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+6%

underlying earnings per share at 180.6 pence

89%

of sales from products with sustainability benefits

+12%

R&D investment of £169.9 million



OVERVIEW

SUSTAINABLE TECHNOLOGIES for today and for the future



Reducing Harmful Emissions with Clean Diesel Technology

Throughout the world, vehicle emissions legislation is driving improvements to air quality. Modern diesel vehicles are cleaner than ever before.

In Europe, emission control systems on today's cars and vans reduce harmful oxides of nitrogen (NOx) gases by 84% and particulate matter by 90% compared with pre 2005 vehicles. Johnson Matthey's catalyst technologies are part of the clean diesel story. Paul Phillips, from our Emission Control Technologies Division, explains more.

What are the benefits of diesel engines compared with petrol?

Diesel engines are more fuel efficient than petrol engines and typically produce 15% lower carbon dioxide (CO₂). Many new UK passenger cars that meet the upcoming EU 2020 CO₂ 95g/km target are diesel powered, compared to only a handful of petrol ones with the remainder being hybrids or fully electric. The better fuel efficiency of diesel engines means that they make an important contribution to reducing transport CO₂ emissions. You can't simply discount them.

How is Johnson Matthey involved in the clean diesel story?

Our role is to develop highly effective and efficient catalyst systems to meet legislative standards for clean diesel. In Europe for example, where diesel cars are particularly popular, catalysed particulate filters have been fitted to all diesel passenger cars and vans since 2009. These filters remove particulate matter (or soot) to address health concerns. As well as filters to control soot emissions, vehicles today have catalysts to remove NOx emissions. Selective catalytic reduction catalysts and NOx adsorber catalysts are both used to convert NOx to harmless nitrogen. Johnson Matthey also supplies catalyst technology to tackle emissions from larger diesel powered vehicles, such as trucks, buses and agricultural equipment.

Is there anything we can do to reduce emissions from older diesel vehicles?

Yes, together with one of our customers, we have developed a retrofit system that reduces emissions from older buses. This can mean that a bus manufactured to meet older emissions standards is able to achieve emissions equivalent to a new one.

What's next for clean diesel?

The need for even more CO₂ savings and improved air quality in the future means the story will continue. Better fuel efficiency is coming from improved diesel engine designs, vehicle weight and friction reduction and electrification. These developments give less heat to the exhaust, which in turn means catalyst systems must work harder across ever wider temperature ranges. This combination of even more efficient engines and catalysts is essential to further reduce CO₂ emissions and improve air quality.

Paul Phillips



Chairman's Statement

Summary

- **Robust strategy of organic growth supported by targeted acquisitions and disciplined portfolio management.**
- **Proposed dividend of 68.0 pence up 9% on last year.**
- **Leadership changes effectively managed.**
- **External evaluation of the board's performance confirmed its effectiveness.**
- **Company remains in great shape with exciting future ahead.**

I am pleased to report that 2014/15 has been a good year for Johnson Matthey. The group has made further progress, in line with our strategy of organic growth supported by targeted acquisitions and disciplined portfolio management. We have continued to invest in research, in infrastructure and in our people. As a result, we saw underlying earnings per share increase by 6% to 180.6 pence.

A Robust Strategy

2014/15 was not without its challenges and in the first half of the year foreign currency exchange rates were not in our favour. Furthermore, as expected, the change in our contracts with Anglo American Platinum Limited impacted performance in our Precious Metal Products Division. However, our resilience and diverse portfolio ensured we continued to make progress; and when we adjust for these two headwinds, performance was strong, demonstrating that our underlying business is in good shape and continues to grow well.

In pursuit of our strategy to focus on value adding sustainable technologies, we made a number of bolt-on acquisitions this year, including two in our new business area of battery technologies. We have also taken steps to more actively manage the group's portfolio and completed the sale of our Gold and Silver Refining business in March. We are also in advanced negotiations on the sale of our Research Chemicals business. These divestments will help us to concentrate our efforts on what we do best and in the areas where we can create the most value.

Evolution Not Revolution

The changes in leadership last June renewed the energy of the business and continued to build on the foundations that outgoing Chief Executive, Neil Carson, put in place during his successful ten years in the role. Neil was replaced by Robert MacLeod who had led the development of the group's strategy during his five years as Johnson Matthey's Group Finance Director.

Robert's understanding of our culture, values and markets, together with his fresh approach from recent outside experience, made him, in the view of the non-executive directors, the stand-out candidate for the job. He has demonstrated his continued commitment to the group's strategy early on by making sure that last summer it was clearly communicated to all of our employees.

Den Jones joined us in June 2014 from BG Group, replacing Robert as Group Finance Director. Den brings with him a strong blend of financial leadership experience, international knowledge and highly developed commercial awareness.

Under this new leadership, our group, its strategy, its processes and its structure will continue to evolve. We must remain true to our aspiration of becoming the best that we can be and, in the process, strike the right balance between continuity and transformation, aiming to improve by evolution not revolution. This approach will help build a more sustainable and profitable company for our shareholders, a better place to work for our people and will create value adding sustainable technologies for our customers.

Board Matters

During the year we enhanced the breadth of experience on the board with the appointment of Chris Mottershead. Chris brings with him a strong technical background and a combination of relevant industrial and academic experience from his time at BP and King's College London. I expect him to bring diversity of perspective, offering a deep expertise in energy technology and related global sustainability issues that will enhance the contribution of the board.

One of my key responsibilities as Chairman is to promote effective governance at Johnson Matthey, this being a key element of ensuring that we remain a successful and sustainable company. During the year we commissioned an external evaluation of the board's performance. The findings confirmed that the board is well balanced in its diverse mix of skills and experience and performing effectively, but that there is scope for it, as a body, to provide the executive with even greater challenge and contribution to the development and implementation of strategy. We shall be working on achieving this and I am confident that, with the strong team that now comprises the board, this key element of governance will be achieved.

A matter of continuing high priority for the board has been the wellbeing – not only of our people, but of our suppliers, customers and communities too. All board meetings begin with health and safety at the top of the agenda. New metrics introduced this year have begun an important reinvigoration of the group's performance in this crucial area but there is more to do. I am pleased that we are heading in the right direction.

Innovation and Innovators

The progress that Johnson Matthey makes each year is made possible by the dedication of our people. They are our innovators. Across all our divisions and functions, employees are collaborating to drive innovation, focusing on our customers' needs, creating value for our shareholders and delivering the sustainable technologies that make a real difference to people's lives. On behalf of all our stakeholders, I would like to thank every employee for their enthusiasm, hard work and commitment over the last year.

Without that commitment and the continued professionalism of our people we can't hope to achieve our ambitious plans. The extent of their contribution was recognised this year when Johnson Matthey was awarded the title of Britain's Most Admired Company, voted for by our peers. This is an important and deserved accolade.

In the pages that follow, you can hear from some of our people and find out more about the areas they are working in. You'll also see the steps we are taking to better serve our customers, develop our talent and build our health and safety culture, all of which will drive business performance over the coming years.

In conclusion: your company remains in great shape and has an exciting future. A unique combination of adaptability, unrivalled technological expertise, committed people and absolute integrity has made us successful for almost two centuries. The long term drivers for your company remain firmly in place and I am confident that these, together with our robust strategy, should ensure the continued growth of Johnson Matthey over the coming years.



Tim Stevenson
Chairman



Chief Executive's Statement

Summary

- **Good growth this year in many areas of our business, particularly in Emission Control Technologies.**
- **Continued focus on health and safety; 25% reduction in lost time injury and illness rate.**
- **Transitioning Johnson Matthey into a 'small big company'.**
- **Group's 3C Strategy shared with all employees.**
- **Global drivers remain strong: group well placed for long term growth.**

In his first year as Chief Executive, Robert MacLeod talks about the group's performance in 2014/15 and shares his ambitions for Johnson Matthey in 2015/16 and beyond.

How would you sum up performance in 2014/15?

Overall, Johnson Matthey made good progress during 2014/15 by continuing what we do best – using our expertise in chemistry and its applications to create value adding sustainable technologies for our customers. We've also paid particular attention to health and safety this year and I am pleased that this is having a positive impact with a 25% reduction in our lost time injury and illness rate.

Our sales in 2014/15 were up 5% and we grew underlying operating profit by 2%. However, as you know, we felt the impact of the change in our contracts with Anglo American Platinum Limited (Anglo Platinum) this year and we also faced some currency headwinds in our first half. If I adjust for the impact of these two things, our sales were 9% ahead and underlying operating profit was 13% higher, demonstrating that our business is performing well.

What have been the main highlights and challenges across Johnson Matthey's divisions over the past year?

Emission Control Technologies' (ECT's) performance was clearly the highlight of the year. The business benefited from the introduction of new legislation in Europe and from market growth in Asia and North America, but the team also delivered some excellent operational improvements through a lot of hard work across the business.

I am also pleased with the good progress that Fine Chemicals and New Businesses have made. The process efficiency enhancements in our API Manufacturing business and the purchase of additional manufacturing capacity in Scotland will both support continued growth. I am also delighted with the two bolt-on acquisitions in Battery Technologies and the most recent acquisition in our Atmosphere Control Technologies business. I am optimistic that these new businesses can develop into our next engines of growth.

Precious Metal Products faced the biggest challenge in 2014/15 as its performance was hit hard by the change in our Anglo Platinum contracts. However, we completed the sale of our Gold and Silver Refining business towards the end of the year which will enable the division to focus on its higher technology markets. The slowdown of new licensing activity in China impacted Process Technologies but despite this, it is a credit to the team that they still managed to grow.

What makes Johnson Matthey Britain's Most Admired Company?

We were awarded this accolade in December and it was a great privilege for me to accept it on behalf of all of our employees. It is, of course, down to many different things but there are three areas that stand out for me.

Firstly, it is our technical expertise where we focus upon solving difficult problems using our chemistry skills. It is essential that we continue to invest in these and we are doing just that; indeed last year we spent £170 million on R&D, a 12% increase on the prior year.

Secondly, it's about having the right culture and values so we build strong relationships with our customers and other stakeholders. At Johnson Matthey these relationships are based on trust and integrity – a very powerful element of our success when combined with the enthusiasm and expertise of our people.

Finally, it's about what we do. Some 89% of our sales are from sustainable products that enhance the quality of life of people globally, conserve the world's natural resources and protect the environment. Who wouldn't admire that?

You mentioned Johnson Matthey's culture and values. How do these support the business strategy?

Our culture and values outline the way we work together to deliver the promises that we make. I see, from my experience at Johnson Matthey, that our staff take real pride in delivering what they say they will and in acting with integrity.

As we grow in new and emerging markets, we must maintain our focus on ensuring that our employees act responsibly and ethically, living our values. In evolving our culture, I think it is hugely important that our employees understand our ambitions and during the summer I shared our vision and 3C Strategy with all of our staff. Now our focus is on delivery! In it we place our customers at the heart of what we do and we have a culture that supports collaboration with them.

This year we also added a new value – ‘health and safety is our priority’ – to support our drive for operational excellence in everything we do. Health and safety has always been important at Johnson Matthey and our past record has been good, but we accept that we could, and indeed should, do better. It’s our obligation to look after our people and also safeguard our business for the future.

What do you see as the key areas of development for the business over the next few years?

There are several areas but one I would highlight is the transition we must make to evolve Johnson Matthey from a ‘big small company’ to a ‘small big company’ – achieving our goal to capture what we call ‘the best of big and small’. Johnson Matthey has always evolved, yet managing this transition is going to be tough and we need to make sure it works for everyone. Whilst it is a challenge, it is also an exciting opportunity – one that I am looking forward to leading and in which I believe everyone has a part to play. That’s why understanding our vision and strategy is so important. The leadership team has agreed that our 3C Strategy is the right route to follow and we are now working on how we support employees in delivering it in their everyday work.

Are there any risks involved in pursuing the ambition to deliver the best of big and small?

With any transition comes some level of risk, yet to stand still poses more of a hazard. Our customers are challenging us to continually improve what we do and the products that we deliver to them. At the same time, our competitors are always moving forward – so we have to keep moving forward too. As we grow, the business landscape in which we operate is also becoming more complex. Improving our systems and processes is essential to help us manage the risk and enhance the efficiency of the business, creating value for our customers and our shareholders. At the same time, we need to protect the values that we believe in and keep the good things that make us unique and successful.

What are your priorities for 2015/16?

My first priority is to continue to enhance our health and safety culture and performance, building on the programmes we have introduced this year. Talent management is another major area of focus for me. Making sure we have a pipeline of talent in place to support our growing business is crucial to the future success of Johnson Matthey. It is my job to ensure we continue to embed and develop our talent management and development programmes across the group.

I’ve already talked about the best of big and small and our evolution from being a ‘big small company’ to a ‘small big company’. In 2015/16 I will develop a roadmap for this transition that builds on our 3C Strategy and core values.

Finally, we need to keep pursuing growth opportunities within our current businesses and in new areas. I see these as a combination of technology opportunities, organic growth opportunities and targeted acquisitions, all aligned to our vision of building our 3rd century through value adding sustainable technologies.

How do you see the long term prospects for the company?

Overall, I am confident that we are well placed to benefit from major global sustainability drivers such as the continued drive to improve air quality, energy security, urbanisation and the increasing need for healthcare. We will continue to invest in R&D, our infrastructure and our people, working closely with our customers to provide them with innovative and improved solutions.

As you’ll see in this report, we have a clear purpose and strategy and, consequently, I believe that the company is well positioned to deliver growth for our shareholders for many years to come.



1. Overview

Chief Executive's Statement continued

Outlook for 2015/16

On a reported currency basis and including the £15 million, mainly non-cash, increase in the post-employment benefits cost (as detailed on page 53), the outlook for the divisions is as follows:

Emission Control Technologies

We expect ECT to continue its strong performance, in line with the medium term targets of high single digit growth in sales at stable margins, as outlined at our Investor Day in January 2015. The division should benefit from the full introduction of Euro 6b legislation from September 2015 and from continued growth in vehicle production in China. Good demand for HDD catalysts for the large (Class 8) trucks in North America is expected to continue throughout 2015 which will also support the division's sales.

Process Technologies

After making progress this year, 2015/16 is likely to be more challenging for Process Technologies, particularly in the first half of the year. We expect continued good demand for catalysts across the division, the timing of which can be difficult to predict on a quarter by quarter basis. However, the division's performance will be held back by lower income from licensing, particularly in China. Whilst we believe the long term drivers for Process Technologies remain in place, its performance in 2015/16 is expected to be broadly in line with 2014/15.

Precious Metal Products

Performance in Precious Metal Products will be significantly down as a result of the sale of its Gold and Silver Refining business and due to difficult trading conditions in Platinum group metal (Pgm) Refining and Recycling. We expect sales in the first quarter to be impacted by the lower refining intake volumes in the final quarter of 2014/15. In addition, with current pgm prices well below those at the start of 2014/15, these could adversely affect performance if sustained throughout 2015/16. We also expect higher costs in pgm refining this year, and consequently an impact on margins, as we see a shift towards a more complex intake product mix. Our Manufacturing businesses, which represent around two thirds of the division's sales, should remain broadly stable as we continue our investment in new products to drive medium term growth.

Fine Chemicals

Fine Chemicals is expected to make good progress in 2015/16 (adjusted for the sale of Research Chemicals, which we anticipate will be completed before the end of the calendar year). Global drivers, such as an ageing population and a shift towards lower cost healthcare, should drive demand from our API customers and longer term we expect to see increasing benefit from the investments we are making to enhance our product offering.

New Businesses

In 2015/16 New Businesses will benefit from the two acquisitions in its Battery Technologies business which were completed in 2014/15. We will continue our ongoing investment of around £5 million to £7 million p.a. in new opportunities. Overall, we expect the underlying operating loss in New Businesses to reduce modestly in 2015/16 and reach breakeven in 2017/18.

Overall

In 2015/16, Johnson Matthey's continuing operations are expected to deliver good underlying growth. A strong performance in Emission Control Technologies and good progress in Fine Chemicals are likely to be partially offset by a weaker year for Precious Metal Products. We anticipate that Process Technologies' performance will be broadly stable and that the operating loss in New Businesses will reduce modestly.

In line with our strategy, we have divested our Gold and Silver Refining business and are in advanced negotiations on the sale of Research Chemicals. Given the absence of these two businesses, we expect the group's performance in 2015/16 to be slightly ahead of 2014/15.



Robert MacLeod
Chief Executive

 Read more about our 3C Strategy on pages 16 and 17.

 Read more about health and safety on pages 56 to 61.

Our Business

What We Do

At Johnson Matthey we always aim to deliver what we promise.

We work together, applying our expertise in advanced materials and technology to innovate and improve solutions that:

- **are valued by our customers;**
- **optimise the use of natural resources; and**
- **enhance the quality of life for the people of the world, both for today and for the future.**

Our Vision

Our vision is to build our 3rd century through value adding sustainable technologies.

In our 1st century

we **built a reputation**, not just for expertise in precious metals, but for real **integrity**, and for being a company our **customers could trust**.

In our 2nd century

we developed our **expertise** in the engineering and refining of metals. We also began our **environmental journey** – a journey that continues to this day.

For our 3rd century

we have developed a business model and strategy that, when underpinned by our company values, will drive our next century of growth.

Our Values

Our values highlight what is important to us, what makes us distinctive and what it's like to work at Johnson Matthey.

They describe how we do things when we are at our best.

- **Health and Safety is Our Priority**
We focus on protecting our people.
- **Integrity**
Doing the right thing is important to us.
- **Recognition and Development**
Anyone from anywhere can progress.
- **Ability and Innovation**
We seek and value talented people.
- **Freedom to Act**
Anyone with a good business case can realise their ideas.
- **The Best of Big and Small**
We have big company resources but apply small company methods.

Our Business continued

Key Facts

Johnson Matthey is a speciality chemicals company and a world leader in sustainable technologies. Today, some 89% of the group's sales represent products and services which provide sustainability benefits i.e. through the positive impact they have on the environment, resource efficiency or human health.

With operations in over 30 countries, Johnson Matthey is a **truly global company**. We sell our products around the world which provides stability in times of regional market uncertainty. Year on year we are increasing our sales to developing markets and expanding our operations to support this global growth.

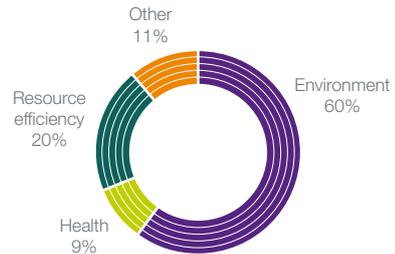
We **focus on key markets** where we can innovate and improve solutions for our customers through applying our expertise in advanced materials and technology. This enables us to differentiate ourselves from our competitors and achieve leading industry positions with high margin products.

A Leader in Sustainable Technologies

89%

sales from products providing sustainability benefits in 2014/15

Sales by Area of Beneficial Impact

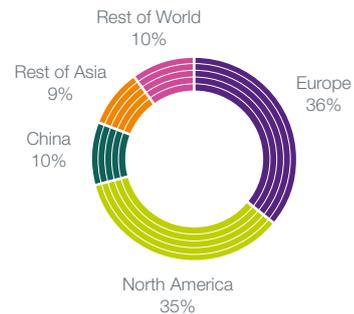


A Truly Global Company

19%

sales in Asia in 2014/15

Sales by Region

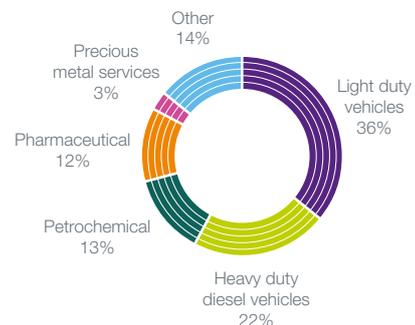


Focused on Key Markets

14%

growth in heavy duty diesel catalyst sales in 2014/15

Sales by Key Market



Building Our 3rd Century

Our Business Model

We create value from applying our expertise in advanced materials and technology to innovate and improve solutions that are valued by our customers, optimise the use of natural resources and enhance quality of life.

There are three inputs to our business model:

- Our people
- Our operations
- Innovation

These align with the nine building blocks of our strategy (page 16) and support the long term creation of value adding sustainable technologies.

Our People

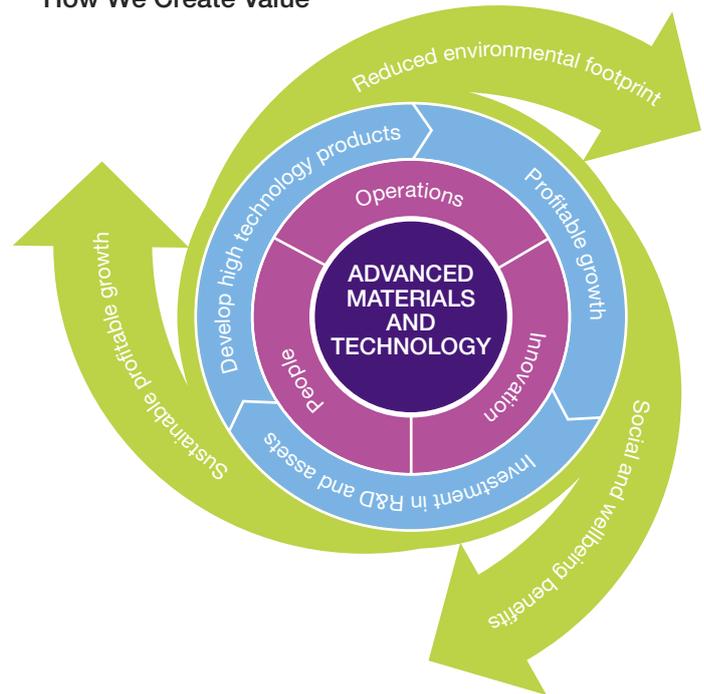
We rely on the ability of our people to innovate and to collaborate with each other and our customers to develop and bring value adding sustainable technologies to market. We hire the best people with the right skills and support them with a culture that engenders innovation and encourages them to develop and grow. Our people are motivated by working for a company that is 'doing the right thing'. This is an important differentiator in attracting and retaining top talent in an increasingly diverse business.

Our Operations

Around three quarters of the value we create comes from physical products, such as our emission control catalysts or active pharmaceutical ingredients, which we manufacture at our facilities around the world.

Efficient and responsible manufacturing is critical to our economic and environmental performance and we have programmes in place to optimise our operations. Our Manufacturing Excellence programme is driving efficiency improvements and innovation in manufacturing. This is complemented by Sustainability 2017 which is focused on reducing emissions and minimising resource use. We invest in our manufacturing capacity to ensure we can meet customer demand and have the ability to flex our cost base if our markets slow. We demand high returns from our investments, with a target of at least 20%, which drives continued improvement in operational efficiency.

How We Create Value



Approximately one quarter of the value we create comes from the provision of specialist services such as the refining and recycling of precious metals, process technology used to design chemical plants or diagnostics that improve efficiency in the oil and gas industry. Collaboration and strong relationships with our customers are crucial in providing a high quality tailored service. Know-how and a strong reputation underpin success and we perpetually build on these through continued investment in R&D and our people.

Innovation

Innovation fuels the continuous development of new and higher performance products. This together with expertise in advanced materials and, where appropriate, intellectual property protection, underpins our ability to maintain leading positions. We partner with our customers, industry experts and academics to spark further ideas. Innovation isn't just confined to new product development; it is harnessed throughout our business processes. Our values encourage collaboration and innovation amongst our people, whilst continued investment in R&D provides them with the infrastructure and resources to realise the potential of their innovative ideas.

The outputs of our model are threefold:

- Sustainable profitable growth
- Reduced environmental footprint – of our customers' operations, as well as our own
- Social and wellbeing benefits – from the action of our products

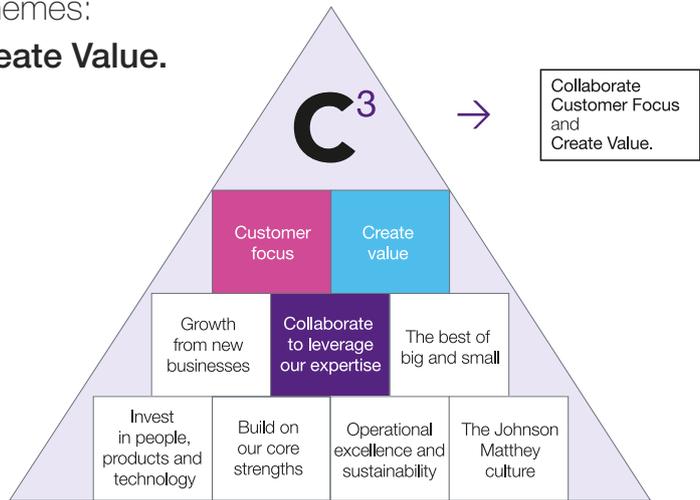
These all directly align with our vision and support our strategy.

1. Overview

Our Strategy

Our 3C Strategy will enable us to build our 3rd century of value adding sustainable technologies. We have nine building blocks that make up our strategy pyramid and we are focusing on three powerful themes:

Collaborate, Customer Focus and Create Value.



Our strategic priorities	Progress in 2014/15	Key challenges in 2014/15
<p>COLLABORATION We aim to collaborate more to better leverage our expertise across the group and with our external partners. This, supported by our culture and values, will help enable our transition to a 'small big company'.</p>	<p>'Health and safety is our priority' added to core values. Working together to deliver continual improvement.</p> <p>Global roll out of 3C Strategy and vision to engage employees.</p> <p>Enhanced employee mobility efforts.</p> <p>Started global programme to update core business systems.</p>	<p>Changing employees' attitudes and embedded behaviours so we can drive health and safety culture.</p> <p>Complexity of implementing business systems transformation programme.</p>
<p>CUSTOMER FOCUS Our aim is to become truly customer centric. We are investing in our people, products and technology to differentiate ourselves from our competitors and are building on our core strengths to generate the next generation of sustainable products.</p>	<p>Work commenced to define approach to customer focus.</p> <p>Increased R&D investment and expanded network of R&D technology centres in Asia and the USA.</p> <p>Began implementation of new HR strategy and talent management approach.</p> <p>Divested Gold and Silver Refining business and commenced negotiations on the sale of Research Chemicals.</p>	<p>Providing tailored technology offerings for customers that are appropriate for the needs of their markets.</p> <p>Managing change in product mix and impact of resulting higher processing costs in Platinum group metal (Pgm) Refining and Recycling.</p> <p>Understanding what, if any, the impact a lower oil price has on our customers' plans and projects.</p>
<p>CREATE VALUE Our aim is to grow our business and build our 3rd century through value adding sustainable technologies. We are focusing on operational excellence and sustainability to optimise our efficiencies in the most responsible way and are investing in new businesses to provide growth in new sustainable markets for the future.</p>	<p>Delivered further growth, supported by strong performance in Emission Control Technologies.</p> <p>Continued focus on Manufacturing Excellence and Sustainability 2017 programmes.</p> <p>Good progress in New Businesses; completed two Battery Technologies acquisitions.</p>	<p>Loss of income due to change in contracts with Anglo American Platinum Limited (Anglo Platinum).</p> <p>Slowdown in technology licensing activity in China.</p> <p>Decrease in return on invested capital as a result of the Anglo Platinum contract change and higher levels of working capital.</p>

Turning our 3C Strategy into Reality

Back in 2013 we reviewed our business strategy and confirmed that the plans put in place in 2010 were still the right ones for us. The strategy is driven by what we call our 3Cs: collaborate, customer focus and create value. Incorporating these into the way we all work will help us achieve our vision of building our 3rd century through value adding sustainable technologies. Employees told us that they didn't fully understand our strategy or where the business was heading so we decided it was time for a global campaign.

Effective communications were essential in order for us to reach everybody and ensure understanding of our ambitions for the future. It began with a presentation from senior executives in Philadelphia, USA led by our Chief Executive, Robert MacLeod. This was filmed and shared with everyone via our collaboration platform, myJM. A network of local champions organised over 150 subsequent events and we distributed materials worldwide in 13 different languages.

The launch was a truly international effort and it was great to see everyone thinking about how the strategy applied to them, whilst delivering a consistent message. Feedback from a post launch survey was positive. Over 94% of those who responded said they now understood the business strategy more clearly.

We continue to think of new and interesting ways to embed our strategy and flesh out what it means in day to day activities so that we can all work together to keep our strategy at the core of what we do.



2014/15 key performance

25%

reduction in lost time injury and illness rate.

132

internal moves between businesses.

94%*

employees understand the business strategy more clearly.

* of those responding to groupwide survey.

#1 or #2

positions maintained in key markets.

£169.9 million

gross spend on R&D, up 12% on 2013/14.

89%

sales from sustainable products, up on prior year.

£440.1 million

underlying profit before tax, up 15% excluding impact of foreign exchange and Anglo Platinum contract change.

180.6 pence

underlying earnings per share, up 6% on 2013/14.

~£26 million

savings from Manufacturing Excellence and Sustainability 2017 programmes in 2014/15.

Our priorities in 2015/16

Health and safety – continue programmes to build culture and embed behaviours.

Develop roadmap for 'small big company' transition.

Continue global programme to update core business systems in preparation for initial roll out from 2016/17.

Launch new systems and framework to drive further cross divisional collaboration.

Agree customer focus model and commence implementation.

Continue investment in pgm refining to deliver efficiency improvements in our process. Continue construction of new facility in China to meet future demand.

Complete divestment of Research Chemicals.

Continued implementation of talent management activities.

Integrate Battery Technologies acquisitions.

Develop new growth opportunities throughout the business from technology, organically and through acquisitions.

Continue to enhance governance and compliance supported by launch of code of business integrity and ethics.

Research and Development

Continued investment in R&D is vital to the future growth of Johnson Matthey.

This, together with our ability to recruit and retain the world's top scientific talent, ensures we can create value adding sustainable technologies of the future.

Our Expertise

in advanced materials and technology underpins our business model to create value. It gives us a competitive edge, creates high barriers to entry and provides access into new markets. In line with our 3C Strategy, we employ scientists of the highest calibre and are investing in our people, products and technology to keep our chemistry and processes cutting edge.

Differentiating Through Chemistry and its Applications

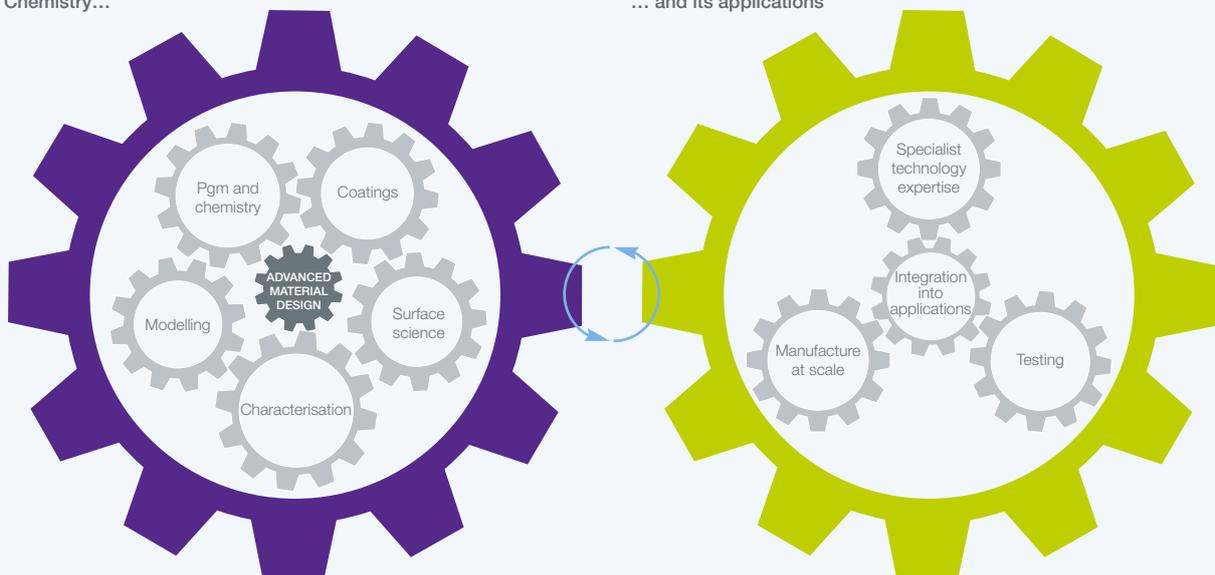
Johnson Matthey has expertise in a number of interrelated chemistry skills. These range from coatings technology, which is vital to the functionality of our emission control catalysts, to characterisation methods which help us understand the composition of our products. However, it is not just our chemistry skills that give us an edge; it is equally important that we know how best to use them. That applications knowledge, such as how we can manufacture a laboratory based product at full production scale and then test it to make sure it will work for our customers, is the way we turn our great chemistry ideas into multi million pound businesses.

Differentiation Through Technology

Johnson Matthey's skill lies in understanding both the chemistry and its applications

Chemistry...

... and its applications



Delivering the Right Science at the Right Time

We have a balanced portfolio of short, medium and long term research which gives us a sustained pipeline of new products, as shown in the figure below.

External / university collaborations provide fundamental science knowledge to underpin our longer term R&D goals. This complements the work of our **core science** teams which is focused on the core expertise that underpins all Johnson Matthey's divisions and their ongoing R&D. Our **business funded R&D** ensures a pipeline of new products and facilitates technology transfer into the divisions. This supports **technology development within the group's divisions** where work is mainly focused on delivery of shorter term business specific projects and ongoing product development to address particular market developments or customer needs.

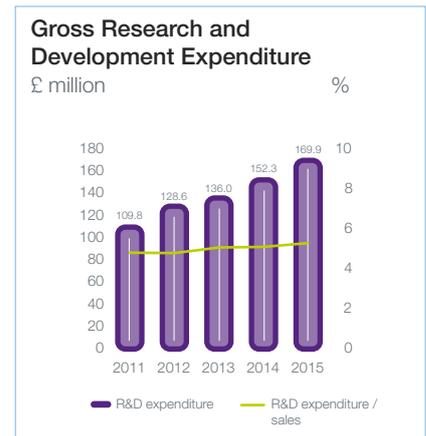
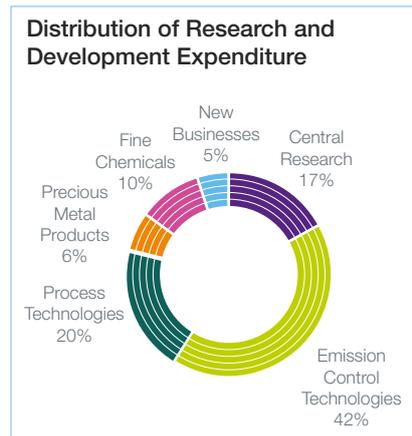
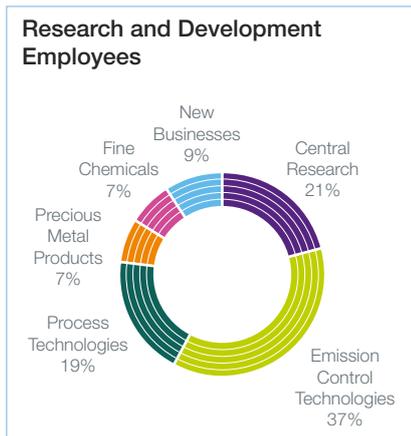
Around 1,600 of our employees work in R&D representing around 13% of the total workforce and include many highly skilled scientists and engineers. Around 80% of our R&D staff work within the group's divisions in dedicated R&D and technical centres around the world. Alongside these activities, Johnson Matthey's central capability on strategic R&D is located at five global technology centres and works on behalf of all of the group's businesses.

We maintain a close link between our central R&D activities and the development work carried out directly by our divisions. This collaboration is key in ensuring the rapid transfer of technology to support the continued development of innovative new products and services for our customers.

In 2014/15 Johnson Matthey increased its gross investment in R&D by 12% to £169.9 million with the greatest proportion of spend within Emission Control Technologies and Process Technologies. The proportion of spend on new business development increased this year to support future growth.

Find more online at Johnson Matthey at www.matthey.com/innovation.

R&D to Deliver Future Growth



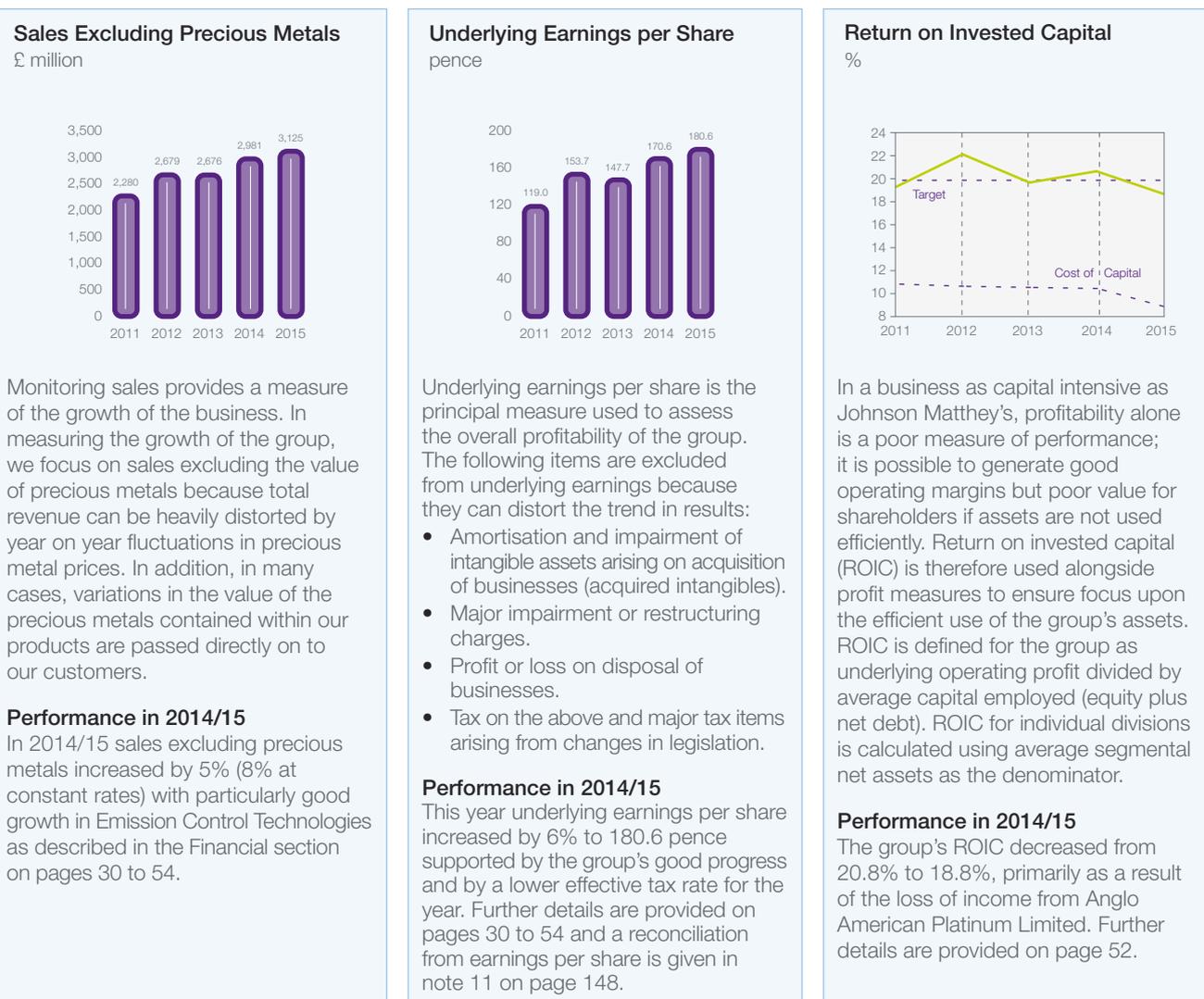
1. Overview

Group Key Performance Indicators

Johnson Matthey uses a range of key performance indicators (KPIs) to monitor the group's performance over time in line with its strategy.

These include key measures of our financial performance as well as indicators to monitor ongoing investment in facilities and in R&D. In addition, we also use KPIs to track the carbon footprint of our operations and to measure and drive continuous improvement in the safety, wellbeing and development of our people.

These principal KPIs, together with the group's performance against them in 2014/15, are described below:



Capital Expenditure

£ million capex / depn (times)



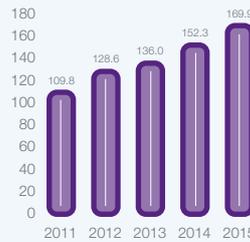
To enable the group to continue to grow, Johnson Matthey invests significant amounts in maintaining and improving our existing plants and in adding new facilities to provide additional capacity where necessary. All new capital expenditure is subject to detailed review to ensure that its investment case passes internal hurdles. Annual capital expenditure is measured as the cost of property, plant and equipment and intangible assets purchased during the year. The ratio of capital expenditure to depreciation gives an indication of the relative level of investment.

Performance in 2014/15

In 2014/15 the group's capital expenditure was £211.8 million which represented 1.6 times depreciation (2013/14 1.7). Further details are provided on page 53.

Gross Research and Development Expenditure

£ million



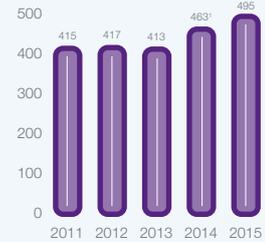
Johnson Matthey's strategy is focused on delivering superior long term growth from value adding sustainable technologies. To maintain our competitive position, we need to keep investing in research and development. Whilst absolute levels of research and development expenditure do not necessarily indicate how successful we are, that success rapidly feeds through to higher sales as lead times in our business can be quite short.

Performance in 2014/15

The group increased its research and development expenditure this year by 12% to £169.9 million. Further details of the group's research and development activities are described on pages 18 and 19, throughout the Strategic Report and on our website.

Sustainability – Global Warming Potential

thousand tonnes CO₂ equivalent



¹ Restated, see page 75.

We measure our progress towards reducing the carbon footprint of our operations and improving our energy efficiency by looking at the group's total global warming potential (GWP). Total GWP is based on our direct and indirect energy usage and CO₂ equivalence which provide a strong platform for monitoring the impacts associated with energy use in our operations. We are working to broaden the scope of our GWP measurement to include all aspects of our business and to consider the beneficial impacts of our products and services.

Performance in 2014/15

This year the group's GWP increased from 463,000 tonnes to 495,000 tonnes CO₂ equivalent. Further information on the group's GWP is given in the Environment section on pages 74 to 77.

Safety – Lost Time Injury and Illness Rate (LTIIR)

per 200,000 working hours in a rolling year



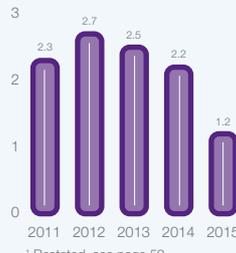
Johnson Matthey is a manufacturing business and a significant proportion of our employees work in production environments with chemicals and process machinery. Rigorous safety systems apply across all facilities and are essential if the group is to avoid accidents which could cause injury to people or damage to our property, both of which can impact the group's performance. We actively manage our safety performance through monitoring the incidence and causes of accidents that result in lost time.

Performance in 2014/15

The group's LTIIR decreased this year to 0.49. Further details of our safety improvement programmes are provided in the Health and Safety section on pages 58 to 61.

Health Management – Annual Incidence of Occupational Illness¹

cases per 1,000 employees



¹ Restated, see page 59.

The health and wellbeing of our employees is a priority for Johnson Matthey and we are working hard to minimise workplace related negative health effects. We manage our performance in this area by measuring the number of occupational illness cases arising as a result of exposure to workplace health hazards.

Performance in 2014/15

The annual incidence of occupational illness cases reduced this year to 1.2 per 1,000 employees as a result of our initiatives to promote employee wellbeing across the group. Further details are provided in the Health and Safety section on pages 58 to 61.

Voluntary Employee Turnover

%



The success of Johnson Matthey is partly dependent upon our ability to attract and retain talented employees. This means that being an attractive employer is a prerequisite in a competitive environment. We monitor our success in retaining our staff using voluntary employee turnover statistics.

Performance in 2014/15

In 2014/15 the group's voluntary employee turnover increased slightly to 6.0% from 5.6% in 2013/14. Further details of our programmes to attract, retain and develop our people are provided in the Social section on pages 64 to 71.

1. Overview

Risks and Uncertainties

The effective identification and management of risks and opportunities across the group are integral to the delivery of the group's strategic objectives.

The group's approach to risk management is aimed at the early identification of key risks and the taking of action to remove or reduce the likelihood of those risks occurring and their effect. The board has overall responsibility for ensuring that risk is effectively managed across the group and the Audit Committee is responsible for reviewing the effectiveness of the group's system of internal control. This includes the approach to risk management and the procedures for the identification, assessment, management, mitigation and reporting of risk and assurance of mitigating actions. The group has a process in place for the continuous review of its risks. As part of the risk management process, each division reviews its risks and its mitigation strategies and actions and discusses relevant risks with each business as

necessary. As part of that process, the most significant risks identified are collated into a Group Risk Register. The Group Risk Register is reviewed by the Group Management Committee (GMC) and the board. The effectiveness of current controls and the status and progression of mitigation actions and plans are monitored for each individual risk.

Our 2014/15 risk management assessment has resulted in several changes to our principal risks and uncertainties. These changes include:

- 'Responding to, identifying or capitalising on appropriate new or growth opportunities' is expanded into two separate risks to reflect differing risk appetite for new and existing business and an increase in acquisition activity.
- 'Availability of strategic materials', which was a principal risk in 2013/14, is included as a subset of a new risk 'supply chain' to reflect the complexity and challenges of our supply chain activity, legislative and customer requirements.
- Intellectual property description of risk is broadened to include cyber risk.
- Ethics and compliance is added as a new risk.
- IT systems failure risk is included as a subset of a broader business transformation risk.

In delivering our strategy, it is important that we understand and manage the risks that face us. The table below outlines our principal risks and identifies which strategic objectives they could impact.

		STRATEGIC OBJECTIVES								
		Invest in people, products and technology	Build on our core strengths	Operational excellence and sustainability	The Johnson Matthey culture	Best of big and small	Collaborate to leverage our expertise	Growth from new businesses	Customer focus	Create value
STRATEGIC	Growth within our existing business	■	■	■			■		■	■
	New business						■	■	■	■
	Technological change	■	■				■	■	■	■
MARKET	Global economy and political uncertainty	■		■			■	■	■	■
OPERATIONAL	Environment, health and safety			■	■		■		■	■
	Supply chain			■			■		■	■
	People	■			■		■	■	■	■
	Security of assets			■			■		■	■
	Intellectual property and know-how	■	■			■		■	■	■
	Failure of significant sites			■					■	■
	Ethics and compliance			■	■		■	■	■	■
	Business transformation	■		■	■	■	■	■	■	■

The following table sets out the 2014/15 principal risks and uncertainties facing the group, the mitigating actions for each and an update on any change in the profile of each risk during the course of the year. The net risk rating (after mitigating controls) is also shown.

STRATEGIC		
Growth within our existing business Responding to, identifying or capitalising on appropriate growth opportunities within our existing business.		
Risk and impact The group's existing activities are well placed to deliver good growth over the coming years. Failure to identify and respond to customer requirements or competitor activity could impact the ability of the group to achieve its strategy and / or maintain growth and / or market share.	Mitigation <ul style="list-style-type: none"> The group and each business prepare a strategic plan to review demand in existing markets and potential new opportunities. These plans are regularly monitored and challenged. The business structure, skills and resources are continuously assessed and amended where appropriate. 	Changes since 2014 annual report No change.  Risk rating  High
New business Responding to, identifying or capitalising on appropriate new growth opportunities.		
Risk and impact We have identified and continue to identify a number of opportunities to complement and diversify our business portfolio. Failure to identify new opportunities could impact the ability of the group to achieve its strategy and / or maintain growth and / or market share.	Mitigation <ul style="list-style-type: none"> The group and each business prepare a strategic plan to review potential new opportunities. These plans are regularly monitored and challenged. The group continues to invest in new business development and to identify and convert targets for acquisition. 	Changes since 2014 annual report No change.  Risk rating  Medium We continue to target potential new markets and develop new businesses, both organically and through acquisition. The most significant development for new businesses is the formation of the battery materials business.
Technological change		
Risk and impact Johnson Matthey operates in highly competitive markets in which technology is key to success. Constant product innovation is critical to maintain competitive advantage. Failure to keep up with changes in the market place and to maintain our technology pipeline could result in a lack of competitive products and erosion of margins and / or loss of market share.	Mitigation <ul style="list-style-type: none"> The group continues to invest in existing and new products and technologies through R&D (including through its technology centres around the world) and as part of our ten year technology plan. There is constant innovation and development in cooperation with our key customers. The group invests in its people to ensure that it maintains a high level of relevant scientific expertise. 	Changes since 2014 annual report No change.  Risk rating  Low Our commitment to innovation, research and development is described throughout this annual report. We are extending our network of group research technology centres and continue to collaborate with leading academics and institutions around the world. We also opened a new technology centre for our diagnostic services business. We invested £169.9 million in R&D in the year (2013/14 £152.3 million).

1. Overview

Risks and Uncertainties continued

MARKET

Global economy and political uncertainty

Responding to changes in global political and economic conditions or future environmental legislation.

Risk and impact

The global nature of the group's business exposes it to risk arising from economic, political and legislative change in the countries in which it operates.

Failure to respond to sudden short and medium term changes in the market or economy or a sustained period of economic weakness in our markets could have a material adverse effect on the group's results.

The group has no influence upon changes in inflation, interest rates or other economic factors affecting its business. In addition, the possibility of political unrest and legal or regulatory changes also exists in countries in which the group operates.

Over 60% of the group's sales are driven by environmental legislation, particularly legislation over emissions from light and heavy duty vehicles. Further tightening of global emissions legislation generally requires improved technological solutions and the extension of emissions legislation to new applications can create opportunities for the group.

A curtailment in environmental legislation around the world could limit the group's growth potential and undermine profit margins.

Mitigation

- The group maintains a balanced portfolio of products and businesses and serves a wide range of diverse customers which reduces the impact of a change to any one market.
- Management continuously monitors the performance of our businesses across the world at both business and group level.
- Our cost base contains a significant variable element and is flexible to changing political and economic conditions.
- Forthcoming changes in emissions legislation are well understood and our products are designed to meet these increased requirements.
- Profit margins can be maintained with continuous improvements in technology to reduce the cost and improve the effectiveness of our products.
- Regular reviews are undertaken to monitor areas of new potential legislation.
- Lobbying activities are undertaken where appropriate to improve the understanding of regulatory and legislative bodies.

Changes since 2014 annual report

No change.



Risk rating

 High

OPERATIONAL		
Environment, health and safety		
Operating safely, including in line with changes in health, safety, environmental and other regulations and standards.		
<p>Risk and impact</p> <p>In common with similar manufacturing companies, the group operates in a challenging safety environment that is subject to numerous health, safety and environmental laws, regulations and standards.</p> <p>Failure to operate safely and respond to changes made to applicable laws, regulations or standards could adversely impact the group's employees or other stakeholders, our manufacturing capability or the marketability of our products.</p>	<p>Mitigation</p> <ul style="list-style-type: none"> • Detailed health, safety and environmental processes are documented in our operating manuals, communicated and reviewed regularly and used as the basis for continuous training and development. • Robust maintenance programmes are undertaken in order to ensure that our facilities and assets meet the applicable group and legislative standards. • The group carries out regular internal audits to ensure compliance with current group policies and applicable laws, regulations and standards such as ISO 14001 and OHSAS 18001. Our quality standards are also scrutinised externally by customers, suppliers and the relevant authorities. • Changes in legislation are carefully monitored and, if required, the composition of our products is amended to comply with the latest legislation. • We are committed to proactive communication and to building open relationships with the authorities and relevant legislative bodies, both directly and through the relevant trade associations. 	<p>Changes since 2014 annual report</p> <p>No change.</p> <p>➔</p> <p>Risk rating</p> <p>● Low</p> <p>Health and safety is a core value. Our commitment to health and safety and environmental performance is described on pages 58 to 61 and pages 74 to 77 respectively.</p>
Supply chain		
(includes availability of strategic materials).		
<p>Risk and impact</p> <p>The group operates in a number of locations across the world. It sources and supplies goods nationally and internationally and is therefore exposed to risks associated with a complex and international supply chain. It uses many raw materials within its manufacturing processes, several raw materials are available from only a limited number of countries and / or suppliers.</p> <p>Disruption to the supply or a change in the group's ability to access sufficient quantities of these raw materials, most notably platinum group metals, rare earth materials or narcotic raw materials, could adversely affect the group's operations. This may be due to increased prices or because our ability to manufacture and supply products to customers may be impacted.</p>	<p>Mitigation</p> <ul style="list-style-type: none"> • We are working with our suppliers to ensure the integrity of our supply chain and continually review mode of transport and shipping routes. • We employ and buy in specialist knowledge to understand and comply with international trade requirements. • Although most of the world's platinum is mined in South Africa, the group has access to world markets for platinum and other precious metals and is not dependent on any one source for obtaining supplies. • Appropriate sourcing arrangements are in place for other key raw materials to ensure that the group is not dependent on any one supplier. • Where possible the group enters into fixed price contracts for key raw materials. • We work closely with key suppliers to ensure availability, including through audits, benchmarking and specific risk reviews. • We regularly monitor forecast requirements and hold buffer stocks. • We look to identify alternative raw materials where appropriate. 	<p>Changes since 2014 annual report</p> <p>New risk.</p> <p>⬆</p> <p>Risk rating</p> <p>● Medium</p>

1. Overview

Risks and Uncertainties continued

OPERATIONAL (continued)		
People The effective recruitment, retention and development of high quality staff to support the growth of our business.		
<p>Risk and impact</p> <p>The group relies upon its ability to recruit, retain and develop employees around the world with the necessary range of skills and experience to meet its stated objectives, including in relation to business growth.</p> <p>The existing management team has many years of experience at Johnson Matthey, operating in the markets and developing the technologies in which the group maintains a presence.</p> <p>Ineffective succession on the departure of senior management or the lack of an appropriately skilled workforce could adversely impact the group's ability to perform in line with expectations.</p>	<p>Mitigation</p> <ul style="list-style-type: none"> • Global employee development programmes are in place. These include training of manufacturing leaders to run our operations in a consistent and efficient way. • A talent review process has been introduced to focus on strategic people issues. • Regular reviews of management succession plans are carried out and are closely monitored by the Nomination Committee. • Global remuneration policies are in place to ensure appropriate rewards to motivate and retain staff. • We undertake a continuous assessment of the skills required within the group and action plans are put in place to address identified gaps. 	<p>Changes since 2014 annual report</p> <p>Over the past two years a number of changes have been made across the senior management team. The senior management succession has been successfully managed. This risk is unchanged since last year.</p> <p>→</p> <p>Risk rating</p> <p>● Medium</p>
Security of assets		
<p>Risk and impact</p> <p>On any given day, the group has significant quantities of high value precious metals or highly regulated substances on site and in transit, the security of which is critical.</p> <p>A material loss due to a breach in the group's security measures, including theft or fraud, could be significant to the group's performance.</p>	<p>Mitigation</p> <ul style="list-style-type: none"> • The group has well developed security, assay and other process controls. • We complete security checks to safeguard both our tangible and intangible assets. • Annual security audits are carried out across the group. • Insurance cover is maintained for losses from theft or fraud. 	<p>Changes since 2014 annual report</p> <p>No change.</p> <p>→</p> <p>Risk rating</p> <p>● Low</p>
Intellectual property (IP) and know-how		
<p>Risk and impact</p> <p>The group operates in markets in which the generation and application of technology know-how and IP allows an advantage to be maintained. Careful monitoring of competitors' IP is required to ensure that breaches of their rights are not made by the group.</p> <p>Failure to establish the group's IP rights or to identify third parties' IP rights could undermine the group's competitive advantage, particularly given the group's expansion into new markets. Alternatively, not noting the expiration of patents held by third parties could mean the loss of potential business opportunities. Protecting our broader know-how is equally important to ensure that we maintain this advantage.</p>	<p>Mitigation</p> <ul style="list-style-type: none"> • The group has established policies and procedures for registering patents and for monitoring its existing patent portfolio and those of third parties. • We defend infringement claims and challenge new patents where appropriate. • We continuously evaluate operating restrictions and opportunities available to us through the use of our IP and know-how. • Know-how is protected by non-disclosure agreements and legal measures. • We restrict internal and external access to IP and know-how as necessary. • We complete security checks to safeguard our intangible assets, including cyber checks. • We invest in information security, employee awareness and IT systems to prevent and detect loss. • Our investment in technical developments partially mitigates the risks to our IP and know-how. 	<p>Changes since 2014 annual report</p> <p>Increasing due to advances in technology and our competitor landscape.</p> <p>↑</p> <p>Risk rating</p> <p>● Medium</p>

OPERATIONAL (continued)		
Failure of significant sites		
<p>Risk and impact</p> <p>While the group operates from a variety of locations, certain sites are critical to the group due to their scale or the specific nature of their production activities. Failure of one of our critical sites could significantly impact the performance of the group.</p>	<p>Mitigation</p> <ul style="list-style-type: none"> • Business continuity plans include consideration of circumstances in which alternative back up locations may be required. • Capacity and demand planning includes consideration of the site's significance. • Given the nature of the group's operating activities, these can be replicated at other locations with reasonable ease and in a short time frame. 	<p>Changes since 2014 annual report</p> <p>No change.</p> <p>→</p> <p>Risk rating</p> <p>● Medium</p>
Ethics and compliance		
<p>Risk and impact</p> <p>Due to the markets in which we operate, and the complexity of our supply chain, the group is exposed to a changing and increasingly stringent governance and regulatory environment. Ethical misconduct, breaches of applicable laws and regulations could impact our reputation, licence to operate, shareholder value and financial results.</p>	<p>Mitigation</p> <ul style="list-style-type: none"> • We have policies and procedures in place and conduct training to ensure employee awareness and understanding. • We operate an independent confidential whistleblowing hotline for employees, contractors and third parties. • We keep abreast of applicable laws, recruit specialist staff and use third party support when required. 	<p>Changes since 2014 annual report</p> <p>Whilst there has been little in the way of new legislation, we have seen increased enforcement activity by the authorities.</p> <p>New risk.</p> <p>↑</p> <p>Risk rating</p> <p>● Medium</p>
Business transition		
<p>Risk and impact</p> <p>To transition our business we are investing in our core functions / systems, upgrading our business information systems and enhancing our human resources and talent management processes. Failure in our transition programme and change management process and governance could impact our ability to deliver our strategy and exploit 'the best of big and small'. Failure of one or more of our major IT systems over an extended period could impact our ability to manufacture or to report our operational performance.</p>	<p>Mitigation</p> <ul style="list-style-type: none"> • Ongoing supervision and oversight by the Chief Executive and the GMC who report to the board on key initiatives. • Project and portfolio management and governance frameworks are in place to monitor and report on progress. • Human Resources' support and communication are in place to manage change. • Continuous review of our IT infrastructure and environment. • IT disaster recovery and general business continuity plans are regularly updated. 	<p>Changes since 2014 annual report</p> <p>There are a number of programmes being undertaken in addition to our investment plans for IT systems which will result in significant change. We have therefore concluded that this is a new risk which will increase in the short term.</p> <p>↑</p> <p>Risk rating</p> <p>● Medium</p>