

ASX ANNOUNCEMENT

Record Net Earnings of US\$1,023m
Final Fully Franked Dividend of A\$0.04 per share

19th August 2011



“The 2011 financial result reflects Fortescue’s substantial earnings power over a year that saw the completion of the Christmas Creek facility, the ramp up to 55mtpa production rate and the start of the rapid build out to our 155mtpa target. The combination of strong operating performance and growth overlaid by the commencement of dividend payments, represents a tremendously rewarding year for all stakeholders.”

Nev Power, Chief Executive Officer

Key points

- Underlying EBITDA¹ of US\$2,815m; +119 per cent
- Reported profit after tax of US\$1,023m; +76 per cent
- Normalised net profit after tax² of US\$1,634m; +131 per cent
- Cash flow from operating activities US\$2,778m ; +106 per cent
- Dividends of A\$0.03 (interim unfranked) and A\$0.04 (final fully franked)
- Expansion programs across mine, port and rail on track

Financial Highlights (accounts in accordance with AIFRS)

Key Performance Measures	2011 US\$m	2010 US\$m	Variance %
Underlying EBITDA ¹	2,815	1,288	+119
Profit before tax	1,335	579	+ 131
Net profit after tax	1,023	581	+76
Normalised net profit after tax ²	1,634	707	+131
Cash flow from operations	2,778	1,294	+147
Basic earnings per share (US cents) ³	32.86	18.85	+74
Operating cash flow per share (US cents) ³	89.21	41.99	+113

1. Underlying EBITDA: calculated as Operating Profit of \$2,638m adjusted for depreciation and amortisation of \$177m.

2. Normalised NPAT: calculated as Net Profit after tax of \$1,023m adjusted for the after tax effect of refinance costs of \$503m, re-estimation of the unsecured loan note of \$65m and foreign exchange of \$43m.

3. Earnings and cash flow per share are calculated on an undiluted share basis. Operating cash flow per share is calculated using cash flows from operations.

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Underlying EBITDA of US\$2,815m

The increase in underlying EBITDA was generated through revenue growth of 69 per cent to US\$5,442m with key points being:

- Strong shipping volumes with total tonnes shipped of 40.9mt (Fortescue share 40mt). Fortescue maintained its steady state production prior to the commissioning of the new Christmas Creek facility at year end;
- Realised average iron ore CFR sales price of US\$149 (dmt) reflecting the strong demand for iron ore across international markets.

These were offset by increases in underlying unit costs primarily as a result of:

- Significant appreciation of the A\$ over the year, up 12 per cent on average;
- Increasing cash costs of mining due to rising strip ratios and the progressive ramp up of mining at Christmas Creek.

Items excluded from underlying earnings before tax

- Refinance costs of US\$719m when Fortescue transitioned from its original project funding structure to one that is unsecured and covenant light with materially lower interest rates. This investment unlocked significant shareholder value;
- Re-estimation of the unsecured loan note by US\$93m; this increase is due primarily to higher independently forecast iron ore prices;
- Net foreign exchange movements of US\$61m.

Cash and financial position

- Year-end cash of US\$2,663m represents an increase of US\$1,428m from the prior year. Net Debt of US\$2,209m results in a Net Debt to underlying EBITDA ratio of 0.78 times;
- Net cash inflow from operating activities of US\$2,778m represents an increase of 115 per cent and reflects the strong operating environment over FY2011;
- Net cash outflow from investment activities of US\$1,481m was primarily directed toward the completion of the new Christmas Creek mining operation and some early work on the broader port and Solomon expansion program.

"The company's cash generation capability as demonstrated by the 119 per cent increase in underlying EBITDA to US\$2,815m, reinforces Fortescue's robust business model. From first ore on ship in 2008 to revenues in excess of US\$5bn in three short years, is testament to the achievement of the Fortescue team in creating, and now building upon, one of Australia's truly great businesses."

Stephen Pearce, Chief Financial Officer

Appendix 4E
Financial year ended 30 June 2011



This information should be read in conjunction with Fortescue's 2011 Financial Report

Name of entity

Fortescue Metals Group Limited

ABN

57 002 594 872

Results for announcement to the market

		2010 US\$'000		2011 US\$'000	Variance %
Revenue from ordinary activities	up from	3,220,062	to	5,442,102	+69%
Profit from ordinary activities after tax attributable to members	up from	580,946	to	1,022,555	+76%
Net profit attributable to members	up from	580,946	to	1,022,555	+76%

Dividends	Amount per security	Franked amount per security
Interim - ordinary	A\$0.03	Nil
Final - ordinary	A\$0.04	A\$0.04
Previous corresponding period:		
Interim – ordinary	Nil	Nil
Final - ordinary	Nil	Nil
Record date of final dividend	9 September 2011	
Payment date of final dividend	30 September 2011	

Fortescue does not operate a dividend reinvestment plan.

Net Tangible Asset Backing	30 June 2010	30 June 2011
Net tangible asset backing per share	US\$0.43	US\$0.78

Previous Corresponding Period

The previous corresponding period is the 12 months to 30 June 2010.

Audit

This report is based on financial statements which have been audited.

Commentary on Results for the Period

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