FY20 Half Year Results

19 February 2020

Global force
Thriving communities

Forward Looking Statements

Disclaimer

Important Notice

The purpose of this presentation is to provide general information about Fortescue Metals Group Ltd ("Fortescue"). It is not recommended that any person makes any investment decision in relation to Fortescue based on this presentation. This presentation contains certain statements which may constitute "forward-looking statements". Such statements are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward-looking statements.

No representation or warranty, express or implied, is made by Fortescue that the material contained in this presentation will be achieved or prove to be correct. Except for statutory liability which cannot be excluded, each of Fortescue, its officers, employees and advisers expressly disclaims any responsibility for the accuracy or completeness of the material contained in this presentation and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this presentation or any error or omission therefrom.

Fortescue accepts no responsibility to update any person regarding any inaccuracy, omission or change in information in this presentation or any other information made available to a person nor any obligation to furnish the person with any further information.

Additional Information

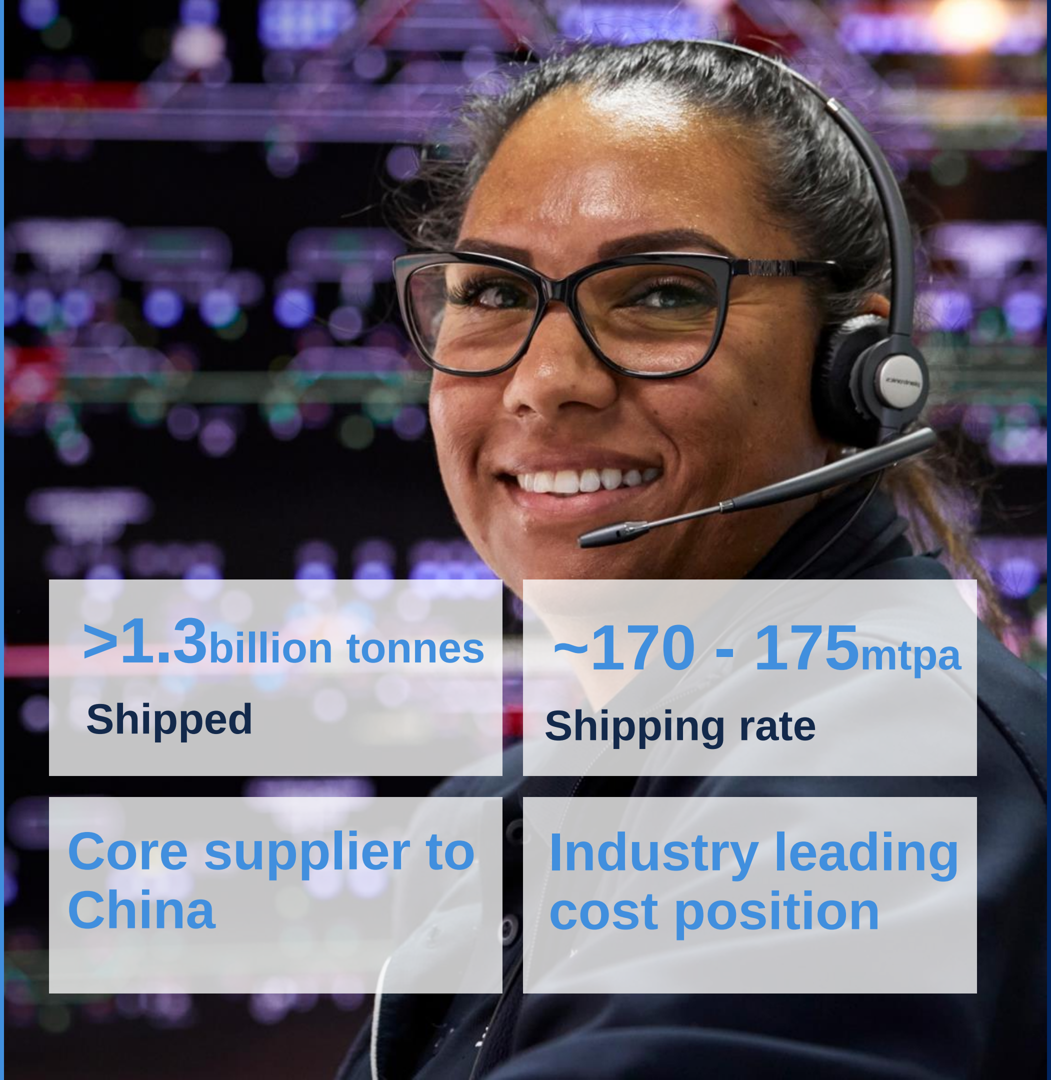
This presentation should be read in conjunction with the Annual Report at 30 June 2019 together with any announcements made by Fortescue in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001* and ASX Listing Rules.

Any references to reserve and resources estimations should be read in conjunction with Fortescue's Ore Reserves and Mineral Resources statements released to the Australian Securities Exchange on 2 April 2019 for its Magnetite projects and on 23 August 2019 for its Haematite projects. Fortescue confirms in the subsequent public report that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and, in the case of estimates of mineral resources or ore reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

All amounts within this presentation are stated in United States Dollars consistent with the functional currency of Fortescue Metals Group Ltd, unless otherwise stated. Tables contained within this presentation may contain immaterial rounding differences.

A world class company

Wholly owned, fully integrated supply chain



>1.3 billion tonnes
Shipped

~170 - 175 mtpa
Shipping rate

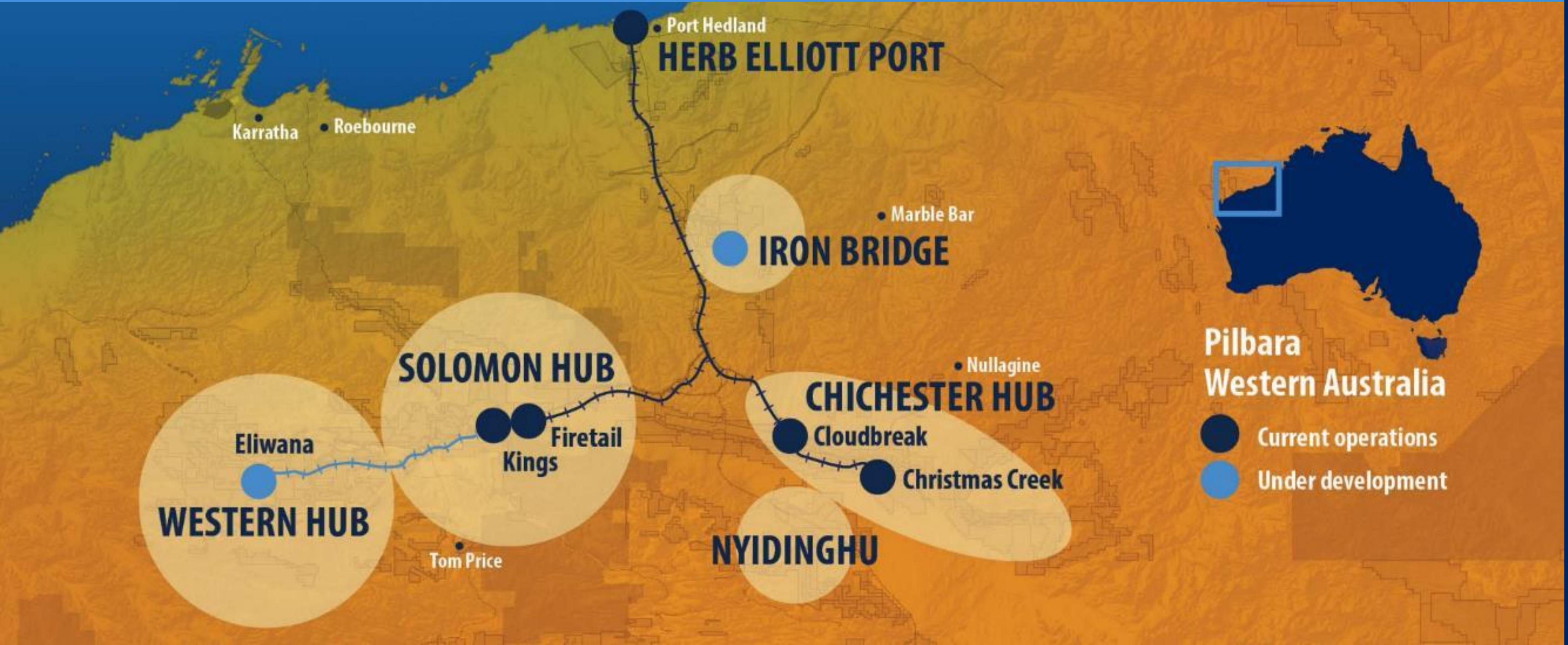
Core supplier to China

Industry leading cost position

Fortescue

Integrated mine to market infrastructure

Delivering sustained operational efficiencies



Safety and unique culture

2.5 TRIFR

Total Recordable Injury Frequency Rate on a 12 month rolling basis

38%

Improvement compared to 31 December 2018

Reducing fatality risk profile

Fortescue

Health and wellbeing

Village facilities
Community activities

Family site visits
1,000 family and friends in 2019

Flexibility
Job share, Perth operations centre

Mental health support
Fortescue's Chaplains, EAP,
Mates in Construction

1H20 Highlights

Fortescue

88.6 million tonnes
Shipped

US$**6.5** billion
Revenue

US$**4.2** billion
Underlying EBITDA

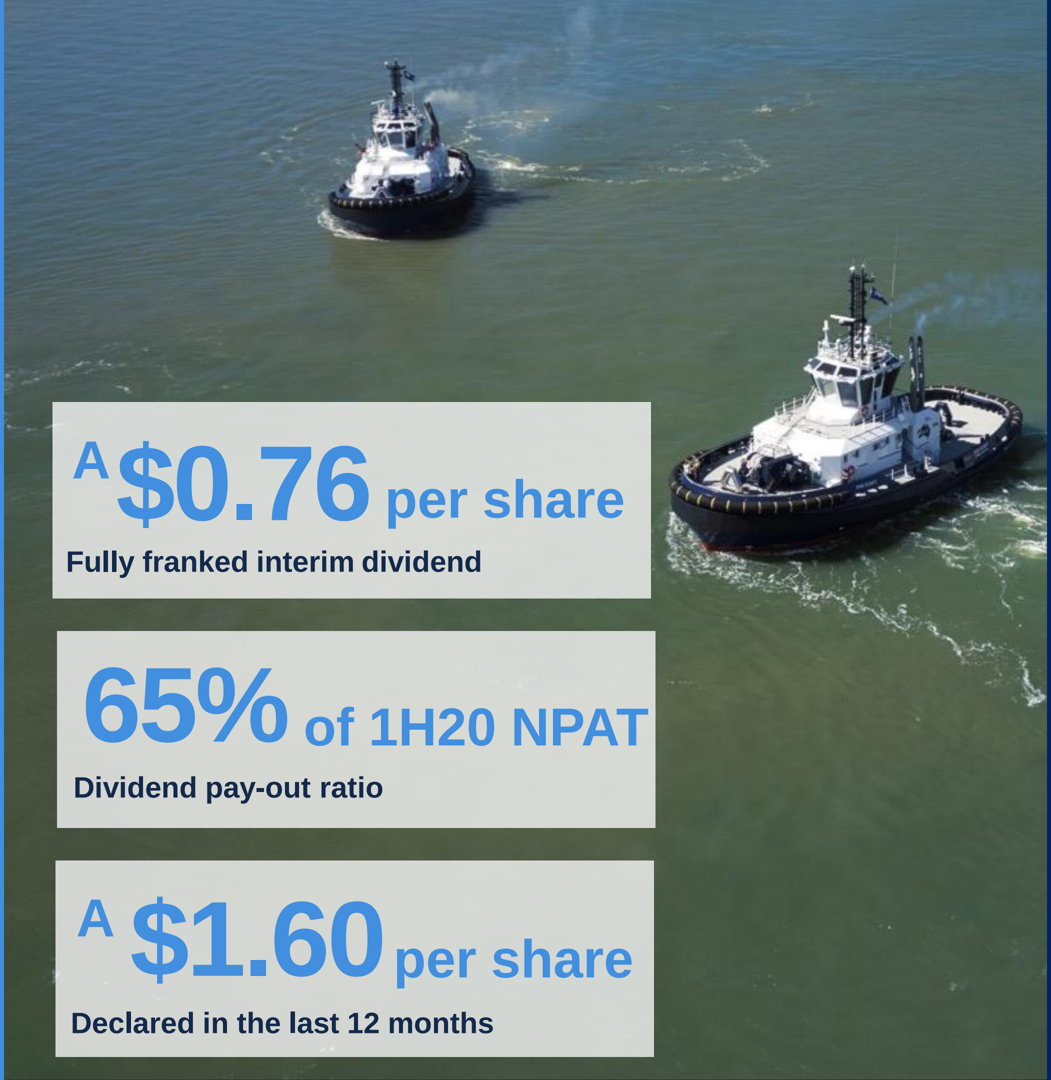
US$**2.5** billion
Net profit after tax (NPAT)

US$**3.3** billion
Cash at 31 December 2019

US$**0.7** billion
Net debt at 31 December 2019

Shareholder returns

Dividend policy of a ratio of 50 to 80 per cent of full year NPAT



A$0.76 per share

Fully franked interim dividend

65% of 1H20 NPAT

Dividend pay-out ratio

A$1.60 per share

Declared in the last 12 months

Fortescue

Financial results

1H20 Financial highlights

US $6.5 billion
Revenue

US$80/dmt
Realised price

US $4.2 billion
Underlying EBIDTA

65%
Underlying EBITDA margin

US$2.5 billion
NPAT

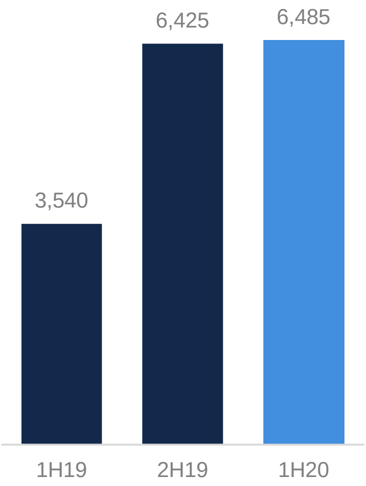
US$0.80 (A$1.16)
Earnings per share

Fortescue

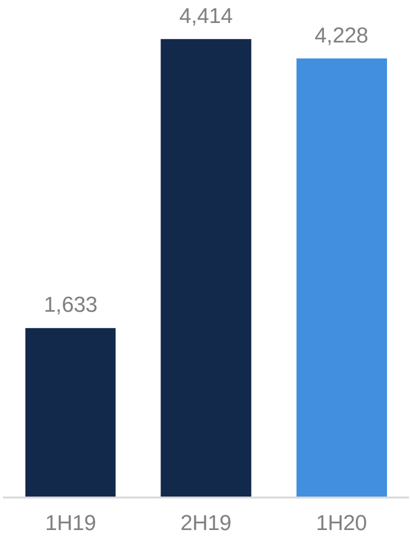
1H20 Highlights

Generating strong earnings

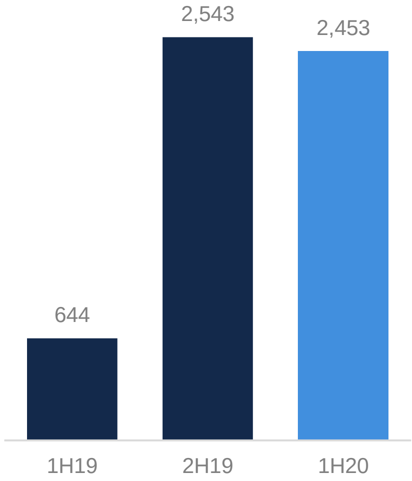
Revenue (US$m)



Underlying EBITDA (US$m)

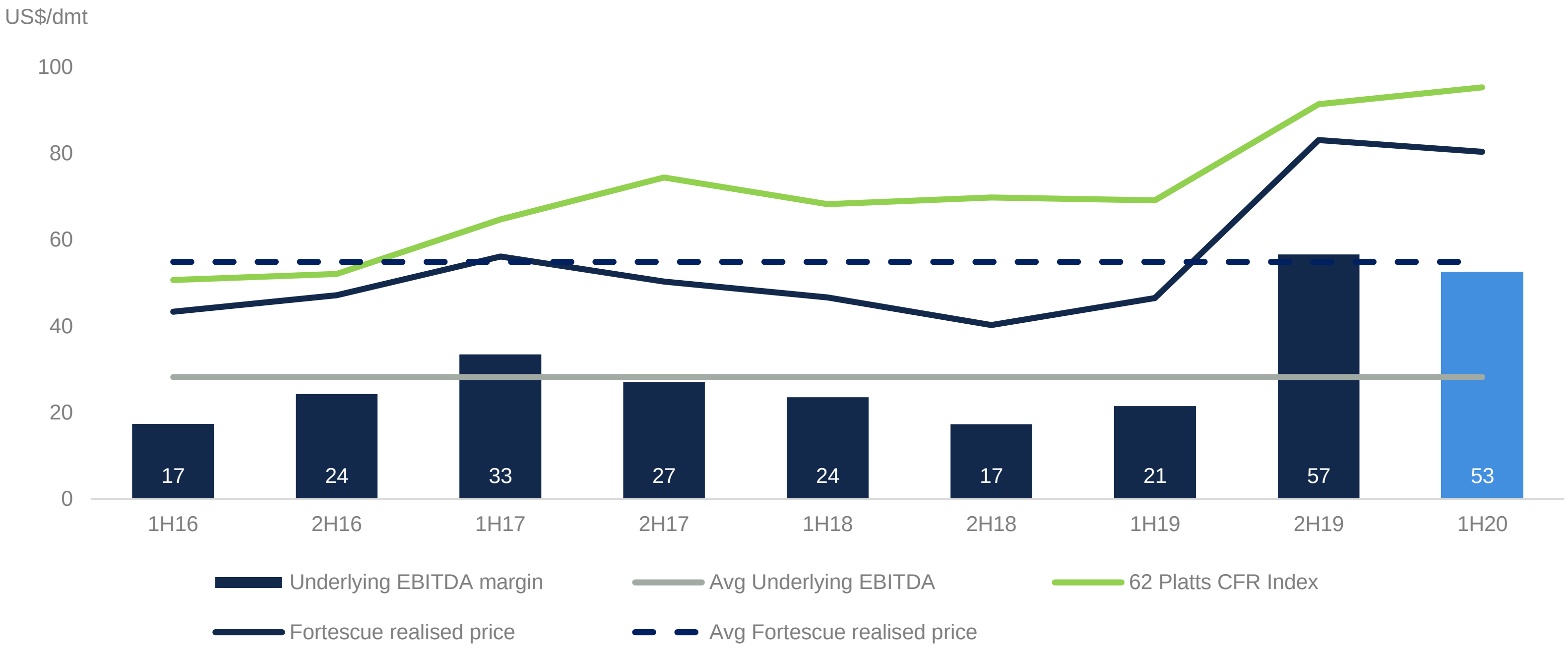


NPAT (US$m)



Price and margins

Strong underlying EBITDA margins through all market cycles



Sustainable low cost producer

Industry leading cost position below US$13/wmt

Structural improvements

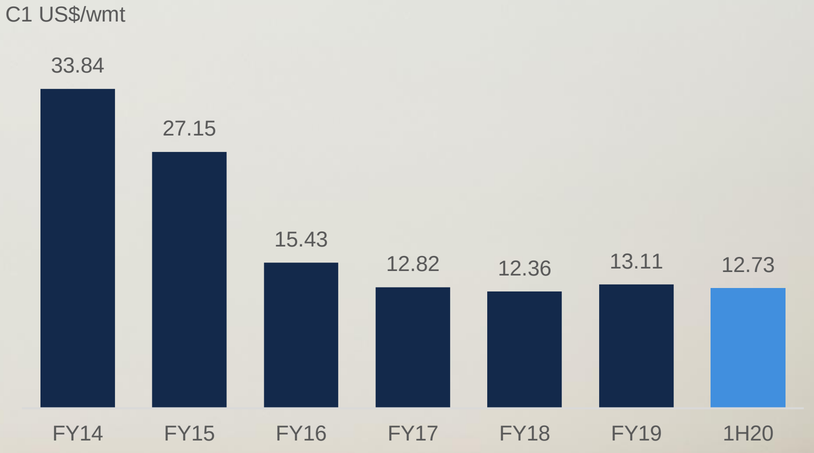
Solomon + blending + processing

Productivity and efficiency

Utilisation, recoveries, maintenance

Innovation and technology

Autonomy, conveyor, ore carriers, data analysis

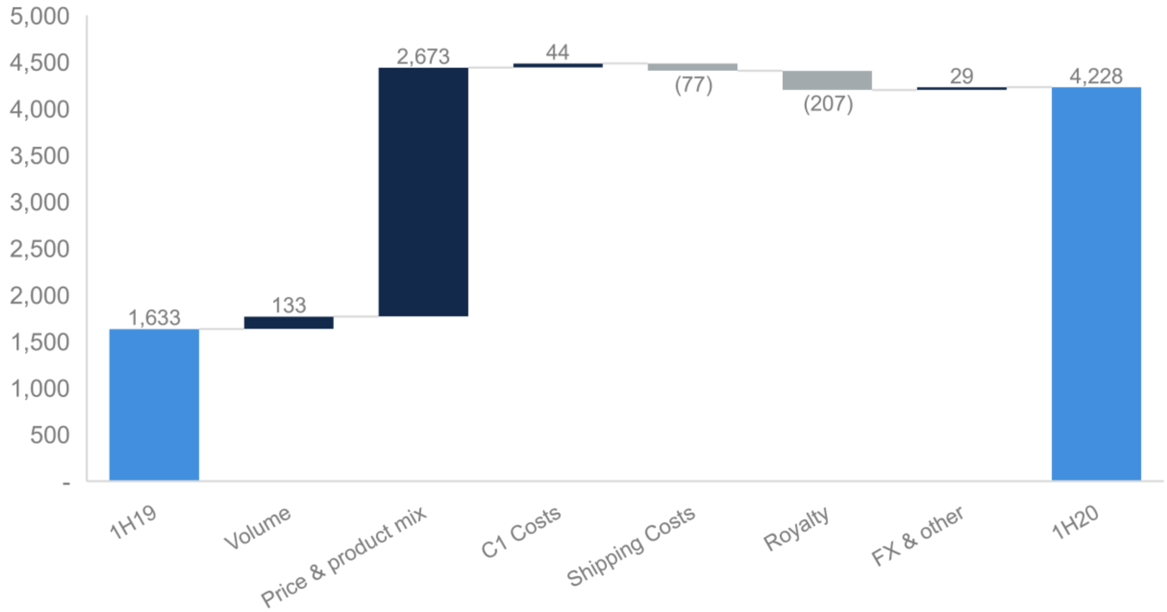


Fortescue

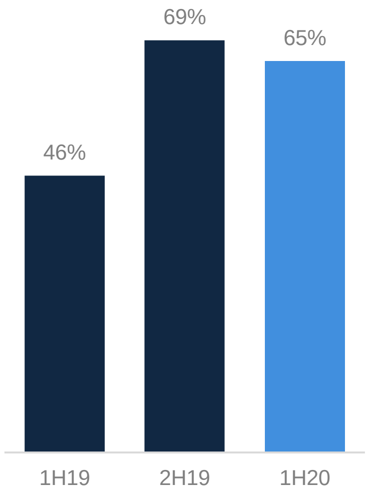
Underlying EBITDA

159 per cent increase in underlying EBITDA compared to 1H19

Underlying EBITDA (US$m)



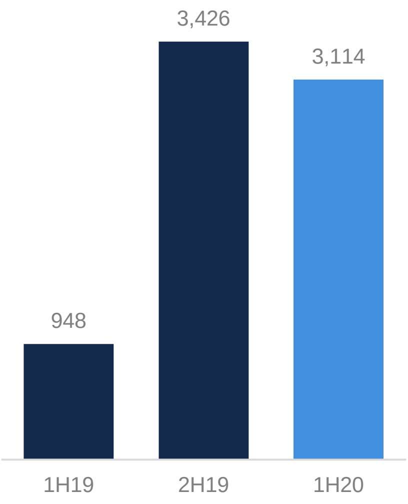
Underlying EBITDA Margin



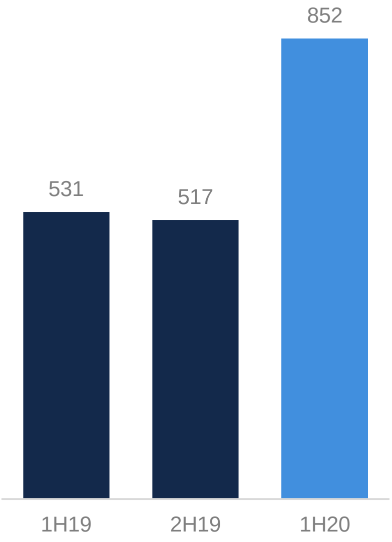
Cashflow

Strong free cash flow and investment in growth

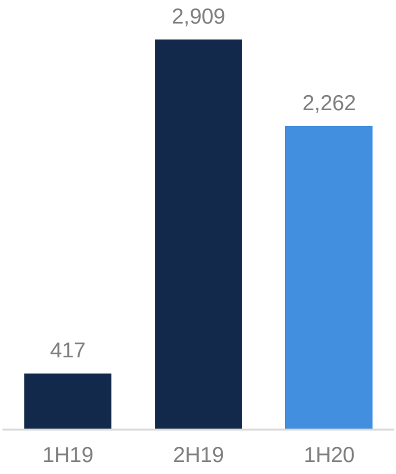
Net cash from operations
(US$m)



Capital expenditure
(US$m)



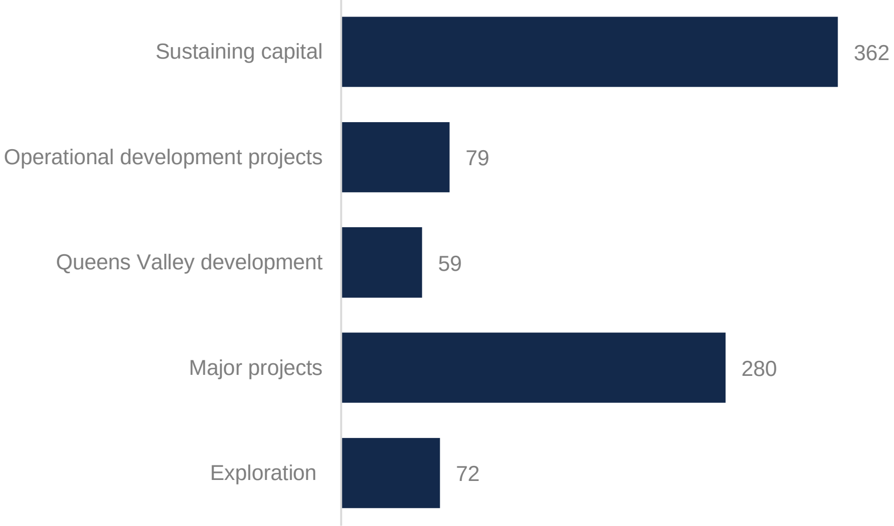
Free cash flows
(US$m)



Fortescue

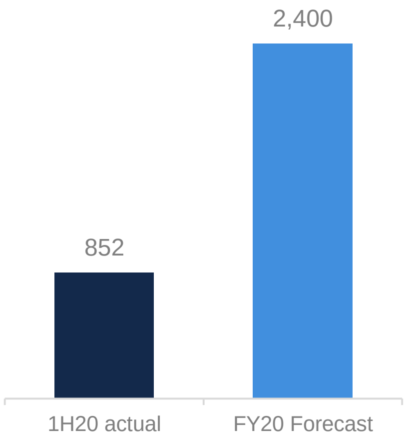
Capital expenditure

1H20 capital expenditure (US$m)



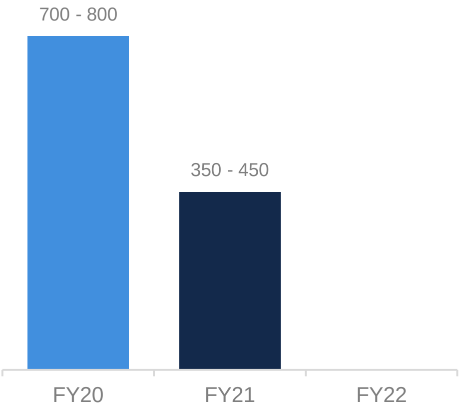
Capital expenditure FY20 guidance (US$m)

Incorporating Pilbara Energy Connect



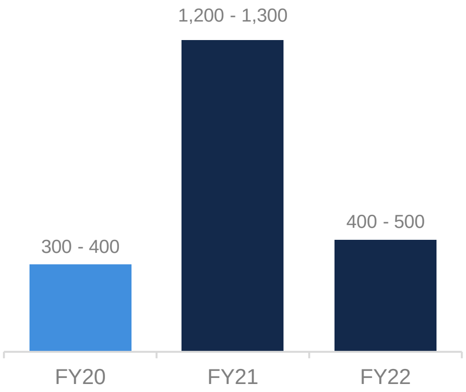
Investing in growth

Eliwana Mine and Rail (US$m)



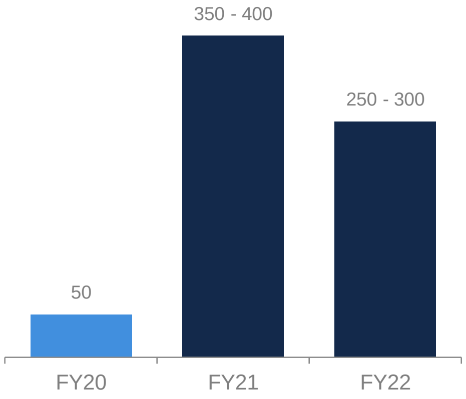
US$1.275 billion total investment
30mtpa processing and 143km rail
Underpins 60.1% Fe West Pilbara Fines

Iron Bridge Magnetite (US$m)



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

Pilbara Energy Connect (US$m)

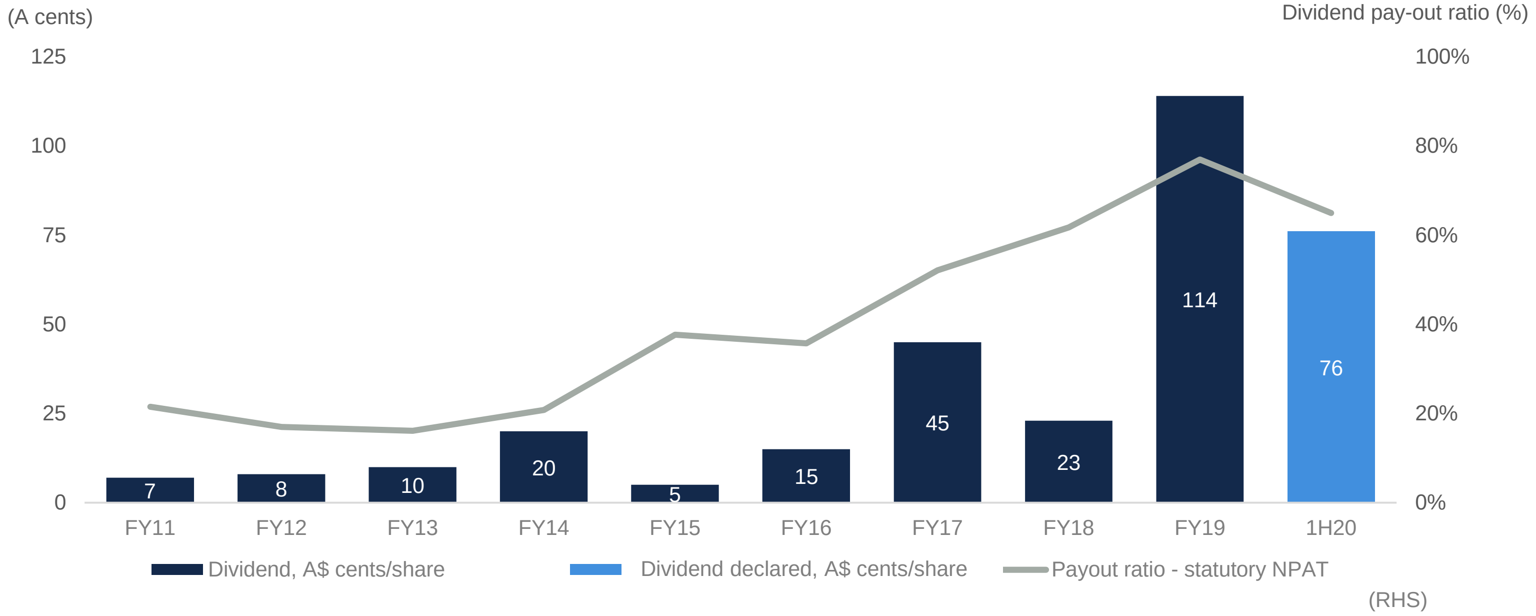


US$700 million total investment
Solar-gas hybrid energy and transmission infrastructure
Low cost energy to Iron Bridge

Delivering dividends

Fully franked interim dividend of A$0.76

Dividends declared and payout ratios

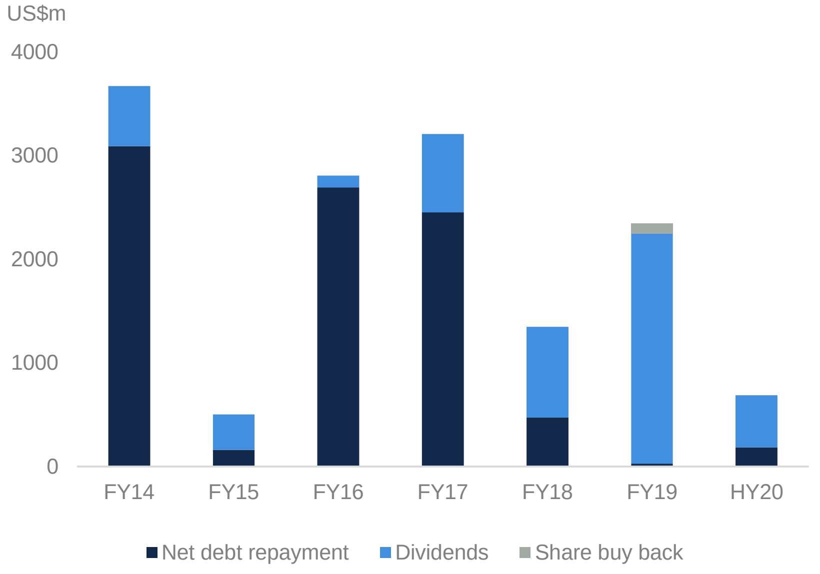


Fortescue

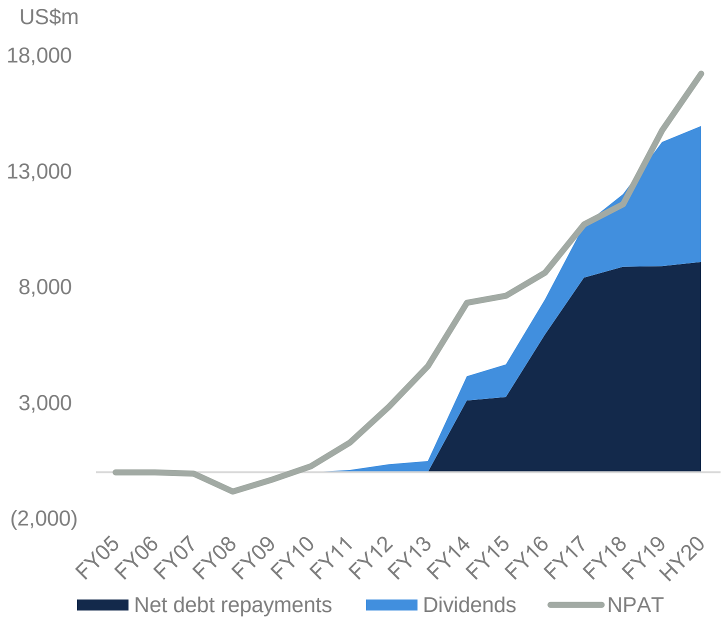
Capital allocation

To date, Fortescue has generated NPAT of US$17bn and allocated US$9bn of capital to debt repayment and US$6bn to dividends

Capital allocation to debt and dividends

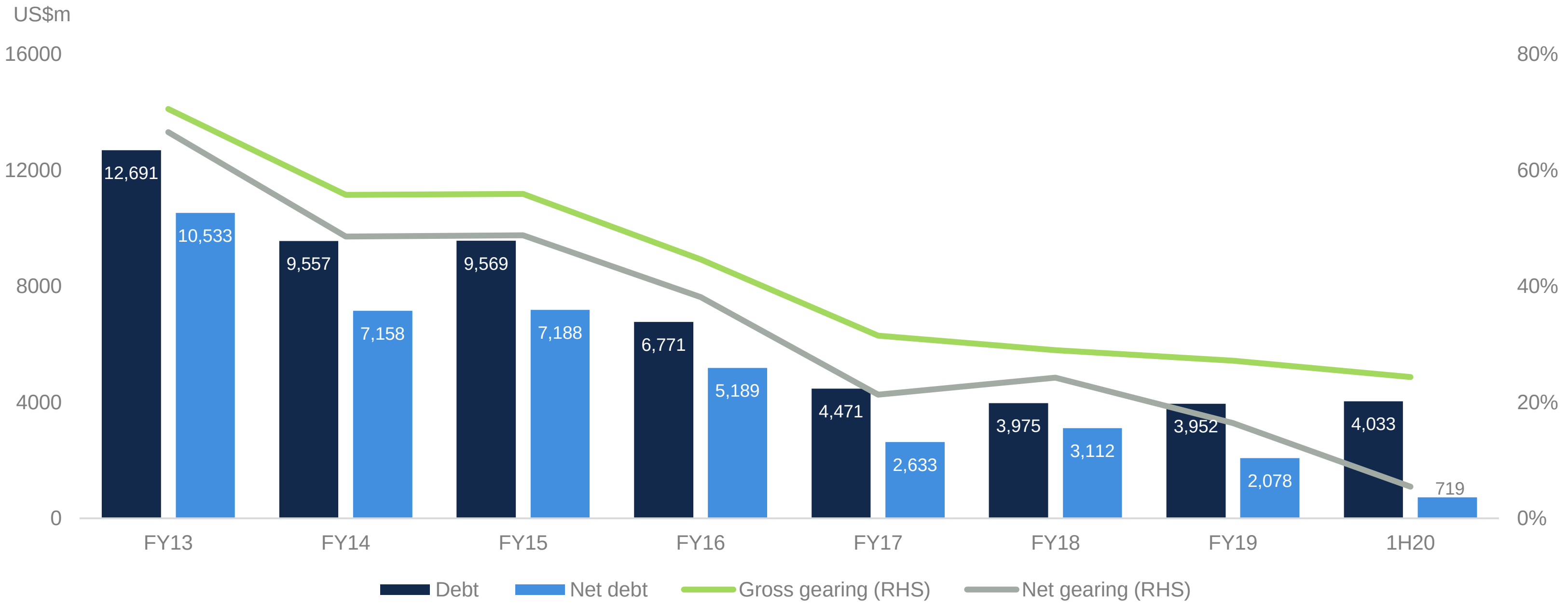


Cumulative Allocation of NPAT: FY05-HY20



Fortescue

Debt repayments

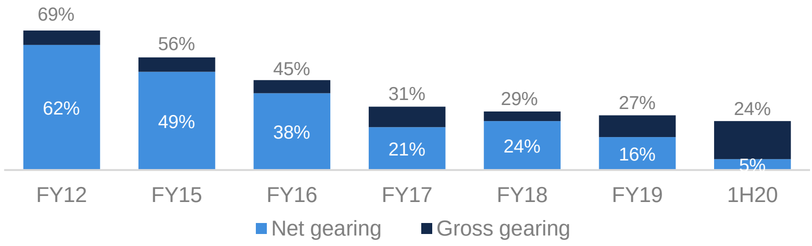


Credit metrics

Target investment and credit metrics

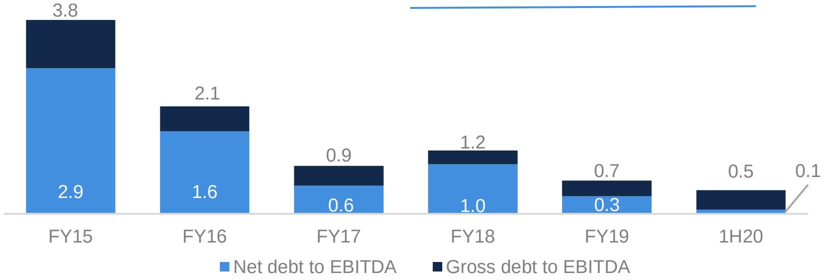
Gearing %

Target 30 – 40 % (Gross debt)

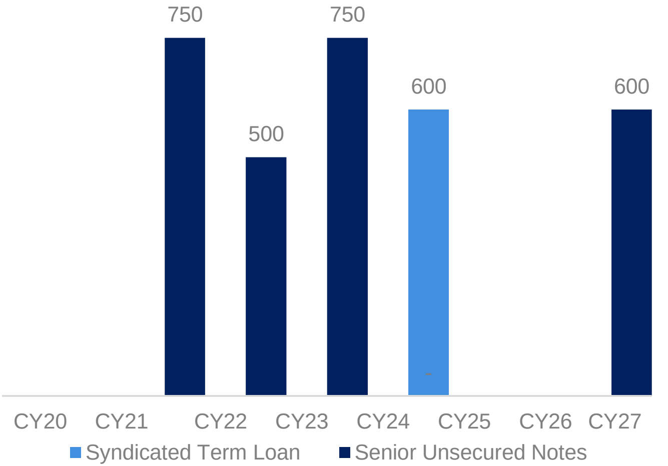


Debt to EBITDA (x)

Target 1-2x (Gross debt)



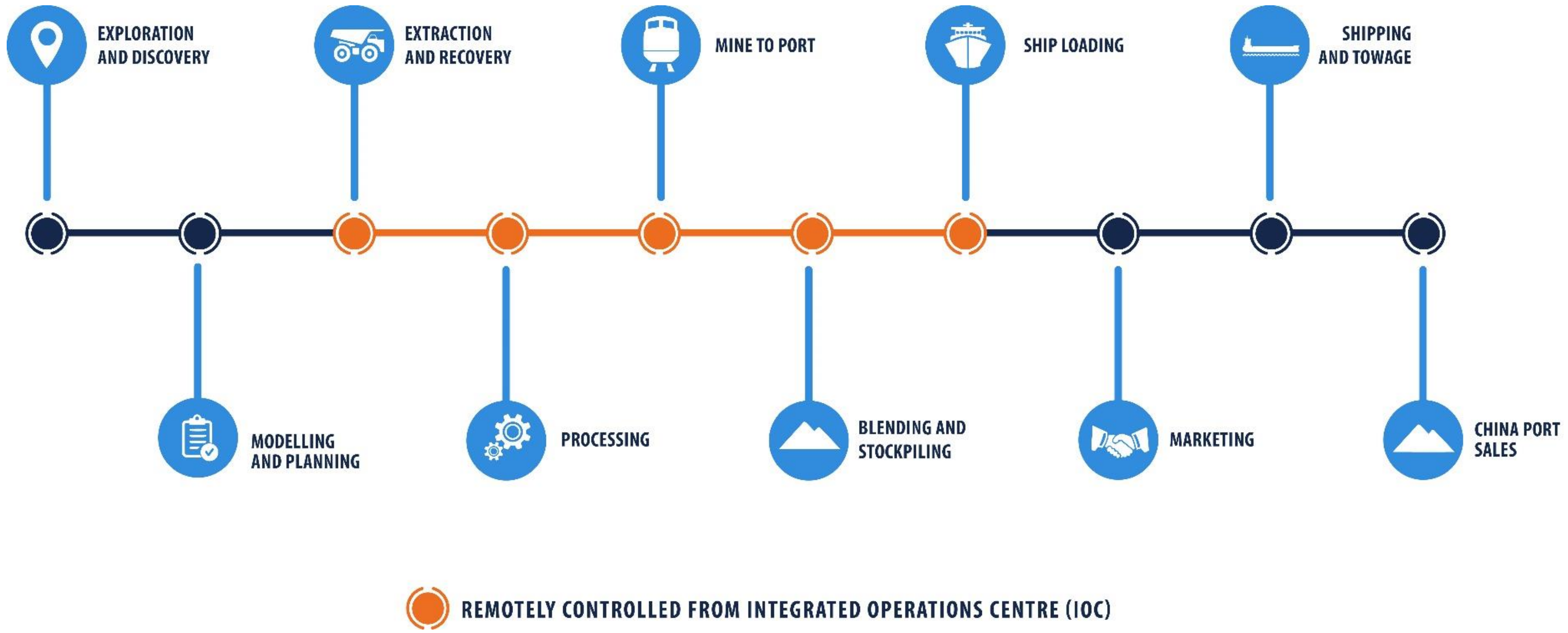
Debt maturities profile (US$m)
(excluding leases)



Integrated operations and marketing

Fully integrated supply chain

Supported by a culture of innovation



Automated mining

Innovation delivering safety and productivity improvements

AHS operation

>39 million km safely travelled

AHS conversion

158 trucks in operation

Autonomous drills

8 drills in operation

Advanced analytics

Data driving efficiencies

FMG Fortescue

Operational development projects

Wet High Intensity Magnetic Separators (WHIMS)

Yield improvement

Extension of relocatable conveyor

Lowers cost of moving material

Autonomous haulage

Christmas Creek completed

Cloudbreak completed by mid 2020

Fortescue

Tailings storage facilities (TSFs)

Fortescue has no TSFs constructed using the sequential upstream raise method

3 active TSFs

6 inactive TSFs

Compliant with ANCOLD* and DMIRS* guidelines

Integrated monitoring, surveillance, management

Daily inspections
Instrument data collection

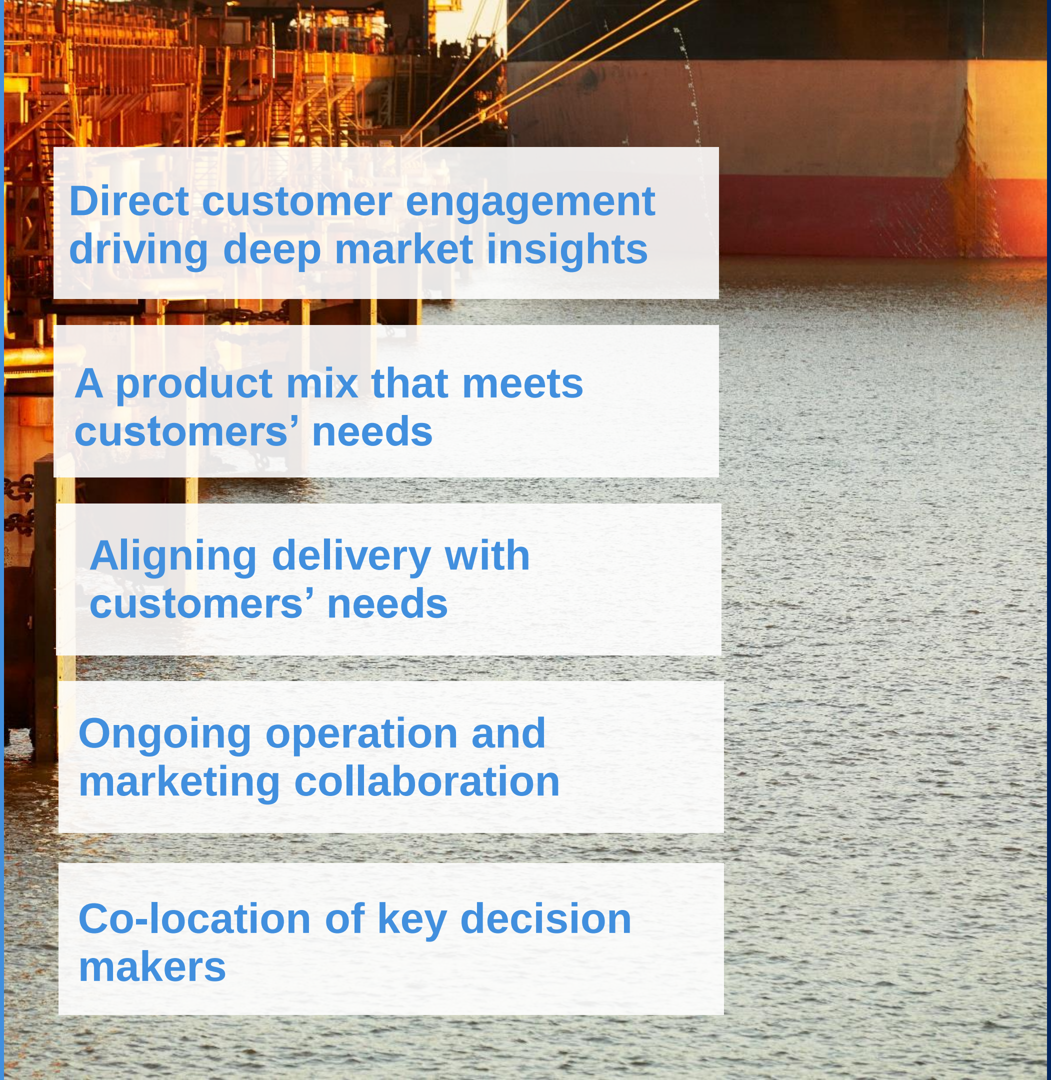
Annual independent audits

*Australian National Committee on Large Dams and Department of Mines, Industry Regulation and Safety

FMG Fortescue

Marketing

Responsive to changing markets



Direct customer engagement driving deep market insights

A product mix that meets customers’ needs

Aligning delivery with customers’ needs

Ongoing operation and marketing collaboration

Co-location of key decision makers

Fortescue

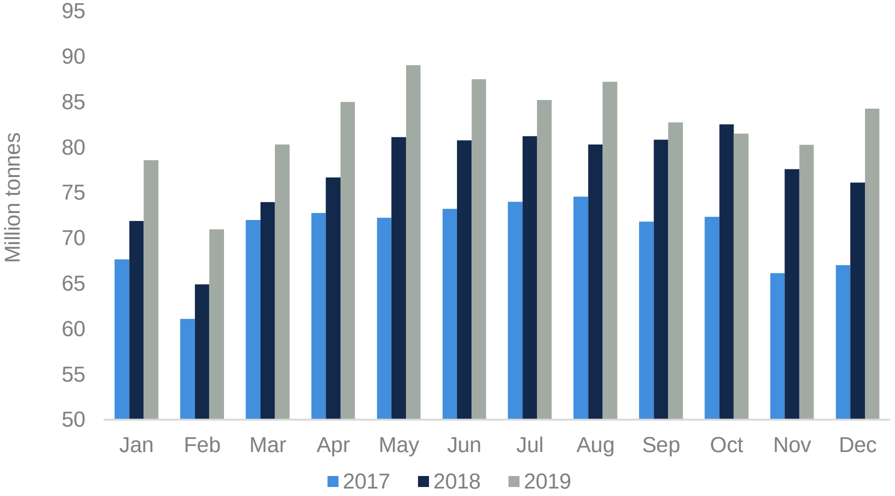
Crude steel production

Strong growth in China's crude steel production

996 million tonnes in 2019

8.3% increase compared to 2018

China Monthly Crude Steel Output



Source: China's National Bureau of Statistics

Strong demand for Fortescue products

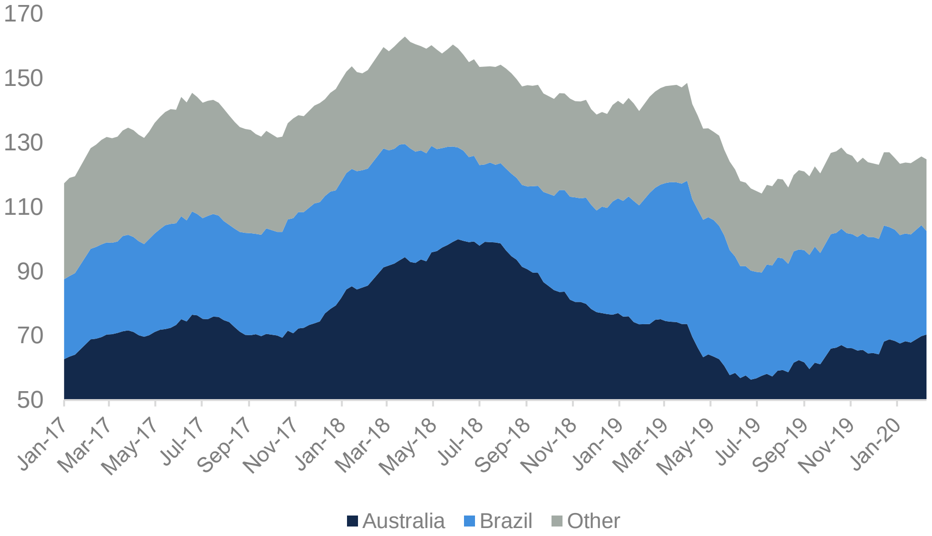
China’s iron ore port stockpiles 124.7mt

(14 February 2020)

Peak stockpiles of 163mt

(March 2018)

China port stocks by origin (mt)



Source: Mysteel

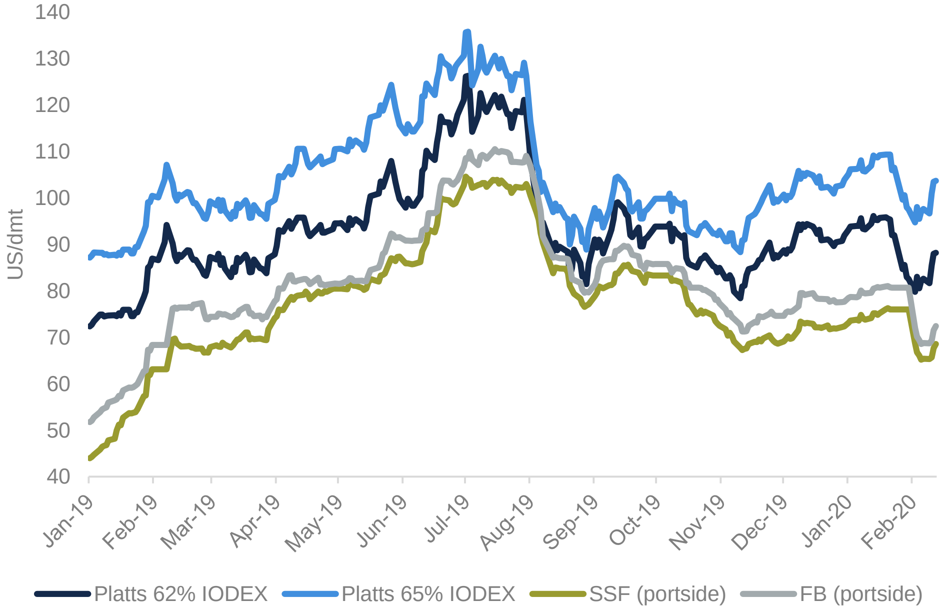
Iron ore price

Fortescue's realised price increased by 73 per cent over 1H19 compared to a 38 per cent increase in the Platts 62% index

Optimising product mix

Steel mill margins

Strength in Chinese steel production



Fortescue

Enhanced product mix

Average realised price of US$80/dmt for 1H20

West Pilbara Fines well established

Fortescue Lump production aligned with market demand

Super Special Fines reduced

Product mix optimisation delivers value:

Tonnes shipped millions (wmt)	1H20	*Product Mix %*	1H19	*Product Mix %*
West Pilbara Fines	**9.0**	*10*	0.4	*0*
Kings Fines	**7.6**	*9*	6.7	*8*
Fortescue Blend	**38.0**	*43*	39.2	*47*
Fortescue Lump	**5.3**	*6*	3.1	*4*
Super Special Fines	**28.7**	*32*	32.9	*40*
Manganese Iron Ore	**0.0**	*0*	0.4	*0*
Total	**88.6**	*100*	82.7	*100*

Sustainability

FMG
Fortescue

Communities benefit from our growth and development

Setting high standards

Safeguarding the environment

Creating positive social change

Setting high standards

Safety, diversity and integrity

TRIFR 2.5

Improved by 38% from 1H19

A$1.7 billion

FY19 total income tax

19%

Female employment

Modern slavery

Industry leadership

Safeguarding the environment

For future generations

Commitment to the Paris Agreement

UN Framework Convention on Climate Change

Taskforce on Climate-related Financial Disclosure reporting

Voluntary short term targets and long term goal

FMG Fortescue

Practical initiatives and innovative solutions

Managing emissions and cost of supply

Transitioning to gas and solar

Displacing diesel

Automation

Offsetting haul distance, reducing fleet requirements

Relocatable conveyor

Increasing efficiency of material movement

Hydrogen

Partnership with CSIRO

Fortescue

Creating positive social change

Building strong communities

15%
Aboriginal employment across Pilbara operations

875
VTEC graduates employed since 2006

A$2.5 billion
Contracts to Aboriginal businesses and JVs

Nine graduates
Inaugural Trade Up graduation

Fortescue

Growth and development

Eliwana project

US$1.275 billion capital investment

Progressing on schedule and budget

Infrastructure

143km rail; 30mtpa dry OPF

Efficient design

Significantly smaller footprint compared to Firetail OPF

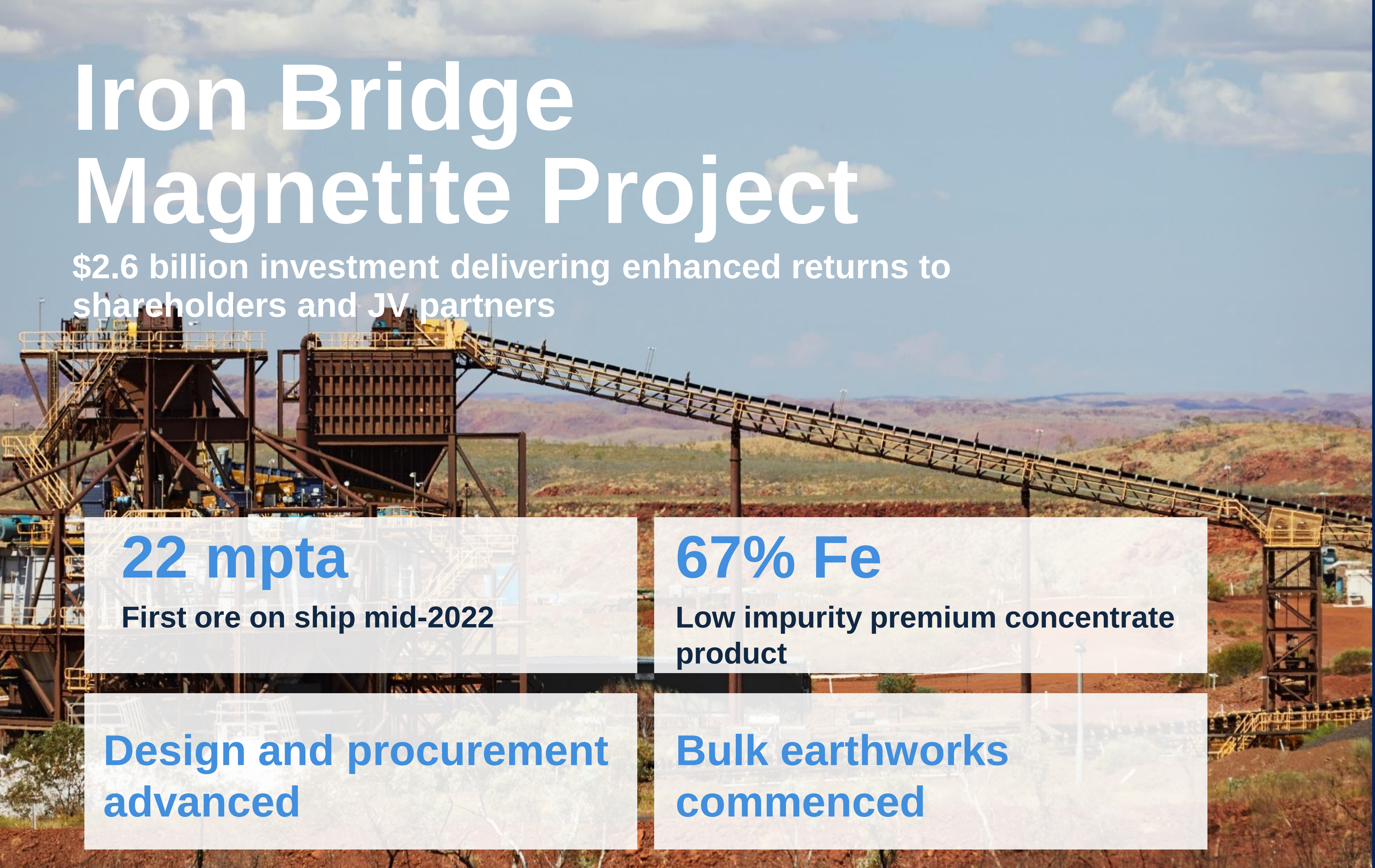
Rail license granted

Enabling construction and operation of the Eliwana railway

Rail fleet

126 ore cars and four locomotives commissioned and in operation

Fortescue



Iron Bridge Magnetite Project

$2.6 billion investment delivering enhanced returns to shareholders and JV partners

22 mpta

First ore on ship mid-2022

67% Fe

Low impurity premium concentrate product

Design and procurement advanced

Bulk earthworks commenced

Fortescue

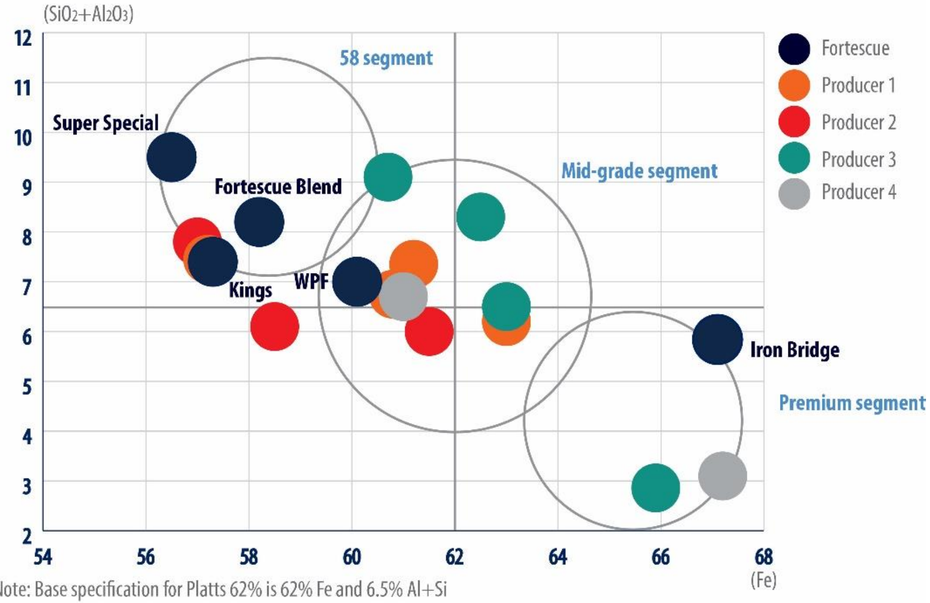
Achieving our strategy to deliver majority of product over 60% Fe

Competitively positioned across all product segments

Flexibility to optimise margins through iron ore market cycles

Iron Bridge will deliver **highest grade Australian product**

Product positioning: Natural Fe v Gangue ($SiO_2+Al_2O_3$)

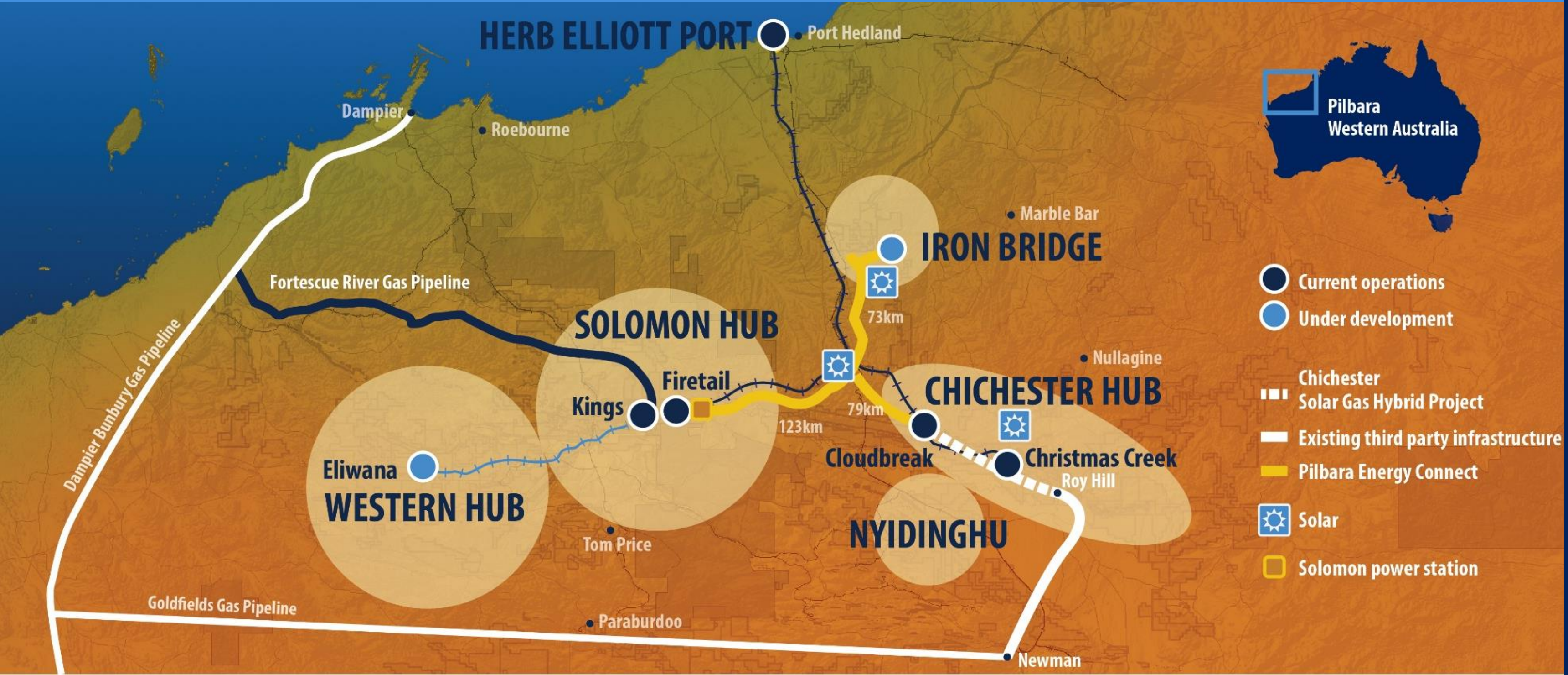


Note: Base specification for Platts 62% is 62% Fe and 6.5% Al+Si
Source: Fortescue, company reports

FMG Fortescue

Pilbara Energy Connect

US$700 million investment providing 25–30 per cent of stationary energy requirements from solar



FMG Fortescue

Integrated transmission and generation

Efficient network, lowering the cost of electricity to existing and future sites

Pilbara Transmission project

275km of high voltage transmission lines

Pilbara Generation project

150MW gas, 150MW solar PV

Large scale battery storage

Built, owned and operated by Fortescue

Chichester Solar Gas Hybrid

Integrate with Pilbara Energy Connect

60MW solar PV generation facility

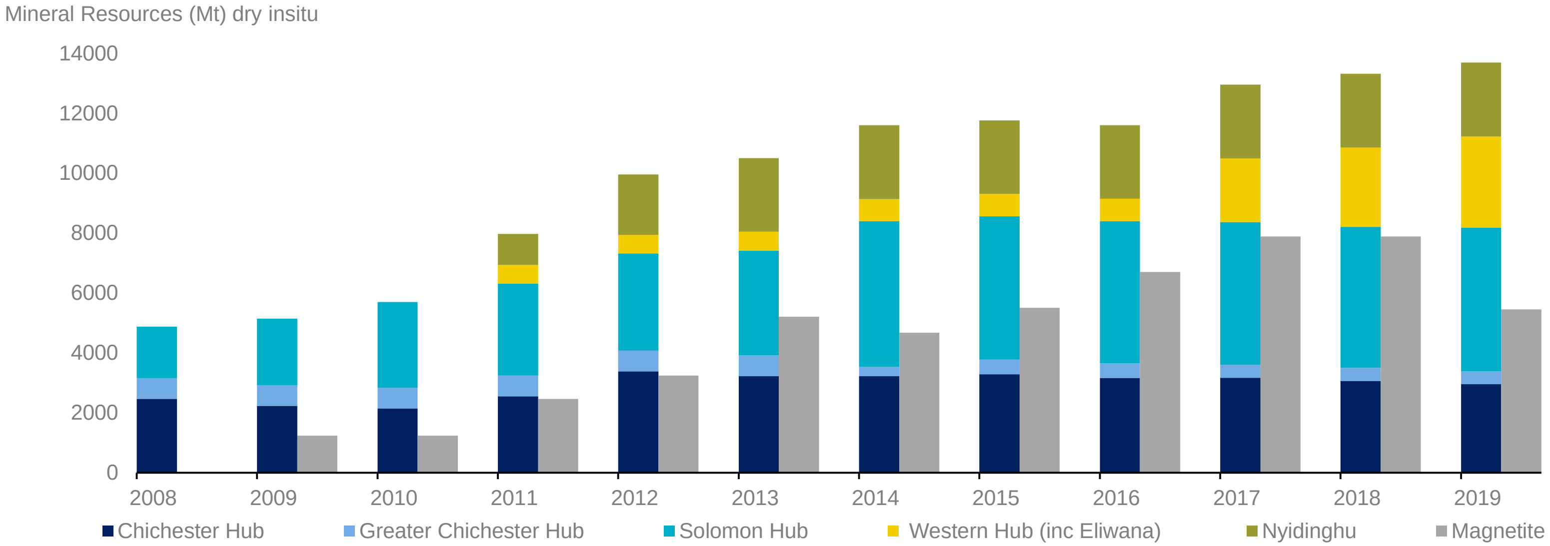
60 kilometre transmission line

Displacing around 100 million litres of diesel
at Christmas Creek and Cloudbreak

Built, owned and operated by Alinta Energy

Fortescue

Fortescue mineral base



The detail in this chart that relates to Hematite Mineral Resources is based on information compiled by Mr Stuart Robinson, Mr Nicholas Nitschke, Ms Erin Retz and Mr David Frost-Barnes; full-time employees of Fortescue. Each provided technical input for Mineral Resource estimations.
The detail in this chart that relates to Iron Bridge Magnetite Mineral Resources is based on information compiled by Mr John Graindorge, a full-time employee of Snowden Mining Industry Consultants Pty Ltd. Mr Graindorge provided technical input for Mineral Resource estimations.
Mr Robinson, Mr Nitschke, Ms Retz, Mr Frost-Barnes and Mr Graindorge consent to the inclusion in this chart of the matters based on this information in the form and context in which it appears.

World class exploration

Opportunities will be driven by market demand across iron ore and other commodities

Pilbara

Extensive tenement footprint

Australia

NSW 3,000km^2 tenure
SA 15,000km^2 tenure

South America

Ecuador, Argentina, Colombia

Fortescue

FY20 Guidance

170-175mt

Shipments expected to be at the upper end of range

US$12.75-$13.25

C1 cost / wmt

US$2.4 billion

Capital investment

Key strategic focus

Balance sheet strength

Long term sustainability

Growth and development

Enhanced returns to shareholders


Our Vision
The safest, lowest cost, most profitable mining company
Fortescue's Values
Safety
Family
Empowerment
Frugality
Stretch targets
Integrity
Enthusiasm
Courage and determination
Generating ideas
Humility
FMG
Fortescue

FMG

Fortescue

www.fmgl.com.au

FortescueNews

Glossary

C1 - Operating costs of mining, processing, rail and port on a per tonne basis, including allocation of direct administration charges and production overheads. Reconciled on page 32 of Fortescue's FY19 Annual Report.

CFR - Cost and freight rate

Dmt - Dry metric tonnes

Free cash flow - Net cash inflow from operations less capital expenditure

FY - Full year

Gross gearing – (Gross debt) / (Gross debt + Equity)

mtpa - Million tonnes per annum

Net debt - Total borrowings and finance lease liabilities less cash and cash equivalents

Net gearing ratio - (Net debt) / (Net debt + Equity)

NPAT - Net profit after tax

SIFR - Significant Incident Frequency Rate per million hours

TRIFR - Total Recordable Injury Frequency Rate per million man hours worked

TSF – Tailings storage facility

wmt - Wet metric tonnes

Underlying EBITDA - Earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses.

Underlying NPAT - Net profit after tax adjusted for the after tax impact of one-off refinancing and early debt repayment costs.

The reconciliation of underlying EBITDA and underlying NPAT to the financial metrics disclosed in the financial statements prepared under the Australian Accounting Standards is presented below:

US$ millions	1H20	1H19
Operating sales revenue	6,485	3,540
Cost of sales excluding depreciation	(2,277)	(1,905)
Net foreign exchange gain	72	39
Administration expenses	(52)	(41)
Underlying EBITDA	**4,228**	**1,633**
Finance income	27	9
Finance expenses	(150)	(141)
Depreciation and amortisation	(657)	(581)
Exploration, development and other	(21)	(4)
Net profit before tax	3,427	916
Income tax expense	(974)	(272)
Net profit after tax	**2,453**	**644**
Cost of early debt repayment after tax	11	-
Underlying net profit after tax	**2,464**	**644**

FMG Fortescue