



**Fortescue**  
The New Force in Iron Ore

# Working together. Delivering results.

## FY15 Results



## Important Notice

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## Additional Information

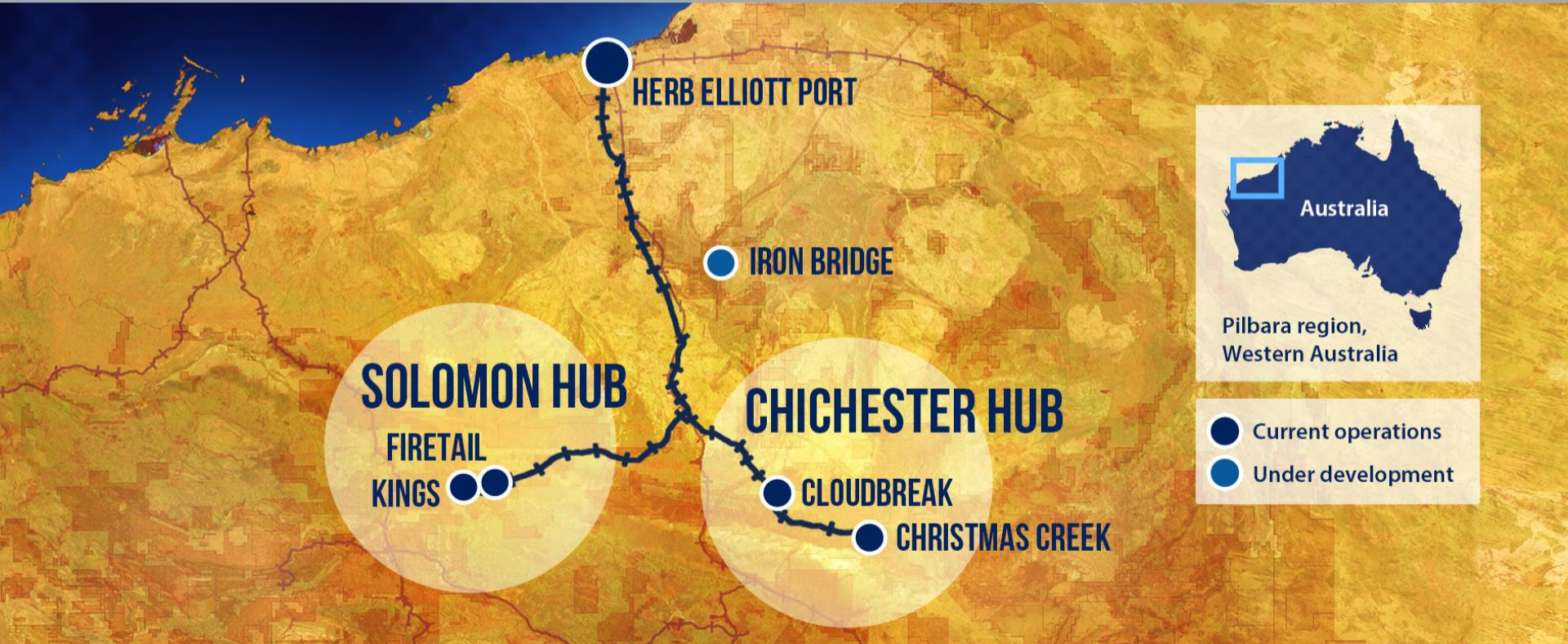
This presentation should be read in conjunction with the Annual Financial Report at 30 June 2015 together with any announcements made by Fortescue in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001*.

Any references to reserve and resources estimations should be read in conjunction with Fortescue's Ore Reserves and Mineral Resources statement for its Hematite and Magnetite projects at 30 June 2015 as released to the Australian Securities Exchange on 21 August 2015.

All amounts within this presentation are stated in United States Dollars consistent with the Functional Currency of Fortescue Metals Group Limited. Tables contained within this presentation may contain immaterial rounding differences.

# Building a world class company

Reliable and competitive supplier to Asia



# Building a world class company



Reliable and competitive supplier to Asia

**Founded  
in 2003**

**First ore  
in 2008**



**Low cost  
producer**



Shipped over  
**550mt**

**165mt**  
Production rate



**Unique culture**



# OUR VISION

The safest, lowest cost,  
most profitable iron ore producer

## Our Values



# Safety is at the heart of Fortescue's values

## My brothers' / sisters' keeper

- **Safety Priorities**
  - 1 Look after yourself
  - 2 Look after your mates
- **Engagement** active participation
- **Empowerment** to make decisions
- **Encouragement** to speak up
- **Leadership** strong and visible



**Safety**

# Operating performance FY15

## Cost and efficiency focus

 **C1 \$27/wmt**  
21% improvement

**US\$2.4bn**  
cash on hand

**165**<sub>mtpa</sub>

Run rate maintained

- ✓ C1 \$19/t in June
- ✓ Sustainable strip ratios
- ✓ Realised price 85%

 **C1 \$18/wmt**  
FY16 Guidance

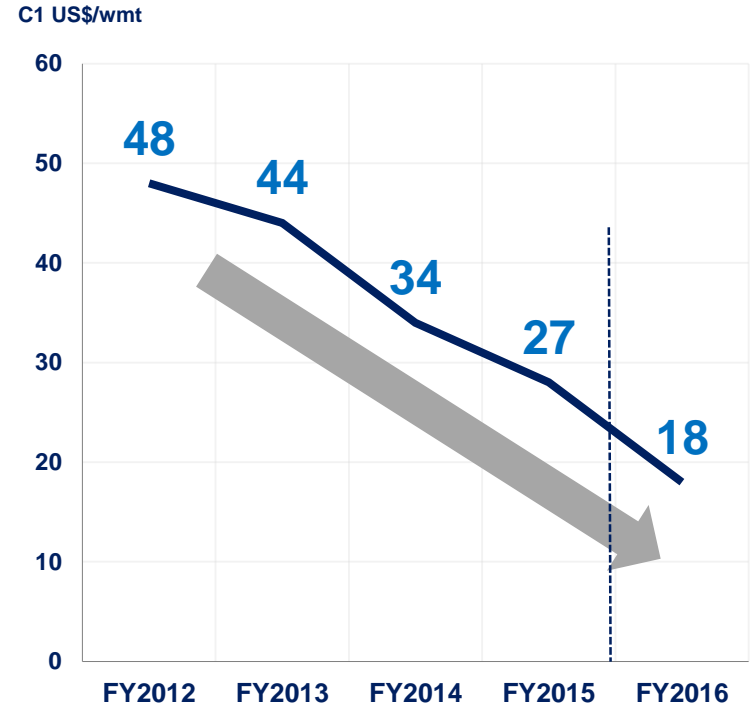
 **US\$39/dmt**  
Breakeven price



# Key C1 cost drivers

Tier 1 asset base, efficiency and productivity

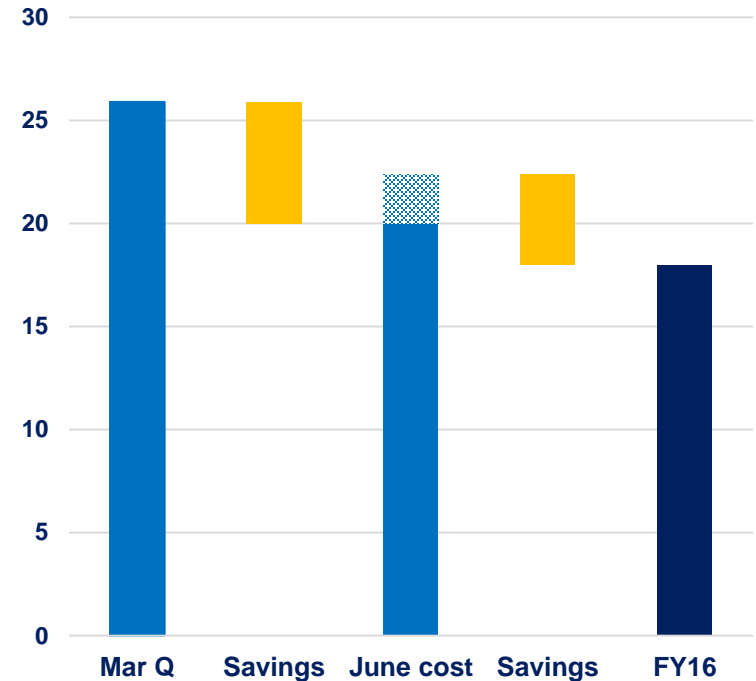
- 1 **Solomon** operations
- 2 **Blending** strategy 58% Fe
- 3 **Processing**, wet plants + de-sands
- 4 Operational **efficiencies**
- 5 Fx and fuel **decreases**



# Delivering \$18/wmt

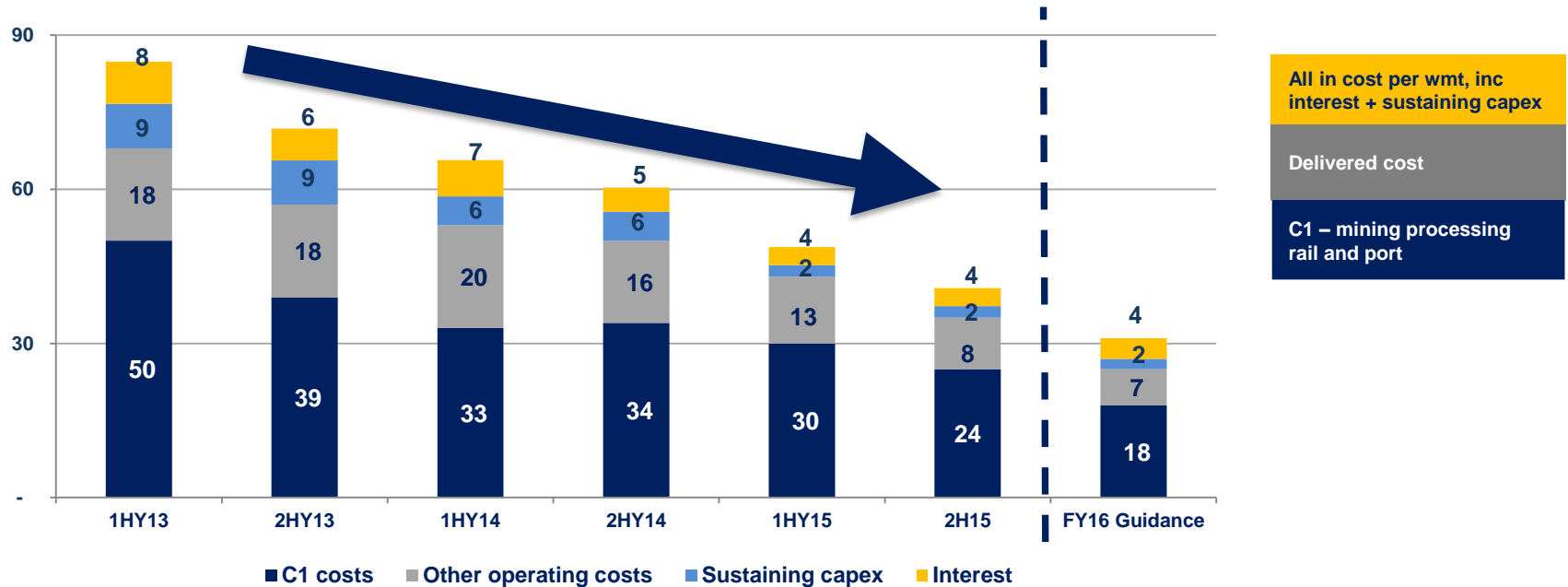
Efficiencies + productivity to optimise and improve performance

Initiative	Implementation	Cost savings US/wmt
Contractor consolidation	End April 2015	1.20
Roster changes	End May 2015	0.90
Procurement initiatives	50% complete	2.00
Mining initiatives	35% complete	1.50
OPF upgrades	50% complete	1.00
		<b>6.60</b>
Inventory outflows	July-August '15	2.00
	<b>Total</b>	<b>8.60</b>



# Costs reduction momentum

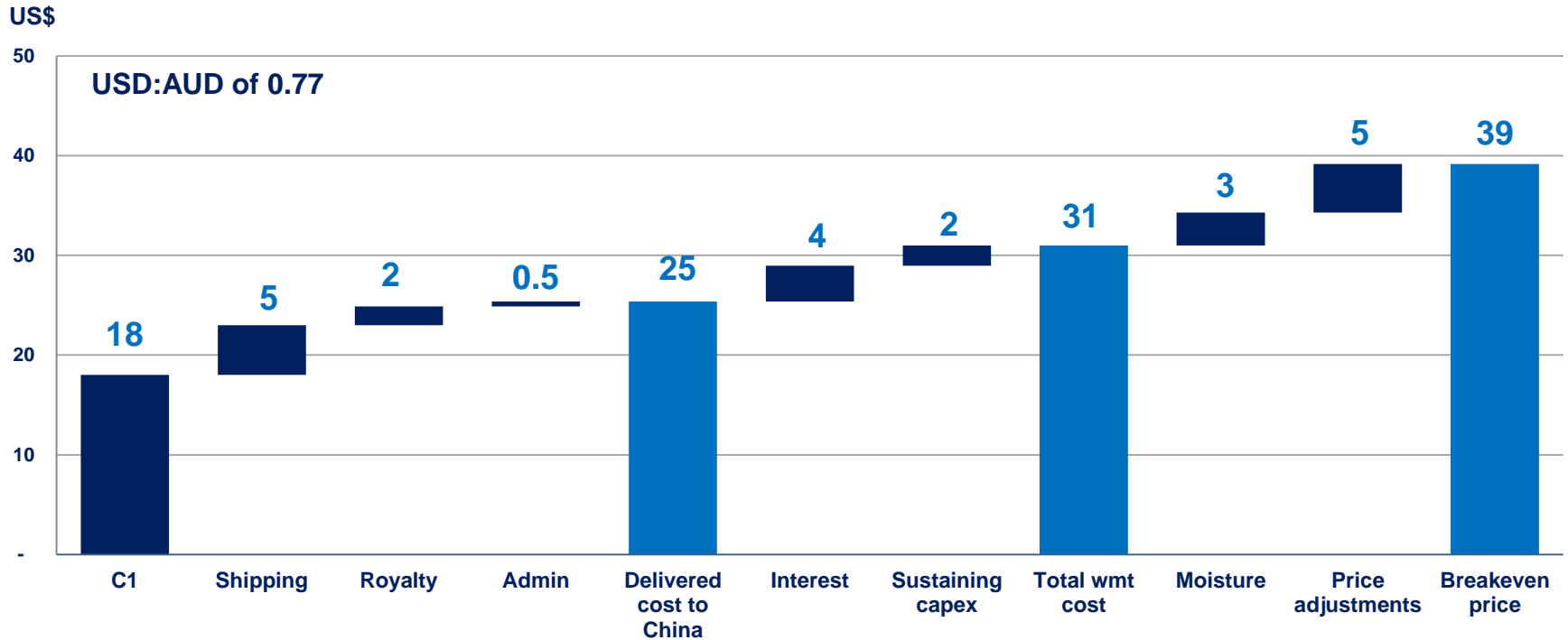
FY16 guidance of \$18/wmt long term sustainable



**FY16 delivered cost of US\$25/wmt**

# Break even price

Continuing to reduce breakeven price on 62% Platts equivalent basis





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# Financials



# FY15 Earnings



Operational performance supporting financial results

**Sustainable  
cost savings**

*Controlling the controllable*  
**costs +  
production**

**US\$18/wmt**  
**C1 cost FY16**

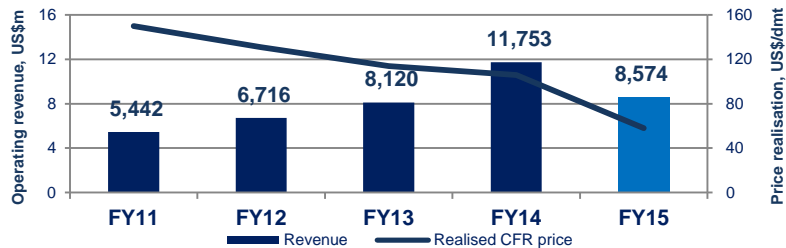
**+US\$2bn  
operating  
cashflows**

**Further**  
improvements

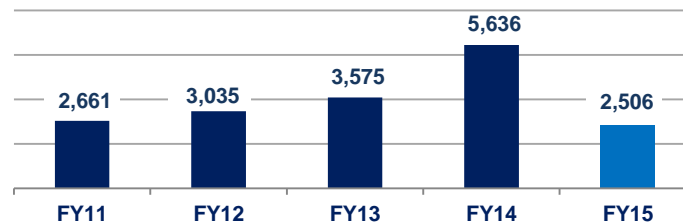
**Final dividend**  
**A\$0.02/share**

## Operational performance supports strong financial results

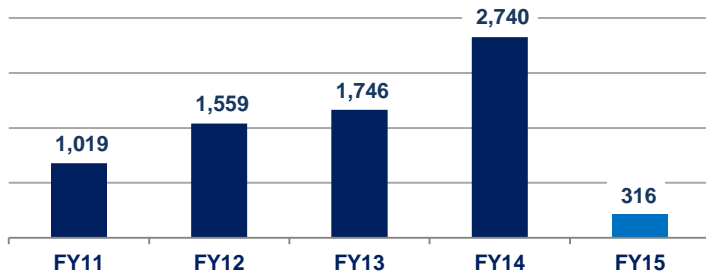
### Revenue and price realisation



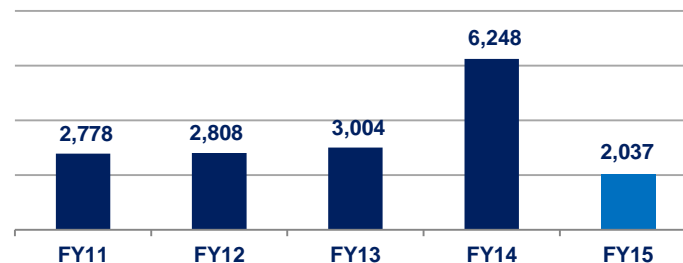
### Underlying EBITDA<sup>1</sup>, US\$ millions



### Net profit after tax, US\$ millions



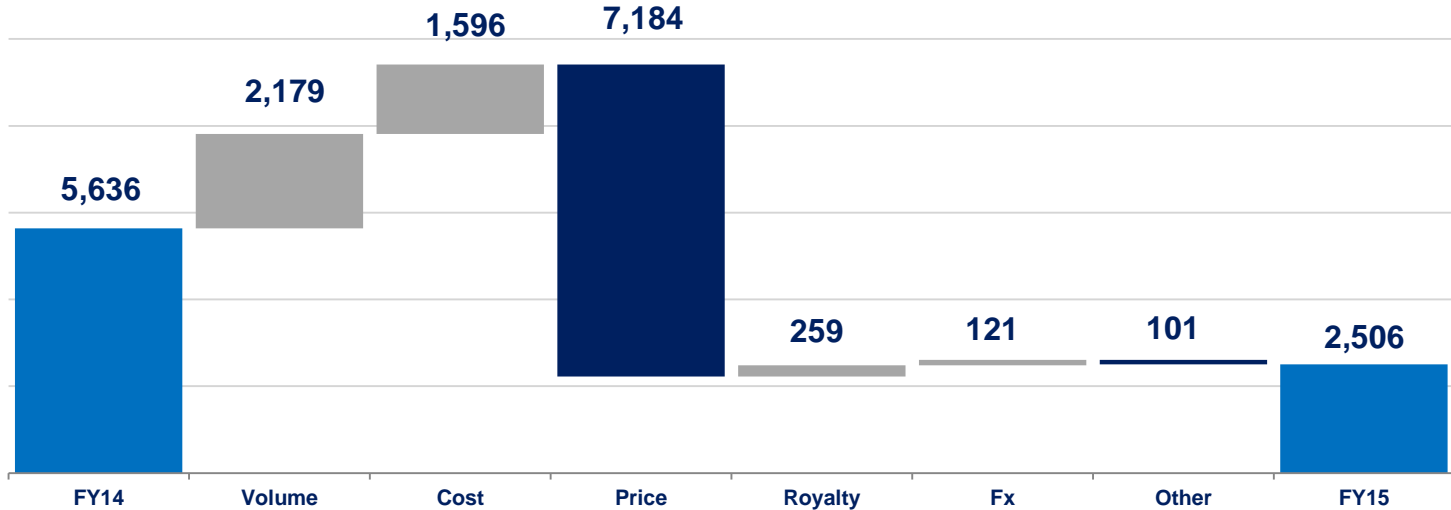
### Operating cash flows, US\$ millions



<sup>1</sup> Refer to attached glossary for definitions of non-IFRS terms

# Underlying EBITDA

Production and cost management remain key focus



- 165mt **shipped**
- **Production costs** C1 \$27/wmt

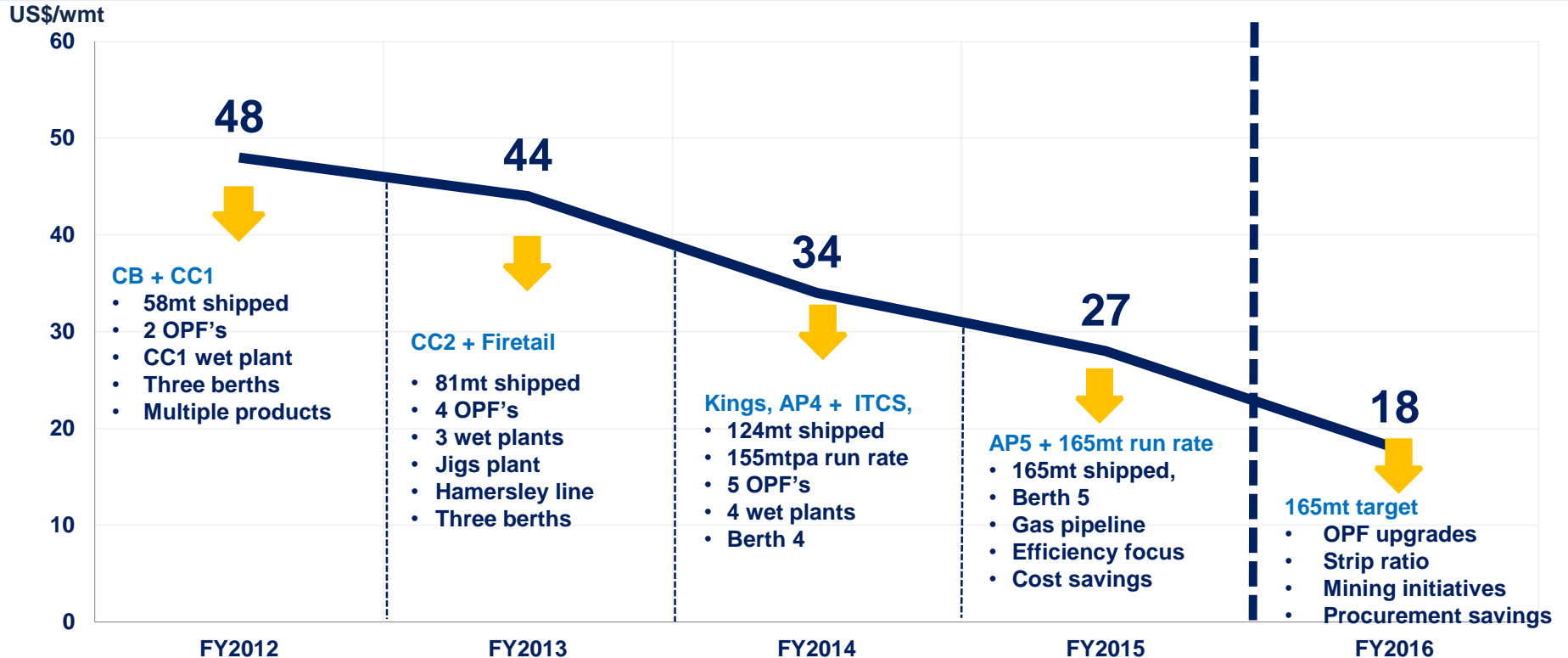
↑ **33%**

↓ **21%**



# C1 cost transformation

Cost savings FY12 to FY15 of \$1.8bn + FY16 of \$1.4bn





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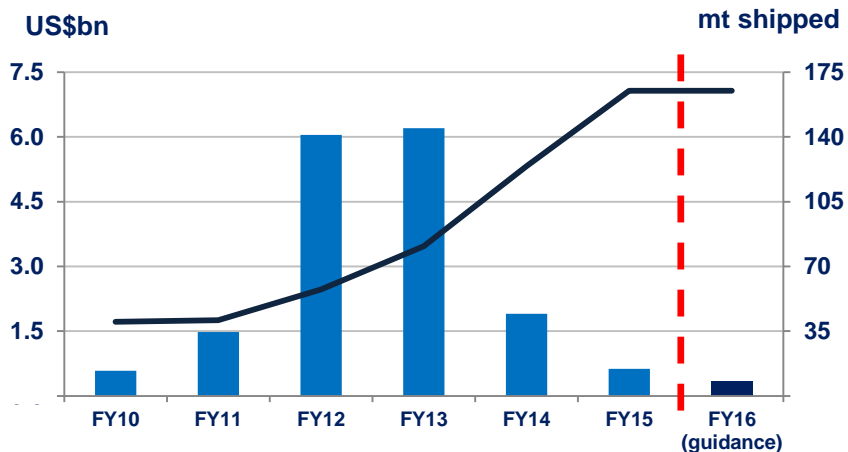
# Balance sheet



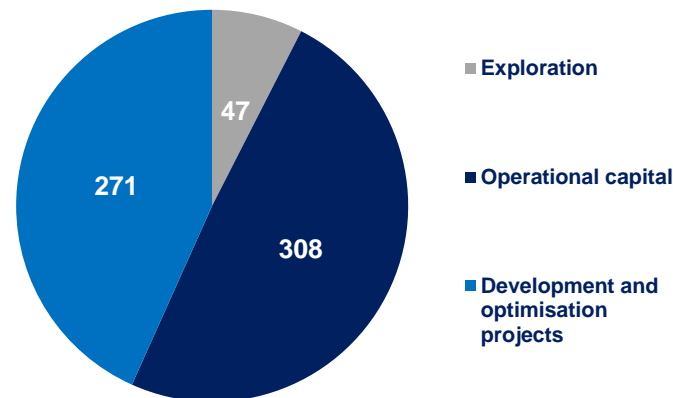
# Capital expenditure

## US\$2/wmt post expansion sustainable capex

Capital profile



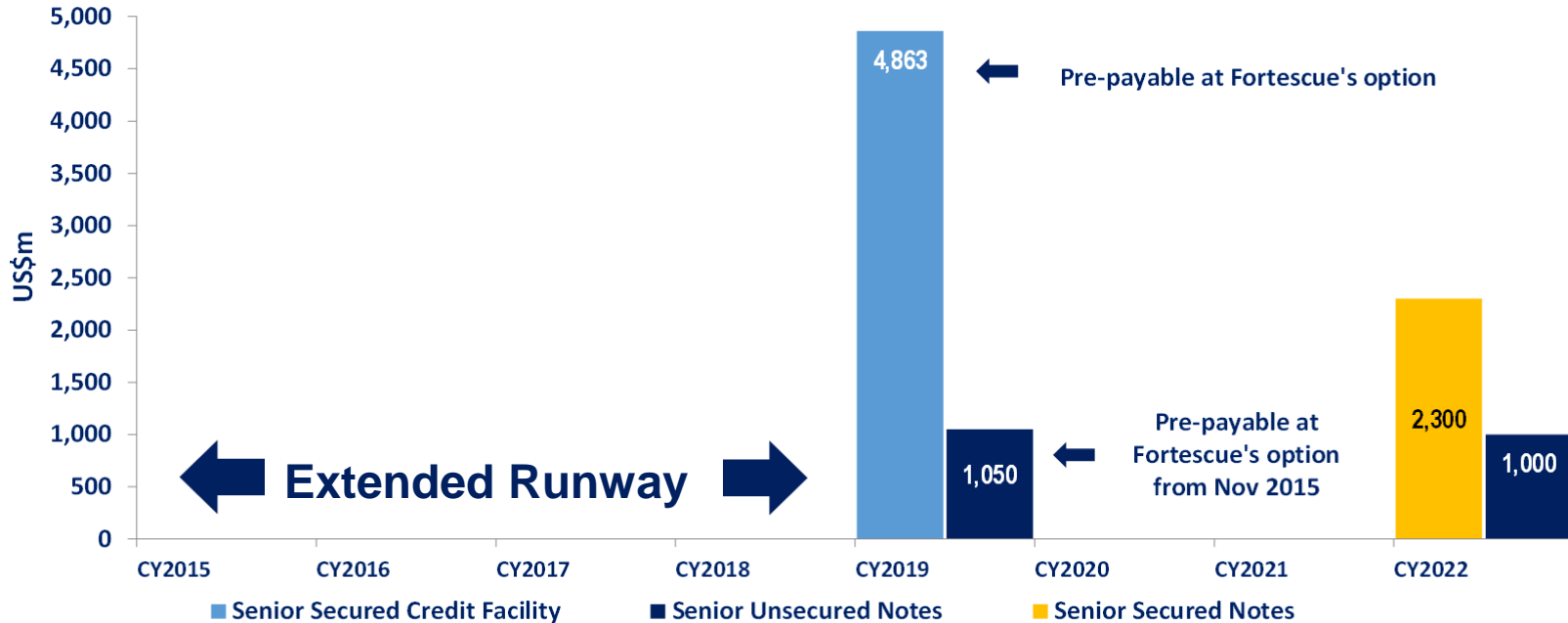
FY15 Capital – US\$626m



- **FY16** guidance of **\$2/wmt** or **\$330m p.a**
- Depreciation and amortisation charge **~US\$8.50/wmt**

# Debt maturity profile

No repayments due until June 2019 with flexibility for early repayments

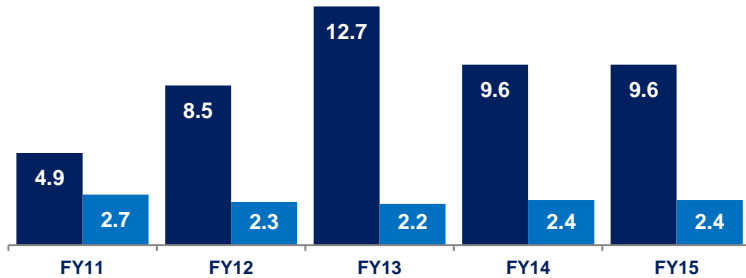


**\$2.4bn cash on hand at 30 June 2015**

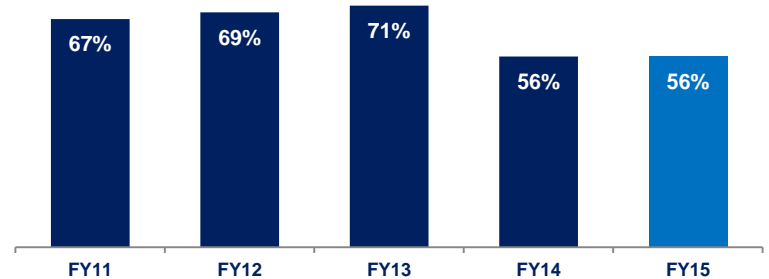
# Key credit metrics

## Operating cashflows supporting metrics

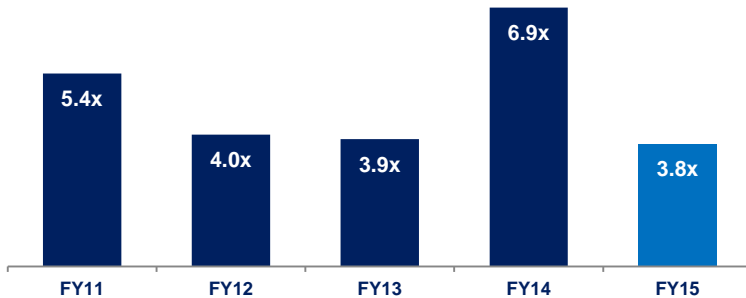
### Cash and debt (US\$bn)



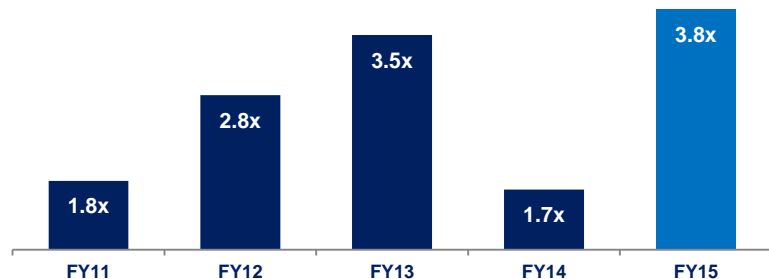
### Gearing: Debt / (Debt+Equity)



### Underlying EBITDA / Interest



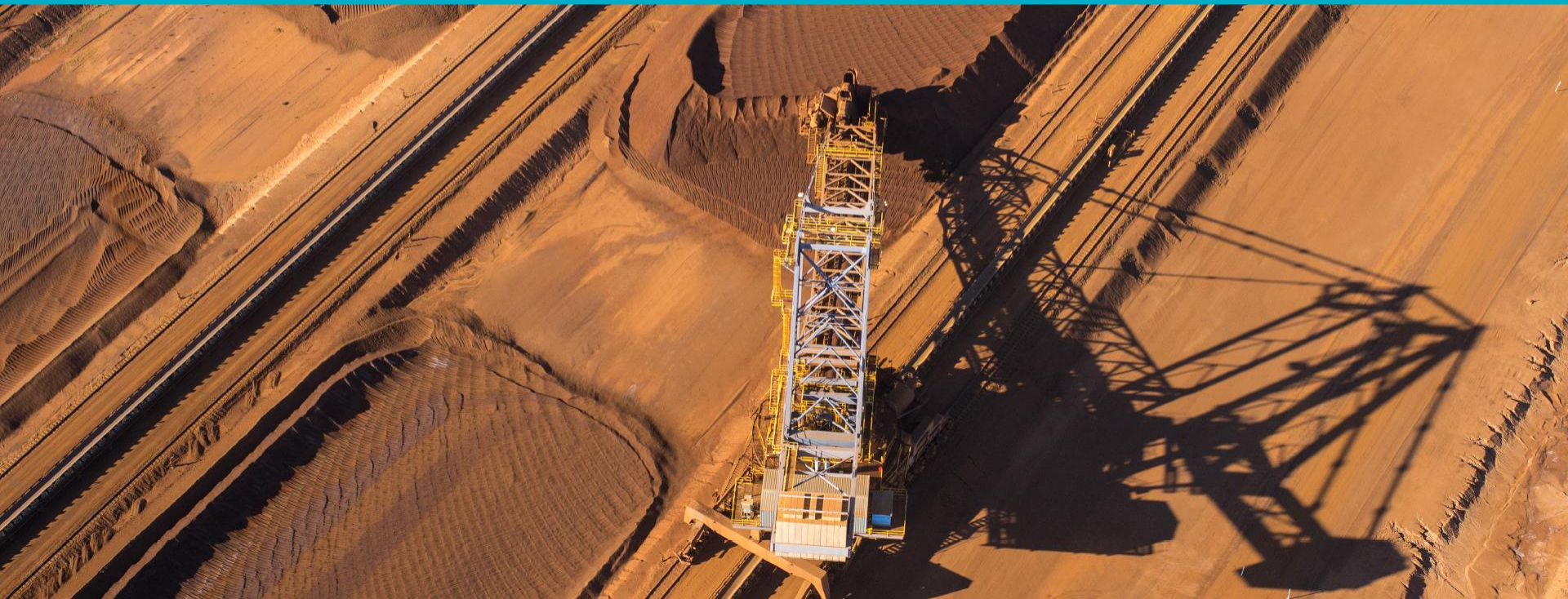
### Debt / Underlying EBITDA





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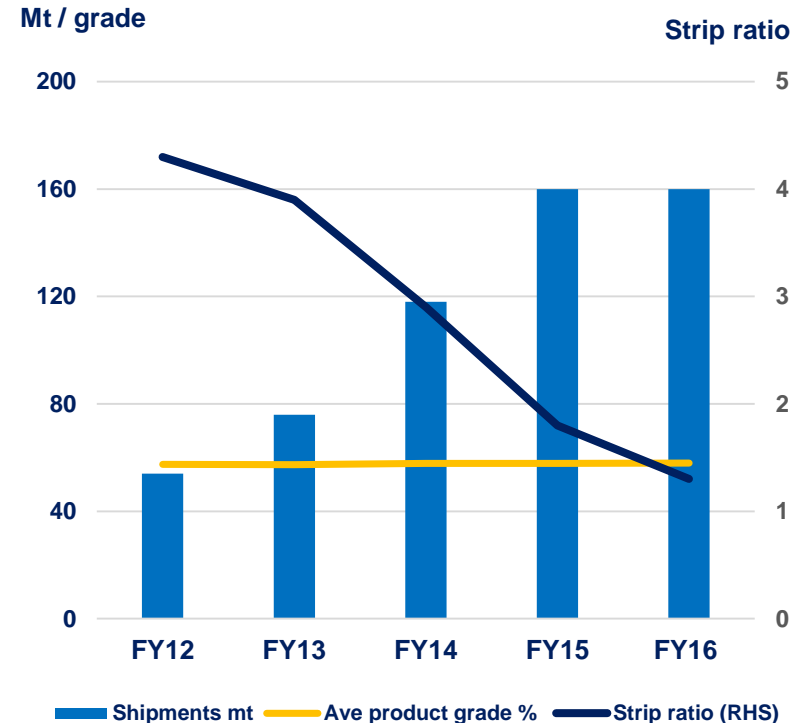
# Maximising value



# Maximise asset base

Maintaining mine lives +20 years 165mtpa

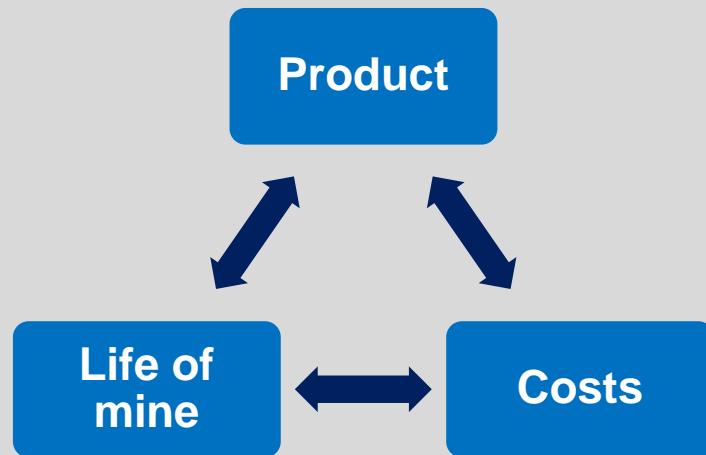
- Maintained ~58% Fe **product** grade
- Strategic **investments** in:
  - ✓ Lower cost Solomon mines
  - ✓ OPF upgrade
  - ✓ Fortescue blend
- **Improved** ore body definition
- Future **technology + blending**



Strategy continues to evolve to maximise value from asset base

- Product **consistency**
- Enhanced **processing** ability
- Fortescue **blend**
- Lowering **cut off** grades
- Improved **understanding**

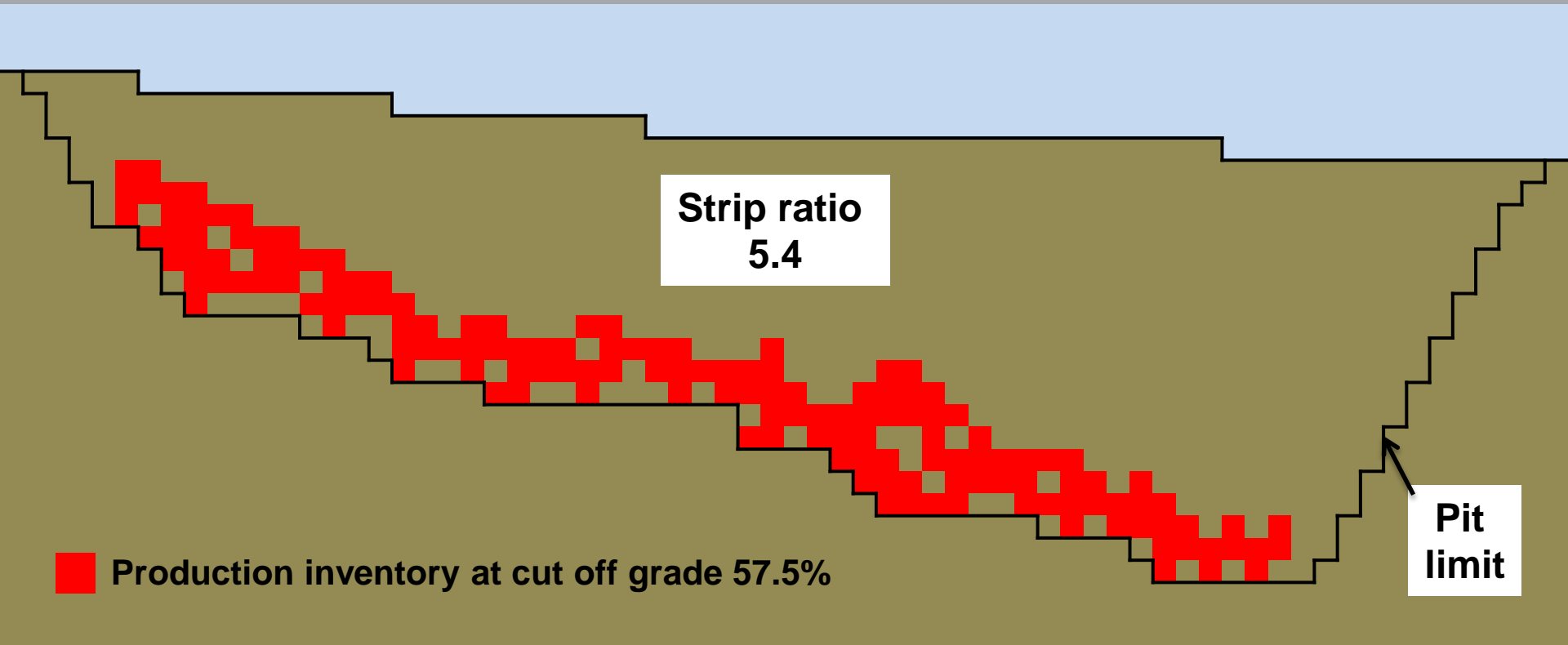
## Solving to maximise





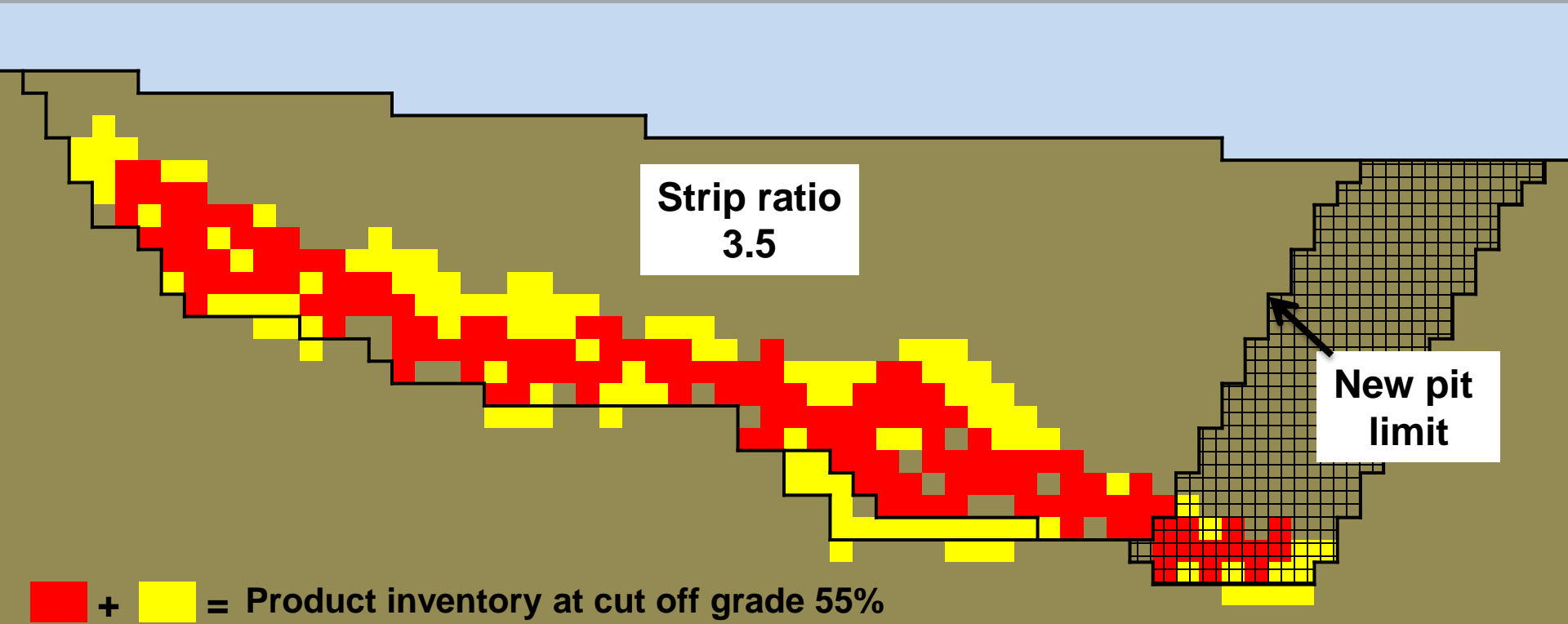
# Step 1. Product from single mine source...

Dry plant only with product grade of 59%



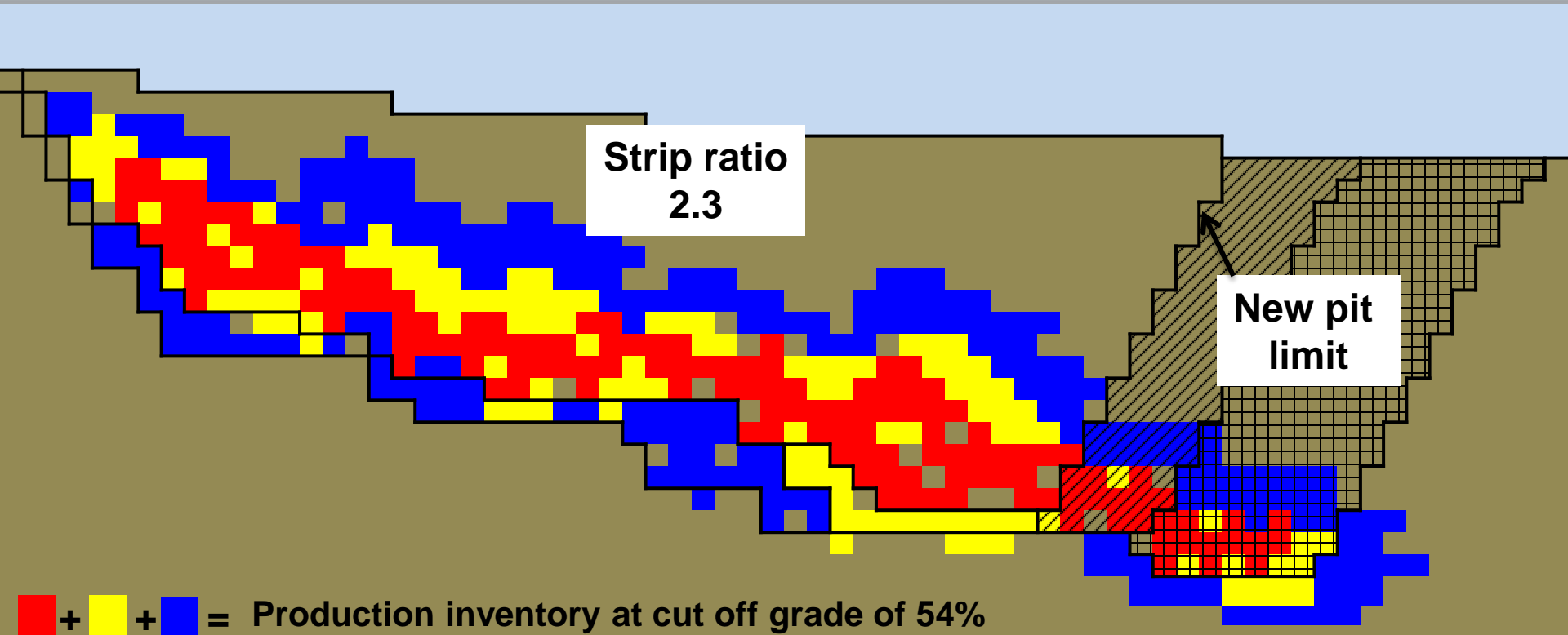
# Step 2. Blending with Firetail...

Dry plant + blending with Firetail, product grade of 57.5%



# Step 3. Blending + wet processing

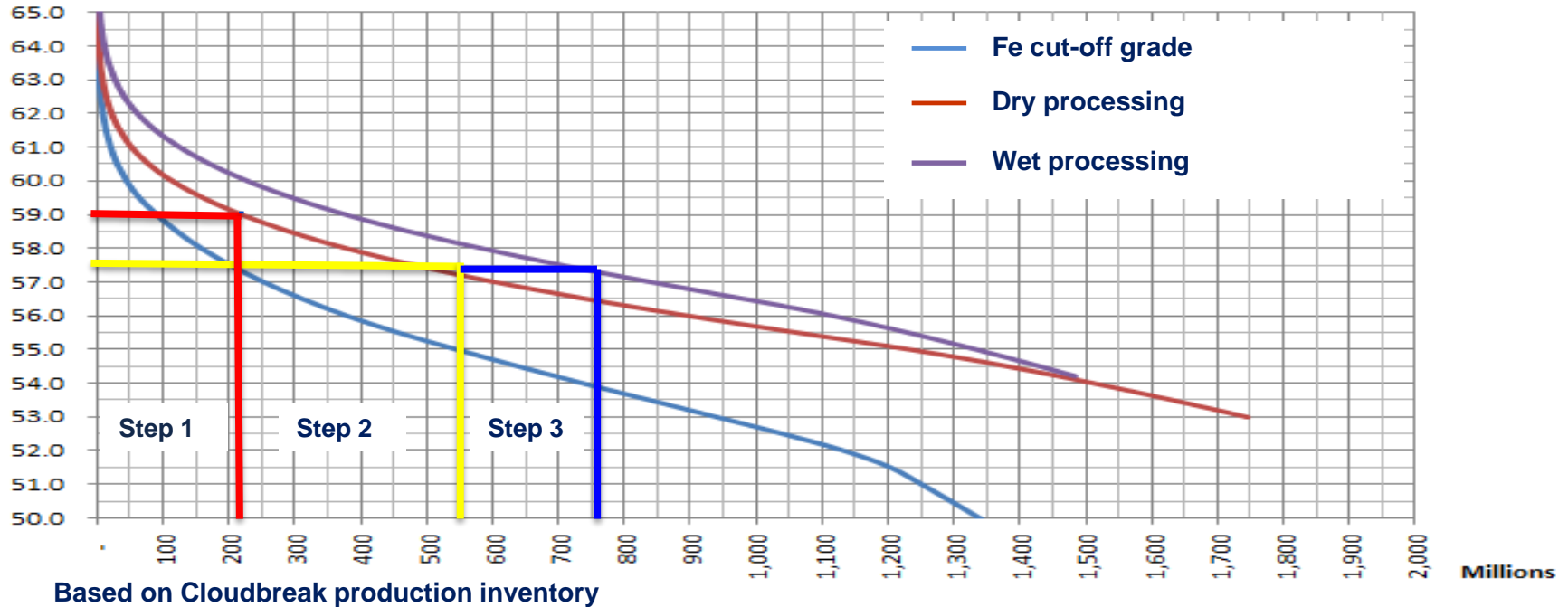
Blending with Firetail + wet processing, product grade 57.5%



# Maximising flat tonnes / grade

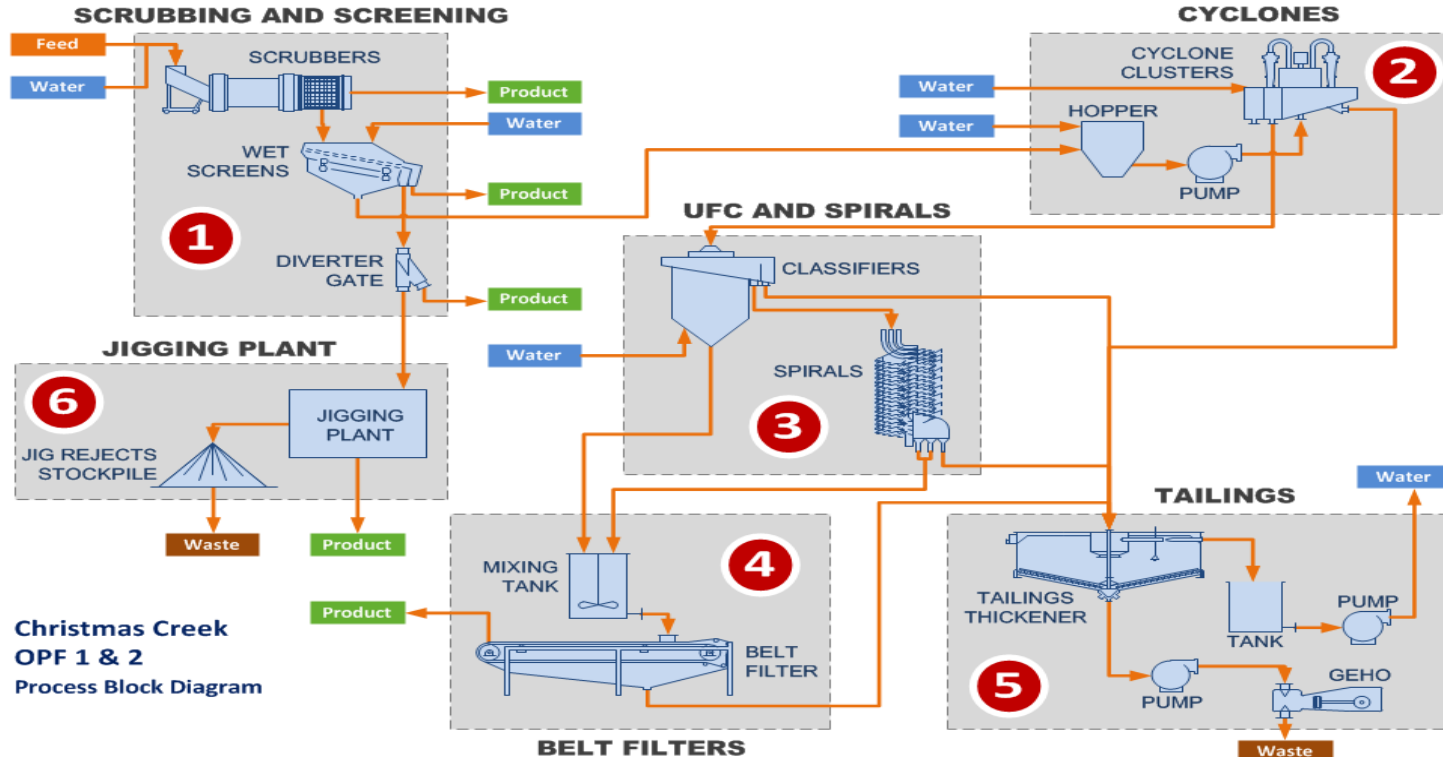
OPF upgrade and blending reduces cut-off grade + strip ratios

Fe content



# Wet process beneficiation

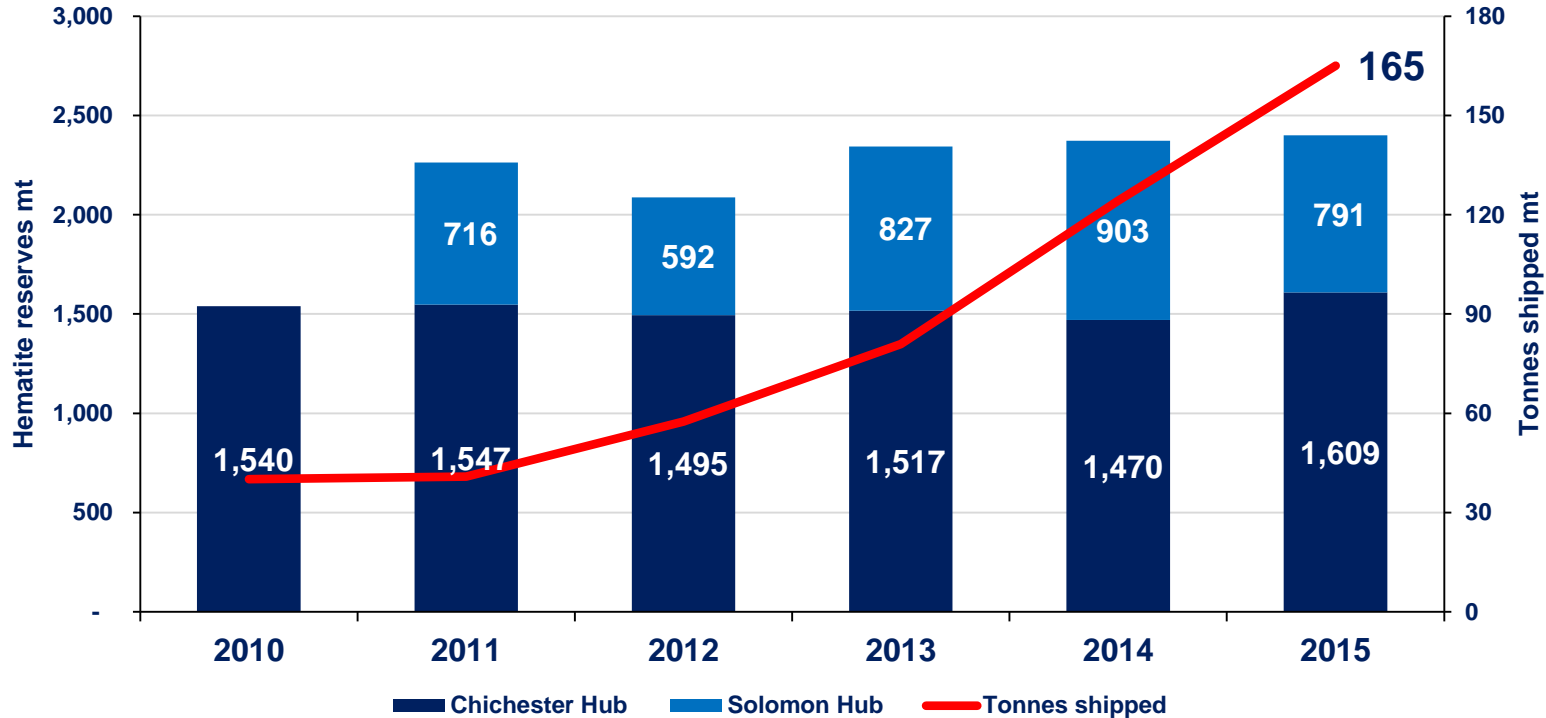
Extracting more Fe and removing Si & Al to improve cut off grades



Christmas Creek  
OPF 1 & 2  
Process Block Diagram

# Hematite reserves

Reserve life maintained through improved recovery + blending



Mining presents greatest opportunity to reduce operating costs

## Maintained mine life

 **C1  
Costs**

Revised strip ratio	Years 1-5	Life of mine
Chichester Hub	1.6	2.3
Solomon Hub	2.0	1.7

 **Strip  
ratios**

Expect **improvements** to continue



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# Market





# Core supplier to China

Well established 17% market share of imported iron ore to China

- **Optimised** product range
- **Low impurity** 58% Fe average product
- High **value in use**
- Large diverse **customer base**
- **Reliable consistent** delivery



# China's long term growth remains strong

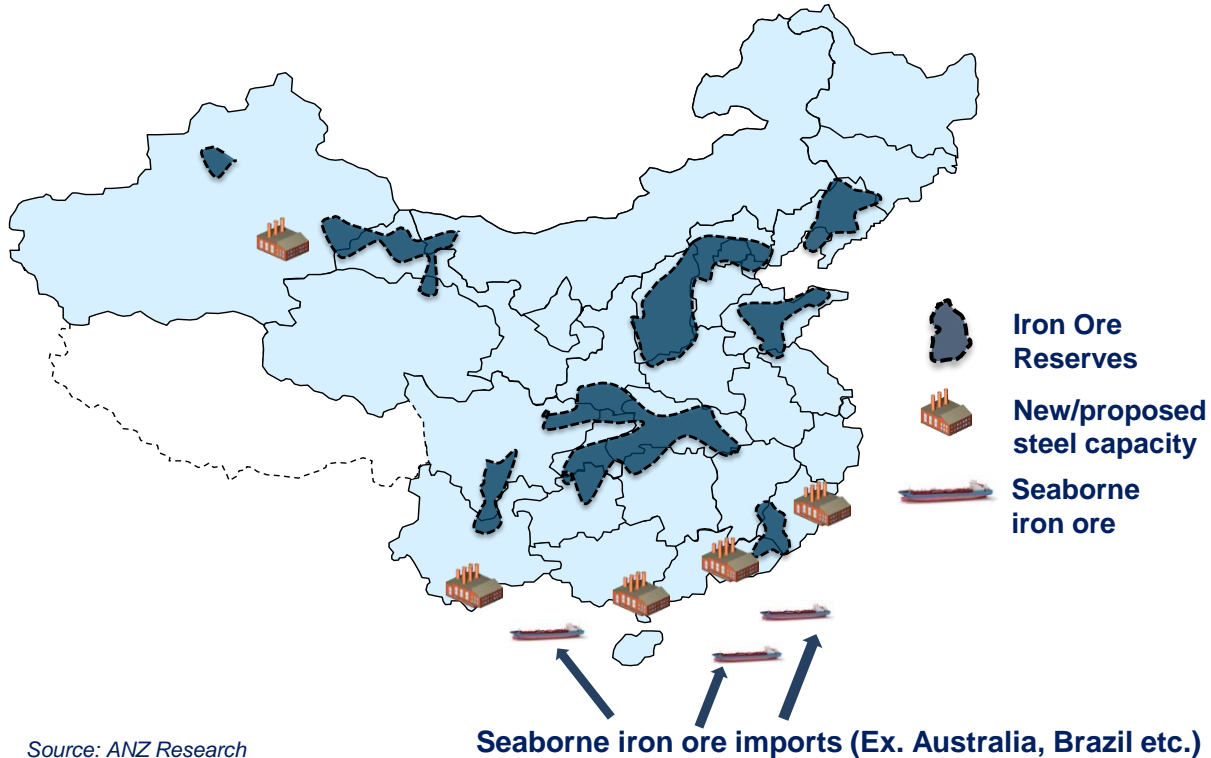
## 300 million people to urbanise

- Economic **reform process**
- **Steel demand** 800mtpa level
- GDP growth **~7%** (2015) **~6.5%** (2016)
- **One Belt One Road** US\$1.6 trillion
- **RMB 10 trillion** in projects approved
- Property market **key driver** of demand



# Demand for seaborne supply

New coastal capacity moving away from domestic iron ore

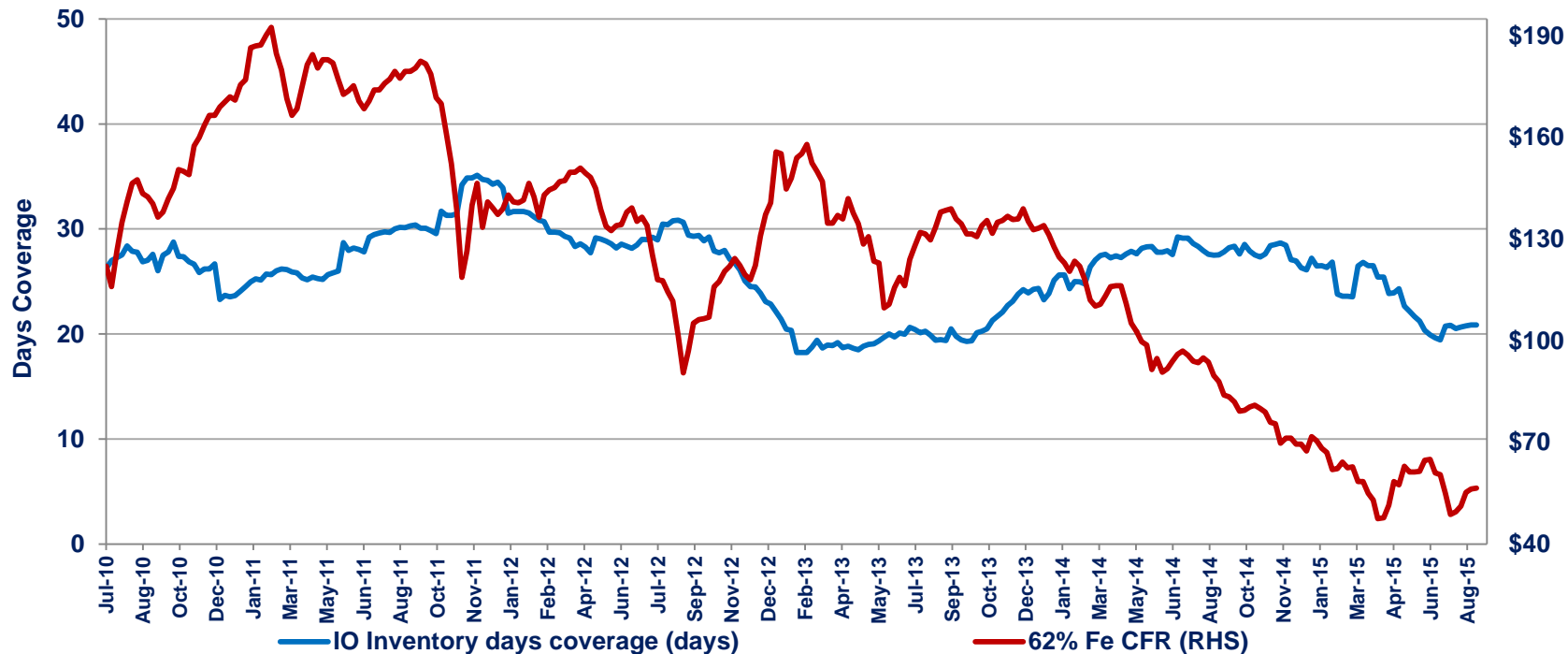


Source: ANZ Research



# Iron ore supply in balance...sentiment driving price

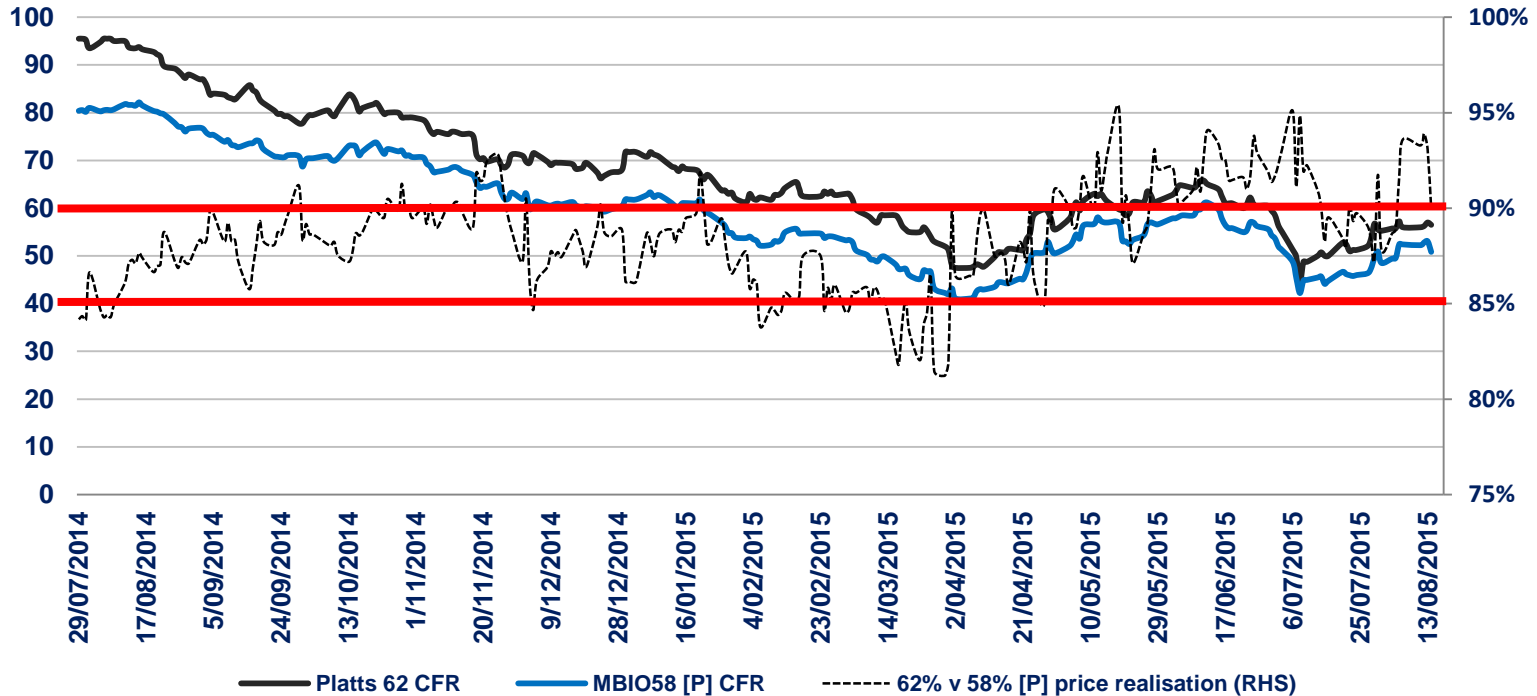
Port stocks continuing to decline, currently at 80mt



Source: Bloomberg and Umetal

# Price realisation

Realising consistently at 85-90% of Platts 62%





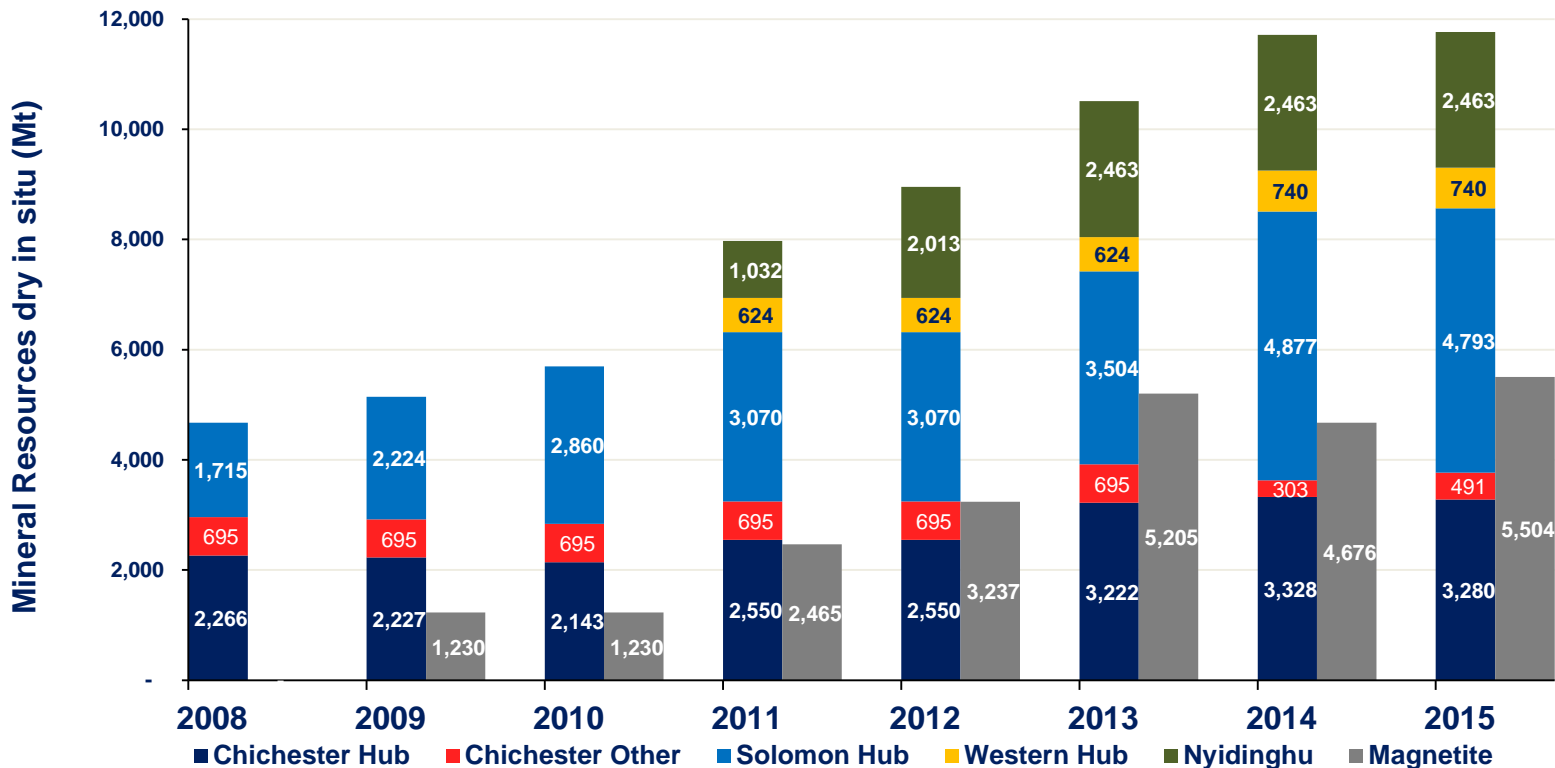
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# Reserves and resources



# Resource portfolio supports asset base

Drilling as required and extend through near mine exploration





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# Supporting our local community





# Ending Aboriginal disparity in the Pilbara

Creating opportunities through training, employment and business opportunity



**1,000**

Aboriginal employees



**13%**

Aboriginal people in  
Fortescue workforce



**A\$1.8bn**

Contracts to Aboriginal  
companies and JVs



**VTEC**

Roebourne | South Hedland



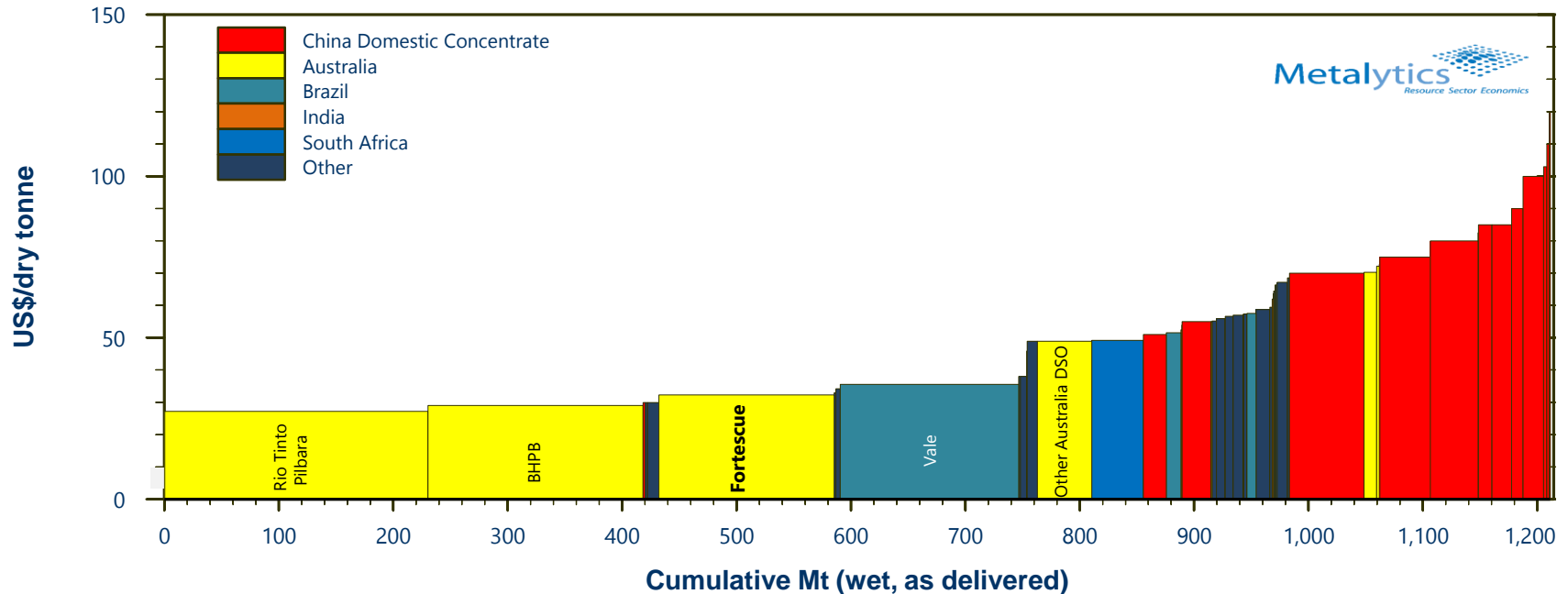


# Clear strategy



# Moving down the global cost curve

## China's 2015 Iron Ore Supply CFR Costs (including royalties & ocean freight)



Source: Metalytics August 2015.

# The new force in iron ore



Unique culture drives performance

**Reliable**  
**Efficient**  
**Delivery**

**World class**  
**assets +**  
**people**



**Low cost**  
**producer**

**165mt**  
**Production rate**





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<b>C1:</b>	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.
<b>CFR:</b>	Cost and freight rate.
<b>mtpa:</b>	million tonnes per annum.
<b>HY:</b>	Half year.
<b>FY:</b>	Full year.
<b>dmt:</b>	dry metric tonnes.
<b>Debt coverage ratio:</b>	debt / Underlying EBITDA
<b>Interest coverage ratio:</b>	Underlying EBITDA / Interest
<b>NPAT:</b>	Net profit after tax. The reconciliation of Underlying EBITDA to the financial metrics disclosed in the financial statements prepared under the Australian accounting standards is presented below.
<b>Underlying EBITDA:</b>	Earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses.
<b>wmt:</b>	wet metric tonnes.

<b>Reconciliation of Underlying EBITDA to IFRS measures</b>	<b>30 June 2015 US\$m</b>	<b>30 June 2014 US\$m</b>
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
<b>Underlying EBITDA</b>	<b>2,506</b>	<b>5,636</b>