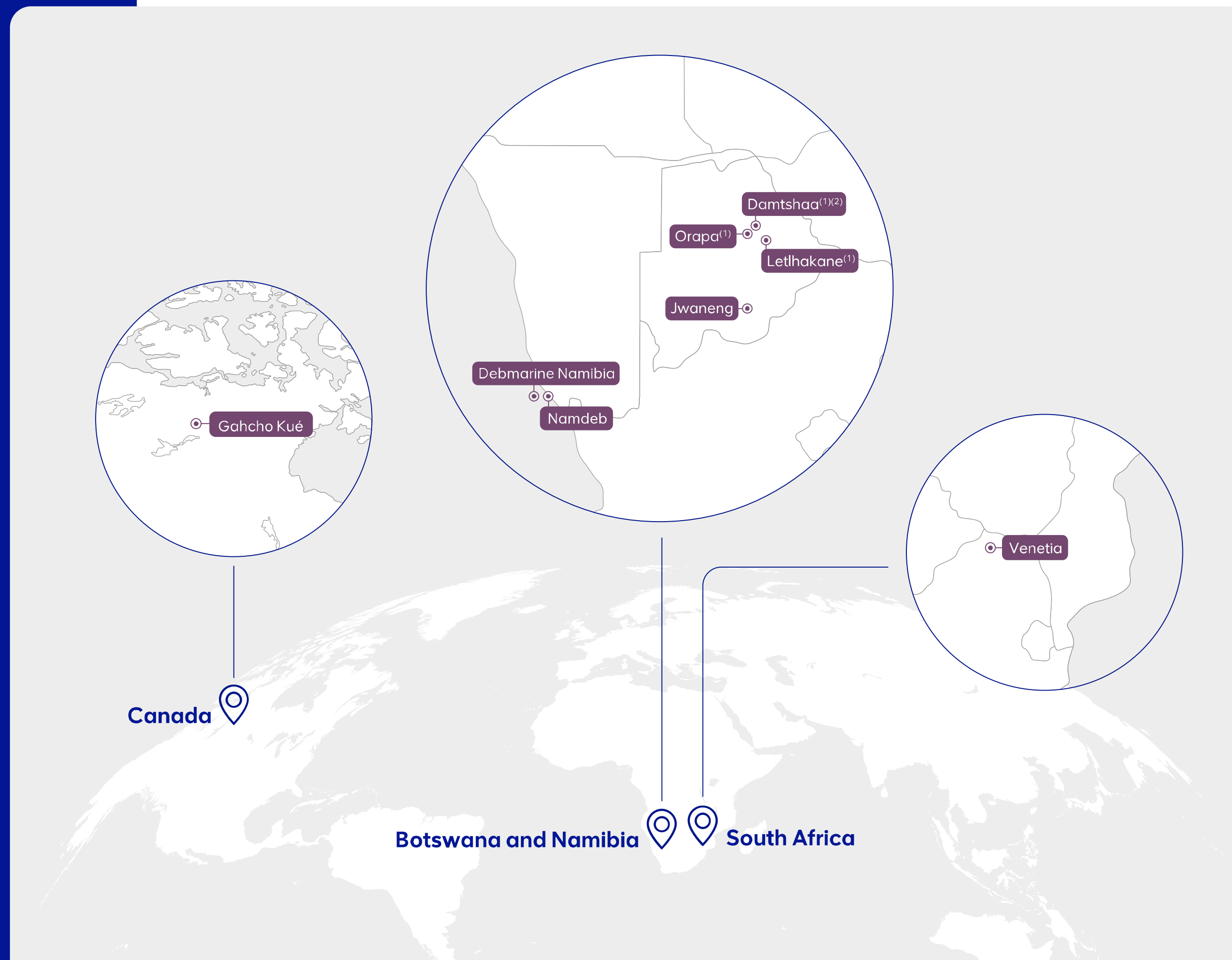
De Beers

Anglo American owns 85% of De Beers, a world leader in the diamond industry. The balance of 15% is owned by the Government of the Republic of Botswana. De Beers and its partners produce around one-third of the world's rough diamonds, by value.

Management team

Al Cook
CEO, De Beers



Key
Diamond operations

(1) All managed as one operation, the 'Orapa Regime'.
(2) Damtshaa was placed onto extended care and maintenance in 2021.

2024 summary: De Beers

0	1.54	$(25) m	(1)%	24,712
Fatalities[23]	TRIFR[23]	Underlying EBITDA	EBITDA margin	Production volume ('000 carats)

Our business

De Beers sells the majority of its rough diamonds through 10 Sight sales each year to Sightholders, with the balance being sold via its Auctions business to registered buyers. De Beers markets and sells polished diamonds and diamond jewellery via its retail brands.

De Beers recovers diamonds from four countries: Botswana, Canada, Namibia and South Africa.

In Botswana, via a 50:50 joint operation with the Government of the Republic of Botswana – known as Debswana – diamonds are recovered from two mines, including Jwaneng, one of the world's richest diamond mines by value. This mine's high-grade ore contributed around 65% of Debswana's revenue. The $2 billion (100% basis) Cut-9 expansion of Jwaneng extends the life of the mine to 2036 and is expected to deliver c. 9 million carats per annum (100% basis) of rough diamonds.

In Namibia, De Beers operates via a 50:50 joint operation with the Namibian government, recovering both land-based diamonds (Namdeb) and offshore diamonds (Debmarine Namibia). Namibia has the richest known marine diamond deposits in the world, with Diamond Resources estimated at approximately 75 million carats (100% basis)[24] in approximately 1.0 million k (m^2) of seabed. Marine diamond deposits represent around 80% of the partnership's total diamond production and 94% of its Diamond Resources.

Venetia is South Africa's leading diamond mine. Open-pit mining was completed, as scheduled, in 2022 and first production from the underground operation was delivered in June 2023. The $2.3 billion Venetia Underground project will continue to ramp up over the next few years and is expected to extend the life of the mine to 2046 and yield an estimated 81 million carats[24].

In Canada, De Beers has a 51% interest in, and is the operator of, Gahcho Kué open-pit mine in the Northwest Territories. It began commercial production in 2017 and has a seven-year life remaining, producing an average of 5 million carats a year, yielding an estimated total of 36 million carats (100% basis)[24].

De Beers also develops industrial supermaterials through Element Six.

Anglo American is following a dual-track process (a divestment or demerger) to separate the De Beers business from the Group, in order to give both Anglo American and De Beers a new level of strategic flexibility to maximise value for both Anglo American and the Government of the Republic of Botswana, as De Beers' two shareholders. The separation will enable De Beers to unlock full value from its Origins strategy set out in May, with a focus on four key pillars underpinned by a plan to streamline the business and sustainably reduce overhead costs by $100 million.

Safety

De Beers recorded zero work-related loss of life in 2024 (2023: zero) at its managed operations; tragically, however, a colleague was fatally injured at the independently managed Jwaneng mine in Botswana.

De Beers' TRIFR improved by 25% to 1.54 (2023: 2.05), largely driven by the success of the Visible Felt Leadership programme.

Implementation of De Beers' 'Pioneering Brilliant Safety' framework continues, with Gahcho Kué mine and the midstream operations implementing actions identified during their 2023 assessments. This framework has identified five focus areas, including:

- **Contractor performance management:** ensuring appropriate oversight of contractors and efficient and effective onboarding, as well as exhibiting Visible Felt Leadership in the field
- **Human factors:** fostering trust and psychological safety through engaging employees and promoting effective leadership
- **Design for safety:** incorporating safety features into plant and equipment during the design phase
- **Technology for safety:** enhancing safety through implementing advanced technologies
- **Emergency management:** developing world-class emergency management and response practices through strategic partnerships.

Environmental performance

Energy use decreased by 4% to 3.7 million GJ (2023: 3.8 million GJ), while GHG emissions were 3% lower than the prior year at 0.4 Mt CO_2e, reflecting the lower production.

In collaboration with Envusa Energy – the renewable energy partnership formed between Anglo American and EDF Renewables in 2022 – good progress was made in the development of solar and wind energy in southern Africa. The electrification of Venetia mine, as it transitions to underground operations, progressed well; however, the positive impact on the mine's carbon footprint will only be felt when the Envusa Energy renewable energy projects come online.

De Beers made significant progress in implementing its Integrated Water Management Plan, which aims to achieve a 50% reduction in fresh water withdrawals in water-scarce areas by 2030. Water balance modelling has informed the detailed site-specific pathways to 2030.

Financial performance

Difficult trading conditions resulted in a year-on-year reduction in revenue of 23% with total revenue of $3.3 billion (2023: $4.3 billion), primarily due to a 25% reduction in rough diamond sales to $2.7 billion (2023: $3.6 billion). Total rough diamond sales volumes decreased by 28% to 17.9 million carats (2023: 24.7 million carats). The average realised price, however, increased marginally by 3% to $152/ct (2023: $147/ct), reflecting a larger proportion of higher value rough diamonds being sold, offset by a 20% decrease in the average rough price index from 133 in 2023 to 107 in 2024.

The consequential impact of lower sales volumes, a lower average price index and higher unit costs resulted in an underlying EBITDA of $(25) million (2023: $72 million). The increase in unit cost to $93/ct (2023: $ 71/ct), is primarily driven by the decision to lower production volumes in response to the trading conditions.

Capital expenditure decreased by 14% to $536 million (2023: $623 million), predominantly due to cash preservation and optimisation initiatives. This includes the rephasing of Venetia underground life-extension and rationalisation of stay-in-business capex spend. The spend on the balance of the life-extension projects is consistent period-on-period and the projects remain on track.

An impairment of $2.9 billion (before tax and non-controlling interests) (2023: $1.6 billion) to Anglo American's carrying value of De Beers has been recognised within special items and remeasurements, reflecting further near-term adverse macro-economic conditions and industry-specific challenges. Please refer to note 8 in the Consolidated financial statements for further details.

On 3 February 2025, the Government of the Republic of Botswana and De Beers announced that they had successfully concluded negotiations focused on establishing a new 10-year sales agreement (through to 2035) for Debswana's rough diamond production and extending Debswana's mining licences by 25 years (through to 2054), with the terms being substantively aligned with the Heads of Terms agreed on 30 September 2023. Following the final governance approvals, both parties look forward to signing and executing the relevant agreements with the transaction finally completing when the new mining licences are issued by the appropriate regulatory authorities in Botswana. Until the completion of these new agreements, the terms of the existing agreements will continue to remain in effect.

Markets

Rough diamond trading conditions in 2024 continued to be very challenging in light of persistent higher than normal midstream inventory levels and the prolonged period of depressed consumer demand in China.

In the first quarter of 2024, the industry experienced signs of a recovery in demand for rough diamonds, in part due to the short-term impact of the voluntary moratorium on rough diamond imports into India at the end of 2023, coupled with improved demand following the holiday selling season in the United States. As the year progressed, consumer demand in China contracted further as economic challenges persisted with retailers in China (previously the second largest market globally for consumer sales of diamond jewellery) reducing stocks of polished diamonds, coupled with ongoing caution amongst US retailers. Consequently, midstream polished inventory levels increased sharply in the second quarter of 2024.

The seasonally slower third quarter saw this higher than normal inventory trend continue, resulting in lower demand for rough diamonds. In response, several producers postponed or cancelled sales events and offered greater purchasing flexibility. The fourth quarter saw midstream inventory levels plateau as the reduced rough supply had an impact and, in turn, polished prices began to stabilise at the end of the year.

Consumer demand for diamond jewellery globally in 2024 is estimated to have contracted 3-4% year-on-year. In the United States, accounting for just over 50% of diamond jewellery sales, demand is estimated to be down 2% year-on-year, driven by a decline in the first half of the year, while the second half demonstrated stabilisation remaining flat year-on-year. Lab-grown diamond wholesale and retail prices continued to fall throughout 2024 as the bifurcation from natural diamonds progresses, with acceleration in the second half of the year. In the lead-up to the holiday season, a number of US retailers, including Lightbox, introduced deep discounts on lab-grown diamond jewellery amongst increased competition, with some retailers also including disclaimers for their customers that lab-grown diamonds may not hold their value over time. Falling lab-grown diamond retail prices have meant jewellery retailer financial incentives are increasingly shifting in favour of natural diamond jewellery. While there are positive signs that the impact of lab-grown diamonds on demand for natural diamonds is peaking, average lab-grown diamond retail prices do not yet fully reflect the fall in wholesale prices, so retail prices are expected to decline further. While a proportion of natural diamond demand continues to be affected in the near-term by lab-grown diamonds as a result of prevailing retail margins, such margins are expected to be unsustainable in light of increasing lab-grown diamond supply volumes, greater levels of competition, and growing consumer awareness of lab-grown diamond price trends.

Operational performance

Mining

The mining operations delivered steady operational performance, albeit at lower output levels as the business continued to reconfigure production in response to prevailing market conditions.

Rough diamond production was reduced by 22% to 24.7 million carats (2023: 31.9 million carats), reflecting a proactive production response to a prolonged period of lower demand and higher than normal levels of inventory in the midstream. De Beers continues to focus on managing working capital, and despite lower sales volumes, inventory has reduced slightly year-on-year through the careful management of production, purchases and downstream stocks.

In Botswana, production was reduced by 27% to 17.9 million carats (2023: 24.7 million carats), as a result of planned actions to lower production at Jwaneng.

Production in Namibia decreased by 4% to 2.2 million carats (2023: 2.3 million carats), reflecting intentional action to lower production at Debmarine Namibia, which was down 13% year-on-year, partially offset by planned higher grade mining and better recoveries at Namdeb.

In South Africa production increased by 8% to 2.2 million carats (2023: 2.0 million carats), as Venetia underground progresses and further benefitting from a slight improvement in grades of processed ore. The output, however, remains low in comparison to historical production from the open-pit operation as the majority of the ore processed continues to be from existing surface stockpiles. This is expected to increase over the next few years as the underground project continues its ramp-up.

Production in Canada decreased by 16% to 2.4 million carats (2023: 2.8 million carats) due to the planned treatment of lower grade ore.

Corporate strategy

De Beers communicated its new "Origins" strategy at the end of May, with a focus on four key pillars underpinned by a plan to streamline the business sustainably by reducing overhead costs by $100 million. These consist of i) focusing upstream investments on the major projects that will deliver the highest returns; ii) integrating the midstream to deliver greater efficiency; iii) resetting the downstream by reinvigorating category marketing and evolving proprietary brands through development of De Beers Jewellers into a leading high jewellery maison business and refocusing Forevermark on the fast-growing Indian market; and iv) pivoting synthetics, with Lightbox suspending production of lab-grown diamonds for jewellery and Element Six focusing on developing its position as a world-leading provider of synthetic diamond technology solutions.

De Beers continues to implement the relevant strategic initiatives and is on track to deliver the committed overhead cost savings through 2025.

Brands and consumer markets

New natural diamond marketing collaborations were established with world-leading diamond jewellery retailers: Signet in the US, Tanishq in India, and Chow Tai Fook in China. The collaborations focus on driving long-term desirability for natural diamonds in the three largest consumer countries for diamonds. The collaborations will also benefit from promotional messages being amplified through the wide reach of these leading retail businesses, as well as training retail jewellery consultants to better promote natural diamonds.

De Beers Jewellers delivered a consistent performance against the prior period despite the ongoing challenges in China. The business continues to create design-led pieces and high jewellery collections to encourage demand growth in a challenging market. Consistent with the strategy to focus the brand on India, Forevermark's global operations ramped down.

De Beers also announced the launch of DiamondProof™, a new device to be used on the jewellery retail counter for rapidly distinguishing between natural diamonds and lab-grown diamonds. This device will support retailers in communicating the attributes of natural diamonds, providing customers with enhanced confidence in the authenticity of their natural diamond purchase and deterring undisclosed lab-grown diamonds from entering the natural supply chain.

Market outlook

Near-term market conditions are expected to remain challenging in 2025 as polished pull-through remains subdued and industry players continue to manage inventory levels. In the medium-term, production cuts announced by a number of producers coupled with stabilisation of demand in China and a normalisation of industry inventory levels are expected to result in modest rough price growth. Consumer demand and retailer re-stocking are expected to be supported by marketing for natural diamonds, with the long-term outlook for the natural diamond industry remaining favourable.

Diamond provenance has the potential to further reinforce demand for De Beers' ethically-sourced natural rough diamonds. Tracr, the pioneering diamond traceability platform, is now listing a single country of origin for all newly registered De Beers-sourced diamonds over 0.5 carats in polished size, aligning with the size threshold for new diamond import requirements for G7 countries.

Lab-grown diamond wholesale prices continue to fall and have further room to do so until they converge with the marginal cost of production. Long-term retailer incentives associated with lab-grown diamonds are expected to diminish, supported by growing consumer awareness of the low production cost and relative abundance of lab-grown diamonds, reinforcing their positions as different products. As the economics of selling lab-grown diamonds become more challenging, there are signs that retailers in the US are returning their focus to natural diamonds and this trend is expected to continue.

2024 results

	2024	2023
Production volume ('000 cts)[1]	**24,712**	31,865
Sales volume ('000 cts)[1][2]	**17,883**	24,682
Price ($/ct)[1][3][4]	**152**	147
Unit cost ($/ct)[1][4][5]	**93**	71
Revenue – $m[1][6]	**3,292**	4,267
Underlying EBITDA – $m[1][4]	**(25)**	72
EBITDA margin[1][7]	**(1%)**	2%
Trading margin	**(3%)**	(3%)
Underlying EBIT – $m[1][4]	**(349)**	(252)
Capex – $m[1][4]	**536**	623
Attributable ROCE[1]	**(6)%**	(3)%
Fatalities[8]	**0**	0
TRIFR[8]	**1.54**	2.05
Energy consumption – million GJ[8]	**3.7**	3.8
GHG emissions – Mt CO_2 equivalent[8]	**0.4**	0.4
Total water withdrawals – million m^3[9]	**8.7**	7.3
Employee numbers[10]	**10,800**	10,900

(1) Prepared on a consolidated accounting basis, except for production, which is stated on a 100% basis except for the Gahcho Kué joint operation in Canada, which is on an attributable 51% basis.
(2) Total sales volumes on a 100% basis were 19.4 million carats (2023: 27.4 million carats). Total sales volumes (100%) include De Beers Group's joint arrangement partners' 50% proportionate share of sales to entities outside De Beers Group from Diamond Trading Company Botswana and Namibia Diamond Trading Company.
(3) Pricing for the mining businesses is based on 100% selling value post-aggregation of goods. Realised price includes the price impact of the sale of non-equity product and, as a result, is not directly comparable to the unit cost.
(4) Results by country can be found in the Summary by operation on pages 307–308.
(5) Unit cost is based on consolidated production and operating costs, excluding depreciation and operating special items, divided by carats recovered.
(6) Includes rough diamond sales of $2.7billion (2023: $3.6 billion).
(7) EBITDA margin on a total reported basis. On an equity basis, and excluding the impact of non-mining activities, third-party sales, purchases, trading, brands and consumer markets and corporate, the adjusted EBITDA margin is 35% (2023: 48%).
(8) Data is for De Beers' managed operations.
(9) Data is for De Beers' managed operations and other managed entities.
(10) Average number of employees, excluding contractors and associates' and joint ventures' employees, and including a share of employees within joint operations, based on shareholding.

Operational outlook

Given market challenges, the Venetia project is undergoing a rescoping exercise to optimise the capital and production profiles.

Production guidance for 2025 is 20–23 million carats (100% basis), reflecting the challenging rough diamond trading conditions. De Beers continues to monitor rough diamond trading conditions and will respond accordingly.

Production will then be increased steadily over the next two years to 28-31 million carats (100% basis) in 2027, as the business responds to the anticipated market recovery.

The 2025 unit cost guidance is c.$94/carat[25], marginally higher than the 2024 unit cost of $93/carat, reflecting the impact of the lower volumes partially offset by cost saving initiatives and the benefit of the slightly weaker South African rand guidance spot FX rate.