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| HD | **Fortescue defends 'balanced rewards'** |
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FORTESCUE Metals chief executive Nev Power has defended the decision to continue increasing its dividend payout ratio in the face of falling earnings and cooling **iron ore** prices.

The **iron ore** miner yesterday released full-year earnings in line with market expectations, much of the detail having been flagged in its quarterly production report last month.

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While the $US2.7 **billion** ($2.9bn) net profit was a record and saw the **company** eclipse Wesfarmers as the most profitable Perth-based business, more than $US1.7bn was generated in the first half. Fortescue opted to pay a 10c final dividend despite the drop in earnings, matching first-half distribution.

The payout means Fortescue founder and major shareholder Andrew Forrest will receive more than $103 **million** in dividends in October, taking his full year payout to more than $205m.

The **company**'s dividend payout ratio for the second half was about 23 per cent, compared to 16 per cent in the first half.

Mr Power said the dividend was part of a balanced approach between rewarding shareholders and continuing to pay down the **company**'s debt position.

Fortescue said it would pay back another $US500m in debt ahead of schedule in the coming months, as well as a further $500m to $1.1bn during the 2015 financial year subject to **iron ore** prices and other market factors.

"It is a matter of maintaining that balance, recognising that our shareholders need to be rewarded along the way, but at the same time maintaining a very, very sharp focus and priority on debt repayment," Mr Power said.

"We felt that 10c was about the right balance for that." Fortescue's efforts to use its growing production base to pay down its debt position has taken more than $US3bn out of its debt position during the financial year.

The improving balance sheet has also seen the average cost of Fortescue's debt improve markedly, falling from 10.1 per cent in 2010 to 5.3 per cent in 2014.

**Iron ore** prices have fallen this year as major miners such as Fortescue expanded production bases. Fortescue earlier this year reached its long-held production rate of 155 **million** tonnes a year.

Mr Power said there were signs that **iron ore** prices were beginning to stabilise as high-cost **Chinese iron ore** production was shut down.

The well-flagged result had little impact on the Fortescue share price, which closed 7c lower to $4.55 in line with other **iron ore** miners.

Updated resource and reserves figures from Fortescue showed that the **company** had slightly increased its resource position in the comparatively underdeveloped West Pilbara region.

**China**'s Baosteel recently led a $1.4bn **acquisition** of Aquila Resources, which owns the large but undeveloped West Pilbara **iron ore** project.

Mr Power declined to comment on whether Fortescue had had any talks with Baosteel about potential development options in the West Pilbara, but said the **company**'s exploration efforts in the area were producing "really good results".

"As other projects are contemplated in the West Pilbara the opportunity to extend our infrastructure or see new infrastructure developed is a good potential for that area," he said."We will no doubt be looking at every option we can to develop the western hub and then selecting the most economic one when the time is right to develop it."

**CO** wsfrm : Wesfarmers Ltd | ambol : Fortescue Metals Group Ltd

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