

MEDIA RELEASE

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South32 hits the ground running with strong financial performance

Highlights

- Pro forma underlying earnings before interest and tax increased by 56 per cent to US\$1.0B
- Pro forma underlying earnings increased by 41 per cent to US\$575M
- Pro forma profit after tax of US\$28M
- Reduction in controllable costs by at least \$US350M per annum by end of FY18
- Reduction in sustaining capital expenditure by 9 per cent to US\$650M in FY16
- The Company's strong balance sheet is a key point of differentiation, with net debt of US\$402M
- A simple strategy designed to maximise return on invested capital and deliver sector-leading total shareholder returns

South32 Limited ("South32"; "the Company") (ASX/JSE/LSE: S32) today announced robust financial results for the 2015 Financial Year (FY15), with underlying earnings before interest and tax increasing by 56 per cent to US\$1.0 billion.

"The implementation of our regional operating model and broader cost saving initiatives are already delivering strong results. Over the next three years, we are seeking to reduce controllable costs by at least US\$350M per annum," said South32 Chief Executive Officer, Graham Kerr.

Safety Performance

Mr Kerr acknowledged that although it has been a strong financial start, the Company's safety performance requires a step change in performance in order to eliminate fatalities occurring in the business.

"We tragically lost two of our colleagues during FY15 and another in July. That's not acceptable and we must do more to ensure that every person goes home safely at the end of their shifts," said Mr Kerr.

Record Production

South32's robust financial results were achieved on the back of production records at four assets.

"We have hit the ground running since becoming an independent, stand-alone company. Our regional operating model and teams are in place, we are right-sizing our systems and processes, and driving the necessary cultural change across the group," said Mr Kerr.

Strong Balance Sheet

South32 Chief Financial Officer, Brendan Harris, said the cash generating capacity of the Company's asset portfolio and strong balance sheet were a powerful combination and a key point of differentiation.

"We have a strong balance sheet and well-defined capital management framework. We intend to distribute a minimum 40 per cent of underlying earnings as dividends to shareholders in each six month reporting period. This payout ratio policy protects the balance sheet when margins are compressed and rewards shareholders as financial performance improves," said Mr Harris.

At 30 June 2015, South32 had net debt of US\$402 million, underpinning BBB+/Baa1 credit ratings from Standards & Poor's and Moody's, respectively.

Reducing Costs

South32 has already made strong inroads in reducing costs but there is more to be done. The Company has committed to reducing controllable costs by at least US\$350M per annum over the next three years.

South32 is also seeking to reduce sustaining capital expenditure by 9 per cent to US\$650 million in Financial Year 2016, with this rate of expenditure expected to be maintained on average over the Company's planning horizon.

Forward Strategy

Mr Kerr said the Company has designed a strategy that is intentionally simple and tailored to suit South32's high quality portfolio of assets.

"By optimising the performance of our existing assets, converting high value brownfield resources into reserves, and identifying new opportunities we will maximise return on invested capital and deliver sector-leading total shareholder returns," said Mr Kerr.

A key enabler of the strategy is the implementation of our regional operating model, which is being fast tracked. This includes reducing layers of management, aggregating functional support at the regional head offices, fostering stronger relationships with stakeholders and optimising our procurement function.

ENDS

The full financial results ASX announcement and accompanying investor presentation can be found on the South32 website www.south32.net

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