

For Release at 7.00 am Thursday 2nd June 2005

Preliminary Results for the year ended 31st March 2005

Encouraging prospects for future growth

Summary Results

	Year to 31 st March		% change
	2005	2004	
Statutory Basis:			
Turnover	£4,639 m	£4,493 m	+3
Profit before tax	£131.0 m	£178.0 m	-26
Earnings per share	40.6 p	56.0 p	-28
Before Exceptional Items and Goodwill Amortisation:			
Profit before tax	£204.0 m	£195.7 m	+4
Earnings per share	67.1 p	64.0 p	+5
Dividend per share	27.7 p	26.4 p	+5

- Profit before tax, exceptional items and goodwill amortisation up 4% at £204.0 million despite adverse exchange translation
- Earnings per share before exceptional items and goodwill amortisation up 5% at 67.1 pence. Dividend for the full year increased by 5% to 27.7 pence
- Strong cash flow. Net borrowings reduced by £24.9 million to £369.6 million despite £16.1 million net expenditure on share buy back
- Exceptional costs of £51.9 million. The cash generated from disposals and rationalisation of underperforming assets is being used to buy back shares

Divisional Performance

Operating Profit (before exceptional items and goodwill amortisation)

£m	Year to 31 st March		% change	2005 at 2004 exchange rates	% change
	2005	2004			
Catalysts	111.5	109.2	+2	115.8	+6
Precious Metal Products	45.4	44.2	+3	46.8	+6
Pharmaceutical Materials	40.0	42.3	-5	41.5	-2
Colours & Coatings	27.4	24.2	+13	28.4	+17
Corporate	(16.6)	(16.4)		(16.8)	
Continuing operations	207.7	203.5	+2	215.7	+6
Discontinued operations	0.4	2.5		0.4	
Operating profit	208.1	206.0	+1	216.1	+5

- At constant exchange rates operating profit before exceptional items and goodwill amortisation up 5%. Steady growth in Catalysts and Precious Metal Products, Pharmaceutical Materials slightly down following expiry of carboplatin patent, continued recovery in Colours & Coatings

Business prospects

- Excellent outlook for heavy duty diesel (HDD) catalysts. Increased investment in product development and in new programmes in partnership with leading original equipment manufacturers
- European autocatalyst market continues to grow driven by strong sales of light duty diesel (LDD) vehicles. Johnson Matthey very well positioned in LDD market and investing in new manufacturing capacity for catalysed soot filters
- Asian autocatalyst business performing well. Investment in expanding production capacity in both Japan and China
- Platinum group metal trading conditions remain good. Improved market conditions combined with volume growth has more than offset the impact of revised Anglo Platinum contract terms which began on 1st January 2004
- In Pharmaceutical Materials our pipeline of new products is strong. New generic drugs will significantly add to revenues from early 2006 onwards
- Plan to release cash from underperforming assets underway. Share buy back programme commenced. A further £25 million to be purchased in the first half of 2005/06

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

“In 2004/05 we made good progress. Earnings per share before goodwill amortisation and exceptional items were 5% up, despite adverse exchange translation. We have taken action to improve the returns on underperforming assets and are using the cash generated to buy back shares.

The outlook for the next few years is good. We expect to see the rate of growth in earnings increase in the second half of 2005/06 with additional revenues from diesel emission control products and new generic pharmaceuticals coming through in 2006.”

Enquiries:

Ian Godwin, Group Communications Manager

020 7269 8410

Howard Lee, The HeadLand Consultancy

020 7036 0369

Laura Hickman, Gavin Anderson & Co

020 7554 1400

www.matthey.com

Report to Shareholders

Introduction

Johnson Matthey made good progress in 2004/05 with profit before tax, exceptional items and goodwill amortisation up 4% despite adverse exchange translation. Earnings per share before exceptional items and goodwill amortisation increased by 5%.

On a constant currency basis both Catalysts and Precious Metal Products Divisions achieved 6% growth in operating profit. Pharmaceutical Materials was 2% down as a result of the expiry of the carboplatin patent while Colours & Coatings continued its good recovery with profits 17% up.

Cash generation was good with a net £16.1 million used to buy back shares and net borrowings reduced by £24.9 million. The group is well positioned to benefit from organic growth over the next few years and we have also taken action to improve the returns on underperforming assets.

Review of Results

Total sales grew by 3% to £4,639 million. At constant exchange rates sales grew by 7% with most of the increase coming from more buoyant trading conditions for platinum group metals and higher average prices. Sales excluding the value of precious metals fell by 2% to £1,200 million. This fall partly reflected the impact of exchange translation but also lower pass through costs for autocatalyst substrates.

Operating profit before exceptional items and goodwill amortisation rose by 1% to £208.1 million. Adverse exchange translation reduced profits by £8.0 million compared with 2003/04 mainly because of the fall in the value of the US dollar which averaged \$1.85/£ compared with \$1.69/£ for the last financial year. Translated at last year's exchange rates, operating profit before exceptional items and goodwill amortisation increased by 5%.

Interest was £3.0 million lower than last year as a result of lower average borrowings and more favourable average interest rates, particularly for platinum. The return on retirement benefits assets and liabilities improved by £3.2 million reflecting the increased funding surplus at 31st March 2004.

Profit before tax, exceptional items and goodwill amortisation increased by 4% to £204.0 million. Earnings per share before exceptional items and goodwill amortisation rose by 5% to 67.1 pence benefiting from a more favourable average tax rate.

Total exceptional items amounted to £51.9 million. Most of this charge related to the loss on disposal of Pigments & Dispersions and the restructuring of underperforming assets. We expect that this process will ultimately generate £50 million of additional cash which we are using to buy back shares. We have completed our review of underperforming assets and do not expect any further exceptional rationalisation costs in 2005/06.

Taking into account exceptional costs and goodwill amortisation, profit before tax on a statutory basis fell by £47.0 million to £131.0 million and earnings per share were 15.4 pence lower at 40.6 pence.

Dividend

The board is recommending to shareholders a final dividend of 19.0 pence, making a total dividend for the year of 27.7 pence, an increase of 5%, which is in line with the growth in earnings per share before exceptional items and goodwill amortisation.

Operations

Catalysts Division's sales rose by 4% to £1,184 million. At constant exchange rates the increase was 7%. Sales excluding the value of precious metals fell by 3% to £698 million. At constant exchange rates sales excluding the value of precious metals rose slightly. Sales growth was held back by lower pass through substrate costs associated with the increasing proportion of diesel catalysts sold.

The division's operating profit increased by 2% to £111.5 million. At constant exchange rates operating profit grew by 6%.

Environmental Catalysts and Technologies (ECT) achieved good growth in profits in autocatalysts with all the growth coming in Europe and Asia. Profits were lower in North America. In Johnson Matthey's financial year global light duty vehicle sales grew by 3%, with most of the growth arising in Asia where sales rose by 4%. Sales in Europe increased by 2% with most of the growth coming in Eastern Europe. In North America light duty vehicle sales were slightly up but domestic production fell by 2% with an increased number of imports mainly from Asia.

ECT's strong performance in Europe reflected the continued growth in diesel car sales where Johnson Matthey has leading technology. For the year to 31st March 2005 diesel car sales in Western Europe accounted for nearly half the market for cars. There is increasing focus on reducing particulate emissions from diesel vehicles in Europe and Johnson Matthey has been working closely with many of the leading car companies to develop catalysed soot filters (CSFs) which remove particles from diesel exhaust emissions. CSFs are likely to be required on all diesel cars in Europe from 2010, but many car manufacturers plan to fit these devices much earlier. We are investing in new production capacity to manufacture CSFs and expect sales to grow in 2005/06.

Our autocatalyst businesses in Asia benefited from strong demand. In India, where Johnson Matthey has a strong market position, car sales grew by 25% while the growth rate in car sales slowed in China but was still 12.5% up on prior year. We are expanding our factory in Shanghai and we have also put in a new production facility next to our technical centre in Japan. This has been well received by customers and we expect to see additional sales in Japan in 2005/06. In North America car production fell, particularly in the final quarter of our financial year when domestic production was down by 4.5%. Autocatalyst volumes were also down and Johnson Matthey's profits in the region were lower than last year. In South America vehicle production showed a strong recovery and our facility in Argentina was well ahead of prior year.

In 2003/04 ECT benefited from strong sales of heavy duty diesel (HDD) retrofit products in Japan supported by an incentive programme from the Tokyo Metropolitan Government. There were no similar sized programmes in 2004/05 and consequently revenues from HDD retrofit products were down. The outlook for HDD sales to original equipment makers is very encouraging. New legislation on HDD vehicle emissions will come into effect in Europe for new models in October 2005 and for all new vehicles in October 2006. New legislation in the US starts in January 2007. The great majority of truck and bus manufacturers will be using aftertreatment devices to meet this legislation and Johnson Matthey has leading technology to meet the new standards.

Process Catalysts and Technologies (PCT) performed well in 2004/05 with sales and profits comfortably ahead of the previous year. At the end of last year we announced the acquisition of the AMC group of companies (AMC), the market leading supplier of Sponge Nickel™ catalysts located in Tennessee, USA. Sponge Nickel™ catalysts are extensively used in the pharmaceutical and speciality chemicals industries and are often the first catalysts to be evaluated when designing a new chemical process. The former AMC business, now Johnson Matthey Catalysts, Tennessee, performed in line with our expectations and made a welcome contribution in its first full year of ownership.

Our other catalyst businesses also had a good year, nowhere more so than the Ammonia, Methanol, Oil and Gas (AMOG) business which saw strong growth in income from both licensing and catalyst sales and another excellent performance from its gas processing and purification segments. The development of a new class leading methanol flowsheet came a stage closer with the formation of OneSynergy™, a partnership with Davy Process Engineering and Aker Kvaerner to take advantage of Johnson Matthey's new catalyst and process technologies for both methanol synthesis and reforming chemistry.

The platinum group metal refining business continued to be adversely affected by the weak palladium price and overcapacity in the market. After an extensive review we decided to restructure the business in the UK and reduce the intake of low grade materials which had left us with large quantities of residues which are difficult to process. An exceptional charge of £10.2 million has been taken to cover the cost of this rationalisation. One objective of the restructuring will be to reduce the quantity of

precious metals held in the refinery and thereby release over £20 million of cash from inventory reduction.

Our Research Chemicals business continued its recent record of strong growth in 2004/05. During the course of the year we acquired the operations of Lancaster Synthesis from Clariant AG. The acquisition was temporarily delayed as a result of a serious fire at Lancaster's UK premises in late July. However the deal was completed at the end of September at a significantly reduced cost. The Lancaster business represents a good fit with our Research Chemicals business and excellent progress has been made in integrating stock and order management systems while maintaining the value of the Lancaster brand with its strong market franchise.

The annual cost of our **Fuel Cells** business reduced by £1.1 million to £10.4 million. The market for stationary fuel cells has not grown as quickly as our customers had expected but developments in automotive fuel cells continue to be very encouraging. During the year we transferred most of our UK fuel cell activities including product development to our facility at Swindon, while longer term research remains at our technology centre at Sonning Common.

The first fuel cell vehicles to be manufactured in any quantity will be powered by hydrogen. In California, the State government is taking action to develop a network of filling stations for hydrogen powered vehicles. The success of hybrid cars has shown that customers are prepared to pay a premium for environmentally friendly vehicles. Most of the world's major car companies are continuing to invest heavily in the development of fuel cell vehicles as concerns over fuel security, global warming and air quality become more pressing.

Precious Metal Products Division's sales grew by 4% to £3,069 million, reflecting more buoyant trading conditions for platinum group metals and higher average prices. At constant exchange rates sales grew by 8%. Operating profit increased by 3% to £45.4 million, despite the revised terms of the renewed contracts with Anglo Platinum and adverse exchange translation. At constant exchange rates operating profit was 6% up.

The price of platinum reached its peak for 2004/05 of \$937/oz in April, a 24 year high, driven by good physical demand and substantial speculative interest. After a sharp correction in late April and early May, which saw the price fall back to \$783/oz, the price of platinum followed an upward trend for the rest of the year. The average price was \$848/oz, a 14% increase on 2003/04. Total consumption of platinum edged up marginally in 2004/05, with the autocatalyst sector underpinning demand. The increase in market share of diesel cars in Europe and tightening emission controls for diesel powered trucks in Japan were key drivers. However, purchases of platinum for jewellery manufacture fell in 2004/05 as a result of the strength and volatility of the platinum price.

The palladium price also reached its peak for 2004/05 in April, touching \$333/oz as investors extended their already substantial long positions. However, production and stocks were more than adequate to meet demand and the price fell back to a low of \$178/oz in December. The average price for the year was \$219/oz, an increase of 9% on 2003/04. Physical demand for palladium climbed steeply in 2004/05. Most of this increase came from the jewellery sector, led by the rapid development of palladium jewellery manufacturing in China. Demand in the autocatalyst sector was also up as US car companies increased their market purchases, having run down their stocks in 2003. Growth in demand was almost exactly matched by a rise in supplies, particularly from Russia where a considerable volume of metal was sold from government stocks. Total supplies exceeded demand by a significant margin, leaving palladium in surplus for the fourth consecutive year.

The division's platinum group metal (pgm) manufacturing business continued its profitable growth, benefiting from good customer service and technical leadership. Demand for our pgm catalyst, sheet and wire products for industrial applications was strong throughout the year. Our medical parts business, based in California, also recorded excellent growth. Increased usage of nitinol in medical device applications in both Europe and the US, resulted in a strong demand for products from our San Jose factory.

In September 2004 the board took the decision to close the group's UK gold and silver refinery. Tight refining margins and the weaker US dollar resulted in a loss in 2003/04 of

£1.6 million after metal interest and a similar performance in the first five months of 2004/05. The closure was completed on schedule, by the end of March 2005, at a cost of £13.2 million. As part of the closure programme a significant proportion of the customers from our UK refinery were successfully transferred to our refineries in Salt Lake City and Toronto, where spare capacity existed. This boosted profits in North America which finished ahead of 2003/04.

Pharmaceutical Materials Division's sales fell by 6% to £132 million. Adjusting for exchange translation the drop in sales was 2%. The fall in sales reflected lower selling prices for carboplatin, which went off patent in October 2004, and lower revenues from contract research, partly offset by increasing sales of controlled drugs. Operating profit fell by 5% to £40.0 million partly as a result of adverse exchange translation. At constant exchange rates the fall in operating profit was 2%, in line with the drop in sales.

Macfarlan Smith, which is based in Edinburgh, UK and manufactures controlled drugs for sale to generic pharmaceutical companies, performed well in the year. Sales and profits were both ahead of last year with most of the growth coming from high margin specialist opiate products. The world market for drugs to manage severe pain is growing at around 6% per annum as medicine is able to treat more acute conditions; the world's population ages; and people are generally less tolerant of pain. Overall growth of the opiates market is driven primarily by the introduction of new applications and new dosage forms for specialist opiates such as oxycodone, hydromorphone and buprenorphine, the markets for some of which are growing at double digit rates.

Macfarlan Smith's new facility to manufacture low volume, high potency products (mainly analgesics), which we announced last year, has made a valuable contribution to profits in its first year of operation and we expect to achieve further growth in this specialist market in 2005/06.

As anticipated, our active pharmaceutical ingredient (API) manufacturing business in the US, which is based in West Deptford, NJ, saw its profits fall in the second half of 2004/05 as the contribution from carboplatin was reduced following the expiry of the patent in October 2004. Now that the patent has expired we expect to supply to both

Bristol-Myers Squibb and generic producers but at lower margins. Sales of other products grew, including opiates where we have successfully transferred manufacturing technology from Macfarlan Smith. Growth in sales of opiate drugs will continue as an increasing number of customers obtain regulatory approvals to market products containing APIs manufactured at West Deptford. Sales of non-opiate controlled drugs also improved during the year and significant progress was made on the development of several attractive generic products which will reach commercialisation over the next few years.

During the year we changed the name of Pharm-Eco to Pharma Services to better reflect its market segment. Pharma Services provides contract research and development and manufacturing services to pharmaceutical companies from pre-clinical through to commercial launch. Although manufacturing continued to grow, contract research revenues were down in the second half of the year and profits were below last year.

During 2004/05 Cascade Biochem, which we acquired in 2002, was consolidated into its Cork, Ireland facility and renamed Pharmaceutical Materials Ireland. The business has continued to expand its customer base and geographic coverage during the year. Regulatory filings of new generic products containing our prostaglandin APIs have been made by our customers and are currently in review stages. Our products are also being qualified for new generic drug dosage forms targeted for sale in major world markets.

We restructured **Colours & Coatings** Division during the year following the sale of Pigments & Dispersions in September 2004 for £22.2 million (after costs). Several other sites are in the process of being closed, the largest of which is the division's decal factory in Stoke-on-Trent. An exceptional charge of £10.3 million has been taken to cover the cost of these closures. The decorative precious metals, glass coatings and tableware businesses have been renamed Colour Technologies and will be transferred to Precious Metal Products Division and included in that division's results next year. The remaining business, Structural Ceramics, has been renamed Ceramics and will be shown as a stand alone division in 2005/06.

Sales for the division, excluding Pigments & Dispersions, rose by 8% in 2004/05 to £242 million. At constant exchange rates sales grew by 12%. Operating profit increased by 13% to £27.4 million. At constant exchange rates profits grew by 17%.

Our Ceramics business had sales of £166 million and contributed about two thirds of the profits of the division. It supplies decorative materials for ceramic products, mainly to the tile industry. The business achieved good growth in sales and profits in 2004/05. Demand for tiles in the Western European market was flat and the strength of the euro adversely impacted European tile producers who are major exporters to other parts of the world. However there was good growth in China, India and Brazil where Johnson Matthey has production facilities and is well represented. Our sales into Eastern Europe also showed good growth.

Colour Technologies performed well in 2004/05. Sales to the automotive sector increased, particularly sales of both black obscuration enamels and conductive silver paste. Demand for decorative products for other glass applications was also up benefiting from new product introductions which are helping the business to consolidate its market leading position in this segment.

Exceptional Items

Exceptional items for the year amounted to £51.9 million which included a rationalisation charge of £10.2 million to restructure our underperforming UK platinum group metal refining business and a £10.3 million charge for closing a number of former Colours & Coatings' sites following the sale of Pigments & Dispersions and the restructuring of that division. The remaining items were announced in the first half of the year and include a loss of £15.2 million on sale of the Pigments & Dispersions business, of which £5.8 million related to goodwill previously written off to reserves; the closure of the UK gold and silver bullion refinery at a cost of £13.2 million and £3.0 million of acquisition integration costs.

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. Around 30% of the group's profits were made in North America, mainly in the USA. The US dollar weakened significantly from an average rate of \$1.69/£ in 2003/04 to an average of \$1.85/£ in 2004/05. The average rate for the euro also weakened from €1.44/£ to €1.47/£. The South African rand strengthened from R12.11/£ to R11.53/£ but the translational benefit of that rise was more than offset by the adverse impact of the stronger rand on operating margins. Excluding the rand, exchange translation reduced operating profit by £8.0 million, which is equivalent to 4% of operating profit before exceptional items and goodwill amortisation.

Interest

The group's net interest charge fell by £3.0 million to £13.3 million, benefiting from lower average borrowings, particularly in the second half of the year. Metal financing costs were also favourable with interest rates for platinum below the high levels experienced in 2003/04. Average precious metal leases were reduced following the closure of the UK gold and silver refinery in September 2004.

The return on retirement benefits assets and liabilities improved by £3.2 million. This credit is shown separately under FRS 17 (the pension accounting standard adopted by the group last year). The rise reflected the increase in the pension fund surplus at 31st March 2004.

Taxation

The group's tax charge fell by £13.9 million to £44.0 million. The reduction largely related to tax relief on the exceptional costs incurred in the year. Before exceptional items and goodwill amortisation the average tax rate for the year fell slightly from 29.8% to 29.2% with an increase in tax credits received on research and development expenditure.

Cash Flow

Johnson Matthey's net cash flow for the year was strong at £23.5 million. After taking into account £1.4 million of exchange translation, net borrowings fell by £24.9 million to £369.6 million. Gearing (net borrowings / shareholders' funds and minority interests) fell by 2.8% from 45.3% at 31st March 2004 to 42.5% at 31st March 2005.

The group received £23.3 million from disposals and paid £4.0 million for acquisitions. The proceeds received from the disposals have been used to buy back shares. During the year we purchased 2.5 million of Johnson Matthey shares at an average price of £10.06. This included 0.9 million of shares for the group's employee share ownership trust. The cash outflow on share purchases in the year was £19.3 million, with a further £5.9 million paid in April 2005. The group received £3.2 million of proceeds from the exercise of share options by employees to give an overall net outflow on shares bought / issued in the year of £16.1 million. Excluding acquisitions, disposals and share transactions the group generated a free cash flow of £20.3 million.

Net cash flow from operations was £28.4 million lower than last year at £231.3 million. Capital expenditure incurred was £17.6 million lower than last year at £95.5 million which represented 1.4 times depreciation, down from 1.8 times last year. The net cash outflow on capital expenditure and financial investment in the year was £86.8 million, which was less than the level of capital expenditure incurred, reflecting the timing of the expenditure and the inclusion of £4.1 million received from the sale of assets. Major projects included expansion of ECT's production facilities in the UK, South Africa, Japan and China; investment in catalyst manufacturing for PCT at Clitheroe, UK; and further investment in new capacity at Macfarlan Smith in Edinburgh.

Pensions

The surplus on the group's UK pension scheme increased by £2.5 million to £45.8 million at 31st March 2005. The investment performance of the fund for the year was good but the benefit of this was largely offset by changes in the discount rate and the inflation assumption used in valuing liabilities.

Worldwide, including provisions for the group's post-retirement healthcare schemes and pension related deferred tax assets and liabilities, the group had a net deficit of £1.1 million on retirement benefits net assets compared with a net surplus of £3.5 million at 31st March 2004.

International Financial Reporting Standards (IFRS)

For the financial year ending 31st March 2006 we will be reporting our results under International Financial Reporting Standards (IFRS). We have issued a separate announcement today setting out how the group's income statement, balance sheet and segmental results for the financial year to 31st March 2005 would look under the new standards.

Outlook

The outlook for the next few years is very encouraging. We expect the group to achieve good top line growth from the introduction of new products and also generate cash.

The group's profits were higher in the first half of 2004/05 than in the second half, partly as a result of exchange translation. In 2005/06 we expect this trend to be reversed, with most of the growth coming in the second half of the year.

The much publicised problems in the US car industry are likely to have some impact on Johnson Matthey's results in the first half of 2005/06. We expect car production to be down in the US in our first half which will reduce demand for autocatalysts in that region. However, both Europe and Asia are now bigger car producing regions than the US and Johnson Matthey's businesses in those regions are continuing to see good demand which should more than offset the shortfall in the US. In the first half of 2005/06 we expect profits in our Pharmaceutical Materials Division will be down on the equivalent period in 2004/05 when we were still benefiting from the carboplatin patent, which expired in October 2004.

Despite these factors the underlying growth trend is favourable. HDD legislation in Europe will begin to have an impact in October 2005 and we expect to see demand for aftertreatment devices from original equipment manufacturers start to grow in the second half of the year. We also expect sales of catalysed soot filters for light duty diesel vehicles to grow during the year. Pharmaceutical Materials should benefit from new product launches in early 2006.

Earnings per share will also benefit from the share buy-backs we have undertaken using the proceeds generated by our programme to improve the returns on underperforming assets. We expect to purchase an additional £25 million of shares in the first half of 2005/06. We have completed our review of underperforming assets and do not expect any further exceptional rationalisation costs in 2005/06.

Consolidated Profit and Loss Account

for the year ended 31st March 2005

		2005 Before exceptional items and goodwill amortisation	2005 Exceptional items and goodwill amortisation	2005 Total	2004 Before exceptional items and goodwill amortisation restated £ million	2004 Total restated £ million
	Notes	£ million	£ million	£ million	£ million	£ million
Turnover	1					
Continuing operations		4,626.2	-	4,626.2	4,463.0	4,463.0
Discontinued operations		12.3	-	12.3	29.9	29.9
Group turnover		4,638.5	-	4,638.5	4,492.9	4,492.9
Operating profit	1					
Continuing operations before goodwill amortisation		206.9	-	206.9	202.8	202.8
Goodwill amortisation		-	(20.9)	(20.9)	-	(19.5)
Continuing operations before exceptional items		206.9	(20.9)	186.0	202.8	183.3
Exceptional items	2	-	(23.5)	(23.5)	-	2.1
Total continuing operations		206.9	(44.4)	162.5	202.8	185.4
Discontinued operations		0.4	-	0.4	2.5	2.5
Goodwill amortisation on discontinued operations		-	(0.1)	(0.1)	-	(0.2)
Group operating profit		207.3	(44.5)	162.8	205.3	187.7
Share of profit in associates		0.8	-	0.8	0.7	0.7
Goodwill amortisation on associates		-	(0.1)	(0.1)	-	(0.1)
Total operating profit		208.1	(44.6)	163.5	206.0	188.3
Loss on closure of continuing operations	2	-	(13.2)	(13.2)	-	-
Loss on sale of discontinued operations	2	-	(15.2)	(15.2)	-	-
Profit on ordinary activities before interest		208.1	(73.0)	135.1	206.0	188.3
Net interest		(13.3)	-	(13.3)	(16.3)	(16.3)
Net return on retirement benefits assets and liabilities	3	9.2	-	9.2	6.0	6.0
Profit on ordinary activities before taxation		204.0	(73.0)	131.0	195.7	178.0
Taxation	4	(59.6)	15.6	(44.0)	(58.3)	(57.9)
Profit after taxation		144.4	(57.4)	87.0	137.4	120.1
Minority interests		1.2	-	1.2	1.7	1.7
Profit attributable to shareholders		145.6	(57.4)	88.2	139.1	121.8
Dividends	5	(59.8)	-	(59.8)	(57.4)	(57.4)
Retained profit for the year		85.8	(57.4)	28.4	81.7	64.4
		pence		pence	pence	pence
Earnings per ordinary share						
Basic	6	67.1		40.6	64.0	56.0
Diluted	6	66.9		40.5	63.7	55.8
Dividend per ordinary share	5	27.7		27.7	26.4	26.4

Consolidated Balance Sheet

as at 31st March 2005

	Notes	2005 £ million	2004 £ million
Fixed assets			
Goodwill		354.2	377.1
Tangible fixed assets		604.9	608.1
Investments		6.6	5.5
		<u>965.7</u>	<u>990.7</u>
Current assets			
Stocks		416.5	417.3
Debtors		364.2	387.4
Short term investments		0.6	1.6
Cash at bank and in hand		78.7	106.5
		<u>860.0</u>	<u>912.8</u>
Creditors: amounts falling due within one year			
Borrowings and finance leases		(36.8)	(46.5)
Precious metal leases		(102.1)	(127.4)
Other creditors		(342.9)	(358.9)
		<u>378.2</u>	<u>380.0</u>
Net current assets			
		<u>378.2</u>	<u>380.0</u>
Total assets less current liabilities		1,343.9	1,370.7
Creditors: amounts falling due after more than one year			
Borrowings and finance leases		(411.5)	(454.5)
Other creditors		(0.7)	(0.7)
Provisions for liabilities and charges		(61.9)	(47.4)
		<u>(473.1)</u>	<u>(502.6)</u>
Net assets excluding retirement benefits assets and liabilities		869.8	868.1
Retirement benefits net assets	3	33.5	31.5
Retirement benefits net liabilities	3	(34.6)	(28.0)
		<u>868.7</u>	<u>871.6</u>
Net assets including retirement benefits assets and liabilities		868.7	871.6
Capital and reserves			
Called up share capital		219.5	220.6
Share premium account		139.8	137.1
Capital redemption reserve		6.5	4.9
Shares held in employee share ownership trusts		(37.7)	(28.8)
Associates' reserves		(0.2)	(0.5)
Profit and loss account		533.5	528.9
		<u>861.4</u>	<u>862.2</u>
Shareholders' funds		861.4	862.2
Minority interests		7.3	9.4
		<u>868.7</u>	<u>871.6</u>

Consolidated Cash Flow Statement

for the year ended 31st March 2005

	2005 £ million	2004 £ million
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	162.8	187.7
Depreciation, amortisation and net profit on disposal of fixed assets and investments	86.0	83.5
Net retirement benefits charge less contributions	1.2	1.0
(Increase) / decrease in owned stocks	(38.2)	17.3
Decrease / (increase) in debtors	9.1	(41.7)
Increase in creditors and provisions	10.4	11.9
Net cash inflow from operating activities	231.3	259.7
Cash Flow Statement		
Net cash inflow from operating activities	231.3	259.7
Dividends received from associates	0.2	0.5
Returns on investments and servicing of finance	(13.1)	(16.4)
Taxation	(52.9)	(43.1)
Capital expenditure and financial investment	(86.8)	(114.4)
Acquisitions	(4.0)	(18.4)
Disposals	23.3	-
Equity dividends paid	(58.4)	(56.4)
Net cash flow before use of liquid resources and financing	39.6	11.5
Management of liquid resources	9.9	1.1
Financing		
Issue and purchase of share capital	(16.1)	(8.5)
(Decrease) / increase in borrowings and finance leases	(50.6)	6.3
Net cash outflow from financing	(66.7)	(2.2)
(Decrease) / increase in cash in the period	(17.2)	10.4
Reconciliation of net cash flow to movement in net debt		
(Decrease) / increase in cash in the period	(17.2)	10.4
Cash outflow / (inflow) from movement in borrowings and finance leases	50.6	(6.3)
Cash inflow from movement in liquid resources	(9.9)	(1.1)
Change in net debt resulting from cash flows	23.5	3.0
Loan notes (issued) / cancelled to acquire subsidiaries	-	(1.1)
Translation difference	1.4	6.1
Movement in net debt in year	24.9	8.0
Net debt at beginning of year	(394.5)	(402.5)
Net debt at end of year	(369.6)	(394.5)

Total Recognised Gains and Losses

for the year ended 31st March 2005

	2005 £ million	2004 £ million
Profit attributable to shareholders	88.2	121.8
Currency translation differences on foreign currency net investments and related loans	(1.9)	(23.8)
Taxation on translation differences on foreign currency loans	2.0	16.8
Actuarial (loss) / gain on retirement benefits assets and liabilities	(15.5)	36.1
Taxation on actuarial loss / gain on retirement benefits assets and liabilities	3.6	(11.0)
Total recognised gains and losses relating to the year	76.4	139.9
Prior year adjustment	-	(108.3)
Total recognised gains and losses recognised since previous annual report	76.4	31.6

There were no material differences between reported profits and losses and historical cost profits and losses on ordinary activities before tax for 2005 and 2004.

Movement in Shareholders' Funds

for the year ended 31st March 2005

	2005 £ million	2004 £ million
Profit attributable to shareholders	88.2	121.8
Dividends	(59.8)	(57.4)
Retained profit for the year	28.4	64.4
Other recognised gains and losses relating to the year	(11.8)	18.1
New share capital subscribed	3.2	6.4
Purchase of own shares	(16.3)	-
Purchase of shares for employee share ownership trusts (ESOTs)	(8.9)	(14.9)
Shares in ESOTs utilised for long term incentive plan	-	0.9
Movement in long term incentive plan	(1.2)	-
Goodwill written back on sale of Pigments & Dispersions business	5.8	-
Net movement in shareholders' funds	(0.8)	74.9
Opening shareholders' funds	862.2	787.3
Closing shareholders' funds	861.4	862.2

Notes to the Preliminary Financial Statements

for the year ended 31st March 2005

1 Segmental information

	Turnover		Sales excluding precious metals		Operating profit		Net operating assets	
	2005	2004 restated	2005	2004 restated	2005	2004 restated	2005	2004 restated
Activity analysis	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Catalysts	1,183.6	1,142.7	698.5	720.3	111.5	109.2	818.7	819.7
Precious Metal Products	3,068.7	2,956.4	124.0	120.6	45.4	44.2	25.7	19.0
Pharmaceutical Materials	131.8	139.7	124.6	131.5	40.0	42.3	282.5	281.4
Colours & Coatings	242.1	224.2	240.6	222.1	27.4	24.2	168.5	174.2
Corporate	-	-	-	-	(16.6)	(16.4)	(56.0)	(62.2)
	4,626.2	4,463.0	1,187.7	1,194.5	207.7	203.5	1,239.4	1,232.1
Discontinued operations	12.3	29.9	12.3	29.9	0.4	2.5	-	30.5
	4,638.5	4,492.9	1,200.0	1,224.4	208.1	206.0	1,239.4	1,262.6
Goodwill amortisation					(21.1)	(19.8)		
Exceptional items included in total operating profit (note 2)					(23.5)	2.1		
					163.5	188.3	1,239.4	1,262.6
Loss on closure of continuing operations (note 2)					(13.2)	-		
Loss on sale of discontinued operations (note 2)					(15.2)	-		
Net interest					(13.3)	(16.3)		
Net return on retirement benefits assets and liabilities					9.2	6.0		
Profit on ordinary activities before taxation					131.0	178.0		
Net borrowings and finance leases							(369.6)	(394.5)
Net assets excluding retirement benefits assets and liabilities							869.8	868.1
Retirement benefits net (liabilities) / assets							(1.1)	3.5
Net assets including retirement benefits assets and liabilities							868.7	871.6

	Turnover		Operating profit		Net operating assets	
	2005	2004 restated	2005	2004 restated	2005	2004 restated
Geographical analysis by origin	£ million	£ million	£ million	£ million	£ million	£ million
Europe	3,269.1	3,209.5	91.0	79.0	862.3	890.5
North America	1,041.7	961.9	62.1	72.0	253.1	227.4
Asia	999.7	837.6	19.0	19.4	68.4	55.2
Rest of the World	257.0	272.2	35.6	33.1	55.6	59.0
	5,567.5	5,281.2	207.7	203.5	1,239.4	1,232.1
Discontinued operations	14.2	33.4	0.4	2.5	-	30.5
	5,581.7	5,314.6	208.1	206.0	1,239.4	1,262.6
Less inter-segment sales	(943.2)	(821.7)				
Total turnover	4,638.5	4,492.9				
Goodwill amortisation			(21.1)	(19.8)		
Exceptional items included in total operating profit (note 2)			(23.5)	2.1		
			163.5	188.3	1,239.4	1,262.6
Loss on closure of continuing operations (note 2)			(13.2)	-		
Loss on sale of discontinued operations (note 2)			(15.2)	-		
Net interest			(13.3)	(16.3)		
Net return on retirement benefits assets and liabilities			9.2	6.0		
Profit on ordinary activities before taxation			131.0	178.0		
Net borrowings and finance leases					(369.6)	(394.5)
Net assets excluding retirement benefits assets and liabilities					869.8	868.1
Retirement benefits net (liabilities) / assets					(1.1)	3.5
Net assets including retirement benefits assets and liabilities					868.7	871.6

The group sold its Pigments & Dispersions business (part of Colours & Coatings) during the year (note 8) and so its results are reported as discontinued operations.

Notes to the Preliminary Financial Statements

for the year ended 31st March 2005

2 Exceptional items

An exceptional charge of £23.5 million (2004 credit of £2.1 million) has been included in total operating profit. This comprises:

	2005 £ million	2004 £ million
Cost of integrating the business of Activated Metals and Chemicals, Inc.	(1.0)	-
Cost of integrating the business of Lancaster Synthesis Limited	(2.0)	-
Colours & Coatings rationalisation costs	(10.3)	-
UK pgm refining rationalisation	(10.2)	-
Litigation settlement (Pharmaceutical Materials)	-	14.8
Other Catalysts' rationalisation costs	-	(12.7)
Exceptional items in total operating profit	(23.5)	2.1

The loss on closure of continuing operations of £13.2 million relates to the closure of the gold and silver bullion refinery in Royston, UK.

The loss on sale of discontinued operations of £15.2 million relates to the sale of the Pigments & Dispersions business (note 8).

3 Retirement benefits assets and liabilities

	2005 £ million	2004 £ million
Net return		
Expected return on scheme assets	45.2	37.5
Interest on scheme liabilities	(36.0)	(31.5)
	9.2	6.0

Pension fund assets and liabilities

The net assets of the group's retirement benefits schemes which are in surplus and the net liabilities of the schemes which are in deficit are shown separately in the balance sheet. At 31st March 2005 the group's UK defined benefit pension scheme held assets with a market value of £659.4 million and had a net surplus, before tax, of £45.8 million. The group's other main pension schemes are in the USA. At 31st March 2005 these schemes held assets with a market value of £64.1 million and had a net deficit, before tax, of £11.6 million. The group also operates schemes for post-retirement medical benefits (now closed to new members) which are unfunded and had net liabilities of £26.5 million at 31st March 2005.

4 Taxation

	2005 £ million	2004 £ million
United Kingdom	22.5	27.4
Overseas	37.1	30.8
Associates	-	0.1
Tax on ordinary activities before exceptional items and goodwill amortisation	59.6	58.3
Tax on goodwill amortisation	(1.9)	(2.0)
Tax on exceptional items included in total operating profit	(7.0)	1.6
Tax on loss on closure of continuing operations	(3.9)	-
Tax on loss on sale of discontinued operations	(2.8)	-
	44.0	57.9

5 Dividends

A final dividend of 19.0 pence (2004 18.2 pence) per ordinary share is proposed for payment on 2nd August 2005 to shareholders on the register at 10th June 2005. Together with the interim dividend of 8.7 pence (2004 8.2 pence) this would make a total dividend of 27.7 pence (2004 26.4 pence) giving a total payment of £59.8 million (2004 £57.4 million).

Notes to the Preliminary Financial Statements

for the year ended 31st March 2005

6 Earnings per ordinary share

Profit for the year attributable to shareholders is £88.2 million (2004 £121.8 million). This is divided by the weighted average number of shares in issue calculated as 217,005,241 (2004 217,629,033) to give basic earnings per share of 40.6 pence (2004 56.0 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 497,097 (2004 778,267), giving diluted earnings per share of 40.5 pence (2004 55.8 pence).

Before exceptional items, goodwill amortisation and the tax thereon, basic earnings per share were 67.1 pence (2004 64.0 pence) and diluted earnings per share were 66.9 pence (2004 63.7 pence).

	2005 £ million	2004 £ million
Attributable profit	88.2	121.8
Goodwill amortisation	21.1	19.8
Exceptional items	51.9	(2.1)
Tax thereon	<u>(15.6)</u>	<u>(0.4)</u>
Adjusted profit	<u>145.6</u>	<u>139.1</u>
Earnings per share before exceptional items and goodwill amortisation		
Basic	67.1p	64.0p
Diluted	66.9p	63.7p

7 Acquisition of the business of Lancaster Synthesis Limited

On 30th September 2004 the group acquired the business of Lancaster Synthesis Limited (Lancaster) from Clariant AG for £2.3 million. Costs incurred were £0.5 million. Lancaster manufactures and distributes organic compounds for research and development purposes and is headquartered in Morecambe, UK. The fair value of the net assets acquired was £2.8 million. This has been accounted for by acquisition accounting.

8 Sale of Pigments & Dispersions business

On 1st September 2004 the group sold its Pigments & Dispersions business to Rockwood Pigments (UK) Limited for an initial consideration of £27.0 million which has since been reduced by £1.9 million following agreement as to the level of assets in the business at completion and the level of net debt transferred to the purchaser. Costs incurred were £2.9 million. The net assets disposed of were £33.2 million, including £0.1 million of cash. After including £5.8 million of goodwill previously written off directly to reserves the disposal resulted in a loss of £15.2 million.

9 Basis of preparation

The financial information contained in this release does not constitute the company's statutory accounts for the years ended 31st March 2005 or 31st March 2004 but is derived from those accounts. Statutory accounts for 2004 have been delivered to the Registrar of Companies and those for 2005 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 2005 were approved by the Board of Directors on 31st May 2005.

Financial Calendar 2005

10th June

Final ordinary dividend record date

19th July

114th Annual General Meeting (AGM)

2nd August

Payment of final dividend subject to declaration at the AGM

23rd November

Announcement of results for six months ending 30th September 2005

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.

Johnson Matthey Public Limited Company

Registered Office: 2-4 Cockspur Street, Trafalgar Square, London SW1Y 5BQ

Telephone: 020 7269 8400

Internet address: www.matthey.com

E-mail: [jmpmr@matthey.com](mailto:jmpr@matthey.com)

Registered in England - Number 33774

Registrars

Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA

Telephone: 0870 600 3970

Internet address: www.shareview.co.uk