Johnson Matthey

Platinum 2008

19th May 2008

Good morning to everyone, and welcome again to Platinum 2008.

I’m going to concentrate on the busy worlds of Pt and Pd, and finish with a couple of slides on Rh, but anyone would like some more detail on Rh or the minor metals, we’ll be happy to take them in the Q & A session after the presentation.

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Platinum

So, starting with Pt. I’ll give a review of how we saw the platinum market over 2007 and then look a bit into the future

Platinum: Key features

- Platinum market in deficit by 480,000 oz in 2007
- Supplies fall due to South African problems
- Autocatalyst demand grows 8.2% due to diesel emissions control
- Jewellery demand resilient: falls only marginally
- Investment demand climbs due to ETFs
- Platinum records a series of record prices

Platinum returns to a deficit of 480,000 oz in 2007

On the supply side, South African production of platinum fell due to the fairly well-publicised and wide range of issues from safety closures to strikes to smelter shutdowns.

On demand, the biggest application remains the autocatalyst market which grew by 8.2 per cent due to the increasing number of platinum-containing catalysts fitted to light duty and heavy duty vehicles.

In the jewellery industry, worldwide demand was resilient in the face of high metal prices last year and dropped by only 55,000 oz.

The launch of two physically-backed exchange traded funds boosted investment demand in Europe and proved relatively successful.

And on the back of all this, 2007 saw a steadily rising price through the first ¾ of the year, helped by the weak dollar. The climb accelerated in the final quarter of 2007 and into early 2008 sending the platinum price to some unprecedented levels.

Platinum Supply and Demand

'000 oz	**2006**	**2007**	**%**
Supply	**6,830**	**6,550**	**(4.1)**
Demand	**6,475**	**7,030**	**+8.6**
Movements in stocks	**355**	**(480)**	

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In number terms, this means:

a 4.1% reduction in supply to 6.550m ozs.

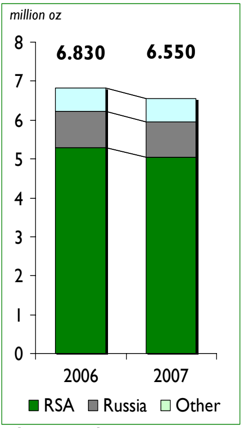
a 8.6% increase in platinum demand to 7.030m ozs

This produced a deficit of 480,000ozs compared to the previous year's surplus of 355,000 oz.

So, talking in a little more detail first on the supply side…

This is the view from Everest on the Eastern limb of the Bushveld, looking North at Mototolo, with the Boosydendal and Der Brochen properties (still to be developed of course) on the left.

Platinum Supply Falls 4.1%



- 2007 South African output drops to 5.035 million oz due to a combination of strikes, safety issues and processing problems
- Russian production falls marginally to 910,000 oz
- North American production falls slightly to 325,000 oz

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Perhaps the biggest story in 2007 was the drop of around 4% in worldwide platinum supply with reductions in output in South Africa, Russia and North America.

South African supplies fell by about ¼ m oz to 5.035 million oz due to a range of issues which we will touch on in the next slide.

In Russia, combined platinum production from Norilsk Nickel and the alluvial producers in Eastern Russia fell slightly. The export licence problems experienced early in 2007 did disrupt the market but did not affect the amount of metal supplied during the year overall.

North American output fell slightly to 325k oz.

Zimbabwe stood out as the only location where platinum supplies rose as the expansion programme there continued to progress. (165k oz to 169k oz).

South African Platinum Supply

- Supplies fall from 5.295 million oz in 2006 to 5.035 million oz in 2007
- Problems include:
  - Lonmin smelter shutdown
  - Strikes surrounding wage negotiations
  - Continued focus on improving safety
  - Finding and retaining skilled staff
- Some growth at mines such as Mototolo and Two Rivers
- Power issues have no effect during 2007 but will impact upon 2008 output.

Looking at South African supplies in more detail, there were a number of contributory factors to the downturn.

Early in the year, a matte leak at Lonmin's No.1 smelter in Marikana affected that company's production.

Moving into the South African winter, in the middle of the year, the two-yearly wage negotiations – and other industrial relations issues - led to a number of short-lived but disruptive strikes .

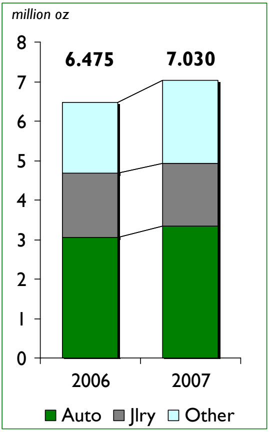
Safety was very much at the top of everyone's agenda. Anglo Platinum, for example, had a rolling shutdown at Rustenburg to address safety issues.

The challenges of finding and retaining skilled staff also remained a major concern for the industry.

However, there were bright spots with expansion at a number of operations (Mototolo jv AP/Xstrata +80; Two Rivers jv Impala/ARM + 70).

It is worth noting that the power supply issues only came to a head in early 2008 and had almost no impact on metal supplies in 2007.

Platinum Demand Climbs by 8.6%



- Total demand climbs 555,000 oz to 7.03 million oz
- Gross autocatalyst demand rises by 320,000 oz
- Jewellery demand drops by 55,000 oz to 1.585 million oz
- Industrial demand climbs 6.0% to 1.940 million oz
- ETFs boost investment demand to 170,000 oz

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Switching now to the demand side…

Total demand up by more than ½ million oz.

There was an increase in gross autocatalyst demand – the green bar in this chart - of 320,000 oz.

Jewellery demand fell but only by 55,000ozs and demonstrated remarkable resilience in the face of rising platinum prices.

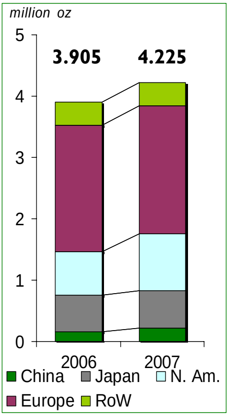
There was also very healthy growth in a number of industrial sectors.

Exchange Traded Funds or ETFs encouraged additional investment demand.

Let’s look at each of these demand areas in a little more detail…

This picture is of some scrap Japanese jewellery being returned for recycling.

Platinum Demand: Autocatalyst



- Gross auto sector platinum purchases rise by 8.2% to 4.225 million oz
- Diesel sector drives growth
  - Increasing fitment of DPFs
  - Further growth in HDD market
- Japan and Korea continue to use platinum in autocatalysts
- Substitution of platinum in diesel and gasoline continues

In the Auto industry, purchases of platinum grew strongly by 8.2% to 4.225m ozs.

The diesel sector was again the key driver in this growth.

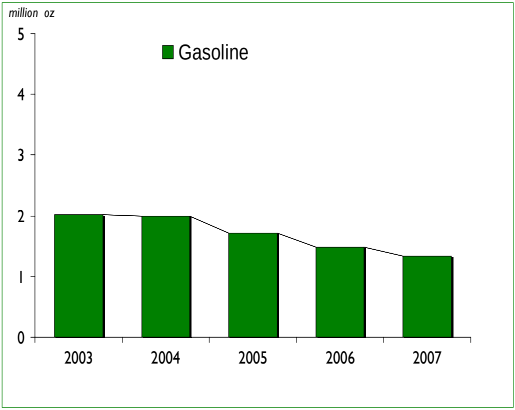
More light duty European vehicles were fitted with platinum-containing diesel particulate filters or DPFs in anticipation of Euro 5 legislation.

Tightening heavy duty diesel legislation in Europe, Japan and especially in North America also contributed to demand.

There was some continued use of platinum in Japan on export models and in Korea on diesel vehicles for export to Europe.

However, this growth was moderated by substitution of palladium for platinum – one of the burning questions of our times and something I will return to later.

Platinum Demand: Autocatalyst



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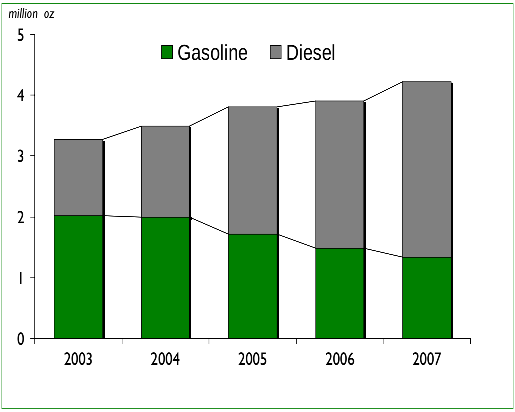
This chart shows the success that the global auto makers have had in reducing their platinum usage in gasoline catalysts over recent years in response to a rising price.

Platinum Demand: Autocatalyst



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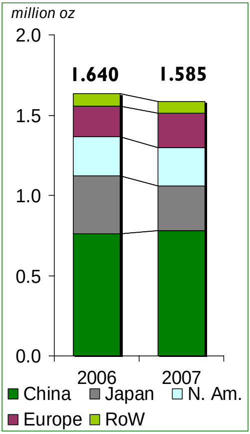
But this one shows the overall picture with the diesel market consuming more and more platinum each year, such that the overall total is growing.

53% of new cars sold in Europe last year were diesel-powered, slightly higher than in 2006. An increasing proportion of these are fitted with diesel particulate filters.

Outside Europe, most of the diesel demand is from medium duty and heavy duty vehicles, particularly in North America, where new emissions legislation has required the use of after-treatment, much of which uses platinum.

Platinum Demand: Jewellery



- Jewellery demand resilient in the face of high and volatile prices
- Global manufacturer purchases of new metal fall by 3.4% to 1.585 million oz
- Demand grows in China and Europe
- Tougher times in North America and Japan
- Recycling increases in Asia

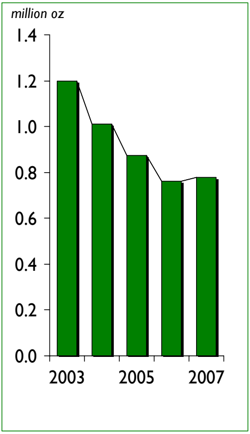
By comparison, purchases of new metal fell slightly in the jewellery sector.

Global demand for new metal fell by 3.4% to 1.585m ozs.

Demand in the Chinese and European markets grew but North America and Japan experienced falls in metal requirements.

One very visible effect of the high prices was the increased rate of recycling of second hand jewellery in China and Japan, much of which was used in the jewellery trade and therefore contributed to overall manufacturing volumes.

Platinum: Chinese Jewellery



- Chinese manufacturers buy 2.6% more metal, at 780,000 oz
- Demand supported by beads in early 2007 and Olympic memorabilia in late 2007
- White gold applies some pressure to the platinum jewellery market as prices rise
- High prices in the final quarter of 2007 drive recycling rates higher

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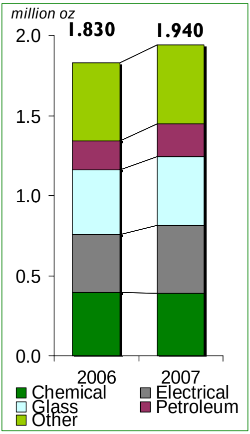
China remains the largest market and you can see that new metal demand rose by 20,000ozs to 780,000ozs in 2007, reversing the trend of previous years.

Extremely rapid economic growth and a strengthening currency supported consumer purchases of platinum jewellery.

Demand was also supported by metal used in the manufacture of beads or “pigs” as they are called, for the Chinese New Year, and then towards the end of 2007 there were sales of metal for Olympic memorabilia ahead of the Beijing 2008 games.

The sharp rise in the metal price at the end of 2007 did see white gold beginning to erode platinum’s market share. Recycling rates also increased as consumers returned more jewellery in part exchange for new pieces.

Platinum Demand: Industrial



- Industrial demand climbs 6.0% to 1.94 million oz
- Electronics demand rises on hard disk production
- Petroleum refining and glass purchases rise
- Limited price sensitivity seen

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Turning to what we call the Industrial sector, which is primarily chemical industry catalysts, electronics, petroleum refining and glass melting.

Industrial demand was also strong, rising 6% to 1.94 million oz.

Hard disk production drives Pt demand in the electronics sector, and is rising globally at around 10% per year.

The petroleum refining sector also took more metal as high demand for oil drove refinery expansions.

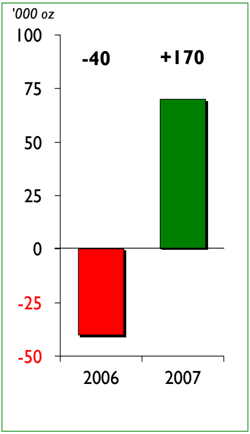
The glass industry also bought more platinum for use in making LCD glass where demand is growing even faster than the electronics sector.

There was a degree of price sensitivity in some specific applications such as in the chemicals sector but this was not widespread. It’s worth noting that industrial applications are largely price inelastic.

So with all these demand areas showing growth, what about investment ?

Platinum bars owned through the Swiss ETF sitting nicely allocated in a Zurich vault.

Platinum Demand: Investment



- Investment demand rises to 170,000 oz in 2007
- Two physically-backed ETFs launched
  - Net purchases reach 195,000 oz
- Coin sales fairly flat in North America
- Net disinvestment of large bars in Japan

Following a year of net disinvestment in 2006 when investors sold more coins and bars back to the market than they bought, investment demand rose in 2007 as two ETFs were launched in Europe.

One point of note is the definite positive correlation, so far anyway, with price. Total Pt investment in ETFs was 195k by end 2007, of which 130k came in the last 2 months and that trend has continued into 2008 with another net investment of about 200k already this year.

With no history on which to base forecasts, the current climate makes this area of demand quite hard to predict.

Platinum Outlook

- Automotive demand likely to grow as emerging economies offset weak US performance
- Effects of high prices in early 2008 not seen yet but jewellery demand likely to be lower
- ETF activity may accentuate volatility
- South African supply problems will impact output but this could still rise from 2007 levels
- Market expected to remain in deficit

And so to the future…

We see continued good demand from most sectors.

Platinum is an industrial metal, and a global economic slowdown will affect demand. For example, US vehicle production is generally expected to be down this year. On the other hand in other markets, especially China, production will be up, and in addition, diesel will continue to take market share. Overall we expect demand for platinum in autocatalyst applications to continue to grow (auto+287k oz in 2008).

In the jewellery sector, it's a little early to say what's going to happen. Our information on the split between jewellery sales and other applications on the SGE shows that in fact the sales to jewellery are slightly up in the first Q of 2008 compared with the same period last year. On the other hand, there is a marked decline in hallmarking figures in the first Q of 2008 in the UK, and elsewhere there are signs that all but the high end and bridal sectors are being squeezed.

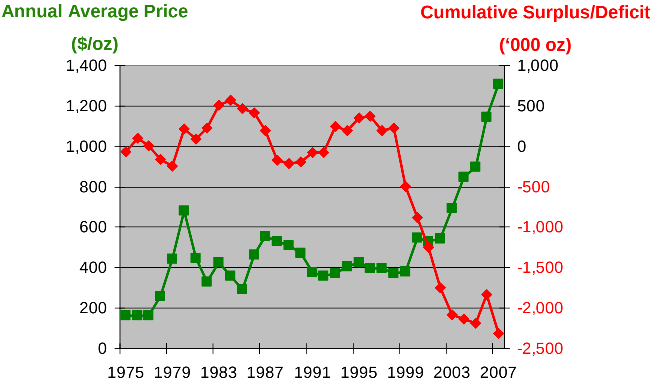
We do expect continued high levels of volatility in this market and feel that the introduction of ETFs and the behaviour of investors in these to date may intensify this volatility, but overall we wouldn't expect ETF investment to continue at the current rate.

On the supply side, it is clear that the electricity problems will impact platinum supplies from South Africa this year, and we give more information on this in Platinum 2008 but the impact in our view may not be as great as some fear. There are other issues which will impact negatively on South African supply such as the temporary closure of Amandelbult and the other safety and skills related issues which haven't gone away . However, it is still possible that supplies may rise slightly from 2007 levels with a number of expansions and new operations (Blue Ridge, Pilanesburg, Smokey Hills, Mogalakwena).

Outside of South Africa, there's not a lot changing to increase supply, at least not in the short term.

So, with demand rising and supply relatively flat, it will therefore be little surprise that we expect the platinum market to remain in deficit this year.

Platinum Price Correlation



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This is I think a rather interesting slide. Here we are looking at the price history as the green line and the left hand axis and comparing that with the cumulative deficit since we started our market estimates in about 1975, and that's the red line and right hand axis.

What we see is a clear correlation : every time there is a sustained period of increasing deficit, the price rises. Every time there is a sustained period of decreasing deficit (or increasing surplus), the price drops.

Most striking I think is what has happened since the late 90's. The market went into a period of deficit which lasted for 7 years. Any liquidity which was out there in Switzerland or wherever was increasingly consumed, and the price started to rise sharply. With another deficit expected this year, the price should therefore be expected to remain strong over at least the next six months.

Forecast Platinum Price for the Next 6 Months

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Looking at the platinum price in 2007 we can see the combined effect of a weak dollar, a strong commodities market, and the deficit, drove the price upward through most of the year and it rose still faster to record levels in early 2008 as the South African power crisis came to light.

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And so here is our price forecast for the next 6 months.

Why the low end at 1775 ? – simply because a fall in investor confidence could bring commodities down, including Pt.

And from where we are today at XXXX : there remains considerable upside in our view, with tight fundamentals, little liquidity, and further potential for supply side disruption.

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Palladium

Turning to palladium…

Palladium: Key features

- Palladium market in fundamental surplus by 1.75 million oz in 2007
- Supplies rise, boosted by Russian stock sales in early 2007
- Vehicle production growth and substitution for platinum drive autocatalyst demand 10.8% higher
- Chinese jewellery demand drops
- ETFs reinvigorate investment demand
- Price supported by dollar weakness, investor demand and surge in platinum and gold prices

In 2007 the palladium market remained in a large fundamental surplus, by 1.75 million oz.

Supplies of palladium rose, principally due to the sale of Russian state stock.

The autocatalyst sector performed well with continuing substitution of platinum by palladium in gasoline catalysts and increasing use of Pd in diesel catalysts as well as growing production in China, Russia and India.

Palladium jewellery demand fell in its main market, China, driven principally by recycling of the old unsold, Pd950 alloy pieces.

Two palladium exchange traded funds were launched and were fairly successful in 2007, reinvigorating the investment market.

The price performed well throughout most of the year, with investor interest once again important. Not at all driven by fundamentals, price appears to have been underpinned by support from a weakening dollar and comparisons to the platinum and gold prices.

Palladium Supply and Demand

'000 oz	2006	2007	%
Supply	7,950	8,585	+8.0
Demand	6,605	6,835	+3.5
Movements in stocks	1,345	1,750	

Numerically…

Palladium supply rose by 8% to 8.585m ozs.

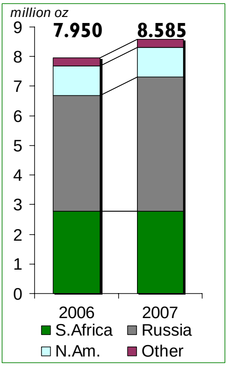
And palladium demand increased by three and a half per cent to 6.835m ozs.

The results is an increased fundamental surplus of 1.75m ozs in 2007.

Looking first at the supply side for Pd..

This is the smelting operation at Nadezhda in Norilsk.

Palladium Supply Rises by 8.0%



- Supply grows 635,000 oz to 8.585 million oz
- North American supplies almost flat
- South African supply falls marginally to 2.770 million oz: supported by expansion and sales of refined stocks
- Russian production augmented by sales of Dec. 2006 shipments of State stocks

We saw an overall increase of 635,000 oz in metal sales in 2007, rising to 8.585 million oz

Starting with North America, supplies from that region fell slightly in fact, but were almost flat.

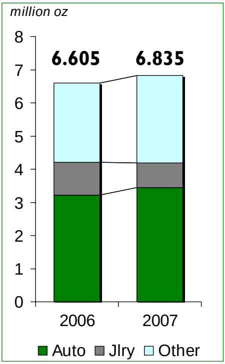
In South Africa, palladium supplies performed better than platinum in relative terms. Production was hit by the same issues that afflicted platinum production but sales from refined stocks maintained supplies at close to 2006 levels.

In Russia, primary palladium production declined slightly to 3.05 million oz, but overall sales were strongly up, the reason being the increase in sales of Russian state stock. We have counted around 1.5 million oz of Russian state stock sales in our 2007 supplies figures, an increase from the previous year. Our information shows that the December 2006 shipments of 1.29 million oz were actually sold into the market during 2007 and are therefore included in our 2007 supplies figure, along with some further smaller shipments made during the year

But If we move to the demand side first.

This is a picture of some Pd and Au alloys in the forms used by the dental industry.

Palladium Demand Rises by 3.5%



- Global demand grows by 230,000 oz to 6.835 million oz
- Autocatalyst demand rises on substitution for platinum and growing vehicle production
- Jewellery demand drops mainly due to recycling in China
- Strong demand in electronics and other sectors
- ETFs prove successful

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Overall in 2007 we saw global demand increasing by 230,000 oz to 6.835 million oz.

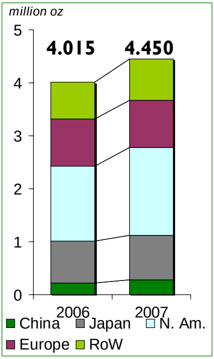
Autocatalyst demand – the green bar – rose, (net auto 3.21m to 3.45m) reflecting continued replacement of platinum by palladium and growth in worldwide vehicle production.

Demand for new metal for jewellery manufacturing fell due in large part to recycling of old, unsold stock in China.

Demand from the Industrial sector was robust, where electronics and dental purchases both climbed slightly.

And, investment in the new palladium ETFs also contributed to demand growth in 2007.

Palladium Demand: Autocatalyst



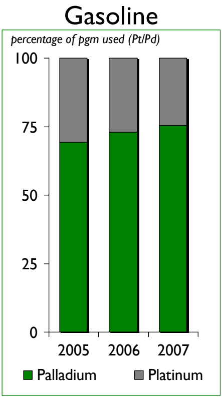
- Palladium continues to replace platinum in gasoline
- Increasing market share of Pt/Pd technology in diesel
- Growth in vehicle production in emerging economies offsets weakness in the North American market

Looking at the autocatalyst sector in detail, gross demand climbed by 315,000 oz to 4.45 million oz (and net demand by slightly less from 3.21 to 3.45m oz).

Palladium continues to replace platinum in autocatalyst formulations, and more palladium-platinum catalysts were used on diesel vehicles in 2007.

Higher global vehicle production also drove palladium demand higher.

Pgm choice in Autocatalysts



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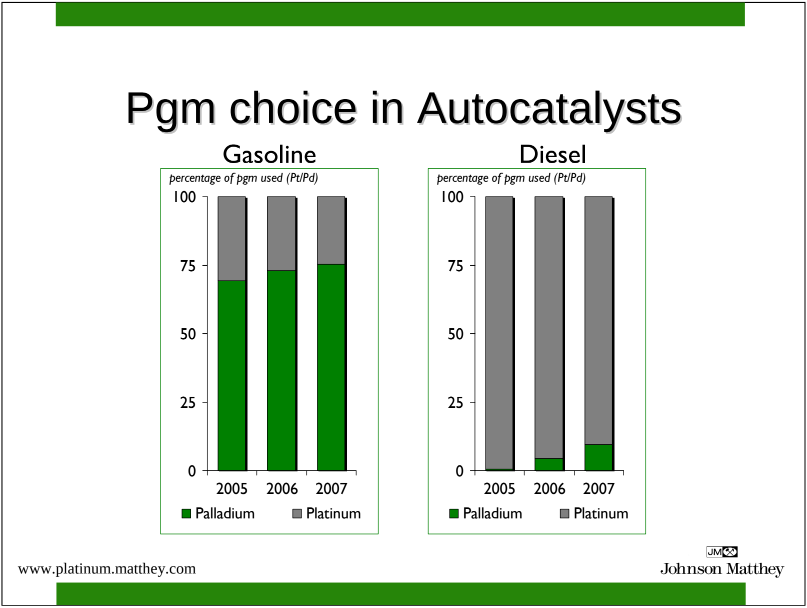
More than three quarters of the metal – excluding rhodium – used in the gasoline sector is now palladium and although you can see that this is increasing, there is relatively little scope left for further change.



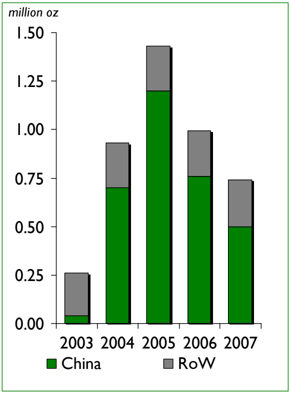
If you compare that with the diesel sector, the same trend can be seen, of increasing palladium use, but it’s from much lower levels.

Auto makers are using a greater number of platinum- palladium catalysts on their vehicles to minimise their costs.

Currently less than 10 per cent of the metal used in diesel catalysts is palladium, but this figure is set to increase.

Turning to jewellery…

Palladium Demand: Jewellery



- Chinese new palladium purchases fall by 260,000 oz to 500,000 oz
- Manufacturing margins fall, hitting demand
- Significant use of recycled old palladium stock
- Retail sales picture mixed
  - healthy in some regions
  - poor in Shanghai and Beijing

In the palladium jewellery market, metal demand fell for the second year in a row to a total of 740k oz, of which 500k in China.

Chinese palladium purchases fell for a number of reasons:

Manufacturing margins fell to close to the same margin per gram as platinum, so that didn’t the encourage manufacturing industry side.

At the same time, large amounts of the original and unused Pd 950 stock were recycled, which offset the demand for new metal.

This does not necessarily reflect the situation in the retail market of course, which was healthy in some regions, but less visible in Shanghai and Beijing.

Palladium Jewellery Positives

- Palladium is selling well in some markets in China
- Old Pd950 stock may now be running out
- Growing strength in the North American market, particularly in men's wedding rings
- European demand grows in 2007
- Further co-ordinated market development activity now likely

Although demand for Pd jewellery fell in 2007, there are positives to be seen…

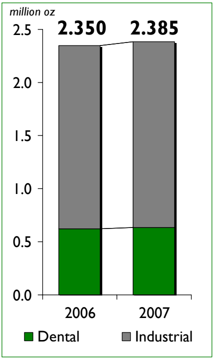
As we have said, palladium is selling well in some areas of China.

The old Pd950 stock which is being recycled is decreasing in volume as the stock runs out, so demand for new metal should more closely reflect manufacturing volumes.

Outside China, palladium has performed well in North America and Europe, albeit coming from lower levels as the industry establishes a market niche for the metal.

Looking further forward, additional market development activity is also likely which could boost the market over the medium term.

Palladium Demand: Industrial and Dental



- Industrial palladium demand grows by 1.2% to 1.750 million oz
- Dental purchases grow as the palladium price is outpaced by the gold price

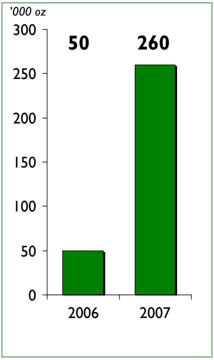
On the industrial side…

Electronics demand grew for the sixth successive year, although it remains significantly below the level of peak demand in 2000.

Dental purchases of palladium edged higher, from 620,000 oz to 635,000 oz.

The Japanese government subsidy for the Kinpala dental palladium-gold alloy was above the price of the raw material for most of the year, helping demand in the dental market.

Palladium Demand: Investment



- Palladium investment demand grows to 260,000 oz
- ETF launches reinvigorate investment market
- Demand from coins and bars in North America turns negative in 2007

In the investment sector, the most important story was the launch of two new exchange traded funds in Europe. These have been relatively successful and generated a combined 280,000 oz of demand last year, slightly higher than the overall total here. As with Pt, ETF demand was strongly up in first Q of 2008, but also as with Pt, there has been some profit taking.

In North America, investors sold more coins and bars back to the market than they bought in 2007, in contrast with the previous year, leaving net investment demand at 260,000 oz.

Palladium Outlook

- Palladium to make further inroads into the diesel catalyst sector
- Increases in demand in industrial sector expected, driven by electronics growth
- Jewellery demand outlook improving
  - Growth in North America and Europe
  - Recycling rates may fall in China
- Russian shipments in late 2007 to be sold in 2008
- Market to remain in fundamental surplus - fund and investor interest to remain key to this metal

Turning to the outlook for palladium…

We expect palladium to continue to take share from platinum in autocatalysts, but at a diminishing rate in the gasoline sector. Further palladium use in the diesel sector can be expected.

Industrial demand should grow, with demand for palladium from the electronics sector likely to increase, reflecting growth in MLCC or multi-layer ceramic capacitor production.

The outlook for jewellery demand is uncertain. There should be enhanced demand in North America and in Europe as more manufacturers start to work with the metal.

In China, recycling rates may well fall and demand for new metal could therefore rise in 2008. We are aware of some quite strong sales in the first quarter of 2008.

We believe that the shipments of palladium from Russian state stocks in late 2007 were not sold until this year and they will therefore add to supplies in 2008.

This all means that the market should remain in fundamental surplus and the price performance will depend critically on investor and fund interest.

Worth mentioning here that there is anecdotal evidence at least that some sales are being swallowed up in large chunks without their really impacting the market, which could help to explain why the price has remained strong with such a surplus.

Forecast Palladium Price for the Next 6 Months

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So, looking at the price performance in 2007, palladium strengthened on the back of a weak US Dollar and continued investor purchasing. The price rise in early 2008 clearly reflected the link to other commodity prices, more specifically Pt.

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So where does that leave us ?

We currently forecast that palladium supplies will fall this year – subject to sales of Russian State stocks falling – and that demand will grow again in 2008. This suggests a tightening of the market and the potential for price rises to occur. If the platinum price performs strongly during the next six months, then palladium is likely to benefit and it could trade as high as $575 within the same period.

However, investor behavior remains absolutely key. With many millions of ounces of palladium in investor hands, any widespread sell-off, whether driven by poor stock market performance or a US recession, could really force the price down. We currently expect a floor price of no lower than $400 during the coming six months.

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Rhodium

And we will end with a brief look at the rhodium market…

Rhodium Remains in Deficit

- Market in deficit again in 2007, by 34,000 oz
- Supplies rise by 20,000 oz to 822,000 oz due to sales from stock
- Demand climbs to 856,000 oz
- Price hits a series of records in early 2008

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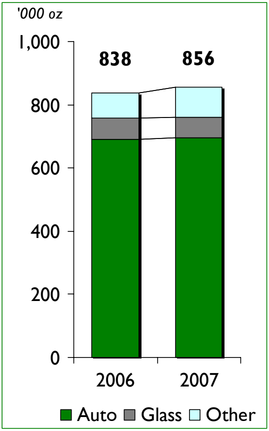
The rhodium market was again in deficit in 2007, this time by 34,000oz.

Supplies rose by 20,000 oz to 822,000 oz as sales from stocks in South Africa and Russia boosted primary production which fell.

Demand also rose, to 856,000 oz, mainly due to purchases by the autocatalyst sector.

And, as you can see on the left, the rhodium price performed very strongly, approaching record levels in late 2007 before actually setting them at over $9000 in early 2008.

Rhodium Demand Climbs by 2.1%



- Total demand climbs 2.1% to 856,000 oz
- Gross autocatalyst demand rises by 1.9% to 879,000 oz
- Autocatalyst recycling rises by 7.0 %
- Other demand rises by 9.6%

Just a couple of comments on the demand detail…

Gross autocatalyst demand rose from 863,000 oz to 879,000 oz, but recycling grew as well by 7% bringing the net auto demand to a total of 696k oz.

Other applications, which include glass, chemicals and electronics, also grew by almost 10 % between them.

Rhodium Outlook

- Strong growth in vehicle manufacturing in China, Russia and elsewhere to support rhodium demand
- Growth in LCD glass capacity positive for demand
- Continued high price to drive thrifting in autocatalyst and glass sectors
- Rhodium production hit by South African supply problems but increased output from UG2
- Market to remain tight in 2008

And finally turning to the outlook for rhodium…

We expect to see a strong degree of thrifting of the average rhodium content of a gasoline catalyst, but this is against a backdrop of tightening vehicle emissions legislation around the world and healthy growth rates in global automotive production which should support demand.

In the glass industry, there are new purchases of rhodium for extra LCD glass production capacity. However, these will be offset by a continuing trend to reduce the rhodium content of the pgm alloys used in glass fibre production, and glass sector demand overall may fall in 2008.

Rhodium production is likely to suffer from the South African supply problems and may decrease in 2008, although much of the new production on the Eastern Bushveld – whether from new mines or from expansions – is coming from relatively rhodium-rich ores.

Although rhodium output will rise over time as these operations expand their production, the current operating challenges in South Africa suggest a continuation of tight market conditions for at least some period of time.

Johnson Matthey

Platinum 2008

19th May 2008

Thank you.