

De Beers Société Anonyme

(Incorporated under the laws of Luxembourg)

Friday 20 February 2009

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

OPERATIONAL AND FINANCIAL SUMMARY

Financial Summary – Full year			
US Dollar millions			
	2008	2007	% Change
Total Sales	6 888	6 836	+1%
Underlying Earnings	515	483	+7%
EBITDA	1 222	1 216	+0.5%
Cash available from operating activities	700	844	-17%

COMMENT

Over the first nine months, the Diamond Trading Company (DTC) achieved record sales of natural rough diamonds as buoyant demand translated into increased prices. Fourth quarter sales slowed significantly as a result of the onset of the global economic downturn and the subsequent liquidity squeeze in the key global cutting centres. For the year, total sales (which include those for the DTC) and earnings were marginally ahead of those for 2007.

Net interest bearing debt fell to US\$3.55 billion (2007: US\$4.06 billion) as a result of the benefits of a stronger US Dollar, the repayment of debt and shareholder support.

Operating performance

During the year, De Beers and its joint venture partners produced 48.1 million carats (2007: 51.1 million carats). Production from Debswana was 32.3 million carats (2007: 33.6 million carats), Namdeb yielded 2.1 million carats (2007: 2.2 million carats), while the output from South African operations fell to 12.0 million carats (2007: 15.0 million carats) due to the sale of Cullinan mine and the closure of The Oaks mine. The Canadian operations at Snap Lake and Victor produced 1.6 million carats (2007: 81,000 carats).

Element Six recorded total annual sales of almost US\$500 million for the year and growth of 25 percent as a result of the inclusion of a full year's trading in respect of E6 Hard Materials (Barat Carbide), acquired in 2007, as well as organic growth.

Projects and disposals

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 and under budget, while Snap Lake Mine in the Northwest Territories commenced commercial production in early 2008. De Beers' Voorspoed Mine in South Africa was also completed on time and commissioned ahead of budget, and was officially opened in November. De Beers also completed the sales of Cullinan Diamond Mine in South Africa, and Williamson Diamond Mine in Tanzania.

Outlook

The global economic crisis is having a significant impact on sales of retail diamond jewellery, liquidity and demand for rough diamonds in the cutting centres. This, in turn, has resulted in a reduction in sales of rough diamonds by the DTC. We expect trading conditions to remain challenging throughout 2009. We have taken steps to significantly reduce production levels, costs and capital expenditure across all operations. These actions, together with the business restructuring initiatives already completed, have positioned De Beers to weather this tough economic environment.

Recent market research from the US and China confirm that consumers' desire for diamonds remains strong. As economic conditions improve, emerging demand, coupled with the decline in long-term diamond supply, will form a positive foundation for future growth in diamond prices.

De Beers announces final results as follows:

De Beers Société Anonyme
Consolidated Income Statement
for the year ended 31 December 2008
(Abridged)

	US Dollar millions	
	2008	2007
Total sales (Note 1)	6 888	6 836
Less: cost of sales	5 525	5 461
Gross profit	1 363	1 375
Less: operating costs (Note 2)	817	1 035
Operating profit	546	340
Add:		
Trade investment income	583	579
Foreign exchange (losses) gains	(306)	29
Income before finance charges and taxation	823	948
Less: net finance charges (Note 3)	240	154
Income before taxation	583	794
Less: taxation	304	308
Income after taxation	279	486
Less : interests of outside shareholder in subsidiaries	55	92
Own earnings	224	394
Add: share of retained income of joint ventures	70	42
Net earnings before once-off items	294	436
Once-off items (Note 4)	(204)	(957)
Net earnings	90	(521)
Underlying earnings (Note 5)	515	483
EBITDA	1 222	1 216

Consolidated Balance Sheet
31 December 2008
(Abridged)

	US Dollar millions	
	2008	2007
Share capital and reserves	2 408	3 013
Interests of outside shareholders	220	379
Total shareholders' equity	2 628	3 392
Shareholder's loans	248	
Other net interest bearing debt*	3 552	4 057
Other non-current liabilities	665	932
	7 093	8 381
Fixed assets	3 100	3 884
Other non-current assets and investments	2 933	3 333
Net current assets	1 060	1 164
	7 093	8 381

*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 2008

	US Dollar millions	
	2008	2007
Cash available from operating activities	700	844
Less: investing activities		
Fixed assets – stay-in-business	204	383
– expansion	199	1 120
Investments	39	109
	442	1 612
Less: financing activities		
Debt acquired on acquisition of subsidiaries		54
Ordinary dividends (including payments to outside shareholders)	358	125
Cash flow	(100)	(947)
Add (Deduct):		
Shareholder advances	248	
Movements attributable to changes in exchange rates	357	(166)
Decrease (Increase) in net interest bearing debt	505	(1 113)

Notes

1. Total sales of natural rough diamonds (including joint ventures)	5 930	5 920
2. Operating costs include:		
- Exploration, research and development	232	288
- Sorting and marketing	266	339
- Group technical services and corporate overheads	319	408
	817	1 035
3. Net finance charges include preference dividends amounting to	16	21
4. Once-off items comprise:		
Costs in respect of a class action settlement agreement	7	10
Net costs in respect of restructuring	21	(18)
Non cash impairment charges made in accordance with International Accounting Standard 36 "Impairment of assets":		
- goodwill as a consequence of the current economic environment	176	
- Canadian mining assets		965
	204	957
5. Underlying earnings* is calculated as follows:		
Net earnings before once-off items	294	436
<i>Adjusted for special items and re-measurements:</i>		
Impairment charges net of asset disposals	1	30
Re-measurement gains on financial instruments	220	17
Underlying earnings	515	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	
	31 December 2008	31 December 2007
Exchange rates		
US\$ / ZAR average	7.75	7.02
US\$ / ZAR period end	9.28	6.76
US\$ / C\$ average	1.08	1.08
US\$ / C\$ period end	1.23	0.98
Ordinary dividends paid		
2007 – Interim		39
– Final		100
2008 – Interim	77	
– Special Interim	88	
– Final	53	
Production summary		
<i>Tons Treated 000's:</i>		
DBCM	21 832	29 586
Debswana	41 012	35 612
De Beers Canada	2 690	113
Namdeb	16 922	24 224
Williamson Diamonds	2 154	3 205
	84 610	92 740
<i>Carats recovered 000's</i>		
DBCM	11 960	14 998
Debswana	32 276	33 638
De Beers Canada	1 640	81
Namdeb	2 122	2 176
Williamson Diamonds	134	220
	48 132	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.