

CHAIRMAN'S STATEMENT



Michael Miles,

Michael Miles OBE
Chairman

I AM VERY PLEASED TO REPORT THAT 2002/03 HAS BEEN ANOTHER YEAR OF GOOD PROGRESS FOR JOHNSON MATTHEY.

We have continued to invest in our growth businesses and have strengthened our market positions.

Earnings per share before exceptional items and goodwill amortisation were 4% up on last year. We are recommending to shareholders a final dividend of 17.7 pence, which will take the dividend for the year to 25.5 pence, a 4% increase over 2001/02.

The year has witnessed a number of important developments in our businesses. The acquisition of the Syntex division of ICI in November 2002 is an excellent example of our strategy of making acquisitions in our core areas of activity. Syntex, which brings world leading base metal catalyst technology to the group, represents a very good strategic fit with our existing precious metal catalyst businesses. Putting these two complementary businesses together raises Johnson Matthey to the number two position in the world catalyst market and provides many exciting opportunities for future growth.

In our Pharmaceutical Materials Division, the acquisition of Cascade Biochem Limited in October 2002 has provided the division with good growth opportunities in the supply of prostaglandins and other complex molecules to customers in the pharmaceutical industry. This is a field that is expected to expand rapidly over the next few years.

The action that we have taken over the last year to reduce costs in our Colours & Coatings Division in response to the sharp decline in the tableware market has been very successful. The rationalisation programme, central to which was the closure of a major site, has been completed on time and is delivering the benefits that were forecast. I am pleased to be able to report to you that the division has performed well in 2002/03.

The board's strategy of investment in research and development and new manufacturing processes continues to be a major factor in the company's success. It has enabled Johnson Matthey to maintain growth in the face of difficult market conditions and uncertainty in the world's economies. A good example of this is our Precision Coating process for manufacturing the latest generations of high technology autocatalysts which is helping Johnson Matthey to maintain technology and market leadership. Our commitment to investment in new manufacturing facilities has also provided a strong platform for growth. Through our investment in autocatalyst plants in Malaysia, India and most recently China, we are well positioned to benefit from the emergence of Asia as the world's largest car producing region.

The company's investment in its core businesses over the last few years has been marked by good earnings and dividend growth. Our share price has performed better than most and in June 2002, following a quarterly review meeting of the FTSE Committee, Johnson Matthey joined the FTSE 100 Index for the first time since 1984.

Johnson Matthey's most important investment has always been the one it makes in its people. People are the company's major asset and we place great importance on developing our management talent and the skills of all our employees to meet the challenges of the future. We have great strength throughout the company in research and development. I would like to offer my personal congratulations to Dr Barry Cooper who, in November 2002, became the 23rd recipient of the prestigious Honda Prize for his work on technologies for petrol and diesel emission control. On behalf of the board I would like to thank all of our employees for their hard work and dedication during the year.

Your board is fully committed to reporting on Johnson Matthey's corporate social responsibility (CSR) performance and this year's annual report features a four page review of the company's policies and performance in this important area. This is to be found on pages 22 to 25. We are also publishing for the first time a comprehensive, web based corporate social responsibility report that provides a much greater level of detail than this review section. You can access our full corporate social responsibility report on Johnson Matthey's website at www.matthey.com.

Johnson Matthey has a strong group of independent directors and we are most fortunate to have the benefit of their knowledge and many years of experience. In September 2002 two new non-executive directors, Alan Thomson and Robert Walvis, joined the board. Alan and Robert both have a great deal of business experience in a wide range of industries in the UK and overseas.

In March 2003 we announced that Hugh Jenkins, our Senior Independent Director and Chairman of the Audit Committee, is to retire as a director of Johnson Matthey at the conclusion of this year's Annual General Meeting. Hugh joined the board in January 1996 and over the years he has brought a great deal of expertise and experience to his role and has made a significant contribution to the development of the group. I would personally like to thank him for his invaluable input and on behalf of all of us at Johnson Matthey wish him the very best for a long and happy retirement. Following Hugh's retirement, Charles Mackay will be nominated as our Senior Independent Director and Alan Thomson will take over as Chairman of the Audit Committee.

I am very pleased to say that Johnson Matthey continues to make good progress towards its ultimate aim of delivering superior shareholder value. The last year has seen the group taking several more important steps towards this, both through organic growth of its businesses and by acquisitions focused on its core activities. I am confident that our highly talented staff and our commitment to investment in research and development and manufacturing capabilities will continue to support further progress in the year ahead.