ASX ANNOUNCEMENT

Record Interim Net Earnings of US$801m and Interim Fully Franked Dividend of A$0.04/share

15th February 2012

"This record interim profit result sets the foundations for what will be a watershed year for Fortescue as we simultaneously achieve our first stage expansion target of 55mtpa while rapidly building out our targeted 155mtpa infrastructure platform. We are creating a compelling combination of near term, high production growth underpinned by strong sustainable earnings. Our shareholders continue to enjoy the dividend rewards of solid operating performance whilst also being positioned for future growth returns."

Nev Power, Chief Executive Officer

Key points

- Underlying EBITDA[1] of US$1,510m; +15 per cent
- Reported net profit after tax of US$801m; +155 per cent
- Net decrease to cash of US$190m after $2,402m outflow from investing activities.
- Dividends of A$0.04 (interim fully franked)
- Expansion programs across mine, port and rail progressing rapidly

Financial Highlights

Key Performance Measures	HY2012 US$million	HY2011 US$million	Variance %
Underlying EBITDA[1]	1,510	1,316	15%
Profit before tax	1,168	269	334%
Net profit after tax	801	314	155%
Cash flow from operations	1,186	1,201	(1%)
Basic earnings per share (US cents)[2]	25.72	10.16	153%
Operating cash flow per share (US cents)[2]	38.09	38.82	(2%)

1. Underlying EBITDA: calculated as Operating Profit adjusted for depreciation and amortisation .

2. 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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Fortescue
The New Force in Iron Ore

Underlying EBITDA of US$1,510m

The increase in underlying EBITDA was generated through revenue growth of 33 per cent to US$3,357m resulting from:

- Strong shipping volumes with total tonnes shipped of 27.1mt (Fortescue share 26.6mt) as the first Christmas Creek ore processing facility hits its nameplate capacity;
- Realised average iron ore sales price of US$139 (dmt) reflecting continuing strong demand for iron ore, despite commodity price volatility in October last year.

Items excluded from underlying earnings before tax

- Re-estimation of the unsecured loan note (Leucadia) by US$8m and net foreign exchange movements of US$16m.

Cash and financial position

- Cash at 31 December of US$2,473m is a decrease of US$190m from end June 2011. Net debt of US$3,918m represents a coverage ratio of 1.30x's against annualised underlying EBITDA;
- Cash inflows from operations of US$1,186m together with a net US$997 from financing activities were offset by cash outflows of US$2,402m predominately for construction works under the expansion program.

Operations and Project Revised Guidance

- The cyclone in early January forced the closure of Port Hedland harbour and dumped over 400mm of rain across the mining areas. In recognition of the delays caused by this event, Fortescue is reducing its previous March quarter guidance of 13.75Mt to a range of 13.0 – 13.5Mt.
- Full year guidance of total shipped tonnes remains at 55Mt. Commissioning of the 2nd outload circuit and the addition of a 6th train should enable Fortescue to catch up lost tonnes over the June quarter assuming no further excessive cyclone events.
- Previously identified accommodation limitations within Port Hedland have become more severe and have resulted in a requirement for an additional investment in housing. Restricted accommodation together with remedial works from the cyclone has moved the scheduled completion of the 4th berth from end Dec 2012 to the March Qtr 2013. The cost of this change plus the accommodation investment is estimated at $200m. The project ramp up to 155mtpa remains on track for end June 2013 and every attempt will be made to absorb this additional expenditure within project contingency.

"The robustness of Fortescue's cash generation capability is clearly evident in this record earnings result with revenues of $3.4 billion and EBITDA of just over $1.5bn. This was achieved despite several months of price volatility as global commodity markets sought to realign to the changed macro economic conditions across Europe. Importantly, iron ore prices rebounded, highlighting the fundamental shortfall of seabourne supply against a continuing strong demand profile from developing countries. As a pure play iron ore company, Fortescue is entirely leveraged to one of the strongest sectors of the world's economy."

Stephen Pearce, Chief Financial Officer

Appendix 4D
Half year ended 31 December 2011

Name of entity

Fortescue Metals Group Limited

ABN

57 002 594 872

Results for announcement to the market

Half year ended 31 December		2010 US$'000		2011 US$'000	Variance %
Revenue from ordinary activities	up from	2,532,942	to	3,356,938	+33%
Profit from ordinary activities after tax attributable to members	up from	314,123	to	800,848	+155%
Net profit attributable to members	up from	314,123	to	800,848	+155%

Dividends	Amount per security	Franked amount per security
Current Period: Interim - ordinary	A$0.04	A$0.04
Previous corresponding period: Interim – ordinary	A$0.03	Nil
Record date of interim dividend	14 March 2012	
Payment date of interim dividend	2 April 2012	

Fortescue does not operate a dividend reinvestment plan.

Half year ended 31 December	2010	2011
Net tangible asset backing per share	US$0.52	US$1.00

Previous Corresponding Period
The previous corresponding period is the six months to 31 December 2010.

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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