



News release

For release at 7.00 am on Wednesday 3rd February 2016

Johnson Matthey Plc – Q3 Trading Update

Challenging trading backdrop but full year outlook remains in line with market expectations

Johnson Matthey, a global leader in sustainable technologies, today provides its third quarter trading update. Unless otherwise stated, figures quoted in this statement are for the quarter ended 31st December 2015.

	Q3	Q3	Underlying Q3 on Q3 change		
	2015/16 £ million	2014/15 £ million	actual	constant rates ¹	continuing businesses ²
Sales excluding precious metals (sales)					
Emission Control Technologies	459	435	+6	+7	+6
Process Technologies	119	134	-11	-11	-11
Precious Metal Products	76	92	-17	-17	-8
Fine Chemicals	57	73	-23	-24	+4
New Businesses	46	23	+96	+109	+96
Eliminations	(20)	(12)			
Group sales	736	745	-1	-	+3

Overview of Trading

Sales in the third quarter for the continuing businesses² were 3% ahead of last year at £736 million but continuing challenging business conditions impacted the group's performance. Emission Control Technologies performed well with sales growth across all regions and New Businesses continued to make good progress. However, the difficult trading environments in both Process Technologies and Precious Metal Products, which we noted in our half year announcement in November, persisted in the period. Underlying³ profit before tax was adversely impacted but our actions to reduce costs by approximately £30 million per annum are well underway.

Emission Control Technologies (ECT)

ECT performed well with sales up 6% to £459 million (2014/15 £435 million). Operating profit was also ahead. Sales in our light duty vehicle catalyst business were up 7% to £285 million (11% ahead at constant rates), well ahead of the 4% growth in global car production. The business saw good growth across all regions and continued to benefit from the full implementation of Euro 6b legislation in Europe. Our heavy duty diesel catalyst business grew its sales by 3% to £174 million (2% ahead at constant rates), supported by good growth in Western European truck production. This was partly offset by lower sales to the US as a result of reduced demand for Class 8 trucks, the outlook for which has reduced substantially for 2016/17.

Process Technologies

Process Technologies continued to experience challenging trading conditions in many of its markets. This, together with the anticipated weak demand for catalyst refills due to timing of orders, had an adverse impact on the division. As a result, sales were down 11% at £119 million (2014/15 £134 million) and operating profit was significantly lower. Our Chemicals businesses' sales were down, despite strong demand from formaldehyde customers. Sales of methanol catalysts decreased in China and licensing activity remained subdued with two new licences signed in the period. In our Oil and Gas businesses, sales decreased slightly as the low oil price continued to adversely impact demand in Diagnostic Services. However, this was partly offset by good growth in hydrogen catalysts and refinery additives.

Precious Metal Products

Precious Metal Products' sales decreased by 17% to £76 million (2014/15 £92 million) and operating profit was significantly down, principally due to lower average pgm prices and the absence of the Gold and Silver Refining business. As expected, the performance of our Pgm Refining and Recycling business was adversely impacted by the fall in average pgm prices in the quarter (platinum averaged \$915/oz, down 26% on the same period last year, and palladium averaged \$613/oz, down 23%). Platinum and palladium prices have continued to fall (to around \$870/oz and \$500/oz) and refining intake volumes, which were down in the period, are expected to remain weak into our fourth quarter. Sales in our Manufacturing businesses were slightly down on last year.

Fine Chemicals

Sales in Fine Chemicals' continuing businesses were ahead, up 4% at £57 million. On a reported basis, sales were 23% down due to the absence of income from Research Chemicals which was sold on 30th September 2015. This, together with a less favourable product mix, also adversely impacted operating profit which was lower in the quarter. Sales in our Active Pharmaceutical Ingredient (API) Manufacturing business increased slightly as good demand for speciality opiates was partly offset by lower sales of bulk opiates. Catalysis and Chiral Technologies' sales grew strongly in the period, supported by good demand for catalysts.

New Businesses

New Businesses made good progress, doubling its sales to £46 million. The division benefited from the contribution of the recently acquired battery materials and atmosphere control technologies businesses. The operating loss for the division as a whole reduced steadily, in line with our expectations for the full year.

Outlook

Macroeconomic factors, particularly the low oil price, economic slowdown in China and lower pgm prices, meant that our markets in Process Technologies and Precious Metal Products remained challenging in the third quarter and we expect these to continue for the remainder of the financial year. However, the group expects to deliver a strong final quarter, in line with our normal seasonality and benefiting from the previously announced restructuring actions. Underlying performance for the continuing businesses² in the second half is currently anticipated to be slightly ahead of the first half. The full year outlook for the group is in line with current market expectations.

Looking ahead, the challenging macroeconomic conditions, which have worsened slightly since our half year results in November, are expected to limit the group's short term growth opportunities. The long term structural growth drivers for the group's technologies remain robust and Johnson Matthey is well placed to create value as they develop. An example of this, opportunities from the evolving powertrain, will be discussed in detail at the group's Investor day tomorrow, 4th February.

Notes:

1 Call for Analysts and Investors

Den Jones, Group Finance Director, will host a conference call at 8.00 am today, Wednesday 3rd February 2016, to discuss this trading update. The dial-in number for UK callers is 01296 480 100; for overseas callers the number is +44 1296 480 100; and the passcode is 521746#. Please dial in approximately 15 minutes prior to the start of the conference call to allow time for registration.

2 Investor Event

Tomorrow, Thursday 4th February 2016, Johnson Matthey is holding an investor event in London at which we will present on technology opportunities from the evolution of the automotive powertrain. No material new information will be disclosed in the presentations which will be webcast live. The slides from the presentations will be available on the company website (www.matthey.com) from 1.30 pm and the on demand webcast will be available during the morning of Friday 5th February.

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www.matthey.com

¹ at constant rates (if Q3 2014/15 results are converted at average exchange rates for Q3 2015/16).

² 2014/15 and 2015/16 adjusted to exclude contribution of Gold and Silver Refining and Research Chemicals businesses.

³ before amortisation of acquired intangibles, major impairment and restructuring charges, profit or loss on disposal of businesses.