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News Release

Tuesday 21st November 2017, 7.00 am

Half year results for the six months ended 30th September 2017

Strong operational momentum continued and full year outlook confirmed

Financial information		**Half year ended 30th September 2017**	**2016**	**% change**
Revenue	£ million	6,478	5,625	+15
Operating profit	£ million	221.9	226.5	-2
Profit before tax (PBT)	£ million	204.7	210.0	-3
Earnings per share (EPS)	pence	87.9	92.7	-5
Interim dividend per share	pence	21.75	20.5	+6

Underlying[1] performance		**Half year ended 30th September 2017**	**2016**	**% change**	**% change, constant rates[2]**
Sales excluding precious metals (Sales)	£ million	1,853	1,676	+11	+5
Operating profit	£ million	250.3	236.1	+6	-1
Profit before tax	£ million	233.1	219.6	+6	-
Earnings per share	pence	99.8	96.4	+4	

For notes see page 2

Financial highlights

- Reported revenue up 15%, driven by higher pgm prices and a £179 million translational FX benefit
- Reported operating profit down 2%, with £18 million translational FX benefit offset by one-off charges related to our restructuring programme
- Reported EPS down 5% to 87.9 pence
- Underlying sales growth 5% at constant rates[2] and full year sales growth guidance is unchanged
- Underlying operating profit down 1% at constant rates, impacted by the US post-retirement medical plan credit in the prior period. Excluding this, operating profit grew in line with sales growth. Full year outlook confirmed
- Underlying EPS up 4% to 99.8 pence
- Interim dividend up 6% to 21.75 pence reflecting confidence in medium term outlook
- Cash inflow from operating activities of £7.8 million. In September, we guided to an outflow of precious metal working capital due to higher metal prices and lower liquidity. This amounted to £156 million in the half and negative free cash flow was £90.4 million
- Return on invested capital (ROIC) was maintained at 17.5%
- Strong balance sheet with net debt to EBITDA of 1.4 times

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Operational highlights

- Strong sales growth was sustained in Clean Air led by double digit growth of Heavy Duty Diesel catalysts in every region. Sales of Light Duty Vehicle catalysts were in line with global production
- Good sales growth in Efficient Natural Resources, ahead of the average medium term growth rates of our markets, with higher sales of refill catalysts and continued strong performance in PGM Services, although operating profit declined, primarily driven by negative sales mix in Catalyst Technologies
- Good growth in Health and continued investment in the development of our pipeline of new generic and innovator products to drive future break out growth
- Significant progress in the development of our high energy battery material, enhanced lithium nickel oxide (eLNO). Our material is in qualification cycles with six customers and investment in a pilot plant is ongoing

Robert MacLeod, Chief Executive, commented:

"We had a strong start to the year with sales growth of 5% and guidance for the full year is unchanged. We made further investments in line with the strategy we outlined at our recent capital markets day which continues to strengthen our business.

We will grow our Clean Air business over the next ten years with growth in Europe, through share gains supported by our technology leadership, and by meeting the challenges of tighter legislation across the world, particularly in China and Europe. Our growing pipeline in Health will deliver significant growth over the medium term. We will deliver outperformance through targeted investment in Efficient Natural Resources and build our New Markets business primarily through our presence in battery materials.

We are building a stronger platform from which we will achieve our goal of attractive returns to shareholders over the medium term: mid to high single digit EPS growth, expanding ROIC to 20% and a progressive dividend."

Ends

Enquiries:

Investor Relations

Simon McGough	Head of Investor Relations	020 7269 8235
Katharine Burrow	Investor Relations Analyst	020 7269 8444

Media

Sally Jones	Director of Corporate Relations	020 7269 8407
David Allchurch/Latika Shah	Tulchan Communications	020 7353 4200

Notes:

1. 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 26
2. Growth at constant rates excludes the translation impact of foreign exchange movements, with H1 2016/17 results converted at H1 2017/18 average exchange rates
3. For definitions and reconciliations of other non-GAAP measures see page 30

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Other financial information

Outlook for the year ending 31st March 2018

- Sales growth, at constant rates, is still expected to be around 6%
- Operating profit outlook is unchanged
- The combination of stronger sales growth and additional cost savings will be offset by comparison against the 2016/17 US post-retirement medical benefit credit
- For the full year, the increase in pension service costs is now expected to be small. This reduction in the expected increase in pension costs will be reinvested in the business to drive efficiency across the group, including procurement benefits, core IT improvements and to fund destocking in Efficient Natural Resources

Post-employment benefits

- Performance in the half was impacted by the comparison against a one-off gain of £16 million, mainly following the implementation of an inflation cap in the US post-retirement medical benefit plan, which was recognised in operating profit in the six months ended 30th September 2016 (see page 5 for a breakdown by Sector). For the full year the gain was £17 million
- For the year ending 31st March 2018 the cost of providing post-employment benefits will increase due to lower discount rates compared to the year ended 31st March 2017. However, we no longer expect there to be a significant increase in non-cash pension costs in the year as we have mitigated the impact of the change in discount rates

2017/18 restructuring programme

- We have started our restructuring programme to drive efficiencies and a restructuring and impairment charge of £18.5 million relating to this was recognised in the period, of which cash costs totalled £4.2 million
- The total restructuring and impairment charge for the full year is expected to be between £50 and £65 million, of which over half will be cash
- The programme is expected to generate annual savings of around £25 million and we are on track to benefit from £10 million of savings this financial year, with £3 million already achieved in the first half

Corporate costs

- Corporate costs in the period were £17.8 million, an increase of £3.4m from the first half of last year. This was driven by additional costs relating to central programmes that will deliver operational excellence and efficiency across the group, including upgrading our core IT business systems and rolling out a global procurement programme
- Corporate costs for the full year are expected to increase by over a third primarily driven by implementation of these central programmes

Capital expenditure

Capital expenditure was £81 million in the first half and is expected to be around £285 million (1.8 times depreciation) for the full year as we invest to deliver our strategy. In the period, projects included:

- A new Clean Air manufacturing plant in Poland to support tightening legislation and the significant share gains made in European Light Duty diesel while also enhancing our efficiency and operating flexibility
- Continuing to invest to improve the operational efficiency of our pgm refineries
- Improvement in our Health manufacturing and development facilities and continued investment in our Health API product pipeline
- A pilot plant to enable further development of our eLNO battery material
- Upgrading our core IT business systems to drive efficiency across the group

Research and development (R&D)

- We invested £99 million on R&D in the period, including £9 million of capitalised R&D, representing 5% of sales. Investment in R&D to maintain our market leading technology positions underpins our growth agenda, especially in next generation technologies in Clean Air, our Health API product pipeline and the development of battery materials

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Platinum group metal (pgm) prices

- Higher average pgm prices benefited operating profit by around £5 million in the half in Efficient Natural Resources

Foreign exchange

- Translational foreign exchange movements in the half year ended 30th September 2017 benefited revenue by £179 million, sales by £86 million and operating profit by £18 million
- Based on current exchange rates, our expected average exchange rates for the year are £:$ 1.303, £:Euro 1.131, and £:RMB 8.73. At these rates, translational foreign exchange movements for the year ending 31st March 2018 are expected to increase revenue by £94 million, sales by £56 million and operating profit by £14 million

Taxation

- The effective tax rate on reported profit for the period was 17.7% and on underlying profit it was 17.9%, an increase from 15.7% and 16.1% respectively from the prior period
- We currently expect the tax rate on underlying profit for the full year to remain around 18%

Additional financial analysis

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

Sales (£ million)	**Half year ended 30th September 2017**	**2016 restated**	**% change**	**% change, constant rates**
Clean Air	1,194	1,054	+13	+7
Efficient Natural Resources	458	420	+9	+5
Health	119	110	+9	+5
New Markets	143	144	-1	-7
Eliminations	(61)	(52)		
Sales	**1,853**	**1,676**	**+11**	**+5**

Underlying Operating Profit (£ million)	**Half year ended 30th September 2017**	**2016 restated**	**% change**	**% change, constant rates**
Clean Air	167.9	151.9	+11	+3
Efficient Natural Resources	69.8	73.4	-5	-10
Health	21.7	20.7	+4	-
New Markets	8.7	4.5	+93	+55
Corporate	(17.8)	(14.4)	-24	-30
Underlying Operating Profit	**250.3**	**236.1**	**+6**	**-1**

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Profit growth for the period is impacted by the comparison against a one-off gain of £15.6 million mainly following the implementation of an inflation cap on the US post-retirement medical benefit (PRMB) plan. There was no material impact from changes in pension service costs in the period. The table below shows the impact of these items by Sector:

(£ million)	Half year ended 30th September 2016 US PRMB gain
Clean Air	5.8
Efficient Natural Resources	4.7
Health	2.4
New Markets	1.9
Corporate	0.8
Total	**15.6**

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

Adjusted underlying operating profit growth	% change, at constant rates, excl. PRMB[1]
Clean Air	+7
Efficient Natural Resources	-4
Health	+12
New Markets	+135
Corporate	-23
Group	**+5**

[1] Excludes the translational FX impact on the PRMB as the impact is immaterial

Reconciliation of underlying operating profit to operating profit (£ million)	Half year ended 30th September 2017	2016
Underlying operating profit	250.3	236.1
Amortisation of acquired intangibles	(9.9)	(9.6)
Major impairment and restructuring charges	(18.5)	-
Operating profit	**221.9**	**226.5**

Additional Information

Group structure: Johnson Matthey announced changes to the group structure on 20th April 2017. These results are shown on the new basis.

Presentation and conference call: A video presentation of the results, with Robert MacLeod (Chief Executive) and Anna Manz (Chief Financial Officer), will be available to watch on our website from 8:00am today, Tuesday 21st November 2017. This will be followed by a conference call with our senior management, chaired by Robert MacLeod, at 9:00am. The dial in number is 020 3427 1904 followed by passcode 7259496#.

Sector conference call: We will hold our first in an ongoing series of sector conference calls on 11th December 2017 with Alan Nelson, Chief Technology Officer and Sector Chief Executive, New Markets, to discuss our strategy for growth in our New Markets sector.

Operating results by sector

Clean Air

Strong sales growth led by double digit growth in HDD Catalysts in every region

- Sales growth in Light Duty was in line with global vehicle production growth and sales growth in Heavy Duty was significantly ahead of truck production growth in every region
- Sales in our European LDV Catalyst business fell in the half despite strong growth in gasoline catalysts. While volume of diesel catalysts was flat, sales were down. The benefit of our recent platform wins is phased into the second half and into 2018/19
- Sales growth in Light Duty in Asia and in North America was ahead of vehicle production growth
- Excluding the US post-retirement medical benefit plan credit in the prior period, operating profit grew by 7% and margin improved by 0.2 percentage points
- In the second half, recent platform wins in European Light Duty diesel are expected to deliver sales growth in European Light Duty

	Half year ended 30th September		% change	% change, constant rates
	2017	2016 restated		
	£ million	£ million		
Sales				
LDV Europe	414	401	+3	-3
LDV Asia	167	157	+6	+3
LDV Americas	183	159	+16	+9
Total Light Duty Vehicle Catalysts	**764**	**717**	**+7**	**+1**
HDD Americas	195	159	+23	+15
HDD Europe	152	125	+21	+16
HDD Asia	63	34	+88	+84
Total Heavy Duty Diesel Catalysts	**410**	**318**	**+29**	**+22**
Other – stationary	20	19	+2	-4
Total sales	**1,194**	**1,054**	**+13**	**+7**
Underlying operating profit	**167.9**	**151.9**	**+11**	**+3**
Margin	**14.1%**	**14.4%**		
Return on invested capital (ROIC)[1]	**30.6%**			

[1] Due to the changes to the group structure that were announced on the 20th April 2017 there is no H1 2016/17 comparator for ROIC

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

		Half year ended 30th September 2017 millions	2016 millions	% change
North America	Sales	10.6	10.9	-3
	Production	8.5	9.0	-5
Total Europe	Sales	10.0	9.8	+2
	Production	10.6	10.6	-
Asia	Sales	20.5	20.2	+2
	Production	23.5	22.8	+3
Global	Sales	42.7	42.2	+1
	Production	45.5	44.9	+1

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

		Year ended 31st March 2017 thousands	2016 thousands	% change
North America	Sales	260	250	+4
	Production	265	236	+12
Total Europe	Sales	224	214	+4
	Production	281	270	+4
Asia	Sales	955	702	+36
	Production	996	766	+30
Global	Sales	1,483	1,208	+23
	Production	1,587	1,307	+21

*Source: LMC Automotive

Our Clean Air business is a global leader, providing catalysts to reduce harmful emissions from vehicles. This business will deliver mid single digit sales growth over the next ten years through share gains in Europe, supported by our technology leadership, and by meeting the challenges of tighter legislation across the world, particularly in China and Europe. Over the period margins will be maintained.

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 in line with global vehicle production.

In Europe, sales of catalysts for diesel powered vehicles account for approximately 80% of our LDV catalyst business. While diesel catalyst volume was held flat, despite a 3% decline in total vehicle production and the fall in the proportion of diesel vehicles produced in Western Europe to 50% (H1 2016/17: 52%), sales were down 5% due to a negative platform mix and the impact of lower substrate costs which are passed through directly to customers.

Our technology leadership in NOx control and fast response to customers has enabled us to win platforms and this is expected to increase our share of Light Duty diesel in Europe by around 20 percentage points in 2018/19. Our European LDV diesel business is expected to grow in the

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second half and be flat for the full year as a result of the impact of platform wins in the second half of this year.

Sales of catalysts for gasoline powered vehicles were significantly ahead of production driven by an improved platform mix helped by a continued shift to larger and more complex engine platforms for luxury vehicles.

Sales in our Asia LDV Catalyst business grew above the market. Sales in China were down, partly reflecting weaker vehicle production following a very strong period of growth last year, however this was offset by strong trading in our businesses in Japan and India in the half with sales above production.

In the Americas region, our LDV catalyst business grew by 9%, well ahead of production as the benefit of new diesel platform wins more than offset the impact of business lost in the prior year.

Heavy Duty Diesel (HDD) Catalysts

Our HDD Catalyst business, which provides catalysts for trucks, buses and non-road equipment, outperformed truck production in every region.

Our Americas HDD Catalyst business saw strong sales growth with the recovery of the Class 8 truck market in North America. Our sales of catalysts for Class 8 trucks grew above market production growth of 15%, helped by outperformance by our customers and business wins in the prior year. We expect the recovery in Class 8 trucks to continue, although the pace of growth in the first half was supported by customer restocking. Catalyst sales to smaller Class 4-7 trucks grew broadly in line with market production levels.

Sales in our European HDD Catalyst business were up 16%, significantly outpacing the 4% growth in truck production. This outperformance was due to 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 very strongly from a low base, significantly outpacing truck production growth. Our sales in China more than doubled in the period, helped by the increasing proportion of China V catalysts which have higher sales values, including higher substrate content.

Operating profit

Operating profit grew in the period and margin was down 0.3 percentage points. Excluding the US post-retirement medical benefit plan credit in the prior period, margin improved by 0.2 percentage points. Margin benefited from operational gearing in our Americas HDD business given the strong sales growth. Margin also benefited from transactional FX but was negatively impacted by a number of factors, mainly our platform mix in Light Duty diesel in Europe.

Operating profit is expected to grow in the second half with stronger sales growth led by business wins in European Light Duty diesel. Margin for the sector is expected to be slightly lower in the second half.

ROIC

Return on invested capital of 30.6% was in line with the 30.7% reported for the year ended 31st March 2017.

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Efficient Natural Resources

Good sales growth, margin was impacted by weaker operating profit in Catalyst Technologies

- Sales growth of 5% driven by higher sales of refill catalyst and continued strong performance in PGM Services, despite the significant decline in licensing income and sales of catalyst first fills
- Excluding the US post-retirement medical benefit plan credit in the prior period, operating profit declined 4% and margin was 1.1 percentage points lower primarily driven by Catalyst Technologies
- Restructuring programme will deliver around £5 million of savings from efficiencies in the second half

	Half year ended 30th September 2017 £ million	2016 restated £ million	% change	% change, constant rates
Sales				
Catalyst Technologies	260	243	+7	+3
PGM Services	128	109	+17	+13
Advanced Glass Technologies	41	40	+1	-5
Diagnostic Services	29	28	+3	-1
Total sales	**458**	**420**	**+9**	**+5**
Underlying operating profit	**69.8**	**73.4**	**-5**	**-10**
Margin	**15.3%**	**17.5%**		
Return on invested capital (ROIC)[1]	**12.3%**			

[1] Due to the changes to the group structure that were announced on the 20th April 2017 there is no H1 2016/17 comparator for ROIC

Our Efficient Natural Resources sector creates value from the efficient transformation and use of natural resources. Through our chemistry and technology expertise, highly selective investment choices and focus on efficiency, we will deliver sales growth one percentage point ahead of our markets and grow operating profit one percentage point ahead of sales, over the medium term.

Catalyst Technologies

Catalyst Technologies' sales grew 3% driven by sales growth in refill catalysts and additives above growth levels in our market segments.

Sales in our Chemicals business were flat. Challenging end markets faced by our customers continue to limit new plant construction, impacting both licensing activity and demand for first fill catalysts. The weakness in these parts of our business offset double-digit growth in refill catalysts as we outperformed our market segments in sales of refill catalysts in aggregate. This was led by significant growth in ammonia catalysts.

Our Oil and Gas business had a strong start to the year, with sales of catalysts and additives to refineries both up. First fills increased significantly including completion of a large order won at the end of last year while hydrogen refills were steady as we maintained our position in an increasingly competitive market. Sales of additives grew well, slightly outperforming a strong market, helped by new customers for our performance additives, and increased demand for environmental additives.

PGM Services

Sales in our PGM Services business grew 13%. Our PGM Refining and Recycling business benefited from higher average precious metal prices and our continued strategic focus on higher quality

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intakes. Average palladium and rhodium prices rose 28% and 38% respectively, while platinum prices decreased 6%, compared to the first half last year. Sales were also helped by good demand for refining of autocatalyst scrap in North America. Precious metal management activities generated strong sales growth driven by volatility in platinum group metal (pgm) prices over the period.

Sales of industrial products containing platinum group metals was slightly down in the period while good sales growth of chemical products was supported by growth in our Clean Air sector, which uses pgm materials in its catalyst products.

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. This was principally due to destocking in the supply chain in China following a build-up of inventory at the end of the last calendar year.

Diagnostic Services

Sales in Diagnostic Services were steady. A detailed strategic review of our Diagnostic Services business to assess the alignment with the rest of the group is ongoing.

Operating profit

Operating profit and margin declined. Excluding the US post-retirement medical benefit plan credit in the prior period, margin declined by 1.1 percentage points. This was primarily driven by Catalyst Technologies, with lower licensing income, increased price competition, a weaker catalyst mix and as we destock the business to improve efficiency. These more than offset a £5 million benefit from higher average pgm prices.

We expect operating profit for the full year to be lower than last year although margin in the second half will be higher than in the first half. The benefits of restructuring savings, stabilisation of catalyst pricing and higher pgm prices will be offset by weakness in licensing income, continued destocking, as well as some targeted increases in fixed cost to improve the safety and resilience of our plants.

ROIC

Return on invested capital decreased to 12.3% from 13.5% reported for the year ended 31st March 2017. This was primarily due to an increase in precious metal working capital due to higher metal prices and lower liquidity.

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Health

Good first half as we continue to benefit from pipeline investment

- Good sales growth, including sales of dofetilide throughout the half, despite the expected lower ADHD active pharmaceutical ingredient (API) sales
- Excluding the US post-retirement medical benefit plan credit in the prior period, operating profit grew by 12% and margin improved by 1.5 percentage points

	Half year ended 30th September 2017 £ million	2016 restated £ million	% change	% change, constant rates
Sales				
Generics	82	81	+2	-1
Innovators	37	29	+27	+21
Total sales	**119**	**110**	**+9**	**+5**
Underlying operating profit	**21.7**	**20.7**	**+4**	**-**
Margin	**18.2%**	**18.9%**		
Return on invested capital (ROIC)[1]	**10.0%**			

[1] Due to the changes to the group structure that were announced on the 20th April 2017 there is no H1 2016/17 comparator for ROIC

Our Health sector develops and manufactures APIs for a variety of treatments. We operate in the large and growing outsourced small molecule API market, within the global pharmaceutical market, where we create value by providing solutions to the complex problems of both innovator and generic companies. This will enable us to deliver significant growth over the medium term, with double digit sales growth and significant margin expansion expected from 2019/20.

Generics

Performance in our Generics business was mixed with sales steady overall. Sales of APIs for the treatment of ADHD reduced, as the increased competition we saw in the US market in the second half of 2016/17 continued. We saw increased demand for speciality opiates, led by customer orders ahead of an anticipated product launch, while sales of bulk opiates were slightly lower. In our new portfolio of other APIs, the contribution from dofetilide, launched in June 2016, led to strong sales growth.

Development of a broader, deeper product portfolio continues in line with our plans and we invested £8 million in the period developing our API product pipeline.

Innovators

Sales in our Innovators business grew strongly. This was driven by increased sales of APIs for branded drugs in commercial production where we benefited from improved pricing as well as increased volumes.

Operating profit

Operating profit, excluding the US post-retirement medical benefit plan credit in the prior period, grew by 12% and margin improved by 1.5 percentage points, as improved pricing in the half more than offset lower sales of higher margin ADHD APIs. We continue to expect improved sales growth although operating profit for the full year is expected to be broadly in line with last year.

ROIC

Return on invested capital decreased slightly to 10.0% from the 10.4% reported for the year ended 31st March 2017.

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New Markets

Significant progress in developing eLNO; anticipated decline in LFP led to lower H1 sales

- The significant decline in sales of lithium iron phosphate (LFP) battery material was partially offset by strong sales growth of Fuel Cells and Medical Device Components
- Excluding the US post-retirement medical benefit plan credit in the prior period, operating profit increased by 135%, despite the decline in LFP battery materials, due to the very strong performance in Fuel Cells and Medical Device Components
- Significant progress in the development of our high energy battery material, enhanced lithium nickel oxide (eLNO). Our material is in qualification cycles with six customers and investment in a pilot plant is ongoing

	Half year ended 30th September 2017 £ million	2016 restated £ million	% change	% change, constant rates
Sales				
Alternative Powertrain	65	75	-14	-21
Medical Device Components	39	33	+20	+13
Life Science Technologies	23	24	-3	-7
Other	16	12	+30	+23
Total sales	**143**	**144**	**-1**	**-7**
Underlying operating profit	**8.7**	**4.5**	**+93**	**+55**
Margin	**6.1%**	**3.1%**		
Return on invested capital (ROIC)[1]	**7.9%**			

[1] Due to the changes to the group structure that were announced on the 20th April 2017 there is no H1 2016/17 comparator for ROIC

Our New Markets sector accesses additional areas of potential growth for Johnson Matthey where our core chemistry competencies can solve challenges in emerging and fast growing markets.

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 21% as the decline in LFP battery material sales more than offset the significant growth in fuel cell products.

Sales of our LFP battery materials fell significantly, principally due to changes in electric vehicle tax incentives in China which has led to increased substitution of LFP by high energy materials. This has severely impacted our sales as certain platforms no longer use our LFP materials. We continue to develop next generation LFP products and explore growth opportunities in this market.

In the period, we made significant progress expanding our portfolio of battery materials with the development of our high energy nickel rich material, eLNO. This material provides a step-change increase in energy density and improvements in all other key metrics compared to other materials available today. We have validated the benefits of this material with customers, including cell manufacturers and car makers, and our product is in qualification cycles with six customers with positive feedback. During the period, we started our investment in our pilot plant and have commenced work on the front end engineering and design of our commercial scale production plant.

In our other Alternative Powertrain businesses, sales of fuel cell products more than doubled in the period, helped by increased volumes of sales to one customer as they launched new stationary power products in a new market. Sales of battery systems were down slightly reflecting increased phasing of orders into the second half of the year.

Medical Device Components

Our Medical Device Components business leverages our science and technology to develop products found in devices used in medical procedures. Sales were up significantly in the period led by strong market growth and our customers' growth within those markets, particularly for cochlear implants to aid hearing.

Life Science Technologies

Our Life Science Technologies business, formerly Catalysis and Chiral Technologies, provides advanced catalysts and processes to the pharmaceutical and agricultural chemicals markets. Sales were lower in the period reflecting lower sales to two large customers.

Operating profit

Operating profit grew by 55%, benefiting from higher sales of fuel cell products and strong sales growth and an improved product mix in our Medical Device Components business. Further improvement in profitability is expected for the remainder of this year helped by stronger sales growth and comparison against a £5 million impairment charge in the second half of last year.

ROIC

Return on invested capital increased to 7.9% from the 6.2% reported for the year ended 31st March 2017, reflecting the improved operating profit performance.

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Financial review

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 82% of non-sterling denominated underlying operating profit in the half year ended 30th September 2017, were:

	Share of H1 2017/18 non-sterling denominated underlying operating profit	Average exchange rate Half year ended 30th September		
		2017	2016	% change
US dollar	37%	1.295	1.374	-6
Euro	33%	1.138	1.223	-7
Chinese renminbi	12%	8.76	9.06	-3

There was a decrease in the value of sterling against most major currencies compared to the half year ended 30th September 2016. The impact of exchange rates increased sales and underlying operating profit for the period by £86 million and £18 million respectively.

If current exchange rates are maintained throughout the remainder of the year ending 31st March 2018, foreign currency translation will have a positive impact of approximately £14 million on underlying operating profit. A one cent change in the average US dollar and euro exchange rates each has an impact of approximately £1.6 million and £1.8 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 £0.9 million.

Major impairment and restructuring costs

We have started our restructuring programme to drive efficiencies and a restructuring and impairment charge of £18.5 million relating to this was recognised in the period, including £4.2 million of cash costs. The total restructuring and impairment charge for the full year is expected to be between £50 and £65 million, of which over half will be cash. The programme is expected to generate savings of around £25 million and we are on track to benefit from £10 million of savings this financial year, with £3 million already achieved in the first half.

Finance charges

Net finance charges were in line with last year at £16.4 million.

Taxation

The tax charge for the half year ended 30th September 2017 was £36.2 million, an effective tax rate of 17.7% (H1 2016/17: 15.7%). The tax charge on underlying profit before tax was £41.7 million, an effective tax rate of 17.9%, up from 16.1% in the half year ended 30th September 2016. This increase was due to the change in UK tax legislation during the second half of last year which adversely impacted the tax outcome of certain intra group financing arrangements.

We currently expect the tax rate on underlying profit for the full year to remain around 18%.

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Post-employment benefits: IFRS – accounting basis

At 30th September 2017, 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 £21.5 million.

The cost of providing post-employment benefits in the period was £22 million, up from £6 million last year. This increase is predominantly due to the one-off gain of £15.6 million on the implementation of an inflation cap in the US post-retirement medical benefit plan in the prior period.

Free cash flow and working capital

Negative free cash flow of £90.4 million was primarily driven by an £156 million increase in precious metal working capital due to higher metal prices and lower liquidity. Non precious metal working capital increased by £91 million.

Working capital days, excluding precious metals, increased 10 days from the year end to 64 days. This is a decrease of 5 days from the first half of last year as we continue to focus on working capital management. Our target is for working capital days excluding precious metals to be in the range of 50 to 60 days.

Interim dividend

The board has increased the interim dividend by 6% to 21.75 pence, reflecting confidence in the medium term outlook. The interim dividend will be paid on 6th February 2018 to ordinary shareholders on the register as at 1st December 2017, with an ex-dividend date of 30th November 2017.

Return on invested capital

The group's return on invested capital was held in line with last year at 17.5%.

Capital structure

Net debt at 30th September 2017 was £890.9 million. This is an increase of £175.2 million from 31st March 2017, predominantly due to the higher precious metal working capital. Net debt increases to £935.8 million when adjusted for the post-tax pension deficits. The group's net debt (including post tax pension deficits) to EBITDA for the 12 months to 30th September 2017 was 1.4 times (31st March 2017: 1.1 times). Our target range is 1.5 to 2.0 times.

Contingent Liability

A group company, Johnson Matthey Inc, has been made a defendant to a contract dispute lawsuit alongside a supplier to an automotive OEM in the United States. The dispute relates to engine emission after treatment systems for which the group supplied coated substrate as a component. The group does not believe it has warranty liability in respect of its supplies of coated substrate for the after treatment systems in the affected engines and will vigorously defend its position in the litigation. With respect to these legal proceedings, the group is currently unable to make a reliable estimate of the expected financial effect, 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.

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Risks and Uncertainties

The principal risks and uncertainties to which the group is exposed are identified in our 2017 annual report. As part of our ongoing review we are adding a further risk: Applications, systems and cyber-risk and amending the risk rating of security of metal and highly regulated substances.

The external cyber-threat is increasing with attacks on a wide range of organisations becoming increasingly frequent and sophisticated. Against this backdrop we are investing in our IT infrastructure to support a more efficient business, and in doing so increasing the global consistency and connectivity of our applications and infrastructure. As such, we have decided to elevate the risk of cyber-attack from within the risk of failure of a critical site to a principal risk in its own right to ensure greater board visibility.

We are increasing the risk for security of metal and highly regulated substances from low to medium to reflect the increase in metal value held on our balance sheet, principally as a result of higher metal prices.

The other principal risks and uncertainties, together with the group's strategies to manage them, are set out on pages 16 to 21 of the 2017 annual report and these are unchanged. They are:

• **Existing market outlook** – The risk of a change to the outlook for our key markets is either unplanned or unforeseen and as a result we are poorly positioned to respond • **Future revenue growth** - Failure to grow through new opportunities either as a result of failing to identify the opportunity, fund or execute successfully • **Maintaining our competitive advantage** - Failure to maintain our competitive advantage in existing markets • **Environment, health and safety** – Operating safely in line with changes to environmental, health and safety legislation standards	• **Sourcing of strategic materials** - Any breakdown in the supply of certain strategic raw materials would lead to an inability to manufacture and satisfy customer demand • **People** – Effective recruitment and retention • **Security of metal and highly regulated substances** • **Intellectual capital management** • **Failure of significant sites** • **Ethics and compliance** – Doing the right thing • **Business transition** - Failure to manage major programmes and transition from a big small company to a small big company • **Product quality**

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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
Jane Griffiths	Non-Executive Director
Robert MacLeod	Chief Executive
Anna Manz	Chief Financial Officer
Chris Mottershead	Non-Executive Director and Chairman of the Remuneration Committee
John O'Higgins	Non-Executive Director
John Walker	Sector Chief Executive, Clean Air

The responsibility statement was approved by the Board of Directors on 20th November 2017 and is signed on its behalf by:

Tim Stevenson

Chairman

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Independent Review Report
to Johnson Matthey Plc

Conclusion
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 2017 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.

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 2017 are not prepared, in all material respects, in accordance with IAS 34 – 'Interim Financial Reporting' as adopted by the EU and the Disclosure Guidance and Transparency rules (the DTR) of the UK's Financial Conduct Authority (the UK FCA).

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. We read the other information contained in the Half-Yearly Report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated accounts.

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.

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.

The purpose of our review work and to whom we owe our responsibilities
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 DTR of 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.

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

20th November 2017

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Condensed Consolidated Income Statement
for the six months ended 30th September 2017

	Notes	Six months ended 30.9.17 £ million	Six months ended 30.9.16 £ million	Year ended 31.3.17 £ million
Revenue	2	**6,478.3**	5,624.9	12,031.0
Cost of sales		**(6,045.1)**	(5,228.9)	(11,188.0)
Gross profit		**433.2**	396.0	843.0
Operating expenses		**(182.9)**	(159.9)	(329.7)
Amortisation of acquired intangibles	5	**(9.9)**	(9.6)	(20.1)
Major impairment and restructuring charges	6	**(18.5)**	-	-
Operating profit		**221.9**	226.5	493.2
Finance costs		**(19.9)**	(18.9)	(38.7)
Finance income		**3.5**	2.5	6.9
Share of (loss) / profit of joint venture and associate		**(0.8)**	(0.1)	0.2
Profit before tax		**204.7**	210.0	461.6
Income tax expense		**(36.2)**	(32.9)	(77.0)
Profit for the period		**168.5**	177.1	384.6
Attributable to:				
Owners of the parent company		**168.7**	177.7	386.0
Non-controlling interests		**(0.2)**	(0.6)	(1.4)
		168.5	177.1	384.6
		pence	pence	pence
Earnings per ordinary share attributable to the equity holders of the parent company				
Basic		**87.9**	92.7	201.2
Diluted		**87.8**	92.6	200.8

Condensed Consolidated Statement of Total Comprehensive Income
for the six months ended 30th September 2017

	Notes	Six months ended 30.9.17 £ million	Six months ended 30.9.16 £ million	Year ended 31.3.17 £ million
Profit for the period		**168.5**	177.1	384.6
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurements of post-employment benefits assets and liabilities	11	**(0.9)**	(243.0)	(18.4)
Tax on above items taken directly to or transferred from equity		**1.5**	38.0	2.0
		0.6	(205.0)	(16.4)
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences		**(59.3)**	136.1	165.2
Cash flow hedges		**4.5**	(7.6)	(1.4)
Fair value gain / (loss) on net investment hedges		**2.5**	(19.7)	(21.0)
Fair value gain on available-for-sale investments		**0.4**	7.0	7.0
Tax on above items taken directly to or transferred from equity		**-**	1.2	(0.4)
		(51.9)	117.0	149.4
Other comprehensive (expense) / income for the period		**(51.3)**	(88.0)	133.0
Total comprehensive income for the period		**117.2**	89.1	517.6
Attributable to:				
Owners of the parent company		**117.5**	89.7	518.5
Non-controlling interests		**(0.3)**	(0.6)	(0.9)
		117.2	89.1	517.6

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Condensed Consolidated Balance Sheet
as at 30th September 2017

	Notes	30.9.17 £ million	30.9.16 £ million	31.3.17 £ million
Assets				
Non-current assets				
Property, plant and equipment		**1,189.2**	1,153.4	1,235.1
Goodwill		**598.8**	600.5	607.1
Other intangible assets		**287.6**	279.0	288.3
Deferred income tax assets		**24.1**	47.7	25.6
Investments and other receivables		**109.3**	106.9	107.3
Interest rate swaps	8	**9.1**	17.3	17.4
Post-employment benefit net assets	11	**132.7**	10.0	116.6
Total non-current assets		**2,350.8**	2,214.8	2,397.4
Current assets				
Inventories		**911.7**	855.0	772.3
Current income tax assets		**25.8**	47.4	20.4
Trade and other receivables		**1,140.8**	1,039.3	1,139.4
Cash and cash equivalents — cash and deposits	8	**132.9**	171.2	330.4
Interest rate swaps	8	**-**	2.5	-
Other financial assets		**12.7**	10.7	7.5
Total current assets		**2,223.9**	2,126.1	2,270.0
Total assets		**4,574.7**	4,340.9	4,667.4
Liabilities				
Current liabilities				
Trade and other payables		**(899.1)**	(868.2)	(968.3)
Current income tax liabilities		**(129.1)**	(144.5)	(133.5)
Cash and cash equivalents — bank overdrafts	8	**(21.0)**	(19.0)	(31.8)
Other borrowings, finance leases and related swaps	8	**(34.3)**	(150.5)	(20.2)
Other financial liabilities		**(12.0)**	(24.8)	(14.9)
Provisions		**(24.8)**	(28.5)	(21.0)
Total current liabilities		**(1,120.3)**	(1,235.5)	(1,189.7)
Non-current liabilities				
Borrowings, finance leases and related swaps	8	**(977.6)**	(918.3)	(1,011.5)
Deferred income tax liabilities		**(107.7)**	(93.8)	(113.0)
Employee benefit obligations	11	**(115.8)**	(243.2)	(111.8)
Provisions		**(14.8)**	(19.2)	(18.4)
Other payables		**(4.8)**	(5.9)	(5.9)
Total non-current liabilities		**(1,220.7)**	(1,280.4)	(1,260.6)
Total liabilities		**(2,341.0)**	(2,515.9)	(2,450.3)
Net assets		**2,233.7**	1,825.0	2,217.1
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)		**(50.6)**	(55.5)	(55.5)
Other reserves		**94.8**	114.7	146.6
Retained earnings		**1,840.4**	1,416.0	1,776.5
Total equity attributable to owners of the parent company		**2,253.6**	1,844.2	2,236.6
Non-controlling interests		**(19.9)**	(19.2)	(19.5)
Total equity		**2,233.7**	1,825.0	2,217.1

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Condensed Consolidated Cash Flow Statement

for the six months ended 30th September 2017

	Notes	Six months ended 30.9.17 £ million	Six months ended 30.9.16 £ million	Year ended 31.3.17 £ million
Cash flows from operating activities				
Profit before tax		**204.7**	210.0	461.6
Adjustments for:				
Share of loss / (profit) of joint venture and associate		**0.8**	0.1	(0.2)
Depreciation, amortisation, impairment losses and (profit) / loss on sale of non-current assets and investments		**94.7**	84.4	176.6
Share-based payments		**3.5**	7.1	10.6
Changes in working capital and provisions		**(264.1)**	(158.6)	(95.4)
Changes in fair value of financial instruments		**(3.5)**	(2.5)	(3.2)
Net finance costs		**16.4**	16.4	31.8
Income tax paid		**(44.7)**	(33.0)	(58.9)
Net cash inflow from operating activities		**7.8**	123.9	522.9
Cash flows from investing activities				
Dividends received from joint venture		**0.6**	-	-
Interest received		**1.4**	1.5	4.8
Purchases of non-current assets and investments		**(81.2)**	(108.1)	(259.5)
Proceeds from sale of non-current assets and investments		**0.5**	0.2	3.9
Purchases of businesses		**-**	(19.5)	(19.7)
Net cash outflow from investing activities		**(78.7)**	(125.9)	(270.5)
Cash flows from financing activities				
Net cost of ESOT transactions in own shares		**-**	(6.0)	(6.1)
Proceeds from / (repayment of) borrowings and finance leases		**14.9**	(5.8)	(52.4)
Dividends paid to equity owners of the parent company	7	**(104.5)**	(99.7)	(139.0)
Settlement of currency swaps for net investment hedging		**(2.7)**	(6.2)	(7.3)
Interest paid		**(19.5)**	(19.9)	(42.1)
Net cash outflow from financing activities		**(111.8)**	(137.6)	(246.9)
(Decrease) / increase in cash and cash equivalents in period		**(182.7)**	(139.6)	5.5
Exchange differences on cash and cash equivalents		**(4.0)**	8.0	9.3
Cash and cash equivalents at beginning of period		**298.6**	283.8	283.8
Cash and cash equivalents at end of period	8	**111.9**	152.2	298.6
Reconciliation to net debt				
(Decrease) / increase in cash and cash equivalents in period		**(182.7)**	(139.6)	5.5
(Proceeds from) / repayment of borrowings and finance leases		**(14.9)**	5.8	52.4
Change in net debt resulting from cash flows		**(197.6)**	(133.8)	57.9
Borrowings acquired with subsidiaries		**-**	(4.6)	(4.8)
New finance leases		**-**	-	(0.1)
Exchange differences on net debt		**22.4**	(83.5)	(93.8)
Movement in net debt in period		**(175.2)**	(221.9)	(40.8)
Net debt at beginning of period		**(715.7)**	(674.9)	(674.9)
Net debt at end of period	8	**(890.9)**	(896.8)	(715.7)

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Condensed Consolidated Statement of Changes in Equity

for the six months ended 30th September 2017

	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 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 7)	-	-	-	-	(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
Total comprehensive income for the period	-	-	-	31.9	396.9	(0.3)	428.5
Dividends paid (note 7)	-	-	-	-	(39.3)	-	(39.3)
Share-based payments	-	-	-	-	6.6	-	6.6
Cost of shares transferred to employees	-	-	-	-	(3.1)	-	(3.1)
Tax on share-based payments	-	-	-	-	(0.6)	-	(0.6)
At 31st March 2017	220.7	148.3	(55.5)	146.6	1,776.5	(19.5)	2,217.1
Total comprehensive income for the period	-	-	-	(51.8)	169.3	(0.3)	117.2
Dividends paid (note 7)	-	-	-	-	(104.5)	(0.1)	(104.6)
Share-based payments	-	-	-	-	6.7	-	6.7
Cost of shares transferred to employees	-	-	4.9	-	(8.2)	-	(3.3)
Tax on share-based payments	-	-	-	-	0.6	-	0.6
At 30th September 2017	**220.7**	**148.3**	**(50.6)**	**94.8**	**1,840.4**	**(19.9)**	**2,233.7**

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Notes on the Accounts

for the six months ended 30th September 2017

1 Basis of preparation

The half-yearly accounts were approved by the Board of Directors on 20th November 2017, 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 2017. 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 2017 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.

IFRS 9 – 'Financial Instruments' will be adopted from 1st April 2018. The group's evaluation of the effect of this standard is still ongoing but it is not currently anticipated that it will have a material effect on the reported results and financial position of the group.

IFRS 15 – 'Revenue from Contracts with Customers' will be adopted from 1st April 2018. In the current period, further work has been carried out through a detailed review of contracts generating revenue. The review continues to support the conclusion reached initially that IFRS 15 will not have a significant impact on the timing and amount of revenue recognised. Some impact is expected as a result of allocating revenue to various performance obligations and also as a result of meeting IFRS 15's over time revenue recognition criteria. Due to the insignificant impact of adopting IFRS 15, the group has concluded that the modified retrospective transition option will be chosen. An adjustment will be made to equity to reflect the IFRS 15 impact on contracts which are open at the date of adoption.

IFRS 16 – 'Leases' will be adopted from 1st April 2019. The effect on the reported results and financial position of the group is still being evaluated.

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2 Segmental information

	Clean Air £ million	Efficient Natural Resources £ million	Health £ million	New Markets £ million	Eliminations £ million	Total £ million
Six months ended 30th September 2017						
Revenue from external customers	**2,006.4**	**4,168.9**	**122.3**	**180.7**	**-**	**6,478.3**
Inter-segment revenue	**127.6**	**1,033.8**	**-**	**9.6**	**(1,171.0)**	**-**
Total revenue	**2,134.0**	**5,202.7**	**122.3**	**190.3**	**(1,171.0)**	**6,478.3**
External sales excluding precious metals	**1,194.1**	**402.8**	**119.3**	**137.1**	**-**	**1,853.3**
Inter-segment sales	**0.1**	**55.1**	**-**	**5.4**	**(60.6)**	**-**
Sales excluding precious metals	**1,194.2**	**457.9**	**119.3**	**142.5**	**(60.6)**	**1,853.3**
Segmental underlying operating profit	**167.9**	**69.8**	**21.7**	**8.7**	**-**	**268.1**
Unallocated corporate expenses						**(17.8)**
Underlying operating profit (note 4)						**250.3**
Segmental net assets	**1,084.6**	**1,272.7**	**534.2**	**218.4**	**-**	**3,109.9**
Six months ended 30th September 2016 (restated)						
Revenue from external customers	1,763.7	3,578.7	112.5	170.0	-	5,624.9
Inter-segment revenue	85.6	778.4	0.1	8.1	(872.2)	-
Total revenue	1,849.3	4,357.1	112.6	178.1	(872.2)	5,624.9
External sales excluding precious metals	1,053.9	375.4	109.4	137.3	-	1,676.0
Inter-segment sales	0.1	44.7	0.1	6.6	(51.5)	-
Sales excluding precious metals	1,054.0	420.1	109.5	143.9	(51.5)	1,676.0
Segmental underlying operating profit	151.9	73.4	20.7	4.5	-	250.5
Unallocated corporate expenses						(14.4)
Underlying operating profit (note 4)						236.1
Segmental net assets	1,015.4	1,235.5	494.1	203.9	-	2,948.9
Year ended 31st March 2017 (restated)						
Revenue from external customers	3,779.5	7,643.2	240.5	367.8	-	12,031.0
Inter-segment revenue	175.0	1,724.0	0.3	17.9	(1,917.2)	-
Total revenue	3,954.5	9,367.2	240.8	385.7	(1,917.2)	12,031.0
External sales excluding precious metals	2,223.1	826.0	236.0	292.4	-	3,577.5
Inter-segment sales	0.4	92.8	0.3	15.4	(108.9)	-
Sales excluding precious metals	2,223.5	918.8	236.3	307.8	(108.9)	3,577.5
Segmental underlying operating profit	318.2	163.0	51.7	12.2	-	545.1
Unallocated corporate expenses						(31.8)
Underlying operating profit (note 4)						513.3
Segmental net assets	1,090.2	1,132.2	525.6	209.0	-	2,957.0

Segmental information has been restated for the six months ended 30th September 2016 and year ended 31st March 2017 to reflect a change in group structure.

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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 30.9.17	Six months ended 30.9.16	Year ended 31.3.17
US dollar / £	**1.295**	1.374	1.308
Euro / £	**1.138**	1.223	1.191
Chinese renminbi / £	**8.76**	9.06	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.

	Six months ended 30.9.17 £ million	Restated six months ended 30.9.16 At last year's rates £ million	Restated six months ended 30.9.16 At this year's rates £ million	Change at this year's rates %
Sales excluding precious metals				
Clean Air	**1,194.2**	1,054.0	1,112.3	+7
Efficient Natural Resources	**457.9**	420.1	437.3	+5
Health	**119.3**	109.5	113.8	+5
New Markets	**142.5**	143.9	153.4	-7
Elimination of inter-segment sales	**(60.6)**	(51.5)	(54.5)	
Sales excluding precious metals	**1,853.3**	1,676.0	1,762.3	+5
Underlying operating profit				
Clean Air	**167.9**	151.9	163.0	+3
Efficient Natural Resources	**69.8**	73.4	77.5	-10
Health	**21.7**	20.7	21.7	-
New Markets	**8.7**	4.5	5.6	+55
Unallocated corporate expenses	**(17.8)**	(14.4)	(13.7)	
Underlying operating profit	**250.3**	236.1	254.1	-1

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4 Underlying profit reconciliation

	30.9.17 £ million	30.9.16 £ million	31.3.17 £ million
Underlying operating profit	**250.3**	236.1	513.3
Amortisation of acquired intangibles (note 5)	**(9.9)**	(9.6)	(20.1)
Major impairment and restructuring charges (note 6)	**(18.5)**	-	-
Operating profit	**221.9**	226.5	493.2
Underlying profit before tax	**233.1**	219.6	481.7
Amortisation of acquired intangibles (note 5)	**(9.9)**	(9.6)	(20.1)
Major impairment and restructuring charges (note 6)	**(18.5)**	-	-
Profit before tax	**204.7**	210.0	461.6
Tax on underlying profit before tax	**(41.7)**	(35.3)	(82.0)
Tax on amortisation of acquired intangibles (note 5)	**2.4**	2.4	5.0
Tax on major impairment and restructuring charges (note 6)	**3.1**	-	-
Income tax expense	**(36.2)**	(32.9)	(77.0)
Underlying profit for the period	**191.6**	184.9	401.1
Amortisation of acquired intangibles (note 5)	**(9.9)**	(9.6)	(20.1)
Major impairment and restructuring charges (note 6)	**(18.5)**	-	-
Tax thereon	**5.5**	2.4	5.0
Profit for the period attributable to owners of the parent company	**168.7**	177.7	386.0
	million	million	million
Weighted average number of shares in issue	**191.9**	191.8	191.9
	pence	pence	pence
Underlying earnings per share	**99.8**	96.4	209.1

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 Major impairment and restructuring charges

As part of the group's operational efficiency program announced at 31st March 2017 a restructuring charge of £18.5 million has been incurred in the period (nil in the six months ended 30th September 2016 and year ended 31st March 2017). This primarily relates to redundancies and business closures and can be split out by sector as follows: Efficient Natural Resources £7.3 million, Health £1.7 million and New Markets £9.5 million. Of the total £7.8 million relates to asset write offs, £6.5 million to provisions and £4.2 million to cash costs incurred.

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7 Dividends

An interim dividend of 21.75 pence per ordinary share has been proposed by the board which will be paid on 6th February 2018 to shareholders on the register at the close of business on 30th November 2017. The estimated amount to be paid is £41.8 million and has not been recognised in these accounts.

	Six months ended		Year ended
	30.9.17	30.9.16	31.3.17
	£ million	£ million	£ million
2015/16 final ordinary dividend paid — 52.0 pence per share	**-**	99.7	99.7
2016/17 interim ordinary dividend paid — 20.5 pence per share	**-**	-	39.3
2016/17 final ordinary dividend paid — 54.5 pence per share	**104.5**	-	-
Total dividends	**104.5**	99.7	139.0

8 Net debt

	30.9.17	30.9.16	31.3.17
	£ million	£ million	£ million
Cash and deposits	**132.9**	171.2	330.4
Bank overdrafts	**(21.0)**	(19.0)	(31.8)
Cash and cash equivalents	**111.9**	152.2	298.6
Other current borrowings, finance leases and related swaps	**(34.3)**	(150.5)	(20.2)
Current interest rate swaps	**-**	2.5	-
Non-current borrowings, finance leases and related swaps	**(977.6)**	(918.3)	(1,011.5)
Non-current interest rate swaps	**9.1**	17.3	17.4
Net debt	**(890.9)**	(896.8)	(715.7)

9 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 2017 precious metal leases were £222.8 million (30th September 2016 £79.8 million, 31st March 2017 £77.0 million).

10 Contingent liabilities

A group company, Johnson Matthey Inc, has been made a defendant to a contract dispute lawsuit alongside a supplier to an automotive OEM in the United States. The dispute relates to engine emission after treatment systems for which the group supplied coated substrate as a component. The group does not believe it has warranty liability in respect of its supplies of coated substrate for the after treatment systems in the affected engines and will vigorously defend its position in the litigation. With respect to these legal proceedings, the group is currently unable to make a reliable estimate of the expected financial effect, if any.

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11 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 2017.

Movements in the net post-employment benefits 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
At 1st April 2017	106.4	(9.6)	(20.1)	(33.9)	(33.6)	9.2
Current service cost	(20.7)	-	(4.7)	(0.2)	(1.5)	(27.1)
Net interest	1.2	(0.1)	(0.4)	(0.6)	(0.3)	(0.2)
Past service credit	5.1	-	-	-	-	5.1
Remeasurements	5.6	-	(4.3)	(2.2)	-	(0.9)
Company contributions	25.6	-	5.0	0.7	1.2	32.5
Exchange adjustments	-	-	1.5	2.4	(1.0)	2.9
At 30th September 2017	**123.2**	**(9.7)**	**(23.0)**	**(33.8)**	**(35.2)**	**21.5**

These are included in the balance sheet as:

	30.9.17 Post-employment benefits net assets £ million	**30.9.17 Employee benefits obligations £ million**	30.9.16 Post-employment benefits net assets £ million	30.9.16 Employee benefits obligations £ million	31.3.17 Post-employment benefits net assets £ million	31.3.17 Employee benefits obligations £ million
UK pension plan	**123.2**	**-**	-	(141.0)	106.4	-
UK post-retirement medical benefits plan	**-**	**(9.7)**	-	(10.7)	-	(9.6)
US pension plans	**-**	**(23.0)**	0.7	(15.3)	-	(20.1)
US post-retirement medical benefits plan	**7.7**	**(41.5)**	7.4	(37.8)	8.3	(42.2)
Other plans	**1.8**	**(37.0)**	1.9	(34.6)	1.9	(35.5)
Total post-employment plans	**132.7**	**(111.2)**	10.0	(239.4)	116.6	(107.4)
Other long term employee benefits		**(4.6)**		(3.8)		(4.4)
Total long term employee benefits obligations		**(115.8)**		(243.2)		(111.8)

12 Transactions with related parties

There have been no material changes in related party relationships in the six months ended 30th September 2017 and no other related party transactions have taken place which have materially affected the financial position or performance of the group during that period.

13 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:

	30.9.17 Level 1 £ million	**30.9.17 Level 2 £ million**	30.9.16 Level 1 £ million	30.9.16 Level 2 £ million	31.3.17 Level 1 £ million	31.3.17 Level 2 £ million
Quoted bonds purchased to fund pension deficit included in:						
Non-current investments	**55.7**	**-**	58.1	-	54.1	-
Quoted available-for-sale investments included in:						
Non-current investments	**0.2**	**-**	0.8	-	0.3	-
Interest rate swaps included in:						
Non-current assets	**-**	**9.1**	-	17.3	-	17.4
Current assets	**-**	**-**	-	2.5	-	-
Current liabilities	**-**	**-**	-	(0.1)	-	-
Non-current liabilities	**-**	**(8.4)**	-	(7.3)	-	(6.8)
Forward foreign exchange and precious metal price contracts and currency swaps included in:						
Current other financial assets	**-**	**12.7**	-	10.6	-	7.5
Current other financial liabilities	**-**	**(12.0)**	-	(24.8)	-	(14.9)

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

	30.9.17 Carrying amount £ million	**30.9.17 Fair value £ million**	30.9.16 Carrying amount £ million	30.9.16 Fair value £ million	31.3.17 Carrying amount £ million	31.3.17 Fair value £ million
US Dollar Bonds 2016, 2022, 2023, 2025 and 2028	**(469.0)**	**(467.0)**	(606.7)	(613.2)	(507.8)	(503.2)
Euro Bonds 2021 and 2023	**(105.6)**	**(121.2)**	(103.6)	(121.6)	(103.0)	(119.6)
Euro EIB loans 2019	**(109.1)**	**(114.0)**	(107.1)	(112.8)	(106.4)	(111.8)
Sterling Bonds 2024	**(65.0)**	**(71.9)**	(65.0)	(72.6)	(65.0)	(73.8)
KfW US dollar loan 2024	**(37.3)**	**(38.6)**	-	-	(40.1)	(41.7)
Other bank loans	**(1.8)**	**(1.8)**	(4.0)	(3.9)	(2.0)	(2.0)

Unquoted investments included in non-current available-for-sale investments have a carrying amount of £3.4 million at 30th September 2017 (30th September 2016 £5.9 million, 31st March 2017 £3.6 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.

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Definition and reconciliation of non-GAAP measures to GAAP measures

for the six months ended 30th September 2017

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 (note 6), 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.

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 5).

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, major impairment and restructuring charges (note 6), depreciation and amortisation (EBITDA) for the same period.

Return on invested capital (ROIC)

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

	30.9.17	30.9.16	31.3.17
	£ million	£ million	£ million
Average net debt	**921.8**	685.1	878.5
Average equity	**2,093.3**	1,946.0	1,937.1
Average capital employed	**3,015.1**	2,631.1	2,815.6
Underlying operating profit for this period (note 4)	**250.3**	236.1	513.3
Underlying operating profit for prior year (note 4)	**513.3**	450.8	
Underlying operating profit for prior first half (note 4)	**(236.1)**	(225.0)	
Annualised underlying operating profit	**527.5**	461.9	513.3
ROIC	**17.5%**	17.6%	18.2%

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Definition and reconciliation of non-GAAP measures to GAAP measures

for the six months ended 30th September 2017

	30.9.17	30.9.16	31.3.17
	£ million	£ million	£ million
Inventories	**911.7**	855.0	772.3
Trade and other receivables	**1,140.8**	1,039.3	1,139.4
Trade and other payables	**(899.1)**	(868.2)	(968.3)
Total working capital	**1,153.4**	1,026.1	943.4
Less precious metal working capital	**(477.4)**	(367.5)	(335.5)
Working capital (excluding precious metals)	**676.0**	658.6	607.9

	Six months ended		Year ended
	30.9.17	30.9.16	31.3.17
	£ million	£ million	£ million
EBITDA	**327.1**	310.8	665.0
Depreciation and amortisation	**(86.7)**	(84.3)	(171.8)
Major impairment and restructuring charges (note 6)	**(18.5)**	-	-
Finance costs	**(19.9)**	(18.9)	(38.7)
Finance income	**3.5**	2.5	6.9
Share of (loss) / profit of joint venture and associate	**(0.8)**	(0.1)	0.2
Income tax expense	**(36.2)**	(32.9)	(77.0)
Profit for the period	**168.5**	177.1	384.6
EBITDA for this period	**327.1**	310.8	665.0
EBITDA for prior year	**665.0**	590.1	
less EBITDA for prior first half	**(310.8)**	(292.6)	
Annualised EBITDA	**681.3**	608.3	665.0
Net debt	**(890.9)**	(896.8)	(715.7)
Pension deficits	**(60.0)**	(190.9)	(55.6)
Bonds purchased to fund pensions (excluded when UK pension plan is in surplus)	**-**	58.1	-
Related deferred tax	**15.1**	28.0	12.8
Net debt (including post tax pension deficits)	**(935.8)**	(1,001.6)	(758.5)
Net debt (including post tax pension deficits) to EBITDA	**1.4**	1.6	1.1
Net cash flow from operating activities	**7.8**	123.9	522.9
Dividends received from joint venture	**0.6**	-	-
Interest received	**1.4**	1.5	4.8
Interest paid	**(19.5)**	(19.9)	(42.1)
Purchases of non-current assets and investments	**(81.2)**	(108.1)	(259.5)
Proceeds from sale of non-current assets and investments	**0.5**	0.2	3.9
Free cash flow	**(90.4)**	(2.4)	230.0

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Financial Calendar

2017

30th November
Ex dividend date

1st December
Interim dividend record date

2018

6th February
Payment of interim dividend

31st May
Announcement of results for the year ending 31st March 2018

7th June
Ex dividend date

8th June
Final dividend record date

26th July
127th Annual General Meeting (AGM)

7th 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 Plc
Registered Office: 5th Floor, 25 Farringdon Street, London EC4A 4AB
Telephone: +44 (0) 20 7269 8400
Fax: +44 (0) 20 7269 8433
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: 0371 384 2344 (in the UK) *
+44 (0) 121 415 7047 (outside the UK)
Internet address: www.shareview.co.uk

* Lines are open 8.30am to 5.30pm Monday to Friday excluding public holidays in England and Wales.

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