

Johnson Matthey

EMBARGO UNTIL 13:00 HRS LONDON TIME, 13TH NOVEMBER 2007

JOHNSON MATTHEY RELEASES “PLATINUM 2007 INTERIM REVIEW”

PLATINUM

2007 PLATINUM MARKET TO BE IN DEFICIT BY 8.2 TONNES

Global demand for platinum is forecast to rise by 6.1 tonnes, or 2.9%, to a record 215.4 tonnes in 2007, according to Johnson Matthey in PLATINUM 2007 INTERIM REVIEW, released today. Demand from the autocatalyst sector is expected to grow again, with increasing use of platinum for controlling exhaust emissions from diesel vehicles a major factor. Industrial demand will also rise, while purchases of new metal by jewellery manufacturers will fall slightly. A challenging operating environment will mean that South African platinum supplies will not reach previously expected targets. Global platinum supplies, at 207.2 tonnes, will be lower than in 2006 by 4.1 tonnes and the platinum market in 2007 will in consequence move back from last year's small surplus to a deficit of 8.2 tonnes.

PLATINUM SUPPLY FALLS BELOW EXPECTATIONS

Global platinum supply is forecast to drop by 2.0 per cent to 207.2 tonnes in 2007. Sales from South Africa will fall, by 2.1 tonnes, to 162.4 tonnes. Output has been lost as a result of a combination of safety-related shutdowns, industrial action and the closure of a smelter by Lonmin for a rebuild. Russian supplies, at 25.5 tonnes, will be in line with primary production. Although export licence issues prevented shipping of platinum in early 2007, Russian producers are expected to sell all the metal they will mine this year.

PLATINUM AUTOCATALYST DEMAND CONTINUES TO RISE

Autocatalyst demand is forecast to rise by 2.3 per cent to 131.7 tonnes in 2007. Demand is being boosted by an increase in the fitment of platinum-containing particulate filters to diesel cars, by rising aftertreatment requirements in the global heavy duty diesel market and by growth in Asian light duty vehicle output. These factors more than outweigh the effects of reducing platinum catalyst loadings, the continuing substitution of palladium for platinum on gasoline vehicles and further use of palladium in diesel autocatalysts.

HIGH PRICES HAVE NOT SIGNIFICANTLY AFFECTED JEWELLERY DEMAND

Demand for new metal from platinum jewellery manufacturers will fall in 2007 by 1.5% to 49.6 tonnes. Recycling of retail stocks and of old jewellery traded in by consumers will again be substantial and will satisfy a high proportion of manufacturing requirements in Japan and China. Although in Japan demand will fall by 1.7 tonnes to 9.5 tonnes, in China the strength of the economy and a growing consumer appetite for platinum is expected to lead to demand for new metal growing this year by 0.6 tonnes to 24.3 tonnes.

PLATINUM PRICE FORECAST TO BUILD ON RECENT HIGHS

Interruptions to supply from South Africa have contributed to fundamental tightness in the platinum market which, along with a weak US Dollar and strong oil and gold prices, has recently driven the platinum price to record levels. Physical purchasing from Asia can be expected to support a platinum price of \$1,350. Platinum's stronger than expected fundamentals and support from a buoyant gold price could see platinum trading as high as \$1,575 during the next six months, particularly if the US dollar continues to slide.

PALLADIUM

PALLADIUM DEMAND SET TO RISE IN 2007 BUT MARKET TO REMAIN IN SURPLUS

Palladium demand will return to growth in 2007, rising by 4.2 tonnes to 205.4 tonnes. Autocatalyst demand will increase due to strong growth in Asian vehicle manufacturing and the use of palladium to replace platinum in some catalysts. However, demand for new palladium for jewellery is set to drop by more than a quarter this year as purchases by manufacturers in China have declined. Production of palladium will fall in South Africa but supply from Russia is forecast to rise in 2007, with considerable quantities of Russian state stocks, shipped in December 2006, having been sold earlier this year. Supply will reach 258.8 tonnes in 2007 and the market will show another substantial surplus, of 53.4 tonnes.

PALLADIUM AUTOCATALYST DEMAND GROWS STRONGLY

Purchases of palladium by the automotive sector are set to rise by 10.5 tonnes to 136.2 tonnes, a six year high. In addition to rising production of palladium autocatalysts to supply the Asian vehicle market, demand has been stimulated by the wide price differential between palladium and platinum. In the gasoline sector, the use of palladium instead of platinum catalysts continues to grow; roughly three times as much palladium as platinum is now used in gasoline cars. In light duty diesel autocatalysts, the use of palladium is forecast to increase to over 6 tonnes in 2007, more than double the figure for 2006.

FALL IN NEW METAL PURCHASED FOR PALLADIUM JEWELLERY MANUFACTURING

Global demand for new palladium for jewellery manufacturing is set to fall by 7.7 tonnes to 23.2 tonnes in 2007. European and North American demand will rise slightly, reflecting the launch of test ranges of palladium jewellery in these regions. However, in the more established China market, demand in 2007 will drop from 23.6 tonnes to 15.6 tonnes. Manufacturing levels have fallen and demand for new metal has again been offset by the use of recycled jewellery and the purchase of palladium refined from industrial scrap.

FUND INVESTORS LIKELY TO DETERMINE DIRECTION OF THE PALLADIUM PRICE

With the significant supply-demand surplus in the palladium market providing little fundamental support, the behaviour and sentiment of investors should again determine the direction of the palladium price. Many investors view palladium as undervalued or simply cheap compared to its historical peak and it seems likely that investment activity will prevent the price from falling below \$320 in the next six months. Fund buying could raise the price to \$420 over the same period, particularly if platinum and gold prices rise.

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Platinum 2007 Interim Review 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.