



News release...

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Rio Tinto's 75.7 per cent owned subsidiary, Coal & Allied Industries Limited, issued the following news release in Australia. All dollars are Australian currency.

2003 Annual results - Coal & Allied hit by higher exchange rate and lower coal prices

SUMMARY

- Net profit after tax was \$0.1 million compared with \$159.7 million profit after tax in 2002.
- Restructuring costs after tax of \$10.5 million to cover expenses associated with the rationalisation of management, corporate and administrative functions.
- A tax benefit of \$29.6 million has resulted from Tax Consolidations.
- Net debt in Australian dollar terms has reduced by 11.1% in 2003 to \$455.3 million.
- No final dividend on ordinary shares will be paid.

On 16 December 2003, Coal & Allied foreshadowed a loss of approximately \$30 million. Included in the final result is the likely impact of joining the tax consolidation regime resulting in a tax benefit of \$29.6 million, which offsets this anticipated loss.

Commenting on the result, Coal & Allied's Managing Director, Mr Gary Goldberg said, "This result clearly reflects the very difficult market conditions experienced in 2003 by Coal & Allied.

"Throughout the year, revenues were adversely affected by the extremely strong Australian dollar, lower realised coal prices and increased demurrage costs. The Australian dollar appreciated by 32 per cent in the 12 months to December 2003, severely affecting revenues. In addition, demurrage costs averaged around US\$1 per tonne over 2003 as a result of continued congestion and capacity constraints in the Hunter Valley rail system. The company also incurred increased costs for workers compensation insurance with premiums rising to an average of 17.9 per cent of gross wages in 2003 compared with an average in 2002 of 13.8 per cent of gross wages.

"Safety improvement was in line with the improved performance of 2002, but failure to meet the target for 2003 will be a catalyst for even more focus in 2004.

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“Despite the difficult year, we made good progress implementing operational and cost reductions and in December the company announced the creation of a new management services agreement with Rio Tinto Coal Australia which along with operational management changes will deliver pre tax savings of approximately \$20 million annually to Coal & Allied.

“Coal & Allied is competing in a tough market place and we expect 2004 to be another challenging year. However I am confident the changes we have made position the company to remain a strong, international competitor in the global coal market,” Mr Goldberg concluded.

SUMMARY OF FINANCIAL PERFORMANCE

Coal & Allied's results for 2003 are shown below, along with comparative results for 2002.

	Year to 31 December		Change
	2003	2002	%
Sales revenue (\$ millions)	876.7	1,181.4	(26)
Net profit after tax (\$ millions)	0.1	159.7	(100)
Operating cash flow (\$ millions)	16.7	269.3	(94)
Dividends (cents per ordinary share)	Nil	80	
Coal production ¹ (million tonnes)	27.2	29.2 ²	(7)
Coal shipments ¹ (million tonnes)	27.9	28.7 ²	(3)

¹ Production and shipments are on a 100 per cent basis. Shipments exclude purchased coal.

² Excludes operations sold in 2002. Details of full production and shipments disclosed in Financial and Operating Statistics appendix.

Restructure

Coal & Allied has agreed with Rio Tinto to combine Coal & Allied's corporate and service functions with those of Rio Tinto Coal Australia (previously Pacific Coal). Rio Tinto Coal Australia (100 per cent Rio Tinto) will manage Pacific Coal's existing assets, as well as Coal & Allied's assets in the Hunter Valley under a management services agreement. Both businesses will be managed from a single corporate office in Brisbane.

This will result in a reduction in management, corporate and administrative positions in Coal & Allied. These changes to head office administration and support structures, along with operational management changes, will further reduce costs, delivering annual pre-tax savings in excess of \$20 million to Coal & Allied. A restructuring provision of \$15 million before tax has been provided for in 2003 to cover costs associated with these changes.

Sales revenue

Sales revenue of \$876.7 million was down 26 per cent compared with 2002, reflecting the stronger Australian dollar against the US dollar a lower market price for export thermal coal, and the exclusion of operations sold in 2002.

Production

Managed production of saleable coal, excluding sold operations, was down by 2.0 million tonnes to 27.2 million tonnes, reflecting the decision in June to align production to market conditions. Coal & Allied's share of saleable coal produced was approximately 20.3 million tonnes.

Dividends

In light of the tough conditions experienced in 2003, Directors have determined no dividends on ordinary shares will be paid in 2003. The preference dividend of 1.75 cents per share, fully franked, will be paid, making the total preference dividend for the year 3.5 cents, fully franked. This compares with fully franked dividends of 80 cents per ordinary share and 3.5 cents per preference share in 2002.

Cash flow

Net operating cash was \$16.7 million compared with \$269.3 million in 2002. The significant change in operating cash flow is the effect of lower earnings resulting from the impact of lower coal prices in Australian dollar terms, the fall-off of operating cash from the mines sold in 2002 and taxation payments made in the first half relating to 2002 earnings.

Debt

Net debt was lower in Australian dollar terms in 2003 at \$455.3 million. Gearing (net debt to net debt + equity) was 36.2 per cent at 31 December 2003, compared with 38.9 per cent at 31 December 2002.

Capital expenditure

Total capital expenditure for the year was \$55.2 million compared with \$119.4 million for the same period last year. Expenditure was predominantly for equipment replacement, the purchase of land and some expenditure to develop new mining areas. Capital expenditure for 2002 included the purchase of a shovel and the Cheshunt pit development.

Market conditions

Global spot thermal coal prices firmed considerably late in 2003. This was as a result of a combination of factors which are described below. The rapid appreciation of the Australian dollar against the US dollar demanded ever-higher spot prices to maintain returns in local currency.

In Europe, a very hot summer and low rainfall ensured coal fired power station output was maintained at a higher level than anticipated. In Asia, the main impact was due to the longer than expected shutdown of Japan's nuclear power stations over most of the summer period. This was offset to some degree by a mild summer. The instability in export coal supply from China due to mine closures for safety reasons and diversion of export coal to its booming domestic market, gave buyers cause for concern.

Abnormal vessel queues at the Port of Newcastle through 2003 resulted in demurrage costs increasing to around \$US 1 per tonne. Despite record shipments from Newcastle, fluctuations in the arrival of vessels and capacity constraints and congestion in the Hunter Valley rail system contributed to these high demurrage costs.

The market price formation for 2004 will be heavily influenced by the behaviour of China as a coal exporter. Continuing high crude steel production globally suggests that demand for semi-soft and thermal coal will continue to be firm.

Taxation

Coal & Allied has included in its results the likely impact of joining the tax consolidation regime from 1 January 2003, resulting in a tax benefit of \$29.6 million from the uplift in the tax depreciable base of fixed assets.

Integration of Mt Thorley and Warkworth

The joint venture participants of the Mt Thorley and Warkworth Joint Ventures have agreed to an operational integration of the two mines. A road bridge linking the two operations was completed in January 2004 allowing more effective use of infrastructure.

New Enterprise Agreements.

Further stability will be provided over the next three years with a new enterprise agreement for Hunter Valley Operations and a new common enterprise agreement for the integrated Warkworth – Mount Thorley Operations being certified in December 2003.

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Coal & Allied Financial and Operating Statistics

Production and shipments	2003 '000 tonnes	2002 '000 tonnes
Total shipments ¹	27,887	31,549
<i>Total saleable production</i> ²		
Hunter Valley Operations	12,008	12,625
Mount Thorley Operations	3,152	4,292
Bengalla	6,203	5,385
Warkworth	5,869	6,882
Sub total	27,232	29,184
Narama	-	370
Ravensworth East	-	387
Moura	-	2,399
Total	27,232	32,340
<i>Coal & Allied equity share of production</i>		
Hunter Valley Operations (100%)	12,008	12,625
Mount Thorley Operations (80%)	2,522	3,434
Bengalla (40%)	2,481	2,154
Warkworth (55.57%)	3,261	3,824
Narama (50%)	-	185
Ravensworth East (100%)	-	387
Moura (55%)	-	1,320
Total	20,272	23,939
<i>Shipments by market</i> ¹		
Japan	14,876	16,523
Asia (excluding Japan)	7,388	8,512
Europe	2,349	2,165
Other	512	297
Domestic	2762	4,052
Total	27,887	31,549
<i>Shipments by product</i> ¹		
Export thermal	20,316	20,484
Domestic thermal	2,762	4,052
Coking	4,809	6,533
Hard coking	-	480
Total	27,887	31,549
Financial	2003	2002
	\$ million	\$ million
Total assets	1,805	1,873
Capital expenditure and investments	55	119
Depreciation and amortisation ³	121	128
Employees ⁴	1,516	1,563
Net debt to net debt + equity (%)	36.2	38.9
Earnings per share (cents)	0.1c	184.4c

¹ Shipments are on a 100 per cent basis and exclude purchased coal.

² Production is on a 100 per cent basis

³ Depreciation and amortisation include amortisation of mining rights relating to Lemington and Peabody mines.

⁴ In 2002 Ravensworth, Narama & Moura employees were excluded.