

SE Business
HD **Record output drives leaner Rio share rally**
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INVESTORS have cheered another record production result from **mining** giant Rio Tinto, fuelling the biggest one-day rally for the miner's shares since November.

Rio shares jumped more than 2 per cent yesterday after it delivered results that were stronger than forecast in its two key divisions, **iron ore** and **copper**.

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The world's **iron ore** giants, including Rio, BHP Billiton, Vale and Australia's Fortescue Metals, are pressing on with costly expansions, backing their faith in **Chinese** demand amid concerns about a possible supply glut and price falls. Rio, Australia's biggest **iron ore** miner, produced 266 **million** tonnes of the nation's single biggest export item in 2013, a 5 per cent rise on the previous year and one **million** tonnes more than forecast.

The healthy figures, which included 66.5 **million** tonnes for the December quarter, were delivered despite the impact of cyclone Christina in the Western Australia Pilbara region.

Ports were closed for three days at the end of last year as a consequence of Christina. **Iron ore** accounts for about 85 per cent of Rio's earnings.

Production of **copper**, Rio's other key earner, was up 15 per cent in 2013 with 631,500 tonnes mined.

There was record annual production for bauxite and thermal **coal**. Production of bauxite, used to make aluminium, rose 10 per cent to 43.2 **million** tonnes and thermal **coal** was up 12 per cent to 26.8 **million** tonnes.

Analysts slashed their production forecasts in the wake of a landslide at Rio's Bingham Canyon Mine, in the US, one of the world's biggest **copper** mines, but Rio has recovered faster than expected.

The results were delivered almost a year to the day after Sam Walsh (pictured) took the helm at Rio.

Mr Walsh was named chief after his predecessor, Tom Albanese, was ousted for overseeing a series of immense writedowns on investment projects.

Mr Walsh said Rio had sold \$2.5 **billion** of about \$3.5 **billion** in assets earmarked for **sale** last year and had exceeded its cost cutting targets for 2013.

"These actions, together with lower capital expenditure in 2013 and beyond, will ensure Rio Tinto is well positioned to deliver greater value to shareholders," Mr Walsh said. "These are excellent fourth quarter operational results, demonstrating continued delivery on our commitments." UBS analyst Glyn Lawcock said Rio had beaten its production guidance in all commodities, bar **uranium** and semi-soft coking **coal**.

"While there were minor misses, the major drivers of **copper** and **iron ore** are doing better than guided and better than our expectation," Mr Lawcock said.

Fat Prophets **mining** analyst Dave Lennox said while weaker commodity prices would prevent record profits, Rio would receive significant help from the Australian dollar's fall in 2013, as it traded in US currency.

"They have done the two things you do when you can't get profit from just price increases: you increase volume where possible and lower costs where possible," he said.

Mr Lennox said cutting more costs would be difficult from now on after the obvious things were done.

UBS has a price target of \$80 a share on Rio. The **company**'s shares closed \$1.34 higher yesterday at \$65.58. The stock has not been a great performer for investors over the past year. This time last year Rio's shares were at \$65.55.

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