

Chief Executive Officer's message

Elizabeth Gaines



Our team works with a strong sense of culture, values and community. This is our pathway to achieving Fortescue's vision - to be the safest, lowest cost, most profitable mining company.

I am delighted to present my first annual report as Fortescue's Chief Executive Officer.

FY18 was a remarkable year for Fortescue. As we celebrated everything we have achieved over the last 15 years, we also looked ahead to position ourselves strongly for the next phase of growth.

Commitment to safety and unique culture

The safety of our people is our number one priority and our focus remains on ensuring the team go home safely after every single shift. Disappointingly, the Total Recordable Injury Frequency Rate increased during the year to 3.7 as a result of a number of low severity injuries. We have targeted plans in place to improve safety performance.

Our Company-wide commitment to improving safety and our unique culture was demonstrated by the record 94 per cent participation rate in our annual Safety Excellence and Culture Survey.

During the year, we held a series of Values Forums across the business. Our Values have been such an important part of Fortescue's culture since we were founded and the Forums confirmed that they are as alive and relevant today as they were 15 years ago.

These Values drive our behaviours, our teams and our results, and have enabled us to achieve a cost leadership position and production targets that many thought were unattainable.

Delivering on our targets

The team worked together to deliver record shipments in the June quarter, ensuring we achieved our target of 170mt for the year. Importantly, this was realised while maintaining our focus on costs, with full year C1 cost reducing to US\$12.36/wmt.

The sustainable productivity and efficiency initiatives introduced across the business have ensured that we remain highly competitive and continue to generate strong margins on every tonne of ore we produce.

With no debt repayments due until 2022, the refinancing strategy that was implemented over the past twelve months leaves our remaining debt structured on investment grade terms and conditions, providing a flexible capital structure supporting our ongoing operations and future growth.

World class operations

The long-term sustainability of our core iron ore business in the Pilbara remains a key priority for Fortescue. To that end, the largest development since Fortescue's ambitious T155 project, the Eliwana mine and rail project, was announced during the year. Eliwana will maintain Fortescue's low cost status, providing us with greater flexibility to capitalise on market dynamics while maintaining production over 20 years.

At Fortescue, we have a proud history of embracing technology and innovation, which has become vital in driving sustained productivity, cost savings and improving safety performance across our business and the mining sector more broadly.

Building on the pioneering success of autonomous haulage (AHS) at Solomon, this year we commenced the rollout of AHS to our fleet at the Chichester Hub. Once completed, Fortescue will become the first iron ore operation in the world with a fully automated haul fleet.

The new relocatable conveyor at Cloudbreak is another example of Fortescue's innovative culture, adapting technology frequently used in underground mining operations to provide greater flexibility and increased accessibility to remote mine pits.

Our customers

China remains our core focus, representing 50 per cent of world steel production, and we have strong relationships with a diverse customer base in China. In addition, we have successfully increased the volume of shipments to non-China markets during FY18.

Moving forward, the combination of growth in our region combined with China's Belt and Road initiative represents an unprecedented investment in infrastructure, driving continued investment and demand for steel to the advantage of Fortescue and Australia's mineral resources sector as a whole.

Innovation in process and design is a fundamental part of Fortescue's strategy to efficiently and effectively deliver products from mine to market. Fortescue has consistently challenged geological thinking to identify valuable deposits and establish a differentiated product offering. Building on this, during the year we announced Fortescue will begin offering a 60 per cent iron content product, West Pilbara Fines, in the second half of FY19.

Building a strong business

When Fortescue was founded 15 years ago, it was our vision that by first and foremost creating a strong business, we could create economic opportunities and contribute to thriving local communities.

This vision continues with the US\$1.275bn Eliwana project, which will generate up to 1,900 jobs during construction and 500 full-time site positions once operational.

We are proud of our achievements and our ongoing contribution to Western Australia and the country's economic strength. Since Fortescue began, we have paid corporate taxes of more than A\$3 billion, royalties to the State of more than A\$4.5 billion and have invested over US\$22 billion in Australia's economy.

We continue to empower generational change through our Vocational Training and Employment Centres. Since the initiative began 12 years ago, 797 Aboriginal people have commenced employment with Fortescue.

Our Billion Opportunities program focusses on building capacity and capability in Aboriginal businesses. The program reached a significant milestone during the year, recognising the award of A\$2 billion in contracts and subcontracts since its commencement in 2011.

At Fortescue, diversity is broader than gender and is embraced in all its forms. 24 per cent of our senior management team is female and we are proudly only one of two listed companies in Australia with greater than 50 per cent female Board members.

At a personal level, I am focussed on leadership development, retention of

female talent and ensuring that women are encouraged to progress to the C-Suite so that we have equal representation in senior roles across corporate Australia.

Investing for the future

As we look to the future we are driven by four key priorities. We will seek to maintain our balance sheet strength and flexibility and will continue to invest in the long term sustainability of our core iron ore business. We are also prioritising growth primarily through exploration activities and remain focussed on delivering returns to our shareholders.

Crucially, our future success will be underpinned by Fortescue's unique culture. Our culture and Values were created by our Founder and Chairman Andrew Forrest AO, and championed by our former Chief Executive Officer Nev Power, and it is my and the Core Leadership team's responsibility and privilege to continue that legacy. Together, the Core Leadership team is committed to leading Fortescue through its next phase by empowering and encouraging our people to generate new ideas and have the courage to implement them.

I would like to thank and congratulate all of our employees, contractors and suppliers for their great contributions. Their determination, innovation and enthusiasm is driving improvements in safety, productivity and efficiency and delivering these strong results across every aspect of our business.

15 years of milestones

15 years ago, our Chairman Andrew Forrest AO, had the remarkable vision and entrepreneurial spirit to create Fortescue and the determination to build it into a global leader in the mining industry.

Fortescue has been on an incredible journey and it is the sheer determination of the Fortescue family that has seen us become the true Australian success story we are today.

In April, ten years after Fortescue first exported its ore to Shanghai Baosteel's Majishan Port, the billionth tonne sailed



to China aboard Fortescue's Ore Carrier 'FMG Sophia'.

This year also marks 15 years since Andrew Forrest AO was elected Chairman of the newly named Fortescue Metals Group, marking the start of his visionary journey to create an Australian-owned iron ore group, comparable in size with the global iron ore majors.

We have been proud to recognise these remarkable achievements with customers from around the world, suppliers and key stakeholders, pastoralists, government, Native Title Partners and local communities.

In true Fortescue fashion, we have celebrated as a team, with events across the entire business, from the Pilbara to Perth, China to South America.

My sincere thanks to the entire Fortescue family; our unique culture and Values have driven us to strive to reach stretch targets, to generate ideas and to never, ever give up.

"We achieved these milestones in true Fortescue fashion - taking 10 years to achieve what others took decades to do."