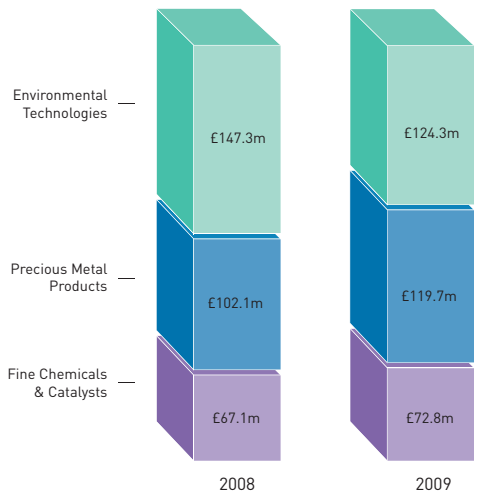
FINANCIAL HIGHLIGHTS – 2009

Johnson Matthey performed well in 2008/09 with sales, underlying profit before tax and underlying earnings per share slightly ahead of last year despite very difficult market conditions in the second half of the year.

	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.

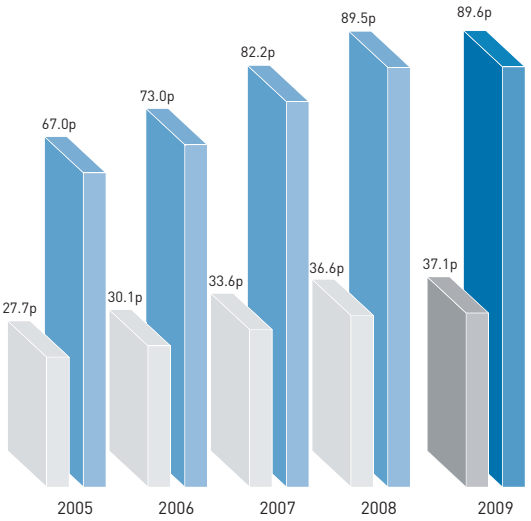
Divisional Operating Profit[1]



[1] Before amortisation of acquired intangibles and restructuring charges.

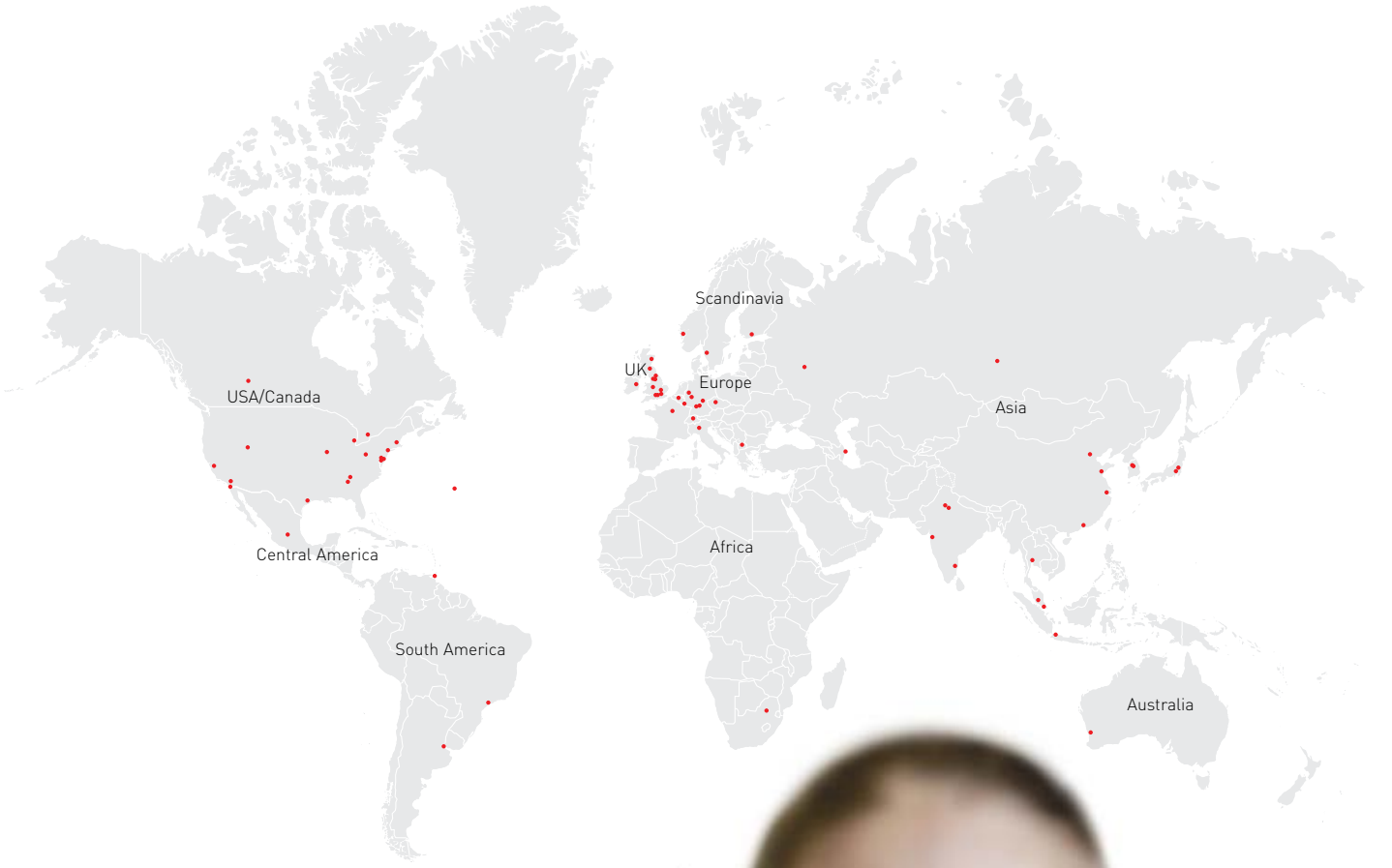
Underlying Earnings per Share

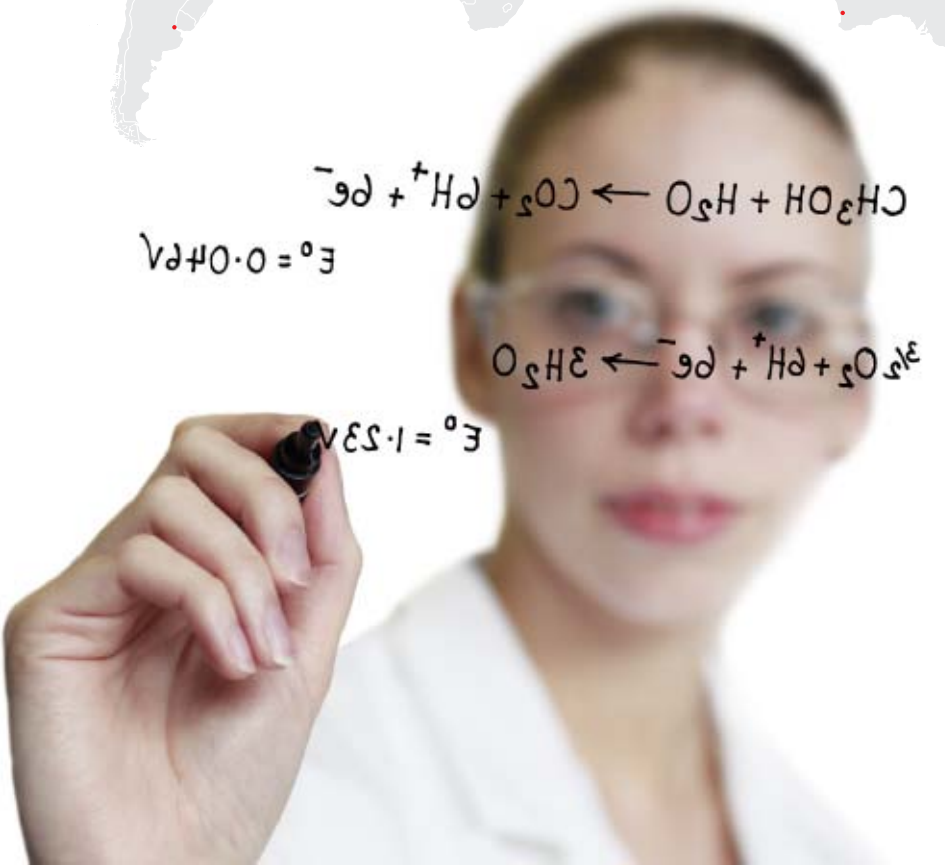
Dividend per Share



THE GROUP AT A GLANCE

Johnson Matthey is a speciality chemicals company and a world leader in advanced materials technology. The group focuses on its core skills in catalysis, precious metals, fine chemicals and process technology, developing products that enhance the quality of life for millions of people around the world. The group has operations in over 30 countries and employs around 8,500 people. Johnson Matthey's operations are organised into three global divisions: Environmental Technologies, Precious Metal Products and Fine Chemicals & Catalysts.





Johnson Matthey

Environmental Technologies

Emission Control Technologies

Process Technologies

Fuel Cells

Environmental Technologies Division is a global supplier of catalysts and related technologies for applications which benefit the environment such as pollution control, cleaner fuel, more efficient use of hydrocarbons and the hydrogen economy.

Revenue	**£2,226m**
Sales excluding precious metals	**£1,135m**

Precious Metal Products

Platinum Marketing and Distribution

Noble Metals

Pgm Refining and Recycling

Colour Technologies

Gold and Silver

Johnson Matthey has a longstanding international reputation as a leader in the application of precious metals. Precious Metal Products Division is at the heart of these activities focused on the marketing, distribution, fabrication, refining and recycling of precious metals and their products.

Revenue	**£5,016m**
Sales excluding precious metals	**£314m**

Fine Chemicals & Catalysts

Catalysts and Chemicals

Macfarlan Smith

Pharmaceutical Materials and Services

Research Chemicals

Fine Chemicals & Catalysts Division is a global supplier of fine chemicals, catalysts and other speciality chemical products and services to a wide range of chemical and pharmaceutical industry customers and research institutes.

Revenue	**£606m**
Sales excluding precious metals	**£347m**

CONTENTS

Our 2009 Annual Report & Accounts is divided into three sections...

1. **Report of the Directors:** this section contains the Business Review summarising the group's activities, strategy and performance during the year. It also contains information on the group's corporate governance.

2. **Accounts:** this section includes the consolidated and parent company accounts and related notes, as well as the responsibility of directors' statement and auditors' report.

3. **Other Information:** this section provides further information for shareholders, a glossary and an index to help the reader locate information in the relevant sections.

Cautionary Statement

The Business Review and certain other sections of this Annual Report contain forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which the group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.

CHAIRMAN'S STATEMENT

Sir John Banham
Chairman

I am pleased to report that Johnson Matthey performed well in the financial year 2008/09 despite the extremely difficult economic conditions that prevailed throughout the second half of the year. Following a very strong first half we felt the full force of the economic downturn that followed on from the severe problems in the global banking system, the resulting credit crunch and collapse in consumer confidence. The effect of the crisis on the automotive industry, particularly in the North American and European markets, was especially severe and resulted in quite unprecedented declines in vehicle production during our second half. The results achieved by Johnson Matthey in this environment are a great tribute to the strength of your company and the ability of its management team, which was able to take rapid action to reduce costs and adapt to quickly changing market conditions.

The drivers of our business, particularly those concerned with protecting the environment and improving energy security, remain firmly in place. Our commitment to investing in R&D remains as strong as ever as it provides the products and technologies that are vital if we are to maintain our world leading market positions and continue to grow our global businesses. Looking forward, your board will continue to support investment in new products to ensure the continued growth of the Johnson Matthey group and progress towards achieving the board's main objective, that of delivering superior value to its shareholders.

Our non-executive directors play a vital role in the governance of your company. Johnson Matthey is extremely fortunate to benefit from the knowledge and many years of experience of its strong team of independent directors. On 31st March 2009, Ian Strachan retired from the board after just over seven years service as a non-executive director of Johnson Matthey. Since joining the board in January 2002, Ian has made an invaluable contribution to the strategic development of the company. We are very fortunate to have had the benefit of his vast experience of UK and international business and we will miss his strong contribution to the work of the board. On behalf of all of us at Johnson Matthey, I would like to thank Ian for the important contribution that he has made to the success of the company and to wish him all the very best for the future.

Sir Thomas Harris joined the board as a non-executive director of the company with effect from 1st April 2009. Sir Thomas is currently Vice Chairman of Standard Chartered Capital Markets Ltd, a non-executive director of Biocompatibles International plc and SC First Bank (Korea), a director of IFSL and a Trustee of Asia House. Further biographical details of Sir Thomas Harris are presented in the Board of Directors information on page 39 of this Annual Report.

At the end of February the company announced that David Morgan, Executive Director, Group Corporate Development, had decided to stand down from the board at this year's Annual General Meeting and will be leaving the company. At the beginning of April it was announced that Dr Pelham Hawker, Executive Director, Process Technologies and Fine Chemicals & Catalysts, had decided to retire. He will also stand down from the board at the Annual General Meeting and leave the company.

David Morgan has been with Johnson Matthey for over 20 years, joining the company as a Division Finance Director in 1988. He has been a member of the board for almost ten years. As our executive director with responsibility for corporate development and legal and secretarial affairs, David played a leading role in the divestments and acquisitions that refocused the group on its core skills in catalysis, precious metals, fine chemicals and process technology.

Pelham Hawker has been with the company for 24 years, joining as Research & Development Manager in 1985. He has been a board member for almost six years. Throughout his long and distinguished career with Johnson Matthey, Pelham has been closely involved in all of our catalysts businesses and has played a leading role in their development. He was appointed to the board as Executive Director, Environmental Catalysts and Technologies in 2003 and in 2004 was appointed Executive Director, Process Catalysts and Technologies. He assumed additional responsibility for Pharmaceutical Materials Division in 2006 and has run our Fine Chemicals & Catalysts Division since it was created in 2007.

Both David and Pelham have made enormous contributions to the success of Johnson Matthey and on behalf of you all, shareholders and colleagues alike, I would like to thank them both for their hard work and dedication over many years of service and to wish Pelham a very happy retirement and David well in all of his future endeavours.

At the time that we announced Pelham Hawker's retirement we also announced the appointment of Bill Sandford as an executive director of the company. Bill has been with Johnson Matthey for 32 years and is currently Division Director, Precious Metal Products. He will join the board with effect from the end of the company's Annual General Meeting on 21st July 2009. We also announced that Larry Pentz had been appointed Executive Director, Environmental Technologies. The group's Emission Control Technologies, Process Technologies and Fuel Cells businesses now all report to Larry.

Finally, in February we announced the appointment later this year of Robert MacLeod as an executive director and Group Finance Director designate. Robert MacLeod, who is currently Group Finance Director of WS Atkins plc, will join the board with effect from 22nd June 2009. He will take over the role of Group Finance Director from John Sheldrick when he retires later this year.

The dedication, professionalism and enthusiasm of our employees at every level of the company never fails to impress me. On your behalf, I would like to thank all of our employees around the world for their contribution to the success of the company during a very challenging year.

In conclusion, Johnson Matthey remains in good shape and continues to make progress towards delivering superior shareholder value. Despite the current downturn in many of the world's economies, the global drivers for our business remain very much in place.

Sir John Banham
Chairman

CHIEF EXECUTIVE'S STATEMENT

Neil Carson
Chief Executive

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.

From 1st April 2009 we have transferred our Catalysts and Chemicals business, which makes precious metal and some base metal catalysts and precious metal chemicals, into our Precious Metal Products Division. Going forward, the Fine Chemicals businesses, comprising of our Macfarlan Smith, Pharmaceutical Materials and Services and Research Chemicals businesses, will be reported as Fine Chemicals Division.

A key element of our strategy has been to maintain a strong balance sheet to ensure that we have sufficient funds to support our investment in R&D and fund organic growth. This has put us in a good position to face the current economic downturn. Our investment in R&D is the foundation of our high technology business and we will continue to increase this investment to ensure that we have the products to maintain and grow our world leading market positions. At the same time we are taking continued action to cut costs in all of our businesses and are maintaining a sharp focus on generating cash.

In 2009/10 we plan to reduce our capital expenditure to around 1.2 times depreciation. We will however, continue to pursue opportunities for growth, for example in manufacturing catalysts for NOx control on coal fired power stations in China.

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.

Sustainability

Sustainability is also a key element of our strategy for the future growth of our business. Today a significant proportion of our profits are generated from products that benefit the environment and we are world leaders in this field. It is now almost 18 months since we launched Sustainability 2017, a long term vision for the whole group which sets our direction and aspirations to become a more sustainable business in the future. We have set challenging targets to at least double our earnings per share, achieve carbon neutrality, eliminate waste to landfill and halve the key resources we use per unit of output by 2017. We have now established our benchmark position and have started to measure our progress. We have been working hard to embed sustainability into the company's culture and all of our businesses have set their own annual sustainability plans which align with the group goals.

There is tremendous enthusiasm and commitment for sustainability among our employees. All across the group, individuals and teams are focusing on improving the resource efficiency of our own operations and on designing new and improved products that help our customers to be more sustainable and competitive. This approach not only ensures we become more careful with the way we use the world's resources and enhances our manufacturing processes, but at the same time it is saving us money today and is also driving the development of new environmental technologies to support the future growth of our business. Such efforts are even more important in the challenging market conditions that we currently face. Further details of our progress towards Sustainability 2017 are summarised on pages 29 to 37 and are presented in full in the group's Sustainability Report which will be published on our website in July.

Outlook

The credit crunch and global recession have significantly reduced demand in a number of Johnson Matthey's markets. Demand for automotive products has been particularly badly affected and so far we have seen no signs of improvement. Prices of platinum group metals are also well down on their peaks reached in the early part of 2008/09.

Against this background we expect Johnson Matthey's profit in the first half of 2009/10 will be lower than in the same period in 2008/09, when the group achieved strong growth and record profits. Emission Control Technologies' sales excluding precious metals fell by 26% in the second half of 2008/09 on a constant currency basis and have continued at that level into the first quarter of 2009/10. Despite good demand for Process Technologies' products, if current market conditions continue we would expect Environmental Technologies Division's operating profit will be significantly lower than in the first half of 2008/09.

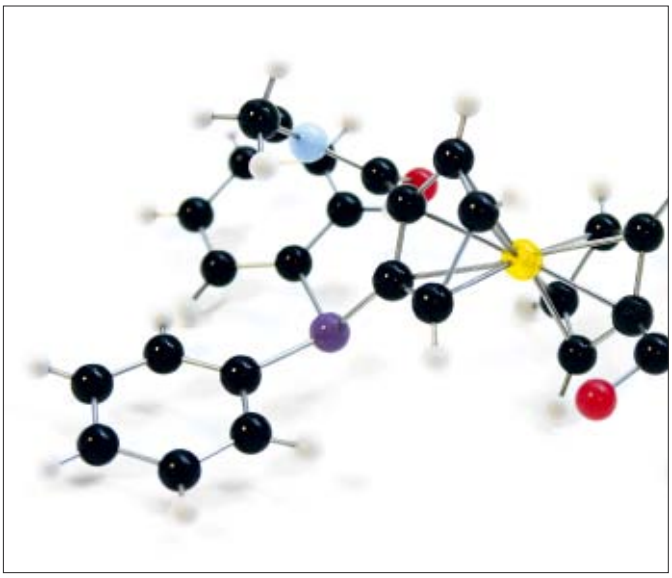
Precious Metal Products Division achieved very strong results in the first half of 2008/09, boosted by record platinum group metal prices and good growth in the manufacturing businesses. The platinum price in the first two months of the current financial year has averaged $1,153/oz which is well below the same period last year. In addition, demand for platinum refining and recycling, which contributed approximately 15% of the division's profits in 2008/09, is much weaker. Although some of Precious Metal Products' businesses, such as gold refining, continue to enjoy good demand, overall the division is also expected to be down in the first half of the year.

The one area where we expect to see some growth in operating profit in the first six months of 2009/10 is Fine Chemicals Division, where demand is less affected by the recession and we should get a boost from additional income on the generic version of ADDERALL XR® which was launched in April 2009.

The outlook for the second six months is more difficult to predict, given the current economic uncertainty. However, if conditions do start to improve we would expect the group to return to growth in the second half of 2009/10.

Looking beyond 2009/10, prospects for Johnson Matthey's businesses remain encouraging with emissions legislation already in place which will drive demand for new catalysts. New regulations for heavy duty diesel emissions in North America will come into force from 1st January 2010, which will increase the number of catalysts sold per vehicle. In the European Union, new regulations will apply from January 2011 which will mean that all new diesel cars sold will need to be fitted with diesel particulate filters to reduce particulate emissions. In China, regulations on reducing harmful NOx emissions from power stations are anticipated to start in 2011, while energy security and environmental concerns continue to underpin demand for syngas catalysts and purification materials. Despite the economic slowdown, we are continuing to increase our investment in research and development to develop new catalyst products and technologies for the future. Johnson Matthey has a strong balance sheet and is well placed to benefit from any recovery in global activity.

Neil Carson
Chief Executive



– Research and development at Davy Process Technology, Stockton-on-Tees, UK.

– Manufacturing plate catalysts at Redwitz, Germany.

– Chiral ligands are developed by our Catalysts and Chemicals business.

– Decorative precious metals, colours and enamels produced by our Colour Technologies business.

– Fuel cell component manufacturing at our Swindon, UK facility.

Group Activities

Johnson Matthey is a global speciality chemicals company. We serve our customer base from operations in over 30 countries and employ around 8,500 people worldwide. The group is organised into three global divisions: Environmental Technologies; Precious Metal Products and Fine Chemicals & Catalysts.

Environmental Technologies is a global supplier of catalysts and related technologies for applications which benefit the environment such as pollution control, cleaner fuel, more efficient use of hydrocarbons and the hydrogen economy. The division comprises three businesses:

- Emission Control Technologies is a global leader in catalytic systems for emissions control from vehicles and industrial processes.
- Process Technologies serves the world's chemical, oil, gas and refining industries. It manufactures catalysts, provides specialist services and designs and licenses chemical processes.
- Johnson Matthey Fuel Cells develops and manufactures catalysts and catalysed components for a wide range of clean energy fuel cell systems.

Precious Metal Products' activities comprise the marketing, distribution, refining and recycling of platinum group metals, fabrication of products using precious metals and related materials, and refining of gold and silver.

Fine Chemicals & Catalysts is a global supplier of fine chemicals, catalysts and other speciality chemical products and services to a wide range of chemical and pharmaceutical industry customers and research institutes.

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.

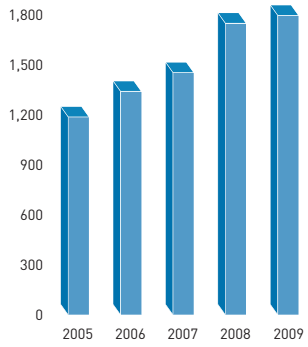
The group's financial objectives are:

- 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%.

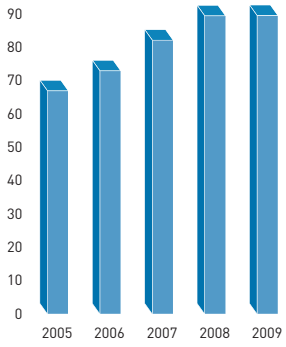
The board's strategies to achieve these financial objectives are:

- 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.

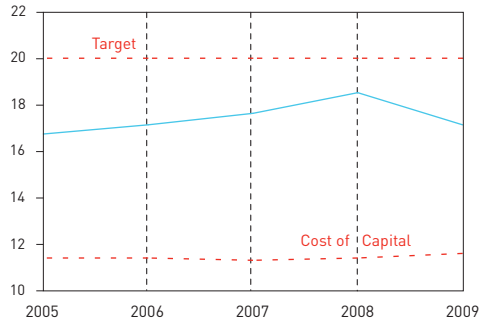
Sales Excluding Precious Metals
£ million



Underlying Earnings per Share
Pence



Return on Invested Capital
%



Key Performance Indicators

The group uses a range of key performance indicators (KPIs) to monitor performance over time in line with the financial objectives and strategy summarised in the previous section. The principal KPIs, together with the group's performance against them in 2008/09, are described below:

Financial

Underlying earnings per share growth and return on invested capital are two of the principal financial KPIs we use to measure the group's performance. In calculating these measures we exclude the following items which can distort the trend in measuring results:

- Amortisation of intangible assets arising on acquisition of businesses (acquired intangibles).
- Major restructuring or impairment charges.
- Profits and losses on disposal of businesses.
- Major tax items arising from changes in legislation.

In 2008/09 three items were excluded in arriving at underlying earnings per share: a £9.1 million charge for amortisation of acquired intangibles (mainly arising as a result of the acquisition of Argillon Group in February 2008); a £9.4 million restructuring charge for the cost of closing our fine chemicals facility in Ireland; and a £1.2 million profit in discontinued businesses arising mainly as a result of the disposal of our Insulators and Alumina businesses (see note 41 on page 103). Underlying earnings per share for the group in 2008/09 were 89.6 pence, 0.1 pence up on 2007/08. Total earnings per share were 82.6 pence, 7% below 2007/08. Over the five years from 2004/05, underlying earnings per share have grown at a compound annual rate of 7.5% p.a. The group's five year financial record is shown on page 106.

The board is recommending an unchanged final dividend for 2008/09 of 26.0 pence. The interim dividend was increased by 5% to 11.1 pence. The total dividend for the year is 37.1 pence which is an increase of 1% over 2007/08, slightly above the rate of growth of underlying earnings per share. Over the five years from 2004/05, dividends have grown at a compound annual rate of 7.6% p.a.

We define return on invested capital (ROIC) for the group as underlying operating profit (before amortisation of acquired intangibles and restructuring charges) divided by average capital employed (equity plus net debt). ROIC for individual divisions is calculated using average segment assets minus average segment liabilities as the denominator.

Over the five years to 2007/08 we made steady progress in increasing the group's ROIC towards our long term target of 20%. In 2007/08 the return reached 18.5%. The global downturn in the second half of 2008/09, which led to sharply reduced sales of automotive catalysts, caused our ROIC for the year to fall by 1.4% to 17.1%. The group's ROIC for 2008/09 was still well ahead of our long run cost of capital, which we estimate to be 11.5% on a pre-tax basis. Divisional returns are discussed on page 13.

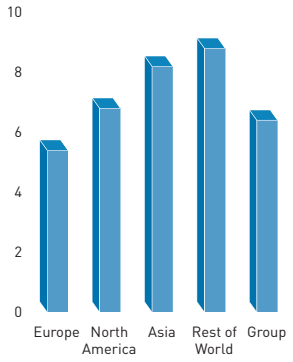
In measuring sales growth and return on sales we focus on sales excluding the value of precious metals. Total revenue can be distorted by trading activity as well as fluctuations in precious metal prices and does not provide a good guide to underlying growth or profitability. In 2008/09 both revenue (£7.8 billion) and sales excluding precious metals (£1.8 billion) grew at similar rates (5% and 3% respectively). Over five years sales excluding precious metals have grown by 11% p.a.

Johnson Matthey is a global business with operations in many countries around the world which report in different currencies. We report sales and operating profit translated both at actual exchange rates and at constant rates (translating last year's results at this year's rates) to measure underlying growth. We also monitor several key cash flow and capital ratios both for the group and individual divisions. More details of financial KPIs are given in the Financial Review on pages 10 to 14 and Operations on pages 17 to 23.

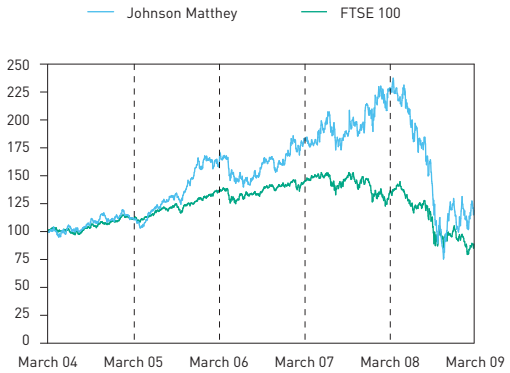
Voluntary Employee Turnover by Region

For 2008/09 (continuing businesses)

%



Johnson Matthey Share Price Five Year Performance versus FTSE 100



Market Shares

One measure we use to monitor the commercial performance of our businesses is market share. We aim to achieve a leading position (usually number one or two) in the global markets in which we operate. In Emission Control Technologies we estimate we have a 31% share of the available market (excluding in house manufacture by car companies) for light duty catalysts. Our two major competitors have similar shares with the remaining 5% of the market supplied by smaller competitors (mainly in China). In the new market for heavy duty diesel catalysts to original equipment manufacturers Johnson Matthey is the market leader with a share in excess of 45%.

The market for sales of platinum group metals (pgms) to end customers is more fragmented and precise shares are more difficult to estimate. Johnson Matthey is the global market leader. We are also the leader in fabricated pgm products for the industrial market with a worldwide share of about a third.

In Process Technologies and Fine Chemicals & Catalysts we sell a wide range of products into niche markets. Johnson Matthey is the market leader in syngas catalysts used in the manufacture of ammonia, methanol and hydrogen from hydrocarbon feedstocks. We are also the leader in the available market for catalysts used in pharmaceutical production.

Sustainability

Johnson Matthey is committed to running its business in a sustainable way. The group's Sustainability 2017 Vision, launched in December 2007, outlines the targets that we have set and states that by 2017 we aim to:

- At least double earnings per share.
- Achieve carbon neutrality.
- Achieve zero waste to landfill.
- Halve the key resources we use per unit of output.

We have identified KPIs to measure the group's performance, taking data from our 2006/07 reporting cycle as the baseline year. Since 2006/07 our underlying earnings per share have increased by 9% from 82.2 pence to 89.6 pence. Growth has been held back by the impact of the global recession but the medium term outlook remains encouraging. Progress towards achieving carbon neutrality is measured according to the group's total global warming potential which has fallen from 386,074 tonnes CO_2 equivalent in calendar year 2006 to 370,787 tonnes in 2008/09. In working towards our target of zero waste to landfill, we have reduced the amount of waste sent to landfill by 67% from 16,555 tonnes in calendar year 2006 to 5,535 tonnes in 2008/09. To meet our target of halving the key resources we use per unit of output we have identified the three resources which are most significant to the majority of our facilities worldwide; electricity, natural gas and water. Since 2006, electricity consumption has reduced by 8%, natural gas consumption has increased by 5% and water use is up 2%. Further details on these targets, our measures of performance and the plans we are making to achieve them are summarised on pages 29 to 37 and set out in full in our Sustainability Report at www.matthey.com.

We measure sustainability performance according to five elements: financial; governance; social (including employees and community investment); health and safety; and environment. Within these areas, in addition to our Sustainability 2017 metrics, we set targets and measure performance against a range of indicators. These include employee related data, such as voluntary staff turnover, accident statistics (the group has a target of zero greater than three day accidents) and emissions. A number of these KPIs and our performance against them are summarised on pages 29 to 37. Full details of all Johnson Matthey's sustainability related KPIs and our performance are presented in the Sustainability Report.

John Sheldrick
Group Finance Director

Financial Review

Introduction

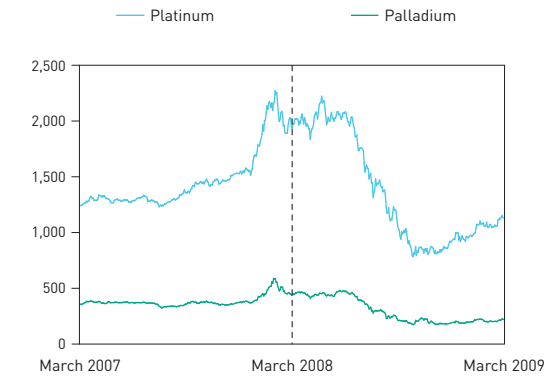
In the financial year to 31st March 2009, Johnson Matthey's revenue rose by 5% to £7.8 billion and sales excluding the value of precious metals increased by 3% to £1.8 billion. Underlying profit before tax (before amortisation of acquired intangibles and restructuring charges) was up 1% at £267.9 million. Underlying earnings per share increased by 0.1 pence to 89.6 pence.

Market conditions changed significantly during the year. In the first six months revenue increased by 24% and underlying profit before tax rose by 20%. Environmental Technologies Division and Precious Metal Products Division both achieved double digit growth in sales and operating profit. Although the recession had already started in North America, global car production for the first six months was unchanged from the same period in 2007/08. Emission Control Technologies, which supplies catalysts to the automotive market, performed well with growth in new products and a good contribution from Argillon, which was acquired in February 2008. Prices for platinum group metals were also very strong in the early part of the year, with platinum averaging $1,795/oz for the six months to 30th September 2008.

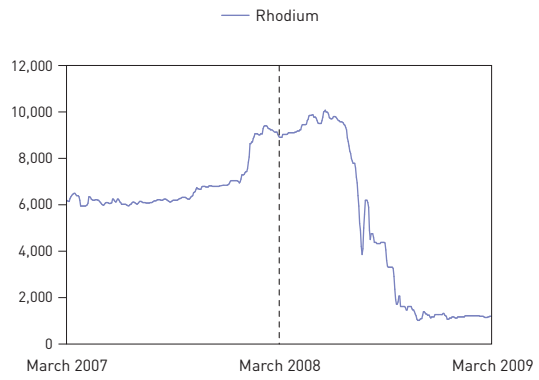
In the late summer and early autumn of 2008 car sales in many of the world's major economies fell dramatically and have remained low since then. Global car production in the second half of Johnson Matthey's financial year was 26% down on the same period in 2007/08. With car producers taking action to reduce stocks, sales of autocatalysts fell by more than 30%. Platinum group metal prices were also significantly lower with platinum averaging $952/oz for the six months to 31st March 2009.

Not all of Johnson Matthey's businesses experienced lower demand in the second half. Process Technologies in particular achieved good growth. Although the oil price has fallen substantially from its peak, concerns over energy security and environmental issues continued to drive demand for syngas catalysts and purification products. The group's reported results have also benefited from sterling's weakness, particularly against the US dollar which averaged $1.50/£ in the second half compared with $1.93/£ in the first half.

Platinum and Palladium Prices
US$/oz



Rhodium Price
US$/oz



In response to deteriorating conditions in the automotive market, our Emission Control Technologies business took early action to reduce costs. Total headcount for the business was reduced by 13% compared with 31st March 2008. Long term savings of £10 million p.a. were secured by increased production efficiency and reduced distribution costs. We have increased our focus on cash, with the group generating £96.8 million of net cash flow in the year and net debt reduced by £76.0 million, despite the effect of exchange translation on foreign currency borrowings. The group's balance sheet is strong with gearing (net debt / equity) falling to 45% at 31st March 2009.

Sales

Revenue for the year ended 31st March 2009 increased by 5% to £7.8 billion, with 24% growth in the first half of the year followed by a 12% decline in the second half. Platinum group metal prices, which had reached record levels in the first quarter of the year, fell sharply in the summer of 2008 which reduced revenue in the second half of the year. 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.

Environmental Technologies Division's revenue fell by 3% to £2.2 billion and sales excluding precious metals were £4.4 million down at £1,135 million. Translated at constant exchange rates, sales excluding precious metals fell by 7%. Emission Control Technologies' (ECT's) sales excluding precious metals were 26% down at constant exchange rates in the second half, having been 8% up on the same basis in the first six months, as a result of the sharp fall in automotive demand in the second half of the year. By contrast, Process Technologies achieved good growth throughout the year with sales 8% up on a constant currency basis. The Ammonia, Methanol, Oil and Gas (AMOG) business was well ahead of last year with continued strong demand for catalysts and purification materials for industries where hydrogen or synthesis gas are key intermediates.

Precious Metal Products Division's revenue increased by 7% to £5.0 billion, boosted by higher prices for platinum group metals (pgms) 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. Fine Chemicals & Catalysts Division achieved good growth in reported sales, largely as a result of favourable exchange translation. Many of the division's businesses are located outside the UK, particularly in the USA, and sales reported in sterling benefited from currency movements. Revenue increased by 16% to £606 million and sales excluding precious metals rose by 15% to £347 million. Translated at constant exchange rates, revenue grew by 2% and sales excluding precious metals increased by 3%.

Operating Profit

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. Amortisation of acquired intangibles increased from £3.1 million in 2007/08 to £9.1 million in 2008/09 of which £7.8 million related to Argillon. In March 2009 we announced the closure of our fine chemical facility in Ireland to consolidate manufacturing of prostaglandin products at our facility in the USA. The closure gave rise to a restructuring charge of £9.4 million in this year's accounts.

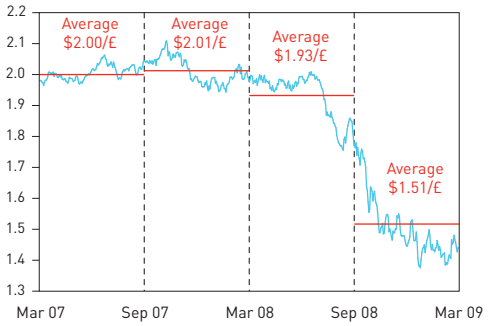
Underlying Operating Profit

(before amortisation of acquired intangibles and restructuring charges)

	Year to 31st March 2009 £ million	2008 £ million	change %	2008 at 2009 exchange rates £ million	change %
Environmental Technologies	**124.3**	147.3	-16	158.7	-22
Precious Metal Products	**119.7**	102.1	+17	109.7	+9
Fine Chemicals & Catalysts	**72.8**	67.1	+8	73.6	-1
Corporate	**(18.3)**	(19.7)		(20.0)	
Operating profit	**298.5**	296.8	+1	322.0	-7

US Dollar Exchange Rates

$/£



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. The platinum price averaged over $2,000/oz in the first quarter and then fell back in the second quarter in volatile trading conditions. Our Platinum Marketing and Distribution business achieved strong growth in the first half of the year in these favourable conditions.

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. The Fine Chemicals businesses achieved good growth in the year but Catalysts and Chemicals was down on a constant currency basis. More details of the performance of the individual divisions are set out on pages 17 to 23.

Exchange Rates

The main impact of exchange rate movements on the group's results comes from the translation of foreign subsidiaries' profits into sterling. Sterling weakened significantly against most major currencies in 2008/09, with much of the decline occurring in the third quarter of the year.

Around a quarter of the group's profits are made in North America, mainly in the USA. The average rate for the US dollar for the year was $1.719/£ compared with $2.007/£ for 2007/08. Each one cent change in the average rate for the dollar has approximately a £0.4 million effect on underlying operating profit in a full year. The fall of 29 cents in the average exchange rate for the dollar in 2008/09 increased reported group underlying operating profit for the year by £12.0 million. Sterling also fell against the euro averaging €1.205/£ compared with €1.417/£ in 2007/08, which increased reported underlying operating profit by £6.4 million. Sterling strengthened against the South African rand, from R14.3/£ to R15.0/£. However, the catalysts manufactured by our South African business are ultimately for export and the benefit of a weaker rand on margins more than offsets the translational effect.

Overall, excluding the rand, exchange translation increased the group's underlying operating profit by £25.2 million compared with 2007/08. Most of the group's long term borrowings are denominated in US dollars or euros. Sterling's fall increased reported borrowings by over £100 million and increased interest by around £5 million.

Return on Sales

We measure return on sales as underlying operating profit divided by sales excluding precious metals. Return on sales for the group fell by 0.4% to 16.6% with the ratio improving in Precious Metal Products Division but declining in the other two divisions. The rise in return on sales in Precious Metal Products Division was the result of the very strong performance by our Platinum Marketing and Distribution business in the first half.

Environmental Technologies Division's return on sales for the year fell by 2.0% to 10.9%. All of the decline occurred in the second half of the year when the return fell to 8.6%. ECT remained profitable in both the third and fourth quarters thanks to early action to reduce costs, but return on sales fell. Process Technologies' return on sales in the second half was higher than the first with continued growth in sales.

The fall in the return for Fine Chemicals & Catalysts Division reflected the more difficult market conditions for the Catalysts and Chemicals business in the second half of the year. The Fine Chemicals businesses performed well with a return on sales of 23.0%.

Return on Sales excluding Precious Metals

	Sales excluding precious metals		Return on sales excluding precious metals [1]	
	2009 £ million	2008 £ million	**2009** %	2008 %
Environmental Technologies	**1,135**	1,140	**10.9**	12.9
Precious Metal Products	**314**	307	**38.1**	33.2
Fine Chemicals & Catalysts	**347**	303	**21.0**	22.1
Continuing businesses	**1,797**	1,750	**16.6**	17.0

[1] Underlying operating profit divided by sales excluding precious metals.

Return on Invested Capital

	Average invested capital [1]		Return on invested capital [2]	
	2009 £ million	2008 £ million	**2009** %	2008 %
Environmental Technologies	**1,186**	970	**10.5**	15.2
Precious Metal Products	**146**	188	**81.8**	54.3
Fine Chemicals & Catalysts	**516**	483	**14.1**	13.9
Corporate / other	**(107)**	(34)	**n/a**	n/a
Total group	**1,741**	1,607	**17.1**	18.5

[1] Average of opening and closing segment assets less segment liabilities as shown in note 1 on the accounts on pages 65 and 66. For the group, the average of opening and closing equity plus net debt.

[2] Underlying operating profit divided by average invested capital.

Return on Invested Capital

The group's return on invested capital (ROIC) fell by 1.4% to 17.1%. Underlying operating profit was £1.7 million ahead of last year at £298.5 million and average assets £134 million higher at £1,741 million as a result of exchange translation and the acquisition of Argillon in February 2008. The group's ROIC of 17.1% was still well ahead of our pre-tax cost of capital, which we estimate to be 11.5%.

Our long term group target for ROIC is 20% on a pre-tax basis. We had been making good progress towards that target with steady improvements over the last five years to reach 18.5% last year (page 106). The global recession has significantly reduced demand in a number of our businesses, particularly those which sell into the automotive market, and we now have spare capacity. The medium term outlook for the group remains encouraging with growth in catalyst demand underpinned by new emissions legislation which is already in place. Once global activity starts to recover the group's ROIC should improve again as capacity utilisation increases.

Precious Metal Products Division and Fine Chemicals & Catalysts Division both improved their ROICs and were above the group's pre-tax cost of capital of 11.5% in 2008/09. Environmental Technologies Division's ROIC fell to 10.5%, 1% below the group's cost of capital, as a result of the impact of the global recession in the second half of the year.

Interest

The group's net finance costs rose by £2.3 million to £32.6 million as a result of higher average borrowings for the year as a whole, partly offset by the benefit of lower interest rates in the second half of the year. A revised accounting standard, IAS 23, was adopted in January 2009 which requires interest on major projects to be capitalised. The effect of this new standard was to reduce the group's finance charge for the year by £1.6 million and increase capital expenditure by the same amount.

Average borrowings for the year as a whole increased compared with 2007/08 as a result of the acquisition of Argillon in February 2008. With strong cash generation and lower interest rates on floating rate borrowings, the finance charge for the second six months of 2008/09 fell to £14.3 million (excluding the benefit of capitalised interest on major projects) compared with £19.9 million in the first half.

Profit before Tax

Underlying profit before tax rose by 1% to £267.9 million. After amortisation of acquired intangibles and restructuring charges, profit before tax was 5% down at £249.4 million. Profit before tax included a £2.0 million profit from associates, compared with a £1.1 million loss in 2007/08. This relates to AGR Matthey, the Australian gold refining business in which the group has a 20% stake, which performed well in the year with good demand for gold refining. In 2007/08 AGR Matthey's results were adversely affected by additional costs to reorganise the business.

Taxation

The group's total tax charge for the year was £76.7 million, 1% lower than in 2007/08. Excluding tax relief on amortisation of acquired intangibles, the average tax rate for the continuing businesses was 29.6%, which was 0.2% higher than last year.

Tax paid was £85.3 million, which was £8.6 million higher than tax payable as a result of the timing of tax payments. In 2009/10 tax paid should be correspondingly lower. In addition we expect to benefit from a repayment of tax in the UK which partly arises from tax relief on exchange losses on the group's long term currency borrowings.

Earnings per Share

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 the facility in Ireland.

In November 2008 we announced the sale of the Insulators and Alumina businesses, acquired as part of the Argillon Group, for €21 million in cash plus a €2 million vendor loan note. The businesses had been classified as "assets held for sale" in last year's accounts. The sale resulted in a profit of £0.9 million in discontinued businesses, which is excluded from underlying earnings per share.

Dividend

The board is recommending to shareholders a final dividend of 26.0 pence (unchanged from 2008) 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.

Pensions

At 31st March 2009 the group's main UK pension scheme was in deficit by £45.2 million (94% funded) on an IFRS basis compared with a surplus of £65.1 million at 31st March 2008. The change mainly reflected the fall in asset values at 31st March 2009 compared with a year earlier, with equity investments in particular adversely affected by the global recession. The valuation was also adjusted for the latest information on mortality for the members of the scheme with expected longevity rates increasing.

Worldwide, including provisions for the group's post-retirement healthcare schemes, the group had a net deficit of £151.6 million on employee benefit obligations at 31st March 2009 compared with a surplus of £16.4 million at 31st March 2008. In 2009/10 we plan to make an additional payment of US $30 million into our US schemes to bring the funds closer to balance. The triennial revaluation of our main UK scheme is currently underway and it is likely that the company will need to increase its rate of contributions from 2010. In 2008/09 the company's contribution to the UK scheme was £22.1 million.

Cash Flow

The group achieved strong cash generation in 2008/09 with a net cash inflow of £96.8 million. After taking into account the impact of exchange translation on foreign currency borrowings the group's net debt fell by £76.0 million to £534.4 million. Included in cash flow under IFRS is the impact of swap transactions used to manage currency borrowings. If these are added to exchange translation the total translational effect of exchange rate movements on borrowings denominated in foreign currencies was over £110 million and cash generation more than £190 million.

Net cash flow from operating activities increased by £271.8 million to £501.4 million. In response to the fall in demand from the automotive sector and lower precious metal prices we were able to generate £204.2 million from reduced working capital. We invested £209.3 million in capital expenditure and other investments, which was 2.0 times depreciation. Major projects included the construction of the two new ECT facilities in Macedonia and western Pennsylvania, USA, and new production capacity at Clitheroe, UK to manufacture methanol synthesis catalysts. In November 2008 we completed the planned disposal of Argillon's Insulators and Alumina businesses for €21 million in cash plus a €2 million vendor loan note.

We plan to reduce capital expenditure to 1.2 times depreciation in 2009/10. Major projects will include completion of ECT's new facilities in Macedonia and western Pennsylvania and investment in China on manufacturing capacity for plate catalysts used for reducing harmful NOx emissions from power stations.

Capital Structure

In 2008/09 net debt fell by £76.0 million to £534.4 million and equity rose by £15.8 million to £1,176.1 million. Gearing (net debt / equity) fell by 7.2% to 45.4%. The group's target range for gearing is 50% to 60%. Given the current level of economic uncertainty and more difficult conditions in the credit markets the board is happy to keep gearing below the target range for the time being. Net debt / EBITDA for the year was 1.3 times and interest cover (underlying operating profit / net finance costs) was 9.2 times.

On 31st July 2008 we drew down a five year fixed rate loan of €125 million from the European Investment Bank (EIB) under a facility arranged earlier in the year. The facility is provided to support the group's investment in research and development. At 31st March 2009 the group had £609.1 million of debt in the form of long term bonds issued in the USA and loans from the EIB. Gross debt (net of related swaps) amounted to £649.6 million offset by £115.2 million of cash and deposits. The group also had £315.0 million of committed bank facilities which are individually negotiated and over half have expiry dates after 31st March 2011 (see note 29b on page 90). There were no drawings under these bank facilities at 31st March 2009.

Treasury Policies

Financial Risk Management and Treasury Policies

The group uses financial instruments, in particular forward currency contracts and currency swaps, to manage the financial risks associated with its underlying business activities and the financing of those activities. The group does not undertake any trading activity in financial instruments. Our treasury department is run as a service centre rather than a profit centre.

Interest Rate Risk

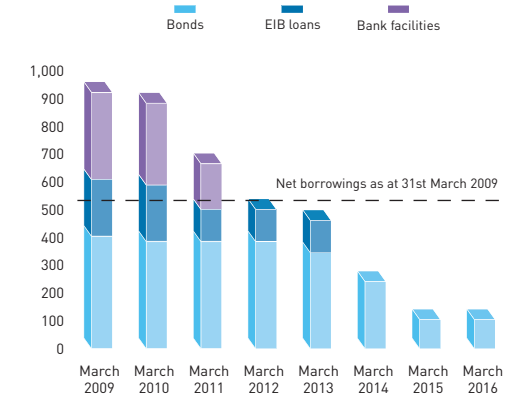
At 31st March 2009 the group had net borrowings of £534.4 million. Some 63% of this debt was at fixed rates with an average interest rate of 5.1%. The remaining 37% of the group's net borrowings was funded on a floating rate basis. A 1% change in all interest rates would have a 0.7% impact on underlying profit before tax. This is within the range the board regards as acceptable.

Borrowings

	31st March 2009 £ million	%	31st March 2008 £ million	%
Five to ten years	**242.6**	**37**	256.5	36
Two to five years	**268.5**	**41**	261.1	37
One to two years	**88.9**	**14**	72.9	10
Within one year	**49.6**	**8**	122.0	17
Gross borrowings (net of swaps)	**649.6**	**100**	712.5	100
Less: cash and deposits	**115.2**		102.1	
Net debt	**534.4**		610.4	

Maturity Profile of Debt Facilities

£ million



Foreign Currency Risk

Johnson Matthey's operations are located in over 30 countries, providing global coverage. The majority of its profits are earned outside the UK. In order to protect the group's sterling balance sheet and reduce cash flow risk the group has financed most of its investment in the USA, Europe and Japan by borrowing US dollars, euros and yen respectively. Although much of this funding is obtained by directly borrowing the relevant currency, a part is achieved through currency swaps which can be more efficient and reduce costs and credit exposure. The group uses forward exchange contracts to hedge foreign exchange exposures arising on forecast receipts and payments in foreign currencies. Currency options are occasionally used to hedge foreign exchange exposures, usually when the forecast receipt or payment amounts are uncertain. Details of the contracts outstanding on 31st March 2009 are shown on pages 89 and 90.

Precious Metal Prices

Fluctuations in precious metal prices can have a significant impact on Johnson Matthey's financial results. Our policy for all manufacturing businesses is to limit this exposure by hedging against future price changes where such hedging can be done at acceptable cost. The group does not take material exposures on metal trading.

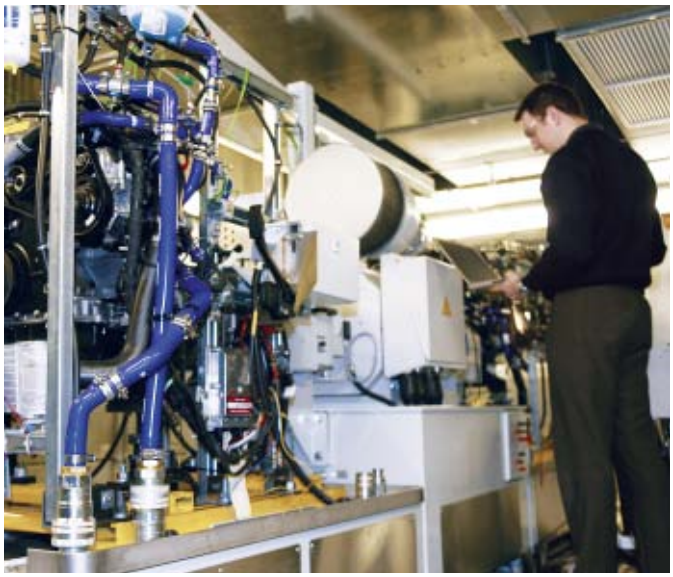
All the group's stocks of gold and silver are fully hedged by leasing or forward sales. Currently the majority of the group's platinum stocks are unhedged because of the lack of liquidity in the platinum market.

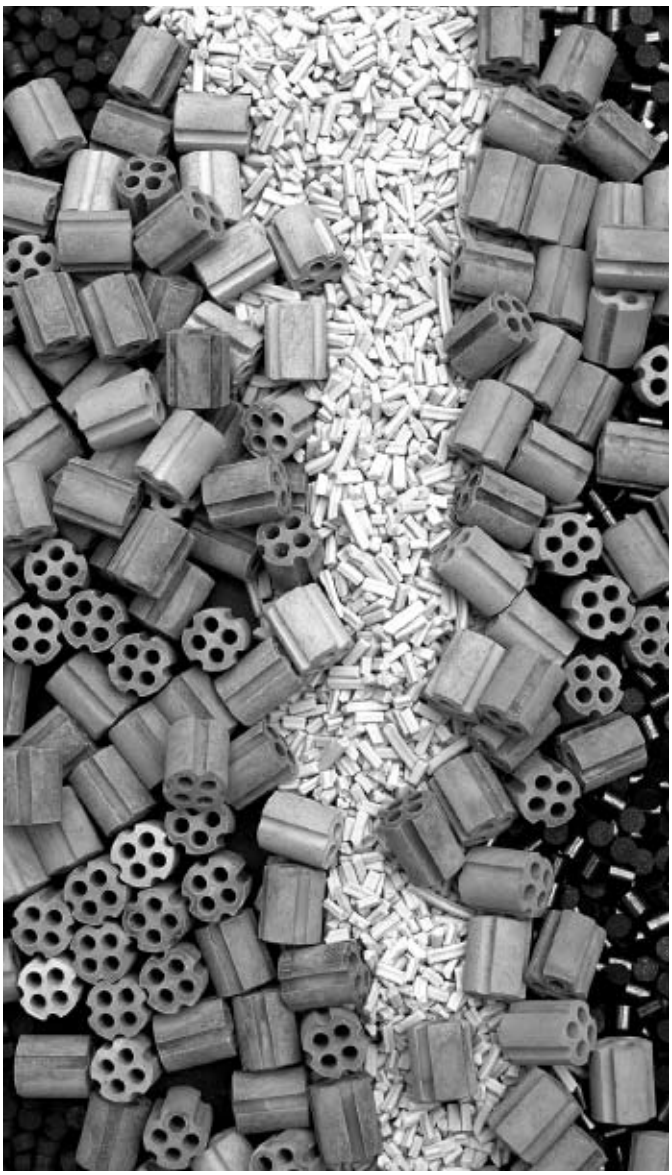
Liquidity and Going Concern

The group's policy on funding capacity is to ensure that we always have sufficient long term funding and committed bank facilities in place to meet foreseeable peak borrowing requirements. At 31st March 2009 the group had cash and deposits of £115.2 million and £315.0 million of undrawn committed bank facilities available to meet future funding requirements. The group also has a number of uncommitted facilities, including metal leases, and overdraft lines at its disposal.

Gross borrowings (net of related swaps) of £649.6 million at 31st March 2009 included £609.1 million of debt arranged under long term bond issues and long term funding from the European Investment Bank, of which only £19.0 million falls due to be repaid in the 15 months to 30th June 2010 (the going concern period). £265.0 million of the committed bank facilities have expiry dates after 30th June 2010. The maturity dates of the group's debt and borrowing facilities are illustrated in the table and chart above.

The directors have assessed the future funding requirements of the group and the company and compared it to the level of long term debt and committed bank facilities for the 15 months from the balance sheet date. The assessment included a sensitivity analysis on the key factors which could affect future cash flow and funding requirements. Having undertaken this work the directors are of the opinion that the group has adequate resources to fund its operations for the foreseeable future and so determine that it is appropriate to prepare the accounts on a going concern basis.





– Diesel particulate filter manufacturing at Germiston, South Africa.

– Medical products manufactured at our three sites in California, USA.

– Testing vehicle emission control catalysts at our European Technology Centre, Royston, UK.

– Extruded heavy duty diesel emission control catalysts manufactured at our facility in Redwitz, Germany.

– Process catalysts.

Operations – Environmental Technologies Division

	Year to 31st March			
	2009	2008	%	% at constant
	£ million	£ million	change	rates
Revenue	**2,226**	2,290	-3	-9
Sales excluding precious metals	**1,135**	1,140	–	-7
Operating profit*	**124.3**	147.3	-16	-22

* before amortisation of acquired intangibles.

Description of the Business

Environmental Technologies Division is a global supplier of catalysts and related technologies for applications which benefit the environment such as pollution control, cleaner fuel, more efficient use of hydrocarbons and the hydrogen economy. The division consists of three global businesses:

Emission Control Technologies (ECT)
ECT comprises Johnson Matthey's global autocatalyst, heavy duty diesel and stationary emissions control businesses. We are a world leading manufacturer of catalysts for vehicle exhaust emission control and a leader in catalyst systems for the reduction of emissions from industrial processes. Manufacturing takes place in the UK, Germany, Belgium, Russia, USA, Mexico, Argentina, South Africa, Japan, Malaysia, India, China and South Korea. R&D facilities are in the USA, UK, Germany, Sweden, Japan, South Korea and Brazil.

Process Technologies
Process Technologies manufactures process catalysts for the syngas, methanol, ammonia, hydrogen, gas / coal to products, oil refineries and gas processing industries. Davy Process Technology develops chemical process technologies and licenses them to customers in the oil, gas and petrochemical industries. Our Tracerco business is an industrial leader in specialist technology for the diagnostics, measurement and analysis of process plant conditions across the hydrocarbon chain. Process Technologies is a global business with manufacturing sites in the UK, India and China, supported by several UK based technology centres and technical offices in key centres around the world.

Fuel Cells
Johnson Matthey is a world leader in catalysts and catalysed components for fuel cells.

Key Statistics

Return on sales excluding precious metals	**10.9%**
Return on invested capital (ROIC)	**10.5%**
Capital expenditure	**£160.2m**
Capex / depreciation	**2.4 times**
Average invested capital	**£1,186m**
Employees	**4,623**

Performance in 2008/09

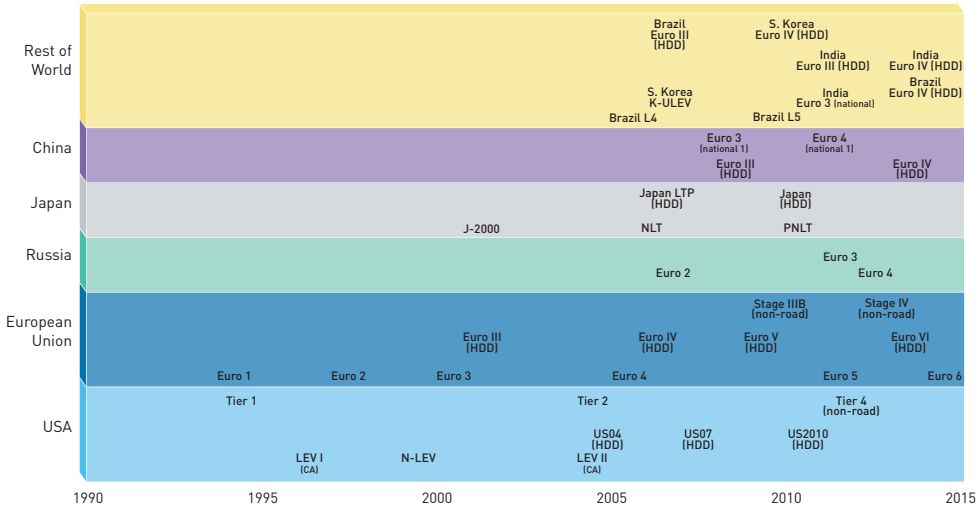
Environmental Technologies Division experienced mixed market conditions during the year. The division achieved good growth in the first half with both ECT and Process Technologies performing well. Demand for autocatalysts fell sharply in the second half of the year while demand for our other catalyst products and services remained strong. For the year as a whole, revenue fell by 3% to £2,226 million; sales excluding precious metals were £4.4 million down at £1,135 million; and underlying operating profit (before amortisation of acquired intangibles) fell by 16% to £124.3 million. Translated at constant exchange rates, sales excluding precious metals fell by 7% and underlying operating profit was 22% lower.

Emission Control Technologies

Emission Control Technologies' sales excluding precious metals fell by 3% to £872 million. Sales excluding precious metals grew by 10% in the first half of the year, followed by a drop of 16% in the second half. At constant exchange rates, sales excluding precious metals were 11% down for the year with 8% growth in the first half followed by a 26% decline in the second half.

In Johnson Matthey's financial year to 31st March 2009 global light duty vehicle sales fell by 12% to 60.3 million. Production declined by 13% with a small decrease in inventories. All of the reduction occurred in the second six months of the financial year when global car production fell by 26%. Johnson Matthey's sales volumes of autocatalysts fell by more than 30% in the second half of the year, which was greater than the fall in global car production as a result of car companies and exhaust system suppliers reducing inventories of catalysts.

Vehicle Emissions Legislation Timeline



Estimated Light Vehicle Sales and Production

		Year to 31st March 2009 millions	2008 millions	change %
North America	Sales	**14.4**	18.6	-22.6%
	Production	**10.8**	14.7	-26.5%
Total Europe	Sales	**19.1**	22.0	-13.2%
	Production	**18.9**	22.5	-16.0%
Asia	Sales	**16.7**	17.2	-2.9%
	Production	**25.8**	27.4	-5.8%
Global	Sales	**60.3**	68.5	-12.0%
	Production	**61.6**	71.1	-13.4%

Source: Global Insight

The decline in sales of diesel particulate filters (DPFs) was less than that for flow through catalysts. Around seven million diesel cars were sold in Western Europe last year of which about half were fitted with DPFs. Over the next 18 months the DPF market is set to double as all new diesel cars sold in the European Union will require fitment in January 2011.

In response to the fall in demand ECT increased its programme to reduce costs. Total headcount fell by 13%, the majority of whom were agency workers. Production efficiency has been improved with reject costs more than halved. Distribution costs per unit have also been reduced. On an annualised basis these latter two initiatives have reduced costs by £10 million at current volume levels.

Sales excluding precious metals of emission control catalysts to markets other than light duty vehicles grew by 10% on a constant currency basis. These products include heavy duty diesel (HDD) catalysts for trucks, buses and non-road vehicles, and stationary emissions control (SEC) systems for reducing emissions in a wide range of applications including power generation, industrial processes, coal power plants, marine and locomotives. Currently these applications account for 25% of ECT's sales excluding precious metals and are expected to grow significantly over the next few years despite the current economic recession. Growth in 2008/09 was mainly the result of a good contribution from Argillon which was acquired in February 2008.

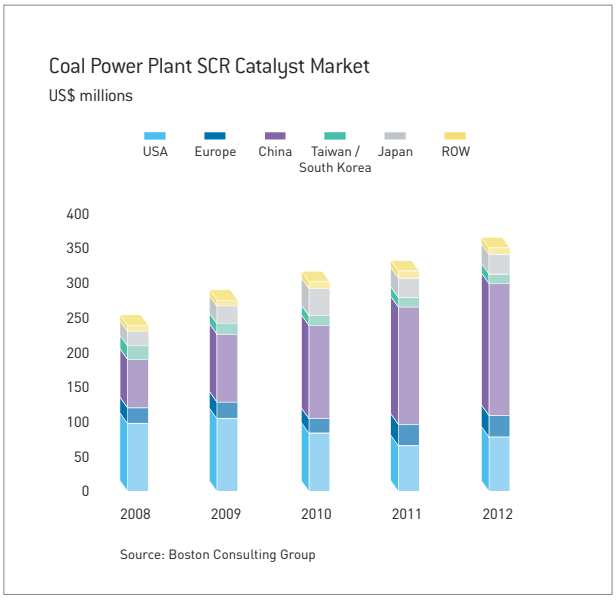
Sales of trucks fell sharply in the second half of the year, particularly in Europe. We estimate the market for HDD catalysts was around US $600 million of sales excluding precious metals in calendar year 2008 with Johnson Matthey increasing its leading market share. Given current economic conditions it is difficult to predict truck sales in the future. Some governments in developing countries may slow down introduction of emissions legislation because of the lack of availability of low sulphur diesel fuel. However, based on existing legislation for on road and non-road vehicles and industry forecasts for truck sales, we still expect the market for HDD catalysts to quadruple by the end of 2014.

During the year we completed most of the construction of two new facilities, one in western Pennsylvania, USA, to manufacture the additional catalysts required to meet the new HDD legislation in North America which takes effect from 1st January 2010, and the other in Macedonia to manufacture catalysts for both light duty and heavy duty vehicles in Europe. Both of these facilities are expected to be operational by the autumn of 2009.

China is the world's largest producer and consumer of coal and more than 70% of the country's NOx emissions are generated by coal fired power plants. These harmful emissions result in high levels of ozone and acid rain. The State Environmental Protection Administration in China is expected to issue NOx control regulations that will come into effect in 2011. In advance of these regulations many new coal fired power plants have begun to purchase and install selective catalytic reduction (SCR) systems to control their NOx emissions. Our SEC business already sells plate catalysts manufactured in Redwitz, Germany to the Chinese market and we are constructing a new facility in Shanghai, China to manufacture these products locally to meet the rapid increase in demand in 2011.

Process Technologies

Process Technologies' sales excluding precious metals grew by 11%. Translated at constant exchange rates the growth was 8%. The Ammonia, Methanol, Oil and Gas (AMOG) business was well ahead of last year with continued strong demand for catalysts and purification materials for industries where hydrogen or synthesis gas are key intermediates.



– Air Products' industrial gas facility at Convent, Louisiana, USA.

Demand for methanol catalysts was strong in the second half of the year as a result of good catalyst sales for new projects. There is increasing global interest in methanol as an alternative fuel constituent, particularly in China, where a number of new methanol plants came on stream. Despite the fall in the oil price, demand for hydrogen catalysts was strong throughout the year. Hydrogen is an essential component in refinery desulphurisation processes and growing demand continues to be supported by legislation requiring low sulphur diesel, particularly in the developing world. In the coming decade increasingly stringent regulation of marine diesel is likely to further increase the requirement for fuel desulphurisation.

The Refineries and Purification business continued to grow well, with increasing demand for gas and liquid stream purification products in refineries and in primary gas production. Legislative and commercial concerns regarding impurities such as sulphur, chlorine and mercury continue to underpin growing demand for purification products.

Davy Process Technology (DPT) had another good year, securing licence and engineering sales for two oxo alcohol plants, a butanediol plant and a biodiesel plant. DPT was also successful in licensing four new methanol plants. Although new project activity around the world has reduced because of the global recession and the credit crunch, concerns over energy security continue to drive coal based projects in countries such as China which want to reduce their reliance on imported oil, and DPT has leading technology in this area.

At the end of the financial year, we were in the final stages of constructing a new world scale and class leading methanol synthesis catalyst facility at Clitheroe, UK. The new catalysts from this plant will build upon our long experience in methanol synthesis and will provide significant benefits to customers, enabling them to increase throughput and operational efficiency.

Process Technologies has also developed other technologies which have potential to lower energy use and reduce CO_2 emissions for our customers. Increased interest in coal to products and low carbon technologies provides additional support to long term growth.

Fuel Cells

The net expense of our Fuel Cells business continues to fall as demand for its products grows. In 2008/09 the net expense fell by £0.7 million to £5.7 million. As the early markets for fuel cells continue to develop there was growing demand for our range of customised membrane electrode assemblies from both existing and new customers.

The ease of deployment of direct methanol fuel cells (DMFC) has helped to grow sales of portable devices for leisure and military markets. Several companies are at an advanced stage in the development of DMFC battery rechargers that remove the dependence of batteries on mains charging.

We view the high profile announcements on support for electric vehicles by the US and UK governments as very positive for the future use of fuel cells in vehicles. Hybrid electric vehicles currently require an internal combustion engine (ICE) to recharge the battery or extend the battery range before mains recharging. Replacing the ICE with a more efficient fuel cell is straightforward and results in a completely zero emission vehicle.

Fuel cell systems using natural gas as a fuel have negligible environmental impact and enable the deployment of combined heat and power units in urban areas at the scale of a commercial building. This allows significant reductions in carbon emissions while providing other benefits such as backup power to offices, hotels and hospitals in a cost effective package. The use of fuel cells to provide power for the new Freedom Tower in New York is an example of the commercial development of this market and the substantial government support available in the USA for this technology should stimulate further demand for fuel cells.

Operations – Precious Metal Products Division

	Year to 31st March			
	2009	2008	%	% at constant
	£ million	£ million	change	rates
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**

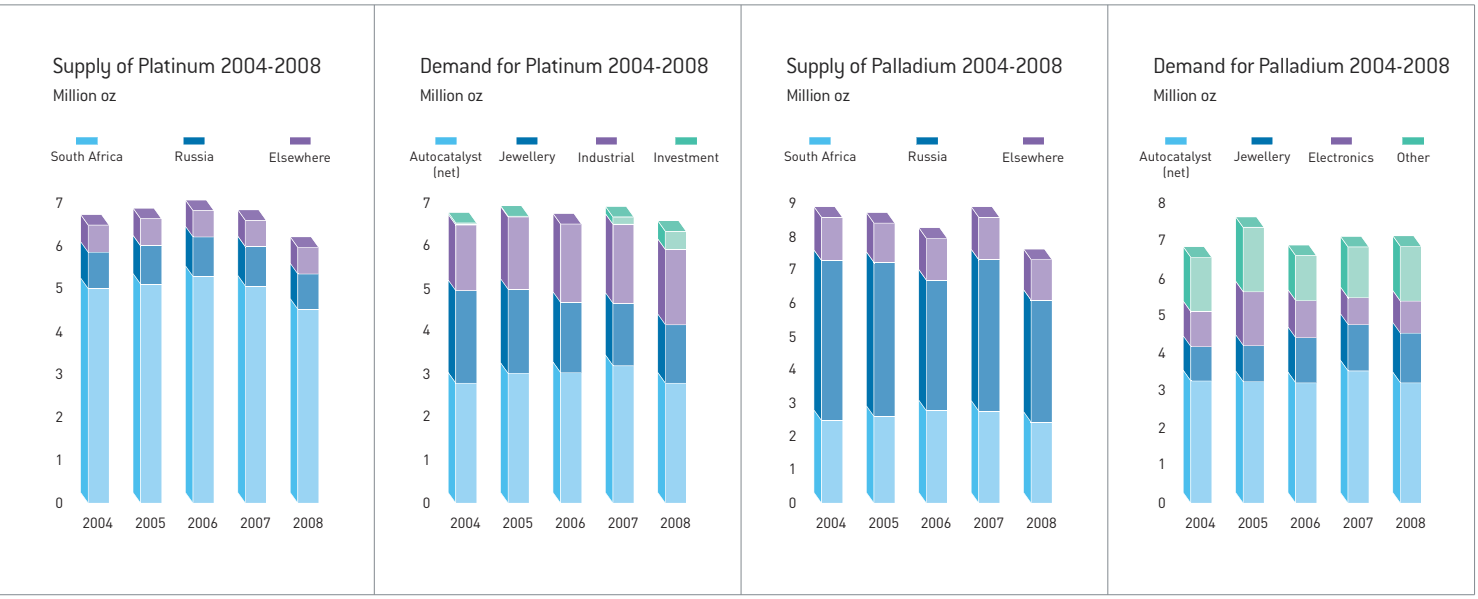
Performance in 2008/09

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.



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 obscuration 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.

Operations – Fine Chemicals & Catalysts Division

	Year to 31st March			
	2009	2008	%	% at constant
	£ million	£ million	change	rates
Revenue	**606**	521	+16	+2
Sales excluding precious metals	**347**	303	+15	+3
Operating profit*	**72.8**	67.1	+8	-1

* before restructuring charges.

Description of the Business

Fine Chemicals & Catalysts Division is a global supplier of fine chemicals, catalysts and other speciality chemical products and services to a wide range of chemical and pharmaceutical industry customers and research institutes.

Catalysts and Chemicals
The Catalysts and Chemicals business manufactures precious and base metal catalysts, fine chemicals and electrochemical products. The business sells its products to customers in the speciality chemical, pharmaceutical, fine chemical and other markets. Manufacturing takes place in the UK, USA, Germany, India and China.

Macfarlan Smith
Macfarlan Smith manufactures active pharmaceutical ingredients (APIs) and intermediate products for the pharmaceutical industry. The business specialises in APIs for controlled drugs, particularly opiate products. Most of Macfarlan Smith's customers are generic pharmaceutical companies. The business is headquartered in Edinburgh, UK.

Pharmaceutical Materials and Services
The Pharmaceutical Materials and Services business manufactures APIs and provides services to the pharmaceutical industry. The business specialises in the manufacture of platinum based anticancer APIs and controlled drugs and provides a full range of commercial scale manufacturing services for APIs to both generic and branded pharmaceutical companies. The business has operations in the USA and Ireland.

Research Chemicals
The Research Chemicals business is a globally integrated catalogue based supplier of speciality inorganic and organic chemicals. It operates under the Alfa Aesar brand name and is based in the UK, USA, Germany, China and India.

Key Statistics

Return on sales excluding precious metals	**21.0%**
Return on invested capital (ROIC)	**14.1%**
Capital expenditure	**£23.4m**
Capex / depreciation	**1.0 times**
Average invested capital	**£516m**
Employees	**1,689**

Performance in 2008/09

Fine Chemicals & Catalysts Division achieved good growth in reported sales, largely as a result of favourable exchange translation. Many of the division's businesses are located outside the UK, particularly in the USA, and sales reported in sterling benefited from currency movements. Revenue increased by 16% to £606 million, sales excluding precious metals rose by 15% to £347 million and operating profit grew by 8% to £72.8 million. Translated at constant exchange rates, sales excluding precious metals increased by 3% and operating profit fell by 1%.

The division's Fine Chemicals businesses (Macfarlan Smith, Pharmaceutical Materials and Services and Research Chemicals) achieved good growth in the year. These businesses contributed £220 million (36%) of the division's revenue; £215 million (62%) of sales excluding precious metals; and £49.5 million (68%) of operating profit (before restructuring charges).

From 1st April 2009, the remaining business in the division, Catalysts and Chemicals, has been transferred to Precious Metal Products Division. As a result, in the reported results for 2009/10 we will be showing Fine Chemicals as a separate segment and including the results of Catalysts and Chemicals within Precious Metal Products Division. Catalysts and Chemicals' revenue for 2008/09 was £386 million; sales excluding precious metals £132 million; and operating profit £23.3 million.

– Catalyst and chemical manufacturing in Shanghai, China.

– Researching the application of chiral technologies.

Catalysts and Chemicals

Catalysts and Chemicals achieved good growth in the first half of the year but sales fell in the second half as demand for some products declined in response to the global recession. Precious metal salts used in the manufacture of catalysts for the automotive industry were well down and sales of catalysts used in the manufacture of edible oils, which had enjoyed good sales growth in the first half, weakened in the second six months of the year. By contrast, sales of catalysts to the pharmaceutical industry were strong throughout the year with good demand for pgm based heterogeneous catalysts, palladium coupling catalysts and chiral ligands.

Our expansion of capacity in China for the manufacture of pgm based chemicals and catalysts became fully operational during the year, and additional capacity for sponge nickel catalysts for the local Chinese market will start production in the summer of 2009.

Macfarlan Smith

Macfarlan Smith's sales of opiate products were well up on last year with good demand for codeine phosphate. Sales of specialist opiates were also strong, particularly oxycodone. In the non-opiate sector, sales of galantamine showed good growth as a result of the launch of generic alternatives to Razadyne®. Manufacturing costs rose, particularly the cost of energy, which reduced return on sales, but operating profit was still comfortably ahead of last year.

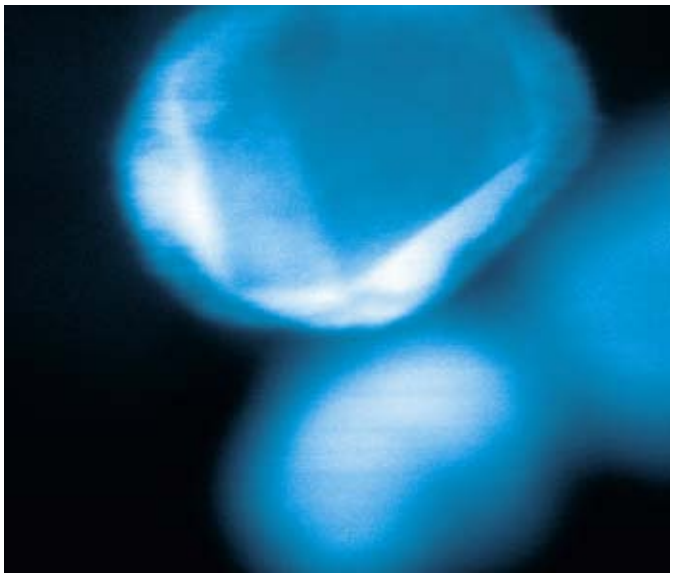
Pharmaceutical Materials and Services

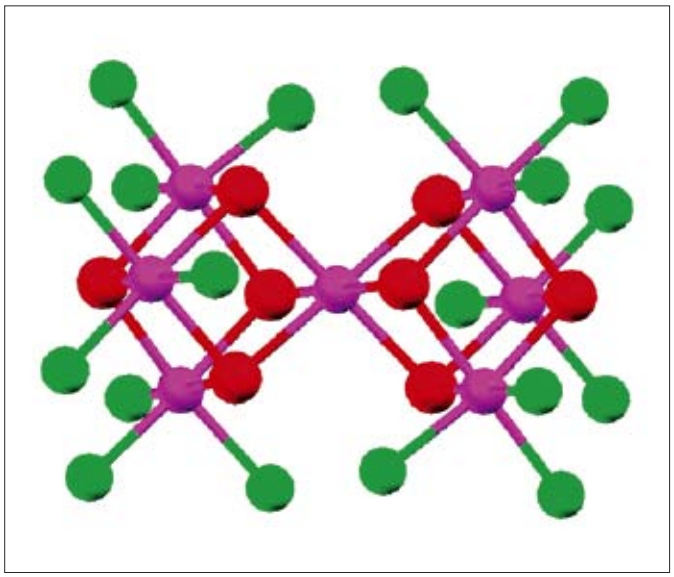
The division's Pharmaceutical Materials and Services business was ahead of last year with good sales of methylphenidate and opiate products. Sales of platinum based anticancer APIs were similar to last year with increased sales of oxaliplatin. However, revenue from contract research was adversely affected by the lack of venture capital funding for a number of our smaller customers. On 4th April 2009, Barr Laboratories (now part of Teva Pharmaceutical Industries) launched its generic version of ADDERALL XR®. Pharmaceutical Materials and Services has an agreement with Barr Laboratories which will provide additional income for the first six months after launch during which period Barr Laboratories has market exclusivity for this generic product.

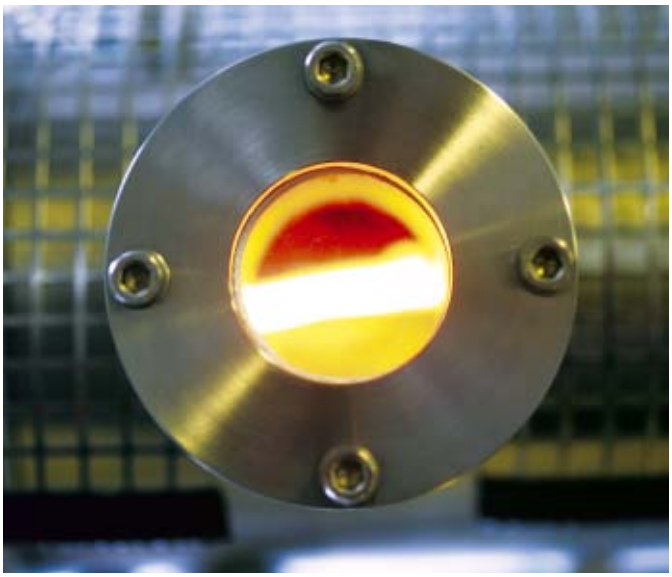
In March 2009 we announced the closure of our facility in Ireland which manufactures prostaglandin APIs for the European market. We plan to consolidate prostaglandin API manufacturing at our facility in Massachusetts, USA. The closure has resulted in a £9.4 million restructuring charge in this year's accounts.

Research Chemicals

Research Chemicals achieved good growth in the year with increased sales in North America, Europe and Asia. Sales were held back in China during the Olympics but recovered well later in the year. On 2nd March 2009 we purchased our partner's 49% share of our catalogue joint venture in China for £5.2 million. With increasing demand for its products, the business is investing in the expansion of facilities in India and in Europe and has a new manufacturing joint venture in Yantai, China which will begin operations in summer 2009.







– Micrograph of platinum core shell catalysts.

– Characterisation using x-ray photoelectron spectroscopy at our Technology Centre.

– Single crystal x-ray characterisation of platinum containing species.

– Developing and testing the next generation of emission control catalysts.

– Testing diesel particulate filters.

Research & Development

Research and development is an integral part of Johnson Matthey's high technology businesses. One of the group's strategies is to differentiate ourselves by using our world class technology and we invest significantly in research and development to develop new products and manufacturing processes. In 2008/09 Johnson Matthey spent £87.6 million gross on R&D.

Our group technology centre located at Sonning Common in the UK is focused on longer term research and has a worldwide reputation for excellence in catalysis and precious metals technology. In addition we have important research centres at Royston, Billingham and Stockton-on-Tees in the UK located close to some of our major businesses. Worldwide we have technical centres in many countries including the US, Japan, Sweden and the Netherlands.

Johnson Matthey Technology Centre

The Johnson Matthey Technology Centre (JMTC) is the group's central resource for longer term research and employs over 180 world class scientists. It supports the research and development of new products and technology across all of Johnson Matthey's businesses and has expertise in catalysis, precious metals, materials science and many other fields in which Johnson Matthey operates.

JMTC has state of the art facilities and resources for the development and testing of catalysts as well as one of the most advanced industrial analytical science groups in the world, equipped with the latest tools for materials characterisation.

Collaboration is important and JMTC works closely with the group's global network of business specific technology centres and development groups. It also participates in external collaborative R&D programmes worldwide.

Many projects at JMTC are sponsored by the operating divisions to meet their longer term objectives. In parallel, our core science projects address the fundamental science that lies at the heart of many of our businesses. Knowledge gained in the core science programmes is used to accelerate and improve product development across the group, reducing time to market and improving our ability to design products to meet customers' needs.

An increasing number of projects address sustainability issues such as energy efficiency, waste reduction, resource utilisation and low carbon technology to support our Sustainability 2017 aspirations. These projects are focused on improving the sustainability performance of our own operations and on developing the next generation of sustainable products and technologies for our customers.

Four examples of projects supporting our Sustainability 2017 programme goals are outlined below.

Next Generation Emission Control Catalysts

Since the acquisition of Argillon we have been working on exploring and optimising synergies between our coated and extruded catalyst technologies. Through combining our expertise in extruded catalysts and catalyst coating we are now developing new emission control catalysts which incorporate the dual functionality of a particulate filter and an ammonia slip catalyst into one single unit. Examples of this more resource efficient and cost effective technology are already in use in the market.

Reducing Spoilage of Fresh Produce

In the UK alone it is estimated that fruit and vegetables account for over 30% by weight of total avoidable household food waste. Better control of spoilage of fresh fruit and vegetables will potentially make a major contribution to reducing waste in this sector. A known cause of premature ripening, disease and softening in fresh produce is the presence of low levels of ethylene gas. Ethylene is produced naturally by fruit and vegetables and controlling the concentration of this gas in the atmosphere in which fresh produce is stored can help to reduce spoilage. In a collaborative programme between Anglo Platinum and Johnson Matthey, a novel supported palladium material with a significant ethylene adsorption capacity at room temperature has been developed. The scientific design of this new ethylene removal product is based on our detailed knowledge of ethylene activation over palladium and adsorption of the activated species on advanced support materials. Following successful laboratory testing, the new product is being marketed within one of our business units and is undergoing trials in the fresh produce supply chain.

Cleaner use of Coal

The use of coal will increase globally for chemical manufacture, fuels and power generation. However coal is an inherently dirty fuel, containing mercury and many other harmful components. Johnson Matthey, in collaboration with the US Department of Energy's National Energy Technology Laboratory (NETL), has developed novel palladium based sorbent technology for removing mercury from high temperature syngas derived from coal gasification processes. Compared to existing low temperature mercury capture by activated carbon, high temperature capture retains the high thermal efficiency of advanced combustion turbine power generation processes such as IGCC (integrated gasification combined cycle). This is a key element of the strategy to increase the use of abundant coal resources in countries such as the USA and is a likely route to CO_2 capture and storage. In 2008, NETL and Johnson Matthey received a prestigious R&D Top 100 Award for this novel mercury removal technology.

Fuel Cell Catalysts

Platinum is the catalytically active metal of choice in many fuel cell applications. However, given its high cost, a key goal is to optimise the number of platinum atoms available as catalytically active sites, particularly when designing catalysts for large scale commercial fuel cell applications. In a new approach to catalyst design, we are able to place platinum atoms on the surface of nanoparticles of a less expensive metal, creating a 'core shell catalyst'. In these core shell platinum nanocatalysts all the platinum atoms are available for catalytic reactions at the surface. Furthermore, through careful choice of the less expensive metal it is actually possible to enhance further the activity of the platinum atoms to give higher efficiency than using platinum alone. This new core shell technology has the potential to enable the more resource efficient manufacture of higher performance fuel cell catalysts.

Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the group's long term performance.

Technological Change and Patents

Much of the group's business is focused on selling products which are technologically advanced or employ technologically advanced processes in their manufacture. In most cases these products are subject to continuous improvement as new technology is developed. The group is exposed to the risk that if it does not keep up with changes in the market place its products will no longer be competitive. This is both a threat and an opportunity since Johnson Matthey can gain business as well as lose it. The group's strategy to meet this risk is to invest significantly in research and development to maintain or achieve leadership positions in those markets which offer sufficient added value to justify the long term investment required.

The group's results are also impacted by the status of patents. These include patents which the group itself registers and maintains, as well as the risks arising from new third party patents and the benefits that arise from the expiry of third party patents. All the group's divisions have significant registered intellectual property. The Fine Chemicals businesses supply active pharmaceutical ingredients to generic manufacturers and can benefit when third party patents expire. If actual patent lives differ from the expectations of the relevant group business, such as by being extended or successfully challenged, this can affect the group's results. The group has established policies both to monitor its existing patent portfolio and those of third parties, taking appropriate action as necessary in respect of infringement.

Legislation

Much of the stimulus for the development and growth of Johnson Matthey's products arises from new legislation governing the environmental or health impact of its customers' products in different jurisdictions worldwide. This is most significant for Emission Control Technologies where historic and future growth depends on global tightening of emissions limits. Legislation is also relevant for some of the group's other businesses. Process Technologies and Fine Chemicals & Catalysts manufacture products to remove contaminants or to produce particularly pure chemicals. Colour Technologies is supported by legislation phasing out lead, cadmium and other heavy metals from glass and ceramic glazes. The development of the fuel cells industry is also impacted by clean air regulations and the drive towards zero emissions within both local and national legislation.

Whilst the group has benefited considerably from the development of such legislation its growth could be adversely affected if the pace of legislative change slowed significantly. Johnson Matthey monitors the development of legislation globally and coordinates its development work to ensure it can achieve greatest advantage from each new requirement. Regular reviews are undertaken at the business and group level to monitor growth and to investigate other areas of potential if legislation slows.

Global, Political and Economic Conditions

Johnson Matthey operates in over 30 countries around the world including several within Africa, Asia and Latin America. While benefiting from the opportunities and growth in these regions the group is exposed to the economic, political and business risks associated with such international operations. The group encounters different legal and regulatory requirements including those for taxation, environmental, operational and competitive matters. It is exposed to the effect of political risk which can include sudden changes in regulations, expropriation of assets, imposition of trade barriers and wage controls, limits on the export of currency and volatility of prices, taxes and currencies. The group is exposed to possible natural catastrophe risk, for example through major earthquake or flood, and possible terrorist action. Management monitors such risks, maintaining adequate insurance cover and amending business procedures as appropriate to mitigate any exposure while remaining in compliance with local and group requirements.

Environmental Liabilities

The group is at risk if it causes damage to the environment as a result of its activities. This risk is managed by ensuring that all the group's manufacturing facilities operate in accordance with the group's environmental policies which are set out on the company's website at www.matthey.com. The environmental laws of various jurisdictions impose actual and potential obligations on the group to remediate contaminated sites, both those currently owned and, also in some cases, those which have been sold. The group incurs costs annually in meeting these obligations and also maintains provisions for potential liabilities. If existing provisions are inadequate to cover any liabilities or the associated costs arising from environmental obligations this could materially impact the group's results.

Commercial Relationships

Johnson Matthey benefits from close commercial relationships with a number of key customers and suppliers. The loss of any of these key customers or suppliers, or a significant worsening in commercial terms could have a material impact on the group's results.

Johnson Matthey devotes significant resources to supporting these relationships to ensure they continue to operate satisfactorily. From time to time the group undertakes surveys of customer satisfaction which are reviewed by the board. Some of the relationships are supported by long term contracts, notably the group's relationship with Anglo Platinum.

Foreign Exchange

Johnson Matthey operates globally with the majority of the group's operating profit earned outside the UK. It has significant investments outside the UK with the single largest investment being in the USA. As such the group is exposed to movements in exchange rates between sterling and other world currencies, particularly the US dollar, which could adversely or positively impact results. The group's policies for managing its foreign currency exposures are set out in more detail on pages 15 and 93.

Precious Metal Prices and Controls

A large proportion of the group's activities involve managing precious metals which have inherent risks associated with them in addition to bringing valuable business opportunities.

While the group could be vulnerable to a global disruption in the supply of platinum group metals, it has access to world markets for these metals and is not dependent on any one source for obtaining supplies for operations.

Precious metals have high prices which can fluctuate significantly and this can have a material impact on Johnson Matthey's results. The group's policies for managing this risk are set out in more detail on page 15. The high value of precious metals means that any process losses could be material and there remains the possibility of theft or fraud. Johnson Matthey has extensive experience in operating with precious metals and employs strict security, assay and other process controls and reviews to minimise any exposure. Policies are reviewed regularly by the Chief Executive's Committee and reported to the Audit Committee.

Pensions

The group's defined benefit pension funds had a net deficit at 31st March 2009 of £111.5 million. This position is exposed to the risk of changes in interest rates and the market values of investments as well as inflation and increasing longevity of the members. The assumptions used in calculating the funding position of the pension funds are shown in detail on page 74. These risks are mitigated by paying appropriate contributions into the funds and through an investment asset allocation policy which has a high level of probability of avoiding a material deficit based on the results of an asset / liability matching study.

Customer Market Dynamics

The group sells products to manufacturers who in turn use these products to serve a diverse range of end markets. The group's performance is therefore impacted by the dynamics of its customers' end markets and their performance within these markets. A significant loss of market share at or by a major automotive customer could negatively impact the group's results. The group also has exposure to the wider automotive sector as a whole which is served by a number of the group's divisions. In 2008/09 global car production is estimated to have fallen by 13% which has had a significant effect on the sales of Johnson Matthey's products. However, other factors such as tightening emissions legislation and the increasing technical demands from catalysts also play a significant role.

Risks are mitigated by monitoring both industry developments and market share at customers to prevent the group from becoming unduly dependent on any single customer.

Competitor Risk

The group operates in highly competitive markets. Significant product innovations, technical advances or the intensification of price competition could all adversely affect the group's results. Johnson Matthey invests significant resources in research and development in order to ensure the introduction of both new products and improved production processes to allow the group to be at the forefront of its chosen markets. The group also continually works to streamline its cost base to ensure it remains competitive.

Litigation and Investigations

The group is subject to a broad range of laws, regulations and standards in each of the jurisdictions in which it operates. Failure to comply properly with these laws, regulations and standards could significantly damage the reputation and performance of Johnson Matthey.

Regular internal reviews are undertaken to assess compliance with local and group policies, and provisions are made to rectify or compensate for any breaches. In the ordinary course of business, Johnson Matthey is subject to inspections and monitoring by certain regulatory or enforcement bodies and by the quality departments of some of its major customers. If existing provisions are inadequate to cover any liabilities arising from such investigations this could materially impact the group's results.

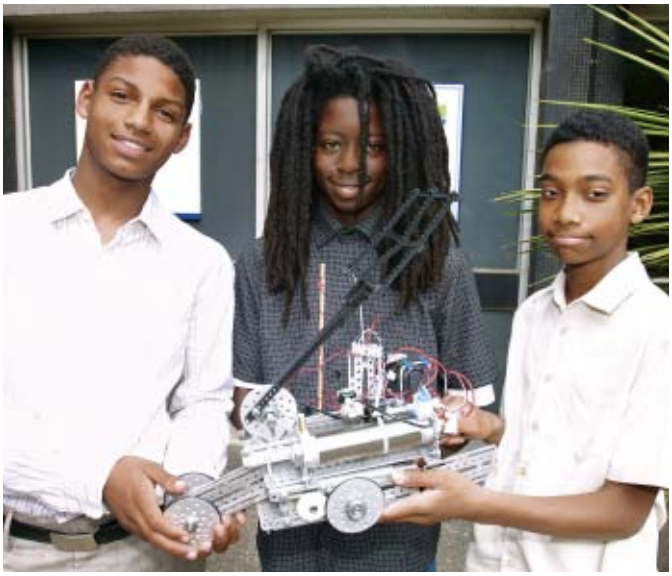
Energy and Raw Materials

The group's products contain a broad array of raw materials and its operations require significant levels of energy, notably electricity and natural gas. Any increases or volatility in prices and any significant decrease in the availability of energy or raw materials could affect the group's results. Johnson Matthey coordinates its global purchasing activities to obtain the best possible prices and uses hedging and other contractual means where appropriate to minimise this risk and to benefit where possible. The high price of oil also benefits the group by stimulating demand for new catalysts and technologies supplied by Process Technologies.

Credit Risk

The group derives a significant proportion of its revenue from sales to major customers, particularly in Emission Control Technologies. Sales to individual customers are frequently high if the value of precious metals is included in the price. The failure of any such company to honour its debts could materially impact the group's results.

Johnson Matthey derives significant benefit from trading with its large customers and manages the risk at many levels. Each business and division has a credit committee that regularly monitors its exposure. The Audit Committee receives a report every six months that details all significant credit limits, amounts due and amounts overdue within the group and the relevant actions being taken. As at 31st March 2009, no single outstanding balance exceeded 1% of the group's revenue. The group's exposure to Chrysler LLC, which filed under Chapter 11 in the US Bankruptcy Court on 30th April 2009, was less than US $5 million, some of which was covered by insurance and indemnities from other suppliers. The group's exposure to General Motors Corporation in the US is very small. Further details of the group's credit control procedures are set out on page 92.



– Jennifer Tweddle, who joined our Process Technologies business through a Johnson Matthey sponsored Young Scientist programme.

– Team building initiatives at Johnson Matthey Malaysia.

– Johnson Matthey manufactures catalysts to control harmful NOx emissions from coal fired power stations.

– Selective catalytic reduction (SCR) system to control NOx emissions from diesel engines used to generate power for Catalina Island, California, USA.

– 'Generating Genius' students – Johnson Matthey supports Generating Genius, a UK based charitable programme which promotes science careers to young people.

Sustainability

Johnson Matthey is a world leader in environmental technologies and, with a significant proportion of profits generated by products that directly benefit the environment, sustainability is a key element of our strategy for the future growth of the business.

Sustainability is fundamentally about the best long term way to run a business. There is growing concern globally, including among our employees, our customers, our communities and others with whom we work, about the way countries, companies and individuals are using the world's resources. This is affecting people now in many ways and our decisions and actions today will affect future generations for a long time to come.

Throughout Johnson Matthey we are committed to the principles of sustainable development and strive for outstanding resource efficiency and carbon neutrality. Going forward, we aim to further develop and enhance sustainability as a core competence and key driver of competitiveness for our business. This will be delivered through our Sustainability 2017 initiative.

Sustainability 2017

In December 2007 we launched Sustainability 2017, a challenging long term vision for the whole group that sets our direction and aspirations to make Johnson Matthey a more sustainable business for the future. Our aims are to at least double our earnings per share whilst achieving carbon neutrality, zero waste to landfill and halving the key resources that we consume per unit of output by 2017, the 200th anniversary of the founding of the company. The full statement is available on the company's website at www.matthey.com.

Sustainability 2017 was defined following an assessment of the risks, major impacts and future commercial opportunities open to the business. There are two key thrusts to the vision. The first is about being more efficient with the resources we use as a business and the second is about designing new products that help our customers to be more sustainable and competitive. Some of the progress we have made towards achieving the vision are presented in summary in this report. Further details can be found in Johnson Matthey's Sustainability Report which will be published on the company's website in July 2009.

Progress in 2008/09

We have focused on fully embedding sustainability into our routine management processes and since the start of 2008/09 all of Johnson Matthey's businesses have established and implemented their own sustainability plans as part of the group's annual financial budgeting process. All of the businesses' sustainability plans have the common corporate objectives as their foundation and are tailored as appropriate to the businesses' own specific operations. This approach encourages commitment at a local level and takes advantage of Johnson Matthey's culture and methods of working.

We have continued to refine our metrics and methods of measurement to enable us to monitor our progress objectively. Studies have continued to assess tools for the carbon footprinting of our processes and products, and for examining the comparative impacts of products throughout their lifecycle.

With our Sustainability 2017 targets in place, baseline data (taken as our performance in the 2006/07 year) has been established and we have developed appropriate key performance indicators (KPIs) to enable us to measure performance. Progress during this first full year of the initiative is summarised in the table on page 30.

The KPIs for monitoring progress towards the target of halving key resources consumed per unit of output have been developed through consultation with all of Johnson Matthey's facilities worldwide. The top three key resources were identified for each facility and from this electricity consumption, natural gas consumption and water use clearly emerged as most significant to the majority of the group.

In these early stages of our Sustainability 2017 initiative, employee engagement has been a key focus. A detailed two year communications plan is being delivered with the aim of giving employees a clear view of the importance of sustainability to the overall business strategy and equipping them with the information they need to take forward their own sustainability ideas.

During the year a leaflet, poster, in house magazine article and intranet area were produced and distributed across the group. The Johnson Matthey Sustainability 2017 Awards have been launched to recognise the outstanding contribution of individuals or teams in working towards achieving the vision.

Over the last year one day sustainability training sessions were run to help employees put the Sustainability 2017 Vision into practice in their day-to-day work. Around 130 employees around the world attended the sessions and a number of them have since used the training materials and delivered the programme to colleagues at their own sites. Further tailored training sessions for specific functions such as Purchasing and Environment, Health and Safety (EHS) are being developed for 2009/10.

A dedicated microsite is under construction which will provide a central source of information on every aspect of our sustainability programme. Due to be launched in 2009/10, it will provide a means for employees across the group to share their comments and ideas. An enhanced sustainability section on the company's corporate website will also be developed during 2009/10 which will provide a wider range of information both for employees and other stakeholders.

2009/10 and Beyond

Going forward, Johnson Matthey's businesses will continue to develop and work towards delivering their annual plans. A particular focus will be the further establishing of business level targets and the development of strategies to achieve them. To assist with this a Group Sustainability and Technology Leader has been appointed to work closely with the divisions in developing business metrics and governance practices relating to sustainability and in identifying cross company technologies.

Work will continue to measure progress against the group targets and to develop aggregated group targets from those identified at the business level. We will also look to identify the common ground in our businesses where additional group targets could be developed in the future.

Progress Towards Sustainability 2017 Targets

Sustainability 2017 Aspiration	KPI	Baseline 2006/07	2008/09 [3]	2017 Target
At least double earnings per share	Underlying earnings per share (pence)	82.2[1]	89.6	≥ 164.4
Achieve carbon neutrality	Total global warming potential (tonnes CO_2 equivalent)	386,074[2]	370,787	0
Achieve zero waste to landfill	Amount of waste to landfill (tonnes)	16,555[2]	5,535	0
Halve key resources per unit of output	Electricity consumption (GJ '000)	1,469[2]	1,351	735
	Natural gas consumption (GJ '000)	2,146[2]	2,260	1,073
	Water consumption (m^3 '000)	1,909[2]	1,951	955

[1] Data presented is for the period 1st April 2006 to 31st March 2007.
[2] Data presented is for the period 1st January 2006 to 31st December 2006.
[3] Data presented is for the period 1st April 2008 to 31st March 2009.

Our Products

Many of Johnson Matthey's products and services are environmentally or socially beneficial in their own right or in the way they are used by our customers. We develop catalysts that reduce harmful emissions from both vehicles and industrial processes. Our autocatalyst products alone have prevented over four billion tonnes of pollutants from reaching the atmosphere since their introduction in 1974. We also supply the global chemical industry with catalysts and process technology know-how to enable our customers to build and operate their chemical processes more efficiently.

The development of the chemistry of precious metals underpins many of Johnson Matthey's products and technologies. Our understanding of the physical and chemical properties of the precious metals has contributed to the development of a wide range of environmentally and socially beneficial products including emission control catalysts for vehicles, platinum based anticancer drugs for chemotherapy treatments and catalysts for fuel cells. The recycling and refining of precious metals are a core competence of Johnson Matthey and we offer a range of recycling and refining services to our customers around the world. Our knowledge and expertise in this area give us a firm foundation from which to tackle the task of further improving the resource efficiency of our products in manufacture and use. Our core skills in fine chemicals underpin a number of our products which are used in the areas of medicine, health and safety. We manufacture active pharmaceutical ingredients, used by pharmaceutical companies in drug preparations, and opiate products, such as morphine and codeine, which are used to relieve pain.

The growing market for sustainable products presents a key opportunity for future business growth. Our sustainability strategy is focused on improving the sustainability footprint of our existing products and in developing new sustainable products and services for our customers, enabled by our experience in catalysis, precious metals, fine chemicals and process technology. We will continue our high level of investment in R&D and will draw on the expertise of our people. We will also look to further collaborate with our customers, suppliers and other partners to understand their priorities regarding sustainability and to maximise the benefits throughout the supply chain.

Communication with Stakeholders

Johnson Matthey has a wide range of stakeholders with an interest in hearing from or working with the company at both a corporate and business level. Our stakeholders include customers, employees, fund managers, shareholders, communities, governments, non-governmental organisations and national and international trade associations. We communicate with our stakeholders throughout the year and engagement is integrated into business decision making processes.

The company is actively involved with both the Chemical Industries Association (CIA) and the European Chemical Industry Council (Cefic). We have also continued to play a leading advisory role through participation in a number of sector trade associations and government bodies. The company is actively involved with national and local government to inform the development of policy in areas where Johnson Matthey's technology and products can play a pivotal role, for example in improving air quality and enabling the shift towards more sustainable consumption and production.

Neil Carson, Chief Executive of Johnson Matthey, is a prominent member of the Corporate Leaders Group which has provided valuable suggestions to UK government and the European Commission on climate change issues. Neil is also a member of the Advisory Board for the Cambridge Programme for Sustainability Leadership. A number of the company's senior management are involved in the UK government's sustainability and climate change initiatives.

Johnson Matthey's executives have also made a contribution to a range of organisations and committees, such as the Carbon Trust, and the company continues to participate in numerous government consultations. We have also continued to support the activities of Forum for the Future and the Green Alliance.

The company meets regularly with all of its major shareholders. At these meetings matters relating to sustainability and corporate social responsibility (CSR) may be discussed together with the performance and development of the group's businesses.

Managing Sustainability

Johnson Matthey has adopted the principles of corporate social responsibility and embedded them into our risk management processes. Since 2003 we have formally reported annually on our social, environmental and ethical performance in a separate CSR report. Through the launch of Sustainability 2017 we have defined our own vision and direction and in July 2008 we published our first Sustainability Report. This represents a transition for Johnson Matthey and is linked to our move to actively manage our impacts and opportunities more efficiently than in the past.

To ensure further progress, sustainability needs to be part of the fabric of the company at all levels. We are managing sustainability across the group according to five elements: financial; governance; social; health and safety; and environment.

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. Details of our progress are outlined in the Financial Review on pages 10 to 14, in the Key Performance Indicators section on pages 8 and 9 and in the Five Year Record on page 106.

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. More robust evaluations of the financial benefits of our sustainability programme will continue over the coming years.

Governance

Johnson Matthey embraces a culture of continuous improvement in all aspects of sustainability. We drive continuous improvement through corporate policies, a comprehensive management system and the commitment of our employees. Johnson Matthey has key policies in the areas of Environment, Health and Safety (EHS); Employment; and Business Integrity and Ethics which provide the framework for managing environmental, social and governance matters.

Our well established policies and management systems apply to all operations worldwide. Legal requirements are a minimum standard and in many cases our policies and systems are in advance of these. Over the last year further initiatives have been undertaken to improve our operational performance. Details of our policies, initiatives and progress can be found in the Sustainability Report on the company's website at www.matthey.com and are presented here in summary.

As outlined in the Corporate Governance section (page 42) the board has embedded environmental, social and governance matters into its risk management processes and formally reviews the area once a year. These matters are monitored by the CSR Compliance Committee, a sub-committee of the Chief Executive's Committee. A description of the committee can be found on page 42.

Policies and Management Systems – Environment, Health and Safety

A written policy statement, formulated and agreed by the Chief Executive's Committee, forms the basis of the group EHS management system. The board approves this policy statement which is signed by the Chief Executive and is available at each site throughout the group. This policy is presented in full in the Sustainability Report and on the company's website at www.matthey.com.

Environmental, Health and Safety Management

Johnson Matthey is firmly committed to managing its activities throughout the group to provide the highest level of protection to the environment and to safeguard the health and safety of its employees, customers and the community. Our EHS policies provide the guiding principles that ensure high standards are achieved at all sites worldwide and afford a means of promoting continuous improvement based on careful risk assessment and a comprehensive EHS management system.

The group EHS management system is reviewed regularly to ensure that it reflects international best practice and our growing understanding of the practical application of sustainable development.

The corporate objectives, policies and group EHS management system define accountability and set the standards against which conformance audits are assessed. This system is available to all employees via the company intranet. All facilities have developed local policies to meet the requirements of these corporate policies.

EHS compliance audits are an integral part of Johnson Matthey's corporate EHS management system and are vital to maintain continuous improvement in all aspects of EHS. All Johnson Matthey operated manufacturing and research and development facilities are included in the audit programme. The audit frequency for each facility is determined by the scale, inherent risk and past performance of the operation. Audits review conformance with the group EHS management system and compliance with national legislation, as well as providing an opportunity to share best environmental, health and safety practices.

The Group Occupational Physician undertakes health management reviews of all operational sites to provide consulting advice to guide the prioritisation and planning of programmes to optimise workplace health protection and promote workforce sustainability. All businesses undertake annual health management continuous improvement planning to structure programmes and services to meet changing business needs.

All audit reports, including health management reviews, are reviewed by the CSR Compliance Committee and appropriate follow up is taken on any outstanding issues. A total of 28 detailed compliance audits and seven one day audit action reviews were completed during 2008/09.

Our review last year of the investigation reports on the incidents at BP's Texas City refinery and the Buncefield oil storage facility generated a number of actions to integrate relevant learning into our existing EHS management systems. During 2008/09 Group EHS has worked with Aker Solutions EHS & Risk Consultancy Services to develop a process risk management vertical audit tool for use alongside our EHS audits. The project aimed to prioritise our major manufacturing sites on a risk basis and enable pragmatic process safety measures to be developed through gap analysis of the difference between the scale of hazards and the suitability of the existing controls.

The first pilot process risk management audit was carried out at our facility in Germiston, South Africa in December 2008. The audit concentrated on high consequence / low probability events and revealed some valuable new opportunities to further understand and minimise risk. Further process risk management audits are planned during 2009/10.

ISO 14001

Over the past year continued progress has been made to implement ISO 14001, in line with our target of achieving registration at all major manufacturing sites by 2010. At the end of 2008/09, 32 sites had achieved ISO 14001 registration representing 80% of our manufacturing workforce. All other manufacturing sites have plans in place to achieve registration during 2009/10.

Training

Training is vital to ensure continuous improvement in environmental, health and safety performance. A number of seminars on high priority health and safety topics were completed during the year across the group. A project management training course at our plant in Shanghai gave facility managers and engineers from across Asia the opportunity to enhance their understanding and share best practice on improving the EHS aspects and impacts of significant development projects. Following this, the course content was reviewed and expanded to provide attendees with a greater level of guidance on how to deploy robust project management techniques. It will be relaunched across the group during 2009/10.

Regular meetings are held in both Europe and North America to provide an opportunity for our EHS professionals to network, share current best practices and discuss the impact of future EHS based legislation. Similar meetings will be held in Asia over the next year to provide further networking opportunities within our Asian EHS teams.

Regulatory Matters and Product Stewardship

Johnson Matthey's corporate REACH compliance programme is well advanced. Key REACH pre-registration requirements were successfully completed to ensure efficient future phasing of our substance registrations and several hundred declarations covering various product ranges were submitted. We continue to collaborate in industry consortia under the auspices of trade associations to share the costs and technical efforts for compliance and individual substance registrations remain on track to commence in 2010. During 2008/09, a corporate REACH website (www.matthey.com/cr/reach) was launched to support our customers and enhance supply chain communication.

Preparations also continued to implement the Globally Harmonised System (GHS) for chemical classification and hazard communication. During January 2009 the European Union commenced enactment of GHS and work is well underway within our European businesses to ensure we meet the requirements of the legislation timescales.

As part of our continuing improvement programme on product stewardship, internal systems to cover further chemical control regimes, such as the US Toxic Substances Control Act, were upgraded. We have also recruited a further three compliance specialists to our corporate product stewardship teams since the start of 2008/09 to support our efforts.

On 2nd December 2008 Johnson Matthey Inc. (JMI) was sentenced in the US District Court, Salt Lake City, Utah for a single felony violation of the US Clean Water Act (CWA), namely knowingly rendering inaccurate a reporting method in January 2000. The conviction arose from a federal investigation into wastewater practices at the company's Salt Lake City refinery that began in 2002 and led to prosecution by the US Department of Justice. JMI's conviction followed the September 2008 conviction of two former managers of the Salt Lake City refinery who had entered guilty pleas to a single felony under the CWA. The outcome for JMI came about by means of plea agreements entered into with the federal government following a successful challenge in Utah state court to the underlying permit that was fundamental to the indictment. As a result, nearly all the charges in the indictment were withdrawn.

The criminal violation related to the selective screening of waste water samples for compliance analysis. Even though there was no harm to the environment, the company was ordered to pay a fine of $2.25 million and contributed $750,000 to the National Fish and Wildlife Fund. JMI will be on probation for three years. The two managers were also placed on probation and ordered to pay nominal fines. Their employment with Johnson Matthey has been terminated. In further resolution of the issues arising from this investigation, JMI has entered into a three year Compliance Agreement with the US Environmental Protection Agency effective 2nd December 2008.

Policies and Management Systems – Human Resources

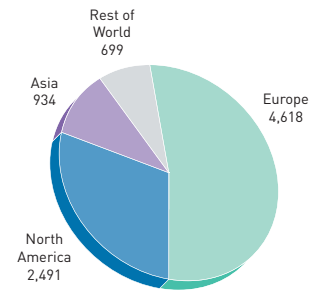
Johnson Matthey's human resources policies are implemented through the corporate human resources standards which set requirements for operations throughout the group to follow. These standards are generally in advance of legal requirements and provide internal consistency. They are supported by detailed regional procedures or individual business procedures. All of these policies and procedures are subject to regular review to ensure that they continue to reflect both regional best practice and local legislation. Site specific human resources policies and procedures are communicated to staff at inductions and through staff handbooks. Human resources policies and risks are examined by the Chief Executive's Committee and the CSR Compliance Committee. The group's policies on equal opportunities and training are published on the website and are set out below.

Equal Opportunities Policy

The group will recruit, train and develop employees who meet the requirements of the job role, regardless of gender, ethnic origin, age, religion, sexual orientation or disability. The policy recognises that people with disabilities can often be denied a fair chance at work because of misconceptions about

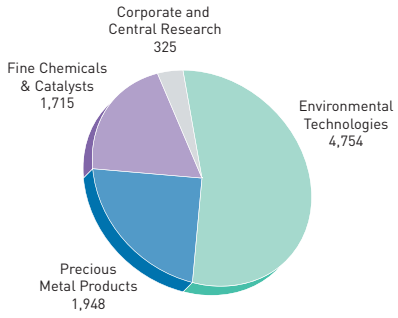
Total Employees by Region

Average headcount for 2008/09
(continuing businesses*)



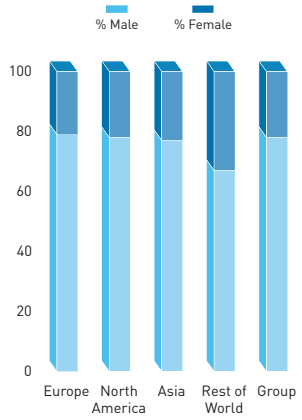
Total Employees by Division

Average headcount for 2008/09
(continuing businesses*)



Gender by Region

As at 31st March 2009



*Employee data relates to the financial year 2008/09 and excludes 841 employees transferred out of the group with the completion of the sale of the Argillon Insulators and Alumina businesses on 26th November 2008.

their capabilities and seeks to enhance the opportunities available by attempting, wherever possible, to overcome obstacles, such as the need to modify equipment, restructure jobs or to improve access to premises, provided such action does not compromise health and safety standards. Similarly, employees who become disabled will be offered employment opportunities consistent with their capabilities. We value the diversity of our people as a core component of a sustainable business and employment applications are welcomed and encouraged from all sections of the community including minority groups.

Training and Development of People Policy

The Management Development and Remuneration Committee of the board takes a special interest in ensuring compliance with the Training and Development of People Policy objectives to:

- Ensure highest standards in the recruitment of employees.
- Assess training needs in the light of job requirements.
- Ensure relevance of training and link with business goals.
- Employ and evaluate effective and efficient training methods.
- Promote from within, from high potential pools of talent.
- Understand employees' aspirations.
- Provide development opportunities to meet employees' potential and aspirations.

Policies and Management Systems – Business Integrity and Ethics

The company strives to maintain the highest standards of ethical conduct and corporate responsibility worldwide through the application of the principles within its Business Integrity and Ethics Policy. These issues are further safeguarded through corporate governance processes and monitoring by the board and its sub-committees. All employees have a duty to follow the principles set out in the Business Integrity and Ethics Policy. It is integrated into the Group Control Manual and is available to staff at all sites. The policy is presented in full in the Sustainability Report and on our website at www.matthey.com.

Johnson Matthey facilities have established policies and procedures through which employees can raise employment related issues for consideration and resolution. A confidential and secure "whistleblowing" website and telephone helpline is also in place to give all employees an additional means to raise any issue of personal concern.

Supply Chain

Management of the supply chain and contractor activities is a core component of the ISO 9000 and ISO 14000 series of standards. Supply chain and contractor management questionnaires are a requirement of achieving and maintaining registration and as such, ISO registered Johnson Matthey sites require the completion of appropriate questionnaires. For those sites without ISO registration, the group EHS management system provides policy and guidance on both supply chain management and contractor control.

In March 2009 around 20 people from our businesses' European procurement teams met to review and discuss sustainable procurement. Participants also shared their ideas on best practice and as a result, development of a sustainable procurement policy for the company has been initiated.

In April 2009 Johnson Matthey conducted a corporate social responsibility audit of one of our most important suppliers, Anglo Platinum Limited. The purpose of the audit was to verify that Anglo Platinum's policies and philosophy on the non-financial elements of the sustainability triple bottom line are aligned with Johnson Matthey's position. Six critical elements were scrutinised: management of sustainable development; ethics; labour; environment; health and safety; and communities. For each element the audit team reviewed Anglo Platinum's published corporate policies, then verified them with local manufacturing site management and finally with groups of workers. The audit revealed that Anglo Platinum's policies and philosophy on corporate social responsibility are in line with those of Johnson Matthey.

Human Rights
Whilst we are confident of the human rights performance of our own operations we recognise that business practices in the supply chain are not always transparent and represent a risk that must be managed. Every effort is made to ensure the issues are managed effectively. We support the principles defined within the United Nations Universal Declaration of Human Rights and the International Labour Organisation Core Conventions including the conventions in relation to child labour, forced labour, non-discrimination, freedom of association and collective bargaining. Compliance with and respect for these core principles are integrated within the risk assessment procedures and impact assessments which are undertaken when entering into business in a new territory and within the due diligence processes when making an acquisition or entering a joint venture.

Social

Our people are respected as the company's most valuable resource and they will continue to play a vital role in the process of building a sustainable business. We are committed to recruiting high calibre employees and providing them with the information, training and working environment they need to perform to the highest standards. We encourage all our people to develop to their maximum potential and support them with human resources policies and practices that are strategically linked to the needs of our business and our customers.

Our success depends on the skills, qualities and wellbeing of our people. We have an effective, streamlined recruitment procedure to meet our steady requirement for high calibre graduates and offer a variety of career foundation training to engage new recruits. We also offer training and development programmes at middle and senior manager levels. Our aim is to retain high potential and high performing staff. Training is provided at our facilities around the world with a high level of attendance by employees from Asia, reflecting the increasing importance of this region. We also encourage employees from acquired businesses to attend programmes to expose them to our wider company culture and help them integrate. Presentations from senior executives anchor all these programmes to the company's strategies and progress.

Providing career development opportunities for employees assists staff retention and, in turn, succession planning and the sustainability of management. Recruiting well qualified staff is vital to support business development in new and emerging markets. This challenge will be met through appropriate manpower planning, local recruitment and the encouragement of international mobility. Cross divisional movement is encouraged amongst our employees and monitored as an important part of the annual management development and succession planning review process. We have continued to develop the management skills inventory database which provides the group with a powerful means of helping to identify and match suitably qualified internal candidates to promotional and development opportunities globally and / or across our divisions.

Employee Relations and Communication
The quality of our employee relations is a priority for Johnson Matthey and the company is proud of the high level of commitment and loyalty from its employees. We have a low voluntary staff turnover (6.4% in the financial year 2008/09, see page 9) with many employees staying with the company for their whole careers.

Johnson Matthey recognises the importance of effective employee communications and particularly the value of face to face dialogue. We communicate through our in house magazine, attitude surveys, regular news bulletins, presentations to staff and team briefings. Employees are also encouraged to access the company's intranet and website.

The company supports employee share ownership and employees have the opportunity to participate in share ownership plans, where practicable. Under these plans, employees can buy shares in the company which are matched by a company funded component. Employees in six countries worldwide are able to contribute to a company share ownership plan or a 401k approved savings investment plan. Through these ownership plans Johnson Matthey current and former employees collectively held 1.76% of the company's shares at 31st March 2009.

Johnson Matthey also sponsors pension plans for its employees worldwide. These pension plans are a mixture of defined benefit or defined contribution pension arrangements, savings schemes and provident funds designed to provide appropriate retirement benefits based on local laws, custom and market practice.

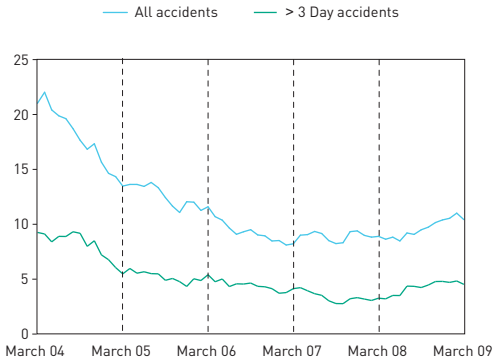
Johnson Matthey continues to maintain good and constructive relations with all recognised trade unions which collectively represent 34% of all group employees worldwide. From 2nd June to 11th July 2008 production was affected at the company's precision casting plant in St Catharines, Canada by a six week strike involving 47 members of the USW (United Steelworkers) union. The matters at issue were finally settled by local negotiations and production resumed on 12th July. Other than this one event no working time was lost within the group due to employee action.

As a result of the global economic slowdown, a number of Johnson Matthey sites around the world have had to reduce employee numbers and adjust working patterns, particularly those facilities which supply the automotive related markets. In most cases these adjustments necessitated the release of agency and temporary staff although some have also required redundancies amongst permanent staff. These difficult decisions were not taken lightly. In all cases appropriate consultations were held with those affected and, where appropriate, their union representatives, in accordance with local legal and best practice requirements.

Activities in the Year
There have been a number of key initiatives during the year with a strong emphasis on working together to achieve the Sustainability 2017 Vision, employee recognition, people development and assured wellbeing programmes.

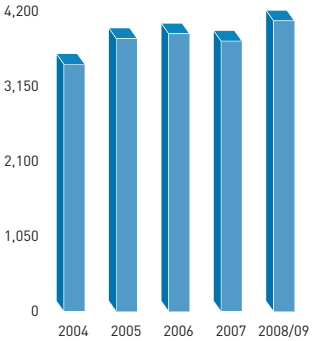
Working together, both internally and with our many stakeholders, is helping to support our Sustainability 2017 goals. Employee teams have focused on improving resource efficiency to deliver improvements in manufacturing processes, waste management and energy efficiency. Team efforts to develop more sustainable products and services have led to new catalyst solutions for our customers and more efficient methods of manufacture in our own factories. Our work with suppliers and customers to develop a more sustainable supply chain has already revealed opportunities for improvements in transport, packaging and materials use. Emphasis on sustainable personal development programmes for employees and investment in local communities has enhanced our reputation as an admired employer and good neighbour.

Annual Accident Rate per 1,000 Employees



Energy Consumption

GJ ('000)



	GJ ('000)	GJ / £ million sales excluding precious metals
2004	3,463	3,425
2005	3,823	3,485
2006	3,890	2,907
2007	3,787	2,200
2008/09	4,070	2,265

Energy consumption from 1st January 2008 to 31st March 2008 was 1,148,000 GJ.

We have continued to strengthen and improve communication and engagement with employees through site satisfaction and attitude surveys. This year Emission Control Technologies (ECT), our largest business, ran a global attitude survey of all its employees. Over 76% of the employees invited to participate completed the survey and overall satisfaction levels were very positive with 81% of participants feeling satisfied or very satisfied working for ECT. Summary results have been published and ECT's employees have been briefed on the findings. Three specific action areas have been identified for improvement within the business which will help to build a better working environment. Further information on the survey will be published in this year's Sustainability Report.

Employee understanding of Johnson Matthey's policies and commitment to their implementation to maintain and enhance the reputation of the company has remained a priority. Compliance training for managers in their responsibilities for employees, commercial contracts and company assets has been maintained during the year through online learning programmes and seminars.

The corporate sickness absence rate during 2008/09 was 2.0% compared to 2.1% for calendar year 2007 (2.1% for 1st January 2008 to 31st March 2008). Most businesses are increasing their investment in sustainable health and wellness programmes to support the longer term health, wellbeing and performance of employees.

Community Investment

We have a strong tradition in Johnson Matthey for our good community relations. We have an important contribution to make to the economic development of our local communities, not only as an employer but also through collaboration and investment, both financial and in kind.

We are actively involved in programmes worldwide that promote good community relations to foster a relationship of understanding, trust and credibility. Guidance on site requirements is detailed in the group EHS management system.

An annual review of community investment activities across the group has been carried out and shows that 95% of Johnson Matthey operations with over 50 employees participate in activities within their local communities. These activities are wide ranging and include charitable giving, support for educational projects, the advancement of science and economic regeneration projects. Employees also participate in activities or hold community related roles outside of the work environment. The company is supportive of this broader community engagement, allowing employees time off during working hours as appropriate.

To support the further development of our community investment programmes around the world, Johnson Matthey has joined the London Benchmarking Group (LBG), a group of more than 120 major companies who develop and share best practice in this area. Through our membership of LBG, we are beginning to evaluate our community investment programmes using its successful and widely accepted model. As a first step, we have introduced more robust systems for our data collection processes which we have implemented for our 2008/09 data reporting.

We will continue to offer further support to sites in developing and implementing meaningful community investment programmes through the application of the LBG methodology and through sharing best practice across the group.

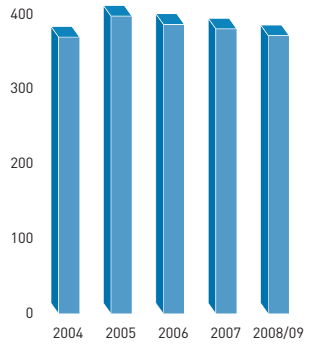
Charitable Programmes

Johnson Matthey's long history of support for charitable causes continues today through group and business programmes. The causes we support are aligned with issues to which the group makes a contribution and to issues about which our employees are passionate.

In 2008/09, Johnson Matthey supported 48 charitable causes through its corporate annual donations programme. These included support for organisations working in the areas of environment, medical and health, science and education, social welfare and international development. 44% of these corporate donations were in support of medical and health causes. A total of 37 additional charitable causes received one-off donations through the corporate programme during the year.

Total Global Warming Potential

Tonnes CO_2 equivalent ('000)



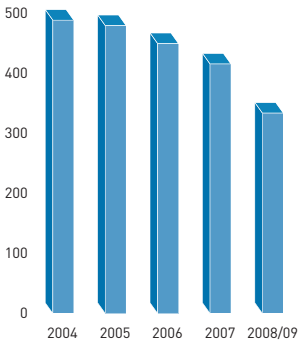
	Tonnes CO_2 equivalent ('000)	Tonnes / £ million sales excluding precious metals
2004	369	365.2
2005	397	362.1
2006	386	288.5
2007	380	221.0
2008/09	371	206.5

Global warming potential data has been restated using the latest greenhouse gas conversion data published during 2008 (e.g. DEFRA).

Total global warming potential from 1st January 2008 to 31st March 2008 was 106,000 tonnes CO_2 equivalent.

Total Acid Gas Emissions

Tonnes SO_2 equivalent



	Tonnes SO_2 equivalent	Tonnes / £ million sales excluding precious metals
2004	489	0.4837
2005	480	0.4376
2006	450	0.3362
2007	416	0.2417
2008/09	334	0.1859

Total acid gas emissions from 1st January 2008 to 31st March 2008 were 88 tonnes SO_2 equivalent.

In 2008/09 we initiated a specific programme of support focused on promoting the understanding and awareness of science among children and young people, further details of which can be found in the Sustainability Report. We believe that encouraging the next generation of scientists is very important to the sustainability of our industry and we will continue to contribute our resources and expertise.

During 2008/09 the company also contributed £500,000 to the University of Cambridge to support chemical engineering research, particularly in the area of catalysis and reaction engineering. Our funding will also help support construction of new chemical engineering facilities at the university.

Johnson Matthey continues to operate its annual charity of the year programme and employee views are considered when deciding on the charity. The international Red Cross and Red Crescent Movement was chosen as our charity of the year for 2008/09 and further details on the partnership are available in the Sustainability Report. Johnson Matthey sites around the world also lend support to many other charities locally and nationally through donations, employee time or loans of company facilities.

In the financial year to 31st March 2009 Johnson Matthey donated £495,000 to charitable organisations. This figure only includes donations made by Johnson Matthey and does not include payroll giving, donations made by staff or employee time. The company made no political donations in the year. We will continue to support a wide range of charitable causes in 2009/10.

Health and Safety

Health and safety is a key element of our sustainability strategy. As a business we are committed to providing our employees with a safe working environment and supporting and enhancing their health and wellbeing. Any accident is unacceptable and our target is zero greater than three day accidents.

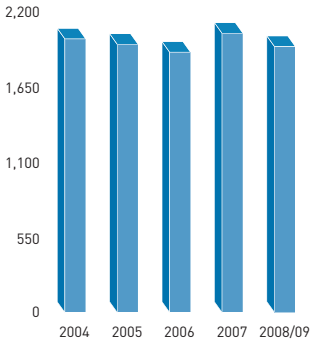
A corporate reporting system is in place to report and investigate occupational illness cases arising as a result of exposure to workplace health hazards. The incidence of cases reported during 2008/09 was 5.5 cases per 1,000 employees (5.8 cases per 1,000 employees in calendar year 2007, 3.5 cases per 1,000 employees for 1st January 2008 to 31st March 2008).

Accidents are actively monitored and detailed statistics are compiled monthly at group level. In March 2009 the incidence of greater than three day accidents at Johnson Matthey was calculated as 4.48 per 1,000 employees, an increase of 39% compared with 3.22 (restated) in March 2008. The total number of accidents that resulted in lost time was 95, a 40% increase compared to the previous year. During the year, the total accident rate increased by 17% from 8.86 (restated) to 10.39 per 1,000 employees per year. The total lost time accident incident rate per 100,000 hours worked increased by 33% from 0.40 in 2007/08 to 0.53 in 2008/09. In 2008/09 the number of days lost per 1,000 employees per year was 115, an increase of 58% compared with 73 (restated) in 2007/08. All accidents were thoroughly investigated to determine root causes and assign appropriate preventative and corrective actions.

Following steady improvement in our accident statistics in previous years, our performance in 2008/09 has highlighted the need to revitalise Johnson Matthey's accident prevention processes. The company has recently launched an initiative to introduce 'EHS Learning Events' to all facilities to help drive a reduction in the rate of injuries resulting in lost time. An 'EHS Learning Event' would typically occur when opportunities to improve the safety of the workplace are identified or when situations are observed which may necessitate at risk behaviour in achieving the required tasks or activities. Employees and long term contractors will be invited to briefly note any learning events. This will provide site managers with a valuable new source of information about the working environment that could result in injury, and employees will gain a sharpened sense of the risks around them. As the system becomes embedded we are confident this should result in reduced incidence of lost time injuries across the group.

Water Consumption

Thousands m^3



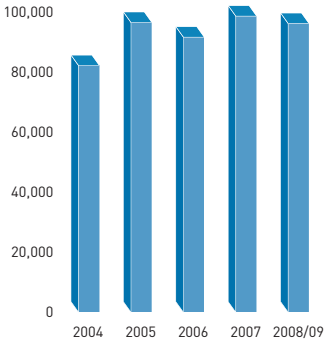
	Thousands m^3	Thousands m^3 / £ million sales excluding precious metals
2004	2,007	1.985
2005	1,967	1.793
2006	1,909	1.426
2007	2,048*	1.190
2008/09	1,951	1.086

Water consumption from 1st January 2008 to 31st March 2008 was 489,000 m^3.

*restated

Total Waste

Tonnes



	Tonnes	Tonnes / £ million sales excluding precious metals
2004	82,255	81.36
2005	96,638	88.10
2006	91,750	68.56
2007	98,764	57.39
2008/09	96,287	53.58

Total waste generated from 1st January 2008 to 31st March 2008 was 25,769 tonnes.

Environment

Environmental responsibility is a key element in making Johnson Matthey a more sustainable business. The company has an impact on the environment in many ways; through the resources we use, the way we operate our processes and the action of our products and services on enhancing the environment for others.

We undertake a comprehensive annual review of group environmental performance which covers all manufacturing and research and development facilities. Data presented here is for the 2008/09 financial year whereas previously, data has been presented on a calendar year basis. Where necessary, past environmental data has been restated to reflect changes in the business, for example divestments and site closures.

All of the manufacturing facilities across the group made progress against their individual environmental improvement targets during the year and our five year performance is shown in the tables on pages 35 to 37. The group's total energy consumption increased by 7% and our total global warming potential (GWP) reduced by 2%. Relative to sales excluding precious metals these increased by 3% and decreased by 7% respectively. The absolute reduction in GWP demonstrates early progress towards our goal to become carbon neutral and was achieved through increasing our use of green energy sources and from reducing harmful emissions from our manufacturing processes. Total emissions of acid gas (primarily oxides of nitrogen, NOx) reduced by 20% in absolute terms and by 23% relative to sales excluding precious metals. The total amount of waste generated during the year decreased by 3% across the group and by 7% relative to sales excluding precious metals. Waste to landfill decreased from 20,977 tonnes in 2007 to 5,535 tonnes in 2008/09 which represents solid progress towards our Sustainability 2017 target on waste. During the year, water consumption for the group decreased by 5% in absolute terms and by 9% relative to sales excluding precious metals.

Environmental, Health and Safety Targets

Johnson Matthey continually monitors environmental, health and safety performance to identify priority issues and to drive improvement.

A new corporate sustainability target has been set to reduce the annual incidence of occupational illness cases by at least 30% over the next five years. The longer term aim continues to be to eliminate the occurrence of occupational illness cases as far as practicable.

All sites within the group will aim to continue to make progress against the target of zero greater than three day accidents. Leading and lagging indicators have been integrated into site improvement plans to better monitor performance against these improvement targets.

We will complete new environmental, health and safety policies and guidance to support existing EHS related governance within the group EHS management system. These will focus on areas of specific interest to Johnson Matthey operations and include process safety, chemical exposure, occupational illness and occupational travel. The policies and guidance will be issued to all sites and appropriate training will follow.

Verification and Assurance

The board, Audit Committee, Chief Executive's Committee and CSR Compliance Committee review sustainability issues as part of the company's risk management processes. The board believes that the internal measures taken to review the sustainability information provide a high level of confidence. Third party assurance of our full Sustainability Report has also been commissioned. The full Sustainability Report will be published on the company's website at www.matthey.com in July 2009.