



RioTinto

2017 full year results

7 February 2018

London

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For example, future ore reserves will be based in part on market prices that may vary significantly from current levels. These may materially affect the timing and feasibility of particular developments. Other factors include the ability to produce and transport products profitably, demand for our products, changes to the assumptions regarding the recoverable value of our tangible and intangible assets, the effect of foreign currency exchange rates on market prices and operating costs, and activities by governmental authorities, such as changes in taxation or regulation, and political uncertainty.

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Supporting statements

Ore Reserves (slide 30)

Reserve grade for Oyu Tolgoi Underground – Hugo Dummett North and Hugo Dummett North Extension. Probable Ore Reserves for Hugo Dummett North and Hugo Dummett North Extension (499 Mt at 1.66% Cu, 0.35g/t Au) were released to the market in the 2016 Rio Tinto Annual Report on 2 March 2017 and can be found on p224 of that report. The Competent Person responsible for reporting of those Ore Reserves was J Dudley.

Reserve grade for Amrun (formerly South of Embley). Proved and Probable Ore Reserves (1409Mt at 52.4% Al₂O₃) for Amrun (South of Embley) were released to the market in the 2016 Rio Tinto Annual Report on 2 March 2017 and can be found on p223 of that report. The Competent Person responsible for reporting of those Ore Reserves was L McAndrew.

Rio Tinto is not aware of any new information or data that materially affects the above reserve grade estimates as reported in the 2016 Annual Report, and confirms that all material assumptions and technical parameters underpinning these estimates continue to apply and have not materially changed. The form and context in which each Competent Person's findings are presented have not been materially modified.

Production Targets

The production target for Oyu Tolgoi shown on slide 30 is the average production 2025-2030, including open pit production. This production target was disclosed in a release to the market on 6 May 2016 ("Rio Tinto approves development of Oyu Tolgoi underground mine"). All material assumptions underpinning these production targets continue to apply and have not materially changed.

RioTinto

J-S Jacques

Chief executive



Our strategy is delivering

- ✓ **Cash returns to shareholders of \$9.7 billion declared for 2017**
 - Highest ever full year dividend of \$5.2 billion (290 US cents per share)
 - Additional share buy-back of \$1.0 billion to be completed in 2018

- ✓ **EBITDA of \$18.6 billion, margin of 44%**

- ✓ **Reshaping the portfolio with divestment proceeds of \$2.7 billion**

- ✓ **Invested \$2.5 billion in high-return growth**
 - Silvergrass commissioned, Oyu Tolgoi underground and Amrun on track

- ✓ **Delivered \$0.4 billion free cash flow from productivity**

Strong results delivered in 2017

Robust financial performance

EBITDA of **\$18.6 billion**

Operating cash flow of **\$13.9 billion**

Free cash flow of **\$9.5 billion**

\$2 billion cost savings programme completed early

Disciplined capital allocation

Full year 2017 dividend of **\$5.2 billion**

Share buy-backs declared of **\$4.5 billion**

Net debt reduced to **\$3.8 billion** at 31 December

Capital expenditure of **\$4.5 billion**

Positioning for the long-term

Silvergrass iron ore mine commissioned in Q4 2017

Oyu Tolgoi underground development on track

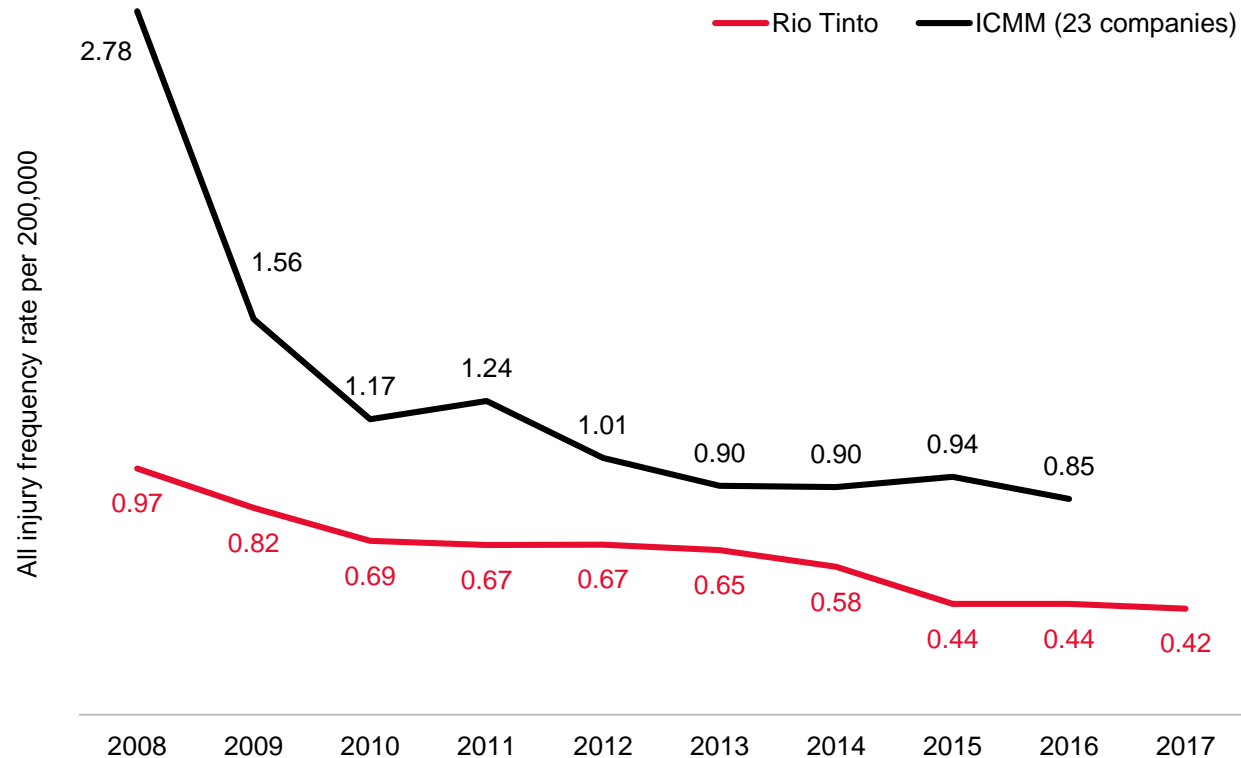
Amrun development progressing to plan

Divestment proceeds of **\$2.7 billion** in 2017



Safety and health come first

Continuing history of improvement



Fatality at Kennecott in October

Focusing on **fatality elimination** –
1.5 million CRM verifications in 2017

Reducing injuries –
Targeted hazard elimination campaigns


Catastrophic event prevention through control of major hazards

Mental health, wellbeing and fatigue management

Connection with engagement, leadership and **productivity initiatives**

Critical Health Risk Management

Superior returns from world-class assets

	Iron Ore	Aluminium	Copper & Diamonds	Energy & Minerals
Margins	68% Pilbara operations FOB EBITDA margin	35% Integrated operations EBITDA margin	39% EBITDA margin	36% EBITDA margin
Cash flow	Cash flows from operations of \$8,466m Development capex of \$653m Free cash flow of \$7,265m	Cash flows from operations of \$2,648m Development capex of \$654m Free cash flow of \$1,380m	Cash flows from operations of \$1,695m Development capex of \$1,159m Free cash flow of \$319m	Cash flows from operations of \$1,939m Development capex of \$32m Free cash flow of \$1,467m
				

RioTinto

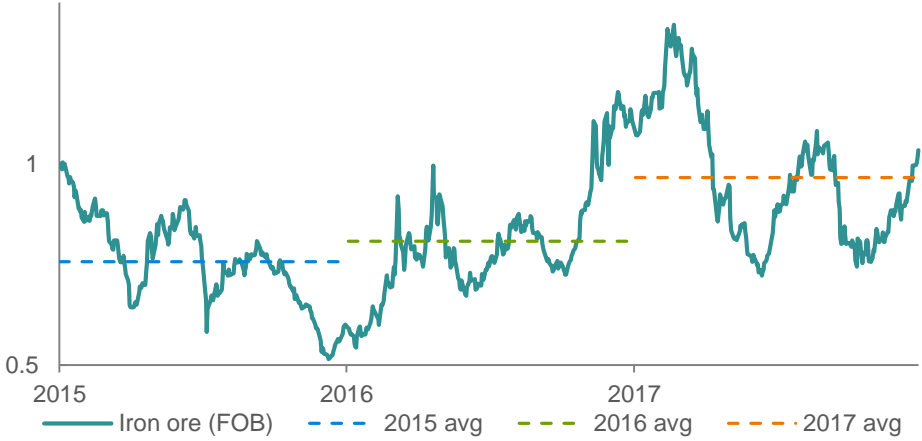
Chris Lynch

Chief financial officer

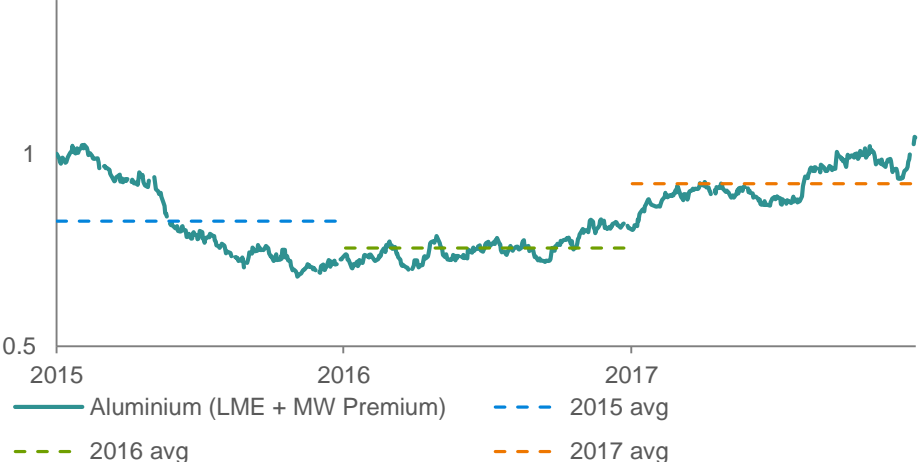


Robust demand drove stronger prices in 2017

Iron Ore



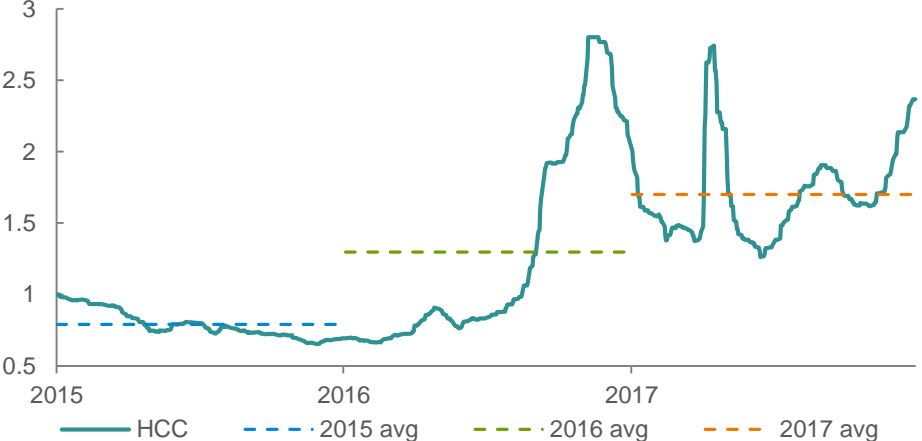
Aluminium



Copper

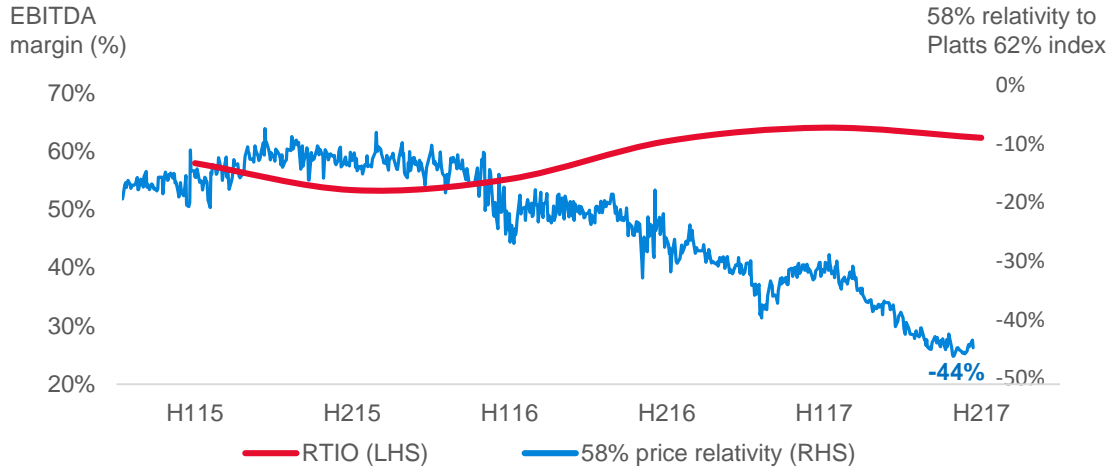


Hard Coking Coal



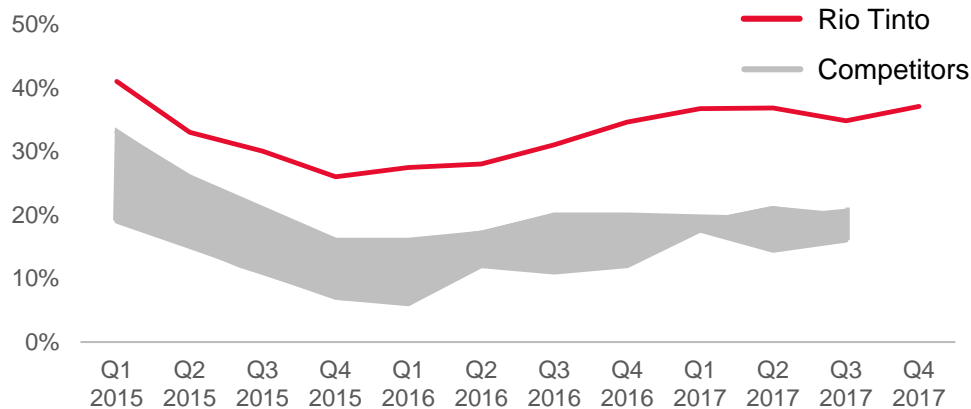
Outperforming in key commodities

Rio Tinto Iron Ore EBITDA performance



Source: Bloomberg, Metal Bulletin, Platts.

Upstream aluminium EBITDA margins



Rio Tinto internal analysis which includes adjustments to externally reported EBITDA margins, trading, procurement and marine revenues to report performance on a comparable basis. Competitors included in the analysis are Rusal, Hydro and Alcoa.

Iron Ore EBITDA FOB margin increases to 68%

Significant spread between high and low quality iron ores

Steelmakers targeting high-grade / low-impurity iron ore products

Margin gap: portfolio quality and performance delivery

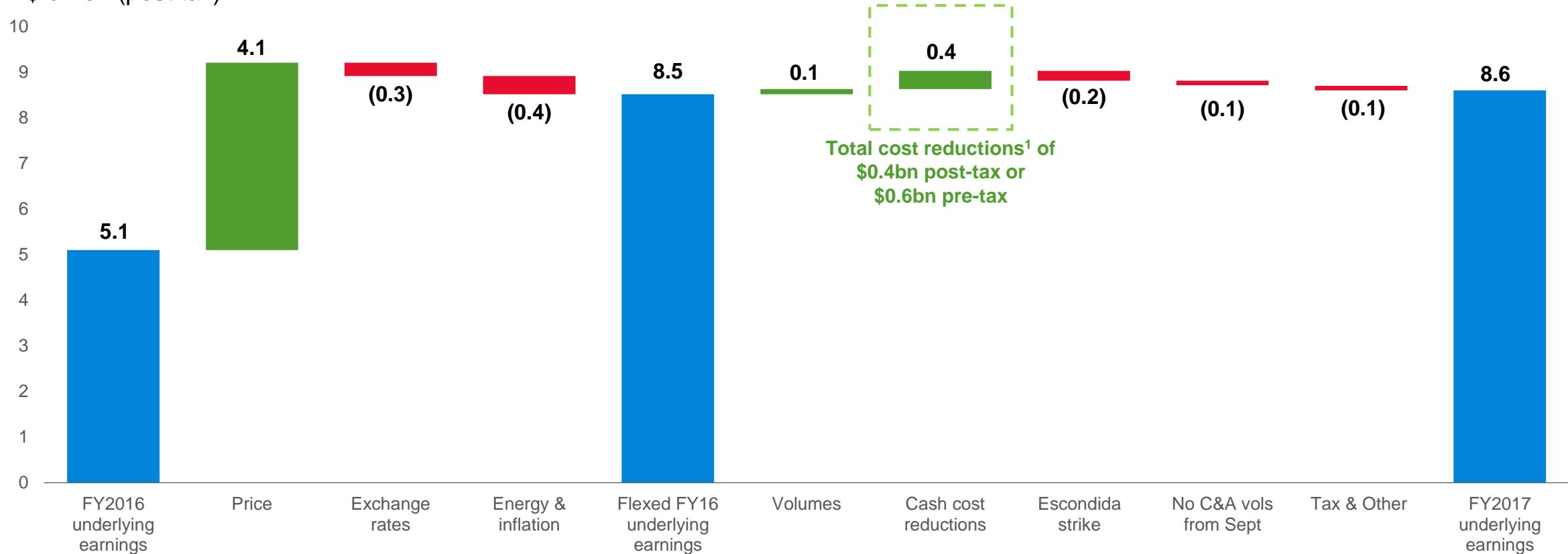
Aluminium EBITDA margin increases to 35% in 2017

VAP – 57% of primary metal sold, premium of \$221/t in addition to the market premium

Higher prices driving increased earnings

Underlying earnings 2016 vs 2017

\$ billion (post tax)

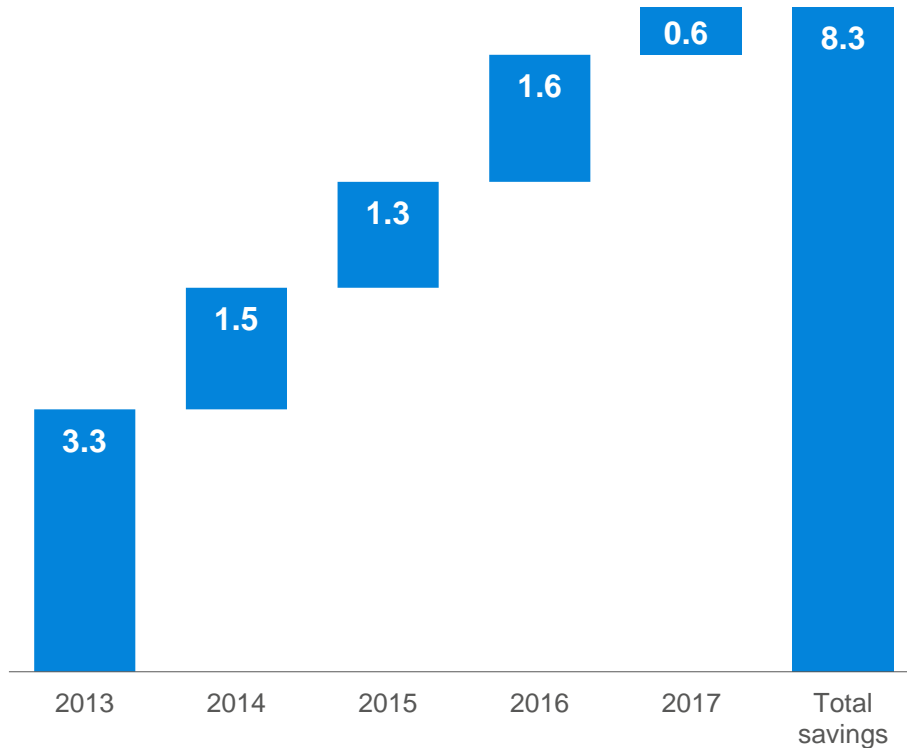


¹ Cash cost reductions include reductions in Exploration & Evaluation costs

\$2 billion cost-out programme completed

Pre-tax operating cash cost improvements

Reduction vs. 2012 (\$ billion)



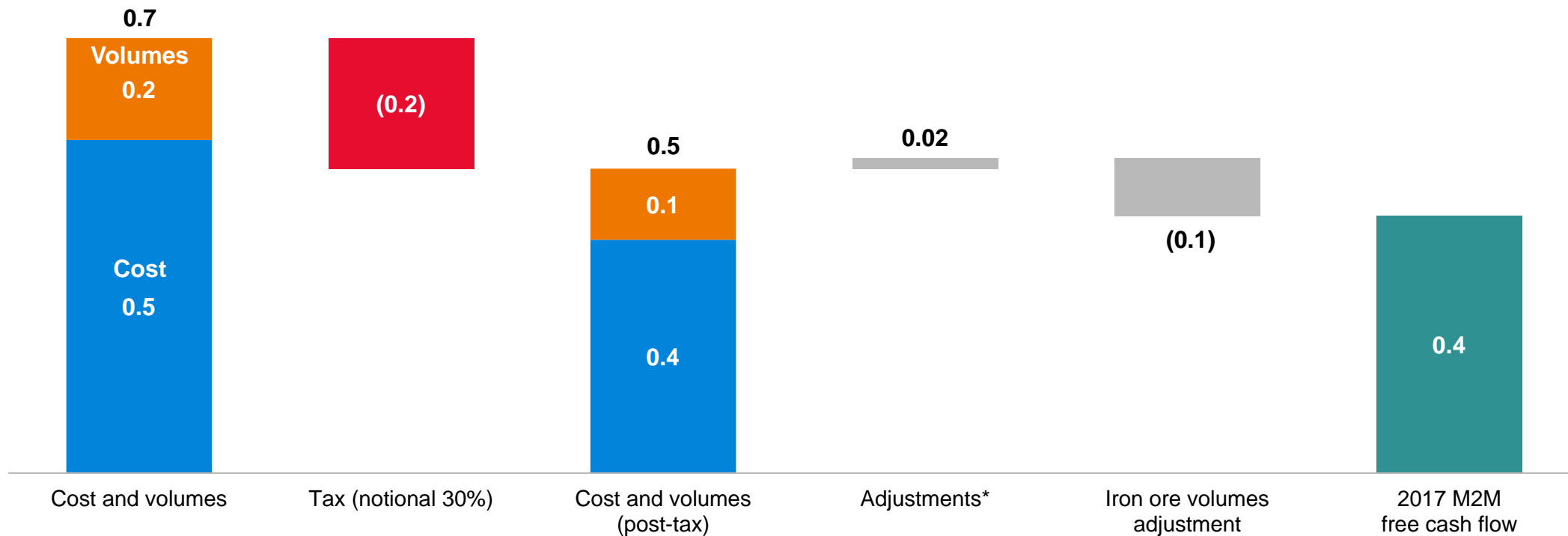
\$8.3 billion cost savings achieved since 1 Jan 2013

\$2.2 billion cost savings across 2016/17

- Achieved target six months ahead of schedule
- Offsetting raw material cost headwinds of \$0.2 billion in 2017

Focus now on delivering mine to market productivity

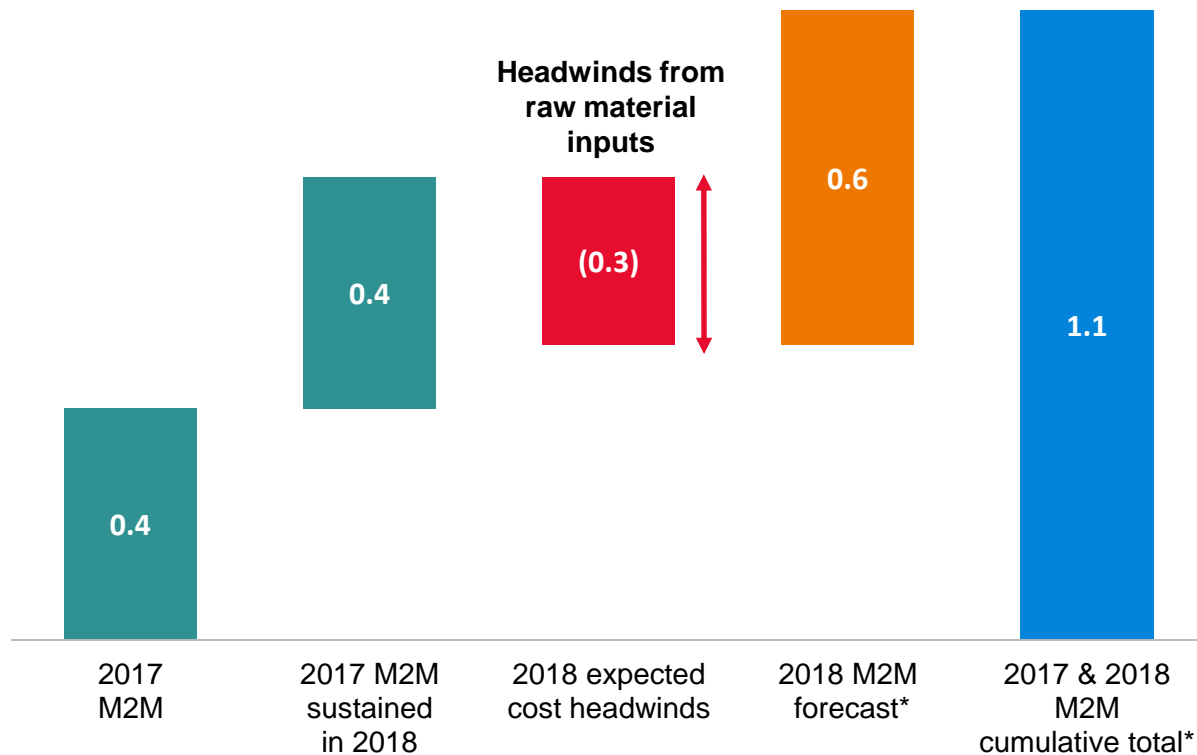
Post-tax mine to market (M2M) productivity programme (\$ billion)



* M2M productivity programme excludes non-managed assets and assets scheduled for closure within 2017 – 2021 (refer to slide 43)

Productivity programme delivering \$5 billion of additional free cash flow by 2021

Post-tax mine to market (M2M) productivity programme (\$ billion)



\$0.4 billion mine to market free cash flow delivered in 2017

Cumulative 2017 and 2018 mine to market forecast of **\$1.1 billion**

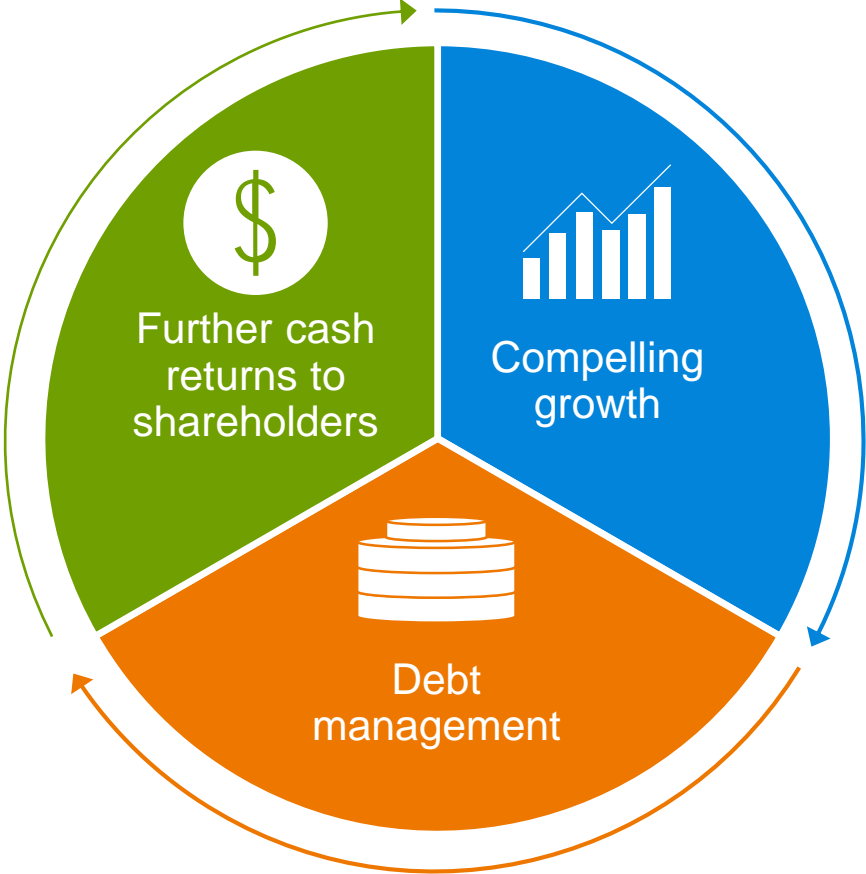
– **\$0.3 billion** mine to market forecast in 2018 despite raw material cost headwinds

Delivering **\$1.5 billion** mine to market each year from 2021

* Based on consensus prices and exchange rates

Disciplined capital allocation

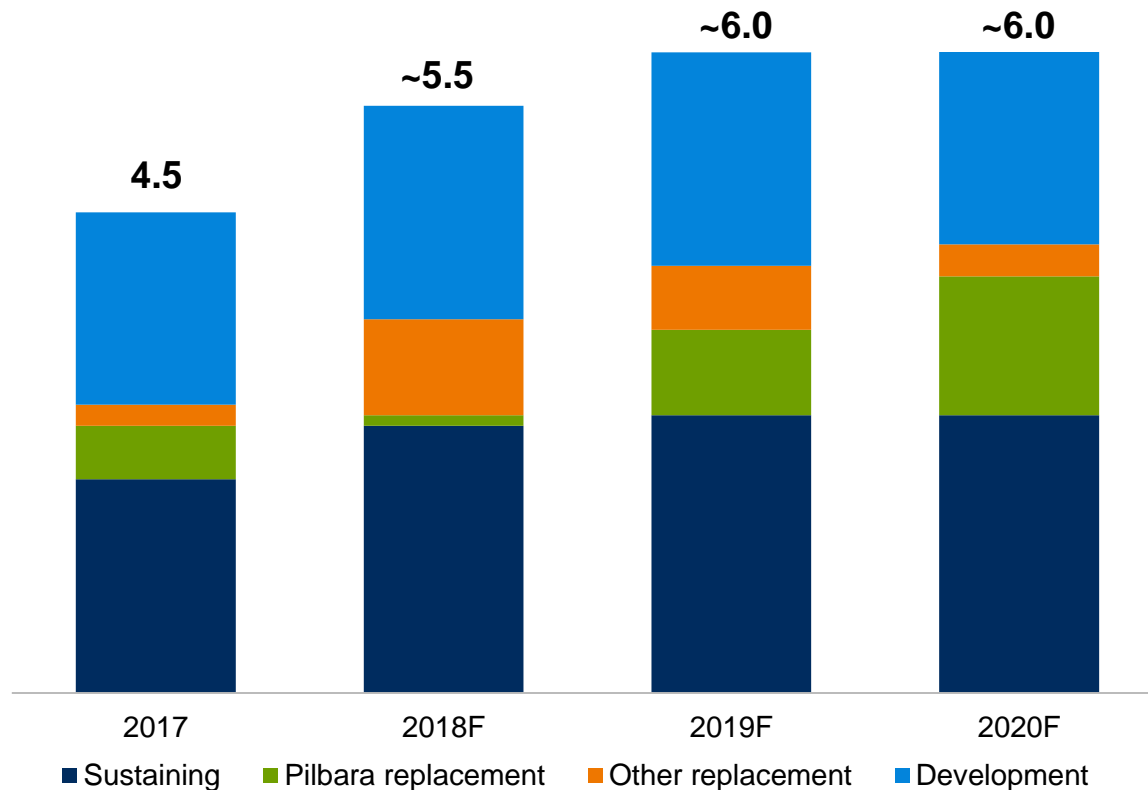
- 1 | Essential sustaining capex
- 2 | Ordinary dividends
- 3 | Iterative cycle of >



Sustaining capital and compelling growth

Capital expenditure profile

\$ billion



Maintained sustaining capital guidance of \$2.0 to \$2.5 billion per year, including:

- Iron Ore sustaining capex of ~\$1 billion per year

Pilbara replacement capital includes Koodaideri development from 2019

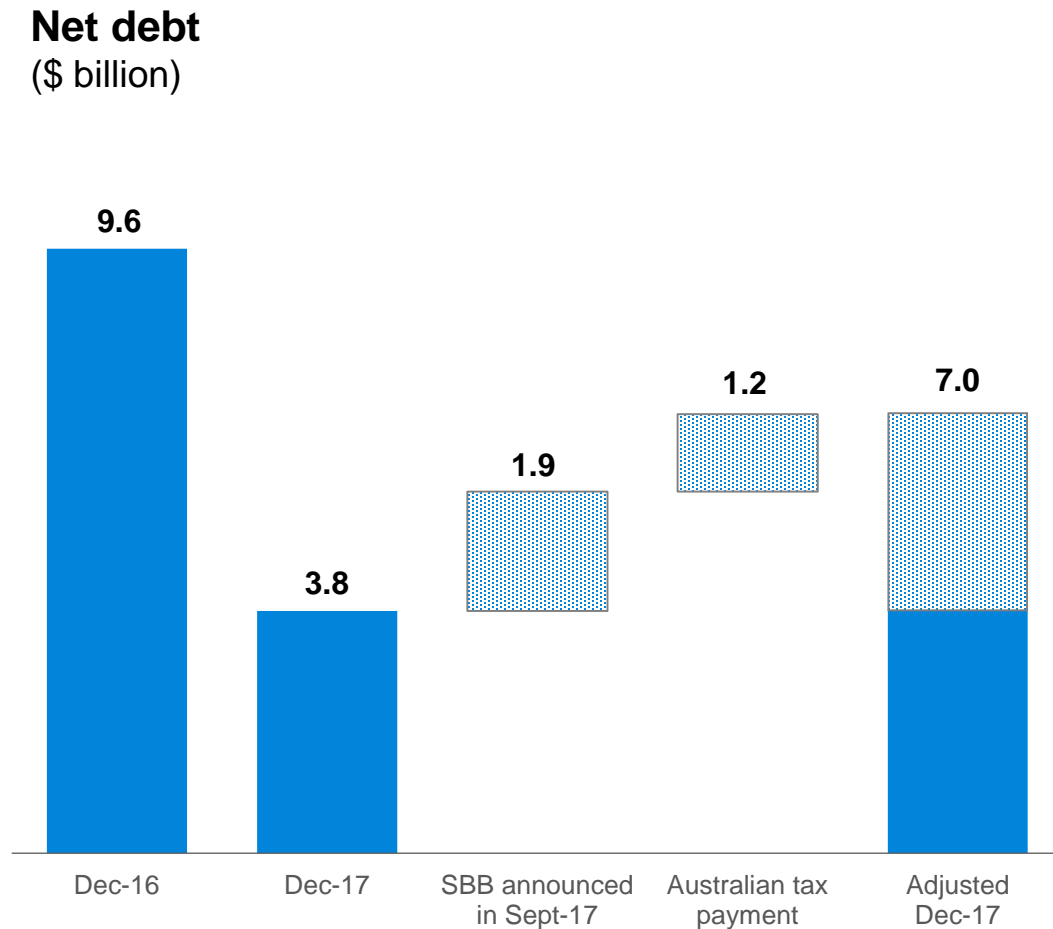
Other replacement capital includes:

- South wall pushback at Kennecott
- Amrun replacement tonnes
- Zulti South

Development capital includes:

- Oyu Tolgoi, including development of power station
- Amrun
- AutoHaul™

Strong balance sheet



Adjusted net debt of \$7 billion reflecting:

- \$1.9 billion outstanding from Sept-2017 buy-back
- \$1.2 billion tax payment in 2018 based on 2017 profits

Strong balance sheet:

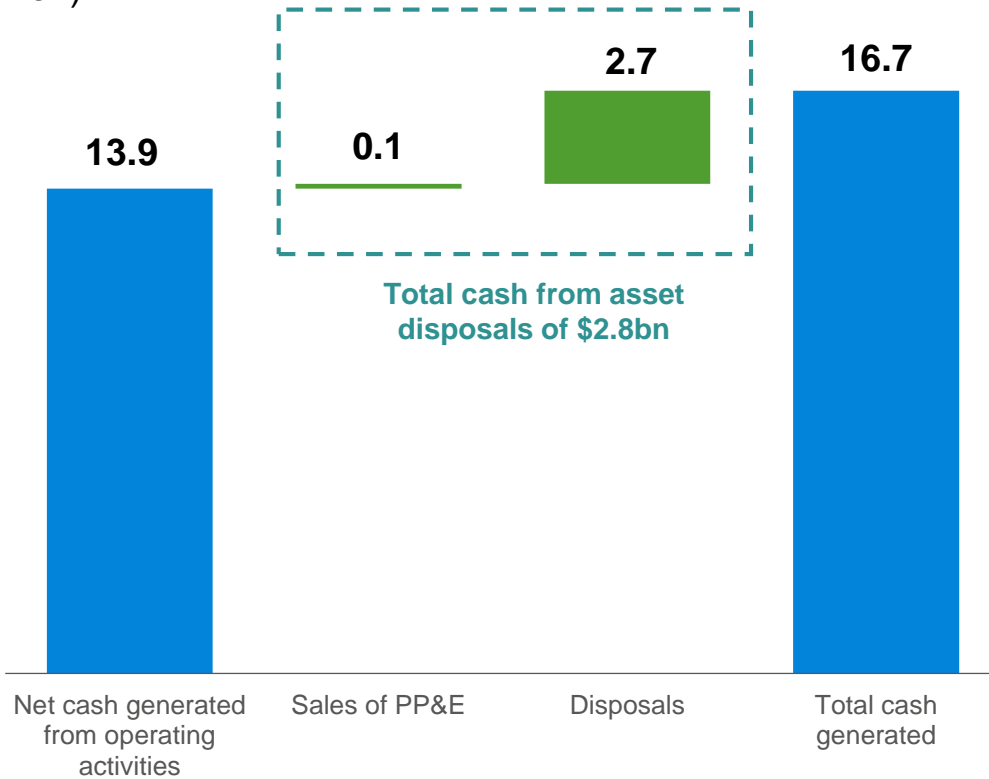
- Provides stable foundation against any market volatility
- Supports superior shareholder returns through the cycle
- Enables investment in compelling growth

New leasing accounting standard to come into effect from January 2019

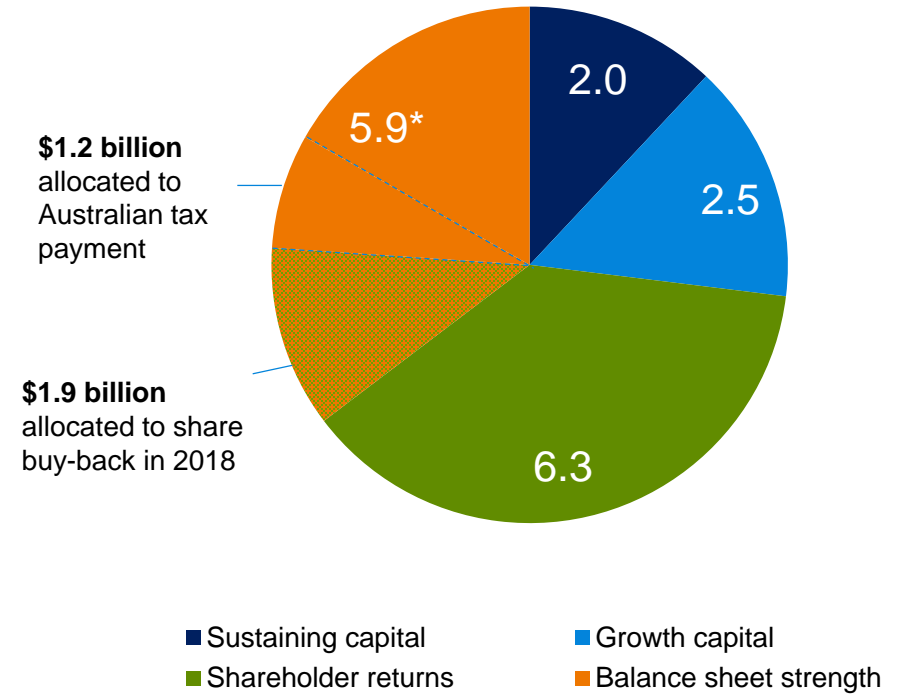
* Figures are prepared in \$ millions, and are therefore more precise than the rounded numbers shown

Disciplined allocation of strong cash flow in 2017

Cash flow 2017
(\$ billion)



\$8.2 billion (49)% of cash generated in 2017 allocated to shareholder returns
(\$ billion)



* Balance sheet net debt reduction of \$5.8bn comprises \$5.9bn of net cash movement and \$(0.1)bn of non-cash, exchange and other movements

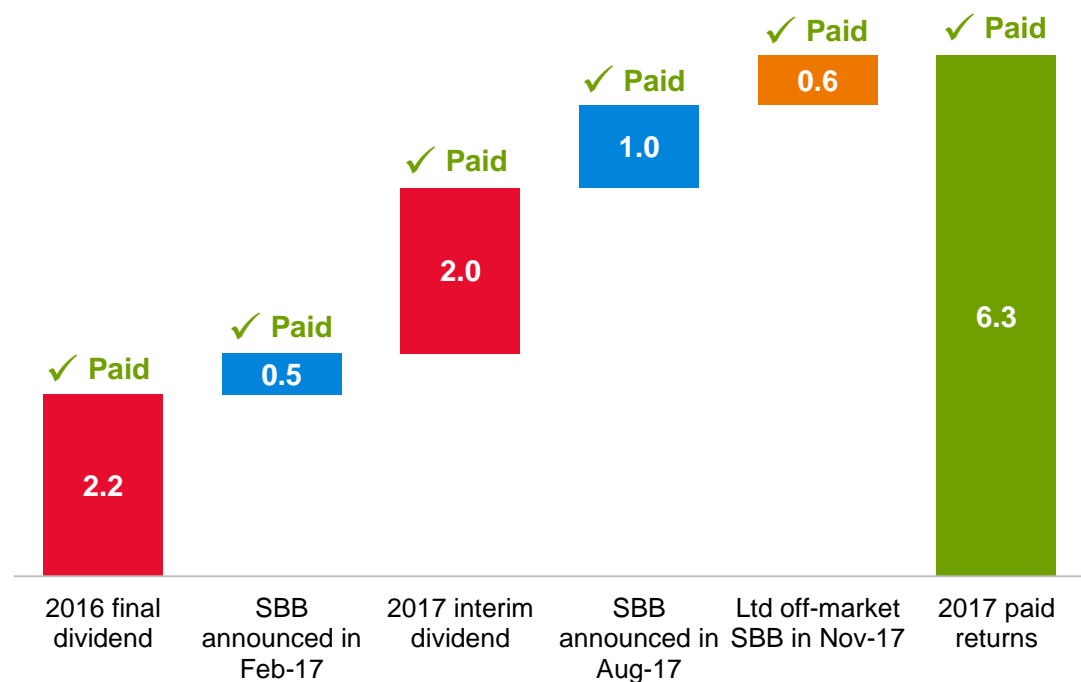
Application of the returns policy

Capital return considerations	Comments
Results for 2017	Underlying earnings up 69% to \$8.6 billion Operating cash flow of \$13.9 billion
Long term growth prospects	Commissioned Silvergrass, focused on Amrun and Oyu Tolgoi Ongoing exploration and evaluation programme. Rio Tinto Ventures established
Balance sheet strength	Strong balance sheet with adjusted net debt of \$7 billion
Strong earnings/ cash generation – supplement with additional returns	Payout >60% threshold possible because of strong performance One-off asset disposal proceeds of \$2.7 billion
40-60 per cent of underlying earnings through the cycle	Payout >60% threshold possible based on (i) strong 2017 prices (ii) disposals (iii) strong balance sheet
Balanced between growth and shareholder returns	Defined growth pipeline provides capacity to allocate more to shareholder cash return and debt reduction
Outlook	Strong global growth, strong demand for premium products Potential for continued price volatility

Delivering superior returns for shareholders

Cash returns paid to shareholders in 2017

(\$ billion)*



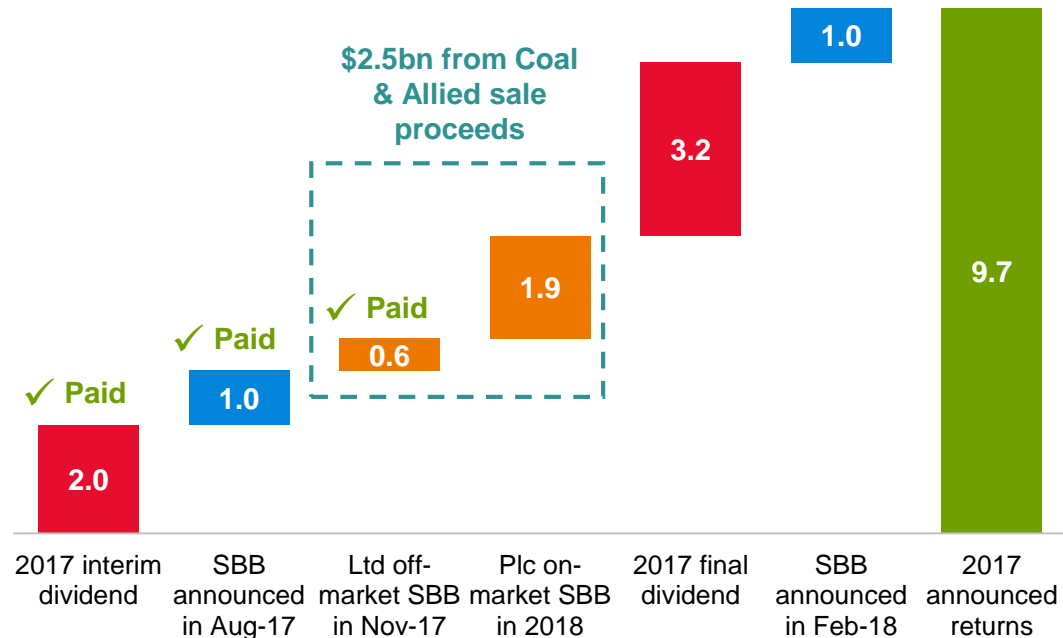
Final 2016 dividend paid of **125 US cents** per share, and record 2017 interim dividend of **110 US cents** per share, **\$4.2 billion** in total paid to shareholders

Share buy-back of **\$1.5 billion** in Rio Tinto plc shares completed in 2017

Supplementary share buy-back of **\$0.6 billion** from Coal & Allied sale proceeds completed in 2017 via off-market share buy-back in Rio Tinto Limited

Delivering superior returns for shareholders

2017 returns declared to shareholders (\$ billion)



Record full year 2017 dividend declared of **\$5.2 billion** or **290 US cents** per share, including final 2017 dividend declared of **180 US cents** per share

Additional share buy-back of **\$1.0 billion** in Rio Tinto plc shares to be completed in 2018

Share buy-back of **\$1.0 billion** in Rio Tinto plc shares announced in August 2017 and completed by end-2017

Supplementary share buy-back of **\$2.5 billion** from Coal & Allied sale proceeds including:

- \$0.6 billion returned in 2017 via off-market share buy-back in Rio Tinto Limited
- \$1.9 billion balance being returned in 2018 via on-market buy-back in Rio Tinto plc

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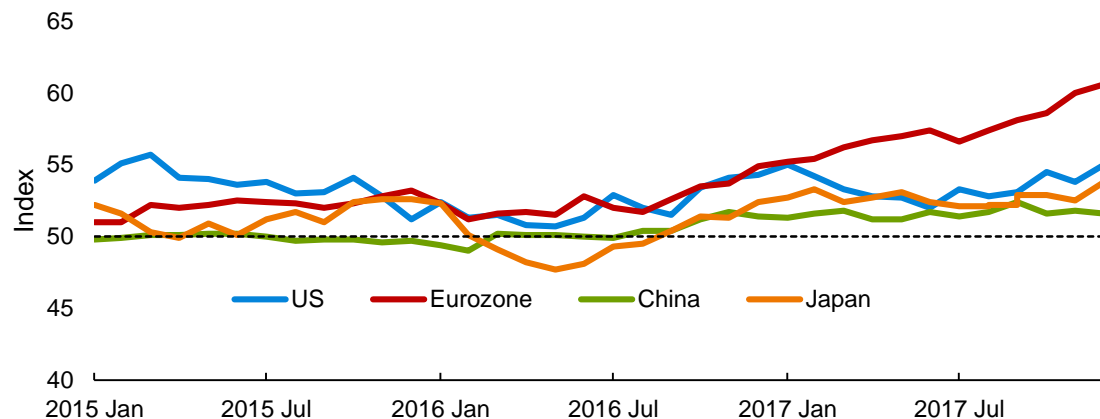
J-S Jacques

Chief executive



Global macro indicators remain supportive

PMIs remain elevated



Global growth momentum remains healthy

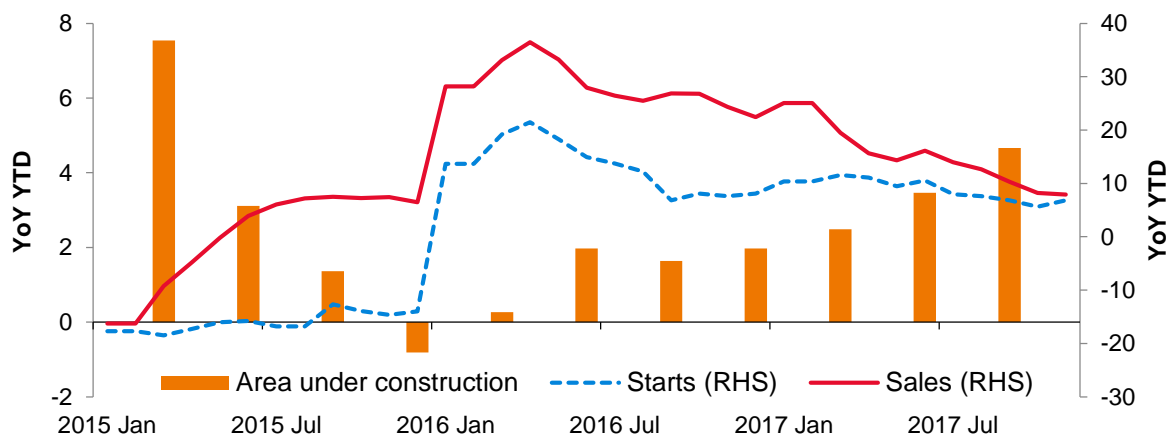
US growth supported by record high consumer confidence and healthy manufacturing and investment

EU performing better than expectations on stronger manufacturing and consumer confidence

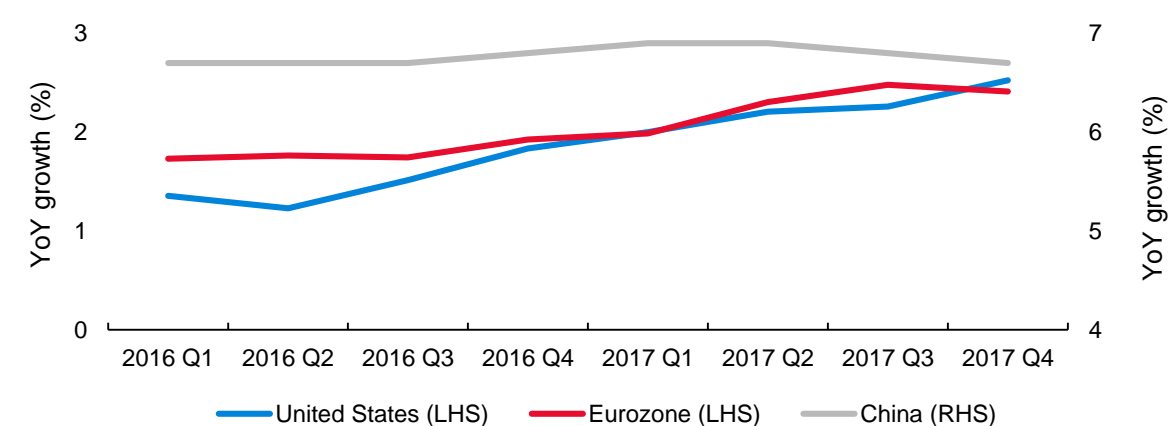
China may slow modestly over the next six months but outlook remains positive in the medium to long-term

Chinese environmental policy measures are increasing demand for higher grade iron ore and reducing new aluminium capacity

China housing sales and starts slowing modestly



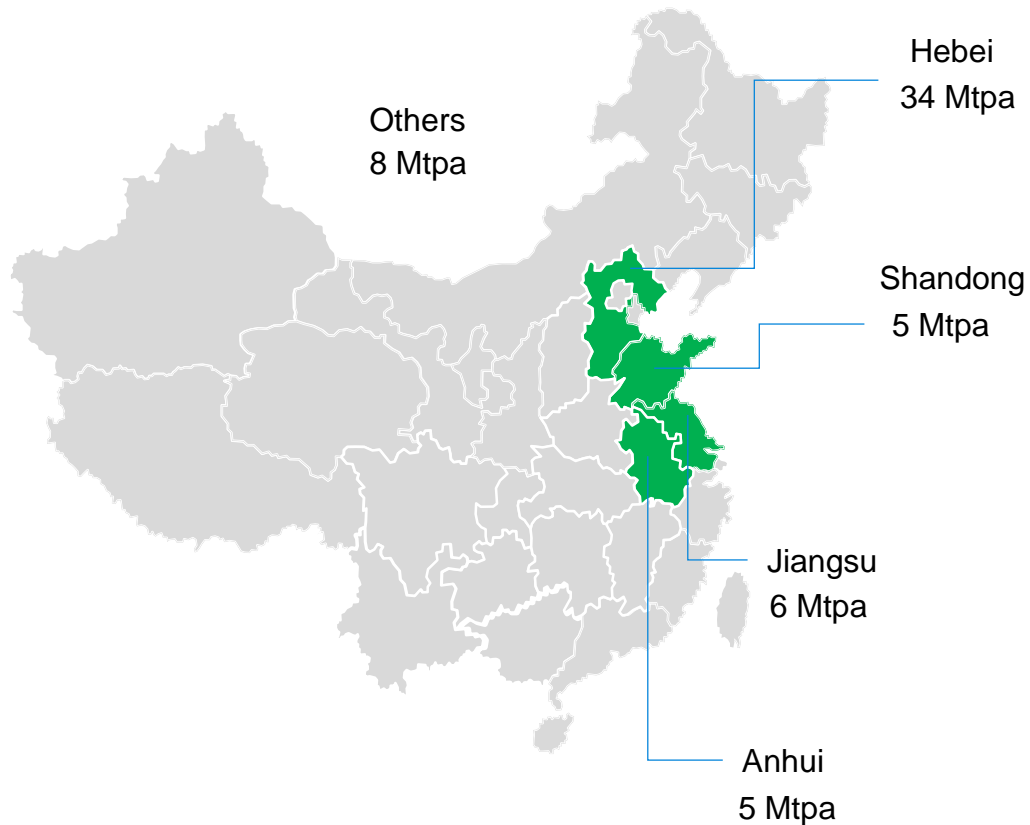
Positive GDP momentum



Source: CEIC, Rio Tinto

Impact of China policy changes on steel capacity

Supply-side reform steel capacity cuts by province (excluding IFs)



Cuts of **58 Mtpa** of steel capacity in 2017 and 2018

- ~5% of total Chinese steel capacity
- In addition to induction furnace (IF) capacity closures of **>100 Mtpa** in 2017
- Idled capacity is unlikely to restart

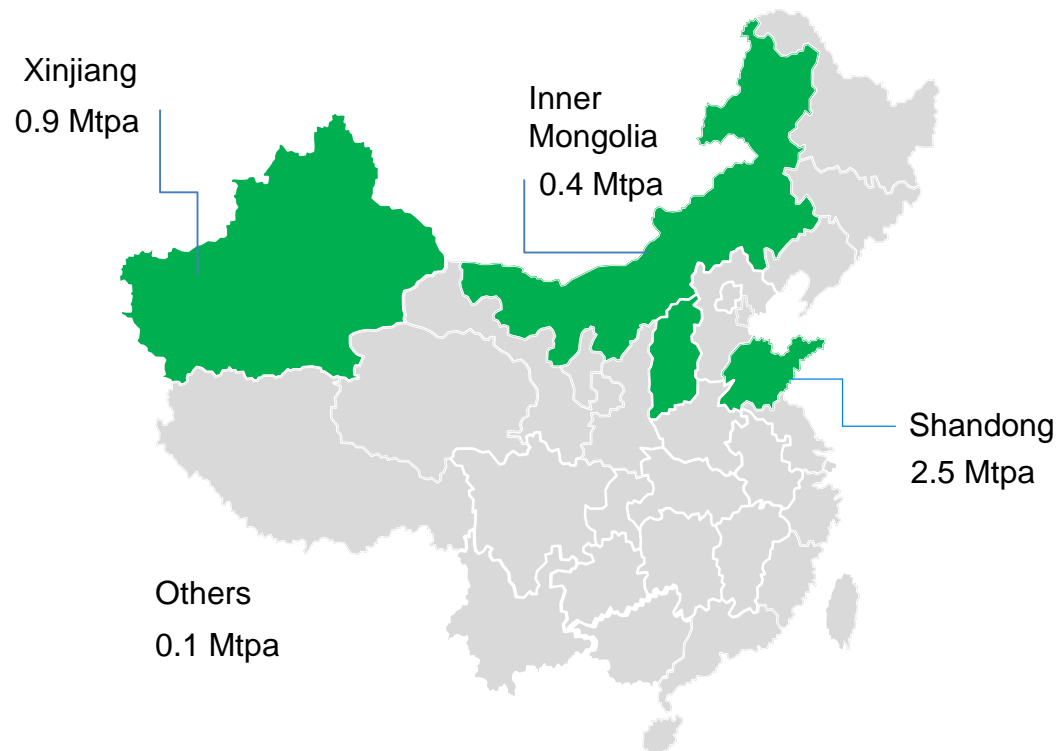
Further **52 Mtpa** of cuts from environmental winter policy in 2017 and 2018

- Offset from possible increases outside the 2+26 region or increased use of scrap

Consolidation in the steel industry expected to drive demand for high-value products

Impact of China policy changes on aluminium capacity

Supply-side reform aluminium capacity cuts by province



3.8 Mtpa of illegal capacity removed in 2017 and 2018




- ~9% of total Chinese aluminium capacity
- Potential for some restarts

0.7 Mtpa of capacity cuts from environmental winter policy in 2017 and 2018

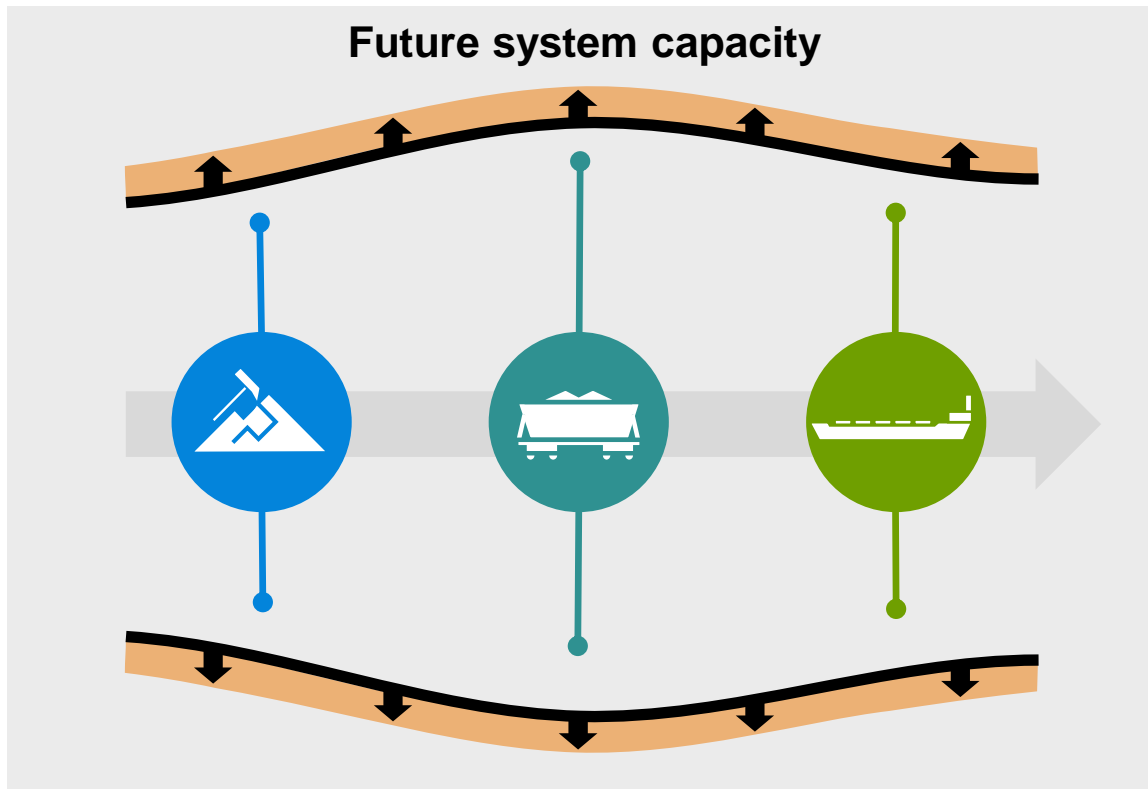
ROW smelters expected to ramp up activities and restart idled capacity as a result of the two policies

- Rio Tinto well placed with low carbon brownfield expansion potential

Our product quality is delivering a significant competitive advantage in commodities with strong demand ²⁷

<p>Our premium products</p>					
<p>...have a significant competitive advantage</p>	<p>Our 62% iron ore benefits from structural change following Chinese reforms</p>	<p>High-quality, expandable bauxite assets in low sovereign risk jurisdictions</p>	<p>High quality, low carbon footprint aluminium products</p>	<p>Our copper growth profile is well positioned to benefit from EV evolution</p>	<p>High quality niche and specialty products.</p>
<p>...in commodities playing a key role in urbanisation and global advancement</p>					
<p>...with strategic options</p>	<p>Creating flexibility to take advantage of system capacity, subject to value over volume</p>	<p>Building expandability at Amrun to grow in line with market</p>	<p>Changing dynamic with strong global demand and Chinese supply curtailments. Growth through creep and low carbon brownfield expansion potential</p>	<p>Significant growth at existing high-grade organic options at Oyu Tolgoi and Resolution</p>	<p>Utilise latent TiO₂ capacity in line with market demand and exploring new commodity opportunities</p>

Developing a flexible value over volume iron ore system



Q4 2017 shipments of 90 Mt shows flexibility and potential of system

Mine capacity of ~360 Mt/a, with full Silvergrass ramp-up and productivity creep

Building excess rail capacity to provide for flexibility and sprint options

Optimise and test overall port capacity

Over 60% of train kilometres now in AutoHaul™ mode, with expected project completion by end-2018

Delivering \$5 billion of additional free cash flow from productivity

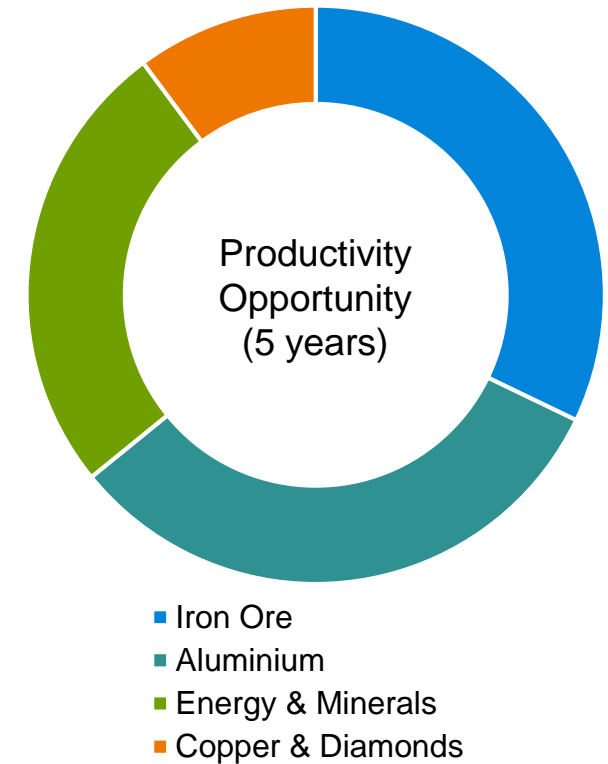
Mine to market productivity...



...with a focus on four levers...

-  **Best practice**
-  **Partnering with our suppliers**
-  **Automation**
-  **Data and technology**

...delivering \$5 billion of additional free cash flow



High-return growth

Amrun

Creating seaborne bauxite market, high-grade, expandable

>20% IRR

\$1.9 billion capex, first quartile opex

22.8 Mt/a, project ~60% complete, commissioning H1 2019

52.4% alumina content¹



Oyu Tolgoi Underground

Largest and highest quality copper development in the world

>20% IRR

\$5.3 billion capex, first quartile opex

First drawbell production: 2020
Full production ~560 kt/a¹ (2025-2030)

1.66% Cu, 0.35g/t Au¹



Significant portfolio opportunities

Pilbara iron ore, Queensland bauxite, Canadian aluminium, TiO₂

>15% IRR hurdle rate requirement

Pilbara: progressing Koodaideri FS, significant resource optionality, latent capacity and productivity opportunity

Brownfield aluminium options: Alma, AP60, subject to market conditions

Bauxite expansion options

TiO₂ latent capacity



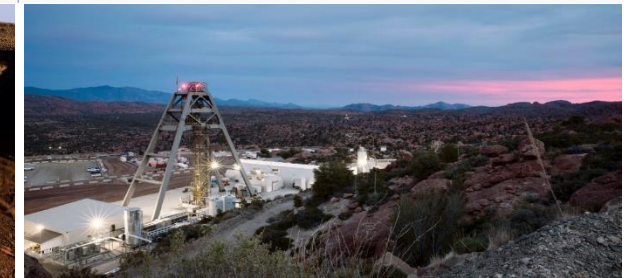
Longer-term growth opportunities

Extensive exploration and evaluation programme and early stage projects

2017 E&E spend of \$445 million in 16 countries across 8 commodities

Project options under assessment include:

- Resolution copper
- Zulti South mineral sands
- Jadar lithium/borates



¹ Refer to the statements supporting these reserve grades and production targets set out on slide 3 of this presentation

Strategy will deliver value through the cycle

Superior cash generation



World-class assets
Portfolio



Operating excellence
Performance



Capabilities
People & Partners

Disciplined capital allocation

Balance sheet strength

Superior shareholder returns

Compelling growth

Continuing to deliver superior returns

- ✓ **Cash returns to shareholders of \$9.7 billion declared for 2017**
- ✓ **Operating cash flow of \$13.9 billion**
- ✓ **Reshaping the portfolio with divestments completed of \$2.7 billion**
- ✓ **Invested \$2.5 billion in high-return growth**
- ✓ **Delivered \$0.4 billion free cash flow from productivity**
- ✓ **Strong balance sheet with net debt of \$3.8 billion**

RioTinto

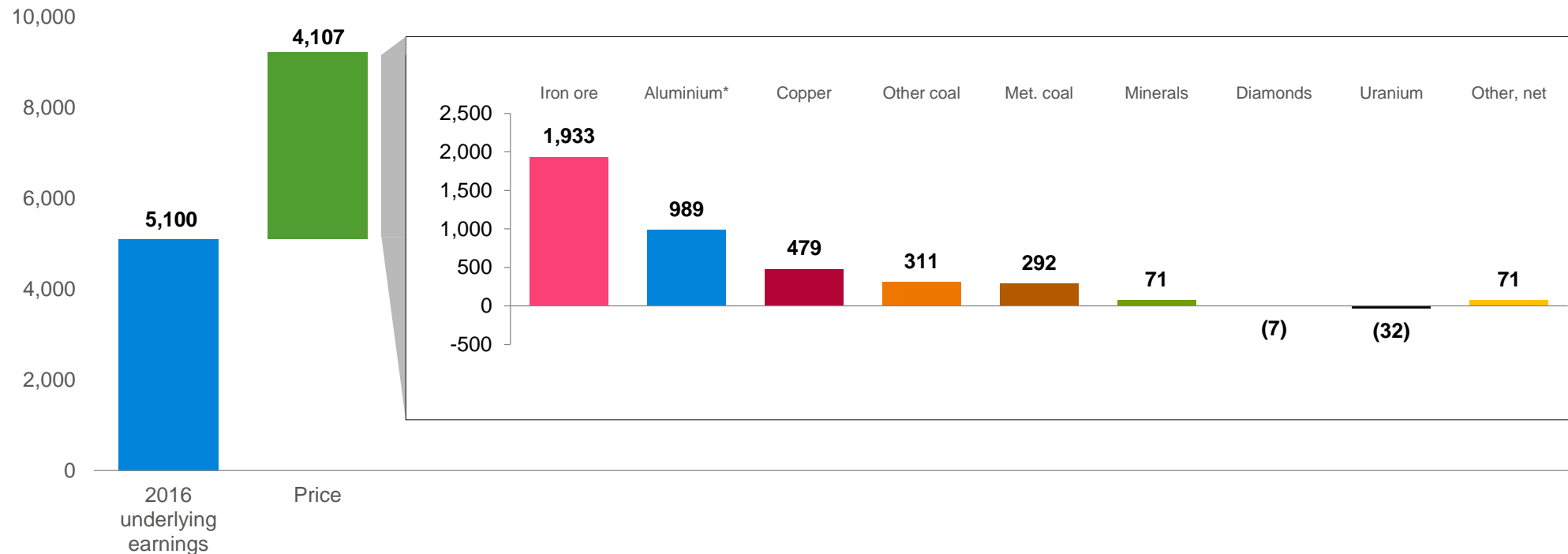
Appendix



Prices generally higher in 2017

Underlying earnings 2016 vs 2017

\$ million (post tax)

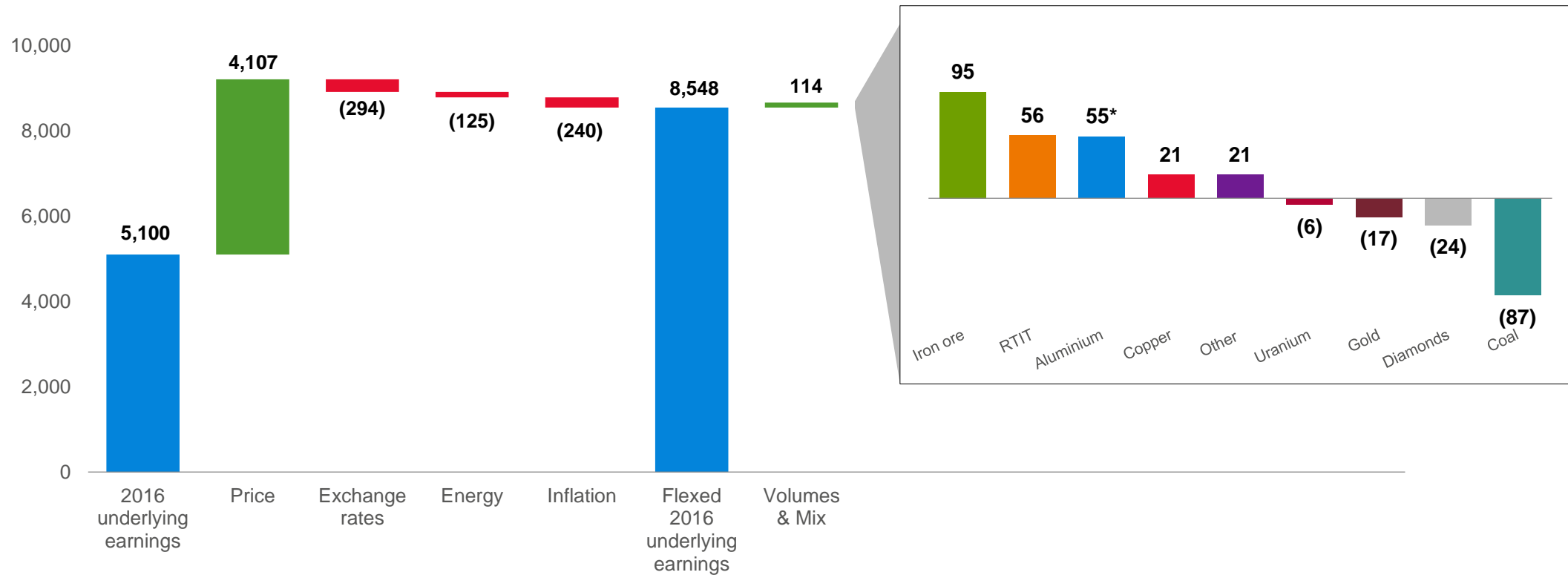


* Aluminium includes alumina and bauxite and includes movements in market and other premia

Lower coal sales offset by strong sales in iron ore, RTIT and aluminium ³⁵

Underlying earnings 2016 vs 2017

\$ million (post tax)

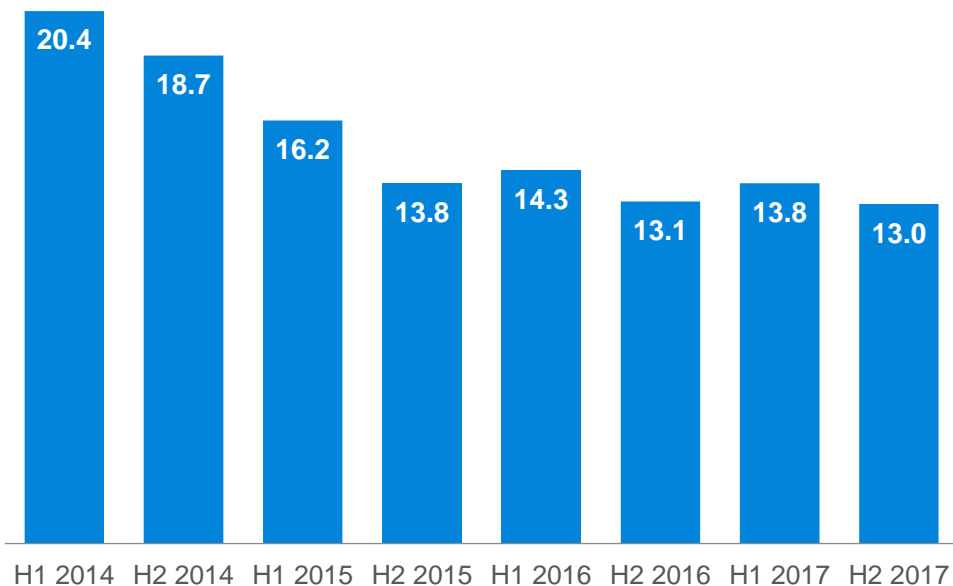


* Aluminium includes alumina and bauxite

Iron Ore: our low-cost advantage has been sustained over many years

Pilbara cash unit cost

\$ per tonne



2017 cash unit cost of \$13.4/t (2% lower than \$13.7/t in 2016)

Focus remains on maintaining consistently attractive FOB EBITDA margins (68% in 2017)

- ~10% increase in haul distance for 2018; strip ratio flat
- Cyclic maintenance costs being partly offset by new tactics
- >3,500 productivity improvement initiatives

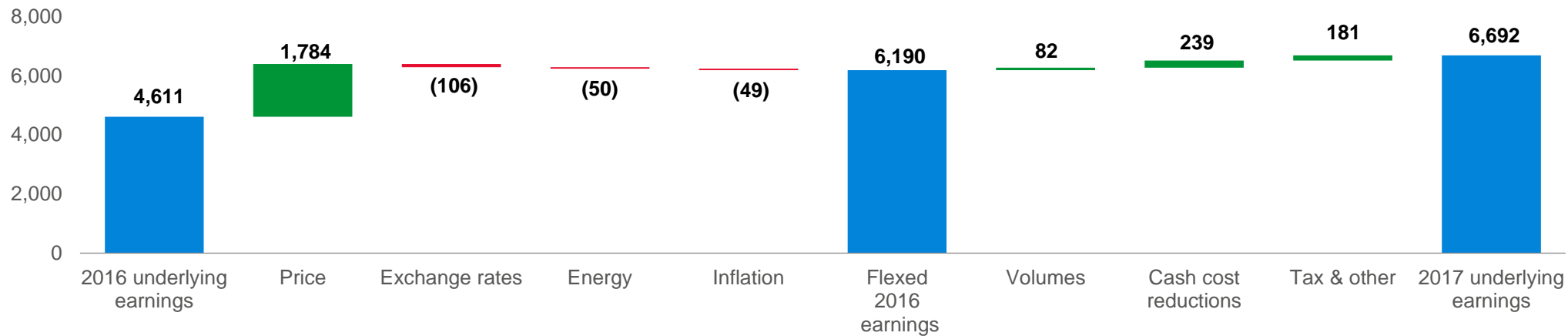
Average realised FOB price of \$59.6 per wet metric tonne (\$64.8/dry metric tonne)

2018 guidance for shipments from the Pilbara remains unchanged at 330-340Mt, subject to market conditions and any weather constraints

Iron Ore: increased price, cost reductions and volumes

Underlying earnings 2016 vs 2017

\$ million (post tax)

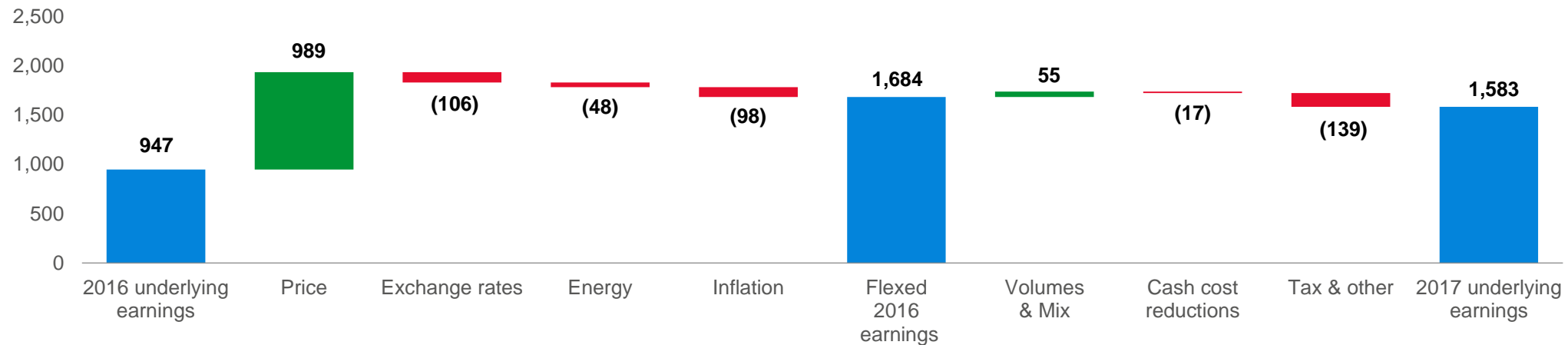


- Pilbara shipments of 330.1 million tonnes was 1% higher than in 2016, reflecting ongoing productivity improvements being made to the rail network, along with increased flexibility across the infrastructure system.
- Pilbara FOB EBITDA margins of 68% achieved in 2017 (63% in 2016).
- Pilbara cash unit costs to \$13.4 per tonne in 2017, compared with \$13.7 per tonne in 2016.
- Total cost reductions delivered in 2017 of \$341 million pre-tax. Total pre-tax Iron Ore cost savings delivered since 2012 now total \$1.7 billion.
- Pilbara iron ore revenues includes \$1,464 million of freight in 2017 compared to \$886 million in 2016, following increases in freight rates period-on-period.
- Approximately 67 per cent of sales in 2017 were priced with reference to the current month average, 17 per cent with reference to the prior quarter's average index lagged by one month, five per cent with reference to the current quarter average and 11 per cent were sold on fixed terms on the spot market.
- Approximately 67 per cent of 2017 sales were made on a cost and freight (CFR) basis, with the remainder sold free on board (FOB).

Aluminium: higher prices driving increased earnings

Underlying earnings 2016 vs 2017

\$ million (post tax)

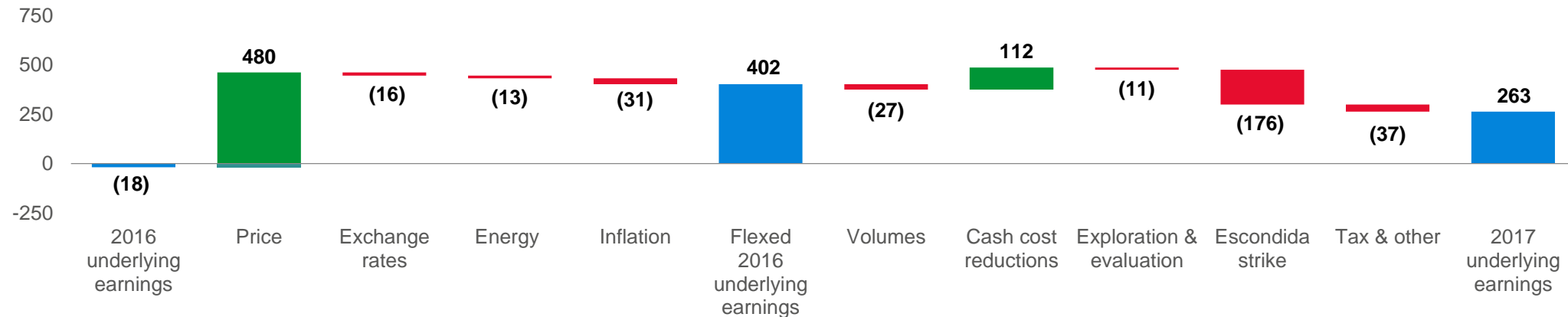


- The 2017 cash LME aluminium price averaged \$1,969 per tonne, an increase of 23 per cent on 2016.
- The average realised price per tonne averaged \$2,231 in 2017 (2016: \$1,849) due to higher market and product premia. This includes premia for value-added products (VAP), which represented 57% of primary metal sold in 2017 (2016: 54%) and generated attractive product premia averaging \$221 per tonne of VAP sold (2016: \$223 per tonne) on top of the physical market premia.
- Cost improvements delivered in 2017 have largely offset the negative impact of raw material costs, which were \$104m higher than 2016 after tax. The Aluminium group has now delivered \$1.6 billion of cumulative savings compared with the 2012 base.
- EBITDA margins were 35% in 2017, compared to 28% in 2016.
- Bauxite revenues includes \$266 million of freight in 2017 (\$202 million in 2016).

Copper & Diamonds: higher prices and cost savings partly offset by one-offs, lower volumes and inflation

Underlying earnings 2016 vs 2017

\$ million (post tax)

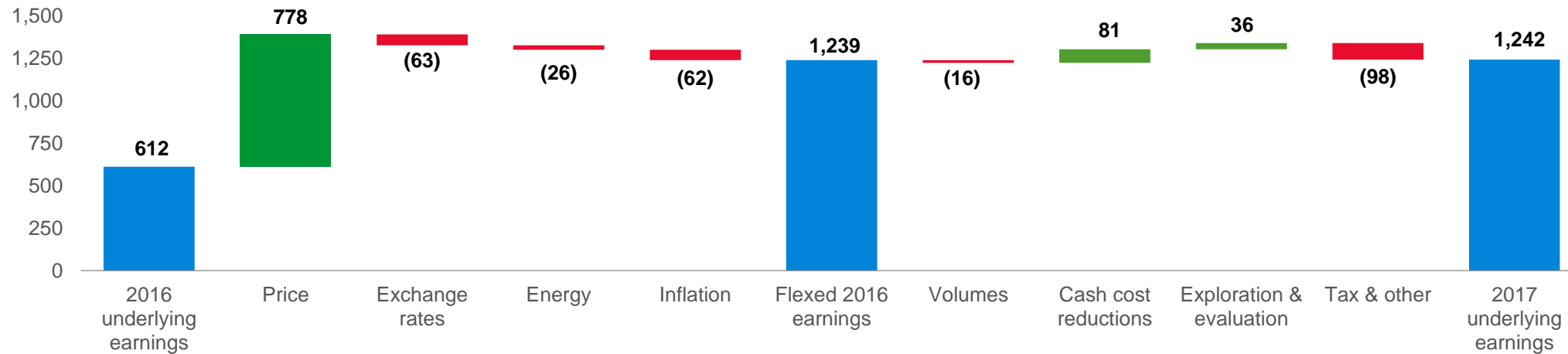


- Copper & Diamonds underlying earnings of \$263 million benefitted from higher prices and cash cost reductions, offset by lower sales volumes of copper, molybdenum and gold and the impact of the strike at Escondida.
- Pre-tax cash cost savings delivered in 2017 were \$160 million bringing total pre-tax cash cost improvements delivered by Copper & Diamonds since 2012 to \$1.4 billion.
- Copper & Diamonds generated net cash from operating activities of \$1.7 billion and \$0.3 billion of free cash flow, despite investing around \$1.3 billion in development capital and exploration and evaluation. All managed operations made a positive free cash flow contribution.
- To maximise use of available smelter capacity, Kennecott tolled 161.4 thousand tonnes of third party concentrate in 2017.
- At 31 December 2017, the Group had an estimated 250 million pounds of copper sales that were provisionally priced at 304 cents per pound. The final price of these sales will be determined during the first half of 2018. This compares with 235 million pounds of open shipments at 31 December 2016, provisionally priced at 250 cents per pound.

Energy & Minerals: higher prices and further cost improvements driving earnings

Underlying earnings 2016 vs 2017

\$ million (post tax)



- Underlying earnings of \$1,242 million were significantly higher than 2016, primarily driven by higher prices and further cash cost improvements.
- Pre-tax cost reductions delivered in 2017 were \$116 million bringing total pre-tax cost savings delivered by Energy & Minerals since 2012 to \$1.5 billion.
- Strong operating cash flows of \$1.9 billion resulted in a free cash flow contribution to the Group of \$1.5 billion.
- Rio Tinto completed the sale of Coal & Allied on 1 September 2017, which included Coal & Allied's interests in the Hunter Valley Operations, Mount Thorley and Warkworth mines.

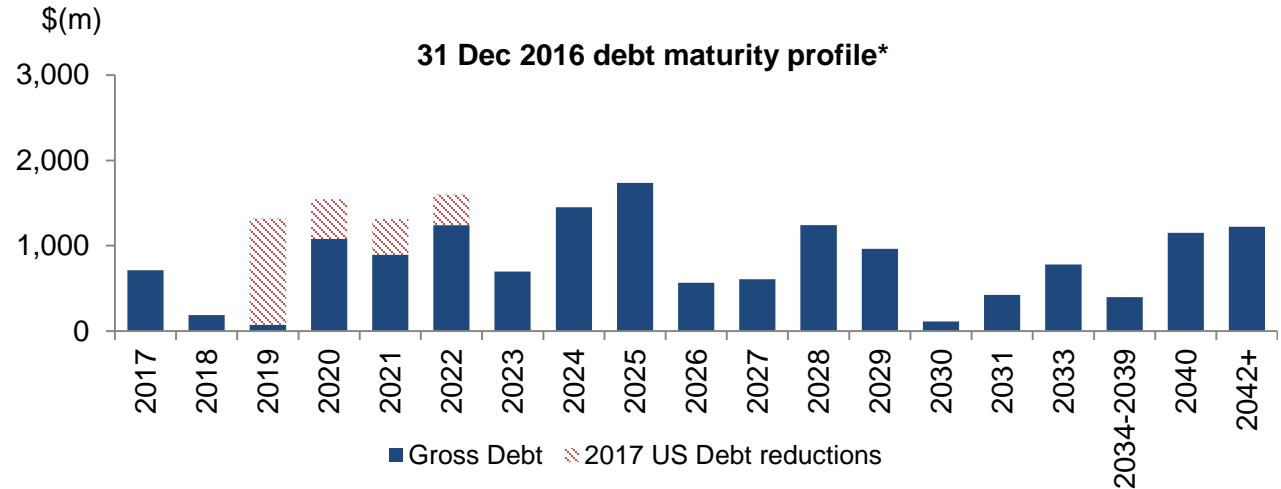
Other movements in underlying earnings

Underlying earnings impact

\$ million	2016	FX/ price	Energy & Inflation	Volumes	Cash Costs	Epl'n eval'n	Non Cash	Interest, tax & other	2017
Other operations	(88)	73	12	20	52	-	14	(221)	(138)
Exploration & Evaluation (net)	(147)	-	-	-	-	(31)	-	-	(178)
Interest	(576)	-	-	-	-	-	-	222	(354)
Other	(241)	-	-	-	(94)	-	1	(149)	(483)
Total	(1,052)	73	12	20	(42)	(31)	15	(148)	(1,153)

- Other operations includes the Gove alumina refinery (curtailed in May 2014), Rio Tinto Marine and Legacy projects. The increase in net loss reflects higher spend at both Gove and Legacy projects.
- Central exploration & evaluation costs higher due to increased activity levels.
- Net interest costs were lower due to lower interest costs and higher interest income on higher cash balances.
- The increased loss in Other items includes restructuring, project and other one-off costs in 2017.

Near-term maturities further reduced in 2017

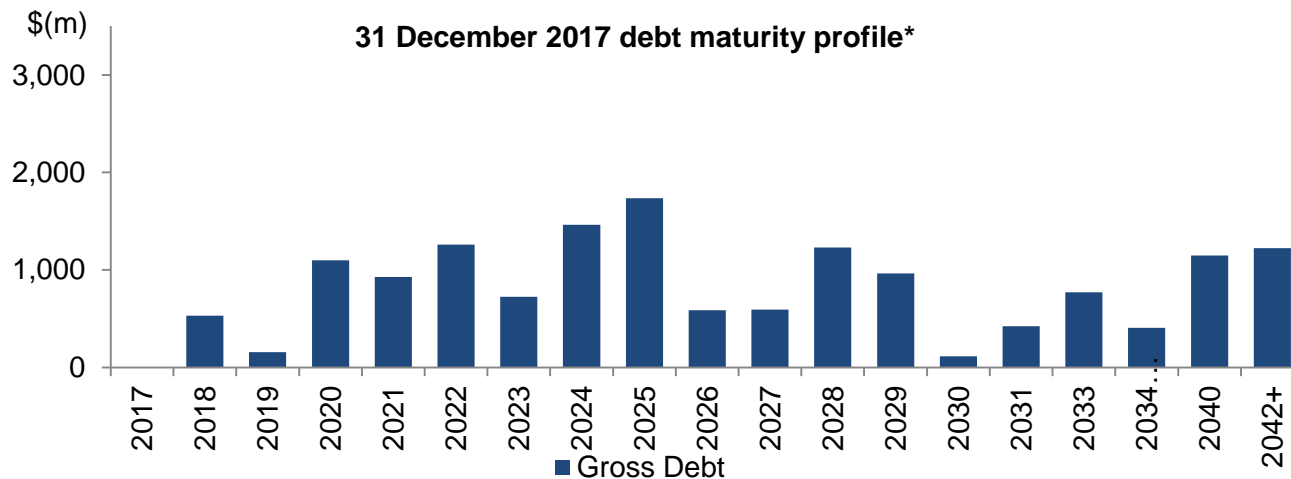


Gross debt reduced by \$2.7 billion in 2017

\$2.5 billion nominal value of bonds purchased or repaid with cash

Average outstanding debt maturity at ~10 years

Net interest paid of \$0.3 billion associated with bond purchase programmes**



No bond maturities until 2020

*Numbers based on year-end accounting value / ** The interest charge to earnings included \$0.2 billion of early redemption costs from bond purchases in 2017

Rigorous measurement of productivity gains

Accounting basis	– Free cash flow basis, Rio Tinto share, post-tax
Price	– Actual price achieved each year – not a constant or rebased price
Commercial excellence	– Variation of product mix included
Volumes	– Tonnes from growth capex excluded
Costs	– Adjustments for energy, inflation and exchange impacts – All other changes in input costs are included
Grades	– No adjustment or rebasing for grade
Capital savings	– Capital savings are excluded
Guidance	– Consensus pricing used
Assets	– Assets scheduled for closure in the next 5 years are excluded – Target may be rebased should any assets be divested in the 5 year period

Modelling earnings

Earnings sensitivity	2017 average price/ rate	(\$m) impact on FY 2017 underlying earnings of 10% price/rate change
Copper	281c/lb	242
Aluminium	\$1,969/t	592
Gold	\$1,257/oz	30
Iron ore (62% Fe FOB)	\$64.1/dmt	1,037
Coking coal (realised)	\$169/t	69
A\$	77USc	674
C\$	77USc	160
Oil	\$54/bbl	54

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.

Net earnings

	US\$m
2017 underlying earnings	8,627
Impairments	(481)
Net gains on disposals	2,022
Exchange gains/losses on debt and derivatives	(810)
Changes in corporate tax rates in the US and France	(439)
Adjustment to deferred tax assets relating to planned divestments	(202)
Other	45
2017 net earnings	8,762

Grasberg metal strip

Grasberg metal strip thresholds¹

	Cu (m lbs)	Au (000 oz)	Ag (000 oz)
2017	1,001	1,602	3,877
2018	1,008	1,861	3,825
2019	1,024	1,589	3,396
2020	1,027	1,593	3,405
2021	1,071	1,510	3,764
2022	742	723	2,114

Rio Tinto is entitled to 40% of all production in excess of the metal strip

Entitled to 40% of all production from ~2022

– First full year of 40% share expected in 2023

¹ Reference numbers may be adjusted for various events over time