

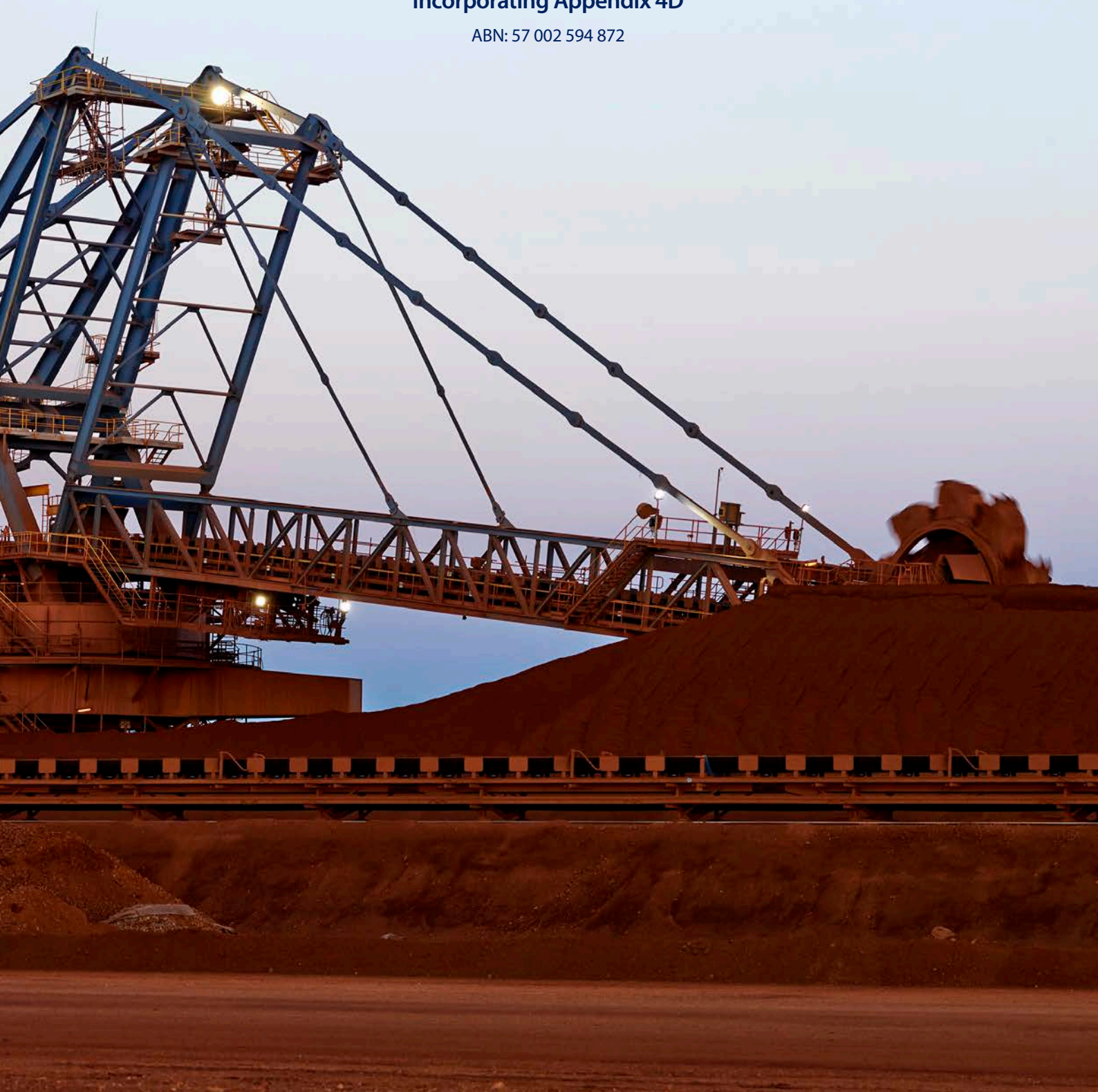


FINANCIAL REPORT

For the half year ended 31 December 2014

Incorporating Appendix 4D

ABN: 57 002 594 872



APPENDIX 4D

For the half year ended 31 December 2014

This information should be read in conjunction with Fortescue's Financial Report for the half year ended 31 December 2014.

Name of entity

Fortescue Metals Group Limited

ABN

57 002 594 872

Results for announcement to the market

US\$ million

Revenue from ordinary activities	down 17% to	4,858
Profit from ordinary activities after tax attributable to members	down 81% to	331
Net profit for the half year attributable to members	down 81% to	331

Dividends	Amount per security	Franked amount per security
Interim dividend declared for the half year ended 31 December 2014	A\$0.03	A\$0.03
Interim dividend declared for the previous corresponding period	A\$0.10	A\$0.10
Ex-dividend date of interim dividend	2 March 2015	
Record date of interim dividend	4 March 2015	
Payment date of interim dividend	7 April 2015	

Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan (the Plan) which allows eligible shareholders to elect to invest dividends in ordinary shares which rank equally with the ordinary shares of the Company. The allocation of price for shares under the Plan will be calculated as the average of the daily volume weighted average market price of all Fortescue shares traded on the Australian Securities Exchange during the period of ten trading days commencing on the second day after the record date of 4 March 2015, being 6 March 2015.

The last date for receipt of applications to participate in or to cease or vary participation in the Plan is by 5:00pm (WST) on 5 March 2015. The Directors have determined that no discount shall apply to the allocation price and the Plan will not be underwritten. Shares to be allocated under the Plan will be acquired on market and transferred to participants on 7 April 2015. A broker will be engaged to assist in this process.

A copy of the Plan Rules is available at www.fmgil.com.au/Investors_and_Media.

Net tangible asset backing

Net tangible asset backing per ordinary shares: US\$2.43 (previous corresponding period: US\$2.18).

Previous corresponding period

The previous corresponding period is the half year ended 31 December 2013.

Commentary on results for the period

A commentary on the results for the period is contained within the half year presentation and the financial statements that accompany this announcement.



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DIRECTORS' REPORT

For the half year ended 31 December 2014



Directors' report

Your Directors submit their report on the Fortescue consolidated group, consisting of Fortescue Metals Group Limited (the Company) and the entities that it controlled during the half year ended 31 December 2014 (the Group or Fortescue).

Directors

The Directors of the Company in office during the half year and until the date of this report are as follows (Directors were in office for the entire period unless otherwise stated):

Non-executive

Andrew Forrest (*Chairman*)
Owen Hegarty (*Vice Chairman*)
Mark Barnaba (*Lead Independent Director*)
Jean Baderschneider (*appointed 19 January 2015*)
Herb Elliott (*retired 12 November 2014*)
Elizabeth Gaines
Cao Huiquan
Geoff Raby
Graeme Rowley (*retired 12 November 2014*)
Herbert (Bud) Scruggs (*retired 12 November 2014*)
Sharon Warburton

Executive

Neville Power (*Chief Executive Officer*)
Peter Meurs

Review of operations

Safety

Fortescue continued to reinforce its strong culture of safety, which is an integral part of our values and remains the highest priority in everything we do.

During the half year ended 31 December 2014 Fortescue has driven further improvements as a result of its safety excellence project and increased focus on safety leadership, including one on one coaching with the site leaders, increased focus on management of major hazards and contractor management. An independent external review of safety culture will be conducted in the second half of the financial year to quantify the impact of safety initiatives on our culture and identify further opportunities for improvement.

The Total Recordable Injury Frequency Rate per million hours worked has improved by seven per cent from 6.0 in June 2014 to 5.6 in December 2014.

Aboriginal engagement

Fortescue is proud to be a national leader in the creation of opportunities for Aboriginal communities. The Company continues to deliver on its strategy of providing sustainable economic opportunities through business development, training and employment.

Fortescue operates Vocational Training and Employment Centres (VTECs), in Port Hedland and Roebourne, providing community-based, pre-employment training and support program for Aboriginal people. Since its commencement in 2006, the VTEC programme has helped more than a thousand Aboriginal people through training, support and employment. Fortescue and its contractors employ more than 1,200 Aboriginal people, equating to 12 per cent of the total workforce.

Fortescue has continued to build on the success of its Billion Opportunities program which targets the award of contracts to Aboriginal businesses capable of delivering projects in a safe, timely and cost competitive manner. At the end of December 2014, the total number of contracts and sub-contracts awarded to Aboriginal businesses under the Billion Opportunities program was 196, taking the total value of these contracts to A\$1.7 billion.

DIRECTORS' REPORT

For the half year ended 31 December 2014



Operational and financial performance

During the half year ended 31 December 2014 Fortescue achieved record shipments of 82.7 million tonnes (mt), a 53 per cent increase from the prior period. Production and shipments on a wet metric tonne basis for the six months period were as follows:

	31 December 2014	31 December 2013	Movement
Million tonnes			
Ore mined	86.5	66.9	29%
Overburden removed	191.8	205.7	-7%
Ore processed	75.6	53.7	41%
Ore shipped – Fortescue mined ore	80.3	50.8	58%
Ore shipped – Fortescue equity ore	80.8	51.5	57%
Total ore shipped including third party product	82.7	53.9	53%

The Herb Elliott Port operated at an outload rate of 165mt on an annualised basis. Port outload capacity will increase by 15 – 20mt when construction of the Anderson Point berth 5 (AP5) is complete in the March 2015 quarter. Rail operations achieved an annualised run rate of 163mt. Further increased productivity and efficiencies will be achieved from eight additional locomotives delivered in December, to improve tractive effort and average speed.

During the half year Fortescue mined 86.5mt of ore, a 29 per cent improvement from the prior period, with a seven per cent reduction in overburden mined. Mine strip ratios averaged 2.9x at the Chichester Hub and 1.1x at the Solomon Hub. Work continues on reducing the strip ratios through optimised scheduling and improving the Ore Processing Facilities (OPFs) metallurgical upgrade performance.

Processing throughput continued to improve with a total of 75.6mt of ore produced for the half year, a 41 per cent increase from the prior period. The improvement reflects an ongoing focus on product quality and performance optimisation.

Improved production and shipping volumes, lower strip ratios, enhanced processing capability, productivity and efficiency initiatives across all of Fortescue's mines, OPFs and infrastructure assets, continued to drive down operating costs. C1 costs, representing Fortescue's operating costs of mining, processing, rail and port on a per tonne basis, reduced to US\$30 per wet metric tonne (wmt), a nine per cent improvement from the prior period.

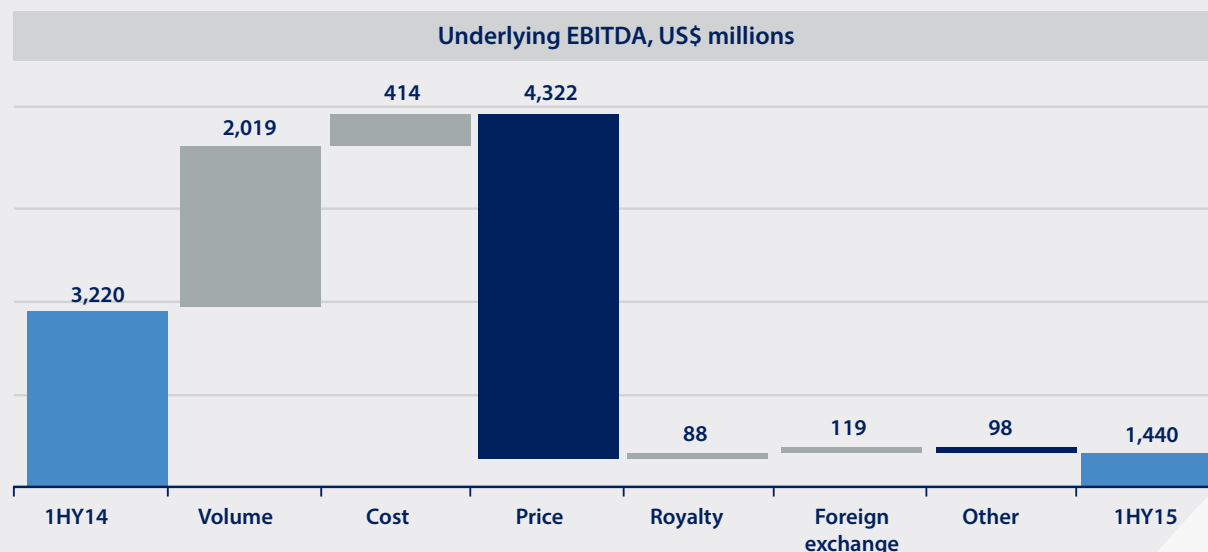
The reconciliation of C1 costs to the amounts disclosed in the financial report is shown below.

	Note ¹	31 December 2014 US\$m	31 December 2013 US\$m
Mining costs	5	2,117	1,433
Rail costs	5	123	109
Port costs	5	154	103
Operating leases	5	40	35
C1 costs, US\$ million		2,434	1,680
Fortescue tonnes shipped, mt		80.3	50.8
C1, US\$/wmt		30	33

¹ Notes to the accompanying financial report.

DIRECTORS' REPORT

For the half year ended 31 December 2014

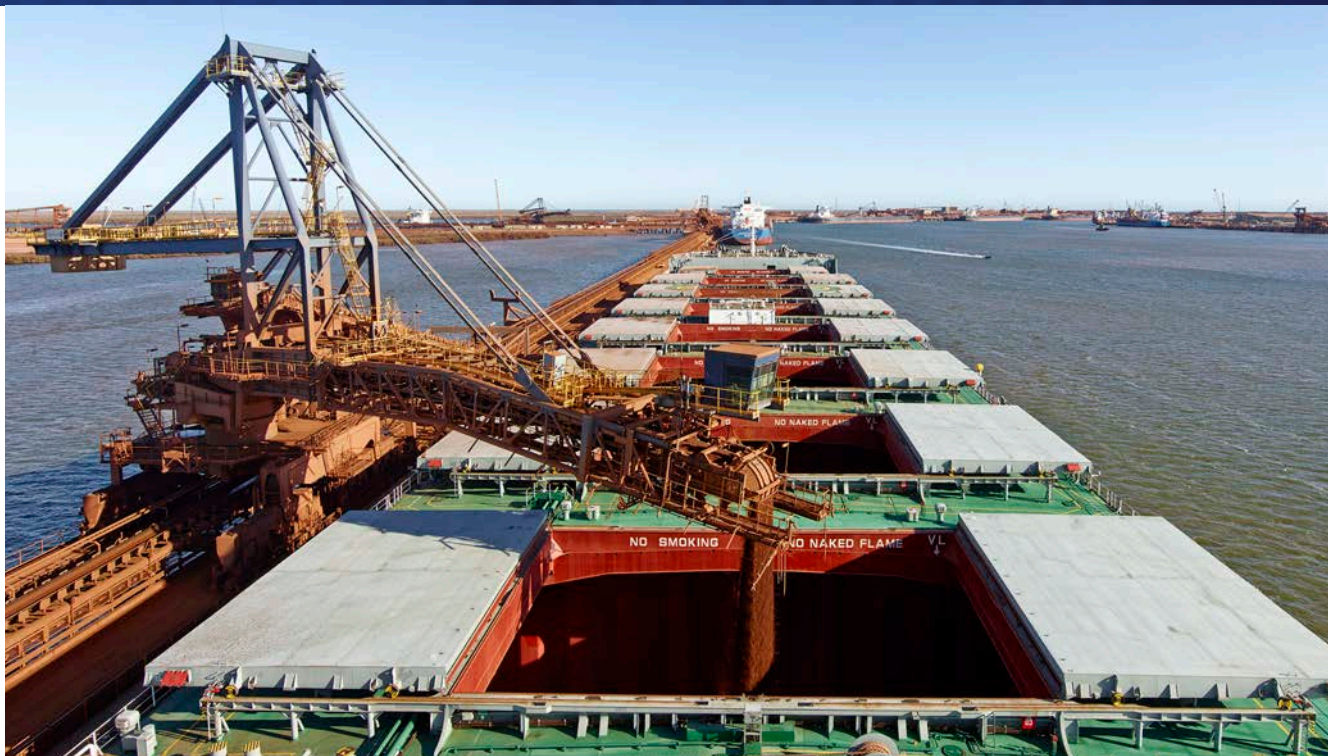


Profit for the half year ended 31 December 2014 decreased from US\$1,723 million to US\$331 million. Fortescue uses Underlying EBITDA defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses as a key measure of its financial performance. Fortescue's operations generated Underlying EBITDA of US\$1,440 million (2013: US\$3,220 million). The reconciliation of Underlying EBITDA to the financial metrics reported in the half year financial statements prepared under Australian accounting standards is presented below.

	Note ¹	31 December 2014 US\$m	31 December 2013 US\$m
Operating sales revenue	3	4,858	5,873
Cost of sales excluding depreciation and amortisation	5	(3,464)	(2,659)
Gain on disposal of assets and interest in joint venture	4	2	108
Net foreign exchange gain (loss)	4,6	71	(48)
Administration expenses	6	(31)	(70)
Other income	4	4	16
Underlying EBITDA		1,440	3,220
Finance income	7	9	12
Finance expenses	7	(315)	(409)
Depreciation and amortisation	5,6	(658)	(399)
Exploration, development and other	6	(36)	(7)
Net profit before tax		440	2,417
Income tax expense		(109)	(694)
Net profit after tax		331	1,723

¹ Notes to the accompanying financial report.

As illustrated in the chart above, increased shipping volumes lifted operating profits by US\$2,019 million, with the impact of higher revenue of US\$3,321 million offset by a proportionate increase in C1 costs of US\$978 million and shipping costs of US\$324 million. The impact of higher shipping volumes and cost efficiencies, increasing operating earnings, was offset by lower realised prices. During the half year, Fortescue realised US\$66/dmt (2013: US\$124/dmt), based on the 62 per cent Platts index of US\$82/dmt (2013: US\$134/dmt).



Other non-operating events forming part of the financial results include:

- Devaluation of the Australian dollar, with a net foreign exchange gain of US\$71 million for the half year (2013: net foreign exchange loss of US\$48 million);
- Finance expenses of US\$315 million for the half year (2013: US\$409 million) following a reduction in interest costs as a result of voluntary debt repayments prior to maturity;
- Depreciation and amortisation expenses of US\$658 million (2013: US\$399 million), reflecting completion of a major expansion program and ramp-up of operations; and
- Income tax expense for the half year of US\$109 million (2013: US\$694 million), at an effective income tax rate of 25 per cent (2013: 29 per cent).

Cash and cash equivalents decreased from US\$2,398 million at the beginning of the financial period to US\$1,574 million at 31 December 2014. Net operating cash inflows were US\$905 million, including US\$664 million of income tax payments largely attributable to the final income tax instalment for the previous financial year. Cash receipts from customers of US\$5,111 million includes a prepayment for the future deliveries of iron ore of US\$500 million and amortisation of US\$310 million of prepayments through delivery of iron ore during the period.

Net cash outflow from investing activities, principally capital expenditure, decreased from US\$900 million to US\$507 million, reflecting completion of the major expansion program and focus on working capital and cash management.

Fortescue continued its debt reduction program with a US\$500 million debt repayment completed during the half year ahead of maturity in 2018. Other key factors contributing to the net financing cash outflows of US\$1,169 million (2013: US\$1,964 million) were lower interest and finance costs of US\$290 million as a result of debt repayments and refinancing (2013: US\$454 million) and dividend payments of US\$274 million (2013: US\$293 million).

At 31 December 2014, Fortescue's net debt position, including finance leases and taking into account cash on hand, was US\$7,477 million.

DIRECTORS' REPORT

For the half year ended 31 December 2014



8

Dividends

On 3 October 2014, Fortescue paid a final fully franked dividend of ten Australian cents per share for the financial year ended 30 June 2014.

On 16 February 2015, the Directors declared an interim fully franked dividend of three Australian cents per share, payable on 7 April 2015.

Development

Fortescue River Gas Pipeline

The Fortescue River Gas Pipeline connecting the Solomon Power Station to the Dampier to Bunbury Pipeline remains on schedule for completion in the March 2015 quarter. Conversion of the Solomon Power Station to gas will improve operational efficiencies.

AP5 Project

Construction of the AP5 berth at Port Hedland remains on schedule and on budget for completion in the March 2015 quarter with the major wharf deck modules delivered and installed from two heavy lift vessels in December 2014.

Iron Bridge Project

Construction of the Iron Bridge Joint Venture project continues on schedule and on budget. The 1.5mtpa Stage 1 OPF is scheduled for completion in the March 2015 quarter with commissioning and testing planned for the June 2015 quarter. Stage 2 of the Iron Bridge Project remains subject to the successful operation of Stage 1 and approval by the joint venture partners.



Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Subsequent events

On 16 February 2015, the Directors declared a fully franked interim dividend of three Australian cents per share, payable on 7 April 2015.

This report is made in accordance with a resolution of the Directors.

Mr Andrew Forrest
Chairman

Dated in Perth this 16th day of February 2015.

AUDITOR'S INDEPENDENCE DECLARATION

For the half year ended 31 December 2014



Auditor's Independence Declaration

As lead auditor for the review of Fortescue Metals Group Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Fortescue Metals Group Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'Henry'.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
16 February 2015

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

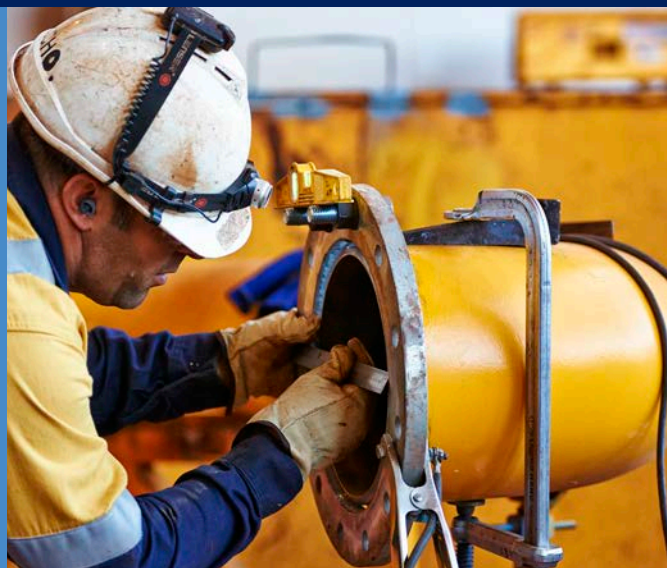
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CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 31 December 2014

		31 December 2014 US\$m	31 December 2013 US\$m
Consolidated income statement	Notes		
Operating sales revenue	3	4,858	5,873
Cost of sales	5	(4,108)	(3,039)
Gross profit		750	2,834
Other income	4	77	124
Other expenses	6	(81)	(144)
Profit before income tax and net finance expenses		746	2,814
Finance income	7	9	12
Finance expenses	7	(315)	(409)
Profit before income tax		440	2,417
Income tax expense		(109)	(694)
Profit after income tax		331	1,723
Profit is attributable to:			
Equity holders of the Company		331	1,714
Non-controlling interest		-	9
Profit after income tax		331	1,723

		31 December 2014 US\$m	31 December 2013 US\$m
Consolidated statement of comprehensive income			
Profit after income tax		331	1,723
Other comprehensive income: items that may be reclassified to profit or loss			
Gains on cash flow hedges taken to equity		-	23
Losses transferred to the initial carrying amount of hedged items		-	67
Total comprehensive income, net of tax		331	1,813
Total comprehensive income attributable to:			
Equity holders of the Company		331	1,804
Non-controlling interest		-	9
Total comprehensive income, net of tax		331	1,813
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		10.63	55.05
Diluted earnings per share		10.62	55.01

The above consolidated income statement and consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	31 December 2014 US\$m	30 June 2014 US\$m
Assets			
Current assets			
Cash and cash equivalents		1,574	2,398
Trade and other receivables		397	585
Inventories		1,201	1,467
Other current assets		63	27
Current tax receivable		13	-
Total current assets		3,248	4,477
Non-current assets			
Trade and other receivables		6	5
Property, plant and equipment	8	18,139	18,068
Intangible assets		52	67
Other non-current assets		72	77
Total non-current assets		18,269	18,217
Total assets		21,517	22,694
Liabilities			
Current liabilities			
Trade and other payables		944	1,338
Deferred income	9	777	936
Borrowings and finance lease liabilities	10	147	154
Provisions		148	176
Current tax payable		-	666
Total current liabilities		2,016	3,270
Non-current liabilities			
Trade and other payables		196	101
Deferred income	9	846	556
Borrowings and finance lease liabilities	10	8,904	9,403
Provisions		484	467
Deferred joint venture contributions		219	160
Deferred tax liabilities		1,232	1,154
Total non-current liabilities		11,881	11,841
Total liabilities		13,897	15,111
Net assets		7,620	7,583
Equity			
Contributed equity	11(b)	1,294	1,289
Reserves		60	69
Retained earnings		6,252	6,211
Equity attributable to equity holders of the Company		7,606	7,569
Non-controlling interest		14	14
Total equity		7,620	7,583

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2014

	31 December 2014 US\$m	31 December 2013 US\$m
Cash flows from operating activities		
Cash receipts from customers	5,111	6,865
Payments to suppliers and employees	(3,542)	(3,159)
Income tax paid	(664)	(60)
Net cash inflow from operating activities	905	3,646
Cash flows from investing activities		
Payments for property, plant and equipment - Fortescue	(436)	(1,354)
Payments for property, plant and equipment - joint operations	(142)	(2)
Receipts of deposits and guarantees	-	162
Proceeds from disposal of plant and equipment and sale of jointly controlled assets	3	213
Other	68	81
Net cash outflow from investing activities	(507)	(900)
Cash flows from financing activities		
Repayment of borrowings and finance leases	(526)	(1,169)
Interest and finance costs paid	(290)	(454)
Dividends paid	(274)	(293)
Repayment of customer deposits	(50)	(35)
Purchase of shares by employee share trust	(29)	(13)
Net cash outflow from financing activities	(1,169)	(1,964)
Net (decrease) increase in cash and cash equivalents	(771)	782
Cash and cash equivalents at the beginning of the financial period	2,398	2,158
Effects of exchange rate changes on cash and cash equivalents	(53)	(16)
Cash and cash equivalents at the end of the financial period	1,574	2,924

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2014

	Attributable to equity holders of the Company				Non-con- trolling interest	Total equity
	Contributed equity US\$m	Reserves US\$m	Retained earnings US\$m	Total US\$m		
Balance at 1 July 2013	1,291	(49)	4,043	5,285	4	5,289
Profit for the period	-	-	1,714	1,714	9	1,723
Other comprehensive income	-	90	-	90	-	90
Total comprehensive income for the period, net of tax	-	90	1,714	1,804	9	1,813
Transactions with owners in their capacity as owners, net of tax:						
Purchase of shares under employee share plans	(13)	-	-	(13)	-	(13)
Employee share awards exercised net of employee contributions	13	(4)	-	9	-	9
Equity settled share-based payment transactions	-	17	-	17	-	17
Dividends paid	-	-	(282)	(282)	-	(282)
Balance at 31 December 2013	1,291	54	5,475	6,820	13	6,833
Balance at 1 July 2014	1,289	69	6,211	7,569	14	7,583
Profit for the period	-	-	331	331	-	331
Total comprehensive income for the period, net of tax	-	-	331	331	-	331
Transactions with owners in their capacity as owners, net of tax:						
Purchase of shares under employee share plans	(29)	-	-	(29)	-	(29)
Employee share awards exercised net of employee contributions	34	(13)	-	21	-	21
Equity settled share-based payment transactions	-	4	-	4	-	4
Dividends paid	-	-	(290)	(290)	-	(290)
Balance at 31 December 2014	1,294	60	6,252	7,606	14	7,620

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

1 Basis of preparation

These financial statements cover the consolidated group consisting of Fortescue Metals Group Limited (the Company) and its subsidiaries, together referred to as Fortescue or the Group.

(a) Statement of compliance

These general purpose consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial report for the year ended 30 June 2014, and any public announcements made by the Company during the half year ended 31 December 2014 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

The financial statements were approved by the Board of Directors on 16 February 2015.

The Company is of a kind referred to in ASIC Class Order 98/100, issued by the Australian Securities and Investments Commission (ASIC), relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest million dollars, unless otherwise stated.

(b) Significant accounting policies

The accounting policies applied by the Group in the financial statements are consistent with those applied by the Group in its 30 June 2014 consolidated financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2014 interim reporting period and have not been applied in these financial statements. New, amended and revised standards that are mandatory for the interim period ended 31 December 2014 have been applied in these financial statements and did not have a significant impact on the reported results.

Where applicable, certain comparatives have been adjusted to conform with the current period presentation.

2 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

The internal reporting is provided to the chief operating decision maker on a consolidated basis. No operating segments have been aggregated to form the above consolidated information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

2 Segment information (continued)

Fortescue uses Underlying EBITDA defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses as a key measure of its financial performance. The reconciliation of Underlying EBITDA to the net profit after tax is presented below.

	Notes	31 December 2014 US\$m	31 December 2013 US\$m
Underlying EBITDA		1,440	3,220
Finance income	7	9	12
Finance expenses	7	(315)	(409)
Depreciation and amortisation	5,6	(658)	(399)
Exploration, development and other	6	(36)	(7)
Net profit before tax		440	2,417
Income tax expense		(109)	(694)
Net profit after tax		331	1,723

(a) Geographical information

Fortescue operates predominantly in the geographical location of Australia, and this is the location of the vast majority of the Group's assets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	31 December 2014 US\$m	31 December 2013 US\$m
Revenue from external customers		
China	4,645	5,739
Other	213	134
	4,858	5,873

(b) Major customer information

Revenue from one customer amounted to US\$2,352 million (2013: US\$756 million), arising from the sale of iron ore and the related shipment of product.

3 Operating sales revenue

	31 December 2014 US\$m	31 December 2013 US\$m
Sale of iron ore	4,734	5,762
Sale of joint venture iron ore	30	63
Other revenue	94	48
	4,858	5,873

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

4 Other income

	31 December 2014 US\$m	31 December 2013 US\$m
Net foreign exchange gain	71	-
Gain on disposal of assets and interest in joint venture	2	108
Other	4	16
	77	124

5 Cost of sales

	31 December 2014 US\$m	31 December 2013 US\$m
Mining costs	2,117	1,433
Rail costs	123	109
Port costs	154	103
Operating leases	40	35
Shipping costs	687	556
Government royalty	298	386
Depreciation and amortisation	644	380
Other operating expenses	45	37
	4,108	3,039

6 Other expenses

	31 December 2014 US\$m	31 December 2013 US\$m
Administration expenses	31	70
Exploration, development and other	36	7
Depreciation and amortisation	14	19
Net foreign exchange loss	-	48
	81	144

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

7 Finance income and finance expenses

	31 December 2014 US\$m	31 December 2013 US\$m
Finance income		
Interest income	9	12
	9	12
Finance expenses		
Interest expense on borrowings and finance lease liabilities	282	433
Interest capitalised	(6)	(75)
Loss on early redemption of senior unsecured notes	28	45
Other	11	6
	315	409
Net finance expenses	306	397

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

8 Property, plant and equipment

	Plant and equipment US\$m	Land and buildings US\$m	Exploration and evaluation US\$m	Assets under development US\$m	Development US\$m	Total US\$m
Year ended 30 June 2014						
Opening net book value	8,547	632	264	5,290	2,426	17,159
Transfers of assets	4,885	345	50	(6,972)	1,624	(68)
Additions	12	-	99	1,842	2	1,955
Capitalised interest	-	-	-	75	-	75
Foreign exchange losses reclassified from reserves	-	-	-	67	-	67
Disposals	(139)	-	(1)	-	(14)	(154)
Depreciation	(847)	(47)	-	-	(136)	(1,030)
Changes in restoration and rehabilitation estimate	-	-	-	-	87	87
Assets written off	(22)	-	-	-	-	(22)
Other	(6)	3	(4)	11	(5)	(1)
Closing net book value	12,430	933	408	313	3,984	18,068

At 30 June 2014						
Cost	14,090	1,013	408	313	4,397	20,221
Accumulated depreciation	(1,660)	(80)	-	-	(413)	(2,153)
Net book value	12,430	933	408	313	3,984	18,068

Half year ended 31 December 2014						
Opening net book value	12,430	933	408	313	3,984	18,068
Transfers of assets	139	(12)	(1)	(132)	2	(4)
Additions	3	-	34	634	6	677
Capitalised interest	-	-	-	6	-	6
Disposals	-	(1)	-	-	-	(1)
Depreciation	(465)	(27)	-	-	(101)	(593)
Assets written off	-	-	(5)	(9)	-	(14)
Closing net book value	12,107	893	436	812	3,891	18,139

At 31 December 2014						
Cost	14,232	1,000	436	812	4,405	20,885
Accumulated depreciation	(2,125)	(107)	-	-	(514)	(2,746)
Net book value	12,107	893	436	812	3,891	18,139

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

9 Deferred income

	31 December 2014 US\$m	30 June 2014 US\$m
Iron ore prepayments	666	825
Port access prepayment	111	111
Total current deferred income	777	936
Iron ore prepayments	568	223
Port access prepayment	278	333
Total non-current deferred income	846	556

10 Borrowings and finance lease liabilities

	31 December 2014 US\$m	30 June 2014 US\$m
Current		
Senior unsecured notes	64	79
Senior secured credit facility	81	73
Finance lease liabilities	2	2
Total current borrowings and finance lease liabilities	147	154
Non-current		
Senior unsecured notes	3,871	4,366
Senior secured credit facility	4,720	4,722
Finance lease liabilities	313	315
Total non-current borrowings and finance lease liabilities	8,904	9,403
Total borrowings and finance lease liabilities	9,051	9,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

10 Borrowings and finance lease liabilities (continued)

(a) Summary of movements in borrowings and finance lease liabilities

	Senior unsecured notes US\$m	Senior secured credit facility US\$m	Finance leases US\$m	Preference shares US\$m	Total US\$m
Year ended 30 June 2014					
Balance at 1 July	7,091	4,828	642	130	12,691
Initial recognition	-	-	13	-	13
Interest expense	437	248	57	5	747
Interest and finance lease repayments	(465)	(209)	(53)	(7)	(734)
Transaction costs	22	(22)	(59)	-	(59)
Foreign exchange (gain) loss	-	-	(10)	3	(7)
Repayment	(2,640)	(50)	(273)	(131)	(3,094)
Balance at 30 June 2014	4,445	4,795	317	-	9,557
Half year ended 31 December 2014					
Balance at 1 July	4,445	4,795	317	-	9,557
Interest expense	152	110	20	-	282
Interest and finance lease repayments	(164)	(79)	(21)	-	(264)
Transaction costs	2	-	-	-	2
Foreign exchange gain	-	-	(1)	-	(1)
Repayment	(500)	(25)	-	-	(525)
Balance at 31 December 2014	3,935	4,801	315	-	9,051

In October 2014, Fortescue repaid US\$500 million of the US\$900 million senior unsecured notes ahead of maturity in 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

11 Contributed equity

(a) Share capital

	31 December 2014 Shares	30 June 2014 Shares
Ordinary shares fully paid	3,113,798,151	3,113,798,151

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	US\$m
1 July 2013	Opening balance	3,113,798,151		1,291
	Purchase of shares under employee share plans	(3,605,211)	\$4.63	(17)
	Employee share awards exercised net of employee contributions	3,605,211	\$4.23	15
30 June 2014	Closing balance	3,113,798,151		1,289
1 July 2014	Opening balance	3,113,798,151		1,289
	Purchase of shares under employee share plans	(8,082,221)	\$3.60	(29)
	Employee share awards exercised net of employee contributions	8,082,221	\$4.17	34
31 December 2014	Closing balance	3,113,798,151		1,294

(c) Ordinary shares

Fully paid ordinary shares entitle the holder to participate in dividends and to one vote per share at meetings of the Company. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

12 Dividends

(a) Declared during the period

	31 December 2014 US\$m	31 December 2013 US\$m
Final fully franked dividend for the year ended 30 June 2014: A\$0.10 per share (30 June 2013: A\$0.10 per share)	290	282

(b) Dividends proposed and not recognised as a liability

	31 December 2014 US\$m	31 December 2013 US\$m
Interim fully franked dividend for the half year ended 31 December 2014: A\$0.03 per share (31 December 2013: A\$0.10 per share)	73	280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

13 Contingent liabilities

Fortescue had no material contingent liabilities or contingent assets at 31 December 2014 or at the date of this report. Fortescue occasionally receives claims arising from its activities in the normal course of business. In the opinion of the Directors, all such matters are covered by insurance or, if not covered, are without merit or are such a kind or involve such amounts that would not have a material adverse impact on the operating results or financial position if settled unfavourably.

14 Commitments

	Capital US\$m	Operating leases US\$m	Total US\$m
30 June 2014			
Within one year	519	79	598
Between one and five years	252	176	428
	771	255	1,026
31 December 2014			
Within one year	276	75	351
Between one and five years	480	141	621
	756	216	972

15 Subsequent events

On 16 February 2015 the Directors declared a fully franked interim dividend of three Australian cents per ordinary share payable on 7 April 2015.

In the Directors' opinion:

- (a) the interim financial statements and notes set out on pages 11 to 24 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.



Mr Andrew Forrest
Chairman

Dated in Perth this 16th day of February 2015.



Independent auditor's review report to the members of Fortescue Metals Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Fortescue Metals Group Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Fortescue Metals Group Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Fortescue Metals Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840

T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

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Independent auditor's review report to the members of Fortescue Metals Group Limited (cont'd)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Fortescue Metals Group Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

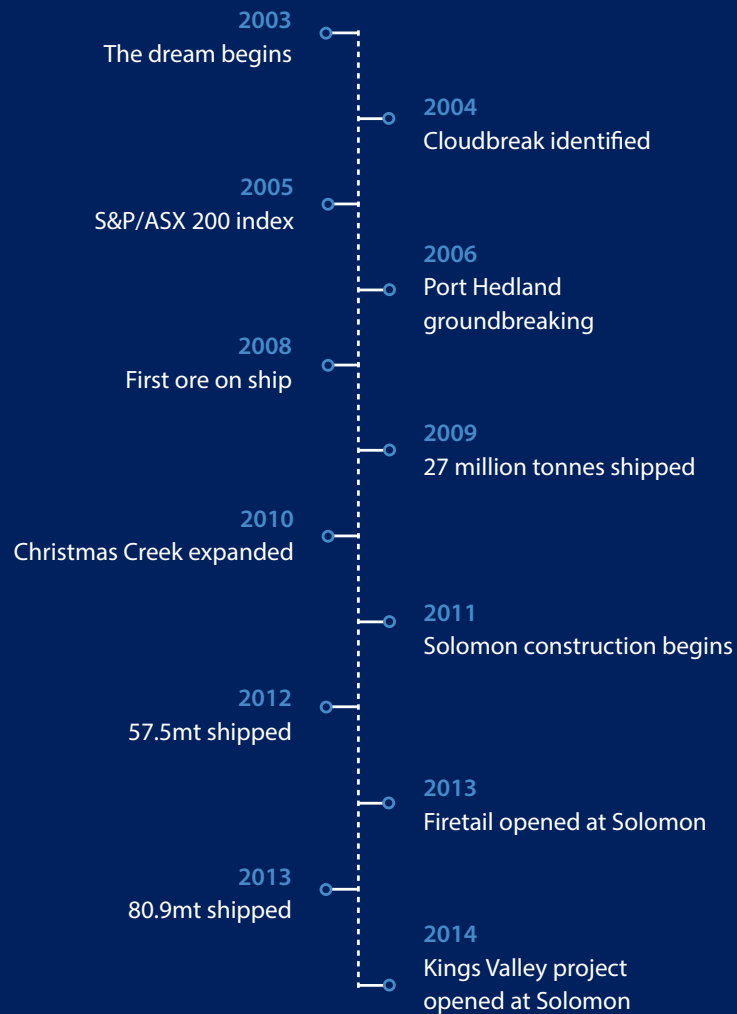
PricewaterhouseCoopers

Nick Henry

Nick Henry
Partner

Perth
16 February 2015

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