

Interim Report 2003



Johnson Matthey

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GROUP RESULTS SUMMARY

for the six months ended 30th September 2003

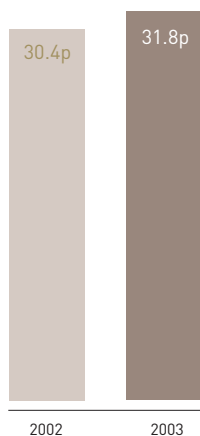
	Six months to 30th September		% change
	2003	2002 restated ³	
Turnover	£2,165m	£2,247m	-4
Sales excluding precious metals	£625m	£562m	+11
Operating profit¹	£103.1m	£91.0m	+13
Profit before tax¹	£97.5m	£93.7m	+4
Earnings per share¹	31.8p	30.4p	+5
Earnings per share²	27.8p	28.1p	-1
Dividend per share	8.2p	7.8p	+5
Exceptional items	£ nil	£ nil	
Goodwill amortisation	£(9.9)m	£(4.8)m	

¹ Before goodwill amortisation

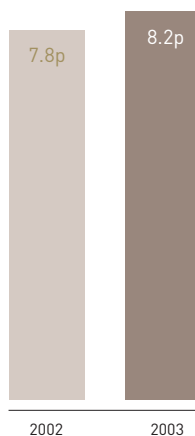
² After goodwill amortisation

³ Restated for FRS 17

Earnings Per Share
Before Goodwill Amortisation³



Interim Dividend



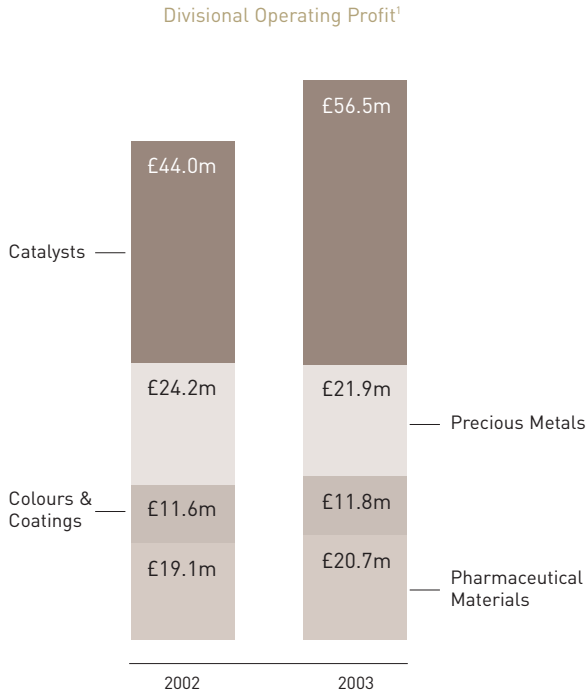
INTERIM RESULTS

for the six months ended 30th September 2003

Catalysts and Pharmaceutical Materials drive growth in profits

Summary Results

- > Operating profit before goodwill amortisation up 13% to £103.1 million
- > Profit before tax and goodwill amortisation up 4% to £97.5 million
- > Earnings per share before goodwill amortisation up 5% to 31.8 pence
- > Interim dividend increased by 5% to 8.2 pence



¹ Restated for FRS 17

INTERIM RESULTS

for the six months ended 30th September 2003

Business Progress

- > Strong growth from Catalysts with profits up 28% to £56.5 million
- > Environmental Catalysts and Technologies (ECT) ahead despite weaker car production in the US and Europe, reflecting good demand in Asia and increasing contribution from heavy duty diesel catalysts
- > Process Catalysts and Technologies (PCT) well up benefiting from a good contribution from the former Syntex businesses
- > Pharmaceutical Materials' profits up 8% to £20.7 million with good growth at West Deptford and Macfarlan Smith
- > Renewed long term contracts agreed with Anglo Platinum
- > Precious Metals' profits reduced by 10% to £21.9 million reflecting weak trading conditions for palladium and rhodium
- > Colours & Coatings' profits up 2% to £11.8 million. Group to divest Structural Ceramics and Speciality Coatings

Commenting on the results, Chris Clark, Chief Executive of Johnson Matthey said:

“Johnson Matthey has made further progress in the last six months with good growth in Catalysts and Pharmaceutical Materials. The outlook for both of these divisions remains encouraging while the renewed contracts with Anglo Platinum will underpin the long term growth of Precious Metals Division.”

REPORT TO SHAREHOLDERS

Introduction

Johnson Matthey has made encouraging progress in the first half of 2003/04, with Catalysts Division and Pharmaceutical Materials Division continuing to deliver good growth. Catalysts Division's profits rose by 28% in the half year including a good contribution from the former Synetix businesses acquired from ICI in November 2002.

Johnson Matthey enjoys a close relationship with Anglo Platinum, the world's largest producer of platinum, which stretches back over 70 years. Renewed long term contracts have been signed with Anglo Platinum which will take effect on 1st January 2004 and extend the relationship well into the next decade. These renewed contracts bring a reduction in commissions and discounts from current levels, but Johnson Matthey will benefit from the planned expansion in mine output over the lives of the contracts.

With the increasing focus on Catalysts, Precious Metals and Pharmaceutical Materials the Board has decided that it will divest the Structural Ceramics and Speciality Coatings businesses which form the majority of Colours & Coatings Division. The Decorative Precious Metals and Glass coatings businesses, which have very close links with other parts of Johnson Matthey, will be retained.

Total Operating Profit
£ million



Review of Results

For the current financial year Johnson Matthey has adopted FRS 17, the new accounting standard for pensions. Last year's results have been restated accordingly.

Total sales for the group fell by 4% in the half year to £2,165 million reflecting lower prices for palladium and rhodium and the lower levels of trading activity in those metals. Sales excluding the value of precious metals rose by 11% to £625 million.

Operating profit before goodwill amortisation rose by 13% to £103.1 million despite the impact of the weaker US dollar. Interest also rose significantly, partly reflecting higher average borrowings following the acquisition of Synetix but also as a consequence of the change to FRS 17 and the reduction in the pension fund surplus at 31st March 2003. Profit before tax and goodwill amortisation rose by 4% to £97.5 million. Earnings per share before goodwill amortisation rose by 5% to 31.8 pence.

Goodwill amortisation rose by £5.1 million to £9.9 million reflecting the additional goodwill arising on the acquisition of Synetix in 2002. Earnings per share after goodwill amortisation fell by 1% to 27.8 pence. There were no exceptional items in the half year.

Dividend

The interim dividend has been increased by 5% to 8.2 pence, in line with the growth in earnings per share before goodwill amortisation.

REPORT TO SHAREHOLDERS

Operations

Catalysts Division's sales rose by 13% to £593 million despite the fall in palladium and rhodium prices. Sales excluding the value of precious metals rose by 27% to £380 million benefiting from the six months' contribution from the former Syntex businesses. The division's operating profit rose by 28% to £56.5 million.

Environmental Catalysts and Technologies (ECT), which encompasses Johnson Matthey's worldwide autocatalyst, heavy duty diesel (HDD) and stationary source emission control businesses, was ahead of last year despite the weaker car market in the US. Light duty vehicle sales in the US were down 1% in Johnson Matthey's half year, while production fell by over 7% reflecting increased imports. In Europe, car sales were slightly up for the same period while production fell by 2%.

Growth in Asian sales and increasing sales of heavy duty diesel products more than made up for the weaker demand in the US and Europe. Car sales in China have risen strongly so far this year and the group's business there achieved significant growth. HDD retrofit sales grew substantially in the half year with particularly strong sales in Japan supported by an incentive programme from the Tokyo Metropolitan Government. HDD sales to original equipment manufacturers also continue to grow and we are increasing our investment in joint development programmes with the major manufacturers.

Process Catalysts and Technologies (PCT), which sells catalysts to the chemicals, pharmaceutical, oil & gas and other markets, was strongly ahead benefiting from the contribution from the former Syntex businesses. The integration of those businesses into Johnson Matthey has progressed very well and results are in line with our expectations at the time of the acquisition. Overall, the catalyst part of PCT is achieving good growth but refining profits are down reflecting the impact of the fall in the palladium price. Research Chemicals, our catalogue business, continues to achieve good growth.

The **Fuel Cells** business made good progress. Demand for membrane electrode assemblies (MEAs) from the Swindon facility continues to grow and a number of prototype units containing Johnson Matthey products are now in durability trials, with the main focus being on stationary power and transport sectors. Net expense for the half year was £6.2 million.

Precious Metals Division's sales fell by 9% to £1,380 million, reflecting subdued trading activity for palladium and rhodium. Operating profit fell by 10% to £21.9 million. Demand for platinum in autocatalysts reached a record high as diesel car sales grew strongly in Europe and US manufacturers used less metal from inventories than in 2002. Despite a fall in jewellery usage, total platinum demand matched last year's record and, with mine output only slightly higher, the platinum market remained in deficit for the fifth consecutive year. The price soared, averaging \$673 per oz in the first half, 24% higher than the same period last year. By the end of the half year, platinum was trading over \$730 per oz, a 23 year high.

Catalysts
£ million



Precious Metals
£ million



REPORT TO SHAREHOLDERS

Colours & Coatings
£ million



By comparison, the markets for palladium and rhodium performed very poorly and this was reflected in subdued trading margins. Despite higher demand for both metals, a large increase in primary sales left the markets in surplus for the third consecutive year. The palladium price collapsed by 46% to an average of \$183 per oz, whilst rhodium suffered a 39% fall to \$512 per oz.

The division's platinum fabrication businesses achieved further growth with good demand for medical components. Gold refining was down on last year with the stronger gold price having little immediate impact on mine output and margins continuing to be under pressure.

Colours & Coatings Division's sales fell by 4% to £126.7 million reflecting a softening in demand in the European tile market. Profits were up 2% to £11.8 million with an improvement in margins.

The Structural Ceramics sector, which sells largely to the tile industry, experienced weaker demand from tile manufacturers in Europe, partly as a reflection of the weakness in some euro-zone economies and partly as a result of the impact of the strong euro on sales from Europe into Asia. However, our Glass coatings business continued to achieve good growth in sales and profits benefiting from new product introductions and market share gains.

Pharmaceutical Materials Division's sales fell by 2% to £64.7 million, partly as a result of exchange translation. Profits rose by 8% to £20.7 million.

Pharmaceutical
Materials
£ million



West Deptford was well ahead in the half year with good growth in controlled drugs and an expanded range of platinum based anticancer compounds. Macfarlan Smith's sales were slightly below last year reflecting the impact of significantly lower raw material costs which were passed on to customers in lower prices. However, profits were well ahead of last year benefiting from increased sales of high margin specialist opiates. Pharm-Eco experienced the industry-wide drop in demand for contract research in the first quarter but was able to respond by gaining new business and the market has subsequently recovered. Significant progress was made on the development and commercialisation of prostaglandin products for both the US and European markets.

REPORT TO SHAREHOLDERS

Finance

Exchange Rates

Over a third of the group's profits were made in North America, mainly in the USA. The US dollar weakened significantly from \$1.51/£ in the first half of last year to an average of \$1.62/£ for the six months to 30th September 2003, which reduced reported group profit before tax for the half year by £2.8 million.

The group has significant operations in several euro-zone countries and in South Africa whose currencies have strengthened against sterling. The group benefited by £1.4 million from the translation of profits made in euros, mainly in Colours & Coatings, but the euro's strength had a negative impact on demand. The overall impact of the appreciation of the South African rand was broadly neutral since the products the group manufactures there are generally for export.

Interest

In the six months to 30th September 2003 the group's interest charge rose by £4.2 million to £8.5 million as a result of the increase in average net borrowings following the acquisition of Syntex in November 2002. Interest was slightly lower than the second half of last year reflecting the benefit of lower interest rates.

The group has adopted FRS 17, the new accounting standard for pensions, for the current financial year. Under FRS 17 the net return on retirement benefits assets and liabilities fell from £7.0 million in the first half of last year to £2.9 million in the six months to 30th September 2003. The drop reflects the fall in the value of the pension fund surplus last year as measured on 31st March 2003 when world equity markets were particularly depressed.

Taxation

The group's tax charge for the six month period rose by £0.2 million to £28.0 million. Before goodwill amortisation the average tax rate increased slightly from 29.7% to 29.9%.

Cash Flow

Johnson Matthey's net cash flow from operations was £142.4 million which was 23% up on last year. Capital expenditure was slightly higher than last year at £58.3 million which was 1.9 times depreciation, reflecting the group's continuing strategy of investing in its growth businesses. The rate of expenditure is planned to fall somewhat in the second half of the year.

Net cash flow was positive at £19.5 million. After taking into account favourable exchange translation, net borrowings fell by £22.6 million to £379.9 million. Shareholders' funds (restated for FRS 17) rose by £50.8 million to £850.7 million with gearing (net borrowings / shareholders' funds and minority interests) of 44%.

REPORT TO SHAREHOLDERS

Business Developments

Johnson Matthey continues to be the largest fabricator of platinum group metal (pgm) products in the world and has a distribution capability second to none. Our sales and marketing activities promote demand for existing and new pgm products worldwide. The use of platinum is expected to show significant growth over the next decade, with many of the new applications developed in Johnson Matthey's own laboratories.

The group continues to enjoy a close relationship with Anglo Platinum, the world's largest producer of platinum, a relationship which goes back over 70 years. With effect from 1st January 2004, we have renewed our long term contracts with Anglo Platinum, which will extend the relationship well into the next decade. Under the revised terms, group income will fall in the short term but will then grow as pgm sales increase over the lives of the contracts. At current pgm prices the immediate impact of the new contracts will be a reduction in income of roughly £1.5 million per quarter starting on 1st January 2004.

Elsewhere in Precious Metals Division the platinum fabrication business continues to prosper driven by increasing demand for medical components. To meet this increasing demand, in August 2003 the business moved to larger premises in San Diego with expanded production capacity.

Our Environmental Catalysts and Technologies (ECT) business continues to benefit from growth in the demand for heavy duty diesel aftertreatment technologies. In the first half, sales in Japan grew substantially as a result of an incentive scheme promoted by the Metropolitan Government of Tokyo to improve air quality in the city. Further schemes of this kind are under discussion in cities in many parts of the world. Meanwhile, regulations affecting the sale of new vehicles will be introduced in the USA in 2007 and in Europe in 2008 which will substantially increase the demand for catalytic devices for trucks and buses. Johnson Matthey has a number of joint development programmes with major engine makers and is already supplying production quantities of catalysts to these companies.

The acquisition of Syntex has led to a major expansion of our Process Catalysts and Technologies (PCT) business. PCT's catalyst business is focused largely on the process catalyst market where there are a wide range of diverse applications. Following the acquisition of Syntex from ICI in November 2002 PCT has been reorganised to create a fully integrated business focused on its major market segments.

There are a number of niche markets for process catalysts which have excellent growth prospects over the medium term. One of the largest potential new markets is catalysts for gas to liquids (GTL) applications. GTL technology is used to convert stranded natural gas into clean diesel fuel and other valuable products. We expect a steady growth in the number of new GTL plants being announced through the second half of this decade as the trend to ultra clean fuels gathers pace. The capital cost of each GTL facility is very high and the main steps in the process require large quantities of catalysts. Johnson Matthey already has leading technology in the development of these catalysts and is working with many of the world's major oil and gas companies to meet their process requirements. By 2010 the total market for catalysts for the GTL processes could be worth over US \$400 million p.a.

Our Pharmaceutical Materials Division continues to make good progress. The new morphine and codeine extraction facility at West Deptford has now been completed and commissioning has commenced. The new facility is on track to be in commercial production by the end of this financial year. We are building a new facility at Macfarlan Smith to produce a range of specialist products (mainly highly potent analgesics) which are difficult to manufacture and only sell in small volumes but attract high margins. This new facility should be in production in the first quarter of our next financial year.

REPORT TO SHAREHOLDERS

Over the last few years we have successfully restructured our Colours & Coatings Division and created a business which is among the most profitable in its industry. However the Structural Ceramics and Speciality Coatings sectors (which contributed roughly two thirds of the division's profits last year) have relatively little overlap with the rest of the Johnson Matthey group. Following a strategic review the Board has decided to invite offers for these two combined businesses. The remaining Decorative Precious Metals and Glass coatings businesses, which have close links to the group's other precious metals activities, will be retained and would be transferred to Precious Metals Division following a divestment of Structural Ceramics and Speciality Coatings.

Outlook

The outlook for the second half of the year is similar to the first with further growth expected in Catalysts and Pharmaceutical Materials. Results for Precious Metals will be impacted by the terms of the renewed contracts with Anglo Platinum which take effect on 1st January 2004.

The current weakness of the US dollar will have an adverse impact on exchange translation compared with the first half of this year. However, despite adverse currency movements we are confident that the group will achieve growth in earnings per share (before exceptional items and goodwill amortisation) and dividends for the full year.

The longer term outlook for Johnson Matthey remains very encouraging with significant growth opportunities in Catalysts, Fuel Cells and Pharmaceutical Materials while the renewed contracts with Anglo Platinum will underpin the longer term growth of Precious Metals Division.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the six months ended 30th September 2003

	Notes	Six months to				Year to
		30.9.03	30.9.03	30.9.02 Before goodwill amortisation restated £ million	30.9.02	31.3.03
		Before goodwill amortisation £ million	Total £ million	Total restated £ million	Total restated £ million	Total restated £ million
Turnover	3	2,164.7	2,164.7	2,246.6	2,246.6	4,323.9
Operating profit	5					
Before goodwill amortisation		102.9	102.9	91.0	91.0	188.7
Goodwill amortisation		-	(9.9)	-	(4.8)	(13.7)
Before exceptional items		102.9	93.0	91.0	86.2	175.0
Exceptional items		-	-	-	-	(7.4)
Group operating profit		102.9	93.0	91.0	86.2	167.6
Share of profit in associates		0.2	0.2	-	-	0.5
Share of exceptional items in associates		-	-	-	-	(0.2)
Total operating profit	5	103.1	93.2	91.0	86.2	167.9
Profit on sale of continuing operations		-	-	-	-	4.9
Profit on ordinary activities before interest		103.1	93.2	91.0	86.2	172.8
Net interest		(8.5)	(8.5)	(4.3)	(4.3)	(13.2)
Net return on retirement benefits assets and liabilities	6	2.9	2.9	7.0	7.0	13.9
Profit on ordinary activities before taxation		97.5	87.6	93.7	88.9	173.5
Taxation	7	(29.2)	(28.0)	(27.8)	(27.8)	(53.7)
Profit after taxation		68.3	59.6	65.9	61.1	119.8
Minority interests		0.9	0.9	(0.2)	(0.2)	0.4
Profit attributable to shareholders		69.2	60.5	65.7	60.9	120.2
Dividends	8	(17.9)	(17.9)	(17.0)	(17.0)	(55.5)
Retained profit		51.3	42.6	48.7	43.9	64.7
		pence	pence	restated pence	restated pence	restated pence
Earnings per ordinary share (EPS)						
Basic	9		27.8		28.1	55.4
Diluted	9		27.7		27.9	55.1
EPS before exceptional items and goodwill amortisation						
Basic	9	31.8		30.4		61.8
Diluted	9	31.7		30.1		61.4
Dividend per ordinary share	8	8.2	8.2	7.8	7.8	25.5

CONSOLIDATED BALANCE SHEET

as at 30th September 2003

Notes	30.9.03 £ million	30.9.02 restated £ million	31.3.03 restated £ million
Fixed assets			
Goodwill	364.2	176.3	373.4
Tangible fixed assets	622.1	500.0	601.1
Investments	6.0	2.2	6.4
	992.3	678.5	980.9
Current assets			
Stocks	444.4	397.6	438.4
Debtors	356.5	326.9	365.8
Short term investments	16.8	15.8	15.3
Cash at bank and in hand	76.7	89.1	100.4
	894.4	829.4	919.9
Creditors: Amounts falling due within one year			
Borrowings and finance leases	(64.0)	(85.4)	(46.5)
Precious metal leases	(121.1)	(122.1)	(128.0)
Other creditors	(383.8)	(321.6)	(388.3)
	325.5	300.3	357.1
Net current assets			
	1,317.8	978.8	1,338.0
Total assets less current liabilities			
Creditors: Amounts falling due after more than one year			
Borrowings and finance leases	(392.6)	(153.1)	(456.4)
Other creditors	(0.6)	(0.5)	(0.6)
Provisions for liabilities and charges	(39.4)	(38.5)	(48.0)
Net assets excluding retirement benefits assets and liabilities			
Retirement benefits net assets	6 3.3	78.6	3.6
Retirement benefits net liabilities	6 (28.2)	(15.5)	(25.9)
Net assets including retirement benefits assets and liabilities			
	860.3	849.8	810.7
Capital and reserves			
Called up share capital	220.4	219.3	219.5
Share premium account	136.0	131.1	131.8
Capital redemption reserve	4.9	4.9	4.9
Associates' reserves	-	(0.3)	0.1
Profit and loss account	489.4	491.3	443.6
Shareholders' funds			
	850.7	846.3	799.9
Minority interests	9.6	3.5	10.8
	860.3	849.8	810.7

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30th September 2003

	Six months to 30.9.03 £ million	30.9.02 restated £ million	Year to 31.3.03 restated £ million
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	93.0	86.2	167.6
Depreciation and amortisation charges	41.0	29.9	68.1
(Profit) / loss on disposal of tangible fixed assets and investments	(0.9)	(0.1)	0.5
Pension contributions less than / (in excess of) operating charge	6.1	8.7	(6.7)
Increase in owned stocks	(13.7)	(3.6)	(7.7)
(Increase) / decrease in debtors	(1.1)	(1.6)	13.9
Increase / (decrease) in creditors and provisions	18.0	(3.8)	(5.8)
Net cash inflow from operating activities	142.4	115.7	229.9
Cash Flow Statement			
Net cash inflow from operating activities	142.4	115.7	229.9
Dividends received from associates	–	–	0.1
Returns on investments and servicing of finance	(8.1)	(4.7)	(13.4)
Taxation	(19.5)	(18.7)	(42.4)
Capital expenditure and financial investment	(62.4)	(58.3)	(124.7)
Acquisitions	2.2	0.1	(271.2)
Disposals	–	0.9	22.4
Equity dividends paid	(38.6)	(37.1)	(54.0)
Net cash flow before use of liquid resources and financing	16.0	(2.1)	(253.3)
Management of liquid resources	10.5	12.3	1.0
Financing			
Issue and purchase of share capital	3.5	1.7	2.8
(Decrease) / increase in borrowings and finance leases	(63.5)	2.4	259.7
Net cash (outflow) / inflow from financing	(60.0)	4.1	262.5
(Decrease) / increase in cash in the period	(33.5)	14.3	10.2
Reconciliation of net cash flow to movement in net debt			
(Decrease) / increase in cash in the period	(33.5)	14.3	10.2
Cash outflow / (inflow) from movement in borrowings and finance leases	63.5	(2.4)	(259.7)
Cash inflow from movements in liquid resources	(10.5)	(12.3)	(1.0)
Change in net debt resulting from cash flows	19.5	(0.4)	(250.5)
Borrowings acquired with subsidiaries	–	–	(0.4)
Loans notes cancelled / (issued) to acquire subsidiaries	1.1	(6.8)	(6.8)
Translation difference	2.0	16.8	14.2
Movement in net debt in period	22.6	9.6	(243.5)
Net debt at beginning of period	(402.5)	(159.0)	(159.0)
Net debt at end of period	(379.9)	(149.4)	(402.5)

TOTAL RECOGNISED GAINS AND LOSSES

for the six months ended 30th September 2003

	Six months to 30.9.03	30.9.02 restated £ million	Year to 31.3.03 restated £ million
	£ million		
Profit attributable to shareholders	60.5	60.9	120.2
Currency translation differences on foreign currency net investments and related loans	(2.7)	(23.9)	(3.8)
Taxation on translation differences on foreign currency loans	5.8	10.2	8.3
Actuarial loss on retirement benefits schemes	–	–	(133.6)
Taxation on actuarial loss on retirement benefits schemes	–	–	41.9
Total recognised gains and losses relating to the period	63.6	47.2	33.0
Prior year adjustment	(95.7)		
Total gains and losses recognised since last annual report	(32.1)		

MOVEMENT IN SHAREHOLDERS' FUNDS

for the six months ended 30th September 2003

	Six months to 30.9.03	30.9.02 restated £ million	Year to 31.3.03 restated £ million
	£ million		
Profit attributable to shareholders	60.5	60.9	120.2
Dividends	(17.9)	(17.0)	(55.5)
Retained profit	42.6	43.9	64.7
Other recognised gains and losses relating to the period	3.1	(13.7)	(87.2)
New share capital subscribed	5.1	3.5	4.4
Goodwill written back on set up of AGR Matthey	–	–	5.4
Net movement in shareholders' funds	50.8	33.7	(12.7)
Opening shareholders' funds (originally £895.6 million before prior year adjustment of £95.7 million)	799.9	812.6	812.6
Closing shareholders' funds	850.7	846.3	799.9

NOTES ON THE ACCOUNTS

for the six months ended 30th September 2003

1 Basis of preparation

The interim accounts were approved by the Board of Directors on 25th November 2003, and are unaudited but have been reviewed by the auditors. They do not constitute statutory accounts, but have been prepared on the basis of the accounting policies set out in the annual report for the year ended 31st March 2003, with the exception of the implementation of Financial Reporting Standard (FRS) 17 – ‘Retirement Benefits’ as described in note 2. Information in respect of the year ended 31st March 2003 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 accounts was unqualified and did not contain any statement under 237(2) and 237(3) of the Companies Act 1985.

2 FRS 17 – ‘Retirement Benefits’

Under the provisions of FRS 17 – ‘Retirement Benefits’, which the group adopted on 1st April 2003, the group has restated its accounts to reflect the revised recognition of its retirement benefits schemes and the resultant changes to deferred tax and amounts recognised in the profit and loss account and statement of recognised gains and losses. Consequently, the group has restated its comparatives for the six months to 30th September 2002 and the year to 31st March 2003. The effect is to decrease the profit after taxation by £0.9 million in the six months to 30th September 2002 and by £1.8 million in the year to 31st March 2003. The group’s net assets at 30th September 2002 have decreased by £2.1 million and at 31st March 2003 by £95.7 million.

3 Group turnover

Activity analysis

	Six months to 30.9.03 £ million	30.9.02 £ million	Year to 31.3.03 £ million
Catalysts	593.3	526.1	1,083.4
Precious Metals	1,380.0	1,522.6	2,857.1
Colours & Coatings	126.7	131.6	255.7
Pharmaceutical Materials	64.7	66.3	127.7
	2,164.7	2,246.6	4,323.9

Geographical analysis by origin

	Six months to 30.9.03 £ million	30.9.02 £ million	Year to 31.3.03 £ million
Europe	1,533.4	1,491.6	2,964.7
North America	499.9	576.8	1,082.2
Asia	394.3	488.4	844.7
Rest of the World	119.3	129.6	234.2
	2,546.9	2,686.4	5,125.8
Less inter-segment sales	(382.2)	(439.8)	(801.9)
	2,164.7	2,246.6	4,323.9

NOTES ON THE ACCOUNTS

for the six months ended 30th September 2003

4 Total turnover excluding the value of precious metals

Activity analysis	Six months to		Year to 31.3.03 £ million
	30.9.03 £ million	30.9.02 £ million	
Catalysts	379.9	299.3	652.5
Precious Metals	59.1	69.0	132.0
Colours & Coatings	125.1	130.2	252.5
Pharmaceutical Materials	61.0	63.6	121.9
	625.1	562.1	1,158.9

5 Total operating profit

Activity analysis	Six months to		Year to 31.3.03 restated £ million
	30.9.03 £ million	30.9.02 restated £ million	
Catalysts	56.5	44.0	95.3
Precious Metals	21.9	24.2	48.0
Colours & Coatings	11.8	11.6	25.3
Pharmaceutical Materials	20.7	19.1	36.7
Corporate	(7.8)	(7.9)	(16.1)
	103.1	91.0	189.2
Goodwill amortisation	(9.9)	(4.8)	(13.7)
Exceptional items included in total operating profit	-	-	(7.6)
	93.2	86.2	167.9

Geographical analysis	Six months to		Year to 31.3.03 restated £ million
	30.9.03 £ million	30.9.02 restated £ million	
Europe	39.0	25.7	59.3
North America	36.7	44.3	87.3
Asia	12.3	6.1	12.4
Rest of the World	15.1	14.9	30.2
	103.1	91.0	189.2
Goodwill amortisation	(9.9)	(4.8)	(13.7)
Exceptional items included in total operating profit	-	-	(7.6)
	93.2	86.2	167.9

NOTES ON THE ACCOUNTS

for the six months ended 30th September 2003

6 Retirement benefits assets and liabilities

Net return	Six months to		Year to 31.3.03 restated £ million
	30.9.03 £ million	30.9.02 restated £ million	
Expected return on scheme assets	18.8	23.3	46.4
Interest on scheme liabilities	(15.9)	(16.3)	(32.5)
	2.9	7.0	13.9

Pension fund assets and liabilities

Under FRS 17 the net assets of the group's retirement benefits schemes which are in surplus and the net liabilities of the schemes which are in deficit are shown separately in the balance sheet. At 31st March 2003 the group's UK defined benefit pension schemes held assets with a market value of £478.3 million and had a net surplus, after tax, of £2.6 million. The group's other main pension schemes are in the USA. At 31st March 2003 these schemes held assets with a market value of £54.5 million and had a net deficit of £9.1 million. The group also operates schemes for post-retirement medical benefits (now closed to new members) which are unfunded and had net liabilities of £15.6 million at 31st March 2003.

7 Taxation

	Six months to		Year to 31.3.03 restated £ million
	30.9.03 £ million	30.9.02 restated £ million	
United Kingdom	12.1	10.5	22.6
Overseas	17.1	17.3	33.8
Tax on ordinary activities before exceptional items and goodwill amortisation	29.2	27.8	56.4
Tax on goodwill amortisation	(1.2)	–	(0.7)
Tax on exceptional items included in total operating profit	–	–	(2.0)
	28.0	27.8	53.7

8 Dividends

An interim dividend of 8.2 pence per ordinary share will be paid on 4th February 2004 to shareholders on the register at the close of business on 5th December 2003.

NOTES ON THE ACCOUNTS

for the six months ended 30th September 2003

9 Earnings per ordinary share

The calculation of earnings per ordinary share is based on a weighted average of 217,587,885 shares in issue (six months to 30th September 2002 – 216,714,951 shares, year to 31st March 2003 – 216,938,883). 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.

Before exceptional items, goodwill amortisation and the tax thereon, basic earnings per ordinary share were 31.8 pence (six months to 30th September 2002 restated – 30.4 pence, year to 31st March 2003 restated – 61.8 pence) and diluted earnings per ordinary share were 31.7 pence (six months to 30th September 2002 restated – 30.1 pence, year to 31st March 2003 restated – 61.4 pence).

10 Synetix

The group acquired the Synetix division of ICI in the year to 31st March 2003 and the estimated goodwill disclosed in those accounts was £191.4 million. This has been restated to £195.7 million following the implementation of FRS 17. Goodwill has now been revised to £198.5 million due to a further fair value adjustment to the estimated realisable value of debtors.

INDEPENDENT REVIEW REPORT

by KPMG Audit Plc to Johnson Matthey Plc

Introduction

We have been instructed by the company to review the financial information set out on pages 10 to 17 and 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 of the Financial Services Authority 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 2003.

KPMG Audit Plc

Chartered Accountants

London

25th November 2003

FINANCIAL CALENDAR

2003

3rd December

Ex dividend date

5th December

Interim ordinary dividend record date

2004

4th February

Payment of interim dividend on ordinary shares

3rd June

Announcement of results for the year ending 31st March 2004

20th July

113th Annual General Meeting

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