2024 Half Year Results: script

31 July 2024

Slides 1 - 3: Cover slide, and cautionary and supporting statements

Hello again to everyone in the room and now welcome to those online to Rio Tinto's 2024 half year results presentation. My name is Tom Gallop and I'm the acting head of Investor Relations. We'll follow the normal proceedings today. Jakob and Peter will take you through introductory remarks for about 30 minutes and we'll follow that with Q&A.

And, with that, Jakob, over to you.

Slide 4: Jakob Stausholm, Chief Executive

Good morning and thank you, Tom. I also want to thank Brendan for a wonderful Welcome to Country.

I acknowledge the Gadigal people of the Eora Nation on whose Traditional Lands we are gathered on today. And I pay my respects to Elders past and present. I extend that respect to all Indigenous Peoples across the globe. I acknowledge the important role they continue to play within communities and our business.

It's great to be in Sydney today – the first time Peter and I have reported our results from Australia.
It's an excellent opportunity to highlight the strength of our Australian operations, which are powerful drivers of our performance.

The foundations for much of that strength can be traced back, long back, to Sir Roderick Carnegie, the former Chief Executive of CRA. Sir Rod very sadly passed away on the 14 July and I want to recognise the impact he had on our business. He was a remarkable leader and a true pioneer of our industry.

Slide 5: Growing through focus on our four objectives

When you look at Rio Tinto you can see a clear and consistent story: we are very profitable, and we are growing.

Growing because we are improving the performance of our assets.

Growing organically because we are investing with discipline in projects that will create significant value not just in 1- or 2-decades' time, but also in the near term.

And, this growth is supported by strategic M&A.

We are executing this growth through a relentless focus on our four objectives. They are enabling us to unlock value and find solutions to even the most complex challenges.

There has already been a step change on our road to best operator. This is clear, amongst others, in our bauxite business, where the Safe Production System has helped deliver a 10% boost to production in the first half.

Meanwhile, we have taken large and incremental steps to decarbonise while delivering materials for the energy transition. This includes securing competitively priced renewable power for our assets.

And we are hitting milestones as we excel in development. Simandou in Guinea received the full sanctioning earlier this month – a major moment for the largest greenfield mining and infrastructure project in the world.

We cannot operate unless we bring the local communities along with us – and we want communities to benefit from our operations as we grow.

That's why I emphasise the importance of having a deep social licence and working in partnership. For example, partnering with Ngarluma Aboriginal Corporation. Together we are progressing a solar farm to supply our Pilbara assets.

Ultimately, delivering our objectives in the right way will benefit our shareholders, too. By striving for impeccable ESG and a strong social licence, we can unlock even more business opportunities.

We are solving complex challenges and executing profitable growth with the support of governments, customers, and communities. This is the meaning of our purpose: finding better ways to provide the materials the world needs.

Slide 6: Continued operational progress and profitability growing

Our financials show we have a strong base from which to grow production further.

In the first half, we delivered robust underlying earnings of $5.8 billion, a 1% increase year-on-year. Copper equivalent production has grown 2% and is accelerating. I will elaborate on our future growth later.

As we step up capital expenditure to deliver our big projects, we are securing the profitability of our business well into the future.

We are achieving this while maintaining a strong balance sheet and attractive returns to shareholders. Once again, we will hand back $2.9 billion – a 50% dividend payout in line with our policy.

This is not just a growing half year result; this is stable, reliable growth. We are confident executing significant projects, while building value.

Peter will now go into more detail.

Thank you.

Slide 7: Peter Cunningham, Chief Financial Officer

Thanks, Jakob.

Slide 8: Consistent financial performance

It's great to be here in Sydney to present our interims.

We now have good stability at most of our assets. We are strengthening our core business segments, creating value and options for the future, and have real momentum across the Group.

We are also solving some of our hardest challenges, for instance the Simandou project where our investment is now proceeding at pace and the competitive power solutions announced for Boyne and NZAS. We will add 170 thousand tonnes of metal or 5% to our aluminium portfolio when the transactions to buy out partners' interests complete.

Our Pilbara operations are very consistent, delivering production above the five-year average in the first half. The underground copper mine at Oyu Tolgoi continues to ramp up in line with our long-term plan and will drive considerable free cash flow expansion over the next few years. And we saw a step-change in bauxite production and a very stable performance at our smelters.

The Safe Production System is delivering results and unlocking value. Three sites set best throughput rates over a 90-day period during the half. More on that later.

But, we can still realise much more from our existing assets through productivity improvements. Kennecott remains the biggest challenge but also a real opportunity to unlock value.

So, turning to the numbers. All in all, it was a very consistent financial performance. On a net - net basis, underlying EBITDA increased 3% to $12.1 billion, with our aluminium and copper divisions more than offsetting the lower but still impressive performance from iron ore. Cash flow from operations was stable at $7.1 billion and free cash flow of $2.8 billion reflected the rise in capital expenditure to $4.0 billion as we invest in growth to deliver enhanced future earnings.

Following payment of the 2023 final dividend and receipt of $400 million from our Simfer JV partner, CIOH, we ended the half with net debt of $5.1 billion.

Overall, we delivered a healthy return on capital employed of 19% on underlying earnings of $5.8 billion.

And as Jakob said, we have maintained our practice of paying out at 50% at the interims for the ordinary dividend, equating to $2.9 billion.

Slide 9: Resilient pricing for our commodities

Unusually movements in commodity prices were not a significant driver of our financials. The Platts 62% iron ore index dropped 3%, LME copper rose 4% and LME aluminium was up 1% compared with the first half of 2023.

The prices we are currently seeing reflect a global economy which is not firing on all cylinders. Construction in all major markets is soft, although for different reasons – interest rates in the West and overcapacity still being managed down in China. Steel demand from the Chinese property sector is now down by as much as 30% from its peak in 2020. However, manufacturing in China is strong with the energy transition at the heart of growth. The energy transition sectors accounted for nearly a third of Chinese GDP growth in 2023 and strong growth has continued in the first half of 2024. Other drivers are performing ok. So, in summary, prices were below the average of the last 10 years when adjusted for inflation.

Focusing on iron ore, if we look back over the last 5 years, consensus has underestimated the price by around $22 per tonne on a one-year forward look, and an average of $39 per tonne on a two-year forward. Over the last 3 years iron ore has averaged around $120 per tonne, trading in a range of around $20 per tonne either side – highlighting the market's resilience.

If we look at the drivers, firstly, there has been a steepening of the cost curve with broad-based inflation affecting supply. The impact of this is heightened for the higher cost marginal producers, which has limited their ability to supply economically in this price environment.

Secondly the market has underestimated global iron ore consumption. This is partly due to China's steel production outperforming expectations, supported by exports and a shift to non-property sectors. Also due to scrap supply being less than predicted.

Turning now to the EBITDA movement.

Slide 10: Stable pricing with active cost management delivering strong EBITDA generation

Overall, we have seen more modest variances this half, reflecting the consistent performance of our assets.

In aggregate, commodity prices and currency movements offset each other.

Likewise lower market-linked prices for raw materials like caustic, pitch and coke together with lower energy costs, offset the impact of 3.5% general inflation on our cost base.

In copper equivalent terms, our production was up 2% - a very positive outcome. When it comes to the bridge, the fact that we had lower iron ore sales in the period – our highest margin business – means the increase in our productive capacity has not yet flowed through to earnings.

Turning to cash unit costs. We achieved broadly flat period on period outcomes except in the Pilbara and Tio2. Higher iron ore unit costs were driven by input price escalation and lower volumes. We also saw fixed cost inefficiencies at our TiO_2 business, again mainly volume-led from weak market conditions. Overall, these pushed EBITDA down some $400 million. With our iron ore volumes set to rebound and our active

focus on cost management, we would expect a more positive cost performance in the second half.

Now, there were some one-off factors in 2023, such as the smelter shut and conveyor breakdown at Kennecott, the forest fires at IOC and the Kitimat restart.

In addition, exploration and evaluation expensed to the P&L was $200 million higher last half year as Simandou costs were not being capitalised.

In comparison, this half year has been very clean.

So, all in all, this brings us to strong underlying EBITDA of $12.1 billion, a 3% rise.

Slide 11: Solid cash generation, some impact from working capital

Turning now to our cash generation. As ever, this half there were a number of factors impacting conversion of EBITDA to cash - some are one-offs, some are seasonal. But overall, it was a very consistent, strong performance.

An increase in working capital of $700 million was mainly driven by movements in non-trade payables. These include a draw down of royalties and taxes as prices fell from late 2023, along with seasonal movements in amounts due to our JV partners. We would expect most of this to reverse in the second half. If I look at our working capital rises over the last five years, the main driver has been inventory.

We have taken some active decisions to increase inventory, for instance around $400 million of iron ore held portside in China and around $900 million in our Pilbara supply chain increasing overall system resilience. However, the biggest driver has been the flow through of inflation through costs to inventory over the period. We certainly have opportunities to reduce the capital invested in inventory, but a substantial proportion of the increase does reflect market drivers.

Slide 12: Moving forward with improvement at most assets

Onto Product Group performance.

Iron ore had a robust half, although EBITDA was down 10%, with some pricing impact, higher costs as mentioned earlier and lower shipments, which were still above the 5-year average for the first half. We are on track for another 5 million tonnes from SPS, with the 10 million tonne benefit from this year and last delivering significant incremental value.

Unit costs were at the top end of our guidance in the half, with shipments weighted to the second half. Meanwhile, replacement mines are advancing, with construction of Western Range now 70% complete.

The performance of the Aluminium business was strong and we are well positioned to take full advantage of better markets. The 38% increase in EBITDA was driven by growing bauxite and aluminium production and margin expansion as prices improved and input costs declined.

Our Copper business saw EBITDA rise by 67%, driven by LME prices, the rise in output from the Oyu Tolgoi underground mine and the restart of the Kennecott smelter, following completion of the major rebuild last year.

As I mentioned earlier, Kennecott remains a key focus as recent changes to the mine plan to manage geotechnical risk have delayed access to higher grade ore in the pit. The team is currently reworking the plan and we’d expect to update the market in our Third Quarter report.

Lastly Minerals, as I said, volumes were down significantly at our TiO_2 business, reflecting weak market conditions. We saw a recovery at IOC with a further pick-up in volumes expected in the second half. On lithium, the Rincon starter plant is on track for first tonnes by year end, and we expect to complete the feasibility study for full-scale operations in the third quarter.

Slide 13: We are deepening the maturity of SPS at existing sites

Moving to the Safe Production System.

This is now being deployed at 26 assets and we are deepening maturity at the initial sites. It is simply how we do business.

The early investment in the cultural journey is beginning to show results. We set best throughput rates over a 90-day period across three assets during the half – Weipa, Tom Price and Robe Valley.

Using the Kaizen process, ideas from frontline team members helped increase plant feed rates at the Amrun bauxite mine at Weipa by 9% and reduce scheduled lost time by nearly ten days per year.

Slide 14: Consistent capital allocation, balancing essential capex with shareholder returns and growth

Moving onto Capital allocation.

You have seen this slide before, many times.

The key message today is nothing has changed with strict discipline remaining paramount.

Sustaining capital, high-returning replacement projects and decarbonisation remain our priorities, with around $7 billion of spend per year, unchanged from previous guidance.

That is followed by the ordinary dividend and then compelling growth.

Our guidance for growth capex is also unchanged at $3 billion.

As I have said many times before, we will remain very disciplined. Our investments in growth are highly dependent on the timing of commitments, but most importantly by our ability to generate value.

Over the next few years, we will see the contribution from our growth projects take off, with Oyu Tolgoi underground ramping up significantly. From next year it will become free cash flow positive, as we complete the key infrastructure investments, building up the resilience of our cash flows.

Slide 15: Simandou high grade iron ore project advancing at pace

Simandou is advancing at pace. As you can see from these images, the team is making impressive progress.

By the end of May, we achieved nearly 9 million work hours with a Simfer workforce of nearly 9,000, more than 80% of whom are Guineans. We are rapidly ramping up with more than 20,000 supporting the entire project, when you factor in contractors and those working for WCS. This is set to peak at 50,000.

In June, we announced the completion of 327 bridge piles on our 70km rail-spur. These were completed six months ahead of schedule – forming the foundations of five bridges with a total length of 1.7 km. The team achieved this operating safely 24 hours a day, 7 days a week. In summary, our scope and WCS's are on track.

First ore – at the Simfer mine gate – remains on track for 2025 together with the 30-month ramp-up to 60 million tonnes per annum.

Slide 16: Simandou expenditure summary

Turning now to Simandou's capital expenditure.

The majority of the full Simfer scope will impact our free cash flow when under construction, with $5.1 billion of capex for the mine and $3.5 billion for the TSV port and rail-spur reflected against free cash flow. Meanwhile, the cash contributions from CIOH are a financing activity and therefore fall outside of free cash flow.

However, as the mine ramps up from 2025 it will become a significant cash contributor.

We saw $900 million invested in 2023, of which $500 million was our share and $400 million has now been refunded by CIOH.

In 2024, our share of expenditure remains at around $2 billion. As is typical of large capital projects, this has started quite slowly with just $400 million invested in the first half. Now that we have received the funds from our partner, including a further $575 million in July, I'd expect to see the cash flow spend rise quickly. In fact, just earlier this month, together with CIOH, we made our initial funding for investment into the WCS-managed port and rail infrastructure, where our Chinese partners are making impressive progress.

Slide 17: Consistent delivery of attractive dividends

Finally, the dividend.

In line with our usual practice, we have declared a 50% payout for the interim – which equates to $2.9 billion - consistent with our now 8-year old shareholder returns policy.

It's been another period in which we have proven that with our financial strength we can decarbonise, reinvest for growth and continue to pay attractive dividends through the cycle.

With that, let me hand back to Jakob.

Slide 18: Jakob Stausholm, Chief Executive

Thank you, Peter.

Slide 19: Our growth is accelerating, from value accretive options

When I tell you our growth is accelerating, I can say that with a level of certainty because the ingredients are already in place.

There has been a step-change in production, particularly from Aluminium, while Iron Ore is proving resilient.

There is a clear link between improved performance and the roll out of the Safe Production System, which is empowering our frontline employees to problem solve.

We are now getting real value out of SPS, and we will see more improvements as we deepen its maturity at existing sites. We are only at the foothill of this mountain and there is so much more to come.

Pilbara Iron Ore is on track for mid-term capacity of 345 to 360 million tonnes a year. This is subject, of course, to the delivery of the next tranche of replacement mines, as we've previously set out.

We are comfortable delivering production growth of around 3% from 2024 to 2028.

This growth path is already embedded in our portfolio – from our existing assets and organically from major projects in execution. And we are growing in confidence that we can execute these projects well.

- Oyu Tolgoi is ramping up to deliver half a million tonnes a year of copper from 2028 to 2036.
- At Simandou, we are on track for first iron ore production at the end of next year, ramping up to 60 million tonnes for Blocks 3 and 4. Simandou is vast, complex, and difficult to deliver – but we are progressing at pace.

And, while we do not depend on M&A to grow, strategic acquisitions have added value to our portfolio. We moved quickly to close the Matalco joint venture – for half a year now we have been able to tap into the growing market for recycled aluminium.

The ingredients for further growth are there – and they are coming together through our focus on the four objectives. We are achieving this while delivering attractive shareholder returns and maintaining a strong balance sheet.

Slide 20: Our production is at an inflection point

There is real momentum across Rio and we are at an inflection point in our growth.

First, we stabilised our Pilbara iron ore business, in part by using the Safe Production System to spark a process of continuous improvement.

Now, we are replicating this step change in performance across the product groups.

In Aluminium, we expect bauxite production towards the top end of guidance for the year, thanks to improvements at sites such as Weipa as Peter already mentioned

Those of you joining the site visit to the Saguenay in September will hear more about how we're improving asset health with investments such as the AP60 project and diversifying our offer through Matalco.

Aluminium has a great future; production is stable and growing, while the price environment is becoming more attractive.

Next, Copper. Progress at Oyu Tolgoi underground has been exceptional, and we expect to complete our spend on the project by the end of 2025 as planned.

The conveyor to surface is now 97% complete and commissioning is expected in September. The conveyor is critical to ramp up production, so this is really a turning point now for our copper business.

Minerals is also at an inflection point as projects enter new phases – and soon you will see the results.

In March I visited Rincon 3000, our lithium starter plant 3,900 metres above sea level in Argentina. I saw how the team is laying the groundwork for first production by the end of the year.

They are leveraging the DLE technology to advance the project in a sustainable way, developing methods and improving processes while considering environmental impacts.

Lithium will soon change the shape of our portfolio. I believe in the future we can produce this critical mineral in Argentina and in Serbia. I've been encouraged by the change in conversation around the Jadar lithium project.

Ten days ago, I was in Belgrade at the Serbian Critical Raw Materials Summit, where governments, customers and European leaders endorsed the project. Jadar has huge potential as part of Europe's electric vehicle value chain.

Of course, we have experienced challenges this year, and we still have more improvements to make across the business. But that means there are more opportunities to be realised.

So, with our operations improving and some of our major value-creating projects just around the corner, you can expect an even bigger step up in production across Rio Tinto.

Slide 21: We are targeting value accretive decarbonisation

As we grow in these materials, we are creating the building blocks for the global energy transition.

Decarbonisation is at the heart of our strategy; both in terms of supporting the transition and in terms of reducing our own carbon footprint.

There has been real momentum in the first half. Our targets are ambitious, but we are on track to halve our emissions by 2030.

We are delivering abatement projects in a technically and economically disciplined way, implementing commercial solutions to reduce emissions as soon as we can, while investing in innovation required to reach net zero for the longer-term.

We're repowering our operations with renewable energy, including in Queensland where we are working hard to create the conditions which deliver a competitive solution for our Pacific Operations aluminium business.

Earlier this year, we signed two PPAs that make us Australia's largest offtaker of wind and solar generation. It was amazing to celebrate this milestone with the team at Boyne smelter.

But this is only the first step in transitioning these assets, and more is required to position them as internationally competitive as Australia transitions to its renewable energy future.

We cannot solve all problems alone. That's why we work in partnership – with governments, customers, peers and communities – to understand how we can better deliver projects that meet our shared climate ambitions.

In the Pilbara, we are working closely with Traditional Owners to progress two solar projects.

In New Zealand, we worked with stakeholders including the Government to secure a 20-year renewable energy deal that extends the life of the NZAS smelter, supporting jobs and communities on the South Island. And we expect to soon own 100% of this great business.

We are also driving technological breakthroughs that will have impacts for our industry and beyond.

We are collaborating on projects such as ELYSIS, potentially transforming decades old industrial processes. We are now proving we can scale-up the technology by installing 10 smelting pots at Arvida in Quebec.

We are also excited about Nuton, our bioleaching technology that presents opportunities to add copper volumes in a more sustainable way.

And we are finding ways to decarbonise our value chains. For example, building a new research and development facility in Western Australia to pilot BioIron – a potential solution for greener steelmaking using our Pilbara ores.

We are moving at pace, with a largely value accretive portfolio of projects and opportunities to truly transition our assets for a sustainable future.

Yes, we still have a long way to go. The challenge is large, technically complex and requires us and society to move even more quickly. But by working together, we can achieve our ambitions.

Slide 22: Summary

There is huge value already embedded in Rio Tinto.

We are profitable, and our production is growing. This is set to accelerate over the next few years.

And through technology and partnerships, we are finding solutions to really complex challenges, including decarbonisation.

Ultimately, we are deeply driven by our purpose: finding better ways to provide the materials the world needs. This is delivering profitable growth today and in the future.

Thank you.