Johnson Matthey

News release

Half year results for the six months ended 30th September 2016

For Release at 7.00 am Thursday 17th November 2016

Trading in line on a constant currency basis, full year outlook confirmed

Highlights

- First half sales[1] up 5% and underlying PBT[2] up 5%
- Performance of the group at constant rates on-track and in line with our previous expectations
- Continuing businesses[3] at constant rates[4]: sales down 1% and underlying PBT down 3%
- Full year outlook for continuing businesses at constant rates unchanged – expect performance to be slightly ahead of last year
- Interim dividend up 5% to 20.5 pence, reflecting confidence in group's medium term prospects
- At 30th September 2016 rates, ~£65 million translational benefit to full year underlying operating profit

	H1 2016/17	H1 on H1 % change actual	continuing businesses, constant rates[3,4]
Revenue	£5,625m	-2%	-6%
Sales excluding precious metals (sales)[1]	£1,676m	+5%	-1%
Profit before tax (PBT)	£210.0m	-36%	
Underlying PBT[2]	£219.6m	+5%	-3%
Earnings per share (EPS)	92.7p	-33%	
Underlying EPS	96.4p	+12%	
Interim dividend per share	20.5p	+5%	
Lost time injury and illness rate[5]	0.43	-4%	

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

"Johnson Matthey had a solid first half, supported by favourable exchange rates, and our health and safety performance improved. Trading for the group during the period was in line with our expectations in our continuing businesses on a constant currency basis. We have increased our interim dividend by 5% reflecting our confidence in the medium term.

I am pleased with the performance of Emission Control Technologies (ECT), where strong growth in Europe and Asia offset the expected cyclical weakness in North America. New Businesses made good progress and Process Technologies has maintained its strong position in tough markets. In Fine Chemicals, first half performance was held back by an unfavourable product mix in our Active Pharmaceutical Ingredient (API) Manufacturing business.

Our guidance for the full year remains unchanged for our continuing businesses on a constant currency basis; that we expect the group's performance to be slightly ahead of last year. In addition, the group will benefit from favourable exchange rates if current rates are maintained.

Johnson Matthey remains well positioned in growth markets. Through continued investment in R&D, our infrastructure and our people, we will continue to deliver both long term growth for shareholders and sustainable technologies that make the world around us cleaner and healthier."

Email: jmpr@matthey.com Web: www.matthey.com

Issued by: Johnson Matthey Public Limited Company
5th Floor 25 Farringdon Street London EC4A 4AB
Tel +44 (0) 207 269 8400 Fax +44 (0) 207 269 8433

As the weakening of sterling versus other major currencies in the first half had a material impact on the reported performance of the business, we have focused commentary on performance at constant rates. Unless otherwise stated, commentary refers to performance at constant rates.

ECT: strong performance in Europe and Asia offset by expected weakness in North America

- Outperformance across Europe with Light Duty benefiting from increased focus on emissions and Heavy Duty Diesel (HDD) benefiting from strong vehicle production levels and improved product mix
- Strong growth in Asia supported by high vehicle production in China and good progress on HDD
- Tough trading in North America, principally from lower large (Class 8) truck production
- Expect ECT to continue to perform well, with continued strength in Europe and Asia and stabilising HDD catalyst sales in North America

Process Technologies: maintained strong position in challenging market

- Sales lower in tough market conditions: no new licences and customers lengthening catalyst replacement cycles
- Return on sales boosted by actions taken last year to reduce cost base
- Business remains well placed for future recovery in our end markets
- Stronger second half expected with a robust order book and continued benefit of cost savings

Precious Metal Products: performance stabilised

- Steady performance in Manufacturing, subdued market in pgm recycling
- Expect steady performance to continue in the second half

Fine Chemicals: stronger second half expected

- Sales growth with increased demand for APIs
- Operating profit performance adversely impacted by product mix
- Performance in second half expected to be well ahead of the first, supported by an improved mix and our customers' new product approvals

New Businesses: continued progress, particularly in Battery Technologies

- Strong sales growth for battery materials and good progress in broadening our technology portfolio into nickel rich battery materials
- Investment of £30 million approved to increase lithium iron phosphate (LFP) capacity by 50%
- Expect performance in the second half to improve on the first half as we move to break even in 2017/18

Enquiries:

Sally Jones	Director, IR and Corporate Communications	020 7269 8407
Simon McGough	Head of IR	020 7269 8235
Tom Hill	IR Analyst	020 7269 8439
David Allchurch	Tulchan Communications	020 7353 4200

www.matthey.com

Notes:

1. Sales excluding precious metals have been adjusted to include certain non-pass through precious metal items.
2. Underlying is 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. For reconciliation see note 4 on page 22. For definitions and reconciliations of other non-GAAP measures see page 26.
3. 2015/16 adjusted to exclude contribution of Research Chemicals business.
4. At constant rates (if H1 2015/16 results are converted at average exchange rates for H1 2016/17).
5. Number of lost workday cases per 200,000 hours worked in a rolling year.

Report to Shareholders

Review of results

	Half Year to 30th September			% at constant rates, continuing businesses
	2016 £ million	**2015 £ million**	**% change**	
Revenue	**5,625**	**5,755**	**-2**	**-6**
Sales (excluding precious metals)				
Emission Control Technologies	1,054	939	+12	+3
Process Technologies	265	283	-6	-12
Precious Metal Products	189	177	+7	-2
Fine Chemicals	133	158	-16	+4
New Businesses	88	72	+22	+13
Eliminations	(53)	(28)		
Group sales	**1,676**	**1,600**	**+5**	**-1**
Underlying operating profit				
Emission Control Technologies	151.9	136.0	+12	-
Process Technologies	39.3	35.9	+9	-1
Precious Metal Products	40.9	36.1	+13	+4
Fine Chemicals	26.9	40.6	-34	-26
New Businesses	(8.5)	(9.9)	+14	+11
Corporate	(14.4)	(13.7)		
Group underlying operating profit	**236.1**	**225.0**	**+5**	**-3**
Interest	(16.4)	(16.8)		
Share of profit of joint venture	(0.1)	0.1		
Underlying profit before tax	**219.6**	**208.3**	**+5**	**-3**
Tax on underlying profit before tax	(35.3)	(33.7)		
Underlying profit after tax	**184.3**	**174.6**	**+6**	
Underlying EPS (pence)	**96.4**	**86.3**	**+12**	
EPS (pence)	**92.7**	**137.9**	**-33**	
Interim dividend per share (pence)	**20.5**	**19.5**	**+5**	
Special dividend per share (pence)	**-**	**150.0**		
Total research and development expenditure	**93.7**	**91.6**	**+2**	
Net cash flow from operating activities	**123.9**	**545.2**		
Capital expenditure	**103.3**	**98.1**	**+5**	
Net debt	**896.8**	**441.2**		
Return on invested capital (ROIC)	**17.6%**	**17.7%**		
Health and safety – lost time injury and illness rate	**0.43**	**0.45**		

Operations

Unless otherwise stated, commentary refers to performance at constant rates

Emission Control Technologies (ECT)

	Half Year to 30th September 2016 £ million	2015 £ million	% change	% at constant rates
Revenue	**1,849**	**1,770**	**+4**	**-3**
Sales (excluding precious metals)				
LDV Europe	410	339	+21	+16
LDV Asia	157	136	+16	+4
LDV North America	103	99	+4	-8
Total Light Duty Vehicle (LDV) Catalysts	**670**	**574**	**+17**	**+9**
HDD North America (on road)	189	209	-10	-20
HDD Europe (on road)	121	93	+31	+22
HDD Asia (on road)	31	21	+45	+23
Other	43	42	+5	-6
Total Heavy Duty Diesel (HDD) Catalysts	**384**	**365**	**+5**	**-6**
Total sales	**1,054**	**939**	**+12**	**+3**
Underlying operating profit	**151.9**	**136.0**	**+12**	**-**
Return on sales	**14.4%**	**14.5%**		
Return on invested capital (ROIC)	**30.0%**	**25.2%**		

Estimated LDV Sales and Production*

		Half Year to 30th September 2016 millions	2015 millions	% change
North America	**Sales**	**11.0**	**10.8**	**+1**
	Production	**9.1**	**8.9**	**+2**
Total Europe	**Sales**	**9.8**	**9.3**	**+5**
	Production	**10.7**	**10.3**	**+3**
Asia	**Sales**	**19.6**	**18.1**	**+9**
	Production	**22.5**	**21.1**	**+6**
Global	**Sales**	**44.6**	**42.6**	**+5**
	Production	**44.7**	**42.9**	**+4**

Estimated HDD Truck Sales and Production*

		Half Year to 30th September 2016 thousands	2015 thousands	% change
North America	**Sales**	**254**	**284**	**-11**
	Production	**235**	**293**	**-20**
Total Europe	**Sales**	**209**	**194**	**+8**
	Production	**267**	**259**	**+3**

*Source: LMC Automotive

ECT had a solid first half, boosted by very strong sales in Europe for both light and heavy duty catalysts and good demand for our products across Asia. As expected, our sales in North America were weaker primarily due to lower demand for our catalysts used in large (Class 8) trucks.

Light Duty Vehicle (LDV) Catalysts

Our European LDV catalyst business had a very strong first half, significantly outpacing vehicle production in the region which increased by 3%.

The business continued to benefit from sales of higher value catalysts to meet Euro 6b regulations, which imposes tighter emissions standards on oxides of nitrogen (NOx) from diesel vehicles. Additionally, with increased focus and scrutiny on emissions, we have seen our customers increasingly shift towards more advanced NOx control systems for diesel vehicles, ahead of the introduction of real world driving emission standards (RDE) from September 2017. As a result, demand for our advanced selective catalytic reduction (advanced SCR) catalysts, which have a higher catalyst value per vehicle, increased in the period.

We continue to expect the proportion of diesel cars produced in Western Europe to reduce. However, diesel engines will continue to offer greater fuel efficiency and lower CO_2 emissions compared to their gasoline counterparts, particularly for larger vehicles. As such, we expect diesel to remain an important powertrain technology to enable our customers to meet lower fleet average CO_2 limits, which will reduce from 130g/km to 95g/km in 2020.

In our first half, the proportion of diesel cars produced in Western Europe was stable at 52% (H1 2015/16: 52%), and the total number of diesel cars produced increased. At current EU standards, the catalyst value per vehicle for a diesel car is around six times higher than for a gasoline car.

We are working closely with customers on products required for Euro 6c, which will reduce emissions of harmful particles produced from gasoline engines. We continue to expect that up to one quarter of gasoline cars sold in the EU will need additional advanced coated particulate filter catalysts to meet the legislation.

In Asia, our LDV catalyst business delivered solid sales growth in the first half, supported by the 6% growth in vehicle production. Our business in China continues to perform well, with unit sales ahead of a 14% increase in vehicle production. Sales growth was held back slightly as tax incentives led to consumers favouring smaller engine vehicles. The market in Japan weakened slightly but our sales increased as we benefited from a more favourable product mix. Our sales in India grew in line with vehicle production.

Demand for LDV catalysts in North America were lower despite a slight increase in vehicle production in the region. The competitive landscape is unchanged though our sales were negatively impacted by product and customer mix in the period.

Heavy Duty Diesel (HDD) Catalysts – On Road

Sales of HDD catalysts in North America fell in line with the significant decline in truck production in the region, particularly for large (Class 8) trucks. Production levels of Class 8 trucks, which are cyclical in nature, were 33% lower while production levels of Class 4-7 trucks remained stable.

Having reached a peak in September 2015, after 18 months of very strong growth, production levels of Class 8 trucks have fallen sharply. This decline has been sharper than we previously anticipated and we now expect that production levels will continue to fall, albeit less sharply, in the second half of our financial year before stabilising in the early part of 2017/18. Despite this, we expect sales of our on road HDD catalysts in North America for the second half to stabilise at current levels.

Our European HDD business had a very strong first half with sales growth well in excess of production levels, which increased by 3%. This was supported by an increased proportion of sales of higher value catalysts with a move to newer technologies. During the first half, we continued our investment to expand our manufacturing capacity for extruded HDD catalysts at our facility in Germany to meet growing customer demand for higher performance technologies.

Our HDD business in Asia also had a very strong first half. In China, sales of our HDD catalysts outpaced the 28% growth in truck production as we benefited from a shift to Euro V vehicle sales in the cities and provinces where the regulation has been implemented. Catalyst sales in Japan were stable, in line with truck production levels.

Heavy Duty Diesel (HDD) Catalysts – Other
Sales of catalyst systems for non-road and stationary applications were slightly down, mainly due to lower demand from the agricultural sector.

Process Technologies

	Half Year to 30th September 2016 £ million	2015 £ million	% change	% at constant rates
Revenue	**271**	**289**	**-6**	**-12**
Sales (excluding precious metals)				
Syngas	64	87	-26	-31
Oleo/biochemical	26	26	-1	-9
Petrochemicals	61	46	+32	+25
Chemicals	**151**	**159**	**-5**	**-11**
Refineries	63	61	+3	-5
Gas Processing	23	31	-26	-28
Diagnostic Services	28	32	-13	-17
Oil and Gas	**114**	**124**	**-8**	**-14**
Total sales	**265**	**283**	**-6**	**-12**
Underlying operating profit	**39.3**	**35.9**	**+9**	**-1**
Return on sales	**14.8%**	**12.7%**		
Return on invested capital (ROIC)	**9.9%**	**12.3%**		

Trading conditions for Process Technologies continued to be tough as demand in its end markets remained at a low point in the cycle. Despite this, the division maintained its strong position in an environment where licensing activity remained subdued and customers lengthened their catalyst replacement cycles.

The division’s underlying operating profit was supported by the actions we took last year to reduce our cost base, with the first half benefiting from approximately half the £23 million per annum reduction.

Chemicals
Sales in our Chemicals businesses were lower, with weakness in both licensing and catalysts as a result of a range of factors across our key markets.

Sales from licensing, engineering and related activities in the period were £22 million, down 36% from H1 2015/16, and no new licences were signed in the period as demand for new plant capacity using our technologies remained weak. With limited investment in new plants due to a combination of overcapacity in China and pressure on commodity prices, we expect the weakness in licensing activity to continue for the remainder of the year.

Sales of catalysts in our Syngas business reduced, primarily due to significantly lower demand for ammonia catalysts as customers lengthened their catalyst replacement cycles in response to overcapacity in their end markets. In methanol, we also saw delays in refill orders and new projects. The sustained low oil price has adversely impacted both the methanol price and demand as end users have been taking advantage of cheap oil as an alternative fuel to methanol. Formaldehyde catalyst sales were slightly down after a strong first half of 2015/16 with timing of orders this year falling more into the second half.

Sales in our Oleo/biochemical business were down as a result of both lower licensing and catalyst demand.

On the other hand, sales in our Petrochemicals business increased significantly mainly due to strong demand for speciality zeolite catalyst products which are used in SCR catalyst technologies. This more than offset lower licensing activity.

Oil and Gas
Our Oil and Gas business had a tough start to the year as the sustained low oil price continued to suppress customer demand.

In Refineries, sales of hydrogen catalysts were down in the period due to customers extending the time between their catalyst refills in response to lower demand for hydrogen from refineries. In the current climate, refineries are processing lower sulphur fuels and therefore require less hydrogen for desulphurisation. In contrast, demand for our refinery additives, which are used to reduce emissions and improve performance in the fluid catalytic cracking (FCC) unit of the refinery, was good.

Sales in our Gas Processing business, which supplies purification products used to remove mercury and sulphur impurities from natural gas, were down in the period as some large projects in the first half of last year were not repeated this year.

Our Diagnostic Services business, which mainly serves the upstream oil and gas market, continued to be impacted by weak demand from customers due to the low oil price. However, the business benefited from cost savings as a result of our actions last year and broke even in the first half.

Precious Metal Products (PMP)

	Half Year to 30th September			**% at**
	2016	**2015**	**%**	**constant**
	£ million	**£ million**	**change**	**rates**
Revenue	**4,150**	**4,218**	**-2**	**-5**
Sales (excluding precious metals)				
Precious Metals Management	10	9	+17	+13
Pgm Refining and Recycling	44	43	+1	-6
Services	**54**	**52**	**+4**	**-3**
Noble Metals	71	64	+10	-
Advanced Glass Technologies	40	36	+14	+1
Chemical Products	24	25	-4	-9
Manufacturing	**135**	**125**	**+8**	**-1**
Total sales	**189**	**177**	**+7**	**-2**
Underlying operating profit	**40.9**	**36.1**	**+13**	**+4**
Return on sales	**21.6%**	**20.4%**		
Return on invested capital (ROIC)	**18.8%**	**19.3%**		

Sales across PMP were slightly down in the period as steady demand across most of our Manufacturing businesses was offset by lower sales in Pgm Refining and Recycling. Our underlying operating profit performance was stronger than sales, mainly due to the benefit of cost savings.

Services
Precious Metals Management's sales increased as the business benefited from the volatility in platinum group metal (pgm) prices during the first half. The average prices of platinum and palladium were lower during the six month period, averaging $1,052/oz (down 1%) and $628 (down 9%) respectively. This adversely impacted sales and profit in our Pgm Refining and Recycling business.

Recycling volumes were steady, albeit at low levels, as intakes of end of life autocatalysts remained weak driven by reduced volumes of scrapped vehicles as a result of low scrap steel prices. Recycling volumes were also impacted by the lower average pgm prices. Intakes from mines and refiners were in line with last year, underpinned by our long term supply contract with Stillwater. In October 2016, we opened our new pgm recycling facility in Zhangjiagang, China to meet future demand from the local market.

Manufacturing
Our Noble Metals business had a mixed first half. Weaker demand for pgm alloy catalysts used in the production of fertilisers was offset by good demand for other industrial products. Sales of medical components were broadly stable across our major markets.

Sales grew in Advanced Glass Technologies, with increased demand for our black obscuration enamels for automotive glass applications, especially in China. Sales of products for other functional and decorative applications were steady.

Fine Chemicals

	Half Year to 30th September			**% at constant rates, continuing businesses**
	2016 £ million	**2015 £ million**	**% change**	
Revenue	**148**	**173**	**-14**	**+3**
Sales (excluding precious metals)				
API Manufacturing	110	98	+12	+4
Catalysis and Chiral Technologies	23	22	+7	+1
Research Chemicals	-	38	-100	
Total sales	**133**	**158**	**-16**	**+4**
Underlying operating profit	**26.9**	**40.6**	**-34**	**-26**
Return on sales	**20.3%**	**25.7%**		
Return on invested capital (ROIC)	**14.7%**	**17.6%**		

For the continuing businesses, sales in the division grew due to higher demand in Active Pharmaceutical Ingredient (API) Manufacturing. However, a less favourable product mix in the first half heavily impacted underlying operating profit and return on sales.

API Manufacturing
During the period we have continued to develop new products to support future growth. As we grow our portfolio, the timing of our customers' new product approvals and the declining contribution of maturing products can cause variability in our sales and profit trends.

Sales in our API Manufacturing business were ahead, supported by good demand for our lower margin bulk opiates and increased sales of APIs for Attention Deficit Hyperactivity Disorder (ADHD) treatments. Dofetilide, a generic alternative to anti-arrhythmic drug Tikosyn®, for which we provide the API, was launched over the summer and began to contribute to the business.

Demand for some of our higher margin speciality products was lower in the period due to a combination of declining contributions from maturing products, delays in our customers' new product approvals and the timing of shipments to our customers.

Recently there has been an increased focus on the abuse of controlled substances in the US and this has led the Drug Enforcement Administration (DEA) to reduce manufacturing quotas for certain substances. We do not expect this to materially impact our second half. Our API pipeline remains strong and the second half is expected to be comfortably ahead of the first half due to a more favourable product mix and the expected approval of our customers' new products.

Our capacity investment plans are progressing well and we have completed the upgrade of part of the API manufacturing site in Annan, Scotland, which is now ready to start production validations following a successful inspection by the UK Medicines and Healthcare Regulatory Agency.

Catalysis and Chiral Technologies (CCT)
CCT had a good start to the year, helped by demand for heterogeneous catalysts.

New Businesses

	Half Year to 30th September			% at
	2016	**2015**	**%**	**constant**
	£ million	**£ million**	**change**	**rates**
Revenue	**91**	**74**	**+22**	**+14**
Sales (excluding precious metals)				
Battery Technologies	72	62	+16	+7
Fuel Cells	4	4	-14	-14
Other	12	6		
Total sales	**88**	**72**	**+22**	**+13**
Underlying operating loss	**(8.5)**	**(9.9)**	**+14**	**+11**

New Businesses continued to make progress with strong sales growth and a reduction in underlying operating loss. We continued to invest in research and development to support other long term new business areas.

Battery Technologies
Our Battery Technologies business grew strongly in the first half and delivered a small operating profit. In Battery Materials, where we have a leading position in lithium iron phosphate (LFP) technology for the automotive market, sales continued to grow, particularly for hybrid automotive applications in China. We anticipate our sales of battery materials will increase to around £60 million for 2016/17.

We have continued to make good progress in broadening our technology portfolio into nickel rich battery materials for the automotive market following our recent licence agreements with 3M and CAMX Power LLC.

In addition, we have continued to work on developing relationships with key partners in the supply chain for next generation LFP battery materials. To meet future demand for LFP materials, we have recently approved the investment of around £30 million in our Candiac, Canada manufacturing plant to increase our global capacity by around 50%.

Our Battery Systems business saw increased volumes for non-automotive applications, such as powertools and e-bikes, and has now completed a move to a new manufacturing facility in Poland to support future demand. Sales of battery systems to automotive customers remained subdued. We completed the relocation of our battery systems automotive business to Milton Keynes in order to better serve our customers.

Fuel Cells
Sales in our Fuel Cells business were down due to phasing of orders from non-automotive customers for applications including combined heat and power, backup power and forklift trucks. The net operating loss of our Fuel Cells business reduced, benefiting from cost savings made last year, and we expect improved performance from an increase in volumes in the second half of the year.

Other New Business Development
Other new business development remains on track. Our Atmosphere Control Technologies business made good progress and delivered a small operating profit, with particularly strong sales in North America. The Water Technologies business is moving forward on integration following the small acquisitions of MIOX Corporation in April 2016 and Finex in May 2016.

Financial Review

Profit before tax
The group's profit before tax was £210.0 million compared to £330.2 million in the first half of 2015/16, which included the £130.9 million profit on the sale of Research Chemicals. The reconciliation of underlying profit before tax to profit before tax is:

	H1 2016/17	**H1 2015/16**
	£ million	**£ million**
Underlying profit before tax	219.6	208.3
Amortisation of acquired intangibles	(9.6)	(9.0)
Profit on sale of Research Chemicals	-	130.9
Profit before tax	**210.0**	**330.2**

Exchange rates
During the period there has been a significant decrease in the value of sterling against most major currencies. The main impact of this on the group comes from the translation of foreign subsidiaries' results into sterling. The translation impact of exchange rates in the period was to increase underlying operating profit by approximately £27 million.

The average exchange rates during the first half of 2016/17 compared to the same period last year were:

	Share of H1 2016/17 non-sterling denominated underlying operating profit	**Average exchange rate**		**% change**
		H1 2016/17	**H1 2015/16**	
US dollar	**37%**	**1.374**	**1.543**	**-11**
Euro	**30%**	**1.223**	**1.389**	**-12**
Chinese renminbi	**13%**	**9.06**	**9.64**	**-6**

The US dollar, euro and Chinese renminbi represent 80% of the group's non-sterling denominated underlying operating profit. Each one cent change in the average US dollar and euro exchange rates has approximately a £1.3 million and £1.0 million effect respectively on underlying operating profit in a full year; a ten fen change in the average rate of the Chinese renminbi has around a £0.6 million impact on underlying operating profit in a full year.

If exchange rates as at 30th September 2016 are maintained throughout the remainder of 2016/17, foreign currency translation will continue to have a significant impact on the group's reported underlying operating profit, with an estimated benefit of approximately £65 million for the year as a whole.

The transactional impact of exchange rates did not have a material impact on the group's performance in the first half of the year.

Interest
The group's net finance costs were slightly lower than last year at £16.4 million. The reduction was due to a lower post-employment benefits interest charge partly offset by higher average net debt following the special dividend paid in February 2016.

Taxation
The tax charge on underlying profit before tax was £35.3 million. This represents an effective tax rate of 16.1%, in line with the 16.1% at the year end. The group's total tax charge for the period was £32.9 million, a tax rate of 15.7% on profit before tax (H1 2015/16: 15.4%).

Capital structure and cash flow
Net debt at 30th September 2016 was £896.8 million, an increase of £221.9 million since 31st March 2016, predominantly due to an increase in working capital and a £83.5 million movement due to exchange rates. Net debt increases to £1,001.6 million when adjusted for the post tax pension deficits less the bonds held to fund pensions. The group's net debt (including post tax pension deficits) / EBITDA for the 12 months to 30th September 2016 was 1.6 times (31st March 2016: 1.1 times).

The group's total working capital increased by £237 million since 31st March 2016. Excluding the element that relates to precious metals, working capital increased by £126 million of which £49 million is due to foreign exchange.

Working capital days, excluding precious metals, increased from 64 days last half year to 69 days, 3 days being due to foreign exchange. The remaining increase is principally due to the build-up of inventory ahead of stronger sales in the second half, particularly in ECT, Fine Chemicals and Process Technologies. We continue to expect working capital days at year end to be in the range of 50 to 60.

Working capital in respect of precious metals also grew, primarily due to higher inventories within Precious Metal Products.

Capital expenditure
Capital expenditure was £103.3 million. The principal projects were to:

- add further autocatalyst manufacturing capacity, primarily in Germany for heavy duty diesel catalyst products;
- expand chemical catalyst manufacturing capacity in Europe;
- increase pgm refining capacity through completion of a refinery in China; and
- upgrade core business systems.

We currently expect capital expenditure for the full year to be around £280 million, with projects in the second half including expanding ECT's capacity for both LDV and HDD catalysts in Europe and improving API development facilities within Fine Chemicals.

Return on invested capital
The group's return on invested capital (ROIC) was in line with last year at 17.6%.

Research and development (R&D)
Gross expenditure on R&D was £93.7 million, which includes £8.3 million of capitalised development costs. The group received £5.6 million of external funding. Gross R&D expenditure was in line with the first half of 2015/16 and represented just over 5% of group sales.

Reward and benefits
The group's IAS 19 net liabilities associated with the pension and post-retirement medical benefit schemes, after taking account of the bonds held to fund the UK pension scheme deficit, at 30th September 2016 is estimated at £171.3 million (30th September 2015: £65.4 million).

The underlying cost of providing post-employment benefits for the first half of the year was £6.0 million, down from £28.9 million last year. This decrease is predominantly due to a one-off gain of £15.6 million on the implementation of an inflation cap in the US post-retirement medical plan. This gain was recognised fully in the first half and has been included within the divisions' underlying operating profit, with ECT and PMP receiving the majority of the benefit.

We currently expect an increase of approximately £16 million for the full year charge for the Long Term Incentive Plan (LTIP), which applies to approximately 1,300 of the group's employees. This charge is phased evenly throughout the year with a £6.6 million increase in the first half.

Taking the one-off post-retirement medical gain and increased LTIP charge together, the first half performance benefited by £9 million and the two will net off to £ nil for the full year.

Corporate costs
Corporate costs in the period were £14.4 million. This represents just under 1% of sales. We continue to expect that for the full year corporate costs will revert back to just over 1% of sales due to an increase in performance related pay and benefits.

Interim dividend
The Board of Directors has increased the interim dividend by 5% to 20.5 pence. The interim dividend will be paid on 7^{th} February 2017 to ordinary shareholders on the register as at 25^{th} November 2016, with an ex-dividend date of 24^{th} November 2016.

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.

Outlook

Our guidance for the full year remains unchanged for our continuing businesses on a constant currency basis; that we expect the group's performance to be slightly ahead of last year, with performance weighted to the second half.

In addition, the group will benefit from favourable exchange rates. The full year translational impact from exchange rates of £15 million which we communicated in our full year results announcement on 2nd June 2016 has increased substantially. If exchange rates remain at 30th September 2016 levels for the remainder of 2016/17, the positive translational impact to underlying operating profit would increase by around a further £50 million making a total of approximately £65 million for the year as a whole.

Emission Control Technologies
Following a solid performance in the first half, we expect ECT to continue to perform well. Continued growth in Europe and China is expected to offset the impact of lower demand for HDD catalysts for Class 8 trucks in North America. We expect sales across our HDD catalyst business in North America to stabilise at current levels in the second half.

Process Technologies
Whilst trading conditions remain challenging, the order book for refill catalysts in the second half is strong and we expect good sales, particularly in the final quarter. Licensing activity is expected to remain weak but the division will continue to benefit from a lower cost base as a result of actions taken last year to reduce costs.

Precious Metal Products
We expect the division to continue its steady performance for the rest of the year, supported by good demand in our Manufacturing businesses. Although pgm prices have recovered slightly, they remain at relatively low levels. As a result, we do not expect intake volumes in our Pgm Refining and Recycling business to increase substantially.

Fine Chemicals
We expect performance in the second half to be well ahead of the first half as our product mix improves and we benefit from our customers' new product approvals.

New Businesses
We expect performance in the second half to improve on the first half, reflecting the phasing of some sales and profit, with continued demand from customers for our battery materials and increased demand for our fuel cell products. We continue to expect a reduced operating loss for the division in 2016/17 as we move to break even in 2017/18.

Longer term outlook
Johnson Matthey remains well positioned in growth markets. Through continued investment in R&D, our infrastructure and our people, we will continue to deliver both long term growth for shareholders and sustainable technologies that make the world around us cleaner and healthier.

Risks and Uncertainties

The principal risks and uncertainties to which the group is exposed are unchanged from those identified in our 2016 annual report. The principal risks and uncertainties, together with the group's strategies to manage them, are set out on pages 28 to 35 of the annual report. They are:

STRATEGIC

- Growth within our existing business – understanding and responding to the needs of customers, capitalising on appropriate growth opportunities within our existing business
- New business – responding to, identifying or capitalising on appropriate new growth opportunities
- Innovation – constant innovation is essential to maintain our competitive advantage

MARKET

- Global economic, political and regulatory uncertainty – failure to adequately respond to changes in the macroeconomic, regulatory or political environment in one or more of our key markets or countries

OPERATIONAL

- Environment, health and safety – operating safely in line with changes to environmental, health and safety legislation and standards
- Intellectual capital
- Business transition – failure to manage major programmes and transition from a big small company to a small big company
- People – effective recruitment and retention
- Failure of significant sites
- Security of assets
- Supply chain – understanding customer requirements of our production facilities, warehousing and freight of inbound and outbound goods. Sourcing materials, leveraging our scale and scope to procure products and services cost effectively and ethically
- Ethics and compliance – doing the right thing

Responsibility Statement of the Directors in respect of the Half-Yearly Report

The Half-Yearly Report is the responsibility of the directors. Each of the directors as at the date of this responsibility statement, whose names and functions are set out below, confirms that to the best of their knowledge:

- the condensed consolidated accounts have been prepared in accordance with International Accounting Standard (IAS) 34 – 'Interim Financial Reporting'; and
- the interim management report included in the Half-Yearly Report includes a fair review of the information required by:
  a) DTR 4.2.7R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated accounts; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  b) DTR 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the company during that period; and any changes in the related party transactions described in the last annual report that could do so.

The names and functions of the directors of Johnson Matthey Plc are as follows:

Tim Stevenson	Chairman
Odile Desforges	Non-Executive Director
Alan Ferguson	Non-Executive Director, Senior Independent Director and Chairman of the Audit Committee
Robert MacLeod	Chief Executive
Anna Manz	Group Finance Director
Colin Matthews	Non-Executive Director and Chairman of the Remuneration Committee
Chris Mottershead	Non-Executive Director
John Walker	Executive Director

The responsibility statement was approved by the Board of Directors on 16th November 2016 and is signed on its behalf by:

Tim Stevenson
Chairman

Independent Review Report
to Johnson Matthey Plc

Introduction
We have been engaged by the company to review the condensed consolidated accounts in the Half-Yearly Report for the six months ended 30th September 2016 which comprise the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Total Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the Half-Yearly Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated accounts.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure Guidance and Transparency Rules (the DTR) of the UK's Financial Conduct Authority (the UK FCA). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The Half-Yearly Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half-Yearly Report in accordance with the DTR of the UK FCA.

The annual accounts of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU). The condensed consolidated accounts included in this Half-Yearly Report have been prepared in accordance with IAS 34 ─ 'Interim Financial Reporting' as adopted by the EU.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed consolidated accounts in the Half-Yearly Report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 ─ 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated accounts in the Half-Yearly Report for the six months ended 30th September 2016 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Stephen Oxley
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square, London E14 5GL

16th November 2016

Condensed Consolidated Income Statement
for the six months ended 30th September 2016

	Notes	Six months ended 30.9.16 £ million	Six months ended 30.9.15 £ million	Year ended 31.3.16 £ million
Revenue	2	**5,624.9**	5,755.1	10,713.9
Cost of sales		**(5,228.9)**	(5,351.6)	(9,947.1)
Gross profit		**396.0**	403.5	766.8
Operating expenses		**(159.9)**	(178.5)	(316.0)
Profit on sale or liquidation of businesses		**-**	130.9	130.0
Amortisation of acquired intangibles	5	**(9.6)**	(9.0)	(20.9)
Major impairment and restructuring charges		-	-	(141.0)
Operating profit		**226.5**	346.9	418.9
Finance costs		**(18.9)**	(20.3)	(40.2)
Finance income		**2.5**	3.5	7.6
Share of (loss) / profit of joint venture and associate		**(0.1)**	0.1	-
Profit before tax		**210.0**	330.2	386.3
Income tax expense		**(32.9)**	(50.9)	(60.6)
Profit for the period		**177.1**	279.3	325.7
Attributable to:				
Owners of the parent company		**177.7**	280.0	333.1
Non-controlling interests		**(0.6)**	(0.7)	(7.4)
		177.1	279.3	325.7
		pence	pence	pence
Earnings per ordinary share attributable to the equity holders of the parent company				
Basic		**92.7**	137.9	166.2
Diluted		**92.6**	137.8	165.9

Condensed Consolidated Statement of Total Comprehensive Income
for the six months ended 30th September 2016

	Notes	Six months ended 30.9.16 £ million	Six months ended 30.9.15 £ million	Year ended 31.3.16 £ million
Profit for the period		**177.1**	279.3	325.7
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurements of post-employment benefits assets and liabilities	10	**(243.0)**	74.0	180.1
Tax on above items taken directly to or transferred from equity		**38.0**	(19.0)	(39.1)
		(205.0)	55.0	141.0
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences		**136.1**	(39.1)	24.1
Cash flow hedges		**(7.6)**	6.7	5.6
Fair value (loss) / gain on net investment hedges		**(19.7)**	4.7	(1.2)
Fair value gain / (loss) on available-for-sale investments		**7.0**	(3.9)	(5.5)
Tax on above items taken directly to or transferred from equity		**1.2**	(3.0)	(4.7)
		117.0	(34.6)	18.3
Other comprehensive (expense) / income for the period		**(88.0)**	20.4	159.3
Total comprehensive income for the period		**89.1**	299.7	485.0
Attributable to:				
Owners of the parent company		**89.7**	300.4	492.8
Non-controlling interests		**(0.6)**	(0.7)	(7.8)
		89.1	299.7	485.0

Condensed Consolidated Balance Sheet
as at 30th September 2016

	Notes	30.9.16 £ million	30.9.15 £ million	31.3.16 £ million
Assets				
Non-current assets				
Property, plant and equipment		**1,153.4**	1,075.9	1,086.3
Goodwill		**600.5**	553.6	570.0
Other intangible assets		**279.0**	202.7	225.0
Deferred income tax assets		**47.7**	22.6	22.2
Investments and other receivables		**106.9**	94.1	92.3
Interest rate swaps	7	**17.3**	17.2	11.1
Post-employment benefits net assets	10	**10.0**	6.2	109.1
Total non-current assets		**2,214.8**	1,972.3	2,116.0
Current assets				
Inventories		**855.0**	639.4	653.7
Current income tax assets		**47.4**	26.3	21.9
Trade and other receivables		**1,039.3**	967.4	948.0
Cash and cash equivalents — cash and deposits	7	**171.2**	481.2	304.5
Interest rate swaps	7	**2.5**	-	4.6
Other financial assets		**10.7**	13.6	8.5
Total current assets		**2,126.1**	2,127.9	1,941.2
Total assets		**4,340.9**	4,100.2	4,057.2
Liabilities				
Current liabilities				
Trade and other payables		**(868.2)**	(761.9)	(812.3)
Current income tax liabilities		**(144.5)**	(113.7)	(115.0)
Cash and cash equivalents — bank overdrafts	7	**(19.0)**	(17.3)	(20.7)
Other borrowings, finance leases and related swaps	7	**(150.5)**	(29.3)	(138.5)
Other financial liabilities		**(24.8)**	(10.9)	(17.9)
Provisions		**(28.5)**	(23.6)	(41.3)
Total current liabilities		**(1,235.5)**	(956.7)	(1,145.7)
Non-current liabilities				
Borrowings, finance leases and related swaps	7	**(918.3)**	(893.0)	(835.9)
Deferred income tax liabilities		**(93.8)**	(96.9)	(99.4)
Employee benefits obligations	10	**(243.2)**	(125.3)	(115.1)
Provisions		**(19.2)**	(26.0)	(20.6)
Other payables		**(5.9)**	(5.8)	(5.9)
Total non-current liabilities		**(1,280.4)**	(1,147.0)	(1,076.9)
Total liabilities		**(2,515.9)**	(2,103.7)	(2,222.6)
Net assets		**1,825.0**	1,996.5	1,834.6
Equity				
Share capital		**220.7**	220.7	220.7
Share premium account		**148.3**	148.3	148.3
Shares held in employee share ownership trust (ESOT)		**(55.5)**	(54.9)	(54.9)
Other reserves		**114.7**	(55.6)	(2.3)
Retained earnings		**1,416.0**	1,749.3	1,541.3
Total equity attributable to owners of the parent company		**1,844.2**	2,007.8	1,853.1
Non-controlling interests		**(19.2)**	(11.3)	(18.5)
Total equity		**1,825.0**	1,996.5	1,834.6

Condensed Consolidated Cash Flow Statement

for the six months ended 30th September 2016

	Notes	Six months ended 30.9.16 £ million	Six months ended 30.9.15 £ million	Year ended 31.3.16 £ million
Cash flows from operating activities				
Profit before tax		**210.0**	330.2	386.3
Adjustments for:				
Share of profit of joint venture		**0.1**	(0.1)	-
Profit on sale of continuing activities		**-**	(130.9)	(130.0)
Depreciation, amortisation, impairment losses and (profit) / loss on sale of non-current assets and investments		**84.4**	77.1	252.0
Share-based payments		**7.1**	1.2	(2.8)
Changes in working capital and provisions		**(158.6)**	294.0	390.2
Changes in fair value of financial instruments		**(2.5)**	(7.6)	4.0
Net finance costs		**16.4**	16.8	32.6
Income tax paid		**(33.0)**	(35.5)	(65.8)
Net cash inflow from operating activities		**123.9**	545.2	866.5
Cash flows from investing activities				
Dividends received from joint venture		**-**	-	0.3
Interest received		**1.5**	2.2	5.2
Purchases of non-current assets and investments		**(108.1)**	(103.1)	(253.5)
Proceeds from sale of non-current assets and investments		**0.2**	0.2	4.0
Purchase of interest in associate		**-**	(16.2)	(16.2)
Purchases of businesses		**(19.5)**	(15.5)	(16.6)
Net proceeds from sale of businesses		**-**	251.1	244.6
Net cash (outflow) / inflow from investing activities		**(125.9)**	118.7	(32.2)
Cash flows from financing activities				
Net cost of ESOT transactions in own shares		**(6.0)**	(3.1)	(3.1)
Repayment of borrowings and finance leases		**(5.8)**	(83.0)	(77.2)
Dividends paid to owners of the parent company	6	**(99.7)**	(100.5)	(444.6)
Settlement of currency swaps for net investment hedging		**(6.2)**	(0.1)	(4.8)
Interest paid		**(19.9)**	(17.3)	(33.9)
Net cash outflow from financing activities		**(137.6)**	(204.0)	(563.6)
(Decrease) / increase in cash and cash equivalents in period		**(139.6)**	459.9	270.7
Exchange differences on cash and cash equivalents		**8.0**	0.1	9.2
Cash and cash equivalents at beginning of period		**283.8**	3.9	3.9
Cash and cash equivalents at end of period	7	**152.2**	463.9	283.8

	Notes	Six months ended 30.9.16 £ million	Six months ended 30.9.15 £ million	Year ended 31.3.16 £ million
Reconciliation to net debt				
(Decrease) / increase in cash and cash equivalents in period		**(139.6)**	459.9	270.7
Repayment of borrowings and finance leases		**5.8**	83.0	77.2
Change in net debt resulting from cash flows		**(133.8)**	542.9	347.9
Borrowings acquired with subsidiaries		**(4.6)**	-	-
Exchange differences on net debt		**(83.5)**	10.3	(28.4)
Movement in net debt in period		**(221.9)**	553.2	319.5
Net debt at beginning of period		**(674.9)**	(994.4)	(994.4)
Net debt at end of period	7	**(896.8)**	(441.2)	(674.9)

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30th September 2016

	Share capital £ million	Share premium account £ million	Shares held in ESOT £ million	Other reserves £ million	Retained earnings £ million	Non-controlling interests £ million	Total equity £ million
At 1st April 2015	220.7	148.3	(54.7)	(21.0)	1,517.3	(10.5)	1,800.1
Total comprehensive income for the period	-	-	-	(34.6)	335.0	(0.7)	299.7
Dividends paid (note 6)	-	-	-	-	(100.5)	(0.1)	(100.6)
Purchase of shares by ESOT	-	-	(3.2)	-	-	-	(3.2)
Share-based payments	-	-	-	-	5.0	-	5.0
Cost of shares transferred to employees	-	-	3.0	-	(6.6)	-	(3.6)
Tax on share-based payments	-	-	-	-	(0.9)	-	(0.9)
At 30th September 2015	220.7	148.3	(54.9)	(55.6)	1,749.3	(11.3)	1,996.5
Total comprehensive income for the period	-	-	-	53.3	139.1	(7.1)	185.3
Dividends paid (note 6)	-	-	-	-	(344.1)	(0.1)	(344.2)
Purchase of shares by ESOT	-	-	(0.1)	-	-	-	(0.1)
Share-based payments	-	-	-	-	(0.7)	-	(0.7)
Cost of shares transferred to employees	-	-	0.1	-	(3.5)	-	(3.4)
Tax on share-based payments	-	-	-	-	1.2	-	1.2
At 31st March 2016	220.7	148.3	(54.9)	(2.3)	1,541.3	(18.5)	1,834.6
Total comprehensive income for the period	-	-	-	117.0	(27.3)	(0.6)	89.1
Dividends paid (note 6)	-	-	-	-	(99.7)	(0.1)	(99.8)
Purchase of shares by ESOT	-	-	(6.1)	-	-	-	(6.1)
Share-based payments	-	-	-	-	10.5	-	10.5
Cost of shares transferred to employees	-	-	5.5	-	(8.8)	-	(3.3)
At 30th September 2016	**220.7**	**148.3**	**(55.5)**	**114.7**	**1,416.0**	**(19.2)**	**1,825.0**

Notes on the Accounts
for the six months ended 30th September 2016

1 Basis of preparation

The half-yearly accounts were approved by the Board of Directors on 16th November 2016, and are unaudited but have been reviewed by the auditors. These condensed consolidated accounts do not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, but have been prepared in accordance with International Accounting Standard (IAS) 34 — 'Interim Financial Reporting' and the Disclosure and Transparency Rules of the UK's Financial Conduct Authority. The accounting policies applied are set out in the Annual Report and Accounts for the year ended 31st March 2016. None of the amendments to standards and interpretations which the group has adopted during the period has had a material effect on the reported results or financial position of the group. Information in respect of the year ended 31st March 2016 is derived from the company's statutory accounts for that year which have been delivered to the Registrar of Companies. The auditor's report on those statutory accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report and did not contain any statement under sections 498(2) or 498(3) of the Companies Act 2006.

2 Segmental information by business segment

	Emission Control Technologies £ million	Process Technologies £ million	Precious Metal Products £ million	Fine Chemicals £ million	New Businesses £ million	Eliminations £ million	Total £ million
Six months ended 30th September 2016							
Revenue from external customers	**1,763.7**	**240.1**	**3,386.0**	**145.4**	**89.7**	**-**	**5,624.9**
Inter-segment revenue	**85.6**	**31.1**	**764.1**	**2.8**	**0.9**	**(884.5)**	**-**
Total revenue	**1,849.3**	**271.2**	**4,150.1**	**148.2**	**90.6**	**(884.5)**	**5,624.9**
External sales excluding precious metals	**1,053.9**	**233.7**	**170.5**	**130.8**	**87.1**	**-**	**1,676.0**
Inter-segment sales	**0.1**	**31.3**	**18.7**	**1.8**	**0.7**	**(52.6)**	**-**
Sales excluding precious metals	**1,054.0**	**265.0**	**189.2**	**132.6**	**87.8**	**(52.6)**	**1,676.0**
Segmental underlying operating profit / (loss)	**151.9**	**39.3**	**40.9**	**26.9**	**(8.5)**	**-**	**250.5**
Unallocated corporate expenses							**(14.4)**
Underlying operating profit (note 4)							**236.1**
Segmental net assets	**1,015.4**	**804.5**	**447.7**	**522.9**	**158.4**	**-**	**2,948.9**
Six months ended 30th September 2015							
Revenue from external customers	1,656.4	283.1	3,574.1	168.3	73.2	-	5,755.1
Inter-segment revenue	113.9	5.9	644.0	4.2	0.7	(768.7)	-
Total revenue	1,770.3	289.0	4,218.1	172.5	73.9	(768.7)	5,755.1
External sales excluding precious metals	938.7	277.3	157.7	155.0	71.4	-	1,600.1
Inter-segment sales	0.2	5.8	18.9	2.8	0.7	(28.4)	-
Sales excluding precious metals	938.9	283.1	176.6	157.8	72.1	(28.4)	1,600.1
Segmental underlying operating profit / (loss)	136.0	35.9	36.1	40.6	(9.9)	-	238.7
Unallocated corporate expenses							(13.7)
Underlying operating profit							225.0
Segmental net assets	932.2	768.6	312.7	421.1	152.3	-	2,586.9

Sales excluding precious metals for the six months ended 30th September 2015 have been adjusted to include certain non pass through precious metals.

2 Segmental information by business segment (continued)

	Emission Control Technologies £ million	Process Technologies £ million	Precious Metal Products £ million	Fine Chemicals £ million	New Businesses £ million	Eliminations £ million	Total £ million
Year ended 31st March 2016							
Revenue from external customers	3,262.8	519.4	6,454.1	318.5	159.1	-	10,713.9
Inter-segment revenue	221.0	31.3	1,213.3	6.4	1.6	(1,473.6)	-
Total revenue	3,483.8	550.7	7,667.4	324.9	160.7	(1,473.6)	10,713.9
External sales excluding precious metals	1,912.7	510.0	307.9	291.4	155.0	-	3,177.0
Inter-segment sales	0.4	31.2	34.6	4.8	1.5	(72.5)	-
Sales excluding precious metals	1,913.1	541.2	342.5	296.2	156.5	(72.5)	3,177.0
Segmental underlying operating profit / (loss)	272.2	73.6	66.3	82.3	(17.9)	-	476.5
Unallocated corporate expenses							(25.7)
Underlying operating profit							450.8
Segmental net assets	903.2	756.2	313.5	457.3	100.8	-	2,531.0

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

Average exchange rates used for translation of results of foreign operations	**Six months ended 30.9.16**	Six months ended 30.9.15	Year ended 31.3.16
US dollar / £	**1.374**	1.543	1.510
Euro / £	**1.223**	1.389	1.367
Chinese renminbi / £	**9.06**	9.64	9.60

The main impact of exchange rate movements on the group's sales and operating profit comes from the translation of foreign subsidiaries' results into sterling.

	Six months ended 30.9.16 £ million	Six months ended 30.9.15 At last year's rates £ million	Six months ended 30.9.15 At this year's rates £ million	Change at this year's rates %
Sales excluding precious metals				
Emission Control Technologies	**1,054.0**	938.9	1,021.6	+3
Process Technologies	**265.0**	283.1	302.8	-12
Precious Metal Products	**189.2**	176.6	192.7	-2
Fine Chemicals	**132.6**	157.8	170.4	-22
New Businesses	**87.8**	72.1	77.8	+13
Elimination of inter-segment sales	**(52.6)**	(28.4)	(30.3)	
Sales excluding precious metals	**1,676.0**	1,600.1	1,735.0	-3
Underlying operating profit				
Emission Control Technologies	**151.9**	136.0	152.3	-
Process Technologies	**39.3**	35.9	39.6	-1
Precious Metal Products	**40.9**	36.1	39.4	+4
Fine Chemicals	**26.9**	40.6	44.4	-39
New Businesses	**(8.5)**	(9.9)	(9.6)	+11
Unallocated corporate expenses	**(14.4)**	(13.7)	(13.8)	
Underlying operating profit	**236.1**	225.0	252.3	-6

4 Underlying profit reconciliation

	30.9.16 £ million	30.9.15 £ million	31.3.16 £ million
Underlying operating profit	**236.1**	225.0	450.8
Profit on sale or liquidation of businesses	**-**	130.9	130.0
Amortisation of acquired intangibles (note 5)	**(9.6)**	(9.0)	(20.9)
Major impairment and restructuring charges	**-**	-	(141.0)
Operating profit	**226.5**	346.9	418.9
Underlying profit before tax	**219.6**	208.3	418.2
Profit on sale or liquidation of businesses	**-**	130.9	130.0
Amortisation of acquired intangibles (note 5)	**(9.6)**	(9.0)	(20.9)
Major impairment and restructuring charges	**-**	-	(141.0)
Profit before tax	**210.0**	330.2	386.3
Tax on underlying profit before tax	**(35.3)**	(33.7)	(67.4)
Tax on profit on sale or liquidation of businesses	**-**	(19.4)	(15.5)
Tax on amortisation of acquired intangibles (note 5)	**2.4**	2.2	4.9
Tax on major impairment and restructuring charges	**-**	-	17.4
Income tax expense	**(32.9)**	(50.9)	(60.6)
Underlying profit for the period	**184.9**	175.3	358.2
Profit on sale or liquidation of businesses	**-**	130.9	130.0
Amortisation of acquired intangibles (note 5)	**(9.6)**	(9.0)	(20.9)
Major impairment and restructuring charges	**-**	-	(141.0)
Tax thereon	**2.4**	(17.2)	6.8
Profit for the period attributable to owners of the parent company	**177.7**	280.0	333.1

	million	million	million
Weighted average number of shares in issue	**191.8**	203.1	200.5

	pence	pence	pence
Underlying earnings per share	**96.4**	86.3	178.7

5 Amortisation of acquired intangibles

The amortisation of intangible assets which arise on the acquisition of businesses, together with any subsequent impairment of these intangible assets, is shown separately on the face of the income statement. It is excluded from underlying operating profit.

6 Dividends

An interim dividend of 20.5 pence per ordinary share has been proposed by the board which will be paid on 7th February 2017 to shareholders on the register at the close of business on 25th November 2016. The estimated amount to be paid is £39.3 million and has not been recognised in these accounts.

	Six months ended		Year ended
	30.9.16	30.9.15	31.3.16
	£ million	£ million	£ million
2014/15 final ordinary dividend paid — 49.5 pence per share	**-**	100.5	100.5
Special dividend paid - 150.0 pence per share	**-**	-	304.5
2015/16 interim ordinary dividend paid — 19.5 pence per share	**-**	-	39.6
2015/16 final ordinary dividend paid — 52.0 pence per share	**99.7**	-	-
Total dividends	**99.7**	100.5	444.6

7 Net debt

	30.9.16	30.9.15	31.3.16
	£ million	£ million	£ million
Cash and deposits	**171.2**	481.2	304.5
Bank overdrafts	**(19.0)**	(17.3)	(20.7)
Cash and cash equivalents	**152.2**	463.9	283.8
Other current borrowings, finance leases and related swaps	**(150.5)**	(29.3)	(138.5)
Current interest rate swaps	**2.5**	-	4.6
Non-current borrowings, finance leases and related swaps	**(918.3)**	(893.0)	(835.9)
Non-current interest rate swaps	**17.3**	17.2	11.1
Net debt	**(896.8)**	(441.2)	(674.9)

8 Precious metal operating leases

The group leases, rather than purchases, precious metals to fund temporary peaks in metal requirements provided market conditions allow. These leases are from banks for specified periods (typically a few months) and for which the group pays a fee. These arrangements are classified as operating leases. The group holds sufficient precious metal inventories to meet all the obligations under these lease arrangements as they fall due. At 30th September 2016 precious metal leases were £79.8 million (30th September 2015 £55.4 million, 31st March 2016 £70.3 million).

9 Transactions with related parties

There have been no material changes in related party relationships in the six months ended 30th September 2016 and no other related party transactions have taken place which have materially affected the financial position or performance of the group during that period.

10 Post-employment benefits

The group has updated the valuation of its main post-employment benefit plans, which are its UK and US pension plans and US post-retirement medical benefits plan, at 30th September 2016.

Movements in the net post-employment benefits assets and liabilities were:

	UK pension £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2016	100.8	(10.5)	(21.4)	(41.9)	(29.6)	(2.6)
Current service cost	(14.8)	-	(5.0)	(0.5)	(1.1)	(21.4)
Net interest	1.8	(0.2)	(0.6)	(0.9)	(0.3)	(0.2)
Past service (cost) / credit	-	-	-	15.6	-	15.6
Remeasurements	(253.8)	-	9.9	0.9	-	(243.0)
Company contributions	25.0	-	4.4	-	1.0	30.4
Exchange adjustments	-	-	(1.9)	(3.6)	(2.7)	(8.2)
At 30th September 2016	**(141.0)**	**(10.7)**	**(14.6)**	**(30.4)**	**(32.7)**	**(229.4)**

These are included in the balance sheet as:

	30.9.16 Post-employment benefits net assets £ million	**30.9.16 Employee benefits obligations £ million**	30.9.15 Post-employment benefits net assets £ million	30.9.15 Employee benefits obligations £ million	31.3.16 Post-employment benefits net assets £ million	31.3.16 Employee benefits obligations £ million
UK pension plan	**-**	**(141.0)**	-	(5.4)	100.8	-
UK post-retirement medical benefits plan	**-**	**(10.7)**	-	(11.2)	-	(10.5)
US pension plans	**0.7**	**(15.3)**	-	(21.2)	-	(21.4)
US post-retirement medical benefits plan	**7.4**	**(37.8)**	5.2	(50.3)	6.7	(48.6)
Other plans	**1.9**	**(34.6)**	1.0	(34.2)	1.6	(31.2)
Total post-employment plans	**10.0**	**(239.4)**	6.2	(122.3)	109.1	(111.7)
Other long term employee benefits		**(3.8)**		(3.0)		(3.4)
Total long term employee benefits obligations		**(243.2)**		(125.3)		(115.1)

11 Financial Instruments

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

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

Financial instruments measured at fair value are:

	30.9.16 Level 1 £ million	**30.9.16 Level 2 £ million**	30.9.15 Level 1 £ million	30.9.15 Level 2 £ million	31.3.16 Level 1 £ million	31.3.16 Level 2 £ million
Quoted bonds purchased to fund pension deficit included in:						
Non-current investments	**58.1**	**-**	50.7	-	49.9	-
Quoted available-for-sale investments included in:						
Non-current investments	**0.8**	**-**	1.0	-	0.8	-
Interest rate swaps included in:						
Non-current assets	**-**	**17.3**	-	17.2	-	11.1
Current assets	**-**	**2.5**	-	-	-	4.6
Current liabilities	**-**	**(0.1)**	-	-	-	(0.2)
Non-current liabilities	**-**	**(7.3)**	-	(0.4)	-	(1.4)
Forward foreign exchange and precious metal price contracts and currency swaps included in:						
Current other financial assets	**-**	**10.6**	-	13.6	-	8.4
Current other financial liabilities	**-**	**(24.8)**	-	(10.9)	-	(17.9)
Embedded derivatives included in:						
Current other financial assets	**-**	**-**	-	-	-	0.1

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

	30.9.16 Carrying amount £ million	**30.9.16 Fair value £ million**	30.9.15 Carrying amount £ million	30.9.15 Fair value £ million	31.3.16 Carrying amount £ million	31.3.16 Fair value £ million
US Dollar Bonds 2016, 2022, 2023, 2025 and 2028	**(606.7)**	**(613.2)**	(522.1)	(518.6)	(549.9)	(550.8)
Euro Bonds 2021 and 2023	**(103.6)**	**(121.6)**	(88.9)	(103.8)	(94.8)	(111.8)
Euro EIB loans 2019	**(107.1)**	**(112.8)**	(91.9)	(94.7)	(97.9)	(103.1)
Sterling Bonds 2024	**(65.0)**	**(72.6)**	(65.0)	(67.1)	(65.0)	(69.4)
Other bank loans	**(4.0)**	**(3.9)**	(1.6)	(1.2)	(6.4)	(6.1)

Unquoted investments included in non-current available-for-sale investments have a carrying amount of £5.9 million at 30th September 2016 (30th September 2015 £8.4 million, 31st March 2016 £5.9 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 six months ended 30th September 2016

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 half-yearly 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 growth 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 (note 5), major impairment and restructuring charges, profit or loss on disposal of businesses, 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.

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.

Return on invested capital (ROIC)

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

	30.9.16 **£ million**	30.9.15 £ million	31.3.16 £ million
Average net debt	**685.1**	867.0	691.0
Average equity	**1,946.0**	1,770.9	1,909.2
Average capital employed	**2,631.1**	2,637.9	2,600.2
Underlying operating profit for this period (note 4)	**236.1**	225.0	450.8
Underlying operating profit for prior year (note 4)	**450.8**	477.1	
Underlying operating profit for prior first half (note 4)	**(225.0)**	(234.1)	
Annualised underlying operating profit	**461.9**	468.0	450.8
ROIC	**17.6%**	17.7%	17.3%
Inventories	**855.0**	639.4	653.7
Trade and other receivables	**1,039.3**	967.4	948.0
Trade and other payables	**(868.2)**	(761.9)	(812.3)
Total working capital	**1,026.1**	844.9	789.4
Less precious metal working capital	**(367.5)**	(283.5)	(256.5)
Working capital (excluding precious metals)	**658.6**	561.4	532.9

Definition and reconciliation of non-GAAP measures to GAAP measures

for the six months ended 30th September 2016

	30.9.16 **£ million**	30.9.15 £ million	31.3.16 £ million
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**310.8**	292.6	590.1
Depreciation and amortisation	**(84.3)**	(76.6)	(157.6)
Impairment of acquired intangibles	**-**	-	(2.6)
Profit on sale or liquidation of businesses	**-**	130.9	130.0
Major impairment and restructuring charges	**-**	-	(141.0)
Operating profit	**226.5**	346.9	418.9
EBITDA for this period	**310.8**	292.6	590.1
EBITDA for prior year	**590.1**	611.8	
less EBITDA for prior first half	**(292.6)**	(299.2)	
Annualised EBITDA	**608.3**	605.2	590.1
Net debt	**(896.8)**	(441.2)	(674.9)
Pension deficits	**(190.9)**	(60.8)	(52.6)
Bonds purchased to fund pensions	**58.1**	50.7	49.9
Related deferred tax	**28.0**	20.4	20.9
Net debt (including post tax pension deficits)	**(1,001.6)**	(430.9)	(656.7)
Net debt (including post tax pension deficits) to EBITDA	**1.6**	0.7	1.1

Financial Calendar

2016

24th November
Ex dividend date

25th November
Interim dividend record date

2017

7th February
Payment of interim dividend

1st June
Announcement of results for the year ending 31st March 2017

8th June
Ex dividend date

9th June
Final dividend record date

28th July
126th Annual General Meeting (AGM)

1st August
Payment of final dividend subject to declaration at the AGM

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.

Johnson Matthey Public Limited Company
Registered Office: 5th Floor, 25 Farringdon Street, London EC4A 4AB
Telephone: 020 7269 8400
Internet address: www.matthey.com
E-mail: jmpr@matthey.com

Registered in England ─ Number 33774

Registrars
Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Telephone: 0871 384 2344
Internet address: www.shareview.co.uk