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Record full year performance delivers net profit after tax of US$10.3 billion and a 103 per cent increase in total dividends to A$3.58 per share

Highlights

- Continued focus on safety contributed to lowest ever Total Recordable Injury Frequency Rate (TRIFR) of 2.0 in the 12 months to 30 June 2021 (FY21), 17 per cent lower than 30 June 2020
- Highest ever annual shipments of 182.2 million tonnes exceeded guidance, with earnings and operating cashflow surpassing any year in Fortescue's history
- Underlying EBITDA of US$16.4 billion, 96 per cent higher than FY20 with the Underlying EBITDA margin increasing to 73 per cent
- Net profit after tax (NPAT) of US$10.3 billion, increasing 117 per cent from FY20 and representing a return on equity of 66 per cent. Earnings per share (EPS) was US$3.35 (A$4.48)
- Net cashflow from operating activities of US$12.6 billion and free cashflow of US$9.0 billion after investing US$3.6 billion in capital expenditure
- Fully franked final dividend of A$2.11 per share, increasing total dividends declared in FY21 to A$3.58 per share, equating to A$11.0 billion and an 80 per cent payout of NPAT
- Cash on hand of US$6.9 billion and net cash of US$2.7 billion at 30 June 2021
- Fortescue Future Industries (FFI) established during FY21 to advance a global green hydrogen and renewable energy portfolio. FFI is a key enabler of Fortescue's decarbonisation strategy
- Announced a revised target to achieve carbon neutrality by 2030, ten years earlier than the previous target, with significant progress on decarbonisation stretch targets achieved
- Total global economic contribution of A$30.2 billion in FY21, including A$8.0 billion in taxes and state royalties.

Fortescue Chief Executive Officer, Elizabeth Gaines, said "Guided by our unique culture and Values, the Fortescue family has delivered a second consecutive year of record performance, with shipments, earnings and operating cashflow surpassing any year in Fortescue's history. Through the Iron Bridge Magnetite project and Fortescue Future Industries, we are investing in the growth of our iron ore operations, as well as pursuing ambitious global opportunities in renewable energy and green industries.

"Importantly, our team achieved our lowest ever Total Recordable Injury Frequency Rate of 2.0, while managing the continued challenges resulting from COVID-19 restrictions. Our commitment to providing a safe and inclusive environment for all team members is our key priority.

"During the year, Fortescue celebrated a number of significant operational milestones, including the delivery of our newest mining operation at Eliwana. The strong operating performance across

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our supply chain, along with the successful ramp up and integration of Eliwana contributed to Fortescue's outstanding results in FY21.

"The establishment of Fortescue Future Industries during the year underpinned our industry leading target to achieve carbon neutrality by 2030. FFI will be a key enabler of this target through a forward-looking approach to ensuring our capital investments in decarbonisation are aligned with strategic decisions such as fleet renewal.

"As we execute on our strategy to become a global leader in the battle against climate change we will establish goals to tackle emissions across our value chain, with specific targets, and a framework for our approach to Scope 3 emissions, to be announced by 30 September 2021.

"Reflecting our ongoing commitment to delivering enhanced shareholder returns, the Board has declared a fully franked final dividend of A$2.11 per share, bringing total dividends for FY21 to A$3.58 per share, representing an 80 per cent payout of full year net profit after tax.

"We have seen a strong start to FY22 and through operational excellence, sustained focus on productivity and disciplined approach to capital allocation, we will continue to deliver benefits to all our stakeholders," Ms Gaines said.

Sustainability

- Fortescue is committed to sustainability through its three pillars of setting high standards, safeguarding the environment and creating positive social change. Fortescue's FY21 Sustainability Report and FY21 Climate Change Report are available on Fortescue's website at www.fmgl.com.au.
- In March 2021 Fortescue announced a revised target to achieve carbon neutrality by 2030, ten years earlier than the previous target and positioning Fortescue as a global leader in the battle against climate change.
- Consistent with Fortescue's commitment to protect places of cultural significance, heritage surveys and consultation with Native Title partners remains a priority, with mine plans and schedule continuing to be managed to align with the heritage approvals process.

Fortescue Future Industries

- Fortescue Future Industries (FFI) is taking a global leadership position in the renewable energy and green products industry by harnessing the world's renewable energy resources to produce green electricity, green hydrogen, green ammonia and other green industrial products.
- FFI's vision is to make renewable green hydrogen the most globally traded seaborne energy commodity in the world.
- FFI is a key enabler of Fortescue's decarbonisation strategy and during FY21, FFI achieved significant progress on heavy industry decarbonisation initiatives and advanced its global portfolio of renewable energy and green hydrogen projects.
- Fortescue's capital allocation framework includes an allocation of 10 per cent of NPAT to fund FFI. The FY21 allocation to FFI was US$1.0 billion, with expenditure of US$122 million in FY21.
- FFI's FY22 expenditure is anticipated to be US$400 - US$600 million, inclusive of US$100 - US$200 million of capital expenditure and US$300 - US$400 million of operating expenditure. Key areas of activity include green fleet development and decarbonisation technologies, as well as studies and asset identification in Australia and internationally.

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Operational and financial performance

- Fortescue achieved record shipments, revenue, earnings and cashflow in FY21, reflecting outstanding performance across the supply chain and strong customer demand.
- Revenue of US$22.3 billion in FY21 was 74 per cent higher than the prior year, reflecting a two per cent increase in ore sold to 181.1 million tonnes (mt) and a 72 per cent increase in average revenue to US$135 per dry metric tonne (dmt).
- Underlying EBITDA of US$16.4 billion was 96 per cent higher than FY20, as the Underlying EBTIDA margin increased to 73 per cent or US$99/dmt, reflecting the strength in revenue received and disciplined cost management.
- NPAT of US$10.3 billion increased 117 per cent compared to the prior year, representing a return on equity of 66 per cent. Earnings per share was US$3.35 (A$4.48).

Operations	FY21	FY20	Change (%)
Ore mined (m wmt)	226.9	204.3	11
Overburden removed (m wmt)	295.2	318.9	(7)
Ore processed (m wmt)	185.8	176.3	5
Ore shipped (m wmt)	182.2	178.2	2
Ore sold (m wmt)	181.1	177.2	2
Average revenue (US$/dmt)	135.32	78.62	72
C1 cost (US$/wmt)	13.93	12.94	8

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

Earnings	FY21	FY20	Change (%)
Revenue (US$ million)	22,284	12,820	74
Underlying EBITDA (US$ million)	**16,375**	**8,375**	**96**
Underlying EBITDA margin (%)	73	65	12
NPAT (US$ million)	**10,295**	**4,735**	**117**
Underlying NPAT (US$ million)	**10,349**	**4,746**	**118**
Basic EPS (US cents)	335	154	117
Basic EPS (AUD cents)	448	229	95

Financial position

- Fortescue's balance sheet is structured on low cost, investment grade terms while maintaining flexibility to support ongoing operations and the capacity to fund future growth. Refinancing activities during FY21 extended Fortescue's weighted average debt maturity profile and reduced interest expenses.
- The cash balance was US$6.9 billion at 30 June 2021 and gross debt was US$4.3 billion resulting in net cash of US$2.7 billion (30 June 2020: net debt of US$258 million). The cash balance includes cash reserved for the final dividend payment and approximately US$1.0 billion for the final FY21 tax payment to be paid in December 2021.
- Credit metrics remain strong with gross debt to EBITDA of 0.3 times and gross gearing of 19 per cent at 30 June 2021.

- Net cashflow from operating activities of US$12.6 billion was 96 per cent higher than the prior year, reflecting the increase in Underlying EBITDA. Free cashflow available for dividends and debt was US$9.0 billion after investing US$3.6 billion in capital expenditure, inclusive of US$2.1 billion on Eliwana, Iron Bridge and the Pilbara Energy Connect project.
- Capital expenditure in FY21 was US$3.6 billion, comprising US$1.3 billion on sustaining, hub and operational development capital, US$0.2 billion on exploration and studies and US$2.1 billion on growth projects.

Financial position (US$ million)	FY21	FY20	Change (%)
Borrowings	3,442	4,234	(19)
Lease liabilities	810	879	(8)
Total debt	**4,252**	**5,113**	**(17)**
Cash and cash equivalents	6,930	4,855	43
(Net cash) / net debt	**(2,678)**	**258**	**-**
Equity	17,735	13,244	34
Cashflow (US$ million)			
Cashflow from operating activities	12,594	6,415	96
Capital expenditure	(3,633)	(1,966)	85
Free cashflow	**8,961**	**4,449**	**101**

Dividend

- The Board has declared a fully franked final dividend of A$2.11 per share. The ex-dividend date is 6 September 2021 and the dividend will be paid to shareholders on 30 September 2021.
- Inclusive of the interim dividend of A$1.47 per share, the total dividends declared for FY21 of A$3.58 per share is an increase of 103 per cent over FY20. This represents a payout of 80 per cent of FY21 NPAT (FY20: 77 per cent) and is consistent with Fortescue's capital allocation framework and stated intent to target the top end of its dividend policy to payout 50 to 80 per cent of full year NPAT.

Dividend summary	FY21	FY20	Change (%)
NPAT (US$ million)	10,295	4,735	117
Basic EPS (US cents)	335	154	117
Basic EPS (AUD cents)	448	229	95
Interim dividend (AUD cents)	147	76	93
Final dividend (AUD cents)	211	100	111
Total dividend (AUD cents)	**358**	**176**	**103**
Dividend payout ratio (%)	80	77	4

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FY22 guidance

- Iron ore shipments of 180 - 185mt
- C1 cost of US$15.00 - US$15.50/wmt
- Capital expenditure (excluding FFI) of US$2.8 - US$3.2 billion, inclusive of:
    - US$1.1 billion on sustaining capital
    - US$200 million on hub development
    - US$250 - US$300 million on operational development
    - US$180 million on exploration and studies
    - US$1.1 - US$1.4 billion on major projects (Iron Bridge and PEC)

Guidance for C1 cost and capital expenditure is based on an assumed FY22 average exchange rate of AUD:USD 0.75.

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Reporting calendar

Event	Date
September Quarterly Production Report	28 October 2021
Annual General Meeting	9 November 2021
December Quarterly Production Report	25 January 2022
H1 FY22 Results	16 February 2022

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)	FY21	FY20	Change (%)
Operating sales revenue	22,284	12,820	74
Cost of sales excluding depreciation and amortisation	(5,448)	(4,359)	25
Net foreign exchange gain / (loss)	(142)	52	373
Administration expenses	(155)	(114)	36
Fortescue Future Industries (FFI) expenses	(104)	-	-
Other income / (expenses)	(60)	(24)	150
Underlying EBITDA	**16,375**	**8,375**	**96**
Finance income	16	50	(68)
Finance expenses	(240)	(272)	(12)
Depreciation and amortisation	(1,366)	(1,400)	(2)
Exploration, development and other expenses	(63)	(63)	0
Net profit before tax	**14,722**	**6,690**	**120**
Income tax expense	(4,427)	(1,955)	126
NPAT	**10,295**	**4,735**	**117**
Cost of early debt repayment after tax	54	11	391
Underlying NPAT	**10,349**	**4,746**	**118**

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

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