



News release

For release at 7.00 am on Wednesday 22nd July 2015

Johnson Matthey Plc – Q1 Trading Update

Group sales up 6%

Trading in line with our expectations

Johnson Matthey, a global leader in sustainable technologies, today provides its first quarter trading update. Unless otherwise stated, figures quoted in this statement are for the quarter ended 30th June 2015.

	Q1 2015/16 £ million	Q1 2014/15 £ million	% change	% at constant rates
Sales excluding precious metals (sales)				
Emission Control Technologies	478	444	+8	+6
Process Technologies	130	119	+9	+8
Precious Metal Products	85	101	-15	-16
Fine Chemicals	78	78	-	-4
New Businesses	38	18	+107	+126
Eliminations	(12)	(11)		
Group sales	797	749	+6	+5
Underlying operating profit¹	103.6	103.6	-	-1
Underlying profit before tax¹	94.0	95.0	-1	-3

¹ before amortisation of acquired intangibles, major impairment and restructuring charges, profit or loss on disposal of businesses.

Overview of Trading

Johnson Matthey's sales excluding precious metals (sales) were 6% ahead at £797 million (2014/15 £749 million) and underlying profit before tax in the quarter decreased only slightly to £94.0 million (2014/15 £95.0 million), despite the absence of income from the Gold and Silver Refining business which was divested towards the end of last year. Adjusting for this, the group's sales were 8% ahead and underlying profit before tax grew by 1%. This further progress was supported by robust demand for catalysts which boosted sales in both Emission Control Technologies and Process Technologies. However, the difficult

market conditions in platinum group metal refining and some parts of Process Technologies, which we noted in our preliminary results announcement in June, impacted operating profit in the quarter.

As anticipated, the group's total working capital improved by over £110 million compared to 31st March 2015 and we continue to expect working capital days excluding precious metals to be in the 50 to 60 range by the year end. The group's balance sheet improved with net debt of £834 million, £160 million below the 2014/15 year end level. Net debt (including post tax pension deficits) to EBITDA for the 12 months to 30th June 2015 was 1.4 times and our target ratio remains at 1.5 to 2.0 times.

Capital Return

On 25th June 2015 we announced that we had reached an agreement to divest the Research Chemicals business for £256 million in cash. The transaction is expected to be completed by the end of the calendar year. We continue to invest in our business and to maintain an efficient balance sheet. Post completion, in the absence of any material acquisitions, it is our intention to return excess capital from the sale of the Gold and Silver Refining and Research Chemicals businesses to shareholders.

Emission Control Technologies (ECT)

ECT continued to perform well with sales 8% ahead at £478 million (2014/15 £444 million). Operating profit was also ahead. Sales of light duty vehicle catalysts grew by 10% to £289 million, well ahead of flat global car production. This good result was supported by increasing sales of higher value Euro 6b catalysts as the legislation approaches full implementation and by continued solid demand for cars in China. Our heavy duty diesel catalyst sales also increased by 4% to £189 million, benefiting from the ongoing robust demand for larger Class 8 trucks in the US which we expect to continue for the remainder of 2015. The continued gradual implementation of Euro IV standards in China and more encouraging truck production in Western Europe also supported demand for our products.

Process Technologies

Process Technologies' sales were up 9% at £130 million (2014/15 £119 million) although operating profit was lower as a result of a less favourable mix. Demand for catalysts in our Chemicals businesses was robust but the pace of licensing activity, particularly in China, remained sluggish. No new licences were signed in the period but since the quarter end, agreement has been reached for a new oxo alcohols plant in India. Our Oil and Gas businesses continued to grow their sales, supported by increased demand for purification products and additives. However, its Diagnostic Services business felt the impact of the slowdown in upstream oil and gas markets which will continue to weigh on its performance throughout 2015/16.

Precious Metal Products

Sales in Precious Metal Products were 15% lower at £85 million (2014/15 £101 million) and operating profit was also adversely impacted, partly as a result of the disposal of the Gold and Silver Refining business, but also due to the substantially lower average platinum group metal (pgm) prices (platinum averaged

\$1,134/oz, down 22% on the same period last year, and palladium averaged \$765/oz, down 7%). These lower prices also impacted revenue in our Pgm Refining business, even though volumes remained relatively stable. The performance of our Manufacturing businesses was broadly in line with last year.

Fine Chemicals

Fine Chemicals' sales were flat at £78 million and operating profit was unchanged. Sales in our Active Pharmaceutical Ingredient (API) Manufacturing business were in line with last year as a good contribution from APIs for the treatment of Attention Deficit Hyperactivity Disorders was partly offset by lower demand for some opiate APIs as a result of the timing of orders between the first and second quarters. Catalysis and Chiral Technologies and Research Chemicals were also similar to last year.

New Businesses

New Businesses had a good first quarter where sales of £38 million (2014/15 £18 million) benefited from an increased contribution from Battery Technologies following the two battery materials acquisitions made in 2014/15 and good demand for battery systems. The operating loss for the division as a whole reduced steadily, in line with our expectations for the full year.

Outlook

In line with our guidance from our preliminary results announcement on 4th June 2015, we continue to anticipate that Johnson Matthey's ongoing businesses will deliver good underlying growth in 2015/16, particularly in the second half of the year. In that announcement we reported that, taking into account an increased pension charge of £15 million and the absence of both the Gold and Silver Refining and Research Chemicals businesses, we expected the group's overall performance in 2015/16 to be slightly ahead of 2014/15.

However, since 4th June, sterling has strengthened against both the US dollar and the euro and pgm prices have fallen substantially. If exchange rates and pgm prices remain at current levels throughout the rest of the year the group's reported results will be adversely impacted by around a further £10 million.

Notes:

1 Call for Analysts and Investors

Den Jones, Group Finance Director, will host a conference call at 8.00 am today, Wednesday 22nd July 2015, to discuss this trading update. The dial-in number for UK callers is 0203 139 4830; for overseas callers the number is +44 (0) 203 139 4830; and the passcode is 92230965#. Please dial in approximately 15 minutes prior to the start of the conference call to allow time for registration.

2 Third Quarter Trading Update

Following the Financial Conduct Authority's removal of the requirement to issue quarterly interim management statements, Johnson Matthey has consulted with stakeholders and reviewed its current disclosures. As a result, instead of issuing a third quarter trading update in late January / early February

2016, Johnson Matthey will issue a trading update in early March 2016. The exact date of its issue will be communicated in our half year results announcement in November. At this stage, we do not intend to cease our first and third quarter trading updates but, in consultation with our stakeholders, will keep this under review.

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