The New York Times

SE Business/Financial Desk; SECT

HD **Rio Tinto Profit Doubles, Helped by Aluminum and Copper**

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WC 797 words
PD 8 August 2014
SN The New York Times
SC NYTF
ED The New York Times on the Web
LA English

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CORRECTION APPENDEDLONDON -- Rio Tinto, the London-based mining giant, said on Thursday that its first-half profit more than doubled to $4.4 billion as the company shrugged off a sharp drop in iron ore prices, and reported improvements in its smaller aluminum and copper mining businesses.

Despite evidence of a slowdown in the growth of steel production in China, Rio Tinto's crucial market, the company is sticking with plans to bolster the capacity of its iron ore mines in the Pilbara region of Western Australia by almost one-quarter by the middle of next year. That follows a roughly 20 percent expansion completed this year.

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The company is betting that its low Australian mining costs will allow it to thrive and squeeze out other producers with higher costs regardless of the price of iron ore.

Sam Walsh, Rio Tinto's chief executive, said the company was "unapologetic" about continuing to focus investments on its iron ore unit, which accounts for about 90 percent of its profits, despite the nearly 30 percent drop in the price over the last year.

Rio Tinto forecasts that 125 million metric tons of iron ore production will leave the market in 2014, enough to offset large amounts of new supply expected from Australia and Brazil.

"High-cost producers are leaving the market," Mr. Walsh told reporters during a conference call. He said that "the fundamentals for iron ore remain strong."

The company's net income increased 156 percent in the first six months of the year compared with the same period in 2013. Rio Tinto's more closely watched earnings before interest, taxes, depreciation and amortization rose about 3 percent to $10.5 billion; that was ahead of analysts' expectations, according to Paul Gait, an analyst at Bernstein Research in London.

Revenues were flat at about $24 billion. Rio Tinto also said it would increase its dividend by 15 percent to 96 cents a share.

The company's shares were up about 1.6 percent in midday trading in London.

While Rio predicts that China's annual steel demand growth is likely to slow to 3 to 4 percent this year, Mr. Walsh said that efforts by the Chinese government to cut air pollution were likely to lead low-quality iron ore producers in China and elsewhere to leave the market. Steel mills, he said, would only buy their ore at substantial discounts. Ore with low iron content requires more energy to prepare it for use in the plants.

Mr. Walsh took the top job at Rio last year with a mandate to tighten controls after the ill-timed $38 billion acquisition of the Canadian aluminum maker Alcan in 2007 and a costly foray into coal in Mozambique.

He has been drawing on his earlier experience as a car executive in an effort to turn Rio's Australian mines into highly automated, open-air factories. Rio's cost for **iron ore** is just over $20 a ton, leaving plenty of room to make money even if prices do fall from the current $96 a ton.

Mr. Walsh said that during the first half, price declines for commodities shaved about $1.4 **billion** from earnings. That was offset by cost-cutting amounting to an annual rate of more than $3 **billion**, and by higher output from the **company**'s mines, he said.

In addition, despite the **iron ore** expansion programs, the **company** has cut its overall plans for capital spending for the year by $2 **billion** to $9 **billion**.

"We continue to like Rio's world-beating **iron ore operations**," Mr. Gait wrote in a note to clients. He said that Rio Tinto's Australian mines had the advantages of proximity to Asian markets and the rail and port facilities needed to ship them out as well as ores of good quality.

On the other hand, analysts at Liberum Capital in London said that they thought that the production of **iron ore** would not fall as much as Mr. Walsh had forecast and that there was a risk of the market being overwhelmed by new supplies from expanded mines in Brazil and Australia, especially in 2015.

The analysts said that "the second half of the year will be much tougher than the first for Rio with earnings impacted by lower **iron ore** prices" as well as a possible deterioration in the aluminum market.

Online Correction: August 7, 2014, Thursday

This article has been revised to reflect the following correction: An earlier version of this article misstated Rio Tinto's earnings before interest, taxes, depreciation and amortization. They rose 3 percent to $10.5 **billion**; they did not fall almost 20 percent to $10.1 **billion**.

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PUB The New York Times Company

AN Document NYTF000020140808ea880006w

