

Diamonds

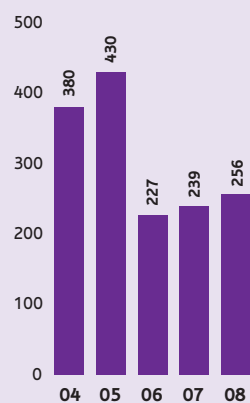
De Beers celebrated its 120th anniversary in 2008 with the launch of Forevermark[™] as a global brand promising both quality and integrity



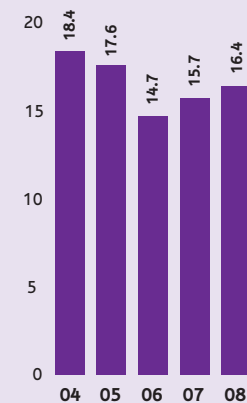
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Financial highlights

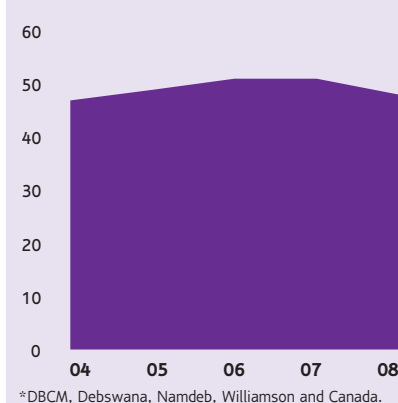
Five year underlying earnings
\$m



Operating margin
%

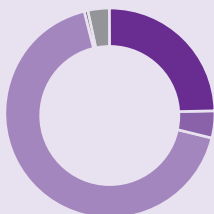


De Beers production*
Carats recovered (million)

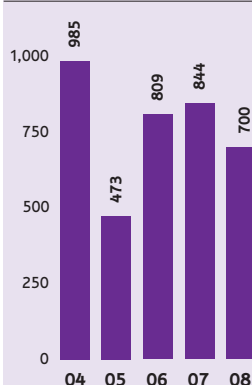


2008 De Beers mine production by region
Carats (million)

South Africa	12.0	(24.8%)
Namibia	2.1	(4.4%)
Botswana	32.3	(67.3%)
Tanzania	0.1	(0.4%)
Canada	1.6	(3.3%)
Total	48.0	



Cash generation from operating activities
\$m



Financial data

US\$m	2008	2007	2006	2005	2004
Turnover					
Subsidiaries	—	—	—	—	—
Joint ventures	—	—	—	—	—
Associates	3,096	3,076	3,148	3,316	3,177
Total turnover	3,096	3,076	3,148	3,316	3,177
EBITDA	665	587	541	655	655
Depreciation and amortisation	157	103	78	72	82
Operating profit before special items and remeasurements	508	484	463	583	573
Operating special items and remeasurements	(226)	(465)	(17)	(152)	—
Operating profit after special items and remeasurements	282	19	446	431	573
Net interest, tax and minority interests	(252)	(245)	(236)	(153)	(193)
Total underlying earnings	256	239	227	430	380
Group's aggregate investment in De Beers	1,623	1,802	2,062	2,056	2,199

Business overview

Share of associate's operating profit

2008

\$508 m

2007: \$484 m

EBITDA

2008

\$665 m

2007: \$587 m

- De Beers is the world leader in diamonds
- Diamond production exceeded 48 million carats
- Opened three mines in the year (two in Canada and one in South Africa)

Canada

Snap Lake and Victor mines in Canada, both opened in 2008

Southern Africa

Main mining, beneficiation and operational activities in Botswana, South Africa and Namibia. In 2008, De Beers, with its principal partners Debswana and Namdeb, produced 48.1 mn carats of rough diamonds.

Anglo American's diamond interests are represented by its 45% shareholding in De Beers. The other shareholders in De Beers are Central Holdings Ltd (an Oppenheimer family owned company), which owns 40%, and the Government of Botswana with 15%.

De Beers is the world's leading diamond business and with its joint venture partners operates globally, employing around 17,000 people. De Beers produces around 40% of the world's rough diamonds by value from its mines in Botswana, Canada, Namibia and South Africa.

De Beers holds a 50% interest in Debswana Diamond Company and in Namdeb Diamond Corporation, owned jointly with the Government of Botswana and the Government of Namibia, respectively, and a 70% shareholding in De Beers Marine Namibia.

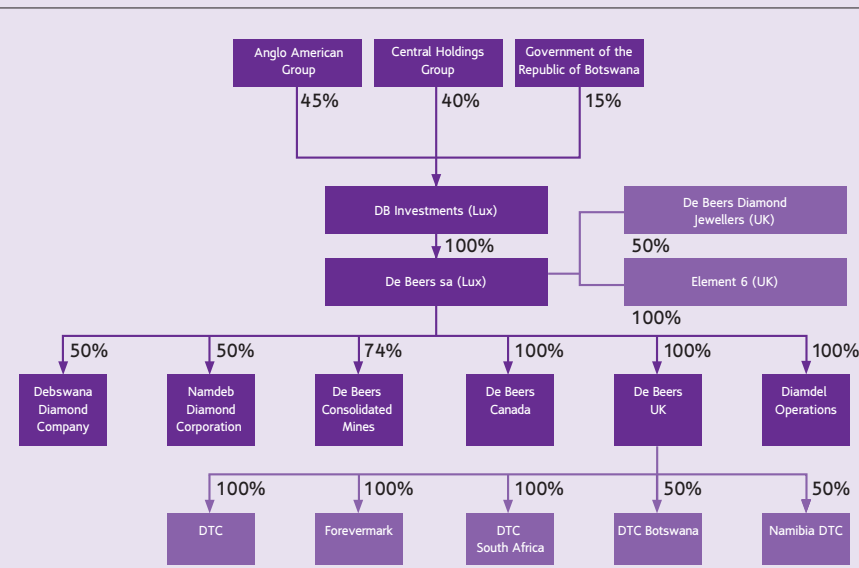
In addition, De Beers has a 74% shareholding in South African based De Beers Consolidated Mines Limited, with a broad-based black economic empowerment consortium (the Ponahalo group) holding the balance.

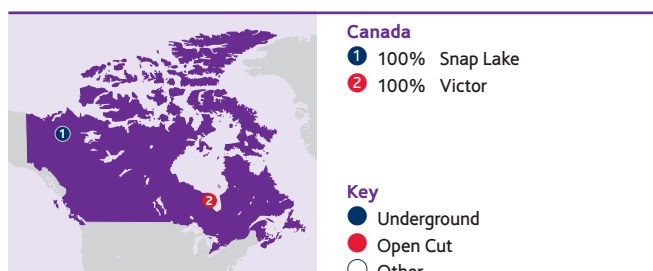
De Beers owns 100% of The Diamond Trading Company (DTC), the sales and rough diamonds distribution arm of De Beers. It also has a 50% interest with the Government of Botswana in Diamond Trading Company Botswana (DTCB) and a 50% ownership, along with the Government of Namibia's matching shareholding, in Namibia Diamond Trading Company (NDTC).

De Beers and LVMH Moët Hennessy Louis Vuitton have established a high-end retail jewellery joint venture, through De Beers Diamond Jewellers (DBDJ), with stores in the most fashionable areas of some of the world's great cities, including New York, Los Angeles, London, Paris, Tokyo and Dubai.

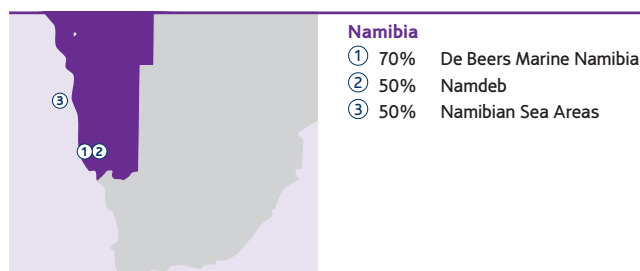
De Beers, through Element Six, is a major producer of laboratory created industrial diamond material; applications include cutting, grinding, polishing, wire making and other technical and scientific uses. Element Six has a significant market share in the oil and gas drilling business and has expanded in recent years by building a manufacturing facility in China, through acquiring a majority stake in a facility in Ukraine, and by enhancing its hard-material portfolio with the acquisition of Barat Carbide in Germany. The Barat Carbide acquisition has given Element Six materials competence in carbide, and marketing channels as well as application knowhow in mining, road construction and for wear parts. With sales of well above \$100 million, Barat Carbide is a large addition to Element Six, resulting in total annual sales of over \$500 million for the combined entities.

De Beers ownership structure

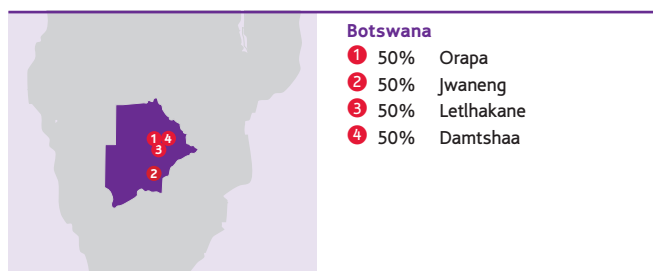




Victor mine and the Snap Lake mine in Canada are De Beers first mining ventures outside of the African continent. Victor mine is located in the James Bay lowlands of northern Ontario, about 90km west of the First Nation community of Attawapiskat. It is so remote that it can only be accessed by air or seasonal ice road. The mine employs more than 400 local people and has channelled over C\$175 million of investment into local Aboriginal businesses. Our Snap Lake mine lies 220 km northeast of Yellowknife and is Canada's first completely underground diamond mine. Both projects were completed in 2008. Combined output for 2008 was 1.6 million carats.



Namdeb, a 50:50 partnership between De Beers and the Namibian Government, has historically been a source of high value gemstones. Today, it is the acknowledged leader in alluvial recovery of diamonds. In 2008 Namdeb's production was 2.1 million carats.

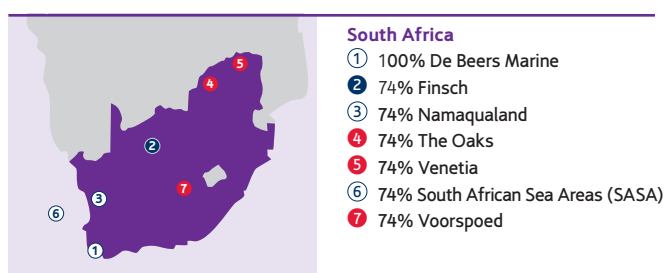


Debswana, a 50:50 partnership between De Beers and Botswana government, produced 32.3 million carats in 2008. Debswana operates two of the world's great diamond mines, Jwaneng and Orapa.



De Beers Diamond Jewellers (DBDJ) is an independently managed jewellery retail joint venture with Moët Hennessy Louis Vuitton (LVMH). In 2008 DBDJ continued a global expansion programme added 10 wholly owned stores, principally in the second half of 2008, taking the global network to 44 stores at year end. These include five stores in the US, a Japanese flagship store in Ginza and a new format store in the Westfield development in London. DBDJ traded well in the first six months of 2008 with first half revenues well ahead of 2007 figures. In line with other retail jewellery, a significant slowdown was experienced in the second half of the year reducing the annual increase in sales through the network to 14% and revenue to 6% versus 2007.

Total sales for Esix for 2008 approached US\$500 million. Sales growth for the year was 20%, which included a full year's contribution from Barat Carbide (now Esix Hard Materials) and organic growth of 1%.



South African production in 2008 was 12.0 million carats, 20% below 2007. This reduction was due to global economic slowdown as well as electricity supply issues.

Kimberley Underground and Cullinan mines were sold to Petra Diamonds Limited in 2008 along with Williamson Diamond mine in Tanzania.

Industry overview

Up to two-thirds of the world's diamonds by value originate from southern and central Africa, while significant sources have been discovered in Russia, Australia and Canada. Most diamonds come from the mining of kimberlite deposits. Another important source of gem diamonds, however, has been secondary alluvial deposits formed by the weathering of primary kimberlites and the subsequent deposition of released diamonds in rivers and beach gravels.

Rough or uncut diamonds are broadly classified either as gem diamonds or industrial quality diamonds, with gem representing by far the larger of the two markets by value. The primary world market for gem diamonds is in retail jewellery where aspects such as size, colour, shape and clarity have a large impact on valuation. De Beers, through the DTC, and its partners in Botswana, South Africa and Namibia, supplies its clients – known as 'Sightholders' – with parcels of rough diamonds that are specifically aligned to their respective cutting and polishing needs.

Markets

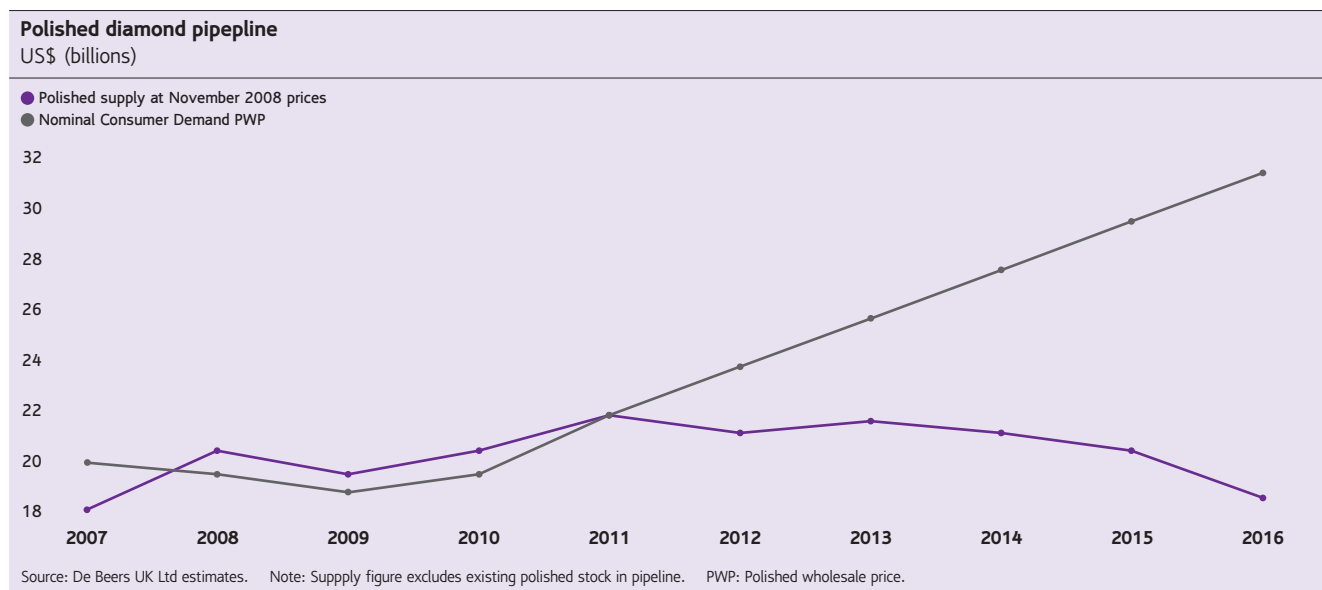
Global retail sales showed steady growth during the first half of 2008 driven principally by the emerging markets of China, India and the Middle East. However, in 2008, the all important holiday period took place amidst significant weakness in US economic sentiment, with American consumers, the world's major diamond purchasers, cutting back sharply on spending. The luxury goods sector appears to have been particularly impacted, with jewellery retailers



Victor mine in Canada. The mine was completed and commissioned eight months ahead of schedule

in the US reporting double digit year-on-year declines over the traditional key buying season between Thanksgiving and Christmas. As a result, it is estimated that global diamond retail sales were down, in the low single digits, for the year as a whole.

Market information



Strategy and growth

During 2008, De Beers continued to focus both investment and divestment activity to position the company for future growth. The strategy centres on exploration in central and southern Africa; driving profitable production growth across operations and seeking enhanced levels of organisational effectiveness. De Beers has been divesting from those mines that, under the company's current cost structures, are deemed marginal or loss making. In 2008, De Beers completed the sale of the Kimberley underground mines and Cullinan Diamond Mine to Petra Diamonds Limited and the disposal of Williamson Diamond Mine in Tanzania.

In South Africa, the long-dormant Voorspoed mine was officially re-opened with its first diamonds being recovered in June. As a result of the coming on stream of these projects during the year, De Beers' capital expenditure has declined significantly.

In April, De Beers commissioned a new \$83 million diamond sorting and valuing facility in Gaborone, the largest and most sophisticated of its kind in the world, which is now home to the DTCB. This boost to beneficiation – adding downstream value to mining operations – in the producer country includes the process of sorting and valuing rough diamonds, their subsequent cutting and polishing, and the manufacture of diamond jewellery. The focus on beneficiation extends to Namibia through NDTC, to South Africa through the State Diamond Trader and to Canada through local supply agreements reached with the governments of Ontario and the Northwest Territories respectively. All these initiatives seek to create an enabling environment through which each country's valuable diamond resources can be further transformed into a source of national wealth, pride and development.

In May, Judge Chesler entered an order in the US Federal District Court in New Jersey approving in all respects the Settlement in the Diamond Class Actions, which addressed De Beers' outstanding historical civil legal issues in the US. Certain appeals have been noted against the order, which will be addressed in accordance with ordinary legal processes.

The DTC completed its Sightholder selection process in 2008, appointing 78 clients for the new three-year contract period. Clients will be receiving 'Sights' through wholly owned and joint venture DTC operations around the world, with many of the Sightholders receiving Sights in several different countries. The selection criteria for Sightholders were designed to identify those applicants that demonstrated excellence in their technical ability, their distribution and marketing effectiveness and the core strengths of their diamond business. Financial transparency and ethical accountability were mandatory.

DBDJ continued to expand its global network of operations in 2008.

Projects

For the first time in its history, De Beers opened three new mines in one year. In Canada, Victor mine in northern Ontario was completed and commissioned eight months ahead of schedule, while Snap Lake mine in the Northwest Territories commenced commercial production in early 2008 with both mines achieving full production in the second half of the year. De Beers' Voorspoed mine in South Africa was officially opened in November and is expected to produce 8.3 million carats at an average value of \$120 per carat over the next 12 to 16 years.



Following the construction of the world's largest diamond sorting facility in Gaborone, DTC Botswana has established itself as the global leader in the sorting and valuation of rough diamonds

Diamonds recovered

South Africa

Carats (000)	2008	2007	2006	2005	2004
Cullinan	540	964	1,150	1,305	1,304
Finsch Mine	2,317	2,334	2,275	2,216	2,108
Kimberley	913	1,638	1,945	1,897	2,051
Koffiefontein	—	—	2	124	113
Namaqualand	310	767	978	1,014	910
The Oaks	61	94	103	86	69
Venetia	7,500	9,081	8,117	8,515	7,187
Voorspoed	128	—	—	—	—
South African Sea Areas	191	121	—	—	—
Total	11,960	14,998	14,569	15,156	13,743

Botswana

Carats (000)	2008	2007	2006	2005	2004
Debswana (50% owned by De Beers)					
Orapa	16,869	18,708	17,338	14,890	16,070
Letlhakane	1,200	1,113	1,089	1,097	1,033
Jwaneng	13,674	13,476	15,638	15,599	13,683
Damtshaa	533	341	228	303	339
Total	32,276	33,638	34,293	31,890	31,125

Namibia

Carats (000)	2008	2007	2006	2005	2004
Namdeb (50% owned by De Beers)					
Diamond Area 1	1,067	969	1,001	798	993
Marine Mining	1,055	1,207	1,084	977	866
Total	2,122	2,176	2,085	1,774	1,858

Tanzania

Carats (000)	2008	2007	2006	2005	2004
Williamson	134	220	189	190	286
Total	134	220	189	190	286

Canada

Carats (000)	2008	2007	2006	2005	2004
Victor	714	—	—	—	—
Snap Lake	926	81	—	—	—
Total	1,640	81	—	—	—

Grand total	48,132	51,113	51,136	49,010	47,012
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Diamonds grade

South Africa

Carat/100 metric tonnes unless otherwise stated	2008	2007	2006	2005	2004
Cullinan	45.8	42.3	39.1	28.3	29.3
Finsch Mine	36.3	38.8	39.3	37.3	36.5
Kimberley	15.5	16.3	17.5	19.6	22.6
Koffiefontein	–	–	0.7	6.8	5.8
Namaqualand	20.5	16.3	15.3	15.7	14.2
The Oaks	40.9	37.2	39.3	34.4	23.8
Venetia	125.5	144.9	134.2	143.5	122.4
Voorspoed	16.6	–	–	–	–
South African Sea Areas (cpm ²)	n/a	0.2	–	–	–
Total (weighted average)	89.9	99.3	44.7	43.7	40.6

Botswana

Carat/100 metric tonnes	2008	2007	2006	2005	2004
Debswana (50% owned by De Beers)					
Orapa	90.8	99.8	94	90.2	95.2
Letlhakane	31.6	29.7	29.3	31.7	30.4
Jwaneng	86.7	130.8	154.7	155.9	156.3
Damtshaa	18.5	12.2	15.6	23.5	25.6
Total (weighted average)	85.7	109.0	101.7	102.0	102.5

Namibia

Carat/100 metric tonnes	2008	2007	2006	2005	2004
Namdeb (50% owned by De Beers)					
Diamond Area ⁽¹⁾	6.3	4.2	3.9	3.0	3.2
Marine Mining	n/a	0.2	0.2	0.2	n/a
Total (weighted average)	12.5	n/a	n/a	n/a	5.9

Tanzania

Carat/100 metric tonnes	2008	2007	2006	2005	2004
Williamson	6.2	6.9	6.4	5.6	8.4

Canada

Carat/100 metric tonnes	2008	2007	2006	2005	2004
Snap Lake	102.5	71.7	–	–	–
Victor	40	–	–	–	–

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