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Delegations from the DTC and WFDB conduct liaison meeting in London on September 9, 2004

DTC/WFDB JOINT MEDIA RELEASE

Antwerp, September 27, 2004 - A delegation from the World Federation of Diamond Bourses (WFDB), led by the organization's president, Shmuel Schnitzer; and including Ernie Blom, WFDB vice president; Michael Vaughan, WFDB secretary general; Freddy Hager, WFDB deputy treasurer; Jacob Banda, member of the WFDB executive committee; David Marcus, president of the Diamond Club West Coast; Willy Rotti, president of the Diamantclub van Antwerpen; and Anoop Mehta, president of the Bharat Diamond Bourse; met with a team of executives from the Diamond Trading Company (DTC), led by Gareth Penny, DTC managing director; Varda Shine, DTC sales director; Derek Palmer, Sales and Marketing executive; Andre Marais, Sales and Marketing executive; and Rosalind Kainyah, DTC director for external affairs, on Thursday, September 9, 2004. Among the subjects on the meeting's agenda were consumer confidence and issues raised by the implementation of the DTC's Supplier of Choice sales and marketing strategy.

The meeting, which described as positive by both sides, developed an action plan to meet the challenges which currently face both the DTC and the members of the WFDB. The importance of communication between the WFDB, the DTC and the market was emphasized by both parties.

Of all the challenges to consumer confidence, the participants at the meeting agreed, perhaps the most important is synthetic diamonds. Penny said, "The DTC takes this challenge very seriously. To meet the challenge we have developed Diamond Sure which can easily detect synthetics." The Diamond Sure system is currently being made available to the industry through the auspices of the Gemological Institute of America (GIA).

Both parties agreed that there needs to be a single autonomous industry body to represent the industry in developing an action plan to meet the challenge of synthetics. The WFDB will be taking this issue further with other industry organizations.

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"It is essential that an all-industry strategy be developed to defend the position of the natural diamond," said Schnitzer. "The special position of our product from the perspective of the consumer is vested in its uniqueness and rarity. We cannot allow a situation to develop that will undermine the natural diamond's image."

Both the DTC and the WFDB were in agreement that any grading certifications, , should clearly identify treatments and synthetics to ensure consumer confidence is maintained.

Money laundering was another important issue raised by the WFDB. Both parties agreed that any measures agreed at the World Diamond Congress in New York in October would receive full cooperation from both organizations to protect the industry and maintain consumer confidence. This also includes cooperation with law enforcement bodies, when necessary.

On the issue of supply, Gareth Penny confirmed that Diamdel has met its commitment to the secondary market selling up to \$500 million each year to a variety of companies in the various cutting centers. The DTC emphasized that it is Diamdel policy not to sell to DTC sightholders. The WFDB endorses the Diamdel system of operation for the supply of rough.

It was agreed that the WFDB will explore with Diamdel the possibility of Diamdel publicly accrediting its secondary market clients.

The DTC indicated that its Supplier of Choice (SoC) strategy has been successful at driving demand not just for its clients but for the total industry, including the secondary market. Since the announcement of SoC, the retail diamond market has grown by an average of 3.6 percent per annum. The DTC reported that sales results this year are just as positive, and diamond jewelry demand is on track to grow at around 8 percent in U.S. dollars.

Both parties agreed that the secondary market could benefit from the SoC strategy, taking advantage of the DTC marketing programs. The WFDB delegation members lauded the DTC's marketing and promotional efforts, recognizing the DTC's contribution to the increased demand for polished goods in the market place. It was recognized, however, that the strong demand has changed the situation on rough and polished availability, making it more difficult for the secondary market to find adequate supply. This is likely to continue in an environment of high demand.

In this context the WFDB delegation raised the issue of the perception by the polished diamond dealer community that, in the pursuit of efficient distribution channels, the SoC strategy was "against" the interests of dealers. Penny made it clear that this was not the case. Varda Shine, the DTC sales director said, "SoC works with many different business models. The DTC recognizes that dealers play an important distribution role in the industry today and many of our clients and some of our major marketing programs involve dealers."

To bring clarity to the situation, the DTC offered to set out its position in due course on dealers, both to its clients and to WFDB members, through the WFDB newsletter.

The meeting ended on a positive note. The DTC and the WFDB officials said they would continue to work together to develop a healthy, growth-driven industry and meet the challenges that face it, and in the process out compete other luxury products.

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