

Johnson Matthey

EMBARGO UNTIL 13:00 HRS LONDON TIME ON 18TH NOVEMBER 2008

JOHNSON MATTHEY RELEASES “PLATINUM 2008 INTERIM REVIEW”

PLATINUM

PLATINUM MARKET FORECAST TO BE IN DEFICIT BY 240,000 OZ IN 2008

The platinum market is forecast to show a deficit of 240,000 oz in 2008 according to PLATINUM 2008 INTERIM REVIEW, released today by Johnson Matthey. Supplies of platinum are expected to fall 4.2 per cent to 6.28 million ounces while demand is set to decrease by 2.3 per cent to 6.52 million ounces. Tight fundamentals drove the price to a record \$2,276 per ounce in March. However, the onset of the global financial crisis led to heavy sales by investors and the price ended September at only \$1,004.

GLOBAL SUPPLIES EXPECTED TO FALL, WITH DECREASE GREATEST IN SOUTH AFRICA

Platinum supplies are forecast to fall by 275,000 oz to 6.28 million ounces in 2008. Electricity supply problems, smelter outages, a lack of skilled staff and other challenges are likely to drive South African platinum supplies 250,000 oz lower in 2008, to 4.78 million ounces. Production of platinum from Russia is expected to fall to 855,000 oz but North American and Zimbabwean platinum supplies should increase.

AUTOCATALYST DEMAND FOR PLATINUM SET TO CLIMB AGAIN IN 2008

Gross global platinum demand for the production of autocatalysts will grow by a forecast 85,000 oz to 4.23 million ounces in 2008. North American demand will fall by 305,000 oz as vehicle production slows. However, this decline will be outweighed by higher use of platinum in diesel particulate filters on light duty vehicles in Europe than in the previous calendar year and by growing automobile output in China and in other developing economies.

JEWELLERY DEMAND HIT BY PRICE VOLATILITY AND INCREASED RECYCLING

Net purchases of new metal by jewellery manufacturers are forecast to fall by 340,000 oz to 1.12 million ounces in 2008. High metal prices encouraged careful stock control in every region and negatively affected the affordability of platinum jewellery in the first half of 2008, while the recycling of old platinum jewellery increased markedly in Japan. However, the recent decline in the platinum price has allowed the industry to replenish stocks and has cut the level of recycling, stimulating some recovery in demand.

PHYSICAL INVESTMENT ACCENTUATES PLATINUM PRICE VOLATILITY

Platinum investment demand is likely to fall by 25,000 oz to 145,000 oz in 2008. Large stocks of metal were acquired through the Exchange Traded Funds in the first quarter as the price rose, removing liquidity from the market and intensifying the price increase. Redemptions in the third quarter released metal back to the market and helped drive the price lower. Japanese physical investment demand responded differently with metal sold back to the market in the first quarter and strong purchasing seen in the third quarter of the year.

PLATINUM EXPECTED TO TRADE BETWEEN \$700 AND \$1,400 IN THE NEXT SIX MONTHS

The fundamentals of the platinum market remain relatively positive despite the current economic climate. However, the substantial sales of platinum by hedge funds in the third quarter of 2008 demonstrate the importance of investor sentiment to this metal. Should the present economic crisis continue, platinum could trade as low as \$700 during the next six months if investors shun commodities. Conversely, if appetite for risk returns, the price will more closely reflect fundamentals and platinum could trade as high as \$1,400 within this period.

PALLADIUM

PALLADIUM SURPLUS FORECAST TO FALL TO 320,000 OZ IN 2008

The palladium market is expected to be in surplus by 320,000 oz in 2008. Demand is forecast to climb by 3.8 per cent to 7.19 million ounces, with strong demand from physical investment through ETFs largely responsible for this increase. Global palladium supplies are set to fall by 12.5 per cent to 7.51 million ounces, mainly due to lower sales from Russia. The palladium price followed the other precious metals higher, to a peak of \$588 in March, before heavy fund sales drove it down to end September at \$199.

LOWER PALLADIUM SALES BY RUSSIA; PRODUCTION FALLS IN SOUTH AFRICA

Palladium supplies will fall by a forecast 12.5 per cent to 7.51 million ounces in 2008. Palladium sales from South Africa will decline to 2.525 million ounces, reflecting the challenges in the mining sector there this year. Russian supplies of palladium from primary production are forecast to slip slightly, to below three million ounces. Most significantly, sales of palladium from Russian state stocks are expected to fall from 1.49 million ounces in 2007 to 800,000 oz this year.

PALLADIUM AUTOCATALYST DEMAND RISES AGAIN

Vehicle manufacturers are set to purchase a gross 4.58 million ounces of palladium in 2008, 30,000 oz more than in the previous year. Declining North American vehicle production will cut 350,000 oz from demand. However, this will be offset by rising production in China, Russia and South America and increasing use of palladium in diesel oxidation catalysts on cars in Europe.

CHINESE PALLADIUM JEWELLERY DEMAND LIKELY TO REBOUND

Net global palladium jewellery demand is forecast to rise by 55,000 oz to 780,000 oz in 2008, reversing two years of decline. A reduction in recycling of old stock in China and good interest from manufacturers and retailers in the second half of the year will help boost demand there. Demand will also rise in Europe and in North America as interest in palladium jewellery continues to grow.

HIGHER INVESTMENT DEMAND THROUGH EXCHANGE TRADED FUNDS

Physical investment demand for palladium is expected to rise from 260,000 oz in 2007 to 470,000 oz this year. Large amounts of metal were purchased by investors through the two European Exchange Traded Funds in early 2008 as the palladium price rose yet these investors sold little metal as the price fell in the third quarter and appear to be investing for the longer term. These funds are forecast to account for 430,000 oz of demand for the entire year.

PALLADIUM SET TO TRADE BETWEEN \$125 AND \$300 DURING THE NEXT SIX MONTHS

The palladium price responded to movements in currencies and in the prices of other precious metals in the first three quarters of 2008. While the outlook for palladium is positive in some of its applications, a worsening economic climate and the possibility of a stronger US Dollar could send palladium to as low as \$125 during the next six months. However, should economic conditions stabilise or improve, palladium's strengthening fundamentals could see it trade as high as \$300 within the same period.

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Platinum Interim Review 2008 is Johnson Matthey's latest market survey of platinum group metals supply and demand. This report, widely regarded as the world's principal source of information on platinum group metals, is free of charge. It can be viewed and downloaded as an electronic file or can be ordered in printed form from Johnson Matthey 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, platinum process catalysts and speciality chemicals and the refining, fabrication and marketing of platinum group metals.