

## Rio Tinto plc AGM – Address by the chief executive

**London, 14 April 2016**  
**Sam Walsh, chief executive**

**\*\*Check against delivery\*\***

Thank you, chairman, for your very kind words.

Good morning ladies and gentlemen.

I stand before you all today with a mixture of pride and sadness.

I am proud to be able to present the work our employees have achieved to deliver a solid financial performance in 2015, against an extremely challenging backdrop.

But I also have some sadness, that this will be the last time I am able to do so as your chief executive.

I have spent almost 25 wonderful years with Rio Tinto, with the past three as chief executive.

Rio Tinto is a world-class company, with strong values, that has been a truly rewarding place to work.

I take great satisfaction, in leaving the business stronger than it was three years ago.

At that time we made a commitment, to deliver on our promises, and we have done just that. We have:

- lowered costs, and reduced capital;
- focused on cash;
- strengthened the balance sheet; and
- delivered returns to shareholders.

And importantly, we have positioned the business so there is greater value yet to be created.

I have thoroughly enjoyed the opportunity to work with some outstanding people.

And it's personally fulfilling that I will be handing over the reins, as chief executive, to one of those outstanding Rio Tinto leaders – Jean-Sébastien Jacques.

Prior to joining Rio Tinto, J-S worked in the aluminium, bauxite and steel industries, in complex roles across five continents.

J-S is a top-notch executive, and a standout performer, who will lead this great company forward, with vision and drive.

During my time in the resources sector I have experienced many cycles.

I believe the companies, that deliver long-term shareholder value, are those with the:

- best people;
- highest-quality assets; and
- financial strength to invest through the cycle and with the capacity to grow.

In essence that's your company, Rio Tinto.

And I'm pleased to have played my part in shaping it.

# Rio Tinto

Let me now make a few comments on safety.

Our number one priority is to have every one of our colleagues, return home safely every day.

In recent years, we have made great strides in improving our safety performance, but we all know we can and must do better.

At Rio Tinto, over the past 10 years, we have reduced employee injury rates, by a significant 67 per cent.

However, we have found that while a focus on reducing injuries is paramount, it is not a predictor of catastrophic events.

It also doesn't eliminate fatalities – the goal that we are all focused on achieving.

In 2015, tragically we had four people die at, or around, our operations.

In January in Madagascar, an employee drowned, when the excavator he was operating, slid down a tailings embankment into a pond.

In February in South Africa, a security contractor died, when the car he was driving, rolled on a bend, on a gravel road.

In May in Canada, a contractor died, after being hit by a high-pressure water jet.

And in August in Guinea, a contractor, driving a fuel truck, drowned after a public bridge collapsed, trapping him in the cabin.

I am deeply saddened by these tragic events, which have had a profound impact on families, friends and work colleagues.

We must continue, to maintain our focus on safety, with each and every task, during every shift, and every day.

To help us eliminate fatalities, we are rolling out our critical risk management programme, or CRM.

This is a system that J-S introduced to his product group in 2014.

We are implementing CRM right across Rio Tinto.

Nobody is saying that this is a magic formula to sort out all our safety challenges.

Rather, it is an important tool, to help eliminate fatalities.

CRM verifies that vital controls are:

- well designed;
- understood; and
- in place and working before a job starts.

It is about each employee, taking the time to understand the risk of a serious or fatal injury, and never starting a job unless the life-saving controls are in place.

I was delighted to present the Chief Executive Safety Award, for the second year running, to Pilbara Utilities in Western Australia.

It is a team,

- working in a complex environment;
- with high-voltage power;
- very diverse maintenance activities; and
- often working at heights.

You all know we take safety very seriously, and we are always looking to learn and improve.

Let me now turn to our financial performance.

We knew 2015 would be a challenging year, and it proved to be so.

The decisive and early action taken in previous years, meant we were better positioned than others, to deal with the tough macro-environment.

We have cemented our status as the world's most profitable mining company, measured by underlying earnings.

However, at no stage have we allowed complacency to creep in to our behaviour, and throughout 2015, we maintained, a relentless focus on cash generation and preservation, by trimming costs, reducing capex, and looking to release working capital.

We removed a further, US\$1.3 billion of costs in 2015.

This means that since 2013, we have taken, more than US\$6 billion of costs, out of the business.

And in 2015, we released US\$1.5 billion of working capital.

We reduced capital expenditure for 2015, to US\$4.7 billion, and we are reducing capital expenditure, to US\$4 billion in 2016 and US\$5 billion in 2017.

We have not done this at the expense of future growth, but have done so by:

- re-assessing projects;
- lowering costs; and
- only investing in the highest returning projects.

So, we have managed to invest in the business, and deliver cash returns to shareholders, while protecting the balance sheet, with net debt of US\$13.8 billion.

While we have achieved a great deal, we recognise the current environment requires even more from us.

This is why we announced a new package of proactive measures.

Over the next two years, we aim to cut operating costs by a further US\$2 billion. In 2016, by US\$1 billion and a goal of a further US\$1 billion in 2017.

We will also remove US\$3 billion of capital expenditure from our previous guidance and implement the new dividend policy, as explained earlier by our chairman.

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These actions are designed to ensure we maintain our balance sheet strength and deliver shareholder returns commensurate with the economic environment and supported by the quality of our world-class assets.

Let's talk about some of our great assets.

Each is unique but all are world-class and ideally positioned on the cost curve, to deliver value for many years to come.

Our Pilbara iron ore business remains the cost and quality standard that the industry uses as a benchmark and others seek to emulate.

Our port infrastructure in the Pilbara is essentially complete.

Our focus is on maintaining the superior quality of the Pilbara Blend and extracting best value from the entire system.

A decision on the Silvergrass iron ore project is expected this year.

As you know, I previously had the privilege of leading the Iron Ore group.

A decade ago, our market share was about 20 per cent and is similar to what it is today.

So our investments of recent years are measured and responsible in meeting our valued customers' long-term needs, and in the best interests of our shareholders.

We welcome competition. In fact, we thrive on it.  
But it is important to measure competition on a level playing field.

Our unit cash costs in the Pilbara are the lowest and we also enjoy premium pricing over our competitors.

But the Iron Ore team is not complacent and they remain focused on improving our performance and maintaining our leading cost position.

In 2015, the Iron Ore group delivered underlying earnings of US\$3.9 billion and closed the year with Pilbara, FOB EBITDA margins of 60 per cent.

That is a stunning achievement in any market environment.

With our network of 15 mines, 71 driverless-trucks, and 1,700km of railways, and many technology initiatives, our Pilbara operations are simply without peer.

We have one of the world's best and "greenest" aluminium businesses.

The product group achieved a solid performance in 2015 with underlying earnings of US\$1.1 billion despite lower prices.

It also increased EBITDA margins to 31 per cent.

The majority of our aluminium smelting assets are in the first cost quartile and we hold a leading position in bauxite.

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This month, we reached full capacity at our recently modernised Kitimat smelter in British Columbia, Canada, and we are already producing some of the lowest carbon footprint, high purity aluminium in the world.

Last year, our Rio Tinto board approved the development of the Amrun bauxite project in far north Queensland, Australia.

This Tier 1 asset will increase our annual bauxite exports from our Weipa operations, by around ten million tonnes a year, and strengthen our position, as one of the world's largest bauxite producers.

The Diamonds & Minerals group continues to focus on cash generation.

Underlying earnings of US\$189 million, were 30 per cent lower than 2014, primarily driven by lower sales prices, and reduced volumes, in response to soft market conditions.

Titanium dioxide slag production was 25 per cent lower as the company idled some furnaces and flexed production to align with market demand.

In our Diamond business, production rose 25 per cent to 17.4 million carats, reflecting the ramp-up of production at the Argyle underground mine in Australia, offsetting lower production at Diavik in Canada.

Our borates business, based on the fabulous Boron deposit in California, "keeps on keeping on", after more than a century of operations.

Production was slightly lower than last year, but we continue to look to new applications in agriculture, energy and advanced batteries.

The Copper & Coal product group was impacted by lower prices and delivered underlying earnings of US\$274 million.

This group has generated cost reductions of nearly US\$2 billion since 2012 and is continuing to look for more savings.

In 2015, our share of mined copper production was lower, as anticipated, as work continued at Kennecott to de-weight and de-water the east pit wall.

In Mongolia, our copper mine, Oyu Tolgoi, continues to set new international benchmarks.

The US\$4.4 billion finance package for the OT underground project, involving a raft of international financial institutions and commercial banks, is another clear example of the collaborative approach we take to development.

With the finance package in place, we are now working towards the completion of all permitting and board reviews.

In our coal business, despite ongoing price challenges, our mines remained cash flow positive with minimal working capital.

We completed the sale of our interest in the Bengalla thermal coal joint venture in Australia for US\$617 million on 1 March.

And in January, we announced the planned sale of our share of the Mount Pleasant thermal coal assets for US\$224 million plus royalties.

In 2015, we sold our interest in the Murowa diamond mine in Zimbabwe and a number of Rio Tinto Aluminium's ancillary businesses in Europe.

Since 2012 we have announced, or completed, US\$4.7 billion of asset sales to:

- reduce debt;
- deliver returns to shareholders; and
- recycle our capital into compelling growth opportunities.

The chairman talked earlier of Rio Tinto's climate change commitments, and I would like to touch on our economic and social role in host communities.

At the local level in the past year, we have been involved in more than 1,800 socio-economic programmes, touching thousands of lives and making a difference every day.

From our partnership with Indspire, for Indigenous students in Canada, to the community AIDS education programme, run by our Richards Bay operations in South Africa.

At the macro level, over the past five years our value add to host communities has averaged US\$29 billion a year.

We recognise that local procurement can be a catalyst for broader economic growth and building more resilient local economies.

That is why we have business development and local procurement programmes in locations as diverse as Namibia and Mongolia.

Another area of Rio Tinto's community engagement stands out as a testament to our company's ability to make a difference to peoples' lives as well as one of my proudest achievements during my time at Rio Tinto.

This is the strong growth in Indigenous employment in Australia.

In the mid-1990s about half of one per cent of our workforce was Indigenous.

In recent years, this number has risen to eight per cent, largely as a result of the expansion of our Iron Ore business, making Rio Tinto one of the largest private sector employers of Aboriginal Australians.

I am immensely proud of the difference these meaningful careers have made to the lives of thousands of Indigenous Australians, Indigenous businesses, their families and communities.

If I may, I'd like to finish my address today on what I began with, and that is our people.

Their achievements sustain a vibrant culture, at the heart of your company. I am honoured to have worked with so many wonderful, and committed people over many years at Rio Tinto.

It's been truly a privilege, and I am proud of Team Rio Tinto.

And never more so than in the past three years, when everyone I met wanted to help return the company to a position of leadership and financial strength, and we have.

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Last year, I was fortunate enough to visit the birth place of our company in Spain.

It was a great reminder that we all follow in the footsteps of those who have gone before us.

And while we pay deep respects to the past, we must look to the future.

There is no doubt in my mind, that the year ahead will be a tough one for the industry and for Rio Tinto.

The market conditions are as tough as I have seen them in recent years and there's no doubt that it will take a lot of commitment and drive to find new ways of making our business even better and stronger.

But I know that Rio Tinto has a chief executive to be in Jean-Sébastien, and a world-class team, to do just that.

I wish all at Rio Tinto every success.

Thank you to you, our shareholders, for your trust, and to the board, for your support.

I will, of course, be working with Jean-Sébastien over the next few months to support the transition.

Now, it gives me great pleasure to hand the floor over to your deputy chief executive, Jean-Sébastien Jacques who would like to say a few words.

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