

The Long and Short for Diamond Prices

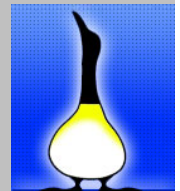
Israeli Rough Diamond Conference

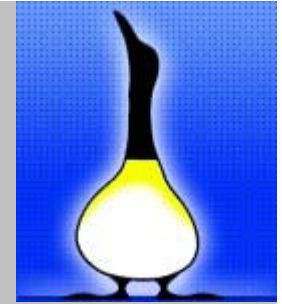
Tel Aviv February 2008



WWW Group of Companies

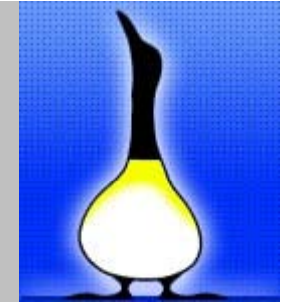
PolishedPrices.Com





Key Inputs for Forecasts

- Segmented supply models
- Econometric models for 64 countries
- Models based on IMF World Economic Outlook
(This presentation is based upon the January 29th 2008 Update to the October 2007 Outlook)
- Estimates are based on % of GDP spent on diamond jewellery
- PolishedPrices.com
 - The only published polished diamond index based on **actual** transactions
 - Current weekly average of transactions through Polished prices is +/-7,000 or about +/- \$45m.



Diamond Pipeline 2007 (\$bn)



\$14.4
2006 \$13.1
2005 13.4

\$16.6
2006 \$14.7
2005 \$14.7

\$18.3
2006 \$19.6
2005 \$20.0

Increasing Stocks
2006 \$1.5
2005 \$1.6
Rising Prices
2006 3%
2005 8%

\$19.2
2006 \$17.7
2005 \$17.0

\$79.3
2006 \$74.0
2005 \$69.3

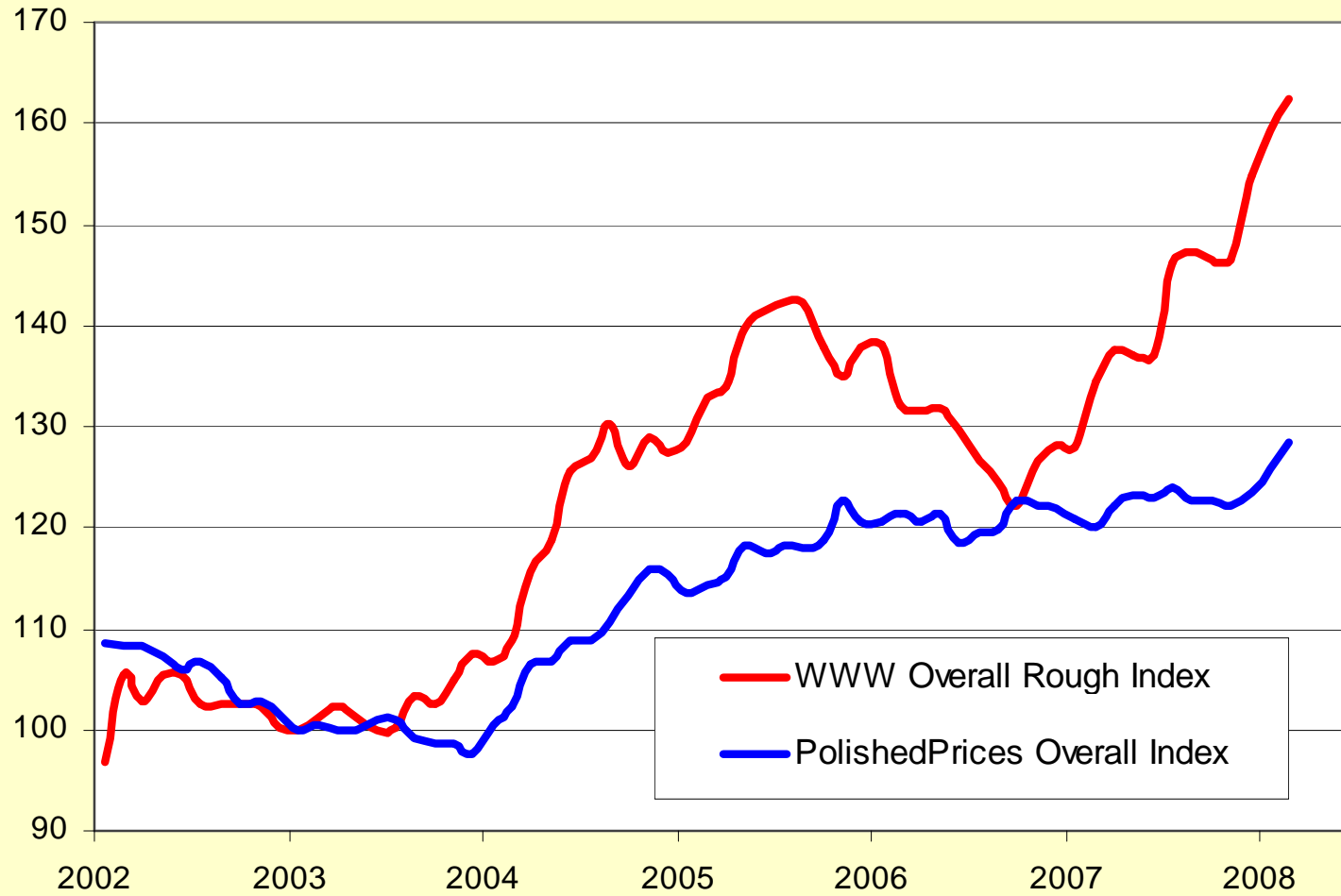


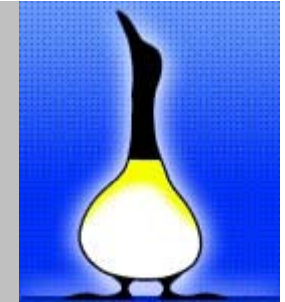
2007 compared to 2006 and start of 2008

- Positives
 - 2007 cf to 2006 a good year for the industry
 - Rough prices up sharply (+/- 20 % increase or 10% average increase)
 - Reduction in stocks
 - Consumer demand held up
- Negative
 - 2/3rds Reduction in Manufacturing margin to around 10%
 - Success of 2007 for industry based on trading rough not cutting
 - America?
 - Minimal increase in polished prices (2007 +1.3%,2006 +3%, 2005 +8%)
- 2008
 - Surge in Rough Prices (January +/-10%)
 - Spectacular Rough / Polished Tender Prices
 - New highs for Polished index (however briefly)

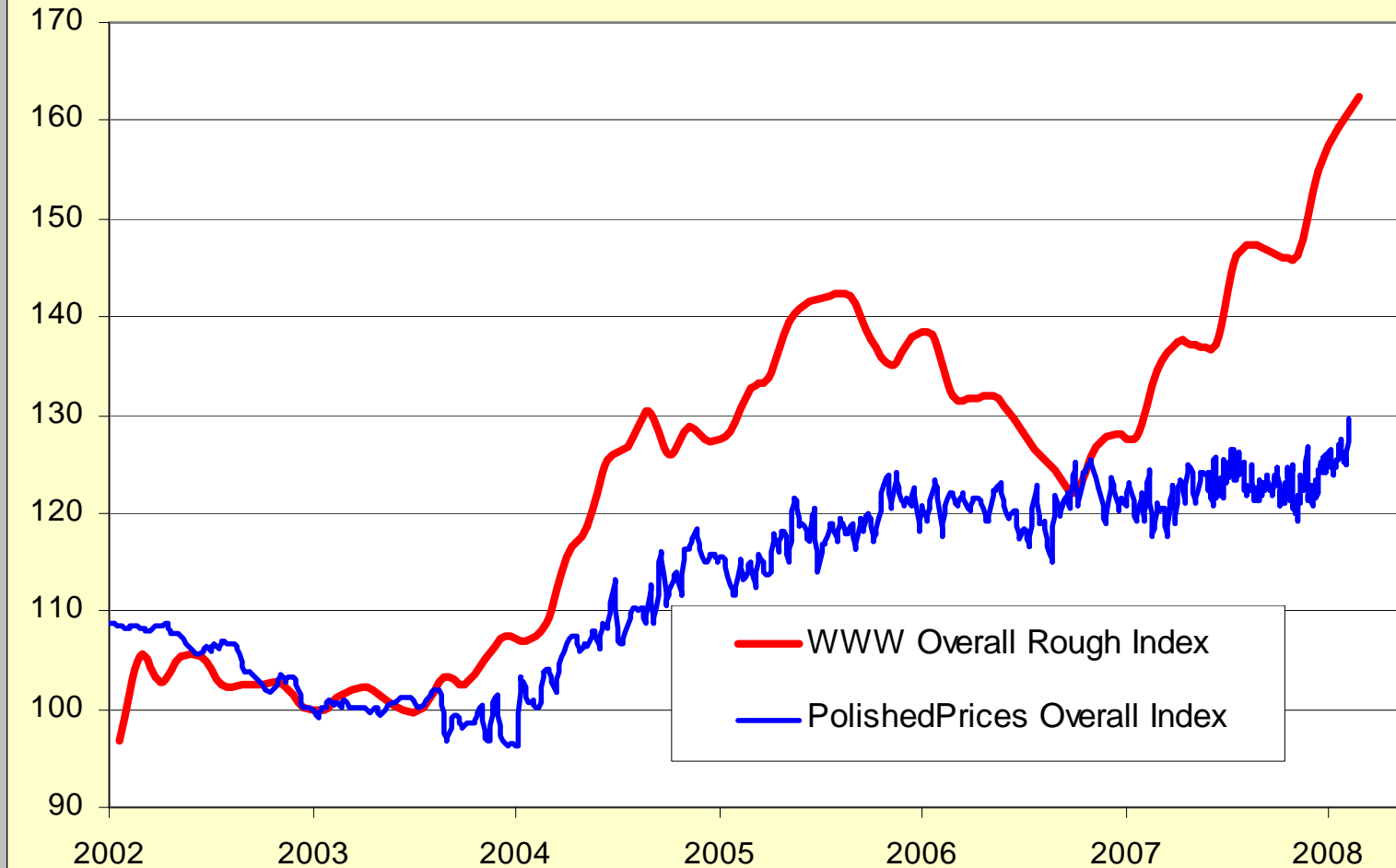


Rough and Polished Prices Jan 2003=100



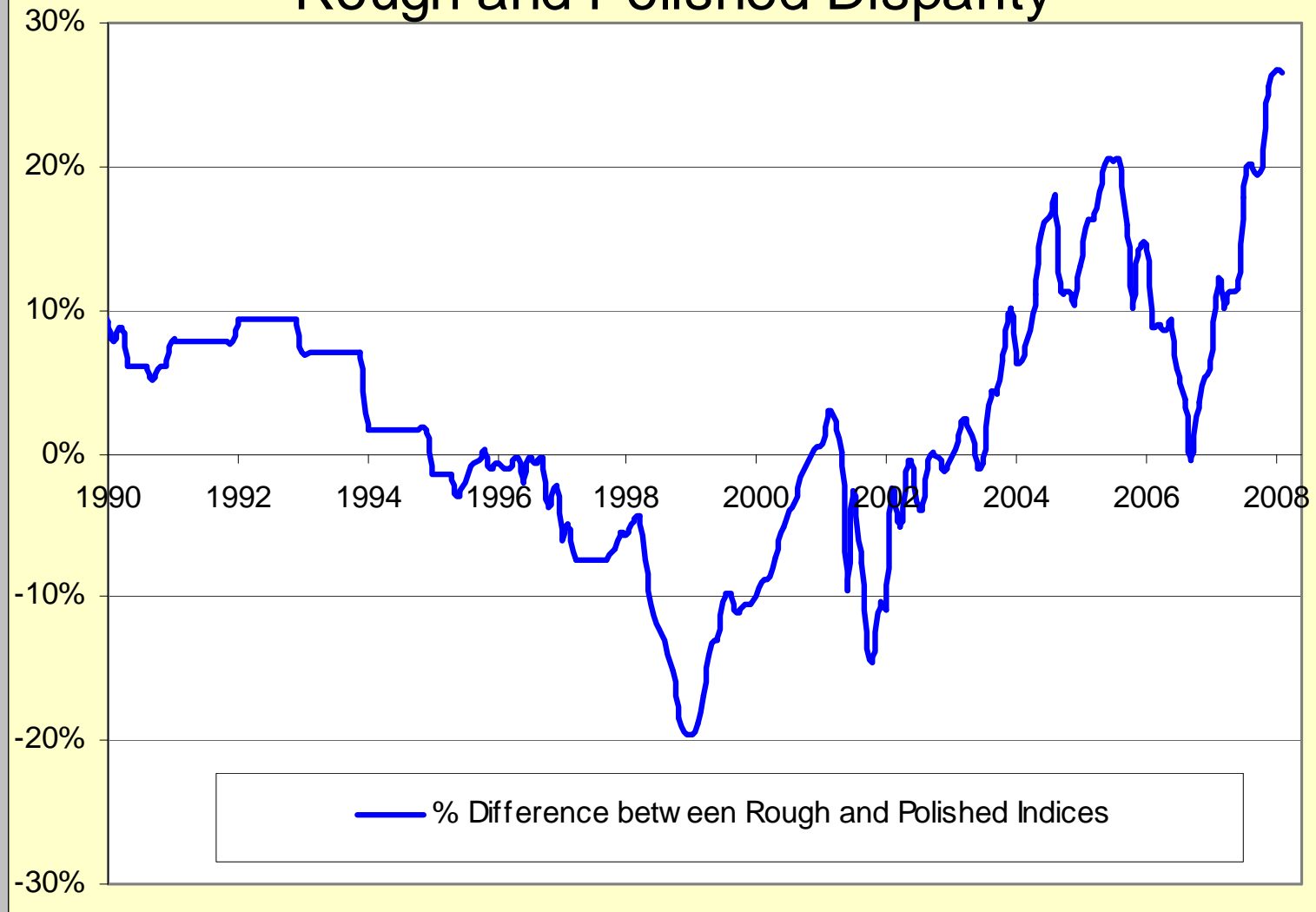


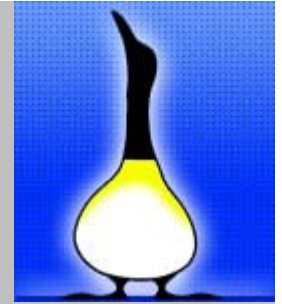
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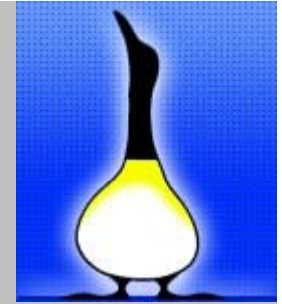


Rough and Polished Disparity





From History to Forecasts

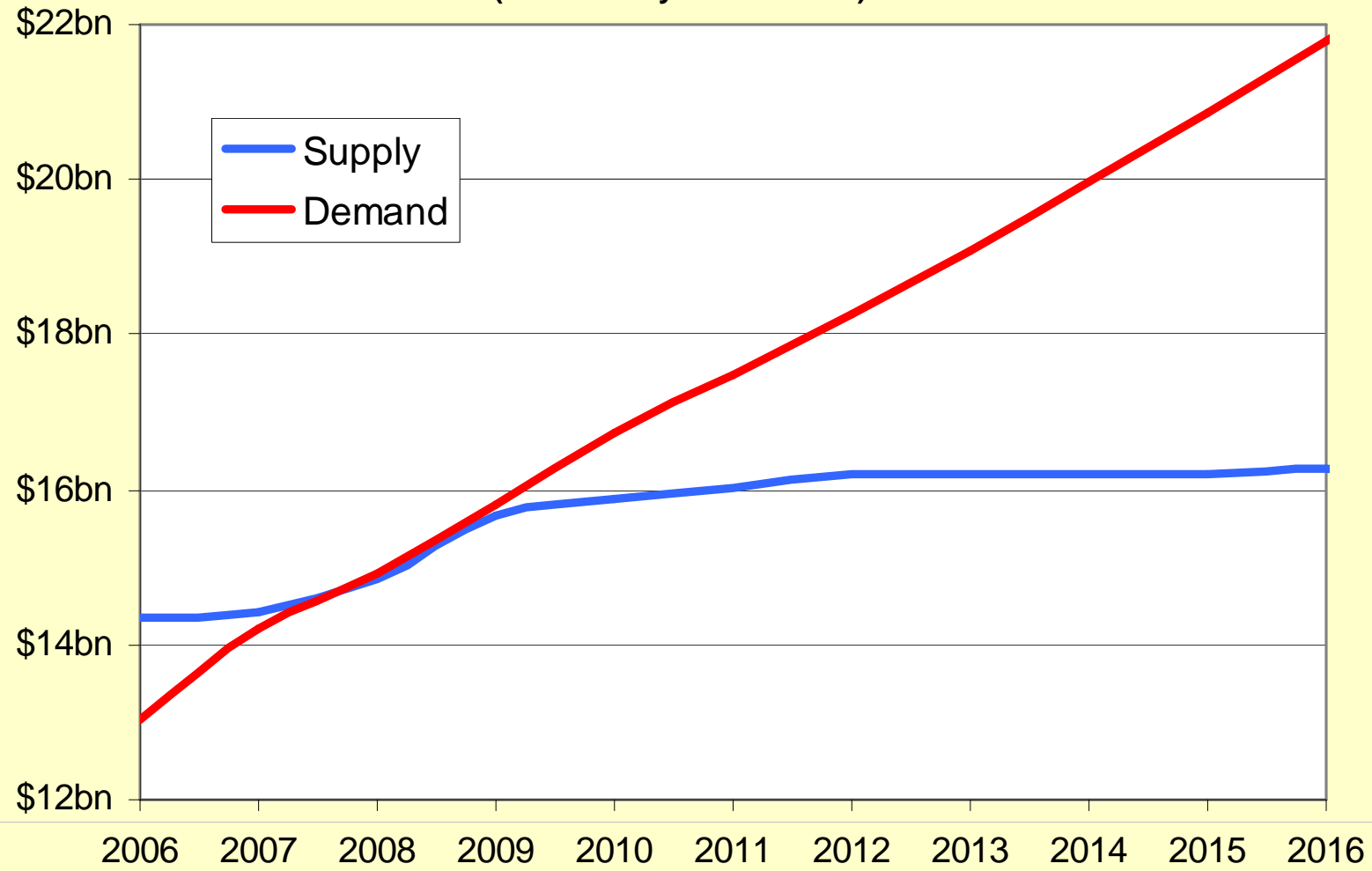


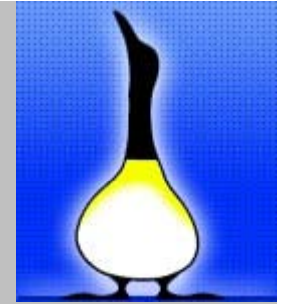
“ I was convinced that I was totally incompetent at predicting market prices- but that others were generally incompetent also but did not know it, or did not know that they were taking massive risks.”

Nassim Taleb ‘The Black Swan’.



Supply and Demand in Rough Terms (at February 2008 values)





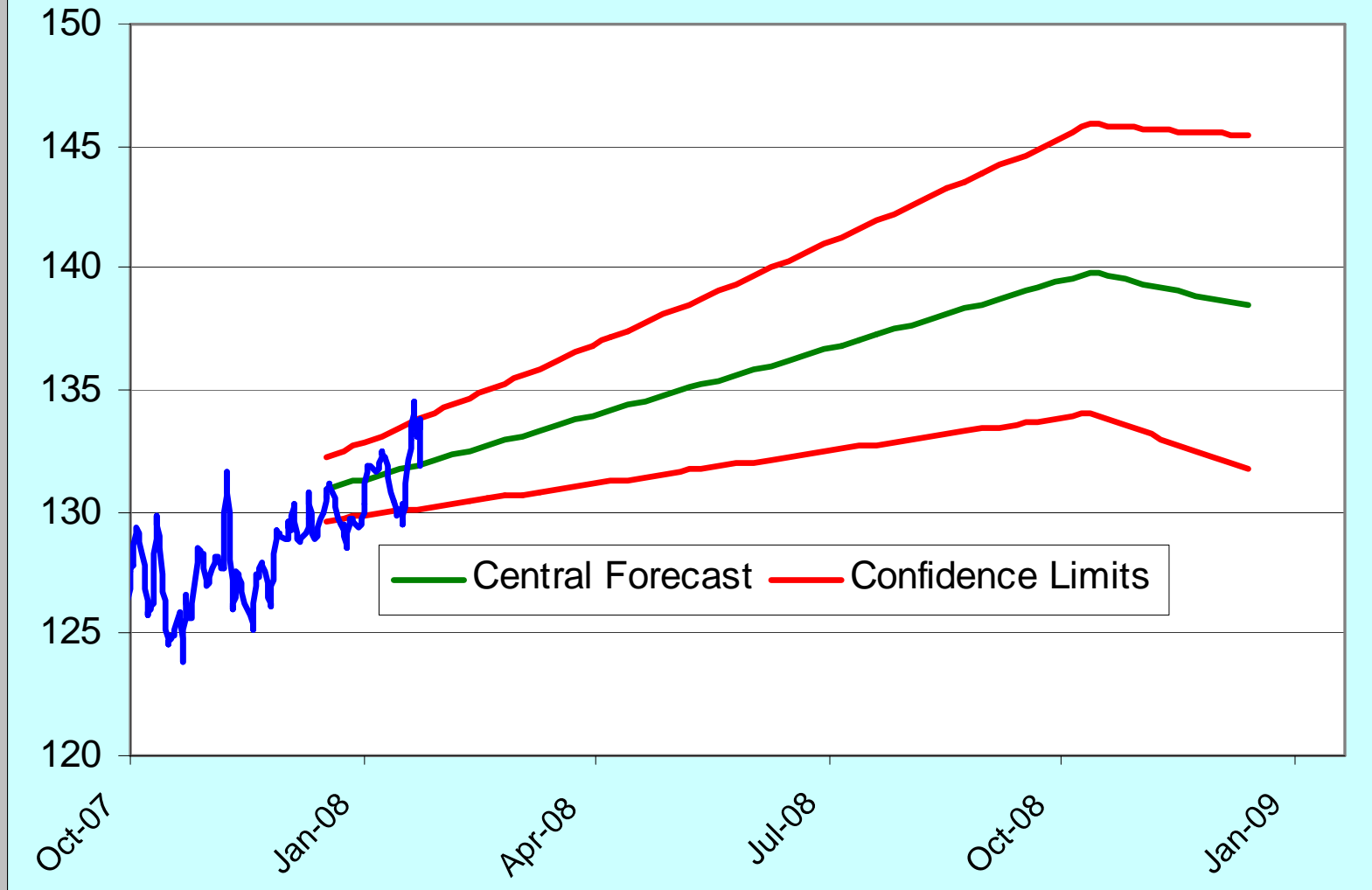
Some Immediate Uncertainties/Issues

- America 45% of the market
 - Recession?
 - Bankruptcies
 - Impossible for the diamond industry to ignore.
 - China and India not the answer
 - \$ (profitability, mining costs etc)
- Africa
 - Power shortages – impact on rough supplies? (no adjustments have been made in our models for this eventuality yet, we are waiting to see just how significant the impact actually turns out to be)
 - Impact of Beneficiation
- Corporate
 - BHP / Rio
 - Anglo / De Beers
 - ABN Amro
- Industry
 - Restructuring
 - Legal issues
 - Producer Supply policies



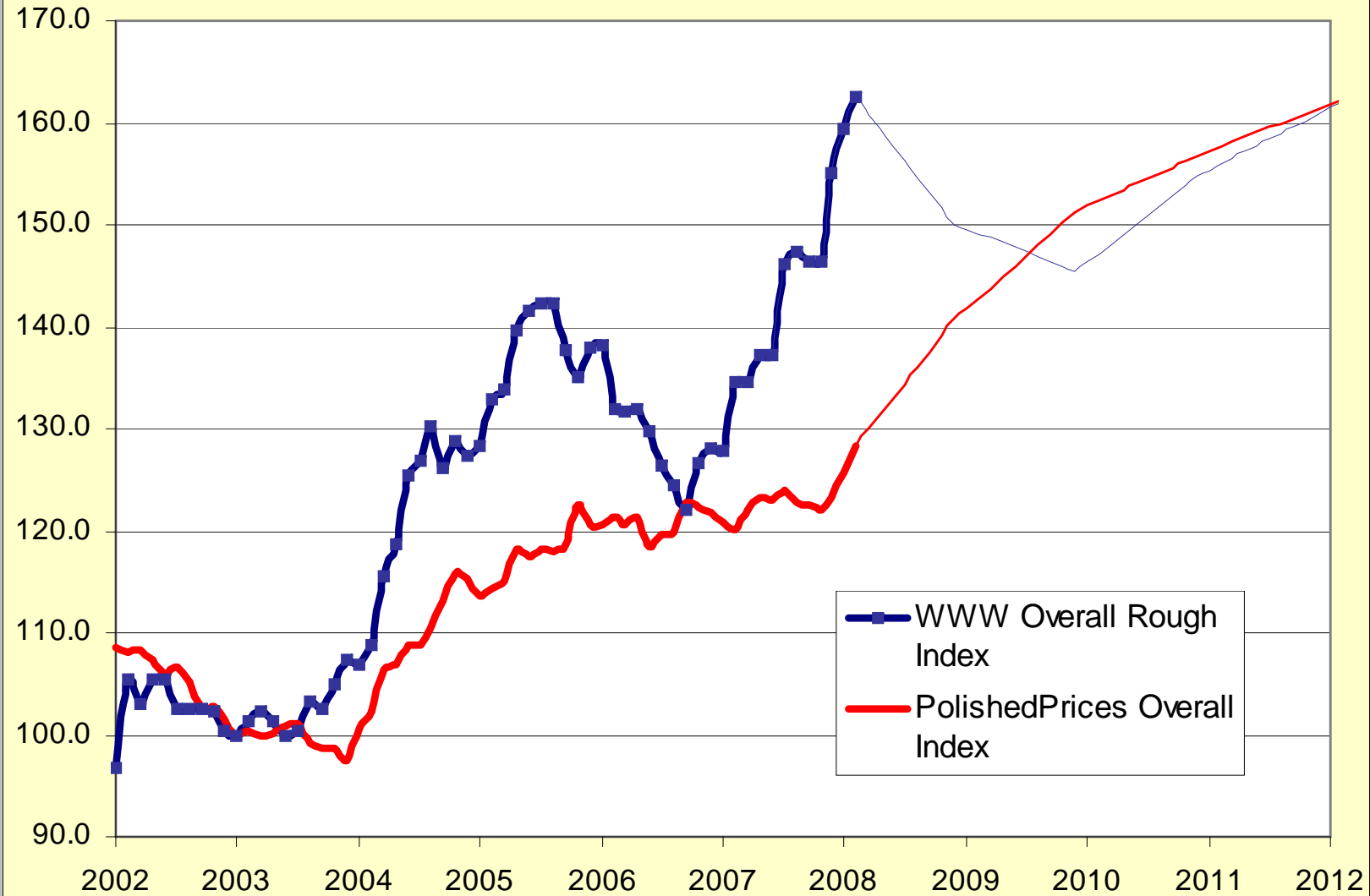
PolishedPrices Overall Index

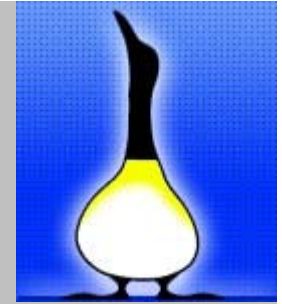
Jan 2008 Forecast





Rough and Polished Prices Jan 2003=100





2008 Forecast

- In this forecast Polished prices 'will' rise this year by 14%, and on average 2008 prices 'will' be 9% above 2007
- Rough, on the other hand 'will' on average in 2008 be 10% higher than 2007, however by the end of 2008 prices are 8% below current values
- This is an overall forecast, different segments rough and polished will perform very differently
- 2008 has started very well, almost too well.....