Johnson Matthey

News release

Q1 Trading Update

20th July 2016

Unless otherwise stated, figures and commentary quoted in this statement are based on the quarter ended 30th June 2016 and compare this quarter to Q1 2015/16 at actual rates

Q1 Highlights

- Solid start to the year, group sales for continuing businesses[1] up 6% (up 2% at constant rates[2])
- Strong sales growth in Emission Control Technologies and further progress in New Businesses
- Overall demand stable in quarter for Process Technologies, Precious Metal Products and Fine Chemicals[1]
- Underlying[3] profit before tax on a continuing basis[1] broadly in line with last year at constant rates[2]
- Full year outlook at constant rates remains in line with our previous expectations

	Q1 2016/17 £ million	Q1 2015/16 £ million	Q1 on Q1 % change actual	continuing businesses[1] actual	continuing businesses[1] constant rates[2]
Sales excluding precious metals (sales)					
Emission Control Technologies	521	478	+9	+9	+5
Process Technologies	134	130	+3	+3	-1
Precious Metal Products	91	85	+6	+6	+1
Fine Chemicals	59	78	-25	-	-5
New Businesses	43	38	+14	+14	+11
Eliminations	(26)	(12)			
Group sales	**822**	**797**	**+3**	**+6**	**+2**

Overview of Trading

Group sales for the continuing businesses increased by 6% to £822 million (up 2% at constant rates), supported by continued good demand in Emission Control Technologies and an increasing contribution from New Businesses. Sales in both Process Technologies and Precious Metal Products were stable although markets in both divisions remained challenging. Demand in Fine Chemicals' continuing businesses[1] was steady.

Underlying[3] profit before tax for the quarter was supported by actions taken to reduce costs in the last financial year. Our outlook for the full year at constant rates is unchanged. If current exchange rates prevail for the remainder of 2016/17, the group's reported results will further benefit from a positive translational impact.

Emission Control Technologies (ECT)
ECT continued to perform well, with sales up 9% to £521 million (5% ahead at constant rates).

Sales in our light duty vehicle catalyst business were up 14% to £331 million (12% ahead at constant rates), continuing to outpace global car production which grew by 2%. The business saw growth across all regions with particularly strong growth in Europe, helped in part by robust car production growth in the region's key markets.

Our heavy duty catalyst business' sales were up 1% to £190 million (down 5% at constant rates). As expected, the slowdown in demand for Class 8 trucks in North America held back growth in our sales. Production of Class 8 trucks has continued to weaken during our first quarter although we still expect production levels to stabilise later in the year. Our sales in Europe were strong, helped by the good growth in Western European truck production.

Underlying operating profit in ECT was broadly in line with the same period last year.

Process Technologies
Sales in Process Technologies grew by 3% to £134 million (down 1% at constant rates) with sales growth in Chemicals offsetting reduced demand in our Oil and Gas businesses.

Our Chemicals businesses' sales increased in the quarter with good demand for speciality products for petrochemical applications offsetting ongoing weakness in licensing activity. No new licences were signed in the period and we expect low levels of licensing activity to continue over the year.

Sales in our Oil and Gas businesses were lower partly as a result of reduced demand in our Gas Processing business after a strong 2015/16. Tough market conditions due to the low oil price continued to adversely impact demand in Diagnostic Services from customers in upstream oil and gas markets. On the other hand, demand for hydrogen catalysts was strong in the quarter.

Underlying operating profit for the division improved substantially as a result of the actions taken in the second half of 2015/16 to reduce costs, but market conditions remain challenging.

Precious Metal Products
Precious Metal Products' sales increased by 6% to £91 million (up 1% at constant rates).

In Services, Precious Metals Management's sales increased as the business benefited from the volatility in platinum group metal (pgm) prices during the period. Intake volumes in our Pgm Refining and Recycling business were stable, albeit at relatively low levels. Sales in our Manufacturing businesses were slightly down as a weaker first quarter for Noble Metals was partly offset by good demand across all regions in Advanced Glass Technologies.

The division's underlying operating profit was down, principally due to lower average pgm prices (platinum averaged $1,010/oz, down 11% on the same period last year, and palladium average $573/oz, down 25%).

Fine Chemicals
As expected, sales in Fine Chemicals' continuing businesses[1] were flat at £59 million (5% down at constant rates). Our Active Pharmaceutical Ingredient (API) Manufacturing business' sales were slightly down due to timing of orders. Catalysis and Chiral Technologies had a good start to the year with strong demand for homogeneous catalysts.

Underlying operating profit for the division was lower, partly due to the absence of income from Research Chemicals which was sold on 30th September 2015.

New Businesses
New Businesses continued to make further progress with sales increasing 14% to £43 million (11% ahead at constant rates), with good demand for battery materials and an early contribution from the recent Water Technologies acquisitions made in April and May.

The operating loss for the division continued to be in line with our expectations for the full year.

Outlook
In line with our preliminary results announcement on 2nd June 2016, we continue to expect the group's performance in 2016/17 to be ahead of 2015/16, albeit weighted towards the second half.

The underlying performance of the group for 2016/17 at constant rates remains in line with our previous expectations. However, the full year positive translational impact from exchange rates at 2nd June 2016 of approximately £15 million has increased substantially recently. If exchange rates remain at current levels for the remainder of 2016/17, the positive translational impact to full year underlying operating profit would increase by around a further £25 million to a total of approximately £40 million.

It is too early to predict the exact consequences of the UK's vote to leave the EU. However, the board currently believes that this will not have a long term material impact on Johnson Matthey and we continue to focus on executing our strategy for the group. We will continue to grow the business by investing in R&D, our manufacturing facilities and our employees, whilst improving our health and safety performance and delivering the very best products and service for our customers.

Notes:
Call for Analysts and Investors
Robert MacLeod, Chief Executive, will host a conference call at 8.00 am today, Wednesday 20th July 2016, to discuss this trading update. The dial-in number for UK callers is 0203 139 4830; for overseas callers please see http://events.arkadin.com/ev/docs/NE_FEL_Events_International_Access_List.pdf. The passcode is 89159815#. Please dial in approximately 15 minutes prior to the start of the conference call to allow time for registration.

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[1] 2015/16 adjusted to exclude contribution of the Research Chemicals business.
[2] at constant rates (if Q1 2015/16 results are converted at average exchange rates for Q1 2016/17).
[3] before amortisation of acquired intangibles, major impairment and restructuring charges, profit or loss on disposal of businesses.