

**Slide 1 – Title slide****Slide 2 – Cautionary statement****Slide 3 – Sam Walsh title slide**

Thank you John.

Good morning, and welcome to Rio Tinto's, 2015 results.

The past year created, some exceptional challenges for the industry.

Against this backdrop, we have again, delivered a very robust set of results.

We continue to focus on running Rio Tinto efficiently and delivering shareholder value.

Not just for today, but for the long-term strength, and success of your business.

Our combination of Tier 1 assets, operating and commercial excellence, and capital discipline, has allowed us to protect margins, and deliver strong cash returns to our shareholders.

This is an environment, where further decisive action is required.

Only those companies with Tier 1 assets, strong balance sheets and strong controls can succeed in this market.

We have continued to deliver sound results, and meet our commitments.

And today we are announcing continued pre-emptive action, to protect long term shareholder value, and ensure that we can deliver sustainable returns to shareholders.

Our financial results, reflect the relentless efforts of all my colleagues, over the past three years. I truly thank them for their support, and the speed with which they have embraced the cultural transformation the business has undergone during this period.

**Slide 4 – Safety**

Let me start with Safety.

As I have said before, a culture of safety, is central to Rio Tinto.

A well run operation is a safe operation, and forms a core part of our commitment to all our stakeholders, especially our employees.

Over the course of the year, we improved our safety, as measured by all injury frequency rate.

However, tragically, we had four fatalities during the year.

My thoughts and prayers, are with their family and friends.

Fatalities must be eliminated. We are all focussed on achieving this, and there will be no compromise on safety.

### **Slide 5 – Continued delivery of our promises in 2015**

Turning to our results.

We are reporting underlying earnings of \$4.5 billion.

Our focus on cash, remains relentless, and net cash generated from operating activities was \$9.4 billion.

We continue to take costs out of the business, and in 2015 we reduced our cost by a further \$1.3 billion, beating our revised target of \$1 billion.

We cut our capital expenditure to \$4.7 billion, again, better than guidance.

But importantly, we achieved these reductions, through efficiency and focus.

We continue to invest, in order to ensure that we maintain the quality of our assets, deliver value accretive growth, and protect the long-term value of our business.

Last year we returned \$6.1 billion to our shareholders, through an ordinary dividend of \$4.1 billion and a buy-back of \$2 billion.

This business is focused on delivering returns to shareholders.

So, we have invested in the business, we have made cash returns to shareholders, and yet again, we finish the year with our balance sheet in a very sound position.

Our net debt of \$13.8 billion, is \$700 million better than the pro forma position of 12 months ago.

A truly exceptional outcome. In the current environment, a strong balance sheet combined with sound cash flows, are two essential characteristics, which we do not, underestimate nor take for granted.

**Slide 6 – Rio Tinto has taken decisive early action...**

Chris and I were appointed in early 2013, and we took decisive action from the outset. 2015, has been a continuation of the same journey, and the same focus on long-term shareholder value.

We have reduced our costs by over \$6 billion, in the past 3 years.

Protecting margins and cash flow, is key.

We raised \$4.7 billion from the sale of non-core assets, which has been recycled back into the business.

We have significantly reduced our capital expenditure.

We continue to invest for the long-term success of the business, by constantly seeking efficiencies in our capital spend, in order to guarantee the best return from our projects.

We targeted working capital as an area for improvement and have released over \$3.6 billion of cash to date.

Our focus on working capital has built a culture and mindset, that puts efficiency and control, right at the heart of our every-day activities.

This is best shown by our improved trade working capital, down a further \$2.3 billion in 2015.

This is an outstanding example of our people acting as owners.

**Slide 7 – ...which has enabled returns to shareholders, strengthened the balance sheet...**

As a result of the actions, that we have taken since my appointment as chief executive, we have returned over \$13 billion dollars of cash to shareholders.

We promised that we would return cash to shareholders and we have delivered on that promise.

As you can see, these returns have not been at the expense of your balance sheet.

We have retained focus on maintaining its strength. A sound balance sheet provides the foundation for future returns. We finish the year with net debt of \$13.8 billion.

Our debt position is transformed from three years ago.

**Slide 8 - ...and maintained 34% Group EBITDA margins**

A further outcome of our actions, has been margin stability.

Tier 1 assets with operational control, has ensured that we continue to generate strong cash flows, and protect margins and profitability.

The success in the Pilbara, has been remarkable.

In the second half of 2015, we reduced our C1 costs to \$13.80 per tonne, which also includes the benefit of a weaker Australian dollar, and lower oil prices.

Using spot prices as at end of January 2016, this would be equivalent to \$13.20 per tonne.

And I should highlight that our C1 cost is an all-in measure which includes SG&A.

EBITDA margins at our Aluminium business increased year-on-year to 31 per cent. I believe that we have the best aluminum business in the world. Their performance was assisted by further portfolio optimisation, and cost reduction efforts. Bauxite saw both growth in exports, and stable pricing.

This is a good outcome and, although market premia have contracted from their recent highs, we will continue to protect the business, with around \$300 million of cost savings to come in 2016.

Copper & Coal realised just over \$1 billion of free cash flow, thanks to the continued focus on driving out costs. The team has now delivered \$1.9 billion in savings over the past three years.

And we have made good progress on divestments, with two further sales announced during the past six months, which will generate over \$800 million in cash.

Diamonds & Minerals also sustained their cost momentum, lowering their absolute costs by around \$500 million, compared with 2014, and this excludes any currency

benefits. The product group continues to align production with market demand.

**Slide 9 – Full year dividend maintained year-on-year**

Reflecting the strength of the business, and the results delivered today, we are honouring the promise of the progressive dividend, and declaring a full year dividend for 2015, of \$2.15 per share.

In pounds sterling this is around a 6% increase on the 2014 full year dividend, and around 16% in Australian dollars.

Against the current environment, we are meeting our commitment of cash returns to shareholders.

Before we move to the 2016 Outlook, let me hand over to Chris, to cover the 2015 financials.

**Slide 10 – Chris Lynch title slide**

Thanks, Sam.

These are a robust set of results, delivered in a very challenging environment.

Let's have a look at our numbers in more detail.

**Slide 11 – Prices reduced earnings by over 80%, partially offset by exchange, energy and management actions**

Price volatility continued to be the dominant feature in our markets.

The impact of declining prices on our earnings, continued in the second half of the year, and led to a significant reduction of \$7.7 billion for the year.

There was some offset from currency, but the impact of energy costs and inflation was relatively modest.

This brought us to flexed 2014 earnings of \$3.8 billion.

There was a benefit from higher volumes, mainly from the Pilbara and increased bauxite exports from Weipa and Gove, but this was partly offset by lower volumes at Kennecott and in Titanium.

The continued focus in the business on reducing our unit cash operating costs, and

exploration and evaluation costs, has made a meaningful impact of \$953 million post tax.

A higher allocation of interest charge to expenses and increased depreciation following the completion of major capital projects accounted for the other movement.

Which brings us to underlying earnings of just over \$4.5 billion.

### **Slide 12 – Net earnings**

Our net earnings were impacted by:

- currency adjustments
- impairments
- increases in provisions and
- restructuring

Impairments impacted net earnings by \$1.8 billion dollars.

At Simandou we are finalising an integrated bankable feasibility study for the mine, port and infrastructure, which we are due to complete in May 2016. However, given uncertainties over the funding of the infrastructure coupled with the volatility of the current and near-term outlook for commodity prices, we have reviewed the carrying value of the asset, resulting in a post-tax impairment of \$1.1 billion.

Further impairments of \$684 million relate mainly to the carrying value of Energy Resources of Australia, following a decision by the ERA board not to proceed with the final feasibility study of the Ranger 3 Deeps project.

We also impaired the Roughrider uranium project in Canada following completion of an Order of Magnitude study.

As we have seen in prior years, there was a major currency impact at year end on US dollar debt held by entities with non-US dollar functional currencies.

This gave rise to \$3.3 billion of non-cash exchange losses with around two thirds from the impact of a weaker Canadian dollar and one third from the Australian dollar.

Overall, our US dollar debt and cash flow is unaffected by these exchange movements.

So all in all we reported a statutory net loss of \$866 million.

**Slide 13 – Continued focus on costs generating significant savings in 2015**

Throughout the Group we have further embedded a culture of lowering costs and improving productivity.

At the start of the year we estimated that we would deliver cost savings of around \$750 million.

However, in the first half we delivered over \$600 million and we therefore raised the target to \$1 billion.

We actually finished the year at \$1.34 billion, achieving an even stronger outcome in the second half and 34% ahead of our revised target.

It is important to note that these cost savings exclude the benefits of falling exchange rates and the impact of lower fuel costs, both of which have also had a positive affect on our overall cost structure.

**Slide 14 – Achieved \$6.2 billion of cost reductions against 2012 base**

Over the past 3 years we have delivered \$6.2 billion in cost savings.

Obviously it is getting harder, but we continue to find opportunities to reduce costs and have been able to maintain strong momentum.

All product groups have contributed to this impressive achievement with Copper and Coal delivering \$1.9 billion and Iron Ore and Aluminium each delivering around \$1.1 billion of cumulative savings.

Lower exploration and evaluation expenditure has contributed \$1.4 billion with the balance from central costs and the Diamonds & Minerals product group.

In anticipation of lower and volatile prices, we have proactively reduced our cost base and as a consequence, have maintained relatively stable margins since 2012.

**Slide 15 – Track record of balanced capital allocation**

Later in the presentation, I will talk about our capital allocation model, but our aim has been to:

- sustain our operations
- provide strong returns to shareholders
- fund compelling growth and

- preserve a strong balance sheet.

The outcome of these actions is seen here.

We have reduced our annual capital expenditure, at the same time increasing shareholder returns.

Capital expenditure peaked in 2012 at \$17.6 billion. By 2015, our capex had reduced to \$4.7 billion.

In 2012, with peak capex of \$17.6 billion, only 21% of our allocated capital was returned to shareholders.

But by 2015, following an intense focus on cash generation and reducing capex, and of course including the \$2 billion share buy-back, we returned well over 50 per cent of our allocated capital to shareholders at the same time as completing value-accretive growth projects.

### **Slide 16 – Low net debt levels keep gearing ratio at the lower end of our guidance**

A sound balance sheet is fundamental to the business.

It provides:

- robustness against volatility,
- security of returns through the cycle
- and a readiness to take advantage of opportunities should they arise.

In environments like these, a strong balance sheet is paramount.

On a pro-forma basis, as presented at our results last February, our net debt has decreased from \$14.5 billion to \$13.8 billion.

In the second half of the year, our net debt barely changed, despite \$1 billion of share buy-back, the \$1.9 bn payment of the interim dividend, and lower commodity prices.

Despite lower net debt, our net gearing has increased to 24%, principally due to the

- non-cash impact of functional currency adjustments,
- the \$2 billion share buy back and
- impairments.

Our cash balance was \$9.4 billion at the end of the year, compared to \$11.2 billion at



30th June mainly due to the repayment of debt.

In the second half of the year we repurchased \$1.2 billion of bonds which were due to mature in 2016 and we repaid a further \$500 million in maturing bonds.

We remain in the lower half of our targeted net gearing range of 20 to 30 per cent.

Now let me hand back to Sam.

**Slide 17 – Sam Walsh title slide**

**Slide 18 – Preserving and creating value**

Thanks Chris.

Now let me turn to the outlook. Our position today, is founded on our portfolio of Tier-1, long-life, low-cost, expandable assets.

By managing these assets wisely, and getting best value for our products, we have reduced our costs, and maximised cash flows.

Our careful allocation of capital, means that we have delivered cash returns for shareholders and built a strong balance sheet.

Our intention, is to ensure, that this foundation remains robust, regardless of external factors.

**Slide 19 – There has been a significant deterioration in the macro environment...**

In the current environment, it is clear why a strong balance sheet and cash generation are a necessity, rather than a luxury.

Signs of recovery in industrial demand have yet to emerge, and a prolonged downturn brings increased risk.

Housing sales in China stabilised during the second half of 2015, but we are yet to see a turnaround, in China's construction activity.

The transition to a less commodity-intensive and slower growth path, often referred to as the 'New Normal', is further compounded by these soft industrial trends.

The recent decline in oil prices has wide repercussions.

Even though we benefit from it, a low oil price clearly has a negative impact, on many governments and their economies.

The volatility in global financial markets, reflects concerns over the strength of global manufacturing and trade, and we can see the impact of this, on emerging equity markets.

Central banks are also showing uncertainty.

Although the Fed increased US interest rates in December, expectations of further monetary tightening have reduced.

This all points to caution in the near-term. Global GDP is expected to expand by around 3 per cent in 2016, however it is weighted away from industrial activity, and confidence is clearly fragile.

The iron ore price dipped below \$40 per tonne towards the end of last year, representing an 80 per cent fall from its peak in 2011.

Domestic steel consumption in China, fell by between four and five per cent in 2015, due to its exposure to property and investment. China's iron ore demand was more stable, due to a combination of higher steel exports, and lower scrap use.

For some time, we have been highlighting the iron ore exits: at the start of 2015 we anticipated cuts for the year, of around 85 million tonnes. We actually saw around 130 million tonnes cut from high-cost production. This was in addition to the 125 million tonnes of exits in 2014.

So high cost supply is leaving the market.

In 2016, we estimate that around 75 million tonnes of new supply will come onto the market from seaborne producers.

This should be more than matched by exits.

It's not just iron ore prices that have been impacted by recent market turmoil.

Prices for aluminium and thermal and met coal, are at levels preceding the China boom, or only seen briefly, in the depth of the Global Financial Crisis.

In each of these cases, strong Chinese supply and slow curtailments, have exacerbated global market imbalances.

As a result, prices are cutting deep into cost curves, despite significant reductions in costs, weaker currencies and lower energy prices.

We have also seen a gradual erosion of the copper price, with rising expectations, of continued supply growth, coupled with weaker demand.

For us, the key is to maximise cash flows and defend our position of strength in the industry.

There is no room for complacency.

**Slide 20 - ...so further pre-emptive actions are required to protect shareholder value**

So we will continue to take pre-emptive action, to ensure the business remains robust.

Over the next two years, we will be eliminating a further \$2 billion dollars of costs. This is ambitious, but in my opinion, an achievable target, which comes on top of the \$6 billion, that we have already removed.

We are in the process of re-phasing, and reducing our capital expenditure.

This means that we can continue to invest for long-term success.

We will remove \$3 billion of capital over 2016 and 2017, compared with our previous guidance.

**Slide 21 – New dividend policy and capital allocation commitment**

The current volatility and pricing environment demonstrates that progressive dividend policies are not appropriate in cyclical industries.

Progressive policies, suppress returns for shareholders in the up-cycle, and are difficult to maintain in the down-cycle.

Maintaining cash outflows, including dividends at their current levels, would weaken our balance sheet and act against shareholders' long-term interests.

Therefore, alongside further savings in operating costs and capital expenditure, we have proactively put in place a new dividend policy.

We believe that our new policy better reflects the cyclical nature of our industry, and meets our desire that shareholders more fully participate through the cycle.

In future, the Board will decide on the appropriate dividend level at the end of each financial period.

However, for 2016 only, we are providing specific guidance in advance, with the intention to declare a full year dividend of at least \$1.10 per share, which equates to around \$2bn in total.

We are comfortable with this, despite continued market uncertainty, given the actions we are taking.

Under our revised policy, the balance between interim and final dividend payments is expected to be weighted towards the final.

Importantly, alongside our new dividend policy, the board is committed to a capital allocation framework which will maintain an appropriate balance between additional cash returns to shareholders and investment into the business.

This commitment is consistent with our track record, which Chris referenced earlier.

Where circumstances allow, we will supplement the ordinary dividend with additional cash returns to shareholders.

Through the cycle, over the longer term, we are mindful of total cash returns to shareholders being between 40% and 60% of underlying earnings.

The policy leaves flexibility around that, to deal with extremes, and should allow for shareholders to participate more fully in the upside.

We believe this policy and framework is a thoughtful and prudent approach to delivering sustainable, shareholder value and returns.

Now let me hand back to Chris.

**Slide 22 – Chris Lynch title slide**

**Slide 23 – Current volatility demands further pre-emptive actions**

Thanks Sam.

When I came into this role, three of my key objectives were to:

- help deliver on the promised cost savings,
- strengthen the balance sheet, and
- strengthen how we allocate and approve capital.

We have made strong progress on these, with \$6.2 billion of cost savings, dramatically reduced debt levels, down \$8.3 billion dollars from the peak, and much lower levels of capital expenditure, to \$4.7 billion in 2015.

Let me make it clear why we are choosing to change our dividend policy.

The board was able to make these decisions from a position of strength.

Our balance sheet is in good shape, but the position of the global economy, and in particular, the unprecedented volatility across the broad spectrum of commodity prices, makes it clear, in our view, that a progressive dividend is not appropriate in a cyclical industry such as ours.

We continue to look to ensure that our balance sheet is robust, and that returns are based more on profitability.

Our 2015 underlying earnings were \$4.5 billion. Although simplistic, if we adjust this with 2016 consensus iron ore price alone, then our 2015 earnings would have been around \$2.7 billion.

And that's before taking account of any other commodity prices or premia, that we're seeing in the markets today.

A \$4 billion dividend would represent a pay-out of close to 150 per cent. This is unsustainable. The volatility in markets at the moment, make it clear that we have to be conservative in our planning assumptions to ensure that we remain robust. We cannot just wait for a price recovery.

Hope is not a strategy.

The impact of low earnings and cash flows on the financial health of a company can be rapid – and so we are taking this action now from a position of strength.

We do not underestimate the significance of the change we have announced today – but we must protect the value of your business.

And by doing so we can ensure that we are in a position to deliver sustainable future returns.

**Slide 24 – Targeting a further \$2 billion reduction in costs**

Sustainable operating cost reductions are the most significant lever to protect the business and cash flows.

And the focus on this must remain relentless.

The reductions we are targeting are becoming more challenging but we believe that we can take around \$2 billion out of our cost base over the next 2 years.

We expect all our businesses to generate cash.

Those that are close to breakeven on cash must have credible improvement plans in place and being actioned.

We are also targeting a step-change down in service and support costs.

**Slide 25 – Further \$3 billion capex reduction to preserve capital and sustain operations**

Alongside reducing operating costs and lifting productivity, we have also improved capital efficiency.

We have been able to continue delivering our growth plans, whilst lowering the overall capital expenditure levels.

The re-phasing and optimisation of our capital spend remains as vigorous as ever.

In 2015, we spent \$4.7 billion, \$300 million below revised guidance.

We are providing updated capital guidance for 2016 and 2017. Our anticipated spend for 2016 is now around \$4 billion and around \$5 billion in 2017.

This equates to a \$3 billion reduction against previous guidance.

Our 2018 guidance, provided here for the first time, is expected to be around \$5.5 billion.

These reductions fall into two buckets:

- The first is benefits received from favourable currency movements, lower prices and lower input costs, including contractors.
- The second is from detailed reviews of major project budgets both in terms of project planning, as well as rephasing of expenditure.

We will only approve the best projects in our portfolio, with IRR's in excess of 15%. Most of our near-term capital expenditure – both approved and some unapproved – is focused on three main projects, and we are constantly seeking more cost effective ways to deliver these projects to conserve cash and maximise returns.

In the Pilbara we have essentially completed the infrastructure build, and are now looking at a much smaller spend on the Silvergrass project, to provide product quality for the Pilbara Blend. This is now expected to come in below \$500 million.

The Amrun project team are working hard to find alternate pathways to finance key infrastructure components, as well as re-phasing expenditure.

At OT the feasibility study continues and we expect it to be complete in the first half of this year.

### **Slide 26 – Our capital allocation framework**

Before getting to our capital allocation framework, I want to reiterate we're announcing a package of measures:

- 1: further cost reductions
- 2: further reductions to capital investment
- 3: New dividend policy and a commitment to shareholder returns.

These measures are tangible, material and importantly, pre-emptive.

We make the decisions from a position of strength, to protect value.

Turning now to our capital allocation framework, which will be very familiar to you.

By making the changes we have set out today, we are able to ensure that this model remains robust even in the most difficult periods.

Our new dividend policy remains consistent with our capital allocation priorities.

A significant addition alongside the dividend policy is an explicit commitment to maintain an appropriate balance between cash returns to shareholders and investment in the business.

This reinforces the iterative cycle set out on this slide.

In the longer term, through the cycle, we are mindful of total cash returns to shareholders between 40% and 60% of underlying earnings.

This new policy and commitment allows for:

- resilience at times of extreme downturns,
- and for shareholders to benefit from the cash generated at times of commodity price strength.

Careful management of cash remains at the core of what we do - ensuring long-term shareholder returns.

With that, I will hand back to Sam.

### **Slide 27 - Sam Walsh title slide**

### **Slide 28 – Preserving and creating shareholder value**

Thanks Chris.

Let me summarise.

In a challenging environment, we have today delivered a robust set of results and are delighted to declare a full year dividend for 2015, of \$2.15 per share.

At the foundation of our business, is a world-class portfolio.

We continue to invest in growth, but only in a focused number of high-return projects.

But just owning great assets, is not enough – it requires a culture focused on cost management and extracting maximum value.

The quality of our asset base is matched by the strength of our balance sheet with net debt of \$13.8 billion.

Today we have announced further pre-emptive action, to ensure the business remains resilient and capable of delivering sustainable shareholder returns.

There is a clear intent behind everything we do; to manage Rio Tinto well, not just for today, but for the long-term strength and success of your business.

Now over to you for questions.