

SE Exclusive  
HD Fortescue remains open to offers on partial sale of Pilbara rail, port assets  
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Australia-based iron ore producer Fortescue Metals Group Ltd. has halted talks on the potential sale of a minority stake in its rail and port assets in Western Australia's Pilbara region, but remains open to a partial sale if the price is right.

When asked by SNL Metals & Mining whether a potential sale of The Pilbara Infrastructure Pty. Ltd. could still be on the cards, CEO Neville Power told delegates at Mines and Money Hong Kong on March 26 that while the ASX-listed producer has halted the formal sale process, the company is not ruling out a future deal.

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"Disappointingly we weren't able to get the value or the terms so we effectively stopped the formal process, but remain open to discussions around a potential partial sale of those assets if we can get the right numbers and right terms," he said.

"I guess we saw it as an effective way to de-gear the balance sheet very, very quickly, but as we went into the process it became obvious that we weren't going to get the value and terms that we wanted."

"We have been very open and transparent about that from the start because we didn't want to let go control of our critical infrastructure assets and we wanted to make sure we got the full value for them."

Meanwhile, as Fortescue nears the completion of its ramp-up to 155 million tonnes per annum at its Pilbara operations, Power remains very upbeat on the outlook for iron ore.

He noted that 800 to 900 million tonnes of steel will be needed just to urbanize China to the same intensity as the U.S. over the next 30 to 40 years.

"There is a lot of steel yet to go into the Chinese economy — the basic building block of every developing economy to build hospitals, schools and infrastructure," he said. "It's a massive task and if it does happen faster than that then we will see the peak steel rise even faster."

He added that no developed country reached peak steel demand as it developed until it was over 70% urbanized. "So again another data point that suggests China has a long way to go on that journey," he said.

While steel demand continues to grow, there was very little replacement of marginal supply from domestic Chinese mines in 2013 and Power attributes that to the "phenomenal" growth rate of 8% in the steel industry last year.

Fortescue's goal for 2015 is to achieve its full 155 million-tonne-per-annum rate. "Our 155 million tonnes [per annum] by about the end of this month in run rate will be sustained through financial year 2015," Power said.

Financially, the company's main focus is paying down debt, with about US\$3.1 billion paid off its debt bill so far.

"The most important priority for us for cash though in the short term is debt reduction," Power said. "Again we've targeted a gearing ratio of less than 40% and on our current projections, depending of course on iron ore price, we see achieving that over the next 18 months or two years."

**CO** ambol : Fortescue Metals Group Ltd

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