



Fortescue
The New Force in Iron Ore

FY18 Half Year Results



Together we are Fortescue

Forward looking statements

Disclaimer

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Additional Information

This presentation should be read in conjunction with the Annual Report at 30 June 2017 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 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
975mt*



Low cost
producer

170mt
Production rate



* At 31 January 2018

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

Our Values



Fortescue
The New Force in Iron Ore



Safety



Family



Empowerment



Frugality



Stretch targets



Integrity



Enthusiasm



**Courage and
determination**



Generating ideas



Humility



Generating shareholder value

Focus on safety, productivity and efficiency

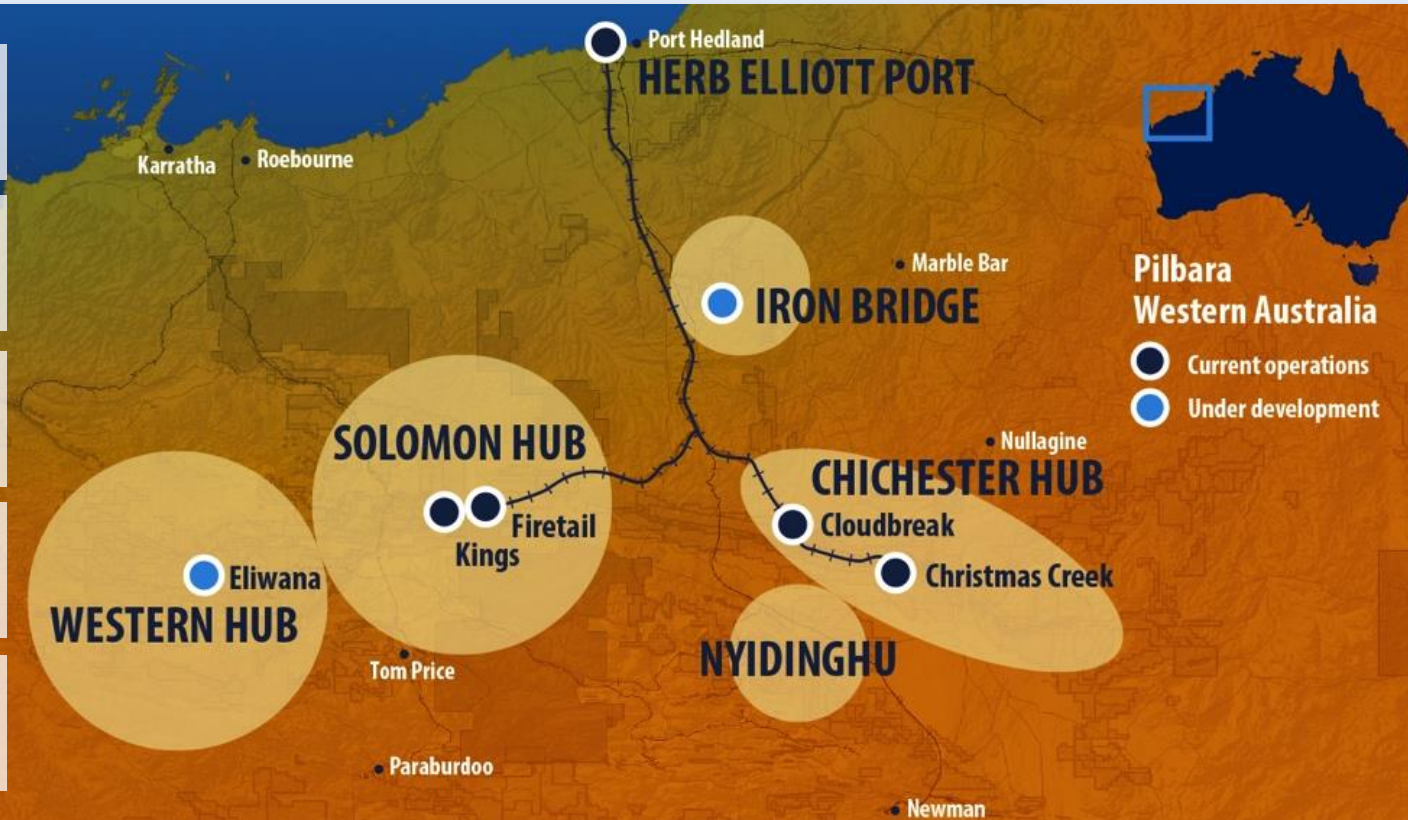
Market strategy

Operational performance

Long life resources

Capital discipline

Shareholder returns



Delivering on our targets in HY18

Sustainable cost reduction and consistent production performance

TRIFR 3.1

3% reduction

84.5mt

Shipped

C1 cost

US\$12.11/wmt

25%

Net gearing

A\$0.11

40% pay-out ratio

US\$4.2bn

Gross debt



Sustainable cost improvements

Initiatives delivering long term low cost outcomes - US\$12.08/wmt in Dec Q

Structural improvements

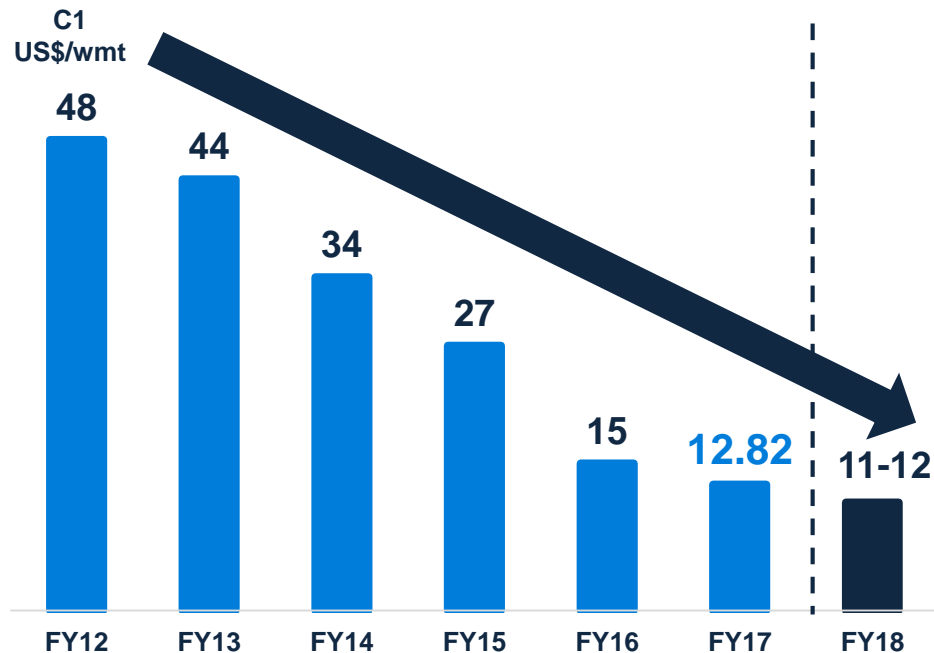
Solomon + Blending + Processing

Productivity and Efficiency

Utilisation, Recoveries, Maintenance

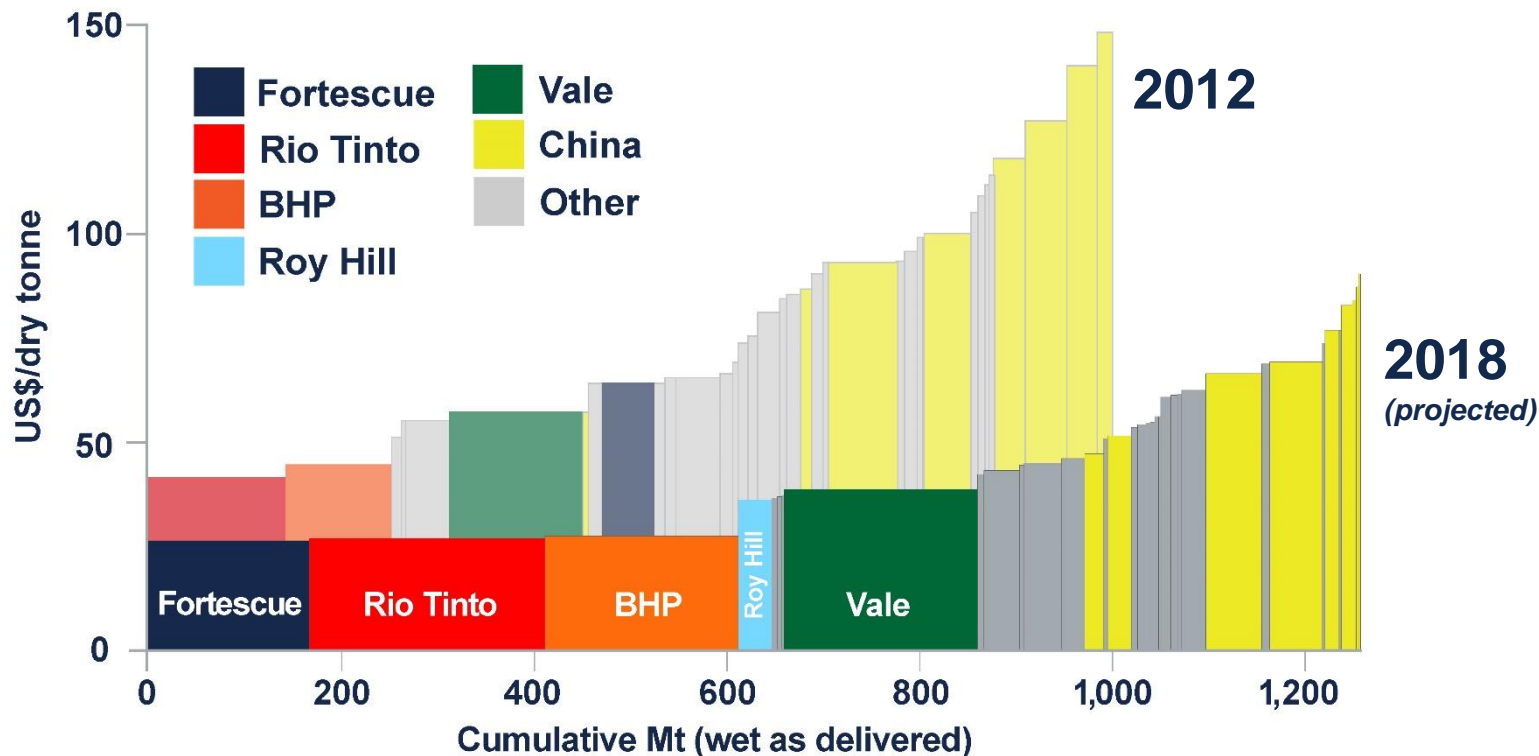
Innovation and Technology

Autonomy, Gas, Ore Carriers, Data analysis



Maintaining position on the cost curve

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



Source: Metalytics – October 2017

Financial performance



HY18 financial outcomes

Operational performance delivering financial results

US\$681m
NPAT

US\$892m
Cash on hand

US\$1.4bn
Cash from
operations

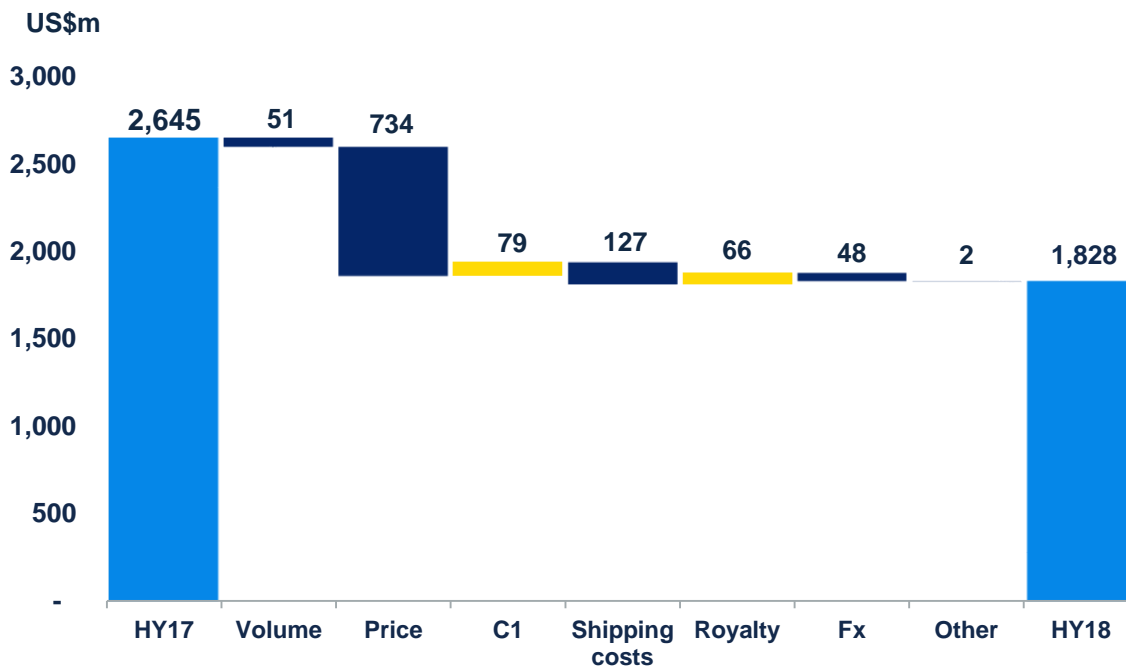
US\$0.22
Earnings
per share

US\$1.8bn
Underlying
EBITDA

A\$0.11
Interim dividend
40% pay-out

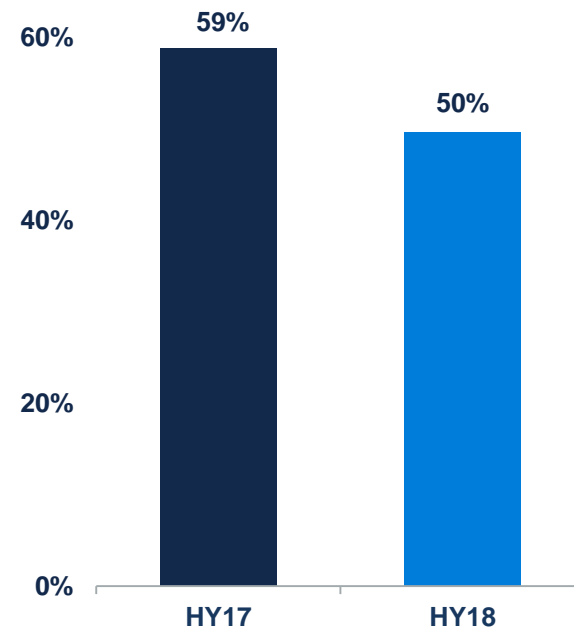
Underlying EBITDA

Maintaining solid underlying earnings margins



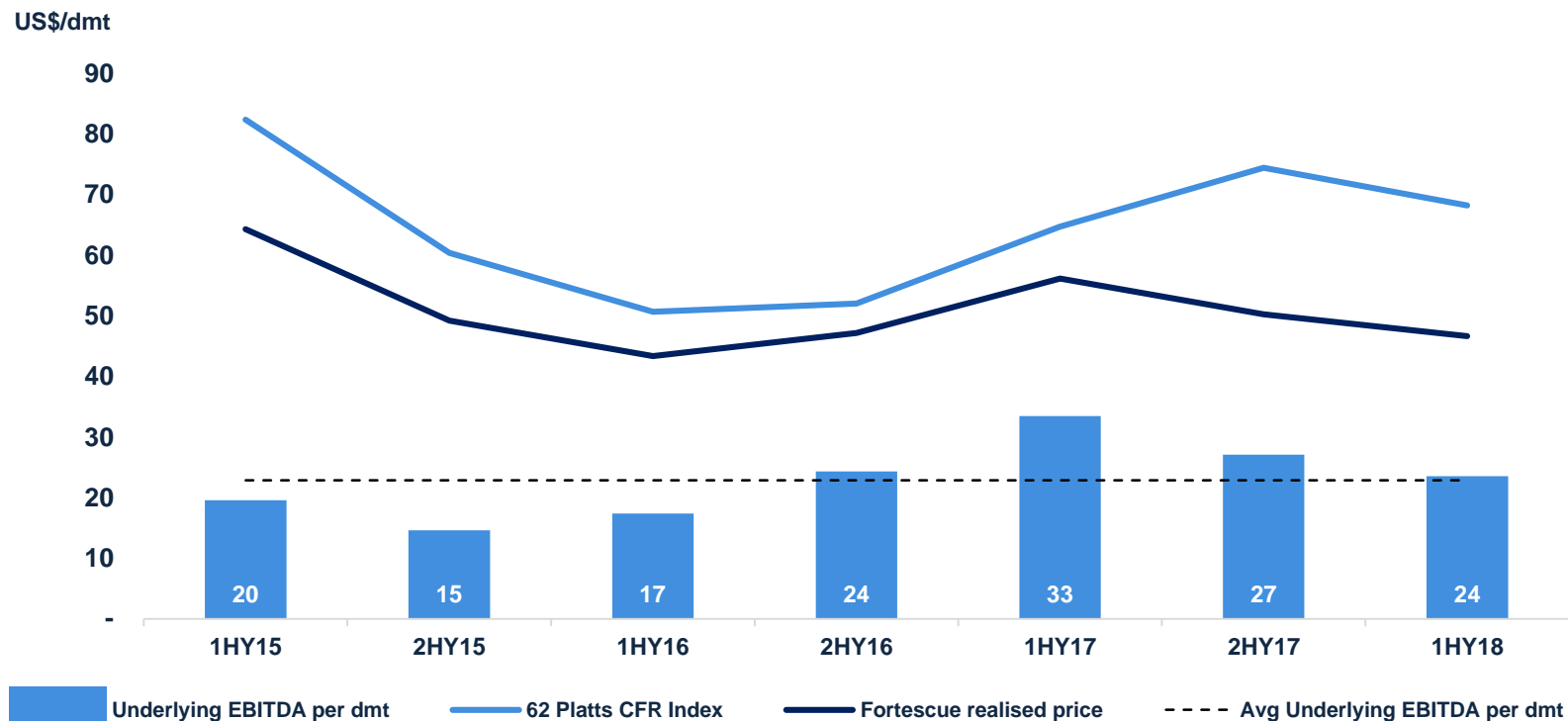
Refer to attached glossary for definition of non-IFRS terms

Underlying EBITDA Margin



Price and margins

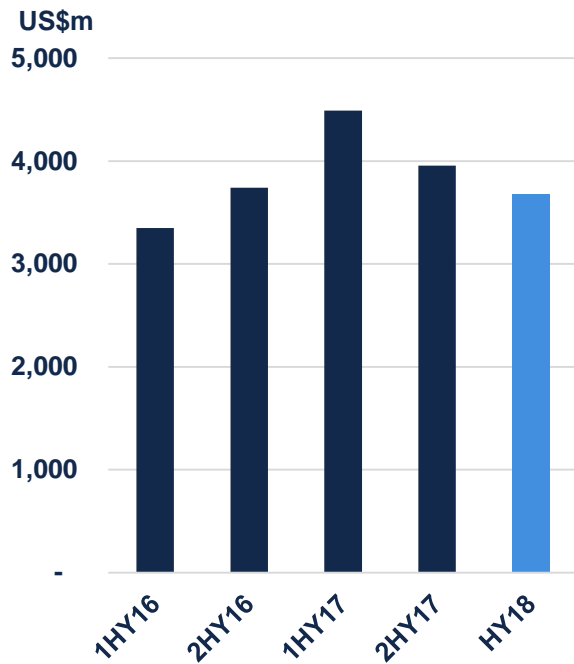
Managing operations to maximise margins



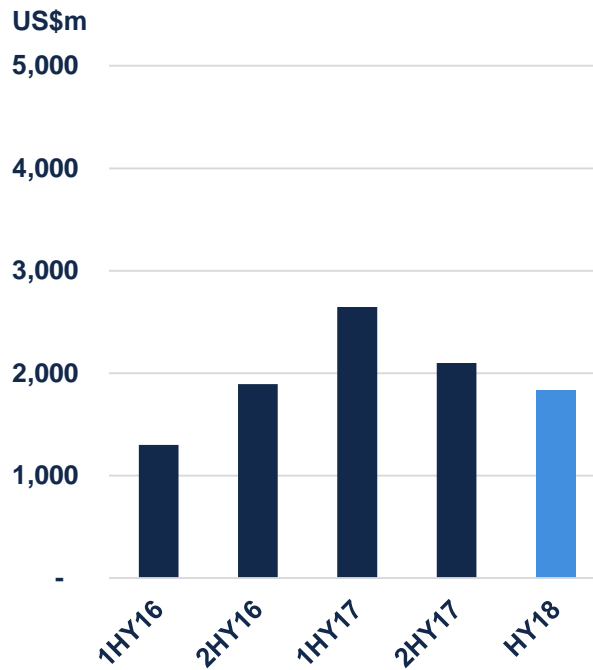
HY18 highlights

Delivering solid returns through the cycle

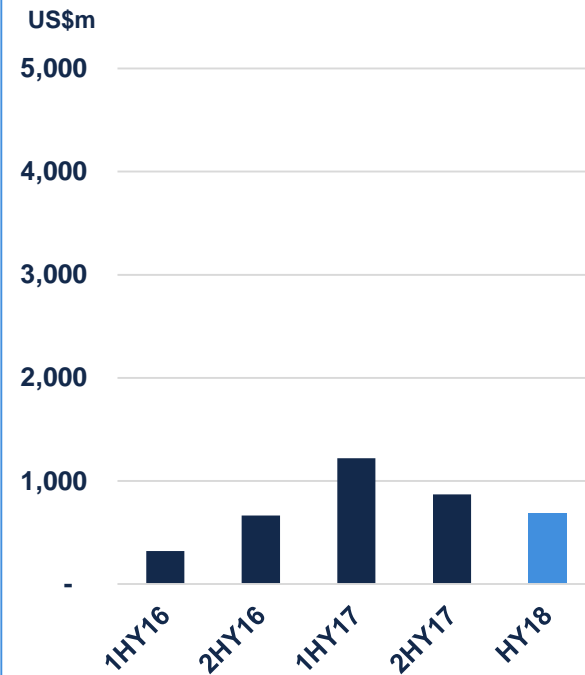
Revenue



Underlying EBITDA



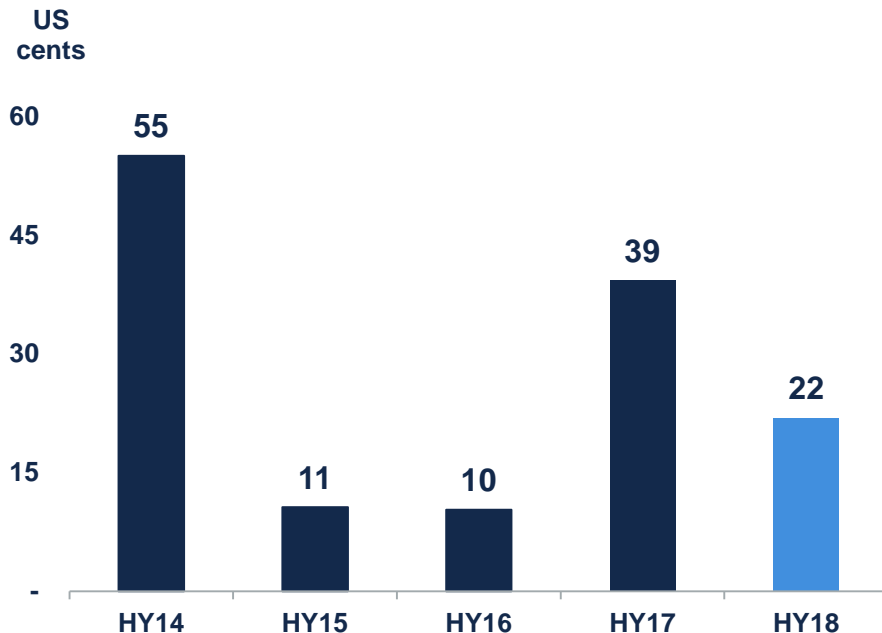
NPAT



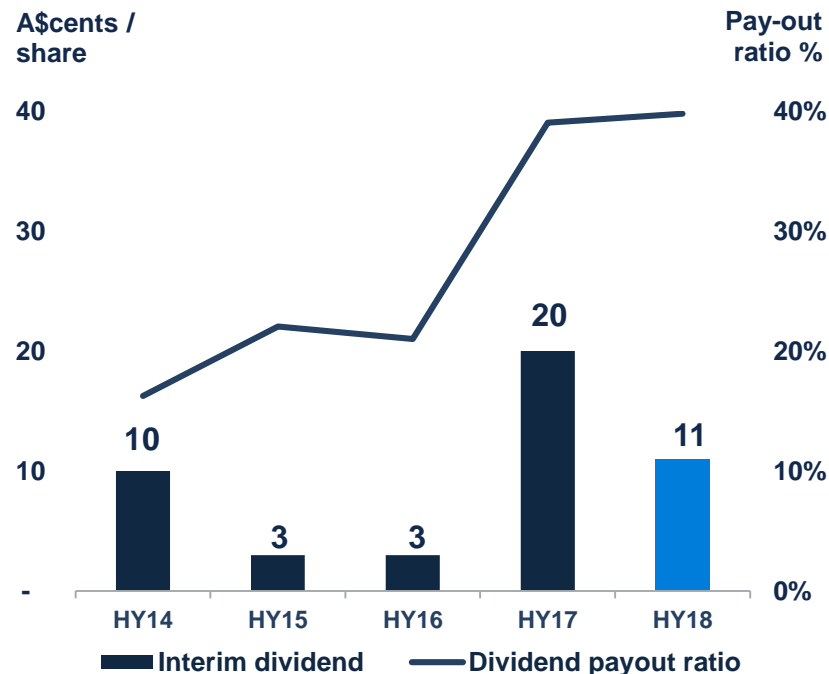
Returns to shareholders

Dividend pay-out ratio guidance maintained at 50-80% of full year NPAT

Earnings per share



Interim dividends + pay-out ratio

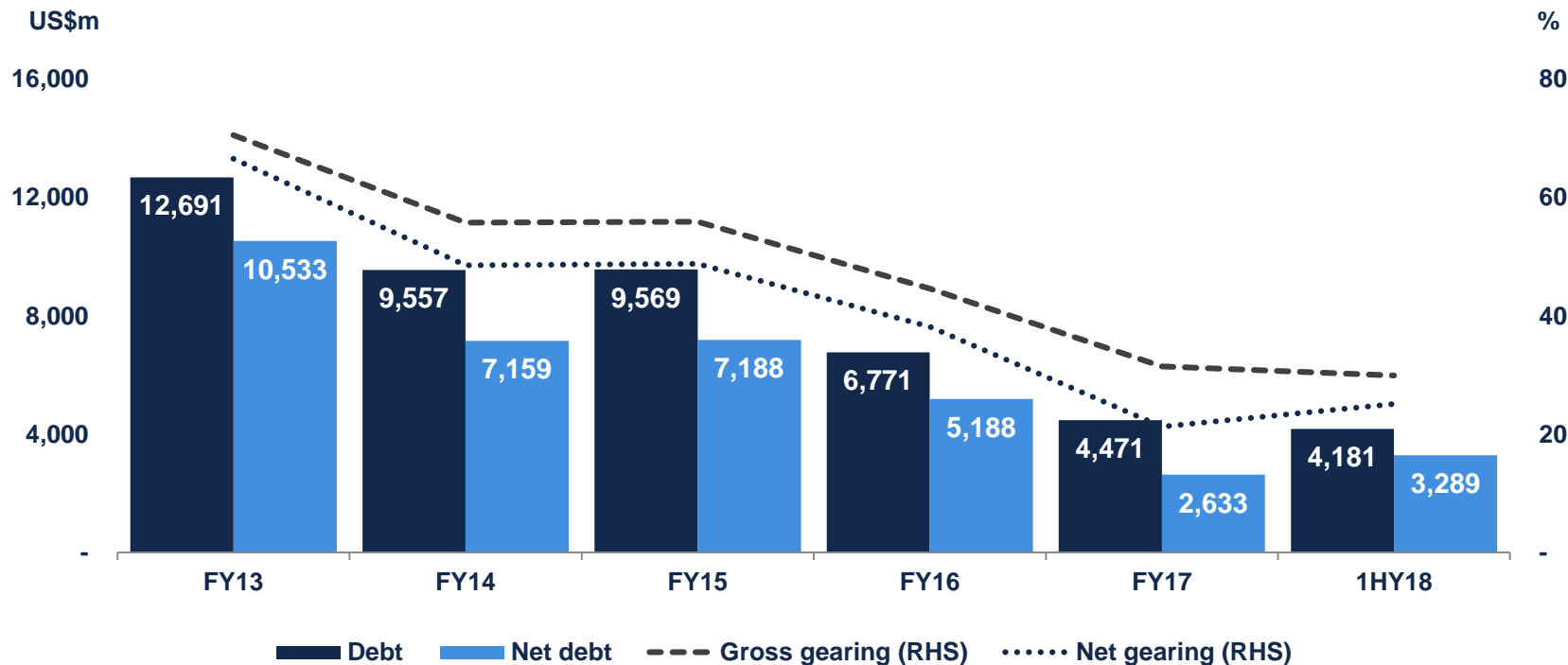


Balance sheet



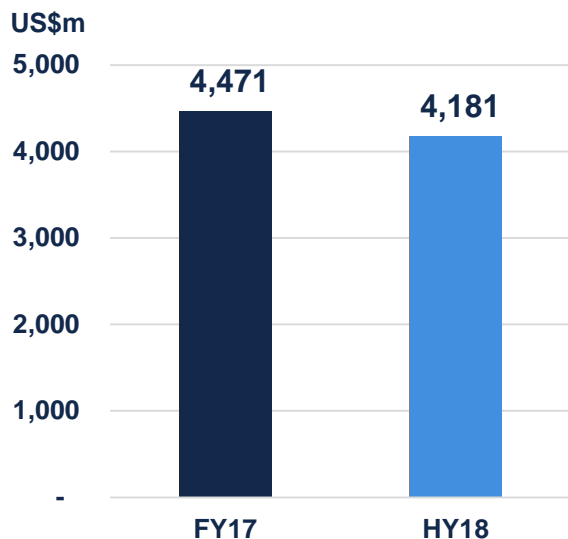
Debt repayments

Free cash flows lowering gross debt and gearing



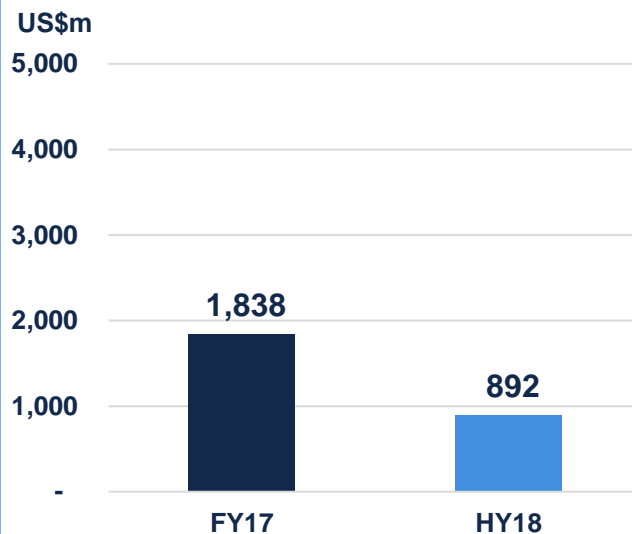
Maintaining strong credit margins

Debt



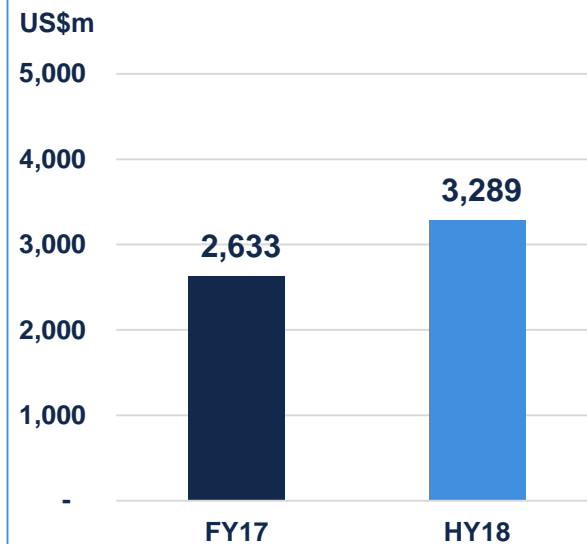
Gross gearing 30%

Cash



Maintaining strong liquidity

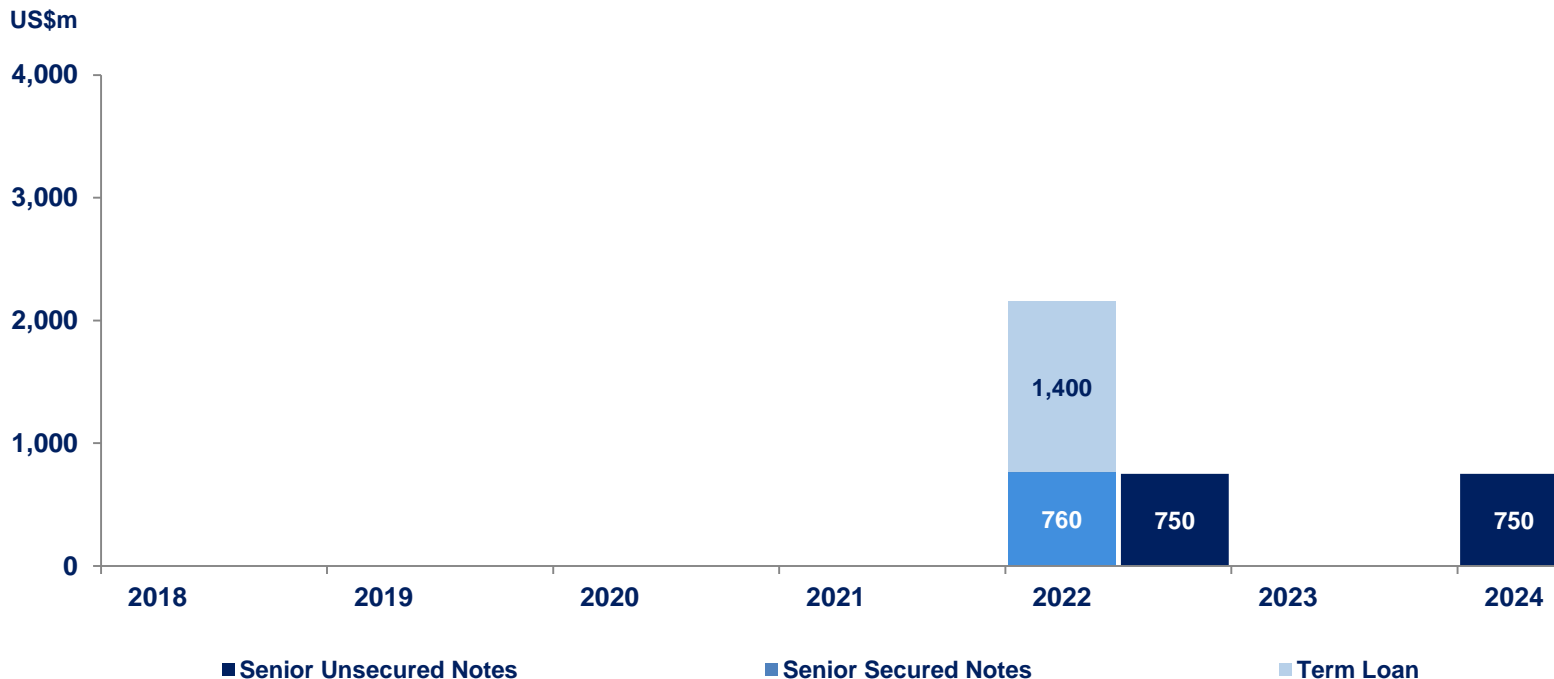
Net debt



Net gearing 25%

Debt maturity

Lowering borrowing costs and improving flexibility of capital management



Capital expenditure

Sustaining iron ore business with low cost growth options

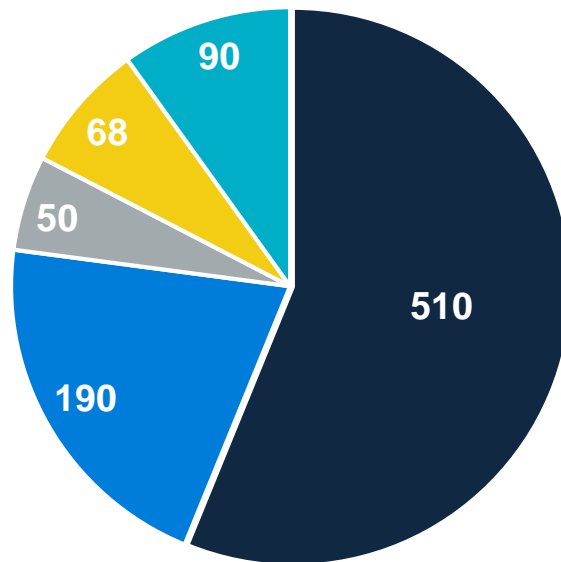
Capital spend
on track in HY18

Sustaining capital
\$3/wmt

Development and exploration
in line

Ore carriers and tugs
on schedule

FY18 Guidance



■ Sustaining ■ Ore carriers ■ Exploration ■ Development ■ Tugs

Market



Core supplier to Asia

Well established market share of imported iron ore to China

Low impurity products

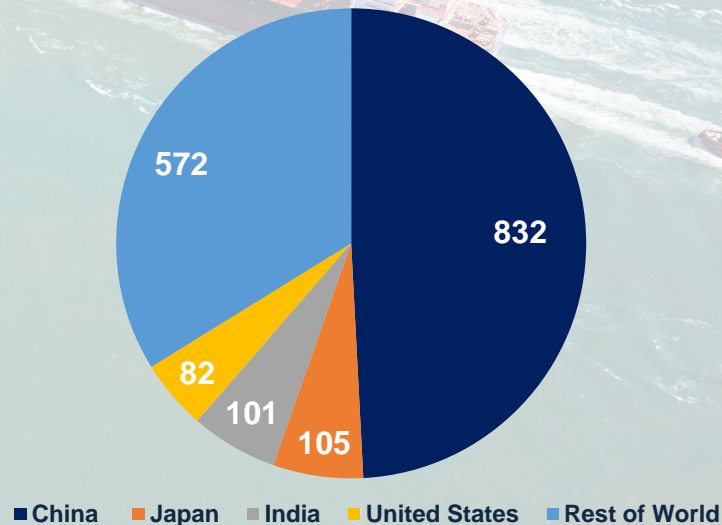
Competitive
value in use

Diverse
customer base

Responsive
to market needs

Proximity
to high growth region

2017 global steel production 1,691mt



China's 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



+480 GW

New power
projects

80% cities
with high speed rail

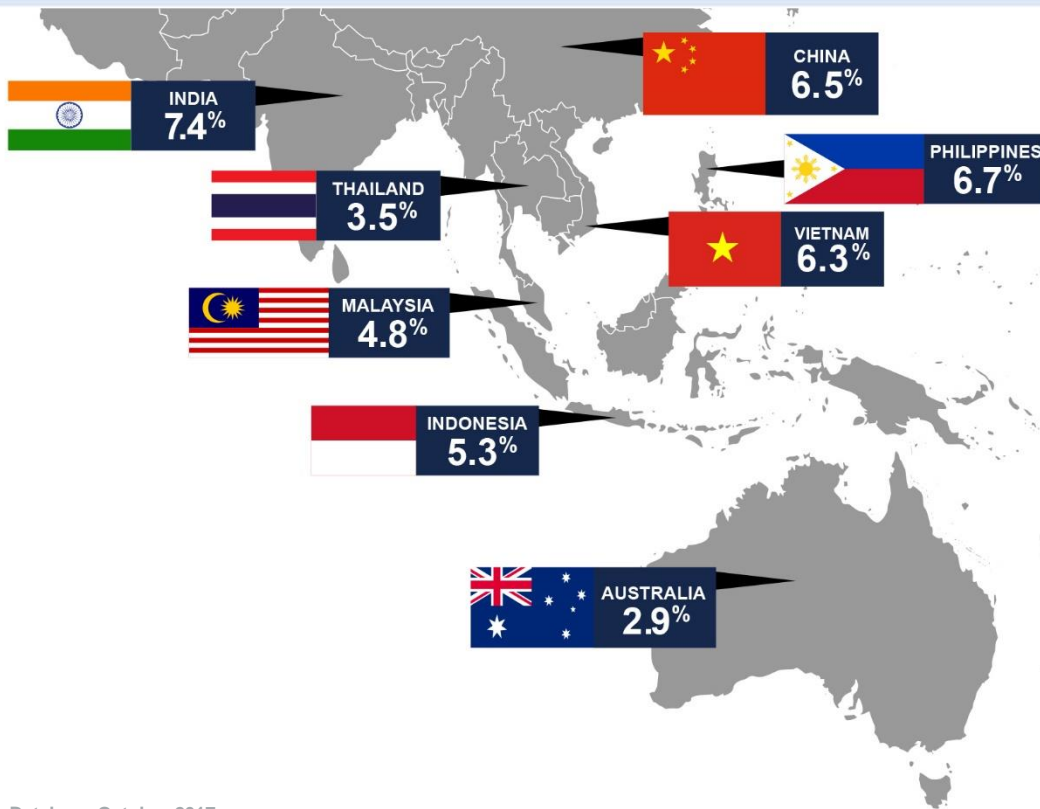


Over 50
civilian airports

40,000km
of gas pipelines

Developing and emerging Asia

Asian economies generating two thirds of global growth



Product and Processing strategy

Maximising value from asset base



Market
Responding to
demand



Customers
Understanding
needs



Blending
Maximising
value

Product strategy – maximise margins

Pathway to developing >60% iron content product

Eliwana

Key to 60% Fe
product

Blending

Chichester +
Solomon + Eliwana

Greater
operational
flexibility

Optimise margins
Product spec
Cost
Mine lives



Trends in China steel production landscape

Steel outlook robust ~ 5% growth in 2017

New mill construction outside 2+26

Old mills in 2+26 region closing

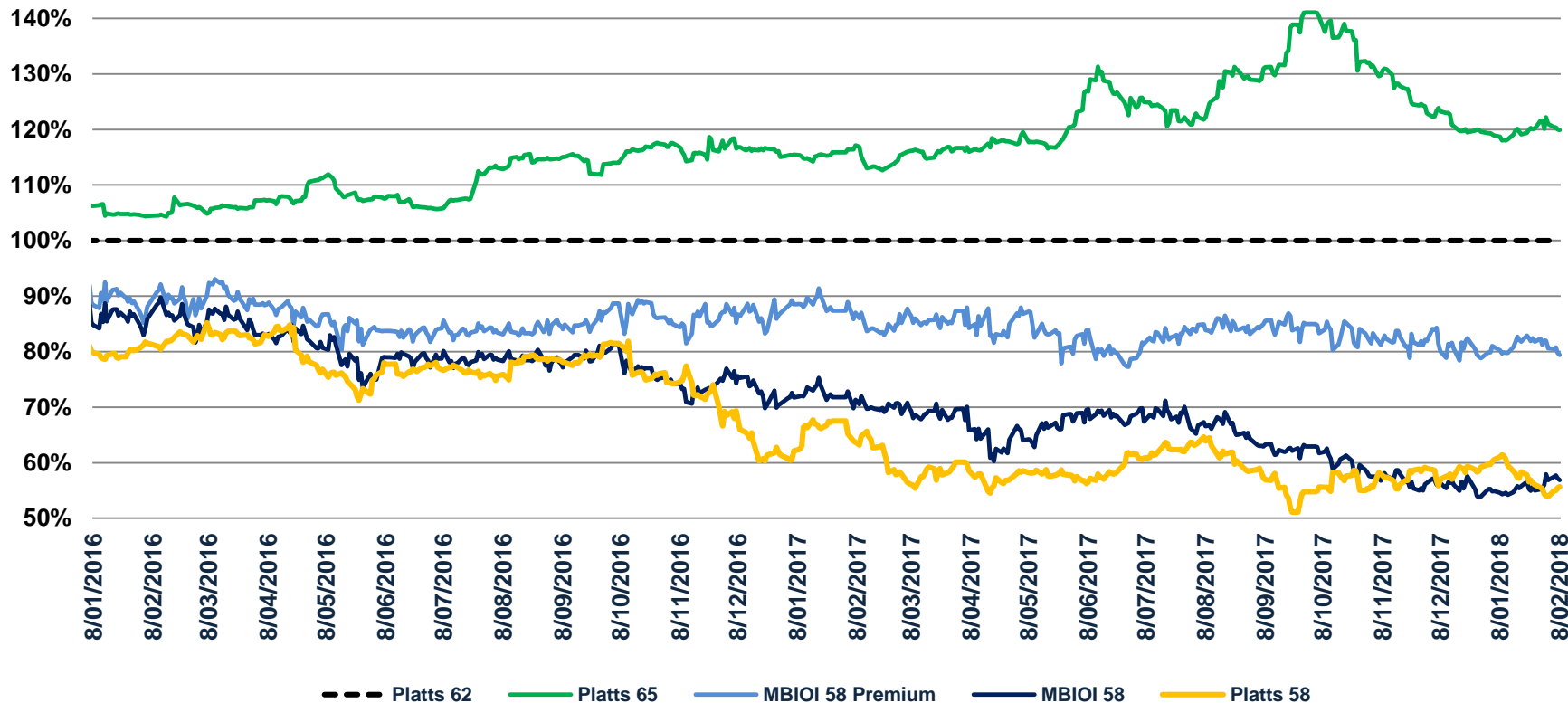
Steel margins normalising

Increasing demand for value-in-use ores



Iron ore prices

Variation between iron ore products driven by high steel mill profitability



Innovation



Innovation projects

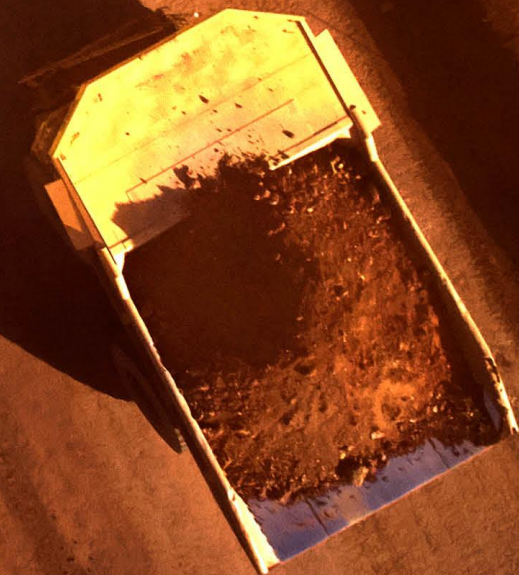
Delivering future operational and cost improvements

AHS* >500mt
material moved
at Solomon

10 autonomous
drills in operation

Chichester
100 AHS* trucks
>3 years

Relocatable
conveyor
at Cloudbreak



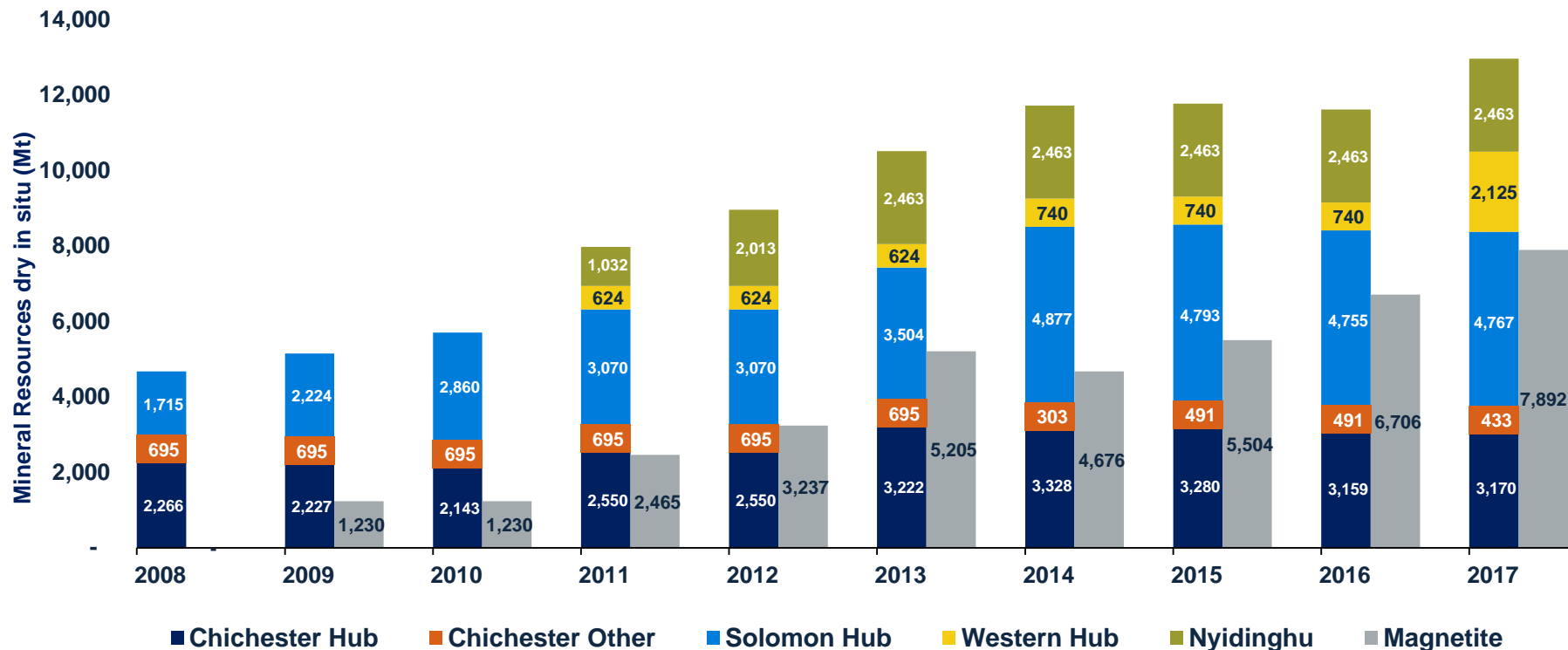
*AHS - Autonomous Haulage System

Reserves and resources



Resource portfolio supports asset base

20.9bn tonnes in mineral resources, including 7.9bn tonnes of magnetite



Delivering on targets

Focus on safety, productivity and efficiency



Active exploration

Developing low cost growth options across Iron Ore, Lithium, Copper and Gold

Pilbara

New South Wales

~2,000km² tenure

South Australia

~6,000km² tenure

South America

Ecuador, Columbia, Argentina



Building strong communities



Building strong communities

Ensuring communities benefit from the growth and development of our business



**Setting
high standards**



**Creating positive
social change**



**Safeguarding
the environment**



Creating positive social change

By building local communities and empowering Aboriginal people



15%

Aboriginal
employment

\$2billion

Contracts with
Aboriginal businesses

Training

VTEC 775 trained
Trade Up

\$50million

Guaranteed
Leasing Facility

Setting high standards

Practical initiatives to creating a supportive and encouraging environment for women

17%

Female employment

25%

Female management

**Fortescue Family
Room**

Job Share

Flexible work

25%

Females in Trade Up



Focussed strategy



FY18 guidance

Sustainable performance driven by innovation

170mt
Shipments

US\$11-12/wmt
C1 cost

70-75%
Price realisation

US\$3/wmt
Sustaining capital

Depreciation
US\$7.30/wmt

Dividend policy
50-80% pay-out of
full year NPAT



Key strategic focus

Disciplined capital management

**Balance sheet strength
and flexibility**

Long term sustainability

Low cost growth options

Returns to shareholders



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



Sustainable

Low cost producer

World class

Assets and people

Customer focus

Reliable and competitive

Unique culture

Drives performance





Fortescue
The New Force in Iron Ore

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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 (AAS) is presented below:

Reconciliation of underlying EBITDA to AAS measures:

	31 December 2017 US\$m	31 December 2016 US\$m
Underlying EBITDA	1,828	2,645
Finance income	12	8
Finance expenses	(214)	(256)
Depreciation and amortisation	(630)	(622)
Exploration, development and other	(22)	(43)
Profit before income tax	974	1,732
Income tax expense	(293)	(510)
Profit after income tax	681	1,222

wmt: Wet metric tonnes.