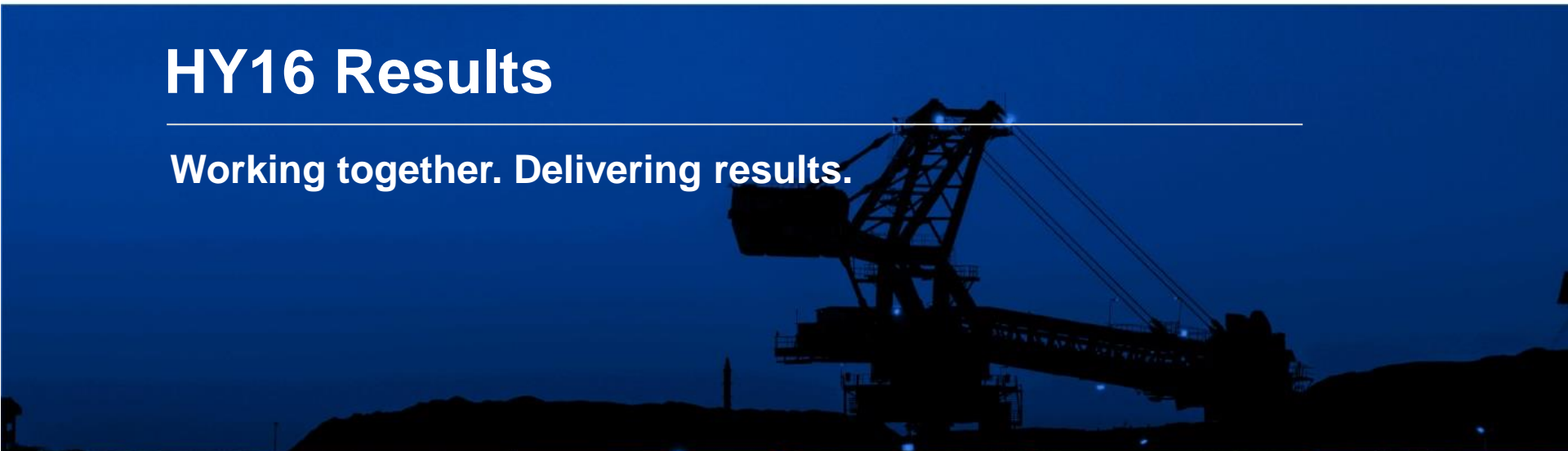




# HY16 Results

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Working together. Delivering results.



## 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.

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## Additional Information

This presentation should be read in conjunction with the Annual Report at 30 June 2015, the Interim Financial Report for the half year ended 31 December 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. 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  
**620mt**

**165mt**  
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**

# Strategic delivery of targets

Culture, continuous improvement, speed and flexibility maximise asset base

- FY14 ✓ **165mt** achieved & maintained
- FY12-16 ✓ Costs to **\$13/t** FY16 exit
- FY15-16 ✓ Capex lowered **< \$2/t**
- FY13-16 ✓ **Net** debt **\$4.4bn** lower
- FY11 ✓ Consistent **dividend** policy



# 1HY16 Earnings

Operational performance + sustainable cost reductions support financial results



**84mt shipped**  
Rate maintained

**NPAT**  
**US\$319m**

**Underlying**  
**EBITDA<sup>1</sup>**  
**US\$1.3bn**

**Capex \$88m**  
**1HFY16**

**Net debt**  
**US\$1.1bn lower**

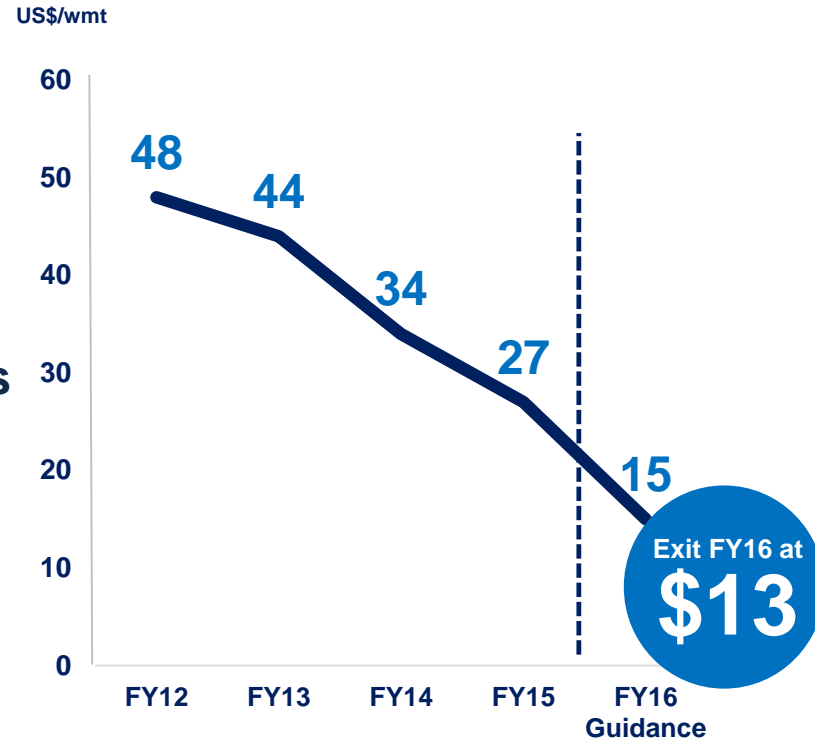
**Interim dividend**  
**A\$0.03/share**

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

# Continuous + sustainable cost improvements

Through development of assets, efficiencies, productivity and cost savings

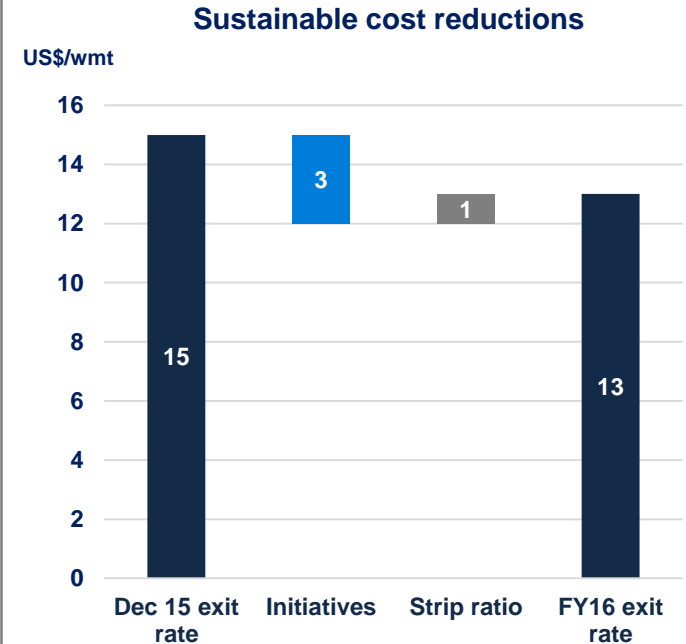
- 1 **Solomon** operations
- 2 **Blending** strategy 58% Fe
- 3 **Processing**, wet plants + de-sands
- 4 Operational **efficiencies**
- 5 Fx and fuel **decreases**



# Delivering US\$13/wmt

## Continuing efficiency and productivity improvements

Savings initiatives		Savings (US\$/wmt)
<b>Processing</b>	<ul style="list-style-type: none"> <li>Improved upgrades and yield</li> <li>Shutdown optimisation</li> <li>Enhanced plant reliability</li> </ul>	<b>0.70</b>
<b>Mining</b>	<ul style="list-style-type: none"> <li>Maximising equipment productivity</li> <li>Enhancements to mine plans – ore definition, haul route optimisation, pit design</li> <li>Site-wide efficiencies, maintenance, fleet productivity</li> <li>Product optimisation + blending</li> </ul>	<b>1.30</b>
<b>Procurement</b>	<ul style="list-style-type: none"> <li>Deflation and contract re-negotiations</li> </ul>	<b>0.50</b>
<b>Inventory + Fx</b>	<ul style="list-style-type: none"> <li>High-cost inventory flow through</li> <li>Fx to US\$0.71</li> </ul>	<b>0.50</b>
<b>TOTAL</b>		<b>3.00</b>

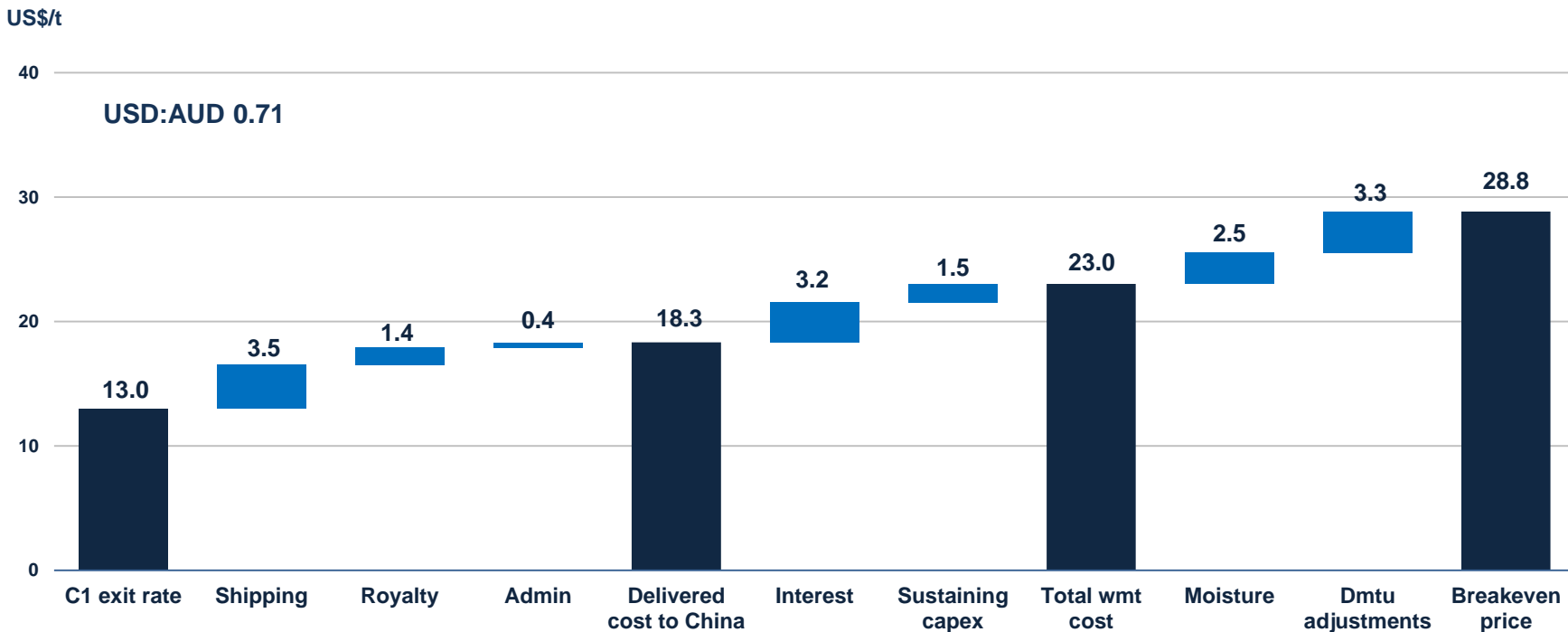


Based on average strip ratio of 1.4



# Breakeven index price

## Continuing to reduce breakeven price





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# Operating and financial performance



[www.Telegram.me/Commodities](https://www.Telegram.me/Commodities)

# Financial keys

Maintaining margins through cost + production performance

**C1 cost**  
**\$16/wmt**  
1HFY16

**Operating cashflow**  
**US\$1.4bn**

**US\$3.5bn**  
Operating cost savings  
FY14 - FY16

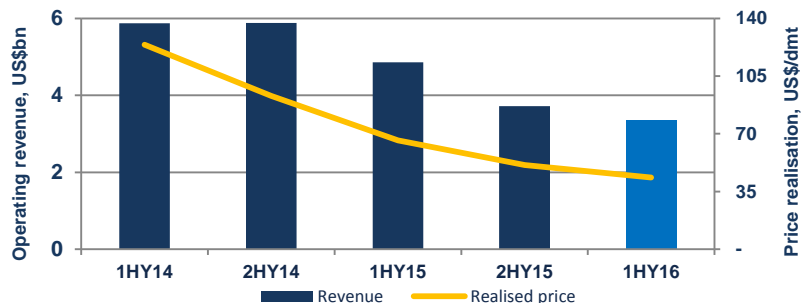
**US\$1.1bn**  
Debt repurchased

 **Net debt**  
**US\$6.1bn**

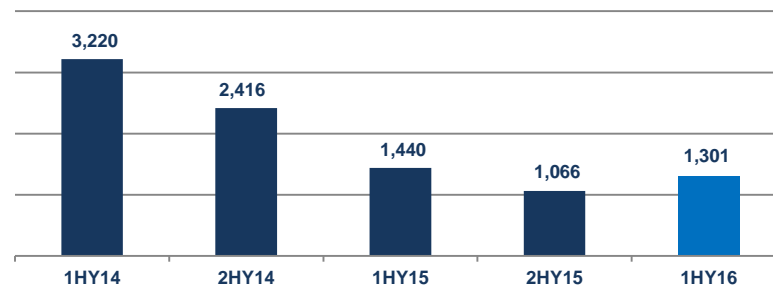
**US\$200m**  
Sustaining capital FY16

## Operational performance supports strong financial results

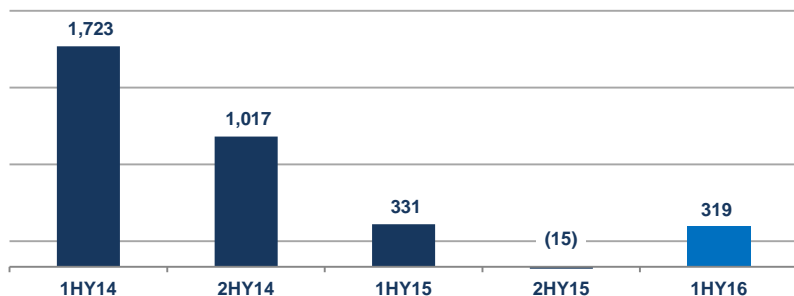
### Revenue and Price



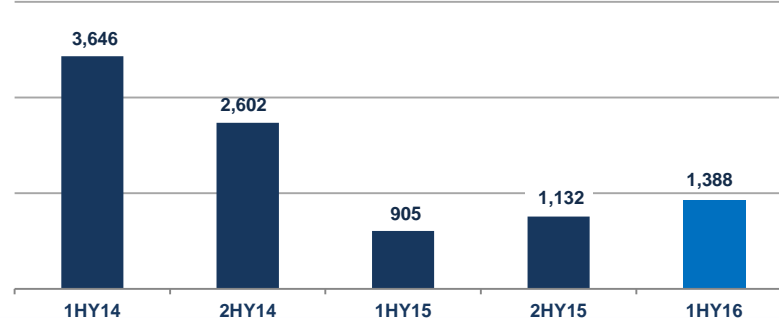
### Underlying EBITDA, US\$ millions



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



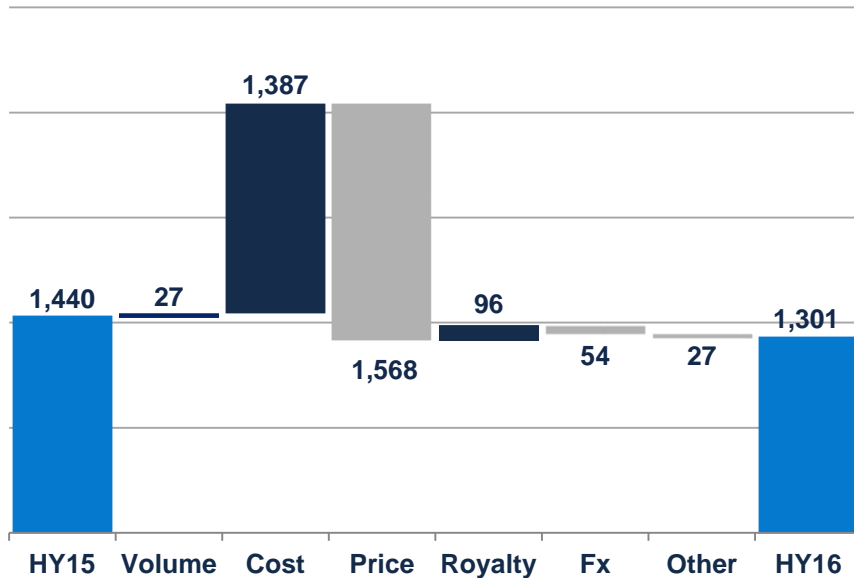
### Operating cash flows, US\$ millions



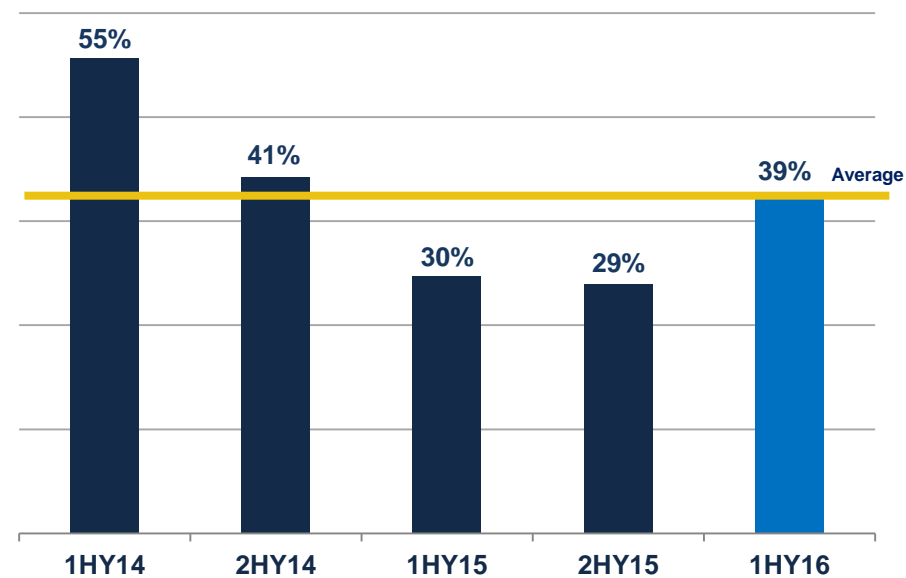
# Underlying EBITDA

Cost + production performance offsetting price weakness

Underlying EBITDA, US\$ millions

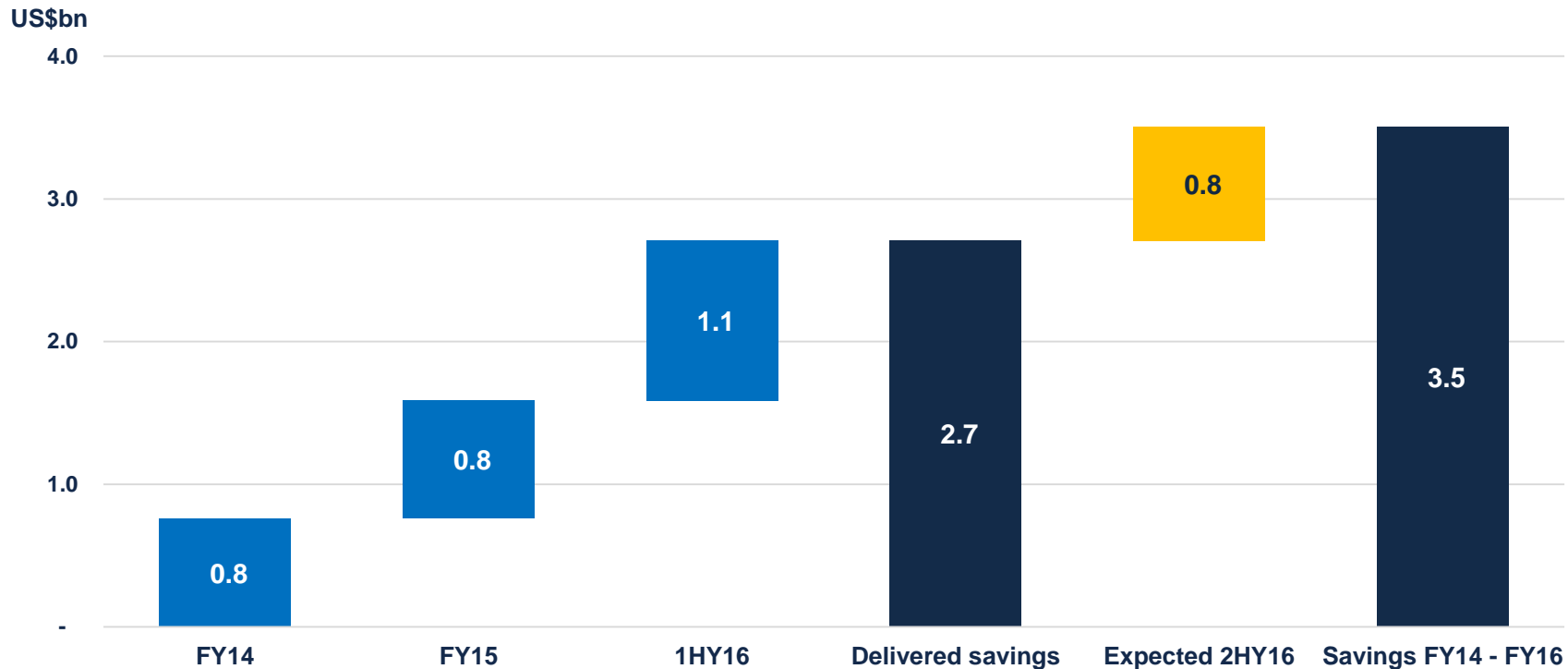


Underlying EBITDA Margin



# Cash savings

## FY14 – 16 cash savings since achieving full operating capacity





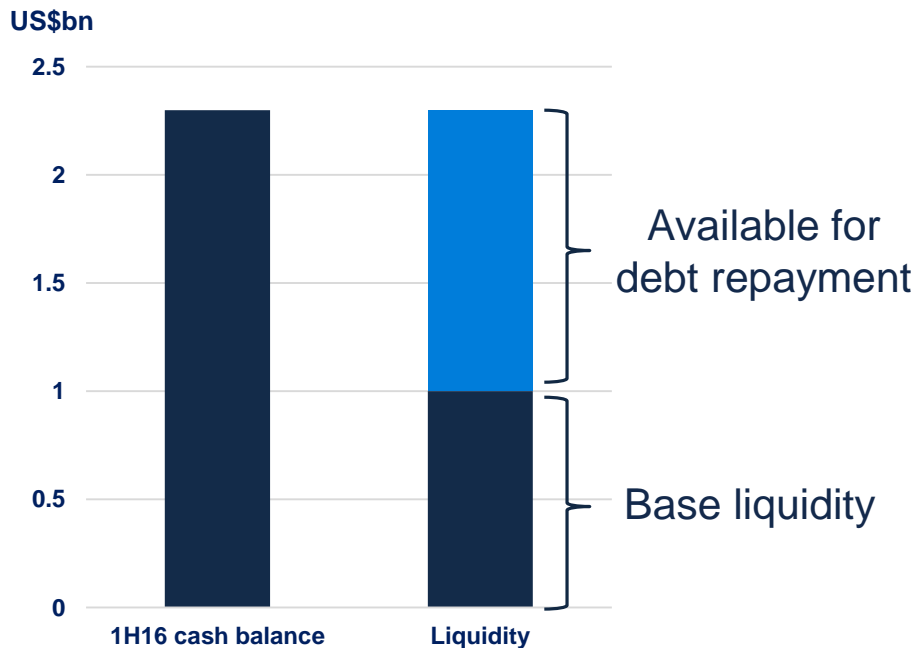
# Balance sheet



# Available cash balances

## Operating cash flows supporting continuing debt repayments

- **US\$2.3bn** cash at 31 Dec
- Strong **cash flows**
- Target **40% gearing**  
(Debt:Debt + equity)
- Target liquidity **US\$1-1.5bn**

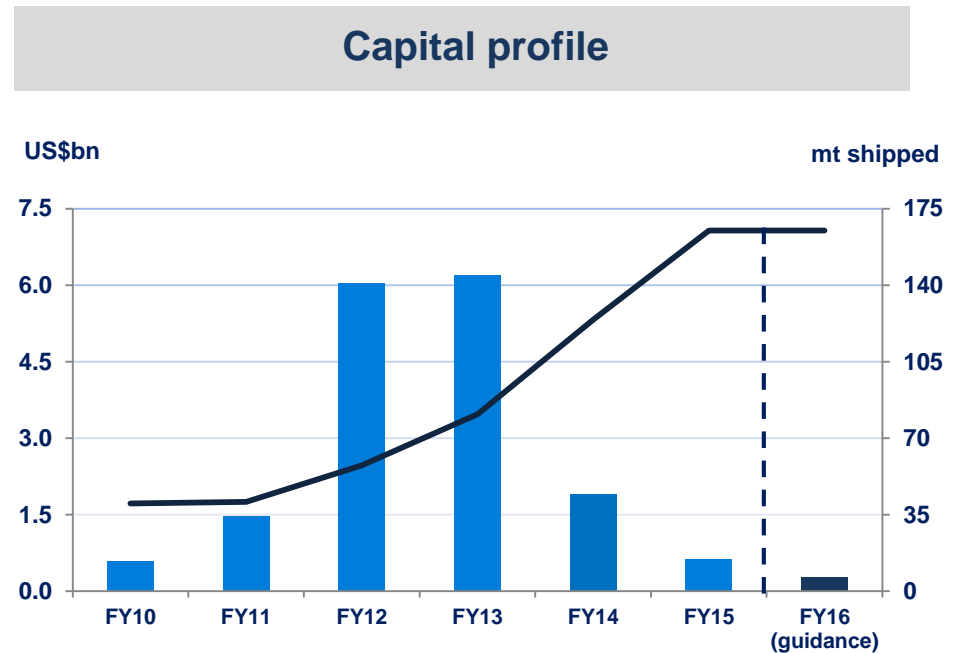




# Capital expenditure

Post expansion, capex is sustainable at current levels

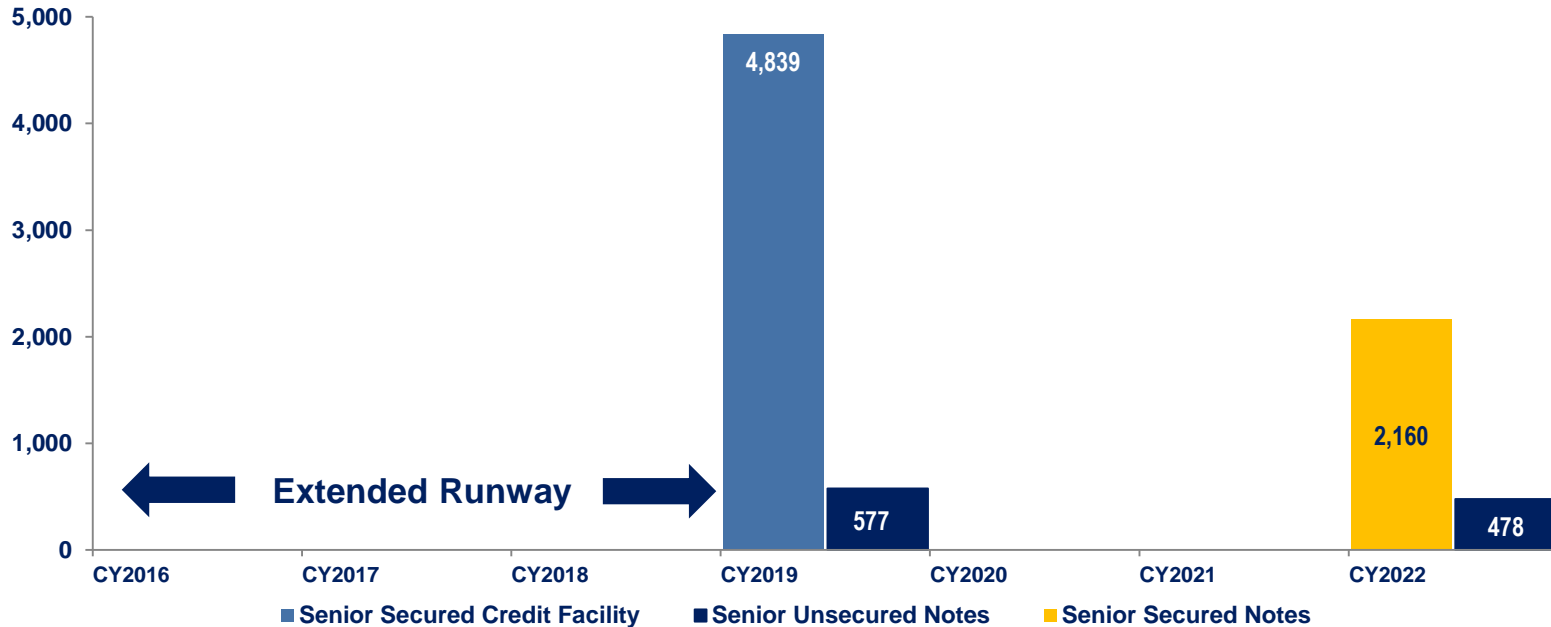
- Sustaining capex **US\$200m**
- **Sustainable** mine lives
- No **expansion** capex
- D&A **~US\$7.50/wmt**



# Debt maturity profile

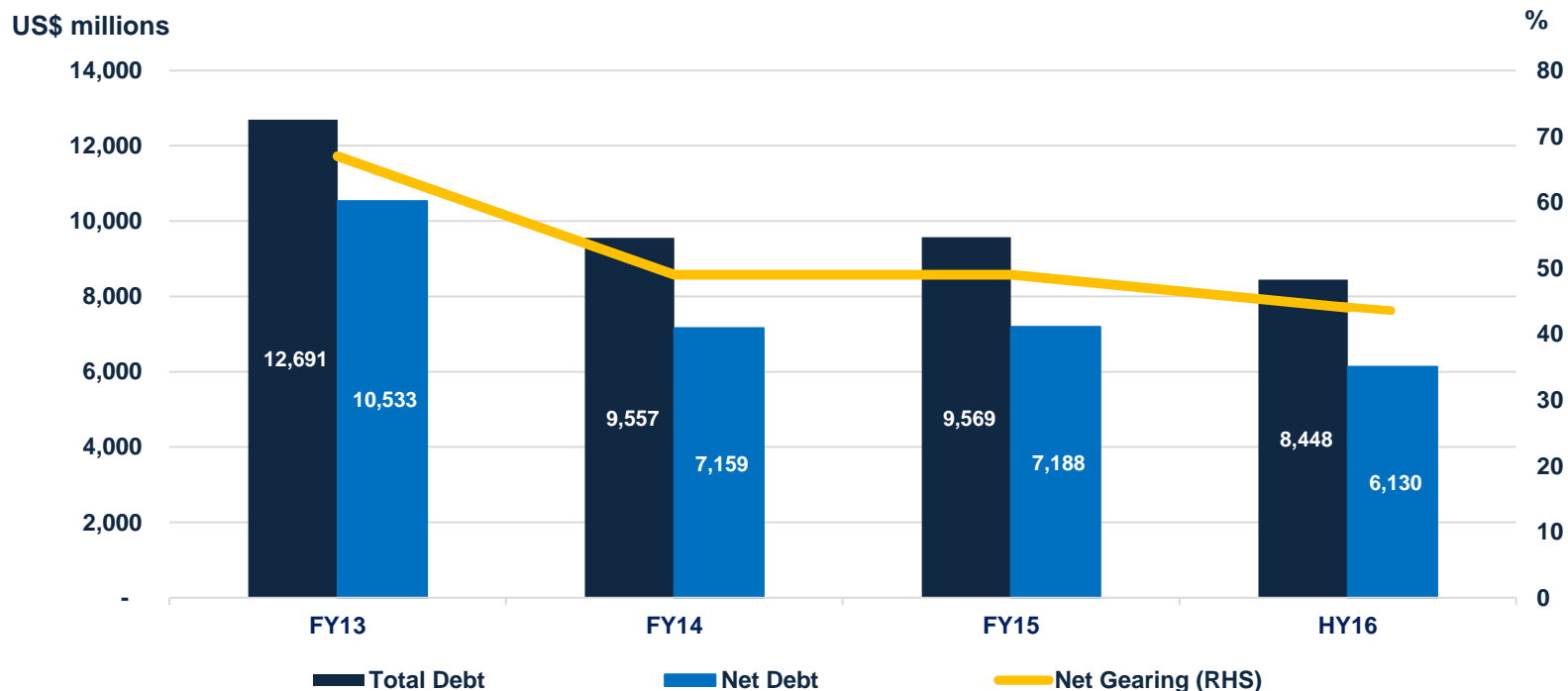
Net debt reduced by US\$4.4bn to date

US\$ millions



# Debt repayments

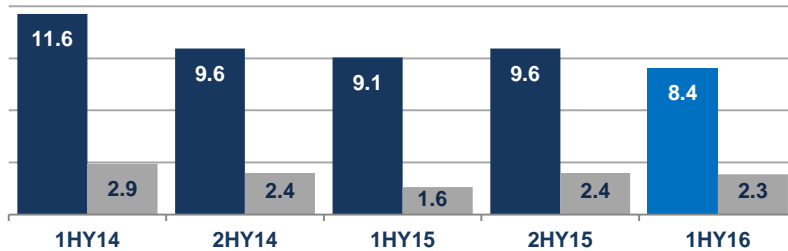
Free cash flows support debt reduction to initial 40% gearing target



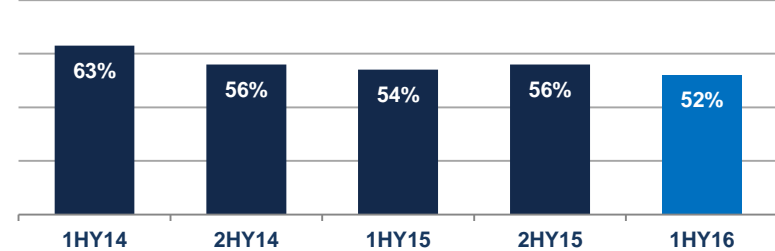
# Key credit metrics

## Operating cash flows supporting metrics

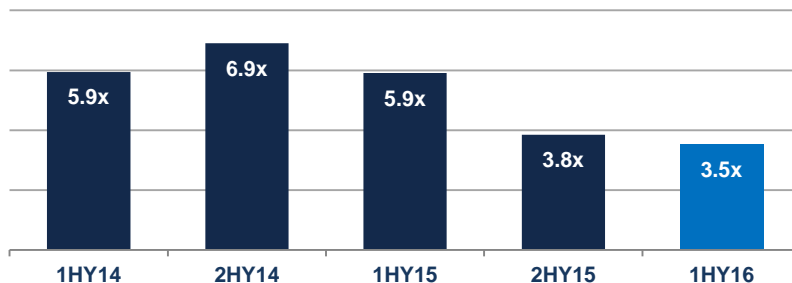
### Cash and debt (US\$bn)



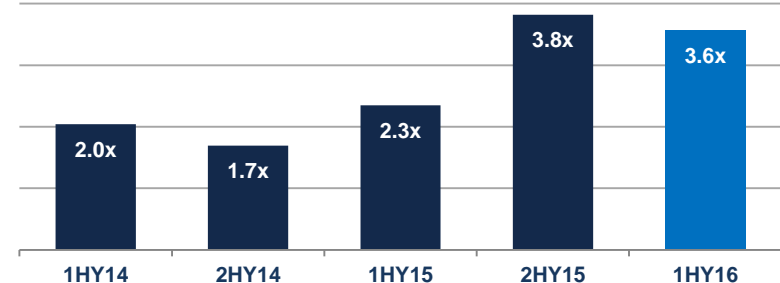
### Gearing: Debt / (Debt + Equity)



### Underlying EBITDA / Interest



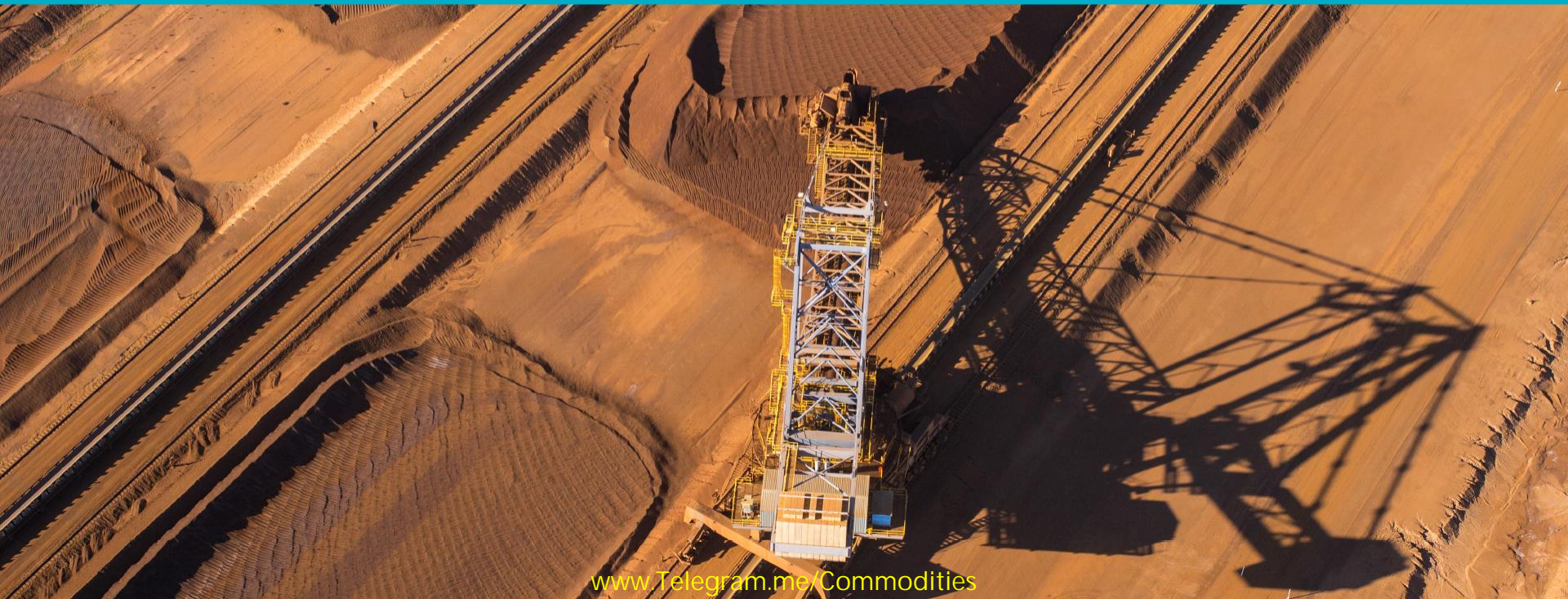
### Debt / Underlying EBITDA





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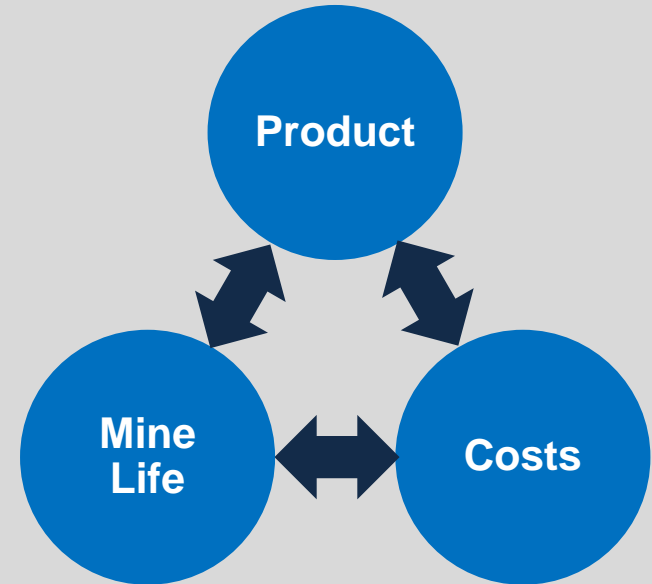
# Maximising value



Strategy continues to evolve to maximise value from asset base

- Optimised **58%** product range
- **Product blending**
- Enhanced **processing**
- Improved **ore body definition**

## Solving to maximise



FY16 strip ratio remains consistent in 2HFY16 at 1.2

## Maintained mine life

  
**C1**  
**Costs**

	FY17 - FY20	LOM
Chichester	1.6	2.3
Solomon	1.2	1.8
Combined	1.4	2.1

  
**Strip**  
**ratios**

**Improvements to continue as ore processing  
and blending optimised**



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# Market



[www.Telegram.me/Commodities](http://www.Telegram.me/Commodities)



# Core supplier to Asia

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

- **Low impurity** 58% Fe average
- High **value in use**
- Large diverse **customer base**
- **Reliable consistent** delivery
- **Proximity** to high growth region



# China's long term growth remains strong

300 million people expected to be urbanised by 2030

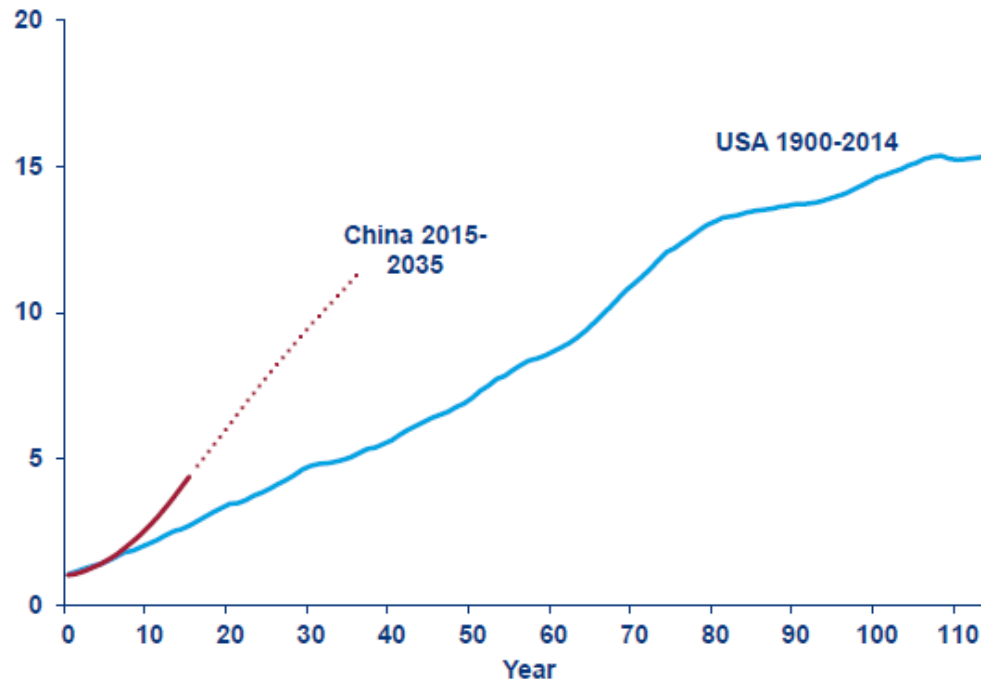
- **Steel** stock-in-use **1/3 USA**
- Steel **demand above 800mtpa**
- **Competitive** and rising steel exports:
  - **One Belt One Road** over billion tonnes
- Short term **growth stabilising**
- Real estate **market recovery**



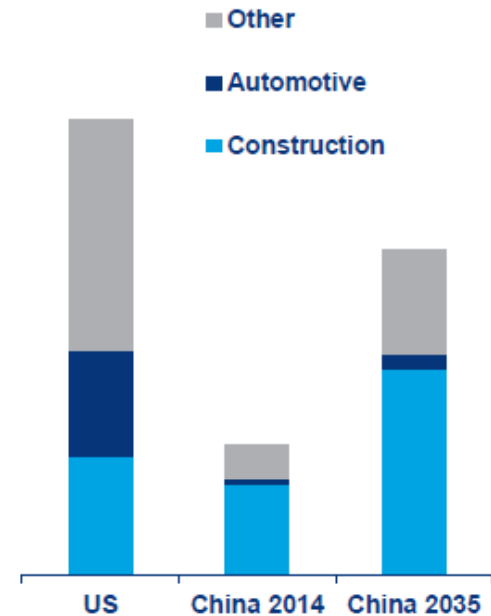
# Steel consumption to build economy

Above 800mtpa – driven by policy decisions

Steel stock-in-use per capita (tonne): China vs. US



Stock by sector

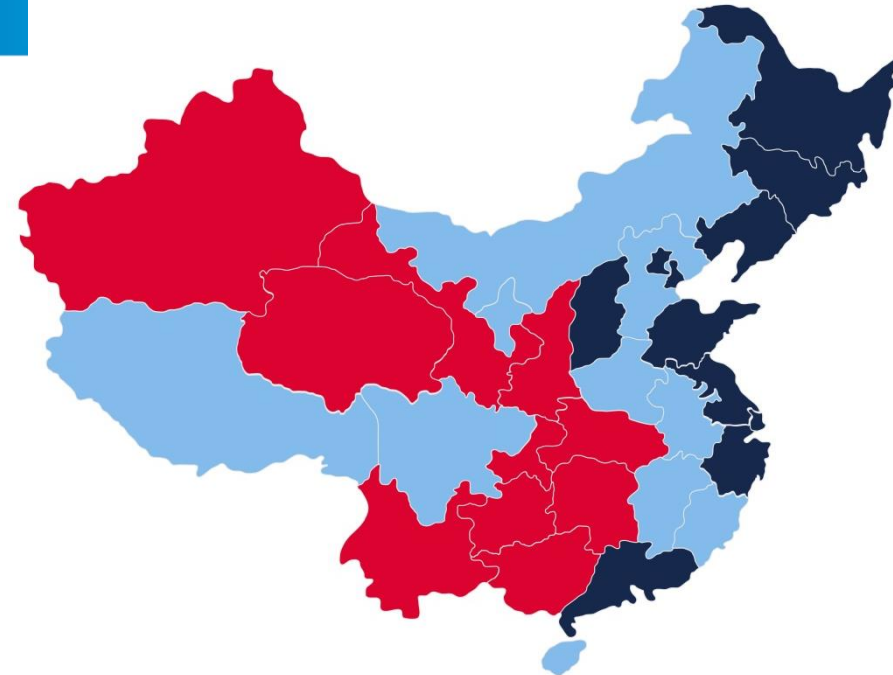


# Chinese cities in 2030

300 million people still to urbanise – 16 million per year

## Real GDP growth 2015-2025 (CAGR)

- Fastest third
- Middle third
- Slowest third

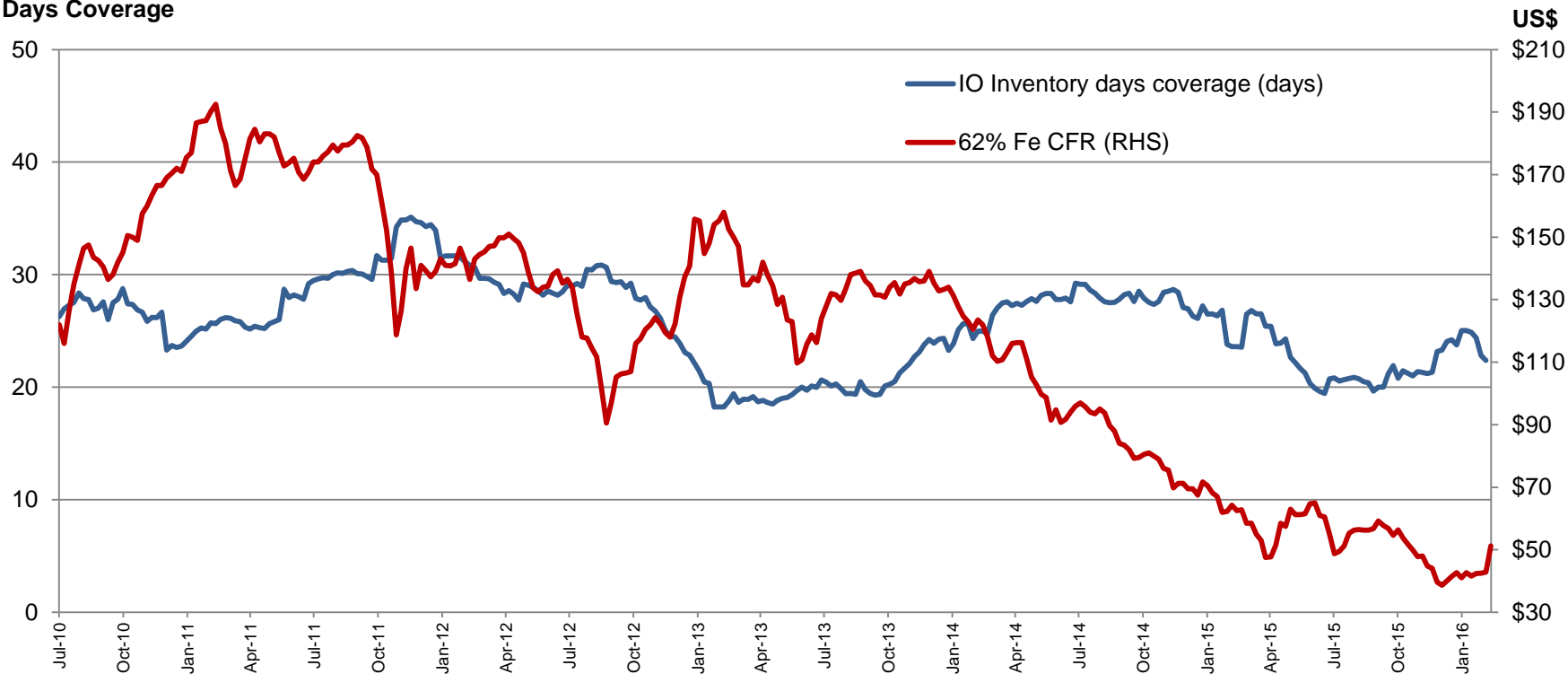


**70%** of the population (1bn)  
will be **living in cities**

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

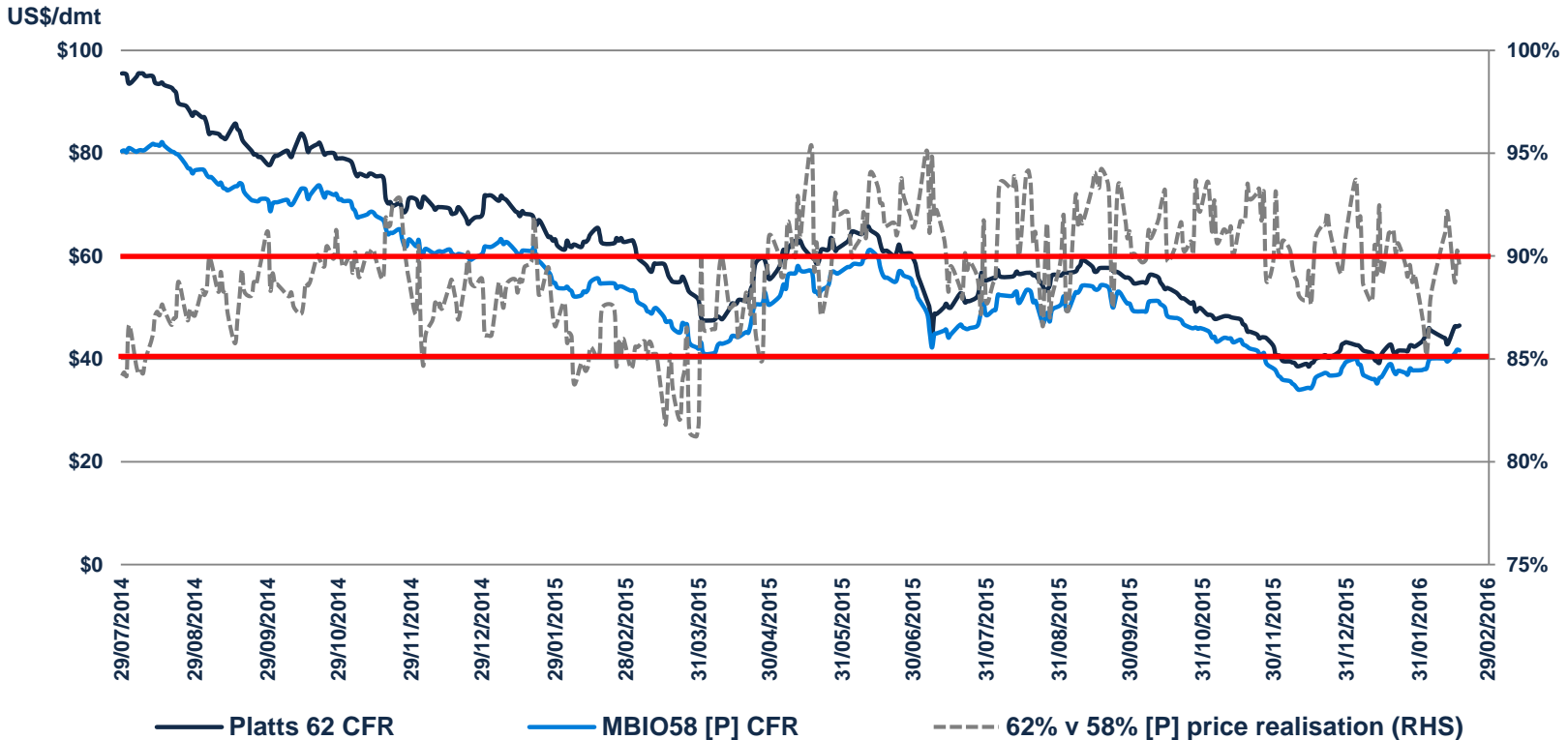
## Port stocks remaining stable

### Days Coverage



# Price realisation

Consistently realising at 85-90% of 62 Platts index





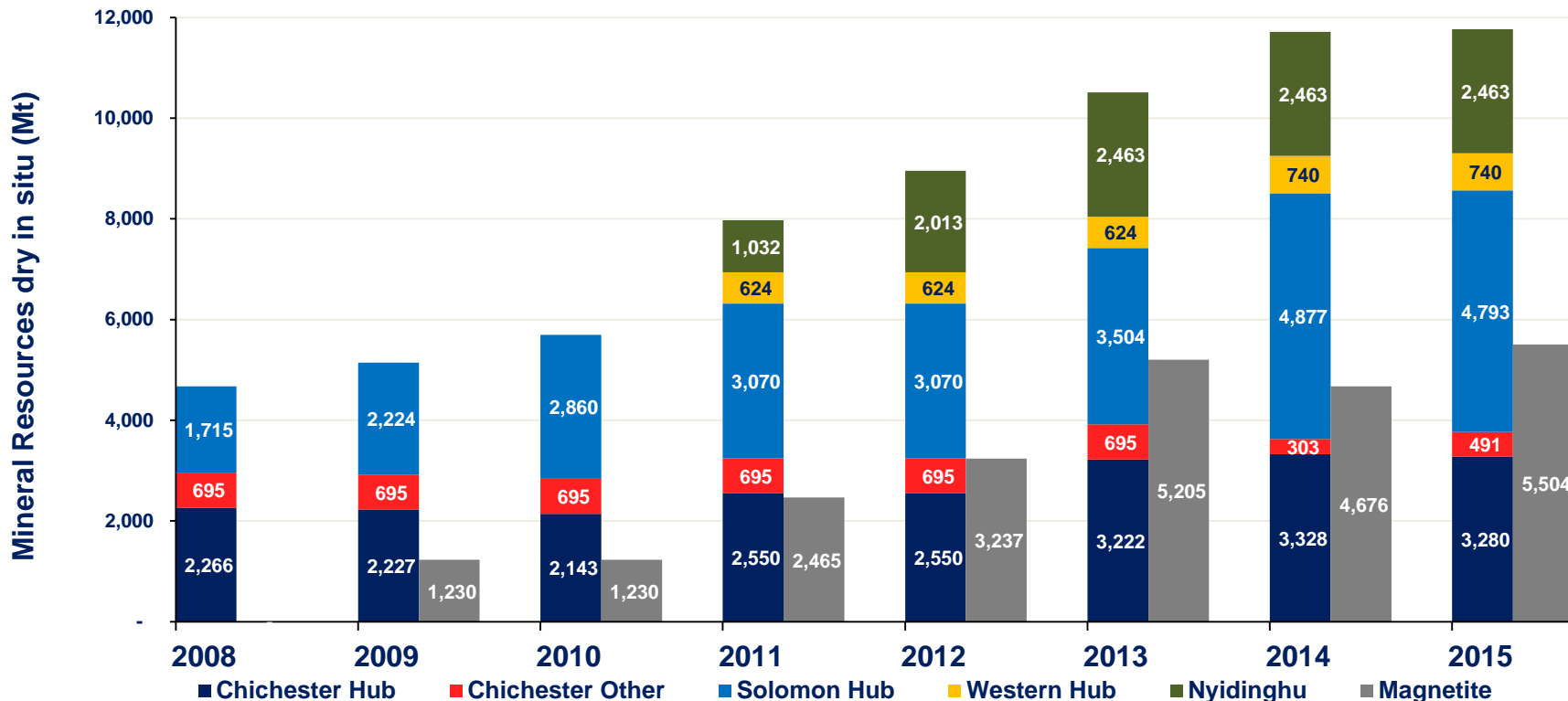
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# Reserves and resources



# Resource portfolio supports asset base

## Largest Pilbara tenement footprint







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# Supporting our local community



[www.Telegram.me/Commodities](http://www.Telegram.me/Commodities)

# 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**

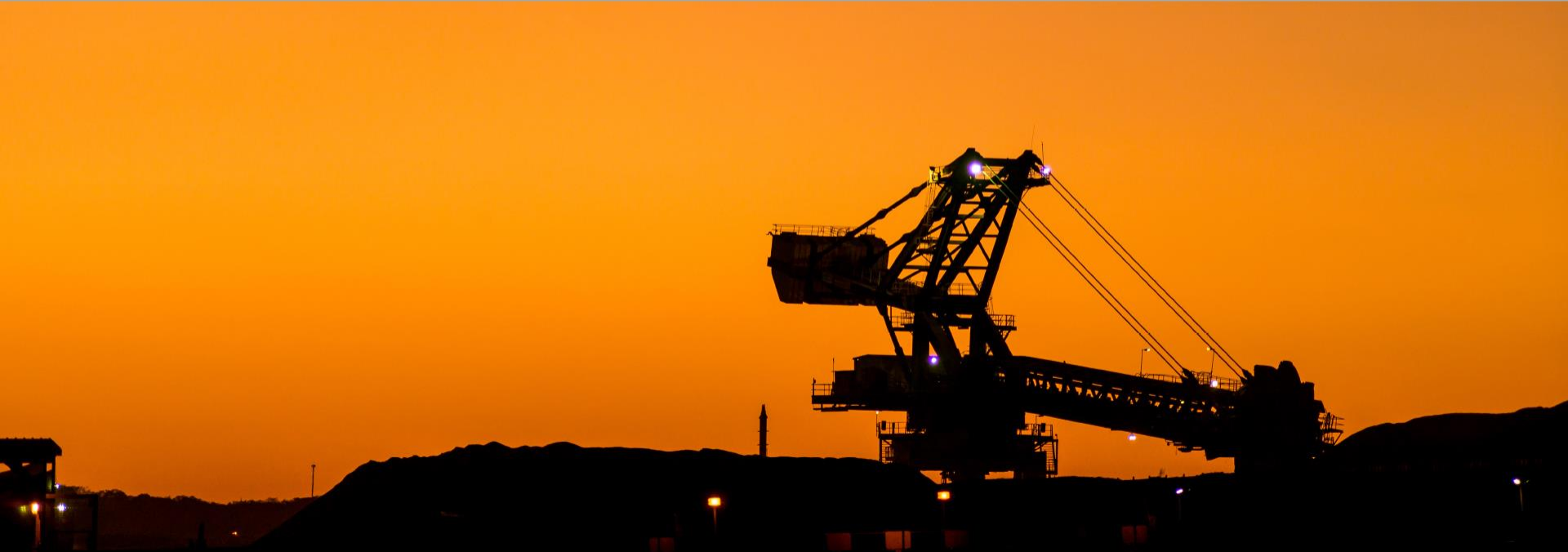
Roebourne | South Hedland





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# Focused strategy



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# Strategic delivery

Culture, continuous improvement, speed and flexibility maximise asset base

- ✓ Consistent **165mtpa**
- ✓ Lowering costs to **US\$13/wmt**
- ✓ Maximising **cash flows**
- ✓ Debt **repayment**
- ✓ Expect further **improvements**



# The new force in iron ore



Continuous improvement, reliable + efficient delivery



**Sustainable**  
low cost  
producer

**World class**  
assets & people

**165mt**  
Production rate

**Unique culture**  
drives performance





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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 half year ended 31 December 2015 accompanying this announcement.
<b>CFR:</b>	Cost and freight rate.
<b>mtpa:</b>	Million tonnes per annum.
<b>1HFY:</b>	Half year.
<b>FY:</b>	Full year.
<b>dmt:</b>	Dry metric tonnes.
<b>NPAT:</b>	Net profit after tax.
<b>Underlying EBITDA:</b>	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 in the Financial Report for the half year ended 31 December 2015 accompanying this announcement.
<b>wmt:</b>	Wet metric tonnes.

