

DE BEERS  
A DIAMOND IS FOREVER

# De Beers Group Annual Results 2005

Friday 10 February 2006



DE BEERS  
A DIAMOND IS FOREVER

# Welcome and Introduction

Nicky Oppenheimer



DE BEERS  
A DIAMOND IS FOREVER

## Financial Results 2005

Paddy Kell



# Introduction



- Impact of exchange rates
- Re-allocation of group service costs
- Goodwill amortisation no longer allowed
- Canadian tax credit
- AAplc transition to reporting underlying earnings

# Key Financials – Income statement



<b>US\$</b>		<b>2005</b>	<b>2004</b>
Group turnover	<b>+14%</b>	7.1bn	6.2bn
DTC sales	<b>+15%</b>	6.5bn	5.7bn
Net diamond account	<b>+17%</b>	1 186m	1 011m
Own earnings	<b>+64%</b>	782m	477m
Headline earnings*	<b>+26%</b>	824m	652m
EBITDA	<b>+6%</b>	1 393m	1 317m

\*Before \$250m class action payment

# Own earnings – restated



<u>US\$ millions</u>		<u>2005</u>	<u>2004</u>
Own earnings per accounts	+64%	782	477
Adjustments:			
- Amortisation			144
- Canadian tax credit		(148)	
Direct comparison	+2%	634	621

# Key Financials **restated** – Income statement



<b>US\$</b>		<b>Restated 2005</b>	<b>Restated 2004</b>
Group turnover	<b>+14%</b>	7.1bn	6.2bn
DTC sales	<b>+15%</b>	6.5bn	5.7bn
Net diamond account	<b>+3%</b>	1 186m	1 155m
Own earnings	<b>+2%</b>	634m	621m
Headline earnings*	<b>+4%</b>	676m	652m
EBITDA	<b>+6%</b>	1 393m	1 317m

\*Before \$250m class action payment

# Key Financials – Balance sheet/cashflow



US\$		2005	2004
Net debt *	<b>+774m</b>	2 362m	1 588m
Operating cash flow	<b>-512m</b>	473m	985m

*\* Including prefs*

**Net of \$250m  
payment**

**H1 \$158m  
H2 \$565m**

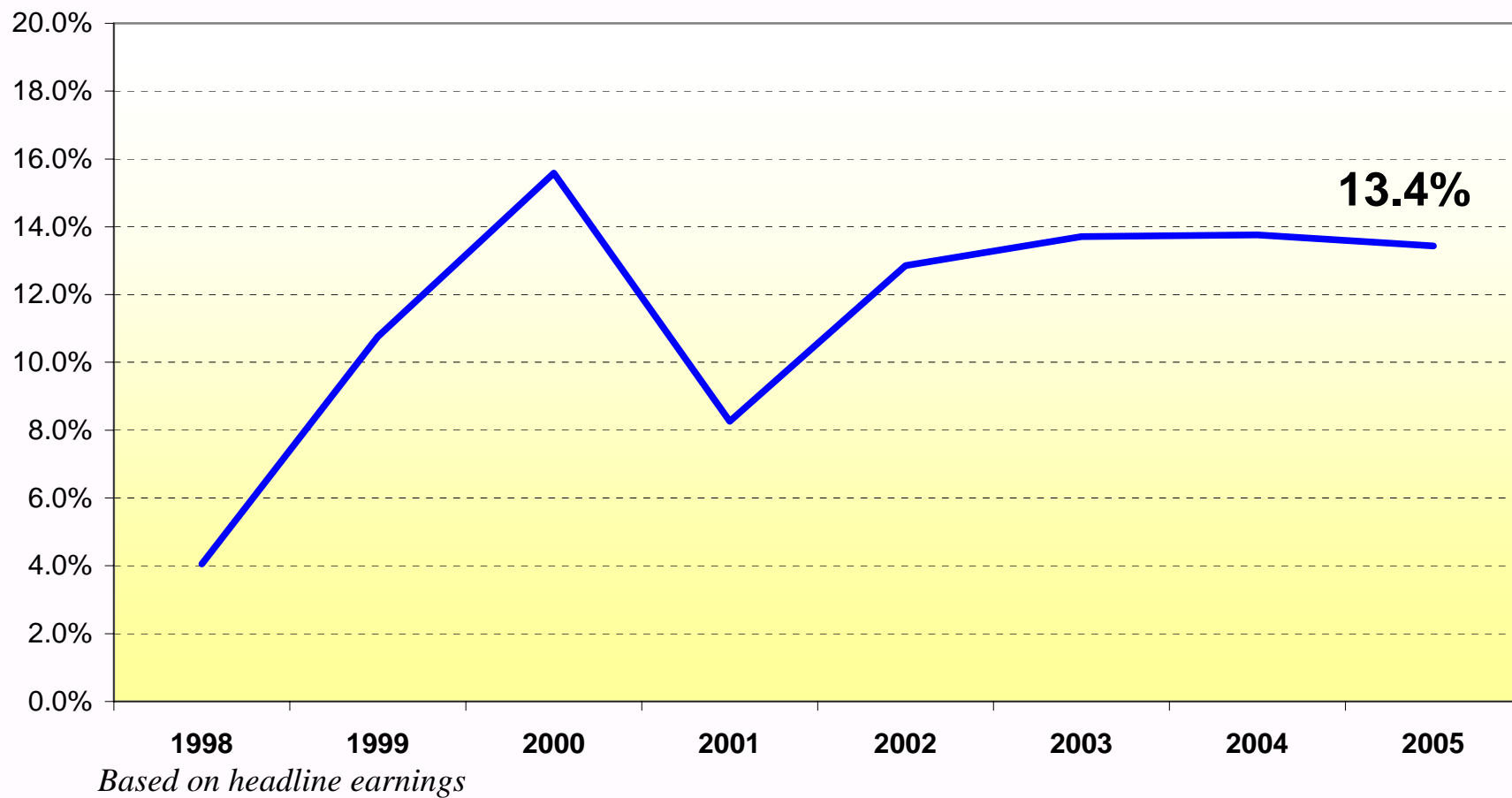


# Financial ratios

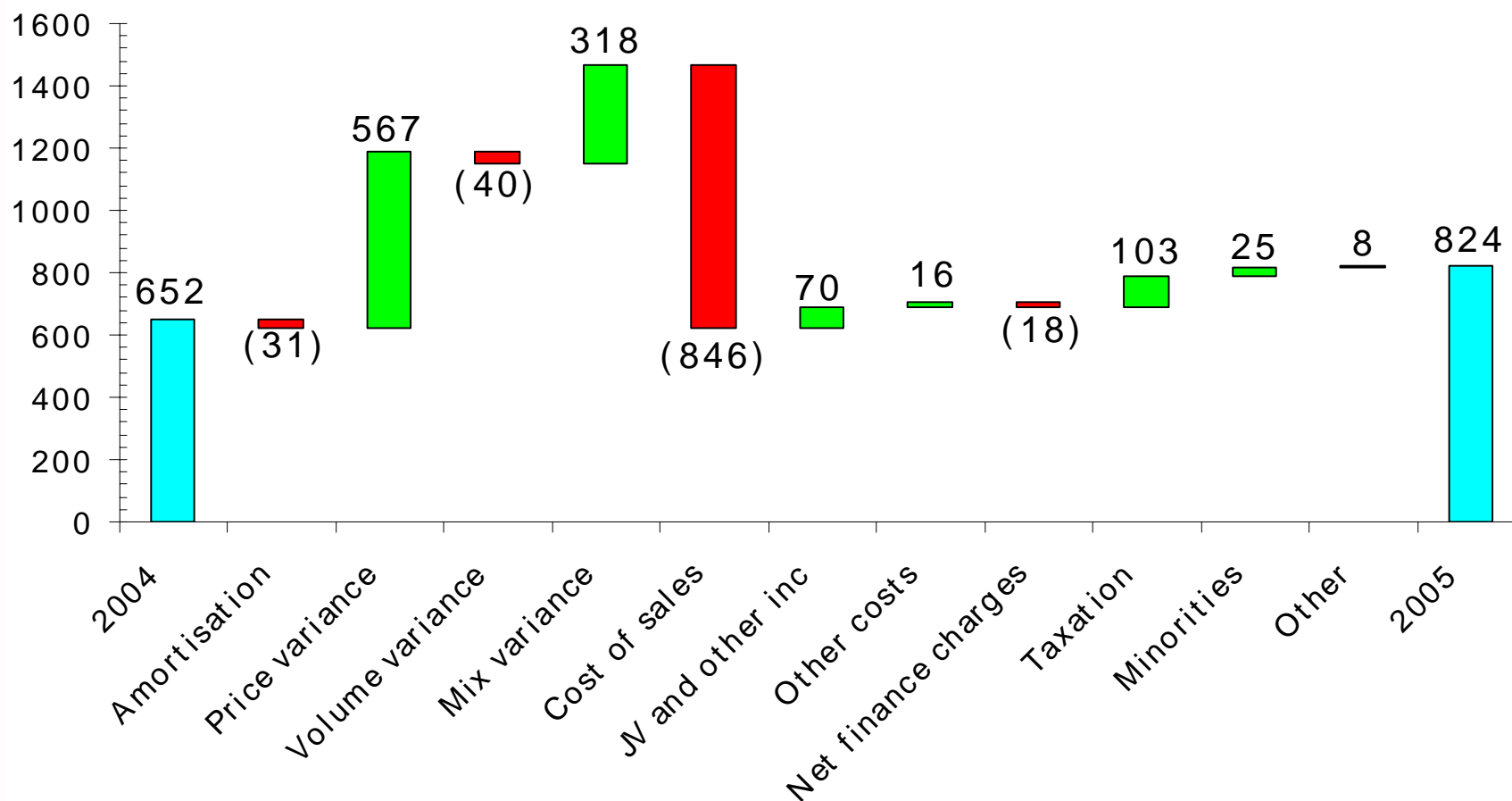


	<b>Restated 2005</b>	<b>Restated 2004</b>
Net diamond margin	17%	19%
Tax rate	40%	37%
Net gearing	35%	25%
ROCE	13.4%	13.9%

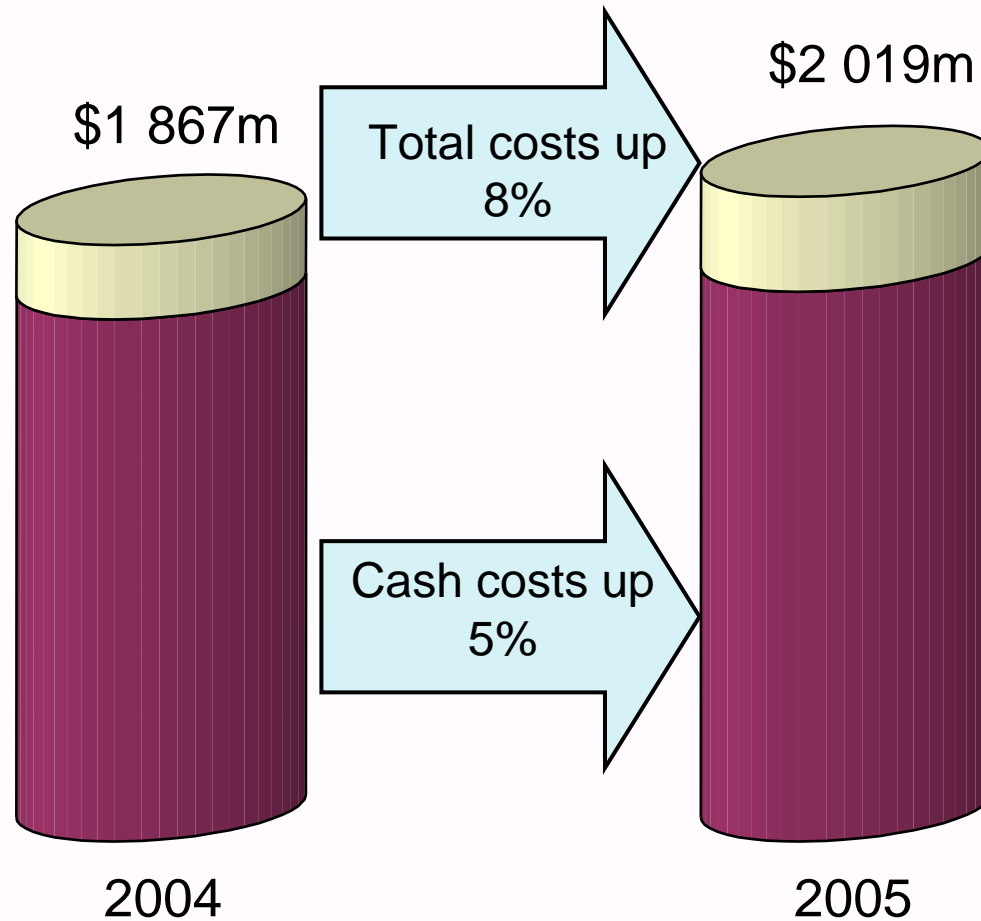
# ROCE



# Headline earnings 2004 - 2005



# Total costs excluding purchases



# Distributions – cash flow



	<u>2005</u>	<u>2004</u>
	<u>\$m</u>	<u>\$m</u>
Distributions	600	410
minorities		10
2003 final		150
2004 - interim		250
- final	200	
2005 - interim	150	
- final	154	
- capital reduction	96	

DE BEERS  
A DIAMOND IS FOREVER

# Managing Director's Review

Gary Ralfe



# 2005 Milestones



- Record Group production - 49m carats
- DBCM / Ponahalo Partnership
- New capital projects
- Angola and DRC exploration agreements
- Record DTC sales
- Value Added Services
- Legal developments
- Re-financing of DBsa
- Safety record

# 2005 Production Table



	2004	2005			2005 v 2004
	Actual	Actual	Budget	Var %	Var %
	(Million Carats)	(Million Carats)	(Million Carats)		
Debswana	31.1	31.9	31.0	3%	2%
DBCM	13.7	15.2	14.0	8%	10%
Namdeb	1.9	1.8	1.9	(7%)	(5%)
Williamson	0.3	0.2	0.3	(25%)	(33%)
Total	47.0	49.0	47.2	4%	4%



# Debswana



## Production

- 31.3M tons treated, +3% v 2004
- 31.9M carats recovered, +2% v 2004
- Jwaneng - new record production of 15.6M carats, +13% v 2004
- Orapa 7% under budget



## **Production**

- Record performance, 15.15 million carats Venetia, 8.5 million carats

## **Business Model Review**

- Four out of six operations now profitable

## **New MD**

- David Noko

## **BEE deal**

- a truly broad based empowerment deal

## **Kimberley underground, Koffiefontein closures**

# Namdeb



## **Elizabeth Bay**

- technical challenges, 47% under budget

## **Floating Treatment Plant**

- damaged by fire, 95 % under budget

## **De Beers Marine Namibia**

- Record production from Atlantic 1 - 922 000 carats

## **Significantly improved 'mix'**

- Carats 7% under budget
- \$US value 19% over budget

# Miner of Choice



## Safety

### **BHAG established**

- reduction of fatalities to zero
- Reduce Lost Time Injury Frequency rate by 10% per year

### **Excellent Safety results in 2005**

- LTIFR reduced by 12%
- Lost Time Injury Severity Rate reduced by 63%
- Fatal Injury Frequency Rate reduced by 80%

# DTC



## **Sales**

- Record sales \$US 6,539 million, + 14.8% on 2004

## **New client list**

- 93 clients - 10 new
- 5 new clients in RSA

## **Value Added Services**

- Successful launch in 2005

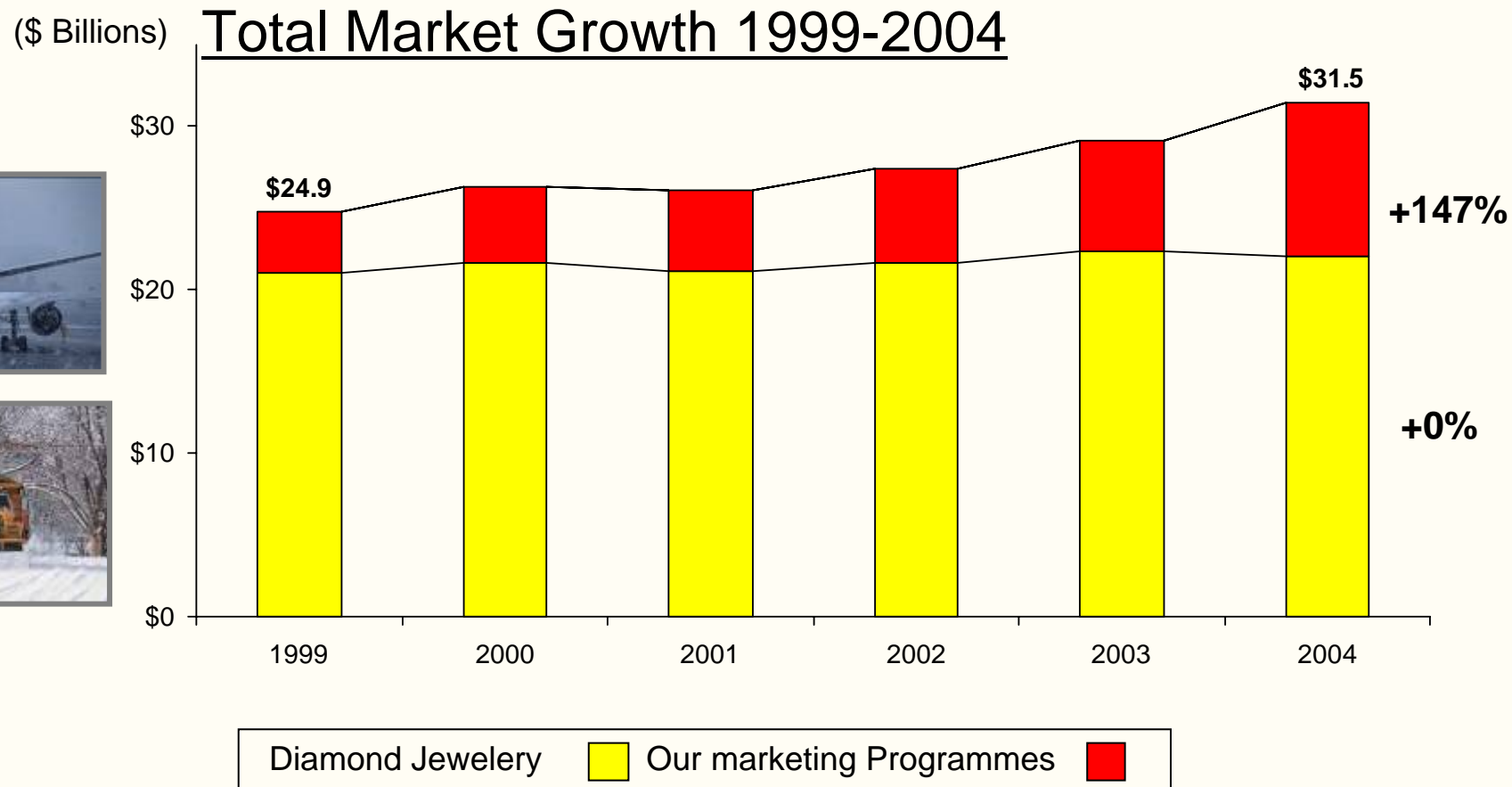
## **R & D**

- Identification of synthetics / treatment, new generation of detection instruments

# Marketing



## US: Growth driven by our marketing programmes



# Marketing

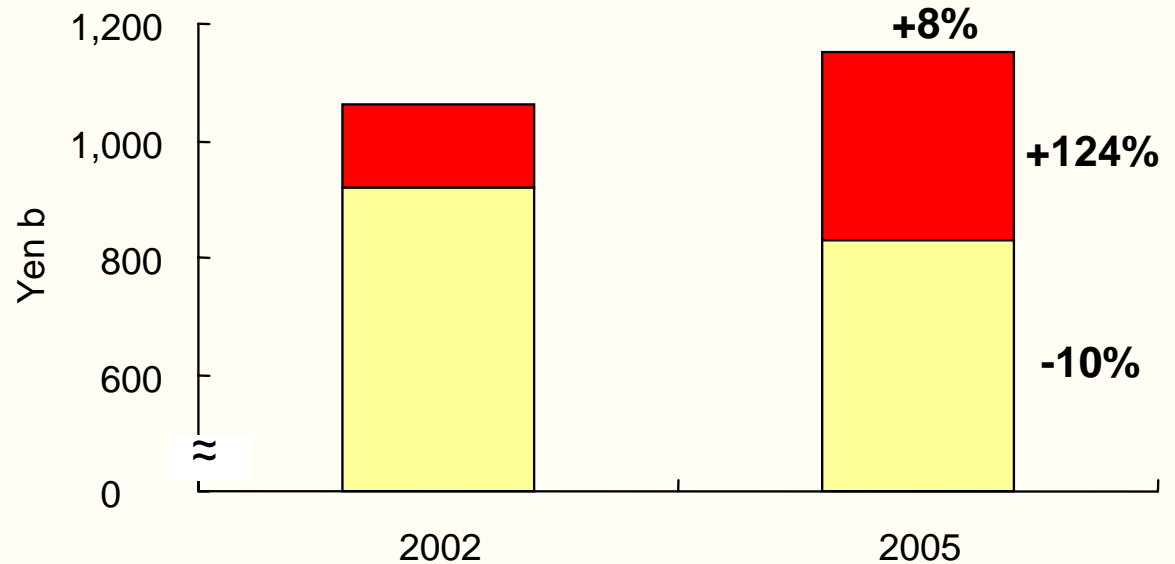


## JAPAN: DTC Programmes growing the market

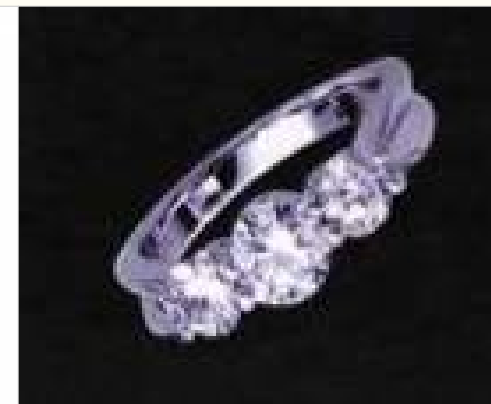
Total Market

Retail Sales

- All Other DJ
- DTC Programme Total



**TRILOGY**  
3-STONE DIAMOND



# Retail Sales



## Estimated 2005 Global \$PWP: 6% to 7%

- USA: mid single digits
- Asia Arabia: strong double digit
- Asia Pacific: low single digit
- Europe: flat



DTC  
المجلس العالمي للماس

في ذكرى لا ينسى برقيها أبدأ  
المجلس العالمي للماس



# Non-managed Businesses



## De Beers LV

- 61% increase in revenues (2005 vs 2004)
- New stores
  - Fifth Avenue, New York
  - Rodeo Drive, Los Angeles
  - Printemps, Paris
  - Royal Exchange, London
  - Daimaru & Umeda Hankyu, Osaka
- Further expansion planned for 2006

## Element 6

- 21% increase in sales revenue 2005 v 2004
- But lower profit resulting from pricing pressure and restructuring costs
- Syndrill business - high demand and market share growth
- Expanding production capability - new grit plant in China
- Focus on R&D - to bring competitive products to the market

# Legal developments



## **USA**

- Class Action suits – preliminary approval of Sullivan Settlement

## **EU**

- Alrosa trade agreement
- Supplier of Choice

## **SA**

- Diamond Amendment Bill

# DBsa Re-financing



- Increase from \$2.5bn to \$3.0bn (after oversubscription)
- 5 years and 7 years for 50% of the facility
- Greater flexibility, no upstream guarantees from subsidiaries

DE BEERS  
A DIAMOND IS FOREVER

## Outlook

Gareth Penny



# De Beers Strategic Drivers



## Drive Returns on Capital

1. Demand growth
2. Profitable production growth
3. Value creation through the DTC
4. Cost efficiencies

## Sustainable

5. Partnerships
6. Reputation Issues
7. Organisation effectiveness

## Group stretch targets for 2009



- EBITDA **\$2bn**
- ROCE **20%**

## Driving demand for diamonds



- Continued proactive and focussed marketing by the DTC
- Maintain moderate growth in US and Japan
- Achieve high growth in developing markets of India, China and Gulf
- Working with our clients to build effective marketing and distribution channels.
- Targeting 7% growth in consumer demand for diamond jewellery in 2006



## Accessing more supply



<b><u>Exploration</u></b> <ul style="list-style-type: none"><li>•34 new kimberlites (Botswana, Canada, Zimbabwe, India and Australia).</li><li>•Over 30 joint ventures concluded including Endiama, Miba, CAR government,</li><li>•Bell / Zeppelin gravity system</li><li>•2006 investments of +/- US\$100 m</li></ul>	<b><u>Botswana</u></b> <ul style="list-style-type: none"><li>•Orapa 3</li><li>•<b>AK 6 (J.V.)*</b></li></ul>	<b><u>South Africa</u></b> <ul style="list-style-type: none"><li>•SASA</li><li>•Finsch Plant upgrade</li><li>•Voorspoed (<i>approved pending mining licence</i>)</li></ul>
	<b><u>Canada</u></b> <ul style="list-style-type: none"><li>•Snap Lake</li><li>•Victor</li><li>•<b>Gahcho Kue*</b></li></ul>	<b><u>Namibia</u></b> <ul style="list-style-type: none"><li>•Upgrade of marine mining fleet capacity</li></ul>

\*Not yet approved



# Leveraging DTC expertise



## Business Development

- Forevermark
- Consumer confidence work in support of natural diamonds
- Sorting efficiency and technology development
- Relocation of diamond sorting activities to Botswana



# Leveraging DTC expertise



## Business Development

- Value Added Services and Discretionary Value Added Services
  - ✓ Focuses on generating value growth through a mix of core services and growth services
  - ✓ Increases the competitiveness and profitability of our clients business
  - ✓ Goes beyond anything provided by other producers



# Driving cost and asset efficiencies



- Asset efficiency
- Accelerated New Diamond delivery
- Pipeline reduction
- Selected restructuring



# Supporting producer country beneficiation goals



## RSA

- Diamond Amendment Bill

## Botswana

- DTC Botswana

## Namibia

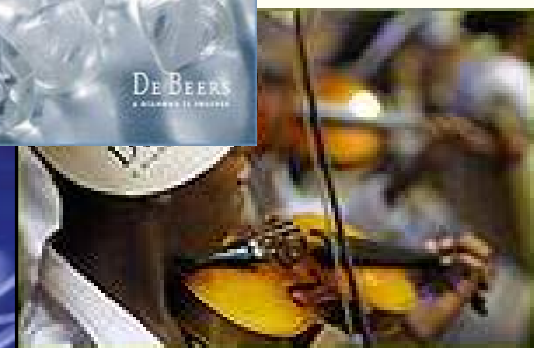
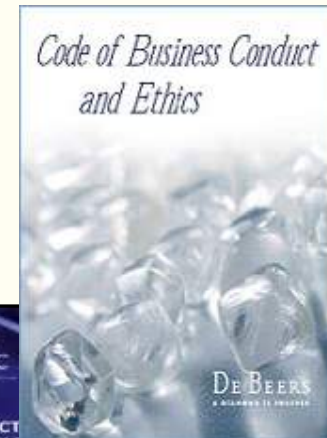
- Sales Negotiations



# Making sure we 'live up to diamonds'

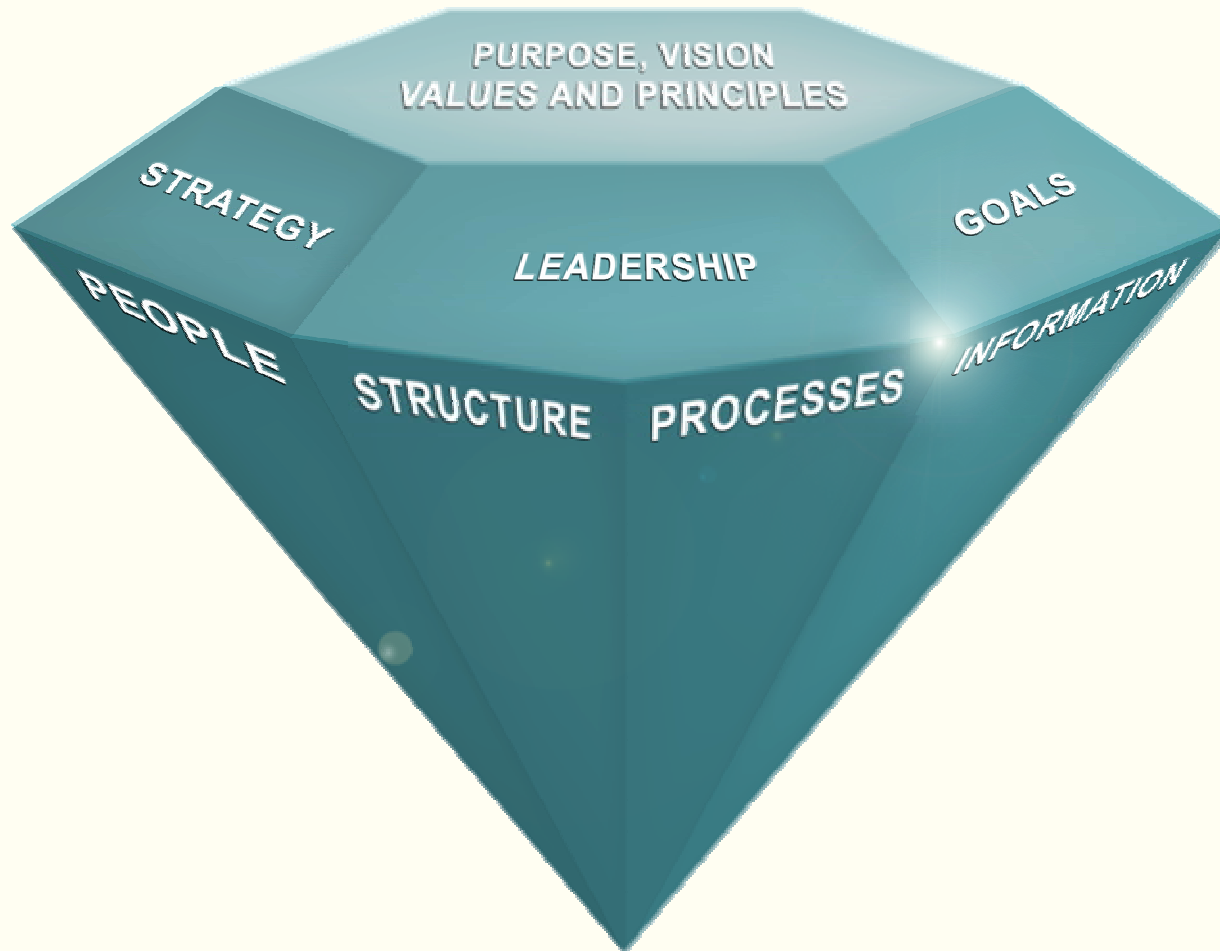


- Maintenance of Best Practice Principles
- Monitoring activities in synthetics and treated diamonds, and ensuring disclosure
- Continued support of the Kimberley Process and Diamond Development Initiative.
- HIV / AIDS
- Continued responsible investments

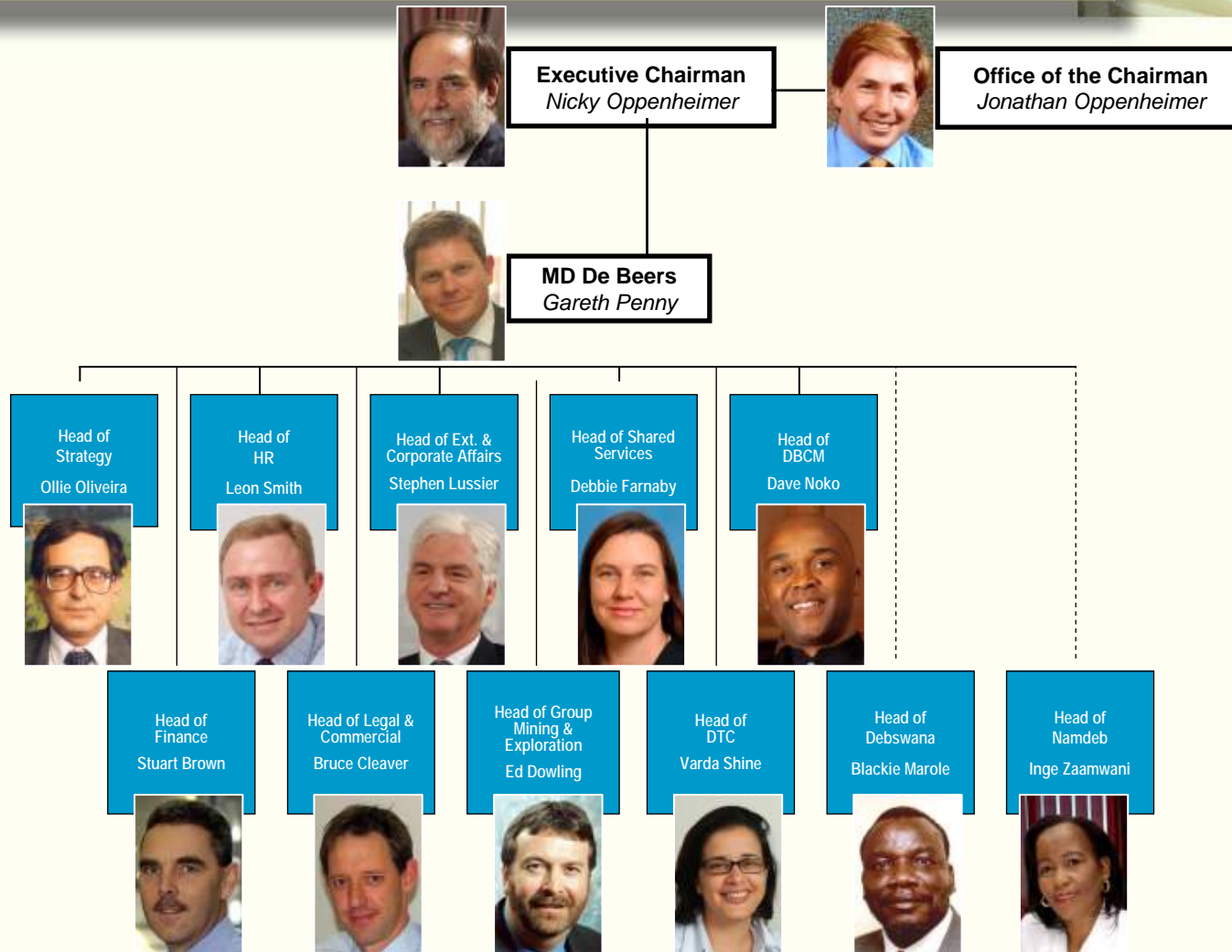




# Building an increasingly effective organisation



# The New De Beers Executive Committee



DE BEERS  
A DIAMOND IS FOREVER

## Questions

