

SE Business
 HD **iron** core suits Rio, says CFO
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RIO Tinto chief financial officer Chris Lynch has used the occasion of his first anniversary in the position to defend the group's dependence on its **iron ore** division for earnings.

Mr Lynch — a former CFO of BHP — said in an in-house interview marking the anniversary that Rio was “very happy” with its **iron ore** exposure, as it was a world-class business delivering world-class returns.

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The Broken Hill-raised Mr Lynch ruled out any prospect of Rio making an **acquisition** purely to rebalance the portfolio: “Any investment we make will always be based on value. If there happened to be a diversification benefit from it, then that's great. But we'll never target diversification as a primary objective.” **iron ore** contributed 96 per cent of Rio's underlying earnings of \$US10.2 **billion** last year, due mainly to rising output and a bumper average price of \$US135 a tonne for the steelmaking raw material.

Poor showings by the aluminium and **energy** divisions were also a factor in the high **iron ore** count. **iron ore** will continue to dominate earnings for the foreseeable future, even though prices have plunged to \$US94 a tonne so far this year.

Still, improved earnings from the laggards in the portfolio would serve to reduce the dominance of **iron ore**.

“We are working on improving the performance of businesses where we need to see better returns — through reducing cost and liberating working capital for instance,” Mr Lynch said.

“Progress is under way; our assets are strong; and we've got good growth coming through.” He confirmed that the **company** was pulling back from the once hectic pace of its asset disposal program, which has funded debt reduction.

On the retreat in **iron ore** prices, Mr Lynch said fears of the **China** slowdown and its impact on prices were overdone. “If you go to **China** and you see what's happening on the ground, you come away with a totally different perspective,” he said. “It's all still happening.”

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