Sector call – Health
5th October 2018

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Cautionary statement

This presentation contains forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which Johnson Matthey operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.
Introduction

• Joined Johnson Matthey in March 2018
• Previous roles in finance, business transformation, product management and corporate strategy & development
• Most recently worked for Merck KGaA
• Experience across a variety of industry segments
• Extensive experience in driving innovation, growth and operational effectiveness
History of our Health sector

1970’s
Pgm based molecules for cancer treatment developed

Expertise in pgm chemistry

1980’s
Expansion into controlled substances

Utilising expertise in supply chain security and reduced exposure manufacturing

2001
Acquisition of Macfarlan Smith (UK) and Pharm-Eco (US)

Established as global leader in controlled substances

Increased scale and capabilities in API manufacturing

Customer support through clinical trials and drug development

2015
Acquisition of Pharmorphix

Supplemented materials development and characterisation capabilities

Solid phase design services
Our Health sector today

Focus on development and manufacturing of high quality, complex APIs

Expertise across generic and innovator customers

Full range of manufacturing and development capabilities

Ramped up investment since 2014
• Pipeline of generic API products will drive incremental operating profit of c.£100m p.a. by 2025

2017/18 | Sales £247m | OP £44m

Innovator:
• Clinical development (44%)
• Commercial API (56%)

Generic:
• Controlled substances (81%)
• Non controlled substances (19%)
JM wins through science and its application

Innovators and generics

Value chain

Development | Scale-up | Manufacture

JM’s competitive advantage

Materials design, development and characterisation
Process chemistry and flexible high quality capacity
Process engineering and manufacturing excellence

Examples

• Complex Chemistry
• Particle Design
• Analytical Development
• Flexible capacity
• Particle engineering
• Modelling & simulation
• Regulatory compliance
• High potency manufacturing
• Process automation, analytics and advanced process technologies

Deep understanding of customer requirements from laboratory through to commercial manufacture
Outsourced small molecule API market is growing at 8% p.a.

Global sales in API
$170bn \(^1\)

- **Outsourced small molecule APIs**: $40bn
- **Outsourced large molecule APIs**: $20bn
- **In-house**: $110bn

Generics
$29bn
9% growth p.a.

Innovator
$11bn
6% growth p.a.

An attractive segment which plays to our strengths

**Complex chemistry**
More targeted and potent APIs - Increasing complexity of APIs and their delivery mechanism

**High potency and controlled substances**
Increase in regulatory and compliance landscape

**Materials design and characterisation**
Continued technical focus on bioavailability and bioequivalence

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1. Based on 2017 estimates
Key focus areas to deliver breakout growth

- Enhancing the performance of our existing business
- Expanding our new product pipeline and portfolio
- Building our capabilities to better support our customers for future growth
Enhancing the performance of our existing business

**New sales opportunities**

- APIs being expanded into new generic filings
- Growth through footprint optimisation (more capacity)

**Operational efficiency**

- Strategic sourcing
- Manufacturing excellence
Expanding our new product pipeline and portfolio

Focus on both generics and innovators

**Generics**

Focus on complex molecules

Diverse and robust pipeline to deliver \( \sim £100m \) additional OP by 2025

- Over **40 products** across a diverse range of therapies
- Conservative assumptions

**Innovators**

**Increasing complexity** in new drugs utilises our key competences

**Support customers** through from pre-clinical testing to commercial scale manufacture

Over **20 API products** in innovator pipeline will deliver additional growth longer term

Utilising same resources and skills
Building our capabilities to better support our customers for future growth

Globalise our development capabilities

Build out particle technology expertise

Improve understanding of drug formulation
Health sector to deliver break out growth

Well positioned in an attractive market

Leverage Johnson Matthey core competences

Strong product pipeline

Double-digit growth beginning in 2019/20, with margins increasing to high 20%s
Generics example: development of dofetilide

Development started in 2011

Utilised solid form sciences and high potency manufacturing capabilities

Developed an innovative and non-infringing route & polymorph

Partner launched in June 2016 achieving first US generic approval and 180-days market exclusivity

Significant financial contribution in 2016/17

JM shares drug product profits

Additional generic competition - summer 2018

Innovators example: Customers come to JM for expertise

JM begins work on API 1 with Customer A and awarded contracts for API 2 and API 3.

Customer A awards Commercial Supply Agreement for API 4.

New 5 year commercial supply agreement signed with Customer A.

Customer A awards API 6 and extension of API 5.

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Active projects