
ADR

**ANTWERP
DIAMOND
REPORT**
2011





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WELCOME

Dear reader,

When, in May 2011, I spoke at AWDC's Antwerp Diamond Conference, I prefaced my remarks by noting that the winds of change are blowing strongly through the industry and the world that they leave behind them will be greatly different to the one that existed previously.

By December it was clear that 2011 would mark a watershed in the diamond business. For almost a century there had been a number of absolutes, with the most prominent being De Beers, which distributed more than 90 percent of the rough diamonds produced. Another absolute was the dominant Western consumer markets, and more specifically the United States, which on its own accounted for about one in two diamonds sold worldwide.

But in 2011 there were fewer absolutes. De Beers had seen its share of rough production fall below the 40 percent mark. The largest producer in terms of volume was Russia's Alrosa, and it was joined by a number of larger and smaller firms supplying rough to the market, much of it through Antwerp.

But, possibly, the most significant development occurred in September, when



it was announced that Botswana and De Beers had reached a new sales agreement, according to which De Beers would transfer its London-based rough diamond sales headquarters to Botswana's capital of Gaborone by 2013. Africa's role in the business is in the ascendancy.

At the consuming end, the share of the U.S. market slipped to below 38 percent, while the markets in Asia, led by China and India, accounted for an ever-larger portion of demand.

It could be said that the only absolute remaining in the market is Antwerp, the centre of the diamond trade. With a total turnover of rough and polished diamonds sales worth \$56.5 billion, we remain the axis around which our global business turns.

Ari Epstein
AWDC CEO



Nishit Parikh
AWDC President

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A GLOBAL PERSPECTIVE

A Year of two halves

For the diamond industry, 2011 was in the words of De Beers “a year of two halves.” It began with accelerated growth in consumer demand that, because it was not met with a corresponding rise in diamond production, resulted in a steep increase in rough diamond prices. But then, as general uncertainty about the state of the global economy mounted, consumer demand slipped and liquidity in the cutting and trade centres was reduced quite significantly.

But despite the slowdown during the second half of the year, in terms of value 2011 was a year of net gain. Consumer demand for diamond jewellery grew between 11 percent and 13 percent, driven largely by sales in China, which rose by about 30 percent year on year. In India the increase was between 10 percent and 15 percent, and in the United States diamond sales to consumers rose by about 8 percent.

The United States remained the dominant polished diamond market, accounting for 36 percent to 38 percent of global demand, followed by China, India and Japan which together accounted for just under a third. De Beers predicted that by 2015, China,

India and the oil-rich Gulf states would achieve parity with the United States.

Sales of rough diamonds by De Beers’ marketing arm, the Diamond Trading Company, increased 27 percent during 2011 to \$6.5 billion, its second highest total on record. But production in terms of volume was down 5 percent to 31.3 million carats, when compared to the amount registered in 2010. The price of rough diamonds sold by De Beers rose by an average of 29 percent during the course of the year.



The world’s largest rough diamond producer in 2011 in terms of volume was the Russian mining company Alrosa, which produced 35.14 million carats, according to Russia’s Finance Ministry. This represented a 1 percent increase

on the amount produced in 2010, and included production from its subsidiaries, Alrosa-Nyurba, Diamonds Anabara, and Severalmaz, as well as its share of independent producers Uralalmaz, and Yakutia-controlled OJSC Nizhnelenskoye.

In value terms, Alrosa's diamond production in 2011 equalled \$2.66 billion, compared to \$2.38 billion in 2010. Alrosa's sales revenue in 2011 came to \$4.424 billion, which included stockpiled materials.

Rio Tinto reported a 15 percent decline in rough diamond production in 2011 compared to 2010, with 13.8 million carats mined. Production at the company's Argyle mine in Western Australia fell 24 percent to 7.4 million carats in 2011, in part because of flooding that was experienced at the site in March. Rio Tinto's 60 percent share of production at the Diavik mine in Canada's Northwest Territories equalled 4 million carats in 2011, 3 percent more than the amount reported in 2010. The production at the Murowa mine in Zimbabwe, in which Rio Tinto has a 77.8 percent share, was 285,000 carats, about twice the amount reported in 2010.

BHP Billiton, the operator of the Ekati mine in Canada's Northwest Territories, reported that production for the first half of its fiscal year, which starts July 1, was 938,000 carats, representing a 32 percent decline compared to the same half-year period of 2010. According to the company, diamond production is "constrained" for the medium term because of lower-grade material being mined. During the 2010-2011 fiscal year,

which ended June 30, Ekati's diamond production was 2.5 million carats, which represented an 18 percent decrease from the prior period.

Anglo American buyout ends Oppenheimer 's role in diamond business

For 84 years South Africa's Oppenheimer family stood atop the De Beers company, and so played a dominant role in the world diamond business. The end of that era was signalled in mid-November, when it was announced that the family would be selling its 40-percent stake in the diamond conglomerate to Anglo American for \$5.1 billion. The deal would be subject to regulatory and government approval which were likely to take at least nine months.

The agreement will enable Anglo American to increase its stake in De Beers to 85 percent from 45 percent, although the Botswana government, which holds a 15-percent share in De Beers, has the right to take part in the deal and raise its shareholding to 25 percent, which would leave Anglo with 75 percent. If that happens, Botswana will pay a pro rata amount of the \$5.1 billion.

Anglo American, which itself was founded by Sir Ernest Oppenheimer, a former De Beers chairman, has held a share of De Beers since 1926, and has been the largest

shareholder in the miner since it delisted in 2001.

Anglo will also pay a capped consideration of 20 percent if a relisting of De Beers on a stock exchange occurs within the first year of the acquisition, or 10 percent if a listing takes place in the second year.

A \$3.5-billion undrawn facility held by Anglo American and \$2.2 billion cash available outside of South Africa would be used to fund the deal. Analysts said that it will not create a financial strain for Anglo, since it held around \$4.5 billion in cash and \$3.5 billion in debt facilities. It has been estimated that the deal would add 5 percent to 10 percent to Anglo's earnings.

Gaborone earmarked to become DTC's primary rough sales centre

After many months of anticipation, on September 16, the Government of Botswana and the De Beers Group announced that an agreement has been reached on a new 10-year contract for the sorting, valuing and sales of diamond production from Debswana, the mining company that the two jointly own. The agreement heralded the most dramatic geographic shift in more than 100 years in the international diamond trade, in that De Beers approved to transfer its London-



De Beers' outgoing chairman Nicky Oppenheimer said that the family intends using the \$5.1 billion from the sale to pursue projects in South Africa and across the African continent. A restraint clause will prevent him from getting back into the diamond industry for two years.

based rough diamond sales headquarters to the Botswana capital of Gaborone.

As a result, the southern African country is likely to be transformed into one of the world's leading diamond trading and manufacturing hubs. It also will leave Antwerp as the only significant rough

diamond trading centre in all of Western Europe.

The deal, which it was agreed would commence from January 1, 2011, is the longest sales contract ever reached between the two partners. According to its terms, the Diamond Trading Company (DTC) will relocate its sights and sales operations – including some 100 members of staff, skills, equipment and technology – from London to Gaborone by the end of 2013.



Effectively, there will be two DTC entities operating in Botswana, namely DTC and DTC Botswana (DTCB). DTCB will sell 90 percent of its intake from Debswana to DTC, and the other 10 percent to a government appointed sales window. DTC will then aggregate its 90 percent of Debswana production with production from around the world, and sell to both its worldwide clientele, as well as to its Botswana sightholders, who increased in number from 16 to 21 on the organisation's 2012-2015 list.

The independent sales outlet for the Botswana Government, which will begin this year at 10 percent of Debswana's run of mine production, will rise to 15 percent over a five year period.

The degree to which Gaborone will be successful in transforming itself into a major diamond trading centre will depend in no small measure upon the ability of the country to develop the facilities required by an international business community.

The same month that the Botswana-De Beers agreement was announced, construction began on a trading facility at the Diamond Technology Park in Gaborone. It was the first stage of what is meant to become a platform for independent tenders for local, regional and international diamond producers and buyers trading in Botswana. The three-storey turnkey project is being built on 1,410 square metres, and is slated to include sorting rooms, viewing rooms, management offices, a laboratory, a control room and security facilities. The Diamond Technology Park is a private initiative funded by Safdico, a DTC sightholder.

De Beers will continue to maintain a significant presence in Britain, including senior members of management, the Forevermark diamond brand, De Beers Group Services and the DTC Research & Development Office in Maidenhead.

De Beers and Government of Namibia restructure Agreement

Prior to De Beers' agreement with the Government of Botswana, in May the company concluded a landmark deal with the Government of Namibia, according to which the government would increase its shareholding in De Beers Marine Namibia (DBMN) from 15 percent to 50 percent.

As part of the agreement, the shareholders agreed to establish a new 50-50 joint venture holding company for DBMN and Namdeb, the jointly owned mining company. The enterprise would hold all of the licenses both for land and sea operations and also would own the diamonds produced. All output owned by Namdeb and DBMN would continue to be sorted, valued and marketed exclusively by the Namibia Diamond Trading Company (NDTC).

Namdeb has a diamond mining licence that will remain valid until 2020. The company reportedly was planning to invest Nam. \$5 billion (U.S. \$760 million) in extending diamond mining activities to the year 2050, with the money being used for re-investment in current mining operations, expansion programmes and bringing new mining areas on-stream.

In November De Beers Marine Namibia has started trading under a new name, Debmarine Namibia.

At the end of the year when the DTC announced the provisional qualification of 72 sightholders for Supplier of Choice contract period beginning on March 31, 2012 and ending March 30, 2015, the list included 13 sightholders in Namibia.

BHP Billiton looks at possible exit from diamond sector

Since it began operations at the Ekati mine in Canada's Northwest Territories in October 1998, BHP Billiton, the world's largest diversified miner, has been a major diamond producer. But in November 2011 the company announced that it may sell some or all of its diamond operations since they may no longer fit in with its overall business strategy.

BHP's diamond unit owns 80 percent of the Ekati diamond mine in Canada's Northwest Territories, and 51 percent of the Chidliak exploration venture in the territory of Nunavut, Canada. The Ekati stake is valued at \$2.7 billion by BMO Capital Markets.

Even at the higher end of analysts' sale valuations, the diamond operations only account for approximately 2 percent of BHP's market value. Ekati has produced an average of more than three million carats of rough diamonds a year for the last three years, with annual sales

representing about 10 percent of global supplies by value.

BHP spent \$319 million developing the unit during the 2010-2011 financial year. But it stated that the mines may not fit in with its approach of investing in “large, long life” assets that have the potential for expansion.

Alrosa makes preparations ahead of prospective IPO

During the period following the onset of the global financial crisis in 2008, Alrosa, the state-controlled Russian diamond mining company, rose to become the world’s largest rough diamond producer. This development was in no small part due to its decision in 2009 to continue mining, while the other major producers had either suspended or curtailed production, even though prices had fallen by as much as 40 percent.

Alrosa, which produces around 25 percent of global diamond output, and which markets close to half of its production through Antwerp, was able to do so because the Russian Finance Ministry was willing to provide the funding. The state repository, Gokhran, bought around \$1 billion of goods.

In retrospect, the decision to sell to the Gokhran was a spectacular success. Diamond prices recovered, and Alrosa and the Gokhran were able to cash in

on the supply shortfall caused by other producers having slashed their production. But Alrosa’s strategy was not without cost, particularly in terms of its debt which rose because of the initial slump in sales and prices.

To benefit from its improved standing in the international arena and also possibly to provide an added measure of liquidity, in 2011 Alrosa’s president, Fyodor Andreyev, raised the possibility of an Initial Public Offering (IPO) that would be launched in 2012 or 2013. The company reportedly sees it as a means to finance further expansion, particularly of expensive underground operations. In addition, the IPO may be regarded by investors, who have long been waiting for a solid vehicle to enable them to invest in diamonds, as providing that opportunity.

Ahead of the IPO, Alrosa reportedly planned to sell non-essential and non-core assets. These included its gas and insurance businesses as well as residential properties in Yakutia, where its mines are based.



Junior miners shift attention to becoming long-term rough suppliers

The shakeup among the rough diamond producers permeated to the lower end of the sector, which is populated by what are known colloquially as junior miners. Traditionally, these companies have focussed their attention on exploration and prospecting, and once they have located a rough diamond resource and demonstrated its long-term financial potential, they generally seek to be bought out or become a joint venture partner with a major producer. However, a more recent trend is for certain of the junior miners to set up independent channels of distribution, and so fill in the gaps being created at the upper end of the rough diamond market.

There have long been a handful of junior mining companies that supply rough diamond directly to the market, but their impact on production totals was negligible. But, in recent years, however, as De Beers has seen its market share fall from as much as 90 percent to below 40 percent, and another major producer like BHP Billiton is actually considering withdrawing from the diamond industry, the role of the junior miner as a significant supply channel is increasing.

The largest of the smaller miners is Petra Diamonds, which during 2011 purchased the Finsch mine in South Africa from De Beers for around \$210 million. The company's growth strategy is based largely

on acquiring existing mines, and it owns the Cullinan, Koffiefontein, and Kimberley underground mines in South Africa, which it also bought from De Beers, as well as a 75-percent stake in the Williamson mine in Tanzania. Petra currently operates eight mines in Africa.

During the first half of Petra's fiscal year, which ended December 31, 2011, production rose by 64 percent from the same period a year earlier to 953,553 carats, while revenues improved by 13 percent to \$101.4 million. According to a company statement, profit from mining activity was up 25 percent to \$30.7 million.

Another junior miner making waves in the market was Gem Diamonds, which in November announced that it had received the green light for a \$280 million expansion of its Letseng mine in Lesotho. Work was scheduled to start in January 2012 and would increase to full production by July 2014, raising the annual treatment capacity at the mine to 10 million tons annually, from the current level of 5.6 million tons a year.

Gem Diamonds, however, is considering the sale of its Ellendale mine in Western Australia. The mine is considered one of the world's best sources of fancy yellow diamonds, which are sold on contract by the company to luxury jeweller Tiffany & Co. But Ellendale has struggled operationally and its lower value pipe was shut down when prices dropped during the 2008 global financial crisis.

KP agreement signals Zimbabwe's launch as major rough producer

After more than two years of deadlocked negotiations, including an inconclusive Intersessional Meeting in June, the Kimberley Process Plenary ratified an agreement that would enable the export of rough diamonds from the Marange region of Zimbabwe on November 1.

In doing so, the KP Plenary endorsed, with immediate effect, the export of rough diamonds from the mining operations of Marange Resources and Mbada. The Plenary also agreed that exports may take place from other mining operations in the Marange diamond fields, following verification of their compliance with KPCS minimum requirements by the KP Monitoring Team, which will receive full access to the mining sites. Among these operations would be the one owned by Anjin Investments, a jointly owned Zimbabwe-Chinese concern, which would be visited by KP monitors within two weeks of the agreement.

Transparency was a key element of the agreement, with compliant mining operations in the Marange region being required to share mine level data with the KP Monitoring Team on an ongoing basis. It would include Abbey Chikane, a former Chair of the Kimberley Process, and Mark Van Bockstael, Chair of the World Diamond Council Technical Committee and the AWDC Director of International Affairs.

Also part of the deal was the agreement by the Zimbabwe government that the KP Civil Society Coalition representatives in the country would have access to the Marange area so as to allow continued reporting on KPCS implementation.

The ratification of the agreement was not only of critical importance to the cash-strapped Zimbabwean economy, but also to the diamond business, which in recent years has experienced a steady increase in demand for diamond products that had not been met with a corresponding increase in the new rough diamond resources. The alluvial deposits in the Marange region appear to be of a quantity and quality that will elevate Zimbabwe into the position of a major rough diamond producer.

The exact size of the 60,000 hectare Marange deposit is not immediately apparent, and in terms of net worth will depend on the per carat value of the diamonds at any specific point in time. But a mining company that had prospected the area suggested that Marange could sustain an output of three million carats a month for 14 years.

Speaking after the KP agreement was concluded, Mr. Van Bockstael confirmed that Zimbabwe has the potential to become a major rough diamond producer, but he noted that this is not a foregone conclusion. The country's ability to demonstrate political and economic stability would be a critical factor, influencing its ability to attract the international investors that are needed to develop its mining capacity, Mr. Van Bockstael said.

U.S. jewellery sales reach record, outstripping other market sectors

While nominally in recovery, much of the U.S. economy has limped forward since the onset of the global financial crisis at the end of 2008. Bucking the trend, however, has been the jewellery sector, which mounted a comeback far faster than most of its other counterparts in the U.S. consumer marketplace.

According to U.S. government data, total jewellery and watch sales achieved a record of \$68.3 billion in 2011, which represented an increase of 11 percent over the amount registered in 2010. De Beers reported that

sales of polished diamonds in the United States had grown by about 8 percent.

The increase in consumer demand for diamond jewellery in the United States was outpaced by gross polished diamond imports into the country. According to the U.S. Department of Commerce they totalled \$21.7 billion, which was 20.1 percent more than the amount reported a year earlier, although in terms of volume they fell by 1.1 percent to 13.3 million carats.

Exports of polished diamonds increased by 29.2 percent to \$17.8 billion, leaving a net total of \$3.91 billion, which was 8.9 percent below the amount recorded in 2010. The disparity with the increase in diamond jewellery sales was attributed to the import of items in which the stones had been set outside of the United States.



For the larger American chains, the results for the critical Christmas season were generally positive. Tiffany & Co saw a 7 percent increase in net sales for the two months ended December 31 to \$952 million, with sales in the United States, Canada, and Latin America rising by a

and is likely to remain so for some time still. This to no small degree because of its massive matrimonial jewellery market, which is maintained by about 2.4 million weddings per annum, for which 1.9 million engagement rings are sold.



slightly more modest 4 percent to \$503 million. Zale Corporation reported that revenues for the same two-month period were \$564 million compared to \$533 million during the same two-month period last year, an increase of 5.8 percent. Signet Jewelers reported that same-store sales in the United States for the nine weeks ending on December 31 increased by 9.2 percent, when compared to the same period a year earlier.

While the United States' share of the global jewellery market fell below 40 percent from its 50 percent share, it remained the most important market in the world

China and India consolidate status as growing consumer markets

China's relentless march toward market dominance continued in 2011, with a luxury market study by Bain & Co. indicating that the year-on-year growth in personal luxury goods sales would stand at 35 percent in 2011, matching the figure that was recorded in 2010.

According to certain estimates cited by the Economist in November, China's jewellery market is already worth 250 billion yuan (\$39 billion), and growing at about 15 percent a year.

Hong Kong, which is the conduit for most of the diamonds earmarked for the mainland Chinese market, noted a 27 percent increase in polished diamond imports year on year in 2011 to \$17.18 billion. However, reported the Diamond Federation of Hong Kong, Chinese imports by volume were down 9 percent to 26.2 million carats, resulting in a 40 percent increase in the average price per carat to \$655.43. As reported by the Shanghai Diamond Exchange, official imports of polished diamonds into China during 2011 increased by 56 percent to \$2.04 billion.

Also showing impressive growth was the Indian jewellery market, which some have estimated to be worth \$24.9 billion per annum.

As a major diamond manufacturer and exporter, the Indian authorities provide only limited information about domestic sales, but a glance at the 2011 data does reveal signs of an industry that is increasingly internally focussed. India's net diamond account for 2011 was in deficit to the tune of \$5.76 billion, which was more than twice the deficit of \$2.37 billion that was reported in 2010. Clearly, considerably more diamonds were finding buyers in India. This also was indicated by the import of polished diamonds into the country, which rose by 18 percent to \$19.96 billion.

Despite a harrowing year, Japanese market shows signs of recovery

For many Japanese 2011 will be remembered as a traumatic time, highlighted by the Tohoku earthquake and tsunami on March 11, followed by the nuclear meltdowns and releases of radioactive materials at the Fukushima Nuclear Power Plant.

Given the events during the first half of 2011, few would have predicted that 2011 would have signalled a possible turnaround in its diamond sector's fortunes, but that is precisely what may have happened.

According to data compiled by Momozawa & Co. Inc., polished diamond imports into Japan rose by 22.3 percent to \$848.3 million, when compared to the same amount reported a year earlier. It was accompanied by a relatively steep increase in the value of the yen, but even at constant exchange rates the rise in the value of imports was a healthy 17.3 percent.

But the economic climate in Japan remained tough, with the country continuing to suffer from deflation, and long-term demographic challenges like an aging population. However Japan is benefitting from its proximity to China, and the fact that it is located in a hemisphere which is rapidly being transformed into the world's most powerful economic region.

In the 1980s the rapidly expanding Japanese market was seen as a potential rival to the United States as the world's dominant diamond power, but from the early 1990s onward came to be considered a recurring underperformer.

Diamonds raise their profile as an attractive investment vehicle

Institutional investors and the diamond industry itself have traditionally been ambivalent, and sometimes vehemently opposed, to the use of diamonds as an investment vehicle. For commodities specialists, diamonds are difficult to qualify, in that they cannot be neatly standardised like gold and other precious metals. But also, previous efforts to develop diamond investment funds have been underwhelming.

But steady long-term increases in the prices of both rough and polished diamonds have meant that diamonds are once again being considered as investment opportunities. The attractiveness of such ventures is no small part influenced by a forecast of strong growth in the diamond jewellery markets, fuelled largely by the growing middle class in developing countries. This rise in demand, considered against the backdrop of an insufficient increase in rough diamond supply, suggests that the value of diamonds will strengthen considerably in the coming years.

In May 2011 the diamond miner and jewellery retailer Harry Winston Diamond Corporation launched its first fund, and was reportedly considering a follow-up fund with its partner Diamond Asset Advisors. Its fund will purchase diamonds, and



provide direct exposure to the wholesale market price of polished merchandise. It was expected that \$100 million would be raised during 2011, with another \$150 million due during 2012, subject to market conditions. In the portfolio, 75 percent are diamonds of 0.50 to 5.99 carats, and 25 percent in fancy colours or larger stones, the company said. The diamonds will be consigned to Harry Winston which will act as custodian and use the diamonds in its products. When Harry Winston sells jewellery it will pay the fund the current wholesale replacement price.

Also working on a diamond investment fund was the Rapaport Diamond Corporation, which it has said, will be geared at enabling the financial community to invest in diamonds. Another diamond

investment fund had reportedly been created by businessman Clive Cowdery with Diamond Capital Ltd., with a reported capital raising of \$20 million.

For its part Christie's reported consolidated total sales of \$5.7 billion (GBP 3.6 billion), which was 9 percent more than in 2010, when calculated in British pounds. Jewellery sales increased in U.S. dollar terms by 41 percent to \$600.1 million.



Sale of Elizabeth Taylor collection highlights jewellery auction year

2011 was a good year for the major auction houses, with Sotheby's generating the best financial results in its 268-year history, apart from its record year in 2007. The company's strong financial performance was driven by a \$57.5 million or 7 percent increase in revenues attributable to growth in both auction and private sale commission revenues. Net income for 2011 was \$171.4 million on consolidated total sales of \$5.8 billion.

The highlight of the year was the sale at Christie's in New York in December, of jewellery from the collection of the late American actress Elizabeth Taylor. Strongly promoted for months before the event, the sale realised a combined total of \$156.8 million, with every single item sold. The total far exceeded Christie's pre-sale expectations for the sale as a whole and for individual items, which were frequently sold for five, 10 or even 50 times their pre-sale estimates. In total, 26 items sold for over the \$1 million mark.

In addition to the live auction at its New York showroom, for the Elizabeth Taylor Collection Christie's also conducted its first-ever online-only sale. It generated more than 57,000 bids and \$9.5 million in additional sales.

Another highlight of the year was the sale at Sotheby's in Geneva in November, of the 110.3 carat Sun-Drop diamond, a pear-shaped yellow discovered in South Africa. It sold for a record \$12.4 million, meeting its presale estimate of \$11 million to \$15 million.

IMPORT POLISHED

	2011		2010		Difference	
	Carat	USD	Carat	USD	Carat	USD
January	843,744.76	980,259,700	646,519.72	736,580,808	30.51%	33.08%
February	627,553.59	885,414,663	573,146.06	662,973,765	9.49%	33.55%
March	959,953.65	1,338,475,744	780,693.13	1,138,445,312	22.96%	17.57%
April	668,576.40	1,008,392,591	597,001.02	703,017,396	11.99%	43.44%
May	907,582.22	1,201,598,160	612,561.10	733,484,386	48.16%	63.82%
June	910,347.76	1,477,310,257	664,849.21	1,062,193,174	36.93%	39.08%
July	680,710.24	1,178,117,394	584,898.45	801,810,408	16.38%	46.93%
August	673,021.36	987,712,474	627,739.61	677,560,872	7.21%	45.77%
September	780,151.44	1,530,831,289	823,775.97	1,156,158,017	-5.30%	32.41%
October	702,740.52	1,185,564,200	838,142.34	938,095,623	-16.15%	26.38%
November	587,524.40	1,164,315,314	687,148.83	905,790,827	-14.50%	28.54%
December	644,398.58	1,097,996,463	659,911.81	800,359,766	-2.35%	37.19%
TOTAL	8,986,304.92	14,035,988,249.11	8,096,387.25	10,316,470,353.56	10.99154033	36.05417132



EXPORT POLISHED

	2011		2010		Difference	
	Carat	USD	Carat	USD	Carat	USD
January	598,812.88	812,395,788	522,182.64	644,770,972	14.67%	26.00%
February	774,545.54	1,317,117,914	582,934.00	875,258,724	32.87%	50.48%
March	970,475.92	1,303,255,156	696,190.91	1,119,659,265	39.40%	16.40%
April	672,803.47	1,010,255,945	522,569.31	696,181,128	28.75%	45.11%
May	839,372.40	1,391,210,275	629,955.89	920,143,658	33.24%	51.19%
June	827,860.29	1,509,241,424	680,720.06	1,091,555,611	21.62%	38.27%
July	911,115.44	1,559,019,062	811,035.88	1,119,225,825	12.34%	39.29%
August	325,506.90	527,983,774	266,837.83	353,604,325	21.99%	49.31%
September	731,220.61	1,641,162,531	807,732.87	1,261,349,124	-9.47%	30.11%
October	532,770.41	1,105,306,902	828,221.23	1,048,535,970	-35.67%	5.41%
November	637,507.96	1,251,776,288	711,557.19	949,506,153	-10.41%	31.83%
December	659,388.23	1,211,290,175	734,430.69	1,019,964,974	-10.22%	18.76%
TOTAL	8,481,380.05	14,640,015,233.67	7,794,368.50	11,099,755,727.26	8.814204127	31.89493168

IMPORT ROUGH

	2011		2010		Difference	
	Carat	USD	Carat	USD	Carat	USD
January	10,600,382.65	1,052,467,887	11,000,422.13	764,534,979	-3.64%	37.66%
February	9,720,089.86	1,053,355,139	10,500,666.34	781,687,939	-7.43%	34.75%
March	10,564,913.27	1,273,569,432	10,092,295.36	854,102,818	4.68%	49.11%
April	7,013,544.61	857,279,139	10,059,281.48	899,950,086	-30.28%	-4.74%
May	9,320,180.82	1,405,351,811	8,740,690.62	705,202,672	6.63%	99.28%
June	8,989,549.12	1,418,304,804	9,746,550.79	885,690,667	-7.77%	60.14%
July	9,117,309.38	1,416,205,416	8,179,182.00	690,553,392	11.47%	105.08%
August	7,257,759.56	1,206,276,036	7,704,906.31	781,764,825	-5.80%	54.30%
September	7,287,700.57	1,027,495,875	5,920,992.18	637,069,055	23.08%	61.28%
October	6,460,562.25	900,726,884	9,310,131.84	844,245,346	-30.61%	6.69%
November	7,292,857.77	998,565,441	9,247,542.29	919,357,855	-21.14%	8.62%
December	5,260,817.20	825,184,109	9,268,417.16	706,534,421	-43.24%	16.79%
TOTAL	98,885,667.06	13,434,781,971.42	109,771,078.50	9,470,694,053.63	-9.916465784	41.85636127



EXPORT ROUGH

	2011		2010		Difference	
	Carat	USD	Carat	USD	Carat	USD
January	11,352,823.59	1,036,057,105	10,442,382.79	816,988,698	8.72%	26.81%
February	10,264,572.05	1,136,655,828	10,792,318.51	903,987,049	-4.89%	25.74%
March	12,497,029.02	1,351,388,232	13,604,635.46	1,009,391,280	-8.14%	33.88%
April	7,066,218.14	1,128,928,740	10,430,123.09	893,437,421	-32.25%	26.36%
May	10,128,197.48	1,471,566,491	11,010,451.27	857,264,988	-8.01%	71.66%
June	11,859,388.76	1,613,877,866	13,685,129.05	1,200,874,555	-13.34%	34.39%
July	13,204,331.22	1,860,545,905	11,244,839.22	1,003,940,629	17.43%	85.32%
August	3,610,060.67	655,636,275	6,168,823.60	555,197,597	-41.48%	18.09%
September	5,829,822.22	1,059,878,566	8,862,258.16	834,714,708	-34.22%	26.97%
October	4,127,159.17	742,953,794	9,698,884.14	942,615,684	-57.45%	-21.18%
November	8,438,504.26	1,170,683,627	9,441,307.56	833,215,965	-10.62%	40.50%
December	8,718,303.59	1,192,796,984	11,450,442.14	1,137,017,214	-23.86%	4.91%
TOTAL	107,096,410.17	14,420,969,413.67	126,831,594.99	10,988,645,790.20	-15.56014873	31.23518302

EXPORT OF POLISHED DIAMONDS BY COUNTRY

		Jan-Dec 2011		Difference 2010	
		Carat	USD	Carat	USD
1	U.S.A.	1,019,892.08	3,898,092,742	3.19%	25.80%
2	HONG KONG	1,683,071.69	3,126,197,743	3.95%	23.56%
3	ISRAEL	645,420.78	1,616,383,340	17.06%	33.60%
4	SWITZERLAND	785,235.64	1,246,068,781	49.59%	95.49%
5	INDIA	1,549,506.25	1,104,631,652	28.65%	32.77%
6	UNIT.ARAB.EM.	827,707.94	762,741,081	2.03%	24.43%
7	CHINA	302,647.46	614,688,105	12.09%	70.64%
8	UNITED KINGDOM	69,671.62	385,727,632	-34.48%	12.97%
9	FRANCE	194,650.51	362,630,137	17.80%	69.80%
10	ITALY	351,372.91	270,974,730	-10.90%	19.48%
	OTHERS	1,052,274.42	1,251,830,104		



IMPORT OF POLISHED DIAMONDS BY COUNTRY

		Jan-Dec 2011		Difference 2010	
		Carat	USD	Carat	USD
1	U.S.A.	894,662.40	2,944,707,847	19.28%	28.90%
2	INDIA	3,026,336.35	2,620,808,629	-0.60%	35.68%
3	HONG KONG	1,215,955.12	2,344,990,513	8.47%	36.54%
4	ISRAEL	443,324.91	1,380,073,249	6.79%	41.13%
5	SWITZERLAND	651,179.94	1,005,439,119	63.00%	35.08%
6	CHINA	756,219.80	911,262,263	-7.24%	39.83%
7	UNIT.ARAB.EM.	1,007,235.30	883,385,109	48.67%	62.84%
8	RUSSIA	161,411.08	415,690,301	24.96%	41.63%
9	THAILAND	223,352.32	305,025,184	4.09%	27.52%
10	SRI LANKA	125,239.97	259,513,563	15.51%	39.27%
	Others	480,672.89	962,453,992		

AN ANTWERP PERSPECTIVE

Antwerp reports record imports and exports of diamonds in 2011

While activity in all the various diamond centres eased off toward the end of 2011, for Antwerp it will still go down as a record-breaking year in terms of diamond imports and exports. This is in no small part a result of steep increases in the prices of both rough and polished diamonds.

The total turnover of rough and polished diamonds in Antwerp during the course of 2011 equalled \$56.5 billion, 34.8 percent more than \$41.9 billion in turnover that was reported at the end of 2010. However in volume terms, 223.4 million carats were turned over in 2011, 11.5 percent lower than the 252.5 million turned over in 2010. Consequently, the very significant increase in the monetary value of diamond imports and exports was entirely due to the steep rises in the average price of goods during the year.

The disparity in the relative increases and decreases in dollars versus carats was most keenly felt at the rough end of the market. Rough diamond imports during the course of 2011 equalled \$13.4 billion,

41.9 percent more than the \$9.47 billion that was registered in 2010. But in volume terms rough diamond imports fell by 9.9 percent, from 109.8 million carats in 2010 to 98.9 million carats in 2011. The average price per carat of rough diamonds imported into Antwerp rose by 58.1 percent to \$136, when compared to the amount reported in 2010.

Rough diamond exports increased by 31.2 percent in U.S. dollar terms in 2011 to \$14.4 billion, from \$11.0 billion in 2010. In volume terms, however, they fell by 15.6 percent, from 126.8 million carats in 2010 to 107.1 million in carats in 2011. This means that the average price per carat of rough exports increased by 55.1 percent to \$135.

On the polished end of the scale, increases were recorded in both the value and volume of exports and imports, albeit the dollar values rose at a significantly steeper rate than the carat values did. Polished diamond exports totalled \$14.6 billion during 2011, 31.9 percent more than the \$11.1 billion recorded in 2010. Some 8.48 million carats of polished diamonds were exported during the course of 2011, 8.8 percent more than the 7.79 million carats that were exported a year earlier. The average price per carat rose by 21.2 percent to \$1,726.



Polished diamond imports into Antwerp rose even more steeply during 2011, both in terms of value and volume. Some \$14.0 billion worth was reported during the 12-month period, 36.0 percent more than the \$10.3 billion registered in 2010. 8.99 million carats of polished diamonds were imported in 2011, 11.0 percent above the 8.10 million carats imported the year earlier. The average price per carat of polished imports rose by 22.6 percent in 2011 to \$1,562.

With \$3.90 billion worth of diamonds sold, the United States remained Antwerp's largest polished diamond target in 2011, with a 26.6 percent market share. Interestingly, despite the reports of rapid growth in the Chinese market, the United States share of Antwerp's export total only dipped slightly, from 27.9 percent in 2010. The combined polished export total of China and Hong Kong kept virtual parity with the United States in 2011, comprising 25.6 percent of the total value of goods exported during the year.

Antwerp declared UN Centre of Excellence for CSR Education

On May 23, 2011, The United Nations Institute for Training and Research (UNITAR) inaugurated Antwerp-ITCCO, the Antwerp International Training Centre for Corporate Opportunities.

ITCCO will operate in Antwerp a "Centre of Excellence." These are established to advance the United Nation's social and economic development goals. To date, most of them have been national or regional, but the new Antwerp facility is unique in that it is designed to address the needs of the jewellery, diamond and gemstone sectors worldwide.

Senior United Nations officials, members of the Flemish and Antwerp administrations and representatives of the diamond and jewellery industry gathered for the official

inauguration ceremony in the Antwerp City Hall. Among the guests were Kris Peeters, Minister-President of the region of Flanders; Carlos Lopes, Assistant Secretary-General of the United Nations and Director General of UNITAR; Patrick Janssens, Mayor of Antwerp; Ludo Van Campenhout, Vice Mayor of Antwerp with responsibility for the diamond industry; and Soren Petersen, Head of Local Networks for the United Nations Global Compact.

Antwerp-ITCCO is housed in the historic Rodenborch House, a 17th century building located in the heart of Antwerp's old city centre, which is provided by the City of Antwerp.

Following the signing ceremony, the participants followed a red carpet to the Rodenborch House, which was lined by 192 children holding the flags of all United Nations members. There a ribbon cutting ceremony took place.

Antwerp-ITCCO's founding members are UNITAR, CIBJO, the City of Antwerp, the Flemish government, AWDC and the Diamond Industry Fund (Fonds voor de Diamantnijverheid).

This important UN Centre promotes UN values, UN Global Compact Principles and UN goals at business level. The Centre works under the umbrella and auspices of the United Nations, and underpins the Antwerp diamond sector's commitment to respecting and promoting CSR, transparency, corporate governance and compliance.

In 2012, the Centre will expand to other industry sectors in addition to the diamond and jewellery industries. Moreover it will broaden the scope of activities towards social responsibility of public institutions, including governments and cities.

First set of UN sponsored classes in CSR practices conducted in Antwerp

In December 2011 Antwerp-ITCCO organised its first management course in collaboration with the Global Compact Network Belgium.



The event, entitled 'Responsible Management for Sustainability: Embracing the UN Values and Goals in Business Management', was hosted by the Antwerp World Diamond Centre. It brought together over 35 participants, many of



them CEO's and senior managers from the diamond industry, banks, government and academia. This intensive one-day program covered issues such as responsible leadership, UN values and the fundamentals of Corporate Social Responsibility (CSR) and their concrete implementation.

The format of the sessions allowed for strong interaction among participants and with the facilitators. The seminar reinforced the Antwerp diamond sector's commitment to improve governance and transparency.

Antwerp Diamond Trade Fair attracts more buyers and exhibitors

Following the success of the premier Antwerp Diamond Trade Fair in 2010, the second edition of the invitation-only event took place in January 30 through

February 1, and featured more buyers and exhibitors than a year earlier.

The greater attendance at the event was made possible by the fact that Antwerp's oldest diamond bourse, the Diamantclub van Antwerpen, joined the Beurs voor Diamanthehandel in turning its trading floor into a temporary exhibition hall. Consequently more than 60 Antwerp-based companies exhibited, one third more than the year previously, and 300 representatives from about 200 companies participated as buyers.

The concept of the Antwerp Diamond Trade Fair is unique. Mainly European companies are invited to make their acquaintance with the Antwerp diamond sector, and are largely sponsored during their stay in the city. For many, it was the first time that they had actually visited a diamond centre.

The Antwerp Diamond Trade Fair was supported by and organised under the auspices of the AWDC. Participants were also provided with an educational programme and gala dinner.

Record number of Antwerp exhibitors at Hong Kong show in September

The September Hong Kong Jewellery & Gem fair is widely considered today as the most important jewellery trade show in the jewellery and gemstone business. Split over a seven-day period in two massive exhibition areas, the Asia World-Expo (AWE) near the Hong Kong International Airport and the Hong Kong Convention & Exhibition Centre on Central Island, it provides 130,000 square meters of exhibition area and is visited by 48,000 visitors from 135 countries and regions.

Close to 3,500 exhibitors from almost 50 countries and regions took part during the September 2011 edition, 249 more exhibitors than in 2010. Among them were a record 88 diamond companies from Antwerp, up from the 80 that attended in 2010. They were housed in the Antwerp Diamond Pavilion in Hall 5 at AWE.

The Antwerp Diamond Pavilion, which is organised by AWDC and for many years already has been one of the largest national exhibition areas at the Hong Kong show, drew thousands of visitors, mainly because of the goods on display, but also because of its now legendary lounge that features one of Belgium's other iconic exports, chocolate.

78-carat 'Ekati Spirit' auctioned in Antwerp on Valentine's day

A 78-carat rough diamond mined in October 2010 at the Ekati mine in Canada's Northwest Territories was sold at auction in Antwerp on Valentine's Day, February 14, by the mine's owner, BHP Billiton. The more than \$6 million paid for the internally flawless rough diamond was the highest amount ever received for a diamond from Ekati.

Called "Ekati Spirit," the stone was described by a company spokesperson as the most significant find in the 13-year life of the mine.

The diamond, which measured 21 by 18 by 13 millimetres, was not the largest diamond ever to have been extracted at Ekati. Two years earlier a 182-carat diamond was mined, but it was of lower clarity and colour than the Ekati Spirit.

The previous record price paid for a Canadian diamond was \$1.2 million for a 10.22-carat pear-shaped gem, also from Ekati mine.



ANTWERP WORLD DIAMOND CENTRE



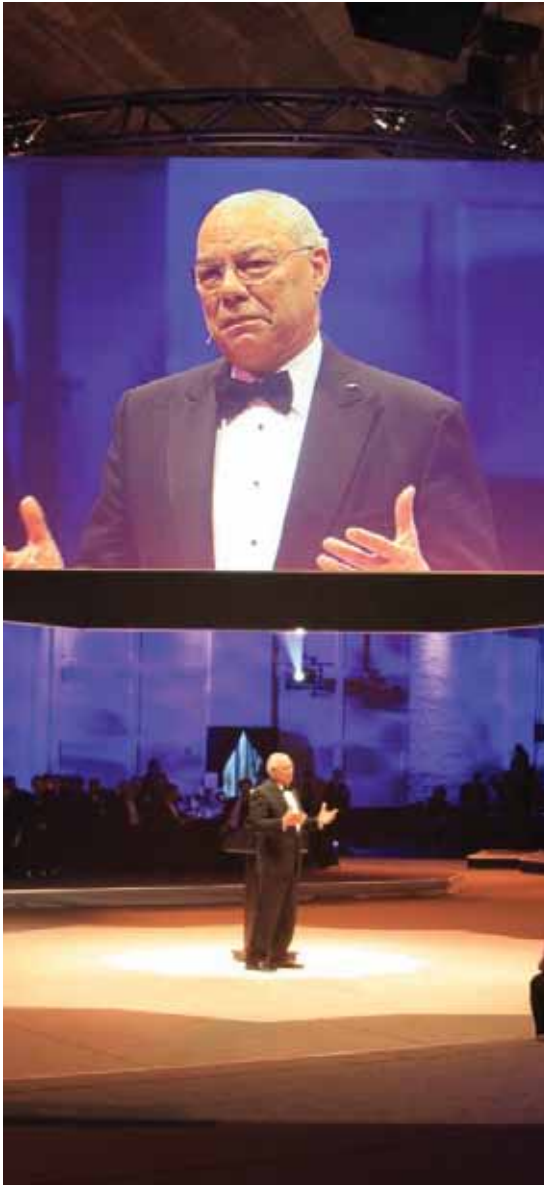
2011 Antwerp Diamond Conference opens window on the future

Following a four-year hiatus, the Antwerp Diamond Conference returned in May 2011, and was attended by 400 members of the international diamond industry and media. Organised by the AWDC, it was entitled “Diamonds 2020: A window to the future,” and set for itself the goal of looking at where the industry might find itself in less than 10 years.

In his welcoming speech to the conference, AWDC CEO Ari Epstein spoke of the changes blowing through

the diamond industry, and the very different world that would result. “U.S. President Dwight D. Eisenhower said that ‘neither a wise nor a brave man lies down on the tracks of history to wait for the train of the future to run over him,’” Epstein said. “Sensible words indeed, but our mission in Antwerp today is not to avoid the future, and definitely not to be overwhelmed by it. We need to understand, embrace and ultimately be empowered by the future. We will be looking closely at that oncoming train, so that we may jump safely aboard and ride it on its journey over the horizon.”

Following the global financial crisis of 2008 and the widespread criticism of both governments and the banks in not sufficiently regulating activities, the



first session of the conference looked at financing of the diamond industry. Speakers provided an overview of the likely impact of changes to be introduced by Basel III, the new global regulatory standard on bank capital adequacy and liquidity agreed by the members of the Basel Committee on Banking Supervision.

The focus for the second session of the conference's first day was on rough

diamond supply, and opened with an address by Botswana's Minister of Minerals, Energy and Water Resources, Dr. Ponatshego H.K. Kedikilwe, who underscored the importance of diamonds to Botswana's national development.

The first day ended with a gala dinner, where the guest of honour was Colin Powell, the former U.S. Secretary of State. Looking ahead to 2020, he said the world would be a very different place. "Superpowers will not exist anymore," General Powell stated. "Instead, there will be several centres of influence of which the United States will be an important one. China, India and Brazil will also all be centres of power."

The second day of the conference saw the spotlight fall on the fast changes in the jewellery business, and the steps that the industry should consider in order to keep ahead of the changing business environment. Changes in technology and consumer purchasing mentality and habits, the shift in sales to the East, and how to consider the future in a completely new way were the discussed issues.

The conference was wrapped up with an on-stage interview with Diamond Trading Company Managing Director Varda Shine. Asked about the future of the business during the rest of this decade, she asked: "How do we understand the consumers of tomorrow? We cannot continue to do what we have been doing for the past 50 years. What are the trends of the future? That is an important issue."

AWDC signs cooperation agreement with China's largest bank

At a ceremony on October 24 in Beijing in the Great Hall of the People on Tiananmen Square, the Industrial Commercial Bank of China (ICBC) and Antwerp World Diamond Centre (AWDC) signed a Cooperation Framework Agreement, starting their cooperation in the field of diamond financing. With assets worth more than \$2.2 trillion, ICBC is the largest of China's state-owned commercial banks, and reports the highest capitalization value, highest revenue and highest clients' saving value in the world.

According to the agreement, through its global network and advanced IT system, ICBC will provide various services to the Antwerp diamond companies, such as trade and product financing, global cash management, bank card acceptance, Chinese yuan-based international

settlement, capital transaction and investment banking.

The AWDC will assist ICBC in entering the field of diamond financing and assist its Brussels Branch in obtaining the required location, the necessary professional technology, people, equipment and information necessary for supporting the launch of ICBC's diamond financing activities. ICBC's important global clients will now be provided with high-quality and competitively priced diamond products.

Among the attendees at the ceremony in Beijing were Belgium's Crown Prince Philippe and Princess Mathilde. Also participating were Steven Vanackere, Belgium's Deputy Prime Minister and Minister of Foreign Affairs and Institutional Reforms; Kris Peeters, Minister President of the Region of Flanders; Jean-Claude Marcourt, Vice-Minister-President and Minister of Economy and Foreign Affairs of the Walloon government; Benoît Cerexhe, Minister of the Government of the





Brussels-Capital Region responsible for the economy, employment, scientific research and foreign trade; Jean-Luc Vanraes, Minister of the Government of the Brussels-Capital Region responsible for finance, the budget, the civil service and foreign relations; and Cathy Berx, Governor of the Province of Antwerp.

Also attending the ceremony was Liu Xueliang, Chairman of the Board of Supervisors for Key Large-Sized State-Owned Enterprises in China; Jiang Jianqing, Chairman of ICBC; and Zhou Dong, Chairman of China National Arts & Crafts Corporation.

AWDC organises roadshow of key Chinese consumer centres

The ceremony in the Great Hall of the People in Beijing in October also served as the launch of the 10-day Antwerp Diamond Roadshow, which was organised by AWDC as a showcase for Antwerp diamonds and Antwerp diamond companies in China.

Over the period of the roadshow, the 15 participating Antwerp diamond enterprises visited Beijing, Taiyuan, Jinan, Hangzhou and Guangzhou. They exhibited high-quality polished diamonds, valued around \$200 million, giving

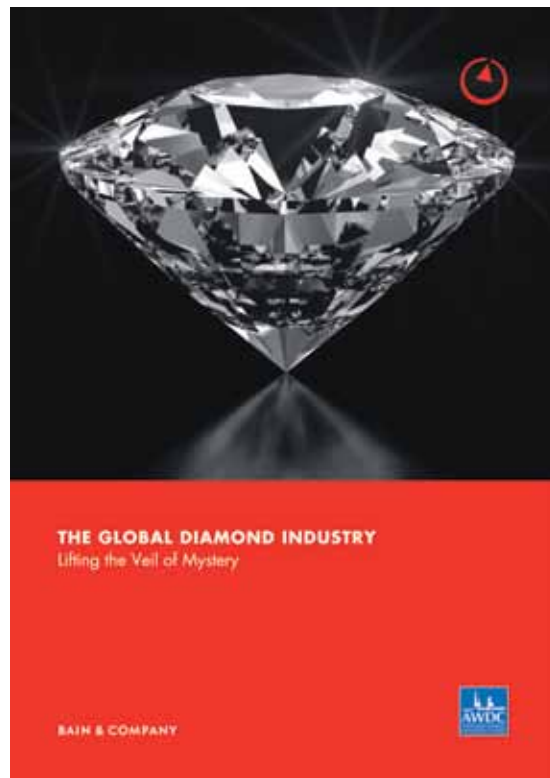
Chinese jewellers and investors the opportunity to establish direct contact with Antwerp companies.

ICBC, as the financial service provider for AWDC and the participating diamond companies provided various services for the roadshow.

AWDC sponsors Bain & Co. report about International Diamond Industry

A comprehensive report on the diamond industry, looking at its development and current and future position in the marketplace, was sponsored by AWDC and prepared by Bain & Company, the international management consulting firm. Entitled “THE GLOBAL DIAMOND INDUSTRY, Lifting the Veil of Mystery” the report was released for general consumption in December.

Prepared by Gerhard Prinsloo and Yury Spektorov, Bain partners in the Commonwealth of Independent States (CIS), together with Olya Linde, a principal in the CIS, who were supported by a team of consultants as well as Bain’s Mining and Luxury Goods practices, the report suggested that demand for diamonds will grow at an annual rate of 6.4 percent to almost 250 million carats, and 6.6 percent in value terms by 2020.



Rough diamond supply, said the report, is expected to grow at a compound annual growth rate of 2.8 percent globally in the decade to 2020 in carat terms.

“As long as major global financial turmoil over an extended period does not force consumers to significantly change their purchasing habits, global demand is set to outstrip supply in the long run, and the future of the diamond business looks bright,” the report concluded.



AWDC joins Responsible Jewellery Council

The AWDC became a Trade Association Member of the Responsible Jewellery Council (RJC) in October 2011.

RJC is an international, not-for-profit organisation established in 2005, whose objective is to reinforce consumer confidence in the jewellery industry by advancing responsible business practices throughout the diamond, gold and platinum group metals jewellery supply chain.

While as a Trade Association Member AWDC is not required to seek RJC certification, the organisation plans to use its status to support and assist Antwerp-based diamond companies, who are willing to voluntarily conform to the RJC's Code of Practices.

AWDC hosts delegations from Anglo American and De Beers

Months before its increased stake in the De Beers from 45 percent to as much as 85 percent, a delegation from Anglo American visited the Antwerp diamond centre in July, where it was hosted by AWDC.

Leading the team of Anglo American representatives was Diamond Trading Company Managing Director Varda Shine. It was the first time that a delegation from Anglo American had the opportunity to visit the Diamond Office which, in coordination with Belgian governmental authorities, supervises the country's diamond imports and exports.



In September De Beers CEO, Philippe Mellier, who officially became the company's chief executive in July, visited the AWDC headquarters together with executive director of De Beers Group Jonathan Oppenheimer, DTC CEO Varda Shine and Lerang Selolwane, Executive Office Manager at De Beers. The group met with AWDC officials, as well as sightholders in the city and other members of the diamond industry.

Customs authorities recognise AWDC as authorized economic operator

Michael Van Giel, Belgium's regional director for customs and excise for the Antwerp area, visited AWDC in April, to present a certificate recognising

the organisation Authorized Economic Operator (AEO).

Within the World Customs Organisation (WCO), an authorised Economic Operator is a body involved in the movement of goods internationally, which has been approved by a national Customs administration as complying with WCO supply chain security standards. The AEO concept is a critical component of the WCO's SAFE Framework of Standards (SAFE). Operators who are accredited by AEOs must be able to demonstrate that they have high-quality internal processes that will prevent goods in international transport from being tampered with.

Commenting on the new status, AWDC CEO Ari Epstein said the organisation is "very proud to have received AEO status since the AWDC is now recognized in the European Union as a reliable partner for customs and security."



Alrosa and AWDC conduct working seminar in Moscow

Senior management from Alrosa, the state-controlled Russian diamond mining company, and AWDC met in Moscow in April for a bilateral working seminar, devoted predominantly to the prospects for developing the global diamond market. The meeting was part of the programme of an official Belgian Economic Mission to the Russian Federation led by HRH Crown Prince Philippe.

Opening the seminar, Alrosa's President, Fyodor Andreev, noted Antwerp's role in bringing Russian mined diamonds to the marketplace. Around 70 percent of Alrosa's long-term rough supply contracts are with Belgian companies, he said.

Also attending the meeting were representatives of the Russian Ministry of Finance, the Gokhran, Russia's state precious minerals repository, and members of the diamond industry. Topics included the current market situation, technical improvements in diamond processing, and initiatives aimed at building confidence among diamond consumers, including further promotion of the Kimberley Process.

2011 begins at AWDC with new CEO at the helm

The new year dawned at AWDC with a new chief executive at the helm. Ari Epstein, who for the two previous years had served as AWDC's Deputy CEO, took over from Freddy Hanard, who retired after four years in the position.

A lawyer by training, Mr. Epstein joined AWDC in 2005 as Director of the Diamond Office. He began his professional career as a legal advisor in the private sector, focusing on international taxation and labour law. He then went on to specialise in international insurance and corporate law.

Mr. Epstein is a graduate of Antwerp University with a Master in Law and has completed management studies at INSEAD in Fontainebleau, France.

"Investors and entrepreneurs must be encouraged to do business in Antwerp," said Mr. Epstein shortly after taking office. "At the AWDC we intend to lead the way, showing integrity and transparency in all our dealings. We are working on new approaches and exciting projects to stimulate the diamond trade for Antwerp and the world."

Responsible Publisher

Ari Epstein, Chief Executive Officer AWDC

Antwerp World Diamond Centre

PR & Communications Department
Hoveniersstraat 22, B-2018 Antwerpen,
Belgium

T +32 3 222 05 11

F +32 3 222 05 88

info@awdc.be

www.awdc.be

Diamonds love Antwerp

Private stichting - Antwerp World Diamond Centre (AWDC) • Hoveniersstraat 22, BE-2018 Antwerpen, België
T +32 3 222 05 11 • F +32 3 222 05 99 • info@awdc.be • www.awdc.be • BTW - BE 0885.969.987