

Johnson Matthey

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

PLATINUM 2008 INTERIM REVIEW

“ PLATINUM DEMAND FOR JEWELLERY EXPECTED TO FALL TO 1.12 MILLION OUNCES, REFLECTING SOFT RETAIL SALES AND GREATLY INCREASED RECYCLING ”

The rising platinum price in the first half of the year had a negative impact on jewellery manufacturing according to Johnson Matthey's newly-released Platinum 2008 Interim Review. Even more importantly, recycling of old jewellery increased dramatically in Japan and China as the price rose, further depressing net demand. The fall in the platinum price in the third quarter allowed the industry to rebuild stocks and should lead to stronger consumer purchasing. It has also depressed the amount of scrap material returning from Asian consumers. Johnson Matthey estimates that net global demand for new metal will fall from 1.46 million ounces in 2007 to 1.12 million ounces in 2008.

China

Chinese jewellery manufacturers are forecast to purchase 610,000 oz of new platinum metal in 2008, a fall of 21.8 per cent from the previous year. High prices have driven the use of large amounts of recycled metal and have also impacted upon manufacturing volumes. However, when the price dropped in the third quarter, purchasing volumes on the Shanghai Gold Exchange climbed as the industry replenished its inventories. The lower international price of platinum has also started to feed through into retail prices, making platinum more affordable to a broader range of consumers.

Europe

European jewellery demand for platinum is set to fall by 5,000 oz to 205,000 oz in 2008. The volatile metal price was a problem for retailers who could not change their prices quickly enough in response. The industry also reduced inventories in the first six months of the year in order to minimise its exposure to the high platinum price. However, demand for platinum from the Swiss watch industry is expected to rise, offsetting much of the weakness in other markets.

Japan

Japanese platinum jewellery retail sales are set to fall slightly in 2008 as the rapid rise in the price in the first quarter made platinum jewellery too expensive for some consumers. More importantly, very large amounts of old, second hand jewellery have been returned by consumers for recycling, offsetting manufacturers' purchases of new metal. The flow of this scrap material peaked in the first half of 2008 and has since decreased due to lower prices and demand is therefore likely to rise. However, net demand from the Japanese jewellery industry for the whole year is predicted to fall from 180,000 oz in 2007 to 40,000 oz in 2008.

North America

Platinum demand from North American jewellery manufacturers is forecast to fall from 220,000 oz in 2007 to 195,000 oz this year. Credit worries, a slow domestic economy and high metal prices will all have a negative effect. Sales in the bridal sector will dip due to some switching to cheaper materials in men's wedding bands but sales at the high value and luxury end of the market have remained fairly strong.

“ **NET DEMAND FOR PALLADIUM JEWELLERY FABRICATION FORECAST TO RISE TO 780,000 OZ IN 2008, REVERSING TWO YEARS OF DECLINE** ”

Global demand for palladium from the jewellery sector is expected to increase by 55,000 oz to 780,000 oz in 2008. Demand in China is set to rise to 550,000 oz. Most of the unsold original Pd950 (95 per cent purity) stock has now been reprocessed and recycling rates are declining. While the first half of the year saw weak purchasing of palladium by jewellery manufacturers, the fall in the metal price in the third quarter of 2008 has rekindled this market. Interest in palladium jewellery has continued to grow in Europe and North America where product availability has improved, driving combined demand from both regions higher, to 125,000 oz.

China

Annual Chinese jewellery demand is expected to climb by ten per cent, to a total of 550,000 oz in 2008. Palladium demand from jewellery manufacturers was relatively weak in the first half of 2008. The palladium price reached a six-year high and encouraged the industry to reduce working stocks of metal. The huge earthquake in Szechuan affected sentiment throughout the country and temporarily dampened jewellery purchasing by consumers. However, a decrease in the palladium price in the third quarter has since driven extra manufacturing and retail interest in this metal. Most of the original Pd950 alloy jewellery in China has now been sold to consumers or returned for conversion to higher-purity pieces. Fresh metal is making up an increasing percentage of the metal used by manufacturers and demand now more closely reflects manufacturing volumes than in recent years.

Other Countries

Palladium jewellery demand in Europe is set to climb by 5,000 oz to 50,000 oz in 2008. North American jewellery manufacturers will also purchase more metal this year - 75,000 oz - compared to 55,000 oz in 2007. In both regions, palladium is steadily establishing itself as a jewellery metal. The sustained high price differential between palladium and both platinum and gold has encouraged manufacturers to work with this material and has allowed palladium to establish a niche in men's wedding bands. New casting alloys have made manufacturing processes simpler and have also improved product quality. Product availability and consumer acceptance are therefore growing in both regions.

Palladium jewellery demand in Japan is expected to fall by 20,000 oz this year to 80,000 oz. Palladium is used as a component of platinum and white gold jewellery alloys in Japan. Retail sales of all jewellery are falling, dragging palladium demand lower. Large amounts of platinum jewellery were also recycled in the first half of 2008 in Japan and the 10-15 per cent palladium content of a typical piece was recovered, trimming demand further.

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Platinum 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.