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STRICTLY EMBARGOED UNTIL 18.00H BST, 17.00H LUCERNE - 25 JULY 1990

Wednesday, 25 July 1990

**DE BEERS CENTENARY AG AND THE SOVIET UNION'S DIAMOND INDUSTRY
SIGN BILLION DOLLAR LOAN AND 5-YEAR SALES AGREEMENTS**

The Swiss-based company, De Beers Centenary AG, has concluded an exclusive contract with Glavalmazoloto of the USSR, the Main Administration for Precious Metals and Diamonds under the USSR Council of Ministers, for the export and sale of the Soviet Union's production of rough diamonds for the next five years. The marketing of these diamonds will take place in London and Lucerne.

Centenary Holdings SA, De Beers Centenary's Luxembourg-based subsidiary, has also agreed to make a secured advance of \$1 billion against future diamond deliveries. Repayment will be made over five years beginning in November 1990.

As one of the world's biggest producers of gem diamonds, the Soviet Union has always marketed its rough diamonds in a way that would not disrupt the stability of a sensitive and complex industry. De Beers Centenary is pleased that the USSR now joins other major producers in marketing its rough diamond production in association with De Beers Centenary AG. This sales contract will have an estimated value of more than \$5 billion over the length of the contract.

The agreement was signed today by Mr V Roudakov, Head of Glavalmazoloto of the USSR and by Mr N F Oppenheimer, Deputy Chairman of De Beers Centenary AG.

This agreement with one of the world's largest producers will ensure the continued stability of the world diamond industry.

*Five Minister
The Chairman of De
Beers gave me this. It
is a fascinating example
of how the Soviets are
working with precious
metals as collateral for*

*Loans.
COP
24/7
me*

Possible questions that could arise out of the Glavalmaz / Centenary Sales Agreement

- 1 Is this the real reason why Centenary AG was formed, ie to facilitate business with the Soviet Union?

Glavalmazoloto is not dealing with a South African company, but with a Swiss company. The creation of De Beers Centenary was nearly two years in the planning, and the main reason for its establishment was to give physical expression to the fact that the major part of De Beers' profits and assets are made and held outside South Africa.

- 2 Does this mean the Soviet Union is abandoning its own sanctions against doing business with South Africa?

Soviet sanctions against South Africa are not relevant here. Glavalmaz is satisfied that Centenary is a Swiss company and, as such, is happy to do business with it, as are the other major producers who have contracts with De Beers Centenary - Botswana, Tanzania, Zaire, Australia and Namibia. This does not reflect any change in the Soviet Union's political stance towards South Africa or South African companies.

- 3 Is the Soviet Union not undermining the ANC by doing business with a South African-owned company?

The Soviet Union knows that De Beers Centenary is a Swiss company, with contracts with diamond producers throughout the world. The Soviet Union is not behaving any differently to Botswana, Tanzania, Zaire or Australia, all of whom have contracts with De Beers Centenary.

- 4 The CSO has always said it sells 85 per cent of the world's production. Does this not mean that you have always done business with the Soviets?

We have had no direct contract with the Soviet Union since the 1960's. The Soviet Union's rough diamond production was marketed in a way that did not undermine prices, and demonstrated that it understood the complexity and sensitivity of the diamond market. Nevertheless it was obvious, as we have always said, that as we market 80+ per cent of the world's production, some of the Soviet diamond production found its way to us via third parties.