



Fortescue
The New Force in Iron Ore

Macquarie West Australian Forum

4 December 2019



**Global force
Thriving communities**

Forward looking statement

Disclaimer

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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.

A world class company

Wholly owned,
fully integrated
supply chain

>1.3 billion
Shipped

~170mtpa

**Core supplier
to China**

**Low cost
producer**

FY19: a record year

Underpinned by record safety performance

167.7million 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 paid dividend

Increasing shareholder returns

A \$0.24 per share

Fully franked final dividend paid in October

A \$1.14 per share

Total FY19 dividends paid

78% of FY19 NPAT

Dividend pay-out ratio

Share buy-backs

A\$139m completed, extended to October 2019

A strong start to FY20

First quarter of FY20 builds on record results in FY19

Safety 2.7

Total Recordable Injury Frequency Rate

42.2mt

Shipments for the quarter

US\$12.95/wmt

C1 costs

US\$85/dmt

Average revenue received

US\$0.5 billion

Net debt

US\$3.4 billion

Cash on hand

Investment in growth

Unparalleled track record and capability in safely developing and operating major iron ore projects in the Pilbara



Building strong relationships with China

WA companies have forged strong connections with China

**Major supplier
of iron ore to China**

**Investment and financing
relationships**

**Over US\$1billion in
procurement from China**

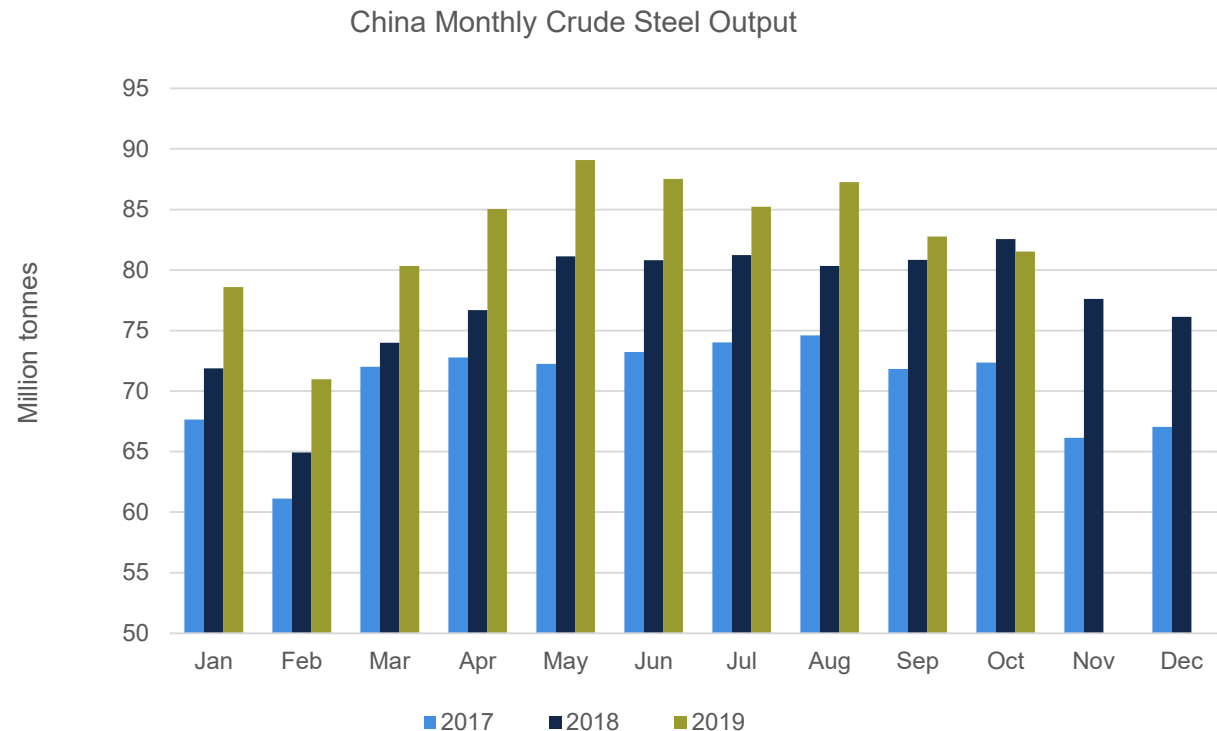
**Academic, policy and
community engagement**

Crude steel production



Strong growth in China's crude steel production

7.4% increase in steel production YTD Oct 2019

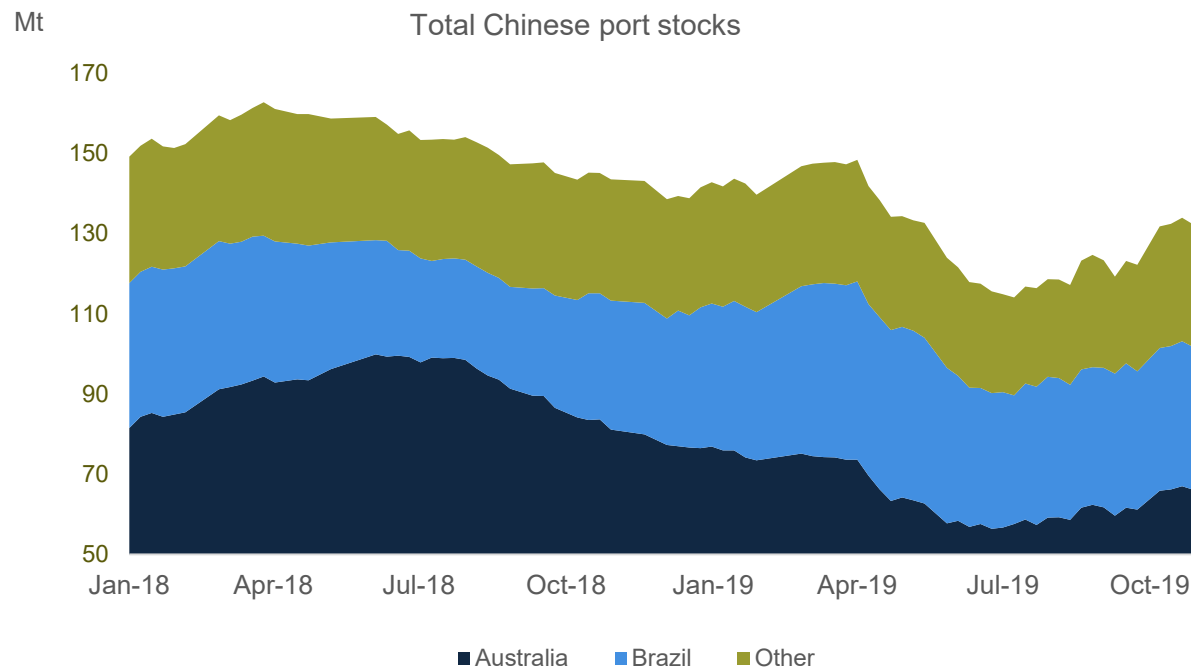


Strong demand for Fortescue products

China's iron ore port
stockpiles drawn down to 128mt (31 October 2019)

Peak stockpiles of 163mt
(March 2018)

China Q3 iron ore **imports increased by 12.4Mt YoY**



Source: Mysteel

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%

Iron ore price

Key drivers contributing to Fortescue's average price received increase with 89% contractual price realisation in Sept Q



Optimising product mix

Steel mill margins

Strength in Chinese steel production

Global supply disruptions



Pricing at 29 November 2019

Financial results



Sustainable low cost producer

Industry leading cost position

Structural improvements

Solomon + blending + processing

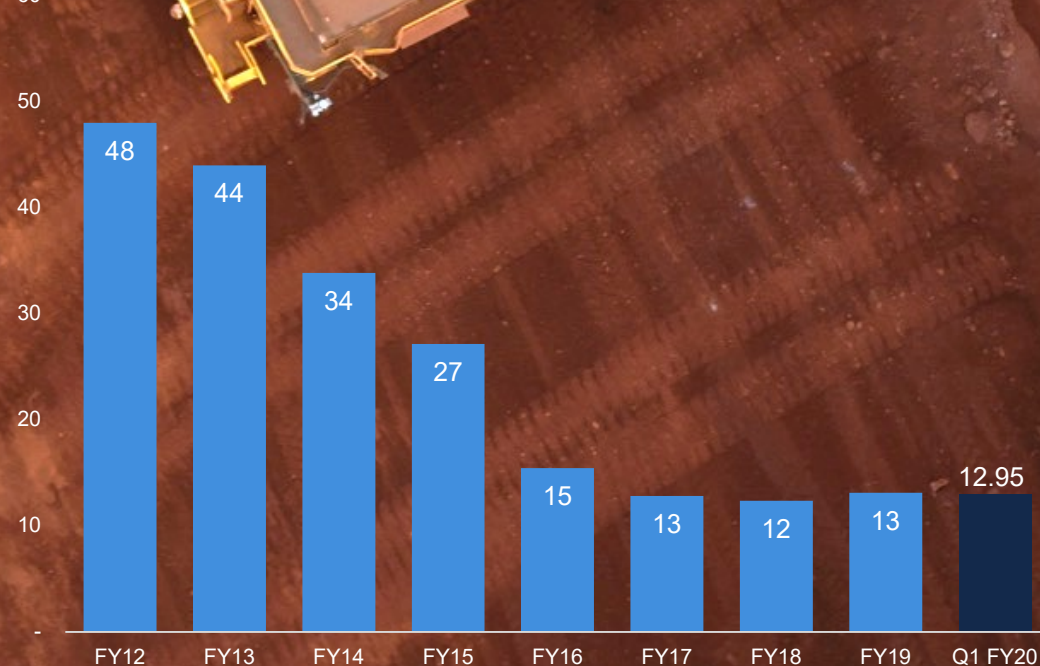
Productivity and efficiency

Utilisation, recoveries, maintenance

Innovation and technology

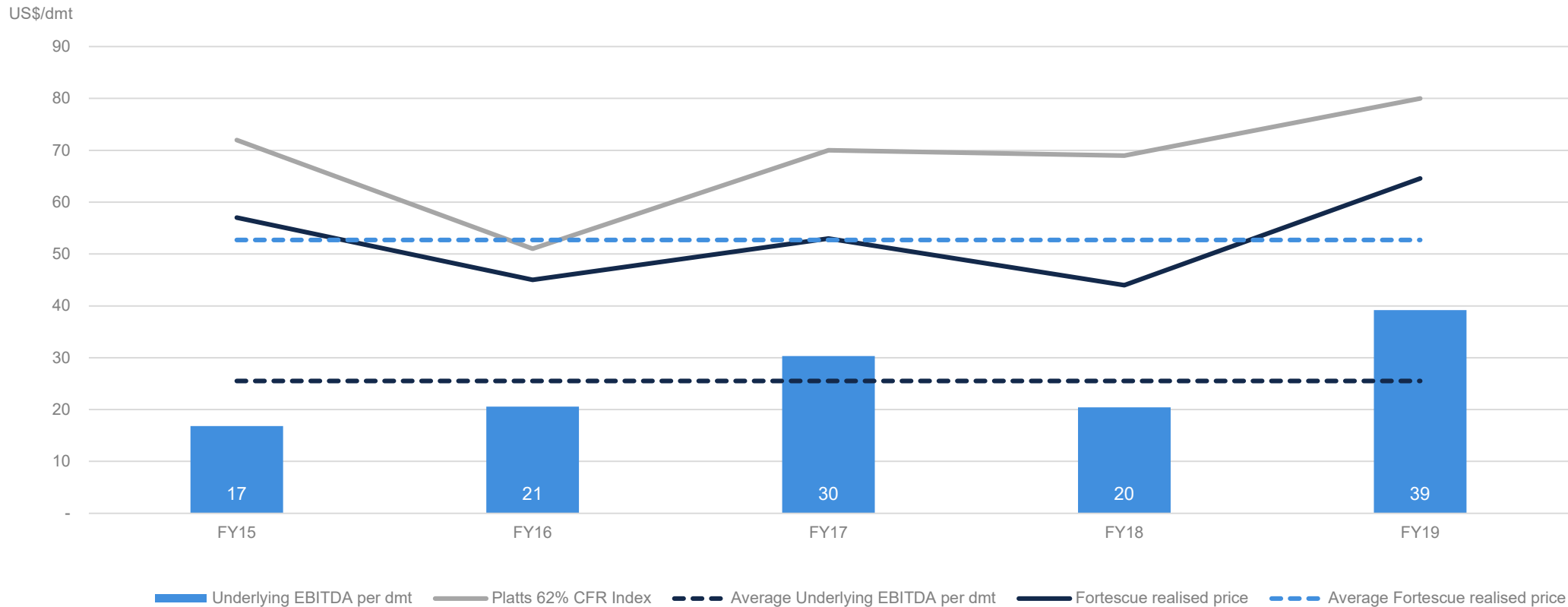
Autonomy, conveyor, ore carriers, data analysis

C1 US\$/wmt



Price and margins

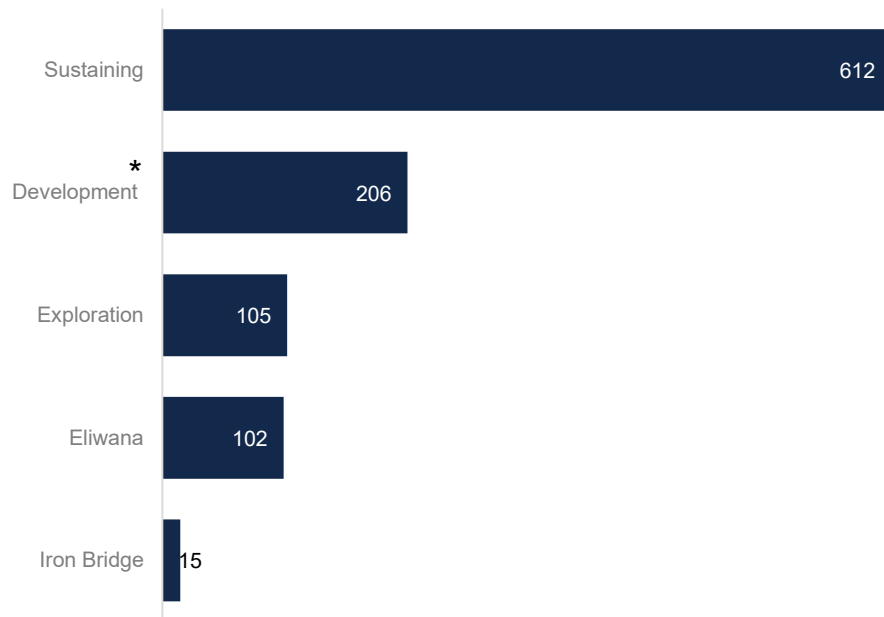
Cost leadership and efficient operations underpin resilience in earnings through all market cycles



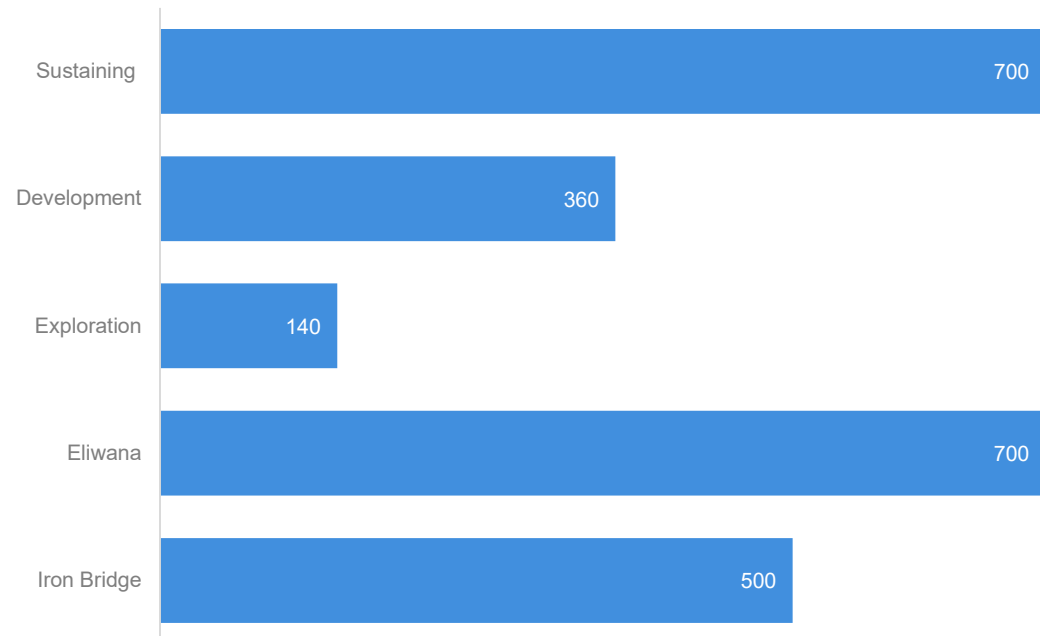
Capital expenditure

Disciplined allocation to core business, innovation and growth

FY19 Capital expenditure - US\$1,040m



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



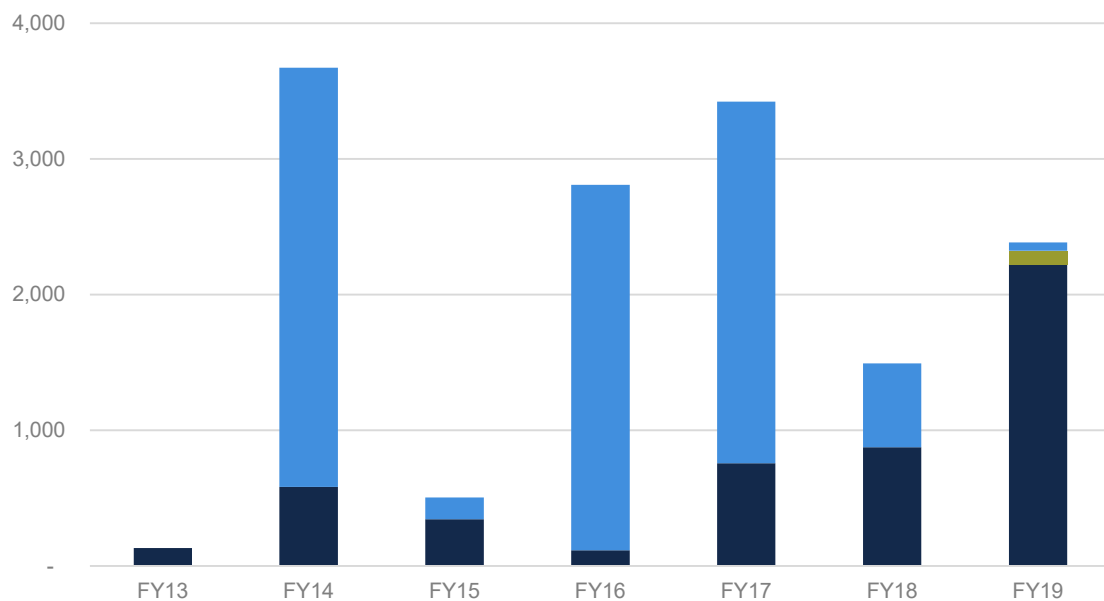
* Includes ore carrier and towage expenditure of US\$80 million

Capital allocation

Disciplined allocation to capital investment and shareholder returns

Capital allocation of debt and dividends

US\$m



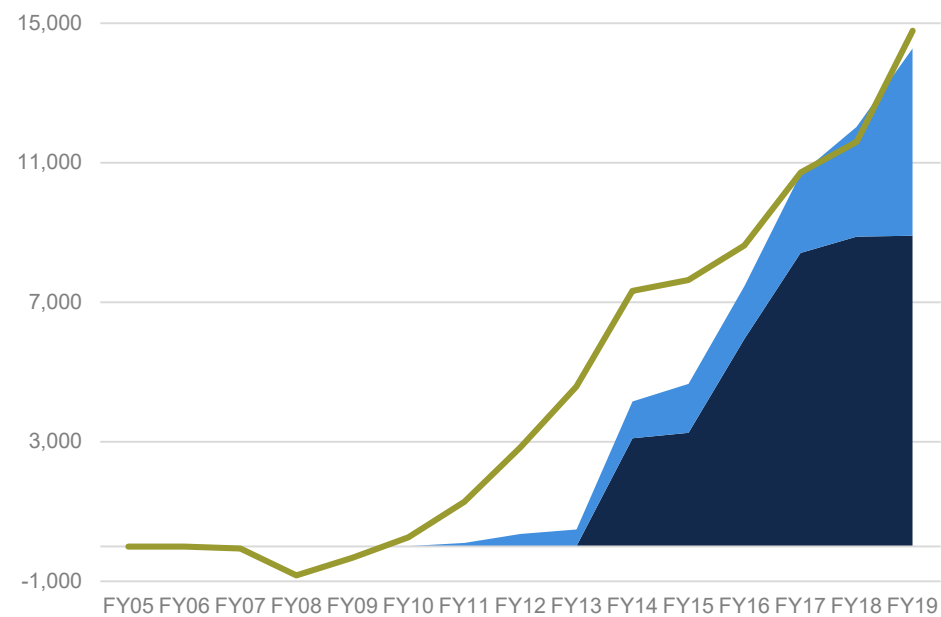
■ Dividend

■ Share Buy Back

■ Debt Repayment

Cumulative allocation of NPAT: FY05-19

US\$m



■ Debt Repayment

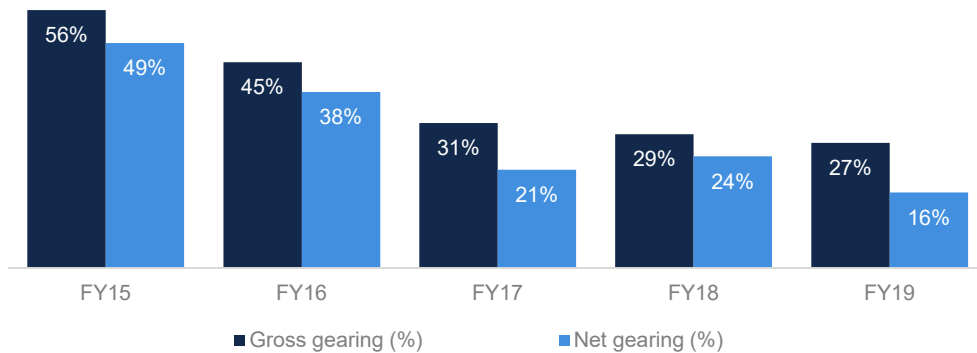
■ Dividends

■ NPAT

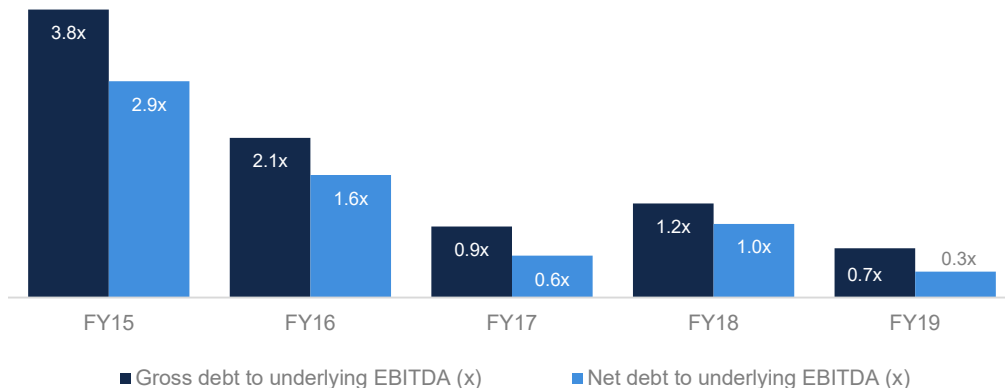
Credit metrics

Investment grade metrics support financial strength
Earliest debt maturity in 2022

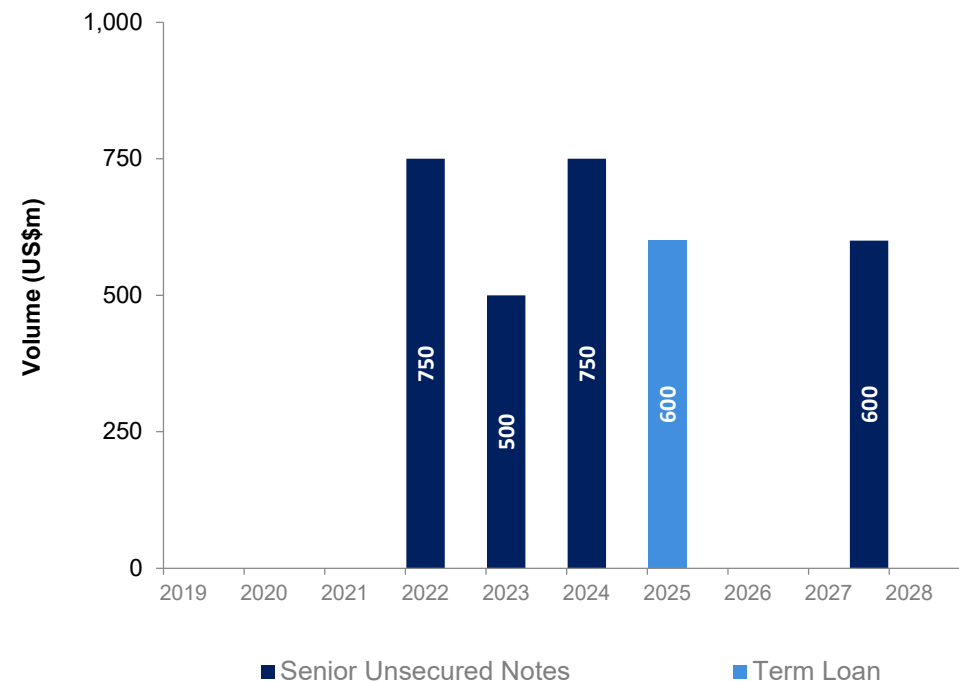
Gearing %



Debt to EBITDA (x)



Debt maturity profile



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

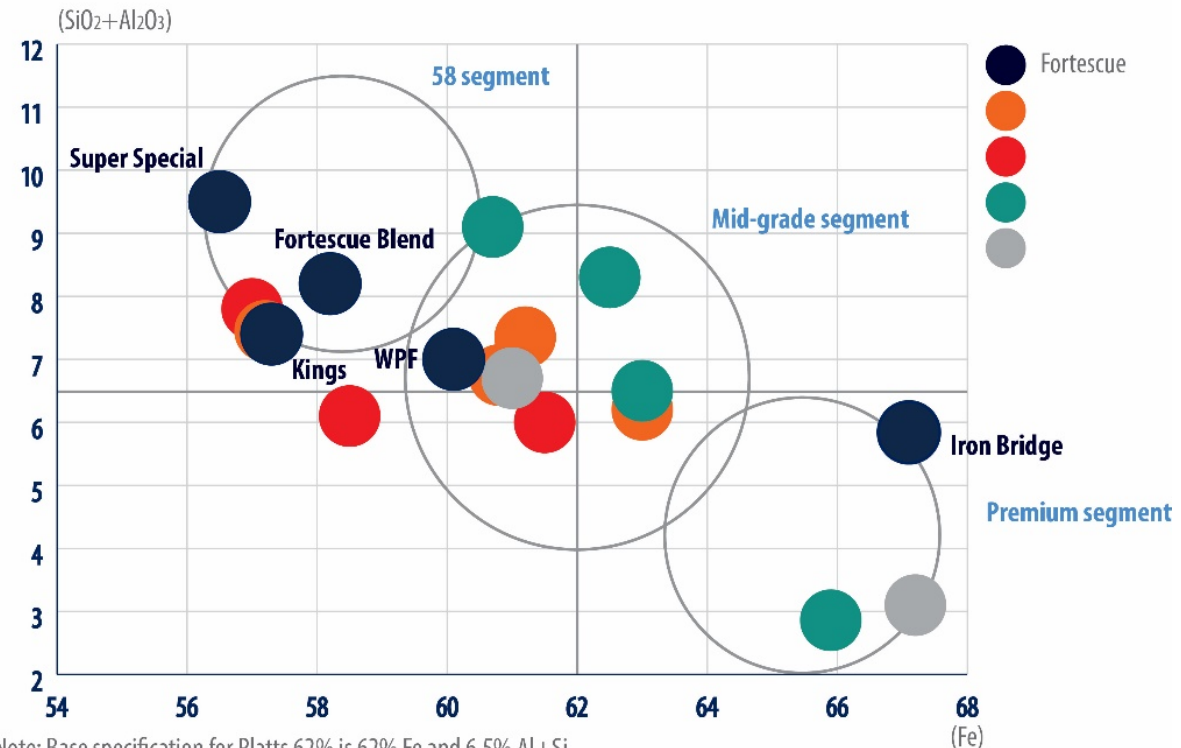
Aligned with customer requirements

Competitively positioned across all key segments

Flexibility to optimise product mix to meet customer requirements

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

Growth and development



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

Automated mining

Innovation delivering safety and productivity improvements



AHS operation

>37 million km safely travelled

Autonomous drills

8 drills in operation

AHS conversion

147 trucks in operation

Relocatable conveyor

Operating at full capacity

Chichester Solar Gas Hybrid

100 per cent of daytime stationary energy requirements at Fortescue's Chichester Hub will be powered by renewable energy

**60MW solar PV
generation facility**

**60-kilometre
transmission line**

**Displace around 100
million litres of diesel**

Pilbara Energy Connect

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





Fortescue
The New Force in Iron Ore

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