

Johnson Matthey

EMBARGO UNTIL 13:00 HRS LONDON TIME ON 17TH MAY 2010

“PLATINUM 2010”

PLATINUM AND PALLADIUM MARKETS IN SURPLUS LAST YEAR. POTENTIAL FOR HIGHER PRICES IN 2010.

PLATINUM

WEAK INDUSTRIAL AND AUTO DEMAND PUT PLATINUM MARKET INTO SURPLUS IN 2009

The platinum market moved from a deficit of 220,000 ounces in 2008 into a surplus of 285,000 ounces in 2009, according to Johnson Matthey in “**PLATINUM 2010**”, released today. Gross demand for platinum fell by 11.9 per cent to 7.04 million ounces. Recovery of platinum from autocatalyst, electronic and jewellery scrap decreased by 23.2 per cent to 1.405 million ounces. As a result, demand for platinum net of recycling fell by 8.5 per cent to 5.635 million ounces. Supplies of platinum from current mining operations fell by 0.3 per cent to 5.92 million ounces.

SUPPLIES OF PLATINUM IN 2009 ONLY marginally BELOW 2008 LEVEL

South African supplies of platinum rose by 0.3 per cent to 4.53 million ounces, with increased output from newer mines and the sale of metal from stocks accumulated in 2008 offsetting losses from the closing of some uneconomic production. North American supplies, hit by industrial action, fell to 260,000 ounces and Russian supplies fell slightly to 785,000 ounces. Expansion at Zimbabwe platinum mines led to output increasing by 27.8 per cent to 230,000 ounces.

AUTOCATALYST DEMAND CUT BY LOW VEHICLE OUTPUT AND SLUMP IN DIESEL SHARE

Gross demand for platinum in autocatalysts dropped by 39.0 per cent to 2.23 million ounces in 2009 as global vehicle production fell heavily in nearly all regions. Gross European demand dropped by over half to 970,000 ounces due to a sharp, short term decline in the market share of diesel cars. Recovery of platinum from spent autocatalysts was also sharply down last year, falling by 26.5 per cent to 830,000 ounces due to a decline in the number of vehicles scrapped.

INDUSTRIAL DEMAND FOR PLATINUM REDUCED AS RECESSION BITES

The economic downturn hit industrial demand for platinum in almost all applications as industrial plants operated well below capacity, product inventories were reduced and capital investment was delayed. The glass industry sold a large amount of platinum after closing redundant cathode ray tube glass factories in China. Although medical and biomedical demand for platinum was flat, total industrial purchases of platinum were 33.7 per cent lower at 1.14 million ounces.

RECORD DEMAND FOR PLATINUM FOR JEWELLERY MANUFACTURE IN CHINA

Gross purchases of platinum for jewellery manufacture climbed by 46.1 per cent in 2009 to 3.01 million ounces worldwide. The reduced value of platinum led to a fall in recycling of scrap jewellery by 18.7 per cent to 565,000 ounces, resulting in net global demand of 2.445 million ounces, a rise of 79.1 per cent. In China, the booming economy and a lower average platinum price than in 2008 boosted gross demand to a record 2.08 million ounces. The rebuilding of stocks of metal and finished jewellery throughout the trade contributed to the increase.

EXCHANGE TRADED FUNDS SUBSTANTIALLY BOLSTER INVESTMENT DEMAND

Identifiable physical investment demand for platinum increased by 18.9 per cent in 2009 to 660,000 ounces. Although in Japan purchasing of large bars was weaker than in 2008, total holdings of metal within the European Exchange Traded Funds (ETFs) rose substantially following their decline in the second half of the previous year.

POSITIVE PRICE OUTLOOK STEMS FROM INDUSTRIAL RECOVERY AND INVESTOR INTEREST

Johnson Matthey expects the platinum market to be close to balance in 2010 as rising demand outpaces a steadier growth in mine supplies. Concerns remain over global economic recovery and the sustainability of Chinese economic growth, while sovereign debt issues also continue to apply some downward pressure to the platinum price. Investment activity is a major factor in the platinum market with net long speculative futures positions at high levels and total ETF holdings becoming even more substantial since the launch of the US ETF early in 2010. If interest rates remain low and the gold price stays at its current elevated levels, net investment in platinum may well continue to grow and help to sustain the price at between \$1,600 and \$2,000 per ounce during the next six months.

PALLADIUM

PALLADIUM DEMAND RESILIENT BUT RUSSIAN STOCK SALES TIP MARKET INTO SURPLUS

The palladium market was in surplus by 760,000 ounces in 2009. Gross demand decreased by 6.3 per cent to 7.77 million ounces, while the amount of palladium recovered from scrapped autocatalysts, electronics and jewellery fell by 11.5 per cent to 1.43 million ounces. Net demand thus declined by 5.0 per cent to 6.34 million ounces. Supplies of palladium fell by 2.9 per cent to 7.10 million ounces. Production from current Russian mining slipped marginally to 2.68 million ounces and sales of material from Russian state stocks are estimated to have contributed another 960,000 ounces of palladium to supplies. South African supplies dropped by 60,000 oz to 2.37 million ounces.

SCRAPPAGE SCHEMES AND INCENTIVES SUPPORT PALLADIUM AUTOCATALYST DEMAND

Gross purchases of palladium for use in autocatalysts decreased by 9.3 per cent to 4.05 million ounces in 2009, largely due to the fall in global vehicle output. However, European auto demand for palladium was almost flat with 2008, as various scrappage schemes supported the sale of gasoline-fuelled vehicles and palladium continued to gain ground at the expense of platinum in diesel engine catalysts. Demand for palladium for the rapidly expanding China vehicle market grew to 685,000 ounces, up by 76.0 per cent on 2008.

WEAKER PALLADIUM JEWELLERY DEMAND DUE TO STAGNATING CHINA MARKET

In the jewellery sector, gross global demand for palladium decreased by 17.3 per cent in 2009 to 815,000 ounces. Gross demand in China slipped from 740,000 ounces to 560,000 ounces as manufacturers devoted resources to making platinum jewellery. North American demand was flat but European demand was driven marginally higher by the introduction of a palladium hallmark in the UK. Net global demand fell by 12.9 per cent to 745,000 ounces.

DECLINE IN INDUSTRIAL DEMAND FOR PALLADIUM OFFSET BY SOLID INVESTMENT OFFTAKE

Gross industrial demand for palladium (including dental demand) decreased by 5.8 per cent to 2.28 million ounces in 2009 as the effects of recession lingered. Gross electrical demand fell by 100,000 ounces to 1.27 million ounces due to lower output of automotive electronics and heavy destocking of components in early 2009. Recycling of electronic scrap increased by 50,000 ounces, leaving net electrical demand down 14.6 per cent at 875,000 oz. Identifiable physical investment demand for palladium climbed by 48.8 per cent to 625,000 oz in 2009. Once again, there was strong buying interest in palladium through the European ETFs, encouraged by the rising metal price.

PALLADIUM PRICE TO BE SUPPORTED BY BETTER FUNDAMENTALS AND INVESTOR SENTIMENT

The palladium market is likely to be in oversupply again in 2010, although with a smaller surplus than in 2009. However, excluding sales of metal from Russian state stocks the market has been in fundamental deficit during the last two years, and recent price movements indicate that many investors see potential long term profits in this metal. If investors continue to build on their large futures and ETF positions, then recovering industrial and automotive demand could help to drive palladium to \$700 per ounce in the next six months, with the price unlikely to soften below \$475.

Note: "PLATINUM 2010" includes gross demand and recycling data for the auto, electrical and jewellery sectors, from which net demand can be derived. Previously, electrical and jewellery demand figures were net. To see both new and old presentations of data, please visit www.platinum.matthey.com/publications/market-data-tables

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Platinum 2010 is Johnson Matthey's free survey of platinum group metals supply and demand. It can be downloaded as an electronic file or can be ordered in printed form at <http://www.platinum.matthey.com/publications/pgmreview.html>

Johnson Matthey is the world's leading authority on the production, supply and use of platinum and the other metals of the platinum group. The company's main activities include the manufacture of autocatalysts, process catalysts and speciality chemicals and the refining, fabrication and marketing of platinum group metals.



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