

News Release

For release: 1300 hrs Monday 13th May 2019

Rising auto demand and surge in investment to push platinum market into deficit

- Platinum market to move into deficit in 2019 following a surge in investment buying
- Automotive demand set to rise due to increased use of platinum catalysts on trucks

After recording surpluses in 2017-18 the platinum market will move back into deficit this year, according to forecasts published in Johnson Matthey's latest Pgm Market Report.

A surge in investment buying and higher automotive consumption will underpin a nine percent gain in gross platinum demand in 2019, offsetting weakness in the Chinese platinum jewellery market, where platinum faces increased competition from karat gold jewellery.

Automotive demand for platinum will rise by three percent this year, due to greater platinum use on trucks. In China, platinum consumption on heavy duty vehicles will increase sharply, with strict China VI emissions legislation due to be implemented in some provinces and cities starting in July 2019. The new regulations will apply nationwide from July 2020, while India will also introduce strict emissions regulations for trucks next year.

South African platinum supplies have been flat for several years but could rise slightly in 2019, if producers can clear processing backlogs. However, there is some downside risk due to the potential for disruption from electricity shortages or strikes.

Alison Cowley, Principal Analyst at Johnson Matthey plc, commented: "Between mid 2018 and early 2019, the platinum price traded close to ten year lows while palladium set a series of all-time records. Some investors now think that platinum is under-priced, given the improving outlook for automotive demand and uncertainties over supply. This led to a dramatic turnaround in sentiment during the first quarter of 2019, when investors bought nearly 700,000 oz of platinum Exchange Traded Funds (ETFs). This seems to be net new investment, rather than investors switching out of palladium into platinum."

Palladium price reaches record highs on boom in automotive demand

- Palladium market deficit to widen as autocatalyst demand climbs 9%
- Price reaches record high of over \$1,600 as selling by investors dries up

The palladium market deficit is forecast to widen significantly in 2019, with primary and secondary supplies unable to keep pace with the growth in automotive demand. Palladium ETF disinvestment

helped balance the market in 2018 but remaining holdings are no longer sufficient to bridge the gap between supply and demand.

Rupen Raithatha, Market Research Director at Johnson Matthey, said: "ETF investors redeemed over 2.2 million oz of palladium holdings during the last four years. This helped to support market liquidity during a period of exceptional growth in automotive demand. However, persistent market deficits have had a real impact on the price, which reached a record high of over \$1,600/oz in March 2019. Despite these high prices, ETF selling dried up in the first quarter of 2019, but we think there is still some potential for profit-taking this year."

Palladium use in autocatalysts is forecast to rise by nine per cent in 2019. China 6 emissions legislation will be enforced nationally in 2020, but some provinces and cities will introduce the new standards in July this year, under the 'Blue Sky Protection Plan'. This will result in a step change in palladium loadings on Chinese cars.

Johnson Matthey's May 2019 PGM Market Report includes a special feature on European emissions legislation. Under Euro 6d legislation, emissions compliance is being extended from the laboratory to the real world via 'real driving emissions' testing using portable emissions measurement equipment. This is motivating additional palladium use on European gasoline cars.

Margery Ryan, Principal Automotive Analyst at Johnson Matthey, added: "Euro 6d legislation is having a significant impact on the palladium market. Vehicles are being tested under a wider range of driving conditions, making emissions control more challenging. Exhaust aftertreatment systems are becoming more complex and automakers are adding more palladium to meet the new requirements."

Note to editors:

Johnson Matthey plc's PGM Market Report can be viewed and downloaded from the website (<http://www.platinum.matthey.com/services/market-research/pgm-market-reports>) and provides an overview of demand for platinum group metals in 2018 and an outlook for 2019. You can follow us on Twitter at @PMMJM.

Johnson Matthey's Market Research Department has undertaken fundamental research into the Platinum Group Metals markets since the 1980s. Since 1985, Johnson Matthey has published supply and demand data twice yearly, in the Platinum and Interim Platinum series of reviews (1985-2013) and in the PGM Market Report (2014-2019). Previous reviews and reports can be downloaded from <http://www.platinum.matthey.com/services/market-research/pgm-market-reports>

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