



Fortescue
The New Force in Iron Ore

CLSA 2017



Together we are Fortescue

Disclaimer

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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 2017 as released to the Australian Securities Exchange on 18 August 2017. 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

Safety focus: engagement, empowerment, leadership

Core supplier
to China

Shipped over
880mt



Low cost
producer

170mt
Production rate



Generating shareholder value

Focus on safety, productivity and efficiency

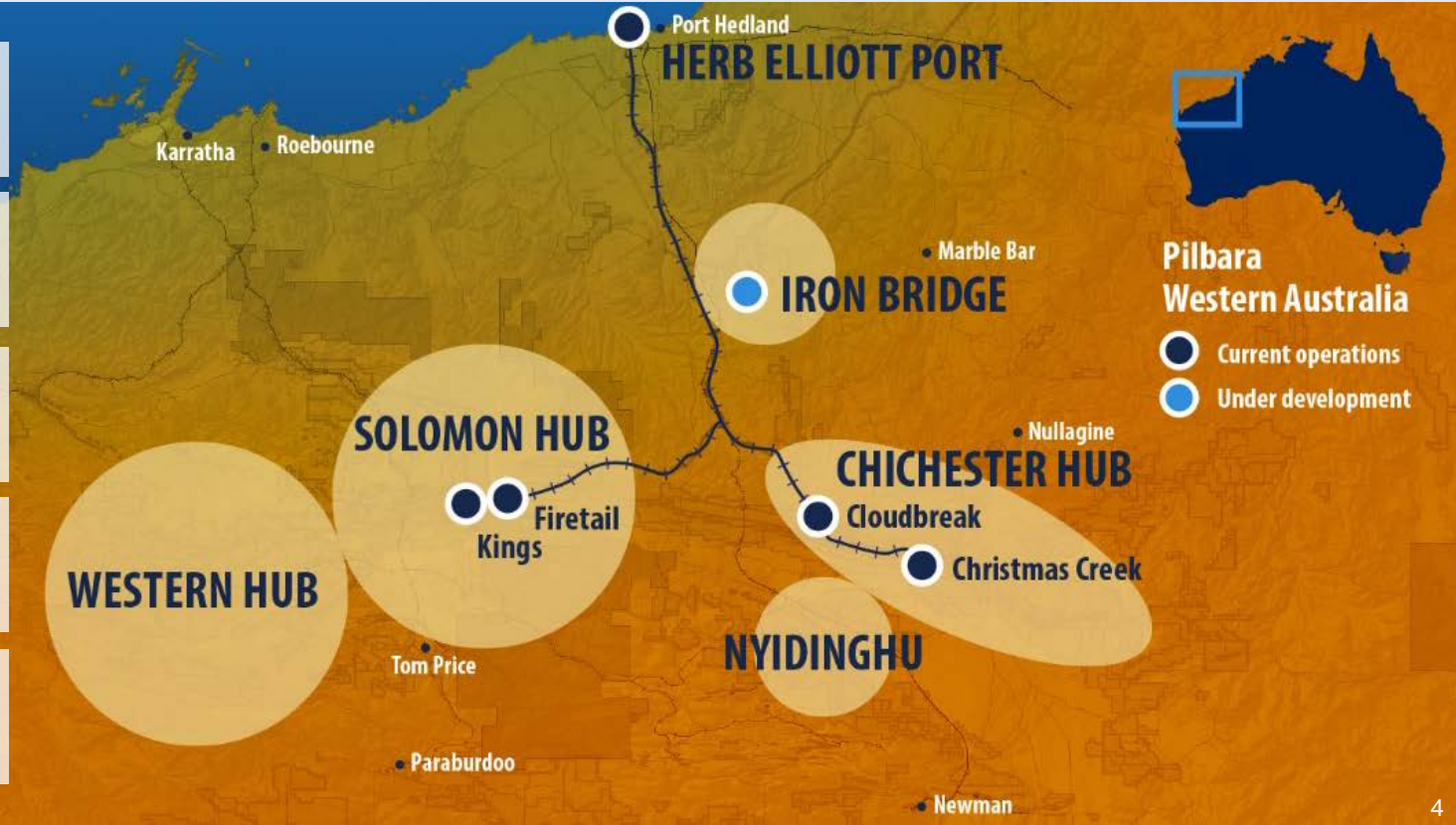
Market strategy

Operational performance

Long life resources

Capital discipline

Shareholder returns



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



Fortescue
The New Force in Iron Ore



Safety



Empowerment



Family



Frugality



Stretch targets



Integrity



Enthusiasm



**Courage and
determination**



Generating ideas



Humility




Delivering on our targets in FY17

Sustainable cost reduction and consistent production performance

TRIFR 2.9
33% reduction

170.4mt
Shipped



C1 cost
\$12.82/wmt
17% reduction

A\$0.25
Final dividend

21%
Net gearing

US\$2.7bn
Debt repaid



Sustainable cost improvements

Initiatives delivering long term low cost outcomes

Structural improvements

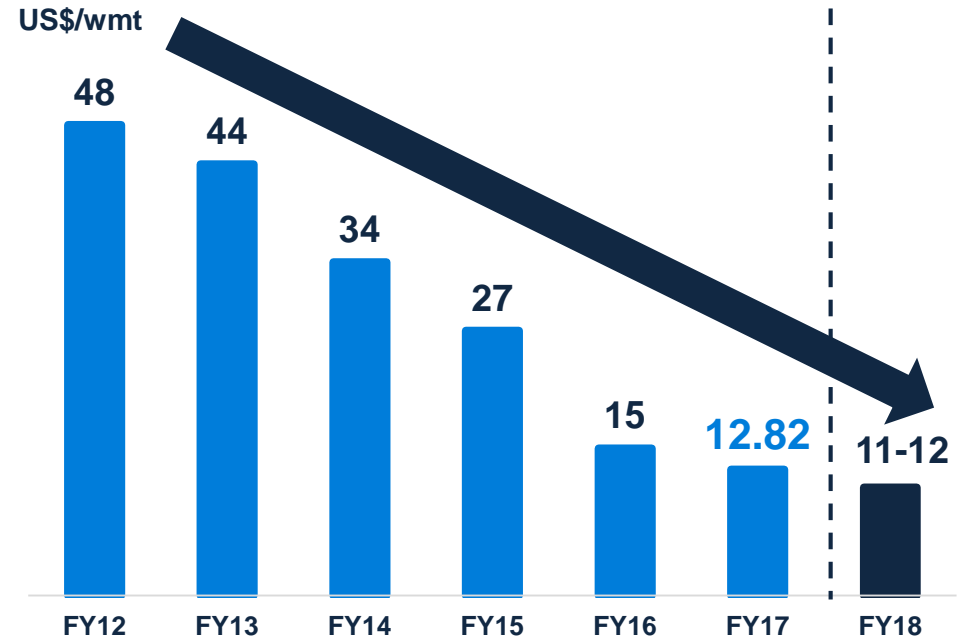
Solomon + Blending + Processing

Productivity and Efficiency

Utilisation, Recoveries, Maintenance

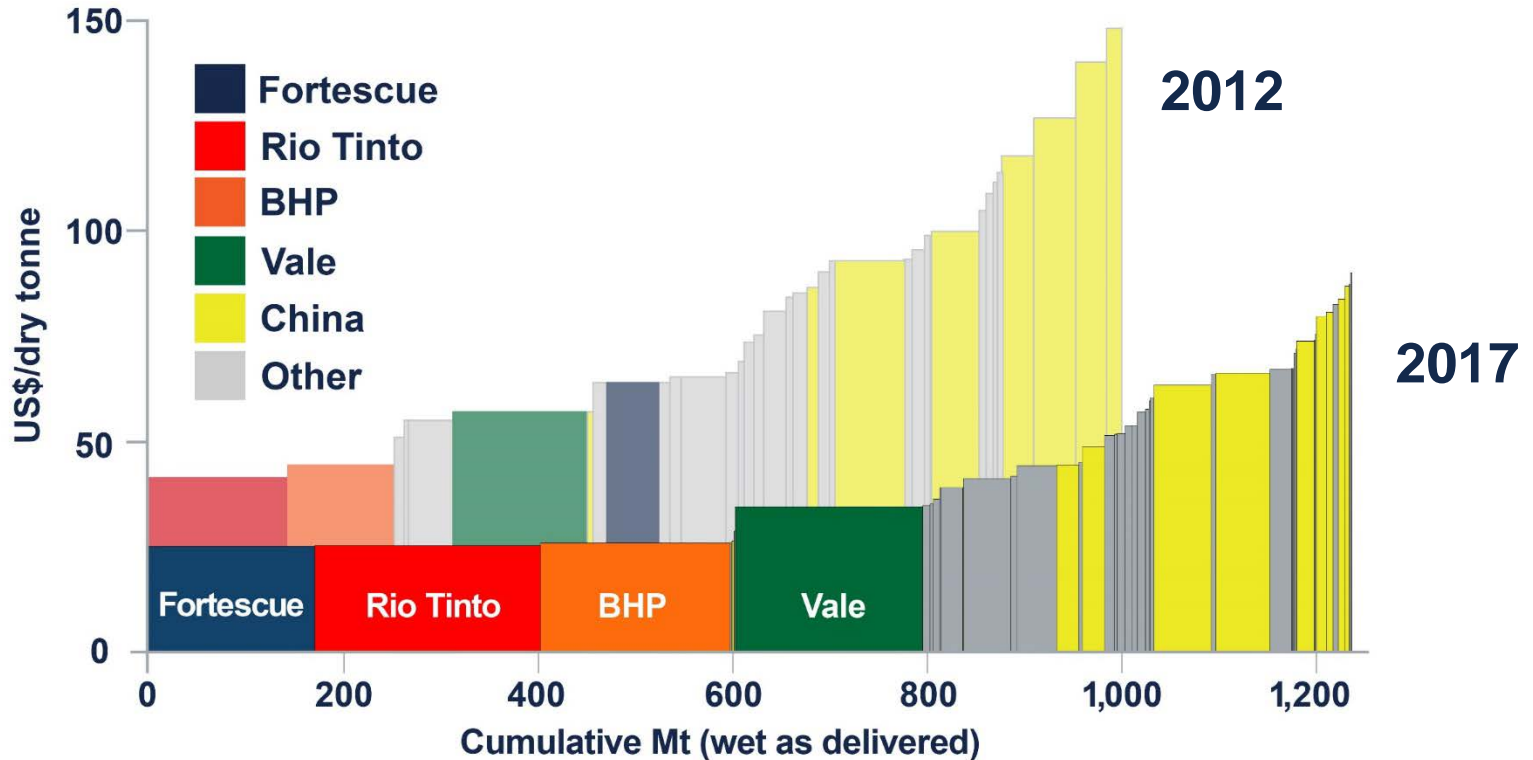
Innovation and Technology

Autonomy, Gas, Ore Carriers, Data analysis



Maintaining position on the cost curve

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





Financial performance



FY17 financial outcomes



Operational performance delivering financial results

US\$2.1bn
NPAT

US\$1.8bn
Cash on hand

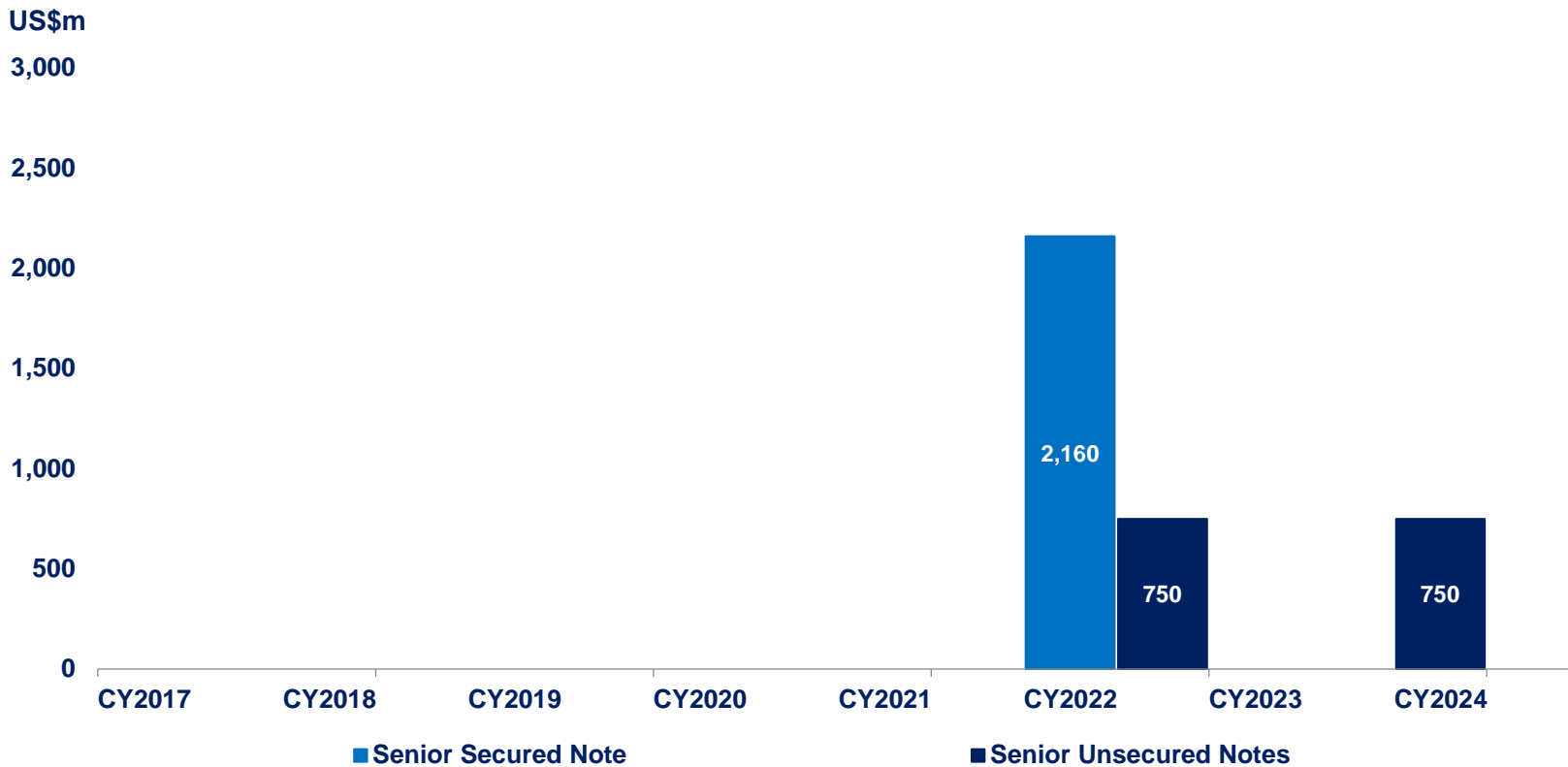
US\$3.5bn
Free cashflows

US\$0.67
113% increase in
earnings per share

US\$525m
Revolving credit
facility

A\$0.45
Total FY17 dividends
52% pay-out

First maturity in 2022 and a US\$525 million revolver facility





Market



Core supplier to Asia

Well established market share of imported iron ore to China

Low impurity 58% Fe average

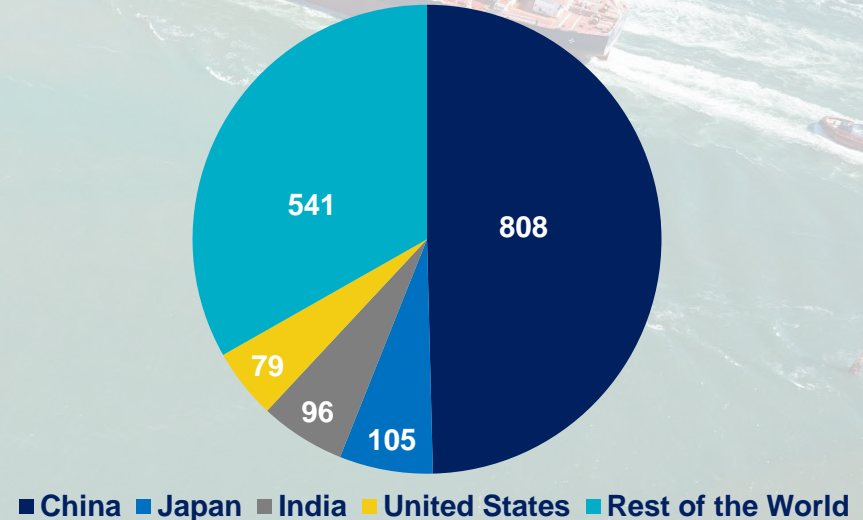
Competitive
value in use

Large diverse
customer base

Responsive
to market needs

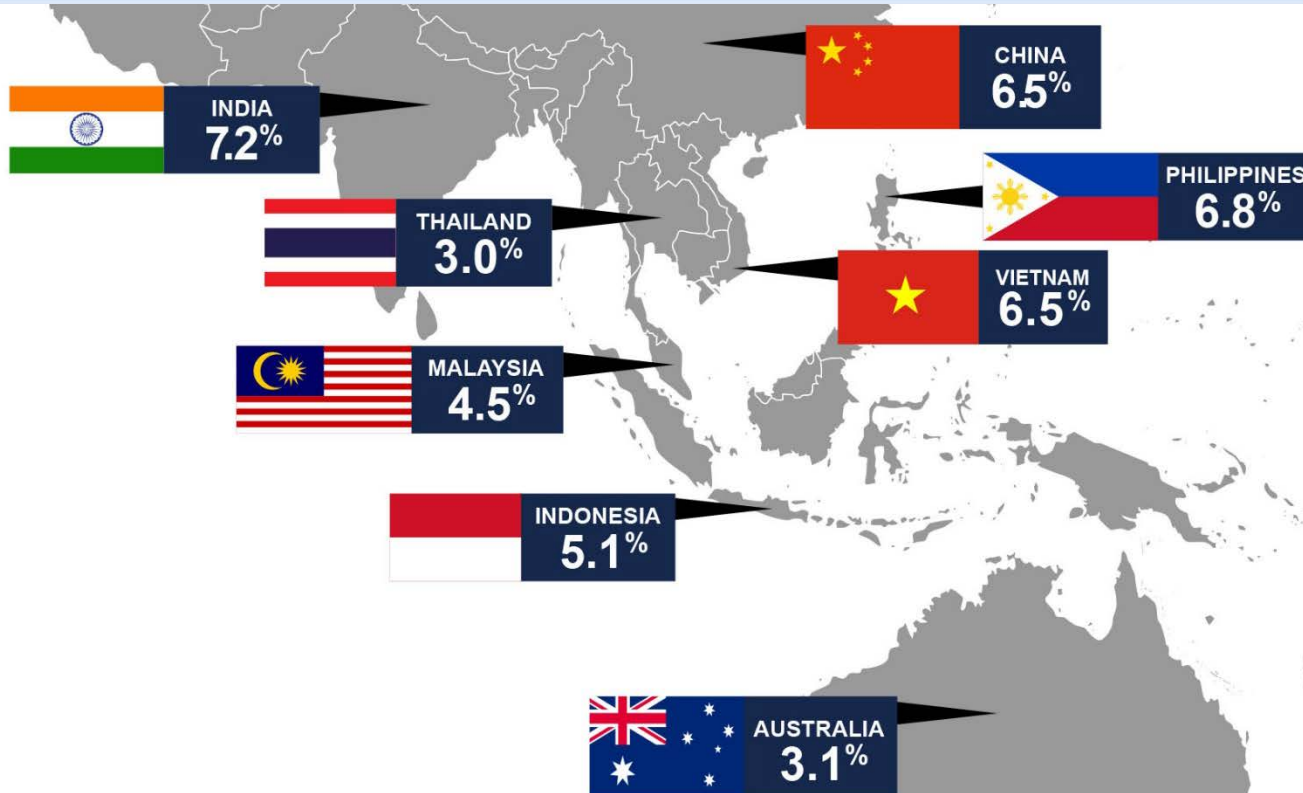
Proximity
to high growth
region

Total 2016 global steel production 1,629mt



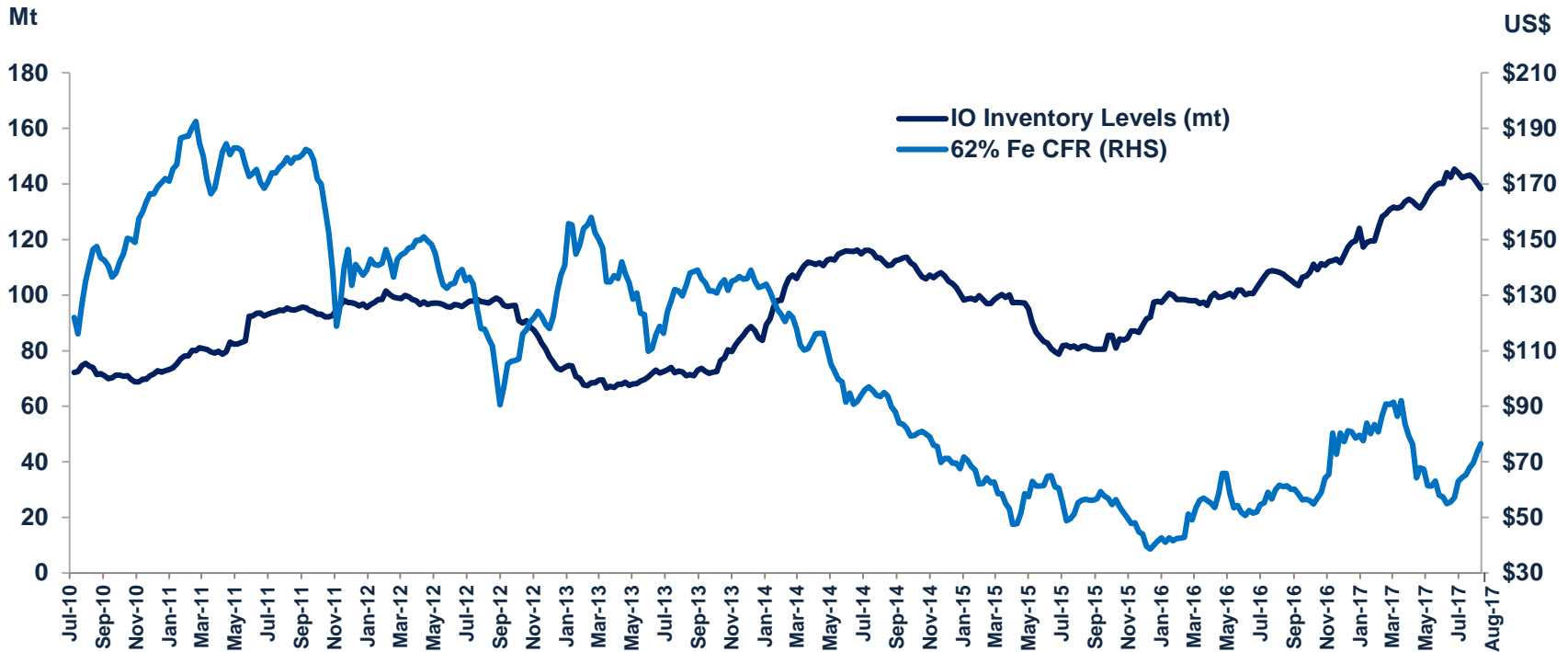
Developing and emerging Asia

Asian economies generating two thirds of global growth



Iron ore inventory levels

Construction and manufacturing projects support iron ore inventory levels





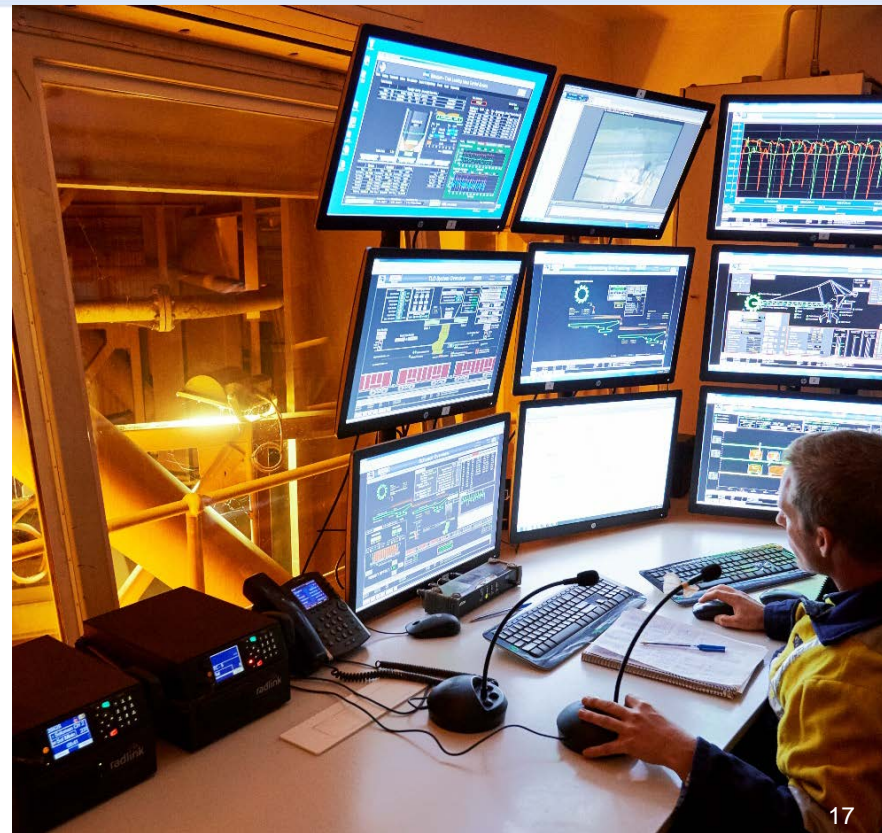
Innovation



Generating ideas for future innovation

People, processes and techniques are all catalysts for innovation

- **Exploration** techniques
- Integrated **Operations Centre**
- Mine **planning** and **optimisation**
- Harnessing **automation**
- Low cost, relocatable **conveyor**
- Fortescue **Ore Carriers**



World class autonomous haulage operation

Building on our success and expanding to the Chichester Hub



Improved
safety +
productivity



56
Operating at Solomon
+12 to be converted

Chichester Expansion

100 trucks
over 3 years

390mt
Material moved at
Solomon

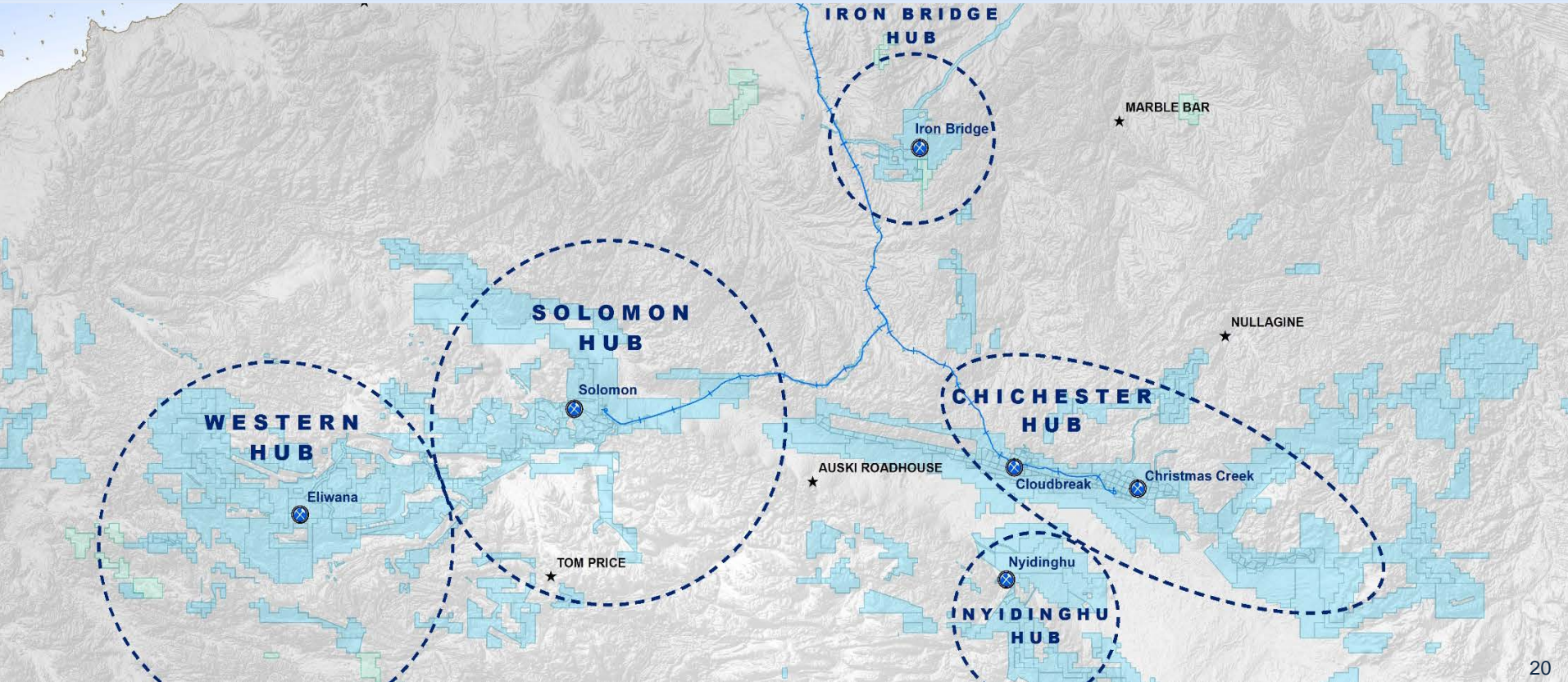


Reserves and resources



Resource portfolio supports long mine life

Largest Pilbara tenement footprint: 13bt tonnes Hematite, 7.9bn tonnes Magnetite



Active exploration

Developing low cost growth options

Targeting
copper and gold

New South Wales
~2,000km² tenure

South Australia
~6,000km² tenure

Ecuador
32 concessions



Building strong communities



Diverse workforce representing our communities



Creating opportunities through training, employment and business development



17.3%
Female employees



1,250
Aboriginal employees



Training
VTEC
Trade Up



A\$1.95bn
Contracts to Aboriginal companies



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Focussed strategy



FY18 guidance

Sustainable performance driven by innovation

**170mt
shipped**

**US\$11-12/wmt
C1 cost**

**75-80%
Revenue realisation**

**US\$3/wmt
Sustaining capital**

**Depreciation
US\$7.40/wmt**

**Dividend policy
50-80% pay-out of NPAT**



Key strategic focus

Ensuring our communities benefit from the growth and development of Fortescue

**Debt repayment and
capital flexibility**

Long term sustainability

Returns to shareholders

Low cost growth options



Our Vision: The safest, lowest cost, most profitable i



Sustainable

Low cost producer

World class

Assets and people

Customer focus

Reliable and competitive

Unique culture

Drives performance





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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.
Net gearing:	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.