DE BEERS

A DIAMOND IS FOREVER

De Beers Société Anonyme

(Incorporated under the laws of Luxembourg)

10 February 2012

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

CONSUMER DEMAND AND PRICE GROWTH DRIVE STRONG DE BEERS FULL YEAR RESULTS

2011 snapshot

Financial Summary			
US Dollar millions			
	31 December 2011	31 December 2010	Variance %
Total sales	**7 378**	5 877	+26
EBITDA	**1 721**	1 428	+21
Underlying earnings	**968**	598	+62
Profit before finance charges and taxation	**1 422**	1 039	+37
Free cash flow	**734**	943	(22)
Net interest bearing debt (excluding shareholders' loans)	**1 259**	1 762	(29)

2011 Operating Performance

- Total sales increased 26 percent to US$7.4 billion (2010: US$5.9 billion). Sales of rough diamonds by the Diamond Trading Company (DTC) increased 27 percent to US$6.5 billion (including those through joint ventures)
- DTC prices increased 29 percent from 1 January 2011 to 31 December 2011
- Diamond production totalled 31.3 million carats (2010: 33.0 million carats)
- EBITDA increased 21 percent to US$1.7 billion (2010: US$1.4 billion)
- De Beers' third party debt reduced to US$1.3 billion (December 2010: US$1.8 billion), and third party gearing to 20.9 percent (December 2010: 29.5 percent)
- Free Cash Flow of US$734 million generated in 2011 (2010: US$943million)

Directors' Comments

Safety

Despite an intensive group-wide safety initiative in 2011, which led to a reduction in lost-time-injury frequency rate (LTIFR)[1] (0.15 v 0.24 in 2010), De Beers and its joint ventures reported seven fatalities, six of which were the result of vehicle accidents. This is an unacceptable development and has led to a further focus on our safety culture. At our Namdeb operations, after a second fatality earlier in the year, all operations were suspended for two weeks to address procedures and assess risk.

Demand

In 2011, the DTC achieved its second highest ever level of sales (US$6.5 billion), a 27 percent increase over 2010 (US $5.1 billion). A year of two halves, H1 2011 saw exceptional consumer demand growth which, when coupled with lower than historical levels of global diamond production, resulted in very strong polished and rough diamond price growth. While reflecting the robust market fundamentals, rough diamond prices in this period included an element of speculative buying in the trading centres.

During H2, both retail and cutting centre sentiment was impacted by the challenging macro-economic environment, restricted liquidity (particularly in dollars) in the cutting centres and a slowdown in the rate of growth of consumer demand at retail. As a result, during the latter half of the year, De Beers experienced lower levels of demand for its rough diamonds and prices receded slightly from the highs seen in the middle of the year. However, in total, 2011 was an exceptional year on the demand side, with record levels of consumer demand growth estimated at between 11 percent and 13 percent over the full year, and DTC price growth of 29 percent from 1 January 2011 to 31 December 2011.

Production

De Beers' full year production was 31.3 million carats (2010: 33.0 million carats), a decrease of five percent. During H1, in spite of a number of challenges – including heavy rainfall in southern Africa, maintenance backlogs, poor contractor performance, skills shortages, and protracted labour negotiations – De Beers produced 15.5 million carats, similar to that of H1 2010 (15.4 million carats). During H2, De Beers produced another 15.8 million carats despite a shift of its operational focus, in light of prevailing rough diamond market trends in Q4. De Beers utilised this period to address maintenance and waste stripping backlogs in order to better position the mines to increase their rate of production as demand from Sightholders increases. This is likely to continue for several months into 2012.

De Beers Exploration spent US$43 million in 2011 (2010: US$47 million) on work programmes focused on 11,347 square kilometres of ground holdings in Angola, Canada, India, Botswana and South Africa. In Angola, the Mulepe-1 advanced stage programme has progressed to the evaluation drilling phase.

Projects

Debswana's Jwaneng Mine Cut-8 extension project is progressing satisfactorily, largely on schedule and on budget. More than 40 million tons of waste has been stripped to date, and infrastructure construction is over 90 percent complete, with the remaining work forecast to be completed during 2012.

The underground feasibility study to extend the life of Venetia Mine in South Africa is underway, and scheduled for consideration by the De Beers Consolidated Mines (DBCM) board in 2012.

De Beers Canada completed an Optimisation Study at Snap Lake Mine in mid-2011, securing a mining solution to economically access this promising long life but challenging ore-body, and thereby achieve its forecast 20-year life of mine. The Environmental Impact Statement for Gahcho Kué has been submitted for review. Construction at Gahcho Kué is expected to commence in 2015, with production from 2017. The proposed mine is estimated to produce 4.5 million carats annually over 11 years.

Brands

De Beers Diamond Jewellers reported good growth in sales across all regions, with Greater China particularly strong. The China opportunity is a priority for De Beers, with further 2012 expansion plans following the opening of stores in Beijing, Tianjin, Dalian and a second Hong Kong store in 2011. Forevermark™ continued its expansion both in its existing markets of China, Hong Kong and Japan, and in H2 launched in India and the US. Forevermark is now available in 658 retail doors across nine markets, an increase of 89 percent vs. 2010.

Agreements

A new US$2 billion multicurrency international credit facility was concluded in October, comprising an US$800 million term loan and a US$1.2 billion revolving credit facility with tenors of March 2015 and October 2016 respectively, on favourable terms.

In September, DBCM completed the sale of Finsch Mine, as a going concern, to a Petra Diamonds-led consortium for a consideration of R1.425 billion (US$210 million), plus assumption of rehabilitation liabilities. In May, DBCM announced that it had entered into an agreement to sell Namaqualand Mines to Trans Hex in a transaction valued at R225 million (US$33.5 million), subject to the fulfilment of a number of conditions precedent.

In September, a new 10 year contract for the sorting, valuing and sales of Debswana's diamond production was announced by De Beers and its joint venture partner, the Government of the Republic of Botswana (GRB). As part of the agreement, De Beers will transfer its London-based rough diamond aggregation and sales activity to Botswana by the end of 2013. From its new base in Botswana, the DTC will aggregate production from De Beers' mines and its joint venture operations worldwide, and sell to local and international Sightholders.

In November, De Beers and the Government of the Republic of Namibia (GRN) finalised an agreement to increase the GRN's effective shareholding in De Beers Marine Namibia from 15 percent to 50 percent through the establishment of a new 50/50 joint venture holding company. This will not change current marketing arrangements and all diamond production from Namdeb will continue to be sorted, valued and marketed exclusively by the DTC together with Namibia DTC.

In December, the DTC announced the provisional qualification of 72 Sightholder applicants for the upcoming Supplier of Choice sales contract period, which begins on 31 March 2012 and runs to 30 March 2015.

Class Actions
In the United States, a full en banc panel of the Third Circuit Court of Appeals affirmed the District Court's original approval of the settlement agreement concluded in 2006. Since 2006, the settlement funds have been held in an escrow account, these funds will be released when permitted by the terms of the settlement and the Third Circuit's order.

In Canada, De Beers has been granted leave to appeal the Supreme Court of British Columbia's decision that it had jurisdiction over a case involving claims against a number of De Beers Group companies from purchasers of gem diamonds in British Columbia.

Shareholders
On 4 November, Central Holdings Ltd (CHL) (representing the Oppenheimer family interests) and Anglo American announced that agreement had been reached in terms of which Anglo American would acquire CHL's effective 40 percent interest in De Beers for a consideration of US$5.1 billion in cash, subject to the fulfilment of certain conditions precedent including various regulatory and other approvals. The GRB has certain pre-emption rights in this regard. It is anticipated that the transaction will close during the second half of 2012.

Management Change
Gareth Mostyn was appointed as Chief Financial Officer and a member of the board of De Beers s.a. on 8 February 2012.

Outlook
In spite of uncertainty, and barring a global economic shock, we expect to see continued growth in global diamond jewellery sales, albeit at lower levels than the exceptional 2011 growth. This will be driven by the overall strength of the luxury goods market, improving sentiment in the US (the largest diamond jewellery market), continuing growth in China, and the positive impact of the 2011 polished price growth on retail jewellery prices.

On the production front, we will continue to prioritise waste stripping and maintenance backlogs, and we therefore do not expect a material increase in carat production in 2012. This focus, which began in H2 and will continue during Q1 2012, will position De Beers to ramp-up profitable carat production as Sightholder demand dictates. In the medium to longer term, the industry fundamentals remain positive with consumer demand, fuelled by the emerging markets of China and India, outpacing what will likely be level carat production.

De Beers announces final results as follows:

De Beers Société Anonyme
Consolidated Income Statement
for the year ended 31 December 2011
(Abridged)

	US Dollar millions	
	Year 31 December 2011	Year 31 December 2010
Total sales (Note 1)	**7 378**	5 877
Less: cost of sales	**6 088**	4 983
Gross profit	**1 290**	894
Less: operating costs (Note 2)	**506**	416
Operating profit	**784**	478
Add:		
Trade investment income	**742**	517
Foreign exchange (losses) gains	**(104)**	44
Profit before finance charges and taxation	**1 422**	1 039
Less: net interest charges (Note 3)	**147**	176
Profit before taxation	**1 275**	863
Less: taxation	**297**	225
Profit after taxation	**978**	638
Less: interests of outside shareholder in subsidiaries	**16**	34
Own earnings	**962**	604
Less: share of retained income distributed by joint ventures	**2**	6
Net earnings before once-off items	**960**	598
Once-off items (Note 4)	**21**	52
Net earnings	**939**	546
Underlying earnings (Note 5)	**968**	598
EBITDA	**1 721**	1 428

Consolidated Balance Sheet
31 December 2011
(Abridged)

	US Dollar millions	
	31 December 2011	31 December 2010
Share capital and reserves	**3 996**	3 279
Interests of outside shareholders	**93**	144
Total shareholders' equity	**4 089**	3 423
Shareholders' loans	**669**	790
Other net interest bearing debt*	**1 259**	1 762
Other non-current liabilities	**696**	972
	6 713	6 947
Fixed assets	**2 224**	2 908
Other non-current assets and investments	**3 181**	3 012
Net current assets	**1 308**	1 027
	6 713	6 947

**Other net interest bearing debt includes short-term borrowings and is net of cash*

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Summary of cash flows

for the year ended 31 December 2011

	US Dollar millions	
	Year 31 December 2011	Year 31 December 2010
Cash available from operating activities	**946**	1 160
Less: investing activities		
Fixed assets – stay-in-business (net of disposals)	**83**	204
Investments	**129**	13
	212	217
Free cash flow	**734**	943
Less: financing activities		
Shareholder loans repaid	**160**	20
Ordinary dividends (including payments to outside shareholders)	**107**	6
Cash flow	**467**	917
Add (Deduct):		
Shareholder equity subscription/advances	**-**	1 000
Redemption of preference shares	**-**	(107)
Non cash movements in debt and movements attributable to changes in exchange rates	**36**	(372)
Decrease in other net interest bearing debt	**503**	1 438

Notes

1. Total sales of natural rough diamonds (including joint ventures)	**6 473**	5 082
2. **Operating costs** include:		
- Exploration, research and development	**132**	96
- Sorting and marketing	**161**	133
- Group technical services and corporate overheads	**213**	187
	506	416
3. **Net interest charges** include preference dividends amounting to	**-**	11
4. **Once-off items** comprise:		
Costs in respect of restructuring of debt	**19**	28
Net costs in respect of restructuring	**45**	22
Net deficit (surplus) on disposal of fixed & non-current assets	**(43)**	2
	21	52
5. **Underlying earnings*** is calculated as follows:		
Net earnings before once-off items	**960**	598
Adjusted for special items and re-measurements:		
Asset disposals (net)	**-**	(2)
Re-measurement gains on financial instruments	**8**	2
Underlying earnings	**968**	598

** Underlying earnings comprise net earnings attributable to shareholders adjusted for the effect of any once-off or special items and re-measurements, less any tax and minority interests. Special items include closure costs, exceptional legal provisions and profits and losses on the disposal of or impairments of assets. Special items which are considered to be significant relative to the results are categorised as being once-off. Re-measurements are recorded in underlying earnings in the same period as the underlying transaction against which these instruments provide an economic, but not formally designated, hedge.*

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Other information

	Year 31 December 2011	Year 31 December 2010
Exchange rates		
US$ / ZAR average	**7.14**	7.37
US$ / ZAR period end	**8.15**	6.63
US$ / C$ average	**0.98**	1.03
US$ / C$ period end	**1.02**	1.01
Production summary		
Tons Treated 000's:		
DBCM	**15 525**	17 069
Debswana	**22 889**	24 439
De Beers Canada	**3 545**	3 602
Namdeb	**8 288**	9 434
	50 247	54 544
Carats recovered 000's		
DBCM	**5 443**	7 556
Debswana	**22 890**	22 218
De Beers Canada	**1 660**	1 751
Namdeb	**1 335**	1 472
	31 328	32 997

Note to editors:
1. Lost time injury frequency rate (LTIFR): Number of lost time injuries multiplied by 200,000, divided by hours worked

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About De Beers:
De Beers, established in 1888, is the world's leading diamond company with unrivalled expertise in the exploration, mining and marketing of diamonds. Together with its joint venture partners, De Beers mines for diamonds across Botswana, Namibia, South Africa and Canada. As part of the company's operating philosophy, the people of De Beers are committed to *Living up to Diamonds* by making a lasting contribution to the communities in which they live and work. In the countries in which we have mining operations, this means carrying out profitable business, while at the same time helping Governments achieve their aspirations of turning natural resources into shared national wealth. De Beers encourages sustainable working to ensure long-term positive development for Africa, and returns approximately $3 billion to the continent every year.

For further information about De Beers visit www.debeersgroup.com.