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## Rio Tinto Beats Iron Ore Guidance

By **ALEX WILSON**

MELBOURNE—Rio Tinto Ltd. posted strong quarterly production figures Thursday, beating guidance for iron ore production and fueling expectations of a sharp increase in prices with bullish comments on Chinese demand.

Rio's share of 2009 iron ore production rose 12% year-to-year to 171.5 million metric tons from 153.4 million tons in 2008 and its fourth-quarter iron ore production for the period ended Dec. 31 rose 49% year-to-year to 47.2 million tons.

The miner said its global iron ore output for the year on a 100% basis was more than 217 million metric tons, beating guidance given in October for full-year output of between 210 million and 215 million tons.

"This was another very strong quarter for iron ore production, driven by continuing high demand from China," Chief Executive Tom Albanese said.

Mr. Albanese's comments will reinforce growing market confidence in Chinese demand for the key steelmaking input, which has seen analysts revising up their forecasts for contract prices in 2010.

Macquarie analyst Brendan Harris said the fact that spot iron ore prices have been soaring at the same time as big producers are boosting sales points to strong demand and bodes well for higher contract prices.

"It shows how tight the market is, given that the sales volumes are as strong as they are, but markets are still holding up incredibly well," he said.

Most analysts have been tipping an increase of between 20% and 30% in benchmark iron ore prices in this year's round of annual negotiations between miners and steelmakers.

But with spot prices now about 80% above last year's benchmark, analysts see upside, with Merrill Lynch upping its forecast to a 50% rise from its previous estimate of 15%.

The brightening outlook for iron ore is good news for Rio, which leans heavily on the commodity and derived 76% of its underlying earnings in the first half from iron ore as lower prices hit its other divisions.

The sharp downturn in metals prices sparked by the global financial crisis prompted Rio to make deep cuts to its aluminum production, and Mr. Albanese said the company is maintaining those cuts despite the recent rally in prices.

"We are seeing recovery across most of our key commodities, although we continue to be cautious on the state of the global economy going into 2010 as stimulus packages start to wind down," he said.

Rio's shares rose 2.6% to 79.15 Australian dollars (US\$73.16) after trading as high as A\$79.45. The benchmark S&P/ASX 200 index closed up 0.6% at 4898 points.

IG Markets institutional dealer Chris Weston said the solid result would support the stock but might not be enough to spark a rally, given how much of the upside from higher iron ore earnings was already priced in.

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