

# RioTinto

## 2014 full year results

Delivering sustainable shareholder returns

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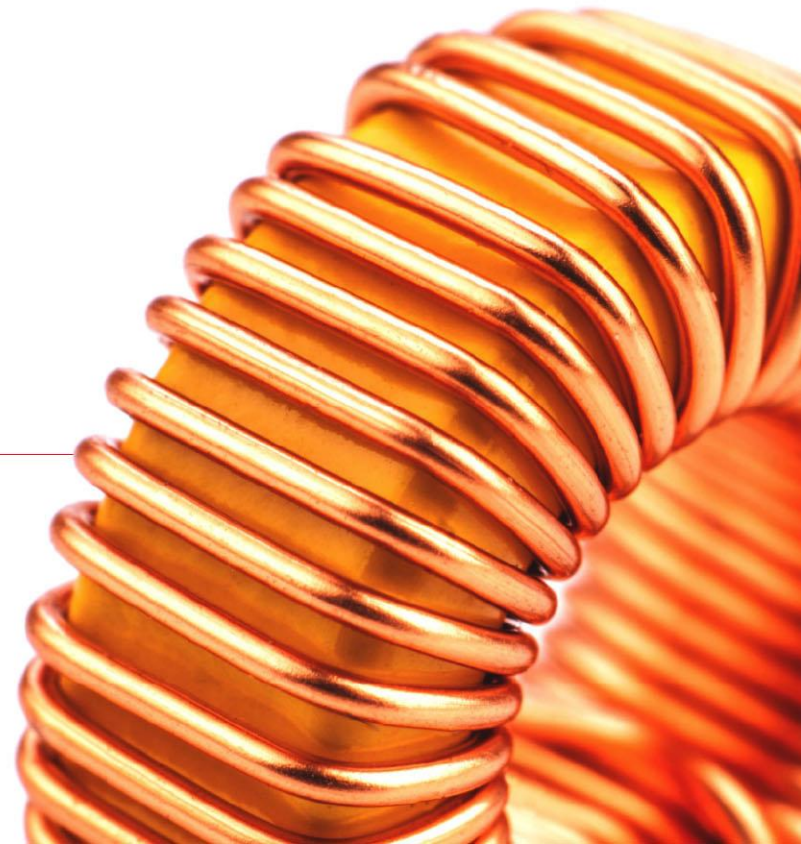
# RioTinto

## Sam Walsh

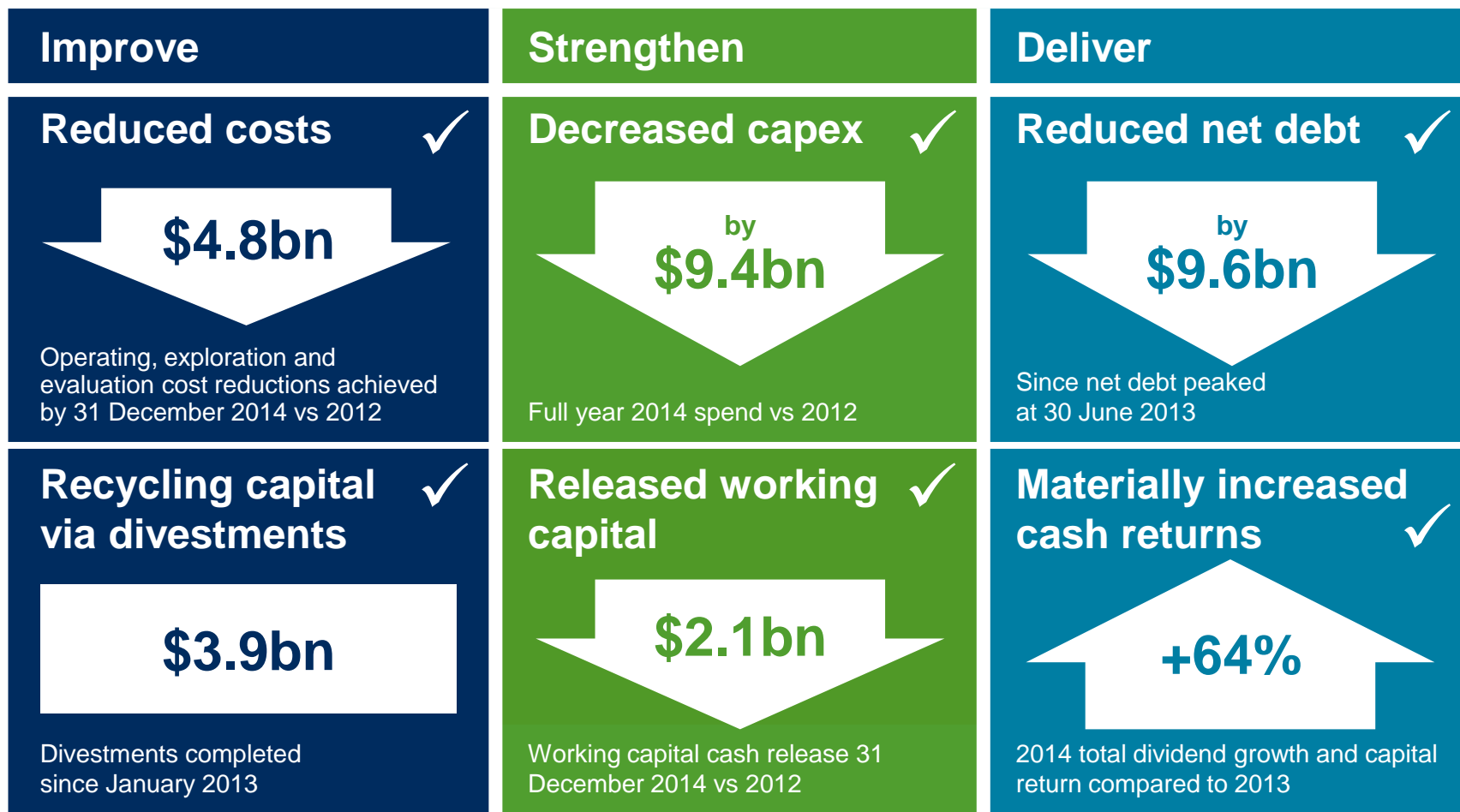
Chief executive



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# Delivering our transformation programme



# 2014 highlights

**Underlying earnings of \$9.3 billion**

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**Net earnings of \$6.5 billion**

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**Net cash from operating activities of \$14.3 billion**

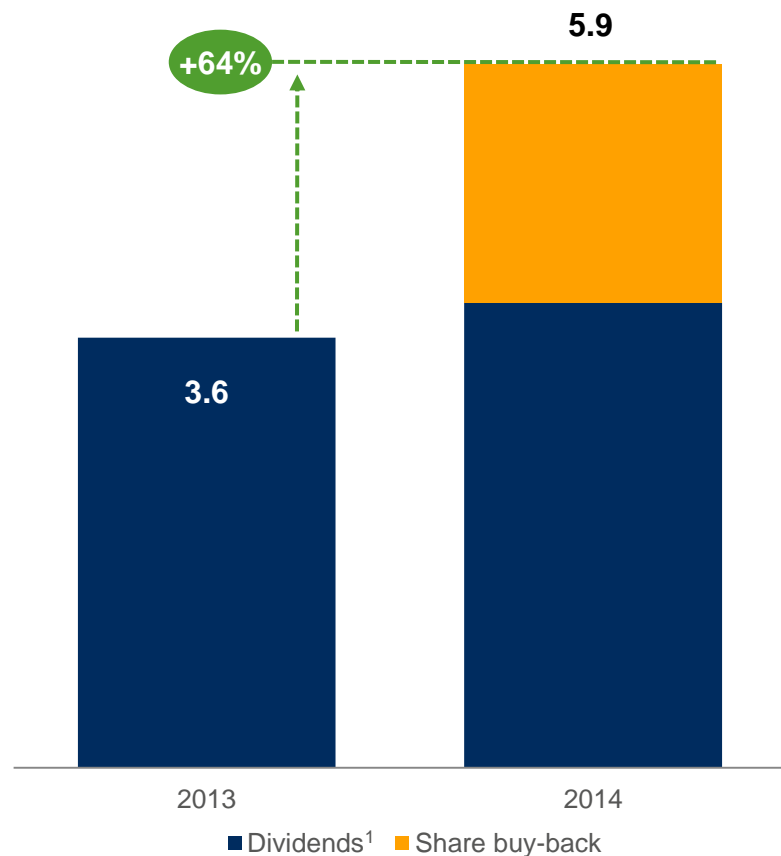
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**Net debt reduced by \$5.6 billion to \$12.5 billion**

# Material increase in cash returns to shareholders

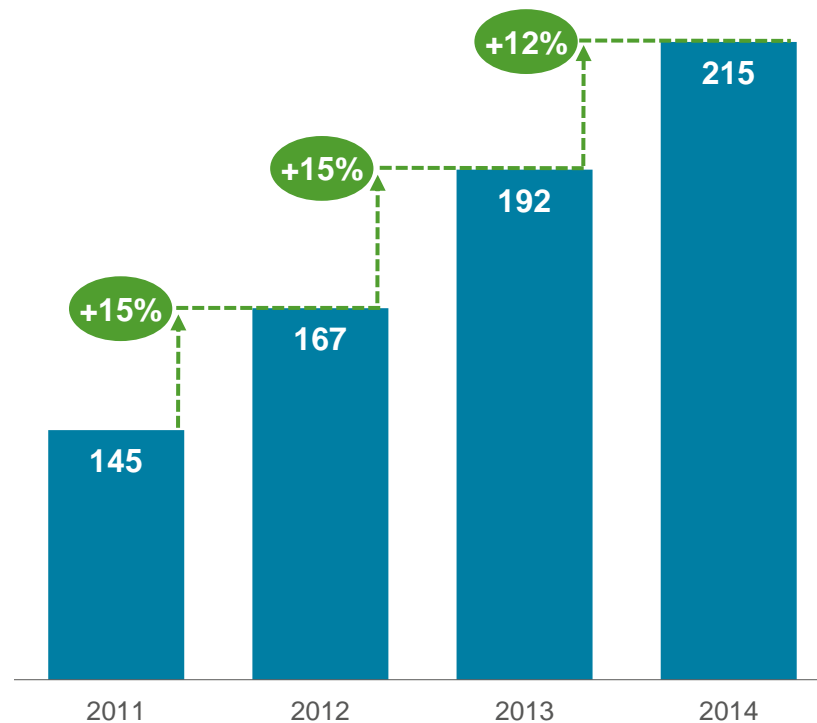
## Total cash returns to shareholders

US\$ billion



## Dividends declared

US cents per share



<sup>1</sup> Dividend numbers are based on total dividends declared for each financial year. 2014 numbers are based on the interim dividend paid in September 2014 and the 2014 final dividend, payable in April 2015 (calculated based on the number of shares outstanding at 31 December 2014).

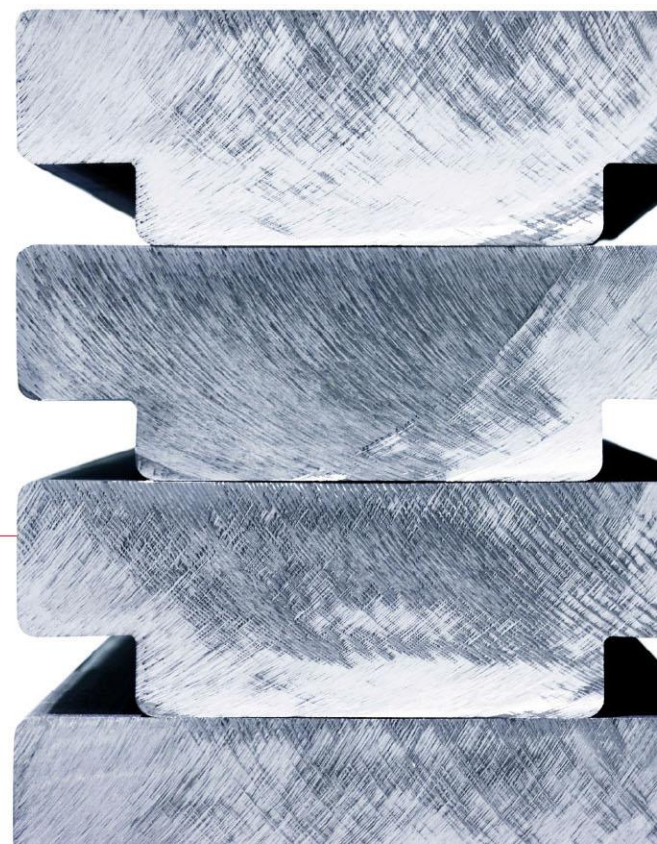
# RioTinto

# Chris Lynch

Chief financial officer



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# Delivering on our promises in 2014

## Reduced costs ✓

**\$1.5bn**

Incremental operating, exploration & evaluation cost reductions achieved by 31 December 2014 vs 2013

## Decreased capital expenditure ✓

by  
**\$4.8bn**

31 December 2014 vs 2013

## Released working capital ✓

**\$1.5bn**

Working capital cash release 31 December 2014 vs 2013

## Strengthened balance sheet ✓

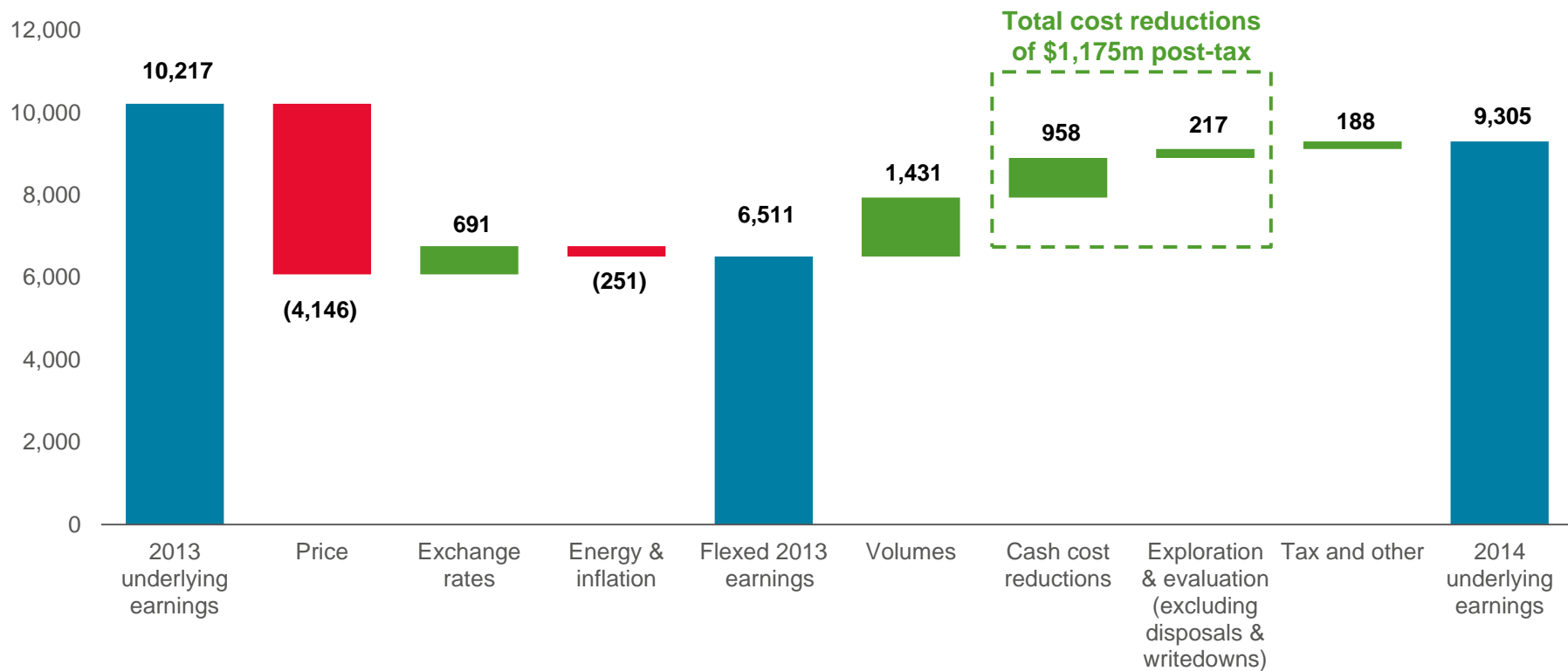
**\$5.6bn**  
net debt reduction

31 December 2014 vs 2013

# Management actions significantly offset price impact

## Underlying earnings 2013 vs 2014

US\$ million (post tax)



# Net earnings

	<b>US\$m</b>
2014 underlying earnings	9,305
Impairments	(1,187)
Impairment reversals	1,049
Losses on disposals	(349)
MRRT repeal	(362)
Exchange losses on debt and derivatives	(1,850)
Other	(79)
<b>Net earnings</b>	<b>6,527</b>

# Robust product group earnings and cash flows

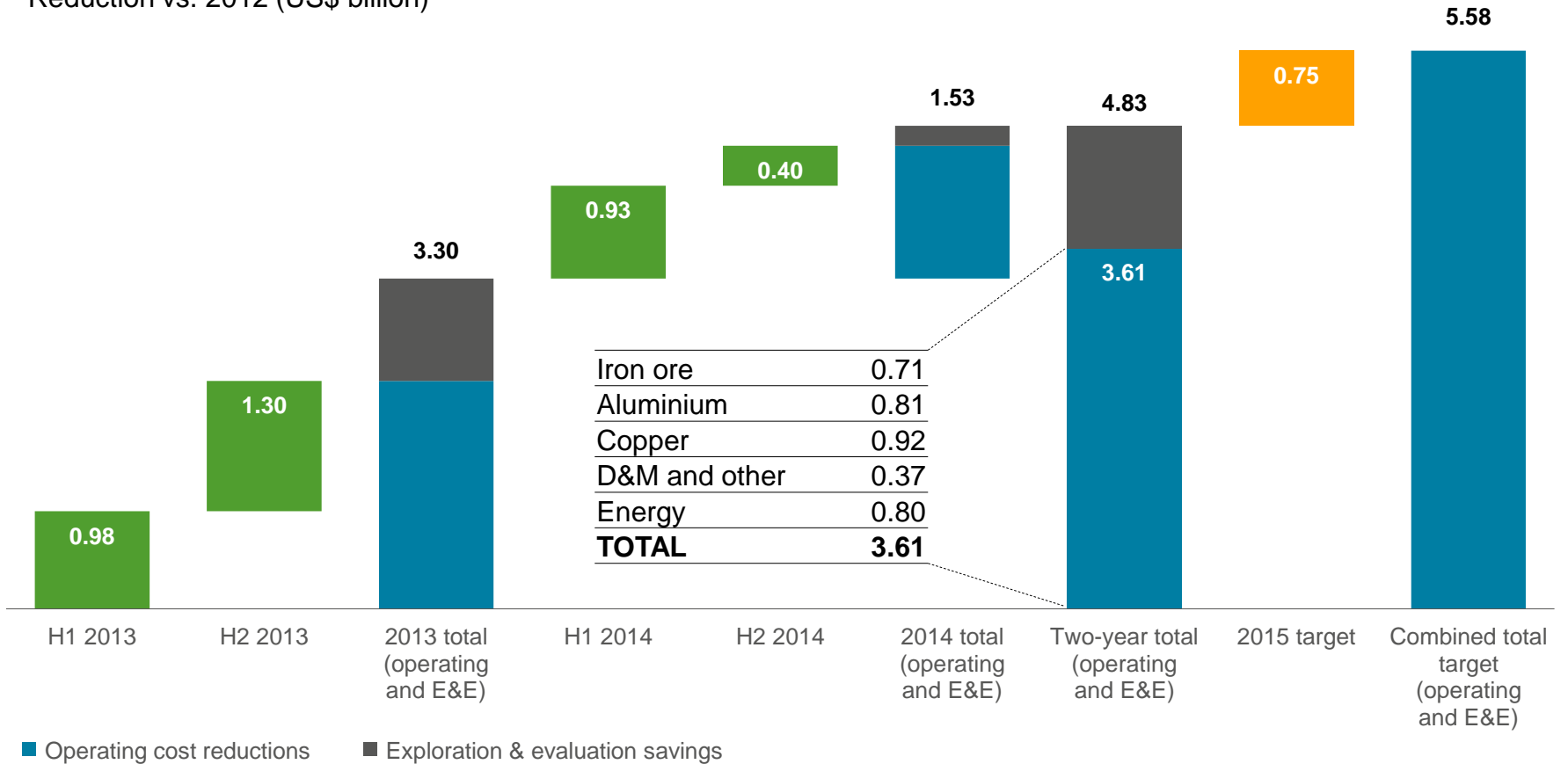
	Underlying earnings (\$bn)		Net cash generated from operating activities (\$bn)	
	2013	2014	2013	2014
Iron Ore	9.85	8.11	14.01	10.27
Aluminium	0.55	1.25	1.70	2.55
Copper	0.82	0.91	0.38	1.70
Diamonds & Minerals	0.35	0.40	0.84	1.20
Energy	0.03	(0.21) <sup>1</sup>	0.92	0.36
Product group total	11.62	<b>10.46</b>	17.85	<b>16.08</b>
Other ops./ other items/ exploration/ interest	(1.40)	(1.15)	(2.80)	(1.79)
Total	10.22	<b>9.31</b>	15.05	<b>14.29</b>

<sup>1</sup> The completion of the sale of Rio Tinto Coal Mozambique (RTCM) was announced on 8 October 2014. Losses at RTCM of \$93 million up to that date are included in the Energy underlying earnings. Underlying earnings were also negatively impacted by the \$119 million loss at Energy Resources Australia.

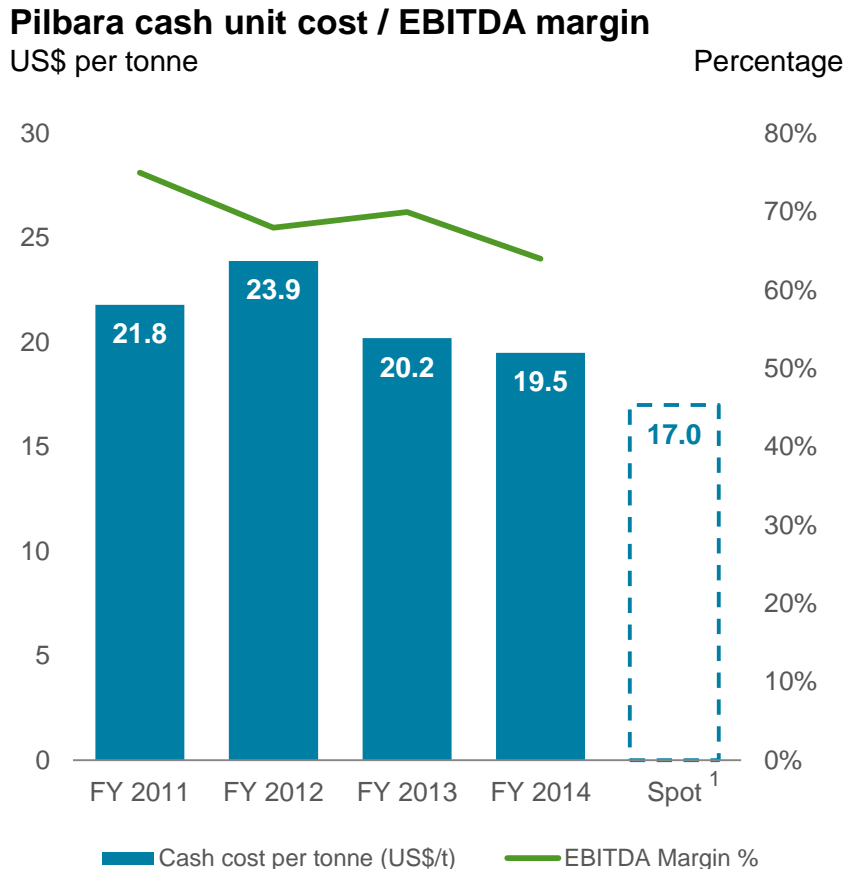
# Continual cost improvement

## Pre-tax operating cash cost improvements

Reduction vs. 2012 (US\$ billion)



# Pilbara – continual cost improvement



- Our low-cost advantage has been sustained over many years:
  - 2014 cash unit cost of \$19.5/t
  - H2 2014 cash unit cost of \$18.7/t (8% lower than \$20.4/t in H1 2014 )
  - Maintain consistently attractive EBITDA margins (64% in 2014)
- Average realised FOB price of \$84.3 per wet metric tonne (\$91.6/dmt)
- 360 infrastructure project on track for completion in H1 2015
- Expect production of 330Mt/a in 2015

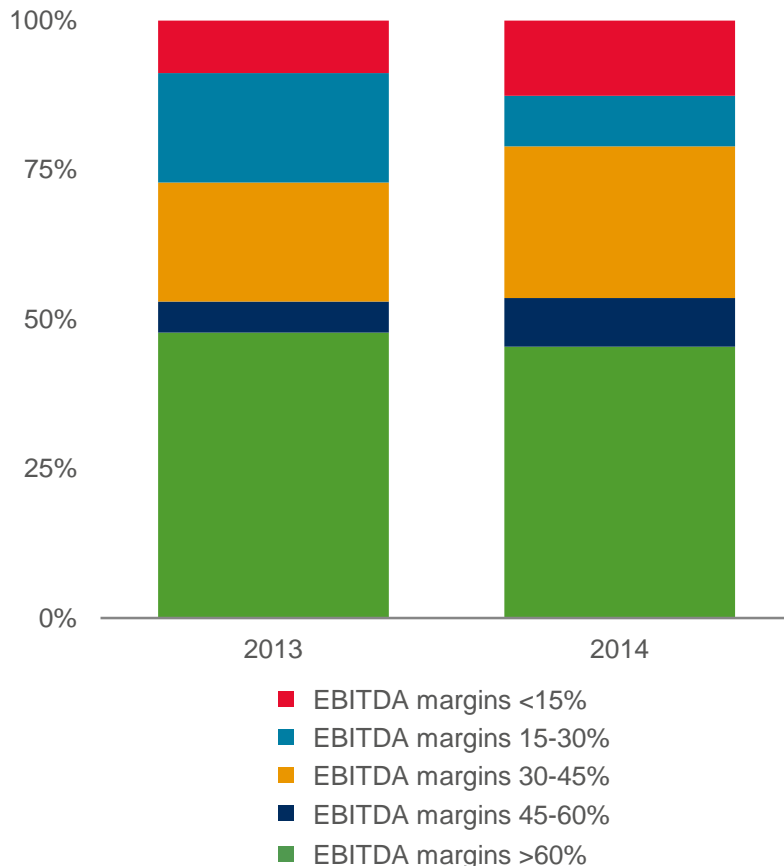
Source: Rio Tinto financial statements, Rio Tinto analysis.

<sup>1</sup> Estimated cash unit costs for Q4 2014 on spot AUD:USD exchange rate of 78 Australian cents and a fuel price of A\$0.67 per litre post fuel tax credits (2014 average: A\$0.92/l).

# Maintained Group EBITDA margin of 39%

## Portfolio split by asset quality

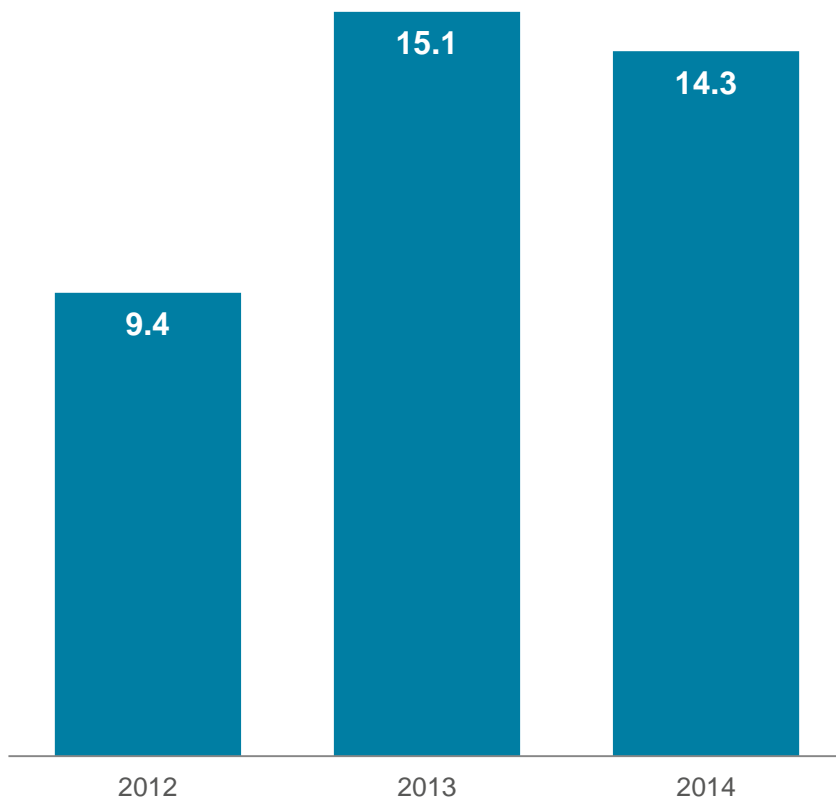
Percentage of revenue (2013 vs 2014)



- High quality, low cost assets reduce volatility of earnings and cash flow
- In 2014, the percentage of revenues generating at least 30% EBITDA margins increased to 80% through:
  - Reducing costs
  - Productivity improvements
  - Divesting underperforming businesses

# Strong operating cash flows

**Net cash generated from operating activities**  
US\$ billion



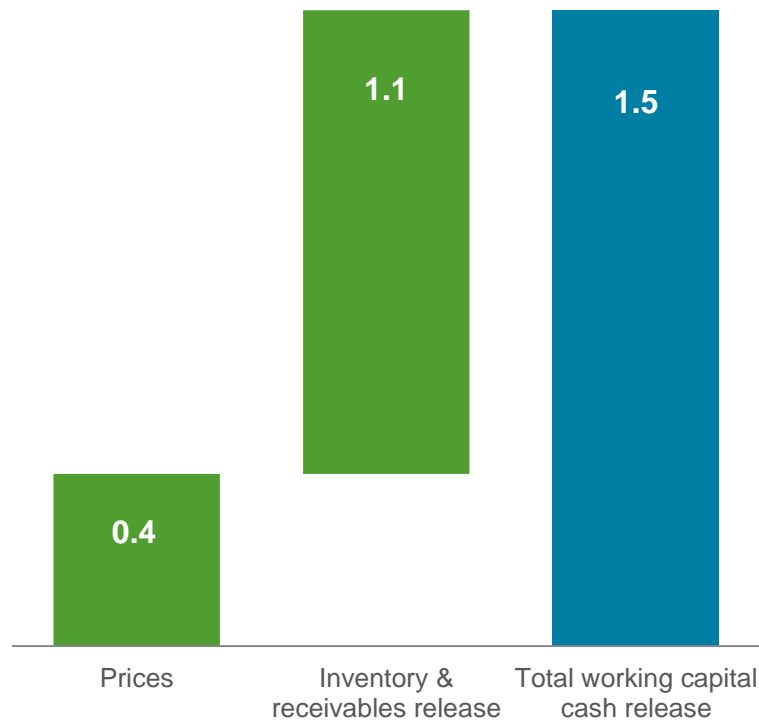
- \$0.8 billion reduction in cash flows, as \$4 billion price impact largely offset by:
  - operating cash cost reductions
  - exploration and evaluation savings
  - 6% volume growth<sup>1</sup>
  - \$1.5 billion of working capital cash release

<sup>1</sup> Copper equivalent growth calculated at 2013 constant prices and based on Rio Tinto's reported production numbers released in 2014.

# \$1.5 billion of cash released from working capital

## Working capital cash release

US\$ billion

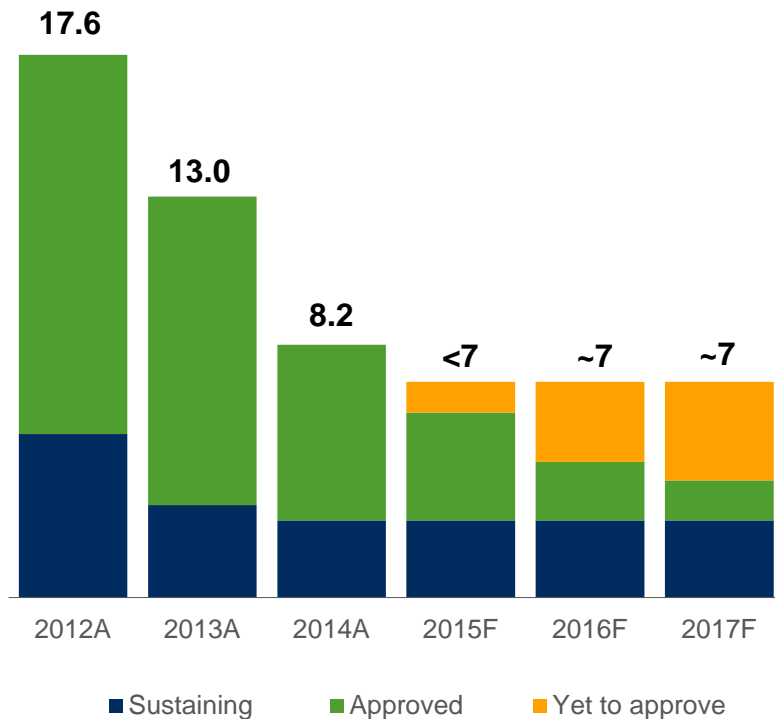


- \$1.5 billion cash unlocked now available for more productive uses
- Significant release of working capital achieved through:
  - Optimising inventory levels
  - Tighter management of receivables
- Continued focus on working capital levels in 2015

# Focus on capital efficiency

## Capital discipline...

Capital expenditure profile (US\$ billion)<sup>1</sup>



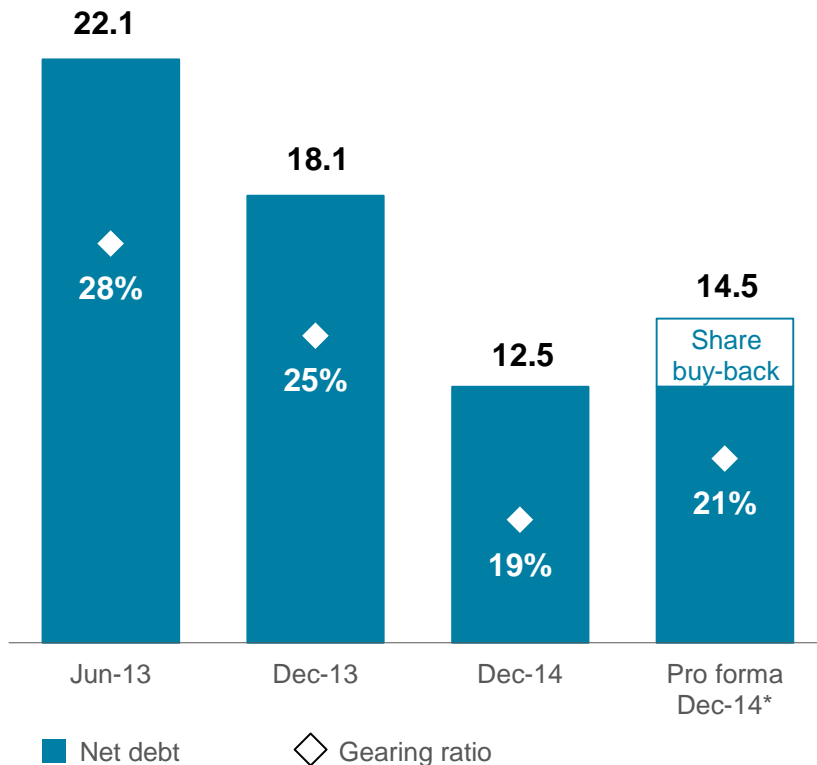
- Capital allocation discipline requires project IRR >15%
- All projects ranked against each other and buy-backs
- Two major projects expected to complete in first half of 2015:
  - Kitimat modernisation (\$1 billion remaining)
  - Pilbara 290/360 infrastructure (\$1.5 billion remaining)
- Silvergrass decision not required in 2015

<sup>1</sup> Forecast capex is subject to variation in future exchange rates. Capex numbers are gross and, in a change to previous reporting, are no longer net of disposals.

# Balance sheet strength and flexibility

## Net debt and gearing ratio<sup>1</sup>

US\$ billion

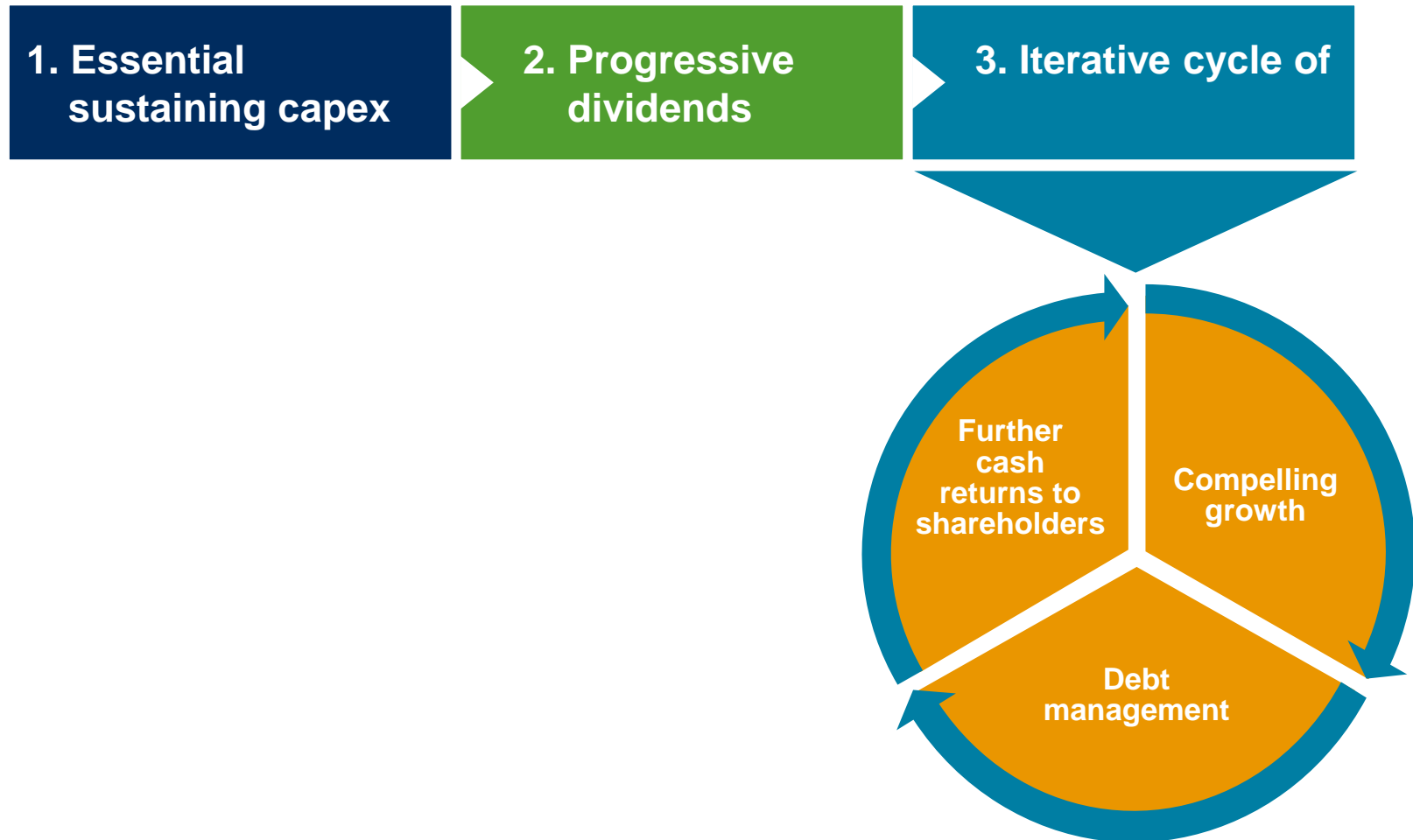


<sup>1</sup> Gearing ratio = net debt/ (net debt + book equity).

\* Post \$2 billion share buy-back.

- Maintain strong balance sheet amid challenging market
- Targeting 20-30% gearing ratio through the cycle
- Ratio expected to remain at lower end of the range in near term
- \$12.4 billion of cash on hand as at 31 Dec. 2014
  - \$1.75 billion of bonds maturing in 2015
  - \$2 billion share buy-back
- Balance sheet headroom a key competitive advantage

# Our capital allocation framework maximises shareholder value



# RioTinto

## Sam Walsh

Chief executive



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# Our commitment to shareholders

**To deliver industry-leading, sustainable shareholder returns through the cycle from our:**

**Tier 1 assets**

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**Disciplined allocation of capital**

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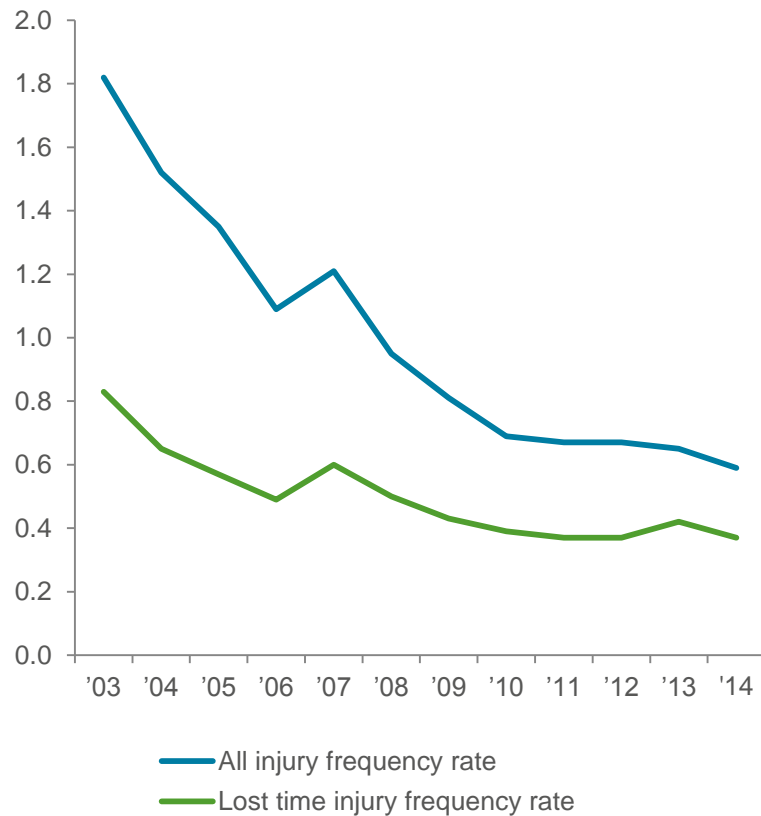
**Operating and commercial excellence**

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**Culture of safety and integrity**

# Safety is fundamental to our business

## Injury frequency rates Per 200,000 hours worked



**Vehicle safety check in the Pilbara, Australia**

# Succeeding in a challenging market

## Long-life, low-cost and expandable assets

Strong cash flow generation  
throughout the cycle from our  
key commodities

## Commercial excellence

Strong customer relationships,  
high quality benchmark products,  
technical marketing and  
value-in-use pricing

## Operating excellence

Leadership in technology  
and productivity drives a  
sustainable and competitive  
cost position

## Strong and efficient balance sheet

Sustainable shareholder  
returns and  
value-adding growth

# Managing a world-class portfolio...

	Iron Ore	Aluminium	Copper
<b>2014 achievements</b>	<p>Cash generated: \$10.3 billion</p> <hr/> <p>Completed 290Mt/a ramp-up</p>	<p>Cash generated: \$2.6 billion</p> <hr/> <p>Sector-leading primary metal 2014 EBITDA margin of 25%</p>	<p>Cash generated: \$1.7 billion</p> <hr/> <p>Maintained EBITDA margins at 42%</p>
<b>2015 objectives</b>	<p>Maintain industry-leading cost position</p> <hr/> <p>Completing 360 infrastructure in H1</p> <hr/> <p>40 Mt/a of brownfield expansions</p>	<p>Build on sector-leading EBITDA margin position</p> <hr/> <p>Deliver Kitimat modernisation in H1, further consolidating smelter cost curve position</p> <hr/> <p>Bauxite expansion projects</p> <ul style="list-style-type: none"> <li>• South of Embley</li> <li>• Gove to 8Mt/a</li> </ul>	<p>Strong focus on cash and preservation of margins</p> <hr/> <p>Drive operational excellence across the group</p> <hr/> <p>Progress growth options</p> <ul style="list-style-type: none"> <li>• Oyu Tolgoi U/G</li> <li>• Resolution &amp; La Granja</li> </ul>
<b>2015 guidance</b>	<p>Global shipments approaching 350 Mt</p>	<p>Bauxite: 43 Mt</p> <hr/> <p>Alumina: 8.0 Mt</p> <hr/> <p>Aluminium: 3.3 Mt</p>	<p>Mined copper: 500-535kt</p> <hr/> <p>Refined copper: 190-220kt</p>

# ... of sector-leading assets

	Diamonds & Minerals	Energy
2014 achievements	<p>Cash generated: \$1.2 billion</p> <hr/> <p>Commissioned MDDK plant Simandou Investment Framework</p>	<p>Cash generated: \$0.4 billion</p> <hr/> <p>Disposals of Rio Tinto Coal Mozambique and Clermont</p>
2015 objectives	<p>Maximise cash flow generation</p> <hr/> <p>Argyle U/G ramp-up and development of Diavik A21</p> <hr/> <p>Zulti-South project approval</p> <hr/> <p>Progress feasibility study for Simandou</p>	<p>Further cost reductions and productivity improvements across portfolio</p> <hr/> <p>Hunter Blend project: unlocking network potential</p> <hr/> <p>Establish Integrated Operations Centre</p> <hr/> <p>Further define coal resource base</p>
2015 guidance	<p>Diamonds: 21mcts</p> <hr/> <p>TiO<sub>2</sub>: 1.4 Mt</p> <hr/> <p>Boric oxide equivalent: 0.5 Mt</p>	<p>Thermal coal: 18.5 Mt</p> <hr/> <p>Semi-soft coking coal: 3.2 Mt</p> <hr/> <p>Hard-coking coal: 7.6 Mt</p>

# Building the world's best mining company



# RioTinto

## 2014 full year results

Delivering sustainable shareholder returns

Fe

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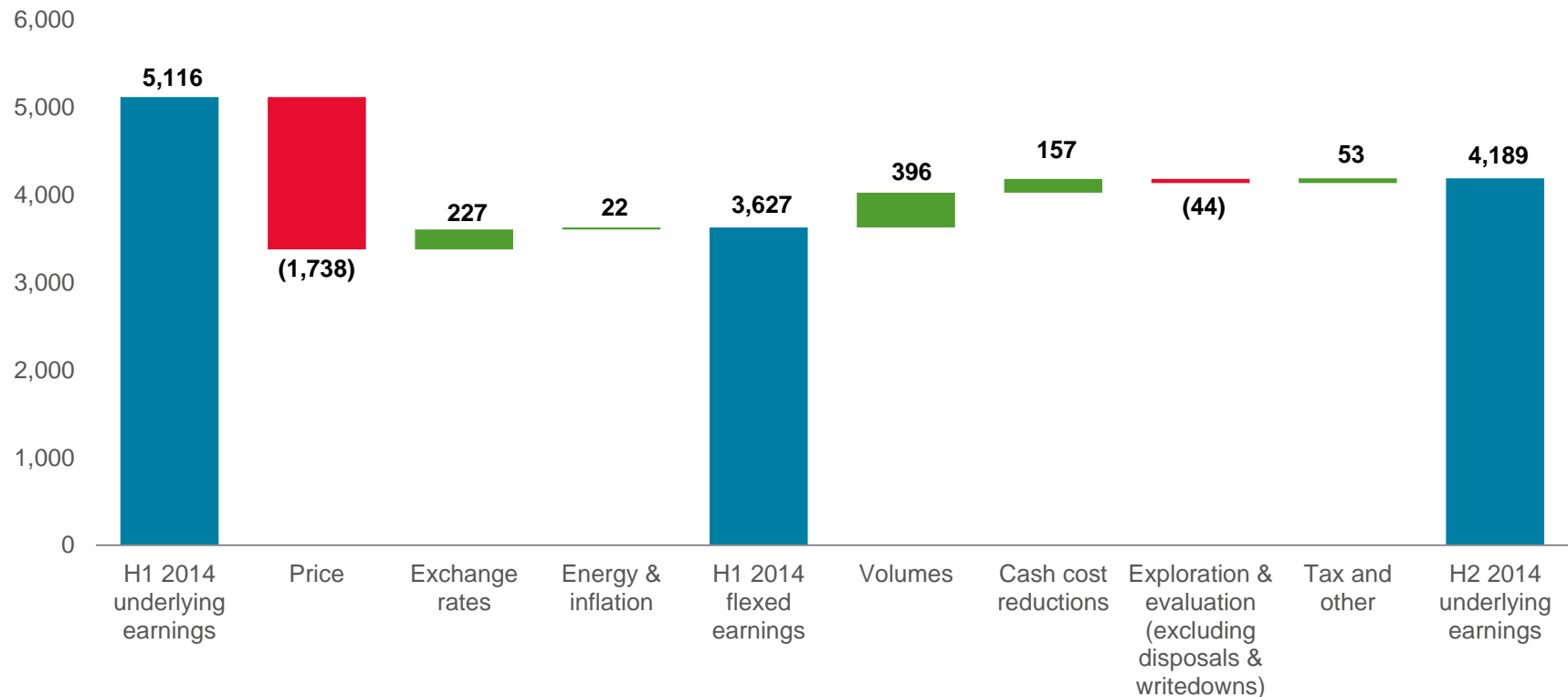
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# Increased volumes and cost reductions partially offset lower prices in the second half

## Underlying earnings H1 2014 vs H2 2014

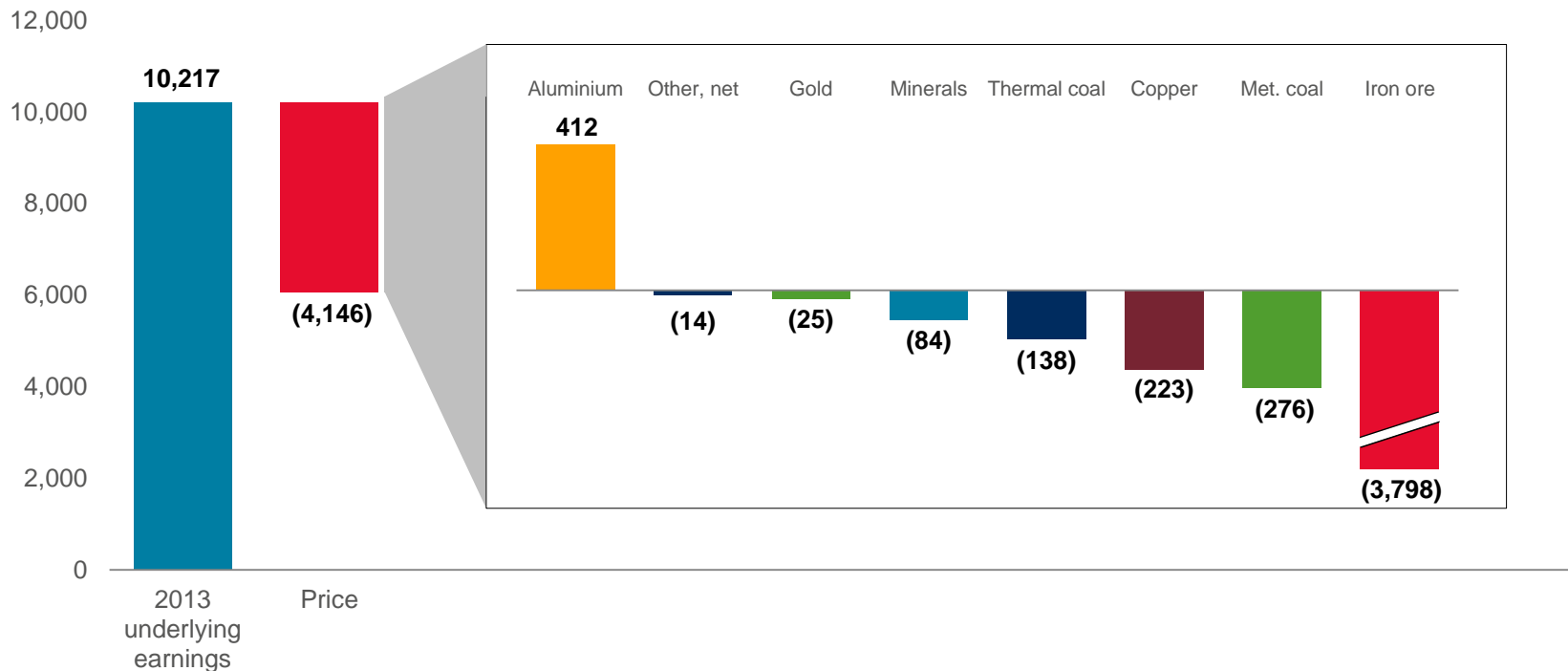
US\$ million (post tax)



# Weaker prices significantly impacted underlying earnings in 2014

## Underlying earnings 2013 vs 2014

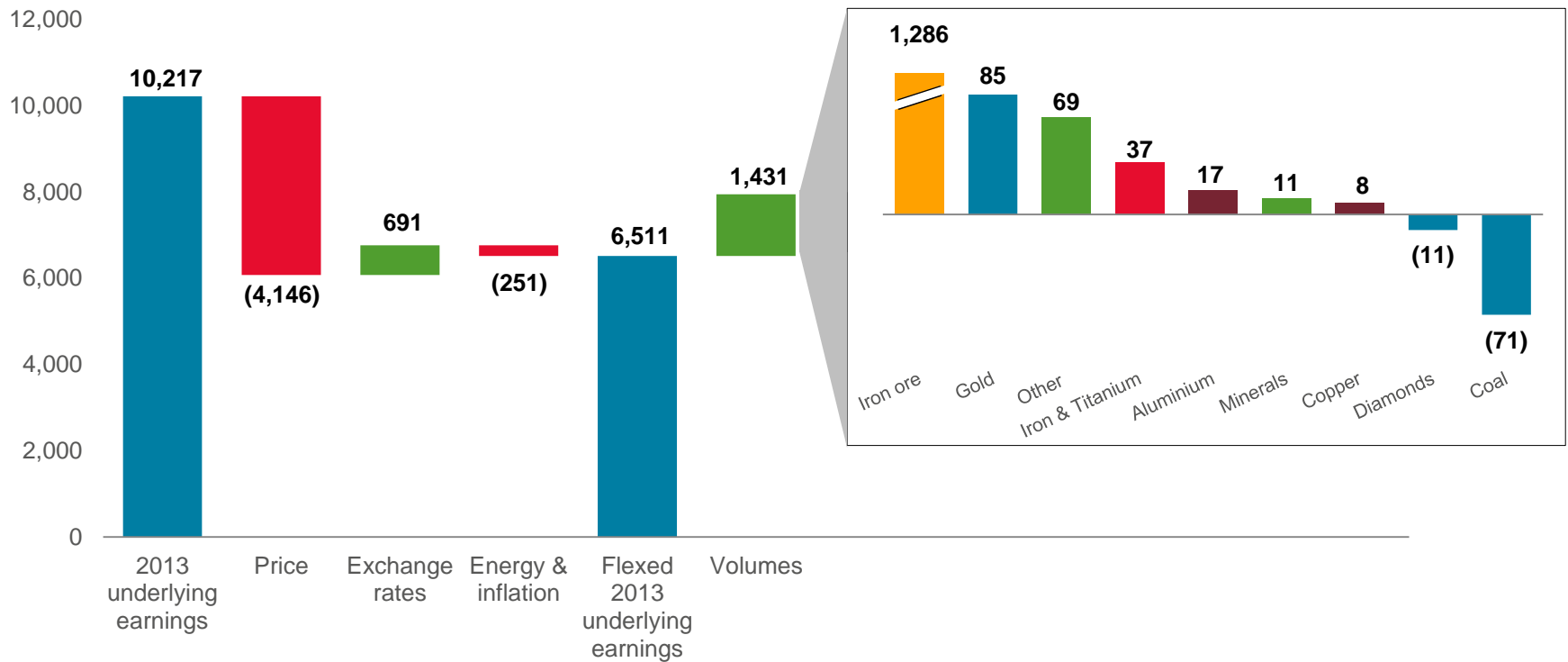
US\$ million (post tax)



# ... partly offset by favourable exchange rates and higher volumes

## Underlying earnings 2013 vs 2014

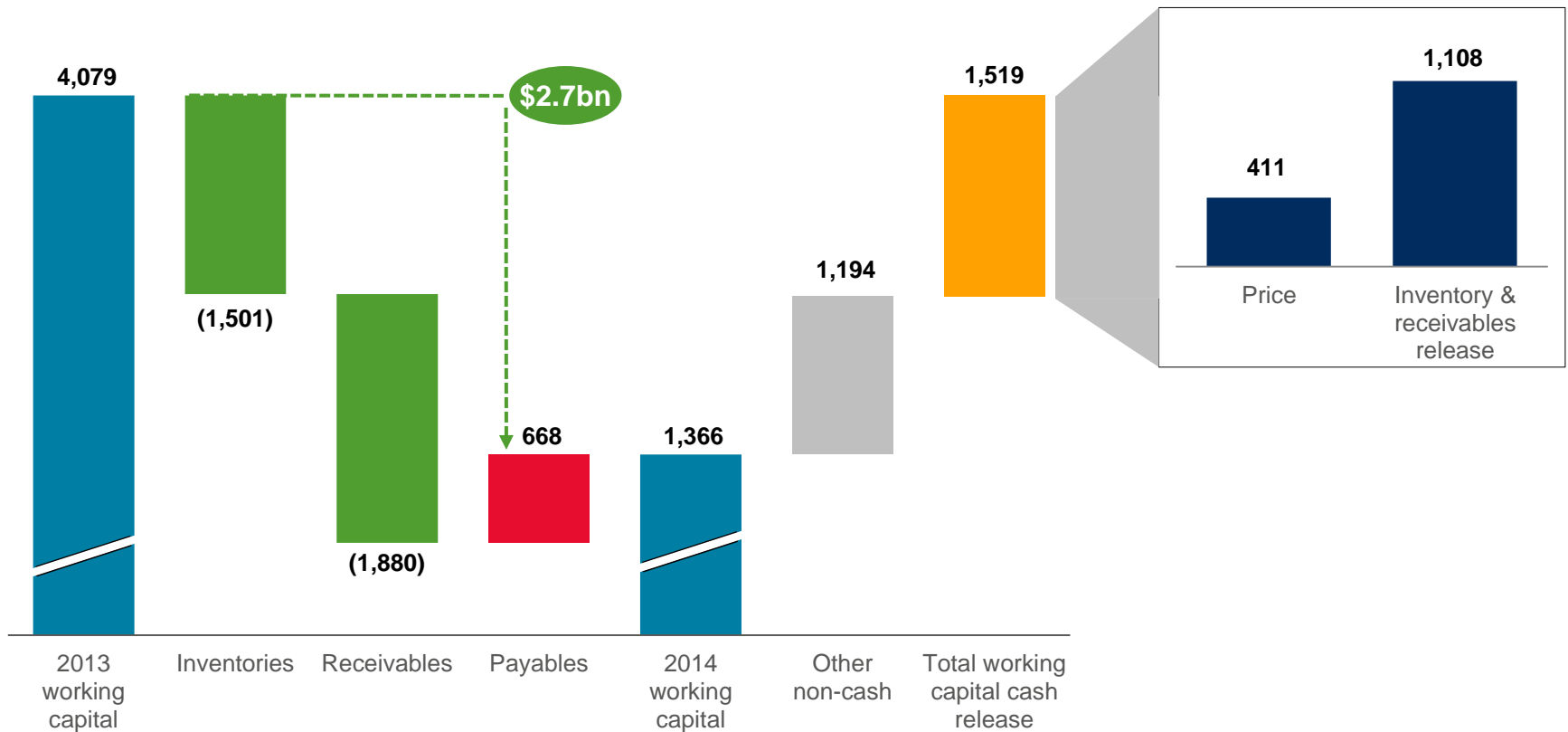
US\$ million (post tax)



# \$1.5 billion of cash released from working capital

## Working capital movements

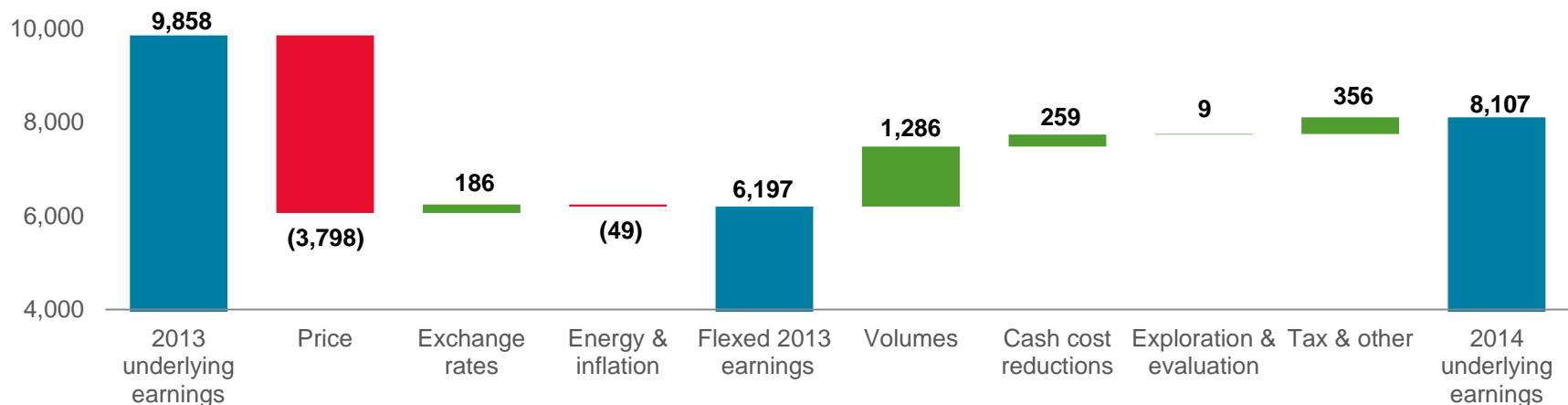
US\$ million



# Iron Ore: increased volumes and cost reductions partially offset lower prices

## Underlying earnings 2013 vs 2014

US\$ million (post tax)



- Production of 295 million tonnes was 11% higher than in 2013 as the 290 Mt/a Pilbara expansion reached nameplate capacity in May 2014, two months ahead of schedule.
- Almost 90% of the additional 30 million tonnes produced in 2014 has gone directly into the premium Pilbara Blend, the industry reference for the 62% Fe market.
- Pilbara EBITDA margins of 64% achieved in 2014 (70% in 2013) despite a 30% decline in average 62% Fe index prices compared to 2013.
- Total cost reductions delivered in 2014 of \$259 million post tax, through productivity improvements and lower contractor costs. Total pre-tax Iron Ore cost savings delivered since 2012 are now \$710 million.
- Tax and other driven by lower MRRT expense following repeal in Q3 2014 and the one-off royalty settlement in 2013.
- Pilbara iron ore revenues includes \$1,312 million of freight in 2014 (\$927 million in 2013).

# The world's best aluminium business

**Clear focused strategy: Bauxite and first quartile smelters are key pillars**

## Bauxite



**Industry-leading bauxite position**

Third party sales of 23 million tonnes in 2014

Achieved FOB EBITDA margins of 44% in 2014

Market-paced growth options at Cape York, starting with South of Embley

## Alumina



**Provides competitive security of supply for our smelters**

Improve financial performance in 2015

Focused on ramping up Yarwun, reducing costs and improving productivity

## Aluminium



**Sector-leading primary metal 2014 EBITDA margin of 25%**

2014 underlying earnings increased by 182% vs 2013

80% of smelters in first cost quartile<sup>1</sup>; ~80% of power from low carbon sources

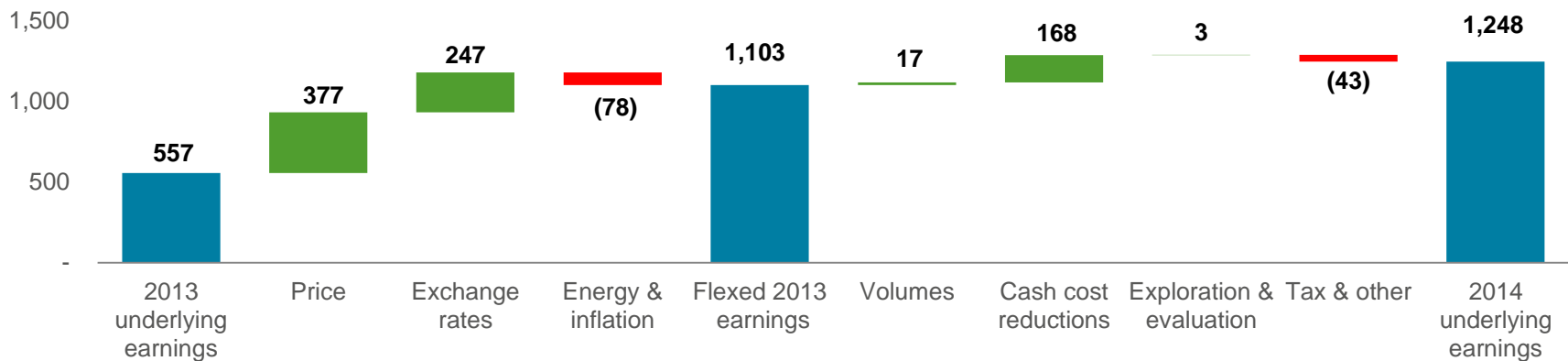
**Focused on cash generation**

<sup>1</sup> Post completion of the Kitimat modernisation project, with first production expected towards the end of the first half of 2015.

# Aluminium:<sup>(1)</sup> exchange rates, strong price premiums and cost improvements more than doubled earnings

## Underlying earnings 2013 vs 2014

US\$ million (post tax)



- While the LME price increased 1% compared to 2013, the significant uplift in physical delivery market premiums and the impact of weaker Canadian and Australian dollars significantly increased flexed underlying earnings.
- Total cost savings delivered in 2014 of \$168 million post tax, through productivity improvements and cost reductions. Total pre-tax Aluminium cost savings delivered since 2012 are now \$806 million.
- EBITDA margins improved to 29% in 2014, compared to 19% in 2013. Improved EBITDA and reduced working capital have delivered strong operating cash flows of \$2.6 billion and over \$500 million of free cash flow.
- Third party bauxite sales increased 4% during 2014 to 23.3 million tonnes (2013: 22.4 million tonnes).
- The Kitimat modernisation is on track, with first production expected by the end of the first half of 2015.
- The South of Embley project, a 22.8 Mt/a, tier one investment opportunity, received funding approval to continue feasibility study.
- In 2014, the Aluminium group sold its joint venture interests in the SØRAL smelter in Norway in October and the Alucam smelter in Cameroon in December.
- Bauxite revenues includes \$256 million of freight in 2014 (\$261 million in 2013).

# Copper: a clear strategy to create long-term value

## Four key operating assets



Oyu Tolgoi



Kennecott



Escondida



Grasberg

## Two greenfield options



La Granja



Resolution

**\$923 million of cash cost improvements since 2012**

**42% EBITDA margin preserved in 2014 despite 7% lower average LME price**

**Significant progress in simplifying the portfolio since 2012**

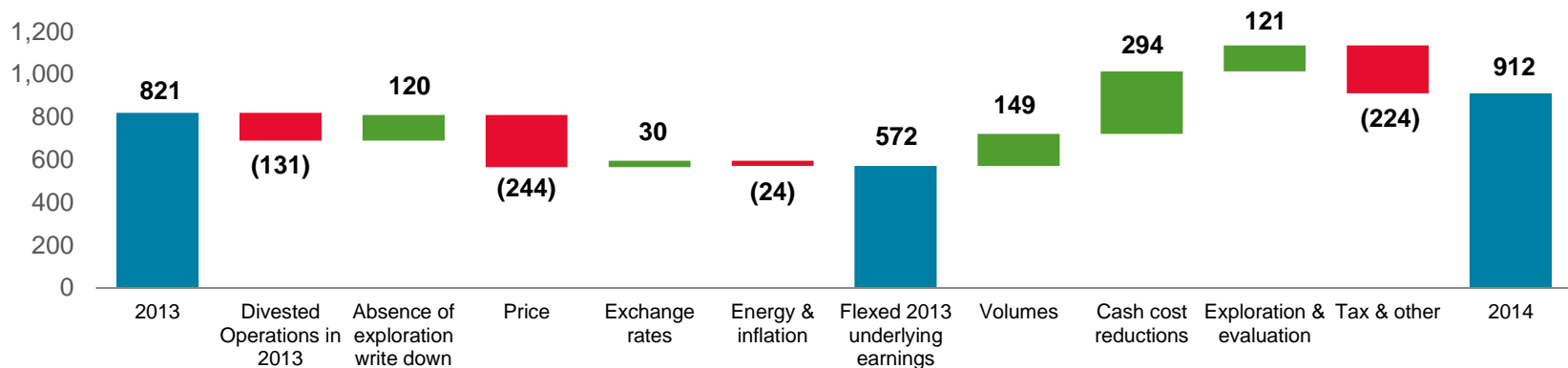
**Clear strategy to deliver sustainable value:**

- Maximise value from existing operations
- Deliver brownfield growth projects to leverage next copper cycle
- Progress future world-class greenfield growth options

# Copper: cost savings and improved volumes more than offset lower prices

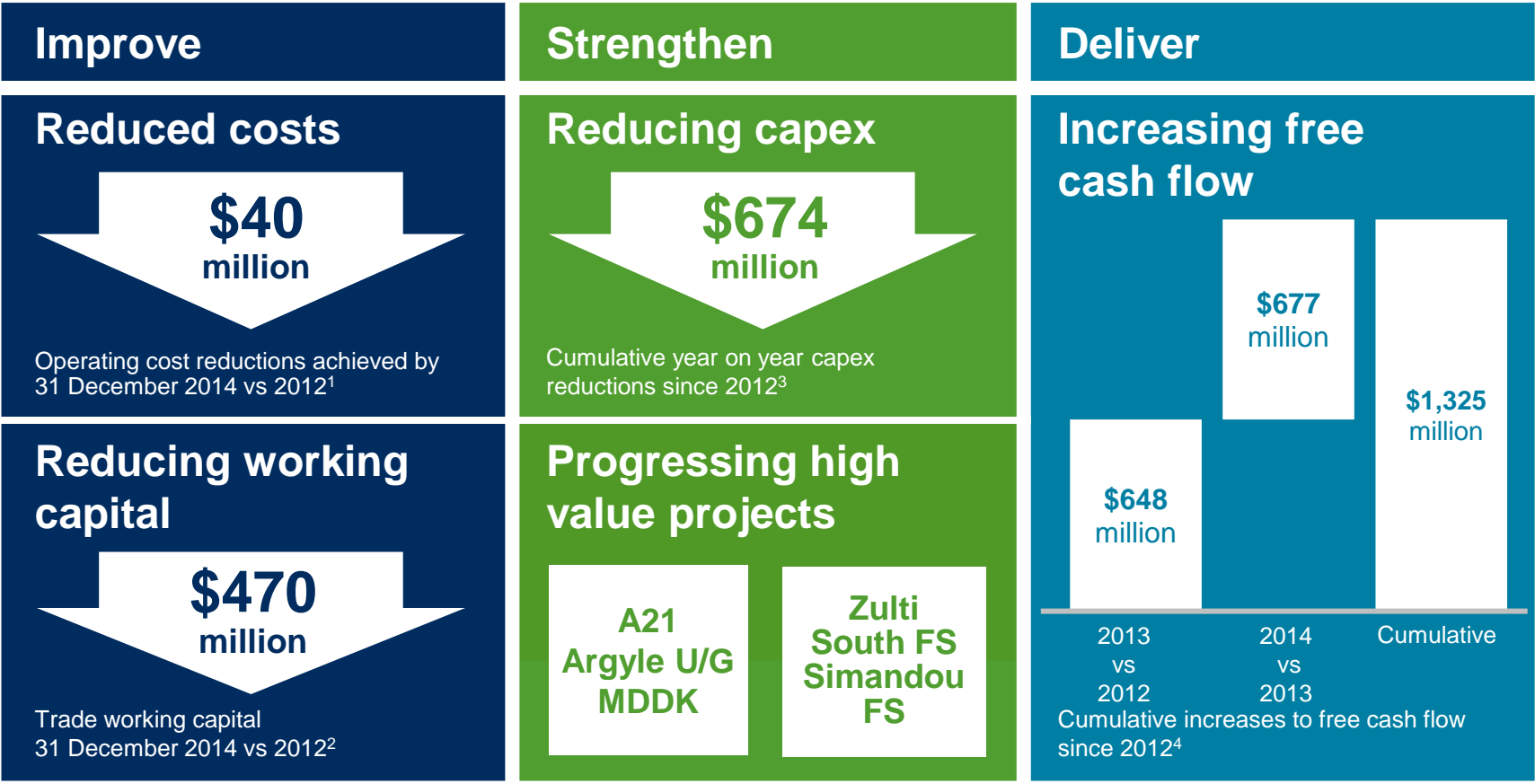
## Underlying earnings 2013 vs 2014

US\$ million (post tax)



- Cost reductions and volume improvements delivered a significant uplift in underlying earnings year on year, more than offsetting lower prices. Total pre-tax cost savings delivered by Copper since 2012 are now \$923 million.
- Achieved \$1.7bn gross revenue at Oyu Tolgoi, where shipments exceeded production in 2014 and inventories returned to normal levels at the year end.
- Kennecott completed a 65-day smelter maintenance shutdown during the fourth quarter and began de-weighting and de-watering the east wall to manage a geologic structure, which will temporarily lower mined copper in 2015.
- Resolution Copper achieved a number of significant milestones during the year with completion of the first shaft and approval of the land exchange under the Southeast Arizona Land Exchange and Conservation Act.
- At 31 December 2014, the Group had an estimated 331 million pounds of copper sales (2013: 254 million) that were provisionally priced at 288 cents per pound (2013: 333 cents). The final price of these sales will be determined during the first half of 2015.

# Diamonds & Minerals: delivering free cash flow

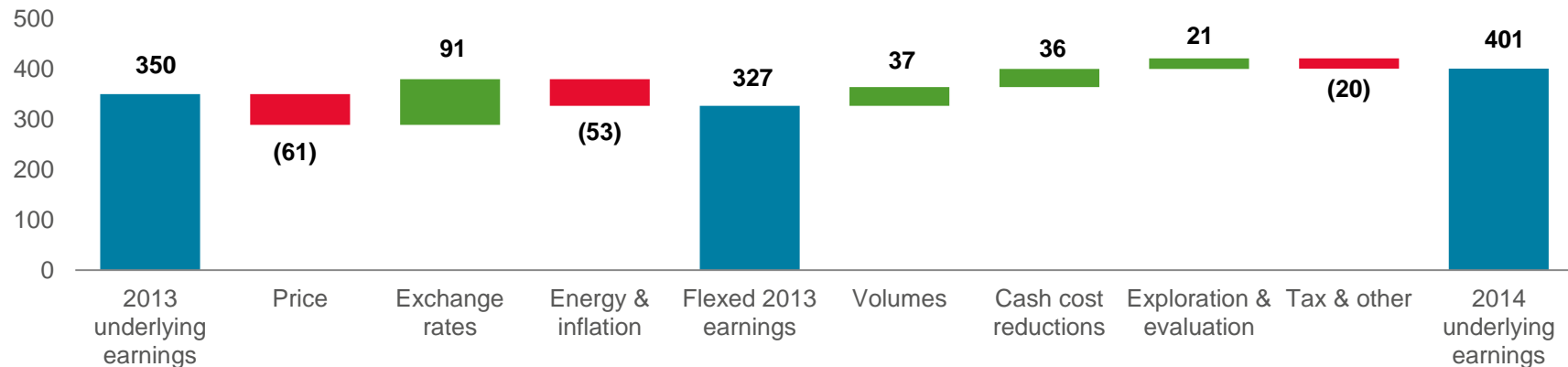


<sup>1</sup> The impact of cost savings achieved are largely offset by the effect of higher fixed costs per tonne due to lower production in response to market conditions. <sup>2</sup> Excludes Simandou and the impact of reporting Richards Bay Minerals inventory at fair value in December 2012. <sup>3</sup> FY 2014 vs FY 2012 reductions in capital expenditure. Excludes Simandou, includes EAU capex. <sup>4</sup> FY 2013 vs FY 2012 and FY 2014 vs FY 2013 increases in free cash flow. Excludes Simandou.

# Diamonds & Minerals: 15% higher underlying earnings from cost reductions and increased volumes

## Underlying earnings 2013 vs 2014

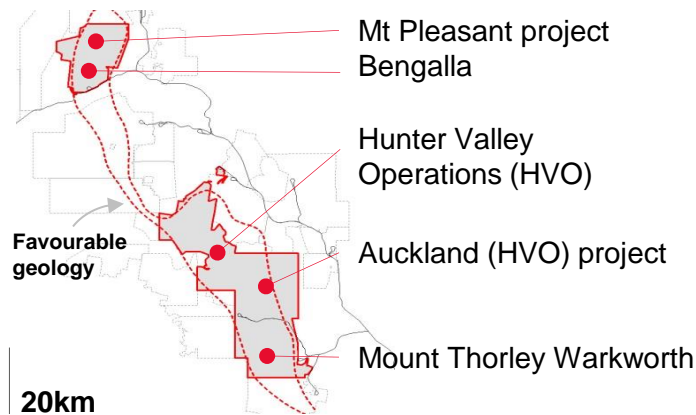
US\$ million (post tax)



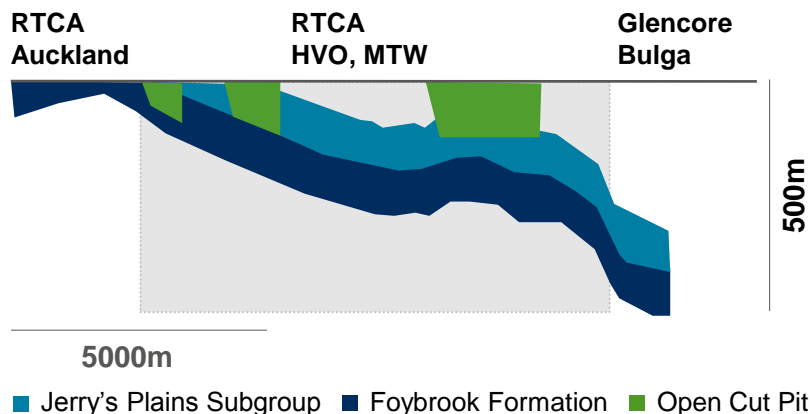
- Excluding Simandou project costs, underlying earnings were 16% higher than 2013, reflecting cash cost reductions, higher sales volumes and lower exploration and evaluation spend during 2014.
- The second crusher at Argyle was commissioned during the year and the ramp-up of the Argyle underground mine to full operation is on schedule to be completed in 2015.
- In November 2014, the \$350 million development of the A21 kimberlite pipe at Diavik was approved (Rio Tinto share \$210 million), which will provide an important source of incremental supply to maintain existing production levels.
- The feasibility studies for the Simandou mine and infrastructure – a project which has the potential to be a truly world class operation – have continued to the extent possible during the year, despite the outbreak of Ebola, and will continue in 2015.

# Energy: large, high-quality Hunter Valley resource

## RTCA has a large footprint



## ...with shallow, stable geology

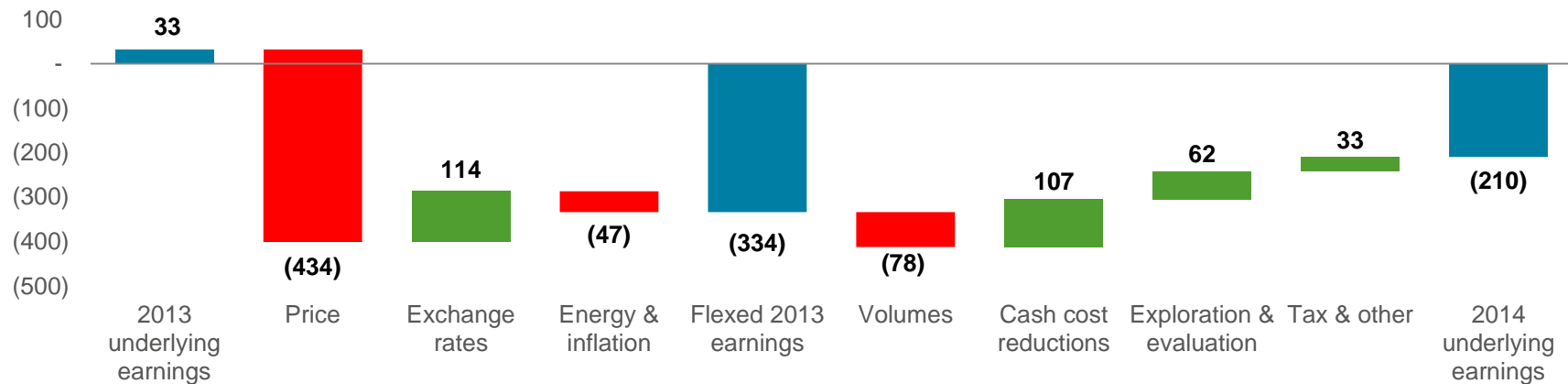


- Significant progress in reshaping the portfolio in 2014
  - Sale of Clermont for US\$1 billion
  - Sale of Rio Tinto Coal Mozambique
- Rio Tinto Coal Australia generating positive earnings and cash flows
- \$795 million in cost savings since 2012
- Marketing expertise delivered price premium to spot benchmarks:<sup>1</sup>
  - 35% over index on uranium
  - 10% over index on thermal coal
  - 8% over index on coking coal
- Hunter Blend project is focus for 2015:
  - Unlocking network potential of Hunter Valley
  - Integrated Operations Centre

# Energy: cash cost reductions and lower E&E spend offset by weaker prices

## Underlying earnings 2013 vs 2014

US\$ million (post tax)



- Significant productivity gains across the Australian coal business delivered annual site production records at Hail Creek, Hunter Valley Operations and Bengalla.
- Total pre-tax Energy cost savings delivered since 2012 are \$795 million.
- A weaker Australian dollar, cash cost reductions and lower exploration & evaluation spend were more than offset by lower prices.
- Rio Tinto Coal Australia finished the year with \$21 million in underlying earnings in a difficult price environment but this was overshadowed by \$93 million of losses incurred at Rio Tinto Coal Mozambique before it was divested in October 2014, and the \$119 million loss at Energy Resources Australia.
- Rio Tinto completed the sale of its 50.1% interest in the Clermont Joint Venture for \$1.015 billion during 2014.

# Other movements in underlying earnings

## Underlying earnings impact

US\$ million	2013	FX/ price	Energy & Inflation	Volumes	Cash Costs	Epl'n eval'n	Epl'n eval'n 2014 disp	Non Cash	Interest, tax & other	2014
Intersegment	(4)	-	-	-	4	-	-	-	-	-
Other operations	(281)	17	-	20	36	-	-	(12)	(23)	(243)
Central Exploration (net)	(145)	7	-	-	-	1	(19)	-	-	(156)
Interest	(242)	-	-	-	-	-	-	-	81	(161)
Other	(730)	13	-	-	54	-	-	(27)	97	(593)
<b>Total</b>	<b>(1,402)</b>	<b>37</b>	<b>-</b>	<b>20</b>	<b>94</b>	<b>1</b>	<b>(19)</b>	<b>(39)</b>	<b>155</b>	<b>(1,153)</b>

- Other operations includes the Gove alumina refinery and RT Marine. The reduction in net loss reflects cash cost savings, exchange rate benefits and increased volumes.
- Exploration costs were largely in line after accounting for the lower divestment income during the year.
- Other includes savings across central functions.

# Earnings reconciliations

	<b>2014</b>
<b>Energy Resources of Australia</b>	<b>US\$m</b>
Earnings per ERA press release (A\$188m)	(170)
Increased depreciation of closure asset	(3)
Tax and unwinding of discount	1
Less: Minority interests (31.6%)	58
Other	(5)
<b>Underlying earnings as reported by Rio Tinto</b>	<b>(119)</b>

# Modelling earnings

<b>Earnings sensitivity</b>	<b>2014 average price/rate</b>	<b>(\$m) impact on 2014 underlying earnings of 10% price/rate change</b>
Copper	310c/lb	340
Aluminium	\$1,867/t	462
Gold	\$1,266/oz	46
Iron ore (62% Fe FOB)	\$88/t	1,303
Coking coal (benchmark)	\$126/t	110
Thermal coal (average spot)	\$74/t	117
A\$	90USc	753
C\$	91USc	251
Oil	\$101/bbl	100

Note: The sensitivities give the estimated effect on underlying earnings assuming that each individual price or exchange rate moved in isolation. The relationship between currencies and commodity prices is a complex one and movements in exchange rates can affect movements in commodity prices and vice versa. The exchange rate sensitivities include the effect on operating costs but exclude the effect of revaluation of foreign currency working capital.

# Rio Tinto Limited off-market share buy-back: indicative timetable

## February 2015

12 Feb	Announcement of buy-back
17 Feb	Last day that shares can be acquired to participate in the buy-back with franking credit entitlements
18 Feb	Shares quoted ex-entitlement to participate in the buy-back on the ASX
20 Feb	Record date for determination of shareholders entitled to participate in the buy-back
27 Feb	Distribution of buy-back documents to shareholders expected to be completed

## March 2015

2 Mar	Tender period opens
4 Mar	Shares quoted ex-entitlement on the ASX for the 2014 final dividend
6 Mar	Record date for 2014 final dividend
27 Mar – 2 Apr	Determination of 5 day VWAP for setting market share price for buyback

## April 2015

2 Apr	Tender period closes
7 Apr	Announcement of buy-back price, scale back (if any) and shareholder participation levels
9 Apr	Payment date for 2014 final dividend
15 Apr	Dispatch/credit of buy-back proceeds to participating shareholders completed