



BMO Conference 2019

February 2019

Together we are Fortescue



Fortescue
The New Force in Iron Ore

Forward looking statements

Disclaimer

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Additional Information

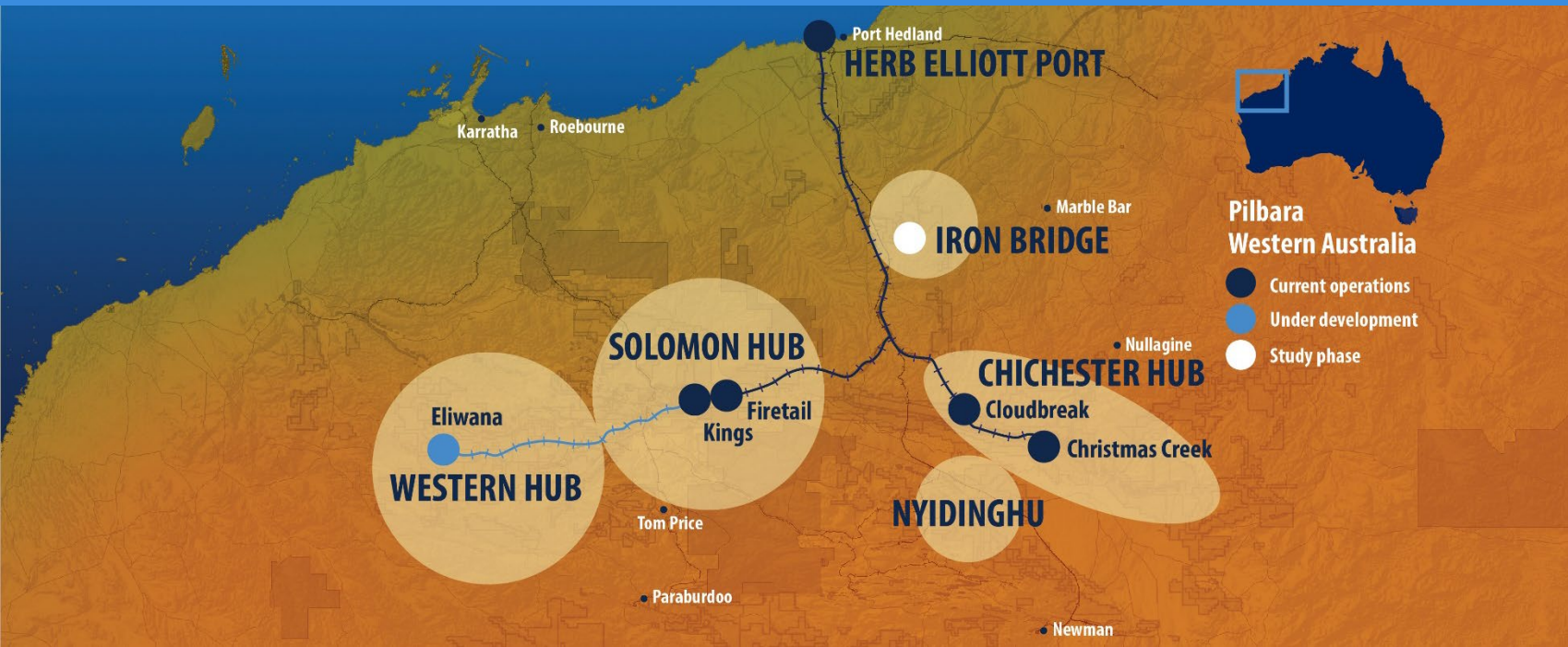
This presentation should be read in conjunction with the Annual Report at 30 June 2018 together with any announcements made by Fortescue in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001*.

Any references to reserve and resources estimations should be read in conjunction with Fortescue's Ore Reserves and Mineral Resources statement for its Hematite and Magnetite projects at 30 June 2018 as released to the Australian Securities Exchange on 17 August 2018. 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.

Integrated mining and infrastructure operations

Focus on safety, production and cost





Fortescue's Values

Our Vision:
The safest, lowest
cost, most profitable
mining company



Safety



Family



Empowerment



Frugality



Stretch targets



Integrity



Enthusiasm



**Courage and
determination**



Generating ideas



Humility

Safety and unique culture

Looking out
for our mates

TRIFR 4.0
(12MMA)

Targeted safety
improvement
initiatives

TRIFR 3.5
(YTD)



Setting high standards

Championing safety, preserving Aboriginal heritage, embracing diversity, demonstrating integrity

18% Female employment

24% Female senior managers

**Over A\$3bn in Corporate Tax and
A\$4.8bn Royalties paid**

**Over 5,000 Aboriginal heritage
places managed**



Creating positive social change

Building local communities, empowering Aboriginal people and eradicating modern slavery

13% Aboriginal employment across Australian workforce

Over A\$2.2bn contracts with Aboriginal businesses

824 Aboriginal team members trained and employed via VTEC

Support of **Modern Slavery Act**

HY19 highlights

US\$1.6bn
Underlying
EBITDA

NPAT
US\$644m

A\$0.30/share
dividends

82.7mt
shipped

US\$13.11/wmt
C1 cost

West Pilbara
Fines
Shipments commenced

Increasing shareholder returns

A\$0.19/share
Fully franked
Interim dividend
65% pay-out ratio

A\$0.11/share
Fully franked
Special dividend

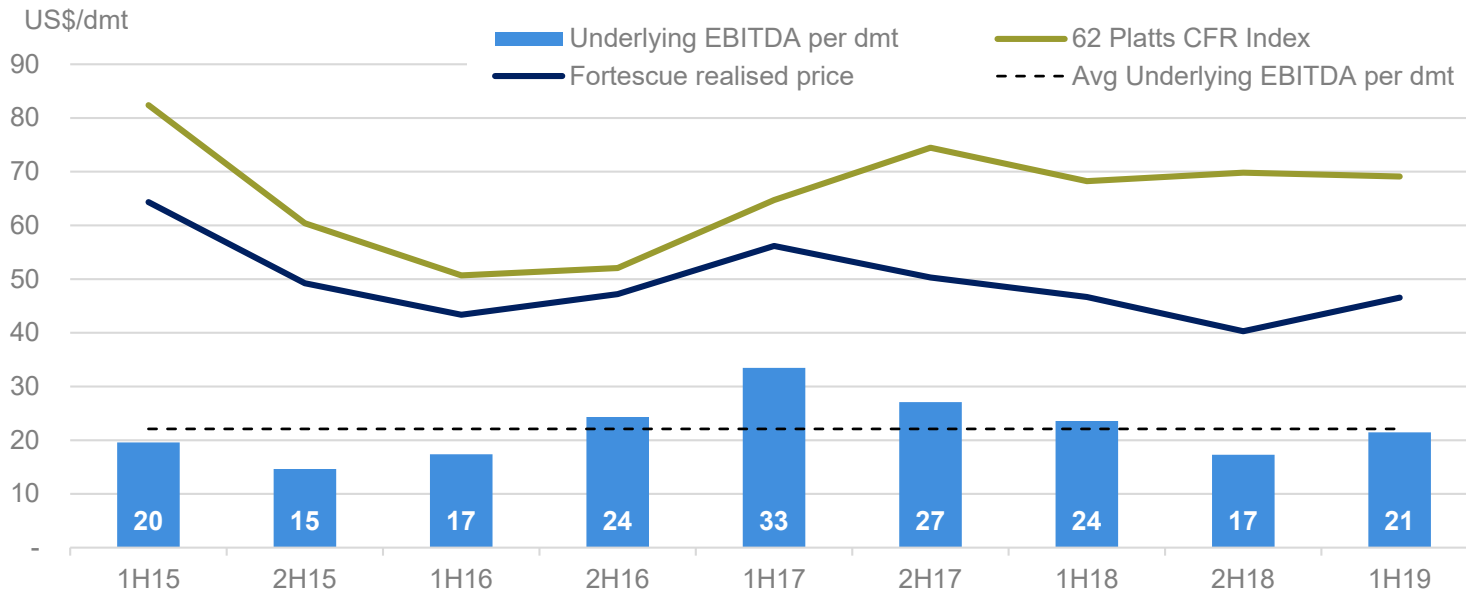
A\$139m
Share buy-back
Average price of
A\$3.997/share

50-80% of full
year NPAT
Dividend pay-out policy



Price and margins

Cost leadership and efficient operations generating cash margins



Sustainable cost improvements

Structural improvements

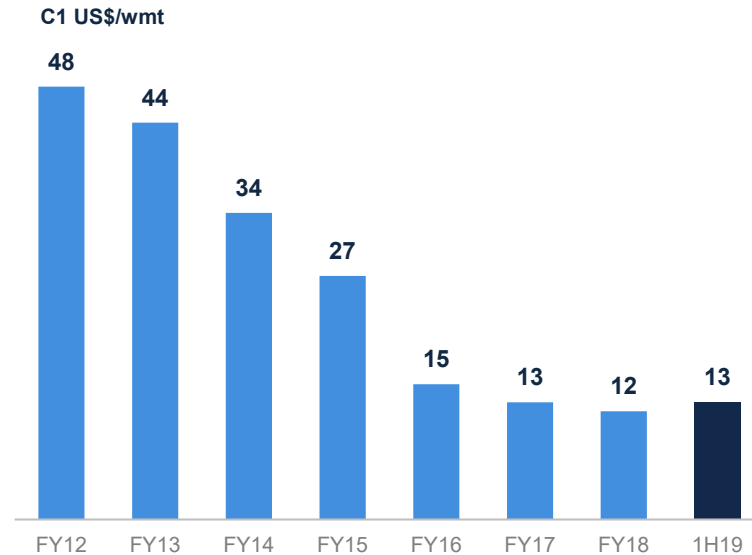
Solomon + blending + processing

Productivity and efficiency

Utilisation, recoveries, maintenance

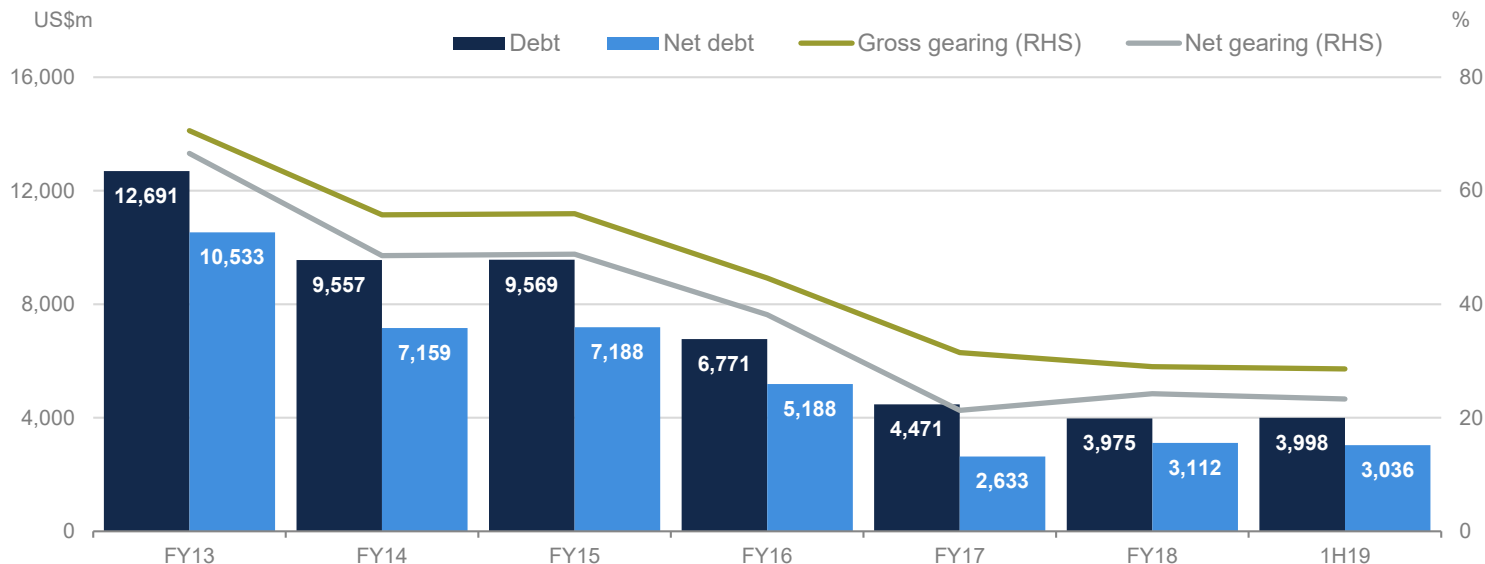
Innovation and technology

Autonomy, conveyor, ore carriers, data analysis



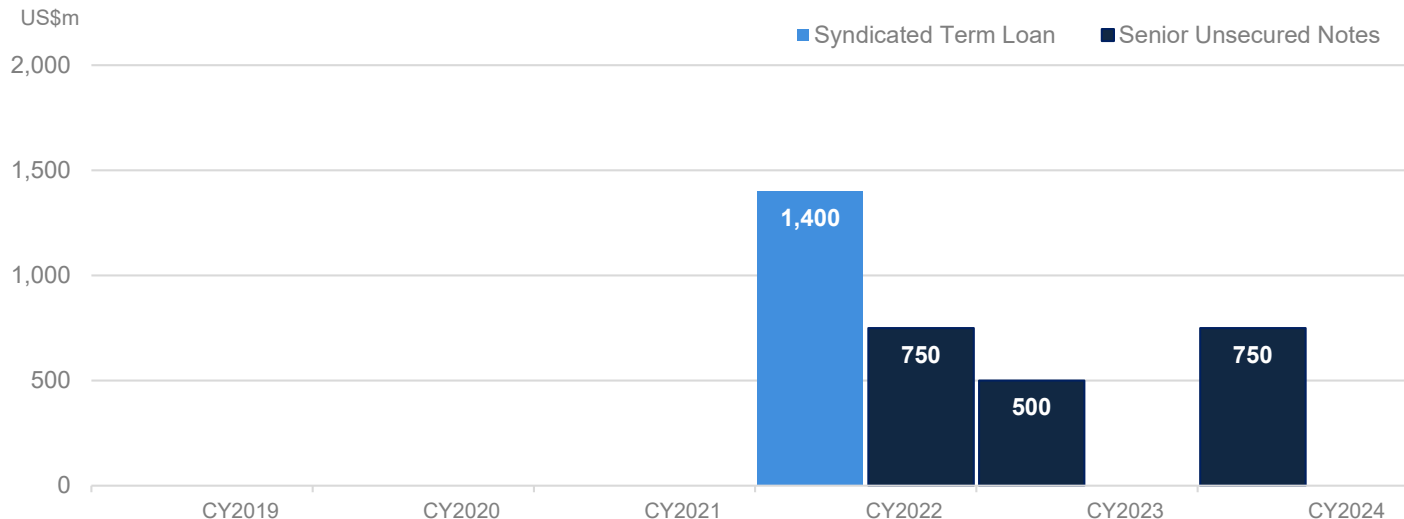
Debt repayments

Flexible structure with target gearing achieved



Debt profile

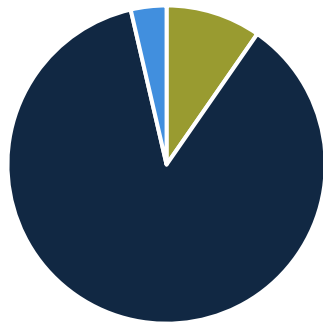
Flexible structure, lower annual interest costs with investment grade terms supports ongoing operations and future growth



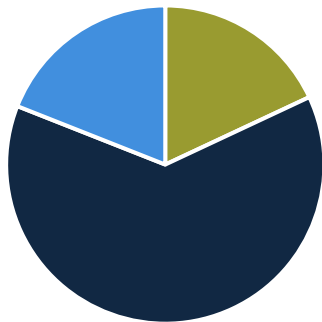
Capital allocation

Disciplined allocation to capital investment and shareholder returns

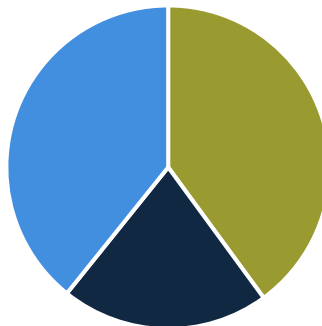
FY16 – US\$3.1bn



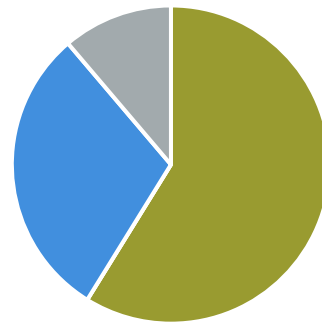
FY17 – US\$4.0bn



FY18 – US\$2.2bn



HY19 – US\$0.9bn



■ Capital expenditure ■ Net debt repayments ■ Dividends ■ Share buy back

Market

Integrated operations and marketing

Market drivers

Marketing and product strategy alignment

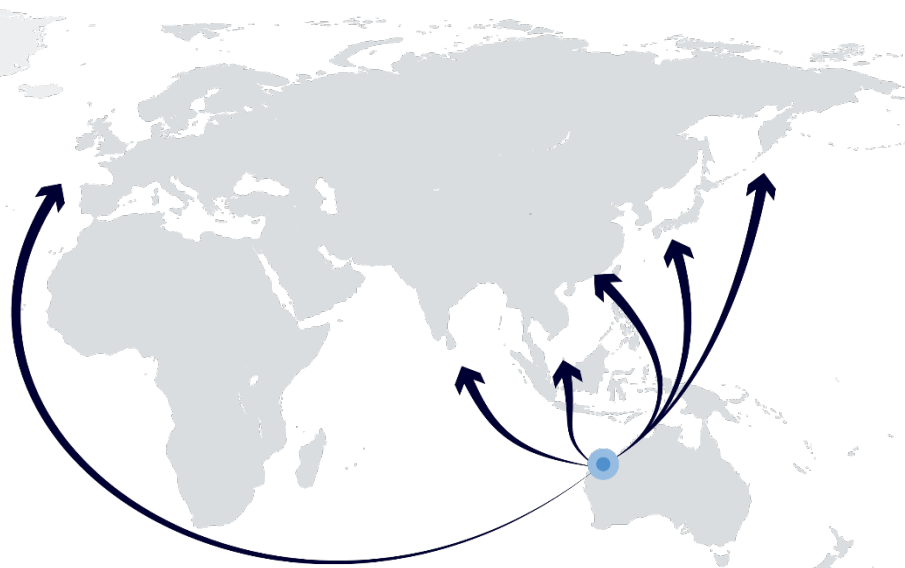
Operational delivery

Margin optimisation

Strong demand for Fortescue products in China and other regions

China steel production increased 12% in 2018 to 928mt

- **Proximity** to high growth region
- **Responsive** to market needs
- **Diverse customer** base
- **Half year sales outside China**
10 per cent
- Maiden **shipments** to new Indonesian and German customers
- Competitive **value in use**



Chinese steel mill profits moderating

China steel
margins moderating

Focus moved to
input costs

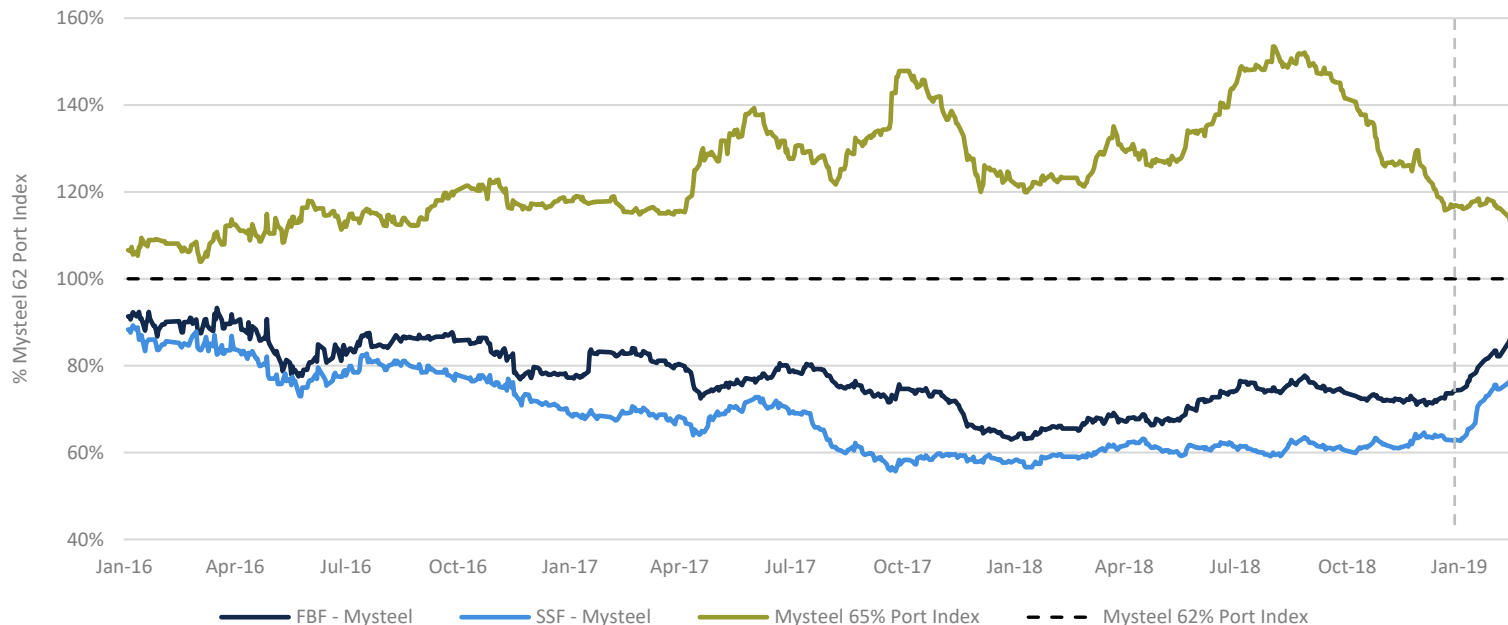
Increasing demand
for lower Fe products



Source: Mysteel and Platts

Iron ore price

Variation driven by steel mill profitability with price spreads narrowing due to lower steel margins



West Pilbara Fines



Typical grade	WPF	Platts IODEX 62
Iron content (Fe)	60.1	62.0
Alumina (Al ₂ O ₃)	2.3	2.25
Silica (SiO ₂)	4.7	4.0
Phosphorous (P)	0.075	0.09

First shipments in Dec 2018

8-10mt in FY19

Growing to ~40mtpa for 20+ years
on completion of Eliwana

Offtake agreements with customers

Eliwana mine and rail project

Underpins
West Pilbara
Fines

US\$1.275bn capital investment

143km rail

30mtpa dry OPF

First ore on train **Dec 2020**

Operations and Innovation

Automated mining

Delivering productivity and efficiency improvements

AHS operation

24.7million km safely travelled

AHS conversion

47 Trucks converted at Christmas Creek

Relocatable conveyor

Operating at full capacity

Autonomous drills

30% improvement

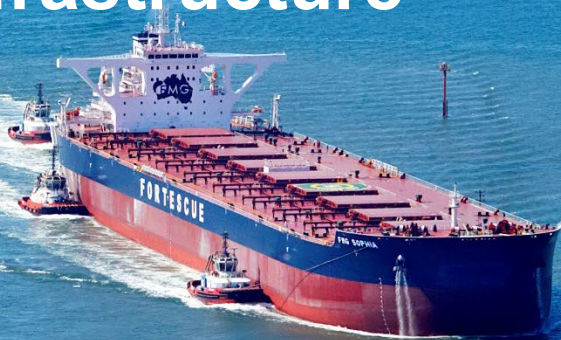
Remote integrated operations centre

Data analytics

Driving productivity and efficiency

Fortescue ore carriers

Designed to
optimise efficient
port infrastructure



Eight ore carriers now operational

Completed 114 voyages

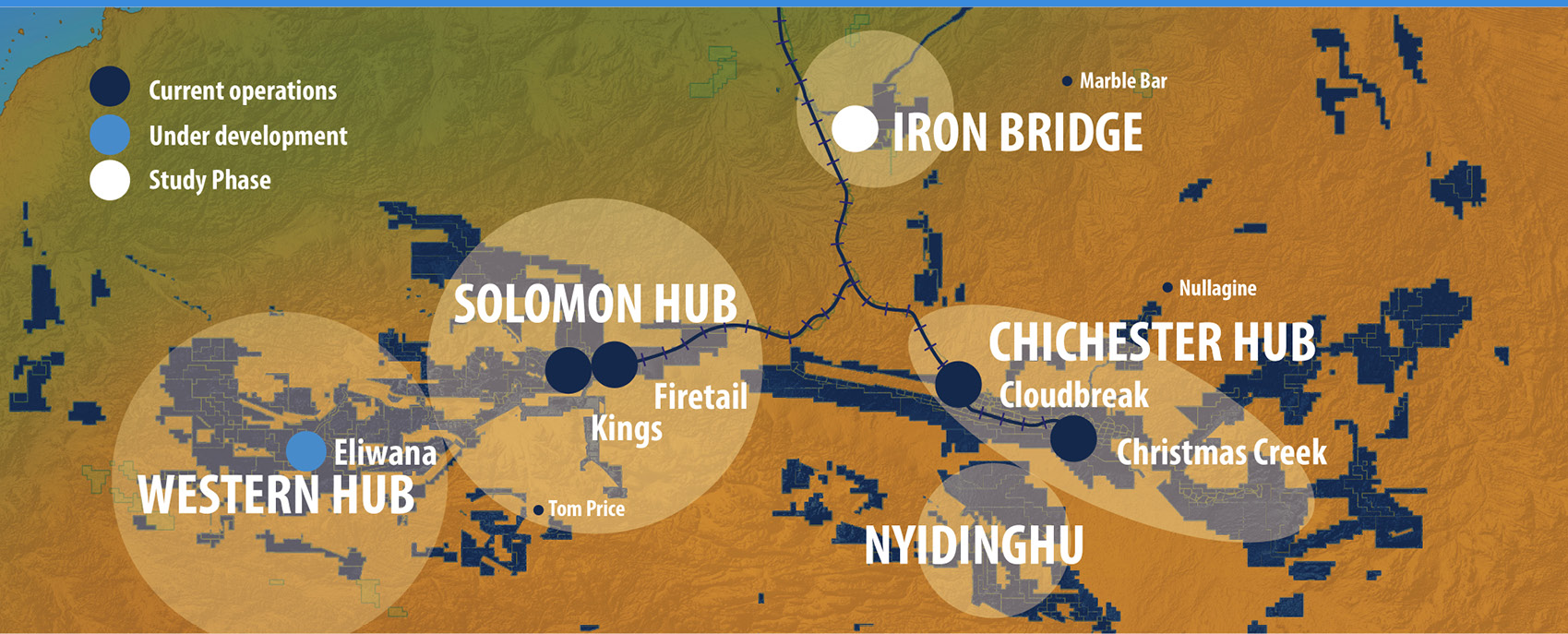
29mt of iron ore to China to date

14% annual volume

Growth and Development



Significant Pilbara footprint for long life production



Iron Bridge

Active assessment with JV partners

+67% Fe magnetite
concentrate product

Process test work positive

Project scale to optimise value

Non-recourse financing options



Exploration in Australia

Iron ore
Lithium
Copper

Largest tenement holding in the Pilbara

NSW
~2,000km² tenure

South Australia
~10,000km² tenure



Opportunities in Latin America

Exploration is key to low cost growth opportunities

Ecuador

32 concessions

Potential for porphyry copper

Drilling at Santa Ana, Ecuador
concessions to commence 2019

Argentina

48 tenements

in San Juan prospective for copper-gold

Colombia

64 applications for exploration concessions.
Prospective copper-gold

Landmark partnership with CSIRO

Develop and **commercialise** hydrogen technology

Metal membrane technology has potential for bulk hydrogen transportation

Potential for **export market opportunities**

Potential fuel source for **operational requirements**



FY19 Guidance

165-173mt

Shipments

Including 8-10mt WPF

US\$12-13/wmt

C1 cost

towards top end of range

US\$1.2bn

Capital spend

Dividend policy

50-80%
pay-out of NPAT

Key strategic focus

Balance sheet strength

Long term sustainability

Growth and development options

Returns to shareholders





Fortescue
The New Force in Iron Ore

www.fmgl.com.au
 **FortescueNews**

Proudly Supporting



Glossary

C1 - Operating costs of mining, processing, rail and port on a per tonne basis, including allocation of direct administration charges and production overheads.

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)

HY - Half year

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

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	1H19	2H18	1H18
Operating sales revenue	3,540	3,208	3,679
Cost of sales excluding depreciation	(1,905)	(1,844)	(1,821)
Net foreign exchange gain	39	28	1
Gain on sale of fixed assets	-	1	-
Administration expenses	(41)	(39)	(31)
Underlying EBITDA	1,633	1,354	1,828
Finance income	9	12	12
Finance expenses	(141)	(438)	(214)
Depreciation and amortisation	(581)	(647)	(630)
Exploration, development and other	(4)	(10)	(22)
Net profit before tax	916	271	974
Income tax expense	(272)	(74)	(293)
Net profit after tax	644	197	681
Cost of early debt repayment	-	190	12
Underlying net profit after tax	644	387	693