

Rio Tinto 2017 Full Year Results

Q&A transcript

7 February 2018

J-S JACQUES (Chief Executive):

On this note we will open the Q&A. I propose we take a few questions from the room and then we will go to the conference call.

QUESTION:

So, Chris, an easy one.

The balance sheet is looking under-leveraged, one-offs notwithstanding, historically you guys have talked about an investment grade balance sheet, in round numbers that's about 1x EBITDA. You are well under that point at the moment. How do you think about this? We have seen another company in this space actually come out with an absolute net debt target – that is ArcelorMittal Steel. Is that something you consider?

CHRIS LYNCH (Chief Financial Officer):

I think the key really is we do want to have a balanced view around that wheel and so currently we have got the \$3.8bn, and I agree and I think your observation is spot on, is a very strong position. If you take account of the things we know, we have got the US\$1.2 bn tax payments to Australia, we probably would have paid in the year had not the rise in the iron ore performance been as dramatic 17 versus 16. So we had a provisional rate to pay that tax in Australia during the course of the year. In many ways I'd have liked to have actually paid that but you never want to pay cash before you have to.

The other one is the buy-backs that are really in the market. So we had the proceeds from Coal & Allied, \$1.9 billion remaining to spend on that, it was in the balance sheet but already committed to pay out this year.

Look, I don't think we are going to go to a gross debt target or a net debt target, absolute quantum as such. Probably with some of the changes that are coming through the accounting standards and that sort of stuff we will have to have a look at how they impact various ratios. So I think probably the next outing of any sort of targets in this space will probably be my successor who will have to carry them forward.

The balance sheet, it is strong. Look, forget about the 20-30 per cent gearing range, that's irrelevant. We were never going to spend our way to the bottom of the range. We recognise we have got a strong balance sheet; that gives us a lot of capacity, it gives us that robustness and all those sorts of things that I have talked about previously.

But we do have money to spend here now. We have got a cheque for \$3.2 billion to write in April and we have got \$2.9 billion to spend in buy-backs through the course of this year. We will have an opportunity to make another decision. The big decisions are at this time of year, and obviously we will an interim decision to make at the half, so there is plenty of scope.

J-S JACQUES:

To state the obvious, you have to declare the dividend and then you have to pay them after.

QUESTION:

Two questions, one underlying inflation, you've touched on it a little bit in the second half. The underlying inflation and energy combined have a bigger negative impact on the earnings year on year than the savings. Is that the momentum you carry into the year and therefore 2018 may be the first year where the net benefit of those savings will be still slightly negative?

And secondly, on OT, if I look at the frequency and the type of press releases that the company is publishing it suggests you are facing a slightly more animated government, maybe a slightly more worked-up government. There are 3½ years left, a couple of billion dollars, and potentially several changes in government in that country, so how would describe the current state of affairs between Rio Tinto and the government?

J-S JACQUES:

Okay, no worries. I am going to start with the cost inflation. I mean, we have been very clear, we see cost inflation coming back and it is not specific to Rio Tinto, it is across the entire industry. You saw the results of some of our peers published recently so you have got a pretty good sense. The main impact last year was in aluminium but we expected this - if you take a three or four or five year perspective - is going to come back.

That's where our mine to market productivity of the \$5 billion of additional free cash flow that we are targeting in the next five years is so important. It's not a nice to have, it is a must have in order to offset as a minimum the inflation. So that's the reality of it, we acknowledge it, oil prices are going up, steel prices are going up, and I expect at some stage the wages to go up as well. So mine to market is the way forward.

On Oyu Tolgoi, I am going to step back on this one. You know, Rio Tinto has been around for 145 years. We have been operating in many countries; we have delivered some complicated projects. Oyu Tolgoi is a large complicated project, like many other projects elsewhere.

My personal experience over the last five years is, that you know, lots of issues as you would expect, but each time we have been able to work through them in a win-win approach with the government. I was there three weeks' ago. This is mining. We have been here for 145 years, we know how to do it; I'm not saying it's going to be easy and it will continue, and that's where it is.

A question here and then we go to the conference call.

QUESTION:

A couple of questions. Just following up on that OT, you are talking about building a power plant now as well and you say that is in the capex numbers. Is that in the \$5.3 billion? If you could clarify a little bit around that with OT?

J-S JACQUES:

The power station is part of the agreement. If you want to be very detailed, it is in clause 7.2, 7.3 and 7.4 of the Investment Agreement signed in 2009. It was in the capex. I think it is \$250 million every year from 2019, that's in the forecast, so there is no change from that perspective.

QUESTION:

Then could you provide more light on the situation at Grasberg? Obviously Freeport is talking up an imminent sale and price expectations of yourselves and the Indonesian Government.

J-S JACQUES:

I restate what I said, there is no doubt that Grasberg is a fantastic world-class resource but there is a fundamental difference between a world-class resource and a world-class business. Discussions between Freeport and the government are underway in relation to what are the terms of the extension of the contract beyond 2021.

So for us, we are looking at all options in relation to Grasberg. For us, it is to protect or even strengthen our value in relation to our investment in Grasberg. Depending on the outcome of those conversations, we will make up our mind and then we will come back to the market.

So if we can take a question from the conference call.

QUESTION:

Just in regard to aluminium growth options, I think Chris said only the best projects get approved. How far away are the Canadian brownfield expansions in the hydro/aluminium away from being those best projects and how much further improvement in price would we need?

Also just to return to the capex guidance, is there any capex, studies or growth options in the 2019/2020 numbers?

Also, just additionally on Grasberg, I think you still have that sort of \$100 million in your capital projects for Grasberg. What is the sort of total spend that you do have across that sort of capex guidance period for the projects at Grasberg that you would have to outlay?

J-S JACQUES:

I will pick up the aluminium and you pick up Grasberg, Chris, if that's okay.

On aluminium, clearly the assets we have in Canada are world-class because of the hydro energy base. We have multiple growth options. We will pursue for this reason all the creeping options, the low capital intensity creeping options that are already in the plan, but above and beyond that we could have further brownfield expansion.

But here, I am going to restate what I said is that we could be at a turning point in relation to the aluminium industry in China. It's early days. If China really restructures the aluminium business then that could create significant opportunities for us. So what we want is to be option ready that if we are absolutely comfortable that there is a market there then we can figure out those options.

So yes, we are doing the studies, there is money earmarked in terms of E&E in our budget, but we are not there yet. We are watching the aluminium situation in China very, very carefully, and I put it on the

slide. The run-rate of the closure could be significant, but we want to be very convinced that those closures really happen and nobody re-starts them.

As I said, it could be a turning point, it could be very positive, we just want to be ready to make the most of it but we are not there yet.

You pick up Grasberg, Chris.

CHRIS LYNCH:

The guidance for Grasberg is between \$150 million to \$200 million a year in the three years of guidance was given. It will be somewhere in that order if we continue down the same path we are on at the moment, but that's the sort of scale of the spend that's included in the guidance numbers that we have got here.

J-S JACQUES:

Thank you, Chris. Any other questions from the conference call?

QUESTION:

A couple of questions on your aluminium business.

Just an observation on, first of all, cash costs in aluminium. It was a pretty good performance actually, 77 cents a lb in the December half versus 75 cents a lb in the first half, and I understand you guys probably don't have the numbers in front of you, but that was despite higher alumina prices. So I am just curious about that lack of sensitivity to alumina price?

And also I've yet to see – are we yet to see the flow through of higher coke and pitch prices, and is that coming this year?

And then on bauxite, just an observation, you've had now four halves of flat realised pricing at around US \$40 bucks a tonne, and that's for the last couple of years, so I presume that's due to your long-term contracts. I am just wondering how long is the realised price going to sit around that \$40 mark?

And then seeing as though it is a key growth project for you with Amrun, on the bauxite market you are adding 10 Mt of new volumes from mid-2019, so I am just wondering when do you expect the seaborne market to actually tighten up or move into deficit? Thanks.

J-S JACQUES:

I will pick up the aluminium and if you pick up the bauxite, Chris.

I think there is no doubt that we had a massive cost increase in general inflation especially in aluminium last year, as you said, and it will continue this year and that's why the mine to market - which the way it translates in aluminium for us is there are two main drivers: one is a creeping, trying to extract more aluminium from the existing assets every year and we target depending on the year, between 1 and 2 per cent improvement year on year, so that's going to be a big element to offset it, and the second element is to push harder on the value-added products for which we have a better margin.

That is the reality of the market. We fully acknowledge there is cost inflation. We don't control the price, as you know, I wish we could, but the answer is we don't and therefore we focus on what we

can control. We are pushing very hard on the mine to market in relation to aluminium, which is two things I have just said, trying to produce more through the creeping and increase our share of value-added products to extract more value, more margin from the market, and therefore offsetting it as a minimum.

Do you want to pick up the other one, Chris?

CHRIS LYNCH:

Yes, and maybe one observation on the input costs for coke, pitch and caustic was in the 2017 numbers and will be further in the 2018 numbers. The guys actually did a pretty good job of offsetting the impact of that. They weren't able to get all of it out but they did a pretty good job of tackling that during 2017.

With regard to bauxite, in terms of realised prices for bauxite, it's more about what the Chinese have been able to do with the bauxite coming out of Guinea and the speed at which they are able to do it and also the cost structure. There has been a pull-through of Guinea bauxite into China that probably diluted or dampened down the bauxite price a little bit on the seaborne trade.

That's something we are keeping a very close eye on. But we do take a transfer price for the calculations here, we take a transfer price of bauxite through our refineries and then again a transfer price of alumina through the smelters. But the primary mover in bauxite was really the amount of bauxite that was able to be sourced into China primarily out of Guinea.

J-S JACQUES:

To be clear, there aren't any issues to place our tonnage from our bauxite mines, I mean everything is sold out. But once again, back to aluminium question, we have got multiple growth options above and beyond Amrun. We have got versions 2.0, 3.0, 4.0. What we want is to be option ready, option rich and option ready, and depending on the development of the market then we will add capacity as appropriate.

But for us it is really about creating value, we want to have the options, we have the options and then depending on the market conditions we trigger those options at the right points in time.

If we take a question in the room?

QUESTION:

Just one question on iron ore, as you pointed out, in the fourth quarter you achieved 360 Mt annualised shipments. Is that a number you think can be achieved over the course of an entire year once Autohaul® is up and running and, if so, by when? Also, how should we think about Autohaul® in terms of capacity versus availability?

J-S JACQUES:

Okay, that's a great question.

We are not going to change the guidance for this year. We said we would produce between 330 Mt and 340 Mt. I couldn't be more explicit, we want to have significant capacity around the railway, so that gives us the flexibility to go up and down depending on the market conditions. That is the value over volume, so I am not going to increase the tonnage for the sake of it. I am not interested in the market share; I am interested in the profitability of it.

So every year we optimise. We look at it saying, well, if we increase volume what is going to be the impact on prices. And today as we are having this conversation we are very comfortable with the 330 Mt to 340 Mt guidance for this year. That's the first point.

The second point, just to re-emphasise what I've just said to some extent, what is important today is the margins, the grades. You know very well that there is a big differential premium/discount, depending how you want to look at it, between high-grade and low-grade. And we are driven by EBITDA margin and not driven by cost or volume on this one.

So, do I believe the Pilbara will be able to produce 360 Mt or more? Absolutely, I don't have any doubt, and you saw it: Q4, 360 Mt, and if you do the run rate in December, we are above 400 Mt. So the question is not are we going to get above 360 Mt? We will get there but the point is every year, every quarter you could argue, we will optimise our production to make sure we maximise cash flow, acknowledging that when we add tonnage, we can have an impact on price. That's really what the value over volume strategy is about.

We can take another question.

QUESTION:

Actually a couple more questions on iron ore. Through your presentation you kind of implied that very high steel margins were what has driven the premium of 62 versus 58. There is definitely some evidence out in the market that people are viewing those actually as a bit more structural rather than cyclical. So could you just sort of explain what your view is on that and what you are hearing from your customers? How should we be thinking about this in terms of sort of structural versus cyclical?

And then the second one is just on cost inflation. Actually cost performance in iron ore looked pretty strong through the year. You don't have the same kind of direct impact of inputs that you see in aluminium, but could you maybe talk about what you are seeing in terms of contractor rates, labour costs, inflation? Thanks.

J-S JACQUES:

On the second one, today we are not seeing any significant increase in contractor rate, but I have got no doubt that it is going to come. It is going to come across iron ore, it is going to come across all product groups, and that is very, very clear, so that's why the mine to market productivity is so important for us because we need to push hard to offset, as a minimum, the inflation that is coming.

Is it coming in the next quarter? I can't tell you that, but if you take a two or three year perspective it's coming so we need to push hard.

Chris, you want to do the other one?

CHRIS LYNCH:

Yes, maybe just one observation on the inflation, the other area we haven't talked about is labour inflation. Currently what we have seen so far is some spot inflation on input prices for the aluminium business, but in copper this year it is something like 28 per cent of the world's copper capacity is coming up for enterprise agreement, negotiations, how that comes out is another matter.

What you are not seeing on the inflation side, for those who were around in the big part of the boom, is that there is not the construction activity that commensurate with the operating activity. At the peak of the boom people were trying to maximise output but also trying to maximise how fast they could build new capacity. That's not there, that coincidence is not there, so we have got to be real to it and alert to it.

Then the structural versus the cyclical, I think what you are seeing with regards to that is the environmental play in China is also coming across a series of products and not withstanding steel, so you are seeing a demand for the higher quality raw material inputs coming through there.

Now, how that plays out? I think it is early days yet because we are currently in the middle of the winter curtailments so we haven't seen how it comes out of those curtailments, if it comes out of those curtailments, in terms of the capacity.

I think you have just got to keep an eye on that, but it does feel like there is more structure to it and as the rationalisation of the State-owned enterprises in China continues there's endorsement of the more efficient and cleaner producers, there is a discouragement of the opposite of that, and so you are seeing the establishment of a sort of standing demand for the higher quality materials. So I think we are well placed to participate.

J-S JACQUES:

There is no doubt that last year they did shut down some capacity, induction furnace and some of the small blast furnaces, but that didn't mean if you look at the stats, a drop in terms of output of steel. So with a reduced capacity the only way to produce more is by driving the productivity of your blast furnace in a harder way to increase the scrap ratio in your steel plant, and that's what we are experiencing in the market place.

So all the indications are moving in the right direction, the environmental policies, the fact that they are making money, they are trying to produce more with a reduced capacity and therefore the need for higher quality product. Our sense is we are moving closer to a structural change but we are always very cautious.

What it means for Rio Tinto is very simple, as long as we have the right product in terms of cost, in terms of grade and the right relationship with our customer then we are very well placed, and I think what we experienced last year, we are experiencing as we speak, we don't have any problem to place any of our product today; quite the opposite.

We are in good shape. We don't control the market but we are trying to position our self in the best possible way and today the Pilbara brand is a reference product in China. There is the reality of it. It is a reference product and everybody wants more of it.

I will go to the conference call and then I will come back to the room.

QUESTION:

A couple of questions on the growth options.

Just on Resolution, you've approved some more capital there, is that the last sort of number before you can make a decision to proceed with the development or how do we think of that and how much capital is left to spend underground before you can make the full final decision? And Chris, if you could just remind us how much that has actually been spent there, it would be useful as well, so far?

The same for I guess Zulti-South, I mean how far away are we from a yes/no decision on that? There were some comments on feasibility work ongoing. Is that a first half decision do you think?

J-S JACQUES:

I'll take up Zulti-South. Chris, do you want to take up Resolution?

J-S JACQUES:

The FS, the feasibility study, is underway and supposed to be finished in March. We will go through our normal governance process, investment committee, and at that point in time we will take a decision should we proceed or not or when we should proceed. So work is underway, we haven't looked at it yet, no decision made, we will tell you more in due course. Resolution?

CHRIS LYNCH:

There is a long way to go on Resolution. There is probably five years of permitting process still to go. So what we are approving with regard to Resolution, are really milestone based lumps of money. We not capitalising it, we are expensing it.

So, for instance, right now we are focused on extension of the shafts. We need two points of egress before we went ahead, and then there is a lot of work to go with regards to getting into the orebody and determining how we think the cave will ultimately work as well. We are a long way from being in a position to give a notice to proceed on that project; it is very much rudimentary at this stage.

J-S JACQUES:

Let's be clear, we are very clear about the key risk of this project and we are making good progress on the permitting, as Chris indicated. The next big phase for us is to do really the rock characterization underground to make sure that if we were to build a mine one day, it is going to cave, and to do that we need to put more people underground, quite a lot, and do lots of drilling.

But today, unless we have, for safety reasons, two shafts, we are not going to put those people at risk and therefore the next stage is really to approve the deepening of one of the shafts, making sure we have got two safety egresses and then we can take it to the next phase. So that's where we are in relation to Resolution.

Let's take another question from the conference call.

QUESTION:

Another couple of iron ore question from me, and the first one is just on the lump premium. We saw it go from virtually nothing to over \$30 a tonne in the period. I am just wondering if you could talk a bit about the key drivers there? And I guess we are now back down to average-type levels around 10 bucks a tonne – anything you are seeing to cause that to move around from there materially?

And then the second question, you have spoken about China a fair bit, China domestic iron ore mines have usually been the source of elastic supply. Are you still seeing the market that way or are you seeing the environmental restrictions limiting the reaction of Chinese supply to what are now very attractive prices? Thanks.

J-S JACQUES:

I'll take the question on China.

If you go back a few years ago there used to be 400 Mt of capacity in China, it did reduce dramatically, but there is a lot of fluctuation – we did drop to 235 Mt 18 months' ago and then it came back. We are in the middle of winter so it is difficult to read the situation and we are going to have to wait for summer to come back before we know that.

But there is flex, definitely flex in that space, but there are two elements: one is you mention it is environmental permits for some of those mines are now much more difficult to get, many because of dust. And the other element that we have just mentioned is if you believe in the structural change, and the need for higher quality iron ore to drive the productivity of your blast furnaces, lots of those mines are low-grade and so it is going to be more and more difficult for them to make money.

However, if I go back to the 400 Mt I have just mentioned, half of them were SOE's and half of them were privately owned. There has been lots of stickiness in the SOE sector to be restructured. So I am not going to be able to answer fully your question but we are watching it very carefully.

I believe there is a trend of reduction but that may create some volatility in the market place. Once again, the only concern for is get the right grade, get the right cost structure, get the right relationship with Rio shareholders and Rio customers as well and then you are in good shape.

Chris, you want to pick up the lump premium, supply and demand balance?

CHRIS LYNCH:

Well, it's part of the same conversation. Prices won't always moves directly as a result of economic fundamentals. If you look at the US stock market yesterday I don't think the fundamentals changed down 500/up 500 during the course of that trading day, but it happened.

With regard to lump premium, I think the other thing that happening in there is around the issue about the degree of the construction activity being the main demand for the steel versus the fabricated products area being more dominant. So you will get a premium attached to the higher grade material, the lump material as well, on the way through that process as that mix changes; other than that, it's not a perfect market.

J-S JACQUES:

Thank you, Chris. If we go back to the room, a question at the back.

QUESTION:

Just sort of shifting commodities, lithium, you mentioned electric vehicles and I was just wondering how you are thinking on the lithium market? I know Jadar is long-dated, but how you are thinking the lithium market has evolved over the course of the year, what your thinking is on electric vehicles, and then any kind of numbers you might sort of be able to put around Jadar in terms of your thinking there?

J-S JACQUES:

The question is very simple, the key project for us is Jadar in Serbia. We are doing the study as we speak and we have another 18 months to go. The studies cover many items, as you imagine, the technical elements, the economic case and more importantly is the lithium market. We have not concluded on the attractiveness of the lithium market at this point in time, so let us finish the work and then we will come back to you on this one.

QUESTION:

One question on cash flow allocation, your cash returns last year were very impressive and you augmented them by returning basically all proceeds from asset disposals. Is it the way you are going

to proceed going forward, especially in the light of some of the comments you made earlier today and were quoted on Bloomberg, suggesting you are becoming more constructive on M&A opportunities?

Also in light of some of the brownfield options you have, for instance in Canada, would it make sense maybe to preserve some of the cash coming in the future on your balance sheet as sort of a war chest, or are you still inclined to keep returning this cash to shareholders as we go?

J-S JACQUES:

If we could go back to the slide –we are very clear about the disciplined capital allocation cycle that we have. We do it twice a year. The main time is in February for the Board we had this week.

Are we going to return all the cash from divestments? I can't tell you "yes" or "no", it would be part of the allocation, the capital process.

We did an off-cycle last year on the back of the Coal & Allied proceeds but you can't take any comfort that we will do off-cycle – I want to be very clear on this one. Our process is very clear, we do it twice a year with the main time in February as we have just done. That is one aspect.

The second aspect is, as we say today, we have a very strong balance sheet and we are in a good position to take, if there is a good opportunity we will look at it. That is what you should expect from us. It doesn't matter if it is organic growth or M&A, we will look at it, but the threshold is very high, it is the value over volume.

We are not going to grow for the sake of it. It is about high quality growth. I am not interested in being the largest or the biggest, it is about being profitable and delivering on our commitment, keep our promises which is to deliver superior cash returns for our shareholders in the short, medium and long-term. That's what we did today very clearly.

In the long-term we need to continue to grow. We have three areas of growth or three key levers: one is the productivity, because when we talk about growth, I want to be very clear, we are talking about cash flow growth, we are not talking about volume or market share. Productivity: we have got \$50 billion of invested capital, the best return we can have today is to increase the productivity of our assets and that's the \$5 billion we have committed for the next five years.

The second driver is organic growth. We are already underway at Oyu Tolgoi. We are already underway Amrun and we have growth options in aluminium and bauxite. We talked about it earlier today. We want to be option rich but we will trigger these options only if the market conditions are right and we make money out of it.

We have a watching brief on M&A but we will not do M&A for the sake of it, that is a no-go, and it doesn't matter who is going to be the next CFO for the Group, I don't think we are going to change in terms of mindset here. We are very cautious on M&A. We will look at it and if it makes sense for our shareholders, we will do it. So to be honest today, do I feel constrained in terms of growth? The answer is "no", we have the balance sheet, we have the momentum, we just have to keep pushing.

QUESTION:

You mentioned the structural change that you see potentially happening in China around aluminium. How does this change your views around Rio's position in the alumina market? And then secondly how do you see the changes around your view about Pacific Aluminium within Rio in this environment?

J-S JACQUES:

Thanks for the question. We believe that if you have got aluminium smelters, especially like in Canada which are hydro-based, you make a lot of money and create value for shareholders. If you have bauxite, it is typical mining margins; we like it as well. Alumina is between. There is not a lot of liquidity in the market so we have to be integrated from a supply chain standpoint but we try to be integrated as little as we can because alumina is something in between and you don't create a lot of value.

Now having said that, you can see that all our alumina refineries are making a lot of money today because the team are working hard. But in terms of capital allocation, first of all, to go back to your question of the capital allocation, it's across all commodities and all assets, it is not earmarked by product group. But today if I were to look only on the aluminium supply chain, if I were to allocate money, I would put in the smelters first, I would put in the bauxite first and alumina would come at the back end of the list. That is the reality of it.

All our assets are for sale at any point in time, it is only a question of value. So if somebody comes, including yourself by the way, if you want to come and buy any assets, we will look at it. PacAI is today in Rio Tinto. I am not going to comment, you know I am not going to comment on market speculation. If somebody comes and offers the right value for PacAI we will look at it, and that's where we are today.

If we go back to the conference call, do we have some questions? If so, we go back to the conference call and then we will come back to the room.

QUESTION:

Just a couple of quick ones, firstly just on iron ore, at the Briefing in December you said you could get to mine capacity of 360 Mt once Silvergrass ramped up and productivity creep. If the market is there for it and you can actually generate the margin, as you said it is not about cost or volume, when is the soonest you could run and deliver 360 Mt if the market is there for it?

Then the second question, you have been talking a lot about growth and clearly Zulti-South is a replacement, Resolution by Chris Lynch's comment is a long way off, and obviously with aluminium you have got to do a couple of years of study. If the market is there, is there actually anything in your portfolio you could accelerate to grow the business or is really the next couple of years what we can see, sort of like the cupboard is bare a little bit even if the market demands new volume? Thanks.

J-S JACQUES:

If you were to put aside the M&A for one minute, I think the capex numbers in the guidance are pretty rock solid, to be honest. Because, as you know - you have been in the industry for more than 30 years - so you know that it takes many, many years of studies before you can start a project. For the next two or three years it is pretty rock solid, pretty well defined. So marginally could we accelerate projects? Maybe small creeping stuff but big projects the answer is "no". That is the reality of it.

Going back to your other question on the 360 Mt, as we said, there is still some way to go on the Autohaul®. We will get there, at the end of this year or beginning of next year, because where we are in the project from a technical standpoint it works, the only question we have now is to work very closely with the regulators to get the right license, permits, and this one is not really under our control.

We are very comfortable with 330-340 Mt of guidance for this year and this year in December when we give you the new guidance we will explain what it is, but I am not going to give you any indication above and beyond the guidance for this year. So thanks for the question.

QUESTION:

Just to very quickly circle back to M&A briefly, we note that you are very cautious regarding M&A, are you actually observing any convergence in price expectations at the moment in the market between buyers and sellers? I guess an extension of that, if you are, is it concentrated to any particular commodity?

J-S JACQUES:

You know, we did set up Rio Tinto Venture under the leadership of Bold Baatar 18 months ago. He has got a mandate to look at new commodities, and so on and so forth.

They are looking at options as we speak, but I can restate what I said, we have a watching brief on M&A and we are not going to pursue it for the sake of it; if it makes sense, we will look at it. We are in a very good position today on the back of the strength of our balance sheet, and that's where we are. If there is a good thing that creates value for our shareholders we will look at it; that's where we are.

If I go back to the room, is there any last question in the room? If there are no more questions, okay, that's it.

I think the results are pretty straightforward. We kept our promises: \$9.7 billion of cash returns for our shareholders if you put together the dividend and the share buy-back. We are in good shape, we have the balance sheet, we have the momentum, we're pretty positive over the future, we have options to grow but we will trigger them only if they make sense from the value creation standpoint, and what you should expect from us is just to keep on delivering on our promises.

On this note, I wish you a nice day and I'll see you in six months.

Thanks a lot. Bye for now.

(End of Q&A Session)