Operating and FINANCIAL REVIEW

2011

DE BEERS
FAMILY OF COMPANIES

The Debmar Atlantic, moored 35 kilometres off the Namibian coastline

About this report

This report relates to the performance of De Beers sa and is designed to be read alongside our Report to Society 2011, to be released later this year.

These reports form part of our annual reporting cycle and together cover the financial and sustainability performance of the De Beers Family of Companies.

Both reports adhere to Global Reporting Initiative Sustainability Reporting Guidelines and form part of our Communication on Progress to the United Nations Global Compact.

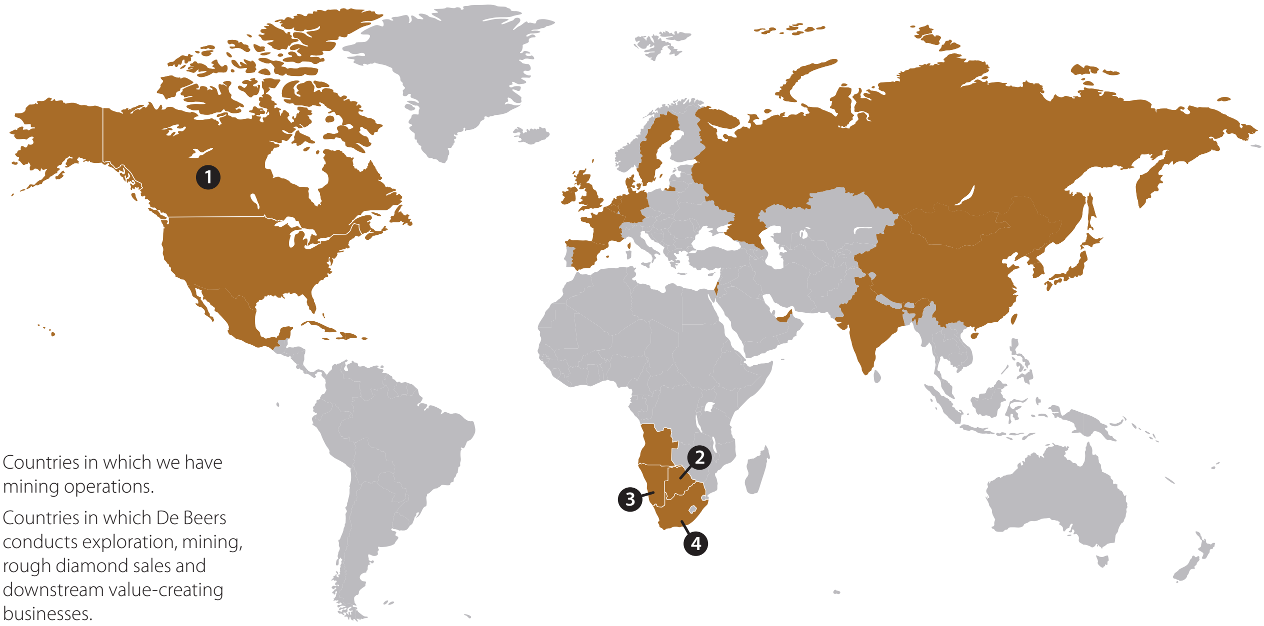
www.debeersgroup.com

Contents

Our company

De Beers was established in 1888. It is the world's leading diamond company, with unrivalled expertise in the exploration, mining and marketing of diamonds.

A global business



n Countries in which we have mining operations.

■ Countries in which De Beers conducts exploration, mining, rough diamond sales and downstream value-creating businesses.

Our mining entities and their operations

1 *Canada*

DE BEERS CANADA

100% owned. Established 1998.

2011 tonnes treated '000	**3,545**
2011 carats recovered '000	**1,660**

A Snap Lake
B Victor

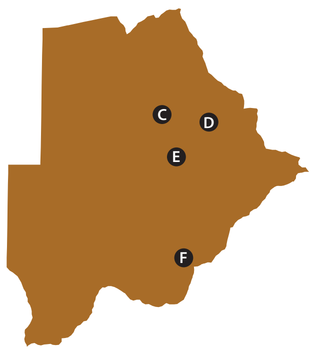
2 *Botswana*

DEBSWANA

50/50 joint venture with the Government of the Republic of Botswana. Established 1968.

2011 tonnes treated '000	**22,889**
2011 carats recovered '000	**22,890**

C Damtshaa
D Orapa
E Letlhakane
F Jwaneng



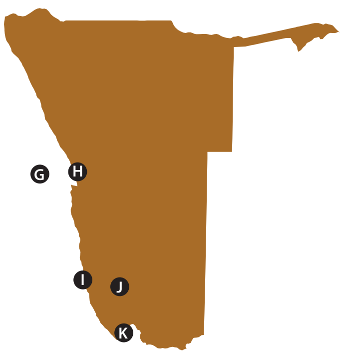
3 *Namibia*

NAMDEB HOLDINGS

50/50 joint venture with the Government of the Republic of Namibia. Established 1994.

2011 tonnes treated '000	**8,288**
2011 carats recovered '000	**1,335**

G Atlantic 1
H Alluvial Contractors
I Elizabeth Bay
J Mining Area 1
K Orange River



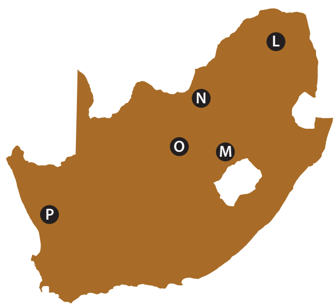
4 *South Africa*

DE BEERS CONSOLIDATED MINES

74/26 (BEE partner Ponahalo Holdings). Established 1888.

2011 tonnes treated '000	**15,525**
2011 carats recovered '000	**5,443**

L Venetia
M Kimberley
N Voorspoed
O Finsch
P Namaqualand



Together with our joint venture partners, De Beers mines for diamonds 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, while 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 returns approximately US$3 billion to the continent every year.

De Beers and the global diamond value chain

01

Exploration
Modern exploration uses highly sophisticated technologies to determine the economic viability of deposits. De Beers' exploration currently focuses on Angola, Botswana, Canada, India and South Africa.

02

Production
De Beers has both underground and open-pit kimberlite mines. We commercially mine alluvial stones using onshore extraction techniques and specialised ships. Through Element Six (E6), our industrial diamond supermaterials business, we supply tool and application manufacturers across a diverse range of global markets.

03

Rough diamond sales
De Beers sorts and sells rough diamonds to independent clients known as 'Sightholders' through our rough diamond sales operations: DTC, NDTC and DTCB. These clients cut and polish diamonds prior to the manufacture of jewellery. We also sell rough diamonds through Diamdel, an online auctioning platform.

04

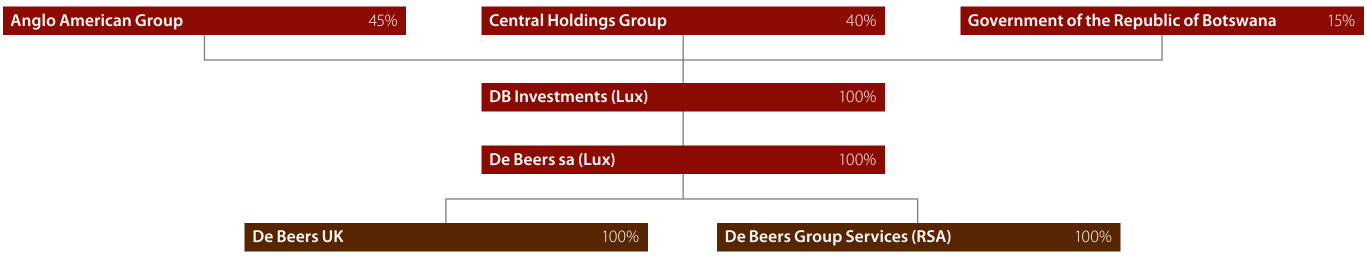
Cutting, polishing and manufacturing
Cutting and polishing of diamonds, and the manufacture of diamond jewellery take place around the world and are concentrated in the following major centres: India, China, Tel Aviv, Antwerp, New York, Botswana, Namibia and South Africa. De Beers Diamond Jewellers (DBDJ) has its own design and development capacity.

05

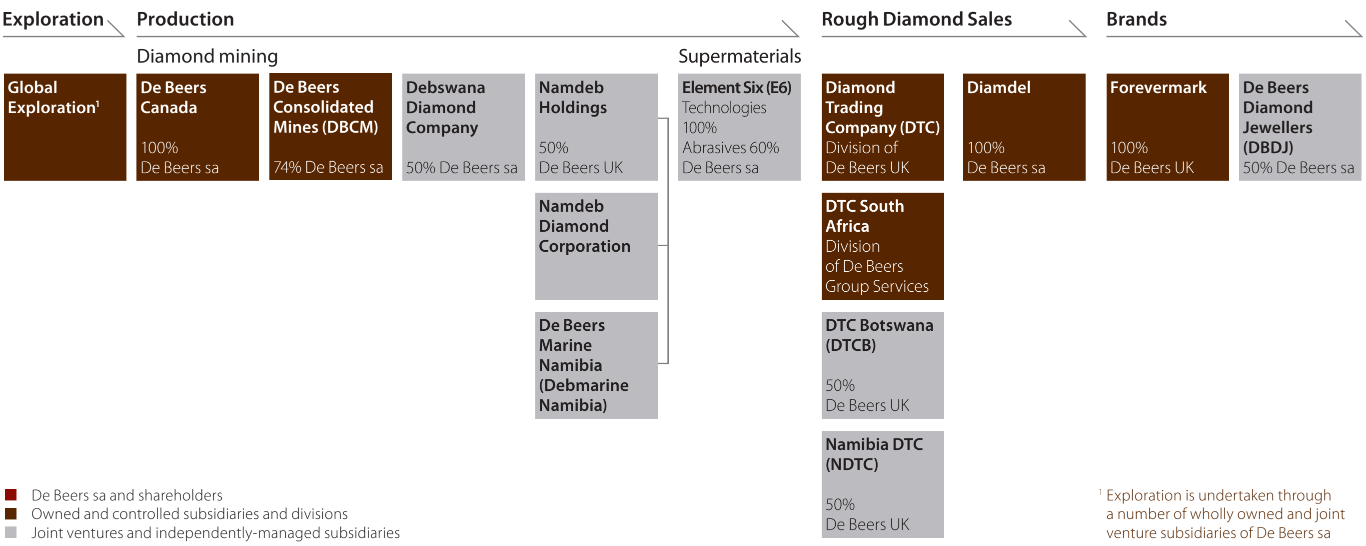
Brands
We are involved in diamond retail through De Beers Diamond Jewellers (DBDJ), an independently managed retail joint venture, and Forevermark, our proprietary diamond brand.

The De Beers Family of Companies

Shareholders and corporate structure



The Diamond Pipeline



[1] Exploration is undertaken through a number of wholly owned and joint venture subsidiaries of De Beers sa

Introduction from the Chairman

De Beers delivered another year of extraordinary results in uncertain times, and will continue to lead the diamond industry in the year ahead.

Nicky Oppenheimer, Executive Chairman, De Beers

As the scale of Europe's sovereign debt crisis became clearer over the course of 2011, expectations of a robust global economic recovery in established markets gave way to talk of a potential 'lost decade' characterised by anaemic growth and enduring volatility. De Beers nevertheless produced strong results over the year, with total sales of US$7.4 billion (2010: US$5.9 billion) and EBITDA of US$1.7 billion (2010: US$1.4 billion), reflecting our focus on maximising both the life and value of our diamond resources while operating from a lower cost base.

Our total sales for 2011, our second highest since privatisation, were boosted by exceptional rough diamond price growth fuelled by almost unprecedented consumer demand during the first half of the year. The second half of the year saw a reduction in the rate of growth, as cutting and polishing centres found it increasingly difficult to secure debt financing from banks focused on shoring up their own balance sheets. Nevertheless, rough diamond price growth for the year as a whole was very strong, which fed through to the polished diamond market.

Fit for the future

The emergence of new geographical axes of production and consumption resulting from the rapid growth of emerging markets has created many new opportunities for De Beers. However, change on this scale also brings new challenges and De Beers' future success will ultimately be measured by how effectively it responds to these challenges. The growing trend toward resource nationalism in producer countries poses potential challenges in terms of access to, and cost of, supply. And concerns regarding the expectations of what the Kimberley Process can achieve could impact on consumer confidence, in particular in established markets.

Some instruction for meeting future challenges like these lies in those elements of our business model that have contributed most to our historical success. Most important among these are the partnerships – based on a clear convergence of purpose and based on a framework for mutual benefit – that we have built with producer governments and local communities, our commitment to sustainability and our determination to live up to the qualities of the product we sell.

We saw these elements of our business model demonstrated throughout 2011. The new agreement for the sale of Debswana diamonds between De Beers and the Government of the Republic of Botswana (GRB) was announced in September. This 10-year agreement is based on a platform of mutual benefit and it successfully addresses our commercial, social and economic objectives. The agreement secures the DTC's long-term access to the largest supply of rough diamonds in the world and significantly boosts Botswana's ambitions to develop a sustainable downstream diamond economy.

The new sales agreement will also see the migration of the DTC's London-based sales and aggregation functions to Botswana by the end of 2013. This is an historic change that I believe is right for De Beers, Government, our other producer partners and the wider industry. The movement of much of the world's rough diamond trade to the largest diamond producer in the world (by value) will give real impetus to Botswana's ambitions to establish itself as a leading downstream diamond centre and simultaneously support diamond beneficiation programmes in other southern African diamond producer countries.

De Beers took a number of other important steps in 2011 to ensure that we have the right leadership in place to lead our company forward. In July, we announced the appointment of a new CEO, Philippe Mellier, the first De Beers CEO to be appointed from outside the diamond industry. Philippe has already brought insight and energy to the role, and has made significant progress in mapping out a long-term vision for De Beers to capitalise on the opportunities in front of us. In addition, we bolstered our mining expertise within our business units by appointing Jim Gowans CEO of Debswana and Tony Guthrie CEO of De Beers Canada.

On the shareholder front, in November we announced the sale of the Oppenheimer family's shareholding in De Beers to Anglo American subject to the approval of a number of conditions. GRB has certain pre-emptive rights in this regard. A shareholder in De Beers since 1926, Anglo American was always the natural home for De Beers if my family decided to sell. Their acquisition is not only a vote of confidence in De Beers and its long-term prospects, it is also a clear tribute to the efforts of De Beers' management team, who have delivered extraordinary results in uncertain economic times.

Outlook

De Beers has been through many changes since I assumed the role of Executive Chairman in 2000. In an industry once renowned for its secrecy, De Beers is now globally recognised for its leadership in sustainability, its positive contribution to economic development in Africa and its leadership in driving ethical standards through the diamond pipeline. While a very different organisation from the one my grandfather became involved with nearly 100 years ago, De Beers remains the world's leading diamond company, with world-class assets and the best diamond people in the industry. Taking into account the additional capital, skills and technical resources that a closer working relationship with Anglo American will deliver, De Beers is uniquely positioned to capitalise on the positive future for diamonds as demand growth outpaces available supply.

Nicky Oppenheimer

CEO statement

2011 was an exceptional year for De Beers, as strong consumer demand for diamonds drove rough and polished diamond prices.

Philippe Mellier, CEO, De Beers

Performance indicators

	11	10	10/11
Total tonnes treated	50,247	54,544	-4297
Total carats removed	31,328	32,997	-1669
LTIFR*	0.15	0.24	-0.09
LTISR†	4.53	5.17	-0.64

* Lost time injury frequency rate
† Lost time injury severity rate

Financial indicators

	11	10	10/11
EBITDA	1,721	1,428	+293
Total sales	7,378	5,877	+1,501
Cashflow	467	917	-450
Operating costs	506	416	+90

DTC price growth 2011

29%

1 January to 31 December

Third-party debt

US$1.3bn

(December 2010: US$1.8 billion)

Third-party gearing

20.9%

(December 2010: 29.5%)

I joined De Beers in the middle of 2011. Already an admirer of the company from afar, the past six months have given me an intimate understanding of what makes De Beers tick. Today, after having travelled from our mines to our retail stores – with many stops in between, and visiting geologists and jewellery designers, I am even more excited about De Beers' future.

Safety

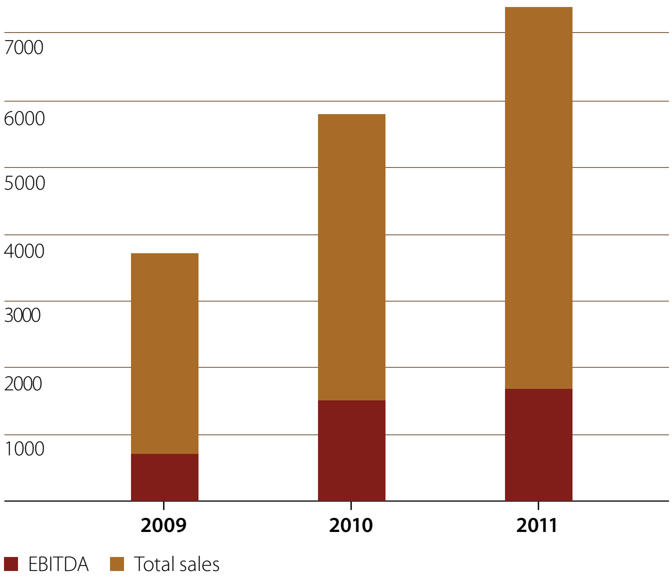
If the product we sell is to continue to hold enduring value, then the way in which we mine it must reflect our organisation's values. Chief among them is to show we care about our colleagues. In 2011, our safety performance as a company simply wasn't good enough. Despite an overall reduction in our lost-time-injury frequency rate (LTIFR) to 0.15 (0.24 in 2010), we regrettably reported seven fatalities during the year, six of which were the result of vehicle accidents. No diamond is worth a life, and I am overseeing a full review to better understand and manage our safety culture. We will tolerate nothing less than zero harm.

Performance

2011 was an exceptional year for De Beers with a 21 percent increase in EBITDA to US$1.7 billion (2010: US$1.4 billion), and free cash flow of US$734 million (2010: US$943 million). Strong DTC price growth of 29 percent from 1 January to 31 December 2011 drove our second highest level of sales ever (US$6.5 billion), a 27 percent increase over 2010 (US$5.08 billion). At the same time, De Beers' third-party debt reduced to US$1.3 billion (December 2010: US$1.8 billion), and third-party gearing to 20.9 percent (December 2010: 29.5 percent).

Fig. 01

EBITDA as a proportion of total sales (US$m)



"2011 was a year of two halves, the extraordinary growth seen in the first half cooled during the latter half of the year."

A variety of 'specials', diamonds over 10 carats, including a 174.25 carat white diamond in the centre

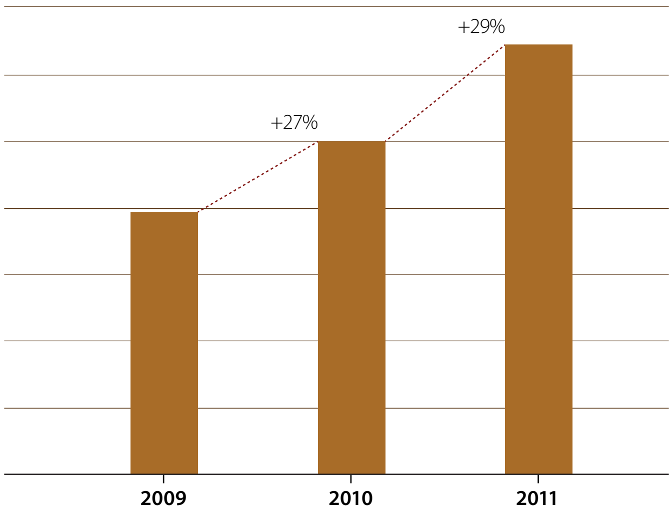
Market
With strong consumer demand for diamond jewellery – led by China, India and the US – and a lower than historical level of global diamond production, polished and rough diamond prices grew rapidly during the first half.

2011 was a year of two halves, however, and the extraordinary growth seen in the first half cooled during the latter half of the year. The global economic uncertainty impacted the rate of growth as consumer buying slowed and liquidity in the cutting centres was restricted. Correspondingly, by the end of the year, DTC prices had receded slightly from the highs seen in the middle of the year. Nevertheless, on the whole, 2011 will be remembered as an outstanding year for consumer demand growth – estimated at between 11-13 percent for the full year – and DTC rough diamond price growth.

Production and projects
During 2011, De Beers continued to produce in line with demand from our Sightholders. As with the market, our production strategy shifted between the first and second halves of the year. Our full year production of 31.3 million carats was down on 2010 (33.0 million carats).

During the first half of 2011, our operations were confronted with a number of challenges, including excessive rainfall in southern Africa, maintenance backlogs, poor contractor performance, skills shortages, and strikes. However, we were able to remain focused on carat production and produced 15.5 million carats (H1 2010: 15.4 million carats). In the second half of the year, as it became clear that the market was beginning to cool, we made the conscious decision to focus our resources on maintenance and waste-stripping backlogs. By addressing these issues when we did, we have put our mines in a strong position to ramp up production, as Sightholder demand dictates, in 2012.

Fig. 02
DTC Rough Diamond Prices



De Beers continues to work to secure future production, and we have made progress at our major projects in Africa and Canada. In Botswana, the Jwaneng Mine Cut-8 extension project is progressing satisfactorily, with more than 40 million tonnes of waste having been stripped to February 2012, and infrastructure construction more than 90 percent complete. In South Africa, Finsch Mine was sold as a going concern to a Petra Diamonds-led consortium, providing capital for priority projects like Venetia Underground, which is currently in feasibility study and scheduled for consideration by the De Beers Consolidated Mines board in 2012. In Canada, an Optimisation Study at Snap Lake Mine was completed in mid-2011, securing a mining solution to economically access this promising, but challenging ore-body, and thereby achieve its forecast 20-year life of mine. The Environmental Impact Statement for Gahcho Kué has also been submitted for review.

Brands

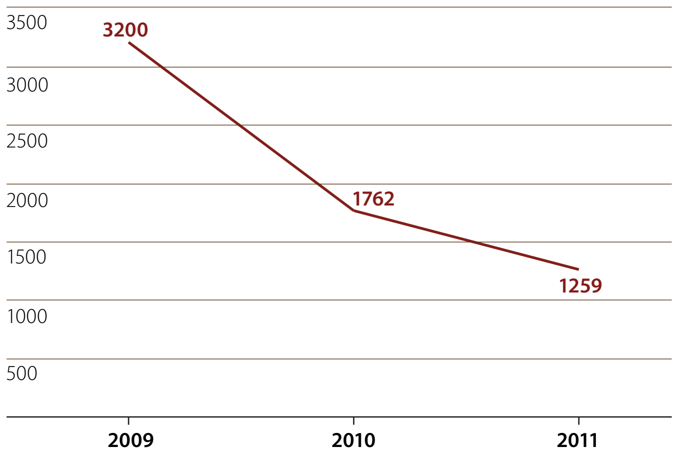
Our value-creating downstream businesses continued their expansion plans, with a particular focus on China. After posting good sales growth across all regions, and opening stores in Beijing, Tianjin, Dalian and a second Hong Kong store in 2011, De Beers Diamond Jewellers is planning further expansion in China. Forevermark continued its expansion both in its existing markets of China, Hong Kong and Japan, and launched in India and the all-important US market. Forevermark is now available in 658 retail doors across nine markets.

Agreements

While global economic conditions beyond our control are likely to create uncertainty in the short term, we have focused on insulating our business from future shocks. Our strong balance sheet, significantly improved debt situation – a new US$2 billion multicurrency international credit facility was concluded in October on favourable terms – and progress in cash conservation, position us to weather market tremors on the downside and exploit growth opportunities on the upside.

Fig. 03

Net interest bearing debt (excluding shareholders' loans) (US$m)



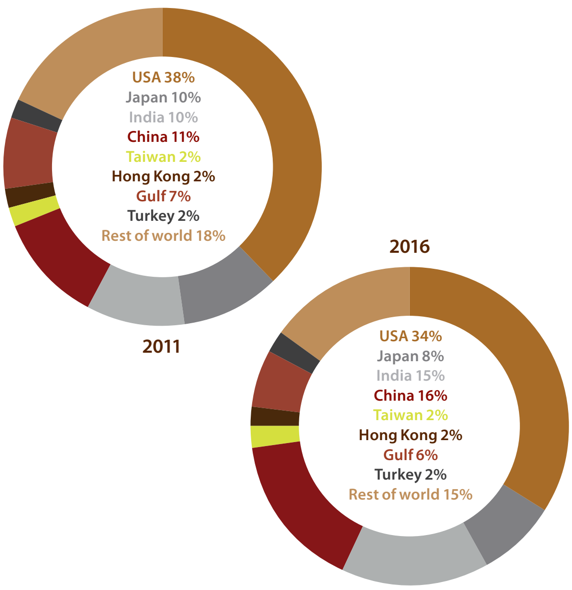

A *A De Beers Canada planning manager shows a delegation from the Tlicho Government the location of the three kimberlite pipes at the Gahcho Kué project site*
B *The De Beers Jewellery Elements store in Hong Kong*

In September, we announced a new 10-year contract for the sorting, valuing and sales of Debswana's diamond production with our joint venture partner, the Government of the Republic of Botswana. As part of the agreement, De Beers will transfer its London-based rough diamond aggregation and sales activity to Botswana by the end of 2013. From its new base in Botswana, the DTC will aggregate production from De Beers' mines and joint venture operations worldwide, and sell to local and international Sightholders. The agreement is the longest sales contract agreed between the two partners and underpins the long-term future of one of the world's most successful public-private partnerships. It has the potential to transform Botswana into a leading diamond trading and manufacturing hub, while securing De Beers' long-term and uninterrupted access to the largest supply of diamonds in the world.

Towards the end of 2011, news came that the Oppenheimer family had agreed to sell its 40 percent stake in De Beers to Anglo American, subject to the fulfilment of certain conditions precedent including various regulatory and other approvals. While the year ahead will provide us with ample time to thank Nicky and Jonathan for the contribution their family has made to both De Beers and the diamond industry over nearly a century, we are excited by the prospect of utilising the skill, resource and expertise that one of the world's leading natural resource companies will bring.

Fig. 4

Consumer demand forecasts, 2011 and 2016 (US$ PWP)



Note: These figures provide estimates and forecasts of the size and growth of main diamond consumer markets based on pipeline and consumer research commissioned by De Beers Group Strategy. 2011 results are preliminary.

Sorter in training at the Diamond Academy at Harry Oppenheimer House, Kimberley

Outlook

In spite of uncertainty, and barring a global economic shock, we expect to see continued growth in global diamond jewellery sales, albeit at lower levels than the exceptional growth seen in 2011. This will be driven by the overall strength of the luxury goods market, improving sentiment in the US (the largest diamond jewellery market), continuing growth in China, and the positive impact of the 2011 polished price growth on retail jewellery prices.

On the production front, we will continue to prioritise waste-stripping and maintenance backlogs, and we therefore do not expect a material increase in carat production in 2012. This focus, which began in H2 and will continue driving Q1 2012, will position De Beers to ramp up profitable carat production, as Sightholder demand dictates. In the medium to longer term, we continue to believe the industry fundamentals are positive, with consumer demand, fuelled by the emerging markets of China and India, outpacing what will likely be level carat production.

Philippe Mellier

Group Exploration

Charles Skinner, Head of Group Exploration

"Exploration early-stage project work programmes in 2011 were successfully completed, and in Angola the Mulepe-1 advanced-stage programme has progressed to the evaluation drilling phase."

Group Exploration is currently running projects in Angola, Botswana, Canada, India and South Africa, supported by laboratory and technical services centralised in South Africa. Exploration employed 484 people at the close of 2011 (2010: 442).

Operating highlights

In 2011, Exploration spent US$40.0 million (2010: US$43.3 million) on work programmes focused on 11,347km^2 of ground-holdings. In Angola, Exploration spent an additional US$31 million with Global Mining on the resource evaluation of the Mulepe-1 kimberlite, and continued to provide differentiating services and support for resource extension programmes at Orapa Mine (Debswana) and at Victor Mine (De Beers Canada).

- In **Angola**, activities continued on the Lunda Northeast concession where another three pipes were discovered, bringing the total number of discoveries to 117 kimberlites. 22 of these have been prioritised for deposit-phase diamond grade testing to confirm their economic viability. Phase 1 of the Mulepe-1 resource evaluation will be completed at the end of the first quarter of 2012. Thereafter, if the De Beers Investment Committee approves the conceptual study, further drilling and engineering studies will be undertaken to deliver a feasibility study.
- In **Canada**, early-stage technical reviews and targeting to identify prospective future greenfield areas were undertaken. Advanced deposit phase work on the Tango extension and Alpha satellite pipes at Victor Mine also continued.
- In **Botswana**, the early-stage work programme was completed in Orapa East with no further discoveries made. Activities commenced in the Lerala licensed area in the southeast to drill selected geophysical targets. In the Debswana Mine Leases, advanced-stage drill testing of the four Orapa satellite pipes will be completed by April 2012.
- In **South Africa**, an early-stage work programme commenced in the Finsch area. A specialist technical team reviewed historical prospecting databases to identify new target areas for potential kimberlite pipe discoveries.
- In **India**, early-stage work on geological modelling, terrain mapping and reconnaissance sampling continued to identify prospective target areas. In the Mahabubnagar licence area, three kimberlites were discovered and the drill sampling of this cluster of 15 kimberlites will be completed in 2012.

ECOHS overview

In 2011, Exploration worked 1.4 million man hours and travelled 2.2 million kilometres by road in difficult and remote parts of the world. The LTIFR in 2011 remained at 0.15 (2010: 0.15) with one LTI, one reduced work injury and 205 incidents recorded, including six high-potential incidents.

On 17 December 2011, a small semi-rural community of 16 households comprising 72 people were successfully relocated by De Beers from the Mulepe area in Angola, to the suburbs of Lucapa. The relocation took place following an extensive consultation process over nearly two years, and was necessary to avoid placing the health and safety of the community at risk, given their close proximity to the evaluation drilling site.

Outlook

Exploration will continue to focus on projects with the best potential to deliver carat production within three to five years, and to build a strong pipeline of discoveries at the early stage to add value over the longer term. In Botswana, South Africa, Canada and India the focus will be on conducting early-stage technical reviews of the databases, licence applications and reconnaissance programmes to establish discovery portfolios. Angola represents one of the most exciting prospects and offers De Beers real potential to organically grow its business and secure profitable long-term diamond production, given the good prospects of the underlying craton.

Ground holdings (km^2)

Mines	km^2 2011	km^2 2010	+/-
Canada	248	605	-69.5%
Angola	3,017	6,042	-99.7%
Botswana	7,655	3,383	179.2%
South Africa	325	995	-48.5%
India	2,128	8,733	-32.2%

Performance indicators

	11	10	10/11
LTIFR	0.15	0.15	0.00
LTISR	1.03	0.15	0.88
Exploration expenditure (US$m)	40.0	43.3	-3.30

Production

De Beers Canada

100% owned
Established 1998

Tony Guthrie, CEO, De Beers Canada

"We continue to focus on growing our Canadian assets by articulating clear objectives and delivering aggressive targets both at our operations and in the field."

De Beers Canada, a wholly-owned subsidiary of De Beers, operates Snap Lake Mine in the Northwest Territories and Victor Mine in northern Ontario, and has a targeted exploration strategy. Both mines opened in July 2008. De Beers Canada is also a joint venture partner with Mountain Province Diamonds in the Gahcho Kué Project in the Northwest Territories, currently in the permitting phase.

Operating highlights

De Beers Canada produced 1.66 million carats in 2011 (2010: 1.75 million carats) primarily due to lower than expected ore grade. During the year an Optimisation Study was carried out at Snap Lake Mine to determine how to economically access the promising but challenging ore body. The study now forms the basis of Snap Lake's business plan and there is confidence that the mine can deliver this viable techno-economic solution, securing its forecast 20-year lifespan.

With the completion of the feasibility study, the Gahcho Kué Project transitioned to the permitting phase. Per the NI 43-101 Technical Report issued by Mountain Province Diamonds Inc. in 2010, Gahcho Kué is identified as commencing in 2013 with production from 2015. The Gahcho Kué Environmental Impact Statement has been submitted and the review process is currently underway, ultimately the final project schedule will be dependent on progress with obtaining environmental permits and regulatory approvals.

At Victor Mine, Exploration reviewed results from the kimberlite pipes in light of new information and technology. 2011 also saw the appointment of Tony Guthrie as CEO and President of De Beers Canada, effective 1 April 2011.

ECOHS overview

Safety performance improved throughout 2011. LTIFR fell to 0.19 (2010: 0.88), reflecting the on-going rollout of safety plans developed in 2010, supported by leadership training and a strong reporting culture based on individual accountability and ownership.

Snap Lake Mine, Victor Mine, and Exploration received OHSAS 18001 certification in 2011, and De Beers Canada was recognised with several awards for demonstrating excellence in Corporate Social Responsibility and Environmental Management.

In Q4, the Attawapiskat First Nation Community, party to an Impact Benefit Agreement with De Beers Canada, declared a state of emergency due to long-term housing challenges that have left many residents living in sub-standard housing. De Beers Canada worked with the community to maximise resources and provide technical expertise for both the preparation of temporary housing and the installation of new housing scheduled for delivery on the 2012 winter road.

At Snap Lake, one provisional Level 4 – Major Incident of water pollution was reported to the authorities, as seepages with elevated concentrations of nitrates were identified as having flowed onto the shoreline and waterbody of Snap Lake Mine. An investigation was conducted under the direction of legal counsel. Operational and engineering corrective actions are addressing the root causes. The outcome of an investigation by Aboriginal Affairs and Northern Development Canada, a federal government department, is pending.

Outlook

In 2012, De Beers Canada will continue to advance its exploration projects, including permitting of the Gahcho Kué Project, and work to extend the resources at Victor Mine. At Snap Lake, the focus will be on implementing the Optimisation Study, improving water management systems, increasing employee engagement and participation, and enhanced root cause analysis for safety issues.

www.debeerscanada.com

2011 production statistics (000s)

Mines	Tonnes treated	Carats Recovered
Snap Lake	814	881
Victor	2,731	779
Total	**3,545**	**1,660**

Performance indicators

	11	10	10/11
LTIFR	0.19	0.88	-0.69
LTISR	1.03	19.77	-18.74
Mining licence area (ha)	7,236	7,236	0.00
Tonnes treated (000s)	3,545	3,602	-57
Carats recovered (000s)	1,660	1,751	-91

De Beers Consolidated Mines

74/26 (Black Economic Empowerment partner Ponahalo Holdings)
Established 1888

Phillip Barton, CEO, DBCM

"To secure the future of DBCM we will invest in our current mines, search for new deposits and maintain a robust business model in South Africa beyond 2040."

De Beers Consolidated Mines (DBCM) has been an empowered South African company since 2006, with 26 percent owned by broad-based Black Economic Empowerment partner, Ponahalo Holdings. DBCM operates Venetia, Voorspoed and Kimberley diamond mines, owns Namaqualand Mines (completion of sale pending at close of 2011), and undertakes exploration on land and off the Atlantic coastline.

Operating highlights

DBCM produced 5.44 million carats in 2011 (2010: 7.56 million carats). The sale of Finsch Mine, high rainfall, a skills shortage in South Africa, slope stability at Voorspoed, and the unavailability of earthmoving equipment at both Voorspoed and Venetia, together with 14 days of industrial action, all contributed to the drop in production in 2011. A change in mining plan to increase waste-stripping rates will improve the operational performance of the mines in the future, with indications in early 2012 that the corrective technical actions taken in mining and ore treatment are showing the desired production results. Additionally, in August, DBCM and the National Union of Mineworkers (NUM) agreed to a two-year wage agreement.

The feasibility study for the proposed R15 billion (US$2.1 billion) investment to convert the open-pit Venetia Mine into an underground mine progressed well and the project is to be submitted to the DBCM Board for consideration in 2012. Open-pit operations will run to 2021 and the conversion to underground mining is expected to extend the life of mine by 25 years to 2046.

A new six-year charter arrangement with Debmarine Namibia came into effect from 30 September 2011, enabling the continued deployment of the *Peace in Africa* (PIA) mining vessel in Namibian waters. At the same time, an option to purchase the PIA, subject to shareholder approval, was granted to Debmarine Namibia.

DBCM continued the rationalisation of its mining portfolio, divesting from late-life mines in order to release capital for more sustainable capital investment in other operations. On 15 September, DBCM completed an agreement to sell Finsch Mine as a going concern to an empowerment consortium led by Petra Diamonds Limited for R1.425 billion (US$210 million), plus assumption of rehabilitation liabilities. In May, DBCM entered into an agreement to sell Namaqualand Mines to an empowered subsidiary of Trans Hex in a R225 million (US$33.5 million) transaction. The sale followed a rigorous process to select a buyer with the capability required to extend the economic sustainability of the mining operation and is awaiting approval from the South African authorities. In addition to access to funding, criteria included a detailed evaluation of the bidding company's technical capacity, a proven track record in South Africa, sound broad-based BEE credentials, and a strong socio-economic focus.

ECOHS overview

Embedding a safety culture remained a key focus during 2011. A total of 3,038 employees and contractors were trained in the on-going Safety Risk Management Programme, supported by a committed and visible company leadership. DBCM's LTIFR improved to 0.10 (2010: 0.29), and LTISR to 2.60 (2010: 7.52) with six LTIs in 2011. All DBCM operations retained ISO14001 accreditation.

Outlook

Having nearly completed the rationalisation of its mining portfolio with the sale of Finsch Mine, in 2012 DBCM will focus on improving the long-term sustainability of the company, and progress the Venetia Underground Project. Mine plans have been developed with challenging targets on waste stripping to improve kimberlite extraction over the life of the mines.

2011 production statistics (000s)

Mines	**Tonnes treated**	**Carats recovered**
Venetia	5,189	3,147
Voorspoed	2,434	580
Namaqualand	0	0
Finsch (production ended 14 September)	3,068	938
Kimberley	4,834	778
Total	**15,525**	**5,443**

Performance indicators

	11	**10**	**10/11**
LTIFR	0.10	0.29	-0.19
LTISR	2.60	7.52	-4.92
Mining licence area (ha)	1,005,730	1,007,676	-1,946
Tonnes treated (000s)	15,525	17,069	-1,544
Carats recovered (000s)	5,443	7,556	-2,113

Debswana

50/50 joint venture with the Government of the Republic of Botswana
Established 1969

Jim Gowans, CEO, Debswana

"Despite a number of production challenges, Debswana surpassed 2010 production and used the slowdown in the rough diamond market in the latter half of the year to address maintenance backlogs, positioning us well for strong carat production when demand improves."

Debswana is a 50/50 joint venture partnership between the Government of the Republic of Botswana and De Beers. Debswana operates the Orapa, Letlhakane, Jwaneng and Damtshaa diamond mines, and the Morupule Coal Mine, the only operating coal mine in Botswana.

Operating highlights

Debswana produced 22.9 million carats in 2011, an increase of 0.7 million carats (2010: 22.2 million carats). Production was, however, hampered due to a number of factors, including a maintenance backlog at Jwaneng Mine incurred during the global recession in 2008. This was a contributing factor in the unavailability of key machinery. As global demand cooled in the last two months of 2011, catch-up maintenance plans were implemented to address this backlog, which will continue into 2012.

The Jwaneng Cut-8 Project progressed throughout 2011, moving 28 million tonnes of waste material. Cut-8 is expected to extend the life of Jwaneng to at least 2025, yielding 100 million carats. The project is expected to be completed in June 2012, transforming Jwaneng Mine into one of the world's few super-pit mines.

In 2011, Debswana launched a three-year strategy to transform the business into a cost and operationally efficient organisation by delivering global benchmark performance across all production and support functions by 2013. Regrettably, the subsequent restructuring led to almost 700 job losses through the year. A robust stakeholder engagement plan was implemented to communicate the new strategy to all employees, the Botswana Mine Workers' Union, the business community, the media, and other key stakeholders such as Members of Parliament for the areas in which the Debswana mines are located.

ECOHS overview

2011 proved to be a challenging year regarding safety. Regrettably, five fatalities occurred during the year (2010: one fatality). In June, a contractor was electrocuted during the commissioning of a new drill rig in Jwaneng. In October, a bus accident between Jwaneng and Kanye resulted in four contractor employees being fatally injured, with a further ten employees hospitalised with serious injuries. Debswana considers any fatality unacceptable, and full investigations of these incidents were undertaken and corrective actions plans implemented.

The LTIFR for the year remained at 0.19 (2010: 0.19), with a total of 13 LTIs (2010: 19), five at Jwaneng and eight at Orapa. A priority moving forward will be to reduce lost time injuries through safety training and a cultural shift to ensure a safer working environment. Both mines retained their OHSAS 18001 and ISO14001 certification.

Outlook

In 2012 Debswana will continue to maintain an uncompromising focus on safety and Zero Harm, conserve cash wherever possible by eliminating all discretionary expenditure, and review production activity such that only cash efficient activities that are core and time critical are undertaken.

Debswana will continue to aim to retain a talented, innovative, diverse and engaged workforce for current and future business needs.

www.debswana.com

2011 production statistics (000s)

Mines	Tonnes treated	Carats recovered
Orapa	13,250	11,158
Letlhakane	3,102	1,091
Jwaneng	6,537	10,641
Damtshaa (non-operational)	-	-
Total	**22,889**	**22,890**

Performance indicators

	11	10	10/11
LTIFR	0.19	0.19	0.00
LTISR	10.15	2.91	7.24
Mining licence area (ha)	41,276	41,276	0.00
Tonnes treated (000s)	22,889	24,439	-1,550
Carats recovered (000s)	22,890	22,218	672

Namdeb Holdings

NAMDEB
ON DIAMONDS WE BUILD

50/50 joint venture with the Government of the Republic of Namibia

Established 1994

Inge Zaamwani-Kamwi, CEO, Namdeb Diamond Corporation

"Namdeb addressed a number of challenges during 2011, positioning the company well to enhance overall performance and add value for our shareholders and stakeholders in 2012."

Namdeb Holdings (Pty) Limited is a 50/50 joint venture partnership between the Government of the Republic of Namibia and De Beers. Namdeb Holdings' core business is diamond exploration and mining along the south-western coast and inland areas of the Karas Region.

Operating highlights

2011 was a challenging year for Namdeb; with land-based production disrupted on a number of occasions, shutdown at all operations for a complete safety review following two fatalities, a breach of the seawall, and a month of industrial action there was approximately three months of lost production. In addition, De Beers Marine Namibia (Pty) Limited (now trading as Debmarine Namibia) experienced a main winch failure on the *Peace in Africa* mining vessel. However, excellent marine production rates once the vessel was operational, and very good land-based production rates in Q4, saw overall production for the year nearly equal 2010 output at 1.3 million carats (2010: 1.5 million).

In 2011, the Namdeb group was restructured. De Beers Marine Namibia (Pty) Limited and Namdeb Diamond Corporation (Pty) Limited became wholly owned subsidiaries of the newly established Namdeb Holdings (Pty) Limited, with all mining licenses transferring to the newly formed company. After the end of a successful mining trial in 2011, Debmarine Namibia secured a six-year charter arrangement for the *Peace in Africa* mining vessel from De Beers Consolidated Mines, with the option to purchase. The Sendelingsdrif Project, intended to replace the production from Daberas Mine, which is coming to the end of its life, received approval from the Government of the Republic of Namibia.

ECOHS overview

Regrettably Namdeb recorded one fatality each at Southern Coastal Mine and at Northern Coastal Mine, during the first quarter of the year. Both fatalities involved vehicles, which remain Namdeb's number one safety risk, with seven vehicle accidents in total recorded during the year (2010: eight). Four LTIs were recorded for the year (2010: two), with an LTIFR of 0.17 (2010: 0.08) and an LTISR of 5.31 (2010: 2.37). Roll-out of the Safety Risk Management Programme continued, with an average of 85 percent of all employees across the business having attended training sessions by year end (2010: 80 percent). Namdeb retained its OHSAS 18001 and ISO14001 certifications.

In 2011, the Namibian government approved construction of an asbestos disposal facility. The rehabilitation of Bogenfels and the clean-up of historic scrap yards around Oranjemund town were initiated. Preparations continued for the proclamation of Oranjemund, anticipated in March 2012.

Outlook

2012 will be an exciting year for Namdeb as it restarts operations at the Elizabeth Bay Mine. Elizabeth Bay is expected to produce at full capacity in 2012. Subject to board approval, construction of the new Sendelingsdrif Mine will also commence. A new final recovery and sorting complex incorporating the latest security features will be constructed, enabling more efficient processing of all Namdeb and Debmarine Namibia production. Debmarine Namibia is also planning to return the mining vessel *Grand Banks* to production after being laid-up since 2009.

www.namdeb.com

2011 production statistics (000s)

Mines	Tonnes treated	Carats recovered
Alluvial Contractors	N/A	11
Elizabeth Bay	0	0
Mining Area 1	4,899	259
Orange River	3,389	75
Atlantic 1	N/A	990
Total	**8,288**	**1,335**

Performance indicators

	11	10	10/11
LTIFR	0.17	0.08	0.09
LTISR	5.31	2.37	2.94
Mining licence area (ha)	1,578,908	1,578,908	0.00
Tonnes treated (000s)	8,288	9,434	-1,146
Carats recovered (000s)	1,335	1471	-136

Element Six

Cyrus Jilla, CEO, Element Six

"2011 was a positive year with sales slightly ahead of targets. We continued to focus on rapid product innovation, strengthened market presence and manufacturing excellence to sustain our leading position in the face of challenging competition and input cost increases."

Element Six (E6) is a global industrial diamond supermaterials business, supplying toolmakers and application providers across a diverse range of industries. These include oil and gas, mining, construction, automotive, aerospace, defence, electronics, semiconductor and general engineering. Part of the De Beers Group, Element Six is an independently managed company with primary manufacturing facilities in Ireland, China, Germany, Sweden, South Africa and the UK.

Operating highlights

Despite variable performance across E6's divisions, 2011 was a strong year for continuing the rebuilding of the business under the new strategic plans developed in 2009. This progress is increasing E6's market share, driving innovation and supporting a platform of capabilities and new growth opportunities, which will position E6 well for the future.

In 2011, sales grew five percent compared with 2010, despite a slowdown in trade during Q3/Q4 caused by the Eurozone economic crisis. Margins were compressed slightly, primarily through some operational under-performance in the first half of the year, a less favourable business mix, the weak dollar and rising raw material and labour costs.

Strong progress was made in developing E6's capability building programmes, particularly in behavioural based safety, innovation revitalisation and manufacturing excellence. Geographical capabilities were strengthened through a new China business development office in Shanghai, and a new Technologies production site and ventures office in Santa Clara, California to develop new applications for supermaterials.

Following some operational challenges at the start of the year, excellent progress was made to implement and embed manufacturing excellence (LEAN and Six Sigma) through a global programme. Whilst this is a multi-year journey, significant improvements are visible, such as a substantial reduction in customer complaints and an improvement in certain high pressure yields.

ECOHS overview

In 2011, E6 recorded an LTIFR of 0.21 (2010: 0.27) and equalled our record low of six LTIs (2010: nine). Whilst excellent progress is being made, E6 must continue its drive to embed a behavioural based safety culture across the entire Group with an aspirational target of zero harm.

Element Six had no major environmental issues reported in 2011 and all major operations are ISO18001 certified and most also with 14001 certification.

Outlook

Whilst there was some slowdown in Q3 and Q4 due to global economic uncertainty, our customers are reasonably confident of some growth in 2012. However, assuming some macroeconomic uncertainty remains, management forecasts limited underlying growth in 2012, with risks to the downside. E6 will continue to focus on profitable market share gains and driving adoption of synthetic diamond supermaterials to deliver growth in 2012.

www.e6.com

E6's innovative polycrystalline diamond cutters deliver extreme performance for oil and gas drilling

Rough diamond sales

Diamond Trading Company

DTC A DE BEERS GROUP COMPANY

DTC Botswana

NDTC Namibia Diamond Trading Company

Varda Shine, CEO, DTC

"In 2011 the DTC continued to provide outstanding value for producer partners and Sightholders through its world-class combination of rough diamond sales skills and commitment to beneficiation."

The Diamond Trading Company (DTC) is De Beers' rough diamond distribution arm and the world's largest supplier of rough diamonds, by value. With activities in sorting, valuing, sales and diamond beneficiation, the DTC has operations in the UK and South Africa, and 50/50 joint venture operations in Botswana and Namibia with those respective governments.

Operating highlights

2011 was a successful year, with the DTC recording its second highest annual rough diamond sales figure ever of US$6.47 billion, despite a volatile and fragile macroeconomic environment. Of the DTC's US$6.47 billion in sales, in excess of US$1.20 billion was sold 'in-country' in accordance with our beneficiation commitments to producer governments. In 2011, 72 Sightholders have provisionally qualified for supply for the 2012 - 2015 Supplier of Choice contract period.

A new 10-year Botswana Sales Agreement between De Beers and the Government of the Republic of Botswana was also announced in September. As part of this agreement, the DTC will relocate its London-based sales and aggregation activities to Botswana. The aggregation of production from De Beers' mines and its joint venture operations worldwide, as well as sales to international and domestic Botswana Sightholders, will take place from Gaborone by the end of 2013.

The first half of 2011 saw extremely strong DTC price growth as a high level of demand for rough diamonds from Sightholders was supported by the ready availability of finance. As the macroeconomic environment deteriorated in the second half, sales were impacted by constraints on midstream financial liquidity. However, the year ended with DTC prices far ahead of their position at the start of 2011, and healthy demand for diamond jewellery at the consumer level.

ECOHS overview

The DTC's UK operations maintained ISO18001 certification in 2011. DTC South Africa maintained its ISO14001 certification during the year and, like DTC Botswana and Namibia DTC, is working towards attaining ISO18001 as soon as possible.

Outlook

The focus for the DTC in 2012 will be on implementing the updated distribution approach in the new Supplier of Choice contract period which begins on the 31 March. Preparations will also continue for the successful migration of DTC sales and sales support functions to Botswana by the end of 2013. Both these initiatives are major undertakings and will present exciting opportunities and real challenges in the year ahead.

With the increased dynamism of the enhanced distribution methodology, the DTC will continue to supply Sightholders in line with their demonstrated demand, while also taking into account the demand of both Sightholders and non-Sightholders participating in the Diamdel auctions. Demand for rough diamonds in 2012 will be significantly influenced by retail activity during the end of 2011. Early indications are that retail performance at year end was positive, with a stronger performance in the US counterbalancing a weaker performance in the Indian consumer market.

2011 sales

US$6.47bn

(2010: US$5.08bn)

Diamond sorting in the DTC Botswana building in Gaborone

Diamdel

Neil Ventura, CEO, Diamdel

"2011 was a landmark year for Diamdel. Further sales and pricing innovation, and an unprecedented global expansion programme, enabled Diamdel to capitalise on exceptional buyer demand and deliver record performance for our shareholders."

Diamdel is a global market leader in negotiating spot sales and the pricing of rough diamonds. Competitive sales negotiations involve small, medium and large scale manufacturing, retailing and trading business buyers from around the world, and are conducted using an innovative online auctioning capability. The business is wholly owned by De Beers with offices in Antwerp, Tel Aviv, Hong Kong and Dubai.

Operating highlights

In 2011, Diamdel delivered record profits for shareholders. Sales grew by 30 percent to US$405 million – the highest since 2006. Exceptional demand for rough diamonds was evident from January to August as a result of a perceived shortfall of supply against demand. Demand decreased during the last four months of the year as the market shifted to a supply surplus.

Diamdel held 134 auctions during 2011 at which 2,614 auction lots were presented for sale (2010: 1,250). The lots featured rough diamonds spanning a full product range in terms of size, colour, quality and shape. Auctions attracted bids from 281 business buyers around the world with 182 different winners emerging. Since its launch in January 2008, the online auction platform – an industry first – has attracted bids from 411 different companies, of which 283 have been successful.

During the year, a number of investments were made to bolster Diamdel's capabilities and customer value proposition, in both developed and emerging markets. Capacity improvements in Antwerp, and the relocation to larger premises in Tel Aviv and Hong Kong boosted Diamdel's capacity in these markets, and a new office was opened in Dubai. These investments not only helped Diamdel to better meet customer needs, but also positioned the business favourably to capture spot prices that better reflect short term global supply and demand fundamentals.

In 2011, two key innovations were launched to support the auction process. 'Multi-Unit Auctions' enable buyers to express their demand both in terms of prices and volumes that match their specific requirements. Multi-Unit sales were launched in June and have rapidly become a significant part of Diamdel's sales mix. 'Rank' events were also introduced to protect the winning buyer's bid price.

During 2011, Diamdel was selected as a country representative for Belgium for the second year running in the prestigious European Business Awards, and went on to become one of just 110 companies across Europe to be awarded a Ruban D'Honneur in recognition of its innovative business model and commercial success in recent years.

ECOHS overview

Diamdel reported no LTIFR/LTISR incidences in 2011 (2010: 0).

Outlook

Whilst macroeconomic conditions continue to provide an unsettled backdrop for the diamond industry, the outlook for 2012 is cautiously optimistic. The investments made in 2011 will position Diamdel favourably to navigate spot market demand conditions for rough diamonds in 2012. Further proposition enhancements in our development pipeline should further strength Diamdel's ability to deliver value to stakeholders.

www.diamdel.com

30% increase in sales to

US$405m

(2010: US$311m)

Rough diamonds being prepared for Diamdel auction viewings

Brands

Forevermark

FOREVERMARK

Stephen Lussier, CEO, Forevermark

"2011 saw Forevermark consolidate its position as an established diamond brand in Asia with an emerging global presence. In the context of global economic uncertainty, Forevermark offers consumers the added assurance that their luxury purchases represent both quality and integrity."

Forevermark is a diamond brand from the De Beers Family of Companies and serves as the Group's primary marketing arm. Each Forevermark diamond is inscribed with the Forevermark icon and a unique identification number using patented advanced technology, demonstrating that it has met the brand's high standards of quality and integrity. The proprietary technology was developed by the Forevermark research and development team.

Operating highlights

During 2011, the number of stores in which Forevermark is available doubled to 658, as the brand further established its position within its launch markets (China, Hong Kong and Japan), and launched in two further core markets (India and the US) through high-end independent jewellers.

The expansion of stores where Forevermark is available was due in part to the launch in the US in the fourth quarter of 2011. US expansion is gathering pace thanks to a high impact, fully integrated marketing plan, including the first Forevermark iPad app, and a positive response from jewellers and consumers alike. In its existing markets, Forevermark most notably expanded into 240 doors across 15 cities in China. The Forevermark licensee model also continued to facilitate entry into other markets globally on an exclusive basis with selected jewellers. Having launched in Singapore, the Caribbean and Mexico in 2010, the brand became available in Malaysia and South Africa, the home of the De Beers Family of Companies, in 2011.

During 2011, the Forevermark Diamond Institute expanded to cater for a 55 percent increase in inscription and a 143 percent increase in grading volumes. To meet this increase in throughput, a satellite site in Maidenhead, UK was established to complement the main Antwerp facility.

Marketing support and messaging around the brand evolved to position the inscription as evidence of the brand promise that each Forevermark diamond is beautiful, rare and responsibly sourced. Advertising, PR, digital and in-store activity and collateral was developed to help drive consumer affinity with the brand. Consequently, unique visitors to the Forevermark website increased by nearly 100 percent over the course of 2011.

ECOHS overview

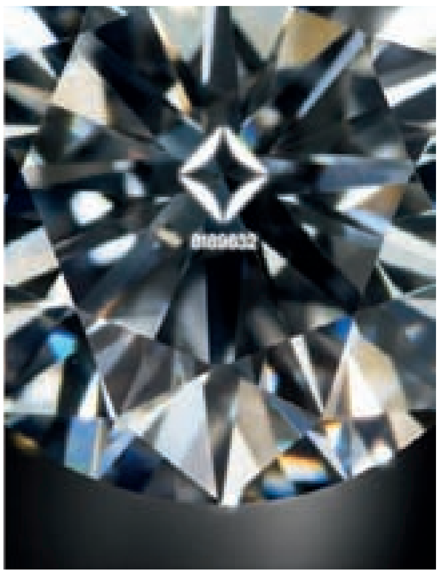
Forevermark maintained ISO18001 certification in 2011, and reported no LTIFRs or LTISRs.

Outlook

In 2012, Forevermark will continue to build brand presence, awareness and affinity in existing markets, and expand the brand into new cities and retailers, particularly in the US, China and India. Exploration of potential new markets will also continue through the licensee model, with the number of stores in which Forevermark is available expected to increase to more than 1,000.

www.forevermark.com

658 stores worldwide



A Forevermark diamond with inscription

De Beers Diamond Jewellers

DE BEERS
JEWELLERY

François Delage, CEO, De Beers Diamond Jewellers

"Strong growth in international markets, particularly Asia, and the launch of several highly successful advertising campaigns and new product lines, resulted in a successful year in 2011, and a positive outlook for De Beers in 2012."

De Beers Diamond Jewellers (DBDJ) is an independently managed 50/50 retail joint venture partnership between De Beers and LVMH Moët Hennessy Louis Vuitton. Globally, the DBDJ network consists of 44 stores across 15 countries.

Operating highlights

2011 saw a significant expansion of DBDJ's store and franchise presence. In Asia, the company's first store in continental China was opened in Beijing, followed by two more in Tianjin and Dalian, one in Hong Kong, and one in Nagoya, Japan. New openings through local franchise partners included a second store in Dubai, a third store in Korea and a new store in Kazakhstan. The company closed two stores in Japan and one in Turkey. The store network now numbers twelve in East Asia, eleven across the US, nine in Europe, nine in Japan and three in the Middle East.

The brand continues to affirm its position as the definitive reference for diamond jewellery, for which De Beers is internationally renowned. In addition to the continued popularity of existing lines, DBDJ's new collections (Adonis Rose, Azulea, Enchanted Lotus) were strong sellers in 2011. Strong growth was also reported in the High Jewellery segment, indicating a growing identity amongst initiated clientele who are passionate and knowledgeable about diamonds.

ECOHS overview

In 2011, DBDJ implemented a programme to ensure compliance with Responsible Jewellery Council (RJC) standards in order to become a fully certified member. DBDJ has been a member of the RJC since it was established, however, RJC certification will enable DBDJ to formally demonstrate its commitment to adopting responsible business practices and meet consumer expectations, which have become increasingly orientated towards the integrity of the diamond supply chain. Certification was received in early 2012.

Outlook

DBDJ will continue to build on its success in 2011, expanding its network in mainland China. An on-going focus will be the maximisation of returns from existing stores and assets along with close management of inventory, costs and overall working capital levels.

DBDJ's strategy is to become the definitive diamond jewellery destination for consumers, reinforcing its position in the market both with solitaires and with image collections, and growing its credentials in High Jewellery.

www.debeers.com

44 stores worldwide

The art of diamond jewellery comes to life with stunning solitaire rings

Financial highlights

Consolidated income statement

For the year ended 31 December (abridged)	31 December 2011 US$m	31 December 2010 US$m
Total sales (Note 1)	7,378	5,877
Less: cost of sales	6,088	4,983
Gross profit	1,290	894
Less: operating costs (Note 2)	506	416
Operating profit	784	478
Add:		
Trade investment income	742	517
Foreign exchange (losses) gains	(104)	44
Profit before finance charges and taxation	1,422	1,039
Less: net interest charges (Note 3)	147	176
Profit before taxation	1,275	863
Less: taxation	297	225
Profit after taxation	978	638
Less: interests of outside shareholder in subsidiaries	16	34
Own earnings	962	604
Less: share of retained income of joint ventures	2	6
Net earnings before once-off items	960	598
Once-off items (Note 4)	21	52
Net earnings	939	546
Underlying earnings (Note 5)	968	598
EBITDA	1,721	1,428

Consolidated balance sheet

31 December (abridged)	31 December 2011 US$m	31 December 2010 US$m
Share capital and reserves	3,996	3,279
Interests of outside shareholders	93	144
Total shareholders' equity	4,089	3,423
Shareholders' loans	669	790
Other net interest bearing debt*	1,259	1,762
Other non-current liabilities	696	972
	6,713	6,947
Fixed assets	2,224	2,908
Other non-current assets and investments	3,181	3,012
Net current assets	1,308	1,027
	6,713	6,947

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

Summary of cash flows

For the year ended 31 December 2011	31 December 2011 US$m	31 December 2010 US$m
Cash available from operating activities	946	1,160
Less: investing activities		
Fixed assets – stay-in-business (net of disposals)	83	204
Investments	129	13
	212	217
Free cash flow	734	943
Less: financing activities		
Shareholder loans repaid	160	20
Ordinary dividends (including payments to outside shareholders)	107	6
Cash flow	467	917
Add (Deduct):		
Shareholder equity subscription/advances	–	1,000
Redemption of preference shares	–	(107)
Non cash movements in debt and movements attributed to charges in exchange rates	36	(372)
Decrease in other net interest bearing debt	503	1,438

Notes

	31 December 2011 US$m	31 December 2010 US$m
1. Total sales of natural rough diamonds (including joint ventures)	6,473	5,082
2. **Operating costs** include:		
– Exploration, research and development	132	96
– Sorting and marketing	161	133
– Group technical services and corporate overheads	213	187
	506	416
3. **Net interest charges** include preference dividends amounting to:	–	11
4. **Once-off items** comprise:		
Costs in respect of restructuring of debt	19	28
Net costs in respect of restructuring	45	22
Net deficit (surplus) on disposal of fixed & non-current assets	(43)	2
	21	52
5. **Underlying earnings*** is calculated as follows:		
Net earnings (loss) before once-off items	960	598
Adjusted for special items and re-measurements:		
Asset disposals (net)	–	(2)
Re-measurement gains on financial instruments (net)	8	2
Underlying earnings	968	598

* 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.

Other information

	31 December 2011 US$m	31 December 2010 US$m
Exchange rates		
US$/ZAR average	7.14	7.37
US$/ZAR period end	8.15	6.63
US$/C$ average	0.98	1.03
US$/C$ period end	1.02	1.01

Production statistics

	31 December 2011 Tonnes '000	31 December 2010 Tonnes '000
Total tonnes treated	50,247	54,544
DBCM	15,525	17,069
– Kimberley mines & contractors	4,834	5,493
– Finsch	3,068	4,483
– Namaqualand mines & contractors	0	41
– Venetia	5,189	4,036
– Voorspoed	2,434	3,016
– SASA (m^2 000)		
Namdeb	8,288	9,434
Land	8,288	9,434
Sea (m^2 000)		
Debswana	22,889	24,439
Orapa	13,250	12,928
Letlhakane	3,102	3,307
Jwaneng	6,537	8,204
Damtshaa (non-operational)	-	-
De Beers Canada	3,545	3,602
Snap Lake	814	869
Victor	2,731	2,733

	31 December 2011 Carats '000	31 December 2010 Carats '000
Carats recovered	31,328	32,997
DBCM	5,443	7,556
– Kimberley mines & contractors	778	823
– Finsch	938	1,583
– Namaqualand mines & contractors	0	97
– Venetia	3,147	4,288
– Voorspoed	580	732
– SASA	0	33
Namdeb	1,335	1,472
Land	345	492
Sea (m^3 000)	990	980
Debswana	22,890	22,218
Orapa	11,158	9,527
Letlhakane	1,091	1,221
Jwaneng	10,641	11,470
Damtshaa (non-operational)	-	-
De Beers Canada	1,660	1,751
Snap Lake	881	925
Victor	779	826

Governance and risk

De Beers Société Anonyme (the Company, or De Beers) was formally incorporated in the Grand Duchy of Luxembourg in November 2000. It is the holding company of all De Beers Group operations.

The Company is managed and controlled from its head office in Luxembourg where the board meets to attend to the business of the Group. Its commercial activities are carried out by a number of subsidiaries, investments and joint ventures, which it finances in different parts of the world. Together, these subsidiaries, investments and joint ventures constitute the De Beers Family of Companies.

Taxes and royalties to governments are paid by each of the different subsidiaries and investments in a manner consistent with the requirements of the jurisdiction in which they operate. De Beers prepares annual and independently audited statutory accounts of both the Company and the Group in accordance with International Financial Reporting Standards.

These are lodged with the Registre du Commerce and other authorities in Luxembourg as well as being sent to each of the shareholders directly. These accounts are submitted to the Annual General Meeting of shareholders of the Company held in March each year.

Appointment of board members

The Articles of Incorporation relate to the legal establishment and registration of De Beers as a joint stock corporation in Luxembourg. As the legal constitutional instrument, it allows for a minimum of three and a maximum of 20 directors.

The shareholders and Central Management Services Limited (CMSL) are directly responsible for the appointment and removal of directors in accordance with the provisions of the Shareholders' Agreement and Management Contract. CMSL was appointed under the Management Contract, concluded on 30 January 2002, by the Company and its holding company, DB Investments to assist in the strategic development of the De Beers Family of Companies. CHL Holdings Limited, representing the Oppenheimer Family, is also a party to the Management Contract.

In particular, CMSL was appointed to assist in the appointment of directors, senior executives and management. This arrangement ensures that the shareholders have a clear voice in board meetings and decisions.

Composition and independence

As of 31 December 2011, the De Beers board consisted of 13 directors, rising to 14 on 8 February 2012, with the appointment of Gareth Mostyn to the board. During 2011, Stuart Brown resigned from the board, and Philippe Mellier joined the board on 19 July 2011.

Five directors on the board serve in an executive capacity and are members of the Executive Committee. Each shareholder group is entitled to nominate two persons for appointment to the board. Accordingly, six directors, four of whom are non-executives and two executives (the Chairman, Nicky Oppenheimer, and Jonathan Oppenheimer) are currently appointed under the relevant clauses of the Shareholders' Agreement.

The role of the Chairman is quite distinct from that of the Chief Executive Officer. As defined in the Shareholders' Agreement, up to ten independent directors may be appointed by CMSL under the Management Contract in consultation with the shareholders. Independent directors are those appointed independently of the shareholders' direct entitlement.

A majority of these independent directors must be employed or hold executive office with De Beers. Four directors, three of whom are non-executive, are currently appointed to the board under the appropriate provisions of the Management Contract.

Additional independent directors may be appointed by the shareholders by majority consent or majority vote at the Annual General Meeting of shareholders. Four non-executive directors are currently appointed to the board in this manner under the appropriate provisions of the Shareholders' Agreement. Accordingly, of the 14 directors currently in office, eight are independent directors (as defined in the Shareholders' Agreement) and nine are non-executive directors. A number of directors have both independent and non-executive status.

Lobby at 17 Charterhouse Street, De Beers UK London office

Structures under the board

In 2008, the board adopted a Board Charter which, inter alia, sets out the mandate of the board and those powers reserved to it. The board is responsible for the Group's system of governance and is ultimately accountable for the strategic direction of the business and all activities across the Family of Companies. This includes setting risk management policy, reviewing the effectiveness of risk management processes, recommending enhancements and ensuring effective succession planning.

It also provides oversight of, and consultation to, the different business entities across the De Beers Family of Companies on governance structures and on the identification, appointment and training of directors. The De Beers board is supported in its decision-making by six committees: the Executive Committee, the Audit Committee, the ECOHS Committee, the Investment Committee, the Remuneration Committee and the Treasury Committee.

Although not an official committee under the board, the Principles Committee provides further review and scrutiny on the extent to which the De Beers Family of Companies contributes to sustainable development and operates in conformance with its principles.

Risk management

The shareholders and board recognise that engaging risk is at the core of the business. The board reviews reputation and sustainability performance and risks on, at least, an annual basis in line with the formal risks review process.

Detail on these risks is presented in the introductory statement of the Chairman and performance review of the Chief Executive Officer, as well as in our Report to Society 2011, which will be published in May 2012. De Beers is governed by a risk framework through which risks are proactively identified, engaged and managed. This includes taking advantage of opportunities and protecting capital, talent management, income and assets by mitigating the adverse impacts of risk.

"The shareholders and board recognise that engaging risk is at the core of the business. The board reviews reputation and sustainability performance and risks on, at least, an annual basis in line with the formal risks review process."

A *Plant and Maintenance co-ordinators attend a course in best practice at the Orapa training centre*
B *This Cat 793D is capable of hauling 240 tonnes of material*

Sustainability

Our commitment to operating in a responsible and sustainable manner sits at the heart of De Beers' business strategy. It requires us to strike a balance between delivering good financial returns, while also addressing the risks that could affect the sustainability of the business and the societies in which we work.

Contributing to sustainable development
Our understanding of sustainability is shaped by the societal imperatives of our partner governments and communities. This includes helping to define the role of business in contributing to a vision of an ever more prosperous Africa. We aim to maximise our contribution to sustainable development through beneficiation activities to support downstream diamond-sector activity in producer countries, community social investment, and local enterprise generation through preferential procurement.

Our approach to sustainability is focused on managing and mitigating those risks that can affect our commercial interests by impacting on our access to supply or undermining consumer confidence in diamonds. These risks relate primarily to: ensuring our social licence to operate, conflict diamonds, social and environmental conditions in mining and cutting and polishing operations, the use of diamonds by criminal syndicates, and issues around product integrity.

Managing sustainability risks
We prioritise and categorise sustainability risks into five key areas: economics, ethics, employees, communities and environment. Extensive stakeholder engagement processes help us to assess the relevance and materiality of each risk and to develop appropriate management responses.

Ongoing stakeholder engagement is one element of a broader sustainability management framework, which also includes the Principles Management Committee, the Environment, Community, Occupational Health and Safety (ECOHS) Committee (at board level) and local ECOHS functions (operating at business and community level). The Principles Committee is a management committee that provides guidance and oversight to the Executive Committee and Business Unit CEOs to ensure that the De Beers Family of Companies engages proactively with sustainability issues and related long-term risks. The ECOHS Committee and associated peer groups act in the same way, providing strategic direction on ECOHS disciplines to the business units.

Our Best Practice Principles framework (BPPs) also drives sustainability performance by providing a comprehensive third party verified assurance programme to ensure the effective management of key risks across the diamond pipeline. The BPPs outline strict requirements regarding compliance to the Kimberley Process and associated System of Warranties. They also set out clear minimum standards of performance against a range of other criteria including social, environmental, labour, and health and safety standards, and product integrity requirements including the disclosure of synthetics, treatments and simulants. All entities within the De Beers Family of Companies, as well as all Sightholders and significant contractors, are required to comply with the BPPs.

Annual Report to Society
More information on our sustainability approach can be found in our award-winning annual Report to Society, which can be accessed at www.debeersgroup.com/sustainability. The 2011 Report to Society will be available online and for order in hard copy from May 2012.

"Our approach to sustainability is focused on managing and mitigating those risks that can affect our commercial interests by undermining consumer confidence in diamonds or impacting on our access to supply."

Orapa Mine and processing plant is set within a Debswana-maintained game park

The Board and executive management

Nicky Oppenheimer MA (Oxon)
Born in 1945, Nicky Oppenheimer was appointed to the board on 22 November 2000, and became Executive Chairman on 28 November 2000. He was appointed to the board by the Central Holdings shareholder group. Across the De Beers Family of Companies, Mr Oppenheimer is also Chairman of Debswana Diamond Company (Proprietary) Limited and Namdeb Holdings (Proprietary) Limited, and a director of DB Investments and De Beers Consolidated Mines Limited. He serves on the Remuneration and Executive Committees. Mr Oppenheimer is also a director of Centhold International Limited.

Dr. Mark Berry PhD; MSc; BSc Hons; BSc
Born in 1947, Mark Berry was appointed to the board on 2 April 2003, elected by majority consent of shareholders at the AGM. He serves on the ECOHS Committee. Retired, Dr Berry ranches wildlife in the Limpopo Valley. He is also a director of Tswalu Holdings Limited, Chairman of Tswalu Kalahari Reserve Limited and a director of Jakhalsberry Farming and Tourism Limited.

Cynthia Carroll MSc; MBA
Born in 1956, Cynthia Carroll is Chief Executive Officer of Anglo American plc. She was appointed to the board on 1 March 2007 by the Anglo American shareholder. Prior to joining Anglo American, Ms Carroll was President and Chief Executive of Alcan's Primary Metals Group. Currently she is board Chairperson of Anglo Platinum Ltd, a member of the board of BP plc. and a director of DB Investments.

Bruce Cleaver BSc Applied Maths, LL.B
Born in 1965, Bruce Cleaver was appointed to the board on 23 July 2008 by CMSL, the Management Company. The Director of Strategy and New Business for De Beers, Mr Cleaver is currently responsible for commercial and legal matters as well as Group Exploration. He holds numerous directorships within the De Beers Group including De Beers Group Exploration Holdings Limited, De Beers UK Ltd, De Beers Namibia Holdings (Proprietary) Ltd, De Beers Consolidated Mines Limited, De Beers Marine Namibia (Proprietary) Limited and Namdeb Diamond Corporation (Proprietary) Limited, and serves on the Executive, Investment and Treasury Committees.

Baron David de Rothschild
Born in 1942, David de Rothschild was appointed to the board on 5 April 2006, having been elected by majority consent of shareholders at the AGM. Baron David is Group Chairman of Rothschilds. He is also a director of Casino, Compagnie Financière Martin Maurel, La Compagnie Financière Saint-Honoré and President of the Fondation pour la Mémoire de la Shoah.

Joseph Iita B.Eng (Hons), MA
Born in 1955, Joseph Iita was appointed to the board on 30 January 2002, having been elected by majority consent of shareholders at the AGM. Mr Iita is Permanent Secretary, Ministry of Mines & Energy, Government of the Republic of Namibia. Deputy Chairman of the board of Namdeb Diamond Corporation (Proprietary) Limited, and Chairman of Namdeb Properties (Proprietary) Limited, Mr Iita also sits on the board of Windhoek Fabrik and is Chairman of the board of Telecom Namibia Ltd.

René Médori PhD
Born in 1957, René Médori was appointed to the board on 7 February 2007, by the Anglo American shareholder. He is the Finance Director of Anglo American plc, and a director of Scottish and Southern Energy plc, Anglo Platinum Limited and DB Investments

Philippe Mellier BMEng; MBA
Born in 1955, Philippe Mellier was appointed to the board on 19 July 2011 by CMSL, the Management Company, following his appointment as Chief Executive Officer of De Beers in May 2011. Prior to joining De Beers he was Executive Vice President of the Alstom Group. Mr Mellier holds directorships across the Group, including De Beers Consolidated Mines Limited, De Beers Diamond Jewellers Limited, Debswana Diamond Company (Proprietary) Limited and Namdeb Holdings (Proprietary) Limited. He chairs the Executive and Investment Committees.

Gareth Mostyn BA (Hons), CA
Born in 1972, Gareth Mostyn was appointed to the board on 8 February 2012, by CMSL, the Management Company. A qualified Chartered Accountant, Mr Mostyn joined De Beers as the Chief Financial Officer in January 2012 from Anglo American plc, where he was Head of Corporate Finance. Mr Mostyn is a director of De Beers Consolidated Mines Limited, and serves on the Investment and Treasury Committees.

Jonathan Oppenheimer BA (Hons)
Born in 1969, Jonathan Oppenheimer was appointed to the board on 5 April 2006 by the Central Holdings shareholder group. The Head of the Chairman's Office for the De Beers Group, Mr Oppenheimer is Chairman of De Beers Canada and Element Six Holdings Limited, and holds a number of other directorships in the Family of Companies, including DB Investments and De Beers Consolidated Mines Limited. He serves on the Executive, ECOHS and Investment Committees. He is a member of the Presidential International Advisory Board in Mozambique, a non-executive director of Umicore (Brussels) and sits on the Advisory Council of the Saïd Business School in Oxford and the International Council of INSEAD.

Boikobo Paya
BSc, MPhil
Born in 1964, Boikobo Paya was appointed to the board on 17 November 2010 by the Government of the Republic of Botswana shareholder group. Mr Paya is the Permanent Secretary, Ministry of Minerals, Energy & Water Resources, Government of the Republic of Botswana. Mr Paya is a director of DB Investments, and DTC Botswana (Proprietary) Limited, and serves on the ECOHS Committee.

Barend Petersen B Compt (Hons) CA (SA)
Born in 1960, Barend Petersen was appointed to the board 6 February 2008, elected by majority consent of shareholders at the AGM. The Executive Chairman of De Beers Consolidated Mines Limited, Mr Petersen chairs the ECOHS Committee. Mr Petersen is also a director of several companies, including Anglo American South Africa and Alexander Forbes Equity Holdings.

Solomon Sekwakwa BA, MA
Born in 1960, Solomon Sekwakwa was appointed to the board on 4 February 2009 by the Government of the Republic of Botswana shareholder group. Mr Sekwakwa is the Permanent Secretary, Ministry of Finance & Development Planning, Government of the Republic of Botswana. He serves on the Investment Committee, and is a director of Debswana Diamond Corporation (Proprietary) Limited and De Beers Investments SA. Mr Sekwakwa is also a director of the Bank of Botswana and the Botswana Development Corporation.

James Teeger BCom, BAcc, CA
Born in 1967, James Teeger was appointed to the board on 6 February 2008 by CMSL, the Management Company. He is the Group Managing Director of E Oppenheimer & Son Group. Mr Teeger is a director of DB Investments, and currently chairs De Beers' Audit, Remuneration and Treasury Committees.

Executive Committee

Philippe Mellier, Chairman
CEO, De Beers

Phillip Barton
CEO, DBCM

Sue Boxall
Group HR Director

Bruce Cleaver
Group Director Strategy and New Business

Jim Gowans
CEO, Debswana

Tony Guthrie
CEO, Canada

Cyrus Jilla
CEO, Element Six

Stephen Lussier
CEO, Forevermark

Neo Moroka
CEO, De Beers Holdings, Botswana

Gareth Mostyn*
CFO, De Beers

Jonathan Oppenheimer
Head of Chairman's Office, De Beers

Nicky Oppenheimer
Executive Chairman, De Beers

Varda Shine
CEO, DTC

Inge Zaamwani-Kamwi
CEO, Namdeb

Other committees

ECOHS Committee

- **Barend Petersen,** Chairman
- **Dr Mark Berry**
- **Dorian Emmett (co-opted)**
- **Jonathan Oppenheimer**
- **Boikobo Paya**

Remuneration Committee

- **James Teeger,** Chairman
- **Nicky Oppenheimer**
- **Mervyn Walker (co-opted)**

Investment Committee

- **Philippe Mellier,** Chairman
- **Bruce Cleaver**
- **Gareth Mostyn***
- **Jonathan Oppenheimer**
- **Solomon Sekwakwa**
- **Peter Whitcutt**

Audit Committee

- **James Teeger,** Chairman
- **Polly Carr**
- **Peter Whitcutt**

Treasury Committee

- **James Teeger,** Chairman
- **Bruce Cleaver**
- **Gareth Mostyn***
- **Mike Changfoot**
- **Bernard Olivier**
- **Adrian O'Sullivan**

* Appointed with effect from 8th February, 2012

Glossary

LTIFR	Lost time injury frequency rate
LTISR	Lost time injury severity rate
ha	Hectares

This PDF is available to download from www.debeersgroup.com.

Acknowledgements

Prepared and produced by the De Beers Family of Companies in partnership with Salterbaxter. Designed by Salterbaxter
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