Fortescue
The New Force in Iron Ore

FY17 Results

Together we are Fortescue

Forward looking statements

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.

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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

Shipped over 880mt

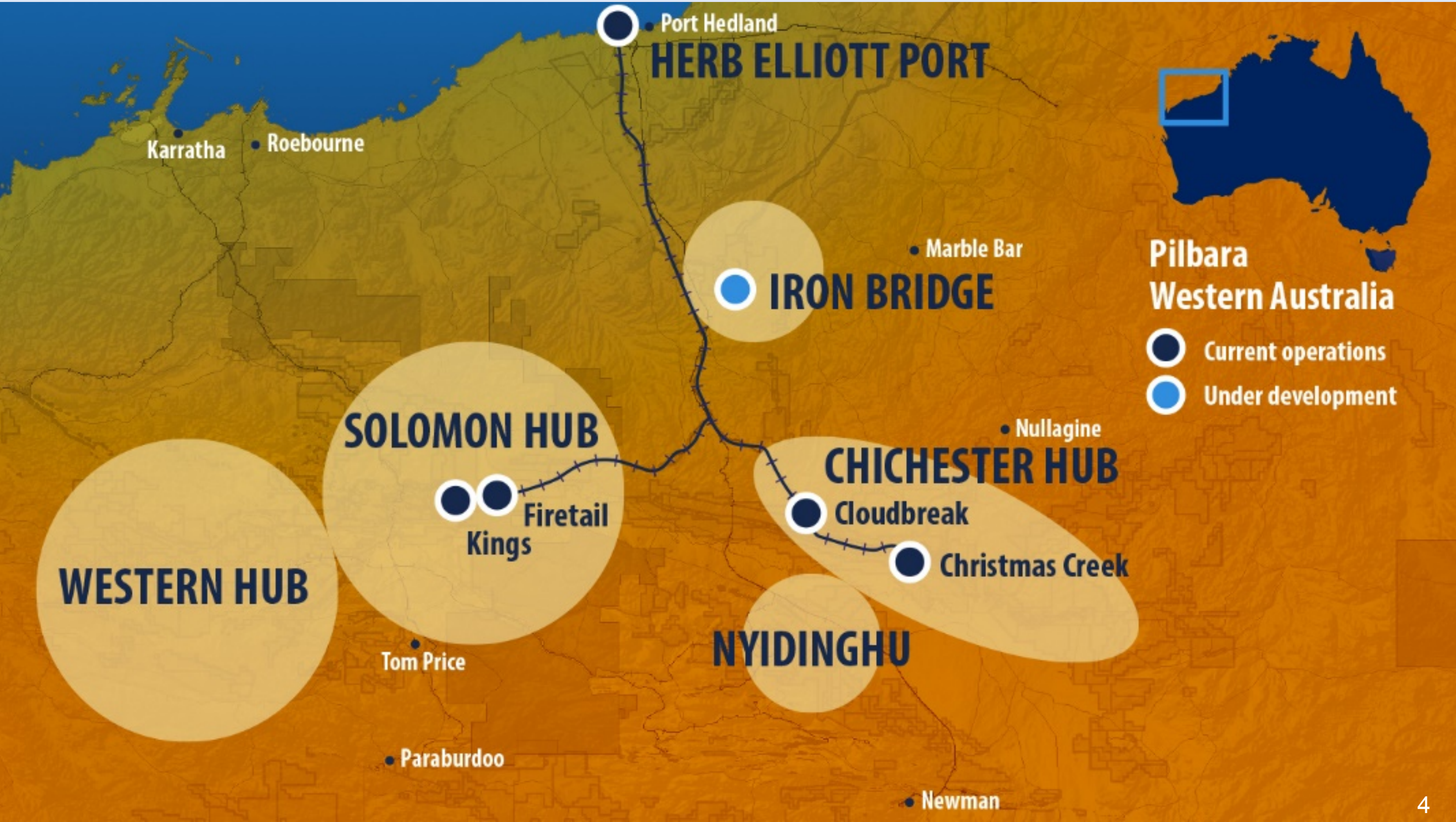
Low cost producer

170mt Production rate

Generating shareholder value

Focus on safety, productivity and efficiency

- Market strategy
- Operational performance
- Long life resources
- Capital discipline
- Shareholder returns



Our Vision: The safest, lowest cost, most profitable iron ore producer

FMG

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- Safety
- Empowerment
- Family
- Frugality
- Stretch targets
- Integrity
- Enthusiasm
- Courage and determination
- Generating ideas
- Humility

Delivering on our targets in FY17

Sustainable cost reduction and consistent production performance

TRIFR 2.9 **33% reduction**	**170.4mt** **Shipped**	**C1 cost** **$12.82/wmt** **17% reduction**
A$0.25 **Final dividend**	**21%** **Net gearing**	**US$2.7bn** **Debt repaid**

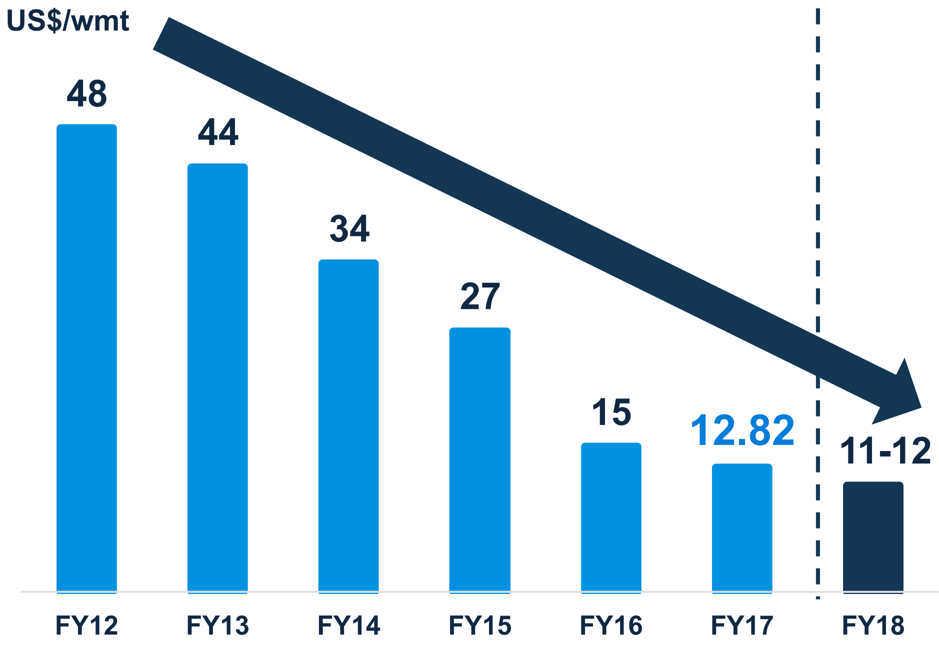
Sustainable cost improvements

Initiatives delivering long term low cost outcomes

Structural improvements
Solomon + Blending + Processing

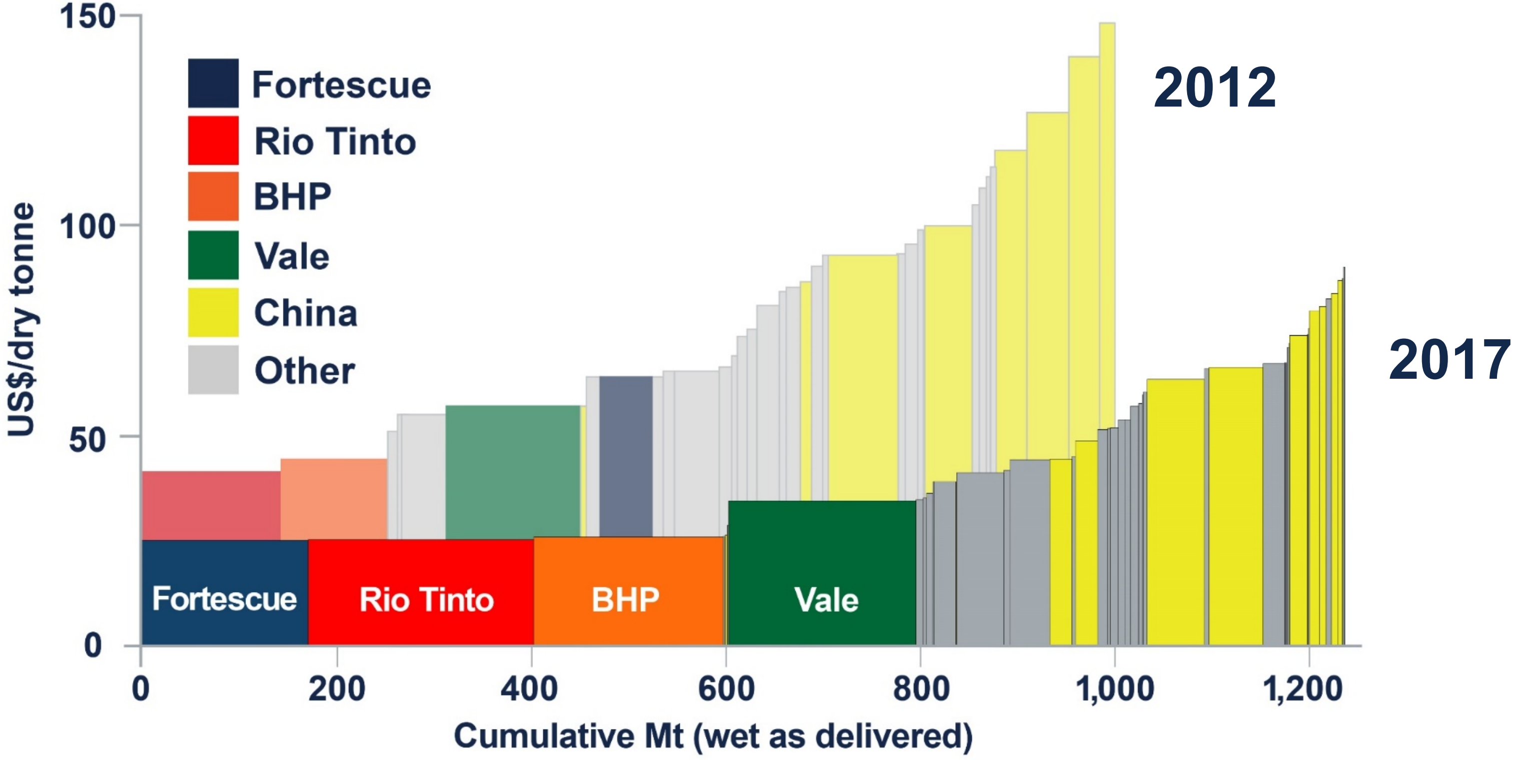
Productivity and Efficiency
Utilisation, Recoveries, Maintenance

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)*



Source: Metalytics – March 2017

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Financial performance

Financial Drivers

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Focussed on delivering shareholder value

Price

Cost improvements

Capex

→

Cash margins

Free cash flow

→

Debt repayments

Capital management

→

Balance sheet strength

→

Shareholder return and value

FY17 financial outcomes

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Operational performance delivering financial results

US$2.1bn
NPAT

US$1.8bn
Cash on hand

US$3.5bn
Free cashflows

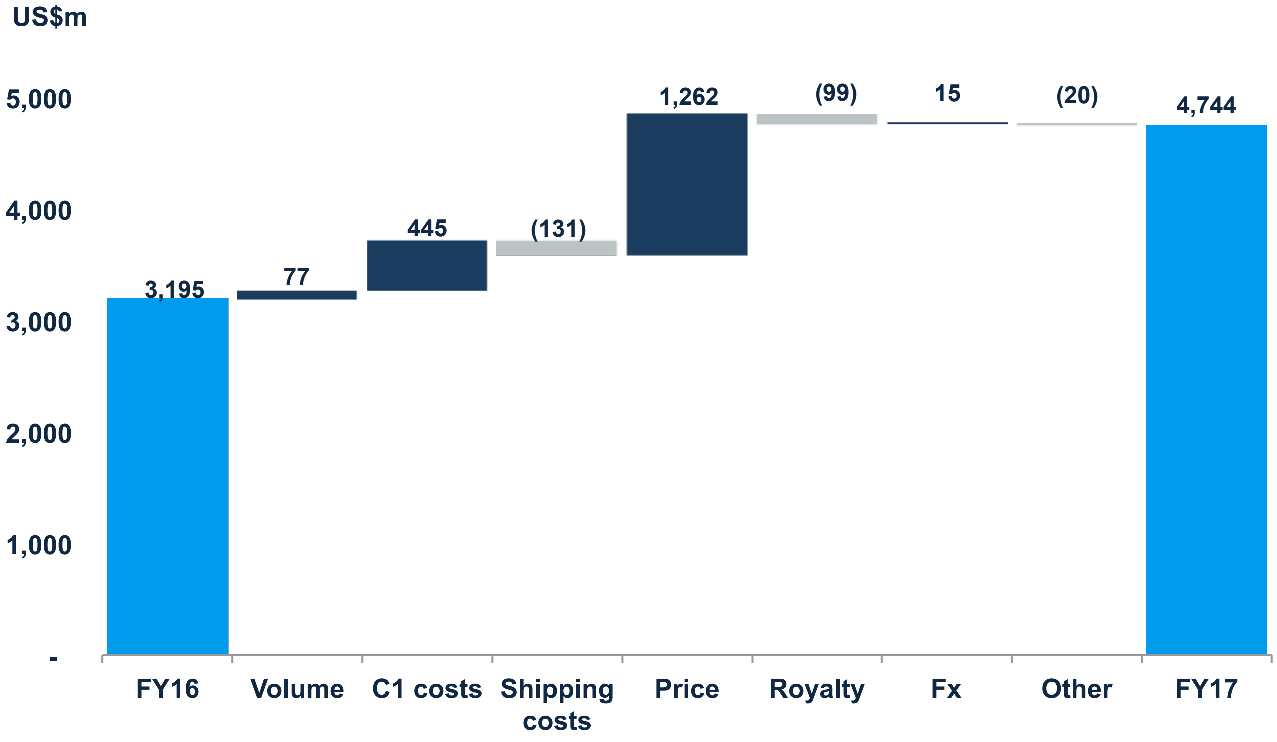
US$0.67
113% increase in earnings per share

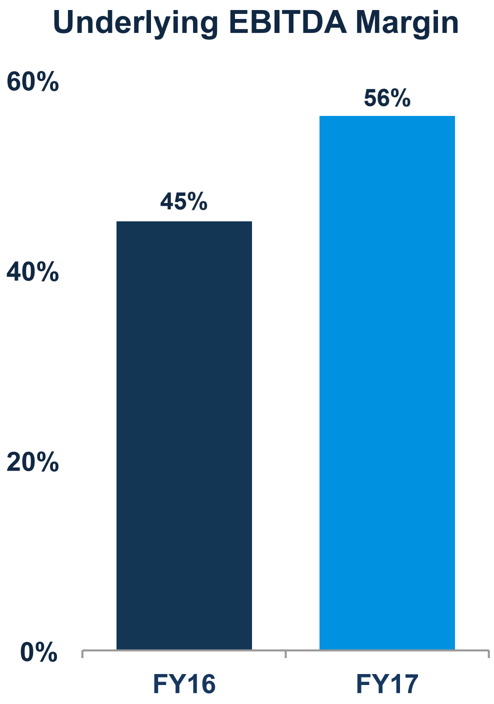
US$525m
Revolving credit facility

A$0.45
Total FY17 dividends 52% pay-out

Underlying EBITDA

48% increase driven by iron ore price and efficiency initiatives lowering costs





Refer to attached glossary for definition of non-IFRS terms

FY17 Highlights

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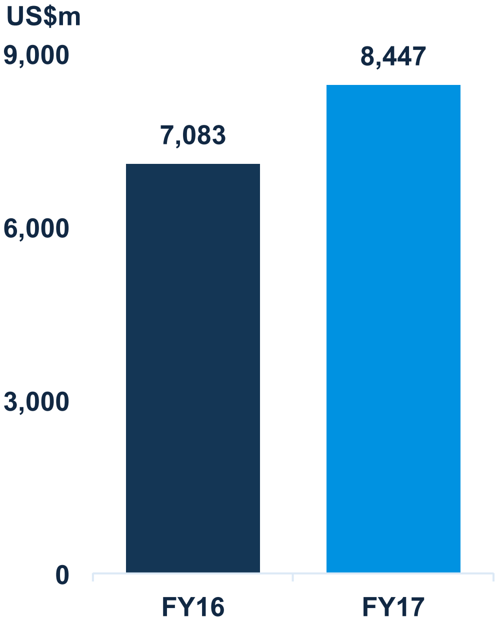
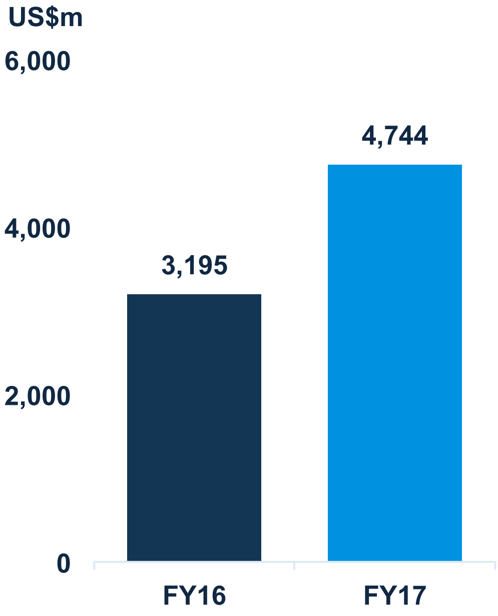
Significant increases across all key measures

Revenue



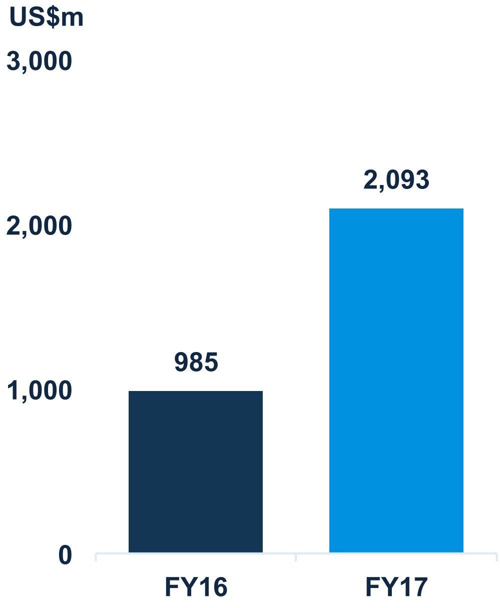
19%

Underlying EBITDA



48%

NPAT

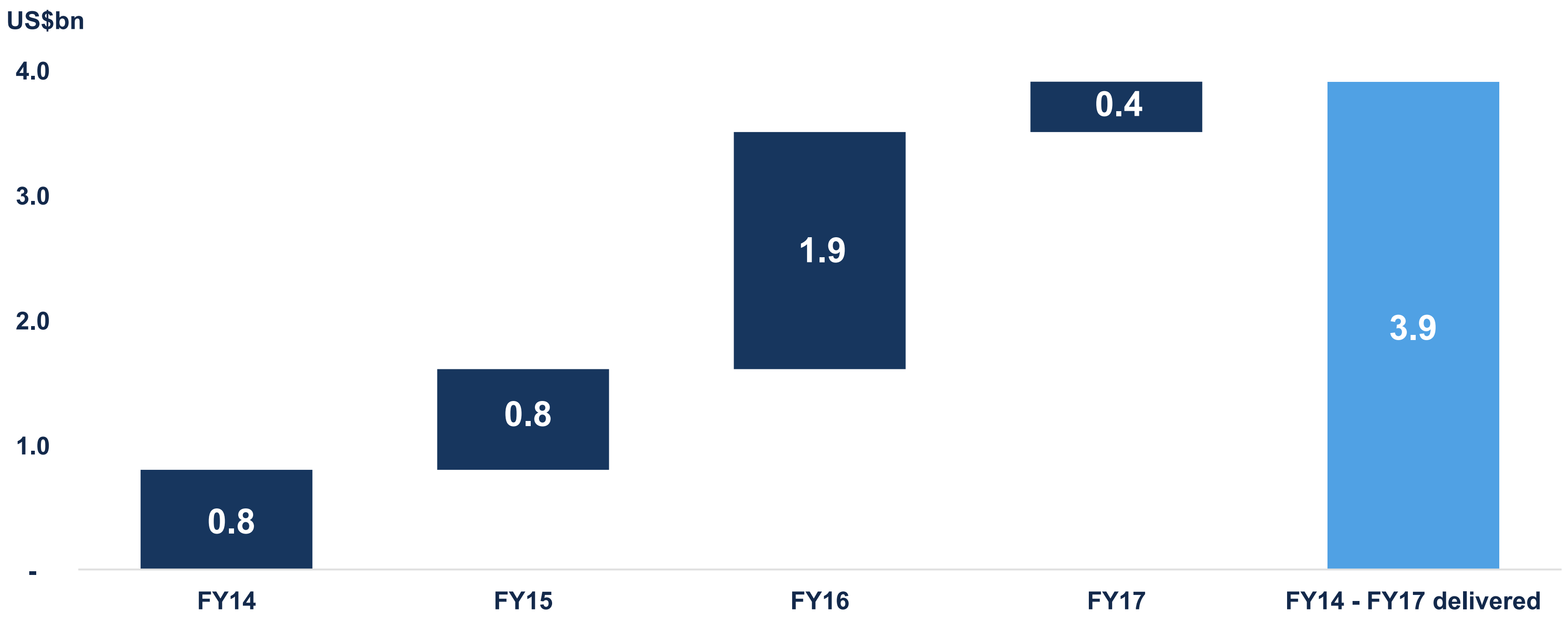


112%

Refer to attached glossary for definition of non-IFRS terms

Cost savings delivered

US$3.9bn in operating cost savings delivered since achieving full operational capacity



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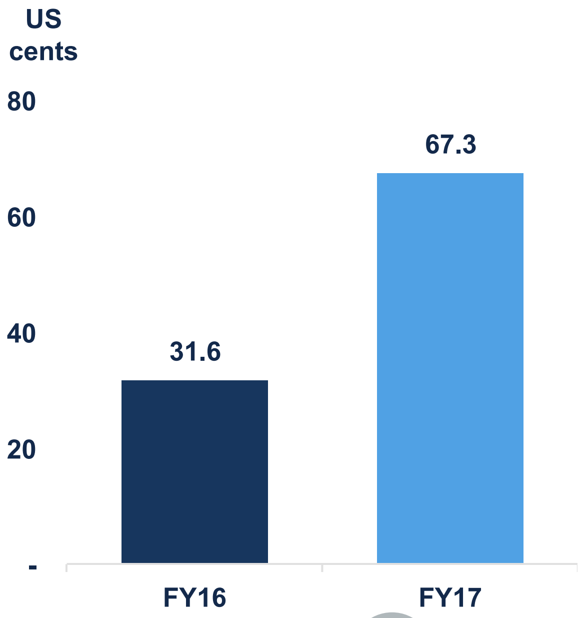
Returns to shareholders

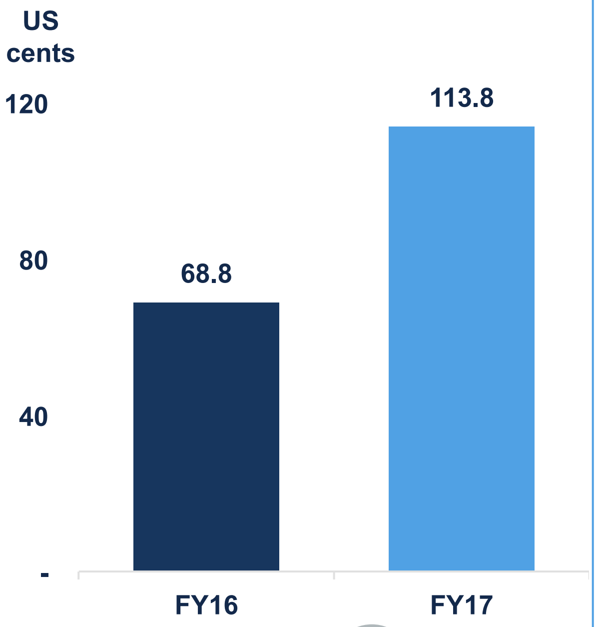
Increasing returns through operational performance

Earnings per share



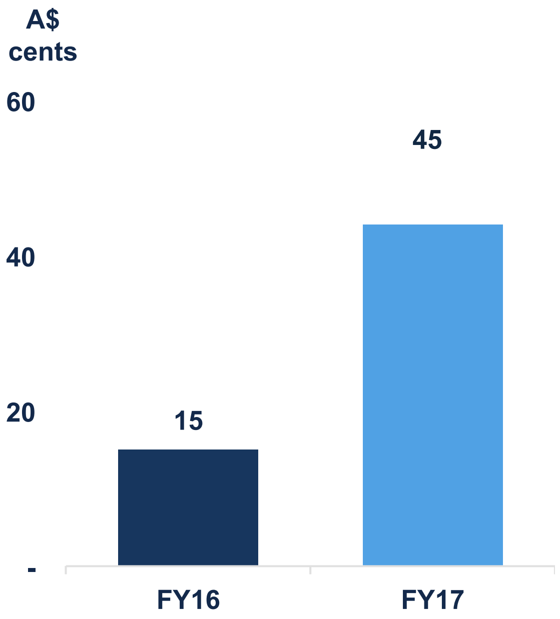
113% ⬆

Free cash flows per share



65% ⬆

Dividends per share



200% ⬆

Refer to attached glossary for definition of non-IFRS terms

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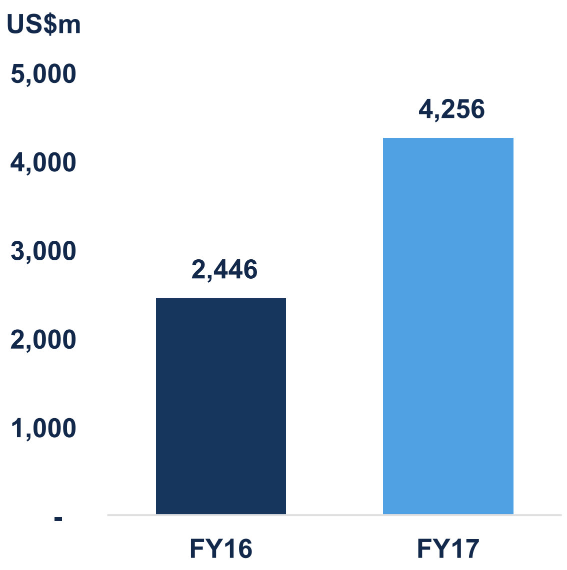
Balance sheet

Cash flows

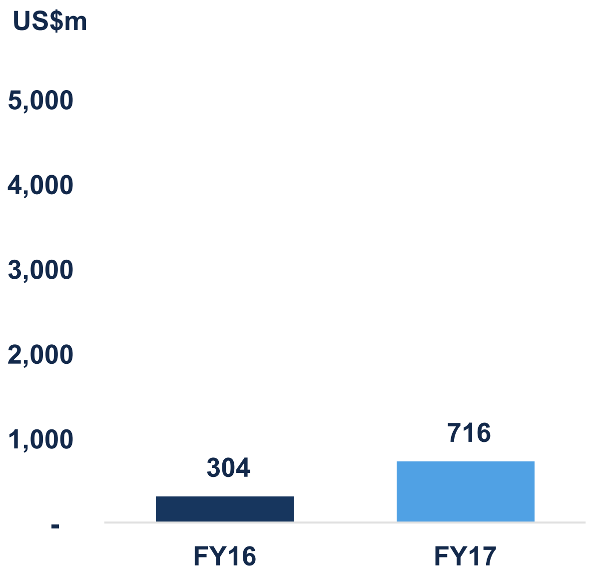
Strong positive cash margins generated by operations

Net cash from operations



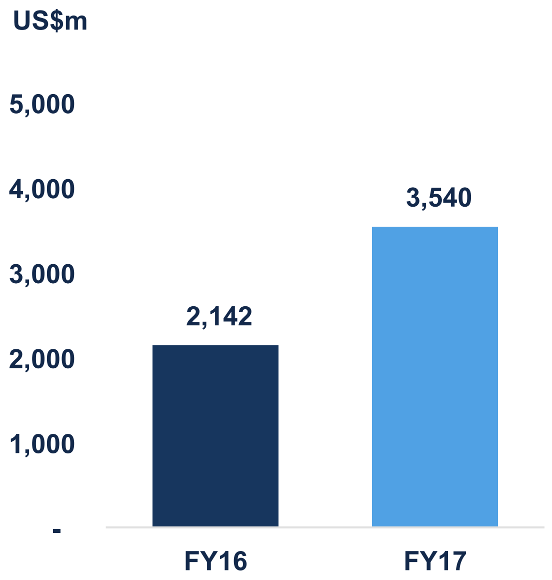
74%

Capital expenditure



136%

Free cash flows



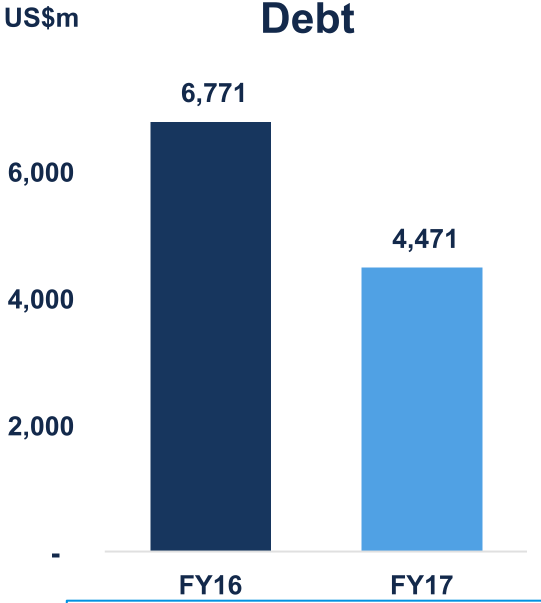
65%

Refer to attached glossary for definition of non-IFRS terms

Debt reduction

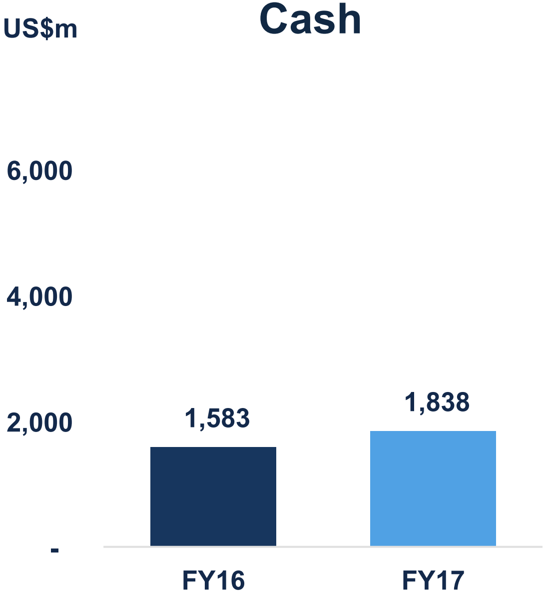
Cash flows applied to reduce debt + gearing levels

Debt



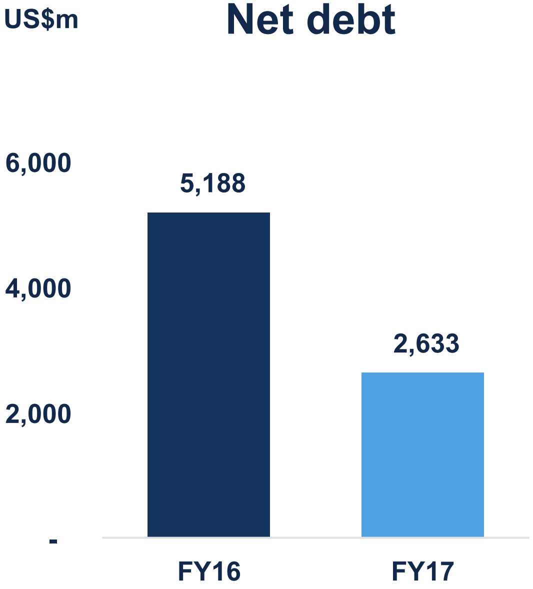
Gross gearing 31%

Cash



Maintaining strong liquidity

Net debt

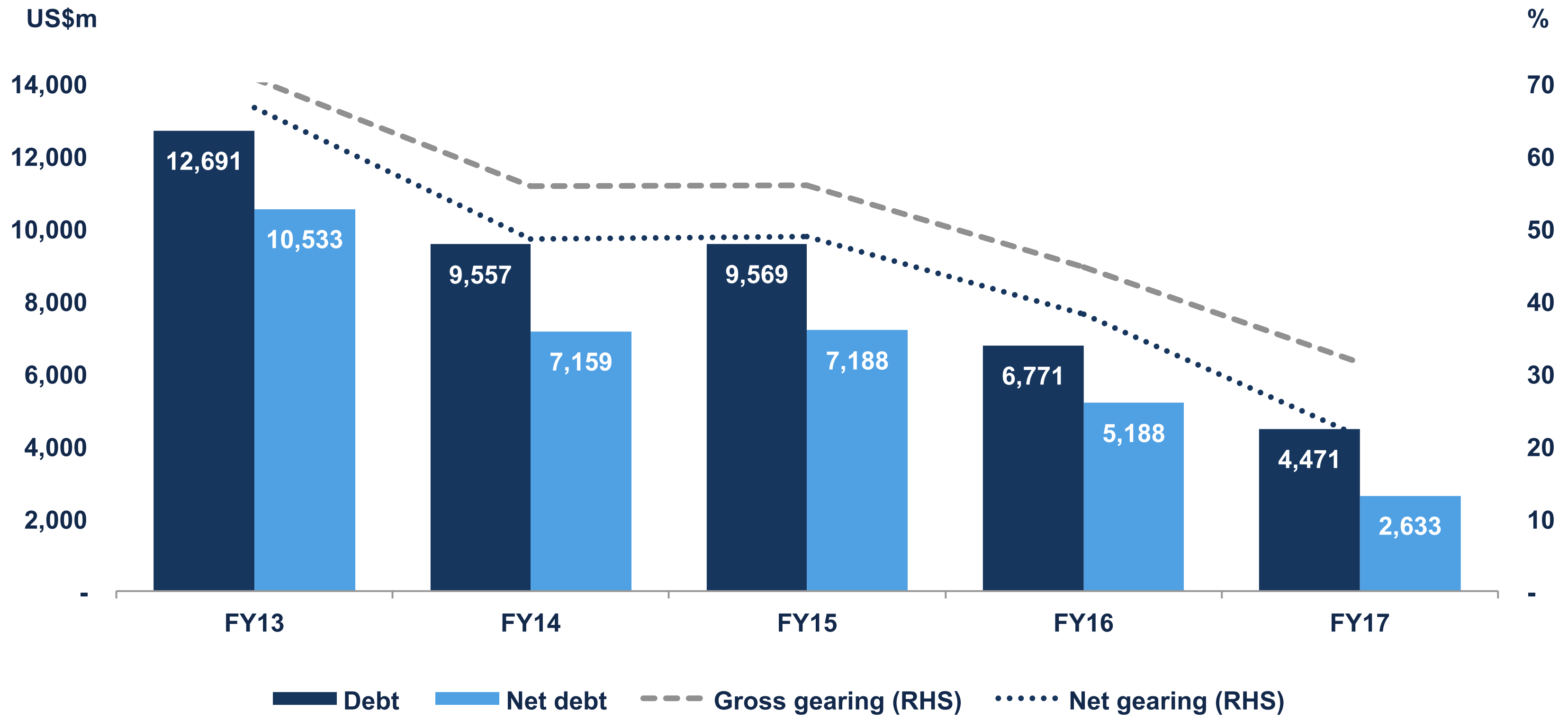


Net gearing 21%

Refer to attached glossary for definition of non-IFRS terms

Debt repayments

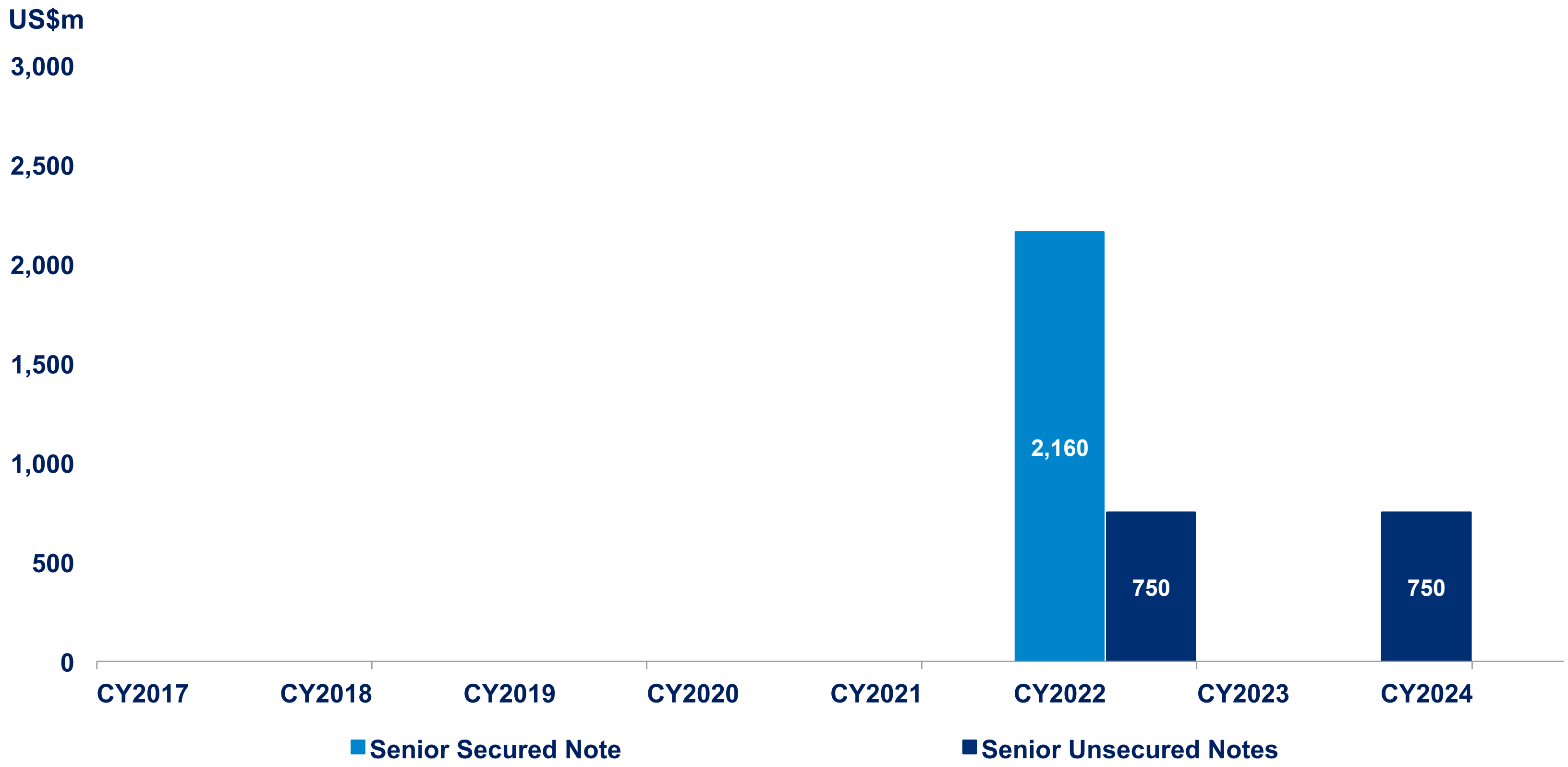
Free cash flows lowering debt and gearing



Refer to attached glossary for definition of non-IFRS terms

Debt maturity

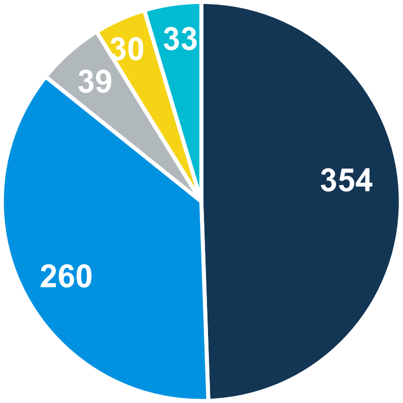
First maturity in 2022 and a US$525 million revolver facility



Capital expenditure

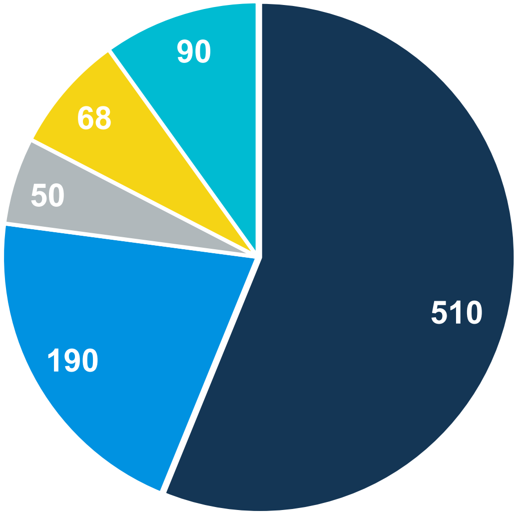
Sustaining capital expenditure of US$3/wmt for FY18

FY17 Actual



US$716m (pre ore carrier funding)

FY18 Guidance



US$908m (pre ore carrier funding)

Sustaining · Ore carriers · Exploration · Development · Tugs

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Market

Core supplier to Asia

Well established market share of imported iron ore to China

Low impurity 58% Fe average

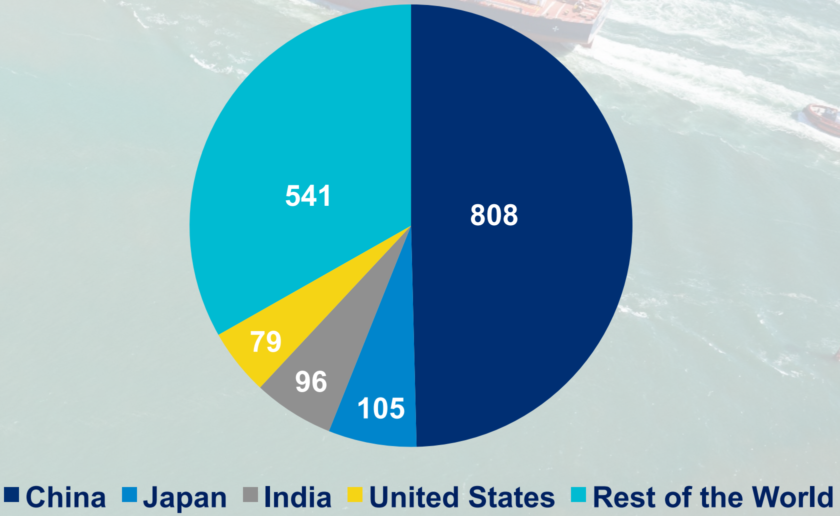
Competitive **value in use**

Large diverse **customer base**

Responsive to market needs

Proximity to high growth region

Total 2016 global steel production 1,629mt



Source: World Steel Association Crude Steel Production 2016

China's 13th Five Year Plan (2016-2020)

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RMB12.5 trillion for ~ 11,000 listed projects

3,000km
New urban rail lines

152,000km
Roads in rural areas

+480,000 MW
New power projects

80% cities
with high speed rail

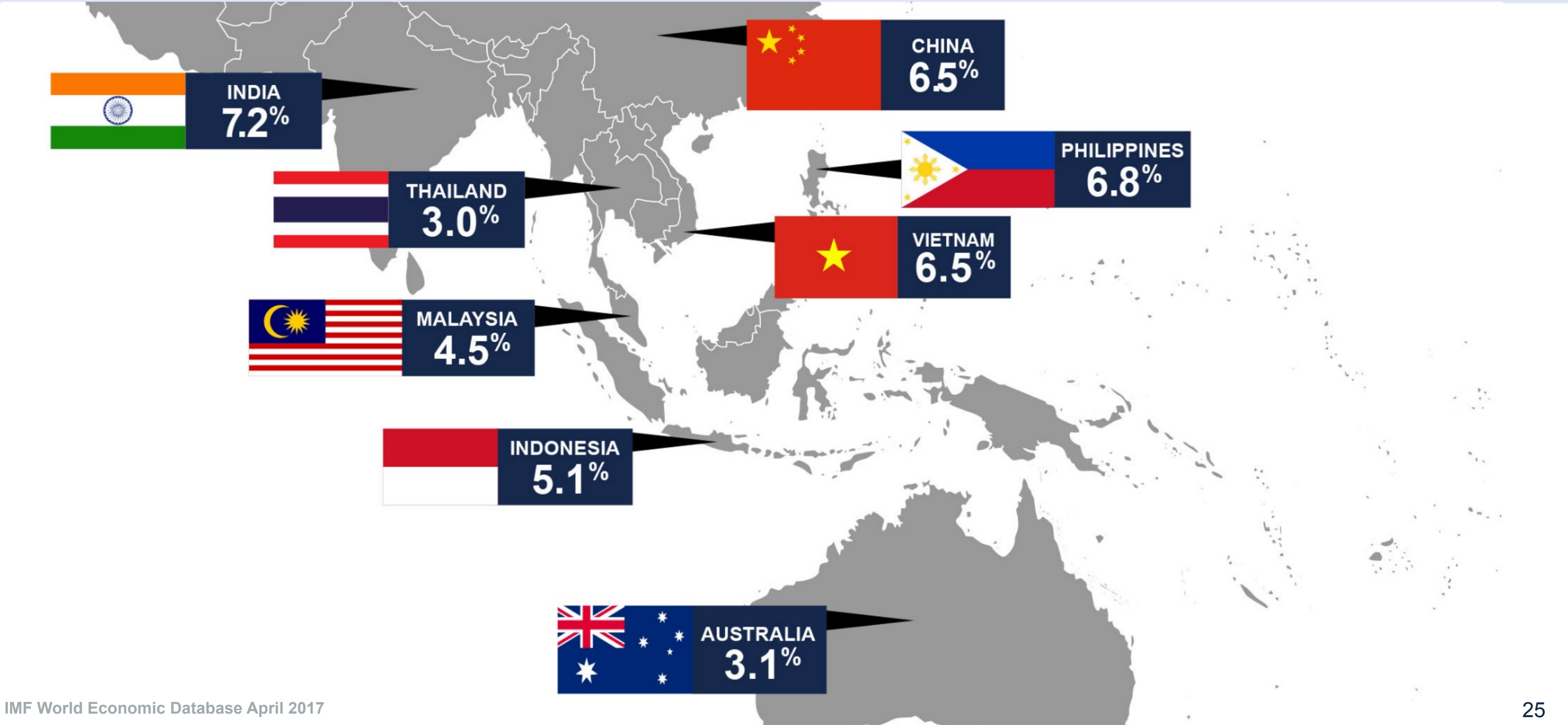
Over 50
civilian airports

Pipelines
Gas storage

Source: China Daily

Developing and emerging Asia

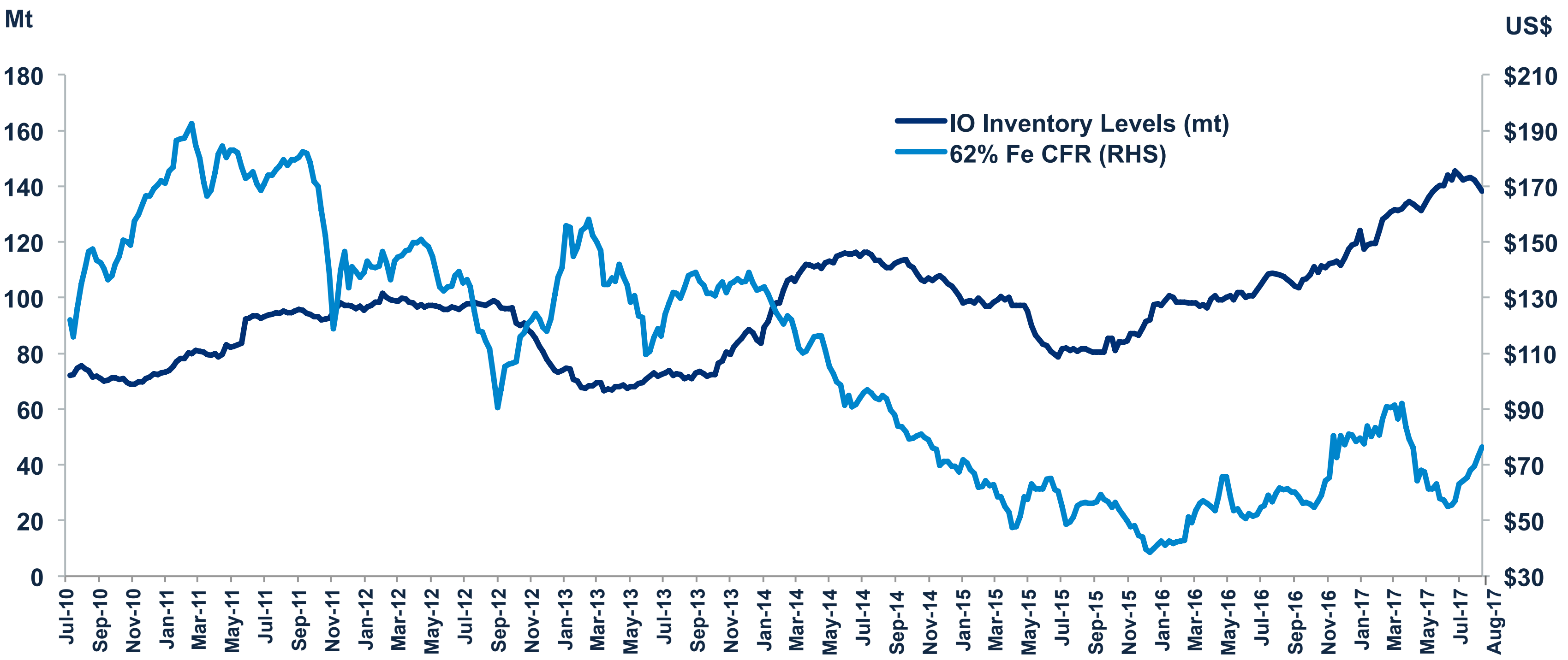
Asian economies generating two thirds of global growth



Source: IMF World Economic Database April 2017

Iron ore inventory levels

Construction and manufacturing projects support iron ore inventory levels



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Innovation

Generating ideas for future innovation

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People, processes and techniques are all catalysts for innovation

- **Exploration** techniques
- Integrated **Operations Centre**
- Mine **planning** and **optimisation**
- Harnessing **automation**
- Low cost, relocatable **conveyor**
- Fortescue **Ore Carriers**

World class autonomous haulage operation

Building on our success and expanding to the Chichester Hub

Improved safety + productivity

56

Operating at Solomon

+12 to be converted

<u>Chichester Expansion</u>

100 trucks
over 3 years

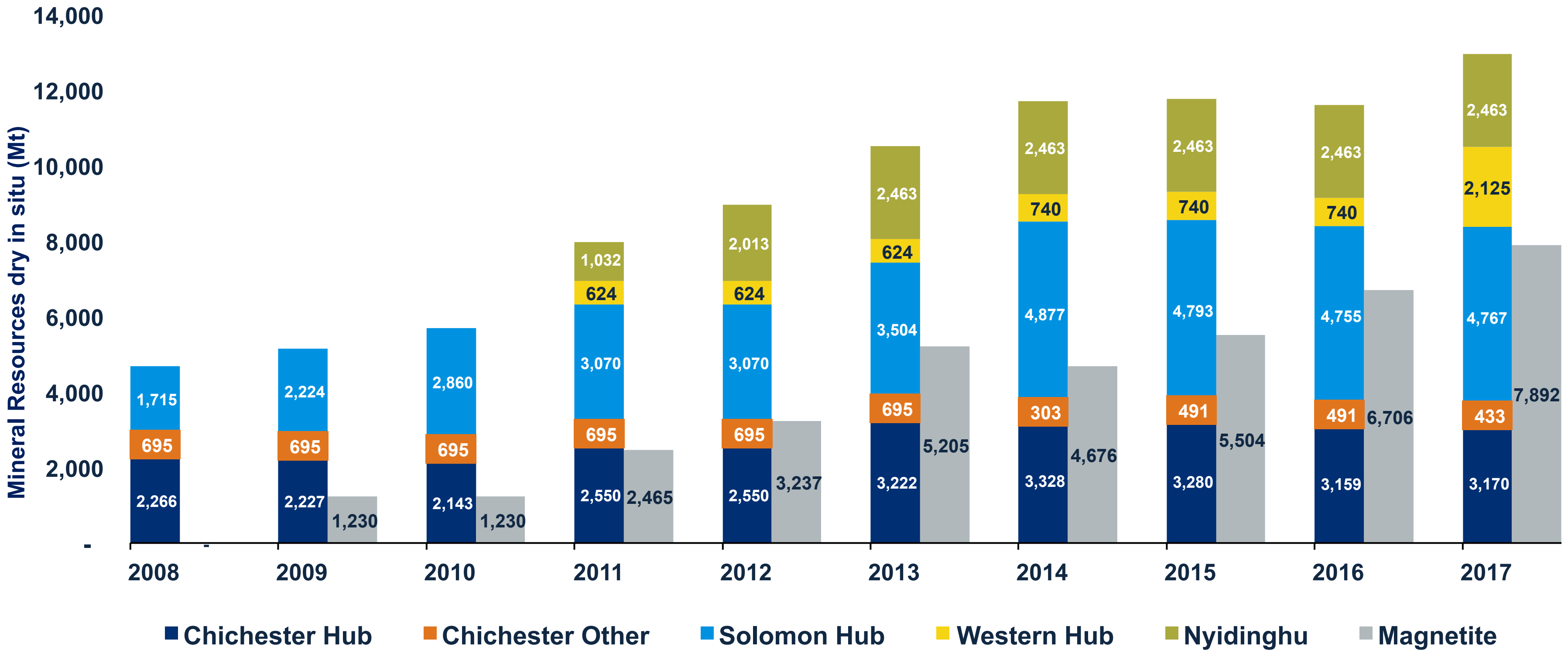
390mt

Material moved at Solomon

Reserves and resources

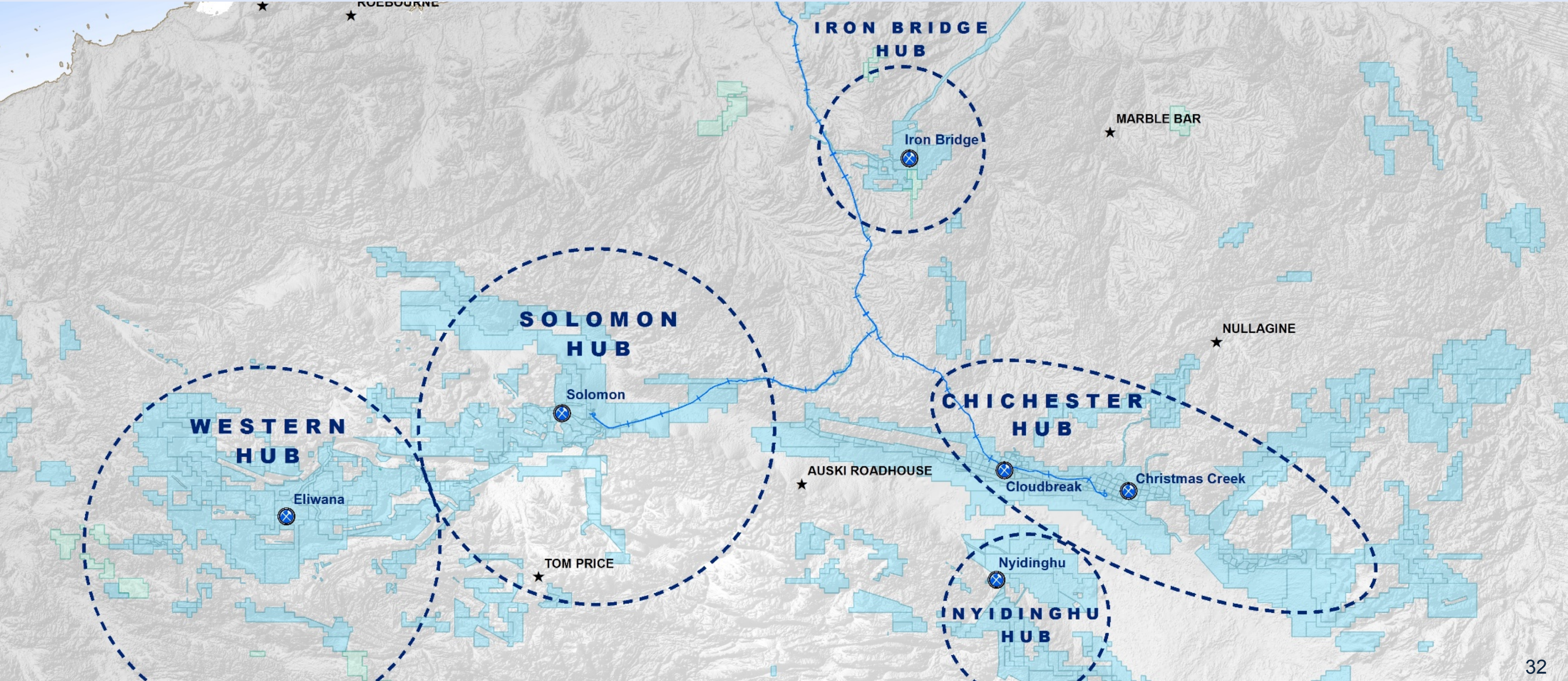
Resource portfolio supports asset base

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



Focus on core iron ore business

Largest Pilbara tenement footprint



Active exploration

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Developing low growth options

Targeting
copper and gold

New South Wales
~2,000km^2 tenure

South Australia
~6,000km^2 tenure

Ecuador
32 concessions

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Building strong communities

Diverse workforce representing our communities

Creating opportunities through training, employment and business development

17.3%
Female employees

1,250
Aboriginal employees

Training
VTEC
Trade Up

A$1.95bn
Contracts to Aboriginal companies

Focussed strategy

FY18 guidance

Sustainable performance driven by innovation

170mt shipped	**US$11-12/wmt** C1 cost	**75-80%** Revenue realisation
US$3/wmt Sustaining capital	**Depreciation** US$7.40/wmt	**Dividend policy** 50-80% pay-out of NPAT

Key strategic focus

Ensuring our communities benefit from the growth and development of Fortescue

Debt repayment and capital flexibility

Long term sustainability

Returns to shareholders

Low cost growth options

Our Vision: The safest, lowest cost, most profitable iron ore producer

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Sustainable
Low cost producer

World class
Assets and people

Customer focus
Reliable and competitive

Unique culture
Drives performance

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Glossary

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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 is presented below:

Reconciliation of underlying EBITDA to IFRS measures:

wmt: wet metric tonnes.

	2017 US$m	2016 US$m
Underlying EBITDA	**4,744**	**3,195**
Finance income	19	214
Finance expenses	(502)	(675)
Depreciation and amortisation	(1,243)	(1,244)
Exploration, development and other	(51)	(136)
Net profit before tax	**2,967**	**1,354**
Income tax expense	(874)	(369)
Net profit after tax	**2,093**	**985**