

## Rio Tinto delivers productivity gains and cost savings in Aluminium and provides update on Group capital expenditure

8 December 2015

Rio Tinto will today provide an update on the significant progress being made on costs and productivity in its Aluminium business and unveil further detail on the recently approved Amrun bauxite project which positions Rio Tinto as the industry-leading supplier of bauxite.

By the end of 2015, the Aluminium product group will have delivered around \$300 million of cash cost improvements, a reduction of \$45 million in sustaining capex and cut working capital by around \$400 million versus 2014.

Cash remains a key focus, and the momentum in operating cost reductions continues through a broad range of initiatives that should remove around \$300 million in additional cash costs from the product group in 2016, excluding any impact from currency or oil. Further improvements will also be made in productivity in 2016, with anticipated increases in output from bauxite (up four per cent to 45 million tonnes), alumina (up three per cent to eight million tonnes) and aluminium (up ten per cent to 3.6 million tonnes).

Rio Tinto has an unrivalled portfolio of high-margin, tier one bauxite assets that are well positioned to capitalise on the growing seaborne market. The recently announced Amrun project in Australia is one of the highest quality mining projects in the world and will be crucial in meeting future demand from China.

Amrun will require capital investment of \$1.9 billion, with most of the spending scheduled for 2017 and 2018, ahead of expected production in the first half of 2019. The project offers a return in excess of 20 per cent<sup>1</sup> and over half its future output is already committed under off-take agreements.

The Aluminium product group's smelting business continues to improve its cost position through portfolio rationalisation, modernisation and performance enhancements. The Kitimat aluminium smelter in Canada is now ramping up, with 60 per cent of its pots energised. When Kitimat reaches full production next year, Rio Tinto's smelting capacity will be firmly positioned in the industry's first cost quartile.

Rio Tinto Aluminium chief executive Alf Barrios said "We have made significant advances in transforming our Aluminium business, based on the strengths of our exceptional bauxite deposits and world-class aluminium smelting capacity. There are short-term challenges, but aluminium is a metal in increasing demand which will bring the market into balance. Our value-added, low-carbon aluminium has a strong market position, enabling us to capture additional margin and premium throughout the cycle. With the development of Amrun, we are able to grow our high-quality bauxite output into rising market demand.

"We are creating real value as we work through the restructure of the business. We will continue to be relentless on cash generation across the business. Our drive for lower costs, efficient working capital, higher productivity, and improved product margins will help deliver sustainable value and cash returns for Rio Tinto shareholders through the cycle."

### Update on Group capital expenditure

Rio Tinto will also confirm that as a result of the continued disciplined balance sheet management, prudent capital allocation and currency benefits, it expects total capital expenditure in 2016 will be around

<sup>1</sup> IRR based on CRU price assumptions

\$5 billion, compared to previous forecasts of less than \$6 billion. This will be in line with the anticipated capital expenditure for the Group for 2015 of about \$5 billion (previously about \$5.5 billion).

Rio Tinto chief executive Sam Walsh said “Our prudent capital allocation and disciplined approach to the balance sheet have reinforced our resilience during this period of ongoing volatility. With all of our investment decisions framed by the need to deliver value for shareholders, we have remained focused on investing in only the best quality projects. Our business is built around long-life, low-cost expandable assets that are complemented by best-in-class operational and commercial expertise. As we approach the start of 2016, we are well positioned to continue to provide returns for our shareholders and invest in our business.”

## **Investor seminar**

Rio Tinto is hosting the Aluminium seminar in London today at 2pm (GMT). The presentation will be webcast and will include updates from:

- Alf Barrios, chief executive, Aluminium
- Gervais Jacques, chief commercial officer, Aluminium
- Greg Lilleyman, group executive, Technology & Innovation
- Vivek Tulpule, head of Economics & Markets

The webcast and replay will be available at [riotinto.com/webcasts](http://riotinto.com/webcasts) along with presentation material at [riotinto.com/presentations](http://riotinto.com/presentations).

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