Rio Tinto

# 2019 Full Year Results

26 February 2020

London

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# J-S Jacques
# Chief Executive

# As pioneers in mining and metals we produce materials essential to human progress


**Portfolio** | **Performance** | **People** | **Partners**

# A strong performance in 2019

Safety is our top priority. Strong safety performance across the business and first ever fatality-free year

## Financial performance

**$21.2 billion**
Underlying EBITDA

**47%**
Underlying EBITDA margin

**$10.0 billion**
Free cash flow*

**$3.7 billion**
Net debt 31 Dec

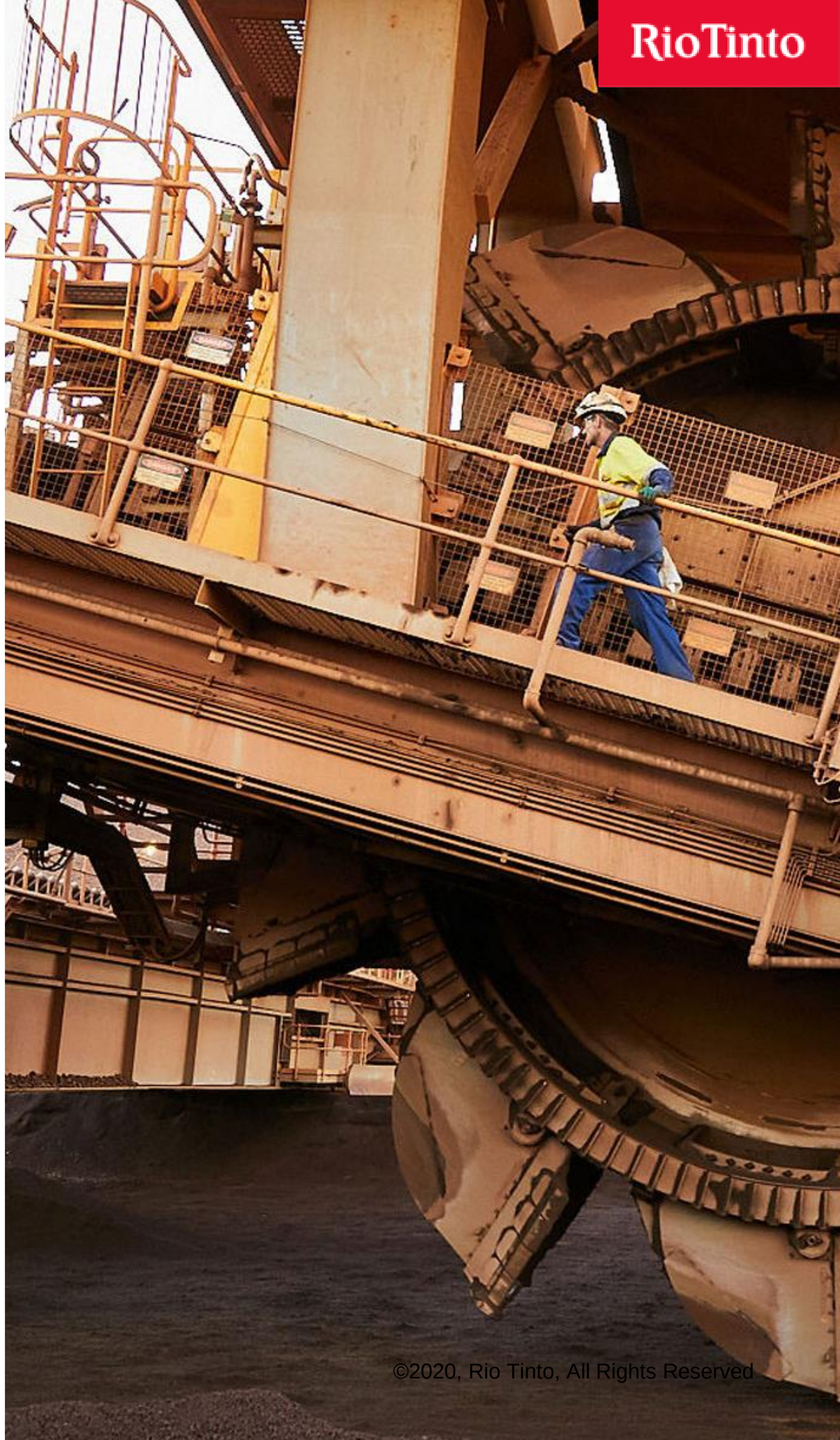
**$11.9 billion**
Paid to shareholders

**24%**
ROCE**

**$2.6 billion**
Development capital invested

**$0.6 billion**
Spent on exploration and evaluation

* Excludes capital gains tax paid on divestments of $0.9 billion. **Return on Capital Employed (ROCE) is defined as underlying earnings excluding net interest divided by average capital employed (operating assets before net debt)



# Sustainability performance supported by strong profitability

**No fatalities**
in 2019

**46% reduction**[1]
in emissions since 2008

**76% of power**
from renewables

**$100 million**
of new investment in solar

**~$7.5 billion paid in taxes and royalties**

**$17 billion paid to suppliers**

**ASI** [2] **certified**

**$36 million**[3]
Invested in communities programmes

**No 2 in global human rights index**[4]

[1] Absolute emissions from managed operations including divestments; 18% reduction excluding divestments. [2] Aluminium Stewardship Initiative. [3] In 2019, we adopted new definitions and data collection processes for reporting discretionary community investments to align with GRI Reporting Standards. [4] Index published by Corporate Human Rights Benchmark.

# $11.9bn of cash returns paid in 2019 with $3.9bn in H1 2020

**47%**
EBITDA margin

**24%**
ROCE[1]

**$2.9bn**
Sustaining capex

**$2.6bn**
Development capex

**$0.9bn**
Capital gains tax

**$2.3bn cash**
Increase in net debt

**$1.6bn non-cash**[5]
Increase in net debt

**$15.8bn of operating cash flow**[4]

**$6.4bn**
Ordinary and special dividends paid

\+

**$3.7bn**
2019 final ordinary dividend to be paid in 2020

**$1.6bn**
Buy-backs

**41%**
TSR[3]

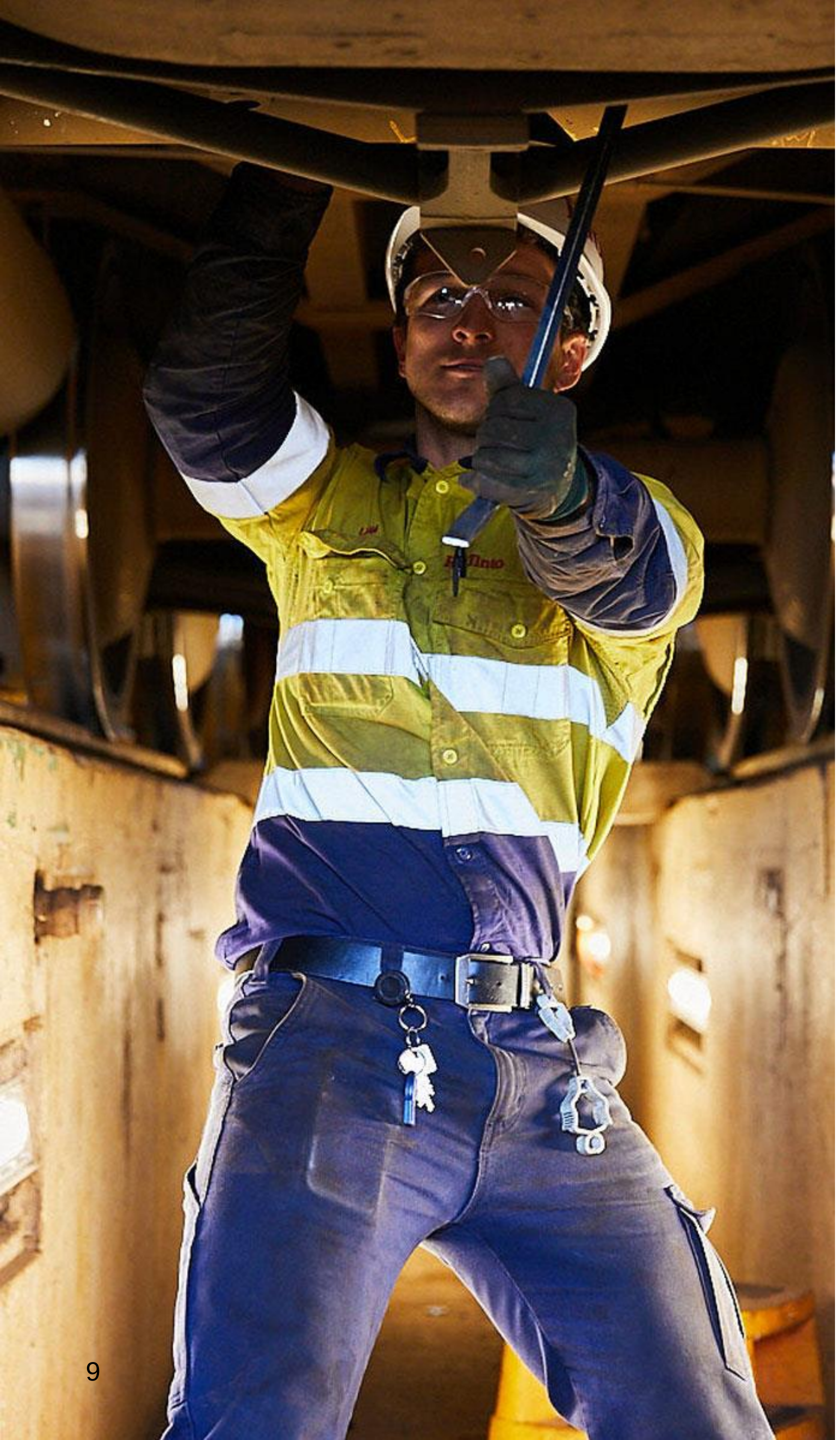
**$3.9bn**
Special dividends paid from disposals

\+

**$0.2bn**[2]
Buy-backs in 2020

[1] Return on Capital Employed (ROCE) is defined as underlying earnings before net interest divided by average capital employed (operating assets before net debt).
[2] $0.2 billion of on-market share buy-backs in Rio Tinto plc to be completed by 28 February 2020.
[3] Total Shareholder Return (TSR) is from 1 January 2019 to 31 December 2019 for combined DLC including reinvestment of dividends.
[4] Excludes $0.9 billion payment of capital gains tax on disposal of coking coal assets in 2018.
[5] Primarily related to adoption of IFRS16 Leases from 1 January 2019.
Numbers have been rounded to the nearest $0.1 billion.

# Jakob Stausholm
## Chief Financial Officer





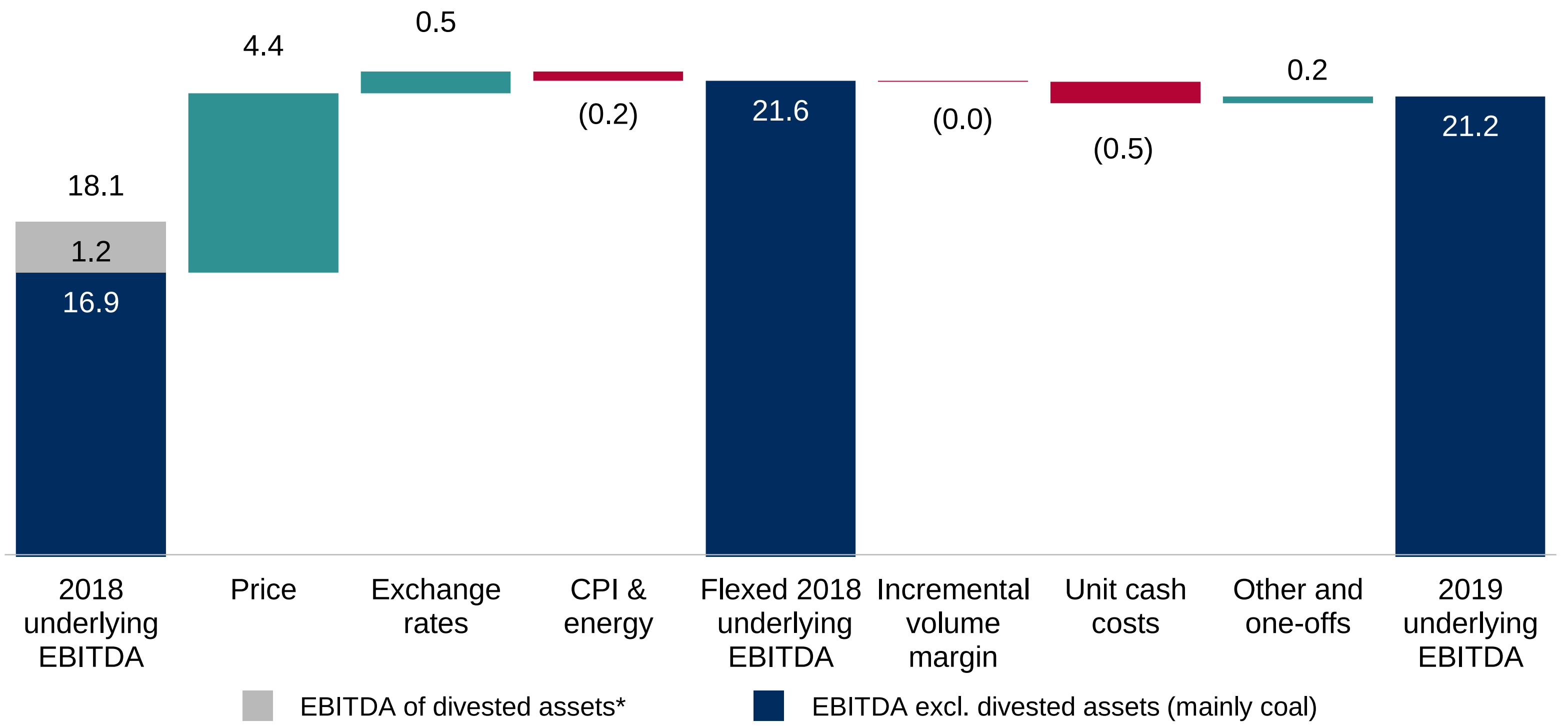

# Strong financial results

| ($bn, except for per share data) | 2019 | 2018 | Comparison |
|---|---|---|---|
| Gross revenue | 45.4 | 42.8 | + 6% |
| Underlying EBITDA | 21.2 | 18.1 | + 17% |
| ROCE | 24% | 19% | + 5pp |
| Cash flow from operations[1] | 15.8 | 11.9 | + 32% |
| Free cash flow[1] | 10.0 | 7.1 | + 42% |
| Underlying earnings | 10.4 | 8.8 | + 18% |
| Underlying earnings per share ($) | 6.36 | 5.12 | + 24% |
| Net earnings | 8.0 | 13.6 | - 41% |
| Ordinary dividend per share ($) | 3.82 | 3.07 | + 24% |
| Total dividend per share ($)[2] | 4.43 | 5.50 | - 19% |
| Net debt (cash) | 3.7 | -0.3 | n/m |

[1] Excludes capital gains tax paid on divestments of $0.9 billion in 2019, $0.1 billion in 2018
[2] 2018 includes $2.43 special dividend from divestment proceeds
n/m = not meaningful

# EBITDA supported by price

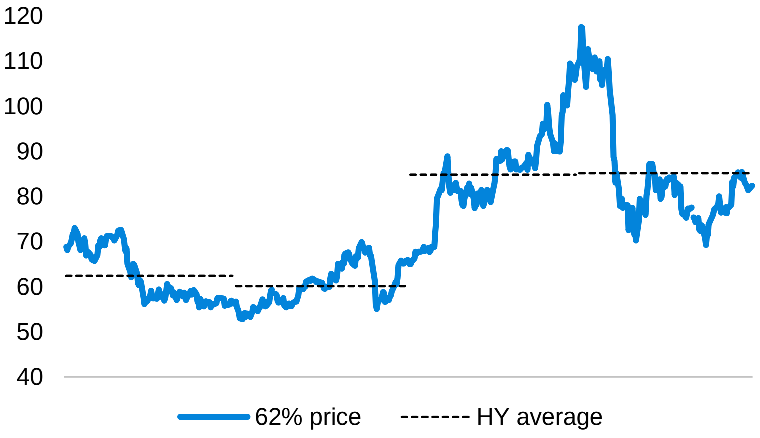
**Underlying EBITDA**
$ billion




*Coking coal, Dunkerque aluminium smelter and Grasberg.
Other and one-offs variance includes movements in central costs, non-cash costs, impact of volumes lost related to Kitimat pot relining and ISAL preventive pot-line shutdown and Exploration & Evaluation costs. All variances exclude coal.

# Commodity prices moved in different directions

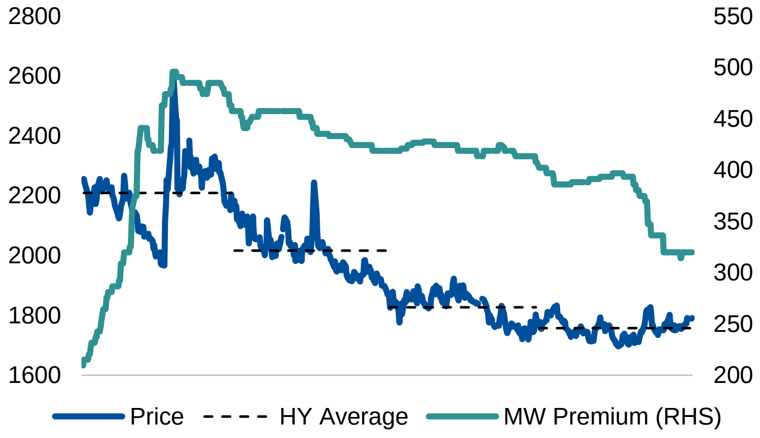
## **Iron Ore*** (39% increase YoY)




Buoyant Chinese steel demand in 2019

Supply disruptions ease in H2 2019 but market balance remains tight

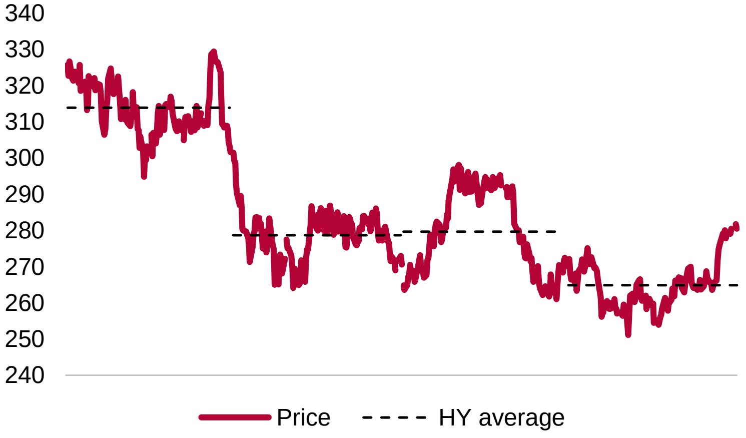
## **Aluminium**** (-15% decrease YoY)




Weak global demand due to trade slowdown and transportation sector

Modest supply curtailments via production cuts and slower ramp-up of production from projects

## **Copper**** (-8% decrease YoY)



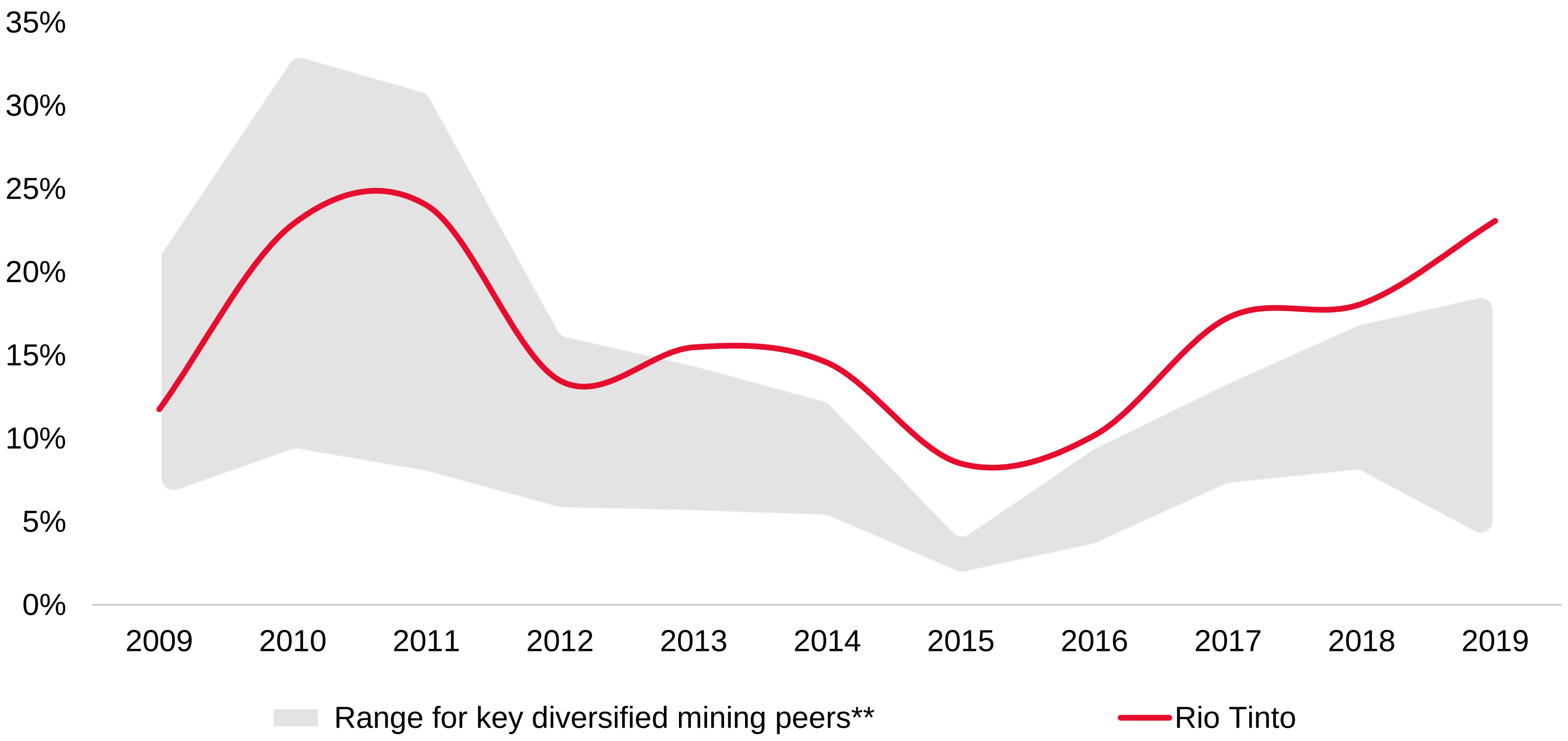

Concerns over global growth and trade impacting sentiment

Supply disruptions ~4.4% in 2019 (versus 5.0% in last ten years)

* Per dry metric tonne, FOB basis | ** Average LME price | YoY change reflects change in average annual price
Sources: Rio Tinto, Mysteel, World Steel Association, Bloomberg, Baltic Exchange, WoodMac

# Maintained industry-leading profitability....

## Return on invested capital*, post tax




Average ROCE 2009 to 2019 of 16%

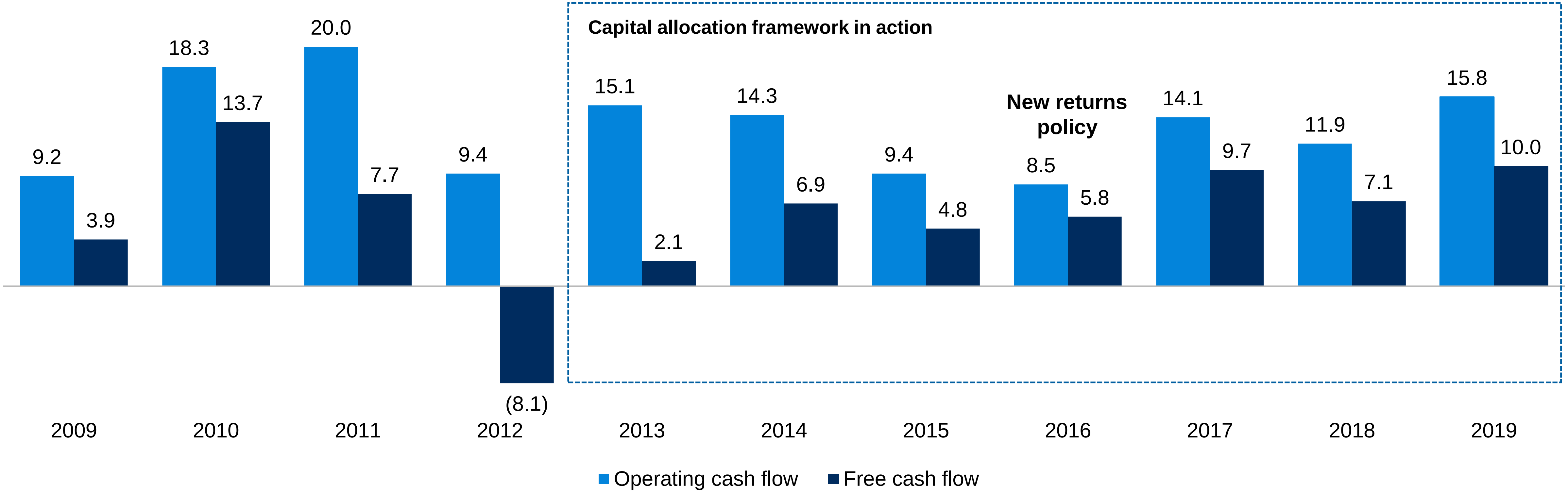
Average ROCE 2001 to 2008 of 22%

Only one year of single digit ROCE in two decades

Source: CSFB and company information.
*Return on Invested Capital is defined as tax adjusted EBIT / (consolidated book equity + net debt). ** Average of peers comprising Anglo American, BHP, Glencore and Vale

# …which we continue to translate into strong cash flows

## Cash flow in $ billion




Free cash flow is defined as net cash generated from operating activities less purchases of PP&E less lease principal payments plus sales of PP&E
Operating cash flow and free cash flow exclude capital gains tax paid on disposals of $0.9 billion in 2019, $0.1 billion in 2018 and $0.2 billion in 2017, primarily related to coal disposals.

# Iron Ore

## World-class returns underpinned by robust price environment

| Operating metrics | 2019 | 2018 comparison | 2020 guidance |
|---|---|---|---|
| Average realised price* | $85.9 / t | + 37% | |
| Shipments (100% basis) | 327.4mt | - 3% | 324-334Mt |
| Operating cost / t** | $14.4 / t | +8% | $14 -15 / t |

| Financial metrics ($bn) | | | |
|---|---|---|---|
| Revenue | 24.1 | + 29% | |
| EBITDA | 16.1 | + 41% | |
| Margin (Pilbara FOB) | 72% | + 4pp | |
| Operating cash flow | 11.4 | + 37% | |
| Sustaining capex | 1.2 | + 24% | ~1.0-1.5 |
| Replacement and growth capex | 0.6 | + 57% | |
| ROCE | 67% | + 25pp | |

Strong financial results

Robust second half performance demonstrates operational recovery

Record total material movement

Investment of $4.2 billion (our share) in Koodaideri Phase 1, Robe JV and WTS phase 2 replacement projects

2019 operating costs include:

- Lower shipments impact of $0.5 / t
- Additional waste movement ~$0.2 / t

12% increase in mine work index, extra approval and evaluation costs against efficiency gains in 2020

* Per dry metric tonne, FOB basis | ** Unit costs are based on operating costs included in EBITDA and exclude royalties (state and third party), sea freight, sustaining capital, tax and interest. A$:US$ assumption of 0.67 for 2020 guidance | Numbers reflect Pilbara operations and Dampier Salt

# Aluminium

## Focus on cash generation with price and cost impacting profitability

| Operating metrics | 2019 | 2018 comparison | 2020 guidance |
|---|---|---|---|
| Average aluminium price* | $2,132 / t | - 14% | |
| Average alumina price** | $331 / t | - 30% | |
| Production – bauxite | 55.1Mt | + 9% | 55-58Mt |
| Production – alumina | 7.7Mt | - 3% | 7.8-8.2Mt |
| Production – aluminium | 3.2Mt | - 2% | 3.1-3.3Mt |
| Canadian smelters – hot metal cash costs*** | $1,318 / t | - 14% | See p52 |
| **Financial metrics ($bn)** | | | |
| Revenue | 10.3 | - 15% | |
| EBITDA | 2.3 | - 26% | |
| Margin[1] | 26% | - 4pp | |
| Operating cash flow | 2.2 | - 6% | |
| Sustaining capex | 0.9 | + 16% | |
| Replacement and growth capex | 0.4 | - 53% | |
| ROCE | 4% | - 4pp | |

Lower prices impacted EBITDA by $1.3 billion

– Partly offset by $0.5 billion benefits mostly from increased bauxite volumes and lower costs

Free cash flow of $0.8 billion despite strong headwinds

Alumina production lower due to maintenance activities

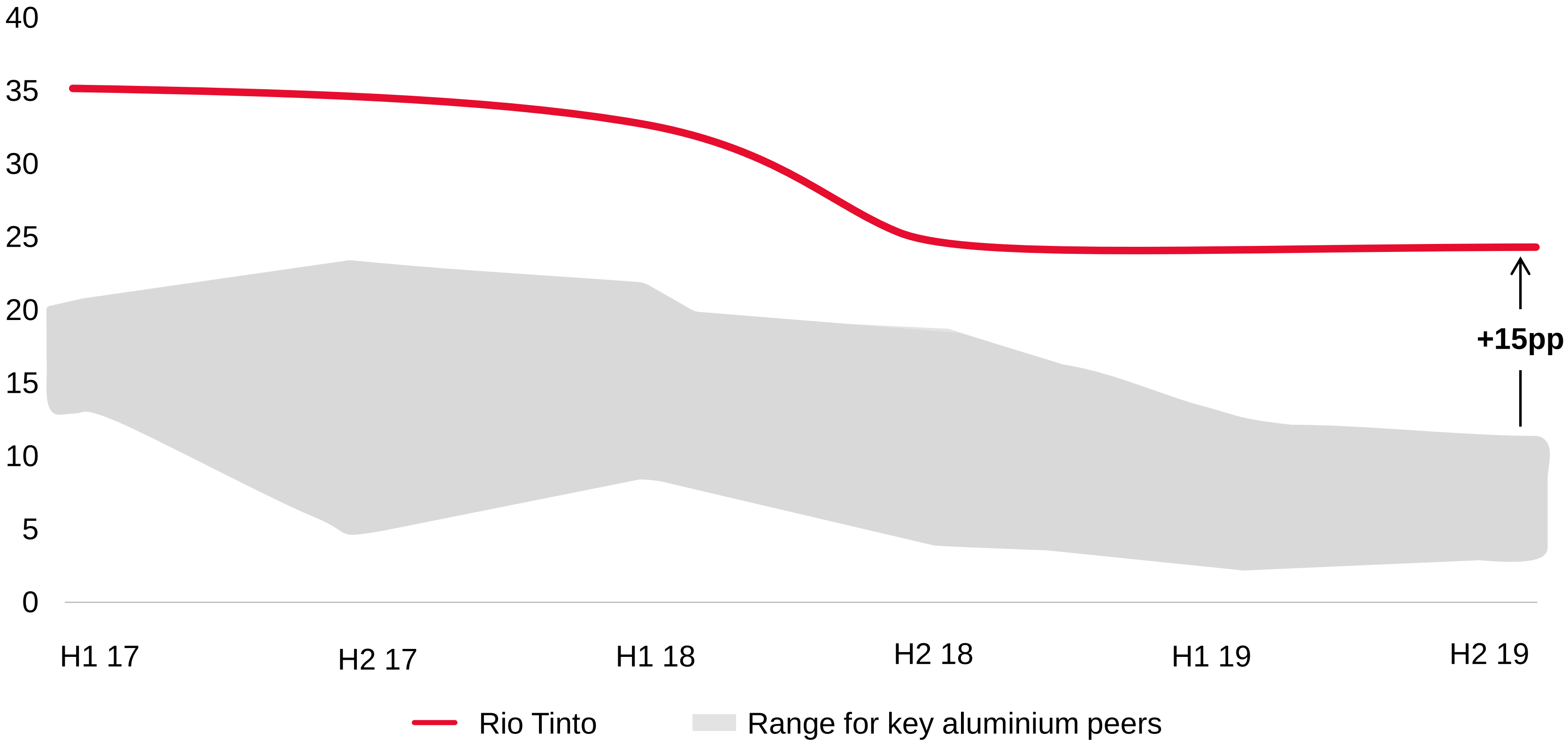
PacAl EBITDA negative in 2019

Strategic reviews of NZAS continuing and ISAL announced in February 2020

* Realised price, including VAP and midwest premium | ** Platts Alumina PAX FOB Australia
*** Operating costs defined as hot metal cash costs for the Canadian smelters (alumina at market price) | [1] Aluminium underlying EBITDA margin is defined as Underlying EBITDA from Integrated operations adjusted to include the impact of the alumina legacy contracts, divided by Integrated operations revenues, adjusted to include freight revenue.

# A strong global aluminium business

## Upstream EBITDA margins* (%)




Margin gap: portfolio quality and performance delivery

2019 EBITDA margin 26%

*Aluminium underlying EBITDA margin is defined as Underlying EBITDA from Integrated operations adjusted to include the impact of the alumina legacy contracts, divided by Integrated operations revenues, adjusted to include freight revenue. Key peers include Rusal, Norsk Hydro, Vedanta and Alcoa

# Copper & Diamonds…

## Good operating performance masked by lower price and one-off items

| Operating metrics | 2019 | 2018 comparison | 2020 guidance |
|---|---|---|---|
| Copper price (realised) | 275 c/lb | - 7% | |
| Production – mined copper | 577kt | - 5% | 530-570kt |
| Production – refined copper | 260kt | - 6% | 205-235kt |
| Production – diamonds | 17.0Mct | - 8% | 12-14Mct |
| Unit cost* | 93 c/lb | - 15% | 120-135c/lb |

| Financial metrics ($bn) | | |
|---|---|---|
| Revenue | 5.8 | - 10% |
| EBITDA | 2.1 | - 17%[1] |
| Margin (product group operations) | 41% | - 6pp |
| Operating cash flow | 1.5 | - 29% |
| Sustaining capex | 0.4 | + 15% |
| Replacement and growth capex | 1.4 | - 7% |
| ROCE | 5% | - 4pp |

EBITDA and margin impacted by price and several factors:

– $0.2 billion charge at Escondida related to cancellation of coal power contracts

2020 is a transition year at Kennecott and OT. Operating costs affected by lower grades. A return to higher grades planned for 2021

OT underground project mine design continues

$0.3 billion (100%) additional funding approved to progress Resolution

Winu exploration project advancing rapidly

* Unit costs for Kennecott, Oyu Tolgoi and Escondida utilise the C1 unit cost calculation where Rio Tinto has chosen Adjusted Operating Costs as the appropriate cost definition. C1 costs are direct costs incurred in mining and processing, plus site G&A, freight and realisation and selling costs. Any by-product revenue is credited against costs at this stage
[1] Excludes profit contribution of $0.3 billion from Grasberg in 2018

# Energy & Minerals

## Recovery from 2018 disruptions and solid pricing

| **Operating metrics** | **2019** | **2018 comparison** | **2020 guidance** |
|---|---|---|---|
| IOC pellets price | $137 / t | + 20% | |
| $TiO_2$ slag price** | $776 / t | + 14% | |
| Production – IOC | 10.5Mt | + 18% | 10.5-12.0Mt |
| Production – $TiO_2$ | 1.2Mt | + 8% | 1.2-1.4Mt |
| Production – Borates | 0.5Mt | + 2% | 0.5Mt |

| **Financial metrics ($bn)**[1] | | | |
|---|---|---|---|
| Revenue | 5.2 | + 15% | |
| EBITDA | 1.8 | + 41% | |
| Margin (product group operations) | 37% | + 7pp | |
| Operating cash flow | 1.4 | + 58% | |
| Sustaining capex | 0.4 | + 21% | |
| Replacement and growth capex | 0.2 | + 96% | |
| ROCE | 15% | + 7pp | |

Strong pricing and operational recovery driving 41% increase in EBITDA excluding coal assets divested in 2018

Higher $TiO_2$ production

- All 9 furnaces in operation at RTFT
- 1 furnace under rebuild at RBM

IOC benefiting from strong demand for premium products

- EBITDA margin of 47%
- Production fully recovered from 2018 strike, but impacted by weather in Q1 2019 and flooding incident in June

Zulti South project, construction on hold following security incidents

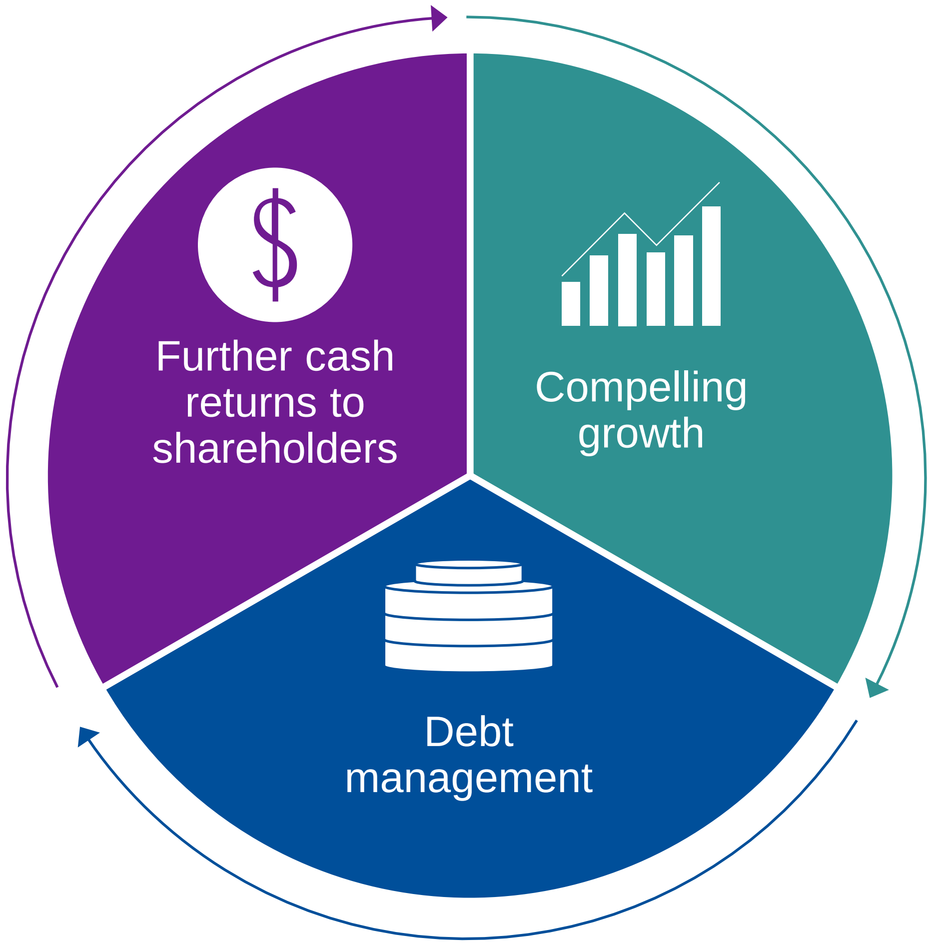
[1] 2018 financial metrics exclude coal operations which were disposed in 2018 | To reflect a change in management responsibility, Dampier Salt is now reported within Iron Ore. Prior year numbers have been restated accordingly. Iron Ore Company of Canada and the Simandou iron ore project in Guinea continue to be reported within Energy & Minerals. | **TZMI chloride slag assessment (November 2019), excludes UGS

# Disciplined allocation of capital

**1** | **Essential sustaining capex**

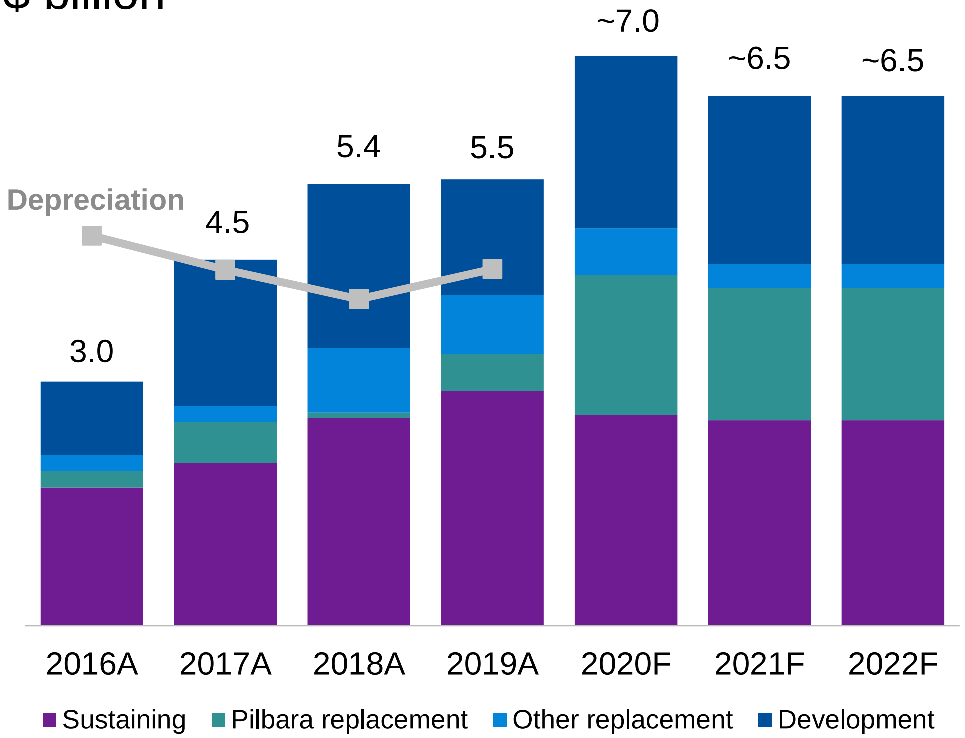
**2** | **Ordinary dividends**

**3** | **Iterative cycle of** ❯



# Controlled ramp-up of investments

**Capital expenditure profile**
$ billion




2019 capex of $5.5 billion

- Sustaining capex of $2.9 billion
- Development and replacement capex of $2.6 billion

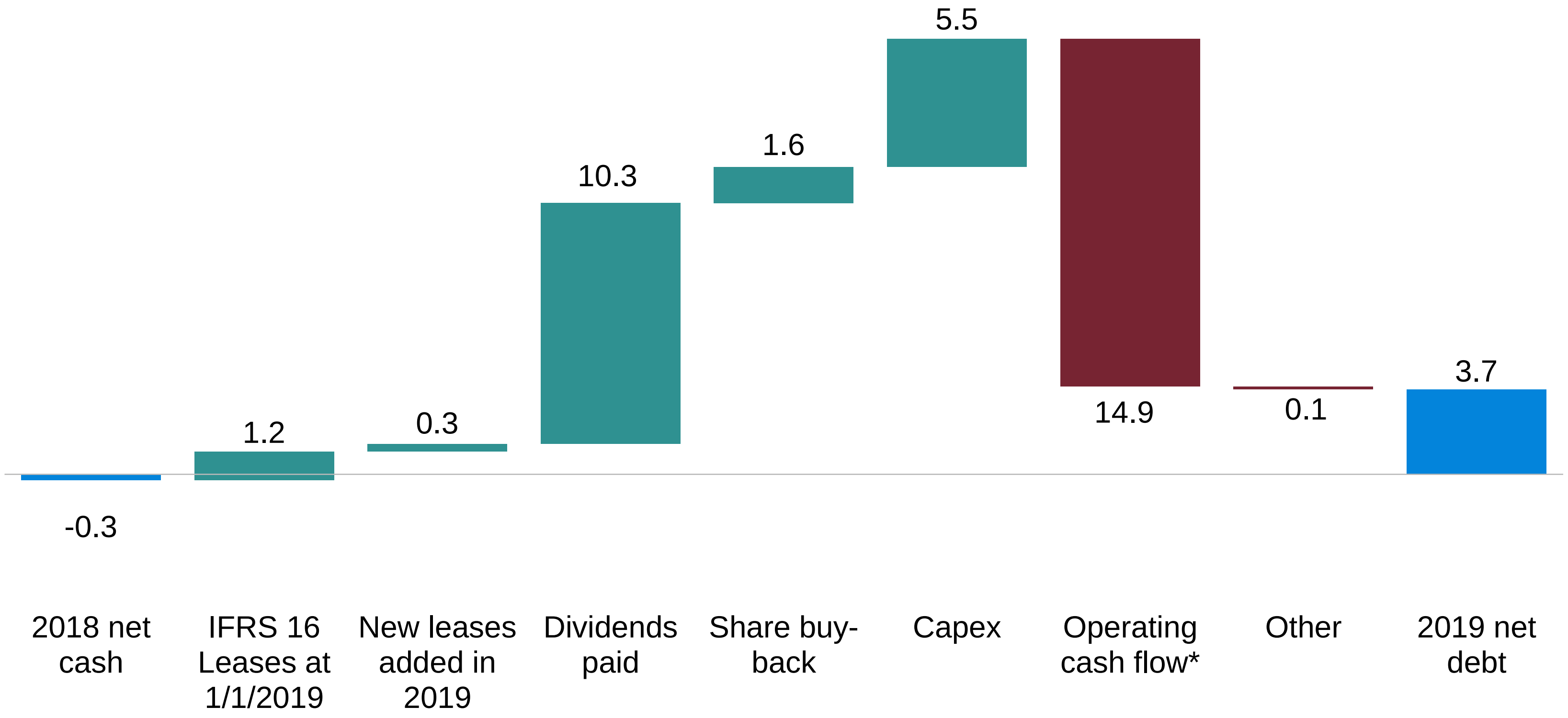
$1 billion climate-related spend over five years. Capital portion already in guidance

Sustaining capex of ~$2.5 billion per year, of which Pilbara Iron Ore is $1.0-1.5 billion per year

Pilbara replacement includes Koodaideri, Robe River and Western Turner Syncline phase 2 mine developments from 2019

# Our strong balance sheet…

**Net debt**
$ billion




Operating cash flow of $14.9 billion after payment of $0.9 billion of capital gains tax on coking coal disposals completed in 2018

Total cash returns to shareholders $11.9 billion in 2019

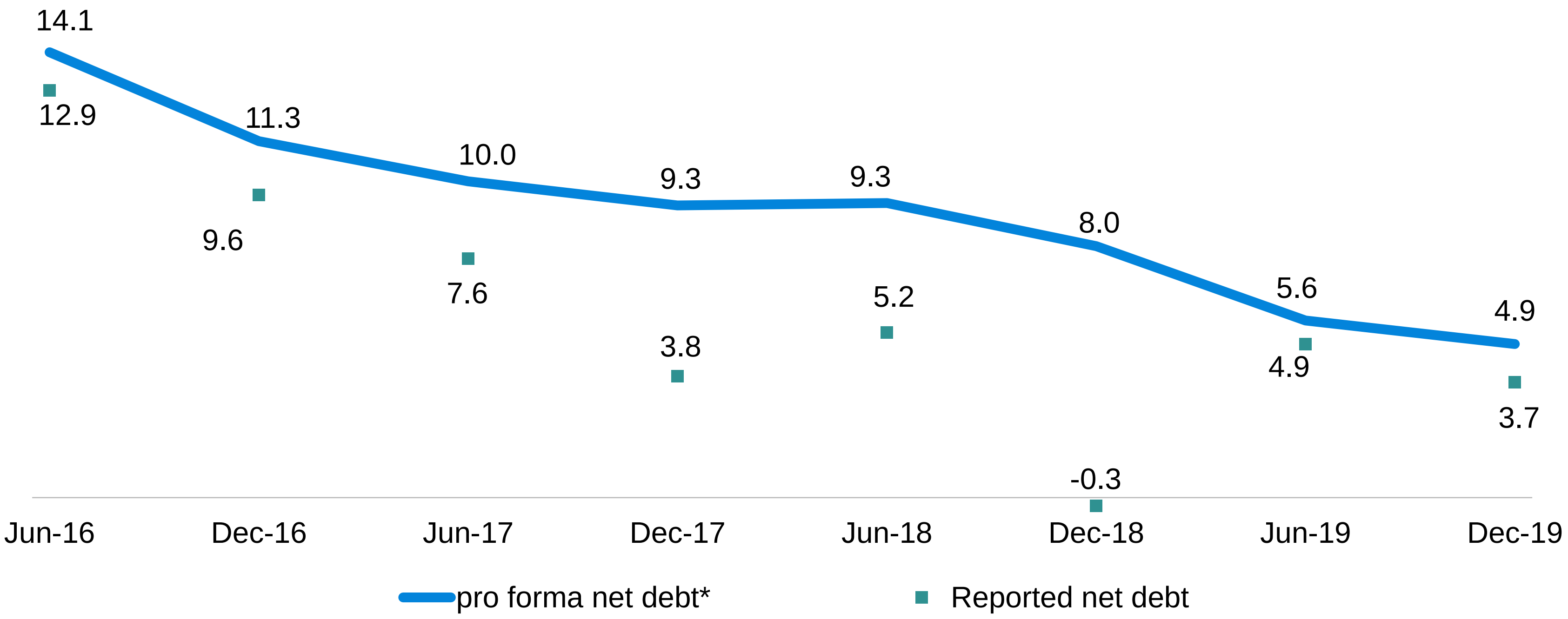
Non-cash increase of $1.2 billion from implementation of IFRS16 Leases from 1 January 2019

$0.3 billion of new operating leases added in 2019

*includes taxes paid of $0.9 billion relating to the 2018 coking coal disposals
Numbers have been rounded to the nearest $0.1 billion.

# …is an asset

## Net debt
$ billion




Balance sheet strength is an asset. Offers resilience and creates optionality.

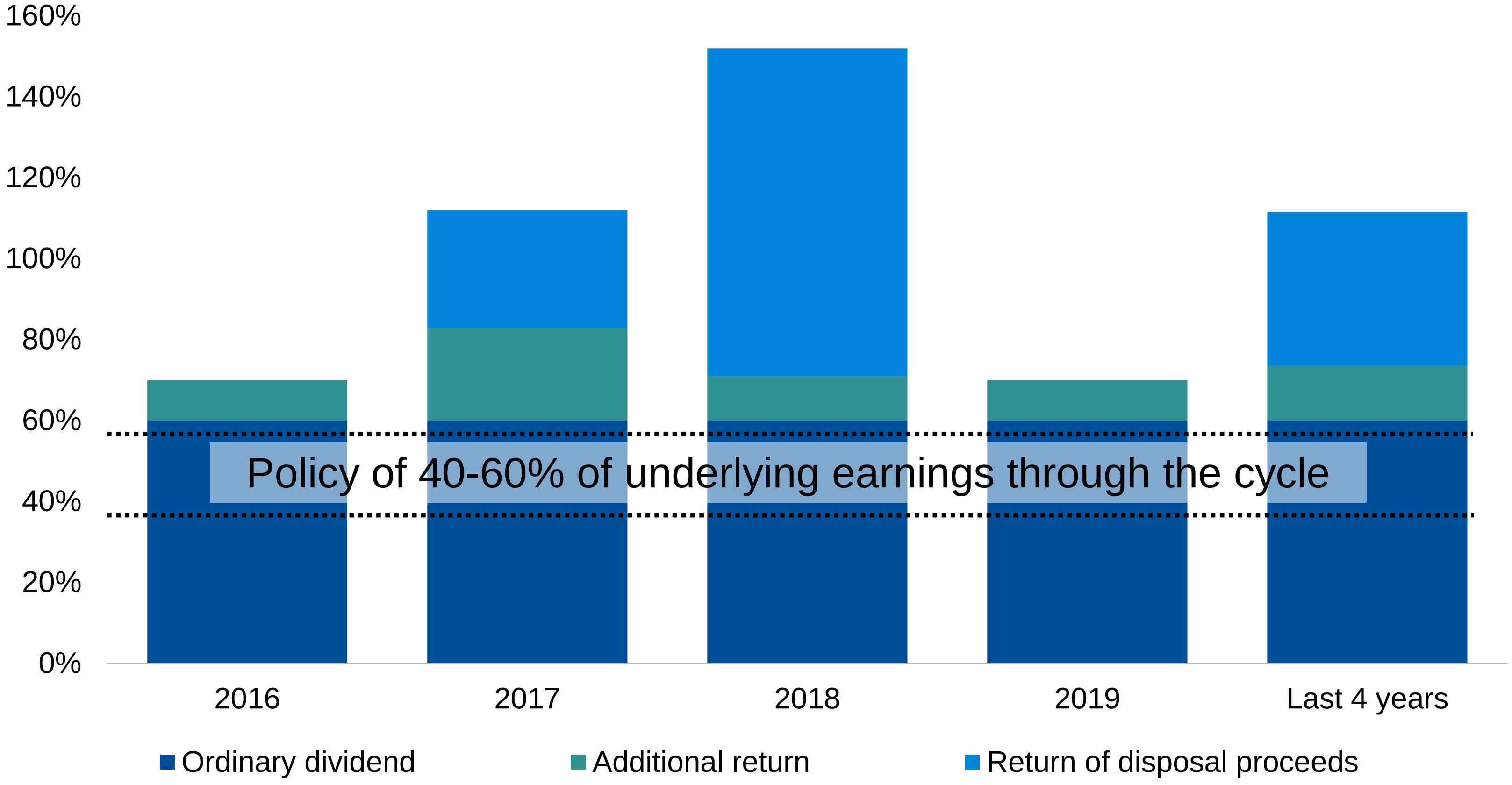
Gearing 7% and net debt to LTM^ EBITDA of 0.17x

$0.2 billion of share buy-backs to be completed by end of February 2020

* Pro-forma net debt adjusts for the remainder of previously announced buy-backs from operations, lags in shareholder returns from disposal proceeds, Australian tax lag and disposal-related tax lag and the impact of IFRS 16 Leases accounting change for the prior periods. This lease accounting change is reflected in the June and December 2019 reported net debt ^LTM = Last Twelve Months

# Shareholder returns based on a well defined pay-out policy

## Our pay-out ratio has consistently exceeded the policy




Final ordinary dividend for 2019 of $3.7 billion or 231 US cents per share to be paid in April 2020

Total declared dividend for 2019 of $7.2 billion or 443 US cents per share

70% payout ratio for full year 2019

# Our investment case

| Our Assets | Our Approach | Our Performance | |
|---|---|---|---|
| | | **2019** | **ROCE[2]** |
| Long life | Sustainability (ESG) | | |
| Competitive | Operational Excellence | $10.4 billion earnings[1] | 24% |
| Expandable | Value over volume | $10.0 billion free cash flow[3] | 23% |
| Sustainable | Capital discipline | $11.9 billion dividends and share buy-backs[4] | 27% |
| Strong balance sheet | Counter-cyclical | | |

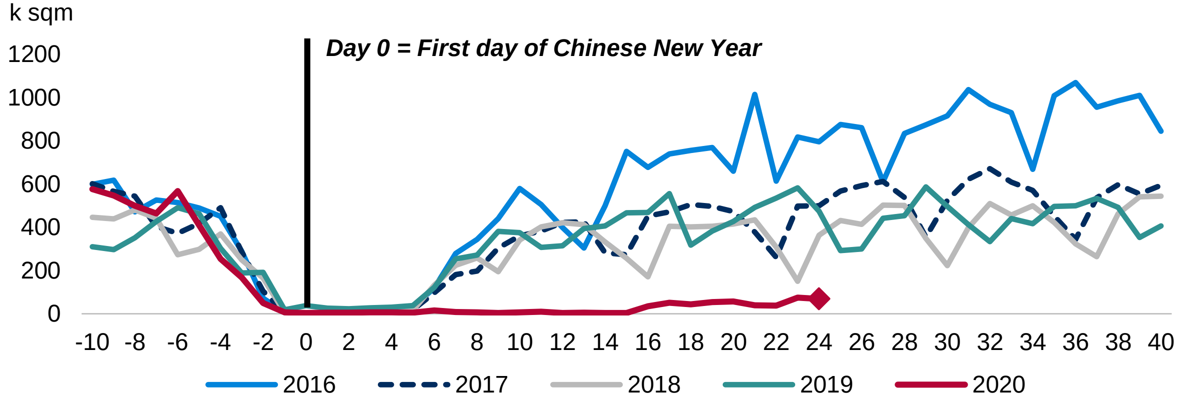
## Unique strength and resilience

[1] underlying earnings. [2] Return on capital employed (ROCE) is defined as underlying earnings (before net interest) / free cash flow / cash returns divided by average capital employed (operating assets before net debt). [3] Excludes capital gains tax paid on divestments of $0.9 billion. [4] Cash returns (dividends and share buy-backs) are stated on a cash flow basis.

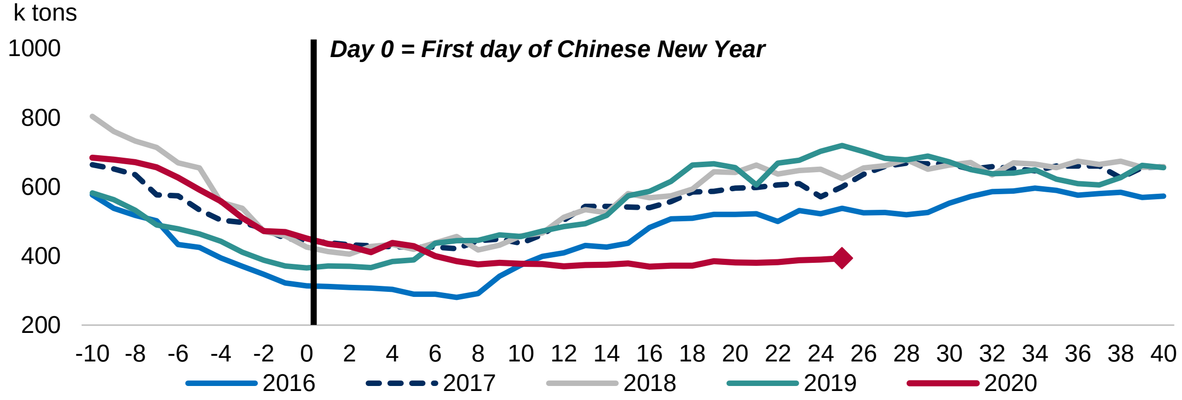

Rio Tinto
J-S Jacques
Chief Executive

# Rio Tinto is well positioned to deal with short-term volatility …

## China daily property sales




## China daily coal consumption of major electricity producers




Source: Rio Tinto, Mysteel, CEIC, Wind, Gaode

## Global economic growth

- Signs of stabilisation and some demand recovery in late 2019
- Supportive policy and restocking

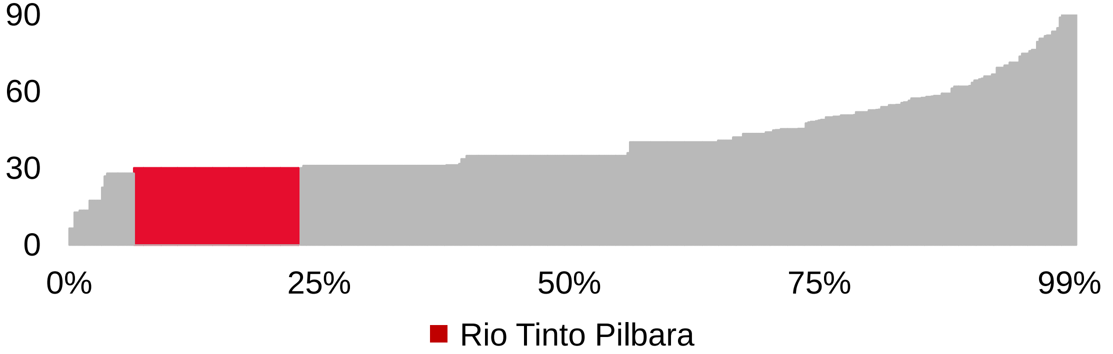
## Covid-19 virus

- Potential Q1 impact. Recovery dependent on rate of normalisation of logistics & transport plus size and type of stimulus.
- Stimulus being deployed to drive recovery
  - Front-loaded local government special purpose bonds, majority of which for infrastructure projects
  - Interest rate cuts, accelerated lending to SMEs, extended repayments for property developers and other industry
- Commodity intensity of China's GDP growth could rise from Q2 as stimulus may be relatively commodity intensive

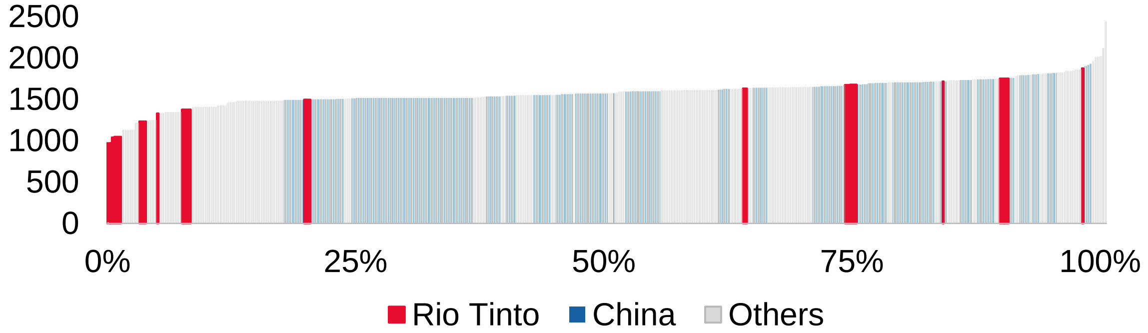
# …with low-cost assets and strong balance sheet

## Low-cost assets

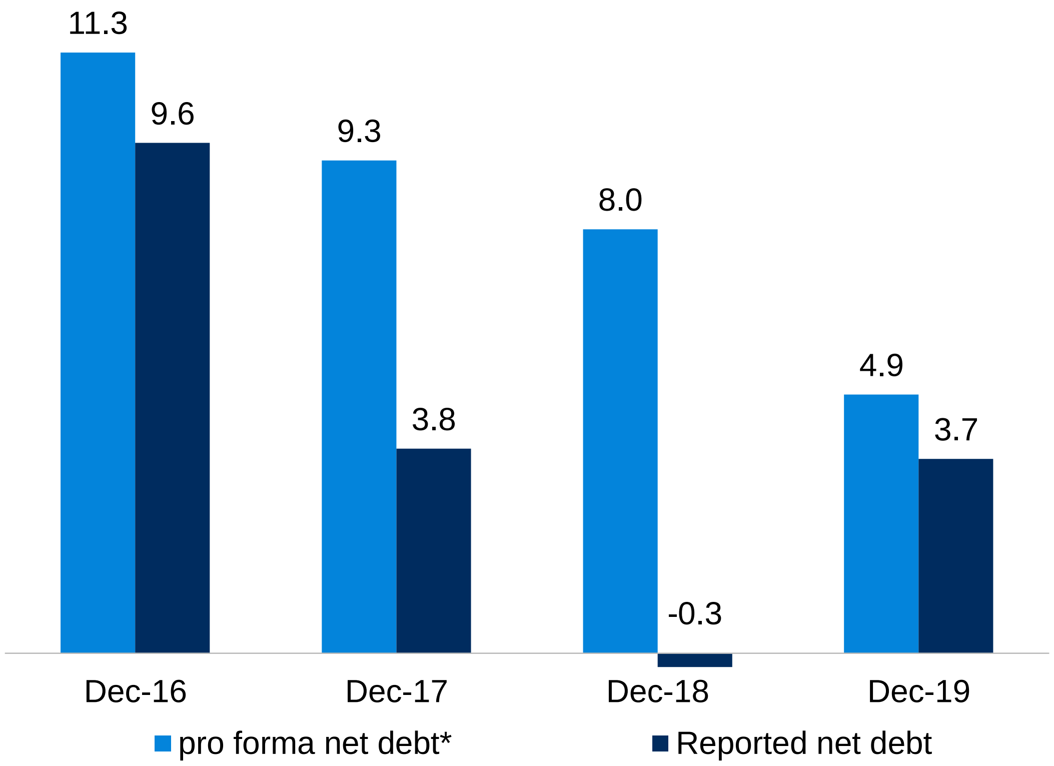
**2020 iron ore cost curve (**2020 CFR VIU adjusted costs**)****




**2020 aluminium cost curve (**2020 real $/t**)**




## Strong balance sheet ($ billion)




Pro forma net debt adjusts for the remainder of previously announced buy-backs from operations, lags in shareholder returns from disposal proceeds, Australian tax lag and disposal-related tax lag, and the impact of IFRS lease accounting change for the prior periods. The lease accounting change is reflected in December 2019 reported net debt

** Cost curve includes recent supply disruption in February 2020

Source: CRU, Rio Tinto

# Pressures are growing in a ‘New Era’ of complexity


**Growing geopolitical tensions**


**Higher societal expectations**

**Technological disruptions**

RioTinto

# Transforming for tomorrow

**Building our portfolio of the future**

Exploration
Organic growth
M&A watching brief
New commodities

**Enhancing the efficiency and sustainability of our operations**

Safety
Mine tailings
Innovation for productivity
Technology breakthrough

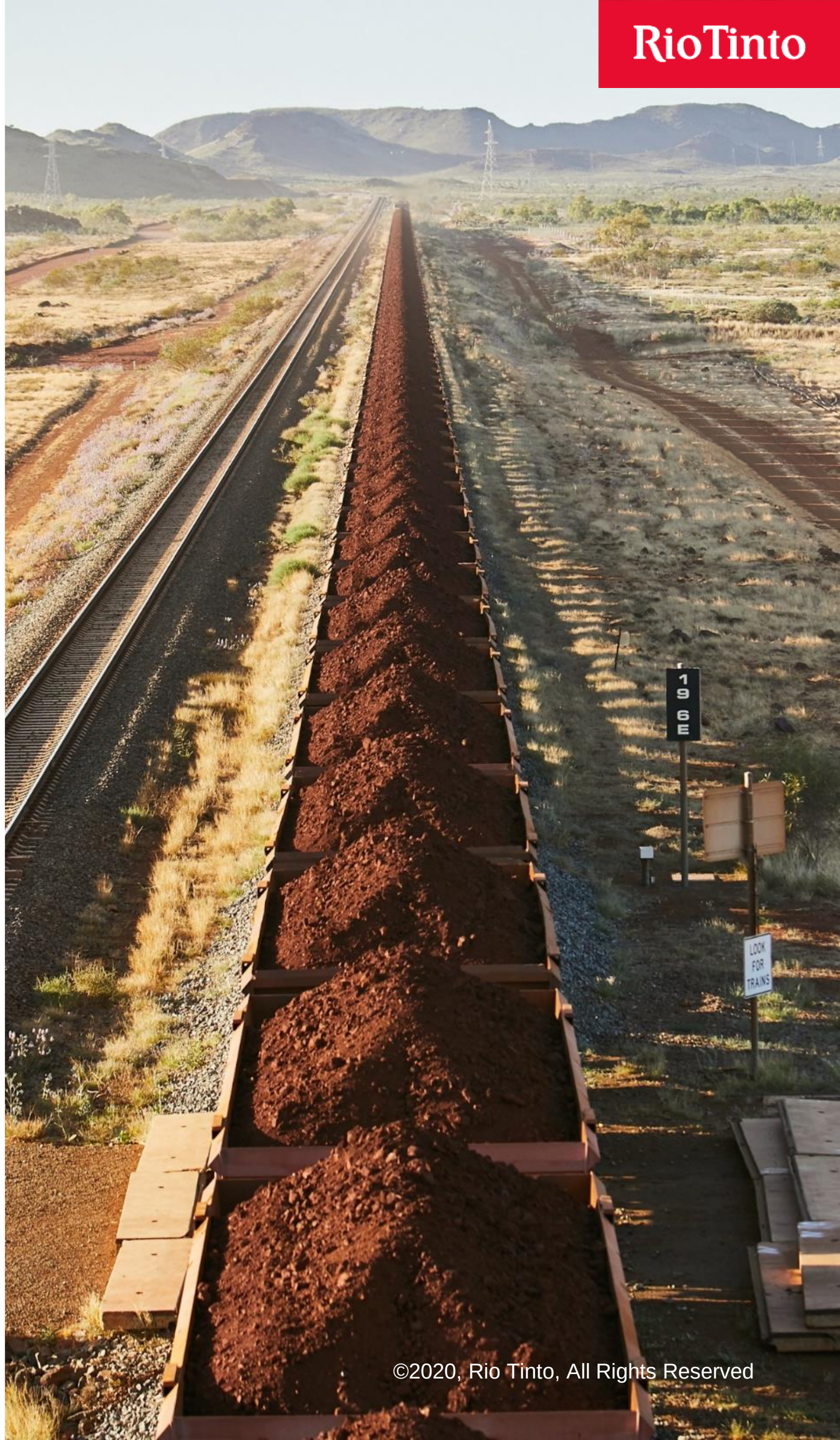
**Enhancing our value chain and partnership approach**

Product innovation
Value chain partnerships
Marketing solutions
Climate change focus & investment

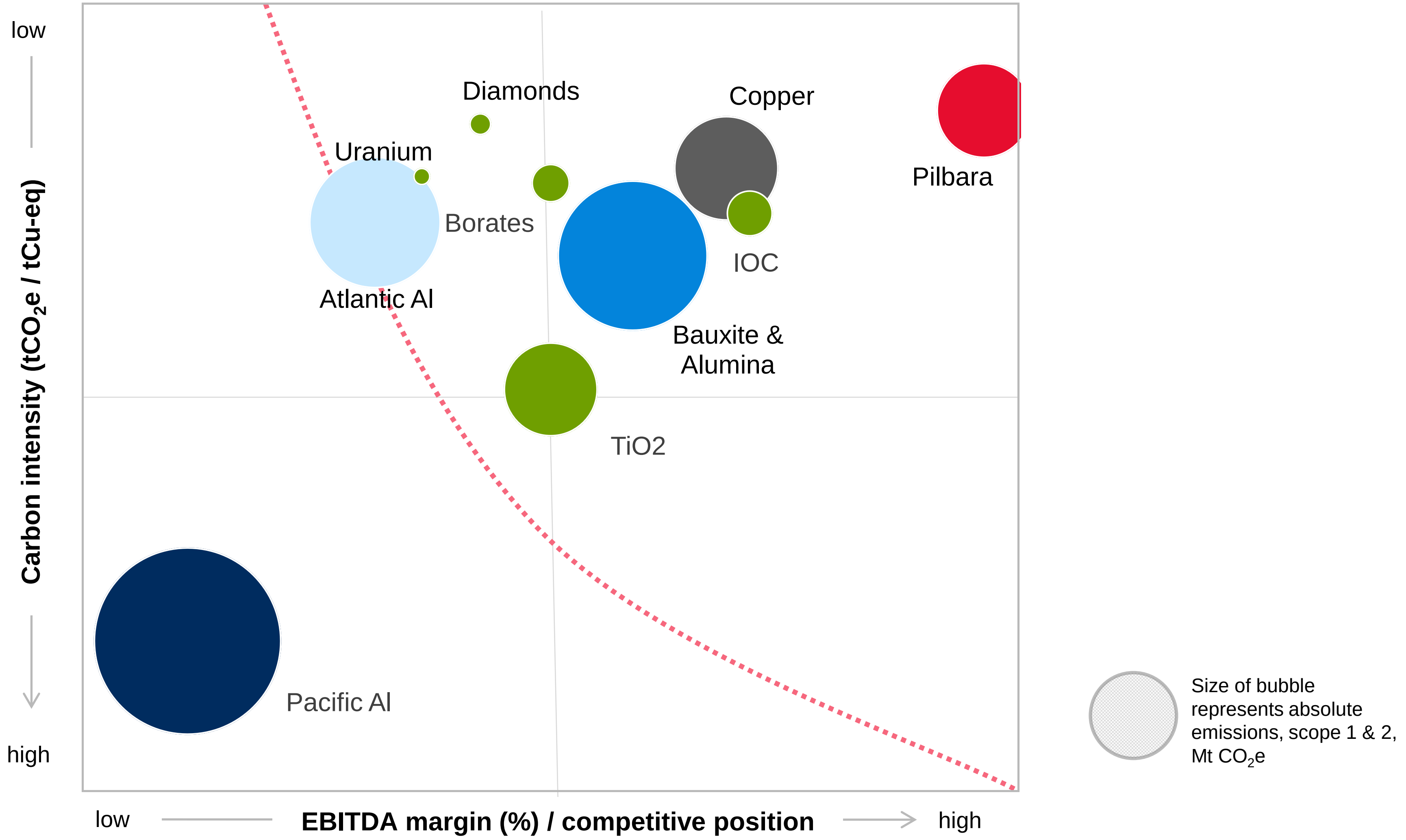
**Strong sustainable free cash flow per share**

**Shareholder returns**

**Contribution to human progress**

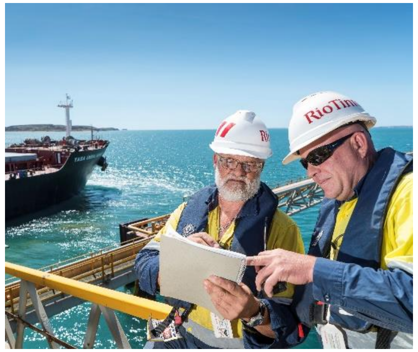


# Climate change portfolio matrix; 32Mt $CO_2e$ in 2018[1]




[1] our equity share of scope 1 and 2 GHG emissions from managed and non-managed operations

# Our assets mirror global demand themes



**Iron Ore**
**World leader**

**Copper**
**Well-timed growth**

**Aluminium**
**World leader**

**Minerals & Ventures**
**Products for the future**

**Exploration**
**World leading**

| Urbanisation | Electrification | Transition to the low-carbon economy |
|---|---|---|

# Growth is all about value: invest in assets and create options through exploration

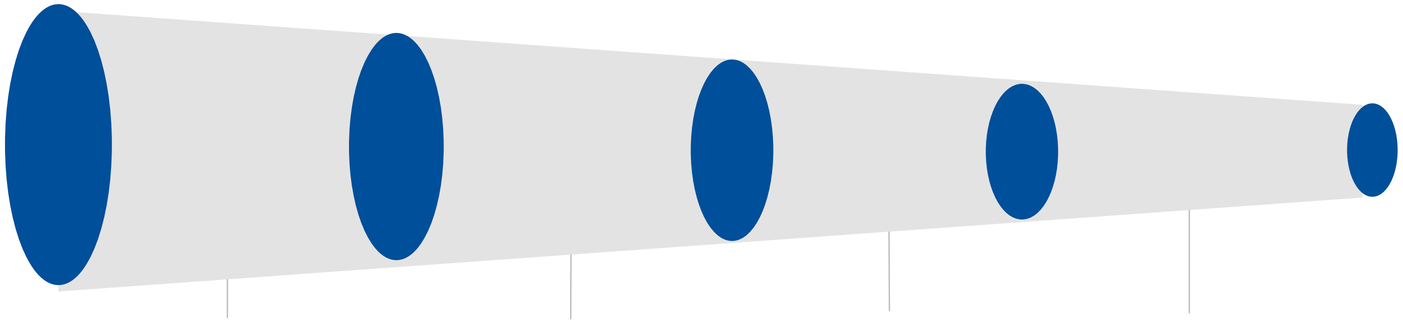
**$2.6 billion**
Development capital invested

**$0.6 billion**
Spent on exploration and evaluation

**>200**
Opportunities reviewed by Ventures team[1]

**Quality growth** → **Margins** → **Returns**

**Focus on most promising exploration opportunities**




[1]Reviews of assets and companies performed by the Ventures team since Q1 2017

RioTinto

# We are accelerating Winu

Extensive drilling & geophysical programmes completed. Drilled 16 km in 2018 and 124 km in 2019.

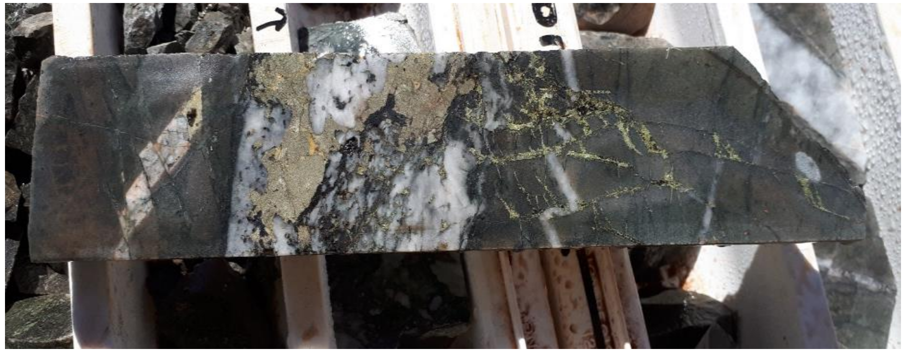
Initial environmental and sub fauna base line studies completed. Other studies well advanced including: geotechnical, hydrology, mining, processing, basic engineering design.

Stage-gate project, proposal to start small but with embedded optionality for growth.

Potential future mine would be safe, agile and fit-for-purpose.

Yielding quicker cash flows to shareholders, communities and government.

Subject to regulatory approvals, Traditional Owner, and other consents, first production is targeted in 2023.



# We need an honest debate amongst stakeholders



**Climate change & partnership**


# Our climate change strategy is in four areas – track record of performance against each

## 01
### Producing the materials for a low carbon future

- Copper used in electrification
- Aluminium used in cars
- No fossil fuel extraction

## 02
### Reducing the carbon footprint of our operations

- 29% of GHG emissions intensity reductions[1]
- 46% of GHG emissions absolute reductions[2]

## 03
### Partnering to reduce the carbon footprint across our value chain

- Baowu/Tsinghua University value chain partnership
- Apple and Alcoa zero carbon aluminium smelting

## 04
### Enhancing our resilience to physical climate risks

- Detailed risk analysis by assets across the portfolio to manage climate risks, e.g. extreme weather events in the Pilbara

[1] From managed operations since 2008, [2]from managed operations since 2008, 18% reduction excluding divestments [3] Targets are for scope 1 and 2 GHG emissions, for managed and non-managed operations on an equity basis

# Our climate change strategy update

We do not mine coal or extract oil and gas

**Our targets**[1]

30% reduction in emissions intensity by 2030 from 2018 levels

15% reduction in absolute emissions by 2030 from 2018 levels

Our growth, overall, between now and 2030 will be carbon neutral

**Underpinned by**

Approximately $1 billion climate-related spend over next 5 years

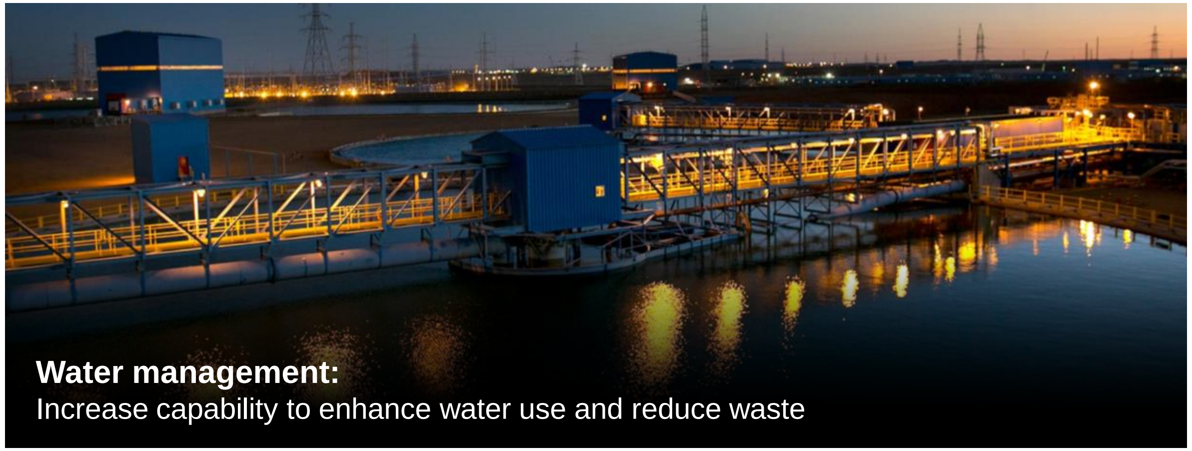
**Ultimately**

Our ambition is for net zero emissions from our operations by 2050

[1] Targets are for scope 1 and 2 GHG emissions, for managed and non-managed operations on an equity basis

# Using technology to tackle critical climate challenges - $1 billion over five years

**Tailings:**
Work with industry to research and develop new tailings solutions



**Water management:**
Increase capability to enhance water use and reduce waste

**Solar:**
Deploy existing renewable energy technologies

**Wind**:
Deploy existing renewable energy technologies


**Hybrid & electric equipment:**
Deploy OEM[1] developed equipment to reduce scope 1


**ELYSIS™**
Technology breakthrough to produce GHG free aluminium

[1] OEM – original equipment manufacturer

# $36bn cash returns since 2016 including $3.9bn in H1 2020

**43%**
average EBITDA margin[1]

**18%**
average ROCE[1]

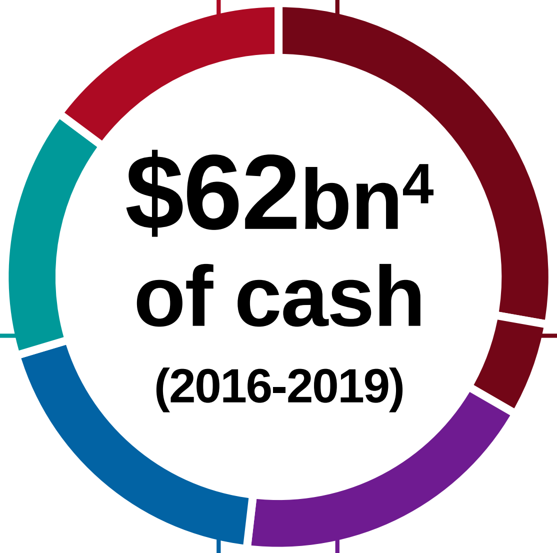
**$50bn[4]**
operating cash flows

**+ $12bn**
divestments

**$9bn**
Sustaining capex

**$9bn**
Development capex

**$12bn[5]**
Reduction in net debt




**$19bn**
Ordinary and special dividends paid

\+ **$3.7bn**
2019 final dividend to be paid in 2020

**$4bn**
Buy-backs

**28%**
TSR[3]

**$9bn**
Buy-backs and special dividends from disposals

\+ **$0.2bn[2]**
Buy-backs

[1] Average EBITDA margin and average ROCE from 2016- 2019. Return on Capital Employed (ROCE) is defined as underlying earnings before net interest divided by average capital employed (operating assets before net debt).
[2] $0.2 billion of on-market share buy-backs in Rio Tinto plc to be completed by 28 February 2020.
[3] Total Shareholder Return (TSR) is the CAGR from 1 January 2016 to December 2019.
[4] Excludes $0.9 billion payment of capital gains tax on disposal of coking coal assets in 2018.
[5] $11.5 billion reduction in net debt is the cash movement and is offset by a $1.3 billion increase in non-cash movements. This results in a $9.9 billion reduction in net debt from $13.8 billion at the end of 2015 to $3.7 billion at the end of 2019.

Numbers have been rounded to the nearest $ billion.

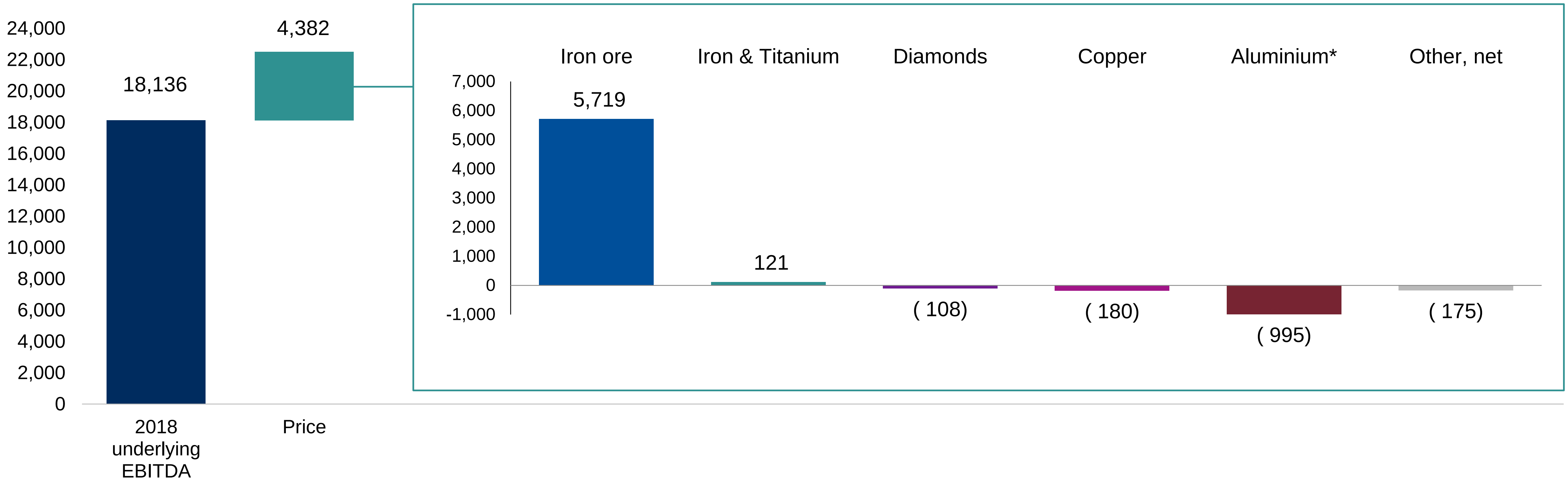

# Appendices

26 February 2020

London

# Higher iron ore prices partly offset by lower copper and aluminium prices

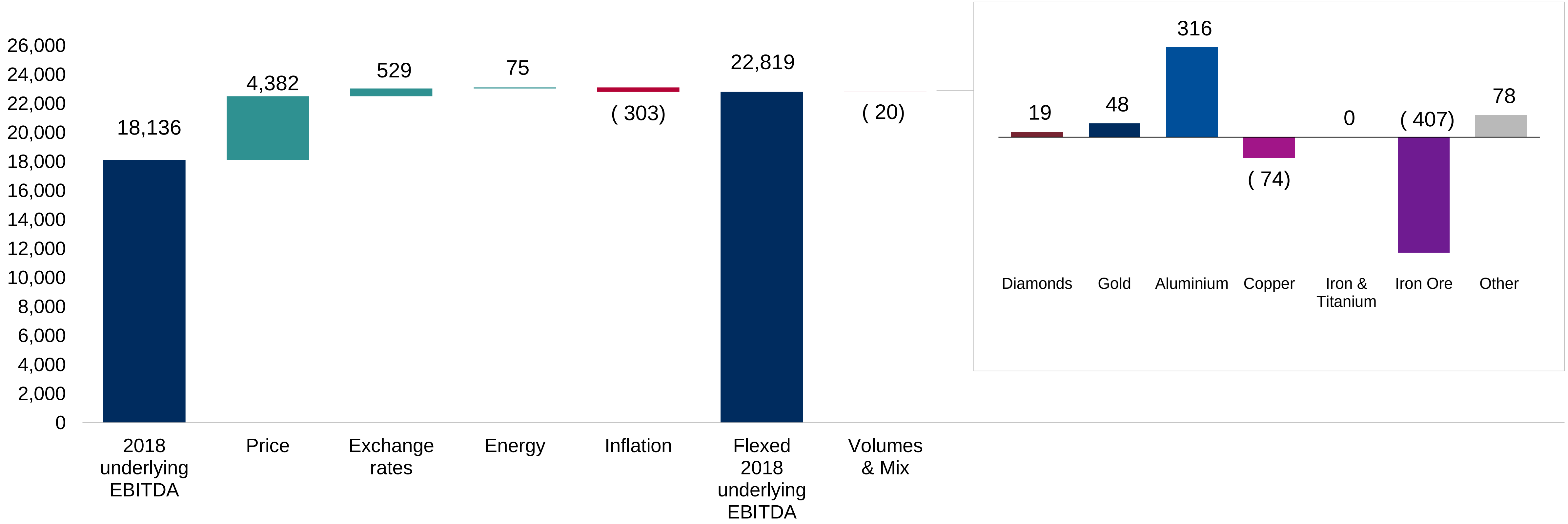
**Underlying EBITDA 2019 vs 2018**
$ million




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

# Lower iron ore sales mostly offset by improvement in third party bauxite sales

**Underlying EBITDA 2019 vs 2018**
$ million



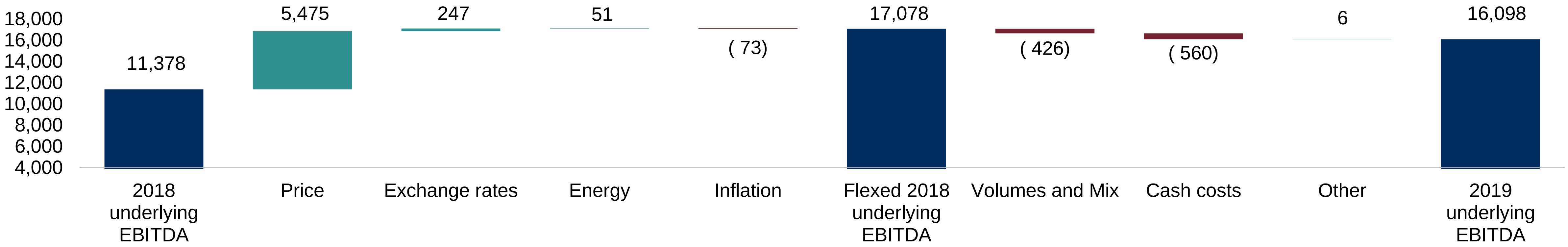

Aluminium includes alumina and bauxite. Aluminium variance excludes profit impact of volumes lost related to Kitimat pot relining and ISAL preventative pot-line shutdown.

# Iron Ore

## Higher prices partly offset by disruptions

### Underlying EBITDA 2019 vs 2018

$ million

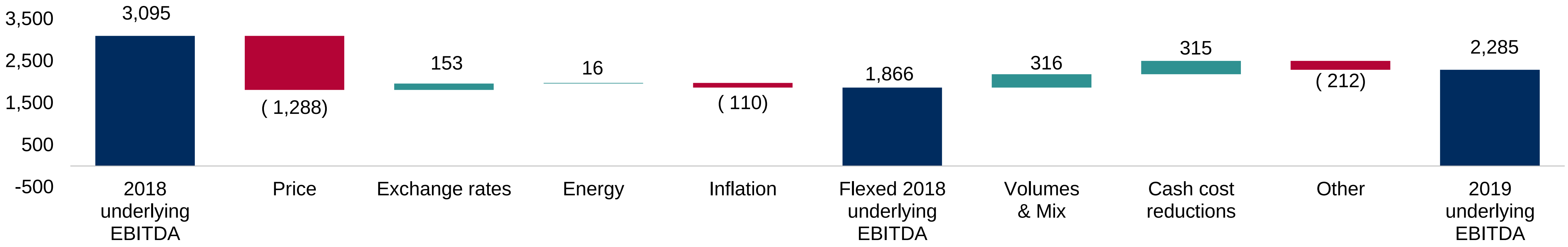



- Pilbara operations sold 326.0 million tonnes -100% basis (shipments 327.4mt and production 326.7mt), 4% lower than 2018, having recovered strongly in the second half of 2019 after disruptions earlier in the year, which included weather events, a screen house fire at one of our ports and mine operational challenges
- Our Pilbara operations delivered an underlying Free On Board (FOB) EBITDA margin of 72%, compared with 68% in 2018
- 2019 Pilbara unit cash costs were $14.4 per tonne (2018: $13.3 per tonne). The fire and weather-related events reduced first half shipments by 14 million tonnes (100% basis), increasing unit costs by around $0.5 per tonne. We also incurred approximately $50 million in additional costs in 2019 ($0.2 per tonne) to address the mine operational challenges
- Gross sales revenue for our Pilbara operations included freight revenue of $1.7 billion (2018: $1.7 billion)
- We priced approximately 76% of our sales with reference to the current month average index; 16% with reference to the prior quarter's average index lagged by one month, with the remainder sold either on current quarter average, current month average or on the spot market
- Approximately 32% of our sales were made on an FOB basis with the remainder sold including freight

# Aluminium

## Lower prices partly offset by improved costs and higher bauxite volumes

**Underlying EBITDA 2019 vs 2018**
$ million



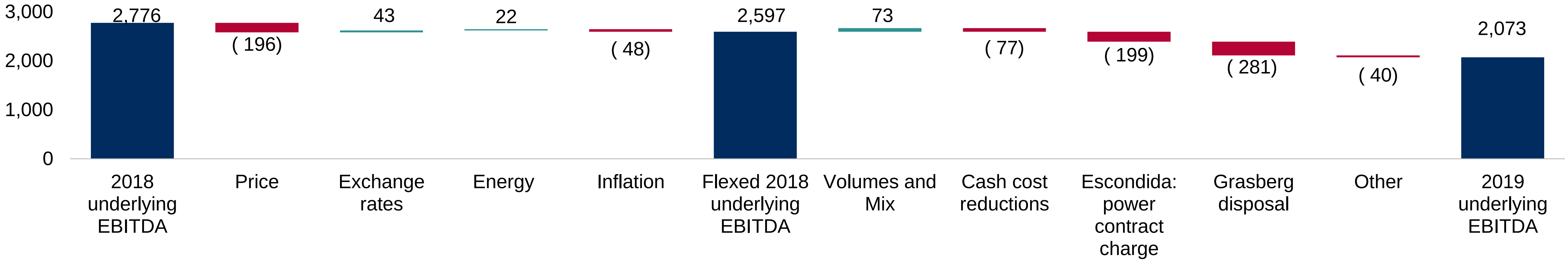

- Underlying EBITDA of $2.3 billion declined by 26% compared with 2018, primarily driven by the weaker pricing environment. This reduced underlying EBITDA by $1.3 billion, including the impact of alumina legacy contracts. This was partly offset by $0.5 billion of higher bauxite volumes and cost gains from productivity improvements and lower input prices, which flowed through to lower operating costs
- Despite the pressures, we maintained our position as a leading business in the sector, with an EBITDA margin of 26%
- The average realised price per tonne averaged $2,132 in 2019 (2018: $2,470)
- The cash LME price averaged $1,791 per tonne, 15% lower than 2018, and the mid-West premium dropped 24% to $320 per tonne
- VAP represented 51% of the primary metal we sold (2018: 54%, excluding Dunkerque, sold in 2018) and generated attractive product premiums averaging $234 per tonne of VAP sold (2018: $227 per tonne)
- Although broadly balanced in alumina, approximately 2.2 million tonnes of our legacy alumina sales contracts are exposed to a fixed linkage to the LME price

# Copper & Diamonds

## Solid operational performance offset by lower prices

### Underlying EBITDA 2019 vs 2018

$ million



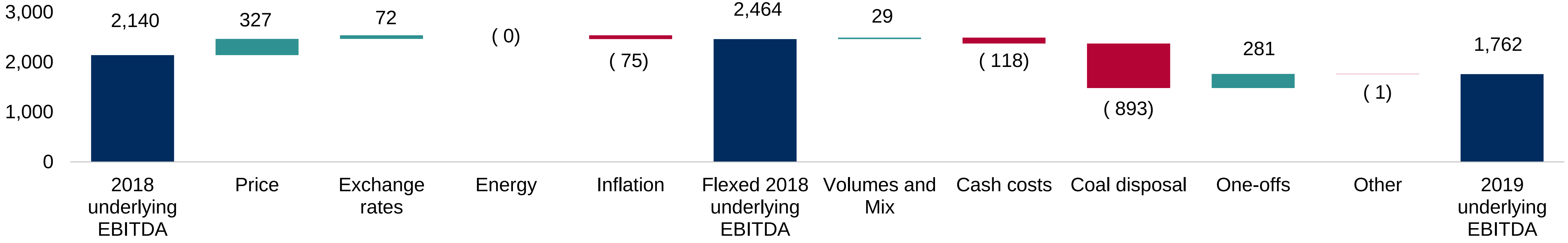

- At $2.1 billion, underlying EBITDA was $0.7 billion (25%) lower than 2018. This was the result of $0.2 billion in unfavourable pricing impacts, a $0.2 billion non-cash charge at Escondida in 2019 relating to the cancellation of existing coal power contracts to be replaced with lower cost renewable power, $0.1 billion from lower volumes at Escondida and the divestment of Grasberg, which contributed $0.3 billion to EBITDA in 2018
- We generated $1.5 billion in cash from our operating activities in 2019, 29% lower than 2018, driven by the 25% reduction in EBITDA described above, as well as $0.1 billion lower dividends from our 30% equity holding in Escondida
- Negative free cash flow of $(0.3) billion, reflected the lower operating cash flow and a sustained level of investment, at $1.8 billion, mainly relating to activities at the Oyu Tolgoi underground project
- Our average realised copper price decreased by 7% to 275 US cents per pound, which compared with an 8% decline in the LME price to 273 US cents per pound. This was partly compensated by a 10% rise in the average gold price to $1,393 per ounce. Together with weaker diamond pricing and provisional pricing movements, these lowered underlying EBITDA by $0.2 billion compared to 2018

# Energy & Minerals

## Strong operational recovery from 2018 disruptions

### Underlying EBITDA 2019 vs 2018

$ million




- Underlying EBITDA of $1.8 billion was 41% higher than 2018, excluding the coal assets we divested in 2018
- A higher price environment, in particular for iron ore pellets and concentrate and titanium dioxide feedstocks, added $0.3 billion to EBITDA compared to 2018
- Iron ore pellets and concentrate production at IOC was 18% higher than 2018, when operations were impacted by a two-month strike. We also saw an improvement in operational performance at our titanium dioxide operations, production was 8% higher than 2018, reflecting improved operational performance and the restart of furnaces
- We generated net cash from our operating activities of $1.4 billion and $0.8 billion of free cash flow, reflecting the stronger pricing environment and higher volumes. These were 11% and 3% higher than 2018, respectively, despite there being no contribution from the coking coal assets which we divested in 2018
- We completed the sale of our 68.62% stake in Rössing Uranium to China National Uranium Corporation Limited in July 2019

RioTinto

# Other movements in underlying EBITDA

## Underlying EBITDA impact

| $ million | 2018 | FX/ price | Energy & Inflation | Volumes | Cash costs | E&E | Non-cash | Interest, tax, other | 2019 |
|---|---|---|---|---|---|---|---|---|---|
| Other operations | (70) | 60 | (15) | (12) | (58) | - | 15 | 3 | (77) |
| Exploration & Evaluation (net) | (231) | 13 | 2 | - | - | (107) | - | 8 | (315) |
| Other | (952) | 5 | 2 | - | (25) | - | (12) | 353 | (629) |
| Total | (1,253) | 78 | (11) | (12) | (83) | (107) | 3 | 364 | (1,021) |

- Other operations includes the Gove alumina refinery (curtailed in May 2014), Rio Tinto Marine and Legacy projects
- Central exploration & evaluation costs higher due to increased activity levels, primarily in copper

- Other costs of $629 million (pre-tax) were 34% lower than 2018 primarily due to:
  - lower central pension costs, share-based payments and insurance costs which were a credit compared with a charge in 2018 due to higher captive insurance premiums held centrally and lower settlement claims in 2019.
  - lower central cash costs following the implementation of IFRS16 *Leases* in 2019
  - lower restructuring, project and one-off central costs were 33% lower than 2018, mainly due to the implementation of a new operating model in 2018 with the project concluding in 2019.

# Group level financial guidance

| | FY2020 | FY2021 | FY2022 |
|---|---|---|---|
| **CAPEX** | | | |
| Total Group | ~$7.0bn | ~$6.5bn | ~$6.5bn |
| Sustaining Capex Group | ~$2.5bn | ~$2.5bn | ~$2.5bn |
| Pilbara Sustaining Capex | $1.0-1.5bn | $1.0-$1.5bn | $1.0-$1.5bn |
| **Effective tax rate** | 30% | | |
| **Returns** | Total returns of 40 – 60% of underlying earnings through the cycle | | |

RioTinto

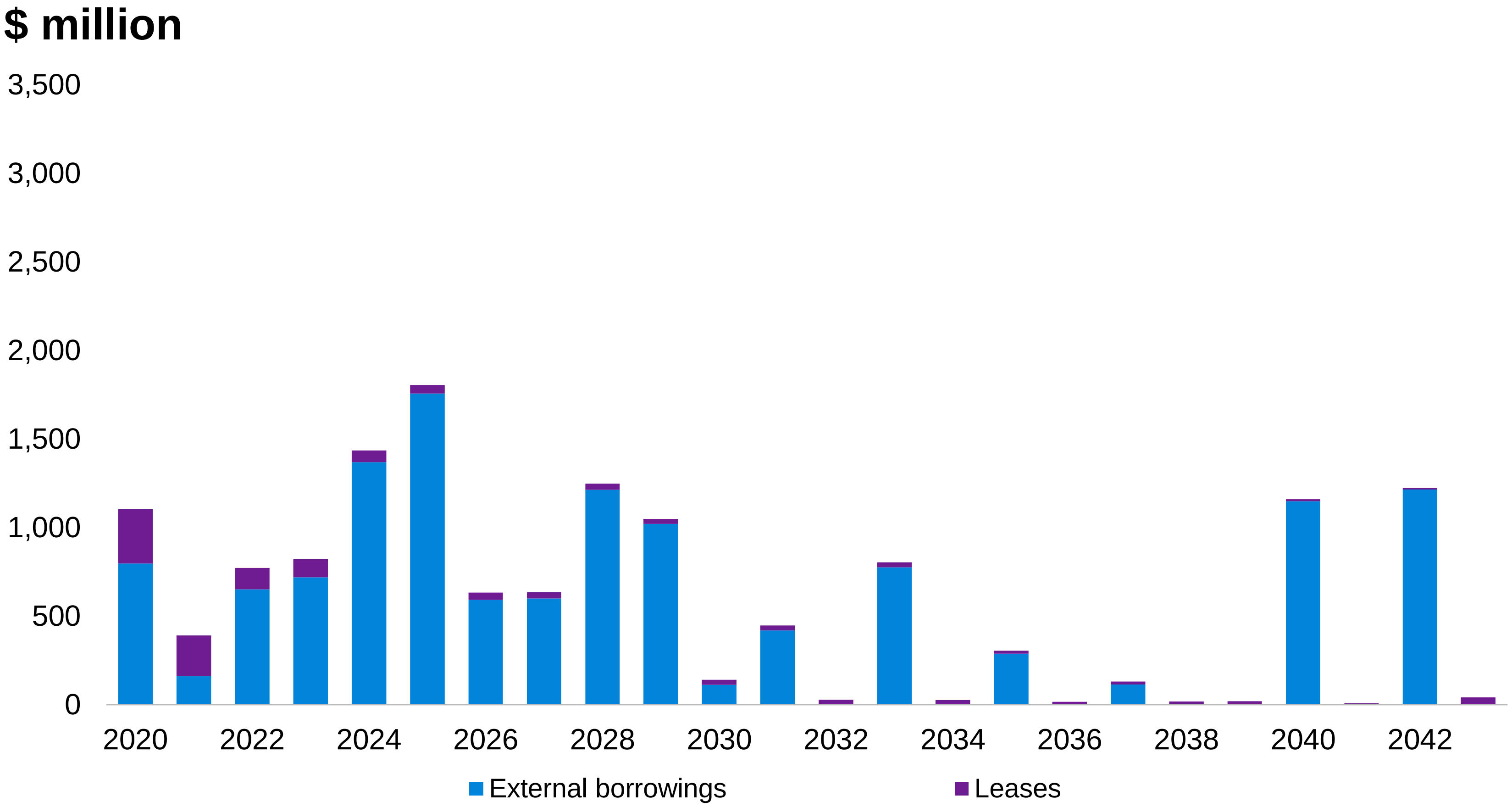
# Group level financial guidance

| | 2020 production guidance[1] | 2020 costs |
|---|---|---|
| **Iron Ore Shipments** | 324 – 334mt (100% basis) | $14-15/wmt (FOB) |
| **C&D** | | C1 unit costs 120-135 c/llb |
| *Mined Copper* | 530 – 570kt | |
| *Refined Copper* | 205 – 235kt | |
| *Diamonds* | 12 – 14m carats | |
| **Aluminium** | | Modelling guidance provided for Canadian smelters only (see slide 52) |
| *Bauxite* | 55 – 58mt | |
| *Alumina* | 7.8 – 8.2mt | |
| *Aluminium* | 3.1 – 3.3mt | |
| **Minerals** | | |
| *TiO2* | 1.2 – 1.4 mt | |
| *IOC* | 10.5 – 12.0 mt[2] | |
| *$B_2O_3$* | ~0.5mt | |

[1] Rio Tinto share unless otherwise stated. [2]Total production of pellets and concentrates – mix can flex depending on marketing demand.

# Debt maturity profile

## 31 December 2019 debt maturity profile*




Reported gross debt increased by $1.3 billion year on year to $14.3 billion at 31 Dec, mainly attributable to the implementation of IFRS 16 leases

Average outstanding debt maturity of corporate bonds at ~12 years (~ 10 years for Group debt)

$0.5bn corporate bond maturity in May 2020

*Numbers based on December 2019 accounting value. The debt maturity profile shows $1.3 billion of capitalised leases under IFRS 16.

# Pro-forma net debt reconciliation

| | 2018<br>$bn | 2019<br>$bn |
|---|---|---|
| **Reported net debt** | **-0.3** | **3.7** |
| IFRS 16 leases adjustment | 1.2 | |
| Australian tax top-up in June of following year | 0.4 | 1.0 |
| Australian tax payable on disposals in following year | 0.9 | |
| Shareholder returns remaining relating to disposals | 5.1 | 0.2 |
| Committed share buybacks from operations | 0.6 | |
| **Proforma net debt** | **8.0** | **4.9** |

Note $5.1bn shareholder return in 2018 relates to special dividend of $4.0bn and remaining share buyback of $1.1bn relating to disposal of coal assets

# Modelling EBITDA

## Underlying EBITDA sensitivity

| | 2019 average price / rate | ($m) impact on FY 2019 underlying EBITDA of 10% price/rate change |
|---|---|---|
| Copper | 273c/lb | 350 |
| Aluminium | $1,791/t | 482 |
| Gold | $1,393/oz | 54 |
| Iron ore (62% Fe FOB) | $85.9/dmt | 2,061 |
| A$ | 0.70US$ | 529 |
| C$ | 0.75US$ | 199 |
| Oil (Brent) | $64/bbl | 72 |

Note: The sensitivities give the estimated effect on underlying EBITDA 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.

# Modelling aluminium costs

## Canadian* smelting unit cash** cost sensitivity

| | ($/t) Impact a $100/t change in each of the input costs below will have on our 2019 Canadian smelting unit cash cost of $1,318/t |
|---|---|
| Alumina (FOB) | $191 |
| Green petroleum coke (FOB) | $34 |
| Calcined petroleum coke (FOB) | $30 |
| Coal tar pitch (FOB) | $7 |

* Canadian smelters include all fully-owned smelters in Canada (Alma, AP60, Arvida, Grande-Baie, Kitimat, and Laterrière), as well as Rio Tinto's share of the Becancour and Alouette smelters
** The smelting unit cash costs refer to all costs which have been incurred before casting, excluding depreciation but including corporate allocations and with alumina at market price, to produce one metric tonne of primary aluminium.

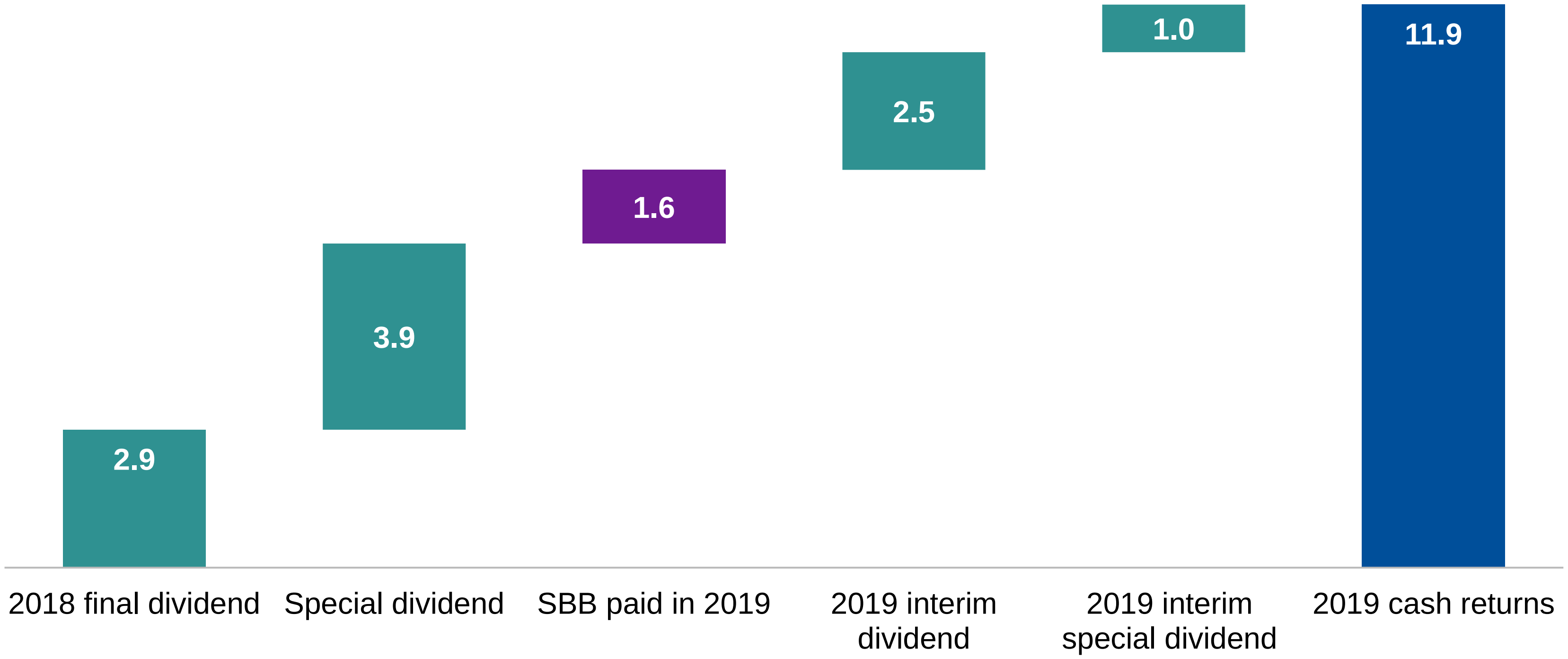
# Application of the returns policy

| Capital return considerations | Comments |
|---|---|
| Results for 2019 | – Operating cash flow of **$14.9 billion**[1]<br>– FCF of **$9.2 billion**[1]<br>– Underlying earnings up **18%** to **$10.4 billion** |
| Long-term growth prospects | – Focused on Oyu Tolgoi<br>– Investing in replacing high quality assets in Pilbara, Kennecott and Zulti-South<br>– Ongoing exploration and evaluation programme – Winu |
| Balance sheet strength | – Strong balance sheet with net debt of **$3.7 billion** |
| Strong earnings/ cash generation – supplement with additional returns | – **Pay-out >60%** threshold possible because of strong performance |
| 40-60 per cent of underlying earnings through the cycle | – **Pay-out >60%** threshold possible based on (i) strong 2019 prices (ii) 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 | – Stable global growth, strong demand for premium products<br>– Potential for continued price volatility |

[1] After $0.9 billion tax paid relating to 2018 coking coal disposals

# Cash returns paid in 2019

**2019 cash returns paid**
$ billion




**$11.9 billion** of cash returns paid to shareholders in 2019:

- $2.9 billion 2018 ordinary final dividend or 180 US cents per share
- $3.9 billion 2018 special dividend or 243 US cents per share
- Share buy-back of $1.6 billion in Rio Tinto plc
- $2.5 billion 2019 ordinary interim dividend or151 US cents per share
- $1.0 billion interim special dividend or 61 US cents per share
- Remaining $0.2 billion* share buy-back to be repurchased by end of February 2020

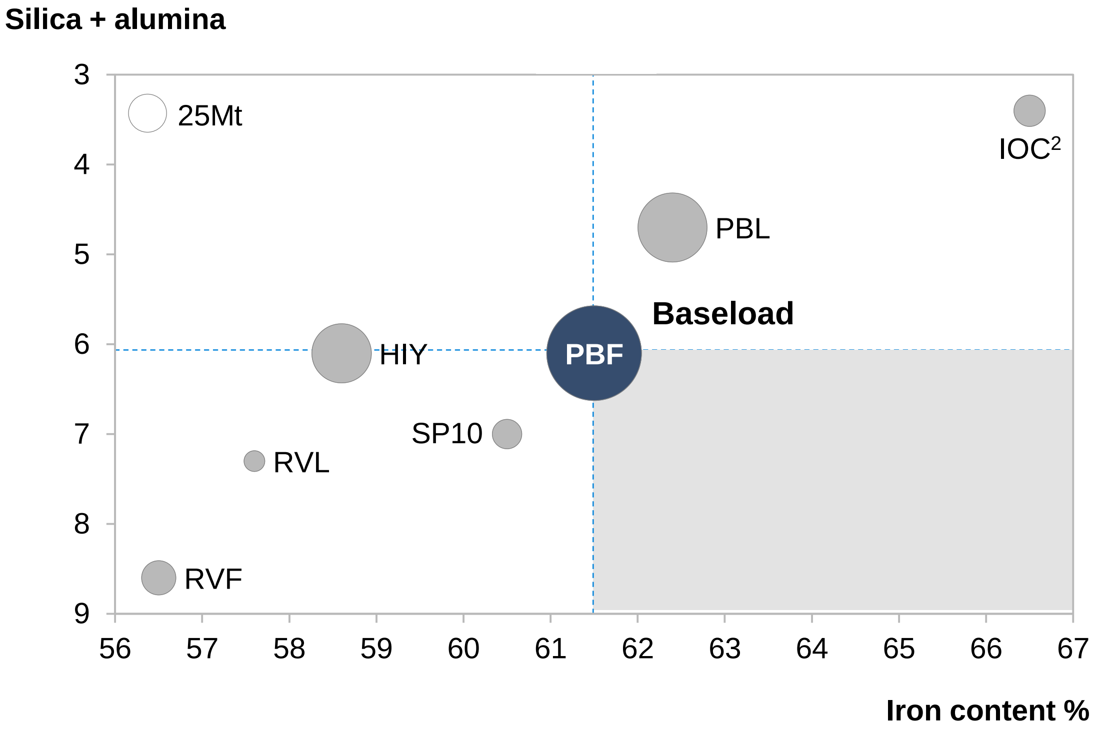
* Rio Tinto plc share buy-back (SBB) announced on 12 November 2018 of $1.1 billion relating to remaining coking coal divestment proceeds

Rio Tinto

# Our diversified portfolio of products optimises end-to-end value

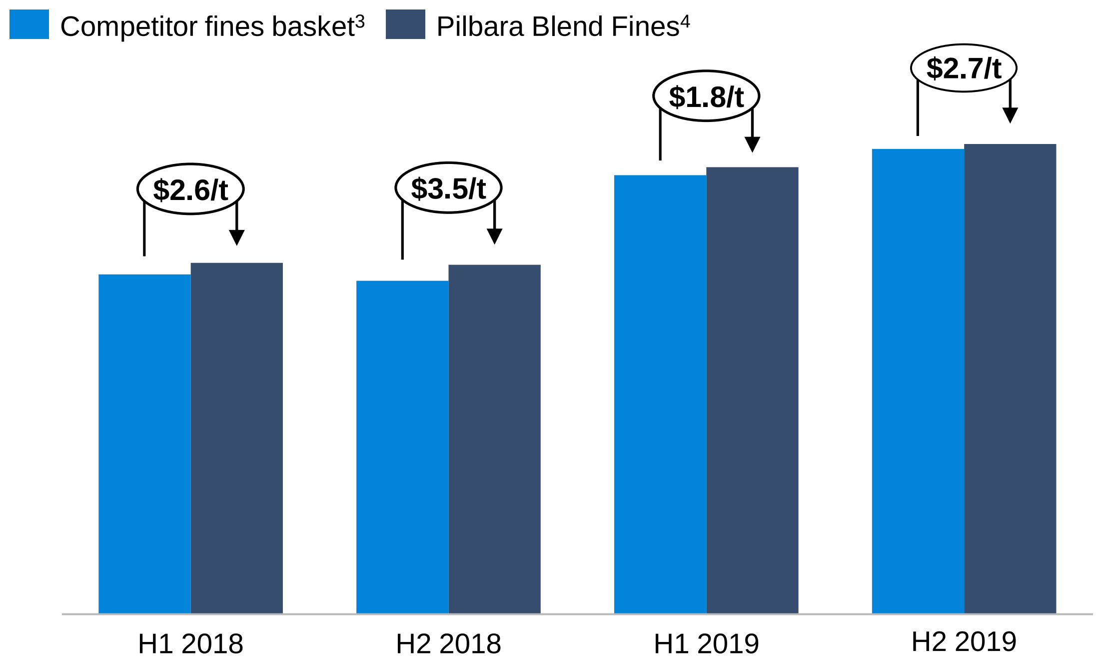
## Diversified portfolio of products[1]

We market our high liquidity Pilbara Blend, plus a suite of products to meet the needs of our customers and optimise our resource




## Superior value for Pilbara Blend Fines (PBF)

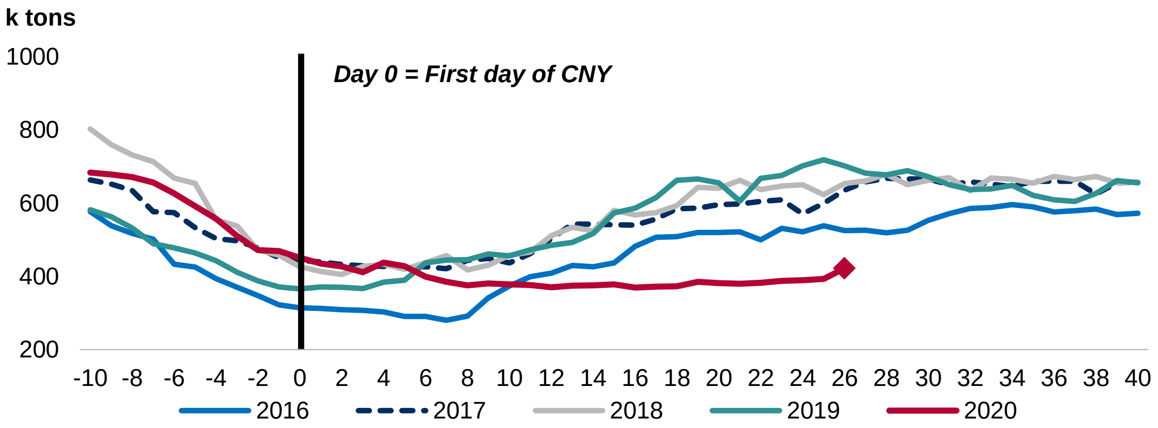
Delivering higher value to our customers and extracting a premium



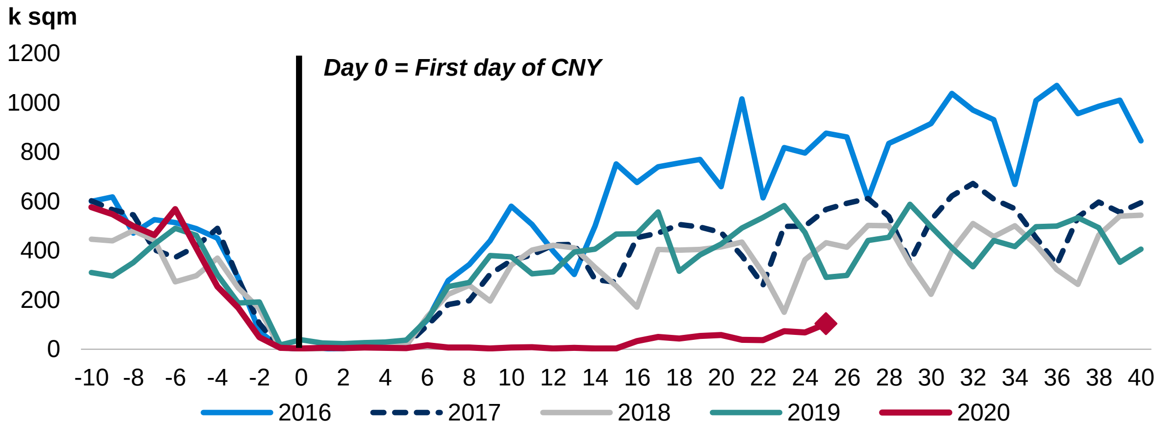

[1] 2019 figures, [2] total Iron Ore Company of Canada (IOC) production comprised of pellets and concentrate [3] A synthetic blend of competitor products sold at the China portside market. This synthetic blend approximates PBF quality. [4] Includes reported PBF transactions at the China portside market, irrespective of seller. Source: MySteel, Rio Tinto PBF – Pilbara Blend Fines, PBL – Pilbara Blend Lump, HIY – Yandicoogina Fines, RVF – Robe Valley Fines, RVL – Robe Valley Lump. Note: Transactions converted from RMB to USD, at the average rate for each period.

# China high-frequency data

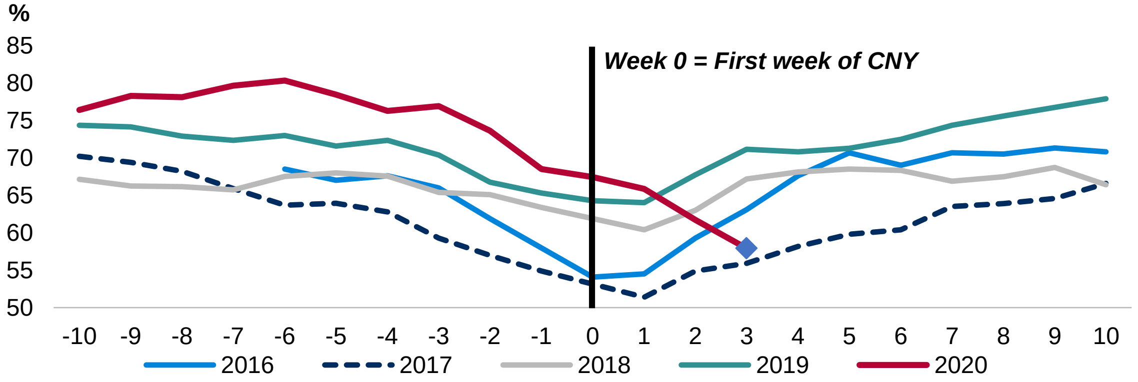
## Daily coal consumption of major electricity producers



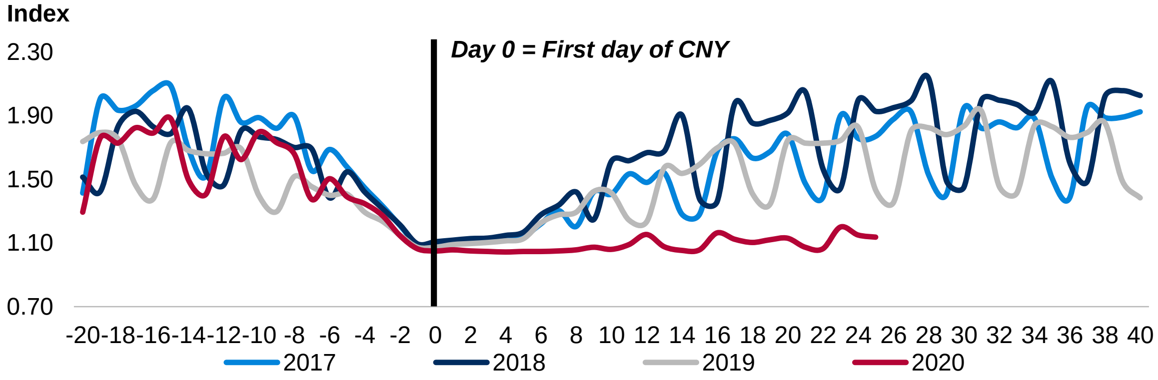

## Post-CNY property sales remain almost non-existent




## Rebar capacity utilisation dropped sharply




## Daily intra-city traffic congestion index remains low




Source: Rio Tinto, Mysteel, CEIC, Wind, Gaode, CHY = Chinese New Year

RioTinto

# Group Income Statement and Cash flow statement

| | Rio Tinto Group | | Oyu Tolgoi and Turquoise Hill[1] | | Proforma Rio Tinto Group (excluding OT and TRQ)[2] | |
|---|---|---|---|---|---|---|
| | **Dec-19 YTD Actual ($m)** | **Dec-18 YTD Actual ($m)** | **Dec-19 YTD Actual ($m)** | **Dec-18 YTD Actual ($m)** | **Dec-19 YTD Actual ($m)** | **Dec-18 YTD Actual ($m)** |
| Consolidated sales revenue | **43,165** | 40,522 | **1,166** | 1,180 | **41,999** | 39,342 |
| **Profit for the period** | **6,972** | 13,925 | **(2,137)** | 139 | **9,109** | 13,786 |
| - attributable to owners of Rio Tinto (net earnings) | **8,010** | 13,638 | **(647)** | 125 | **8,657** | 13,513 |
| - attributable to non-controlling interests | **(1,038)** | 287 | **(1,490)** | 14 | **452** | 273 |
| **Non-GAAP measures (per Financial Information by Business Unit)** | | | | | | |
| **Underlying EBITDA** | **21,197** | 18,136 | **357** | 375 | **20,840** | 17,761 |
| **Underlying Earnings** | **10,373** | 8,808 | **25** | 69 | **10,348** | 8,739 |
| | | | | | | |
| | | | | | | |
| **Cash flows from operations** | **20,374** | 16,455 | **298** | 357 | **20,076** | 16,098 |
| **Capital expenditure** | **(5,488)** | (5,430) | **(1,289)** | (1,284) | **(4,199)** | (4,146) |

Oyu Tolgoi (OT) and Turquoise Hill Resources (TRQ) are fully consolidated in the Rio Tinto accounts – Rio Tinto's economic ownership is 33.5%. These tables are provided to be able to see the OT/TRQ accounts on a stand alone basis.

[1] Represents the amounts shown in the subsidiaries' financial statements prepared in accordance with IFRS under Rio Tinto Group accounting policies, including fair value adjustments, and before intercompany eliminations.

[2] Includes income and expenses arising in other Rio Tinto group companies from transactions with Oyu Tolgoi and Turquoise Hill.

# Group Balance Sheet

| | Rio Tinto Group | | Oyu Tolgoi and Turquoise Hill[1] | | Proforma Rio Tinto Group (excluding OT and TRQ) | |
|---|---|---|---|---|---|---|
| | Dec-19 YTD Actual ($m) | Dec-18 YTD Actual ($m) | Dec-19 YTD Actual ($m) | Dec-18 YTD Actual ($m) | Dec-19 YTD Actual ($m) | Dec-18 YTD Actual ($m) |
| Non-current assets | **70,499** | 70,047 | **9,589** | 10,375 | **60,910** | 59,672 |
| Current assets | **17,303** | 20,168 | **2,449** | 3,813 | **14,854** | 16,355 |
| Assets of disposal groups held for sale | **-** | 734 | **-** | - | **-** | 734 |
| **Total assets** | **87,802** | 90,949 | **12,038** | 14,188 | **75,764** | 76,761 |
| Current liabilities | **(11,125)** | (10,571) | **(493)** | (540) | **(10,632)** | (10,031) |
| Non-current liabilities | **(31,435)** | (30,261) | **(4,405)[2]** | (4,367) [2] | **(27,030)** | (25,894) |
| Liabilities of disposal groups held for sale | **-** | (294) | **-** | - | **-** | (294) |
| **Total liabilities** | **(42,560)** | (41,126) | **(4,898)** | (4,907) | **(37,662)** | (36,219) |
| **Net assets** | **45,242** | 49,823 | **7,140** | 9,281 | **38,102** | 40,542 |
| **Equity attributable to owners of Rio Tinto** | **40,532** | 43,686 | **4,771** | 5,345 | **35,761** | 38,341 |
| **Attributable to non-controlling interests** | **4,710** | 6,137 | **2,369** | 3,936 | **2,341** | 2,201 |
| **Total equity** | **45,242** | 49,823 | **7,140** | 9,281 | **38,102** | 40,542 |
| | | | | | | |
| **Non-GAAP Measures (per Financial Information by Business Unit)** | | | | | | |
| Operating assets | **44,183** | 43,431 | **6,780** | 6,072 | **37,403** | 37,359 |
| Equity attributable to owners of Rio Tinto | **40,532** | 43,686 | **4,771** | 5,345 | **35,761** | 38,341 |

Oyu Tolgoi (OT) and Turquoise Hill Resources (TRQ) are fully consolidated in the Rio Tinto accounts – Rio Tinto's economic ownership is 33.5%. These tables are provided to be able to see the OT/TRQ accounts on a stand alone basis.

(1) Represents the amounts shown in the subsidiaries' financial statements prepared in accordance with IFRS under Rio Tinto Group accounting policies, including fair value adjustments, and before intercompany eliminations.

(2) Rio Tinto plc has provided a guarantee, known as the completion support undertaking (CSU), in favour of the Oyu Tolgoi LLC project finance lenders. At 31 Dec 2019 and 31 Dec 2018, US$4.3bn of project finance debt was outstanding under this facility.