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Group financial performance

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Our strategy in action

Diamonds

Share of associate's operating profit

2006
\$463 m

2007
\$484 m

EBITDA

2006
\$541 m

2007
\$587 m

- De Beers remains world leader in diamonds after 120 years
- Diamond production again exceeds 51 million carats
- Resilience of diamond jewellery market underpinned by China going forward

Business overview

Anglo American's diamond interests are represented by its 45% shareholding in De Beers. The other shareholders in De Beers are Central Holdings Limited (an Oppenheimer family owned company), which owns 40%, and the Government of the Republic of Botswana (GRB) with 15%.

De Beers is the world's leading diamond business, with expertise in the exploration, mining and marketing of diamonds. De Beers and its joint venture partners operate in more than 20 countries across five continents, employing nearly 22,000 people. From its 15 mines across Botswana, Canada, Namibia, South Africa and Tanzania, De Beers produces approximately 40% of the world's rough diamonds by value.

De Beers holds a 50% interest in both the Debswana Diamond Company (Proprietary) Limited and Namdeb Diamond Corporation (Proprietary) Limited, owned jointly with the GRB and the Government of the Republic of Namibia (GRN), respectively, and a 70% shareholding in De Beers Marine Namibia. The company also has a 75% interest in Williamson Diamonds Limited in Tanzania.

In addition, De Beers holds a 74% interest in South African-based De Beers Consolidated Mines Limited (DBCM), with a black economic empowerment (BEE) group (the Ponahalo interest consortium) holding an indirect 26% interest.

De Beers owns 100% of Diamond Trading Company International (DTCI). It also has a 50% interest with the GRB in Diamond Trading Company Botswana (DTCB), which will sort and value Botswana's diamond output as well as performing local sales and marketing activities. Additionally, a 50% interest is held, along with the GRN, in Namibia Diamond Trading Company (NDTC) which will sort and value Namibia's diamond output and carry out local sales and marketing activities.

Rough or uncut diamonds are broadly classified either as gem diamonds or industrial quality diamonds, with gem representing by far the larger of the two markets by value. The primary world market for gem diamonds is in retail jewellery where aspects such as size, colour, shape and clarity have a large impact on valuation. De Beers, through DTCI, supplies its clients – known as sightholders – with parcels of rough diamonds that are specifically aligned to their respective cutting and polishing needs.

De Beers and Moët Hennessy Louis Vuitton have established a high-end retail jewellery joint venture, through De Beers Diamond Jewellers, with stores in the most fashionable areas of some of the world's great cities, including New York, Los Angeles, London, Paris, Tokyo, Moscow and Dubai, with aggressive plans for expanding the global network in future.

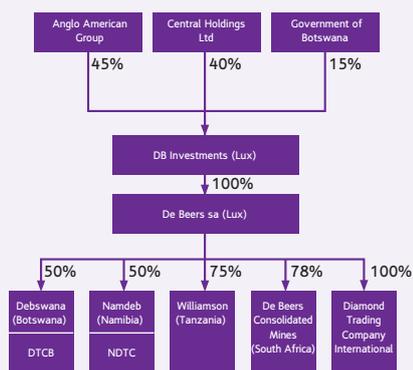
De Beers, through Element Six, is a major producer of synthetic industrial diamond material; applications include cutting, grinding, polishing, wire making and other technical and scientific uses. Element Six has a significant share in the oil and gas drilling business and has expanded recently by building an industrial diamond plant in China and the acquisition of a majority stake in a plant in Ukraine. In 2007, Element Six further enhanced its hard material portfolio by successfully completing the acquisition of Barat Carbide in Germany. With this step, Element Six acquired significant materials competence in carbide as well as market channels and application know-how in mining, road construction and for wear parts. With sales of well above \$100 million, Barat Carbide is a large addition to the Element Six group, resulting in total annual sales of over \$500 million for the combined entities.

Strategy and growth

During 2007, De Beers refocused its exploration activities, conducted a strategic review of mining assets and continued to invest in new mines. The company also restructured its mine portfolio, distribution and marketing activities and established new sales and marketing partnerships with producers in southern Africa.

The review is an essential part of De Beers' transformation and its business model is now focused on maximising consumer demand for diamonds, and not in maximising its market share. As part of its review, De Beers prioritised future investment in mining opportunities that fit its long term strategy. The sale of Cullinan, Koffiefontein and Kimberley underground mines together with some of the Kimberley tailings operations have been agreed and the merger of the West Coast operations of Alexkor with the

DE BEERS OWNERSHIP STRUCTURE



Industry overview

Up to two-thirds of the world's diamonds by value originate from southern and central Africa, while significant sources have been discovered in Russia, Australia and Canada. Annual diamond output amounts to approximately 156 million carats.

Most diamonds come from the mining of kimberlite deposits. Another important source of gem diamonds, however, has been secondary alluvial deposits formed by the weathering of primary kimberlites and the subsequent deposition of released diamonds in rivers and beach gravels.