

HD Volatile world is good for Rio: chairman

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THE world is currently a volatile place but miner Rio Tinto historically thrives in unstable markets as competitors struggle, says its chairman.

Speaking at the **company's** AGM, Mr du Plessis blamed Europe and, to a lesser extent, the United States for the volatile markets which are expected to persist in the short-to-medium term.

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His comments were in **stake** contrast to the upbeat views on America's and Europe's economies by the Westpac and ANZ banks' chief executives as they unveiled record profits in the past week.

Number one customer **China's** performance is also variable, although Mr du Plessis was confident Rio would enjoy a rising Asia's continued high demand for metals and minerals.

Mr du Plessis said the past five years had market volatility never seen before.

He blamed structural deficiencies and political tensions in Europe, the still unknown effects of the unwinding of quantitative easing in the US and a low interest rate and low growth environment.

"If we can maintain a strong balance sheet - at the risk of sounding too Machiavellian - volatility plays to our strengths," Mr du Plessis told reporters after the AGM in Melbourne on Thursday.

During stable boom times, a greater number of start-ups, highly leveraged and high-cost competitors were around and Rio tended to be outperformed, he said.

"If you take a long-term view, we consistently outperform but tend to be outperformed by **mining** indexes during healthy boom conditions," he said.

Despite problems such as the ill-fated \$US38.1 **billion** Alcan aluminium **acquisition** and GFC, Rio had significantly outperformed the OECD global **mining** index in the past 10 years, he said.

Rio lifting its underlying net profit by 10 per cent to \$US10.2 **billion** in 2013 and increased dividends by 15 per cent.

It ruthlessly cut operating costs by \$US2.3 **billion**, with more to come in 2014.

Chief executive Sam Walsh said the business was being turned around - referring to costs that had risen - and the options over the next year were to decide whether to start growing it again or to return cash to shareholders.

Rio's earnings currently are heavily reliant on its **iron ore** division.

However Mr du Plessis said all commodities "had their time in the sun", praising the **copper** division.

And Mr Walsh predicted even the maligned aluminium division would lift soon as **China's** dominance of that space shrank.

Shareholders at the AGM passed a remuneration report that included a pay rise in line with inflation for Mr Walsh, who received a \$US10 **million**-plus package last year.

Rio's shares climbed 86 cents, or 1.4 per cent, to \$61.46.

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