Johnson Matthey

News release

For Release at 7.00 am Thursday 5th June 2014

Preliminary Results for the year ended 31st March 2014

	Year to 31st March 2014	2013 restated	% change
Revenue	**£11,155m**	**£10,729m**	**+4**
Sales excluding precious metals	**£2,981m**	**£2,676m**	**+11**
Profit before tax	**£406.6m**	**£348.6m**	**+17**
Earnings per share	**167.7p**	**132.3p**	**+27**
Underlying*:			
Profit before tax	**£427.3m**	**£382.9m**	**+12**
Earnings per share	**170.6p**	**147.7p**	**+16**
Dividend per share:	**62.5p**	**57.0p**	**+10**

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

2013/14 in Summary:

- Revenue up 4% to £11.2 billion
- Sales excluding precious metals (sales) 11% ahead at £3.0 billion
- Profit before tax and earnings per share increased by 17% and 27% respectively
- Underlying profit before tax and underlying earnings per share increased by 12% and 16% respectively
- Investment in R&D of £152 million, up 12%, and total capital expenditure of £218 million, 1.7 times depreciation
- Cash flow conversion of 82% (2012/13 85%)
- Balance sheet remains strong with net debt (including post tax pension deficits) / EBITDA of 1.3 times
- Return on invested capital (ROIC) 20.8%, ahead of our long term target of 20%
- Final dividend of 45.5 pence recommended resulting in full year dividend up 10% at 62.5 pence

Divisional Overview

- Emission Control Technologies outperformed the underlying growth rate in many of its markets with sales up 13% and underlying operating profit 25% higher, benefiting from:
  - An improved product mix in our European light duty vehicle catalyst business
  - Continued growth in Asia

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    - A good performance in heavy duty diesel catalysts in Europe driven by the introduction of new legislation

- Process Technologies' sales were 11% ahead and underlying operating profit grew by 10%:
    - A good performance in its Oil and Gas businesses
    - A mixed year in its Chemicals businesses with lower technology licensing revenues but good growth in catalyst sales
    - The contribution of Formox which was acquired at the end of last year

- Precious Metal Products' sales were in line with last year and underlying operating profit was 5% ahead. The division was impacted by:
    - The change in our contracts with Anglo American Platinum Limited
    - Lower average precious metal prices
    - Continued weakness in some of its Manufacturing businesses' markets

- Sales in Fine Chemicals grew by 5% and underlying operating profit was 10% ahead, benefiting from sales growth in its higher margin API Manufacturing business

- New Businesses made progress with sales boosted by a full year's contribution from Johnson Matthey Battery Systems. Slight increase in underlying operating loss

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

"I am pleased to report that Johnson Matthey performed well in 2013/14, particularly in Emission Control Technologies. Sales were up by 11%, underlying earnings per share grew by 16% and the board is recommending a 10% increase in the total dividend for the year.

In 2014/15 continued growth across the company will be offset by the adverse impact of the loss of commission revenue from Anglo Platinum and by the effect of foreign currency translation, if today's exchange rates prevail. Consequently, we currently expect that the group's performance in 2014/15 will be broadly in line with 2013/14.

As Johnson Matthey approaches its third century of operation, we continue to apply our expertise in advanced materials and technology to innovate and improve solutions for customers in new and existing markets. We are committed to investing in R&D, our manufacturing capabilities and the development of our people to support the future growth of the business.

It has been a real privilege to have been Chief Executive for the last ten years of a wonderful company full of talented and dedicated people. As I step down today, I am confident that, as a world leading speciality chemicals company, Johnson Matthey is well positioned to deliver long term growth for its shareholders through the creation of value adding sustainable technologies."

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Report to Shareholders

Review of Results

Johnson Matthey performed well in 2013/14. Emission Control Technologies exceeded our expectations, benefiting from growth across all regions and from the introduction of new heavy duty diesel (HDD) legislation, particularly in Europe. Process Technologies also grew strongly, helped by the acquisition of Formox at the end of last year. Precious Metal Products' sales were in line with last year. The division was impacted by the change to our long term contracts with Anglo American Platinum Limited (Anglo Platinum) which came into force on 1st January 2014. Fine Chemicals grew its sales with a good year in its Active Pharmaceutical Ingredient (API) Manufacturing business and New Businesses made some further progress.

Overall, sales were up by 11% to £3.0 billion and underlying operating profit grew by 13% to £468.9 million. Underlying return on sales was in line with last year at 15.7% and ROIC increased to 20.8%, from 19.8%, as a result of the higher underlying operating profit and good working capital management across the group. Underlying profit before tax was 12% ahead at £427.3 million and profit before tax was 17% higher at £406.6 million.

Helped by a lower effective tax rate for the year, underlying earnings per share increased by 16% to 170.6 pence. A deferred tax credit of £9.5 million, which is due to the reduction in headline rates of UK corporation tax from 23% to 20%, has been excluded from underlying tax. Earnings per share were 167.7 pence, 27% above last year.

Dividend

The board is recommending a 10% increase in the total dividend for the year. This comprises a final dividend of 45.5 pence which, together with the interim dividend of 17.0 pence, gives a total ordinary dividend for the year of 62.5 pence (2012/13 57.0 pence). At this level, the dividend would be covered 2.7 times by underlying earnings per share. Subject to approval by shareholders, the final dividend will be paid on 5th August 2014 to ordinary shareholders on the register as at 13th June 2014, with an ex dividend date of 11th June 2014.

The board's objective remains 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.

Operations

Emission Control Technologies

	Year to 31st March 2014 £ million	2013 £ million	% change	% at constant rates
Revenue	**2,996**	**2,557**	**+17**	**+19**
Sales (excluding precious metals)	**1,645**	**1,461**	**+13**	**+14**
Underlying operating profit	**203.6**	**163.5**	**+25**	**+25**
Return on sales	**12.4%**	**11.2%**		
Return on invested capital (ROIC)	**21.0%**	**16.4%**		

Emission Control Technologies (ECT) had a very strong year benefiting from an improved product mix in our European light duty vehicle (LDV) catalyst business, continued growth in our Asian business and a good performance in our HDD catalyst business in Europe driven by the introduction of new legislation. Sales increased by 13% to £1,645 million and underlying operating profit was up 25% at £203.6 million.

ECT's return on sales for the year increased by 1.2% to 12.4% due to higher plant utilisation and further process efficiency improvements. ROIC improved significantly, from 16.4% to 21.0%, driven mainly by the increase in underlying operating profit but also by some good successes from a number of working capital management initiatives.

Light Duty Vehicle Catalysts

Sales in our LDV catalyst business increased by 8% to £1,009 million (61% of ECT's sales in the year) and underlying operating profit was well ahead.

Estimated Light Duty Vehicle Sales and Production

		Year to 31st March 2014 millions	2013 millions	% change
North America	**Sales**	**18.3**	**17.4**	**+5.2**
	Production	**16.2**	**15.4**	**+5.2**
Total Europe	**Sales**	**17.7**	**17.8**	**-0.6**
	Production	**19.1**	**19.0**	**+0.5**
Asia	**Sales**	**36.3**	**34.6**	**+4.9**
	Production	**43.0**	**40.8**	**+5.4**
Global	**Sales**	**84.1**	**81.5**	**+3.2**
	Production	**83.6**	**80.9**	**+3.3**

Source: LMC Automotive

In the year to 31st March 2014, global LDV sales grew by 3% to 84.1 million vehicles and global production also increased by 3%, with continued growth in North America and Asia throughout the year and some recovery in Europe in our second half. Within Asia, vehicle production in China and Japan grew by 11% and 4% respectively although production in India continued to decline and was 8% down on prior year.

Johnson Matthey's Light Duty Vehicle Catalyst Sales by Region

	2014 £ million	2013 £ million	% change
Europe	**571**	**543**	**+5**
Asia	**255**	**214**	**+19**
North America	**183**	**181**	**+1**
Total	**1,009**	**938**	**+8**

Our LDV catalyst sales in Europe outperformed the market and grew by 5% to £571 million, benefiting from an improved product mix as we replaced some lower value catalyst sales with higher value diesel filter business. The proportion of diesel vehicles produced in Western Europe remained relatively steady at 51%.

Legislation in Europe continues to tighten and, as a result, we estimate that catalyst value for light duty diesel vehicles will increase by around 20% with the introduction of Euro 6b light duty diesel emission standards in September 2014 for new models and September 2015 for all production. This will require additional catalyst fitment to meet tighter NOx standards. New, more efficient petrol engines, such as those using direct injection technologies, also offer opportunities for additional catalyst sales with the introduction of Euro 6c emission standards starting from September 2017.

Our sales of LDV catalysts in Asia grew strongly, up 19% to £255 million, and were well ahead of the 5% growth in vehicle production. Our business in China performed very well as a result of continued demand for cars and some new business wins with both local and global car companies. Our sales in South East Asia were also well ahead, benefiting from the good growth in vehicle production in Indonesia and Malaysia, despite an overall decline in vehicle production in the region. In Japan our sales grew slightly; however, demand for our products in India remained subdued in the face of continued weakness in the country's car market.

In North America our volumes grew broadly in line with the 5% growth in vehicle production. However, our sales of £183 million grew slightly below the market rate, primarily due to lower prices for rare earth materials (which are used in catalyst manufacturing), the cost of which is passed on to our customers.

Heavy Duty Diesel Catalysts

Our HDD catalyst business performed very well with sales up 20% to £573 million and operating profit grew similarly. Tightening legislation in Europe and China, together with increased truck production, helped to grow our on road HDD catalyst sales by 20% to £514 million. Sales to non-road applications accounted for nearly £60 million of our 2013/14 HDD catalyst sales.

Estimated HDD Truck Sales and Production

		Year to 31st March		
		2014 thousands	**2013 thousands**	**% change**
North America	**Sales**	**452.4**	**426.2**	**+6.1**
	Production	**468.4**	**438.1**	**+6.9**
EU	**Sales**	**299.0**	**263.1**	**+13.6**
	Production	**413.9**	**375.3**	**+10.3**

Source: LMC Automotive

Sales and production of HDD trucks in North America grew by more than 6% helped by the continued recovery in the US economy. In Europe the market grew strongly, supported by a pre-buy ahead of the new Euro VI legislation which came into force on 1st January 2014.

Johnson Matthey's Heavy Duty Diesel Catalyst Sales by Region

	2014 £ million	**2013 £ million**	**% change**
North America	**355**	**331**	**+7**
Europe	**173**	**118**	**+47**
Asia	**45**	**28**	**+61**
Total	**573**	**477**	**+20**

In North America our sales grew in line with truck production, up 7% to £355 million. The business benefited from a recent upturn in demand for larger 'Class 8' trucks which supported our sales in the final quarter. Sales of catalysts for non-road applications, such as agricultural, construction and mining equipment, continued to grow and accounted for approximately 9% (£33 million) of our total North American HDD catalyst sales.

Our European HDD catalyst business grew significantly with sales up 47% to £173 million, of which £21 million were for non-road applications, up 44% on last year. During the first nine months of the year, our sales were boosted by truck and engine manufacturers pre-buying Euro V systems to meet orders placed ahead of the new legislation. We estimate that this added around £10 million to our sales in that period.

On 1st January 2014 tighter Euro VI legislation came into force which requires the addition of particulate filter catalysts to all trucks sold in the EU. However, some Euro VI compliant trucks were sold in the first nine months of the year which also boosted our sales in that period. In the fourth quarter, the combination of the full implementation of Euro VI and pipeline filling of our customers' inventory of Euro VI parts also had a positive impact on our sales.

Euro VI represents, on average, a close to three times increase in catalyst sales value per vehicle compared to their Euro V equivalent. In a few cases, where customers were fitting higher value Euro V systems, the increase is less marked. In the transition to Euro VI systems, Johnson Matthey's share in the European HDD sector has fallen slightly but we remain well positioned for growth in this market.

By the year end, Euro VI systems accounted for some 60% of ECT's European HDD sales, Euro V systems (to Brazil and to non-EU countries) accounted for around a quarter of our sales and the remainder were to non-road applications and retrofit systems.

Our HDD catalyst business in Asia continued to progress, growing its sales by 61% to £45 million, supported by the introduction of Euro IV equivalent emissions standards for buses and trucks in China from July 2013. Although this legislation has been enacted, we anticipate that it will take at least five to six years before full fitment will be in place across the country. To date, the legislation has mainly been applied to systems for buses in large cities which represents approximately 10% of the potential market. As we have said before, although China is a large market in terms of vehicle numbers (China produces more trucks than both North America and the EU combined), the cost of a truck is markedly lower, engine sizes are smaller and the Euro IV legislation requires relatively simple non-platinum group metal catalyst technology. Consequently, the market in China is more competitive than those in North America and Europe with a number of global and local competitors able to meet the technology requirements.

Key Investments and Developments

During the year, ECT continued work to double capacity at its facility in Macedonia and to expand filter production in the UK. These provide the capacity needed to meet our customers' requirements for tighter European light and heavy duty diesel legislation. In addition, work is underway to increase our light duty testing capabilities in China and Japan to provide a more local service for our customers.

Process Technologies

	Year to 31st March 2014 £ million	2013 £ million	% change	% at constant rates
Revenue	**580**	**515**	**+13**	**+13**
Sales (excluding precious metals)	**565**	**509**	**+11**	**+12**
Underlying operating profit	**101.9**	**92.4**	**+10**	**+11**
Return on sales	**18.0%**	**18.2%**		
Return on invested capital (ROIC)	**15.3%**	**15.9%**		

Process Technologies' sales of its catalysts, technology licences and services were £565 million, 11% ahead of prior year and underlying operating profit grew by 10% to £101.9 million, supported by a good performance in its Oil and Gas businesses and the contribution of Formox which was acquired at the end of last year. Excluding Formox, the division's sales would have been 2% ahead. Return on sales fell slightly to 18.0% as a result of a reduced contribution from our higher margin licensing business. ROIC was also lower at 15.3%, impacted by the Formox acquisition.

Chemicals

The performance of Process Technologies' Chemicals businesses was mixed as lower revenues from technology licensing were more than offset by good growth in syngas catalysts and the contribution from Formox. Overall, sales were 13% ahead at £339 million, of which £82 million (2012/13 £100 million) was derived from licensing, engineering and related activities and eight new licences were secured in the year. Underlying operating profit grew at a lower rate as a result of the reduction in licensing income.

Process Technologies – Chemicals Businesses' Sales

	2014 £ million	2013 £ million	% change
Syngas	**166**	**111**	**+50**
Oleo/biochemicals	**66**	**63**	**+5**
Petrochemicals	**107**	**127**	**-16**
Total	**339**	**301**	**+13**

Sales of catalysts and licences in our Syngas business, which supplies products to manufacturers of methanol, ammonia, formaldehyde and substitute natural gas (SNG), increased by 50% to £166 million; excluding Formox, sales were up 8%. As predicted, demand for methanol catalysts increased due to the timing of customer refills and consequently our sales were 47% up at £56 million. Sales of ammonia catalysts were down 12% at £46 million following a strong year in 2012/13. Formox, which supplies catalysts and licenses technology for the manufacture of formaldehyde, had a good first year under Johnson Matthey's ownership. The business performed well, reporting £47 million of sales, and we have already identified a number of opportunities through further R&D to create value across the chemicals flowsheet for our customers. In the year we secured a further three new SNG licences, all in China, which brings our total SNG licences to nine. These new licences all require our catalysts and this will boost our sales over the coming years as the plants come on stream.

Our Oleo/biochemicals business grew its sales by 5% to £66 million. Demand for its nickel based catalysts, which are used by our customers in the manufacture of food and personal care products, was robust but our sales were held back by lower average nickel prices; nickel is a key component in a number of our catalysts and is a pass through cost. The business also benefited from four new licences for its biochemical based technologies.

Sales in our Petrochemicals business fell 16% to £107 million. Our catalyst volumes slightly increased although sales were down due to the lower average nickel price. As expected, our licensing income was lower this year after several years of strong growth supported by the expanding petrochemical industry in China. The number of new Chinese plants requiring our existing technology has reduced as capacity for petrochemicals, such as oxo alcohols and butanediol, is in line with current levels of demand.

During the year we continued to invest in developing new technologies to expand our existing portfolio in the longer term. As previously announced, new technology, developed in conjunction with Eastman Chemical Company, for the production of mono ethylene glycol (MEG) from coal became available for licence this year. Discussions with potential customers are underway as we seek our first commercial references.

We have also developed a catalyst that contains no mercury for the manufacture of vinyl chloride monomer (VCM) from acetylene and the intellectual property associated with this catalyst was co-owned by Johnson Matthey and Jacobs Engineering Group Inc. (Jacobs). In March 2014, we acquired full and sole ownership of the catalyst patents together with Jacob's process technology for building VCM plants.

The manufacture of VCM is an important step in the production of poly vinyl chloride (PVC) from coal and in China around 80% of PVC production uses the coal based route. Current technology employs a mercury based catalyst but legislation is in place to phase out mercury catalysts for VCM manufacture from 2017 providing there is an economically available alternative. Our VCM catalyst should allow customers to meet this new legislation.

Oil and Gas

Process Technologies' Oil and Gas businesses performed well across all sectors with sales up 9% at £226 million and operating profit was further ahead.

Process Technologies – Oil and Gas Businesses' Sales

	2014 £ million	2013 £ million	% change
Refineries	**124**	**118**	**+5**
Gas Processing	**34**	**30**	**+15**
Diagnostic Services	**68**	**60**	**+14**
Total	**226**	**208**	**+9**

Sales of catalysts and additives in our Refineries business grew by 5% to £124 million benefiting from a general increase in refining activity, particularly in North America. Catalyst sales for hydrogen manufacture were up 5% to £58 million. We also saw good demand for our speciality additives, which help to improve the efficiency and environmental performance of the refinery fluid catalytic cracking (FCC) process, and sales were ahead by 5% at £66 million.

In the Gas Processing business, demand for our purification products, which are used to remove harmful impurities such as sulphur and mercury from gas streams, made progress with sales up 15% to £34 million.

Sales in our Diagnostic Services business (Tracerco) also increased and were up 14% to £68 million. During the year, demand increased in North America for reservoir studies which are used by our customers to better understand and optimise their shale gas production processes. This represents a growing market for our Diagnostic Services business.

Key Investments and Developments

We completed projects to expand our manufacturing facilities in the UK and India in the first half of the year. We are also in the process of acquiring land in China and have commissioned design work with the intention of building a plant to manufacture SNG catalysts for the Chinese market. Construction of the new facility is expected to commence in 2014.

Work is underway at our petrochemical catalyst manufacturing plants in Germany to expand capacity to meet future demand and we have commenced construction of a technology centre in the UK to support the development of new diagnostic services. We have also recently completed the major expansion of our additives plant in the USA.

The further expansion of petrochemical manufacturing capacity and utilisation of coal as a feedstock in China continue to offer opportunities for growth in Process Technologies over the next few years through the provision of both catalysts and technology licensing, although exact timings and pace of development is difficult to predict. Longer term, the division is also well placed to benefit from an increase in the use of unconventional (shale) gas for chemical applications in North America.

Precious Metal Products

	Year to 31st March			% at
	2014 £ million	2013 £ million	% change	constant rates
Revenue	**8,421**	**8,373**	**+1**	**+1**
Sales (excluding precious metals)	**430**	**424**	**+1**	**+2**
Underlying operating profit	**130.9**	**124.4**	**+5**	**+5**
Return on sales	**30.5%**	**29.4%**		
Return on invested capital (ROIC)	**36.6%**	**44.3%**		

The performance of Precious Metal Products (PMP) was impacted by the change in our contracts with Anglo Platinum, lower average precious metal prices and continued weakness in some of its Manufacturing businesses' markets. Sales were in line with last year at £430 million as we transferred a small business into this division from ECT; excluding that, sales would have been 4% lower. Performance in the year was mixed as detailed below and, overall, underlying operating profit was 5% ahead of last year at £130.9 million. Return on sales improved from 29.4% to 30.5% whilst ROIC reduced by 7.7% to 36.6% due to higher year end metal inventories as a result of the South African supply disruption.

Services

Sales in the division's Services businesses, which comprise its Precious Metals Management and Refining activities and represent 38% of PMP's sales, fell by 12% to £162 million, principally because of the expiry of our previous contracts with Anglo Platinum on 31st December 2013 and the lower average precious metal prices. However, underlying operating profit was ahead of last year which was impacted by operational issues in our Gold and Silver Refining business.

Precious Metal Products – Services Businesses' Sales

	2014 £ million	2013 £ million	% change
Precious Metals Management	**51**	**58**	**-12**
Refining	**111**	**125**	**-12**
Total	**162**	**183**	**-12**

Precious Metals Management (PMM) – Sales in our PMM business fell by 12% to £51 million and operating profit was also down. Whilst the business benefited from higher production volumes at Anglo Platinum in the first nine months of the year, sales in the final quarter fell by £10 million following the expiry of our previous Anglo Platinum contracts. In the year platinum and palladium prices averaged $1,441/oz (down 8%) and $729/oz (up 11%) respectively.

With effect from 1st January 2014, we have agreed a new metal supply agreement with Anglo Platinum and a contract for us to provide them with market research services. However, the new metal supply agreement will attract no discounts and we will be paid a fixed fee for our market research. We have resized our team accordingly, mainly through internal moves within the group.

Refining – Sales in our Refining businesses were down 12% at £111 million but underlying operating profit was ahead.

In our Platinum Group Metal (Pgm) Refining and Recycling business sales decreased by 12% and operating profit was also down, partly as a result of lower average prices for the basket of pgms. Refining volumes were relatively steady throughout the year although our results were impacted by a less favourable intake mix. Intakes of end of life autocatalysts, which accounted for around 40% of pgm refining volumes, continued to grow and we signed a number of long term contracts with collector companies during the year. However, we have started to see increased competition in this sector which may impact prices and volumes in the future. The prolonged strikes at a number of South African platinum mines, which commenced in January 2014, have had a limited impact on our business. In recent weeks there have been some early signs of an increase in secondary volumes (recycling) although this is currently being matched by a corresponding reduction in our primary volumes from mines.

Our Gold and Silver Refining business had another challenging year with sales down 10%. However, the operational issues at our Salt Lake City refinery in the first half of last year did not recur and the business returned to profit in 2013/14. Intakes of primary material, where we have long term contracts with well established mines, increased slightly this year despite lower average metal prices. On the other hand, volumes of secondary material remained weak impacted by falling gold and silver prices and the continued recovery in the US economy. The average price of gold was down 20% at $1,325/oz in 2013/14, whilst silver was down over 30% year on year at $21/oz.

Manufacturing

Sales in our Manufacturing businesses, comprising the division's Noble Metals, Colour Technologies and Chemical Products activities, which represent 62% of PMP's sales, were up 11% to £268 million. Operating profit was broadly flat.

Precious Metal Products – Manufacturing Businesses' Sales

	2014 £ million	2013 £ million	% change
Noble Metals	**138**	**122**	**+14**
Colour Technologies	**86**	**82**	**+5**
Chemical Products	**44**	**37**	**+17**
Total	**268**	**241**	**+11**

Noble Metals – Our Noble Metals business supplies high technology products to the industrial, automotive and medical device sectors. In 2013/14, whilst sales increased by 14% to £138 million and operating profit was also ahead, performance within the business was mixed.

Sales of industrial products, which represent 69% of Noble Metals' sales, were 17% higher at £95 million. Demand for pgm alloy catalysts used in fertiliser manufacture remained poor. In Europe, our customers felt the effects of high natural gas prices which, together with increased competition in China, impacted their production volumes. As we expected, sales of our nitrous oxide (N_2O) abatement technology were also lower this year as, following the collapse of the carbon price, N_2O abatement in developing countries became uneconomic. Sales of other industrial products were slightly down. During the year we transferred a small business from ECT into Noble Metals. The business, which supplies high technology components into a range of industrial and medical applications, is more closely aligned with Noble Metals' markets. The business contributed sales of £24 million in the year.

Sales of medical components (31% of Noble Metals' sales) grew by 6% to £43 million supported by strong demand for components used in devices to treat heart rhythm disorders. These devices, which contain our high precision platinum alloy components, deliver an energy burst which heats and destroys small areas of heart tissue which cause the rhythm disorder. These treatments are being increasingly used as they provide a less invasive, lower cost alternative to those using permanent implantable devices.

Colour Technologies – Colour Technologies' sales grew by 5% to £86 million, benefiting from strong demand across all regions for obscuration enamels and silver paste used in automotive glass applications. In recent years, the business has focused on the manufacture of these high performance functional materials and they now represent around 70% of sales compared with 45% five years ago. Demand for colour products, which are used in the decorative ceramics industry, continued its long term decline. Consequently we have decided to exit this market and this has resulted in a charge to underlying operating profit of £8.2 million in 2013/14.

Chemical Products – Sales in our Chemical Products business were up 17% on last year at £44 million supported by increased demand for pgm chemicals used in the automotive and petrochemical sectors.

Key Investments and Developments

We have continued to invest in a number of R&D projects which are targeting an improvement in the efficiency of our pgm refining process. Early stage pilot tests are being trialled before any further investment is proposed.

During the year we have completed the expansion of silver refining capacity at our facility in Canada. This investment was originally made to support demand from an anticipated new primary refining contract in 2014/15. Unfortunately the development of the mine to which that contract related has been deferred for the time being and therefore our anticipated increase in refining volumes will now no longer be realised in the near term. However, the new equipment is allowing us to enhance the operational efficiency of our Gold and Silver Refining business.

Fine Chemicals

	Year to 31st March			
	2014 £ million	**2013 £ million**	**% change**	**% at constant rates**
Revenue	**371**	**345**	**+8**	**+8**
Sales (excluding precious metals)	**322**	**308**	**+5**	**+5**
Underlying operating profit	**84.1**	**76.6**	**+10**	**+10**
Return on sales	**26.1%**	**24.9%**		
Return on invested capital (ROIC)	**18.8%**	**17.5%**		

In 2013/14, Fine Chemicals performed steadily with sales 5% ahead of last year at £322 million and underlying operating profit 10% ahead at £84.1 million. The division's return on sales improved by 1.2% to 26.1% benefiting from increased sales in the higher margin API Manufacturing business, and consequently ROIC also increased by 1.3% to 18.8%.

Fine Chemicals – Sales by Business

	2014 £ million	2013 £ million	% change
API Manufacturing	**211**	**198**	**+6**
Catalysis and Chiral Technologies	**32**	**31**	**+4**
Research Chemicals	**79**	**79**	**+1**
Total	**322**	**308**	**+5**

API Manufacturing

The division's API Manufacturing business, which represents 65% of Fine Chemicals' sales, grew its sales by 6% to £211 million and underlying operating profit was further ahead.

Sales of our opiate based APIs grew, partly driven by the launch of a new generic product by one of our customers for the treatment of drug addiction. The business benefited from strong demand for APIs used for the treatment of attention deficit hyperactivity disorder. This included additional revenue following some supply shortages for one generic product that resulted in an increase in its prices. At this stage, it is unclear how long these higher prices will continue. The business also continued to benefit from oxymorphone patent revenue from Endo, the US based healthcare company.

The UK government has yet to confirm its future intentions on the importation of controlled substances. However, we have completed the restructuring at our UK API manufacturing operation, which represents around 40% of our API Manufacturing business, and the business is now better positioned to compete in today's more open market.

Catalysis and Chiral Technologies (CCT)

CCT's sales grew slightly this year at £32 million and operating profit grew well. During the year demand was good for CCT's range of heterogeneous and homogeneous catalyst products which are used by customers in the fine chemical and pharmaceutical industries.

Research Chemicals

In 2013/14 the sales of Research Chemicals, which operates globally under the Alfa Aesar brand name, were in line with last year at £79 million. The business saw some sales growth in its European and Asian markets. However, sales in North America were down due to increased competition.

The business continued to expand its range and during the year nearly 4,000 new products were added. Its new catalogue, launched in April 2013, now offers over 45,000 products.

Key Investments and Developments

During the year, we have continued to invest in the development of APIs to ensure a steady pipeline of new products. We are focusing on complex, typically smaller volume, APIs and are working with a number of customers to help them develop new generic drugs in anticipation of the expiry of existing branded drug patents.

We also completed construction of new warehouses for Research Chemicals in China and on the west coast USA, although both projects took slightly longer than expected to complete. These new warehouses provide us with better access to our customers and will enhance service levels in those regions.

New Businesses

	Year to 31st March	
	2014	**2013**
	£ million	**£ million**
Revenue	**79**	**39**
Sales (excluding precious metals)	**76**	**37**
Underlying operating profit / (loss)	**(18.3)**	**(16.0)**

New Businesses made progress in the year benefiting from growing sales in Battery Technologies. Overall, sales increased from £37 million to £76 million, boosted by a full year's contribution from Johnson Matthey Battery Systems (formerly Axeon). We have continued to invest in R&D to support the development of this and other long term new business areas, including water purification, air purification and advanced packaging. As a result, the underlying operating loss was £18.3 million.

Battery Technologies

Our Battery Technologies business comprises Johnson Matthey's R&D programmes in advanced battery materials and Johnson Matthey Battery Systems which specialises in the design, development and manufacture of integrated battery systems. The business made steady progress in its first full year with sales of £69 million (2012/13 sales of £31 million following acquisition in October 2012), primarily as a result of robust demand for battery systems for high performance power tools and e-bikes. We have also grown sales to customers in the automotive sector. In addition, we have continued to invest in battery materials R&D, expanding our current programmes and developing relationships with key partners in the supply chain. Battery Technologies broke even for the year, if acquisition costs are excluded.

Our focus is on the development of battery materials for highly demanding applications such as for the automotive sector. On 3rd June 2014 we agreed to purchase certain battery material manufacturing assets from A123 Systems LLC, a leading lithium-ion battery manufacturer that is part of the Wangxiang Group, for US $26 million. In this transaction, Johnson Matthey will purchase A123's cathode material manufacturing facility in China; the facility employs around 80 people who will transfer to Johnson Matthey. The deal also includes a long term agreement where Johnson Matthey will supply all of A123's lithium iron phosphate requirements.

The acquisition of the assets from A123 and the supply agreement will complement our battery systems expertise and battery materials research programmes. It will further support development of the next generation of high performance products to meet the challenging energy storage requirements of batteries for the automotive sector.

Fuel Cells

Sales in our Fuel Cells business increased slightly this year to £7 million.

Fuel cell technology for transport applications, especially cars, remains an important opportunity for Johnson Matthey. The phased emissions regulation in California, USA starting from 2017 provides a driver for car companies to bring small numbers of fuel cell powered vehicles to market. We have continued to invest in developing our membrane electrode assemblies (MEAs) and manufacturing technology in order to provide products with cost and performance characteristics in line with the needs of car manufacturers. Given the upcoming legislation in California we should, in the next year or so, get much greater clarity from the original equipment manufacturers (OEMs) on how they will meet the new legislative requirements.

A significant proportion of our sales in 2013/14 were of MEAs for stationary applications such as combined heat and power units. Since the year end our principal customer for these MEAs, who is based in the USA, has entered Chapter 11. Although it is too early to assess what will happen to that customer, we are considering what possible cost saving actions we may need to take in response to this development.

The net expense of our Fuel Cells business was broadly in line with last year at £10.8 million.

We invested just under £7 million on other new opportunities. Of these, the development of a new water purification business is the most advanced, albeit still at a very early stage.

Financial Review

Corporate Costs

Corporate costs increased in the year from £24.8 million to £33.3 million which represents just over 1.1% of sales. The principal reasons for this increase were higher performance related bonus and share-based payments and the need for additional resources to support the continuing growth in the business; corporate costs in 2012/13 were lower than in previous years as the group failed to meet its in-year performance targets. Going forward, as we continue to grow, we expect that corporate costs will average just over 1% of sales.

Operating Profit

The operating profit for the year increased by 17% to £448.2 million and underlying operating profit increased by 13% to £468.9 million. Included within underlying operating profit are pension settlement and curtailment gains of £10.8 million (as described in detail below) and the cost of closure of our decorative ceramic colour products business of £8.2 million. These items are allocated across the divisions as follows:

	Underlying operating profit £m	Pension gains £m	Closure costs £m	Underlying operating profit excl. these items £m
ECT	203.6	3.5	-	**200.1**
Process Technologies	101.9	1.0	-	**100.9**
PMP	130.9	3.5	(8.2)	**135.6**
Fine Chemicals	84.1	2.1	-	**82.0**
New Businesses	(18.3)	0.1	-	**(18.4)**
Corporate	(33.3)	0.6	-	**(33.9)**
Group	**468.9**	**10.8**	**(8.2)**	**466.3**

Operating profit includes gross expenditure on R&D of £152.3 million, an increase of 12% compared with 2012/13. In line with previous years, this represents just over 5% of group sales. R&D expenditure in ECT and Process Technologies accounted for just under 65% of total spend.

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 the group's principal overseas currencies, the average exchange rates during 2013/14 were:

	Share of 2013/14 non-sterling denominated underlying operating profit	Average exchange rate	
		2013/14	2012/13
US dollar	**45%**	**1.591**	**1.580**
Euro	**24%**	**1.186**	**1.228**
Chinese renminbi	**12%**	**9.73**	**9.93**

The average exchange rates during the year ended 31st March 2014 were only slightly different from those of the previous financial year, with sterling strengthening slightly against the US dollar but weakening against the euro and Chinese renminbi. Overall, the impact of exchange rates decreased reported group underlying operating profit for the year by £1.6 million. However, whilst the average exchange rates for the year were very similar to 2012/13, since the summer of 2013 sterling has appreciated against almost all currencies.

At 31st March 2014, the exchange rate of sterling against the US dollar, euro and Chinese renminbi was $1.667, €1.210 and ¥10.37 respectively and since then sterling has strengthened even further. If these current exchange rates are maintained throughout 2014/15, this will adversely impact reported underlying operating profit. Each one cent change in the average US dollar and euro exchange rates has approximately a £1.2 million and £0.8 million effect respectively on underlying operating profit in a full year; a ten fen change in the average rate of the Chinese renminbi has around a £0.5 million impact on underlying operating profit in a full year.

Whilst these currencies represent about 80% of the group's non-sterling denominated underlying operating profit, the group is also exposed to other foreign currencies. Some of those currencies have depreciated dramatically against sterling, for example the Argentinian peso which has depreciated by more than 50% in the last year.

If current exchange rates are used to re-translate the underlying operating profit for the group in 2013/14, the reported result would have been over £20 million lower.

Return on Sales

The group's return on sales was in line with last year at 15.7%.

Return on Invested Capital

The group's return on invested capital (ROIC) increased from 19.8% to 20.8%. This increase was driven in particular by a substantial improvement in ECT's ROIC, as described above.

Underlying operating profit for the group was £52.8 million higher than last year at £468.9 million, and average invested capital was £148 million higher at £2,254 million.

Going forward, the group's ROIC will be adversely impacted by approximately 1.5% as a result of the new Anglo Platinum contracts. Notwithstanding this, we remain committed to our 20% ROIC target. While seeking 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 our businesses across the world, both in capital expenditure and in research and development. We will also target appropriate acquisitions that accelerate the delivery of the group's strategy which, in the short term at least, may depress ROIC. At 20.8%, the group's ROIC is well ahead of our pre-tax cost of capital, which we estimate to be 10.4% (2012/13 10.5%).

Interest

The group's net finance costs increased substantially in the year, from £33.2 million last year, to £42.1 million in 2013/14. This increase was due to a number of factors, the most important being an increase in average gross debt as we took advantage of the low interest rate environment in June 2013 to refinance some of our long term debt facilities ahead of their expiry later on in the year. This added approximately £2.1 million to our interest charge for the year but will benefit the group in the longer term.

Approximately 88% of the group's net debt at 31st March 2014 has fixed interest rates averaging approximately 3.1%.

Profit Before Tax

The group's underlying profit before tax increased by 12% to £427.3 million (2012/13 £382.9 million). Profit before tax was 17% higher at £406.6 million (2012/13 £348.6 million). Excluded from underlying profit before tax in 2013/14 was the amortisation of acquired intangibles of £20.7 million.

Taxation

The group's total tax charge for the year was £67.9 million, a tax rate of 16.7% on profit before tax (2012/13 22.2%).

On underlying profit before tax of £427.3 million, the tax charge was £82.7 million, which represents an effective tax rate of 19.4%, down from 20.9% last year. This decrease was primarily due to the reduction in the headline rate of corporation tax in the UK and the commencement of the 'patent box' legislation in the UK, which reduces the tax charged on profit earned from qualifying patented technologies in the UK.

The group will benefit from the continued reduction in the headline UK corporation tax rate. That rate was 23% for the year ended 31st March 2014. We can never be entirely certain of the geographic mix of profit in any given year, but we anticipate that, like this year, the rate of tax on the group's underlying profit should average at least 3% lower than the headline rate for UK corporation tax.

The total tax charge for the year includes a deferred tax credit of £9.5 million which is due to the reduction in headline rates of UK corporation tax from 23% to 20% that was enacted in July 2013. The one-off credit has been excluded from underlying tax because of its size.

Earnings per Share

The combination of higher underlying profit before tax and a lower effective tax rate meant that underlying earnings per share increased by 16% to 170.6 pence. Earnings per share rose by 27% to 167.7 pence.

Pension

Actuarial – Funding Basis

UK Scheme

The latest actuarial valuation of the UK scheme, effective as at 1st April 2012, estimated that the scheme deficit was £214 million (1st April 2009 £173 million). The next actuarial valuation will take place with effect from 1st April 2015. Since 1st April 2012 a number of actions have been taken to reduce the deficit as described in last year's annual report. A curtailment gain of £1.3 million is included within underlying operating profit for the year in respect of the option given to UK employees to switch from the defined benefit pension scheme into the new UK pension scheme with effect from 1st April 2013.

During 2013/14, to reduce the volatility in the actuarial deficit, we have continued our liability driven approach to investing the scheme's assets, in particular a hedging programme was undertaken to reduce the scheme's exposure to adverse movements in interest rates and inflation.

In the year we made deficit funding cash contributions of £23.1 million.

US Scheme

The latest actuarial valuations of our two US pension schemes estimated that their deficits had decreased from £39 million at 30th June 2012 to £26 million at 30th June 2013. During the year, we took a number of actions to reduce the risk of any future increase in the schemes' deficit as follows:

- Deficit funding contributions of £3.8 million were made into the schemes.
- The schemes were closed to new entrants with effect from 1st October 2013, with new employees being offered a defined contribution pension benefit. At the same time, existing active members were asked to either make contributions to maintain their defined benefit pension benefit or were given the opportunity to switch to the new defined contribution pension plan for future service. Approximately 40% of active members opted to switch to the defined contribution scheme and this yielded a curtailment gain of £6.8 million which is included within underlying operating profit for the year.
- Deferred members were given an option to take a cash lump sum in lieu of their deferred pension benefit. Deferred members representing over 50% of the estimated deferred pension liability elected to take this cash benefit and this resulted in a settlement gain of £2.5 million which is also included within underlying operating profit for the year.
- The schemes increased the proportion of assets that better match the schemes' liabilities and this now stands at around 61%, up from 43% at 31st March 2013.

IFRS – Accounting Basis

The group's net liabilities associated with the pension and post-retirement medical benefit schemes are:

	31st March 2014 £ million	31st March 2013 £ million
UK pension scheme		
Scheme deficit	(78.6)	(115.6)
SPV assets	49.1	49.7
Net deficit[1]	(29.5)	(65.9)
US pension schemes	(14.1)	(55.4)
Other pension schemes[2]	(23.1)	(23.2)
	(66.7)	(144.5)
Post-retirement medical schemes	(47.0)	(47.6)
Total[1]	(113.7)	(192.1)

[1] After taking account of the assets held on behalf of the UK pension scheme by the SPV.

[2] Deficits of £26.4 million and surplus of £3.3 million.

The deficits in the group's principal UK and US defined benefit pension schemes decreased by £78.3 million partly due to deficit funding contributions of approximately £27 million made in the year. This decrease was principally caused by increases in the discount rates used to value the schemes' liabilities.

The cost of providing post-employment benefits decreased from £54.2 million in 2012/13 to £51.5 million in 2013/14, but excluding the curtailment and settlement gains increased to £62.3 million. This charge was included, in full, within underlying profit before tax.

Cash Flow

During the year ended 31st March 2014 net cash inflow from operating activities was £476.9 million (2012/13 £396.6 million). The group's total working capital was in line with last year but excluding the element that relates to precious metals, working capital decreased by £39.8 million, from 53 days last year to 45 days; another good performance. Working capital in respect of precious metals, however, grew by £41.2 million as a result of increased levels of metal inventories held at the year end as a result of the South African supply disruption and higher precious metal receivables.

The group's free cash flow was £231.4 million (2012/13 £136.5 million). Adjusting for the effect of movements in precious metal working capital balances, the group's free cash flow was £272.6 million compared with £220.5 million last year.

The group's cash flow conversion (adjusting for the effect of movements in precious metal working capital) was 82% (2012/13 85%), reflecting the continued capital investment across the group.

Capital Expenditure

Capital expenditure was £218.3 million (of which £213.5 million was cash spent in the year) which equated to 1.7 times depreciation. In the year, £72.1 million and £59.5 million were incurred by ECT and Process Technologies respectively. The principal investments were projects to:

- add further autocatalyst manufacturing capacity in Europe ahead of the new light duty and heavy duty legislation; and
- expand our additives plant in the USA to meet the growing demand for its products.

We anticipate that capital expenditure will be around £240 million per annum for the next few years. This will be in the range of 1.6 to 1.8 times depreciation. However, there are a number of potential opportunities for Process Technologies which, if realised, will require additional capital investment.

Depreciation, which was £127.4 million in 2013/14 (2012/13 £126.6 million), will rise as a consequence of this increased investment to around £140 million in 2014/15 and then further, to around £170 million, by 2016/17.

Capital Structure

In the year ended 31st March 2014 net debt decreased by £106.4 million to £729.2 million, although when the post tax pension deficits and bonds purchased to fund pensions of £54.0 million are included, net debt rises to £783.2 million.

During the year, the group's EBITDA (on an underlying basis) increased by 10% to £596.3 million (2012/13 £542.7 million). As a result, net debt (including post tax pension deficits) / EBITDA decreased from 1.7 last year to 1.3 times.

Management Changes

On 30th January 2014 we announced that Neil Carson will today formally step down as Chief Executive of Johnson Matthey but will remain on the board until his retirement at the end of September 2014. Robert MacLeod will succeed Neil as Chief Executive.

On 11th February 2014 we also announced that Den Jones will join the company today to replace Robert as Group Finance Director.

Outlook

Johnson Matthey performed well in 2013/14, particularly in ECT, and we remain well placed for long term growth.

In 2014/15 continued growth across the group will be offset by the adverse impact of the loss of commission revenue from Anglo Platinum, approximately £30 million compared with 2013/14, and by the effect of foreign currency translation which, if today's exchange rates prevail, could reduce reported underlying profit before tax by over £20 million. Consequently, we currently expect that the group's performance in 2014/15 will be broadly in line with 2013/14.

On a reported currency basis the outlook for the divisions is as follows:

Emission Control Technologies

ECT outperformed the underlying growth rate in many of its markets in 2013/14. The outlook for the division remains positive as it will benefit from the tighter truck legislation in the EU (Euro VI) and China (Euro IV), as well as a recovery in the European car market which appears more positive than in recent years. We therefore expect some further progress from ECT in 2014/15.

Process Technologies

Performance in our Oil and Gas businesses is expected to be robust, driven primarily by stronger demand from our North American refinery customers. The long term outlook of our Chemicals businesses is also good, but the short term is more dependent upon a small number of high value projects. Whilst we are confident that we are well placed to win our share of new projects, the exact timing of their go ahead is hard to predict. Notwithstanding that, we expect that the division will make progress in 2014/15, but given the size of individual orders, the quarter on quarter performance may be quite variable. The long term drivers for Process Technologies remain positive.

Precious Metal Products

The performance of Precious Metal Products will be adversely impacted by the expiry of our old Anglo Platinum contracts. Excluding this change, the outlook for the division is steady. Our Pgm Refining and Recycling business is currently benefiting from slightly higher precious metal prices and volumes are stable. The outlook for our Manufacturing businesses is mixed, with growth in our medical business expected to offset the weaker industrial markets.

Fine Chemicals

In Fine Chemicals, we expect steady growth in our API Manufacturing business, particularly in the US, some further progress in CCT and modest growth in Research Chemicals as its new warehouses become fully operational.

New Businesses

New Businesses made some progress in 2013/14 but it will take time before this is translated into an operating profit for the division as a whole. In 2014/15, sales will benefit from the acquisition of A123, but we expect that the level of investment in the division will be similar to 2013/14.

Looking Further Ahead

As Johnson Matthey approaches its third century of operation, we continue to apply our expertise in advanced materials and technology to innovate and improve solutions for customers in new and existing markets. We are committed to investing in R&D, our manufacturing capabilities and the development of our people to support the future growth of the group. The long term drivers remain in place and Johnson Matthey is well positioned to deliver growth for our shareholders through the creation of value adding sustainable technologies.

Consolidated Income Statement
for the year ended 31st March 2014

	Notes	2014 £ million	2013 restated £ million
Revenue	3	**11,155.2**	10,728.8
Cost of sales		**(10,356.1)**	(10,024.5)
Gross profit		**799.1**	704.3
Distribution costs		**(137.3)**	(125.1)
Administrative expenses		**(192.9)**	(163.1)
Major impairment and restructuring charges		**-**	(17.4)
Amortisation of acquired intangibles	5	**(20.7)**	(16.9)
Operating profit	3	**448.2**	381.8
Finance costs		**(50.4)**	(41.4)
Finance income		**8.3**	8.2
Share of profit of joint venture		**0.5**	-
Profit before tax		**406.6**	348.6
Income tax expense		**(67.9)**	(77.5)
Profit for the year		**338.7**	271.1
Attributable to:			
Owners of the parent company		**340.2**	271.8
Non-controlling interests		**(1.5)**	(0.7)
		338.7	271.1
		pence	pence
Earnings per ordinary share attributable to the equity holders of the parent company			
Basic	7	**167.7**	132.3
Diluted	7	**166.9**	131.2

Consolidated Statement of Total Comprehensive Income
for the year ended 31st March 2014

	2014 £ million	2013 restated £ million
Profit for the year	**338.7**	271.1
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit assets and liabilities	**43.5**	(91.9)
Tax on above items taken directly to or transferred from equity	**(19.3)**	20.9
	24.2	(71.0)
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(95.3)**	22.0
Cash flow hedges	**9.3**	(15.6)
Fair value gains / (losses) on net investment hedges	**9.7**	(4.3)
Fair value loss on available-for-sale investments	**(0.4)**	(0.3)
Tax on above items taken directly to or transferred from equity	**0.3**	3.4
	(76.4)	5.2
Other comprehensive (expense) / income for the year	**(52.2)**	(65.8)
Total comprehensive income for the year	**286.5**	205.3
Attributable to:		
Owners of the parent company	**288.3**	206.0
Non-controlling interests	**(1.8)**	(0.7)
	286.5	205.3

Consolidated Balance Sheet
as at 31st March 2014

	Notes	2014 £ million	2013 restated £ million
Assets			
Non-current assets			
Property, plant and equipment		**1,023.4**	992.5
Goodwill		**571.0**	584.6
Other intangible assets		**183.3**	212.8
Deferred income tax assets		**32.1**	20.3
Investments and other receivables		**70.7**	65.3
Interest rate swaps	8	**12.1**	27.1
Post-employment benefit net assets	11	**8.2**	10.9
Total non-current assets		**1,900.8**	1,913.5
Current assets			
Inventories		**672.5**	664.3
Current income tax assets		**27.4**	15.1
Trade and other receivables		**955.3**	870.2
Cash and cash equivalents – cash and deposits	8	**221.8**	69.6
Interest rate swaps	8	**4.0**	-
Other financial assets		**7.5**	5.7
Total current assets		**1,888.5**	1,624.9
Total assets		**3,789.3**	3,538.4
Liabilities			
Current liabilities			
Trade and other payables		**(830.0)**	(732.5)
Current income tax liabilities		**(124.4)**	(106.7)
Cash and cash equivalents – bank overdrafts	8	**(39.2)**	(48.2)
Other borrowings, finance leases and related swaps	8	**(175.9)**	(273.8)
Other financial liabilities		**(3.1)**	(11.3)
Provisions		**(17.4)**	(19.8)
Total current liabilities		**(1,190.0)**	(1,192.3)
Non-current liabilities			
Borrowings, finance leases and related swaps	8	**(752.0)**	(610.3)
Deferred income tax liabilities		**(89.3)**	(57.3)
Employee benefit obligations	11	**(173.5)**	(254.8)
Provisions		**(28.6)**	(29.2)
Other payables		**(2.7)**	(3.6)
Total non-current liabilities		**(1,046.1)**	(955.2)
Total liabilities		**(2,236.1)**	(2,147.5)
Net assets		**1,553.2**	1,390.9
Equity			
Share capital		**220.7**	220.7
Share premium account		**148.3**	148.3
Shares held in employee share ownership trust (ESOT)		**(52.7)**	(51.7)
Other reserves		**(27.9)**	48.2
Retained earnings		**1,271.1**	1,029.7
Total equity attributable to owners of the parent company		**1,559.5**	1,395.2
Non-controlling interests		**(6.3)**	(4.3)
Total equity		**1,553.2**	1,390.9

Consolidated Cash Flow Statement

for the year ended 31st March 2014

	Notes	**2014** £ million	2013 restated £ million
Cash flows from operating activities			
Profit before tax		**406.6**	348.6
Adjustments for:			
Share of profit of joint venture		**(0.5)**	-
Depreciation, amortisation, impairment losses and profit on sale of non-current assets and investments		**150.9**	149.6
Share-based payments		**10.5**	7.9
Increase in inventories		**(67.7)**	(11.0)
Increase in receivables		**(164.9)**	(2.3)
Increase / (decrease) in payables		**188.5**	(22.1)
Decrease in provisions		**(0.8)**	(16.2)
Contributions in excess of employee benefit obligations charge		**(38.7)**	(27.5)
Changes in fair value of financial instruments		**(0.5)**	(3.0)
Net finance costs		**42.1**	33.2
Income tax paid		**(48.6)**	(60.6)
Net cash inflow from operating activities		**476.9**	396.6
Cash flows from investing activities			
Purchases of non-current assets and investments		**(213.7)**	(233.4)
Proceeds from sale of non-current assets and investments		**3.5**	1.0
Purchases of businesses		**(8.0)**	(149.6)
Net cash outflow from investing activities		**(218.2)**	(382.0)
Cash flows from financing activities			
Net cost of ESOT transactions in own shares		**(19.3)**	(23.9)
Proceeds from borrowings and finance leases		**78.8**	280.2
Dividends paid to equity holders of the parent company	6	**(118.6)**	(328.4)
Settlement of currency swaps for net investment hedging		**(0.1)**	2.7
Interest paid		**(41.7)**	(35.2)
Interest received		**6.4**	7.5
Net cash outflow from financing activities		**(94.5)**	(97.1)
Increase / (decrease) in cash and cash equivalents in the year		**164.2**	(82.5)
Exchange differences on cash and cash equivalents		**(3.0)**	1.8
Cash and cash equivalents at beginning of year		**21.4**	102.1
Cash and cash equivalents at end of year	8	**182.6**	21.4

Reconciliation to net debt			
Increase / (decrease) in cash and cash equivalents in the year		**164.2**	(82.5)
Proceeds from borrowings and finance leases		**(78.8)**	(280.2)
Change in net debt resulting from cash flows		**85.4**	(362.7)
Borrowings acquired with subsidiaries		**-**	(0.5)
Exchange differences on net debt		**21.0**	(17.0)
Movement in net debt in year		**106.4**	(380.2)
Net debt at beginning of year		**(835.6)**	(455.4)
Net debt at end of year	8	**(729.2)**	(835.6)

Consolidated Statement of Changes in Equity

for the year ended 31st March 2014

	Share capital £ million	Share premium account £ million	Shares held in ESOT £ million	Other reserves restated £ million	Retained earnings restated £ million	Non-controlling interests restated £ million	Total equity restated £ million
At 1st April 2012 (restated)	220.7	148.3	(50.2)	43.0	1,171.0	(2.2)	1,530.6
Total comprehensive income	-	-	-	5.2	200.8	(0.7)	205.3
Dividends paid (note 6)	-	-	-	-	(328.4)	(0.2)	(328.6)
Purchase of non-controlling interest	-	-	-	-	-	(1.2)	(1.2)
Purchase of shares by ESOT	-	-	(28.6)	-	-	-	(28.6)
Share-based payments	-	-	-	-	14.3	-	14.3
Cost of shares transferred to employees	-	-	27.1	-	(28.1)	-	(1.0)
Tax on share-based payments	-	-	-	-	0.1	-	0.1
At 31st March 2013 (restated)	220.7	148.3	(51.7)	48.2	1,029.7	(4.3)	1,390.9
Total comprehensive income	-	-	-	(76.1)	364.4	(1.8)	286.5
Dividends paid (note 6)	-	-	-	-	(118.6)	(0.2)	(118.8)
Purchase of shares by ESOT	-	-	(22.3)	-	-	-	(22.3)
Share-based payments	-	-	-	-	17.1	-	17.1
Cost of shares transferred to employees	-	-	21.3	-	(25.1)	-	(3.8)
Tax on share-based payments	-	-	-	-	3.6	-	3.6
At 31st March 2014	**220.7**	**148.3**	**(52.7)**	**(27.9)**	**1,271.1**	**(6.3)**	**1,553.2**

Notes on the Preliminary Accounts

for the year ended 31st March 2014

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 2014 or 31st March 2013 within the meaning of section 435 of the Companies Act 2006, but is derived from those accounts. 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 2013, except as detailed below. Statutory accounts for 2013 have been delivered to the Registrar of Companies and those for 2014 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 2014 were approved by the Board of Directors on 4th June 2014.

As described in the Annual Report and Accounts for the year ended 31st March 2013, the group reorganised its divisional structure on 1st April 2013 to reflect its new management structure and internal reporting. The segmental information in note 3 reflects the new divisional structure.

From 1st April 2013 the group has adopted IFRS 10 – 'Consolidated Financial Statements', IFRS 11 – 'Joint Arrangements', IFRS 12 – 'Disclosure of Interests in Other Entities', the revised IAS 27 – 'Separate Financial Statements', the revised IAS 28 – 'Investments in Associates and Joint Ventures' and the revised IAS 19 – 'Employee Benefits' and has restated prior periods. The effect of the restatements is explained in note 2.

None of the other new standards or amendments to 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 and so no other restatements have been made.

2 Effect of restatements

The adoption of IFRS 10 – 'Consolidated Financial Statements', IFRS 11 – 'Joint Arrangements', IFRS 12 – 'Disclosure of Interests in Other Entities' and the revised IAS 27 – 'Separate Financial Statements' and IAS 28 – 'Investments in Associates and Joint Ventures' changes the definition of when the group controls another entity and, as a result, from 1st April 2013 one entity is accounted for as a joint venture rather than a subsidiary. The effect of the restatement at 31st March 2013 is to decrease net assets and increase non-controlling interests by £2.9 million. There is no restatement of the consolidated income statement.

The revision to IAS 19 – 'Employee Benefits', which the group has adopted from 1st April 2013, removes the 'corridor approach' for recognising actuarial gains and losses and eliminates options for presenting gains and losses, neither of which have any effect on the group. It also amends the disclosures and requires the replacement of the expected return on plan assets and interest cost on plan obligations with net interest on the net defined benefit liability based on the discount rate. In addition, past service costs are no longer spread over the vesting period but are immediately expensed. The group has decided to include net interest on the net defined benefit liabilities in finance costs and reimbursement rights for the US post-retirement medical benefits plan in post-employment benefits net assets. The effect of the restatement on the year ended 31st March 2013 was to increase operating profit by £1.3 million, increase finance costs by £7.6 million, decrease income tax expense by £1.6 million, decrease the remeasurement loss by £6.0 million and decrease the related tax credit by £1.5 million, decrease net employee benefit obligations by £2.1 million and increase deferred tax liabilities by £0.8 million. This decreases basic, diluted and underlying earnings per share by 2.3 pence.

Also, during the year the fair value calculations for the acquisition of Formox AB were finalised and the balance sheet at 31st March 2013 restated. The effect is to reduce goodwill and increase inventories by £0.5 million.

Notes on the Preliminary Accounts
for the year ended 31st March 2014

3 Segmental information by business segment

	Emission Control Technologies £ million	Process Technologies £ million	Precious Metal Products £ million	Fine Chemicals £ million	New Businesses £ million	Eliminations £ million	Total £ million
Year ended 31st March 2014							
Revenue from external customers	**2,898.9**	**573.7**	**7,243.2**	**362.8**	**76.6**	**-**	**11,155.2**
Inter-segment revenue	**96.8**	**6.4**	**1,178.1**	**8.5**	**2.3**	**(1,292.1)**	**-**
Total revenue	**2,995.7**	**580.1**	**8,421.3**	**371.3**	**78.9**	**(1,292.1)**	**11,155.2**
External sales excluding precious metals	**1,644.6**	**559.0**	**386.1**	**317.5**	**73.6**	**-**	**2,980.8**
Inter-segment sales	**0.2**	**6.2**	**43.6**	**4.9**	**2.0**	**(56.9)**	**-**
Sales excluding precious metals	**1,644.8**	**565.2**	**429.7**	**322.4**	**75.6**	**(56.9)**	**2,980.8**
Segmental underlying operating profit / (loss)	**203.6**	**101.9**	**130.9**	**84.1**	**(18.3)**	**-**	**502.2**
Unallocated corporate expenses							**(33.3)**
Underlying operating profit							**468.9**
Amortisation of acquired intangibles (note 5)							**(20.7)**
Operating profit							**448.2**
Net finance costs							**(42.1)**
Share of profit of joint venture							**0.5**
Profit before tax							**406.6**
Segmental net assets	**928.7**	**670.7**	**383.7**	**453.3**	**77.7**	**-**	**2,514.1**
Year ended 31st March 2013 (restated)							
Revenue from external customers	2,488.0	503.7	7,368.0	332.1	37.0	-	10,728.8
Inter-segment revenue	69.1	11.5	1,005.0	13.0	1.5	(1,100.1)	-
Total revenue	2,557.1	515.2	8,373.0	345.1	38.5	(1,100.1)	10,728.8
External sales excluding precious metals	1,460.5	497.2	381.9	300.4	35.7	-	2,675.7
Inter-segment sales	0.8	11.4	41.9	7.8	1.3	(63.2)	-
Sales excluding precious metals	1,461.3	508.6	423.8	308.2	37.0	(63.2)	2,675.7
Segmental underlying operating profit / (loss)	163.5	92.4	124.4	76.6	(16.0)	-	440.9
Unallocated corporate expenses							(24.8)
Underlying operating profit							416.1
Major impairment and restructuring charges							(17.4)
Amortisation of acquired intangibles (note 5)							(16.9)
Operating profit							381.8
Net finance costs							(33.2)
Profit before tax							348.6
Segmental net assets	1,010.3	657.0	330.7	440.7	78.2	-	2,516.9

4 Effect of exchange rate changes on translation of foreign subsidiaries' sales excluding precious metals and operating profit

Average exchange rates used for translation of results of foreign operations	**2014**	2013
US dollar / £	**1.591**	1.580
Euro / £	**1.186**	1.228
Chinese renminbi / £	**9.73**	9.93
South African rand / £	**16.12**	13.45

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 2014	Year ended 31st March 2013 At last year's rates restated	At this year's rates restated	Change at this year's rates
	£ million	£ million	£ million	%
Sales excluding precious metals				
Emission Control Technologies	**1,644.8**	1,461.3	1,443.0	+14
Process Technologies	**565.2**	508.6	506.9	+12
Precious Metal Products	**429.7**	423.8	419.9	+2
Fine Chemicals	**322.4**	308.2	307.5	+5
New Businesses	**75.6**	37.0	37.0	+104
Elimination of inter-segment sales	**(56.9)**	(63.2)	(63.1)	
Sales excluding precious metals	**2,980.8**	2,675.7	2,651.2	+12
Underlying operating profit				
Emission Control Technologies	**203.6**	163.5	163.4	+25
Process Technologies	**101.9**	92.4	91.8	+11
Precious Metal Products	**130.9**	124.4	124.1	+5
Fine Chemicals	**84.1**	76.6	76.4	+10
New Businesses	**(18.3)**	(16.0)	(16.0)	-14
Unallocated corporate expenses	**(33.3)**	(24.8)	(25.2)	
Underlying operating profit	**468.9**	416.1	414.5	+13

5 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.

6 Dividends

A final dividend of 45.5 pence per ordinary share has been proposed by the board which will be paid on 5th August 2014 to shareholders on the register at the close of business on 13th June 2014, subject to shareholders' approval. The estimated amount to be paid is £92.3 million and has not been recognised in these accounts.

	2014 £ million	2013 £ million
2011/12 final ordinary dividend paid - 40.0 pence per share	**-**	84.9
Special dividend paid - 100.0 pence per share	**-**	212.1
2012/13 interim ordinary dividend paid - 15.5 pence per share	**-**	31.4
2012/13 final ordinary dividend paid - 41.5 pence per share	**84.1**	-
2013/14 interim ordinary dividend paid - 17.0 pence per share	**34.5**	-
Total dividends	**118.6**	328.4

7 Earnings per ordinary share

The calculation of earnings per ordinary share is based on a weighted average of 202,831,354 shares in issue (2013 205,507,239 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 1,029,944 shares (2013 1,683,218 shares).

Underlying earnings per ordinary share are calculated as follows:

	2014 £ million	2013 restated £ million
Profit for the year attributable to equity holders of the parent company	**340.2**	271.8
Major impairment and restructuring charges	**-**	17.4
Amortisation of acquired intangibles (note 5)	**20.7**	16.9
Tax thereon	**(5.3)**	(2.6)
Tax effect of UK corporation tax rate change	**(9.5)**	-
Underlying profit for the year	**346.1**	303.5
	pence	pence
Basic underlying earnings per share	**170.6**	147.7

8 Net debt

	2014 £ million	2013 restated £ million
Cash and deposits	**221.8**	69.6
Bank overdrafts	**(39.2)**	(48.2)
Cash and cash equivalents	**182.6**	21.4
Other current borrowings and finance leases	**(175.9)**	(273.8)
Non-current borrowings, finance leases and related swaps	**(752.0)**	(610.3)
Interest rate swaps	**16.1**	27.1
Net debt	**(729.2)**	(835.6)

9 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 2014 precious metal leases were £55.7 million (2013 £96.8 million).

10 Transactions with related parties

There were no material changes in related party relationships in the year ended 31st March 2014 and no other related party transactions have taken place which have materially affected the financial position or performance of the group during the year.

11 Post-employment benefits

The group operates a number of post-employment benefit 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.

Movements in the net post-employment benefit assets and liabilities, including reimbursement rights, were:

	UK pension £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2013 (restated)	(115.6)	(10.1)	(55.4)	(37.5)	(23.2)	(241.8)
Current service cost - in operating profit	(28.8)	(0.1)	(11.0)	(1.1)	(2.3)	(43.3)
Current service cost - capitalised	(0.1)	-	-	-	-	(0.1)
Net interest	(5.4)	(0.4)	(2.3)	(1.5)	(0.8)	(10.4)
Past service cost	-	-	-	-	1.1	1.1
Curtailment gains	1.3	-	6.8	-	0.2	8.3
Settlement gains	-	-	2.5	-	-	2.5
Remeasurements	20.6	0.8	25.5	(1.4)	(2.0)	43.5
Company contributions	49.4	0.4	16.7	0.5	3.5	70.5
Exchange adjustments	-	-	3.1	3.4	0.4	6.9
At 31st March 2014	**(78.6)**	**(9.4)**	**(14.1)**	**(37.6)**	**(23.1)**	**(162.8)**

These are included in the balance sheet as:

	2014 Post-employment benefit net assets £ million	**2014 Employee benefit obligations £ million**	**2014 Total £ million**	2013 Post-employment benefit net assets restated £ million	2013 Employee benefit obligations restated £ million	2013 Total restated £ million
UK pension plan	**-**	**(78.6)**	**(78.6)**	-	(115.6)	(115.6)
UK post-retirement medical benefits plan	**-**	**(9.4)**	**(9.4)**	-	(10.1)	(10.1)
US pension plans	**0.1**	**(14.2)**	**(14.1)**	-	(55.4)	(55.4)
US post-retirement medical benefits plan	**4.8**	**(42.4)**	**(37.6)**	9.0	(46.5)	(37.5)
Other plans	**3.3**	**(26.4)**	**(23.1)**	1.9	(25.1)	(23.2)
Total post-employment plans	**8.2**	**(171.0)**	**(162.8)**	10.9	(252.7)	(241.8)
Other long term employee benefits		**(2.5)**			(2.1)	
Total long term employee benefit obligations		**(173.5)**			(254.8)	

FINANCIAL CALENDAR

2014

11th June
Ex dividend date

13th June
Final dividend record date

23rd July
123rd Annual General Meeting (AGM)

5th August
Payment of final dividend subject to declaration at the AGM

20th November
Announcement of results for the six months ending 30th September 2014

27th November
Ex dividend date

28th 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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