



**Fortescue**  
The New Force in Iron Ore

# BAML Conference 2017



People. Innovation. Performance.

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## 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

850mt

165-170mt  
Production rate



Unique culture

# Delivering on targets

Focus on safety, productivity and efficiency

- ✓ **Safety** TRIFR reduced 33% to 2.9
- ✓ **165-170mtpa** shipped
- ✓ **Productivity + efficiency**
- ✓ **Low cost** global producer
- ✓ **Debt** repayment priority
- ✓ Consistent **dividend** policy



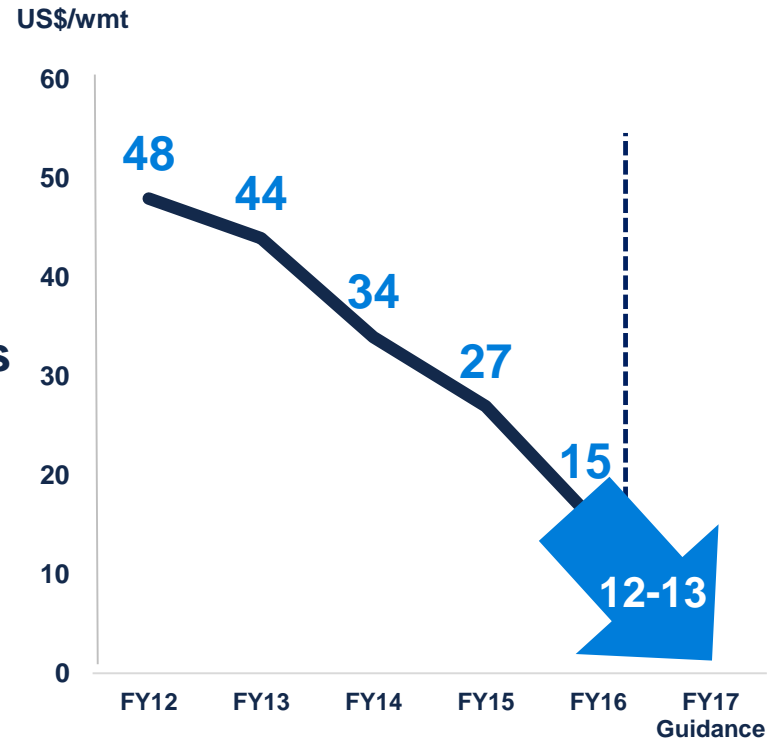




# Continuous + sustainable cost improvements

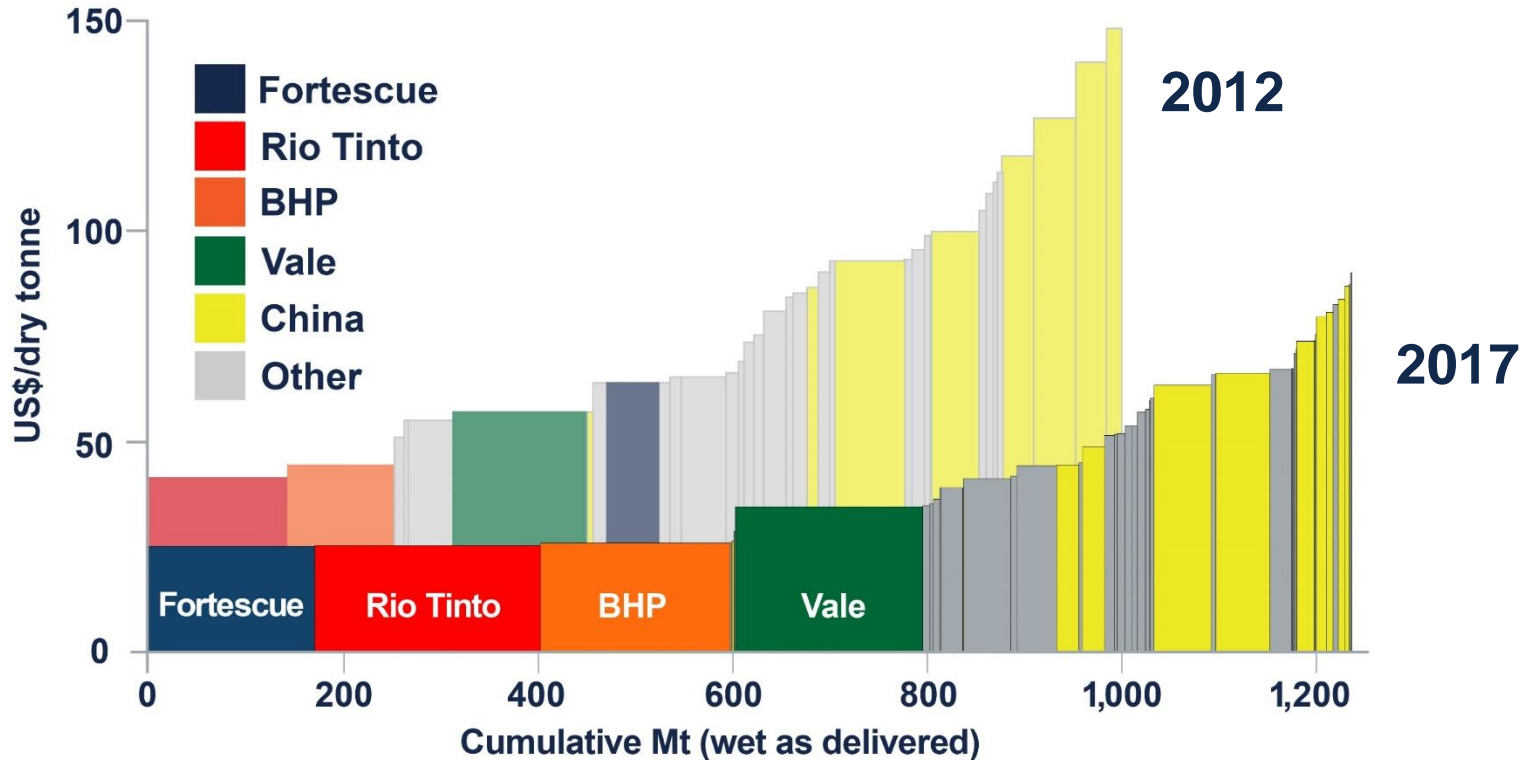
Focus on productivity and efficiency delivering cost savings

- 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)



# March quarter FY17 financial outcomes

Productivity initiatives delivering sustainable cost reductions and financial results



**39.6mt**

Shipped for the quarter

**C1 Cost**  
**\$13.06/wmt**

FY17 US\$12-13

**US\$2.7bn**

Debt repaid

**US\$4.3bn**

Gross Debt

**US\$1.5bn**

Cash on hand

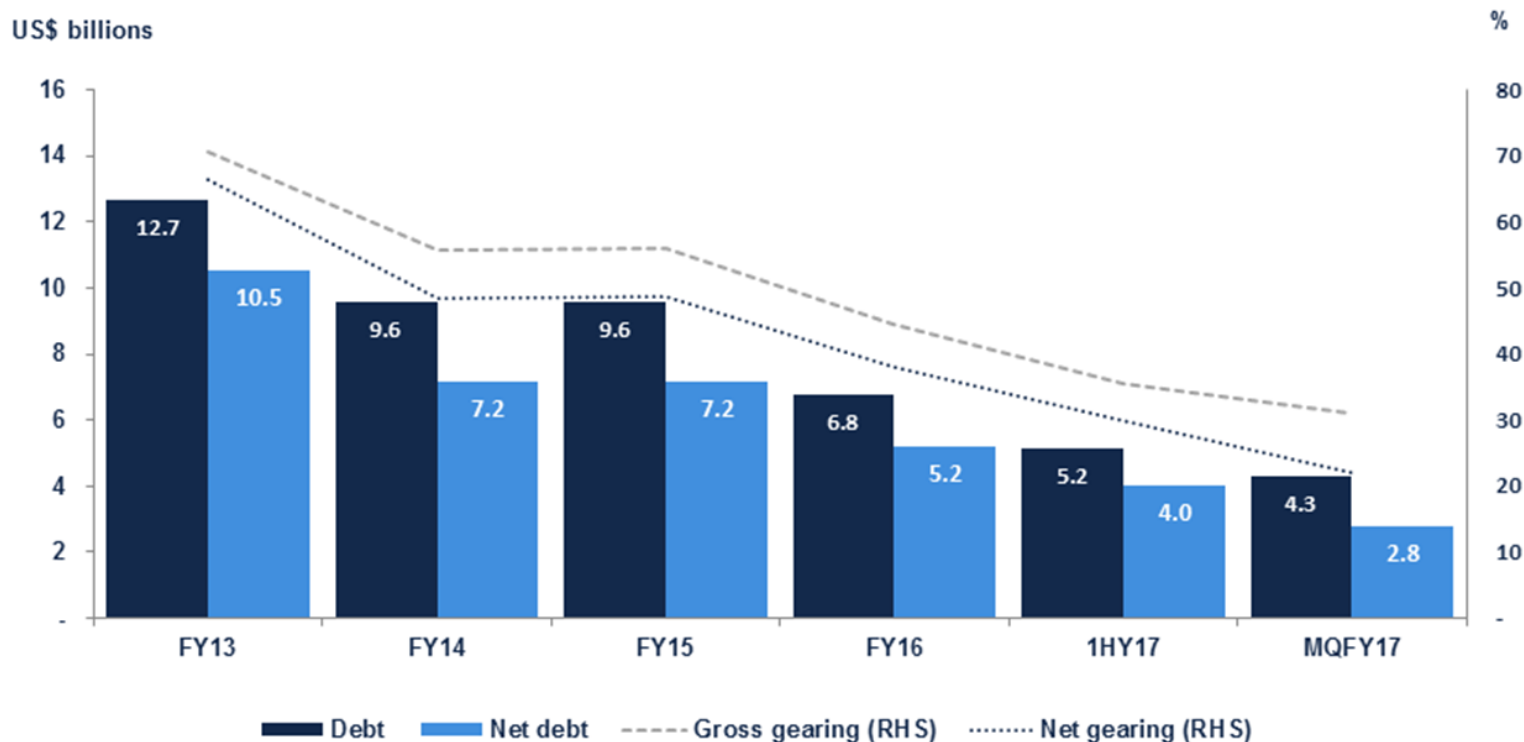
**22%**

Net gearing



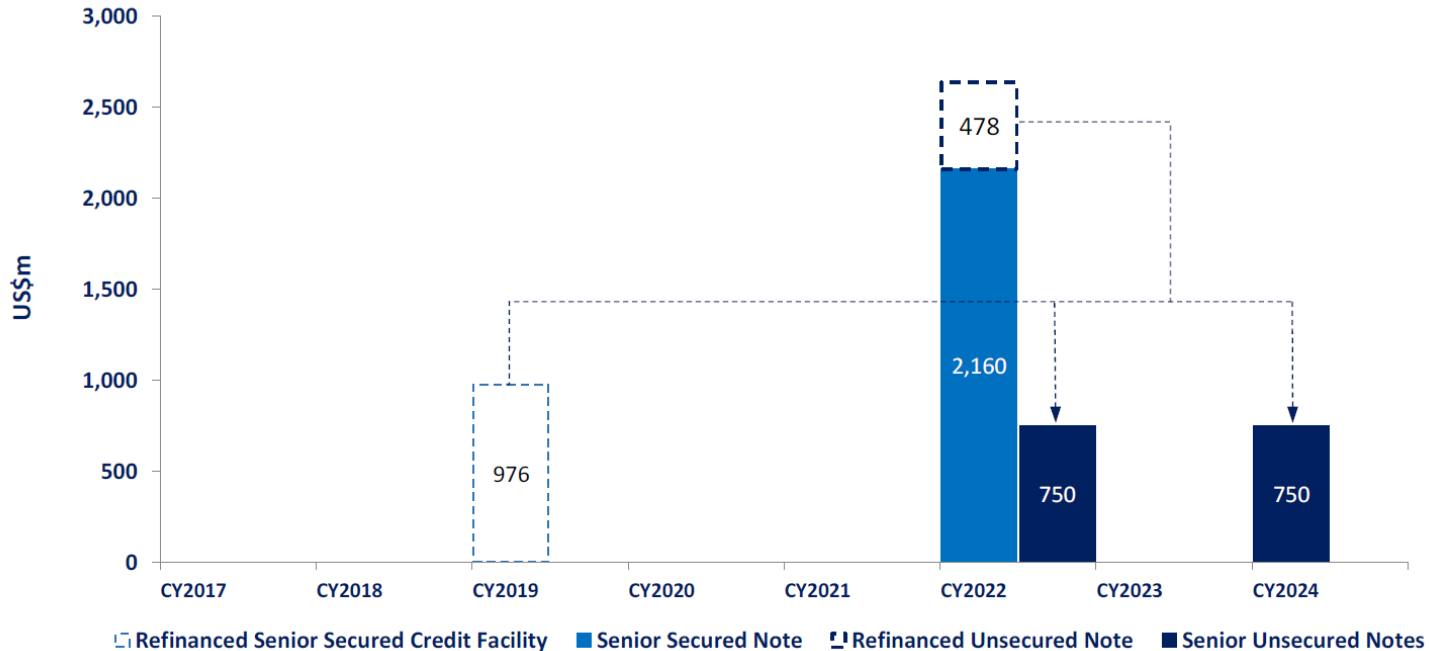
# Debt repayments

US\$8.4bn of debt repaid since expansion complete improving gross gearing to 31%



# Debt maturity profile

May refinancing extends maturity with investment grade terms and conditions



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**

# China's 13<sup>th</sup> 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

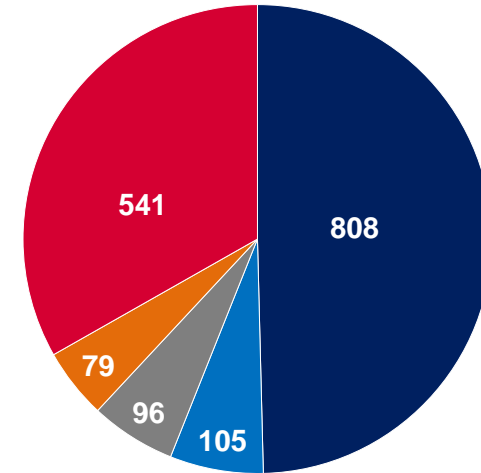
**Pipelines**  
**+**  
**gas storage**

# 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

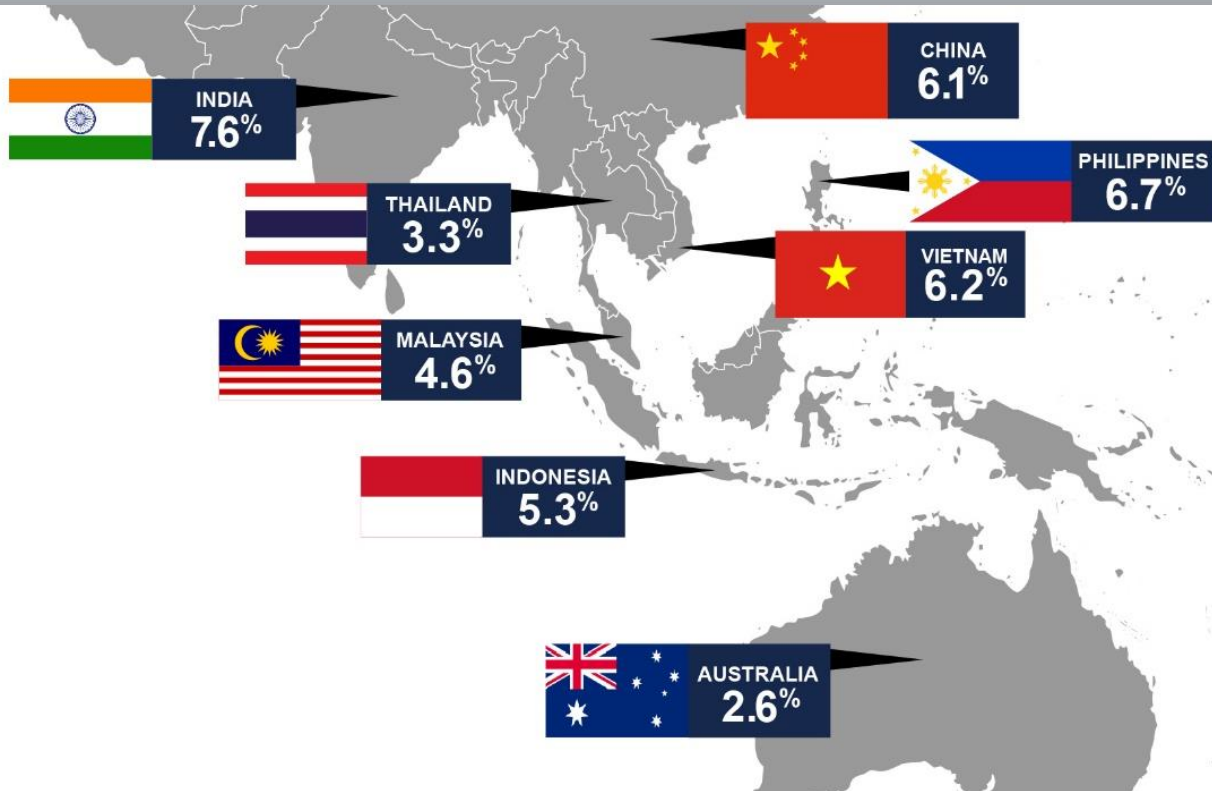


■ China ■ Japan ■ India ■ United States ■ Rest of the World



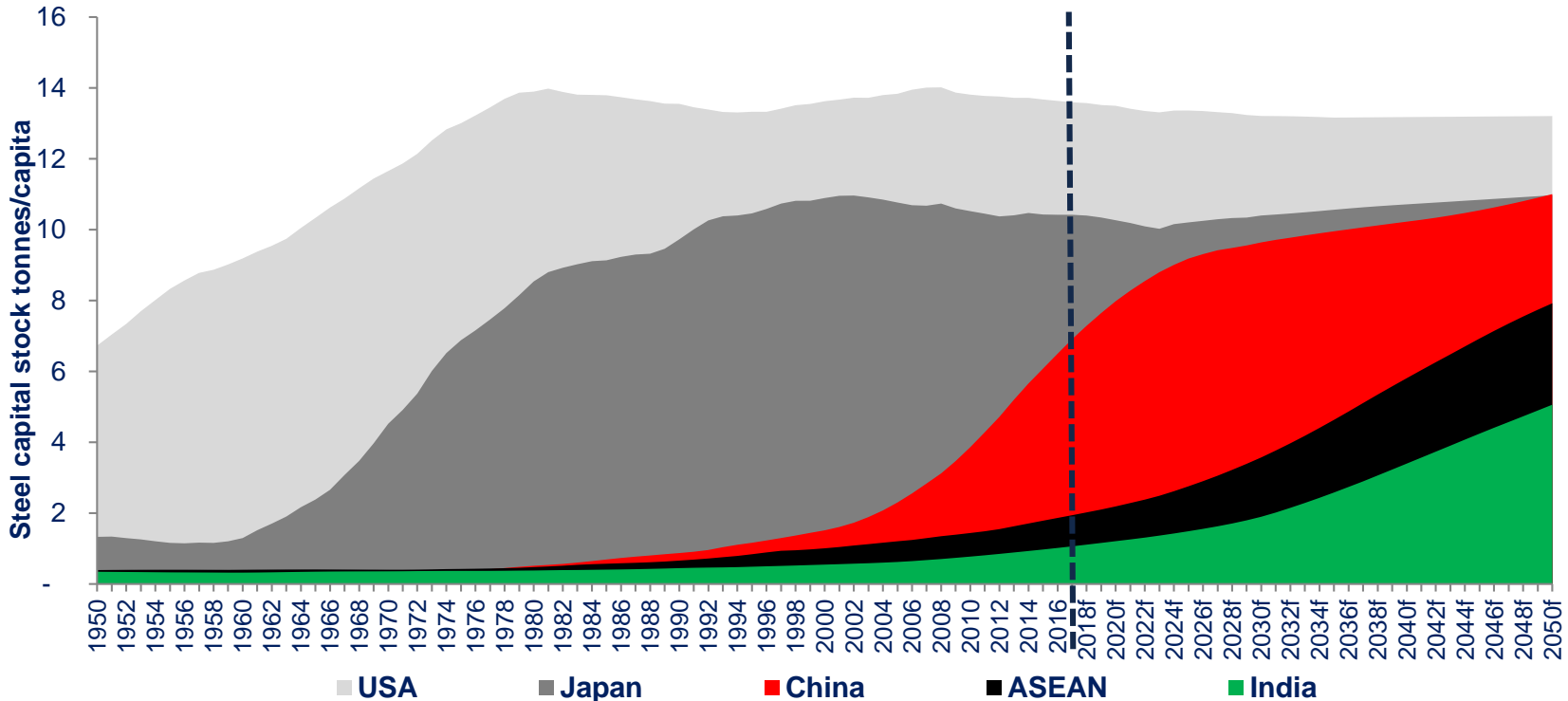
# Developing and emerging Asia

Asian economies generating two thirds of global growth



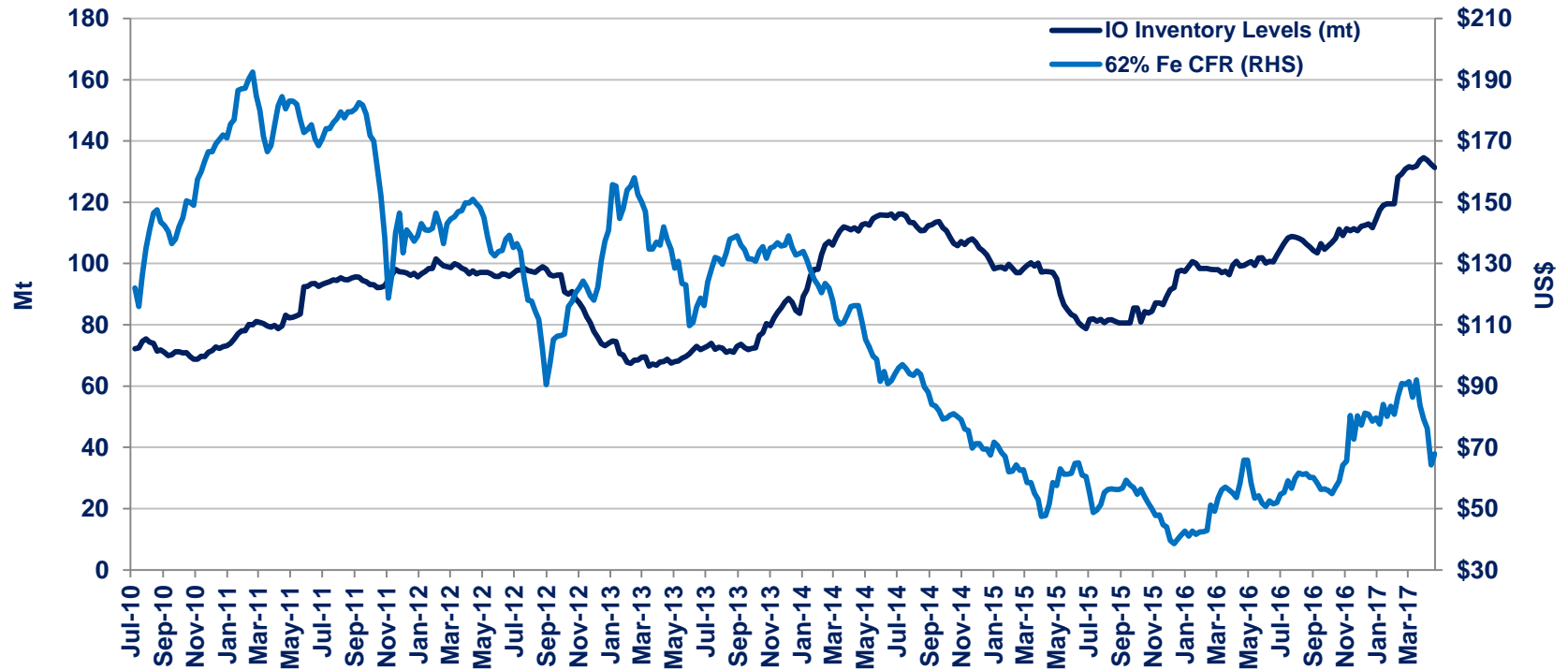
# Steel stock tonnes per capita

Continued growth in steel consumption throughout China, ASEAN and India



# Iron ore inventory levels

## Construction and manufacturing projects support iron ore inventory levels

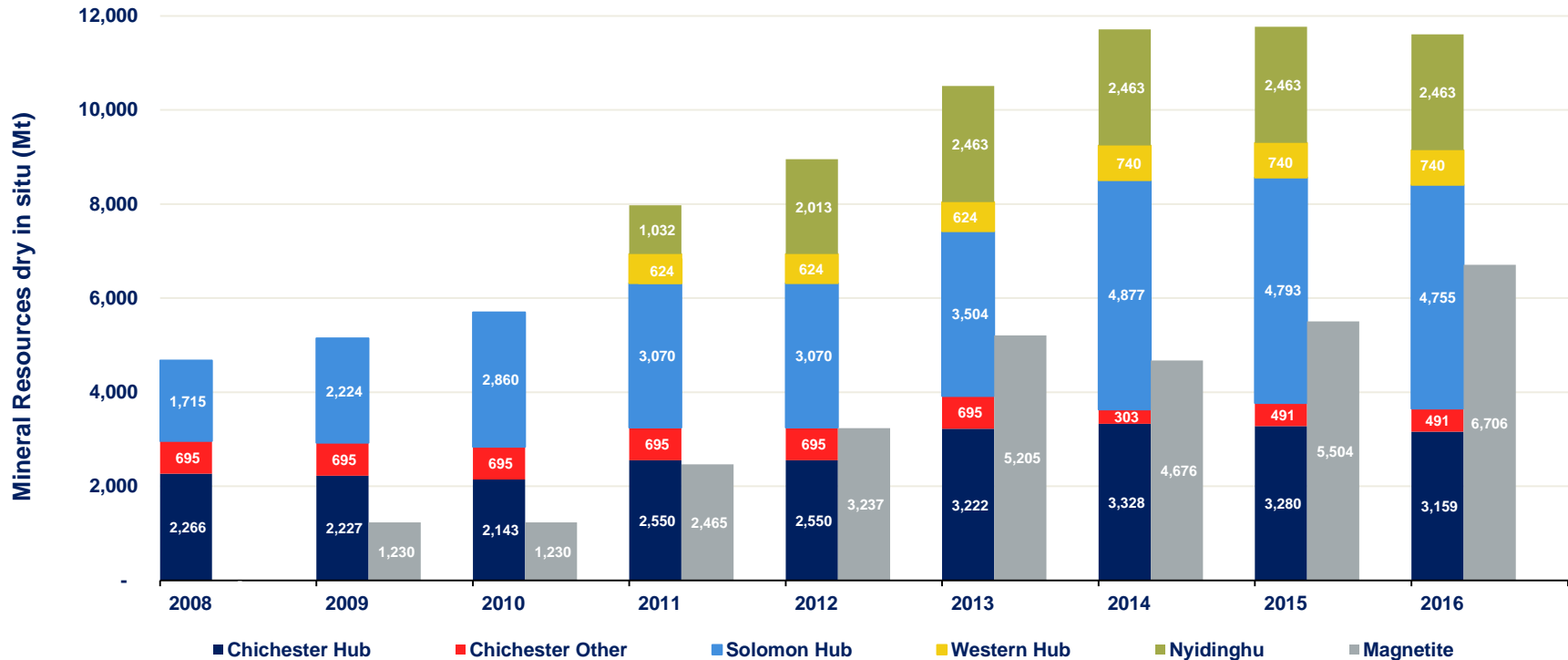


# Reserves and resources



# Resource portfolio supports asset base

## Largest Pilbara tenement footprint







Supporting our community

# Creating positive social change

Creating opportunities through training, employment and business development



**1,300**

Aboriginal employees

**15%**

Aboriginal people  
in Fortescue  
workforce



**A\$1.85bn**

Contracts to  
Aboriginal companies  
and JVs



**VTEC**

TRAINING CENTRES  
Roebourne  
South Hedland





# Championing diversity

## Workplace culture fundamental



**16.8%**

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
- ✓ **Returns to shareholders**
- ✓ Create **low cost growth** options
  - Leverage skills and culture
  - Exploration and early stage development





# The new force in iron ore



Continuous improvement



**Sustainable**  
low cost  
producer

**World class**  
assets & people



**Unique culture**  
drives performance

**Customer focus**

**Reliable**  
**Competitive**



**Fortescue**  
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.