

Johnson Matthey
Inspiring science, enhancing life

Presentation of results for the six months ended 30th September 2017

21st November 2017

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.

Our strategy to deliver sustained growth and value creation



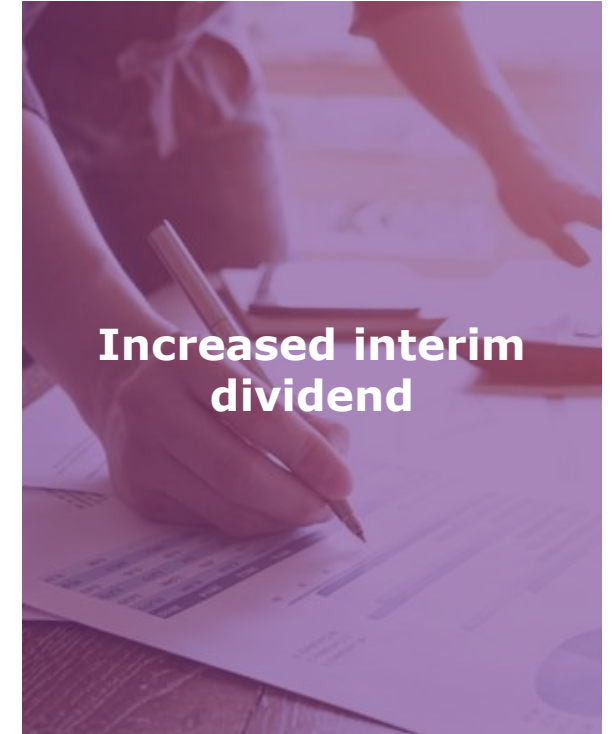
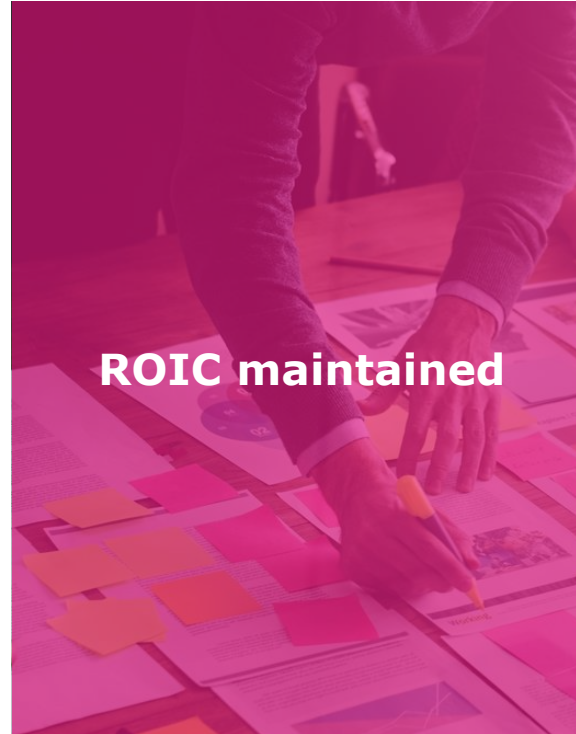
Driving attractive returns:

Expanding
ROIC
to 20%

Mid to high
single digit
EPS CAGR

Progressive
dividend
policy

H1 in line with expectations, full year outlook confirmed



Driving attractive returns



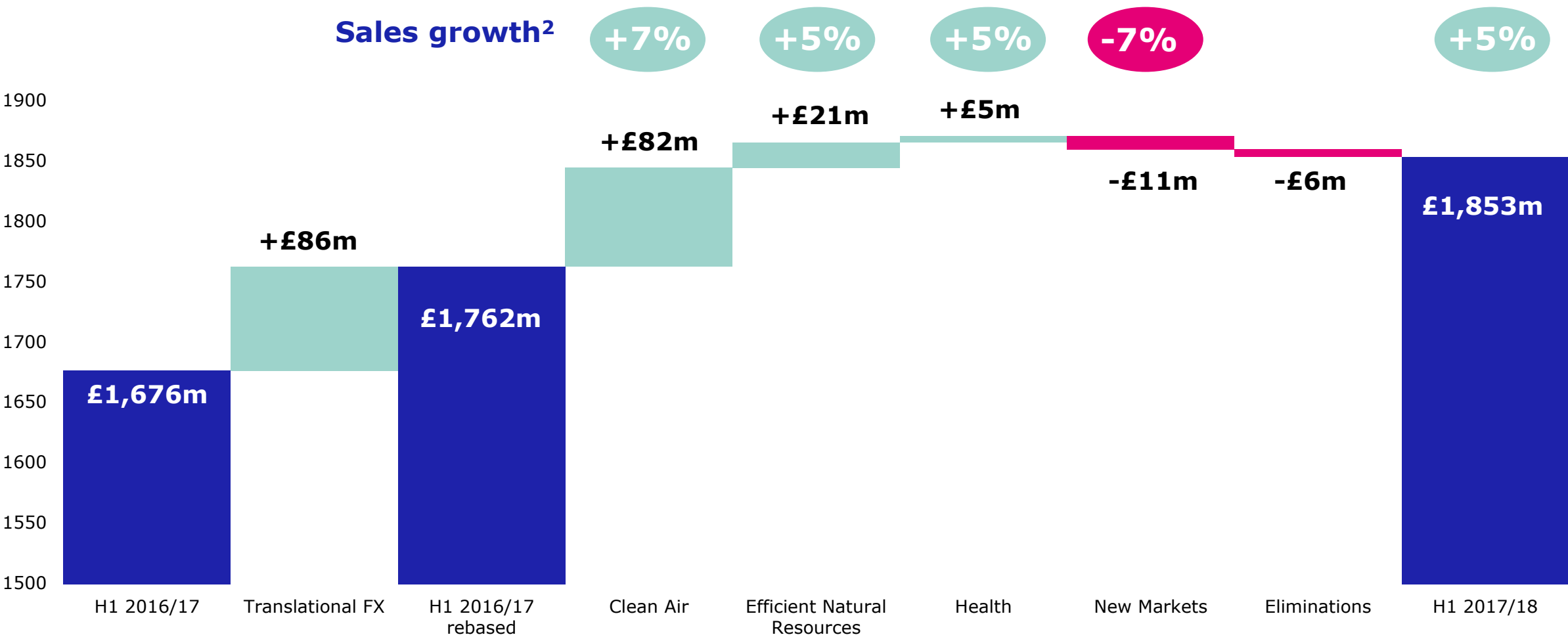
Anna Manz
Chief Financial Officer

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Performance in line with expectations

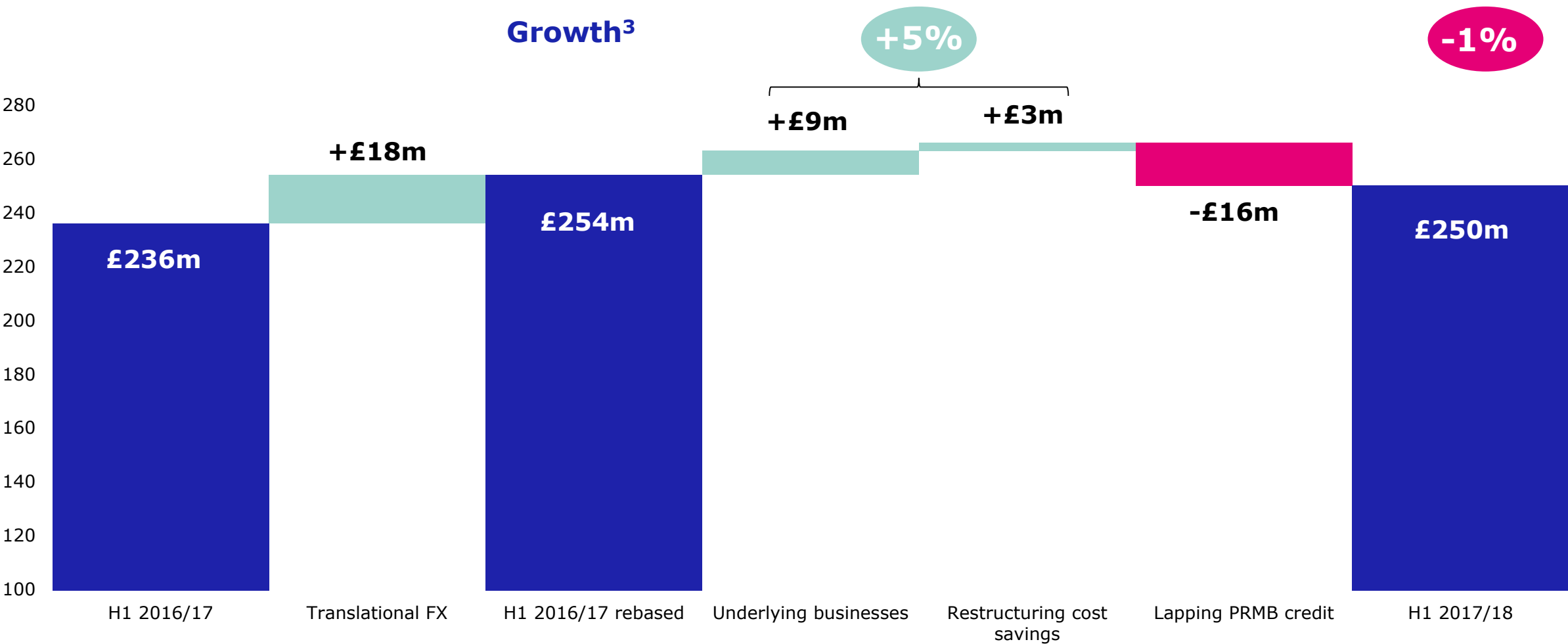
Underlying results for half year ended 30th September ¹	2017 £m	2016 £m	% change	% change, constant rates
Sales excluding precious metals	1,853	1,676	+11	+5
Operating profit	250	236	+6	-1
Finance charges	(16)	(16)	-	
Profit before tax	233	220	+6	-
Taxation	(42)	(35)	+18	
Profit after tax	192	185	+4	
Earnings per share	99.8p	96.4p	+4	
Ordinary dividend per share	21.75p	20.5p	+6	

On track to deliver full year sales¹ growth guidance of around 6%



1. Excluding precious metals
2. At constant rates

Operating profit¹ performance in line with sales growth excluding PRMB²



1. Before amortisation of acquired intangibles, major impairment and restructuring charges, profit or loss on disposal of businesses, significant tax rate changes and, where relevant, related tax effects

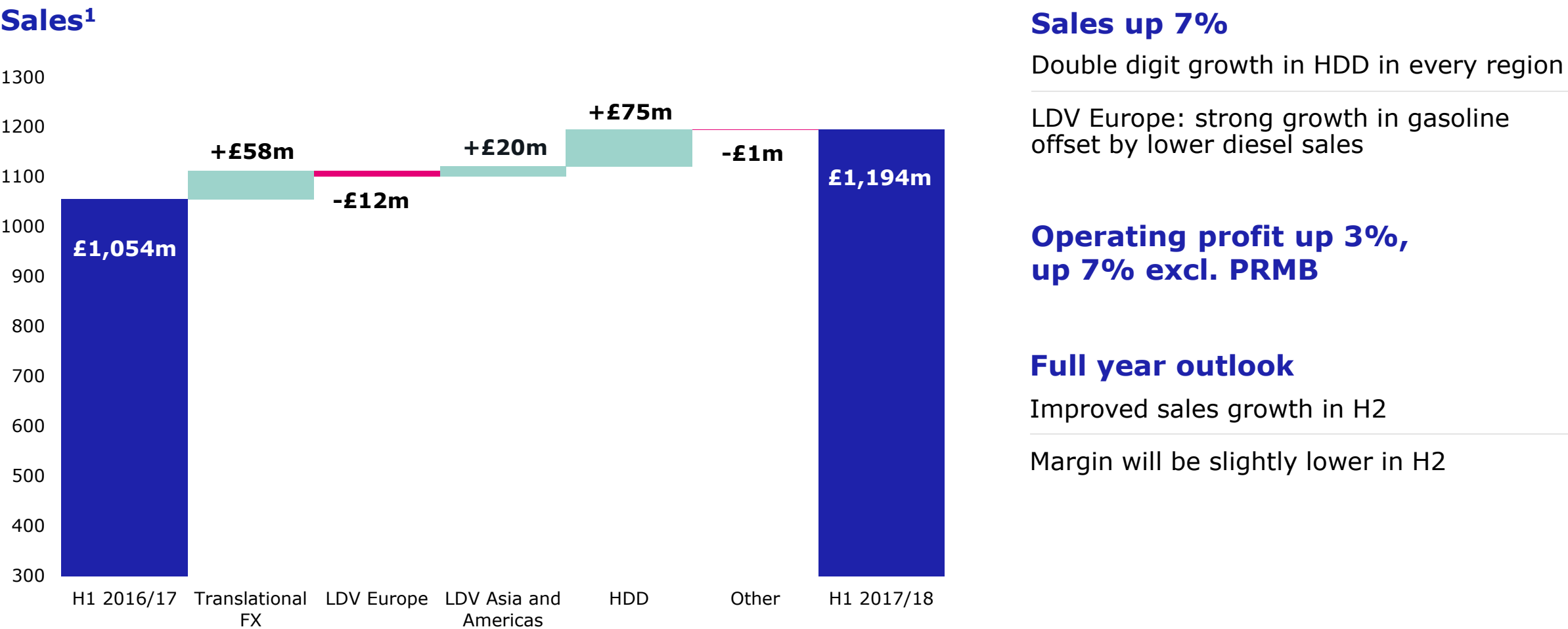
2. H1 2016/17 included a £15.6 million credit in relation to the implementation of an inflation cap in the US post-retirement medical benefit (PRMB) plan

3. At constant rates

Profit growth impacted by comparison against PRMB¹ last year

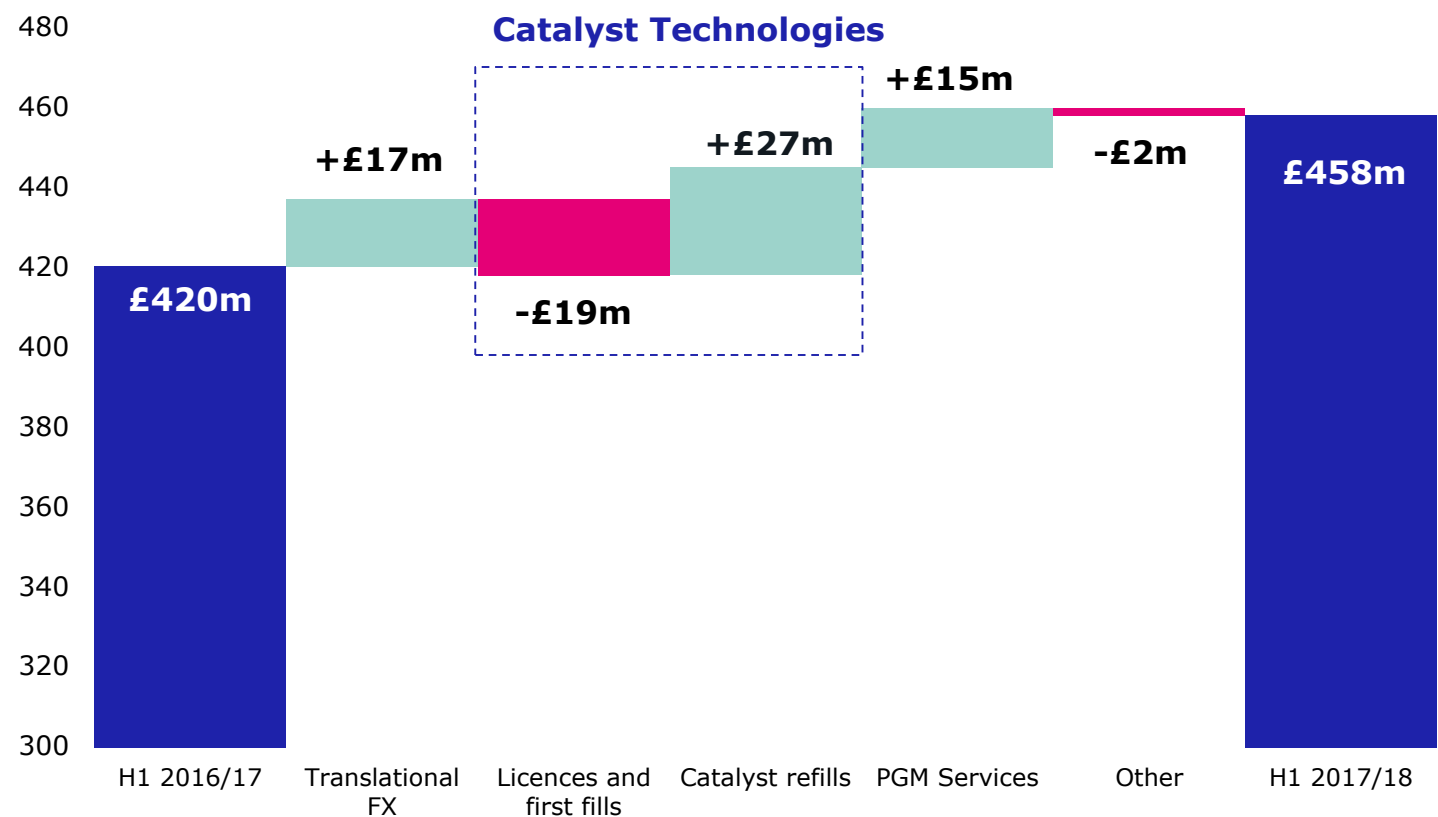
	Year on year sales growth, at constant rates (%)	Year on year operating profit growth, at constant rates excl. PRMB (%)	Year on year margin movement, excl. PRMB (ppts)
Clean Air	+7	+7	+0.2
Efficient Natural Resources	+5	-4	-1.1
Health	+5	+12	+1.5
New Markets	-7	+135	+4.3
Corporate		-23	
Johnson Matthey	+5	+5	+0.3

Clean Air: Strong sales growth led by double digit growth in HDD



Efficient Natural Resources: Improved sales growth but lower margin in Catalyst Technologies

Sales¹



Sales up 5%

Strong catalyst refill sales

Decline in licensing income and first fill catalysts

Strong performance in PGM Services

Operating profit down 10%, down 4% excl. PRMB

Decline driven by Catalyst Technologies

More than offset £5m benefit from higher pgm prices

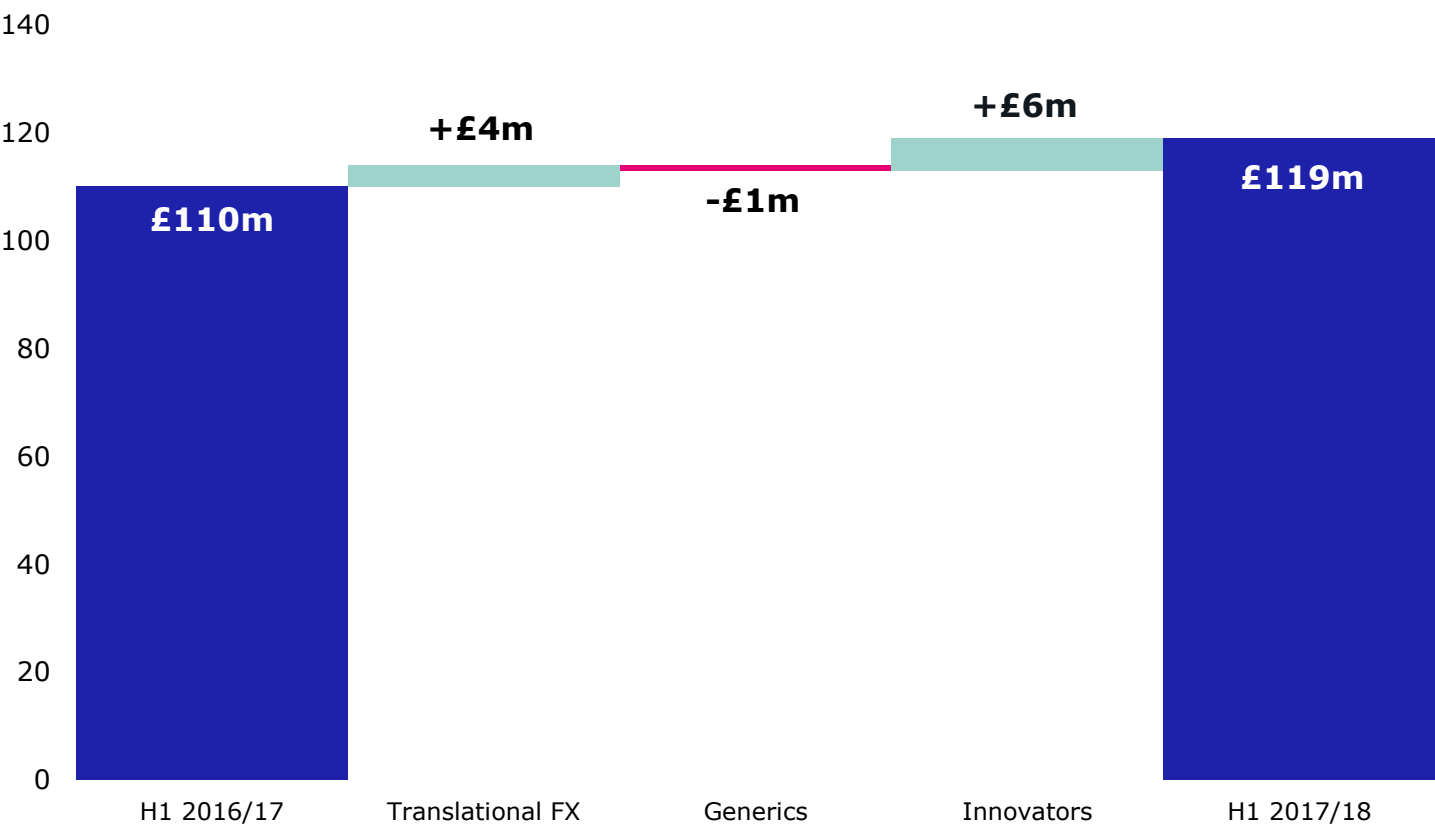
Full year outlook

Some margin improvement in H2

Expect full year operating profit to be lower than last year

Health: Good performance benefiting from investment to build our pipeline

Sales¹



Sales up 5%

Strong contribution from dofetilide

Expected lower sales of ADHD APIs

Strong growth in Innovators

Operating profit flat, up 12% excl. PRMB

Benefited from improved pricing

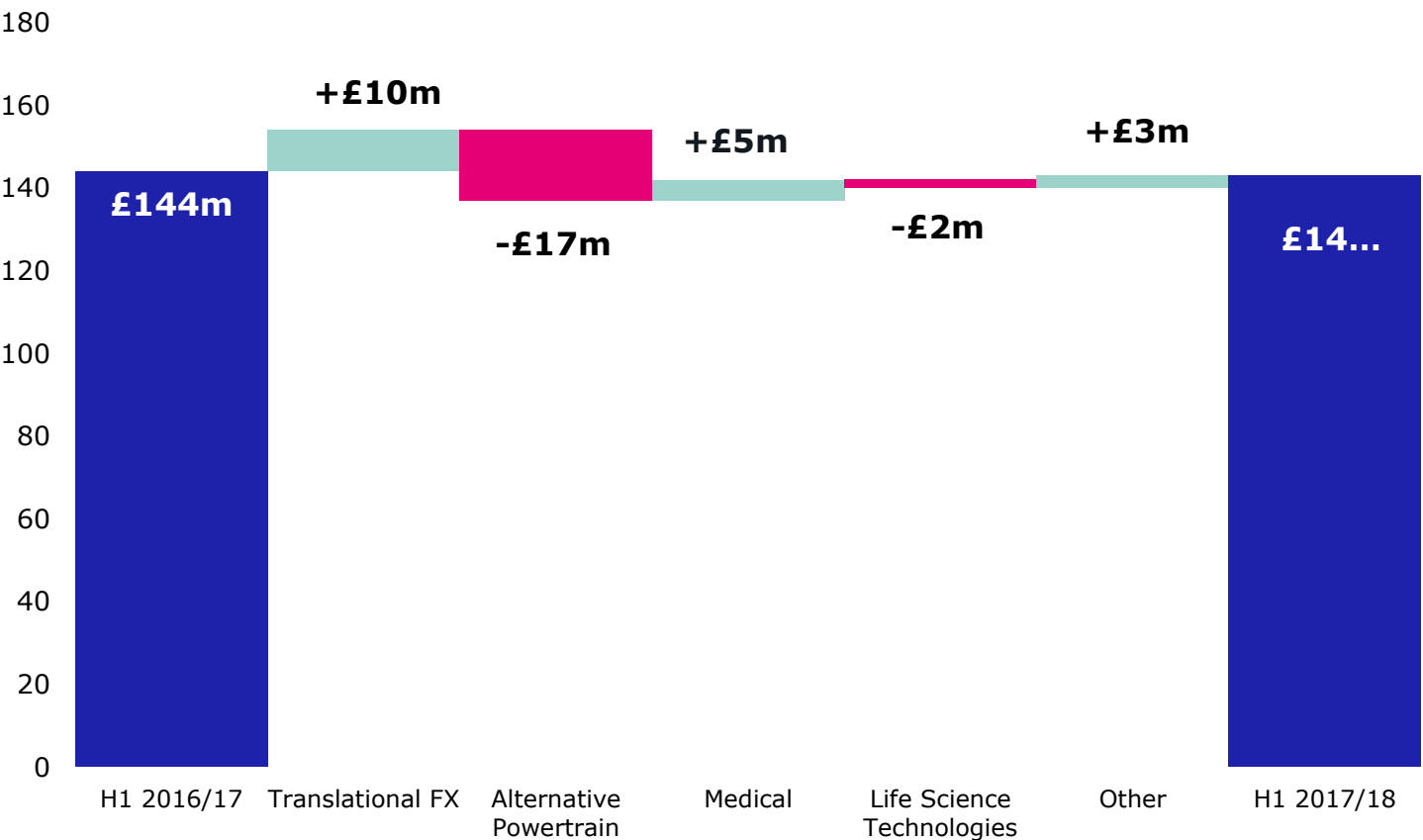
Full year outlook

Improved sales growth in H2

Operating profit broadly flat

New Markets: Strong profit performance despite anticipated LFP decline

Sales¹



Sales down 7%

Weaker LFP sales

Strong sales growth in Fuel Cells and Medical Device Components

Operating profit up 55%, up 135% excl. PRMB

Improvements in Fuel Cells and Medical Device Components

Full year outlook

Stronger H2 sales growth

Improved profitability in H2

Higher tax rate impacted EPS growth

Half year ended 30th September ¹	2017 £m	2016 £m	% change	% change, constant rates
Sales excluding precious metals	1,853	1,676	+11	+5
Operating profit	250	236	+6	-1
Finance charges	(16)	(16)	-	
Profit before tax	233	220	+6	-
Taxation	(42)	(35)	+18	
<i>Tax rate</i>	<i>17.9%</i>	<i>16.1%</i>		
Profit after tax	192	185	+4	
Earnings per share	99.8p	96.4p	+4	
Ordinary dividend per share	21.75p	20.5p	+6	

Restructuring charges impact reported results

Half year ended 30th September	2017 £m	2016 £m	% change
Underlying operating profit	250	236	+6
Amortisation of acquired intangibles	(10)	(10)	
Major impairment and restructuring charges	(19)	-	
Reported operating profit	222	227	-2
Reported profit before tax	205	210	-3
Reported earnings per share	87.9	92.7	-5

Continued reduction in non precious metal working capital days but metal price increases led to higher working capital

Free cash flow (£m)

Half year ended 30th September	2017	2016
Underlying operating profit	250	236
Depreciation and amortisation ¹	77	75
Net working capital outflow ²	<div> <div>pm³ (156)</div> <div>non pm (91)</div> <div>other (17)</div> </div> ← (264)	(159)
Net interest paid	(18)	(18)
Tax paid	(45)	(33)
Capex spend	(81)	(108)
Other	(10)	5
Free cash flow	(90)	(2)

1. Excluding amortisation of acquired intangibles and restructuring impairments

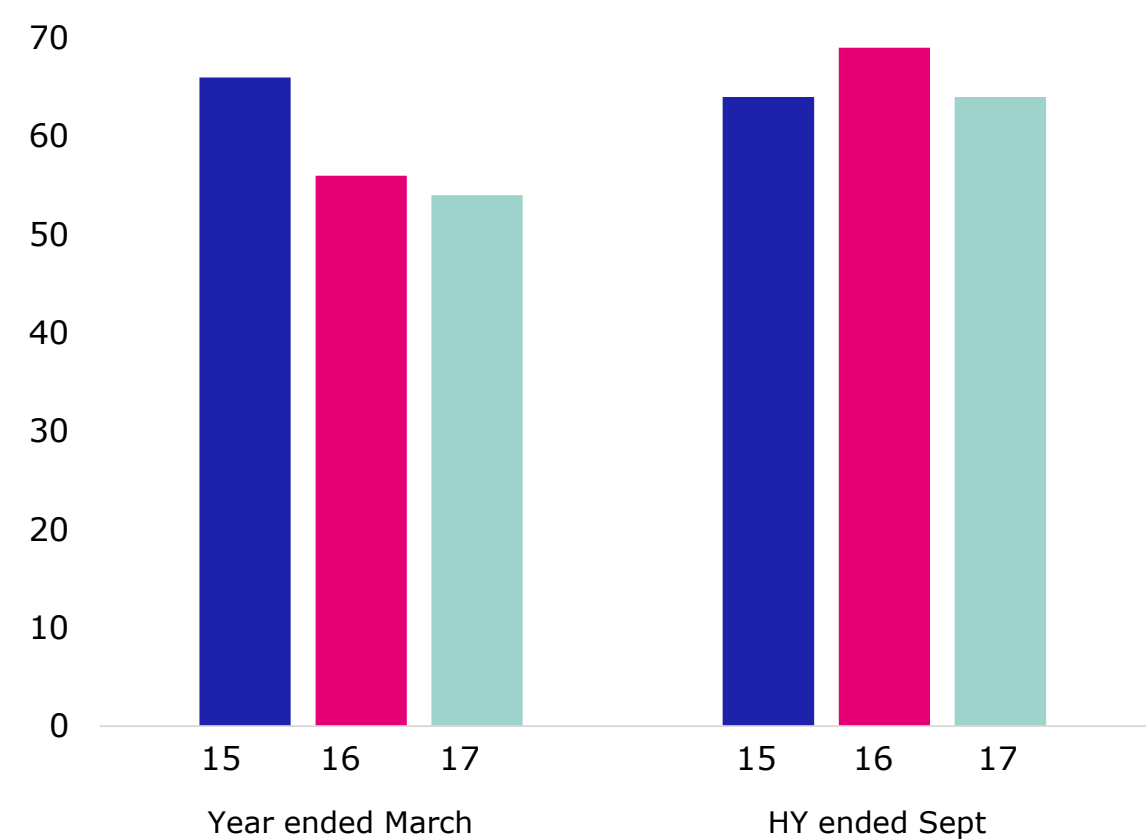
2. Includes movements in provisions

3. Precious metal

Tables do not cast due to rounding

Improved focus is leading to continued reduction in non precious metal working capital days

Working capital days¹



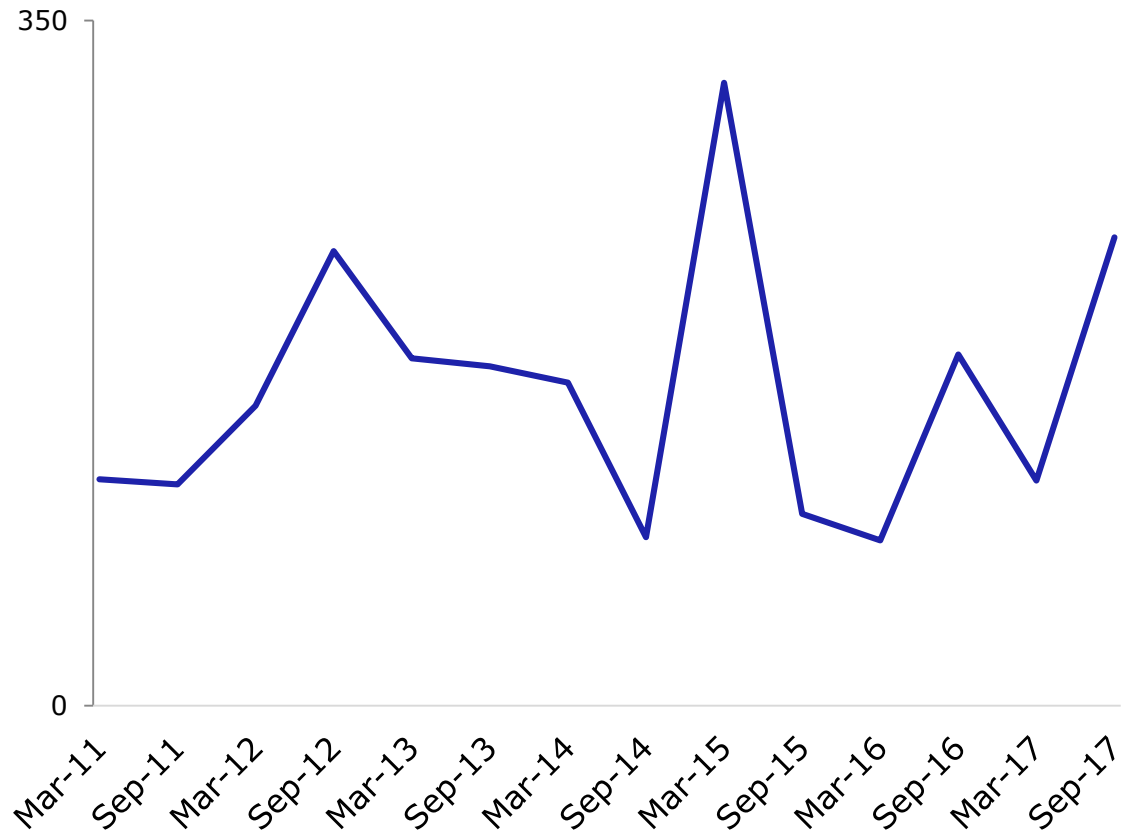
Non pm working capital increased by £91 million

5 day reduction in working capital days¹ compared to H1 16/17

6 day average improvement year to date

The volatility of metal prices impacts working capital

Precious metal (pm) inventory (£m)



Pm working capital increased £156 million, mainly in pm inventory

Impact from changes in pm market

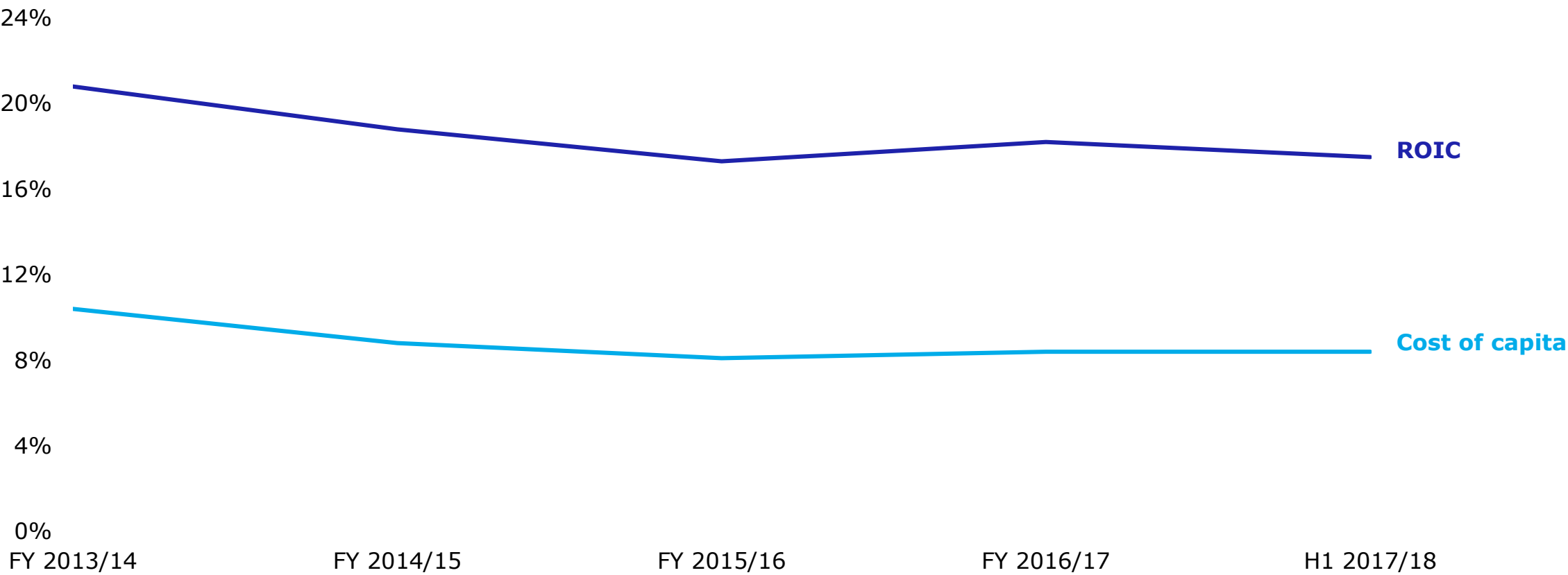
Pm management a key competitive advantage

Strong balance sheet, net debt¹ to EBITDA 1.4 times

	£m	£m
Net debt at the beginning of the year		(716)
Free cash flow	(90)	
Dividends	(105)	
Other	(3)	
Movement in net debt before FX		(198)
Net debt before FX		(913)
FX		22
Net debt at the end of the period		(891)

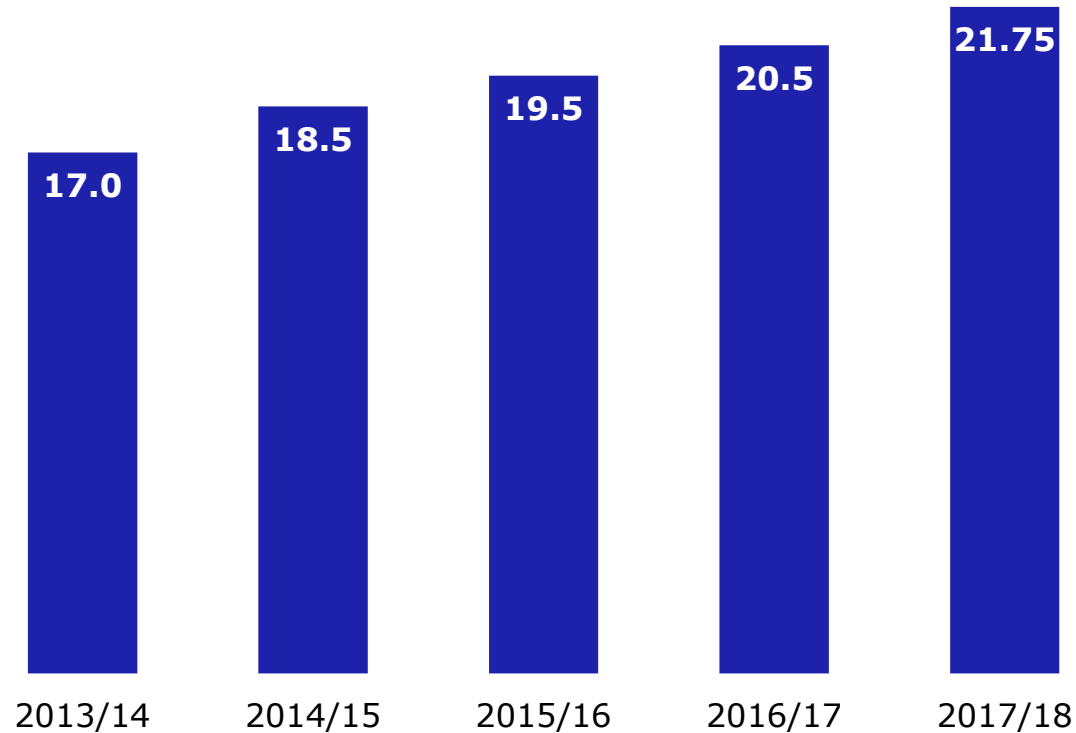
ROIC maintained

ROIC and cost of capital



Interim dividend increased 6%

Interim dividend per share (pence)



- **Supported by current performance:**
 - Improved sales growth
 - Delivering cost savings
 - Impact of lapping PRMB benefit on reported results
 - Mitigated level of pension cost increase and reinvested this reduction to strengthen the business
- **And confidence in medium term outlook for the group**

Full year guidance confirmed

Stronger H2 sales growth to deliver full year growth of around 6% at constant rates

Restructuring benefit of £10m in the full year with an annualised benefit of £25m

Improved operating performance offset by lapping PRMB

Working capital days¹ between 50 and 60

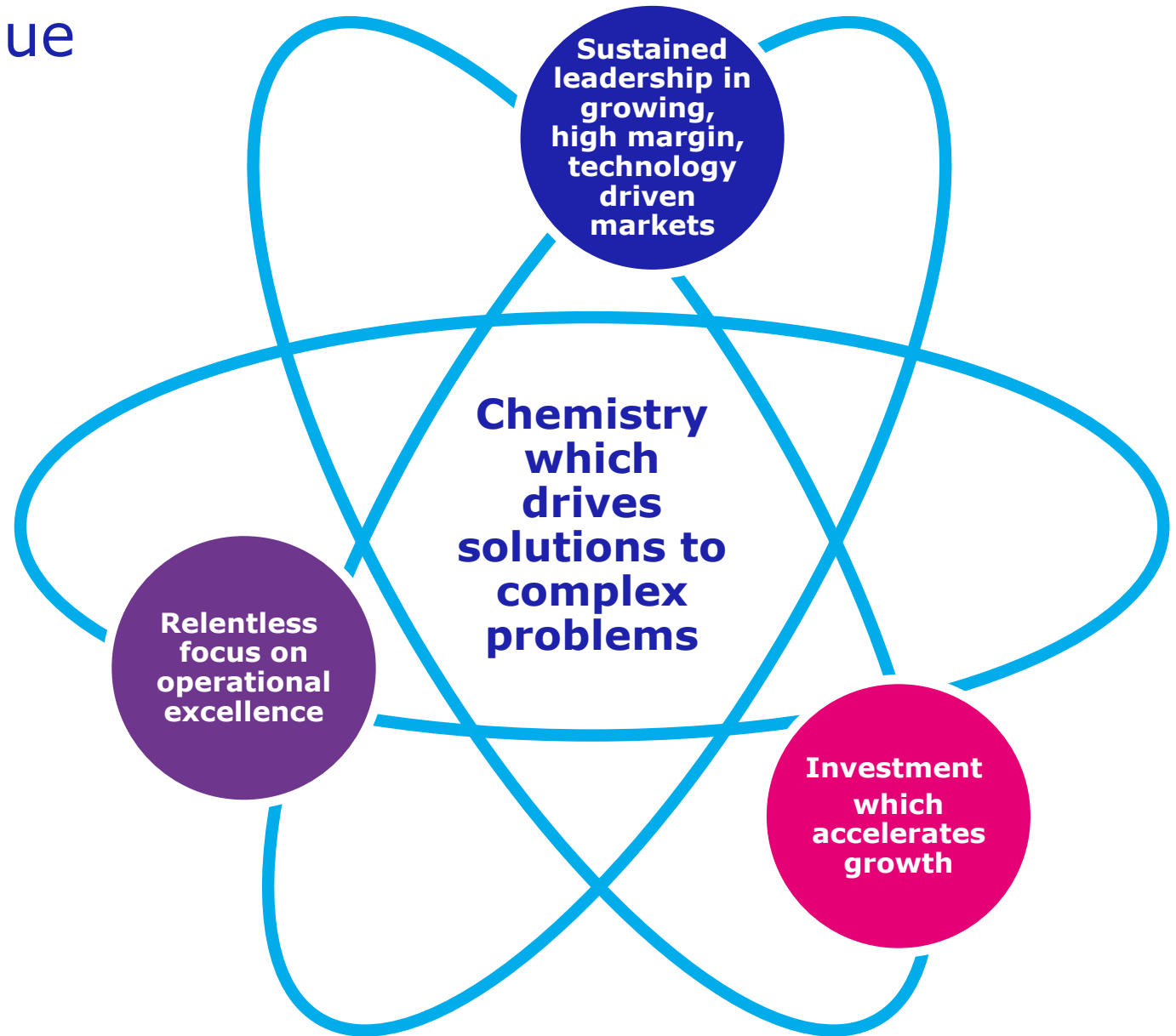
Capex £285m, 1.8x depreciation



Robert MacLeod
Chief Executive

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Sustained growth and value creation through:



Our strategy to deliver sustained growth and value creation



Driving attractive returns:

Expanding
ROIC
to 20%

Mid to high
single digit
EPS CAGR

Progressive
dividend
policy

Sustained growth and value creation through:



**Sustained
growth in
Clean Air**



**Break out growth
in Health and
Battery Materials**



**Market leading
growth in Efficient
Natural Resources**



**Relentless focus
on driving
efficiency**

H1 progress: continued leadership and investing for future growth

Leadership supports growth

Continued leadership in HDD across the world

European diesel share gains start to come through in H2

Investing for future growth

New plant in Poland

Early investment in new China plant

Tightening regulation

First sales of Euro 6c systems, shift to RDE systems

Sustained growth in Clean Air



Our strategy will deliver consistent value creation from a global leader

Europe Light Duty

- In short term, we grow strongly from substantial share gains
- Broadly flat over 10 years absorbing decline in diesel share of market and BEV penetration

Americas Light Duty delivers consistent growth

Asia transforms in scale

Sustained growth in global Heavy Duty driven by legislation in Asia

Operational efficiency supports margin and ROIC

Mid single digit sales CAGR over next decade

**Sustained growth
in Clean Air**



H1 progress: Strengthening our platform

Outperformance in some market segments

Refill catalysts and PGM Services outperforming market

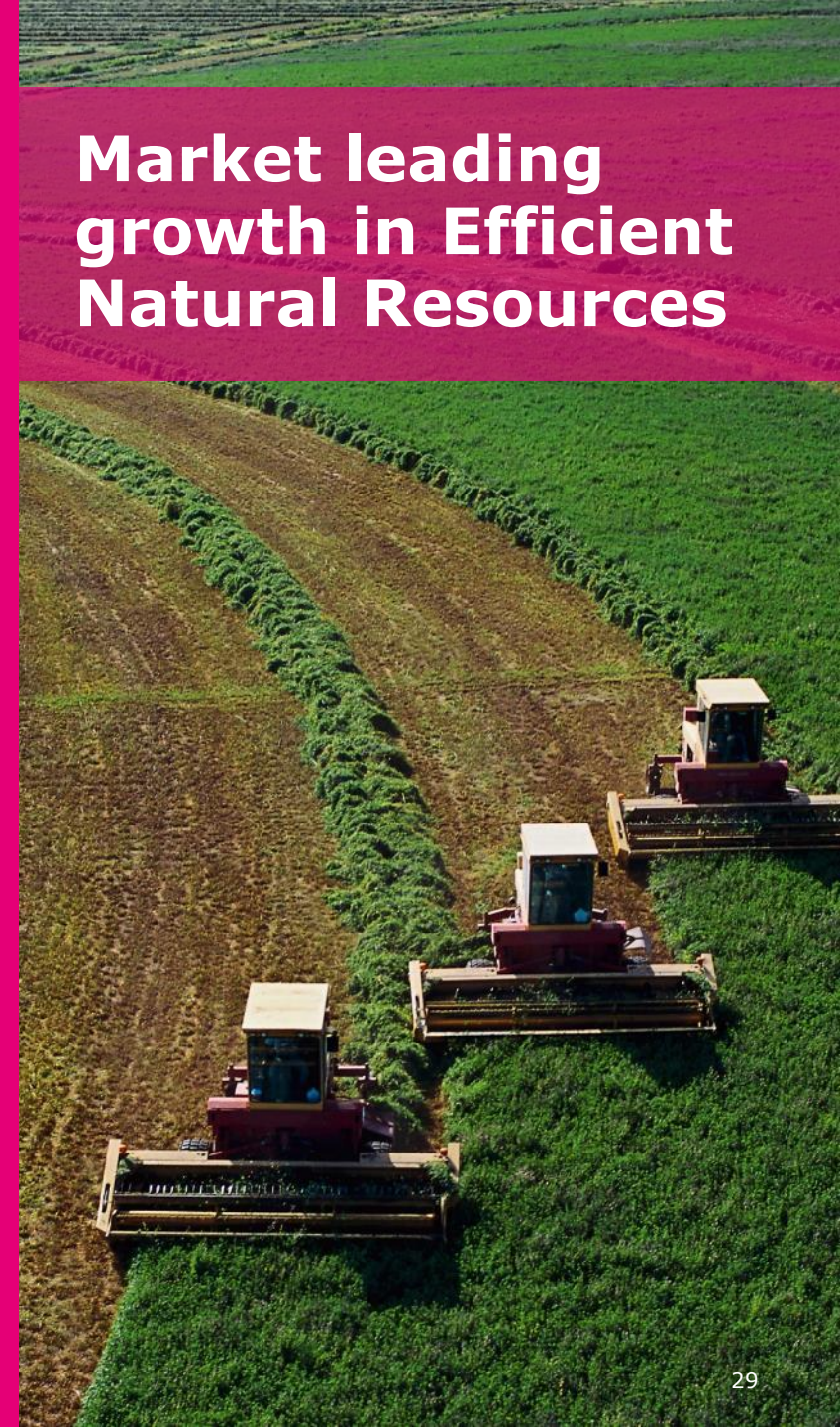
Improving operational efficiency

Continued investment in our refineries

More to do in other areas of our business

£12m of annualised cost savings planned, c.£5m benefit in H2

**Market leading
growth in Efficient
Natural Resources**



Our strategy will deliver outperformance in targeted, growth segments

#1 or #2 market positions in almost all our segments

Differentiated investment by segment and region to maximise growth

Margin retention in lower growth markets

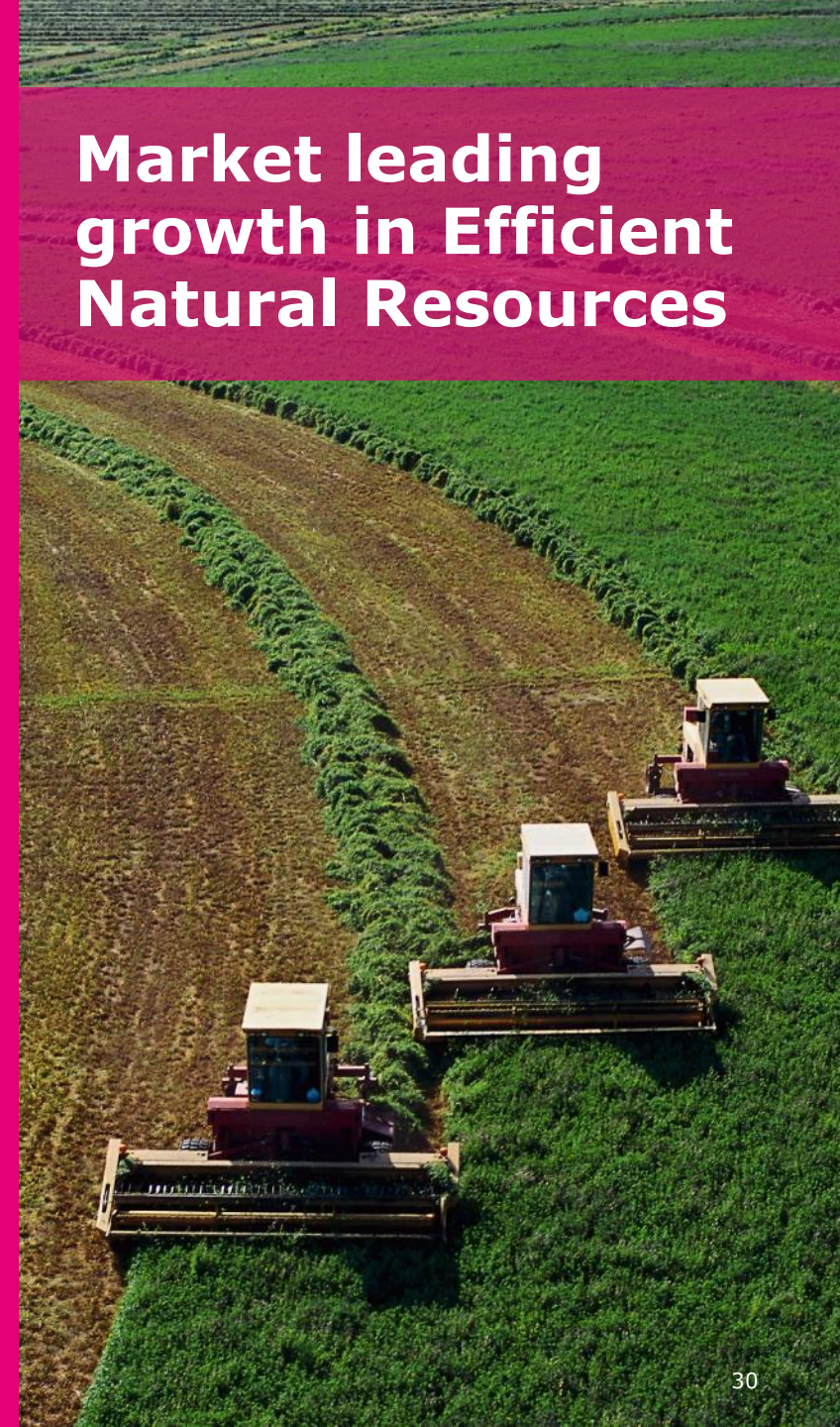
Focused investment in R&D to maintain and extend technology leadership

Deliver additional value through focus on efficiency

Explore long term growth opportunities

Sales growth at 1% above the market (excl. PGMS)
and operating profit 1% above sales growth

**Market leading
growth in Efficient
Natural Resources**



H1 progress: development in line with our plans

Expanding our product portfolio

£8m spend in H1 to continue Generic pipeline build

Additional regulatory filings made, in line with our plans

Improving existing facilities

Development of Annan site

Reorganisation of our business

Better address generic and innovator markets

**Break out growth
in Health**



Our strategy will deliver break out growth

Operate in a growing, \$40bn segment

Expertise for both Innovator and Generics companies

Portfolio of successful products but that portfolio is not yet at scale

Ramped up our investment to broaden pipeline from 2014

Generic pipeline to add £100m of operating profit per annum by 2025

Sales growth from 2019/20 will be double-digit with margin reaching the high 20%s

Break out growth in Health



H1 progress: significant progress in development of our eLNO battery material

eLNO has market leading performance characteristics

Step change in energy density

Efficient thrifting of cobalt

Building manufacturing capability

Started investment in pilot plant

Early design work for planned £200m investment

Early commercial progress

Testing with six customers, performance validated



Break out growth in Battery Materials

Our strategy will deliver break out growth

Wide portfolio of battery materials

Strong position in the value chain

Developed best-in-class high energy battery materials with our eLNO material

eLNO delivers a step change in performance

Investment of c.£200m from mid-2018 to manufacture up to 10,000 metric tons from FY21/22

Expect to be on automotive platforms in production from 2021/22



Break out growth in Battery Materials

Efficiency will drive further improvements across the group

Started restructuring programme to deliver £25m savings

Releasing £50m of cost over the next 3 years for reinvestment and margin expansion

- Upgrading core IT systems
 - Building out procurement function
-

Continued progress in non-precious metal working capital management



Relentless focus on driving efficiency

Sustained growth and value creation



**Be one of the best performing, most trusted and
admired speciality chemicals companies in the world**



Appendix

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)	BJ5 (EU 5)			China 6a			China 6b			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		

Heavy duty diesel emissions control legislation roadmap

On Road

On Road	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
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)	China V				China VI						
China (Nationwide)	China IV			China V			China VI				

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 (Beijing)	Tier 3		Tier 4a			Tier 4b?		
China (Nationwide)	Tier 3			Tier 4a				Tier 4b?
India	Tier 3				Tier 4f			



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