

Appendix 4D

**For the half year ended
31 December 2019**

This information should be read in conjunction with Fortescue's Financial Report for the half year ended 31 December 2019.

Name of entity

Fortescue Metals Group Ltd

ABN

57 002 594 872

Results for announcement to the market

		US\$ million
Revenue from ordinary activities	increased 83% to	6,485
Profit from ordinary activities after tax attributable to members	increased 281% to	2,453
Net profit for the half year attributable to members	increased 281% to	2,453

Dividends	Amount per security	Franked amount per security
Interim dividend declared for the half year ended 31 December 2019	A\$0.76	A\$0.76
Interim dividend declared for the previous corresponding period	A\$0.19	A\$0.19
Special dividend for the previous corresponding period	A\$0.11	A\$0.11
Ex-dividend date of interim dividend	2 March 2020	
Record date of interim dividend	3 March 2020	
Payment date of interim dividend	6 April 2020	

Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan (the Plan) which allows eligible shareholders to elect to invest dividends in ordinary shares which rank equally with the ordinary shares of the Company. The allocation of price for shares under the Plan will be calculated as the average of the daily volume weighted average market price of all Fortescue shares traded on the Australian Securities Exchange during the period of ten trading days commencing on 5 March 2020.

The last date for receipt of applications to participate in or to cease or vary participation in the Plan is by 5:00pm (AEST) on 4 March 2020. The Directors have determined that no discount shall apply to the allocation price and the Plan will not be underwritten. Shares to be allocated under the Plan will be acquired on market and transferred to participants on 6 April 2020. A broker will be engaged to assist in this process.

A copy of the Plan Rules is available at
<http://www.fmg.com.au/investors>.

Net tangible asset backing

Net tangible asset backing per ordinary share: US\$4.06
(previous corresponding period: US\$3.24).

Previous corresponding period

The previous corresponding period is the half year ended 31 December 2018.

Commentary on results for the period

A commentary on the results for the period is contained within the half year presentation and the financial statements that accompany this announcement.



Financial Report

For the half year ended
31 December 2019

**Global force
Thriving communities**

ABN 57 002 594 872

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Half year at a glance

2.5

Total Recordable Injury Frequency Rate

88.6_{mt}

Ore Shipped

US\$ 12.73_{/wmt}

C1 costs

US\$ 6.5_{billion}

Revenue

US\$ 2.5_{billion}

Net profit after tax

US\$ 3.3_{billion}

Cash on hand

About Fortescue

Fortescue Metals Group Ltd (Fortescue) is a global leader in the iron ore industry, recognised for its culture, innovation and industry-leading development of world class infrastructure and mining assets in the Pilbara, Western Australia.

Since being founded in 2003, Fortescue has discovered and developed major iron ore deposits and constructed some of the most significant mines in the world. The Company has grown to be one of the largest global iron ore producers and is focussed on its vision of being the safest, lowest cost, most profitable mining company.

Now consistently shipping around 170 million tonnes per annum (mtpa) of iron ore, Fortescue is a low cost provider of seaborne iron ore to China.

Fortescue owns and operates a fully integrated infrastructure and supply chain spanning two mine hubs in the Pilbara, with a third under development, the five berth Herb Elliott Port in Port Hedland, the Judith Street Harbour towage infrastructure and the fastest, heavy haul railway in the world.

The Company's innovative tug fleet and the eight purpose built Fortescue Ore Carriers have been designed to complement the industry best practice efficiency of its port and maximise the safety and productivity of its operation.

Fortescue is developing the Eliwana Mine and Rail Project and the Iron Bridge Magnetite Project. Together, these projects

will increase the average iron content of Fortescue's ores and provide the ability to deliver on its strategy of the majority of products at greater than 60% Fe.

Consistent with Fortescue's track record of introducing cutting edge technology across the business, the Eliwana Mine and Rail Project will build on the Company's development and construction capability by utilising the latest technology and design efficiency.

The Company continues to assess exploration and development opportunities throughout Australia and South America including Ecuador, Colombia and Argentina.

Fortescue's longstanding relationships with customers in China have grown from the first commercial shipment of iron ore in 2008, to now being a core supplier of seaborne iron ore to China as well as other markets including Japan, South Korea and India.

FMG Trading Shanghai Co. Ltd (FMG Trading), a wholly owned Chinese sales entity, was established in 2019 to supply products directly to Chinese customers in smaller volumes, in Renminbi from regional ports in China.

Fortescue is committed to its strategic goals of ensuring balance sheet strength and flexibility, investing in the core long term sustainability of the business while pursuing growth and development options and delivering returns to shareholders.

As a proud West Australian company, Fortescue values its relationship with key stakeholders by working together to positively manage and create opportunities for Aboriginal people, contribute to the success of local communities, protect the environment and strengthen the broader Australian economy.

About this report

This report has been prepared for Fortescue's stakeholders in line with statutory and regulatory obligations. It provides a summary of the Company's operations, performance and financial position as at and for the half year ended 31 December 2019.

All references to Fortescue, the Group, the Company, we, us, and our, refer to Fortescue Metals Group Ltd (ABN 57 002 594 872) and its subsidiaries. All dollar figures are in US currency unless otherwise stated.

This report should be read in conjunction with the Annual Report for the year ended 30 June 2019, and any public announcements made by the Company during the half year ended 31 December 2019 and up to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.



Our Vision

The safest, lowest cost,
most profitable mining company

Fortescue's Values



Safety



Family



Integrity



Enthusiasm



Empowerment



Frugality



Courage and
determination



Generating ideas



Stretch targets



Humility

Value Chain

Innovation in process and design has been a key component of Fortescue's strategy in challenging industry standards to more efficiently and effectively deliver its product suite from mine to market.





01

Directors' report

Governance

Directors

Your Directors present this report on Fortescue Metals Group Ltd for the half year ended 31 December 2019.

The Directors of the Company in office during the half year and until the date of this report are as follows.

Executive



Elizabeth Gaines
Chief Executive Officer/
Managing Director

Non-Executive



Dr Andrew Forrest AO
Chairman



**Lord Sebastian Coe CH,
KBE**



Penny Bingham-Hall



Mark Barnaba AM
Co-Deputy Chair and Lead
Independent Director



Jennifer Morris OAM



Dr Cao Zhiqiang



Sharon Warburton
Co-Deputy Chair



Dr Jean Baderschneider



Dr Ya-Qin Zhang
appointed 1 September 2019

Directors were in office for the entire period unless otherwise stated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 36, and forms part of this report.

Rounding of amounts

All amounts in this report have been rounded to the nearest million dollars, except as indicated, in accordance with the Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191.

Subsequent events

On 19 February 2020, Fortescue declared a fully franked interim dividend of 76 Australian cents per share, payable in April 2020.

This report is made in accordance with a resolution of the Directors.

Dr Andrew Forrest AO
Chairman

Dated in Perth on this 19th day of February 2020.

Safety

The health, safety and wellbeing of the Fortescue family is the Company's number one priority and its focus remains on ensuring everyone goes home safely after every single shift.

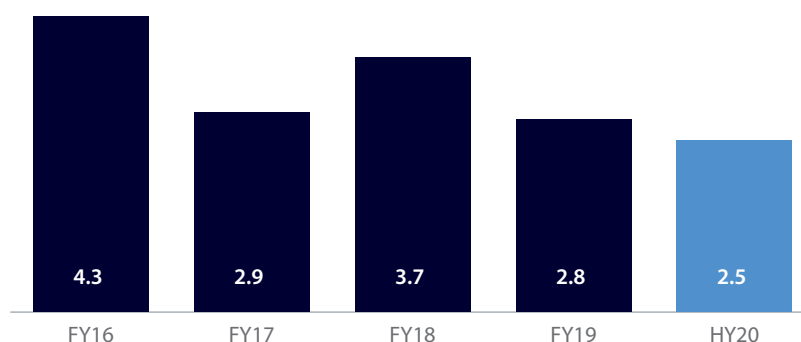
Fortescue is committed to providing a safe working environment for all employees and contractors as it strives to become a global leader in safety. Each day, everyone at Fortescue is empowered to take control and look out for their mates and themselves.

Fortescue acknowledges that its activities have the potential to expose its employees, contractors and communities to health and safety risks and works diligently to identify these risks and ensure adequate controls are in place to mitigate them.

In FY19, each operating area was set a target of reducing their fatality risk profile by 15 per cent by the end of the year. The Company exceeded its target, achieving a risk reduction of 16.2 per cent across the business.

During the first half of FY20, there were no fatalities and Fortescue reset its commitment to further reduce the risk of fatalities and serious injuries through eliminating or engineering out hazards by another 15 per cent. Year to date, a 6.5 per cent risk reduction has been achieved.

12-month rolling TRIFR, per million hours worked



Fortescue's rolling 12-month Total Recordable Injury Frequency Rate (TRIFR) improved by 11 per cent from 2.8 at 30 June 2019 to 2.5 at 31 December 2019.

Fortescue is committed to continuing to improve its safety performance across the following areas:

- Strengthening safety leadership through specific action plans to address the priorities identified by the annual Company-wide Safety Excellence and Culture Survey

- Engagement with its contracting partners to ensure compliance with Fortescue's safety standards
- Continued reduction of workplace exposures through safety improvement opportunities
- Continuing to focus on the physical and mental health of Fortescue employees and contractors.



Corporate Social Responsibility

Fortescue is committed to playing its role as the world strives to meet the United Nations Sustainable Development Goals.

The Company works to ensure communities benefit from its growth and development and recognises that in order to achieve its vision of being the safest, lowest cost, most profitable mining company, a strong focus on corporate social responsibility (CSR) must be integrated into all aspects of its business.

Fortescue's Values form the foundation of the Company's approach to CSR; setting the ethical and moral compass by which the business operates.

Fortescue's CSR strategy incorporates commitments and targets under three core pillars:

Setting high standards

- Employee health and safety
- Economic contribution (including taxes)
- Workforce diversity
- Protecting Aboriginal heritage
- 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 including the eradication of modern slavery.

Climate change

As a significant consumer of energy, Fortescue is identifying opportunities to introduce renewable energy sources such as solar and hydrogen into its energy supply. The Company is focussed on implementing innovative and practical initiatives that have the potential to lower its costs while also reducing emissions and managing climate-related risks.

During this half year Fortescue announced the Chichester Solar Gas Hybrid Project, which will reduce carbon emissions from stationary generation at the Chichester Hub by around 40 per

cent. Fortescue is also constructing the Pilbara Energy Connect project which will enable large scale renewable generation to be incorporated at any point on the integrated network allowing Fortescue to readily increase its use of renewable energy in the future.

Fortescue accepts the scientific consensus as assessed by the Intergovernmental Panel on Climate Change and is committed to contributing to global efforts to address climate change.

The Company supports Australia's Paris Agreement commitment to reduce emissions by 26 to 28 per cent from 2005 levels by 2030 and the UN Framework Convention on Climate Change which mandates that individual nations take responsibility for emissions within their own borders.

As industry, government and the community work together to mitigate this issue, Fortescue believes that Australia's climate change goals must be managed through a nationally consistent approach that incentivises economic development and job creation.

Aboriginal employment and business opportunities

Fortescue is proud to be one of Australia's largest employers of Aboriginal people. The Company is committed to championing generational change within Aboriginal communities including working with Traditional Custodians and Native Title groups to create economic opportunities through education, training, employment and business development.

As at 31 December 2019, Fortescue employed 839 Aboriginal people, representing 11 per cent of the total workforce. 15 per cent of employees at Fortescue's Pilbara sites are Aboriginal.

During the half year, Fortescue's Billion Opportunities continued to support Aboriginal businesses with over A\$258 million in new contracts awarded to 16 Aboriginal businesses.

Since its inception in 2011, the Billion Opportunities Program has awarded more than A\$2.5 billion in contracts and subcontracts to over 120 Aboriginal businesses and joint ventures.

Diversity

Fortescue is committed to building and maintaining a workplace that is diverse and inclusive. Increasing female and Aboriginal employment rates across the business is a key priority of the Company.

As at 31 December 2019, Fortescue has 1,526 female employees, representing 19 per cent of its workforce.

Fortescue is focussed on implementing practical initiatives such as child care and flexible work arrangements to ensure its female employment rate continues to grow.

Tax

The payment of taxes within the countries that Fortescue operates is an important element of the Company's contribution to the economic development of these countries.

Fortescue's primary revenue generating operations are located in Australia, which means the majority of the Company's tax liabilities are paid in Australia. The Company pays taxes according to the prevailing laws in each jurisdiction. Taxes applicable to Fortescue's business include:

- Corporate taxes
- State government royalties
- Comprehensive employment taxes such as fringe benefits taxes, payroll taxes and various employee insurances.

Fortescue also collects and pays a number of additional taxes beyond those directly attributable to the Company. These include Pay As You Go (PAYG) withholding tax from salary and wages paid to employees.

Fortescue's total income tax payable for FY19 was A\$1,671 million.

Operations

Production and shipments on a wet metric tonne basis (wmt) for the half year are outlined below.

6 months to 31 December (million tonnes)	31 December 2019	31 December 2018	Movement %
Overburden removed	158.7	157.4	+1
Ore mined	105.2	101.1	+4
Ore processed	91.3	85.3	+7
Ore shipped	88.6	82.7	+7
Ore sold	87.7	82.7	+6

Fortescue delivered record shipments in the last quarter of FY19 and carried this momentum into the current period while maintaining its focus on safety and cost. Mining, processing, rail and shipping combined to achieve record shipments of 88.6mt in the first half of FY20. During the period, a number of new mining areas were developed ensuring Fortescue is well positioned to deliver on its product strategy. Strip ratios are expected to remain at an average of 1.5 for FY20.

Ore processing was seven per cent higher than the corresponding prior period, as a result of increased plant availability due to investment in sustaining capital expenditure on the ore processing facilities (OPF) over the prior year. The improved performance of the OPFs across all operations has led to a 29 per cent reduction in the tonnes processed through ancillary crushing equipment from 6.9mt in HY19 to 4.9mt in the current half.

Towage operations in the Port of Port Hedland commenced on 5 September 2019 with a total of 242 vessel movements conducted during the half.

Sales via Fortescue's wholly owned Chinese sales entity, FMG Trading, which commenced in June 2019 have continued through the half year ended 31 December 2019. This entity allows Fortescue to improve its offering through the direct supply of products to Chinese customers in smaller volumes, sold in Renminbi directly from regional ports. The difference between ore shipped and ore sold for the half represents unsold stocks held by this entity at regional ports in China.

Product and marketing strategy

Fortescue's world class integrated operations and customer-focussed marketing strategy

underpins the Company's strong market penetration in China and in other countries.

The Company's strategy delivers a product range that meets customer requirements.

Sales of Fortescue's 60.1% iron content product, West Pilbara Fines, which commenced in December 2018, totalled 9.0mt for the six months ended 31 December 2019.

While China remains Fortescue's key market, the Company is focussed on increasing sales to growth economies in North and South East Asia, India and Europe.

Energy

During and since the end of the period, Fortescue announced an investment of US\$700 million in energy infrastructure through the Pilbara Energy Connect (PEC) program of works. This program will be constructed, owned and operated by Fortescue, and comprises:

- the US\$250 million Pilbara Transmission Project which consists of 275km of high voltage transmission lines connecting Fortescue's mine sites
- the US\$450 million Pilbara Generation Project which includes 150MW of gas fired generation, together with 150MW of solar photovoltaic (PV) generation, supplemented by large scale battery storage.

The PEC project provides Fortescue with a hybrid solar gas energy solution that enables low cost power delivery to Iron Bridge. At the same time it enhances Fortescue's overall security of supply, leveraging its investment in existing energy infrastructure including the Fortescue River Gas Pipeline, generation capacity at the Solomon Power Station and supporting the incorporation of

large scale renewable energy.

The PEC project builds on the Chichester Solar Gas Hybrid Project which was announced during the period. This landmark agreement with Alinta Energy will see up to 100 per cent of day time stationary energy requirements of the Chichester Hub iron ore operations powered by renewable energy. Alinta will build, own and operate the 60MW solar PV generation facility at the Chichester Hub and 60km transmission line linking the Christmas Creek and Cloudbreak mining operations with Alinta Energy's Newman gas-fired power station. On completion this will integrate with the PEC program via the Pilbara Transmission Project.

When complete the PEC and Chichester Solar Gas Hybrid Project will supply 25 to 30 per cent of Fortescue's stationary energy requirements from solar.

Innovation and technology

Fortescue has led the way globally in embracing automation at its operations.

The conversion to autonomous haulage (AHS) continued at the Chichester Hub and brings Fortescue's total autonomous fleet to 158 at 31 December 2019. At period end, Fortescue's AHS fleet had moved almost 1.2 billion tonnes of material and safely travelled in excess of 39 million kilometres since AHS was first introduced at the Solomon Hub. The conversion to fully autonomous haulage operations is progressing as planned and is expected to be completed by the end of 2020.

The Company continues to look for opportunities for automation to drive greater efficiency across the business, including the use of data to predict outcomes and optimise performance, the expansion of autonomous mining and further application of relocatable conveyor technology.

Development and exploration

Eliwana Mine and Rail Project

The Eliwana Mine and Rail Project, which includes development of a mine with annual production of 30mtpa for a minimum of 20 years, 143km of rail, a new dry OPF and the associated infrastructure, reached important milestones with the official sod turning ceremony in July 2019 and the grant of the special rail license in January 2020. The project is progressing in line with expectations to achieve first ore on train on schedule and budget in December 2020 and will underpin the ongoing production of West Pilbara Fines.

Capital expenditure on the US\$1,275 million project, incurred by year is estimated to be:

US\$ million	FY19 actual	FY20 actual/est	FY21 estimate	Total estimate
Capital expenditure	124	700 - 800	350 - 450	1,275

Iron Bridge Magnetite Project

The US\$2.6 billion Iron Bridge Magnetite Project is on schedule and budget to produce premium 67% iron content concentrate product in the first half of 2022. Preliminary site works have commenced including road upgrades, earthworks and village construction, with key long lead procurement contracts placed.

Fortescue's share of Iron Bridge capital expenditure incurred by year is estimated to be:

US\$ million	FY19 actual	FY20 actual/est	FY21 estimate	FY22 estimate	Total estimate
Capital expenditure	15	300 - 400	1,200 - 1,300	400 - 500	2,100

Pilbara Energy Connect

Capital expenditure on the US\$700 million project, incurred by year is estimated to be:

US\$ million	FY19 actual	FY20 actual/est	FY21 estimate	FY22 estimate	Total estimate
Capital expenditure	-	50	350 - 400	250 - 300	700

Exploration

Fortescue holds the largest tenement portfolio in the Pilbara region of Western Australia. The Company's iron ore tenements are key to maintaining mine life and sustaining product quality in Fortescue's core iron ore business. The Western Hub Resources include significant amounts of high iron content bedded iron ore, adding dry, low cost tonnes to Fortescue's product suite.

Australian exploration activity during

the half year was focussed on iron ore in the Western Hub and Eastern Hamersley regions in the Pilbara, and early stage target generation for copper-gold in the North Paterson and Rudall region in Western Australia.

Fortescue is building on its world-class exploration expertise, operational reputation and capability of its people through early stage exploration in highly prospective areas to deliver future shareholder value. The Company is assessing exploration

and development opportunities throughout South America including Ecuador, Colombia and Argentina.

During the half year, Fortescue continued drilling on targets prospective for copper at its Santa Ana concessions in Ecuador with two rigs having drilled over 11,000 metres to date. Early stage exploration is underway in Argentina with drilling on targets prospective for copper commenced in the province of San Juan, and over 1,000 metres drilled to date.

Financial results

Financial performance

Fortescue's financial results for the half year demonstrated the continued ability of the Company's operations to generate strong cash flows. The successful execution of product strategy and sustained low cost performance has resulted in strong operating margins.

	31 December 2019	31 December 2018
Key metrics		
Revenue, US\$ millions	6,485	3,540
Underlying EBITDA ¹ , US\$ millions	4,228	1,633
Net profit after tax, US\$ millions	2,453	644
Earnings per share, US cents	79.7	20.8
Earnings per share, AUD cents	116.4	28.7
C1 costs, US\$/wmt	12.73	13.11
Key ratios		
Underlying EBITDA margin, %	65	46
Return on equity, %	44	9

¹ Refer to the table on page 16 for the reconciliation of Underlying EBITDA to the financial metrics reported in the financial statements under Australian Accounting Standards.

During the half year ended 31 December 2019, Fortescue delivered a record net profit of US\$2,453 million and earnings per share of 79.7 US cents. This result reflects strong operating performance, continued focus on productivity and efficiency, and strong realised price through execution of the Company's integrated operations and marketing strategy.

Revenue

	Note ¹	31 December 2019	31 December 2018
Total iron ore revenue, US\$ millions	3	5,696	2,857
Total shipping revenue, US\$ millions	3	769	682
Other revenue, US\$ millions	3	20	1
Operating sales revenue, US\$ millions		6,485	3,540
Shipments, wmt		88.6	82.7
Ore sold, wmt ²		87.7	82.7
62% Fe CFR Platts index, US\$/dmt		95	69
Realised price, US\$/dmt		80.36	46.54

¹ Notes to the accompanying financial statements.

² Fortescue's wholly owned trading entity maintains some inventory at Chinese ports and ore sold versus shipments reflects the timing differences that may occur between shipments and sales to external customers.

Strong demand for iron ore continued with China's official crude steel production increasing by 8.3 per cent to a record 996 million in the 2019 calendar year, demonstrating the continued strength of the Chinese steel industry.

Fortescue's price realisation in HY20 increased by 73 per cent over the prior year as compared to an increase of 38 per cent in the Platts 62% index price over the same period.

Financial performance (continued)

Production costs

The reconciliation of C1 costs and total delivered costs to customers to the financial metrics reported in the financial statements under Australian Accounting Standards is set out below.

	Note ¹	31 December 2019	31 December 2018
Mining and processing costs, US\$ millions	3	934	898
Rail costs, US\$ millions	3	94	96
Port costs, US\$ millions	3	88	89
C1 costs, US\$ millions		1,116	1,083
Ore sold, wmt		87.7	82.7
C1, US\$/wmt		13	13
Shipping costs, US\$ millions	3	727	607
Government royalty ² , US\$ millions	3	421	214
Administration expenses, US\$ millions	3	52	41
Shipping, royalty and administration, US\$ millions		1,200	862
Ore Sold, wmt		87.7	82.7
Shipping, royalty and administration, US\$/wmt		13	11
Total delivered cost, US\$/wmt		26	24
Total delivered cost, US\$/dmt		29	26

¹ Notes to the accompanying financial statements.

² Fortescue pays 7.5 per cent government royalty for the majority of its iron ore products, with a concession rate of five per cent applicable to beneficiated fines.

C1 costs averaged US\$12.73/wmt for the half year, three per cent lower compared to the prior period. Fortescue's continued focus on productivity and efficiency is demonstrated through the following projects which delivered ongoing cost benefits throughout the half year period, including:

- Completion of AHS rollout at the Christmas Creek mine site which, coupled with AHS at Solomon, has lowered overall mining operating costs and reduced diesel consumption
- Increased reliability at all OPFs producing record half-year output of 86.4 mt processed
- Ongoing business improvement processes focussing on industry benchmarking and engaging Fortescue employees to drive productivity improvements across the supply chain through data driven informed decision making.

The impact of the above internal factors has been further enhanced by a more favourable AUD/USD exchange rate and the reallocation of operating lease costs out of C1 and into depreciation and interest expense on adoption of AASB 16 *Leases*.

Financial results

Financial performance (continued)

Underlying EBITDA

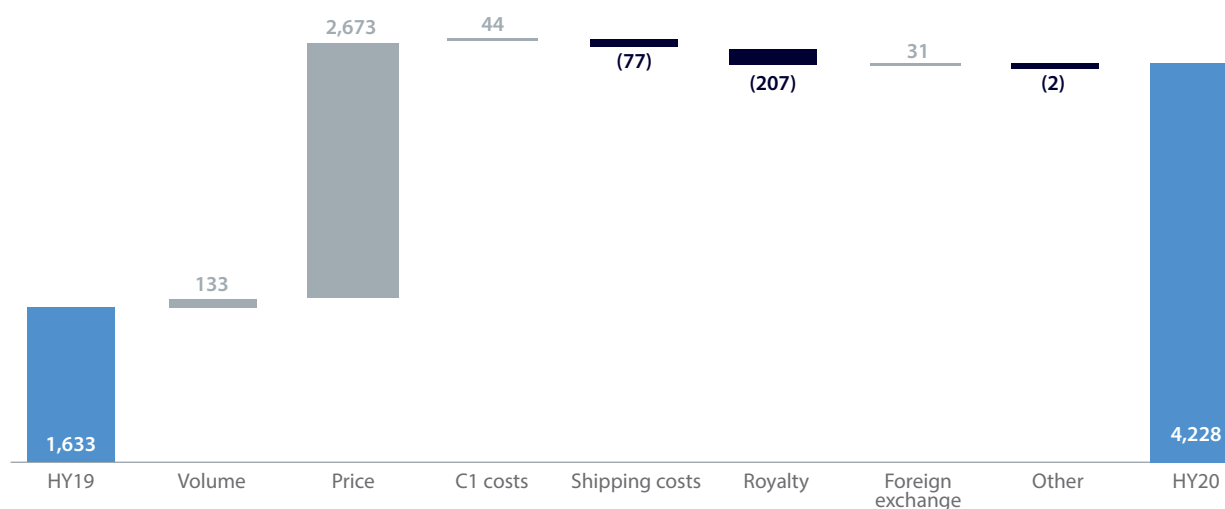
Underlying EBITDA, defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses, is a key measure of the Company's financial performance. During the half year, Fortescue's operations generated Underlying EBITDA of US\$4,228 million (HY19: US\$1,633 million). The reconciliation of Underlying EBITDA to the financial metrics reported in the financial statements under Australian Accounting Standards is presented below.

	Note ¹	31 December 2019 US\$m	31 December 2018 US\$m
Operating sales revenue	3	6,485	3,540
Cost of sales excluding depreciation and amortisation	3	(2,277)	(1,905)
Other income	3	72	39
Administration expenses	3	(52)	(41)
Underlying EBITDA		4,228	1,633
Finance income	3	27	9
Finance expenses	3	(150)	(141)
Depreciation and amortisation	3	(657)	(581)
Exploration, development and other	3	(21)	(4)
Net profit before tax		3,427	916
Income tax expense		(974)	(272)
Net profit after tax		2,453	644
Loss on early debt repayment after tax		11	-
Underlying net profit after tax		2,464	644

¹ Notes to the accompanying financial statements.

The improved Platts index and Fortescue's realisation thereof is the primary driver of the 159 per cent improvement in Underlying EBITDA from the prior comparable period. Other contributing factors are outlined below.

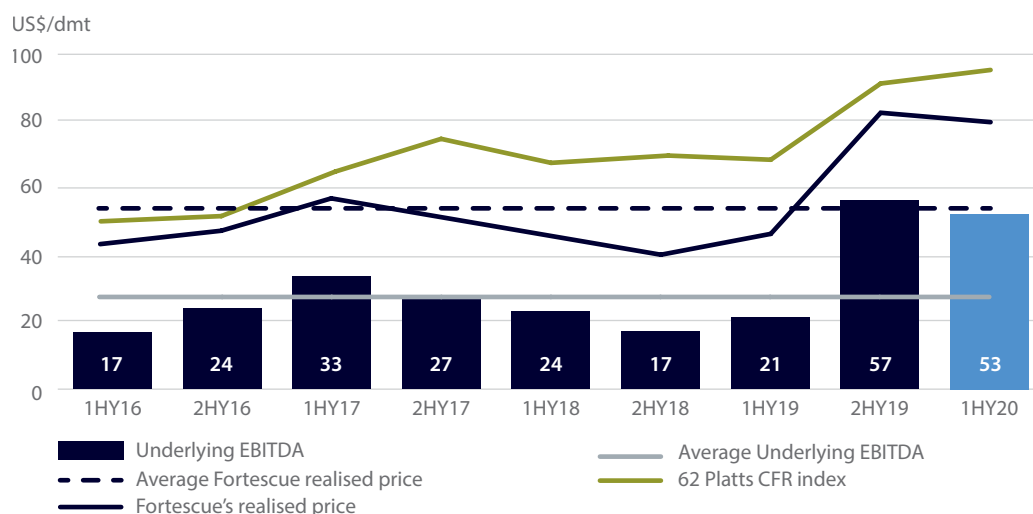
Underlying EBITDA, US\$ millions



The Underlying EBITDA of US\$4.2 billion for the first half of FY20 represents a margin of 65 per cent or US\$53/dmt. As illustrated in the chart below, Fortescue has been maintaining strong Underlying EBITDA margins through market cycles, demonstrating the commitment to and focus on productivity, efficiency and innovation.

Financial results

Financial performance (continued)



Other income

Other income of US\$72 million increased by 85 per cent compared to the prior period (HY19: US\$39 million), driven by an increase in net foreign currency gains on Australian dollar denominated payables, including income tax and trade payables. The exchange rate reduced from 0.70 USD/AUD at 30 June 2019 to 0.68 USD/AUD at 31 December 2019.

Depreciation and amortisation

Depreciation and amortisation of US\$657 million increased by 13 per cent compared to the prior period (HY19: US\$581 million) due to the combined impact of higher tonnes mined, processed and railed, as well as the implementation of AASB 16 *Leases*, which replaced operating lease expenses in the profit and loss with depreciation expense on 'right of use' assets and interest expense on lease liabilities.

Finance expenses

Finance expenses of US\$150 million for the half year ended 31 December 2019 include US\$16 million of costs expensed as a result of early debt repayments and refinancing completed during the period.

Income tax

Income tax expense for the half year of US\$974 million represents an effective tax rate of 28 per cent (HY19: US\$272 million, effective rate of 30 per cent), which has decreased as a combined result of permanent differences relating to amendments to prior period tax returns (US\$34 million) and non-assessable foreign currency gains on Australian income tax instalments (US\$31 million).

Financial position and capital management

	Note ¹	31 December 2019 US\$m	30 June 2019 US\$m
Key metrics			
Borrowings	4	3,204	3,379
Lease liabilities	4	829	573
Total debt		4,033	3,952
Cash and cash equivalents		3,314	1,874
Net debt		719	2,078
Equity		12,522	10,601
Key ratios			
Gearing, %		24	27
Net gearing, %		5	16

¹ Notes to the accompanying financial statements.

Financial results

Financial position and capital management (continued)

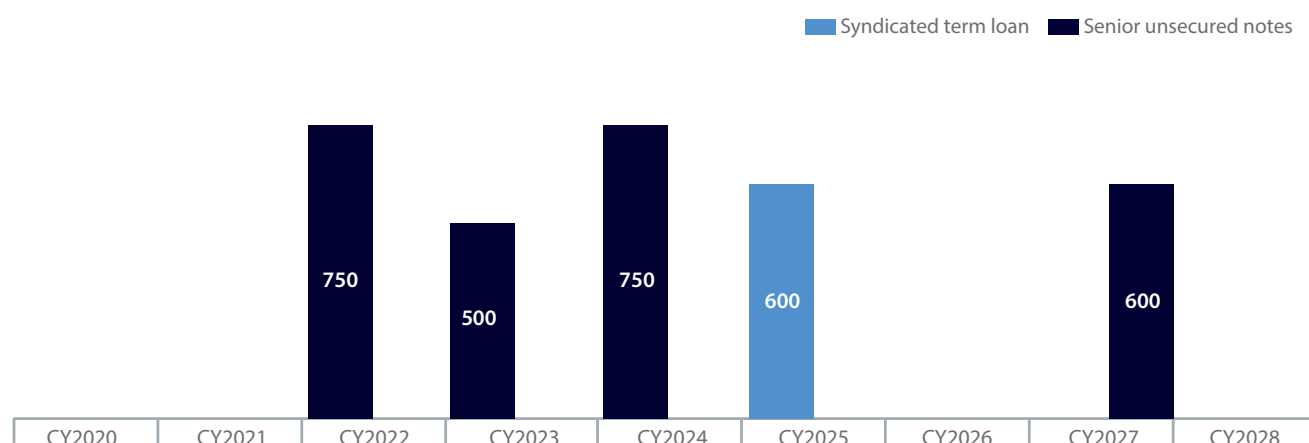
Debt and liquidity

Fortescue's balance sheet is structured on low cost, investment grade terms with optimal gearing and liquidity levels to support ongoing operations. The debt capital structure allows optionality and flexibility for future growth.

During September 2019, Fortescue successfully completed a US\$600 million offering of Senior Unsecured Notes, the proceeds of which were applied to the partial repayment of US\$600 million of the outstanding US\$1.4 billion 2022 Syndicated Term Loan Facility (Term Loan). A further US\$186 million of the Term Loan was repaid from available cash and negotiations were successfully concluded with existing Term Loan lenders to extend the repayment date of the balance of the Term Loan of US\$600 million to 2025 based on the same terms and conditions.

The Company's debt maturity profile at 31 December 2019, after the repayment and refinancing, is set out below. Fortescue has no financial maintenance covenants across all instruments.

Debt maturity profile (excluding leases), US\$m



At 31 December 2019, Fortescue had US\$4,339 million of liquidity available including US\$3,314 million of cash on hand and US\$1,025 million under the undrawn revolving credit facility. Total debt of US\$4,033 million, inclusive of US\$829 million of lease liabilities, represents gross gearing of 24 per cent.

Cash flows

	31 December 2019 US\$m	31 December 2018 US\$m
Cash generated from operations	4,201	1,145
Cash flows from operating activities	3,114	948
Capital expenditure	(852)	(531)
Free cash flow	2,262	417

Cash generated from operations of US\$4,201 million was 267 per cent higher than the prior period, largely as a result of higher Underlying EBITDA.

Net cash flows from operations include net interest payments of US\$96 million (HY19: US\$101 million) and income tax paid of US\$991 million (HY19: US\$96 million).

Capital expenditure was US\$852 million for the half year (HY19: US\$531 million).

Financial results

Financial position and capital management (continued)

Dividends and shareholder returns

In October 2019, Fortescue paid a fully franked final dividend of 24 Australian cents per share for the financial year ended 30 June 2019.

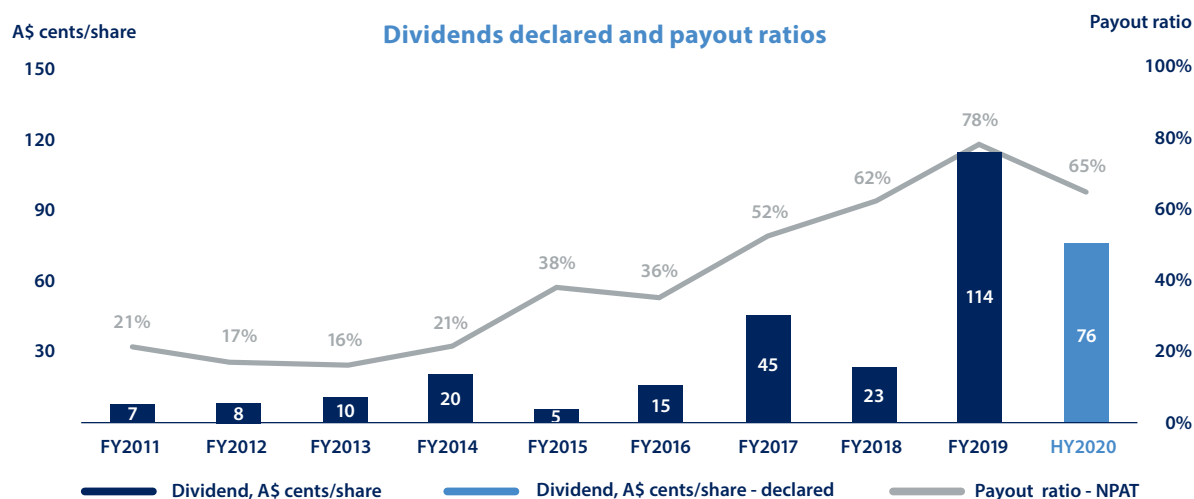
For the half year ended 31 December 2019, Fortescue generated earnings of 79.7 US cents per share (HY19: 20.8 US cents per share) and, on 19 February 2020, declared a fully franked interim dividend of 76 AUD cents per share (HY19: interim dividend of 19 AUD cents per share plus a special dividend of 11 AUD cents per share) payable in April 2020.

	31 December 2019	31 December 2018
Underlying net profit after tax ¹ , US\$ millions	2,464	644
Basic earnings per share, US cents per share	79.7	20.8
Basic earnings per share, AUD cents per share ²	116.4	28.7
Interim dividend		
Interim dividend, AUD cents per share	76	19
Interim special dividend, AUD cents per share	-	11
Total interim dividends, AUD cents per share	76	30
Dividend payout ratio, % (excluding special)	65%	66%

¹Underlying net profit after tax is calculated as statutory net profit after tax adjusted for the cost of early debt repayment.

²Australian dollar earnings per share is calculated by translating the US dollar earnings per share at the average exchange rate for the period of 0.685 USD/AUD (31 December 2018: 0.724 USD/AUD).

The interim dividend for the current period represents a payout ratio of 65 per cent of net profit after tax, in line with the Company's policy of a payout ratio between 50 and 80 per cent. Special dividends declared and paid in FY19 were "special" in terms of timing, noting that Fortescue's total FY19 dividends declared of A\$1.14 per share represented a dividend payout ratio of 78 per cent of full year net profit after tax.



FY20 guidance

- Shipments in the upper end of the range of 170-175mt, including 17-20mt West Pilbara Fines product
- C1 costs expected to be in the range of US\$12.75-13.25/wmt range
- Average strip ratio of 1.5
- Capital expenditure of US\$2.4 billion, incorporating the Pilbara Energy Connect program
- Depreciation and amortisation of US\$7.70/wmt



02

Financial Statements

For the half year ended
31 December 2019

Consolidated income statement

For the half year ended 31 December 2019

	Note	31 December 2019 US\$m	31 December 2018 US\$m
Operating sales revenue	3	6,485	3,540
Cost of sales	3	(2,924)	(2,480)
Gross profit		3,561	1,060
Other income	3	72	39
Other expenses	3	(83)	(51)
Profit before tax and net finance expenses		3,550	1,048
Finance income	3	27	9
Finance expenses	3	(150)	(141)
Profit before tax		3,427	916
Income tax expense		(974)	(272)
Profit after tax		2,453	644
Profit is attributable to:			
Equity holders of the Company		2,453	644
Net profit after tax		2,453	644

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the half year ended 31 December 2019

	31 December 2019 US\$m	31 December 2018 US\$m
Profit after tax	2,453	644
Other comprehensive income		
Gain on investments taken to equity	-	2
Exchange differences on translation of foreign operations	6	(2)
Total comprehensive income for the period, net of tax	2,459	644
Total comprehensive income for the period attributable to:		
Equity holders of the Company	2,459	644
Total comprehensive income for the period, net of tax	2,459	644
		Cents
Earnings per share for profit attributable to the equity holders of the Company:		
Basic earnings per share	79.7	20.8
Diluted earnings per share	79.4	20.7

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

At 31 December 2019

	Note	31 December 2019 US\$m	30 June 2019 US\$m
Assets			
Current assets			
Cash and cash equivalents		3,314	1,874
Trade and other receivables		474	923
Inventories		885	772
Other current assets		64	43
Total current assets		4,737	3,612
Non-current assets			
Trade and other receivables		2	2
Property, plant and equipment		16,525	16,071
Intangible assets		8	6
Other non-current assets		27	3
Total non-current assets		16,562	16,082
Total assets		21,299	19,694
Liabilities			
Current liabilities			
Trade and other payables		936	986
Deferred income		218	486
Borrowings and lease liabilities	4	165	86
Provisions		198	208
Deferred joint venture contributions		268	118
Current tax payable		627	762
Total current liabilities		2,412	2,646
Non-current liabilities			
Trade and other payables		50	50
Borrowings and lease liabilities	4	3,868	3,866
Provisions		689	688
Deferred joint venture contributions		-	155
Deferred tax liabilities		1,758	1,688
Total non-current liabilities		6,365	6,447
Total liabilities		8,777	9,093
Net assets		12,522	10,601
Equity			
Contributed equity	5	1,166	1,181
Reserves		50	42
Retained earnings		11,293	9,365
Equity attributable to equity holders of the Company		12,509	10,588
Non-controlling interest		13	13
Total equity		12,522	10,601

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half year ended 31 December 2019

	31 December 2019 US\$m	31 December 2018 US\$m
Cash flows from operating activities		
Cash receipts from customers	6,692	3,226
Payments to suppliers and employees	(2,491)	(2,081)
Cash generated from operations	4,201	1,145
Interest received	26	9
Interest paid	(122)	(110)
Income tax paid	(991)	(96)
Net cash inflow from operating activities	3,114	948
Cash flows from investing activities		
Payments for property, plant and equipment - Fortescue	(796)	(530)
Payments for property, plant and equipment - joint operations	(56)	(1)
Contributions (to) / from joint venture partners	(5)	5
Proceeds from disposal of plant and equipment	3	1
Payment for acquisition of subsidiary	(7)	-
Proceeds from sale of financial assets	-	57
Net cash outflow from investing activities	(861)	(468)
Cash flows from financing activities		
Proceeds from borrowings	600	-
Proceeds from leases	-	56
Repayment of borrowings	(786)	-
Repayments of leases	(60)	(31)
Finance costs paid	(15)	(8)
Dividends paid	(502)	(270)
Purchase of shares under share buy-back program	-	(101)
Purchase of shares by employee share trust	(44)	(28)
Net cash outflow from financing activities	(807)	(382)
Net increase in cash and cash equivalents	1,446	98
Cash and cash equivalents at the beginning of the period	1,874	863
Effects of exchange rate changes on cash and cash equivalents	(6)	1
Cash and cash equivalents at the end of the period	3,314	962

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half year ended 31 December 2019

	Attributable to equity holders of the Company				Non-controlling interest US\$m	Total equity US\$m
	Contributed Equity US\$m	Reserves US\$m	Retained earnings US\$m	Total US\$m		
Balance at 1 July 2018	1,287	46	8,386	9,719	13	9,732
Adjustment on adoption of AASB 15	-	-	(2)	(2)	-	(2)
Restated total equity at 1 July 2018	1,287	46	8,384	9,717	13	9,730
Net profit after tax	-	-	644	644	-	644
Total comprehensive income for the period, net of tax	-	-	644	644	-	644
Transactions with owners:						
Purchase of shares under employee share plans	(28)	-	-	(28)	-	(28)
Employee share awards vested	23	(19)	-	4	-	4
Equity settled share-based payment transactions	-	10	-	10	-	10
Purchase of shares under share buy-back program	(101)	-	-	(101)	-	(101)
Dividends declared	-	-	(271)	(271)	-	(271)
Other	-	(2)	(2)	(4)	-	(4)
Balance at 31 December 2018	1,181	35	8,755	9,971	13	9,984
Balance at 1 July 2019	1,181	42	9,365	10,588	13	10,601
Adjustment on adoption of AASB 16 ¹	-	-	(7)	(7)	-	(7)
Restated total equity at 1 July 2019	1,181	42	9,358	10,581	13	10,594
Net profit after tax	-	-	2,453	2,453	-	2,453
Other comprehensive income	-	6	-	6	-	6
Total comprehensive income for the period, net of tax	-	6	2,453	2,459	-	2,459
Transactions with owners:						
Purchase of shares under employee share plans	(43)	-	-	(43)	-	(43)
Employee share awards vested	28	(28)	-	-	-	-
Equity settled share-based payment transactions	-	30	-	30	-	30
Dividends declared	-	-	(519)	(519)	-	(519)
Other	-	-	1	1	-	1
Balance at 31 December 2019	1,166	50	11,293	12,509	13	12,522

¹ See Note 1(c) for details regarding the restatement as a result of the adoption of AASB 16 Leases.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

For the half year ended 31 December 2019

Basis of preparation

1 Basis of preparation

These financial statements cover the consolidated group consisting of Fortescue Metals Group Ltd (the Company) and its subsidiaries, together referred to as Fortescue or the Group.

(a) Statement of compliance

These general purpose consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial report for the year ended 30 June 2019, and any public announcements made by the Company during the half year ended 31 December 2019 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

The financial statements were approved by the Board of Directors on 19 February 2020.

All amounts in the financial statements have been rounded to the nearest million dollars, except as indicated, in accordance with the ASIC Corporations Instrument 2016/191.

(b) Significant accounting policies

The accounting policies applied in these financial statements are consistent with those applied by the Group in the 30 June 2019 consolidated financial statements, except as disclosed in note 1(c).

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2019 interim reporting period and have not been applied in these financial statements.

(c) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standard:

- AASB 16 *Leases*

The impact of the adoption of the standard and the new accounting policy are disclosed in the note below.

Adoption of AASB 16

AASB 16 replaces existing leases guidance, including AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*. The new standard contains a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of lessees. It applies a control model for the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the lessee.

AASB 16 removes the distinction between operating and finance leases for lessees. Instead, all leases other than short term and low value asset leases are recognised on the balance sheet as a right of use asset, representing the lessee's entitlement to the benefits of the identified asset over the lease term, and a lease liability representing the lessee's obligation to make the lease payments. For leases recognised as operating leases under AASB 117, the lease expense will be replaced by the amortisation of the right of use asset and interest expense on the lease liability.

Notes to the consolidated financial statements

For the half year ended 31 December 2019

1 Basis of preparation (continued)

Transition to AASB 16

The Group initially adopted AASB 16 on 1 July 2019, using the modified retrospective approach. The cumulative effect of adopting AASB 16 was recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. The impact of the current lease arrangements for the lease of buildings, mining equipment and other assets has been evaluated and the impact on the balance sheet on this date was an increase in lease liabilities of US\$149m and right of use assets of US\$139m, with the balance of US\$10m being adjusted to retained earnings, net of an adjustment of US\$3m for deferred tax.

The weighted average borrowing rate applied to the Group's lease liabilities recognised on the balance sheet as at 1 July 2019 was 4.9%.

A reconciliation of operating lease commitments disclosed at 30 June 2019 to additional lease liabilities recognised as at 1 July 2019 is provided in the table below.

	US\$m
Operating Lease commitments disclosed as at 30 June 2019	176
Less: short-term leases not recognised as a liability	(7)
Leases to be discounted and accounted for under AASB 16	169
Discounted using the incremental borrowing rate at date of initial application	149
Add: Service contracts subsequently reassessed as leases	88
Lease liabilities identified as per AASB 16 at 1 July 2019	237
Add: Existing finance lease liabilities recognised as at 30 June 2019	573
Lease liability recognised as at 1 July 2019	810

Impact on current reporting period from adoption of AASB 16

	US\$m
Lease liabilities recognised as per AASB 16 at 1 July 2019	237
Additional leases entered into during the period	72
Finance costs on leases identified under AASB 16	7
Payments for leases identified under AASB 16	(34)
Lease liabilities recognised as at 31 December 2019	282
Existing finance lease liabilities balance at 31 December 2019 recognised under AASB 117 and transitioned to AASB 16 at 1 July 2019	547
Total lease liabilities recognised as at 31 December 2019	829
Right of use assets recognised as at 1 July 2019	139
Additional right of use assets identified on subsequent assessment of service contracts	88
Additional right of use assets recognised	73
Accumulated depreciation on right of use assets	(33)
Right of use assets recognised as at 31 December 2019	267
Existing right of use asset balance at 31 December 2019 recognised under AASB 117 and transitioned to AASB 16 at 1 July 2019	702
Total right of use assets recognised as at 31 December 2019	969

Notes to the consolidated financial statements

For the half year ended 31 December 2019

1 Basis of preparation (continued)

Change in accounting policy

Leases - accounting policy applied from 1 July 2019

The Group enters into contractual arrangements for the leases of mining equipment, vehicles, buildings and other assets. The nature of these arrangements can be lease contracts or service contracts with embedded assets. Typically, the duration of these contracts is for periods of between 2 and 5 years, some of which include extension options.

From 1 July 2019 the Group has applied the requirements of AASB 16 *Leases*. Leases are recognised on the balance sheet as a right of use asset, representing the lessee's entitlement to the benefits of the identified asset over the lease term, and a lease liability representing the lessee's obligation to make the lease payments. Each lease payment is allocated between its liability and finance cost component. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is amortised on a straight-line basis over the shorter of the useful life of the asset and lease term. When the right of use asset is used in the extraction, processing and transportation of ore, depreciation is included in inventory. Refer note 23(i) of the June 2019 financial statements.

Liabilities arising from contractual arrangements which contain leases are initially measured at the present value of the future lease payments. These payments include the present value of fixed payments prescribed in the contract; variable lease payments based on an index or prescribed rate; amounts expected to be payable by the lessor under residual value guarantees; and exercise price of a purchase option if it is reasonably certain that the option will be exercised.

Right of use assets are initially measured at the amount of the initial lease liability plus any lease payments at or before commencement date less incentives received, plus any initial direct costs, and any costs required for dismantling and rehabilitation.

Right of use assets are subsequently measured at cost less any accumulated depreciation and accumulated impairment losses; and any adjustment for remeasurement of the lease liability.

Lease liabilities are subsequently measured at present value, adjusted for any variations to the underlying contract terms.

Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be determined, the Group's incremental borrowing rate is used, which is the rate which the Group would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment over a similar term and security.

Payments for short term leases and low value assets are recognised on a straight-line basis as an expense in the income statement. Short term leases are for a period of twelve months or less and contracts involving low value assets typically comprise small items of IT hardware and minor sundry assets.

Notes to the consolidated financial statements

For the half year ended 31 December 2019

Financial performance

2 Segment information

Fortescue's chief operating decision maker is the Core Leadership Team (CLT) which comprises the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. The CLT reviews the Group's financial performance and makes significant operating decisions having regard to all aspects of the integrated operation with the key financial information presented internally for management purposes on a consolidated basis. Accordingly, no reportable operating segments have been identified in presenting the Group's consolidated financial performance.

Fortescue uses Underlying EBITDA, defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses, as a key measure of its financial performance. The reconciliation of Underlying EBITDA to the net profit after tax is presented below.

	Note	31 December 2019 US\$m	31 December 2018 US\$m
Underlying EBITDA		4,228	1,633
Finance income	3	27	9
Finance expenses	3	(150)	(141)
Depreciation and amortisation	3	(657)	(581)
Exploration, development and other	3	(21)	(4)
Profit before tax		3,427	916
Income tax expense		(974)	(272)
Net profit after tax		2,453	644

(a) Geographical information

Fortescue operates predominantly in the geographical location of Australia, and this is the location of the vast majority of the Group's assets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	31 December 2019 US\$m	31 December 2018 US\$m
Revenue from external customers		
China	6,151	3,188
Other	334	352
	6,485	3,540

(b) Major customer information

Revenue from two customers amounted to US\$988 million and US\$768 million for the half year ended 31 December 2019 (HY18: US\$812 million and US\$515 million), arising from the sale of iron ore and the related shipment of product.

Notes to the consolidated financial statements

For the half year ended 31 December 2019

Financial performance

3 Revenue and expenses

	31 December 2019 US\$m	31 December 2018 US\$m
Iron ore revenue	6,165	2,737
Provisional pricing adjustments – iron ore	(469)	120
Total iron ore revenue¹	5 696	2,857
Shipping revenue	732	662
Provisional pricing adjustments – shipping revenue	37	20
Total shipping revenue²	769	682
Other revenue ³	20	1
Operating sales revenue	6,485	3,540
Mining and processing costs	(934)	(898)
Rail costs	(94)	(96)
Port costs	(88)	(89)
Shipping costs	(727)	(607)
Government royalty	(421)	(214)
Depreciation and amortisation	(647)	(575)
Other operating expenses	(13)	(1)
Cost of sales	(2,924)	(2,480)
Net foreign exchange gain	70	39
Other	2	-
Other income	72	39
Administration expenses	(52)	(41)
Exploration, development and other	(21)	(4)
Depreciation and amortisation	(10)	(6)
Other expenses	(83)	(51)
Interest income	27	9
Finance income	27	9
Interest expense on borrowings and lease liabilities	(109)	(109)
Loss on early debt redemption	(16)	-
Other	(25)	(32)
Finance expense	(150)	(141)

¹ Certain sales contracts are provisionally priced at the initial revenue recognition (bill of lading) date, with the final settlement price based on a pre-determined quotation period. Operating sales revenue from these contracts each comprise two parts:

- i) Iron ore revenue and shipping revenue recognised at the bill of lading date at current prices; and
- ii) Provisional pricing adjustments which represent any difference between the revenue recognised at the bill of lading date and the final settlement price.

² Shipping revenue and the provisional pricing adjustments to shipping revenue are recognised over the period during which the shipping service has been provided.

³ Other revenue includes towage services provided by Fortescue

Notes to the consolidated financial statements

For the half year ended 31 December 2019

Capital management

4 Borrowings and lease liabilities

	31 December 2019 US\$m	30 June 2019 US\$m
Senior unsecured notes	25	16
Syndicated term loan	9	22
Lease liabilities	131	48
Total current borrowings and lease liabilities	165	86
Senior unsecured notes	2,580	1,985
Syndicated term loan	590	1,356
Lease liabilities	698	525
Total non-current borrowings and lease liabilities	3,868	3,866
Total borrowings and lease liabilities	4,033	3,952

Fortescue's listed debt instruments, namely the senior unsecured notes, are classified as level 1 financial instruments in the fair value hierarchy with their fair values based on quoted market prices at the end of the reporting period. The senior unsecured notes had a fair value of US\$2,725 million at 31 December 2019 (30 June 2019: US\$2,071 million). The carrying values of other financial assets and liabilities approximate their fair values.

Senior unsecured notes

On 6 September 2019, Fortescue completed a US\$600 million offering of Senior Unsecured Notes (Notes) at an interest rate of 4.5 per cent, maturing 15 September 2027. Proceeds from the Notes were applied to the partial repayment of US\$600 million of the outstanding US\$1.4 billion 2022 Syndicated Term Loan. The Notes rank pari passu with all existing and future senior unsecured indebtedness.

Syndicated term loan

On 26 September 2019, Fortescue completed a partial repayment and extension of maturity of the Syndicated Term Loan. The partial repayment comprised US\$600 million of proceeds from the Senior Unsecured Notes (disclosed above) and a further US\$186 million from operating cash flows. The syndicated term loan is now due to mature in June 2025, and remains on the same terms and conditions.

Lease liabilities

The Group enters into contractual arrangements for the leases of mining equipment, vehicles, buildings and other assets. Typically, the duration of these contracts is for periods of between 2 and 5 years, some of which include extension options. Refer to note 1(c) for details of the impact on adoption of AASB 16 *Leases*.

Revolving credit facility

The revolving credit facility remained undrawn at 31 December 2019. The US\$1,025 million facility is due to mature in July 2021.

Notes to the consolidated financial statements

For the half year ended 31 December 2019

Capital management

5 Contributed equity

(a) Share capital

	Issued shares	Treasury shares	Contributed equity	Issued shares	Treasury shares	Contributed equity
	Number	Number	Number	US\$m	US\$m	US\$m
At 1 July 2018	3,113,798,151	(1,227,861)	3,112,570,290	1,296	(9)	1,287
Purchase of shares under employee share plans	-	(9,864,138)	(9,864,138)	-	(28)	(28)
Employee share awards vested	-	9,581,318	9,581,318	-	23	23
Purchases of shares under share buy-back program	(34,833,233)	-	(34,833,233)	(101)	-	(101)
At 30 June 2019	3,078,964,918	(1,510,681)	3,077,454,237	1,195	(14)	1,181
Purchase of shares under employee share plans	-	(8,017,231)	(8,017,231)	-	(43)	(43)
Employee share awards vested	-	8,297,190	8,297,190	-	28	28
At 31 December 2019	3,078,964,918	(1,230,722)	3,077,734,196	1,195	(29)	1,166

(b) Issued shares

Issued shares are fully paid and entitle the holders to one vote per share and the rights to participate in dividends. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

(c) Treasury shares

Movements in treasury shares represent acquisition of the Company's shares on market and allocation of shares to the Company's employees from the vesting of share rights under the employee share-based payment plans.

(d) Share buy-back program

During the period, the Company acquired none of its own shares on market under the share buy-back program which was extended for a further 12 months on 11 October 2019 (31 December 2018: 34,833,233 shares). All shares purchased under the share buy-back program were cancelled at 31 December 2019.

Notes to the consolidated financial statements

For the half year ended 31 December 2019

Capital management

6 Dividends

(a) Dividends paid during the half year

	31 December 2019 US\$m	31 December 2018 US\$m
Final fully franked dividend declared for the year ended 30 June 2019: A\$0.24 per share (30 June 2018: A\$0.12 per share)	519	271

(a) Dividends declared and not recognised as a liability

	31 December 2019 US\$m	31 December 2018 US\$m
Interim fully franked dividend for the half year ended 31 December 2019: A\$0.76 per share (HY19: A\$0.19 per share)	1,574	416
Special fully franked dividend for the half year ended 31 December 2019: A\$0.00 per share (HY19: A\$0.11 per share)	-	241
Total dividends declared	1,574	657

Unrecognised items

7 Commitments and contingencies

(a) Capital commitments

At 31 December 2019, Fortescue had contractual commitments to capital expenditure of US\$842 million (30 June 2019: US\$400 million).

(b) Contingent assets and liabilities

Since 2012 Fortescue has been a respondent party to the native title claim to exclusive possession made by the Yindjibarndi People over land which included Fortescue's Solomon Hub (*Warrie (formerly TJ) (on behalf of the Yindjibarndi People) v State of Western Australia*). The Full Federal Court handed down its decision on this matter on 18 October 2019, and upheld the original court ruling in favour of the Yindjibarndi People given in 2017. The original ruling recognised the Yindjibarndi People exclusive possession native title over most (but not all) of Fortescue's Solomon Hub mining tenure. On 15 November 2019, Fortescue lodged an application for special leave to the High Court of Australia appealing the decision of the Full Federal Court. The decision of the Full Federal Court has no impact on Fortescue's current or future operations or mining tenure at the Solomon Hub, and the Company does not anticipate any material financial impact to the business as a result of the decision of the Full Federal Court.

Fortescue had no other material contingent assets or contingent liabilities at 31 December 2019 or at the date of this report. Fortescue occasionally receives claims arising from its activities in the normal course of business. It is expected that any liabilities arising from such claims would not have a material effect on the Group's operating results or financial position.

8 Subsequent events

On 19 February 2020, the Directors declared an interim fully franked dividend of 76 Australian cents per ordinary share payable in April 2020.



03 Directors' declaration

Dr Andrew Forrest AO
Chairman

In the opinion of the Directors:

- (a) The interim financial statements and notes of Fortescue Metals Group Ltd set out on pages 21 to 32 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declaration made to the directors for the half year ended 31 December 2019 in accordance with the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

This declaration is made in accordance with a resolution of Directors.

Dr Andrew Forrest AO
Chairman

Dated in Perth on this 19th day of February 2020.



Independent auditor's report

04 Independent auditor's review report

To the members
of Fortescue
Metals Group Ltd

Report on the half-year financial report

We have reviewed the accompanying half year financial report of Fortescue Metals Group Ltd (the Company), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, selected other explanatory notes and the directors' declaration for the Fortescue Metals Group Ltd Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half year.

Directors' responsibility for the half year financial report

The directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Fortescue Metals Group Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers, ABN 52 780 433 757

Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

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Independent auditor's report (continued)

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Fortescue Metals Group Ltd is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



PricewaterhouseCoopers



Justin Carroll
Partner
PricewaterhouseCoopers

Perth
19 February 2020

05 Auditor's independence declaration



As lead auditor for the review of Fortescue Metals Group Ltd for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Fortescue Metals Group Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Justin Carroll'.

Justin Carroll
Partner
PricewaterhouseCoopers

Perth
19 February 2020

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06

Corporate directory



Glossary

Australian Accounting Standards

Australian Accounting Standards are developed, issued and maintained by the Australian Accounting Standards Board, an Australian Government agency under the *Australian Securities and Investments Commission Act 2001*.

AASB

Australian Accounting Standards Board.

ASIC

The Australian Securities Investments Commission.

ASX

The Australian Securities Exchange.

C1 Cost

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

CFR

A delivery term that indicates that the shipment price includes the cost of goods, freight costs and marine costs associated with a particular delivery.

Chichester Hub

Fortescue's mining hub with two operating iron ore mines, Cloudbreak and Christmas Creek, located in the Pilbara, approximately 250 kilometres south east of Fortescue's Herb Elliott Port in Port Hedland.

Corporations Act

Corporations Act 2001 of the Commonwealth of Australia.

dmt

Dry metric tonne.

EBITDA

Earnings before interest, taxes, depreciation, and amortization

Eliwana Mine and Rail Project

Fortescue's US\$1.275 billion Eliwana Mine and Rail development includes 143km of rail and a 30mtpa dry OPF. The project underpins the introduction of the 60.1% iron content product, West Pilbara Fines.

Fe

The chemical symbol for iron.

Fortescue

Fortescue Metals Group Ltd (ACN 002 594 872) and its subsidiaries.

FY

Refers to a Financial Year.

Gearing

Debt / (debt + equity).

Hematite

An iron ore compound with an average iron ore content of between 57 per cent and 63 per cent Fe. Hematite deposits are typically large, close to the surface and mined via open pits.

HY

Refers to the first half of a Financial Year.

Iron Bridge Magnetite Project

The project will deliver 22mtpa of high grade 67% Fe magnetite concentrate product, with first ore on ship scheduled for mid-2022.

Magnetite

An iron ore compound that is typically a lower grade ore than Hematite iron ore because of a lower iron content.

Magnetite ore requires significant beneficiation to form a saleable concentrate. After beneficiation, Magnetite ore can be palletised for direct use as a high-grade raw material for steel production.

MW

Megawatts.

mt

Million tonnes.

mtpa

Million tonnes per annum.

Net gearing

(Debt - cash) / (debt - cash + equity).

NPAT

Net profit after tax.

OPF

Ore Processing Facility.

Pilbara

The Pilbara region in the north west of Western Australia.

PV

Solar photovoltaic panels on the roofs of homes and businesses use energy from the sun to generate electricity cleanly and quietly.

Solomon Hub

A mining hub with two operating iron ore mines, Firetail and Kings. The Hub is located approximately 60 kilometres north of the township of Tom Price and 120 kilometres west of the railway that links the Chichester Hub to Port Hedland.

TRIFR

Total Recordable Injury Frequency Rate per million man hours worked, comprising lost time injuries, restricted work and medical treatments.

Underlying EBITDA

Underlying EBITDA is defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses.

Underlying EBITDA margin

Underlying EBITDA / Operating sales revenue.

United Nations Sustainable Development Goals

The SDGs are a call for global action through national governments to end poverty, protect the planet and ensure that all people are able to enjoy peace and prosperity.

West Pilbara Fines

Fortescue's introduced a 60.1% iron content product called West Pilbara Fines in December 2018.

wmt

Wet metric tonne.

Corporate information

Contact Information

Fortescue registered office Australia

Level 2, 87 Adelaide Terrace
East Perth, WA 6004
T: +61 8 6218 8888
F: +61 8 6218 8880
E: fmgl@fmgl.com.au
www.fmgl.com.au

FMG Shanghai office

Room 1503 Foxconn Building,
1366 Lujiazui Ring Road, Pudong New
District, Shanghai 200120, P.R.China

FMG Trading Shanghai Co. Ltd

Room 1504A Foxconn Building, 1366
Lujiazui Ring Road, Pudong New District,
Shanghai 200120, P.R.China

Singapore

FMG International, The Central
8 Eu Tong Sen St, 24-91 Singapore 059818

Fortescue VTEC and Community office

1B/2 Byass St
South Hedland, WA 6722
T: +61 8 9158 5800
F: +61 8 6218 8880
E: hedlandcommunity@fmgl.com.au
E: vtec@fmgl.com.au

Orange, NSW

5 Corporation Place
Orange, NSW 2800

Australian Business Number

ABN 57 002 594 872

Auditor

PwC
Level 15, 125 St Georges Terrace
Perth, WA 6000
www.pwc.com.au

Stock Exchange listings

Securities Exchange listings

Fortescue Metals Group Ltd shares are listed
on the Australian Securities
Exchange (ASX)
ASX Code: FMG

Fortescue Share Registry

Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace
Perth, WA 6000
Locked Bag A14
Sydney South, NSW 1235
T: 1300 733 136 (within Australia)
T: +61 2 8280 7603 (International)
F: +61 2 9287 0309
www.linkmarketservices.com.au

Stay in touch

Latest news, reports and presentations via email

If you would prefer to receive information
such as Annual Reports, notices of meetings
and announcements via email,
you can change your communication
preferences on the Registry website:
www.linkmarketservices.com.au

Twitter

[@FortescueNews](https://twitter.com/FortescueNews)

LinkedIn

[au.linkedin.com/company/
fortescue-metals-group](https://au.linkedin.com/company/fortescue-metals-group)

YouTube

[www.youtube.com/user/
FortescueMetalsGroup](https://www.youtube.com/user/FortescueMetalsGroup)

Event calendar 2020

Key dates for Fortescue shareholders in 2020.
Please note dates are subject to review.

March Quarterly Production Report

30 April 2020

June Quarterly Production Report

30 July 2020

FY20 Full Year Results Announcement

24 August 2020

September Quarterly Production Report

29 October 2020

Annual General Meeting

11 November 2020

