

CHAIRMAN'S STATEMENT

I am very pleased to report that, despite facing the most difficult economic conditions for many decades, Johnson Matthey performed well in 2009/10. The group produced underlying earnings per share that were only 4% lower than those in 2008/09, which, it should be remembered, was a record year for us.

Our strategy served us well during the downturn. The board, executive management team and employees at all levels of the company faced the challenges posed by extremely turbulent conditions in some of our key markets, especially in the western automotive markets, and took prompt and decisive action to reduce costs. However, this was done without sacrificing the future growth potential of our business. Whilst capital expenditure was significantly reduced, we continued our investment in new, highly efficient manufacturing capacity to make automotive emission control catalysts in Europe and the United States and a new plant in China to make catalysts to control emissions of oxides of nitrogen, or NO_x, from coal fired power stations in that country. We also completed a facility in the UK to manufacture Apico, our revolutionary new methanol synthesis catalyst which was launched during the year and provides major performance benefits to customers worldwide.

The investment that we make in research and development is vital to the success of our company. It provides the high technology products and manufacturing processes that enable us to maintain market leadership and underpins the future growth of our businesses. Despite the difficult market conditions that we have faced over the last few years we have not cut our R&D spend, indeed we have continued to increase it. We are increasingly focusing our R&D efforts on developing new products that will help our customers to improve their resource efficiency, reduce energy consumption and waste and make their businesses more sustainable. Apico, which was developed in house by our world class scientists, will help to deliver many of these sustainability benefits to our customers in the methanol industry and is a great example of the crucial importance of R&D and innovation to our business.

As I visit Johnson Matthey businesses around the world I continue to be impressed by the commitment and enthusiasm of employees at all levels for Sustainability 2017, our group wide programme to make ours a more sustainable business by the year 2017, the two hundredth anniversary of the company's foundation. We have set ourselves some very challenging targets but given the commitment of our people and the spirit of innovation that is evident throughout the group, I feel confident that Sustainability 2017 will be a great success. 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.

Sir John Banham
Chairman



The last year has seen something of a changing of the guard among the executive directors of the company with the retirement from the board in July 2009 of David Morgan and Dr Pelham Hawker and the appointment of Bill Sandford as an executive director of the company. I marked these changes in my statement to you last year. As I also announced in my statement last year, John Sheldrick retired in September 2009 having served 19 years as Group Finance Director of Johnson Matthey. For the last few years John had the distinction of being the longest serving finance director of a FTSE 100 company. John had a long and distinguished career with Johnson Matthey since joining the company in 1990. He had a deep knowledge of all of the group's businesses and for several years had board level responsibility for our then Pharmaceutical Materials Division in addition to his role as Group Finance Director.

John Sheldrick played a key role in the evolution of the group into a world leading speciality chemicals company and in focusing it on its important opportunities for growth, especially those in its Environmental Technologies Division. On behalf of the board and indeed all of us at Johnson Matthey, I would like to thank John for the major contribution that he made to the development and success of the group and wish him all the very best for a well deserved, long and happy retirement. I am very pleased to welcome Robert MacLeod, who joined the board with effect from 22nd June 2009, as John Sheldrick's successor as Group Finance Director.

The most important investment that your company makes will always be the one that it makes in its people. This is very much brought home at times of difficult economic circumstances. We invest a great deal in the training and development of our staff and the last thing that we want to do is lose them. Unfortunately, as I mentioned earlier, this year saw us having to take action to reduce costs which inevitably led to a number of job losses. Even in these challenging times however, I never fail to be impressed by the enthusiasm, professionalism and dedication of our employees at all levels of the organisation. On your behalf, I would like to thank all of them around the world for their contribution to the success of the company in this difficult year. I would also like to take this opportunity to thank the senior management team for the excellent way that they responded to the challenges of the last year's difficult economic conditions.

Our investment in building our presence in the important Chinese market, which was the focus of our very successful investor presentation in January this year; has paid dividends during the recession and we are well positioned to continue to benefit from growth in China, India and other emerging economic powerhouses.

Johnson Matthey is in good shape and, despite the impact of the recession, continues to make progress towards delivering superior shareholder value. Whilst uncertainty remains about how quickly the world's economies will emerge from recession, all of the legislative, environmental and energy security drivers of our businesses remain very much in place. We are emerging from the recession stronger and more efficient than before it hit, when we were running flat out to keep pace with rapidly growing demand. I believe that your company has a terrific future ahead of it and I look forward to reporting on our progress in 2010/11.



Sir John Banham
Chairman