

# News Release

Thursday 31<sup>st</sup> May 2018, 7.00 am

Preliminary results for the year ended 31<sup>st</sup> March 2018

## A year of significant progress against our strategy with performance in line with expectations

### Robert MacLeod, Chief Executive, commented:

*"We had a good year. We have made significant progress in executing our strategy and delivered a financial performance in line with our expectations at the start of the year.*

*Clean Air had another strong year, delivering strong top and bottom line growth. We improved the quality of our Efficient Natural Resources business and in Health we continued to progress our substantial API pipeline and are better positioned as we optimise our manufacturing footprint. The further development of eLNO™, our next generation battery material, was a highlight of the year and I am excited about the speed of progress we are making and the plans we have to commercialise this product.*

*We have taken significant steps in running our businesses more effectively, delivering cost savings and becoming more agile and responsive to our customers. Our strong balance sheet continues to give us the flexibility to invest in our business, to maintain and extend our science and technology leadership supported by an optimised manufacturing footprint.*

*We are proposing an increase in the final dividend of 7%, reflecting our confidence in the prospects of Johnson Matthey.*

*In the coming year we expect mid to high single digit growth in operating performance. The changes we are making as we continue to develop our business give me confidence in our strategy to deliver, over the medium term, mid to high single digit EPS CAGR, expanding ROIC to 20% and, as a result, a progressive dividend."*

Reported results		Year ended 31 <sup>st</sup> March		%	
		2018	2017	change	
Revenue	£ million	14,122	12,031	+17	
Operating profit	£ million	359	493	-27	
Profit before tax (PBT)	£ million	320	462	-31	
Earnings per share (EPS)	pence	155.2	201.2	-23	
Ordinary dividend per share	pence	80.0	75.0	+7	

  

Underlying <sup>1</sup> performance		Year ended 31 <sup>st</sup> March		% change,	
		2018	2017	% change	constant rates <sup>2</sup>
Sales excluding precious metals (Sales)	£ million	3,846	3,578	+8	+7
Operating profit	£ million	525	513	+2	-
Profit before tax	£ million	486	482	+1	-1
Earnings per share	pence	208.4	209.1	-	

## Underlying performance

- Sales grew 7% at constant rates<sup>2</sup>, slightly ahead of our expectations with 8% growth in the second half
- Underlying operating profit was flat at constant rates, impacted by the US post-retirement medical plan credit in the prior period. Excluding this, operating profit grew 4%<sup>3</sup>
- Underlying EPS was flat as translational FX benefits were offset by higher net finance charges and a higher underlying tax rate
- Free cash flow of £136 million (2016/17: £230 million) was impacted by the expected working capital outflow
- Average working capital days excluding precious metals reduced by 7 days for the year to 62 days
- Return on invested capital (ROIC) decreased from 18.2% to 16.4%, mainly due to an increase in the UK pension fund asset and higher precious metal working capital through the year
- Strong balance sheet with net debt of £679 million; net debt (including post tax pension deficits) to EBITDA of 1.1 times

## By sector

- In **Clean Air** we delivered strong sales growth (+9%) as both Heavy Duty Diesel (HDD) sales and Light Duty sales were ahead of global vehicle production; we held margin flat
- Good sales growth (+4%) in **Efficient Natural Resources**. Operating profit was lower, as anticipated, due to lower licensing income and destocking to make our business more efficient
- Good sales growth (+6%) in **Health**. We are implementing our strategy to optimise our manufacturing footprint, although the associated costs led to lower operating profit in the year
- **New Markets** made significant progress in developing our market leading enhanced lithium nickel oxide ('eLNO') product and our strategy to commercialise this product

## Reported results

- Reported revenue was up 17% primarily driven by higher precious metal prices
- Reported operating profit of £359 million. This includes major impairment and restructuring charges of £90 million (see page 17 for details) and a £50 million charge relating to a legal settlement as announced in February 2018
- Reported EPS was therefore down 23%, reflecting the lower operating profit, partly offset by a £24 million tax credit in relation to the change in US tax legislation
- Cash inflow from operating activities of £386 million
- Recommended final dividend up 7% to 58.25 pence reflecting continued confidence in our prospects

## Outlook for the year ending 31<sup>st</sup> March 2019

- We expect growth in operating performance at constant rates to be in line with our medium term guidance of mid to high single digit growth
- We expect the second half performance to be stronger mainly reflecting our normal seasonality
- At current foreign exchange rates (£:\$ 1.354, £:€ 1.143, £:RMB 8.62), translational foreign exchange movements for the year ending 31<sup>st</sup> March 2019 are expected to adversely impact sales and underlying operating profit by £41 million and £6 million respectively

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## Notes:

1. Underlying is before amortisation of acquired intangibles, major impairment and restructuring charges, profit or loss on disposal of businesses, gain or loss on significant legal proceedings together with associated legal costs, significant tax rate changes and, where relevant, related tax effects. For reconciliation see note 4 on page 28
  2. Unless otherwise stated, sales and operating profit commentary refers to performance at constant rates. Growth at constant rates excludes the translation impact of foreign exchange movements, with 2016/17 results converted at 2017/18 average exchange rates
  3. See page 18 for further details of performance excluding the 2016/17 US post-retirement medical plan credit
- For definitions and reconciliations of other non-GAAP measures see page 32  
eLNO is a trademark of the Johnson Matthey group of companies

## Progress on our strategy

Our strategy will deliver sustained growth and value creation through the application of our science to solve customers' complex problems for a cleaner, healthier world. This is underpinned by:

- Sustained leadership in growing, high margin technology driven markets
- Targeted investment in R&D which accelerates growth
- Relentless focus on operational excellence

This strategy will deliver sustained growth in Clean Air, market leading growth in Efficient Natural Resources and break out growth in Health and Battery Materials. Over the medium term, it will deliver:

- Mid to high single digit EPS CAGR
- Expanding group ROIC to 20%
- Progressive dividend

### Sustained growth in Clean Air

Our strategy in Clean Air provides clear visibility of sustained growth over the next decade, as we help solve the challenges of air quality across the world. Share gains in Europe and tighter legislation across the world, particularly in Europe and China, will deliver mid single digit sales CAGR.

In the year our progress against this strategy includes:

- Remaining on track to move to c.65% share of Light Duty diesel in Europe
- Increased efficiency of our manufacturing footprint and processes to deliver a broadly stable margin in 2018/19, overcoming additional costs from serving the significant share gains
- Already secured the majority of expected platform wins in China to help customers meet China 6/VI legislation and approved a new plant to meet this demand

### Market leading growth in Efficient Natural Resources

Our strategy for Efficient Natural Resources is to leverage our market leading technology through focused resource allocation to outperform in selected, higher growth segments. Increased operational efficiency will enhance performance to deliver profit growth ahead of sales growth.

In the year our progress against this strategy includes:

- Completing a review and starting to simplify our product and customer portfolio to help deliver profit growth above sales growth
- Destocking to reduce inventory levels to improve working capital management
- Restructuring programme delivering cost savings

### Break out growth in Health

Our Health strategy will deliver break out growth as we benefit from the commercialisation of our pipeline of new generic products. This pipeline is expected to deliver operating profit of around £100 million by 2025 driving margin for the sector to the high 20%s.

In the year our progress against this strategy includes:

- Jason Apter appointed Sector Chief Executive in March 2018 to execute our strategy
- Announced the closure of our bulk quantity manufacturing plant in Riverside, US as we focus on complex, high value, low volume APIs
- Continued development of our plant in Annan, UK as we optimise our manufacturing footprint
- R&D investment in our pipeline of new generic API products. This pipeline remains on track and has progressed well in the year

### **Break out growth in Battery Materials**

Our strategy in Battery Materials will deliver break out growth as we commercialise our eLNO battery materials. eLNO is a leading ultra-high energy density next generation material, competing with future materials such as NMC 811. It enables the rapid development of pure battery electric vehicles.

In the year our progress against this strategy includes:

- Stepped up R&D investment to continue eLNO's technology leadership
- Further testing of our material by customers with continued positive feedback. Our focus is on targeting large, multinational automotive and cell OEMs who will play an active role in specifying cathode materials and will benefit most from the material's leading characteristics
- Developed plans to build a demonstration scale plant in the UK, with an increased capacity of 1,000 tonnes compared to our original plans for 500 tonnes of capacity
- Developed plans to build our first customer application centre
- On track for the design and construction of our first commercial plant to start production in 2021/22. This plant will be located in Europe in line with the development of its supply chain

### **Relentless focus on operational excellence**

Growth from our sector strategies is supported by a relentless focus on operational excellence across the whole group.

In the year our progress against this strategy includes:

- £12 million of cost savings from our restructuring programme in 2017/18 with a further £13 million to benefit 2018/19
- The optimisation of our manufacturing footprint in Health which will deliver a small net benefit in 2018/19
- Accelerated the roll out of our global procurement process. We have identified new opportunities to now deliver £60 million of savings (previously £50 million), of which three quarters will benefit the income statement, over the next three years. We are progressing ahead of schedule, having already secured our first £13 million of savings to benefit 2018/19
- Started our Commercial Excellence programme which will focus on improving commercial capability across the group, enhancing our ability to make value based data driven decisions
- Continued investment in upgrading our core IT systems, a key enabler of reduced complexity across the group and making us more agile and responsive to our customers
- Reduced average working capital days excluding precious metals by 7 days for the year to 62 days

## Summary of operating results

Unless otherwise stated, commentary refers to performance at constant rates. Percentage changes in the tables are calculated on unrounded numbers

Sales (£ million)	Year ended 31 <sup>st</sup> March		% change	% change, constant rates
	2018	2017 restated		
Clean Air	2,454	2,224	+10	+9
Efficient Natural Resources	956	919	+4	+4
Health	247	236	+5	+6
New Markets	312	308	+1	-2
Eliminations	(123)	(109)		
<b>Sales</b>	<b>3,846</b>	<b>3,578</b>	<b>+8</b>	<b>+7</b>

Underlying operating profit (£ million)	Year ended 31 <sup>st</sup> March		% change	% change, constant rates
	2018	2017 restated		
Clean Air	349	318	+10	+7
Efficient Natural Resources	158	163	-3	-4
Health	44	52	-14	-13
New Markets	17	12	+37	+34
Corporate	(43)	(32)		
<b>Underlying operating profit</b>	<b>525</b>	<b>513</b>	<b>+2</b>	<b>-</b>

The underlying operating profit growth for the year was impacted by the comparison against a one-off gain of £17 million mainly following the implementation of an inflation cap on the US post-retirement medical benefit (PRMB) plan. See page 18 for further detail.

Reconciliation of underlying operating profit to operating profit (£ million)	Year ended 31 <sup>st</sup> March	
	2018	2017
Underlying operating profit	525	513
Amortisation of acquired intangibles	(19)	(20)
Major impairment and restructuring charges <sup>1</sup>	(90)	-
Loss on disposal of businesses <sup>1</sup>	(7)	-
Loss on significant legal proceedings <sup>1</sup>	(50)	-
<b>Operating profit</b>	<b>359</b>	<b>493</b>

<sup>1</sup>For further detail on these items please see pages 16 and 17

## Second half performance

Sales (£ million)	H2		% change	% change, constant rates
	2017/18	2016/17 restated		
Clean Air	1,260	1,170	+8	+11
Efficient Natural Resources	498	499	-	+3
Health	128	126	+1	+6
New Markets	169	164	+3	+4
Eliminations	(62)	(57)		
<b>Sales</b>	<b>1,993</b>	<b>1,902</b>	<b>+5</b>	<b>+8</b>

Higher sales growth in the second half was led by stronger growth in Clean Air and New Markets. In Clean Air, Light Duty Europe grew by 3% in the second half following a small decline in the first half. New Markets returned to growth in the second half led by the phasing of orders for Battery Systems. Sales growth in Efficient Natural Resources and Health was broadly the same in both halves of the year.

Underlying Operating Profit (£ million)	H2		% change	% change, constant rates
	2017/18	2016/17 restated		
Clean Air	182	167	+9	+11
Efficient Natural Resources	88	90	-2	-
Health	22	31	-27	-23
New Markets	8	7	+3	+16
Corporate	(25)	(18)		
<b>Underlying Operating Profit</b>	<b>275</b>	<b>277</b>	<b>-1</b>	<b>+2</b>

As expected, operating profit was slightly up in the second half. This was lower than sales growth mainly due to a decline in profitability in Health and higher corporate costs. In Health, we incurred costs associated with the optimisation of our manufacturing footprint. As expected, corporate costs increased due to higher legal costs and additional spend on central programmes to deliver operational excellence and efficiency across the group.

## Additional Information

**Group structure:** Johnson Matthey announced changes to the group structure effective 1<sup>st</sup> April 2017. These results are shown on the new basis.

**Sector conference call:** We will hold the next in an ongoing series of conference calls on 13<sup>th</sup> July 2018 with John Walker, Sector Chief Executive, Clean Air. Further details will be announced shortly.

## Operating results by sector

### Clean Air

#### Strong sales growth led by double digit growth in HDD catalysts in every region

- Light Duty Europe sales were flat but with a stronger second half. Very strong growth in gasoline offset by a decline in diesel
- Light Duty Americas sales growth ahead of vehicle production driven by a favourable mix
- Light Duty Asia sales growth ahead of vehicle production helped by higher substrate content
- Sales of HDD catalysts were strong across the board and ahead of truck production, helped by a strong Class 8 market, ramp up of business wins in Europe and strong production growth in Asia
- Excluding the US post-retirement medical benefit plan credit in the prior period, operating profit grew by 9% with margin improving by 0.2 percentage points to 14.2%

	Year ended 31 <sup>st</sup> March 2018 £ million	2017 restated £ million	% change	% change, constant rates
<b>Sales</b>				
LDV Europe	855	828	+3	-
LDV Asia	351	338	+4	+4
LDV Americas	358	334	+7	+9
<b>Total Light Duty Vehicle Catalysts</b>	<b>1,564</b>	<b>1,500</b>	<b>+4</b>	<b>+3</b>
HDD Americas	395	330	+20	+22
HDD Europe	320	259	+23	+20
HDD Asia	131	93	+40	+42
<b>Total Heavy Duty Diesel Catalysts</b>	<b>846</b>	<b>682</b>	<b>+24</b>	<b>+24</b>
Other – stationary	44	42	+7	+6
<b>Total sales</b>	<b>2,454</b>	<b>2,224</b>	<b>+10</b>	<b>+9</b>
<b>Underlying operating profit</b>	<b>349</b>	<b>318</b>	<b>+10</b>	<b>+7</b>
<b>Margin</b>	<b>14.2%</b>	<b>14.3%</b>		
Margin excl. PRMB	14.2%	14.0%		
<b>Return on invested capital (ROIC)</b>	<b>30.8%</b>	<b>30.7%</b>		

## Estimated LDV sales and production (number of light duty vehicles)\*

		Year ended 31 <sup>st</sup> March 2018 millions	2017 millions	% change
North America	Sales	20.8	21.1	-1
	Production	17.0	17.9	-5
Total Europe	Sales	20.7	20.2	+3
	Production	22.3	21.8	+2
Asia	Sales	44.1	43.1	+2
	Production	49.3	48.4	+2
Global	Sales	93.6	92.3	+1
	Production	94.6	93.3	+1

## Estimated HDD truck sales and production (number of trucks)\*

		Year ended 31 <sup>st</sup> March 2018 thousands	2017 thousands	% change
North America	Sales	540	479	+13
	Production	540	457	+18
Total Europe	Sales	457	425	+7
	Production	593	565	+5
Asia	Sales	2,019	1,650	+22
	Production	2,092	1,710	+22
Global	Sales	3,112	2,633	+18
	Production	3,321	2,801	+19

\*Source: LMC Automotive

### **Light Duty Vehicle (LDV) Catalysts**

Our LDV Catalyst business provides catalysts for cars and other light duty vehicles powered by gasoline and diesel. The business grew ahead of global vehicle production.

In Europe, where diesel accounts for approximately 80% of our LDV business, we maintained sales as significant growth in gasoline offset slightly lower sales in diesel.

Sales of diesel catalysts were down 4%, mainly reflecting the impact of lower substrate costs which are passed through directly to customers. Volume and sales growth excluding substrate were down 1%, broadly in line with market production which was flat year on year. One customer delayed a diesel platform launch from December 2017 to March 2018, which has affected the phasing of our share gains though we remain on track to reach c.65% by March 2019.

In Western Europe, diesel accounted for 42% of new car sales in 2017/18 compared with 49% in the last financial year. Light duty commercial vehicles remain overwhelmingly diesel today. When these are included the overall share of diesel sales in Western Europe was 48% for 2017/18, compared with 54% in 2016/17. Diesel's proportion of new car sales has continued to decline and in April 2018 represented 37% of sales. These trends do not change our assumptions of a diesel share of around 25% of total light duty vehicles and 20% of cars by 2025.

Across Europe, production of diesel light duty vehicles for 2017/18 was 10.1 million out of a total of 22.3 million, representing 45%. For 2016/17, 10.1 million diesel light duty vehicles were produced out a total of 21.8 million, representing 46%.



Sales of catalysts for gasoline vehicles were up 23%, well ahead of the 4% growth in market production. We achieved volume growth ahead of market production and saw an improved sales mix as we applied our science to help customers with solutions for larger and more complex platforms.

As we have outlined, our growth in LDV Europe will be driven, in both diesel and gasoline, by a combination of share gains and increasing value per catalyst over the next few years.

Sales in our Asia LDV catalyst business also grew ahead of market production driven by higher substrate content in China, which is passed directly to customers. Excluding substrate, our sales in Asia were flat.

Sales in our Americas LDV catalyst business grew well ahead of market production led by significant growth in sales of catalysts for diesel platforms, which have a higher value.

### **Heavy Duty Diesel (HDD) Catalysts**

Our HDD business provides catalysts for trucks, buses and non-road equipment. The business had a very strong year, growing significantly ahead of market production in Europe and Asia and benefiting from strong production growth in the Americas, particularly for large (Class 8) trucks.

Our Americas HDD catalyst business saw very strong growth of 22% led by the continued recovery of the Class 8 truck market. Sales of catalysts for Class 8 trucks were in line with the 30% growth in production over the year. We expect the current high levels of production to continue until the end of the 2018 calendar year with year-on-year growth slowing significantly as it laps a higher base. Catalyst sales to smaller Class 4 to 7 trucks grew slightly.

Our European HDD catalyst business continued to outperform, growing sales by 20% in a market with only a 5% increase in truck production. This outperformance was driven by the ramp up of production from business wins in the last financial year and a continued increase in the proportion of our sales related to higher value products, both coated and extruded.

Our Asian HDD catalyst business continues to grow rapidly from a small base. Sales in China increased by more than 50%, led by high levels of truck production as the impact of loading limits continued to push demand for more trucks and an increase in the catalyst value per vehicle.

### **Operating profit**

Operating profit grew by 7% and margin was broadly maintained. Excluding the US post-retirement medical benefit plan credit in the prior period, margin improved by 0.2 percentage points. Margin was negatively impacted by an adverse platform mix in European Light Duty but this was more than offset by benefits from transactional FX and from operational gearing in our Americas HDD business given the strong sales growth.

### **ROIC**

Return on invested capital was maintained at 30.8%.

### **Outlook**

Clean Air is expected to deliver a strong 2018/19 as significant share gains in Light Duty Europe come through. We will mitigate the additional costs from serving these share gains through increased efficiency in our manufacturing footprint and processes. We had previously expected that margin would be negatively impacted by up to one percentage point but we now expect to maintain margin in 2018/19.

## Efficient Natural Resources

### Good sales growth with efficiencies driving margin improvement in the second half

- Sales growth driven by strong demand for catalyst refills and growth in Pgm (Platinum group metal) Services partly offset by the expected significant decline in licensing income
- Excluding the US post-retirement medical benefit plan credit in the prior period, operating profit declined 2% and margin was only 0.7 percentage points lower at 16.5% despite the significant decline in licensing experienced in the year
- We are starting to see the benefits of actions we have taken, including restructuring, destocking and product rationalisation, to improve the quality of the business

	Year ended 31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017 restated	% change	% change, constant rates
	£ million	£ million		
<b>Sales</b>				
Catalyst Technologies	564	542	+4	+3
Pgm Services	253	234	+8	+9
Advanced Glass Technologies	82	85	-4	-6
Diagnostic Services	57	58	-2	-2
<b>Total sales</b>	<b>956</b>	<b>919</b>	<b>+4</b>	<b>+4</b>
<b>Underlying operating profit</b>	<b>158</b>	<b>163</b>	<b>-3</b>	<b>-4</b>
<b>Margin</b>	<b>16.5%</b>	<b>17.7%</b>		
Margin excl. PRMB	16.5%	17.2%		
<b>Return on invested capital (ROIC)</b>	<b>12.0%</b>	<b>13.4%</b>		

### Catalyst Technologies

Sales in our Catalyst Technologies business, which licenses technology and manufactures speciality catalysts and additives for the chemicals and oil and gas industry, grew 3%. Excluding licensing, the business grew strongly, outperforming its markets in aggregate.

As expected we saw a significant decline in licensing income. Licensing activity remained subdued with limited new plant builds, especially for the technologies we license. We do not anticipate any further decline in the business and whilst we see some early signs of improved activity in certain markets (e.g. methanol), we do not expect a material recovery in licensing income in the near term.

Sales of catalyst first fills were stable, supported in the second half by the increased activity in methanol driven by increased industry capacity coming on stream.

Growth was led by high single digit sales growth in refill catalysts and additives. Sales of refill catalysts to ammonia plants were strong, with customers having delayed turnarounds in 2016/17. Additives sales also grew strongly, mainly driven by deteriorating feed quality which resulted in increased demand for environmental additives to remove SO<sub>x</sub> (oxides of sulphur) impurities. Sales of refill catalysts to methanol and hydrogen plants were lower due to the cyclicity of our customers' orders.

### ***Pgm Services***

Sales in Pgm Services increased 9%. Our Pgm Refining and Recycling business benefited from higher pgm prices with average palladium and rhodium prices up 39% and 79% respectively, while platinum prices decreased 6%, compared to 2016/17. Volumes were up, supported by good demand for refining of autocatalyst scrap in North America, driven in part by higher metal prices. Our precious metal management activities benefited from the volatility in the precious metal prices over the year.

Sales of chemical products also grew strongly, supported by growth in our Clean Air sector, which uses pgm materials in its catalyst products. Sales of industrial products containing pgms were down in the year as the business focused on rationalising its product portfolio.

### ***Advanced Glass Technologies***

Sales in our Advanced Glass Technologies business, which primarily provides black obscuration enamels and silver paste for automotive glass applications, declined despite a slight increase in global car production. The decline was principally due to destocking in the supply chain in China following a build-up of inventory at the end of the 2016 calendar year.

### ***Diagnostic Services***

Sales in Diagnostic Services were broadly flat as increased activity in the global reservoir market, leading to higher sales of our tracer technologies, was offset by lower equipment sales.

### **Operating profit**

As expected, operating profit and margin declined. Excluding the US post-retirement medical benefit plan credit in the prior period, margin was down by 0.7 percentage points. In line with our strategy, we made significant progress in improving the efficiency and quality of our business. This came with some additional costs in the period, principally in relation to destocking. Additionally, as expected, licensing income was significantly down. These more than offset the benefit of higher precious metal prices, transactional FX and the delivery of the expected cost savings.

### **ROIC**

Return on invested capital declined 1.4 percentage points to 12.0% impacted by higher precious metal working capital especially through the second half. This was driven by increased precious metals prices and reduced liquidity in these markets.

### **Outlook**

In 2018/19, we expect slight sales growth and we will continue to improve the quality of our business as we focus our resources on areas of higher future growth. Operating profit will grow ahead of sales. In addition, we will also benefit from £7 million of cost savings in relation to the restructuring programme started in 2017/18.

## Health

### Good sales growth but operating profit impacted by inefficiencies in manufacturing

- Sales growth driven by active pharmaceutical ingredients (APIs) for innovators and non-controlled generics, but partly offset by lower sales of controlled generic APIs
- Excluding the US post-retirement medical benefit plan credit in the prior period, operating profit declined 9% and margin was 2.9 percentage points lower at 18.0% as the benefits of improved pricing and increased profit shares were more than offset by higher manufacturing costs
- As we build our platform for break out growth, we started to optimise our manufacturing footprint, including developing our new plant in Annan, UK, and announcing the closure of our Riverside, US plant. This optimisation has associated costs in the short term including higher operating costs in Annan and inventory write downs as we drive efficiency across sites

	Year ended 31 <sup>st</sup> March 2018	2017 restated	% change	% change, constant rates
	£ million	£ million		
<b>Sales</b>				
Generics	173	174	-	+1
Innovators	74	62	+19	+20
<b>Total sales</b>	<b>247</b>	<b>236</b>	<b>+5</b>	<b>+6</b>
<b>Underlying operating profit</b>	<b>44</b>	<b>52</b>	<b>-14</b>	<b>-13</b>
<b>Margin</b>	<b>18.0%</b>	<b>21.9%</b>		
Margin excl. PRMB	18.0%	20.9%		
<b>Return on invested capital (ROIC)</b>	<b>8.4%</b>	<b>10.5%</b>		

### Generics

In our Generics business, where we develop and manufacture generic APIs for a variety of treatments, sales were flat with a mixed performance in the business.

Sales of controlled APIs were down. Our speciality opiate sales grew strongly led by customer orders ahead of an anticipated product launch. However, this was offset by lower sales in relation to ADHD APIs in the US and to bulk opiates in Europe. Our sales of ADHD APIs were impacted by the end of a profit share agreement during the year along with increased competition in the US market which continued from the second half of 2016/17.

Non-controlled APIs grew strongly, driven primarily by an increased profit share contribution from dofetilide, which was launched by our customer in June 2016. This remained the only true generic on the market throughout 2017/18 but two competitors have now received US Food and Drug Administration (FDA) approval and are expected to launch in the first half of 2018/19. This will impact our sales and operating profit in 2018/19.

We invested £16 million in the year on our new API product pipeline. This development of a broader, deeper product portfolio continued in line with our plans to scale the business with three submissions for regulatory approval within the year.

### Innovators

Sales in our Innovators business grew strongly. This was mainly driven by improved pricing and volumes of APIs for branded drugs in commercial production. We continue to invest in growing our innovator product pipeline utilising our chemistry strengths to develop complex APIs for our customers.

### **Operating profit**

Operating profit, excluding the US post-retirement medical benefit plan credit in the prior period, was down 9% and margin declined 2.9 percentage points. Improved pricing and increased profit shares benefited margin. However, these were more than offset by additional costs as we optimise our manufacturing footprint, including higher operating costs associated with our plant in Annan, UK coming on stream and inventory write downs as we drive efficiency across sites.

### **ROIC**

Return on invested capital declined 2.1 percentage points to 8.4% driven by the lower operating profit.

### **Outlook**

In 2018/19, sales in our Health Sector are expected to be broadly stable. However, operating profit will be down, particularly in the first half. Several API products with high margin or profit sharing agreements move into decline in 2018/19, reflecting normal product lifecycles of generics, while launches of new API products only have a small contribution in the year. The optimisation of our manufacturing footprint partly mitigates this decline, as it will generate a small net benefit in 2018/19 and a significant benefit once Annan is fully operational in 2020/21.

## New Markets

### Lower LFP sales led to a small sales decline; significant progress in developing eLNO

- Significant decline of lithium iron phosphate (LFP) battery materials was partially offset by strong growth in Fuel Cells and Medical Device Components
- Excluding the US post-retirement medical benefit plan credit in the prior period, operating profit grew by 60% reflecting comparison against a £5 million impairment charge in the second half of last year
- Significant progress in developing eLNO and our strategy to commercialise this market leading next generation product

	Year ended 31 <sup>st</sup> March 2018	2017 restated	% change	% change, constant rates
	£ million	£ million		
<b>Sales</b>				
Alternative Powertrain	156	160	-2	-7
Medical Device Components	74	69	+8	+8
Life Science Technologies	45	48	-7	-8
Other	37	31	+18	+19
<b>Total sales</b>	<b>312</b>	<b>308</b>	<b>+1</b>	<b>-2</b>
<b>Underlying operating profit</b>	<b>17</b>	<b>12</b>	<b>+37</b>	<b>+34</b>
<b>Margin</b>	<b>5.3%</b>	<b>4.0%</b>		
Margin excl. PRMB	5.3%	3.3%		
<b>Return on invested capital (ROIC)</b>	<b>8.1%</b>	<b>6.2%</b>		

### Alternative Powertrain

Our Alternative Powertrain business provides battery materials for automotive applications, battery systems for a range of applications and fuel cell technologies.

Sales were down 7% as the decline in LFP battery material sales more than offset significant growth in fuel cell products. As expected, the business grew sales in the second half following stronger orders for battery system products.

Sales of our LFP battery materials continue to be subdued as the number of platforms we serve is significantly lower than in previous years. This primarily reflects changes in electric vehicle tax incentives in China which has led to increased substitution of LFP by high energy materials. While a recovery in our LFP sales is expected in the medium term, led by demand for our next generation LFP for a range of higher value hybrid applications, we do not see a recovery in the near term given the current competitive landscape and price points.

We continue to make significant progress in the development of our ultra-high energy density battery material, eLNO, as discussed on page 4.

Sales of fuel cell products grew by over 50% in the year, helped by increased volumes to stationary applications for existing and new customers. Sales of battery system products were flat following a strong second half as expected.

### Medical Device Components

Our Medical Device Components business leverages our science and technology to develop products found in devices used in medical procedures. Sales growth was strong across product areas, including for example, components for cochlear implants to aid hearing. Growth was driven by customer growth as demand for our products across the world continues to expand.

### **Life Science Technologies**

Our Life Science Technologies business provides advanced catalysts to the pharmaceutical and agricultural chemicals markets. As expected, sales were lower in the period reflecting lower sales to two large customers.

### **Operating profit**

Operating profit grew by 34%, helped by comparison against a £5 million impairment charge last year. Excluding this, operating profit was flat as strong growth in medical device components and improved profitability in fuel cells was offset by the decline in LFP sales and by increased development costs for our eLNO battery material.

### **ROIC**

Return on invested capital increased to 8.1% reflecting the improvement in operating profit.

### **Outlook**

New Markets is expected to deliver sales and operating profit growth in 2018/19 led by continued growth in fuel cells and Medical Device Components and a stronger year for battery systems.

### **Corporate**

In line with our guidance, corporate costs in the period were £43 million which was an increase of £11 million from 2016/17. This was driven by additional spend on central programmes that will deliver operational excellence and efficiency across the group, including rolling out the global procurement programme, and higher legal costs.

### **Outlook**

Corporate costs are expected to be higher in 2018/19 reflecting further investment in group efficiency programmes and our IT systems.

## Financial review

### Research and development (R&D)

We invested £193 million on R&D in the period, including £18 million of capitalised R&D, representing 5% of sales. This was 4% lower than last year, reflecting more focused and disciplined investment into areas of higher potential return. Key areas of spend included next generation technologies in Clean Air, our Health API product pipeline and development of our eLNO battery material.

### Foreign exchange

The calculation of growth at constant rates excludes the impact of foreign exchange movements arising from the translation of overseas subsidiaries' profit into sterling. The group does not hedge the impact of translation effects on the income statement.

The principal overseas currencies, which represented 86% of non-sterling denominated underlying operating profit in the year ended 31<sup>st</sup> March 2018, were:

	Share of 2017/18 non-sterling denominated underlying operating profit	Average exchange rate Year ended 31 <sup>st</sup> March		
		2018	2017	% change
<b>US dollar</b>	38%	1.328	1.308	+2
<b>Euro</b>	35%	1.134	1.191	-5
<b>Chinese renminbi</b>	13%	8.79	8.79	-

In our first half, sterling decreased in value against most major currencies compared to the half year ended 30<sup>th</sup> September 2016. However, this partly reversed in the second half of the year especially in relation to the US dollar. This meant that overall the impact of exchange rates increased sales and underlying operating profit for the year as a whole by £33 million and £9 million respectively following an £86 million and £18 million benefit respectively in our first half.

If current exchange rates (£:\$ 1.354, £:€ 1.143, £:RMB 8.62) are maintained throughout the year ending 31<sup>st</sup> March 2019, foreign currency translation will have a negative impact of approximately £6 million on underlying operating profit. A one cent change in the average US dollar and euro exchange rates each has an impact of approximately £2 million and £2 million respectively on full year underlying operating profit and a ten fen change in the average rate of the Chinese renminbi has an impact of approximately £1 million.

### Pgm prices

Higher average pgm prices benefited operating profit by around £15 million in the year in Efficient Natural Resources.

### Legal settlement

As announced in February 2018, a lawsuit against a group company, Johnson Matthey Inc. was settled on mutually acceptable terms with no admission of fault. Under the settlement agreement, we have recognised a charge of £50 million in connection with resolution of the lawsuit. This charge has been excluded from underlying operating profit for the year ended 31<sup>st</sup> March 2018.



## Major impairment and restructuring costs

We have taken restructuring and impairment charges of £90 million in the year, as we execute our strategy and build our platform for future growth. Cash spend was £13 million and in 2018/19 cash spend on restructuring is expected to be £10 million.

The implementation of our group restructuring programme resulted in costs of £43 million, which was below our previous guidance of £50 - 65 million. This programme delivered £12 million of cost savings in 2017/18. We remain on track to deliver around £25 million of annualised cost savings.

In March 2018 we notified employees at our Health Sector Riverside, US facility of our intention to close the plant, as we continue our strategic focus on speciality, low volume, complex APIs. The closure of Riverside led to a charge of £36 million. We expect the plant to cease production by the end of the first half of 2018/19. This is a key part of our plan to optimise our Health manufacturing footprint, which will deliver a small net benefit in 2018/19.

We have also impaired goodwill by £11 million relating to our Water Technologies business within New Markets reflecting lower growth assumptions for this business.

£ million	Impairment and restructuring charge	Associated total cash costs
Group restructuring programme	43	19
Health – Closure of Riverside, US	36	4
New Markets - Impairment of Water	11	-
<b>Total</b>	<b>90</b>	<b>23</b>

## Loss on disposal of businesses

On the 31<sup>st</sup> January 2018, the group sold its UK automotive battery systems business for net proceeds of £5 million which resulted in a loss on sale of £7 million. This is excluded from underlying operating profit.

## Finance charges

Net finance charges in the year amounted to £38 million, up from £31 million in 2016/17. This was the result of higher precious metal funding costs.

We anticipate that net finance charges will be slightly higher in 2018/19 due to rising US interest rates and higher borrowing costs as we expand in China. These will be only partly offset by lower precious metal funding costs.

## Taxation

The effective tax rate on reported profit for the year was 6.9%, a reduction of 9.8% from 2016/17.

The lowering of the US federal tax rate led to a revaluation of our US deferred tax assets and liabilities, which has resulted in a £24 million non-cash benefit in the income tax expense line in the income statement for the year ended 31<sup>st</sup> March 2018. Of this, £23 million has been excluded from the tax on underlying profit.

Tax on underlying profit was 17.7%, an increase of 0.7% from 2016/17.

We currently expect the tax rate on underlying profit for the year ending 31<sup>st</sup> March 2019 to be around 16%, due to changes in the US tax legislation.

## 2016/17 US PRMB

Profit growth for the period was impacted by the comparison against a one-off gain of £17 million mainly following the implementation of an inflation cap on the US post-retirement medical benefit (PRMB) plan. The table below shows the impact of this by sector:

<b>(£ million)</b>	<b>Year ended 31<sup>st</sup> March 2017 US PRMB gain</b>
Clean Air	6
Efficient Natural Resources	5
Health	3
New Markets	2
Corporate	1
<b>Total</b>	<b>17</b>

The table below shows the performance excluding the impact of the PRMB:

<b>Adjusted underlying operating profit growth</b>	<b>% change, at constant rates, excl. PRMB<sup>1</sup></b>
Clean Air	+9
Efficient Natural Resources	-2
Health	-9
New Markets	+60
<b>Group</b>	<b>+4</b>

<sup>1</sup> Excludes the translational FX impact on the PRMB as the impact is immaterial

## Post-employment benefits

### *IFRS – accounting basis*

At the year end the group's net post-employment benefit position, after taking account of the bonds held to fund the UK pension scheme deficit, was a surplus of £190 million, up from a surplus of £63 million at 31<sup>st</sup> March 2017. This increase in the surplus mainly reflects a reduction in obligations in the UK plan due to a 20 basis point increase in the real (after inflation) discount rate caused by rising corporate bond yields and falling market-implied inflation.

The cost of providing post-employment benefits in the year was £69 million, an increase of £23 million, mainly as a result of the impact of the £17 million one-off credit in the prior year in relation to the implementation of an inflation cap in the US post-retirement medical plan.

### *Actuarial - funding basis*

The UK pension scheme has a legacy defined benefit career average section which was closed to new entrants on 1<sup>st</sup> October 2012 when a new defined benefit cash balance section was opened.

The last triennial actuarial valuation of the career average section as at 1<sup>st</sup> April 2015 revealed a deficit of £69 million, or £28 million after taking account of the future additional deficit funding contributions from the special purpose vehicle set up in January 2013. The latest valuation update of this section as at 1<sup>st</sup> April 2017 revealed a deficit of £67 million, or £22 million after taking account of the special purpose vehicle.

During the year a pension increase exchange exercise was conducted whereby current retirees were invited to exchange an inflationary-linked pension for a higher non-increasing pension.

The last triennial actuarial valuation of the cash balance section as at 1<sup>st</sup> April 2015 revealed a surplus of £2 million with the latest update as at 1<sup>st</sup> April 2017 showing a deficit of £3 million.

The latest actuarial valuations of our two US pension schemes showed a deficit of £11 million at 30<sup>th</sup> June 2017 up from a £2 million deficit at 30<sup>th</sup> June 2016.

The deterioration in the funding position of our defined benefit pension schemes is mainly due to a reduction in gilt yields and in the UK is also due to an increase in inflationary expectations, both of which increased the value placed on the liabilities.

### **Capital expenditure**

Capital expenditure was £217 million for the year ended 31<sup>st</sup> March 2018, 1.4 times depreciation and amortisation (excluding amortisation of acquired intangibles). In the year, key projects included:

- A new Clean Air manufacturing plant in Poland to support demand from tightening legislation and the significant share gains made in European Light Duty diesel while also enhancing our efficiency and operating flexibility
- Continued investment in a new pgm catalyst plant in Germany to meet future demand for a range of products in our Catalyst Technologies business
- Investment in our Health manufacturing and development facilities in Annan, UK and continued investment in our Health API product pipeline
- Upgrading our core IT business systems to drive efficiency across the group

Capital expenditure was below our previous guidance of £285 million for the year due to more rigorous capital allocation and lower than planned spend on our Poland Clean Air plant caused by permitting delays.

Capital expenditure for 2018/19 is expected to be around £390 million as our investments into growth projects increases. Key projects include:

- Clean Air plants in Poland and China to meet the growing demand for our technology
- Investment in our eLNO demonstration and commercial plants as we commercialise our market leading product
- Upgrading our core IT business systems

Depreciation and amortisation (excluding amortisation of acquired intangibles) is expected to increase by around £7 million in 2018/19 primarily as we start depreciation of our investment in upgrading our core IT systems.

### **Free cash flow and working capital**

Free cash flow was £136 million. Within this, working capital out flows of £158m were impacted by a precious metal out flow of £84 million driven by higher precious metal prices and volumes, and non precious metal related out flows of £64m.

Improvements in efficiency and better control of working capital have driven a reduction in working capital days as sales have grown. Excluding precious metal working capital days have improved to 50 days from 54 days at 31<sup>st</sup> March 2017. Average working capital days excluding precious metal decreased from 69 days to 62 days. Our target is for working capital excluding precious metal to be in the 50 to 60 day range.

### **Dividend**

The board has recommended an increase of 7% in the final dividend to 58.25 pence per share. Together with the interim dividend of 21.75 pence per share this gives a total ordinary dividend for the year ended 31<sup>st</sup> March 2018 of 80.0 pence per share (2016/17: 75.0 pence per share). Subject to approval by shareholders, the final dividend will be paid to shareholders on 7<sup>th</sup> August 2018, with an ex dividend date of 7<sup>th</sup> June 2018.

### **Return on invested capital (ROIC)**

ROIC declined to 16.4% from 18.2%, mainly due to an increase in the UK pension fund asset and higher precious metal working capital during the year. It was also impacted by higher levels of non-current assets reflecting increased investment to drive future growth.

### **Capital structure**

Net debt at 31<sup>st</sup> March 2018 was £679 million. This is down £212 million from 30<sup>th</sup> September 2017 and is a decrease of £37 million from 31<sup>st</sup> March 2017. Net debt increases to £725 million when adjusted for the post-tax pension deficits. The group's underlying EBITDA increased to £681 million (2016/17: £665 million). As a result, the group's net debt (including post tax pension deficits) to EBITDA was 1.1 times (2016/17: 1.1 times) and, whilst below our target range of 1.5 to 2.0 times, ensures we have flexibility to invest further in the future growth of the business.

## Contingent Liability

Johnson Matthey has been informed of failures in certain engine systems for which the group supplied a particular coated substrate as a component for emissions after-treatment. The extent to which, if any, the reported failures are due to the coated substrate supplied by Johnson Matthey group companies has not been demonstrated. Potential solutions for the reported engine system issues and any associated costs have not yet been notified to the group. Johnson Matthey has not been contacted by any regulatory authority and no Johnson Matthey group company has been served with any contract dispute lawsuit, nor has any formal claim for recovery of identified costs been made at this point. Having reviewed its contractual obligations and the information currently available to it, the group believes that were it to be served with a contract dispute lawsuit, it would have defensible warranty positions in respect of its supplies of coated substrate for the after-treatment systems in the affected engines. If required, it will vigorously assert its available contractual protections and defences. The outcome of any discussions is not certain, nor is the group able to make a reliable estimate of the possible financial impact at this stage, if any.

## 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.

## Corporate responsibility

### Health and safety

We continue to build a world class health and safety culture across Johnson Matthey. However, this year we saw our performance plateau; the lost time injury and illness rate was 0.48 (2016/17: 0.48), and the total recordable injury and illness rate was 0.93 (2016/17: 1.00), per 200,000 hours worked in a rolling year. Actions have been taken and new measures put in place to ensure that we improve our performance.

### People

As we grow and work towards our vision for a cleaner, healthier world, we rely on our talented and committed workforce to achieve it. We are working to enhance the engagement of our people to enable them to reach their full potential, so they can do their best work with us. Our employee survey, which we ran in November 2016, gave us a valuable steer on how well we are doing and over the last year we have undertaken actions to respond to what we heard from our people. We have focused on being clearer about our strategy and on providing a clear line of sight between our strategy and employees' individual goals, helping them connect their contribution directly to JM's achievements and vision. We are also creating a more consistent approach across all areas relating to talent. We have refreshed our company values and the behaviours that put them into action will guide us to act safely, sustainably and ethically, and that will support the delivery of our strategy.

### Sustainable business framework to 2025

Following Sustainability 2017, our ten year programme to support growth by running our business in a more sustainable way, we have now put in place our new sustainable business framework to 2025. Through six challenging goals, it continues our sustainability commitment internally and externally towards our customers, communities and supply chains. Goals 1, 2 and 3 are internal measures to: improve health and safety performance; support employee engagement and inclusivity; and reduce the environmental impact of our operations. Goals 4, 5 and 6 are externally facing and cover: responsible sourcing; increasing the impact of our products on a cleaner healthier world; and community engagement through employee volunteering. Further details of this framework, goals and their associated targets will be outlined in our 2018 Annual Report and Accounts which will be published on 20<sup>th</sup> June 2018.

## Consolidated Income Statement

for the year ended 31<sup>st</sup> March 2018

	Notes	2018 £ million	2017 £ million
<b>Revenue</b>	2	<b>14,122</b>	12,031
Cost of sales		<b>(13,214)</b>	(11,169)
Gross profit		<b>908</b>	862
Distribution costs		<b>(123)</b>	(124)
Administrative expenses		<b>(260)</b>	(225)
Loss on disposal of businesses	5	<b>(7)</b>	-
Loss on significant legal proceedings	6	<b>(50)</b>	-
Amortisation of acquired intangibles	7	<b>(19)</b>	(20)
Major impairment and restructuring charges	8	<b>(90)</b>	-
<b>Operating profit</b>	4	<b>359</b>	493
Finance costs		<b>(43)</b>	(38)
Finance income		<b>5</b>	7
Share of loss of joint venture and associate		<b>(1)</b>	-
<b>Profit before tax</b>		<b>320</b>	462
Income tax expense		<b>(22)</b>	(77)
<b>Profit for the year</b>		<b>298</b>	385
<b>Attributable to:</b>			
<b>Equity shareholders</b>		<b>298</b>	386
Non-controlling interests		<b>-</b>	(1)
		<b>298</b>	385
		<b>pence</b>	pence
<b>Earnings per ordinary share attributable to equity shareholders</b>			
Basic		<b>155.2</b>	201.2
Diluted		<b>155.0</b>	200.8

## Consolidated Statement of Total Comprehensive Income

for the year ended 31<sup>st</sup> March 2018

	Notes	2018 £ million	2017 £ million
<b>Profit for the year</b>		<b>298</b>	385
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements of post-employment benefit assets and liabilities	14	<b>103</b>	(18)
Tax on above items taken directly to or transferred from equity		<b>(31)</b>	2
		<b>72</b>	(16)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Currency translation differences		<b>(95)</b>	163
Share of currency translation differences of joint venture and associate		<b>-</b>	2
Cash flow hedges		<b>5</b>	(2)
Fair value gains / (losses) on net investment hedges		<b>6</b>	(21)
Fair value gains on available-for-sale investments		<b>-</b>	7
		<b>(84)</b>	149
<b>Other comprehensive (loss) / income for the year</b>		<b>(12)</b>	133
<b>Total comprehensive income for the year</b>		<b>286</b>	518
<b>Attributable to:</b>			
<b>Equity shareholders</b>		<b>286</b>	519
Non-controlling interests		<b>-</b>	(1)
		<b>286</b>	518

# Consolidated Balance Sheet

as at 31<sup>st</sup> March 2018

	Notes	2018 £ million	2017 £ million
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,155	1,235
Goodwill		574	607
Other intangible assets		295	288
Deferred income tax assets		48	26
Investments and other receivables		114	108
Interest rate swaps	10	6	17
Post-employment benefit net assets	14	236	117
<b>Total non-current assets</b>		<b>2,428</b>	<b>2,398</b>
<b>Current assets</b>			
Inventories		783	772
Current income tax assets		35	20
Trade and other receivables		1,228	1,139
Cash and cash equivalents – cash and deposits	10	329	330
Other financial assets		15	8
<b>Total current assets</b>		<b>2,390</b>	<b>2,269</b>
<b>Total assets</b>		<b>4,818</b>	<b>4,667</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		(1,012)	(968)
Current income tax liabilities		(149)	(134)
Cash and cash equivalents – bank overdrafts	10	(53)	(32)
Other borrowings and related swaps	10	(10)	(20)
Other financial liabilities		(12)	(15)
Provisions		(37)	(21)
<b>Total current liabilities</b>		<b>(1,273)</b>	<b>(1,190)</b>
<b>Non-current liabilities</b>			
Borrowings and related swaps	10	(951)	(1,011)
Deferred income tax liabilities		(94)	(113)
Employee benefit obligations	14	(103)	(112)
Provisions		(14)	(18)
Other payables		(5)	(6)
<b>Total non-current liabilities</b>		<b>(1,167)</b>	<b>(1,260)</b>
<b>Total liabilities</b>		<b>(2,440)</b>	<b>(2,450)</b>
<b>Net assets</b>		<b>2,378</b>	<b>2,217</b>
<b>Equity</b>			
Share capital		221	221
Share premium account		148	148
Shares held in employee share ownership trust (ESOT)		(48)	(55)
Other reserves		63	147
Retained earnings		1,994	1,776
<b>Total equity attributable to equity shareholders</b>		<b>2,378</b>	<b>2,237</b>
Non-controlling interests		-	(20)
<b>Total equity</b>		<b>2,378</b>	<b>2,217</b>

## Consolidated Cash Flow Statement

for the year ended 31<sup>st</sup> March 2018

	2018	2017
Notes	£ million	£ million
<b>Cash flows from operating activities</b>		
Profit before tax	320	462
Adjustments for:		
Share of loss of joint venture and associate	1	-
Loss on disposal of businesses	7	-
Depreciation, amortisation, impairment losses and loss on sale of non-current assets	245	177
Share-based payments	10	11
Increase in inventories	(66)	(37)
Increase in receivables	(144)	(111)
Increase in payables	62	121
Increase / (decrease) in provisions	15	(27)
Contributions in excess of employee benefit obligations charge	(20)	(42)
Changes in fair value of financial instruments	(5)	(3)
Net finance costs	38	31
Income tax paid	(77)	(59)
<b>Net cash inflow from operating activities</b>	<b>386</b>	<b>523</b>
<b>Cash flows from investing activities</b>		
Dividends received from joint venture	1	-
Interest received	3	5
Purchases of non-current assets and investments	(216)	(260)
Proceeds from sale of non-current assets and investments	7	4
Purchases of businesses	-	(20)
Net proceeds from sale of businesses	5	-
<b>Net cash outflow from investing activities</b>	<b>(200)</b>	<b>(271)</b>
<b>Cash flows from financing activities</b>		
Net cost of ESOT transactions in own shares	-	(6)
Proceeds from additional borrowings	2	80
Repayment of borrowings	(14)	(133)
Dividends paid to equity holders of the parent company	9	(146)
Settlement of currency swaps for net investment hedging	(1)	(7)
Interest paid	(45)	(42)
<b>Net cash outflow from financing activities</b>	<b>(204)</b>	<b>(247)</b>
<b>(Decrease) / increase in cash and cash equivalents in the year</b>	<b>(18)</b>	<b>5</b>
Exchange differences on cash and cash equivalents	(4)	9
Cash and cash equivalents at beginning of year	298	284
<b>Cash and cash equivalents at end of year</b>	<b>10 276</b>	<b>298</b>
<b>Reconciliation to net debt</b>		
(Decrease) / increase in cash and cash equivalents in the year	(18)	5
Decrease in borrowings	12	53
Change in net debt resulting from cash flows	(6)	58
Borrowings acquired with subsidiaries	-	(5)
Exchange differences on net debt	43	(94)
Movement in net debt in year	37	(41)
Net debt at beginning of year	(716)	(675)
<b>Net debt at end of year</b>	<b>10 (679)</b>	<b>(716)</b>

## Consolidated Statement of Changes in Equity

for the year ended 31<sup>st</sup> March 2018

	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 1 <sup>st</sup> April 2016	221	148	(55)	(2)	1,541	(19)	1,834
Total comprehensive income	-	-	-	149	370	(1)	518
Dividends paid (note 9)	-	-	-	-	(139)	-	(139)
Purchase of shares by ESOT	-	-	(6)	-	-	-	(6)
Share-based payments	-	-	-	-	17	-	17
Cost of shares transferred to employees	-	-	6	-	(12)	-	(6)
Tax on share-based payments	-	-	-	-	(1)	-	(1)
At 31 <sup>st</sup> March 2017	221	148	(55)	147	1,776	(20)	2,217
Total comprehensive income	-	-	-	(84)	370	-	286
Dividends paid (note 9)	-	-	-	-	(146)	-	(146)
Purchase of non-controlling interests	-	-	-	-	(9)	20	11
Share-based payments	-	-	-	-	17	-	17
Cost of shares transferred to employees	-	-	7	-	(14)	-	(7)
<b>At 31<sup>st</sup> March 2018</b>	<b>221</b>	<b>148</b>	<b>(48)</b>	<b>63</b>	<b>1,994</b>	<b>-</b>	<b>2,378</b>



# Notes on the Preliminary Accounts

for the year ended 31<sup>st</sup> March 2018

## 1 Basis of preparation

The financial information contained in this release does not constitute the company's statutory accounts for the years ended 31<sup>st</sup> March 2018 or 31<sup>st</sup> March 2017 within the meaning of section 435 of the Companies Act 2006, but is derived from those accounts. The accounts are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the Standing Interpretations Committee (SIC) as adopted by the European Union. For Johnson Matthey, there are no differences between IFRS as adopted by the European Union and full IFRS as published by the International Accounting Standards Board and so the accounts comply with IFRS. The accounting policies applied are set out in the Annual Report and Accounts for the year ended 31<sup>st</sup> March 2017. None of the amendments to standards or interpretations which the group has adopted during the year has had a material effect on the reported results or financial position of the group. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the company's Annual General Meeting. The auditors have reported on both of these sets of accounts. Their reports were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statement under sections 498(2) or 498(3) of the Companies Act 2006. The accounts for the year ended 31<sup>st</sup> March 2018 were approved by the Board of Directors on 30<sup>th</sup> May 2018.

Expenses within 2017's Consolidated Income Statement have been reclassified as follows: increase administrative expenses £22 million, reduce cost of sales £19 million and reduce distribution costs £3 million.

IFRS 9 'Financial Instruments' will be adopted from 1<sup>st</sup> April 2018. IFRS 9 introduces new requirements for recognition, classification and measurement, a new impairment model for financial assets based on expected credit losses and simplified hedge accounting, replacing the requirements of IAS 39 'Financial Instruments: Recognition and Measurement'.

The group and parent company have completed their reviews of the financial instruments they hold and the way in which those instruments are used. They have identified differences in accounting treatment, where applicable, and have updated their hedging documentation. The review has concluded that the new standard is not expected to have a significant impact on the group's and parent company's equity on transition. The key impact of adopting IFRS 9 is to change the group's and parent company's financial asset impairment provision processes from the current 'incurred loss' model to a forward-looking 'expected loss' approach, resulting in earlier recognition of impairments. Other less significant differences in the group relate to the reclassification of certain financial assets from being valued at amortised cost to fair value through other comprehensive income.

Changes to the classification and measurement of financial assets are applied retrospectively by adjusting opening retained earnings at 1<sup>st</sup> April 2018. The group has chosen not to restate comparative information for prior periods. The provisional impact of adopting IFRS 9 on the group's equity as at 1<sup>st</sup> April 2018 is a decrease of less than £5 million.

IFRS 15 'Revenue from contracts with customers' will be adopted from 1<sup>st</sup> April 2018, superseding all revenue standards and interpretations in IFRS. IFRS 15 provides a principles-based approach for revenue recognition and requires that revenue is recognised as the distinct performance obligations promised within the contract are satisfied either at a point in time or over time.

Whilst some timing differences have been identified as a result of allocating revenue to distinct performance obligations or where the criteria set out in IFRS 15 for recognising revenue over time are not met, the group and parent company have completed their reviews of major existing contracts and have concluded that applying IFRS 15 will not have a significant impact on the timing and recognition of revenue once it is applied.

The group has chosen to apply IFRS 15 on a modified retrospective basis, recognising the cumulative effect of initial application as an adjustment to opening retained earnings for contracts which are not completed at the adoption date. This means that the comparative information continues to be recognised under existing revenue accounting requirements. The provisional impact of adopting IFRS 15 on the group's equity as at 1<sup>st</sup> April 2018 is an increase of less than £5 million.

IFRS 16 'Leases', which replaces IAS 17 'Leases', was EU endorsed in October 2017 and will be adopted from 1<sup>st</sup> April 2019. Whilst lessor accounting is similar to IAS 17, lessee accounting is significantly different. Under IFRS 16, the group will recognise on the balance sheet a right-of-use asset and a lease liability for future lease payments in respect of all leases unless the underlying assets are of low value or the lease term is 12 months or less. In the income statement, rental expense on the impacted leases will be replaced with depreciation on the right-of-use asset and interest expense on the lease liability.

The group has operating lease commitments totalling £93 million at 31<sup>st</sup> March 2018 and, therefore, IFRS 16 will have a material impact on the group's balance sheet. The implications of the standard are currently under review and the group has not yet determined which transition option will be applied. As the impact of transition is dependent on the option chosen, the group is unable to quantify the effect at this time.

## Notes on the Preliminary Accounts

for the year ended 31<sup>st</sup> March 2018

### 2 Segmental information

	Clean Air £ million	Efficient Natural Resources £ million	Health £ million	New Markets £ million	Eliminations £ million	Total £ million
<b>Year ended 31<sup>st</sup> March 2018</b>						
Revenue from external customers	<b>4,248</b>	<b>9,237</b>	<b>252</b>	<b>385</b>	-	<b>14,122</b>
Inter-segment revenue	<b>260</b>	<b>2,342</b>	-	<b>18</b>	<b>(2,620)</b>	-
<b>Total revenue</b>	<b>4,508</b>	<b>11,579</b>	<b>252</b>	<b>403</b>	<b>(2,620)</b>	<b>14,122</b>
External sales excluding precious metals	<b>2,454</b>	<b>845</b>	<b>247</b>	<b>300</b>	-	<b>3,846</b>
Inter-segment sales	-	<b>111</b>	-	<b>12</b>	<b>(123)</b>	-
<b>Sales excluding precious metals</b>	<b>2,454</b>	<b>956</b>	<b>247</b>	<b>312</b>	<b>(123)</b>	<b>3,846</b>
Segmental underlying operating profit	<b>349</b>	<b>158</b>	<b>44</b>	<b>17</b>	-	<b>568</b>
Unallocated corporate expenses						<b>(43)</b>
<b>Underlying operating profit</b>						<b>525</b>
Segmental net assets	<b>1,133</b>	<b>1,083</b>	<b>481</b>	<b>208</b>	-	<b>2,905</b>
<b>Year ended 31<sup>st</sup> March 2017 (restated)</b>						
Revenue from external customers	3,779	7,643	241	368	-	12,031
Inter-segment revenue	175	1,724	-	18	(1,917)	-
<b>Total revenue</b>	<b>3,954</b>	<b>9,367</b>	<b>241</b>	<b>386</b>	<b>(1,917)</b>	<b>12,031</b>
External sales excluding precious metals	2,224	826	236	292	-	3,578
Inter-segment sales	-	93	-	16	(109)	-
<b>Sales excluding precious metals</b>	<b>2,224</b>	<b>919</b>	<b>236</b>	<b>308</b>	<b>(109)</b>	<b>3,578</b>
Segmental underlying operating profit	318	163	52	12	-	545
Unallocated corporate expenses						<b>(32)</b>
<b>Underlying operating profit</b>						<b>513</b>
Segmental net assets	1,090	1,132	526	209	-	2,957

Segmental information has been restated for the year ended 31<sup>st</sup> March 2017 to reflect a change in group structure.

## Notes on the Preliminary Accounts

for the year ended 31<sup>st</sup> March 2018

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

Average exchange rates used for translation of results of foreign operations	2018	2017
US dollar / £	<b>1.328</b>	1.308
Euro / £	<b>1.134</b>	1.191
Chinese renminbi / £	<b>8.79</b>	8.79

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.

	Year ended 31 <sup>st</sup> March 2018 £ million	Year ended 31 <sup>st</sup> March 2017		Change at this year's rates %
		At last year's rates (restated) £ million	At this year's rates £ million	
<b>Sales excluding precious metals</b>				
Clean Air	<b>2,454</b>	2,224	2,249	+9
Efficient Natural Resources	<b>956</b>	919	922	+4
Health	<b>247</b>	236	234	+6
New Markets	<b>312</b>	308	317	-2
Inter-segment sales	<b>(123)</b>	(109)	(111)	
<b>Sales excluding precious metals</b>	<b>3,846</b>	3,578	3,611	+7
<b>Underlying operating profit</b>				
Clean Air	<b>349</b>	318	326	+7
Efficient Natural Resources	<b>158</b>	163	165	-4
Health	<b>44</b>	52	51	-13
New Markets	<b>17</b>	12	12	+34
Unallocated corporate expenses	<b>(43)</b>	(32)	(32)	
<b>Underlying operating profit</b>	<b>525</b>	513	522	-

Segmental information has been restated for the year ended 31<sup>st</sup> March 2017 to reflect a change in group structure.

## Notes on the Preliminary Accounts

for the year ended 31<sup>st</sup> March 2018

### 4 Underlying profit reconciliations

	2018 £ million	2017 £ million
<b>Underlying operating profit (note 2)</b>	<b>525</b>	513
Loss on disposal of businesses (note 5)	<b>(7)</b>	-
Loss on significant legal proceedings (note 6)	<b>(50)</b>	-
Amortisation of acquired intangibles (note 7)	<b>(19)</b>	(20)
Major impairment and restructuring charges (note 8)	<b>(90)</b>	-
<b>Operating profit</b>	<b>359</b>	493
<b>Underlying profit before tax</b>	<b>486</b>	482
Loss on disposal of businesses (note 5)	<b>(7)</b>	-
Loss on significant legal proceedings (note 6)	<b>(50)</b>	-
Amortisation of acquired intangibles (note 7)	<b>(19)</b>	(20)
Major impairment and restructuring charges (note 8)	<b>(90)</b>	-
<b>Profit before tax</b>	<b>320</b>	462
<b>Tax on underlying profit before tax</b>	<b>(86)</b>	(82)
Tax on loss on significant legal proceedings (note 6)	<b>16</b>	-
Tax on amortisation of acquired intangibles (note 7)	<b>4</b>	5
Tax on major impairment and restructuring charges (note 8)	<b>21</b>	-
Tax thereon	<b>41</b>	5
Tax rate changes	<b>23</b>	-
<b>Income tax expense</b>	<b>(22)</b>	(77)
<b>Underlying profit for the year</b>	<b>400</b>	401
Loss on disposal of businesses (note 5)	<b>(7)</b>	-
Loss on significant legal proceedings (note 6)	<b>(50)</b>	-
Amortisation of acquired intangibles (note 7)	<b>(19)</b>	(20)
Major impairment and restructuring charges (note 8)	<b>(90)</b>	-
Tax thereon	<b>41</b>	5
Tax rate changes	<b>23</b>	-
<b>Profit for the period attributable to equity shareholders</b>	<b>298</b>	386

Effective 1<sup>st</sup> January 2018, the US federal tax rate was reduced, which has led to a revaluation of US deferred tax assets and liabilities.

	million	million
Weighted average number of shares in issue	<b>192</b>	192
	pence	pence
<b>Underlying earnings per share</b>	<b>208.4</b>	209.1

### 5 Loss on disposal of businesses

Profit or loss on disposal of businesses is shown separately on the face of the income statement and excluded from underlying operating profit. On 31<sup>st</sup> January 2018, the group sold its UK automotive battery systems business. After costs the net proceeds were £5 million which resulted in a loss on sale of £7 million.

### 6 Loss on significant legal proceedings

Gains or losses arising on significant legal proceedings, together with associated legal costs, are shown separately on the face of the income statement and excluded from underlying operating profit. The group has recognised a charge of £50 million in connection with the resolution of a contract dispute lawsuit related to a component supplied by the group in the US.

## Notes on the Preliminary Accounts

for the year ended 31<sup>st</sup> March 2018

### 7 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 and excluded from underlying operating profit.

### 8 Major impairment and restructuring charges

Major impairment and restructuring charges are shown separately on the face of the income statement and excluded from underlying operating profit. As part of the group's operational efficiency programme announced on 31<sup>st</sup> March 2017, a restructuring and impairment charge of £90 million has been incurred in the year (2017: nil). This primarily relates to redundancies and business or plant closures and can be split out as follows: £66 million to asset write offs, £11 million to provisions and £13 million to cash costs incurred.

### 9 Dividends

A final dividend of 58.25 pence per ordinary share has been proposed by the board which will be paid on 7<sup>th</sup> August 2018 to shareholders on the register at the close of business on 7<sup>th</sup> June 2018, subject to shareholders' approval. The estimated amount to be paid is £112 million and has not been recognised in these accounts.

	2018 £ million	2017 £ million
2015/16 final ordinary dividend paid – 52.0 pence per share	-	100
2016/17 interim ordinary dividend paid – 20.5 pence per share	-	39
2016/17 final ordinary dividend paid – 54.5 pence per share	<b>104</b>	-
2017/18 interim ordinary dividend paid – 21.75 pence per share	<b>42</b>	-
<b>Total dividends</b>	<b>146</b>	139

### 10 Net debt

	2018 £ million	2017 £ million
Cash and deposits	<b>329</b>	330
Bank overdrafts	<b>(53)</b>	(32)
Cash and cash equivalents	<b>276</b>	298
Other current borrowings and related swaps	<b>(10)</b>	(20)
Non-current borrowings and related swaps	<b>(951)</b>	(1,011)
Non-current interest rate swap assets	<b>6</b>	17
<b>Net debt</b>	<b>(679)</b>	(716)

### 11 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 31<sup>st</sup> March 2018 precious metal leases were £184 million (2017: £77 million).

## Notes on the Preliminary Accounts

for the year ended 31<sup>st</sup> March 2018

### 12 Contingent liabilities

Johnson Matthey has been informed of failures in certain engine systems for which the group supplied a particular coated substrate as a component for emissions after-treatment. The extent to which, if any, the reported failures are due to the coated substrate supplied by Johnson Matthey group companies has not been demonstrated. Potential solutions for the reported engine system issues and any associated costs have not yet been notified to the group. Johnson Matthey has not been contacted by any regulatory authority and no Johnson Matthey group company has been served with any contract dispute lawsuit, nor has any formal claim for recovery of identified costs been made at this point. Having reviewed its contractual obligations and the information currently available to it, the group believes that were it to be served with a contract dispute lawsuit, it would have defensible warranty positions in respect of its supplies of coated substrate for the after-treatment systems in the affected engines. If required, it will vigorously assert its available contractual protections and defences. The outcome of any discussions is not certain, nor is the group able to make a reliable estimate of the possible financial impact at this stage, if any.

### 13 Transactions with related parties

There were no material changes in related party relationships in the year ended 31<sup>st</sup> March 2018 and no other related party transactions have taken place which have materially affected the financial position or performance of the group during the year.

### 14 Post-employment benefits

The group operates a number of post-employment benefit plans around the world, the forms and benefits of which vary with conditions and practices in the countries concerned. The major defined benefit plans are pension plans and post-retirement medical plans in the UK and the US.

Movements in the net post-employment benefit assets and liabilities, including reimbursement rights, were:

	UK pension £ million	UK post- retirement medical benefits £ million	US pensions £ million	US post- retirement medical benefits £ million	Other £ million	Total £ million
<b>At 1<sup>st</sup> April 2017</b>	107	(10)	(20)	(34)	(34)	9
Current service cost - in operating profit	(41)	-	(8)	(1)	(3)	(53)
Past service cost - in operating profit	4	-	-	-	1	5
Administrative expenses - in operating profit	-	-	(1)	-	-	(1)
Net interest	3	-	(1)	(2)	(1)	(1)
Remeasurements	97	1	(1)	5	1	103
Company contributions	56	-	10	1	2	69
Exchange adjustments	-	-	1	5	-	6
<b>At 31<sup>st</sup> March 2018</b>	<b>226</b>	<b>(9)</b>	<b>(20)</b>	<b>(26)</b>	<b>(34)</b>	<b>137</b>

These are included in the balance sheet as follows:

	2018 Post- employment benefit net assets £ million	2018 Employee benefit net obligations £ million	2018 Total £ million	2017 Post- employment benefit net assets £ million	2017 Employee benefit net obligations £ million	2017 Total £ million
UK pension plan	226	-	226	107	-	107
UK post-retirement medical benefits plan	-	(9)	(9)	-	(10)	(10)
US pension plans	-	(20)	(20)	-	(20)	(20)
US post-retirement medical benefits plan	8	(34)	(26)	8	(42)	(34)
Other plans	2	(36)	(34)	2	(36)	(34)
Total post-employment plans	<b>236</b>	<b>(99)</b>	<b>137</b>	117	(108)	9
Other long-term employee benefits		<b>(4)</b>			<b>(4)</b>	
<b>Total long term employee benefit obligations</b>		<b>(103)</b>			<b>(112)</b>	

## Notes on the Preliminary Accounts

for the year ended 31<sup>st</sup> March 2018

### 15 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 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:

	<b>2018</b> <b>Level 1</b> <b>£ million</b>	<b>2018</b> <b>Level 2</b> <b>£ million</b>	2017 Level 1 £ million	2017 Level 2 £ million
Quoted bonds purchased to fund pension deficit included in:				
Non-current investments	<b>53</b>	-	54	-
Interest rate swaps included in:				
Non-current assets	-	<b>6</b>	-	17
Current other borrowings and related swaps	-	<b>(2)</b>	-	-
Non-current borrowings and related swaps	-	<b>(8)</b>	-	(7)
Forward foreign exchange and precious metal price contracts and currency swaps included in:				
Current other financial assets	-	<b>15</b>	-	8
Current other financial liabilities	-	<b>(12)</b>	-	(15)

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

	<b>2018</b> <b>Carrying</b> <b>amount</b> <b>£ million</b>	<b>2018</b> <b>Fair</b> <b>value</b> <b>£ million</b>	2017 Carrying amount £ million	2017 Fair value £ million
US Dollar Bonds 2022, 2023, 2025 and 2028	<b>(448)</b>	<b>(420)</b>	(507)	(503)
Euro Bonds 2021 and 2023	<b>(104)</b>	<b>(118)</b>	(103)	(120)
Euro EIB loan 2019	<b>(109)</b>	<b>(113)</b>	(107)	(112)
Sterling Bonds 2024	<b>(65)</b>	<b>(71)</b>	(65)	(74)
KfW US dollar loan 2024	<b>(36)</b>	<b>(35)</b>	(40)	(42)

Unquoted investments included in non-current available-for-sale investments have a carrying amount of £3 million (2017: £4 million). 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. The investment vehicles hold some investments in quoted companies and so the fair value technique is based on the percentage ownership of the value of the underlying assets.

## Definition and reconciliation of non-GAAP measures to GAAP measures

for the year ended 31<sup>st</sup> March 2018

The group uses various measures to manage its business which are not defined by generally accepted accounting principles (GAAP). The group's management believes these measures provide valuable additional information to users of the accounts in understanding the group's performance.

### Sales excluding precious metals (sales)

The group believes that sales excluding precious metals is a better measure of the underlying performance of the group than revenue. Total revenue can be heavily distorted by year on year fluctuations in the market prices of precious metals. In addition, in many cases, the value of precious metals is passed directly on to our customers.

### Underlying profit and earnings

These are the equivalent GAAP measures adjusted to exclude amortisation of acquired intangibles, major impairment and restructuring charges, profit or loss on disposal of businesses, gain or loss on significant legal proceedings together with associated legal costs, significant tax rate changes and, where relevant, related tax effects. The group believes that these measures provide a better guide to the underlying performance of the group. These are reconciled in note 4.

### Margin

Underlying operating profit divided by sales excluding precious metals.

### Working capital days

Non-precious metal related inventories, trade and other receivables and trade and other payables (including any classified as held for sale) divided by sales excluding precious metals for the last three months multiplied by 90 days.

### Free cash flow

Net cash flow from operating activities, after net interest paid, net purchases of non-current assets and investments and dividends received from joint venture.

### Capex

Additions of property, plant and equipment plus additions of other intangible assets.

### Capex to depreciation ratio

Capex divided by depreciation. Depreciation is the depreciation charge of property, plant and equipment plus the amortisation charge of other intangible assets excluding amortisation of acquired intangibles (note 7).

### Net debt (including post tax pension deficits) to EBITDA

Net debt, including post tax pension deficits and bonds purchased to fund UK pensions (excluded when the UK pension plan is in surplus), divided by profit for the period before net finance costs, tax, share of (loss) / profit of joint venture and associate, loss on disposal of businesses (note 5), loss on significant legal proceedings (note 6), major impairment and restructuring charges (note 8), depreciation and amortisation (EBITDA) for the same period.

### Return on invested capital (ROIC)

Underlying operating profit divided by the monthly average of equity plus net debt for the same period.

	2018 £ million	2017 £ million
Average net debt	923	879
Average equity	2,276	1,937
<b>Average capital employed</b>	<b>3,199</b>	2,816
<b>ROIC</b>	<b>16.4%</b>	18.2%
Inventories	783	772
Trade and other receivables	1,228	1,139
Trade and other payables	(1,012)	(968)
<b>Total working capital</b>	<b>999</b>	943
Less precious metal working capital	(404)	(335)
<b>Working capital (excluding precious metals)</b>	<b>595</b>	608



## Definition and reconciliation of non-GAAP measures to GAAP measures

for the year ended 31<sup>st</sup> March 2018

	2018 £ million	2017 £ million
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>681</b>	665
Depreciation and amortisation	<b>(175)</b>	(172)
Loss on disposal of businesses	<b>(7)</b>	-
Loss on significant legal proceedings	<b>(50)</b>	-
Major impairment and restructuring charges	<b>(90)</b>	-
Finance costs	<b>(43)</b>	(38)
Finance income	<b>5</b>	7
Share of loss of joint venture and associate	<b>(1)</b>	-
Income tax expense	<b>(22)</b>	(77)
<b>Profit for the year</b>	<b>298</b>	385
<b>Net debt</b>	<b>(679)</b>	(716)
Pension deficits	<b>(56)</b>	(56)
Related deferred tax	<b>10</b>	13
<b>Net debt (including post tax pension deficits)</b>	<b>(725)</b>	(759)
<b>Net debt (including post tax pension deficits) to EBITDA</b>	<b>1.1</b>	1.1
<b>Net cash flow from operating activities</b>	<b>386</b>	523
Dividends received from joint venture	<b>1</b>	-
Interest received	<b>3</b>	5
Interest paid	<b>(45)</b>	(42)
Purchases of non-current assets and investments	<b>(216)</b>	(260)
Proceeds from sale of non-current assets and investments	<b>7</b>	4
<b>Free cash flow</b>	<b>136</b>	230

## Financial Calendar

### 2018

#### 7<sup>th</sup> June

Ex dividend date

#### 8<sup>th</sup> June

Final dividend record date

#### 26<sup>th</sup> July

127<sup>th</sup> Annual General Meeting (AGM)

#### 7<sup>th</sup> August

Payment of final dividend subject to declaration at the AGM

#### 21<sup>st</sup> November

Announcement of results for the six months ending 30<sup>th</sup> September 2018

#### 29<sup>th</sup> November

Ex dividend date

#### 30<sup>th</sup> November

Interim dividend record date

### Cautionary Statement

This announcement contains forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which the group operates. It is believed that the expectations reflected in this announcement are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.

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