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Johnson Matthey
Inspiring science, enhancing life

Presentation of results for the six months ended 30th September 2019

21st November 2019

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 and you should therefore not place reliance on any forward-looking statements made. Johnson Matthey will not update forward-looking statements contained in this document or any other forward-looking statement it may make.

Good sales growth and confident in delivering our strategy

Delivered in line with expectations

Underlying operating profit down 5%

ROIC of 15.0%

Dividend up 5%

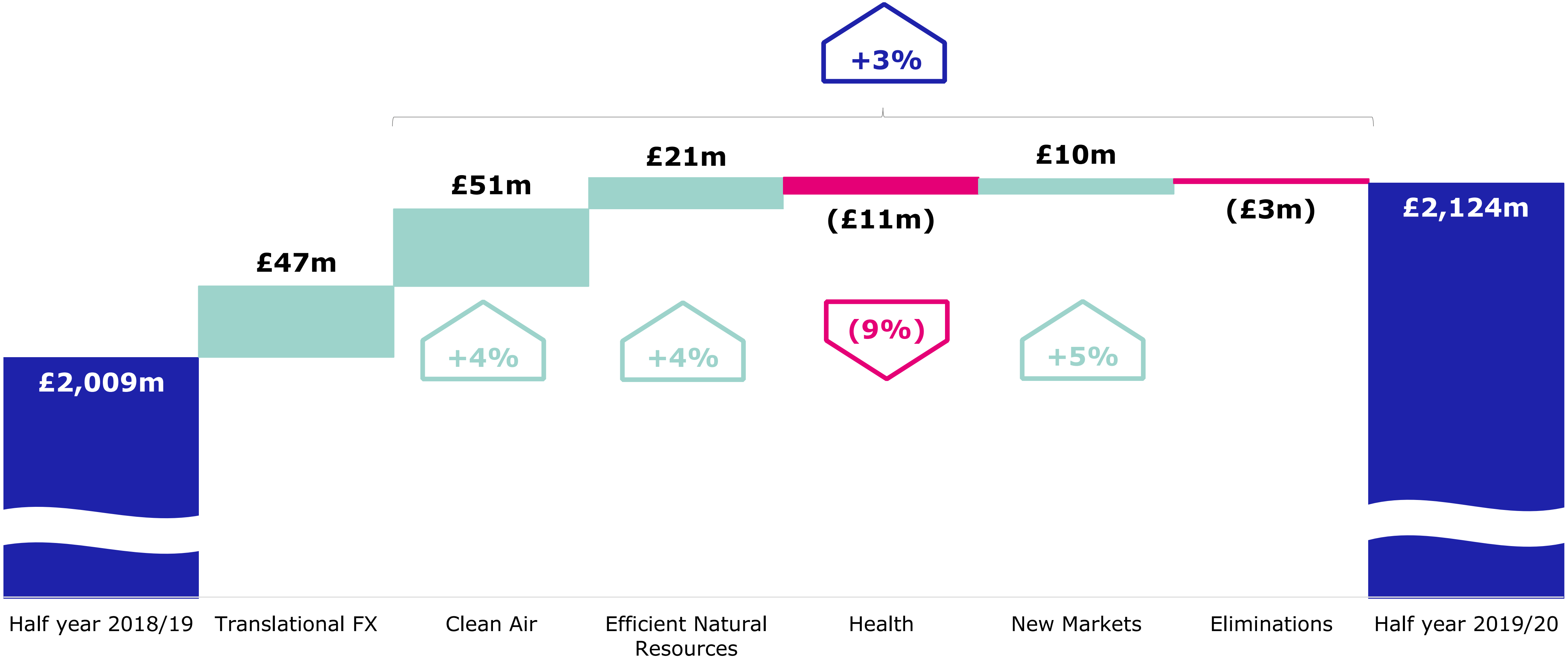
Expect to deliver full year group operating performance in line with market expectations

Note: All growth rates in this presentation are at constant rates unless otherwise stated.

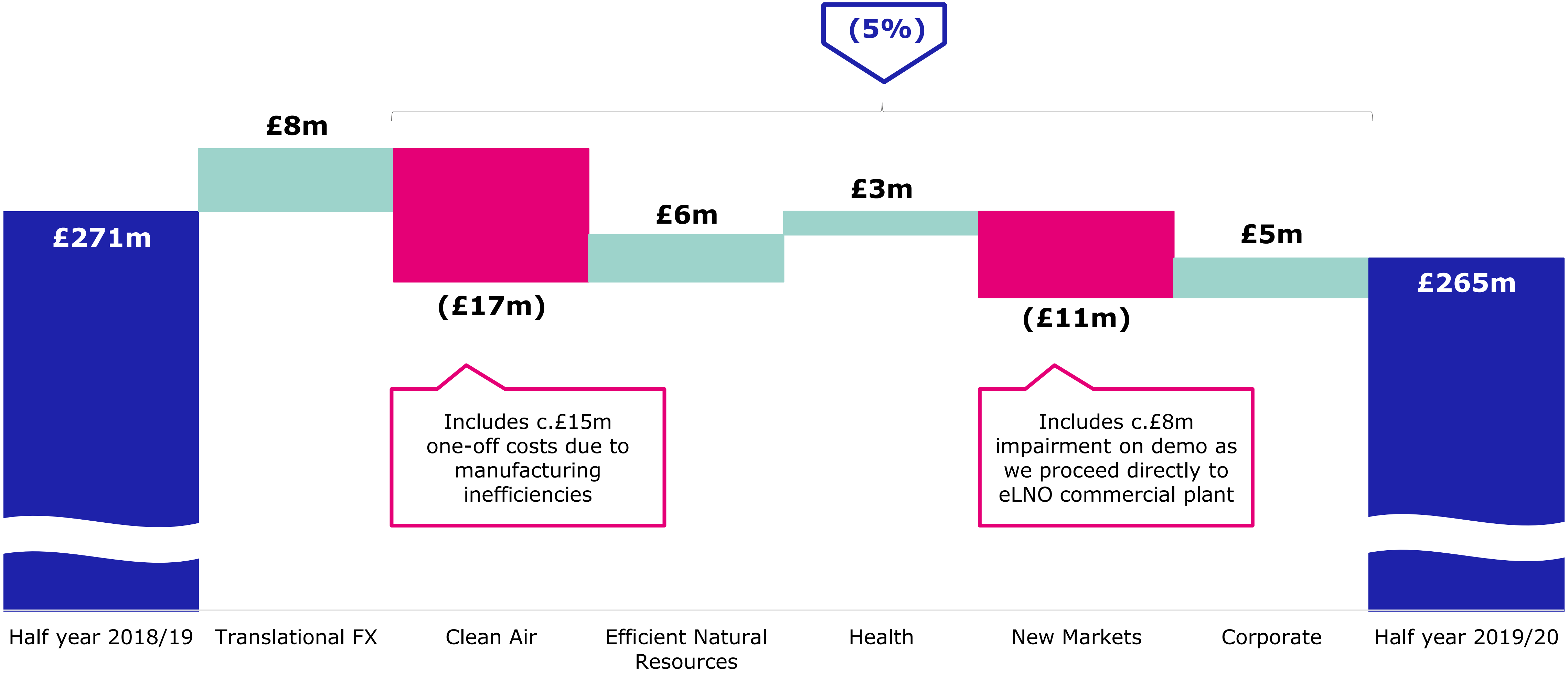
Anna Manz

Chief Financial Officer

Sales growth driven by Clean Air



Underlying operating profit slightly down

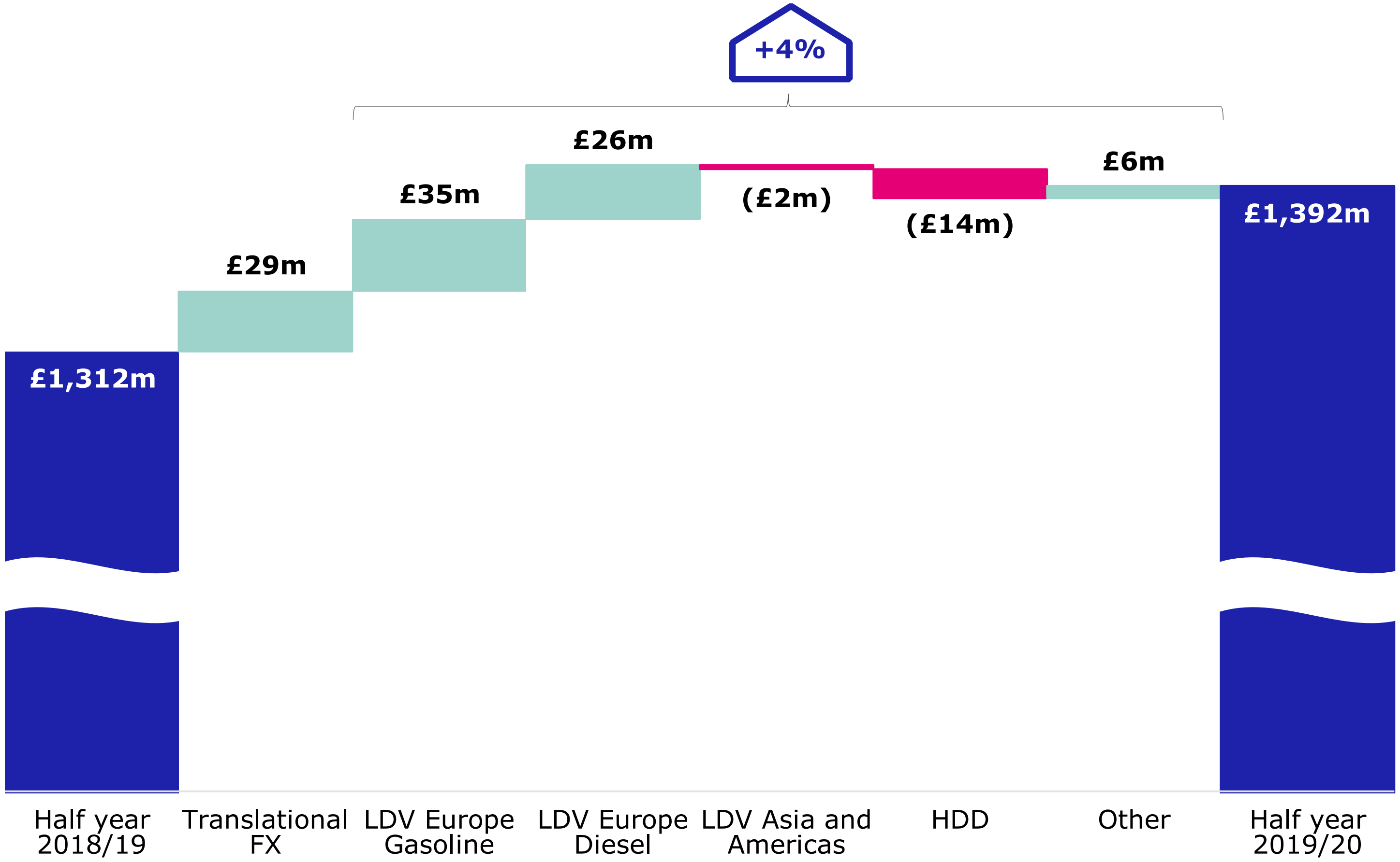


Includes c.£15m one-off costs due to manufacturing inefficiencies

Includes c.£8m impairment on demo as we proceed directly to eLNO commercial plant

Clean Air: good sales growth; margin impacted by one-off costs

Sales up 4%



Operating profit down 9%

Impacted by c.£15m one-off costs due to manufacturing inefficiencies

Margin declined 1.7ppt to 12.9%

Full year outlook

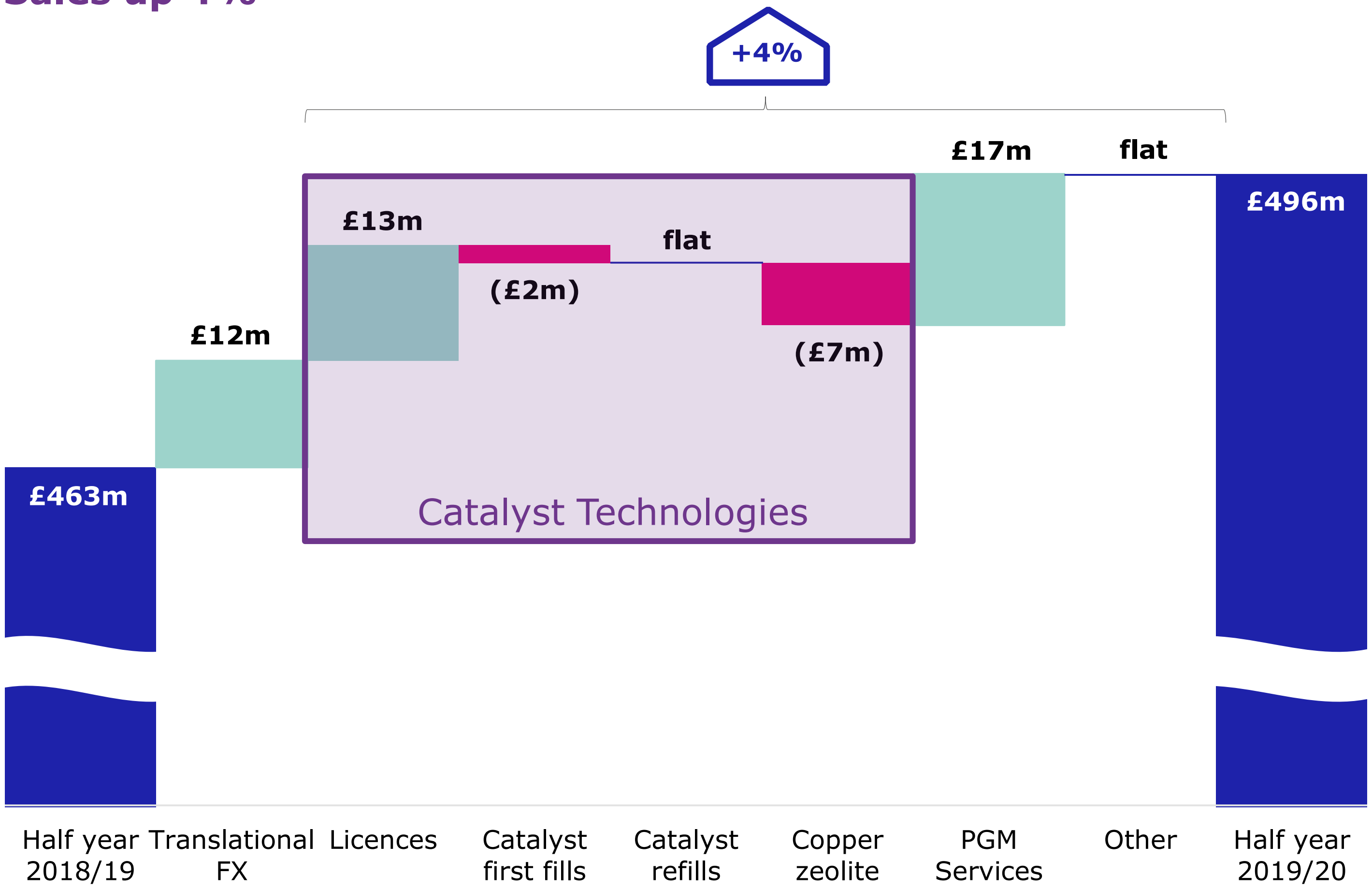
Full year operating performance to be below prior year, weighted to second half

Benefit from absence of one-off costs in the first half

Note: Other includes stationary.

Efficient Natural Resources: sales and operating profit growth

Sales up 4%



Operating profit up 6%

Higher average pgm prices (+c.£14m)

Margin improved 0.3ppt to 18.8%

Full year outlook

Sales growth

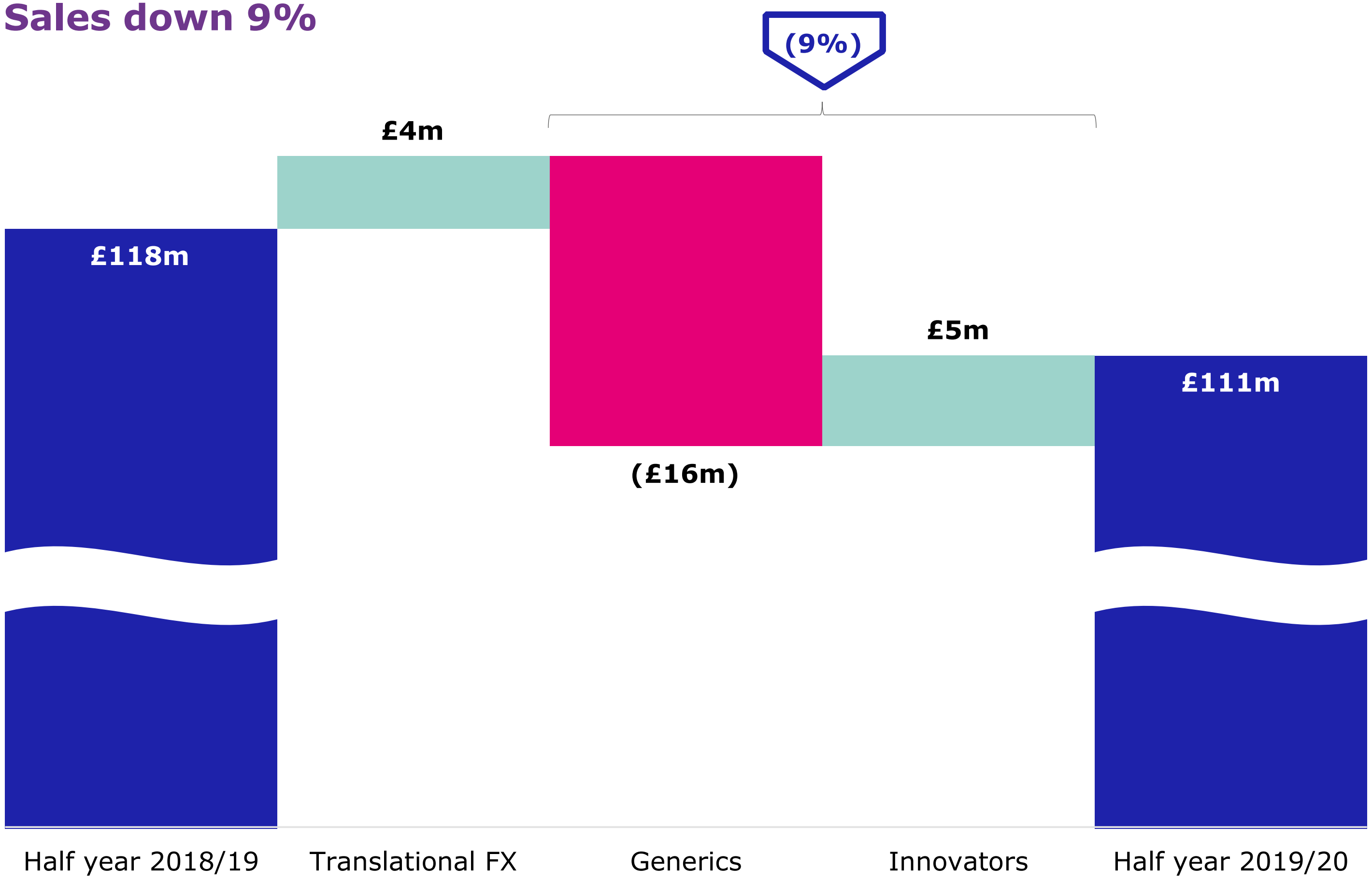
Operating profit growth ahead of sales

Second half to benefit from seasonality within Catalyst Technologies and efficiency gains in Pgm Services

Note: Other includes Advanced Glass Technologies (AGT) and Diagnostic Services.

Health: sales down although operating profit grew double digit

Sales down 9%



Operating profit up 21%

Net benefits from footprint optimisation

Full year outlook

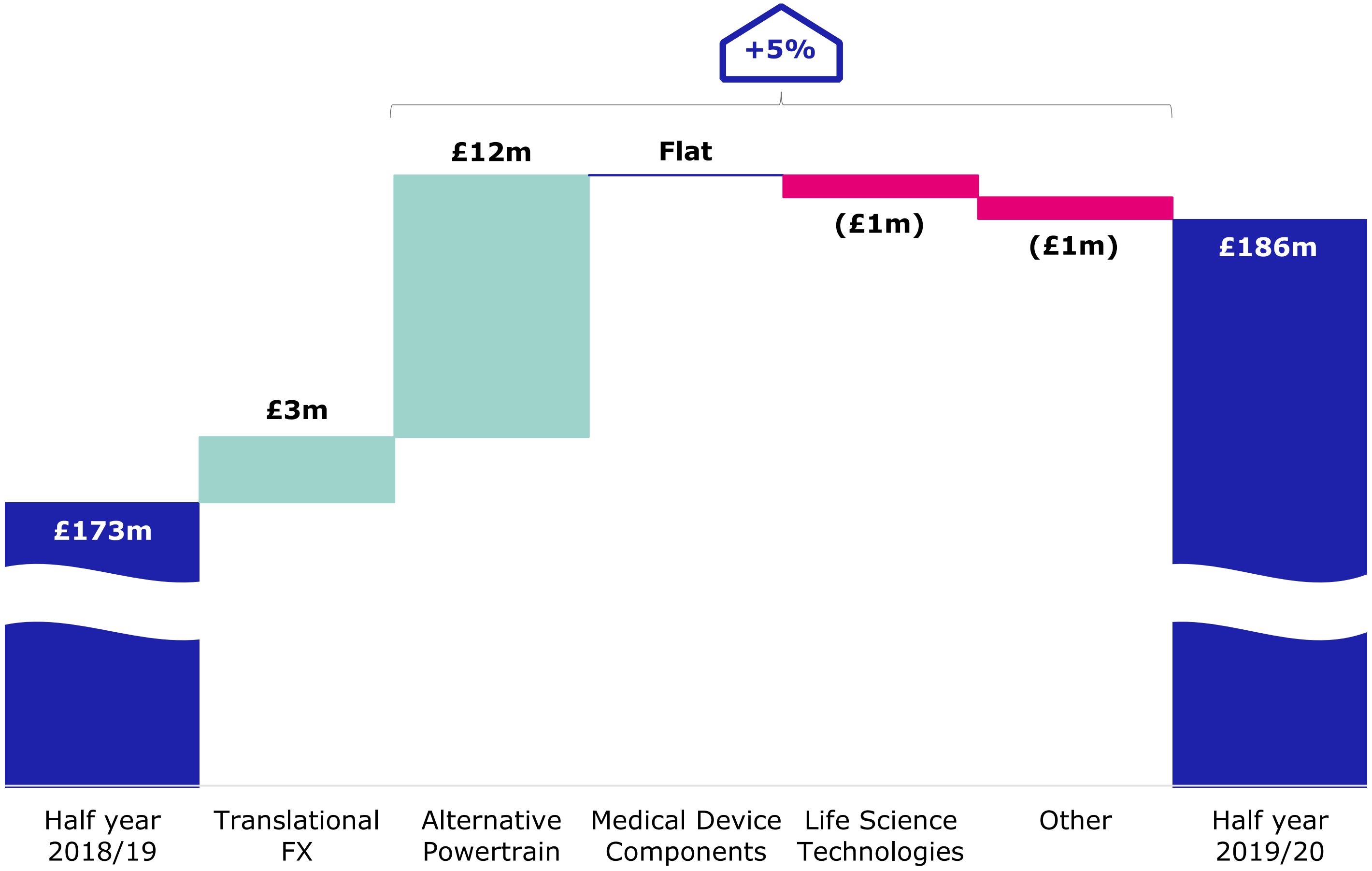
Second half operating performance broadly in line with the first half

Lower demand for one API due to opioid addiction therapy market uncertainty

c.£100m additional operating profit from pipeline by 2025

New Markets: good sales growth; progressing eLNO commercialisation

Sales up 5%



Operating profit down

Increased costs as we invest in eLNO

Includes £8m impairment of demo plant

Full year outlook

Sales growth

Operating profit growth

Note: Alternative Powertrain includes battery systems, fuel cells and battery materials (LFP and eLNO). Other includes Atmosphere Control Technologies and Water Technologies

Delivered operating performance in line with expectations

Underlying results for half year ended 30th September[1]	**2019 £m**	**2018 £m**	**% change**	**% change, constant rates**
Sales excluding precious metals (sales)	2,124	2,009	+6	+3
Operating profit	265	271	-2	-5
Finance charges	(36)	(20)	+75	
Share of profit of joint venture and associate	2	-	n/a	
Profit before tax	231	251	-8	-10
Taxation[2]	(47)	(41)	+14	
Profit after tax	184	210	-12	
Earnings per share	**95.8p**	**109.0p**	**-12**	
Interim dividend per share	**24.50p**	**23.25p**	**+5**	

1. All figures are before loss on disposal of businesses, loss on significant legal proceedings, amortisation of acquired intangibles, major impairment and restructuring charges and, where relevant, related tax effects.
2. The increase in first half 2019/20 tax charge includes a provision for uncertain tax positions, £12 million of which relates to reassessments of prior years.

Progressing my three focus areas

Drive increasing business wide efficiency

Disciplined management of working capital

Rigorous and transparent resource allocation

Good progress against efficiency initiatives

£m	**Achieved in the half**	**Cumulative achieved to date**	**Annualised benefits to 2022/23**
Procurement	15	43	100
Restructuring	1	25	25
Riverside closure	5	20	20
Total	**21**[1]	**88**	**145**

Three quarters of procurement initiatives will benefit the income statement → Around two thirds being reinvested in the business to drive growth

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[1] Total savings of £21 million in the period includes £15 million procurement savings, of which £13 million benefited the income statement and £2 million benefited capex.

Free cash flow impacted by working capital

Free cash flow (£m)

Half year ended 30th September		2019		2018
Underlying operating profit		265		271
Depreciation and amortisation[1]		85		79
Precious metal working capital outflow	(352)		(283)	
Non precious metal working capital outflow	(115)		(76)	
Net working capital outflow	(467)		(359)	
Net interest paid		(42)		(23)
Tax paid		(32)		(48)
Capex spend		(184)		(96)
Other[2]		(7)		(30)
Free cash flow		**(382)**		**(206)**

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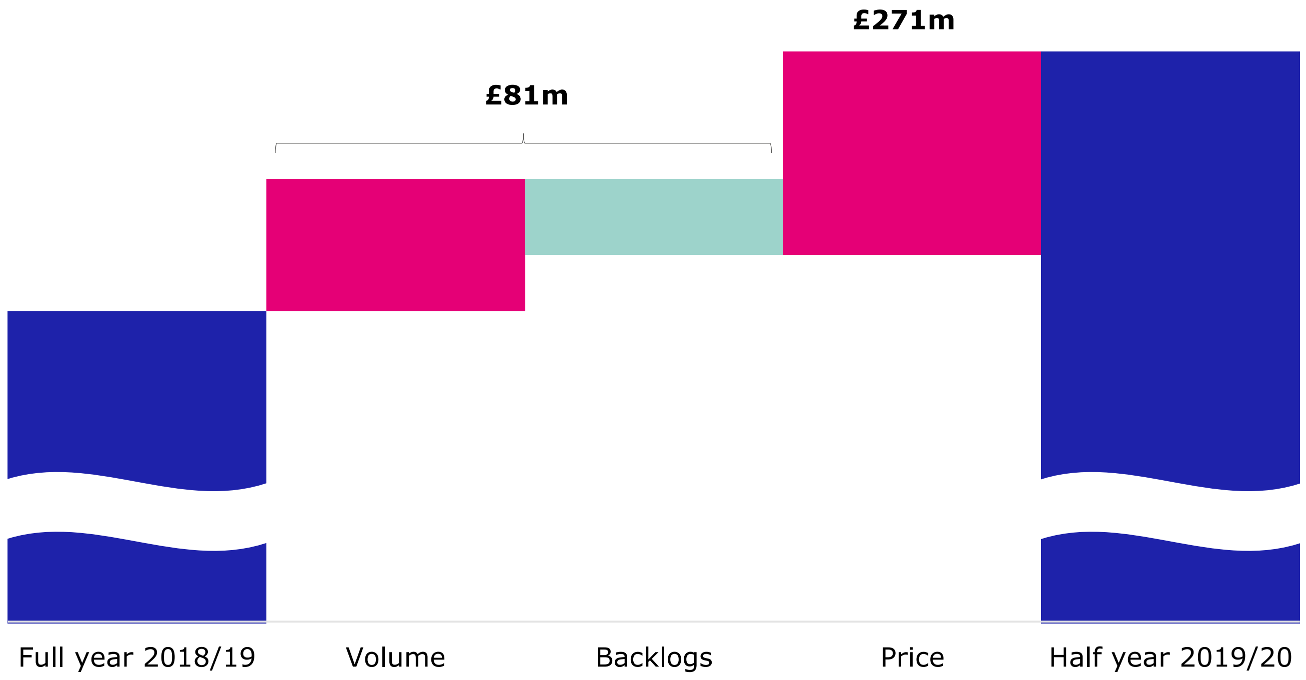
1. Excluding amortisation of acquired intangibles and impairments.
2. Includes movements in pensions, provisions, impairments and asset disposals.

Precious metal working capital impacted by prices and volumes

Precious metal working capital movement (£m)



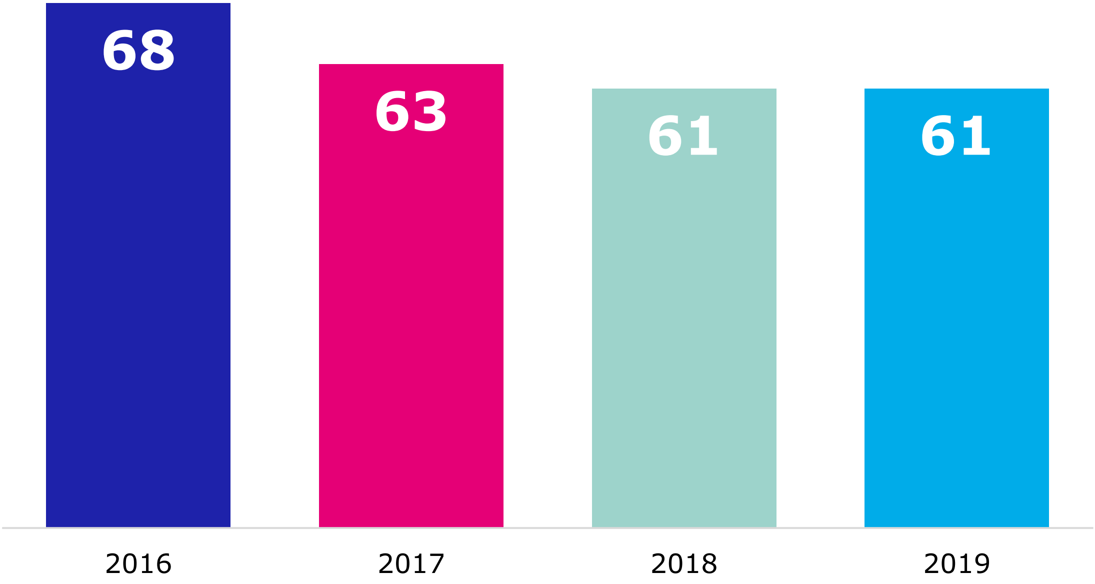
Precious metal working capital to improve by £350m

- £250m backlog
- £100m refinery investment

Note: Precious metal working capital improvement of £350 million based on today's prices.

Stable average non precious metal working capital days

Average working capital days excluding precious metals, half year ended 30th September

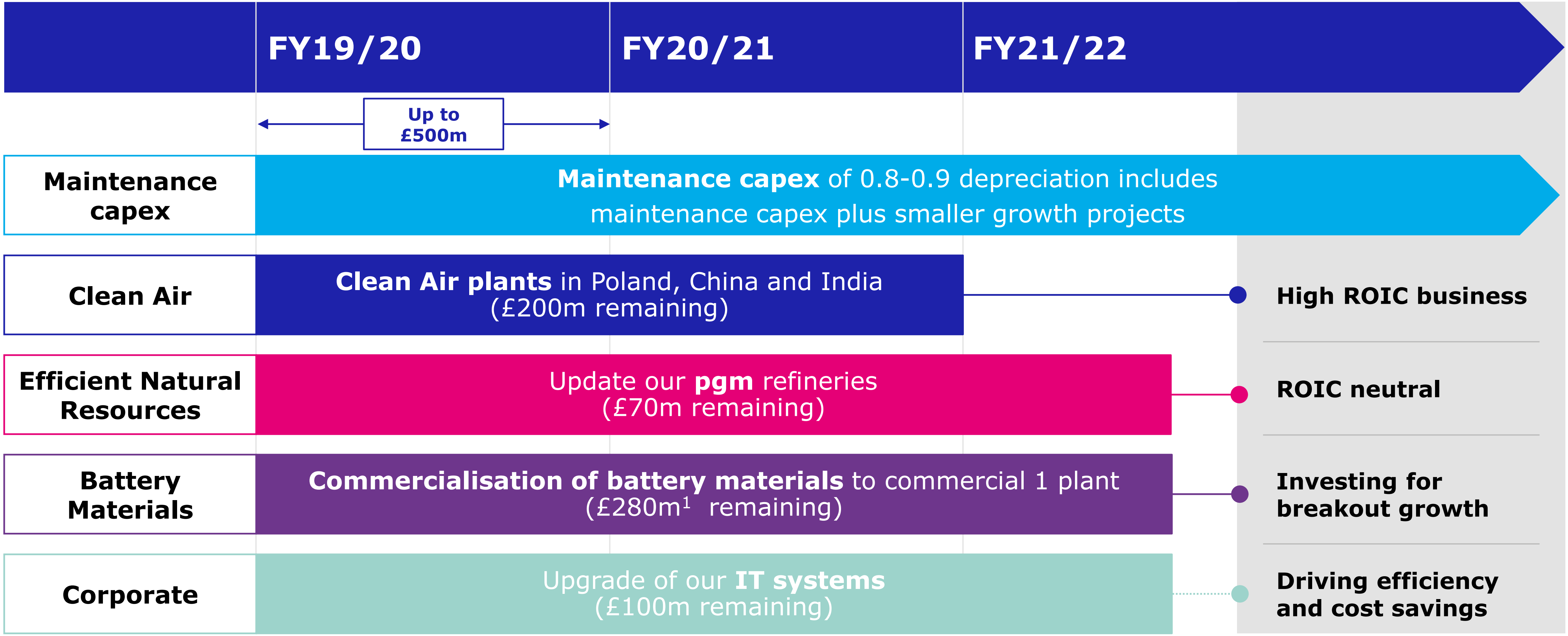


Average working capital days were stable at 61 days

Targeting average non precious metal working capital of 50 to 60 days

Continue to drive improvement in working capital

Investing for growth, efficiency and returns



FY19/20

FY20/21

FY21/22

Up to £500m

Maintenance capex

Maintenance capex of 0.8-0.9 depreciation includes maintenance capex plus smaller growth projects

Clean Air

Clean Air plants in Poland, China and India (£200m remaining)

High ROIC business

Efficient Natural Resources

Update our **pgm** refineries (£70m remaining)

ROIC neutral

Battery Materials

Commercialisation of battery materials to commercial 1 plant (£280m[1] remaining)

Investing for breakout growth

Corporate

Upgrade of our **IT systems** (£100m remaining)

Driving efficiency and cost savings

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1. Includes capex and capitalised development.

Net debt to EBITDA 2.1 times[1]

	£m	£m
Net debt at the beginning of the year		**(866)**
Free cash flow	(382)	
Dividends	(120)	
Movement in net debt		(502)
Lease adjustments[2]		1
Net debt before FX and IFRS 16 transition		**(1,367)**
FX and IFRS 16 transition adjustment[3]		(121)
Net debt at the end of the period		**(1,488)**

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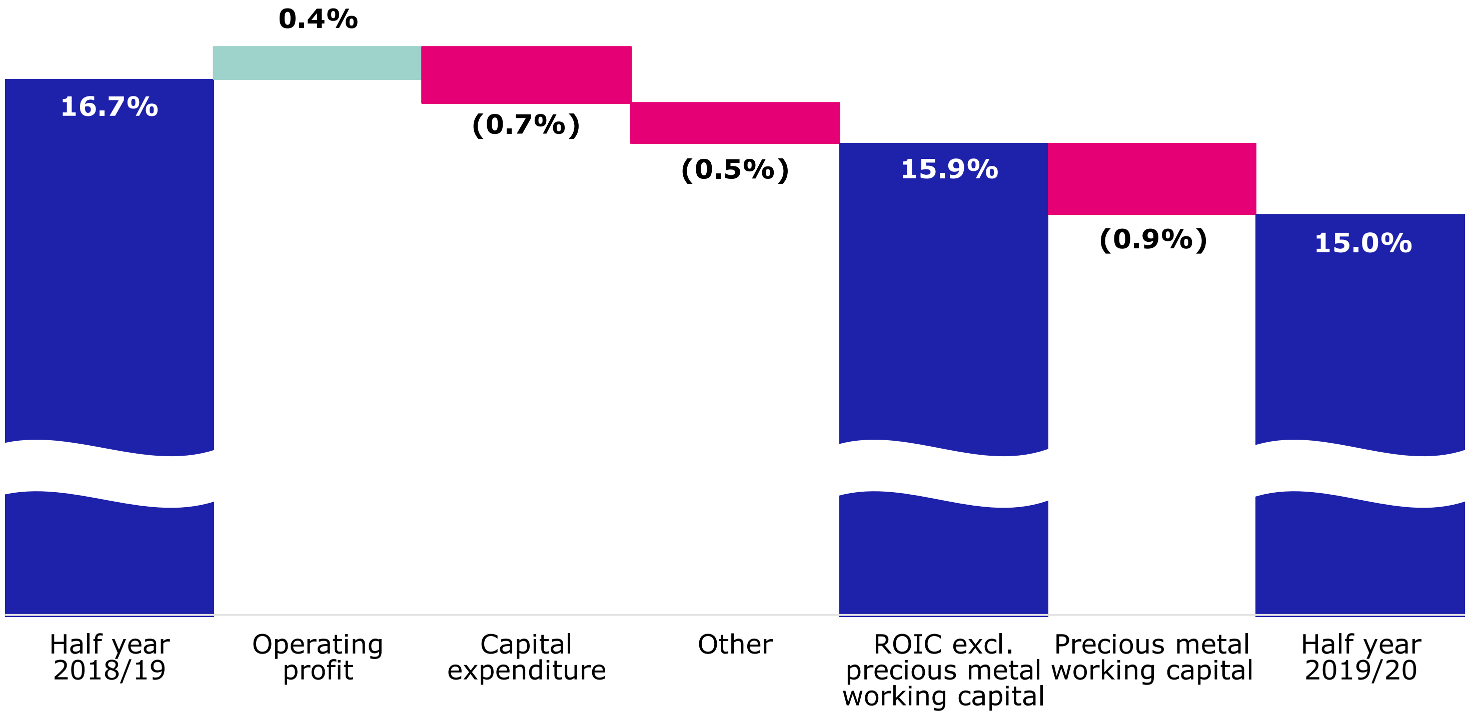
[1] Net debt including post tax pension deficits.
[2] New leases, remeasurements and modifications less principal element of lease payments.
[3] (£77m) IFRS 16 transition adjustment, (£47m) FX and £3m other non-cash movements.

Return on invested capital



Return on invested capital

ROIC is 15.0%, down 1.7ppt from the prior year

Investing for growth in near term

Precious metal working capital increased

Clear path to achieve 20% ROIC in medium term

2019/20 outlook

Expect to deliver full year group operating performance in line with market expectations

Second half benefiting from absence of one-off costs, seasonality in Catalyst Technologies and efficiency gains in Pgm Services

Targeting average working capital days (excluding precious metals) between 50 and 60 days

Capex up to £500 million

Robert MacLeod

Chief Executive

Delivering sustained growth and value

Sustained growth in **Clean Air** over the next decade

Mid to high single digit growth in **Efficient Natural Resources**

Breakout growth in **Health**

Strong progress in **Battery Materials** to build a leading position

Efficiencies remain a strong focus

A world that's cleaner and healthier;
today and for future generations

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Building our senior team

Joan Braca,
Chief Executive, Clean Air

Christian Günther,
Chief Executive, Battery Materials

Maurits van Tol,
Chief Technology Officer

Clean Air: growth for the next decade driven mainly by legislation

2025 outcomes

Asia more than doubles in size

Europe maintains size despite diesel decline

Americas driven by GDP growth

Margins maintained through focus on efficiency

- Early benefits from China 6
- New gasoline platform wins
- R&D investment increased
- Managing Class 8 truck cycle
- Global, efficient manufacturing footprint with three new plants

Mid single digit growth in operating performance to 2025

Efficient Natural Resources: market leading growth

2025 outcomes

Positioned in higher growth segments

Continue to evolve our existing strengths

New technologies

Increased efficiency of operations

Our markets growing in line with expectations

Good growth in formaldehyde, particularly in China

Won three new licenses

Advancing new technologies

Expansion of two plants in next 12 months

- Additives in US
- Pgm catalysts in Germany

Mid to high single digit growth in operating performance to 2025

Health: breakout growth

2025 outcomes

Enhancing performance of our base business

Delivering growth from new product pipeline

Building capabilities to support our customers

Developments in opioid addiction therapy market impacting second half performance

Focused on delivering growth from 75 molecules in new product pipeline

- 3 launched
- 10 generics awaiting approval
- 4 late stage innovator programmes

Delivering c.£100m additional operating profit from product pipeline by 2025

Battery Materials: breakout growth

2025 outcomes

Maintained our technology leadership

Qualified on customer platforms

Commercial scale capacity

- Fitting out second UK application centre
- Progressed to full cell testing with two customers
- First commercial plant on track
- Further expansion likely to be phased

Well positioned for breakout growth

Confident in our future

Delivered in line with expectations

Fundamentally changing the organisation as we execute our strategy

Strengthening our platform for growth

Creating a cleaner, healthier world

Mid to high single digit EPS CAGR

Expanding ROIC to 20%

Progressive dividend

Appendix

Financial guidance

Net interest expense – significantly higher in 2019/20 due to higher average net debt as we invest for future growth, higher precious metal funding costs and the impact of IFRS 16

Underlying tax rate – tax rate on underlying profit for the year ending 31st March 2020 expected to be around 16% (excluding the one-off tax provision) and 18% (including the one-off tax provision)

Corporate costs are now expected to be below the prior year in 2019/20

Capex up to £500 million

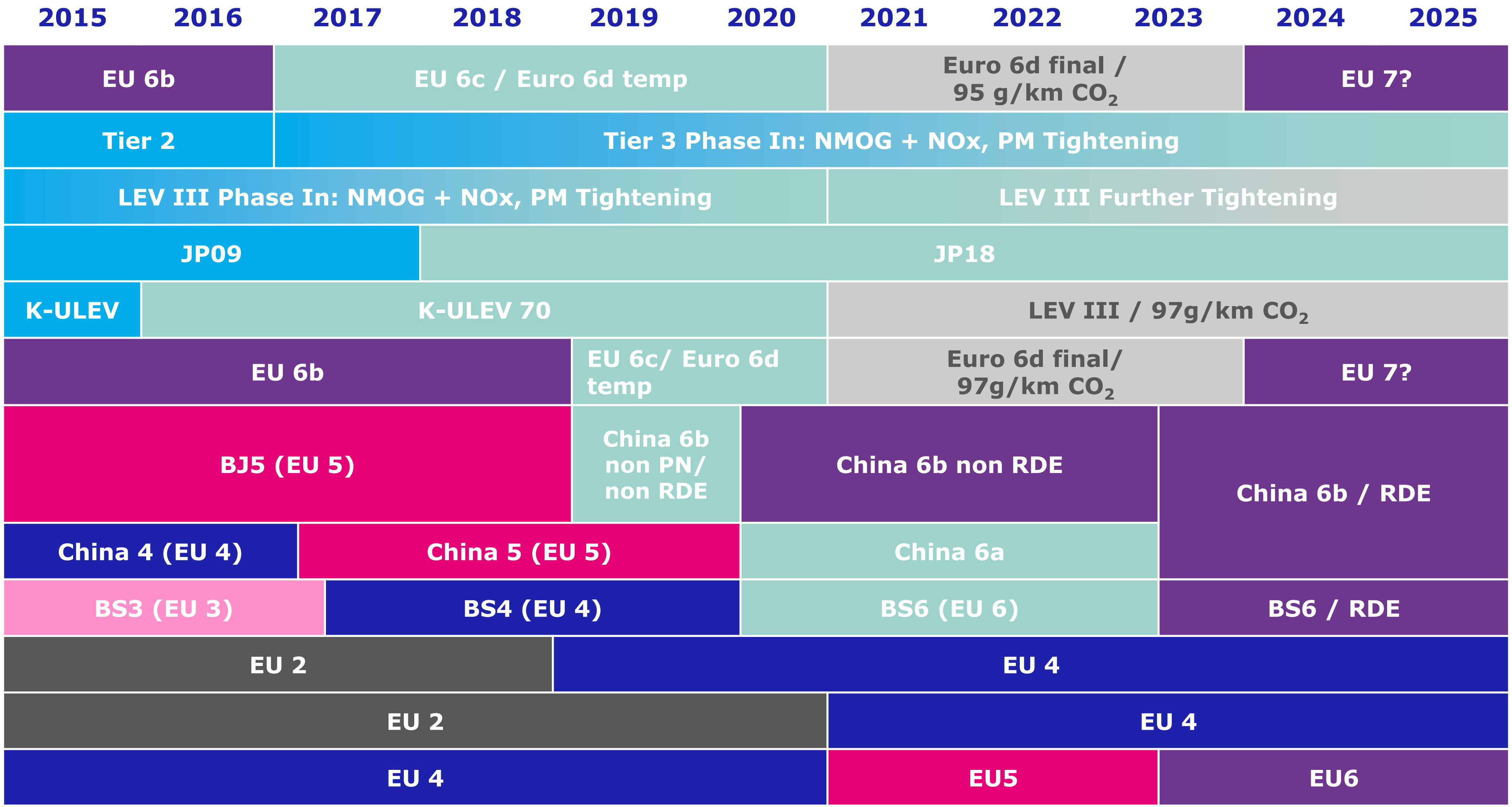
Clean Air: Growth for the next decade driven mainly by legislation

	2019/20	2020/21 to 2024/25	2025/26 to 2028/29
Europe	GPF fitment increases Diesel share of the market continues to fall	Diesel decline and continued BEV penetration	Further value expected from Euro 7
Americas	Declining Class 8 heavy duty cycle	Class 8 heavy duty cycle Additional unit per HD vehicle (CARB 2024)	GPF adoption (LEV III)
Asia	Additional units per HD vehicle (China VI and India VI)	Value per LD vehicle doubled (China 6) Thailand (Euro 5)	Further value expected from China 7, Japan Post JP18 and Thailand Euro 6
	Below prior year	**Mid single digit growth**	**Low single digit growth**

New legislation

Note: Growth 2018/19 to 2028/29 refers to operating performance. BEV: battery electric vehicle; GPF: gasoline particulate filter; CARB: California Air Resources Board; LEV: Low emission vehicle

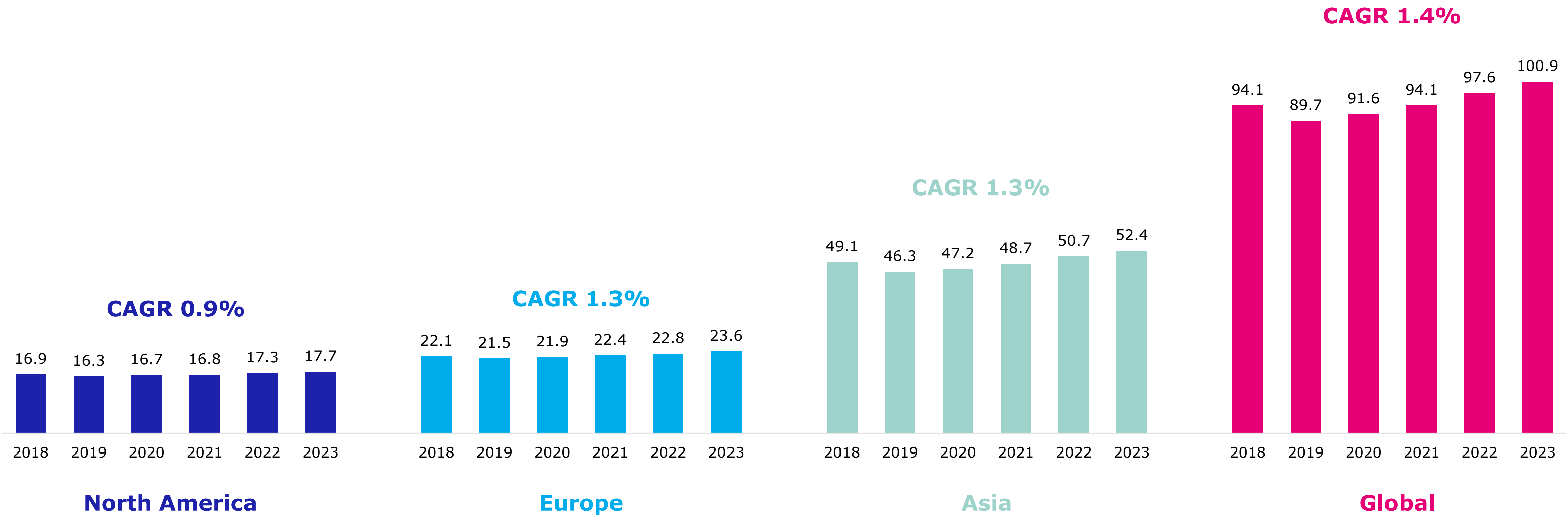
Light duty emissions control legislation roadmap



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Europe	EU 6b		EU 6c / Euro 6d temp				Euro 6d final / 95 g/km CO_2			EU 7?	
North America EPA	Tier 2		Tier 3 Phase In: NMOG + NOx, PM Tightening								
North America CARB	LEV III Phase In: NMOG + NOx, PM Tightening						LEV III Further Tightening				
Japan	JP09			JP18							
South Korea (Gasoline)	K-ULEV	K-ULEV 70					LEV III / 97g/km CO_2				
South Korea (Diesel)	EU 6b				EU 6c/ Euro 6d temp		Euro 6d final/ 97g/km CO_2			EU 7?	
China (Beijing & big cities)	BJ5 (EU 5)				China 6b non PN/ non RDE	China 6b non RDE			China 6b / RDE		
China (Nationwide)	China 4 (EU 4)		China 5 (EU 5)			China 6a					
India	BS3 (EU 3)		BS4 (EU 4)			BS6 (EU 6)			BS6 / RDE		
Indonesia (Gasoline)	EU 2				EU 4						
Indonesia (Diesel)	EU 2						EU 4				
Thailand	EU 4						EU5		EU6		

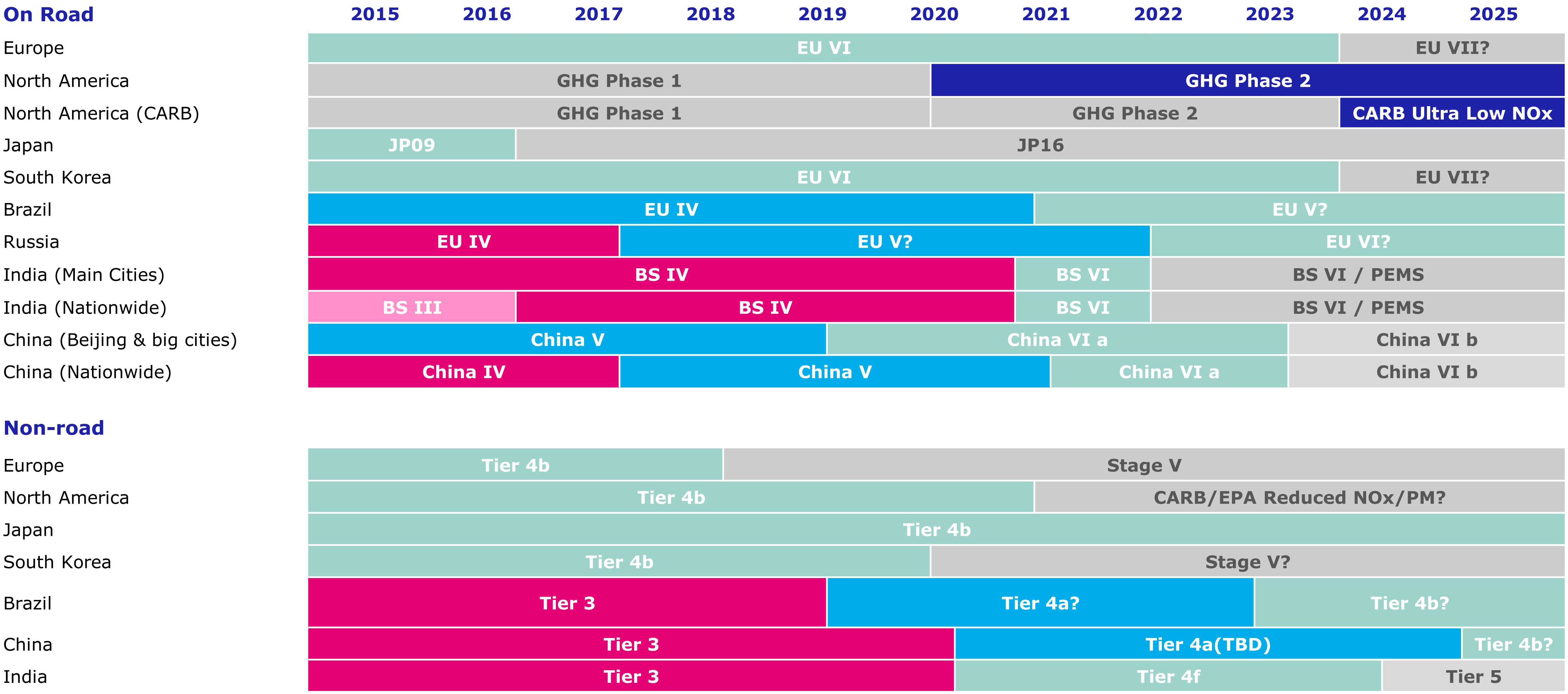
Global growth in vehicle production

Light duty vehicle production outlook (million)
Calendar years



Source: LMC Automotive (2019).

Heavy duty diesel emissions control legislation roadmap



On Road

Europe	EU VI	EU VII?	
North America	GHG Phase 1	GHG Phase 2	
North America (CARB)	GHG Phase 1	GHG Phase 2	CARB Ultra Low NOx
Japan	JP09	JP16	
South Korea	EU VI	EU VII?	
Brazil	EU IV	EU V?	
Russia	EU IV	EU V?	EU VI?
India (Main Cities)	BS IV	BS VI	BS VI / PEMS
India (Nationwide)	BS III	BS IV	BS VI BS VI / PEMS
China (Beijing & big cities)	China V	China VI a	China VI b
China (Nationwide)	China IV	China V	China VI a China VI b

Non-road

Europe	Tier 4b	Stage V	
North America	Tier 4b	CARB/EPA Reduced NOx/PM?	
Japan	Tier 4b		
South Korea	Tier 4b	Stage V?	
Brazil	Tier 3	Tier 4a?	Tier 4b?
China	Tier 3	Tier 4a(TBD)	Tier 4b?
India	Tier 3	Tier 4f	Tier 5

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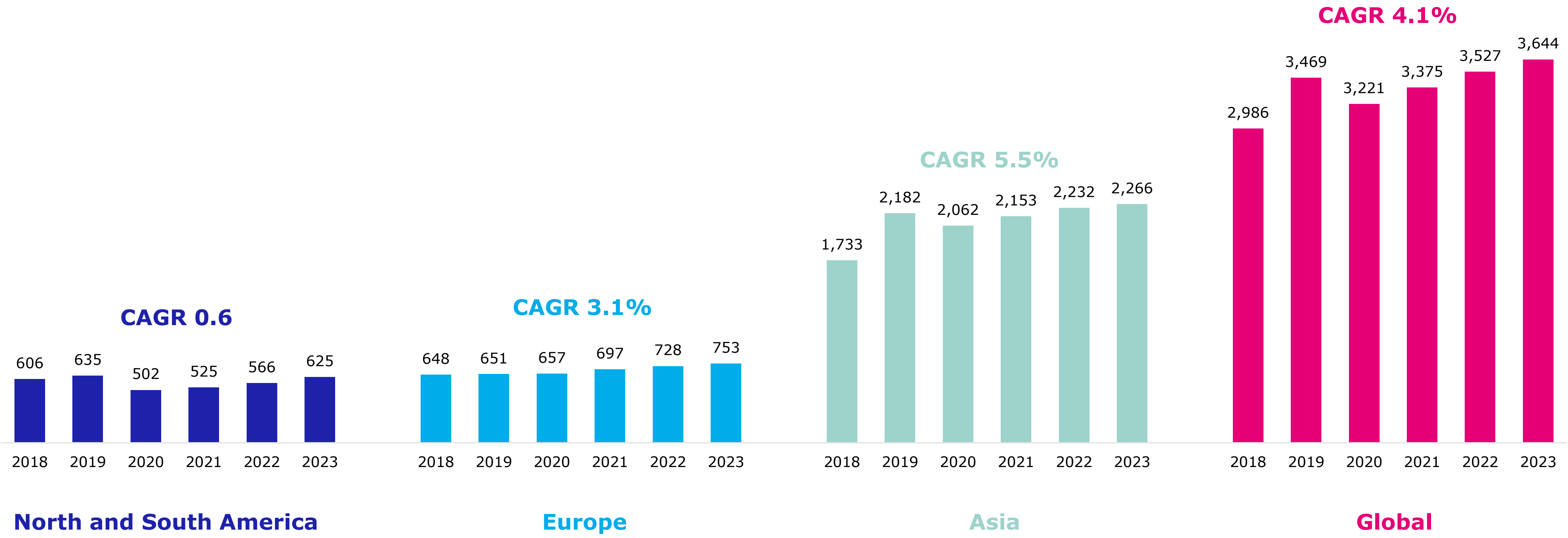
Heavy duty diesel vehicle production (regulated engines)

Heavy duty diesel vehicle (regulated engines) production outlook (thousands)
Calendar years



Source: LMC Automotive (2019). JM estimates for proportion regulated.

Health: generics and innovators pipeline to deliver an additional c.£100m operating profit per year by 2025

Number of generic and innovator products by expected launch date and value¹ (Total products: 75)

1. Size of bubbles proportional to number of products.
2. Current pipeline as at September 2019.
3. New applications already launched are part of base and therefore not included in £100m operating profit by 2025.

Battery Materials: bringing a viable product to market

Achievements | **On track to deliver**

Today

Pilot plant operational

First UK application centre operational

First commercial plant progressing

2020

Further application and testing capacity

2022

Commercial plant, up to 10kt

Sufficient for c.100k pure battery electric vehicles

2024

Supplying platforms

£50m spend to date

£300m[1] spend remaining

Ongoing work as we consider options to scale up

Note: Includes capex and capitalised development of £280m and operating expenditure of £20m.