Johnson Matthey

News Release

For Release at 7.00 am Thursday 7th June 2012

Preliminary Results for the year ended 31st March 2012

Summary Results

	Year to 31st March 2012	2011	% change
Revenue	**£12,023m**	**£9,985m**	**+20**
Sales excluding precious metals	**£2,679m**	**£2,280m**	**+17**
Profit before tax	**£409.3m**	**£259.3m**	**+58**
Total earnings per share	**148.7p**	**85.2p**	**+75**
Underlying*:			
Profit before tax	**£426.0m**	**£345.5m**	**+23**
Earnings per share	**153.7p**	**119.0p**	**+29**
Dividends per share:			
Ordinary	**55.0p**	**46.0p**	**+20**
Special	**100.0p**		

*before amortisation of acquired intangibles, major impairment and restructuring charges, profit or loss on disposal of businesses and, where relevant, related tax effects

Another year of strong growth:

- Revenue, up 20% to £12 billion
- Sales excluding precious metals (sales) 17% ahead at £2.7 billion
- Underlying profit before tax and underlying earnings per share up 23% and 29% respectively
- Return on invested capital (ROIC) increased from 19.4% to 22.3%
- Balance sheet strengthens with net debt (including post tax pension deficits) / EBITDA of 1.0 times
- Final dividend of 40.0 pence recommended resulting in full year dividend up 20% at 55.0 pence

- As a result of the group's strong financial position, the board is also recommending a special dividend to shareholders of 100.0 pence per share

Business Overview

- Environmental Technologies Division had a very good year with sales up 20% and underlying operating profit 29% ahead
    - Emission Control Technologies' sales grew by 21%, benefiting from good growth in sales of light duty catalysts, ahead of growth in global vehicle production, and a substantial increase in demand for heavy duty diesel catalysts, particularly in North America
    - Process Technologies performed well. Sales were up 19% boosted by another excellent year from Davy Process Technology and a good contribution from our Additives business (formerly Intercat), which was acquired in November 2010
- Precious Metal Products Division also performed well, especially in the first six months of the year. Sales were up by 8% and underlying operating profit was 16% ahead, with good demand for its manufactured products and refining services
- Fine Chemicals Division exceeded our expectations with sales up by 16% and operating profit 24% higher, supported by a very strong performance from its Active Pharmaceutical Ingredient (API) Manufacturing businesses

Commenting on the results, Neil Carson, Chief Executive of Johnson Matthey said:

"Johnson Matthey has delivered another year of strong growth with a good contribution from all of its divisions. This performance was particularly enhanced by our leading position in heavy duty diesel catalysts, a very strong year from Davy Process Technology and excellent progress in our North American API Manufacturing business. Underlying earnings per share in the year were 29% ahead of 2010/11 and the board is recommending an increase in the full year dividend of 20% and a special dividend of 100 pence.

The group is well positioned for the year ahead and we remain confident that our strong positions in key markets will allow us to make further progress in Environmental Technologies and Fine Chemicals in 2012/13. This, however, will be offset by a weaker performance from Precious Metal Products, if precious metal prices remain at current levels.

In the longer term, we are continuing to expand our manufacturing capacity around the world and to invest in R&D. We have strong positions in markets that will see structural growth over the next few years and, despite current global economic uncertainties, we are confident of the group's continuing growth potential."

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Report to Shareholders

Review of Results

Johnson Matthey continued its strong performance in 2011/12 with good growth across all three of its divisions. Sales excluding precious metals (sales) were substantially ahead of last year, up 17% at £2.7 billion, and the rate of growth in underlying operating profit was higher, at 23%.

Environmental Technologies Division had a very good year. Its Emission Control Technologies (ECT) business benefited from good growth in sales of light duty catalysts, ahead of growth in global vehicle production, and a substantial increase in demand for heavy duty diesel catalysts, particularly in North America. Our Process Technologies business performed well boosted by another excellent year from Davy Process Technology (DPT) and a good contribution from our Additives business (formerly Intercat), which was acquired in November 2010.

Precious Metal Products Division also performed well, especially in the first six months of the year. After a very strong first half, precious metal prices softened in response to concerns over the global economy which adversely impacted the division’s Services businesses. Its Manufacturing businesses saw good demand across their product range.

Fine Chemicals Division exceeded our expectations, delivering excellent results in 2011/12, supported by a very strong performance from its Active Pharmaceutical Ingredient (API) Manufacturing businesses. Its global Research Chemicals business also grew well in the year.

For the group as a whole, underlying operating profit (before amortisation of acquired intangibles, major impairment and restructuring charges) was 23% higher than last year at £450.1 million, while underlying profit before tax was also 23% up at £426.0 million. The group's underlying return on sales increased to 16.8% from 16.1% last year, primarily due to operational leverage, particularly in our heavy duty diesel catalyst business, and the excellent performance from our higher margin DPT business.

Underlying earnings per share (before amortisation of acquired intangibles, major impairment and restructuring charges, profit or loss on disposal of businesses and related tax effects) increased by 29% to 153.7 pence. Total earnings per share were 148.7 pence, 75% up on last year.

Dividend

In view of the group's continued strong performance, the board is recommending a 20% increase in the total dividend for the year. This comprises a final dividend of 40.0 pence which, together with the interim dividend of 15.0 pence, gives a total dividend for the year of 55.0 pence (2010/11 46.0 pence). At this level, the dividend would be covered 2.8 times by underlying earnings per share, up from 2.6 times last year. Subject to approval by shareholders, the final dividend will be paid on 17th August 2012 to ordinary shareholders on the register as at 3rd August 2012, with an ex dividend date of 1st August 2012.

The board's objective is to grow the company's ordinary dividend over time, broadly in line with underlying earnings per share, with the dividend covered approximately 2.5 times.

Return of Capital to Shareholders

Over the last few years, the group has performed very well, substantially growing underlying profit despite considerable capital expenditure and increased investment in research and development. The group's cash generation has also been strong and at 31st March 2012 the group's net debt (including post tax pension deficits) to EBITDA ratio was 1.0 times.

As a result of this strong performance the board has carried out a review of the group's balance sheet structure. The outlook for the group remains strong and we believe that it has ample resources to fund forecast capital expenditure and a further increase in research and development. The board is, therefore, recommending a special dividend to shareholders of 100.0 pence per share, which represents a total payment of approximately £212 million. The special dividend will be accompanied by a share consolidation. The consolidation factor will be announced to shareholders in the annual general meeting circular on 20th June 2012.

Operations

Environmental Technologies

	Year to 31st March 2012 £ million	2011 £ million	% change	% at constant rates
Revenue	**3,255**	**2,708**	**+20**	**+20**
Sales (excl. precious metals)	**1,876**	**1,566**	**+20**	**+20**
Underlying operating profit	**211.8**	**164.7**	**+29**	**+29**
Return on sales	**11.3%**	**10.5%**		
Return on invested capital (ROIC)	**14.2%**	**11.5%**		

Environmental Technologies Division, which comprises Emission Control Technologies (ECT), Process Technologies and Fuel Cells, performed well in 2011/12 achieving good growth throughout the year. Revenue grew 20% to £3,255 million; sales were 20% ahead at £1,876 million and underlying operating profit was 29% up at £211.8 million.

Environmental Technologies Division's return on sales for the year increased by 0.8% to 11.3%. ECT's overall return on sales improved with higher plant utilisation and as a result of lower costs following the closure of its Brussels plant. However, return on sales was impacted by £15 million of higher costs for rare earth materials incurred in the first half of the year. This was resolved satisfactorily in the second half. Process Technologies' return on sales was slightly ahead of last year, benefiting from the strong performance from our higher margin DPT business.

The division's ROIC improved from 11.5% to 14.2% and is expected to improve further as plant utilisation rates increase.

Emission Control Technologies' sales grew by 21% from £1,218 million to £1,470 million.

Light Duty Catalysts – Our light duty catalyst business, which represented 66% of ECT's sales in the year, grew well with sales up 10% to £969 million and operating profit up by a similar percentage.

Estimated Light Vehicle Sales and Production

		Year to 31st March 2012 millions	2011 millions	% change
North America	**Sales**	**15.6**	**14.5**	**+7.6**
	Production	**13.6**	**12.4**	**+9.7**
Total Europe	**Sales**	**19.0**	**18.7**	**+1.6**
	Production	**19.8**	**19.7**	**+0.5**
Asia	**Sales**	**30.8**	**30.5**	**+1.0**
	Production	**37.7**	**37.2**	**+1.3**
Global	**Sales**	**76.1**	**73.9**	**+3.0**
	Production	**77.7**	**75.8**	**+2.5**

Source: IHS Automotive

In Johnson Matthey's financial year to 31st March 2012, global light duty vehicle sales grew by 3% to 76.1 million vehicles. Global production grew steadily, by 2.5%, with a strong recovery in North America throughout the year, a moribund market in Europe which declined in our second half, and slight growth in Asia, albeit affected in the first half by the Japanese earthquake and tsunami and in the second half by the floods in Thailand. In China, growth in car production was lower than last year, but still increased by 5%.

Johnson Matthey's Light Duty Vehicle Catalyst Sales by Region

	2012 £ million	2011 £ million	% change
Europe	**588**	**544**	**+8**
Asia	**201**	**168**	**+20**
North America	**180**	**167**	**+8**
Total	**969**	**879**	**+10**

Our sales in Europe of £588 million, which represent 61% of our light duty catalyst sales, increased by 8%, ahead of the growth in vehicle production which was only up 0.5%. Our sales benefited from growth in the proportion of diesel vehicles produced in Western Europe which represented 55% of total light vehicle production, up from 54% last year. Sales also benefited from the full fitment of diesel particulate filters (DPFs) to light commercial vehicles in Western Europe, completing the process of fitment of these products to all light duty diesel vehicles in the region. As a result of the complex catalyst systems required to meet European diesel emissions standards, a diesel vehicle currently represents approximately five times the catalyst value of an equivalent gasoline vehicle for Johnson Matthey. Catalyst value will increase further with the introduction of Euro 6 light duty diesel emissions standards in 2014, which will require additional catalyst fitment to meet tighter NOx standards. During the year our European sales also benefited from our strong market share with some of the most successful car companies in the region and from the introduction of higher technology products. These products offer our customers opportunities to reduce costs through advanced technology, including the more efficient use of raw materials.

On 31st January 2011 ECT entered into consultation with the employees at its inefficient Brussels facility regarding its closure. The plant ceased production in July 2011 and all production was transferred to other ECT sites with annual costs savings of approximately £18 million per year.

Despite the challenges presented by the Japanese earthquake and tsunami, the floods in Thailand and slower growth in China, our Asian light duty catalyst business grew strongly with sales up 20% to £201 million. Light duty vehicle production in the region in 2011/12 grew by just over 1%. However, our sales grew at a much faster rate as the result of growth in our market share in many parts of the region and a strong recovery in our Japanese business in the second half with robust demand from the original equipment manufacturers (OEMs) in Japan once their factories were back on line. With continued economic expansion, increasing disposable income and tightening legislation across the region, Asia should remain a growth engine for ECT in the years ahead.

In North America the light duty vehicle market showed good growth with production in the region up nearly 10% in our financial year. Our sales grew at a slightly lower rate, up 8% to £180 million, as our North American Japanese transplant customers, where we have a higher market share, were impacted by supply chain issues following the Japanese earthquake and tsunami and flooding in Thailand.

Since mid 2010, prices of rare earth raw materials have increased dramatically following the imposition of export quotas by the Chinese government. The main rare earth material that we use is cerium oxide, which is used to provide oxygen storage capabilities in catalysts for gasoline vehicles. Rare earth prices peaked in mid 2011 and, although now well below previous highs, prices remain significantly above those in the first half of 2010. In response to this situation, ECT took steps to reduce the impact of rising rare earth material costs by a combination of thrifting, substitution for cheaper raw materials and negotiating price surcharges with its customers. Due to the magnitude and speed of the cost increases, ECT's results were adversely affected by around £5 million in 2010/11 and £15 million in the first half of 2011/12.

However, by the second half of 2011/12 the effects of higher rare earth prices were fully mitigated and any future increases should no longer impact the business.

Heavy Duty Diesel Catalysts – Sales of heavy duty diesel (HDD) catalysts for both on road and non-road applications grew strongly again this year, up 48% to £438 million and operating profit more than doubled.

Estimated HDD Truck Sales and Production

		Year to 31st March		
		2012 thousands	**2011 thousands**	**% change**
North America	**Sales**	**405.2**	**287.4**	**+41.0**
	Production	**451.8**	**301.0**	**+50.1**
EU	**Sales**	**298.7**	**257.4**	**+16.0**
	Production	**386.4**	**360.2**	**+7.3**

Source: LMC Automotive

Production of heavy duty diesel trucks in North America continued to grow robustly throughout the year, increasing by 50% to 452,000 vehicles as trucking companies replaced their ageing fleets. In Europe, truck sales recovered last year from the global downturn and production growth this year remained robust at 7%.

Johnson Matthey's Heavy Duty Diesel Vehicle Catalyst Sales by Region

	2012 £ million	**2011 £ million**	**% change**
North America	**295**	**194**	**+52**
Europe	**116**	**91**	**+27**
Asia	**27**	**11**	**+137**
Total	**438**	**296**	**+48**

In North America our sales grew in line with truck production, up 52% to £295 million as we maintained our strong market share. In Europe our sales were up 27% to £116 million, well ahead of growth in truck production in the EU. However, our European sales also include export sales of around £5 million to Brazil, where Euro V legislation started at the beginning of 2012, and strong sales into Eastern European markets. HDD catalyst sales in Japan grew from a low base to £27 million, as new legislation requiring the fitment of DPFs came into force. The implementation of Euro IV legislation in China has been delayed until mid 2013 due to issues with the supply of low sulphur diesel fuel. However, very low level sales of HDD catalysts have commenced to OEMs in both China and India as truck manufacturers prepare for future legislation. At only Euro IV equivalent and with relatively simple engines, these markets are likely to have lower technology requirements than Europe or North

America and thus we are likely to face much more competition from our existing competitors and local players.

During the year sales also commenced to non-road OEMs, such as manufacturers of construction, mining and agricultural equipment, in the USA and Europe where legislation requiring the use of emission control catalysts is being phased in between 2011 and 2015. Sales of HDD catalysts to non-road customers grew from a low base, contributing £20 million in the year.

Towards the end of the year ECT commenced a major expansion project at its plant in Macedonia that will double capacity at the site. Plans were also approved to increase our DPF production capacity at Royston, UK. Both of these projects will provide additional capacity for the high technology products required for tighter European light and heavy duty diesel legislation, commencing in 2014. In addition, during the year the business has added capacity in China for upcoming HDD requirements and expanded its plants in India and Malaysia to serve growth in car production in India and South East Asia.

Process Technologies delivered good growth in the year with sales 19% up at £401 million. The business benefited from another excellent year from DPT and from a full year's contribution from the Additives business, which was acquired in November 2010 and supplies speciality products to the petroleum refining industry. Operating profit was also well ahead of last year, boosted by the very strong performance from the higher margin DPT business.

In the Ammonia, Methanol, Oil and Gas (AMOG) business, which includes the Additives business, sales of its catalysts, absorbents and speciality additives were 27% ahead at £256 million. Excluding Additives, sales would have been 3% up. Catalyst sales to ammonia customers grew well in the year and were 8% ahead at £45 million, however, as we expected, sales of methanol catalysts were lower at £42 million, 14% down on those in 2010/11 which saw commissioning of a number of new plants in China and the Middle East. Sales of catalysts to hydrogen customers grew strongly again this year, up 40% to £67 million. Legislation requiring lower sulphur levels in fuels and the continued trend of processing dirtier, heavier crude in refineries supported demand for hydrogen which in turn generated an increase in our sales. Demand for gas purification products, used to remove contaminants such as sulphur and mercury from gas streams, was impacted, with sales 33% down on last year, as the business continued to feel the effect of delayed investment in large gas processing projects.

The Additives business made a good first full year's contribution to AMOG and is performing ahead of our expectations at the time of acquisition. We are already leveraging technology synergies between our additives and refinery catalysts and are drawing on the customer relationships in both businesses to create new opportunities for the combined product range.

Process Technologies continued to benefit from energy security concerns in China which are driving projects to monetise coal reserves in the country. This has supported sales of our catalysts for producing both chemicals and substitute natural gas (SNG) from coal. In other parts of the world, particularly the USA, the extraction of shale gas has contributed to lower gas prices compared with those of oil. This provides new opportunities for our syngas catalysts.

DPT had an excellent year, building on its strong performance in 2010/11. This higher margin business delivered sales of £94 million, which were 42% ahead of prior year, and secured licence and engineering contracts for 14 new plants across its portfolio of technologies. Increased demand for petrochemicals in China continued to drive growth in DPT and the business won contracts for ten plants there, including two SNG plants, four methanol plants and two oxo alcohols plants. Outside of China, DPT also secured licences for speciality chemicals plants in Malaysia and in the Netherlands, and oxo alcohols plants in France and Saudi Arabia.

In recent years a significant amount of chemical manufacturing capacity has been installed, especially in China, and this has benefited DPT. We expect that the number of new plants and hence licences available to DPT will be maintained in 2012/13 but is likely to reduce thereafter. Despite this, the outlook for DPT remains positive as global drivers, such as increasing wealth in emerging markets and energy security, support demand for its technologies. Furthermore, the business continues to invest in the research, development and commercialisation of new process technologies, including those which utilise sustainable feedstocks, to maintain its leading global position. This year saw DPT commercialise three new technologies which now are under construction, including a process which converts waste oils and fats into second generation biofuels.

Tracerco recovered well after difficult trading conditions in 2010/11. Its sales in 2011/12 were 22% ahead of prior year as the business benefited from renewed activity in global oil and gas markets supported by the high oil price. This has encouraged oil and gas companies to exploit more difficult to recover resources and has boosted demand for Tracerco's specialist technologies.

Our **Fuel Cells** business was adversely affected by a slowdown in demand for stationary combined heat and power units this year as our customers delayed their product deployment programmes.

The development of fuel cell technology for transport applications, especially cars, continues. Advances in both vehicle development and hydrogen fuelling infrastructure around the world remain on track for initial market introduction of fuel cell powered vehicles within around five years. Components for automotive applications remain an important opportunity for Johnson Matthey and we have continued to increase our investment in R&D for automotive applications during the year.

As a result of slower demand and our increased R&D expenditure, the net expense of our Fuel Cells business increased by £4.3 million to £9.2 million this year.

Precious Metal Products

	Year to 31st March			% at
	2012 £ million	2011 £ million	% change	constant rates
Revenue	**9,841**	**8,270**	**+19**	**+ 20**
Sales (excl. precious metals)	**582**	**541**	**+8**	**+8**
Underlying operating profit	**200.8**	**172.9**	**+16**	**+16**
Return on sales	**34.5%**	**31.9%**		
Return on invested capital (ROIC)	**58.9%**	**55.9%**		

Precious Metal Products Division's (PMPD's) revenue increased by 19% to £9,841 million. Its sales were 8% up at £582 million, supported by good demand across all of its businesses. Underlying operating profit was 16% ahead at £200.8 million with good profit growth in all of the division's businesses.

Sales in the division's **Services** businesses, which comprise its Platinum Marketing and Distribution and Refining activities and which represent 34% of PMPD's sales, grew by 10% to £199 million. Profit grew strongly in the year due to continued good demand for precious metal refining services and slightly higher average precious metal prices.

Platinum Marketing and Distribution – Global demand for platinum increased by 2% in the calendar year 2011. Demand from the autocatalyst sector grew only modestly.

Strong demand in the heavy duty diesel sector was offset by lower demand from the light duty diesel sector, due to increased use of palladium, and from Japanese car makers in the aftermath of the March 2011 earthquake. Demand trends in other sectors were broadly positive with industrial applications enjoying a cyclical upturn. Supply increased due to releases of metal from in process and refined inventories as underlying mine production in South Africa declined. After being close to balance in 2010, the platinum market moved into surplus in 2011.

The price of platinum reflected these weaker fundamentals. After reaching a high point of $1,911/oz in August, the price retreated for the remainder of the calendar year, caught up in the general liquidation across the commodity sector, to end the year below $1,400/oz. Platinum averaged $1,670/oz for the financial year, virtually unchanged on 2010/11.

The balance of the platinum market is expected to be similar in 2012, with both supply and demand expected to be somewhat lower than in 2011. Investment sentiment is likely to continue to have the determining influence on the platinum price.

The palladium market moved into surplus in 2011 with growth in industrial demand outweighed by further Russian stock sales and net liquidation in the physically backed Exchange Traded Fund (ETF) investment market. The demand side was a mixed picture with autocatalyst demand reaching a new high but other industrial demand showing only moderate growth. Supplies of newly mined palladium were flat but there was a sharp increase in metal recovered from autocatalyst recycling.

Having opened the year at $770/oz, the palladium price suffered in the face of weak fundamentals. After reaching a year high of $845/oz in June, palladium had retreated to $570/oz by October as ETF liquidation reached a peak. The price recovered slowly in the rest of the year to average $710/oz, up 15% on the average for 2010/11.

With significantly lower shipments of Russian state stock anticipated in 2012 and a modest increase in demand, the palladium market is expected to swing back into deficit. This will be supportive of a rising price trend although external economic factors, particularly in emerging markets, are expected to have a significant influence.

The rhodium market was once again oversupplied in 2011 as modest growth in demand was outpaced by a rise in supplies and higher volumes of metal recovered from scrap autocatalysts. With a growing surplus, the price found little support, falling $1,000/oz to close the financial year at $1,400/oz. The average price of $1,734/oz was down 28% on 2010/11. The rhodium market is expected to remain in surplus in 2012, suggesting limited upside potential in the price.

Refining – Our Refining businesses had another strong year, led by our gold and silver refineries. In our Platinum Group Metal (Pgm) Refining business sales were 1% up on 2010/11. Volumes were strong in the first half but there was some slowing of demand in the second following the fall in pgm prices during September. The business continued to benefit from its key strategic position in the refining of pgms from end of life autocatalyst scrap, with volumes 20% up on the strong growth seen in the prior year. Intakes of the more difficult to refine insoluble pgms, rhodium, ruthenium and iridium, also continued to be strong, benefiting from further development of the business' world leading pgm chemistry and refining capabilities in this area. Operational improvements and continued focus on capacity management resulted in a reduction of metal tied up in refining processes and the business continues to work on long term projects to add value for its customers.

Both of our gold and silver refineries had a strong year. Throughputs were up by 13% for gold and 5% for silver against a back drop of record levels in the prior year. Our refinery in Salt Lake City, USA benefited from several new mines reaching optimal output during the year. In 2011/12 gold and silver prices averaged $1,661/oz and $36/oz, up 28% and 50% respectively on those in 2010/11. The second half saw a slowdown in demand for recycling as the economy started to recover in the US. However, demand for investment products such as gold and silver bars were at a record high, particularly in China.

Sales in our **Manufacturing** businesses, comprising the division's Noble Metals, Colour Technologies and Catalysts and Chemicals activities, which represent 66% of PMPD's sales, were up 6% to £383 million. Operating profit was well up on prior year.

Noble Metals – Following last year's strong recovery, Noble Metals' sales grew 4% to £125 million. However, operating profit was well ahead of last year with a trend towards higher added value products for the automotive and medical device sectors and improved market share following the success of several new product introductions.

Sales of industrial products, which represent 70% of Noble Metals' sales, grew by 4% to £88 million. The business has developed a range of new higher performance pgm alloy catalysts used in fertiliser manufacture. This has enabled us to increase our market share and outperform market growth.

The business has also developed a range of high technology pgm alloys used in manufacturing spark plugs designed to meet the automotive industry's demand for improved performance and fuel efficiency. During the year the business has invested in increased production capacity to serve this growing market.

Sales of medical components (30% of Noble Metals' sales) were 6% up on last year at £37 million driven by record demand for products used primarily in the cardiovascular markets. Government healthcare initiatives and an ageing population in the US are resulting in a higher number of medical procedures. This, together with increasing wealth in China, India and Southeast Asia, is driving demand for our products.

Colour Technologies – Colour Technologies' sales were 6% up on last year at £87 million and operating profit grew ahead of sales. The year saw good growth in sales of obscuration enamels for the automotive glass industry, particularly in China and the Americas, supported by the introduction of innovative new products. High precious metal prices continued to adversely impact demand for decorative precious metal products but had little impact on functional applications of these materials, for example in the aerospace industry. The year also saw a strong increase in sales of conductive silver pastes to the automotive glass industry resulting from a combination of improved products, successful collaboration with customers and market growth.

Catalysts and Chemicals – Catalysts and Chemicals' sales grew by 8% to £171 million. Demand for our catalysts was good, supported by new product launches for solvent manufacturing and growth in sales of newly developed pgm catalysts for the petrochemical market. The business also saw good growth in sales of catalysts for the production of oleochemicals, particularly in Asia, and in sales of platinum coated discs used in contact lens disinfecting systems. During the year the business commissioned its new pgm catalyst plant in Shanghai, China mainly to service customers in the pharmaceutical and fine chemical sectors.

Sales of chemical products, which include pgm salts used in the manufacture of autocatalysts, were down on prior year mainly due to the impact, particularly in the first half, of the Japanese earthquake and tsunami on demand from Japanese automakers. The year saw the introduction of 'It'sFresh!' sheets, which contain our e+ ™ ethylene remover, to major UK supermarkets to extend the shelf life of fruit. Whilst current sales are relatively modest, we are optimistic that our sales will exceed £10 million per annum within the next few years.

Fine Chemicals

	Year to 31st March 2012 £ million	2011 £ million	% change	% at constant rates
Revenue	**292**	**255**	**+15**	**+16**
Sales (excl. precious metals)	**285**	**245**	**+16**	**+17**
Underlying operating profit	**69.7**	**56.2**	**+24**	**+26**
Return on sales	**24.5%**	**22.9%**		
Return on invested capital (ROIC)	**16.7%**	**13.7%**		

Fine Chemicals Division exceeded our expectations in 2011/12 with very strong growth in its API Manufacturing businesses and continued good growth in Research Chemicals. Revenue in the year increased by 15% to £292 million. Sales were 16% ahead at £285 million and operating profit was 24% higher at £69.7 million boosted by increased demand. In our North American API manufacturing operations we are beginning to realise the benefits of the acquisition of the Riverside facility in Conshohocken, USA in November 2010. The division's return on sales also improved, up 1.6% to 24.5%.

The division's **API Manufacturing businesses**, which comprise Macfarlan Smith and Pharmaceutical Materials and Services and represent 72% of Fine Chemicals' sales, had a very good year with sales up 18% to £206 million and stronger growth in operating profit.

The businesses continued to benefit from the trend towards the use of generic APIs by the healthcare industry. Sales at Macfarlan Smith grew steadily this year, particularly due to higher demand for its bulk opiate based products, such as codeine which is used in pain management. Increased stability in narcotic raw material supplies allowed the business to recover market share in bulk opiates outside North America. The business also saw an improvement in operational efficiency as a result of a restructuring programme completed in the first half of the year.

Pharmaceutical Materials and Services performed very well this year, benefiting from the additional capacity afforded by the Riverside facility and some acquired legacy business. The new plant, which more than doubles our manufacturing capacity in North America, has been successfully integrated with the business' other US operations. This purpose built facility is enabling us to manufacture products more efficiently, allowing us to capitalise on new opportunities to grow sales and increase our market share, particularly in the supply of opiates used in pain management and amphetamines used in attention deficit hyperactivity disorder (ADHD) drugs. During the year we have focused on transferring technology to Riverside to optimise our API production in North America. Product transfer from Macfarlan Smith to Riverside is now also underway as the division works to optimise its API production globally.

The business also benefited from strong sales of the generic version of ADDERALL XR®, which is used in the treatment of ADHD, and from the launch of a niche, high value ophthalmic drug. Drawing on its manufacturing and contract research expertise and working in collaboration with generic pharmaceutical companies, the business has developed several other niche products that have been filed with the US Food and Drug Administration and which should support a steady stream of new products over the next few years.

The results of our API Manufacturing businesses also benefited from revenue from Endo, the US based healthcare company, relating to an oxymorphone patent.

Research Chemicals, which operates globally under the Alfa Aesar brand name, performed well in 2011/12 benefiting from an increase in market share and the continued introduction of new products. Sales were 10% ahead of prior year at £79 million with good growth across North America, Europe and Asia. Operating profit grew ahead of sales. Sales growth in Asia was particularly strong, up 24% on prior year, supported by an increase in R&D spend by pharmaceutical companies in the region. The business has expanded its range this year, adding 4,500 new products, and its rate of new product introduction continues to increase. Our manufacturing capability, together with the strong synthetic chemistry expertise in Research Chemicals and more widely across Fine Chemicals Division, position the business well to further increase its portfolio of products.

Financial Review

Exchange Rates

The main impact of exchange rate movements on the group's results comes from the translation of foreign subsidiaries' profit into sterling as the group does not hedge the impact on the income statement or balance sheet of these translation effects.
Of the group's underlying operating profit that is denominated in overseas currencies the average exchange rates during 2011/12 were:

	Share of 2011/12 non-sterling denominated underlying operating profit	Average exchange rate 2011/12	2010/11
US dollar	**49%**	**1.597**	**1.555**
Euro	**25%**	**1.160**	**1.176**
Chinese renminbi	**8%**	**10.21**	**10.43**

During the year, sterling strengthened slightly against the US dollar but weakened slightly against the Chinese renminbi and the euro. Together these decreased reported group underlying operating profit for the year by £1.0 million.

Going forward, each one cent change in the average US dollar exchange rate and each one cent change in the euro exchange rate have approximately a £0.9 million and £0.6 million effect respectively on underlying operating profit in a full year.

Return on Sales

The group's return on sales increased from 16.1% to 16.8% as the group benefited from higher returns across all the divisions, as described in the operations review.

Return on Invested Capital

For the second consecutive year, the group's return on invested capital (ROIC) improved significantly, from 19.4% to 22.3%. Underlying operating profit was £83.9 million higher than last year at £450.1 million and average invested capital was £131 million higher at £2,015 million. At 22.3%, the group's ROIC is well ahead of our pre-tax cost of capital, which we estimate to be 11.2%.

Our target for several years has been to achieve a group ROIC above 20% on a pre-tax basis. This year we have achieved this goal.

Looking forward, whilst we will seek to continually improve the group's returns, we will not do this at the expense of the long term future of the group. We will continue to invest in capital expenditure in our businesses across the world and in research and development. Therefore, whilst further improvements in the group's ROIC may be possible, our objective is to maintain the group's ROIC at a minimum of 20%.

Interest

The group's net finance costs increased by £3.4 million to £24.1 million as a result of higher precious metal borrowing costs.

Approximately 73% of the group's net debt at 31st March 2012 has fixed interest rates averaging approximately 4.9%.

Profit Before Tax

The group's underlying profit before tax increased by 23% to £426.0 million (2010/11 £345.5 million). Profit before tax was 58% higher at £409.3 million (2010/11 restated £259.3 million). Items excluded from underlying profit were:

- amortisation of acquired intangibles of £16.7 million. This was £2.2 million higher than 2010/11 mainly due to a full year impact of the acquisition of the Additives business (formerly Intercat) made in November 2010; and

- in 2010/11, an impairment and restructuring charge of £71.8 million in respect of the closure of ECT's manufacturing facility in Brussels and the Vertec business.

Taxation

The group's total tax charge for the year was £93.9 million, a tax rate of 22.9% on profit before tax (2010/11 restated 29.1%).

The effective tax rate on underlying profit before tax reduced from 26.5% last year to 23.5%. This reduction was due to the resolution of certain open years' tax positions, a reduction in the headline rate of corporation tax in the UK and other factors.

A substantial proportion of the group's operating profit is earned in countries other than the UK. However, for tax purposes the parent company, which is UK tax resident, charges overseas legal entities for the use of patents, know how and technologies developed in the group's UK R&D centres, in addition to charging overseas subsidiary companies for the cost of UK based management and UK provided finance. These charges are required under UK transfer pricing legislation. As a result of these charges, the amount of the group's profit that is subject to UK corporation tax is particularly pronounced. The group has therefore materially benefited from the reduction in the headline UK corporation tax rate from 28% for the year ended 31st March 2011 to 24% for the year ending 31st March 2013.

In addition, further planned reductions in the headline UK corporation tax rate to 22% for accounting periods beginning on or after 1st April 2014, the proposal announced by the UK government to reduce the corporation tax charged on profit earned from qualifying patented technologies to 10% and the proposed favourable changes to the UK Controlled Foreign Companies tax legislation, both effective for the year ending 31st March 2014, should help to reduce the group's effective tax rate further. However, the UK government's proposal to introduce an ‘above the line’ R&D credit regime with effect from 1st April 2013 will increase the group's reported effective tax rate on underlying profit. Going forward, the rate should nevertheless be at least 2% lower than the headline rate for UK corporation tax.

Earnings per Share

The growth in the group's underlying earnings per share of 29% to 153.7 pence benefits both from growth in the business and the lower effective tax rate. Total earnings per share were 148.7 pence, 75% up on last year.

Pensions

IFRS – Accounting Basis

At 31st March 2012 the group’s principal defined benefit pension scheme in the UK was in deficit by £84.8 million (92% funded) on an IFRS basis compared with a deficit of £60.6 million at 31st March 2011. The £24.2 million increase in the deficit was principally due to a decrease in the discount rate used to value the scheme's liabilities. Worldwide, the group has other similar defined benefit pension arrangements, some of which are in deficit (total deficit £45.9 million) and others which are in surplus (total surplus £2.0 million).

Worldwide, including provisions for the group's post-retirement healthcare schemes, the group had a net deficit of £169.4 million on employee benefit obligations at 31st March 2012 (2011 £130.4 million).

The impact of the higher deficit and lower discount rate is expected to increase the accounting charge for pensions in 2012/13 compared with 2011/12 by more than £10 million.

Actuarial – Funding Basis

In 2010/11 the company commenced deficit funding contributions to the UK scheme under a ten year recovery plan agreed with the Trustees following the 2009 actuarial valuation. During the year the company made deficit funding payments of £23.1 million to the scheme. The group's normal ongoing contribution to the UK scheme in 2011/12 was £21.6 million (2010/11 £22.0 million), making total cash contributions to the scheme in the year of £44.7 million.

The latest actuarial valuation of the UK scheme, effective as at 1st April 2012, is underway. The previous actuarial valuation, as at 1st April 2009, estimated that the scheme deficit was £173 million. The results of this latest actuarial valuation are not expected to be available until later this year, however it is anticipated that the scheme's deficit will have increased further despite the deficit funding contributions made since 2009. This increase is caused by a reduction in gilt yields that are used to value the scheme's liabilities. Once the results of the latest valuation are available, the company will enter into discussions with the scheme's Trustees to agree a revised deficit recovery plan. This may require the company to increase and / or extend the level of cash contributions.

In addition to the expected increase in the scheme's actuarial deficit, the cash cost of providing the ongoing benefits to existing members is likely to increase substantially. As a result, the company is reviewing its options for future pension provision in the UK.

Capital Expenditure

Capital expenditure was £149.6 million (of which £150.7 million was cash spent in the year) which equated to 1.2 times depreciation. In the year, £97.1 million, or 65%, was incurred by Environmental Technologies Division with the principal investments being to add a further autocatalyst line in China, to increase our heavy duty diesel catalyst manufacturing capacity in Europe and China and to continue the investment started last year in new manufacturing plants in the UK and India to make process catalysts for our Ammonia, Methanol, Oil and Gas business.

The long term outlook for the group remains robust and there are good opportunities for growth. To access these opportunities we anticipate that capital expenditure will rise substantially during 2012/13, to around £230 million, and will be in the range of 1.5 to 1.7 times depreciation for the next few years. Depreciation, which was £126.1 million in 2011/12 (2010/11 £123.2 million), will rise as a consequence of this increased investment to around £135 million in 2012/13 and then further, to around £160 million, by 2014/15.

Cash Flow

During the year ended 31st March 2012 net cash flow from operating activities was £464.4 million (2010/11 restated £122.9 million). The demand for our products grew but towards the end of the year precious metal prices dropped due to concerns about the global economy. Working capital, excluding the element that relates to precious metals, increased by £41.5 million, which represented 54 days of sales, down from last year's 60 days. Working capital in respect of precious metals decreased by £60.9 million primarily due to the lower precious metal prices towards the end of the year.

The group's free cash flow was an inflow of £299.4 million (2010/11 restated an outflow of £26.5 million).

Capital Structure

In the year ended 31st March 2012 net debt fell by £185.2 million to £454.2 million and the group's EBITDA (on an underlying basis) rose by 18% to £576.2 million (2010/11 £489.4 million). Net debt / EBITDA for the year was 0.8 times but if post tax pension deficits of £97.0 million are included within net debt, the ratio would increase to 1.0 times. Interest cover (underlying operating profit / net finance costs) was 18.7 times (2010/11 17.7 times).

As described earlier, the board is recommending a special dividend to shareholders of 100 pence per share which represents a total payment of approximately £212 million.

In order to enable the group's objective of delivering long term growth to its shareholders, it is imperative that the company has sufficient funds to invest in capital expenditure, research and development and appropriate acquisitions whilst at the same time maintaining a balance sheet structure that safeguards the group's financial strength through economic cycles.

The group is subject to potentially large working capital swings as business activity changes. In particular, Emission Control Technologies has a substantial working capital requirement as business activity increases. These swings can be accentuated by volatility in precious metal prices. As a result of these factors, it is appropriate to run the business with a modest amount of debt. We believe that a net debt (including post tax pension deficits) to EBITDA ratio of around 1.5 to 2.0 times is appropriate for the group over the longer term.

If the special dividend is approved by shareholders, the net debt (including post tax pension deficits) to EBITDA ratio for the year ended 31st March 2012 would have been, on a pro forma basis, 1.3 times. The company will also, as required, have discussions with the UK pension scheme's Trustees regarding this return of capital as part of the current actuarial valuation.

Outlook

After another year of strong growth, the group is well positioned for the year ahead. However, once again, it is difficult to assess with any degree of confidence how the global economy, especially in Europe, will develop in the short term. This uncertainty has resulted in a substantial fall in precious metal prices over the last few months, despite robust demand. Nonetheless, we remain confident that our strong position in markets with structural growth will allow us to make further progress in Environmental Technologies and Fine Chemicals in 2012/13. This, however, will be offset by a weaker performance from Precious Metal Products, if precious metal prices remain at current levels.

The outlook for our Environmental Technologies Division remains positive. Emission Control Technologies should benefit from the continued development of the heavy duty diesel catalyst market and anticipated growth in light duty vehicle production in North America and Asia. However, we remain cautious about the outlook for European car and truck markets. Notwithstanding that, the removal of the headwinds in the first half of 2011/12 associated with higher rare earth material prices and the Japanese earthquake should ensure that ECT will perform well in the first six months of this year. Process Technologies is also well placed for another year of growth, benefiting from the ongoing strong demand for DPT's licences and for additives.

Precious Metal Products Division's performance is, as we have outlined before, more dependent upon precious metal prices and their recent falls, if maintained, will impact the division's Services businesses. In addition, these businesses suffer from relatively tough comparatives as metal prices and refining intakes were strong in the first half of 2011/12. Therefore, if precious metal prices remain at current levels, the performance of the Services businesses in the first half of 2012/13 will be significantly lower than in 2011/12. The Manufacturing businesses are expected to make progress during 2012/13.

The performance of our Fine Chemicals Division in 2011/12 exceeded our expectations and the strong drivers for the business remain in place. Continued demand for our existing APIs, the introduction of new products and further geographic expansion of our Research Chemicals business' footprint should ensure that we have another strong year.

In the longer term, we are continuing to expand our manufacturing capacity around the world and to invest in R&D. Together, this should enable us to provide products that satisfy tightening global legislation and that meet the growing demand from our customers. We have strong positions in markets that will see structural growth over the next few years and, despite current global economic uncertainties, we are confident of the group's continuing growth potential.

Consolidated Income Statement

for the year ended 31st March 2012

	Notes	2012 £ million	2011 restated £ million
Revenue	*4*	**12,023.2**	9,984.8
Cost of sales		**(11,270.2)**	(9,337.2)
Gross profit		**753.0**	647.6
Distribution costs		**(119.8)**	(112.2)
Administrative expenses		**(183.1)**	(169.2)
Major impairment and restructuring charges		**-**	(71.8)
Amortisation of acquired intangibles	*2*	**(16.7)**	(14.5)
Operating profit	*4,3*	**433.4**	279.9
Finance costs		**(35.4)**	(33.1)
Finance income		**11.3**	12.4
Dissolution of associate		**-**	0.1
Profit before tax		**409.3**	259.3
Income tax expense		**(93.9)**	(75.5)
Profit for the year from continuing operations		**315.4**	183.8
Loss for the year from discontinued operations		**-**	(1.9)
Profit for the year		**315.4**	181.9
Attributable to:			
Owners of the parent company		**315.9**	181.5
Non-controlling interests		**(0.5)**	0.4
		315.4	181.9
		pence	pence
Earnings per ordinary share attributable to the equity holders of the parent company			
Continuing operations			
Basic	*6*	**148.7**	86.1
Diluted	*6*	**146.9**	85.6
Total			
Basic	*6*	**148.7**	85.2
Diluted	*6*	**146.9**	84.7

Consolidated Statement of Total Comprehensive Income

for the year ended 31st March 2012

	2012 £ million	2011 restated £ million
Profit for the year	**315.4**	181.9
Other comprehensive income:		
Currency translation differences	**(53.7)**	(8.9)
Cash flow hedges	**6.1**	3.7
Fair value gains on net investment hedges	**23.7**	2.2
Actuarial (loss) / gain on post-employment benefits assets and liabilities	**(70.6)**	85.4
Tax on above items taken directly to or transferred from equity	**18.7**	(30.0)
Other comprehensive (expense) / income for the year	**(75.8)**	52.4
Total comprehensive income for the year	**239.6**	234.3
Attributable to:		
Owners of the parent company	**240.1**	233.9
Non-controlling interests	**(0.5)**	0.4
	239.6	234.3

Consolidated Balance Sheet

as at 31st March 2012

	Notes	2012 £ million	2011 restated £ million
Assets			
Non-current assets			
Property, plant and equipment		**909.5**	907.7
Goodwill		**519.5**	528.7
Other intangible assets		**127.8**	152.9
Deferred income tax assets		**25.4**	39.7
Investments and other receivables		**11.0**	11.0
Swaps related to borrowings	*7*	**29.3**	23.7
Post-employment benefits net assets	*10*	**2.0**	3.8
Total non-current assets		**1,624.5**	1,667.5
Current assets			
Inventories		**630.8**	556.3
Current income tax assets		**11.5**	9.4
Trade and other receivables		**847.1**	893.2
Cash and cash equivalents - cash and deposits	*7*	**139.1**	118.9
Other financial assets		**11.6**	6.9
Total current assets		**1,640.1**	1,584.7
Total assets		**3,264.6**	3,252.2
Liabilities			
Current liabilities			
Trade and other payables		**(710.7)**	(662.9)
Current income tax liabilities		**(103.1)**	(114.2)
Cash and cash equivalents - bank overdrafts	*7*	**(35.8)**	(24.5)
Other borrowings and finance leases	*7*	**(56.4)**	(181.8)
Other financial liabilities		**(4.5)**	(6.5)
Provisions		**(34.0)**	(60.1)
Total current liabilities		**(944.5)**	(1,050.0)
Non-current liabilities			
Borrowings, finance leases and related swaps	*7*	**(530.4)**	(575.7)
Deferred income tax liabilities		**(53.4)**	(59.5)
Employee benefits obligations	*10*	**(171.4)**	(134.2)
Provisions		**(28.8)**	(24.2)
Other payables		**(4.3)**	(4.8)
Total non-current liabilities		**(788.3)**	(798.4)
Total liabilities		**(1,732.8)**	(1,848.4)
Net assets		**1,531.8**	1,403.8
Equity			
Share capital		**220.7**	220.7
Share premium account		**148.3**	148.3
Shares held in employee share ownership trust (ESOT)		**(50.2)**	(35.8)
Other reserves		**43.0**	68.3
Retained earnings		**1,169.6**	1,001.2
Total equity attributable to owners of the parent company		**1,531.4**	1,402.7
Non-controlling interests		**0.4**	1.1
Total equity		**1,531.8**	1,403.8

Consolidated Cash Flow Statement

for the year ended 31st March 2012

	Notes	**2012** **£ million**	2011 restated £ million
Cash flows from operating activities			
Profit before tax		**409.3**	259.3
Adjustments for:			
Dissolution of associate		**-**	(0.1)
Discontinued operations		**-**	(1.9)
Depreciation, amortisation, impairment losses and profit on sale of non-current assets and investments		**146.8**	168.8
Share-based payments		**12.8**	11.3
Increase in inventories		**(88.9)**	(159.6)
Decrease / (increase) in receivables		**24.5**	(250.9)
Increase in payables		**55.4**	113.1
(Decrease) / increase in provisions		**(19.2)**	52.0
Contributions in excess of employee benefit obligations charge		**(30.9)**	(26.8)
Changes in fair value of financial instruments		**(0.7)**	1.7
Net finance costs		**24.1**	20.7
Income tax paid		**(68.8)**	(64.7)
Net cash inflow from operating activities		**464.4**	122.9
Cash flows from investing activities			
Dividends received from associate		**-**	3.5
Purchases of non-current assets and investments		**(150.7)**	(137.4)
Proceeds from sale of non-current assets and investments		**8.3**	3.9
Purchases of businesses		**0.6**	(53.1)
Net cash outflow from investing activities		**(141.8)**	(183.1)
Cash flows from financing activities			
Net cost of ESOT transactions in own shares		**(25.7)**	(9.1)
(Repayment of) / proceeds from borrowings and finance leases		**(166.4)**	96.2
Dividends paid to equity holders of the parent company	*5*	**(103.1)**	(86.1)
Dividends paid to non-controlling interests		**-**	(0.5)
Settlement of currency swaps for net investment hedging		**8.8**	7.4
Interest paid		**(34.0)**	(33.1)
Interest received		**11.4**	13.7
Net cash outflow from financing activities		**(309.0)**	(11.5)
Increase / (decrease) in cash and cash equivalents in the year		**13.6**	(71.7)
Exchange differences on cash and cash equivalents		**(4.7)**	1.7
Cash and cash equivalents at beginning of year		**94.4**	164.4
Cash and cash equivalents at end of year	*7*	**103.3**	94.4

Reconciliation to net debt			
Increase / (decrease) in cash and cash equivalents in the year		**13.6**	(71.7)
Repayment of / (proceeds from) borrowings and finance leases		**166.4**	(96.2)
Change in net debt resulting from cash flows		**180.0**	(167.9)
Borrowings acquired with subsidiaries		**-**	(20.5)
Exchange differences on net debt		**5.2**	22.4
Movement in net debt in year		**185.2**	(166.0)
Net debt at beginning of year		**(639.4)**	(473.4)
Net debt at end of year	*7*	**(454.2)**	(639.4)

Consolidated Statement of Changes in Equity

for the year ended 31st March 2012

	Share capital £ million	Share premium account £ million	Shares held in ESOT £ million	Other reserves restated £ million	Retained earnings restated £ million	Non-controlling interests £ million	Total equity restated £ million
At 1st April 2010	220.7	148.3	(30.7)	73.4	837.7	1.4	1,250.8
Total comprehensive income	-	-	-	(5.1)	239.0	0.4	234.3
Dividends paid (note 5)	-	-	-	-	(86.1)	(0.7)	(86.8)
Purchase of shares by ESOT	-	-	(16.7)	-	-	-	(16.7)
Share-based payments	-	-	-	-	17.1	-	17.1
Cost of shares transferred to employees	-	-	11.6	-	(10.3)	-	1.3
Tax on share-based payments	-	-	-	-	3.8	-	3.8
At 31st March 2011 (restated)	220.7	148.3	(35.8)	68.3	1,001.2	1.1	1,403.8
Total comprehensive income	-	-	-	(25.3)	265.4	(0.5)	239.6
Dividends paid (note 5)	-	-	-	-	(103.1)	(0.2)	(103.3)
Purchase of shares by ESOT	-	-	(37.0)	-	-	-	(37.0)
Share-based payments	-	-	-	-	18.8	-	18.8
Cost of shares transferred to employees	-	-	22.6	-	(17.4)	-	5.2
Tax on share-based payments	-	-	-	-	4.7	-	4.7
At 31st March 2012	**220.7**	**148.3**	**(50.2)**	**43.0**	**1,169.6**	**0.4**	**1,531.8**

Notes on the Preliminary Accounts

for the year ended 31st March 2012

1 Basis of preparation

The financial information contained in this release does not constitute the company's statutory accounts for the years ended 31st March 2012 or 31st March 2011 within the meaning of section 435 of the Companies Act 2006, but is derived from those accounts and is prepared in accordance with the Disclosure and Transparency Rules of the UK's Financial Services Authority. The accounts are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the Standing Interpretations Committee (SIC) as adopted by the European Union. For Johnson Matthey, there are no differences between IFRS as adopted by the European Union and full IFRS as published by the International Accounting Standards Board and so the accounts comply with IFRS. The accounting policies applied are set out in the Annual Report and Accounts for the year ended 31st March 2011. None of the new and amendments to accounting standards and interpretations which the group has adopted during the year has had a material effect on the reported results or financial position of the group. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the company's Annual General Meeting. The auditors have reported on both of these sets of accounts. Their reports were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statement under sections 498(2) or 498(3) of the Companies Act 2006. The accounts for the year ended 31st March 2012 were approved by the Board of Directors on 6th June 2012.

The consolidated accounts for the year ended 31st March 2011 have been restated for measurement period adjustments to the fair values of the Intercat, Inc. acquisition (note 11). Also, cost of sales and distribution costs for the year ended 31st March 2011 have been represented by £9.0 million following a reclassification of certain employee costs out of distribution costs in one of the group's businesses to better reflect the nature of the costs.

2 Amortisation of acquired intangibles

The amortisation of intangible assets which arise on the acquisition of businesses, together with any subsequent impairment of these intangible assets, is shown separately on the face of the income statement. It is excluded from underlying operating profit.

3 Effect of exchange rate changes on translation of foreign subsidiaries' sales excluding the value of precious metals and operating profits

Average exchange rates used for translation of results of foreign operations	**2012**	2011
US dollar / £	**1.597**	1.555
Euro / £	**1.160**	1.176
Chinese renminbi / £	**10.21**	10.43
South African rand / £	**11.85**	11.18

The main impact of exchange rate movements on the group's sales and operating profit comes from the translation of foreign subsidiaries' results into sterling. The one significant exception is the South African rand where the translational impact is more than offset by the impact of movements in the rand on operating margins. Consequently the analysis below excludes the translational impact of the rand.

	Year ended 31st March 2012	Year ended 31st March 2011		Change at this year's rates
		At last year's rates	At this year's rates	
	£ million	£ million	£ million	%
Sales excluding the value of precious metals				
Environmental Technologies	**1,875.7**	1,565.8	1,557.5	+20
Precious Metal Products	**582.0**	541.2	538.7	+8
Fine Chemicals	**284.7**	245.4	242.4	+17
Elimination of inter-segment sales	**(63.8)**	(72.1)	(71.6)	
Sales excluding the value of precious metals	**2,678.6**	2,280.3	2,267.0	+18
Underlying operating profit				
Environmental Technologies	**211.8**	164.7	163.8	+29
Precious Metal Products	**200.8**	172.9	172.7	+16
Fine Chemicals	**69.7**	56.2	55.5	+26
Unallocated corporate expenses	**(32.2)**	(27.6)	(27.5)	
Underlying operating profit	**450.1**	366.2	364.5	+23

4 Segmental information by business segment

Year ended 31st March 2012

	Environmental Technologies £ million	Precious Metal Products £ million	Fine Chemicals £ million	Eliminations £ million	Total £ million
Revenue from external customers	**3,123.6**	**8,609.4**	**290.2**	**-**	**12,023.2**
Inter-segment revenue	**131.0**	**1,232.0**	**2.2**	**(1,365.2)**	**-**
Total revenue	**3,254.6**	**9,841.4**	**292.4**	**(1,365.2)**	**12,023.2**
External sales excluding the value of precious metals	**1,861.9**	**534.3**	**282.4**	**-**	**2,678.6**
Inter-segment sales	**13.8**	**47.7**	**2.3**	**(63.8)**	**-**
Sales excluding the value of precious metals	**1,875.7**	**582.0**	**284.7**	**(63.8)**	**2,678.6**
Segmental underlying operating profit	**211.8**	**200.8**	**69.7**	**-**	**482.3**
Unallocated corporate expenses					**(32.2)**
Underlying operating profit					**450.1**
Amortisation of acquired intangibles (note 2)					**(16.7)**
Operating profit					**433.4**
Net finance costs					**(24.1)**
Profit before tax					**409.3**
Segmental net assets	**1,448.6**	**324.6**	**418.8**	**-**	**2,192.0**

Year ended 31st March 2011 (restated)

	Environmental Technologies £ million	Precious Metal Products £ million	Fine Chemicals £ million	Eliminations £ million	Total £ million
Revenue from external customers	2,703.4	7,028.3	253.1	-	9,984.8
Inter-segment revenue	4.6	1,241.3	1.9	(1,247.8)	-
Total revenue	2,708.0	8,269.6	255.0	(1,247.8)	9,984.8
External sales excluding the value of precious metals	1,561.3	475.4	243.6	-	2,280.3
Inter-segment sales	4.5	65.8	1.8	(72.1)	-
Sales excluding the value of precious metals	1,565.8	541.2	245.4	(72.1)	2,280.3
Segmental underlying operating profit	164.7	172.9	56.2	-	393.8
Unallocated corporate expenses					(27.6)
Underlying operating profit					366.2
Major impairment and restructuring charges					(71.8)
Amortisation of acquired intangibles (note 2)					(14.5)
Operating profit					279.9
Net finance costs					(20.7)
Dissolution of associate					0.1
Profit before tax					259.3
Segmental net assets	1,534.9	357.3	417.5	-	2,309.7

Notes on the Preliminary Accounts

for the year ended 31st March 2012

5 Dividends

A final dividend of 40.0 pence per ordinary share has been proposed by the board which will be paid on 17th August 2012 to shareholders on the register at the close of business on 3rd August 2012. The estimated amount to be paid is £84.8 million and has not been recognised in these accounts. The board is also recommending a special dividend to shareholders of 100.0 pence per ordinary share which will be paid on 17th August 2012 to shareholders on the register at the close of business on 3rd August 2012. This represents a total payment of approximately £212 million and has not been recognised in these accounts.

	2012	2011
	£ million	£ million
2009/10 final ordinary dividend paid - 27.9 pence per share	**-**	59.4
2010/11 interim ordinary dividend paid - 12.5 pence per share	**-**	26.7
2010/11 final ordinary dividend paid - 33.5 pence per share	**71.2**	-
2011/12 interim ordinary dividend paid - 15.0 pence per share	**31.9**	-
Total dividends	**103.1**	86.1

6 Earnings per ordinary share

The calculation of earnings per ordinary share is based on a weighted average of 212,431,522 shares in issue (2011 212,907,178 shares). The calculation of diluted earnings per ordinary share is based on the weighted average number of shares in issue adjusted by the dilutive outstanding share options and long term incentive plans. These adjustments give rise to an increase in the weighted average number of shares in issue of 2,567,460 shares (2011 1,344,782 shares).

Underlying earnings per ordinary share are calculated as follows:

	2012	2011
		restated
	£ million	£ million
Profit for the year attributable to equity holders of the parent company	**315.9**	181.5
Major impairment and restructuring charges	**-**	71.8
Amortisation of acquired intangibles (note 2)	**16.7**	14.5
Dissolution of associate	**-**	(0.1)
Loss on disposal of discontinued operations	**-**	1.9
Tax thereon	**(6.1)**	(16.2)
Underlying profit for the year	**326.5**	253.4
	pence	pence
Basic underlying earnings per share	**153.7**	119.0

7 Net debt

	2012	2011
	£ million	£ million
Cash and deposits	**139.1**	118.9
Bank overdrafts	**(35.8)**	(24.5)
Cash and cash equivalents	**103.3**	94.4
Other current borrowings and finance leases	**(56.4)**	(181.8)
Non-current borrowings, finance leases and related swaps	**(530.4)**	(575.7)
Swaps related to borrowings	**29.3**	23.7
Net debt	**(454.2)**	(639.4)

8 Precious metal operating leases

The group leases, rather than purchases, precious metals to fund temporary peaks in metal requirements provided market conditions allow. These leases are from banks for specified periods (typically a few months) and for which the group pays a fee. These arrangements are classified as operating leases. The group holds sufficient precious metal inventories to meet all the obligations under these lease arrangements as they fall due. At 31st March 2012 precious metal leases were £9.1 million (2011 £93.0 million).

9 Transactions with related parties

There were no material changes in related party relationships in the year ended 31st March 2012 and no other related party transactions have taken place which have materially affected the financial position or performance of the group during the year.

10 Post-employment benefits

The group operates a number of post-employment benefits plans around the world, the forms and benefits of which vary with conditions and practices in the countries concerned. The major defined benefit plans are pension plans and post-retirement medical plans in the UK and the US.

The main assumptions were:

	2012 UK plans %	**2012 US plans %**	**2012 Other plans %**	2011 UK plans %	2011 US plans %	2011 Other plans %
First 3 years rate of increase in salaries	**3.40**	**3.40**	**3.21**	4.50	3.75	3.17
Ultimate rate of increase in salaries	**4.15**	**3.40**	**3.21**	4.50	3.75	3.17
Rate of increase in pensions in payment	**3.40**	**-**	**1.57**	3.50	-	2.44
Discount rate	**5.10**	**4.80**	**4.78**	5.50	5.70	5.57
Inflation		**2.75**	**1.76**		2.75	2.06
- UK RPI	**3.40**			3.50		
- UK CPI	**2.70**			3.00		
Current medical benefits cost trend rate	**5.40**	**7.78**	**-**	7.70	8.06	-
Ultimate medical benefits cost trend rate	**5.40**	**4.50**	**-**	6.00	4.50	-

The group uses certain mortality assumptions when calculating plan obligations. The current mortality assumptions for all major plans retain prudent allowance for future improvements in longevity and take account of experience.

The group's largest plan is in the UK and for the purposes of calculating that plan's pension liabilities as at 31st March 2012, the group has used SAPS S1 mortality tables based on year of birth (as published by the Institute of Actuaries) for both pensioner and non-pensioner members in conjunction with the results of an investigation into the actual mortality experience of plan members. In addition, to allow for future improvements in longevity, the CMI 2011 tables (published by the Institute of Actuaries) have been used, with an assumed long term rate of future annual mortality improvement of 1.25%.

The mortality tables used for the UK pension plan have been updated since 31st March 2011 following a mortality investigation. Last year the group used PA92 mortality tables projected to calendar year 2009 (as published by the Institute of Actuaries) for both pensioner and non-pensioner members. In addition, allowance for future improvements in longevity was made using the medium cohort projections with a 1% underpin.

10 Post-employment benefits (continued)

The net post-employment benefits assets and liabilities shown in the balance sheet are analysed as:

	UK pension £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 31st March 2012						
Present value of funded obligations	**(1,113.4)**	**-**	**(183.0)**	**-**	**(45.0)**	**(1,341.4)**
Present value of unfunded obligations	**-**	**(11.7)**	**-**	**(30.8)**	**(14.3)**	**(56.8)**
Defined benefit obligation	**(1,113.4)**	**(11.7)**	**(183.0)**	**(30.8)**	**(59.3)**	**(1,398.2)**
Fair value of plan assets	**1,028.6**	**-**	**157.0**	**-**	**40.7**	**1,226.3**
Reimbursement rights	**-**	**-**	**-**	**6.4**	**0.7**	**7.1**
Unrecognised past service credit - non-vested	**-**	**-**	**-**	**(2.3)**	**-**	**(2.3)**
Net post-employment benefits	**(84.8)**	**(11.7)**	**(26.0)**	**(26.7)**	**(17.9)**	**(167.1)**
At 31st March 2011						
Present value of funded obligations	(1,027.4)	-	(152.1)	-	(37.8)	(1,217.3)
Present value of unfunded obligations	-	(12.5)	-	(25.8)	(11.8)	(50.1)
Defined benefit obligation	(1,027.4)	(12.5)	(152.1)	(25.8)	(49.6)	(1,267.4)
Fair value of plan assets	966.8	-	134.0	-	35.8	1,136.6
Reimbursement rights	-	-	-	4.9	0.7	5.6
Unrecognised past service credit - non-vested	-	-	-	(2.9)	-	(2.9)
Net post-employment benefits	(60.6)	(12.5)	(18.1)	(23.8)	(13.1)	(128.1)

These are included in the balance sheet as:

	2012 Post-employment benefits net assets £ million	**2012 Employee benefits obligations £ million**	**2012 Total £ million**	2011 Post-employment benefits net assets £ million	2011 Employee benefits obligations £ million	2011 Total £ million
UK pension plan	**-**	**(84.8)**	**(84.8)**	-	(60.6)	(60.6)
UK post-retirement medical benefits plan	**-**	**(11.7)**	**(11.7)**	-	(12.5)	(12.5)
US pension plans	**-**	**(26.0)**	**(26.0)**	-	(18.1)	(18.1)
US post-retirement medical benefits plan	**-**	**(26.7)**	**(26.7)**	-	(23.8)	(23.8)
Other plans	**2.0**	**(19.9)**	**(17.9)**	3.8	(16.9)	(13.1)
Total post-employment plans	**2.0**	**(169.1)**	**(167.1)**	3.8	(131.9)	(128.1)
Other long term employee benefits		**(2.3)**			(2.3)	
Total long term employee benefits obligations		**(171.4)**			(134.2)	

Notes on the Preliminary Accounts

for the year ended 31st March 2012

11 Restatement of acquisition in the year ended 31st March 2011

On 1st November 2010 the group acquired 100% of Intercat, Inc. and its subsidiaries. The fair values disclosed at 31st March 2011 were provisional. These have now been finalised and the balance sheet at 31st March 2011 restated.

The net assets acquired were:

	Estimated fair value at time of acquisition £ million	Revised fair value at time of acquisition £ million	Measurement period adjustments £ million
Property, plant and equipment	11.5	11.5	-
Intangible assets - patents, trademarks and licences	10.1	8.5	(1.6)
Intangible assets - customer contracts and relationships	17.7	20.5	2.8
Intangible assets - acquired research and technology	2.8	2.8	-
Inventories	5.8	5.8	-
Trade and other receivables	5.4	5.2	(0.2)
Cash and cash equivalents	1.0	1.0	-
Current other borrowings	(21.5)	(20.5)	1.0
Trade and other payables	(10.6)	(11.0)	(0.4)
Current income tax liabilities	(1.4)	(1.8)	(0.4)
Deferred income tax liabilities	(8.0)	(7.6)	0.4
Provisions	-	(1.9)	(1.9)
Total net assets acquired	12.8	12.5	(0.3)
Goodwill on acquisition	20.2	19.4	(0.8)
Total consideration	33.0	31.9	(1.1)

As a result of these changes the amortisation of acquired intangibles for the year ended 31st March 2011 increased by £1.3 million to £14.5 million and the income tax expense decreased by £0.5 million to £75.5 million. Also the currency translation loss in other comprehensive income increased by £1.0 million to £8.9 million.

Financial Calendar

2012

25th July
121st Annual General Meeting (AGM)

1st August
Ex-dividend date (final dividend)

3rd August
Record date (final dividend, special dividend and share consolidation)

6th August
Ex-dividend date (special dividend)
Share consolidation takes effect (subject to approval at the AGM)

17th August
Payment of final dividend and special dividend (subject to declaration at the AGM)

21st November
Announcement of results for the six months ending 30th September 2012

28th November
Ex-dividend date

30th November
Interim dividend record date

Cautionary Statement
This announcement contains 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 this announcement 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.

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