HD **Full Year 2013 Rio Tinto PLC Earnings Conference Call - Final**

WC 13,659 words

PD 13 February 2014

SN CQ FD Disclosure

SC FNDW

LA English

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Presentation

SAM WALSH, CEO, RIO TINTO PLC: Good morning, London, and welcome to all of you who are joining us via our webcast today. Our Chief Financial Officer, Chris Lynch, is also on the line. He's in Melbourne in Australia.

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12 months ago, I stood before you for the first time as Rio Tinto's Chief Executive, and at that time, I set out my commitment to pursue greater value for you, our shareholders. And since then, we've been absolutely focused on improving and building on the strong foundations of this great **Company**.

Today we've delivered real results. Our performance in 2013 reflects the efforts of all of our 67,000 employees to turn this business round. We said that we'd reduced costs. Well, we have. We said that we'd reduce capital, and we have. We said that we'd act like owners, and we are.

We've achieved record production in bauxite, thermal **coal** and **iron ore**, despite operational and weather-related challenges. We're a more accountable and disciplined business, and we've strengthened our systems and our processes.

Importantly, we've delivered strong underlying earnings and improved cash flows against a backdrop of weaker commodity prices.

Of course, there is more to do. The journey is not over. And 2014 will be a year that builds on our achievements, locking in the gains as we further strengthen our balance sheet. We'll continue to focus on delivering value for you, our shareholders.

But let me first start talking about our safety performance. In 2013, our all-injury frequency rate improved to 0.65. This means that 174 more people went home uninjured last year compared to the year before.

But we also had some seriously bad news. Tragically, three of our colleagues died at work last work. I've extended my condolences and prayers to the families and friends who will forever feel these losses. And make no mistake; we're managing our business to eliminate fatalities. I firmly believe that we can make this goal a reality.

We've got great and caring people. They're supported by robust processes and systems. We now need to focus on mindsets and how thoughts, attitudes, values and beliefs translate into actions. I've asked all employees to personally commit to how we'll work differently in 2014 to improve our safety performance.

As I mentioned, our financial results demonstrate the very real and significant progress that we've made. With sharp focus on every dollar we spend, we've improved cash operating costs by $2.3 **billion**. By focusing on our exploration and evaluation spend, we've reduced these costs by $1 **billion**, a further $1 **billion**. And at the same time, we set new production records in bauxite, thermal **coal** and **iron ore**.

Across our total Group, production grew by 9% in 2013 on a **copper** equivalent basis. We've also delivered on our major growth projects. Of note, expansion at our Pilbara **iron ore** assets of 290 **million** tonnes a year was commissioned $400 **million** under budget and four months ahead of schedule. We completed the first phase of the Oyu Tolgoi **copper** cold mine in Mongolia and shipped first concentrate in July.

So we've reached a number of significant milestones, but as the Kitimat impairment shows, there's substantial room for improvement at some of our major projects.

During the year, we have changed our capital allocation processes, and as promised, we've also reduced our capital expenditure by 26% to under $13 billion.

Lastly, we've improved our portfolio by divesting non-core assets for value. This time last year, I said that we'd generate significant cash proceeds from divestments, and we have. By the end of the year, we announced [still] completed, over $3.5 billion of non-core asset sales.

We've made commitments to you, and we're delivering on our promises, so let me share some of the highlights.

Our underlying earnings of $10.2 billion increased by 10% compared to 2012. Our cash flow from operations were up 22% due improved business performance and volume growth. We lowered net debt by $4 billion in the second half of last year alone, and ended the year with net debt of $18.1 billion. This was further reduced in January following the Turquoise Hill rights issue.

Further debt reduction will remain a priority for the balance of this year. And net earnings for the year were $3.7 billion, and this was largely as a result of a non-cash foreign exchange movement and impairments. Chris will go through these adjustments shortly.

Let me add that 2013 was a year of many successes, but my team and I remain committed to achieving more in 2014 and beyond. We'll deliver on our commitment of an ongoing $3 billion improvement in operating costs in 2014 compared to 2012.

We will reduce capital further to less than $11 billion in 2014 by remaining disciplined in our allocation of capital and only investing in the best projects. And we'll continue to deliver our major projects, including our breakthrough iron ore growth plans.

Underpinning all of this will be our resolute commitment to you to deliver value.

The Board and I are confident in this business and its attractive prospects, so today, we're announcing that we'll increase our annual dividend by 15% to $1.92 per share.

Now before I take you through the key areas of focus, I'll hand over to Chris to go through the details of our results.

Thanks, Chris.

CHRIS LYNCH, CFO, RIO TINTO PLC: Thank you, Sam. Underlying earnings of $10.2 billion is an excellent result, up 10% on last year despite lower prices. This demonstrates the real value of our disciplined cost cutting and the healthy growth of our business.

I'll now take you through the key drivers of improvement in underlying earnings using our traditional variance analysis.

There were one-off gains associated with the disposals of various exploration properties, including interest in Extract Resources and Kalahari Minerals that the Group benefited from in 2012 which don't repeat in 2013.

In addition, included in underlying earnings for the current year is the $131 million write-down of the investment in Northern Dynasty Minerals, owner of the undeveloped Pebble Project in Alaska. These impacted underlying earnings by $477 million when comparing 2013 with the previous year.

Underlying earnings were also impacted by the effects of commodity prices during the year. Overall, lower commodity prices reduced earnings by $1.3 billion. In particular, lower coal prices reduced earnings by $530 million as supply increased and onerous take or pay freight contracts in Australia incentivized uneconomic supply to remain in the market.

In aluminum, financial deals continue to lock up substantial amounts of metal in the LME system. Although we saw strong growth in demand for aluminum in 2013 and therefore increases in regional premia for physical delivery, this was not enough to offset an overall 9% decline in the LME. And in the copper market, supply increases resulted in a fall in prices of 8%.

Within this generally weaker price environment, iron ore prices stood out, with average spot prices higher in 2013 than in 2012. Lower commodity prices overall have been mostly offset by the impact of foreign exchange movements during the year, with the stronger US dollar improving our earnings by $1 billion.

Turning now to items where we have more control. Increased volumes drove earnings up by $538 million during the year reflecting record iron ore sales and a recovery from the Alma lockout of 2012.

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I'll return to our cost reduction program in more detail shortly, but adding together our cash cost improvements and lower exploration and evaluation spend, you can see this has boosted earnings by over $3.3 billion pre-tax, or $2.1 billion for the year on a post-tax basis.

As we guided at the half-year results, the effective tax rate was 35% for 2013. This is 5% higher than 2012 mainly due to utilization of the MRRT deferred tax asset. Lower non cash costs and the net effect of a variety of one-off items close out the waterfall, resulting in underlying earnings of $10.2 billion.

Turning to net earnings, which was $6.5 billion less than underlying earnings. As with our half-year results this was partly due to non-cash exchange losses on US dollar denominated debt in Australian dollar functional currency companies. These net losses, which amounted to $2.7 billion, are largely offset by currency translation gains recognized in equity. Our overall US dollar debt and cash flow is not affected by these exchange movements.

In addition to these items, our annual review of carrying values led to impairment charges of $3.4 billion for the year. Around half of this amount relates to the impairment of a non-cash accounting uplift booked when Rio Tinto first began to consolidate certain assets of Turquoise Hill, including Oyu Tolgoi LLC. This does not represent any cash paid by Rio Tinto now or in the past.

The remaining impairments are mostly a result of the suspension of operations of the Gove alumina refinery and impairments related to cost overruns of the Kitimat modernization project. A number of other smaller adjustments made up the balance of the impairments.

So overall, we recorded net earnings of $3.7 billion.

Let me now provide you with some further detail on one of our key priorities, reducing our costs.

Our cash operating costs improved by $2.3 billion against 2012, exceeding our $2 billion target for the year by 14%. In addition, we've also reduced our exploration and evaluation expenditure by over $1 billion on a consolidated basis compared with 2012. This again is well ahead of, in fact a third better than, our target savings of $750 million.

These results demonstrate the hard work being done across the Group to address our cost base.

Let me give you some more examples. Firstly let's take a look at the work that's being done to reduce our operating costs.

The $2.3 billion saved this year gives us a head start on the target for 2014, which is $3 billion when compared to 2012. We therefore have to achieve a further $700 million of cash cost improvement this year.

To quickly recap, the process of measuring these savings uses our established variance analysis methodology, which includes some unit cost efficiencies from increased volumes. And we've stripped out the effects of uncontrollable items, including inflation, currency movements and items such as royalties.

Overall, our Group average unit cash cost has been reduced by 10% before the further impact of exchange movements.

These improvements can most clearly be seen in the unit cost reductions in each individual business. By way of example, Kennecott Utah Copper has reduced gross cash costs by $1,500 per tonne.

Primary Aluminum in North America has reduced its cash costs by $300 per tonne, and Rio Tinto Coal Australia has achieved a $30 per tonne unit cost reduction.

Although the bulk of the operating cost savings have been realized in aluminum, energy and copper, all of the product groups have contributed, and will continue to do so.

Each of the product groups CEOs gave examples of the work underway in their businesses at our December investor seminars. However let me walk you through a couple of initiatives being implemented in 2014.

In September of last year, our Hail Creek mine in Queensland ran a two-day trial producing saleable thermal coal from reject product. It was so successful that this process will continue throughout 2014, leading to an additional 750,000 tonnes of annual production largely using existing equipment and available capacity.

Fuel usage at our coal operations in Australia is another area which will be targeted this year. Through engine calibration, reduced revolutions during idling, and component upgrades for older trucks, we estimate that we can save over 4 million liters of fuel without affecting production.

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And in iron ore, a competency based approach to training will free up 200,000 man hours, the equivalent of more than 90 full time staff.

As you can see, we've thousands of cost saving projects underway across the Group. The focus on cash and running the business for value continues. We remain confident that we will achieve our 2014 targets.

In addition to the reductions in our operating costs, our enhanced approached to capital allocation has seen focused reductions to our exploration and evaluation spend. We've prioritized our projects and are concentrating our efforts on those with the most potential to deliver value in the medium term.

We've therefore reduced activity on longer-dated evaluation projects, which has allowed us to roughly halve our spend in this area to less than $1 billion. We are planning to keep this exploration and evaluation expenditure at around this level in 2014 and beyond. We're comfortable that this is the level which will allow us to continue to develop a robust pipeline of future options.

Right now, we're progressing 30 projects across 10 different commodities, with a particular focus on the La Granja and Resolution copper projects, together with our ongoing central exploration program.

The strong performance achieved in reducing costs, together with volume growth across the portfolio is leading to better cash flows. In 2013, cash flows from operations were $20.1 billion, a 22% increase on the prior year.

In particular, it's worth highlighting that the performance in the second half of the year saw a substantial improvement in the operating cash flows of the business from $8 billion in the first half, increasing to $12.1 billion in the second.

Tax payments were lower during the year, and so net cash generated from operating activities was 60% higher in 2013 at $15.1 billion.

Combined with cash flow -- cash inflows from divestments of $2.5 billion and lower CapEx, our free cash flows were much stronger in 2013, and we were therefore able to reduce net debt in the second half.

At the same time as improving operating cash flows, we started to commission five major projects, and reduced CapEx by 26% compared to the peak we saw in 2012. We are determined to lower capital expenditure further in 2014 to $11 billion, and again in 2015 to around $8 billion.

We will continue to be disciplined in the allocation of capital. The iron ore team has recently shown a clear example of this with the breakthrough pathway for expanding the Pilbara operations which was announced in November. This new pathway to 360 million tonnes per annum is planned at a substantially reduced capital intensity of between $120 to $130 per tonne, and $3 billion less than in the previous forecasts. This shows that CapEx can be reduced whilst delivering exciting value-adding growth.

And we're adopting the same mindset to our sustaining CapEx, which reduced by around $2 billion in 2013. And so with operating cash flows increasing and CapEx being reduced, we've been able to reduce our net debt from its peak of $22 billion in June of 2013 to $18 billion at the end of December.

Already in 2014, we have seen a further reduction in our net debt with the repayment of Turquoise Hill borrowings following their rights issue in January; and a further $1 billion is expected in the next few months when the Clermont sale completes.

Offsetting this in 2014 will be a one-off impact to cash flows as a result of higher tax payments during the year in Australia. Following a change in legislation, we'll move from quarterly to monthly payments, and so in 2014, we'll actually pay 14 months of cash tax in Australia.

Further reducing our net debt and sustaining a strong balance sheet remains a key priority for the business this year. As I said in December, we'd be comfortable with net debt levels in the mid-teens going forward. It's a question of building a robust balance sheet able to withstand volatile markets.

We're making good progress to achieve this with our current debt structure which has weighted average cost of debt at 4% and an average maturity of around 8 years. But we're not there yet and have more to do on this front.

Of our total $28.3 billion of gross debt, around $2.5 billion matures this year. We have cash on hand of $10 billion and undrawn committed credit facilities of over $7 billion, which means our liquidity is in good shape.

And our other long-term liabilities on the balance sheet are also improving, with net pension liabilities falling to $3.6 billion from $6.2 billion in 2012, and closure liabilities coming down to $8.6 billion from $9.2 billion last year.

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So overall, we're strengthening the balance sheet, and the enhancements we've made to our capital allocation processes will ensure that this continues.

I talked about the exchanges at the recent investor seminars. Put simply, we no longer consider whether each project is a good individual use of capital. Rather, we're looking at our portfolio of investment opportunities over a number of years to determine what will be the best use of capital.

We'll schedule projects in a manner which will ensure continued growth and provide flexibility to increase returns to shareholders. We want to invest in a sustainable way through the cycle, which means we invest only what we can afford, having consideration to shareholders' expectations of returns and the robustness of our balance sheet.

So to wrap up. Our business performed well in 2013 generating strong underlying earnings, increased operating cash flows, with lower CapEx and lower net debt.

Whilst increasing productivity and reaching record production levels, we've exceeded the challenging targets we set ourselves to improve our operating cash costs and reduce our exploration and evaluation spend.

And as a result of the additional volumes from our Pilbara expansion and other projects, we'll see further growth this year and in the years ahead.

We also achieved significant cash proceeds from divestments with $3.5 **billion** announced during the year, of which $2.5 **billion** was received in 2013. And we will continue to pursue opportunities to divest non-core assets, provided that these generate good value.

Our balance sheet is being strengthened, and the priority for use of free cash flows during [2013] will be debt reduction. Our overriding priority is to deliver greater value for shareholders through the disciplined allocation of our capital.

Last year, we increased our dividend by 15%. The Board's policy is to review the dividend level once a year. And this year, we've increased it by a further 15%, demonstrating our confidence in the long-term outlook for our business. This means that the total dividend declared for the year will be $1.92 per share. The usual formulaic approach will be applied to the interim dividend, and any other available funds will be used to reduce debt.

With that, let me hand you back to Sam.

SAM WALSH: Thank you, Chris. Now turning to the big picture on the economic outlook.

In the global economy, high levels of debt and market imbalances will continue to present short-term uncertainty. However, importantly, a degree of confidence is starting to return in the OECD. There's a sense that developed economies are finally on the path of a more stable and more robust recovery.

For the first time in several years, developed economies will make a greater contribution to global growth. This should underpin a stronger increase in global GDP growth this year and next.

We should also see a flow-on effect to **China** manufacturing exports as a result of this recovery. When combined with domestic investment, the outlook for **China**'s economy and for short-term commodity demand remains positive.

Looking further ahead, urbanization and development trends in emerging economies support continued demand growth for our products. In fact, by 2020, **China**, India, the populous ASEAN countries, Latin America, Africa and the Middle East, will represent about half of the world's global GDP.

Rising prosperity will **lead** to greater commodity demand at a time when bringing on supply is much harder. The industry as a whole is reducing CapEx and new projects are becoming more complex and they're taking longer to develop.

So the outlook for our business is robust, and I'**m** confident that our strategy to invest in long life, low cost expandable assets is the right strategy.

As I said before, the key for us now is discipline and flawless execution of this strategy. I'**m** convinced this will distinguish us from others. Our core priorities remain to improve performance, to strengthen the balance sheet, and to continue delivering results.

The whole Group is focused on these objectives and there is serious momentum. It's not the time for distractions or new initiatives. The business is focused and determined to deliver.

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Before opening up for questions, I'd like to talk more about how each of our product groups is performing.

2013 was another landmark year for our iron ore business. In the Pilbara, we completed and began operating the new facilities at Cape Lambert. Ramp-up of mine capacity to 290 million tonnes a year is underway. And as mentioned, we've completed expansion four months ahead of schedule and $400 million under budget.

We've achieved record production and shipments of our Pilbara operations in 2013, up 5% compared to 2012. Importantly, we took advantage of delivering these additional tonnes into the strong iron ore market.

The infrastructure expansion project is on track to increase annual capacity to 360 million tonnes a year in the first half of 2015. The breakthrough development pathway announced last year will maximize the value of our resources. Additional tonnes from low-cost brownfield mine growth and productivity gains will feed the expanded infrastructure as it comes on line.

We'll be extending the lives of some of our existing mines as well as adding additional resources into the system. The breakthrough pathway will save more than $3 billion of growth capital over the next three years compared to our previous plans, and there will be no impact on future capital plans to sustain production at these levels. This is serious value creation.

In copper, we've focused the business around a 4 plus 2 strategy. This is a clear roadmap to position the copper group as a first quartile, low-cost producer, and leader in its sector. The 4 of the strategy are at Kennecott Utah Copper, Oyu Tolgoi, Escondida, and Grasberg.

Let me provide you with a quick update on some of the key work undertaken in 2013 at our managed operations.

At Kennecott, the recovery from the slide which occurred in April is well underway. The heavy haul road was completed ahead of schedule, which allowed further waste movement to provide access to all. Work on the Cornerstone project, which extends the life of the mine, also continues.

The recovery from the Manefay slide is a remarkable achievement after such a major event, and I'd like to congratulate the Kennecott team on the way they've responded to this challenge.

At Oyu Tolgoi, the concentrator is now operating at nameplate capacity. Customers began to collect product from the bonded warehouse in China during the fourth quarter of last year. And we've continued to work through commissioning issues such as logistics and marketing arrangements. And we're continuing to discuss the underground project with the Government of Mongolia.

For us to proceed, we'll need to resolve all our outstanding shareholder issues, to have a complete and approved feasibility study, to have secured all permits for Phase 2 construction, and have a comprehensive funding plan in place, which includes project financing. Further delays may occur if these shareholder issues are not resolved before the expiry of lender commitments on the project finance.

The 2 of the 4 plus 2 strategy represents two world class greenfield projects. These are Resolution in the United States, and La Granja in Peru. Both are exciting and prospecting copper growth options which will develop in a staged manner in the years ahead.

With the focus on the 4 plus 2 assets, we divested of five non-core assets last year, realizing $1.8 billion of cash proceeds. Together with strong operational performance and solid cost reductions, the copper group has made great progress.

Our aluminum business is also moving forward in its transformation. The business has continued to strip out costs with strong production growth in bauxite, which was up 10% compared to 2012, and aluminum which was up 7%. During the year, we reintegrated the Pacific aluminum smelters and the Gove bauxite mine back into our aluminum product group.

Underlying earnings for the product group were $557 million compared to $54 million in 2012, reflecting higher volumes and our success in reducing costs.

We've taken strong premiums in recent weeks, but LME aluminum prices in 2013, as Chris mentioned, were 9% lower than 2012. So strong financial results in tough market conditions, and clear evidence that our actions are making a difference.

During the year, we continued to rationalize our aluminum portfolio. We sold St. Jean; we closed the Shawinigan smelter and announced the suspension of the Gove alumina refinery.

I'm very disappointed about the Kitimat project overrun, which I mentioned earlier. Basically, we've had a series of issues with labor shortages and productivity which in turn increased construction costs.

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We are, however, well over halfway complete with the project, so we're working with our main contractor, who incidentally, whose chief executive is in fact at the site today, we're working with them to improve the project performance.

At the same time, we're seeking ways to maximize value from the Kitimat asset. We recently sold assets to acquire or lease a parcel of land near our Kitimat **operations** to a Shell-led joint venture. And whilst the financial terms are confidential, this agreement has the potential to generate meaningful value for Rio Tinto.

In relation to our diamond and minerals product group, we saw market softness during the year. These are more consumer-led businesses, and as such, demand growth tends to lag other commodities in our portfolio. This is quite frankly one of the advantages of maintaining a diversified portfolio so as to cover the economic cycle.

We're driving a demand-led operating philosophy in the diamonds and minerals group, and we're getting back to running efficient, low-cost, profitable **operations**.

And in **energy**, we've made real inroads into addressing the challenges of the economic outlook facing the **energy** sector. The team has pulled significant costs out, and we've driven at an aggressive transformation agenda. I'**m** confident that we will achieve the targeted 2014 cost reduction in our **energy** business of $1 **billion** compared to 2012.

So to sum up, 2013 was a year of delivering on our commitments. We achieved underlying earnings of $10.2 **billion**, up 10%. We exceeded our cost-reduction targets, whilst we set production records; and we significantly increased our operating cash flows whilst reducing our net debt.

At the same time, we've reduced capital and completed projects such as Oyu Tolgoi Phase 1 and the Pilbara 290 expansion. Expect continued momentum in 2014.

The 15% increase in our dividend reflects the confidence that we have in this great business and its prospects. Above all, this is about one thing, and that's delivering greater value for you, our shareholders.

Now it's time to take your questions so I'll make my way over to the chair, and Chris will join me in the questions -- or the answers (laughter). Chris, you're not allowed to ask any questions.

Questions and Answers

SAM WALSH: Okay. Why don't we --? We'll take three here in the room and then we will take a couple from the line. Rob, you're usually first, so I think I'd better let you ask the first question.

ROB CLIFFORD, ANALYST, DEUTSCHE BANK RESEARCH: Rob Clifford, Deutsche Bank. Two questions. The $2.3 **billion** savings, to have achieved that, you would have had to exit the year at a run rate much greater than $2.3 **billion**. If you follow the trajectory of the data points you've given, I'd say well over $2.5 **billion**. Are you at the $3 **billion** savings run rate already and, therefore, is there clearly scope to do better this year?

That's the first question.

And the second one is around impairments and Canada. Do you think there's a point where we can rule a line under impairments? Are there any assets out there that you're still worried about?

And just around Canada, they've been beneficiaries of Rio's flows, fund flows for some time now. Are you comfortable that the structures and systems you've got in place, particularly in the aluminum business, can now deliver to their plans rather than continuing to miss?

SAM WALSH: Thanks, Rob. In relation to the $2.3 **billion** in run rate, no question there's momentum, and we talked about that in November in Sydney and here in December. Importantly, we need to lock in the savings, and we need to ensure that the savings are sustainable going forward.

But, yes, there are thousands of projects that are underway. Someone in the media asked me this morning whether I was going to change the target. I'**m** not going to change the target. Now's not a time to change the goalposts or distract the business. They've got a task underway and I've got 67,000 people lined up to deliver.

Yes, there are thousands of projects. Yes, we strengthened the entire business, more in the first half than second half. It takes a little while to get things rolling.

Look, I'**m** pleased with the progress. I'**m** not going to make any heady predictions today, except for the fact that we are locked in on the $3 **billion**. We're very focused on that and we'll deliver.

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I should add to this, and it's not part of the $3 billion saving, but the run rate that we've established for exploration and evaluation, we will maintain that run rate going forward. So in a way, that's another benefit that will flow through having established that focus.

In relation to our Canadian operations, look, it's a tough market, and I think in a falling LME to deliver a result that's taken our earnings from $54 million in 2012 to $557 million this last year, it's an impressive performance, and it's evidence of the work physically on the ground.

Clearly, Kitimat I'm very disappointed in. It's the impact of LNG projects underway in that area, shortages of labor, leading to cost escalations to the project.

We said in November and again in December that we're not intending to invest any large sums in that business going forward. It's a matter of continuing to improve the business and to prepare the business for the future.

I've got to say though that there is some prospectivity in the business. Sooner or later, as China moves to a consumption-led economy, people are going to be buying refrigerators, TVs and air conditioners, and they're going to want to be able to turn them on and they'll need power. In the same way that Japan had to restructure its aluminum industry, I'm sure that China will have to do the same.

Let's take the next question here in the room.

HEATH JANSEN, ANALYST, CITI: Heath Jansen, Citigroup. Just in terms of the iron ore slide you presented in terms of a range of ramp up, and it seems like you've got a high and a low scenario that's 25 million to 30 million tonnes, I'm just wondering whether you could talk through that a little bit more. Is that subject to market conditions or market price or infrastructure? Should we read into this that you're willing to balance the market much more than we've seen in the past and if prices come down, you'll take off production?

SAM WALSH: Look, certainly keeping a watchful eye on the market is important. I've got to say that as we enter 2013 (sic), I think the balance of supply versus demand is more in our favor, that we've seen some projects not achieve what they had in terms of our bringing the projects on.

We've also seen a strengthening of demand from China despite the fact that I know the media is concerned about liquidity and credit and what have you. We're not seeing any impact of that on our letters in credit or on our orders.

I guess another piece of information there relates to China's focus on the environment, which actually relates to pollution rather than necessarily greenhouse, although that's obviously an issue. And as they are looking to improve environmental performance, they are moving to higher-quality product.

So, for example, demand for our overall product, but we're seeing in direct charge product, where you bypass [cinder] plants and coke batteries, we're seeing higher premiums for lump product and for pellet product, which comes down to the mills aiming to improve their efficiency, reduce their production slag and be better off from an environmental viewpoint.

In relation to the ramp up, look, obviously, the team will be working to ramp that up as quickly as they can. We've been impacted there by a cyclone at the end of last year, and the flow-through of water through the Pilbara aquifer has been significant. We've also had a tropical low come down there last week which dropped a lot of water on the operation.

So you can say it's a conservative buildup, but I'd rather a situation where we are very focused on the delivery, match the market and not do anything silly in terms of overreaching ourselves.

Do we have another question?

MYLES ALLSOP, ANALYST, UBS: Myles Allsop, UBS. Just a couple of questions. With the obviously rapid speed of deleveraging in the second half, and you're talking about being comfortable with the balance sheet in the mid-teens, and you've obviously got these proceeds coming in the beginning of 2014, and if you are below $15 billion by midyear, will you start thinking about further capital, or further returns to shareholders in the second half of this year?

And then secondly for Sam as well, just in terms of your legacy, what you want to -- when you leave Rio, what shape you want to leave it in? Are you still just very focused on getting it back on its feet and on the straight and narrow? Or do you want to move to the next phase over the next couple of years in terms of repositioning for growth and so on?

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SAM WALSH: Okay. Look, why don't I get Chris to answer the first question on deleveraging and mid-teens and shareholder returns, and what have you? Then why don't I come in on my legacy?

Deleveraging.

CHRIS LYNCH: Okay. Well, thanks, Sam. And, Myles, I think the Board addressed the dividend once per year. That's now. And so the decision has been made for this year with the 15% increase that Sam announced earlier in the presentation.

So we shouldn't expect further returns over and above that 15% dividend this year. The midyear dividend is intended to be totally along the formulaic basis that we've always had for the interim, and all the focus for any surplus cash will be to further reduce the debt.

We want to focus on that and there will be a bigger opportunity. There will obviously be a lot of consideration on the course through this year, but the decision about further returns to shareholders will probably relate into this time next year.

SAM WALSH: Thanks, Chris. In relation to my legacy, look, we're on a journey. We're on a journey of improvement. The task is certainly not over. Yes, we can say that, well, at this stage gate, it's heading in the right direction, but I'm absolutely convinced that you muster the alignment of 67,000 people, you've got thousands of improvements, projects in the business, you're going to deliver serious results, as we've seen today.

I'm not about changing any goalposts, as I said, but I am very focused on the sustainability, hence the engaging of the whole team; with Chris, working to strengthen our systems; to improve the way that we look at capital allocation, the way that we look at our strategy, and so on; and, importantly, providing options for the Board in relation to shareholder returns and growth.

I'm having a ball. I'm really enjoying the job. I love the **Company** and the task is not over. I'll be here as long as the Board wants me to. Right now, I think they're quite satisfied with the way it's tracking, and that's a good thing.

But momentum is here, the business has gone through quite a transformation. I said here a year ago the foundations are very solid, good people, good assets. Well, I was absolutely right. What Chris and I have been able to do is refocus the business.

Yes, I'm sure that the monitoring and guidance and nurturing and the occasional kick up the backside is there, but ensuring that the business itself takes over and delivers the momentum, that's what we're seeing.

I'm proud of my [exo]; so I'm proud of my 67,000 people. It's them that are turning round the business, not necessarily me.

Okay, let's take another question.

FRASER JAMIESON, ANALYST, JPMORGAN: Fraser Jamieson, JPMorgan Cazenove. A couple of questions, firstly around portfolio rationalization with respect to the balance sheet; obviously, de-gearing faster than most people had expected. Are you still very focused on portfolio rationalization? Given that certain markets are improving, is there the opportunity for some stuff that was considered previously and abandoned to come back?

And specifically, with respect to your comments around **Chinese** environmental, or the focus on the environment there and increasing lump premiums, how is that influencing thinking around **iron ore** of Canada?

And then the second one was really to Chris. It looks like there was a big increase in the payables number for the year and, therefore, a benefit on working capital. Is that sustainable, or something that we should expect to reverse in 2014?

SAM WALSH: Okay. Chris, you've got the second question. But the first question in relation to portfolio, clearly, we've done a lot of work there in delivering the $3.5 **billion** of divestments. And I know that there's been a raft of speculation. I think pretty well every asset of ours has been in an article here or there during the year.

And you're quite right, Fraser, that in terms of the work we've done to strengthen the balance sheet, we're heading in the right direction and we don't need to rely on anything significant in relation to divestments.

We do want to continue to rationalize and to focus on assets that are non-core, but let me assure shareholders this absolutely is about value. We're not about to do anything silly. There are some people

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that queried when we took PacAl and diamonds off the market. It was about value. We're not going to do something silly to tick a box just because we made a pronouncement at a point in time, and I'm not going to do that going forward.

So, yes, there will be some tidying up. If somebody wants to write us a substantial check for something that recognizes synergies or recognizes other value, of course, we're going to look at it. But this year, I think it will be more a year of tidying up the portfolio, checking the mail for large checks, and going forward (laughter).

In relation to pellet premiums and IOC, look, you're right. IOC is actually going to become a more valuable business as we go forward. I know there was speculation about IOC. Same rules apply; if somebody wants to offer a big check, that's fine, but we don't need to actually sell any of our major assets.

Chris, why don't you tell us about payables?

CHRIS LYNCH: Well, Sam, I think -- and, Fraser, it's really about working capital generally. And he key issue for us is to get that -- that capital sits there and doesn't really earn us much of a return, certainly to the extent of any excess. So we've had pretty good focus on it throughout the year of 2013, and that focus will continue.

We've got a lot of work to do still with all the components of working capital, and basically, it's either going to be if we can get it down, we'll use that money to deleverage further, or we can recycle it into something more productive.

So that's where we are. You should expect us to continue to focus on it and we'll be targeting to get it further down.

SAM WALSH: Yes. Thanks very much, Chris. So focusing on cash is an important change that Chris and I rolled out during last year. And of course, that brings into account not only development capital, sustaining CapEx, working CapEx, but also revenue and costs. And it's a total picture that actually drives the business rather than necessarily looking just at earnings and I think there's been a lot of good work there. There's an opportunity to do more.

Let's move to the phone line and let's take the first question from the telephone.

OPERATOR: Adrian Wood, Macquarie Research.

ADRIAN WOOD, ANALYST, MACQUARIE RESEARCH: I've just got a couple of questions. First of all, can we just delve a little bit deeper into the $2.3 **billion** of cost saving? At the half-year, I think you alluded to some of that being one-off in nature. Can you quantify just how much of that is one-off, perhaps relating to the closure at Gove or the **sale** of Northparkes? And why, if that is the case, you've included the one-off savings but excluded the one-off costs associated with delivering those savings.

And second, just looking at the pressure or the focus on sustaining cost reductions, if I look at the slide 14, the 2015 CapEx guidance, implies something in the order of around $2.5 per tonne in sustaining capital in the Pilbara. Can you give some sense as to how sustainable that is and how long that could last given that Silvergrass and [Kidradi] of course, those mine developments are now going to be classified as sustaining?

SAM WALSH: Look, in relation to the $2.3 **billion** cost reduction, perhaps Chris can help me with the answer here. But in relation to Gove and Northparkes, they don't participate in that cost reduction. This is focusing on operating costs, on ongoing costs. Yes, we've divested of some businesses, but that's not regarded as a cost saving. That's a straight separate divestment.

In relation to cost of delivery, we do show a figure below underlying earnings of the cost of implementing cost savings. This is the same approach that we've used in previous years.

Chris, do you want to pick up and comment on that?

CHRIS LYNCH: Sam, I think the key point to Adrian's question is it's not quite accurate, the supposition in the question. So we don't take advantage of those sorts of one-offs as such. It's more an apples-to-apples comparison than that. There are volume impacts in there and that sort of stuff, which we've talked about regularly, but it's the same variance analysis that we've used for about eight or nine years now.

So I think the numbers are there but there is work to be done to sustain any and all of those savings. None of them are automatic; none of them are easy. And further work has got to be done to make sure we continue to sustain them and further increase them. So I think there's still plenty of challenge left in those numbers.

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SAM WALSH: Thanks, Chris. And perhaps I'll get you to comment in a moment on the slide 14, on the CapEx.

At the halfway mark, the one-offs I think were around $50 million. It remains a relatively modest part of the cost reductions. An important job we've got in 2014 is locking in those savings, ensuring that they are sustainable as we go forward. And that really relates to keeping the focus, keeping the pressure on costs.

We're continuing to see the improvement in the January results, so I'm confident the organization with the rollover of the calendar hasn't lost focus.

Chris, do you want to comment on the capital?

CHRIS LYNCH: Well, only, Sam, to the extent that the $8 billion that we've referred to for 2015 is a not greater-than sort of number, and we've got all of the projected committed growth in that number and a little bit of allowance for non-committed, but not a lot.

I actually think we've got more work to do on the sustaining capital generally across the business. That's an area that's still, I think, fertile ground for us to make sure we're getting maximum efficiency there.

But the numbers that we've got here are quite sustainable. It's a function of making sure that we hold our feet to the fire and make sure we deliver on the promise.

SAM WALSH: Yes. Thanks very much, Chris. I know that I made some comments during last year about our capital and the fact that there's actually a long tale to our capital. We all tend to focus on the large chunky items, but there are actually also, particularly in the sustaining area, a large amount of smaller projects. We've really focused on that.

If there's one thing in that area that you could take away is that we're managing our capital very, very tightly, and I'm really pleased that, as we came into the end of last year, we met our numbers, we met our forecast, whereas in 2012, we did see a blowout in the last couple of months of the year.

It means that people are focusing on every dollar. The mantra that we've used in terms of running the business as if you owned it, focusing on every dollar, it sounds a bit trite. It's actually delivering. People are actually making decisions on the basis of if they ran the business and not just spending money because it's in a budget like the public service might do (laughter). I've got to be careful what I say.

But a lot of focus, a lot of discipline, a lot of traction in terms of how we're running the business, and you can see that in the results. This doesn't happen automatically; it's not luck, or whatever. This is tight professional management.

Let's take another question from the phone.

OPERATOR: Lyndon Fagan, JPMorgan.

LYNDON FAGAN, ANALYST, JPMORGAN: The first question is just on iron ore. I wanted to drill down a little bit more into the guidance which looks a bit soft relative to the September site visit material. And I guess are you still targeting 290 million tonnes by the end of May as a run rate, or has that weather interruption pushed it out? And if so, can you, perhaps, talk about the individual mines that it might have affected; i.e., is the Nammuldi project ramp up now slower?

And then the next question is just on your project pipeline. It seems quite a deliberate shift away from Oyu Tolgoi underground in the pack. And you outlined some of the issues there but should we now be thinking that La Granja and Resolution are ahead of that project in terms of timeline? Or could that all change if I guess all the stars aligned in Mongolia for you?

Thanks.

SAM WALSH: Thank you for that. Look, in relation to the ramp up to 290 million tonnes, no, that's not changed. I was merely pointing out the fact that the profile will actually depend on a range of things, including weather and with a watchful eye to the market. But fundamentally, the guys on the ground are very focused and there's nothing there to indicate to me that that would change.

In relation to the project pipeline in copper, in particular as you focus, look, nothing has changed there. Yes, clearly from time to time we review our development pipeline and how we develop things. We're working through those issues with the Mongolian Government in relation to the underground.

And, look, it's a big project. It's a complex project. It is a very long-life project. You need to get these things right up front. And why I went through that list is that some people think, oh, well, it's only one of those four things that we need. No, we actually need all four in place before we can press the button.

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It's no different to any other project we develop. There's nothing unique about the project. There's nothing -- project finance is plain vanilla project finance. Having an investment framework that -- or investment agreement that is locked in, there's nothing surprising about that.

But it is a large project. The Mongolian Government does want to work through those issues.

Look, I'm confident about the project. It's a good project for the Government and people of Mongolia. It's a good project for Turquoise Hill and for Rio Tinto. We need to cross the Ts, we need to dot the Is, but the OT underground, it is the next copper development project. We just need to get the fundamentals right.

You're right. The work is continuing on La Granja and Resolution, but these are more longer term. There are a number of things, including a land swap at Resolution, the drilling work that we're doing in Peru that needs to be done before we bring that project on.

Let's move back to the room and let's take the next question here.

MENNO SANDERSE, ANALYST, MORGAN STANLEY: Menno Sanderse, Morgan Stanley. Two questions, first on two statements that I can't totally reconcile. In the first, you express your confidence in the commodity markets and the robust position that Rio Tinto has. On the other hand, you say now is not the time to start new initiatives and new projects. Can you try to reconcile those two and give us some indication when the time will be to start new initiatives?

And secondly, you talk a lot about 4 plus 2 in the corporate strategy, but also in your slides, you only talk about 2 plus 2. So what do you think fundamentally about your position in copper where you only really control two projects, which are the ones that are not performing as well as maybe Escondida?

SAM WALSH: Okay. Look, we are confident in the market. We're not just talking about this is not a time for new initiatives or distraction; I'm talking about our organization. We're heading down a path. We deliberately took a two-year timeframe. Now, yes, in terms of debt levels and creation of options, we're looking beyond that to 2015. The rest of the organization is still catching up.

I've seen with management that management can be a lap ahead of the rest of the organization, and senior management can say, well, we've got the cost reduction licked, let's move on to I don't know what, something completely different. And the rest of the organization is still working on those thousands of projects, focusing on delivery on those, and suddenly you say, well, no, the fat of today is going to be something else.

Importantly, we need to keep the organization stable and focused. If I go back to my Lean Six Sigma days, you need to have an operation in control and capable if you really want to deliver change. I'm saying the same thing applies to the total organization.

Now as Chris mentioned, reduction of debt is a priority for this year. Now we're tracking well. There's no question of that, but we need again to lock in that work and we need to deliver on the 2014 plan.

What it is, however, and you're quite right, it is creating options for the Board. It's creating options in relation to shareholder returns; it's creating options in relation to growth.

Meanwhile, I'm not about distracting the organization at an operating and working level. I want the business to concentrate on its safety; I want the business to concentrate on delivering of its objectives rather than let's chop and change and let's rock the boat and see if we can upset the apple cart. That's not the way that you run a sound business.

In relation to 4 plus 2, it is 4 plus 2. I spoke about our managed operations and projects purely and simply because they're the ones that we do operate.

But Escondida, there, we're continuing to invest there. The power project and the water project last year are part of taking that project forward. It's a great business.

We have a good partnership with BHP and Mitsubishi there. And, yes, we have people involved in the technical committee and how that operation goes forward, but it is a non-managed operation.

Grasberg, look, there are a range of challenges there, and Richard Atkinson and I had a very long chat the other day. From a safety viewpoint, it was a very sad year for Grasberg with the tunnel collapse and then a string of fatalities. Richard's held his hand up. He's asked for us to help support them there in relation to their safety work. We have an expert on the ground working with them.

And I've said to Richard, look, we'll open our doors. We'll do whatever you need in terms to look at how our safety systems actually physically work on the ground, how we operate, how our incentives work, how our

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monitoring of critical control risks, how that works, how our significant potential incident tabling and action plans, how all of that works, that's important.

Clearly, in relation to the Indonesian Government, Freeport and other miners in Indonesia have got issues currently. My understanding is that currently Grasberg is operating at 40% of nameplate which matches their smelting capacity, but there's a lot of discussions going on in terms of resolving that.

That physically doesn't have an impact on us as we're not expecting any **ore** coming out of Grasberg to our account during this year.

Let's move to another question in the room.

TIM HUFF, ANALYST, RBC CAPITAL MARKETS: Tim Huff, RBC Capital Markets. It was actually on your aluminum division, and the -- obviously, the results you had out today a bit mixed. You had great cost savings, really impressive; and at the same time, you had the project overrun at Kitimat; so a bit disappointing, like you said.

I just have a bit of difficulty getting a feel for the direction of this division. Is it a constantly shrinking division that you think, I don't know, doesn't have as much growth potential going forward? Or is it in the midst of an upstream versus downstream repositioning? Or is it exactly as you said today maybe very unchanged with a very strict cost focus?

So I was just wondering if you could give us some sort of color on that.

SAM WALSH: Look, clearly during 2013, Chris and I used the opportunity to look at every aspect of the business, to look at day-to-day **operations** and to look strategically how we're positioned and how we're operating the business. And I know that there are a number of people that said, well, why don't you joint venture, why don't you IPO, why don't you spin, why don't you I don't know what.

Well, we did, in fact, have a look at each of the options for the business, and it all came back to, well, these are good assets, it is a tough market at the moment, there will be an inflection point, we need to get the costs down, we need to improve the business.

There is no easy option here quite frankly, and running the business for cash with reduced investment but real focus on improving the business, reducing the costs, that's going to deliver. And the $557 **million** of earnings, that's really shown that the business is on the way to improve its physical **operations**.

Kitimat is a separate standalone issue in relation to an overheated market in relation to labor, shortages in a relatively remote area of Canada, in British Columbia, and the fact that that project needs to be run much, much tighter.

You have my absolute assurance that that will happen. And, as I said, I have the chief executive of the major contractor on site today and I'll get his feedback in the next few days as to his perceptions having physically seen it on the ground.

They have changed [out] people, we've changed out people and you've got to say that there's an enormous amount of focus there.

But aluminum, no easy solution, but the results aren't bad. They're better than consensus expected. They're a significant improvement on last year.

Another question in the room.

JAMES GURRY, ANALYSIS, CREDIT SUISSE: James Gurry, Credit Suisse. Just a question on Simandou. It's been in the press a bit recently. Can you give us a quick update on your confidence of the project, its development profile, and that you can develop it in a controlled manner in view of the **iron ore** market?

SAM WALSH: Yes. Look, I think we made good progress with Simandou last year. And Alan has been very successful in terms of aligning the Government of Guinea, ourselves, Chalco and the IFC in how the project should move forward.

Midyear, we made the call with our joint venture partners that the infrastructure rail and port, that we'd aim to have that developed by a consortium, which in fact they'd finance. It's really a significant change to the project, and quite frankly reduces the risk profile for us. So it was an important move there.

The discussions with the Government continue, and the Government is targeting to have the investment framework resolved as quickly as they can, and through the first nationally elected national assembly, parliament for want of a better word, so that it has full approval.

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Again, with the comments I made about Mongolia, it's also important to get all these things right up front and to physically get it locked in. Alan was in Paris over the weekend with the new Minister for Mines, who was the Minister for Finance, and we know him well. He's very well aligned. He understands the complexities and difficulties of the project. He also understands that nothing's going to happen until you get the framework right, which will enable the financing, which will enable the commitments for the project.

Look, it's steady work on the ground. I think if anything, we strengthened our position during last year but there's still a way to go. These negotiations on the [phone], I don't know how many pages there are but it probably makes the phone book look a little mild. It will be a big document, a complicated document, and there's a lot of things to check through. But Alan and the team are doing a good job in terms of patiently, impatiently working through all that.

Do we have another question on the phone lines?

OPERATOR: Craig Campbell, North Cape Capital.

CRAIG CAMPBELL, ANALYST, NORTH CAPE CAPITAL: Good morning, Sam, and good to see a great result out of Rio Tinto. A couple of questions. Firstly, I didn't quite hear the pension liability reduction. I'm just wondering if Chris could repeat what it was and what it's down to now.

Second question is with regard the aluminum division premiums that we're seeing on our screens at the moment. Are you getting all of those premiums that we're seeing? And second part of that particular aspect is for any third party alumina sales that have linkage rates, do any of the contracts pull in that premium to help with alumina sales?

And then finally, just regarding accounting, I noticed right at the back of the release, there's reference to restatement for IFIRC 20, IFRS 11. I'm just wondering; does any of that restatement have a positive impact in any of the divisions?

SAM WALSH: Okay, Chris. Look, I think I'll get you to answer all four of those. Sorry about that. So the first one was about pension liability, aluminum division premiums; the third one was third party linkage to the premiums; the fourth, technical question about IFRS.

CHRIS LYNCH: Yes. Sam, the pension liabilities fell to $3.6 billion, and I think from memory it was down from $6.2 billion; pretty right. And that was in the main an improvement on the asset side of that equation.

I was looking for that answer and may have missed parts two and three. Part four, I'm definitely going to kick into touch. The accounting standards and the restatements, and the like, I don't think we get any unintended benefit from them. What we do get from time to time is some stuff that does make it difficult to have a fair, balanced and understandable interpretation of the results.

But that's, that one, but could you maybe give me back the second and third questions?

CRAIG CAMPBELL: Okay. The second question was in relation to aluminum and the improvement in premiums. Are we in fact receiving 100% of the value of the premiums? And in terms of third party sales that are already in existence, do we have a linkage to take advantage of the premiums?

CHRIS LYNCH: Well, there's no 100% consistent way that we sell the -- regarding the third of your questions, the third party sales and the 100% uptake of any change in the premium, it will vary depending totally on the arrangements on any individual arrangements with customers.

With regard to the new transactions that are entered into, we'll generally take advantage and full advantage of the premia. It gets a little bit confusing when you get into the value-added products where the premium actually pertains to [aluminum] ingot, and it's about a delivery premium in a regional market. But we would -- in the normal course of events, we would get whatever was available in the market in those regional premia.

SAM WALSH: Yes. Thanks, Chris. Let's take the next question from the phone line.

OPERATOR: [Luc Pev], Exane.

LUC PEV, ANALYST, EXANE: Two questions, if I may. First of all, one question with regards to the tax [payment] that was made earlier related to the 14 months payment. If I understood correctly, this is due to [flows] through the cash flow, but I would like to be sure of that.

And second question, maybe as a follow-up on what you are pointing to, in terms of decision or approval for new projects, could you perhaps give a bit of color as to what would be the main driver for prioritizing one project versus another? I understand the return issue, but meaning are you more -- are you seeing more value now getting upstream in aluminum, or would you rather look at copper, for example?

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Thank you.

SAM WALSH: Okay. Chris, why don't you take the first one on the Australian Tax Office changes to tax, and I'll take the second one?

CHRIS LYNCH: Okay. Thanks, Sam. In simple terms, Luc, the issue -- in about the middle of last year, the then Australian Government imposed a monthly payment of **company** tax, or estimated **company** tax, so it was applicable for us from the December 31 starting point.

So what we have in fact in this year, in this calendar year, we'll have the last of the quarterly payments pertaining to the December quarter which we've already paid in the month of January, and thereafter, we'll have a monthly payment in February for January, etc. So for the full year, we'll actually pay the equivalent of -- we'll pay tax based on 14 months. So three months in the back half of -- or the back quarter of 2013, and the 11 calendar months, excluding December, which we'll pay in January 2015. It was an attempt to balance the budget at the time.

SAM WALSH: Thanks, Chris. Yes, it was. And he's no longer treasurer.

In relation to the prioritization of projects, I think, as you know, our -- a project goes through a series of stage gates, order of magnitude, pre-feasibility study, feasibility study, decision to proceed. We have three central functions in our business which Chris and I have strengthened. The economics group, which provides the economic assumptions, exchange rates, commodity prices, **energy** prices, and so on, the business evaluation department that looks at the commercial aspects of a project, and the technical evaluation group which looks at the technical aspects.

Some of their activities have been diluted. Chris and I have reinstated them as the **Company** in fact used to operate, and operated very, very effectively in terms of assessing projects.

In addition, Chris has instituted an evaluation committee as a precursor to the investment committee for himself and our head of the technical innovation group, Greg Lilleyman; also other assumptions like legal activity, like our HR activity, and so on.

To go into the detail of a project and how it's actually going to operate, this allows the investment committee to focus on the pure investment decision, whether in fact the project in itself in fact meets our targets, whether in fact it's the best project for us to physically proceed with.

Now having said all that, are we in fact reviewing a huge number of projects? Well, the answer is no. When you look forward with a capital budget of less than $11 **billion** this year and you've got the flow through of decisions already made and $8 **billion** next year, it actually means that -- I was going to say you're reducing the workload. It's not a matter of that, but it means that we're not overloading the functions. It's all operating as it should.

In answer to your question, yes, aluminum has to compete for $1 against the other product groups, against **iron ore** and against **copper**. We are committed to invest in the best projects across our portfolio, so it actually means that in the areas of aluminum, **energy** and the diamond and minerals portion of Alan's group, we're not expecting any significant investments in those areas.

Okay. Let's take one more question on the phone, and then we'll move back into the room.

OPERATOR: Paul McTaggart, Credit Suisse.

PAUL MCTAGGART, ANALYST, CREDIT SUISSE: I just want to follow up on **coal**. A pretty great effort at getting cost down $30 a tonne but, clearly, you've sold at least one **coal** asset; you've been talking about existing others. How do you feel about **coal** at the minute? Is this a business that is really going to form part of the long-term Rio Tinto portfolio? Or are you feeling somewhat lukewarm in the business? I just want to get an update really on how you see **coal** at the moment.

SAM WALSH: Paul, **energy** is tough. And it's not just **coal**; it's also the **uranium** business. It's facing some pretty tough times. We have -- Harry Kenyon-Slaney and his team have done a great job in terms of refocusing the costs and, yes, we did divest of a Clermont last year.

I know that again there's a lot of speculation about what may or may not be on the market. Quite frankly, if you look at our balance sheet, there is no need for us to make any major divestments. We will, as I mentioned, if someone with a big checkbook comes along that makes sense. But right now, it's focusing on improving the business and delivering on the gains that we've got and locking them in.

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There is no easy solution in relation to energy for the long term to actually provide an alternative for coal, and in fact uranium. Yes, in the US there's been advances there with cracking. I suspect that it's going to be much slower coming on elsewhere. Clearly, there's been a range of issues as it's physically developed.

So I think in terms of both coal and uranium, I think they will get their time in the sun. When is that going to happen? Well, time will tell. In the meantime, we need to focus on improving the business, and that's exactly what Harry is doing and delivering.

Let's move back into the room for a question.

JASON FAIRCLOUGH, ANALYST, BOFA MERRILL LYNCH: Jason Fairclough, BofA Merrill Lynch. Just a really simple one on one of the smaller divisions. Mineral sands about a year and a half ago, you doubled down on this. Since then, the market has been going through a bit of soft patch. Maybe you could just give us a little bit of status update in terms of the operations which have been put on hold. And how do you see that market evolving?

SAM WALSH: As I mentioned in our presentation, in both the diamond and minerals business, we've seen soft markets. Part of that relates to the fact that they are lagged to growth that we see elsewhere in the business. But importantly, Alan and his team have been focusing on being deliberately very market focused, whereas in the past we may have continued to produce. I jokingly talk about Mount Everest in his back yard, but we should not be building product if we're not moving that product through to the market, and Alan and his team have been very sensitive to that.

Part of that relates to working capital obviously. Part of it relates to the fact that Mount Everest is actually going to overhang the market, so we need to be very circumspect about that.

But if you look at the long-term view for diamonds and for industrial minerals, the outlook is good; the outlook is strong. We're happy with our investment in Richards Bay Minerals and the doubling down. It will get us time in the sun.

In the meantime, Alan and his team are doing a very good job in terms of improving the cost base. It doesn't necessarily reflect in the charts because there's pluses and minuses in the volume aspect of the charts. And the fact that Alan has been taking off capacity when he needs to, well, that shoots him the foot in a way that we record the cost savings, but the cost savings are flowing through there in the same way that we're physically seeing it elsewhere.

Thanks, Jason. Let's take another question in the room.

TONY ROBSON, ANALYST, BMO CAPITAL MARKETS: Tony Robson, Bank of Montreal. Can we go back to Mongolia, please? The TRQ release this morning didn't really have any positive slant, if you like, on the words chosen to discuss negotiations with the Government. Do you think the March 31 deadline for the project date is doable, or will we -- will that need to be pushed back again?

Secondly, a comment that production may be altered this year if inventories stay high. Are there any issues with selling the copper [con]?

Thank you.

SAM WALSH: Look, in relation to the project finance deadlines, we actually have two deadlines; a deadline for the European Bank of Reconstruction and we have a deadline for the commercial banks.

Clearly, we're in discussion with both the Government and in fact the banks as to deadlines. The Government is aware of the deadlines and the importance that the project finance -- the agreements are in place. It would be a backward step if we had to re-negotiate those.

I'm optimistic. It's one of those things where we're making progress. Do I wish that it would be faster progress? Absolutely. But it'll be what it'll be, and I've learnt in my long career that sometimes our priorities are different to other people's priorities and you just physically have to recognize that. But at the end of the day, it'll be what it'll be.

I can understand frustration from the Turquoise Hill standpoint, and at the end of the day, they may be right.

But don't get me wrong; we're working hard to try and bring this to a conclusion, and despite the fact that -- I listed the four points, we're not being bloody-minded about it.

Yes, we have issues that are very important to us to have resolved, but we are working in a spirit of working to close the discussions with government.

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In relation to production, look, we have had issues with moving concentrate into China and out of the bonded warehouses there. Again, it's a step forward, a step back; and we have advised that our marketing, our sales, may be slow in this region as we work through those issues.

But again, I'm confident. China needs the concentrate and I'm confident that we'll reach conclusions there.

It's -- you're dealing with a project in areas where they've just not been used to having such a large project like this on their back door and how they physically deal with it, and unfortunately, we're just having to work through the issues.

Let's take another question in the room.

MYLES ALLSOP: Myles Allsop, UBS. Just one very quick question. This time last year, you were very clear that acquisitions were definitely off the table. Is that still the case now that we're starting to see obviously the balance sheet strength and momentum's building on the cost side?

SAM WALSH: Yes. Look, we're not looking at any major acquisitions. I just simply don't have people working on it. Down the track, once we've strengthened the business, well, it's something we'd need to look at, but it is not something that's on my radar screen right now.

Let's move back to the telephone and let's take a call there.

OPERATOR: Clarke Wilkins, Citi.

CLARKE WILKINS, ANALYST, CITI: Just a couple of questions. First off, in terms of the capital management side, I know the timing's talked about in terms of being next year, but can you discuss what likely form it would take given the spread between the [TLC now that it's] closed up?

And you're also sitting there with the structural issue of that buildup of excess [frame crews] in Australia. So how do you way up between buy-back in the various markets versus the special dividends, etc?

Also, at the Investor Day last year, there was the talk about Alcan needing to be able to stand on its own two feet before anything could be really done with it in a bigger way. And you look at -- in the 2013, it generated $2 billion dollars almost in EBITDA and earnings over $500 million.

Are we getting close to the point where Alcan is actually able to stand on its own two feet and there is other options in terms of divesting that could potentially come on the table?

SAM WALSH: Let me quickly answer that because we're running out of time. Look, in relation to capital management, noted your points, noted the options. It is an issue that, as Chris said, our Board will look at down the track. And let me just reassure you that I think I've shown that I'm very focused on delivering value to you. I will continue with that focus as we move to the end of next year and beyond.

In relation to Alcan, there's no work underway in terms of what the options might be there. We did an intensive review of it. We looked at the options. We obviously looked at our forward plans. And we're determined that our best option is to continue where we are.

Now, clearly, each year, we strategically look at the business. We'll continue that approach. At this point in time, the focus at Alcan is improving the business, delivering the results. $557 million earnings from $54 million; we haven't done badly.

Let me wrap up. There will, of course, be time, both in Melbourne and here, for further discussions after the formal session. But thanks for being here. Thank you for your support during the year. I really appreciate that.

Last year was a good story. The story continues. We're chapter 1 of the new Rio Tinto and it really is very exciting. We've delivered on commitments I made a year ago. We've given a 15% dividend. I think we're also focused on delivering shareholder value.

We will continue the momentum in 2014. The journey is not over. We've still got a lot of things to do, but a lot of promise also in terms of the business going forward.

And I made the comments that there's a robust outlook for the business. It is. The world can't develop without us. You need commodities to physically urbanize and industrialize the world. We're in a unique position.

I'd also like to thank everybody on the webcast. Look, I know how hard it is, being on the 'phone line. I do it myself regularly. It's not easy. But thank you for your patience. Thanks for staying online and thanks for your questions.

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So for the people here in London, we've had the billy on while we've been talking. There will be a cuppa for you outside. Why don't you come and join us and have a chat?

And thank you very much. Bye now.

Thanks, Chris.

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AN Document FNDW000020140215ea2d003ml

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