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Preliminary Results for the year ended 31st March 2004

Catalysts and Pharmaceutical Materials drive growth in profits

Summary Results

	Year to 31st March 2004	2003[1]	% change
Turnover	**£4,493 m**	**£4,324 m**	**+4**
Sales excluding precious metals	**£1,224 m**	**£1,159 m**	**+6**
Operating profit	**£188.3 m**	**£167.9 m**	**+12**
Profit before tax	**£178.0 m**	**£173.5 m**	**+3**
Earnings per share	**56.0 p**	**55.4 p**	**+1**
Before Exceptional Items and Goodwill Amortisation:			
Operating profit	**£206.0 m**	**£189.2 m**	**+9**
Profit before tax	**£195.7 m**	**£189.9 m**	**+3**
Earnings per share	**64.0 p**	**61.8 p**	**+4**
Dividend per share	**26.4 p**	**25.5 p**	**+4**

[1] Restated for FRS 17

- Operating profit before exceptional items and goodwill amortisation up 9% to £206.0 million, despite impact of weak US dollar
- Earnings per share before exceptional items and goodwill amortisation up 4% to 64.0 pence. Dividend for the full year increased by 4% to 26.4 pence in line with earnings growth
- Strong operating cash flow. Net borrowings reduced by £8.0 million despite acquisition of AMC for $43 million
- UK pension fund surplus increased to £43.3 million

Business Progress

- Catalysts' profits up 15% to £109.2 million
- Environmental Catalysts and Technologies (ECT) achieves good growth in Asia and increased contribution from heavy duty diesel products
- Process Catalysts and Technologies (PCT) well up benefiting from a good contribution from the former Synetix businesses
- AMC, the leading supplier of Sponge Nickel™ catalysts, acquired in March 2004
- Fuel Cells R&D to benefit from UK Government support
- Pharmaceutical Materials' profits up 15% to £42.3 million with strong growth in opiates and platinum pharmaceuticals
- Precious Metals' profits reduced by 8% to £44.2 million reflecting weak trading conditions and impact of renewed Anglo Platinum contracts. Trading conditions now improving
- Colours & Coatings' profits up 6% to £26.7 million with good growth in glass coating products

Commenting on the results, Chris Clark, Chief Executive of Johnson Matthey said:

"Johnson Matthey has continued to make good progress in 2003/04 with strong growth in both Catalysts and Pharmaceutical Materials. The outlook for both these divisions remains encouraging, with growth over the years ahead driven by investment in new technology.

We sense that our markets are generally improving. We are well positioned in the industries we supply and we remain confident that this, together with our focus on technology, will serve us well in the future."

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Report to Shareholders

Introduction

Johnson Matthey made good progress in 2003/04. Operating profit before exceptional items and goodwill amortisation was 9% up on prior year despite the fall in the value of the US dollar. Both Catalysts and Pharmaceutical Materials divisions achieved 15% profit growth. We continue to see excellent prospects for both these divisions and we have increased our investment in research and development to take full advantage of anticipated market growth over the next few years.

Review of Results

Total sales for the financial year ending 31st March 2004 rose by 4% to £4.5 billion. Sales excluding the value of precious metals rose by 6% to £1.2 billion.

Operating profit before exceptional items and goodwill amortisation increased by 9% to £206.0 million, despite the effects of adverse exchange translation. The group has adopted FRS 17, the new accounting standard for pensions, and last year's results have been restated accordingly.

Interest also rose, partly reflecting higher average borrowings following the acquisition of Synetix, but also as a consequence of the change to FRS 17 and the reduction in pension fund surplus at 31st March 2003. Profit before tax, exceptional items and goodwill amortisation rose by 3% to £195.7 million.

Earnings per share before exceptional items and goodwill amortisation increased by 4% to 64.0 pence.

Exceptional items gave rise to a net credit of £2.1 million before tax, compared with a £2.7 million charge last year. Goodwill amortisation increased by £6.1 million to £19.8 million reflecting the full year's ownership of Synetix which was acquired in

November 2002. After exceptional items and goodwill amortisation, profit before tax rose by 3% to £178.0 million. Earnings per share on the same basis increased by 1% to 56.0 pence.

Dividend

The board is recommending to shareholders a final dividend of 18.2 pence, making a total dividend for the year of 26.4 pence, an increase of 4%. The proposed dividend would be covered 2.4 times by earnings before exceptional items and goodwill amortisation.

Operations

Catalysts Division's sales rose by 5% to £1,143 million despite the fall in the average palladium price and the weaker US dollar. Sales excluding the value of precious metals rose by 10% to £720 million. The division's operating profit increased by 15% to £109.2 million benefiting from a full year's contribution from the former Synetix businesses.

Environmental Catalysts and Technologies (ECT), which encompasses Johnson Matthey's worldwide autocatalyst, heavy duty diesel (HDD) and stationary source emission control businesses, achieved strong profit growth in Asia and good growth in Europe, but profits declined in the US. Our autocatalyst business in Asia benefited from strong growth in the Chinese market where sales of light duty vehicles (cars and vans) rose by 37% in 2003. Car sales in Europe were flat but demand for diesel cars continues to grow and now represents 46% of all cars sold. Johnson Matthey has leading technology in diesel emission control and we increased our share of this growing market. In North America our domestic customers' share of the NAFTA market declined and inventories were trimmed by lowering production, reducing demand for autocatalysts.

Sales of heavy duty diesel products were ahead of prior year in all three regions with particularly strong sales in Japan in the first half of the year supported by an incentive programme from the Tokyo Metropolitan Government. Sales of HDD catalysts to original equipment manufacturers continued to grow in the USA and we increased our investment in joint development programmes with the major manufacturers worldwide, gaining several programmes that will enter commercial production from 2005/06.

Process Catalysts and Technologies (PCT), which sells catalysts to the chemicals, pharmaceutical, oil and gas and other markets, was well ahead benefiting from the contribution from the former Synetix businesses. The integration of those businesses into Johnson Matthey has progressed very well and results are in line with our expectations at the time of the acquisition. Sales and profits from process catalysts were well up on prior year, despite weakness in some parts of the market. Platinum group metal (pgm) refining was adversely affected by the weak palladium and rhodium prices and profits were down. Research Chemicals, our catalogue business, continued to achieve good growth.

Our **Fuel Cells** business made encouraging progress. Revenues showed significant growth on prior year, reducing the net expense for the year to £11.5 million (down 12%). Much of the growth this year has come from sales to the automotive sector as more prototype fuel cell powered vehicles have been developed for durability testing.

Precious Metals Division's sales grew by 3% to £2,956 million with a recovery in the second half of the year reflecting strong demand and higher prices for platinum. Operating profit for the year fell by 8% to £44.2 million, as a result of subdued trading conditions for palladium and rhodium for most of the year, and the impact of the renewed contracts with Anglo Platinum in the final quarter.

Demand for platinum remained strong and the average price of the metal for Johnson Matthey's financial year 2003/04 was $744 per ounce, an increase of 27% over 2002/03. Purchases for use in autocatalysts increased robustly in response to further growth in diesel car sales in Europe. In addition, North American car companies stepped up their purchases of platinum having largely depleted inventories of the metal the year before. However, platinum demand from the Chinese jewellery market dropped after almost a decade of rapid growth, as the rise in the platinum price reduced profit margins throughout the industry.

In contrast with platinum, the average price of palladium was $200 per ounce, 34% below the average in 2002/03, and trading conditions remained subdued for most of the year. Physical demand for palladium began to recover from the fall in the previous year, with purchases by the auto and electronics industries increasing significantly. The surplus between supply and demand, however, widened considerably as Russian sales of palladium recovered and South African production was expanded.

The division's platinum fabrication businesses achieved further growth with good demand for both medical components and industrial products. Operating profit for the gold refining businesses was down on last year with the stronger gold price having little immediate impact on mine output.

Colours & Coatings Division's sales were very similar to last year at £254 million. Operating profit rose by 6% to £26.7 million with an improvement in margins.

The glass coatings business achieved good growth in sales and profits benefiting from new product introductions and market share gains. The Structural Ceramics sector, which sells largely to the tile industry, experienced weaker demand for most of the year and profits were down, but demand picked up in the final quarter and the outlook is now much stronger. Profits for Speciality Coatings were well up on prior year, benefiting from the rationalisation programme undertaken in 2002/03.

Pharmaceutical Materials Division's sales rose by 9% to £140 million despite the impact of the weaker US dollar. The division's operating profit increased by 15% to £42.3 million.

The division's US business at West Deptford, NJ achieved strong growth in the year, benefiting from an expanded range of platinum based anticancer compounds. One new product has recently been launched and another is in phase three clinical trials. The new opiate extraction facility was completed in the year and is now operational. Macfarlan Smith also achieved excellent growth in profits benefiting from increasing sales of high margin specialist opiates. Additional capacity is being installed to meet future growth. Pharm-Eco experienced the industry-wide drop in demand for contract research in the first quarter of the year but was able to respond by gaining new business and its performance in the second half of the year was much stronger.

Exceptional Items and Goodwill Amortisation

Exceptional items included in operating profit gave rise to a net credit of £2.1 million.

The group benefited by £14.8 million from the settlement of litigation with Research Corporation and Research Corporation Technologies, Inc. relating to royalties earned under a licence agreement with Bristol-Myers Squibb Company in respect of carboplatin.

This exceptional credit was partly offset by a charge of £12.7 million for the rationalisation of Catalysts Division. The rationalisation costs relate to the reorganisation of PCT's pgm refining business and the final phasing out of ECT's older autocatalyst process technology now that precision coating technology has been fully installed across the group. This rationalisation is expected to improve the division's profits by £8 million in 2005/06.

Goodwill amortisation increased by £6.1 million to £19.8 million, reflecting the full year's ownership of the former Synetix businesses, which were acquired in November 2002.

Finance

Interest

The group's net interest charge rose by £3.1 million to £16.3 million as a result of the increase in average net borrowings following the acquisition of Synetix. The average interest rate was lower than last year benefiting from lower US dollar interest rates and reduced rates on gold leases.

The group has adopted FRS 17, the new accounting standard for pensions. Under FRS 17 the net return on retirement benefits assets and liabilities fell by £7.9 million to £6.0 million. The drop reflected the fall in the value of the pension fund surplus in

2002/03 as measured on 31st March 2003, when the world equity markets were particularly depressed. Equity markets recovered somewhat in 2003/04 and the group's UK pension fund surplus has increased. The net return on retirement benefits assets and liabilities is likely to be roughly £3 million higher in 2004/05.

Exchange Rates

Over a third of the group's profits were made in North America, mainly in the USA. The average rate for the US dollar weakened significantly, from $1.55/£ in 2002/03 to $1.69/£ in 2003/04, which reduced reported group profit before tax by £6.7 million.

The group has significant operations in several euro-zone countries and in South Africa whose currencies have strengthened against sterling. The group benefited by £2.4 million from the translation of profits made in euros, of which £1.7 million related to Colours & Coatings, but the euro's strength also had a negative impact on demand for that division's products. The overall impact of the appreciation of the South African Rand was negative. The products the group manufactures in South Africa are generally for export with pricing mainly related to euros and US dollars, whereas costs are in rands, and margins were adversely affected by currency movements.

Taxation

The group's tax charge increased by £4.2 million to £57.9 million. The increase largely reflected higher profits. The group's average tax rate on profit before tax, exceptional items and goodwill amortisation rose slightly from 29.7% to 29.8%.

Cash Flow

Johnson Matthey's net cash flow from operations increased by 13% to £259.7 million. Capital expenditure was £13.4 million lower than prior year at £113.1 million and represented 1.8 times depreciation. We are planning to spend at a lower rate in 2004/05 although still maintaining investment to support future growth opportunities. Free cash flow for the group (after dividends, but before acquisitions and share purchases) was strong at £29.9 million.

The group spent £18.4 million on acquisitions (mainly AMC) and made a net purchase of shares (for the employee share ownership trusts) which cost £8.5 million, leaving a net cash inflow of £3.0 million.

After taking into account favourable exchange translation of £6.1 million on the group's foreign currency borrowings (mainly US dollars), and £1.1 million of loan notes issued to acquire subsidiaries, net borrowings fell by £8.0 million to £394.5 million. Johnson Matthey's balance sheet remains strong with shareholders' funds rising by £74.9 million to £862.2 million and gearing (net borrowings / shareholders' funds and minority interests) of 45%. The comparative figures for last year have been restated for FRS 17 and UITF 38, under which shares held in employee share ownership trusts are accounted for in the same way as treasury shares. Restated for these new accounting standards, last year's gearing was 50%.

Pensions

For the financial year 2003/04 the group has adopted FRS 17, and the figures for 2002/03 have been restated accordingly. The value of the assets in the group's pension funds increased significantly in 2003/04, partly reflecting the recovery in equity prices from their depressed levels at 31st March 2003. The surplus on the group's UK scheme increased by £42.6 million to £43.3 million at 31st March 2004 after taking into account the results of the triennial actuarial revaluation.

Worldwide, including provisions for the group's post-retirement healthcare schemes and pension related deferred tax assets and liabilities, the group had a net surplus of £3.5 million on retirement benefits net assets compared with a net deficit of £25.4 million at 31st March 2003.

Business Developments

Johnson Matthey's Catalysts Division is performing well, and has leading positions in market segments which will expand rapidly in the next few years. These include catalysts for heavy duty diesel emission control, where legislation is due to take full effect in 2007 in the USA and 2008 in Europe, and catalysts for the gas to liquids process which uses a series of different catalytic steps to convert stranded natural gas to sulphur free diesel fuel.

We are increasing our investment in R&D to support these opportunities, and are also selectively looking at possible acquisitions to expand our range of catalyst products. We are pleased to have concluded the acquisition of AMC in March 2004, which strengthens our position in the pharmaceutical and speciality chemicals catalyst markets.

As well as growing revenues we are also focusing on improving efficiency. In these results we have taken a £12.7 million exceptional provision to improve efficiency across the Catalysts Division. One element of this relates to restructuring our pgm refining business, which has been adversely affected by the downturn in the palladium market. In addition, we will be phasing out our older autocatalyst manufacturing process technology now that precision coating technology has been fully installed in all our worldwide autocatalyst manufacturing plants. We expect this rationalisation programme to reduce costs in the division by £8 million in 2005/06.

Diesel emission control continues to be a focus for environmentalists and regulators worldwide and remains a key priority for us. The market for diesel cars is mainly in Europe where we have increased our market share. Whilst oxidation catalysts remain the key current product, there is growing interest in the use of soot filter technology for particulate emission control and we have been nominated for several important customer programmes.

Worldwide, Johnson Matthey's award winning Continuously Regenerating Trap (CRT®) technology is the most widely used method of controlling particulate emissions from heavy duty diesel vehicles already on the road. New regulations in both Europe and the USA will drive the need for engine makers to fit catalyst technologies to new HDD vehicles starting in 2005. In the last few years we have increased the resource needed to support these customers and the benefits of this strategy are now coming through in contracts for future business.

The acquisition of Synetix from ICI in 2002 has led to a major expansion of PCT. The former Synetix businesses are now fully integrated and we are building on the opportunities presented by merging Johnson Matthey's leading precious metals catalysis technology with Synetix's leading base metals catalyst technology. One example of this is the opening in May 2004 of a new precious metals catalyst manufacturing facility at Taloja in India. The acquisition of ICI India's catalyst business provided Johnson Matthey with a strong presence in base metal catalysts in the region, to which we have now been able to add precious metals catalyst manufacturing.

The acquisition of AMC for $43 million in March 2004 was another important step in strengthening our position in the worldwide catalyst market. AMC is based in Tennessee, USA and is the global market leader in Sponge Nickel™ catalysts. These nickel catalysts are extensively used in hydrogenation and reductive alkylation reactions throughout the pharmaceutical industry as well as in a wide range of other chemical processes. They are often the first catalyst to be evaluated when designing a new process and the acquisition widens our catalyst product offering to this important market.

The Fuel Cells business continues to make encouraging progress both in the scale up of membrane electrode assembly (MEA) manufacturing at its facility in Swindon, UK and in collaborative programmes with key customers and suppliers. Johnson Matthey Fuel Cells has been awarded £3.2 million in funding by the Department of Trade and Industry as part of the Government's commitment to the development of renewable energy and to the building of a world class fuel cell industry in the United Kingdom. This grant has been given for a major three year programme to develop the next generation of MEAs for automotive applications and will see the Fuel Cells business working in collaboration with a number of key suppliers as well as leading global automobile manufacturers.

We announced in November 2003 that we had renewed our long term contracts with Anglo Platinum which extends the relationship well into the next decade. The revised terms of these renewed contracts came into effect on 1st January 2004 and resulted in a reduction in Precious Metals Division's income in the final quarter of roughly £1.5 million. As demand for platinum grows this shortfall will be more than offset by increased volumes, and the renewed contracts with Anglo Platinum firmly underpin the longer term growth of the division.

The fundamentals for platinum remain very robust. Demand will continue to be driven by its use in autocatalysts, particularly as diesels continue to take a growing share of the light duty vehicle market in Europe and as heavy duty diesel legislation begins to take effect around the world. While jewellery demand has been impacted by the high price of platinum, it remains remarkably resilient and we are seeing signs of improved demand from the manufacturers. The platinum producers are increasing their output to meet this growing demand and move the market closer to equilibrium.

Palladium demand is also expected to increase, benefiting from growth in consumption by the auto manufacturers. However, supplies are expected to rise substantially as South African producers expand their output and the palladium market is expected to continue to remain in surplus.

As we also announced in November, the Board has reviewed the group's strategy for the Structural Ceramics and Speciality Coatings businesses which form the majority of Colours & Coatings Division. A process is now underway to consider offers for those two businesses. We expect to make a further announcement in the next few months.

Pharmaceutical Materials Division enjoyed another very successful year. At West Deptford in the USA we have expanded the product range with two new platinum anticancer products performing well in 2003/04. The patent for carboplatin which we manufacture for Bristol-Myers Squibb will expire this year and we anticipate the contribution from this product will fall. However, we expect to see an increased contribution from other products, including semi-synthetic opiates where we will benefit from the new morphine and codeine extraction facility at West Deptford. Our Edinburgh based business, Macfarlan Smith, has achieved excellent growth over the last three years and we are continuing to invest in new capacity there to meet anticipated future growth. We have completed a new facility to produce a range of specialist products (mainly highly potent analgesics) which we expect to make a useful contribution this year. At

Pharm-Eco we have commissioned the new small scale manufacturing suites at Devens in Massachusetts, USA which are being used to manufacture products for clinical trials.

Outlook

In 2004/05 we expect to see further growth in Catalysts and Pharmaceutical Materials. However, exchange translation may be adverse if the US dollar remains at its current level.

In the next few years we should start to see significant benefits from Johnson Matthey's investment in new product areas, including heavy duty diesel catalysts which represents a major opportunity once legislation comes into force in 2007 and 2008. In Pharmaceutical Materials we have a strong worldwide position in the manufacture of controlled drugs and complex molecules, such as prostaglandins, where the generic market should see significant growth. Excellent progress is also being made in other long term growth markets, such as gas to liquids catalysts and fuel cells, where revenues are expected to grow in the years ahead.

Overall, supported by a strong balance sheet, the group is very well positioned to deliver good long term growth.

Consolidated Profit and Loss Account

for the year ended 31st March 2004

	Notes	**2004 Before exceptional items and goodwill amortisation £ million**	**2004 Exceptional items and goodwill amortisation £ million**	**2004 Total £ million**	2003 Before exceptional items and goodwill amortisation restated £ million	2003 Total restated £ million
Turnover	1	**4,492.9**	**-**	**4,492.9**	4,323.9	4,323.9
Operating profit	1					
Before goodwill amortisation		**205.3**	**-**	**205.3**	188.7	188.7
Goodwill amortisation		**-**	**(19.7)**	**(19.7)**	-	(13.7)
Before exceptional items		**205.3**	**(19.7)**	**185.6**	188.7	175.0
Exceptional items	3	**-**	**2.1**	**2.1**	-	(7.4)
Group operating profit		**205.3**	**(17.6)**	**187.7**	188.7	167.6
Share of profit in associates		**0.7**	**-**	**0.7**	0.5	0.5
Goodwill amortisation on associates		**-**	**(0.1)**	**(0.1)**	-	-
Share of exceptional items in associates	3	**-**	**-**	**-**	-	(0.2)
Total operating profit		**206.0**	**(17.7)**	**188.3**	189.2	167.9
Profit on sale of continuing operations		**-**	**-**	**-**	-	4.9
Profit on ordinary activities before interest		**206.0**	**(17.7)**	**188.3**	189.2	172.8
Net interest		**(16.3)**	**-**	**(16.3)**	(13.2)	(13.2)
Net return on retirement benefits assets and liabilities		**6.0**	**-**	**6.0**	13.9	13.9
Profit on ordinary activities before taxation		**195.7**	**(17.7)**	**178.0**	189.9	173.5
Taxation	4	**(58.3)**	**0.4**	**(57.9)**	(56.4)	(53.7)
Profit after taxation		**137.4**	**(17.3)**	**120.1**	133.5	119.8
Minority interests		**1.7**	**-**	**1.7**	0.4	0.4
Profit attributable to shareholders		**139.1**	**(17.3)**	**121.8**	133.9	120.2
Dividends	5	**(57.4)**	**-**	**(57.4)**	(55.5)	(55.5)
Retained profit for the year		**81.7**	**(17.3)**	**64.4**	78.4	64.7

		pence		**pence**	restated pence	restated pence
Earnings per ordinary share						
Basic	6	**64.0**		**56.0**	61.8	55.4
Diluted	6	**63.7**		**55.8**	61.4	55.1
Dividend per ordinary share	5	**26.4**		**26.4**	25.5	25.5

Consolidated Balance Sheet

as at 31st March 2004

	2004	2003 restated
	£ million	£ million
Fixed assets		
Goodwill	**377.1**	373.4
Tangible fixed assets	**608.1**	601.1
Investments	**5.5**	6.4
	990.7	980.9
Current assets		
Stocks	**417.3**	438.4
Debtors	**387.4**	365.7
Short term investments	**1.6**	1.5
Cash at bank and in hand	**106.5**	100.4
	912.8	906.0
Creditors: amounts falling due within one year		
Borrowings and finance leases	**(46.5)**	(46.5)
Precious metal leases	**(127.4)**	(128.0)
Other creditors	**(358.9)**	(382.6)
Net current assets	**380.0**	348.9
Total assets less current liabilities	**1,370.7**	1,329.8
Creditors: amounts falling due after more than one year		
Borrowings and finance leases	**(454.5)**	(456.4)
Other creditors	**(0.7)**	(0.6)
Provisions for liabilities and charges	**(47.4)**	(49.3)
Net assets excluding retirement benefits assets and liabilities	**868.1**	823.5
Retirement benefits net assets	**31.5**	1.5
Retirement benefits net liabilities	**(28.0)**	(26.9)
Net assets including retirement benefits assets and liabilities	**871.6**	798.1
Capital and reserves		
Called up share capital	**220.6**	219.5
Share premium account	**137.1**	131.8
Capital redemption reserve	**4.9**	4.9
Shares held in employee share ownership trusts	**(28.8)**	(14.8)
Associates' reserves	**(0.5)**	0.1
Profit and loss account	**528.9**	445.8
Shareholders' funds	**862.2**	787.3
Minority interests	**9.4**	10.8
	871.6	798.1

Consolidated Cash Flow Statement

for the year ended 31st March 2004

Reconciliation of operating profit to net cash inflow from operating activities

	2004 £ million	2003 restated £ million
Operating profit	**187.7**	167.6
Depreciation, amortisation and net loss on disposal of fixed assets and investments	**83.5**	68.6
Net retirement benefit charge less contributions	**1.0**	(6.7)
Decrease / (increase) in owned stocks	**17.3**	(7.7)
(Increase) / decrease in debtors	**(41.7)**	13.9
Increase / (decrease) in creditors and provisions	**11.9**	(5.8)
Net cash inflow from operating activities	**259.7**	229.9

Cash Flow Statement

	2004 £ million	2003 restated £ million
Net cash inflow from operating activities	**259.7**	229.9
Dividends received from associates	**0.5**	0.1
Returns on investments and servicing of finance	**(16.4)**	(13.4)
Taxation	**(43.1)**	(42.4)
Capital expenditure and financial investment	**(114.4)**	(124.7)
Acquisitions	**(18.4)**	(271.2)
Disposals	**-**	22.4
Equity dividends paid	**(56.4)**	(54.0)
Net cash flow before use of liquid resources and financing	**11.5**	(253.3)
Management of liquid resources	**1.1**	1.0
Financing		
Issue and purchase of share capital	**(8.5)**	2.8
Increase in borrowings and finance leases	**6.3**	259.7
Net cash (outflow) / inflow from financing	**(2.2)**	262.5
Increase in cash in the period	**10.4**	10.2

Reconciliation of net cash flow to movement in net debt

	2004 £ million	2003 restated £ million
Increase in cash in the period	**10.4**	10.2
Cash inflow from movement in borrowings and finance leases	**(6.3)**	(259.7)
Cash inflow from movement in liquid resources	**(1.1)**	(1.0)
Change in net debt resulting from cash flows	**3.0**	(250.5)
Borrowings acquired with subsidiaries	**-**	(0.4)
Loan notes (issued) / cancelled to acquire subsidiaries	**(1.1)**	(6.8)
Translation difference	**6.1**	14.2
Movement in net debt in year	**8.0**	(243.5)
Net debt at beginning of year	**(402.5)**	(159.0)
Net debt at end of year	**(394.5)**	(402.5)

Total Recognised Gains and Losses

for the year ended 31st March 2004

	2004 £ million	2003 restated £ million
Profit attributable to shareholders	**121.8**	120.2
Currency translation differences on foreign currency net investments and related loans	**(23.8)**	(1.7)
Taxation on translation differences on foreign currency loans	**16.8**	8.3
Actuarial gain / (loss) on retirement benefits assets and liabilities	**36.1**	(136.6)
Taxation on actuarial gain / loss on retirement benefits assets and liabilities	**(11.0)**	42.8
Total recognised gains and losses relating to the year	**139.9**	33.0
Prior year adjustment	**(108.3)**	
Total recognised gains and losses recognised since last annual report	**31.6**	

There were no material differences between reported profits and losses and historical cost profits and losses on ordinary activities before tax for 2004 and 2003.

Movement in Shareholders' Funds

for the year ended 31st March 2004

	2004 £ million	2003 restated £ million
Profit attributable to shareholders	**121.8**	120.2
Dividends	**(57.4)**	(55.5)
Retained profit for the year	**64.4**	64.7
Other recognised gains and losses relating to the year	**18.1**	(87.2)
New share capital subscribed	**6.4**	4.4
Purchase of shares for employee share ownership trusts (ESOTs)	**(14.9)**	(1.6)
Shares in ESOTs utilised for long term incentive plan	**0.9**	1.6
Movement in long term incentive plan	**-**	(2.3)
Goodwill written back on set up of AGR Matthey	**-**	5.4
Net movement in shareholders' funds	**74.9**	(15.0)
Opening shareholders' funds (originally £895.6 million before prior year adjustment of £108.3 million)	**787.3**	802.3
Closing shareholders' funds	**862.2**	787.3

Notes to the Preliminary Financial Statements

for the year ended 31st March 2004

1 Segmental information

Activity analysis	Turnover 2004 £ million	Turnover 2003 £ million	Sales excluding precious metals 2004 £ million	Sales excluding precious metals 2003 £ million	Operating profit 2004 £ million	Operating profit 2003 restated £ million	Net operating assets 2004 £ million	Net operating assets 2003 restated £ million
Catalysts	**1,142.7**	1,083.4	**720.3**	652.5	**109.2**	95.3	**819.7**	747.2
Precious Metals	**2,956.4**	2,857.1	**120.6**	132.0	**44.2**	48.0	**19.0**	48.4
Colours & Coatings	**254.1**	255.7	**252.0**	252.5	**26.7**	25.3	**204.7**	210.3
Pharmaceutical Materials	**139.7**	127.7	**131.5**	121.9	**42.3**	36.7	**281.4**	281.3
Corporate	**-**	-	**-**	-	**(16.4)**	(16.1)	**(62.2)**	(61.2)
	4,492.9	4,323.9	**1,224.4**	1,158.9	**206.0**	189.2	**1,262.6**	1,226.0
Goodwill amortisation					**(19.7)**	(13.7)		
Goodwill amortisation on associates					**(0.1)**	-		
Exceptional items included in operating profit (note 3)					**2.1**	(7.6)		
					188.3	167.9	**1,262.6**	1,226.0
Profit on sale of continuing operations					**-**	4.9		
Net interest					**(16.3)**	(13.2)		
Net return on retirement benefits assets and liabilities					**6.0**	13.9		
Profit on ordinary activities before taxation					**178.0**	173.5		
Net borrowings and finance leases							**(394.5)**	(402.5)
Net assets excluding retirement benefits assets and liabilities							**868.1**	823.5
Retirement benefits net assets / (liabilities)							**3.5**	(25.4)
Net assets including retirement benefits assets and liabilities							**871.6**	798.1

Geographical analysis by origin	Turnover 2004 £ million	Turnover 2003 £ million	Operating profit 2004 £ million	Operating profit 2003 restated £ million	Net operating assets 2004 £ million	Net operating assets 2003 restated £ million
Europe	**3,235.1**	2,964.7	**81.0**	59.3	**916.6**	871.9
North America	**965.7**	1,082.2	**72.3**	87.3	**229.4**	234.4
Asia	**838.1**	844.7	**19.3**	12.4	**55.4**	74.6
Rest of the World	**277.6**	234.2	**33.4**	30.2	**61.2**	45.1
	5,316.5	5,125.8	**206.0**	189.2	**1,262.6**	1,226.0
Less inter-segment sales	**(823.6)**	(801.9)				
Total turnover	**4,492.9**	4,323.9				
Goodwill amortisation			**(19.7)**	(13.7)		
Goodwill amortisation on associates			**(0.1)**	-		
Exceptional items included in operating profit (note 3)			**2.1**	(7.6)		
			188.3	167.9	**1,262.6**	1,226.0
Profit on sale of continuing operations			**-**	4.9		
Net interest			**(16.3)**	(13.2)		
Net return on retirement benefits assets and liabilities			**6.0**	13.9		
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Net assets excluding retirement benefits assets and liabilities					**868.1**	823.5
Retirement benefits net assets / (liabilities)					**3.5**	(25.4)
Net assets including retirement benefits assets and liabilities					**871.6**	798.1

2 Prior year adjustments

Financial Reporting Standard (FRS) 17 - 'Retirement benefits'
Under the provisions of FRS 17 - 'Retirement Benefits', which the group adopted on 1st April 2003, the group has restated its accounts to reflect the revised recognition of its retirement benefits schemes and the resultant changes to deferred tax and amounts recognised in the profit and loss account and statement of total recognised gains and losses. Consequently, the group has restated its comparatives for the year ended 31st March 2003. The effect is to decrease the profit after taxation by £1.8 million for the year ended 31st March 2003. The group's net assets at 31st March 2003 have decreased by £95.7 million.

Urgent Issues Task Force (UITF) Abstract 38 - 'Accounting for ESOP Trusts'
Under the provisions of UITF Abstract 38 - 'Accounting for ESOP Trusts', which the group adopted on 1st April 2003, the group has restated its accounts to recognise amounts related to the group's employee share ownership trusts and long term incentive plan as a component of shareholders' funds. The effect is to decrease short term investments by £13.8 million and to decrease other creditors falling due within one year by £1.2 million, resulting in net assets decreasing by £12.6 million at 31st March 2003. There is no effect on the profit and loss account.

3 Exceptional items included in operating profit

An exceptional credit of £2.1 million (2003 charge of £7.6 million) has been included in operating profit. This comprises:

	2004	2003
	£ million	£ million
Litigation settlement (Pharmaceutical Materials)	**14.8**	-
Cost of integrating Synetix	**-**	(6.5)
Other Catalysts' rationalisation costs	**(12.7)**	(4.8)
Profit on sale of unhedged palladium	**-**	5.1
Cost of rationalising Australian operations following the set up of AGR Matthey	**-**	(1.2)
Exceptional items in group operating profit	**2.1**	(7.4)
Share of exceptional items in associates - AGR Matthey	**-**	(0.2)
Exceptional items in total operating profit	**2.1**	(7.6)

4 Taxation

	2004	2003 restated
	£ million	£ million
United Kingdom	**27.4**	22.6
Overseas	**30.8**	33.8
Associates	**0.1**	-
Tax on ordinary activities before exceptional items and goodwill amortisation	**58.3**	56.4
Tax on goodwill amortisation	**(2.0)**	(0.7)
Tax on exceptional items included in total operating profit	**1.6**	(2.0)
	57.9	53.7

5 Dividends

A final dividend of 18.2 pence (2003 17.7 pence) per ordinary share is proposed for payment on 3rd August 2004 to shareholders on the register at 11th June 2004. Together with the interim dividend of 8.2 pence (2003 7.8 pence) this would make a total dividend of 26.4 pence (2003 25.5 pence) giving a total payment of £57.4 million (2003 £55.5 million).

6 Earnings per ordinary share

Profit for the year attributable to shareholders is £121.8 million (2003 restated £120.2 million). This is divided by the weighted average number of shares in issue calculated as 217,629,033 (2003 216,938,883) to give basic earnings per share of 56.0 pence (2003 restated 55.4 pence).

The calculation of diluted earnings per 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 778,267 (2003 1,279,946), giving diluted earnings per share of 55.8 pence (2003 restated 55.1 pence).

Before exceptional items, goodwill amortisation and the tax thereon, basic earnings per share were 64.0 pence (2003 restated 61.8 pence) and diluted earnings per share were 63.7 pence (2003 restated 61.4 pence).

	2004 **£ million**	2003 restated £ million
Attributable profit	**121.8**	120.2
Goodwill amortisation	**19.8**	13.7
Exceptional items	**(2.1)**	2.7
Tax thereon	**(0.4)**	(2.7)
Adjusted profit	**139.1**	133.9
Earnings per share before exceptional items and goodwill amortisation		
Basic	**64.0p**	61.8p
Diluted	**63.7p**	61.4p

7 Acquisitions

Activated Metals and Chemicals, Inc.
On 30th March 2004 the group acquired the Activated Metals and Chemicals, Inc. group of companies (AMC), located in Tennessee in the US, for £23.2 million, of which £0.4 million is outstanding and £0.1 million is deferred and contingent on future profits of one part of AMC. Costs incurred were £0.3 million, including £0.1 million accrued. AMC provides catalysts for pharmaceutical, chemical and industrial applications. This has been accounted for by acquisition accounting. The fair value of the net assets acquired was £4.1 million, resulting in goodwill of £19.4 million.

Synetix acquired in the year ended 31st March 2003
On 1st November 2002 the group acquired the Synetix division of ICI and the estimated goodwill disclosed in the accounts for the year ended 31st March 2003 was £191.4 million. This has been restated to £195.7 million following the adoption of FRS 17. During the year a refund of £1.9 million was received and costs of £0.3 million accrued last year were paid. Goodwill has now been revised by £10.3 million to £206.0 million to reflect further fair value adjustments mainly to the estimated realisable value of debtors and tangible fixed assets.

8 Basis of preparation

The financial information contained in this release does not constitute the company's statutory accounts for the years ended 31st March 2004 or 2003 but is derived from those accounts. Statutory accounts for 2003 have been delivered to the Registrar of Companies and those for 2004 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 2004 were approved by the Board of Directors on 1st June 2004.

Financial Calendar 2004

11th June
Final ordinary dividend record date

20th July
113th Annual General Meeting (AGM)

3rd August
Payment of final dividend subject to declaration at the AGM

25th November
Announcement of results for six months ending 30th September 2004

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