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Fortescue
The New Force in Iron Ore

2013
Full Year Results

August 2013

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Additional Information

This presentation should be read in conjunction with the Annual Financial Report as at 30 June 2013, the half year financial statements together with any announcements made by Fortescue in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001*.

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.

Company Overview

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Fortescue

World's fourth largest seaborne exporter

80.9mt
shipped in FY13

NPAT US$1.7bn
on record operational performance

15.6bt
resource base

Costs
efficiency focus

155 mtpa by December 2013

Kings
construction complete October 2013

A$0.10
final fully franked dividend declared

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FY13 pivotal in Fortescue's history

Operationally and financially well positioned

Strong cash balance with **flexibility** to manage debt

Expansion on **time** and **budget**

Operations **delivering record** results

China and **iron ore** market remain strong

Commence **debt pay down** to targeted levels

Transition to a **dividend payout** ratio

Delivering **155mtpa**

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A differentiated model

Delivering results

Relationships
Direct relationships with sub contractors and local suppliers

China
Leveraging China's growth and manufacturing capability

Speed
Speed of delivery – time is money

Planning
Planning for scale today and efficiency into the future

Culture
Fortescue's unique culture is the key

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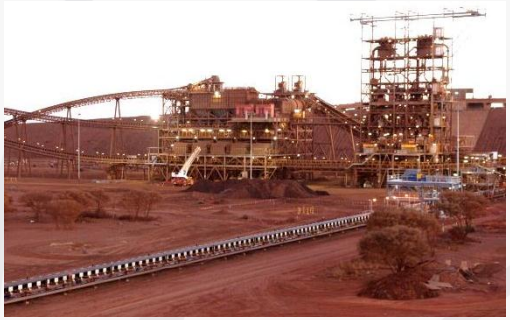
Growth across all areas

Continuing growth trajectory over FY13

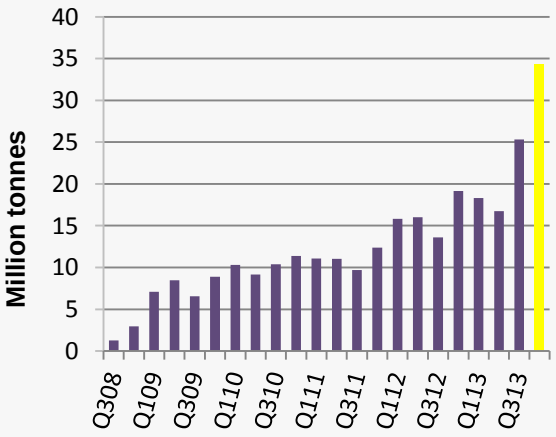
Mining

Processing

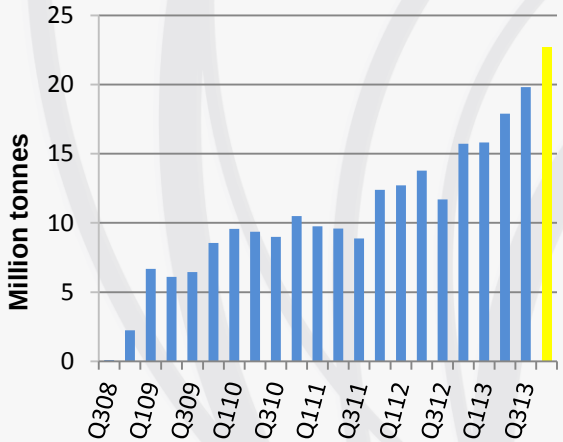


Port

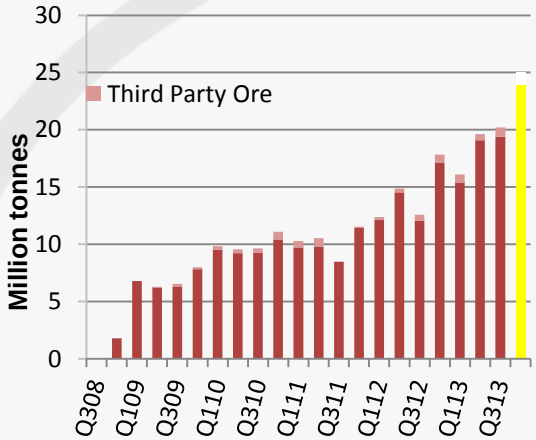
Ore Mined (wmt)



Ore Processed (wmt)



Total Ore Shipped (wmt)



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The path to 155mtpa

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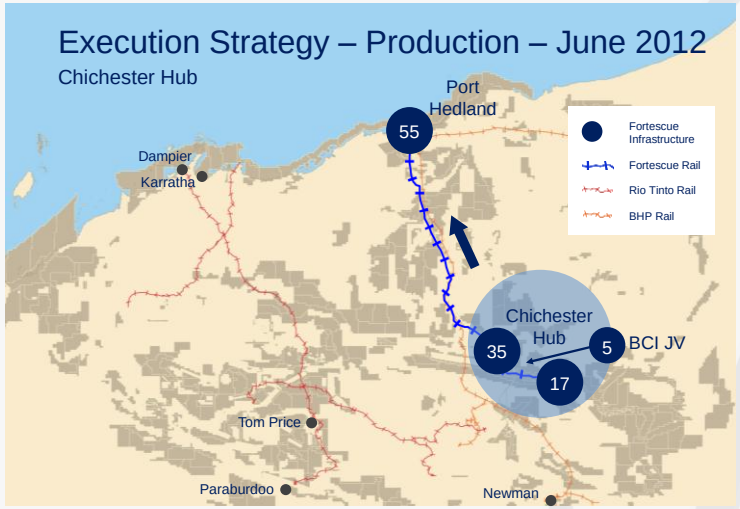

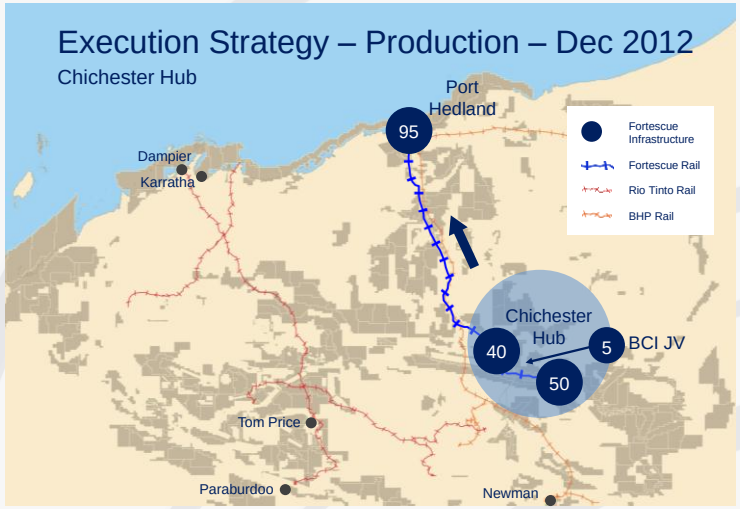

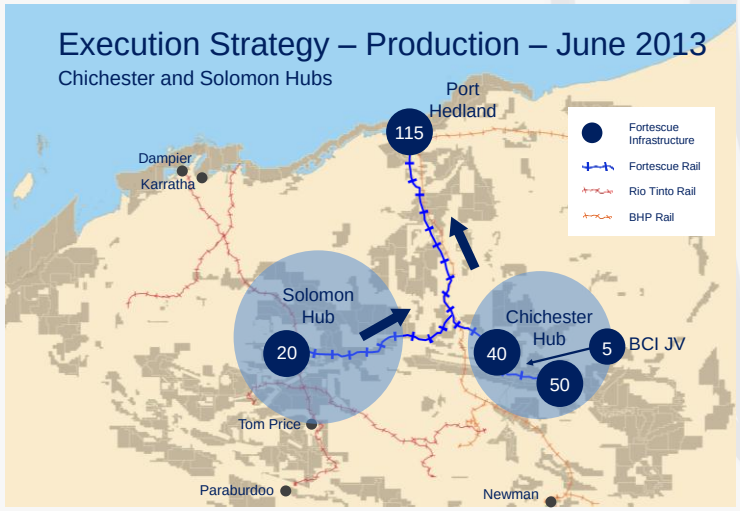

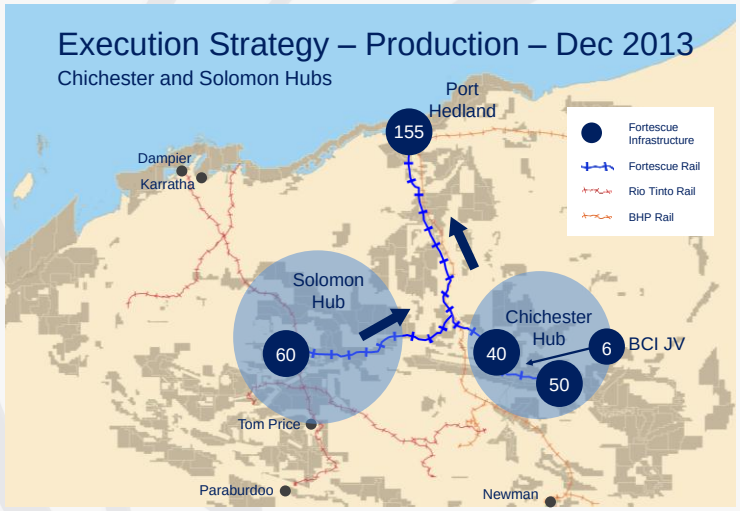

Highlights

FY13

- Average realised CFR sales price of **US$114/dmt**
- June run rate of **120mtpa** shipped
- Shipped **80.9mt**, a 41% increase
- C1 costs **US$44/wmt,** ↓9%, US$400m of savings
- Cash on hand of **US$2.2bn**
- Fully franked final dividend **A$0.10** per share

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Looking forward

Count down to 155mtpa and de-gearing

- **Prepayments**
  - Iron Bridge JV Port access **US$500m**
  - Customer prepayments **US$330m + US$170m** in August 2013
- Kings **complete** October 2013
- **155mtpa run rate** December 2013
- Focus on productivity, costs and efficiency
- Debt repayments **to commence** in 2013

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Financials

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Financial Summary FY13

- Record revenue **US$8.1bn** 21% higher than FY12
- EBITDA of **US$3.6bn** and NPAT of **US$1.7bn**
- Capital expenditure of **US$6.2bn**
- Net debt **US$9.9bn***
- **Flexible** debt structure with early call **options**
- Fully franked final **dividend of A$0.10** declared

* Net debt excludes finance leases

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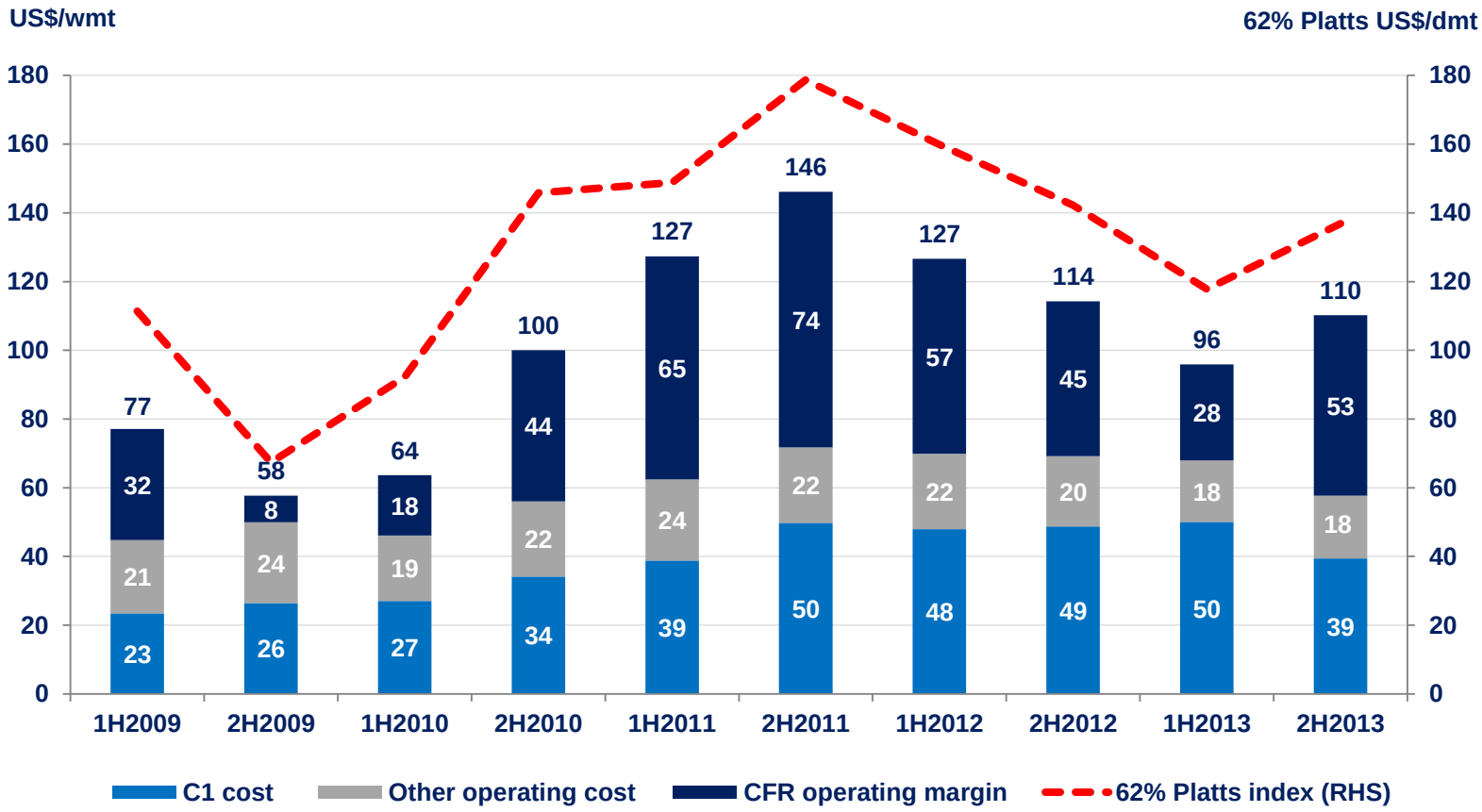
Operating margins support

Fortescue's average realised selling price and C1 costs



C1 guidance of US$36-38/wmt in FY14

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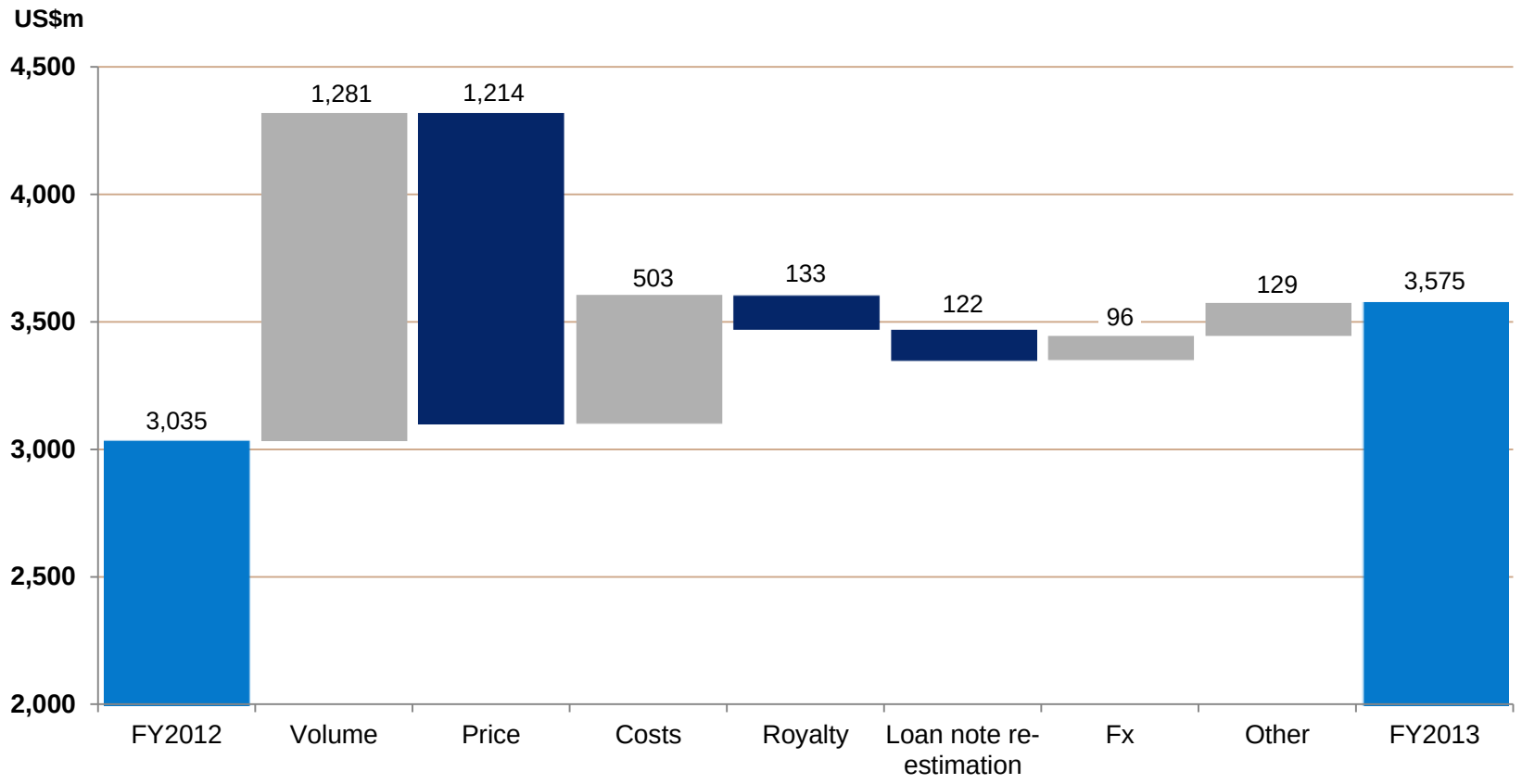
EBITDA analysis



EBITDA driven by record production + operational efficiencies

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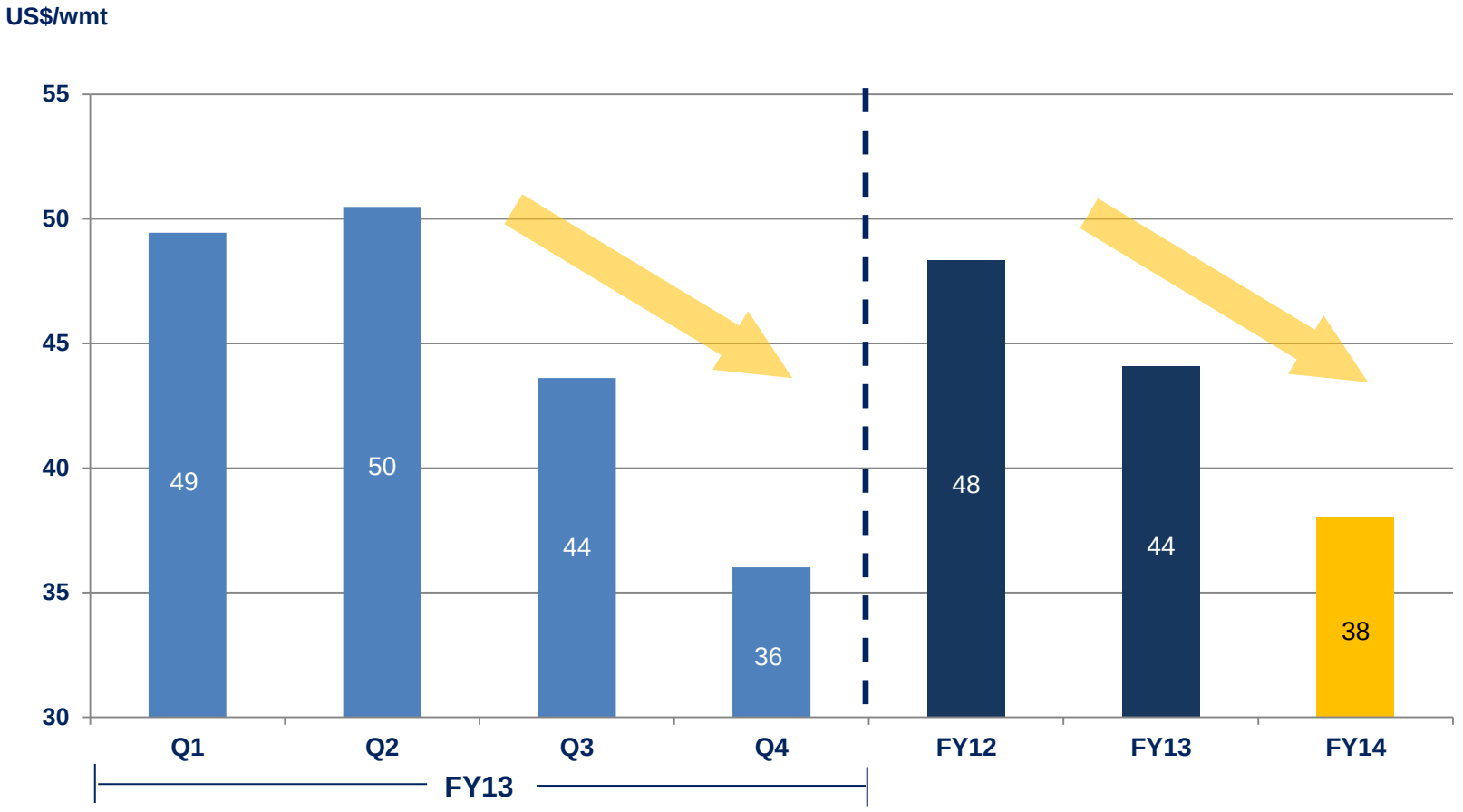
Sustained operating cost reduction

C1 trending lower as steady state operations commence



Break even at Platts Index price in low US$70s on a 62% CFR basis

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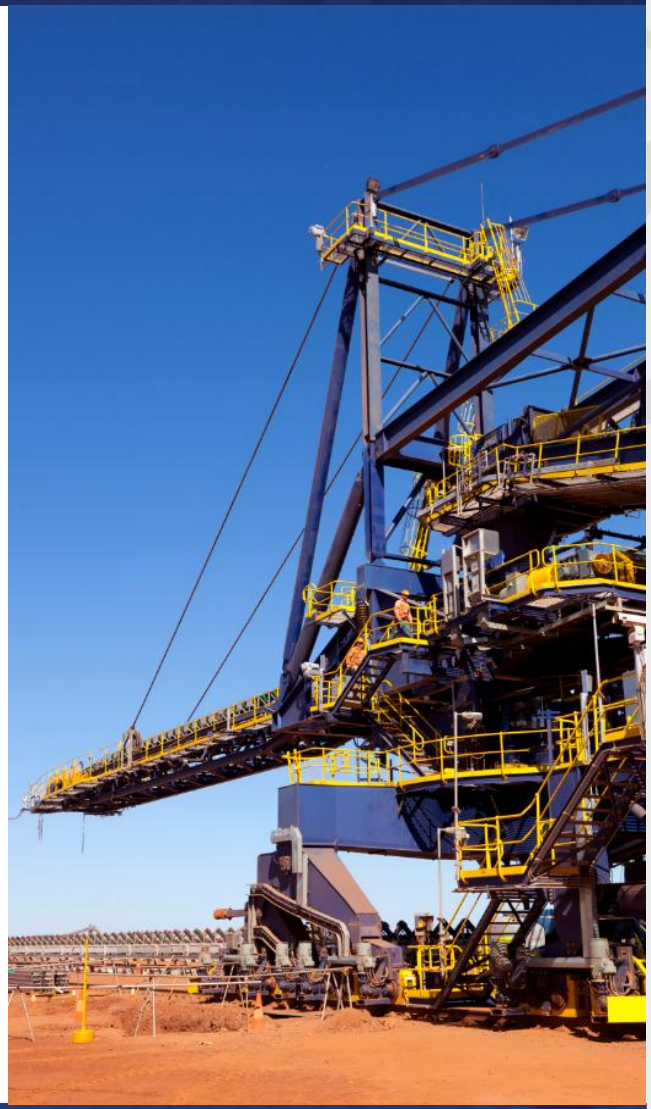
Capital Expenditure

FY13 actual and FY14 indicative

US$bn	FY13 Actual	FY14 Indicative
155mtpa expansion	**3.9**	0.5
Operational capital	**0.7**	0.8
Other capital projects	**0.3**	0.2
Exploration	**0.1**	0.1
Fleet	**1.1**	0.3
Total	**6.2***	1.9



- **T155 expansion completing in FY14**
- **Significant positive impact on future cashflows**

* Excludes the impact of finance leases capitalised for accounting purposes

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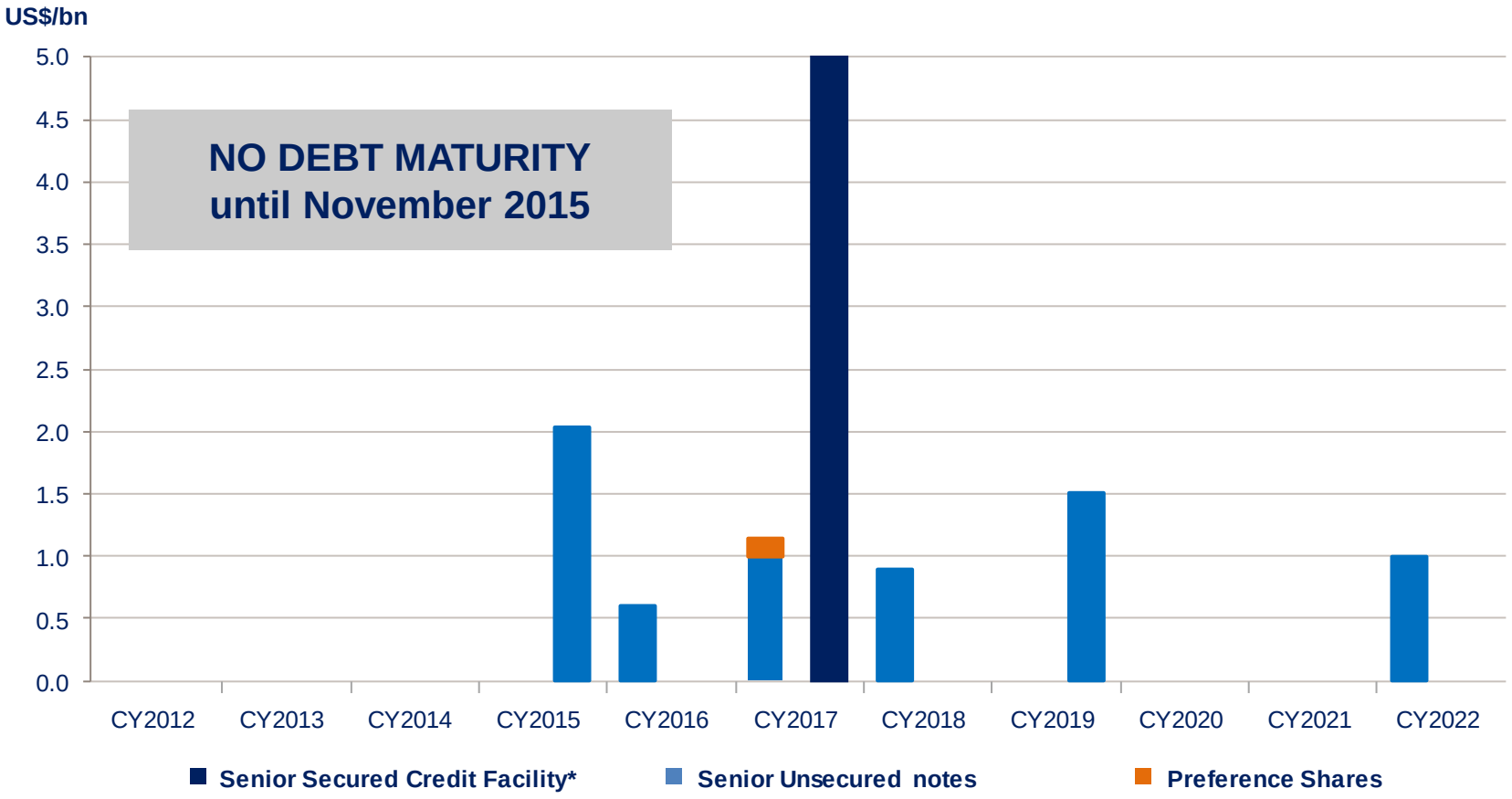
Simplified debt capital structure

Voluntary repayment or refinancing options over US$7.7bn of facilities



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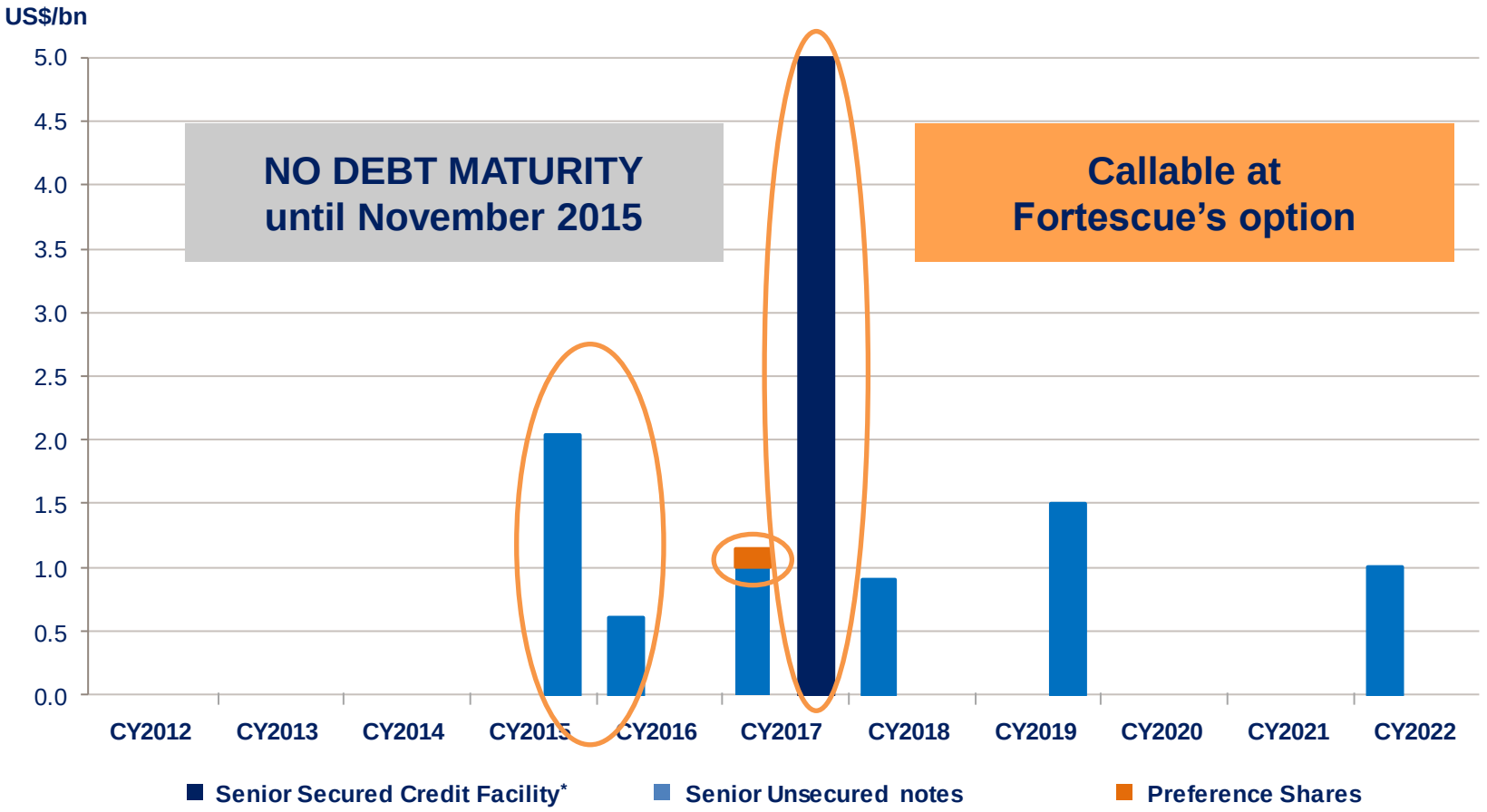
* Senior Secured Credit Facility will be subject to some amortisation over its life.

Simplified debt capital structure

Voluntary repayment or refinancing options over US$7.7bn of facilities



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* Senior Secured Credit Facility will be subject to some amortisation over its life.

Iron Bridge joint venture

US$1.2bn joint venture arrangement with Formosa

- Transaction structure
  - US$123m gives Formosa a 31% interest in JV
  - US$527m to Iron Bridge to develop Stage 1 of the joint venture
  - US$500m to Fortescue for 4.5 years of access to port infrastructure
- Stage 1 –1.5mtpa of magnetic-hematite ore
- New technology to deliver lower operating costs
- Stage 2 subject to feasibility study and at Fortescue's option

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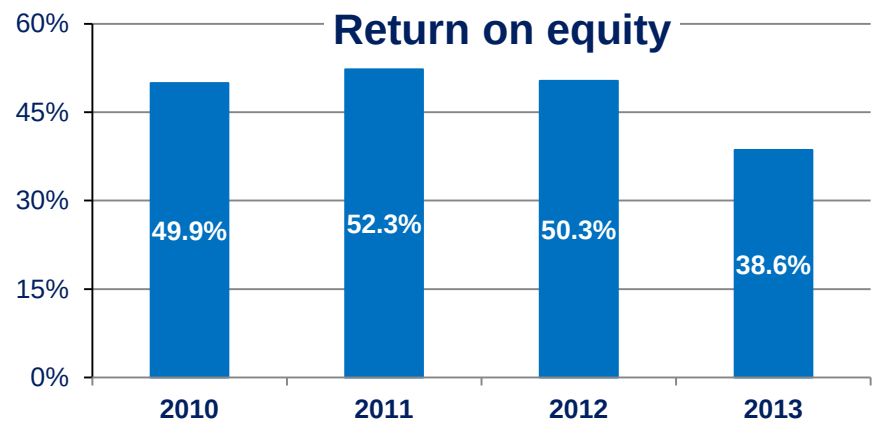
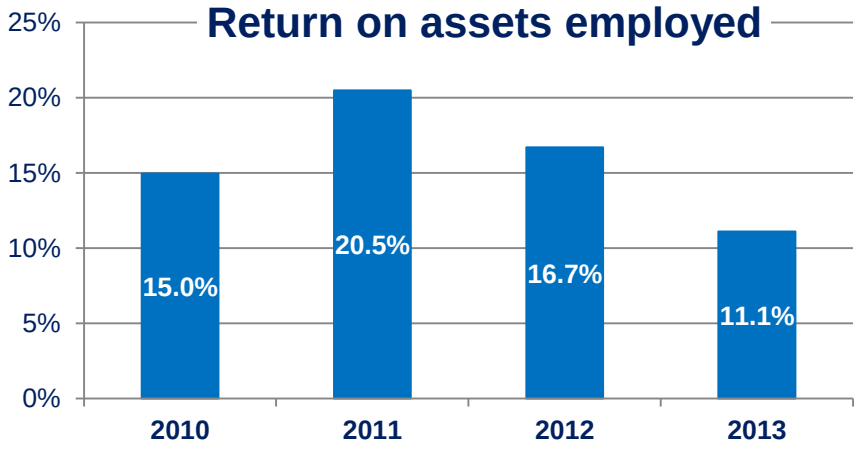
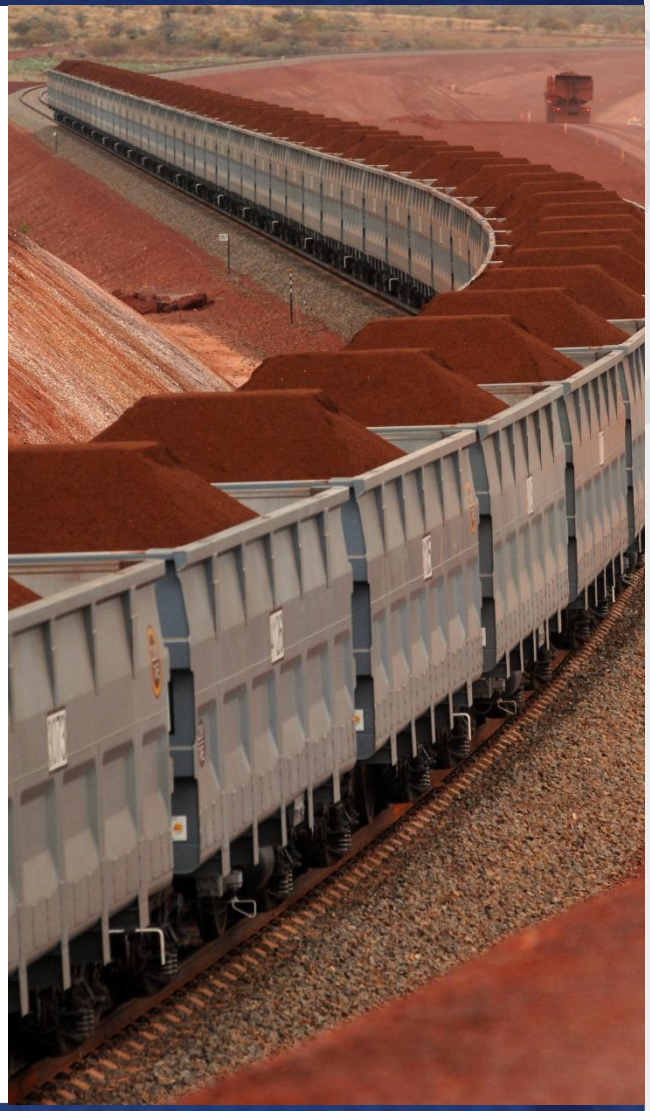
Financial analysis

Sustained return to shareholders







Returns to increase following a period of significant investment

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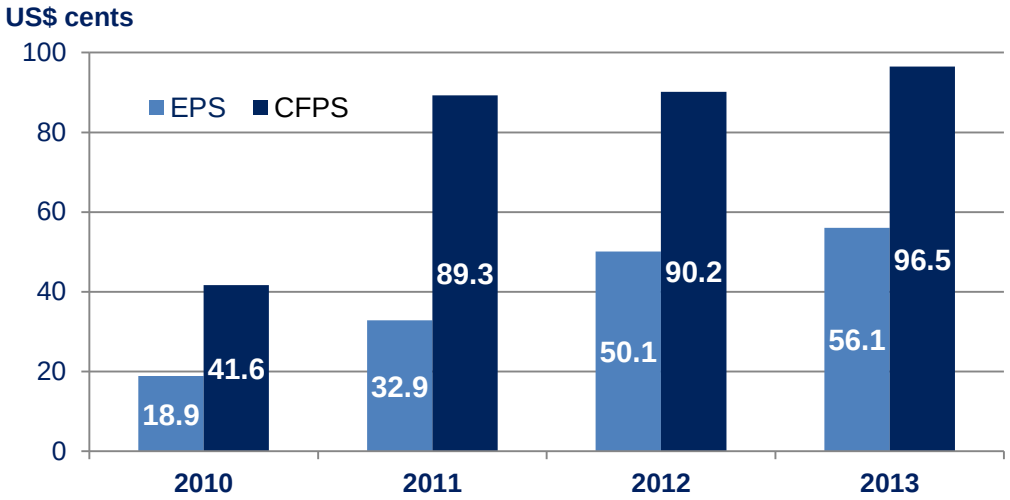
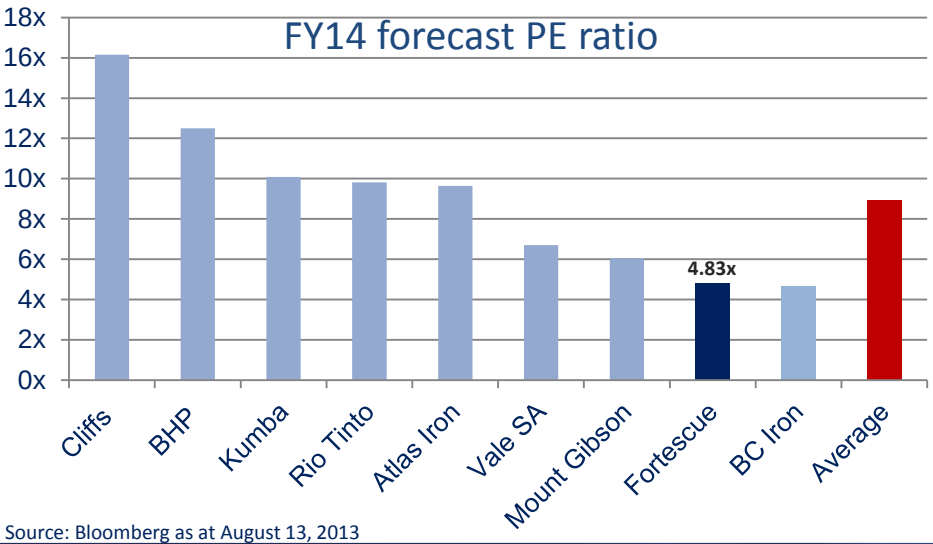
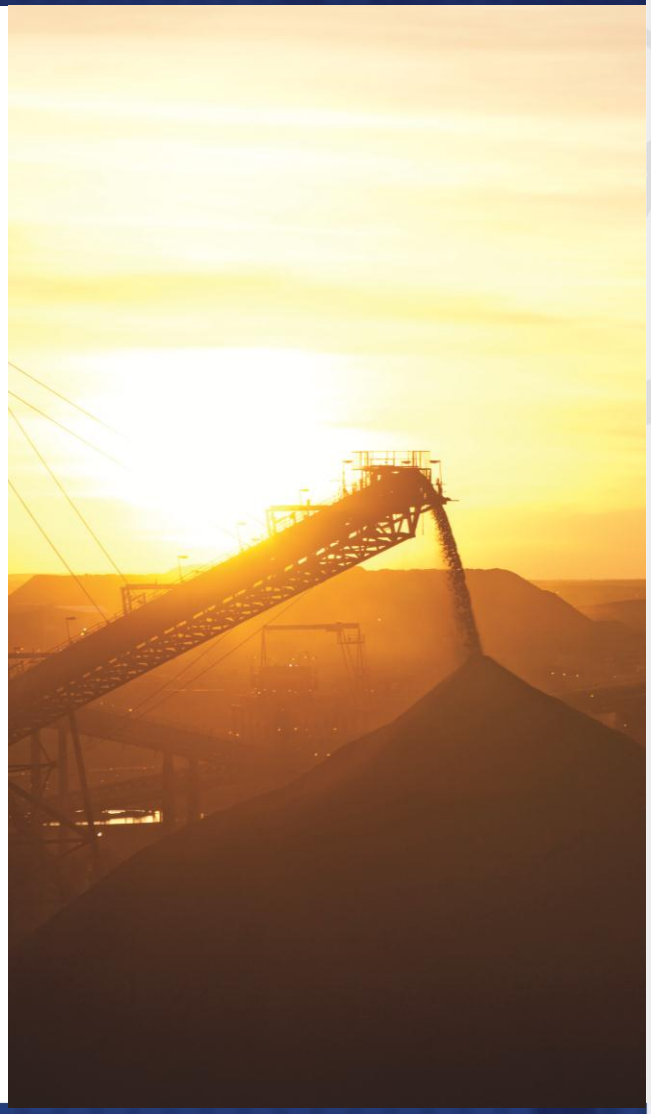
Financial analysis





Source: Bloomberg as at August 13, 2013



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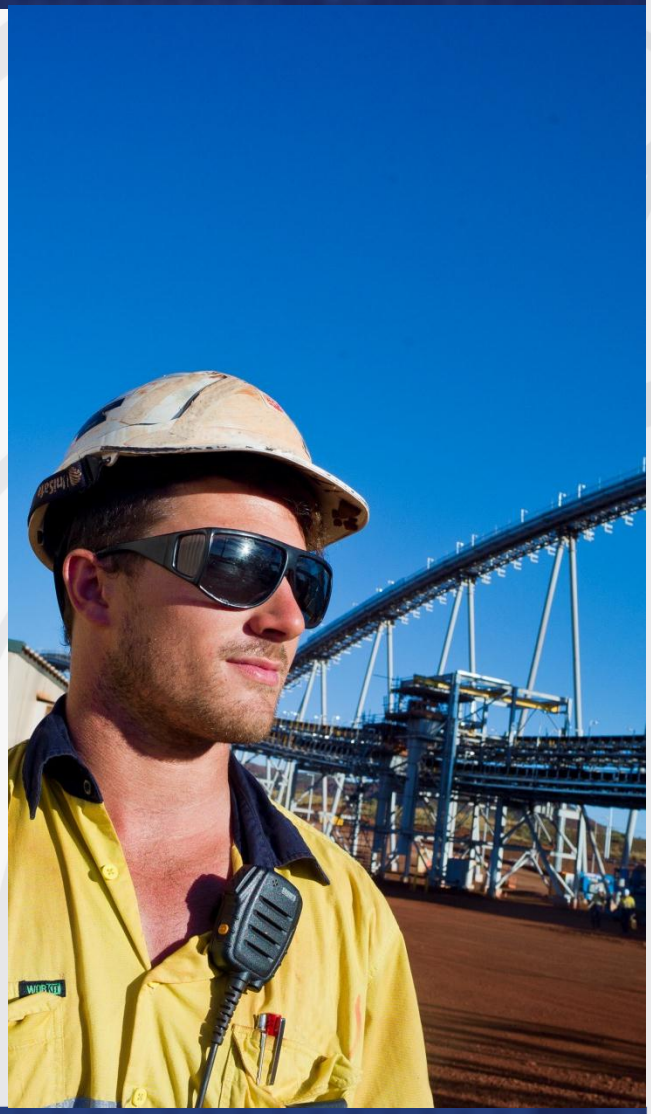
Capital management

- **Flexible** debt maturity profile
- Continued drive to **reduce operating costs**
- **Disciplined capital allocation** to key projects
- 2013 commence **debt repayments** to **de-gear** balance sheet
- Transition to a profit payout ratio **dividend policy**



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Market

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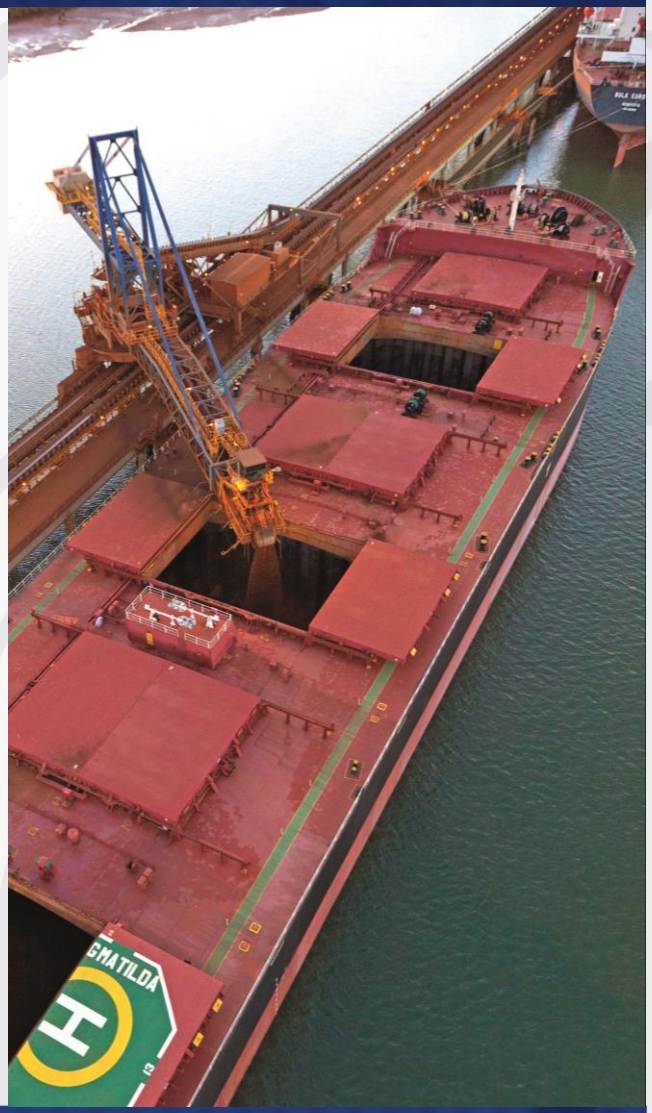
Long term confidence in China

Lower growth rates but still strong in absolute volumes

- Strong underlying economy
  ~ 7.5 per cent GDP growth
- New leaders **committed to growth**
- Steel consumption greater than
  2.0mt per day
- **Urbanisation and infrastructure** driving steel demand
- Iron ore inventories **remain below** average holdings



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‘Ghost City’ hysteria

Despite heat coming out of the market, real estate prices continue to rise

- Out of the **658 cities** in China **only 12** new suburbs labelled ‘ghost cities’
- These are under-populated suburbs of **third and fourth tier cities**
- Real estate **prices** in first and second tier cities **still rising**
- Bids for land beyond fifth ring road in Beijing **US$8000/sqm**
- By comparison, in the USA **8 out of 289 cities face urban decay** from population declines of 50% or more

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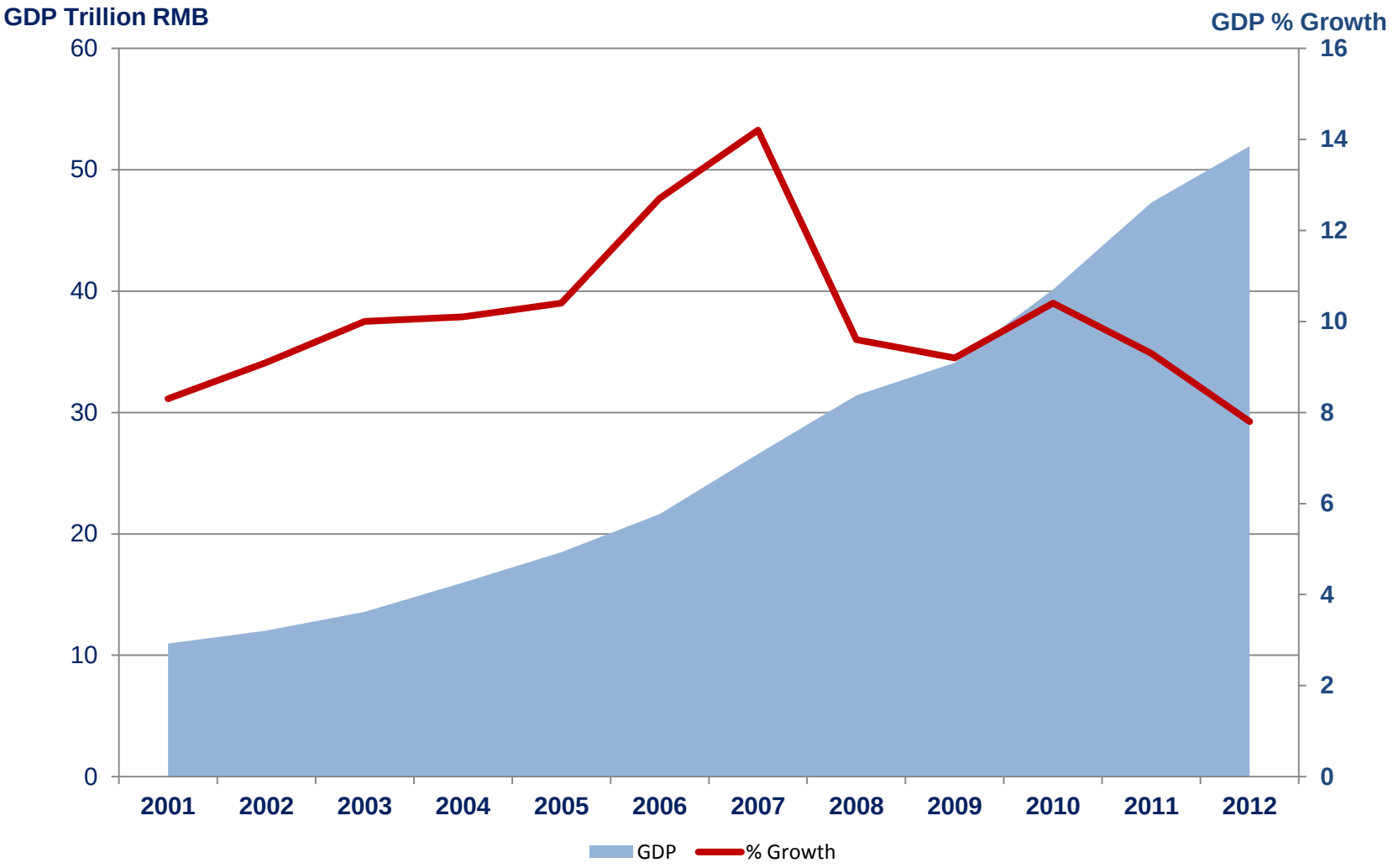
China GDP Volume

Lower growth rates but very strong in absolute volumes



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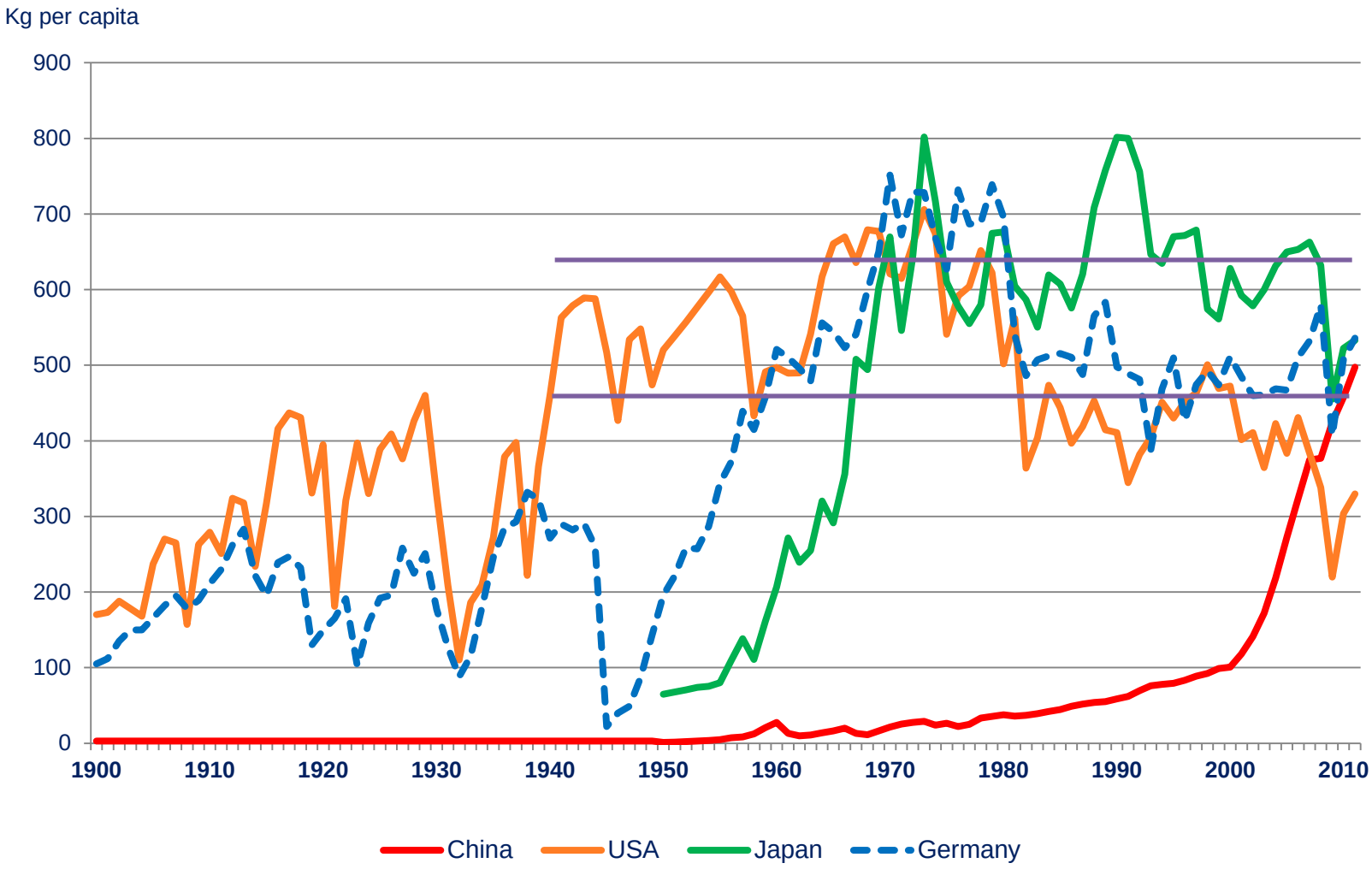
Steel consumption per capita

China has only just reached levels of consumption of developed countries



Source: Macquarie

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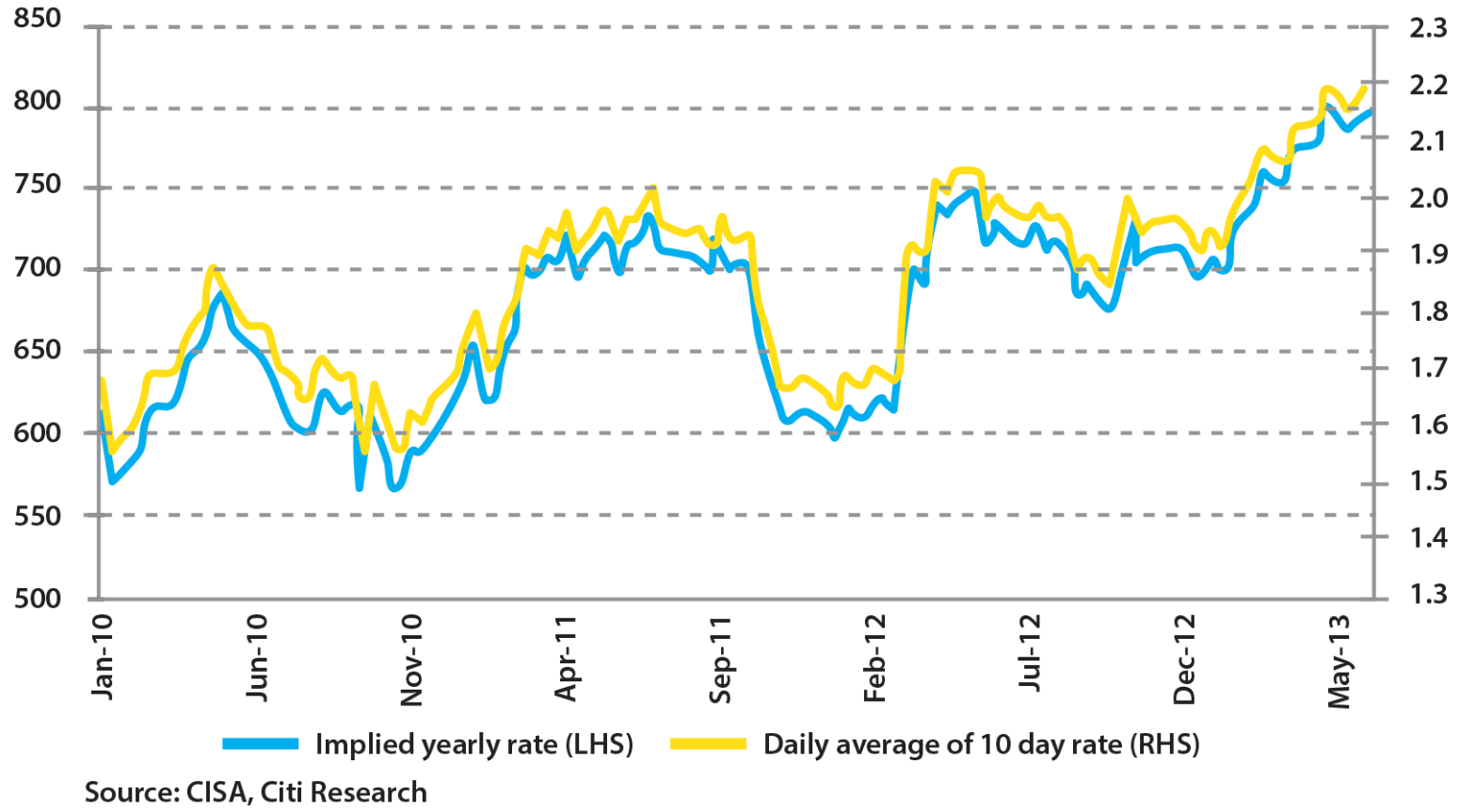
Steel production continues to rise

Steel production grew by 7.4% in first half CY13

Figure 22. China daily steel production



Source: CISA, Citi Research

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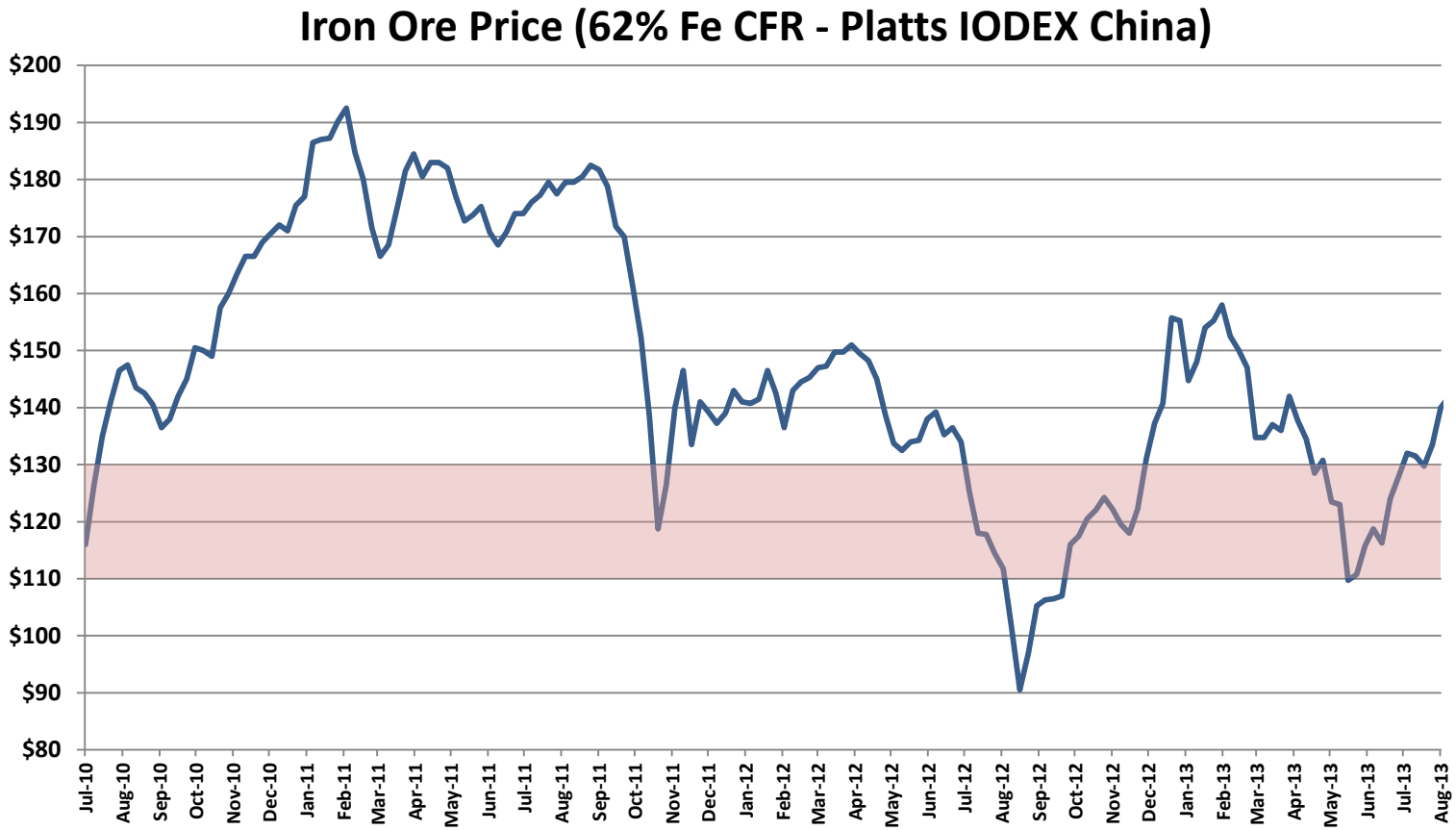
History shows price volatility

Strong rebounds follow price drops



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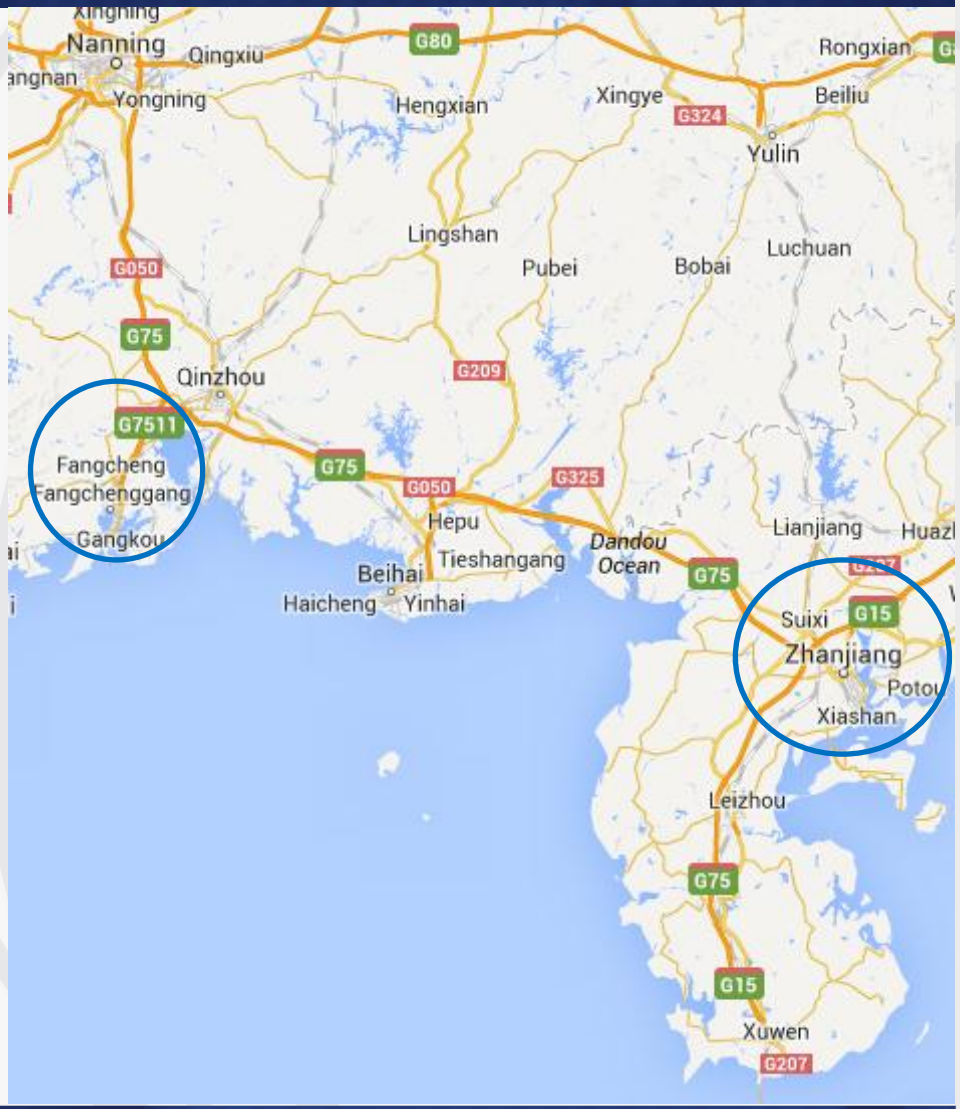
Trends reinforce seaborne advantage

New super mills built to capatalise on seaborne trade

- 460 mills – **51% private owned**
- 35 iron ore coastal ports
- **Coastal** mines highest cost
- New ~10mtpa **Tonkin Gulf** Baosteel and Wisco super mills
- **88% steel produced** in H1-CY13 from Eastern seaboard and Yangtze River provinces



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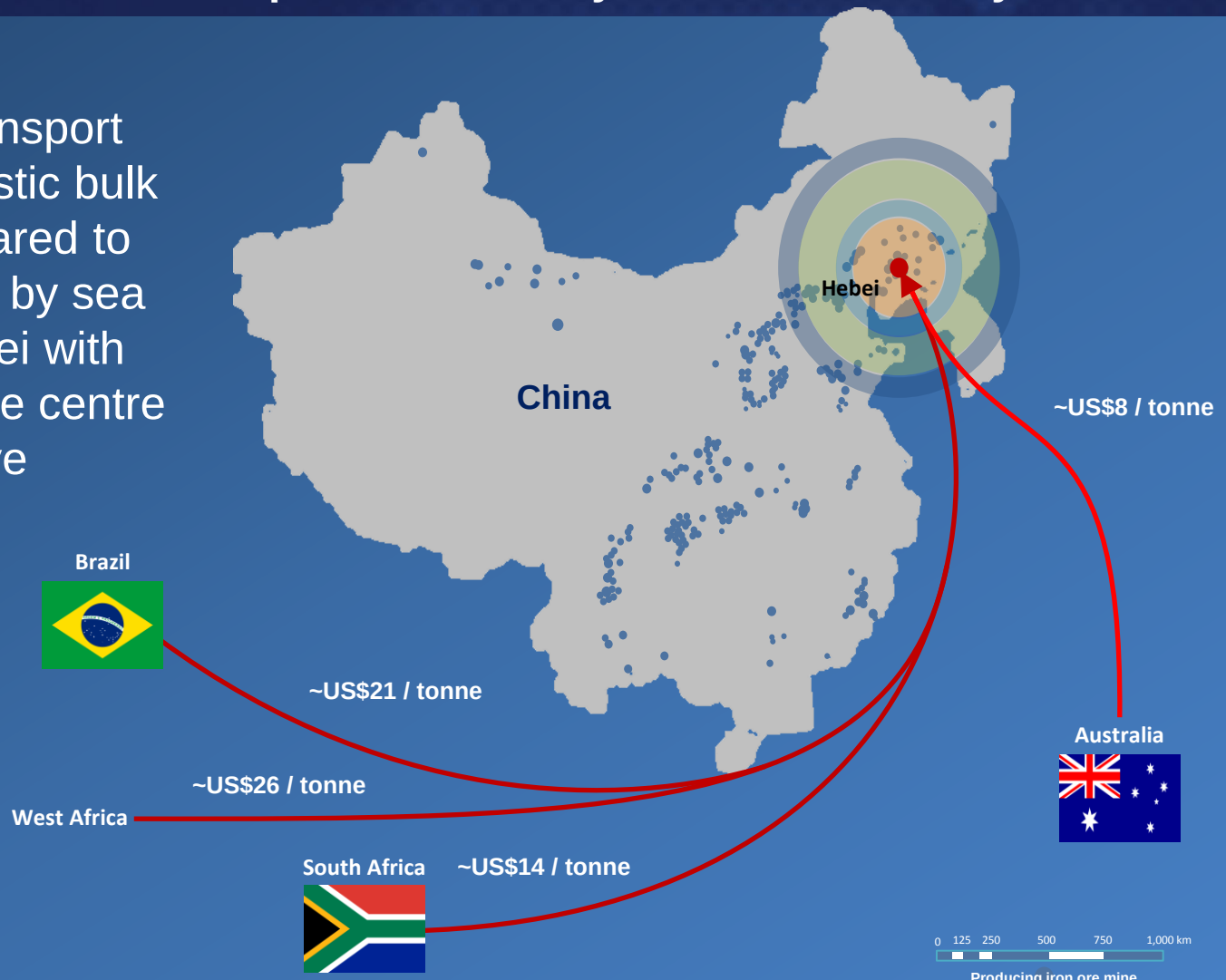
Strategic geographic location

Freight from Australia compares favourably to domestic ore by rail

Radius marks equivalent transport cost by domestic bulk railway compared to transport cost by sea freight to Hebei with Australia at the centre of the bulls eye



Source: Public information as per individual company filings; Estimates as per Wall Street Research

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Clear Strategy

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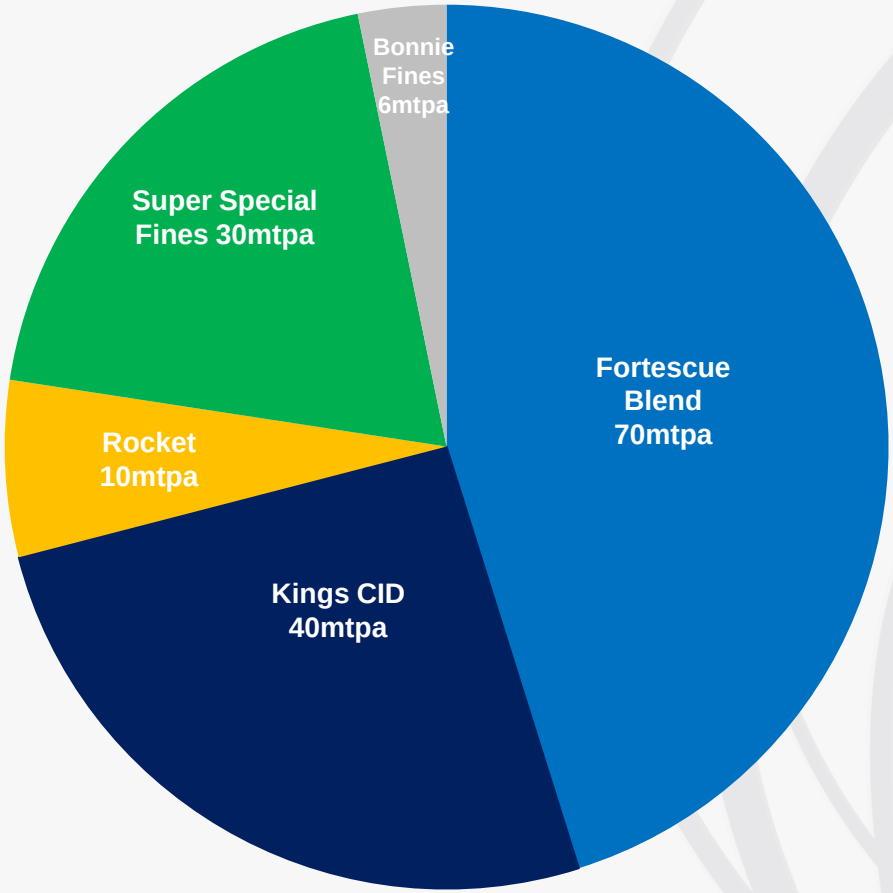
Product strategy

Revised product strategy at 155mtpa - average grade 58%



Delivering value to our customers

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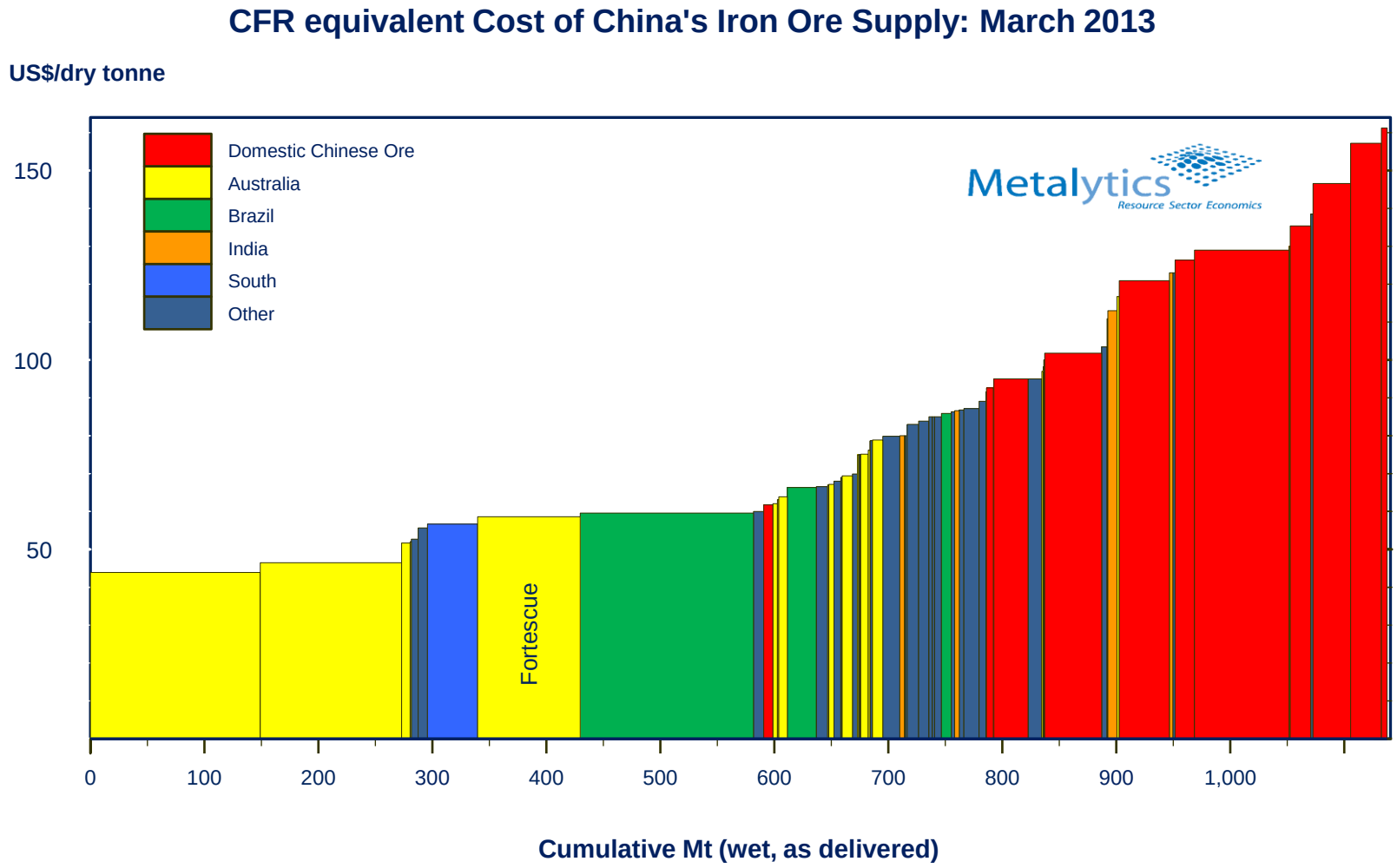
Moving down the global cost curve

Targeting bottom quartile



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Flexible design for future growth

Fourth berth commissioned with fifth berth approved

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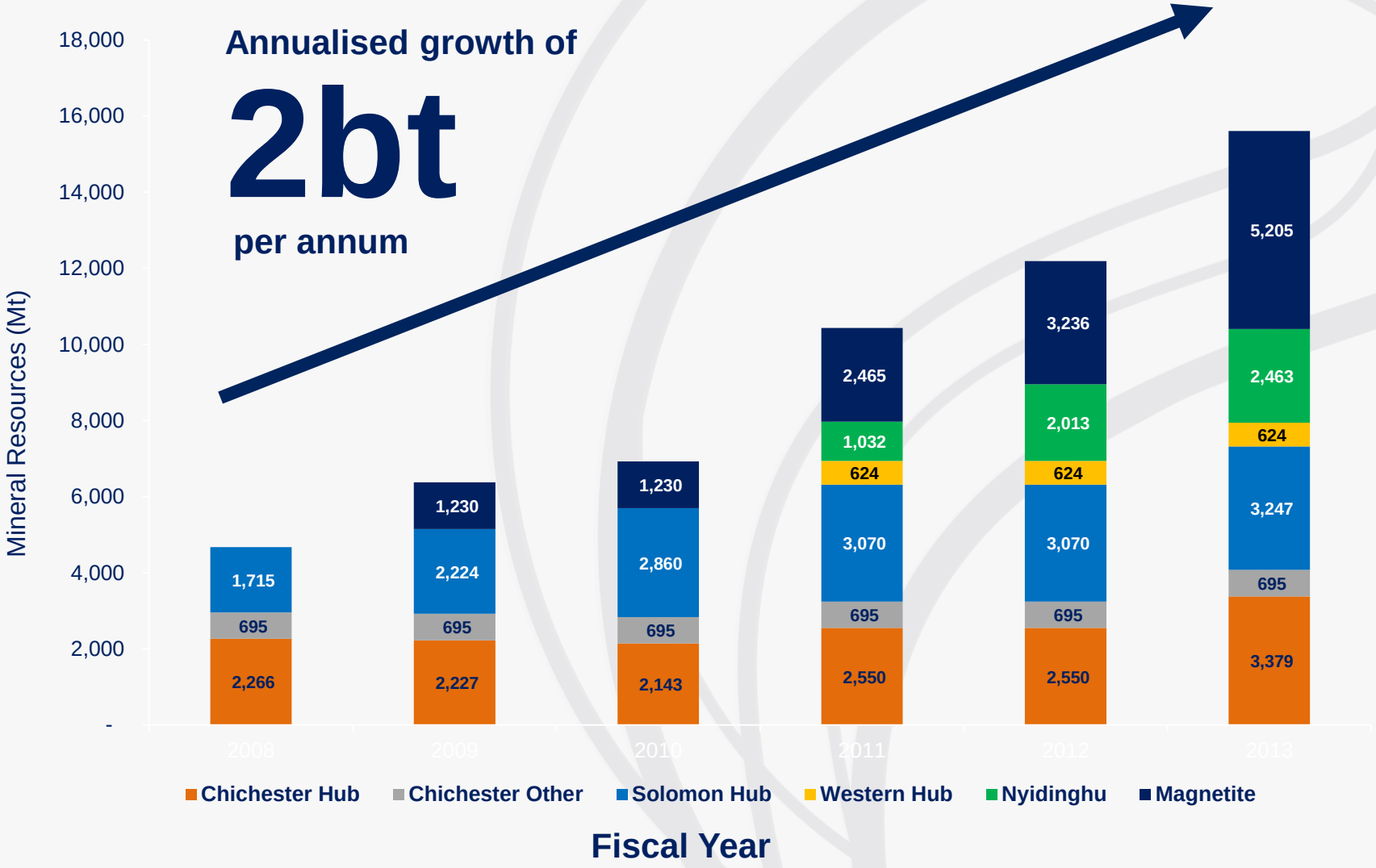
Resource portfolio sets expansion platform

To leverage existing assets for low cost growth



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Making a difference

Fortescue is changing lives through training and employment

461 Direct Aboriginal employees

12.2% Aboriginal people in Fortescue workforce

504 Aboriginal people employed by contractors

$1.1bn Contracts awarded to Aboriginal companies and joint ventures

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Delivering on targets

Strong financial results

Expansion to **155mtpa**

Improved liquidity **reduces** net debt and enables **debt repayments** in 2013

Move to a **dividend pay out** ratio

Flexible **incremental** growth

Unique culture drives performance

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Fortescue

The New Force in Iron Ore

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Glossary

Definition of non-IFRS terms

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EBITDA

Profit before income tax adjusted for depreciation and amortisation, impairment expense, other write offs, net finance costs and gain on refinancing.

Return on equity

Profit for the year after income tax divided by total equity.

Return on assets employed

Profit for the year after income tax divided by average total assets excluding cash and cash equivalents.

Earnings per share (EPS)

Profit for the year after income tax divided by undiluted weighted average ordinary shares.

Cash flow per share (CFPS)

Net cash inflows from operating activities divided by undiluted weighted average ordinary shares.