

## Description

Rio Tinto Limited (RIO) is a diversified mining company holding a portfolio of world class interests in aluminium, copper, diamonds, gold, coal, iron ore and industrial minerals. RIO has operations spanning 6 continents and is the third largest mining company in the world.

## Company Details

Chairman	Paul Skinner
Managing Director	Tom Albanese
Address	Lvl 33, 120 Collins St Melbourne VIC 3000
Phone Number	(03) 9283 3333
Web Address	www.riotinto.com

## Principal Registry

Name	Computershare Investor Services
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Phone Number	(03) 9415 4000
Fax Number	(03) 9473 2500
Investor Enquiries	
Website	www.computershare.com.au
Email	web.queries@computershare.com.au

## Valuation Scores [Source van Eyk]

### Intrinsic Value

Ranked using Ben Graham's Investment Principles - The Intrinsic Value over the Share Price.

### Price To Sales

Ranked using Jim O'Shaughnessy's methodologies - A combination of 12 month Relative Price Strength and Price to Sales.

### PEG Ratio

Ranked using a Jim Slater Approach - A combination of 12 month Relative Price Strength and the PEG Ratio.

### Owners' Earnings

Ranked using a Warren Buffet type analysis - A combination of "shareholder value creation", "Capital Intensity" and Present Value of owners' earnings

### Composite Valuation

**Cheap**



## Latest Summary as at 27 June 2008





ASX Code	RIO
Sector	Div. Resources
Last Price (\$)	67.77
Classification	Stalwart
Composite Valuation	Cheap

Ranking Legend	Valuation	Quality	
Top 30%	Cheap	Good	
Mid 40%	Neutral	Average	
Bottom 30%	Expensive	Poor	
Not Applicable			NA

## Quality Assessment [Source van Eyk]

### Growth

5 Year Compound Annual Growth Rates (%)

Sales	12.40	
Earnings	30.85	
Dividends	-2.48	
Book Value	12.61	
Price	18.78	






**Overall** 

### Stability Ratios

Sales	24.01	
Earnings	48.37	
Dividends	53.75	
Book Value	22.95	
Price	6.20	







**Overall** 

### Financial Condition

Net Debt to Equity (%)	7.19	
Working Investment Ratio	1.49	
Quick Ratio	1.14	
Interest Cover Ratio	22.85	
Cashflow Ratio	1.36	


**Overall** 

### Competitive Advantage

Operating Profit Margin (%)	34.69	
- 3 Year Trend (%)	14.53	
Sales/Assets	0.68	
- 3 Year Trend (%)	16.51	
Return on Capital Employed (%)	30.85	
- 3 Year Trend (%)	82.32	

**Overall** 

### Outlook

Outlook Ranking		
12 mth Growth Rate (%)	9.46	
Long Term Growth Rate (%)	12.93	

**Overall** 

### Overall Quality

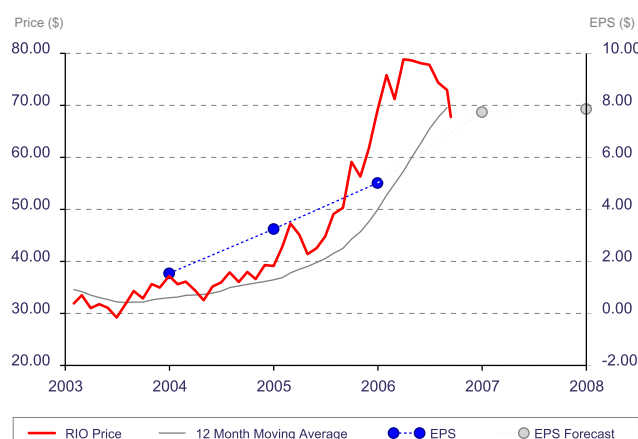
**Good** 

**Key Statistics** [Source van Eyk]

	Today	12 mth
P/E Ratio	9.48	8.66
Dividend Yield (%)	3.73	4.08
Earnings/Share (\$)	7.15	7.83
Dividends/Share (\$)	2.53	2.77
Franking %	100.00	
Price/Book Ratio	1.52	
Price/Sales Ratio	3.70	
Year End	Dec 2005	
Size (Market Capitalisation)	\$ 30,958 mil	

**Relative Price Strength**

1 Month (%)	-7.48
3 Month (%)	-7.37
12 Month (%)	+ 18.39

**5 Year Price Chart**

**Strategy Analysis**

Rio takes a common-sense, long-term approach to mining. Its strategy is to focus on large-scale, long-life, and low-cost mining operations, and to invest in maintaining competitive positions. The company constantly seeks new sources of advantage to institutionalize in ways competitors cannot easily replicate. Prime attention is paid to project quality and not the commodity or geographical location. Adjusted 1H07 profit was essentially in line with 1H06 at US\$3,529m, but 12% below our US\$4,000m forecast. The headline figure fell 14% to US\$3,253m but included a US\$314m impairment reflecting the impact of cost pressures at Argyle diamonds in WA, partially offset by US\$38m in FX and derivative gains. Argyle's cost has blown out 60% to around US\$1.5bn. The impairment seems a conservative treatment perhaps boosting cash flow at the expense of P&L. We didn't see assets written up! Headline 1H06 was inflated by US\$211m recognition of deferred tax assets. Adjusted 1H07 EPS rose 3% to 272c aided by a 47m share reduction in weighted average equity thanks to buy-backs and on market purchases. The interim fully franked dividend is US52c, half the previous full year payout. In A\$ terms, the dividend rose 16% to 60.7c. The poorer than expected result was due to higher operating costs and depreciation, and came in spite of strong revenue growth. Margins fell. Operations were pushed to maximise production to capitalise on high prices. The Iron Ore and Energy divisions in particular disappointed. WA iron ore operations experienced higher contractor and transportation costs following cyclones..

**Business Description**
**Introduction**

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**Divisions**

**Aluminium/Alumina:** RIO is a major supplier of bauxite, alumina and primary aluminium to world markets. At 31/12/2007, the group accounted for 69% of Rio's operating assets and 15% of underlying earnings. Operations include Weipa, Bell Bay, Boyne Island (59%), Comalco refinery, Gladstone Power Station (42%) and Queensland Alumina (39%) in Australia, Eurallumina (56%) in Italy, Anglesey (51%) in Wales and Tiwai Point (79%) in New Zealand. During FY07 RIO acquired Alcan for \$38bn.

**Copper/Gold:** At 31/12/2007, the Copper group, which also produces gold as a significant by-product, accounted for 5.9% of the group's operating assets and 47.5% of underlying earnings. Operations include Escondida (30%) in Chile, Grasberg (40%) in Indonesia, Kennecott Minerals and Kennecott Utah Copper in the US, Northparkes (80%) in Australia, and Palabora (46%) in South Africa.

**Diamonds:** At 31/12/2007, Diamonds accounted for 1.8% of the operating assets and 6.7% of underlying earnings. Major operations include Argyle Diamonds in Australia, Diavik (60%) in Canada, and Murowa (78%) in Zimbabwe.

**Energy:** At 31/12/2007, the group accounted for 4.9% of RIO's operating assets and 3.8% of underlying earnings. Includes Rio Tinto Coal Australia, Coal and Allied (76%), Energy Resources of Australia (68%) and Rossing Uranium (69%) in Namibia.

**Iron Ore:** At 31/12/2007, the group accounted for 13% of Rio Tinto's operating assets and 36.3% of underlying earnings. Major assets are Hammersley Iron and Robe River (53%) in Australia, Rio Tinto Brazil and the Iron Ore Company of Canada (59%).

**Industrial Minerals:** At 31/12/2007, the group accounted for 4.8% of the operating assets and 2.8% of underlying earnings. It produces borates, industrial salt, talc and titanium dioxide feedstock. Comprises Rio Tinto Borax, Rio Tinto Iron & Titanium, Luzenac's talc and Dampier Salt operations.

## **Recent Operational History**

### **May 2008**

**19/05/08** - Rio Tinto announced it has further strengthened its global copper resources with the upgrade of mineral resources to 637Mt at 0.48% Cu at its wholly owned Kennecott Utah Copper Bingham Canyon Mine. The resource is located beneath the current Bingham Canyon pit, and is currently under study for extraction by open pit mining methods. This represents an increase of 628Mt over the December 2007 resource statement. Preliminary pit optimisation studies indicate that the reported resource falls within reach of an open-pit cutback to the existing Bingham Canyon mine operations. Continuation of the mine development studies to allow conversion of this resource to ore reserves is a high priority for the business and is scheduled for completion by the end of 2009.

### **April 2008**

**17/04/08** - Rio Tinto released its first quarter 2008 operations review, reporting record first quarter global production of iron ore, up 16% on the first quarter of 2007; record first quarter iron ore production of 43Mt in the Pilbara, WA, up 15% (100% basis) compared with the first quarter of 2007 as the iron ore operations deliver their rapid expansion programme; strong contribution from Rio Tinto Alcan in the quarter, with a significant uplift in production compared to the first quarter of 2007 - Bauxite increased by 106%, alumina by 236% and aluminium by 386%, following a good performance from the Canadian smelters; and on a proforma basis the respective increases for bauxite, alumina and aluminium were 20%, 10% and 2%. The Company also reported mined copper production declined by 6% compared with the first quarter of 2007, primarily reflecting lower grades at Kennecott Utah Copper and Northparkes; and uranium production was 20% higher than the 2007 comparative period.

### **March 2008**

**18/03/08** - Rio Tinto announced that its expansion work on the Yarwun alumina refinery, near Gladstone, Queensland is progressing on budget and is on track for its first shipment of alumina in the second half of 2010. The US\$1.8B project will more than double annual production of the refinery, taking output from 1.4m tonnes to 3.4m tonnes by 2011.

**17/03/08** - Rio Tinto reported NPAT down 1.7% to US\$7.31bn for the year ended 31 December 2007. Revenues from ordinary activities were US\$29.7bn, up 32.2% from last year. Diluted EPS was 566.3 US cents compared to 555.6 US cents last year. Net operating cash flow was US\$8.49m compared to US\$7.8m last year. The final dividend declared was 93.02 cents fully franked, taking the full year dividend to 153.71 cents compared with 135.32 cents last year. Rio Tinto's confidence in the outlook for its business, growth prospects and markets, is reflected in the 31 per cent increase in the ordinary dividend for the 2007 full year, and its forward commitment to increase the dividend by at least 20 per cent in 2008 and again in 2009.

**14/03/08** - Rio Tinto announced that Rio Tinto Alcan and Cahya Mata Sarawak Berhad (CMS)'s proposed US\$2bn (approx RM7bn) world-class aluminium smelter project in Similajau, in the state of Sarawak, has made significant progress with the granting of a manufacturing licence by the Malaysian Industrial Development Authority. The proposed smelter will have a production capacity of 550,000t p.a. in its initial phase, with the capability to be expanded to 1.5Mt. It is expected to contribute up to RM2.4bn annually to Malaysia's GDP, and could generate up to 4,700 direct and indirect jobs.

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## Financial Services Guide

Updated: 2 March 2007

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- What research and services we are authorised to provide you;
- How we are remunerated;
- Details of our conflicts of interest management policy and disclosure; and
- Details of our internal and external dispute resolution procedures and how you can access them.

### You can contact us by:

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