

**Slide 1 – Title slide slide**

**Slide 2 – Cautionary statement**

**Slide 3 - J-S title slide**

Thank you, John.

Good morning all, I am absolutely delighted to share our 2018 results with you today. And a special welcome to Jakob, on your first Rio results day. It is great to have you as part of the team.

**Slide 4 – A strong 2018**

2018 was another very successful year...for Rio Tinto and our shareholders.

A year we significantly moved our strategy forward.

A year we delivered strong financial results.

A year we strengthened our balance sheet.

And a year we created significant value delivering the biggest cash returns to our shareholders, in Rio's history, of \$13.5 billion.

I am proud of what the team has delivered, in a year we also invested in our future...

- In high value growth

- and in our operations and capabilities to drive even greater productivity.

In summary, we generated \$18.1 billion of EBITDA, with a strong margin of 42% and we delivered cash of \$11.8 billion from our operations.

We achieved \$8.6 billion in asset sales...the divestments of coal and Grasberg.... adding to our sustainability credentials.

Today we are the only large mining company...With no coal or oil & gas... in our portfolio.

AND we also invested \$5.4 billion in our world class portfolio...which generated a Return on Capital Employed of 19%.

AutoHaul is now running...we progressed Oyu Tolgoi and Amrun, AND we found PROMISING new copper mineralisation at, Winu, in Western Australia.

More on that later.

So our value over volume strategy is working especially in uncertain times - with trade wars, political tensions, and market volatility an ongoing feature.

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Despite this turmoil, in 2018, once again, we delivered on our promises.

### **Slide 5 – Tailings Storage Facilities**

Now let me to turn to safety and sustainability.

Before I talk about Rio, I would like to acknowledge the sad loss of life at Minas Gerais in Brazil. It is an absolute tragedy and also a dark moment for the industry. It is the responsibility of everyone in this industry to do better.

At Rio Tinto, across 32 operations, we have 100 tailings facilities. And 36 that are no longer active.

We take management of all of them very seriously.

Since 2015 we have had a global tailings standard, which is regularly reviewed.

This standard applies to every Rio Tinto site worldwide.

### **Slide 6: Three levels of assurance for managing tailings**

There are three levels of protection and assurance we apply to all of our tailings facilities.

All our tailing facilities are subject to independent review at least once every two years.

The first level is at the asset itself which includes reviewing effective facility design, and ensuring we have effective operational controls.

The second level of protection to the Rio Tinto standard is through Business Conformance Audits and Technical Reviews, supported by our Surface Mining Centre of Excellence.

The third level includes an external audit programme.

If you would like more details, they are available on our website, including our standards and our guidance notes.

But, after a tragedy like this, we ask ourselves...is there more we can do?

We are reviewing our approach again. And we are assessing ways to make our three levels of protection even stronger. We will also play our part in any industry response. Including supporting an independent review.

### **Slide 7 – Focus on safety and sustainability**

Now turning to Rio Tinto as I have said many times before... safety comes first.

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There is nothing more important.

Sadly, we lost three colleagues last year, which is an absolute tragedy for their families and friends. Their loss is also our loss and is deeply felt by absolutely everyone in the Rio family.

So...even though our AIFR is improving over time, as you can see in the chart.... we must do better on safety.

Nothing is more important and the team is focused on it every day.

Sustainability is absolutely vital in the 21st century, where we must be part of the solution.

In 2018 we progressed our sustainability agenda.

For example, today, we published our first climate change report which outlines the risks and opportunities to our business in a transition to a low carbon future.

The materials we produce, are essential to this transition - from the aluminium in your phone, cars and in airplanes, to the iron ore in the buildings we see every day.

We continue to take steps to reduce emissions from our own footprint, as we innovate with customers to develop greener products.

Like we are doing with our anode technology partnership with Alcoa, supported by Apple.

And with a portfolio free of coal and oil & gas we are well positioned to thrive in a world that values sustainability more and more.

### **Slide 8 – Increased portfolio value and performance**

Before Jakob shares more details on the 2018 financials. Let's reflect on our progress over the last three years.

There is absolutely no doubt, we now have a stronger, more resilient, high-value portfolio.

As you can see from the chart, we have delivered \$12 billion in asset sales over the last three years. Also, in the last three years, we have grown the company by 1.4% per annum, and we have improved our return on capital employed by 10 points.

### **Slide 9 –Consistent disciplined capital allocation**

Our three year story is not just one of strong financial and portfolio performance, it is also a story of consistent capital allocation.

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We generated over \$46 billion of cash over the three year period.

Two thirds, or \$34 billion of this, came from cash from operations.

On the back of this, we paid \$20 billion, and declared a further \$9 billion to our shareholders.

That is equivalent to over 50% of our market capitalization at the beginning of 2016.

We have reduced our debt by \$14 billion.

Our balance sheet is strong and our operational cash flow is strong which means we are well positioned to:

Number 1...make further significant returns, to you, our shareholders, with or without divestment.

And:

Number 2...to continue to invest in the business.

So, we have delivered on our promises, but we know there is more to do.

Over to Jakob for more detail on the financials.

### **Slide 10 – Title slide**

Thank you very much J-S.

Ladies and gentleman, I am truly excited to have joined Rio Tinto – a company with such a great history and so many achievements.

But I firmly believe the best is yet to come and I'm looking forward to being part of the next chapter of this terrific business.

I moved to London and joined Rio Tinto in September. I decided to spend my first few months visiting our assets, meeting our people and customers.

This has given me a wonderful insight into both our strengths and our opportunities.

I have seen great people.... great assets... and deep operational & technical capabilities: a very powerful combination.

Now, let me share with you how we are performing.

Starting with our markets

### **Slide 11 - Commodity specific price drivers**

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The world entered 2018 in good macroeconomic conditions. However, the year turned out to be one of significant geopolitical turmoil.

We experienced price volatility...but in aggregate average prices were fairly stable compared with 2017.

The Iron ore price was supported by robust demand from both inside and outside of China.

China's steel production reached a record 930 million tonnes last year.

And we saw particularly strong demand in China for higher quality iron ore.... such as ours – driven by environmental policy and steel sector reform.

Global seaborne supply was essentially flat year on year, as producers experienced higher levels of disruption than we've seen for a number of years.

In total around 40mt.

And so we saw relatively stable iron ore pricing, 4% lower than in 2017.

Now, turning to Aluminium.... the fundamentals for our business are strong.

We saw a growth in demand of around 4% and supply was well below that. And the market was affected by significant amounts of uncertainty – partly from trade tariffs and partly from the impact of US sanctions.

Overall, prices were 7% higher than in 2017.

In Copper, we experienced good price conditions in the first half of the year, but a weakening price environment in the second half as supply outgrew demand.

This was mainly because the major copper producing assets generated a better output than we have seen for many years.

Unlike iron ore, there were barely any significant supply disruptions. 3% against an historical average of 5%.

Despite that second half, on average copper prices were 6% higher in 2018 than 2017.

So in summary, a quite benign pricing environment overall in 2018.

Turning to our results...

**Slide 12 - Strong and consistent EBITA**

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We delivered strong EBITDA at the same high level as in 2017.

You can see we got some limited help from prices and exchange rates in 2018.

But the most significant contributor to our performance was our own efforts. We continued to grow our company.

Our volumes and mix added \$0.9 billion.

Energy prices went up significantly last year and raw materials prices also went higher, particularly for aluminium.

But because of our growth, we could absorb these cost headwinds to deliver strong and consistent earnings – excluding our coal assets we generated EBITDA of \$17.2 billion and a margin of 41%.

### **Slide 13 - Net earnings reconciliation**

Strong EBITDA turns into strong underlying earnings of \$8.8 bn after primarily deducting depreciation and tax.

Our IFRS Net Earnings of \$13.6bn, equivalent to 30% RoCE, is also including profits from divestments.

Our effective tax rate on our underlying result was 29%, in line with our earlier guidance of 30%.

Now, let me dive a little deeper into our business results – starting with Iron ore.

### **Slide 14 – Iron ore**

This is by any standards an extraordinary business – truly world class.

The business maintained stable...high profit levels during 2018 with strong EBITDA margins.

Our high quality product has attracted even higher price premiums than before.

And despite the inflationary environment, we have managed to keep our unit costs flat during the year.

I want to do something we've not done before, and that is to give you some guidance for 2019 – not just of volumes but also of unit costs.

As we are doubling down on costs we obviously still focus on optimising the EBITDA margin which is already very strong at 68%.

Our improvements in productivity mean we have the ability to increase production by

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up to 2% in 2019, to between the level of last year's production and 350 million tonnes.

However, we will continue to exercise with rigour, our Value Over Volume strategy.

We expect a fairly flat – to small increase in unit costs in 2019 due to the combination of inflationary pressures and higher maintenance, offset by greater productivity.

We also continue to face pressure from steeper hauls and longer haul distances.

So our guidance for unit costs is \$13/t to 14/t.

Also, for our world class assets to continue to deliver at their full potential we must invest in them.

This means investing both in sustaining capex and replacement projects such as the \$2.6bn Koodaideri project, approved last year which will add 43mt capacity in phase one and open up a whole new prosperous area in the Pilbara.

Now to Aluminium.

### **Slide 15 – Aluminium**

Despite higher prices and stable operations... the performance of our aluminum business was squeezed by inflation in raw materials and energy of \$0.5 billion and the impact from our legacy contracts of another \$0.45 billion.

External events such as China's environmental policy changes and restructuring of the aluminium industry resulted in a reduction in supply.

Also, the potential for trade tariffs and proposed sanctions – created considerable uncertainty and unusual price movements.

Despite this, we have some of the best aluminium assets in the industry and the most integrated, with bauxite mines, refineries and smelters.

This is reflected in our industry leading EBITDA margin.

In 2018 we strengthened our aluminium portfolio.

We made great progress at Amrun – and delivered the project six weeks ahead of schedule and below budget. We also divested Dunkerque and land at Kitimat at attractive prices.

Our focus in 2019 will be on delivering additional free cash flow from improved productivity.

## **Slide 16 – Copper and Diamonds**

In Copper and diamonds, we are not only back on track, but in 2018 we delivered a truly strong operational performance.

We have three world class assets and they are all producing well.

Escondida improved its performance.

Kennecott has made significant progress on productivity.

And productivity from our open pit production from Oyu Tolgoi is the pace-setter in our whole portfolio.

The outlook for 2019 is production of 550-600 thousand tonnes of mined copper.

The top of the range is similar to 2018 when you exclude the divested Grasberg asset.

The reason for the lower guidance is because we expect to see a lower grade at the open pit at Oyu Tolgoi and at Kennecott.

We also further strengthened our portfolio in Copper & Diamonds.

We completed the sale of Grasberg just before year end and I can say now that we are very satisfied with the outcome.

We believe we captured the full value of that transaction.

During 2018, we made good progress on our underground project at Oyu Tolgoi, and we closed 2018 by meeting our commitment to agree a power solution for the mine which we are now progressing.

As we learn more about the rock mass around and under the ore body we continue to encounter geo tech challenges.

This is a complex project and we have indicated a further delay to the main production shaft and we will continue to assess the mine plan and design.

So, in general, Copper is not just well performing, it also has exciting growth opportunities such as Oyu Tolgoi, Resolution in Arizona and our exploration programme.

## **Slide 17 - Energy and Minerals**

In Energy and Minerals, production was disappointing in 2018, partly due to the strike at IOC and production disruptions in our titanium business.



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While 2018 was an operationally challenging year for Energy and Minerals, we remain convinced in the potential of this business, which is reflected in our 2019 guidance.

Despite the disruption, we remained profitable.

Our E&M group went through significant change in 2018.

We divested our remaining Australian coal assets for over \$4bn.

For the first time in 60 years, we are not taking coal out of the ground.

We are the only major mining company no longer involved in extracting fossil fuels.

We also agreed to sell our share of our uranium business in Namibia.

With these divestments, we will now have a more simplified business with really high-quality assets.

This year we expect to be back on track with a strong focus on safety and operational performance at all of our sites.

Hence improving productivity and production.

Which leads me nicely to talk about our productivity across Rio Tinto.

### **Slide 18 – Productivity accelerating in 2019**

Productivity will be a KEY focus for us in 2019 and I will personally work closely with the business to drive our performance in this area.

We remain committed to generating \$1.5bn of additional FCF each year from 2021.

We have done a lot of work on setting up ourselves for improved productivity performance.

But as we look back at our 2018 performance, it is clear that we did not progress as much as we wanted.

There were areas of success – and we have made some improvements building stronger technical teams – but we still have too much variability in our business.

Plus, we experienced cost headwinds, especially related to raw materials.

However, and I say this having visited many of our assets, we all remain convinced that our target is achievable and we already have plans underway to step-up our productivity efforts.

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The guidance I can provide you with today is that we will increase the run rate by \$600 million in 2019 bringing the total run rate to \$1bn.

Only safety is more important to us.

### **Slide 19 - Disciplined capital allocation**

One of the things that has impressed me about Rio Tinto is the high degree of discipline in its capital allocation.

Our framework has served the company well.... and will continue to do so...I will keep this focus and enhance it wherever I can.

Rio has developed an impressive portfolio of world class assets.

It is our prime responsibility to safely manage these assets and improve their performance through operational excellence and spending sufficient sustaining capex.

So the first thing to spend our cash from operations on is sustaining capex.

The next priority is our shareholders – through our ordinary dividend.

Then we carefully consider growth opportunities and balance sheet strength, before determining further returns to our shareholders.

We are in a great position with a very strong balance sheet and a business with very strong cash generation. However, our investment decisions are independent – carried out with much rigour and discipline to ensure value is created.

### **Slide 20 - Our strong balance sheet gives us resilience and flexibility**

Due to strong operational cash flows and the \$8.6 billion of cash received from divestments, - primarily coal assets and Grasberg – our balance sheet moved to net cash of \$0.3 billion at the end of 2018.

However, we should acknowledge that some cash has already been allocated.

And from the beginning of January 2019, we recognise an additional \$1.2 billion of net debt relating to operating leases with the changes to IFRS16.

Hence the pro-forma net debt is around \$8 billion. This is still a low level – and that has been recognised only three weeks ago by Moody's when they upgraded us to A2. This complements our A rating from Standard & Poors.

We are very comfortable with having such a strong balance sheet.

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We don't have a specific target for our debt level.

Our strong balance sheet gives us resilience and flexibility, the optionality to invest in great opportunities for our business to help us through the cycle and ideally to enable us to act in a counter cyclical way.

### **Slide 21 - Disciplined ramp up of investments**

Moving on to investments, it's all about discipline.

We invested below depreciation in 2016, particularly in iron ore where significant expansions were finished in 2015.

We are now seeing investment rising above depreciation and are developing an asset base for future shareholder returns.

Existing guidance is retained for 2019 and 2020, whilst we have provided new guidance for 2021 of \$6.5bn.

Each year includes sustaining capex of around \$2-2.5bn, consistent with previous guidance.

Our investment programme – combined with our productivity drive - will enable us to deliver on average 2% annual growth over the medium term.

### **Slide 22 - The industry fundamentals are robust with Rio Tinto leading the way**

Taking a step back, both Rio Tinto and the whole industry have learned and adjusted.

In 2012, the industry and Rio Tinto were investing three to four times the levels of depreciation and had high levels of debt.

Over the past three years, investments have been disciplined – at the same level as depreciation – and the industry has repaired their balance sheets.

Rio Tinto has led the way and this has put us in great shape to seize opportunities that we believe will add value.

Of course, we will do so in a very disciplined manner, not forgetting the lessons from the past.

### **Slide 23 Superior total cash returns declared of \$13.5 in 2018**

Finally, as the last part of my presentation today...let me cover shareholder returns which I truly believe is a great story for Rio Tinto shareholders.

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The board has decided to declare an all-time high \$13.5 billion in cash returns to shareholders for 2018.

This was of course only possible due to the combination of 19% ROCE, successful divestments and a strong balance sheet.

Today we are announcing a final dividend of 180 cents per share corresponding to a full year dividend of 307 cents per share.

The final dividend will be paid in April, fully franked for Australian shareholders.

The dividend, along with the \$1 billion buy back we announced in August, brings total returns to shareholders from operational earnings of \$6.3 billion or 72% of underlying earnings.

In December we completed the sales of Dunkerque and Grasberg and today we announce the return of these \$4 billion of net proceeds in the form of a special dividend of 243 cents per share.

This will also be paid in April and is again fully franked for Australian shareholders. The Board has decided on a special dividend for several reasons.

Given the size of the proceeds, it enables us to return the cash immediately to shareholders and will make good use of franking credits.

In addition, as we have carried out significant share buy-backs recently.... this has resulted in further concentration to our share register...

In particular, as Shining Prospect (our biggest shareholder and a subsidiary of Chinalco) has not sold any of its shares in Rio Tinto plc and now has a holding of just over 14%, close to the 15% threshold agreed with the Australian Government at the time of its original investment.

A special dividend will enable a quick return of funds, without creating any imbalances between the two lines of stock or further concentration in the register.

To sum up, 2018 has been a year of significant strategic progress.

A combination of a growing profitable business, and successful divestments led to the highest ever cash returns to shareholders.

There have been headwinds and operational challenges...and no doubt we will face more challenges this year.

But we have a world-class portfolio, great people and we all remain focused on safety and productivity.

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The discipline that has been a feature of Rio Tinto's recent performance is here to stay.

Time now to look ahead.

Over to you JS.

### **Slide 24 – JS title slide**

### **Slide 25 – 2019: Cyclical slowdown, but recession unlikely**

Thank you Jakob.

Let's now focus on the year ahead, starting with some thoughts on the macro environment.

There are 2 key drivers of the mining industry...GDP growth and trade.

Global economic growth appears to be slowing across all geographies.

In China, our key market, as expected, growth is slowing. But was still 6.6% in 2018. The Chinese government has announced stimulus measures to maintain growth that should have a positive impact during the year.

On trade, the risk of a trade war is still present.

As I've said before, I am the optimist in the room, and I believe that common sense will prevail at some stage.

What this means for our key products is:

- a positive outlook for Iron Ore on the back of supply disruptions and environmental policies in China,
  - a price/cost squeeze environment to remain across the aluminium industry
  - and volatility continuing in copper on the back of trade war concerns.
- However, we remain bullish about copper and aluminium in the medium and long term.

In such an environment Rio will continue to focus on what we can control;

Safety, our priority number one.

The quality of our product and the relationship with our customers.

The productivity of our operations.

The disciplined allocation of capital to the best opportunities.

And maintaining a strong balance sheet.

## **Slide 26 – Our strategy has delivered value through the cycle**

Turning to our value over volume strategy.

It's about:

- Portfolio
- Performance
- People
- Partners

Portfolio is about world-class assets.

- Here we will focus on delivering an average of 2 per cent growth per annum over the next 5 years.

Performance is about operating and commercial excellence.

- We will focus, first and foremost, on safety
- We will drive greater productivity
- and exit 2019 with a \$1 billion run-rate from our productivity programme.

That is an additional \$600 million of free cash flow.

- and we will make sure the benefits of our commercial organisation are fully realised.

People is about developing industry-leading capabilities.

- With a focus on building our technical skills
- And engaging our workforce

And Partners is about long-term relationships.

- This is about sustainability with a strong focus on engaging our host governments, communities, and employees with our ESG agenda, including climate change.

## **Slide 27 – Investing through the cycle**

Before I close, let me cover one of our priorities in more detail, growth.

As you have heard, we have been investing in our existing business.

And we have exciting growth projects already underway in iron ore, in copper and in bauxite.

We are progressing other options.

For example: on Resolution, our copper project in Arizona, we are spending \$368 million on infrastructure as we progress the permitting process.

We are on track to complete the EIS in 2020.

In exploration, which is the upstream part of our pipeline, we have over 50 projects

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underway with activity in over 8 commodities in 16 countries.

We plan to spend around \$250 million in exploration this year.

Copper remains the bulk of our exploration spend and we have a number of exciting opportunities.

One of them is Winu that I mentioned earlier.

### **Slide 28 – Ongoing commitment to exploration**

It is early days, and we have more work to do but the initial results from the first phase of drilling are encouraging.

We just disclosed the results of the first 24 drill holes that you can see on this slide.

There is copper, there is gold, there is silver.

And I am really looking forward to the second phase, and we will keep you updated.

### **Slide 29 – Strong base for future growth and profitability**

So, in closing, we are in great shape after another strong year of performance by our teams around the world, but we have more to do.

In 2019, we will focus on improving safety, this is our number 1 priority.

We will deliver strong tier 1 cash flows from our mine to market productivity programme.

We will deliver smart growth.

We will continue to build a 21st century mining company that people want to work for, and partners want to work with.

We will do all this and maintain our discipline and balance sheet strength.

Our recent track record speaks for itself, with \$29 billion being returned to shareholders over three years, including \$13.5 billion declared for 2018.

We have a world class portfolio, well positioned for a low carbon future.

We have the strongest balance sheet in the sector and we are progressing exciting growth options.

We will continue to deliver on our promises day in and day out.

And now, questions.