

8 November 2005

**DE BEERS**  
A DIAMOND IS FOREVER



A truly broad based, sustainable empowerment transaction for  
the benefit of our partners, our employees, communities,  
De Beers and the economy

# 1. De Beers objectives

- Meet the letter and the spirit of the Mining Charter
  - 26% equity interest in DBCM sold up front, thereby exceeding the 2009 Mining Charter target and complying immediately with the 2014 Mining Charter target
- Facilitate a truly broad based, innovative and sustainable empowerment transaction
  - Empower De Beers South African employees and pensioners
  - Incentivise key HDSA employees
  - Empower a new group of HDSA entrepreneurs, both men and women, who will provide business leadership and add value to DBCM's business
  - Empower and assist disadvantaged women, people with disabilities and communities around DBCM's mines
- Stimulate economic growth and development activity in the South African economy
  - Ponahalo will utilise R10 million (escalating at 5% per annum) of its dividend income received from DBCM each year to make other investments in South Africa, primarily in areas in which DBCM operates
- Provide a source of income to disadvantaged women, people with disabilities and mine communities
  - Ponahalo will also set aside R5 million of its dividend income received from DBCM each year for this purpose
- Ensure the transaction is robust and sustainable through meaningful financial facilitation

***A truly broad based, sustainable empowerment transaction for the benefit of our partners, our employees, communities, De Beers and the economy***

## 2. Key features of the transaction

- Creation of Ponahalo, a new generation broad based black empowerment company
- Ponahalo will acquire a 26% equity interest in DBCM, via an intermediate holding company, at fair market value of approximately R3.8 billion – Ponahalo’s financial adviser has advised that, subject to finalisation of certain valuation parameters and due diligence, the purchase price reflects fair value for the equity interest
- Ponahalo will be owned 50% by De Beers South African employees and pensioners and 50% by a Business Consortium, namely Ponahalo Investment Holdings (which includes key business individuals (both men and women), and trusts representing disadvantaged women, people with disabilities and mining area communities)
- Ponahalo will be managed independently from De Beers, with Manne Dipico as its Chairman
- Manne Dipico will become Deputy Chairman of DBCM and serve on DBCM’s Executive Committee
- Two other Ponahalo nominees will be appointed to DBCM’s Board of Directors
- De Beers’ empowerment partners will assist in driving transformation throughout DBCM providing key, value adding input into the management and strategic direction of DBCM
- Ponahalo will utilise (in priority to debt service) R10 million of its dividend income received from DBCM each year (escalating at 5% per annum), or more than R100 million in aggregate over the first 10 years, to make other investments in South Africa, primarily in areas in which DBCM operates
- Ponahalo will also set aside (in priority to debt service) R5 million of its dividend income received from DBCM each year which will flow directly through to the disadvantaged women’s, disabled persons and community trusts
- Over the first ten years, the balance of Ponahalo’s dividend income will be used for debt service

# 3. Overview of the transaction structure

## Key Employee Trust

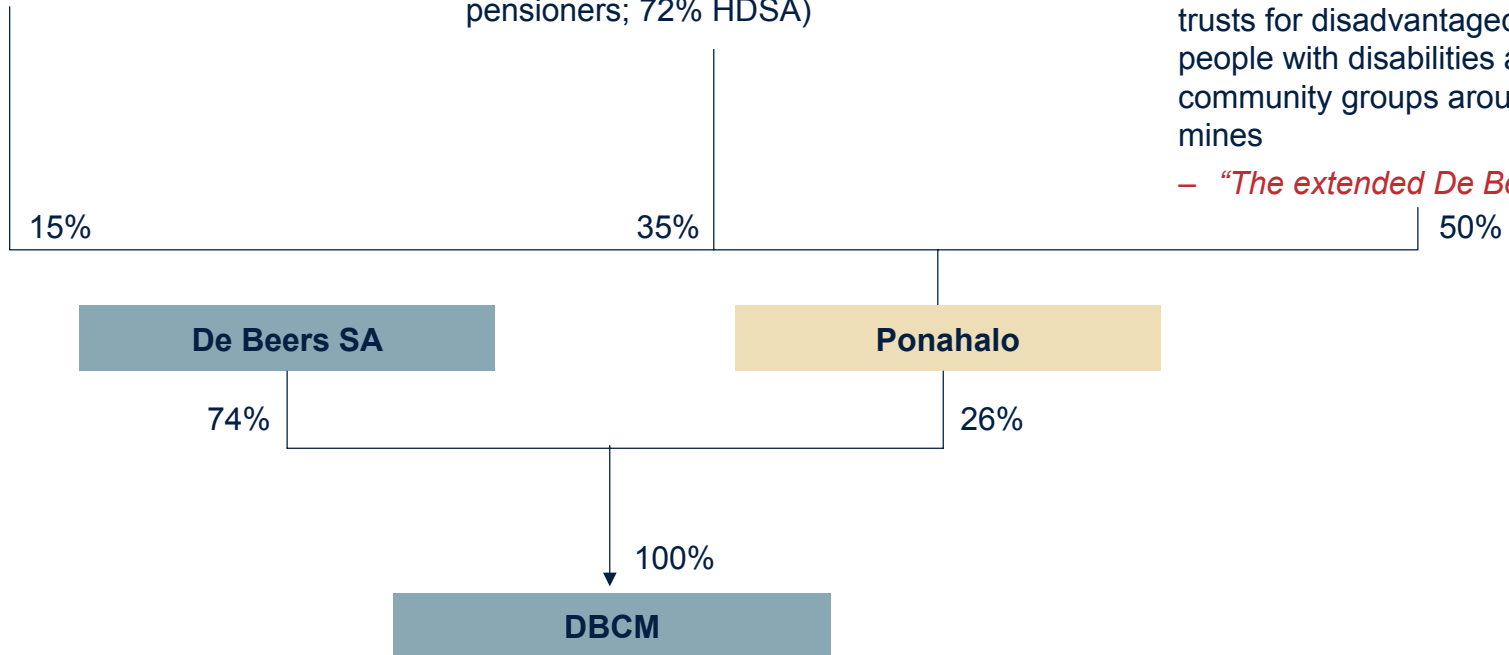
- Incentivise and retain key management and employees
- Primarily HDSA

## Equal Allocation Trust

- *“The De Beers family”*
- Empower current and future employees and pensioners (in excess of 18 000 employees and pensioners; 72% HDSA)

## Ponahalo Investment Holdings

- Business Partners
  - To provide management and strategic input
  - To co-ordinate the activities of the trusts for disadvantaged women, people with disabilities and community groups around DBCM’s mines
- *“The extended De Beers family”*



***Ponahalo truly broad based – 90% HDSA; 73% broad based ownership; 50% De Beers employees and pensioners; 29% participation by women***

## 4. Employee empowerment - Equal Allocation Trust

- 35% of Ponahalo will be owned by the Equal Allocation Trust
- In excess of 18 000 people (9 600 current employees and 8 700 current pensioners) to benefit
- All current De Beers South African based employees and pensioners will become entitled to a specified beneficial interest in the Trust which will be allocated to each such employee and pensioner on an equal basis (i.e. regardless of race, seniority or length of service)
- 72% of the beneficiaries of the Trust will be HDSAs
- Employee interests aligned to DBCM through equity ownership
- No cash contribution required from employees / pensioners
- Employees will be required to retain their interests until May 2014

***All employees and pensioners will participate; 72% of Trust beneficiaries will be HDSA's***

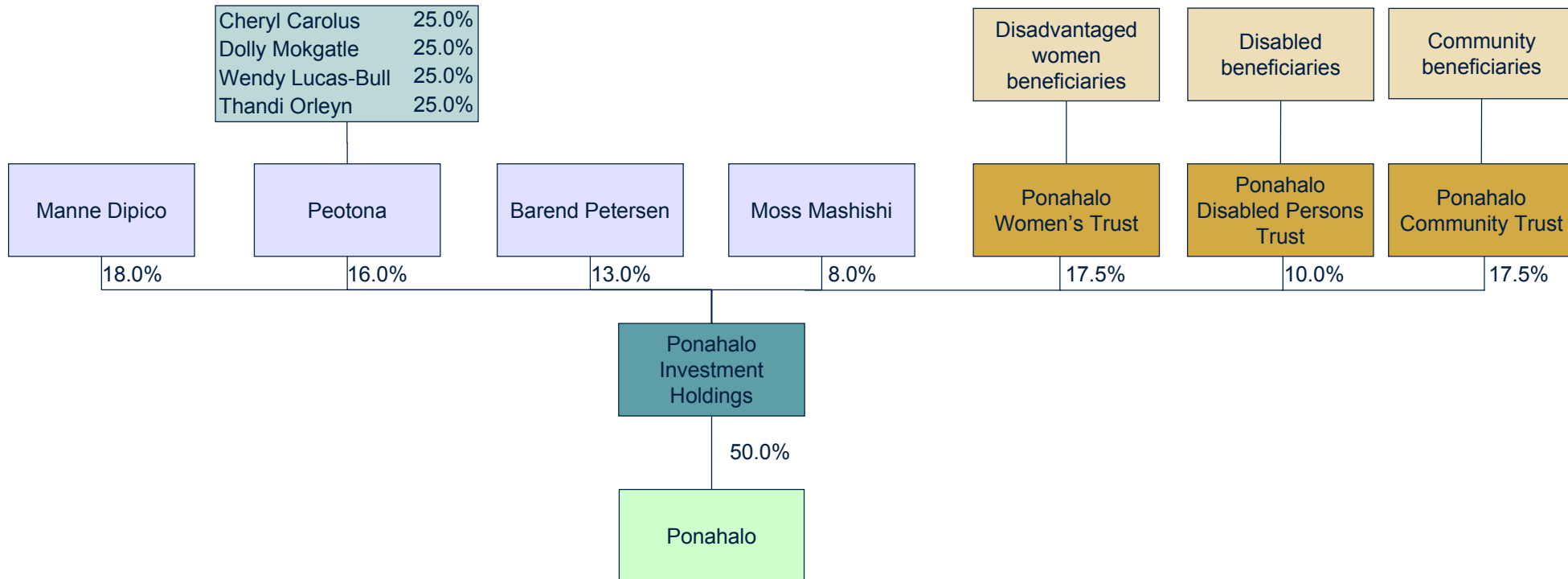
## 5. Incentivisation and retention – Key Employee Trust

- 15% of Ponahalo will be owned by the Key Employee Trust
- Current and future key, primarily HDSA, employees of De Beers will benefit
  - Nominated current key employees will be allocated a specified beneficial interest in the Trust on a discretionary basis as a mechanism to incentivise key employees
  - Employees identified as key through their performance, contribution and commitment to DBCM
- Appropriate interest in the Trust set aside for future key employees of De Beers
- No cash contribution required from employees
- Participating employees will be required to retain their interests until May 2014

***Significant incentive and retention mechanism for key, primarily HDSA, employees***

# 6. Ponahalo Investment Holdings

## 6.1 Ownership structure



## 6. Ponahalo Investment Holdings

### 6.2 Shareholder objectives

- Ponahalo Investment Holdings' objective is to make investments in South Africa which will utilise the business, professional and community leadership skills of its shareholders in order to
  - add value to the businesses in which it invests
  - create wealth for its shareholders
  - benefit the South African economy and create jobs
- With respect to the proposed equity investment in DBCM, Ponahalo Investment Holdings believes that an equity investment in DBCM will be a highly attractive opportunity and one that will create value for its shareholders and provide for other investment opportunities

***Ponahalo Investment Holdings is a new generation, black economic empowerment company that will add considerable value to DBCM's business***



## 6. Ponahalo Investment Holdings

### 6.3 *Broad based empowerment*

- The broad based nature of Ponahalo Investment Holdings is encompassed in the women's, disabled persons and community trusts which will collectively own a 45% interest in Ponahalo Investment Holdings
  - The three trusts will have the following shareholding in Ponahalo Investment Holdings
    - 17.5% by the Ponahalo Women's Trust. The beneficiaries of this Trust will be disadvantaged women
    - 10.0% by the Ponahalo Disabled Persons Trust. The beneficiaries of this Trust will be people with disabilities
    - 17.5% by the Ponahalo Community Trust. The beneficiaries of this Trust will be the mining communities around DBCM's mines
- These three trusts will be the beneficiaries of R5 million each year, or R50 million in aggregate over the first 10 years, from year 1
- No requirement for an equity contribution from the trusts
- Beneficiaries of the Ponahalo trusts are yet to be identified, this will follow a process of consultation with local community based and non-governmental organisations
- Various rigorous corporate governance mechanisms will be put in place to ensure the flow through of funds to the relevant beneficiaries

***Benefits will flow to disadvantaged women, people with disabilities and mining area communities from the first year***

## 6. Ponahalo Investment Holdings

### 6.4 Key partners

- The key business partners of Ponahalo Investment Holdings are
  - Manne Dipico, the Chairman of Ponahalo, with 18.0%
  - Peotona, a women’s investment company owned by Cheryl Carolus, Dolly Mokgatle, Wendy Lucas-Bull and Thandi Orleyn, with 16.0%
  - Barend Petersen, with 13.0%
  - Moss Mashishi, with 8.0%
- The shareholders of Ponahalo Investment Holdings bring a wealth of experience, namely
  - strong leadership and a contribution to strategic direction
  - first hand experience and knowledge of government and government policies
  - experienced and professional management and mentoring for new business initiatives
  - business support and a passion for sustainable development that will leave constructive legacies for communities
  - first hand knowledge of the diamond industry
  - experience in corporate governance, management and finance
  - a sound knowledge of partnerships with local communities

***The depth of experience and skills of the business partners will add significant value to DBCM’s business***

## 7. Partner contribution and active involvement

- Ponahalo, given the collective experience of its shareholders, will assist in driving transformation throughout DBCM and provide key value adding input into the management and strategic direction of DBCM
- DBCM's business partners have been selected primarily on the basis of
  - integrity and reputation
  - business credentials and wealth of experience, and therefore their ability to add value
  - no meaningful participation in previous empowerment transactions of this nature
- Manne Dipico will become Deputy Chairman of DBCM and serve on DBCM's Executive Committee
- Two other Ponahalo nominees will be appointed to DBCM's board of directors (which will comprise 11 directors in total). Ponahalo nominees will also be appointed to other key DBCM board and management committees
- The interests of key DBCM management and employees will be aligned with that of DBCM through participation in the transaction

***Ponahalo's Chairman and its nominees on DBCM's Board will provide key input into the management and strategic direction of DBCM, assisting in driving transformation throughout DBCM***

## 8. Next steps and conditions precedent

- The financing of the acquisition by Ponahalo will now proceed to be arranged by De Beers, in conjunction with Ponahalo
- A further announcement will be made by De Beers and Ponahalo Investment Holdings following the signing of the relevant financing and other transaction agreements, which will provide details of the Ponahalo financing arrangements and the definitive financial impact of the transaction on the De Beers group (which is not material)
- Conditions precedent
  - the approval, to the extent necessary, by the South African Reserve Bank
  - obtaining any other regulatory approvals required
  - the required financing being raised by Ponahalo on acceptable terms for the purpose of acquiring the 26% equity interest in DBCM
  - definitive agreements being entered into by De Beers, DBCM, Ponahalo and other relevant parties to effect the transaction, and all of these agreements becoming unconditional
  - the passing of group tax relief regulations already proposed by the South African Government
- Final terms of the transaction will be subject to the finalisation of the proposed amendments to the Diamonds Act and an assessment by De Beers and Ponahalo Investment Holdings of the impact of these amendments on DBCM's business, as well as certain other potential value adjustment items which the parties may identify

## 9. In summary

- A black economic empowerment transaction as envisaged by the Mining Charter – **26% equity interest sold up front, thereby exceeding the 2009 target and meeting the 2014 Mining Charter target**
- Creation of Ponahalo, a new generation broad based empowerment company
- DBCM's partners will assist in driving transformation throughout DBCM by providing key input into the management and strategic direction of DBCM
- A truly broad based and innovative transaction. Ponahalo ownership will be
  - 50% by De Beers South African based employees and pensioners
  - 50% by a consortium of business and broad-based groupings
  - 90% by HDSA
  - 73% broad based
  - 29% by women
- Meaningful financial facilitation by De Beers
- Ponahalo will utilise R10 million of its dividend income received from DBCM each year (escalating at 5% per annum), or more than R100 million in aggregate over the first 10 years, to make other investments in South Africa, primarily in areas in which DBCM operates
- Ponahalo will also set aside R5 million of its dividend income received from DBCM each year which will flow directly through to trusts for the benefit of disadvantaged women, people with disabilities and communities around DBCM's mines
- Over the first ten years, the balance of Ponahalo's dividend income will be used for debt service

***A truly broad based empowerment transaction in the true spirit of the Mining Charter***