



Fortescue
The New Force in Iron Ore

FY19 Results

26 August 2019



**Global force
Thriving communities**

Forward Looking Statements

Disclaimer

Important Notice

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Additional Information

This presentation should be read in conjunction with the Annual Report at 30 June 2019 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 statements released to the Australian Securities Exchange on 2 April 2019 for its Magnetite projects and on 23 August 2019 for its Haematite projects. 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.



Safety and unique culture

2.8 TRIFR

Total Recordable Injury Frequency Rate

24%

Improvement compared to June 2018

“Take control”

Safety campaign

Health and wellbeing

Village facilities

Community activities

Pastoral care

Fortescue's Chaplains, EAP

Family

Site visits and connectivity

Flexible work

Job share roles

Tailings storage facilities (TSFs)

Fortescue has no TSFs constructed using the sequential upstream raise method

3 active TSFs

**Compliant with ANCOLD*
and DMIRS* guidelines**

**Daily inspections
Instrument data collection**

6 inactive TSFs

**Integrated monitoring,
surveillance management**

Annual independent audits

A world class company

Wholly owned,
fully integrated
supply chain

>1.3 billion
Shipped

~170mtpa
Shipping rate

**Core supplier
to China**

**Low cost
producer**

FY19 Highlights

167.7 million tonnes
Shipped

US\$6.0 billion
Underlying EBITDA

US\$3.2 billion
Net profit after tax (NPAT)

US\$13.11/wmt
C1 cost

US\$2.1 billion
Net debt

A\$1.14 per share
Total FY19 dividend

Increasing shareholder returns

^A **\$0.24** per share

Fully franked final dividend

^A **\$1.14** per share

Total FY19 dividends

78% of FY19 NPAT

Dividend pay-out ratio

^A **\$139** million

Share buy-backs completed

Corporate social responsibility



Communities benefit from our growth and development

Setting high standards

Safeguarding the environment

Creating positive social change

Setting high standards

Safety, diversity and integrity

TRIFR 2.8

Record annual low

A\$13.1billion

Total global economic contribution

19%

Female employment

26%

Women in senior management roles

Safeguarding the environment

Protecting biodiversity, managing water, reducing emissions and waste

Zero

Significant environmental incidents

A\$5.5 million

Investment in Fortescue Marsh biodiversity programs

90 GL pa groundwater

Abstracted and returned

TCFD aligned

Taskforce on Climate-related Financial Disclosure

Creating positive social change

Building strong communities

15%

Aboriginal employment across Pilbara operations

A \$2.3billion

Contracts to Aboriginal businesses and JVs

847

VTEC graduates employed since 2006

85%

Trade Up program participants are Aboriginal

Financial results



FY19 Financial highlights

Record NPAT of US\$3.2 billion

US **\$10.0** billion

Revenue

US **\$65**/dmt

Realised price

US **\$6.0** billion

Underlying EBIDTA

US **\$39**/dmt

Underlying EBITDA/dmt

US **\$3.2** billion

NPAT

US **\$1.03** or **A\$1.47**

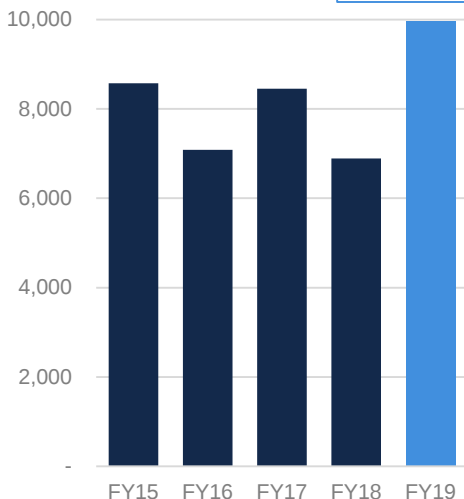
Earnings per share

FY19 Highlights

Delivering record results

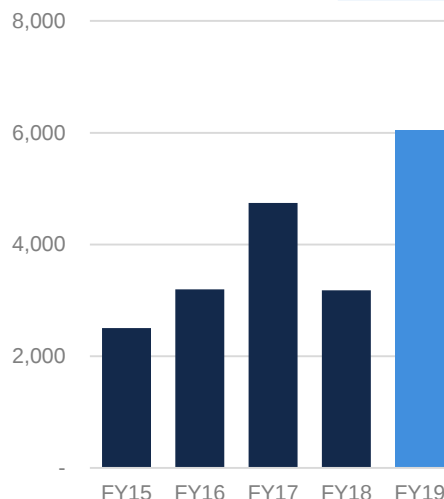
Revenue

US\$m



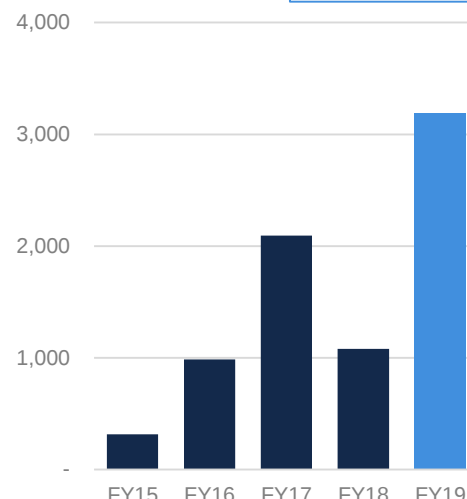
Underlying EBITDA

US\$m



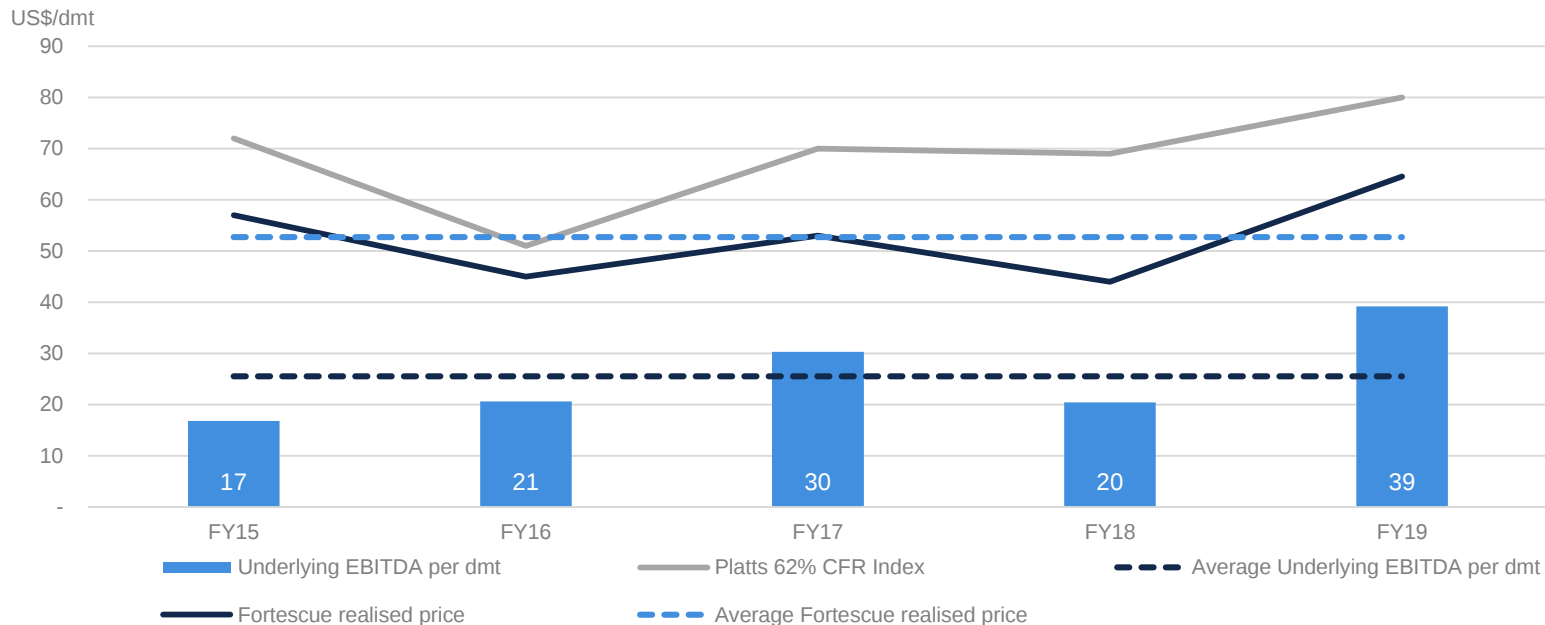
Underlying NPAT

US\$m



Price and margins

Cost leadership and efficient operations underpin resilience in earnings through all market cycles



Sustainable low cost producer

Industry leading cost position

Structural improvements

Solomon + blending + processing

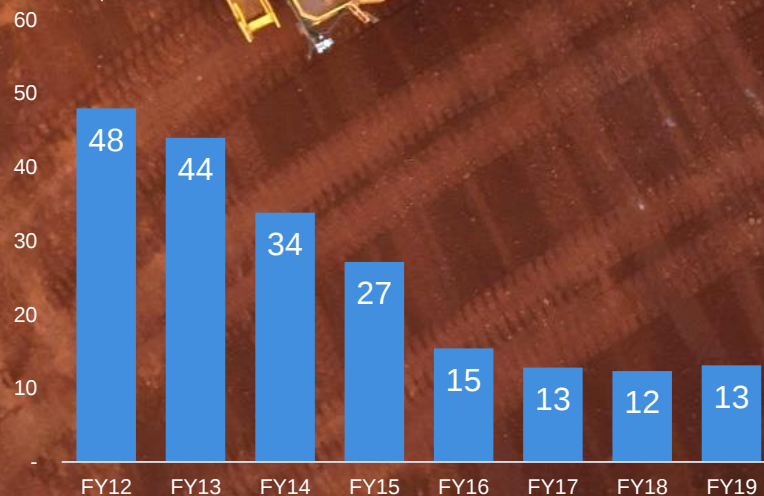
Productivity and efficiency

Utilisation, recoveries, maintenance

Innovation and technology

Autonomy, conveyor, ore carriers, data analysis

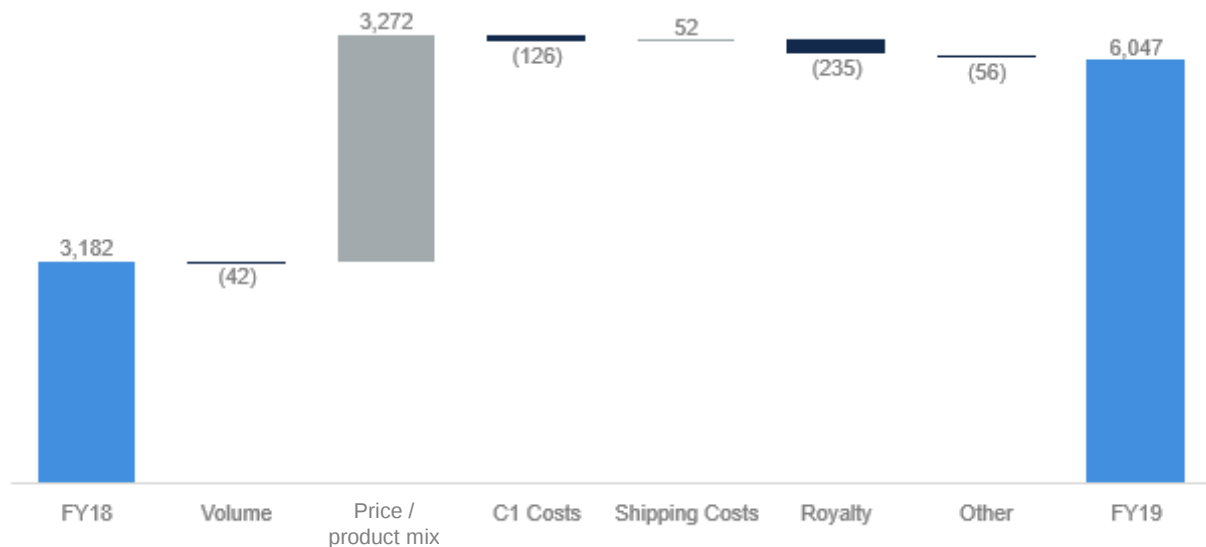
C1 US\$/wmt



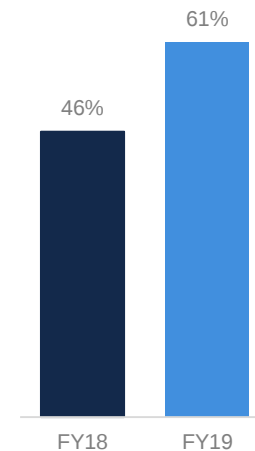
Underlying EBITDA

Strong margins maintained at an average realised price of US\$65/dmt

Underlying EBITDA (US\$m)



Underlying EBITDA Margin

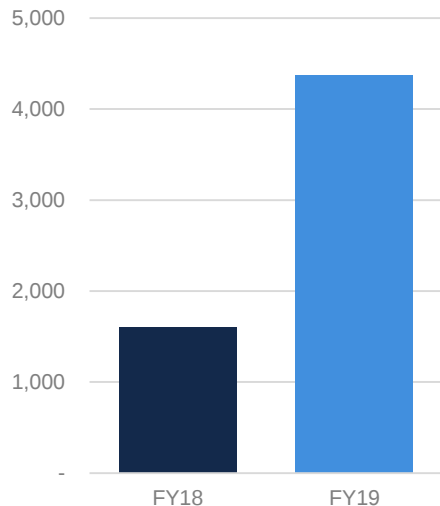


Cashflow

Cash balance of US\$1.9 billion
at 30 June 2019

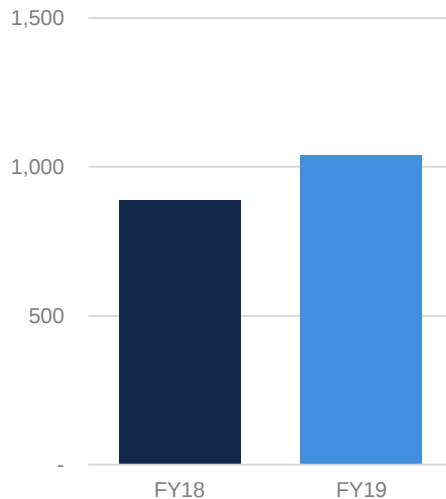
Net cash from operations

US\$m



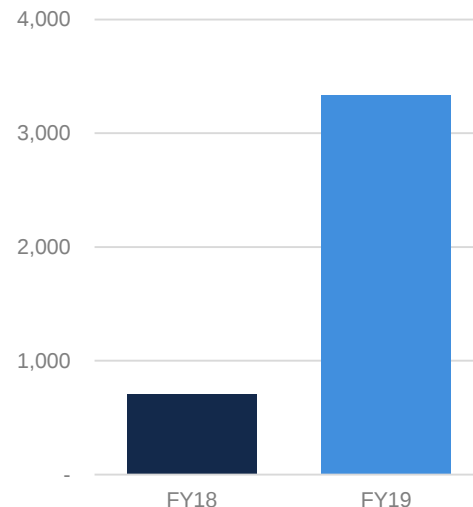
Capital expenditure

US\$m



Free cashflow

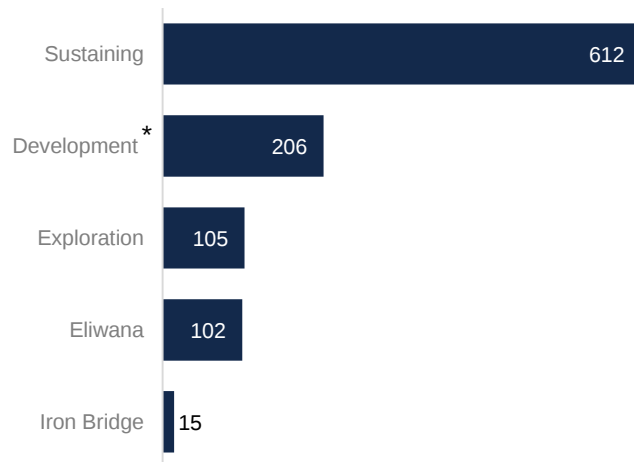
US\$m



Capital expenditure

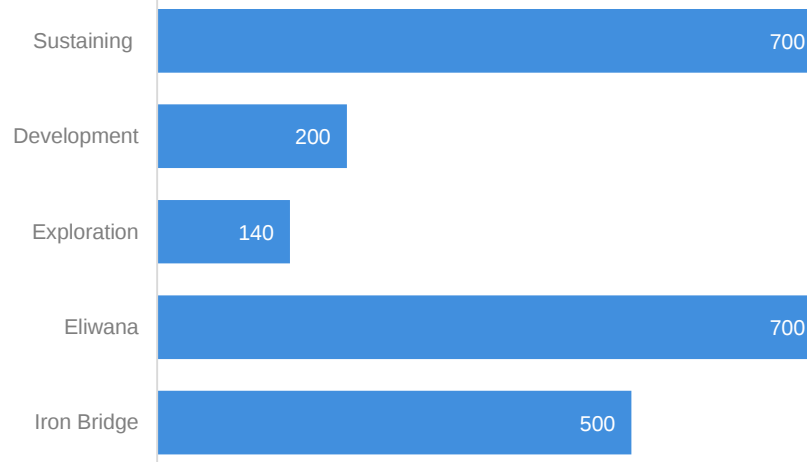
Disciplined allocation to core business, innovation and growth

FY19 Capital expenditure - US\$1,040m



* Includes ore carrier and towage expenditure of US\$80 million

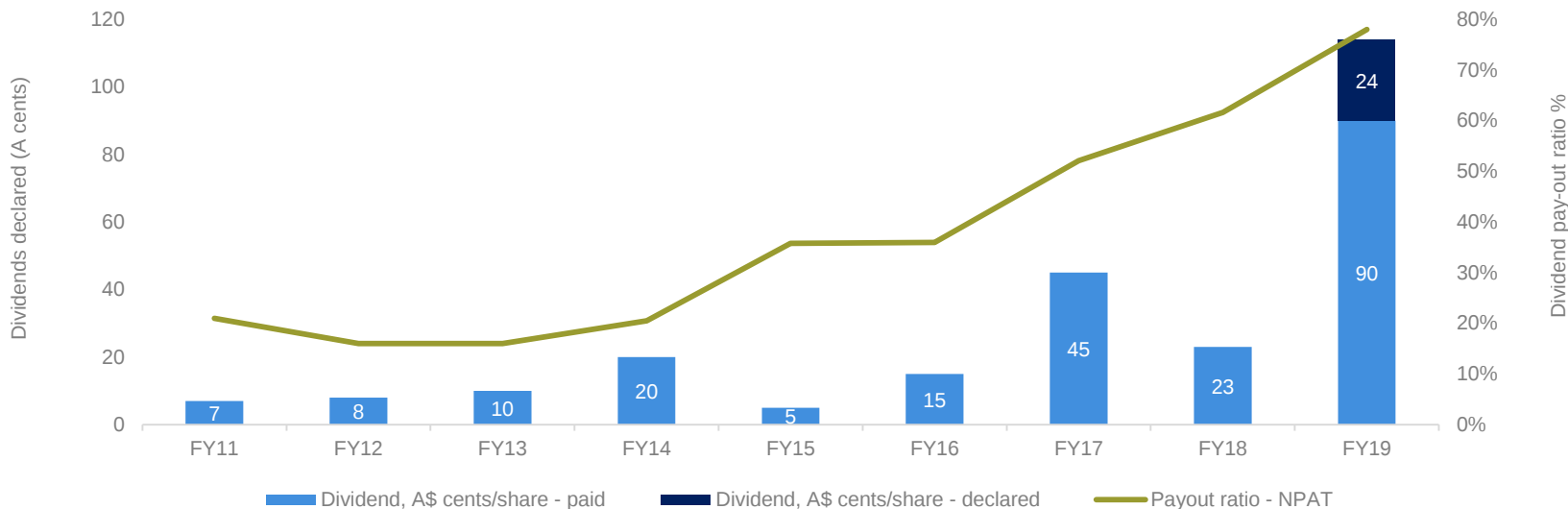
FY20 Capital expenditure guidance - US\$2,400m



Record dividends

Record returns to shareholders with total dividends declared of A\$1.14/share, a 78% payout ratio of NPAT

Dividends declared and payout ratios

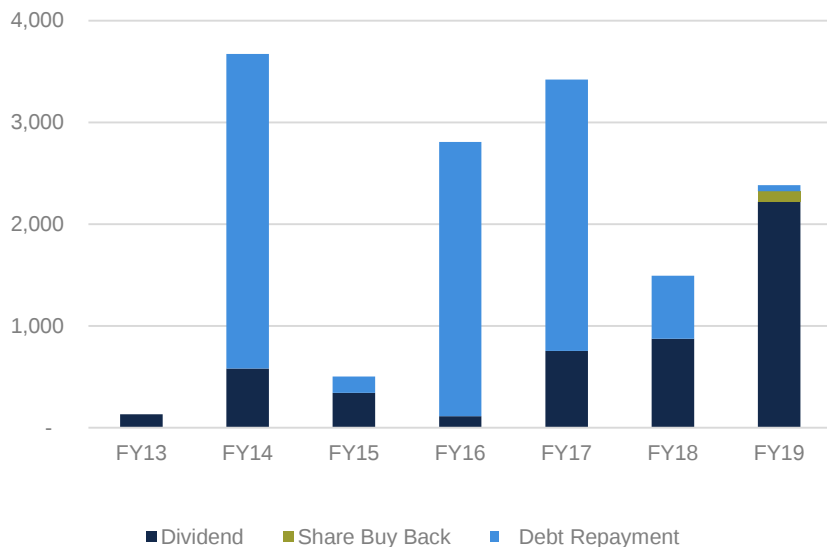


Capital allocation

Disciplined allocation to capital investment
and shareholder returns

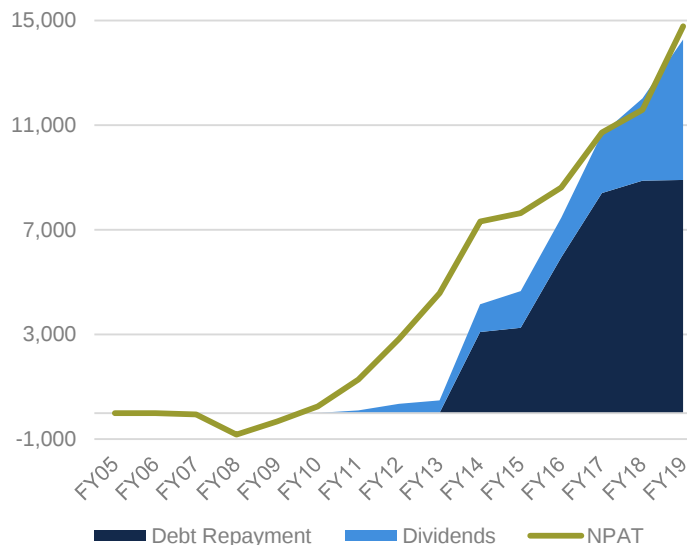
Capital allocation of debt and dividends

US\$m



Cumulative allocation of NPAT: FY05-19

US\$m



Share buy-back

A\$500 million on market buy-back program

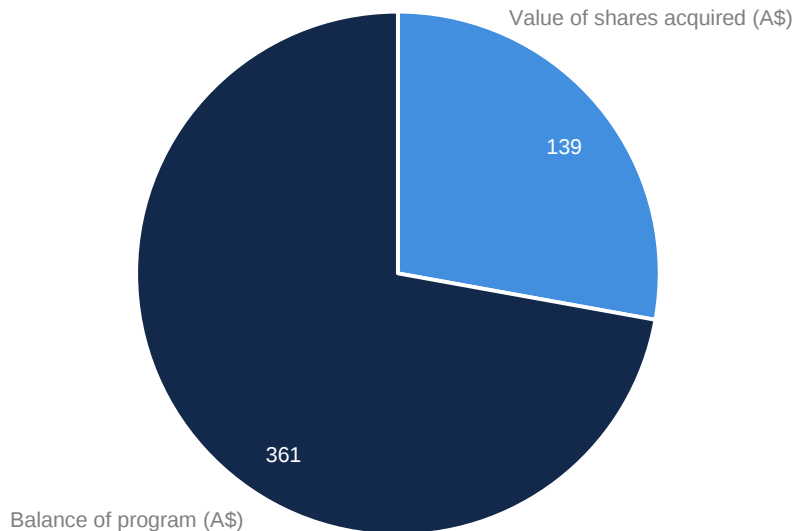


A\$139m of shares acquired
since launch of program

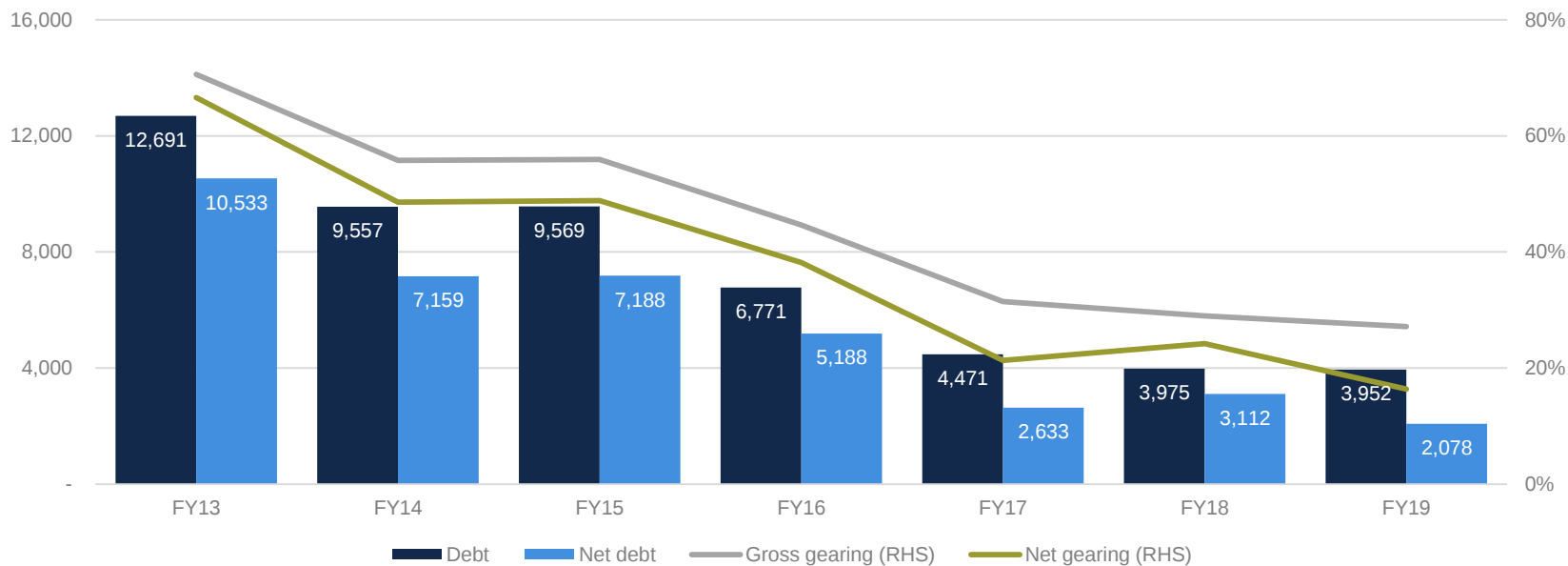
Shares acquired at an **average price of A\$3.997/share**

All shares acquired have been **cancelled**

Current **program expires**
October 2019, unless extended



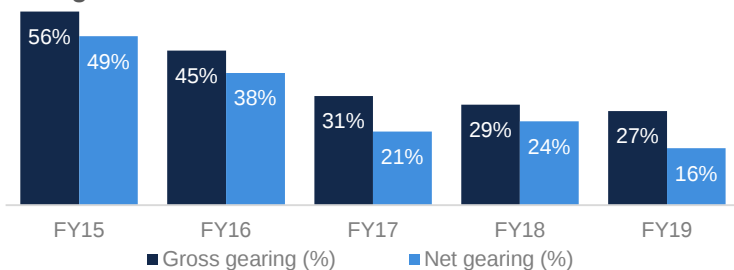
Debt repayments



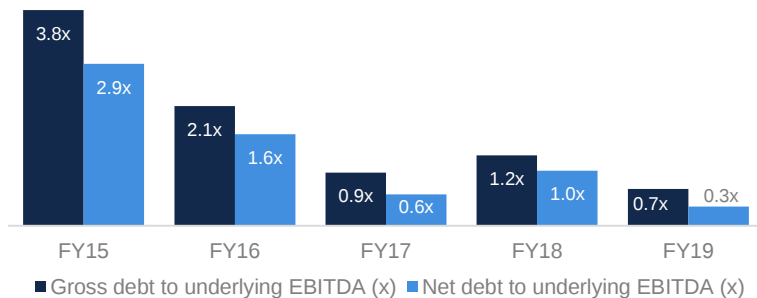
Credit metrics

Investment grade metrics support financial strength
Earliest debt maturity in 2022

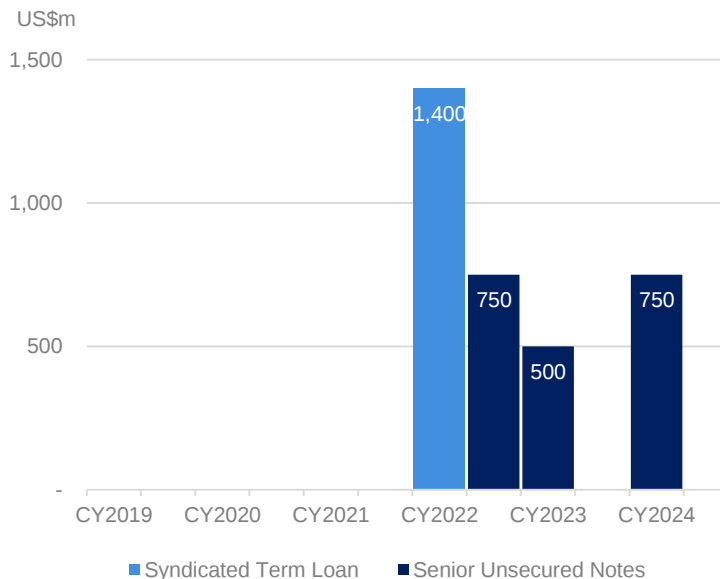
Gearing %



Debt to EBITDA (x)



Debt maturity profile

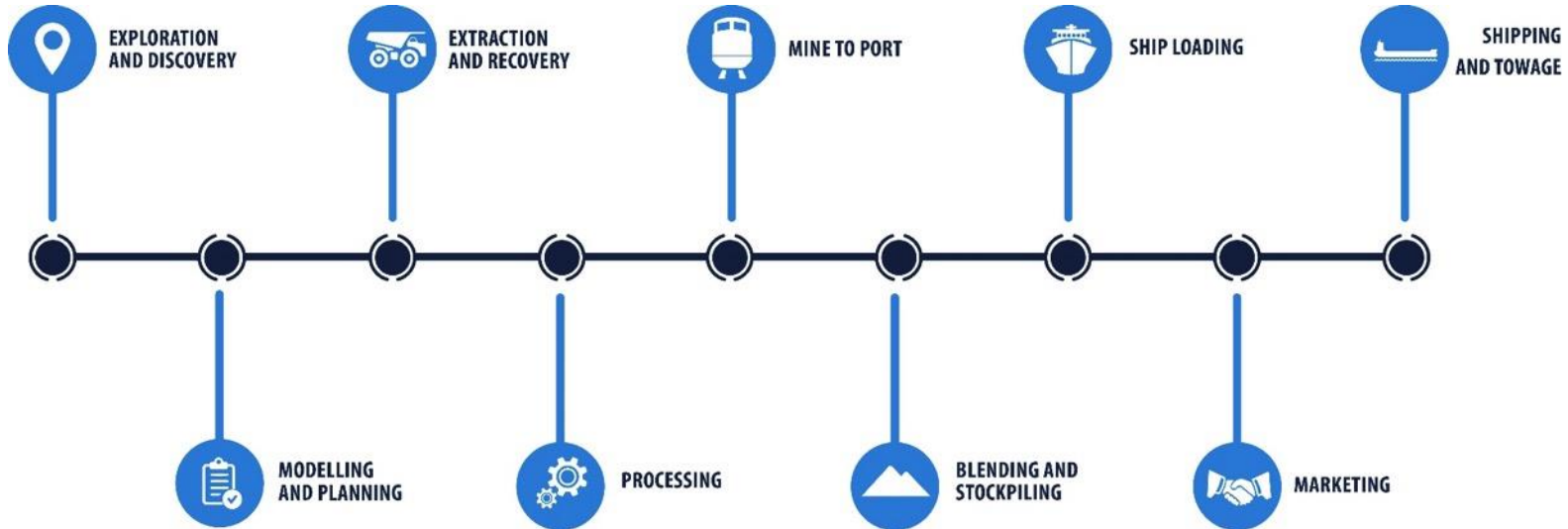


Integrated operations and marketing



Fully integrated supply chain

Supported by a culture of innovation



Integrated operations and marketing

Direct customer engagement driving deep market insights

Co-location of key decision makers enabling rapid response to market trends

Agile product mix adjustments to meet customers' needs

Collaborative operations and marketing to optimise market opportunities

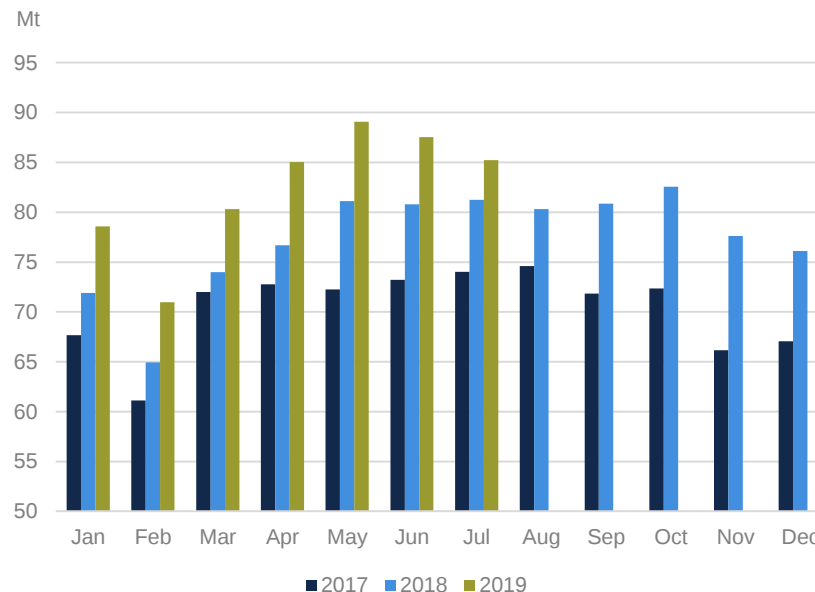
Crude steel production



Strong growth in China's crude steel production

9.9% increase in the first half of calendar 2019

China monthly crude steel output



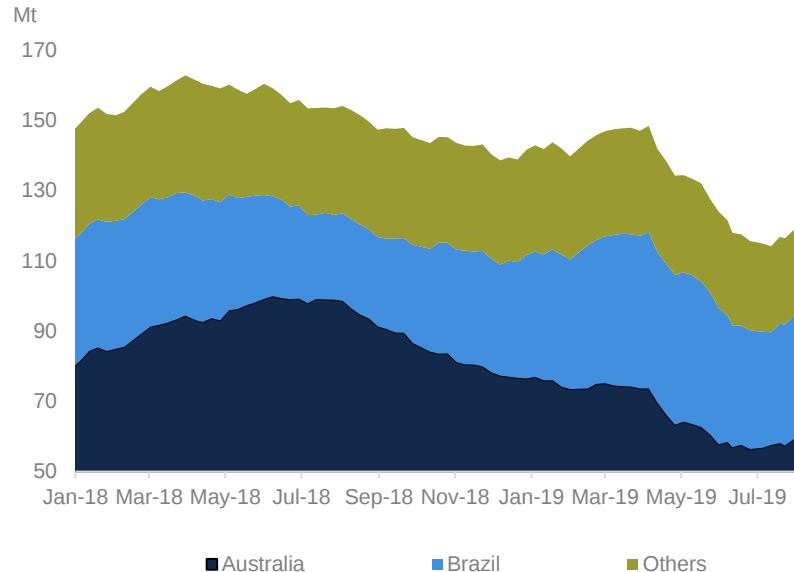
Source: China's National Bureau of Statistics

Strong demand for Fortescue products

China's iron ore port
stockpiles drawn down
to **118mt** (6 August 2019)

Peak stockpiles of
163mt (March 2018)

Total Chinese port stocks



Source: Mysteel

Iron ore price

Key drivers contributing to Fortescue's average price received increase to US\$65/dmt



Optimising product mix

Steel mill margins

Strength in Chinese steel production

Global supply disruptions



Enhanced product mix

Average realised price increased 48% in FY19



Introduction of
West Pilbara Fines

Production of **Fortescue Lump**

Reduced **Super Special Fines**

Strong **customer engagement**

Product mix optimisation delivers value:

Tonnes shipped millions (wmt)	FY19	Product mix %	FY18	Product mix %
West Pilbara Fines	9.0	5%	-	-
Kings Fines	14.2	9%	15.0	9%
Fortescue Blend	72.4	43%	75.0	44%
Fortescue Lump	8.6	5%	-	-
Super Special Fines	61.7	37%	80.0	47%
Manganese Iron Ore	1.8	1%	-	-
Total	167.7	100%	170.0	100%

Automated mining

Innovation delivering safety and productivity improvements

AHS operation

>32 million km safely travelled

Autonomous drills

8 drills in operation

AHS conversion

132 trucks in operation

Relocatable conveyor

Operating at full capacity

Iron ore growth projects

Eliwana and Iron Bridge



Eliwana project

US\$1.275 billion capital investment
Progressing on schedule and budget



Infrastructure

143km rail; 30mtpa dry OPF

Latest technology

Driving low cost operation

First ore on train

December 2020

West Pilbara Fines

Increasing production and mine life

Iron Bridge Magnetite Project

US\$2.6 billion investment delivering enhanced returns
to shareholders and JV partners

22 mpta

First ore scheduled mid-2022

67% Fe

Low impurity premium product

Low capital

intensity and operating cost

Energy efficient

Industry leading, proven design

Achieving our strategy to deliver majority of product over 60% Fe

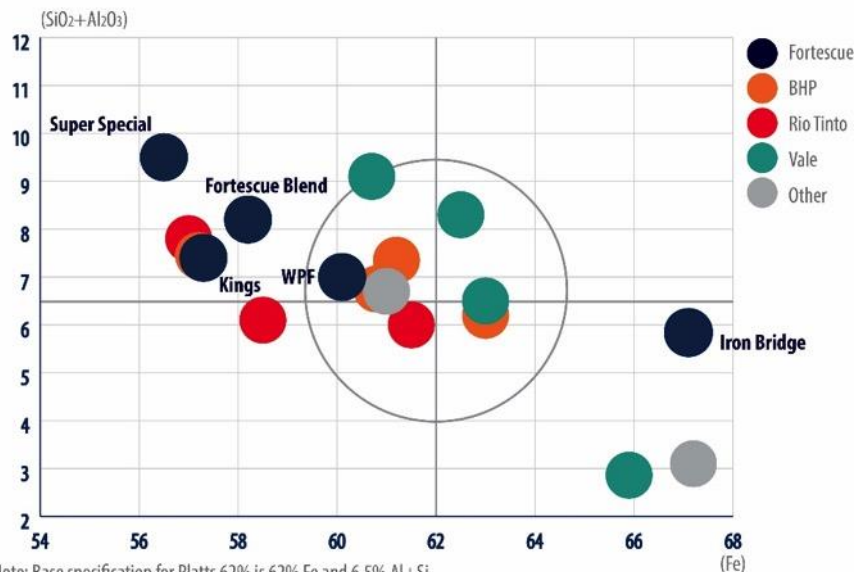
Increasing Fortescue's average grade

Competitively positioned
across all product segments

Flexibility to optimise
margins through iron ore
market cycles

**Highest grade Australian
product** with global scale
in magnetite

Product positioning: Natural Fe v Gangue ($\text{SiO}_2 + \text{Al}_2\text{O}_3$)



Note: Base specification for Platts 62% is 62% Fe and 6.5% Al+Si

Source: Fortescue, company reports

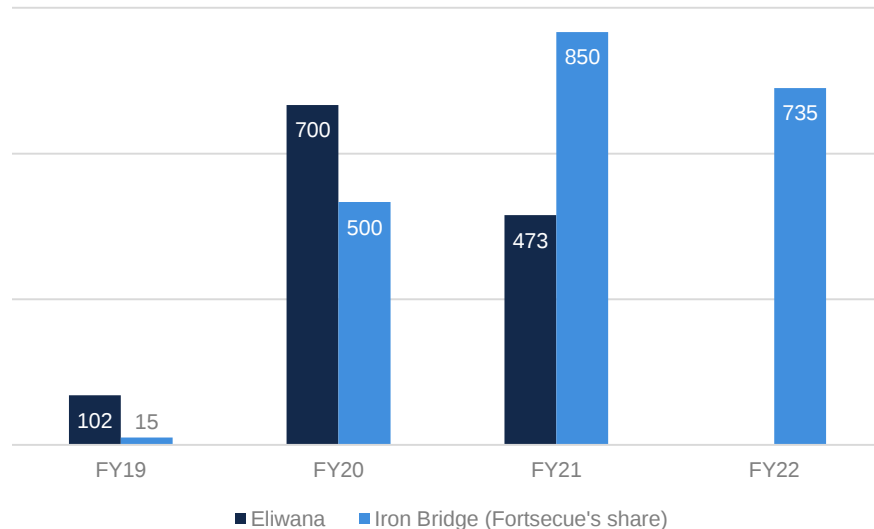
Project capital spend profiles

Eliwana

- Official sod turning – July 2019
- Awarded A\$300m in contracts to 250 Australian business
- Camp construction underway

Iron Bridge

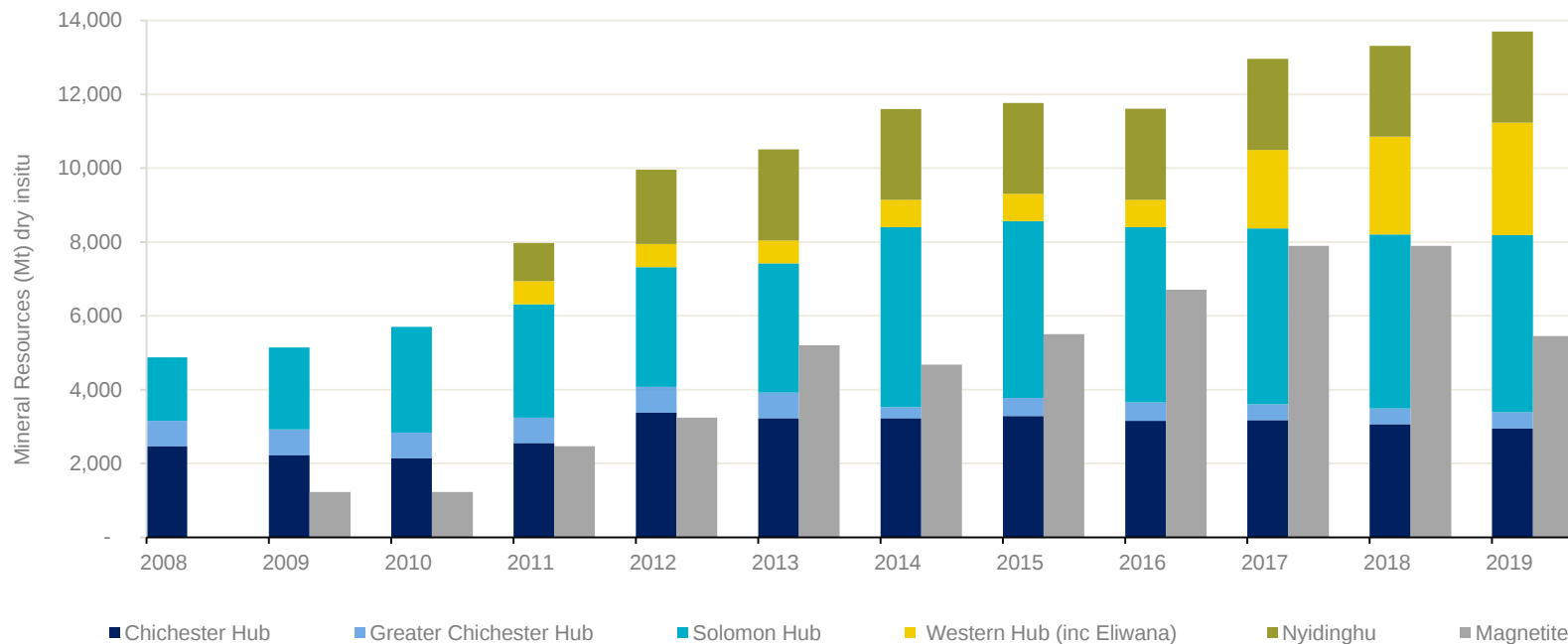
- Detailed engineering commenced
- Bulk earthworks commence late 2019
- Long lead items committed



Growth and development



Fortescue mineral base



World class exploration

Opportunities that will be driven by market demand

Pilbara

Largest tenement holder

Australia

NSW ~3,000km² tenure
SA ~15,000km² tenure

South America

Ecuador, Argentina
Colombia

Energy strategy

Innovative and practical initiatives
managing emissions and cost of supply

Automation

Offsetting haul distance and
reducing fleet requirements

Gas opportunities

Displacing diesel, Solomon
power station

Renewable energy

Including solar and other studies

Hydrogen

Partnership with CSIRO

Ambition for hydrogen

Hydrogen is part of a broader energy strategy

Technology

Research, study and commercialise

Our operations

Reduce carbon footprint and
cost of energy

Domestic industry

Develop, partner or participate in
hydrogen related projects

Global supply chain

Supporting export of green hydrogen

FY20 Guidance

170-175mt

Shipments

US \$13.25-13.75

C1 cost / wmt

US \$2.4 billion

Capital investment

50-80% FY NPAT

Dividend policy

Key strategic focus

**Balance sheet
strength**

**Long term
sustainability**

**Growth and
development**

**Returns to
shareholders**

Our Vision

The safest, lowest cost, most profitable mining company

Fortescue's Values





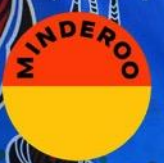
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Glossary

C1 - Operating costs of mining, processing, rail and port on a per tonne basis, including allocation of direct administration charges and production overheads. Reconciled on page 32 of Fortescue's FY19 Annual Report.

CFR - Cost and freight rate

Dmt - Dry metric tonnes

Free cash flow - Net cash inflow from operations less capital expenditure

FY - Full year

Gross gearing – (Gross debt) / (Gross debt + Equity)

mtpa - Million tonnes per annum

Net debt - Total borrowings and finance lease liabilities less cash and cash equivalents

Net gearing ratio - (Net debt) / (Net debt + Equity)

NPAT - Net profit after tax

SIFR - Significant Incident Frequency Rate per million hours

TRIFR - Total Recordable Injury Frequency Rate per million man hours worked

TSF – Tailings storage facility

wmt - Wet metric tonnes

Underlying EBITDA - Earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses.

Underlying NPAT - Net profit after tax adjusted for the after tax impact of one-off refinancing and early debt repayment costs.

The reconciliation of underlying EBITDA and underlying NPAT to the financial metrics disclosed in the financial statements prepared under the Australian Accounting Standards is presented below:

	2019 US\$m	2018 US\$m
Operating sales revenue	9,965	6,887
Cost of sales excluding depreciation and amortisation	(3,931)	(3,665)
Net foreign exchange gain	110	29
Administration expenses	(95)	(70)
Other income/ (expenses)	(2)	1
Underlying EBITDA	6,047	3,182
Finance income	26	24
Finance expenses	(279)	(652)
Depreciation and amortisation	(1,196)	(1,277)
Exploration, development and other expenses	(29)	(32)
Net profit before tax	4,569	1,245
Income tax expense	(1,382)	(367)
Net profit after tax	3,187	878
Cost of early debt repayment after tax	-	202
Underlying net profit after tax	3,187	1,080