

### **Bank of America Merrill Lynch – 2017 Global Metals & Mining conference**

**16 May 2017**

Rio Tinto chief executive J-S Jacques is presenting at the Bank of America Merrill Lynch Global Metals, Mining & Steel conference in Barcelona today.

The presentation is attached and will also be available at [riotinto.com/presentations](http://riotinto.com/presentations) – along with details for the audio webcast and replay.

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RioTinto

Delivering superior returns

J-S Jacques, chief executive

2017 Global Metals & Mining Conference  
Bank of America Merrill Lynch, 16 May 2017



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# Supporting statements

## Ore Reserves (slide 14)

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% Al<sub>2</sub>O<sub>3</sub>) 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 14 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 14 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.

# Our value proposition...

## Long-term strategy

World-class assets

Delivering >2% CAGR<sup>1</sup> CuEq growth

Licence to Operate

## Cash focus

Value over volume

\$2 billion cost savings over 2016/17

\$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



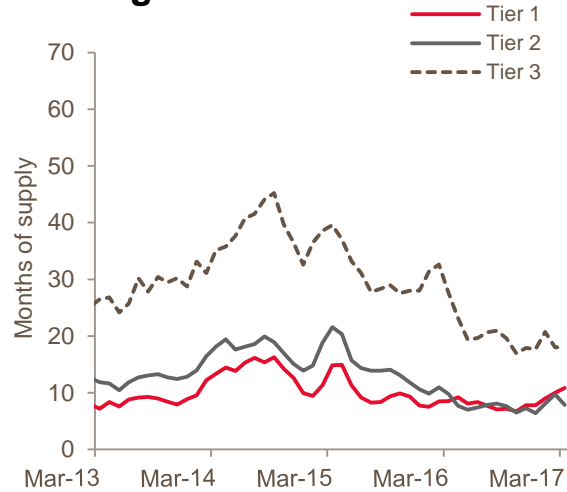
<sup>1</sup> Copper equivalent CAGR, 2015-2025.

# ... is already delivering superior returns

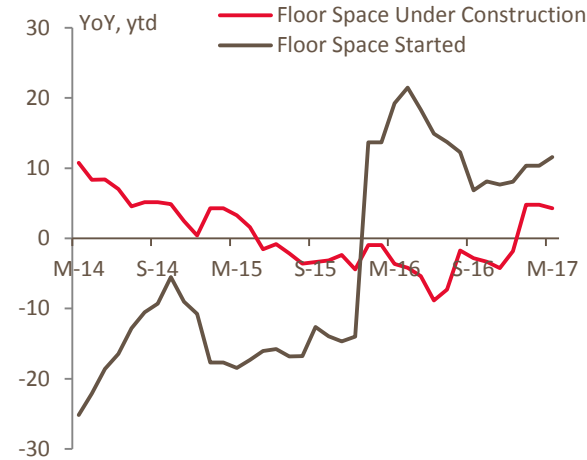
- ✓ **Resilient cash generation**
  - Group EBITDA of \$13.5 billion, EBITDA margin of 38%
- ✓ **Strongest balance sheet in sector**
  - Net debt of \$9.6 billion
  - Net debt / EBITDA 0.7x
- ✓ **Highest cash returns to shareholders**
  - Declared \$3.6 billion of shareholder returns
  - Cash returns to shareholders represented 32% of 2016 operating cash flow
- ✓ **Sector-leading free cash flow growth**
  - Three major projects approved and underway; each with IRR > 20%
  - \$5 billion of free cash flow in productivity improvements over 5 years

# Supportive Chinese macro indicators

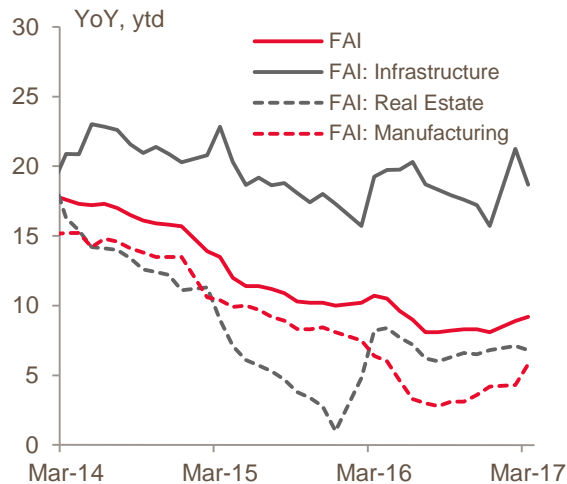
## Housing inventories



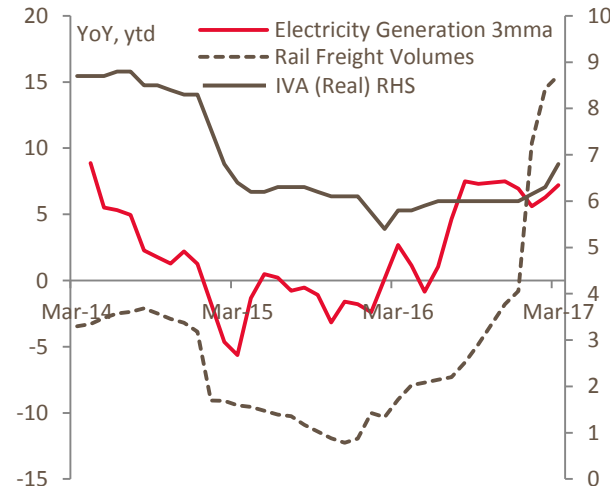
## Sales and Starts



## Fixed asset investment



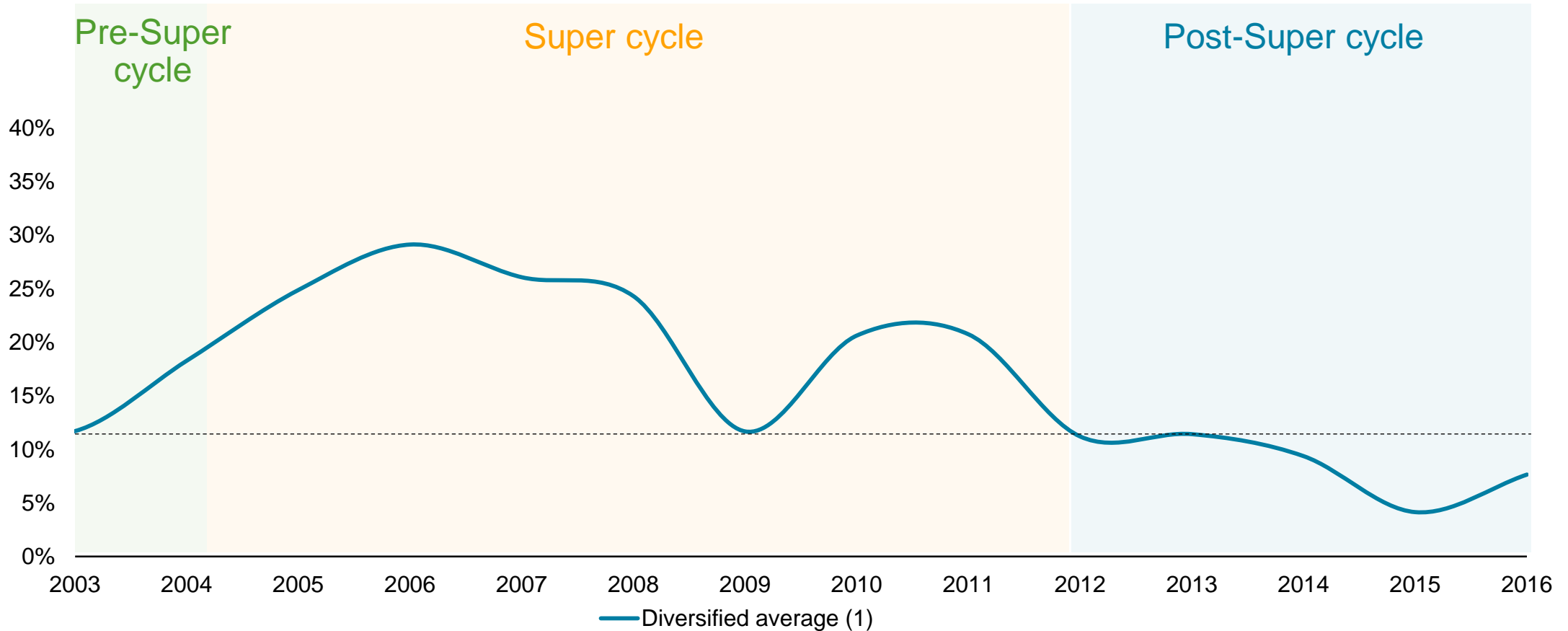
## Industrial Indicators



- Housing inventories remain at lower levels
- Growth in starts and area under construction remain elevated
- Fixed asset investment growth improving
- Infrastructure investment growth up 19% YoY
- Chinese industrial policy is a key driver for the sector
  - Environmental measures may increase demand for higher grade iron ore
  - Policy changes expected to impact new aluminium capacity

# Industry has destroyed value through over-capitalisation

## Return on capital employed



Source: Company reports

(1) Annual average of Rio Tinto, BHP (calendarised to Dec year end), Anglo American, Glencore and Vale

Note: Return on investment defined as tax adjusted EBIT / capital employed. Company stated adjusted EBIT / EBITDA used. Tax rate based on stated effective tax rate where published, otherwise statutory tax rate of primary operating jurisdiction used. Capital employed equals net debt plus consolidated book equity.



# We are maintaining a disciplined and consistent strategy

## Superior cash generation



World-class assets  
**Portfolio**



Operating excellence  
**Performance**



Capabilities  
**People & Partners**

## Disciplined capital allocation

**Balance sheet strength**

**Superior shareholder returns**

**Compelling growth**

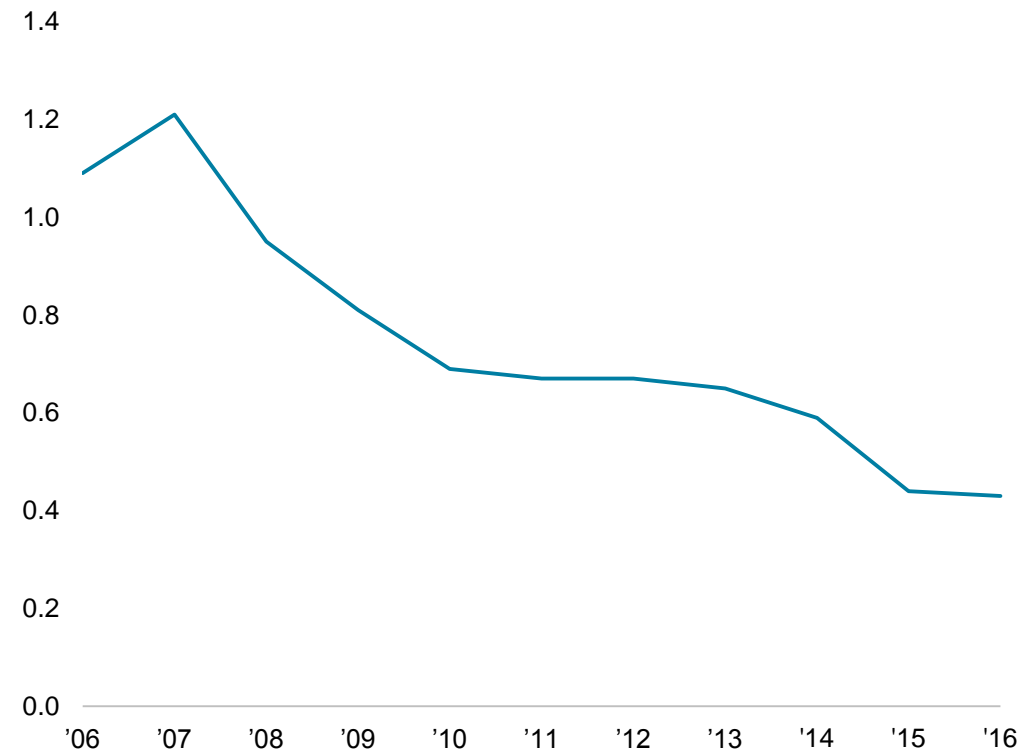
# World-class portfolio

	Iron Ore	Bauxite	Aluminium	Copper
Main businesses	Pilbara	Weipa, Gove, CBG	Canadian smelters	Oyu Tolgoi, Escondida
Competitive advantages	<ul style="list-style-type: none"> <li>Low-cost, world-class assets</li> <li>Integrated infrastructure</li> <li>Benchmark product</li> <li>Technical marketing</li> </ul>	<ul style="list-style-type: none"> <li>Large, low-cost bauxite assets</li> <li>Technical leadership and marketing</li> </ul>	<ul style="list-style-type: none"> <li>First quartile smelters</li> <li>Low-cost renewable power</li> </ul>	<ul style="list-style-type: none"> <li>Large, long-life, low-cost</li> <li>Attractive growth options</li> <li>Technology and innovation</li> </ul>
2016 margins	<b>63%</b> FOB EBITDA margin	<b>50%<sup>1</sup></b> FOB EBITDA margin	<b>26%<sup>1</sup></b> Operating EBITDA margin	<b>46%<sup>1</sup></b> Operating EBITDA margin

# Safety and operating responsibly are key priorities

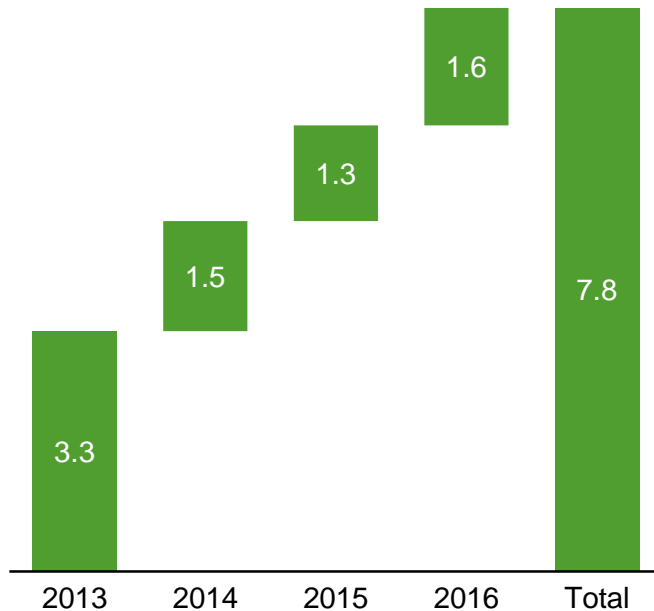
## A history of continual improvement in safety

AIFR per 200,000 hours worked

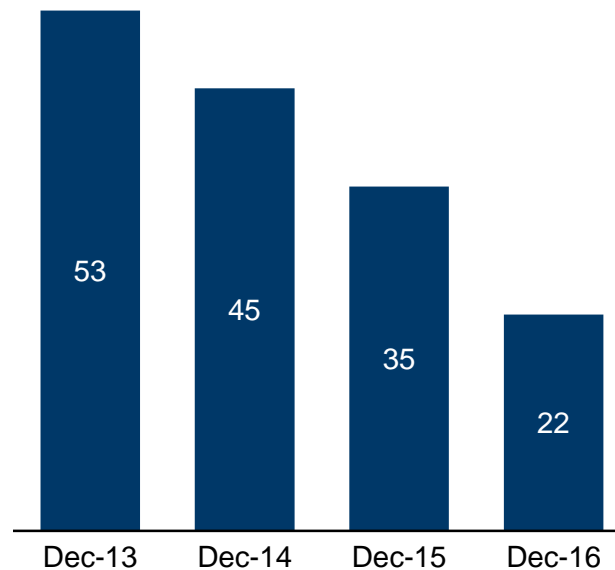


# Operating excellence is focused on cash

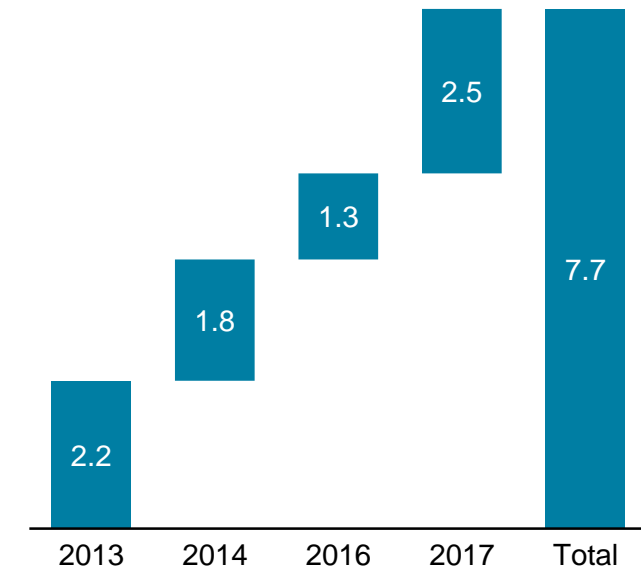
**Reducing costs**  
(Cash cost improvements \$bn)



**Releasing working capital**  
(Trade days)



**Recycling capital<sup>(1)</sup>**  
(Asset disposals \$bn)



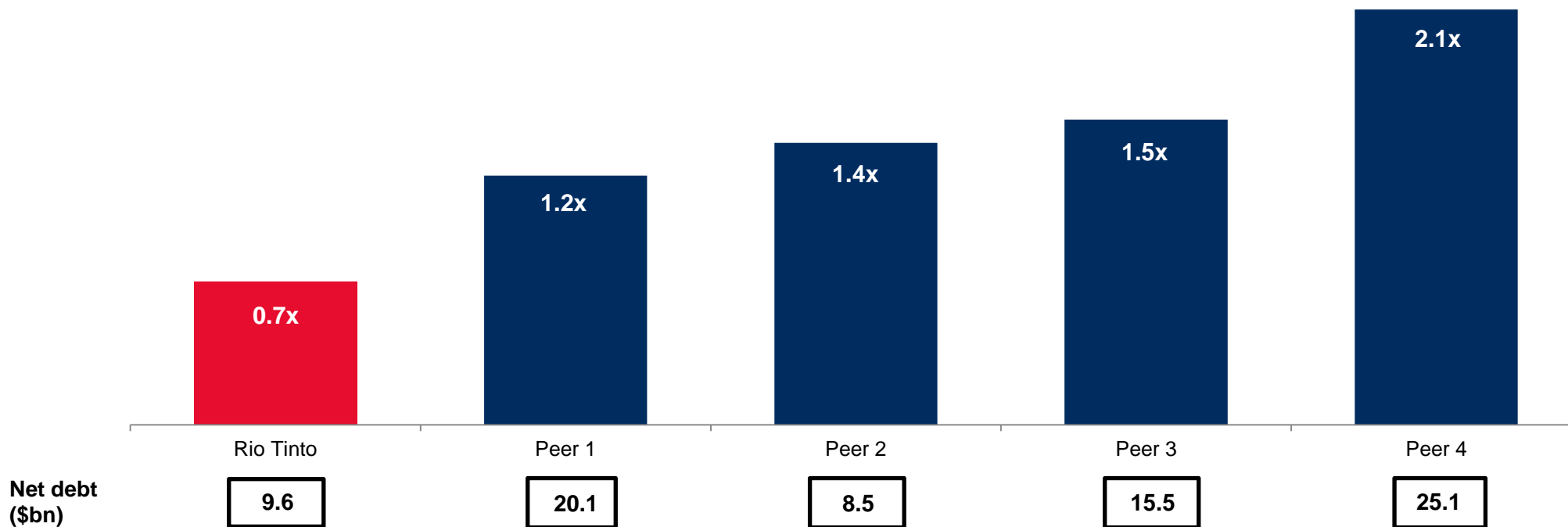
<sup>1</sup> Based on amounts announced in Rio Tinto regulatory releases. May vary from cash flow statement due to completion adjustments and exchange rates



# Strongest balance sheet in the sector

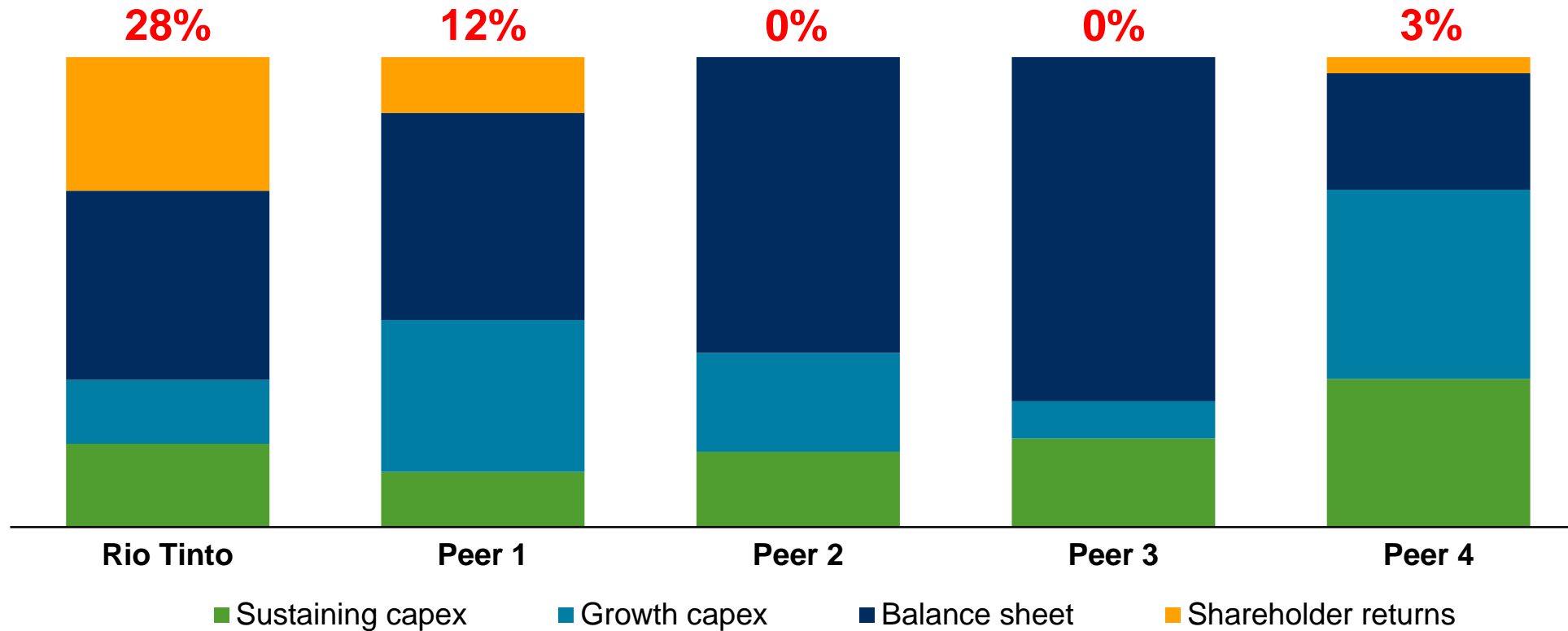
## Leverage<sup>1</sup> and net debt at 31 December 2016

Net debt to EBITDA



# We returned 28% of cash generated<sup>1</sup> to shareholders

Most disciplined and balanced allocation of capital in 2016



<sup>1</sup> Cash generated = net cash generated from operating activities, sales of PP&E and disposals

# High-return growth projects

## Silvergrass

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

>100% IRR

\$0.5 billion<sup>1</sup> capex, first quartile opex

~20 Mt/a<sup>1</sup>, commissioning H2 2017

61.3% Fe<sup>2</sup>, low-phosphorus



## Amrun

Creating seaborne bauxite market, high-grade and expandable

>20% IRR

\$1.9 billion capex, first quartile opex

22.8 Mt/a<sup>2</sup>, commissioning H1 2019

52.4% alumina content<sup>2</sup>



## 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)<sup>2</sup>

1.66% Cu, 0.35g/t Au<sup>2</sup>



<sup>1</sup> Including NIT projects 1 and 2

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

# 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**



# ...by further optimising our performance

**Replication of best practice**



**Partnering with our suppliers**



**Integrating our supply chains**



**Enhancing marketing capability**

**Applying technology and data**



**Increasing automation**



# Delivering superior returns

- ✓ **Portfolio of world-class assets**
- ✓ **Resilient cash generation**
- ✓ **Strongest balance sheet in sector**
- ✓ **Highest cash returns to shareholders**
- ✓ **Sector-leading free cash flow growth**

