

# Half Year results to 31 December 2023

22 FEBRUARY 2024



## Strong financial results underpin an interim dividend of A\$1.08 per share

### Highlights

- Safety is Fortescue's highest priority, and the team achieved a Total Recordable Injury Frequency Rate (TRIFR) of 1.8 for the 12 months to 31 December 2023.
- Iron ore shipments of 94.6 million tonnes (Mt) for the half year ended 31 December 2023 (H1 FY24) were the second highest first half shipments in the Company's history.
- Underlying EBITDA of US\$5.9 billion was 36 per cent higher than H1 FY23, with an increased Underlying EBITDA margin of 62 per cent.
- Net profit after tax (NPAT) of US\$3.3 billion and earnings per share (EPS) of US\$1.08 increased 41 per cent from the prior corresponding period.
- Net cash flow from operating activities of US\$4.2 billion and free cash flow of US\$2.7 billion after capital expenditure and investments of US\$1.5 billion.
- Fully franked interim dividend declared of A\$1.08 per share is 44 per cent higher than the FY23 interim dividend and represents a payout of 65 per cent of H1 FY24 NPAT.
- Net debt of US\$0.6 billion at 31 December 2023, inclusive of cash balance of US\$4.7 billion.
- Iron Bridge achieved its first shipment of high grade magnetite concentrate in September 2023.
- Announced a Final Investment Decision on the Phoenix Hydrogen Hub, USA, the Gladstone PEM50 Project, Australia, and a Green Iron Trial Commercial Plant in the Pilbara, Australia.
- Launched Fortescue Capital, a green energy investment accelerator platform, headquartered in New York City.
- Continued progress on decarbonisation, including the deployment of the first battery electric haul truck and Australia's first operational electric excavator in the Pilbara.
- Guidance for FY24 shipments, C1 cost and capital expenditure is unchanged.

Fortescue Metals Chief Executive Officer, Dino Otranto said "Fortescue's performance in the first half of FY24 has been excellent, with the team achieving our second highest first half shipments while maintaining our strong focus on safety and keeping our costs low. This contributed to outstanding financial results, with EBITDA of US\$5.9 billion and net profit after tax of US\$3.3 billion.

"The strength of our operating and financial performance and our commitment to deliver returns to shareholders has resulted in the Board today declaring a fully franked interim dividend of A\$1.08 per share, representing a 65 per cent payout of first half net profit after tax.

"Whether it's through our first green energy projects, our diversification into the high grade segment of the iron ore market through Iron Bridge, or expansion of our global footprint with the Belinga Iron Ore Project in Gabon, we remain committed to creating value for all our stakeholders."

Fortescue Energy Chief Executive Officer, Mark Hutchinson said "The delivery of our decarbonisation plan continues to gain momentum with the deployment of our 240 tonne battery electric haul truck,

Roadrunner, and commissioning of Australia’s first operational electric excavator. We have also completed vessel conversion works on the Green Pioneer, which we showcased at COP28 in Dubai, and are nearing the completion of testing, commissioning and class accreditation.

“Over the half we also continued to make important progress across the four verticals now established within our Energy business – green energy production, battery technology development, hydrogen systems and capital. We have a strong pipeline of projects to come, and we will continue to show the same financial discipline that Fortescue has shown for 20 years.”

## Operational and financial performance

- Strong operational performance across the Company’s supply chain contributed to iron ore shipments of 94.6Mt in H1 FY24, the second highest first half shipments in Fortescue’s history.
- Celebrated the significant milestone of exporting two billion tonnes of iron ore from Fortescue’s Pilbara Operations since it was established.
- Iron Bridge transitioned to operational production in August 2023 and commenced shipments of high grade magnetite concentrate.
- Revenue of US\$9.5 billion in H1 FY24 was 21 per cent higher than H1 FY23 due to the increase in realised iron ore price.
- Average revenue of US\$108/dry metric tonne (dmt) represented an 89 per cent realisation of the average Platts 62% CFR Index (H1 FY23: US\$87/dmt, 86 per cent realisation).
- C1 cost of US\$17.77/wet metric tonne (wmt) was two per cent higher than H1 FY23, with a strong focus on productivity and efficiency.
- Underlying EBITDA of US\$5.9 billion was 36 per cent higher than H1 FY23 with an Underlying EBTIDA margin of 62 per cent (H1 FY23: US\$4.4 billion, 56 per cent margin).
- NPAT of US\$3.3 billion increased by 41 per cent compared to H1 FY23 (US\$2.4 billion), reflecting the increase in EBITDA. Earnings per share was US\$1.08 (A\$1.66).

Operations	H1 FY24	H1 FY23	Change (%)
Ore mined (M wmt)	105.2	114.8	(8)
Overburden removed (M wmt)	174.2	161.0	8
Ore processed (M wmt)	96.4	98.0	(2)
Ore shipped (M wmt)	94.5	96.9	(2)
Ore sold (M wmt)	95.2	96.9	(2)
Average revenue (US\$/dmt)	108.19	87.18	24
C1 cost (US\$/wmt)	17.77	17.43	2

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

Earnings	H1 FY24	H1 FY23	Change (%)
Revenue (US\$ million)	9,512	7,835	21
<b>Underlying EBITDA (US\$ million)</b>	<b>5,912</b>	<b>4,352</b>	<b>36</b>
Underlying EBITDA margin (%)	62	56	11
NPAT (US\$ million)	3,334	2,368	41
<b>Attributable NPAT (US\$ million)</b>	<b>3,337</b>	<b>2,368</b>	<b>41</b>
Basic EPS (US cents)	108	77	41
Basic EPS (AUD cents)	166	115	44

## 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.
- Cash balance was US\$4.7 billion at 31 December 2023 and gross debt remained unchanged at US\$5.3 billion, resulting in net debt of US\$0.6 billion (30 June 2023: net debt US\$1.0 billion). The FY23 final dividend of US\$2.0 billion was paid during the half year.
- Fortescue's credit metrics remain strong with gross debt to the last 12 months EBITDA of 0.5 times and gross gearing of 22 per cent as at 31 December 2023.
- Net cash flow from operating activities was US\$4.2 billion and free cash flow of US\$2.7 billion.
- Total capital expenditure in H1 FY24 was US\$1.5 billion, comprising US\$999 million of sustaining and hub development, US\$121 million of exploration and studies, US\$134 million in iron ore projects, US\$104 million in decarbonisation and US\$165 million by Fortescue Energy.

Financial position (US\$ million)	31 December 2023	30 June 2023	Change (%)
Borrowings	4,583	4,587	(0)
Lease liabilities	735	734	0
<b>Total debt</b>	<b>5,318</b>	<b>5,321</b>	<b>(0)</b>
Cash and cash equivalents	4,749	4,287	11
<b>Net debt</b>	<b>569</b>	<b>1,034</b>	<b>(45)</b>
Equity	19,403	17,998	8
Cash flow (US\$ million)	H1 FY24	H1 FY23	Change (%)
Net cash flow from operating activities	4,170	2,948	41
Capital expenditure	(1,523)	(1,375)	11
Net cash flow from investing activities	(1,515)	(1,366)	11
<b>Free cash flow</b>	<b>2,655</b>	<b>1,582</b>	<b>68</b>

## Dividend

- The Board has declared a fully franked interim dividend of A\$1.08 per share. The ex-dividend date is 28 February 2024, and the dividend will be paid to shareholders on 27 March 2024.
- The interim dividend is 44 per cent higher than the FY23 interim dividend and represents a 65 per cent pay out of H1 FY24 NPAT. This is consistent with Fortescue's dividend policy to payout 50 to 80 per cent of full year Underlying NPAT.

Dividend summary	H1 FY24	H1 FY23	Change (%)
Attributable NPAT (US\$ million)	3,337	2,368	41
Basic EPS (US cents)	108	77	41
Basic EPS (AUD cents)	166	115	44
<b>Interim dividend (AUD cents)</b>	<b>1.08</b>	<b>75</b>	<b>44</b>
Dividend payout ratio (%)	65	65	0

## Fortescue Energy

During H1 FY24, Fortescue Energy:

- Continued to progress a global portfolio of green energy projects and achieved a Final Investment Decision (FID) on the Phoenix Hydrogen Hub, USA and the Gladstone PEM50 Project in Queensland, Australia.
- Achieved a FID for up to US\$50 million to construct a Green Iron Trial Commercial Plant at the Christmas Creek mine site.
- Launched Fortescue Capital, a new green energy investment accelerator platform. Fortescue Capital is headquartered in New York City.
- Fortescue Hydrogen Systems achieved independent third-party verification of the in-house designed proton exchange membrane (PEM) electrolyser stack.
- Fortescue WAE opened a new state-of-the-art technical innovation centre in Kidlington, United Kingdom.
- The European Union awarded Fortescue's Holmaneset Project a grant of €204 million as part of its Innovation Fund.
- The Fortescue Green Pioneer, a green ammonia capable dual-fuel ship, sailed from its base in Singapore to Dubai for COP28.
- Continued progress on decarbonisation, including ongoing construction of a 100MW solar farm and testing of the first battery electric haul truck prototype in the Pilbara.

## Iron Bridge

- Work is underway to replace the high pressure section (65 kilometres) of the Canning Basin Raw Water Pipeline to de-risk and improve the performance. The installation is scheduled to be completed by mid-2025 and is not anticipated to materially impact Iron Bridge's ramp up schedule. The capital estimate is approximately US\$100 million (Fortescue's share), with most of the investment to be incurred in FY25.

## FY24 guidance

- Iron ore shipments of 192 - 197Mt, including 2 - 4Mt for Iron Bridge (100 per cent basis).
- C1 cost for hematite of US\$18.00 - US\$19.00/wmt.
- Metals capital expenditure of US\$2.8 - US\$3.2 billion.
- Energy net operating expenditure of approximately US\$800 million and capital expenditure and investments of approximately US\$500 million.

Guidance is based on an assumed FY24 average exchange rate of AUD:USD 0.68.

This announcement was authorised for lodgement by Cameron Wilson, Company Secretary.

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## Appendix

Earnings reconciliation (US\$ million)	H1 FY24	H1 FY23	Change (%)
Operating sales revenue	9,512	7,835	21
Cost of sales excluding depreciation and amortisation	(3,174)	(3,110)	2
Net foreign exchange gain / (loss)	(43)	35	(223)
Administration expenses	(186)	(140)	33
Research expenditure	(224)	(280)	(20)
Other income	36	16	125
Share of loss from equity accounted investments	(9)	(4)	125
<b>Underlying EBITDA</b>	<b>5,912</b>	<b>4,352</b>	<b>36</b>
Finance income	97	61	59
Finance expenses	(186)	(116)	60
Depreciation and amortisation	(922)	(859)	7
Exploration, development and other expenses	(41)	(40)	3
<b>Net profit before tax</b>	<b>4,860</b>	<b>3,398</b>	<b>43</b>
Income tax expense	(1,526)	(1,030)	48
<b>NPAT</b>	<b>3,334</b>	<b>2,368</b>	<b>41</b>
<b>- Attributable to equity holders</b>	<b>3,337</b>	<b>2,368</b>	<b>41</b>
- Attributable to non-controlling interest	(3)	0	-

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

Underlying EBITDA is earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses.