De Beers Annual Results 2006

‘Building for the future’
Presentation Agenda

- Chairman's Highlights  Nicky Oppenheimer
- 2006 Financial Results  Stuart Brown
- Operating Review & Outlook  Gareth Penny
Chairman’s Highlights

Nicky Oppenheimer
Chairman, De Beers Group
A Ground Breaking Agreement
West Coast Diamonds

- Intention to consolidate De Beers’ Namaqualand Mines and Alexkor by 2008
- Creating a standalone, independent diamond mining company
- 20% of Namaqualand Mines transferred to the DME
- Facilitate start-up of State Diamond Trader
## Chairman’s Highlights

<table>
<thead>
<tr>
<th></th>
<th>US$</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>DTC sales</td>
<td></td>
<td>6,15bn</td>
<td>6,54bn</td>
</tr>
<tr>
<td>Own earnings</td>
<td></td>
<td>449m</td>
<td>644m</td>
</tr>
<tr>
<td>(before Canadian tax credit)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td>200m</td>
<td>400m</td>
</tr>
<tr>
<td>Capital - Expansion</td>
<td></td>
<td>949m</td>
<td>370m</td>
</tr>
<tr>
<td>Gearing</td>
<td></td>
<td>38.7%</td>
<td>34.5%</td>
</tr>
</tbody>
</table>
Partnerships
- Ponahalo BEE deal concluded in RSA
- 25 year Jwaneng lease renewal in Botswana
- 8 year extension of Namibian contract

Ethics
- Responsibility alongside profits
- Diamonds for development
- Kimberley Process
- Environment and Communities

Report to Society
Financial Review

Stuart Brown,
Finance Director, De Beers Group
Key Drivers

Headlines:

- Diamond sales
- Exploration
- Asset disposals
- Expansion programme
- Financing costs
- Operational cost savings
## Income Statement

<table>
<thead>
<tr>
<th>US$</th>
<th>Variance</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diamond sales</td>
<td>-6%</td>
<td>6,63bn</td>
<td>7,05bn</td>
</tr>
<tr>
<td>DTC sales</td>
<td>-6%</td>
<td>6,15bn</td>
<td>6,54bn</td>
</tr>
<tr>
<td>Net diamond account</td>
<td>-13%</td>
<td>1,05bn</td>
<td>1,20bn</td>
</tr>
<tr>
<td>Underlying earnings</td>
<td>-39%</td>
<td>425m</td>
<td>702m</td>
</tr>
<tr>
<td>- before Canadian tax credit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings</td>
<td>+32%</td>
<td>730m</td>
<td>554m</td>
</tr>
</tbody>
</table>
### Underlying Earnings 2005-06

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>DTC Sales Variance</td>
<td>702*</td>
<td></td>
</tr>
<tr>
<td>Other Sales</td>
<td>(389)</td>
<td>(37)</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>169</td>
<td></td>
</tr>
<tr>
<td>JV/Other Income</td>
<td>106</td>
<td>(73)</td>
</tr>
<tr>
<td>Outside Sholders Int</td>
<td>(39)</td>
<td></td>
</tr>
<tr>
<td>Net Finance Charges</td>
<td>(14)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>425</td>
<td></td>
</tr>
</tbody>
</table>

*Before Canadian Tax Credit
## Exploration, Research & Development
### Investment in Future Growth

<table>
<thead>
<tr>
<th>US$</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration</td>
<td>140m</td>
<td>113m</td>
</tr>
<tr>
<td>Research</td>
<td>75m</td>
<td>70m</td>
</tr>
<tr>
<td>Development</td>
<td>72m</td>
<td>59m</td>
</tr>
<tr>
<td>Total</td>
<td>287m</td>
<td>242m</td>
</tr>
</tbody>
</table>
## Balance Sheet

<table>
<thead>
<tr>
<th>US$</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>+600m</td>
<td>6,39bn</td>
</tr>
<tr>
<td>Net interest bearing debt</td>
<td>+580m</td>
<td>2,94bn</td>
</tr>
<tr>
<td>Gearing</td>
<td>38.7%</td>
<td>34.5%</td>
</tr>
</tbody>
</table>
## Cash Flow

<table>
<thead>
<tr>
<th>US$</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash available from operating activities</td>
<td>+336m</td>
<td>809m</td>
</tr>
<tr>
<td>Cash utilised in investing activities</td>
<td>+113m</td>
<td>752m</td>
</tr>
<tr>
<td>Fixed Assets: Stay in business</td>
<td>(3m)</td>
<td>245m</td>
</tr>
<tr>
<td>Expansion</td>
<td>+579m</td>
<td>949m</td>
</tr>
<tr>
<td>Investments</td>
<td>(463m)</td>
<td>(442m)</td>
</tr>
</tbody>
</table>
Operating Review

Gareth Penny
Managing Director, De Beers Group
Operating Review

- 2006 Highlights
- Outlook for the Future
Challenging trading year, but the company has achieved significant milestones...

- Partnership & other agreements secured across the Family of Companies
- Significant investment into exploration
- Record carat production at 51.1m carats
- Large investments in new projects to offset the decrease in Russian supply
- Second highest DTC sales ever
- Significant growth in DBDJ and E6 sales
- Substantial restructuring undertaken
Challenging Trading Year

- Solid growth in consumer diamond jewellery sales (+5%)
- DTC achieves sales of US$6.15bn
- Pressure from rising commodity prices (Gold and Platinum)
- Increased costs of industry debt servicing
- Surat (India) floods and instability in the Middle East
- All of the above resulting in a difficult trading year at the rough end of the pipeline
Partnership Highlights

Job Creation, Beneficiation & Alignment

- South Africa
- Botswana
- Namibia
- DRC
- Angola
- Russia
Profitable Production Growth
Unlocking Economic Value

2006: Total Production: 51m carats
2005: 49m carats

**DBCM**
- 0.21 LTIFR for 2006
- Costs down through technical limits and asset efficiency
- 4/6 mines cash flow positive

**Namdeb**
- 0.35 LTIFR for 2006
- Production exceeded 2 million carats in 2006, an increase of 18% on 2005
- Offshore recoveries comprised 1.08 million carats (an 11% increase)

**Debswana**
- 0.13 LTIFR for 2006
- Record production of 34.3 million carats, up from 31.9 million in 2005
Consumer Confidence & Reputation

Operating ‘up to diamonds’

- Industry Reputation
- World Diamond Council (WDC)
- US Anti-trust ruling
- European Commission
Exploration Portfolio
Finding World Class Deposits

- New strategy
- Botswana
- Angola
- DRC
- South Africa
- Canada
- Russia
Approved Capital Expenditure

A new era for the De Beers Group as the company enters into Canada and embarks on a US$2 billion mine building programme...

Snap Lake
- Potential for start up in advance of 1 October 07

Victor
- On schedule for April 2008 startup

SASA
- Commissioning in July 07

Voorspoed
- Commissioning in December 08
Potential Production Prospects

A compelling vision for potential future production...

- The Group is putting in place foundations for future profitable growth
- DBG remains committed to southern Africa
Profitable Production Growth

Running Mines That Deliver Superior Returns

- Build a De Beers of the future
- Drive greater returns on capital
- Enhanced focus on mines that deliver superior returns
- Create opportunities for smaller players
Enhanced Sales & Distribution

Driving Demand For Our diamonds

- The DTC continues to grow demand through ‘big ideas’ such as Journey Diamond Jewellery
- Trilogy has grown 35% YOY in Japan and now represents 18% of total market
- We expect rapid and sustained growth in both the Indian & Chinese markets
- Forevermark programme expands
- Sightholder contracts 2008
- 2007 sales likely to be constrained by supply
- Focus on value adding opportunities
De Beers Diamond Jewellers

- 15 Stores operating globally
- 4 new stores opened in 2006
- Triple digit growth
- Significant expansion plans for the future incorporating both wholly owned and franchise operations
The Future for De Beers

Capitalising On A Solid Foundation

- **Profitable production growth**
  - Finding world-class deposits
  - Running mines that deliver superior returns

- **Improved efficiency**
  - Delivering a leaner business model

- **Enhanced sales & distribution**
  - Promoting the best distribution system and driving demand for our diamonds

- **Added value opportunities**
  - DBDJ, E6, DVAS

- **Efficient organisation**
  - Building a company that is fit for leadership in the 21st Century
Thank you