



Presentation of Results for the half year ended 30th September 2015

19th November 2015



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Johnson Matthey



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This presentation 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 Johnson Matthey operates. It is believed that the expectations reflected in these statements 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.



Johnson Matthey

The background image shows two male workers in blue work clothes and blue hard hats. They are standing in a large industrial facility, looking at a complex system of vertical pipes and valves. One worker is pointing at a component. The system is made of stainless steel and is mounted on a blue metal frame. In the background, there are large cylindrical tanks and more industrial equipment. The floor is a light-colored metal grating.

Introduction

Robert MacLeod
Chief Executive



Johnson Matthey

Key Messages



Strong growth in ECT and good progress in
New Businesses



Challenging conditions in other key markets;
actions being taken to reduce costs



Sales up 5%, underlying PBT down 4% and
underlying EPS down 3%



Interim dividend up 5%; special dividend of
150.0 pence per share

Expect FY performance to be in line with current market expectations
JM positioned to return to growth in 2016/17

Health and Safety is Our Priority



LTIIR reduced by **30% to 0.44**

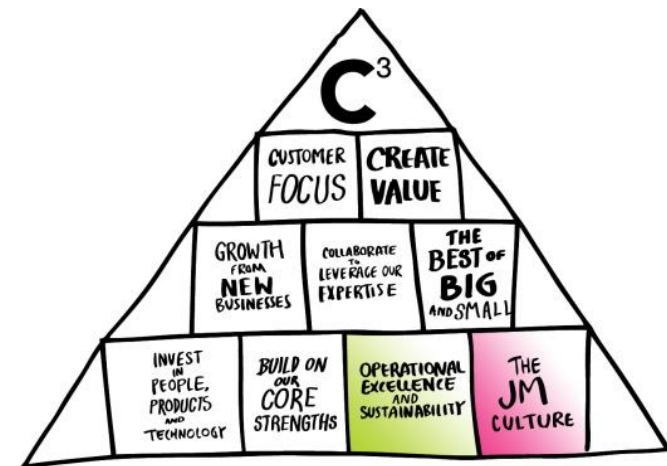
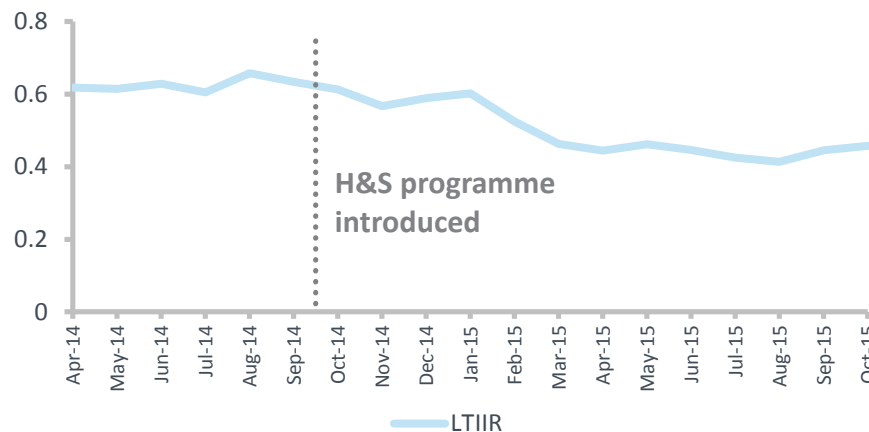


Tragic fatal accident in July at Fine Chemicals' facility in USA



Reinforced efforts to achieve world class health and safety culture

LTIIR - 12 month rolling year



LTIIR (lost time injury and illness rate) = number of lost workday cases per 200,000 total hours worked in a rolling year



Financial Review


Den Jones
Group Finance Director

Underlying Results

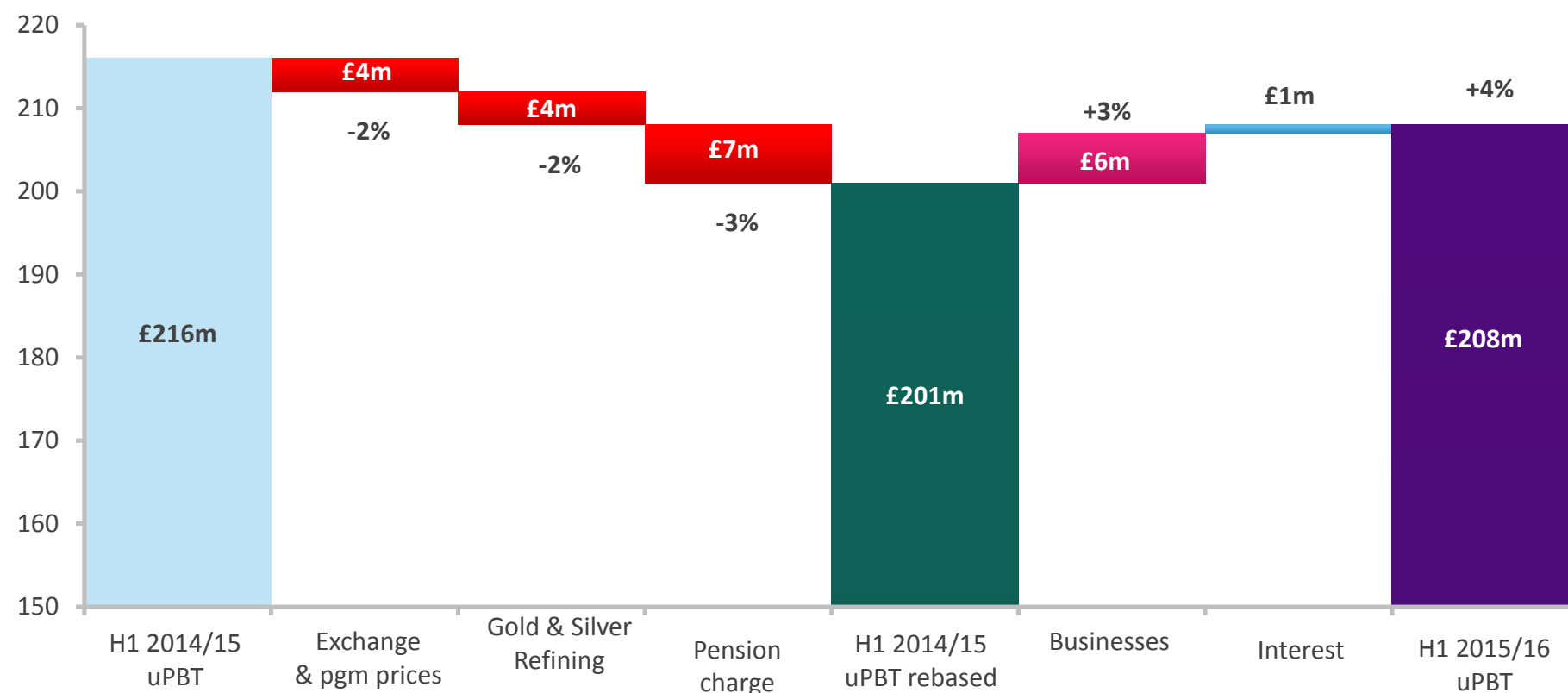
Half year to 30 th September	H1 2015 £m	H1 2014 £m	% change	% at constant rates (cr)
Revenue	5,755	4,800	+20	+18
Sales excluding precious metals	1,588	1,514	+5	+4
Operating profit	225.0	234.1	-4	-4
Interest and share of JV profit	(16.7)	(17.7)		
Profit before tax	208.3	216.4	-4	-4
Tax	(33.7)	(37.2)		
Profit after tax	174.6	179.2	-3	
Earnings per share	86.3p	88.7p	-3	
Interim dividend per share	19.5p	18.5p	+5	
Special dividend per share	150.0p	-		

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

Good Business Growth

Underlying Profit Before Tax Bridge – H1 2014/15 to H1 2015/16

(£m)



Reconciliation to Reported Results

Half year to 30 th September	H1 2015 £m	H1 2014 £m
Underlying profit before tax	208.3	216.4
Amortisation of acquired intangibles	(9.0)	(8.6)
Profit on sale of Research Chemicals	130.9	-
Profit before tax	330.2	207.8
Earnings per share	137.9p	85.6p

Cash Flow from Operations

Half year to 30 th September	H1 2015 £m	H1 2014 £m
Underlying operating profit	225	234
Depreciation and amortisation	77	74
Tax paid	(36)	(46)
Working capital / other	279	(99)
Cash flow from operations	545	163

- Working capital improved by £386m:
 - Precious metal decreased by £315m
 - Excl. pm decreased by £71m

- Working capital days (excl. pm) 64 (FY 2014/15 66)
- Strong cash inflow from operations H1

Cash Flow Conversion

Half year to 30 th September	H1 2015 £m	H1 2014 £m
Cash flow from operations	545	163
Add back: Tax paid	36	46
Pension deficit contributions	13	13
Net capital expenditure	(119)	(80)
	475	142
Movement in precious metal working capital	(315)	(24)
Cash flow (excluding precious metals)	160	118
Underlying operating profit	225	234
Cash flow conversion	71%	50%



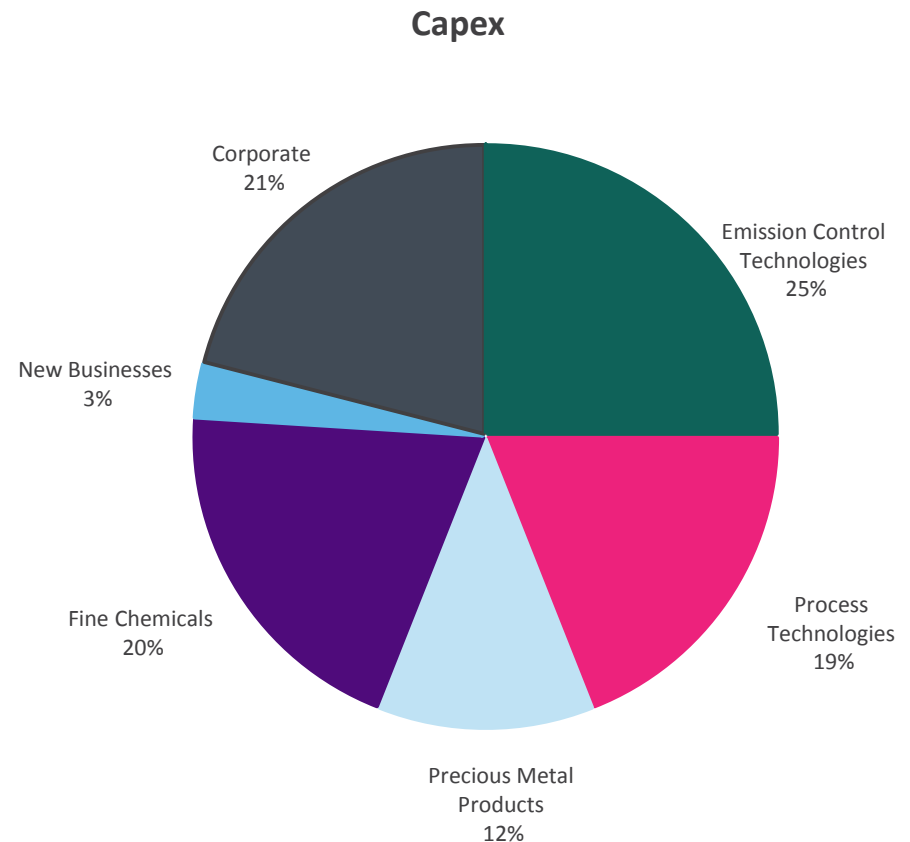
Conversion rate benefited from improvement in working capital; continue to expect to average ~70% over next few years

Continued Investment to Support Business Growth

**Capital expenditure £98.1m
(H1 2014/15 £71.3m)**

- Key projects:
 - Expansion of UK ECT facilities to meet demand from new light duty legislation
 - Expansion of PT's chemical catalyst manufacturing capacity in Europe complete
 - Investment in core business systems
- Capex expected to be slightly below £280m for FY

R&D – gross expenditure up 14% at £91.6m



Strong Balance Sheet; Actions to Reduce Costs

ROIC

- Group ROIC 17.7%
- Decline due to higher average levels of working capital over the last 12 months

Treasury and Capital Return

- Net debt £441.2m, down £553.2m since year end
- Net debt (including post tax pension deficits) / EBITDA 0.7 times
- Special dividend of 150.0p per share

Post-employment Benefits

- UK scheme actuarial valuation complete; net deficit at 1st April 2015 £28m
- £7.1m increase in pension costs in H1 2015/16 in underlying operating profit

Restructuring to Reduce Costs

- Restructuring programme commenced since end of H1, particularly in PT
 - Cost reduction of ~£30m p.a. starting in Q4
 - Expect one-off charge of ~£40m in H2



Operating Review

Robert MacLeod
Chief Executive



Johnson Matthey

Emission Control Technologies – Continued Strong Growth

£m	Half year to 30 th September			% at constant rates (cr)
	2015	2014	% change	
Sales (excluding precious metals)	939	869	+8	+8
Underlying operating profit	136.0	118.1	+15	+16
Return on sales (ROS)	14.5%	13.6%		
Return on invested capital (ROIC)	25.2%	23.4%		

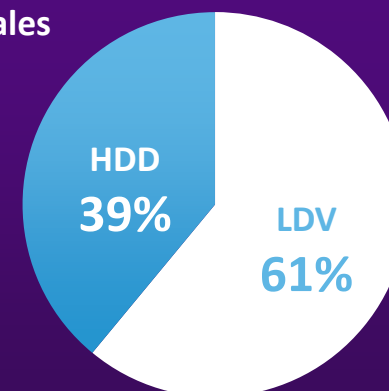
Strong performance:

- Growth in all regions
- Process efficiency improvements and one-off benefit boosted ROS

Outlook:

- Expect continued strong performance; H2 to be similar to H1
- LDV benefit from Euro 6b; good demand for HDD catalysts in US

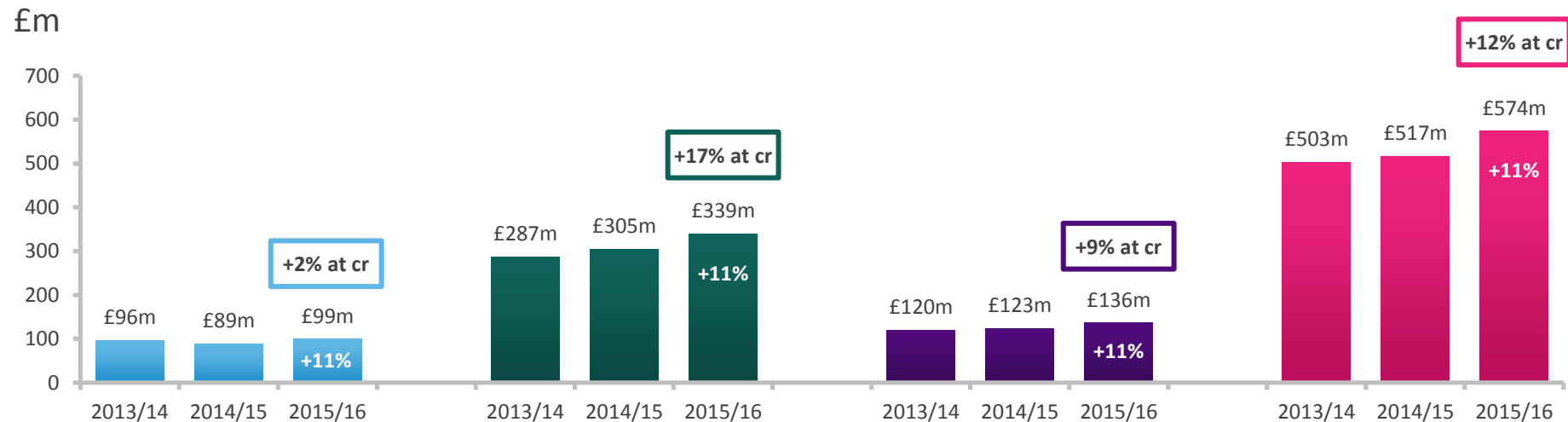
Sales



Growth Well Ahead of Global Light Duty Market

Total sales H1 2015/16
£574m up 11%

Johnson Matthey's Light Duty Catalyst Sales



North America

- North American car production up 6%
- JM volumes grew in line with market

Europe

- JM sales strongly ahead despite 3% fall in European car production
- Sales boosted by higher value Euro 6b catalysts

Asia

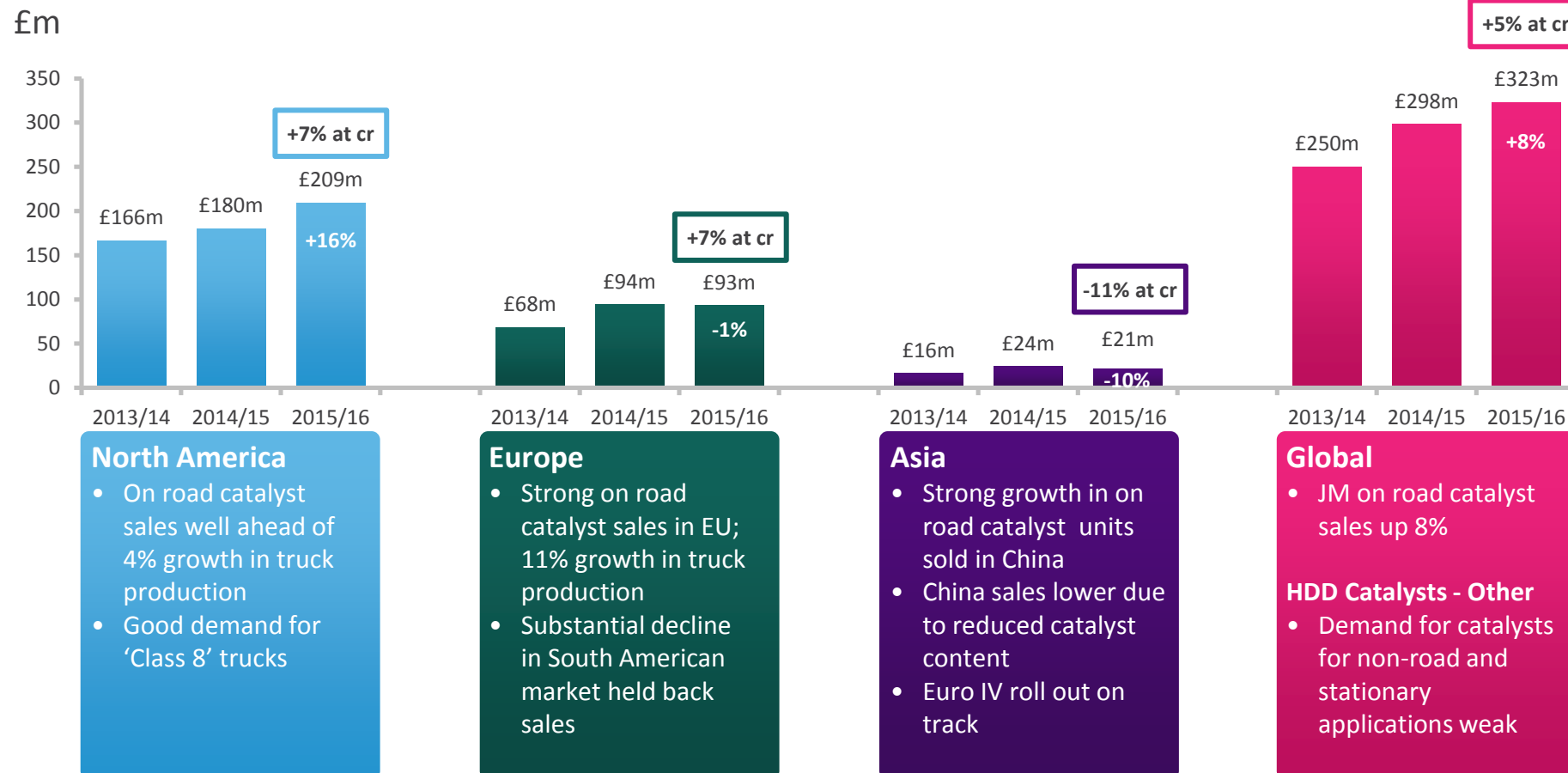
- JM sales up 9% at cr, outpacing vehicle production in all our major markets
- China sales held up well despite slower market

Global

- JM sales grew strongly, well ahead of 3% fall in global car production

Strong Growth in On Road HDD Catalysts

Johnson Matthey's On Road Heavy Duty Diesel Catalyst Sales



Total on road sales H1 2015/16
£323m up 8%

+5% at cr

Increasing Focus on Emission Control



Recent Developments

- Air quality, especially emissions of NOx from diesel cars, remains a hot topic
- No major shift in diesel share to date
 - Continue to expect diesel share to trend down in medium term
 - Tighter CO₂ emissions and fuel economy favour diesel in the mix
- Increased scrutiny on emissions limits and testing

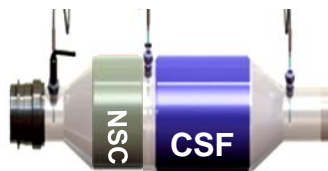


Real World Driving

- Introduction from September 2017
- Testing over urban, rural and highway cycle
- Conformity factor for NOx now set
 - Impacts diesel cars
 - Further tightening in 2020
- Expect particulate number conformity factors early 2016
 - Expected to impact gasoline cars

Johnson Matthey Technology is Part of the Solution

Technologies to control NOx



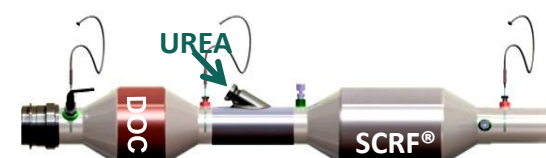
NOx Adsorber Catalysts (NAC)

- Pgm based catalyst
- Requires fuel addition, hence penalty on fuel consumption
- Favoured on smaller vehicles



Selective Catalytic Reduction (SCR)

- Metal-zeolite based catalyst
- Low pgm loading (slip catalyst only)
- Requires urea injection system, with tank, doser and injector systems
- Favoured on larger vehicles
- More reliable at higher speeds



Advanced SCR

- Allows improved thermal management of catalyst on vehicle
- Technically very demanding system
- May require additional SCR / ammonia slip catalyst (ASC) to maximise NOx conversion
- Higher technology product adds value

- JM well positioned in all technologies
- Expect shift to Advanced SCR for RDE

Process Technologies – Challenging Trading Conditions

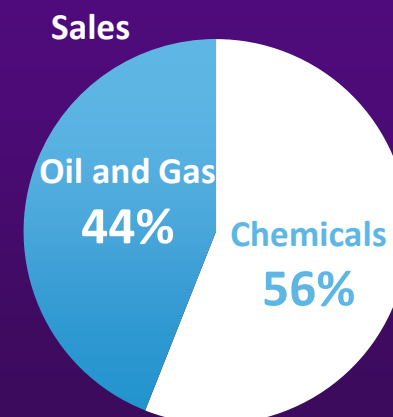
£m	Half year to 30 th September			% at constant rates (cr)
	2015	2014	% change	
Sales (excluding precious metals)	283	283	-	-1
Underlying operating profit	35.9	49.7	-28	-28
Return on sales (ROS)	12.7%	17.6%		
Return on invested capital (ROIC)	12.3%	15.0%		

Sales flat but profit adversely impacted:

- Good catalyst sales but less favourable mix, reduction in licensing income and weak performance in Diagnostic Services significantly impacted ROS

Outlook:

- Expect H2 ahead of H1, heavily weighted to Q4
- 2015/16 performance expected to be significantly lower than 2014/15

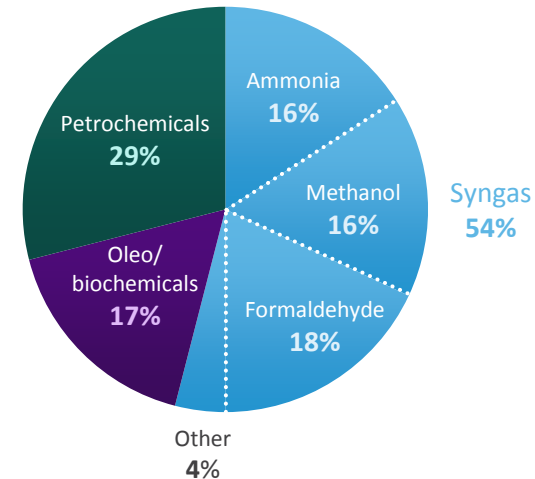


PT Chemicals – Steady Sales But Less Favourable Mix

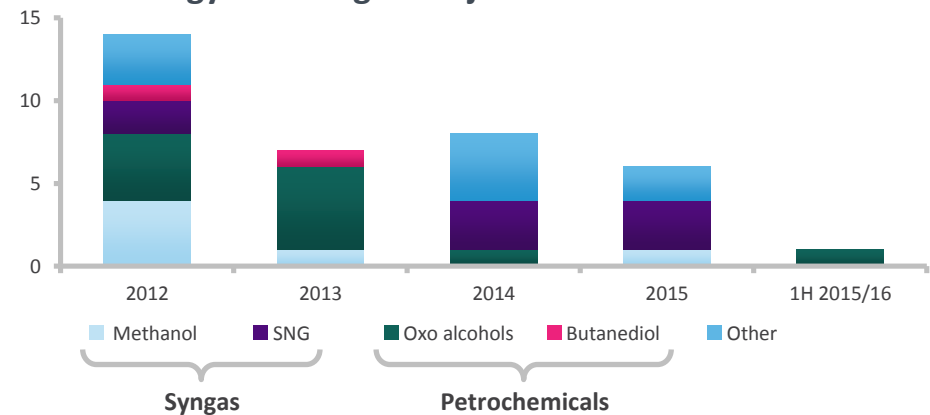
Sales stable at £159m

- Good catalyst sales in Syngas but less favourable product mix
 - Strong demand from formaldehyde customers but lower margin
 - Project delays impacted SNG catalyst sales
- Steady demand for petrochemical and oleo/biochemical catalysts
- Licensing sales £34m (H1 2014/15 £41m)
 - 1 new licence secured (vs 2 in H1 2014/15)
 - Slow activity continues with project delays and fewer new opportunities

Sales



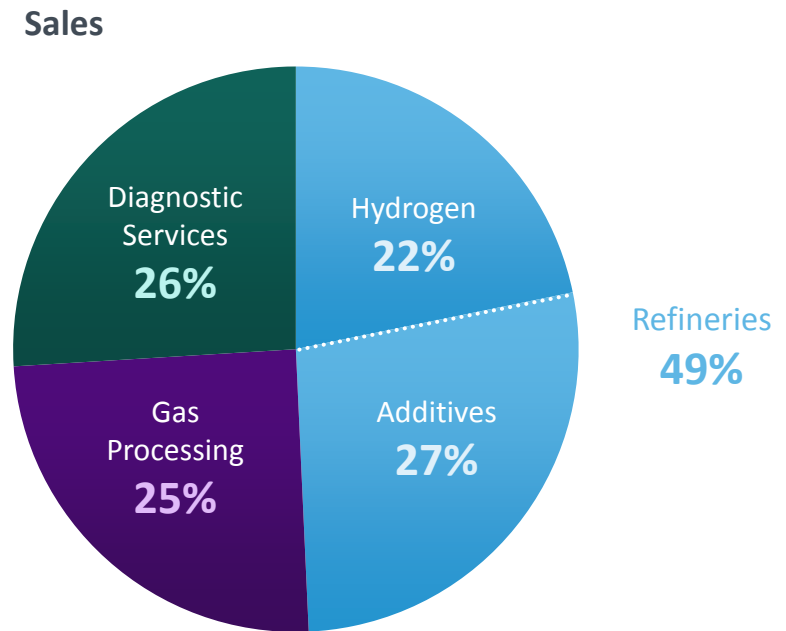
Technology Licensing – Projects Awarded 2012 – 2015



PT Oil and Gas – Mixed Performance in First Half

Sales steady at £124m (down 2% at cr)

- Good growth in catalysts
 - Strong demand for purification products
 - Slower in hydrogen catalysts following strong new plant activity last year
 - Refill customers postponing change outs to H2
- Diagnostic Services' sales down 13%
 - Slowdown in activity at customers due to low oil price
 - Lower demand across all regions
 - Operating loss in H1



Precious Metal Products – Headwinds in Refining

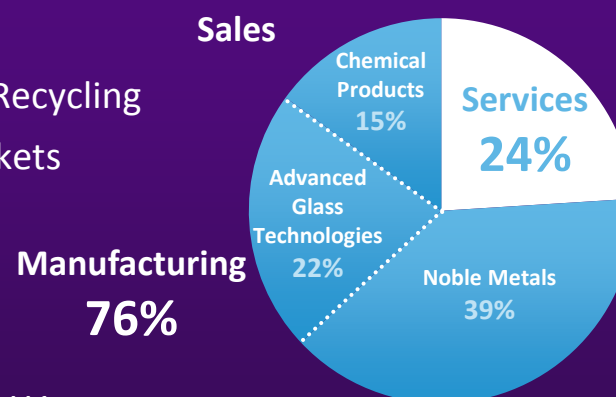
£m	Half year to 30 th September			% at constant rates (cr)
	2015	2014	% change	
Sales (excluding precious metals)	165	193	-15	-15
Underlying operating profit	36.1	52.0	-31	-31
Return on sales	21.9%	26.9%		
Return on invested capital (ROIC)	19.3%	32.9%		

Continuing businesses' sales down 5%, profit 25% lower:

- Substantially lower pgm prices impacted Pgm Refining and Recycling
- Mixed in Manufacturing businesses; weakness in some markets

Outlook:

- Refining intakes expected to remain weak
- At current pgm prices, expect weaker performance in H2 vs H1

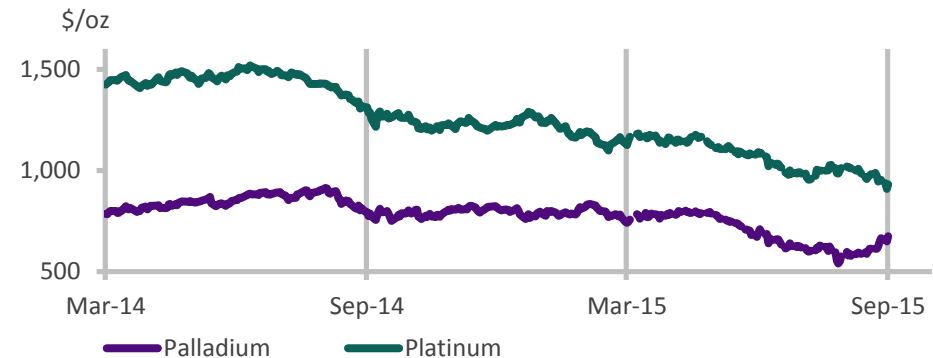


PMP Services – Substantially Lower Pgm Prices

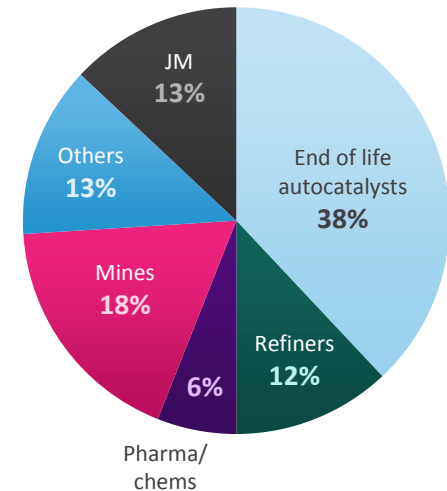
**Sales down 5% at £40m (7% down at cr)
in the continuing businesses**

- Substantially lower average pgm prices impacted performance in Refining
 - Pt \$1,064/oz (down 26%)
 - Pd \$691/oz (down 19%)
- Intake volumes reduced from H2 2014/15
- Pricing stable but shift towards lower grade intakes
- Good progress to resolve processing issues with some intakes
- Outlook for intakes and pgm prices remains subdued

Platinum and Palladium Prices



Pgm Refining and Recycling Throughput by Sector



PMP Manufacturing – Mixed First Half

Sales down 5% to £125m

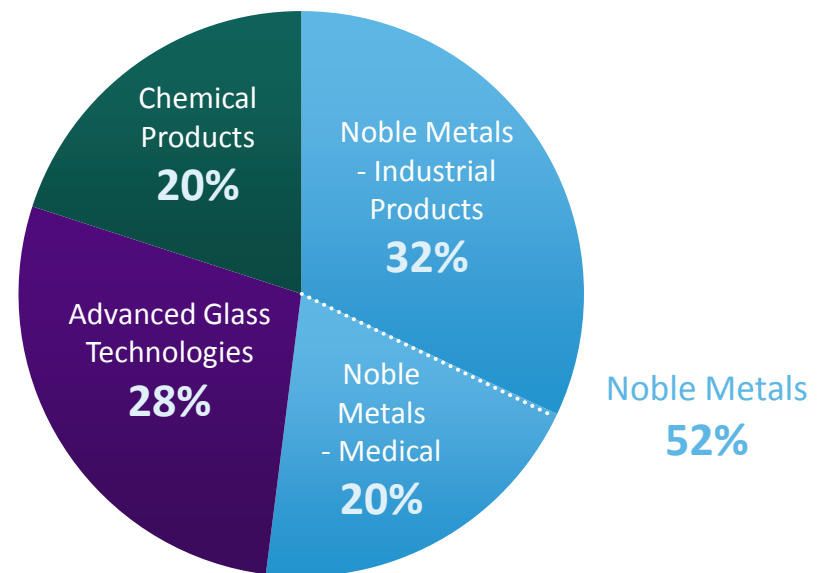
Benefiting from:

- Good sales of medical components in the US
- Steady demand for black obscuration enamels for automotive glass applications
- Strong sales of chemical products due to good demand from the pharma industry

However:

- Slower sales of catalysts for fertiliser manufacture after strong demand last year
- Weaker markets for fabricated products in other industries
- Lower sales for decorative ceramic colour products after JM exit from market

Sales



Fine Chemicals – Sale of Research Chemicals Completed

£m	Half year to 30 th September			% at constant rates (cr)
	2015	2014	% change	
Sales (excluding precious metals)	157	155	+1	-3
Underlying operating profit	40.6	41.8	-3	-8
Return on sales	25.9%	26.9%		
Return on invested capital (ROIC)	17.6%	18.4%		

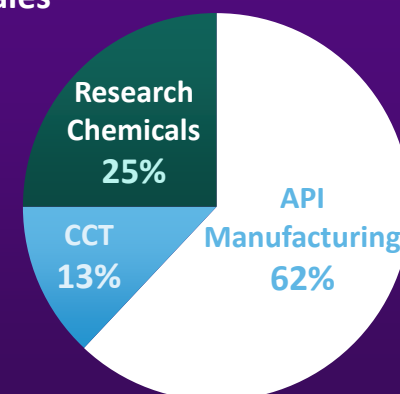
Steady sales but profit down

- Good growth in CCT and custom services; lower sales of APIs
- Safety shutdown in USA adversely impacted performance
- Sale of Research Chemicals completed for £255 million

Outlook

- Positive outlook; expect strong growth in API Manufacturing in H2
- Despite absence of Research Chemicals, expect H2 performance ahead of H1

Sales




Expanding API Capabilities



API Manufacturing

- Sales down 2% to £98m (7% lower at cr)
- Performance affected by safety shutdown
- Lower volumes of bulk opiates and ADHD APIs; steady sales of speciality opiates
- Strong demand for custom API development
- Expansion of European API manufacturing footprint progressing well



Catalysis and Chiral Technologies (CCT)

- Sales up 18% to £21m
- Good demand for homogeneous catalysts and other speciality products

Research Chemicals

- Sales up 2% to £38m (flat at cr)
- Disposal completed 30th September 2015

New Businesses – Good Progress in First Half

£m	Half year to 30 th September			% at constant rates (cr)
	2015	2014	% change	
Sales (excluding precious metals)	72	37	+98	+116
Underlying operating profit / (loss)	(9.9)	(12.0)	+18	+19

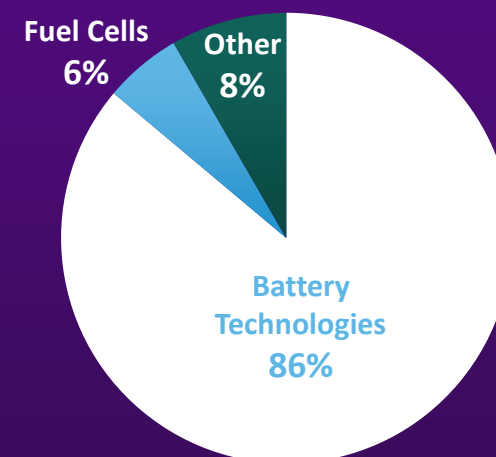
Excluding acquisitions, sales up 16%

- Battery Technologies: Sales up 79% to £62m, broke even excluding acquisition-related costs
 - Good progress in battery materials following two acquisitions
 - Strong LFP sales, especially in China
 - Developing relationships with key partners in supply chain
- ACT: Progressing in line with expectations

Outlook:

- Expect modest reduction in operating loss for year

Sales



Outlook 2015/16



Strong performance in ECT and good progress in New Businesses; challenging conditions in other markets



Difficult conditions expected to continue; taking action to reduce costs



Good underlying growth in continuing* businesses in H2 vs H1; strongly weighted to Q4



Expect FY performance to be in line with current market expectations



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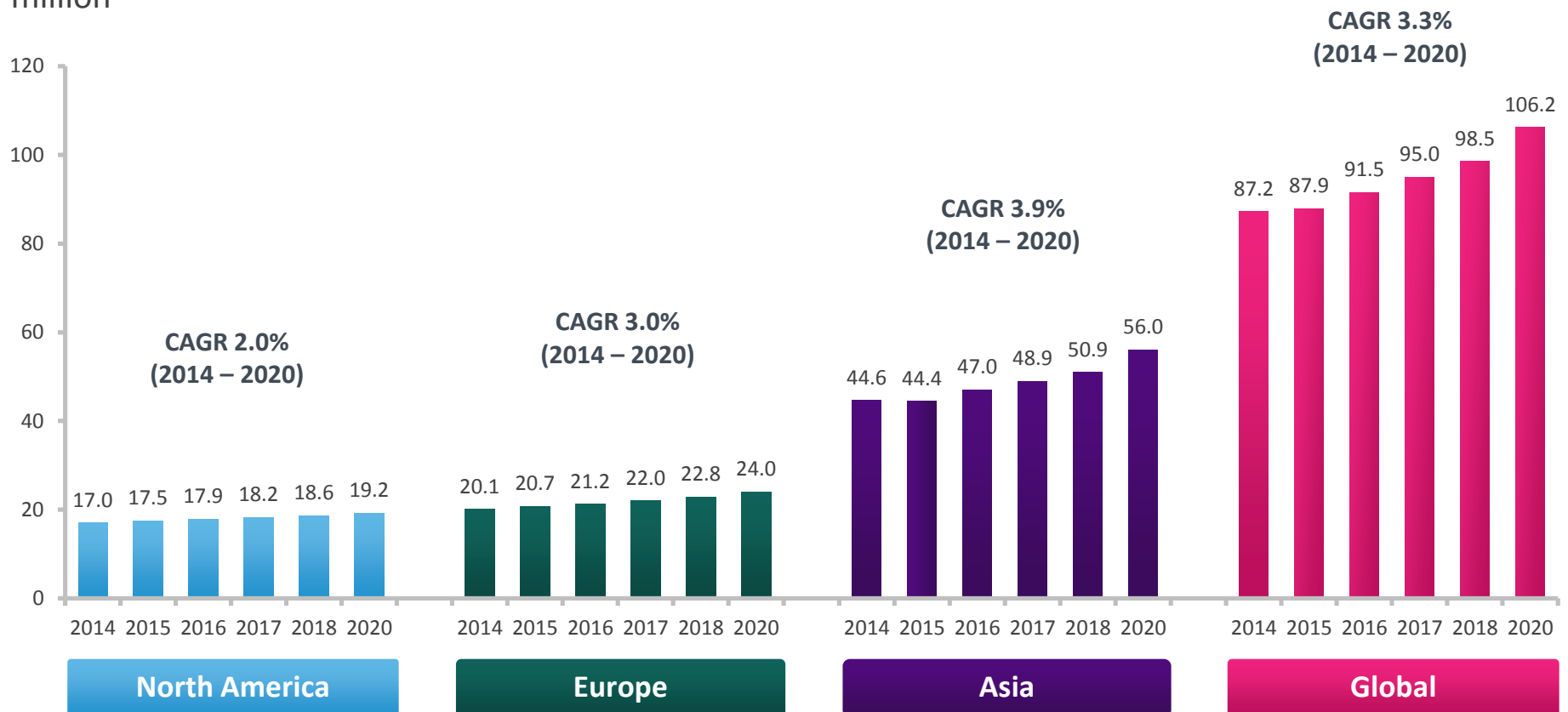
Estimated Light Duty Vehicle Sales and Production

		H1	H1		H1	H2	
		2015/16	2014/15	%	2015/16	2014/15	%
		millions	millions	change	millions	millions	change
North America	Sales	10.7	10.3	+5	10.7	9.4	+14
	Production	9.0	8.4	+6	9.0	8.4	+7
Europe	Sales	9.3	8.9	+4	9.3	9.1	+2
	Production	10.0	10.3	-3	10.0	10.1	-1
Asia	Sales	18.1	18.2	-	18.1	21.2	-15
	Production	21.3	22.7	-6	21.3	23.1	-8
Global	Sales	43.7	43.2	+1	43.7	45.3	-4
	Production	42.9	44.1	-3	42.9	44.2	-3

Global Growth in Vehicle Production Drives ECT

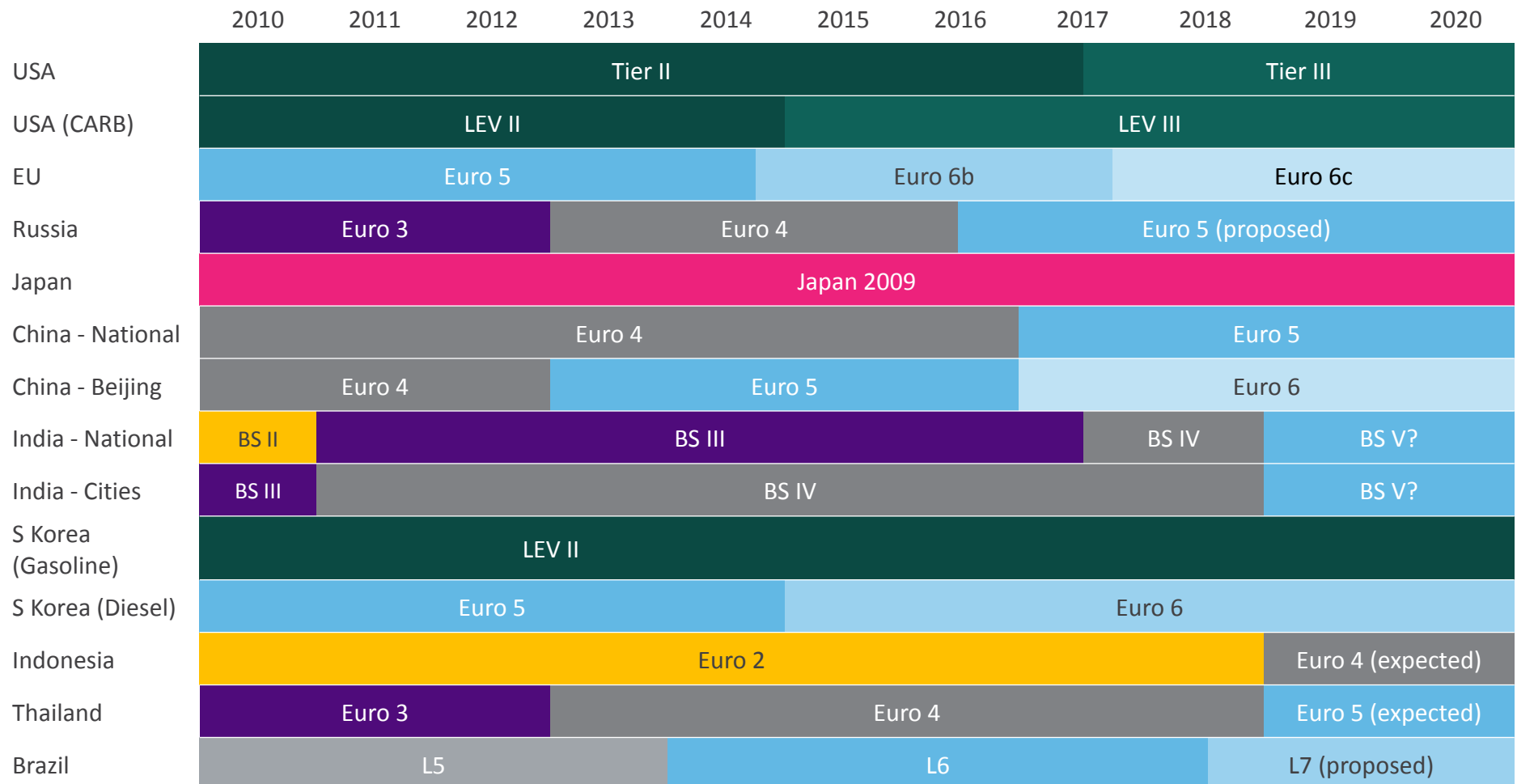
Light Duty Vehicle Production Outlook – 2014 - 2020 (calendar years)

million



Emission Control Technologies

Light Duty Vehicle Legislation



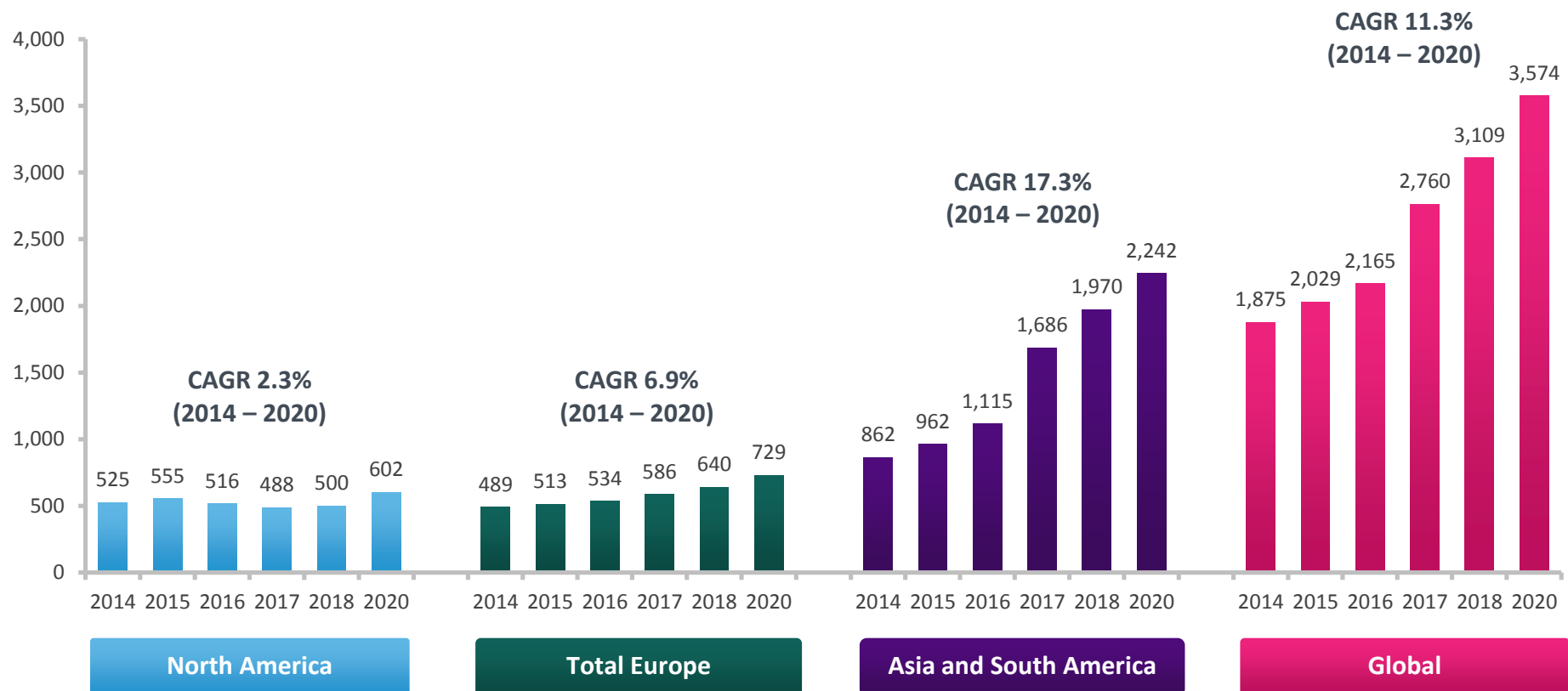
Estimated HDD Truck Sales and Production

		H1	H1		H1	H2	
		2015/16	2014/15	%	2015/16	2014/15	%
		thousands	thousands	change	thousands	thousands	change
North America	Sales	283.3	257.4	+10	283.3	255.4	+11
	Production	284.0	271.9	+4	284.0	271.8	+4
EU	Sales	148.3	129.7	+14	148.3	147.3	+1
	Production	206.0	185.4	+11	206.0	204.7	+1

Heavy Duty Vehicle Production Regulated Engines Outlook

2014 - 2020 (calendar years)

thousands



Source: LMC (September 2015); JM estimates for proportion regulated

Emission Control Technologies

Heavy Duty Diesel Legislation

