

News Release

Thursday 26th July 2018, 7.00 am

AGM trading update

First quarter sales in line with our expectations and guidance for the full year unchanged

Johnson Matthey will hold the company's Annual General Meeting today at 11.00 am in London and has issued the following trading update ahead of the meeting.

In the first quarter, we delivered sales growth in line with our expectations, led by our Clean Air Sector and with growth in Efficient Natural Resources and New Markets, while sales in Health were broadly stable. Our full year guidance for the group at constant rates is unchanged.

Clean Air

As expected, Clean Air had a strong start to the year and we outperformed vehicle production in most markets. Our Light Duty business in Europe and Asia saw strong sales growth, while our Light Duty Americas business was broadly stable. Sales growth continued to be strong across all regions in Heavy Duty, particularly for Class 8 trucks in North America as production levels remain high. Our outlook for strong growth in Clean Air in 2018/19 and margins to be maintained is unchanged.

Efficient Natural Resources

Sales in our Efficient Natural Resources Sector also grew in line with our expectations. We delivered good growth in Catalyst Technologies, where demand for our methanol catalysts was strong, although licensing continued to be subdued. Pgm Services saw good growth, from higher metal prices and stronger refining intakes. The business will benefit, mainly in the second half, from actions taken to improve efficiency and from restructuring cost savings. Therefore, we continue to expect that operating profit will grow ahead of sales growth.

Health

Health sales were broadly stable. As expected, our Generics business experienced a decline due to the timing of orders of speciality opiates and the reduction in profit shares. This was offset by increased sales in our Innovators business. The outlook for lower operating profit in 2018/19, particularly in the first half, is unchanged. Our pipeline of generic API products is progressing in line with our plans and new launches of APIs are expected to make a small contribution in the second half of the year.

New Markets

Our New Markets Sector saw strong sales growth, as higher demand from e-mobility applications drove significant growth in our Battery Systems business. Sales of our LFP battery materials were broadly stable. We continue to expect sales and operating profit growth in this sector for 2018/19.

eLNO™ investment approved by the board

We continue to make excellent progress in our strategy to deliver break out growth in battery materials, through our next generation ultra high energy density eLNO™ battery materials. We recently announced the decision to locate our 1,000 tonnes demonstration plant at our Clitheroe site in the UK and expect the facility to be in production in 2019. Today we are announcing that the board has approved an initial capital investment in our first commercial plant, in line with our plans. This will be built in mainland Europe and have a capacity of 10,000 tonnes. We expect to start commercial production in 2021/22.

Cash flow and working capital

Cash generation and working capital remain a key focus for the group. Average working capital days excluding precious metal improved to 56 days in the quarter, from 58 days in the equivalent period in 2017/18. However, precious metal working capital has significantly increased from the 31st March 2018, due to an outage in the quarter at one of our pgm refineries. Working capital at the half year will be significantly higher than the position at 31st March 2018. Working capital will reduce by the year end 31st March 2019.

Outlook

Our guidance, at constant rates, for year ended 31st March 2019 is unchanged:

- We expect growth in operating performance at constant rates to be in line with our medium term guidance of mid to high single digit growth
- We expect the second half performance to be stronger mainly reflecting our normal seasonality

At current foreign exchange rates (£:\$ 1.312, £:€ 1.128, £:RMB 8.68) translational foreign exchange movements for the year ending 31st March 2019 are expected to adversely impact sales by £7 million, although benefit underlying operating profit by £1 million.

Sector conference call: We will hold the next in an ongoing series of conference calls on 5th October 2018 with Jason Apter, Sector Chief Executive, Health. Further details will be announced in due course.

Ends

Notes:

1. Unless otherwise stated, commentary in this statement is based on sales for the quarter ended 30th June 2018 and compares this quarter with the quarter ended 30th June 2017 at constant rates.
2. eLNO is a trademark of the Johnson Matthey group of companies

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