

For personal use only



**Fortescue**  
The New Force in Iron Ore

# Corporate Presentation

---

December 2014



# 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.

This presentation contains certain statements which may constitute "forward-looking statements". Such statements are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward-looking statements.

No representation or warranty, express or implied, is made by Fortescue that the material contained in this presentation will be achieved or prove to be correct. Except for statutory liability which cannot be excluded, each of Fortescue, its officers, employees and advisers expressly disclaims any responsibility for the accuracy or completeness of the material contained in this presentation and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this presentation or any error or omission therefrom. Fortescue accepts no responsibility to update any person regarding any inaccuracy, omission or change in information in this presentation or any other information made available to a person nor any obligation to furnish the person with any further information.

## Additional Information

This presentation should be read in conjunction with the Annual Financial Report as at 30 June 2014 and together with any announcements made by Fortescue in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001*.

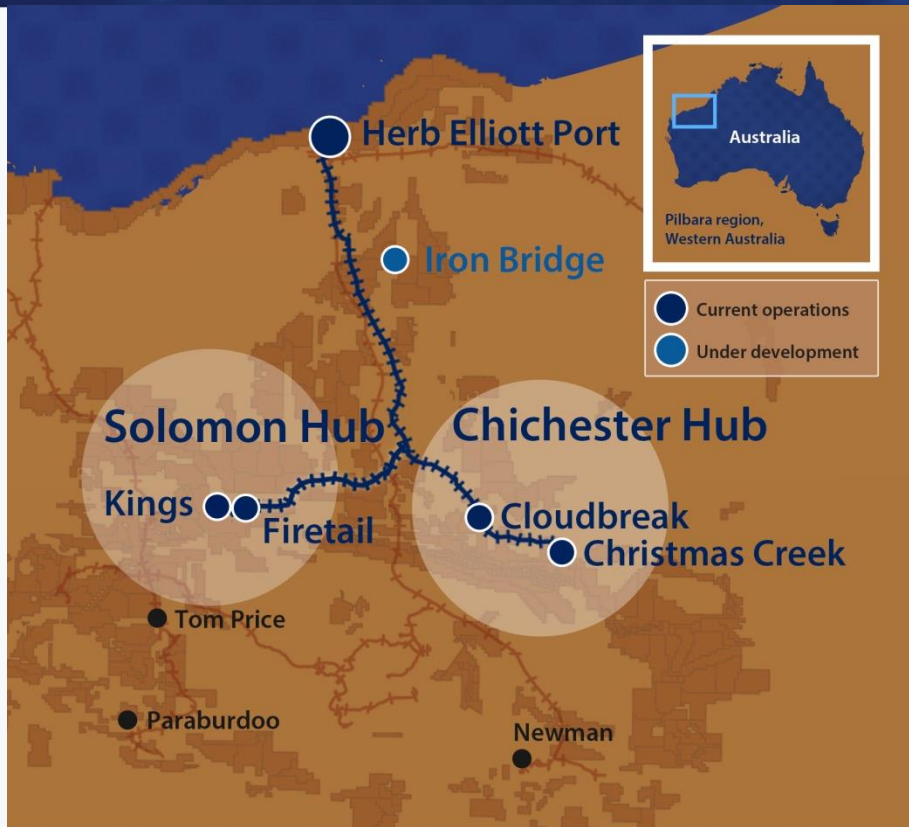
Any references to reserve and resources estimations should be read in conjunction with Fortescue's Mineral Resource and Ore Reserve Statement at 30 June 2014 as release to the Australian Securities Exchange on 20 August 2014.

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 **415mt** shipped to date
- **155mtpa++** production rate
- **Low cost** producer
- Unique **culture**



For personal use only





Fortescue  
The New Force in Iron Ore

# OUR VISION

The safest, lowest cost,  
most profitable iron ore producer

## Our Values

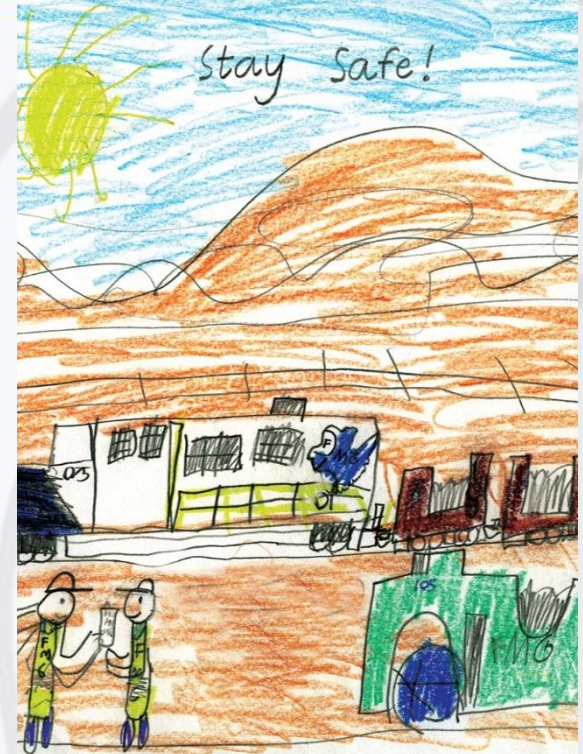


For personal use only

# 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



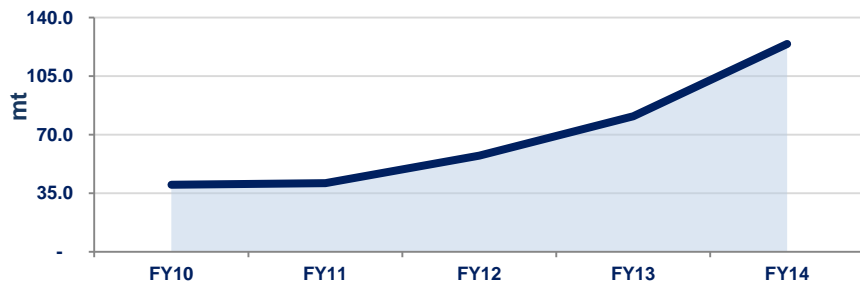
Mini Miners Calendar Colouring Competition

# Annual performance

Record operational performance delivers NPAT of US\$2.7bn and EBITDA\* of US\$5.6bn

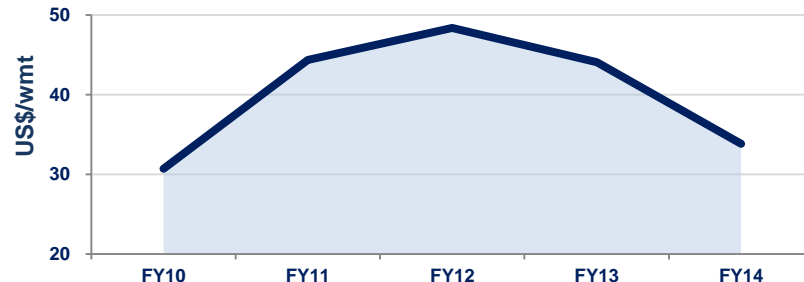
## Volume

↑ 54%



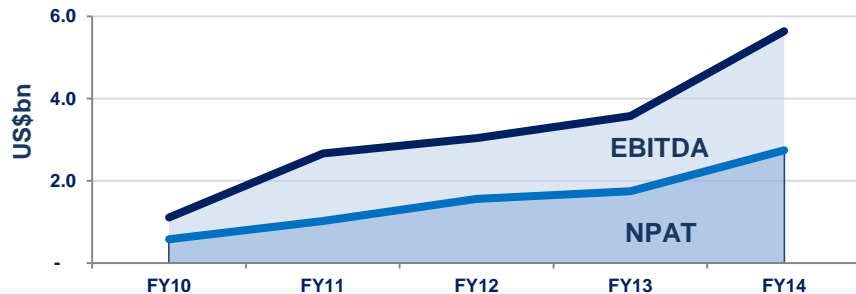
## Costs

↓ 23%



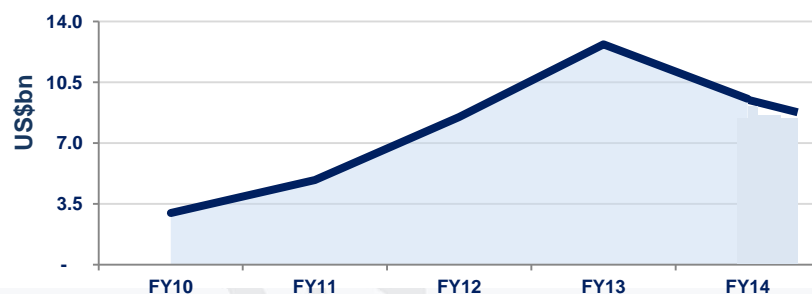
## Earnings

↑ EBITDA 58%    ↑ NPAT 57%



## Debt repaid

↓ US\$3.6bn



# Operating performance

## Cost and efficiency focus

 **14.4mt Oct**  
7% **Sept Qtr**

 **\$US3.6bn**  
debt reduction

**172**mtpa  
Annualised run rate

- ✓ October production 14.4mt
- ✓ Sweating the assets

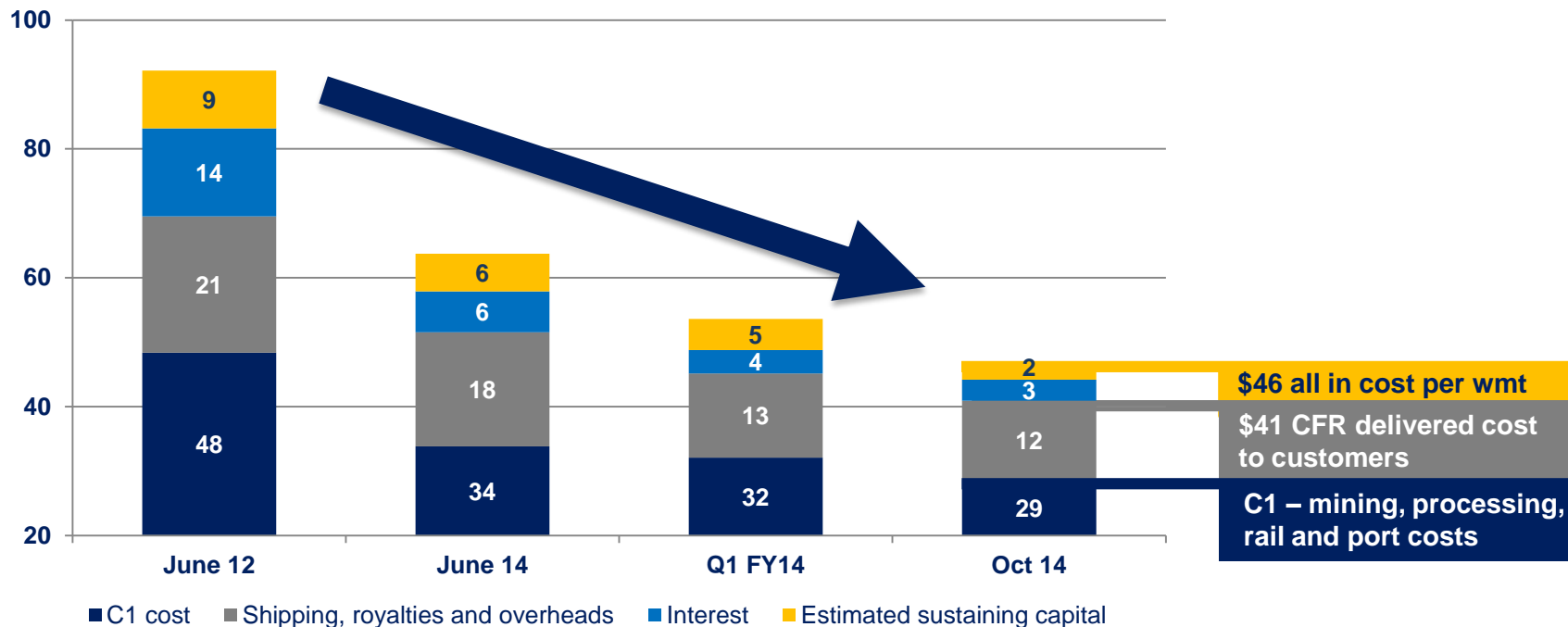
**US\$2.0bn**  
cash on hand

 **Costs \$29/t**  
in October 2014



# Costs reduction journey

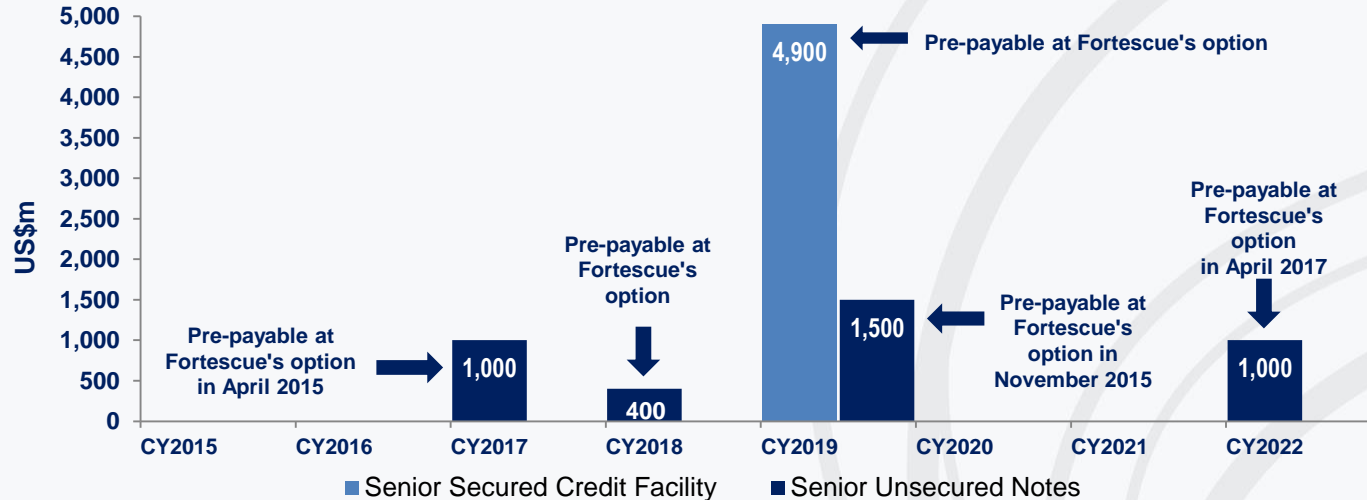
Focus on efficiencies and costs improvements



**All in cost equivalent to US\$51/dmt**

# US\$3.6bn re-paid since November 2013

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



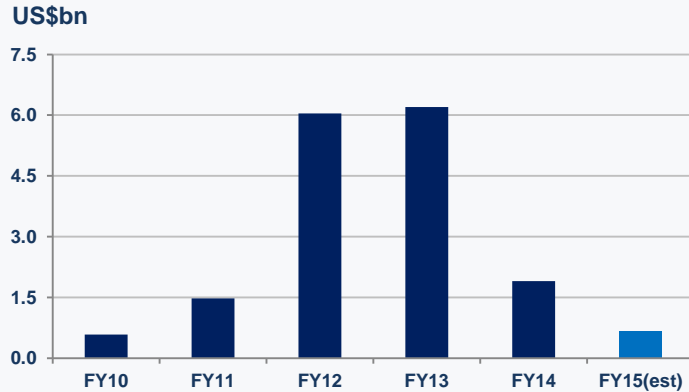
Current ratings	Corporate	Term Loan	Notes
Moody's	Ba1/Stable	Baa3	Ba2
S&P	BB+/Stable	BBB	BB
Fitch	BB+/Stable	BBB-	BB+

**No debt repayments due until April 2017**

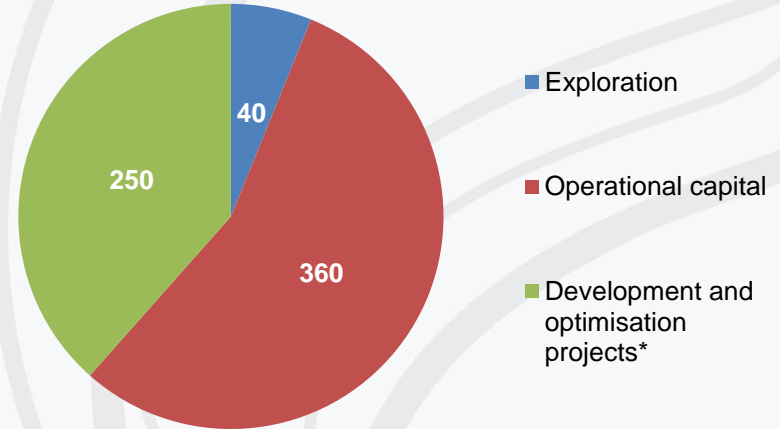
# Capital expenditure

Significant reduction in expenditure as expansion complete

Capital profile



FY15 Capital



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

For personal use only



**Fortescue**  
The New Force in Iron Ore

# Development



# AP5 and Iron Bridge Projects

Remain on schedule for March 2015

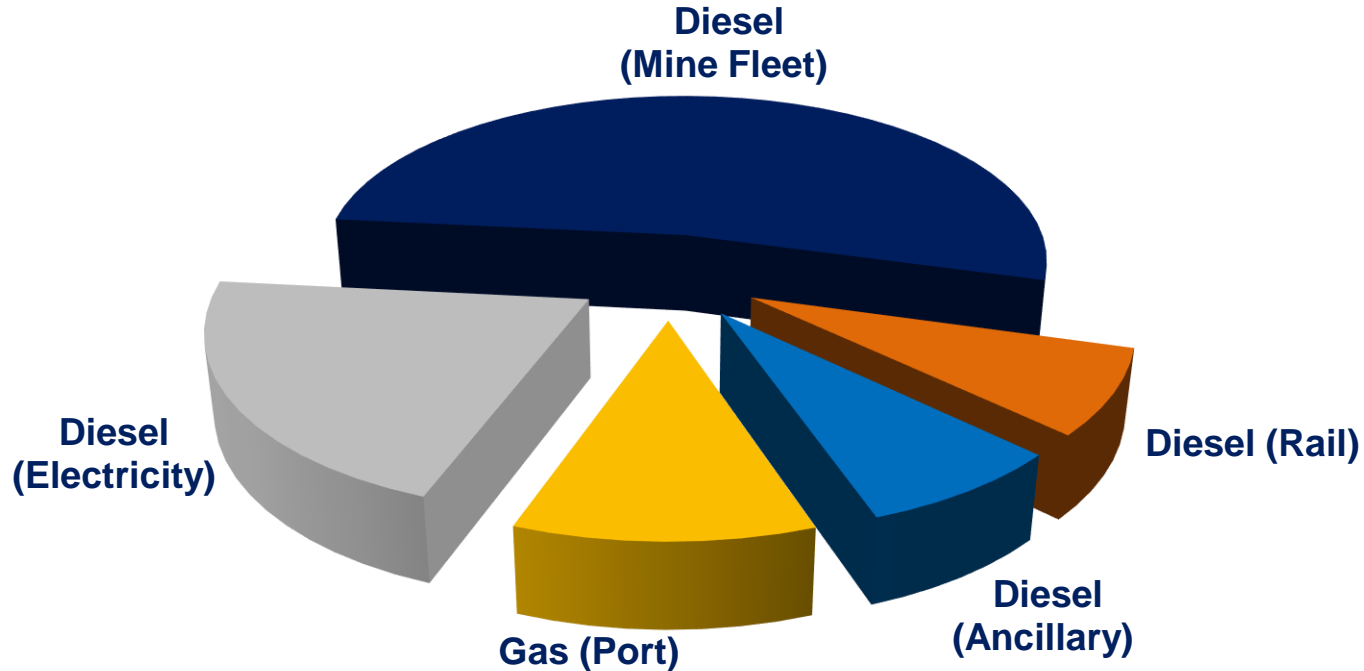
For personal use only



# Significant reliance on diesel fuel

Driven by mobile fleet and remote power consumption

Total energy spend >US\$800 million \*



# Fortescue River Gas Pipeline

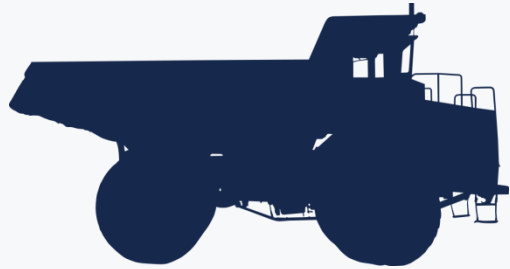
## Stage 1 to Solomon Hub



For personal use only

# Autonomous Haulage Solution (AHS)

Trials commenced FY13



**20 trucks**  
operating at Kings

**35mt**

Ore hauled to date

**10-20%**  
operational efficiencies



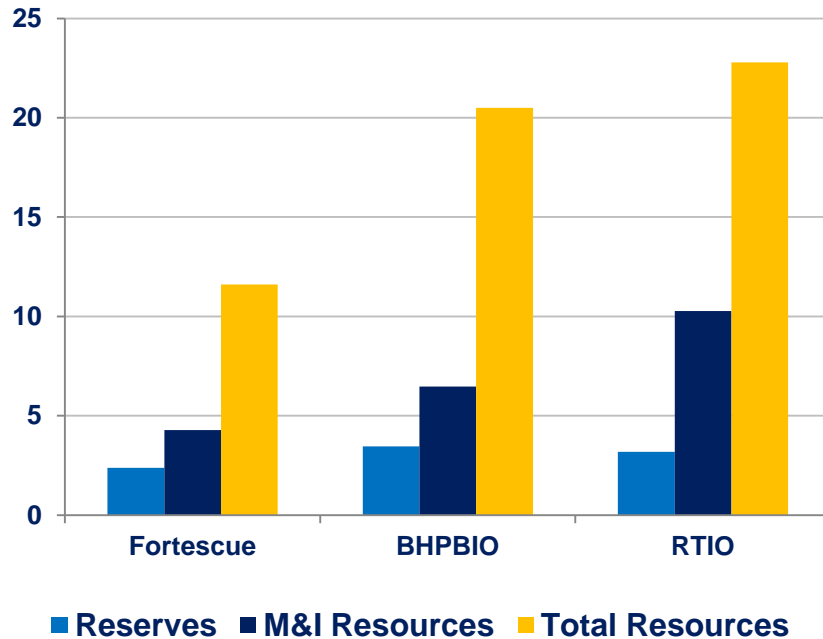
Improving  
**safety**



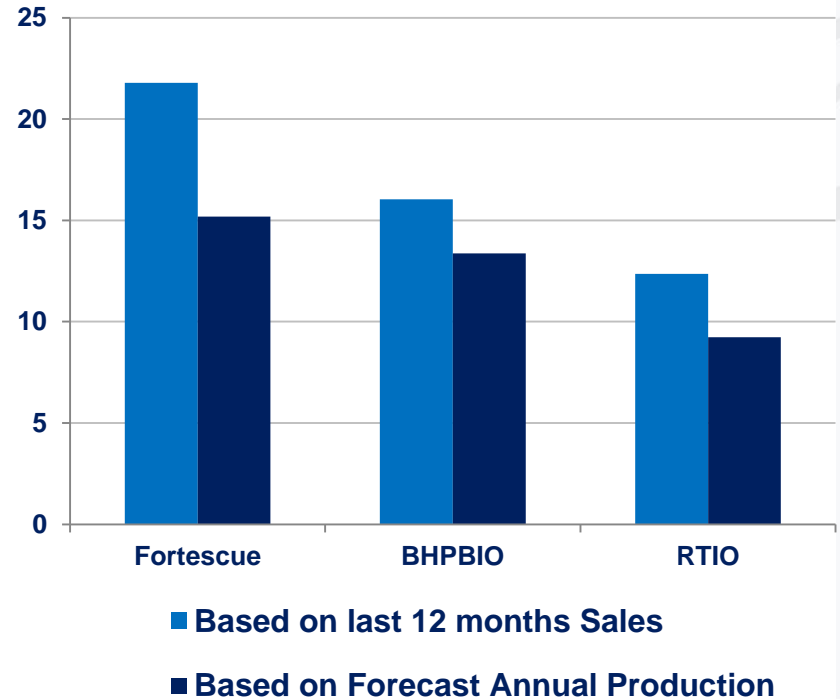
# Mine lives based on current reserves

## Fortescue mine lives compare favourably

Reserve and Resource Tonnages bn (dry)



Ore Reserve Life (Years)





**Fortescue**  
The New Force in Iron Ore

# Market

For personal use only



# China's growth remains strong

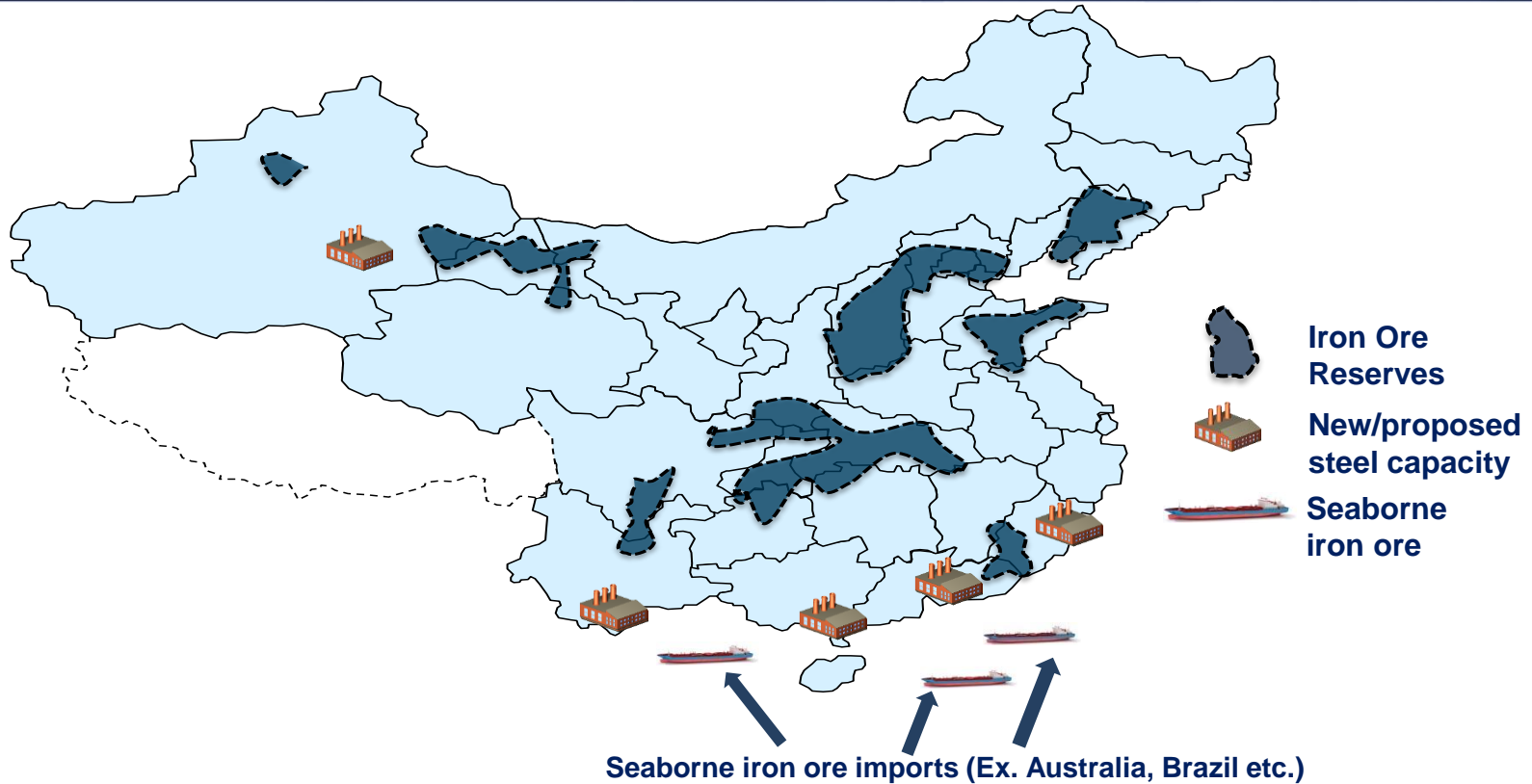
Long term fundamentals remain positive

- China's **urbanisation** continues
- **Pro-business** structural reform
- China's GDP 2014 target remains **~ 7.5% with low inflation**



# Demand for seaborne supply

New coastal capacity moving away from domestic iron ore



For personal use only



**Fortescue**  
The New Force in Iron Ore

# Supporting our local community

For personal use only



# Building our economy

Unlocking the potential of WA's North West

**15,000**  
employed

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

**AU\$2.1bn**  
taxes and royalties p.a.

**AU\$490m**  
localised spend FY14



# Ending Aboriginal disparity in the Pilbara

Creating opportunities through training, employment and business opportunity

**1,100**

Aboriginal employees

**12%**

Aboriginal people in Fortescue workforce

**\$1.7bn**

Contracts to Aboriginal companies and JV's

**VTEC**  
Training Centres

Roebourne,  
South Hedland





# Clear strategy

For personal use only

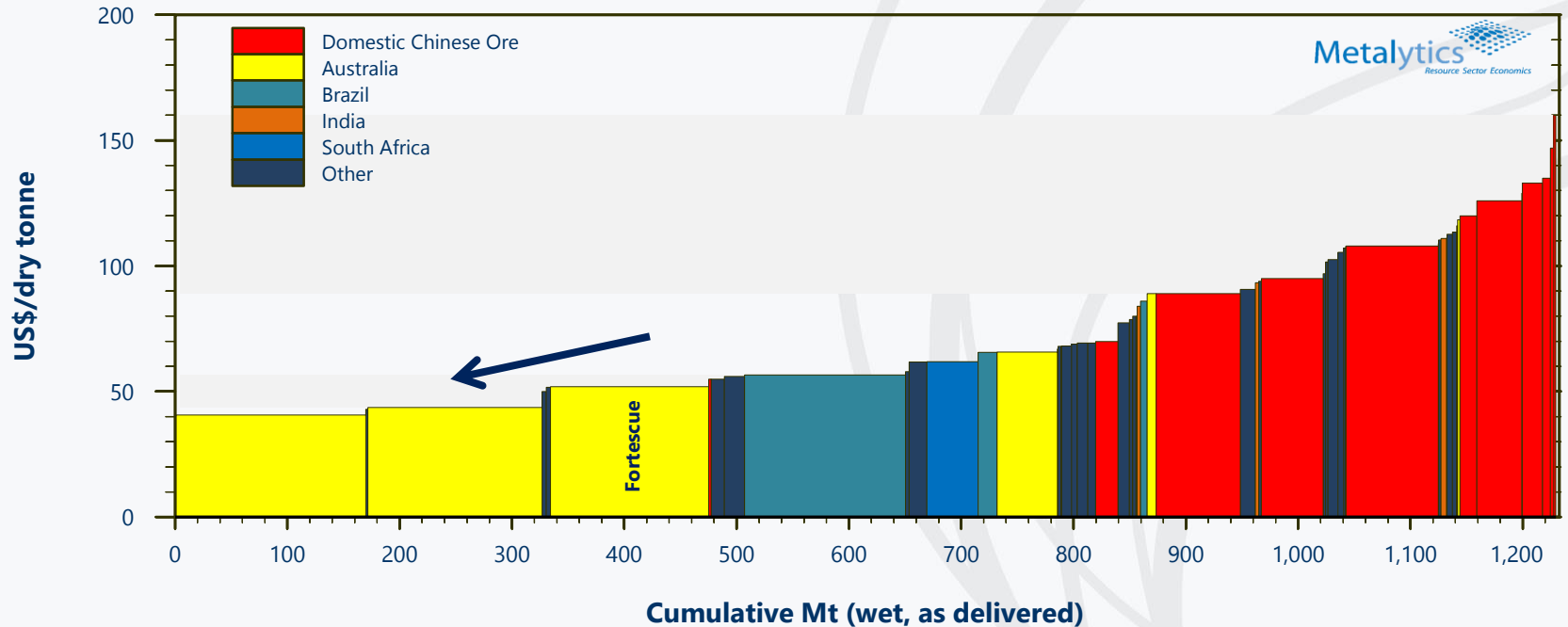




# Moving down the global cost curve

## Targeting bottom quartile

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



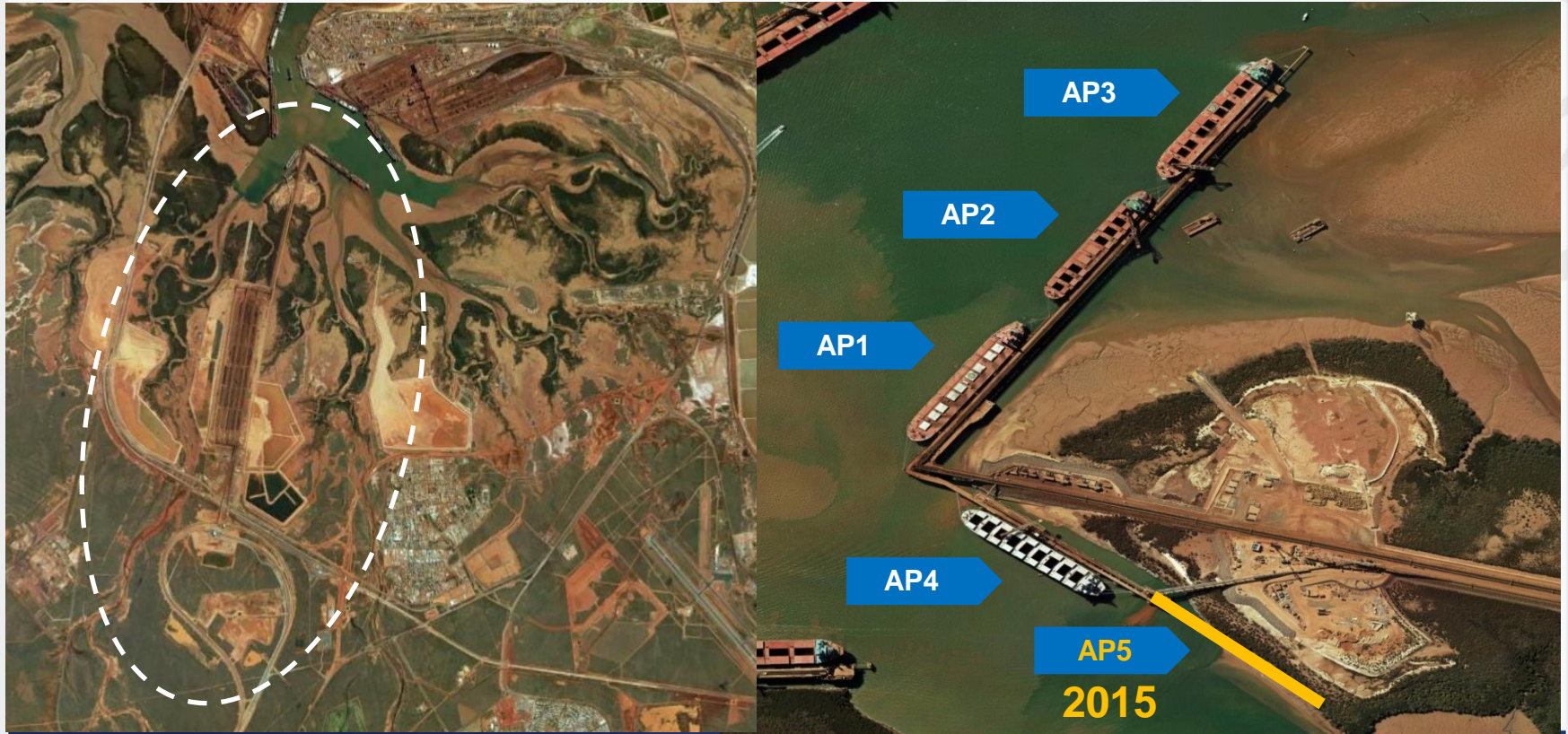
Metalytics  
Resource Sector Economics

For personal use only

# Port – flexible design for future growth

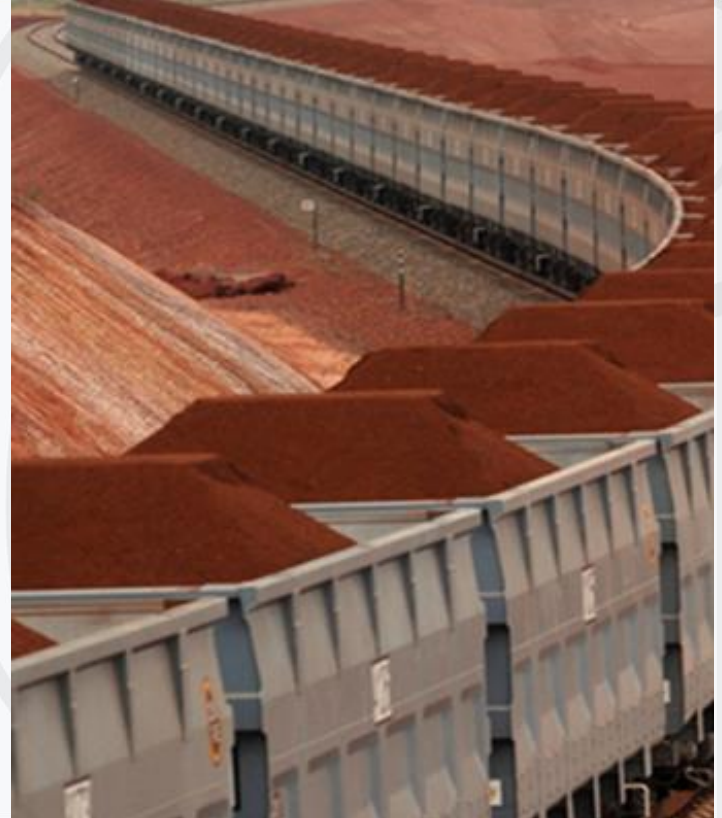
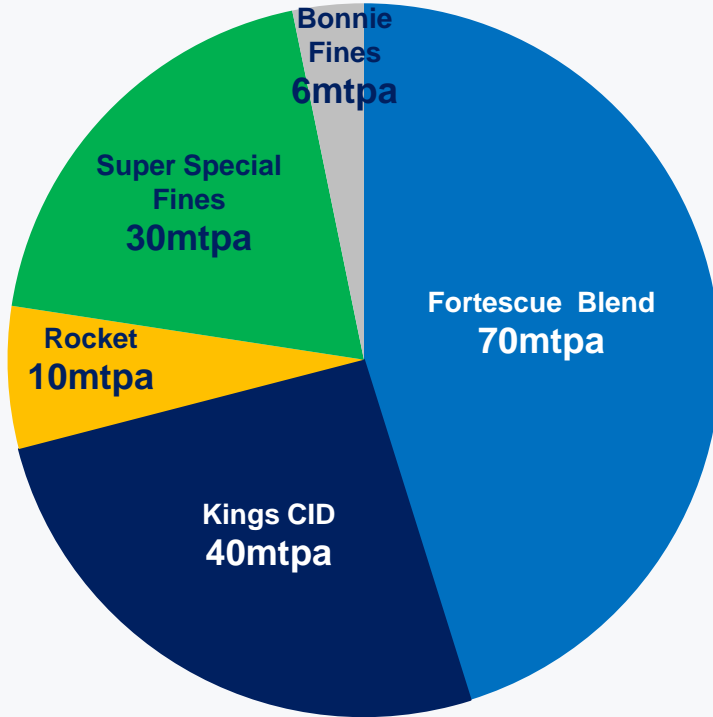
Fifth berth under construction

For personal use only



# Fortescue's Chinese iron ore import market share is reaching 16%

Target product strategy to deliver 155 to 160mtpa – average grade 58%



For personal use only



**Fortescue**  
The New Force in Iron Ore

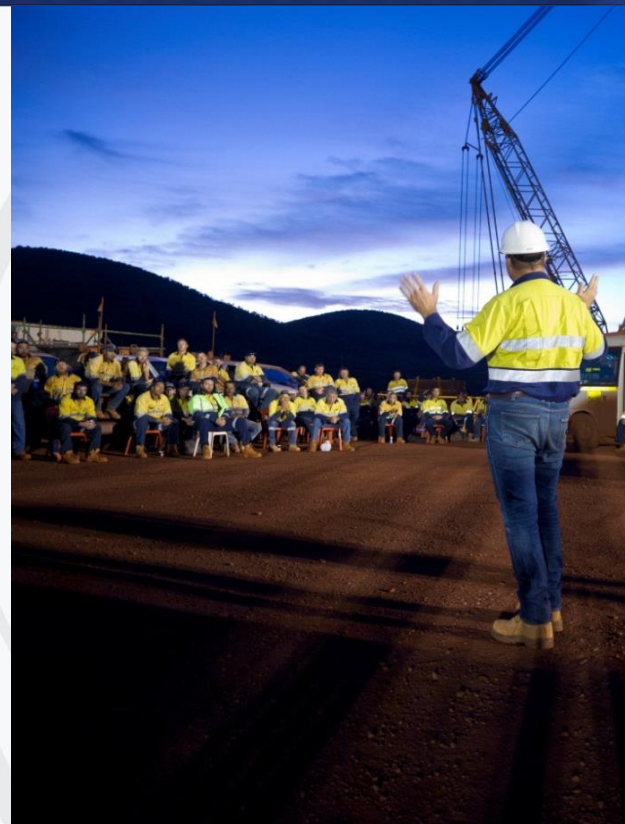
# The Fortescue Journey

For personal use only



# The New Force in Iron Ore ...

- **Low cost** producer **155mtpa++**
- **Fast** capital **efficient** delivery
- **World class** hardware and **“software”**
- Unique **culture** drives performance
- **Never Ever Give Up**





**Fortescue**  
The New Force in Iron Ore

[www.fmgl.com.au](http://www.fmgl.com.au)

 [@FortescueNews](https://twitter.com/FortescueNews)

---

Proudly supporting:

**GENERATIONONE**



Proudly supporting:

# Glossary

## Definition of non-IFRS terms

**NPAT** = net profit after income tax

**EBITDA** = profit before income tax adjusted for depreciation and amortisation, asset write offs, exploration, development and other write-offs, net finance costs and gain or loss on refinancing

**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

**Return on equity** = profit for the year after income tax divided by total equity

**Interest coverage** = EBITDA / interest expense

## Reconciliation of EBITDA to IFRS items

	2014 US\$m	2013 US\$m
Profit before income tax	3,913	2,466
Finance income	(21)	(33)
Finance expenses	741	586
Gain on refinancing	-	(23)
Depreciation and amortisation	965	463
Impairment	22	71
Exploration, development and other	16	45
<b>EBITDA</b>	<b>5,636</b>	<b>3,575</b>

**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