DE BEERS
A DIAMOND IS FOREVER

De Beers Société Anonyme

(Incorporated under the laws of Luxembourg)

Thursday, 11 February 2010

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

DECISIVE ACTION IN EXCEPTIONALLY CHALLENGING TRADING ENVIRONMENT POSITIONS DE BEERS TO BENEFIT FROM MARKET UPTURN

2009 snapshot

- *H2 sales increase by 24 percent over H1 for a full year total of US$3.84 billion (2008 US$6.89 billion)*
- *EBITDA of US$654 million (2008 US$1.222 billion)*
- *Profit before net interest charges and tax (PBIT) of US$318 million (2008 US$823 million)*
- *H2 free cash flow of US$161 million resulting in a positive full year cash flow of US$35 million (2008 US$258 million)*
- *Full year production and operating costs reduced by 45 percent to US$1.1 billion (2008 US$2.0 billion)*

Industry Overview

In line with most products in the luxury goods sector, the diamond industry was severely affected in 2009 by the global recession. The combination of three principal factors - high stock levels throughout the diamond pipeline, constricted liquidity in the industry, and lower levels of retail and consumer demand - led to substantially lower demand for rough diamonds. In the consumer markets we believe global demand for diamond jewellery declined for the full year in the low single digits, although the fourth quarter showed an improved and positive trend on 2008. Demand remained strong in the developing markets of India and China with US Christmas trading results likely to show the first year-on-year increases since September 2008. Industry inventory and debt levels reduced as the year progressed, positioning De Beers to benefit from improvements in consumer demand.

2009 Operating Performance

De Beers responded quickly to the global economic crisis with a 6-point *Recession Action Plan* focused on sustaining the business through the recession and positioning it for future growth. In spite of exceptionally difficult trading conditions, which saw sales decline from US$6.89 billion in 2008 to US$3.84 billion in 2009, De Beers exceeded its cost-reduction targets, enabling the company to remain cash positive for the year and generate positive EBITDA (US$654 million) and PBIT (US$318 million). The 6-point action plan focused on:

1. Keeping Safety as Top Priority - De Beers' safety performance showed marked improvement in 2009, and the company is proud to report no fatalities on its operations. Lost Time Injuries (LTI) decreased to 40 in 2009 from 66 in 2008.

2. Maximising Demand Opportunities - Due to the highly volatile levels of rough diamond demand, the Diamond Trading Company (DTC) employed a flexible approach to its sales. The market was affected most acutely in the first quarter, with both volumes and, to a lesser degree, prices impacted. However, as the year progressed client demand improved, which allowed the company to increase prices and sales volumes throughout the second half of the year. DTC sales for the year totalled US$3.23 billion, significantly below last year (2008: US$5.93 billion) but above our half year expectations. On the consumer side, Forevermark™ continued to expand in China, Hong Kong, Japan and Macau and the brand is now available in 245 stores across Asia. The Everlon Diamond Knot Collection™, which is a De Beers-devised joint marketing campaign with leading retailers, has made a strong contribution to improving Christmas diamond sales in the US.

3. Producing In line with Client Demand - At the beginning of 2009 De Beers dramatically reduced production across its portfolio of mines, in response to and in line with, reduced demand from DTC Sightholders, This resulted in a significant reduction in carats produced compared to 2008. Sightholder demand increased gradually from the second quarter and the De Beers Family of Companies responded by increasing its production to 18 million carats in the second half of the year (2008: 24 million carats), an increase of 173 percent compared with the first half, resulting in a full year total of 24.6 million carats (49 percent below 2008).

4. Driving Cost Reductions across the Business - Across the Family of Companies, De Beers aggressively tackled costs, achieving a US$0.9 billion reduction in production and operating costs, down 45 percent compared to 2008.

5. Enhancing Operating Efficiencies -Through a process of de-layering and de-centralisation of the business, De Beers recorded a 23 percent reduction of its global workforce.

6. Focusing on Cash Management – De Beers' focus on cash management and capital expenditure - which was reduced by US$222 million compared with 2008 - enabled the company to remain cash positive in 2009, in spite of the exceptionally challenging trading conditions.

Given the nature of the assets, the effects of a weak US Dollar and the impact of the global recession on pricing and production levels, De Beers has been required to make a non-cash impairment provision of US$700 million against its Canadian operations.

Projects

In November, Debswana announced a major US$500 million expansion project (Cut-8) at Jwaneng Mine that will ensure continuous and profitable production at the mine until at least 2025. The estimated project cost is likely to total US$3 billion over the next 15 years, and will create access to a further 95 million carats, with a value in excess of US$15 billion over the life of the mine

Additionally, in November, De Beers announced the sale of its effective 70 percent share in the AK06 diamond deposit in Botswana to Lucara Diamond Corporation, a Canadian junior diamond mining company, for US$49 million in cash. In July Mountain Province Diamonds announced that it had entered into an amended Joint Venture agreement with De Beers Canada on the Gahcho Kué deposit, which has led to the commencement of the Gahcho Kué Feasibility Study, due for completion in the fourth quarter of 2010.

Refinancing

As reported in the interim results, during the first half of the year De Beers commenced discussions with its lending banks to renew its outstanding US$3 billion borrowing facility, of which US$1.5 billion becomes due and payable in March 2010. International and South African financing term sheets have been agreed, and credit approval granted, by the syndicates of lending banks. In addition, the shareholders have shown strong support by agreeing to subscribe for additional equity capital of US$1 billion in proportion to their existing equity holdings, which will enable a reduction in overall debt and strengthen the De Beers Group balance sheet. The detailed documentation of the new financing structure is expected to be concluded before the end of March 2010.

Outlook

2009 presented some of the most challenging trading conditions the diamond industry has experienced. However, as a result of De Beers' actions, our clients have been able to reduce inventory and debt levels, and with better than expected consumer sales in the fourth quarter, sentiment has improved markedly from a year ago. Demand for rough diamonds has been much improved at the first Sight of the year and expectations are for this to continue in the upcoming February Sight. However, De Beers will continue to take a cautious and prudent approach to production and sales levels for 2010. Consumer demand for diamond jewellery is beginning to recover, driven in part by the strength of the developing markets of China and India. However, with the fragility of the world economy and perceived weakness of the global recovery post recession, the company would only expect a gradual increase in production levels, sales and prices.

Desire for diamonds remains strong and, given the improvement of industry fundamentals, the Directors are cautiously optimistic about medium-term prospects.

In the longer-term, the fundamental supply / demand dynamics of diamonds remain highly attractive. Future demand growth for diamond jewellery, driven by the emerging markets of China and India, is expected to outpace what is forecast to be lower levels of diamond supply for many years to come, providing a sound foundation for future profitability.

Management Changes

At the De Beers board meeting on 9 February 2010, it was announced that Group Technical Director Robin Mills will retire at the Annual General Meeting on 24 March 2010. Jim Gowans, currently CEO, De Beers Canada Inc, will assume the position of Group Technical Director and join the board at that time.

For a more detailed look at the Operating and Financial Highlights for 2009 please visit De Beers' Operating & Financial Review online at www.debeersgroup.com/ofr2009

De Beers announces final results as follows:

De Beers Société Anonyme
Consolidated Income Statement
for the -year ended 31 December 2009
(Abridged)

	US Dollar millions	
	Year 31 December 2009	Year 31 December 2008
Total sales (Note 1)	**3 840**	6 888
Less: cost of sales	**3 513**	5 525
Gross profit	**327**	1 363
Less: operating costs (Note 2)	**402**	817
Operating (loss) profit	**(75)**	546
Add:		
Trade investment income	**298**	583
Foreign exchange gains (losses)	**95**	(306)
Profit before interest charges and taxation	**318**	823
Less: net interest charges (Note 3)	**225**	240
Profit before taxation	**93**	583
Less: taxation	**125**	304
(Loss) Profit after taxation	**(32)**	279
Less: interests of outside shareholder in subsidiaries	**(1)**	55
Own (loss) earnings	**(31)**	224
Add: share of retained (loss) income of joint ventures	**(6)**	70
Net (loss) earnings before once-off items	**(37)**	294
Once-off items (Note 4)	**(706)**	(204)
Net earnings	**(743)**	90
Underlying (loss) earnings (Note 5)	**(220)**	515
EBITDA	**654**	1 222

Consolidated Balance Sheet
31 December 2009
(Abridged)

	US Dollar millions	
	31 December 2009	31 December 2008
Share capital and reserves	**1 943**	2 408
Interests of outside shareholders	**229**	220
Total shareholders' equity	**2 172**	2 628
Shareholders' loans	**759**	248
Other net interest bearing debt*	**3 200**	3 552
Other non-current liabilities	**709**	665
	6 840	7 093
Fixed assets	**2 795**	3 100
Other non-current assets and investments	**2 927**	2 933
Net current assets	**1 118**	1 060
	6 840	7 093

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

De Beers Société Anonyme

Summary of cash flows
for the year ended 31 December 2009

	US Dollar millions	
	Year 31 December 2009	Year 31 December 2008
Cash available from operating activities	**226**	700
Less: investing activities		
Fixed assets – stay-in-business	**150**	204
– expansion	**31**	199
Investments	**10**	39
	191	442
Free cash flow	**35**	258
Less: financing activities		
Ordinary dividends (including payments to outside shareholders)	**105**	358
Cash flow	**(70)**	(100)
Add (Deduct):		
Shareholder advances	**553**	264
Non cash movements	**(131)**	341
Decrease in net interest bearing debt	**352**	505

Notes

1. Total sales of natural rough diamonds (including joint ventures)	**3 233**	5 930
2. **Operating costs** include:		
- Exploration, research and development	**93**	232
- Sorting and marketing	**131**	266
- Group technical services and corporate overheads	**178**	319
	402	817
3. **Net interest charges** include preference dividends amounting to	**11**	16
4. **Once-off items** comprise:		
Costs in respect of a class action settlement agreement	**1**	7
Costs in respect of restructuring of debt	**25**	
Impairment in respect of Canadian mining assets	**696**	
Impairment in respect of goodwill attributable to the Element Six and DBDJ business		176
Net costs in respect of restructuring	**(16)**	21
	706	204
5. **Underlying (loss) earnings*** is calculated as follows:		
Net earnings before once-off items	**(37)**	294
Adjusted for special items and re-measurements:		
Asset disposals (net)	**6**	1
Re-measurement gains on financial instruments	**(189)**	220
Underlying (loss) earnings	**(220)**	515

** Underlying (loss) 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.*

De Beers Société Anonyme

Other information

	US Dollar millions	
	Year 31 December 2009	Year 31 December 2008
Exchange rates		
US$ / ZAR average	**8.25**	7.75
US$ / ZAR period end	**7.43**	9.28
US$ / C$ average	**1.15**	1.08
US$ / C$ period end	**1.06**	1.23
Ordinary dividends paid		
2008 – Interim		77
– Special Interim		88
– Final		53
Production summary		
Tons Treated 000's:		
DBCM	**11 321**	21 832
Debswana	**17 845**	41 012
De Beers Canada	**2 466**	2 690
Namdeb	**3 477**	16 922
Williamson Diamonds		2 154
	35 109	84 610
Carats recovered 000's		
DBCM	**4 797**	11 960
Debswana	**17 734**	32 276
De Beers Canada	**1 140**	1 640
Namdeb	**929**	2 122
Williamson Diamonds		134
	24 600	48 132

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Visit the official De Beers group website for more information on the Company and where you can view and download a selection of images - ***www.debeersgroup.com*** .