proceeds from borrowings and finance leases		**(2.7)**	164.5	78.8
Dividends paid to owners of the parent company	5	**(92.3)**	(84.1)	(118.6)
Settlement of currency swaps for net investment hedging		**–**	(0.1)	(0.1)
Interest paid		**(20.1)**	(20.7)	(41.7)
Interest received		**4.1**	2.6	6.4
Net cash (outflow) / inflow from financing activities		**(128.1)**	43.1	(94.5)
(Decrease) / increase in cash and cash equivalents in period		**(73.2)**	187.1	164.2
Exchange differences on cash and cash equivalents		**(1.5)**	(0.7)	(3.0)
Cash and cash equivalents at beginning of period		**182.6**	21.4	21.4
Cash and cash equivalents at end of period	7	**107.9**	207.8	182.6
Reconciliation to net debt				
(Decrease) / increase in cash and cash equivalents in period		**(73.2)**	187.1	164.2
Repayment of / (proceeds from) borrowings and finance leases		**2.7**	(164.5)	(78.8)
Change in net debt resulting from cash flows		**(70.5)**	22.6	85.4
Exchange differences on net debt		**(2.3)**	20.4	21.0
Movement in net debt in period		**(72.8)**	43.0	106.4
Net debt at beginning of period		**(729.2)**	(835.6)	(835.6)
Net debt at end of period	7	**(802.0)**	(792.6)	(729.2)

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30th September 2014

	Share capital £ million	Share premium account £ million	Shares held in ESOT £ million	Other reserves £ million	Retained earnings £ million	Non-controlling interests £ million	Total equity £ million
At 1st April 2013	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
Total comprehensive income for the period	–	–	–	(26.2)	189.2	(0.8)	162.2
Dividends paid (note 5)	–	–	–	–	(34.5)	(0.1)	(34.6)
Purchase of shares by ESOT	–	–	(0.5)	–	–	–	(0.5)
Share-based payments	–	–	–	–	7.0	–	7.0
Cost of shares transferred to employees	–	–	0.3	–	(3.5)	–	(3.2)
Tax on share-based payments	–	–	–	–	0.9	–	0.9
At 31st March 2014	220.7	148.3	(52.7)	(27.9)	1,271.1	(6.3)	1,553.2
Total comprehensive income for the period	–	–	–	(5.4)	163.7	(0.8)	157.5
Dividends paid (note 5)	–	–	–	–	(92.3)	(0.1)	(92.4)
Purchase of non-controlling interests	–	–	–	–	(6.6)	(2.8)	(9.4)
Purchase of shares by ESOT	–	–	(17.1)	–	–	–	(17.1)
Share-based payments	–	–	–	–	7.5	–	7.5
Cost of shares transferred to employees	–	–	15.2	–	(18.6)	–	(3.4)
Tax on share-based payments	–	–	–	–	(0.2)	–	(0.2)
At 30th September 2014	**220.7**	**148.3**	**(54.6)**	**(33.3)**	**1,324.6**	**(10.0)**	**1,595.7**

Notes on the Accounts

for the six months ended 30th September 2014

1 Basis of preparation

The half-yearly accounts were approved by the Board of Directors on 19th November 2014, 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 2014. 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 2014 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.

The adoption of the revised IAS 19 – 'Employee Benefits' in the year ended 31st March 2014 resulted in a reclassification of the reimbursement rights for the US post-retirement medical benefits plan from employee benefit obligations to post-employment benefits net assets of £7.1 million in the balance sheet at 30th September 2013.

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 2014							
Revenue from external customers	1,622.1	282.5	2,688.5	170.7	36.1	–	4,799.9
Inter-segment revenue	127.7	3.4	743.2	3.3	0.6	(878.2)	–
Total revenue	1,749.8	285.9	3,431.7	174.0	36.7	(878.2)	4,799.9
External sales excluding precious metals	868.7	279.1	176.7	153.3	36.0	–	1,513.8
Inter-segment sales	0.4	3.4	16.3	2.0	0.5	(22.6)	–
Sales excluding precious metals	869.1	282.5	193.0	155.3	36.5	(22.6)	1,513.8
Segmental underlying operating profit / (loss)	118.1	49.7	52.0	41.8	(12.0)	–	249.6
Unallocated corporate expenses							(15.5)
Underlying operating profit							234.1
Amortisation of acquired intangibles (note 4)							(8.6)
Operating profit							225.5
Net finance costs							(17.9)
Share of profit of joint venture							0.2
Profit before taxation							207.8
Segmental net assets	993.8	719.4	324.7	473.4	93.7	–	2,605.0

Notes on the Accounts

for the six months ended 30th September 2014

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 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
Year ended 31st March 2014							
Revenue from external customers	2,898.9	573.7	7,243.2	362.8	76.6	–	11,155.2
Inter-segment revenue	96.8	6.4	1,178.1	8.5	2.3	(1,292.1)	–
Total revenue	2,995.7	580.1	8,421.3	371.3	78.9	(1,292.1)	11,155.2
External sales excluding precious metals	1,644.6	559.0	386.1	317.5	73.6	–	2,980.8
Inter-segment sales	0.2	6.2	43.6	4.9	2.0	(56.9)	–
Sales excluding precious metals	1,644.8	565.2	429.7	322.4	75.6	(56.9)	2,980.8
Segmental underlying operating profit / (loss)	203.6	101.9	130.9	84.1	(18.3)	–	502.2
Unallocated corporate expenses							(33.3)
Underlying operating profit							468.9
Amortisation of acquired intangibles (note 4)							(20.7)
Operating profit							448.2
Net finance costs							(42.1)
Share of profit of joint venture							0.5
Profit before taxation							406.6
Segmental net assets	928.7	670.7	383.7	453.3	77.7	–	2,514.1

Notes on the Accounts

for the six months ended 30th September 2014

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 30.9.14	Six months ended 30.9.13	Year ended 31.3.14
US dollar / £	**1.676**	1.544	1.591
Euro / £	**1.244**	1.173	1.186
Chinese renminbi / £	**10.39**	9.48	9.73
South African rand / £	**17.84**	15.03	16.12

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.

	Six months ended 30.9.14 £ million	Six months ended 30.9.13 At last year's rates £ million	Six months ended 30.9.13 At this year's rates £ million	Change at this year's rates %
Sales excluding precious metals				
Emission Control Technologies	**869.1**	814.5	755.9	+15
Process Technologies	**282.5**	287.8	276.4	+2
Precious Metal Products	**193.0**	214.2	202.4	-5
Fine Chemicals	**155.3**	161.4	153.1	+1
New Businesses	**36.5**	34.7	33.4	+9
Elimination of inter-segment sales	**(22.6)**	(26.3)	(25.5)	
Sales excluding precious metals	**1,513.8**	1,486.3	1,395.7	+8
Underlying operating profit				
Emission Control Technologies	**118.1**	94.2	86.0	+37
Process Technologies	**49.7**	48.9	46.0	+8
Precious Metal Products	**52.0**	74.3	71.4	-27
Fine Chemicals	**41.8**	40.7	38.3	+9
New Businesses	**(12.0)**	(9.2)	(9.3)	-29
Unallocated corporate expenses	**(15.5)**	(14.7)	(14.5)	
Underlying operating profit	**234.1**	234.2	217.9	+7

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 18.5 pence per ordinary share has been proposed by the board which will be paid on 3rd February 2015 to shareholders on the register at the close of business on 28th November 2014. The estimated amount to be paid is £37.6 million and has not been recognised in these accounts.

	Six months ended 30.9.14 £ million	Six months ended 30.9.13 £ million	Year ended 31.3.14 £ million
2012/13 final ordinary dividend paid – 41.5 pence per share	**–**	84.1	84.1
2013/14 interim ordinary dividend paid – 17.0 pence per share	**–**	–	34.5
2013/14 final ordinary dividend paid – 45.5 pence per share	**92.3**	–	–
Total dividends	**92.3**	84.1	118.6

Notes on the Accounts

for the six months ended 30th September 2014

6 Earnings per ordinary share

The calculation of earnings per ordinary share is based on a weighted average of 202,949,119 shares in issue (six months ended 30th September 2013 202,753,012 shares, year ended 31st March 2014 202,831,354 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 621,712 shares (six months ended 30th September 2013 1,222,019 shares, year ended 31st March 2014 1,029,944 shares).

Underlying earnings per ordinary share are calculated as follows:

	Six months ended		Year ended
	30.9.14 £ million	30.9.13 £ million	31.3.14 £ million
Profit for the year attributable to equity holders of the parent company	**173.7**	174.3	340.2
Amortisation of acquired intangibles (note 4)	**8.6**	10.8	20.7
Tax thereon	**(2.2)**	(2.9)	(5.3)
Tax effect of UK corporation tax rate change	**–**	(10.0)	(9.5)
Underlying profit for the year	**180.1**	172.2	346.1
	pence	pence	pence
Basic underlying earnings per share	**88.7**	84.9	170.6

7 Net debt

	30.9.14 £ million	30.9.13 £ million	31.3.14 £ million
Cash and deposits	**133.0**	261.3	221.8
Bank overdrafts	**(25.1)**	(53.5)	(39.2)
Cash and cash equivalents	**107.9**	207.8	182.6
Other current borrowings, finance leases and related swaps	**(172.1)**	(121.3)	(175.9)
Current interest rate swaps	**2.1**	–	4.0
Non-current interest rate swaps	**11.1**	20.1	12.1
Non-current borrowings, finance leases and related swaps	**(751.0)**	(899.2)	(752.0)
Net debt	**(802.0)**	(792.6)	(729.2)

Offset arrangements across group businesses have been applied to arrive at the cash and deposits and bank overdrafts figures. At 30th September 2014 the offsets were £122.7 million (30th September 2013 £97.0 million, 31st March 2014 £52.6 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 2014 precious metal leases were £53.1 million (30th September 2013 £39.6 million, 31st March 2014 £55.7 million).

Notes on the Accounts

for the six months ended 30th September 2014

9 Transactions with related parties

There have been no material changes in related party relationships in the six months ended 30th September 2014 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 2014.

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 2014	(78.6)	(9.4)	(14.1)	(37.6)	(23.1)	(162.8)
Current service cost	(13.3)	–	(3.7)	(0.6)	(1.2)	(18.8)
Net interest on net liabilities	(1.8)	(0.2)	(0.4)	(0.9)	(0.3)	(3.6)
Settlement gain	–	–	0.6	–	–	0.6
Remeasurement loss	(8.4)	–	(4.5)	(0.7)	–	(13.6)
Company contributions	24.4	–	5.9	0.3	1.7	32.3
Exchange adjustments	–	–	(0.6)	(1.0)	1.4	(0.2)
At 30th September 2014	**(77.7)**	**(9.6)**	**(16.8)**	**(40.5)**	**(21.5)**	**(166.1)**

These are included in the balance sheet as:

	30.9.14 Post-employment benefits net assets £ million	**30.9.14 Employee benefits obligations £ million**	30.9.13 Post-employment benefits net assets restated £ million	30.9.13 Employee benefits obligations restated £ million	31.3.14 Post-employment benefits net assets £ million	31.3.14 Employee benefits obligations £ million
UK pension plan	**–**	**(77.7)**	–	(116.4)	–	(78.6)
UK post-retirement medical benefits plan	**–**	**(9.6)**	–	(10.3)	–	(9.4)
US pension plans	**–**	**(16.8)**	–	(21.5)	0.1	(14.2)
US post-retirement medical benefits plan	**5.1**	**(45.6)**	7.1	(41.6)	4.8	(42.4)
Other plans	**3.4**	**(24.9)**	2.1	(24.8)	3.3	(26.4)
Total post-employment plans	**8.5**	**(174.6)**	9.2	(214.6)	8.2	(171.0)
Other long term employee benefits		**(2.5)**		(2.3)		(2.5)
Total long term employee benefits obligations		**(177.1)**		(216.9)		(173.5)

11 Acquisitions

In September 2014 the group acquired the business and assets of Catacel Corporation for £5.5 million and the cathode materials manufacturing facility of A123 Systems LLC for £15.5 million.

Notes on the Accounts

for the six months ended 30th September 2014

12 Financial Instruments

Fair values are measured using a hierarchy where the inputs are:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – not level 1 but are observable for that asset or liability either directly or indirectly. The fair values are estimated by discounting the future contractual cash flows using appropriate market sourced data at the balance sheet date.
- Level 3 – not based on observable market data (unobservable).

Financial instruments measured at fair value are:

	30.9.14 Level 1 £ million	**30.9.14 Level 2 £ million**	30.9.13 Level 1 £ million	30.9.13 Level 2 £ million	30.9.13 Level 3 £ million	31.3.14 Level 1 £ million	31.3.14 Level 2 £ million
Quoted bonds purchased to fund pension deficit included in:							
Non-current investments	**52.7**	**–**	49.3	–	–	49.1	–
Interest rate swaps included in:							
Non-current assets	**–**	**11.1**	–	20.1	–	–	12.1
Current assets	**–**	**2.1**	–	–	–	–	4.0
Current liabilities	**–**	**(0.8)**	–	–	–	–	(1.5)
Non-current liabilities	**–**	**(5.8)**	–	(5.5)	–	–	(9.7)
Forward foreign exchange contracts and options and currency swaps included in:							
Current other financial assets	**–**	**10.0**	–	8.8	–	–	7.5
Current other financial liabilities	**–**	**(5.8)**	–	(7.2)	–	–	(3.1)
Embedded derivatives included in:							
Current other financial assets	**–**	**–**	–	–	2.2	–	–

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
Gains recognised in cost of sales	1.0
Settlements	(3.2)
At 31st March 2014 and 30th September 2014	**–**

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

	30.9.14 Carrying amount £ million	**30.9.14 Fair value £ million**	30.9.13 Carrying amount £ million	30.9.13 Fair value £ million	31.3.14 Carrying amount £ million	31.3.14 Fair value £ million
US Dollar Bonds 2015, 2016, 2022, 2023, 2025 and 2028	**(606.0)**	**(603.0)**	(682.5)	(653.9)	(598.7)	(580.3)
Euro Bonds 2021 and 2023	**(93.5)**	**(110.6)**	(100.3)	(112.1)	(99.1)	(114.1)
Euro EIB loans 2019	**(96.6)**	**(101.0)**	(103.6)	(102.5)	(102.4)	(104.6)
Sterling Bonds 2024	**(65.0)**	**(65.8)**	(65.0)	(61.4)	(65.0)	(63.7)

Unquoted investments included in non-current available-for-sale investments are held at cost at 30th September 2014 of £8.5 million (30th September 2013 £8.4 million, 31st March 2014 £8.4 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 investment vehicles that invest in start up companies and are categorised as level 3.

Financial Calendar

2014

27th November
Ex dividend date

28th November
Interim dividend record date

2015

3rd February
Payment of interim dividend

4th June
Announcement of results for the year ending 31st March 2015

11th June
Ex dividend date

12th June
Final dividend record date

22nd July
124th Annual General Meeting (AGM)

4th August
Payment of final dividend subject to declaration at the AGM

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