

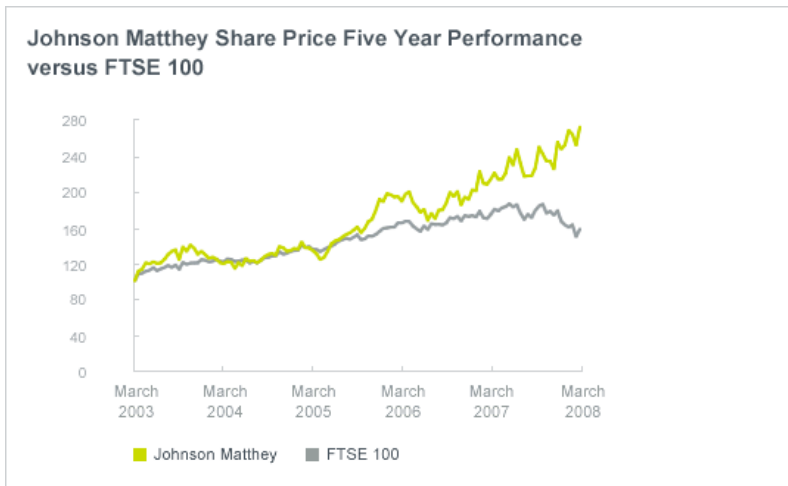
Financial

Financial viability is a key element of sustainability. We are a listed company and we have a fundamental obligation to be profitable. We cannot be sustainable as a business if we are not financially strong and meeting the needs of our shareholders. Continued growth in profits is an important aspiration of our Sustainability 2017 Vision and we have set a target to more than double our earnings per share by 2017.

For us, being more sustainable makes good financial sense. The two major thrusts of our vision are about being more efficient with the resources we use and designing new products that help our customers to be more sustainable. Using less resources as a business will save us money. It will enable us to maintain or improve our margins and allow us to invest more in R&D and infrastructure. Designing innovative new products for our customers will allow us to maintain or strengthen our competitive position in the markets we serve today and benefit from the growth opportunities in emerging markets within the sustainability sector.

In terms of financial performance, 2007/08 was another good year for Johnson Matthey. We continued to build on our strong position in environmental technologies and we are seeing the benefit of the investments made over many years in research and development and in manufacturing facilities to serve growing markets around the world. Johnson Matthey should continue to perform well in 2008/09. Although we are not immune to the effects of a recession, prospects for all our businesses are good, particularly for our Environmental Technologies Division where global concerns about pollution, climate change and making the most efficient use of energy resources will continue to create significant opportunities for growth.

[Read more about our financial performance](#)



Underlying EPS
up **9%**

Dividend per share
up **9%**

Our Performance

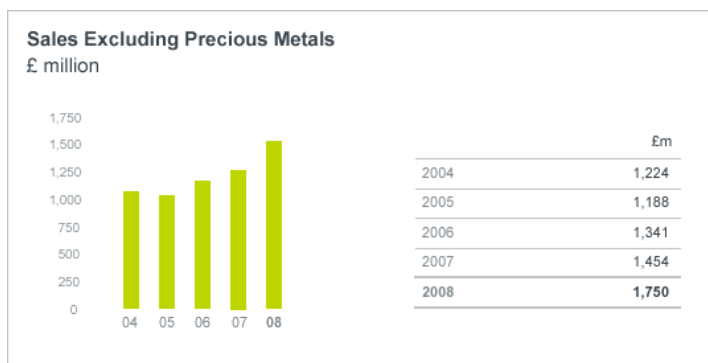
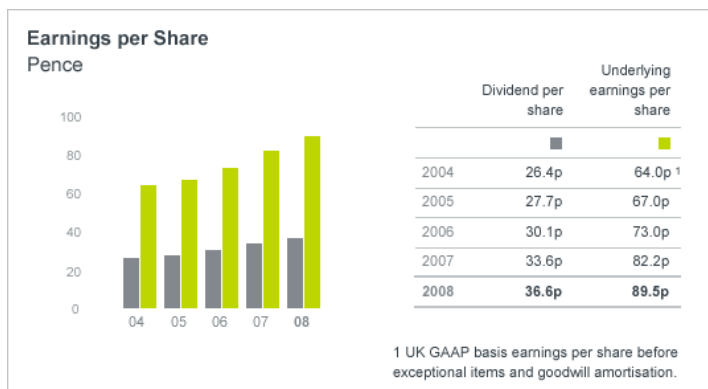
Johnson Matthey performed very well in 2007/08. Revenue and sales excluding precious metals were more than 20% up on last year at £7.5 billion and £1.8 billion respectively. Profit before tax and amortisation of acquired intangibles was 16% higher at £265.4 million.

	Year to 31st March		% change
	2008	2007	
Revenue	£7,499m	£6,152m	+22
Sales excluding precious metals	£1,750m	£1,454m	+20
Profit before tax	£262.3m	£226.5m	+16
Total earnings per share	88.5p	96.9p	-9
Underlying*:			
Profit before tax	£265.4m	£229.3m	+16
Earnings per share	89.5p	82.2p	+9
Dividend per share	36.6p	33.6p	+9

*Before amortisation of acquired intangibles and profit on sale of Ceramics Division.

In 2007/08 underlying earnings per share were 89.5 pence, 9% up on 2006/07. Total earnings per share were 88.5 pence, 9% below 2006/07 which included the profit on sale of Ceramics Division. Over the five years from 2003/04, underlying earnings per share have grown at a compound annual rate of 9% p.a.

In accordance with our policy of increasing dividends in line with earnings, a final dividend of 26.0 pence will be paid taking the total for the year to 36.6 pence, a 9% increase on 2006/07. Over the last five years dividends have also grown at a compound annual rate of 9%, in line with earnings.



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. Precious Metal Products Division's operating profit was 20% up at £102.1 million and our new Fine Chemicals & Catalysts Division achieved good growth with sales up 13% and operating profit up 6% on a constant currency basis at £67.1 million.

Divisional Operating Profit ¹

£ million



	2007 £m	2008 £m
■ Environmental Technologies	122.9	147.3
■ Precious Metal Products	85.3	102.1
■ Fine Chemicals & Catalysts	64.2	67.1

¹ Before amortisation of acquired intangibles.

The acquisition of Argillon Group, which was concluded in February 2008, is a further step in our strategy of long term investment. The acquisition complements our existing technology for controlling harmful emissions of oxides of nitrogen (NOx) from both mobile and stationary sources. 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.

Read more about Johnson Matthey's financial performance in our [Annual Report](#).



Profit before tax (and
amortisation of acquired
intangibles)

up **16%**

Sales excluding
precious metals

up **20%**

Underlying EPS

up **9%**

Our Strategy and Objectives

Johnson Matthey's strategic intent is to achieve consistent growth in earnings by concentrating on the development of high added value products and services in areas where our expertise provides a competitive edge, particularly in catalysis, precious metals, fine chemicals and process technology.

The group's financial objectives are:

- To continue to achieve consistent and above average growth in underlying earnings per share.
- To grow dividends in line with underlying earnings while maintaining dividend cover at about two and a half times to ensure sufficient funds are retained to support organic growth.
- To deliver a return on investment above the group's cost of capital. We estimate Johnson Matthey's post tax cost of capital is currently about 8% (11.3% pre-tax). In addition we have a long run pre-tax target rate for the group of 20%.

The board's strategies to achieve these financial objectives are:

- Focus the business on the group's core skills in catalysis, precious metals, fine chemicals and process technology.
- Position the group in growth markets where our core skills are applicable. Catalysis is a key technology in many developing markets for the 21st century, particularly those concerned with protecting the environment such as in emission control, cleaner fuel, more efficient use of hydrocarbons and the hydrogen economy. Environmental Technologies Division, which combines our skills in catalysts and process technology, is well positioned to serve these emerging markets. Catalysis is also important in the manufacture of fine chemicals where Johnson Matthey has a number of strong niche market positions. Johnson Matthey's expertise and international strength in precious metals, particularly platinum group metals, were the starting point for many of our businesses. The market for platinum has grown steadily for many decades and demand is expected to grow significantly over the next ten years.
- Differentiate ourselves by using our world class technology. We will continue to invest significantly in research and development to develop new products and manufacturing processes. Technology is the key driver for most of our businesses and Johnson Matthey has a strong science base with technical centres located in all our major markets.
- Maintain strong relationships with our major customers, suppliers, government bodies and other stakeholders by investing resources on joint projects to ensure the group is well positioned for future market development.
- Continue to invest in Johnson Matthey's employees to ensure they are well trained, motivated and encouraged to meet the challenges of the future.
- Ensure the business is run in a sustainable way by using resources efficiently, minimising waste in our manufacturing processes and designing new products that help our customers to be more sustainable and competitive.

