

De Beers Société Anonyme

(Incorporated under the laws of Luxembourg)

Tuesday, 26 July 2011

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

Strong price growth leads to record H1 DTC sales
Sustained demand for diamond jewellery in retail markets of Far East and US

Financial Summary - Half year to 30 June 2011			
US Dollars millions			Variance
	Half year 30 June 2011	Half year 30 June 2010	
Total sales	3 887	2 979	30%
EBITDA	1 183	762	55%
Profit before finance charges and taxation	1 019	586	74%
Free cash flow	469	620	-24%
Net debt (excluding shareholders' loans)	1 450	1 983	27%

2011 Interim Operating Performance

- ◆ Record EBITDA of almost US\$1.2 billion is a 55% increase over 2010 (US\$762 million), reflecting the impact of excellent price growth during the period.
- ◆ Sales of rough diamonds by the Diamond Trading Company in H1 2011 were US\$3.5 billion (including those through joint ventures) - a 33% increase compared with 2010 - driven by price growth of approximately 35%. This is the highest ever sales figure recorded for the first half of the year, buoyed by continued retail demand from the Indian and Chinese consumer markets and stronger than expected demand in America.
- ◆ Carats recovered during the period amounted to 15,53 million, in line with H1 2010 (15,43 million carats).
- ◆ Free cash flow of US\$469 million is a reduction of 24% on last year due to the timing of stock purchases in the current period compared with 2010.

DIRECTORS' COMMENT

Commitment to safety remains De Beers' most important priority. Sadly, there have been three loss of life incidents in the Family of Companies during the first half – two at Namdeb and one at Debswana. We extend our sincere condolences to the families of all those concerned. Comprehensive safety reviews are being carried out at all operations in the Family of Companies.

Sales during the period have been exceptional, driven mainly by continued growth in the Middle East, Indian and Asian retail markets and their impact on rough price growth. De Beers has continued to focus on efficiency improvements and on maintaining a lower sustainable level of overhead base, which has resulted in a favourable impact on the bottom line. In the first six months of 2011, De Beers' production totalled 15,53 million carats (H1 2010: 15,43 million) reflecting the impact of maintenance and asset management difficulties and, to an extent, excessive rainfall in southern Africa.

In downstream activities, Forevermark (a diamond brand owned by the De Beers Group) continues its expansion into the core retail markets of China, Hong Kong and Japan, and has recently launched in India, Singapore and the Caribbean. The Forevermark brand is now available from a small number of stores in the US, with further expansion planned later this year. During H1, De Beers Diamond Jewellers (De Beers' joint venture with LVMH) announced the strategic launch of the brand in China with the opening of its first mainland store in Beijing, its first store in Kazakhstan in Almaty and a new store in Dubai at Dubai Mall. The company will continue its expansion in 2011 with the opening of further stores in mainland China and a second store in Hong Kong.

Element Six recorded a good first half performance in respect of both sales and profitability, with robust demand across its product ranges. Operating performance was impacted by, inter alia, operating challenges and a weak US dollar, but Element Six is well positioned for the remainder of the year.

Debswana's Jwaneng mine Cut-8 extension project is progressing satisfactorily, on schedule and on budget. De Beers Canada recently completed a six month optimisation study on the Snap Lake Mine to more economically extract this complicated, but promising, ore body that has a forecast 20-year life-of-mine.

Disposals of assets have continued in the period, and, in January, De Beers Consolidated Mines (DBCM) announced that it had entered into an agreement with Petra Diamonds to sell Finsch mine as a going concern for a consideration of R1.425 billion (US\$210 million), plus assumption of rehabilitation liabilities. In May, DBCM announced that it had entered into an agreement to sell Namaqualand Mines to Trans Hex in a transaction valued at R225 million. This completes DBCM's asset disposal programme.

In May, De Beers and the Government of the Republic of Namibia (GRN) announced a new agreement which will allow GRN to increase its effective shareholding in De Beers Marine Namibia from 15% to 50% through the establishment of a new 50/50 joint venture holding company. This will not change marketing arrangements, and all diamond production from Namdeb will continue to be sorted, valued and marketed exclusively by the DTC together with Namibia Diamond Trading Company, which is also a 50/50 joint venture between the GRN and De Beers.

Outlook

Despite the ongoing turmoil with the global economy, we are encouraged by the continued strong growth in price and demand during the first six months of 2011. De Beers is confident that the exceptional growth in retail markets in India and Asia will continue to drive demand for diamonds. Reports from the recent JCK trade show indicate that the all-important Christmas season in the US, and Diwali, are set to be strong.

Management Change

At a De Beers sa Board Meeting in Luxembourg on 19th July 2011, Philippe Mellier was appointed CEO of the De Beers Group. After almost 20 years with De Beers Group, Stuart Brown (Chief Financial Officer), announced that he would be stepping down from the Board with effect from the end of July.

De Beers announces interim results as follows:-

Beers Société Anonyme
Consolidated Income Statement
for the half-year ended 30 June 2011
(Abridged)

	US Dollar millions		
	Half-year 30 June 2011	Half-year 30 June 2010	Year 31 December 2010
Total sales (Note 1)	3 887	2 979	5 877
Less: cost of sales	3 071	2 443	4 983
Gross profit	816	536	894
Less: operating costs (Note 2)	200	221	416
Operating (loss) profit	616	315	478
Add:			
Trade investment income	403	291	517
Foreign exchange (losses) gains	-	(20)	44
Profit before finance charges and taxation	1 019	586	1 039
Less: net interest charges (Note 3)	68	102	176
Profit before taxation	951	484	863
Less: taxation	236	136	225
Profit after taxation	715	348	638
Less: interests of outside shareholder in subsidiaries	14	23	34
Own earnings	701	325	604
Less: share of retained losses of joint ventures	16	24	6
Net earnings before once-off items	685	301	598
Once-off items (Note 4)	9	(46)	(52)
Net earnings	694	255	546
Underlying earnings (Note 5)	666	304	598
EBITDA	1 183	762	1 428

Consolidated Balance Sheet
30 June 2011
(Abridged)

	US Dollar millions		
	30 June 2011	30 June 2010	31 December 2010
Share capital and reserves	3 944	2 844	3 279
Interests of outside shareholders	152	125	144
Total shareholders' equity	4 096	2 969	3 423
Shareholders' loans	711	785	790
Other net interest bearing debt*	1 450	1 983	1 762
Other non-current liabilities	984	778	972
	7 241	6 515	6 947
Fixed assets	2 891	2 687	2 908
Other non-current assets and investments	2 958	2 865	3 012
Net current assets	1 392	963	1 027
	7 241	6 515	6 947

*Other net 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 2011

	US Dollar millions		
	6 Months 30 June 2011	6 Months 30 June 2010	Year 31 December 2010
Cash available from operating activities	592	711	1 160
Less: investing activities			
Fixed assets – stay-in-business	118	90	204
Investments	5	1	13
	123	91	217
Free cash flow	469	620	943
Less: financing activities			
Shareholder loans repaid	100		
Ordinary dividends (including payments to outside shareholders)	49	-	6
Cash flow	320	620	937
Add (Deduct):			
Shareholder Equity subscription/advances		1 000	1 000
Redemption of preference shares			(107)
Non cash movements in debt and movements attributable to changes in exchange rates	(8)	(403)	(392)
Decrease in other net interest bearing debt	312	1 217	1 438

Notes

1. Total sales of natural rough diamonds (including joint ventures)	3 493	2 625	5 082
2. Operating costs include:			
- Exploration, research and development	48	43	96
- Sorting and marketing	65	53	133
- Group technical services and corporate overheads	87	125	187
	200	221	416
3. Net Interest charges include preference dividends amounting to		5	11
4. Once-off items comprise:			
Recovery (cost) in respect of a class action settlement	2	(1)	
Costs in respect of restructuring of debt		(29)	(28)
Net recoveries (costs) in respect of restructuring	7	(16)	(24)
	9	(46)	(52)
5. Underlying earnings is calculated as follows:			
Net earnings before once-off items	685	301	598
<i>Adjusted for special items and re-measurements:</i>			
Asset disposals (net)		(3)	(2)
Re-measurement gains on financial instruments	(19)	6	2
Underlying earnings	666	304	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.*

De Beers Société Anonyme

Other information

	6 Months 30 June 2011	6 Months 30 June 2010	Year 31 December 2010
Exchange rates			
US\$ / ZAR average	6.86	7.52	7.37
US\$ / ZAR period end	6.78	7.70	6.63
US\$ / C\$ average	0.98	1.04	1.03
US\$ / C\$ period end	0.97	1.03	1.01
Production summary			
<i>Tons Treated 000's:</i>			
DBCM	8 218	7 867	17 069
Debswana	11 563	11 751	24 439
De Beers Canada	1 777	1 638	3 602
Namdeb	4 493	5 135	9 434
	26 051	26 391	54 544
<i>Carats recovered 000's</i>			
DBCM	2 798	3 589	7 556
Debswana	11 320	10 267	22 218
De Beers Canada	817	782	1 751
Namdeb	599	794	1 472
	15 534	15 432	32 997

Contacts:

De Beers UK

Lynette Gould +44 20 7 430 3509/ +44 (0) 7740 393260

De Beers South Africa

Tom Tweedy +27 (0)11 374 7173/ +27 (0) 83 308 0083

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

About De Beers:

De Beers, established in 1888, is the world's leading rough diamond company with unrivalled expertise in the exploration, mining and marketing of diamonds. Together with its joint venture partners, De Beers operates in more than 20 countries across six continents employing more than 16,000 people, and is the world's largest diamond producer with mining operations across Botswana, Namibia, South Africa and Canada. As part of the company's operating philosophy, the people of De Beers are committed to *Living up to Diamonds* by making a lasting contribution to the communities in which they live and work. In the countries in which we have mining operations, this means carrying out profitable business, whilst at the same time helping Governments achieve their aspirations of turning natural resources into shared national wealth. De Beers encourages sustainable working to ensure long-term positive development for Africa, and returns more than US\$3.0 billion to the continent every year. For further information about De Beers visit www.debeersgroup.com