

**QUESTIONS AND ANSWERS FOLLOWING THE PRESENTATION OF
2004 INTERIM REVIEW, 16TH NOVEMBER 2004.**

Responding for Johnson Matthey:

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Q1: Just looking at the platinum demand within the US auto catalyst market I just wanted to get your feeling as to which are the main factors driving the sort of weakness that we're seeing; is it a de-stocking issue or is it the switching more from platinum to palladium or do you think there's a sort of an internal dynamic there with some slow down on the SUV side of the auto catalyst market in the US?

RAINALDO O'MEARA: I think all of the issues that you've mentioned play their part. The auto scenario in the United States is complicated with many of the main issues yet to be fully played out, and we are not likely to see these actually happening until perhaps next year, or indeed 2006.

Q2: Do you anticipate a further weakness next year with these issues or do you think there could be a stabilisation?

RAINALDO O'MEARA: I think we're moving to a more stable position.

Q3: In your May report you said that the platinum market could possibly see a small surplus in 2004, could you just pin down for us why you've changed that outlook to being closer to balance now?

MARK BEDFORD: I think the main reasons why we've changed that outlook is firstly demand maybe has been a little bit weaker than we maybe anticipated, but I think the biggest factor has been South African production, as we mentioned in the presentation, hasn't quite met the expansion targets in the forecast that we made in May. There have been a number of problems obviously in South Africa, which were not anticipated in May, for example the strike at Angloplats and Impala, but there have been other technical issues in most of the mines, certainly in the second half of the year, and if I had to pinpoint one reason that would probably be it. As I said in the presentation, had it not been for those issues platinum supplies from South Africa would have been over 5 million ounces and we would have seen, I think, a small surplus in the market.

Q4: We've been reading about the use of palladium in diesel autocats, can you give us an update of your perceptions of what that will mean in terms of demand?

RAINALDO O'MEARA: Palladium in diesel autocatalysts is still a technology which is in development. Certainly auto companies are looking at the use of palladium in catalysts and this is something that we anticipate may well grow in the next few years but at the moment it is a relatively small demand.

Q5: I wonder if you'd like to say a little bit about the dollar and in particular its linkage to the Chinese currency, if the Chinese currency is revalued, do you feel that demand might rise in China?

MARK BEDFORD: I think it could do. It's very difficult to say what's going to happen now and it seems to me that monetary policy in China to an extent is now being controlled by interest rates as well. I think the revaluation of the Yuan, although it was a hot topic some time ago, doesn't seem to be as prevalent as an issue now as it was. In general dollar weakness makes platinum more attractive in markets outside the United States, so in general terms I guess a weak dollar is basically good for platinum demand, but not in China where its affect on the platinum price is more important.

Q6: I wonder whether you could talk a bit about this Chinese auto catalyst market? 1) how you're seeing demand progressing and what your outlook is for 2005; 2) in terms of the catalysts being used whether they're being weighted towards the platinum catalysts or increasing towards palladium given the price differential?

RAINALDO O'MEARA: Chinese auto demand this year has increased but not at the same rate as in 2002 and 2003 when there was growth of 30% to 40%. This year there will be a slowdown in the rate of growth, and this we think will continue through the next couple of years. Growth this year has been slowed by the Chinese Governments' restrictions on credit which has affected the number of cars which have been sold in the market, and of course this has a knock-on effect on precious metal demand, which is still increasing but not at the rate that it was in the past. Emission controls are now at European Stage 2 since July of this year and of course this will affect the loadings and the composition of catalysts. There is a slight move to fitting palladium-based catalysts.

Q7: I'd just like to chat about two points, one is recycling; given this regime of high prices and one might argue that even palladium at 200 is priced as fairly strong and I don't have the data set in front of me that you showed on your slides, but I just wondered whether we're seeing an increase in recycling above the norm, given the fact that the price has been so high? So I'm really trying to probe into the elasticity of recycling, given the price of platinum and palladium. The second part of the question is directed at, given the high oil price regime – much driven by political issues but also substantial increase in oil demand in China – I was wondering whether you envisaged a great increase in the amount of PGM off-take to the petroleum industry for refining?

RAINALDO O'MEARA: Theoretically, pgm prices ought not to make a lot of difference to collection rates. Over the short-term collectors may hold on to catalysts waiting until pgm prices increase, and you could argue that in the last year or so with a low palladium price, some companies might have been doing so. However, what I think has actually happened is that current autocatalyst collection reflects those pieces fitted on cars, say 10 years ago, when loadings were changing and catalysts were becoming more widespread.

MARK BEDFORD: On the issue of oil price - I assume you mean refining capacity? Yes, there's certainly been an increase in refining capacity, particularly in Asia and we've seen some increase in the use of platinum refining catalysts in that region. It's not a huge number in the overall scheme of things however. I think total platinum demand from that sector is around 150,000 ounces a year, something of that order, so it's not really a first order impact. That particular market for refining catalysts is relatively strong at the moment and I think oil refiners, as I'm sure you'll know, are running at quite a high level of capacity utilisation. That tends to increase catalyst consumption as time goes by, but it's not a first order effect I don't think.

Q8: Regarding Chinese palladium, could you talk a bit more about, demand, how much of this 500,000 ounces is actual end-use consumer buying as opposed to the one-off stocking aspect?

NEILL SWAN: I think as Mark mentioned, of the 500,000 ounces that we've seen this year, a lot of it was in the first four months to build-up stock and fill the pipeline and to get the product into the shops before May Day, which is a key buying season. As to off-take, again as Mark mentioned, it's been a mixed reception. Palladium jewellery hasn't been terribly successful in the bigger cities but in small pockets around China where some of those manufacturers have a very strong influence, and have done some promotion they have had some good off-take. That has been sporadic varying from city to city. What we are seeing now in terms of palladium metal sales are where retailers have actually sold product and they are re-ordering stock from manufacturers. So you're now seeing probably the real off-take at the retail level.

Q9: I gather the trend in palladium autocatalyst recycling is increasing. Are you still expecting that to come through?

MARK BEDFORD: Yes, we've seen that I think, particularly if you look in detail at the numbers in the Interim Review you'll see the rate of recovery of palladium from the auto catalyst recycling sector has risen faster than the rate of increase of platinum from that particular sector. A lot of the more heavily loaded palladium auto catalysts introduced in the 90s are now being recycled, and it's coming through as increased recycled palladium on the auto catalyst side.

Q10: Just a question about lease rates. We've seen platinum lease rates in particular collapse down towards the ((inaudible)) I just was wondering what your take on that was and what you thought was driving those lease rates lower?

MARK BEDFORD: For me lease rates are always about physical metal availability and I think what we've seen is that with greater supply in general terms in the market, physical tightness of metal in Zurich and other places that we've seen in previous years has eased off somewhat and that I think is what is keeping platinum interest rates low. I guess at the moment we're looking at 3% in the near-term, 4% in the longer-term; there doesn't seem to be any squeeze in the physical market which is pushing that higher at the moment and it's difficult to predict what would do that. As we saw from the charts that we put together, we can see platinum supply increasing in the years to come and therefore it's hard to see where the driver for higher platinum lease rate will come from. We always hesitate to say 'never' because it doesn't always work that way, but at the moment the fundamentals are against a higher platinum lease rate.

Q11: With the advent of heavy duty diesel in the coming years, how much of an impact do you see that having in demand for platinum? I mean is this a big enough factor to swing the platinum market globally back into significant deficit?

RAINALDO O'MEARA: We are already seeing platinum being used on heavy duty diesel, particularly in Japan. Over the next few years we expect use to increase, not just in Japan with the new regulations which come into effect from October 2005, but also in Europe and North America. We also anticipate an element of 'thrifting' on loadings through the next few years. So on balance it will have some effect on platinum demand but maybe not as much as you are suggesting.

Q12: Can you give us any kind of indication of maybe what sort of number you might expect when the market is up and running just in Europe and America?

RAINALDO O'MEARA: We are still looking at several years away – two to three years – and not having the data in front of me I couldn't give you an exact number. But as a percentage of overall platinum demand I think that the heavy duty element is still going to be small.

Q13: I'm just trying to nail down this Chinese palladium number. Are you saying that the 510,000 ounces that you reported for China is terminal demand or retail demand or is that stocking, and if it is stocking, what is your estimate for the Chinese retail demand for the palladium this year?

NEILL SWAN: Whenever we report figures on jewellery demand, we are reporting fabrication demand. That is metal that has been fabricated into jewellery. At no point do we quote figures on retail sales. So that figure (510,000) is production into palladium jewellery. In terms of retail sales, as I mentioned, if you look at the kind of figures that are being sold in now for fabrication, that will give you an indication of the kind of retail sales at the moment. Obviously that varies from month to month, from season to season but I think we are probably looking, at an average of about a tonne a month.

MARK BEDFORD: I think it's also fair to say John that platinum jewellery sales in China are still quite good. We don't want to paint too gloomy a picture. If you look in local currency terms, retail spend on platinum jewellery is still pretty solid and in line with 2003 levels

Q14: Is there any sign that margins are improving in the platinum business?

NEILL SWAN: If you go back to around March/April time when palladium really was quite interesting to the manufacturers they were not making very much money at all on platinum. In fact some of them mightn't have been even been breaking even, which is why palladium became such an attractive proposition. Since then the competitive nature of the Chinese market and the less than enthusiastic reception palladium got from the retail trade has meant that palladium margins have also shrunk. When the platinum price fell in April it enabled the manufacturers to make more margin on platinum manufacture and if you look at the manufacturing margin they can make as much on platinum now as they can on palladium. A major issue is sudden price spikes. The retailers are very reluctant to increase the price in large chunks - what they will do is edge it up bit by bit. Often when you talk to the Chinese manufacturers and retailers it's not necessarily the price that's the problem, it's the volatility of the price.

Q15: I thought it was quite interesting that you pointed out that the UK bridal market is the one bright spot from Europe and for jewellery sales. I mean jewellery sales in the UK have always been quite price sensitive, so much so that the World Gold Council don't even advertise gold over here but yet you've had such a phenomenal success with bridal platinum jewellery, why do you think that is and what are your predictions for that market in the future?

NEILL SWAN: I think in the UK we're fairly fortunate in that we have an engagement ring culture and we've been able to actually target that because platinum and diamonds go very nicely together and the follow on from that is of course the wedding rings have to be in platinum.

We've been working on the UK market for quite some time, as a company giving the trade an enormous amount of support in terms of being able to promote platinum themselves and it's been specifically targeted at the bridal market. What is interesting is the UK retailers have actually taken to platinum extremely well. They aren't nervous about the price because it's almost a given now that the preferred metal for an engagement ring and the wedding rings is platinum and consumers here are willing pay for platinum. Sometimes of course there is an issue in terms of cost and there may be some leakage into white gold but that's certainly not encouraged by the retailers.

MARK BEDFORD: I think it's a model we'd like to see develop in all markets. We see bridal as the potential heartland for platinum jewellery and certainly in China the bridal sector is very much the target of promotional activity, and will be in the years to come.

Q16: I just wondered looking at the elasticity of demand given prices – sorry to hang about on this issue – but I wondered whether you felt that environmental end-users were being negatively impacted? I'm really referring to fuel cell development here, more than auto catalyst off-take.

MARK BEDFORD: It's a very good question. Is it really being negatively impacted at this stage of the market development of fuel cells? I'm not so sure that's right; there's a lot of people out there who are working pretty much flat out on solving the issues in terms of fuel cell development. The price just represents one more challenge for them, at this stage. There are so many potential advantages from fuel cell technology, I don't believe anybody looks at the price of platinum today at \$860 and says "I'm not going near that technology because the price of platinum is \$860 today". There are obviously issues about platinum availability and so on in the future. It's a driver in terms of the hurdles we have to overcome; I don't feel there's a barrier at the moment for that particular technology in terms of the will, if you like, to overcome those barriers.

Q17: What's your take on the emergence of light duty diesel markets along the European lines in other parts of the world?

RAINALDO O'MEARA: Aside from Europe, the country which I think has potential to advance furthest in the use of light duty diesel is probably Korea. I think that in Japan it is unlikely, and in the United States I think the 'jury is still out' in the sense that although there is quite a lot of press talk about the potential for light duty diesel usage there, I think that the onus will still remain on whether consumers will be persuaded to buy diesel. Elsewhere there is potential in some other Asian markets, perhaps China, Indonesia and Thailand maybe, but there is no evidence at present - it is something for the future.