



**Fortescue**  
The New Force in Iron Ore

# Credit Suisse AIC Conference 2017



People. Innovation. Performance.

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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

# Delivering on targets

Focus on safety, productivity and efficiency

- ✓ **Safety** TRIFR reduced 33%
- ✓ **165-170mt** shipped
- ✓ **Productivity + efficiency**
- ✓ **Low cost** global producer
- ✓ **Debt** repayments
- ✓ Consistent **dividend** policy







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**

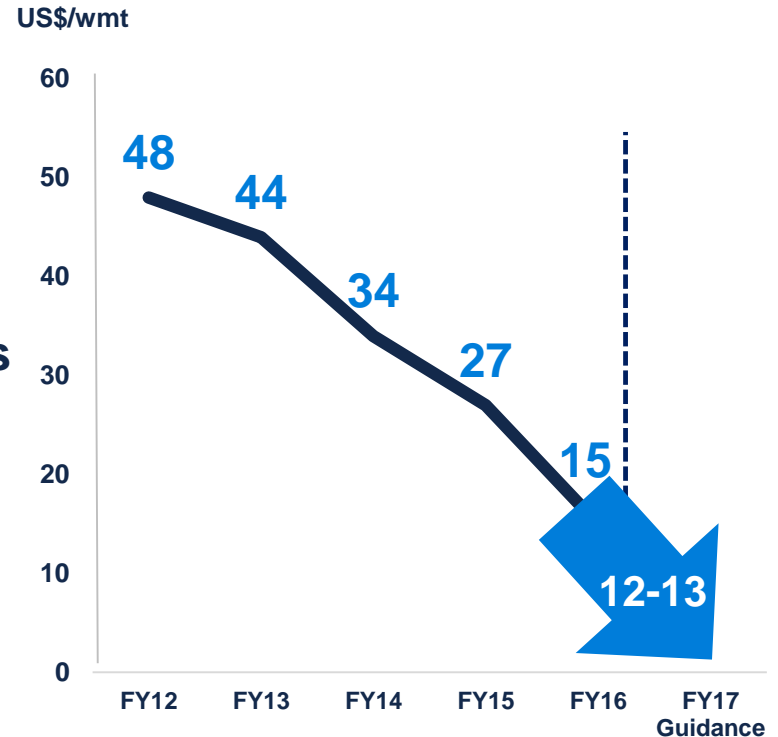
**US\$4.5bn**  
**Revenue**  
**36% ↑**

**A\$0.20**  
**Interim dividend**  
**38% payout**

# Continuous + sustainable cost improvements

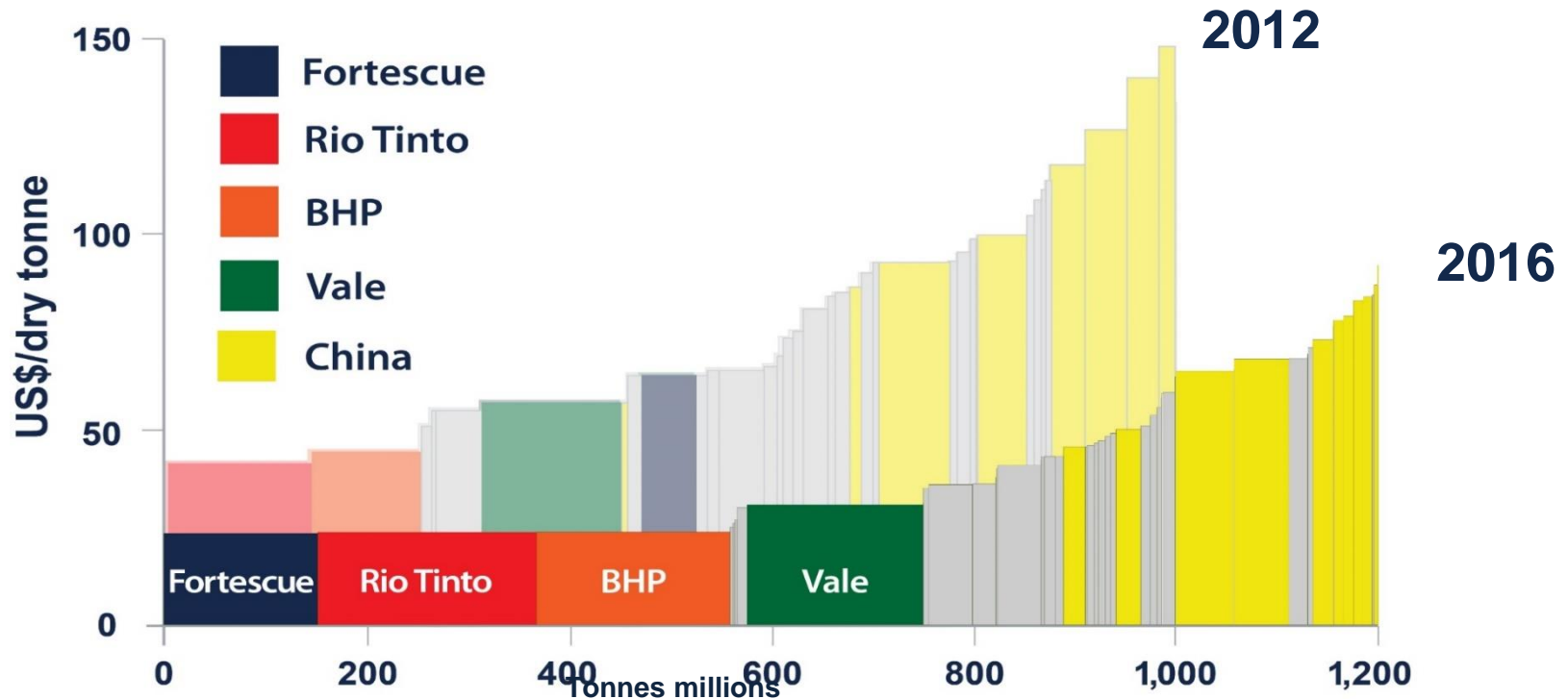
Focus on productivity and efficiency delivering cost savings

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



# Moving down the global cost curve

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





# Financial performance



# 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%**

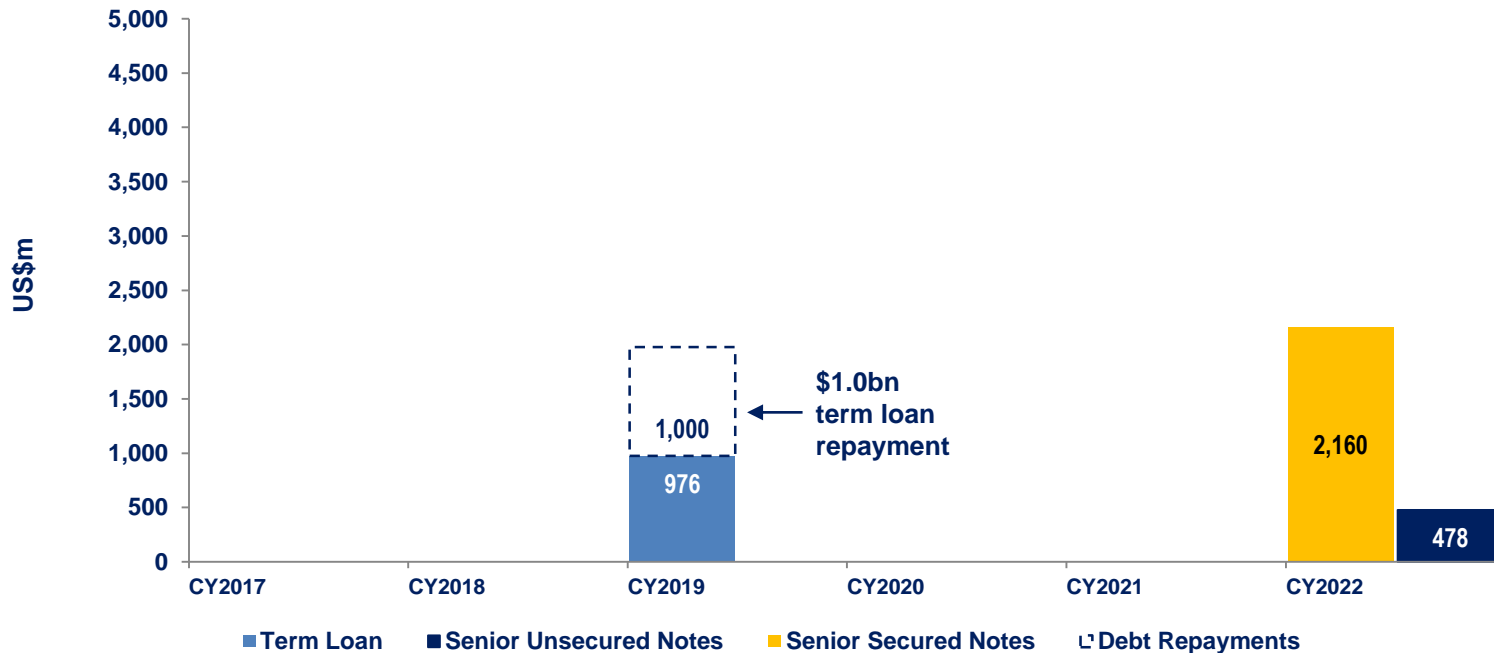
**Net gearing**

**US\$1.2bn**

**NPAT**

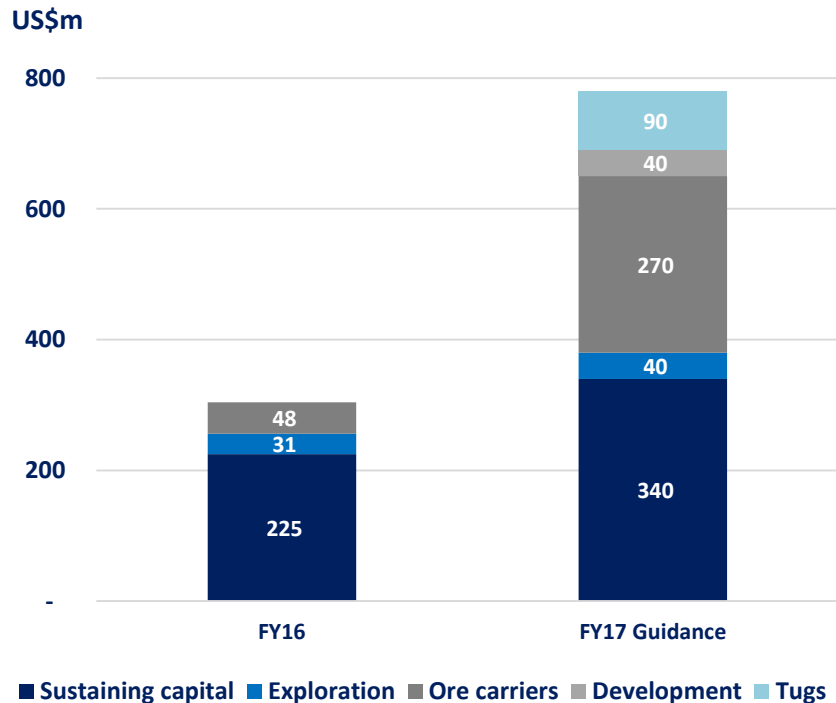
# Debt maturity proforma at 31 March 2017

US\$2.7bn 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 the Bund, the Huangpu River, and numerous illuminated skyscrapers. 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 background shows a dense urban landscape with lights reflecting on the water and a hazy sky.

**Market**

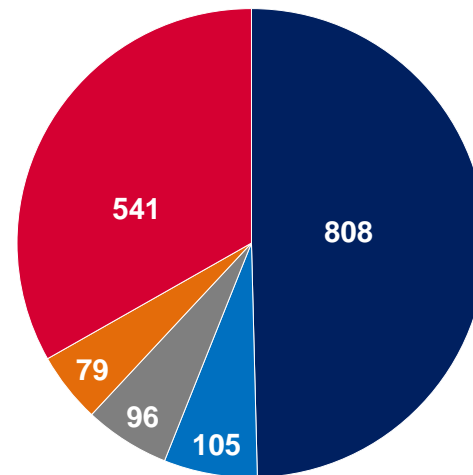


# Core supplier to Asia

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

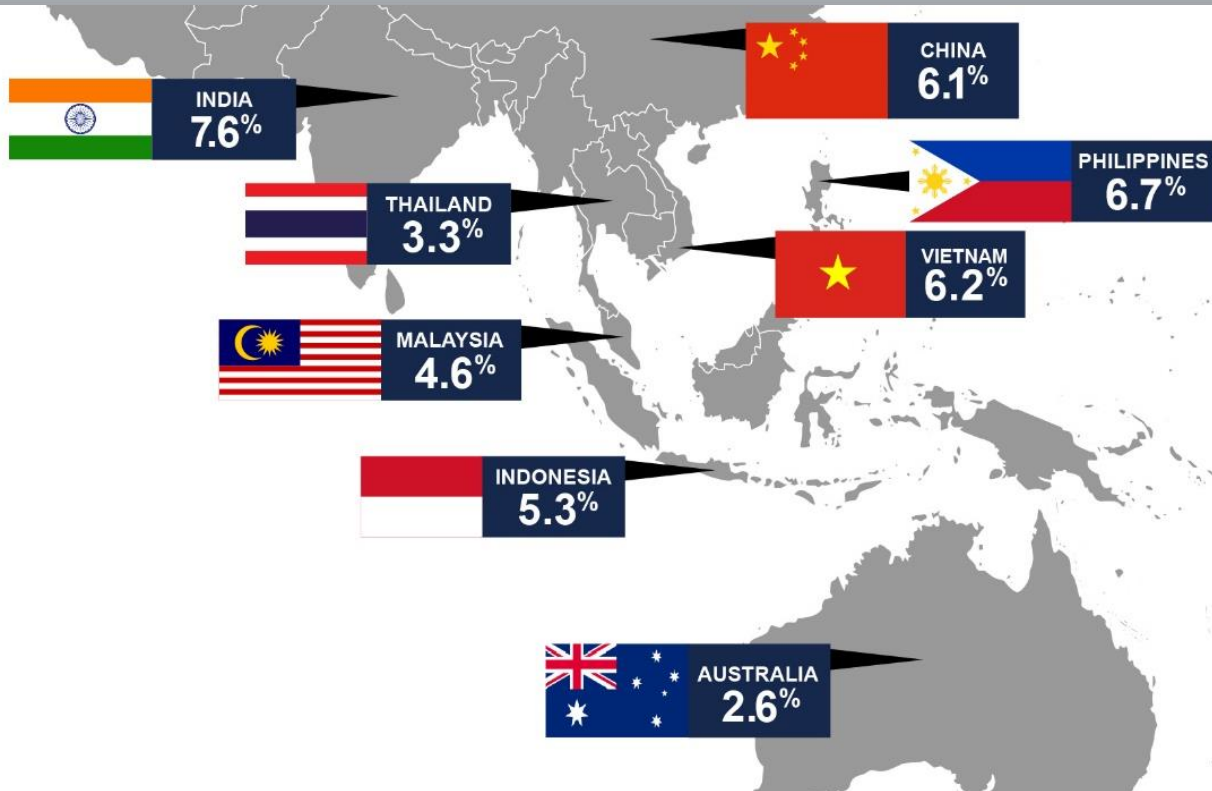
Total 2016 global steel production 1,629mt



■ China ■ Japan ■ India ■ United States ■ Rest of the World

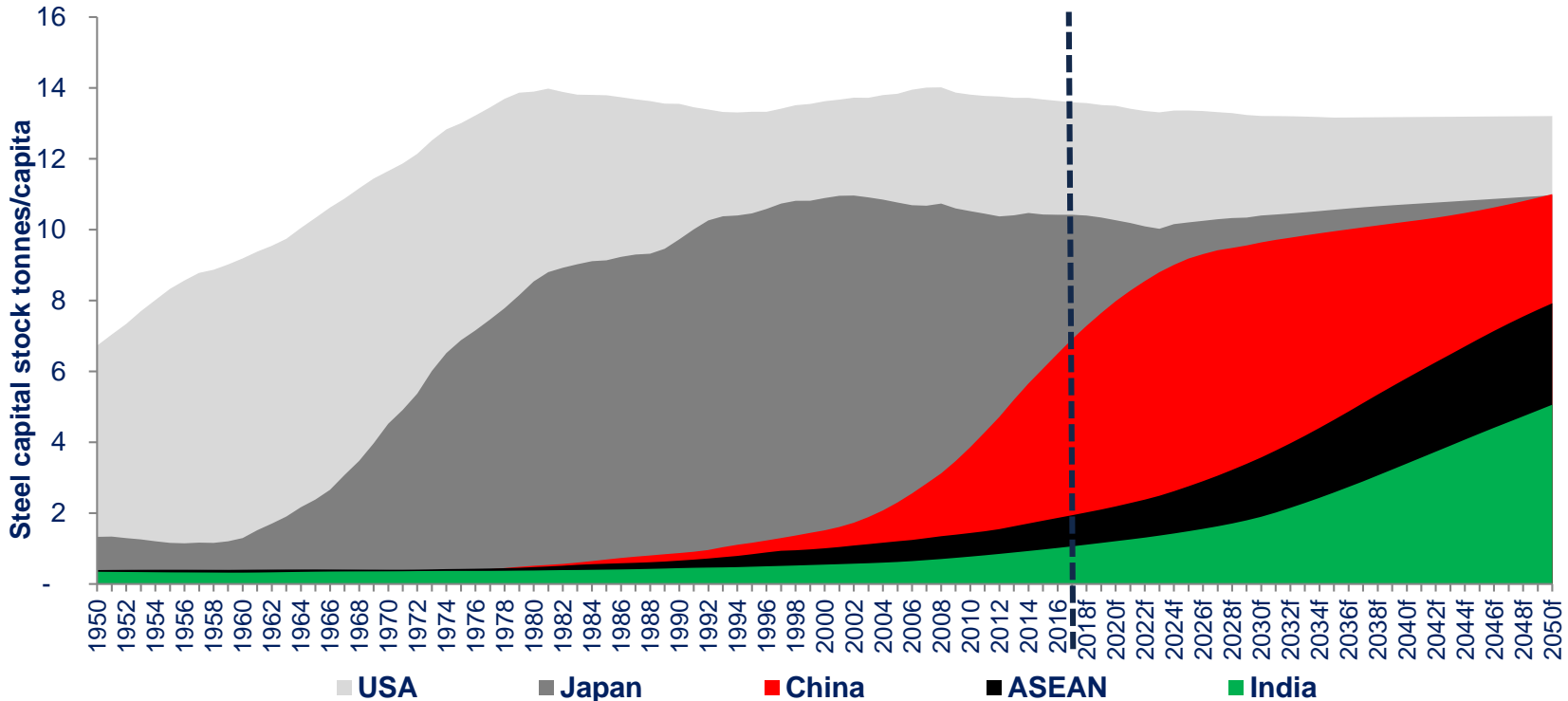
# Developing and emerging Asia

Asian economies generating two thirds of global growth



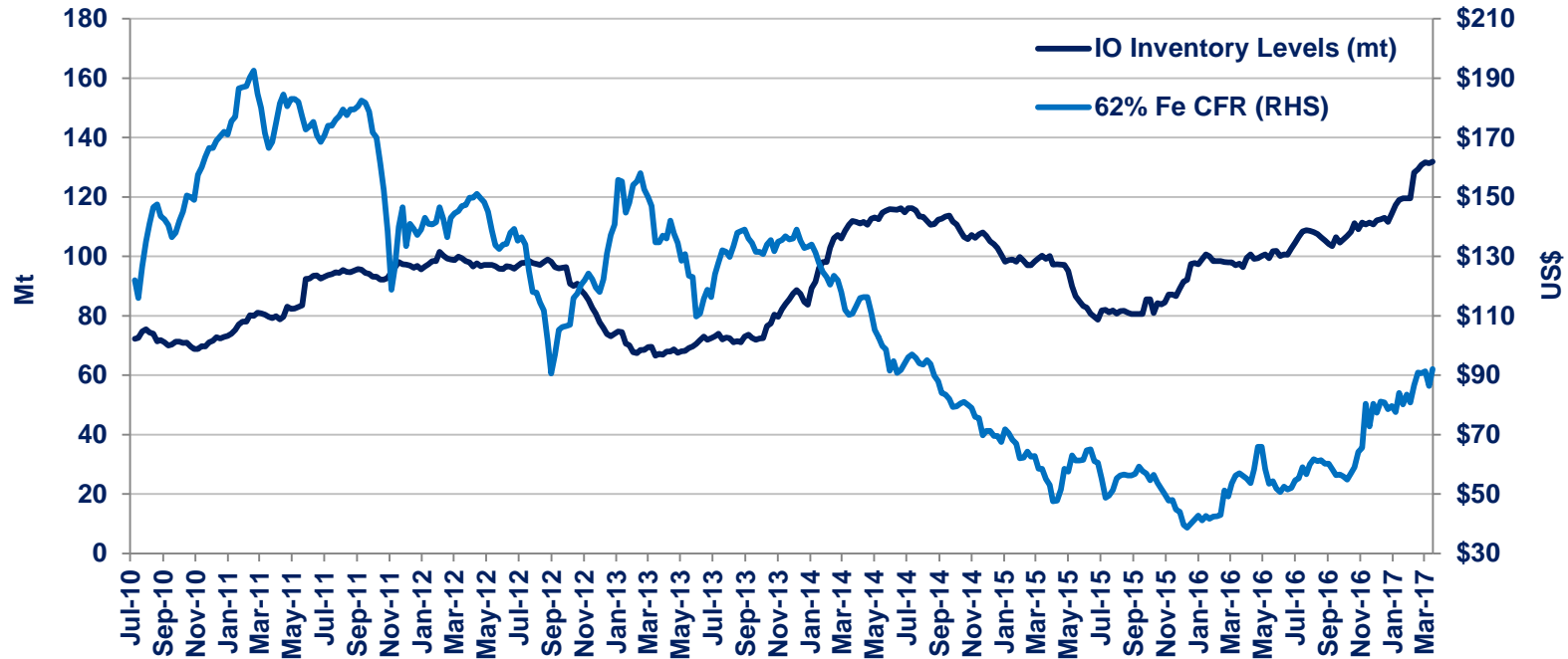
# Steel stock tonnes per capita

Continued growth in steel consumption throughout China, ASEAN and India



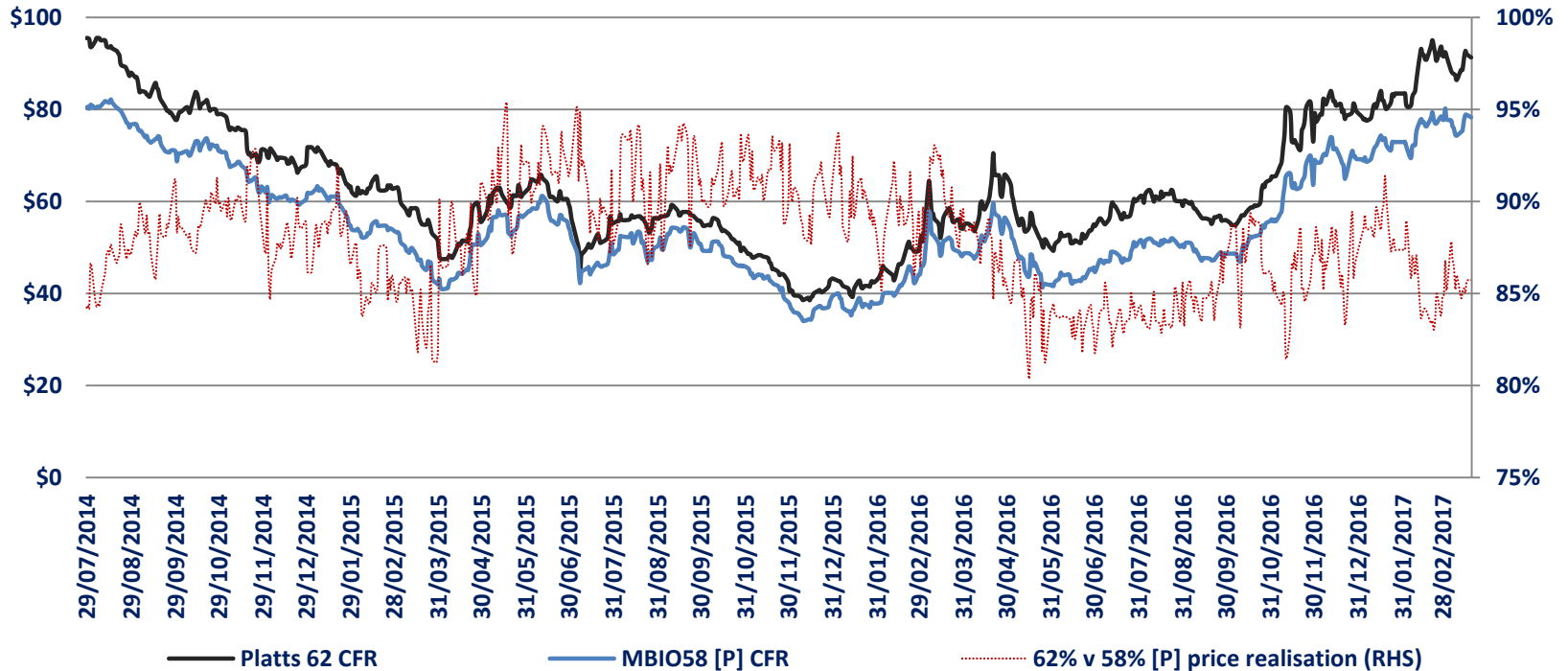
# Iron ore inventory levels

## Construction and manufacturing projects support iron ore inventory levels



# Price realisations consistent

87% realisation in HY17 after timing adjustments







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



# Focussed strategy





# Key strategic focus

## Disciplined value creation

- ✓ Debt repayment and **capital flexibility**
- ✓ Long term **sustainability** of iron ore
- ✓ Create **low cost growth** options
  - Leverage skills and culture
  - Exploration and early stage development
- ✓ **Returns** to **shareholders**





# The new force in iron ore



Continuous improvement



**Sustainable**  
low cost  
producer

**World class**  
assets & people



**Customer focus**

**Reliable**  
**Competitive**

**Unique culture**  
drives performance



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The New Force in Iron Ore

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GENERATIONone



<b>C1:</b>	Operating costs of mining, processing, rail and port on a per tonne basis, including allocation of direct administration charges and production overheads.
<b>Debt coverage ratio:</b>	Debt / Underlying EBITDA.
<b>dmt:</b>	Dry metric tonnes.
<b>Free cash flow:</b>	Net cash inflows from operations less capital expenditure.
<b>FY:</b>	Full year.
<b>HY:</b>	Half year.
<b>Interest coverage ratio:</b>	Underlying EBITDA / Interest
<b>mtpa:</b>	million tonnes per annum.
<b>Net debt:</b>	Borrowings and finance lease liabilities less cash and cash equivalents
<b>NPAT:</b>	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
<b>Profit before income tax</b>	<b>1,732</b>	<b>428</b>
Finance income	(8)	(200)
Finance expenses	256	340
Depreciation amortisation	622	627
Exploration, development and other	43	106
<b>Underlying EBITDA</b>	<b>2,645</b>	<b>1,301</b>

## VLOC:

Very large ore carrier.

## wmt:

wet metric tonnes.