Appendix 4D

For the half year ended 31 December 2018

This information should be read in conjunction with Fortescue's Financial Report for the half year ended 31 December 2018.

Name of entity

Fortescue Metals Group Ltd

ABN

57 002 594 872

Results for announcement to the market

		US$ million
Revenue from ordinary activities	decreased 4% to	3,540
Profit from ordinary activities after tax attributable to members	decreased 5% to	644
Net profit for the half year attributable to members	decreased 5% to	644

Dividends	Amount per security	Franked amount per security
Interim dividend declared for the half year ended 31 December 2018	A$0.19	A$0.19
Special dividend for the half year ended 31 December 2018	A$0.11	A$0.11
Interim dividend declared for the previous corresponding period	A$0.11	A$0.11
Ex-dividend date of interim and special dividend	28 February 2019	
Record date of interim and special dividend	1 March 2019	
Payment date of interim and special dividend	22 March 2019	

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 five trading days commencing on 4 March 2019.

The last date for receipt of applications to participate in or to cease or vary participation in the Plan is by 5:00pm (WST) on 4 March 2019. 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 22 March 2019. A broker will be engaged to assist in this process.

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

Net tangible asset backing

Net tangible asset backing per ordinary shares: US$3.24 (previous corresponding period: US$3.15).

Previous corresponding period

The previous corresponding period is the half year ended 31 December 2017.

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 2018

Together we are Fortescue

ABN 57 002 594 872

Fortescue
The New Force in Iron Ore

Inside

Half year at a glance

Total Recordable Injury Frequency Rate

4.0

Shipments

82.7mt

C1 cost

US$ 13.11/wmt

Revenue

US$ 3.5 billion

Underlying EBITDA

US$ 1.6 billion

Cash on hand

US$ 962 million

Net profit after tax

US$ 644 million

Gross debt

US$ 4.0 billion

About Fortescue

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

Since it was 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 is focussed on its vision of being the safest, lowest cost, most profitable mining company.

Now consistently producing around 170 million tonnes of iron ore per annum (mtpa), Fortescue has grown to be one of the largest global iron ore producers and is a low cost provider of seaborne iron ore into China.

Fortescue owns and operates integrated operations spanning three mine sites in the Pilbara, the five berth Herb Elliott Port in Port Hedland and the fastest, heavy haul railway in the world. A natural extension of Fortescue's supply chain, the Company has a fleet of eight Fortescue Ore Carriers, designed to complement the industry best practice efficiency of its port.

As the first Company in Western Australia to control a railway from outside the region of operation and the first Company in the world to use CAT autonomous haulage technology on a commercial scale, Fortescue is continuing to introduce cutting edge technology across the business.

The Eliwana mine and rail project will build on Fortescue's development and construction capability, utilising the latest technology, autonomous trucks and design efficiency.

Innovation in exploration, process and design is a key component of Fortescue's strategy to efficiently and effectively deliver products from mine to market. Fortescue's longstanding relationships with customers in China have grown from the first commercial shipment of iron ore in 2008, to a core supplier of China's seaborne iron ore while expanding into markets including Japan, South Korea, India and Europe.

Fortescue's fully integrated operations and marketing strategy delivers a flexible product range to meet its customers' requirements and to maximise value. The new 60.1 per cent iron grade product, West Pilbara Fines, commenced production in December 2018, combining higher iron, low alumina ore from Cloudbreak with ore from the Firetail mine.

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

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 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, support 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 at and for the half year ended 31 December 2018.

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 2018, and any public announcements made by the Company during the half year ended 31 December 2018 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX listing rules*.

Fortescue's Values

Safety
Look out for our mates and ourselves

Empowerment
Take action and encourage your team

Family
Care for your work mates

Frugality
Use your brain not your cheque book

Stretch targets
Deliver against challenging targets

Integrity
Do what you say you're going to do

Enthusiasm
Be positive, energetic

Courage and determination
Never, ever give up

Generating ideas
Always be on the lookout for better ways

Humility
Show vulnerability in leadership

Fortescue's unique Values drive the Company's performance and set Fortescue apart.

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

EXPLORATION AND DEVELOPMENT
Challenging geological thinking to identify valuable deposits

02

EXTRACTION AND RECOVERY
Innovative use of technology suitable to Fortescue's deposits

03

PROCESSING
Ore processing facility design and wet processing optimise output

04

MINE TO PORT
Heavy haul rail at 42t axle load

05

BLENDING AND STOCKPILING
Port design facilitates blending and stockpiling of product suite

06

SHIP LOADING
3 shiploaders and 5 berths maximise outload capacity and utilisation

07

MARKETING
Helping customers achieve best value in use

08

SHIPPING
Delivery to Fortescue's international customers' specifications and 8 Fortescue Ore Carriers

09

DECOMMISSIONING
Mine closure and rehabilitation

Fortescue's Vision

To be the safest, lowest cost, most profitable mining company.

Values

Fortescue's unique Values drive the Company's performance in a way that sets it apart from others.

Culture

Fortescue is a values-based business with a strong, differentiated culture.

The Company believes that by leveraging the unique culture of its greatest asset, its people, it will achieve its stretch targets.

01

Directors' report

Governance

Directors

Your Directors present this report on Fortescue Metals Group Ltd for the half year ended 31 December 2018.

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

Non-Executive


Andrew Forrest AO
Chairman


Mark Barnaba AM
Co-Deputy Chair and Lead Independent Director


Sharon Warburton
Co-Deputy Chair


Lord Sebastian Coe CH, KBE


Jennifer Morris OAM


Dr Jean Baderschneider


Penny Bingham-Hall


Dr Cao Zhiqiang

Executive


Elizabeth Gaines
Chief Executive Officer

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 35, and forms part of this report.

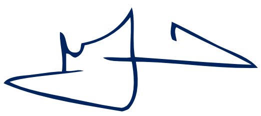
Rounding of amounts

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 20 February 2019, Fortescue declared a fully franked interim dividend of 19 Australian cents per share, and a fully franked special dividend of 11 Australian cents per share payable in March 2019.

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



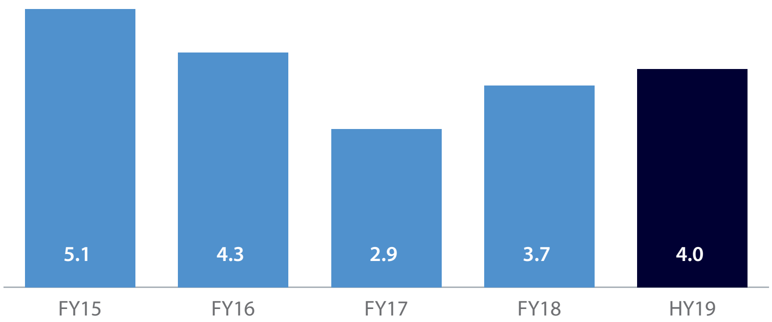
Andrew Forrest AO
Chairman
Dated in Perth on this 20th day of February 2019.

Fortescue's highest priority is the health and safety of its people and the Company is focussed on continually improving its safety performance across the business.

During the first half of FY19, Fortescue committed to further reducing the risk of fatalities and serious injuries with an increased focus on eliminating and/or engineering out hazards. Each operating area was set a target of reducing their fatality risk profile by 15 per cent by the end of FY19.

Fortescue's highest priority is the health and safety of its people and the Company is focussed on continually improving its safety performance across the business.

12-month rolling TRIFR, per million hours worked



Fortescue's rolling 12-month Total Recordable Injury Frequency Rate (TRIFR) increased by eight per cent from 3.7 at 30 June 2018 to 4.0 at 31 December 2018. Encouragingly, the year to date TRIFR was at 3.5, demonstrating a positive trend for the first half of FY19.

The Company is working to improve its safety performance through 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
- Engaging its workforce in improving safety through programs like the Company wide safety stop
- Engagement with its contracting partners to ensure compliance with Fortescue's safety standards and a safe workplace
- Enhancement of the critical control monitoring (CCM) program to eliminate the risk of fatalities and serious injuries. The CCM program aligns with Fortescue's risk profile and any significant incident trends
- The continued reduction of workplace exposures through safety improvement opportunities.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is Fortescue's commitment to behave ethically, to create value for the Company's stakeholders, to protect Aboriginal heritage and the environment and to empower and partner with communities to build capability and capacity.

Aboriginal development

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

At 31 December 2018, Fortescue employed 784 Aboriginal people, representing 13 per cent of the total Australian workforce. 15 per cent of employees at Fortescue's Pilbara sites are Aboriginal.

During the half year, Fortescue's Billion Opportunities Program continued to support Aboriginal businesses with over A$6 million in contracts awarded to two West Australian Aboriginal businesses.

Since its inception in 2011, the Billion Opportunities Program has awarded more than A$2 billion in contracts and subcontracts to over 110 Aboriginal businesses and joint ventures.

Diversity

Fortescue continuously strives to create a welcoming and encouraging work environment and celebrates and respects its people's differences.

At 31 December 2018, Fortescue employed 1,124 female employees, representing 18 per cent of its workforce.

Key initiatives introduced during the half year that further support diversity include:

- Flexible working guidelines that include a wide range of flexible work options including job share, staggered start and finish times and school holiday hours

- The successful recruitment of former Defence Force personnel for trade roles at Fortescue mine sites in the Pilbara. To date, more than 50 veterans have commenced work and are positively impacting the Company with their strong alignment to Fortescue's culture and values.

Climate change

Developing solutions to climate change issues will require a long-term, sustainable, collaborative approach where Governments, businesses and communities work together.

Fortescue is working to ensure its resilience and to maximise opportunities that may arise, such as the integration of renewable energy technology. With growing stakeholder interest in this issue, Fortescue has commenced the process to build on its disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in the Company's FY18 CSR Annual report.

Modern slavery

Fortescue welcomed the passing of Australia's Modern Slavery Act in December 2018 as an important step in harnessing the power of Australian businesses to eradicate modern slavery in global supply chains. The Company has long been an advocate of the Walk Free Foundation, founded by its Chairman and Founder, Andrew Forrest AO, who has tirelessly campaigned for the introduction of legislation to address modern slavery risks.

In FY19, the Company is implementing the following priorities:

- Review of existing policies
- Internal training
- Engagement with suppliers
- Collaboration with industry and government
- Review of assurance processes.

Operations, development and exploration

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 2018	31 December 2017	Movement %
Shipments	82.7	84.5	-2
Ore mined	101.1	93.1	+9
Overburden removed	157.4	133.0	+18
Ore processed	85.3	82.5	+3

Mining, processing, rail and shipping combined to achieve shipments of 82.7mt in the first half of FY19. Following record shipments in the last quarter of FY18, iron ore inventories were rebuilt at mines and port, and new mining areas were prepared during the September quarter ahead of the introduction of West Pilbara Fines. As a result, iron ore mined increased by nine per cent, overburden removed by 18 per cent and ore processed by three per cent for the half year, positioning the Company to achieve its FY19 targets and providing flexibility to manage production and capitalise on market conditions.

West Pilbara Fines

The first cargo of Fortescue's 60.1 per cent iron West Pilbara Fines iron content product was shipped from Port Hedland to China on 16 December 2018. This product is currently a blend of higher iron, low alumina ore from the western pits of Cloudbreak with ore from the Firetail mine.

The introduction of West Pilbara Fines demonstrates the flexibility of the Company's wholly owned, integrated mining operations and infrastructure and the agility of its processing and blending strategy.

Fortescue expects to produce 8 to 10mt of West Pilbara Fines in FY19, ramping up to 40mt per annum when the Eliwana mine is operational.

Marketing and product strategy

Fortescue's world class, integrated operations and customer-focussed marketing strategy underpins the Company's strong market penetration in China and other countries.

The Company's strategy delivers a flexible product range to meet customer requirements and maximise value.

The introduction of the new 60.1 per cent iron content product, West Pilbara Fines, further enhances the range of ores available for Fortescue's customers.

While China remains Fortescue's core focus and represents 50 per cent of world steel production, the Company is continuing to explore non-China sales to growth economies in North and South East Asia, India and Europe.

Innovation and technology

Fortescue has led the way globally in embracing automation at its operations and is well on its way to becoming the only iron ore operation in the world to have a fully autonomous haulage fleet.

Building on the success of autonomous haulage technology (AHS) at the Solomon Hub, Fortescue has rolled out AHS at the Chichester Hub with 44 trucks converted at 31 December 2018 at Christmas Creek. Once complete, the conversion of approximately 100 haul trucks at Christmas Creek and Cloudbreak will see Fortescue become the first iron ore operation in the world to have a fully autonomous operating fleet.

The relocatable conveyor at Cloudbreak, commissioned in May 2018, doubled its throughput in the first quarter of FY19. The five kilometre conveyor includes a mobile primary crushing station that feeds directly into the ore processing facility.

Fortescue has led the way globally in embracing automation at its operations and is well on its way to becoming the only iron ore operation in the world to have a fully autonomous haulage fleet.

The relocatable conveyor and mobile crushing facilities can be positioned in close proximity to pits and relocated once mining in that area is complete.

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

Development and exploration

Eliwana project

The Eliwana development, announced in May 2018, is on track to deliver first ore in December 2020. The US$1,275 million project, with US$43 million spent in HY19, includes development of a mine with annual production of 30mtpa for a minimum of 20 years, 143km of rail, a new dry ore processing facility and the associated infrastructure.

This project will underpin the ongoing production of West Pilbara Fines, with the first delivery of the new product from the Eliwana mine scheduled at the end of 2020.

Iron Bridge

Fortescue continues to work collaboratively with the joint venture partners in the evaluation of the high grade Iron Bridge Magnetite Project.

Exploration

Fortescue will build on its world-class exploration expertise, operational reputation and skills and capability of its people to drive future growth through product diversification and asset development.

During the half year, Fortescue continued copper-gold exploration including drill testing of targets in South Australia together with ongoing assessment of drilling results at Fortescue's joint venture near Orange in NSW.

Fortescue is committed to ensuring the communities in which it operates benefit from the Company's growth and development, and has opened offices in Ecuador and Argentina, with employees working closely with local communities on the Company's exploration program.

In November 2018, Fortescue acquired an exploration company in Argentina for US$2 million which provides access to 48 tenements covering a large greenfield landholding of approximately 2.930km^2 in the Argentinian Province of San Juan which is prospective for copper-gold. Initial field work commenced in January 2019 in a project area approximately 180km from San Juan.

Drilling on targets prospective for copper-gold is expected to commence at Fortescue's Santa Ana concessions in Ecuador in the second half of FY19 once final approval is received under the Ecuadorian Government's recently announced Scout Drilling reform.

Hydrogen technology

In November 2018, Fortescue announced a landmark partnership with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) to capitalise on the economic opportunities associated with hydrogen and support the development of a competitive industry in Australia.

The collaboration between Fortescue and CSIRO includes a five-year agreement to fund and support selected CSIRO technologies in the hydrogen area. The first of the agreements will focus on CSIRO's metal membrane technology, which will make the transportation of hydrogen economically viable, enabling the benefits of the low emission fuel to be realised.

Working with CSIRO on commercial application of the benefits of a low emission fuel demonstrates Fortescue's commitment to reduce its carbon footprint.

Financial results

Financial performance

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

	31 December 2018	31 December 2017
Key metrics		
Revenue, US$ millions	3,540	3,679
Underlying EBITDA[1], US$ millions	1,633	1,828
Net profit after tax, US$ millions	644	681
Earnings per share, US cents	**20.8**	**21.9**
C1 costs, US$/wmt	**13.11**	**12.11**
Key ratios		
Underlying EBITDA margin, %	46	50
Return on equity, %	7	7

[1] Refer to the table below 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 2018, Fortescue delivered a net profit of US$644 million and earnings per share of 20.8 US cents. This result reflects strong operating performance, continued focus on productivity and efficiency, and a strengthening realised price through execution of the Company's marketing and product strategy.

Underlying EBITDA

Underlying EBITDA, defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses, is used as a key measure of the Company's financial performance. During the half year, Fortescue's operations generated Underlying EBITDA of US$1,633 million (HY18: US$1,828 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 2018 US$m	31 December 2017 US$m
Operating sales revenue	3	3,540	3,679
Cost of sales excluding depreciation and amortisation	3	(1,905)	(1,821)
Net foreign exchange gain	3	39	1
Administration expenses	3	(41)	(31)
Underlying EBITDA		**1,633**	**1,828**
Finance income	3	9	12
Finance expenses	3	(141)	(214)
Depreciation and amortisation	3	(581)	(630)
Exploration, development and other	3	(4)	(22)
Profit before tax		**916**	**974**
Income tax expense[2]		(272)	(293)
Net profit after tax		**644**	**681**

[1] Notes to the accompanying financial statements.

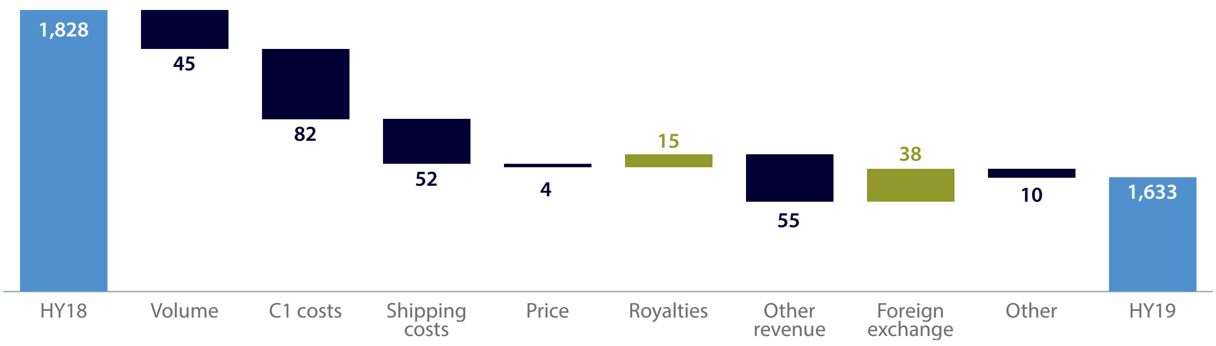
[2] Refer to the consolidated income statement.

Financial results

Financial performance (continued)

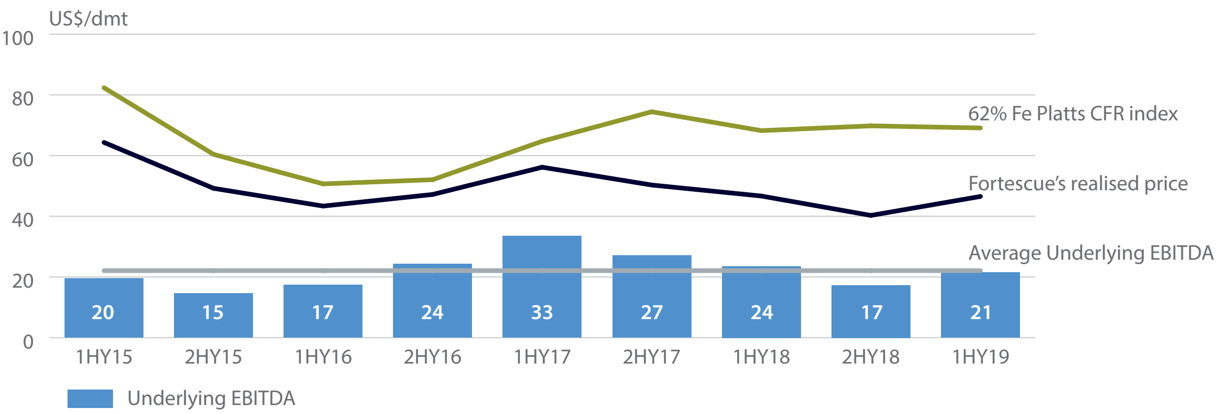
Key factors contributing to the 11 per cent reduction in Underlying EBITDA from the prior comparable period are outlined below.

Underlying EBITDA, US$ millions



The Underlying EBITDA of US$1,633 million for HY19 represents a margin of 46 per cent or US$21/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.

Price and margins



Revenue

	Note[1]	31 December 2018	31 December 2017
Sale of iron ore, US$ millions	3	3,539	3,623
Other revenue, US$ millions	3	1	56
Operating sales revenue, US$ millions		**3,540**	**3,679**
Shipments, mt		82.7	84.5
62% Fe CFR Platts index, US$/dmt		69	68
Realised price, US$/dmt		**47**	**47**

[1] Notes to the accompanying financial statements.

Strong demand for iron ore continued, with China's official crude steel production rate increasing by 12 per cent to a record 928 million tonnes in the 2018 calendar year, demonstrating the continued strength of the Chinese steel industry.

Fortescue's price realisation in HY19 remained consistent with prior year demonstrating strong demand for the Company's products achieved through product mix optimisation, with increased shipments of Fortescue Blend and the introduction of West Pilbara Fines.

Financial results

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 2018	31 December 2017
Mining and processing costs, US$ millions	3	898	844
Rail costs, US$ millions	3	96	94
Port costs, US$ millions	3	89	86
C1 costs, US$ millions		**1,083**	**1,024**
Shipments, mt		82.7	84.5
C1, US$/wmt		**13**	**12**
Shipping costs, US$ millions	3	607	567
Government royalty[2], US$ millions	3	214	229
Administration expenses, US$ millions	3	41	31
Shipping, royalty and administration, US$ millions		**862**	**827**
Shipments, mt		82.7	84.5
Shipping, royalty and administration, US$/wmt		11	10
Total delivered cost, US$/wmt		24	22
Total delivered cost, US$/dmt		**26**	**24**

[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$13.11/wmt for the half year, eight per cent higher compared to the prior period. Fortescue's continued focus on productivity and efficiency improvements have partially offset the impact of:

- 18 per cent additional waste movement, primarily through preparation of new mining areas for the introduction of West Pilbara Fines
- Longer haulage distances
- Increased fuel costs
- General inflation including increases in salaries and wages.

Key factors which have provided ongoing cost benefits throughout the half year period include:

- Roll-out of the AHS program at Christmas Creek
- Fully operational relocatable conveyor at Cloudbreak with doubled throughput capacity compared to the last quarter of FY18
- Continued focus on efficiencies across all areas of the business
- Completion of the fleet of eight ore carriers with delivery of FMG Northern Spirit in the first quarter of FY19. The fleet is delivering operational cost improvements and loading efficiencies at Fortescue's port.

Depreciation and amortisation

Depreciation and amortisation of US$581 million is eight per cent lower than the prior period (HY18: US$630 million).

Finance expenses

Finance expenses of US$141 million include interest on borrowings and finance lease liabilities of US$109 million which decreased by 40 per cent compared to prior period, as a result of early debt repayments and refinancing completed in the second half of FY18 which has lowered the Company's cost of capital.

Income tax

Income tax expense for the half year of US$272 million represents an effective tax rate of 30 per cent (HY18: US$293 million, effective tax rate of 30 per cent).

Financial results

Financial position and capital management

	Note[1]	31 December 2018 US$m	30 June 2018 US$m
Key metrics			
Borrowings		3,385	3,380
Finance lease liabilities		613	595
Total debt	**4**	**3,998**	**3,975**
Cash and cash equivalents		962	863
Net debt		**3,036**	**3,112**
Equity		**9,984**	**9,732**
Key ratios			
Gearing, %		29	29
Net gearing, %		23	24

[1] Notes to the accompanying financial statements.

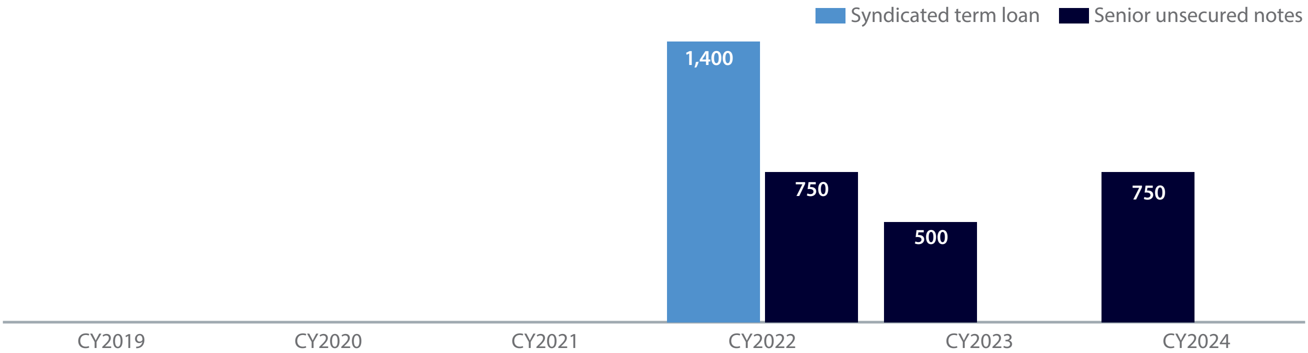
Debt and liquidity

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 for further debt repayments and flexibility for future growth.

At 31 December 2018, Fortescue had US$1,987 million of liquidity available including US$962 million of cash on hand and the US$1,025 million undrawn revolving credit facility. Total debt of US$3,998 million, inclusive of US$613 million finance leases, represents gearing of 29 per cent.

The Company's debt maturity profile at 31 December 2018 is set out below. Fortescue has no financial maintenance covenants across all instruments.

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



Cash flows

	31 December 2018 US$m	31 December 2017 US$m
Cash generated from operations	**1,145**	**1,391**
Cash flows from operating activities	948	411
Capital expenditure	(530)	(413)
Free cash flow	**418**	**(2)**

Cash generated from operations of US$1,145 million was 18 per cent lower compared to prior period, largely as a result of lower Underlying EBITDA. Net cash flows from operating activities include net interest payments of US$101 million (HY18: US$169 million) and income tax paid of US$96 million (HY18: US$811 million, including US$670 million relating to FY17).

Financial results

Financial position and capital management (continued)

Capital expenditure of US$530 million for the half year (HY18: US$413 million) included:

- Sustaining capital of US$308 million (HY18: US$249 million)
- Ore carrier construction of US$39 million (HY18: US$62 million)
- Development capital of US$109 million (HY18: US$47 million)
- Towage project US$25 million (HY18: US$26 million)
- Exploration expenditure of US$49 million (HY18: US$29 million).

Dividends

In October 2018, Fortescue paid a fully franked final dividend of 12 Australian cents per share for the financial year ended 30 June 2018.

On 20 February 2019, Fortescue declared a fully franked interim dividend of 19 Australian cents per share, and a fully franked special dividend of 11 Australian cents per share payable in March 2019.

Share buy-back program

During the half year, Fortescue commenced an on-market share buy-back program for up to A$500 million with 34.8 million shares acquired at 31 December 2018 at an average price of A$3.997 per share. This program is an extension of the Company's capital allocation focus which has shifted from debt reduction to shareholder returns, following de-gearing of the balance sheet. The program is expected to remain in place for a period of up to 12 months since its commencement in October 2018 with all shares purchased on market cancelled.

FY19 guidance

- 165-173mt in shipments, including 8-10mt West Pilbara Fines product introduced in December 2018
- US$12-13/wmt C1 cost
- Average strip ratio of 1.5
- Capital expenditure of US$1.2 billion allocated to:
  - Sustaining capital of US$580 million
  - Eliwana project of US$340 million
  - Exploration of US$100 million
  - Development expenditure of US$100 million
  - Ore carriers and towage of US$80 million

- Depreciation and amortisation of US$7.10/wmt

- Full year dividend payout ratio within a range of 50 to 80 per cent of net profit after tax. The actual dividend payout ratio is determined each reporting period based on financial performance while maintaining Fortescue's commitment and priority to disciplined capital management, growth and shareholder returns.

02

Financial statements

For the half year ended 31 December 2018

Consolidated income statement

For the half year ended 31 December 2018

	Note	31 December 2018 US$m	31 December 2017 US$m
Operating sales revenue	3	3,540	3,679
Cost of sales	3	(2,480)	(2,445)
Gross profit		**1,060**	**1,234**
Other income	3	39	1
Other expenses	3	(51)	(59)
Profit before tax and net finance expenses		**1,048**	**1,176**
Finance income	3	9	12
Finance expenses	3	(141)	(214)
Profit before tax		**916**	**974**
Income tax expense		(272)	(293)
Profit after tax		**644**	**681**
Profit is attributable to:			
Equity holders of the Company		644	681
Net profit after tax		**644**	**681**

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 2018

	31 December 2018 US$m	31 December 2017 US$m
Profit after tax	**644**	**681**
Other comprehensive income		
Gain on available for sale financial assets	2	-
Exchange differences on translation of foreign operations	(2)	-
Total comprehensive income for the period, net of tax	**644**	**681**
Total comprehensive income for the period attributable to:		
Equity holders of the Company	644	681
Total comprehensive income for the period, net of tax	**644**	**681**
	Cents	Cents
Earnings per share for profit attributable to the equity holders of the Company:		
Basic earnings per share	20.8	21.9
Diluted earnings per share	20.7	21.8

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

Consolidated statement of financial position

At 31 December 2018

	Note	31 December 2018 US$m	30 June 2018 US$m
Assets			
Current assets			
Cash and cash equivalents		962	863
Trade and other receivables		350	120
Inventories		624	496
Other current assets		52	92
Current tax receivable		-	79
Total current assets		**1,988**	**1,650**
Non-current assets			
Trade and other receivables		2	3
Property, plant and equipment		16,089	16,189
Intangible assets		4	4
Other non-current assets		3	3
Total non-current assets		**16,098**	**16,199**
Total assets		**18,086**	**17,849**
Liabilities			
Current liabilities			
Trade and other payables		638	678
Deferred income		527	267
Borrowings and finance lease liabilities	4	103	97
Provisions		138	197
Current tax payable		61	-
Total current liabilities		**1,467**	**1,239**
Non-current liabilities			
Trade and other payables		50	50
Deferred income		221	528
Borrowings and finance lease liabilities	4	3,895	3,878
Provisions		562	546
Deferred joint venture contributions		274	270
Deferred tax liabilities		1,633	1,606
Total non-current liabilities		**6,635**	**6,878**
Total liabilities		**8,102**	**8,117**
Net assets		**9,984**	**9,732**
Equity			
Contributed equity	5	1,181	1,287
Reserves		35	46
Retained earnings		8,755	8,386
Equity attributable to equity holders of the Company		**9,971**	**9,719**
Non-controlling interest		13	13
Total equity		**9,984**	**9,732**

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 2018

	31 December 2018 US$m	31 December 2017 US$m
Cash flows from operating activities		
Cash receipts from customers	3,226	3,289
Payments to suppliers and employees	(2,081)	(1,898)
Cash generated from operations	1,145	1,391
Interest received	9	12
Interest paid	(110)	(181)
Income tax paid	(96)	(811)
Net cash inflow from operating activities	**948**	**411**
Cash flows from investing activities		
Payments for property, plant and equipment - Fortescue	(530)	(413)
Payments for property, plant and equipment - joint operations	(1)	(7)
Contributions from joint venture partners	5	4
Proceeds from disposal of plant and equipment	1	12
Proceeds from sale of financial assets	57	-
Net cash outflow from investing activities	**(468)**	**(404)**
Cash flows from financing activities		
Proceeds from finance leases	56	57
Repayment of borrowings and finance leases	(31)	(352)
Purchase of shares under share buy-back program	(101)	-
Finance costs paid	(8)	(9)
Dividends paid	(270)	(610)
Purchase of shares by employee share trust	(28)	(24)
Net cash outflow from financing activities	**(382)**	**(938)**
Net increase (decrease) in cash and cash equivalents	98	(931)
Cash and cash equivalents at the beginning of the period	863	1,838
Effects of exchange rate changes on cash and cash equivalents	1	(15)
Cash and cash equivalents at the end of the period	**962**	**892**

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 2018

	Attributable to equity holders of the Company					
	Contributed Equity US$m	Reserves US$m	Retained earnings US$m	Total US$m	Non-controlling interest US$m	Total equity US$m
Balance at 1 July 2017	**1,289**	**39**	**8,392**	**9,720**	**14**	**9,734**
Net profit after tax	-	-	681	681	-	681
Total comprehensive income for the period, net of tax	**-**	**-**	**681**	**681**	**-**	**681**
Transactions with owners:						
Purchase of shares under employee share plans	(24)	-	-	(24)	-	(24)
Employee share awards vested	22	(12)	-	10	-	10
Equity settled share-based payment transactions	-	12	-	12	-	12
Dividends declared	-	-	(614)	(614)	-	(614)
Balance at 31 December 2017	**1,287**	**39**	**8,459**	**9,785**	**14**	**9,799**
Balance at 1 July 2018	**1,287**	**46**	**8,386**	**9,719**	**13**	**9,732**
Adjustment on adoption of AASB 15[1]	-	-	(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**

[1] See Note 1(c) for details regarding the restatement as a result of the adoption of AASB 15 *Revenue from Contracts with Customers.*

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 2018

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 2018, and any public announcements made by the Company during the half year ended 31 December 2018 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 20 February 2019.

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 2018 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 2018 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 standards:

- AASB 15 *Revenue from Contracts with Customers*; and
- AASB 9 *Financial Instruments*.

The impact of the adoption of these standards and the new accounting policies are disclosed in the note below.

Adoption of AASB 15

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. AASB 15 supersedes AASB 118 *Revenue*.

Adoption of the new standard did not have a material impact on the measurement of revenue from the sale and shipment of iron ore, or the timing of its recognition. Similarly, there was no impact on interest income. Shipping revenue that was previously recognised as part of the sale of iron ore was identified as a separate performance obligation upon adopting the new standard and is now recognised over the period during which the shipping service has been provided, along with associated costs.

In accordance with the transition provisions in the standard, the Group has adopted AASB 15 using the cumulative effect method. Under this approach, comparatives are not restated. Instead, the cumulative effect of adopting the new standard is recognised in the opening balance of retained earnings in the current reporting period. The new standard is only applied to contracts that remain in force as at the date of adoption.

Transition adjustments to the opening balance of retained earnings

Certain shipping revenue was identified at 30 June 2018 for which the related performance obligation was partially completed as at that date. This resulted in a decrease to the opening balance of retained earnings as follows:

	US$m
Opening retained earnings - 1 July 2018 as previously reported	8,386
Decrease due to net shipping revenue adjustment	(2)
Restated opening retained earnings	**8,384**

Notes to the consolidated financial statements

For the half year ended 31 December 2018

1 Basis of preparation (continued)

Change in accounting policy

i) Revenue recognition - accounting policy applied from 1 July 2018
Revenue from the sale of products is recognised when control has passed to the customer, no further work or processing is required by the Group, the quantity and quality of the products have been determined with reasonable accuracy, the price can be reasonably estimated and collectability is reasonably assured.

The above conditions are generally satisfied when title passes to the customer, typically on the bill of lading date when iron ore is delivered to the vessel. Revenue is recorded at the invoiced amounts however the shipping service represents a separate performance obligation, and is recognised separately from the sale of iron ore when the shipping service has been provided, along with any associated shipping costs.

Adoption of AASB 9

The Group has adopted AASB 9 *Financial Instruments* from 1 July 2018 which changes the classification of complex financial instruments, classification of impairment losses in financial assets, and although not applied by the Group, AASB 9 introduces changes to hedge accounting.

AASB 9 introduces an expected credit loss model for impairment of financial assets which replaces the incurred loss model used in AASB 139. This has not had a significant impact on the Group given the adopted credit risk management processes, and the resulting insignificant level of credit losses which are not considered material to the Group.

Fortescue's sale contracts may provide for provisional pricing of sales at the time the product is delivered to the vessel with final pricing determined using the iron ore price indices on or after the vessel's arrival to the port of discharge. Under AASB 139 *Financial Instruments: Recognition and Measurement* the final pricing adjustment mechanism represented an embedded derivative which as separated from the host contract and recognised in operating sales revenue. Under AASB 9 the receivable asset is measured at fair value through profit or loss which results in a similar overall impact on the income statement and balance sheet.

The changes in classification of the Group's financial assets are outlined below.

Change in accounting policy

i) Financial assets – accounting policy applied from 1 July 2018
Fortescue classifies its financial assets into the following categories: those to be measured subsequently at fair value, being through either other comprehensive income or through the income statement and those that are to be held at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

ii) Financial assets held at amortised cost - accounting policy applied from 1 July 2018
The Group classifies its financial assets as held at amortised cost only if the asset is held within a business model with the objective to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest. The classification of financial assets held at amortised cost applies to Fortescue's loans and receivables. These debt instruments are initially measured at fair value and subsequently carried at amortised cost. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. At the end of each reporting period loans and receivables are reviewed for impairment.

iii) Financial assets held at fair value through other comprehensive income (FVOCI) - accounting policy applied from 1 July 2018
The Group's classification of financial assets held at fair value through other comprehensive income applies to equity investments where the Group has made the irrevocable election to present the fair value gains or losses on revaluation of the asset in other comprehensive income. This election can be made for each investment however it is not applicable to equity investments which are held for trading.

These assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. These instruments are recognised at fair value, with changes in fair value being recognised directly in other comprehensive income.

iv) Financial assets held at fair value through profit or loss (FVPL) - accounting policy applied from 1 July 2018
This category comprises receivables relating to the quotation period for the sale of iron ore and equity investments which are held for trading or where the FVOCI election has not been applied. They are carried on the balance sheet at fair value with changes in fair value or dividend income recognised in profit or loss with any associated changes in fair values recognised in the income statement. The receivables relating to quotation period for the sale of iron ore are recorded as trade and other receivables.

Notes to the consolidated financial statements

For the half year ended 31 December 2018

Financial performance

2 Segment information

Fortescue's chief operating decision maker, identified as the Chief Executive Officer, 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 to measure of its financial performance. The reconciliation of Underlying EBITDA to the net profit after tax is presented below.

	Note	31 December 2018 US$m	31 December 2017 US$m
Underlying EBITDA		**1,633**	**1,828**
Finance income	3	9	12
Finance expenses	3	(141)	(214)
Depreciation and amortisation	3	(581)	(630)
Exploration, development and other	3	(4)	(22)
Profit before tax		**916**	**974**
Income tax expense		(272)	(293)
Net profit after tax		**644**	**681**

(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 2018 US$m	31 December 2017 US$m
Revenue from external customers		
China	3,188	3,406
Other	352	273
	3,540	**3,679**

(b) Major customer information

Revenue from two customers amounted to US$812 million and US$515 million for the half year ended 31 December 2018 (HY18: US$1,566 million and US$395 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 2018

Financial performance

3 Revenue and expenses

	31 December 2018 US$m	31 December 2017 US$m
Sale of iron ore	2,802	3,623
Shipping revenue	604	-
Other iron ore and shipping revenue[1]	133	-
Other revenue	1	56
Operating sales revenue[2]	**3,540**	**3,679**
Mining and processing costs	(898)	(844)
Rail costs	(96)	(94)
Port costs	(89)	(86)
Shipping costs	(607)	(567)
Government royalty	(214)	(229)
Depreciation and amortisation	(575)	(624)
Other operating expenses	(1)	(1)
Cost of sales	**(2,480)**	**(2,445)**
Net foreign exchange gain	39	1
Other income	**39**	**1**
Administration expenses	(41)	(31)
Exploration, development and other	(4)	(22)
Depreciation and amortisation	(6)	(6)
Other expenses	**(51)**	**(59)**
Interest income	9	12
Finance income	**9**	**12**
Interest expense on borrowings and finance lease liabilities	(109)	(183)
Loss on early debt redemption	-	(18)
Other	(32)	(13)
Finance expenses	**(141)**	**(214)**

[1] Certain sales contracts are provisionally priced at the initial revenue recognition date, with the final price based on a pre-determined quotation period. The change in fair value of the provisionally priced receivable associated with the contract is included in 'other iron ore and shipping revenue' above.

[2] The impact of adoption of AASB 15 is disclosed in note 1(c).

Notes to the consolidated financial statements

For the half year ended 31 December 2018

Capital management

4 Borrowings and finance lease liabilities

	31 December 2018 US$m	30 June 2018 US$m
Senior unsecured notes	16	16
Syndicated term loan	21	18
Finance lease liabilities	66	63
Total current borrowings and finance lease liabilities	**103**	**97**
Senior unsecured notes	1,983	1,981
Syndicated term loan	1,365	1,365
Finance lease liabilities	547	532
Total non-current borrowings and finance lease liabilities	**3,895**	**3,878**
Total borrowings and finance lease liabilities	**3,998**	**3,975**

Fortescue's listed debt instruments 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$1,886 million at 31 December 2018 (30 June 2018: US$1,924 million). The carrying values of other financial assets and liabilities approximate their fair values.

On 1 October 2018, the Company increased the size of its revolving credit facility by US$500 million to US$1,025 million and extended the maturity date by 12 months to July 2021. The revolving credit facility remained undrawn at 31 December 2018.

5 Contributed equity

(a) Share capital

	Issued shares Number	Treasury shares Number	Contributed equity Number	Issued shares US$m	Treasury shares US$m	Contributed equity US$m
At 1 July 2017	3,113,798,151	(2,458,921)	3,111,339,230	1,296	(7)	1,289
Purchase of shares under employee share plans	-	(5,115,446)	(5,115,446)	-	(24)	(24)
Employee share awards vested	-	6,346,506	6,346,506	-	22	22
At 30 June 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	-	9,580,246	9,580,246	-	23	23
Purchase of shares under share buy-back program	(34,833,233)	-	(34,833,233)	(101)	-	(101)
At 31 December 2018	**3,078,964,918**	**(1,511,753)**	**3,077,453,165**	**1,195**	**(14)**	**1,181**

(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 34,833,233 of its own shares on market under the share buy-back program announced in October 2018. All shares purchased under the share buy-back program were cancelled at 31 December 2018.

Notes to the consolidated financial statements

For the half year ended 31 December 2018

Capital management

6 Dividends

(a) Dividends paid during the half year

	31 December 2018 US$m	31 December 2017 US$m
Final fully franked dividend declared for the year ended 30 June 2018: A$0.12 per share (30 June 2017: A$0.25 per share)	271	614

(a) Dividends declared and not recognised as a liability

	31 December 2018 US$m	31 December 2017 US$m
Interim fully franked dividend for the half year ended 31 December 2018: A$0.19 per share (HY18: A$0.11 per share)	416	271
Special fully franked dividend for the half year ended 31 December 2018: A$0.11 per share	241	-
Total dividends declared	**657**	**271**

Unrecognised items

7 Commitments and contingencies

(a) Capital commitments

At 31 December 2018, Fortescue had contractual commitments to capital expenditure of US$199 million (30 June 2018: US$215 million).

(b) Operating lease commitments

At 31 December 2018, Fortescue's commitments under non-cancellable operating leases were US$51 million (30 June 2018: US$44 million).

(c) Contingent assets and liabilities

Fortescue had no material contingent assets or contingent liabilities at 31 December 2018 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 20 February 2019, the Directors declared an interim fully franked dividend of 19 Australian cents per ordinary share and a special fully franked dividend of 11 Australian cents per share, both payable in March 2019.

03

Directors' declaration

Fortescue Metals Group Ltd

In the Directors' opinion:

(a) the interim financial statements and notes set out on pages 22 to 31 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half year ended on that date, and

(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 is made in accordance with a resolution of Directors.

Andrew Forrest AO
Chairman

Dated in Perth on this 20th day of February 2019.

04

Independent auditor's report

pwc

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 2018, 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 2018 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.

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Independent auditor's report (continued)

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.

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 2018 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

PricewaterhouseCoopers

Justin Carroll
Partner
PricewaterhouseCoopers

Perth
20 February 2019

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05

Auditor's independence declaration

pwc

As lead auditor for the review of Fortescue Metals Group Ltd for the half year ended 31 December 2018, 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.

Justin Carroll
Partner
PricewaterhouseCoopers

Perth
20 February 2019

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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*.

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.

Fe
The chemical symbol for iron.

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

Fortescue blend
A blend of ore from Christmas Creek and Firetail mines, with an iron grade of 58.2pct Fe.

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.

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.

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.

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.

Super Special Fines
Fortescue's flagship iron ore product from the Chichester Hub, with an iron grade of 56.4 per cent Fe.

TRIFR
Total Recordable Injury Frequently 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.

VTEC
Vocational Training and Employment Centre.

wmt
Wet metric tonne.

Corporate information

Contact Information

Fortescue registered office Australia

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F: +61 8 6218 8880
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Singapore

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Stock Exchange listings

Australian Business Number

ABN 57 002 594 872

Auditor

PwC
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www.pwc.com.au

Securities Exchange listings

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

Fortescue Share Registry

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F: +61 2 9287 0309
www.linkmarketservices.com.au

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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:
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LinkedIn
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YouTube
www.youtube.com/user/FortescueMetalsGroup

Event calendar 2019

Key dates for Fortescue shareholders in 2019. Please note dates are subject to review.

Half year results announcement
20 February 2019

March Quarterly Production Report
18 April 2019

June Quarterly Production Report
25 July 2019

FMG Fortescue
The New Force in Iron Ore