Fortescue
The New Force in Iron Ore

HY16 Results

Working together. Delivering results.

Forward looking statements

Important Notice

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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

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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[1]
US$1.3bn

Capex $88m
1HFY16

Net debt
US$1.1bn lower

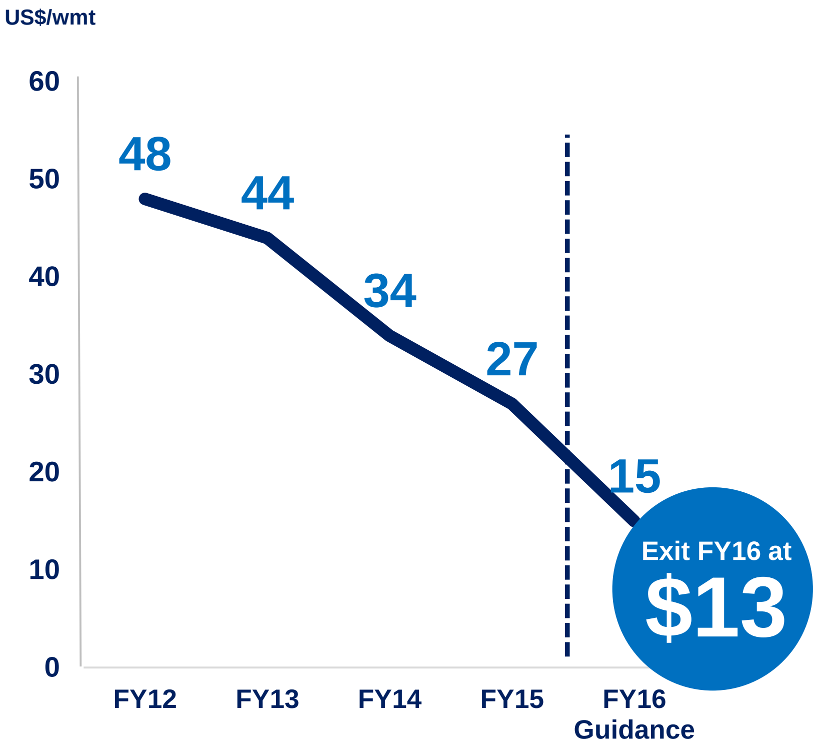
Interim dividend
A$0.03/share

[1] 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**

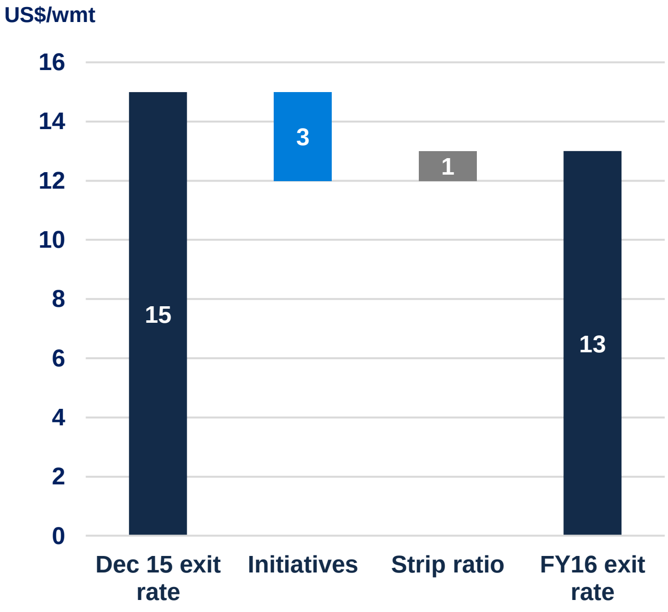


Delivering US$13/wmt

Continuing efficiency and productivity improvements

Savings initiatives		Savings (US$/wmt)
Processing	• Improved upgrades and yield • Shutdown optimisation • Enhanced plant reliability	**0.70**
Mining	• Maximising equipment productivity • Enhancements to mine plans – ore definition, haul route optimisation, pit design • Site-wide efficiencies, maintenance, fleet productivity • Product optimisation + blending	**1.30**
Procurement	• Deflation and contract re-negotiations	**0.50**
Inventory + Fx	• High-cost inventory flow through • Fx to US$0.71	**0.50**
TOTAL		**3.00**

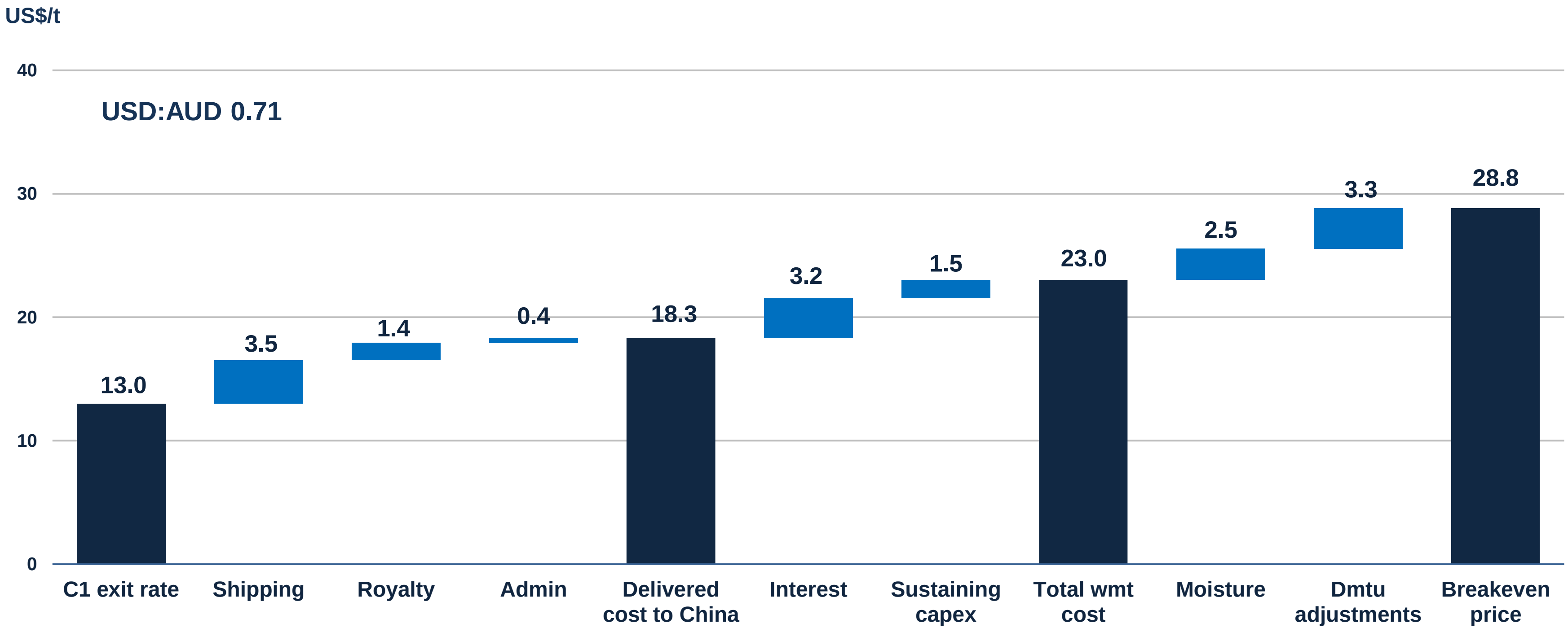
Sustainable cost reductions



Based on average strip ratio of 1.4

Breakeven index price

Continuing to reduce breakeven price



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Operating and financial performance

Financial keys

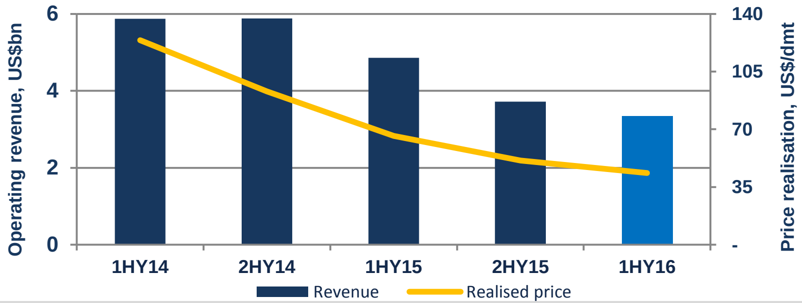
Maintaining margins through cost + production performance

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

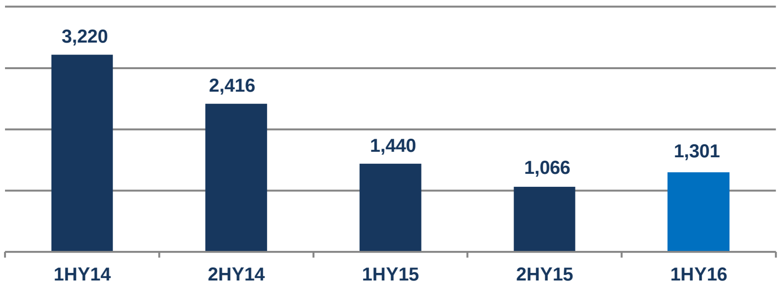
Earnings

Operational performance supports strong financial results

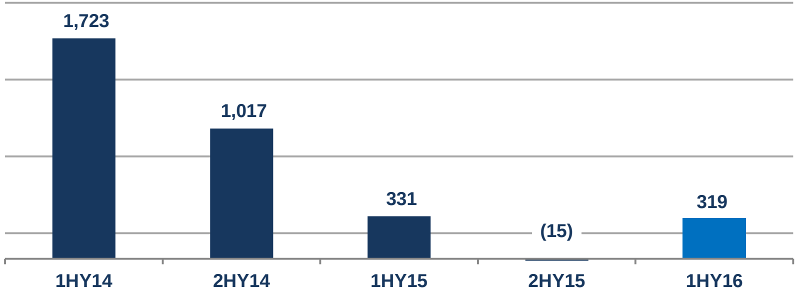
Revenue and Price



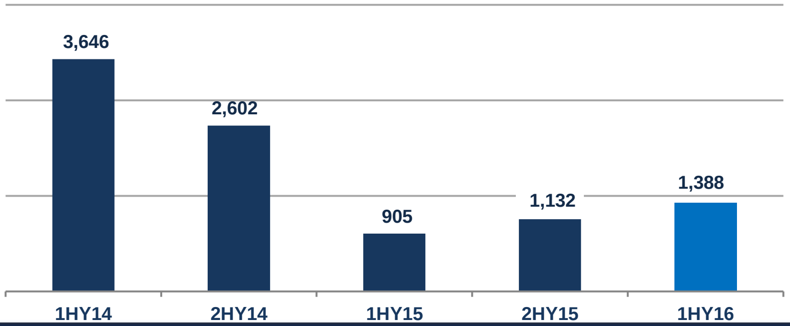
Underlying EBITDA, US$ millions



Net profit after tax, US$ millions



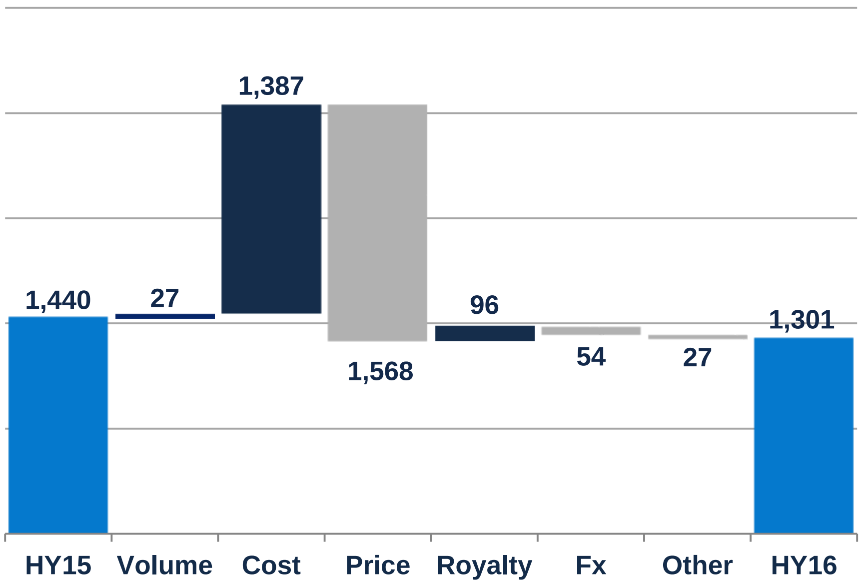
Operating cash flows, US$ millions



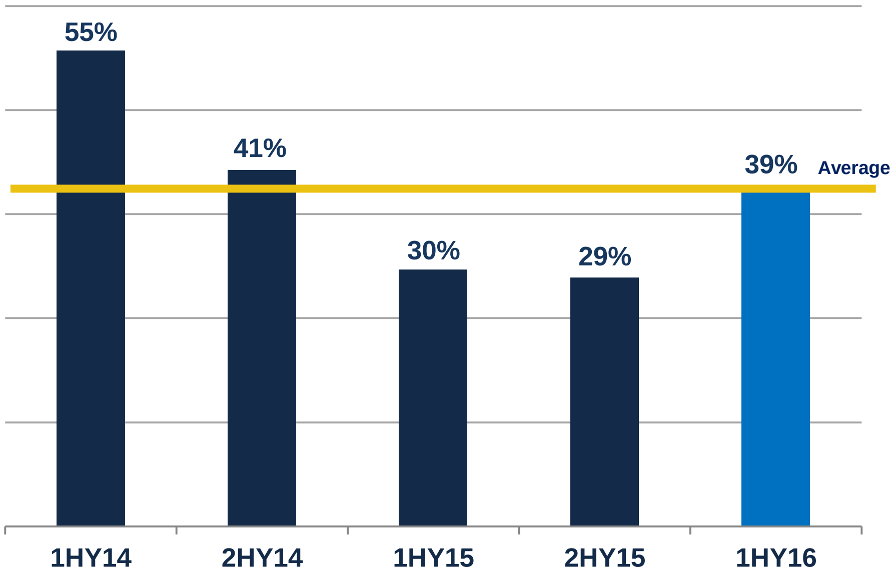
Underlying EBITDA

Cost + production performance offsetting price weakness

Underlying EBITDA, US$ millions

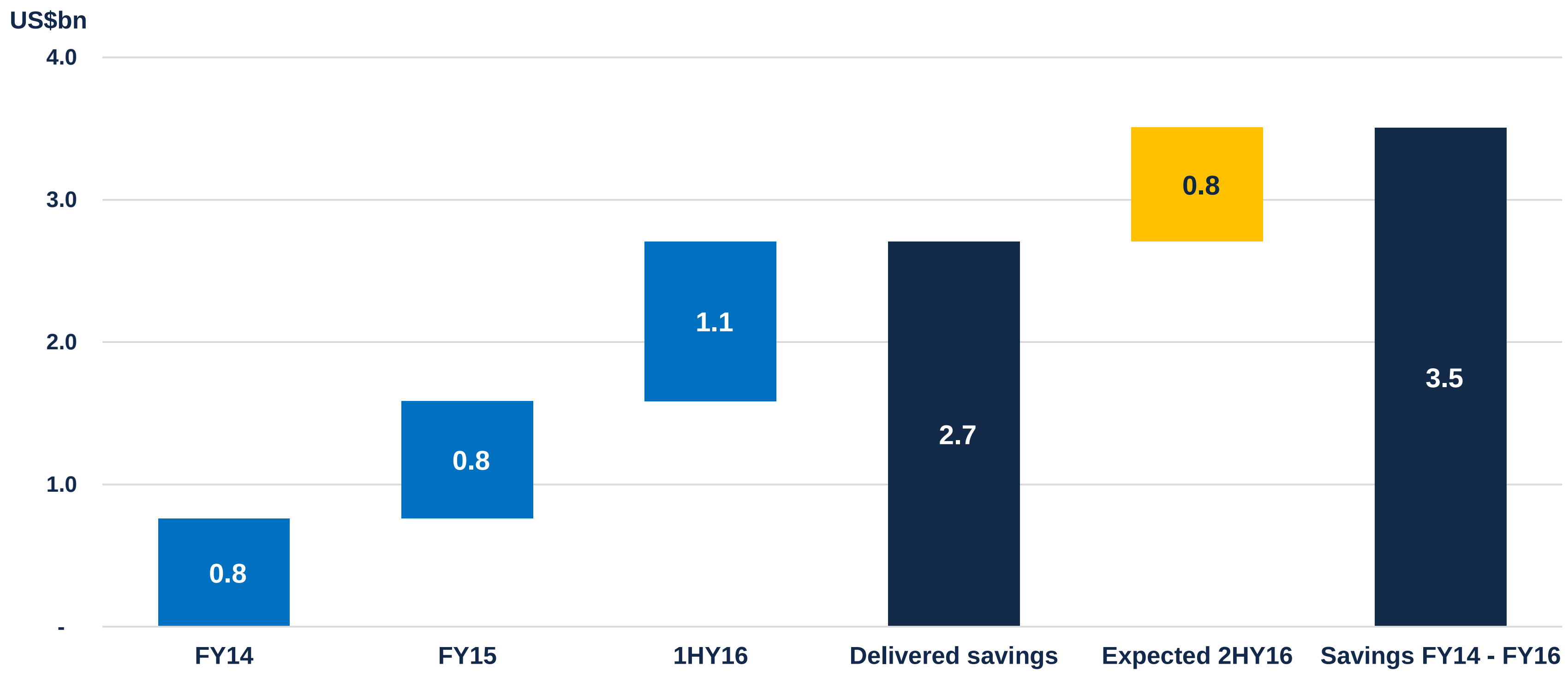


Underlying EBITDA Margin



Cash savings

FY14 – 16 cash savings since achieving full operating capacity



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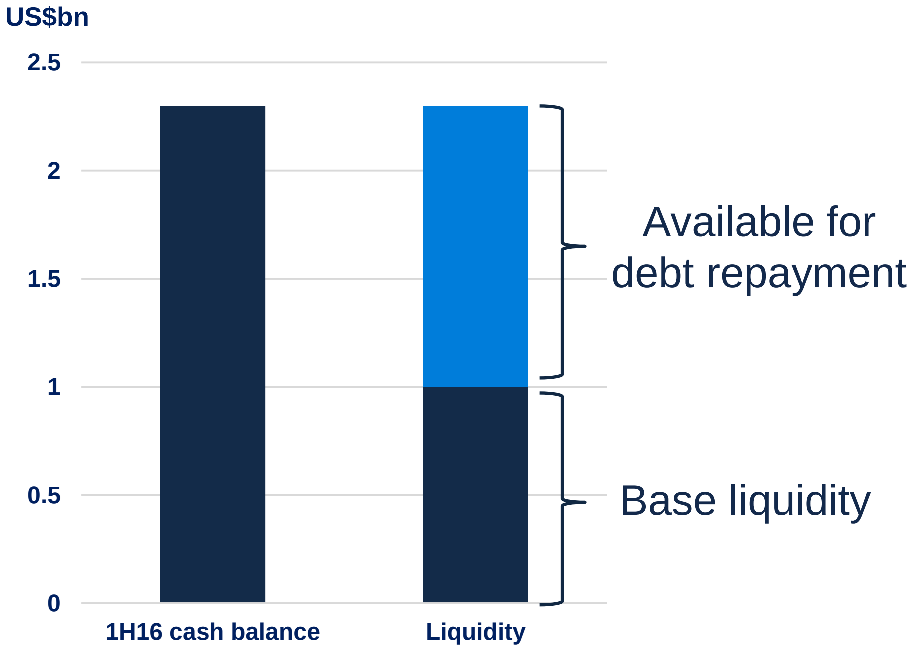
Balance sheet

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**

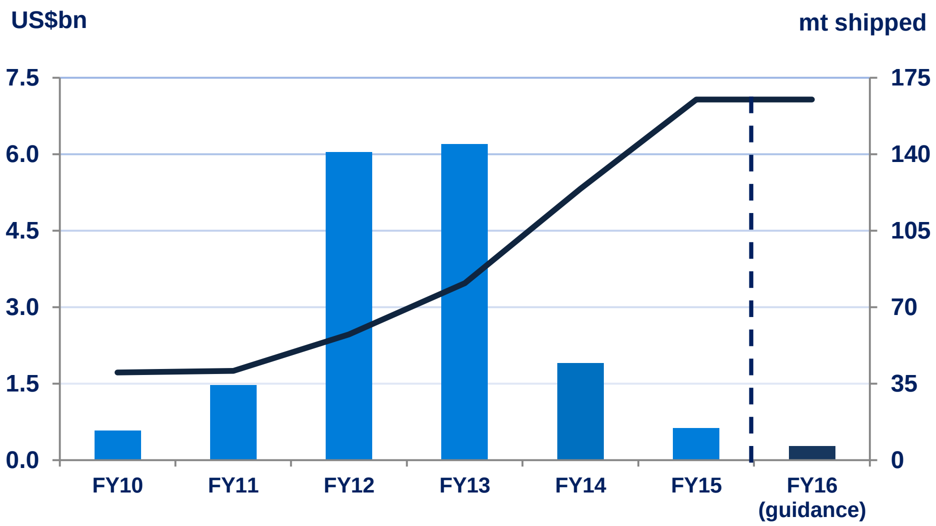


Capital expenditure

Post expansion, capex is sustainable at current levels

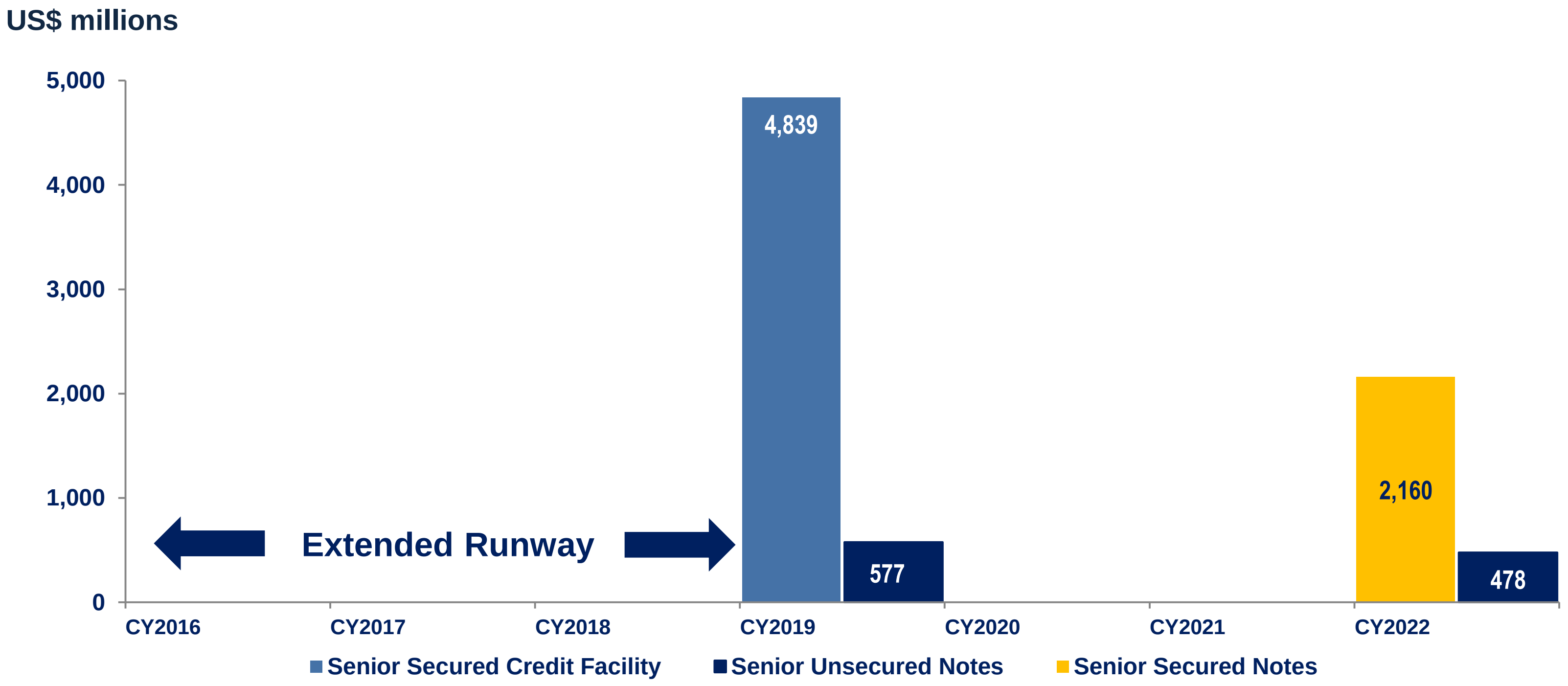
- Sustaining capex **US$200m**
- **Sustainable** mine lives
- No **expansion** capex
- D&A **~US$7.50/wmt**

Capital profile



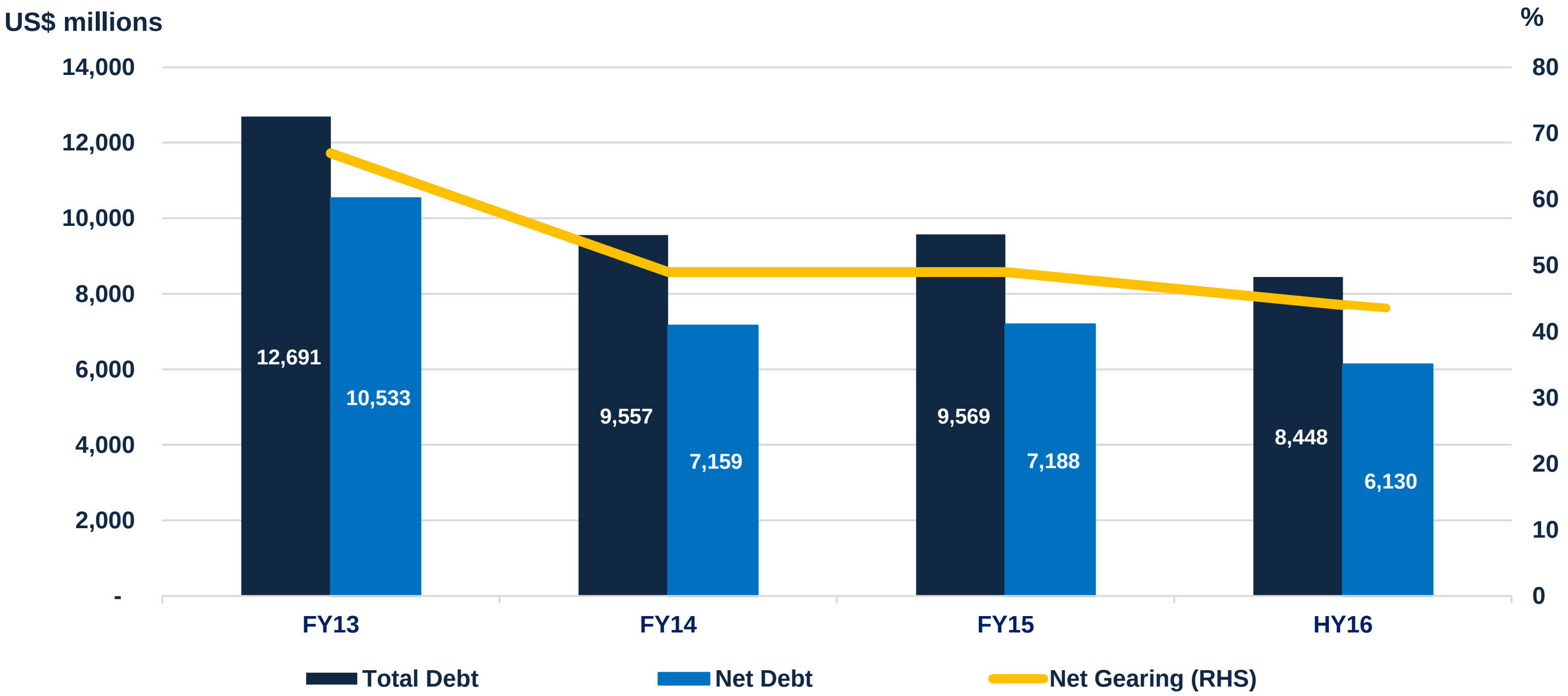
Debt maturity profile

Net debt reduced by US$4.4bn to date



Debt repayments

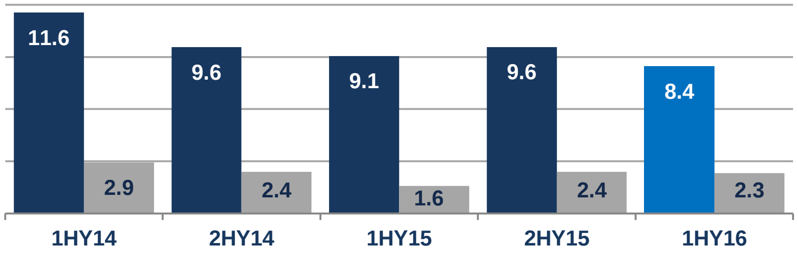
Free cash flows support debt reduction to initial 40% gearing target



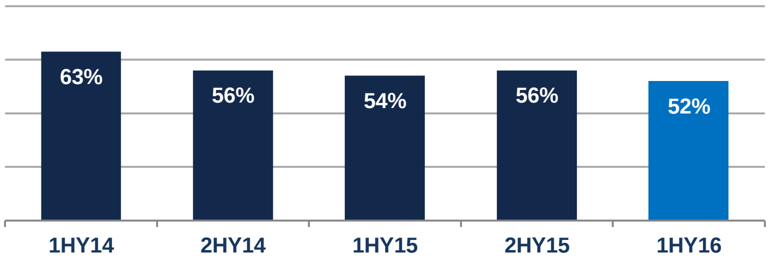
Key credit metrics

Operating cash flows supporting metrics

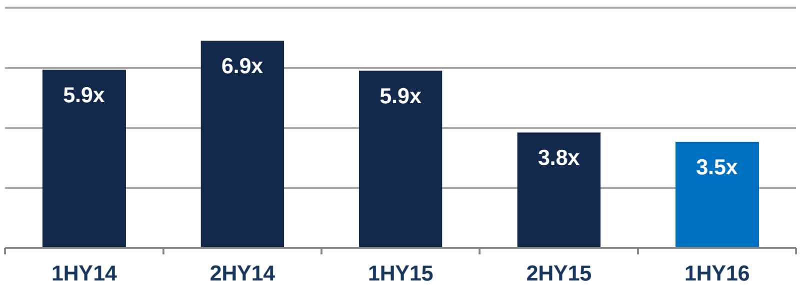
Cash and debt (US$bn)



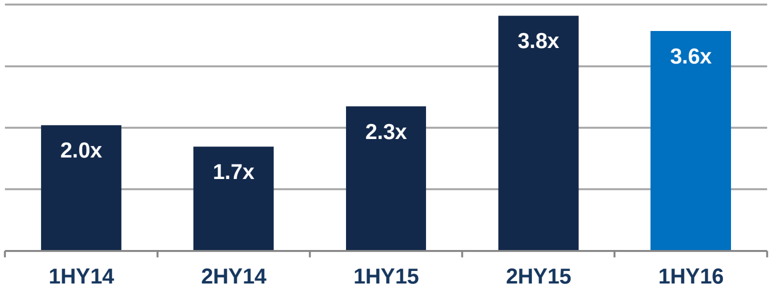
Gearing: Debt / (Debt + Equity)

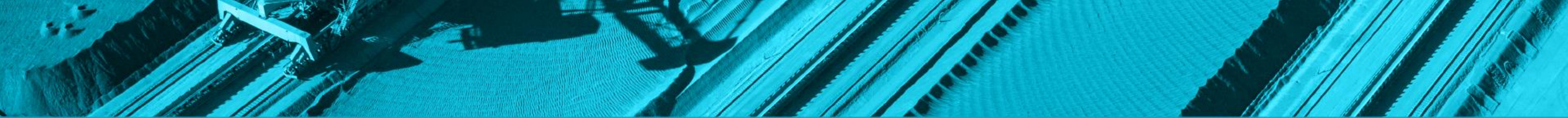


Underlying EBITDA / Interest



Debt / Underlying EBITDA





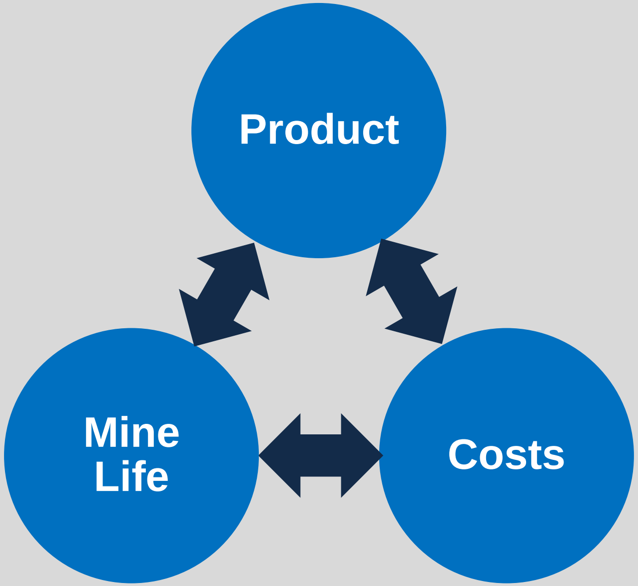
Maximising value

Product strategy

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



Revised strip ratios

FY16 strip ratio remains consistent in 2HFY16 at 1.2

Maintained mine life

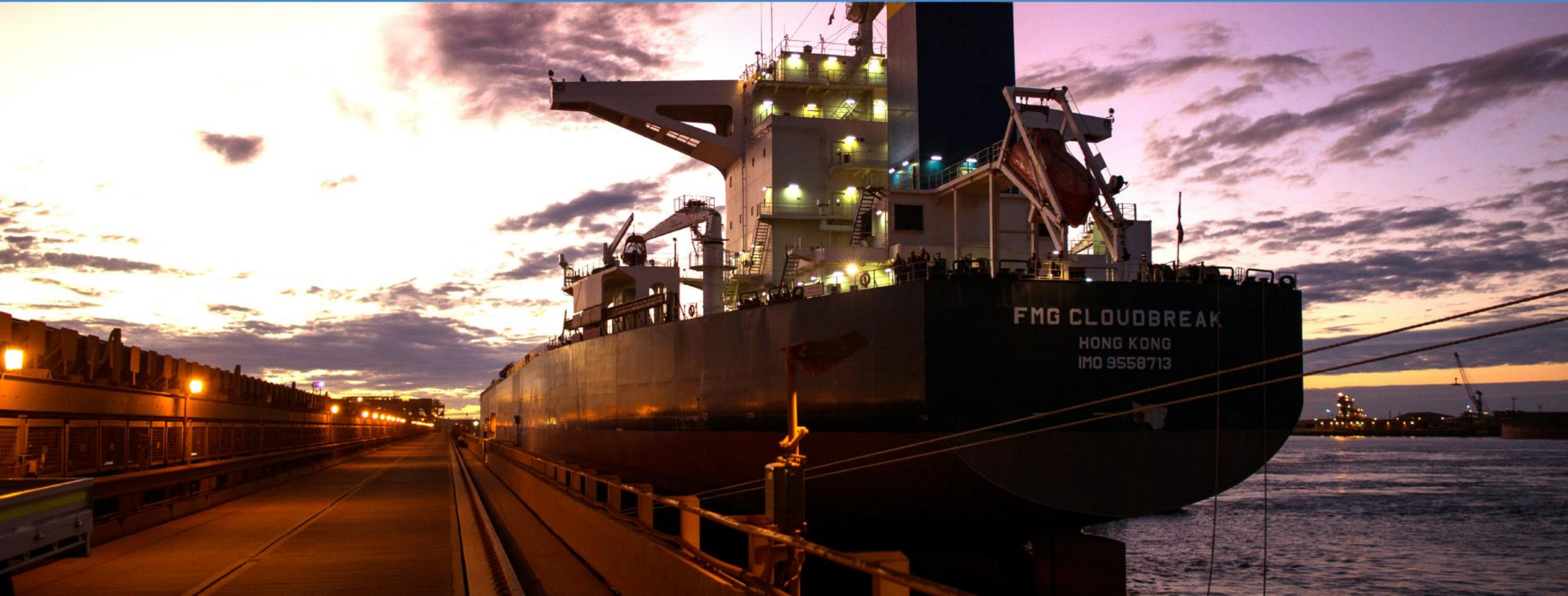
C1 Costs

	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

Market



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

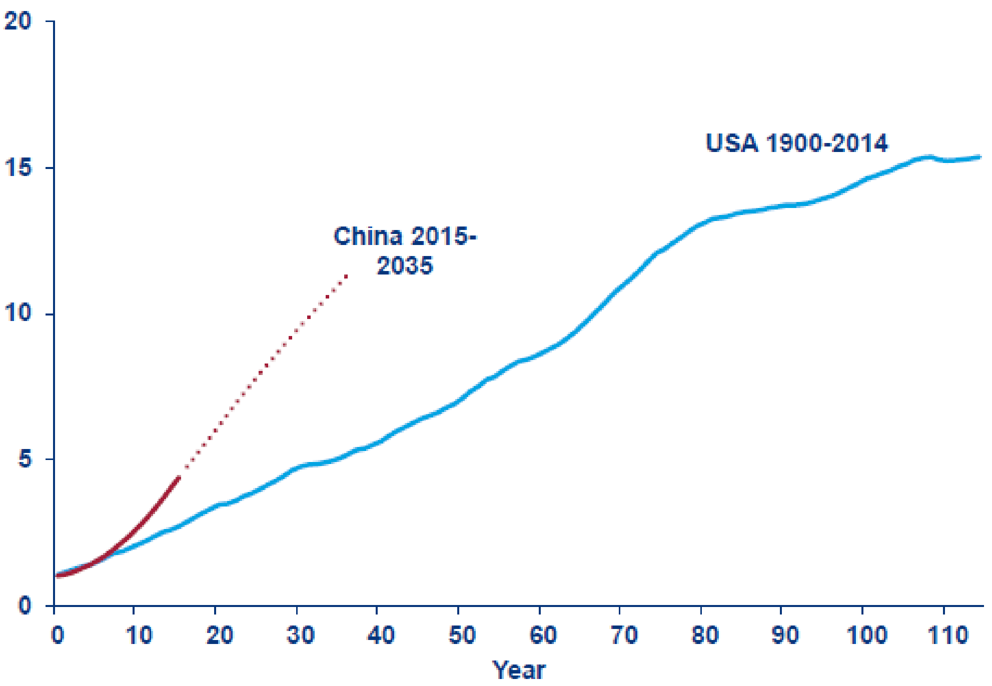
300 million people expected to be urbanised by 2030

- **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**

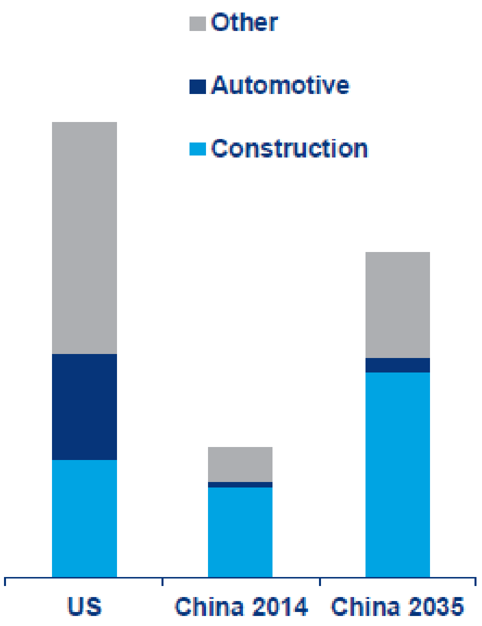
Steel consumption to build economy

Above 800mtpa – driven by policy decisions

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



Stock by sector

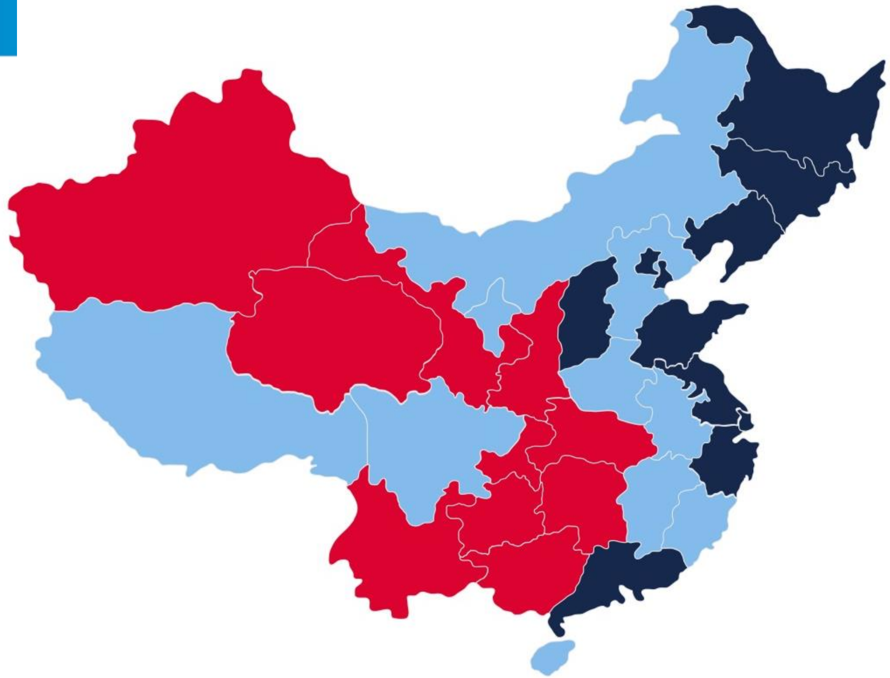


Chinese cities in 2030

300 million people still to urbanise – 16 million per year

Real GDP growth 2015-2025 (CAGR)

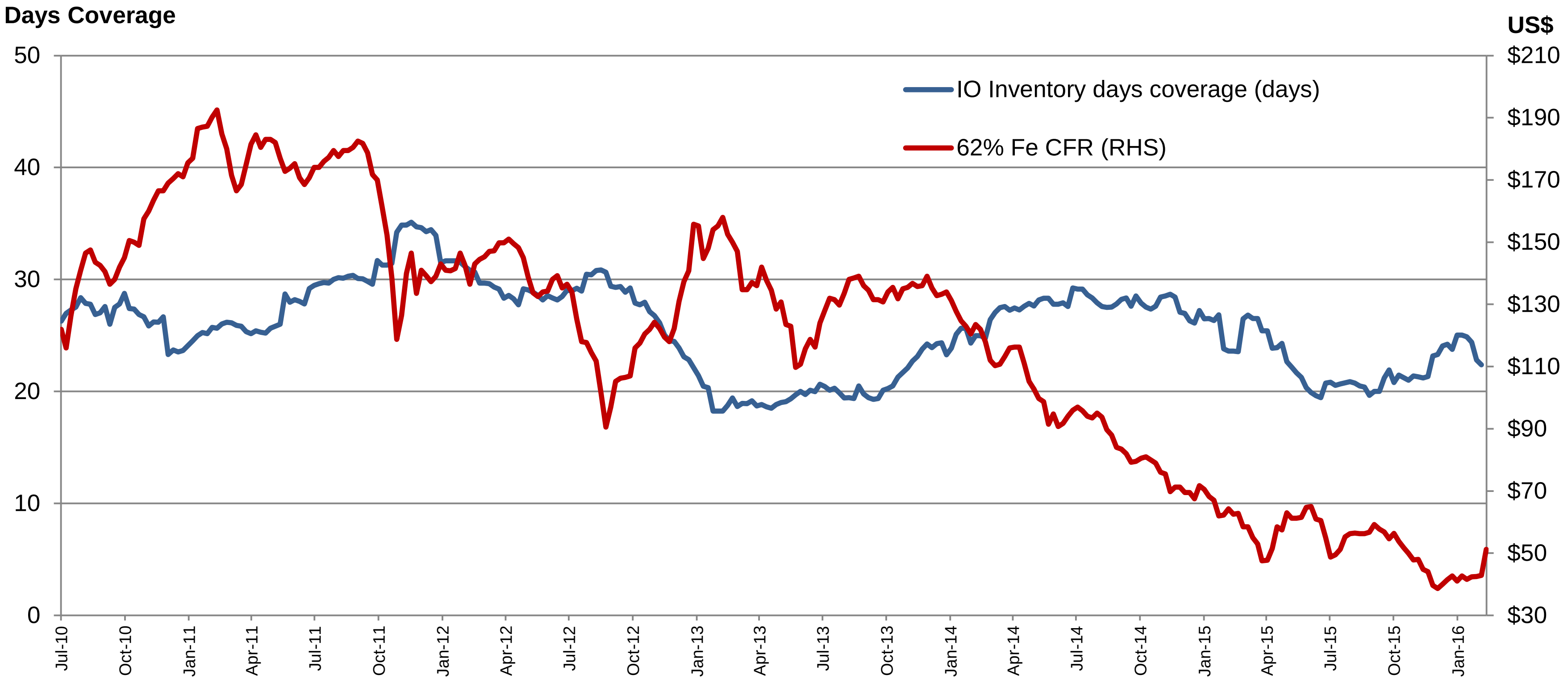
- Fastest third
- Middle third
- Slowest third



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

Iron ore supply in balance…sentiment driving price

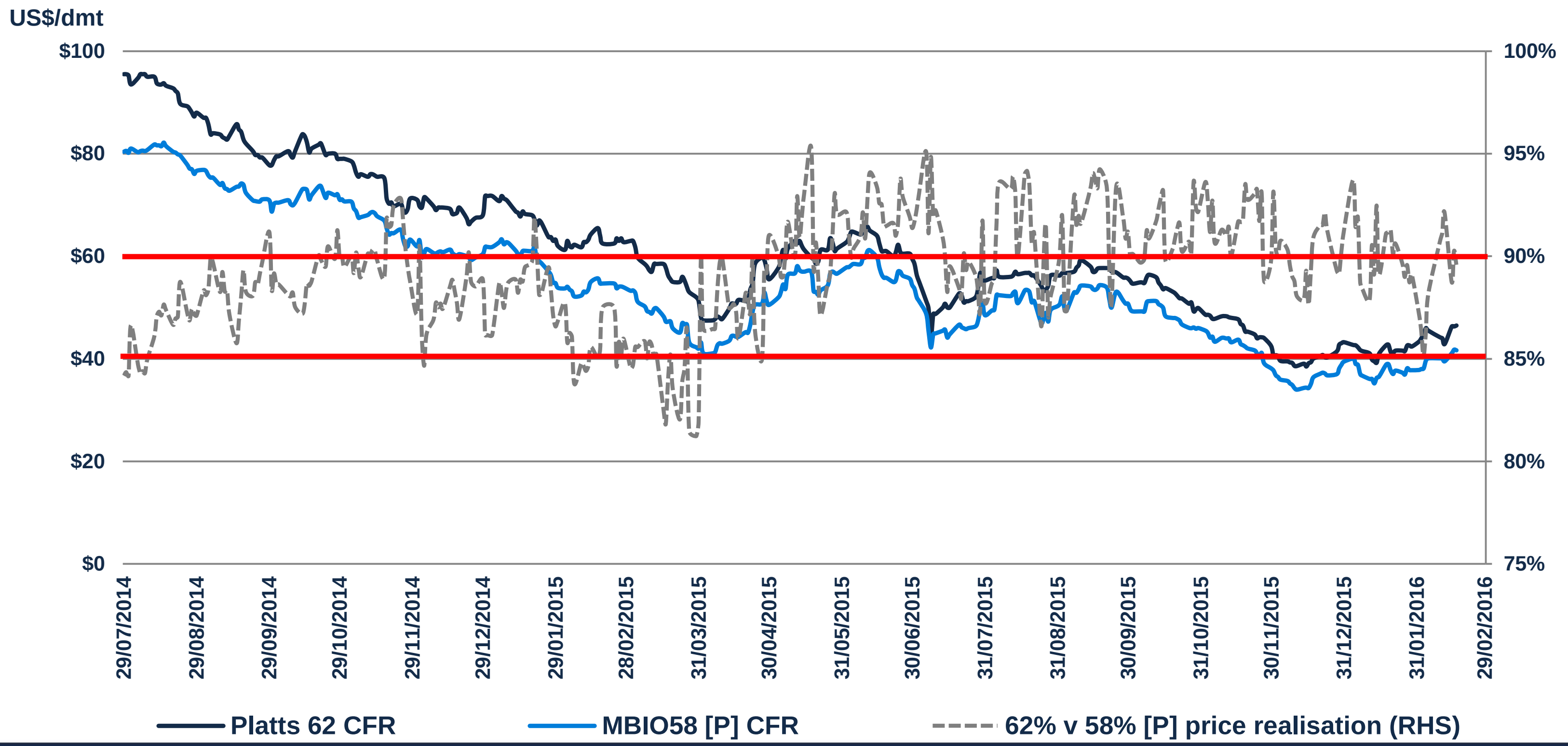
Port stocks remaining stable



Source: Bloomberg and Umetal

Price realisation

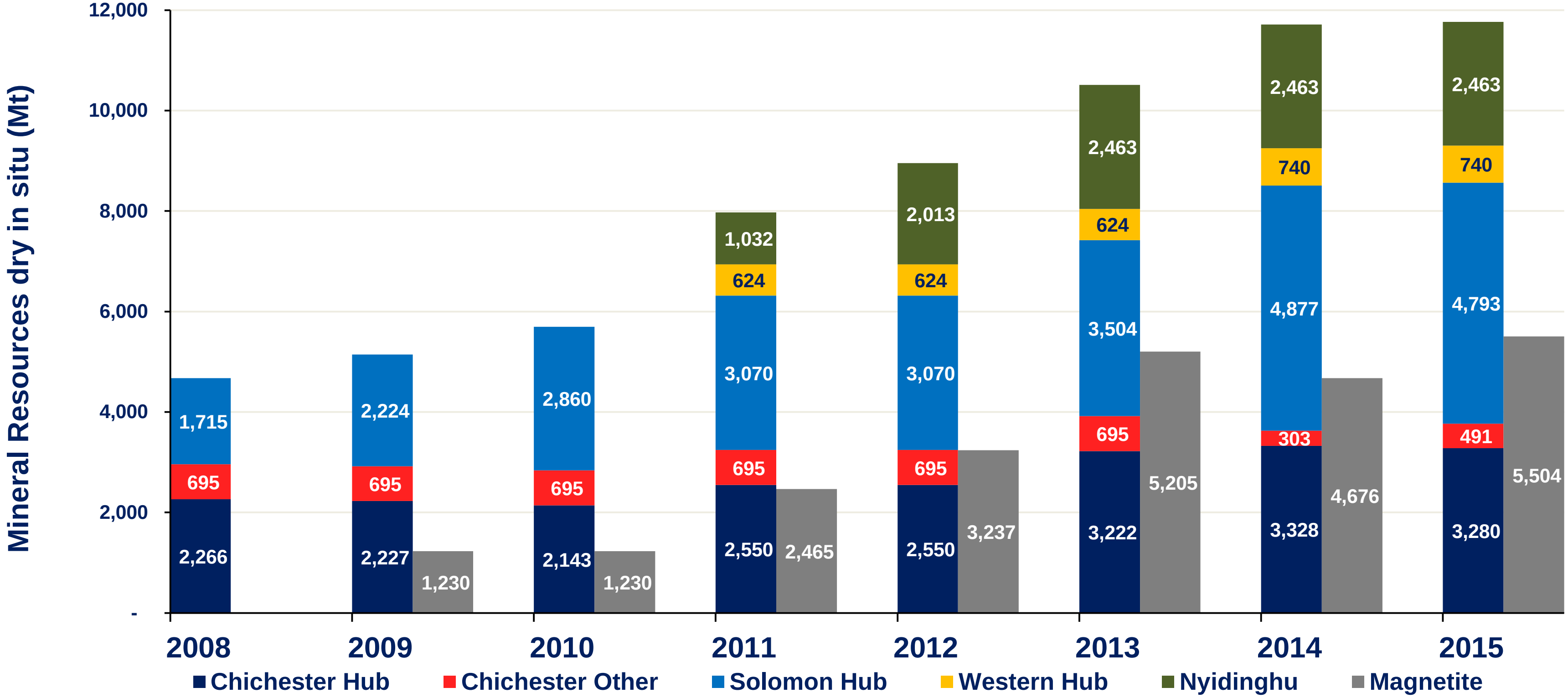
Consistently realising at 85-90% of 62 Platts index



Reserves and resources

Resource portfolio supports asset base

Largest Pilbara tenement footprint



FMG Fortescue
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Supporting our local community

Ending Aboriginal disparity in the Pilbara

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The New Force in Iron Ore

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 I South Hedland

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Focused strategy

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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The New Force in Iron Ore

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Glossary

C1:	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.
CFR:	Cost and freight rate.
mtpa:	Million tonnes per annum.
1HFY:	Half year.
FY:	Full year.
dmt:	Dry metric tonnes.
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 in the Financial Report for the half year ended 31 December 2015 accompanying this announcement.
wmt:	Wet metric tonnes.