

FY22 Full Year Results

29 AUGUST 2022



Record shipments contribute to net profit after tax of US\$6.2 billion and fully franked FY22 total dividends of A\$2.07 per share

Highlights

- Unwavering focus on safety and wellbeing with a Total Recordable Injury Frequency Rate (TRIFR) of 1.8 for the 12 months ending 30 June 2022 (FY22), 10 per cent lower than 30 June 2021
- Record shipments of 189 million tonnes exceeded the top end of guidance, contributing to the second highest earnings and operating cash flow in Fortescue's history
- Underlying EBITDA of US\$10.6 billion with an Underlying EBITDA margin of 61 per cent
- Net profit after tax (NPAT) of US\$6.2 billion and earnings per share of US\$2.01 (A\$2.77)
- Net cash flow from operating activities of US\$6.6 billion, and free cash flow of US\$3.6 billion after capital expenditure of US\$3.1 billion
- Fully franked final dividend of A\$1.21 per share, increasing total dividends declared in FY22 to A\$2.07 per share, equating to A\$6.4 billion and a 75 per cent payout of NPAT
- Strong balance sheet with cash on hand of US\$5.2 billion and net debt of US\$0.9 billion at 30 June 2022
- Fortescue Future Industries (FFI) continues to advance a portfolio of green energy projects, decarbonisation technologies and manufacturing assets
- Total global economic contribution of A\$27.6 billion in FY22, including A\$5.3 billion in taxes and State royalties.

Fortescue Chief Executive Officer, Elizabeth Gaines, said, "Guided by our unique culture and Values, the team has delivered another year of record operational performance for FY22, contributing to net profit after tax of US\$6.2 billion, the second highest annual profit in Fortescue's history.

"Importantly, the team achieved our lowest Total Recordable Injury Frequency Rate of 1.8, while managing the ongoing challenges resulting from COVID-19.

"During the year, the industry faced some confronting truths as we worked to better understand people's experiences of sexual harassment at mining operations in Western Australia. The findings from the Western Australian Parliamentary Inquiry were deeply concerning for the industry. Fortescue has a zero tolerance approach to bullying, harassment and discrimination and through our ongoing Workplace Integrity Review, we continue to implement a range of initiatives to further enhance the health and wellbeing of all team members, aligned with our unique culture which embraces diversity and inclusiveness.

"Fortescue celebrated a number of significant milestones in FY22 including A\$4 billion in contracts and sub-contracts awarded to Aboriginal businesses since our Billion Opportunities program was launched in 2011.

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We have also progressed our journey to decarbonisation with the energisation of the 60MW Chichester Solar Gas Hybrid Project which is providing stationary energy for our Christmas Creek and Cloudbreak sites and displaced 78 million litres of diesel usage in FY22.

“The execution of our decarbonisation strategy was further enhanced through Fortescue’s acquisition of Williams Advanced Engineering and the strategic partnership with Tier 1 global heavy equipment manufacturer, Liebherr for the development and supply of zero emission green mining haul trucks.

“Our targets to achieve carbon neutrality for Scope 1 and 2 emissions by 2030 and net zero Scope 3 emissions by 2040 are industry leading, and together with Fortescue Future Industries, we are investing in renewable energy and new technologies to remove our reliance on fossil fuels, creating significant long-term value for shareholders.

“Reflecting our ongoing commitment to delivering enhanced shareholder returns, the Board has declared a fully franked final dividend of A\$1.21 per share, bringing total dividends declared for FY22 to A\$2.07 per share. This represents a 75 per cent payout of full year net profit after tax, consistent with our stated intent to target the upper end of our policy to payout a range of 50 to 80 per cent of NPAT.

“We are accelerating our transition to a vertically integrated green energy and resources company and are leading the way in decarbonisation. In FY22 our global economic contribution was A\$27.6 billion demonstrating our important contribution to the economy and the communities in which we operate.

“We have experienced a strong start to FY23 and through operational excellence, a sustained focus on productivity and a disciplined approach to capital allocation, we will continue to deliver benefits to all our stakeholders,” Ms Gaines said.

Sustainability

- Sustainability is integrated in all aspects of Fortescue’s business and is a critical component of the Company’s business strategy. Fortescue’s FY22 Sustainability Report and FY22 Climate Change Report are available on the Company’s website at www.fmgil.com.au.
- The health, safety and wellbeing of the Fortescue family remains the Company’s highest priority. A continuous focus on safety contributed to an improvement in the Total Recordable Injury Frequency Rate (TRIFR) to 1.8 for the 12 months ending 30 June 2022, 10 per cent lower than 30 June 2021.
- Fortescue is committed to providing a workplace that is free from bullying, discrimination and harassment. Following a Workplace Integrity Review and an independent assessment of site security and safety measures, the Company has implemented a number of initiatives to further enhance the safety and experience of working at Fortescue, aligned with our unique culture and Values.
- Fortescue continues to advance a range of initiatives to decarbonise its operations by 2030. Significant milestones in FY22 include:
 - The acquisition of UK-based Williams Advanced Engineering, providing Fortescue with critical technology and expertise in high performance battery systems and electrification
 - The establishment of a strategic partnership with Liebherr for the development and supply of green mining haul trucks
 - The energisation of the 60MW Chichester Solar Gas Hybrid Project, resulting in the avoidance of 78 million litres of diesel usage in FY22.
- In October 2021 Fortescue announced an industry-leading target to achieve net zero Scope 3 emissions by 2040, addressing emissions across the Company’s entire value chain.
- Fortescue’s commitment to preserve and promote indigenous history and culture is embedded in the Company’s approach to operating sustainably and responsibly. In September 2021 Fortescue

established a ground-breaking co-management framework with members of the Wintawari Guruma Aboriginal Corporation to oversee new mining areas at the Solomon Hub operations.

- The Aboriginal Cultural Heritage Bill passed the Western Australian Parliament in December 2021. Fortescue supports the modernisation of Western Australia’s Aboriginal heritage legislation and is actively engaging to contribute to the co-design of the important regulations and guidance which will shape the transition from the 1972 Act.
- Fortescue established its Sustainability Financing Framework in November 2021, enabling the future issuance of debt instruments to access the growing pools of sustainable capital. In April 2022 Fortescue completed a US\$1.5 billion offering of Senior Notes, including an inaugural green bond issue of US\$800 million.

Operational and financial performance

- Strong operational performance across Fortescue’s supply chain and the successful integration of Eliwana contributed to record iron ore shipments and iron ore sold in FY22.
- Revenue of US\$17.4 billion decreased 22 per cent on FY21 due to the reduction in the iron ore benchmark price and average price realisation. Average revenue of US\$100/dry metric tonne (dmt) represented a 72 per cent realisation of the Platts 62 CFR Index (FY21 average revenue: US\$135/dmt, 88 per cent price realisation).
- C1 cost of US\$15.91/wet metric tonne (wmt) was 14 per cent higher than FY21 primarily due to an increase in diesel prices, labour rates and other consumables (FY21: US\$13.93/wmt).
- Consistent with the reduction in revenue, Underlying EBITDA of US\$10.6 billion was 36 per cent lower than FY21 with an Underlying EBITDA margin of 61 per cent (FY21: US\$16.4 billion, 73 per cent margin).
- NPAT of US\$6.2 billion decreased by 40 per cent compared to FY21 (US\$10.3 billion), reflecting the reduction in EBITDA, and representing the second highest NPAT in the Company’s history. Earnings per share was US\$2.01 (A\$2.77).

Operations	FY22	FY21	Change (%)
Ore mined (m wmt)	228.8	226.9	1
Ore processed (m wmt)	188.6	185.8	2
Ore shipped (m wmt)	189.0	182.2	4
Ore sold (m wmt)	188.6	181.1	4
Average revenue (US\$/dmt)	99.80	135.32	(26)
C1 cost (US\$/wmt)	15.91	13.93	14

Timing differences may occur between shipments and sales as FMG Trading holds inventory at Chinese ports.

Earnings	FY22	FY21	Change (%)
Revenue (US\$ million)	17,390	22,284	(22)
Underlying EBITDA (US\$ million)	10,561	16,375	(36)
Underlying EBITDA margin (%)	61	73	(17)
NPAT (US\$ million)	6,197	10,295	(40)
Underlying NPAT (US\$ million)	6,197	10,349	(40)
Basic earnings per share (US cents)	201	335	(40)
Basic earnings per share (AUD cents)	277	448	(38)

Financial position

- Fortescue has a strong balance sheet structured on low cost, investment grade terms while maintaining flexibility to support operations and the capacity to fund future growth.
- Financing activities during FY22 included the drawdown of US\$400 million from the term loan facility and completion of a US\$1.5 billion offering of Senior Notes, including Fortescue's inaugural green bond issue of US\$800 million.
- The cash balance was US\$5.2 billion at 30 June 2022 and gross debt increased to US\$6.1 billion, resulting in net debt of US\$0.9 billion (30 June 2021: net cash US\$2.7 billion). The cash balance includes cash reserved for the final dividend payment (US\$2.6 billion) and the capital commitment unutilised by FFI (US\$1.1 billion).
- Fortescue's credit metrics remain strong with gross debt to last 12 months EBITDA of 0.6 times and gross gearing of 26 per cent at 30 June 2022.
- Net cash flow from operating activities of US\$6.6 billion in FY22 decreased 47 per cent on FY21 reflecting the lower Underlying EBITDA and the final FY21 tax instalment of US\$0.9 billion paid in FY22. The free cash flow generated was US\$3.6 billion.
- Total capital expenditure on a cash flow basis was US\$3.1 billion, inclusive of US\$1.4 billion of sustaining and hub development capital, US\$194 million on exploration and studies, US\$1.1 billion on major projects, US\$210 million on the acquisition of Williams Advanced Engineering and US\$130 million for FFI.

Financial position (US\$ million)	30 June 2022	30 June 2021	Change (%)
Borrowings	5,348	3,442	55
Lease liabilities	755	810	(7)
Total debt	6,103	4,252	44
Cash and cash equivalents	5,224	6,930	(25)
Net debt / (Net cash)	879	(2,678)	-
Equity	17,345	17,735	(2)
Cash flow (US\$ million)	FY22	FY21	Change (%)
Net cash flow from operating activities	6,646	12,594	(47)
Capital expenditure	(3,074)	(3,633)	(15)
Free cash flow	3,572	8,961	(60)

Dividend

- The Board has declared a fully franked final dividend of A\$1.21 per share. The ex-dividend date is 5 September 2022, and the dividend will be paid to shareholders on 29 September 2022.
- Including the interim dividend of A\$0.86 per share, the total dividends declared for FY22 are A\$2.07 per share, representing a payout ratio of 75 per cent of FY22 NPAT. This is consistent with Fortescue's capital allocation framework and stated intent to target the upper end of its dividend policy to payout 50 to 80 per cent of full year NPAT.

Dividend summary	FY22	FY21	Change (%)
NPAT (US\$ million)	6,197	10,295	(40)
Basic earnings per share (US cents)	201	335	(40)
Basic earnings per share (AUD cents)	277	448	(38)
Interim dividend (AUD cents)	86	147	(41)
Final dividend (AUD cents)	121	211	(43)
Total dividend (AUD cents)	207	358	(42)
Dividend payout ratio (%)	75	80	(6)

Fortescue Future Industries

- Fortescue Future Industries (FFI) is taking a global leadership position in green energy and technology and is committed to producing zero-carbon green hydrogen.
- FFI announced the appointment of Mark Hutchinson as CEO Elect in May 2022 and Mark was confirmed as CEO of FFI effective August 2022. This follows the appointment of Dr Guy Debelle as CFO of FFI in June 2022.
- FFI successfully completed the first phase of studies with Incitec Pivot Limited to convert the Gibson Island ammonia production facility in Queensland to be powered by green hydrogen, and negotiations are continuing to finalise the Front End Engineering Design.
- Commenced construction of FFI's Green Energy Manufacturing Centre in Gladstone, Queensland in February 2022 with the first stage development of an electrolyser manufacturing facility with initial capacity of two gigawatts per annum and first production in 2023.
- There is growing global demand for green energy and FFI has established a portfolio of offtake opportunities during FY22. This includes a Memorandum of Understanding with E.ON, one of Europe's largest operators of energy networks and energy infrastructure, to supply up to five million tonnes per annum of green hydrogen to Europe by 2030.
- FFI's FY22 total expenditure incurred was US\$534 million, inclusive of US\$148 million in capital expenditure and US\$386 million in operating expenditure.
- In accordance with Fortescue's capital allocation framework, the capital commitment unutilised by FFI is US\$1.1 billion, inclusive of US\$728 million at 30 June 2022 and the allocation of US\$342 million, representing 10 per cent of Fortescue's H2 FY22 NPAT.

FY23 guidance

- Iron ore shipments of 187 - 192mt, including approximately 1mt from Iron Bridge (100 per cent basis)
- C1 cost for hematite of US\$18.00 - US\$18.75/wmt
- Capital expenditure (excluding FFI) of US\$2.7 - US\$3.1 billion, inclusive of:
 - Sustaining capital: US\$1.4 - US\$1.6 billion
 - Hub development: US\$300 million
 - Exploration and studies: US\$200 million
 - Decarbonisation: US\$100 - US\$200 million
 - Major projects (Iron Bridge and PEC): US\$700 - US\$800 million
- FFI's anticipated expenditure is US\$600 - US\$700 million, inclusive of US\$100 million of capital expenditure and US\$500 - US\$600 million of operating expenditure.

Guidance is based on an assumed FY23 average exchange rate of AUD:USD 0.70.

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Reporting calendar

Event	Date
September Quarterly Production Report	27 October 2022
Annual General Meeting	22 November 2022
December Quarterly Production Report	25 January 2023
March Quarterly Production Report	27 April 2023

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Appendix

C1	Unit operating costs of mining, processing, rail and port, including allocation of direct administration charges and production overheads
Underlying EBITDA	Earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses
Underlying NPAT	Net profit after tax adjusted for one-off refinancing and early debt repayment costs.

Earnings reconciliation (US\$ million)	FY22	FY21	Change (%)
Operating sales revenue	17,390	22,284	(22)
Cost of sales excluding depreciation and amortisation	(6,175)	(5,448)	13
Net foreign exchange gain / (loss)	(103)	(142)	(27)
Administration expenses	(204)	(155)	32
Research expenditure	(354)	(104)	240
Other income / (expenses)	1	(60)	(102)
Share of profit from equity accounted investments	6	-	-
Underlying EBITDA	10,561	16,375	(36)
Finance income	14	16	(13)
Finance expenses	(174)	(240)	(28)
Depreciation and amortisation	(1,528)	(1,366)	12
Exploration, development and other expenses	(27)	(63)	(57)
Net profit before tax	8,846	14,722	(40)
Income tax expense	(2,649)	(4,427)	(40)
NPAT	6,197	10,295	(40)
Cost of early debt repayment after tax	-	54	-
Underlying NPAT	6,197	10,349	(40)

Reconciliation of Underlying EBITDA and Underlying NPAT under the Australian Accounting Standards.