



FY20 Full Year Results

24 August 2020

Global force | Thriving communities

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Forward Looking Statements Disclaimer

Important Notice

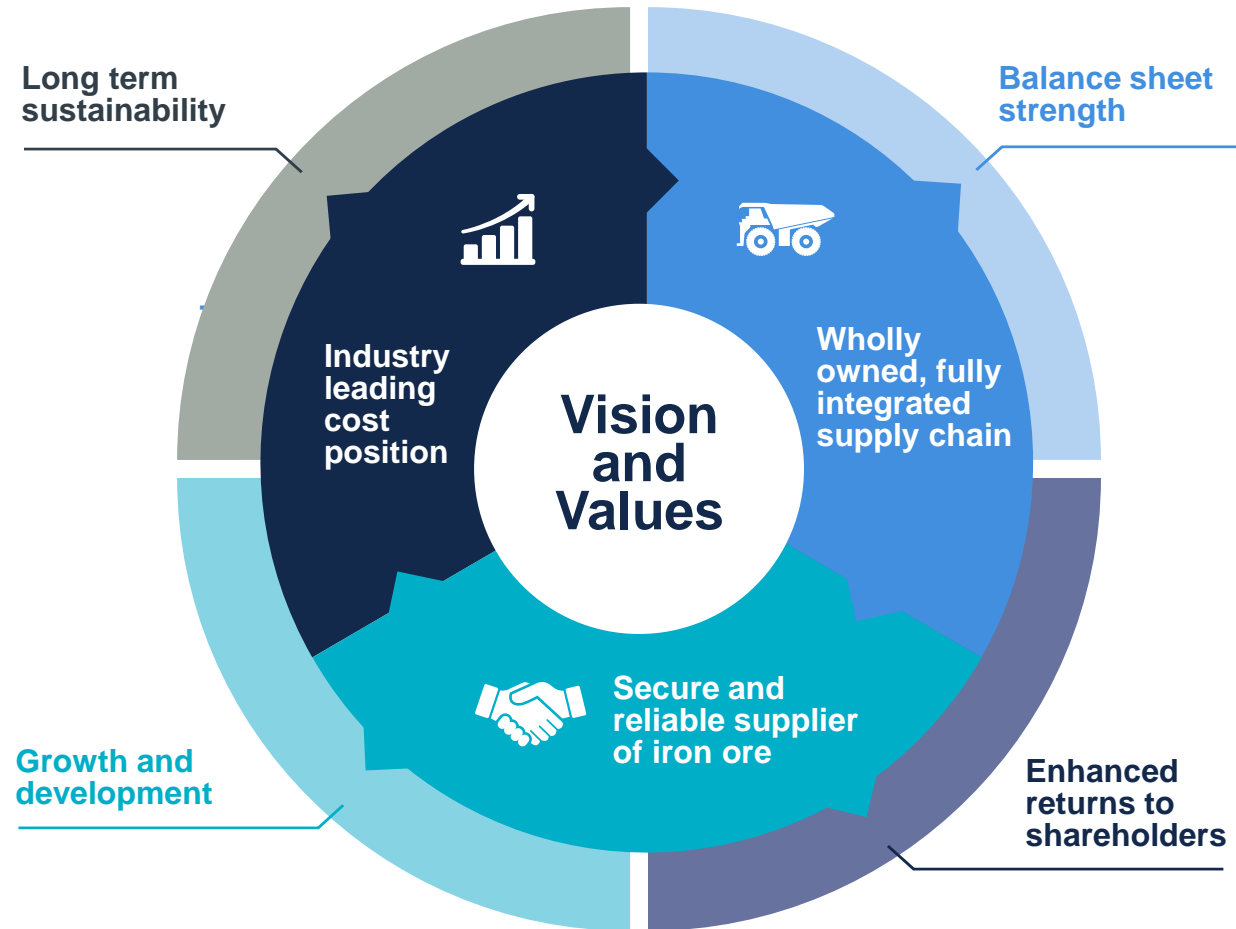
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This presentation should be read in conjunction with the Annual Report at 30 June 2020 together with any announcements made by Fortescue in accordance with its continuous disclosure obligations arising under the Corporations Act 2001 and ASX Listing Rules. Any references to reserve and resources estimations should be read in conjunction with Fortescue's Ore Reserves and Mineral Resources statements released to the Australian Securities Exchange on 21 August 2020. Fortescue confirms in the subsequent public report that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and, in the case of estimates of mineral resources or ore reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. All amounts within this presentation are stated in United States Dollars consistent with the functional currency of Fortescue Metals Group Ltd, unless otherwise stated. Tables contained within this presentation may contain immaterial rounding differences.

World class company

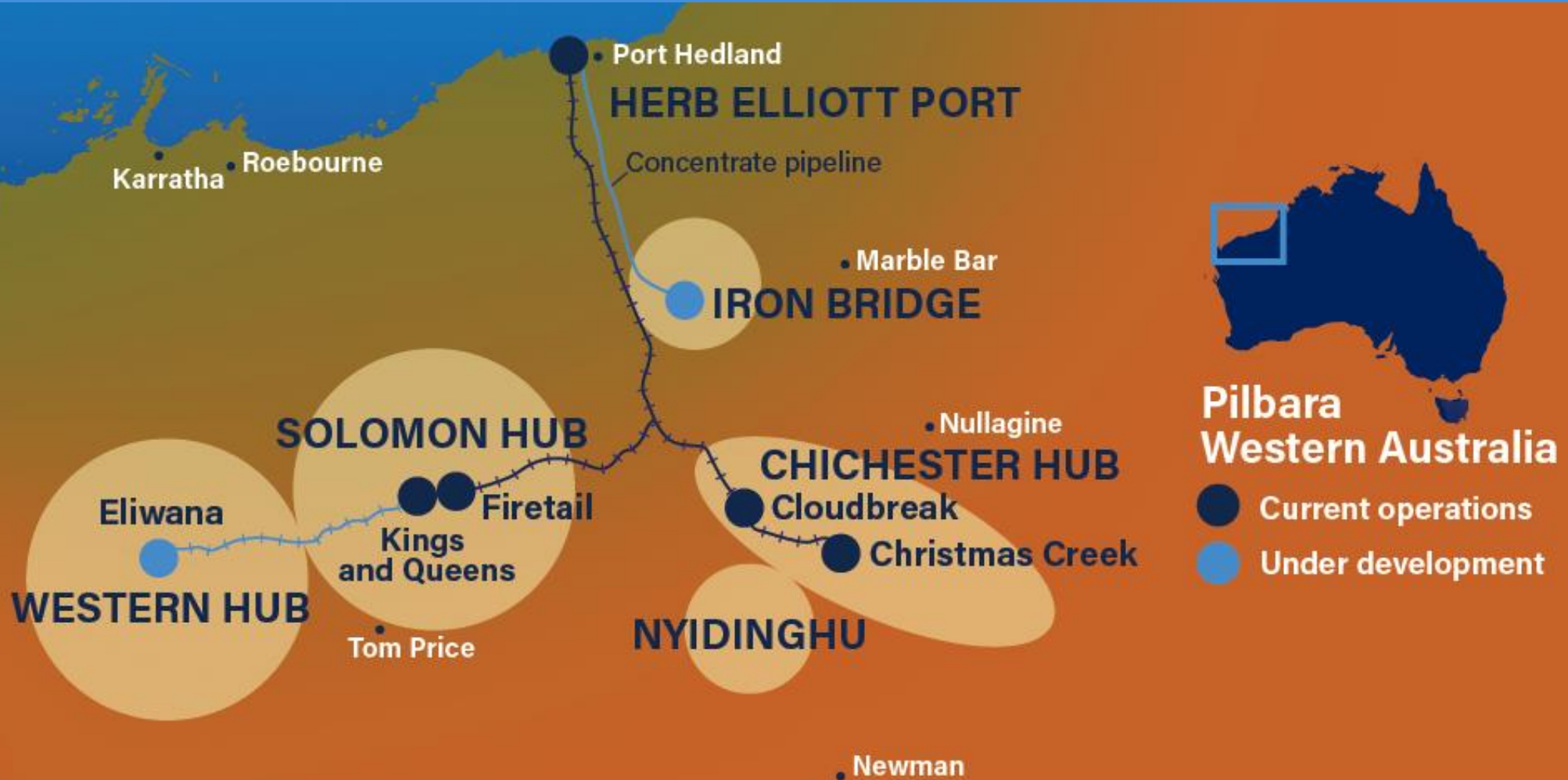
Global force | Thriving communities



Integrated mine to market infrastructure

Delivering sustained operational efficiencies

ersonal use only





Safety and unique culture

2.4 TRIFR

Total Recordable Injury Frequency Rate

14% improvement

Compared to FY19

96% participation

Safety Excellence and Culture Survey

Response to COVID-19

Prioritise the health of our people, maintain jobs, sustain our business and protect communities

Temporary extension of operational roster

Temperature and health testing and rapid screening

Village gyms and licensed areas temporarily closed

Additional bus and air charter services as needed

Non-essential site and office-based teams worked from home

1,300 care packages to Aboriginal communities

FY20 production highlights

14% improvement in TRIFR to 2.4

178.2 mt shipped

↑ 6% on FY19

US \$12.94 /wmt

C1 cost includes
US\$0.22/wmt COVID-19
impact

US \$79 /dmt
Average

↑ 21% on FY19

84%
Average revenue realisation

↑ 4% on FY19

FY20 Financial highlights

↑ ^{US} **\$8.4bn**

Underlying EBITDA

↑ **65%**

Underlying EBITDA margin

↑ ^{US} **\$4.7bn**

NPAT

↑ **40%**

Return on equity

↑ ^{US} **\$1.54**

Earnings per share
(A\$2.29)

↑ ^A **\$1.76**

Dividend per share
Payout ratio of 77%

FY20 Financial highlights

^{US} **\$6.4bn**

Net operating cashflow

^{US} **\$4.4bn**

Free cashflow

^{US} **\$4.9bn**

Cash on hand

^{US} **\$0.3bn**

Net debt

2%

Net gearing
(28% gross gearing)

<0.1x

Net debt / EBITA
(0.6x gross debt / EBITDA)

Shareholder returns

Personal use only



Dividend policy

Payout ratio of 50 to 80 per cent of full year net profit after tax

^A **\$1.00** per share

Fully franked final dividend

^A **\$1.76** per share

FY20 total dividends, 77% payout ratio

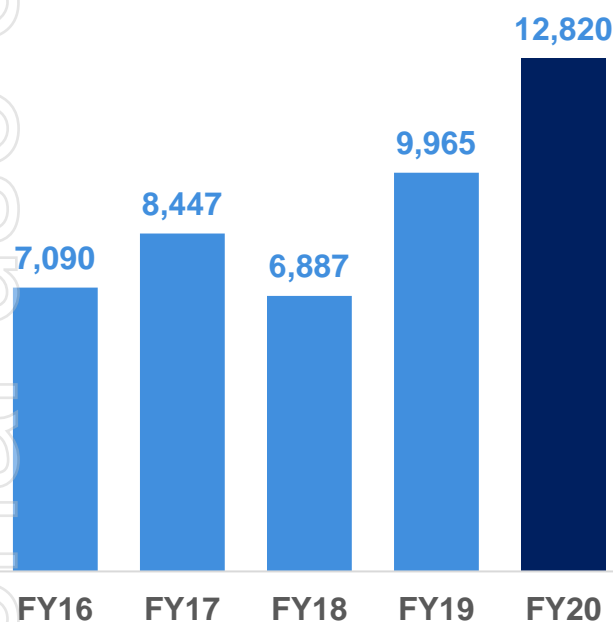
^{US} **\$3.7** billion (A\$5.4 billion)

Value of FY20 dividend

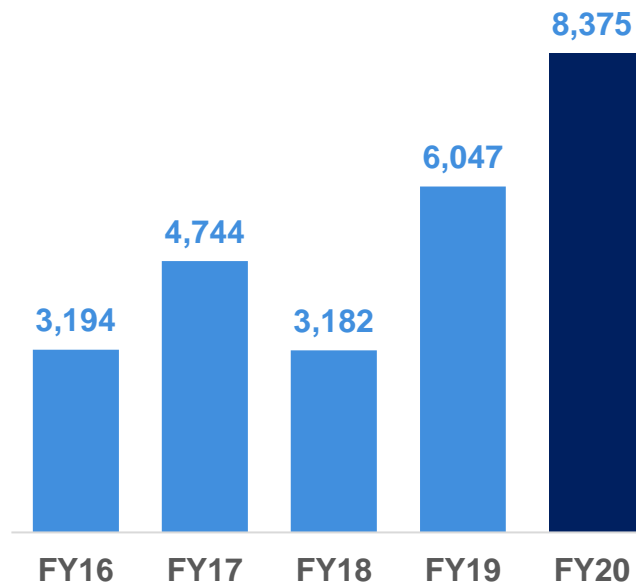
Revenue and earnings

Annual record in revenue and earnings

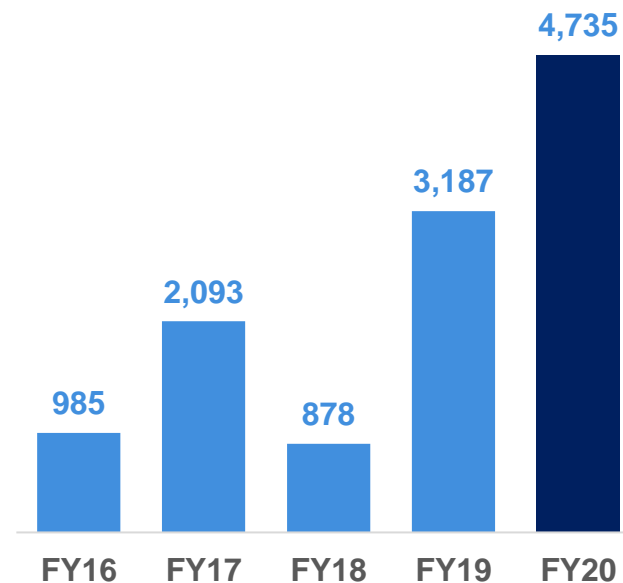
Revenue (US\$m)



Underlying EBITDA

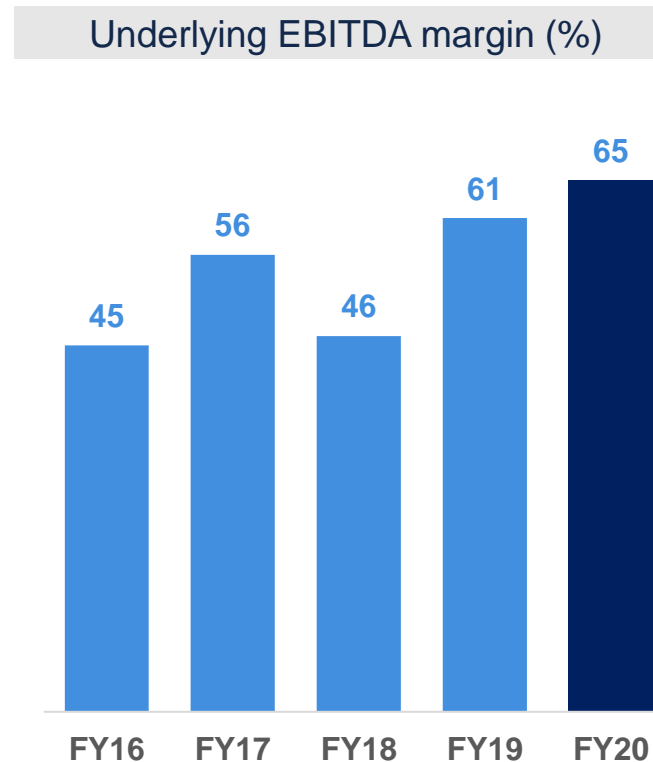
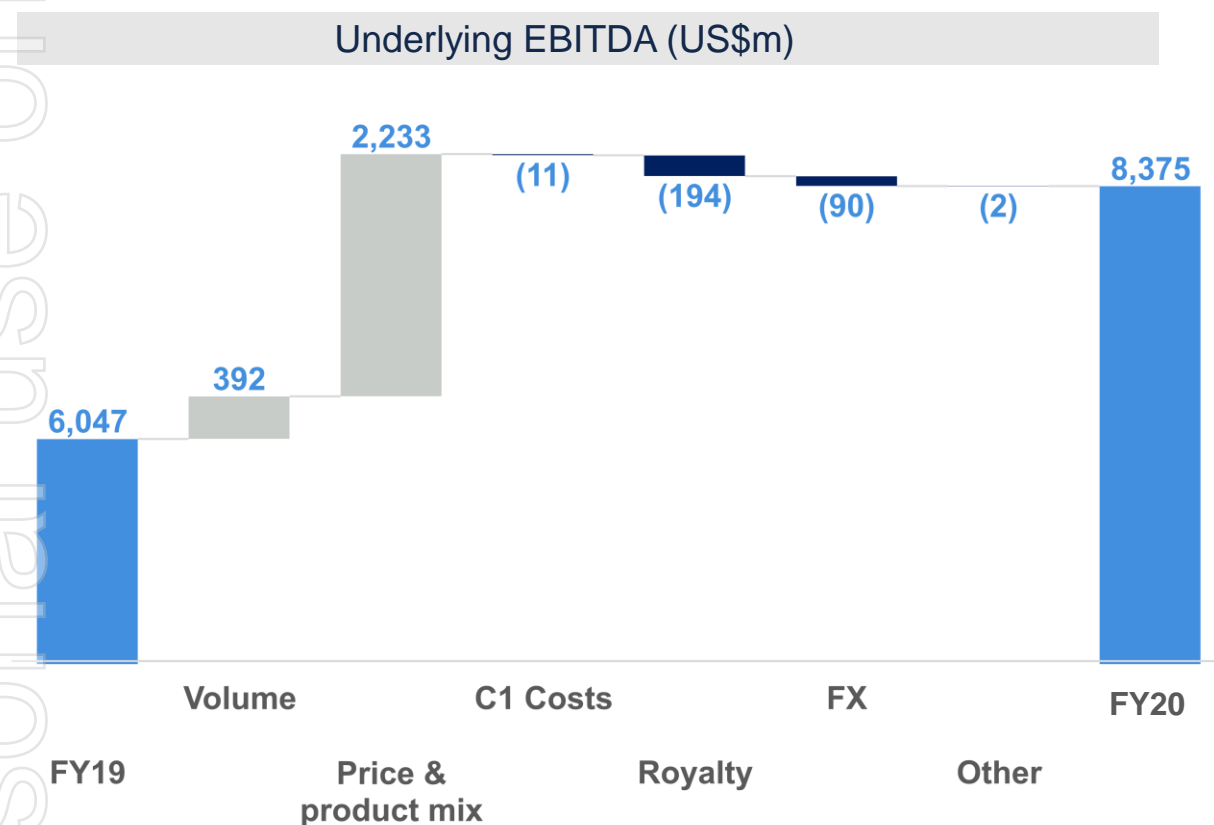


NPAT



Underlying EBITDA

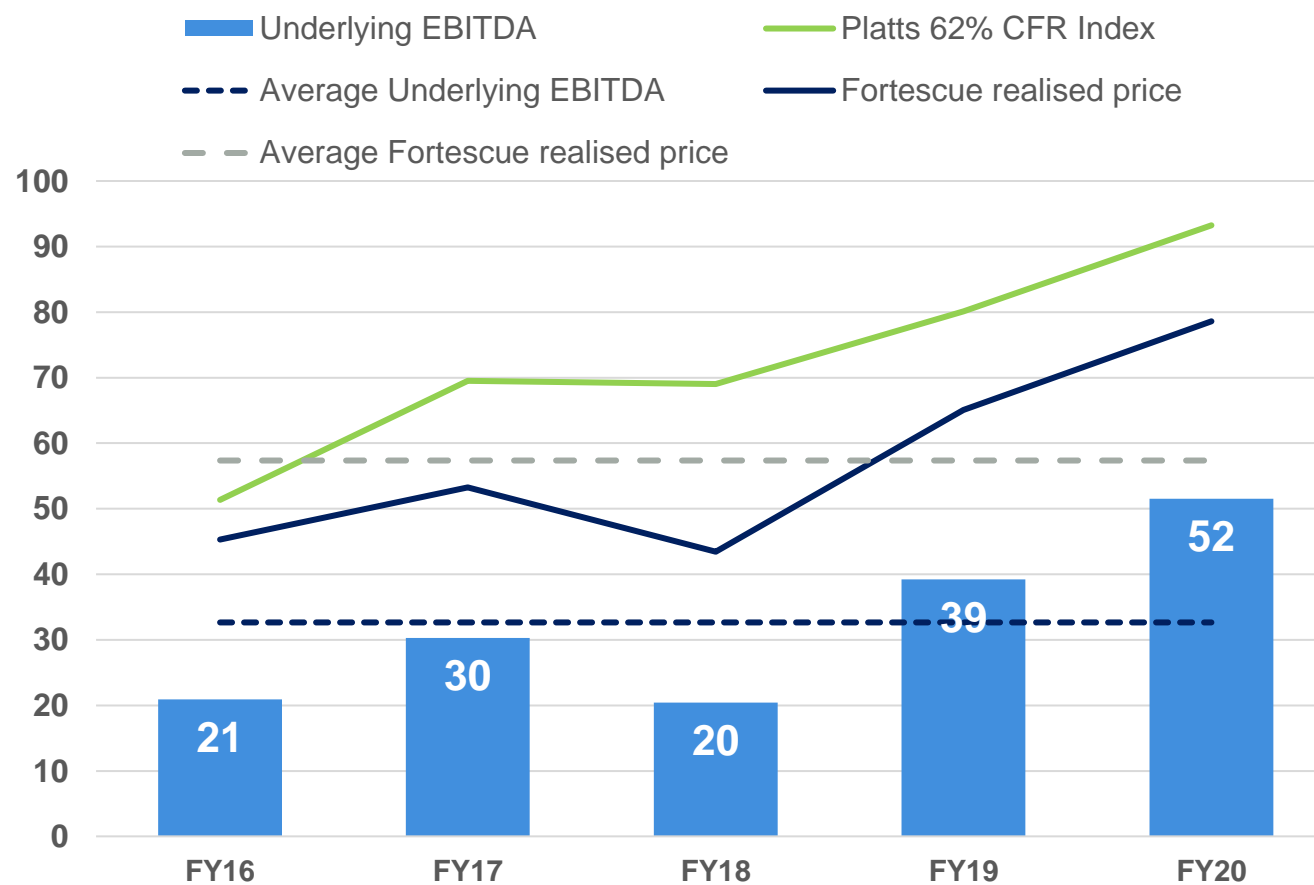
Year on year increase reflects price, enhanced product mix and higher volumes



Price and margins

Strong EBITDA margins through all market cycles

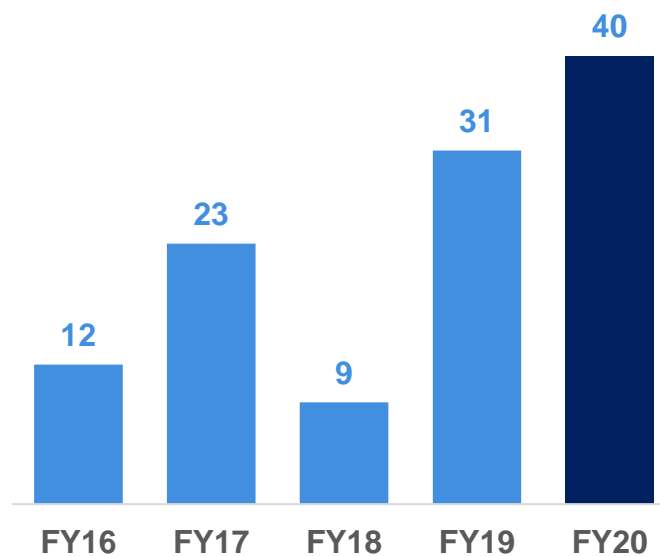
Prices and EBITDA margin (US\$/dmt)



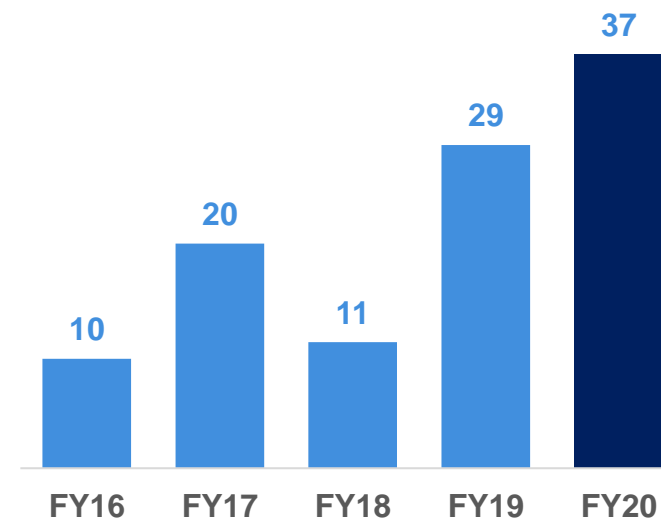
Return on capital

Quality of earnings reflected in FY20
return on equity of 40%

Return on equity (%)



Return on capital employed¹ (%)



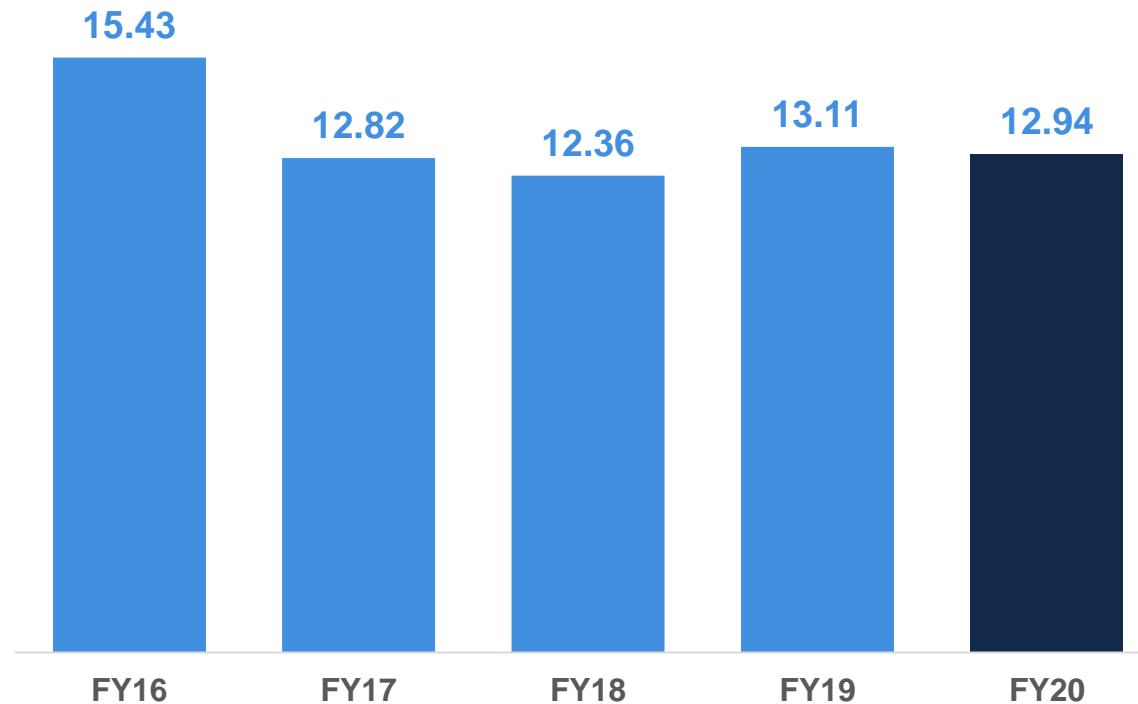
¹ Return on capital employed is calculated as earnings before interest and tax divided by average capital (total assets less current liabilities)



Sustainable low cost producer

Innovation and productivity contributes to industry leading cost position

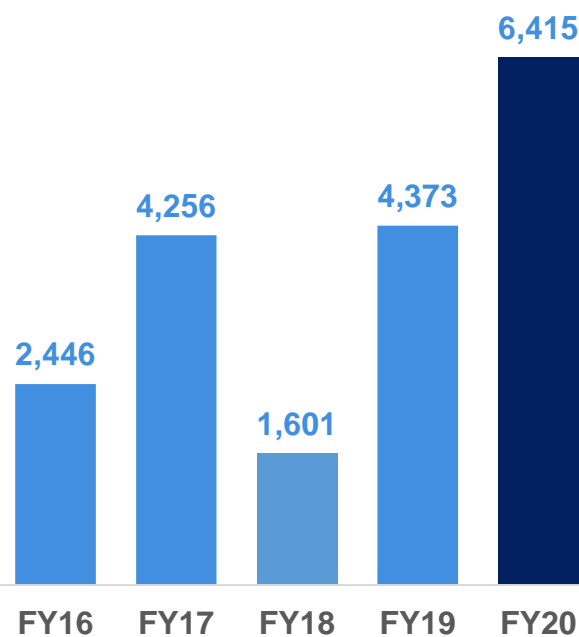
C1 cost (US\$/wmt)



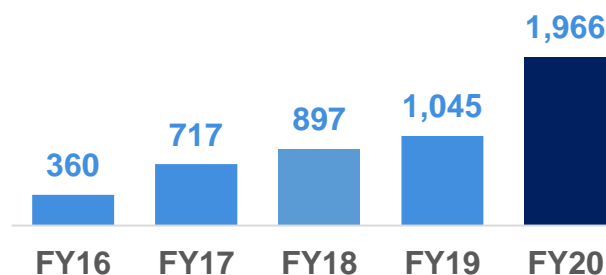
Cash generation

Strong operating performance, disciplined investment and free cash flow

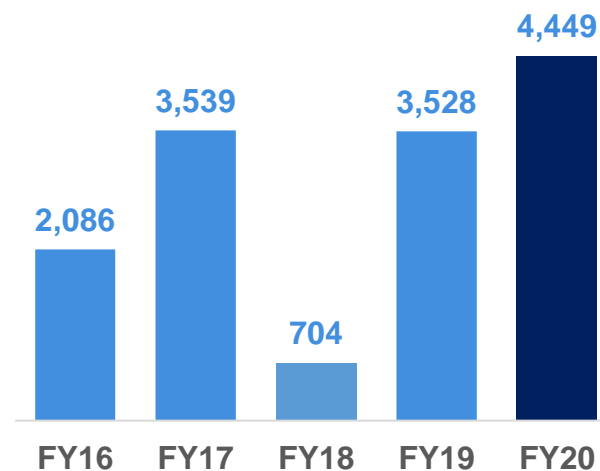
Net cash from operations (US\$m)



Capital expenditure



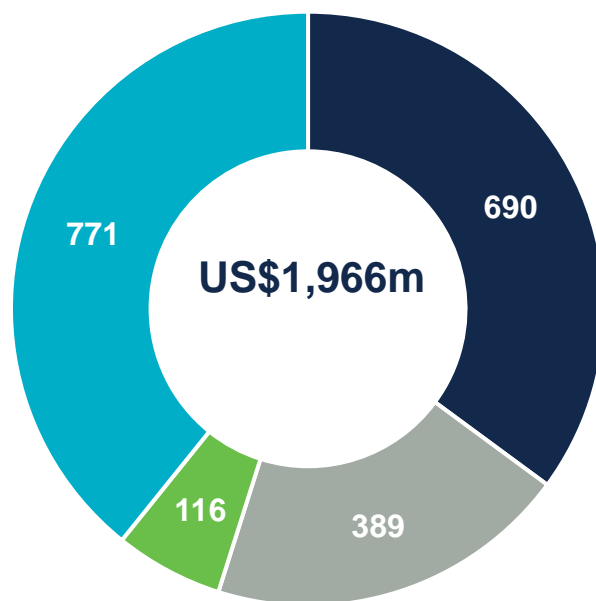
Free cash flow



Capital expenditure

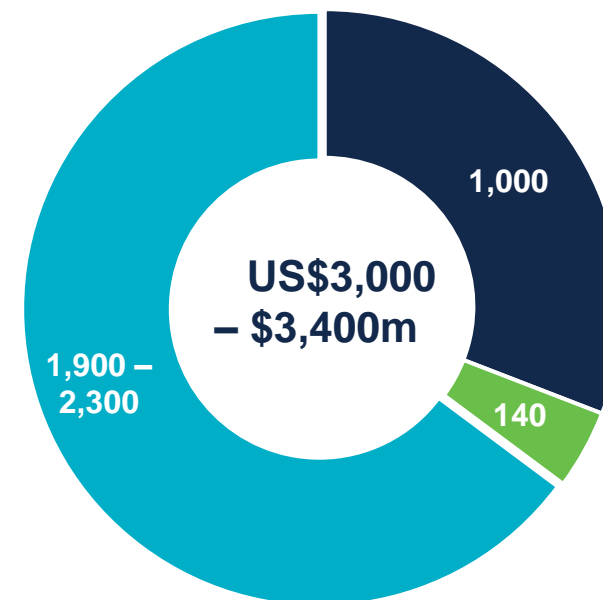
Investing in the business and growth

FY20 Capital expenditure (US\$m)



■ Sustaining capital
■ Major projects
■ Development capital
■ Exploration and studies

FY21 Capital expenditure guidance (US\$m)

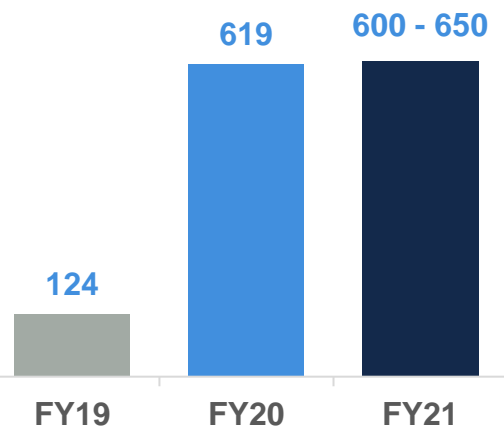


■ Sustaining and development capital
■ Exploration and studies
■ Major projects

Investing in growth

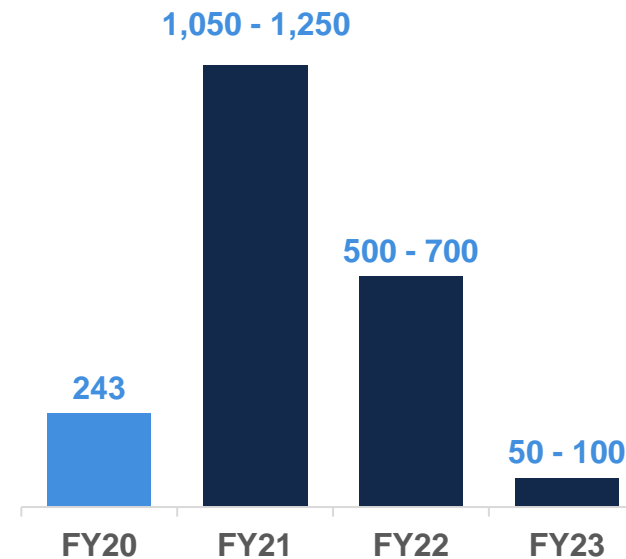
Executing on product, growth and decarbonisation strategy

Eliwana Mine and Rail Project (US\$m)



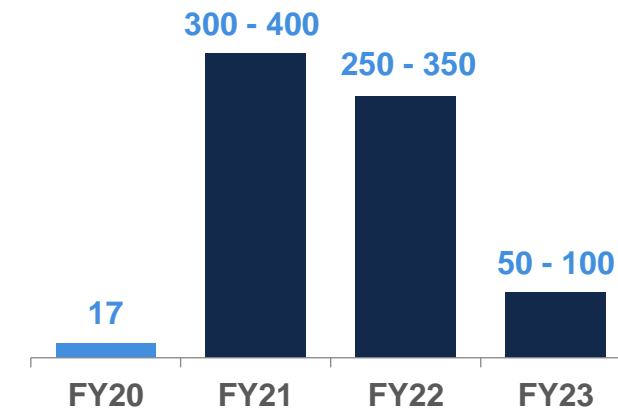
US\$1.325 to 1.375 billion investment
30mtpa processing and 143km rail
Increases mine life and West Pilbara Fines
First ore on train scheduled for Dec 2020

Iron Bridge Magnetite Project



US\$2.6 billion investment
Fortescue's share US\$2.1 billion
22mtpa 67% Fe magnetite
concentrate product

Pilbara Energy Connect



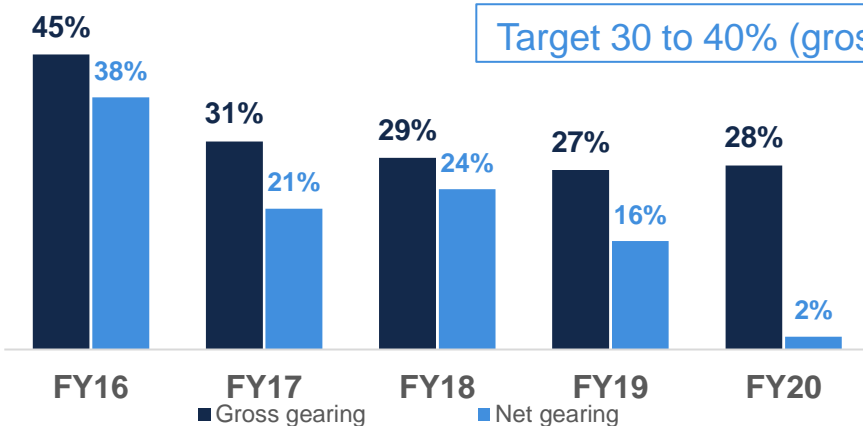
US\$700 million investment
Solar-gas hybrid energy and
transmission infrastructure
Low cost energy to operations

Robust balance sheet

Credit metrics below targeted range, with a balanced maturity profile

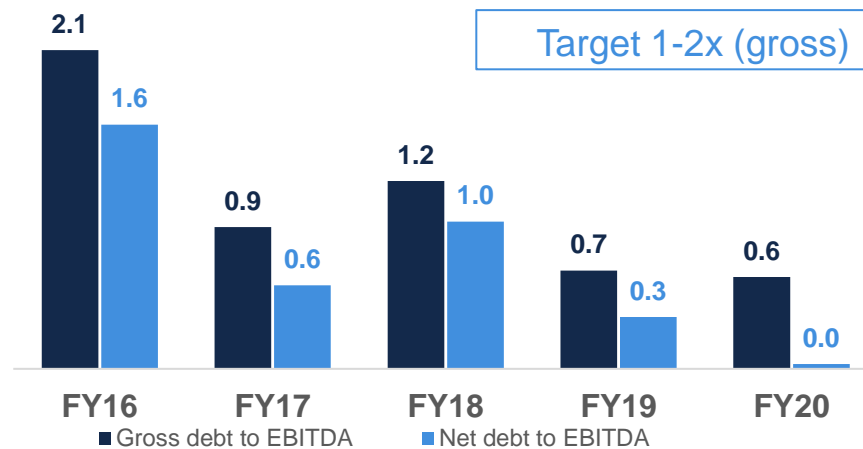
Gearing (%)

Target 30 to 40% (gross)

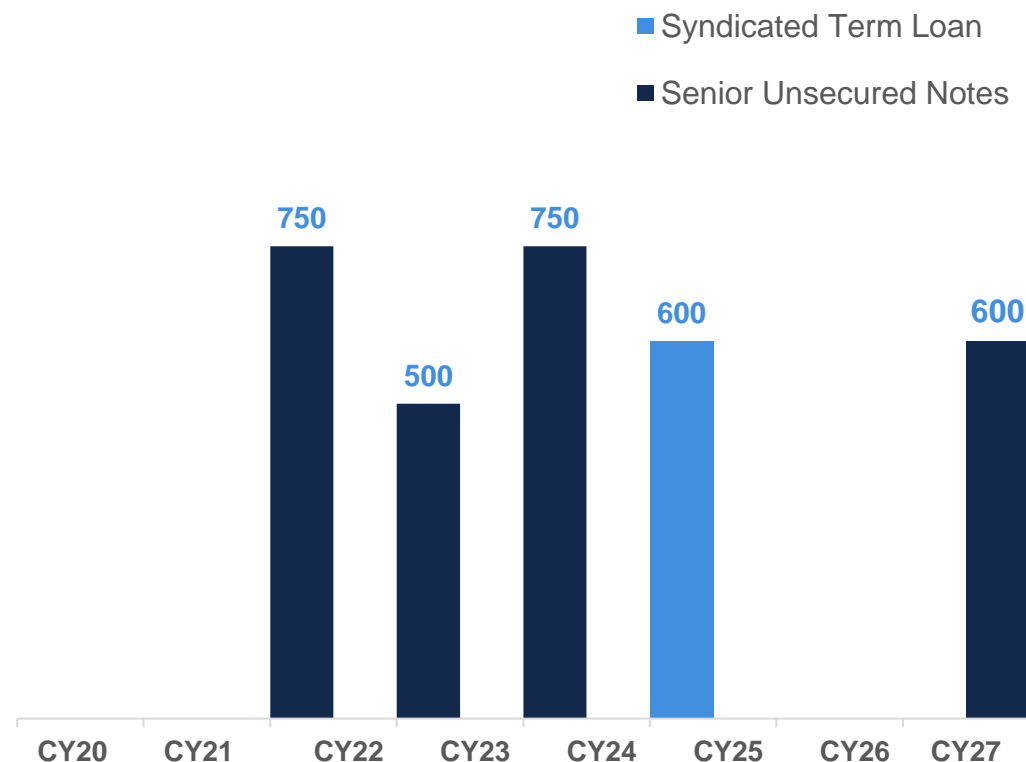


Debt to EBITDA (x)

Target 1-2x (gross)



Debt maturity profile, excluding leases and RCF¹ (US\$m)

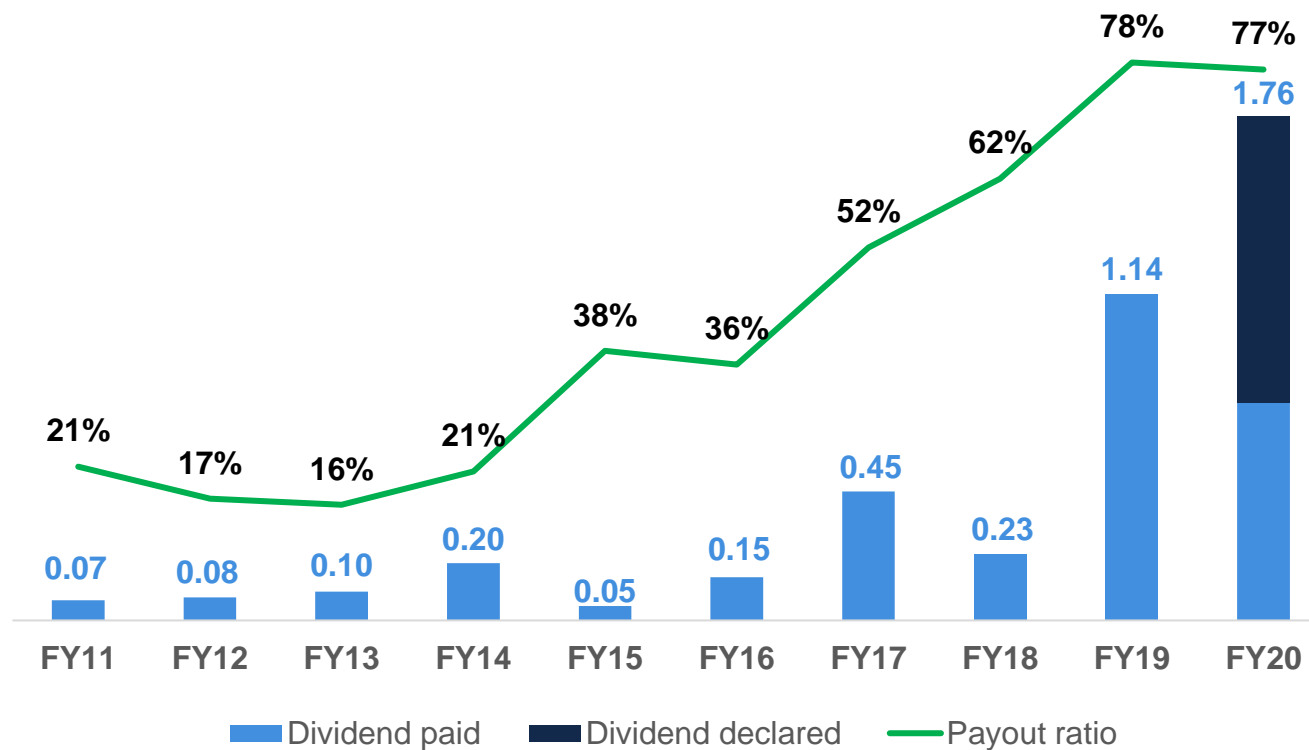


¹ Revolving Credit Facility (RCF) of US\$1,025 million was repaid in July 2020

Delivering dividends

Fully franked dividend of A\$1.76 per share, representing a 77% payout of FY20 NPAT

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



Capital allocation

Transitioned from deleveraging to capital returns

US **\$19.4bn**

NPAT

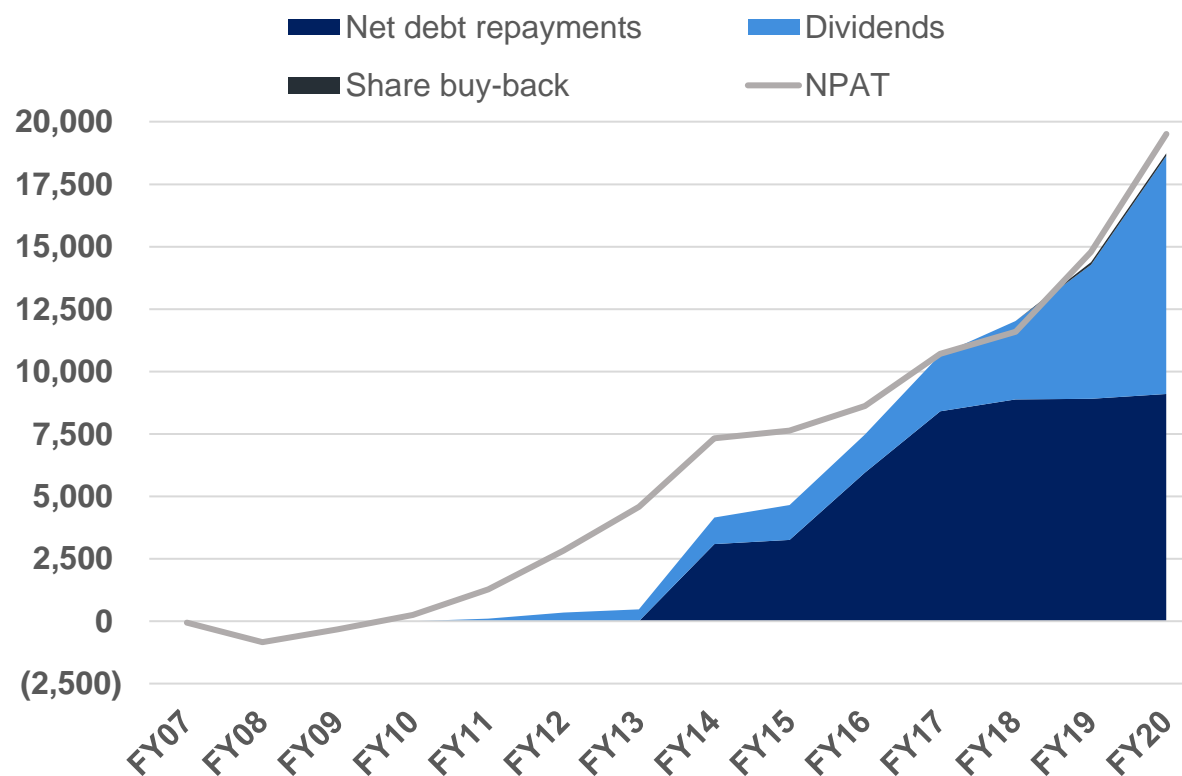
US **\$9.1bn**

Net debt repayment

US **\$9.5bn**

Dividends

Cumulative allocation of NPAT (US\$m)



Integrated operations

Forefront of innovation

Delivering safety, productivity and efficiency benefits

Operational excellence



Optimising value from our asset base

Current

- Autonomous haulage
- Relocatable conveyors
- OPF upgrades and WHIMS

Under development

- Additional equipment automation
- Magnetite processing

Data and analysis



Driving informed decision making

Current

- Fortescue Hive
- Robotic Process Automation

Under development

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

Renewable energy



Maximising opportunities

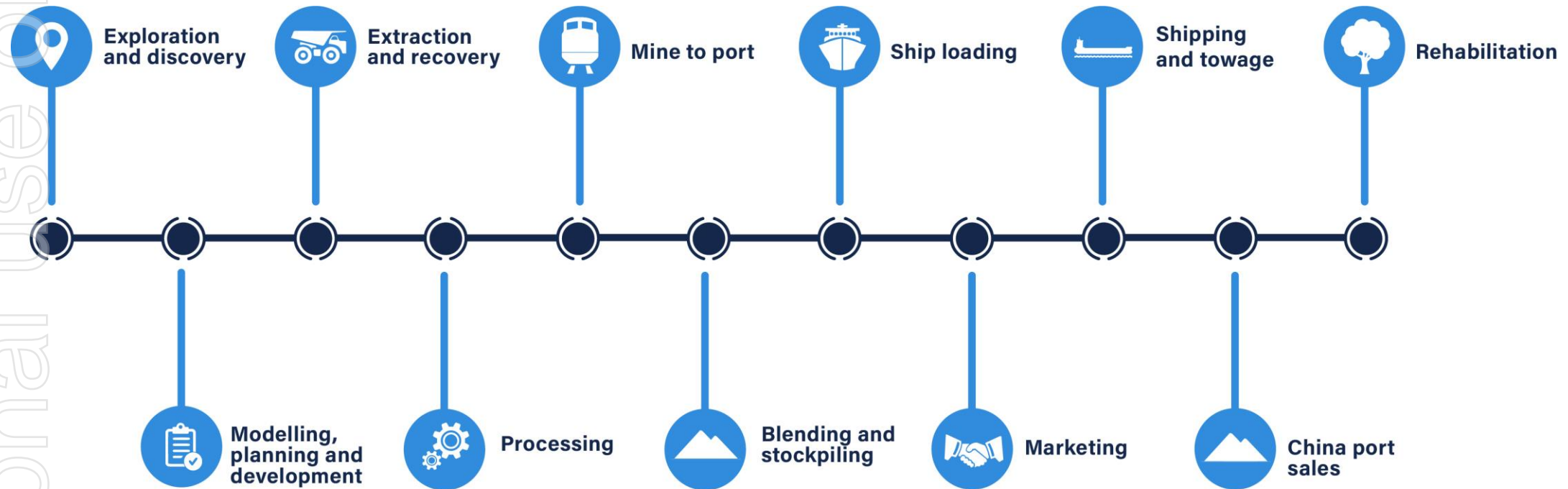
Current

- Solar energy
- Integration of renewables
- Battery storage

Under development

- Hydrogen mobility
- Hydrogen refuelling infrastructure

Value chain





Fortescue Hive

Expanded Integrated Operations Centre

Purpose-built facility

Planning, operations and mine control teams, together with port, rail, shipping and marketing teams

24/7 operations centre

Improved safety, reliability, efficiency and commercial outcomes

Future use of technology

Artificial intelligence

Robotics

Optimise renewable energy network integration

Operational development projects

Autonomous haulage

- >49 million km safely travelled
- 170 trucks in operation
- 30% increase in productivity

Wet High Intensity Magnetic Separators (WHIMS)

- Maximise production rates
- Enhance the value of our ore
- Completed by the end of 2020

Extension of relocatable conveyor

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

Marketing

Integrated operations and marketing strategy to maximise value

Direct customer engagement driving deep market insights

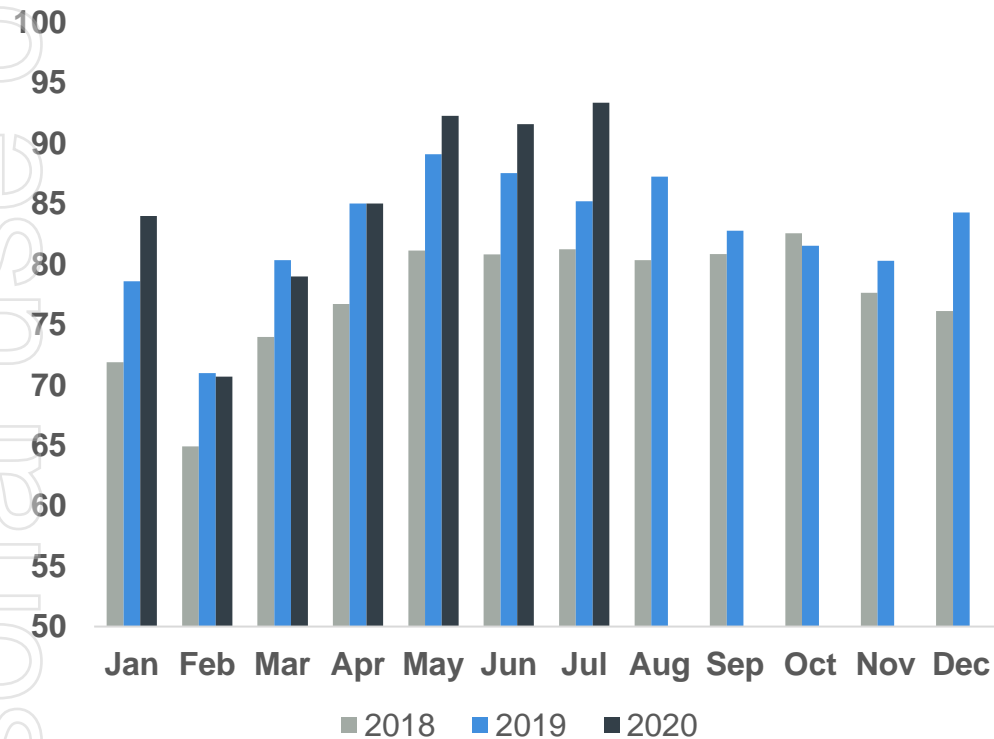
Reliable supplier and optimised product mix that meets customers' needs

Aligning delivery with customers' requirements and opening new channels

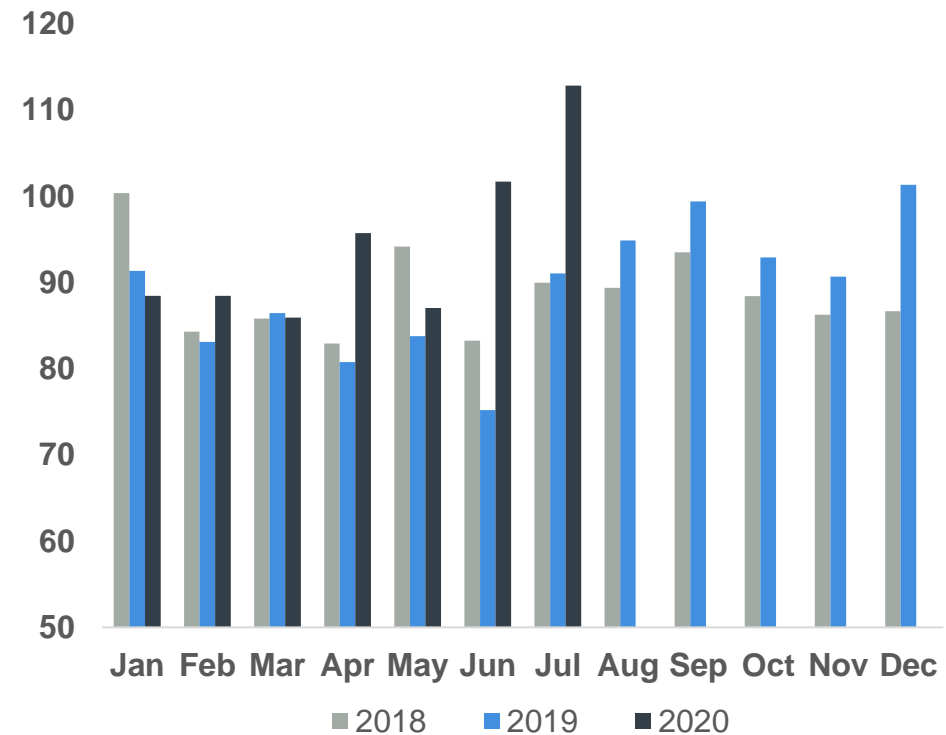
Strong demand for iron ore in China supported by increased imports

Sustained growth in China's crude steel production

China monthly crude steel output (mt)



China monthly iron ore imports (mt)

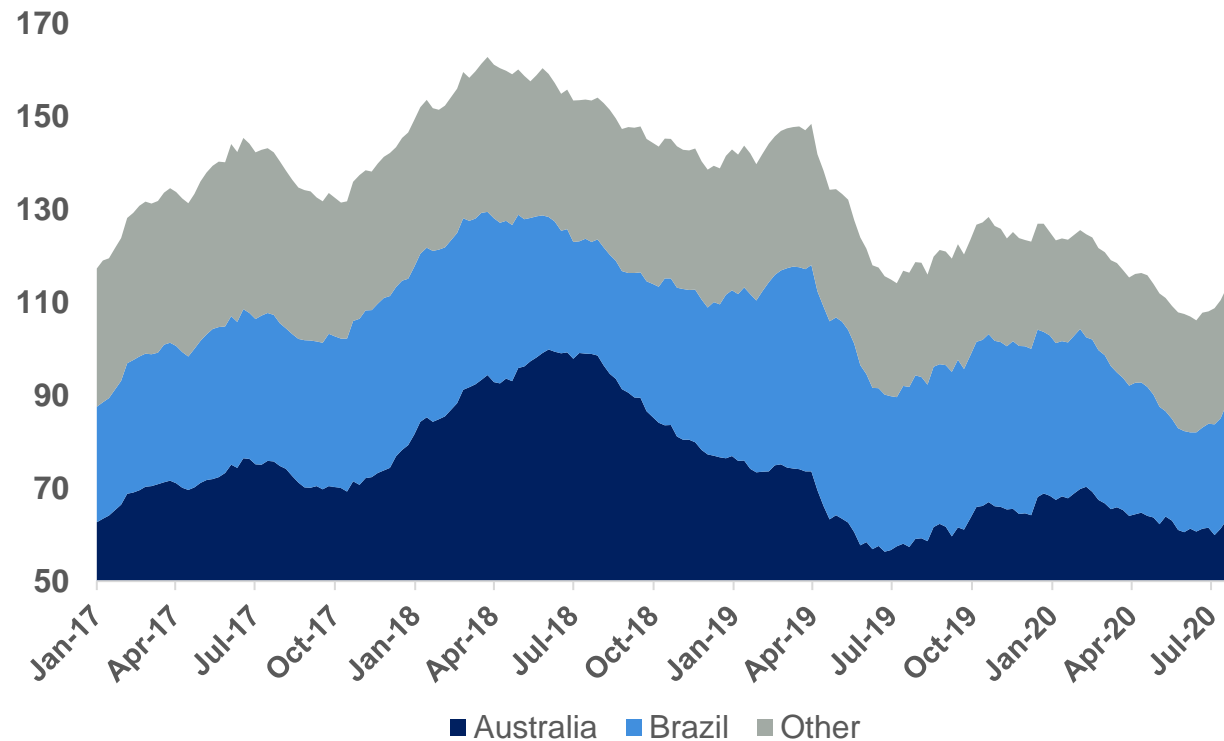




Iron ore stocks remain low

Low inventory trend through the supply chain as demand outpaces supply

China port stocks by origin (mt)

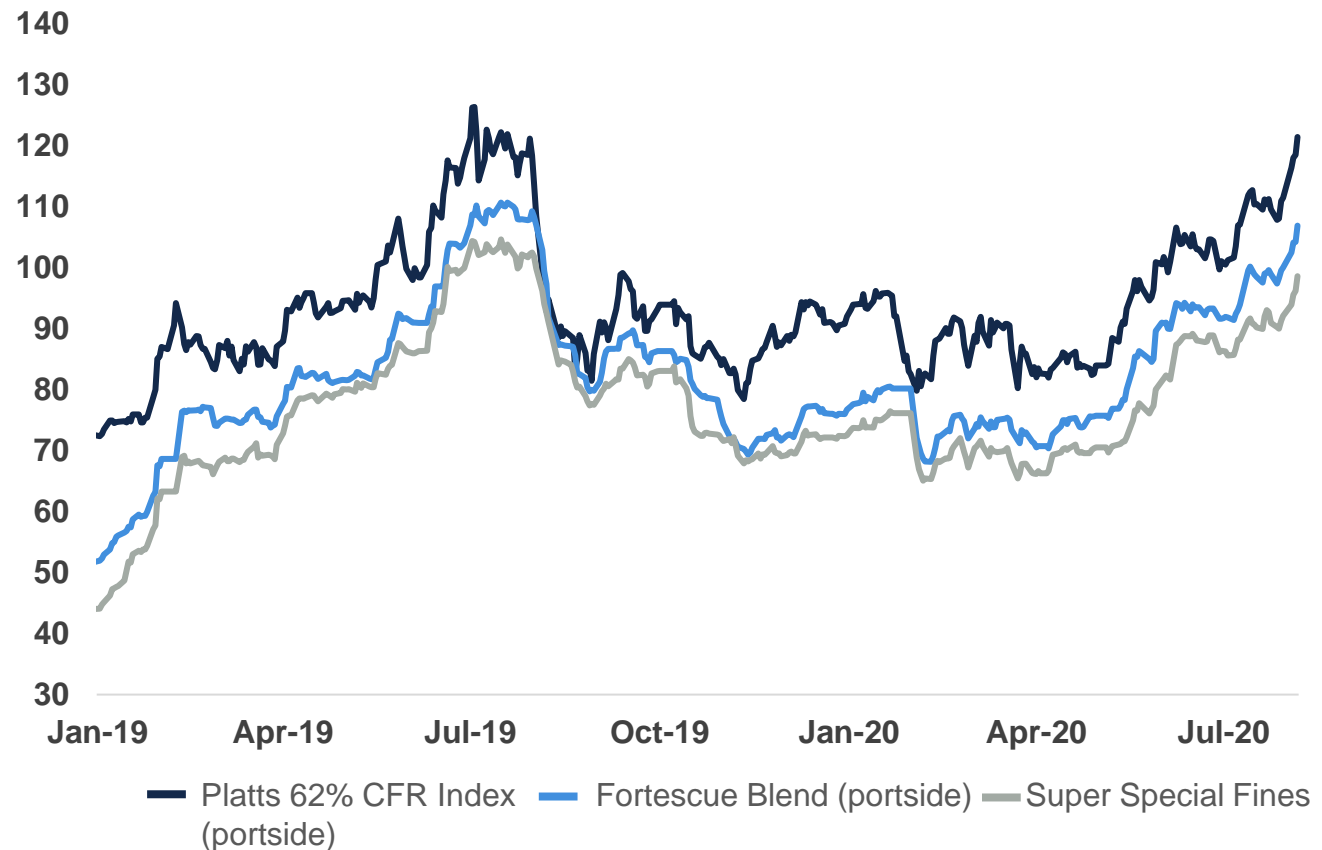


Source: Mysteel

Iron ore price

Fortescue's average realised price of US\$79/dmt in FY20 increased by 21 per cent on the prior year

Iron ore prices, CFR China (US\$/dmt)

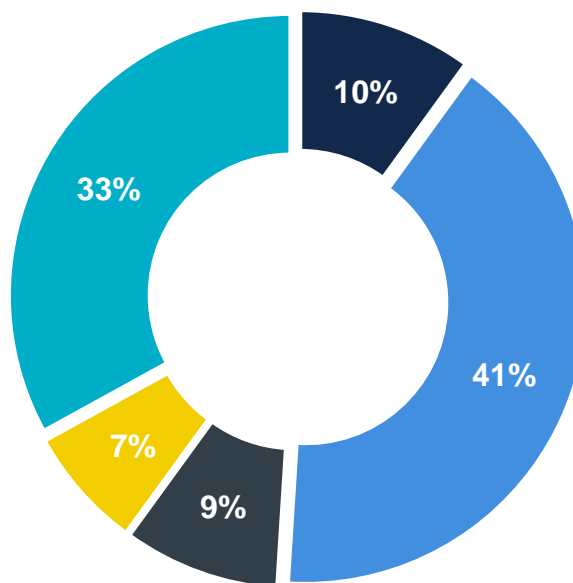


Source: Platts

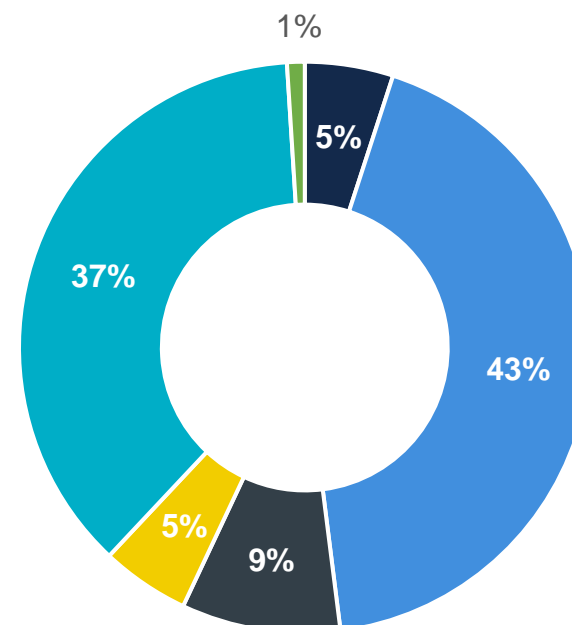
Enhanced product mix

Increased volumes of higher value West Pilbara Fines and Fortescue Blend products

FY20 Product mix



FY19 Product mix



- West Pilbara Fines
- Fortescue Blend
- Kings Fines
- Fortescue Lump
- Super Special Fines
- Other



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Growth and development

Eliwana Mine and Rail Project

30 mtpa

First ore on train scheduled for December 2020

60.1% Fe

Underpinning production of West Pilbara Fines

US\$45 per tonne

Industry leading capital intensity

>50%

Installation of structural steel at OPF

Eliwana progress

On schedule for first ore on train in December 2020



Ore processing facility site



Eliwana rail bridge installation

Iron Bridge Magnetite project

Personal use only



22 mtpa

Production, with first ore on ship in mid-CY22

67% Fe

High grade, low impurity concentrate product

US\$2.6bn

Stage 2 investment, low capital intensity

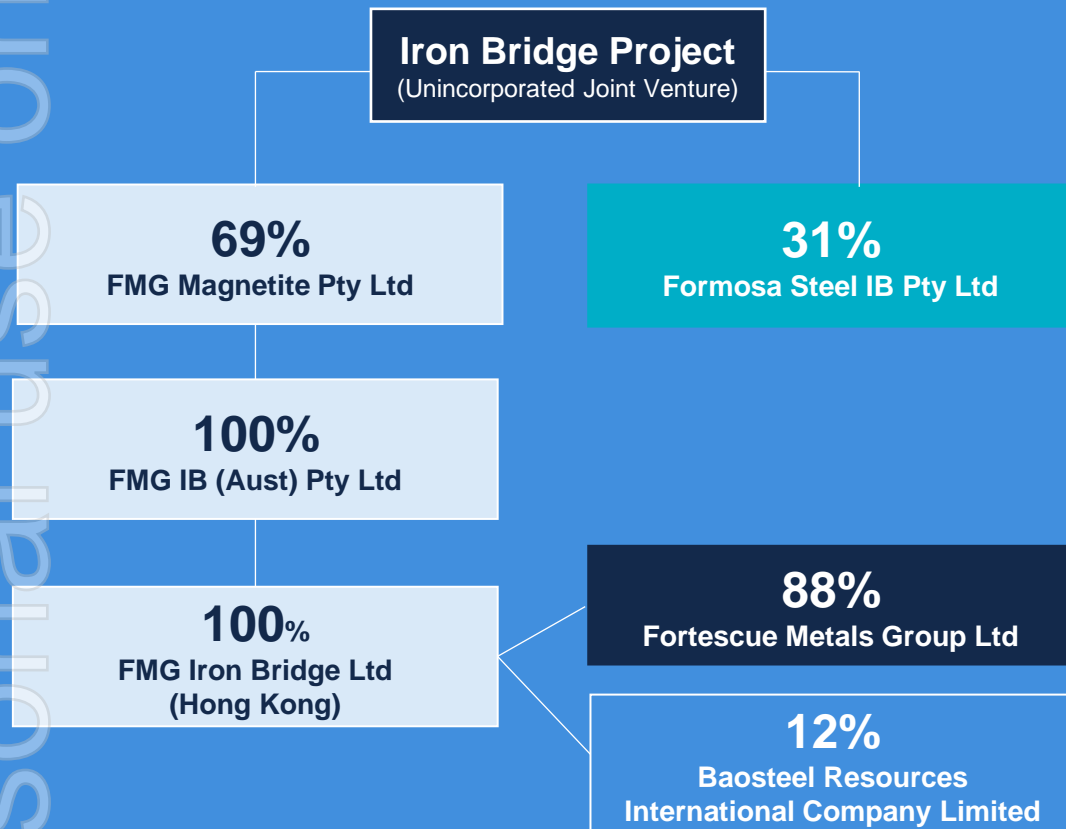
>60%

Bulk earthworks complete

Iron Bridge Magnetite project

Integrated into Fortescue's operations

Unincorporated joint venture



Construction

Fortescue delivers engineering, procurement and construction management

Operations

Fortescue is the manager of joint venture operations

Infrastructure

Fortescue provides access to port and power facilities

Marketing

Fortescue has exclusive marketing rights enabling blending and margin optimisation



Stage 1: Process validation

Comprehensively studied since 2010 and de-risked through the operation of large scale pilot and full scale demonstration plants

US\$0.5 billion invested to reduce process technical risk

1mt of ore processed through full scale high pressure grinding rolls and air classifier

Ore processed through large scale pilot plant to optimise equipment performance and full process flow sheet



Project is progressing on schedule and budget

Detailed engineering
over 70% complete

Process plant bulk
earthworks complete

Key technical
procurement
packages completed

Bulk earthworks are
over 60% complete

Project to date
commitments of
over 45%

Primary project
approvals secured

Delivering on our product strategy

Iron Bridge will enhance Fortescue's product portfolio

Competitive

positioning across all product segments

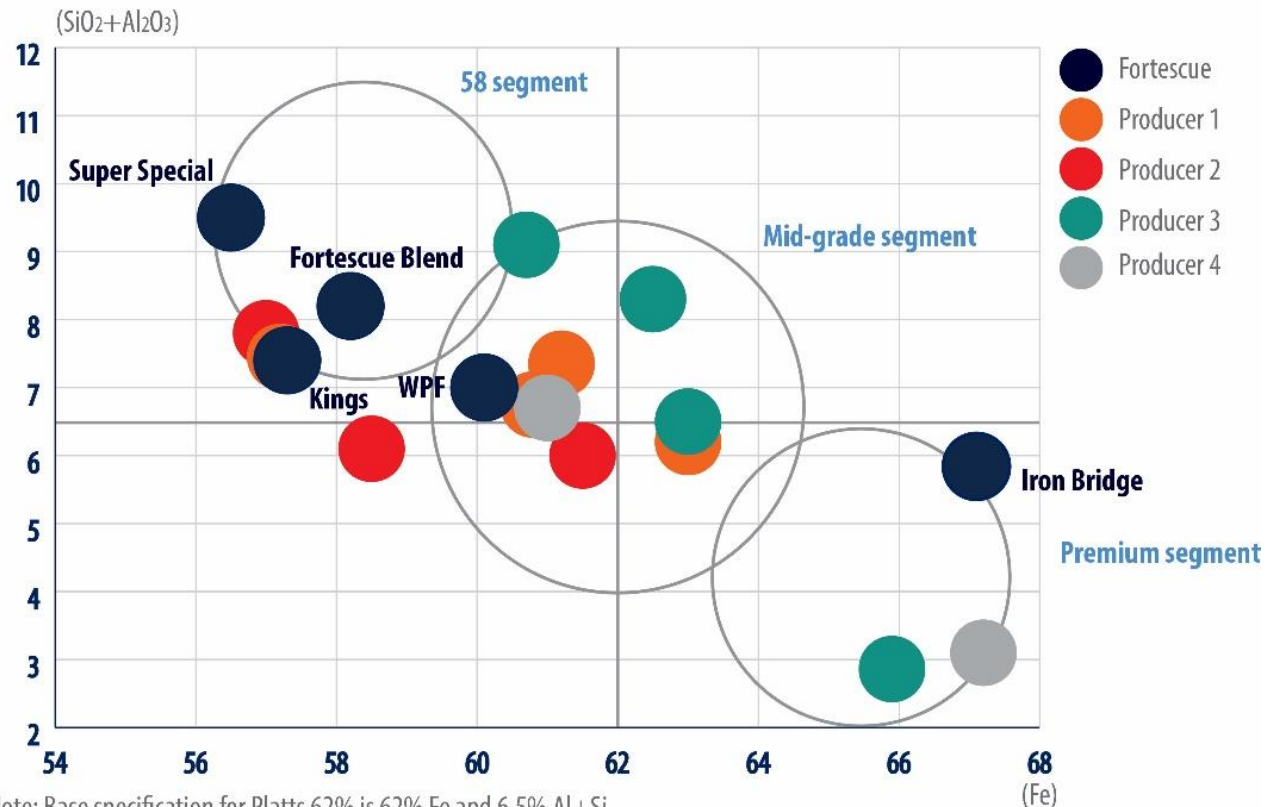
Flexibility

to optimise margins through iron ore market cycles

Highest grade

Australian product, with global scale production

Product positioning: Natural Fe v Gangue ($\text{SiO}_2 + \text{Al}_2\text{O}_3$)



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

Iron Bridge progress

Construction on schedule



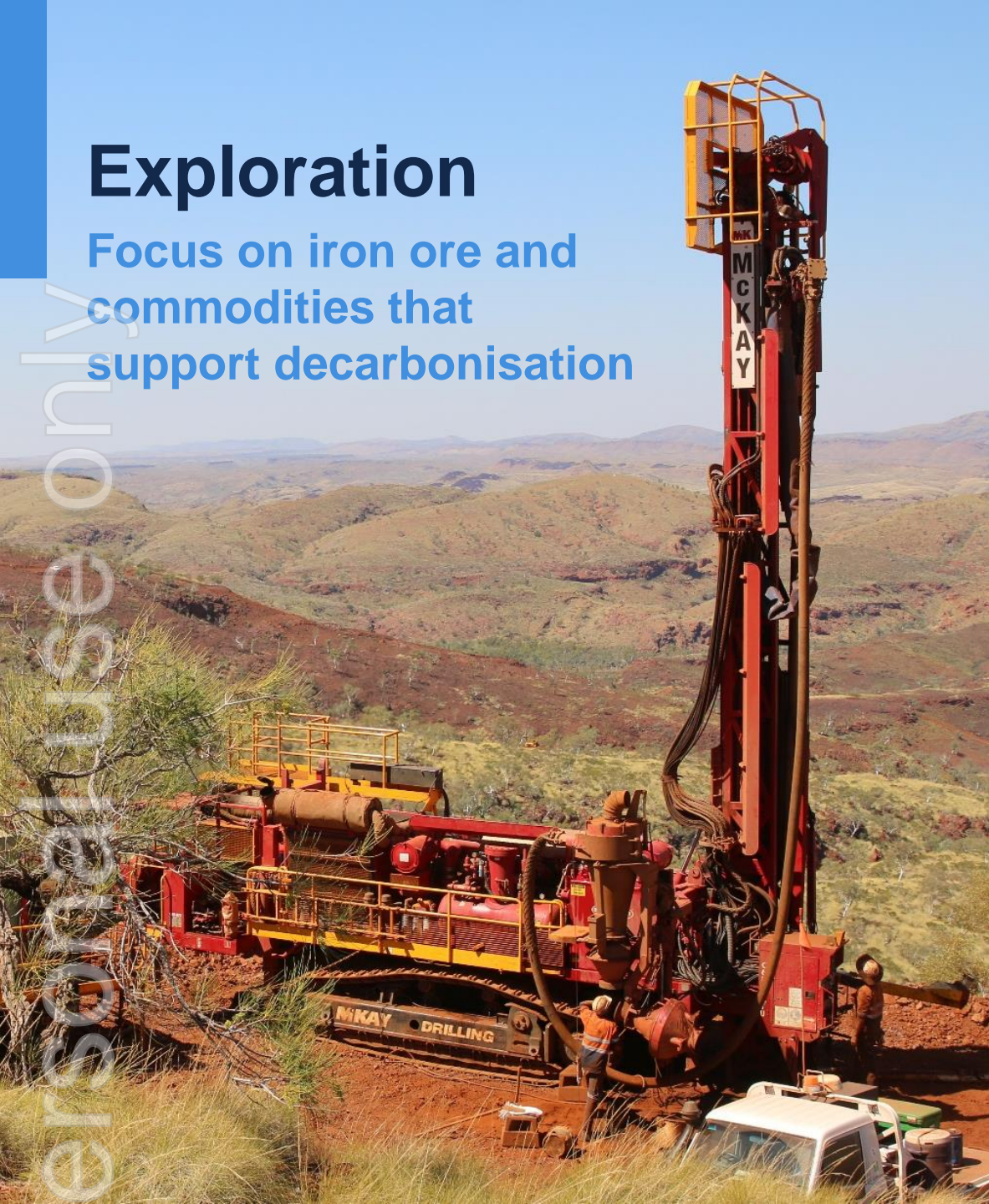
Ore processing facility site



Iron Bridge camp

Exploration

Focus on iron ore and commodities that support decarbonisation



Pilbara

Extensive tenement footprint

Australia

NSW 3,000km² tenure

SA 15,000km² tenure

South America

Argentina 450,000ha of tenements, prospective for copper-gold

Ecuador 135,000ha of tenements prospective for copper

International opportunities

Colombia, Chile, Peru, Portugal, Kazakhstan

FY21 guidance

175 – 180mt

Iron ore shipments

**US\$13.00 –
US\$13.50/wmt**

C1 costs based on assumed
exchange rate of AUD:USD 0.70

**US\$3.0 –
US\$3.4 billion**

Capital expenditure

Key strategic focus

Underpinned by balance sheet strength

ersonal use only



Long term
sustainability



Growth and
development



Enhanced returns
to shareholders

ersonal-use only

Sustainability

Approach to Sustainability

We are a global force, committed to empowering thriving communities

Setting high standards



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

Safeguarding the environment



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

Creating positive social change



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

Setting high standards

Safety, diversity and integrity

2.4 TRIFR

14% improvement from 2.8 in FY19

19% female

employment rate

10% Aboriginal

employment rate across Australian operations

Protecting Aboriginal heritage

Detailed processes for the conduct of Aboriginal cultural heritage surveys, consultation, project planning, impact mitigation and negotiation

Seven agreements

with Native Title Groups

Heritage avoidance

Primary objective

~6,000 heritage sites

Protected and avoided

2.7 million ha of land

Archeologically surveyed

Safeguarding the environment



For future generations

Zero

Significant environmental incidents

A\$1.7 million

Invested in research and conservation programs

98%

Water reinjected through innovative managed aquifer recharge scheme

89%

Non-mineral waste volumes recycled across all sites

A close-up photograph of a hand gently holding a small, green plant with tiny yellow flowers. The background is a warm, golden sunset with blurred foliage. A vertical blue bar is on the left side of the image.

Emissions reduction targets

Addressing the global climate change challenge with a sense of urgency

Net zero

Operational emissions by 2040

26% reduction

Scope 1 and Scope 2 emissions from 2020 levels, by 2030

Decarbonisation pathway

Energy infrastructure to increase use of renewables

Technology and innovation

Hydrogen and battery electric solutions

Energy infrastructure

US\$800 million investment with our business partners will deliver 25 to 30 per cent of stationary energy from solar power

Chichester solar gas hybrid project



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

Pilbara Energy Connect



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

Hydrogen



- Reduce carbon emissions and reliance on diesel in our operations
- Hydrogen mobility and improving domestic energy security
- Export potential of green hydrogen from Australia
- Partnership with CSIRO ATCO Australia agreement Green Hydrogen Consortium

Creating positive social change

Building sustainable communities,
empowering Aboriginal people and
eradicating modern slavery

14% Aboriginal

employment across Pilbara operations

900 jobs

to Aboriginal people via VTEC since
2006

Billion Opportunities

A\$2.7 billion in contracts to Aboriginal
business and joint ventures

A\$6.6 million

Social investment in communities

Our Purpose

Global force | Thriving communities

Fortescue's Values



Safety



Family



Empowerment



Frugality



Stretch targets



Integrity



Enthusiasm



Courage and
determination



Generating
ideas



Humility



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