

Financial

Financial viability is a key element of sustainability. Continued growth in profit 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.

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.

We have started to evaluate the monetary savings realised to date in our businesses through implementation of their Sustainability 2017 plans. Early indications suggest savings in the region of up to £10 million have been achieved so far with similar savings projected for 2009/10 and beyond. Some examples of how these savings are being delivered in our businesses are given in the Case Studies section. Over the coming years we will continue to make more robust evaluations of the financial benefits of our sustainability programme.

Read more about our financial performance



Revenue

up **5%**



Underlying EPS

up **0.1 pence**

7.5%

growth in underlying
EPS since 2004/05

Our Performance

Johnson Matthey performed well in 2008/09, which was very much a year of two halves. A record first half performance was followed by very difficult market conditions in the second half of the year, especially for our Emission Control Technologies business which was impacted by the effects of the credit crunch and collapse in consumer confidence on automotive markets, particularly in North America and Europe. Our non-automotive businesses, however, held up well. For the year as a whole, revenue rose by 5% to £7.8 billion and sales excluding precious metals were up 3% at £1.8 billion. Profit before tax, amortisation of acquired intangibles and restructuring charges was up 1% at £267.9 million.

Financial Summary

	Year to 31st March		
	2009	2008	% change
Revenue	£7,848m	£7,499m	+5
Sales excluding precious metals	£1,797m	£1,750m	+3
Profit before tax	£249.4m	£262.3m	-5
Total earnings per share	82.6p	88.5p	-7
Underlying*:			
Profit before tax	£267.9m	£265.4m	+1
Earnings per share	89.6p	89.5p	-
Dividend per share	37.1p	36.6p	+1

* Before amortisation of acquired intangibles, restructuring charges and profit on disposal of businesses.

Underlying earnings per share increased by 0.1 pence to 89.6 pence. Total earnings per share were 82.6 pence, 7% below 2007/08, as a result of increased amortisation charges and the cost of closure of our fine chemical facility in Ireland. Over the five years from 2004/05, underlying earnings per share have grown at a compound annual rate of 7.5% p.a.

It is Johnson Matthey's policy 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. Dividend cover may vary from the long term target to enable the group to maintain dividends at a consistent level. A final dividend of 26.0 pence (unchanged from 2008) will be paid making a total dividend for the year of 37.1 pence, an increase of 1%. Cover for 2008/09 would be 2.4 times. The overall percentage increase in the dividend for the full year is slightly greater than the growth in underlying earnings per share as a result of the 5% increase in the interim dividend. Over the five years from 2004/05, dividends have grown at a compound annual rate of 7.6% p.a.



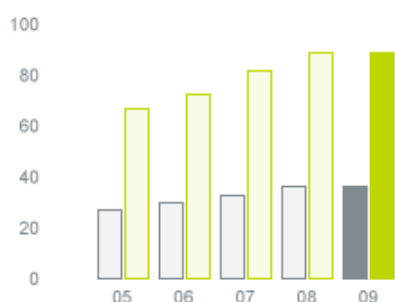
Revenue
up **5%**

Sales excluding
precious metals
up **3%**

Underlying profit
before tax
up **1%**

Earnings Per Share

Pence

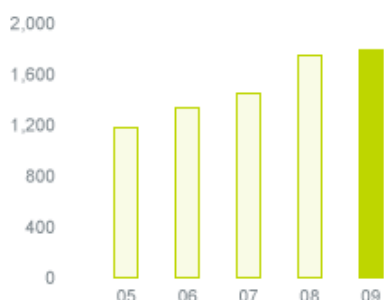


	Dividend per share	Underlying earnings per share
2005	27.7p	67.0p
2006	30.1p	73.0p
2007	33.6p	82.2p
2008	36.6p	89.5p
2009	37.1p	89.6p

Sales excluding the value of precious metals rose by 3% to £1,797 million. Once again, all the growth came in the first half of the year when sales were 10% ahead, followed by a 4% drop in the second half. The fall reflected substantially lower autocatalyst demand from October 2008 onwards, partly offset by good sales of non-automotive products. Translated at constant exchange rates, revenue for the year fell by 2% and sales excluding precious metals were 5% lower.

Sales Excluding Precious Metals

£ million



	£m
2005	1,188
2006	1,341
2007	1,454
2008	1,750
2009	1,797

Underlying operating profit (before amortisation of acquired intangibles and restructuring charges) was 1% higher than last year at £298.5 million. Exchange translation was favourable with sterling falling significantly against most major currencies. Translated at constant rates underlying operating profit would have been 7% down on last year.

Environmental Technologies Division's underlying operating profit was 16% down at £124.3 million. On a constant currency basis the division was 22% below prior year. Emission Control Technologies' operating profit fell sharply in the second half of the year as car manufacturers reduced their purchases of autocatalysts in response to the global fall in car sales. The division took action to reduce costs which benefited operating profit. Process Technologies achieved good growth in operating profit with increased sales of catalysts and purification materials. Precious Metal Products Division's operating profit rose by 17% to £119.7 million. At constant exchange rates, the operating profit was 9% up with all the growth achieved in the first half of the year. Fine Chemicals & Catalysts' underlying operating profit increased by 8% to £72.8 million as a result of favourable exchange translation. On a constant currency basis, underlying operating profit was 1% down on 2007/08. [Click here for further details of the performance of the individual divisions.](#)

Divisional Operating Profit¹

(£ million)



	2009	2008
■ Environmental Technologies	124.3	147.3
■ Precious Metal Products	119.7	102.1
■ Fine Chemicals & Catalysts	72.8	67.1

¹ Before amortisation of acquired intangibles and restructuring charges.

Despite the difficult market conditions that we currently face, the medium to long term prospects for our businesses continue to hold a great deal of promise. The legislative drivers of our business remain firmly in place and the world continues to focus on protecting the environment, improving efficiency and on enhancing energy security, all areas where we have key enabling technologies. We are also well positioned to grow in Asia, the one part of the world where national economies are expected to be least impacted by the current global downturn. Over the last few years we have been investing in infrastructure and building our market shares in Asia. Our businesses in the region, particularly in China, have achieved good growth. All of our divisions now have a well established presence in the key Chinese and Indian markets to serve growing local demand for our high technology products.

Read more about Johnson Matthey's financial performance in our Annual Report.

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. Dividend cover may vary from the long term target to enable the group to maintain dividends at a consistent level.
- 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 8.2% (11.5% 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, was 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.

