

## Rio Tinto Limited AGM – Address by the chief executive

Perth, 7 May 2015

**\*\*Check against delivery\*\***

Thank you, Chairman.

Good morning ladies and gentlemen.

It is a real pleasure to be here in Perth again.

A city which is so close to many of our operations and also very close to my heart.

May I also pay my respects to the Nyoongar people and thank Dr Richard Walley, for his wonderful Welcome to Country.

The ceremony is a powerful reminder of the great cultural, artistic and community ties that we have with the Traditional Owners throughout Australia.

As many of you know, this State is vast and filled with deep cultural diversity and beauty.

And it was against this backdrop that in March this year, I was very proud to announce, with the Western Australian Premier, our agreement to terminate a historic State Agreement Act.

This clears the way for 175,000 hectares of the Mitchell Plateau to become part of Australia's largest national park, which will cover over two million hectares across the north Kimberley region.

We decided to play our part in the conservation of this iconic area, given our long-standing and ongoing commitment as a member of the West Australian community.

When I came into this role just over two years ago, I talked about how we would *improve, strengthen and deliver results* – all with the aim of delivering value to you our shareholders.

And last year at this time, I talked about how we would build on the operating and commercial excellence your company has long been known for.

This year, I am happy to report that – even in the challenging environment of 2014 – your company has delivered outstanding results.

What is most pleasing is that we have significantly increased cash returns to you, our shareholders.

I often say to my team around the world, my plan is my promise, and I am thrilled that we have been able to keep our promise to materially increase shareholder returns.

Importantly, we have done it at the same time, as reducing our debt.

And we now have one of the strongest balance sheets in the industry and we are focused on further performance improvements.

Rio Tinto's qualities mean that we do thrive in challenging times.

Our sound results in 2014, in a time of market uncertainty, only reinforces this fact.

As the industry has faced tough commodity markets, we have returned to a position of strength.

And that strength gives me confidence that we will continue to deliver value throughout the cycle, whatever the environment.

It's the kind of strength that comes, in part, from having a world-class portfolio of assets.

But that's just one element of the value equation.

We also have an outstanding team of 60,000 employees operating those assets, right around the world.

And it's this, together with significant support from our stakeholders and partners, that makes our business success possible.

Recently I have been fortunate enough to visit many of our operations including our Resolution copper project in Arizona, our remarkable copper operation in the South Gobi desert of Mongolia, our coal assets in New South Wales and our iron ore operations here in the Pilbara.

During these trips I met a lot of people - our employees, our partners and our community members - and they were incredibly kind to host us.

It confirmed the very valuable work we do.

We provide jobs and improve livelihoods.

But I have also learnt that what matters in business, as in life, is about having quality relationships.

It is important we value and cherish our relationships with our customers.

It is important we add value to the communities and governments that host us.

It is important we value the relationships we have with suppliers and our many partners around the world.

We deal with complicated issues, but we continue to listen and be transparent.

And these characteristics are what make Rio Tinto unique.

They are also what make for a world-class business.

Of course, great businesses keep their people safe and there is nothing more important than this.

As I reflect on the many ways we have transformed the business for the better, safety is an area where we need to do better.

At first glance, the news looks good.

In 2014, our key safety indicator – the all injury frequency rate – fell by nine per cent.

So, from that perspective, it was our best safety year ever.

And over the last 15 years, we have reduced all injuries by 85 per cent.

But that's not good enough.

It doesn't count when a colleague is killed at work.

And it is with great sadness that I report that two of our employees were killed at work last year, and there were two more fatalities in early 2015.

These are tragedies.

All of us at Rio Tinto feel the loss.

They happened on our watch.

They are unacceptable and we simply must do better.

And whilst the positive safety trends are real, they are not reliable predictors of fatalities.

Therefore, I want to take some time here, today, to talk about each one of these fatalities.

We have a real responsibility to learn from them.

In February last year, at the Gove alumina refinery in the Northern Territory, an employee died while carrying out maintenance work on a kiln.

In November last year, in Canada, a landslide on public ground derailed an iron ore train, killing the locomotive driver.

In January this year, in Madagascar, an operator drowned when the ground beneath his excavator gave way and the equipment and the operator slid into a large tailings pond.

And in February this year, in South Africa, a security guard died when his car rolled over on a public road.

So, even though our safety performance has been steadily improving, we will not call our safety efforts a success until all of our people arrive home safely from work every day.

As industry leaders we set the highest standard.

In 2015, we substantially updated our safety strategies, our procedures and our training, learning from our serious near misses and our fatalities.

The work to make Rio Tinto safer will never stop.

Right across Rio Tinto, we have a culture of performance and learning.

And this is fully embodied in our 2014 results.

You see a company that's been transforming, delivering and succeeding.

In particular, we have driven a financial transformation by focusing on cash generation, ensuring that every dollar is spent wisely.

At the same time, of course, we have been focusing on reducing our costs.

Compared with the 2012 base, we have now reduced our annual operating cash costs and evaluation spend by \$4.8 billion.

Since 2012, we have achieved substantial cost reductions across our portfolio with around \$900 million coming out of our Copper group, \$800 million each from our Aluminum and Energy groups, \$700 million from Iron Ore, and \$400 million from Diamonds and Minerals, and our central functions.

Importantly, we're not stopping there.

We are restless to do even more and have set a target for a further \$750 million cost reduction during 2015.

We have more than halved our capital spend since 2012 to just over \$8 billion last year.

And this year it will be less than \$7 billion.

And importantly, we have also liberated significant working capital, releasing \$2.1 billion of cash mainly from our inventories and receivables.

All of these factors added together helped us generate net cash - from operating activities of \$14.3 billion in 2014.

By focusing on cash and tightening our capital allocation, we have a balance sheet that few in our industry can match.

In capital intensive industries like ours, a robust balance sheet is a competitive advantage – especially during periods of market uncertainty.

It protects the business, it protects our shareholders and it creates a platform for the future.

Moreover, it provides the flexibility to undertake future projects – when the value case is compelling.

And it underpins our ability to reward you our shareholders – as we have in 2014 – through announcing a total cash return to shareholders of almost \$6 billion.

Our strong financial results reflect a disciplined execution of our long-standing strategy: to operate long-life, low-cost, expandable assets in the most attractive industry sectors.

The quality of our assets puts your company in an enviable position.

But as I suggested earlier, it's not enough just to have world-class assets, you've got to run them with equally matched world-class operational and commercial expertise.

Our team around the world made many operational improvements in 2014, delivering significant value to you.

So I'd like to share a few highlights with you.

At our iron ore operations in Australia, Andrew Harding and his team ensured the expansion to 290 million tonnes a year, was delivered under budget and two months ahead of schedule.

We have also substantially reduced our operating costs.

No matter how you look at our Iron Ore operations, there is no doubt it is a world-class business.

The ability to consistently deliver an attractive EBITDA margin through the cycles, over many years, has been a trademark of our Iron Ore business.

We have worked hard to stay in front of the challenges associated with the market, particularly at a time of lowering iron ore prices.

It is imperative that we continue to do this.

With iron ore now trading around \$60/t delivered into China, we have more to do to ensure that we maintain the margin between ourselves and other producers.

Being the lowest cost producer is not about a competition, or a bid to secure bragging rights.

Rather, it's fundamental to the health of our business.

The global iron ore market is in a period of transition, with high-cost and in some cases late-entrant supply, being supplanted by low-cost producers.

We have already seen the winding back of iron ore supply from Chinese producers, on top of production cuts from high-cost seaborne suppliers.

And major industry shifts of this nature never take place in a smooth and uniform manner, so we can expect continued bumps, before the market settles at a new equilibrium.

We take no comfort in what is happening to some of the smaller, higher-cost iron ore producers that are finding it hard to compete.

Operating in a global commodities market has always presented cyclical challenges and today's weakened market is no different.

We don't need to just consider what is happening in Australia, we need to keep in mind what is happening around the world, and that is why we are working so hard to remain one step ahead.

A decade ago when I led the iron ore group, public commentary on iron ore was somewhat more moderate than it is today.

Back then, no one wanted to talk about iron ore.

Nowadays, everyone has a view on the factors at play in the market, be it related to price, demand, supply or sentiment.

And here in Perth you know more than most the history and realities of the seaborne iron ore market.

So, I can suggest to you Rio Tinto's well-flagged investments over many years, and the fact our market share today of 20 per cent, is the same as it was a decade ago.

This invalidates suggestions that we are responsible for a perceived market dislocation.

Over the last eight years we have invested US \$28 billion in our Pilbara iron ore operations.

I can assure you our investments in high quality assets delivering high value tonnes are in your interests as shareholders, and they are in Western Australia's and Australia's interests too.

Our aluminium business has undertaken more than 500 efficiency initiatives – and has grown to be a significant contributor, doubling its underlying earnings year-on-year.

In 2014, our Aluminium production was broadly in line with the previous year's production.

Now, that may not sound impressive, but maintaining output hides the fact that eight smelters achieved production records in order to offset closures and curtailments elsewhere.

When the new Kitimat smelter, in British Columbia, pours first hot metal in the coming months, more than 80 per cent of our smelters will be in the lowest-cost quartile.

And Kitimat will only enhance your company's position as one of the cleanest, greenest producers of aluminium.

Our emissions intensity will be about half the industry average.

As someone who has spent seven years in Rio Tinto's aluminium business, it is great for me to see such a tremendous transformation that is led very capably by Alf Barrios and his team.

As most of you know, before joining Rio Tinto I worked in the automotive industry, so I'm thrilled that our metal goes into one out of every four aluminium alloy wheels in the US car market.

Now we just need to get the other three.

Our copper business is another product group where we've driven marked improvements in productivity.

In Utah, our Kennecott operation increased cash flow, while in Mongolia the ramp-up of Oyu Tolgoi led to record production and lower costs.

Jean-Sebastien Jacques and his team have delivered impressive cost improvements, and they have reshaped the Copper product group, preserving EBITDA margins of 42 per cent year-on-year.

And in 2014, we opened the Processing Excellence Centre, after successful trials at a number of copper and energy sites.

That Centre – in Brisbane – provides real-time comparisons of the mill circuits and float tanks at the copper concentrators in Mongolia and Utah.

Another example of how we apply innovation to increase performance and to lower our costs.

In our coal business we set production records at Hail Creek and our Hunter Valley operation.

The aggressive programme of cost and productivity improvements during the past two years, has delivered more than \$800 million in savings.

Although the coal market continues to be extremely tough, we are focusing on cash generation and cost reductions.

Our Australian operations were cash flow positive last year, but we're not satisfied with the current level of returns on these assets.

So, we are working hard to further improve performance from these businesses.

In our diamonds and minerals business, led by Alan Davies, we delivered a 43 per cent increase in net cash generated from operating activities in 2014 – by being agile in aligning production with the market conditions for its different commodities.

And here in Western Australia that has meant some tough decisions for our Argyle diamond and Dampier Salt operations, but we must always seek to improve and build stronger businesses to secure their future.

Now, these are all highlights from 2014.

That is, of course, last year.

I am eager and excited to see what we can do in the year ahead.

Today, much of the mining industry is looking forward with some trepidation due to uncertain markets.

But we're confident in our ability to continue to meet our customer needs.

The quality of our assets, our high productivity, our low costs, and our robust balance sheet, all create a platform for sound growth, even in challenging market conditions.

We have a compelling pipeline of quality growth projects.

This means we can be selective: making sure that only the best projects attract investment.

In other words, only the projects with the most attractive returns will proceed: the projects that will deliver the most additional value to shareholders.

By way of example, this year in the Pilbara we will continue our low-capital-cost brownfield expansions as we grow our capacity.

This will be achieved at a capital intensity of approximately \$9 a tonne, continuing to confirm our competitive position as the world's lowest-cost supplier of seaborne iron ore.

Our Pilbara expansion represents a clear and consistent strategic response to the unprecedented, continuing, long-term growth in China.

The world remains on a path towards greater urbanisation.

It should be remembered that growth of just one per cent per year is required for China to reach one billion tonnes of crude steel production by 2030.

We have some exciting growth prospects in our Copper business and these will progress at the right time, and only on sound commercial terms that protect and enhance value.

At Resolution - which is one of the world's largest and best undeveloped copper deposits - we made some good progress with the land exchange in late 2014, and we hope to make further progress in 2015.

And, of course, discussions in Mongolia continue with the Government, to progress the underground development of Oyu Tolgoi.

In South Africa, we are progressing studies for the Zulti-South project to further optimise our titanium dioxide operations at Richards Bay.

In Australia, I am pleased to report that recent steps towards government approvals for Mt Thorley Warkworth will ensure that the 30-year-old mine can continue.

This will be very good news for over 1000 employees and the hundreds of businesses that depend on this mine.

In our bauxite business, we continue to look at options for the South of Embley bauxite project, to maintain and build on our long history of exports from northern Australia.

And in Guinea, we continue to work on the bankable feasibility study for Simandou.

If I may just take a moment on Simandou.

I would like to pay special tribute to the wonderful work of our team during the Ebola epidemic in West Africa.

I want to acknowledge the great work which ultimately touched thousands of people, and which succeeded in preventing any infection amongst our employees and their families.

For these efforts, the President of Guinea, Alpha Condé, has expressed his deep gratitude.

So, let me close by saying your company has strong foundations, we have deep expertise, and solid options for growth.

We also operate in an uncertain world that will continue to present new challenges.

As the Chairman said, now is certainly not the time for complacency.

In February, I announced the further streamlining of our business.

As part of these changes, we have consolidated from five product groups to four.

The coal assets of the former Energy group have now become part of the new Copper & Coal group, the uranium assets have become part of the Diamonds & Minerals group.

We have also consolidated a number of corporate functions.

With such changes, unfortunately some great and dedicated people have left the company.

One of those who has left us is Harry Kenyon-Slaney, and I would like to recognise his significant contributions.

Harry served our company for nearly 25 years, most recently as a member of the Executive Committee, leading the transformation of our Energy business.



We made these changes because, whilst 2014 was a year of financial achievement, we knew that 2015 would be a tough year for the industry.

We can't control external factors, but we will take charge of the things we can:

- We will continue to improve our safety;
- We will keep reining in our costs, making sure that every dollar is wisely spent,
- We will maintain our relentless focus on efficiency and productivity; and,
- We will continue to deliver superior value for you, our shareholders.

I would like to thank our employees for their dedication and hard work.

I would like to thank our stakeholders for continuing to partner with us.

And, I would like to thank you, our shareholders, for investing in our great company.

Let me now hand back to the Chairman.

## Contacts

media.enquiries@riotinto.com

www.riotinto.com



Follow @RioTinto on Twitter

### Media Relations, EMEA/Americas

Ilftud Harri

T +44 20 7781 1152

M +44 7920 503 600

David Outhwaite

T +44 20 7781 1623

M +44 7787 597 493

David Luff

T + 44 20 7781 1177

M + 44 7780 226 422

### Investor Relations, EMEA/Americas

John Smelt

T +44 20 7781 1654

M +44 7879 642 675

David Ovington

T +44 20 7781 2051

M +44 7920 010 978

Grant Donald

T +44 20 7781 1262

M +44 7920 587 805

### Media Relations, Australia/Asia

Ben Mitchell

T +61 3 9283 3620

M +61 419 850 212

Bruce Tobin

T +61 3 9283 3612

M +61 419 103 454

Matthew Klar

T +61 7 3625 4244

M +61 457 525 578

### Investor Relations, Australia/Asia

Natalie Worley

T +61 3 9283 3063

M +61 409 210 462

Rachel Storrs

T +61 3 9283 3628

M +61 417 401 018

Galina Rogova

T +86 21 6103 3550

M +86 152 2118 3942

---

### Rio Tinto plc

2 Eastbourne Terrace  
London W2 6LG  
United Kingdom

T +44 20 7781 2000

Registered in England

No. 719885

### Rio Tinto Limited

120 Collins Street  
Melbourne 3000  
Australia

T +61 3 9283 3333

Registered in Australia

ABN 96 004 458 404