



Fortescue
The New Force in Iron Ore

HY17 Results Presentation



People. Innovation. Performance.

Important Notice

The purpose of this presentation is to provide general information about Fortescue Metals Group Limited ("Fortescue"). It is not recommended that any person makes any investment decision in relation to Fortescue based on this presentation. This presentation contains certain statements which may constitute "forward-looking statements". Such statements are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward-looking statements.

No representation or warranty, express or implied, is made by Fortescue that the material contained in this presentation will be achieved or prove to be correct. Except for statutory liability which cannot be excluded, each of Fortescue, its officers, employees and advisers expressly disclaims any responsibility for the accuracy or completeness of the material contained in this presentation and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this presentation or any error or omission therefrom.

Fortescue accepts no responsibility to update any person regarding any inaccuracy, omission or change in information in this presentation or any other information made available to a person nor any obligation to furnish the person with any further information.

Additional Information

This presentation should be read in conjunction with the Annual Report at 30 June 2016 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 2016 as released to the Australian Securities Exchange on 19 August 2016. Fortescue confirms in the subsequent public report that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and, in the case of estimates of mineral resources or ore reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

All amounts within this presentation are stated in United States Dollars consistent with the functional currency of Fortescue Metals Group Limited, unless otherwise stated. Tables contained within this presentation may contain immaterial rounding differences.

Building a world class company

Core supplier to China's growth

Safety focus

Engagement
Empowerment
Leadership

First ore
in 2008



Low cost
producer



Shipped over

800mt

165-170mt
Production rate



Unique culture

Our Vision: The safest, lowest cost, most profitable iron ore producer



Safety



Family



Integrity



Determination



Enthusiasm



**Set yourself
stretch targets**



Empowerment



Generating ideas



Frugality

Delivering on targets

Focus on safety, productivity and efficiency

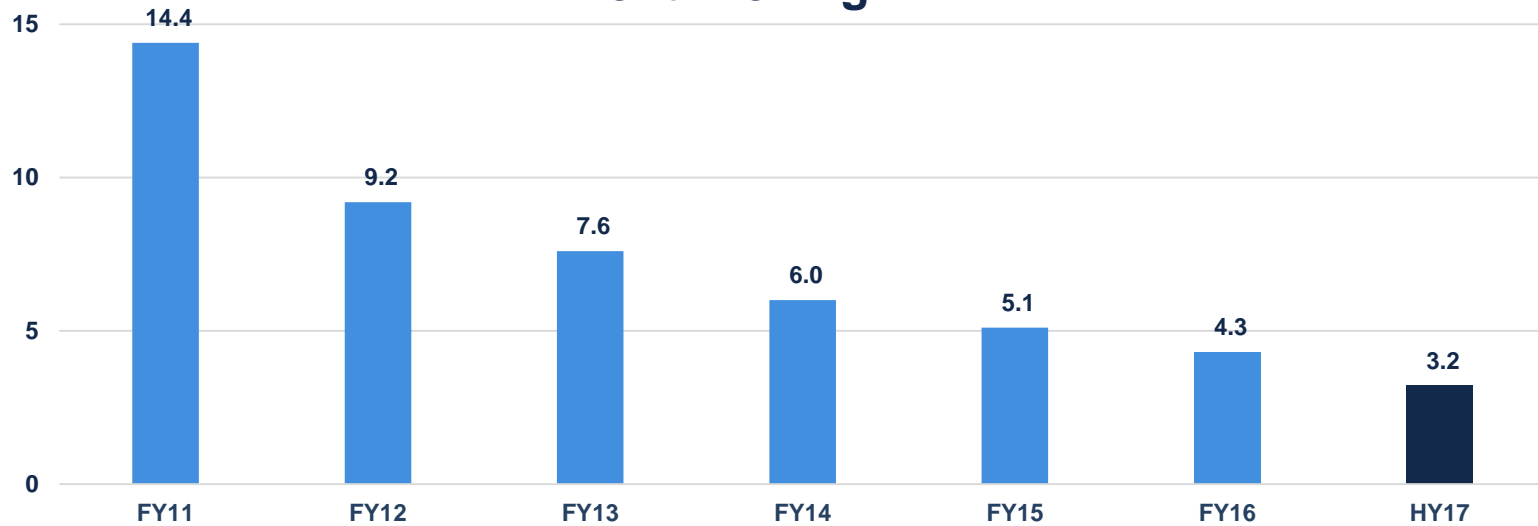
- ✓ **Safety**
- ✓ **165-170mt** shipped
- ✓ **Productivity + efficiency**
- ✓ **Low cost** global producer
- ✓ **Debt** repayments
- ✓ Consistent **dividend** policy



Safety performance

Continuing to improve the safety of all our employees and contractors

12 month rolling TRIFR



Productivity initiatives delivering sustainable cost reductions and financial results

86.1mt
Shipped

US\$2.6bn
Underlying
EBITDA

US\$4.0bn
Net debt

C1 Cost
\$13.06/wmt
20% reduction

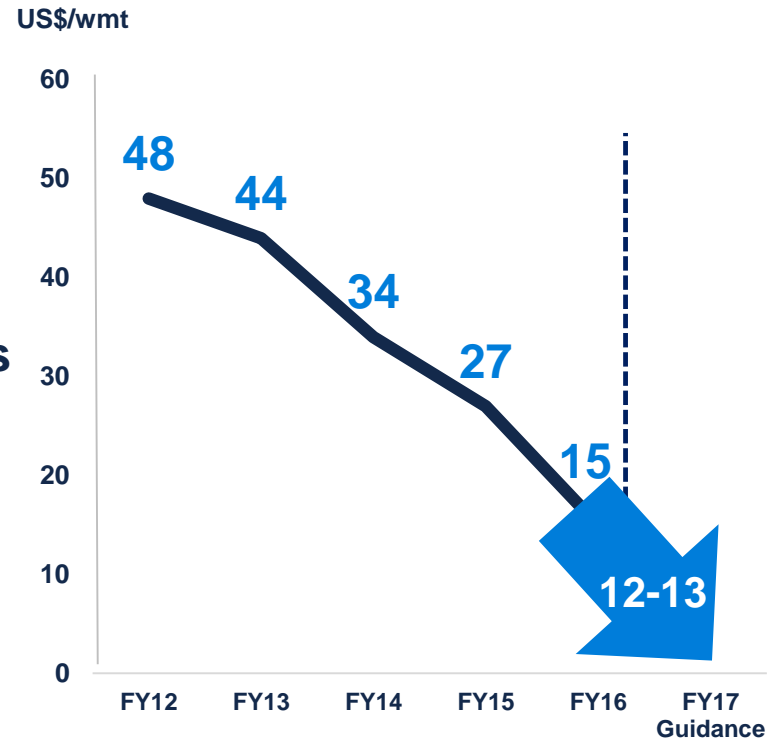
US\$1.2bn
NPAT

A\$0.20
Interim dividend
38% payout

Continuous + sustainable cost improvements

Focus on productivity and efficiency delivering cost savings

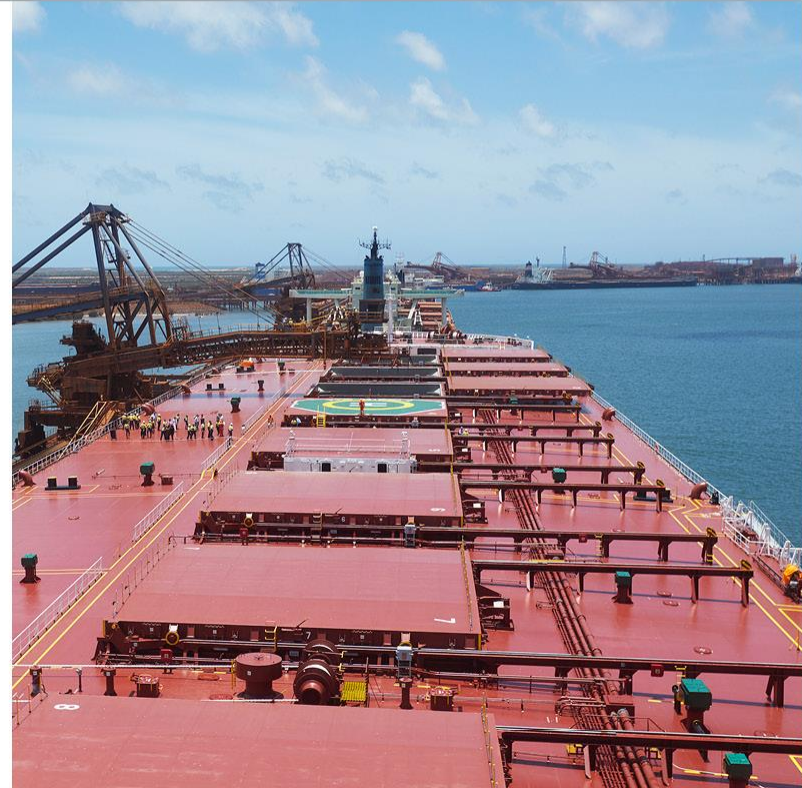
- 1 **Solomon** operations
- 2 **Blending** strategy 58% Fe
- 3 **Processing**, wet plants + de-sands
- 4 Operational **efficiencies**
- 5 Fx and fuel **decreases**



Innovative shipping fleet

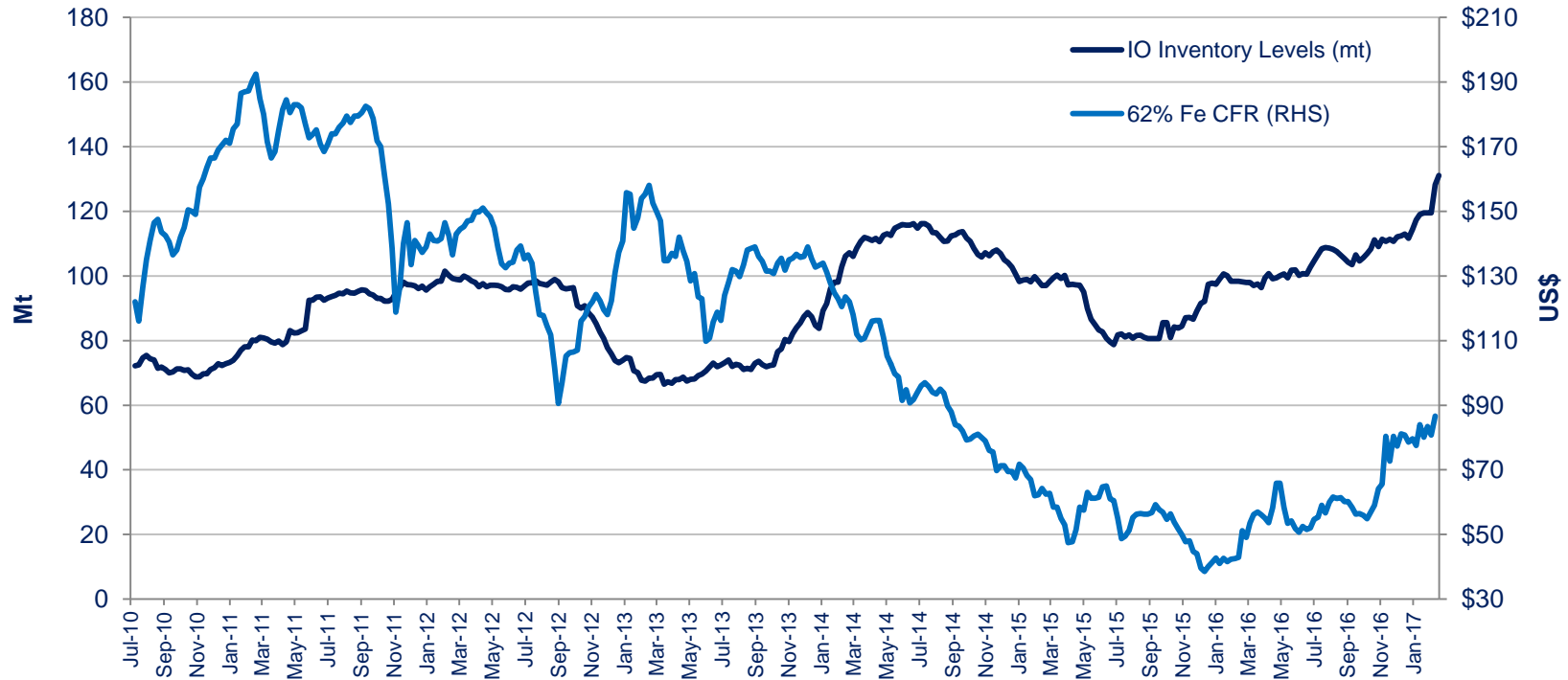
Eight ore carriers - natural extension of Fortescue's supply chain

- Provides **12%** shipping requirements
- **Complement** port infrastructure
- Maximise **tonnage**, improve **load rates**
- **Safe manoeuvring** within the port
- **CDB Leasing** agreement US\$473m



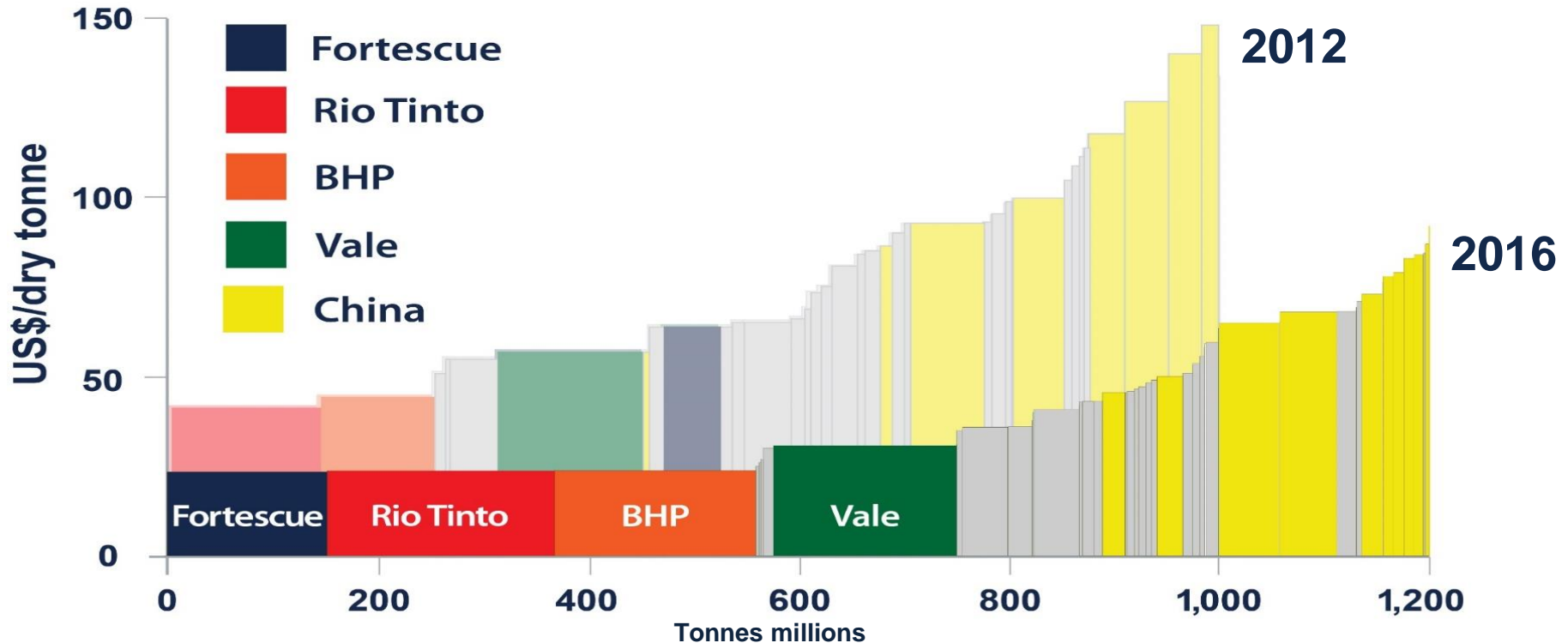
Iron ore supply in balance

Construction and manufacturing projects support iron ore inventory levels



Moving down the global cost curve

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



Financial performance



Focused on delivering shareholder value

SHAREHOLDER RETURNS AND VALUE

Balance sheet strength

Debt repayments and capital management

Cash margins and
free cash flow

Price + cost improvements + capital management

HY17 financial outcomes



Operational performance delivering financial results

US\$1.2bn
Cash on hand

US\$1.7bn
Debt repaid

US\$1.5bn
Free cashflows

US\$0.39
Earnings per share
282%↑

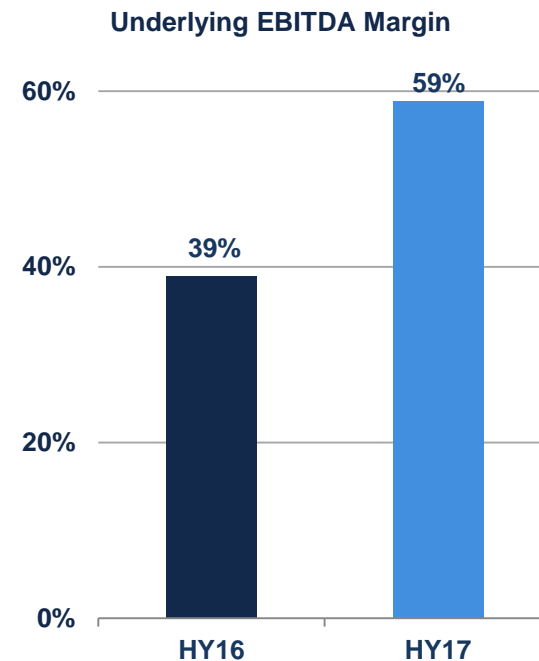
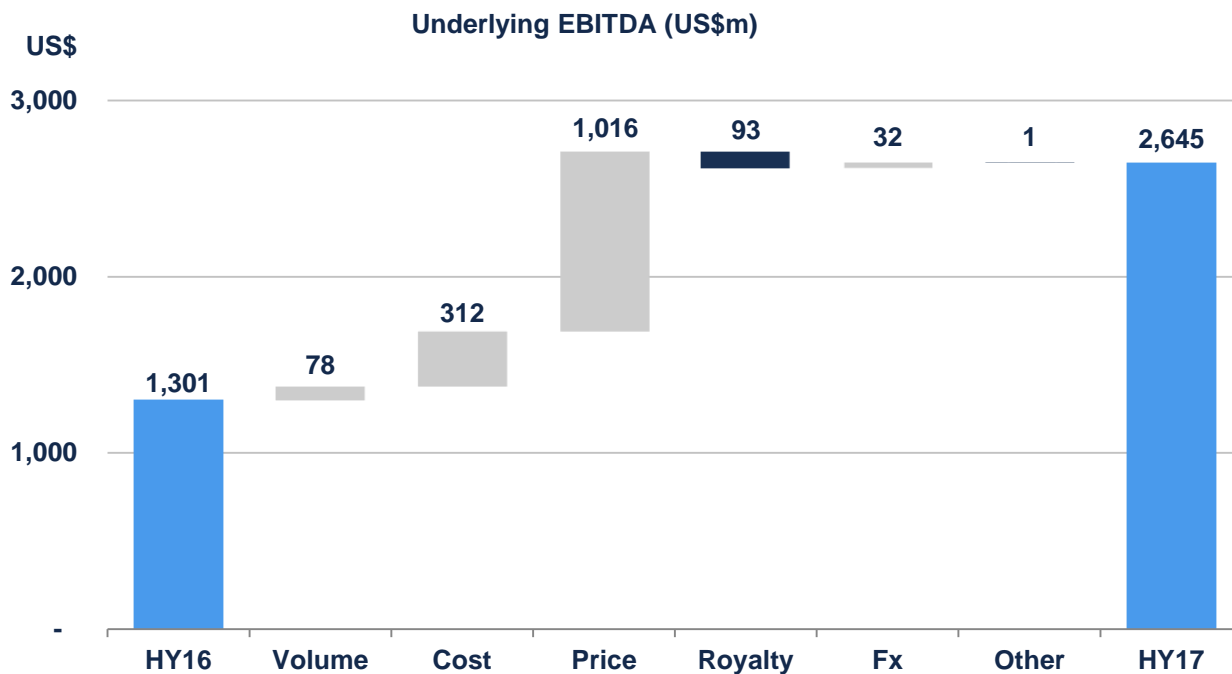
30%
Net gearing

52% ↑ in six months



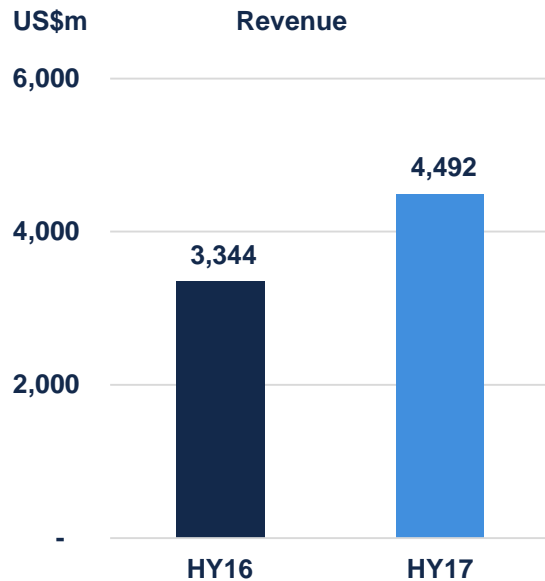
Underlying EBITDA

103% increase through cost improvement and higher prices

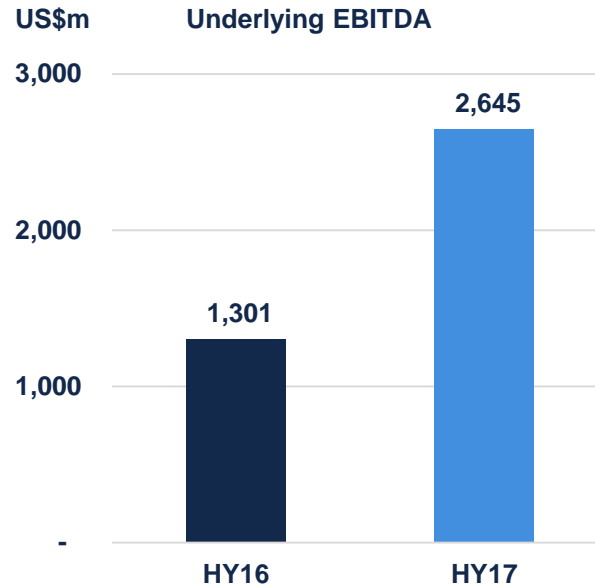


HY17 Earnings

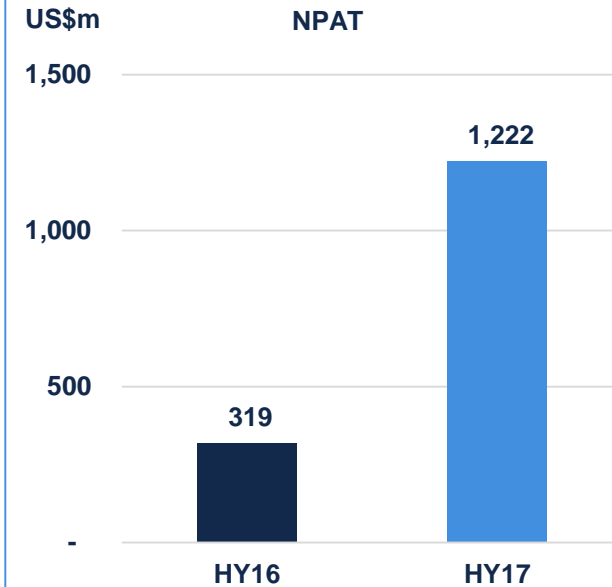
Improvements driven by continued cost performance and higher prices



34% ↑



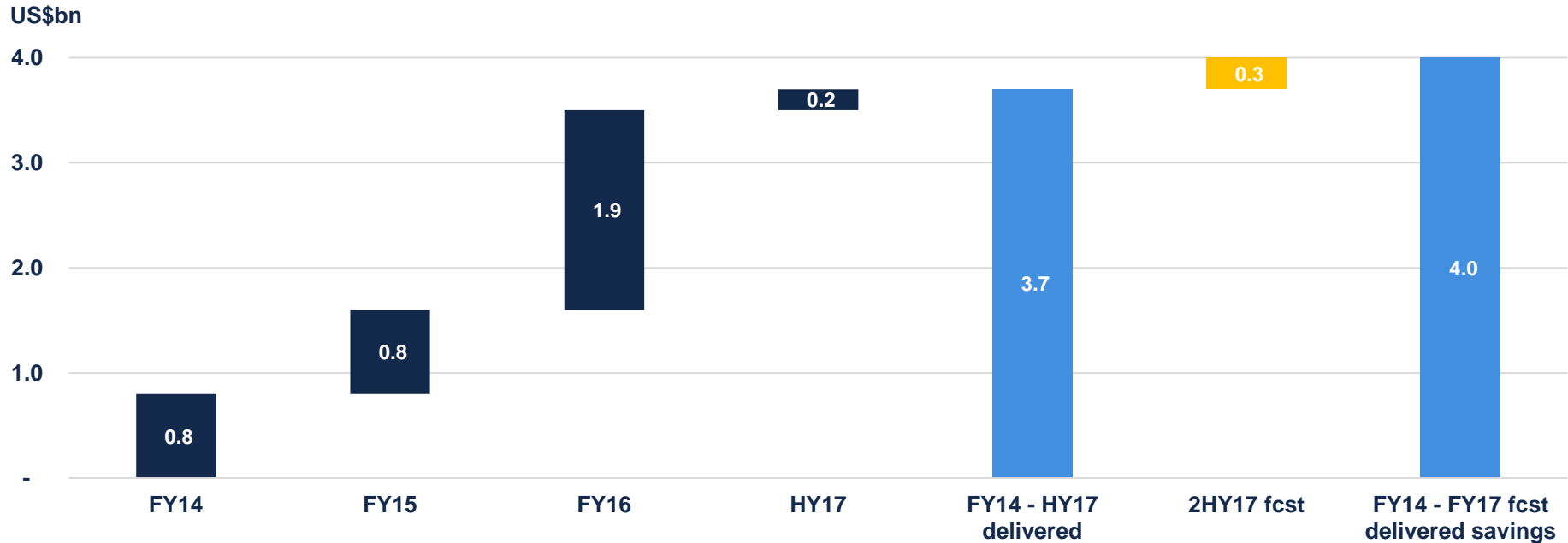
103% ↑



283% ↑

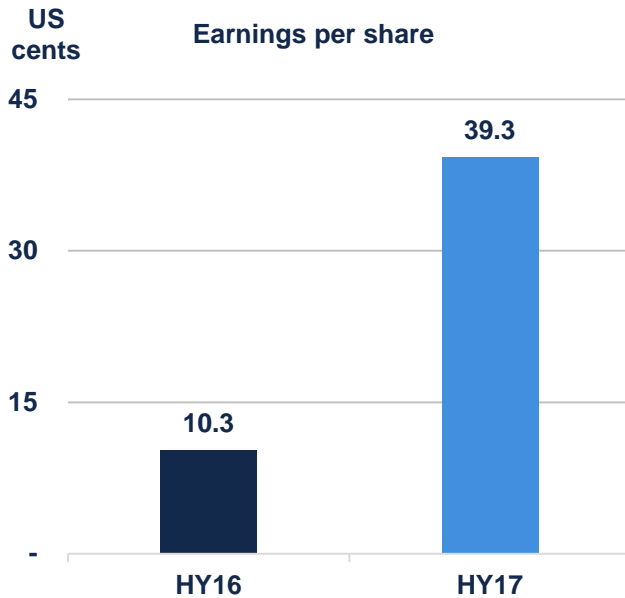
Cost savings delivered

US\$3.7bn in operating cost savings delivered since achieving full operational capacity

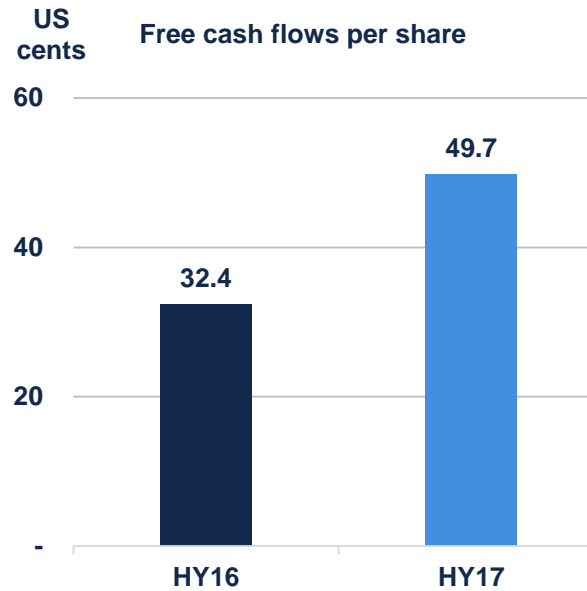


Returns to shareholders

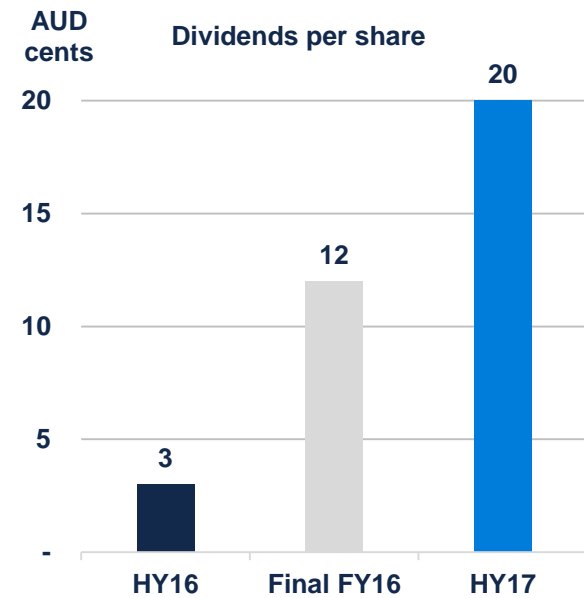
Operational performance continuing to increase shareholder value



282% ↑



53% ↑



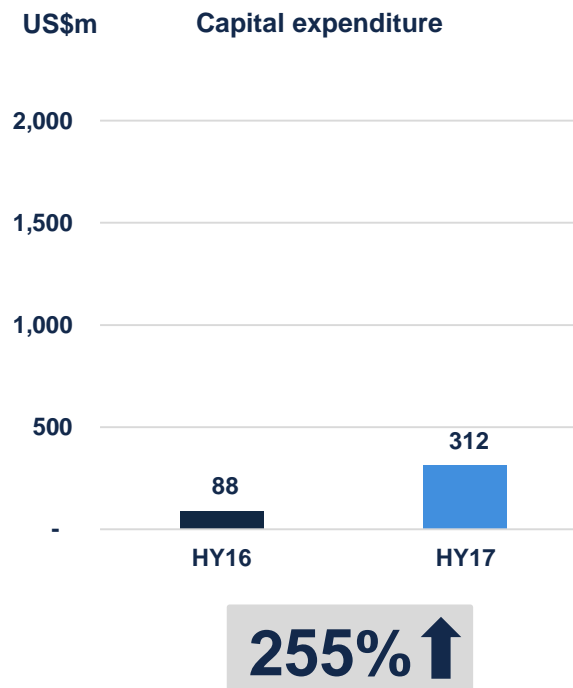
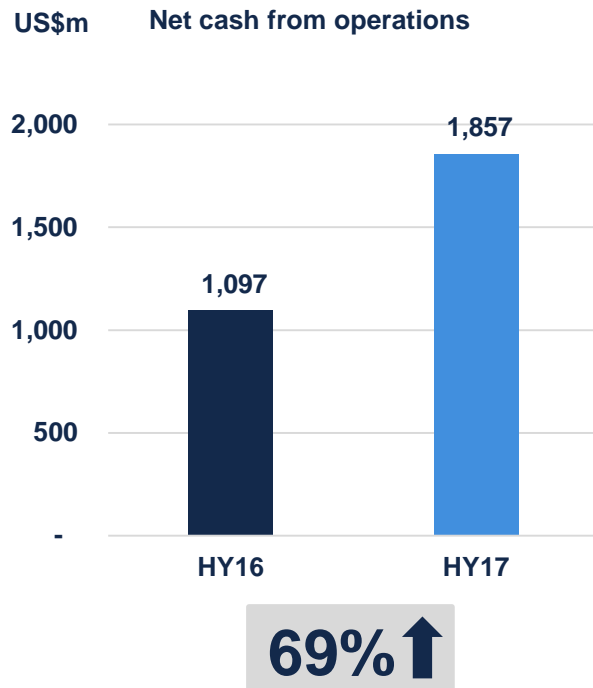
567% ↑ HY16 to HY17

Cash and Balance sheet



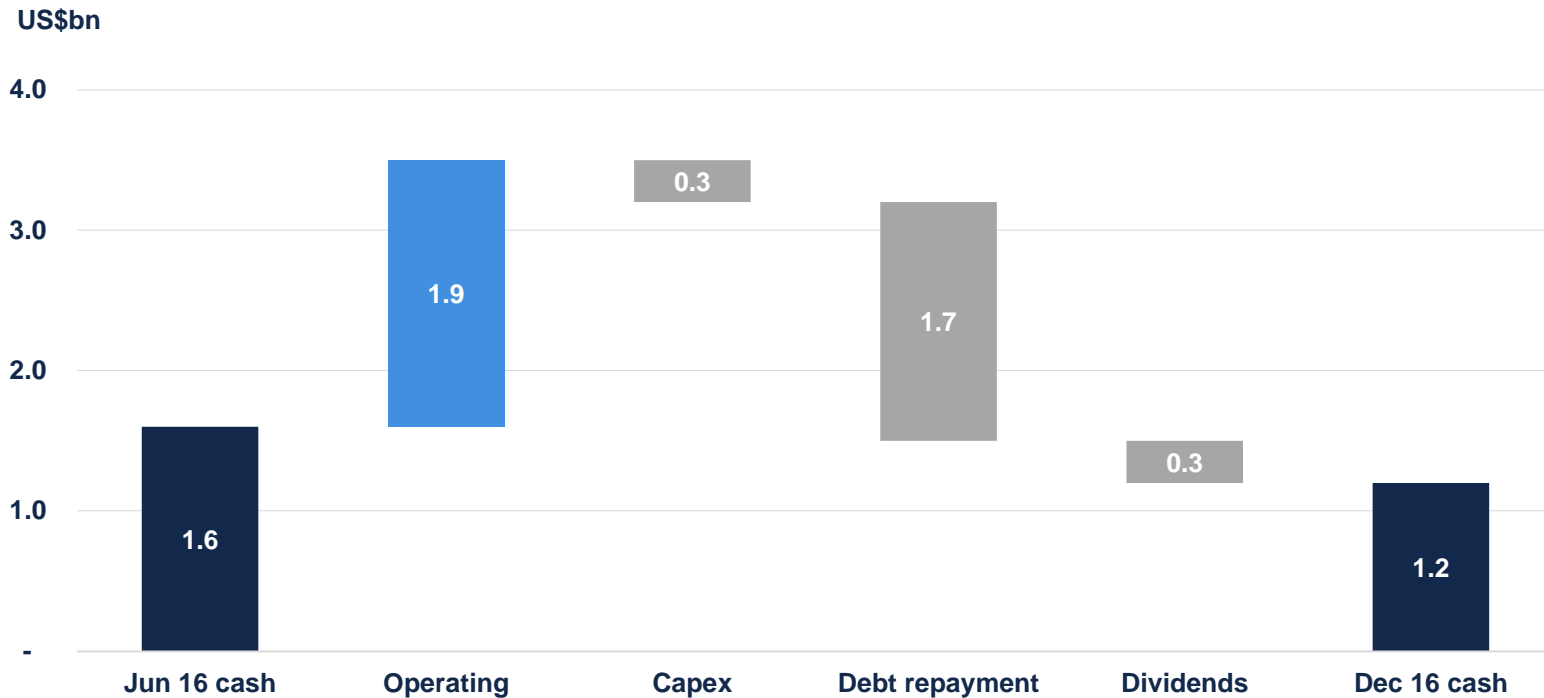
Cash flows

Growing operating cash flows support returns to shareholders and investment



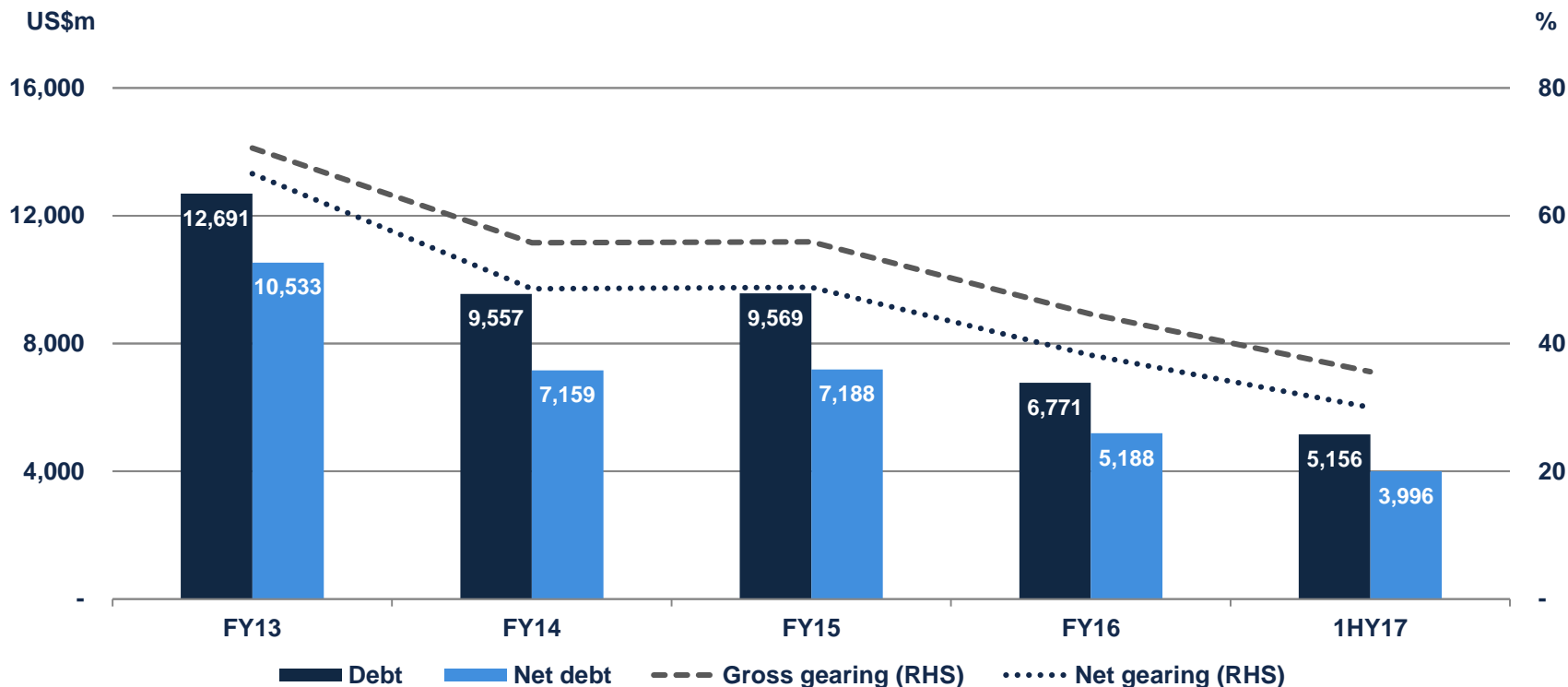
Cash movements

Cash levels supporting additional debt repayments and dividends



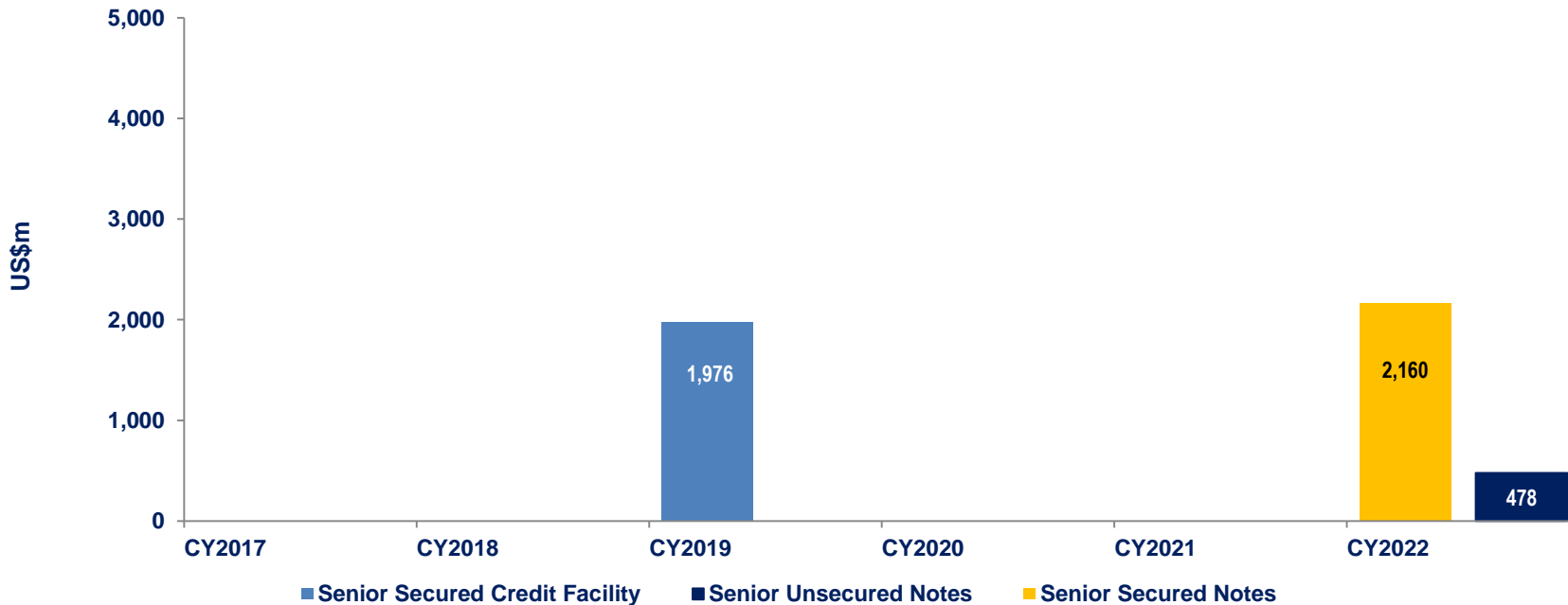
Debt repayments

US\$7.5bn of net debt repaid since expansion complete improving gross gearing to 36%



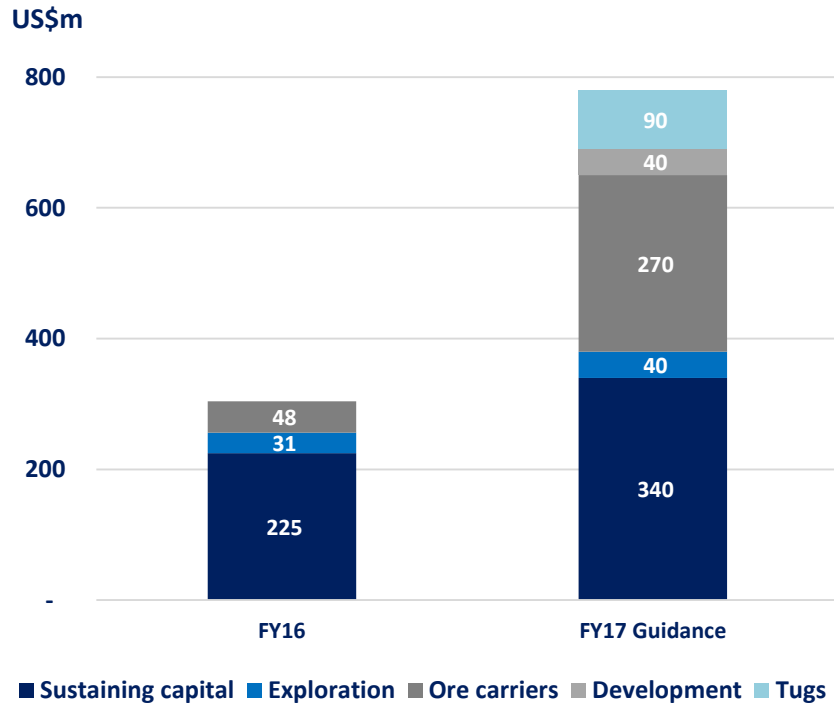
Debt maturity

US\$1.7bn repaid in FY17 with flexibility to continue voluntary early repayments



Capital expenditure

Free cash prioritised to debt with cash funding of ore carriers



FY17 Guidance

- Sustaining capex **US\$2**/wmt
- Development of **Firetail** replacement
- **Ore carriers** 85% cash funded via CDB
- D&A **US\$7.10**/wmt

An aerial night view of the Shanghai skyline, featuring numerous illuminated skyscrapers and the Bund along the Huangpu River. A prominent yellow banner is overlaid across the top of the image. The word "Market" is written in a bold, black, sans-serif font on the right side of the banner. The city lights are reflected in the water, and the overall atmosphere is vibrant and modern.

Market

Fortescue values its relationship with China

Four key areas of engagement

Core Supplier



17% market share

Procurement



Over \$1bn Chinese contracts

Investment partner



Direct investment by Hunan Valin

Community engagement

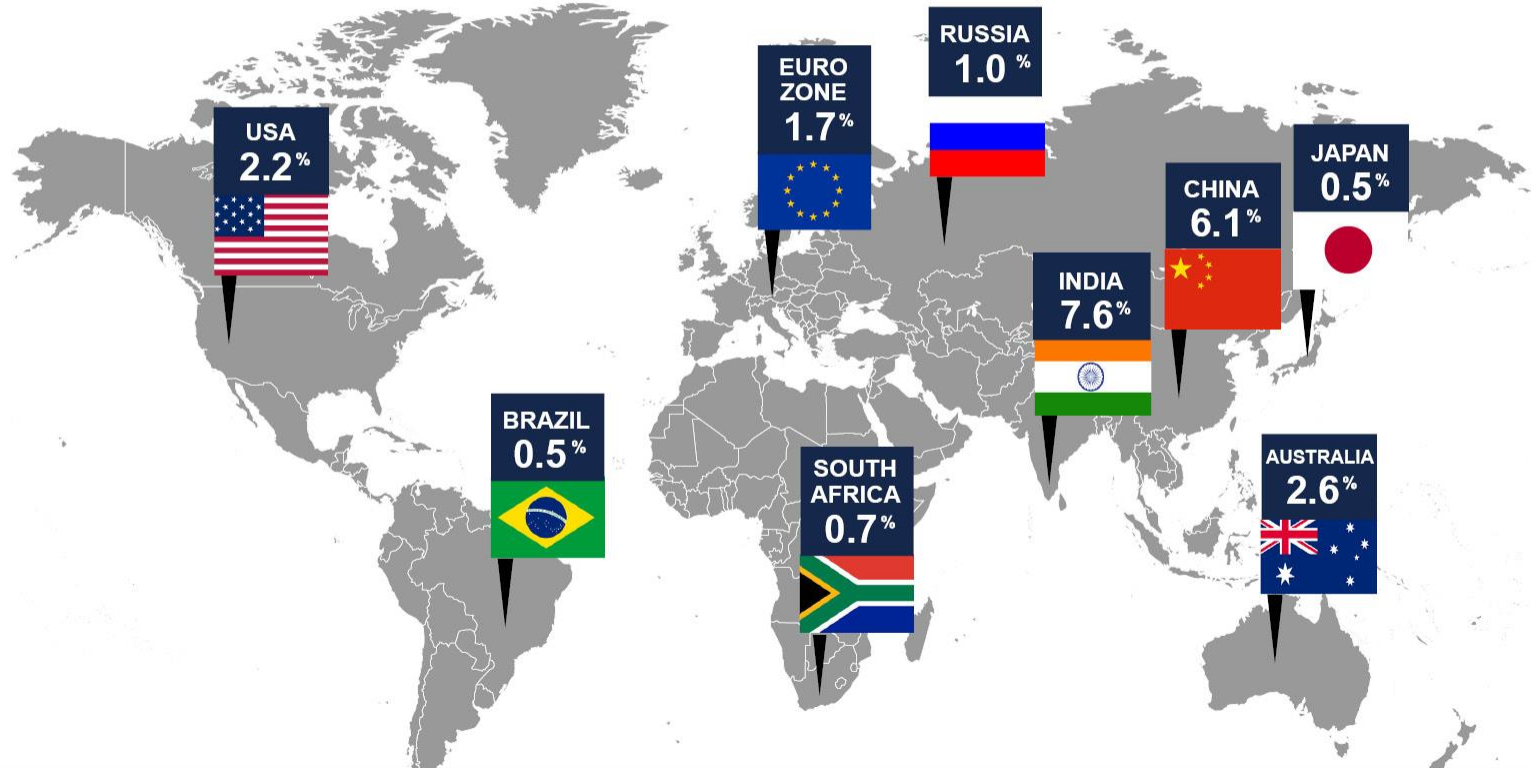


Funding of scholarships



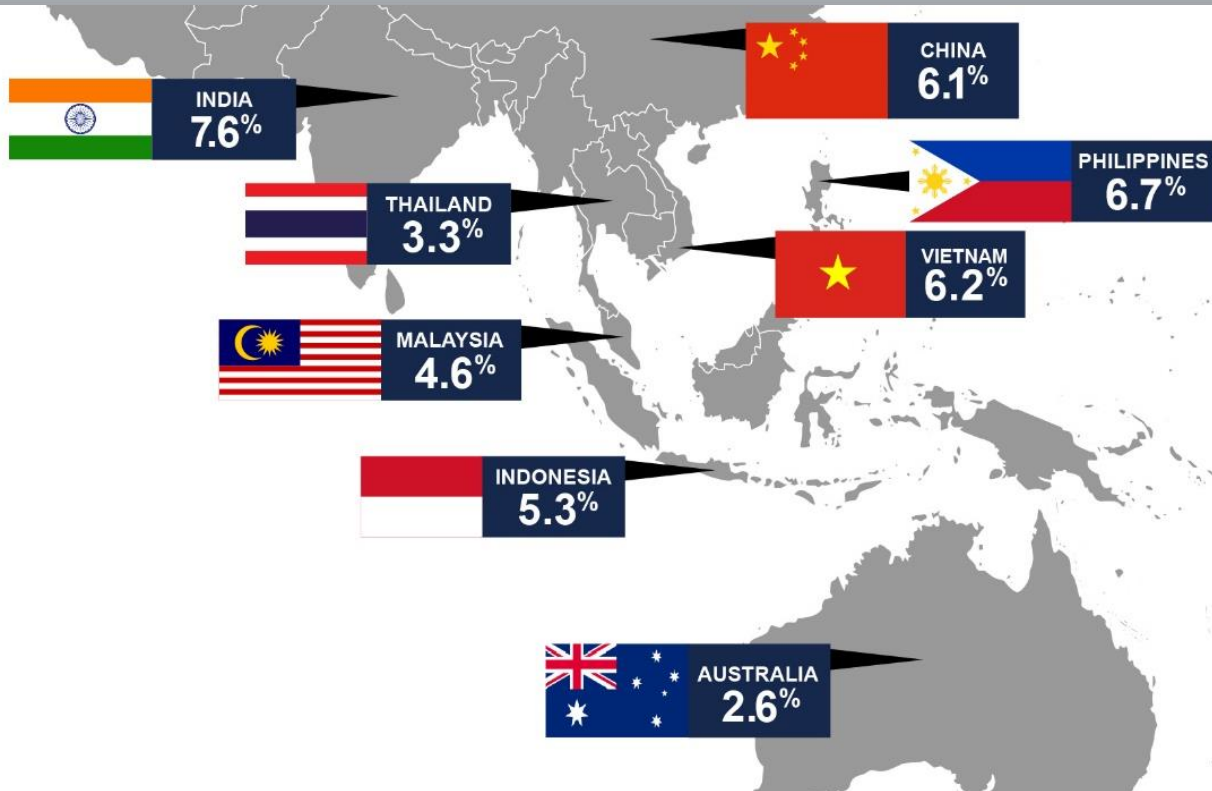
Chinese economic momentum

IMF projected GDP growth for 2017



Developing and emerging Asia

Asian economies generating two thirds of global growth



13th Five Year Plan (2016-2020)

RMB12.5 trillion for ~ 11,000 listed projects



3,000km
New urban
rail lines

152,000km
Roads in rural
areas



**New power
projects**
+480,000 MW

**80% cities
with high
speed rail**

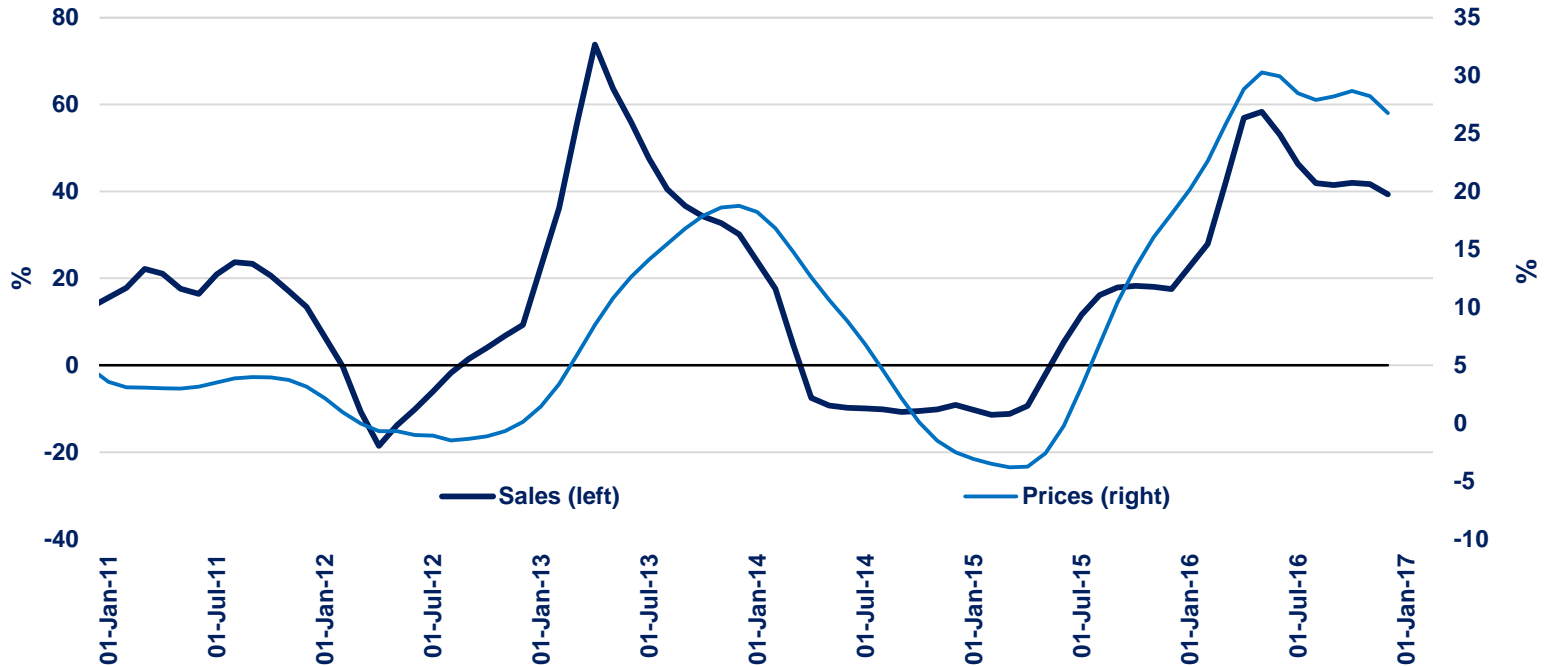


Over 50
civilian
airports

**Pipelines
+
gas storage**

Property and infrastructure driving steel demand

Residential sales and tier 1 house prices have increased

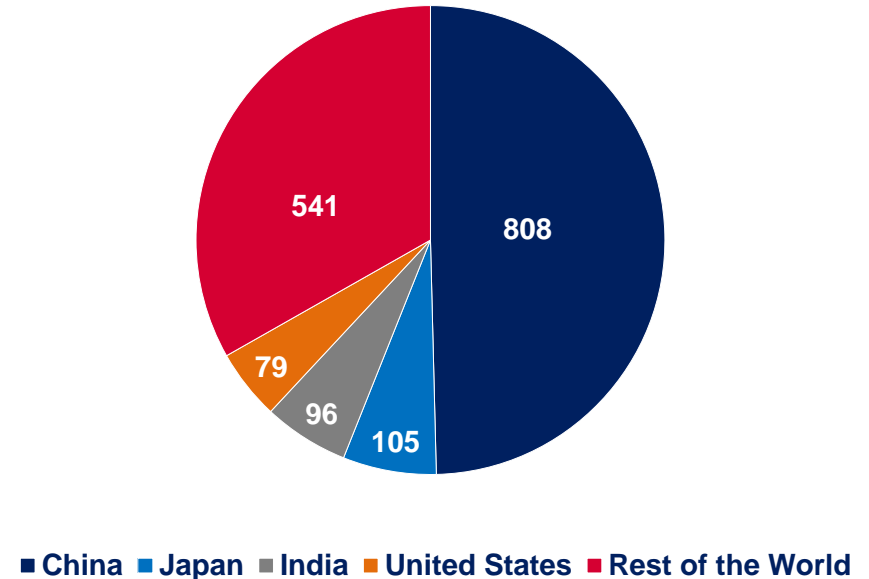


Core supplier to Asia

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

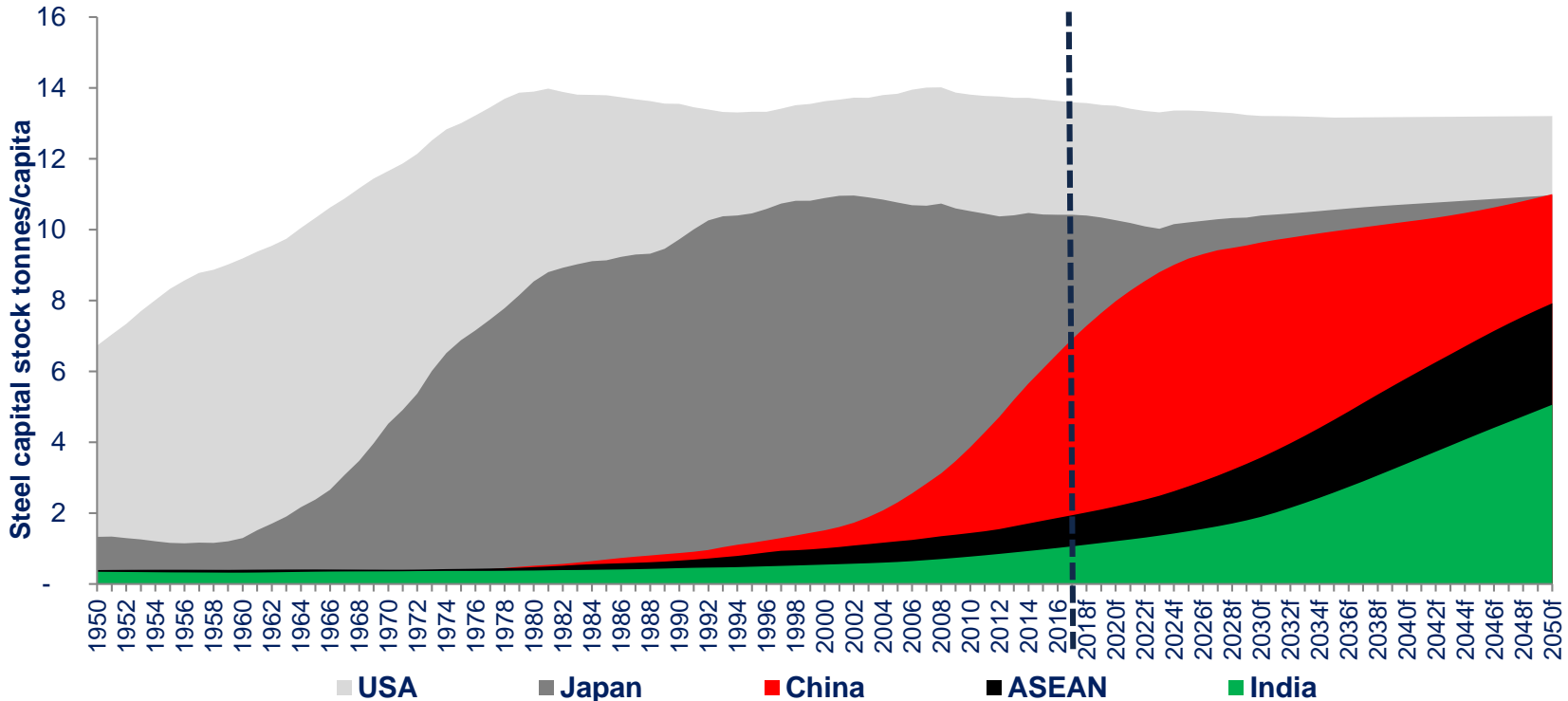
- **Low impurity** 58% Fe average
- Competitive **value in use**
- Large diverse **customer base**
- **Responsive** to market needs
- **Proximity** to high growth region

Total 2016 global steel production 1,629mt



Steel stock tonnes per capita

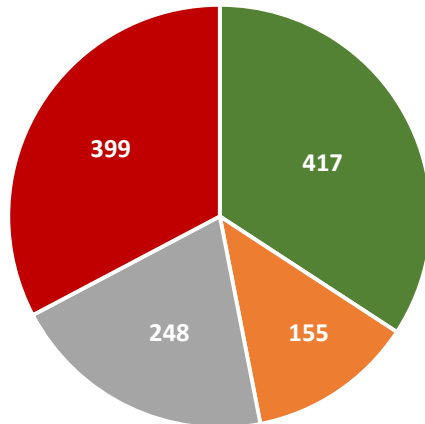
Continued growth in steel consumption throughout China, ASEAN and India



China iron ore supply

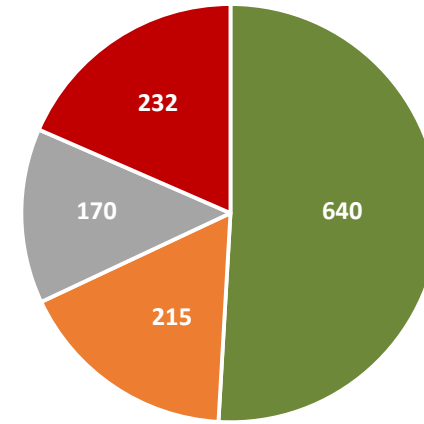
Chinese ore replaced with lower cost seaborne supply – mainly Australian

2013: 1,219mt



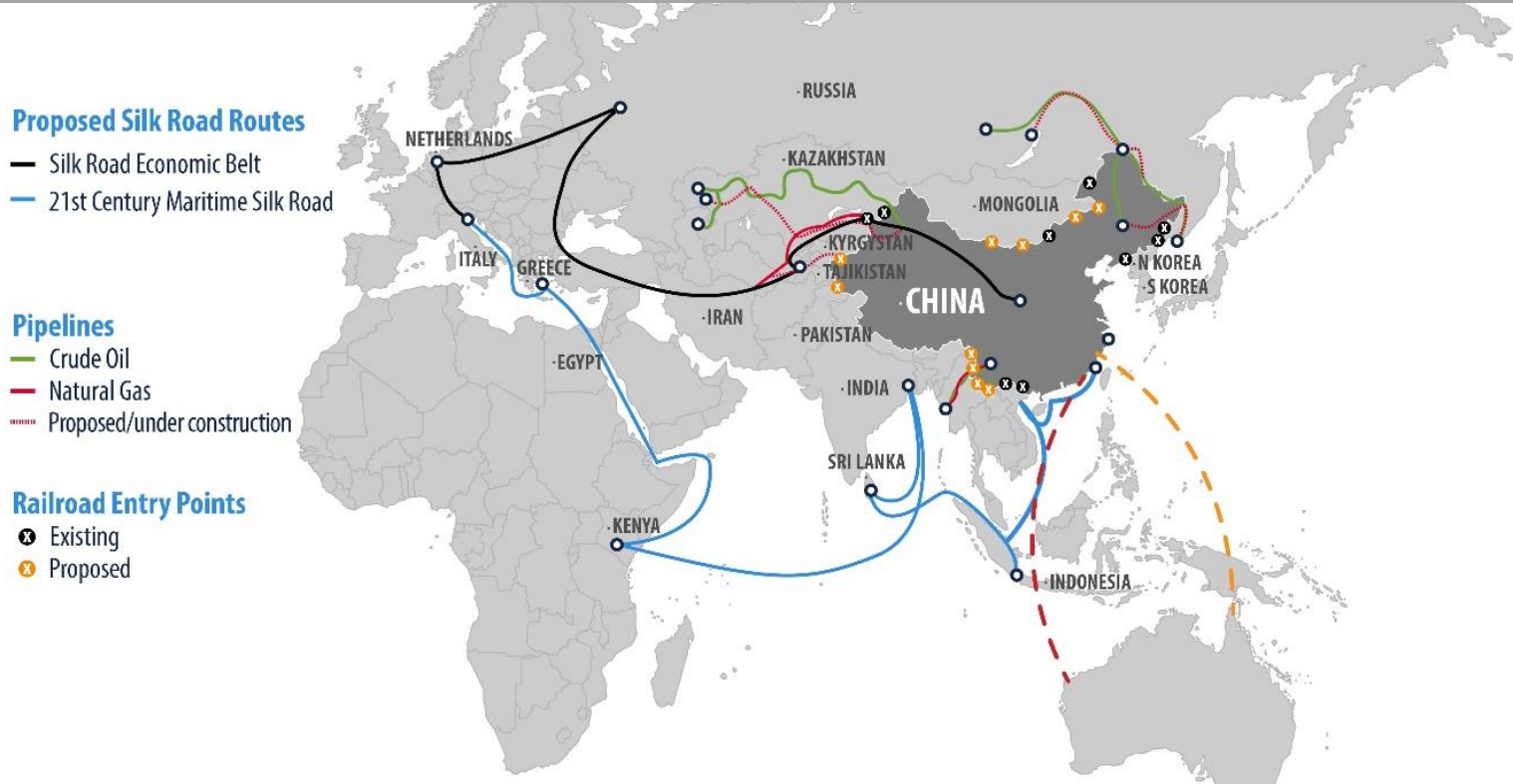
■ Australia ■ Brazil ■ Other ■ China

2016: 1,257mt



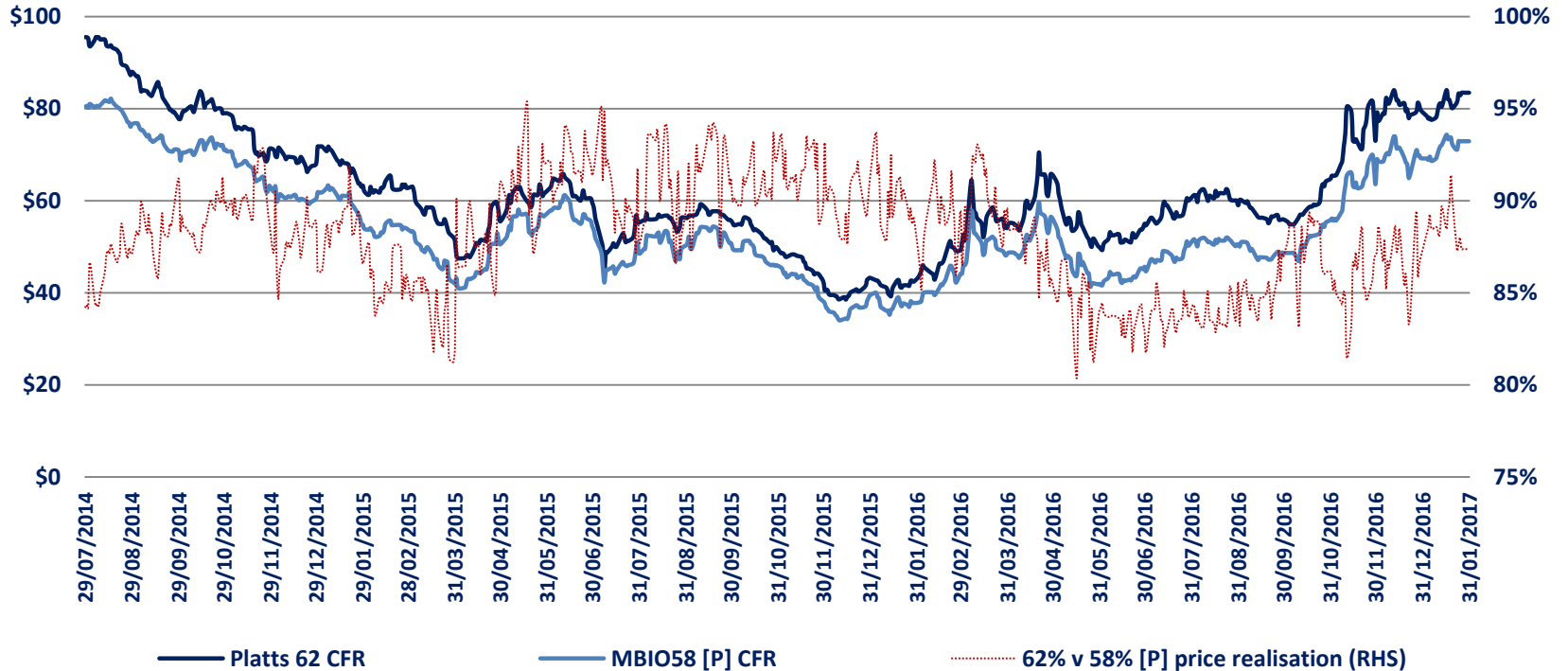
■ Australia ■ Brazil ■ Other ■ China

Generating regional demand for steel and opportunities for Northern Australia



Price realisations consistent

87% realisation in HY17 after timing adjustments

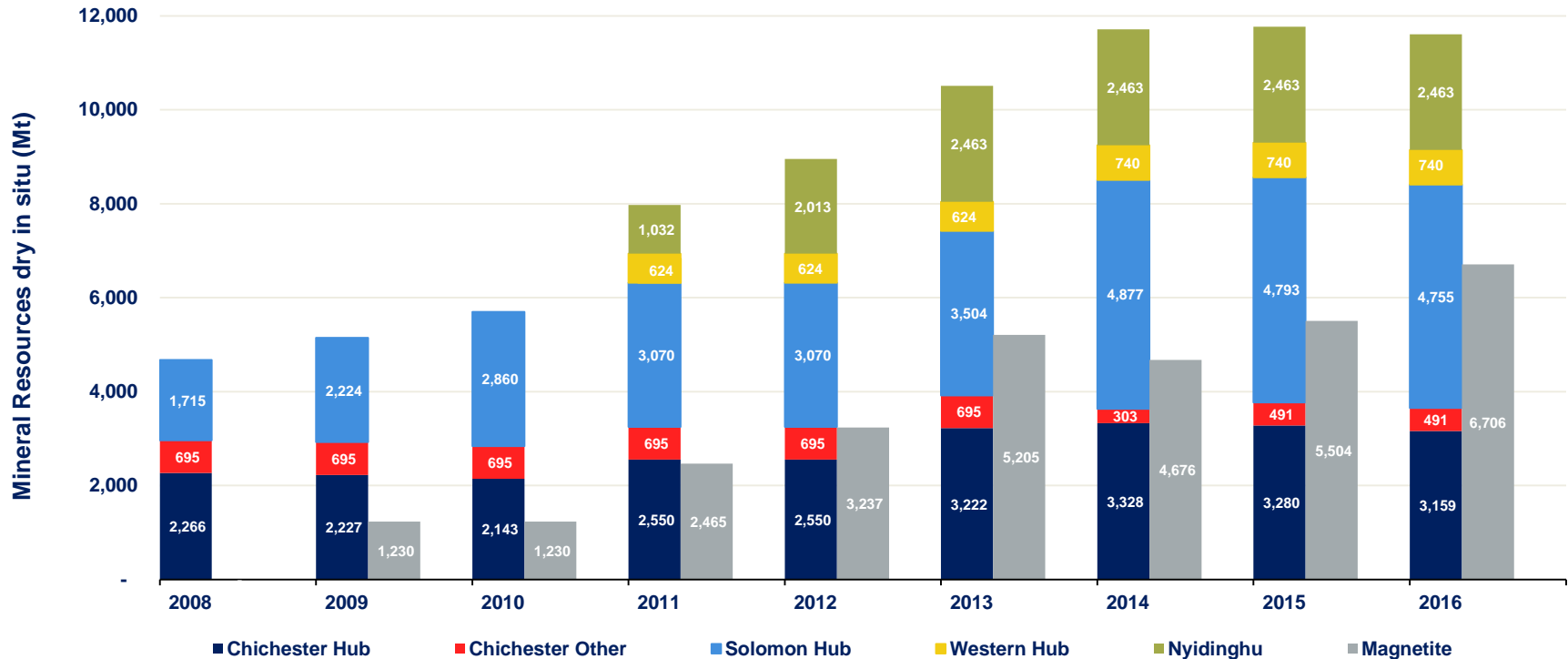


Reserves and resources



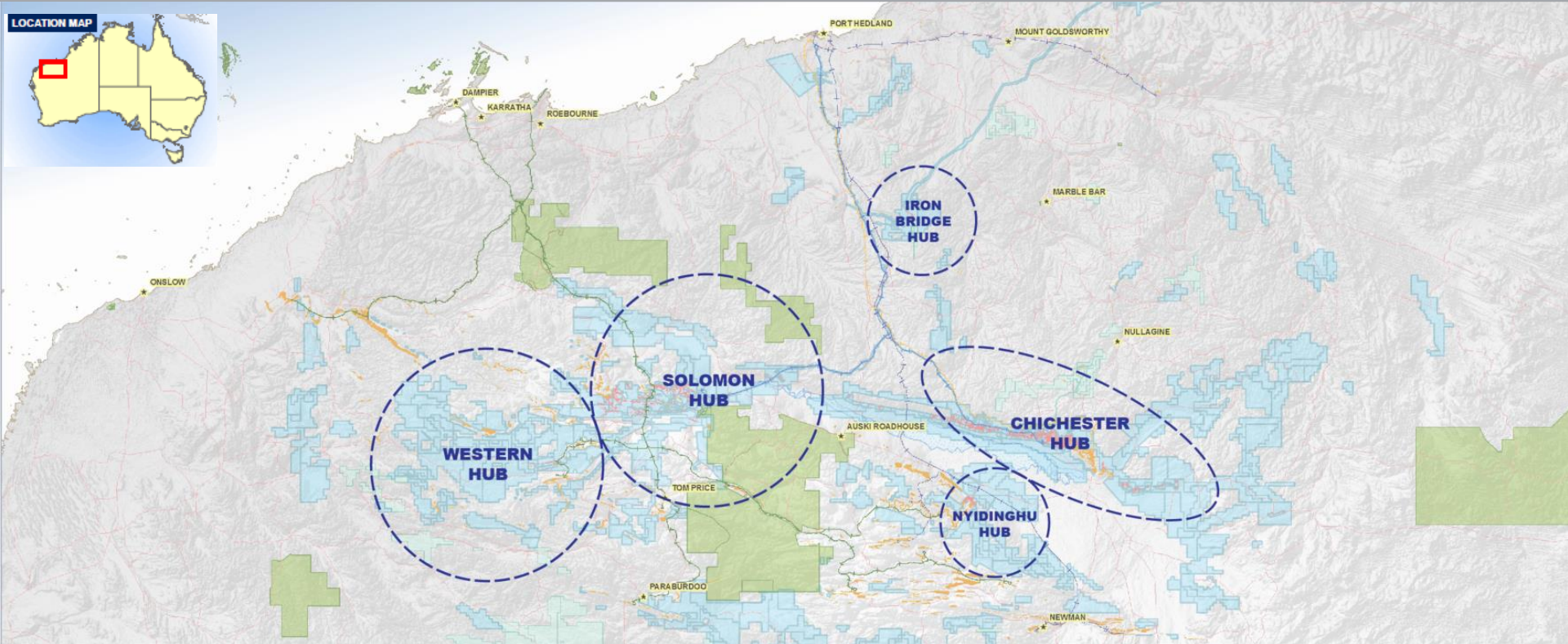
Resource portfolio supports asset base

Largest Pilbara tenement footprint



Firetail replacement - 2021

Options for Firetail replacement being developed



A group of children and an adult are gathered around a garden bed. The children are wearing blue polo shirts with a school logo. One child is holding a small yellow object. The adult is leaning over, looking at the plants. The background shows a school building.

Supporting our community

Building strong communities

Creating opportunities through training, employment and business development



1,100

Aboriginal employees

15%

Aboriginal
people
in Fortescue
workforce



A\$1.8bn

Contracts to
Aboriginal companies
and JVs



VTEC

TRAINING CENTRES
Roebourne
South Hedland



Championing diversity

Diversity is fundamental to driving innovation and business success



16.2%

Fortescue female employees

5

Female Board Members

>50% of board representation

6



Female senior leaders



Pathways to trade qualifications



Business activity key to community development

Ensure our communities benefit from growth and success of Fortescue

- Mining provides **income and jobs** for remote communities
- Empowering **people** through **opportunity**, not welfare
- Developing **pride** through self sufficiency and **achievement**
- Helping to identify and preserve **indigenous culture**

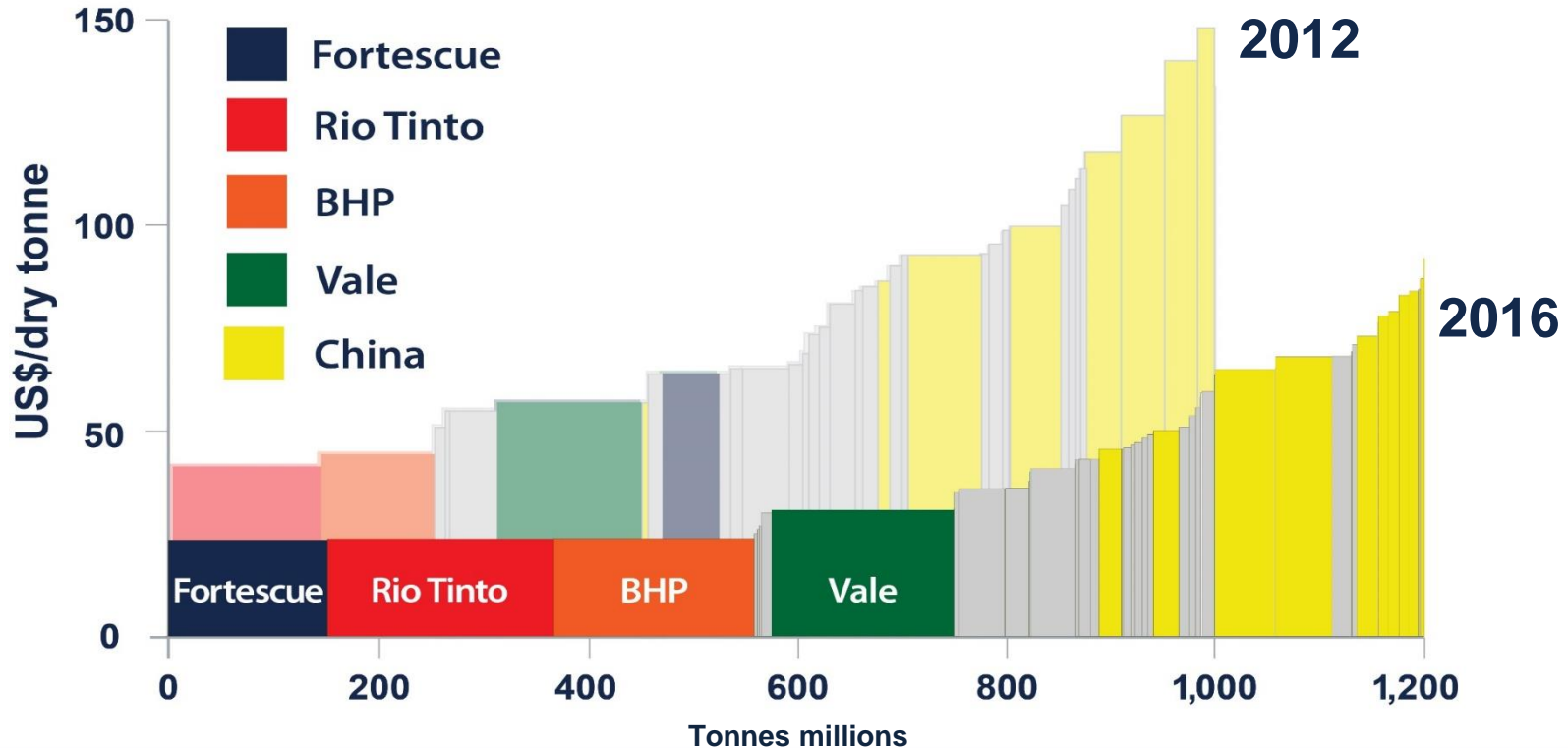


Focussed strategy



Moving down the global cost curve

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



Strategic delivery

Culture, continuous improvement, speed and flexibility

- ✓ Consistent **165-170mtpa**
- ✓ Lowering costs to **US\$12-13/wmt**
- ✓ Maximising **resource value**
- ✓ Capital **management**
- ✓ Consistent **dividend** policy



The new force in iron ore



Continuous improvement



Sustainable
low cost
producer

World class
assets & people



Customer focus

Reliable
Competitive

Unique culture
drives performance



Fortescue
The New Force in Iron Ore

www.fmgl.com.au

 [@FortescueNews](https://twitter.com/FortescueNews)

Proudly supporting:



GENERATIONone



C1:	Operating costs of mining, processing, rail and port on a per tonne basis, including allocation of direct administration charges and production overheads.
Debt coverage ratio:	Debt / Underlying EBITDA.
dmt:	Dry metric tonnes.
Free cash flow:	Net cash inflows from operations less capital expenditure.
FY:	Full year.
HY:	Half year.
Interest coverage ratio:	Underlying EBITDA / Interest
mtpa:	million tonnes per annum.
Net debt:	Borrowings and finance lease liabilities less cash and cash equivalents
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 Australian accounting standards is presented below:

Reconciliation of Underlying EBITDA to IFRS measures:

US\$m	31 December 2016	31 December 2015
Profit before income tax	1,732	428
Finance income	(8)	(200)
Finance expenses	256	340
Depreciation amortisation	622	627
Exploration, development and other	43	106
Underlying EBITDA	2,645	1,301

VLOC:

Very large ore carrier.

wmt:

wet metric tonnes.