



**Fortescue**  
The New Force in Iron Ore

# Corporate Presentation

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February 2015



# Disclaimer

## 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.

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## Additional Information

This presentation should be read in conjunction with the Annual Financial Report at 30 June 2014 and Half Year Financial Report at 31 December 2014 and 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 Mineral Resource and Ore Reserve Statement at 30 June 2014 as released to the Australian Securities Exchange on 20 August 2014 and the Chichester Range Mineral Resource update released to the Australian Securities Exchange on 8 January 2015.

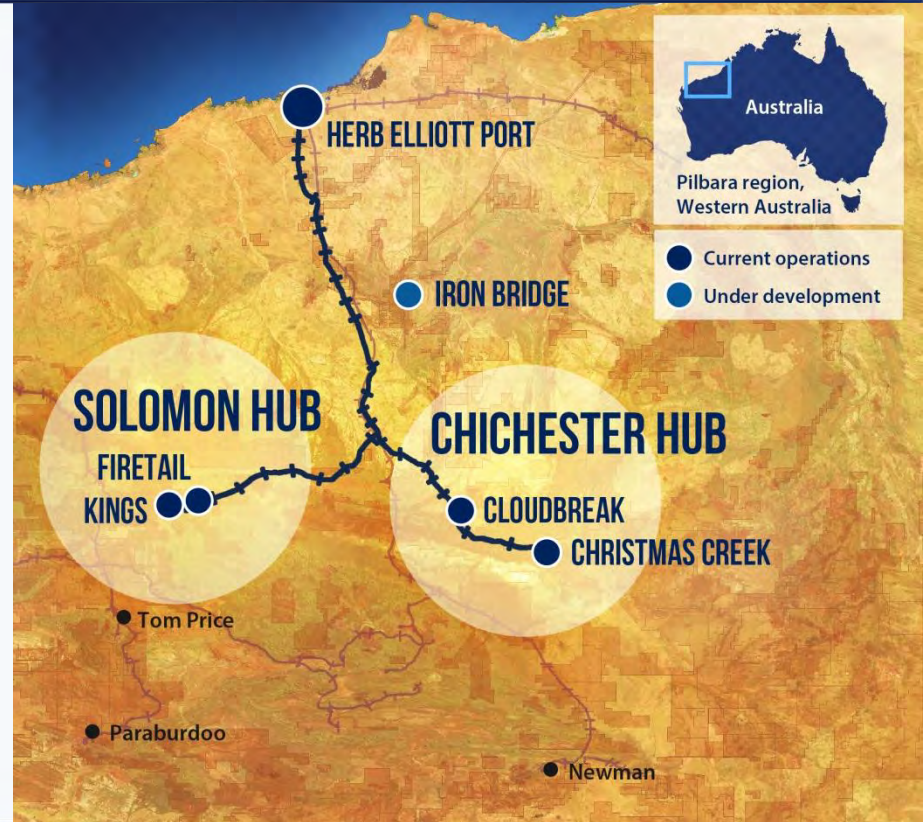
All amounts within this presentation are stated in United States Dollars consistent with the Functional Currency of Fortescue Metals Group Limited. Tables contained within this presentation may contain immaterial rounding differences.



# Building a world class company

Reliable and competitive supplier to Asia

- **First ore** 2008
- Over **455mt** shipped to Dec
- **165mt** production rate
- **Low cost** producer
- Unique **culture**







# OUR VISION

The safest, lowest cost,  
most profitable iron ore producer

## Our Values



# Safety is at the heart of Fortescue's family values

“My brothers’ / sisters’ keeper”

- **Safety Priorities**
  - 1 Look after yourself
  - 2 Look after your mates
- **Engagement** active participation
- **Empowerment** to make decisions
- **Encouragement** to speak up
- **Leadership** strong and visible



# Operating performance – 1HY15

## Cost and efficiency focus

 **82.7mt 1H**  
Steady state

 **Costs \$30/t**  
9% improvement

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**165**<sub>mtpa</sub>  
Annualised run rate

- ✓ Consistent Q on Q
- ✓ C1 \$27/t in Dec
- ✓ Sweating the assets

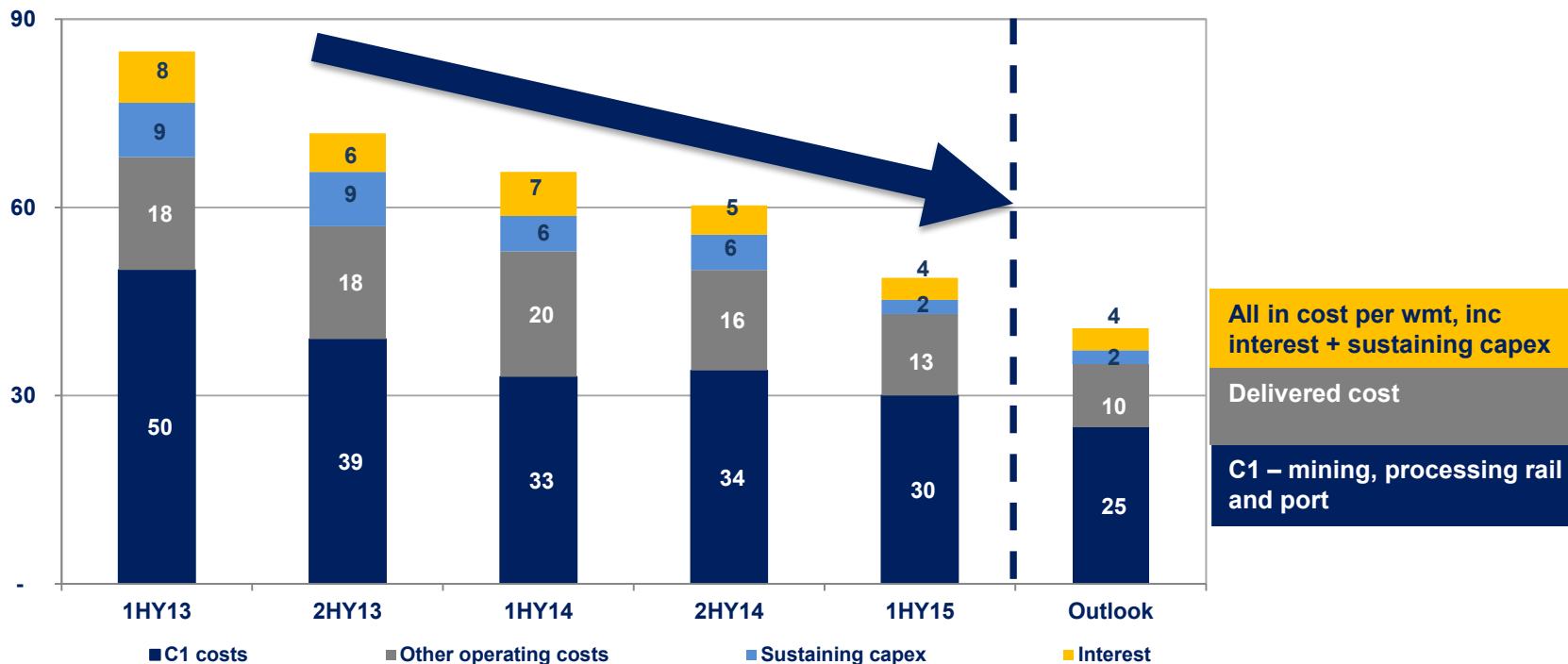
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**US\$1.6bn**  
cash on hand

 **C1 \$25-26/t**  
2HY15 Guidance

# Costs reduction journey

Focus on efficiencies and costs improvements



All in cost moving towards US\$41/wmt (US\$45/dmt)





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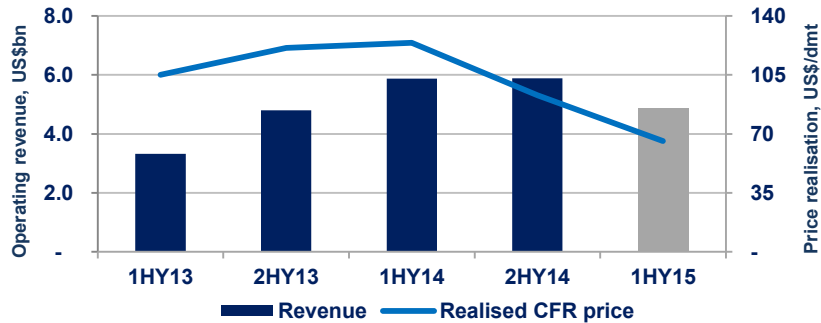
# Financials



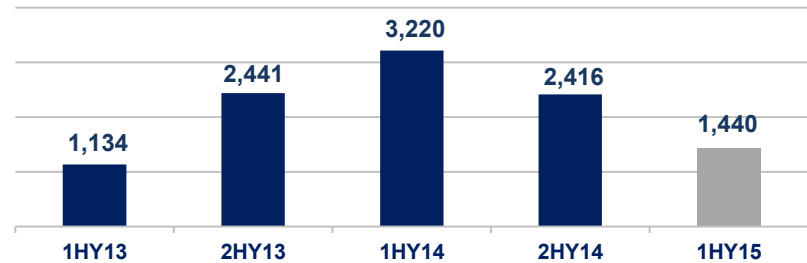
# Earnings

## Operational performance supports strong financial results

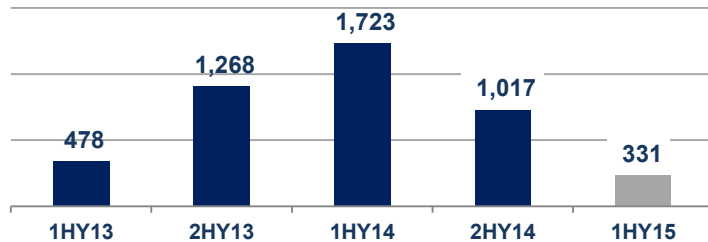
### Revenue and price realisation



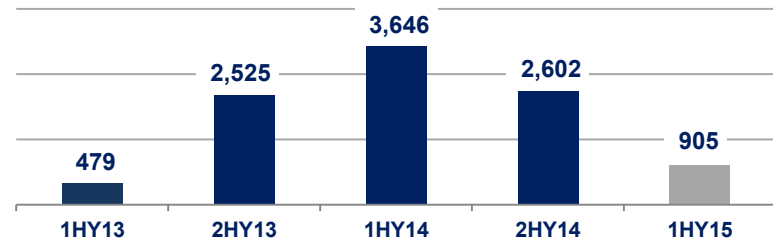
### Underlying EBITDA<sup>1</sup>, US\$ millions



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

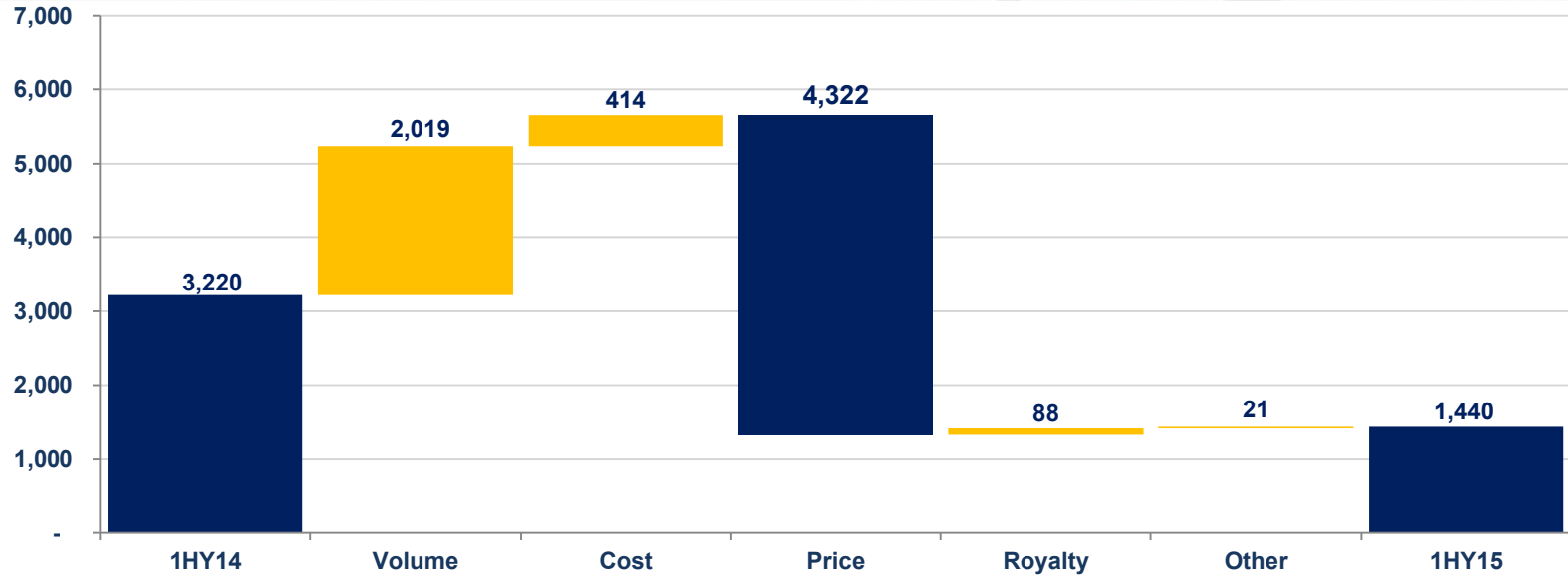


### Operating cash flows, US\$ millions



# Underlying EBITDA

Production and cost management remain key focus



- Increased shipments - **record production**
- Continued focus on **production costs** C1 US\$30/wmt

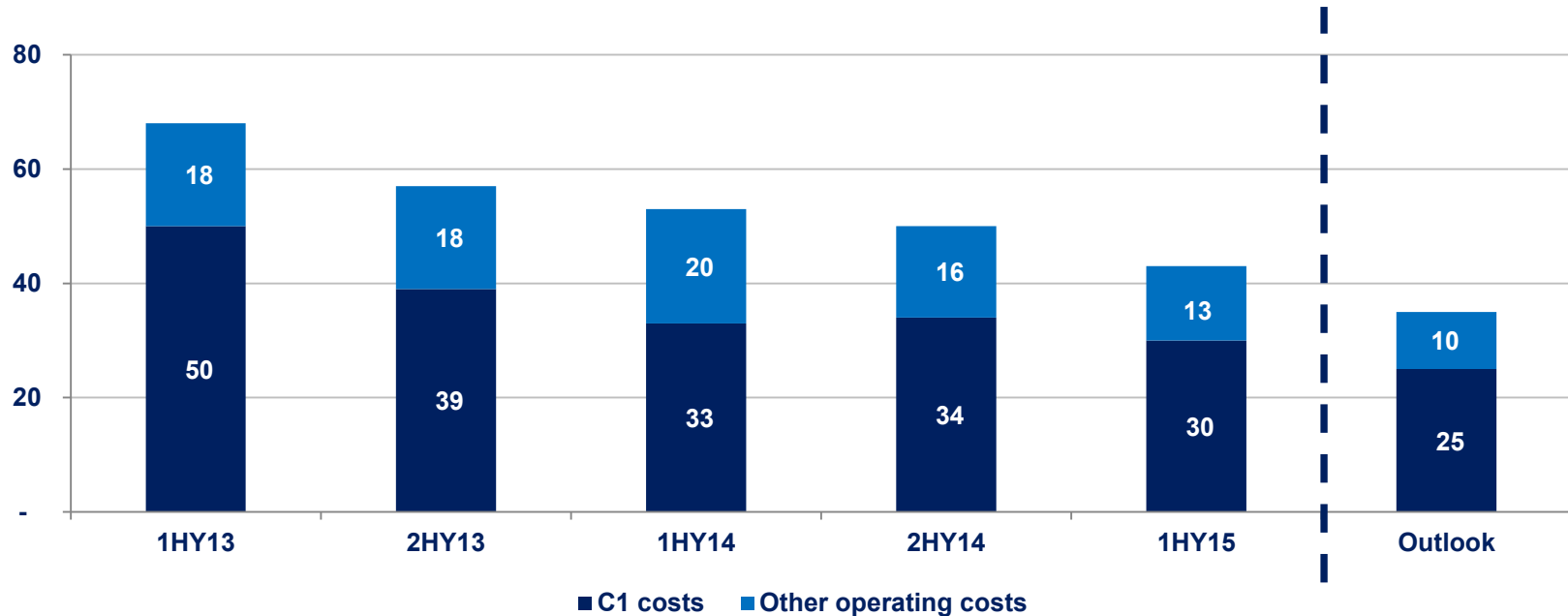
↑ 53%

↓ 9%



# Delivered cost

C1 guidance lowered to US\$25-26/wmt in 2HY15



- Total delivered cost **US\$43/wmt** (US\$47/dmt) in 1HY15
- Total delivered costs guidance **US\$35/wmt** (US\$38/dmt) by the end of FY15

# Production costs

42% reduction generating ~ US\$3.1bn lower costs

Driving down the global cost curve

FY12  \$48

## CB and CC1 operations

58mt production @ SR 4.3 with 2 OPF's + 3 Berths

FY13  \$44

## CC2, Hamersley line, Firetail, CB WFE

81mt production @ SR 3.9 from 4 OPF's + 3 Berths

FY14  \$34

## AP4, Kings Valley, ITCS, 5 OPF's + 4 Berths

124mt production @ SR 2.9 from 5 OPF's + 4 Berths  
155mtpa run rate achieved

FY15  \$28-\$29

## H2 \$25-26/t as full capacity achieved

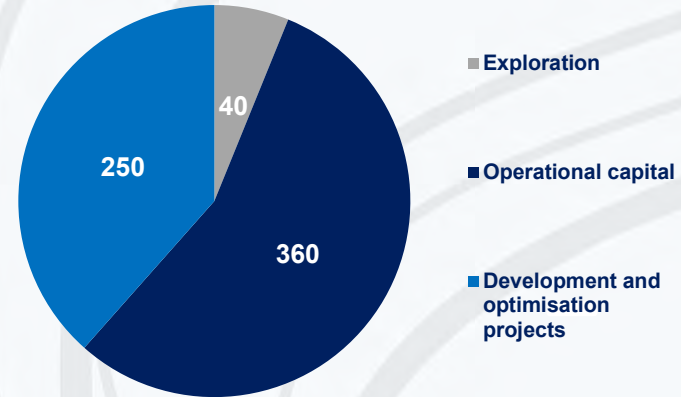
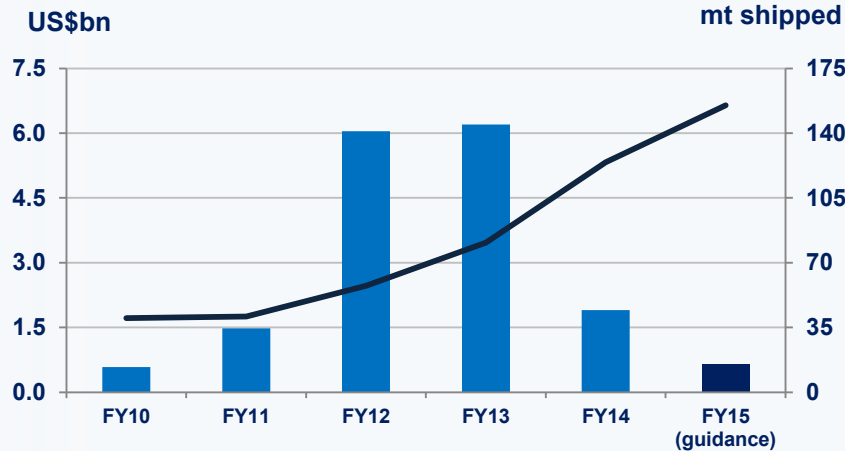
155 -160mt, SR maintained + efficiency focus

# Capital expenditure

Significant reduction in expenditure as expansion complete

Capital profile

FY15 Capital

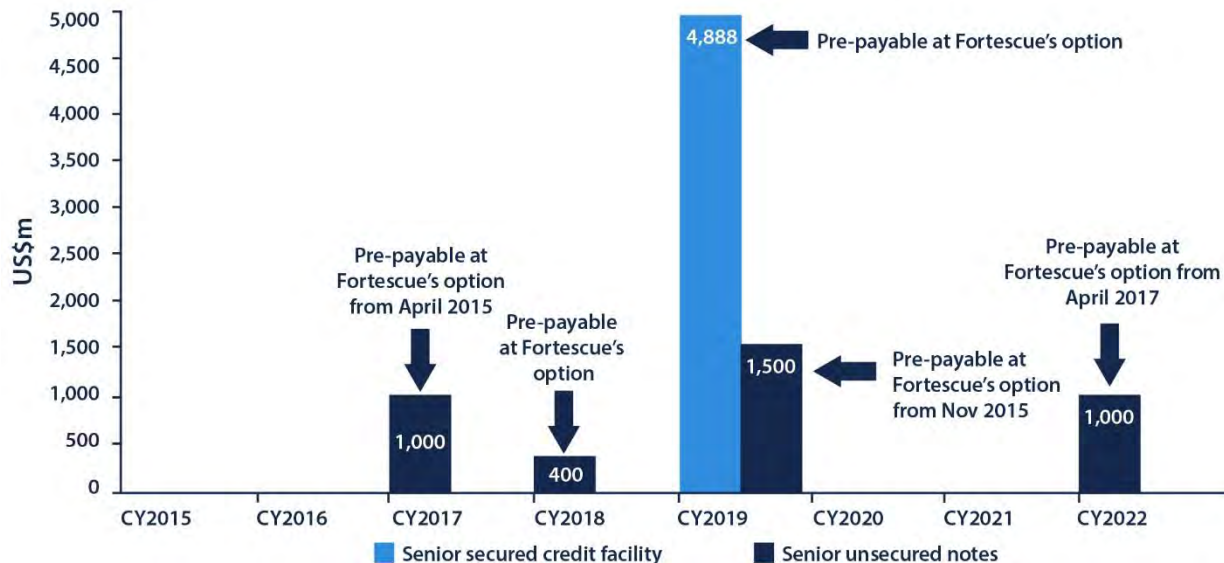


- FY15 capital guidance revised to **US\$650m**
- Depreciation and amortisation charge **~US\$8.50/t**



# US\$3.7bn re-paid since November 2013

No debt repayments due until April 2017



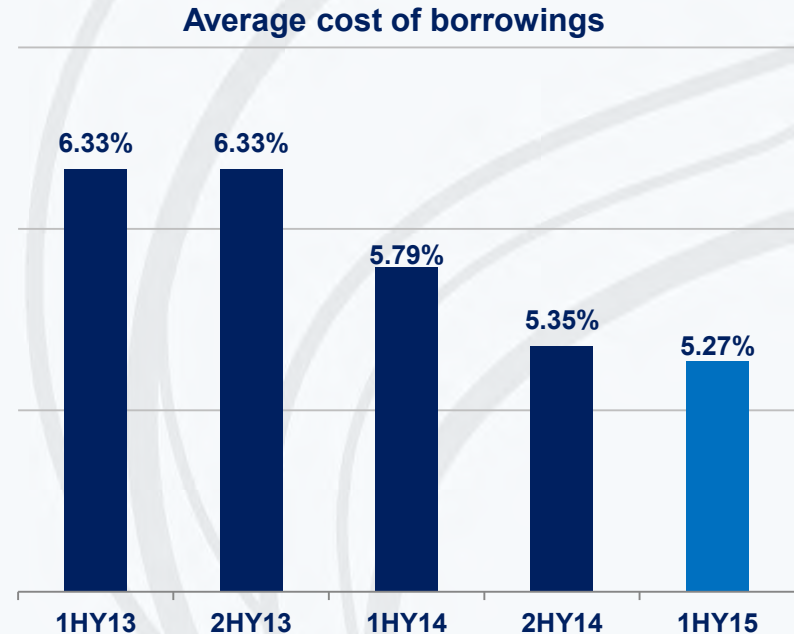
Current ratings	Corporate	Term Loan	Notes
Moody's	Ba1/Stable	Baa3	Ba2
S&P	BB+/Stable	BBB	BB
Fitch	BB+/Stable	BBB-	BB+

Flexibility with US\$5.3bn available for voluntary repayment and US\$7.8bn by Nov 2015

# Capital management

## Focus on debt reduction lowering interest costs

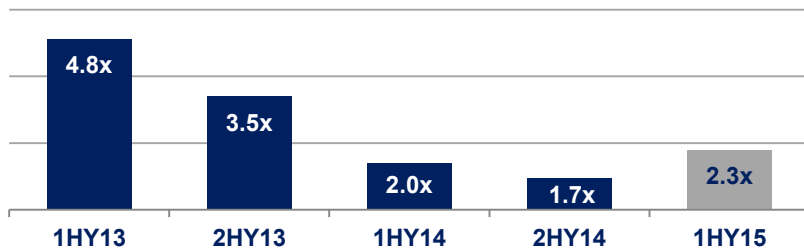
- Debt repayments **US\$3.7bn**
- Gross debt reduced to **US\$9.1bn**
- Borrowing costs reduced by **US\$330m p.a.**
- Interim dividends **A\$0.03 / share** fully franked



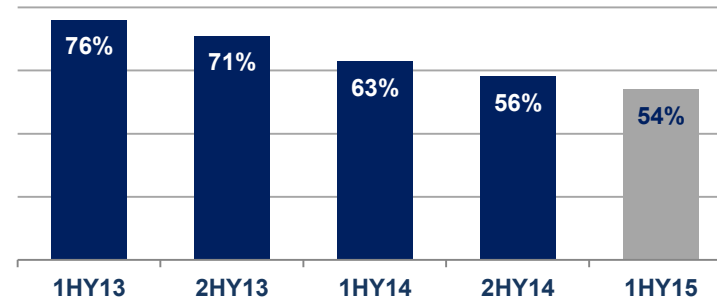
# Key credit metrics

## Moving towards investment grade metrics

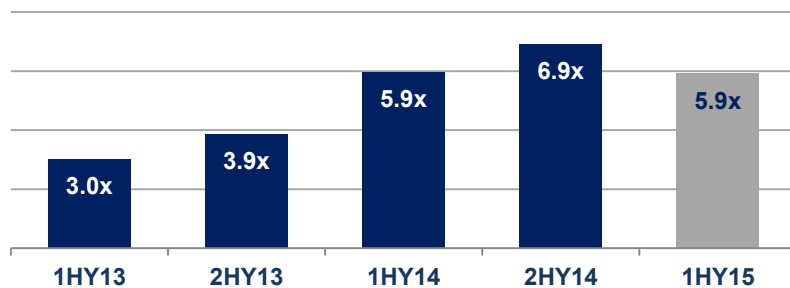
### Debt to Underlying EBITDA



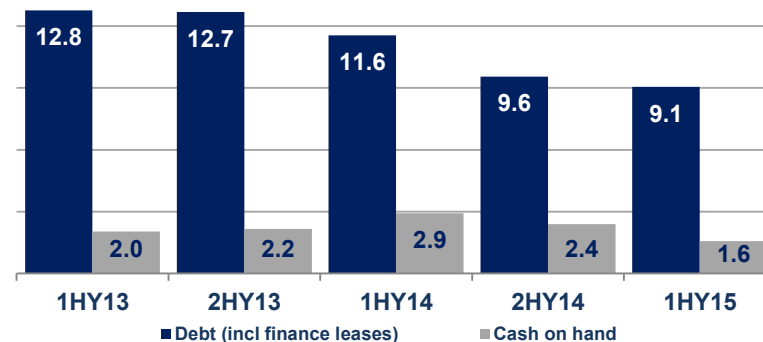
### Gearing: Debt / (Debt + Equity)



### Interest coverage: Underlying EBITDA / Interest



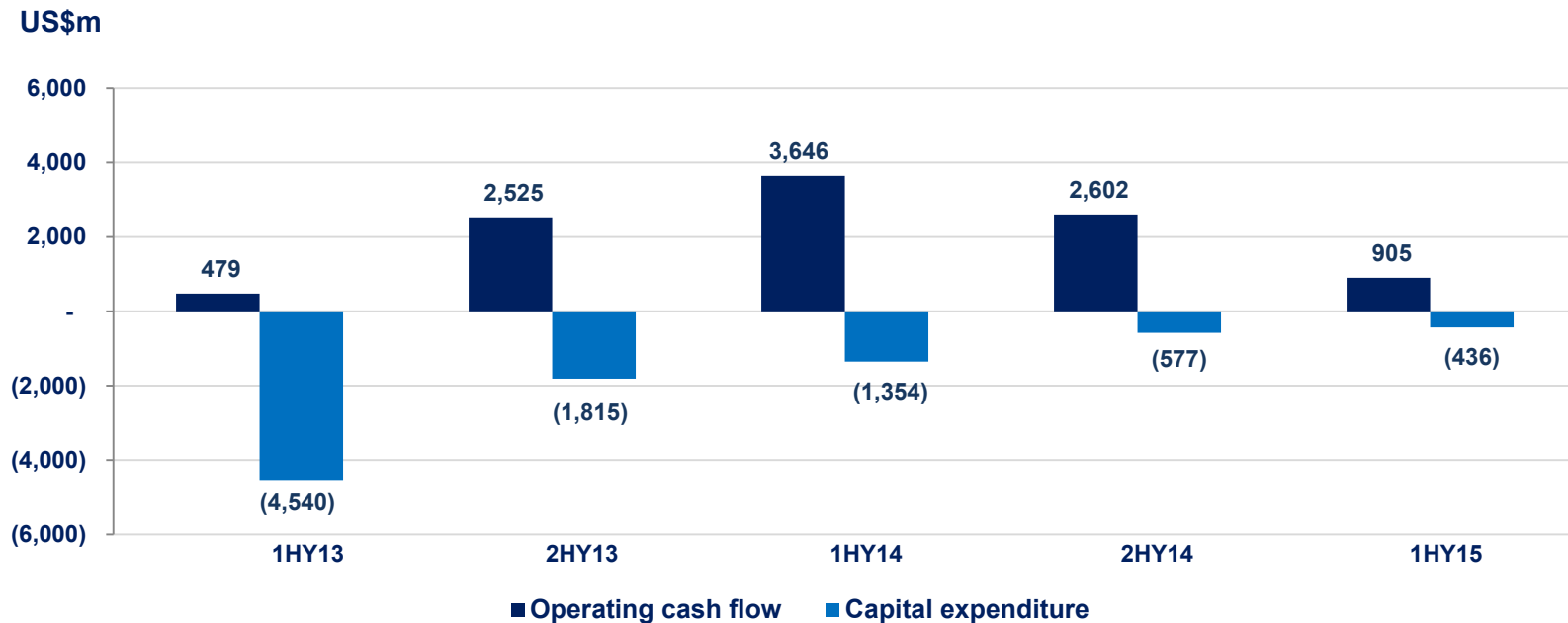
### Cash and debt (US\$bn)





# Cash flow

## Focus on working capital and cash management





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# Development



# AP5 and Iron Bridge Projects

Projects remain on schedule for March 2015



## Iron Bridge

1.5mtpa Stage 1 commissioning in June 15 Q



## 5th Berth

increasing capacity by 15-20mtpa



# Fortescue River Gas Pipeline

Stage 1 to Solomon Hub, lowering costs and improving efficiencies



# Autonomous Haulage Solution (AHS)

Trials commenced FY13

- **20 trucks** operating at Kings
- **10-20%** operational efficiencies
- **56mt ore** hauled to date
- **Safety** benefits







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# Market



# China's growth remains strong

## Long term fundamentals remain positive

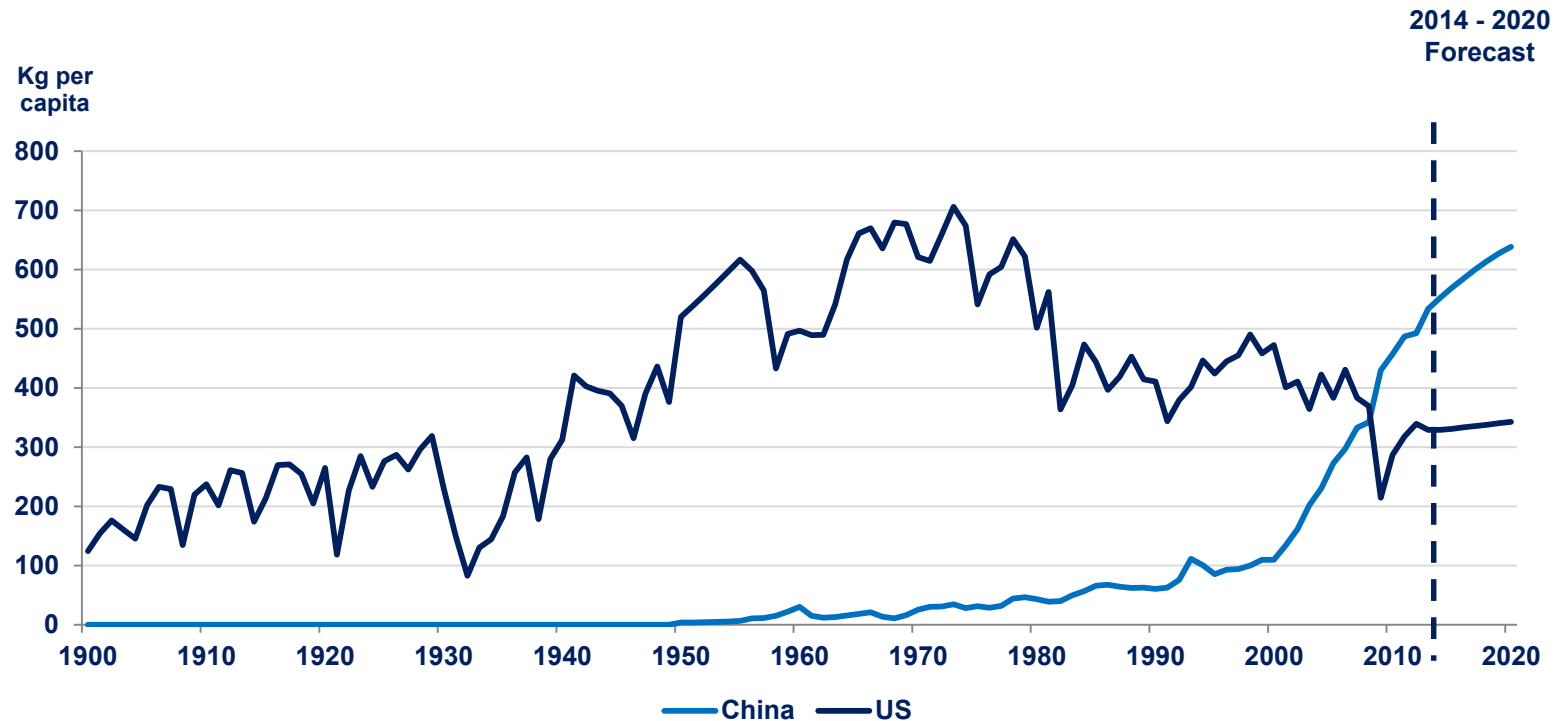
- **RMB 10 trillion** in projects approved:
  - 300 projects RMB 7 trillion starting in 2015
  - NDRC approved 16 railways, 11 roads and 5 airports in December Quarter
- “**New Silk Road**” project US\$1.6 trillion
- **300 million people** to urbanise
- **Pro-business** structural reform
- GDP growth **~7%** in 2015





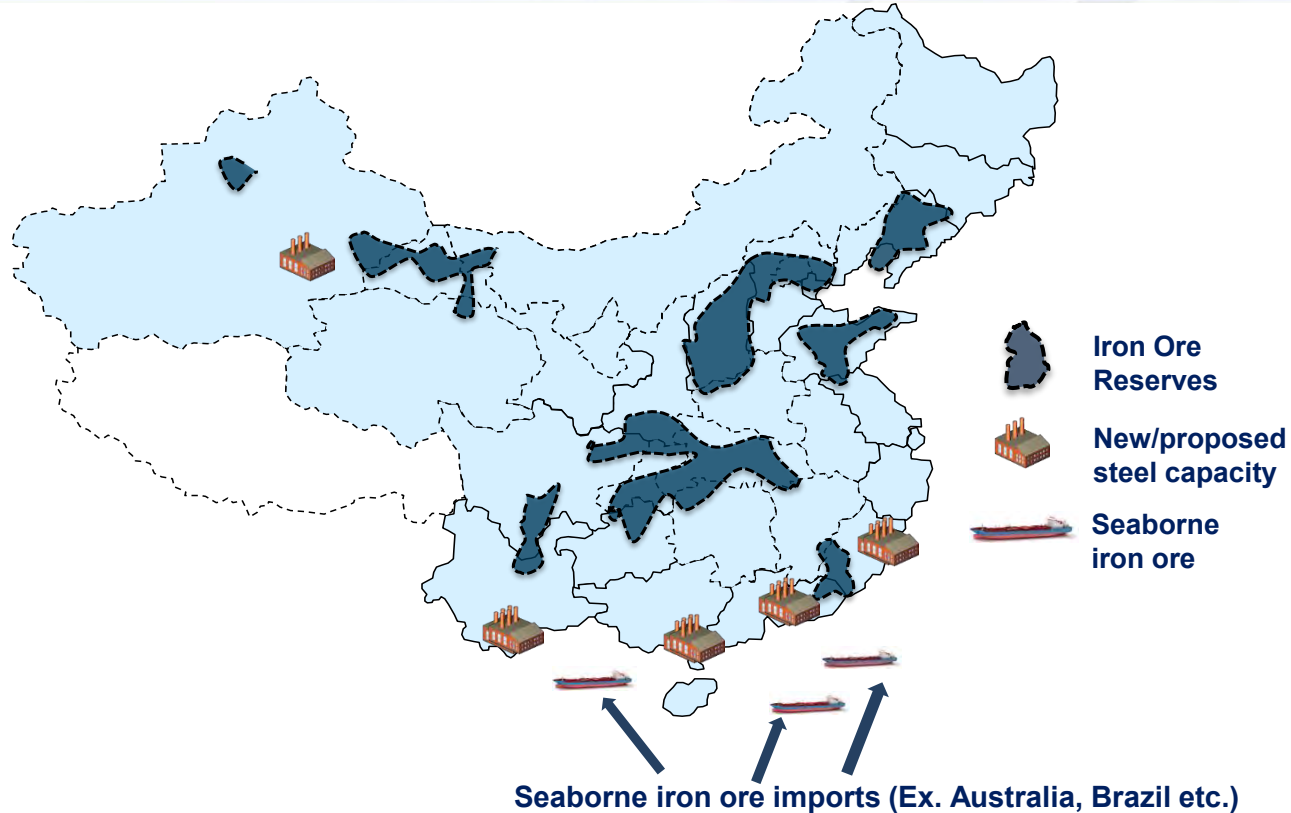
# Steel consumption per capita

China has only just reached levels of consumption of a developed country



# Demand for seaborne supply

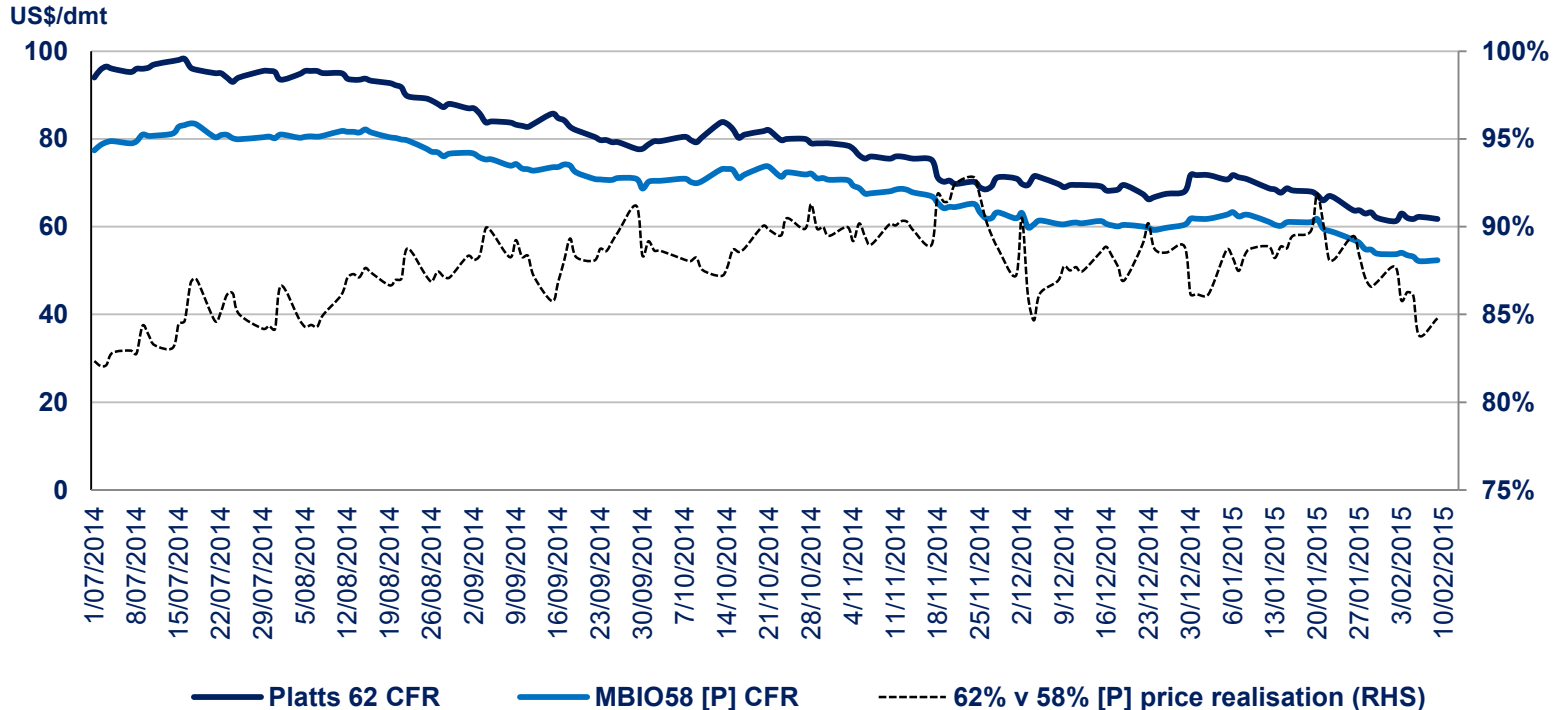
New coastal capacity moving away from domestic iron ore



# Price Realisation

Realising consistently at 85-90% of Platts 62%

62% Platts v 58% MBIO (P)





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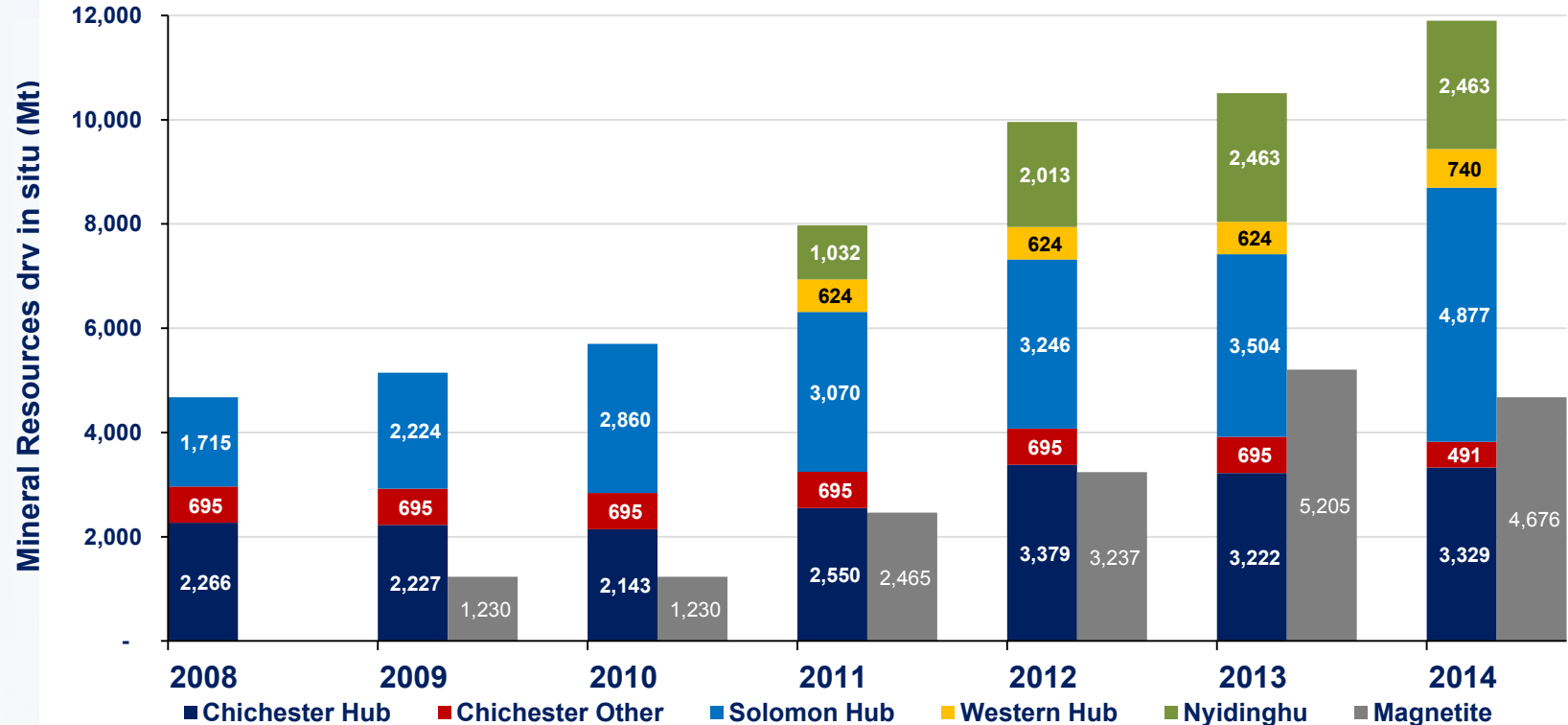
# Reserves and resources





# Resource portfolio supports asset base

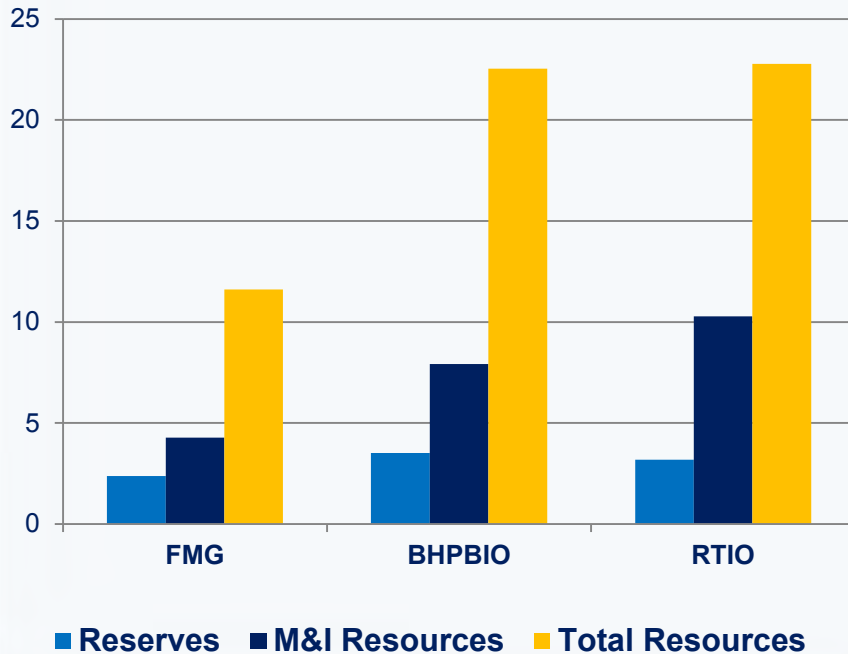
Drilling as required and extend through near mine exploration



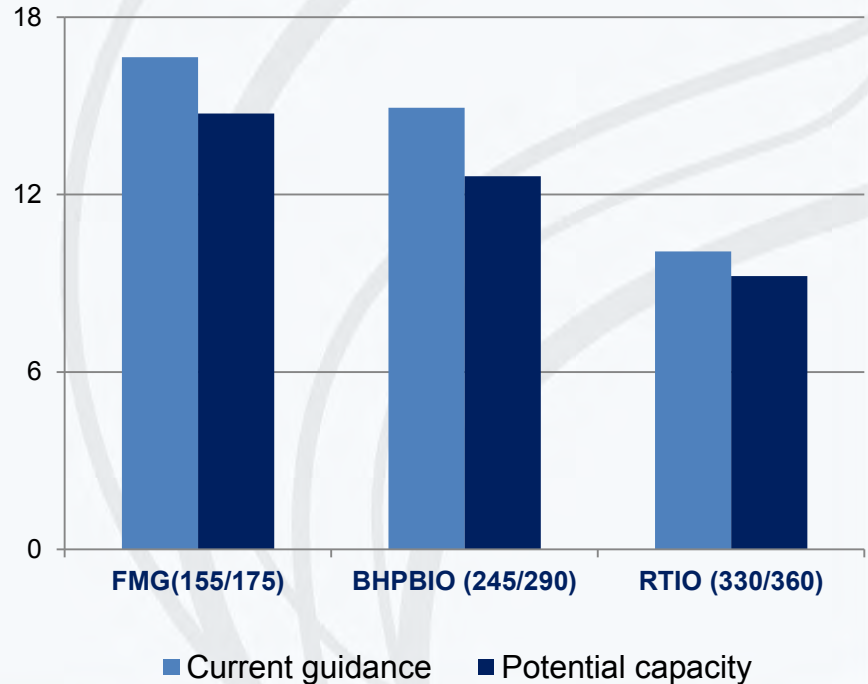
# Mine lives based on current reserves

## Fortescue mine lives compare favourably

Reserve and Resource Tonnages (dry)



Ore Reserve Life (Years)



# Hematite reserves

## Reserve base supports extended operations

- Focused **exploration** programs
- Significant **reserve** lives
- Maximise **low impurity** ore bodies
- Significant **BID prospectivity** at:
  - Mt MacLeod (Solomon)
  - Fredricks (Solomon)
  - Kutayi (Chichesters)

	Million Tonnes*	Fe %
Cloudbreak	500	57.6
Christmas Creek	970	57.3
<b>Chichester Total</b>	<b>1,470</b>	<b>57.4</b>
Firetail	174	58.7
Kings Valley	729	56.9
<b>Solomon Total</b>	<b>903</b>	<b>57.2</b>
<b>Fortescue Total</b>	<b>2,373</b>	<b>57.3</b>

\* Product tonnes on a dry tonne basis



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# Supporting our local community





# Building our economy

Unlocking the potential of WA's North West

**15,000**  
employed

**A\$800m\***  
wages p.a.

**A\$2.1bn**  
taxes and royalties FY14

**A\$490m**  
local Pilbara spend FY14



# Ending Aboriginal disparity in the Pilbara

Creating opportunities through training, employment and business opportunity

**1,200**

Aboriginal employees

**12%**

Aboriginal people in  
Fortescue workforce

**A\$1.7bn**

Contracts to Aboriginal  
companies and JV's

**VTEC**

Training Centres

Roebourne,  
South Hedland





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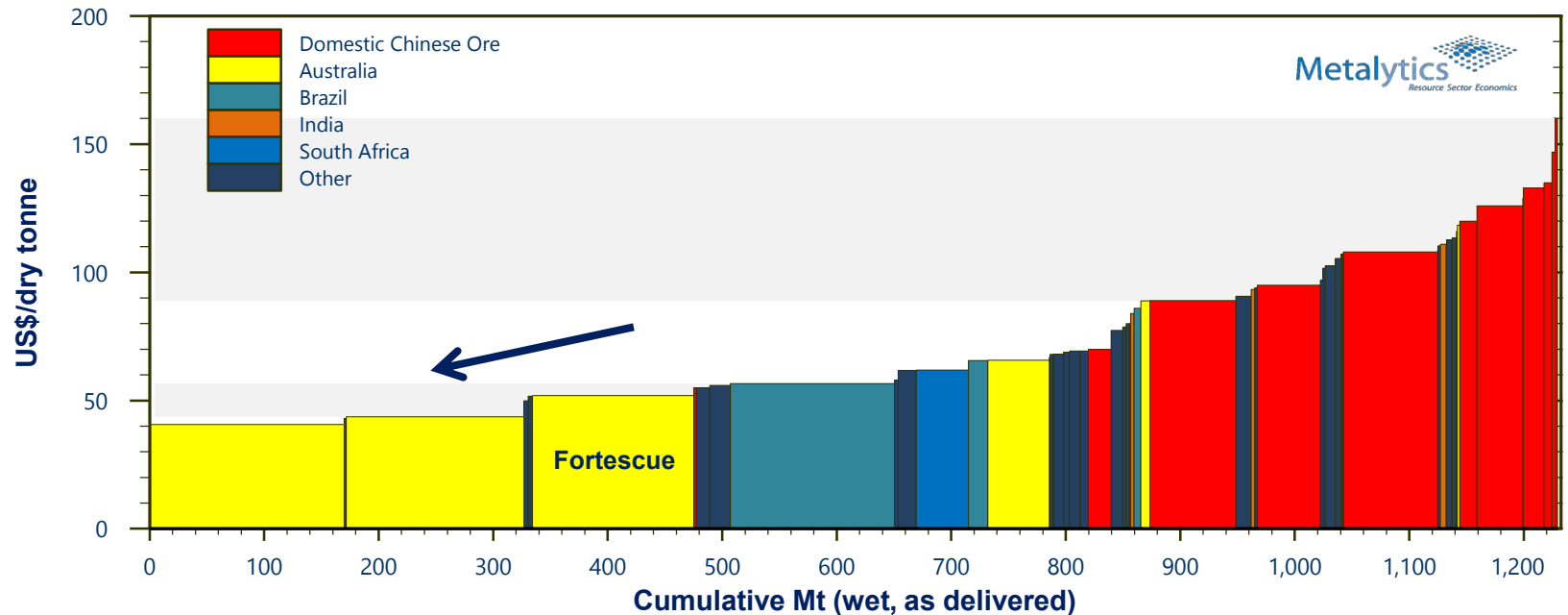
# Clear strategy



# Moving down the global cost curve

## Targeting bottom quartile

### China Iron Ore Supply CFR Costs – Oct 2014 (including royalties and freight)





# Port – flexible design for future growth

Fifth berth under construction



# The New Force in Iron Ore

- **Low cost** producer **155mtpa++**
- **Fast** capital **efficient** delivery
- **World class** hardware + **software**
- Unique **culture** drives performance







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# Glossary

## Definition of non-IFRS terms

**NPAT** = net profit after income 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 included.

**Debt** = Current and non-current borrowings and financial liabilities

**Net debt** = debt + cash and cash equivalents

**Gearing** = debt / (debt + equity)

**C1** = costs of mining, processing, rail and port per wet metric tonne

**Total delivered costs** = C1 + shipping, royalties and administration costs

**Free cash flow** = operating cash flow – capital expenditure

**Debt to Underlying EBITDA** = Total debt at the end of the period divided by the last 12 months Underlying EBITDA

**Interest coverage** = the last 12 months Underlying EBITDA divided by the last twelve months interest

	31-Dec 2014 US\$m	31-Dec 2013 US\$m
Profit before income tax	440	2,417
Finance income	(9)	(12)
Finance expenses	315	409
Depreciation and amortisation	658	399
Exploration, development and other	36	7
<b>Underlying EBITDA</b>	<b>1,440</b>	<b>3,220</b>

**Return on equity** = profit for the last 12 months after income tax divided by total equity

**Earnings per share (EPS)** = profit for the year after income tax divided by undiluted weighted average ordinary shares.

Non IFRS information disclosed in this presentation has not been subject to audit.

**dmt** = dry metric tonne

**wmt** = wet metric tonne

**mtpa** = million tonnes per annum