24 August 2015

Fortescue
The New Force in Iron Ore

The Companies Officer
ASX Limited
2 The Esplanade
Perth WA 6000

Dear Sir or Madam

FORTESCUE'S FULL YEAR RESULTS STRENGTHEN OPERATING POSITION

Fortescue Metals Group Limited (ASX:FMG, Fortescue) has released its 2015 full year results reporting net profit after tax of US$316 million and underlying EBITDA of US$2,506 million, underpinned by consistent production at 165mtpa and sustained cost reductions.
Fortescue CEO Nev Power said the results reflected the ongoing improvement in productivity and efficiency with strong outcomes across the company's three key focus areas: safety, production and costs.

"In a challenging environment of lower iron ore prices, this focus on efficiency and productivity from our world class assets will continue to see operational improvements and cost reductions while we maintain production at 165mtpa to create long term value for Fortescue shareholders" Mr Power said.

"Our successful debt refinancing, closing cash balance of US$2.4 billion and sustained operational efficiency and productivity gains have delivered solid operating cashflows, further strengthening Fortescue's balance sheet, " Fortescue CFO Stephen Pearce said.

Highlights

- Safety TRIFR target of 5.1 achieved, 15% improvement on prior period
- Net profit after tax of US$316 million, US$2.5 billion underlying EBITDA
- 165.4 million tonnes (mt) shipped
- US$18/wmt C1 cost guidance for FY16
- US$27/wmt C1 costs in FY15, 21 per cent lower than prior year
- Capital expenditure of US$626 million including sustaining capital of US$2/wmt
- Realised price of US$57/dmt for the year, an 85% realisation of the 62% Platts contract value
- Cash on hand of US$2.4 billion at 30 June 2015
- Net debt of US$7.2 billion at 30 June 2015 with first debt maturity in 2019
- A$0.02 per share fully franked dividend

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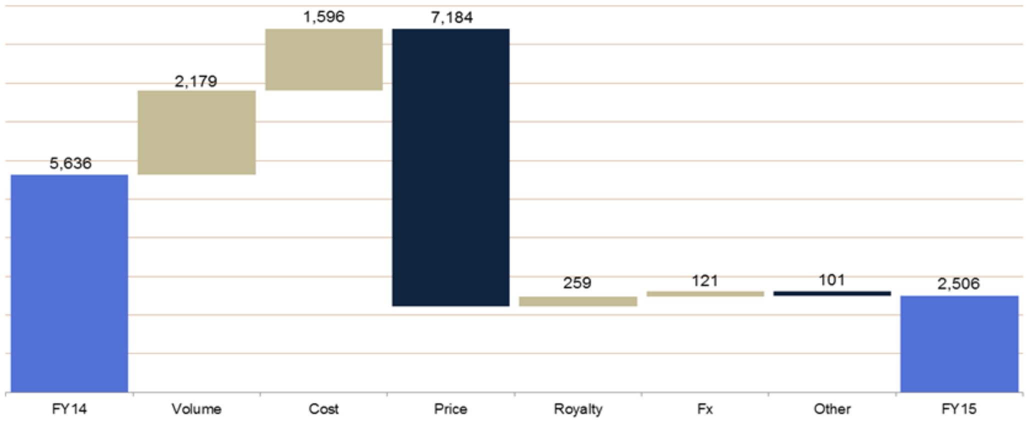
Financial Results

	2015 US$m	2014 US$m	2013 US$m
Revenue	8,574	11,753	8,120
Underlying EBITDA	**2,506**	**5,636**	**3,575**
Depreciation and amortisation	1,405	965	463
Profit before income tax	**420**	**3,913**	**2,466**
Net profit after income tax	316	2,740	1,746
Net cash flow from operating activities	2,037	6,248	3,004
Basic earnings per share (US cents)	10.18	88.00	56.07
Operating cash flow per share (US cents)	65.42	200.66	96.47

Financial performance

- **Underlying EBITDA of US$2,506 million** reflects Fortescue's continued focus on managing production together with the sustainable reduction in operating costs. The improvements achieved across these areas offset the significant drop in iron ore prices during the year, as shown in the chart below:



- **Revenue** of US$8,574 million (FY14: US$11,753 million) reflects a 33 per cent increase in shipments to 165.4mt offset by a decrease in iron ore market prices. The 62 per cent Platts CFR index decreased by 41 per cent and averaged US$72/dmt (FY14: US$123/dmt) over the financial year.

- **Price realisations** on a contractual basis were maintained at 85% or US$57/dmt, based on an average contractual price of US$67/dmt.

- **C1 operating costs** continued to improve averaging US$27/wmt for FY15, a 21 per cent reduction from the prior year. Fortescue achieved C1 costs of US$19/wmt in the month of June providing a solid foundation for FY16 C1 cost guidance of US18/wmt.

- **Sustainable cost reductions** have been achieved through:

    - development of the Solomon Hub;
    - product blending strategy;
    - investment in enhanced processing capacity; and
    - improved ore body modelling

    all of which have contributed to sustainably lower strip ratios.

- **Total delivered cost** to customers, inclusive of C1, shipping, royalty and administration costs, decreased a further 27 per cent to US$38/wmt for FY15 (US$42/dmt).

Cash flow and balance sheet

- **Cash on hand** at 30 June 2015 was US$2,381 million.

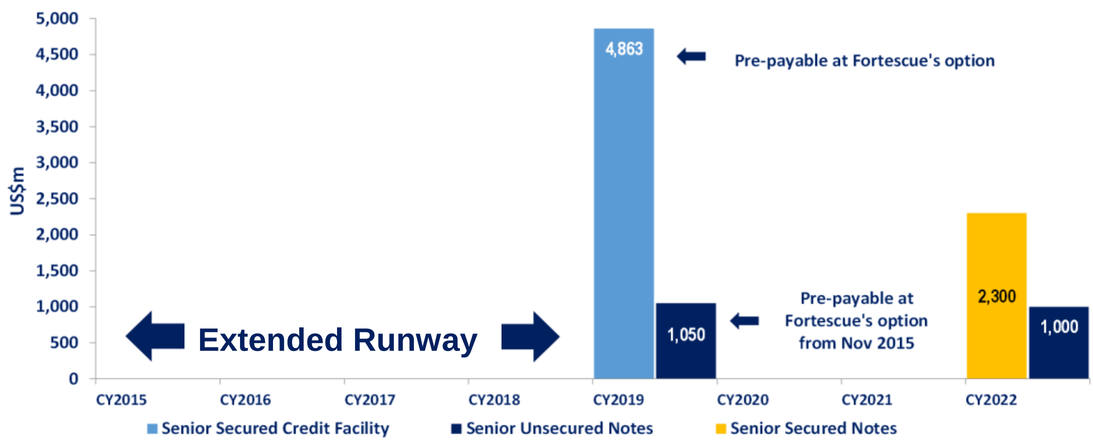
- **Net operating cash inflows** before tax were US$2,566 million reflecting the increase in total tonnes shipped, together with optimisation and cost savings initiatives which offset the significant fall in iron ore prices.

- **Capital expenditure** reduced to US$626 million (FY14: US$1,931 million) including US$308 million of sustaining capital and US$318 million of expenditure on the fifth berth, rail, exploration and ship construction payments.

- **Net debt** at 30 June 2015 was US$7,188 million, including cash on hand of US$2,381 million and finance lease liabilities of US$461 million.

Debt maturity profile

- **Successful refinancing** of US$2.3 billion of debt in April 2015, with proceeds used for early repayment of 2017, 2018, and a portion of the 2019 unsecured notes with US$320 million added to cash balances and reserved for future debt repayments.



Refinanced secured debt matures in 2022 and maintains all the flexibility of the existing debt for early repayment with no maintenance covenants.

Dividend

- After taking into account current cashflow forecasts and operational requirements the Board has declared a A$0.02 per share final fully franked dividend.

- This modest dividend demonstrates Fortescue's confidence in the long term market for iron ore and ability to drive down costs to improve its position on the global cost curve.

FY16 Guidance

- FY16 shipping guidance of 165mt

- Average C1 cost of US$18/wmt based on average exchange rate 0.77.

- Capital expenditure guidance in FY16 maintained at US$2/wmt excluding exploration and ship building.

- Depreciation and amortisation charges of US$8.50/wmt shipped.

Yours sincerely
Fortescue Metals Group Ltd

Ian Wells
Company Secretary

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Attachment: Glossary of Terms

GLOSSARY OF TERMS

CFR Cost and freight rate

dmt Dry metric tonnes

FY Full year

HY Half year

wmt Wet metric tonnes

NPAT Net profit after tax

Underlying EBITDA Earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses.

The reconciliation of Underlying EBITDA to the financial metrics disclosed in the financial statements prepared under the Australian accounting standards is presented below:

Reconciliation of Underlying EBITDA to IFRS measures

	30 June 2015 US$m	**30 June 2014 US$m**
Profit before income tax	420	3,913
Finance income	(15)	(21)
Finance expenses	644	741
Depreciation and amortisation	1,405	965
Exploration, development and other	52	38
Underlying EBITDA	**2,506**	**5,636**

mtpa Million tonnes per annum

C1 Operating costs of mining, processing, rail and port.

The reconciliation of C1 to the amounts disclosed in the financial statements prepared under the Australian accounting standards is provided in the Financial Report for the full year ended 30 June 2015 accompanying this announcement.