

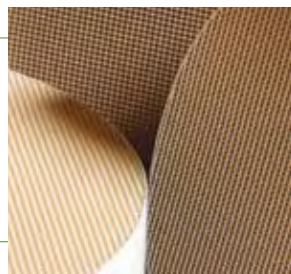
EXECUTIVE SUMMARY

The platinum market moved from a surplus of 355,000 oz in 2006 into a deficit of 480,000 oz in 2007. Disruption to production in South Africa drove global platinum supplies down to 6.55 million ounces. Demand for platinum rose to 7.03 million ounces with increased purchases of metal for autocatalysts and for industrial uses. The platinum price hit a series of record highs in response.



Platinum supplies in 2007 fell by 4.1 per cent to 6.55 million ounces. A mixture of issues occurred in South Africa including unscheduled smelter closures, geological and safety problems and a difficult industrial relations climate: South African supplies fell by 4.9 per cent to 5.04 million ounces. The power supply crisis and flooding in early 2008 will affect production this year.

Platinum **purchases by the autocatalyst sector** rose by 8.2 per cent in 2007 to 4.23 million ounces. The market share of the diesel car continued to grow in Europe: these are fitted with platinum-based catalysts and, often, particulate filters.



The number of medium and heavy duty diesel vehicles produced in Europe, Japan and North America which were fitted with platinum-based exhaust aftertreatment to meet emissions rules also continued to increase.

Despite a rising price, **purchases of platinum by the jewellery industry, excluding scrap, fell only marginally** to 1.59 million ounces. Retail sales and manufacturing volumes were resilient in most geographical markets but the quantity of second-hand jewellery and unsold retail stock returned for recycling in Asia increased.



Platinum investment demand climbed sharply to 170,000 oz in 2007 from net disinvestment of 40,000 oz the previous year. Investors in Japan sold more metal back to the market than they bought. However, the launch of two new platinum-based exchange traded funds in Europe in the first half of 2007 created significant new investment demand.

Platinum **industrial demand rose strongly** to reach 1.94 million ounces, six per cent up from the 2006 total. Some price sensitivity was seen – for example, in the chemicals sector.



However, booming retail sales in the electronics sector drove platinum requirements for hard disks and for the manufacture of flat panel display glass higher.

Rhodium remained in deficit in 2007, by 34,000 oz. Despite lower production, supplies rose – to 822,000 oz – due to increased sales from stocks of refined metal. Demand climbed to 856,000 oz. Autocatalyst demand rose only slightly, pegged back by thrifting of catalyst rhodium content. The price firmed throughout 2007 and ended the year at \$6,850.





The palladium market was in a significant surplus of 1.75 million ounces in 2007. Demand rose to 6.84 million ounces, with increasing contributions from the autocatalyst, electronics and investment sectors. Palladium production in Russia and South Africa changed little but heavy sales of Russian State stock took total supplies to 8.59 million ounces in 2007.

Palladium supplies rose by eight per cent to 8.59 million ounces in 2007. In South Africa, increased sales from refined stocks augmented mine production to bring supplies to 2.77 million ounces, just 5,000 oz below 2006 levels. Russian primary production declined slightly, to around 3.05 million ounces. We believe the shipments of 1.29 million ounces of State stock in December 2006 were not sold until 2007 and therefore include these in our estimates for 2007 supplies.



Autocatalyst demand for palladium climbed by 10.8 per cent in 2007 to a total of 4.45 million ounces. Rising vehicle production in China and the Rest of the World region added to palladium purchases.



Auto makers continued to use palladium to replace all of the platinum in a typical gasoline autocatalyst, and some of the platinum in a proportion of diesel catalyts, pushing demand higher.



Palladium jewellery demand fell from 995,000 oz in 2006 to 740,000 oz in 2007. Jewellery manufacturing demand in China fell to 500,000 oz. The industry remains fully stocked and recycling of large amounts of old, unsold stock drove palladium demand lower last year although there are signs that this market has stabilised. In Europe and North America, palladium jewellery demand improved.

Net palladium **investment demand climbed to an unprecedented 260,000 oz.** Two palladium exchange traded funds were launched in Europe during the second quarter of 2007 and stimulated large new investment demand of 280,000 oz. There was net disinvestment of 20,000 oz of palladium coins and bars.



Industrial and other applications consumed 2.39 million ounces of palladium in 2007, a small increase from the previous year. Demand from the electronics industry continued to grow.



Strong growth in production outweighed the effects of miniaturisation and substitution of palladium in multi-layer ceramic capacitors. Dental demand rose marginally, reversing several years of decline.



Ruthenium demand fell by almost a third to 1.14 million ounces in 2007. New hard disk technology which employs ruthenium won an increasing market share but thriftier, higher amounts of recycling and careful control of working stocks reduced net electronics sector demand significantly.