JM

Johnson Matthey
Inspiring science, enhancing life

News Release

Wednesday 7th February 2018, 7:00am

Johnson Matthey business update

Johnson Matthey today provides an update on two business matters: the settlement of the contract dispute lawsuit reported as a contingent liability in November 2017; and the positive impact of US tax legislation on the group.

Settlement of after treatment contract lawsuit

As announced on 21st November 2017, a group company, Johnson Matthey Inc. (JMI), had been made a defendant to a contract dispute lawsuit alongside a supplier to an automotive OEM in the United States. The dispute related to engine emission after treatment systems for which the group supplied coated substrate as a component. We reported a contingent liability in relation to the lawsuit in the announcement of our half year results for the six months ended 30th September 2017, pending its resolution.

Today we announce that the lawsuit against JMI has been fully and finally settled on mutually acceptable terms on a no-fault basis. Under this settlement agreement, Johnson Matthey will recognise a charge of £50 million to contribute to costs incurred on vehicles repaired to date, and to provide for future anticipated costs and expenses in respect of further affected vehicles. This charge will be excluded from underlying operating profit for the year ending 31st March 2018.

Positive impact of US tax legislation on Johnson Matthey

We note the approval of the US Tax Cuts and Jobs Act, which became generally effective 1st January 2018, and expect to be positively impacted by these changes.

The lowering of the US corporate tax rate leads to a revaluation of our US deferred tax liabilities, which we estimate will result in a £30 million one-off non-cash benefit in the income tax expense line in the income statement for the year ending 31st March 2018. This will be excluded from the tax on underlying profit.

For the current financial year to 31st March 2018, we anticipate no change to the effective tax rate on underlying profit. We continue to expect this to be around 18%. Looking forward to the financial year ending 31st March 2019 and beyond we expect these changes will reduce the effective tax rate on underlying profit by around two percentage points. We continue to work through the full impact and will give more detail in our preliminary announcement for the year ending 31st March 2018.

Outlook

Our outlook for the year ending 31st March 2018 remains unchanged.

Enquiries:

Analysts and investors:

Martin Dunwoodie	+44 (0)20 7269 8241
Simon McGough	+44 (0)20 7269 8235
Katharine Burrow	+44 (0)20 7269 8444

Media:

Sally Jones	+44 (0)20 7269 8407

Issued by: Johnson Matthey Plc
5th Floor, 25 Farringdon Street, London EC4A 4AB