Rio Tinto

Notice to ASX

2016 full year results presentation

8 February 2017

Attached is the Rio Tinto 2016 full year results presentation to be given today by Rio Tinto chief executive Jean-Sébastien Jacques, and chief financial officer Chris Lynch. The presentation slides will also be available at www.riotinto.com/presentations.

The presentation will be webcast live at 7.30pm (Australian Eastern Daylight Time) and can be accessed at www.riotinto.com/webcasts.

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Rio Tinto

2016 full year results

8 February 2017

London

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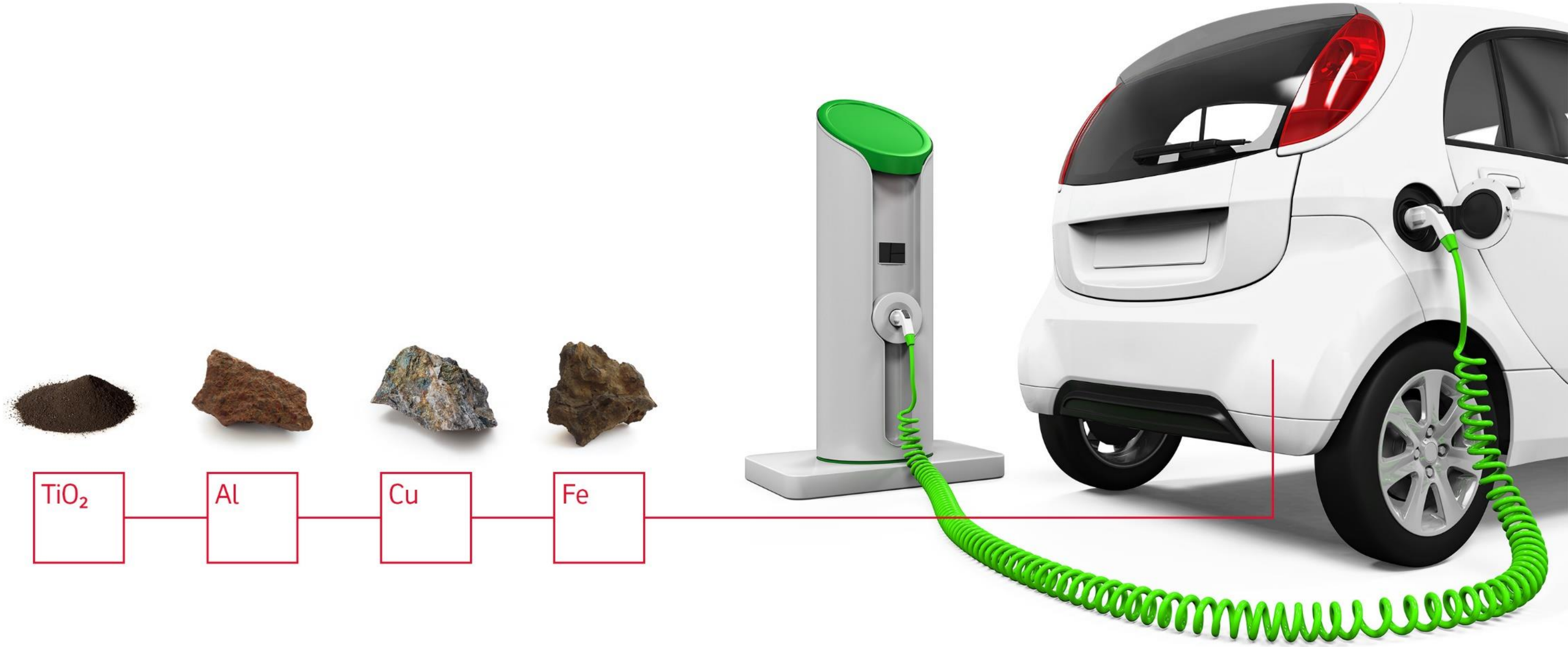
J-S Jacques

Chief executive



Our value proposition

Long-term strategy	Cash focus	Capital discipline and shareholder returns	Team and performance culture
World-class assets	Value over volume	Strong balance sheet	Safety first
Delivering >2% CAGR[1] CuEq growth	$2 billion cost savings over 2016/17	40-60% returns through the cycle	Assets at the heart of our business
Licence to Operate	$5 billion free cash flow from mine to market productivity by 2021	Portfolio shaping	Commercial and operational excellence

[1] Copper equivalent CAGR, 2015-2025.

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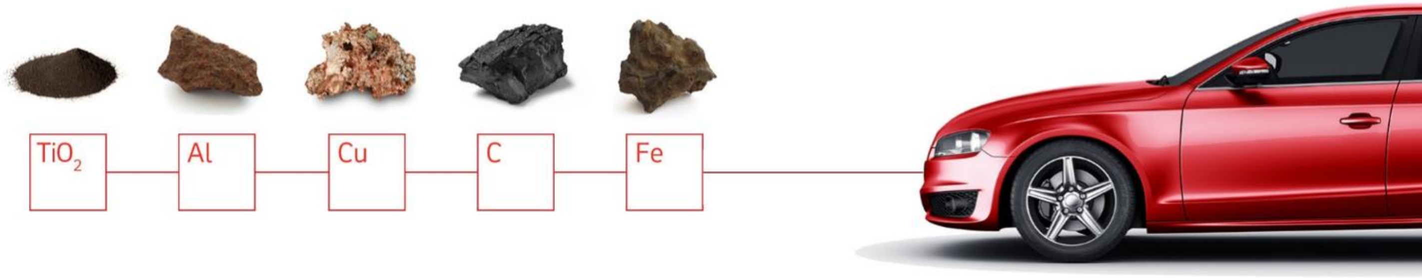
Delivering on our promises

- ✓ **Strong operating cash flow of $8.5 billion**
- ✓ **Portfolio optimisation with divestments announced of $1.3 billion**
- ✓ **Investing in our three major growth projects**
- ✓ **Balance sheet strength with net debt reduced to $9.6 billion**
- ✓ **Shareholder returns of $3.6 billion**



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Strong results delivered in 2016

Robust financial performance

Operating cashflow of **$8.5 billion**

Underlying earnings of **$5.1 billion**

Free cash flow of **$5.8 billion**

Cash cost reductions of **$1.6 billion**

Capital allocation

Full year 2016 dividend of **$3.1 billion**

Share buy-back of **$0.5 billion** in 2017

Net debt reduced to **$9.6 billion** at 31 December

Capital expenditure of **$3.0 billion**

Positioning for the long-term

Oyu Tolgoi underground approved in May

Silvergrass iron ore approved in August

Amrun development progressing to plan

Portfolio shaping progressed with divestments announced totalling **$1.3 billion** in 2016

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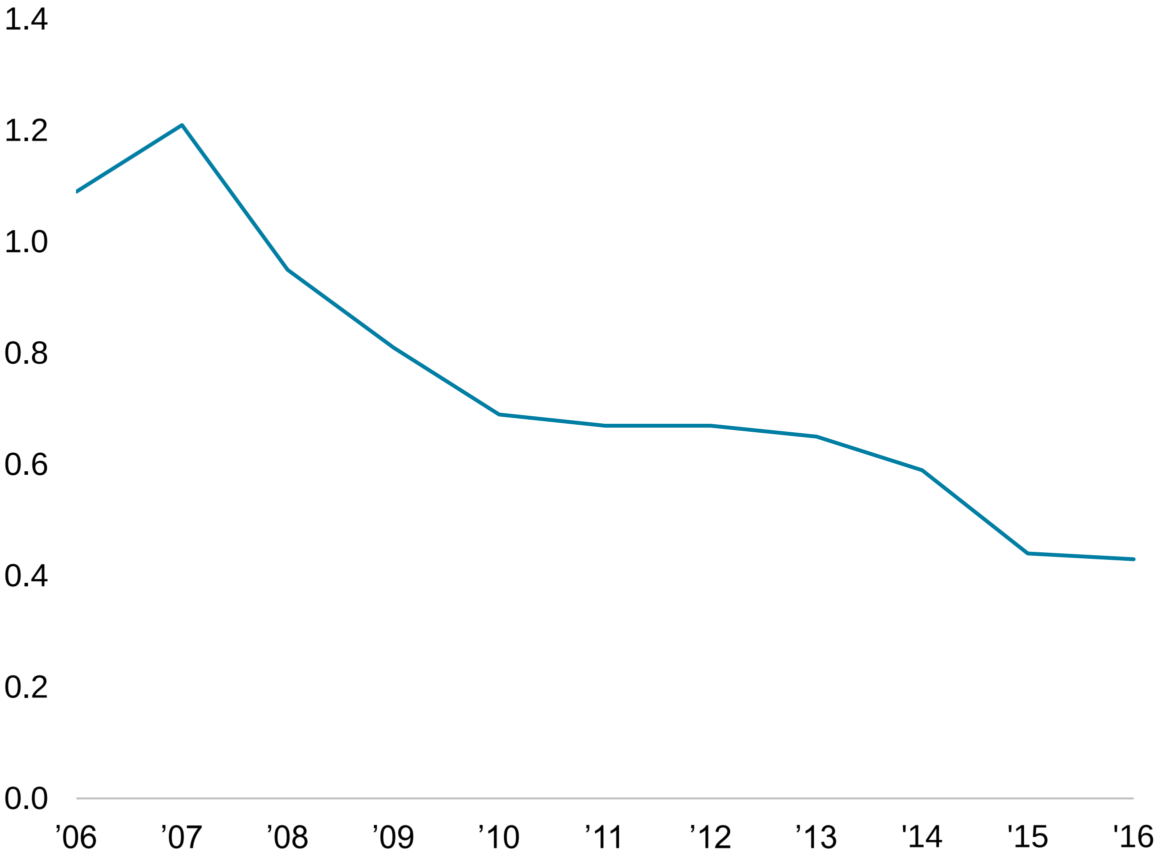
Safety comes first

A history of continual improvement in safety
AIFR per 200,000 hours worked



Fatality at Paraburdoo in June

Continued focus on Fatality Prevention, Illness and Injury Reduction and Catastrophic Event Prevention

Critical Risk Management (CRM) Programme

– More than 1.3 million verifications in 2016

World-class assets delivering value

	Iron Ore	Aluminium	Copper & Diamonds	Energy & Minerals
Margins	**63%** Pilbara operations FOB EBITDA margin	**28%** Integrated operations EBITDA margin	**35%** Operating EBITDA margin	**30%** Operating FOB EBITDA margin
Cash flow	Cash flows from operations of **$5,644m** Free cash flow of **$4,776m**	Cash flows from operations of **$2,074m** Free cash flow of **$1,267m**	Cash flows from operations of **$987m** Free cash flow of **$78m**	Cash flows from operations of **$1,431m** Free cash flow of **$1,294m**

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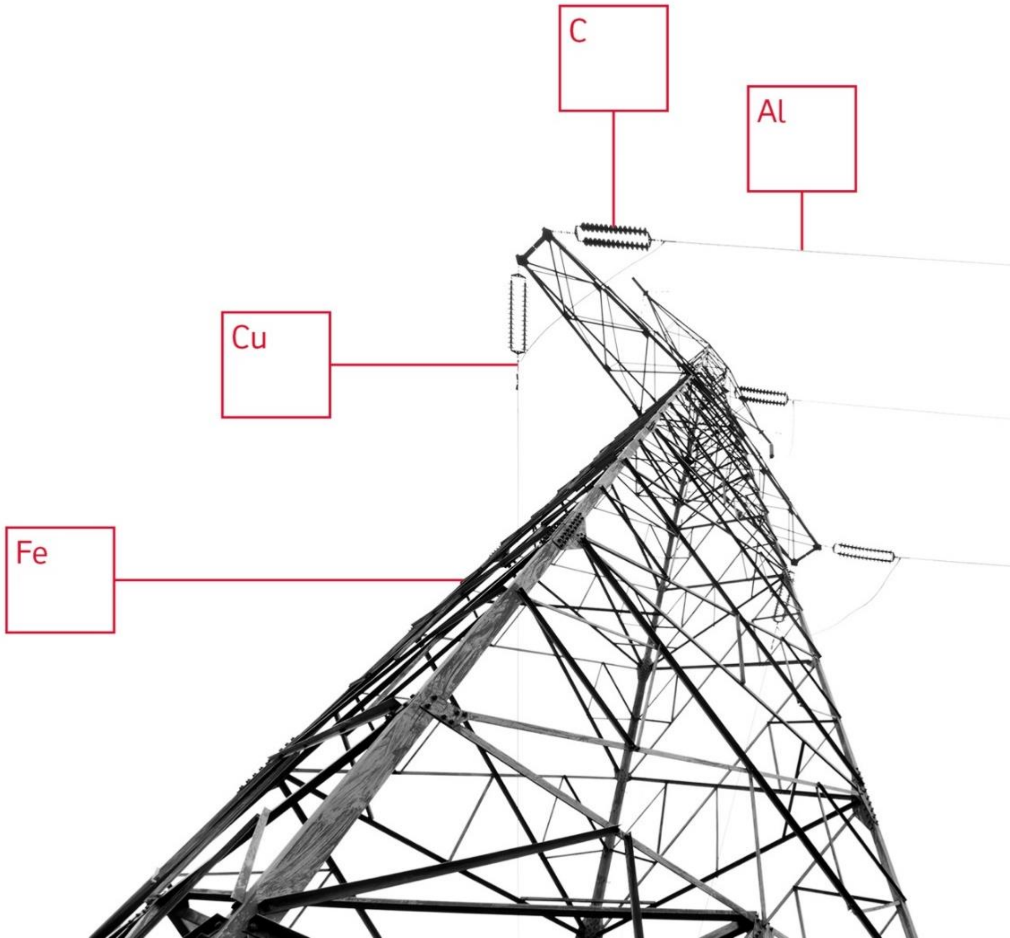
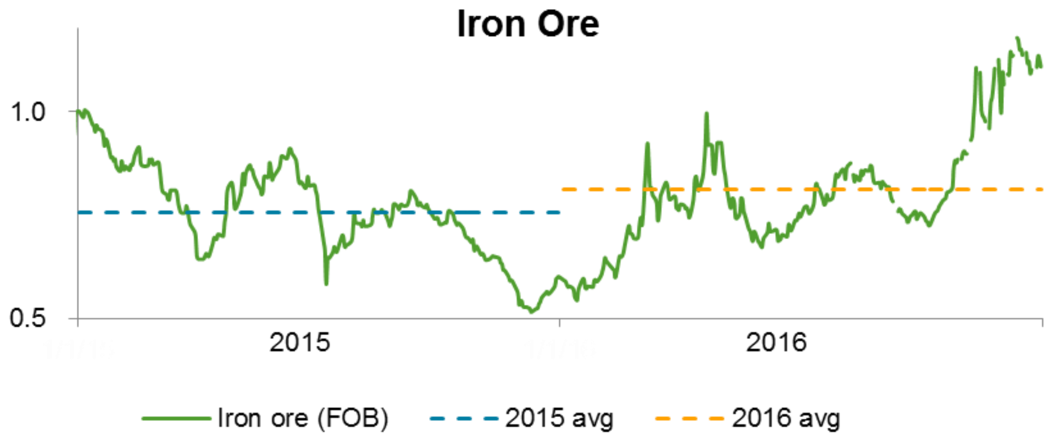
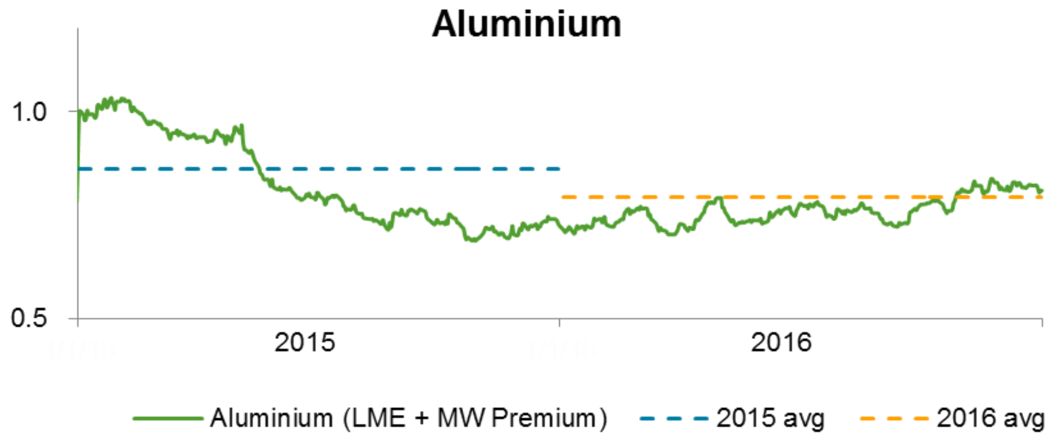
Chris Lynch

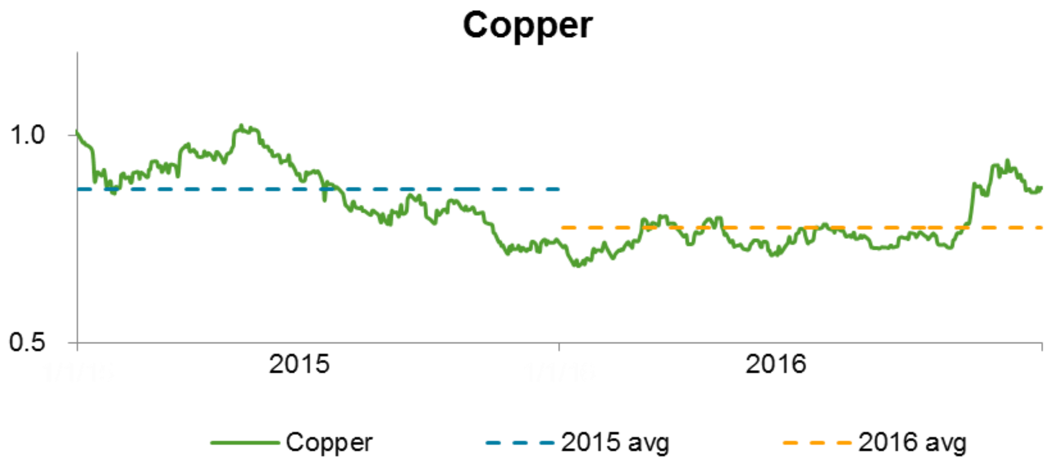
Chief financial officer

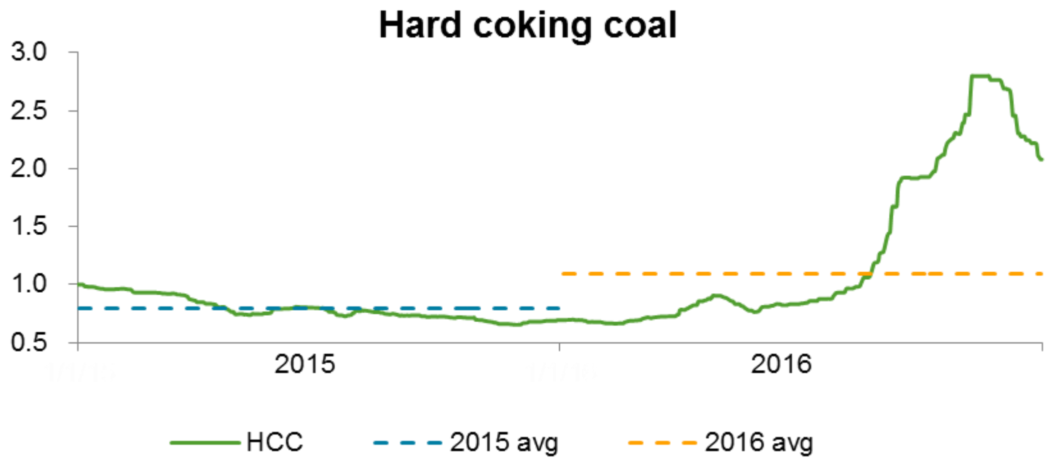


Prices recovered in 2016 but were lower in aggregate than 2015









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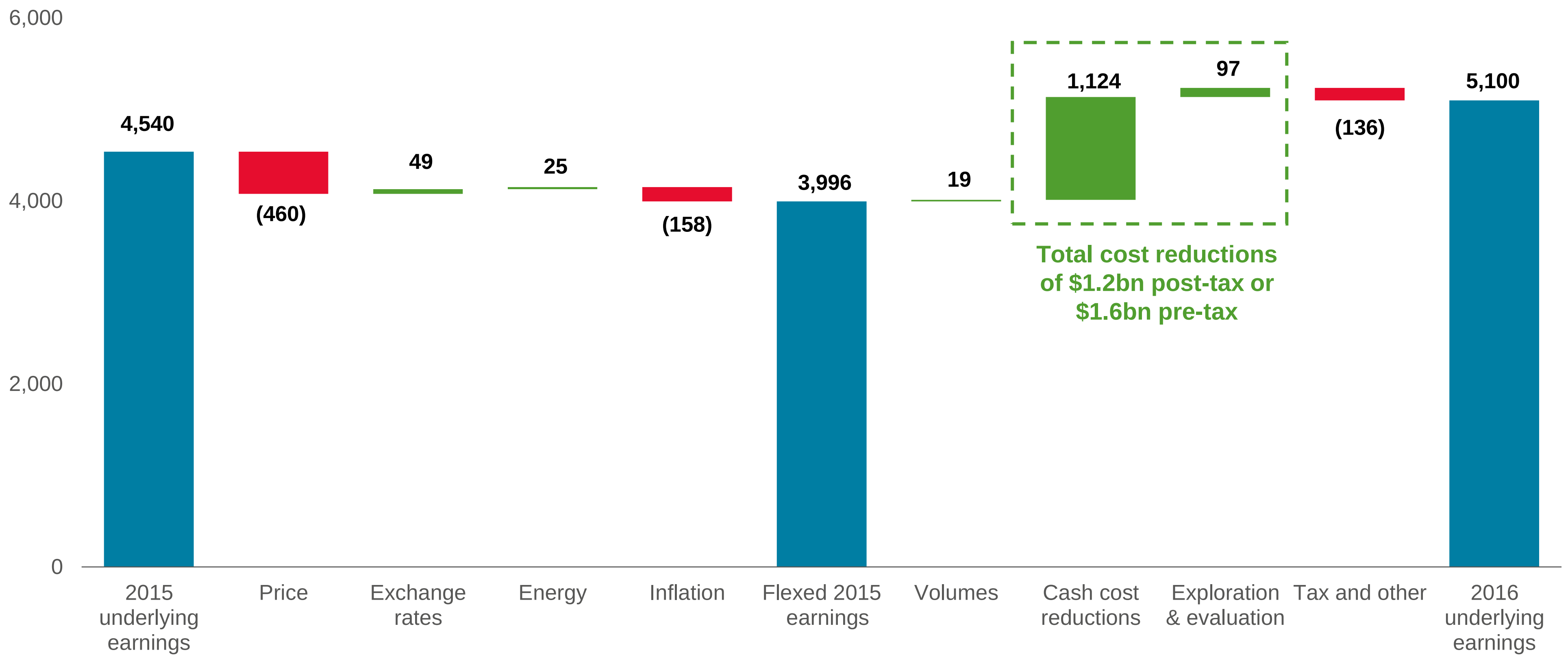
Increased underlying earnings driven by cash cost reductions

Underlying earnings 2015 vs 2016

$ million (post tax)



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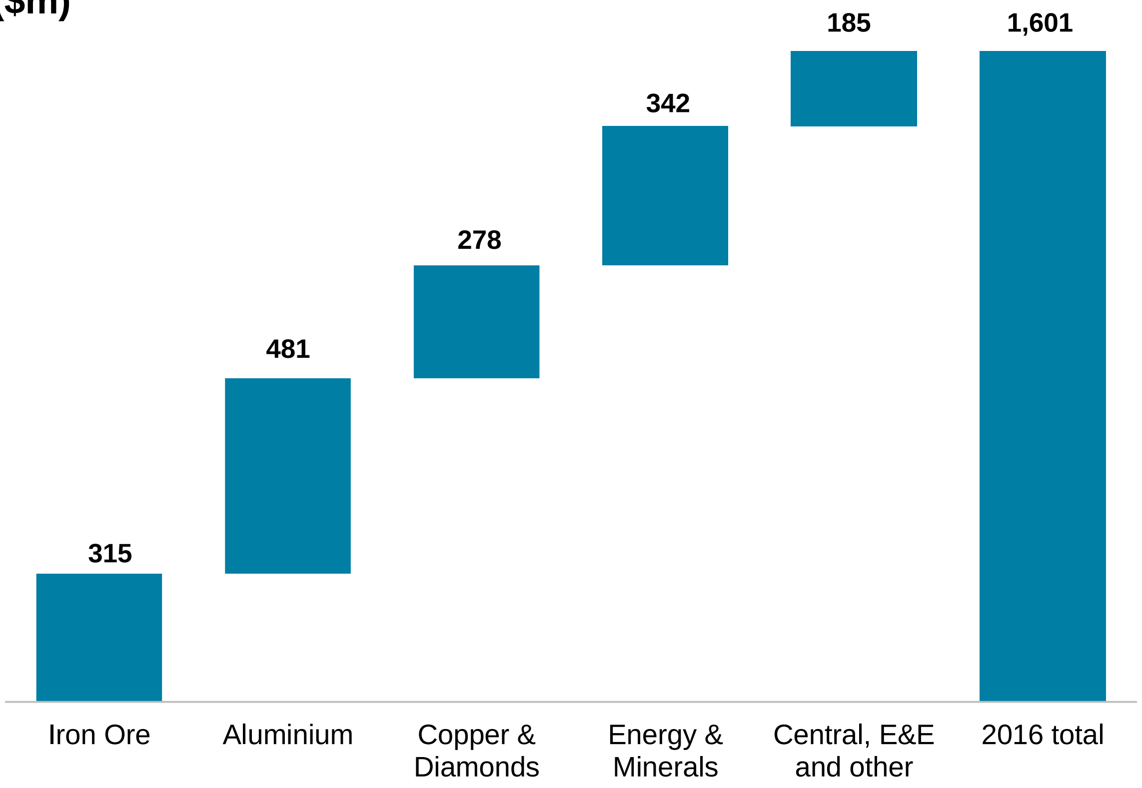
$1.6 billion of cost reductions achieved in 2016

2016 pre-tax operating cash cost improvements ($m)



- $7.8 billion cost savings achieved since 2012
- Cost performance helped deliver a 2016 EBITDA margin of 38% (34% in FY 2015)
- Cost culture across all product groups
- $2 billion cost savings target across 2016 and 2017
- Improving productivity to deliver $5 billion free cash flow by the end of 2021

Net earnings

	US$m
2016 underlying earnings	**5,100**
Impairments/Onerous contracts	(512)
Net gains on disposals	382
Exchange gains/losses on debt and derivatives	536
Restructuring costs and global headcount reductions	(177)
Tax provision	(380)
Closure provisions	(282)
Other	(50)
2016 net earnings	**4,617**

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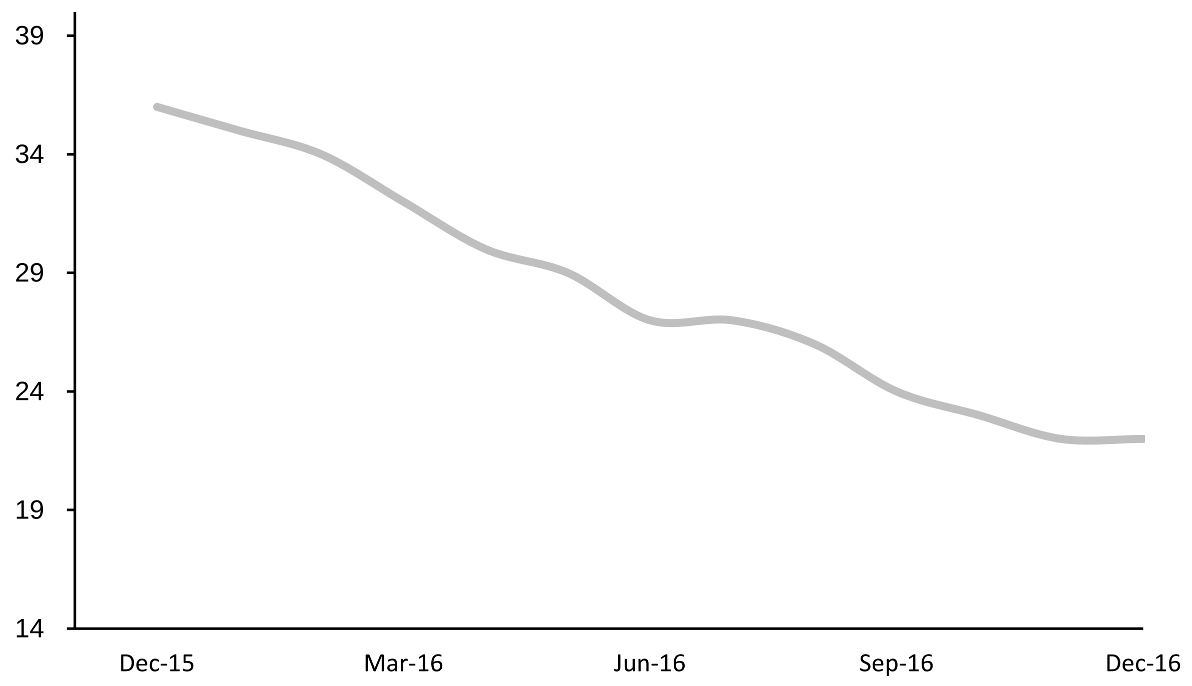
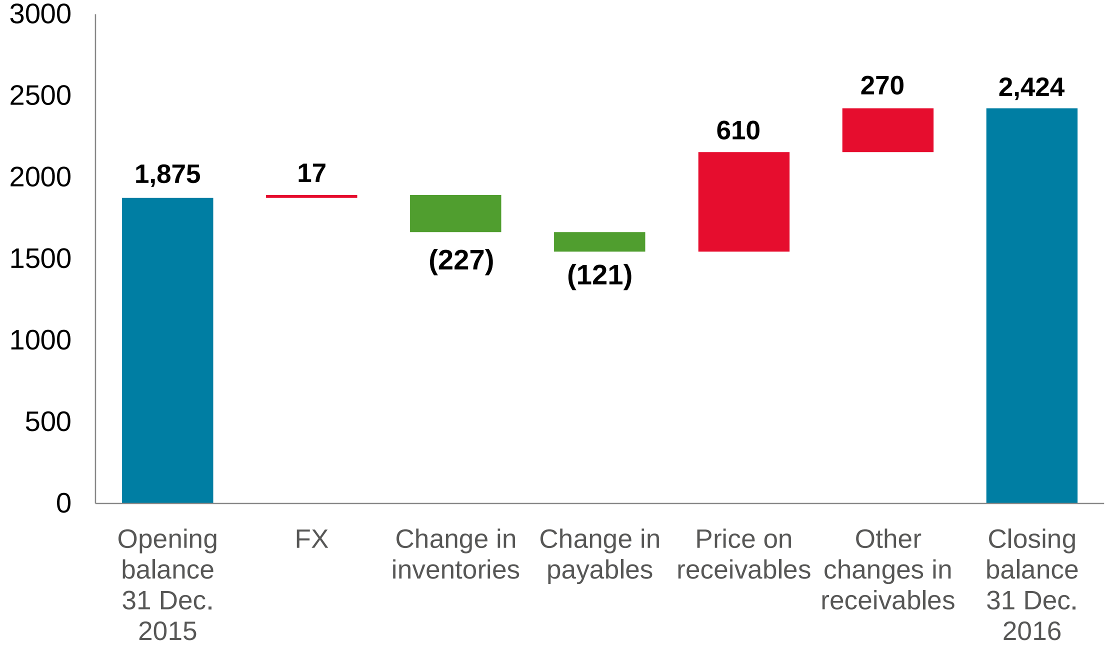
Continued focus on trade working capital

Trade working capital days reduced from 35 to 22 in 2016
#days (12 month rolling average excluding financing)



Trade working capital balances
$ million



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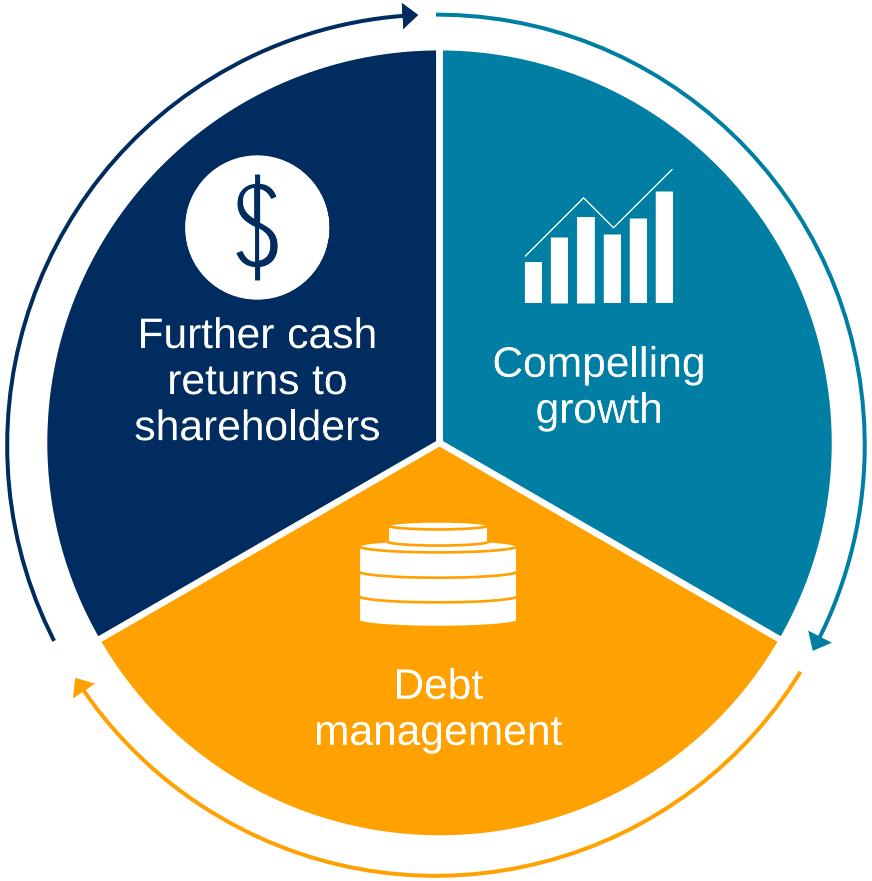
Our capital allocation framework

1 | Essential sustaining capex

2 | Ordinary dividends

3 | Iterative cycle of ❯



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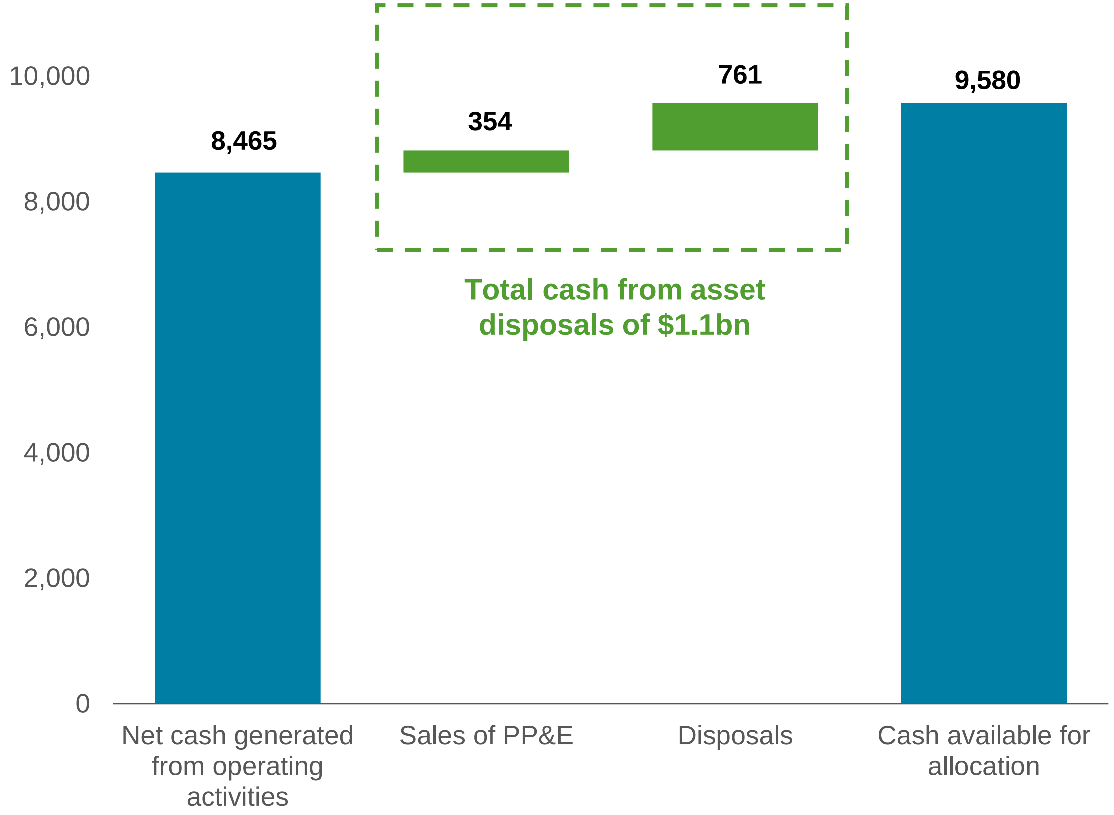
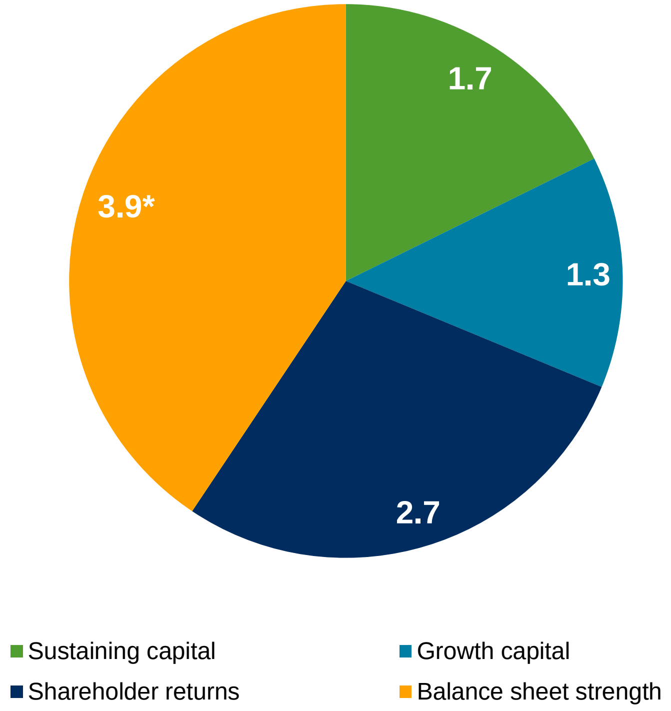
Disciplined allocation of strong cash flow

Cash flow 2016
($ million)



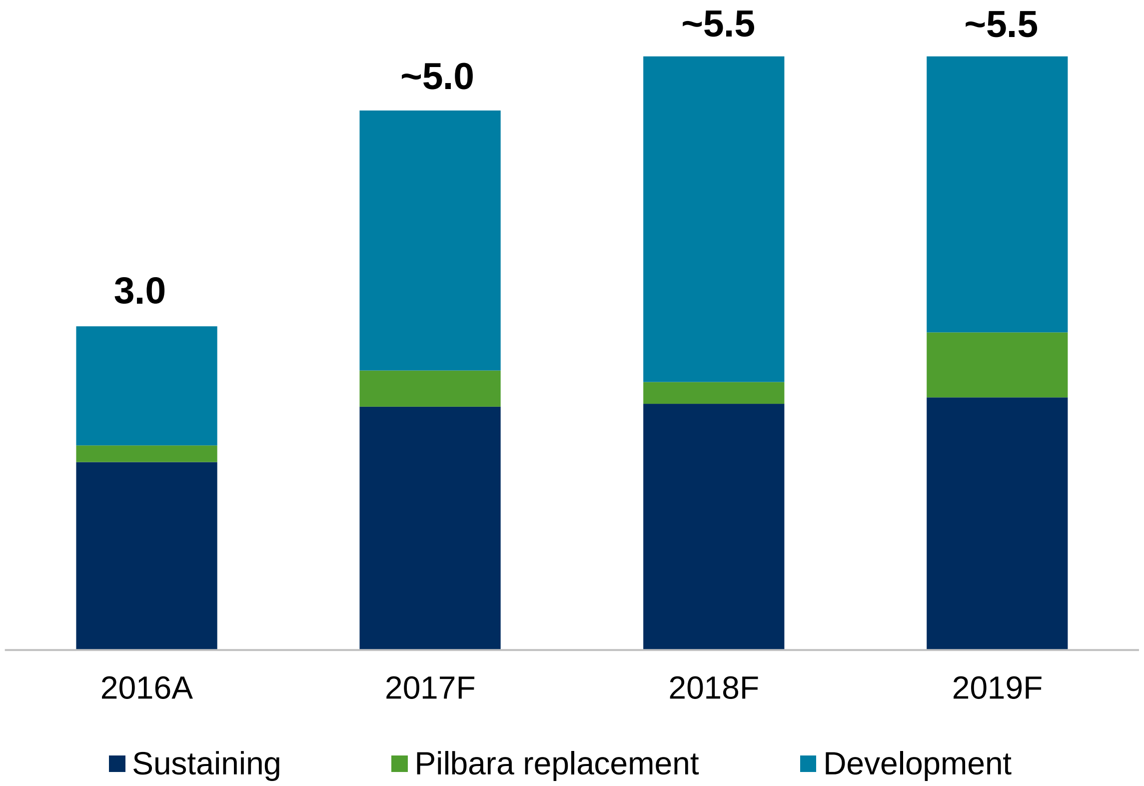
Disciplined allocation of capital
($ billion)



* Balance sheet net debt reduction of $4.2bn comprises $3.9bn of net cash movement and $0.3bn of non-cash or exchange movements

Sustaining capex and compelling growth

Capital expenditure profile
$ billion



2016 capital reduction due to project optimisation, cost improvements and timing

H2 2016 spend of $1.7 billion as projects progress

Three major projects approved and on track

Brownfields Pilbara mines replacement capital intensity of $5 - $20 / tonne

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Investing in growth projects of >15% IRR

Silvergrass – delivering high-grade low, phosphorus iron ore, with system benefits, for the Pilbara Blend

On track for H2 2017, ~20Mtpa capacity

Amrun – high-quality greenfield bauxite project.

Advancing to schedule, 22.8 Mt/a[1] capacity, H1 2019

Oyu Tolgoi underground – large, high-grade, brownfield copper development

Underground mine development underway, ~560kt/a copper production (2025-2030)[2]

[1] The production target for Amrun 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”). [2] The production target for Oyu Tolgoi 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.

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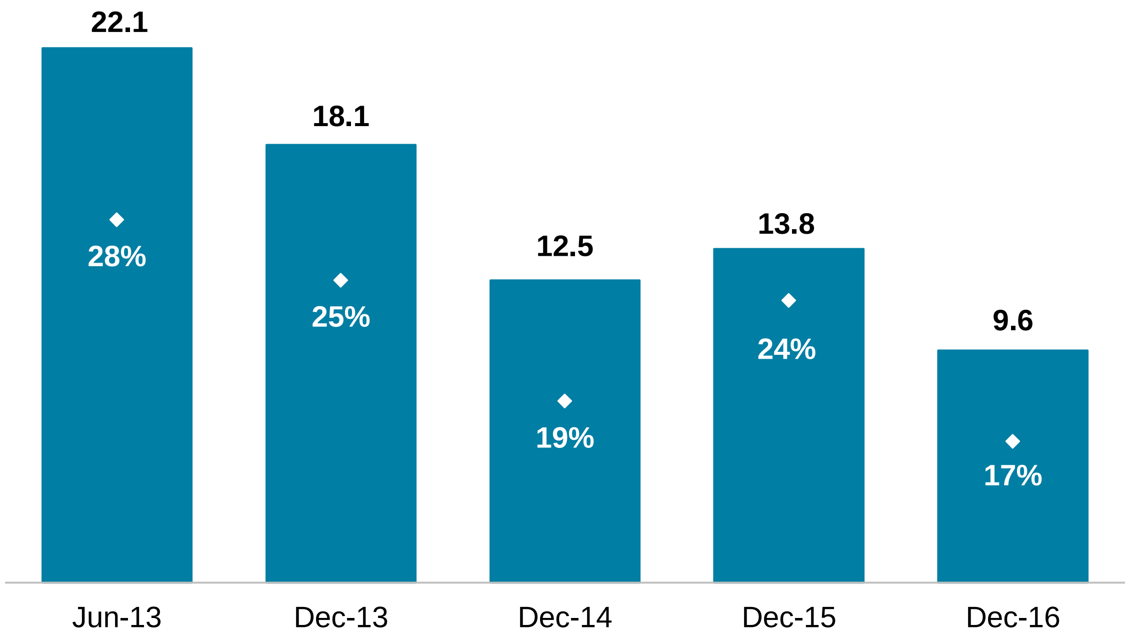
Strengthening our balance sheet

Net debt and gearing ratio[1]
($bn)



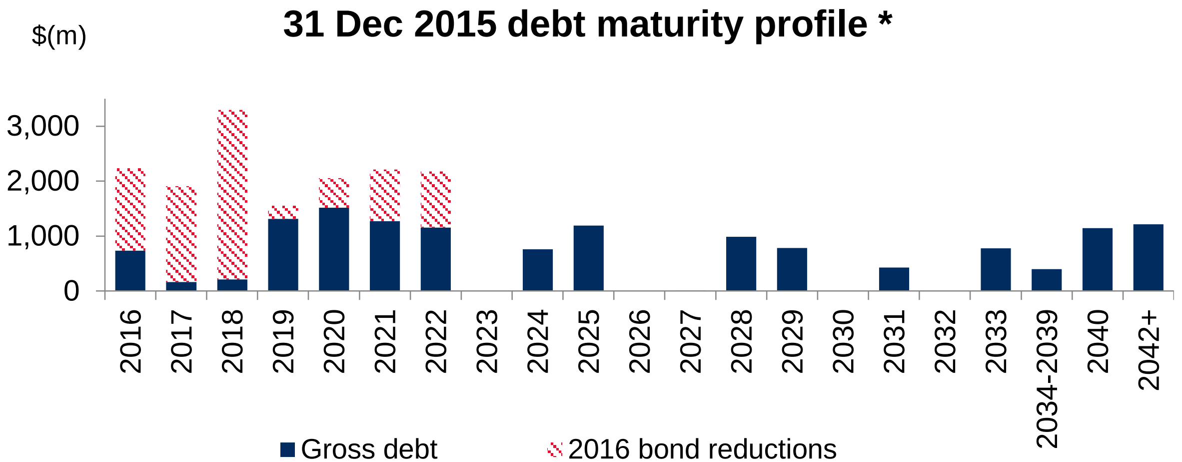
Net debt reduction of $4.2 billion in 2016

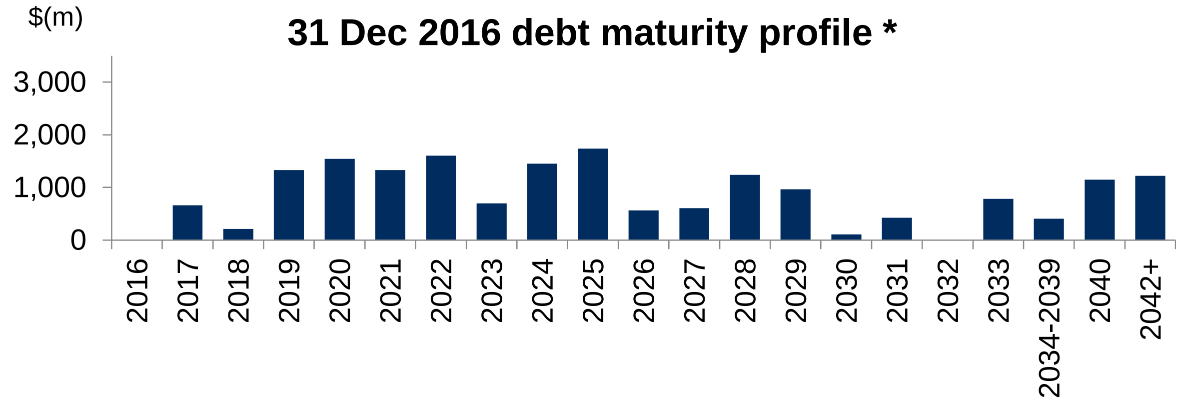
Gearing below 20%

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

[1] Gearing ratio (◆) = net debt / (net debt + book equity)

Near-term maturities greatly reduced





*Numbers based on year-end accounting value

Gross debt reduced by $5 billion in 2016

$9.0 billion of bonds purchased or repaid with cash in 2016

$4.1 billion of Oyu Tolgoi Project Finance fully consolidated in 2016

Average outstanding debt maturity now ~10 years

Net interest paid of $0.5 billion associated with bond purchase programmes

No bond maturities until 2019

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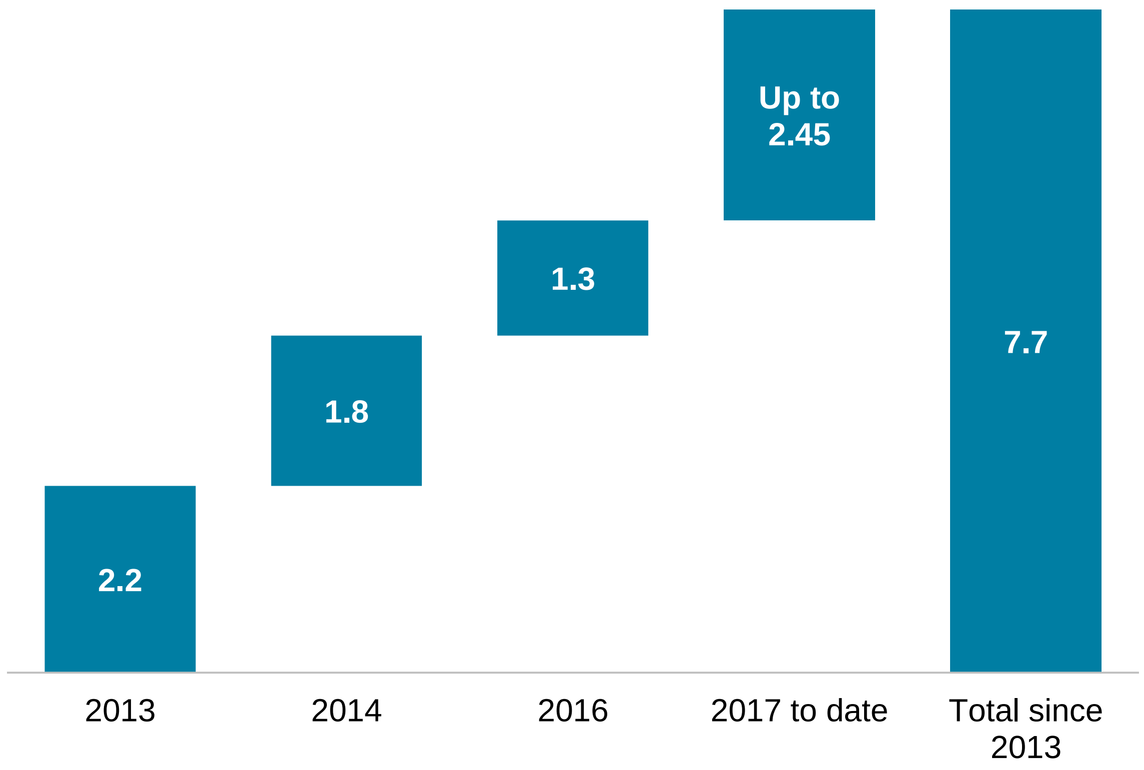
Continuing to shape our portfolio

$7.7 billion[1] disposals announced since 2013
($bn)



Value delivered through divestments

January announcement of Coal & Allied divestment for up to $2.45 billion

Proceeds expected in 2017:

– Lochaber second tranche of $0.2 billion in H1

– Coal & Allied of at least $1.95 billion in H2

[1] Based on amounts announced in Rio Tinto media releases, may vary from cash flow statement due to completion adjustments and exchange rates

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Application of the new returns policy

Capital return considerations	Comments	Status
Results for 2016	Underlying earnings up 12% to $5.1bn Net debt reduced to $9.6bn.	✓
Long term growth prospects	Focused on Silvergrass, Amrun and Oyu Tolgoi.	✓
Balance sheet strength	Net debt <$10bn	✓
Strong earnings/ cash generation – supplement with additional returns	Payout >60% threshold possible due to strong performance One-off asset disposal proceeds of $1.1bn	✓
40-60 per cent of underlying earnings through the cycle	Payout over the 60% upper threshold possible based on (i) strong H2 2016 prices (ii) disposals (iii) strong balance sheet	✓
Balanced between growth and shareholder returns	Defined growth pipeline provides capacity to allocate more to shareholder cash return and debt reduction	✓
Not less that 110c per share in 2016	Minimum payout can be exceeded	✓
Outlook	Potential for continued price volatility	?

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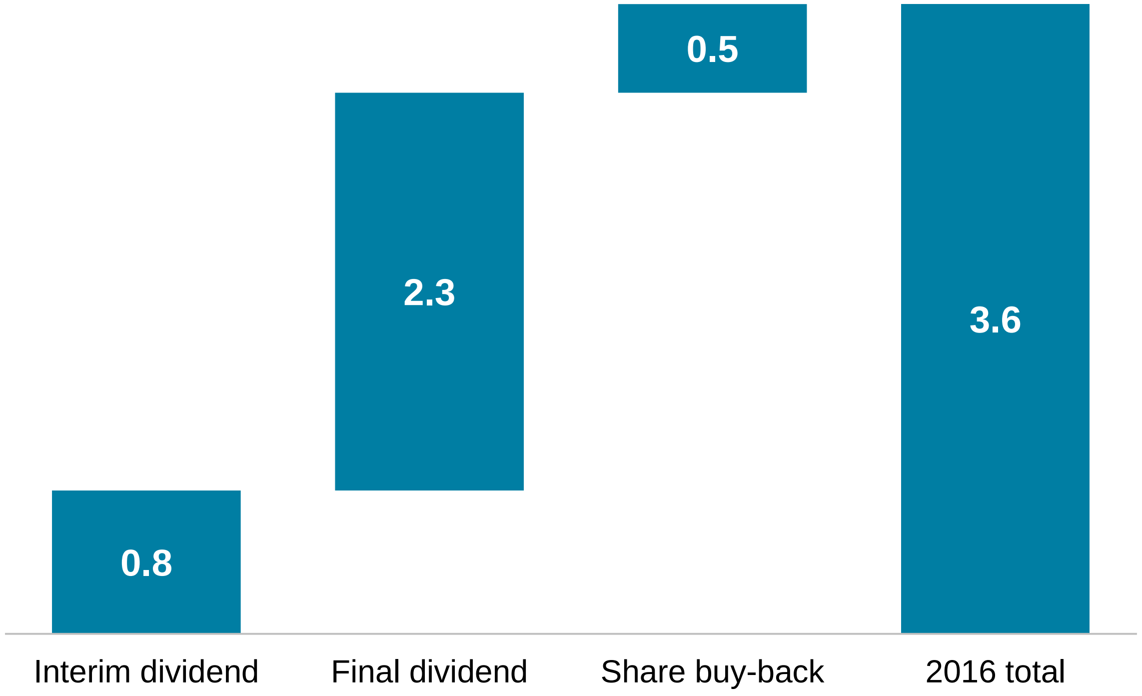
Delivering superior returns for shareholders

Cash returns to shareholders
($bn)*



Final 2016 dividend declared of **125 US cents** per share, delivering full year dividend of **170 US cents** per share

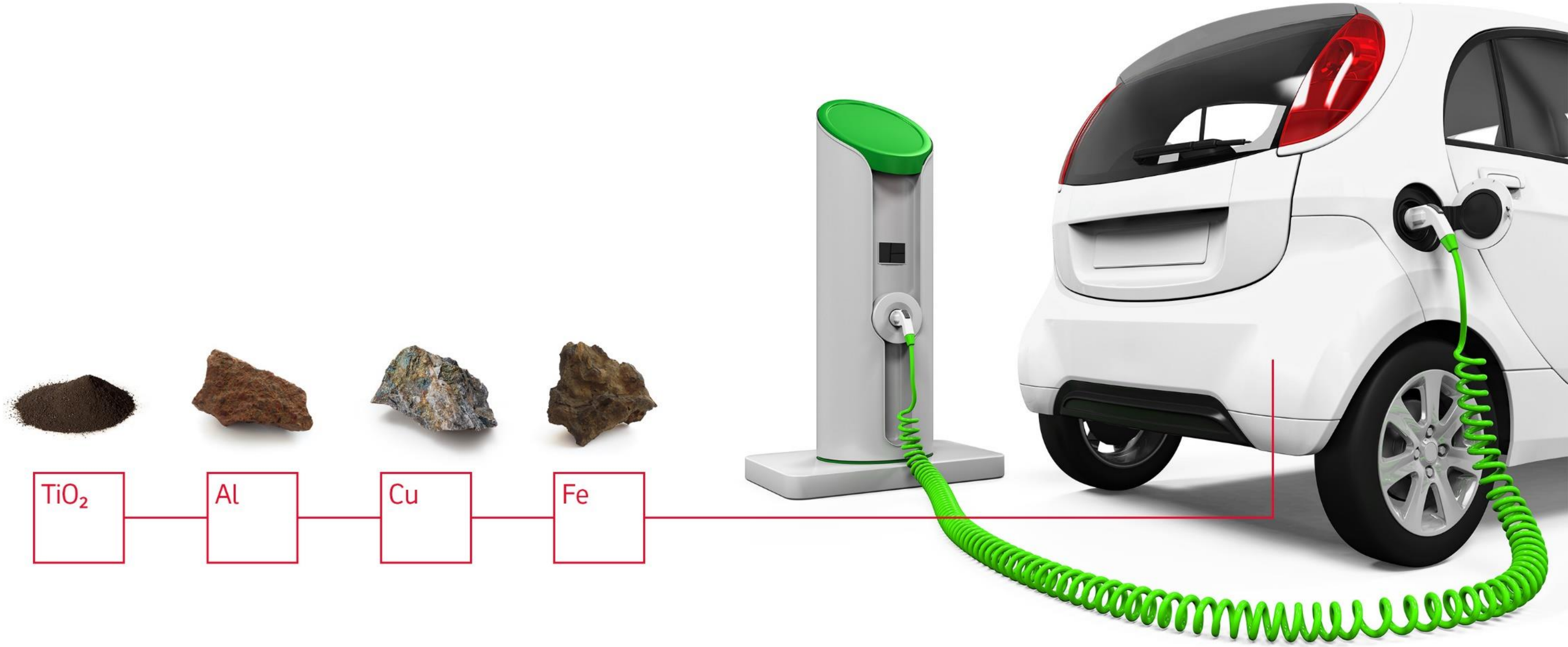
Share buy-back totalling **$0.5 billion** to be undertaken in 2017 in Rio Tinto plc shares

Total 2016 cash returns of **$3.6 billion**, represent 70% of underlying earnings

* Declared basis

J-S Jacques

Chief executive



Resilience in uncertain times

Chinese economic reform

Government and community engagement

Political transition

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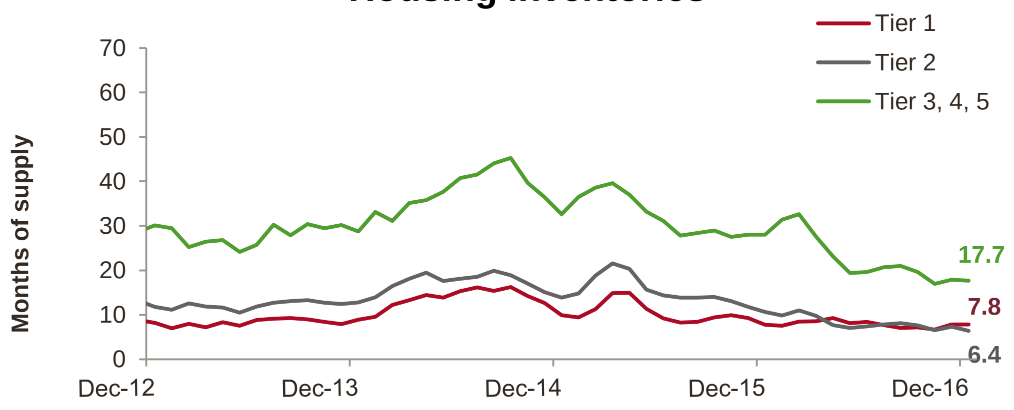
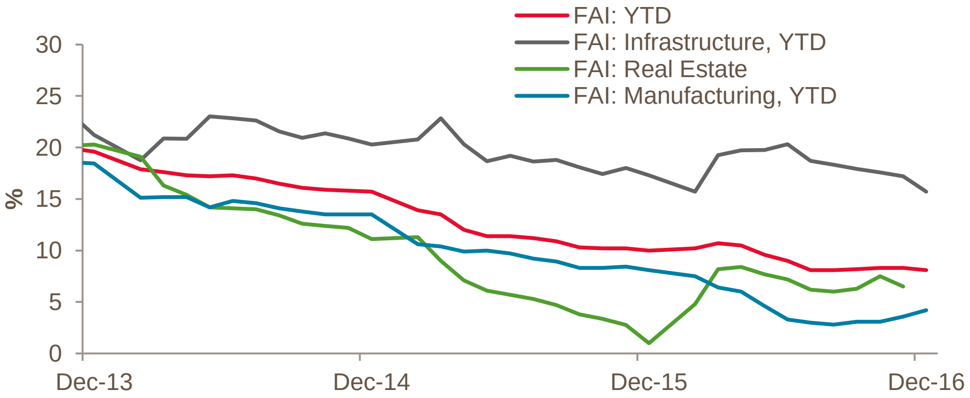
Commodity recovery led by renewed activity in China

Housing inventories



Fixed Asset Investment



Source: CEIC, CREIS & RT China Research

Construction and downstream industrial activity has picked up, improving profitability

Housing inventories have normalised, in particular tier 3 and below

Fixed asset investment growth has moderated but manufacturing FAI is picking up after a long slump

Market recovery supported by surge in credit growth in early 2016

PMI indicates that manufacturers remain optimistic about early 2016

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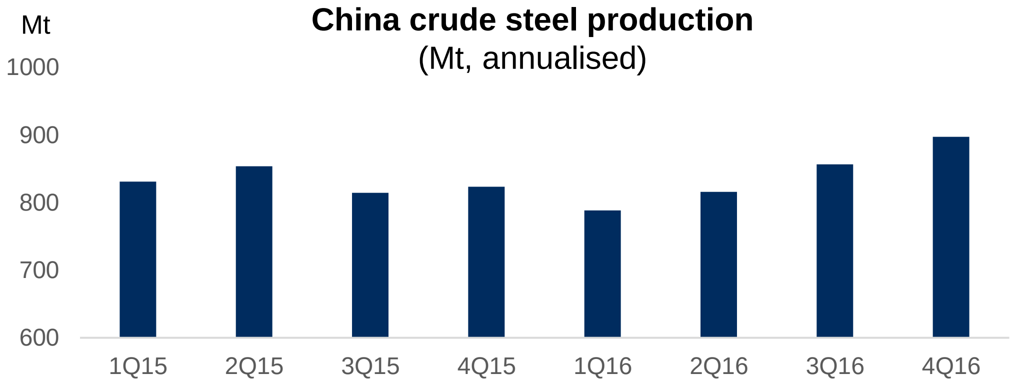
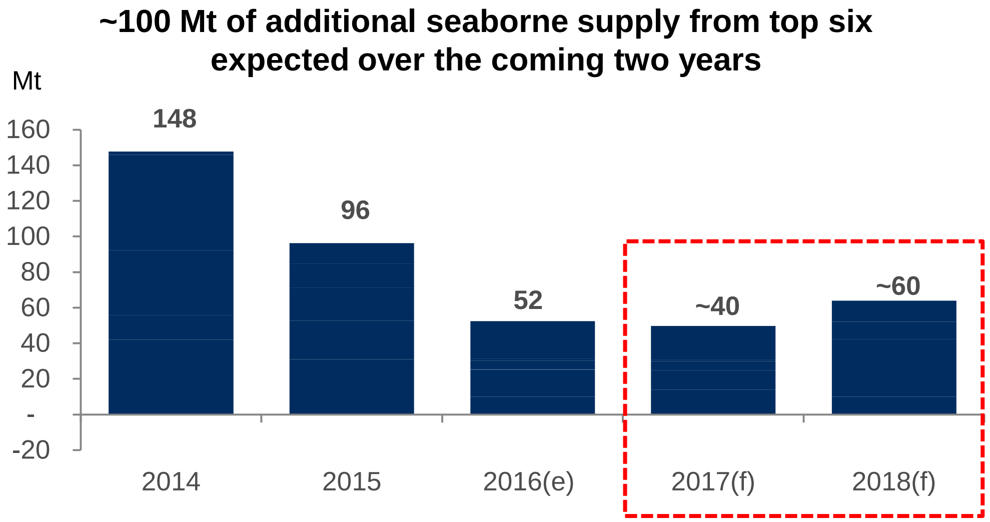
2017 steel and iron ore outlook





All data from CEIC, CREIS & RT China Research

Steel production curtailment leads to a more sustainable steel industry

- Reduction in steel mill capacity not directly linked to steel output
- Supports demand for high quality iron ore

Chinese domestic iron ore supply has been 'sticky' entering and exiting the market

- Peak of ~400mt/a
- Low point of ~230mt/a
- Currently ~260mt/a

Low cost iron ore supply growth has moderated

- 2017 growth primarily from S11D and Roy Hill
- Oversupply in low grade material

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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**

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We aim to deliver $5 billion of free cash flow in productivity improvements over five years

Value Chain

Exploration	Major projects	Mining	Asset management	Processing	Infrastructure	Marketing

Broadening our cost saving programme to include productivity

Opportunity to improve by 30%

Haul Truck
Effective Utilisation[1]

Opportunity to improve up to 70%

Maintenance Quality –
Mean Time Between Failure[2]

Opportunity to improve by 30%

Processing Utilisation
– wet & dry[3]

All sources Rio Tinto. [1] All trucks best to worst performing, excluding autonomous trucks. [2] Across a range of key assets with utilised time representing one element of MTBF. [3] Across wet & dry mineral processing, excluding smelting

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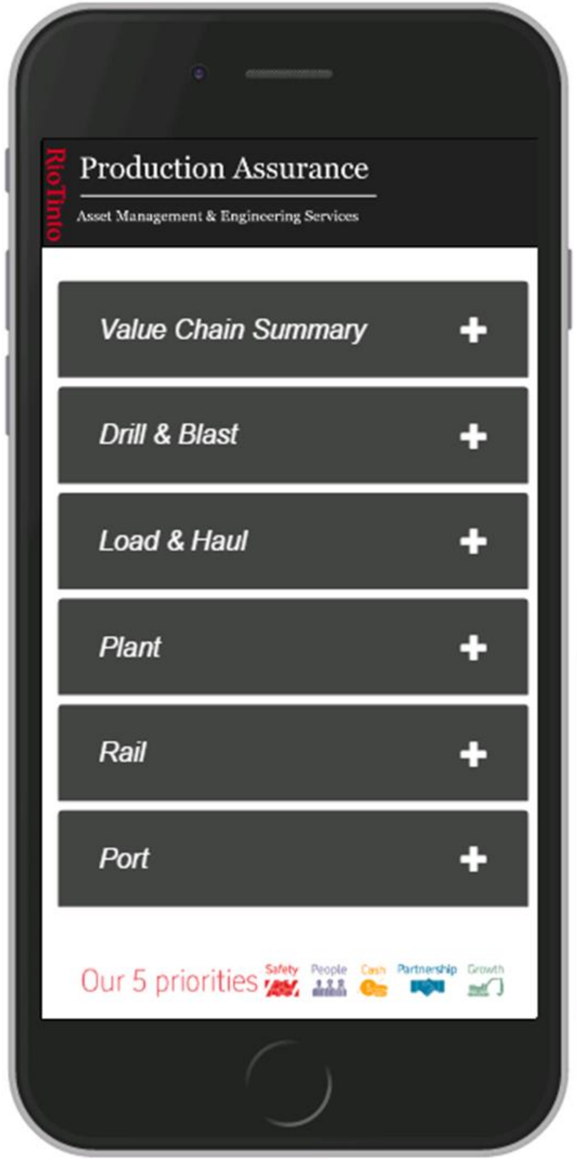
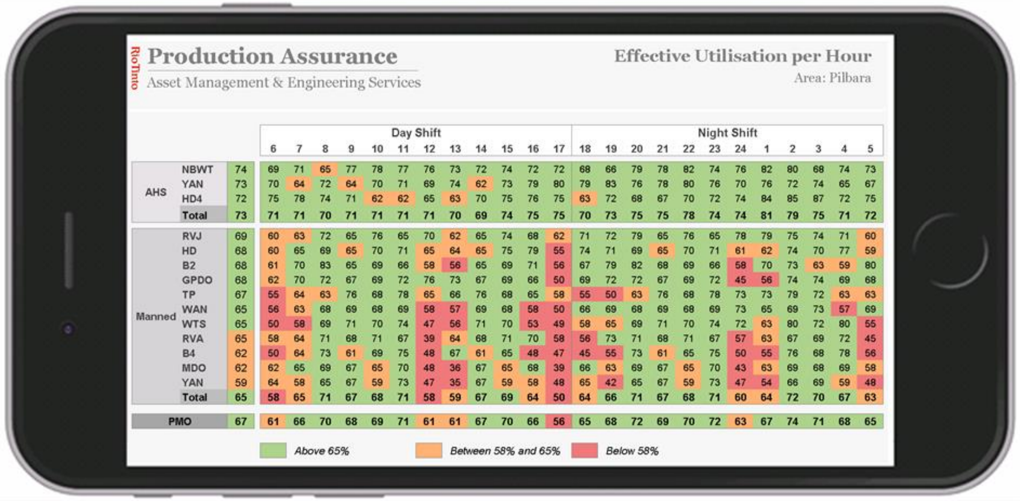
Technology supporting our productivity programme

Truck utilisation smartphone app





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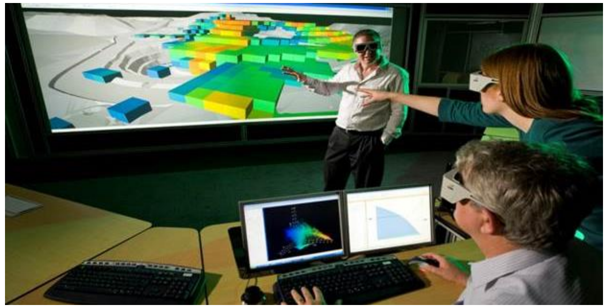
Prioritising people and partners

Safety first

Mobile
talent pool



Technical &
commercial excellence

Highly-valued partners

Fully-engaged
employees

Sustainable local
investment

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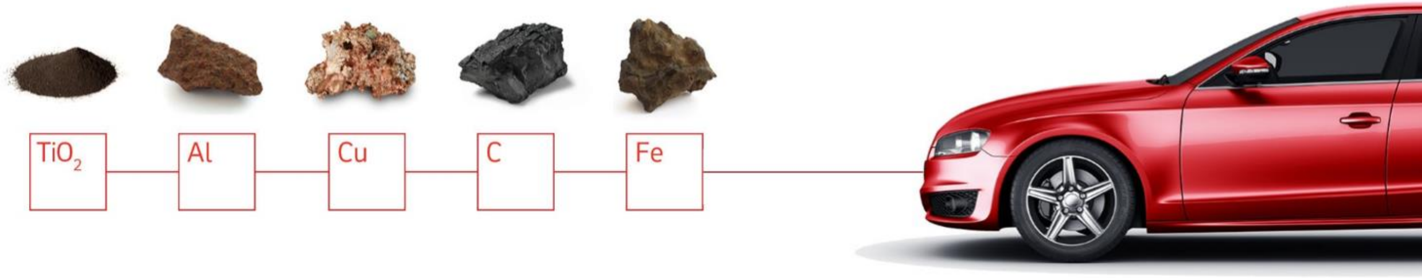
Delivering on our promises

- ✓ **Strong operating cash flow of $8.5 billion**
- ✓ **Portfolio optimisation with divestments announced of $1.3 billion**
- ✓ **Investing in our three major growth projects**
- ✓ **Balance sheet strength with net debt reduced to $9.6 billion**
- ✓ **Shareholder returns of $3.6 billion**



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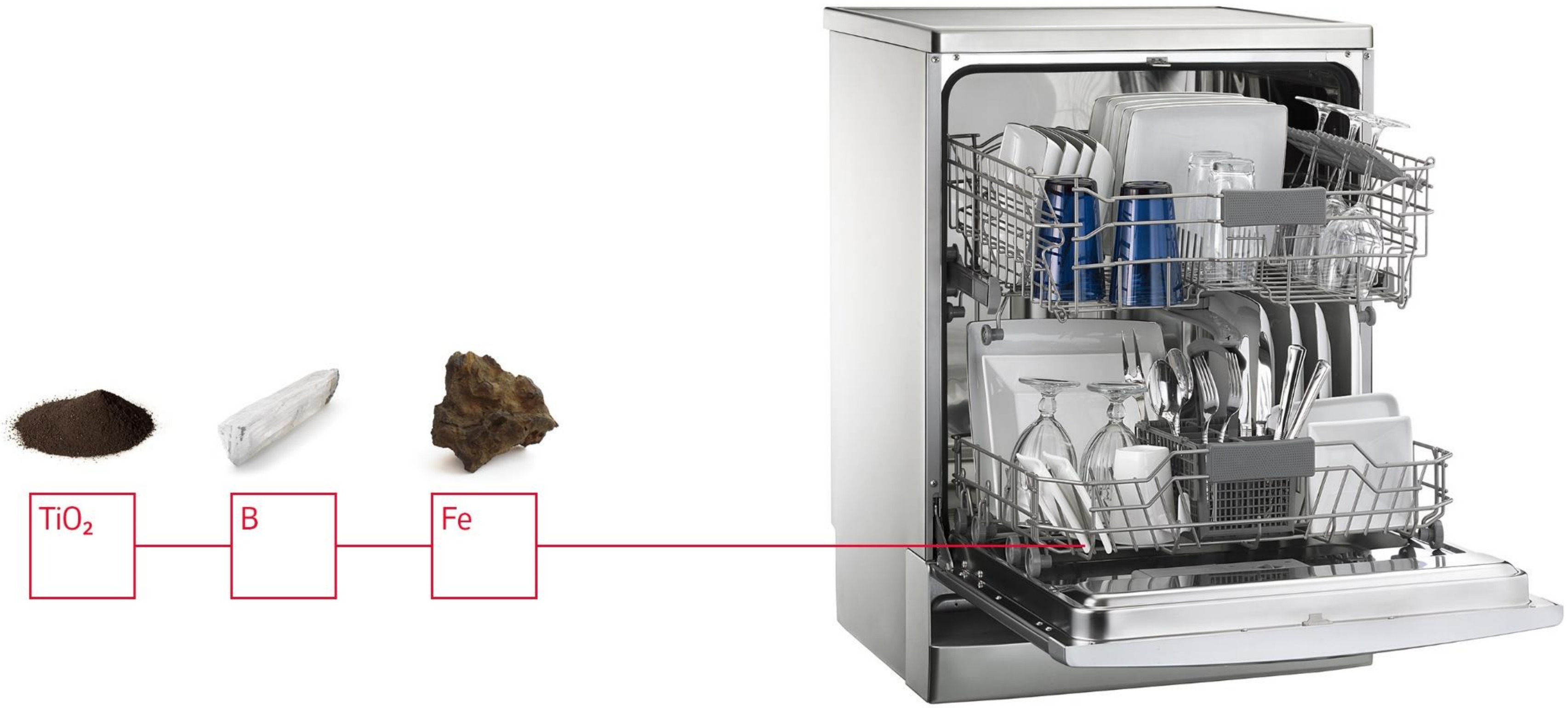
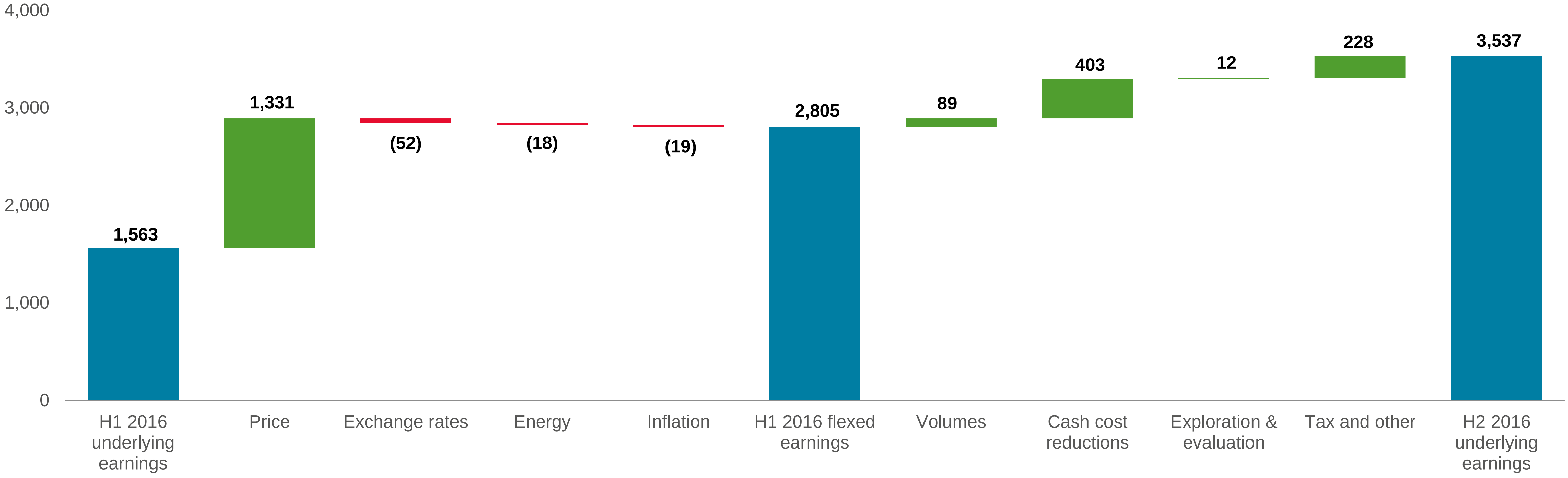
Appendix



Price, cash cost reductions and higher volumes driving increased H2 earnings

Underlying earnings H1 2016 vs H2 2016

$ million (post tax)



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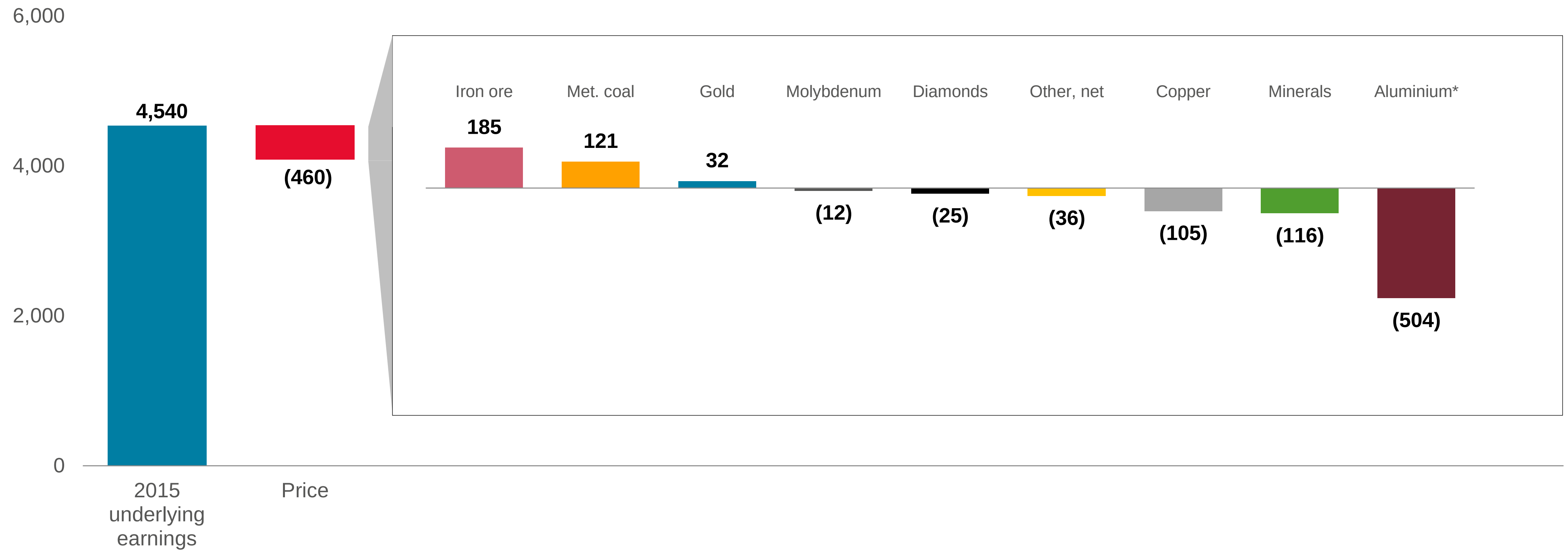
Prices were mixed in 2016…

Underlying earnings 2015 vs 2016
$ million (post tax)



* Aluminium includes a reduction of $330 million relating to the lower market and other premia

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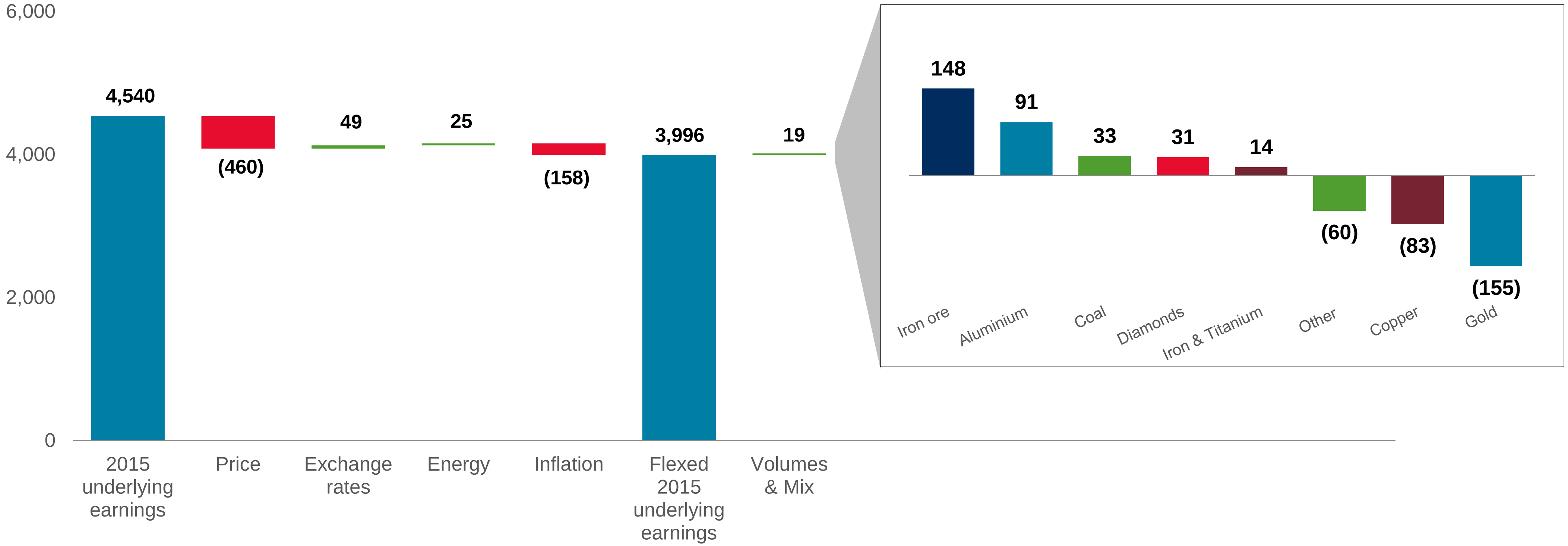
Lower copper and gold sales offset by strong sales in iron ore and aluminium

Underlying earnings 2015 vs 2016

$ million (post tax)



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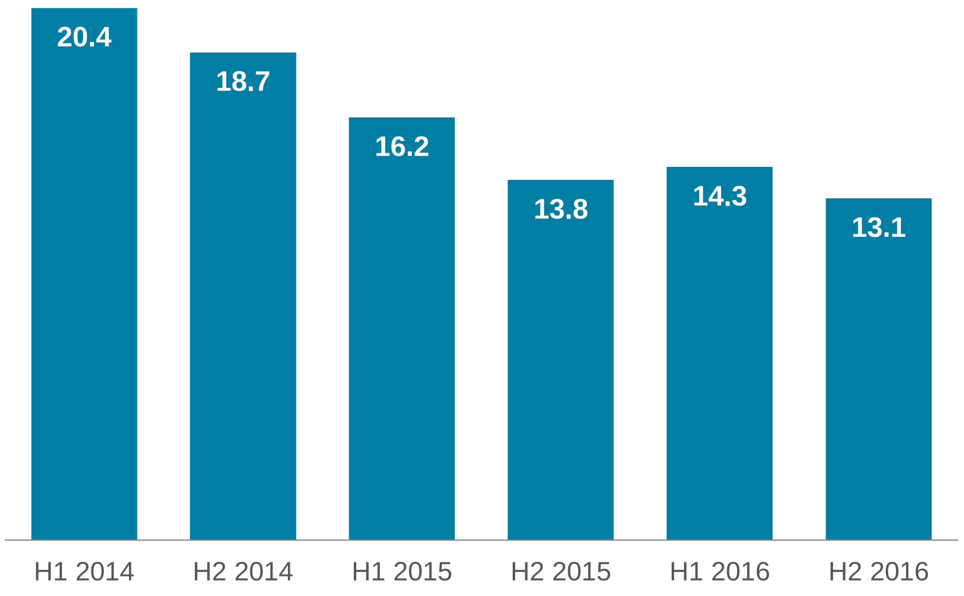
Iron Ore: our low-cost advantage has been sustained over many years

Pilbara cash unit cost
$ per tonne



2016 cash unit cost of $13.7/t (8% lower than $14.9/t in 2015)

Focus remains on maintaining consistently attractive FOB EBITDA margins (63% in 2016)

Average realised FOB price of $49.3 per wet metric tonne ($53.6/dry metric tonne)

2017 guidance for shipments from the Pilbara remains unchanged at 330-340Mt

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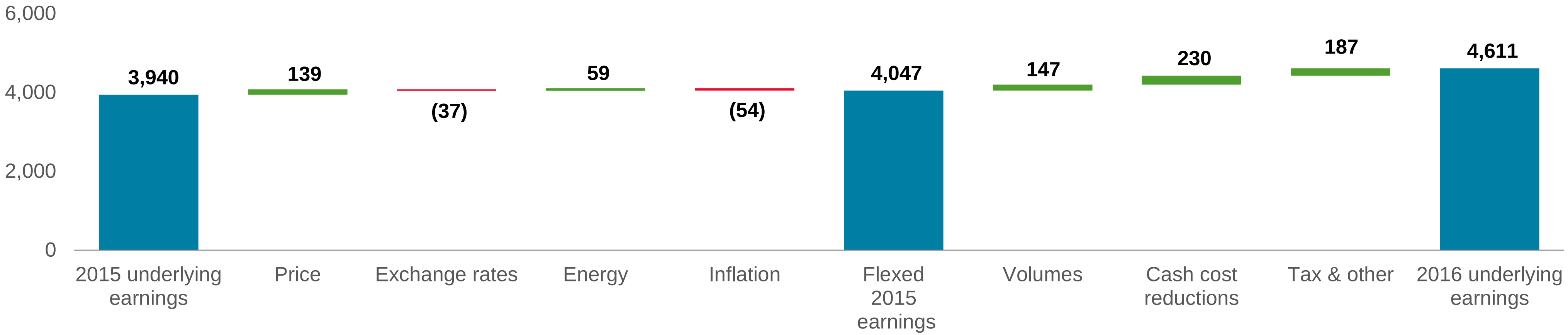
Iron Ore: increased volumes, prices and cost reductions

Underlying earnings 2015 vs 2016
$ million (post tax)



- Pilbara shipments of 327.6 million tonnes was 3% higher than in 2015, attributable to the newly expanded infrastructure and minimal disruption from weather events
- Pilbara FOB EBITDA margins of 63% achieved in 2016 (60% in 2015)
- Pilbara cash unit costs to $13.7 per tonne in 2016, compared with $14.9 per tonne in 2015
- Total cost reductions delivered in 2016 of $315 million pre-tax. Total pre-tax Iron Ore cost savings delivered since 2012 now total $1.4 billion
- Pilbara iron ore revenues includes $886 million of freight in 2016 compared to $918 million in 2015, following declines in freight rates period-on-period
- Approximately 64 per cent of sales in 2016 were priced with reference to the current month average, 20 per cent with reference to the prior quarter's average index lagged by one month, five per cent with reference to the current quarter average and 11 per cent were sold on the spot market
- Approximately 62 per cent of 2016 sales were made on a cost and freight (CFR) basis, with the remainder sold free on board (FOB)

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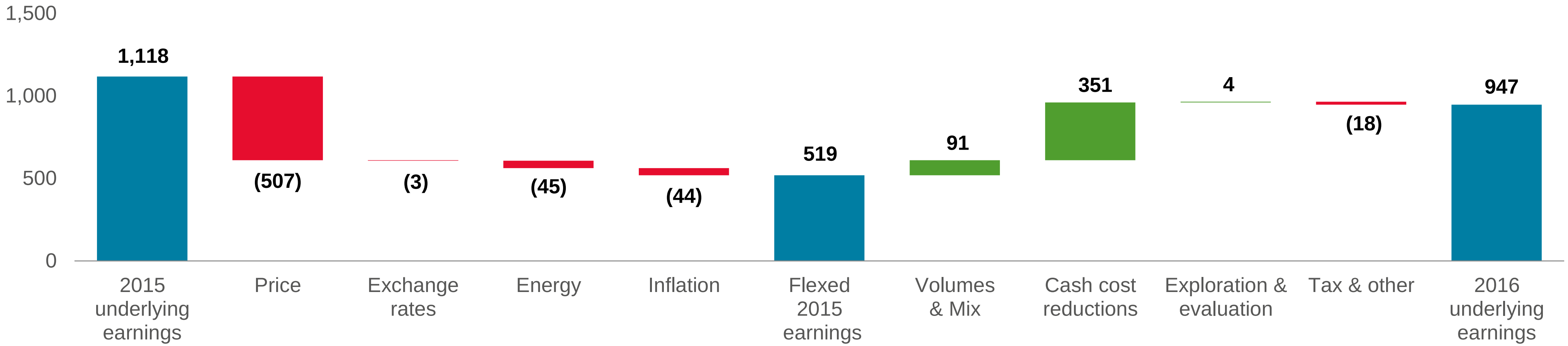
Aluminium: volumes and cost improvements almost completely offset lower prices

Underlying earnings 2015 vs 2016

$ million (post tax)



- Average LME prices decreased 3% year on year. The average realised price per tonne averaged $1,849 in 2016 (2015: $2,058) due to lower market and product premia. In the US, the Mid-West market premium averaged $162 per tonne in 2016, compared with an average $271 per tonne in 2015, a 40% decrease. Value-added product premia averaged $223 per tonne in 2016
- Total 2016 cost savings were $481 million pre-tax. These were achieved through productivity improvements and volume increases, taking total pre-tax Aluminium cost savings delivered since 2012 to $1.6 billion
- Integrated operations EBITDA margins were 28% in 2016, compared to 31% in 2015, delivering operating cash flows of $2.1 billion and $1.3 billion of free cash flow
- Bauxite revenues includes $202 million of freight in 2016 ($205 million in 2015)

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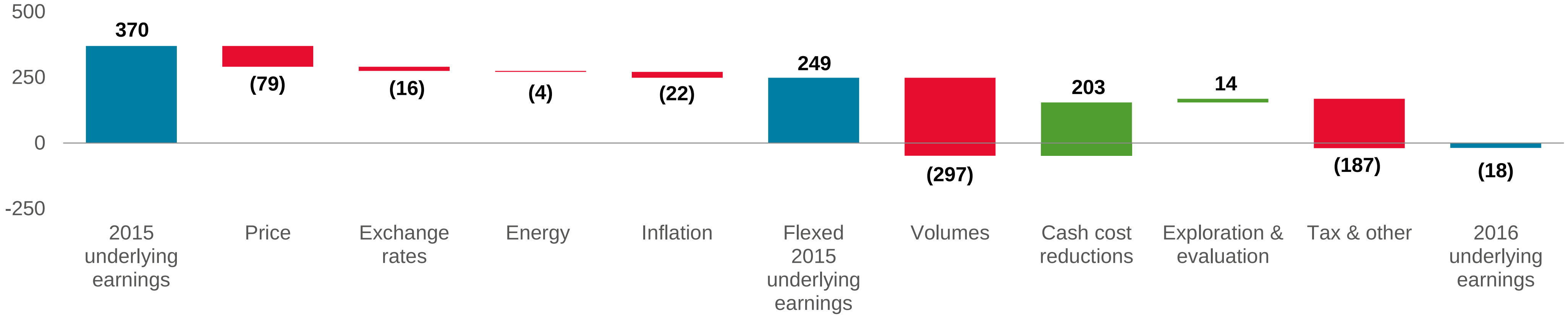
Copper & Diamonds: cost savings partly offset lower volumes and prices

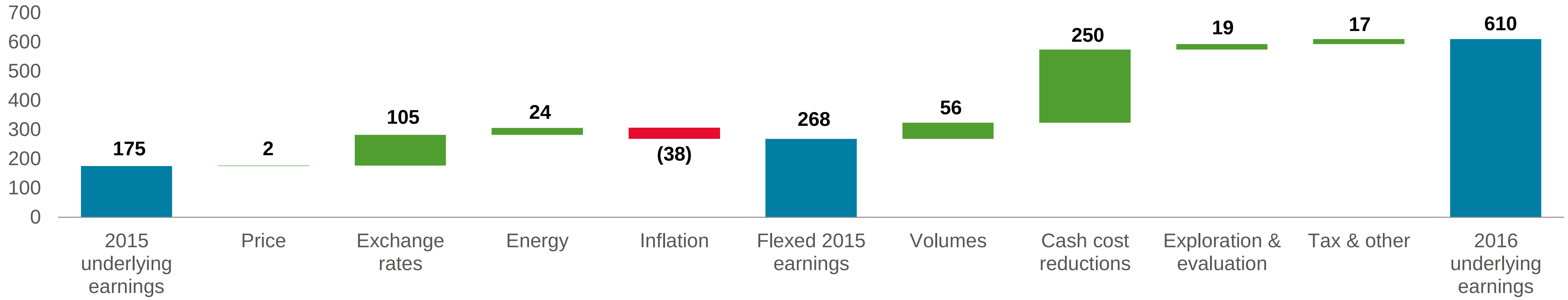
Underlying earnings 2015 vs 2016
$ million (post tax)



- Copper & Diamonds underlying earnings of $(18) million, were heavily impacted by lower sales volumes of copper, molybdenum and gold, lower prices and include $114 million of one-off non-cash asset write-downs. This was partly offset by the delivery of further cash cost savings.
- Pre-tax cash cost savings delivered in 2016 were $278 million bringing total pre-tax cash cost improvements delivered by Copper & Diamonds since 2012 to $1.3 billion.
- Copper & Diamonds generated net cash from operating activities of $987 million and was free cash flow positive, despite investing more than $900 million in development capital and exploration and evaluation. All managed operations made a positive free cash flow contribution.
- To optimise smelter utilisation, Kennecott tolled 315 thousand tonnes of third party concentrate in 2016
- At 31 December 2016, the Group had an estimated 235 million pounds of copper sales that were provisionally priced at 250 cents per pound. The final price of these sales will be determined during the first half of 2017. This compares with 252 million pounds of open shipments at 31 December 2015, provisionally priced at 217 cents per pound

Energy & Minerals: cost improvements, favourable exchange rates and higher volumes driving earnings

Underlying earnings 2015 vs 2016
$ million (post tax)



- Underlying earnings of $610 million were significantly higher than 2015, primarily driven by cash cost reductions, benefits from exchange rate movements and higher sales volumes
- Pre-tax cost reductions delivered in 2016 were $342 million bringing total pre-tax cost savings delivered by Energy & Minerals since 2012 to $1.4 billion
- Strong operating cash flows of $1.4 billion resulted in a free cash flow contribution to the Group of $1.3 billion
- Rio Tinto completed the sale of its interest in the Bengalla coal mine in Australia on 1 March 2016, completed the sale of Mount Pleasant on 5 August 2016 and completed the sale of its interest in ZAC on 2 September
- Revenues included $320 million of freight in 2016 (2015: $481 million)

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Other movements in underlying earnings

Underlying earnings impact

$ million	2015	FX/ price	Energy & Inflation	Volumes	Cash Costs	Epl'n eval'n	Non Cash	Interest, tax & other	2016
Other operations	(88)	(15)	(9)	22	32	-	6	(34)	(86)
Exploration & Evaluation (net)	(211)	-	-	-	-	64	-	-	(147)
Interest	(389)	-	-	-	-	-	-	(187)	(576)
Other	(375)	-	-	-	58	-	1	75	(241)
Total	(1063)	(15)	(9)	22	90	64	7	(146)	(1050)

- Other operations includes the Gove alumina refinery (curtailed in May 2014) and RT Marine. The reduction in net loss reflects lower spend at both Gove and RT Marine.
- Exploration & Evaluation costs lower due to reduced spend at La Granja.
- Interest includes $237 million post-tax of early redemption costs associated with the three bond buy-back programmes.
- Other includes savings across central functions.

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Modelling earnings

Earnings sensitivity	2016 average price/ rate	($m) impact on FY 2016 underlying earnings of 10% price/rate change
Copper	221c/lb	238
Aluminium	$1,605/t	469
Gold	$1,250/oz	36
Iron ore (62% Fe FOB)	$53.6/dmt	879
Coking coal (benchmark)	$114/t	49
Thermal coal (average spot)	$66/t	81
A$	74USc	604
C$	76USc	229
Oil	$44/bbl	53

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.

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