

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

DIRECTORS' COMMENTS

De Beers posts solid first half results

Financial Summary – half year to 30 June 2008			
US Dollar millions			
	Half year 30 June 2008	Half year 30 June 2007	% Change
Total Sales	3 740	3 402	+10%
Underlying Earnings	350	324	+8%
EBITDA	831	632	+31%
Cash available from operating activities	455	522	-13%

2008 H1 SNAPSHOT

- ◆ **Earnings Growth:** strong growth in EBITDA is related to expansion projects coming on stream in the period. These projects are in a phase of commissioning with the result that growth in underlying earnings and cash generation are not similarly matched due to higher finance charges, losses on which deferred tax has not been accounted for, and funding for increased working capital.
- ◆ **DTC Sales:** sales of rough diamonds in H1 (including those through joint ventures) were US\$3.3 billion, 10% higher than H1 2007, as demand from our clients has enabled the DTC to steadily increase prices during the period. The DTC completed its Sightholder selection process, appointing 78 clients for the new three-year contract period.
- ◆ **Diamond Production:** in spite of energy challenges in southern Africa, carat production at 24.2 million was only marginally behind 2007.
- ◆ **New Mines:** in Canada, Victor Mine has been completed and commissioned eight months ahead of schedule and Snap Lake Mine, in the Northwest Territories, commenced commercial production in early 2008. The commissioning of Voorspoed in South Africa is underway and its first diamonds were recovered in June. Accordingly, capital expenditure has declined by 58% as the expansion projects have come on line during the period.
- ◆ **Russia:** Archangel Diamond Corporation (Archangel), 58 percent owned by De Beers, announced an agreement with LUKoil whereby Archangel would purchase 49.9 percent of Arkhangelskoe Geologodobychnoe Predpriyatie (AGD) which holds the Verkhotina licence in Russia. The Verkhotina licence area contains the Grib pipe, which is one of the world's largest known undeveloped diamond deposits. Archangel has raised US\$175 million for the project which has been held in escrow since the end of June pending completion of the transaction, which is subject to Russian Government approval.
- ◆ **Exploration:** exploration activities, focused primarily in Angola, the DRC, Botswana, Canada, and South Africa, resulted in the discovery of an additional 12 kimberlites in H1.
- ◆ **Beneficiation in Action:** De Beers completed the construction and handover of a new US\$83 million diamond valuing and sorting facility in Gaborone, the largest and most sophisticated of its kind in the world, home to DTC Botswana. In H1 2008 the DTC supplied approximately US\$637million worth of rough diamonds to 16 clients operating in Botswana, 11 in Namibia and 17 in South Africa and approximately US\$13 million to the State Diamond Trader in South Africa. Following an agreement in principle reached with the Government of Ontario, 10 percent of Victor Mine's production, by value, will be made available for local cutting and polishing in Canada, an arrangement which mirrors that for Snap Lake in the Northwest Territories.
- ◆ **Downstream initiatives:** De Beers Diamond Jewellers (DBDJ) has seen high double digit sales growth on 2007, driven by the Bridal and High-End diamond categories, and network expansion to 32 stores worldwide. The *Forevermark* brand announced plans to launch in selected jewellers in Hong Kong and China in Q4 2008 and in South Africa, Japan, India and Taiwan in H1 2009. *Forevermark* will also open its own independent grading operations (exclusively for *Forevermark* diamonds) in Belgium and the UK, with further new locations planned for 2009/10.
- ◆ **Progress on U.S. Class Actions:** on 22 May, Judge Chesler entered an order in the United States Federal District Court in New Jersey approving in all respects the Settlement in the Diamond Class Actions, which addresses historical De Beers legal issues in the US. Certain appeals have been noted against the order, which will be addressed in accordance with ordinary legal processes.
- ◆ **Board Changes:** after 34 years with the Group, Mr G M Ralfe will be stepping down from the De Beers sa board with immediate effect and will be replaced by Mr B A Cleaver. Dr A R Tombale, a nominee of the Government of the Republic of Botswana, resigned from the board with effect from 6 May 2008 to be replaced by Mr G Gabaake with effect from 7 May 2008; Mr Gabaake was also appointed a member of the Environment, Community, Health and Safety Committee.
- ◆ **Outlook:** economic conditions require a more cautious outlook for the second half of 2008. Mass market retail diamond jewellery sales have been impacted by economic issues in the most important market, the United States. While strong growth in China, India, Russia and the Middle East has helped to mitigate the impact of the U.S. slowdown, the overall retail market is likely to be challenging. While demand for high-end diamonds is likely to remain robust, the smaller, lower qualities, which are more dependent upon US demand, are expected to remain subdued.

De Beers Société Anonyme

Consolidated Income Statement

for the half-year ended 30 June 2008
(Abridged)

	US Dollar millions		
	Half-year 30 June 2008	Half-year 30 June 2007	Year 31 December 2007
Total sales (Note 1)	3 740	3 402	6 836
Less: cost of sales	2 967	2 739	5 461
Gross profit	773	663	1 375
Less: operating costs (Note 2)	410	426	1 035
Operating profit	363	237	340
Add: other non-operating and trade investment income	299	280	608
Income before finance charges and taxation	662	517	948
Less: net finance charges (Note 3)	100	50	154
Income before taxation	562	467	794
Less: taxation	231	139	308
Income after taxation	331	328	486
Less : interests of outside shareholder in subsidiaries	47	46	92
Own earnings	284	282	394
Add: share of retained income of joint ventures	39	45	42
Net earnings before once-off items	323	327	436
Once-off items (Note 4)	(7)	23	(957)
Net earnings	316	350	(521)
Underlying earnings (Note 5)	350	324	483
EBITDA	831	632	1 216

Consolidated Balance Sheet

30 June 2008
(Abridged)

	US Dollar millions		
	30 June 2008	30 June 2007	31 December 2007
Share capital and reserves	3 047	3 869	3 013
Interests of outside shareholders	326	328	379
Total shareholders' equity	3 373	4 197	3 392
Net interest bearing debt*	4 099	3 319	4 057
Other non-current liabilities	824	839	932
	8 296	8 355	8 381
Fixed assets	3 746	4 078	3 884
Other non-current assets and investments	3 219	3 200	3 333
Net current assets	1 331	1 077	1 164
	8 296	8 355	8 381

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

De Beers Société Anonyme

Summary of cash flows for the half-year ended 30 June 2008

	US Dollar millions		
	6 Months 30 June 2008	6 Months 30 June 2007	Year 31 December 2007
Cash available from operating activities	455	522	844
Less: investing activities			
Fixed assets – stay-in-business	97	164	383
– expansion	230	554	1 120
Investments	30	25	109
	357	743	1 612
Less: financing activities			
Ordinary dividends	135	62	125
Less : Debt acquired on acquisition of subsidiaries			54
Movements attributable to changes in exchange rates	5	92	166
Increase in net interest bearing debt	42	375	1 113

Notes

1. Total sales of natural rough diamonds (including joint ventures)	3 288	2 987	5 920
2. Operating costs include:			
- Exploration, research and development	133	114	288
- Sorting and marketing	105	129	339
- Group technical services and corporate overheads	172	183	408
	410	426	1 035
3. Net finance charges include preference dividends amounting to	8	11	21
4. Once-off items comprise:			
Costs in respect of a class action settlement agreement	7	6	10
Impairment net of sales and gains on exploration interests		(29)	947
	7	(23)	957
5. Underlying earnings* is calculated as follows:			
Net earnings before once-off items	323	327	436
<i>Adjusted for special items and re-measurements:</i>			
Impairment and restructuring charges net of asset disposals	(4)		30
Re-measurement gains on financial instruments	31	(3)	17
Underlying earnings	350	324	483

* 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

	US Dollar millions		
	6 Months 30 June 2008	6 Months 30 June 2007	Year 31 December 2007
Exchange rates			
US\$ / ZAR average	7.49	7.14	7.02
US\$ / ZAR period end	8.09	7.18	6.76
US\$ / C\$ average	1.00	1.13	1.08
US\$ / C\$ period end	0.98	1.07	0.98
Ordinary dividends paid			
2007 – Interim		39	39
– Final			100
2008 – Interim	77		
– Special Interim	88		
Production summary			
<i>Tons Treated 000's:</i>			
DBCM	11 358	15 119	29 586
Debswana	17 147	17 235	35 612
De Beers Canada	902	-	113
Namdeb	9 119	12 537	24 224
Williamson Diamonds	1 233	1 573	3 205
	39 759	46 464	92 740
<i>Carats recovered 000's</i>			
DBCM	6 373	7 567	14 998
Debswana	16 171	16 407	33 638
De Beers Canada	616	-	81
Namdeb	998	1 184	2 176
Williamson Diamonds	68	116	220
	24 226	25 274	51 113

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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.