JOHNSON MATTHEY PLC - PLATINUM 2005 INTERIM REVIEW
LONDON, NOVEMBER 15, 2005

CALL PARTICIPANTS

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♦ Alan Leams	HSBC Analyst
♦ Marie Dill	Retail Jeweller Magazine Journalist
♦ Ephram Ravi	Credit Suisse First Boston Analyst

QUESTION AND ANSWER SESSION

Seth Pool: Good morning, it’s Seth Pool from Morgan Stanley. I just wanted to ask a question on platinum demand really and what we saw from Japan in 2005 and the reduction in demand. Was that due to a reversal in the stock build pre the HDD demand and if that was the case have we seen any stock building in anticipation of HDD regulation in Europe and in the US and how’s that likely to pan out moving through to next year please.

John Cullen: In Japan last year, there were some large purchases for inventory, which has not happened in 2005. So even though the platinum demand figure for Japan was down 25,000 ounces to 580,000 ounces – actual usage of metal on catalyst was up for the 7th year in a row.

On the second part of the question, there has been no build up of inventories for heavy-duty diesel in Europe or in the States.

Tom Lewis: Tom Lewis (ph) from Deutsche Bank. Can you give us a bit of an update on the rhodium market very briefly?

Mark Bedford: Yes the rhodium market, as you'll see in the Interim Review, has moved into somewhat larger deficit than we saw in 2004. I think the deficit showing for 2005 is something like 46000 ounces.

As always in rhodium, demand is very much driven from the autocatalyst side. Rhodium is the king of NOx reduction and demand for rhodium from that area remains buoyant.

Rhodium production has risen, in line with increased platinum production, but in general terms we see this small deficit continuing.

As far as the price is concerned, the rhodium market as always is extremely tight and any amount of speculative interest in rhodium can start to drive the price upwards and I think we've seen that very clearly in the last 6months or so when the rhodium price has been driven so high.

So in conclusion, fundamentals still strong, a very tight market and speculative interest will continue to drive the price up I think.

Alan Leams: Just a question on the palladium market and jewelry in China. Can you give us some idea as to how much of the 1.2 million ounces is a pipeline adjustment as stores and publications build up working stock. How much is actually gone into end use consumption?

Neill Swan: There have been 2 levels of stock building for the palladium market. When it was first introduced at the beginning of 2004 the purity that was being produced was PD 950, emulating the popular purity for platinum.

For various reasons, some of them marketing, some of them technical, earlier this year some of the manufacturers started to introduce palladium 990, that is 99% pure. So we've gone through another series of stock building.

There has been pipeline filling, but there has also been purchasing by consumers. I think the thing to remember is China is an enormous market and if you look at the number of cities, even smaller cities have populations, exceeding a million with significant numbers of jewelry shops, there is an enormous pipeline to fill.

As to exactly what percentage is pipeline, what percentage is consumption, I think it is very difficult to say at this stage.

Mark Bedford: I think it's important to say that its clearly not just stock sitting there, not selling. Palladium without a doubt is selling through. You wouldn't see a consumption figure of 1.2 million if they were just stocking shops with it, I think its certainly sold through.

Alan Leams: I think John from UBS asked the same question last year and sort of ball parked it at maybe 250,000 ounces out of that 700,000 so I just wonder how much of the 1.2 was going through.

Neill Swan: As I said, the situation is being further complicated by this further round of stock building. The 990 product has also reached further into the market, because it ticks the boxes of people who previously only liked pure gold jewelry.

Beforehand people who wanted to buy jewellery as an investment they can wear they only had one option, which was the 99% pure yellow gold.

Sure they would have liked a fashionable piece, but platinum was too expensive and white gold wasn't pure. Palladium's come along, especially the 990 purity and its starting to tick all those boxes, so we're starting to see a whole lot of new consumers who palladium is being marketed towards.

So in the early stages, the initial, 950, product was marketed at the markets where platinum had penetrated, this second series of stock building is targeting a whole new consumer group.

So, it's very difficult to say in terms of sell through because as I said the market is huge and its difficult to do that kind of research. As Mark mentioned these shops would not be stocking and repurchasing, and there are reorders coming through to the manufacturers, if it wasn't selling through to the consumers.

Unidentified Audience Member: Just a follow up question on automotive demand. What's the outlook really for the opportunity for a high degree palladium to be used in some of the diesel auto catalysts going forward and does that create opportunity for the palladium market and subsequently what's the impact on the platinum market? It seems quite obvious but I mean how close we are technology wise to those types of technologies coming through to the market?

John Cullen: Autocatalyst manufacturers are all waiting on technology to introduce Palladium into diesel engine emissions control and one is testing it in collaboration with major auto companies.
Last year there was some announcements, one by Umicore, which said they could replace a quarter to a third of the platinum with palladium in some diesel systems gone forward. There was also an announcement by Engelhard stating that on a 3 brick system, platinum system, they could replace a third of one of the bricks, a ninth of the whole platinum system with palladium.
So it is clear that only a minority of platinum will be replaced by palladium.

One of the limitations with palladium is it gets – poisoned easily by sulfur in diesel, its going to be very difficult to have a material change from platinum to palladium in the diesel systems.

Unidentified Audience Member: So its become essentially more part of technology with the further diesel price action targets that have been setback in Europe and the US.

John Cullen: Yes.

Mark Bedford: To be clear, we're not looking at a palladium-only technology in this area, it's always going to be platinum-palladium technology with varying amounts of palladium in it. You know, even looking 3, 4, 5 years ahead, in terms of some of the other numbers we've looked at in terms of palladium demand I don't think in my view that it's a first order issue.

Marie Dill: In terms of jewelry, why do you think the UK is holding its own when we're seeing dips in other large areas?

Neill Swan: It's a very good question and this is really a personal view. Jewellery retailers in the UK don't tend to be price point driven. They are more driven by satisfying what the consumer wants.

If you compare that for example with the US, retailers there are definitely price point driven. They have a perception about what their customer can afford to spend and they will stock accordingly. Consequently as the price of platinum has moved up, they've been less inclined to stock platinum and have replaced it with white gold. And it's almost a self fulfilling prophecy because the consumer will be coming in, they don't see as much platinum so they'll not have as great a choice.

What's happened in the UK is that platinum has worked for retailers. They've learned to stock it, they've learned to display it properly, they've learned to present it properly and consequently they've had good sales and because they've had success they've increased their stocks.

That said, the UK market has slowed this year and certainly the price has impacted to a certain extent. But in the key areas, for example, in bridal, I think it's really held its own and has maintained it's a very strong presence in the market.

Ephram Ravi: When do you, from a supply side looking 3 or 4 years down the line? When do you see the big mine supply responses coming to this boom in demand, especially from South Africa.

Mark Bedford: When do we see it coming?

Ephram Ravi: Do you see it coming and if yes, when?

Mark Bedford: I think we'll see an increasing number of expansions come to fruition in that period. I believe investments will be made and the demand challenge, if you will, will be met. There are obviously challenges and difficulties along the way, which we mentioned in the presentation on the Eastern Bushveld, but they'll be overcome I'm sure and I believe the South African producers will rise to the challenge of increasing demand. It's there to be done.

And some of the things which have made it difficult, certainly in the last few years, are perhaps easing somewhat now. I mentioned the Rand basket price and certainly the profitability of some of the projects on the Eastern Bushveld which perhaps looked very dubious a couple of years ago, now look a lot better and I think there's a real imperative there for this expansion to take place.

I would imagine certainly, in the next 2 to 3 years we'll see platinum production, particularly from South Africa keeping pace with the demand even though we'll see demand increase.

Ephram Ravi: Just a follow up question on that, is there something like a long term benchmark platinum or palladium price that you would see as necessary for those projects to come to fruition.

Mark Bedford: That's a very good question. It's something that probably will be different for each of the different producers. I'm not aware of the kind of benchmark pricing they use in their strategic planning, but I would imagine, given the sort of conservative way in which these plans are developed, that the prices that they're using in their strategic planning are a lot lower than the ones that we see in the market at the moment. It makes sense from planning point of view: you can't, I would guess, plan an expansion on a $1000 an ounce platinum when the price hasn't really even got there yet.

I would imagine that these prices that we see today, and if they continue in any way, are going to support increased mine output and expansion plans. But as to an absolute benchmark price, I wouldn't know that.