For Release at 7.02 am on Thursday 2nd June 2005

Restatement of Results for the year ended 31st March 2005 under International Financial Reporting Standards

Introduction

Johnson Matthey announced today its results for the year ended 31st March 2005 under current UK Generally Accepted Accounting Principles (UK GAAP). Following a European Union Regulation issued in 2002, the group will be reporting its results in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union from 1st April 2005 and so in its Annual Report and Accounts for the year ending 31st March 2006 all its financial information will be presented under IFRS. This announcement presents the group's results converted from UK GAAP to IFRS for the year ended 31st March 2005.

Overview of impact on results for the year ended 31st March 2005 (unaudited)

	UK GAAP	IFRS	% change
Profit before tax	£131.0m	£167.4m	+28
Earnings per share	40.6p	53.0p	+31
Net assets	£868.7m	£929.1m	+7

Reconciliations of profit before tax and net assets (unaudited)

	Notes	£ million
Profit before tax under UK GAAP for the year ended 31st March 2005		131.0
Discontinued operations	a	14.9
Goodwill amortisation	b	20.9
Goodwill amortisation on associates	b	0.1
Development capitalised in the year	c	5.4
Amortisation of capitalised development	c	(1.1)
Share options and long term incentive plan	d	(4.1)
Employee benefits	e	0.3
Profit before tax under IFRS		167.4
Net assets under UK GAAP as at 31st March 2005		868.7
Goodwill amortisation	b	20.9
Goodwill amortisation on associates	b	0.1
Net capitalised development	c	15.5
Bid value adjustment for post-employment schemes' assets	e	(2.0)
Additional accruals for other short term and long term employee benefits	e	(3.5)
Deferred tax adjustments	g	(11.5)
Dividends	h	40.9
Net assets under IFRS		929.1

IFRS Consolidated Income Statement (Unaudited)

for the year ended 31st March 2005

	Notes	UK GAAP £ million	IFRS adjustments: Discontinued operations £ million	Associates £ million	Other £ million	**IFRS £ million**
Revenue		4,638.5	(12.3)	-	-	**4,626.2**
Cost of materials sold		(3,878.5)	4.7	-	-	**(3,873.8)**
Net revenues		760.0	(7.6)	-	-	**752.4**
Other cost of sales	c, e	(389.0)	5.5	-	10.9	**(372.6)**
Gross profit		371.0	(2.1)	-	10.9	**379.8**
Distribution costs	e	(84.1)	1.0	-	1.6	**(81.5)**
Administrative expenses	d, e	(79.6)	0.7	-	(2.8)	**(81.7)**
Goodwill amortisation	b	(21.0)	0.1	-	20.9	**-**
Acquisition integration costs		(3.0)	-	-	-	**(3.0)**
Rationalisation costs		(20.5)	-	-	-	**(20.5)**
Loss on sale of discontinued operations	a	(15.2)	15.2	-	-	**-**
Loss on closure of UK gold and silver bullion refinery		(13.2)	-	-	-	**(13.2)**
Operating profit		134.4	14.9	-	30.6	**179.9**
Finance costs	f	(13.3)	-	0.3	-	**(13.0)**
Net return on retirement benefits assets and liabilities	e	9.2	-	-	(9.2)	**-**
Share of profit of associates	b, f	0.7	-	(0.3)	0.1	**0.5**
Profit before tax		131.0	14.9	-	21.5	**167.4**
Income tax expense	g	(44.0)	(2.7)	-	(0.3)	**(47.0)**
Profit for the year from continuing operations		87.0	12.2	-	21.2	**120.4**
Loss for the year from discontinued operations	a	-	(6.4)	-	-	**(6.4)**
Profit for the year		87.0	5.8	-	21.2	**114.0**
Attributable to:						
Equity holders of the parent company		88.2	5.8	-	21.0	**115.0**
Minority interest	c	(1.2)	-	-	0.2	**(1.0)**
		87.0	5.8	-	21.2	**114.0**

	pence
Earnings per ordinary share attributable to the equity holders of the parent company	
Continuing operations	
Basic	**55.9**
Diluted	**55.8**
Total	
Basic	**53.0**
Diluted	**52.9**

IFRS Consolidated Balance Sheet (Unaudited)

as at 31st March 2005

	Notes	UK GAAP £ million	IFRS adjustments £ million	**IFRS £ million**
Assets				
Non-current assets				
Property, plant and equipment	c	604.9	(11.9)	**593.0**
Goodwill	b	354.2	20.9	**375.1**
Other intangible assets	c	-	27.4	**27.4**
Investments in associates	b	4.7	0.1	**4.8**
Deferred income tax assets	g	0.8	2.4	**3.2**
Available-for-sale investments		1.9	-	**1.9**
Retirement benefit net assets	e	33.5	11.7	**45.2**
Total non-current assets		1,000.0	50.6	**1,050.6**
Current assets				
Inventories	i, j	416.5	(109.2)	**307.3**
Current income tax assets	g	-	2.2	**2.2**
Trade and other receivables		363.4	-	**363.4**
Available-for-sale investments		0.6	-	**0.6**
Other current assets	j	-	7.1	**7.1**
Cash and cash equivalents		78.7	-	**78.7**
Total current assets		859.2	(99.9)	**759.3**
Total assets		1,859.2	(49.3)	**1,809.9**
Liabilities				
Current liabilities				
Trade and other payables	h	(332.8)	38.5	**(294.3)**
Precious metal leases	i	(102.1)	102.1	**-**
Current income tax liabilities	g	(10.1)	(2.2)	**(12.3)**
Borrowings and finance leases		(36.8)	-	**(36.8)**
Short term provisions	j	-	(26.5)	**(26.5)**
Total current liabilities		(481.8)	111.9	**(369.9)**
Non-current liabilities				
Borrowings and finance leases		(411.5)	-	**(411.5)**
Deferred income tax liabilities	e, g	(29.7)	(16.9)	**(46.6)**
Employee benefits obligations	e, j	(34.6)	(13.6)	**(48.2)**
Long term provisions	j	(32.2)	28.3	**(3.9)**
Trade and other payables		(0.7)	-	**(0.7)**
Total non-current liabilities		(508.7)	(2.2)	**(510.9)**
Total liabilities		(990.5)	109.7	**(880.8)**
Net assets		868.7	60.4	**929.1**
Equity				
Share capital		219.5	-	**219.5**
Share premium		139.8	-	**139.8**
Shares held in employee share ownership trusts		(37.7)	-	**(37.7)**
Other reserves		6.3	-	**6.3**
Retained earnings		533.5	60.2	**593.7**
		861.4	60.2	**921.6**
Minority interest	c	7.3	0.2	**7.5**
Total equity		868.7	60.4	**929.1**

IFRS Segmental Information (Unaudited)

for the year ended 31st March 2005

By business segment

For the accounts for the year ending 31st March 2006 the group will be organised into four operating divisions - Catalysts, Precious Metal Products, Pharmaceutical Materials and Ceramics. Each division comprises a reportable segment under IFRS. These divisions are different to those currently reported in the group's UK GAAP accounts (note l).

	Catalysts £ million	Precious Metal Products £ million	Pharmaceutical Materials £ million	Ceramics £ million	Eliminations £ million	Total £ million
Sales to external customers	1,157.2	3,171.0	131.8	166.2	-	4,626.2
Inter-segment sales	34.8	496.2	0.2	9.5	(540.7)	-
Total revenue	1,192.0	3,667.2	132.0	175.7	(540.7)	4,626.2
External sales excluding the value of precious metals	672.1	224.8	124.6	166.2	-	1,187.7
Segment result before one-off items	122.5	52.0	39.8	18.8	-	233.1
Acquisition integration costs	(3.0)	-	-	-	-	(3.0)
Rationalisation costs	-	(16.8)	-	(3.7)	-	(20.5)
Loss on closure of UK gold and silver bullion refinery	-	(13.2)	-	-	-	(13.2)
Segment result	119.5	22.0	39.8	15.1	-	196.4
Unallocated corporate expenses						(16.5)
Operating profit						179.9
Finance costs						(13.0)
Share of profit of associates						0.5
Profit before tax						167.4
Income tax expense						(47.0)
Profit for the year from continuing operations						120.4
Loss for the year from discontinued operations						(6.4)
Profit for the year						114.0
Segment assets	907.2	237.1	326.5	155.7	(15.6)	1,610.9
Investments in associates	-	4.7	-	0.1	-	4.8
Unallocated corporate assets						194.2
Total assets						1,809.9
Segment liabilities	142.3	79.9	22.1	32.3	(15.6)	261.0
Unallocated corporate liabilities						619.8
Total liabilities						880.8
Segment capital expenditure	64.4	13.4	16.8	2.8	-	97.4
Capital expenditure on discontinued operations						1.1
Corporate capital expenditure						2.4
Total capital expenditure						100.9
Segment depreciation and amortisation	36.0	13.2	9.6	6.0	-	64.8
Depreciation on discontinued operations						0.8
Corporate depreciation						2.0
Total depreciation and amortisation						67.6
Significant non-cash expenses other than depreciation	0.7	7.8	-	-	-	8.5

By geographical segment

Pharmaceutical Materials is located in Europe and North America. All of the other operations of the group have a presence in each of the geographical segments.

	Europe £ million	North America £ million	Asia £ million	Rest of the World £ million	Eliminations £ million	Total £ million
External sales by geographical destination	2,032.6	995.8	1,228.7	369.1	-	4,626.2
Carrying value of segment assets by location	1,234.2	378.4	141.6	86.4	(30.7)	1,809.9
Capital expenditure by location of assets	58.4	27.0	8.6	6.9	-	100.9

Basis of preparation

The restatement has been prepared on the basis of all IFRS and Standard Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) interpretations currently issued by the International Accounting Standards Board (IASB) effective for 2005/06 reporting and adopted by the European Union. In addition, the IASB issued an amendment to IAS 19 - 'Employee Benefits' in December 2004 which permits the full recognition of actuarial gains or losses that occur in the year outside the income statement in a similar way to FRS 17 under UK GAAP. Johnson Matthey has decided to adopt this amendment in 2005/06 and so has prepared this restatement on this basis. The IASB is still issuing standards and interpretations which Johnson Matthey may decide to adopt in 2005/06 and so there may be further adjustments to the restatement of the results for the year ended 31st March 2005 which do not appear in this announcement.

Major differences between UK GAAP and IFRS

a) Under IFRS 5 - 'Non-current Assets Held for Sale and Discontinued Operations' the post tax profit of discontinued operations and the post tax loss on disposal of those operations are disclosed as a single amount towards the bottom of the income statement. Also, under IFRS 1 - 'First-time Adoption of International Financial Reporting Standards' goodwill recognised under previous GAAP as a deduction from equity is not transferred to the income statement on disposal of the subsidiary.

b) Under IFRS 3 - ' Business Combinations' amortisation of goodwill is no longer required but instead annual impairment reviews have to be performed. Johnson Matthey has elected to take advantage of the exemption allowed under IFRS 1 not to recalculate goodwill for all business combinations. Therefore the group has not adjusted its carrying amount of goodwill at 1st April 2004 (the group's date of transition) from that previously disclosed under UK GAAP. The only adjustment to goodwill on the balance sheet is to reverse all amortisation charged since 1st April 2004.

c) Under IAS 38 - 'Intangible Assets' the group has to capitalise all development expenditure which meet the recognition criteria laid down in the standard and then amortise the asset over its useful life once it is available for use. Under UK GAAP Johnson Matthey did not capitalise any development expenditure. Under IFRS, assets have been recognised in Catalysts Division for some development expenditure on heavy duty diesel catalysts and fuel cell components. The group believes that all other development expenditure is for incremental improvements to existing processes or for projects in an early stage of development and so no assets have been recognised.

   In addition, under IAS 38 any capitalised software that is not an integral part of the related hardware is reclassified from property, plant and equipment to intangible assets.

d) Under IFRS 2 - 'Share-based Payment' the group has to recognise a charge to income in respect of the fair value of outstanding share options granted to employees and shares allocated to employees under the long term incentive plan after 7th November 2002. The fair value has been calculated using an adjusted Black-Scholes options valuation model and is charged to income over the relevant vesting periods, adjusted to reflect actual and expected levels of vesting.

e) As Johnson Matthey has already adopted FRS 17, the recent UK GAAP standard for post retirement benefits, the only adjustments needed for post-employment benefits under IAS 19 - 'Employee Benefits' are to put the net return on retirement benefits assets and liabilities into operating profit, to change the market value of the pension schemes' assets from mid-market value to bid value on the balance sheet and to move the deferred tax balances on the net post-employment assets / obligations to deferred tax.

   The other adjustments under IAS 19 are to accrue for paid annual leave and other short and long term employee benefits.

f) Under IAS 28 - 'Investments in Associates' the group's share of the profit of its associates is shown on a post tax basis, unlike UK GAAP where the group's share of the operating profit of its associates is shown and the group's share of its associates' interest and tax are shown in finance costs and income tax expense respectively.

g) Under IAS 12 - 'Income Taxes' the group will be providing for deferred tax on capital gains rolled over, capital gains on intra group loans and capital losses which it did not provide for under UK GAAP. Other adjustments are to provide for deferred tax on the other IFRS accounting changes. Also, IAS 12 does not allow the offset of tax assets and liabilities and so the group has grossed up its current tax assets and liabilities and its deferred tax assets and liabilities.

h) Under IAS 10 - 'Events After the Balance Sheet Date' dividends declared after the balance sheet date are not recognised as a liability on the balance sheet and so the group's final dividend has not been provided for on the balance sheet.

i) Under IAS 17 - 'Leases' the group's precious metal leases are categorised as operating leases and so they, and the related inventory, are removed from the balance sheet and will be reported as a note on the accounts.

j) There are a number of other reclassifications on the balance sheet mainly to separate out current and non-current assets and liabilities in accordance with IAS 1 - 'Presentation of Financial Statements'.

k) Johnson Matthey has taken advantage of the exemption allowed under IFRS 1 not to restate comparative information in its accounts for the year ending 31st March 2006 to comply with IAS 32 - 'Financial Instruments: Disclosure and Presentation', IAS 39 - 'Financial Instruments: Recognition and Measurement' and IFRS 4 - 'Insurance Contracts'. From 1st April 2005 the group will use hedge accounting for interest rate and foreign currency instruments that meet the relevant hedging relationship criteria.

l) When Johnson Matthey presents its segmental results for the year ending 31st March 2006 Colour Technologies, which currently forms part of Colours & Coatings Division, will be transferred to Precious Metal Products Division. Ceramics, which comprises the remaining part of Colours & Coatings Division, will be shown as a separate segment. Platinum group metal refining, currently part of Catalysts Division, will also be transferred to Precious Metal Products Division. The segmental information under IFRS for the year ended 31st March 2005 included in this announcement on page 4 reflects the divisional structure that will appear in next year's accounts.

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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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