

Consolidated Income Statement

for the six months ended 30th September 2006

		Six months ended		Year ended
		30.9.06	30.9.05	31.3.06
	Notes	£ million	£ million	£ million
Revenue	2	3,012.1	2,282.9	4,755.9
Cost of goods sold		(2,792.1)	(2,088.2)	(4,343.7)
Gross profit		220.0	194.7	412.2
Operating expenses		(93.2)	(80.2)	(177.5)
Impairment costs		-	-	(6.0)
Operating profit	2,3	126.8	114.5	228.7
Interest payable		(17.2)	(15.7)	(31.7)
Interest receivable		5.0	8.0	17.0
Share of profit / (loss) of associates		0.5	(0.4)	(0.2)
Profit before tax		115.1	106.4	213.8
Income tax expense	4	(33.5)	(31.1)	(62.5)
Profit for the period		81.6	75.3	151.3
Attributable to:				
Equity holders of the parent company		81.9	75.7	152.1
Minority interests		(0.3)	(0.4)	(0.8)
		81.6	75.3	151.3
		pence	pence	pence
Earnings per ordinary share attributable to the equity holders of the parent company				
Total and continuing operations				
Basic	5	38.3	35.2	70.8
Diluted	5	38.0	35.1	70.5

Consolidated Balance Sheet

as at 30th September 2006

	Notes	30.9.06 £ million	30.9.05 £ million	31.3.06 £ million
Assets				
Non-current assets				
Property, plant and equipment		643.0	610.3	661.1
Goodwill		401.0	378.7	402.4
Other intangible assets		40.9	29.7	41.3
Deferred income tax assets		8.8	2.2	4.4
Investments and other receivables		11.0	6.6	10.4
Post-employment benefits net assets		78.4	49.6	75.0
Total non-current assets		1,183.1	1,077.1	1,194.6
Current assets				
Inventories		362.6	344.2	345.8
Current income tax assets		–	0.5	3.6
Trade and other receivables		539.7	406.5	478.5
Cash and deposits	9	99.2	113.8	133.0
Investments and other financial assets		22.3	4.1	3.3
Other current assets		7.1	7.1	7.1
Total current assets		1,030.9	876.2	971.3
Total assets		2,214.0	1,953.3	2,165.9
Liabilities				
Current liabilities				
Trade and other payables		(417.3)	(325.0)	(385.2)
Current income tax liabilities		(53.7)	(51.5)	(66.0)
Borrowings and finance leases	9	(27.9)	(90.9)	(90.3)
Other financial liabilities		(2.3)	(10.0)	(4.2)
Provisions		(8.4)	(11.8)	(9.1)
Total current liabilities		(509.6)	(489.2)	(554.8)
Non-current liabilities				
Borrowings, finance leases and related swaps	9	(549.6)	(384.3)	(454.7)
Deferred income tax liabilities		(51.5)	(45.1)	(49.7)
Employee benefits obligations		(56.6)	(53.1)	(56.2)
Provisions		(4.5)	(3.0)	(5.2)
Trade and other payables		(0.8)	(0.8)	(0.8)
Total non-current liabilities		(663.0)	(486.3)	(566.6)
Total liabilities		(1,172.6)	(975.5)	(1,121.4)
Net assets		1,041.4	977.8	1,044.5
Equity				
Share capital		220.4	219.8	220.2
Share premium account		145.7	141.5	144.4
Treasury shares	7	(13.7)	–	–
Shares held in employee share ownership trusts		(61.9)	(45.7)	(63.0)
Other reserves		(1.7)	6.3	28.5
Retained earnings		746.4	648.9	708.0
		1,035.2	970.8	1,038.1
Minority interests		6.2	7.0	6.4
Total equity	8	1,041.4	977.8	1,044.5

Consolidated Cash Flow Statement

for the six months ended 30th September 2006

		Six months ended		Year ended
	Notes	30.9.06	30.9.05	31.3.06
		£ million	£ million	£ million
Cash flows from operating activities				
Profit before tax		115.1	106.4	213.8
Adjustments for:				
Share of (profit) / loss in associates		(0.5)	0.4	0.2
Depreciation, amortisation and profit on sale of non-current assets and investments		37.5	33.2	76.7
Share-based payments		2.6	2.1	3.2
Changes in working capital and provisions		(73.0)	(28.7)	(68.0)
Changes in fair value of financial instruments		(1.1)	(1.0)	(12.4)
Net interest		12.2	7.7	14.7
Income tax (paid) / received		(41.9)	6.4	(15.9)
Net cash inflow from operating activities		50.9	126.5	212.3
Cash flows from investing activities				
Dividends received from associates		0.1	0.1	0.1
Purchases of non-current assets and investments		(56.0)	(48.4)	(120.3)
Proceeds from sale of non-current assets and investments		0.1	1.9	5.7
Purchases of businesses		(7.5)	(1.1)	(24.3)
Net cash outflow from investing activities		(63.3)	(47.5)	(138.8)
Cash flows from financing activities				
Net purchase of own shares		(12.2)	(11.9)	(25.9)
Proceeds from borrowings and finance leases		54.8	14.0	82.3
Dividends paid to equity holders of the parent company	6	(44.9)	(40.9)	(60.4)
Dividends paid to minority shareholders		–	–	(0.2)
Interest paid		(19.2)	(15.6)	(30.6)
Interest received		4.9	7.9	16.6
Net cash outflow from financing		(16.6)	(46.5)	(18.2)
(Decrease) / increase in cash and cash equivalents in period				
Exchange differences on cash and cash equivalents		(5.9)	4.8	5.8
Cash and cash equivalents at beginning of period		125.1	64.0	64.0
Cash and cash equivalents at end of period	9	90.2	101.3	125.1
Reconciliation to net debt				
(Decrease) / increase in cash and cash equivalents in period		(29.0)	32.5	55.3
Proceeds from borrowings and finance leases		(54.8)	(14.0)	(82.3)
Change in net debt resulting from cash flows		(83.8)	18.5	(27.0)
Borrowings acquired with subsidiaries		–	–	(1.4)
Exchange differences on net debt		17.5	(9.7)	(13.4)
Movement in net debt in period		(66.3)	8.8	(41.8)
Net debt at beginning of period		(412.0)	(370.2)	(370.2)
Net debt at end of period	9	(478.3)	(361.4)	(412.0)

Consolidated Statement of Recognised Income and Expense

for the six months ended 30th September 2006

	Six months ended		Year ended
	30.9.06	30.9.05	31.3.06
	£ million	£ million	£ million
Currency translation differences on foreign currency net investments and related loans	(51.7)	19.6	42.3
Fair value gain on available-for-sale investments transferred to profit on sale	–	(0.8)	(0.8)
Cash flow hedges	5.4	3.6	(6.2)
Fair value gains / (losses) on net investment hedges	15.8	(5.4)	(12.5)
Actuarial gain on post-employment benefits assets and liabilities	–	–	19.6
Tax on above items taken directly to or transferred from equity	0.2	(4.3)	(7.8)
Net (expense) / income recognised directly in equity	(30.3)	12.7	34.6
Profit for the period	81.6	75.3	151.3
Total recognised income and expense relating to the period	51.3	88.0	185.9
IFRS transition adjustment for financial instruments	–	2.7	2.7
	51.3	90.7	188.6
Total recognised income and expense attributable to:			
Equity holders of the parent company	51.7	88.4	186.7
Minority interest	(0.4)	(0.4)	(0.8)
	51.3	88.0	185.9
IFRS transition adjustment for financial instruments attributable to:			
Equity holders of the parent company	–	2.7	2.7

Notes on the Accounts

for the six months ended 30th September 2006

1 Basis of preparation

The interim accounts were approved by the Board of Directors on 21st November 2006, and are unaudited but have been reviewed by the auditors. They do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985, but have been prepared on the basis of the accounting policies set out in the annual report and accounts for the year ended 31st March 2006. Information in respect of the year ended 31st March 2006 is derived from the company's statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors' report on those statutory accounts was unqualified and did not contain any statement under sections 237(2) and 237(3) of the Companies Act 1985.

2 Segmental information by business segment

	Catalysts £ million	Precious Metal Products £ million	Pharmaceutical Materials £ million	Ceramics £ million	Total £ million
Six months ended 30th September 2006					
Sales to external customers	<u>996.1</u>	<u>1,860.5</u>	<u>65.4</u>	<u>90.1</u>	<u>3,012.1</u>
External sales excluding precious metals	<u>458.0</u>	<u>134.3</u>	<u>61.2</u>	<u>90.1</u>	<u>743.6</u>
Segment result	<u>70.8</u>	<u>37.2</u>	<u>17.0</u>	<u>10.2</u>	<u>135.2</u>
Unallocated corporate expenses					<u>(8.4)</u>
Operating profit					<u>126.8</u>
Six months ended 30th September 2005					
Sales to external customers	<u>675.1</u>	<u>1,460.0</u>	<u>57.9</u>	<u>89.9</u>	<u>2,282.9</u>
External sales excluding precious metals	<u>375.2</u>	<u>117.4</u>	<u>54.8</u>	<u>89.9</u>	<u>637.3</u>
Segment result	<u>65.2</u>	<u>30.6</u>	<u>16.2</u>	<u>10.8</u>	<u>122.8</u>
Unallocated corporate expenses					<u>(8.3)</u>
Operating profit					<u>114.5</u>
Year ended 31st March 2006					
Sales to external customers	<u>1,477.4</u>	<u>2,962.4</u>	<u>133.9</u>	<u>182.2</u>	<u>4,755.9</u>
External sales excluding precious metals	<u>786.4</u>	<u>245.4</u>	<u>127.2</u>	<u>182.2</u>	<u>1,341.2</u>
Segment result before impairment costs	<u>134.2</u>	<u>62.2</u>	<u>33.8</u>	<u>21.3</u>	<u>251.5</u>
Impairment costs	<u>-</u>	<u>(6.0)</u>	<u>-</u>	<u>-</u>	<u>(6.0)</u>
Segment result	<u>134.2</u>	<u>56.2</u>	<u>33.8</u>	<u>21.3</u>	<u>245.5</u>
Unallocated corporate expenses					<u>(16.8)</u>
Operating profit					<u>228.7</u>

Notes on the Accounts

for the six months ended 30th September 2006

3 Effect of exchange rate changes on translation of foreign subsidiaries' operating profits

	Six months ended 30.9.06	30.9.05	Year ended 31.3.06
Average exchange rates used for translation of results of foreign operations			
US dollar / £	1.855	1.820	1.785
Euro / £	1.463	1.468	1.466
South African rand / £	12.69	11.74	11.42

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

	Six months ended At this year's rates £ million	30.9.06 At last year's rates £ million	Effect £ million
Catalysts	70.8	71.5	(0.7)
Precious Metal Products	37.2	37.3	(0.1)
Pharmaceutical Materials	17.0	17.1	(0.1)
Ceramics	10.2	10.1	0.1
Unallocated corporate expenses	(8.4)	(8.4)	–
Operating profit	126.8	127.6	(0.8)

4 Income tax expense

	Six months ended 30.9.06 £ million	30.9.05 £ million	Year ended 31.3.06 £ million
United Kingdom	13.3	14.3	27.1
Overseas	20.2	16.8	35.4
	33.5	31.1	62.5

The group's share of associated undertakings' taxation for the six months ended 30th September 2006 was £ nil (six months ended 30th September 2005 £ nil, year ended 31st March 2006 £ nil).

Notes on the Accounts

for the six months ended 30th September 2006

5 Earnings per ordinary share

The calculation of earnings per ordinary share is based on a weighted average of 213,642,055 shares in issue (six months ended 30th September 2005 – 215,043,409 shares, year ended 31st March 2006 – 214,895,523 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 plan. These adjustments give rise to an increase in the weighted average number of shares in issue of 1,915,624 (six months ended 30th September 2005 – 447,034 shares, year ended 31st March 2006 – 967,320 shares).

Earnings per ordinary share before impairment costs are calculated as follows:

	Six months ended 30.9.06 £ million	30.9.05 £ million	Year ended 31.3.06 £ million
Profit for the period attributable to equity holders of the parent company	81.9	75.7	152.1
Impairment costs	–	–	6.0
Tax thereon	–	–	(1.8)
Profit before impairment costs	81.9	75.7	156.3
	pence	pence	pence
Basic earnings per share before impairment costs	38.3	35.2	72.7

6 Dividends

An interim dividend of 9.9 pence per ordinary share will be paid on 6th February 2007 to shareholders on the register at the close of business on 1st December 2006. The estimated amount to be paid is £21.1 million. In accordance with IFRS accounting requirements this dividend has not been recognised in these accounts.

	Six months ended 30.9.06 £ million	30.9.05 £ million	Year ended 31.3.06 £ million
2004/05 final ordinary dividend paid – 19.0 pence per share	–	40.9	40.9
2005/06 interim ordinary dividend paid – 9.1 pence per share	–	–	19.5
2005/06 final ordinary dividend paid – 21.0 pence per share	44.9	–	–
	44.9	40.9	60.4

Notes on the Accounts

for the six months ended 30th September 2006

7 Share purchases

During the six months ended 30th September 2006 the company purchased 1,060,000 of its own shares at a cost of £13.7 million. These shares are being held as treasury shares.

8 Changes in equity

	Six months ended		Year ended
	30.9.06	30.9.05	31.3.06
	£ million	£ million	£ million
Equity at end of prior period	1,044.5	929.9	929.9
IFRS transition adjustment for financial instruments	-	2.7	2.7
Equity at beginning of period	1,044.5	932.6	932.6
Total recognised income and expense relating to the period	51.3	88.0	185.9
Dividends paid to equity holders of the parent company	(44.9)	(40.9)	(60.4)
Dividends payable to minority interests	(0.2)	(0.2)	(0.3)
Minority interest arising on formation of subsidiary	0.3	-	-
New share capital subscribed	1.5	2.0	5.3
Purchase of own shares	(13.7)	-	-
Purchase of shares for employee share ownership trusts	-	(8.0)	(25.3)
Share-based payments (net of shares transferred to employees)	2.6	2.1	3.2
Tax on items taken directly to or transferred from equity	-	2.2	3.5
Equity at end of period	1,041.4	977.8	1,044.5

9 Net debt

	Six months ended		Year ended
	30.9.06	30.9.05	31.3.06
	£ million	£ million	£ million
Cash and deposits	99.2	113.8	133.0
Bank overdrafts	(9.0)	(12.5)	(7.9)
Cash and cash equivalents	90.2	101.3	125.1
Current other borrowings and finance leases	(18.9)	(78.4)	(82.4)
Non-current borrowings, finance leases and related swaps	(549.6)	(384.3)	(454.7)
Net debt	(478.3)	(361.4)	(412.0)

Notes on the Accounts

for the six months ended 30th September 2006

10 Precious metal operating leases

The group leases precious metals 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 2006 precious metal leases were £121.6 million (30th September 2005 £127.8 million, 31st March 2006 £93.2 million).

11 Acquisitions

On 13th April 2006 the group purchased most of the business of United Pharmaceuticals Limited for £1.9 million plus costs of £0.1 million. The estimated fair value of the assets acquired was £0.9 million giving goodwill of £1.1 million.

On 21st April 2006 the group purchased the process diagnostics business of Quest TruTec for £3.8 million plus costs of £0.1 million. The estimated fair value of the assets acquired was £0.7 million giving goodwill of £3.2 million. £0.1 million of the consideration is deferred.

Independent Review Report

by KPMG Audit Plc to Johnson Matthey Plc

Introduction

We have been engaged by the company to review the financial information for the six months ended 30th September 2006 which comprises the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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 Listing Rules of the Financial Services Authority. 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 – 'Review of Interim Financial Information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30th September 2006.

KPMG Audit Plc

Chartered Accountants
London
21st November 2006

Financial Calendar

2006

29th November

Ex dividend date

1st December

Interim ordinary dividend record date

2007

6th February

Payment of interim dividend on ordinary shares

7th June

Announcement of results for the year ending 31st March 2007

13th June

Ex dividend date

15th June

Final ordinary dividend record date

24th July

116th Annual General Meeting (AGM)

7th August

Payment of final dividend subject to declaration at the AGM