

Johnson Matthey

EMBARGO UNTIL 13:00 HRS LONDON TIME ON 17TH MAY 2010

PLATINUM 2010



LOWER PRICE ENCOURAGES RETAIL SALES OF PLATINUM JEWELLERY AND STOCK REBUILD IN CHINA DURING 2009; ALSO REDUCES RECYCLING LEVELS IN ASIA.



NOTE: Platinum 2010 includes gross demand and recycling data for jewellery, from which net demand can be derived. Previously jewellery demand figures were net. To see both new and old presentations of the data, please visit www.platinum.matthey.com/publications/market-data-tables

Gross jewellery demand for platinum increased by 46 per cent to 3.01 million ounces in 2009 according to Johnson Matthey in “Platinum 2010” released today. Net demand after old jewellery sold by consumers and unsold retail stock returned for reprocessing is taken into account, increased by nearly 80 percent to 2.45 million ounces. European and North American markets, however, suffered in the harsh economic conditions and the improvement in demand was entirely Asia-driven. In Japan the increase in manufacturing levels was negligible but recycling was constrained by lower prices resulting in a positive movement in net demand. China dominated the headlines, as lower platinum prices encouraged consumer purchasing and this together with significant restocking throughout the industry pipeline pushed demand for the metal to record levels.

China

Jewellers in China took full advantage of the lower price of platinum for much of 2009, replenishing their depleted stocks and reducing the average price of their inventory. This led to lower retail prices which attracted consumers back into the shops. Improved profit margins enticed new market entrants at both manufacturing and retail level while existing market participants took the opportunity to expand their platinum activity. The result was a surge in gross demand to more than 2 million ounces. Recycling quantities also increased, however, as the huge rise in retail sales drove a substantial increase in the amount of old jewellery brought back by consumers in exchange for new pieces. Nevertheless net demand for platinum in 2009 more than doubled to 1.75 million ounces, restocking across the trade accounting for at least 300,000 ounces of this amount.

Europe

The jewellery and watch industries felt the weak state of the European economy acutely. In the UK, demand for jewellery in general declined as consumer spending fell sharply, although platinum offtake for bridal rings held up well in the circumstances. Elsewhere in Europe much of the platinum demand comes from the luxury market, none more so than for Swiss watch production, which was cut severely as stock levels were minimised. The result was a reduction of nearly 10 percent in purchases of platinum across the region to 185,000 ounces.

Japan

Despite the weak economy platinum jewellery demand held up well in Japan during much of 2009 as stores reduced prices and devoted more counter space to the metal. As a result, platinum initially recaptured share from white gold, particularly for bridal rings, but as the price increased the advantage waned and gross demand ended only marginally higher than in 2008 at 535,000 ounces. The volume of metal recovered from recycling old jewellery was significantly lower than in 2008 and, consequently, net demand during 2009 increased by a quarter of a million ounces to 305,000 ounces.

North America

2009 was another challenging year for platinum jewellery in North America as the weak economy led to reduced discretionary consumer spending and rationalisation of retail inventory levels. Demand fell by 32.5 percent to 135,000 ounces. While the bridal sector performed better than other areas of the market, price pressures were evident even here.

Platinum Jewellery Outlook

Jewellery demand in China is likely to be lower in 2010. Last year's demand for new metal to replenish and build stocks is unlikely to be repeated this year. Sales on the Shanghai Gold Exchange - a key platinum source for Chinese jewellers - in the first quarter of 2010 were weaker than last year and jewellers are reported to be reducing inventory levels in response to the higher price. The trade has shown historically, however, that it responds quickly to any downturn in the price, suggesting that this situation could turn around. Any improvement in the European or American economies could boost jewellery demand but in Japan the higher price of platinum is likely to have a negative impact on demand this year.

“ PALLADIUM JEWELLERY DEMAND FALLS AS CHINESE JEWELLERS FOCUS ON PLATINUM; MODEST GROWTH IN OTHER REGIONS. ”

Gross purchases of palladium for jewellery manufacture declined by 17.3 percent to 815,000 ounces as Chinese jewellers refocused on platinum as it became more profitable for them. Demand rose in Europe and North America as palladium began consolidating a niche in men's wedding bands.

China

China remains the largest market for palladium jewellery but demand declined in 2009 as manufacturers refocused on platinum, which offered greater profit. This reduced the capacity available for palladium production and gross demand fell 24.3 percent to 560,000 ounces. Stocks of 95% purity product, that have been steadily returning for reprocessing into 99% product are now almost depleted and, consequently, recycling levels in 2009 were greatly reduced, leaving net demand at 510,000 ounces compared to 650,000 oz in 2008. At the retail level palladium has established a presence in provinces in the West and North-East of the country where distribution appears to be driven by individual wholesalers and retail chains, but is still largely absent from the major urban centres.

Other Countries

Demand for palladium from European jewellers increased to 50,000 ounces, encouraged by the introduction of a hallmark for the metal in the UK in July 2009 which affirmed its status as a precious metal. In North America 60,000 ounces of the metal was consumed for jewellery manufacture and, as in Europe, the main area of success has been for men's wedding bands, which have found popularity with couples whose wedding budgets have been squeezed by the economic crisis. In Japan, palladium is used only as an alloying metal in platinum and white gold jewellery alloys and consequently the increase in demand for palladium, as with platinum, was marginal.

Palladium Jewellery Outlook

It is realistic to anticipate continued growth for palladium in North America and Europe where it is gaining recognition and acceptance but in China it faces a number of challenges. The number of manufacturers producing palladium has shrunk and its limited availability, along with its poor exchange/resale value, indicate that without a coordinated marketing effort, demand will continue to decline.

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Platinum **2010** is Johnson Matthey's free survey of platinum group metals supply and demand. It can be downloaded as an electronic file or can be ordered in printed form from

<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, process catalysts and speciality chemicals and the refining, fabrication and marketing of platinum group metals.



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