



**JP Morgan
Global High Yield &
Leverage Finance
Conference
February 2020**



**Global force
Thriving communities**

Forward Looking Statements

Disclaimer

Important Notice

The purpose of this presentation is to provide general information about Fortescue Metals Group Ltd ("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 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



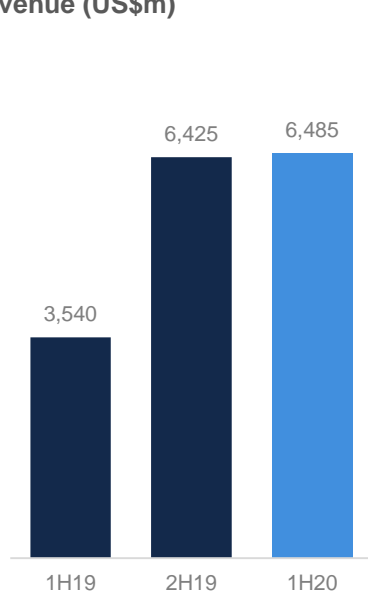
1H20 Highlights

Generating strong earnings

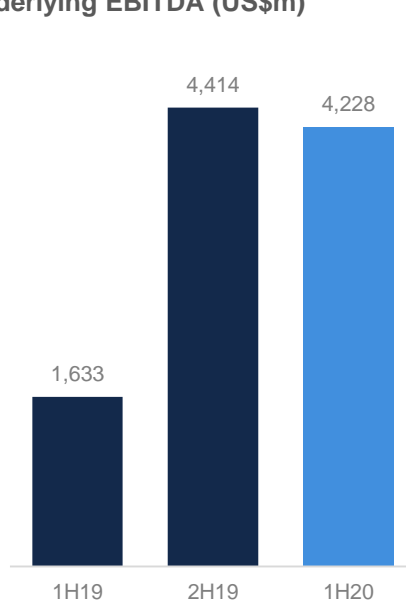
65% EBITDA margin



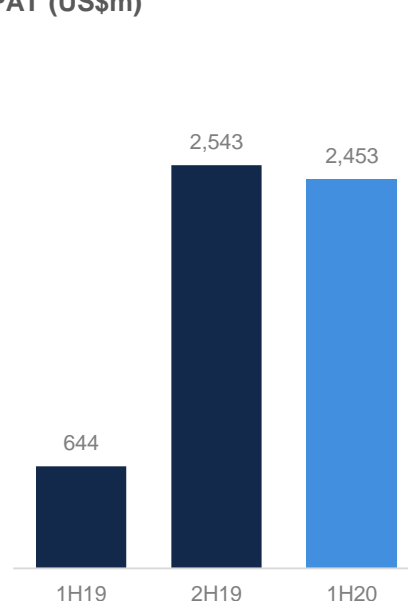
Revenue (US\$m)



Underlying EBITDA (US\$m)

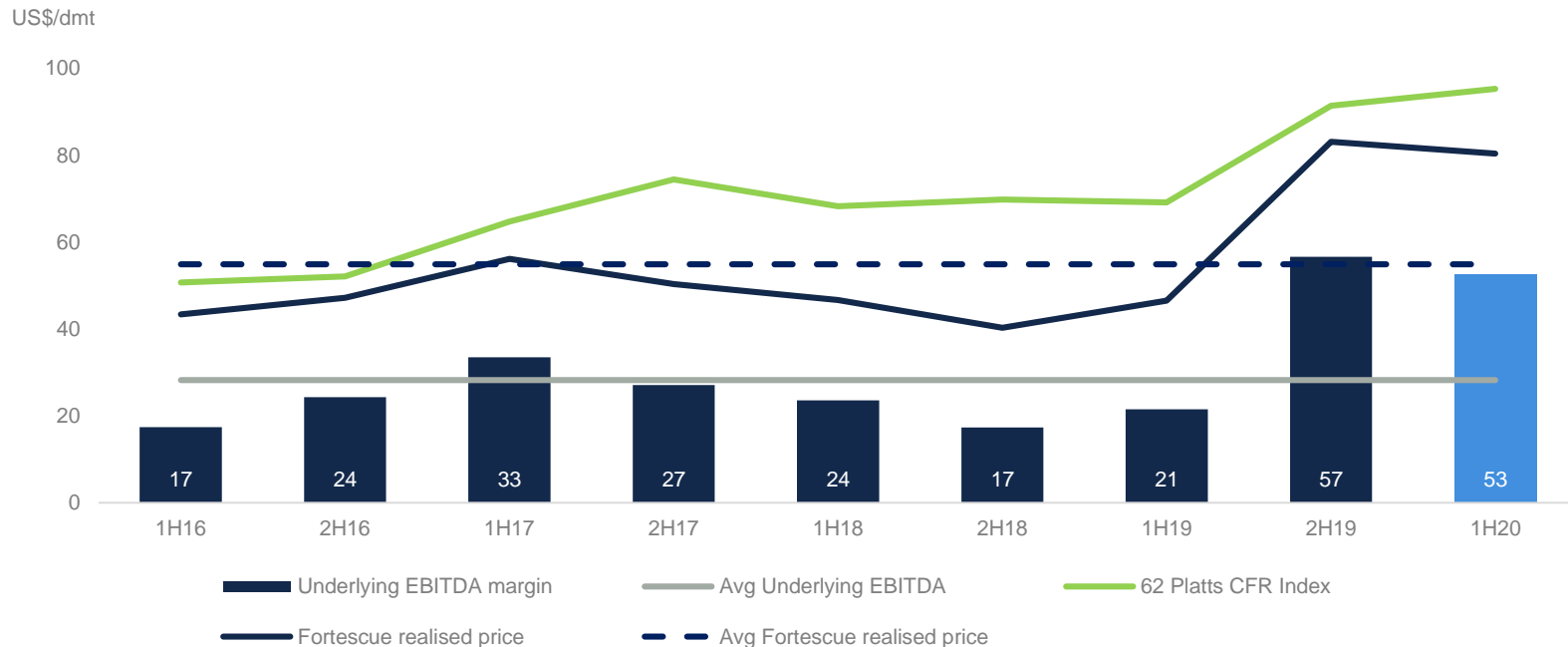


NPAT (US\$m)



Price and margins

Strong underlying EBITDA margins through all market cycles

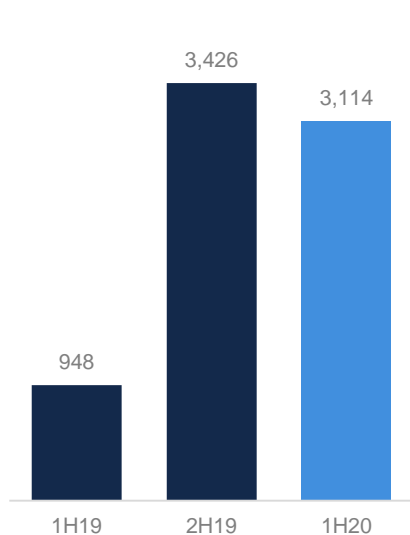


Cashflow

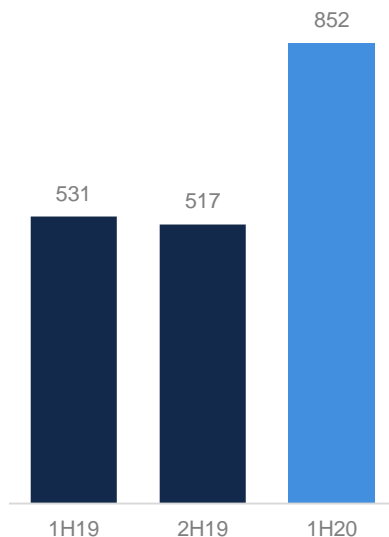
Strong free cash flow and investment in growth



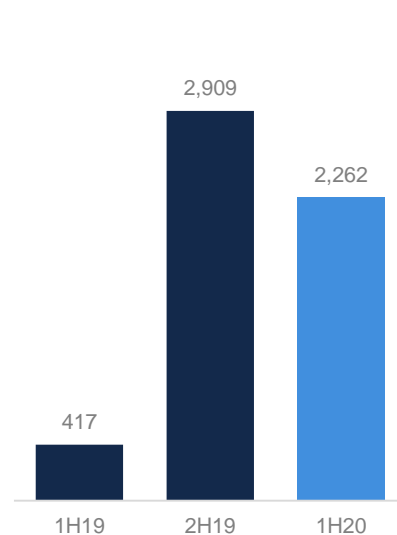
Net cash from operations
(US\$m)



Capital expenditure
(US\$m)



Free cash flows
(US\$m)

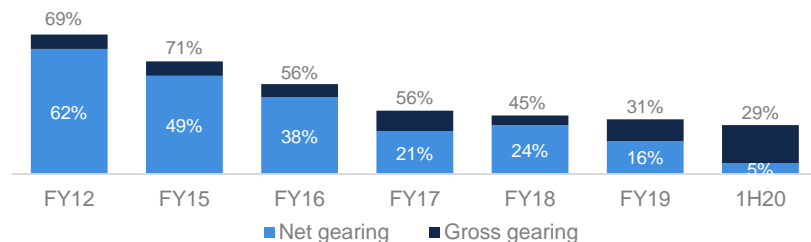


Credit metrics

Target investment and credit metrics

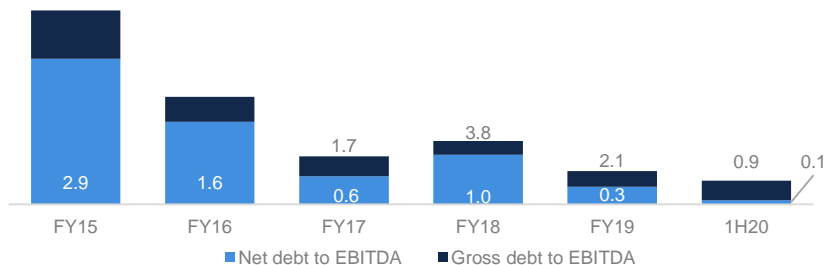
Gearing %

Target 30 – 40 % (Gross debt)

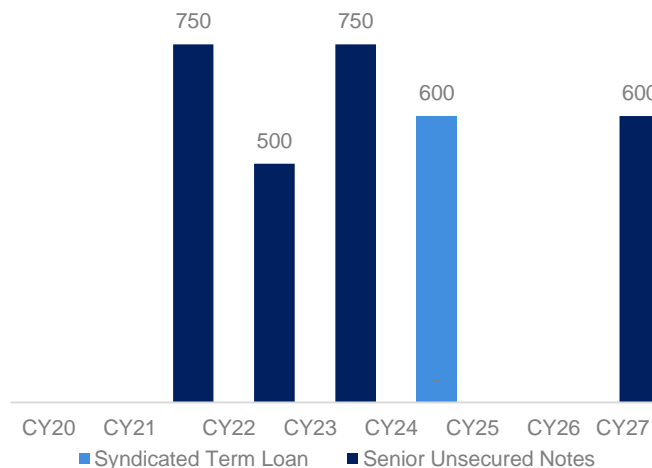


Debt to EBITDA (x)

Target 1-2x (Gross debt)



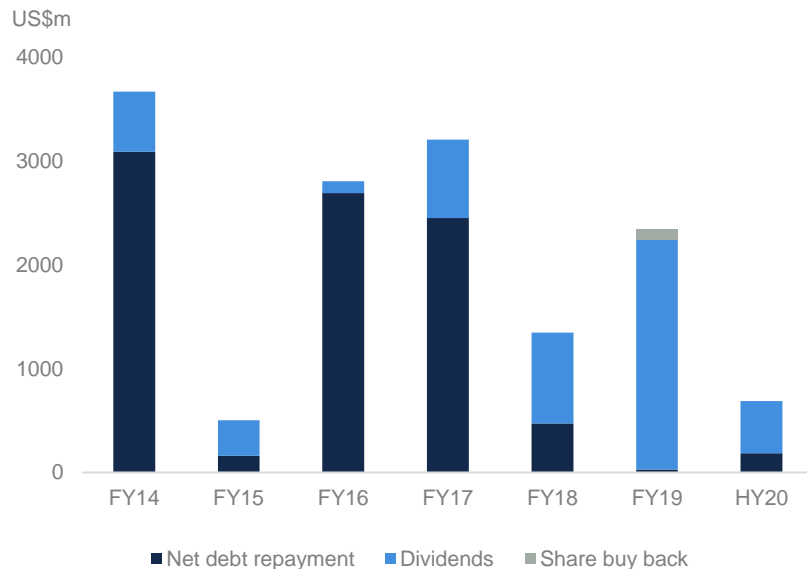
Debt maturities profile (US\$m) (excluding leases)



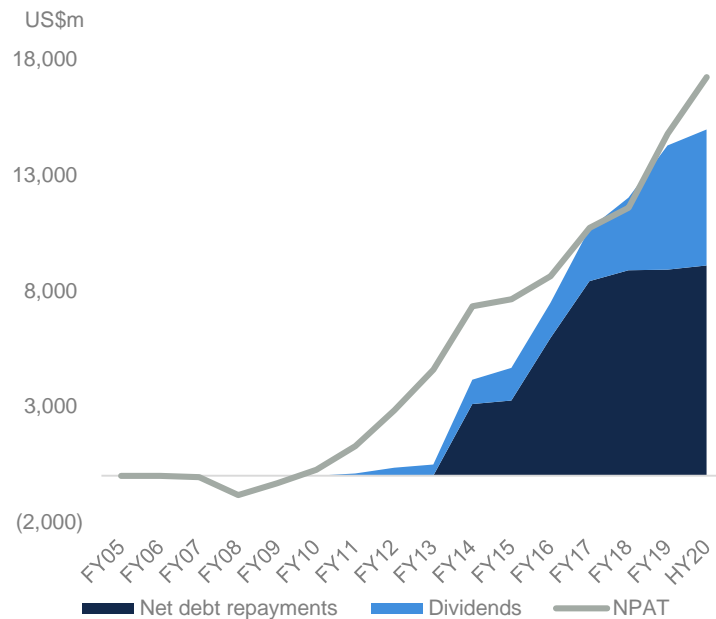
Capital allocation

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

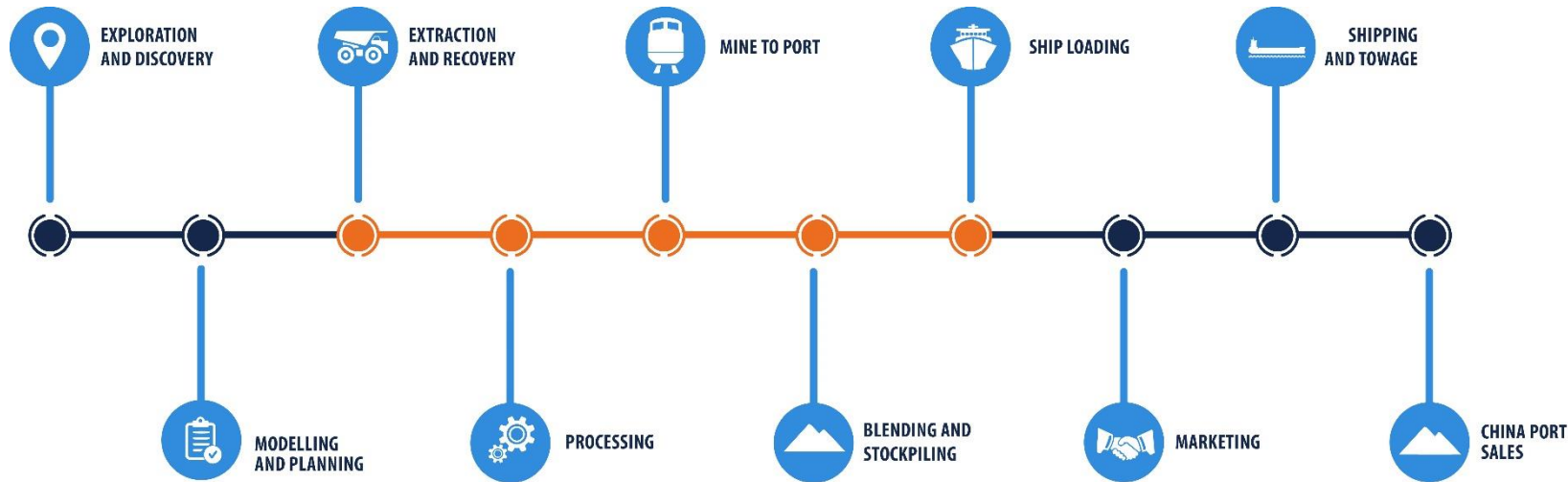


Integrated operations and marketing



Fully integrated supply chain

Supported by a culture of innovation



REMOTELY CONTROLLED FROM INTEGRATED OPERATIONS CENTRE (IOCC)

Marketing

**Responsive to
changing markets**

**Direct customer engagement
driving deep market insights**

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

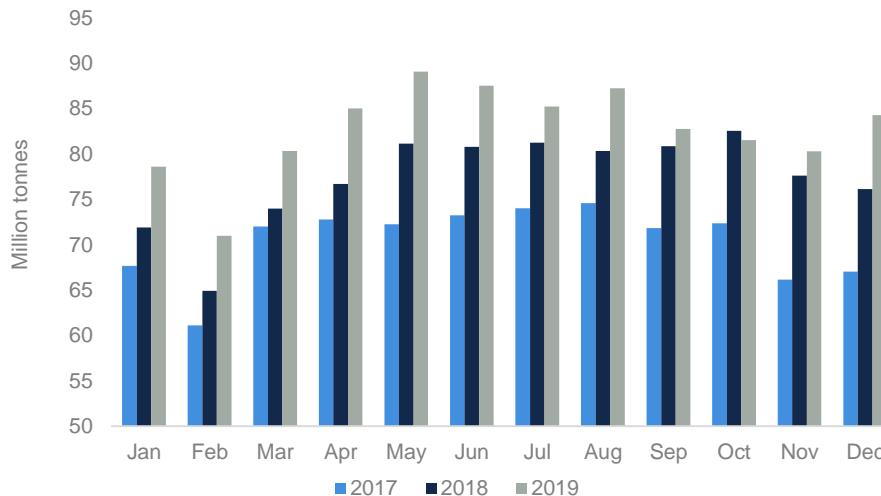
**Aligning delivery with
customers' needs**

**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

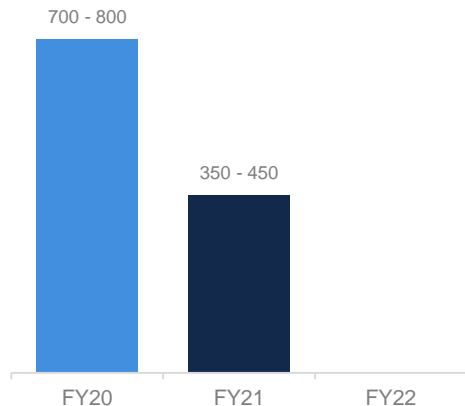
**Design and procurement
advanced**

**Bulk earthworks
commenced**

Investing in growth

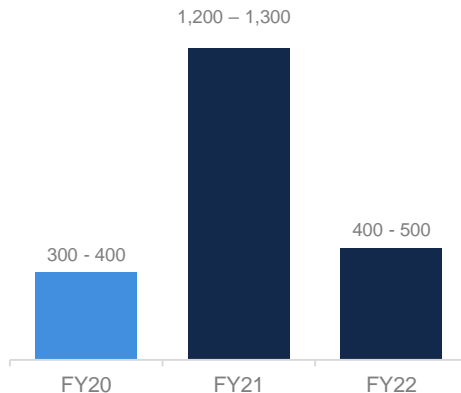


Eliwana Mine and Rail (US\$m)



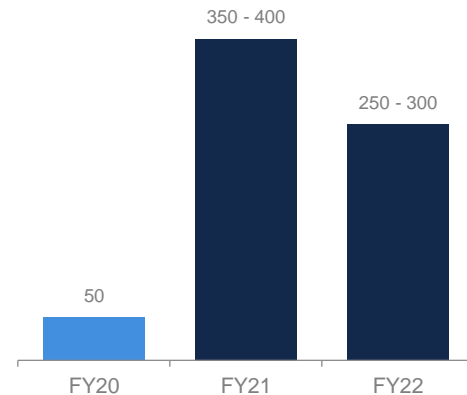
US\$1.275 billion total investment
30mtpa processing and 143km rail
Underpins 60.1% Fe West Pilbara Fines

Iron Bridge Magnetite (US\$m)



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

Pilbara Energy Connect (US\$m)



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 3,000km² tenure
SA 15,000km² tenure

South America

Ecuador, Argentina,
Colombia

FY20 Guidance



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



**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





Fortescue

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)
Underlying EBITDA	4,228	1,633
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)
Net profit after tax	2,453	644
Cost of early debt repayment after tax	11	-
Underlying net profit after tax	2,464	644