

The Rio Tinto logo is displayed vertically in white text on a red background. The text reads "Rio Tinto" in a bold, sans-serif font.

# Rio Tinto

## Pioneering strategic partnership with Chinalco

Joint ventures and convertible bonds to deliver US\$ 19.5 billion in cash to Rio Tinto

12 February 2009



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## Pioneering strategic partnership with Chinalco

- Rio Tinto has agreed to enter into a pioneering strategic partnership with Chinalco delivering US\$ 19.5bn in cash to Rio Tinto:
  - investments in aluminium (US\$ 2.1bn), copper (US\$ 4.5bn) and iron ore (US\$ 5.2bn) joint ventures and project development opportunities (US\$ 0.5bn) totalling US\$ 12.3bn; and
  - issue of US\$ 7.2bn of subordinated convertible bonds
- Premium valuation of investment assets and highly attractive financing terms
- Proposed transaction delivers:
  - substantial strengthening of the Rio Tinto balance sheet;
  - ability to act on compelling investment opportunities through the cycle; and
  - a unique partnership delivering superior ability to benefit from emerging resource trends
- Outcome of extensive discussions during the past year between Rio Tinto and Chinalco regarding the establishment of a mutually beneficial relationship

# Partnership with Rio Tinto is driven by long term commercial objectives

<p><b>Confidence in Chinese economy and industry demand fundamentals</b></p>	<ul style="list-style-type: none"> <li>• Significant demand for commodities over the long run</li> <li>• Confidence in the resilience of the Chinese economy</li> <li>• Increasing importance of the Chinese market             <ul style="list-style-type: none"> <li>– accounts for 1/3 of global metal demand and 2/3 of global metal demand growth</li> <li>– continued industrialisation and urbanisation process</li> <li>– significant demand potential from 800m rural population</li> </ul> </li> <li>• Global stimulus efforts will benefit recovery in metals demand             <ul style="list-style-type: none"> <li>– RMB 4 trillion stimulus plan in China with emphasis on metal-intensive infrastructure projects</li> </ul> </li> </ul>
<p><b>Long term financial returns</b></p>	<ul style="list-style-type: none"> <li>• Well placed to understand the new demand fundamentals in Rio Tinto’s key growth market</li> <li>• The transaction reflects Chinalco’s strong confidence in the quality of Rio Tinto, its prospects and long term value</li> </ul>
<p><b>Diversification</b></p>	<ul style="list-style-type: none"> <li>• Exposure to unrivalled suite of Tier 1 assets</li> <li>• Broad range of commodity exposure</li> </ul>
<p><b>Partnership with a global leader</b></p>	<ul style="list-style-type: none"> <li>• Increase participation in global markets</li> <li>• Professional development of technical and management skills for both parties</li> <li>• Establish an emerging market / developed market relationship</li> <li>• Access Rio Tinto’s sustainable development leadership skills</li> </ul>
<p><b>Long term strategic partnership</b></p>	<ul style="list-style-type: none"> <li>• Chinalco nomination of two new board members (including one independent)</li> <li>• Enhances capability of project development in emerging markets, through a joint approach</li> <li>• The potential to partner on significant pipeline of growth opportunities throughout China and other emerging markets</li> <li>• Opportunity to improve capital efficiency and provide a potential new source of capital for project development</li> </ul>

# Chinalco is a leading Chinese diversified resources company

## Products and Geographies

- Commercially driven aluminium, copper and titanium product groups
- Interests in assets primarily in China and across a range of geographies including Australia, Peru and Saudi Arabia
- Seeking diversification across products and regions in line with strategy of becoming a global diversified resources company

## Management

- Experienced management team
- Committed to high governance standards and transparency of its business through listing major assets
  - Chalco listed in Hong Kong and New York in 2001 and in Shanghai in 2007

## Growth

- Aluminium and alumina production growth of 31% pa and 15% pa respectively since 2001 via organic growth and acquisitions
- Acquisitions include Peru Copper (2007) and Yunnan copper group (49% stake in 2007)
- Leverage existing relationships

## Performance

- Substantial growth in total assets from 2001 to 2007
- Focus on long term financial returns

# Chinalco is the ideal partner for Rio Tinto

**Strong performance and market position...**

**...with aligned values and objectives**

- Outstanding track record of growth across multiple sectors
- Deep insight into Chinese trends and developments
- Outstanding relationships within China
- Strong financial backing and ability to finance further growth
- Governance structure which promotes independent commercial decision making
- Commitment to balance excellent returns with sustainable development
- Experienced and professional management team
- Commitment to openness and transparency of capital markets

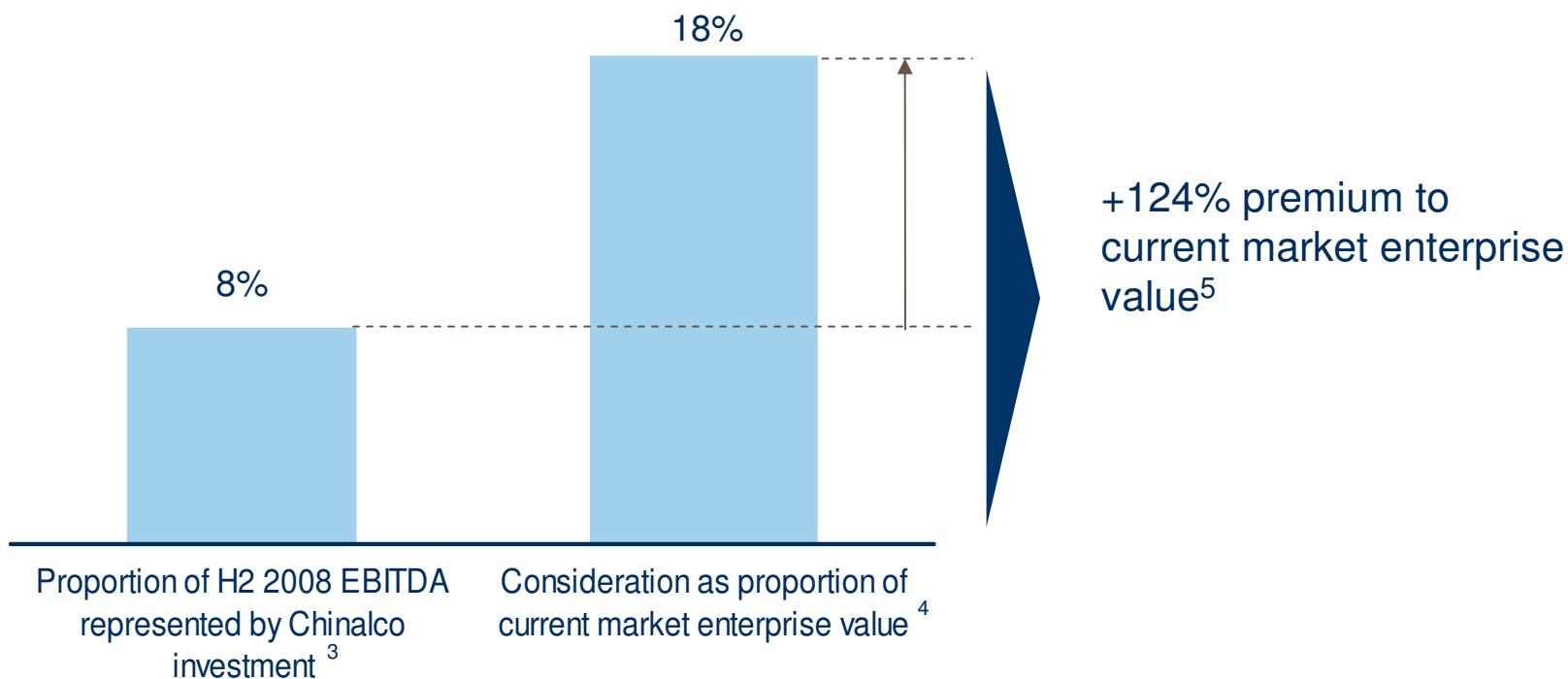
# Core benefits of transaction

<p><b>Realises premium value</b></p>	<ul style="list-style-type: none"> <li>• Joint venture asset consideration at a significant premium to current implied enterprise valuation metrics</li> <li>• Convertible bonds convert at attractive premia             <ul style="list-style-type: none"> <li>– Tranche A: 107% premium to plc unaffected share price<sup>1</sup> (68% to Ltd, respectively)</li> <li>– Tranche B: 176% premium to plc unaffected share price<sup>1</sup> (124% to Ltd, respectively)</li> </ul> </li> <li>• Terms of convertible bonds favourable in current global credit conditions</li> </ul>
<p><b>Eliminates short term financial uncertainty</b></p>	<ul style="list-style-type: none"> <li>• The aggregate package reflects the confidence that both parties share in the long term value of the Rio Tinto business</li> <li>• Strengthens Rio Tinto's balance sheet and provides substantial liquidity</li> <li>• Non-core asset divestment program continues, timing still dependent on maximising shareholder value</li> </ul>
<p><b>Flexibility to undertake investment through the cycle</b></p>	<ul style="list-style-type: none"> <li>• Yarwun, Kestrel, Clermont expansions to proceed, creating value and promoting employment</li> <li>• Continuation of preparatory activities for 320mtpa iron ore capacity in the Pilbara</li> <li>• Ability to undertake opportunistic value creating acquisitions</li> <li>• Better positioned for demand recovery</li> </ul>
<p><b>Partnership with unparalleled ability to benefit from emerging industry trends</b></p>	<ul style="list-style-type: none"> <li>• Expand capabilities for global development for both companies</li> <li>• Potential value creation through exploration in China and Simandou cooperation</li> <li>• Initial discussions with a Chinese bank for long term financing to fund future joint development projects with Chinalco.</li> </ul>

1. Based on the Rio Tinto share price of £ 15.06 (plc) and A\$ 42.15 (Ltd) as at 30 January 2009, last closing price prior to Rio Tinto's response to press speculation regarding a possible transaction with Chinalco. USD/£ exchange rate of 1.4417, USD/AUD exchange rate of 0.6359

# Strategic alliances are at an implied premium to current market asset values

Comparison of Chinalco's share of H2 2008 attributable EBITDA<sup>1</sup> with current market enterprise value<sup>2</sup>



1. Based on H2 2008 attributable EBITDA, representing Rio Tinto's beneficial interest in the EBITDA of its businesses and operations (adjusted for material non-recurring items and Alcan Packaging). A reconciliation to underlying EBITDA, as reported in the 2008 full year results announcement, is included in slide 40 of this presentation

2. Market data as of 30 January 2009, last closing price prior to Rio Tinto's announcement regarding press speculations concerning a possible transaction with Chinalco

3. Proportion of H2 2008 attributable EBITDA represented by Chinalco investment is the share of Rio Tinto Group H2 2008 attributable EBITDA that Chinalco would have received through its economic interests in joint ventures had the investments been made on 1 January 2008 (adjusted for material non-recurring items and Alcan Packaging)

4. Chinalco's acquisition price of US\$12.3 bn as a proportion of Rio Tinto's current market Enterprise Value of US\$68.0 bn. Enterprise value based on 998.3 million Rio Tinto plc shares outstanding, 285.7 million Rio Tinto Ltd shares outstanding, USD/£ exchange rate of 1.4417, USD/AUD exchange rate of 0.6359 as of 30 January 2009. Rio Tinto net financial debt of US\$38.7 bn as of 31 December 2008

5. Calculated as premium of Rio Tinto implied Group Enterprise Value (derived from US\$12.3 bn consideration for 8% of H2 2008 attributable EBITDA) to current market Enterprise Value. Enterprise Value premium of 65% and Equity Value premium of 152% if analysis is based on 11% of 2008 full year EBITDA represented by Chinalco investment

Source: Factset; 2008 Rio Tinto financial results

## Summary

- A comprehensive package of benefits:
  - premium valuation of investment assets and highly attractive financing terms
  - strengthens Rio Tinto’s balance sheet
  - flexibility to undertake high value strategic growth at all points of the cycle
  - logical step to position Rio Tinto at the forefront of industry trends involving China and the developing world
- Chinalco’s strong commercial focus, natural strengths and alignment with Rio Tinto’s strategy make it an excellent partner
  - synergy benefits to be derived from both partners’ complementary strengths
- Chinalco’s investment is a clear vote of confidence in Rio Tinto’s strength, growth prospects and outlook for the commodities we produce
- Transaction subject to regulatory and shareholder approval
- The Rio Tinto Boards unanimously recommend the proposal to shareholders

## A strong set of results

Robust underlying performance in 2008

- Underlying EBITDA of \$22.3 billion, up 60%
- Record underlying earnings of \$10.3 billion, up 38%

Impairment charge of \$8.4 billion recognised, mainly relating to Alcan

- Net earnings of \$3.7 billion, down 50%

Decisive measures already taken to position the Group for the downturn

- Significant reductions in operating and capital expenditure
- Divestments of \$3 billion in 2008 and \$1.7 billion in January 2009
- 2008 dividend yield held at 2007 level