

**QUESTIONS AND ANSWERS FOLLOWING THE PRESENTATION OF
PLATINUM 2005 IN LONDON, 16TH MAY 2005**

Responding for Johnson Matthey:

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Q1: I wonder if you would share with us any thoughts you might have on the possible impact of a revaluation of the Renminbi?

JEREMY COOMBES: Revaluation of the Chinese currency would have a short-term impact which would be positive on platinum demand because it would reduce the price. Manufacturers would, therefore, have a better margin and they would take advantage of that. You'd see a bit more demand but I think in the longer term, and that might not take very long to come about, the competitive nature of the industry would probably drive the margins down a bit and we would be back to the position that we are in today. So, short-term benefit, long-term neutral.

Q2: You didn't mention the possible impact of palladium in diesel autocatalysts in the coming year, given the comments from people like Umicore.

JEREMY COOMBES: Yes, Umicore and Engelhard have both announced that they are going to be fitting systems containing palladium onto diesel cars in the near future. In both cases they've given a rough idea of the proportion of palladium in the system. It's not very high and we for our own part, working as we do with the major manufacturers to do much the same thing, estimate that the proportion of palladium in the systems will be low. We'll see these systems coming into the market towards the end of this year, early next year. But their application will be limited initially and it will be sometime before we see significant demand for palladium from this application.

BILL SANDFORD: I think the Engelhard announcement, which is the one recently, suggested that perhaps a third of the platinum might be changed over to palladium in a three-brick system. That doesn't automatically lead you to the fact that that's a ninth of the platinum because the loadings on the different bricks will be different, so, until we know that information it's not possible to know the exact amount, but as Jeremy said it's a relatively small proportion which will be substituted. It's a third of one brick in a three-brick system so the other two bricks which are currently platinum will remain platinum now. You know, the amount of metal on each of the bricks will be different and since we don't know in that particular system how much metal there is on that brick which is going to be substituted it is hard to tell the exact amount. But, it's a relatively small proportion, is the overall conclusion and as Jeremy says that fits in with what we're doing with all the other manufacturers as well.

Q3: I'd just like to push you to be a little more precise maybe, if I may, on the significant increase in autocatalyst recovery especially for palladium. According to your figures it was up 29% and up maybe 60% in Europe last year. So what sort of impact as well going ahead do you expect from the end-of-life recycling legislation? Do you see another 60% increase in Europe? What sort of figures are you looking for?

MIKE STEEL: Well in terms of looking ahead I think the key factor - I can't give you precise figures going forward several years but I think one of the things we shall see is that in maybe another year or two - probably two years from now, you'll see more palladium recovered from scrapped autocatalyst than you will platinum. In a way, the platinum is growing but relatively slowly - palladium, as we see a lot of those mid-1990s catalysts coming back, is going to go up quite sharply. So we expect it to overtake platinum.

Q4: European diesel cars are accelerating soot-filter fitment - we're talking about a million now and probably seven to eight million of those two, three years from now. Can you just indicate what that would mean per car? Are we going to see increased loadings per car? Is the combination of diesel oxidation catalyst standing up with an equivalent loading to what we've seen in the past and is it having any impact at all?

Secondly, we've seen Japan jump high - heavy duty diesel quite strongly. The U.S. in 2007 will - mostly U.S. trucks will have soot filters as well. Can you give us an idea of the size of that impact on the market?

JEREMY COOMBES: That's right. The application of filters to cars in Europe to make the Euro IV regulations coming into place this year is significant for platinum demand and the loading on those cars is going to increase quite significantly. Not every car is going to have a filter this year because you don't necessarily have to have one to meet the legislation, but there is a very strong drive, particularly in Germany, to fit filters to control particulate levels, and there is a lot of consumer demand for that backed up by the German government now offering to introduce incentives for the fitment of filters which means a financial payment to the benefit of the consumer. So, the pressure to fit filters is going to increase, and that's why we do believe very strongly that platinum demand for the auto industry in Europe is going to continue to increase.

MARK BEDFORD: I think as far as the heavy duty market is concerned, and what we're seeing up until now and certainly this year as well, is a lot of platinum being used in retrofit in Japan, but increasingly what's going to happen is that more and more original equipment is going to be made using platinum catalysts and certainly once the new legislation comes along in the United States leading up to tier two in 2007 I think you'll see quite an acceleration in the fitting of platinum bearing catalyst systems. So, if you're looking at say a number of around 100,000 ounces now, which we probably are for heavy duty diesel worldwide, it's going to be several times that figure, probably, as we move towards the end of the decade.

Q5: Thrifting has always been with us in most industrial applications and PGMs; the advent of nanotechnology has kicked it on a bit, allegedly - is there a real danger that some of these core sectors, from the chemical, the pharmaceutical sector, and others, fuel cells included, could see a significant reduction in PGM loadings, suggesting that some of these sectors could be net givers and not net takers of metals.

MARK BEDFORD: It's an interesting question; the impact of nanotechnology is still, I think, yet to be seen. I think the most important thing to remember is that catalysis is applied nanotechnology at the end of the day and in the PGM industry in a way we were the first nanotechnologists, we've been doing it for a long time and we don't see any particular area where the kind of breakthrough in terms of loading you've discussed is actually going to occur. There's obviously a lot of hubris around various types of nanotechnology but as I say catalysis is effectively nanotechnology in the first place. So I don't think, certainly not in the next few years, we're going to see a major impact.

BILL SANDFORD: I think that's right, I don't think there's any step change to come here, so relatively small changes, if you like, in the efficiency of catalysts, which has been going on anyway since all the catalysts were first introduced thirty years ago. So I think more of a gradual change here, really.

Q6: Would you like to tell us what's going on with the Rhodium markets and where you see that going?

BILL SANDFORD: Well Rhodium obviously has had an exciting year, in some ways more exciting than the other metals in 2004, the price tripled. It's a small market, 700,000 ozs so it's only a little over 10% the size of the other markets. It's a market which therefore is easy to distort, if there are more supplies or more demand. As it happens, last year, or should I say if we go back to 2003, in that particular year we had a surplus, we had a price which drifted down to \$500 and stayed relatively dormant and last year the market turned round with supplies from Russia and more demand in terms of LCD glass, which Mike's already mentioned, higher loadings on cars for NOx control and a market which the previous year was in surplus is now in deficit. Not a huge amount, but enough in the Rhodium market to have an impact. And then you smear on top of that the impact of funds and that is enough to take the price up three fold. Now, if your next question is "where is it going to go from here", that's as equally difficult as if you'd asked me one year ago - except to say that I think our numbers would suggest that there will be at least a balance from this year and therefore to a large extent I think it is the impact of the funds actually that will really have the big impact on the price.

The market is very close to balance, I mean at this stage, here we are we're only 5 months into the year and we believe that if it's not a balance it's going to be very close to balance; it could be a small surplus, or a small deficit, but you're talking probably relatively small numbers.

Q7: There's a view in the auto sector, that, as gasoline grades evolve, especially in Europe, you might see an inflection point in terms of the inroads diesels have made, do you have any views on that, do you see that happening certainly over the next five or ten years?

JEREMY COOMBES: The growth in diesels continues, I think as far as we can see, they're reaching 48% share last year in Europe, nearly hitting 50% at the moment. Most analysts of this sector expect to see a 60% share achieved over the next few years. I doubt very much whether we get near 100% but there certainly is the potential to get another 20% there and this will all be very positive for platinum demand

BILL SANDFORD: One of the key drivers of course is fuel prices and the fuel efficiency of diesel cars and right now that's at least as pressing as it's ever been.

Q8: In the past month we have had a significant sell off in global mining shares and this has fed through to the underlying where we have seen significant falls in industrial metal prices. The OECD's leading indicator of IP has turned negative, people are worried about the slowdown in the business cycle. So when you came to sit down and look at your platinum prices with the \$830 – \$930 range, where the bias is clearly for the upside from current prices, what about the big number being a 7 as opposed to an 8?

MIKE STEEL: Actually I am not sure that the bias was on the upside compared with the down when we sat down and fixed those prices because as you know the prices have come off a little bit in the last week or two. But I think the key thing is that platinum is not isolated from industrial trends, no question about that. But some of the applications are quite specialized and some are not industrial, some are, the jewelry is not industrial, the auto-catalysts sector is very much driven by other factors – all right, the production of vehicles does matter, but it's the emissions legislation that is coming into play - in the industrial sector the one significant growth area we see again for 2005 is in the production of liquid crystal displays - there is no question that that production is going ahead, whether in the end that produces a market where there is an over supply of materials, who knows in another year or so, but those things are going ahead. So that gave us quite a bit of confidence that the demand is going to remain firm and increase this year; the only uncertainty plainly is some elements of the jewelry sector and that's really, I think, not related to the sorts of things that you have just mentioned.

MARK BEDFORD: Mike has mentioned jewelry briefly; I think we should never underestimate the Chinese consumer in terms of the lower platinum price and the effect that could have on jewelry demand in China. I still think there is quite a good pent-up demand for platinum jewelry in China and if the price lowers it is going to look a lot more attractive to some of the manufacturers and demand could come back, it's why I personally have a problem with seeing a 7 in front of that number.

BILL SANDFORD: We did get there briefly, as you know last year we were in the high \$700s as the funds sold off their positions - if they sold them - they are now back to 300,000 ozs, historically that's not a very big position for platinum. If they were to sell those positions today very quickly then the price would go down, but I think Mark's point is absolutely right that the Chinese consumers would react, they'd see that as a bargain and they'd buy the metal. That's exactly what happened last year and it's that sort of thing that would be repeated.

Q9: If the market is in deficit in 2004 and close to balance this year, why are lease rates so low for platinum, by historical standards?

BILL SANDFORD: Well certainly I think one of the factors in the market has been the funds, and the funds are quite large owners of metals - 300,000 ozs on NYMEX, more on TOCOM, more, certainly, in over-the-counter trades, and some of those funds are happy to lend that metal back to the market. Certainly there is quite a lot of speculative activity, there is no doubt about that, and there is also more platinum demand for auto usage as well and typically the car companies - unlike the jewelry buyers who tend to buy spot and take the metal away, which

tends to fuel lease rates - the auto buyers tend to be either spot buyers, and occasionally lend it back to the market, or forward buyers which has the same impact, so, you know, there has been a slight change in the market in that sense over the last five years. I think that, together with the speculative activities, is enough right now to keep the lease rate fairly benign.

Q10: I was just wondering if I can push you a bit more on Palladium jewelry in China; how much do you think the split is between retail consumption and stock building of the 700,000 ozs?

JEREMY COOMBES: I think it is virtually impossible to answer your question about the split. But just to say a few words perhaps about the state of play in China would give us an idea of where it's heading. I mean, Palladium jewelry certainly has a lot of momentum and yet when you look at where palladium jewelry is popular it's got a very regional imbalance and there are certain areas of China where palladium is selling hugely and others where it is not selling at all. And we know that in Shanghai you cannot buy palladium jewelry as nobody has it on sale. And so because we saw this very very rapid switch last year to the production of palladium jewelry by manufacturers we know there must have been a big effect of stock building and there was a very rapid dispersion of palladium around the country. Now the evidence from our visits to China suggests that the stock is turning over but I don't think it is turning over at 100% - so at the moment we would have to be cautious in predicting any change in palladium demand levels because we simply have not got the evidence so far that the retail turnover is high enough to keep demand at last year's level.
