The Courier Mail

SE Business

HD **Rio earnings surge**

BY PAUL GILDER

WC 422 words

PD 8 August 2014

SN Courier Mail

SC COUMAI

ED CourierMail

PG 34

LA English

LP

MINING titan Rio Tinto has delivered a robust result, more than doubling its first-half net profit on the back of record iron ore shipments and a deep cost-cutting program.

The resources giant late yesterday posted a net profit of $US4.4 billion ($4.75 billion) for the six months to June, up from $1.7 billion a year earlier.

TD

It has also lifted underlying earnings before interest, tax, depreciation and amortisation by 21 per cent to $US5.1 billion, boosted by stronger returns from its aluminium and copper divisions.

The profit spike came despite a 0.7 per cent dip in group revenue to $US24.3 billion.

Rio chief Sam Walsh said the company was reaping the rewards of a major cost-cutting drive, having cut net debt to $US16.1 billion — a reduction of $US6 billion compared with the same time last year.

It also dramatically reduced its capital investment, by 48 per cent to $US3.6 billion. “We've delivered on what we've promised ... against a backdrop of considerable market uncertainty. We've emerged a simpler, much more focused and leaner business,” Mr Walsh said.

Rio's ramp-up in iron ore output to a rate of 290 tonnes a year and its low-cost production model were helping it combat the steep drop in the price of the key steelmaking ingredient, he said.

The iron ore price has tumbled more than 30 per cent since the start of the year.

Mr Walsh said China, the biggest buyer of Australian iron ore, was seeking to reduce its pollution levels and pursuing the highest-quality grade on the market, which put Rio in the box seat.

Rio, which shed 2200 jobs in the half, had no immediate takeover targets and would pursue “only the highest calibre opportunities”, Mr Walsh said.

He defended the rock-bottom $50 million sale last month of the group's failed Mozambique coal assets bought in 2011 as part of its ill-fated $4 billion takeover of Riversdale Mining. “We'd been working hard to turn the business around, but the best option was to close the book and move on.” He said negotiations were ongoing over the phase two development of its $12.3 billion joint venture Oyu Tolgoi copper and gold mine in Mongolia (pictured), and was hopeful of a resolution before September's funding deadline.The miner also issued an interim fully-franked dividend of US96¢ a share, up from US83.5¢ a year ago.

CO rtz : Rio Tinto PLC | rtzcra : Rio Tinto Group | craaus : Rio Tinto Ltd

IN i211 : Metal Ore Mining | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying

NS ccat : Corporate/Industrial News

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB News Ltd.

AN Document COUMAI0020140807ea880006d

