

21 August 2017



Media release – FY17 results

Net profit of US\$2.1 billion and final dividend of A\$0.25 per share

Fortescue Metals Group Limited (ASX: FMG, Fortescue) has released its 2017 full year results reporting a net profit after tax of US\$2.1 billion and underlying EBITDA of US\$4.7 billion.

Fortescue's safety performance improved by 33 per cent during the year with production of 170.4 million tonnes (mt). The strong FY17 financial results reflected higher iron ore prices during the year, as well as the contribution of a sustained focus on productivity and efficiency initiatives to further reduce C1 costs to US\$12.82 per wet metric tonne (wmt).

Cash at the end of FY17 was US\$1.8 billion with net gearing reduced to 21 per cent following an additional US\$2.7 billion in debt repayment during the year and a further US\$1.5 billion refinanced, extending maturities to 2022 on improved terms and conditions.

Fortescue Chief Executive Officer, Nev Power said, "The whole Fortescue team has delivered these outstanding results against our key stretch targets of safety, production and cost. Safety improved by 33 per cent compared to the previous year, while costs improved by 17 percent and we achieved a record low C1 operating cost of US\$12.16/wmt in the June quarter."

"Fortescue has continued to generate excellent cashflows allowing further repayment of debt, strengthening of our balance sheet and increasing returns to our shareholders.

"Our strong operating performance and financial outlook has led to the Board declaring a final fully franked dividend of A\$0.25 per share, increasing total FY17 dividends to A\$0.45 per share, a 52 per cent pay-out of net profit after tax."

HIGHLIGHTS – FY17

- Safety TRIFR of 2.9, a 33 per cent improvement on the prior year
- Net profit after tax of US\$2.1 billion and underlying EBITDA of US\$4.7 billion
- 170.4mt of ore shipped
- US\$12.82/wmt C1 cost, a 17 per cent improvement
- Net debt of US\$2.6 billion, inclusive of US\$1.8 billion in cash
- A\$0.45 per share fully franked dividends

	FY17	FY16	Var %
Revenue (US\$ millions)	8,447	7,083	19%
Underlying EBITDA (US\$ millions)	4,744	3,195	48%
Net profit after income tax (US\$ millions)	2,093	985	112%
Net cash flow from operating activities (US\$ millions)	4,256	2,446	74%
Basic earnings per share (US cents)	67.3	31.6	113%

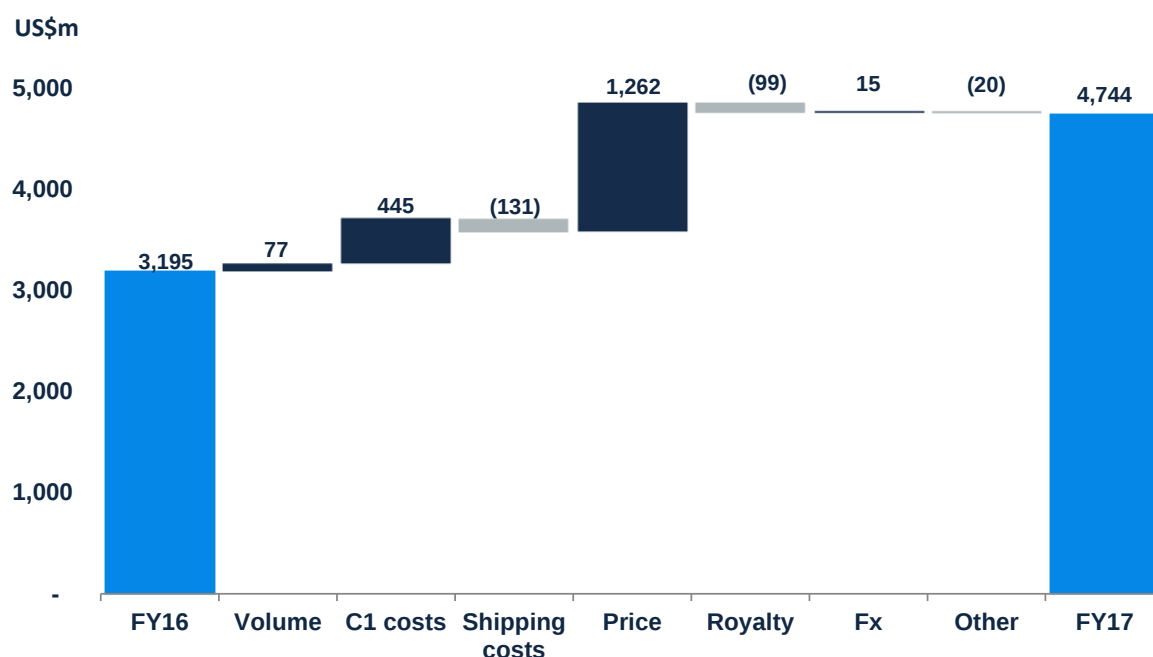
FINANCIAL PERFORMANCE

Fortescue Metals Group Limited
ABN 57 002 594 872
Level 2, 87 Adelaide Terrace
East Perth, Western Australia 6004

PO Box 6915
East Perth, Western Australia
P +61 8 6218 8888
E fmgl@fmgl.com.au

www.fmgl.com.au
@FortescueNews

- **Underlying EBITDA** of US\$4,744 million was 48 per cent higher than FY16 reflecting higher average iron ore prices and the continued focus on operational efficiencies which have further reduced Fortescue's operating costs. A comparison of the key movements in underlying EBITDA is set out in the chart below:

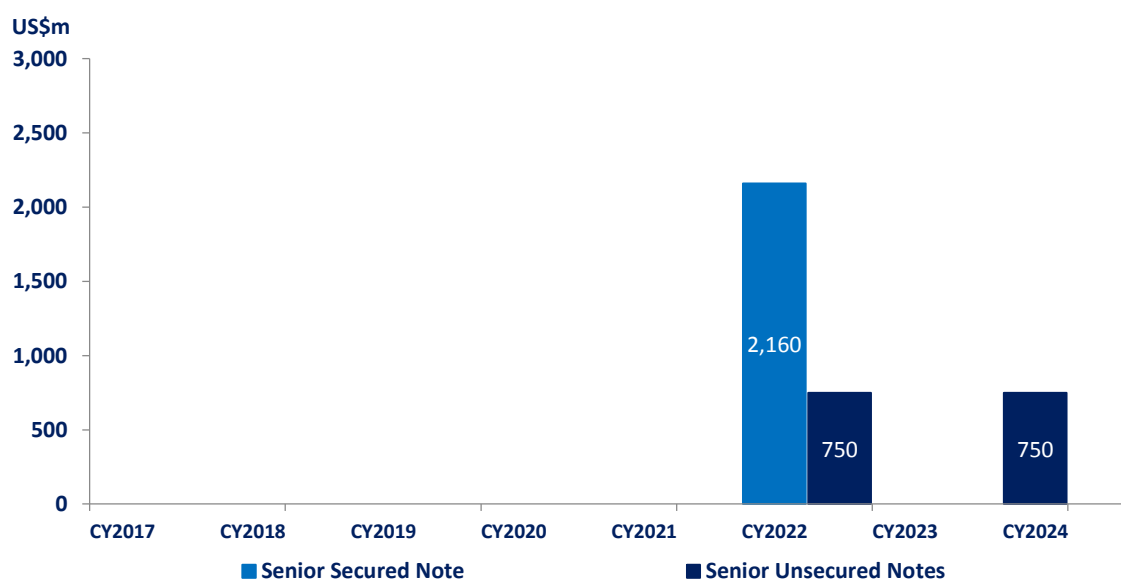


- **Revenue** of US\$8,447 million (FY16: US\$7,083 million) increased by 19 per cent compared to FY16 as the average Platts 62 CFR index price rose to US\$69.53/dmt (FY16: US\$51.37/dmt). Revenue realisation on the average Platts 62 CFR price index for the year was 77 per cent after the impact of timing differences associated with provisional pricing.
- **C1 operating costs** improved to average US\$12.82/wmt in FY17, a 17 per cent reduction from the prior year. Fortescue achieved a record low C1 cost of US\$12.16/wmt in the June 2017 quarter through a continued focus on innovation and efficiencies.
- **Total delivered cost** to customers, inclusive of C1, shipping, royalty and administration costs, decreased to US\$22/wmt, a 4 per cent reduction compared to FY16 (US\$23/wmt) as the lower C1 cost was offset by higher shipping and royalty costs.

CASH FLOW AND BALANCE SHEET

- **Cash on hand** at 30 June 2017 of US\$1,838 million.
- **Free cash flow from operations** of US\$3,540 million, a 65 per cent increase from the prior year, reflecting the positive cash margins generated through higher iron ore prices and lower costs partially offset by higher capital expenditure.
- **Capital expenditure** increased to US\$716 million (FY16: US\$304 million) inclusive of US\$354 million of sustaining capital, US\$260 million for ore carrier construction, US\$39 million of exploration, US\$33 million for the tug project and US\$30 million of development expenditure.
- **Net debt** at 30 June 2017 of US\$2,633 million (US\$5,188 million at 30 June 2016), including cash on hand and finance lease liabilities of US\$818 million. During FY17 a total of US\$2.7 billion in debt was repaid while finance leases increased by US\$313 million mainly due to construction of Fortescue's ore carriers.

Fortescue refinanced US\$1.5 billion of debt in May 2017 extending the nearest term maturity to 2022 on improved terms and conditions. Fortescue's debt maturity is shown in the graph below:



- **Prepayments balances were US\$797 million** at 30 June 2017 with scheduled amortisation of US\$350 million in FY18 and US\$447 million in FY19, subject to future additions and rollovers.
- **A US\$525 million revolving credit facility** completed on 28 July 2017 providing enhanced capital management flexibility with terms reflecting Fortescue's strengthening credit profile.
- **Current tax payable** of US\$685 million will be paid in December 2017.

DIVIDEND

- The Board has declared a final fully franked dividend of A\$0.25 per share after taking into account Fortescue's strong operating performance and financial outlook. This brings total FY17 dividends to A\$0.45 per share, a pay-out ratio of 52 per cent of net profit after tax.

FY18 GUIDANCE

- **170mt** of product shipped
- **C1 cost of US\$11-12/wmt** subject to fluctuations in the Australian dollar exchange rate and fuel prices which have been assumed to average US\$0.75 and US\$53 per barrel (WTI) respectively.
- **Average strip ratio of 1.4.**
- **Price realisations of 75-80 per cent** on the Platts 62 CFR Index. Realisations are expected to continue at or slightly below the low end of guidance in the first half before increasing in the second half of FY18.
- **Sustaining capital expenditure of US\$3/wmt** subject to key variables such as exchange rates and inflation.
- **Other capital expenditure:**
 - Ore carriers US\$190 million – 85 per cent will be financed on delivery of each vessel
 - Development US\$68 million
 - Exploration US\$50 million
 - Tugs and related infrastructure US\$90 million
- **Depreciation and amortisation** of US\$7.40/wmt
- **Dividend pay-out ratio guidance increased to a range of 50 to 80 per cent** of net profit after tax. The actual dividend pay-out ratio will be determined each reporting period based on the prevailing iron ore price and financial performance whilst maintaining Fortescue's commitment and priority to disciplined capital management and balance sheet strength.

MEDIA CONTACT

Michael Vaughan – Fivemark Partners
E: mediarelations@fmgl.com.au
M: +61 422 602 720

INVESTOR CONTACT

Stuart Gale
E: investorrelations@fmgl.com.au

GLOSSARY

C1 - Operating costs of mining, processing, rail and port on a per tonne basis, including allocation of direct administration charges and production overheads.

CFR - Cost and freight rate

Dmt - Dry metric tonnes

Free cash flow - Net cash inflow from operations less capital expenditure

FY - Full year

HY - Half year

mtpa - Million tonnes per annum

Net debt - Total borrowings and finance lease liabilities less cash and cash equivalents

Net gearing ratio - (Net debt) / (Net debt + Equity)

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

	2017 US\$m	2016 US\$m
Underlying EBITDA	4,744	3,195
Finance income	19	214
Finance expenses	(502)	(675)
Depreciation and amortisation	(1,243)	(1,244)
Exploration, development and other	(51)	(136)
Net profit before tax	2,967	1,354
Income tax expense	(874)	(369)
Net profit after tax	2,093	985

wmt - Wet metric tonnes