

APPENDIX 4E

SOUTH32 LIMITED

(ABN 84 093 732 597)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This page and the accompanying 40 pages comprise the year end financial information given to the Australian Securities Exchange (ASX) under Listing Rule 4.3A. This statement includes the unaudited consolidated results of the South32 Group for the year ended 30 June 2017 compared with the year ended 30 June 2016 on a statutory basis.

US\$M	FY17	FY16	%
Revenue	6,950	5,812	up 20%
Profit/(loss) after tax	1,231	(1,615)	N/A
Underlying earnings	1,146	138	up 730%

Net tangible assets per share

Net tangible assets per ordinary share were US\$1.91 as at 30 June 2017 (US\$1.72 as at 30 June 2016).

Dividends

The Board has resolved to pay a final dividend of US 6.4 cents per share (fully franked) for the year ended 30 June 2017 (record date 15 September 2017; payment date 12 October 2017).

Annual General Meeting

South32's 2017 Annual General Meeting will be held on Thursday, 23 November 2017 at 10.30am Australian Western Standard Time (AWST), Pan Pacific Hotel, 207 Adelaide Terrace, Perth, Western Australia 6000, Australia.

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FINANCIAL RESULTS AND OUTLOOK YEAR ENDED 30 JUNE 2017



24 August 2017

ASX, LSE, JSE Share Code: S32 ADR: SOUHY

South32 produces strong financial results and increases returns to shareholders

“The combination of our high operating leverage and stronger commodity prices delivered a substantial increase in financial performance. Free cash flow more than tripled to US\$1.9B and we finished the year with a net cash balance of US\$1.6B.

“We announced a fully franked final dividend of US\$334M, representing 50% of Underlying earnings in the second half and increased our capital management program to US\$750M, which is 6% of our market capitalisation.

“Our aluminium smelters and refineries operated at their maximum technical capability and Mozal achieved record production. We adjusted production in our manganese business to take advantage of higher prices, consistent with our focus on value over volume. A review of our operating systems and practices at Illawarra Metallurgical Coal is continuing and we are working towards a staged and controlled ramp-up of operations at our Appin colliery, commencing in September.

“Looking to the year ahead, we will continue to unlock value within our existing operations, embed future options where we see value and stretch performance in a sustainable way.”

Graham Kerr, South32 CEO

Financial highlights			
US\$M	FY17	FY16	% Change
Revenue ⁽¹⁾	6,950	5,812	20%
Profit/(loss)	1,795	(1,441)	N/A
Profit/(loss) after tax	1,231	(1,615)	N/A
Basic earnings per share (US cents) ⁽²⁾	23.2	(30.3)	N/A
Ordinary dividends per share (US cents) ⁽³⁾	10.0	1.0	900%
Other financial measures			
Underlying EBITDA ⁽⁴⁾	2,411	1,131	113%
Underlying EBITDA margin ⁽⁵⁾	38.9%	21.5%	17.4%
Underlying EBIT ⁽⁴⁾	1,648	356	363%
Underlying EBIT margin ⁽⁶⁾	26.6%	6.7%	19.9%
Underlying earnings ⁽⁴⁾	1,146	138	730%
Basic Underlying earnings per share (US cents) ⁽²⁾	21.6	2.6	731%
ROIC ⁽⁷⁾	11.4%	1.7%	9.7%

2017 FINANCIAL YEAR SUMMARY

SAFETY

It is deeply regrettable that we lost one of our colleagues during the year in a work-related incident. In November 2016, a contractor was fatally injured during relining activities at the Oxygen Blown Converter at our Metalloys Manganese Smelter in South Africa. Our immediate response was to ensure that family and colleagues were offered our full support. We conducted a detailed investigation led by a member of our Executive Committee, which was reviewed by the Sustainability Committee of the Board, the CEO, and the management team to ensure we learned from what happened.

Nothing is more important to us than creating an environment where everyone goes home safe and well every day. Through our Care Strategy we are building an inclusive workplace with a strong culture of care and accountability, where work is well-designed and we continuously improve and learn. This focus has delivered an improvement in our Total Recordable Injury Frequency (TRIF) to 6.0 per million hours worked (FY16: 7.7).

PERFORMANCE HIGHLIGHTS

A broad recovery in commodity prices and our portfolio's operating leverage combined to deliver a significant increase in return on invested capital to 11.4% and a US\$1.3B increase in free cash flow to US\$1.9B, including equity accounted investments. This strong improvement in financial performance and the disciplined application of our capital management framework allowed us to invest in our operations, create future options and substantially increase returns to shareholders.

Specific performance highlights included:

- Strong performance across our aluminium supply chain, including record production at Mozal Aluminium;
- A 19% increase in South Africa Manganese ore production as we responded to favourable market conditions;
- A US\$360M reduction in controllable costs for a cumulative saving of approximately US\$700M over two years;
- The unlocking of additional value with first ore delivered from the higher grade La Esmeralda deposit at Cerro Matoso, conclusion of the access agreement for the West Marradong bauxite mining area at Worsley Alumina and completion of the US\$265M Klipspruit Life Extension (KPSX) project feasibility study;
- A US\$81M investment in Arizona Mining (TSX:AZ), owner of the high grade zinc, lead and silver Taylor deposit;
- The creation of options beyond our portfolio with finalisation of the Trilogy Metals (TSX:TMQ) and AusQuest (ASX:AQD) greenfield exploration agreements, targeting base metals;
- A US\$1.3B increase in our period end net cash balance to US\$1.6B;
- A US\$250M increase in our approved capital management program to US\$750M, equating to 6% of our current market capitalisation⁽⁸⁾; and
- A fully franked final dividend of US\$334M, representing 50% of Underlying earnings in the June 2017 half year.

EARNINGS

The Group's statutory profit after tax was US\$1.2B in FY17. The corresponding period's loss of US\$1.6B was impacted by the recognition of impairment charges totalling US\$1.7B (post-tax US\$1.7B).

Consistent with our accounting policy, various items are excluded from the Group's statutory profit to derive Underlying earnings including: exchange rate losses associated with the restatement of monetary items (US\$37M pre-tax); fair value gains on derivative instruments (US\$194M pre-tax); exchange rate losses associated with the Group's non US dollar denominated net debt (US\$35M pre-tax); the tax expense for all pre-tax earnings adjustments (US\$27M) and significant items (nil). Further information on these earnings adjustments is included on page 36.

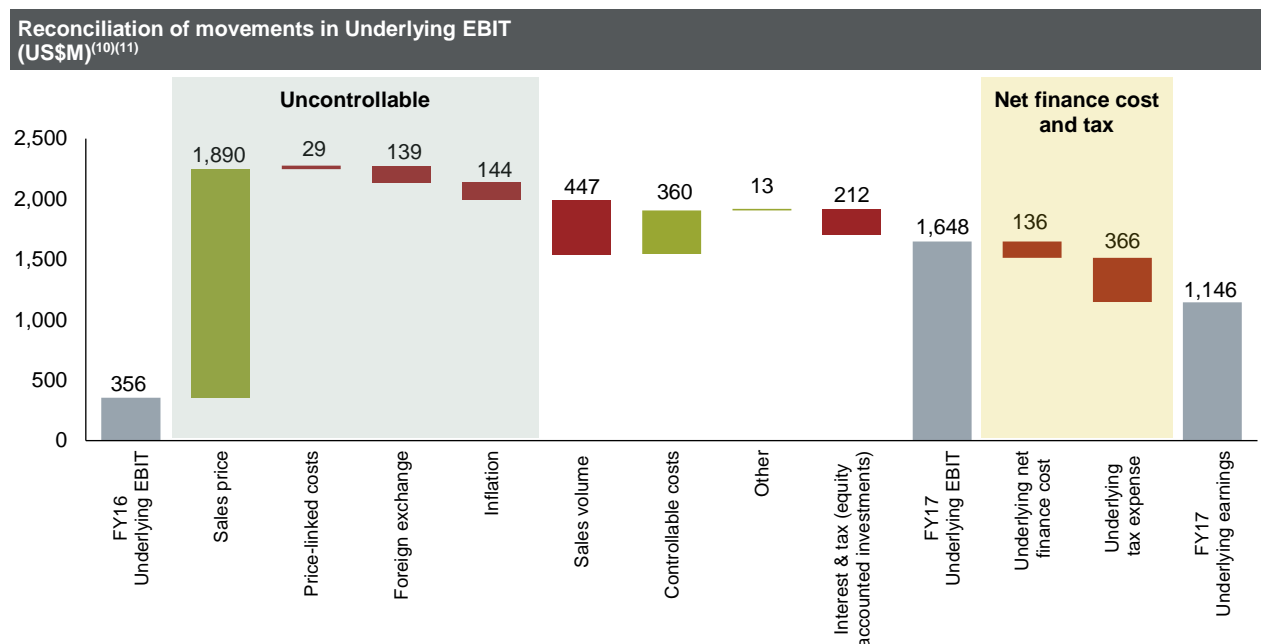
Profit/(loss) to Underlying EBITDA reconciliation		
US\$M	FY17	FY16
Profit/(loss)	1,795	(1,441)
Earnings adjustments to derive Underlying EBIT	(147)	1,797
Underlying EBIT	1,648	356
Depreciation and amortisation	763	775
Underlying EBITDA	2,411	1,131

Profit/(loss) after tax to Underlying earnings reconciliation		
US\$M	FY17	FY16
Profit/(loss) after tax	1,231	(1,615)
Earnings adjustments to derive Underlying EBIT	(147)	1,797
Earnings adjustments to derive Underlying net finance cost	35	(21)
Earnings adjustments to derive Underlying income tax expense	27	(23)
Underlying earnings	1,146	138

The Group generated Underlying EBITDA of US\$2.4B in FY17. Higher prices for the majority of our commodities gave rise to a US\$1.1B increase in sales revenue, despite lower volumes, for an operating margin of 39%⁽⁵⁾. Underlying EBIT increased by US\$1.3B (or 363%) to US\$1.6B, further benefitting from a reduction in depreciation and amortisation following the recognition of non-cash impairment charges in FY16. Underlying earnings subsequently increased by US\$1.0B to US\$1.1B.

EARNINGS ANALYSIS

The following key factors influenced Underlying EBIT in FY17, relative to FY16.



Earnings analysis	US\$M	Commentary
FY16 Underlying EBIT	356	
Change in sales price	1,890	Higher average realised prices for our commodities: Metallurgical coal (+US\$576M). Manganese ore (+US\$484M).
Net impact of price-linked costs	(29)	Higher royalties (-US\$67M). Higher LME-linked electricity costs at South Africa Aluminium (-US\$21M). Higher raw material input costs (-US\$8M), including caustic soda. Lower treatment and refining charges for Cannington concentrates (+US\$43M).
Change in exchange rates	(139)	Stronger Australian dollar (-US\$58M) and South African rand (-US\$57M).
Change in inflation	(144)	Broader inflation pressure, primarily in Southern Africa (-US\$94M).
Change in sales volume	(447)	Cannington (-US\$175M). South Africa Energy Coal (-US\$158M). Illawarra Metallurgical Coal (-US\$85M).
Controllable costs	360	South Africa Energy Coal (+US\$107M). Worsley Alumina (+US\$97M). South Africa Manganese (+US\$35M).
Other	13	Lower depreciation and amortisation (+US\$53M). Favourable movement in rehabilitation provisions (+US\$11M). The net effect of a reduction in power sales at Brazil Alumina (-US\$58M).
Interest & tax (equity accounted investments)	(212)	Stronger profitability in our jointly controlled manganese operations.
FY17 Underlying EBIT	1,648	

Net finance costs

The Group's Underlying net finance costs, excluding equity accounted investments, were US\$136M in FY17 and largely reflect the unwinding of the discount applied to our restoration and rehabilitation provisions (US\$98M) and finance lease interest (US\$52M), primarily at Worsley Alumina.

Underlying net finance cost reconciliation		
US\$M	FY17	FY16
Unwind of discount applied to closure and rehabilitation provisions	(98)	(96)
Finance lease interest	(52)	(37)
Other	14	8
Underlying net finance cost	(136)	(125)
Add back earnings adjustment for exchange rate variations on net debt	(35)	30
Add back significant items	-	(9)
Net finance cost	(171)	(104)

Tax expense

The Group's underlying income tax expense, which excludes tax associated with equity accounted investments, was US\$366M for an Underlying effective tax rate⁽¹²⁾ (ETR) of 30.7%. The tax expense for equity accounted investments was US\$221M, including royalty related tax of US\$53M at GEMCO, for an ETR of 39.5%.

Underlying income tax expense reconciliation and Underlying ETR		
US\$M	FY17	FY16
Underlying EBIT	1,648	356
Include: Underlying net finance cost	(136)	(125)
Remove: Share of profit/(loss) of equity accounted investments	(320)	23
Underlying profit/(loss) before tax	1,192	254
Income tax expense	393	70
Tax effect of earnings adjustments to Underlying EBIT	(42)	187
Tax effect of earnings adjustments to net finance cost	9	(9)
Exchange rate variations on tax balances	6	(124)
Tax on significant items	-	(31)
Underlying income tax expense	366	93
Underlying effective tax rate	30.7%	36.6%

CASH FLOW

A broad recovery in commodity prices and our portfolio's operating leverage combined to deliver a US\$888M increase in free cash flow from operations, excluding equity accounted investments, to US\$1.5B. The deferral of activity at South Africa Energy Coal and Illawarra Metallurgical Coal, following the impact of adverse weather and operational outages, contributed to a US\$67M reduction in capital expenditure to US\$316M, excluding equity accounted investments. This included:

- Sustaining capital expenditure, comprising Stay-in-business, Minor discretionary and Deferred stripping (including underground development) of US\$300M; and
- Major project capital expenditure of US\$16M.

The purchase of intangibles and the capitalisation of exploration accounted for a further US\$3M of expenditure.

The KPSX project feasibility study is complete and a final investment decision is expected in H1 FY18 pending completion of our internal approvals processes. With the associated deferral of land purchases, expenditure on Major projects was lower than planned.

Capital expenditure associated with equity accounted investments of US\$37M included the second phase of the Central Block development project at the Wessels underground mine (South Africa Manganese). The successful commissioning of this project in the March 2017 quarter enables mining activity to relocate closer to critical infrastructure, thereby reducing cycle times.

Total capital expenditure⁽¹³⁾, including equity accounted investments, was US\$356M in FY17.

A US\$63M reduction in provisions predominantly relating to our closure and rehabilitation obligations in South Africa and a US\$60M increase in inventory contributed to a build in working capital of US\$105M. While a component of working capital is expected to unwind in H1 FY18, this will be more than offset by the payment of shareholder dividends, taxes and our ongoing capital management program.

Free cash flow of operations, excluding equity accounted investments		
US\$M	FY17	FY16
Profit/(loss)	1,795	(1,441)
Non-cash items	585	2,190
(Profit)/loss from equity accounted investments	(312)	330
Change in working capital	(105)	(11)
Cash generated	1,963	1,068
Total capital expenditure, excluding equity accounted investments, including intangibles and capitalised exploration	(319)	(400)
Operating cash flows before financing activities and tax, and after capital expenditure	1,644	668
Interest (paid)/received	(32)	(19)
Income tax (paid)/received	(127)	(52)
Free cash flow of operations	1,485	597

In addition to free cash flow from operations of US\$1.5B, we received (net) distributions totalling US\$446M from our manganese equity accounted investments in FY17, comprising US\$313M in dividends and US\$133M from the repayment of a shareholder loan. A further US\$15M in dividends were received from other investments, including Mineração Rio do Norte S.A.

BALANCE SHEET & CAPITAL MANAGEMENT

The Group's net cash balance appreciated considerably during the year to finish the period at US\$1.6B. The increase in cash and cash equivalents to US\$2.7B also reflects the cash management activities that the Group undertakes on behalf of the manganese joint venture which are offset by a commensurate increase in other interest bearing liabilities. The US\$11M increase in finance leases is primarily associated with the stronger Australian dollar at the end of FY17.

Standard and Poor's and Moody's reaffirmed the Group's BBB+ and Baa1 credit ratings respectively, following their annual reviews in FY17.

Net cash/(debt)		
US\$M	FY17	FY16
Cash and cash equivalents	2,675	1,225
Finance leases	(613)	(602)
Other interest bearing liabilities	(422)	(311)
Net cash/(debt)	1,640	312

We continue to believe that a combination of high operating leverage and undue financial leverage delivers a sub-optimal outcome for shareholders. Our simple capital management framework reflects this core principle whereby we prioritise investment in our business to maintain the integrity of our operations and an investment grade credit rating. Our dividend policy then intends to distribute a minimum 40% of Underlying earnings to shareholders in each six month period, franking dividends to the maximum extent practicable. Once these core objectives are met, we consider how best to allocate any excess capital to maximise shareholder value.

Our analysis indicates that a net debt position of approximately US\$500M is our optimal capital structure, although we do intend to hold additional cash on the balance sheet in the current environment, as it affords even greater flexibility. Having exceeded our thresholds during H2 FY17, we announced a US\$500M capital management program and commenced an on-market share buy-back as it was determined to be the most efficient mechanism available to return cash to shareholders at that time. This program has subsequently been increased to US\$750M, with 105.8M shares purchased to date for a cash consideration of US\$211M (A\$2.66 per share).

DIVIDENDS

Given the strength of the Group's net cash position and available franking credits, the Board resolved to pay a fully franked final dividend of US 6.4 cents per share in respect of FY17, equating to 50% of Underlying earnings in the June 2017 half year. The decision to temporarily increase the pay-out ratio distributes available franking credits in a timely manner.

Dividends announced				
Period	Dividend per share (US cents)	US\$M	Franking	Pay-out ratio
H1 FY16	-	-	-	-
H2 FY16	1.0	53	0%	47%
H1 FY17	3.6	192	0%	40%
H2 FY17	6.4	334	100%	50%

South32 Limited shareholders registered on the South African branch register will not be able to dematerialise or rematerialise their shareholdings between 8 and 15 September 2017 (both dates inclusive), nor will transfers to/from the South African branch register be permitted between 13 and 15 September 2017 (both dates inclusive).

Details of the currency exchange rates applicable for the dividend will be announced to the relevant stock exchanges. Further dividend information is available on our website (www.south32.net).

South32 American Depositary Receipts (ADRs) each represent five fully paid ordinary shares in South32 and ADR holders will receive dividends accordingly, subject to the terms of the Depositary Agreement.

Dividend timetable	Date
Announce currency conversion into Rand	11 September 2017
Last day to trade cum dividend on the Johannesburg Stock Exchange (JSE)	12 September 2017
Ex-dividend date on the JSE	13 September 2017
Ex-dividend date on the ASX and London Stock Exchange (LSE)	14 September 2017
Record date (including currency election date for ASX)	15 September 2017
Payment date	12 October 2017

OUTLOOK

PRODUCTION

The Group's production guidance for FY18 is largely unchanged for the majority of our operations. Production at Cannington and South Africa Energy Coal is, however, expected to decline in FY18 in accordance with prior market disclosure. Following regulator intervention at Illawarra Metallurgical Coal we are reviewing our operating systems and practices, with a specific emphasis on gas drainage and ventilation at the Appin colliery. A staged ramp-up of the Appin 707 longwall is expected to commence in early September. The reliability and predictability of its performance, and our associated gas management activities, will inform our future plans and ability to ramp-up to historical rates of production. We will provide a further update when we release our September quarterly results on 19 October 2017.

Production guidance (South32's share) ⁽¹⁴⁾				
	FY17	FY18e ^(a)	FY19e ^(a)	Assumptions
Worsley Alumina				
Alumina production (kt)	3,892	3,975	3,965	Refinery to achieve record production.
South Africa Aluminium				
Aluminium production (kt)	714	720	720	Restarted 22 pots in the December quarter 2016. Smelter to achieve record production.
Mozal Aluminium				
Aluminium production (kt)	271	269	269	Smelter to operate at benchmark levels of efficiency. AP3XLE energy efficiency project to add production from FY20.
Brazil Alumina				
Alumina production (kt)	1,329	1,345	1,355	Production creep from De-bottlenecking Phase One project. Refinery to achieve record production.
South Africa Energy Coal⁽¹⁵⁾				
Total coal production (kt)	28,913	27,500	29,350	
Domestic coal production (kt)	16,717	16,000	15,850	Production impacted by delayed development of new pits. On-going capital investment to add export volume from FY19.
Export coal production (kt)	12,196	11,500	13,500	
Australia Manganese				
Manganese ore production (kwmt)	2,994	3,125	Subject to demand	PC02 circuit to operate at capacity.
South Africa Manganese				
Manganese ore production (kwmt)	2,038	1,885	Subject to demand	Assumed reversion to optimal rate of ~2.9Mwmt pa ⁽¹⁶⁾ . Production rate to be adjusted subject to market demand.
Cerro Matoso				
Payable nickel production (kt)	36.5	41.6	38.8	Ramp up of activity at higher grade La Esmeralda deposit.
Cannington				
Ore processed (kdmt)	3,036	2,600	2,950	Existing crusher chamber inoperable from September 2017. Replacement crusher on-track for completion in March 2018. Trucking activity largely replaces shaft haulage in this period.
Payable silver production (koz)	15,603	14,360	15,040	Processing rates further constrained as stocks are re-built.
Payable lead production (kt)	132	115	125	Processing rates recover in FY19 to 3.0Mt.
Payable zinc production (kt)	70	45	65	

(a) The denotation (e) refers to an estimate or forecast year.

Detailed production commentary is included in the Operations Analysis section on pages 15 to 24.

COSTS AND CAPITAL EXPENDITURE

Despite the impact of lower volumes and the appreciation of foreign exchange rates, we achieved FY17 unit cost guidance at the majority of our operations and will seek to mitigate inflationary pressure again in FY18. Operating unit cost guidance for Illawarra Metallurgical Coal will be provided when we have finalised our operating plans for FY18.

Corporate costs of US\$80M are projected for FY18, with the US\$10M increase largely accounted for by greenfield exploration activity, which is expected to rise to by US\$7M to US\$20M. This investment will be directed towards base metals exploration in North and South America, and Australia.

Depreciation and amortisation (excluding equity accounted investments) is expected to remain largely unchanged at approximately US\$760M. Depreciation and amortisation of US\$85M is expected for our equity accounted investments.

The Group's Underlying ETR, which excludes tax associated with equity accounted investments, largely reflects the geographic distribution of the Group's profit. The corporate tax rates applicable to the Group include: Australia 30%, South Africa 28%, Colombia 39% and Brazil 34%. It should also be recognised that permanent differences have a disproportionate effect on the Group's Underlying ETR when commodity prices and profit margins are compressed, while the higher level of profitability in FY17 will feed through to higher tax payments in FY18.

Operating unit cost guidance^(a)

Operating unit costs by upstream operation ⁽¹⁷⁾					
	H1 FY17	H2 FY17	FY17	FY18e ^(a)	Assumptions
Worsley Alumina					
(US\$/t)	200	205	203	211	Higher caustic soda prices.
South Africa Energy Coal⁽¹⁵⁾					
(US\$/t)	26	32	29	32	High fixed cost base with reduced export volumes.
Australia Manganese					
(US\$/dmu) ^(b)	1.44	1.61	1.52	1.50	Higher proportion of PCO2 production. Stronger volumes overall.
South Africa Manganese					
(US\$/dmu) ^(b)	1.96	2.15	2.09	2.06	Ramp-up of Wessels Central Block. Reduction in high-cost trucking and logistics costs.
Cerro Matoso					
(US\$/lb)	3.81	3.73	3.77	3.53	Ramp-up of higher grade La Esmeralda deposit.
Cannington					
(US\$/t) ^(c)	131	136	133	142	Lower processing rates and temporary truck haulage.

(a) FY18e Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and is predicated on various assumptions for FY18, including: an alumina price of US\$299/t; a manganese ore price of US\$4.50/dmu for 44% manganese product; a nickel price of US\$4.27/lb; a thermal coal price of US\$72/t (API4) for South Africa Energy Coal; a silver price of US\$16.82/troy oz; a lead price of US\$2,135/t; a zinc price of US\$2,555/t; an AUD:USD exchange rate of 0.74; a USD:ZAR exchange rate of 14.17 and a USD:COP exchange rate of 2,961; all of which reflected forward markets as at May 2017 or our internal expectations.

(b) Manganese operating unit costs are FOB.

(c) US dollar per tonne of ore processed. Periodic movements in finished product inventory may impact operating unit costs as related marketing costs and treatment and refining charges may change.

Capital expenditure guidance

The deferral of approximately US\$50M of expenditure at South Africa Energy Coal and Illawarra Metallurgical Coal from FY17 into FY18 and a marginally higher rate of investment in our business is expected to result in Sustaining capital expenditure, excluding equity accounted investments, of US\$430M in FY18. Major project capital expenditure is expected to rise to US\$50M. This reflects planned investment in the South Africa Energy Coal KPSX project, pending its approval in H1 FY18. Capital expenditure associated with equity accounted investments is also expected to increase to US\$70M and includes the construction of additional tailings storage capacity at Australia Manganese (GEMCO).

The higher rate of Sustaining capital expenditure includes: the construction of new mining areas at South Africa Energy Coal's Wolvekrans-Middelburg Complex (WMC); additional underground development at Illawarra Metallurgical Coal to access two new longwall panels at Dendrobium; the continuing development of the higher grade La Esmeralda deposit at Cerro Matoso; and the commencement of the US\$38M⁽¹⁶⁾ AP3XLE energy efficiency project at Mozal Aluminium.

Sustaining capital expenditure (South32's share)		
US\$M	FY17	FY18e^(a)
Worsley Alumina	43	48
South Africa Aluminium	15	26
Mozal Aluminium	6	14
Brazil Alumina	20	18
South Africa Energy Coal ⁽¹⁵⁾	56	112
Illawarra Metallurgical Coal ^(b)	104	150
Australia Manganese	28	47
South Africa Manganese	9	23
Cerro Matoso	14	20
Cannington	36	42
Group & Unallocated	6	N/A
Sustaining capital expenditure (including equity accounted investments)	337	500
Equity accounting adjustment ^(c)	(37)	(70)
Sustaining capital expenditure (excluding equity accounted investments)	300	430

(a) The denotation (e) refers to an estimate or forecast year.

(b) Sustaining capital expenditure guidance for Illawarra Metallurgical Coal, including underground development, remains subject to the ongoing review of our systems and practices and will be updated, if required, when this process has been completed.

(c) The equity accounting adjustment reconciles the proportional consolidation of the South32 manganese operations to the treatment of the manganese operations on an equity accounted basis.

OPERATIONS ANALYSIS

A summary of the Underlying performance of the Group's operations is presented below and more detailed analysis is presented on pages 15 to 24. Unless otherwise stated: all metrics reflect South32's share; Operating unit cost is Revenue less Underlying EBITDA and excluding third party sales divided by sales volumes; and Operating cost is Revenue less Underlying EBITDA and excluding third party sales.

Operations table				
US\$M	Revenue		Underlying EBIT	
	FY17	FY16	FY17	FY16
Worsley Alumina	1,106	1,011	159	42
South Africa Aluminium	1,324	1,161	219	82
Mozal Aluminium	521	431	76	-
Brazil Alumina	385	346	66	78
South Africa Energy Coal ⁽¹⁵⁾	1,103	1,009	212	95
Illawarra Metallurgical Coal	1,133	642	358	(61)
Australia Manganese ^(a)	851	476	467	65
South Africa Manganese ^(a)	391	234	110	(47)
Cerro Matoso	377	333	(16)	(88)
Cannington	768	786	308	274
Third party products ⁽¹⁸⁾	792	587	12	6
Inter-segment / Group and Unallocated	(557)	(492)	(70)	(49)
Total	8,194	6,524	1,901	397
Equity accounting adjustment ^(b)	(1,244)	(712)	(253)	(41)
South32 Group	6,950	5,812	1,648	356

(a) Revenue and Underlying EBIT reflect South32's proportionally consolidated interest in the manganese joint venture operations.

(b) The equity accounting adjustment reconciles the proportional consolidation of the South32 manganese operations to the treatment of the manganese operations on an equity accounted basis.

WORSLEY ALUMINA (86% SHARE)

Volumes

Worsley Alumina saleable production decreased by 2% (or 69kt) to 3.9Mt in FY17 as performance was impacted by unplanned calciner maintenance in the March 2017 quarter. The refinery finished the year on a strong note, operating at its expanded capacity of 4.6Mtpa (100% basis) in the June 2017 quarter.

Production of approximately 4.0Mt is expected in each of FY18 and FY19, with the refinery expected to sustain record rates of production.

Operating costs

Operating unit costs decreased by 3% to US\$203/t in FY17 as we optimised the refinery's energy mix and achieved greater energy efficiency. We also reduced maintenance expenditure and contractor costs, offsetting the impact of a stronger Australian dollar and higher caustic soda prices.

The refinery's Operating unit cost is expected to rise marginally to US\$211/t in FY18 as a result of an assumed 25% year-on-year increase in caustic soda prices. Exchange rate and price assumptions for FY18 unit cost guidance are detailed on page 12, footnote a.

Financial performance

The US\$117M improvement in Underlying EBIT to US\$159M was primarily attributable to a 10% increase in average realised alumina prices (+US\$104M) and a significant reduction in controllable costs (+US\$97M). These benefits were partially offset by higher caustic soda prices (-US\$23M) and a strengthening Australian dollar (-US\$19M).

Capital expenditure

Sustaining capital expenditure of US\$43M remained largely unchanged in FY17 as we continued to invest in water infrastructure. Our investment in bauxite residue disposal capacity and boiler maintenance will result in a modest increase in capital expenditure in FY18 to US\$48M.

South32 share	FY17	FY16
Alumina production (kt)	3,892	3,961
Alumina sales (kt)	3,847	3,874
Realised alumina sales price (US\$/t) ^(a)	287	261
Operating unit cost (US\$/t) ^(b)	203	210

(a) Realised sales price is calculated as sales revenue divided by sales volume.

(b) Operating unit cost is Revenue less Underlying EBITDA divided by sales volume.

South32 share (US\$M)	FY17	FY16
Revenue	1,106	1,011
Underlying EBITDA	326	199
Underlying EBIT	159	42
Net operating assets	3,043	3,208
Capital expenditure	43	44
<i>Major projects (>US\$100M)</i>	-	-
<i>All other capital expenditure</i>	43	44
Exploration expenditure	1	-
Exploration expensed	1	-

SOUTH AFRICA ALUMINIUM (100%)

Volumes

South Africa Aluminium saleable production increased by 2% (or 17kt) to 714kt in FY17 as the smelter continued to achieve benchmark levels of current efficiency and pot line performance, 22 pots were brought back online in the December 2016 quarter and there were fewer load-shedding events. Production is expected to increase to a record 720kt in FY18 and FY19.

Operating costs

Operating unit costs were largely unchanged in FY17 at US\$1,454/t as higher electricity costs linked to the LME aluminium price and the impact of a stronger South African rand were largely offset by a reduction in pot relining costs. A total of 75 pots were relined in FY17 at a cost of approximately US\$234k per pot (FY16: 183 pots at US\$191k per pot). 139 pots are scheduled to be relined in FY18.

While additional productivity gains are being pursued, the cost profile of the smelter will be more heavily influenced by power and raw material inputs, given the operation's high variable cost base. Hillside sources power from Eskom under long-term contracts. The price of electricity supplied to potlines 1 and 2 is linked to the LME aluminium price and the South African rand/US dollar exchange rate. The price of electricity supplied to potline 3 is South African rand based and linked to South African and United States producer price indices.

Financial performance

Underlying EBIT increased by US\$137M in FY17 to US\$219M. The significant improvement in profitability was underpinned by a 13% increase in the average realised price of aluminium (+US\$158M) and stronger sales volumes (+US\$6M). Higher LME aluminium price-linked electricity costs reduced Underlying EBIT by US\$21M.

Capital expenditure

Sustaining capital expenditure decreased by US\$4M in FY17 following a deferral of activity into FY18. Sustaining capital expenditure is expected to increase by US\$11M in FY18 to US\$26M.

South32 share	FY17	FY16
Aluminium production (kt)	714	697
Aluminium sales (kt) ^(a)	713	709
Realised sales price (US\$/t) ^(a)	1,857	1,638
Operating unit cost (US\$/t) ^(b)	1,454	1,430

(a) Volumes and prices do not include any third party trading that may be undertaken independently of equity production. Realised sales price is calculated as sales revenue divided by sales volume.

(b) Operating unit cost is Revenue less Underlying EBITDA divided by sales volume.

South32 share (US\$M)	FY17	FY16
Revenue	1,324	1,161
Underlying EBITDA	287	147
Underlying EBIT	219	82
Net operating assets	1,205	1,059
Capital expenditure	15	19
<i>Major projects (>US\$100M)</i>	-	-
<i>All other capital expenditure</i>	15	19
Exploration expenditure	-	-
Exploration expensed	-	-

MOZAL ALUMINIUM (47.1% SHARE)

Volumes

Mozal Aluminium achieved record performance in FY17, increasing production by 2% (or 5kt) to 271kt as the smelter maintained benchmark levels of current efficiency and pot line performance, while benefitting from fewer load-shedding events. Production is expected to remain largely unchanged at 269kt in FY18 and FY19.

Operating costs

Operating unit costs decreased by 4% to US\$1,495/t in FY17 as the benefit of stronger sales volumes was partially offset by higher electricity input costs. A total of 94⁽¹⁶⁾ pots were relined in FY17 at a cost of approximately US\$204k per pot (FY16: 109⁽¹⁶⁾ pots at US\$207k per pot). 82⁽¹⁶⁾ pots are scheduled to be relined in FY18.

While additional productivity gains are being pursued, the cost profile of the smelter is heavily influenced by power and raw material inputs, given the operation's high variable cost base. Mozal Aluminium utilises hydroelectric power under a long-term contract that is generated by Hidroeléctrica de Cahora Bassa (HCB). HCB delivers power into the South African grid to Eskom and Mozal Aluminium sources the power via the Mozambique Transmission Company (Motraco).

Financial performance

Mozal Aluminium became profitable in FY17 as Underlying EBIT increased to US\$76M. Strong sales volumes (+US\$32M) and a 12% increase in the average realised price of aluminium (+US\$58M) were partially offset by higher alumina costs (-US\$12M).

Capital expenditure

While Sustaining capital expenditure decreased by 14% to US\$6M in FY17, the pending approval of the US\$38M⁽¹⁶⁾ AP3XLE energy efficiency project is expected to result in a modest increase in expenditure in FY18. This project is expected to deliver a strong rate of return on incremental investment by delivering a circa 5% (or 10kt pa) increase in annual production with no associated increase in power consumption. First production is anticipated in FY20, with the full benefit realised in FY24.

South32 share	FY17	FY16
Aluminium production (kt)	271	266
Aluminium sales (kt) ^(a)	273	254
Realised sales price (US\$/t) ^(a)	1,908	1,697
Operating unit cost (US\$/t) ^(b)	1,495	1,559

(a) Volumes and prices do not include any third party trading that may be undertaken independently of equity production. Realised sales price is calculated as sales revenue divided by sales volume.

(b) Operating unit cost is Revenue less Underlying EBITDA divided by sales volume.

South32 share (US\$M)	FY17	FY16
Revenue	521	431
Underlying EBITDA	113	35
Underlying EBIT	76	-
Net operating assets	534	565
Capital expenditure	6	7
<i>Major projects (>US\$100M)</i>	-	-
<i>All other capital expenditure</i>	6	7
Exploration expenditure	-	-
Exploration expensed	-	-

BRAZIL ALUMINA (ALUMINA 36% SHARE, ALUMINIUM 40% SHARE)

Volumes

Brazil Alumina saleable production of 1.3Mt in FY17 remained largely unchanged from the record rate achieved in the prior period. Production is expected to increase to 1.35Mt in FY18 with the De-bottlenecking Phase One project scheduled to ramp up during the December 2017 quarter.

Operating costs

Operating unit costs at the non-operated refinery increased by 4% to US\$197/t in FY17 as a stronger Brazilian real and higher caustic soda prices were partially offset by lower bauxite costs.

Financial performance

Alumina Underlying EBIT increased by US\$33M in FY17 to US\$69M. A 15% increase in the average realised price of alumina (+US\$54M) was partially offset by general inflation (-US\$8M), a rise in caustic soda prices (-US\$5M) and a stronger Brazilian real (-US\$16M). Aluminium Underlying EBIT decreased by US\$45M to a loss of US\$3M as the contribution of power sales declined.

Capital expenditure

Sustaining capital expenditure at the refinery increased by 67% to US\$20M in FY17 as we invested in additional bauxite residue disposal capacity. Sustaining capital expenditure of US\$18M in FY18 will reflect a continuation of this activity and the completion of the De-bottlenecking Phase One project.

South32 share	FY17	FY16
Alumina production (kt)	1,329	1,335
Alumina sales (kt)	1,316	1,359
Realised alumina sales price (US\$/t) ^(a)	293	255
Alumina operating unit cost (US\$/t) ^{(b)(c)}	197	189

(a) Realised sales price is calculated as sales revenue divided by sales volume.

(b) Operating unit cost is Revenue less Underlying EBITDA divided by sales volume.

(c) Includes cost of acquiring bauxite mainly from Mineração Rio do Norte S.A.

South32 share (US\$M)	FY17	FY16
Revenue	385	346
<i>Alumina</i>	385	346
<i>Aluminium</i>	-	-
<i>Intra-segment elimination</i>	-	-
Other income ^(a)	143	191
Underlying EBITDA	123	140
<i>Alumina</i>	126	89
<i>Aluminium</i>	(3)	51
Underlying EBIT	66	78
<i>Alumina</i>	69	36
<i>Aluminium</i>	(3)	42
Net operating assets/(liabilities)	691	707
<i>Alumina</i>	718	737
<i>Aluminium</i>	(27)	(30)
Capital expenditure	20	12
<i>Major projects (>US\$100M)</i>	-	-
<i>All other capital expenditure</i>	20	12
Exploration expenditure	-	-
Exploration expensed	-	-

(a) Other income in FY17 includes revenue of US\$120M from the sale of surplus electricity (FY16: US\$172M). This revenue was offset by electricity purchases from Eletronorte and the unwind of the onerous contract provision recorded in FY16.

SOUTH AFRICA ENERGY COAL (92% SHARE)

Volumes

South Africa Energy Coal saleable production decreased by 9% (or 2.8Mt) to 28.9Mt in FY17, despite an 11% improvement in performance in the June 2017 quarter as throughput increased at the WMC export plant. Despite the improving trend, a 5% reduction in total coal production to 27.5Mt is anticipated in FY18 as the prior delay in development activity at the WMC and depletion of the North dump continue to weigh on performance. A 7% improvement in total coal production is anticipated in FY19 to 29.3Mt with ongoing development.

Operating costs

Operating unit costs increased by 12% in FY17 to US\$29/t as the operation's high fixed cost base was absorbed by lower sales volumes and the South African rand appreciated.

We expect Operating unit costs to increase to US\$32/t in FY18 as a result of the further decline in production and general inflation. Exchange rate and price assumptions for FY18 unit cost guidance are detailed on page 12, footnote a.

Financial performance

Underlying EBIT increased by US\$117M in FY17 to US\$212M as a higher average realised coal price (+US\$230M) and a favourable movement in working capital (+US\$78M) more than offset the impact of lower sales volumes (-US\$158M) and general inflation (-US\$48M).

Capital expenditure

Sustaining capital expenditure decreased marginally to US\$56M in FY17. This was US\$19M lower than planned as adverse weather impacted the development schedule in the WMC. Sustaining capital expenditure is expected to rise to US\$112M in FY18 as the rate of investment in the WMC accelerates.

Major project capital expenditure is expected to increase to US\$50M in FY18. This reflects planned investment in the KPSX project with a final investment decision expected in H1 FY18, pending our internal approvals processes.

100 per cent terms ^(a)	FY17	FY16
Energy coal production (kt)	28,913	31,681
Domestic sales (kt) ^(b)	16,922	17,169
Export sales (kt) ^(b)	11,797	15,157
Realised domestic sales price (US\$/t) ^(b)	21	18
Realised export sales price (US\$/t) ^(b)	64	46
Operating unit cost (US\$/t) ^(c)	29	26

(a) South32's interest in South Africa Energy Coal is accounted at 100% until B-BBEE vendor loans are repaid.

(b) Volumes and prices do not include any third party trading that may be undertaken independently of equity production. Realised sales price is calculated as sales revenue divided by sales volume.

(c) Operating unit cost is Revenue less Underlying EBITDA divided by sales volume.

100 per cent terms ^(a) (US\$M)	FY17	FY16
Revenue ^(b)	1,103	1,009
Underlying EBITDA	273	182
Underlying EBIT	212	95
Net operating liabilities	(84)	(99)
Capital expenditure	64	63
<i>Major projects (>US\$100M)</i>	8	2
<i>All other capital expenditure</i>	56	61
Exploration expenditure	-	-
Exploration expensed	-	-

(a) South32's interest in South Africa Energy Coal is accounted at 100% until B-BBEE vendor loans are repaid.

(b) Includes domestic and export sales revenue.

ILLAWARRA METALLURGICAL COAL (100%)

Volumes

Illawarra Metallurgical Coal total saleable production decreased by 15% (or 1.3Mt) to 7.1Mt in FY17, despite record run-of-mine performance at Dendrobium, as challenging ground conditions in the new Appin Area 901 longwall panel and two extended outages at the Appin colliery significantly impacted performance. Metallurgical coal sales were 4% (or 255kt) higher than production in FY17.

We are continuing to review our operating systems and practices at Illawarra Metallurgical Coal, with a specific emphasis on gas drainage and ventilation at the Appin colliery. A staged ramp-up of the Appin 707 longwall is expected to commence in early September. The reliability and predictability of its performance, and our associated gas management activities, will inform our future plans and ability to ramp-up to historical rates of production. We will provide a further update when we release our September quarterly results on 19 October 2017.

Operating costs

Operating unit costs increased by 31% to US\$80/t in FY17 as lower production significantly impacted productivity. Additional cost pressure stemmed from higher price-linked royalties and a stronger Australian dollar.

Operating unit cost guidance for Illawarra Metallurgical Coal will be provided when we have finalised our operating plans for FY18.

Financial performance

Underlying EBIT increased by US\$419M to US\$358M in FY17 as the benefit of higher average realised coal prices (+US\$576M) outweighed the impact of lower sales volumes (-US\$85M), higher royalties (-US\$32M) and a stronger Australian dollar (-US\$16M). Our average realised price for FY17 reflected a modest discount to the premium low-volatile hard coking coal index on a volume weighted M-1 basis⁽¹⁹⁾ as our shipping schedule was affected by our prior declaration of force majeure and the drawdown of finished goods inventory in the second half.

Capital expenditure

Total capital expenditure decreased by 39% in FY17 to US\$112M, including underground development of approximately US\$63M.

Sustaining capital expenditure is expected to increase by US\$46M in FY18 to US\$150M. This includes underground development of US\$80M, part of which will provide access to two new longwall panels at Dendrobium.

South32 share	FY17	FY16
Metallurgical coal production (kt)	5,697	7,059
Energy coal production (kt)	1,376	1,307
Metallurgical coal sales (kt)	5,952	6,984
Energy coal sales (kt)	1,344	1,333
Realised metallurgical coal sales price (US\$/t) ^(a)	175	84
Realised energy coal sales price (US\$/t) ^(a)	69	43
Operating unit cost (US\$/t) ^(b)	80	61

(a) Realised sales price is calculated as sales revenue divided by sales volume.

(b) Operating unit cost is Revenue less Underlying EBITDA divided by sales volume.

South32 share (US\$M)	FY17	FY16
Revenue ^(a)	1,133	642
Underlying EBITDA	548	132
Underlying EBIT	358	(61)
Net operating assets	1,406	1,516
Capital expenditure	112	185
<i>Major projects (>US\$100M)</i>	8	30
<i>All other capital expenditure</i>	104	155
Exploration expenditure	5	4
Exploration expensed	5	4

(a) Includes metallurgical coal and energy coal sales revenue.

AUSTRALIA MANGANESE (60% SHARE)

Volumes

Australia Manganese saleable ore production decreased by 3% (or 77kwmt) to 3.0Mwmt in FY17 as performance was impacted by heavy rainfall and Tropical Cyclone Alfred in the March 2017 quarter. The PC02 circuit operated at approximately 90% of its 500kwmt (100% share) capacity in the June 2017 quarter, contributing 6% of total production across FY17 (FY16: 1%). Saleable manganese alloy production increased by 11% (or 14kt) to 147kt in FY17 as third party power supply to TEMCO was restored and all four furnaces ramped-up to full capacity in the June 2017 quarter.

Ore production is expected to increase to 3.1Mwmt in FY18. This assumes the low cost PC02 circuit operates at nameplate capacity. Production in FY19 will be adjusted in response to market demand, consistent with our focus on value over volume, albeit we are positioned to deliver an increase in primary concentrator availability.

Operating costs

FOB manganese ore Operating unit costs increased by 8% to US\$1.52/dmtu in FY17 as a result of a stronger Australian dollar and higher price-linked royalties.

Operating unit costs are expected to decline to US\$1.50/dmtu in FY18 as the PC02 circuit operates at capacity and a general improvement in productivity is achieved. Exchange rate and price assumptions for FY18 unit cost guidance are detailed on page 12, footnote a.

Financial performance

Underlying EBIT increased by US\$402M in FY17 to US\$467M. A significant improvement in average ore and alloy prices (+US\$392M), and a reduction in depreciation and amortisation (+US\$35M) were only partially offset by higher royalties (-US\$8M) and a stronger Australian dollar (-US\$8M). Our average realised price for external sales of Australian ore in FY17 reflected the high grade 44% manganese lump ore index (CIF Tianjin, China) on a volume weighted M-1 basis⁽²⁰⁾, despite the contribution of 40% grade PC02 product to the sales mix.

Capital expenditure

Sustaining capital expenditure decreased by 59% to US\$28M in FY17 following the completion of the PC02 project, while exploration drilling at GEMCO's Southern Areas commenced in the December 2016 quarter. Sustaining capital expenditure will rise to US\$47M in FY18 as we invest in additional tailings storage capacity at GEMCO. Our FY18 plan also includes investment within our alloys business of US\$5M.

South32 share	FY17	FY16
Manganese ore production (kwmt)	2,994	3,071
Manganese alloy production (kt)	147	133
Manganese ore sales (kwmt) ^(a)	3,087	3,084
<i>External customers</i>	2,777	2,771
<i>TEMCO</i>	310	313
Manganese alloy sales (kt) ^(a)	155	150
Realised external manganese ore sales price (US\$/dmtu, FOB) ^{(a)(b)}	5.22	2.57
Realised manganese alloy sales price (US\$/t) ^(a)	1,174	860
Ore operating unit cost (US\$/dmtu) ^{(b)(c)}	1.52	1.41
Alloy operating unit cost (US\$/t) ^(c)	755	833

- (a) Volumes and realised prices do not include any third party trading that may be undertaken independently of equity production. Realised ore prices are calculated as external sales revenue less freight and marketing costs, divided by external sales volume. Realised alloy prices are calculated as sales revenue, including sinter revenue, divided by alloy sales volume. Ore converted to sinter and alloy, and sold externally, is eliminated as an intracompany transaction.
- (b) FY17 average manganese content of ore sales was 46.2% on a dry basis (FY16: 47.3%). 95% of FY17 external manganese ore sales (FY16: 94%) were completed on a CIF basis. FY17 realised FOB ore prices and operating unit costs have been adjusted for freight and marketing costs of US\$30M (FY16: US\$24M), consistent with our FOB cost guidance.
- (c) FOB ore operating unit cost is Revenue less Underlying EBITDA, freight and marketing costs, divided by ore sales volume. Alloy operating unit costs is Revenue less Underlying EBITDA divided by alloy sales volumes and includes costs associated with sinter sold externally.

South32 share (US\$M)	FY17	FY16
Revenue ^(a)	851	476
<i>Manganese Ore</i>	694	372
<i>Manganese Alloy</i>	182	129
<i>Intra-segment elimination</i>	(25)	(25)
Underlying EBITDA	521	154
<i>Manganese Ore</i>	456	150
<i>Manganese Alloy</i>	65	4
Underlying EBIT	467	65
<i>Manganese Ore</i>	406	67
<i>Manganese Alloy</i>	61	(2)
Net operating assets	319	341
<i>Manganese Ore</i>	313	338
<i>Manganese Alloy</i>	6	3
Capital expenditure	28	68
<i>Major projects (>US\$100M)</i>	-	-
<i>All other capital expenditure</i>	28	68
Exploration expenditure	1	1
Exploration expensed	-	-

- (a) Revenues of sales from GEMCO to TEMCO are eliminated as part of the consolidation. Internal sales occur on a commercial basis.

SOUTH AFRICA MANGANESE

(ORE 44.4% SHARE, ALLOY 60% SHARE)

Volumes

South Africa Manganese saleable ore production increased by 19% (or 327kwmt) to 2.0Mwmt in FY17 as we continued to take advantage of stronger demand and pricing by utilising higher cost trucking activity and opportunistically selling fine grained Wessels concentrate. This low cost product, which accounted for 9% of sales across FY17 (FY16: 4%), receives a substantial product discount when referenced to index prices. Manganese alloy saleable production decreased by 20% (or 18kt) to 73kt in FY17 as a result of furnace instability. Metalloys continues to operate one of its four furnaces.

In H1 FY16 we reconfigured the Hotazel mines to operate at a rate of 2.9Mwmt pa, but with greater flexibility. Production of 3.1Mwmt⁽¹⁶⁾ is expected in FY18. Production in FY19 will be adjusted in response to market demand, consistent with our focus on value over volume.

Operating costs

FOB manganese ore Operating unit costs increased by 9% to US\$2.09/dmtu in FY17 as a result of a stronger South African rand, general inflation and higher price-linked royalties. The drawdown of low cost Wessels concentrate stockpiles largely offsets higher costs associated with opportunistic trucking activity.

FOB manganese ore Operating unit costs are expected to remain largely unchanged at US\$2.06/dmtu in FY18, despite a reduction in sales volumes, as the ramp-up of the Wessels Central Block is expected to reduce cycle times and improve productivity. Exchange rate and price assumptions for FY18 unit cost guidance are detailed on page 12, footnote a.

Financial performance

Underlying EBIT increased by US\$157M in FY17 to US\$110M as a significant improvement in average ore and alloy prices (+US\$171M) and stronger ore sales volumes (+US\$10M) were only partially offset by higher royalties (-US\$15M) and an increase in trucking activity (-US\$5M). Our average realised manganese ore price for external sales reflected a 12% discount to the medium grade 37% manganese lump ore index (FOB Port Elizabeth, South Africa) on a volume weighted M-1 basis⁽²¹⁾ as a result of the larger discount received for Wessels concentrate.

Capital expenditure

While Sustaining capital expenditure decreased by 18% to US\$9M in FY17, it is expected to rise to US\$23M in FY18, including US\$4M for alloys. This rise in investment primarily reflects a general increase in mine and equipment maintenance.

South32 share	FY17	FY16
Manganese ore production (kwmt)	2,038	1,711
Manganese alloy production (kt)	73	91
Manganese ore sales (kwmt) ^(a)	2,024	1,834
<i>External customers</i>	1,866	1,736
<i>Metalloys</i>	158	98
Manganese alloy sales (kt) ^(a)	74	110
Realised external manganese ore sales price (US\$/dmtu, FOB) ^{(a)(b)}	4.01	2.09
Realised manganese alloy sales price (US\$/t) ^(a)	1,027	682
Ore operating unit cost (US\$/dmtu) ^{(b)(c)}	2.09	1.91
Alloy operating unit cost (US\$/t) ^(c)	1,000	882

- (a) Volumes and prices do not include any third party trading that may be undertaken independently of equity production. Realised ore prices are calculated as external sales revenue less freight and marketing costs, divided by external sales volume. Realised alloy prices are calculated as sales revenue, divided by alloy sales volume. Ore converted to sinter and alloy, and sold externally, is eliminated as an intracompany transaction. Manganese ore sales are grossed-up to reflect a 60% accounting effective interest.
- (b) FY17 average manganese content of ore sales was 40.1% on a dry basis (FY16: 39.9%). 63% of FY17 external manganese ore sales (FY16: 57%) were completed on a CIF basis. FY17 realised FOB ore prices and operating costs have been adjusted for freight and marketing costs of US\$24M (FY16: US\$17M), consistent with our FOB cost guidance.
- (c) FOB ore operating unit cost is Revenue less Underlying EBITDA, freight and marketing costs, divided by ore sales volume. Alloy operating unit costs is Revenue less Underlying EBITDA divided by alloy sales volumes.

South32 share (US\$M)	FY17	FY16
Revenue ^(a)	391	234
<i>Manganese Ore^(b)</i>	328	166
<i>Manganese Alloy</i>	76	75
<i>Intra-segment elimination</i>	(13)	(7)
Underlying EBITDA	140	(11)
<i>Manganese Ore^(b)</i>	138	11
<i>Manganese Alloy</i>	2	(22)
Underlying EBIT	110	(47)
<i>Manganese Ore^(b)</i>	120	(13)
<i>Manganese Alloy</i>	(10)	(34)
Net operating assets	307	342
<i>Manganese Ore^(b)</i>	245	258
<i>Manganese Alloy</i>	62	84
Capital expenditure	9	11
<i>Major projects (>US\$100M)</i>	-	-
<i>All other capital expenditure</i>	9	11
Exploration expenditure	-	-
Exploration expensed	-	-

- (a) Revenues of sales from Hotazel mines to Metalloys are eliminated as part of the consolidation. Internal sales occur on a commercial basis.
- (b) Consistent with the presentation of South32's segment information, South Africa Manganese ore production and sales have been reported at 60%. The group's financial statements will continue to reflect a 54.6% interest in South Africa Manganese ore.

CERRO MATOSO (99.9% SHARE)

Volumes

Cerro Matoso payable nickel production remained largely unchanged in FY17 as a reduction in furnace availability was offset by the delivery of first ore from the higher grade La Esmeralda deposit in March 2017. Payable nickel production is expected to increase by 14% in FY18 to 41.6kt as a higher proportion of ore feed is sourced from La Esmeralda.

Operating costs

Operating unit costs decreased by 8% in FY17 to US\$3.77/lb as contractor activity was curtailed and higher grades and lower throughput led to a modest reduction in variable costs.

The forecast 6% reduction in Operating unit costs to US\$3.53/lb in FY18 reflects the increasing contribution of higher grade La Esmeralda ore and the associated increase in payable nickel production. Exchange rate and price assumptions for FY18 unit cost guidance are detailed on page 12, footnote a.

Financial performance

Underlying EBIT increased by US\$72M in FY17 to a loss of US\$16M as the average realised price of nickel increased by 14% (+US\$45M) and cost efficiencies delivered a (+US\$32M) benefit.

Capital expenditure

In FY17, additional sustaining capital expenditure was directed towards the accelerated development of La Esmeralda. The rate of expenditure at Cerro Matoso will rise to US\$20M in FY18 as the permanent bridge that connects La Esmeralda to our processing facilities is completed.

South32 share	FY17	FY16
Ore mined (kwmt)	4,447	6,009
Ore processed (kdmt)	2,561	2,699
Ore grade processed (% Ni)	1.59	1.54
Payable nickel production (kt)	36.5	36.8
Payable nickel sales (kt)	36.6	36.8
Realised nickel sales price (US\$/lb) ^(a)	4.67	4.10
Operating unit cost (US\$/lb) ^(b)	3.77	4.08

(a) Inclusive of by-products. Realised sales price is calculated as sales revenue divided by sales volume.

(b) Operating unit cost is Revenue less Underlying EBITDA divided by Payable nickel sales volume.

South32 share (US\$M)	FY17	FY16
Revenue	377	333
Underlying EBITDA	74	2
Underlying EBIT	(16)	(88)
Net operating assets	611	683
Capital expenditure	14	18
<i>Major projects (>US\$100M)</i>	-	-
<i>All other capital expenditure</i>	14	18
Exploration expenditure	5	5
Exploration expensed	4	2

CANNINGTON (100% SHARE)

Volumes

Cannington silver, lead and zinc saleable production decreased by 27%, 24% and 11%, respectively, in FY17 as high grade stope 60L was only partially extracted and run-of-mine stocks were consumed to support processing rates following an underground fire in April 2017.

The existing crusher chamber is now expected to become inoperable in September 2017. Commissioning of the replacement crusher is anticipated in March 2018 with shaft haulage to be replaced by additional trucking in the intervening period. The stope sequence within the mine is also being adjusted to re-establish above ground stocks. Mill throughput for FY18 has been revised to 2.6Mt, with payable metal production to decline accordingly. An increase in payable metal production is expected in FY19 as crushing capacity is restored and mill throughput rises to 3.0Mt.

Operating costs

Operating unit costs decreased by 8% in FY17 to US\$133/t as treatment and refining charges declined. Operating unit costs are expected to increase by 7% in FY18 to US\$142/t as a result of a temporary rise in trucking activity and lower mill throughput. Exchange rate and price assumptions for FY18 unit cost guidance are detailed on page 12, footnote a.

Financial performance

Underlying EBIT increased by US\$34M in FY17 to US\$308M. Higher average realised prices (+US\$158M), lower treatment and refining charges (+US\$43M), and a reduction in labour costs (+US\$11M) were partially offset by the reduction in sales volumes (-US\$175M). Finalisation adjustments and the provisional pricing of Cannington concentrates increased Underlying EBIT by US\$4.1M in FY17 (-US\$11M: FY16, US\$0.5M: H1 FY17). Outstanding concentrate sales (containing 2.4Moz of silver, 26.2kt of lead and 4.6kt of zinc) were revalued at 30 June 2017. The final price of these sales will be determined in H1 FY18.

Capital expenditure

Sustaining capital expenditure increased by US\$9M in FY17 to US\$36M. Ongoing development of the underground crusher will result in a further rise in expenditure in FY18 to US\$42M.

South32 share	FY17	FY16
Ore mined (kwmt)	2,909	3,289
Ore processed (kdmt)	3,036	3,149
Ore grade processed (g/t, Ag)	194	255
Ore grade processed (% , Pb)	5.4	6.6
Ore grade processed (% , Zn)	3.4	3.8
Payable silver production (koz)	15,603	21,393
Payable lead production (kt)	132.1	173.2
Payable zinc production (kt)	70.4	79.0
Payable silver sales (koz)	16,270	20,852
Payable lead sales (kt)	138.1	169.7
Payable zinc sales (kt)	67.4	82.6
Realised silver sales price (US\$/oz) ^(a)	17.6	16.2
Realised lead sales price (US\$/t) ^(a)	2,223	1,780
Realised zinc sales price (US\$/t) ^(a)	2,601	1,780
Operating unit cost (US\$/t ore processed) ^(b)	133	145

(a) Realised sales price is calculated as sales revenue divided by sales volume.

(b) Operating unit cost is Revenue less Underlying EBITDA divided by ore processed. Periodic movements in finished product inventory may impact operating unit costs as related marketing costs and treatment and refining charges may change.

South32 share (US\$M)	FY17	FY16
Revenue	768	786
Underlying EBITDA	364	330
Underlying EBIT	308	274
Net operating assets	215	242
Capital expenditure	36	27
<i>Major project (>US\$100M)</i>	-	-
<i>All other capital expenditure</i>	36	27
Exploration expenditure	2	3
Exploration expensed	2	3

NOTES

- (1) Revenue includes revenue from third party products.
- (2) FY17 basic earnings per share is calculated as Profit/(loss) after tax divided by the weighted average number of shares for FY17 (5,307 million). FY17 basic Underlying earnings per share is calculated as Underlying earnings divided by the weighted average number of shares for FY17. FY16 basic earnings per share is calculated as Profit/(loss) after tax divided by the weighted average number of shares for FY16 (5,324 million). FY16 basic Underlying earnings per share is calculated as Underlying earnings divided by the weighted average number of shares for FY16.
- (3) FY17 dividend per share is calculated as H1 FY17 total dividend announced (US\$192M) divided by the number of shares on issue at 31 December 2016 (5,324 million) plus H2 FY17 total dividend announced (US\$334M) divided by the number of shares on issue at 30 June 2017 (5,218 million).
- (4) Underlying EBIT is profit before net finance costs, tax and any earnings adjustment items, including impairments. Underlying EBIT is reported inclusive of South32's share of net finance costs and tax of equity accounted investments. Underlying EBITDA is Underlying EBIT, before depreciation and amortisation. Underlying earnings is Profit/(loss) after tax and earnings adjustment items. Underlying earnings is the key measure that South32 uses to assess the performance of the South32 Group, make decisions on the allocation of resources and assess senior management's performance. In addition, the performance of each of the South32 operations and operational management are assessed based on Underlying EBIT. In order to calculate Underlying earnings, Underlying EBIT and Underlying EBITDA, the following items are adjusted as applicable each period, irrespective of materiality:
 - Exchange rate gains/losses on restatement of monetary items;
 - Impairment losses/reversals;
 - Net gain/loss on disposal and consolidation of interests in businesses;
 - Fair value gain/loss on derivative instruments;
 - Major corporate restructures; and
 - The income tax impact of the above items.In addition, items that do not reflect the underlying operations of South32, and are individually significant to the financial statements, are excluded to determine Underlying earnings. Significant items are detailed in the Financial Information.
- (5) Comprises Underlying EBITDA excluding third party product EBITDA, divided by revenue excluding third party product revenue.
- (6) Comprises Underlying EBIT excluding third party product EBIT, divided by revenue excluding third party product revenue.
- (7) Return on invested capital (ROIC) is a key measure that South32 uses to assess performance. ROIC is calculated as Underlying EBIT less the discount on rehabilitation provisions included in net finance cost, tax effected by the Group's Underlying effective tax rate (ETR), divided by the sum of fixed assets (excluding any rehabilitation asset and impairments) and inventories. Manganese is included in the calculation on a proportional consolidation basis.
- (8) Market capitalisation as at 18 August 2017. Calculated as the number of shares on issue (5,218 million) and the South32 closing share price (A\$2.95).
- (9) Sales revenue reflects statutory numbers.
- (10) Sales price variance reflects the revenue impact of changes in commodity prices, based on the current period's sales volume. Price-linked costs variance reflects the change in royalties together with the change in input costs driven by changes in commodity prices or market traded consumables. Foreign exchange reflects the impact of exchange rate movements on local currency denominated costs and sales. Volume variance reflects the revenue impact of sales volume changes, based on the comparative period's sales prices. Controllable costs variance represents the impact from changes in the Group's controllable local currency cost base, including the variable cost impact of production volume changes on expenditure, and period-on-period movements in inventories. The controllable cost variance excludes earnings adjustments including significant items.
- (11) Underlying net finance cost and Underlying tax expense are actual FY17 results, not year-on-year variances.
- (12) Underlying effective tax rate (ETR) is Underlying income tax expense, excluding royalty related tax, divided by Underlying profit before tax; both the numerator and denominator exclude equity accounted investments.
- (13) Total capital expenditure comprises Capital expenditure, the purchase of intangibles and capitalised exploration expenditure. Capital expenditure comprises Sustaining capital expenditure and Major projects capital expenditure. Sustaining capital expenditure comprises Stay-in-business (SIB), Minor discretionary and Deferred stripping (including underground development) capital expenditure.
- (14) South32's ownership share of operations are as follows: Worsley Alumina (86%), South Africa Aluminium (100%), Mozal Aluminium (47.1% share), Brazil Alumina (Alumina 36% share, Aluminium 40% share), South Africa Energy Coal (92% share), Illawarra Metallurgical Coal (100%), Australia Manganese (60% share), South Africa Manganese (60% share), Cerro Matoso (99.9% share), and Cannington (100%).
- (15) South32's interest in South Africa Energy Coal is accounted at 100% until broad-based black economic empowerment (B-BBEE) vendor loans are repaid.
- (16) Presented on a 100% basis.
- (17) Operating unit cost is Revenue less Underlying EBITDA and excluding third party sales divided by sales volumes. Operating cost is Revenue less Underlying EBITDA and excluding third party sales. Additional manganese disclosures are included on pages 21 and 22.
- (18) Third party products sold comprise US\$282 million for aluminium, US\$133 million for alumina, US\$169 million for coal, US\$113 million for freight services and US\$93 million for aluminium raw materials. Underlying EBIT on third party products comprise US\$13 million for aluminium, (US\$4) million for alumina, US\$2 million for coal, nil for freight services and US\$1 million for aluminium raw materials.
- (19) The quarterly sales volume weighted average of the premium low-volatile hard coking coal Platts index (FOB Australia) on the basis of a one month lag to published pricing (Month minus one or "M-1") was US\$179/t in the 2017 financial year.
- (20) The quarterly sales volume weighted average of the Metal Bulletin 44% manganese lump ore index (CIF Tianjin, China) on the basis of a one month lag to published pricing (Month minus one or "M-1") was US\$5.54/dmtu in the 2017 financial year.
- (21) The quarterly sales volume weighted average of the Metal Bulletin 37% manganese lump ore index (FOB Port Elizabeth, South Africa) on the basis of a one month lag to published pricing (Month minus one or "M-1") was US\$4.54/dmtu in the 2017 financial year.
- (22) Figures in *Italics* indicate that an adjustment has been made since the figures were previously reported.

The following abbreviations may be used throughout this report: US\$ million (US\$M); US\$ billion (US\$B); financial year (FY); grams per tonne (g/t); tonnes (t); thousand tonnes (kt); thousand tonnes per annum (ktpa); million tonnes (Mt); million tonnes per annum (Mtpa); thousand ounces (koz); million ounces (Moz); thousand wet metric tonnes (kwmmt); million wet metric tonnes (Mwmt); million wet metric tonnes per annum (Mwmt pa); thousand dry metric tonnes (kdmt); dry metric tonne unit (dmtu); pound (lb); megawatt (MW); Australian Securities Exchange (ASX); London Stock Exchange (LSE); Johannesburg Stock Exchange (JSE); and American Depositary Receipts (ADR).

SOUTH32 FINANCIAL INFORMATION

For the year ended 30 June 2017



BASIS OF PREPARATION

The financial information included in this document for the year ended 30 June 2017 is unaudited. The financial information does not constitute the South32 Group's (the Group) full financial statements for the year ended 30 June 2017, which will be approved by the Board, reported on by the auditors, and filed with the Australian Securities and Investments Commission. The Group's full financial statements will be prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial information set out on pages 28 to 39 for the year ended 30 June 2017 has been prepared on the basis of accounting policies and methods of computation consistent with those applied in the 30 June 2016 financial statements contained within the Annual Report of the Group.

As required, and unless otherwise stated, comparative statutory financial information for the Group has been presented for the 2016 financial year.

All amounts are expressed in US dollars unless otherwise stated. The Group's presentation currency and the functional currency of the majority of its operations is US dollars as this is the principal currency of the economic environment in which it operates.

Comparative figures have been prepared on the same basis as the current period figures. Amounts in this Financial Information have, unless otherwise indicated, been rounded to the nearest million dollars (US\$M or US\$ million).

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2017

US\$M	FY17	FY16
Revenue		
Group production	6,160	5,227
Third party products	790	585
	6,950	5,812
Other income	275	324
Expenses excluding net finance cost	(5,742)	(7,247)
Share of profit/(loss) of equity accounted investments	312	(330)
Profit/(loss)	1,795	(1,441)
Comprising:		
Group production	1,783	(1,447)
Third party products	12	6
Profit/(loss)	1,795	(1,441)
Finance expenses	(212)	(132)
Finance income	41	28
Net finance cost	(171)	(104)
Profit/(loss) before tax	1,624	(1,545)
Income tax (expense)/benefit	(393)	(70)
Profit/(loss) after tax	1,231	(1,615)
Attributable to:		
Equity holders of South32 Limited	1,231	(1,615)
Profit/(loss) for the year attributable to the equity holders of South32 Limited		
Basic earnings per share (cents)	23.2	(30.3)
Diluted earnings per share (cents)	22.9	(30.3)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

US\$M	FY17	FY16
Profit/(loss) for the year	1,231	(1,615)
Other comprehensive income		
<i>Items that may be reclassified to the income statement:</i>		
Available for sale investments:		
Net gain/(loss) taken to equity	19	(54)
Net (gain)/loss transferred to the income statement	-	23
Tax benefit/(expense) recognised within other comprehensive income	1	9
Total items that may be reclassified to the income statement	20	(22)
<i>Items not to be reclassified to the income statement:</i>		
Equity accounted investments - share of other comprehensive income/(loss)	1	1
Actuarial gain/(loss) on pension and medical schemes	8	3
Tax benefit/(expense) recognised within other comprehensive income	(2)	(1)
Total items not to be reclassified to the income statement	7	3
Total other comprehensive income/(loss)	27	(19)
Total comprehensive income/(loss)	1,258	(1,634)
Attributable to:		
Equity holders of South32 Limited	1,258	(1,634)

CONSOLIDATED BALANCE SHEET

as at 30 June 2017

US\$M	FY17	FY16
ASSETS		
Current assets		
Cash and cash equivalents	2,675	1,225
Trade and other receivables	718	618
Other financial assets	103	32
Inventories	781	714
Current tax assets	27	61
Other	28	18
Total current assets	4,332	2,668
Non-current assets		
Trade and other receivables	365	445
Other financial assets	465	260
Inventories	81	88
Property, plant and equipment	8,373	8,651
Intangible assets	252	288
Equity accounted investments	569	570
Deferred tax assets	276	382
Other	20	22
Total non-current assets	10,401	10,706
Total assets	14,733	13,374
LIABILITIES		
Current liabilities		
Trade and other payables	850	676
Interest bearing liabilities	391	282
Other financial liabilities	-	1
Current tax payable	116	6
Provisions	383	408
Deferred income	4	4
Total current liabilities	1,744	1,377
Non-current liabilities		
Trade and other payables	4	5
Interest bearing liabilities	644	631
Other financial liabilities	-	16
Deferred tax liabilities	518	501
Provisions	1,577	1,410
Deferred income	11	12
Total non-current liabilities	2,754	2,575
Total liabilities	4,498	3,952
Net assets	10,235	9,422
EQUITY		
Share capital	14,747	14,958
Treasury shares	(26)	(3)
Reserves	(3,503)	(3,555)
Retained earnings/(accumulated losses)	(982)	(1,977)
Total equity attributable to equity holders of South32 Limited	10,236	9,423
Non-controlling interests	(1)	(1)
Total equity	10,235	9,422

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2017

US\$M	FY17	FY16
Operating activities		
Profit/(loss) before tax	1,624	(1,545)
Adjustments for:		
Non-cash significant items	-	(27)
Depreciation and amortisation expense	763	775
Impairments of property, plant and equipment, financial assets, intangibles and equity accounted investments	-	1,386
Employee share awards expense	37	23
Net finance cost	171	95
Share of (profit)/loss of equity accounted investments	(312)	330
Fair value (gains)/losses on derivative instruments	(194)	60
Other non-cash or non-operating items	(21)	(18)
Changes in assets and liabilities:		
Trade and other receivables	(119)	163
Inventories	(60)	191
Trade and other payables	137	(244)
Provisions and other liabilities	(63)	(121)
Cash generated from operations	1,963	1,068
Interest received	41	27
Interest paid	(73)	(46)
Income tax (paid)/received	(127)	(52)
Dividends received	15	14
Dividends received from equity accounted investments	313	19
Net cash flows from operating activities	2,132	1,030
Investing activities		
Purchases of property, plant and equipment	(316)	(383)
Exploration expenditure	(27)	(13)
Exploration expenditure expensed and included in operating cash flows	25	9
Purchase of intangibles	(1)	(13)
Investment in financial assets	(331)	(53)
Investment in equity accounted investments	(21)	(1)
Cash outflows from investing activities	(671)	(454)
Proceeds from sale of property, plant and equipment and intangibles	16	5
Proceeds from financial assets	344	107
Distribution from equity accounted investments	22	-
Net cash flows from investing activities	(289)	(342)
Financing activities		
Proceeds from interest bearing liabilities	109	31
Repayment of interest bearing liabilities	(20)	(127)
Purchase of shares by Employee Share Ownership Plan (ESOP) Trusts	(27)	(3)
Share buy-back	(211)	-
Dividends paid	(244)	-
Net cash flows from financing activities	(393)	(99)
Net increase/(decrease) in cash and cash equivalents	1,450	589
Cash and cash equivalents, net of overdrafts, at the beginning of the financial year	1,225	644
Foreign currency exchange rate changes on cash and cash equivalents	-	(8)
Cash and cash equivalents, net of overdrafts, at the end of the financial year	2,675	1,225

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

US\$M	Attributable to equity holders of South32 Limited						Non-controlling interests	Total equity
	Share capital	Treasury shares	Reserves	Retained earnings/(accumulated losses)	Total			
Balance as at 1 July 2016	14,958	(3)	(3,555)	(1,977)	9,423	(1)	9,422	
Profit/(loss) for the year	-	-	-	1,231	1,231	-	1,231	
Other comprehensive income/(loss)	-	-	20	7	27	-	27	
Total comprehensive income/(loss)	-	-	20	1,238	1,258	-	1,258	
Transactions with owners:								
Accrued employee entitlement for unexercised awards	-	-	37	-	37	-	37	
Dividends	-	-	-	(244)	(244)	-	(244)	
Purchase of shares by ESOP Trusts	-	(27)	-	-	(27)	-	(27)	
Employee share awards exercised	-	4	(5)	1	-	-	-	
Shares bought back and cancelled	(211)	-	-	-	(211)	-	(211)	
Balance as at 30 June 2017	14,747	(26)	(3,503)	(982)	10,236	(1)	10,235	
Balance as at 1 July 2015	14,958	-	(3,557)	(365)	11,036	(1)	11,035	
Profit/(loss) for the year	-	-	-	(1,615)	(1,615)	-	(1,615)	
Other comprehensive income/(loss)	-	-	(22)	3	(19)	-	(19)	
Total comprehensive income/(loss)	-	-	(22)	(1,612)	(1,634)	-	(1,634)	
Transactions with owners:								
Accrued employee entitlement for unexercised awards	-	-	24	-	24	-	24	
Purchase of shares by ESOP Trusts	-	(3)	-	-	(3)	-	(3)	
Balance as at 30 June 2016	14,958	(3)	(3,555)	(1,977)	9,423	(1)	9,422	

SEGMENT INFORMATION

(a) Description of segments

The operating segments (also referred to as “operations”) are organised and managed separately according to the nature of products produced. The members of the executive management team (the “chief operating decision maker”) and the Board of Directors monitor the segment results regularly for the purpose of making decisions about resource allocation and performance assessment. The segment information for the manganese operations are presented on a proportional consolidation basis, which is the measure used by the Group’s management to assess their performance.

The principal activities of each operating segment as the Group is currently structured are summarised as follows:

Operating segment	Principal activities
Worsley Alumina	Integrated bauxite mine and alumina refinery in Western Australia, Australia.
South Africa Aluminium	Aluminium smelter in Richards Bay, South Africa.
Brazil Alumina	Alumina refinery in Brazil.
Mozal Aluminium	Aluminium smelter in Mozambique.
South Africa Energy Coal	Open-cut and underground energy coal mines and processing operations in South Africa.
Illawarra Metallurgical Coal	Underground metallurgical coal mines in New South Wales, Australia.
Australia Manganese	Integrated producer of manganese ore in the Northern Territory and manganese alloys in Tasmania, Australia.
South Africa Manganese	Integrated producer of manganese ore and alloy in South Africa.
Cerro Matoso	Integrated laterite ferronickel mining and smelting complex in Colombia.
Cannington	Silver, lead and zinc mine in Queensland, Australia.

All operations are operated, or jointly operated, by the Group except Alumar (which forms part of Brazil Alumina), which is operated by Alcoa.

(b) Segment results

Segment performance is measured on Underlying EBIT and Underlying EBITDA. Underlying EBIT is profit before net finance cost, tax and other earnings adjustment items including impairments. Underlying EBITDA is Underlying EBIT, before depreciation and amortisation. A reconciliation of Underlying EBIT, Underlying EBITDA and the Group’s consolidated profit after tax from operations is set out below. Segment revenue is measured on the same basis as in the Consolidated Income Statement.

Revenue is not reduced for royalties and other taxes payable from group production.

The Group separately discloses sales of group production from sales of third party products because of the significant difference in profit margin earned on these sales.

It is the Group’s policy that inter-segment transactions are made on a commercial basis.

Group and unallocated items/elimination represent group centre functions and consolidation adjustments. Group financing (including finance expense and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Total assets and liabilities for each operating segment represent operating assets and liabilities which predominantly exclude the carrying amount of equity accounted investments, cash, interest bearing liabilities and tax balances. The carrying amount of investments accounted for using the equity method represents the balance of the Group’s investment in equity accounted investments, with no adjustment for cash, interest bearing liabilities and tax balances of the equity accounted investment.

FY17 SEGMENT INFORMATION

Year ended 30 June 2017	Worsley Alumina	South Africa Aluminium	Mozal Aluminium	Brazil Alumina	South Africa Energy Coal	Illawarra Metallurgical Coal	Australia Manganese ^(a)	South Africa Manganese ^(a)	Cerro Matoso	Cannington	Group and unallocated items/ elimination	Statutory adjustment ^(a)	Group
US\$M													
Revenue													
Group production	630	1,324	521	304	1,103	1,133	851	387	377	768	-	(1,238)	6,160
Third party products ^(b)	-	-	-	-	-	-	-	-	-	-	792	(2)	790
Inter-segment revenue	476	-	-	81	-	-	-	4	-	-	(557)	(4)	-
Total revenue	1,106	1,324	521	385	1,103	1,133	851	391	377	768	235	(1,244)	6,950
Underlying EBITDA	326	287	113	123	273	548	521	140	74	364	(21)	(337)	2,411
Depreciation and amortisation	(167)	(68)	(37)	(57)	(61)	(190)	(54)	(30)	(90)	(56)	(37)	84	(763)
Underlying EBIT	159	219	76	66	212	358	467	110	(16)	308	(58)	(253)	1,648
Comprising:													
Group production	159	219	76	66	216	358	467	110	(16)	308	(70)	(577)	1,316
Third party products ^(b)	-	-	-	-	-	-	-	-	-	-	12	-	12
Share of profit/(loss) of equity accounted investments ^(c)	-	-	-	-	(4)	-	-	-	-	-	-	324	320
Underlying EBIT	159	219	76	66	212	358	467	110	(16)	308	(58)	(253)	1,648
Net finance cost													(136)
Income tax (expense)/benefit													(366)
Underlying earnings													1,146
Earnings adjustments ^(d)													85
Profit/(loss) after tax													1,231
Capital expenditure^(e)	43	15	6	20	64	112	28	9	14	36	6	(37)	316
Equity accounted investments	-	-	-	-	10	-	-	-	-	-	-	559	569
Total assets^(f)	3,564	1,478	630	860	936	1,667	597	493	800	371	4,011	(674)	14,733
Total liabilities^(f)	521	273	96	169	1,020	261	278	186	189	156	2,017	(668)	4,498

- (a) The segment information reflects the Group's interest in the manganese operations and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. The manganese operations are equity accounted in the consolidated financial statements. The statutory adjustment column reconciles the proportional consolidation to the equity accounting position.
- (b) Third party products sold comprise US\$282 million for aluminium, US\$133 million for alumina, US\$169 million for coal, US\$113 million for freight services and US\$93 million for aluminium raw materials. Underlying EBIT on third party products comprise US\$13 million for aluminium, (US\$4) million for alumina, US\$2 million for coal, nil for freight services and US\$1 million for aluminium raw materials.
- (c) Share of profit/(loss) of equity accounted investments includes the impacts of earnings adjustments to Underlying EBIT.
- (d) Refer to Earnings adjustments.
- (e) Capital expenditure excludes the purchase of intangibles and capitalised exploration expenditure.
- (f) Total assets and liabilities for each operating segment represent operating assets and liabilities which predominately exclude the carrying amount of equity accounted investments, cash, interest bearing liabilities and tax balances.

FY16 SEGMENT INFORMATION

Year ended 30 June 2016											Group and unallocated items/ elimination	Statutory adjustment ^(a)	Group
US\$M	Worsley Alumina	South Africa Aluminium	Mozal Aluminium	Brazil Alumina	South Africa Energy Coal	Illawarra Metallurgical Coal	Australia Manganese ^(a)	South Africa Manganese ^(a)	Cerro Matoso	Cannington			
Revenue													
Group production	542	1,161	431	323	1,009	642	476	230	333	786	-	(706)	5,227
Third party products ^(b)	-	-	-	-	-	-	-	-	-	-	587	(2)	585
Inter-segment revenue	469	-	-	23	-	-	-	4	-	-	(492)	(4)	-
Total revenue	1,011	1,161	431	346	1,009	642	476	234	333	786	95	(712)	5,812
Underlying EBITDA	199	147	35	140	182	132	154	(11)	2	330	(13)	(166)	1,131
Depreciation and amortisation	(157)	(65)	(35)	(62)	(87)	(193)	(89)	(36)	(90)	(56)	(30)	125	(775)
Underlying EBIT	42	82	-	78	95	(61)	65	(47)	(88)	274	(43)	(41)	356
Comprising:													
Group production	42	82	-	78	94	(60)	65	(47)	(88)	274	(49)	(18)	373
Third party products ^(b)	-	-	-	-	-	-	-	-	-	-	6	-	6
Share of profit/(loss) of equity accounted investments ^(c)	-	-	-	-	1	(1)	-	-	-	-	-	(23)	(23)
Underlying EBIT	42	82	-	78	95	(61)	65	(47)	(88)	274	(43)	(41)	356
Net finance cost													(125)
Income tax (expense)/benefit													(93)
Underlying earnings													138
Earnings adjustments ^(d)													(1,753)
Profit/(loss) after tax													(1,615)
Capital expenditure^(e)	44	19	7	12	63	185	68	11	18	27	8	(79)	383
Equity accounted investments	-	-	-	-	13	-	-	-	-	-	-	557	570
Total assets^(f)	3,647	1,334	656	874	728	1,745	577	517	889	401	2,654	(648)	13,374
Total liabilities^(f)	439	275	91	167	827	229	236	175	206	159	1,796	(648)	3,952

- (a) The segment information reflects the Group's interest in the manganese operations and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. The manganese operations are equity accounted in the consolidated financial statements. The statutory adjustment column reconciles the proportional consolidation to the equity accounting position.
- (b) Third party product sold comprise US\$264 million for aluminium, US\$59 million for alumina, US\$72 million for coal, US\$90 million for freight services and US\$100 million for aluminium raw materials. Underlying EBIT on third party products comprise US\$3 million for aluminium, (US\$3) million for alumina, US\$5 million for coal, US\$1 million for freight services and nil for aluminium raw materials.
- (c) Share of profit/(loss) of equity accounted investments includes the impacts of earnings adjustments to Underlying EBIT.
- (d) Refer to Earnings adjustments.
- (e) Capital expenditure excludes the purchase of intangibles and capitalised exploration expenditure.
- (f) Total assets and liabilities for each operating segment represent operating assets and liabilities which predominately exclude the carrying amount of equity accounted investments, cash, interest bearing liabilities and tax balances.

EARNINGS ADJUSTMENTS

The following table shows earnings adjustments in determining Underlying earnings:

Earnings adjustments US\$M	FY17	FY16
Adjustments to Underlying EBIT		
Significant items ^(a)	-	24
Exchange rate (gains)/losses on restatement of monetary items ^(b)	37	(43)
Impairment losses ^{(b)(c)}	-	1,386
Fair value (gains)/losses on derivative instruments ^(b)	(194)	60
Major corporate restructures ^(b)	2	63
Impairment losses included in profit/(loss) of equity accounted investments ^(d)	-	291
Earnings adjustments included in profit/(loss) of equity accounted investments ^(d)	8	16
Total adjustments to Underlying EBIT	(147)	1,797
Adjustments to net finance cost		
Significant items ^(a)	-	9
Exchange rate variations on net debt	35	(30)
Total adjustments to net finance cost	35	(21)
Adjustments to income tax expense		
Significant items ^(a)	-	31
Tax effect of earnings adjustments to Underlying EBIT	42	(187)
Tax effect of earnings adjustments to net finance cost	(9)	9
Exchange rate variations on tax balances	(6)	124
Total adjustments to income tax expense	27	(23)
Total earnings adjustments	(85)	1,753

(a) Refer to significant items.

(b) Recognised in expenses excluding net finance cost in the Consolidated Income Statement.

(c) US\$1,310 million in FY16 relates to the impairment of non-financial assets. US\$76 million in FY16 relates to impairment of available for sale investments.

(d) Recognised in share of profit/(loss) of equity accounted investments in the Consolidated Income Statement.

SIGNIFICANT ITEMS

Significant items are those items, not separately identified in earnings adjustments, where their nature and amount is considered material to the consolidated financial statements. There were no such items included within the Group's (income)/expense for the year ended 30 June 2017.

Year ended 30 June 2016			
US\$M	Gross	Tax	Net
Set-up costs ^(a)	60	(17)	43
Adjustment to Australian tax balances post-demerger including reset of tax assets	-	(85)	(85)
Derecognition of deferred tax assets	-	126	126
Brazil Aluminium Smelter impairment	32	(11)	21
Brazil Alumina tax accounting adjustments	-	20	20
Change in discount rate ^(b)	9	(1)	8
Closure and rehabilitation provisions ^(a)	(68)	(1)	(69)
Total significant items	33	31	64

(a) Recognised in expenses excluding net finance cost in the Consolidated Income Statement.

(b) Recognised in net finance cost in the Consolidated Income Statement.

Set-up costs

Set-up costs related to the ongoing establishment of the Group's corporate and regional offices following the demerger. The costs primarily relate to transitional contractor and consultant support, information technology infrastructure and system support. The amount recognised is inclusive of US\$30 million paid to BHP under an agreement for information technology services. Those costs related to all operating segments. All remaining set-up costs relate to group and unallocated items.

Adjustment to Australian tax balances post-demerger including reset of tax assets

The tax basis of the Group's wholly owned Australian operations was reset on demerger from BHP. The net increase/(decrease) to tax assets is charged/(credited) to income tax expense in the Consolidated Income Statement.

Derecognition of deferred tax assets

As a result of the significant and continued weakening of commodity markets, certain deferred tax assets associated with provisions for closure and rehabilitation were derecognised as utilisation is no longer probable.

Brazil Aluminium Smelter impairment

The Group recognised an impairment of assets of US\$97 million to reflect the probability of restarting its Brazil Aluminium Smelter. US\$32 million of this is considered a significant item as it related to smelter consumables and indirect taxes.

Brazil Alumina tax accounting adjustments

The Group's cash and profit repatriation practices result in a probable expectation that tax deferrals will ultimately unwind. This has resulted in the recognition of associated deferred tax balances at a rate closely aligned to the country statutory rate and the reassessment of future tax losses as a result of revised interpretation of the applicability of local tax laws.

Closure and rehabilitation provisions and Change in discount rate

Following a review of cash flow assumptions and discount rates, the Group recognised a net decrease in closure and rehabilitation provisions of US\$59 million. Where this related to closed sites, US\$68 million was recognised as a benefit in expenses and US\$9 million as a charge in net finance cost in the Consolidated Income Statement. The benefit recognised in expenses included US\$18 million related to South Africa Energy Coal and US\$50 million related to the closed Bayside operation, formerly part of South Africa Aluminium.

NET FINANCE COST

US\$M	FY17	FY16
Finance expenses		
Interest on borrowings	(21)	(10)
Finance lease interest	(52)	(37)
Discounting on provisions and other liabilities	(98)	(96)
Change in discount rate on closure and rehabilitation provisions	6	(9)
Net interest expense on post-retirement employee benefits	(9)	(7)
Fair value change on financial asset	(3)	(3)
Exchange rate variations on net debt	(35)	30
	(212)	(132)
Finance income		
Interest income	41	28
Net finance cost	(171)	(104)

INCOME TAX EXPENSE

US\$M	FY17	FY16
Current tax (expense)/benefit	(269)	(115)
Deferred tax (expense)/benefit	(124)	45
Total tax (expense)/benefit	(393)	(70)
Australia	(220)	54
Southern Africa	(129)	(99)
Rest of world	(44)	(25)
Total tax (expense)/benefit attributed to geographical jurisdiction	(393)	(70)

EQUITY ACCOUNTED INVESTMENTS

The Group's interests in equity accounted investments with the most significant contribution to the Group's net profit/(loss) or net assets are as follows:

Significant joint ventures	Country of incorporation / principal place of business	Principal activity	Reporting date	Acquisition date	Ownership interest	
					FY17 %	FY16 %
Australia Manganese ^{(a)(b)}	Australia	Integrated producer of manganese ore and alloy	30 Jun 2017	8 May 2015	60	60
South Africa Manganese ^{(a)(c)}	South Africa	Integrated producer of manganese ore and alloy	30 Jun 2017	3 Feb 2015	60	60

(a) Whilst the Group holds a greater than 50 per cent interest in the joint ventures, joint control is contractually achieved as joint venture parties unanimously consent on decisions over the joint venture's relevant activities.

(b) Australia Manganese consists of an investment in Groote Eylandt Mining Company Pty Limited.

(c) South Africa Manganese consists of an investment in Samancor Holdings (Proprietary) Limited.

The following table summarises the financial information of the Group's significant equity accounted investments:

Share of profit/(loss) of equity accounted investments		
US\$M	FY17	FY16
Australia Manganese and South Africa Manganese	287	(339)
Individually immaterial ^(a)	25	9
Total	312	(330)

(a) Individually immaterial consists of investments in Samancor AG (60 per cent), Samancor Marketing Pte Ltd (60 per cent), Richards Bay Coal Terminal Proprietary Limited (21.1 per cent) and Port Kembla Coal Terminal Limited (16.7 per cent).

INTERESTS IN JOINT OPERATIONS

Significant joint operations of the Group, which are those with the most significant contributions to the Group's net profit/(loss) or net assets, are as follows:

Significant joint operations	Country of operation	Principal activity	Acquisition date	Effective interest	
				FY17 %	FY16 %
Brazil Alumina	Brazil	Alumina refining	3 Jul 2014	36	36
		Aluminium smelting	3 Jul 2014	40	40
Mozal Aluminium ^(a)	Mozambique	Aluminium smelting	27 Mar 2015	47.1	47.1
Worsley Alumina ^(b)	Australia	Bauxite mining and alumina refining	8 May 2015	86	86

(a) This joint arrangement is an incorporated entity. It is classified as a joint operation as the participants are entitled to receive output, not dividends, from the arrangement.

(b) Whilst the Group holds a greater than 50 per cent interest in Worsley, participants jointly approve the operating and capital budgets. The Group therefore has joint control over the relevant activities of Worsley.

DISCLAIMER

FORWARD LOOKING STATEMENTS

This release contains forward-looking statements, including statements about trends in commodity prices and currency exchange rates; demand for commodities; production forecasts; plans, strategies and objectives of management; capital costs and scheduling; operating costs; anticipated productive lives of projects, mines and facilities; and provisions and contingent liabilities. These forward-looking statements reflect expectations at the date of this release, however they are not guarantees or predictions of future performance. They involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this release. Readers are cautioned not to put undue reliance on forward-looking statements. Except as required by applicable laws or regulations, the South32 Group does not undertake to publicly update or review any forward looking statements, whether as a result of new information or future events. Past performance cannot be relied on as a guide to future performance.

NON-IFRS FINANCIAL INFORMATION

This release includes certain non-IFRS financial measures, including Underlying earnings, Underlying EBIT and Underlying EBITDA, Underlying basic earnings per share, Underlying effective tax rate, Underlying EBIT margin, Underlying EBITDA margin, Underlying return on capital, Free cash flow, net debt, net operating assets and ROIC. These measures are used internally by management to assess the performance of our business, make decisions on the allocation of our resources and assess operational management. Non-IFRS measures have not been subject to audit or review and should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity.

NO OFFER OF SECURITIES

Nothing in this release should be read or understood as an offer or recommendation to buy or sell South32 securities, or be treated or relied upon as a recommendation or advice by South32.

NO FINANCIAL OR INVESTMENT ADVICE – SOUTH AFRICA

South32 does not provide any financial or investment 'advice' as that term is defined in the South African Financial Advisory and Intermediary Services Act, 37 of 2002, and we strongly recommend that you seek professional advice.

FURTHER INFORMATION

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