

COLOURS & COATINGS

The Colours & Coatings Division is organised into three market facing sectors: Structural Ceramics serving the tile, sanitaryware and related construction markets; Glass serving specialised applications in the automotive, architectural and container glass markets; and Speciality Coatings supplying the tableware and plastics industries as well as a range of niche markets for pigments and surface coatings. All business sectors serve the full range of international markets and the division has a presence in all major geographical regions, with main production sites in Spain, the Netherlands, Italy, Brazil, UK, Malaysia, India, China and the USA.

Fiscal year 2002/03 has seen the completion of the rationalisation of the division's activities announced in January 2002, the principal element of which was the closure of its major UK site at Meir in North Staffordshire. Production capacity has been relocated to other sites both within the UK and in Europe. This project has been a great success, considerably reducing the cost base of the division and allowing the operations to sharpen their focus on the structure and needs of the markets that they serve.

Structural Ceramics

The Structural Ceramics sector is focused on the production and marketing of base products including frits, colours and glazes. Primarily located in the major tile producing areas of Italy and Spain, the business continues to expand in the key developing markets of Asia and South America. Structural Ceramics achieved sales in line with 2001/02 despite continued fragile conditions in its principal European markets. Margins improved during the year, partly due to the strength of the euro but also through an improved product mix, with good growth in sales of higher added value products. Consequently, the business achieved encouraging growth in operating profits.

The first phase of Structural Ceramics' new, state of the art frit manufacturing facility in Spain is now fully operational. A new frit manufacturing plant was completed in Brazil during the year and is already producing benefits through improved margins. A new colours manufacturing plant has been added in Spain to serve demand following the closure of the Meir factory and additional capacity also added in Italy. Prospects for the future focus on continued expansion in Northern Asia and increased opportunities from growing markets in Eastern Europe.

Glass

The Glass sector chiefly supplies glass enamels, liquid precious metals and other coating materials for a wide range of applications onto glass. With manufacturing and marketing based in the Netherlands, the sector reaches all major markets through a centrally administered sales and distribution network. During the year the business' sales grew substantially despite flat market conditions. New improved product ranges introduced during the year, including recyclable, lead free products, have been well received by customers around the world. The business has also seen expansion into new geographic markets particularly in the Middle East and Latin America, which contributed to strong revenue growth. Operating profits were ahead of last year.

Following last year's successful completion of the Glass masterplant expansion programme at Maastricht, 2002/03 has seen a continued focus on improvements in manufacturing processes. While major markets, such as automotive, are expected to remain relatively flat, continuous new product development and investment in new technology provides an encouraging outlook for the Glass sector.

Speciality Coatings

Speciality Coatings serves two broad market segments: the surface coatings and plastics industries, to which it supplies pigments and pigment dispersions, and the tableware market, which consumes its pigments, glazes, decorative precious metals and decals. The market for finished tableware has been relatively flat in recent years. However, the value of the market for decorative materials for tableware has been declining due to the continuing trend towards casual dining which has resulted in the predominance of less highly decorated, lower cost tableware. The outlook for the tableware industry in Stoke-on-Trent, which remains the highest margin market for the business, continues to look particularly bleak and the decision to close the major UK site at Meir was taken last year in response to this. Following the closure of Meir, the business is leaner and more focused on the requirements of the industry and profits have improved as a result. The pigments and dispersions area achieved good growth in both sales and profits during the year. Further expansion is underway in pigments with investment in a new plant for Micraflo® products and further state of the art production facilities for cadmium pigments.

Turnover

2003

£256m

2002

£253m

Operating Profit

2003

£28.5m

2002

£25.5m





RESEARCH & DEVELOPMENT

The Colours & Coatings Division continues to place great emphasis on the development of new products. Research and development, both into fundamental chemistry and product development, is key to growth and increased margins and thus the future profitability of the division's businesses. To this end considerable resources are dedicated to R&D both at the Johnson Matthey Technology Centre at Sonning Common and at the division's major European facilities in the Netherlands, Italy, Spain and in the UK.

This research structure continues to deliver innovative solutions for the market with new products and processes being developed based on the application of novel material technologies. This year these have included recyclable glass enamel systems, novel pigments based on new chemical compounds and new screen printable liquid gold products. A number of exciting opportunities are nearing conclusion and management are keenly aware of the importance of keeping the pipeline of research and product development charged and driven by market opportunities.

Colours & Coatings
Division produced a
strong performance in
2002/03 with operating
profits 12% up on prior
year at £28.5 million.