

EXECUTIVE SUMMARY

The platinum market was in deficit by 375,000 oz in 2012 due to a steep decline in output from South Africa. Primary supply of platinum fell by 13% to 5.64 million ounces, the lowest for 12 years. Total demand for platinum in 2012 was down by 0.6% to 8.05 million ounces. Recycling of platinum came to 2.03 million ounces, marginally less than in 2011.



Platinum shipments by South African producers fell by 16% to 4.10 million ounces in 2012. At least 750,000 oz of production were lost to legal and illegal strikes, safety stoppages and closure of some marginal mining operations. Changes to supply from other regions were insignificant by comparison.

Gross demand for platinum in autocatalysts rose by 1.7% to 3.24 million ounces. Weak European demand for platinum, due to depressed light vehicle output and a lower market share for diesel vehicles, was more than offset by higher demand in Asia and North America and by increasing demand for platinum autocatalysts for non-road diesel engines.



Gross world jewellery demand for platinum improved by 12% in 2012 to 2.78 million ounces. It was boosted by expansion of the retail jewellery distribution network in China, allied to a degree of increase in manufacturers' finished jewellery stocks. Investment demand for platinum was steady at 455,000 oz, with strong investor interest in North America and a rise in the minting of platinum coins.

Industrial demand for platinum in 2012 fell by 21% to 1.57 million ounces. It was affected by a slowing of expansion in the glass industry, reduced production of hard disk drives in the electrical industry and the drawdown of inventory in both sectors. Chemical demand was slightly lower than in 2011, while demand for platinum in other applications was stable.



Recycling of platinum from end-of-life autocatalysts fell in Europe and North America. The price of platinum averaged \$1,552 in 2012, \$169 lower than in 2011, causing collectors of spent autocatalysts to hoard stock awaiting better price opportunities. The decline in recovery from this source was partly offset by greater recycling of platinum jewellery scrap in China.

Gross demand for rhodium grew by 6% in 2012 to 966,000 oz. Autocatalyst demand was bolstered by a rebound in vehicle production in Japan after the catastrophic natural disasters of 2011 and by a buoyant market for cars in North America, but there was a fall in buying from the glass industry. Primary supplies, affected by output lost to disruption at South African mines, declined by 43,000 oz to 722,000 oz. With recovery from scrap down slightly to 259,000 oz in 2012, the rhodium market was in surplus by 15,000 oz.



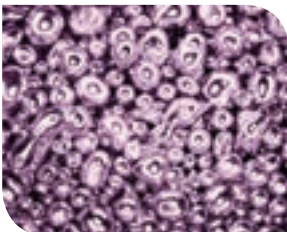
The palladium market moved into a deficit of 1.07 million ounces in 2012 from a surplus of 1.19 million ounces in 2011. This was the result of lower primary and secondary supplies, record demand for palladium autocatalysts from the auto industry and a substantial swing in investment demand from heavily negative in 2011 to strongly positive in 2012.

Palladium supply fell by 11% in 2012 to 6.55 million ounces, the lowest since 2002. Russian newly-mined supply declined by 3% to 2.63 million ounces, while sales from state stocks fell by two-thirds to 250,000 oz as palladium reserves neared depletion. South African palladium supply, affected by strikes and other stoppages, fell by 9% to 2.33 million ounces.



Gross demand for palladium rose by 16% to 9.90 million ounces in 2012. Purchases for autocatalyst manufacturing increased by 7.5% to a new high of 6.62 million ounces, propelled by recovering car output in Japan after the natural disasters of 2011, further growth in China, and a boom in new registrations in North America as consumer confidence and economic activity continued to improve.

Industrial demand for palladium weakened by 4% to 2.37 million ounces in 2012. The metal was less intensively used for chip capacitors, its main electrical application, due to thrifting and to competition from base metal alternatives. Demand for palladium process catalysts improved with the expansion of capacity in Asia for making chemical intermediates for polyesters and plastics.



Lower production in China was the cause of a 12% decline to 445,000 oz in gross world demand for palladium in jewellery. Anaemic consumer demand for palladium jewellery in China has resulted in fewer manufacturers and retailers producing it or carrying stock. Demand for palladium was steady in most other regions and slightly higher in Europe, supported by its use in wedding rings for men.

Net physical investment in palladium in 2012 changed by over one million ounces. It switched from a negative 565,000 oz in 2011 to a positive 470,000 oz last year. Flows of palladium into exchange traded funds (ETFs) were strong in the first half of the year. The launch of a new investment trust in the USA in December 2012 added significantly to demand.



Demand for both ruthenium and iridium fell substantially in 2012 after two exceptionally strong years. Ruthenium demand was down by 32% to 679,000 oz due to sharply reduced buying of metal for the production of hard disks and for use in chemical catalysts. Adequate stocks of iridium crucibles for growing single crystal sapphire meant a pronounced drop in buying from the electrical industry, causing global iridium demand to fall by 46% to 178,000 oz.