

News Release

Friday 28th July 2017, 7.00 am

AGM Statement

First quarter trading in line with 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 statement ahead of the meeting.

"The year has begun in line with our expectations. In the first quarter, we delivered low single-digit sales growth at constant rates and double-digit reported sales growth. The changes we have implemented are making the business more agile and efficient and our guidance for the full year is unchanged.

Sales performance was strongest in our Clean Air sector as we again outperformed vehicle production in most markets. Strong growth of our HDD catalyst business was the main contributor with continued growth in Asia and Europe and following the anticipated improvement of the US Class 8 truck market. In the quarter, global light duty vehicle production declined although we outperformed in Europe as a result of the new business wins and sales of higher value technology which we had outlined in our 2017 results presentation. As we said in June, this will drive stronger growth in our LDV catalyst business over the remainder of our financial year.

Sales in Efficient Natural Resources grew slightly. We delivered growth in our services businesses and while manufacturing sales declined we expect sales to recover in the second quarter. As anticipated, low levels of licensing activity and weak demand for equipment for use in the construction of formaldehyde plants led to lower sales in our chemicals business.

Our Health business grew slightly as sales of APIs for products launched last year offset the decline we expect in the first half in sales of APIs for the treatment of ADHD. The performance of our new API products is encouraging and development of a broader API product portfolio will be the driver of improved medium-term performance for the sector.

Changes introduced last year in China affected demand for our LFP battery materials and this led to the decline we saw in sales in New Markets. Our development of high nickel battery materials continues at pace and in addition, we have seen good growth in medical components as we look to build this business for the future.

Cash generation and disciplined management of working capital remain a key focus for the business and working capital days were reduced compared to the same period last year. We are implementing the restructuring programme we announced in June which will deliver £10 million of cost savings in the second half of this year, contributing to the stronger underlying operating performance we expect to see in the second half. Through this restructuring programme we will generate a further £15 million of cost savings in 2018/19. As part of our capital markets day in September we will update the market on the work we are doing to enhance our functional excellence, making the whole business more agile.

Our guidance for year ended 31st March 2018 is unchanged. We have momentum in sales and expect to build on this through the second quarter and into the second half to deliver our full year guidance. Our move to four sectors has improved our focus on the key growth trends and we remain confident that through inspiring science and enhancing life, Johnson Matthey will create value."

Ends

Notes:

Unless otherwise stated, commentary in this statement is based on sales for the quarter ended 30th June 2017 and compares this quarter with the quarter ended 30th June 2016 at constant rates.

Group structure

Johnson Matthey announced changes to the group structure on 20th April 2017 under which the group would be managed and report its results as four sectors. The results for the half year ended 30th September 2016 and year ended 31st March 2017 have been restated on the new basis of reporting sectors and are attached to this AGM statement.

2017/18 restructuring charge

In the year ending 31st March 2018 Johnson Matthey expects to take a restructuring charge as part of the further changes it will make to improve efficiency. The charge is expected to be in the range of £50 million to £65 million, of which over half will be cash. It is expected to generate savings of around £25 million in a full year and benefit 2017/18 by approximately £10 million.

In the preliminary announcement of results for the year ended 31st March 2017 on 1st June 2017 Johnson Matthey gave the following outlook for the year ending 31st March 2018:

- Sales growth, at constant rates, is expected to be broadly in line with the 6% growth delivered in the second half of the year ended 31st March 2017
- The combination of stronger sales growth together with additional cost savings is expected to be offset by comparison against the 2016/17 US post-retirement medical benefit credit and by higher non-cash pension charges in 2017/18

In the same announcement Johnson Matthey gave the following guidance for foreign exchange:

- At current exchange rates (£:\$ 1.289; £:Euro 1.149; £:RMB 8.84) translational foreign exchange movements are expected to increase revenue by £133 million, sales by £66 million and operating profit by £13 million in the year ending 31st March 2018

There has been no material change to this guidance.

Capital markets day

Johnson Matthey will hold a capital markets day in London on 21st September 2017. Further details will follow shortly.

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Group Structure

Restatement of results for the half year ended 30th September 2016

	Reported £m		Restated £m	Movements
Sales excluding precious metals				
Emission Control Technologies	1,054	Clean Air	1,054	
Process Technologies	265	Efficient Natural Resources	420	Excludes medical components sales of £29m and £5m of intra-sector sales (note 1)
Precious Metal Products	189			
Fine Chemicals	133	Health	110	Excludes catalysis and chiral technologies (CCT) sales of £23m
New Businesses	88	New Markets	144	Includes medical components and CCT sales and £4m of inter-sector sales (note 2)
Eliminations	(53)	Eliminations	(52)	
Total	1,676	Total	1,676	
Underlying operating profit				
Emission Control Technologies	151.9	Clean Air	151.9	
Process Technologies	39.3	Efficient Natural Resources	73.4	Excludes medical components operating profit of £6.8m
Precious Metal Products	40.9			
Fine Chemicals	26.9	Health	20.7	Excludes CCT operating profit of £6.2m
New Businesses	(8.5)	New Markets	4.5	Includes medical components and CCT operating profit
Corporate	(14.4)	Corporate	(14.4)	
Total	236.1	Total	236.1	

Restatement of results for the year ended 31st March 2017

	Reported £m		Restated £m	Movements
Sales excluding precious metals				
Emission Control Technologies	2,224	Clean Air	2,224	
Process Technologies	587	Efficient Natural Resources	919	Excludes medical components sales of £61m and £10m of intra-sector sales (note 1)
Precious Metal Products	403			
Fine Chemicals	284	Health	236	Excludes catalysis and chiral technologies (CCT) sales of £48m
New Businesses	191	New Markets	308	Includes medical components and CCT sales and £8m of inter-sector sales (note 2)
Eliminations	(111)	Eliminations	(109)	
Total	3,578	Total	3,578	
Underlying operating profit				
Emission Control Technologies	318.2	Clean Air	318.2	
Process Technologies	90.4	Efficient Natural Resources	163.0	Excludes medical components operating profit of £13.8m
Precious Metal Products	86.4			
Fine Chemicals	64.5	Health	51.7	Excludes CCT operating profit of £12.8m
New Businesses	(14.4)	New Markets	12.2	Includes medical components and CCT operating profit
Corporate	(31.8)	Corporate	(31.8)	
Total	513.3	Total	513.3	

Notes

1. Sales between Process Technologies and Precious Metal Product divisions
2. Medical component and CCT sales previously within Precious Metal Product and Fine Chemicals divisions