

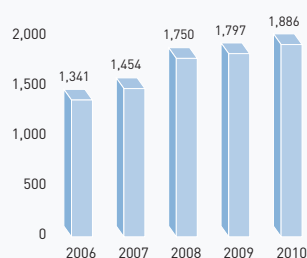
BUSINESS REVIEW

Group Key Performance Indicators

Johnson Matthey uses a range of key performance indicators (KPIs) to monitor the group's performance over time in line with the financial objectives and strategy summarised in the previous section. This year we have slightly refined our KPIs to better reflect the group's current priorities. These principal KPIs, together with the group's performance against them in 2009/10, are described below:

Sales Excluding Precious Metals

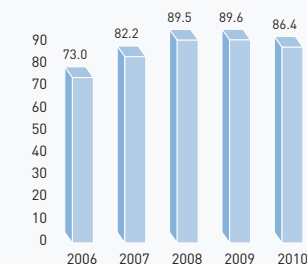
£ million



Monitoring sales provides a measure of the growth of the business. In measuring the growth of the group, we focus on sales excluding the value of precious metals because total revenue can be heavily distorted by year on year fluctuations in precious metal prices. Not only that, in many cases variations in the value of the precious metal contained within our products are passed directly on to our customers.

Underlying Earnings per Share

Pence

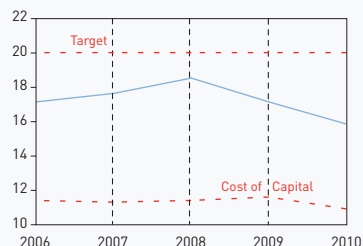


Underlying earnings per share is the principal measure used by the board to assess the overall profitability of the group. The following items are excluded from underlying earnings because they can distort the trend in measuring results:

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

Return on Invested Capital

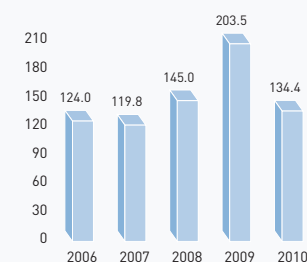
%



In a business as capital intensive as Johnson Matthey's, profitability alone is a poor measure of performance; it is possible to generate good operating margins but poor value for shareholders if assets are not used efficiently. Return on invested capital (ROIC) is therefore used alongside profit measures to ensure focus upon the efficient use of the group's assets. ROIC is defined for the group as underlying operating profit divided by average capital employed (equity plus net debt). ROIC for individual divisions is calculated using average segmental net assets as the denominator.

Capital Expenditure

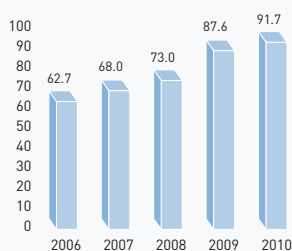
£ million



To enable the group to continue to grow, Johnson Matthey invests significant amounts in maintaining and improving our existing plants and in adding new facilities to provide additional capacity where necessary. All new capital expenditure is subject to detailed review to ensure that its investment case passes internal hurdles. Annual capital expenditure is measured as the cost of property, plant and equipment and intangible assets purchased during the year. The ratio of capital expenditure to depreciation gives an indication of the relative level of investment. For 2009/10 it was 1.2 times (2008/09 2.0).

Gross Research and Development Expenditure

£ million



Johnson Matthey is fundamentally a technology company. To maintain our competitive position, we need to keep investing in research and development. Whilst absolute levels of research and development expenditure do not necessarily indicate how successful we are, that success rapidly feeds through to higher sales as lead times in our business can be quite short.

Sustainability – Global Warming Potential

Tonnes CO₂ equivalent ('000)

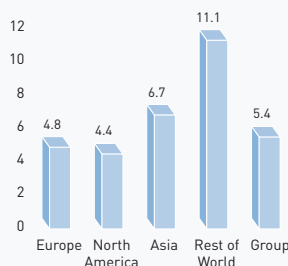


We measure our progress towards achieving carbon neutrality by looking at the group's total global warming potential (GWP). Total GWP is based on our direct and indirect energy usage and CO₂ equivalence which provide a strong platform for monitoring the impacts associated with energy use in our operations. We are working to broaden the scope of our GWP measurement to include all aspects of our business and to consider the beneficial impacts of our products and services. For further information on the group's GWP see pages 29, 30, 36 and 37.

* Calendar year.

Voluntary Employee Turnover

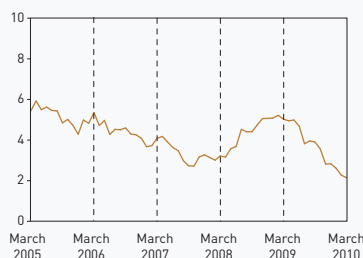
%



The success of Johnson Matthey is partly dependent upon the extent that we are able to attract and retain the most talented employees. This means that being an attractive employer is a prerequisite in a competitive environment. We monitor our success in retaining our staff using voluntary turnover statistics compared to those for UK manufacturing. In 2009, voluntary employee turnover for UK manufacturing was 7.7%*.

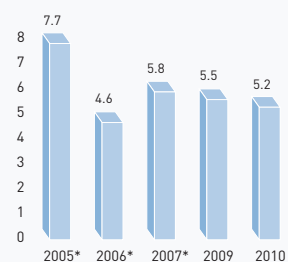
* Source: CIPD 2009 annual survey of recruitment, retention and turnover.

Safety – Annual Rate of >3 Day Accidents per 1,000 Employees



Johnson Matthey is a chemical manufacturing business and a significant proportion of our employees work in production environments with chemicals and process machinery. Rigorous safety systems apply across all facilities and are essential if the group is to avoid accidents which could cause injury to people or damage to our property, both of which can impact the group's performance. We actively manage our safety performance through monitoring the incidence of accidents that result in more than three days lost time.

Occupational Health – Annual Incidence of Occupational Illness Cases per 1,000 Employees



The health and wellbeing of our employees is a priority for Johnson Matthey and we are committed to minimising workplace related negative health effects. We manage our performance in this area by measuring the number of occupational illness cases arising as a result of exposure to workplace health hazards.

* Calendar year.