

De Beers Société Anonyme

(Incorporated under the laws of Luxembourg)

Friday 20 July 2012

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

**Positive Consumer Demand Growth and Strong Long-term Fundamentals
Despite Challenging Trading Conditions**

Financial Summary – US Dollar millions			
	H1 2012	H2 2011	H1 2011
Total sales	3 346	3 491	3 887
EBITDA	626	538	1 183
Profit before finance charges and taxation	502	403	1 019
Free cash flow	326	265	469
Net interest bearing debt (excluding shareholders' loans)	980	1 259	1 450

2012 Interim Operating Performance

- Total sales decreased 14 per cent to US\$3.3 billion (2011: US\$3.9 billion).
- Sales of rough diamonds by the Diamond Trading Company (DTC) in H1 2012 were US\$3.1 billion (including those through joint ventures)
- Despite challenging trading conditions, DTC price levels remained relatively stable
- Diamond production totalled 13.4 million carats (2011: 15.5 million carats)
- EBITDA of US\$626 million decreased 47 per cent vs H1 2011 (US\$1,183 million) and is 16 per cent ahead of H2 2011
- De Beers' third party debt reduced significantly to US\$980 million (December 2011: US\$1.259 billion), and third party gearing to 16 per cent (December 2011: 21 per cent)
- Free cash flow of US\$326 million decreased 30 per cent vs H1 2011 (US\$469 million) and is 23 per cent ahead of H2 2011

DIRECTORS' COMMENTS

Safety

While De Beers continued to have some success in the first half of 2012 in reducing its lost-time-injury frequency rate (LTIFR) (0.14 H1 2012 v 0.16 H1 2011), it sadly experienced three fatalities on its southern African mining operations. Safety remains our first priority. Subsequent to a slope failure at Debswana's Jwaneng Mine, management suspended all production operations in the pit to conduct a comprehensive review and address procedures and risks. Operations will resume in the pit over the next few days.

Demand

DTC H1 sales decreased to US\$3.1 billion (H1: 2011 US\$3.5 billion) as a result of lower demand and changing product requirements from Sightholders. After a very strong H1 2011, the difficult trading conditions experienced during Q4 2011 continued, as expected, during H1 2012. While overall consumer demand for polished diamonds remained relatively healthy, Sightholder demand was impacted by increased stock in the cutting centres, tightening liquidity and challenging

conditions in India. However, early indications are that the US market continued to perform well, and the Chinese market, while slowing considerably, still showed positive growth.

Production

In the first six months of 2012, De Beers' production totalled 13.4 million carats (H1 2011: 15.5 million carats). In light of prevailing rough diamond market trends, and in keeping with De Beers' stated production strategy from Q4 2011, operations continued to focus on maintenance and waste stripping backlogs. This strategy has enabled De Beers to meet Sightholder demand for rough diamonds while gradually positioning the mines for future increases in demand.

Projects

Debswana's Jwaneng Mine Cut-8 extension project is progressing satisfactorily, on schedule and on budget with infrastructure construction now 98 per cent complete.

In South Africa, De Beers Consolidated Mines' (DBCM) Venetia Underground project is progressing through final approvals and regulatory assurances.

In Namibia, Namdeb's Elizabeth Bay Mine is now ramping up production.

In Canada, the Gahcho Kué project permitting process is on schedule.

Brands

In downstream activities, Forevermark (the diamond brand from the De Beers Group) continues to grow, particularly in the core markets of China, Japan, India and the USA. The brand has also launched in South Africa, Canada and the UAE this year, and is on track for the ambitious growth targets planned.

During H1, De Beers Diamond Jewellers saw growth in its core jewellery market, but saw a decline in the high-end market reflecting overall retail trends. De Beers' retail network expansion continues, with plans to open three new stores in Mainland China before the end of the year.

Agreements

In May last year, DBCM announced the entering into of an agreement with a Trans Hex subsidiary, Emerald Panther Investments 78 (Pty) Ltd, in respect of Namaqualand Mines. The long-stop date has been extended to 31st July 2012.

In the United States, the agreement De Beers entered into in 2006 to settle all outstanding class actions against it finally became unconditional, and fully effective in May 2012. Since 2006, US\$295 million of settlement funds have been held in an escrow account, and it is anticipated that these funds will be released in accordance with the court-ordered plan of distribution. The settlement is part of De Beers' clear strategy of being legally compliant in all the jurisdictions in which it operates, and allows De Beers to do business in the USA in future.

Shareholders

All regulatory consents have been granted, in unqualified form, in relation to Anglo American's proposed acquisition of Central Holdings Ltd's (representing the Oppenheimer family interests) 40 per cent interest in De Beers. The Government of the Republic of Botswana will indicate its intention regarding its pre-emption rights within the next few weeks. The shareholders continue to anticipate that the transaction will close during Q3.

Outlook

De Beers expects trading conditions in the mid-stream to remain challenging during the second half of 2012. De Beers will continue to produce in line with Sightholder demand and invest in stimulating and capturing consumer demand growth.

Provided there are no unforeseen economic shocks, De Beers expects to see moderately positive growth in global diamond jewellery sales for the full year 2012, albeit at relatively modest levels, especially when compared to the exceptional growth levels seen in 2011. In the short term, the USA, China, the Gulf and Japan are expected to contribute the bulk of the growth, while India and Europe are expected to remain weak.

In the long-term, the fundamentals of the diamond industry remain strong as demand will continue to outstrip supply.

De Beers announces interim results summarised as follows:-

De Beers Société Anonyme
Consolidated Income Statement
for the half-year ended 30 June 2012
(Abridged)

	US Dollar millions		
	Half-year 30 June 2012	Half-year 30 June 2011	Year 31 December 2011
Total sales (Note 1)	3 346	3 887	7 378
Less: cost of sales	2 884	3 071	6 088
Gross profit	462	816	1 290
Less: operating costs (Note 2)	247	200	506
Operating (loss) profit	215	616	784
Add:			
Trade investment income	275	403	742
Foreign exchange (losses) gains	12	-	(104)
Profit before finance charges and taxation	502	1 019	1 422
Less: net interest charges	58	68	147
Profit before taxation	444	951	1 275
Less: taxation	93	236	297
Profit after taxation	351	715	978
Less: interests of outside shareholder in subsidiaries	8	14	16
Own earnings	343	701	962
Share of retained earnings (losses) of joint ventures	48	(16)	(2)
Net earnings before once-off items	391	685	960
Once-off items (Note 3)	(5)	9	(21)
Net earnings	386	694	939
Underlying earnings (Note 4)	385	666	968
EBITDA	626	1 183	1 721

Consolidated Balance Sheet
30 June 2012
(Abridged)

	US Dollar millions		
	30 June 2012	30 June 2011	31 December 2011
Share capital and reserves	4 297	3 944	3 996
Interests of outside shareholders	94	152	93
Total shareholders' equity	4 391	4 096	4 089
Shareholders' loans	687	711	669
Other net interest bearing debt*	980	1 450	1 259
Other non-current liabilities	712	984	696
	6 770	7 241	6 713
Fixed assets	2 245	2 891	2 224
Other non-current assets and investments	3 223	2 958	3 181
Net current assets	1 302	1 392	1 308
	6 770	7 241	6 713

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

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Summary of cash flows for the half-year ended 30 June 2012

	US Dollar millions		
	6 Months 30 June 2011	6 Months 30 June 2011	Year 31 December 2011
Cash available from operating activities	543	592	946
Less: investing activities			
Fixed assets – stay-in-business	181	118	83
Investments	36	5	129
	217	123	212
Free cash flow	326	469	734
Less: financing activities			
Shareholder loans repaid		100	160
Ordinary dividends (including payments to outside shareholders)	43	49	107
Cash flow	283	320	467
Add (Deduct):			
Non cash movements in debt and movements attributable to changes in exchange rates	(4)	(8)	36
Decrease in other net interest bearing debt	279	312	503

Notes

1. Total sales of natural rough diamonds (including joint ventures)	3 065	3 493	6 473
2. Operating costs include:			
- Exploration, research and development	71	48	132
- Sorting and marketing	72	65	161
- Group technical services and corporate overheads	104	87	213
	247	200	506
3. Once-off items comprise:			
Net surplus on disposal of fixed and non-current assets		(9)	(43)
Costs in respect of restructuring of debt			19
Net costs in respect of restructuring	5		45
	5	(9)	21
4. Underlying earnings is calculated as follows:			
Net earnings before once-off items	391	685	960
Adjusted for special items and re-measurements:			
Re-measurement gains on financial instruments	(6)	(19)	8
Underlying earnings	385	666	968

* 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

	Half year 30 June 2012	Half year 30 June 2011	Year 31 December 2011
Exchange rates			
US\$ / ZAR average	7.80	6.86	7.14
US\$ / ZAR period end	8.37	6.78	8.15
US\$ / C\$ average	1.00	0.98	0.98
US\$ / C\$ period end	1.02	0.97	1.02
Production summary			
<i>Tons Treated 000's:</i>			
DBCM	6 476	8 218	15 525
Debswana	11 097	11 563	22 889
De Beers Canada	1 935	1 777	3 545
Namdeb	6 001	4 493	8 288
	25 509	26 051	50 247
<i>Carats recovered 000's</i>			
DBCM	1 638	2 798	5 443
Debswana	10 294	11 320	22 890
De Beers Canada	739	817	1 660
Namdeb	778	599	1 335
	13 449	15 534	31 328

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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 .

About De Beers:

De Beers, established in 1888, is the world's leading rough diamond company with unrivalled expertise in the exploration, mining and marketing of diamonds. Together with its joint venture partners, De Beers employs around 16,000 people across the diamond pipeline, and is the world's largest diamond producer with mining operations 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, whilst 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, in 2011, returned over US\$4 billion to stakeholders in Africa. For further information about De Beers visit www.debeersgroup.com