



Diamonds

Leading the world in diamond production

De Beers is the largest producer and marketer of gem diamonds by value in the world. Its expertise extends to all aspects of the diamond industry, including prospecting, mining and recovery and, through the Diamond Trading Company (DTC), sorting, valuing and the sale of rough gem diamonds.

OVERVIEW

2006 overview

- De Beers is a global leader in the world diamond industry
- Global retail sales continue to rise
- De Beers group diamond production surpasses 50 million carats
- Upcoming projects will add 3.3 million carats to De Beers' annual production capacity

EBITDA

2006	\$541m
2005	\$655m

Operating profit

2006	\$463m
2005	\$583m

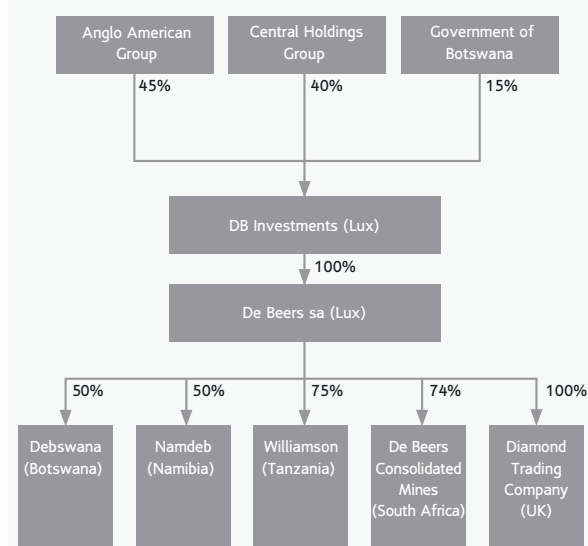
Business overview

De Beers is the world's leading diamond exploration, mining and marketing company. Its expertise extends to all aspects of the diamond pipeline, including prospecting, mining and recovery and, through its marketing arm, the London based Diamond Trading Company (DTC), the sorting, valuing and sale of rough gem diamonds. De Beers produces around 40% by value of total annual global diamond production from its mines in South Africa and through its partnerships with the governments of Botswana, Namibia and Tanzania. Through the DTC, De Beers markets around 45% of the world's diamonds and has conducted a renowned diamond advertising campaign based on its famous advertising promise, A diamond is forever, for over half a century. De Beers and Moët Hennessy Louis Vuitton have established a high-end retail jewellery joint venture, through De Beers Diamond Jewellers, with stores in the leading malls around the world.

Anglo American's diamond interests are represented by its 45% shareholding in De Beers Investments (DBI). The other shareholders are Central Holdings Limited, an Oppenheimer family holding company (40%), and the Botswana government (15%). DBI is the 100% owner of De Beers sa.

De Beers sa has a 50% interest in each of Debswana Diamond Company (Proprietary) Limited and Namdeb Diamond Corporation (Proprietary) Limited, owned jointly with the governments of Botswana and Namibia respectively; a 75% interest in Williamson Diamonds (Tanzania), a 74% interest in De Beers Consolidated Mines Limited (Ponahalo Investments acquired a 26% indirect interest in De Beers Consolidated Mines in April 2006) and owns 100% of the non-South African elements of the DTC.

Ownership structure



Previous page:

Close up of diamonds. In 2006, the De Beers group achieved its highest ever production of 51 million carats.

Industry overview and demand drivers

The diamond industry can broadly be separated into two markets; one dealing in gem quality rough diamonds, by far the more important of the two, and the other dealing with industrial quality diamonds. Gem grade diamonds are sold for use in jewellery and valued for their size, shape, colour and clarity. Some natural stones are used for industrial purposes such as cutting, drilling and other applications. 95% of diamond material used in industrial applications is synthetic.

Roughly 65% of the world's diamonds by value originate from southern and central Africa, although significant sources of the mineral have been discovered in Canada, Russia and Australia. Approximately 130 million carats of diamonds are mined each year and while the vast majority of natural diamond production by value is gem quality, approximately 70% of mined diamonds by weight are unsuitable for use in jewellery and are destined for industrial use.

Strategy

De Beers aims to be the partner of choice in the diamond industry.

Upstream:

- development of two new mines in Canada: Snap Lake and Victor, to enter production in late 2007 and at the end of 2008 respectively;
- reopening of its long-dormant Voorspoed mine in South Africa;
- increasing its marine mining operations off South Africa's Atlantic coast.

Downstream:

- the DTC continues to successfully address the challenges of driving consumer demand through its sales and marketing strategy; Supplier of Choice;
- global retail sales are estimated to have exceeded \$68 billion in 2006 and were bolstered by an increase in advertising programmes by DTC's clients and its downstream trade partners as well as the DTC's own marketing initiatives;
- the DTC has a global spend of more than \$8 million each year on research to develop further its consumer understanding on a market-by-market basis.

Exploration

De Beers is conducting focused exploration in areas of highest potential in order to add value to the De Beers Family of Companies and shareholders by delivering new profitable carat production.

North America

De Beers is conducting exploration activities in Canada within the Northwest Territories, Nunavut, Saskatchewan, Manitoba, Ontario and Quebec.

Southern Africa

Exploration continues in South Africa, Botswana and, in conjunction with Namdeb, in Namibia. Botswana continues to yield interesting results, particularly in the area surrounding the Orapa mine.

Central Africa

Early stage exploration is taking place in highly prospective parts of Angola and the Democratic Republic of Congo.

Eastern Europe

De Beers is steadily increasing its exploration activities and technical collaboration within Russia and Ukraine and has signed a Memorandum of Understanding with Alrosa, Russia's leading diamond producer.

Asia

In India, exploration is under way in Karnataka, Andhra Pradesh, Orissa, Madhya Pradesh, Uttar Pradesh and Chattisgarh, with encouraging results.

As a result of the refocus exercise, active exploration operations have recently ceased in Brazil, Central African Republic, Gabon, Zimbabwe and Guinea.

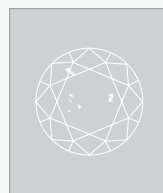
The four Cs

The characteristics which give the diamond its quality and value are: Cut, Colour, Clarity and Carat weight.



Cut

A diamond's cut is what gives it sparkle and fire. The better the proportions, the better the diamond is able to handle light, creating more sparkle and scintillation.



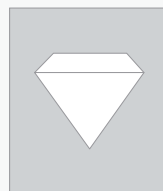
Clarity

Most diamonds contain tiny inclusions, not discernible to the naked eye. The fewer and smaller they are, the less likely they are to interfere with the passage of light through the diamond, and therefore the more rare and beautiful it will be.



Colour

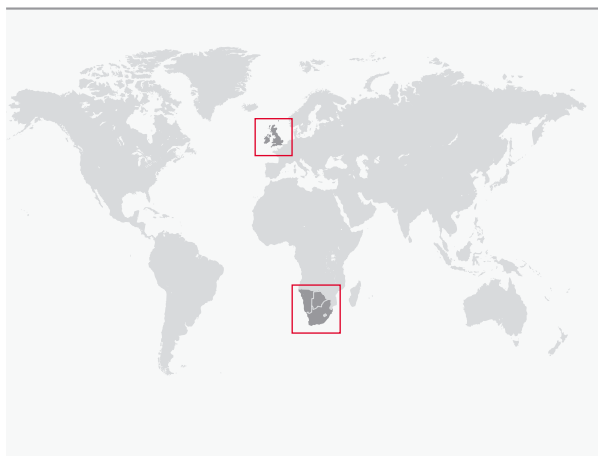
The majority of diamonds range from those with barely perceptible yellow and brownish tints up to the very rare pinks, blue and greens which are known as 'fancies'. The best 'colour' for a diamond is however 'colourless'.



Carat weight

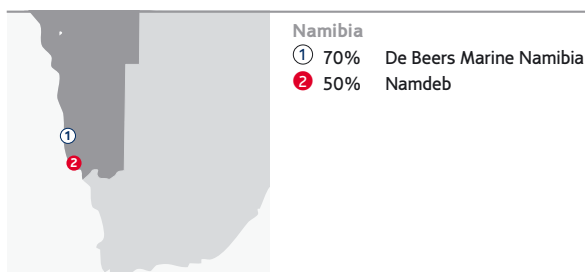
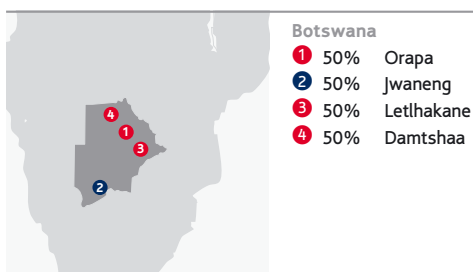
One carat is divided into 100 'points', so that a diamond of 75 points weighs 0.75 carats. (1 carat = 0.2 grams). Two diamonds of equal weight can therefore have very different values, depending on their cut, clarity and colour.

AROUND THE WORLD



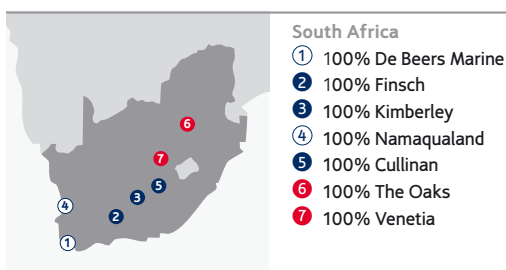
Key

- Underground
- Open Cut
- Other

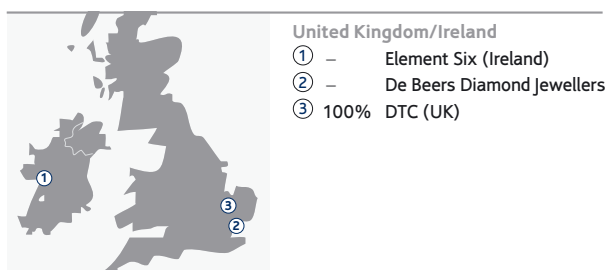


In 2006, De Beers, with its principal partners Debswana and Namdeb, produced 51 million carats of rough diamonds. The main component of this output was Debswana, which operates two of the world's great diamond mines, Jwaneng and Orapa. In 2006 Debswana produced a record 34.3 million carats, an increase of 7.5% over 2005.

Namdeb, a 50:50 partnership between De Beers and the Namibian Government, historically has been a source of high value gemstones. Today, it is the acknowledged leader in marine recovery of diamonds, with approximately half of its annual production of 2.1 million carats coming from marine mining, at depths of down to 200 metres, in the Atlantic Ocean off Namibia. In 2006 Namdeb's production of 2.1 million carats included marine production of 1.07 million carats.



De Beers' South African mines produced a total of 14.6 million carats in 2006, a drop of 0.6 million carats on 2005. The drop was due mainly to the closure of Koffiefontein as well as a reduced budget production of Cullinan mine.



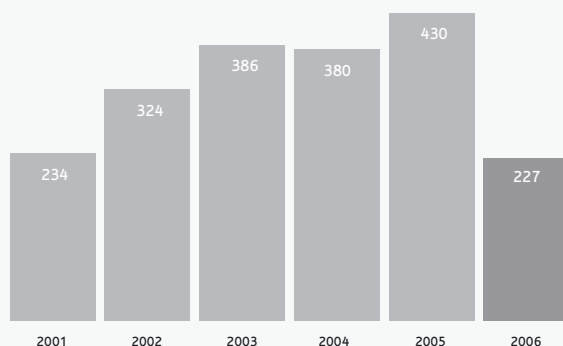
During 2006 our independently managed retail joint venture with Louis Vuitton Moët Hennessy (LVMH), De Beers Diamond Jewellers (DBDJ), formerly known as De Beers LV, achieved record sales in excess of US\$100 million. DBDJ opened five stores in 2006: Kobe, London (Harrods), Kyoto, Dubai, Taipei and, on 8 January 2007, DBDJ opened a further outlet in Las Vegas bringing the total to 15 stores globally. Sales are becoming increasingly balanced across the global DBDJ stable with the United Kingdom totalling 23.1%, Japan 23.7% and the United States 23.8%.

Element Six, the independently managed diamond group, recorded a strong year in 2006, with sales increasing 16% and a greatly improved contribution to De Beers earnings.

FINANCIAL HIGHLIGHTS

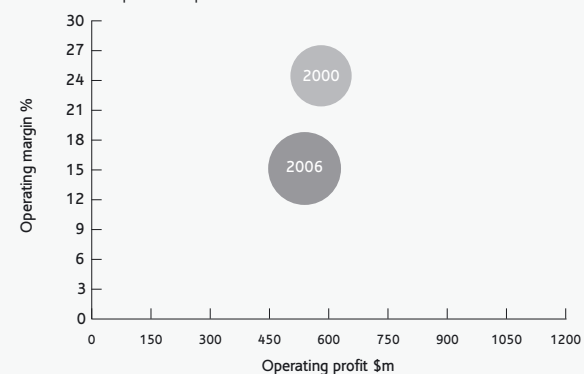
Six-year underlying earnings

\$m



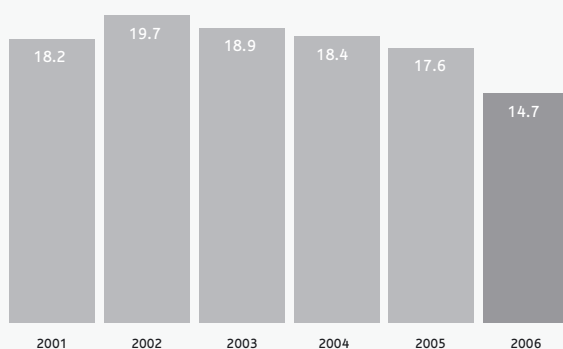
Scale and profitability growth

bubble size represents production carats



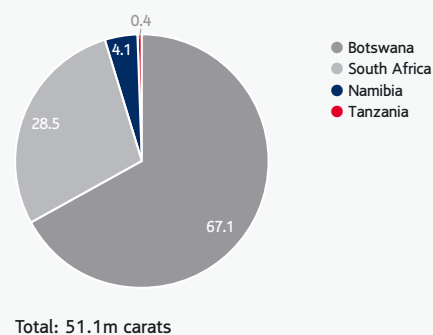
Operating margin

%



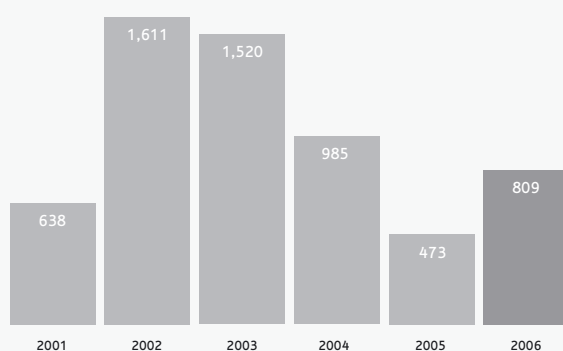
2006 De Beers mine production by region

%



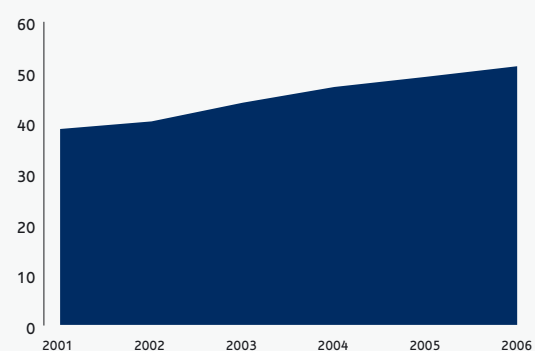
Cash generation from operating activities

from 2001 – 2006 on a 100% basis

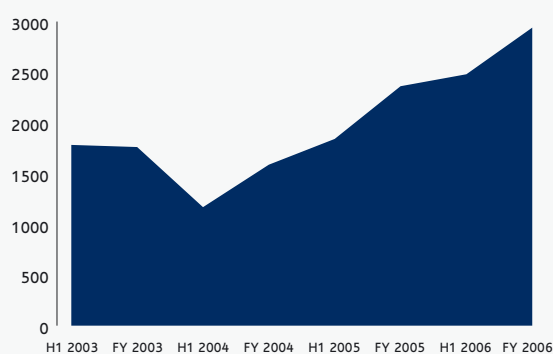


De Beers mine production

total carats DBCM, Debswana, Namdeb and Williamson



Net interest bearing debt



FINANCIAL DATA

Turnover (US\$ million)	2006	2005	2004	2003	2002	2001
Subsidiaries	–	–	–	–	–	–
Joint Ventures	–	–	–	–	–	–
Associates	3,148	3,316	3,177	2,967	2,746	2,055
Total turnover	3,148	3,316	3,177	2,967	2,746	2,055
EBITDA	541	655	655	638	594	428
Depreciation and amortisation	78	72	82	76	53	55
Operating profit before special items and remeasurements	463	583	573	562	541	373
Operating special items and remeasurements	(17)	(152)	–	–	–	–
Operating profit after special items and remeasurements	446	431	573	562	541	373
Net interest, tax and minority interests	(236)	(153)	(193)	(208)	(246)	(173)
Total underlying earnings	227	430	380	386	324	234
Group's share of net assets	2,062	2,056	2,199	2,886	–	–
Capital expenditure	–	–	–	–	–	–

DIAMONDS RECOVERED

South Africa

Carat	2006	2005	2004	2003	2002	2001
Cullinan	1,150,108	1,304,653	1,304,416	1,273,022	1,471,754	1,636,921
Finsch Mine	2,275,494	2,215,643	2,108,481	1,942,235	2,378,243	2,464,849
Kimberley	1,944,899	1,896,893	2,050,907	1,054,181	473,975	549,724
Koffiefontein	234	123,505	113,481	113,715	112,265	145,061
Namaqualand	978,415	1,014,132	909,706	829,686	773,768	808,318
The Oaks	102,805	85,766	68,943	100,123	115,234	123,548
Venetia	8,116,906	8,515,045	7,187,300	6,600,721	5,077,042	4,976,546
Total	14,568,861	15,155,637	13,743,234	11,913,683	10,402,281	10,704,967

Botswana

Carat	2006	2005	2004	2003	2002	2001
Debswana (50% owned by De Beers)						
Orapa	17,338,240	14,890,436	16,070,076	16,294,258	14,329,642	13,056,403
Letlhakane	1,089,180	1,097,231	1,033,162	1,061,068	1,025,690	1,020,698
Jwaneng	15,637,666	15,599,427	13,682,502	12,764,649	13,034,510	12,339,430
Damtshaa	227,890	302,677	338,909	292,180	7,084	–
Total	34,292,976	31,889,771	31,124,649	30,412,155	28,396,926	26,416,531

Namibia

Carat	2006	2005	2004	2003	2002	2001
Namdeb (50% owned by De Beers)						
Diamond Area 1	1,000,743	797,518	992,872	796,694	696,914	742,732
Marine Mining	1,084,136	976,891	865,511	658,062	578,985	641,972
Total	2,084,879	1,774,409	1,858,383	1,454,756	1,275,899	1,384,704

Tanzania

Carat	2006	2005	2004	2003	2002	2001
Williamson	189,396	190,384	285,778	166,263	152,234	190,634
Total	189,396	190,384	285,778	166,263	152,234	190,634

Grand total	51,136,112	49,010,201	47,012,045	43,946,857	40,227,340	38,696,836
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DIAMONDS GRADE

South Africa

Carat/100 metric tons	2006	2005	2004	2003	2002	2001
Cullinan	39.1	28.3	29.3	37.5	45.4	52.8
Finsch Mine	39.3	37.3	36.5	36.8	46.6	51.7
Kimberley	17.5	19.6	22.6	17.7	13.0	14.6
Koffiefontein	0.7	6.8	5.8	5.6	5.2	6.3
Namaqualand	15.3	15.7	14.2	13.2	14.7	13.3
The Oaks	39.3	34.4	23.8	32.1	35.7	60.9
Venetia	134.2	143.5	122.4	121.9	107.8	108.1
Total (weighted average)	44.7	43.7	40.6	41.5	42.5	43.1

Botswana

Carat/100 metric tons	2006	2005	2004	2003	2002	2001
Debswana (50% owned by De Beers)						
Orapa	94	90.2	95.2	99.2	87.4	82.7
Letlhakane	29.3	31.7	30.4	29.6	28.0	28.2
Jwaneng	154.7	155.9	156.3	143.1	139.8	138.3
Damtsheha	15.6	23.5	25.6	23.6	5.7	–
Total (weighted average)	101.7	102.0	102.5	100.8	96.2	93.3

Namibia

Carat/100 metric tons	2006	2005	2004	2003	2002	2001
Namdeb (50% owned by De Beers)						
Diamond Area ⁽¹⁾	3.9	3.0	3.2	3.1	2.5	3.4
Marine Mining	0.2	0.2	n/a	n/a	n/a	–
Total (weighted average)	n/a	n/a	5.9	5.6	4.5	6.3

Tanzania

Carat/100 metric tons	2006	2005	2004	2003	2002	2001
Williamson	6.4	5.6	8.4	3.7	4.6	6.7
Total (weighted average)	6.4	5.6	8.4	3.7	4.6	6.7
Grand Total (weighted average)	52.9	50.2	46.7	49.3	47.1	49.7

⁽¹⁾ Recovered Grade represented as carats recovered per m² and not carats recovered per hundred metric tons.

PROJECT PIPELINE



1. Snap Lake Canada

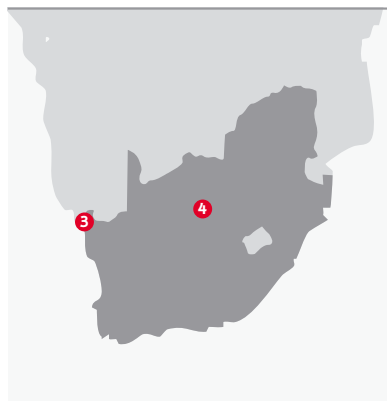
Ownership	100% De Beers
Incremental production	29 m carats over life of project
Full project capex	\$878m
Full production	2008

The Snap Lake project, in the Northwest Territories, is on target to start production in October 2007.

2. Victor Canada

Ownership	100% De Beers
Incremental production	7 m carats over life of project
Full project capex	\$833m
Full production	2009

The Victor mine in Ontario is scheduled to come on stream in the last quarter of 2008.



3. De Beers Marine South African Sea Areas

Ownership	100% De Beers Consolidated Mines
Incremental production	4.6 m carats over life of project
Full project capex	\$145m
Full production	2008

This project will establish a full scale mining operational in the ML3 concession area off the South African west coast. Unconsolidated diamondiferous gravels will be recovered from the seabed at depths between 100m and 140m and processed onboard a mining vessel. The latter is currently undergoing commission and will commence operations in the third quarter of 2007.

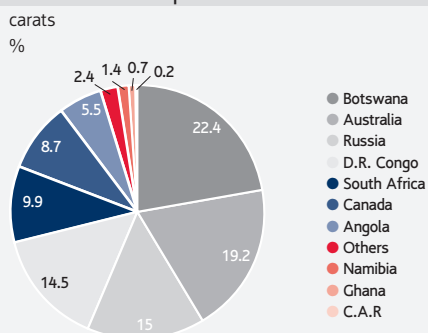
4. Voorspoed South Africa

Ownership	100% De Beers Consolidated Mines
Incremental production	8.3 m carats over life of project
Full project capex	\$170m
Full production	2009

This project will establish a Greenfield open pit diamond mining operation in the Orange Free State for De Beers Consolidated Mines Limited with an expected life-of-mine of 13 years. The operation will extract and process the Kimberlite ore at a rate of 4 Mtpa on a continuous operations basis using conventional ore extraction and ore processing technology and methodologies.

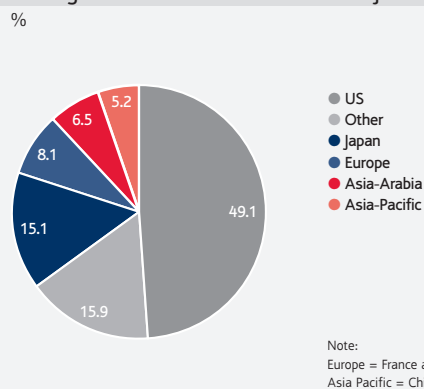
MARKET INFORMATION

2006 world mine production



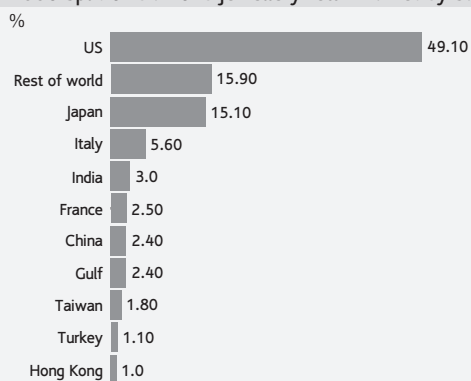
Source: De Beers

2006 global demand for retail diamond jewellery



Source: De Beers

2006 split of diamond jewellery retail market by sales



Source: De Beers