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Johnson Matthey

News Release

For Release at 7.00 am Thursday 7th June 2007

Preliminary Results for the year ended 31st March 2007

Strong performance and encouraging future prospects

Summary Results

	Year to 31st March 2007	2006	% change
Revenue	**£6,152m**	**£4,574m**	**+34**
Sales excluding precious metals	**£1,454m**	**£1,159m**	**+25**
Profit before tax	**£226.5m**	**£191.5m**	**+18**
Total earnings per share	**96.9p**	**70.8p**	**+37**
Before one-off items (including discontinued operations' results):			
Profit before tax	**£242.6m**	**£219.8m**	**+10**
Earnings per share	**81.2p**	**72.7p**	**+12**
Dividend per share	**33.6p**	**30.1p**	**+12**

- Sales excluding precious metals up 25% at £1,454 million
- Profit before tax and one-off items, including discontinued operations' results, up 10% to £242.6 million
- Ceramics Division sold for £143.9 million on 28th February 2007, giving a profit on sale of £33.3 million after tax
- Total earnings per share up 37% to 96.9 pence. Before one-off items (which comprise the profit on sale of Ceramics Division and impairment costs in 2005/06) earnings per share up 12% to 81.2 pence
- Dividend up 12% to 33.6 pence in line with earnings growth

Divisional Performance

Operating Profit for the continuing businesses (before one-off items)

£m	Year to 31st March 2007	2006	% change	2007 at 2006 exchange rates	% change
Catalysts	**148.8**	**134.2**	**+11**	**152.7**	**+14**
Precious Metal Products	**85.3**	**62.2**	**+37**	**87.1**	**+40**
Pharmaceutical Materials	**35.5**	**33.8**	**+5**	**36.2**	**+7**
Corporate	**(17.2)**	**(16.8)**		**(17.2)**	
Operating Profit	**252.4**	**213.4**	**+18**	**258.8**	**+21**

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- Operating profit for the continuing businesses, before one-off items, up 18% to £252.4 million, despite adverse exchange translation of £6.4 million
- Catalysts up 11%. Environmental Catalysts and Technologies' (ECT's) sales were well ahead of last year with good growth in autocatalyst sales in Asia, increased sales of catalysed soot filters (CSFs) in Europe and the emergence of the new market for heavy duty diesel (HDD) catalysts in both Europe and North America. Process Catalysts and Technologies (PCT) also achieved good growth with strong sales of methanol catalysts and a good contribution from Davy Process Technology
- Precious Metal Products up 37% benefiting from buoyant trading conditions for platinum group metals, particularly in the second half of the year, and good growth in its manufacturing businesses
- Pharmaceutical Materials up 5% with a recovery in its US operations

Business Prospects

- ECT should generate good growth in sales and profits in 2007/08 with a full year of HDD catalyst sales, continued growth in CSFs and further expansion in Asia. New plants in South Korea, Russia and the UK will commence supply during the year
- Prospects for PCT are also very encouraging, driven by the high oil price and the need to make more efficient use of hydrocarbon feedstocks. In 2007/08 we will be investing in additional capacity in Clitheroe, UK to manufacture the latest generation of synthesis gas catalysts
- Outlook for platinum group metals demand remains good. However, following the very strong performance in 2006/07 we expect Precious Metal Products Division to achieve more modest growth in 2007/08
- Pharmaceutical Materials is expected to perform well in 2007/08 with steady growth across the division
- Following the sale of Ceramics Division the group's gearing (debt / equity) has fallen to 34% at 31st March 2007. In 2007/08 we intend to continue to buy back shares and look for bolt-on acquisitions which will improve balance sheet efficiency

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

"*Johnson Matthey performed very well last year. Sales excluding precious metals increased by 25% and underlying earnings per share were up 12%. We continue to invest in R&D and in new plants around the world to meet the increasing demand for our high technology products. Prospects for all our businesses remain very encouraging, particularly in catalysts where global concerns about pollution and climate change will continue to drive current and future sales of our autocatalyst and process catalyst products.*"

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Report to Shareholders

Introduction

Johnson Matthey achieved very good results in 2006/07 with sales, profit before tax and earnings per share all well ahead of last year. Catalysts Division and Precious Metal Products Division both achieved double digit growth in sales and operating profit despite adverse exchange translation. Sales were boosted by the significant rise in the prices of platinum group metals. Demand for catalysts was also very strong with expanding sales of catalysed soot filters for light duty diesel vehicles, the emergence of a new market for heavy duty diesel catalysts to original equipment manufacturers and increased sales of process catalysts.

We sold our Ceramics Division on 28th February 2007 for £143.9 million giving a profit on sale of £33.3 million after tax. The sale of Ceramics Division completes the process, announced in November 2003, of disposing of parts of the former Colours & Coatings Division and focusing the group on its core activities. Under International Financial Reporting Standards (IFRS) the results of Ceramics Division are shown in discontinued operations on a post tax basis. Profit before tax in the income statement comprises the results for the continuing businesses only. The results for 2005/06 shown in the income statement have been restated accordingly.

Review of Results

Revenue increased by 34% to £6,152 million. Precious metal prices grew strongly over the year which boosted sales in both Catalysts Division and Precious Metal Products Division. Sales excluding the value of precious metals rose by 25% reflecting good underlying volume growth and increased non precious metal material costs, some of which are a pass through for Johnson Matthey.

Operating profit before one-off items increased by 18% to £252.4 million, despite adverse exchange translation of £6.4 million. There were no one-off items in operating profit in 2006/07 whereas in 2005/06 a £6.0 million impairment charge was included. After one-off items growth in operating profit was 22%.

The group's interest charge rose by £11.1 million as a result of higher average borrowings and higher interest rates. Profit before tax and one-off items for the continuing businesses rose by 15% to £226.5 million. After one-off items the rise was 18%. If the operating results for discontinued operations are included in the total, profit before tax was £242.6 million which was 10% up on last year's reported profit before tax and one-off items of £219.8 million.

Total earnings per share, including the profit on disposal of Ceramics, rose by 37% to 96.9 pence. Earnings per share before one-off items (profit on sale of Ceramics Division and last year's impairment charge) were 12% up at 81.2 pence.

Dividend

The board is recommending to shareholders a final dividend of 23.7 pence, making a total dividend for the year of 33.6 pence, an increase of 12%, which is in line with the growth in earnings per share before one-off items.

Operations

Catalysts Division's sales rose by 48% to £2,193 million, partly as a result of significantly higher prices for platinum, palladium and rhodium. Excluding the value of precious metals, sales rose by 32% to £1,036 million. This increase was driven by good volume growth and the impact of higher material costs, such as the costs of substrates for catalysed soot filters, which are a pass through for Johnson Matthey.

The division's operating profit increased by 11% to £148.8 million, with both Environmental Catalysts and Technologies and Process Catalysts and Technologies performing well. The results were adversely affected by exchange translation. At last year's rates sales excluding precious metals would have increased by 35% and operating profit would be 14% up.

Environmental Catalysts and Technologies (ECT) was well ahead of last year with good growth in Europe, particularly for diesel oxidation catalysts and catalysed soot filters (CSFs), increasing autocatalyst sales in Asia and a welcome upturn in our North American business with the introduction of products to meet new heavy duty diesel (HDD) legislation.

In Johnson Matthey's financial year to 31st March 2007 global light duty vehicle sales increased by 2.8% to 66.3 million. Car production rose by 3.1% with a small overall increase in inventories. Most of the growth in production again came in Asia, which was 9.5% up on last year. Within Asia, sales grew 21% in China and 23% in India. Total European sales were 3.4% up, with all the growth coming in Eastern Europe (16%). Sales in Russia, where Johnson Matthey is constructing a new plant, increased 30% during the year. In North America light vehicle sales were 2.0% down and domestic production fell by 6.3% as imports gained market share.

Estimated Light Vehicle Sales and Production

		Year to 31st March 2007 millions	2006 millions	change %
North America	**Sales**	**19.3**	**19.7**	**-2.0%**
	Production	**14.9**	**15.9**	**-6.3%**
Total Europe	**Sales**	**21.3**	**20.6**	**+3.4%**
	Production	**21.1**	**20.7**	**+1.9%**
Asia	**Sales**	**16.4**	**15.2**	**+7.9%**
	Production	**25.4**	**23.2**	**+9.5%**
Global	**Sales**	**66.3**	**64.5**	**+2.8%**
	Production	**66.9**	**64.9**	**+3.1%**

Source: Global Insight

We continue to see increasing demand from many of the leading car companies in Europe for CSFs to remove particulates from diesel exhaust emissions. Although legislation requiring such emission control devices does not come into full force in Europe until 2010, most car manufacturers are starting to fit these devices much earlier due to public awareness of the environmental and health benefits that they provide. In 2006/07 we completed work on a new factory in Royston, UK to manufacture CSFs and during 2007/08 we will complete an additional facility which will double our capacity. In addition, we have added CSF capacity at our South African facility, which also supplies the European market.

During the year we commenced construction of a new autocatalyst manufacturing facility in the Russian Federation. This plant will produce catalysts to meet demand from both local and global car manufacturers following the introduction of emissions legislation requiring autocatalyst fitment in Russia in the spring of 2006.

Our business in Asia continues to perform very well. Over the next decade we expect that most of the growth in world car production will take place in the Asian region. In 2006/07 we have achieved strong volume growth in China and Japan and our operations in India and Malaysia also continued to perform well. During the year we again expanded our autocatalyst manufacturing facility in Japan in order to serve growing demand for our products from Japanese car companies. Further expansion is planned for the coming year.

Our new plant in South Korea (our fifth in the Asian region) is nearing completion and will begin production during 2007/08. This new plant will manufacture catalysts for both diesel and petrol powered vehicles and will carry out research and development activities to support the rapidly growing Korean motor industry.

The market for HDD catalysts for new vehicles grew rapidly in the second half of the year. New emission control standards for HDD vehicles came into force in October 2006 for all new vehicles sold in Europe. In the United States similar legislation came into force at the beginning of January 2007. Johnson Matthey has a leading market share of both these new markets. A major expansion programme was completed in the year at our facility near Philadelphia, USA to provide capacity to meet demand for catalysts for both heavy duty diesel vehicles and diesel powered pick ups, which are also affected by this legislation.

Johnson Matthey's sales, excluding precious metals, of HDD catalysts to original equipment manufacturers (OEMs) increased to £46 million in the second half of 2006/07 from £7 million in the first half. Sales in the US, as expected, started slowly as truck sales were impacted by pre-buying of trucks ahead of the legislation. In 2007/08 we expect to see further rapid growth in our sales of HDD catalysts as the legislation in Europe and the US will apply for the whole of the year and as US truck sales return to more normal levels over the course of the year.

Our HDD business in Asia continues to make good progress, gaining share of the OEM market in Japan and achieving good sales into the large retrofit programme underway in Seoul, South Korea. Both China and India are major manufacturers of trucks and similar emission control legislation to Europe and the US is expected to be introduced in those two countries by 2010.

On road HDD emissions legislation will undoubtedly continue to tighten beyond 2010. In addition there is also legislation in place in the European Union and the United States that will take effect from 2011 requiring off road or 'non road' vehicles such as construction, mining and agricultural equipment to meet the same tight emissions standards. Although average engine sizes are smaller than those for on road HDD vehicles, this is a significant additional new opportunity for Johnson Matthey and will have similar technology requirements.

Process Catalysts and Technologies (PCT) also achieved good growth in sales and profits in 2006/07. The Ammonia, Methanol, Oil and Gas (AMOG) business was well ahead of last year with continued strong demand for catalysts and purification materials for industries where hydrogen or synthesis gas are key intermediates. Demand from methanol producers was particularly good in 2006/07.

Davy Process Technology (DPT), which we acquired in February 2006, had an excellent year concluding several major contracts. The acquisition of DPT has provided Johnson Matthey with additional opportunities to grow sales of catalysts into new technology developments. DPT develops and licenses chemical process technologies and is benefiting from growth in China as well as high energy prices which have increased demand for new chemical processes. Tracerco, PCT's oil services business, also achieved good growth in the year. In April 2006, Tracerco acquired the process diagnostics business of Quest TruTec which has expanded Tracerco's market coverage, particularly in the USA.

PCT's fine chemicals and related catalysts businesses performed well in the year. Demand for precious metal chemicals was strong and sales of homogeneous and Sponge Nickel™ catalysts showed good growth. Research Chemicals benefited from a good contribution from its new joint venture in China and sales in Europe were strong stimulated by the launch of the new catalogue.

Our **Fuel Cells** business achieved strong growth in sales, from a small base, with significantly increased orders for membrane electrode assemblies for direct methanol fuel cells (DMFCs). Most of these sales were for portable fuel cells which are sold to European consumers. Other sectors where fuel cells have applications, such as automotive and local power generation, have benefited from growing interest in low carbon and low emission technologies. The annual cost of our Fuel Cells business fell by £0.8 million to £7.3 million.

Precious Metal Products Division's sales increased by 29% to £3,824 million, boosted by higher prices for platinum group metals (pgms). In sterling terms the average price of platinum rose by 18%. Prices of the minor metals (rhodium, iridium and ruthenium) increased dramatically. Operating profit (before last year's impairment costs) rose by 37% to £85.3 million. At last year's exchange rates operating profit would have been 40% higher. Both the marketing and distribution business and the manufacturing businesses achieved strong growth in the year.

The price of platinum was extremely volatile in 2006/07. With the physical market tightly balanced, speculative interest and the volatility in other commodities such as oil had a significant impact on the price. Platinum peaked at a new all time high of $1,390/oz in November and was subject to a broadly upward trend throughout the year. The average price for the year was $1,185/oz, a 26% increase on 2005/06 (18% in sterling terms).

Total consumption of platinum increased once more in 2006/07, a pattern unbroken since 1992. Demand for platinum in autocatalysts increased by 11% with much of the growth generated in Europe, where diesel vehicles accounted for more than 50% of light duty vehicle registrations. The fitting of catalysed soot filters to diesel vehicles and the emissions control equipment fitted to heavy duty diesel vehicles made a substantial contribution to platinum demand. However, demand from jewellery manufacturers fell again as the rising price of platinum encouraged de-stocking and recycling of old jewellery.

Supplies of platinum increased in 2006/07, with new mines coming on stream and the largest producer Anglo Platinum having a good year after unexpected problems in 2005. Overall, the platinum market was close to balance in 2006/07, which, following several years of deficits, ensured the price remained firm.

The palladium price reached its peak for 2006/07 in May, touching $398/oz. Supply and demand fundamentals continued to be largely incidental as hedge funds and institutional investors extended already substantial long positions in the market. With their significant and consistent support, the average price for the year was $336/oz, an increase of 47% on 2005/06.

The price of rhodium rose sharply in 2006/07, touching a peak of $6,275/oz in May. The average price doubled for a second successive year to reach $5,166/oz. Strong demand from the automotive and glass fabrication industries coupled with speculative interest left little metal to be offered in the spot market, in spite of modestly increased supply. This sustained pressure on a market which was already tight and illiquid inevitably caused the price to rise sharply.

The past year has been notable for the dramatic increase in the price of ruthenium, which rose from $160/oz to reach $870/oz before easing to $700/oz by the end of our financial year. The price increase was attributable to a surge in demand from the electronics industry for the coating of a new generation of hard disk memory storage.

Profits from the division's marketing and distribution operations were substantially higher than in 2005/06, benefiting from good growth in demand and higher pgm prices. The results in the second half of the year also benefited from some trading profits on the minor metals. Although we do not expect these trading profits to be repeated at the same level in 2007/08, market conditions remain favourable and we would expect the business to achieve further growth in profits in the current year if market conditions remain the same.

The division's metal fabrication businesses achieved good growth in 2006/07. The market for catalysts used in the abatement of nitrous oxide, a powerful greenhouse gas produced as a by product in the manufacture of nitric acid, is starting to develop. We have excellent products in this area and the contracts currently being finalised will generate a new revenue stream in the coming years. Our medical products business located at three sites in California had another good year with strong growth in nitinol products and components for the cardiovascular sector.

Pgm Refining maintained its good progress, benefiting from higher pgm prices which stimulated the flow of secondary materials for refining, especially autocatalyst scrap. Colour Technologies achieved further good growth in operating profit, with our products for automotive glass proving very successful. In this sector we continue to invest heavily in product development to meet the increasingly stringent requirements of our customers for improved enamels and conductive inks.

The division's gold and silver business also enjoyed a good year, boosted by very strong metal prices which stimulated good flows of secondary materials. Our North American operations at Salt Lake City and Toronto were successful in growing operating profit whilst reducing the amount of metal tied up in processes.

Pharmaceutical Materials Division's sales rose by 1% to £135 million. Operating profit was up 5% at £35.5 million. The division's US businesses showed a good recovery in the year although their reported results were adversely affected by exchange translation as a result of the weaker US dollar. At last year's exchange rates the division's sales would have been 3% up and operating profit 7% higher than in 2005/06.

The recovery in the division's US operations reflected increased demand for both active pharmaceutical ingredients (APIs) and contract research. The business benefited from the purchase by Barr Pharmaceuticals, Inc. of ADDERALL®, an immediate release product used in the treatment of Attention Deficit Hyperactivity Disorder, from Shire plc. Johnson Matthey has an exclusive agreement to supply the API to Barr for this product as well as the API used in Barr's existing generic version. Sales of APIs for generic methylphenidate and several opiate products also showed good growth in the year.

A New Drug Application (NDA) was filed for Satraplatin, a potential new platinum anticancer drug which was discovered by Johnson Matthey, licensed to Spectrum Pharmaceuticals, Inc. and sub-licensed for development and commercialisation to GPC Biotech. If this drug is successful Johnson Matthey will receive both royalty and manufacturing income from the product.

Sales at Macfarlan Smith, based in Edinburgh, were down on last year. However, operating profit was slightly ahead. The fall in sales resulted from an overall reduction in selling prices for key bulk opiate products which was offset by lower prices for the raw materials used to manufacture these products. Sales of higher margin specialist opiates, particularly oxycodone and buprenorphine, showed good growth offsetting a decline in some non opiate fine chemical products.

The longer term outlook for our Pharmaceutical Materials business is encouraging. We expect to see further steady growth in sales of APIs for generic controlled drugs, particularly those used in the treatment of pain which is a growing market, and in platinum based anticancer drugs. There is also the opportunity for additional growth from the launch of new products, such as Satraplatin if it should be approved, and the agreed launch in April 2009 of Barr's generic version of ADDERALL XR®.

Finance

Exchange Rates

The main impact of exchange rate movements on the group's results comes from the translation of foreign subsidiaries' profits into sterling. A quarter of the group's profits are made in North America, mainly in the USA. The average rate for the US dollar was $1.896/£ compared with $1.785/£ for 2005/06. Each one cent change in the average rate for the dollar has approximately a £0.4 million effect on operating profit in a full year. The fall of over 11 cents in the dollar in 2006/07 reduced reported group operating profit by £4.6 million.

Most major south east Asian currencies were weaker, adding a further £1.5 million to adverse exchange translation. The South African rand also weakened substantially, from R11.4/£ to R13.4/£. However, the catalysts manufactured by our South African business are ultimately for export and the benefit of a weaker rand on margins more than offsets the translational effect. Overall, excluding the rand, exchange translation reduced group profits by £6.4 million compared with 2005/06.

Interest

The group's net finance costs rose by £11.1 million to £26.8 million. Average borrowings were significantly higher than last year as a result of the major investment in both capital expenditure and working capital to support the rapid growth in Catalysts Division, and the acquisition of Davy Process Technology in February 2006. However, with the sale of Ceramics Division at the end of February 2007, net debt fell significantly in March to end the year at £364.8 million. Interest rates also rose, particularly for floating rate US dollars, which on average were 1.3% up on 2005/06.

Taxation

The group's tax charge for the continuing businesses was £64.7 million, an increase of £10.0 million on last year reflecting the growth in profit before tax. The average tax rate for the continuing businesses was 28.6%. The £33.3 million profit on disposal of Ceramics Division was largely tax free as a result of the substantial shareholdings exemption for tax on UK disposals.

Tax paid was £81.4 million which was much higher than in 2005/06. Some of the difference related to timing with payments falling into the first quarter of 2006/07 rather than the final quarter of the previous year. In addition, in 2005/06 we reached agreement with HM Revenue & Customs in the UK on several years' tax assessments which resulted in a repayment of tax and benefited that year's first half cash flow.

Cash Flow

Johnson Matthey generated a net cash inflow of £13.8 million in 2006/07. Net debt disposed of with the sale of Ceramics Division amounted to £19.1 million. After taking into account the impact of exchange translation on foreign currency borrowings the group's net debt fell by £47.2 million to £364.8 million.

The proceeds of sale of Ceramics Division amounted to £146.0 million (cash received plus net debt disposed of on sale). The group spent £8.6 million on acquisitions in the year and a net £50.4 million on share buy-backs. Excluding these items the group had a free cash outflow of £54.3 million.

This outflow was the result of major investments in the year on capital expenditure and working capital to support the future growth of Catalysts Division, particularly ECT. In addition, working capital grew as a result of the rise in precious metal prices which affected both inventories and receivables. In total, the cash outflow on working capital was £114.4 million, although the ratio of working capital to revenue fell.

Capital expenditure for the year was £119.8 million which was 1.5 times depreciation. Most of the investment was focused on Catalysts Division where capex was 2.0 times depreciation, with the other divisions spending at levels close to or below depreciation.

The cash outflow on capital expenditure in the year was £121.5 million (net of asset sales) with a reduction in payments accrued.

Environmental Catalysts and Technologies spent £63.9 million in 2006/07 with major investments in new capacity. We have completed the new diesel products facility in North America and are building a new CSF manufacturing facility in Royston in the UK. Additional manufacturing capacity has been installed in our production facilities in Japan and South Africa and we are building new factories in Russia and South Korea which should be completed and commissioned in 2007/08. In Process Catalysts and Technologies we have added capacity in AMOG and in 2007/08 we will be investing in additional capacity in Clitheroe, UK to manufacture the latest generation of synthesis gas catalysts.

Pensions

The surplus on the group's UK pension schemes fell by £23.2 million to £45.5 million on an IFRS basis at 31st March 2007. During the year the trustees completed the triennial revaluation of the fund incorporating the latest statistics on life expectancy and demographic experience. The revaluation showed the fund was still in surplus as of 31st March 2006 but at a lower level than previously estimated. Market conditions improved somewhat in 2006/07 with a rise in the discount rate and a good return on equities although inflation assumptions have also risen. The cost of providing future pensions has gone up and both employee and employer contributions have been increased to help maintain a satisfactory funding position.

Worldwide, including provisions for the group's post-retirement healthcare schemes, the group had a net surplus of £0.9 million on employee benefit obligations at 31st March 2007 compared with £18.8 million at 31st March 2006.

Capital Structure

In 2006/07 we invested heavily in capital expenditure and working capital to support organic growth, particularly in ECT. We also purchased 3.6 million shares into treasury at a total cost of £52.6 million. Proceeds of £2.2 million were received from option exercises to give a net outflow on share transactions of £50.4 million. However, these outflows were more than offset by the proceeds from the sale of Ceramics Division of

£146.0 million. Net debt at 31st March 2007 was £364.8 million, a reduction of £47.2 million on 31st March 2006. Gearing (debt / equity) fell by 5.6% to 33.8%.

In 2007/08 we will continue to invest in organic growth, with capital expenditure budgeted to be 1.5 times depreciation and further additional investment in working capital. Despite this significant investment we expect to maintain or improve the group's return on assets which rose by 0.4% to 17.4% in 2006/07. We plan to continue to buy back shares in 2007/08 and we are looking at a number of possible bolt-on acquisitions. Together these investments will increase gearing and make more efficient use of the group's balance sheet.

Divisional Structure

From 1st April 2007 we have reorganised our divisional structure, creating a new Environmental Technologies Division which comprises ECT, the process technologies businesses within PCT and Fuel Cells. The remaining businesses within PCT, which serve the speciality chemicals and pharmaceutical markets, have been merged with Pharmaceutical Materials to form a new Fine Chemicals & Catalysts Division. Precious Metal Products Division is unchanged.

This new structure is designed to give greater focus on technologies concerned with protecting the environment such as pollution control, cleaner fuel, more efficient use of hydrocarbons and the hydrogen economy. Our new Environmental Technologies Division, which combines our core skills in catalysts and process technology, is well positioned to serve these emerging markets.

Johnson Matthey's Pharmaceutical Materials business is focused on the manufacture of fine chemicals, particularly APIs, sold to pharmaceutical companies which fits well with the group's other fine chemicals and catalysts businesses which sell into the same or similar markets. Our new Fine Chemicals & Catalysts Division, which combines the group's fine chemicals and related catalysts businesses, will enable us to take advantage of the marketing and technology synergies that exist between these businesses.

The segmental results for 2006/07, restated for the new divisions, are shown in note 2 on page 23.

Outlook

The outlook for the group for the next few years continues to be very encouraging. We expect to achieve further strong growth in sales excluding precious metals, particularly in Environmental Technologies Division. In 2007/08 growth in underlying earnings per share will be approximately 4 to 5% less than the growth in profit before tax for the continuing businesses, because of the dilutive effect of the sale of Ceramics. However, looking forward to 2008/09 and beyond, growth in profit before tax and earnings will be stronger as a result of the divestment.

In 2007/08 we should benefit from a full year of sales of HDD catalysts to meet new emission standards introduced in Europe in October 2006 and in North America in January 2007. Although industry experts are predicting a 25% fall in truck sales in North America in 2007, all new trucks sold will need to meet the emissions legislation, which will provide the opportunity for significant new business for Johnson Matthey. In addition, ECT should achieve significant growth in sales of CSFs for light duty diesel vehicles and grow its market share of autocatalysts in Asia. Overall, we expect ECT to achieve double digit growth in both sales and operating profit in 2007/08.

Our Process Technologies business is also experiencing strong demand, particularly for catalysts for synthesis gas and hydrogen production. Prospects for Process Technologies are encouraging, driven by the high oil price and the need to make more efficient use of hydrocarbon feedstocks.

Precious Metal Products Division enjoyed very strong growth in 2006/07, benefiting from buoyant trading conditions in platinum group metals and good growth in its manufacturing businesses. In the second half of the year the division benefited from some trading profits on the minor pgms which we do not expect to be repeated at the same level in 2007/08, but overall, if current market conditions continue, we would still expect the division to achieve further growth in 2007/08, particularly in the first half of the year.

Our new Fine Chemicals & Catalysts Division is expected to achieve steady growth in 2007/08, with a further recovery in the US Pharmaceutical Materials & Services business and continued growth in catalysts and research chemicals. Most of the division’s growth in 2007/08 is likely to come in the second half of the year.

Overall, the group should perform well in 2007/08. Prospects for all our businesses are good, particularly for Environmental Technologies where global concerns about pollution, climate change and making the most efficient use of energy resources will create significant opportunities for future growth.

Consolidated Income Statement
for the year ended 31st March 2007

	Notes	2007 £ million	2006 restated £ million
Revenue	1	**6,151.7**	4,573.7
Cost of materials sold		**(5,300.0)**	(3,842.3)
Net revenues		**851.7**	731.4
Other cost of sales		**(413.7)**	(358.7)
Gross profit		**438.0**	372.7
Distribution costs		**(81.8)**	(75.3)
Administrative expenses		**(103.8)**	(84.0)
Impairment costs		**-**	(6.0)
Operating profit	1,3	**252.4**	207.4
Finance costs		**(36.0)**	(31.5)
Finance income		**9.2**	15.8
Share of profit / (loss) of associates		**0.9**	(0.2)
Profit before tax		**226.5**	191.5
Income tax expense	4	**(64.7)**	(54.7)
Profit for the year from continuing operations		**161.8**	136.8
Profit for the year from discontinued operations	5	**43.7**	14.5
Profit for the year		**205.5**	151.3
Attributable to:			
Equity holders of the parent company		**206.5**	152.1
Minority interests		**(1.0)**	(0.8)
		205.5	151.3

		pence	pence
Earnings per ordinary share attributable to the equity holders of the parent company			
Continuing operations			
Basic	6	**76.5**	64.2
Diluted	6	**75.3**	63.9
Total			
Basic	6	**96.9**	70.8
Diluted	6	**95.4**	70.5

Consolidated Balance Sheet
as at 31st March 2007

	Notes	2007 £ million	2006 restated £ million
Assets			
Non-current assets			
Property, plant and equipment		**600.7**	661.1
Goodwill		**399.2**	403.1
Other intangible assets		**40.1**	41.3
Deferred income tax assets		**8.9**	4.4
Investments and other receivables		**10.0**	10.4
Post-employment benefits net assets		**49.2**	75.0
Total non-current assets		**1,108.1**	1,195.3
Current assets			
Inventories		**362.7**	345.8
Current income tax assets		**7.0**	3.6
Trade and other receivables		**527.3**	478.5
Cash and deposits	8	**73.2**	133.0
Investments and other financial assets		**3.4**	3.3
Other current assets		**7.1**	7.1
Non-current assets classified as held for sale		**0.4**	-
Total current assets		**981.1**	971.3
Total assets		**2,089.2**	2,166.6
Liabilities			
Current liabilities			
Trade and other payables		**(416.0)**	(385.9)
Current income tax liabilities		**(52.7)**	(66.0)
Borrowings and finance leases	8	**(27.5)**	(90.3)
Other financial liabilities		**(2.0)**	(4.2)
Provisions		**(7.7)**	(9.1)
Total current liabilities		**(505.9)**	(555.5)
Non-current liabilities			
Borrowings, finance leases and related swaps	8	**(410.5)**	(454.7)
Deferred income tax liabilities		**(36.5)**	(49.7)
Employee benefits obligations		**(48.3)**	(56.2)
Provisions		**(8.7)**	(5.2)
Trade and other payables		**(1.2)**	(0.8)
Total non-current liabilities		**(505.2)**	(566.6)
Total liabilities		**(1,011.1)**	(1,122.1)
Net assets		**1,078.1**	1,044.5
Equity			
Share capital		**220.5**	220.2
Share premium account		**146.3**	144.4
Shares held in employee share ownership trusts		**(61.9)**	(63.0)
Other reserves		**(12.9)**	28.5
Retained earnings		**783.7**	708.0
Total equity attributable to equity holders of the parent company		**1,075.7**	1,038.1
Minority interests		**2.4**	6.4
Total equity	10	**1,078.1**	1,044.5

Consolidated Cash Flow Statement

for the year ended 31st March 2007

	Notes	2007 £ million	2006 restated £ million
Cash flows from operating activities			
Profit before tax		**226.5**	191.5
Adjustments for:			
Share of (profit) / loss in associates		**(0.9)**	0.2
Discontinued operations		**15.9**	21.3
Depreciation, amortisation and profit on sale of non-current assets and investments		**77.7**	76.7
Share-based payments		**6.9**	3.2
Increase in inventories		**(82.5)**	(25.6)
Increase in receivables		**(136.5)**	(78.7)
Increase in payables		**104.6**	63.7
Increase / (decrease) in provisions		**5.9**	(18.1)
Employee benefits obligations charge less contributions		**(9.1)**	(9.3)
Changes in fair value of financial instruments		**5.2**	(12.4)
Net finance costs		**26.8**	15.7
Income tax paid		**(81.4)**	(15.9)
Net cash inflow from operating activities		**159.1**	212.3
Cash flows from investing activities			
Dividends received from associates		**0.5**	0.1
Purchases of non-current assets and investments		**(125.0)**	(120.3)
Proceeds from sale of non-current assets and investments		**3.5**	5.7
Purchases of businesses and minority interests		**(8.6)**	(24.3)
Net proceeds from sale of businesses and minority interests		**127.1**	-
Net cash outflow from investing activities		**(2.5)**	(138.8)
Cash flows from financing activities			
Net purchase of own shares		**(50.4)**	(25.9)
(Repayment of) / proceeds from borrowings and finance leases		**(71.8)**	82.3
Dividends paid to equity holders of the parent company	7	**(66.0)**	(60.4)
Dividends paid to minority shareholders		**-**	(0.2)
Interest paid		**(31.3)**	(30.6)
Interest received		**4.9**	16.6
Net cash outflow from financing activities		**(214.6)**	(18.2)
(Decrease) / increase in cash and cash equivalents in the year		**(58.0)**	55.3
Exchange differences on cash and cash equivalents		**(7.1)**	5.8
Cash and cash equivalents at beginning of year		**125.1**	64.0
Cash and cash equivalents at end of year	8	**60.0**	125.1

Reconciliation to net debt			
(Decrease) / increase in cash and cash equivalents in the year		**(58.0)**	55.3
Repayment of / (proceeds from) borrowings and finance leases		**71.8**	(82.3)
Change in net debt resulting from cash flows		**13.8**	(27.0)
Borrowings acquired with subsidiaries		**-**	(1.4)
Borrowings disposed of with subsidiaries		**19.1**	-
Exchange differences on net debt		**14.3**	(13.4)
Movement in net debt in year		**47.2**	(41.8)
Net debt at beginning of year		**(412.0)**	(370.2)
Net debt at end of year	8	**(364.8)**	(412.0)

Consolidated Statement of Recognised Income and Expense

for the year ended 31st March 2007

	Notes	2007 £ million	2006 £ million
Currency translation differences on foreign currency net investments and related loans		**(67.3)**	42.3
Currency translation differences - transferred to profit on sale of discontinued operations	5	**(3.8)**	-
Fair value gain on available-for-sale investments transferred to profit on sale		**-**	(0.8)
Cash flow hedges - gains / (losses) taken to equity		**3.1**	(3.6)
Cash flow hedges - transferred to income statement in the year		**1.2**	(2.6)
Fair value gains / (losses) on net investment hedges		**23.3**	(12.5)
Fair value gains on net investment hedges - transferred to profit on sale of discontinued operations	5	**(2.0)**	-
Actuarial (loss) / gain on post-employment benefits assets and liabilities		**(32.3)**	19.6
Tax on above items taken directly to or transferred from equity		**13.5**	(7.8)
Net (expense) / income recognised directly in equity		**(64.3)**	34.6
Profit for the year		**205.5**	151.3
Total recognised income and expense relating to the year		**141.2**	185.9
IFRS transition adjustment for financial instruments		**-**	2.7
		141.2	188.6
Total recognised income and expense attributable to:			
Equity holders of the parent company		**142.2**	186.7
Minority interests		**(1.0)**	(0.8)
		141.2	185.9
IFRS transition adjustment for financial instruments attributable to:			
Equity holders of the parent company		**-**	2.7

Notes on the Preliminary Accounts
for the year ended 31st March 2007

1 Segmental information by business segment

The group sold its Ceramics Division during the year (note 5) and so its results are reported as discontinued operations.

	Catalysts £ million	Precious Metal Products £ million	Pharmaceutical Materials £ million	Eliminations £ million	Total £ million
Year ended 31st March 2007					
Sales to external customers	**2,192.6**	**3,824.4**	**134.7**	**-**	**6,151.7**
Inter-segment sales	**21.9**	**1,162.6**	**0.3**	**(1,184.8)**	**-**
Total revenue	**2,214.5**	**4,987.0**	**135.0**	**(1,184.8)**	**6,151.7**
External sales excluding precious metals	**1,035.6**	**290.0**	**128.6**	**-**	**1,454.2**
Segment result	**148.8**	**85.3**	**35.5**	**-**	**269.6**
Unallocated corporate expenses					**(17.2)**
Operating profit					**252.4**
Net finance costs					**(26.8)**
Share of profit of associates		**0.9**			**0.9**
Profit before tax					**226.5**
Income tax expense					**(64.7)**
Profit for the year from continuing operations					**161.8**
Profit for the year from discontinued operations					**43.7**
Profit for the year					**205.5**
Segment assets	**1,308.1**	**298.4**	**324.2**	**(52.1)**	**1,878.6**
Investments in associates	**-**	**4.8**	**-**	**-**	**4.8**
Cash and deposits					**73.2**
Current and deferred income tax assets					**15.9**
Post-employment benefits net assets					**49.2**
Unallocated corporate assets					**67.5**
Total assets					**2,089.2**
Segment liabilities	**329.8**	**92.1**	**18.4**	**(52.1)**	**388.2**
Borrowings, finance leases and related swaps					**438.0**
Current and deferred income tax liabilities					**89.2**
Employee benefits obligations					**48.3**
Unallocated corporate liabilities					**47.4**
Total liabilities					**1,011.1**
Segment capital expenditure	**91.5**	**11.2**	**10.7**	**-**	**113.4**
Capital expenditure on discontinued operations					**4.5**
Corporate capital expenditure					**1.9**
Total capital expenditure					**119.8**
Segment depreciation and amortisation	**46.0**	**13.4**	**10.5**	**-**	**69.9**
Depreciation on discontinued operations					**5.5**
Corporate depreciation					**2.1**
Total depreciation and amortisation					**77.5**
Significant non-cash expenses other than depreciation	**1.5**	**1.3**	**-**	**-**	**2.8**

Notes on the Preliminary Accounts
for the year ended 31st March 2007

1 Segmental information by business segment (continued)

	Catalysts £ million	Precious Metal Products £ million	Pharmaceutical Materials £ million	Ceramics £ million	Eliminations £ million	Total £ million
Year ended 31st March 2006 (restated)						
Sales to external customers	1,477.4	2,962.4	133.9		-	4,573.7
Inter-segment sales	17.4	676.9	1.2		(695.5)	-
Total revenue	1,494.8	3,639.3	135.1		(695.5)	4,573.7
External sales excluding precious metals	786.4	245.4	127.2		-	1,159.0
Segment result before impairment costs	134.2	62.2	33.8		-	230.2
Impairment costs	-	(6.0)	-		-	(6.0)
Segment result	134.2	56.2	33.8		-	224.2
Unallocated corporate expenses						(16.8)
Operating profit						207.4
Net finance costs						(15.7)
Share of loss of associates		(0.2)				(0.2)
Profit before tax						191.5
Income tax expense						(54.7)
Profit for the year from continuing operations						136.8
Profit for the year from discontinued operations						14.5
Profit for the year						151.3
Segment assets	1,119.1	305.8	331.3	164.6	(26.7)	1,894.1
Investments in associates	-	4.3	-	-	-	4.3
Cash and deposits						133.0
Current and deferred income tax assets						8.0
Post-employment benefits net assets						75.0
Unallocated corporate assets						52.2
Total assets						2,166.6
Segment liabilities	207.0	117.1	24.1	38.0	(26.7)	359.5
Borrowings, finance leases and related swaps						545.0
Current and deferred income tax liabilities						115.7
Employee benefits obligations						56.2
Unallocated corporate liabilities						45.7
Total liabilities						1,122.1
Segment capital expenditure	89.2	13.7	9.9	6.5	-	119.3
Corporate capital expenditure						4.7
Total capital expenditure						124.0
Segment depreciation and amortisation	39.8	13.0	10.0	6.3	-	69.1
Corporate depreciation						1.7
Total depreciation and amortisation						70.8
Significant non-cash expenses other than depreciation	-	7.7	-	-	-	7.7

Notes on the Preliminary Accounts
for the year ended 31st March 2007

2 Segmental information by business segment restated for new divisions

On 1st April 2007 the group restructured its divisions (see page 14). The segmental results for the year ended 31st March 2007 restated for the new divisions were:

	Environmental Technologies £ million	Precious Metal Products £ million	Fine Chemicals & Catalysts £ million	Total £ million
Sales to external customers	1,864.3	3,824.4	463.0	6,151.7
External sales excluding precious metals	896.2	290.0	268.0	1,454.2
Segment result	120.1	85.3	64.2	269.6
Unallocated corporate expenses				(17.2)
Operating profit				252.4

3 Effect of exchange rate changes on translation of foreign subsidiaries' operating profits

Average exchange rates used for translation of results of foreign operations	**2007**	2006
US dollar / £	**1.90**	1.79
Euro / £	**1.48**	1.47
South African rand / £	**13.37**	11.42

The main impact of exchange rate movements on the group's operating profit comes from the translation of foreign subsidiaries' profits 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 2007		
	At this year's rates £ million	**At last year's rates £ million**	**Effect £ million**
Catalysts	**148.8**	**152.7**	**(3.9)**
Precious Metal Products	**85.3**	**87.1**	**(1.8)**
Pharmaceutical Materials	**35.5**	**36.2**	**(0.7)**
Unallocated corporate expenses	**(17.2)**	**(17.2)**	**-**
Operating profit	**252.4**	**258.8**	**(6.4)**

4 Income tax expense

	2007 £ million	2006 restated £ million
United Kingdom	**24.3**	27.0
Overseas	**40.4**	27.7
	64.7	54.7

The group's share of associated undertakings' taxation for the year ended 31st March 2007 was £ nil (2006 £ nil).

Notes on the Preliminary Accounts

for the year ended 31st March 2007

5 Profit for the year from discontinued operations

On 28th February 2007 the group sold its Ceramics Division to the Endeka Ceramics group established by Pamplona Capital Partners I, LP, a private equity investment fund.

Ceramics Division's net assets disposed of were:

	£ million
Property, plant and equipment	**56.6**
Goodwill	**0.4**
Inventories	**43.4**
Trade and other receivables	**61.2**
Cash and deposits	**20.1**
Bank overdrafts	**(5.7)**
Current other borrowings	**(6.5)**
Group loans	**(12.6)**
Current trade and other payables	**(37.0)**
Current income tax liabilities	**(2.0)**
Non-current trade and other payables	**(0.7)**
Employee benefits obligations	**(1.5)**
Deferred income tax liabilities	**(2.7)**
	113.0
Minority interests	**(2.7)**
	110.3

The profit on disposal of Ceramics Division was:

	£ million
Consideration - cash	**143.9**
Consideration - refund outstanding	**(0.6)**
Costs incurred - cash	**(2.6)**
Costs incurred - non-cash	**(0.4)**
Costs incurred - accrued	**(2.3)**
	138.0
Less assets disposed of	**(110.3)**
Pension curtailment gain	**0.9**
Cumulative exchange gains deferred in equity	**5.8**
Profit on disposal before tax	**34.4**
Tax	**(1.1)**
Profit on disposal	**33.3**

The results of the discontinued operations included in the consolidated income statement were:

	2007 £ million	2006 £ million
Ceramics Division		
Sales to external customers	**160.1**	182.2
Inter-segment sales	**3.4**	4.4
Expenses	**(147.6)**	(165.3)
Operating profit	**15.9**	21.3
Net finance costs	**0.4**	1.0
Profit before tax	**16.3**	22.3
Income tax expense	**(5.7)**	(7.8)
Profit on disposal	**33.3**	-
Profit for the year from Ceramics Division	**43.9**	14.5
Additional environmental warranty obligations retained on sale of Pigments & Dispersions	**(0.2)**	-
Profit for the year from discontinued operations	**43.7**	14.5

Notes on the Preliminary Accounts
for the year ended 31st March 2007

6 Earnings per ordinary share

The calculation of earnings per ordinary share is based on a weighted average of 213,219,273 shares in issue (2006 - 214,895,523 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 plan. These adjustments give rise to an increase in the weighted average number of shares in issue of 3,312,043 shares (2006 - 967,320 shares).

Earnings per ordinary share before one-off items are calculated as follows:

	2007 £ million	2006 £ million
Profit for the year attributable to equity holders of the parent company	**206.5**	152.1
Profit on disposal of discontinued operations	**(34.4)**	-
Impairment costs	**-**	6.0
Tax thereon	**1.1**	(1.8)
Profit for the year before one-off items	**173.2**	156.3
	pence	pence
Basic EPS before one-off items	**81.2**	72.7

7 Dividends

A final dividend of 23.7 pence per ordinary share has been proposed by the board which will be paid on 7th August 2007 to shareholders on the register at the close of business on 15th June 2007. The estimated amount to be paid is £50.0 million. In accordance with IFRS accounting requirements this dividend has not been recognised in these accounts.

	2007 £ million	2006 £ million
2004/05 final ordinary dividend paid - 19.0 pence per share	**-**	40.9
2005/06 interim ordinary dividend paid - 9.1 pence per share	**-**	19.5
2005/06 final ordinary dividend paid - 21.0 pence per share	**44.9**	-
2006/07 interim ordinary dividend paid - 9.9 pence per share	**21.1**	-
	66.0	60.4

8 Net debt

	2007 £ million	2006 £ million
Cash and deposits	**73.2**	133.0
Bank overdrafts	**(13.2)**	(7.9)
Cash and cash equivalents	**60.0**	125.1
Current other borrowings and finance leases	**(14.3)**	(82.4)
Non-current borrowings, finance leases and related swaps	**(410.5)**	(454.7)
Net debt	**(364.8)**	(412.0)

9 Share purchases

During the year the company purchased 3,600,000 shares at a cost of £52.6 million. These shares are being held as treasury shares.

Notes on the Preliminary Accounts
for the year ended 31st March 2007

10 Changes in equity

	2007 £ million	2006 £ million
Equity at end of prior year	**1,044.5**	929.9
IFRS transition adjustment for financial instruments	**-**	2.7
Equity at beginning of year	**1,044.5**	932.6
Total recognised income and expense relating to the year	**141.2**	185.9
Dividends paid to equity holders of the parent company	**(66.0)**	(60.4)
Dividends payable to minority interests	**(0.3)**	(0.3)
Minority interest arising on formation of subsidiary	**0.3**	-
Share capital reduction in minority interest	**(0.3)**	-
Disposal of minority interest	**(2.7)**	-
New share capital subscribed	**2.2**	5.3
Purchase of treasury shares	**(52.6)**	-
Purchase of shares for employee share ownership trusts	**-**	(25.3)
Share-based payments	**11.8**	7.6
Cost of shares transferred to employees	**(4.5)**	(4.4)
Tax on items taken directly to or transferred from equity	**4.5**	3.5
Equity at end of year	**1,078.1**	1,044.5

11 Precious metal operating leases

The group leases precious metals 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 2007 precious metal leases were £93.2 million (2006 £93.2 million).

12 Basis of preparation

The financial information contained in this release does not constitute the company's statutory accounts for the years ended 31st March 2007 or 31st March 2006 but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies and those for 2007 will be delivered following the company's Annual General Meeting. The auditors' reports on those accounts were unqualified and did not contain any statement under sections 237(2) and 237(3) of the Companies Act 1985. The accounts for the year ended 31st March 2007 were approved by the Board of Directors on 5th June 2007.

As described in note 5 the group sold its Ceramics Division during the year and so its results are reported as discontinued operations and the income statement, cash flow statement and related notes for the year ended 31st March 2006 have been restated accordingly.

Financial Calendar

13th June
Ex dividend date

15th June
Final ordinary dividend record date

24th July
116th Annual General Meeting (AGM)

7th August
Payment of final dividend subject to declaration at the AGM

28th November
Announcement of results for the six months ending 30th September 2007

5th December
Ex dividend date

7th December
Interim ordinary 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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