



Fortescue
The New Force in Iron Ore

Morgan Stanley Leveraged Finance Conference

June 2018



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

1 billion tonnes
Shipped



Low cost
producer

170mt
Production rate



Generating shareholder value

Focus on safety, productivity and efficiency

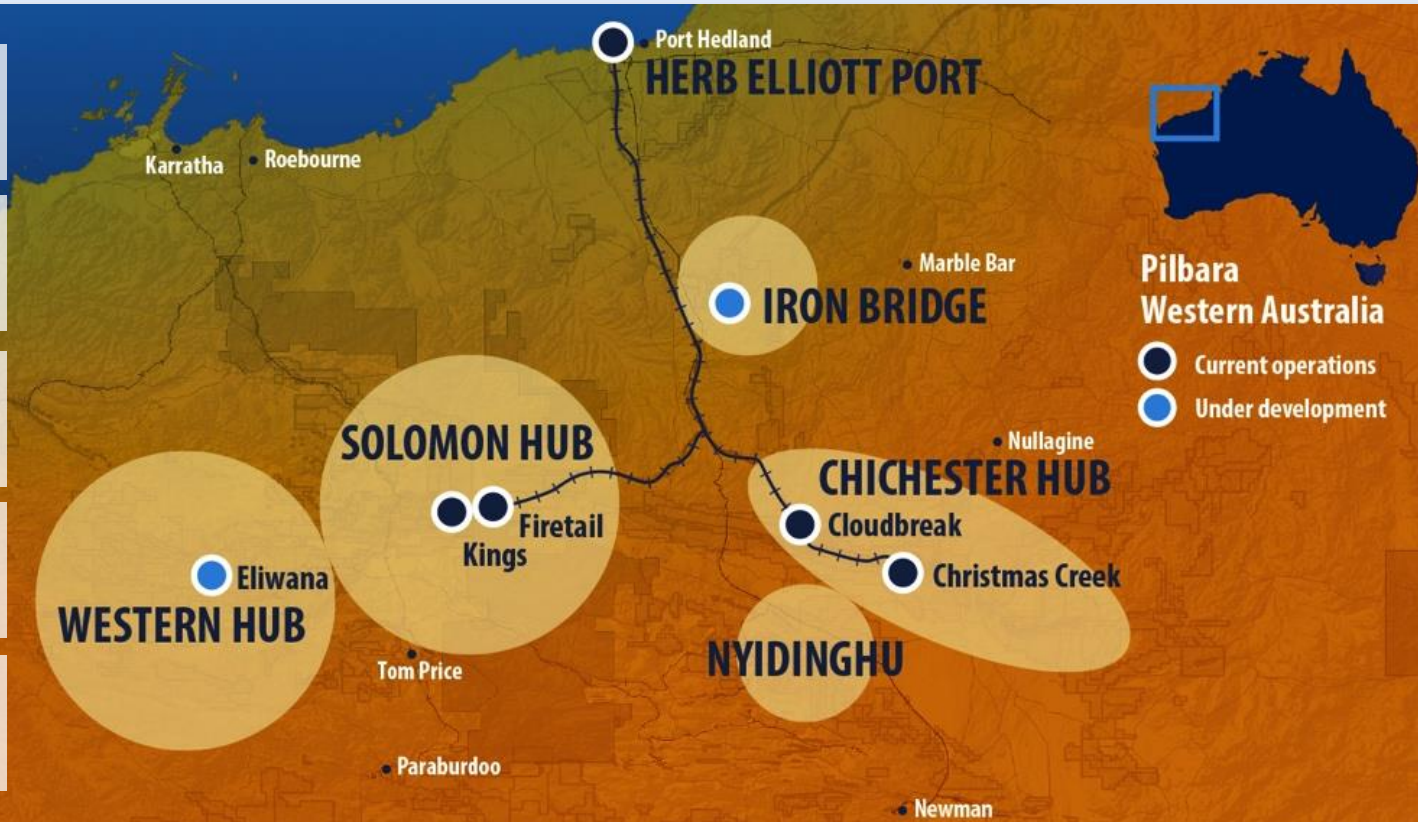
Market strategy

Operational performance

Long life resources

Capital discipline

Shareholder returns





Year to date Q3 results

Sustainable cost reduction and consistent production performance

TRIFR 3.1
Maintained

C1 cost
US\$12.43/wmt

Net debt
US\$3.1bn

123.2mt
Shipped

US\$11.90/wmt
At Fx 0.75 and Oil \$53/bbl

Interest savings
US\$130mpa



Sustainable cost improvements

Initiatives delivering long term low cost outcomes – US\$12.43 to YTD

Structural improvements

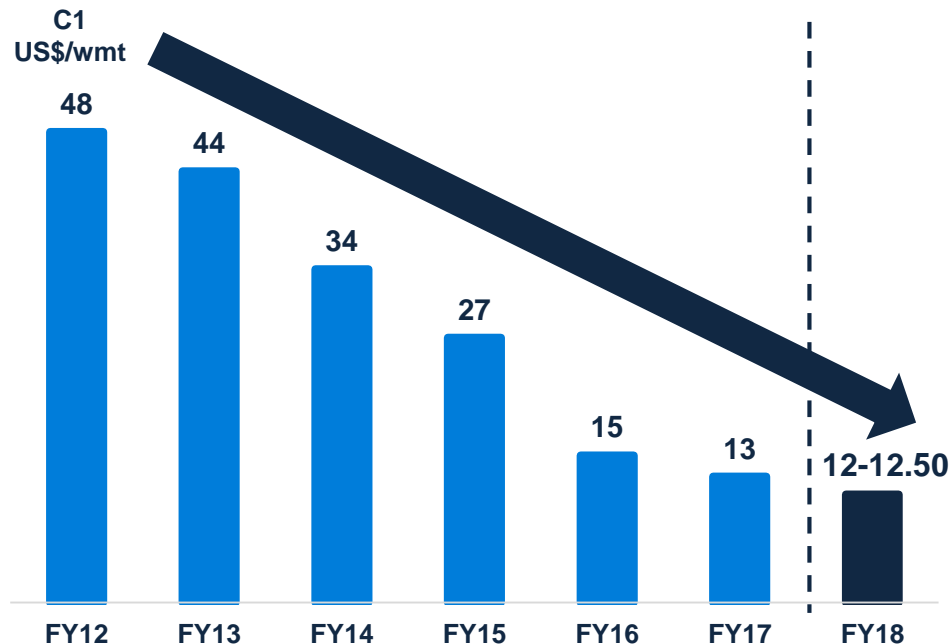
Solomon + Blending + Processing

Productivity and Efficiency

Utilisation, Recoveries, Maintenance

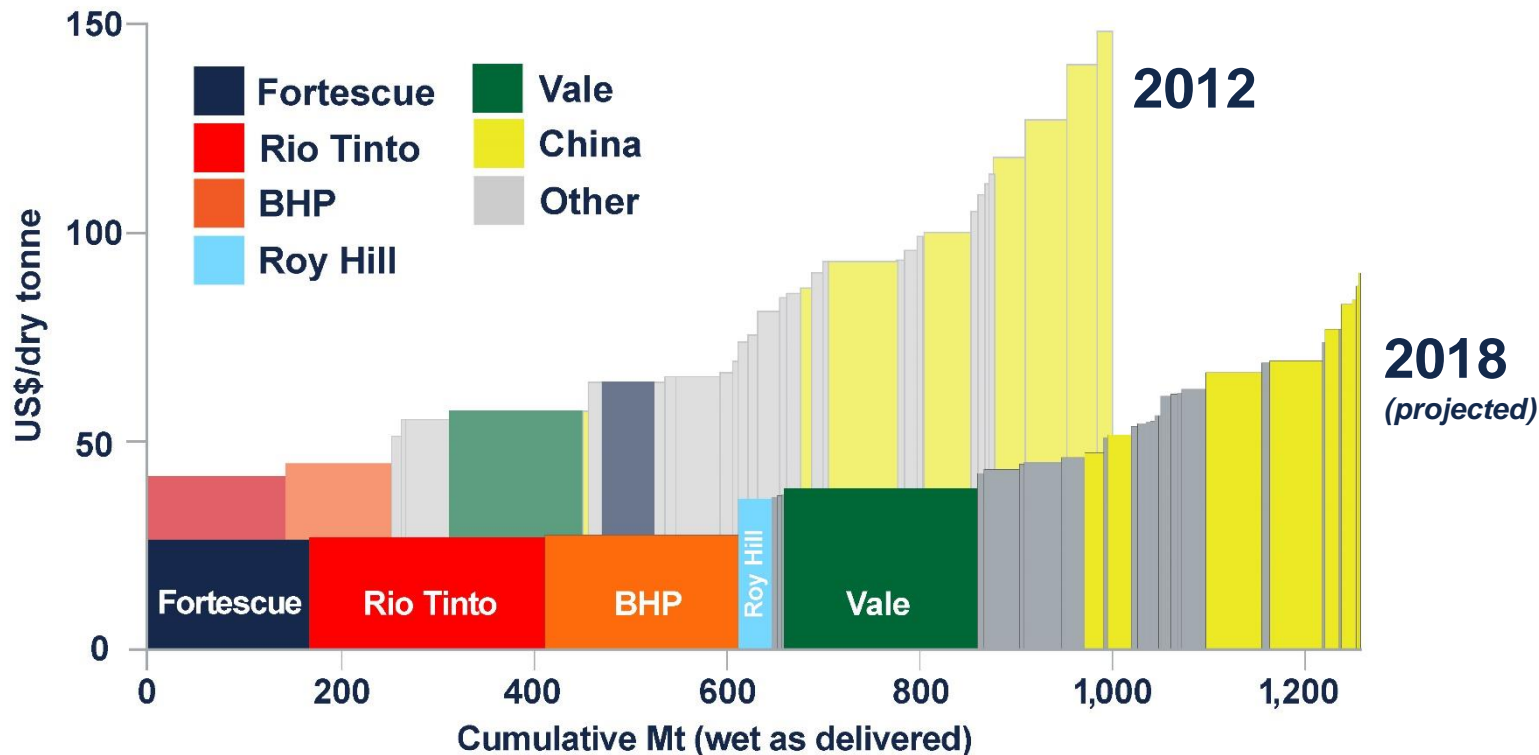
Innovation and Technology

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



HY18 financial outcomes

Operational performance delivering financial results

US\$681m
NPAT

US\$892m
Cash on hand

US\$1.4bn
Cash from
operations

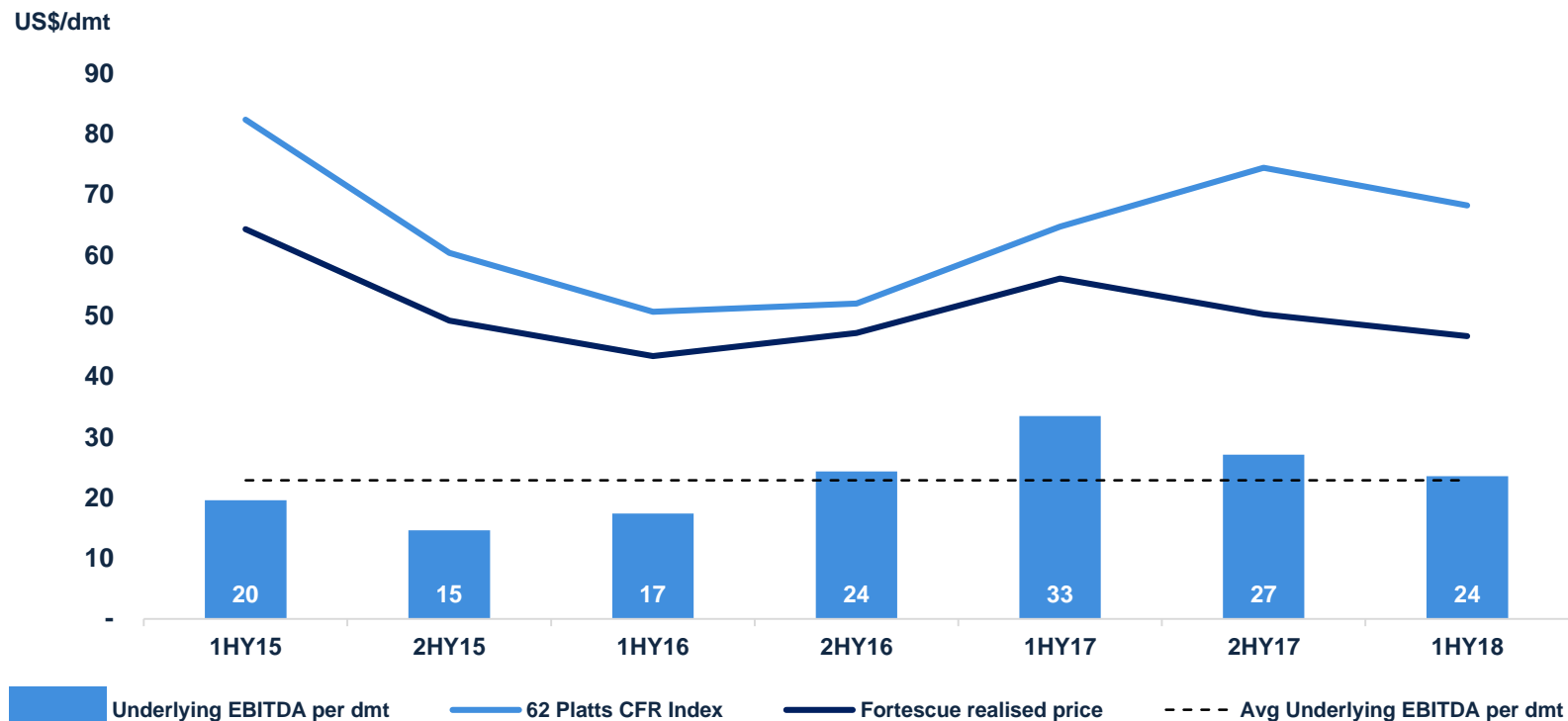
US\$0.22
Earnings
per share

US\$1.8bn
Underlying
EBITDA

A\$0.11
Interim dividend
40% pay-out

Price and margins

Managing operations to maximise margins

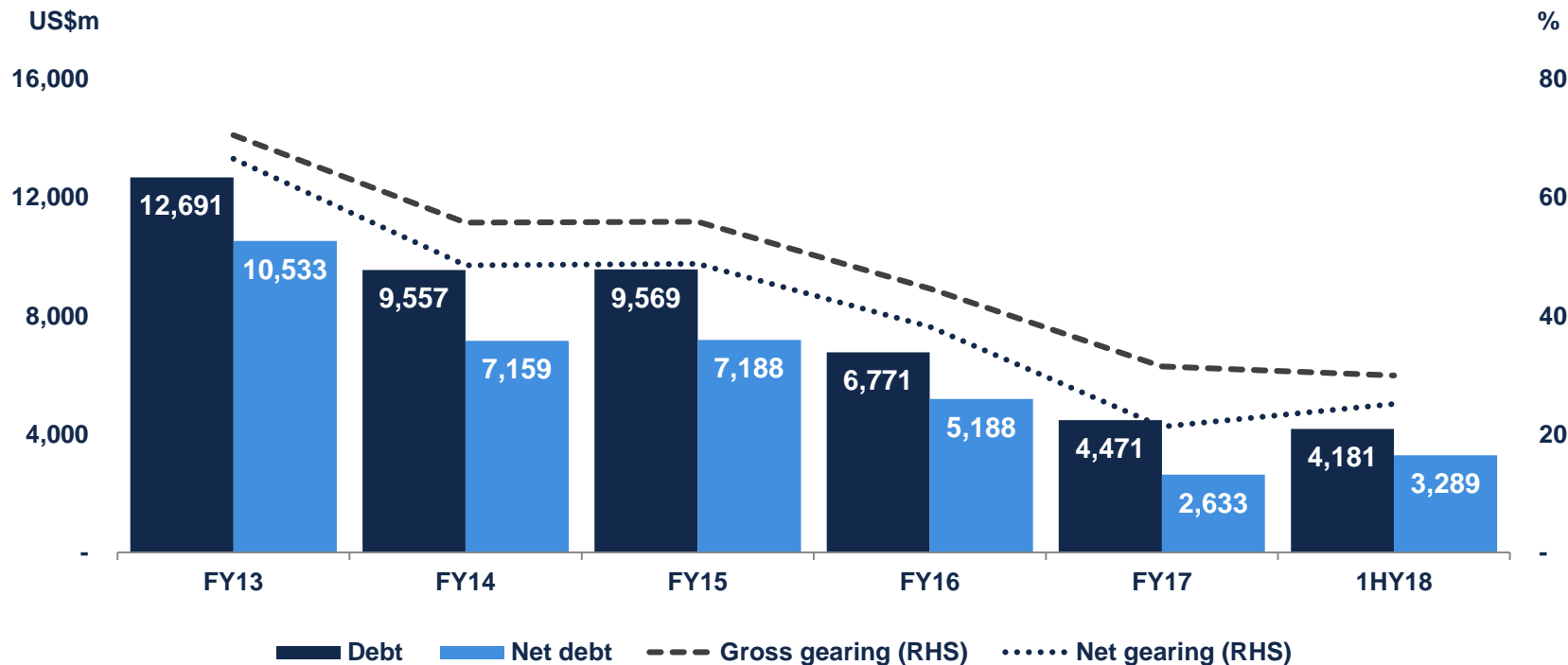


Balance sheet



Debt repayments

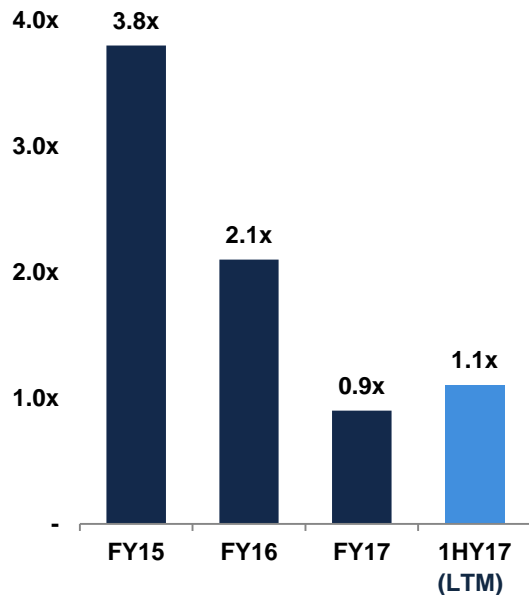
Free cash flows lowering gross debt and gearing



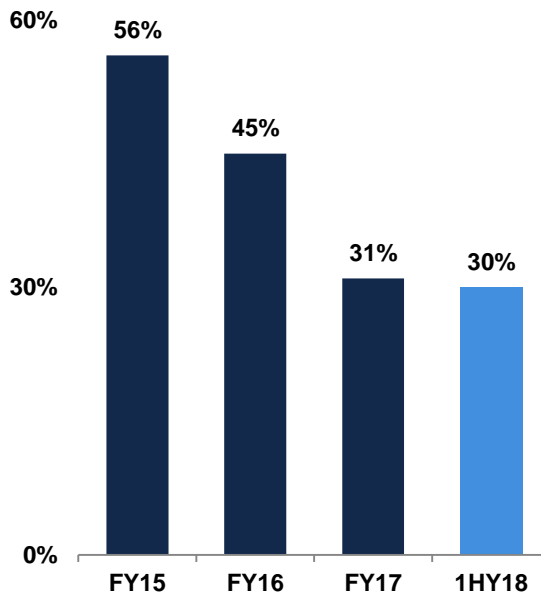
Key credit metrics

Maintaining strong metrics through the cycle

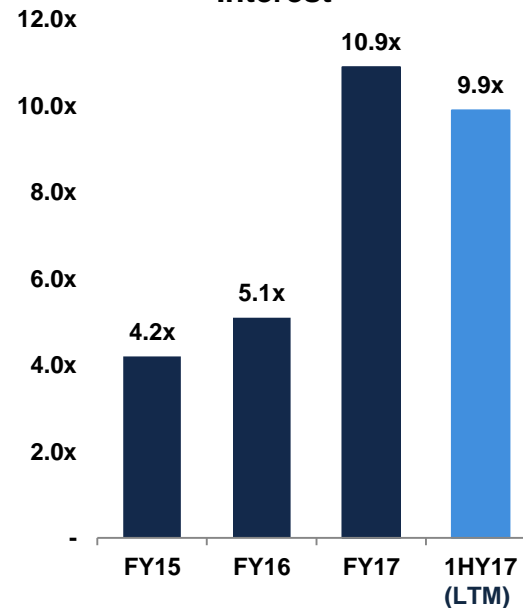
Gross debt to underlying EBITDA



Gross gearing

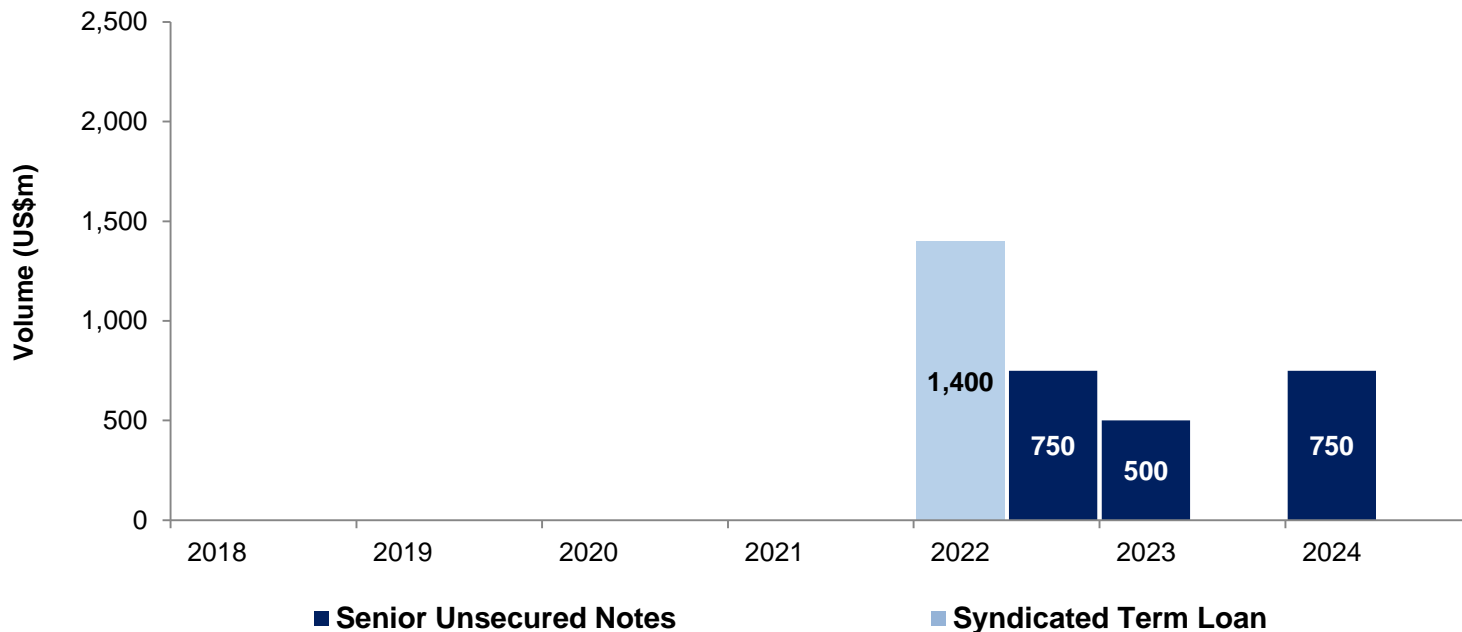


Underlying EBITDA / Interest



Proforma debt maturity

Lowering borrowing costs and improving flexibility of capital management



2022 Senior Secured Note repayment and refinancing complete in June 2018

Capital expenditure

Sustaining iron ore business with low cost growth options

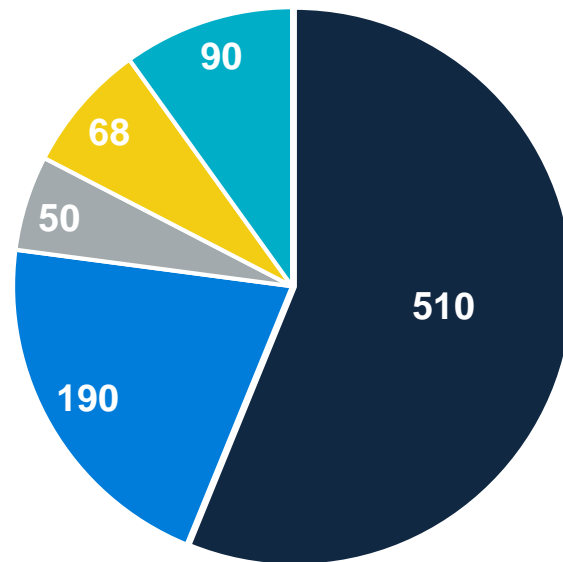
Capital spend
on track YTD

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

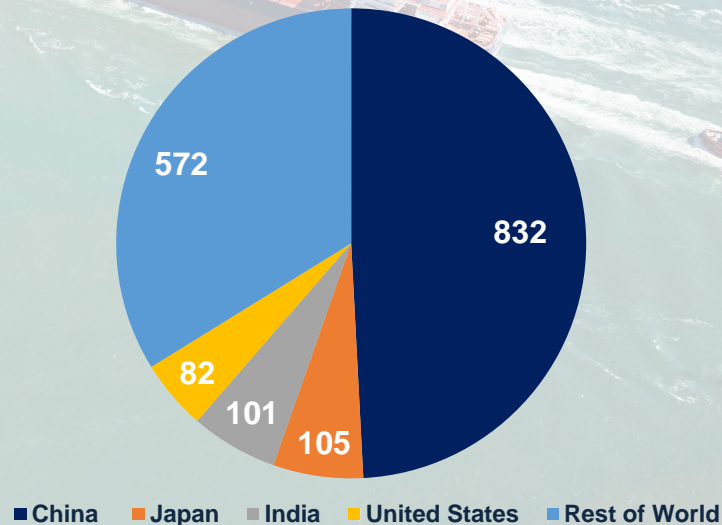
Competitive
value in use

Diverse
customer base

Responsive
to market needs

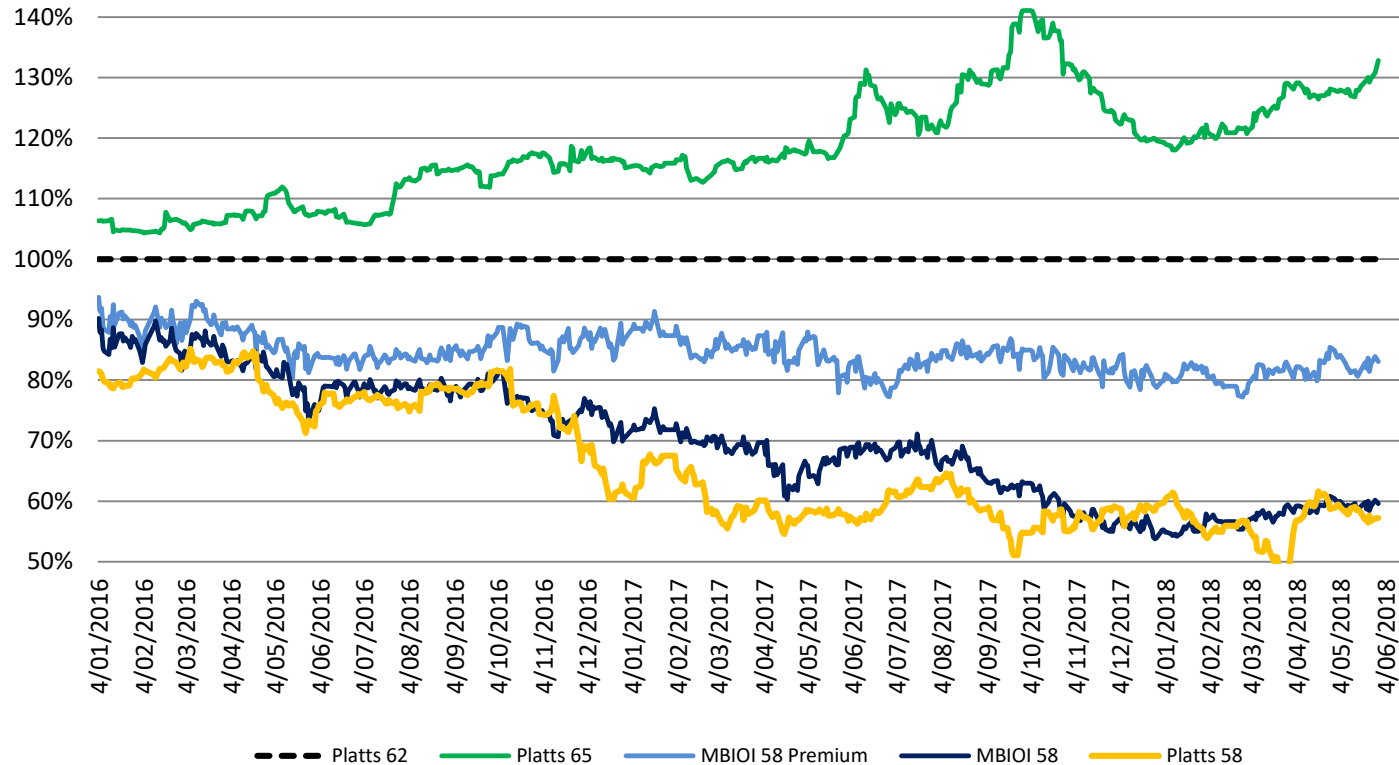
Proximity
to high growth region

2017 global steel production 1,691mt



Iron ore price

Variation between iron ore products driven by high steel mill profitability



Product strategy – maximise margins

Pathway to developing >60% iron content product

Eliwana

Key to 60% Fe
product

Blending

Chichester +
Solomon + Eliwana

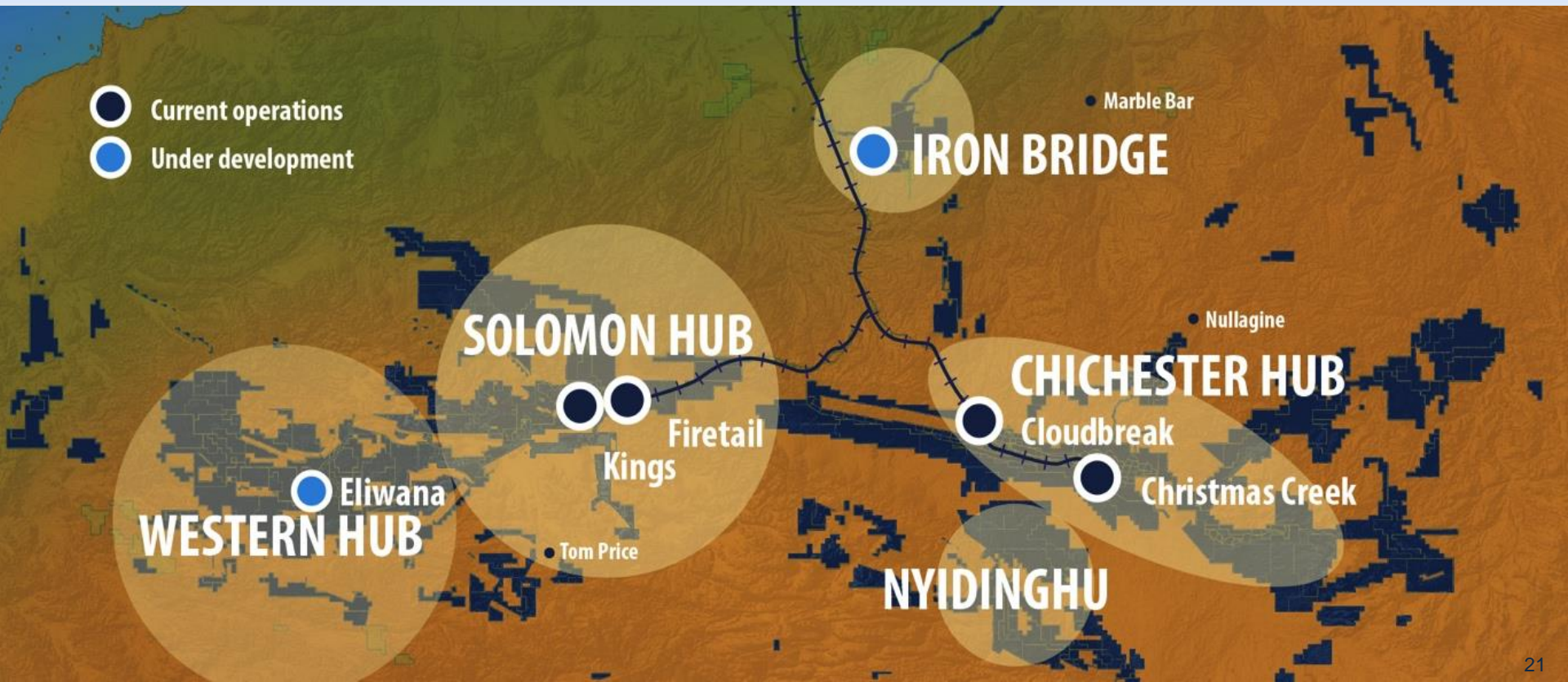
Greater
operational
flexibility

Optimise margins
Product spec
Cost
Mine lives



Focus on core iron ore business

Large tenement footprint



Eliwana Project

Underpins 60% product, financed from operating cash flows

US\$1.275bn capital investment

143kms rail; **30mtpa** dry OPF

Strip Ratio 1.1 average LOM

Production start **Dec 2020**

Capital intensity **US\$42/t**



Innovation and Growth



Innovation projects

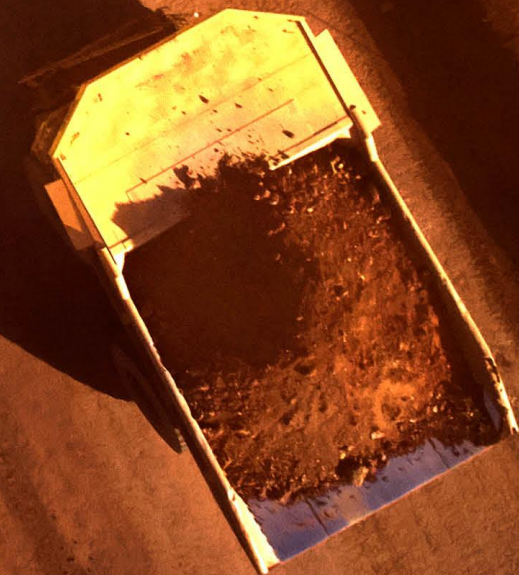
Delivering future operational and cost improvements

AHS* >500mt
material moved
at Solomon

10 autonomous
drills in operation

Chichester
100 AHS* trucks
>3 years

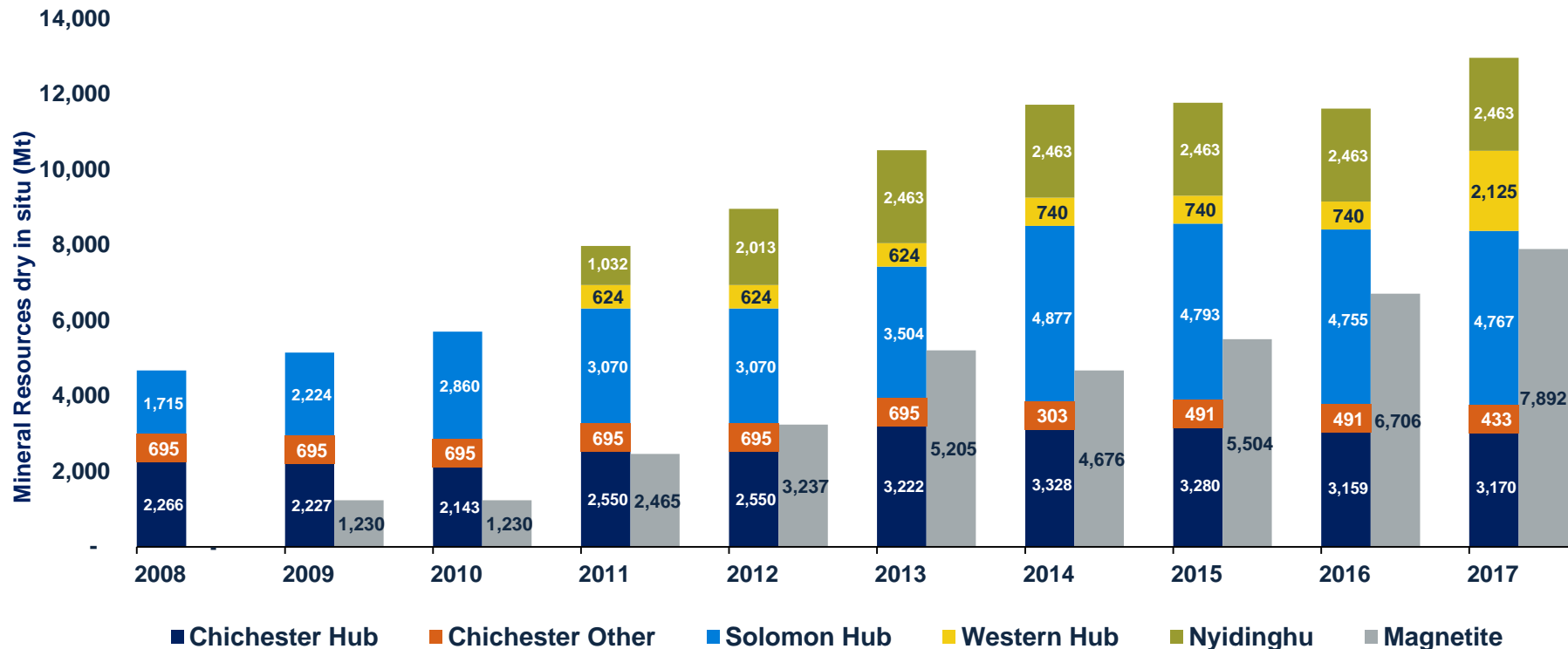
Relocatable
conveyor
at Cloudbreak



*AHS - Autonomous Haulage System

Resource portfolio supports asset base

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



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, Colombia, Argentina



Building strong communities



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

17.5%

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\$12-12.50/wmt
C1 cost

65%
Price realisation

US\$3/wmt
Sustaining capital

Depreciation
US\$7.30/wmt

Dividend policy
50-80% pay-out of NPAT



Key strategic focus

Disciplined capital management

**Balance sheet strength
and flexibility**

Long term sustainability

Low cost growth options

Returns to shareholders



Celebrating 15 years of milestones



Together we are Fortescue

**15
Year**

ANNIVERSARY

**10
Years**

**SINCE FIRST ORE
PRODUCED**

**1
Billion**

**TONNES IRON
ORE SHIPPED**

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.