

RioTinto

2017 half year results

2 August 2017

London



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Supporting statements

Ore Reserves (slide 23)

Silvergrass Ore Reserve grade. Proved and Probable Ore Reserves for Silvergrass (178Mt at 61.3% Fe) were released to the market in the 2016 Rio Tinto Annual Report on 2 March 2017 and can be found on p 225 of that report. The Competent Person responsible for reporting of those Ore Reserves was C Tabb.

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 Amrun shown on slide 23 was disclosed in a release to the market dated 27 November 2015 ("Rio Tinto approves US\$1.9 billion Amrun (South of Embley) bauxite project"). The production target for Oyu Tolgoi shown on slide 23 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 value proposition

Long-term strategy

World-class assets

Delivering >2% CAGR¹ CuEq growth

Licence to Operate

Cash focus

Value over volume

\$2 billion cost savings delivered six months early

\$5 billion free cash flow from mine to market productivity by 2021

Capital discipline and shareholder returns

Strong balance sheet

40-60% returns through the cycle

Portfolio shaping

Team and performance culture

Safety first

Assets at the heart of our business

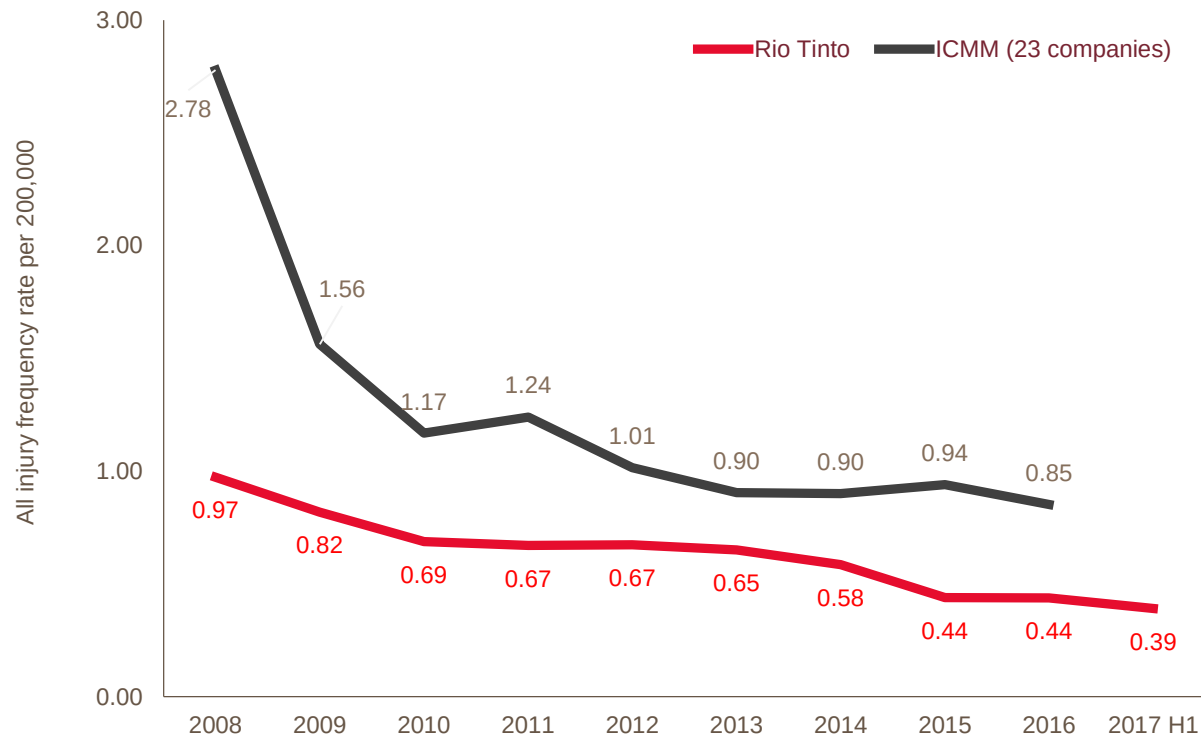
Commercial and operational excellence



Safety and health come first

Continued history of improvement in safety

AIFR per 200,000 hours worked



Continued focus on Fatality Prevention

– 731,000 CRM verifications in H1 2017

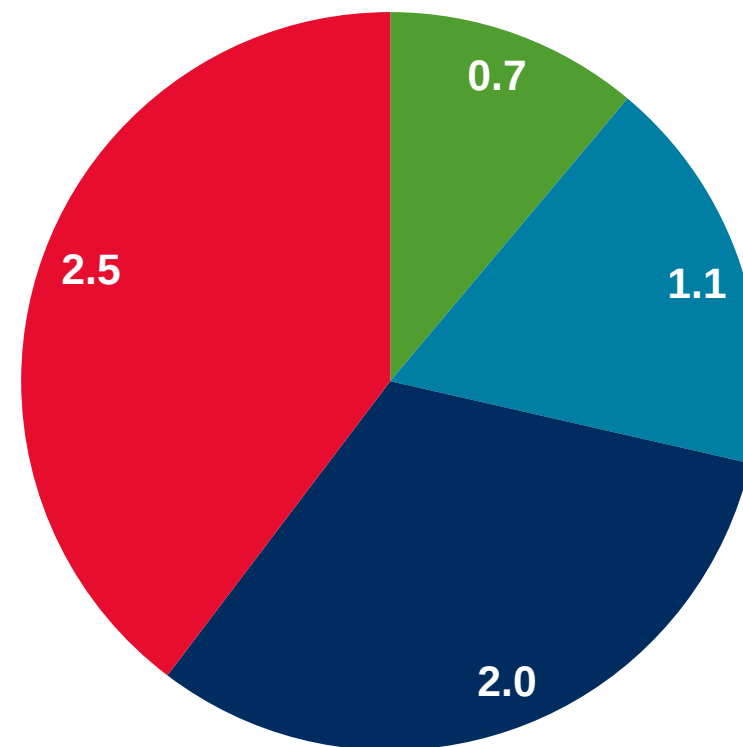
Further AIFR improvement achieved in H1



Disciplined allocation of strong cash flow in H1 2017

\$6.3 bn

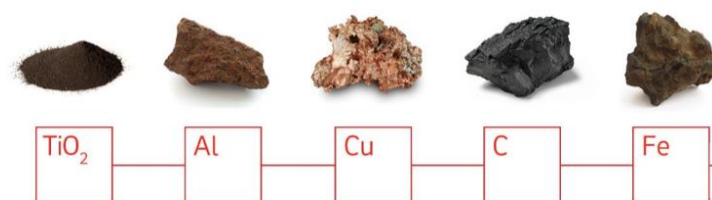
Operating cash flow H1 2017



- Sustaining capital
- Growth capital
- Balance sheet strength
- Shareholder returns paid in H1 2017

Delivering on our promises

- ✓ Shareholder returns of \$3.0 billion
- ✓ Strong EBITDA generation of \$9.0 billion and margin of 45%
- ✓ \$2 billion cost-out programme achieved early
- ✓ Balance sheet strength with net debt reduced to \$7.6 billion
- ✓ Strengthening the portfolio with divestments and compelling growth



An aerial night photograph of a large industrial facility, likely a power plant or refinery, with numerous buildings, piping, and tall chimneys. The scene is illuminated by artificial lights, creating a high-contrast image against the dark sky. A semi-transparent white text box is overlaid on the left side of the image.

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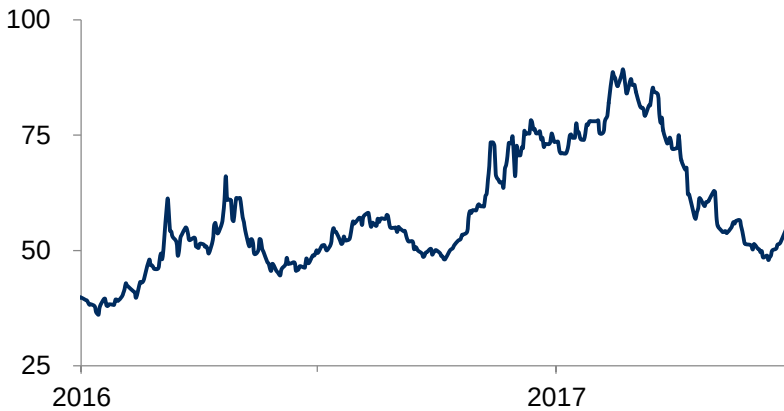
Chris Lynch

Chief financial officer

Market overview

\$/dmt, 62%, FOB WA

Iron Ore



\$/t LME + MW Premium

Aluminium



Chinese macroeconomic data outperformed market expectations

Iron ore price volatility and port stocks remain elevated

Improved copper prices prompted increased scrap volumes

Aluminium curtailments driven by Chinese supply-side reforms

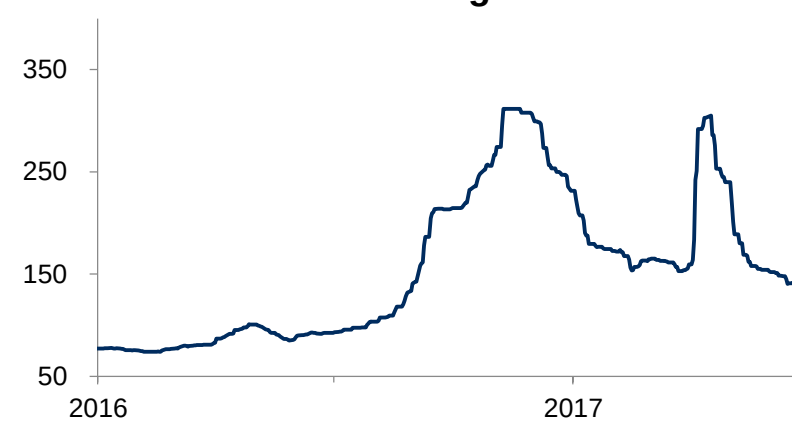
c/lb

Copper



\$/t FOB QLD

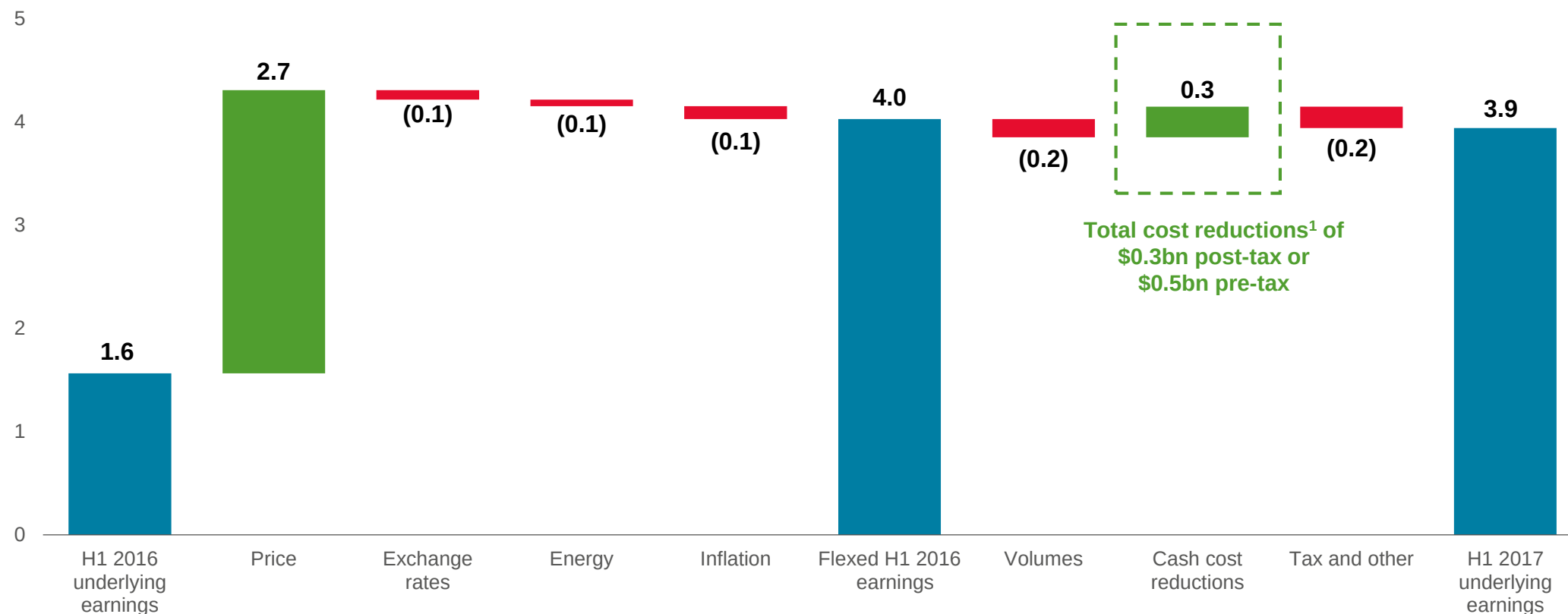
Hard coking coal



Higher prices driving increased earnings

Underlying earnings H1 2016 vs H1 2017

\$ billion (post tax)



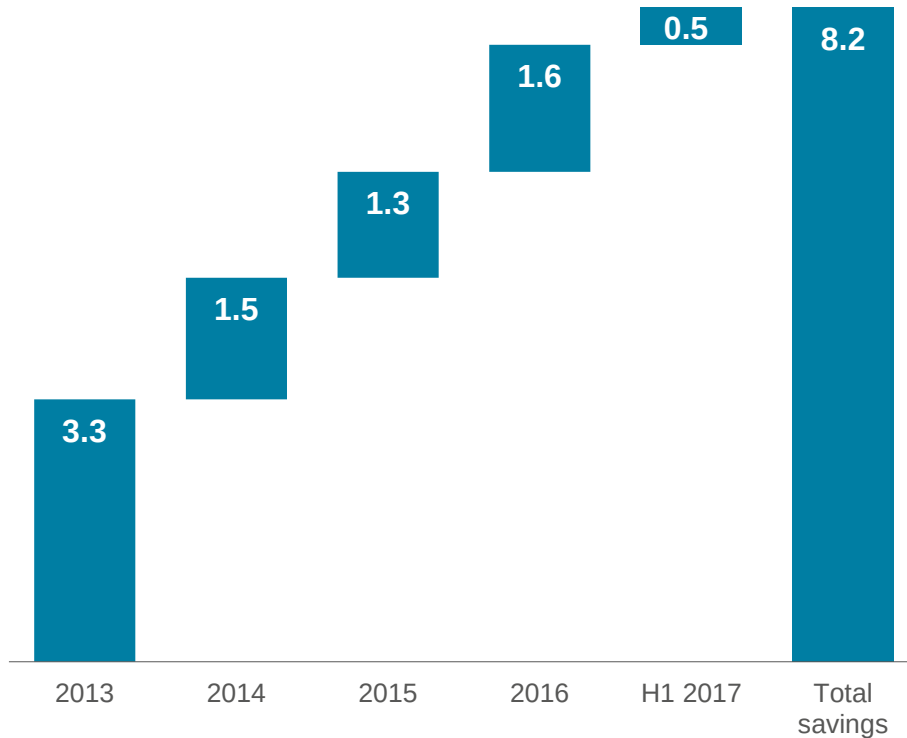
Net earnings

	US\$m
H1 2017 underlying earnings	3,941
Impairments	(166)
Net losses on disposals	(5)
Exchange losses on debt and derivatives	(502)
Rio Tinto Kennecott insurance claim	45
Other	(8)
H1 2017 net earnings	3,305

\$2 billion cost-out programme achieved early

Pre-tax operating cash cost improvements

Reduction vs. 2012 (\$ billion)



\$8.2 billion cost savings achieved since 1 Jan 2013

\$2.1 billion cost savings across 2016/17

- achieved target six months ahead of schedule

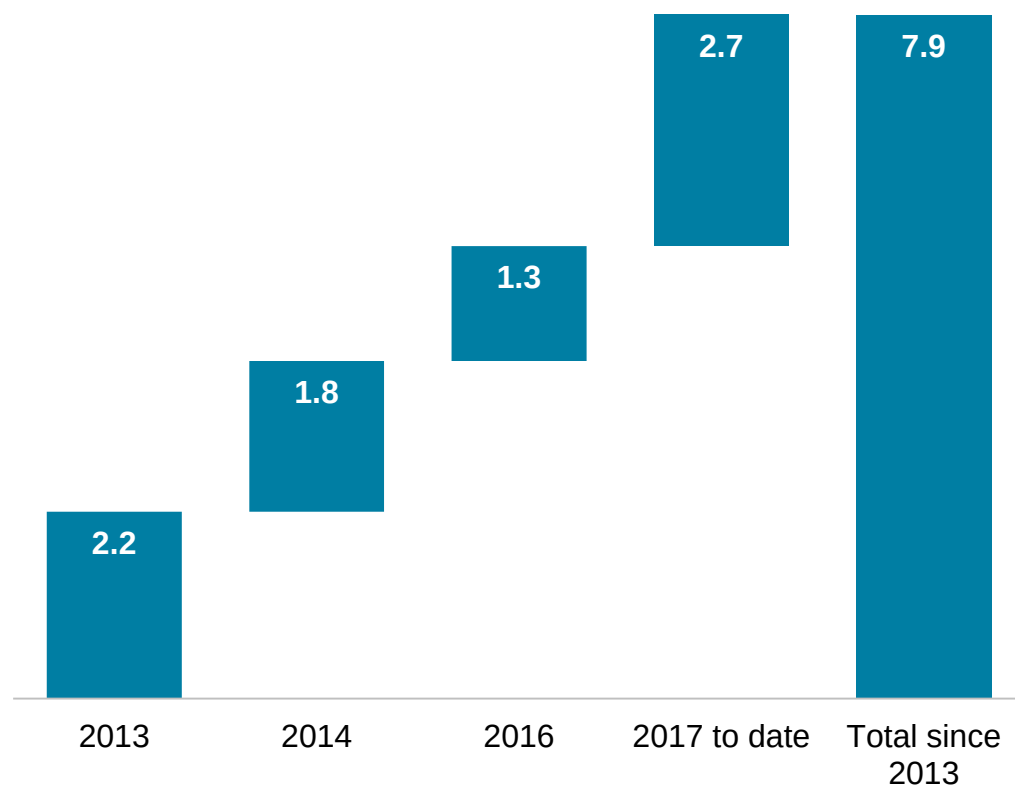
\$5 billion productivity programme

- Releasing an additional \$5 billion of cumulative free cash flow by 2021
- Exit rate of \$1.5 billion of free cash flow per year

Continuing to shape our portfolio

\$7.9 billion¹ disposals announced since 2013

\$ billion



Value delivered through divestments

Coal & Allied divestment to Yancoal for \$2.69 billion

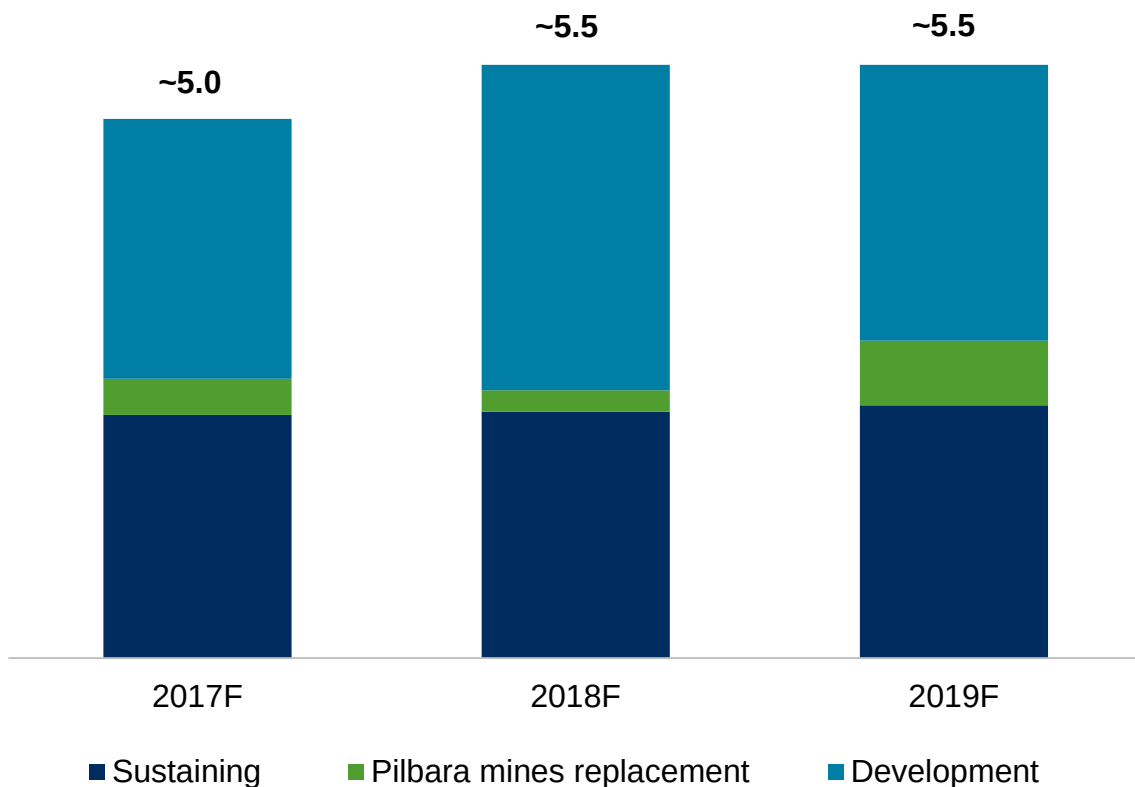
- Improvement of \$0.5 billion cash on completion
- Proceeds of \$2.56 billion expected in H2

Lochaber second tranche of \$0.2 billion received in H1

Sustaining capex and compelling growth

Capital expenditure profile

\$ billion



H1 2017 spend of \$1.8 billion as projects progress

- Sustaining capex of \$0.7 billion
- Growth capex of \$1.1 billion

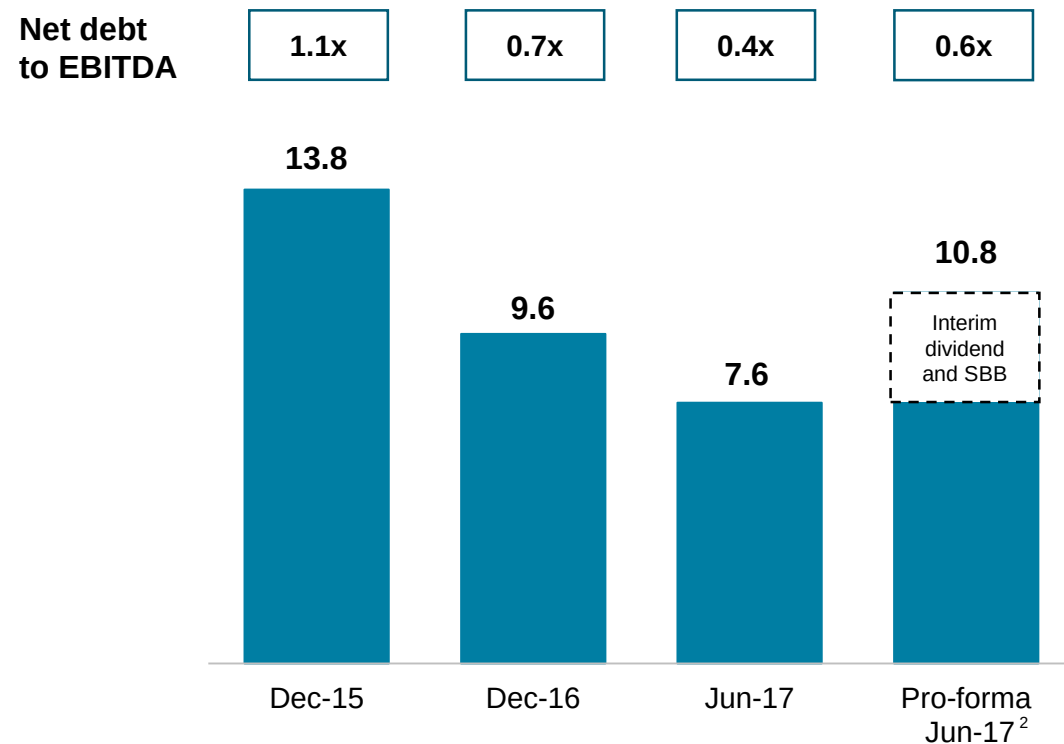
Autohaul™ expected to be fully operational end-2018

Pilbara rail upgrade capex included in guidance

Three major growth projects progressing well

Balance sheet strength

Leverage¹ and net debt
\$ billion

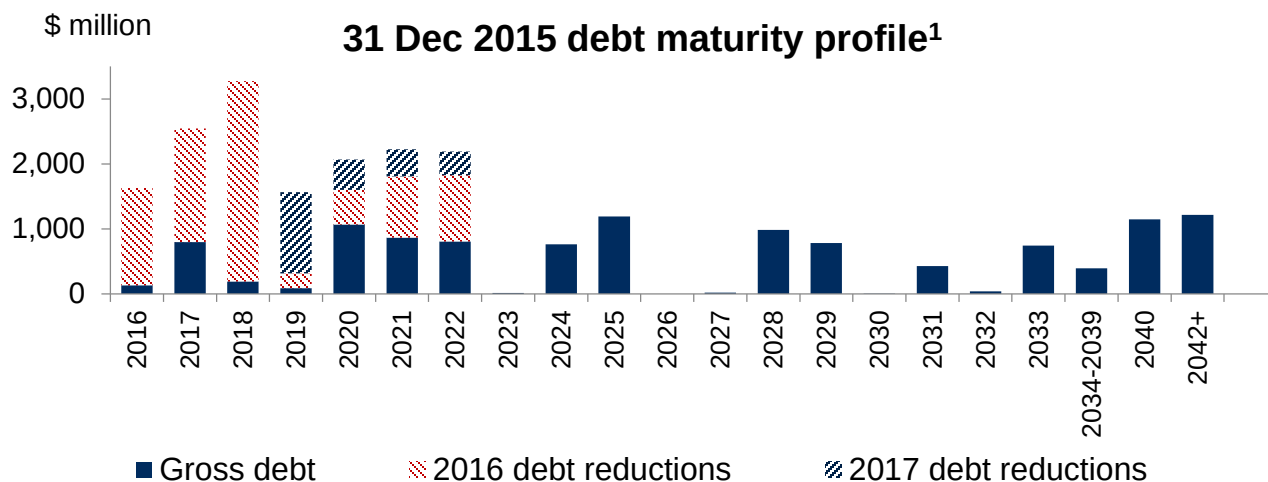


Net debt reduced by \$2 billion in H1 2017 to \$7.6 billion

Strong balance sheet:

- Provides stable foundation during uncertain economic outlook
- Supports shareholder returns through the cycle
- Enables counter-cyclical investment in compelling growth

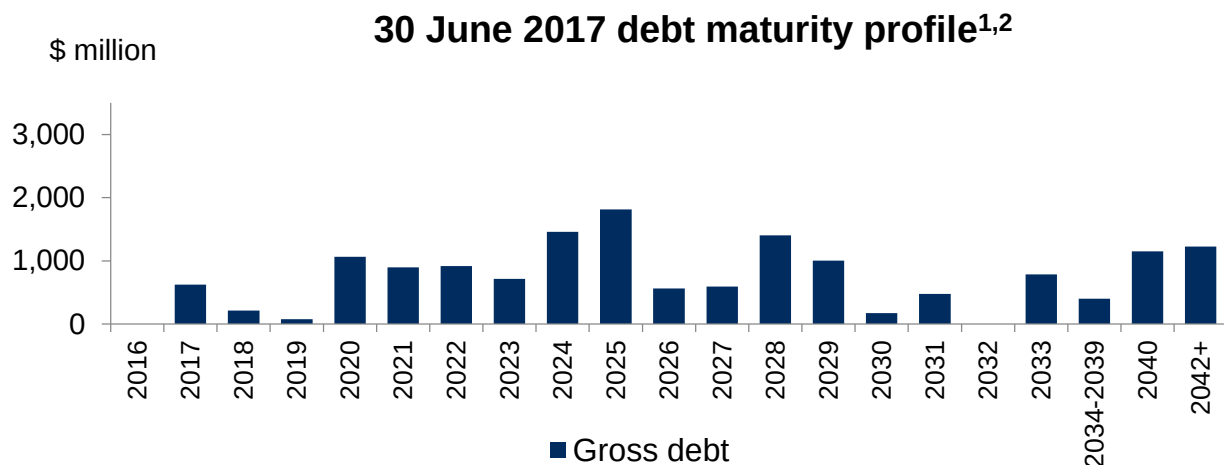
Near-term maturities greatly reduced



Gross debt reduced by \$2.5 billion in H1 2017 – principally from bonds purchased/redeemed with cash

Average outstanding debt maturity now ~11 years

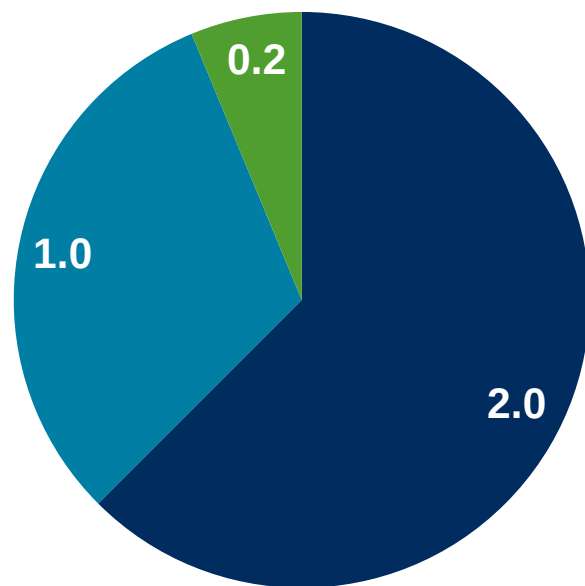
No bond maturities until 2020



Net interest paid of ~\$260 million associated with the H1 2017 bond purchase programme

Delivering superior returns for shareholders

Cash returns to shareholders in H2 2017 \$ billion



- 2017 Interim dividend
- 2017 buy-back announced in Aug-2017
- Completion of buy-back announced in Feb-2017

Total returns to shareholders of **\$3.0 billion** announced

- 75% of underlying earnings
- Interim dividend of \$2.0 billion or \$1.10 per share to be paid in H2 2017
- Share buy-back of \$1.0 billion in Rio Tinto plc shares by the end of 2017

In addition to completion of ongoing buy-back of \$0.2 billion by the end of 2017

A firefighter in a silver heat-reflective suit and helmet is working in an industrial setting. The firefighter is positioned in the center-right of the frame, leaning over a large, dark, cylindrical object. The background features a large window with a grid pattern and various industrial pipes and structures. The lighting is warm, suggesting an indoor industrial environment.

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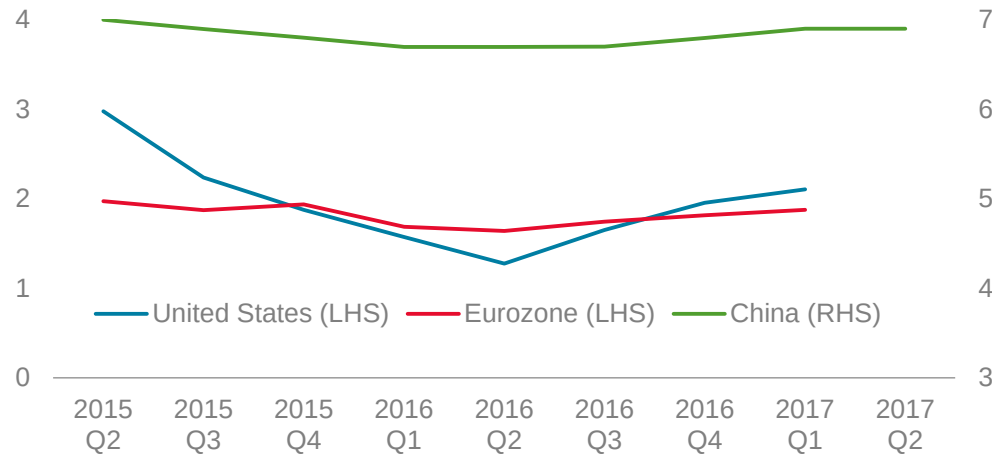
J-S Jacques

Chief executive

Strong Chinese steel industry margins and low inventories

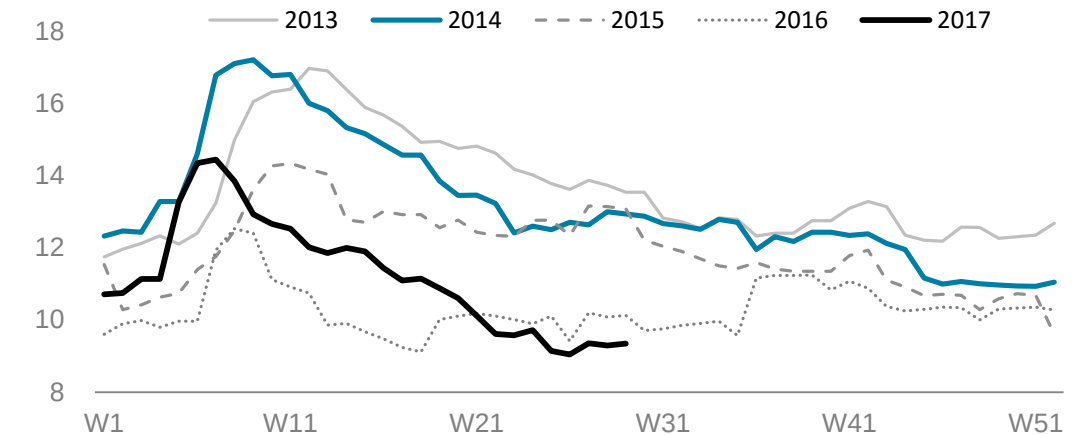
Quarterly Real GDP growth is stable

Percentage change year on year



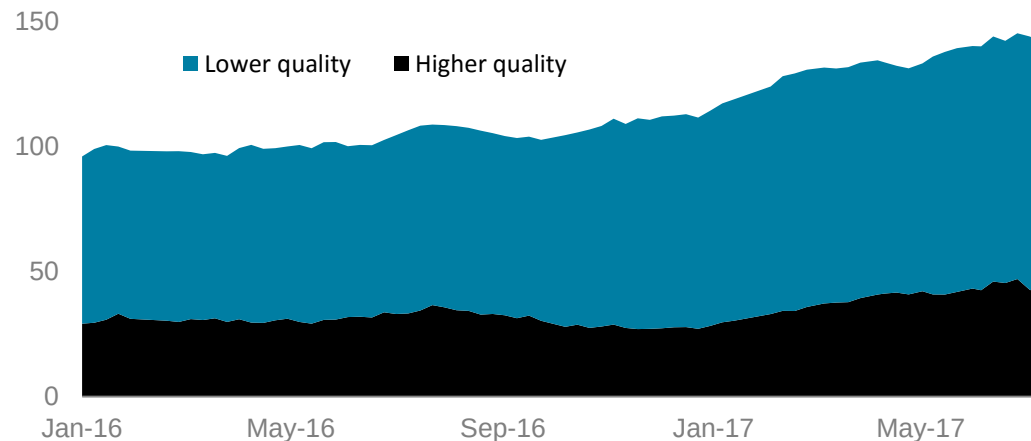
China's supply-chain is tightening

Steel inventory days



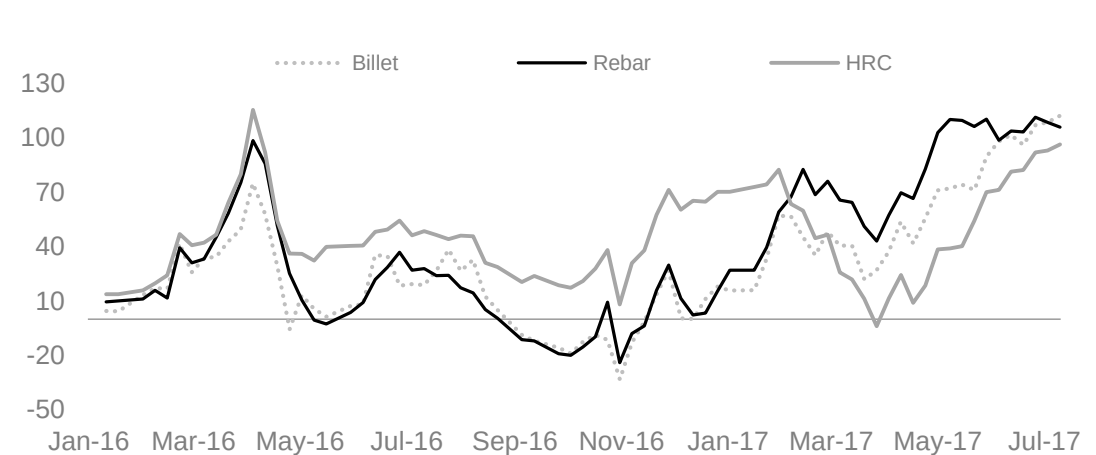
Rising lower quality¹ iron ore inventories

Million tonnes



Steel mill cash margins are rising

\$ per tonne



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

Delivering \$5 billion of free cash flow from productivity

Load & Haul



>800 trucks with 55-75% EU



>200 dig units with 30-50% EU

Processing



~50 processing plants with 55-95% EU

Infrastructure



~15,000 wagons with 50-75% EU



~30 ship loaders and unloaders with 50-80% EU

e.g ~15%
improvement in
truck EU

e.g ~15%
increase in
capacity utilisation

e.g ~5% reduction in
rail and shipping
cycle times

**Retiring 20% of mobile
equipment capital base**

Or

Moving 25% more material

Thereby

**Releasing \$1.5 billion per year
of free cash flow by 2021**

High-return growth projects

Silvergrass

High-grade, low phosphorus iron ore enhancing value of Pilbara Blend

>100% IRR

\$0.5 billion¹ capex, first quartile opex

~20 Mt/a¹, commissioning Q4 2017

61.3% Fe², low-phosphorus



Amrun

Creating seaborne bauxite market, high-grade and expandable

>20% IRR

\$1.9 billion capex, first quartile opex

22.8 Mt/a², commissioning H1 2019

52.4% alumina content²



Oyu Tolgoi

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/a (2025-30)²

1.66% Cu, 0.35g/t Au²

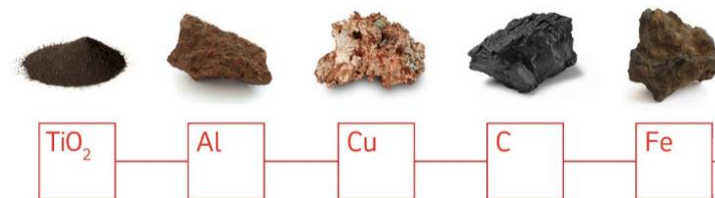


¹ Including NIT projects 1 and 2

² Refer to the statements supporting these reserve grades and production targets set out on slide 3 of this presentation.

Continuing to deliver on our commitments

- ✓ Focusing on cash flow growth - \$5 billion from productivity by 2021
- ✓ Strengthening our portfolio
- ✓ Investing in our three major growth projects
- ✓ Maintaining balance sheet strength
- ✓ Delivering superior shareholder returns - \$3.0 billion of cash





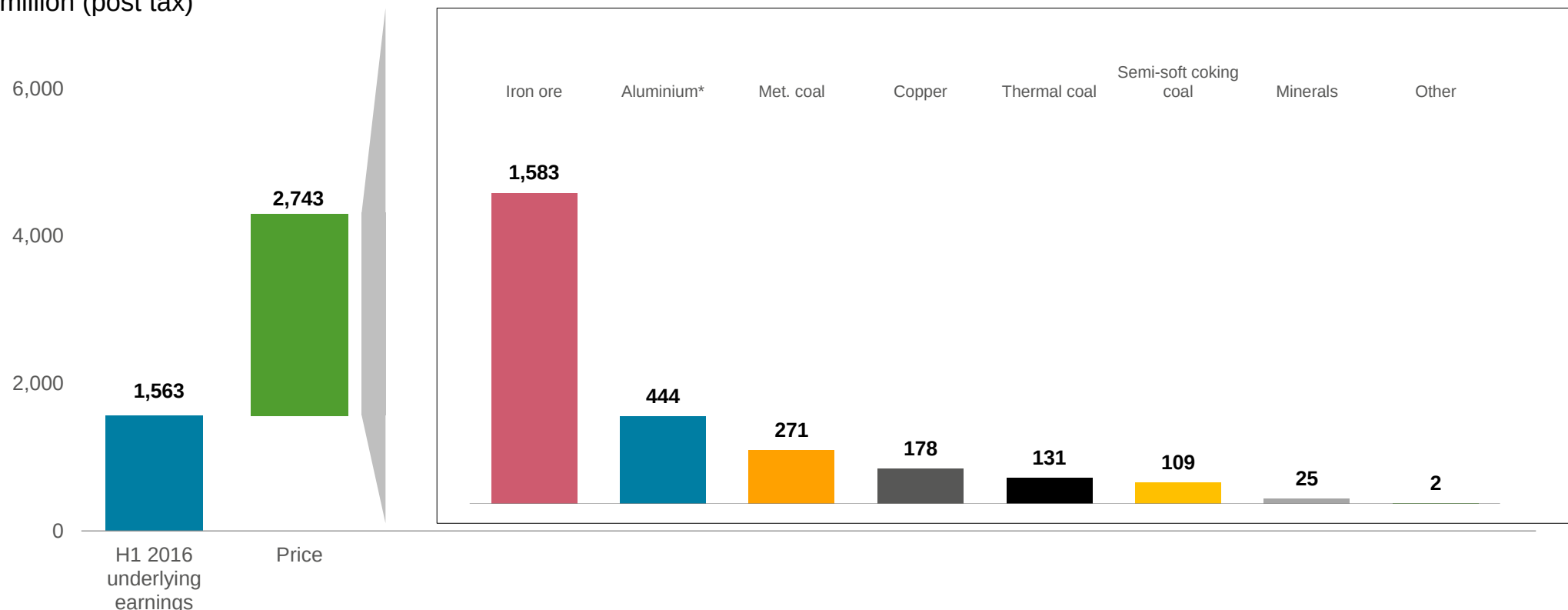
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Appendix

Higher prices driving increased earnings in H1 2017

Underlying earnings H1 2016 vs H1 2017

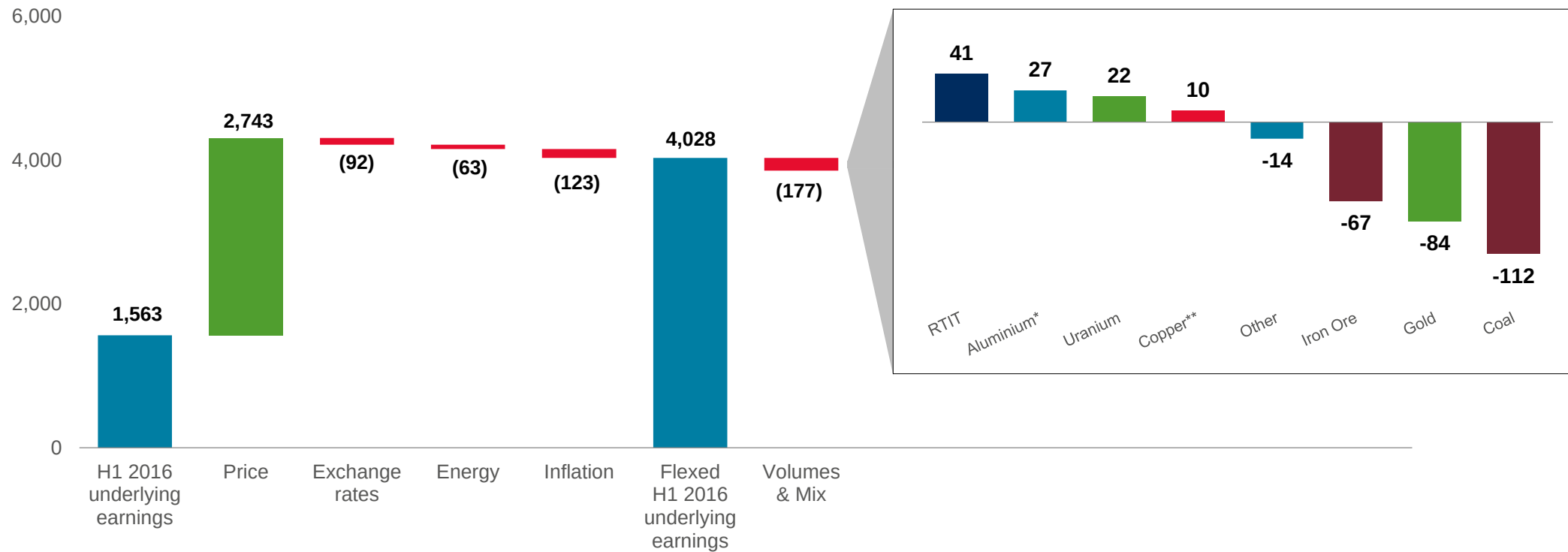
\$ million (post tax)



Volumes impacted by weather and maintenance in iron ore and coal

Underlying earnings H1 2016 vs H1 2017

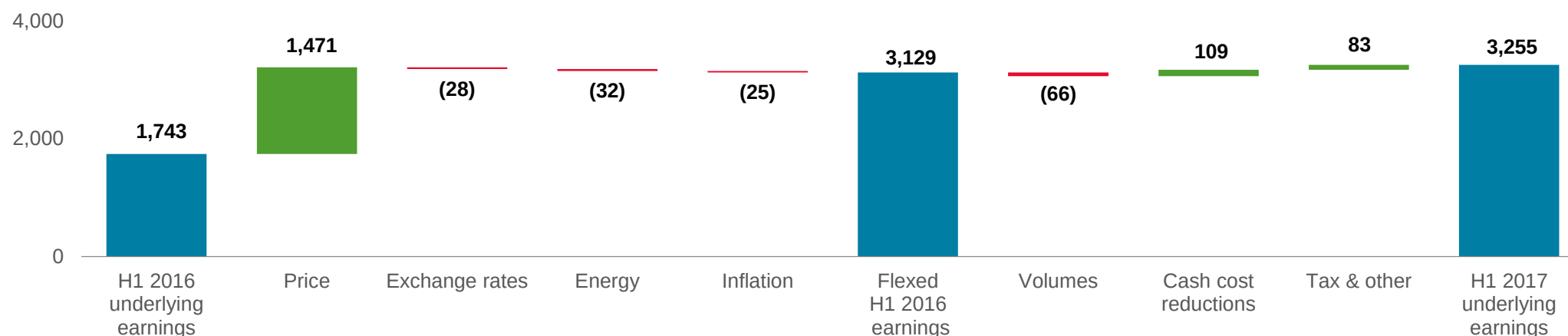
\$ million (post tax)



Iron Ore: lower volumes offset by higher pricing and cost reductions

Underlying earnings H1 2016 vs H1 2017

\$ million (post tax)

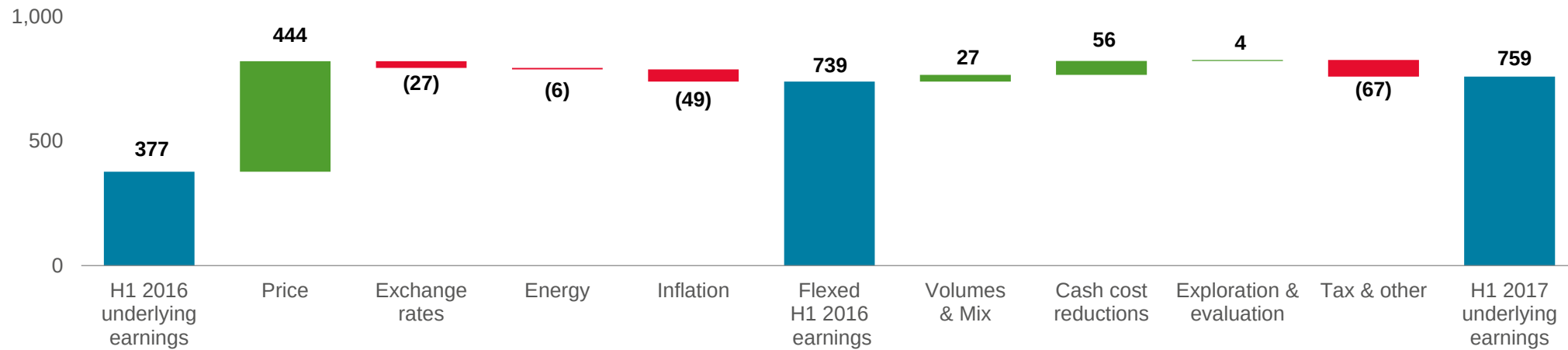


- Pilbara shipments of 154.3 million tonnes were 3% lower than in H1 2016, due to weather impacts in the first quarter and accelerated rail upgrade in the second quarter
- Pilbara FOB EBITDA margins of 69% achieved in H1 2017 (58% in H1 2016)
- Pilbara cash unit costs to \$13.8 per tonne in H1 2017, compared with \$14.3 per tonne in H1 2016
- Total cost reductions delivered in H1 2017 of \$156 million pre-tax. Total pre-tax Iron Ore cost savings delivered since 2012 now total \$1.5 billion
- Pilbara iron ore revenues includes \$569 million of freight in H1 2017 compared to \$344 million in H1 2016
- Approximately 62 per cent of sales in H1 2017 were priced with reference to the current month average, 19 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 14 per cent were sold on the spot market
- Approximately 64 per cent of H1 2017 sales were made on a cost and freight (CFR) basis, with the remainder sold free on board (FOB)

Aluminium: prices, cost savings and volumes drive increased earnings

Underlying earnings H1 2016 vs H1 2017

\$ million (post tax)

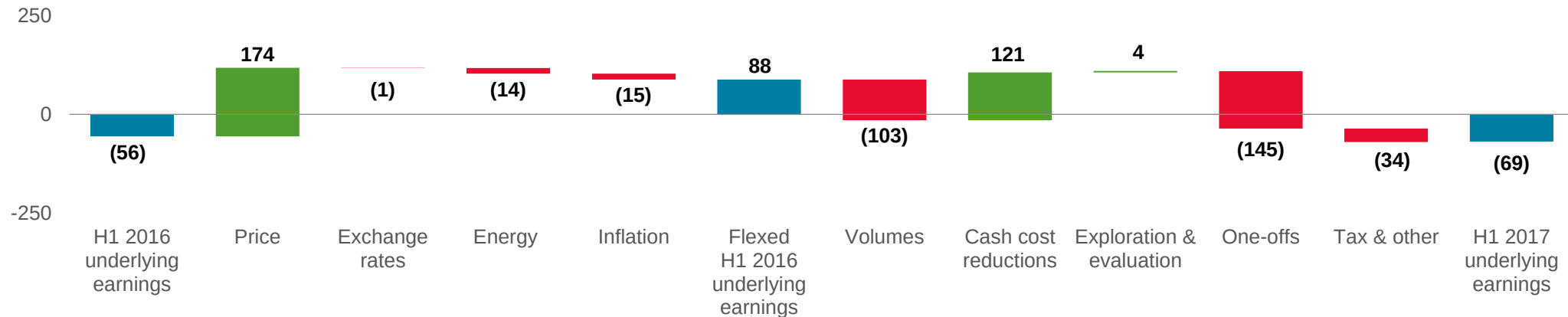


- Average LME prices in H1 2017 were 22% higher than H1 2016. The average realised price per tonne averaged \$2,151 in H1 2017 (H1 2016: \$1,805). Market premia increased in all regions: in the US, the mid-West market premium averaged \$206 per tonne in 2017 first half, compared with an average of \$182 per tonne in 2016 first half, a 13% rise.
- Total H1 2017 cost savings were \$80 million pre-tax. These were achieved through productivity improvements and volume increases, taking total pre-tax Aluminium cost savings delivered since 2012 to \$1.7 billion
- Integrated operations EBITDA margins were 35% in H1 2017, compared to 25% in H1 2016, delivering operating cash flows of \$1.1 billion and \$0.7 billion of free cash flow
- Bauxite revenues includes \$111 million of freight in H1 2017 (\$96 million in H1 2016)

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

Underlying earnings H1 2016 vs H1 2017

\$ million (post tax)

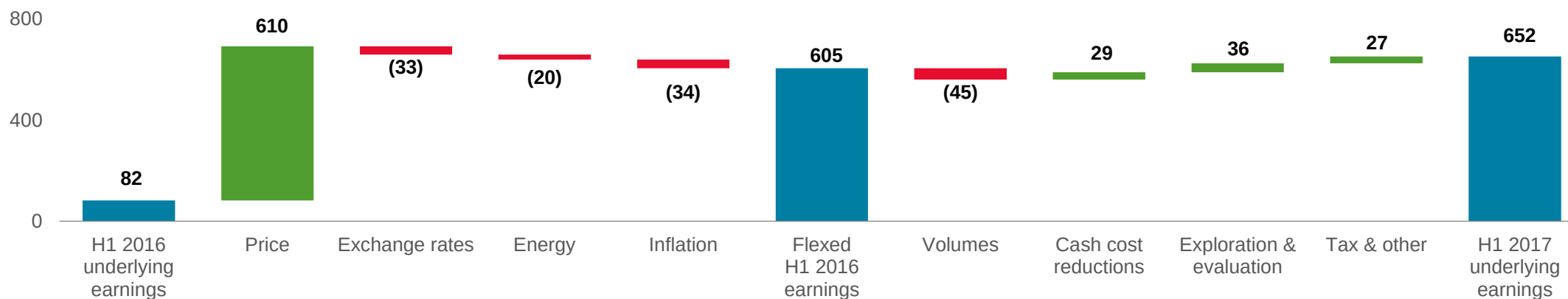


- The Copper & Diamonds group recorded an underlying loss of \$69 million, 23 per cent lower than 2016 first half. Higher prices, continued success with cash cost reductions and the final insurance settlement (\$101 million) relating to the Manefay slide at Kennecott in 2013 were outweighed by lower gold grades at Oyu Tolgoi and the one-off impacts of the Escondida strike (\$176 million) and a deferred tax asset write-down at Grasberg (\$144 million). Also included in one-offs is the absence of the non-cash asset write-downs at Rio Tinto Kennecott in 2016.
- Pre-tax cash cost savings delivered in H1 2017 were \$173 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 \$649 million and was free cash flow positive, despite a one-third increase in capital expenditure as activity ramped up at the Oyu Tolgoi Underground Project.
- To optimise smelter utilisation, Kennecott tolled 68 thousand tonnes of third party concentrate in H1 2017.
- At 30 June 2017, the Group had an estimated 205 million pounds of copper sales that were provisionally priced at US 262 cents per pound. The final price of these sales will be determined during the second half of 2017. This compared with 235 million pounds of open shipments at 31 December 2016, provisionally priced at US 250 cents per pound.

Energy & Minerals: higher prices driving earnings

Underlying earnings H1 2016 vs H1 2017

\$ million (post tax)



- Underlying earnings were \$652 million, nearly eight times higher than 2016 first half, as the group benefited from higher prices, primarily coal and iron ore, and lower depreciation following the reallocation of Coal & Allied to Assets held for sale from 1 February 2017
- The effect of lower volumes of coking coal, including the impact of Cyclone Debbie at Hail Creek, was partly offset by higher volumes of titanium dioxide feedstock
- Pre-tax cost reductions delivered in H1 2017 were \$41 million bringing total pre-tax cost savings delivered by Energy & Minerals since 2012 to \$1.5 billion
- Strong operating cash flows of \$1.1 billion resulted in a free cash flow contribution to the Group of \$0.9 billion
- On 26 June 2017, Rio Tinto confirmed Yancoal Australia as its preferred buyer of Coal & Allied, after an improved offer from Yancoal of \$2.69 billion. Rio Tinto shareholders have since approved the sale, which is expected to complete in the third quarter of 2017. In 2017 first half, Coal & Allied reported gross sales revenue of \$784 million and free cash flow of \$263 million.

Other movements in underlying earnings

Underlying earnings impact

\$ million	H1 2016	FX/ price	Energy & Inflation	Volumes	Cash Costs	Epl'n eval'n	Non Cash	Interest, tax & other	H1 2017
Other operations	(32)	41	9	10	(14)	-	8	(56)	(34)
Exploration & Evaluation (net)	(64)	-	-	-	-	(12)	-	-	(76)
Interest	(328)	-	-	-	-	-	-	8	(320)
Other items	(159)	-	-	-	(36)	-	-	(31)	(226)
Total	(583)	41	9	10	(50)	(12)	8	(79)	(656)

- Other operations includes the Gove alumina refinery (curtailed in May 2014) and RT Marine.
- Interest includes \$180 million post-tax of early redemption costs associated with the bond buy-back programme.
- The increase in Other items includes higher costs across central functions and \$25 million relating to the onerous contract provision at Abbot Point as a result of updated forecast rail costs.

Modelling earnings

Earnings sensitivity	H1 2017 average price/ rate	(\$m) impact on FY 2017 underlying earnings of 10% price/rate change
Copper	262c/lb	190
Aluminium	\$1,880/t	592
Gold	\$1,238/oz	28
Iron ore (62% Fe FOB)	\$68.2/dmt	1,057
Coking coal (benchmark)	\$285/t	68
Thermal coal (average spot)	\$81/t	85
A\$	75USc	641
C\$	75USc	213
Oil	\$53/bbl	47

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.