

Dear Ladies and Gentlemen,

The main factor determining the current state of the diamond market is the global financial crisis. The situation on the leading financial and stock exchanges is still fairly dramatic. The labour markets in the US, Europe and Japan are also not in the best shape. Under these circumstances the availability of credit for diamond market players has declined drastically. The purchasing power of end consumers and thus demand are also declining.

This crisis was not brought on by a force majeure circumstances; rather it is the **cumulative result of managerial and political mistakes**. The scale of the crisis brings comparisons with the Great Depression, which struck the global economy at the end of the 1920s. Back then, the economic model, built as it was on over-refined notions of a self-regulating free market, needed drastic action to correct. The “new way” pioneered by Franklin Delano Roosevelt was founded not on dogma and theory, but on common sense. Today the actions of the world community to overcome the crisis are giving hope that **historical experience will be taken into account**.

We are now seeing unprecedented efforts undertaken on the part of market regulators. Liquidity is being provided and the FRS, ECB and BOE interest rates, as well as LIBOR, have been lowered. At the same time some fairly tough measures of an administrative nature are being carried through to help calm the panic on the stock exchanges and increase the transparency of financial flows. The overall cost of the administrative measures carried out by the most developed countries is already in excess of one trillion dollars. Hopefully this will have a positive effect on the credit and financial situation in the foreseeable future.

We should not forget that **the crisis**, no matter how threatening it may seem now, has its time-frame. The anti-crisis measures chosen for the diamond market should not contradict its founding principles and should be able to protect our main asset—consumer confidence.

A diamond will only remain a diamond when its value is not undermined by any kind of crisis or social cataclysm. This principle must be guaranteed and protected; it is the basis of the market. The smallest alteration of this principle could be fatal, since trust is easily lost but exceedingly difficult, if even possible, restored. Diamond presents “eternal value” and this image has been formed over centuries and must not be devalued or ruined for the sake of any short-term benefit.

Governed by this very principle, **ALROSA**, as other leading diamond producers, has taken the decision **to reduce the market supply of rough diamonds** for the purpose of avoiding a price drop across the whole “diamond pipeline”. For the diamond market, this decision is similar to the actions currently

taken by national and transnational regulators on the financial and stock markets. I hope it is clear to the majority of market players that regulatory measures **can only be carried out at the producer level**. This is the only level at which quick and constructive action can be taken to bring the required effect. The fierce competition that exists between diamond manufacturers and dealers will not allow them to maintain stable price for polished in the view of slow demand and cheapening rough. And a fall in the price of diamonds during the crisis period will seriously undermine the whole purpose of our business.

As I said, ALROSA will sell its rough to Gokhran. Today we are finalizing negotiations with the Russian Ministry of Finance about the details of ALROSA's supervision of sales from Gokhran. In this case, I am confident that ALROSA will get out of the current crisis even stronger having stocks of more than 2 bln and strong cashflow. And I also firmly believe that this move will benefit our clients' business as well.

In addition to reducing rough supplies, ALROSA will dramatically increase its marketing budget to promote diamonds. It is clear that this campaign will only be a success if the price of diamond jewellery is kept stable during the crisis.

Any economic crisis always rehabilitates the market as a result. After the Great Depression hundreds of financial junks that were created to inflate the speculative bubbles on the stock markets sank into oblivion. Today mortgage companies and investment banks find themselves the subject of a harsh course of rehabilitation. The markets are trying to get rid of those participants who tried to make a split-second profit at any cost, unfairly risking the stability and prospects of everyone else. The diamond market is no exception. We are all aware of the sort of speculative bubble that was created in the sector of small goods by dealers taking advantage of the ill-conceived credit policy of a number of banks. This is a classic example of the irresponsible and misguided decisions that led ultimately to the crisis situation. It is now obvious that the players interested in the market stability and sustained development must take coordinated decisions to correct such mistakes and to develop a mechanism to rule out the mere possibility of their repetition

The steps we have undertaken were dictated by a sense of responsibility and leadership for the future of the diamond market at this difficult time, and we hope that they will not only enable the crisis to be overcome, but also shape the considerable potential that exists for further successful development.

Let me finish with the quotation that I found in Forbes magazine during last night flight from London to Brussels that beautifully fits in our agenda.

“I think we all agree, the past is over” signed George W. Bush

Thank you for your attention.