

**Slide 1 – Title Slide****Slide 2 - Cautionary Statement****Slide 3 – J-S Jacques Title Slide**

Thank you John.

I'm delighted to be here.

This is my first set of results as the CEO of Rio Tinto.

First of all, I'm really proud of what the team has achieved and that we have delivered on our commitments.

I'm also really excited by the opportunities that we have in front of us.

Let's be clear, our focus is on delivering value to our shareholders through the cycle.

This will not change.

The team is committed to generating cash at every opportunity – that we will allocate in a disciplined way.

We have three allocation principles.

The first is to continue to deliver superior returns to our shareholders.

The second is, to maintain the strength of the balance sheet.

And finally to invest in compelling growth. This approach will ensure we deliver shareholder value in the short, medium and long term.

At the core of our business are world class Tier I assets and a strong balance sheet.

Maintaining the strength of our balance sheet is fundamental in a cyclical and capital intensive industry, such as mining.

Chris and I are absolutely aligned on this.

Tier 1 assets allow us to deliver value throughout the cycle.

We want a strong, high-performing business under any pricing or market conditions.

We have seen some recovery in commodity prices recently, but we expect continued volatility in the future.

Against this backdrop, I'm proud to say the team has delivered a strong set of results.

And we are well positioned for the future.

A future we approach with confidence but definitely not with complacency.

There is more we can do to step-up our performance - to extract greater value from our existing asset base.

We will do this through commercial and operational excellence, but crucially we will maintain financial discipline.

It is a real privilege to lead Rio Tinto.

We have great people.

Great assets.

And great opportunities which we plan to make the most of.

#### **Slide 4: Delivered shareholder value in H1 2016...**

Let me now give you an overview of how we have performed in the last six months.

Our focus is on generating cash. In the first half, we delivered net cash from operating activities of \$3.2 billion under challenging market conditions.

We have removed \$580 million in cash costs.

And we're on track to meet our \$2 billion target for 2016 & 2017.

The momentum remains strong even after three years of solid cost reduction.

We continue to look for productivity gains across the entire business.

We will improve both the top and the bottom line.

Capex was \$1.3 billion for the first half of the year.

We expect capex to increase in the second half as spending on our compelling

growth projects such as OT, Amrun and Silvergrass ramps up.

We also continue to streamline our portfolio.

We achieved more than \$600 million from disposals during the period.

Given our clear focus on generating cash, controlling capex, and portfolio management we closed the period with net debt of \$12.9b, \$900 million lower than at the end of December and we have also delivered on our commitments to all shareholders, returning \$1.9b in dividends.

So, we have been disciplined in applying our capital allocation framework.

We have made significant cash returns to our shareholders. Our balance sheet is in a very strong position.

And we are already investing for the future.

Thanks to our strong performance in the first half, the Board declared an interim dividend of 45 cents per share, equivalent to around \$809m in total.

This is fully in line with what we committed to for 2016, a minimum dividend of 110 cents per share.

We made a commitment and we delivered.

### **Slide 5 - maintained 33% Group EBITDA margins**

As I said Tier 1 assets are at the core of our business.

For us Tier 1 means: long-life, low-cost, expandable assets.

Having quality Tier 1 assets is the essential foundation.

And we must run them efficiently to extract maximum value.

The focus on costs, productivity and cash means that even in volatile commodity markets, our businesses have maintained stable margins and delivered strong cash flows.

Our Pilbara business delivered operating cash flows of \$1.7 billion.

Costs reduced by \$138 million in the first half, and fully loaded unit costs decreased

from \$16.20 per tonne in the first half of 2015 to \$14.30 per tonne in the first half of this year.

The business has again delivered strong margins, with an EBITDA margin of 58 per cent.

But, there is more we can do and with Chris Salisbury's move to lead iron ore, we will continue to focus on maximising the value of our Pilbara system.

Let's move to aluminium.

In December last year, Alf Barrios noted that productivity improvement would be a big target for the Aluminium business during 2016.

The business has already delivered \$223 million of cash cost improvements which shows great progress towards the full-year target of \$300 million.

This has gone some way to offset declining prices, and the Aluminium group has delivered cash flow from operations of almost \$1 billion.

Alf and his team expect further improvements, especially in the alumina refineries which were all free cash flow positive in the first half.

An impressive EBITDA margin of 48 per cent was delivered by the low cost Bauxite business, despite price pressure in the first half.

The Tier 1 Amrun project, already underway in North Queensland, will give the group further quality growth opportunities with high returns in this attractive sector.

We restructured two of our product groups in June, we combined Copper & Diamonds, and we also combined Energy & Minerals.

Let me start with Copper & Diamonds.

Under Arnaud Soirat's leadership, we have brought together our underground mining expertise, in particular in block caving.

The business continues to deliver quality margins of 30 and 35 per cent respectively, and generated cash flow from operations of \$447 million.

The Energy & Minerals group, under Alan Davies includes some solid and well established businesses, such as Boron, and some potential rising stars.

There are also challenged businesses in the portfolio, but Alan and his team are focused on cash generation via cost and productivity improvements.

The group has managed to increase operating EBITDA margins to 23 per cent against the backdrop of lower prices.

Moving back to corporate activities, we are always looking for new opportunities to recycle capital within our portfolio and to divest assets where we can generate value.

The divestment of the Bengalla mine is a good outcome.

We completed in March for \$617 million.

We also agreed the disposal of the Mt Pleasant project in the Hunter Valley.

Maximising returns from our tier 1 assets should allow us to protect margins even when commodity prices and economic conditions are volatile.

Our aim is for all assets to generate strong cash flow through the cycle.

Allowing us to deliver consistent returns, preserve our balance sheet and invest in high quality growth for the future.

Now let me hand over to Chris.

#### **Slide 6 – Chris Lynch Title Slide**

Thanks, J-S.

These are another robust set of results.

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

#### **Slide 7 - Prices reduced earnings by 65%, partially offset by exchange, energy and management actions**

Prices recovered during the period, but from exceptionally low levels at the start of the year, and remain volatile. Against the first half of 2015, declining prices led to a reduction in underlying earnings of \$1.9 billion for the half.

A small offset to this was the benefit of \$241 million from exchange rate movements.

This brought us to flexed earnings of \$1.2 billion.

Volumes were relatively unchanged during the period, as higher output in the iron ore and aluminium product groups, was offset by lower volumes in copper -notably from Escondida.

As J-S has mentioned, there is no change in our focus on costs.

We have already delivered \$580 million of pre tax savings in the first half, or \$414 million post tax.

And we maintain our target of \$2 billion of cost savings over 2016 and 2017.

We repurchased \$4.5 billion of bonds, during the period, resulting in an impact of \$125 million on underlying earnings, and \$266 million on cash flow from operations.

However, the repurchases extinguish the future payments associated with the bonds.

Driven by the cost savings, we were able to deliver an increase in underlying earnings of 25% when compared to flexed earnings for the first half of 2015.

Which brings us to underlying earnings of just under \$1.6 billion.

### **Slide 8 - Net earnings**

Turning now to NET earnings.

During the half, we recognised an onerous contract of \$496 million, relating to our take or pay port and rail contracts at Abbott Point, which we now no longer expect to utilise.

Non-cash exchange and derivative gains of \$558 million on USD denominated debt in our non-USD companies, have positively impacted earnings. Importantly these are mostly offset by currency translation losses booked to equity, and therefore, there is minimal impact to net debt.

In the past this number has been sizeable. Some restructuring of these debts undertaken late in 2015, means that those gains or losses on the USD debt in our Australian denominated companies now largely goes directly to shareholders equity.

So overall we have delivered net earnings of \$1.7 billion.

### **Slide 9 - Achieved almost \$6.8 billion of cost reductions against 2012 base**

In February we announced a cost reduction target of \$2 billion for 2016 and 2017

combined.

During the first half, we have delivered more than half of this year's target, and costs have reduced by \$580 million.

This takes our total cost reductions against the 2012 cost base to almost \$6.8 billion, and has assisted us in delivering an EBITDA margin of 33 per cent.

As always, it is important to note that this excludes the impact of exchange rates, in particular in Australia and Canada, and changes in oil and energy costs.

We have continued to make good progress due to the cost culture that we have embedded throughout the organisation.

All of the product groups and central functions have contributed to this success. Late last year, the Aluminium group set out their target of \$300 million for 2016, and during the first half, reduced their costs by \$223 million.

Iron ore have delivered pre-tax operating cost savings of \$138 million, further reducing their operating unit cash costs to \$14.30/t.

This is an increase on the second half of 2015– due largely to seasonally lower volumes, and a stronger Australian dollar.

The Energy and Minerals group, has contributed \$152 million of operating cost reductions during the first half, taking that group's total to \$1.2 billion since 2012.

As operating cost reductions are measured on a unit cash cost of production basis, the impact of lower volumes from Escondida, means that the contribution from the copper and diamonds group is minimal this half.

We will continue to find opportunities and capture greater value in all of our businesses.

**Slide 10 - Disciplined capital allocation focuses spend on the most compelling projects**

We are maintaining our capex guidance through to 2018.

We continue to find ways of achieving the same outcome at lower cost, but spending has also reduced, with the completion in 2015 of: the Iron Ore infrastructure expansion and Kitimat.

We expect our overall spend to be second half weighted, with capex of just \$1.3 billion in the first half.

During the period, we progressed the Amrun bauxite project, which was approved in December 2015, and have so far spent \$100 million on initial construction of accommodation, roads and river terminals.

It should be noted that approximately 70 per cent of the \$1.9 billion approved for this project is expected to be spent in 2017 and 2018.

In May, we approved the \$5.3 billion OT Underground project in Mongolia. Activities have started, with the EPCM contract awarded, and mobilisation is in progress.

The Silvergrass project was approved by the board yesterday. The team has done some excellent work in bringing the capital costs down, with the final phase of Silvergrass approved at \$338 million.

These projects are some of the very few that are being undertaken in the industry today, showing that we can, and will continue to invest in value accretive growth options, which will provide the basis for future shareholder returns.

When we make capital allocation decisions, we are focused on ensuring that we only fund the best projects.

### **Slide 11 - Strong balance sheet remains fundamental**

The action to further reduce costs and capital expenditure, and proceeds from disposals of \$600 million, have helped reinforce the strength of our balance sheet.

A strong balance sheet is fundamental to the business.

It provides: robustness against volatility, the ability to provide returns, and a readiness to take advantage of opportunities should they arise.

During the half we further reduced our net debt to \$12.9 billion, 900 million below the December level, despite the payment of the \$1.9 billion final 2015 dividend.

Our net gearing ratio is now 23 per cent, remaining in the lower end of our targeted range of between 20 and 30 per cent.

In this environment, this is where we like it.



**Slide 12 - Gross debt has reduced by almost \$2 billion**

During the period we reduced our gross debt by \$6 billion, successfully completing two bond buy-back programmes totalling \$4.5 billion, and retiring debt of \$1.5 billion.

These actions reduced gross debt to \$21 billion at the end of the period, and we have less than \$1.5 billion maturing over the next 3 years.

There is a weighted average cost of debt of 4.1 per cent, and an average maturity of around 10 years.

Over \$4 billion of project finance relating to the OT underground project has been drawn down during the period. As we fully consolidate this project, 100 per cent of this debt is captured on our balance sheet, however at this time it is fully offset with the cash received.

The project finance has a five year repayment holiday, such that the first repayment will not become due until 2021, with interest deferred until then.

**Slide 13 - Our capital allocation framework**

Turning now to our capital allocation framework, which most of you will have seen before.

Rigorous management of cash, remains at the core of what we do.

And we will continue to be consistent in our allocation of capital.

Having spent sustaining capex to ensure the integrity of the business, our next call on cash is dividends to shareholders. We then have an iterative cycle of managing the balance sheet, pursuing value accretive growth options, and considering further returns to shareholders.

**Slide 14 - Interim dividend of 45 US cents per share**

At the full year results we adopted a new dividend policy, which is designed to ensure long term sustainable returns to shareholders, throughout the cycle.

Importantly, this policy made very clear commitments around the balance of capital allocation decisions, so that shareholder interests are always at the centre of everything we do.

In addition to committing to the balanced allocation of capital between growth and returns, under the new policy, total shareholder returns should be between 40 and 60 per cent of underlying earnings, through the cycle.

As an interim measure, we put in place a minimum dividend for 2016 of 110 US cents per share, to be weighted to the final dividend.

Consistent with this policy, we have announced today an interim dividend of 45 cents per share.

Now let me hand back to J-S.

### **Slide 15 – J-S Jacques Title Slide**

### **Slide 16 - Market conditions remain volatile**

Thank you Chris.

Let me start with a few comments on the market before moving to Rio Tinto's value creation model.

There is no doubt the market remains volatile but we have seen higher prices in recent months.

This was mainly due to improved macro-economic trends, especially in China.

On my most recent trip to China, I met with a number of customers, partners and government officials.

It is clear the construction industry has picked-up, with a draw-down of housing inventory.

And this positively impacted commodity prices, such as iron ore and met coal.

But the recovery isn't wide-ranging and is mainly driven by credit.

Looking across the world, global growth remains reasonable.

Ongoing market uncertainty resulted in delays to the Federal Reserve's increase.

The left hand side of this chart reflects the pick-up in China I just mentioned.

The right hand side shows the danger of being too optimistic and depending on

hockey-stick shaped recoveries.

Markets will remain challenging and volatile.

And clearly, hope is not a strategy.

Against this backdrop, we will drive shareholder value and improve our performance.

For us, it's all about consistency and focus.

### **Slide 17 - Continual improvement to create value**

With that context, let me now talk about our value creation model.

It is simple: we will focus on what we call the 4Ps.

Portfolio, (world class assets), Performance, (safety and operating excellence), People, (commercial and technical capability) and Partners.

It will enable us to deliver superior shareholder value over the short, medium and long term.

It will be a combination of shareholder returns, balance sheet strength and compelling growth.

The 4Ps are the way we will deliver superior and sustainable cash flow.

### **Slide 18 - Tier 1 assets at the centre of the business**

Let's start with the first P – Portfolio.

World class assets remain resilient even when prices dig deep into the cost curve.

They generate cash and retain their value, at all points in the cycle, when other assets struggle to survive.

When correlation kicks in, a strategy based on diversification alone, does not provide protection.

Asset quality is the key to maintaining margin and delivering performance.

Let me give you some examples.

Our Pilbara assets are not just low cost, they deliver a product of exceptional quality.

In aluminium, our position in bauxite mining and aluminium smelting is sector leading.

Our smelters keep improving their cost position, and their low carbon footprint makes our aluminium attractive to customers.

In copper – we have interests in three of the largest and highest quality copper deposits globally, Escondida, Grasberg and Oyu Tolgoi.

The energy and minerals group has a world class thermal coal asset and a significant TiO<sub>2</sub> business.

This group can act as an incubator for smaller businesses and new commodities.

Which brings me on to the second 'P' – performance.

There are two key elements here: safety and operational excellence.

### **Slide 19 - Safety comes first**

The most important part of operational excellence is safety. It is our priority number 1.

To reflect this, we have appointed, Joanne Farrell to the executive team to lead a step-change in performance of health, safety and environment across the group.

Our ambition is as simple as this: every one working at Rio Tinto must return home safely at the end of each and every day.

A well run operation is a safe operation.

There are no compromises.

So far this year, most aspects of our safety performance improved.

We reduced our all injury frequency rate but this is not good enough.

Sadly, one of our iron ore colleagues in Western Australia died recently – our deepest sympathies are with his family and friends.

We must remain focused on fatality prevention.

The roll out of our critical risk management programme, CRM, is well underway. We are set to deliver 1 million safety verifications this year, which will be a great achievement.

### **Slide 20 - Continually challenge to deliver operational excellence**

Of course, we must drive superior performance at all of our world class assets.

This is what operational excellence is all about.

It means: controlling costs, improving productivity; and protecting asset integrity.

Many of our operations are the lowest cost in their sectors and we plan to run them even more efficiently. Our Growth & Innovation group, led by Steve McIntosh, has an important role to play here.

This unit analyses data from across all our operations to improve performance, drive productivity and share best practice.

As an example, I've included a chart on truck utilisation across the group.

As you can see, there is opportunity for improvement.

We are working hard to chase opportunities like this around the group to extract further value from our existing capital base.

### **Slide 21 - Commercial capability to capture full value**

The third 'P' is really about – building distinctive capabilities to enable a step-up in our delivery.

And at the core of this is our 'people'.

Excellent commercial capability is key to improving cash flow.

It goes without saying that we must get full value for our products in order to deliver quality results. Let me give you some examples.

In iron ore, we have a strong track record of achieving a premium on our Pilbara Blend spot sales.

During the first half of this year, this translated into an 80c per tonne premium over the average Platts price for the period.

In Aluminium more than 50 per cent of our products are value added, allowing us to charge an additional premium.

In copper we have taken advantage of the under utilisation of the Kennecott smelter and processed over 600 thousand tonnes of third party concentrate since 2014, generating a margin on every tonne.

In thermal coal we have increased the premia achieved above the benchmark, following the development of the Hunter Blend.

Clearly, there are real benefits to drive from spreading marketing and commercial best practice through the group.

And our people are key to delivering both commercial and operational excellence.

### **Slide 22 - 50 years of partnership to develop world class iron ore business**

Let me close this section, with a comment on our last 'P', partnership, which like people, is an enabler of our performance.

It is really about our 'privilege to operate', which we see as a make or break for our industry.

Let me give you an example.

At the end of this month we will celebrate 50 years of operation, at our Pilbara iron ore business.

Without the consent of the region's Traditional Owners this extremely value accretive iron ore business would not be what it is today.

Partnering well, helps us get access to resources, deliver value, and be in business for decades to come.

### **Slide 23 - Focused investment in compelling growth**

As mentioned, we focus on the 4Ps to drive superior cash flow with a single purpose in mind: to deliver value for shareholders.

We will deliver value by: maintaining a strong balance sheet, delivering returns to shareholders and compelling growth.

We've covered the first two already.

Let me briefly cover what compelling growth means to us.

Since December last year, we have approved three key capital projects, Amrun, OT underground and yesterday Silvergrass.

These projects all have IRRs in excess of our 15 per cent hurdle rate and are highly value accretive.

Only the best projects will be approved.

Investing in growth provides future shareholder returns and is a smart use of capital.

Let me give you an example.

The Silvergrass project, approved by the board yesterday.

It is low cost, and offers extremely compelling returns – greater than 100 per cent IRR with a pay back of less than three years. Importantly, it will provide high quality, low phosphorous tonnes to the Pilbara Blend, maintaining premium quality and margin.

#### **Slide 24 - Continual improvement to create value**

In closing, our first half performance was one of achievement and delivering on our commitments: In terms of returns to shareholders - we announced an interim dividend, of 45 cents per share, or \$809 million.

In terms of balance sheet - we finished the period in an even stronger position with net debt of \$12.9 billion and gearing of 23 per cent.

In terms of cost improvement - we have reduced our costs by \$580 million.

And in terms of growth - we are investing in Amrun, OT and now Silvergrass. At Rio, we would rather talk about what we have achieved, and tell you when we've done it, than focus on what we might do.

But let's be clear, we are driven by safety, and by value.

At all points in the cycle, we are committed to generating cash flow, in order to deliver superior shareholder returns.

We will allocate the cash we generate in a disciplined manner.

In a capital intensive business like mining, balance sheet strength is absolutely key.

We will preserve the Rio Tinto balance sheet, as it gives us options for further returns to shareholders and future growth.

So, there is a clear intent in everything we do; to manage Rio Tinto well, and to generate shareholder returns.

I know we have a lot to do, but I am absolutely confident that we have the team, the assets, and the performance drive, to deliver shareholder value in the short, medium and long term.

Thank you.

Let's move to the Q&A section.