

# BUSINESS REVIEW

## Operations – Precious Metal Products Division

	Year to 31st March			% at constant rates
	2009 £ million	2008 £ million	% change	
Revenue	5,016	4,688	+7	–
Sales excluding precious metals	314	307	+2	-8
Operating profit	119.7	102.1	+17	+9

### Description of the Business

Precious Metal Products Division is organised into five businesses:

#### *Platinum Marketing and Distribution*

The business consists of our worldwide platinum marketing and distribution activities. Marketing is headquartered in Royston, UK with support facilities in Philadelphia, USA and Hong Kong. We are the world's leading distributor of platinum group metals (pgms) and the sole marketing agent for Anglo Platinum, the world's largest producer of platinum.

#### *Noble Metals*

Noble Metals produces a wide range of precious metal and other fabricated products for industrial and medical applications. Johnson Matthey is the market leader in pgm fabricated products for industrial applications. Manufacturing takes place in the UK and USA.

#### *Pgm Refining and Recycling*

Our Pgm Refining and Recycling business includes the recovery of pgms from spent catalysts and other secondary materials and refining primary pgms from global mining operations. We have facilities in the UK and USA.

#### *Colour Technologies*

Headquartered in the Netherlands, our Colour Technologies business manufactures black obscuration enamels and silver conductive materials for automotive glass. It also makes colours, enamels and decorative precious metal products for other glass applications such as bottles and architectural glass as well as for tableware and other ceramic applications. Manufacturing takes place in the Netherlands, USA and South Korea.

#### *Gold and Silver*

Gold and Silver comprises our gold and silver refining and bullion manufacturing operations. The business serves the world's mining industries and recycles secondary scrap material. Gold and silver refining operations are located in the USA and Canada.

### Key Statistics

Return on sales excluding precious metals	38.1%
Return on invested capital (ROIC)	81.8%
Capital expenditure	£14.7m
Capex / depreciation	0.9 times
Average invested capital	£146m
Employees	1,895

### Performance in 2008/09

Precious Metal Products Division's revenue increased by 7% to £5,016 million, boosted by higher prices for platinum group metals in the first half of the year. Sales excluding the value of precious metals were 2% up at £314 million benefiting from favourable exchange translation. At constant currency rates sales excluding precious metals fell by 8% with demand for products sold to the automotive industry declining in the second half. Operating profit grew by 17% to £119.7 million. Translated at constant exchange rates operating profit grew by 9%, with all the growth in the first half of the year.

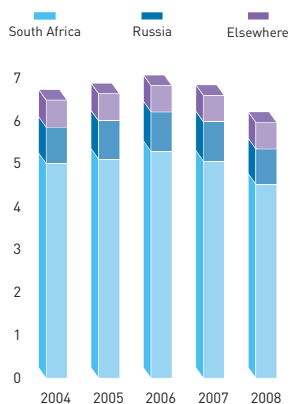
### Platinum Marketing and Distribution

Profits in our Platinum Marketing and Distribution business increased in turbulent market conditions with very strong growth in the first six months of the year. Global demand for platinum fell by 5% in the calendar year 2008. Demand for platinum in autocatalysts decreased by 8%, depressed by the global slowdown in car production in the second half of the calendar year. Some support for demand came from rising car production in China and from tightening legislation in Europe which encouraged greater use of platinum rich particulate filters on passenger cars. Net demand from jewellery manufacturers also declined for the year as a whole as high platinum prices in the first half of the year encouraged the recycling of old jewellery. However, the much lower price of platinum in the second half of the year saw a significant recovery in jewellery demand, particularly in the key Chinese market.

Despite recent investment, mine supplies of platinum declined, with continuing production problems in South Africa affecting all the major producers. The fall in production outweighed the fall in demand, resulting in an increased supply / demand deficit.

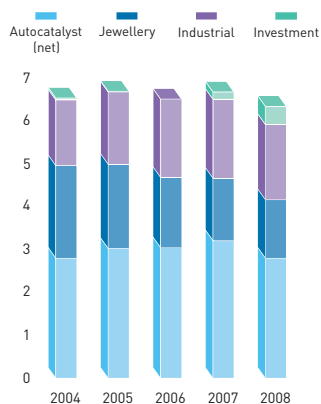
Supply of Platinum 2004-2008

Million oz



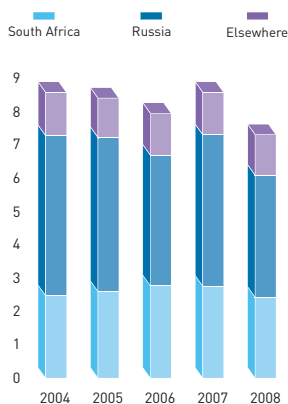
Demand for Platinum 2004-2008

Million oz



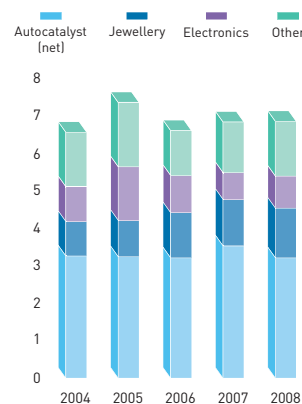
Supply of Palladium 2004-2008

Million oz



Demand for Palladium 2004-2008

Million oz



The price of platinum declined rapidly in the first half of the financial year from near record levels in April 2008 to a low point in October when the price had more than halved. Fears of sharply falling demand as the global economy faced deep recession led to a widespread liquidation of commodities from which platinum was not excluded, in spite of a relatively favourable supply / demand balance. Platinum started the year at \$2,192/oz in April, just below its record high, but averaged only \$1,380/oz for the year as a whole.

Palladium demand increased slightly in calendar year 2008. Falling demand from the US autocatalyst market was broadly balanced by increases in other regions, particularly Asia. Demand from the jewellery sector increased as recycling of old stock diminished and investment demand from physically backed Exchange Traded Funds also increased. Palladium supplies fell by 15% as primary production and sales from Russian state stocks both declined. This resulted in a sharply reduced supply / demand surplus.

The palladium price reached its peak for the year in June at \$475/oz, but could not escape from the general fall in prices that also overtook platinum. The average price for the year of \$295/oz was 23% lower than in 2007/08.

The correction in the price of rhodium was even more dramatic, having reached a record price of \$10,100/oz in June. Falling demand from the autocatalyst sector in the second half of the year seriously weakened the relatively small but volatile market for rhodium. By November the price had fallen below \$1,000/oz, recovering slightly in the remainder of the year to average \$4,851/oz for 2008/09 as a whole.

#### Noble Metals

Our Noble Metals business had a successful year. Demand for fabricated pgm products for industrial applications remained strong throughout most of the year, although our US operation's sales were slower in the final quarter. The market for catalysts to control emissions of nitrous oxide, a powerful greenhouse gas, grew quickly in 2008/09 and we were able to establish a market leading position. Further growth is expected in the coming year.

Demand for medical products produced at our three sites in California, USA remained strong as our customers launched new products into the cardiovascular sector:

#### Pgm Refining and Recycling

Pgm Refining and Recycling generated good results during 2008/09 assisted by high pgm prices and strong intakes in the first half. However deliveries in the second half fell, particularly in the important autocatalyst scrap sector, due to lower metal prices and the knock-on effect from the slowdown in new car sales. Ongoing work on process improvements delivered further reductions in the amount of pgms held in the refining circuit. The business contributed around 15% of the division's operating profit in 2008/09 but is expected to be much weaker in 2009/10 if current market conditions continue.

#### Colour Technologies

Colour Technologies had a difficult year with a marked slowdown in activity in the second half. Demand from the automotive glass industry for obscurant enamels and conductive inks was well down. However, we maintained our reputation for product innovation by successfully commercialising a range of new products during the year. These included low bismuth enamels with very high chemical durability, new environmentally friendly decorative precious metal products for tableware applications and a range of fire retardant products for a newly developing market.

#### Gold and Silver

The division's Gold and Silver business enjoyed an excellent year as record gold prices boosted flows of secondary and primary materials for refining. Whilst revenue and profits were well ahead of previous year, the business was also able to improve metal throughput times which resulted in a significant reduction in metal holdings.