



**JP Morgan**

**Global High Yield &**

**Leverage Finance**

**Conference**

**February 2020**



**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* and ASX Listing Rules.

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 Ltd, unless otherwise stated. Tables contained within this presentation may contain immaterial rounding differences.

# Integrated mine to market infrastructure

Delivering sustained operational efficiencies





# 1H20 Highlights

**88.6 million tonnes**  
Shipped

**US\$80/dmt**  
Realised price

**US\$4.2 billion**  
Underlying EBITDA

**US\$2.5 billion**  
Net profit after tax (NPAT)

**A\$0.76 per share**  
Fully franked interim dividend

**US\$0.7 billion**  
Net debt at 31 December 2019

# Financial results



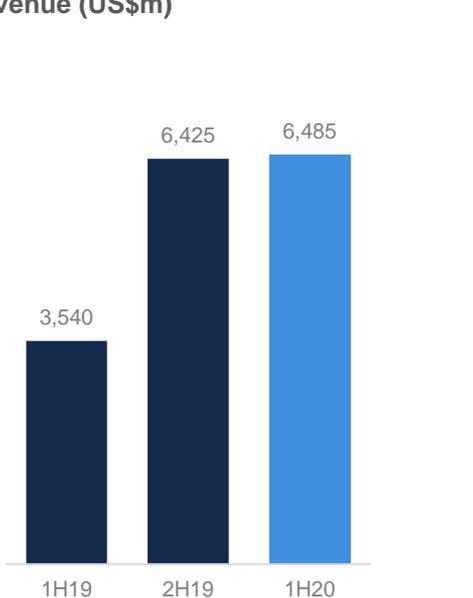
# 1H20 Highlights

Generating strong earnings

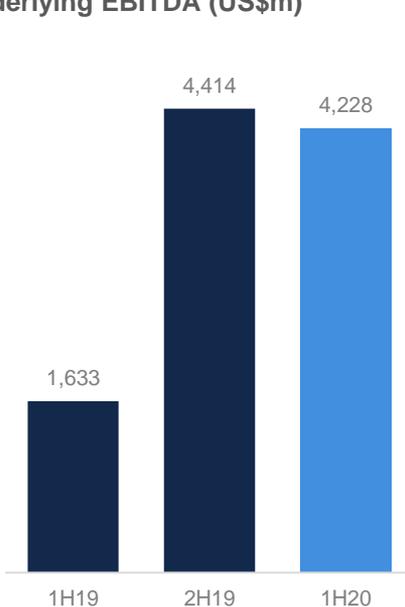
65% EBITDA margin



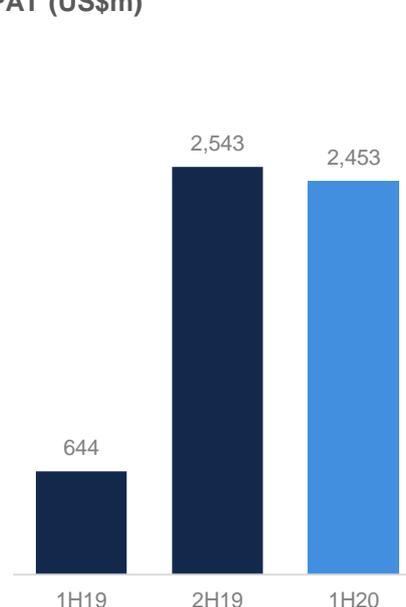
Revenue (US\$m)



Underlying EBITDA (US\$m)

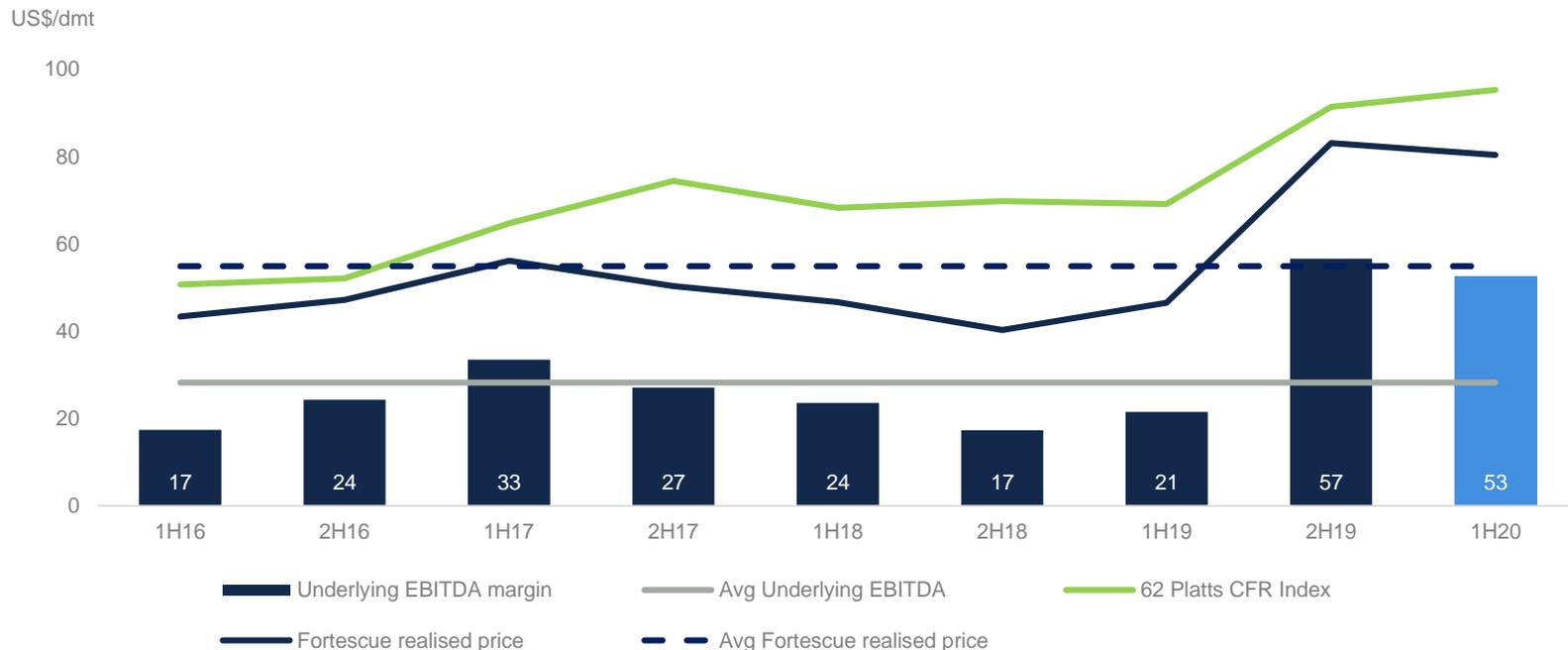


NPAT (US\$m)



# Price and margins

Strong underlying EBITDA margins through all market cycles

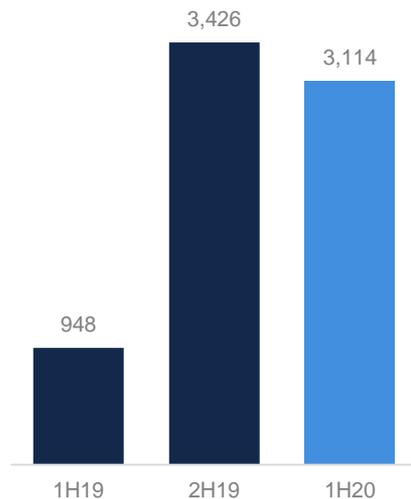


# Cashflow

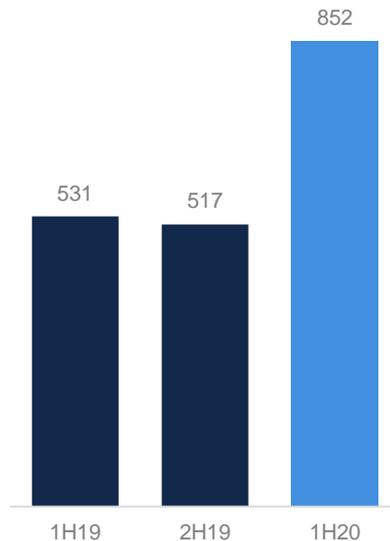
Strong free cash flow and investment in growth



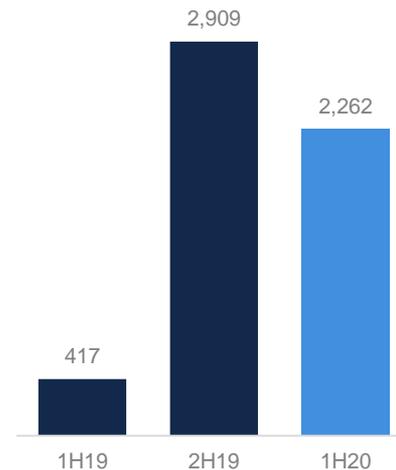
Net cash from operations  
(US\$m)



Capital expenditure  
(US\$m)



Free cash flows  
(US\$m)

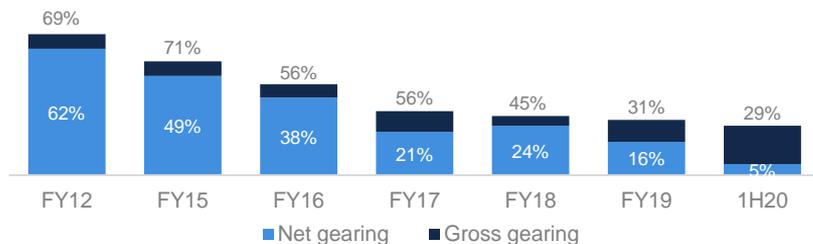


# Credit metrics

Target investment and credit metrics

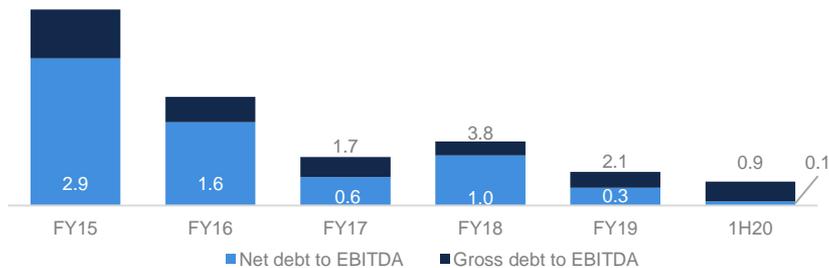
## Gearing %

Target 30 – 40 % (Gross debt)

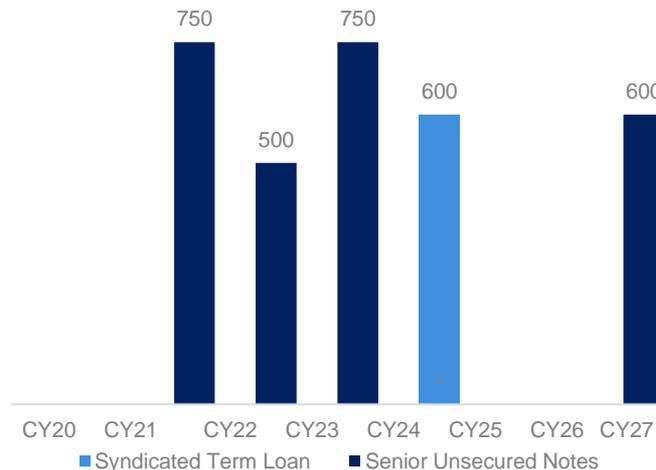


## Debt to EBITDA (x)

Target 1-2x (Gross debt)



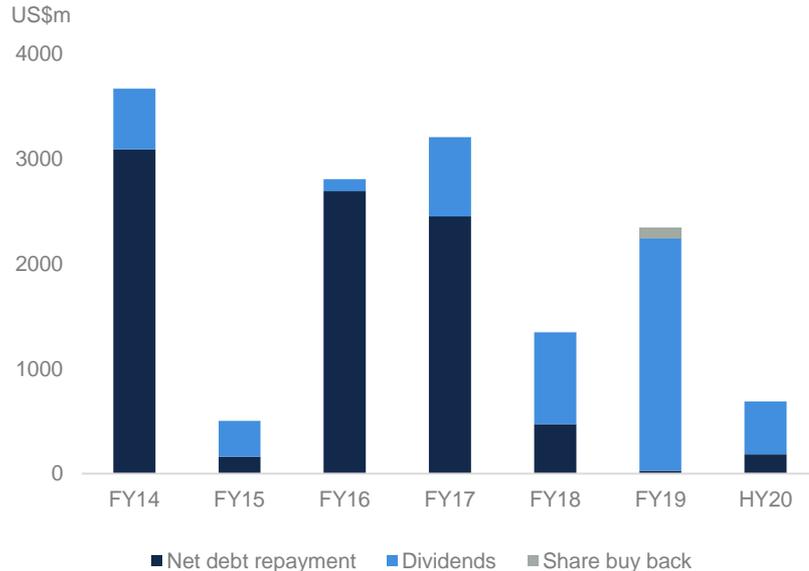
## Debt maturities profile (US\$m) (excluding leases)



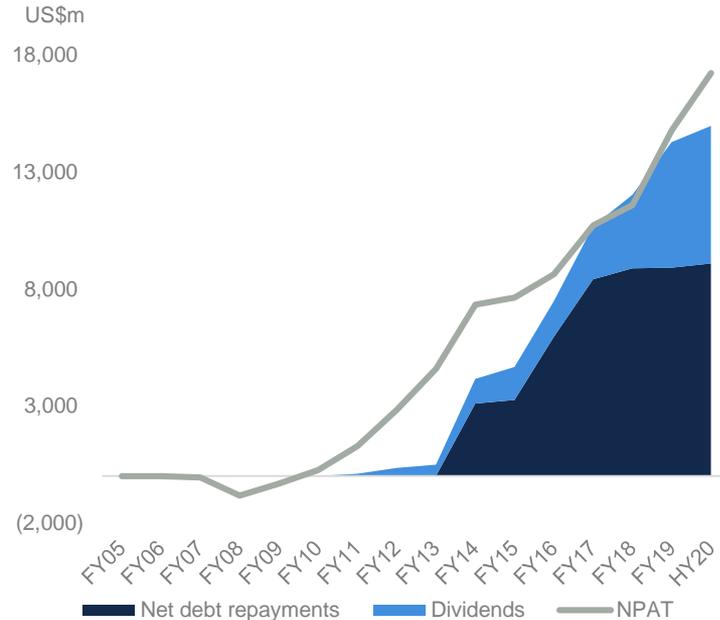
# Capital allocation

To date, Fortescue has generated NPAT of US\$17bn and allocated US\$9bn of capital to debt repayment and US\$6bn to dividends

Capital allocation to debt and dividends



Cumulative Allocation of NPAT: FY05-HY20

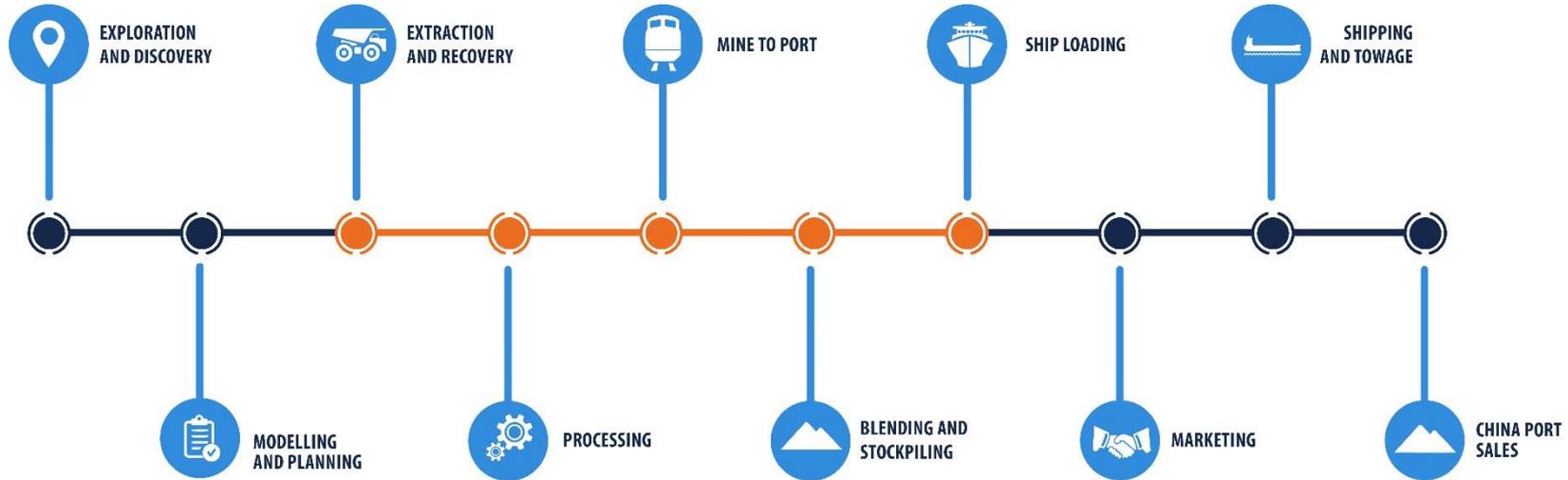


# Integrated operations and marketing



# Fully integrated supply chain

Supported by a culture of innovation



 REMOTELY CONTROLLED FROM INTEGRATED OPERATIONS CENTRE (IOC)

# Marketing

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**Responsive to  
changing markets**

**Direct customer engagement  
driving deep market insights**

**A product mix that meets  
customers' needs**

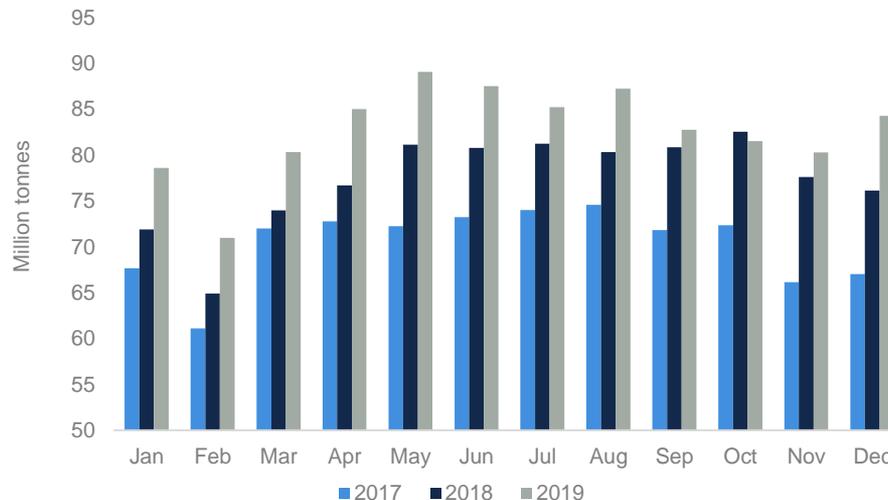
**Aligning delivery with  
customers' needs**

**Ongoing operation and  
marketing collaboration**

**Co-location of key decision  
makers**

# Crude steel production

China Monthly Crude Steel Output



Source: China's National Bureau of Statistics

Strong growth in China's crude steel production

996 million tonnes in 2019

8.3% increase compared to 2018

# Enhanced product mix

Average realised price of US\$80/dmt for 1H20



West Pilbara Fines well established

Fortescue Lump production aligned with market demand

Super Special Fines reduced

## Product mix optimisation delivers value:

Tonnes shipped millions (wmt)	1H20	Product Mix %	1H19	Product Mix %
West Pilbara Fines	9.0	10	0.4	0
Kings Fines	7.6	9	6.7	8
Fortescue Blend	38.0	43	39.2	47
Fortescue Lump	5.3	6	3.1	4
Super Special Fines	28.7	32	32.9	40
Manganese Iron Ore	0.0	0	0.4	0
Total	88.6	100	82.7	100

# Sustainability



Fortescue

# Setting high standards

Safety, diversity and integrity

## TRIFR 2.5

Improved by 38% from 1H19

## 19%

Female employment

## Social Change

Building strong communities

## UN Framework

Convention on Climate Change

# Growth and development



# Eliwana project

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

## Infrastructure

143km rail; 30mtpa dry OPF

## Efficient design

Significantly smaller footprint  
compared to Firetail OPF

## Rail license granted

Enabling construction and operation  
of the Eliwana railway

## Rail fleet

126 ore cars and four locomotives  
commissioned and in operation

# Iron Bridge Magnetite Project

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

**22 mpta**

First ore on ship mid-2022

**67% Fe**

Low impurity premium concentrate product

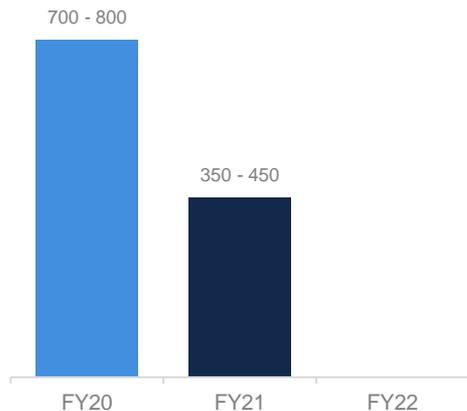
**Design and procurement advanced**

**Bulk earthworks commenced**

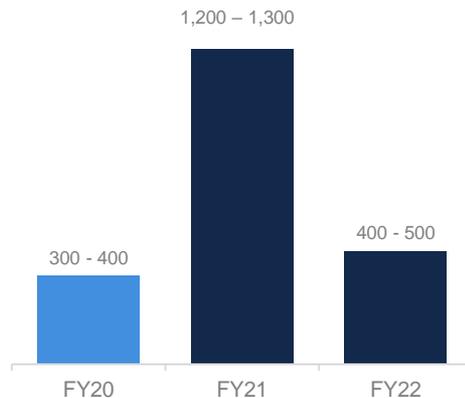
# Investing in growth



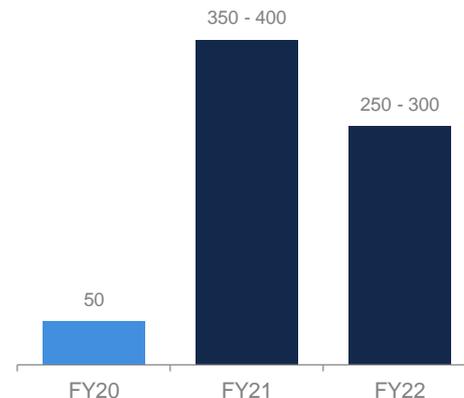
Eliwana Mine and Rail (US\$m)



Iron Bridge Magnetite (US\$m)



Pilbara Energy Connect (US\$m)



US\$1.275 billion total investment  
30mtpa processing and 143km rail  
Underpins 60.1% Fe West Pilbara Fines

US\$2.6 billion total investment  
Fortescue's share US\$2.1 billion  
67% Fe concentrate product

US\$700 million total investment  
Solar-gas hybrid energy and  
transmission infrastructure  
Low cost energy to Iron Bridge

# World class exploration

Opportunities will be driven by market demand  
across iron ore and other commodities

## Pilbara

Extensive tenement footprint

## Australia

NSW 3,000km<sup>2</sup> tenure  
SA 15,000km<sup>2</sup> tenure

## South America

Ecuador, Argentina,  
Colombia

# FY20 Guidance

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**170-175mt**

Shipments expected to be at the upper end of range

**US\$12.75-\$13.25**

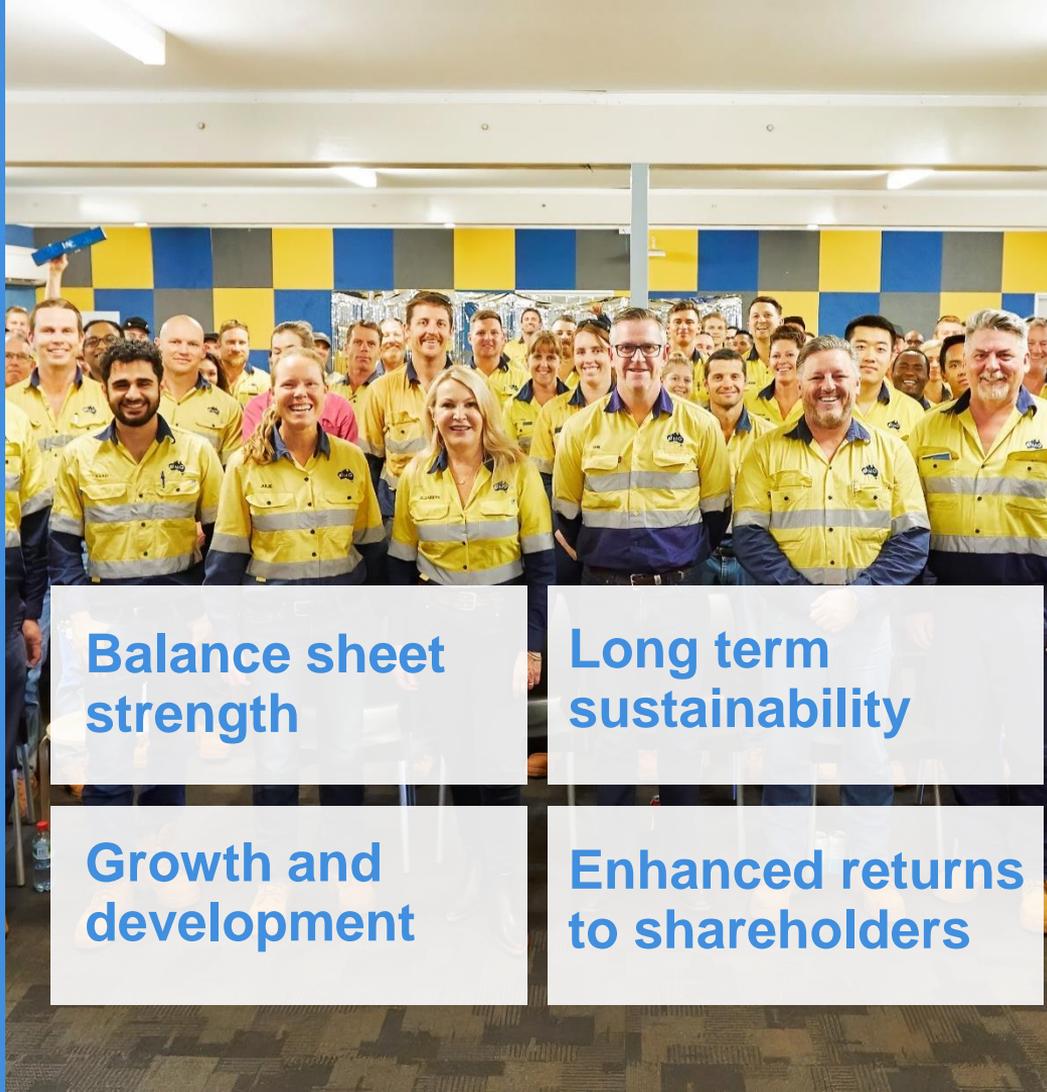
C1 cost / wmt

**US\$2.4 billion**

Capital investment

# Key strategic focus

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**Balance sheet strength**

**Long term sustainability**

**Growth and development**

**Enhanced returns to shareholders**

# Our Vision

The safest, lowest cost, most profitable mining company

# Fortescue's Values

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



Fortescue

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

 FortescueNews



# 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:

US\$ millions	1H20	1H19
Operating sales revenue	6,485	3,540
Cost of sales excluding depreciation	(2,277)	(1,905)
Net foreign exchange gain	72	39
Administration expenses	(52)	(41)
<b>Underlying EBITDA</b>	<b>4,228</b>	<b>1,633</b>
Finance income	27	9
Finance expenses	(150)	(141)
Depreciation and amortisation	(657)	(581)
Exploration, development and other	(21)	(4)
Net profit before tax	3,427	916
Income tax expense	(974)	(272)
<b>Net profit after tax</b>	<b>2,453</b>	<b>644</b>
Cost of early debt repayment after tax	11	-
<b>Underlying net profit after tax</b>	<b>2,464</b>	<b>644</b>



Fortescue