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 underlying earnings per share by 2017. Further details of our progress are outlined in the Financial Review, Group Key Performance Indicators and Five Year Record sections of the Annual Report.

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 fewer 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. We have started to evaluate the monetary savings realised by our businesses through implementation of their Sustainability 2017 plans and estimate that savings of up to £12 million have been achieved in 2009/10. These savings have been achieved as a result of a large number of initiatives across all our businesses. For example, energy reduction projects in Emission Control Technologies have saved around £170,000, solvent reduction programmes at Macfarlan Smith have delivered around £200,000 in savings and Catalysts and Chemicals in Shanghai, China has saved over £140,000 through initiatives to deliver reductions across its five key resources. The challenging global economic climate has given even more impetus to sustainability efforts that deliver cost savings.

CASE STUDY

Progress on Energy Efficiency in Germany

CASE STUDY

Radically New Approach to Post-production Cleaning

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. In 2009/10 a significant proportion of profit was generated by products that directly benefit the environment.

CASE STUDY

New NO_x Catalyst Gives Chrysler's Dodge Ram the Edge

Enhancing financial performance through Sustainability 2017 has and remains a fundamental aspect of the group's vision and we have continued to look at further developing our measures to assess the financial impacts of the programme in more detail. As part of their annual sustainability plans each business is required to outline the financial benefits delivered during the year as a result of sustainability initiatives and provide projections for the years ahead. This data is beginning to yield useful information as we continue to work towards obtaining more robust evaluations of the financial benefits of our sustainability programme. These will be used to establish further metrics to monitor the financial impact of sustainability initiatives on business performance.

Read more about the annual sustainability planning process.

The group received no significant financial assistance from government during the year.

Sales excluding precious metals

up 5%

Underlying EPS

down 4%

4.3%

growth in underlying EPS since 2005/06

Our Performance

Johnson Matthey performed well in the financial year 2009/10. The year started in the depths of a global recession and in the first half of the year revenue and underlying profit before tax were both well down. However, the second half saw a gradual improvement in the economic climate supported by government efforts to stimulate the economy, particularly through various car scrappage schemes, and continued Chinese investment in the development of their energy resources and infrastructure.

Sales excluding precious metals **up 5%**

Underlying profit before tax **down 5%**

Underlying EPS **down 4%**

Financial Summary

	Year to 31st March 2010	2009	% change
Revenue	**£7,839m**	£7,848m	–
Sales excluding precious metals	**£1,886m**	£1,797m	+5
Profit before tax	**£228.5m**	£249.4m	-8
Total earnings per share	**77.6p**	82.6p	-6
Underlying*:			
Profit before tax	**£254.1m**	£267.9m	-5
Earnings per share	**86.4p**	89.6p	-4
Dividend per share	**39.0p**	37.1p	+5

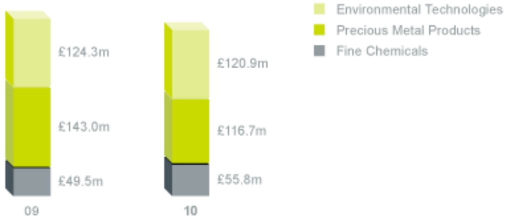
* Before amortisation of acquired intangibles, major impairment and restructuring charges and profit or loss on disposal of businesses.

Revenue for the year ended 31st March 2010 was in line with last year at £7.8 billion, although performance was biased towards the second half of the year due to the increase in activity and precious metal prices; first half revenue was £3.6 billion and second half revenue was £4.2 billion. Despite the economic background, the group's sales excluding precious metals held up well and were 5% higher than last year at £1,886 million. Translated at constant exchange rates, revenue for the year fell by 3% and sales excluding precious metals grew by 1%.

Sales Excluding Precious Metals
£ million

Underlying operating profit (before amortisation of acquired intangibles, major impairment and restructuring charges) was 9% lower than last year at £271.8 million while underlying profit before tax was 5% down at £254.1 million. The group benefited from the weakness of sterling and at constant exchange rates underlying operating profit would have been 13% lower than last year.

Divisional Underlying Operating Profit*

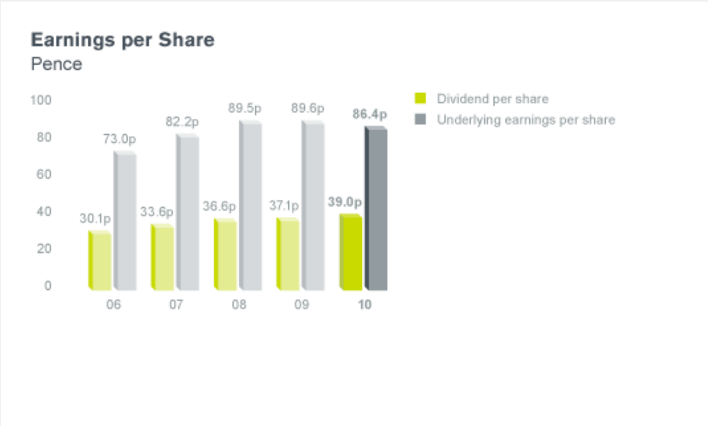


* Before amortisation of acquired intangibles, major impairment and restructuring charges and profit or loss on disposal of businesses.

Our Performance

Underlying earnings per share decreased by 3.2 pence to 86.4 pence. Total earnings per share were 77.6 pence, 6% below last year. This year we have taken an impairment charge in respect of redundant assets at our Pharmaceutical Materials and Services contract research business in Massachusetts, USA. This resulted in a charge of £11.3 million which has been excluded from underlying earnings per share. Over the five years from 2005/06, underlying earnings per share have grown at a compound annual rate of 4.3% p.a.

It is Johnson Matthey's policy 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. Despite the reduction in underlying earnings per share, as a demonstration of the board's confidence in the long term prospects of the group, a final dividend of 27.9 pence will be paid, making a total dividend for the year of 39.0 pence, 5% up on last year. The dividend will be covered 2.2 times by underlying earnings. Over the last five years from 2005/06, dividends have grown at a compound annual growth rate of 6.7% p.a.



This time last year, the group faced considerable uncertainty given the global economic turmoil that surrounded us. Whilst there is greater economic optimism today, substantial uncertainties still remain, as illustrated by the recent volatility in European markets. Quite how these will affect consumer confidence remains to be seen. The group continues to expect to make good progress in the first half of 2010/11, where underlying profit before tax should be significantly higher than the same period of 2009/10.

The group's performance in the second half of 2010/11 is harder to predict, not only because of the uncertainties surrounding the global economy, but also due to factors that more directly influence our business. These include uncertainties over the impact on vehicle sales as government vehicle scrappage schemes come to an end, when and how quickly the important North American heavy duty diesel market recovers and the strength of continued growth in demand for our products in China. Notwithstanding these uncertainties, we are confident that the group is well positioned to take advantage of a global economic recovery.

The longer term drivers for the group remain very much in place with ever tightening emissions standards around the world. The demand for energy security globally and the drive to reduce the environmental impact of chemical and industrial processes also play to the strengths of Johnson Matthey. Together these give us confidence in the future. Over the last few turbulent years we have continued to invest in research and development and in expanding production capacity where we see opportunities for growth. This will continue. We have a strong balance sheet, a proven business model and are well placed to return to growth.

Read more about Johnson Matthey's financial performance in the Annual Report.

Read more about Johnson Matthey's financial objectives in the Strategy and Objectives section of the Annual Report.