



FY23 Results

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Operator: Thank you for standing by and welcome to the Fortescue FY23 Results. All participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. If you wish to ask a question, you will need to press the star key followed by the number one on your telephone keypad.

I would now like to hand the conference over to Mark Hutchinson, CEO Fortescue Energy. Please go ahead.

Mark Hutchinson: Thanks very much. Hello, everybody. Welcome to Fortescue's annual results presentation.

At the outset, I'd like to take you through a change of our leadership team. The Board has decided to expediate the appointment of Dino Otranto as Chief Executive Officer of Fortescue Metals. I want to congratulate Dino who is a very valued member of the Fortescue family. I've worked with Dino over the last year or so, and very excited to have you in this position, so congratulations, Dino.

Fiona Hick has made a joint decision with the Fortescue Board to leave the company and leaves it in very good hands. The departure of Fiona has been both friendly and mutual. We warmly wish her the best for her future.

Joining me today in Perth is Dino Otranto, Fortescue Metals' new CEO, and Christine Morris, Fortescue Metals' Chief Financial Officer. Whether you are participating via phone or webcast, thank you for joining us today. If you have joined us via webcast, you'll be able to follow along with the slides on the screen. For those who have dialled in separately, a copy of our FY23 results presentation is available on our website.

Before handing over to Dino, I'd like to draw your attention to the forward-looking statement disclaimer, which is included in the presentation on slide two. It is important to refer to this disclaimer as the presentation and today's call contains forward-looking information. Dino, congratulations and over to you.

Dino Otranto: Thank you so much, Hutch. I would like to begin by thanking Fiona for her contributions over the last six months and second Hutch's comments in wishing her well.

I'm thrilled to be here today with you as CEO of the Fortescue Metals business. This business is built on a culture unlike any I have ever seen. Over the past 20 years, our team has drawn on its DNA to achieve amazing things. I'm honoured to be part of the Fortescue team and I firmly believe that our strength is in our people. We are a unique Company at a unique point in time. The opportunity before us is immense. I'm so proud and humbled to be working alongside our people and alongside you, Hutch, as we forge the next chapter in our history.

One of the clearest examples of the strength of our team is our operational performance. Today our full year results build on the record operational performance we shared at our quarterly update a few weeks ago. FY23 was our fourth consecutive year of record shipments, a true testament to the hard work and dedication of the entire Fortescue team who are guided by our unique culture and Values. These Values are just as relevant today as they were when Fortescue was established 20 years ago. This coming year, we are aiming to break further records, with guidance of 192 million to 197 million tonnes shipped.

Turning to safety, I want to commend the entire team for continuing to look out for their mates. Safety is our most important Value and is deeply ingrained in our culture. In FY23, we recorded a Total Recordable Injury Frequency Rate of 1.8

across our iron ore operations, and successfully reduced our injury risk profile by 22 per cent compared to the previous year.

On to the financial results. The strong performance by the team across the entire supply chain contributed to record shipments of 192 million tonnes, achieving the top end of market guidance. Our laser focus on cost management and ongoing investment in innovation and technology contributed to our industry-leading cost position, with C1 cost for FY23 of US\$17.54 per wet metric tonne. This contributed to revenue of US\$16.9 billion, statutory net profit after tax of US\$4.8 billion and underlying net profit after tax of US\$5.5 billion.

Reflecting this outstanding performance and our strong commitment to delivering shareholder returns, we have today announced a final dividend of A\$1.00 per share. I'll hand over to Christine shortly who'll provide a few more details.

But in addition to shareholder returns, Fortescue continues to invest in growth. At Iron Bridge, the first shipment has arrived at Formosa's steel plant in Vietnam. I'll add to that on spec. Iron Bridge is a premium grade magnetite product, not only broadening our portfolio of products and providing diversification opportunities, but is also critically important in the energy transition to make green iron. Today we have provided an update on its carrying value and costs, which Christine will detail shortly. Fortescue is not immune to industry-wide cost inflation over the past few years. Discount rates are largely out of our control but do have a material impact. Iron Bridge adds significant value to our iron ore operations, increasing our production and shipments capacity, whilst enabling us to further enhance our product mix to our customers. This is, as I said before, particularly important in decarbonising the steel industry. Our focus is now on achieving a safe and efficient ramp-up to the full capacity of 22 million tonnes.

We also focused on unlocking the potential value of the Belinga Iron Ore Project in Gabon where we have a major exploration drilling campaign underway. Geological mapping and sampling programs continue to show that the Belinga Project has the potential to be of significant scale and grade. In parallel with the exploration, studies continued on the potential for a large-scale development, with a focus on the infrastructure solution and transport corridor. Additionally, this year we commenced the early-stage mining development during the financial year and remain on track for a shipment by the end of this calendar year. The insights from this early work are so critical for us in ensuring we set this project up for success in the future. We've had tremendous support from the local communities and government. We continue to work together to maintain the high standards of community and environmental consultation.

For Fortescue, sustainability is inherent in everything we do. We are dedicated to being a leader in this space by integrating sustainability in all aspects of Fortescue's business. Today, we released our annual reporting suite which includes our *Sustainability Report* and our *Climate Change Report*. Fortescue's economic contribution helps give back to the communities in which we operate in Australia and around the world with payments to employees, suppliers, shareholders and governments totalling A\$26.3 billion this year.

We continue to see the benefits of initiatives such as our Billion Opportunities program, which has awarded more than A\$4.6 billion in contracts to First Nations businesses since 2011. I'm so proud to have First Nations colleagues, representing 10 per cent of our Australian workforce, and 16 per cent of our operational workforce in the Pilbara.

We know diversity delivers the best results. I believe Fortescue's inclusive, diverse culture has strongly influenced our industry-leading performance. Through our Fortescue Family Diversity Plan, we are building a workforce that reflects the communities in which we live. Increasing female participation remains a key priority for us. Our female employment rate was stable in FY23 with females holding 23 per cent of the total positions and 30 per cent of Senior Leadership positions.

Through Fortescue Energy, we are taking action to eliminate emissions. On that note, let me hand over to Hutch to tell a little bit more about this exciting journey.

Mark Hutchinson: Thanks very much, Dino. The progress we're making on our decarbonisation journey really does demonstrate how committed we are as a Company to stepping beyond fossil fuels. Watching the way our Metals and Energy businesses are working together so efficiently and effectively towards this shared mission really does speak a lot about the Fortescue DNA. Not only are we developing new technology, we're testing new systems, rethinking the way traditional mining operations are powered and run, and are mitigating a lot of business risk, aimed to reduce operating costs, and demonstrating that some of the largest emitting sectors can actually profitably decarbonise. Eliminating emissions can also deliver great value for our shareholders, as it enables us to enter the growing market for zero-emission power systems, commercialisation of green technologies as well and access across sustainable financing opportunities.

It has just been under a year since we announced our Real Zero target at the United Nations General Assembly in New York. Real Zero means no fossil fuels and no offsets. Every day since, we're looking at new and innovative ways to get there. We have identified solutions we plan to adopt to eliminate approximately 90 per cent of terrestrial Scope 1 and Scope 2 emissions from our Australian iron ore operations. We're working on the additional 10 per cent diligently. We are planning to eliminate Scope 1 and 2 emissions from across the rest of the business as well, including Fortescue Energy. As part of this, for financial year 2024 onwards, Fortescue will no longer buy carbon offsets unless required to by law. It has long been our view that offsets must only be used as a temporary solution while the technology or innovation required to decarbonise completely is developed. As our progress to date demonstrates, we are hard at work driving this innovation and, through our Energy business, helping to produce green alternatives to fossil fuels.

Throughout the 2023 financial year, Fortescue Energy prioritised and progressed our global portfolio of green energy projects. We have a target, as we've talked about before, to take five of these to Final Investment Decision by the end of this calendar year. We're also investing across the value chain, developing the technology, the IP and the manufacturing capability we will need to support both the green energy transition and the decarbonisation of heavy industry. We're working at a speed and scale never seen before. Over the course of the last financial year as a business we've put the building blocks in place to help deliver on our mission and reflect our global energy and technology portfolio.

In recent months, we've also formalised the structure of Fortescue Energy which, at this stage, comprises three vertical integrated operating segments. Firstly, Fortescue Future Industries will focus on the production of green energy infrastructure. Secondly, Fortescue WAE, which brings together the Williams Technology business and Fortescue's green fleet technology, will focus on battery and fleet technology to decarbonise heavy industry. Thirdly, Fortescue Hydrogen Systems which will lead our work on hydrogen production systems, including electrolysers, product development and supply chain as well as manufacturing. It will also oversee the Green Energy Manufacturing centre in Gladstone, which will test our prototype electrolysers and our manufacturing of our PEM technology, which will be fully automated.

The establishment of this segment comes alongside the appointment of Dr Larry Marshall to the Fortescue Board, who brings with him considerable experience in the commercialisation of new technology. The green energy transition, and the demand for alternatives to fossil fuels are gaining more and more momentum. The policy landscape for renewables looks markedly different than it did a year ago. Key programs like the IRA in the United States and the Green Industry Plan in Europe, which includes funding mechanisms like H2Global, targeted at green hydrogen production, are already supercharging investment in the green energy transition. We are also optimistic the Governments here in Australia and in other jurisdictions will continue to respond to staying competitive.

As a business, we are driving green energy projects at scale and speed. Our delivery timetable means we need to focus our efforts on those that make the most commercial and economic sense. We are committed to progressing projects to FID this year. As outlined a few weeks ago, projects in Australia, the US, Brazil, Norway and Kenya are tracking well. We do have others in the global portfolio as well.

We know that this is an ambitious target with an ambitious timeline, but we also know that the world can no longer afford to wait for green energy at scale. I look forward to updating you further on our progress in the coming months. With that note, I'd like to hand over to Christine.

Christine Morris: Thanks, Hutch. Good morning, afternoon or evening to everyone on the call. The team has delivered another year of strong earnings, cash flow generation and capital returns, all while the Company continues transition and we are focused on presenting transparent financial statements and guidance.

Turning to the result, revenue of US\$16.9 billion was down 3 per cent on FY22 and was the third highest in the Company's history. This revenue, combined with disciplined cost management contributed to EBITDA of US\$10 billion, a strong EBITDA margin of 59 per cent. This equates for the iron ore business to an EBITDA margin of US\$60 per tonne. You can see on this coming slide that Fortescue has continued to generate strong margins through the cycle. In fact the average EBITDA in the past five years is over US\$60 per tonne.

We reported a statutory net profit after tax of US\$4.8 billion, after recognising a non-cash post-tax impairment expense of US\$726 million, relating to Iron Bridge. In concluding on the carrying value assessment, Management considered the nature of costs carried forward. The majority of asset value is the assembled plant, pipelines and infrastructure, but also the less tangible components like the cost of the pilot and demonstration plans and capitalised interest. These items and the impact of increasing discount rates accounted for the impairment taken of US\$1.0 billion.

We provided guidance on the ramp up schedule last month. You can see that today we are providing an update to the life of mine real C1 cost estimate to approximately US\$45 per tonne. This is the cost attributable to Fortescue, meaning that it is net of fees for the port and power services that we are providing to the joint venture. As the project construction nears completion, we have updated the capital estimate to US\$4.0 billion with Fortescue's share US\$3.1 billion. As Dino said, Iron Bridge truly is a strategic investment. It substantially enhances our iron ore operations. Adjusting for this impairment charge, the FY23 Underlying NPAT was US\$5.5 billion, the third highest earnings in Fortescue's history.

This next slide shows the Underlying EBITDA and NPAT waterfall, relative to FY22, where you can see the components including the impacts of volume, price and costs. Additionally, I want to call out that the Group's operating segments have been realigned to Fortescue Metals and Fortescue Energy to reflect their strategic objectives and operations. The segment results are disclosed in the Notes to the financial statements with Energy comprising of FFI, Fortescue WAE and Fortescue Hydrogen Systems.

Moving to cash flow, slide 17 demonstrates that the business continues to generate strong operating and free cash flow. Net operating cash flow increased 12 per cent compared to FY22, which was impacted by the payment of the final FY21 tax instalment. Free cash flow increased by 19 per cent compared to FY22 to US\$4.3 billion.

Moving to capex, FY23 capital expenditure and investment was US\$3.2 billion, up marginally year over year. This comprised of US\$2.8 billion in Fortescue Metals and US\$0.4 billion in Fortescue Energy. The main components of Metals capex were US\$1.4 billion of sustaining and hub development and around US\$950 million of Major Iron Ore Projects, which was predominantly Iron Bridge.

As we guided in the Quarterly Production Report last month, FY24 capex for Fortescue Metals is expected to be between US\$2.8 billion and US\$3.2 billion. Fortescue Energy FY24 anticipates capital expenditure is around US\$400 million. This includes FFI capex and investment we've previously guided to, including WAE's investment in new manufacturing facilities, and Hydrogen Systems investment in electrolyser technology and manufacturing capability. Noting this is prior to Green Energy Projects subject to Final Investment Decisions. For those projects, we intend to disclose a capex profile, along with other economic parameters on reaching project FID.

Turning to the balance sheet, Fortescue's balance sheet remains strong with cash on hand of US\$4.3 billion at 30 June 2023, which includes reserved cash of approximately US\$2.0 billion for the final dividend to be paid next month. Gross debt decreased to US\$5.1 billion as we proactively repaid the US\$750 million Notes due 2024 using cash on hand. You

can also see our healthy credit metrics on this slide, and we are committed to targeting a minimum BB+/Ba1 credit rating through the cycle.

In addition to maintaining a strong balance sheet, Fortescue's capital allocation framework continues to prioritise returning capital to shareholders. Our dividend policy remains unchanged, targeting a payout of 50 to 80 per cent of Underlying NPAT. The final dividend declared by the Board today takes the FY23 total dividend to A\$1.75 per share, which represents a 65 per cent payout at the midpoint of the range. It implies a fully franked dividend yield of more than 8 per cent on Friday's share price.

Consistent with the new operating segments, going forward the 10 per cent of Fortescue's NPAT to fund FFI will no longer apply and all projects and investments will be assessed on their own merits consistent with Fortescue's capital allocation framework. We have provided clear guidance for both segments. Fortescue Energy FY24 net operating expenditure is anticipated at around US\$800 million. This is opex net of WAE external revenue and should be considered as the EBITDA line. It is comparable to the reported Energy segment EBITDA loss of US\$617 million in FY23. The approximate US\$200 million increase implied from the guidance is around half for decarbonisation and half on the expansion of WAE and the Hydrogen Systems businesses.

I'm sure there are some questions and we will now move to the Q&A part of the call. Back to our operator.

Operator: Thank you. If you wish to ask a question, please press star/one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star/two. If you are on a speakerphone, please pick up the handset to ask your question. In the interest of time, we ask that you please limit to two questions per person. If you wish to ask further questions, you may rejoin the queue by pressing star/one again. Your first question comes from James Redfern with Bank of America. Please go ahead.

James Redfern: (Bank of America) Good morning Mark, Dino and Christine. First of all, Dino congratulations on the new role as CEO of Fortescue Metals. My first question is regarding the sudden departure of Fiona Hick. I guess the wording is it's a joint decision and she leaves on good terms, which is great, but I just want to dig a bit further into exactly why Fiona left after only six months in the role, I mean if we can dig that, please.

Mark Hutchinson: Thanks James, good morning, Mark here. Look I think first of all I'd like to congratulate Dino also. He's a very valuable member of the Fortescue family, wonderful experience, I've been working well with him over the last 12 months and very excited to have him in the new role. We did give a statement this morning, which I'd turn your attention to. I respect the decision of Fiona and I wish her well in any new role going forward, and I respect the decision of the Board and I'd ask you to look at that release. So thank you.

James Redfern: (Bank of America) Okay, all right, thanks Mark. Second question is regarding the capital allocation framework, so previously 10 per cent of Underlying NPAT was allocated to FFI, that's no longer going to apply going forward, so if we work on the basis that the minimum payout ratio is 50 per cent, is it feasible that up to 50 per cent of NPAT could be allocated to FFI going forward to fund these green projects? Thank you.

Mark Hutchinson: Yes, thanks James. Look I think the way to think about this, we're at a point now where we are now looking at two segments, the Metals segment and the Energy segment, and we're at a point where there will be a number of investments, like we've talked about today and also projects coming down the pipeline. All these projects, whether it's Metals or Energy, are going to have to compete on their own merits and so we'll have a capital allocation process based on that and focus very much on using external funds as well. So there is no intention that there's a certain percentage either side. Each project will compete on its own merits going forward.

Operator: Your next question comes from Rahul Anand with Morgan Stanley Australia. Please go ahead.

Rahul Anand: (Morgan Stanley) Hi, good morning Dino, Mark, Christine and team. Dino, congratulations as well. Look first one's on the opex estimates, a bit of a change there from your quarterly, you're going to US\$800 million. Can I touch upon a couple of things? Firstly, what constitutes the increase? Is this the level that we should be anticipating going forward or are there one-off items here in terms of expenses that you're classifying as operating expense? That's the first one, thanks.

Christine Morris: Rahul, again, we're guiding on opex based on the segment because the business is really being run as such. As I mentioned in the script, the increase is tied to decarbonisation efforts and also to the expansion of WAE and Hydrogen Systems, and we have lots of exciting developments on that. I'm not going to speculate on expenses past the year we're guiding for, but they will be considered as part of, again, overall capital allocation and budgeting is part of that when we look at the respective activities of Energy and Metals.

Rahul Anand: (Morgan Stanley) Yes, so are there any one-offs here at all, or I mean is this the level that we expect going forward?

Christine Morris: There are no one-offs, as I said, as we're guiding for 2024, I'm not speculating into 2025.

Rahul Anand: (Morgan Stanley) Understood, okay. Look for my second question, slide 22 talks about how your emissions might increase on the back of Iron Bridge coming online, so a couple of questions there, firstly obviously you've talked about the impairments today for Iron Bridge, but importantly, if you were to abate, I presume there's energy-related emissions here that are leading to the increase here in the emissions, if you do abate those, is it fair to say that the C1 cost for the project will go up further in terms of your estimation of that abatement?

Dino Otranto: No, thanks Rahul, good question and we aren't shying away from our CO₂ profile in the next few years. We've been quite open with that. Our decarbonisation plan absolutely takes into consideration the successful ramp up of Iron Bridge, in fact decarbonisation gives us huge opportunity. For Iron Bridge, which consumes a large amount of stationary power, solar and wind which are very mature technologies and off the shelf, which we've already started to build, we look to that technology on top of the electric and hydrogen based trucks that we have in development to lower our operating cost for Iron Bridge and again, look forward to bringing that in post the peak of ramp up, Rahul. Good question.

Operator: Your next question comes from Paul Young with Goldman Sachs. Please go ahead.

Paul Young: (Goldman Sachs) Morning Mark, Dino and Christine. Just FYI, we've had 30 minutes to digest these results and the full set of accounts don't appear to be out yet, by the way. Mark, I know that with respect to Fiona's departure, I hear your explanation, but I do think shareholders deserve a better explanation seeing as she has departed only after five months in the role and also considering the C-suite changes in the past two or three years. So the stock's now down six per cent by the way, and I just think that shareholders need a better explanation.

Dino, first question for you is on your appointment and where you think the company could improve, what changes would you like to make particularly any changes to strategy and projects?

Mark Hutchinson: Yes, sorry, thanks so much Paul. Just firstly on the accounts, the Company Secretary will release those very shortly. I'll hand over to Dino.

Dino Otranto: Thanks. On the back of the last couple of years of being in this business, I've been really, really impressed by the amount of technology and innovation that's going on and as we get a more complex flow sheet, we're bringing on Iron Bridge and our exciting Gabonese project, the opportunity for us to use some of the technology that's on the horizon, AI for instance is one of them, in seeking out every single incremental opportunity we have in our supply chain, I think, is the next stage of performance for our operation. It does get a little bit harder year on year, as you're beating records, but

it gives us wind in our sails, to be honest particularly in our operations, in our Integrated Operating Centre here at the Hive. We continue looking for that next iteration.

Mark Hutchinson: So, Paul, on the question on the stock being down, I think the market is maybe assuming we're going to spend a lot more on energy. I think the message from us today, is that we're at a point where projects have to compete because we want to make sure we get the best results for our shareholders and the capital will go where we get the best returns. So that's the way we're thinking very much about how we allocate capital going forward to the Metals business and to the Energy business.

On Fiona's departure, it was mutually agreed between her and the Board. I respect that and I wish Fiona well in whatever she does next.

Paul Young: (Goldman Sachs) Okay. Mark, maybe just on the spend piece, the slight increase in capex guidance for the year of I think about US\$100 million, that looks like it's mostly Iron Bridge and that's tickled up again, I think it's probably the third time it's tickled up by US\$100 million. What are the risks of further increases in capex at Iron Bridge? Just with respect to the write down, was it all cost related or have you assumed or was there any change in the ramp up profile in the asset?

Dino Otranto: Yes, sure, it's right to call out the additional US\$100 million to US\$4 billion; Fortescue's share is US\$3.1 billion. We are, though, in ramp up with the successful delivery of our first shipment, so we certainly see that now we've already started the operations. On the mechanics of the impairment, handing over to Christine.

Christine Morris: Well ultimately, these are impairment calculations, they're fairly complex but the bottom line is, no, the ramp up has changed from when we initially announced it, so everybody knows that, so really what matters going forward is that we are still expecting very profitable life-of-mine C1 cost for that operation.

Operator: Your next question comes from Lyndon Fagan with J.P. Morgan. Please go ahead.

Lyndon Fagan: (JP Morgan) Thanks very much. So I guess the first question I've got is abandoning the 10 per cent of NPAT to fund FFI, which was probably always a bit confusing, but in relation to now, what is likely to be a really significant wave of project approvals, are there any limits to how much capital can be injected into Fortescue Energy to build all these things? I guess the natural follow on is around dividend funding, is there any – I mean should we expect that some years won't have a 50 to 80 per cent payout as a result of removing that policy? Then I did have a follow up on Iron Bridge, thanks.

Mark Hutchinson: Yes, look thanks so much Lyndon. I think what we want to do is to make sure that the business is aligned internally, so the Williams business now falls underneath Fortescue Energy. We will compete for capital. We want to make sure the shareholders get the best possible return, so there is no preconceived idea about how much we spend on the energy business going forward, just to make sure that we actually compete, what are the best projects, we'll make sure they'll have the right returns for shareholders here. On the dividend policy, our policy has been announced between 50 and 80 per cent, that does not change and investors can expect that going forward.

Lyndon Fagan: (JP Morgan) Okay and I guess on Iron Bridge, I just wanted to hone in again on the impairment charge, US\$1.0 billion impairment seems very aggressive in quite a good iron ore priced environment. I mean obviously we've got the new operating cost estimate, but that alone doesn't seem to justify such a large-scale impairment. I'm wondering if you can share any of the other parameters that guide the operational valuation assessment, things like sustaining capex would be pretty handy to get and anything else that you think might be relevant. Now that you have delivered a shipment, what sort of achieved pricing outcomes have you gotten there from that shipment? Thanks.

Christine Morris: First, I'll refer you to the footnote in our financial statements these typically go through the various assumptions that underly the sensitivities of the impairment calculations. Again, when we first guided to Iron Bridge two years ago, we had way less information among the actual operations of the mine and we do have this now. I'll remind everybody that interest rates have risen significantly over the last two years and these models are highly sensitive to interest rates.

With respect to the expected pricing for the product, I'll turn that over to Dino, but of course we do expect a premium for the high grade in line or with the transition of the steel industry to green steel, but Dino, I'll let you advise that.

Dino Otranto: Thanks and also one major pivot from 2021 guidance was the decision to contract mine for the first part of the operation, which saw us release some of the capital in the early days. Again, another reminder the inflationary position has changed quite a lot in 2023. In terms of the pricing received for our first product, the first ship went to our Formosa Joint Venture partner, and we certainly achieved pricing in line with what you'd expect from the market at this stage for our product.

Operator: Your next question comes from Kaan Peker with RBC. Please go ahead.

Kaan Peker: (RBC) Good morning Mark, Dino and team. Just first question, probably following on from Paul's question, but just wanted to understand about that replacement process for the CEO, seems pretty speedy, what sort of external candidates were looked at, just the process in general, if you could maybe shed some light on that and I'll follow up with a second question, thanks.

Mark Hutchinson: So Kaan, thanks so much. As I said, it was a mutual decision between Fiona and the Board. Dino has been a very important part of our operation here, he's done a great job and I'm very excited to have him in the role here. The Board decided to expediate the appointment of Dino into this role and we're very excited to have him in this position.

Kaan Peker: (RBC) So the process, any details around that?

Mark Hutchinson: The Board made a unanimous decision to expediate Dino into this role, Kaan.

Kaan Peker: (RBC) Thank you. Just the second one is on FFI, or the scrapping of that 10 per cent funding, however there's already been flagged five projects going to FID on their own merit, as you say, so obviously that would suggest that there are economics of the five projects. Is there something that you could share with us with regards to that?

Mark Hutchinson: Yes, so look we're working really hard on getting these projects across the line. Each project is different because obviously your operating needs in different environments around the world. We're working hard on making sure we get the right returns. Our target is to get a double digit. That's so important we do that. We will, over the next few months, we will come out and tell the market on when they reach FID. The projects are tracking well at the moment, I'm very confident we'll get there by the end of the year.

Operator: Your next question comes from Robert Stein with CLSA. Please go ahead.

Robert Stein: (CLSA) Hi team, thanks for the opportunity. Just a question around the capital allocation framework, so if a lot of the investments for FFI are going to be opex, potentially until capitalised and R&D in nature, does that mean that they are basically deducted before the NPAT line, i.e. the payout ratio occurs after the expense item so we're not getting a purely discretionary competition to capital in those investments? That's the first one, I've got a follow up please.

Mark Hutchinson: Yes, so that's correct, that's the correct assumption. I think just to make sure we all understand that our intention on these projects is to fund them with non-resource debt. Also, to bring other capital partners in at some

stage to decrease our investment in the project. But we will be the developer and the operator of these projects going forward.

Robert Stein: (CLSA) Thank you. Then the follow-up question is, look, with the movement of Fiona and now Dino coming into the top role, and this isn't a comment on individuals, but more a comment on process. With two sort of CEOs of divisions that are competing for funding, previously there was train tracks around how much funding FFI got. But now there's increasing competition for capital. Who at the Executive level within the Company makes the decision on – makes a go-forward decision on which projects get taken to the Board? How those projects are presented, and how do you prioritise that capital investment, given that arguably both yourself, Mark, and Dino are competing for the same dollar?

Mark Hutchinson: So that's a great question, thanks so much. Dino and myself will be working very closely together to make sure that the best projects go up to the Board, who will make the ultimate decision on the investments for the Company.

Operator: Your next question comes from Glyn Lawcock with Barrenjoey. Please go ahead.

Glyn Lawcock: (Barrenjoey) Morning Dino and Mark. Firstly just one for you, Dino, just on you said Iron Bridge pricing, you said you're getting what you'd expect from the market. I look at your nearest peer just up the road, Citic Pacific, I think they're just getting the 65% index with no premium. Is that sort of what we can expect at the moment? How would that compare to, I think when you sanctioned the project you were talking about the 65% index with a decent premium? But it just seems like that premium's gone. Thanks.

Dino Otranto: Yeah, thanks Glyn, great question. Obviously, it's Fe adjusted, so we are getting more than the flat 65%. We are seeing that the premium market evolve, particularly as we understand the value in use for our product, which has also got low impurities, not just higher grade iron ore, and makes it a great precursor into the hydrogen based reduction process for green steel.

Glyn Lawcock: (Barrenjoey) Okay. But I mean you're obviously not getting close to the premiums we talked about when the project was sanctioned I guess at the moment?

Dino Otranto: Look, as I said at the outset, this product is in huge demand right now. We do see a premium market evolving in time as we get more of this material onto market.

Glyn Lawcock: (Barrenjoey) Yes, sure. Then maybe just a question for both yourself and Mark. I mean, Mark, you just said before, we'll be working hard to get a double-digit return on your projects in FFI. I mean how would that compare against – I mean if Dino comes up with an iron ore project, I'm pretty sure they're going to end up with returns well in excess of low-double-digit. So how does it actually compete?

Mark Hutchinson: Well, I think you have to look at really the difference of the risk and the returns for different projects. Energy projects are different than mining projects. That's our job to offer up to the Board the best possible opportunities on both the mining and on the energy side. It will be up to the Board to decide.

Operator: Your next question comes from David Coates with Bell Potter Securities. Please go ahead.

David Coates: (Bell Potter Securities) Thanks very much, good morning everyone. I apologise if I missed some commentary on this, just the Iron Bridge write down. Can you just give us a sense of the proportion that US\$728 million represents of the prior carrying value?

Christine Morris: Yes, the US\$726 million is post tax. The pre-tax impairment is US\$1.0 billion, and the prior accounting value was US\$3.5 billion. So it's about just under a third.

David Coates: (Bell Potter Securities) Okay, thank you. Yes, I would probably just comment that that does seem like a fairly large write-down so early in the stage of a long-life project. Thank you, that's it from me.

Operator: Your next question comes from George Eadie with UBS. Please go ahead.

George Eadie: (UBS) G'day, just following up on the Iron Bridge carrying value write down. In the comment about offsetting via increasing strong outlook for future product pricing, is this more a comment on iron ore prices? Or the higher high grade premium? I'll come back with a second, thanks.

Dino Otranto: Dino here, I can jump in on that. Certainly, the higher high grade, on top of the 62% for the premiums – 65%, sorry.

George Eadie: (UBS) No change to fundamental underlying sort of 62% assumptions then?

Dino Otranto: No.

George Eadie: (UBS) Then maybe just lastly on that. So in the assumption going forward over the medium-term about sticky opex, obviously you've seen the costs go up since May 2021 about 27 per cent. Is that sort of a medium-long-term opex staying higher for longer? Or is there any cost out sort of at the back end still on that?

Dino Otranto: No, look, good question on controllables. As we are ramping up now, we are understanding our cost profile certainly a lot more mature than two years' ago when we gave guidance before. We have incurred the inflationary pressures. I will let you pick a number on the inflationary effect over the next two years. But guidance is life-of-mine, all right. Again we're coming back to this grade of the product that we're getting, the overall capital we've put into this project thus far, and the costs that we're now announcing, we absolutely back this project and think it's going to create cash in the long-term.

Operator: Your next question comes from Rurika Imahashi with Nikkei. Please go ahead.

Rurika Imahashi: (Nikkei) Hello, thank you for having us today. My question is, as uncertainty over China's economic growth looms large, how do you view the significance of the business diversification and how will you direct the transition to move forward under your helm?

Mark Hutchinson: Yes, look, thank you so much for the question. Look, I'll talk from the Energy perspective, and I'll get Dino to talk on the Metals side. But the opportunity in energy is absolutely enormous as we think about the energy transition happening in the world and the opportunity that that presents to us. How we are positioned as a first mover I think is really going to be a big advantage for our shareholders. Dino?

Dino Otranto: Look, I'm in absolute lock-step with Hutch on this one. I have no doubt that a decarbonised iron ore product this decade is going to be in huge demand. In fact, be critical. We don't actually talk about iron ore as being one of the critical minerals that help us address climate change. Steel is – needs – will be used, and continue to be used, as countries around the world come to grips with what is happening across the entire world. We need to continue to invest in new technology, new infrastructure to turn this tide.

Operator: Your next question comes from Peter Ker with *The Australian Financial Review*. Please go ahead.

Peter Ker: (Australian Financial Review) G'day Dino, g'day Mark, thank you for your time. You've talked a bit about culture, Dino, today, and I know on the ASX today the Company has put out a Corporate Governance Statement. So as we stand here today looking forward, as you two gentlemen lead your respective divisions, what is going to be the standard

for workplace relationships? Are they allowed? Do they need to be disclosed? What will be the policy if there is a power imbalance in those relationships?

Mark Hutchinson: Thanks, Peter, good morning. Look, we have the highest level of Corporate Governance, and all our policies are available on the Company website. I'd ask you to go and look at those. As I said, we take this very seriously.

Peter Ker: (Australian Financial Review) No probs. Dino, do you have a separate answer?

Dino Otranto: No, absolutely aligned.

Operator: Your next question comes from Nick Evans with *The Australian*. Please go ahead.

Nick Evans: (The Australian) Yes, g'day guys. Sorry, I just have two. The first is just in relation to Fiona Hick's departure. When was that decision made? Because on the paperwork it looks like it's sort of happened in a fair hurry. My second question relates to that competition between FFI projects and iron ore projects. Mark, assuming that – following on from Glyn's question earlier on – assuming that you get low-double-digits and something that Dino takes forward gets a fair bit better than that. Is it fair to assume that it's theoretically possible now that no FFI project would be authorised, would be given FID by the Fortescue Board if it can't match those numbers?

Mark Hutchinson: Look, Nick, I definitely hope not. Because I totally believe these projects are going to be fantastic for shareholders. So we will endeavour to – our job is to present to the Board the best possible projects. Then it's up to the Board to decide on the returns. They are different projects. Energy projects are different than Metals and mining projects. So the Board will have to decide. Look at all the risks involved in assessing which is the best place to put the capital.

On the question you had on Fiona. The decision was mutually agreed between her and the Board on the 27 August. The Board decided to appoint Dino by expediting his promotion to that position.

Operator: Your next question comes from Danielle Le Messurier with *The West Australian*. Please go ahead.

Danielle Le Messurier: (The West Australian) Oh, good morning all, thanks for taking my question this morning. Just a quick one on the investigation that was commissioned by the Fortescue Board into Andrew Forrest having a relationship with an employee. Was that investigation linked to any of the 34 cases of alleged sexual harassment on Fortescue mine sites that have been raised by WorkSafe? Can you tell us whether Mr Forrest was involved in one or more of those cases? Thanks.

Mark Hutchinson: Look, the answer is no. This is a confidential Board report, and Fortescue has resolutely committed to the highest standard of Corporate Governance that operates across the Business. So in keeping with our longstanding practices, we do not comment on deliberations of the Board.

Operator: Your next question comes from Eric Johnston with *The Australian*. Please go ahead.

Eric Johnston: (The Australian) G'day, Mark, thanks for taking my question. Just two here, maybe related. Where's the Chairman today, Andrew Forrest? Is he – he's made a decision not to join the call. There are a lot of questions from both media and analysts about the CEO process. Also, if I can just squeeze one in, can I confirm, was Fiona at the weekend celebrations up in the Pilbara?

Mark Hutchinson: Look, Andrew actually hasn't been around for the last few calls. So he's let us take those calls, which is fantastic. He's not available today. Fiona was actually at the celebration, and we had a wonderful time up there of 20 years of celebrating this wonderful Company and what it's achieved over that 20 year period.

Operator: Your next question comes from James Redfern with Bank of America. Please go ahead.

James Redfern: (Bank of America) Yes, hi, Dino, Mark and Christine. Maybe changing tack slightly. But I want to ask about Nyidinghu, which is a replacement mine. I'm just wondering if you could please provide some guidance or colour on when we might see that project move to FID? It was previously slated for later this decade, but there's some speculation it could be in the next couple of years. Thank you.

Dino Otranto: Yes, no problem. As we mentioned on the last call, we actually enabled the new project to be kicked into the next decade. We have started our approval process though, and that gives us the most time to make sure we work with our First Nations groups in that area to set this project up right. Again, the reason why we are able to do that was on the back of more results on near-mine exploration and they're always the best and cheapest tonnes to bring into your portfolio. But Nyidinghu is certainly still there. We are continuing to explore it and define the ore body more so. It is a big ore body and at some stage I'm sure it will come into the portfolio.

James Redfern: (Bank of America) Okay, thanks. A second question if I can, please. Thanks, Dino. Just wanting to check some numbers on Iron Bridge. Fortescue share of the capx is US\$3.1 billion and the impairment is US\$1 billion. Where do we land on the carrying value at the moment please?

Christine Morris: As at US\$3.5 minus US\$1.0, US\$2.5 billion.

Operator: Your next question comes from Rahul Anand with Morgan Stanley. Please go ahead.

Rahul Anand: (Morgan Stanley) Hi, team. Thanks again for the opportunity. One on your decarbonisation please. You mentioned in your introductory comments that you have plans for abatement of circa 90 per cent, and you're still awaiting the pathway for the other 10 per cent. Are you able to provide a bit of colour, what is that 10 per cent, that you don't have plans for currently and then for the other 90 per cent, how should we think about those plans? What stage are they at, at the moment? That's the first one, thanks.

Mark Hutchinson: Yes. Let me pass to Christiaan Heyning who heads up the decarbonisation.

Christiaan Heyning: Good morning. Christiaan here, Director of Decarbonisation. Great questions. Let me go in reverse order. For 90 per cent, we have a really good idea what we're going to do and we're zeroing in on a very limited number of technological pathways to get there. We will communicate the FIDs when ready. On the remaining 10 per cent, there is still a wide range of opportunities to – of technical ways of achieving that emission reduction, and that means that we are still earlier in the process in deciding which way to go. An example there, for example, would be how to get rid of some of the emissions associated with blasting. There's various technological ways, we are working with our partners to figure out which one that will be.

Another is remote gensets that are not close to a good connection. Again, there's various ways we can get rid of those emissions, and so we're very comfortable that we'll be able to get rid of those emissions. The reasons why we give that 10 per cent is that we haven't chosen the preferred technological path yet.

Rahul Anand: (Morgan Stanley) Okay. So, for the other 90 per cent you have identified the technological path. Is that fair?

Christiaan Heyning: Yes, that's fair.

Operator: Your next question comes from Lyndon Fagan with J.P. Morgan. Please go ahead.

Lyndon Fagan: (JP Morgan) Thanks very much. I really wanted to hone in again on the US\$800 million spend for Fortescue Energy. Last read we got there was about 800 employees and I'm assuming they're all not earning US\$1 million. Can you maybe give an update of how many employees are being carried in this division so that we can kind of get an idea of how to project this number going forward? If there's any other colour, that would be helpful. Thanks.

Mark Hutchinson: Yes. We have about 1,000 plus within the FFI part of the business and we've put now the WAE team underneath that as well, which is another 700 or so people in that business as we continue to grow and very much focus on the decarbonisation of the Company.

Operator: Your next question comes from Robert Stein with CLSA. Please go ahead.

Robert Stein: (CLSA) Hi, team. If I think back to, I guess one of the key advantages that Fortescue has, it's its operational capability and the ability through various generations of management to drive cost improvements and productivity through the assets. With the turnover in management and it's been across the board, not just at the CEO level, is it a risk that such turnover can start to erode that operational discipline throughout the operations, which has really been the key feature? How do the management team, Dino and Mark, think about that in terms of providing the stability going forward to set those baselines for improvement? Thank you.

Dino Otranto: Yes. Thanks, Rob. Just some actual numbers of turnover, we're still inherently very, very low in terms of our overall leadership turnover. My two years into Fortescue, this organisation does not rely on just one or two people to drive direction. We have a cohort of now nearly 20,000 people all swimming and rowing in the same direction. That's evidenced by our results. The reporting of executive turnover started 18 months to two years ago and we haven't missed a beat. In fact, we've probably gone above what people ever thought was possible, again, and next year we're biting off another huge stretch target for the business.

As soon as 1 July ticked over, there was no difference from 30 June when we hit the record, we just start again and we're going to keep going and we're never going to give up the only thing that's changed now is what's on the horizon is a bit of a bigger challenge and we need every horse in the race galloping now in the right way, but I am left with no doubt whatsoever that we've got the most amazing team behind a crazy vision that we've got and we're going to nail it. Yes.

Mark Hutchinson: Thank you. That's all the questions. Thank you very much, all of you, for joining in the call today. I wanted to close by again congratulating Dino with the new role and looking very much forward to working with him. We really do have an amazing opportunity ahead of us as a Company. We have an incredible mission and I'm looking forward very much to joining Dino on this journey together as we really become a fully integrated green technology energy and metals company.

We had outstanding results in financial year '23, with a fourth consecutive year of record operating performance contributing to the third-highest earnings in Fortescue's 20-year history. It is through this operating excellence and our disciplined approach to capital allocation and ongoing investment in metals, green energy and green technology that we really will position the Company in the best possible position for our shareholders. I look forward all to speaking to you again soon. Thanks so much for joining us today.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect.

End of Transcript