Rio Tinto delivers underlying EBITDA of $15.6 billion and an interim dividend of 267 US cents per share

27.07.2022 | Business Wire

Rio Tinto Chief Executive Jakob Stausholm said: "We remain focused on delivering on our long-term strategy, with a steady improvement in operating performance and some notable advances in our growth agenda. We continue to strengthen our partnership with the Mongolian government following commencement of underground mining at Oyu Tolgoi, delivered first iron ore from the Gudai-Darri mine and approved early works funding at the Rincon lithium project.

"Market conditions were good, albeit below last year's record levels. We delivered largely flat production and solid financial results, with underlying EBITDA of $15.6 billion, free cash flow of $7.1 billion and underlying earnings of $8.6 billion, after taxes and government royalties of $4.8 billion. As a result, we are paying our second highest ever interim dividend of $4.3 billion, a 50% payout, in line with our policy. The market environment has become more challenging at the end of the period.

"We are committed to making lasting, long-term change to our culture, including to our workplace culture, and to building better relationships with Indigenous peoples, communities and partners. The progress we are making will ensure we continue to deliver attractive returns to shareholders, invest in sustaining and growing our portfolio, and make a broader contribution to society in the drive to net-zero carbon emissions."

Six months ended 30 June	2022	2021	2020	Change vs 2021	Ch vs
Net cash generated from operating activities (US$ millions)	10,474	13,661	5,628	(23)%	86
Purchases of property, plant and equipment and intangible assets (US$ millions)	3,146	3,336	2,693	(6)%	17
Free cash flow[1] (US$ millions)	7,146	10,181	2,809	(30)%	15
Consolidated sales revenue (US$ millions)	29,775	33,083	19,362	(10)%	54
Underlying EBITDA[1] (US$ millions)	15,597	21,037	9,640	(26)%	62
Profit after tax attributable to owners of Rio Tinto (net earnings) (US$ millions)	8,908	12,313	3,316	(28)%	16
Underlying earnings per share[1] (EPS) (US cents)	532.7	751.9	293.7	(29)%	81
Ordinary dividend per share (US cents)	267.0	376.0	155.0	(29)%	72
Special dividend per share (US cents)	-	185.0	-	(100)%	n/a
Total dividend per share (US cents)	267.0	561.0	155.0	(52)%	72
Underlying return on capital employed (ROCE)[1]	34%	50%	21%		
	At 30 June 2022	At 31 December 2021			
Net cash [1] (US$ millions)	291	1,576			

[1] This financial performance indicator is a non-IFRS (as defined below) alternative performance measure ("APM"). It is internally by management to assess the performance of the business and is therefore considered relevant to readers o document. It is presented here to give more clarity around the underlying business performance of the Group's operatio First half 2022 and first half 2021 APMs are reconciled to directly comparable International Financial Reporting Standa (IFRS) financial measures on pages 69 to 76. First half 2020 APMs are reconciled within the 2020 Half Year Results release on our website. Our financial results are prepared in accordance with IFRS - see page 42 for further informatio Footnotes are set out in full on page 7.

- Safety remains our top priority: we have now exceeded 3.5 years without a fatality on a managed site but we recognise that safety requires operating discipline every day. Our all-injury frequency rate of 0.35 improved from 2021: fatigue, labour shortages and other pressures from COVID-19 have heightened safety risks in day-to-day operations. We are advancing our enhanced Safety Maturity Model to address these risks.
- $10.5 billion net cash generated from operating activities, which was 23% lower than 2021 first half, flowed through to 30% lower free cash flow[1] of $7.1 billion, which included a 6% decrease in capital expenditure to $3.1 billion, as our current programme of Pilbara replacement projects near completion.
- $8.9 billion of net earnings, 28% lower than 2021 first half, reflected the movement in commodity prices, the impact of higher energy prices on our operations and higher rates of inflation on our operating costs and closure liabilities. Effective tax rate on net earnings of 24.5% compared with 28.5% in 2021 first half.

- $15.6 billion underlying EBITDA[1] was 26% below 2021 first half, with an underlying EBITDA margin[1] of 50%.
- $8.6 billion underlying earnings[1] (underlying EPS[1] of 532.7 US cents) were 29% below 2021 first half with a 25.2% effective tax rate on underlying earnings[1], compared with 28.8% in 2021 first half.
- $0.3 billion of net cash[1] at 30 June 2022, which compared with net cash[1] of $1.6 billion at the start of the year, reflected the free cash flow[1] of $7.1 billion, offset by $7.6 billion of cash returns to shareholders and the $0.8 billion Rincon acquisition.
- Interim ordinary dividend of $4.3 billion, our second highest ever interim, equivalent to 267 US cents per share. This represents 50% of underlying earnings, in line with our shareholder returns policy, and consistent with our practice of paying out 50% on the ordinary interim dividend.
- Following publication of a comprehensive external review of our workplace culture on 1 February, we are now implementing all recommendations from the report to ensure that everyone at Rio Tinto has a safe, respectful and inclusive workplace.
- We are on track to achieve our gender diversity target to increase female representation (including in senior leadership) by two percentage points this year: this increased by one percentage point in the half to 22.6%.
- We continue to focus on rebuilding our relationships with Indigenous Peoples across our global operations. On 14 February, we announced an agreement with the Yinhawangka Aboriginal Corporation on a new co-designed management plan to ensure the protection of significant social and cultural heritage values. This is part of our proposed development of the Western Range iron ore project in the Pilbara region of Western Australia. In May, we signed a Heads of Agreement with the Puutu Kunti Kurrama and Pinikura (PKKP) people which will guide the co-management of PKKP country where mining takes place.
- We made significant progress with our objective to excel in development with the following key milestones in the first half:
  - we delivered first ore from Gudai-Darri, our first greenfield iron ore mine in the Pilbara in more than a decade. We expect it to reach its 43 million tonne per year capacity in 2023.
  - we fired the first and second drawbells from the Hugo North copper-gold underground mine at Oyu Tolgoi in Mongolia. This followed the comprehensive agreement announced on 25 January 2022, which resets the relationship between partners, and resulted in the start of underground operations. The undercut progression remains on track to achieve sustainable production in the first half of 2023.
  - we made a non-binding all-cash proposal to the Turquoise Hill (TRQ) Board to acquire the ~49% of the issued and outstanding shares of TRQ that Rio Tinto does not currently own. The proposed acquisition price of C$34 per share values the minority shareholdings at US$2.7 billion. On 18 May, we agreed to amend the funding plan with TRQ in order to provide liquidity of up to $400 million in short-term early advances, while the Special Committee of TRQ evaluates our proposal. The deadline in the funding plan for TRQ to conduct an initial equity offering of at least $650 million has also been extended from the end of August to the end of 2022.
  - following completion of the acquisition of the Rincon lithium project in Argentina, the Board has approved $190 million to develop a small starter battery-grade lithium carbonate plant with a capacity of 3,000 tonnes per year and first saleable production in 2024. The approval also includes early works to support a full-scale operation, including power line and associated substations, construction camp and airstrip.

- To achieve our ambition of becoming the best operator, we continue to rollout the Rio Tinto Safe Production System (RTSPS). We now have 15 active deployments across the business with 30 rapid improvement projects (Kaizens), targeting bottlenecks, either completed or in progress.
- We set ambitious climate targets in 2021 to reduce our Scope 1 and 2 emissions by 50% by 2030. While, as expected, we are yet to achieve a reduction in our emissions, we are putting the building blocks in place, including a call for proposals to develop large-scale wind and solar power in Central and Southern Queensland to power our aluminium assets in the Gladstone region. These assets require 1140MW of reliable power to operate, which equates to at least 4GW of quality wind or solar power with firming.
- We reached agreement with the Australian Taxation Office (ATO) on all tax matters in dispute. We also reached agreement with the Inland Revenue Authority of Singapore in relation to transfer pricing for the same historical years (2010 to 2021). In the second half of 2022, we will pay additional tax of A$613 million to the ATO, relating to this agreement, which has been fully provided.

Energy Resources of Australia (ERA)

As the majority shareholder of ERA, we were disappointed to learn of the material cost and schedule overruns on the Ranger rehabilitation project in Australia's Northern Territory, announced earlier this year. We remain committed to ensuring the rehabilitation project is completed to a standard that will establish an environment similar to the adjacent Kakadu National Park. We also acknowledge the Traditional Owners, the Mirarr People's opposition to developing the Jabiluka uranium deposit and restate our full support for ERA's commitment that the deposit would never be developed without the Mirarr People's consent.

Since ERA announced the material cost and schedule overruns, we have sought to work constructively with ERA's Independent Board Committee as they seek to find a funding solution. Rio Tinto's position is that the terms should reflect:

- the material cost overruns and interim funding requirements;
- the Mirarr People's publicly stated position on the future development of Jabiluka; and
- Rio Tinto's expectation that its rehabilitation commitment will not generate any financial return.

These talks are ongoing as we work to ensure ERA has the means to complete this critical rehabilitation project.

The full H1 2022 interim results release is available here.

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Category: General