

CHIEF EXECUTIVE'S STATEMENT

Neil Carson
Chief Executive



Johnson Matthey's new manufacturing facility and technical centre in South Korea.

Johnson Matthey performed very well in 2007/08. Revenue and sales excluding precious metals were more than 20% up on last year at £7.5 billion and £1.8 billion respectively. Profit before tax and amortisation of acquired intangibles was 16% higher at £265.4 million.

All three of our divisions achieved good results. Our new Environmental Technologies Division increased its operating profit before amortisation of acquired intangibles by 20% to £147.3 million. Despite the slowdown in the US economy and the likely impact on the rest of the world, we believe that the division will continue to deliver strong growth over the next few years. The division's Emission Control Technologies (ECT) business performed very well with sales excluding the value of precious metals 32% up on last year. This performance was driven by strong growth in sales of catalysts for heavy duty diesel vehicles, diesel particulate filters in Europe and autocatalysts in Asia. The Process Technologies business also had a good year. Sales excluding the value of precious metals were 10% up with high energy prices continuing to underpin demand for our catalysts, purification materials and process technologies.

Precious Metal Products Division's operating profit was 20% up at £102.1 million. The division's Platinum Marketing and Distribution business achieved strong growth, benefiting from high platinum group metal (pgm) prices and good demand for the pgms. Its manufacturing businesses also saw good growth and high metal prices boosted demand for our pgm recycling services.

Our new Fine Chemicals & Catalysts Division achieved good growth in 2007/08. Sales rose by 13% and operating profit by 6% on a constant currency basis to £67.1 million. The division's Catalysts and Chemicals business was well ahead in Asia, particularly in China and India. The Pharmaceutical Materials businesses achieved steady growth and Research Chemicals also performed well, particularly in Asia.

The acquisition of Argillon Group, which was concluded in February 2008 following the receipt of German regulatory approval, is a further step in our strategy of long term investment. Argillon brings to the group leading catalyst technology to control emissions of oxides of nitrogen (NOx). Its products include catalysts for mobile and stationary emission control including heavy duty diesel vehicles, stationary diesel engines, marine applications and coal, oil and gas fired turbines for power generation. This acquisition has added to our portfolio of emission control technologies to meet increasingly challenging regulations to control harmful NOx emissions. With increasing concern about the effects of poor air quality on human health and the environment, legislation to control NOx emissions from an expanding range of sources will continue to tighten around the world.

Sustainability 2017

Johnson Matthey is a world leader in environmental technologies and with more than 50% of our profits generated by products that directly benefit the environment, sustainability is a key element of our strategy for the future growth of our business. Sustainability is fundamentally about the best long term way to run a business. It gives us the opportunity to be more profitable through being more careful with the world's resources. For Johnson Matthey there are two main sustainability thrusts. The first is about being more efficient with the resources that we use as a business, the cost of which will inevitably continue to rise, and the second is about designing new products that will help our customers to be more sustainable and competitive.

In December 2007 we launched Sustainability 2017, a long term vision for the whole group that is playing an important role in helping all of us at Johnson Matthey to set our direction and aspirations for what we want to achieve in the future. Our aims for Sustainability 2017 are to at least double our earnings per share whilst achieving zero waste to landfill, zero accidents and halving the key resources that we consume per unit output by 2017, the year marking the 200th anniversary of the founding of the company. This is the first time that we have set out a vision in this very important area and we wanted it to be challenging and long term. I know that every member of the Johnson Matthey team will rise to the challenge.

Outlook

Environmental Technologies achieved strong growth in 2007/08. We are currently seeing a slowdown in the US economy which might have an adverse effect on growth in the rest of the world. Despite this more difficult economic backdrop we still expect Emission Control Technologies to deliver another year of double digit growth in sales and profits. Global car sales are expected to grow, with weakness in the USA more than offset by growth in Asia, Eastern Europe and South America. In Europe, fitment of diesel particulate filters will also continue to rise ahead of the legislation. We expect sales of trucks to grow again in the USA in the second half of our financial year, particularly in the final quarter, partly as a result of pre-buying ahead of the introduction of the next level of emissions legislation. ECT's operating profit should also benefit from a continuation of the improved efficiencies achieved in the second half of 2007/08.

Our Process Technologies business is also experiencing strong demand, particularly for catalysts for synthesis gas, methanol, ammonia and hydrogen production. Prospects for Process Technologies are encouraging, driven by the very high oil price and the need to make cleaner and more sophisticated hydrocarbon products from dirtier and more intractable feedstocks.

Precious Metal Products Division enjoyed strong growth in 2007/08, benefiting from buoyant trading conditions in platinum group metals and good growth in its manufacturing businesses. If the current favourable market conditions continue we expect the division to show further growth in 2008/09. Fine Chemicals & Catalysts should deliver another year of steady growth. Many of the markets in which the division operates, such as generic pharmaceuticals, are unlikely to be particularly adversely affected by a general economic slowdown.

Overall, the group should continue to perform well in 2008/09. Although Johnson Matthey is not immune to the effects of a recession, prospects for all our businesses are good, particularly for Environmental Technologies where global concerns about pollution, climate change and making the most efficient use of energy resources will continue to create significant opportunities for future growth.



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