Fortescue
The New Force in Iron Ore

# Media Release – half year results FY17

## Net profit of US$1.2 billion and half year dividend of A$0.20 per share

**PERTH, 22 February 2017:** Fortescue Metals Group Limited (ASX:FMG, Fortescue) has today released its half year results reporting a net profit after tax of US$1.2 billion and Underlying EBITDA of US$2.6 billion. FY17 guidance is maintained for iron ore shipments of 165-170 million tonnes with a C1 cost of US$12-13 per wet metric tonne (wmt).

"Our team has continued their unwavering focus on delivery against safety, productivity and cost reduction targets. We achieved further improvement in our C1 costs to US$13.06/wmt and shipped 86.1 million tonnes for the half year, slightly ahead of our targets." said Fortescue CEO Nev Power.

"Our successful operational performance combined with positive market conditions produced strong cash flows facilitating further debt repayments of US$1.7 billion. With ongoing improvements in productivity and efficiency driving consistent cash returns from our world class assets, the Board has declared a A$0.20 per share fully franked interim dividend."

"Capital management remains our key priority and we will continue to repay debt, invest in the long term sustainability of our business and deliver returns to shareholders."

### HIGHLIGHTS – HALF YEAR FY17

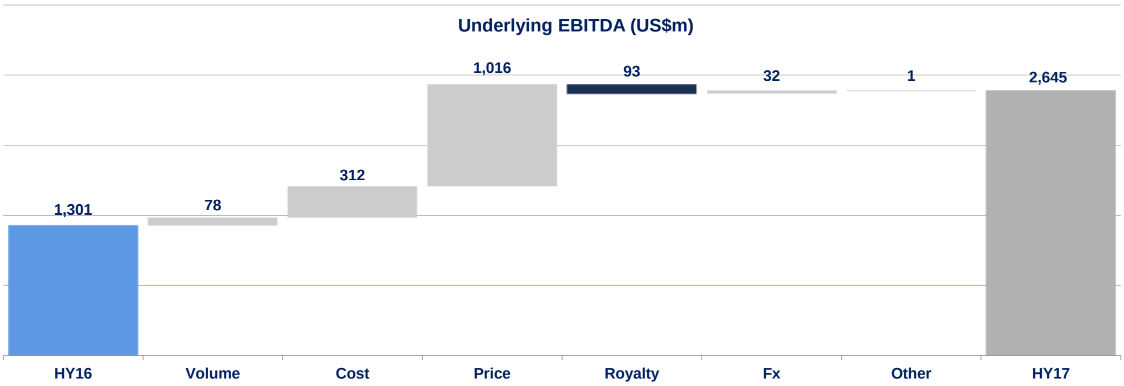
- TRIFR of 3.2, a 33 per cent improvement compared to the prior corresponding period
- Net profit after tax of US$1,222 million and Underlying EBITDA of US$2,645 million
- 86.1 million tonnes (mt) shipped
- C1 costs of US$13.06/wmt for HY17 (US$12.54/wmt in the December 2016 quarter)
- Net debt reduced to US$4.0 billion, 30 per cent net gearing
- A$0.20 per share fully franked interim dividend

### FINANCIAL RESULTS

| US$ millions | 31 Dec 2016 | 31 Dec 2015 | *Var %* |
|---|---|---|---|
| Revenue | **4,492** | 3,344 | *34%* |
| Underlying EBITDA | **2,645** | 1,301 | *103%* |
| Net profit after income tax | **1,222** | 319 | *283%* |
| Net cash flow from operating activities | **1,857** | 1,097 | *69%* |
| Basic earnings per share (US cents) | **39.3** | 10.3 | *282%* |
| Operating cash flows per share (US cents) | **59.7** | 35.3 | *69%* |

## FINANCIAL PERFORMANCE

- **Underlying EBITDA of US$2,645 million** reflects Fortescue's continued focus on productivity and efficiency initiatives to sustainably lower operating costs together with improved iron ore prices. Ongoing Chinese Government economic policies and infrastructure projects are supporting sustained demand for steel which has driven iron ore prices and revenue higher. The chart below sets out the key contributors to the 103 per cent increase in Underlying EBITDA compared to the prior period:




- **Revenue** of US$4,492 million (HY16: US$3,344 million) reflects the 27 per cent increase in in the average 62 Platts CFR iron ore price to US$65 per dry metric tonne (dmt) for HY17.

  Fortescue's average realised price was US$56/dmt, 87 per cent of the average 62 Platts CFR price, after accounting for timing adjustments relating to finalisation of provisionally priced contracts.

- **C1 costs** improved to US$13.06/wmt for HY17, a 20 per cent reduction from the HY16 result. Sustainability of existing operational initiatives together with a focus on continuous improvement have positioned Fortescue to achieve FY17 C1 cost guidance of US$12-13/wmt and offset the impact of increased oil costs and a higher Australian dollar.

- **Net profit after tax** was US$1,222 million inclusive of net finance expenses of US$248 million; depreciation and amortisation of US$622 million; exploration, development and other expenses of US$43 million; and income tax expense of US$510 million.

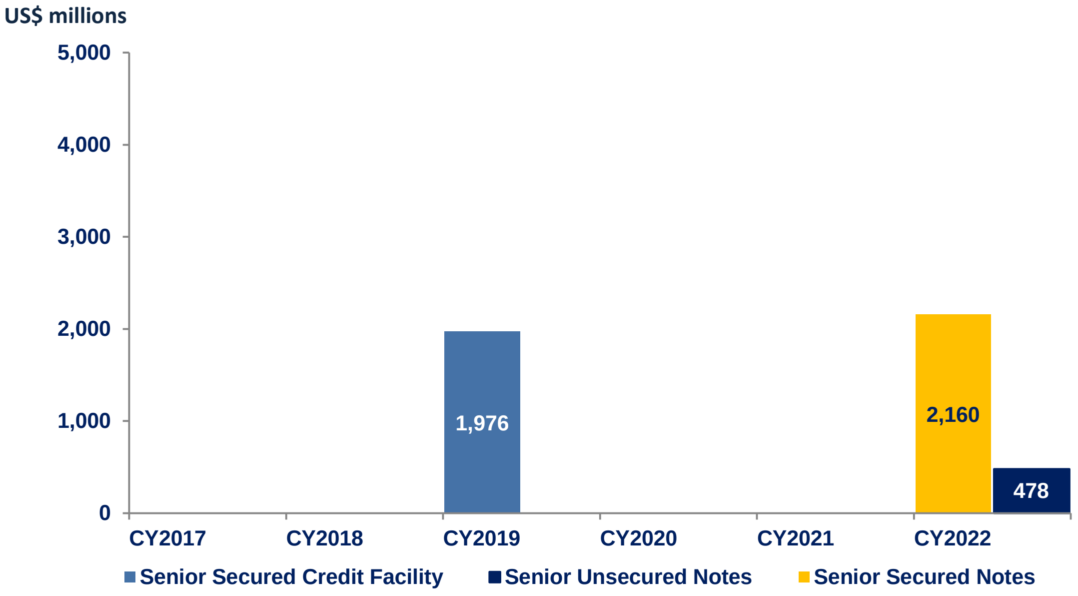
## BALANCE SHEET

- **Cash on hand** was US$1,160 million at 31 December 2016.

- **Net debt** was US$3,996 million, including cash on hand and finance lease liabilities of US$562 million. At 31 December 2016, net gearing was 30 per cent with gross gearing of 36 per cent.

  US$1,700 million of voluntary debt repayments were made during the half generating annual interest savings of US$64 million per year.

Fortescue's current debt profile is set out in the chart below:




- **Total capital expenditure** was US$312 million for HY17 inclusive of sustaining capital, ship construction, exploration and development.

- **Receivables** increased by US$417 million mainly due to higher iron ore prices and provisional pricing adjustments. Cash flows from this increase are expected to flow into the second half of FY17.

- **Iron ore prepayments** were US$797 million at 31 December 2016 and are scheduled to amortise by US$350 million in FY18 and US$447 million in FY19, subject to future additions and rollovers.

- **Current tax payable** of US$453 million will be paid in December 2017. The total amount of tax payable in December 2017 remains subject to profitability in the second half of FY17.

## DIVIDEND

- After taking into account cash flow forecasts and market conditions the Board has declared an A$0.20 per share fully franked interim dividend. This represents a net profit payout ratio of 38 per cent.

## FY17 GUIDANCE

- **Shipments** of 165-170mt
- **C1 costs** US$12-13/wmt based on average strip ratio of 1.1, an exchange rate of 0.75 and oil price of US$50 per barrel
- **Price realisations** of 85-90 per cent of the 62 Platts CFR index
- **Sustaining capital** expenditure of US$2/wmt
- **Capital expenditure** on ore carriers and tugs of US$360 million
- **Exploration and development** expenditure of US$80 million
- **Depreciation and amortisation** charges of US$7.10/wmt shipped

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## REPORTING CALENDAR

| | |
|---|---|
| March Quarter Production Report | 13 April 2017 |
| June Quarter Production Report | 27 July 2017 |
| Full Year Results Announcement | 21 August 2017 |
| September Quarter Production Report | 24 October 2017 |
| Annual General Meeting | 8 November 2017 |

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## GLOSSARY

**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 half year ended 31 December 2016 accompanying this announcement.

**CFR** cost and freight rate

**dmt** dry metric tonnes

**FY** financial year

**HY** first half year of the financial year

**LOM** life of mine

**mtpa** million tonnes per annum

**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 provided in the Financial Report for the half year ended 31 December 2016 accompanying this announcement.

**wmt** wet metric tonnes