



FY21 Half Year Results

18 February 2021

Thriving communities | Global force

Forward Looking Statements Disclaimer

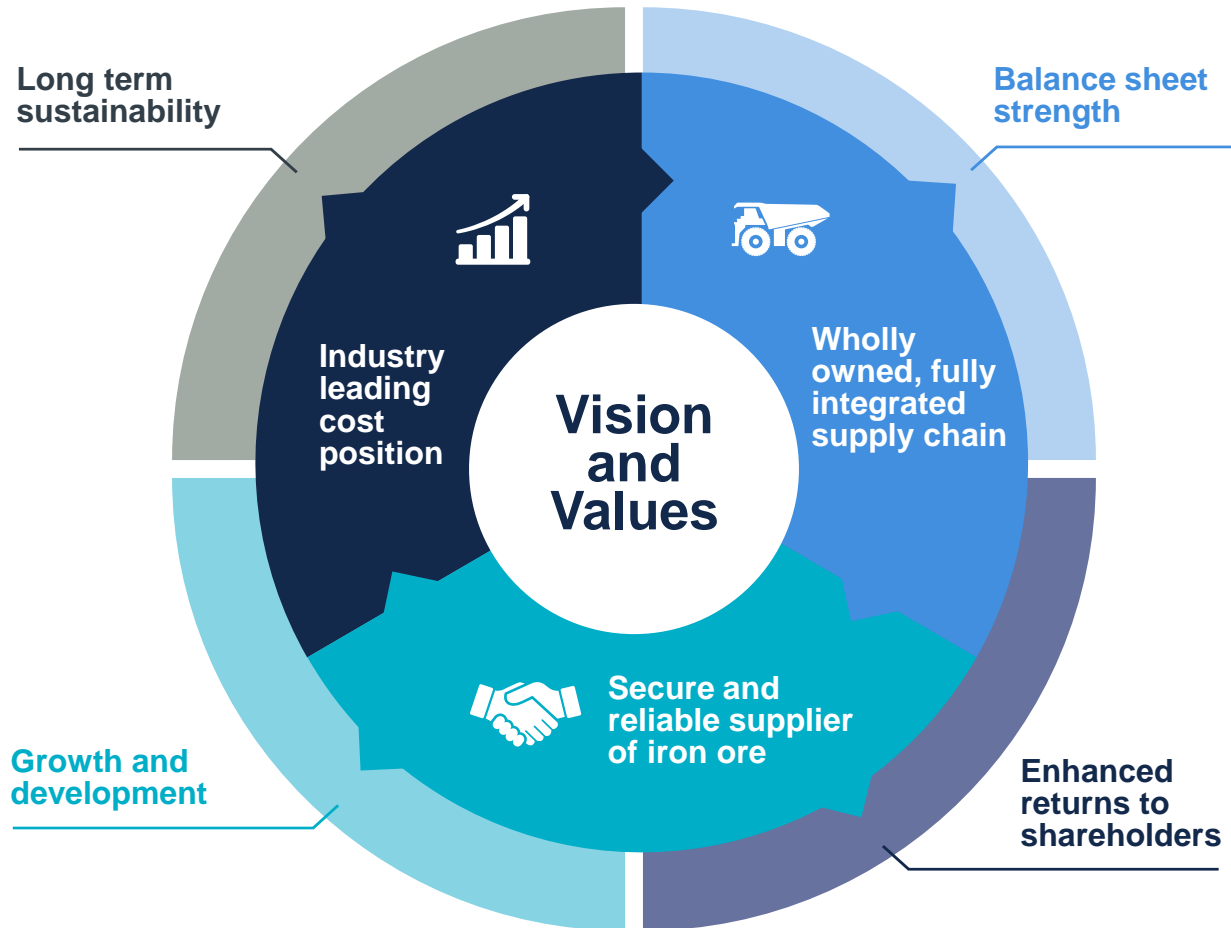
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Additional Information

This presentation should be read in conjunction with the Annual Report at 30 June 2020 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 21 August 2020. 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.

World class company



Integrated mine to market infrastructure

Delivering sustained operational efficiencies



Our strategic focus

Underpinned by operational excellence
and balance sheet strength



Sustainability

Ensuring communities benefit
from Fortescue's success



Optimising

Returns and growth from
our operations



Diversifying

Commodities that support
decarbonisation



Pursuing

Green energy opportunities
locally and internationally

Approach to Sustainability

We are a global force, committed to empowering thriving communities

Setting high standards



- Employee health and safety
- Economic contribution
- Workforce diversity
- Protecting Aboriginal heritage
- Ethical business conduct

Safeguarding the environment



- Climate change action and disclosure
- Protecting biodiversity and water resources
- Tailings management

Creating positive social change



- Creating employment and business opportunities for Aboriginal people
- Building sustainable communities
- Human rights

Setting high standards

Safety, diversity, integrity

2.1 TRIFR

13% improvement from 30 June 2020

20% female

employment rate

10% Aboriginal

employment rate across total workforce

Recognition

Inclusion in the 2020 Dow Jones Sustainability Indices

Protecting Aboriginal heritage



Detailed processes for
engagement and heritage
management

Seven agreements
with Native Title Groups

Heritage avoidance
Primary objective

~6,000 heritage sites
Protected and avoided

2.7 million ha of land
Ethnographically surveyed



Safeguarding the environment

An ambitious, industry leading emissions reduction target

Net zero

Operational emissions by 2040

26% reduction

Scope 1 and Scope 2 emissions by 2030

Decarbonisation pathway

Energy infrastructure to increase use of renewables

Technology and innovation

Hydrogen and battery electric solutions

Pathway to decarbonisation

Underpinned by practical initiatives that will deliver goals in an economically sustainable manner

Chichester solar gas hybrid project



- US\$100 million investment by Alinta Energy
- 60MW of solar generation
- 60km transmission line linking Chichester operations with Alinta Energy's Newman gas-fired power station
- 35MW battery facility
- Displaces 100 million litres of diesel

Pilbara Energy Connect



- US\$250 million Pilbara Transmission Project
- 275km of high voltage transmission lines
- US\$450 million Pilbara Generation Project
- 150MW of gas fired generation, 150MW of solar PV and large-scale battery storage

Hydrogen



- Reduce carbon emissions and reliance on diesel in our operations
- Hydrogen mobility and improving domestic energy security
- Export potential of green hydrogen from Australia
- Investment in new hydrogen technologies through key strategic partnerships

Creating positive social change



Building thriving communities and empowering Aboriginal people through training, employment and business development

900 jobs

to Aboriginal people via VTEC since 2006

Fortescue's Trade Up

Providing an accredited pathway to a trade qualification

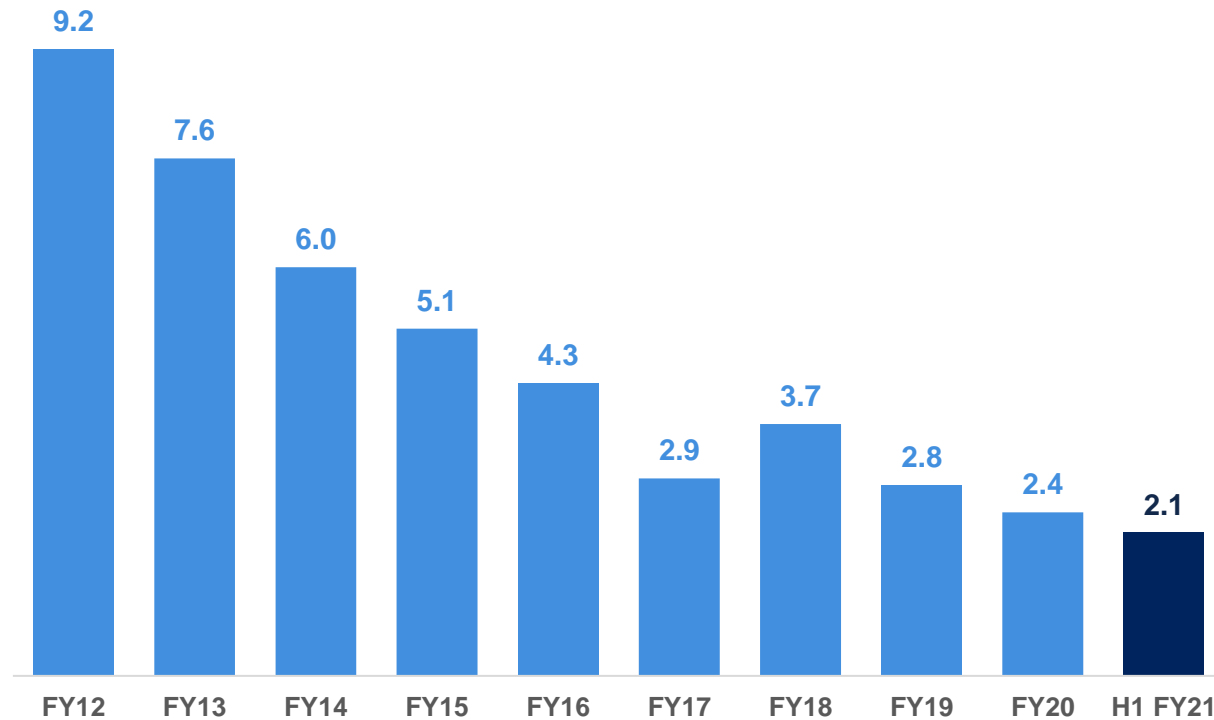
Billion Opportunities

A\$3 billion in contracts to Aboriginal businesses and joint ventures since 2011

Safety and unique culture

Empowering the Fortescue family to look out for their mates on the journey to zero harm

Total Recordable Injury Frequency Rate



Ongoing response to COVID-19



No cases of COVID-19 across Fortescue's operational sites

Incident Management Team

Regular meetings to review operations and latest government advice

Strict hygiene and physical distancing

Support for interstate team members

Assisted over 600 relocate to WA temporarily or permanently

Communications

Providing regular updates to team members, contractors, suppliers and key stakeholders

Implementation of screening programs

PCR testing and mandatory temperature testing

Mental health and wellbeing

24/7 support through the Fortescue Chaplains and Employee Assistance Program

H1 FY21 operational highlights

Record half year shipments and first ore celebrated at the Eliwana mine

90.7 mt shipped

Record shipments



2% on H1 FY20

US \$12.78 /wmt

C1 cost



No change

US \$114 /dmt

Average revenue



42% on H1 FY20

90%

Average revenue realisation



7% on H1 FY20

H1 FY21 financial highlights



^{US} **\$9.3bn**

Revenue

^{US} **\$4.1bn**

Net profit after tax

^{US} **\$1.33**

Earnings per share
(A\$1.84)

^{US} **\$6.6bn**

Underlying EBITDA at a
71% margin

47%

Return on equity

^A **\$1.47**

Interim dividend
Payout ratio of 80%

H1 FY21 financial highlights



^{US} **\$4.4bn**
Net operating cashflow

^{US} **\$4.0bn**
Cash on hand

21%
Gross gearing

^{US} **\$2.5bn**
Free cashflow

^{US} **\$110m**
Net debt

0.4x
Gross debt / EBITDA

Shareholder returns

Highest single dividend in Fortescue's history



Dividend policy to payout 50 to 80 per cent of full year NPAT, targeting the top end of the range

^A **\$1.47** per share

Fully franked interim dividend

80% of H1 FY21 NPAT

Dividend payout ratio

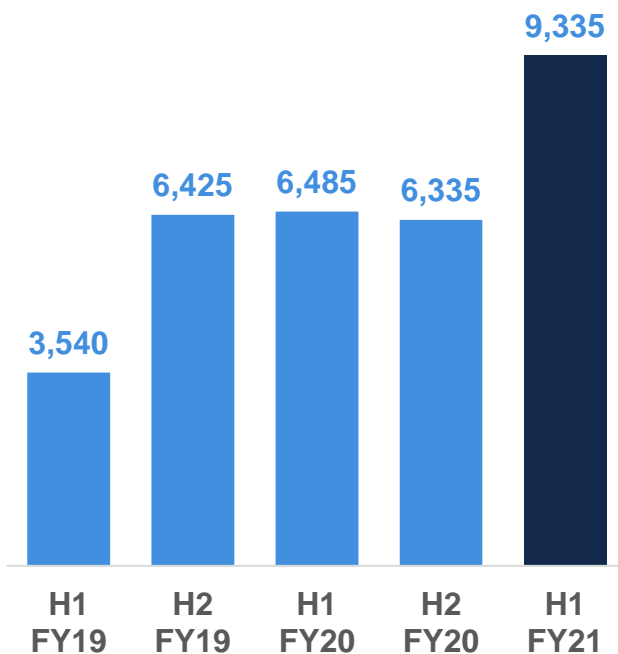
Growth

Intention to allocate 10 per cent of NPAT to fund renewable energy growth through FFI, and 10 per cent to other resource growth opportunities

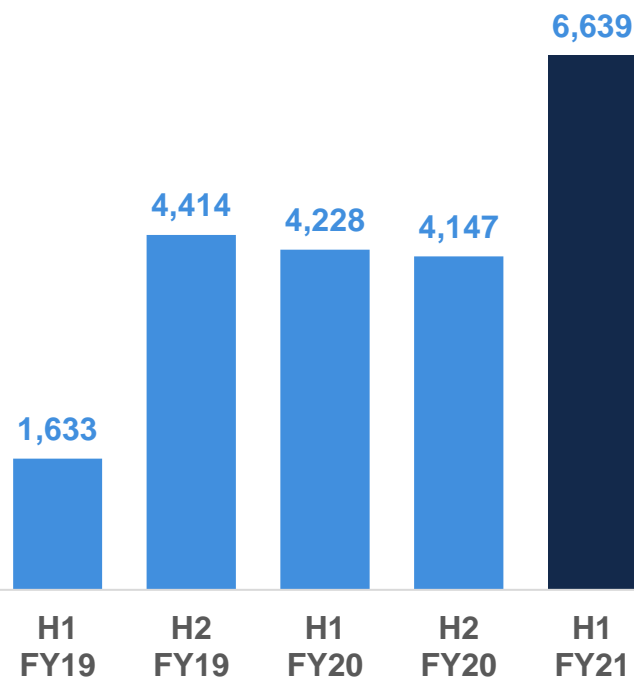
Revenue and earnings

Record half year revenue and earnings

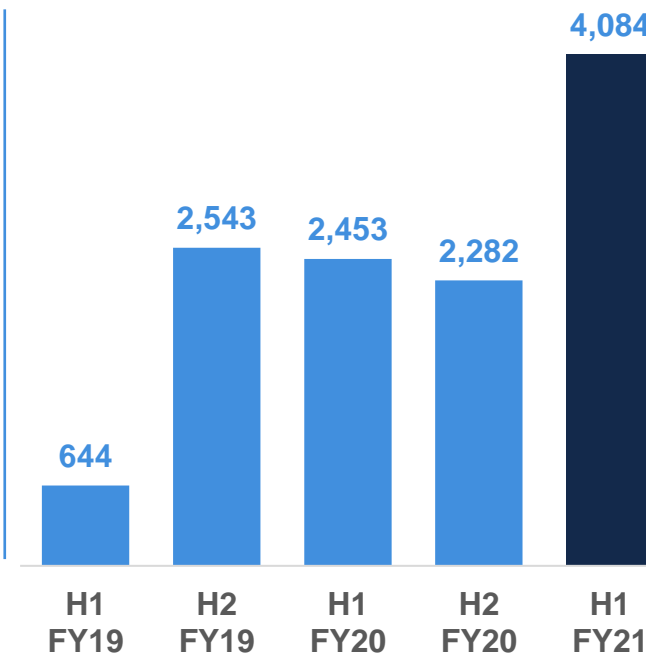
Revenue (US\$m)



Underlying EBITDA

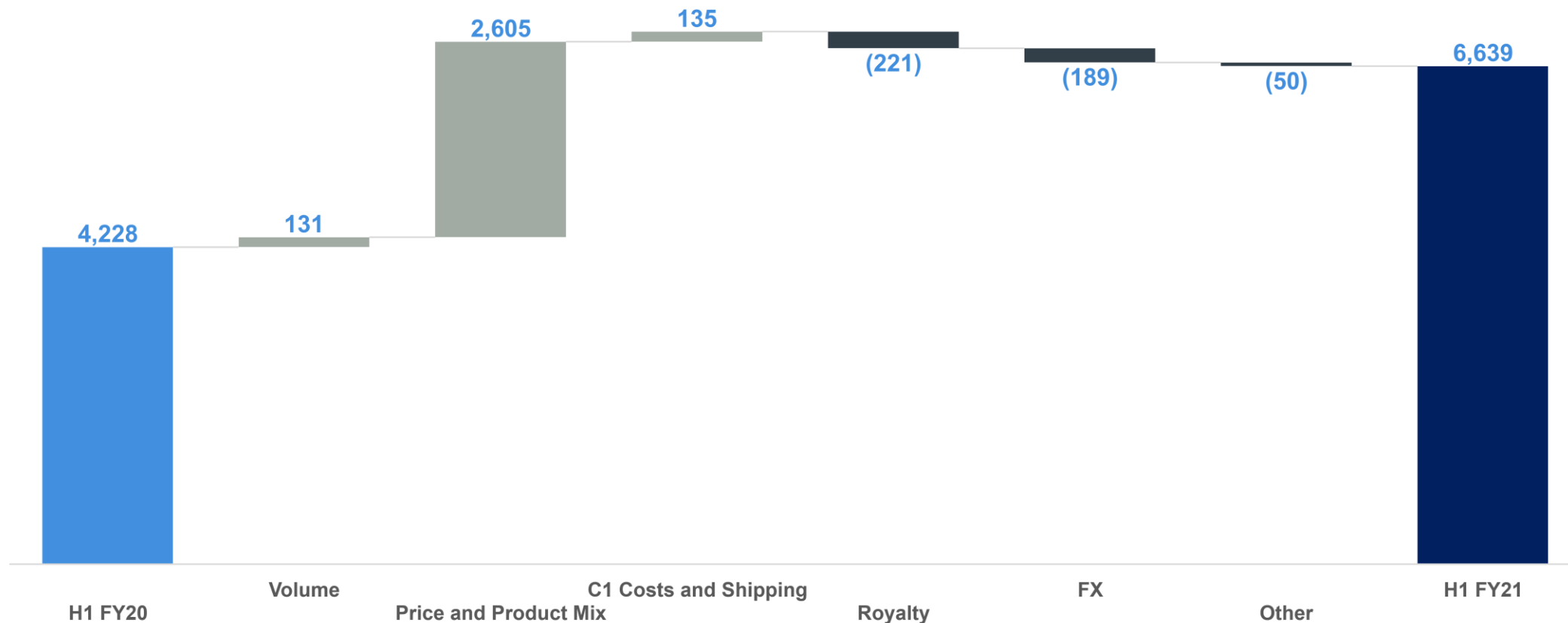


NPAT



Underlying EBITDA

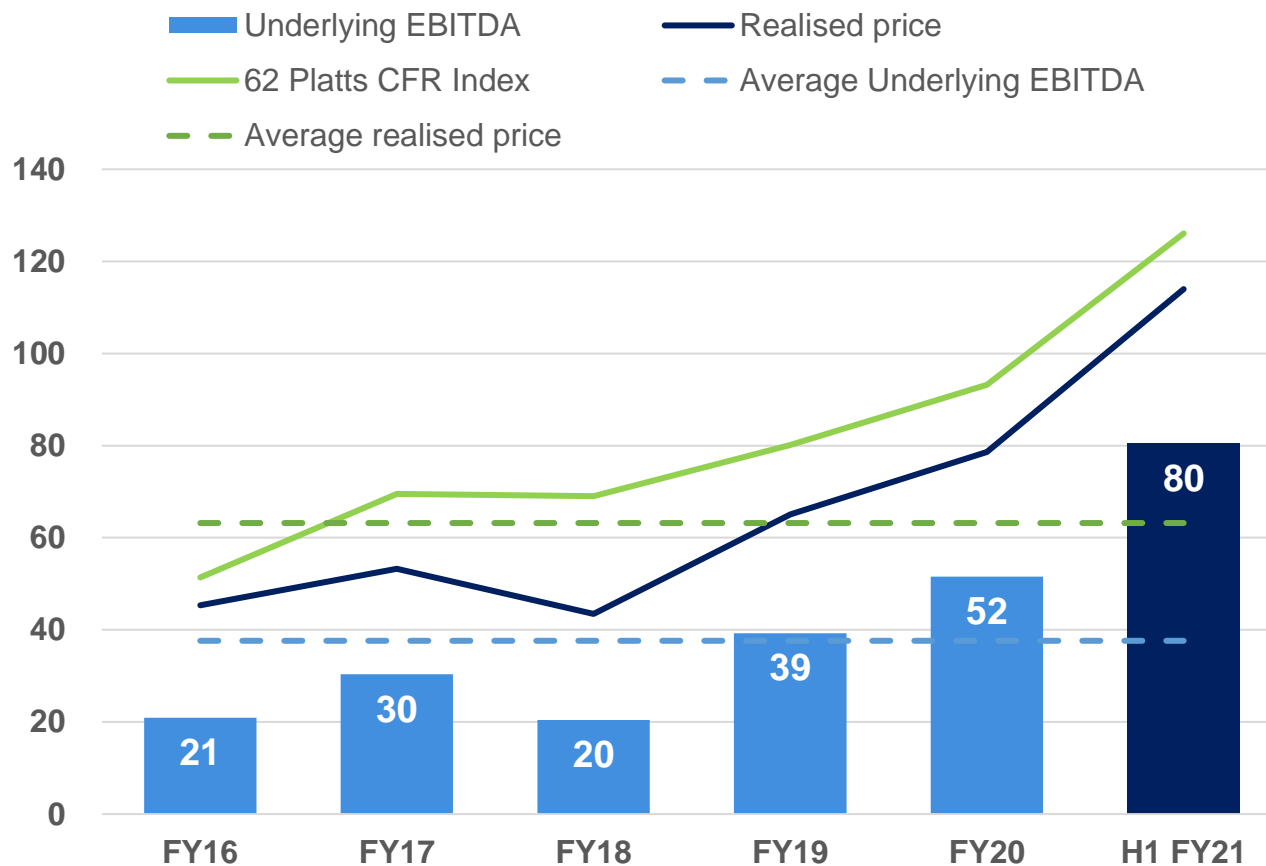
Strong price realisations, higher volumes and disciplined cost control



Focus on margins

Generating strong margins through the cycle

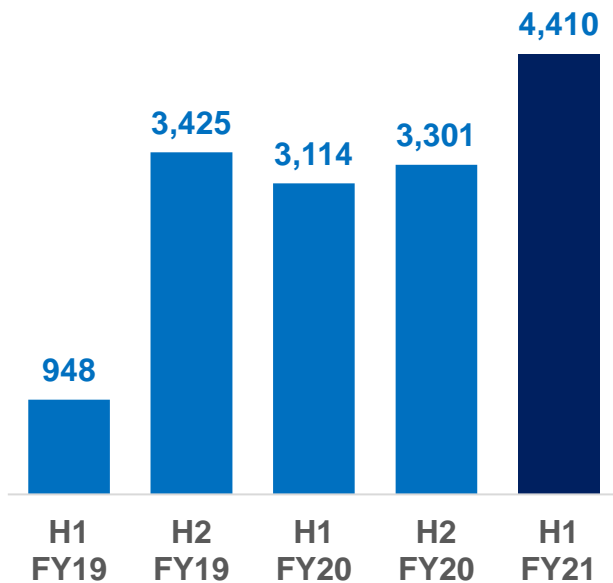
Prices and EBITDA margin (US\$/dmt)



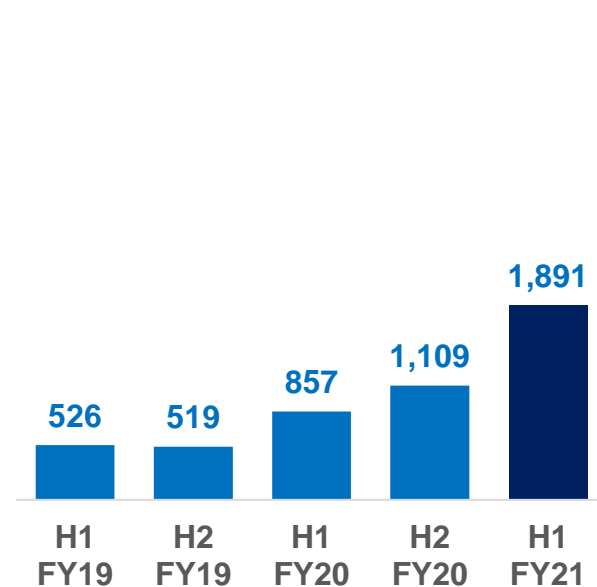
Strong cashflow generation

After reinvesting in the business and investing in growth

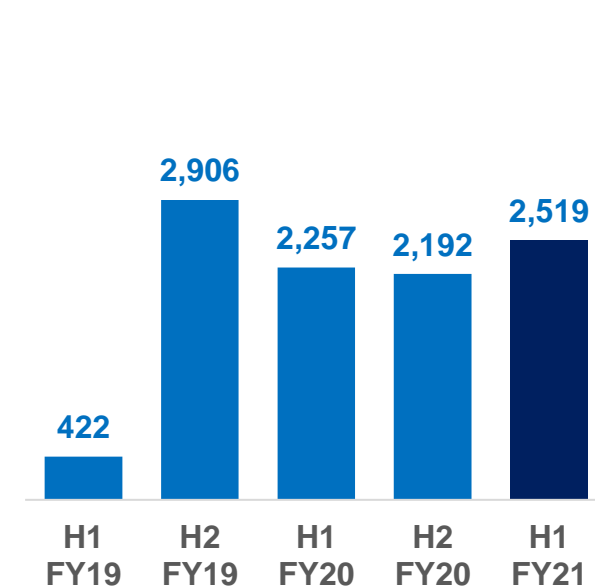
Net cash from operations (US\$m)



Capital expenditure



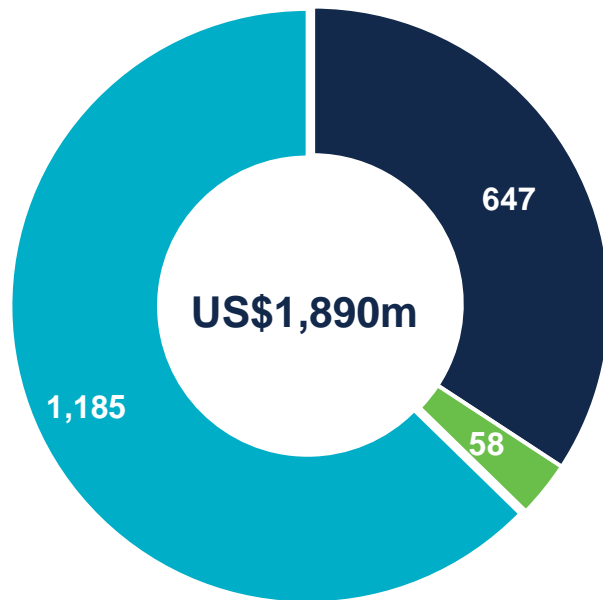
Free cash flow



Capital expenditure

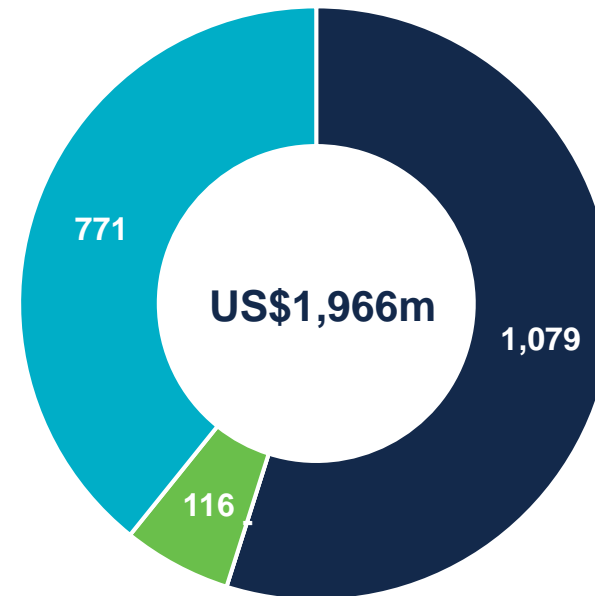
Increased investment in major projects

H1 FY21 Capital expenditure (US\$m)



- Sustaining and development capital
- Exploration and studies
- Major projects

FY20 Capital expenditure (US\$m)

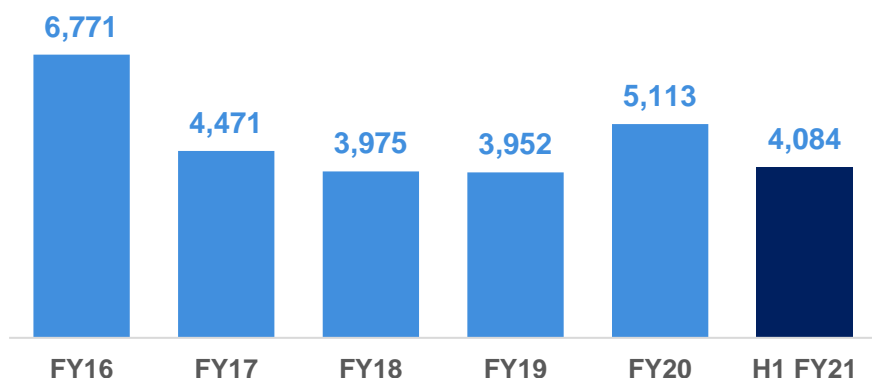


- Sustaining and development capital
- Exploration and studies
- Major projects

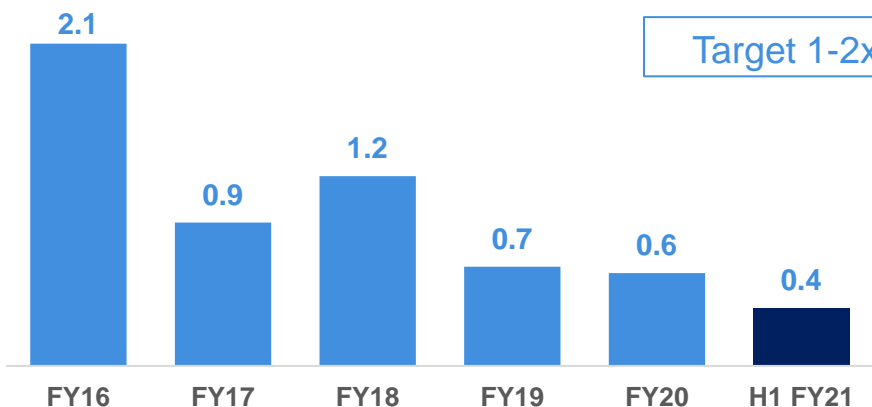
Balance sheet capacity

Maintain targeted investment grade credit metrics

Gross debt (US\$m)

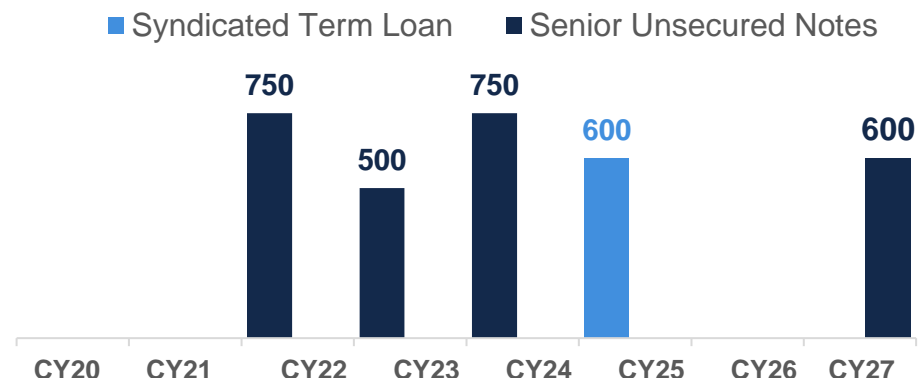


Gross debt to EBITDA (x)

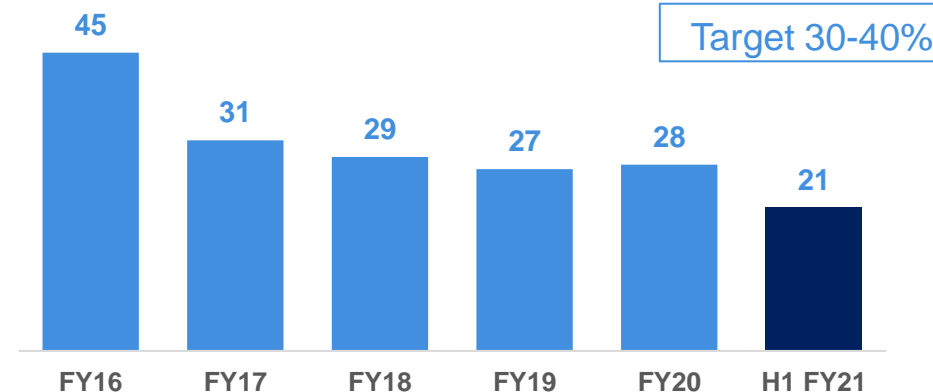


H1 FY21 Gross debt to last twelve months EBITDA

Debt maturity profile excluding leases (US\$m)

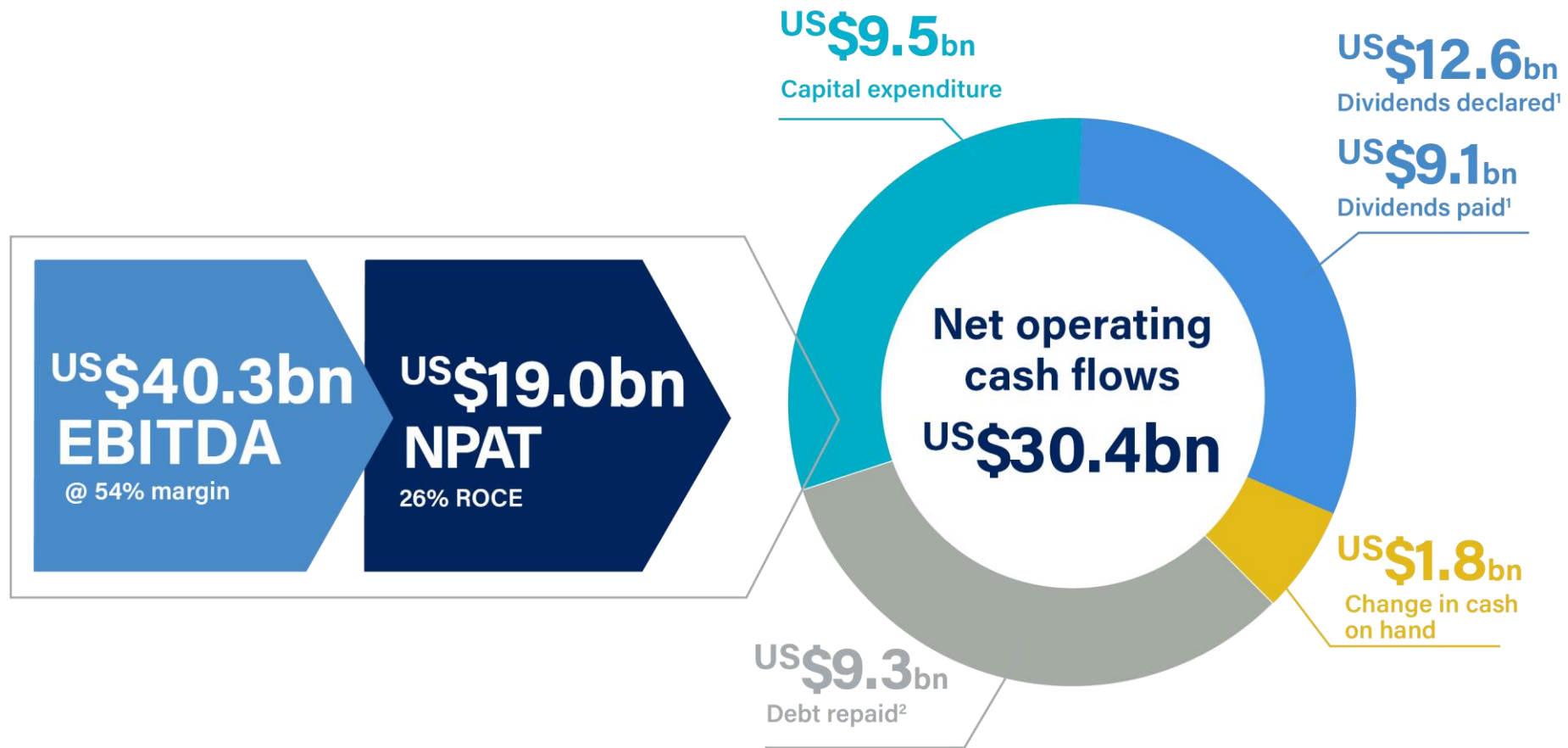


Gross gearing (%)



Disciplined capital allocation

Aggregate earnings and cashflows FY14 – H1 FY21



¹ Includes share buyback

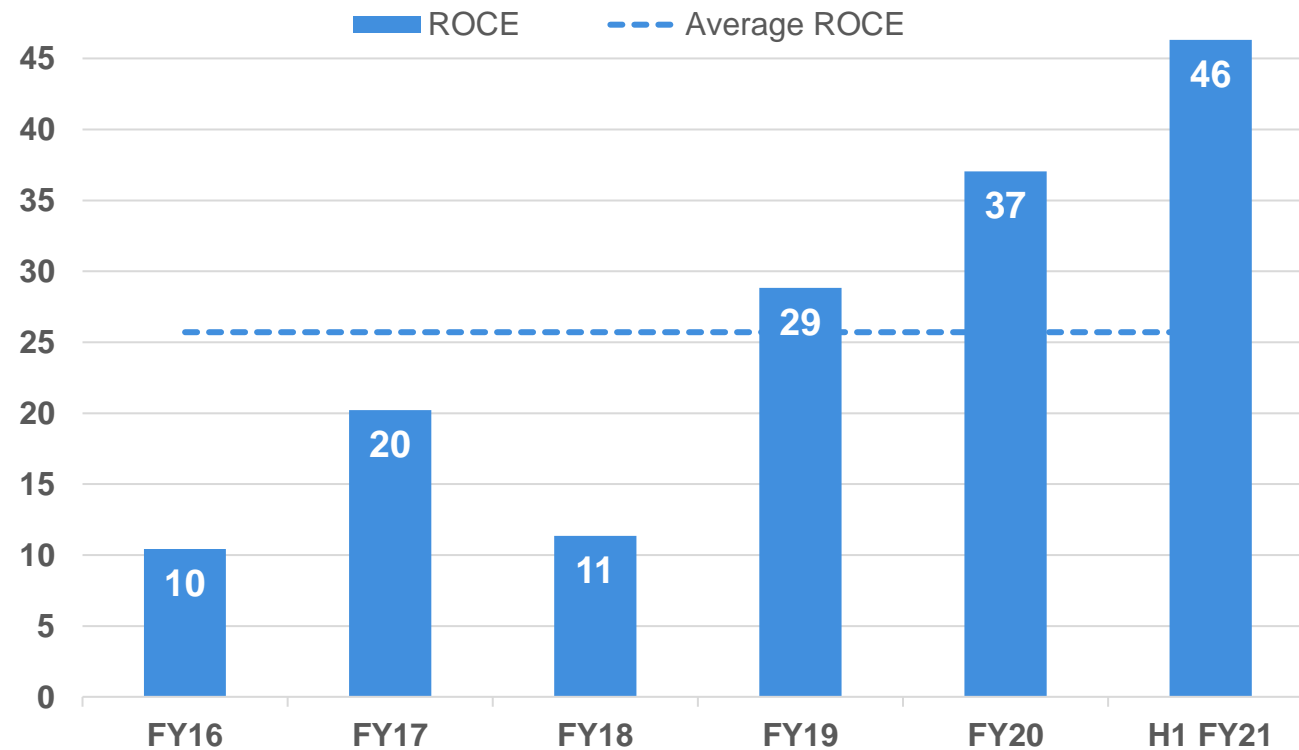
² From peak debt of US\$12.7 billion at 30 June 2013, including lease payments

High returns on capital

A profitable and capital efficient business



Return on capital employed, ROCE¹ (%)



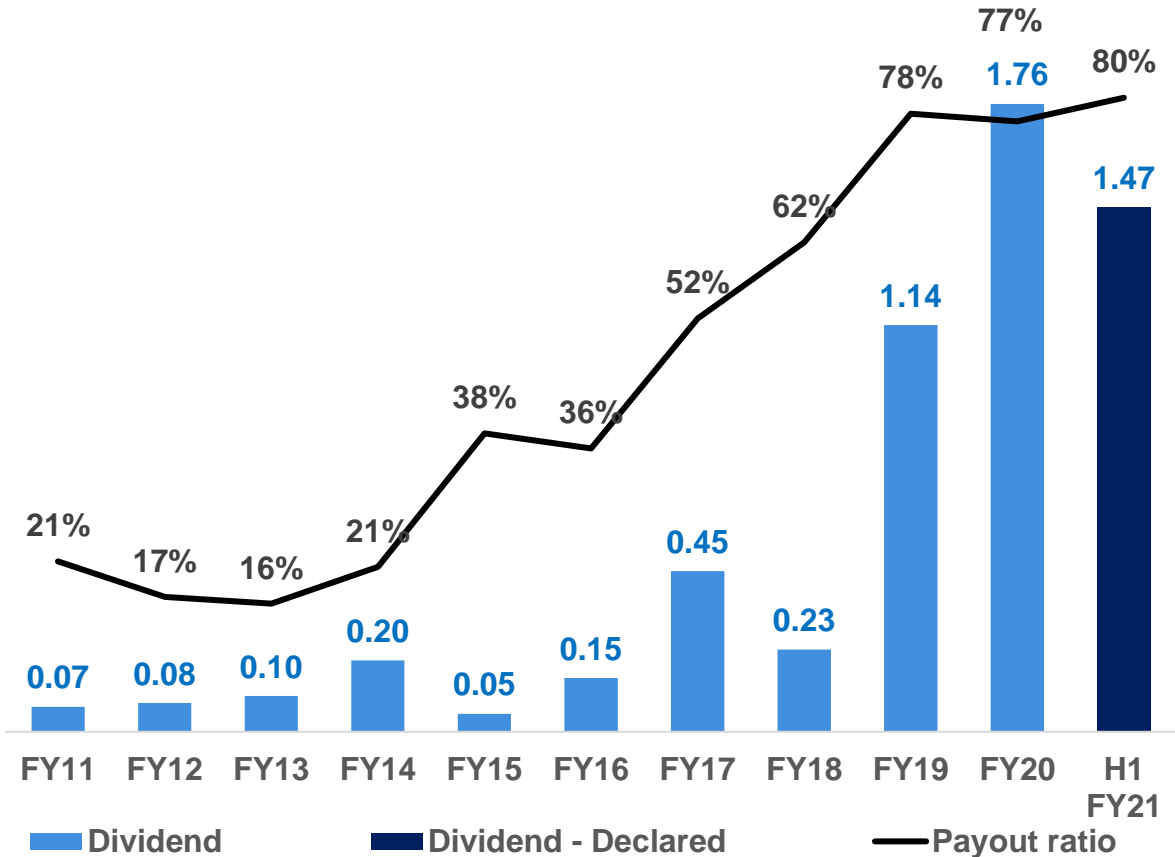
¹ROCE is calculated as earnings before interest and tax divided by average capital (total assets minus current liabilities)
H1 FY21 is last twelve months

Capital returns a priority



Targeting the top end of the dividend policy to payout 50-80 per cent of full year net profit after tax

Dividends (A\$/share) and payout ratio (%)



Integrated operations

Forefront of innovation

Delivering safety, productivity and efficiency benefits

Operational excellence



Optimising value from our asset base

Current

- Autonomous haulage
- Relocatable conveyors
- OPF upgrades and WHIMS

Under development

- Additional equipment automation
- Magnetite processing

Data and analysis



Driving informed decision making

Current

- Fortescue Hive
- Robotic Process Automation

Under development

- Advanced analytics and machine learning
- Transformation of information and decision support systems

Renewable energy



Maximising opportunities

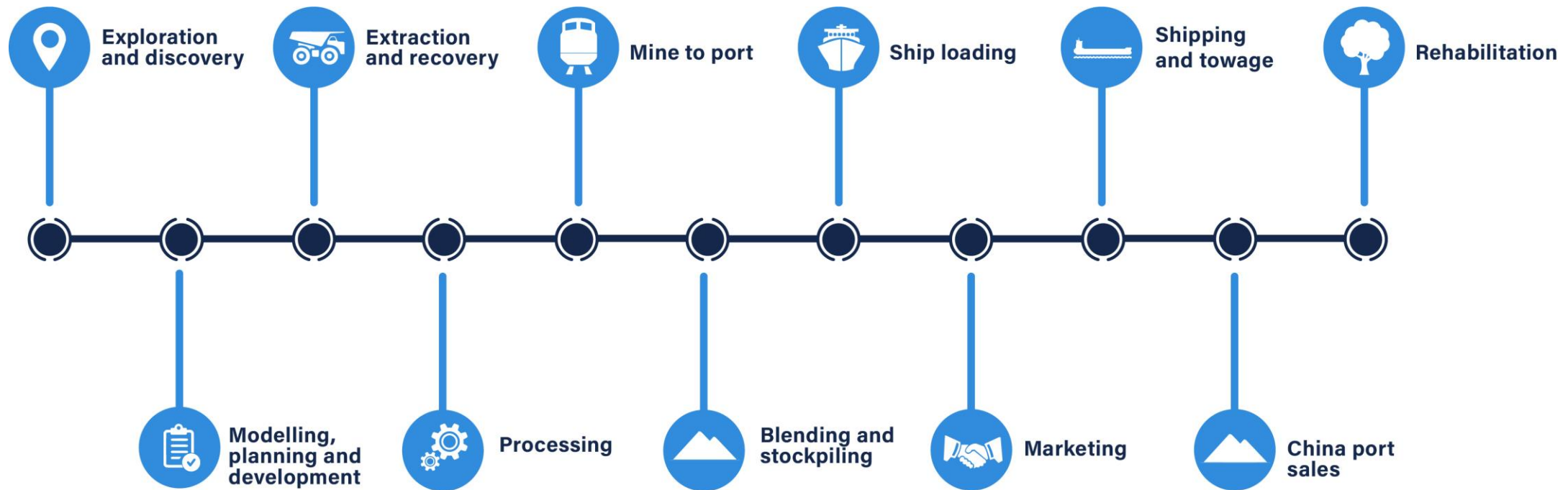
Current

- Solar energy
- Integration of renewables
- Battery storage

Under development

- Hydrogen mobility
- Hydrogen refuelling infrastructure

Value chain



Operational development projects



Autonomous haulage

Completion of Chichester Hub project
>62 million kilometres safely travelled
183 trucks in operation

Wet High Intensity Magnetic Separation (WHIMS) plant

Maximising production rates
Enhancing the value of our ore

Extension of relocatable conveyor

Extended to 10km
Located proximate to mining pits
Moved, lengthened or shortened as needed

Eliwana Mine and Rail

Delivered in line with schedule at an industry-low capital intensity



Eliwana Ore Processing Facility



Eliwana rail

Marketing strategy

Aligning with needs of customers and market;
creating value through supply chain optimisation

Integrated operations and marketing

Timely and coordinated supply chain response to customer needs in a dynamic market

Direct customer engagement

Aligning our products with what our customers need and value most

Commercial excellence

Strong analytical capability driving deep market insights and value-added decision making

Technical collaboration

Deepening our understanding and ability to respond to current and emerging industry trends

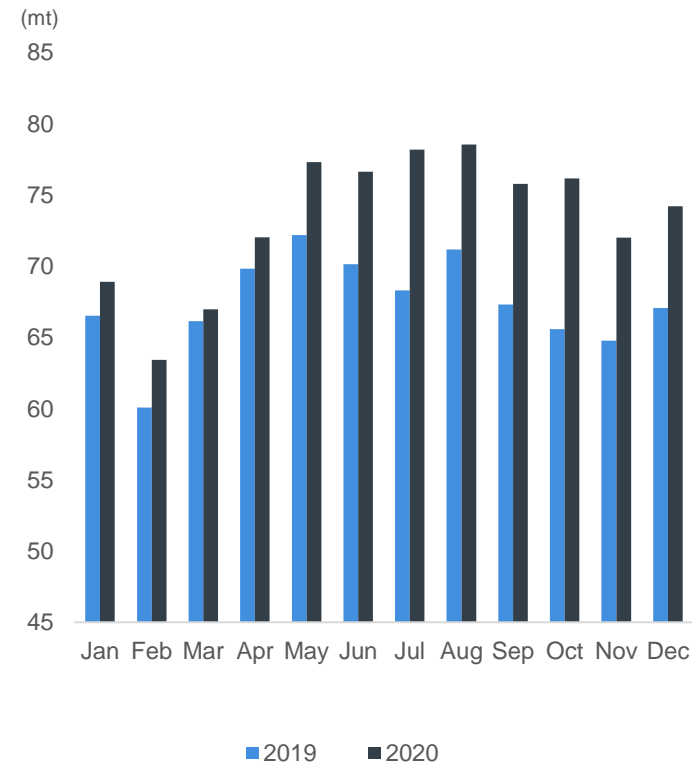
Global steel demand exceeded expectations

With record crude steel production in China, as well as robust global recovery

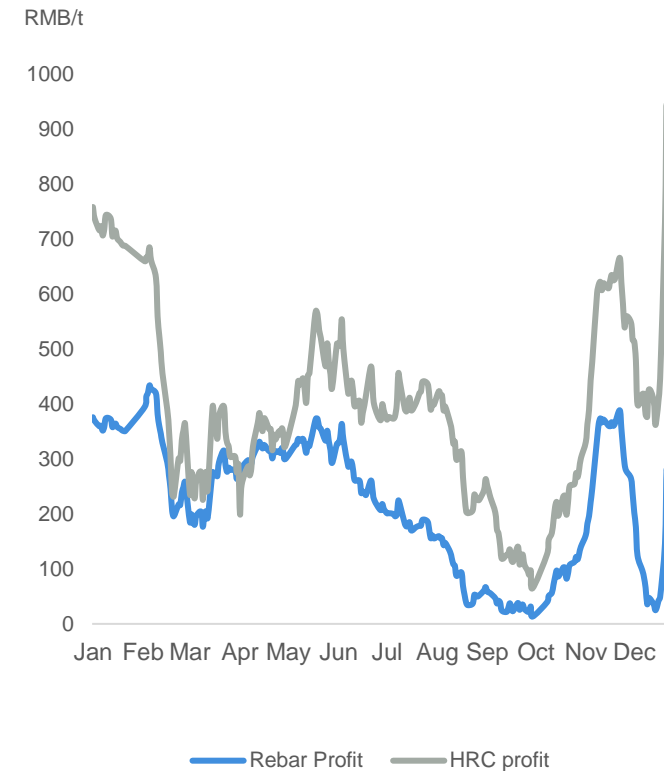
China crude steel production (2020)



Pig iron production



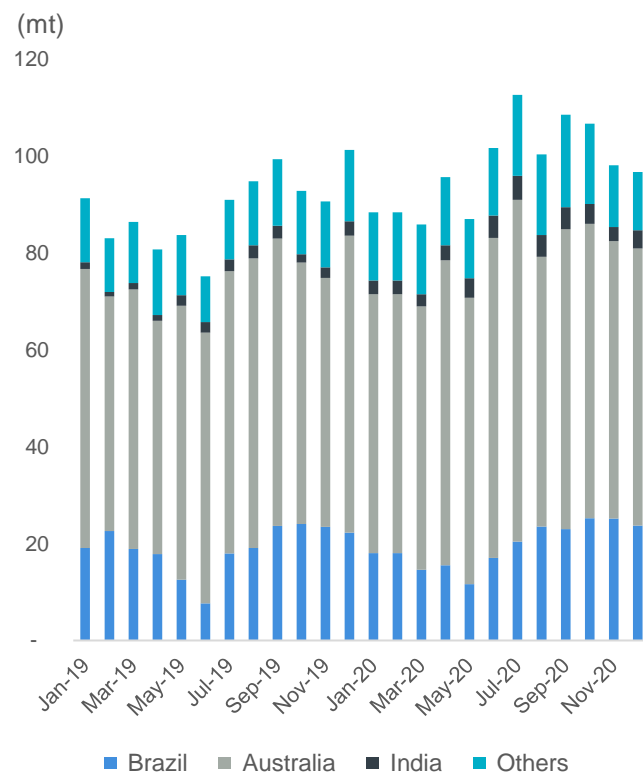
Steel margins (2H 2020)



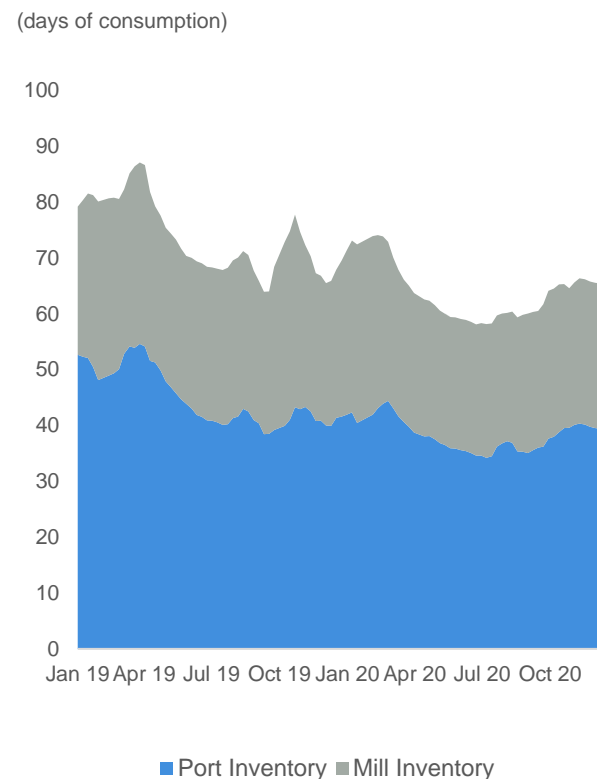
Supporting strong iron ore demand

China's iron ore imports increase to 1.7bn tonnes in calendar year 2020

YoY China iron ore imports



Iron ore stocks

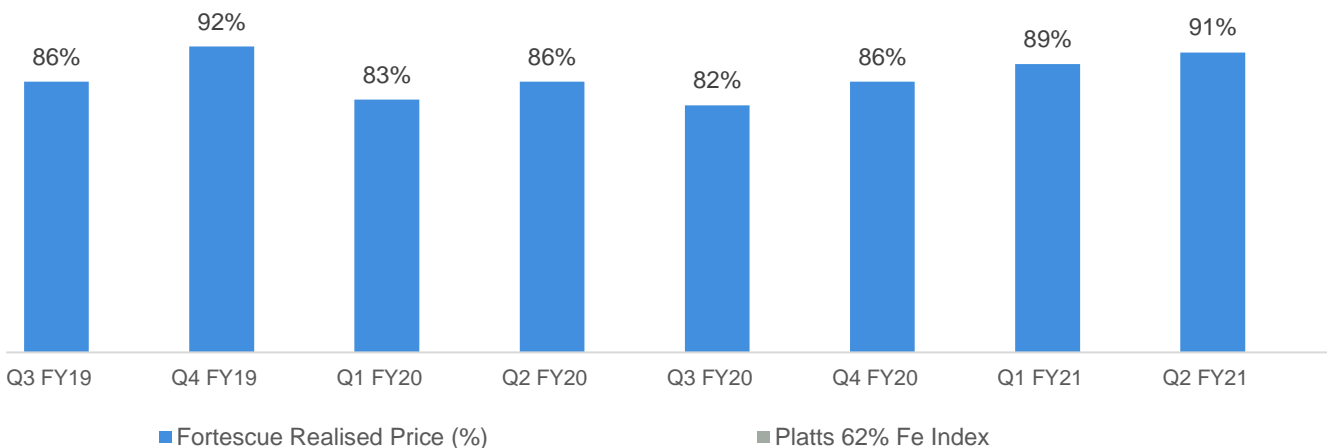


Iron ore prices



Strong realisations

Fortescue's average realised price of US\$114/dmt or 90% of the Platts CFR index



Growth and development



Iron Bridge Magnetite Project

Detailed review complete, further technical and commercial assessment underway

Up to US\$3.0 billion

Total capital estimate subject to validation through further technical assessment and Joint Venture approval

22mtpa

Production capacity; first production revised to second half of calendar year 2022, subject to review and JV approval

67% Fe

High grade, low impurity concentrate product

Exploration

Focus on copper and commodities that support decarbonisation



Western Australia

Extensive tenement footprint

Australia

NSW 3,000km² tenure

SA 15,000km² tenure

South America

Argentina 450,000ha of tenements

Ecuador 135,000ha of tenements

Colombia, Chile, Peru

Other international opportunities

Portugal, Kazakhstan

Fortescue Future Industries

Renewable energy driving new green industries

Assessing

A portfolio of renewable energy and green industry opportunities

Maintaining

Fortescue's disciplined capital allocation framework and dividend policy

Funding

Separately secured without recourse to Fortescue



Building on our track record

Leveraging Fortescue's value chain and project development capabilities

Rapid development

Ability to safely develop large, complex projects quickly and at low cost

Innovative culture

Adapting technology and innovation to drive safety and productivity improvements

Stakeholder engagement

Working with local stakeholders to ensure communities thrive

FY21 guidance



178 – 182 mt

Iron ore shipments

**US\$13.50 –
US\$14.00/wmt**

C1 cost based on assumed
exchange rate of AUD:USD 0.75

**US\$3.0 –
US\$3.4 billion**

Capital expenditure at the upper
end of the range

Our Purpose

Thriving communities | Global force

Fortescue's Values



Safety



Family



Empowerment



Frugality



Stretch targets



Integrity



Enthusiasm



Courage and
determination



Generating
ideas



Humility





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