Half Year results to 31 December 2022

15 FEBRUARY 2023

Strong financial results and reliable dividend underpinned by record half year operating performance

Fortescue Executive Chairman, Dr Andrew Forrest AO, said "The Fortescue team continues to deliver strong, consistent performance and returns for our shareholders, maintaining our position as the world's lowest cost iron ore producer, while we decarbonise our operations profitably and become a global green energy, metals and products business.

"We are one of the highest returning companies on the ASX over 20 years. We have consistently delivered returns to our shareholders and building on the more than US$22 billion paid, today we have announced a fully franked interim dividend of A$0.75 per share, representing 65 per cent of NPAT in the period."

Highlights

- Total Recordable Injury Frequency Rate (TRIFR) of 1.8 for the 12 months to 31 December 2022, consistent with December 2021
- Record half year iron ore shipments of 96.9 million tonnes (mt), four per cent higher than the prior comparable period
- H1 FY23 underlying EBITDA of US$4.4 billion with an underlying EBITDA margin of 56 per cent
- Net profit after tax (NPAT) of US$2.4 billion and earnings per share (EPS) of US$0.77 (A$1.15)
- Strong balance sheet with cash on hand of US$4.0 billion and net debt of US$2.1 billion at 31 December 2022
- Fully franked interim dividend declared of A$0.75 per share, a 65 per cent payout of H1 FY23 NPAT
- Guidance for FY23 shipments, C1 cost and capital expenditure is unchanged.

"We have done this while delivering record iron ore shipments, and finishing off construction of Iron Bridge. This has been a mammoth effort by our own construction team and will revolutionise the iron magnetite industry with new technology. This technology was successfully piloted at commercial scale prior to major construction.

"We are also advancing our Belinga project in Gabon, which once in production, will also have a positive impact on both our countries haematite iron ore industries. Belinga will dovetail with our Pilbara operations to maximise the mineral content to our customers satisfaction and extend and optimise the mine lives and efficiency of both our Pilbara and emerging Gabon complexes.

"To do this we are implementing a production plan now, that subject to our endemic fauna studies, will see first iron ore shipped this year. This is possible because we are using an existing road and rail infrastructure which limits the possibility of environmental delays. This necessary equipment, which normally has very long lead times, is available to Fortescue now utilising residual crushing and screening plant, haul trucks, rail cars and our own locomotives.

"We have also switched on the world's first green iron facility through an electrolyser and expanded our Major Automation Centre and Green Fleet Tech Hub in WA – which has been responsible for the breakthroughs our company has made in zero pollution trucks and mobile equipment, train and ship engines.

"At Fortescue Future Industries we are set to mark a milestone with the construction and handover of the Gladstone Electrolyser Manufacturing Centre at the end of March. As stated, we are on track to progress five green energy projects to Final Investment Decision this calendar year in Australia, Brazil, USA and Norway.

"We have over this period in the UK we have established a major manufacturing centre in Banbury and a prototype facility in Kidlington for batteries, while in Australia building out the Gladstone two-gigawatt electrolyser facility which will commence commissioning shortly.

"Remarkably, over this period of growth we have reduced our debt and improved on what was already a very strong balance sheet, while continuing to create value for all our stakeholders, including our shareholders. When Fortescue does well, the entire Australian community does well, consistently contributing hundreds of millions of dollars to our state and federal government coffers every month."

Operational and financial performance

- Revenue of US$7.8 billion in H1 FY23 decreased four per cent from H1 FY22 with the reduction in the average iron ore price partly offset by higher sales volume.
- Average revenue of US$87/dry metric tonne (dmt) represented an 86 per cent realisation of the average Platts 62% CFR Index (H1 FY22: US$96/dmt, 70 per cent realisation).
- C1 cost of US$17.43/wet metric tonne (wmt) was 14 per cent higher than H1 FY22 primarily due to the escalation of key input costs, including diesel, other consumables and labour rates.
- Consistent with the reduction in revenue, Underlying EBITDA of US$4.4 billion was nine per cent lower than H1 FY22 with an Underlying EBTIDA margin of 56 per cent (H1 FY22: US$4.8 billion, 59 per cent margin).
- NPAT of US$2.4 billion decreased by 15 per cent compared to H1 FY22 (US$2.8 billion), reflecting the decrease in EBITDA. Earnings per share was US$0.77 (A$1.15).
- Commissioning of one of Australia's largest network-connected battery energy storage systems as part of our Pilbara Energy Connect program.

Operations	H1 FY23	H1 FY22	Change (%)
Ore mined (m wmt)	114.8	118.0	(3)
Overburden removed (m wmt)	161.0	179.0	(10)
Ore processed (m wmt)	98.0	97.6	0
Ore shipped (m wmt)	96.9	93.1	4
Ore sold (m wmt)	96.9	92.1	5
Average revenue (US$/dmt)	87.18	95.58	(9)
C1 cost (US$/wmt)	17.43	15.28	14

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

Earnings	H1 FY23	H1 FY22	Change (%)
Revenue (US$ million)	7,835	8,125	(4)
Underlying EBITDA (US$ million)	**4,352**	**4,762**	**(9)**
Underlying EBITDA margin (%)	56	59	(5)
NPAT (US$ million)	**2,368**	**2,777**	**(15)**
Underlying NPAT (US$ million)	**2,368**	**2,779**	**(15)**
Basic EPS (US cents)	77	90	(14)
Basic EPS (AUD cents)	115	124	(7)

Major projects

- Continued progress on the development of the Iron Bridge Magnetite Project, with first production scheduled for the end of the March 2023 quarter. The Project capital estimate is updated to approximately US$3.9 billion, with Fortescue's share approximately US$3.0 billion. Fortescue's investment at 31 December 2022 was US$2.7 billion. Iron Bridge is an Unincorporated Joint Venture between FMG Magnetite Pty Ltd (69 per cent) and Formosa Steel IB Pty Ltd (31 per cent).
- Commencement of work on the next tranche of solar PV, transmission infrastructure and large-scale battery storage as part of Pilbara Energy Connect, including commissioning of the 42MW network-connected battery energy storage systems by Hybrid Systems Australia.
- Completed the introduction of gas and performed the 100 per cent individual load tests for eight out of the 14 engines at the Solomon Power Station.
- Commenced construction of the civil works associated with the North Star Junction 100MW Solar Generation Farm near Iron Bridge.

Financial position

- Fortescue's balance sheet remains structured on low cost, investment grade terms while maintaining flexibility to support ongoing operations and the capacity to fund future growth.
- The cash balance was US$4.0 billion at 31 December 2022 and gross debt remained unchanged at US$6.1 billion, resulting in net debt of US$2.1 billion (30 June 2022: Net debt US$0.9 billion). The FY22 final dividend of US$2.4 billion was paid during the half year.
- 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 as at 31 December 2022.
- Net cashflow from operating activities in H1 FY23 of US$2.9 billion.
- Total capital expenditure in H1 FY23 was US$1.4 billion, including US$596 million of sustaining and development capital, US$110 million of exploration and studies, US$624 million in major projects and US$51 million by Fortescue Future Industries.

Financial position (US$ million)	31 December 2022	30 June 2022	Change (%)
Borrowings	5,339	5,348	-
Lease liabilities	738	755	(2)
Total debt	**6,077**	**6,103**	**-**
Cash and cash equivalents	4,001	5,224	(23)
Net debt	**2,076**	**879**	**136**
Equity	17,129	17,345	(1)
Cashflow (US$ million)	**H1 FY23**	**H1 FY22**	**Change (%)**
Net cashflow from operating activities	2,948	2,136	38
Capital expenditure	1,381	1,488	(7)
Free cashflow	**1,567**	**648**	**142**

Dividend

- The Board has declared a fully franked interim dividend of A$0.75 per share. The ex-dividend date is 27 February 2023, and the dividend will be paid to shareholders on 29 March 2023.
- The interim dividend represents a 65 per cent pay out of H1 FY23 NPAT. This is consistent with Fortescue's dividend policy to payout 50 to 80 per cent of full year NPAT.

Dividend summary	H1 FY23	H1 FY22	Change (%)
NPAT (US$ million)	2,368	2,777	(15)
Basic EPS (US cents)	77	90	(14)
Basic EPS (AUD cents)	115	124	(7)
Interim dividend (AUD cents)	**75**	**86**	**(13)**
Dividend payout ratio (%)	65	70	(7)

Fortescue Future Industries

Since December 2022, Fortescue Future Industries (FFI) has:

- Advanced FFI's Holmaneset Project in Norway, providing potential for the development of a 300MW green hydrogen and green ammonia facility and support infrastructure.
- FFI achieved a significant breakthrough in the pursuit of green iron by successfully processing 150kg of iron ore to make metallic iron that could pave the way for the production of green iron at scale.
- Entered an agreement with Baker Hughes to jointly explore opportunities for the scale up and adoption of technology solutions for green hydrogen, green ammonia and geothermal products.
- Partnered with five other international businesses to launch a new consortium to pioneer the commercial deployment of green hydrogen-powered aircraft in New Zealand.
- Made an investment in Fabrum, a company developing world-leading applications for hard-to-abate sectors like mining, heavy transport and aviation.

FY23 guidance

- Iron ore shipments of 187 - 192mt
- C1 cost for hematite of US$18.00 - US$18.75/wmt
- Capital expenditure (excluding FFI) of US$2.7 - US$3.1 billion
- FFI's FY23 anticipated expenditure comprises US$500 - US$600 million of operating expenditure and US$230 million of capital expenditure.

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

Authorised for lodgement by:
Cameron Wilson
Company Secretary

Contacts

Media contact:
Fortescue Media
E: media@fortescue.com
M: +61 460 402 231

Investor Relations contact:
Andrew Driscoll, GM Investor Relations
E: investorrelations@fmgl.com.au
P: +61 8 9230 1647

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)	H1 FY23	H1 FY22	Change (%)
Operating sales revenue	7,835	8,125	(4)
Cost of sales excluding depreciation and amortisation	(3,110)	(3,052)	2
Net foreign exchange gain / (loss)	35	(13)	369
Administration expenditure	(140)	(139)	1
Research expenditure	(280)	(160)	75
Other income	16	1	1,500
Share of loss from equity accounted investments	(4)	-	-
Underlying EBITDA	**4,352**	**4,762**	**(9)**
Finance income	61	6	917
Finance expenses	(116)	(82)	41
Depreciation and amortisation	(859)	(722)	19
Exploration, development and other expenses	(40)	(16)	150
Net profit before tax	**3,398**	**3,948**	**(14)**
Income tax expense	(1,030)	(1,171)	(12)
NPAT	**2,368**	**2,777**	**(15)**
Cost of early debt repayment after tax	-	2	-
Underlying NPAT	**2,368**	**2,779**	**(15)**

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