

## Record operating and financial performance supports a 54 per cent increase in FY20 total dividends to A\$1.76 per share

### Highlights

- Continuing improvement in safety as the Total Recordable Injury Frequency Rate (TRIFR) reduced to 2.4 in the 12 months to 30 June 2020 (FY20), 14 per cent lower than FY19
- Successful execution of Fortescue's integrated operations and marketing strategy contributed to record shipments, revenue, earnings and operating cashflow
- Underlying EBITDA of US\$8.4 billion was 38 per cent higher than FY19 and the EBITDA margin increased to 65 per cent or US\$52 per dry metric tonne (dmt) of ore shipped
- Net profit after tax (NPAT) of US\$4.7 billion and earnings per share of US\$1.54 (A\$2.29), increasing by 49 per cent from the prior year
- Net cashflow from operating activities of US\$6.4 billion and free cashflow of US\$4.4 billion after investing US\$2.0 billion in capital expenditure
- Fully franked final dividend of A\$1.00 per share, lifting total dividends declared in FY20 to A\$1.76 per share equating to US\$3.7 billion and a 77 per cent payout of full year NPAT
- Net debt of US\$258 million at 30 June 2020, with the balance sheet structured on low cost, investment grade terms while maintaining flexibility and the capacity to fund future growth
- Climate change target revised to achieve net zero operational emissions by 2040, including a 26 per cent reduction in emissions from existing operations from 2020 levels, by 2030
- Total global economic contribution of A\$17.2 billion in FY20, including A\$4.3 billion in taxes and royalties.

Fortescue Chief Executive Officer, Elizabeth Gaines, said "Once again, Fortescue's unique, differentiated culture underpinned the delivery of a year of outstanding performance for Fortescue, with record results achieved by the team across all of our key operating and financial measures while sustaining our clear focus on investment for future growth and development.

"Importantly, our company wide response to the global COVID-19 pandemic prioritised the health and wellbeing of our people and communities while maintaining our operations. It is a credit to the whole team that during these unprecedented conditions we also achieved an overall improvement in safety performance with TRIFR reducing to 2.4 at 30 June 2020.

"For FY20 we delivered record revenue, underlying EBITDA and NPAT, demonstrating the continued ability of our operations to generate strong cash flows through the successful execution of our integrated operations and marketing strategy. Leveraging the capability in our value chain resulted in record shipments, sustained low cost performance and excellent operating margins which positioned us to deliver record NPAT of US\$4.7 billion.

“Delivering enhanced returns to our shareholders remains a key priority and for FY20 we have declared US\$3.7 billion in dividends, representing a payout ratio of 77 per cent of full year NPAT. We are proud to have achieved the number one ranking in the S&P/ASX100 Index for total shareholder returns over the three years to 30 June 2020 of 266 per cent.

“Fortescue’s continued commitment to empowering thriving communities was demonstrated by our delivery of A\$17.2 billion in total global economic contribution during the year, together with our announcement of an industry leading commitment to climate change and our continued investment in significant projects to create jobs and growth for the benefit of the State and national economies.”

## Sustainability

- Fortescue has released its FY20 Sustainability Report, outlining performance against the three sustainability pillars of setting high standards, safeguarding the environment and creating positive social change. Fortescue has also published a standalone Climate Change Report and a Modern Slavery Statement. These reports are available on Fortescue’s website at [www.fmgl.com.au](http://www.fmgl.com.au).
- An industry leading emissions reduction goal was announced in June 2020 to achieve net zero operational emissions by 2040, underpinned by a pathway to decarbonisation, including the reduction of Scope 1 and 2 emissions from existing operations by 26 per cent from 2020 levels, by 2030.
- As of 30 June 2020, Aboriginal people represented 10 per cent of Fortescue’s Australian workforce and 14 per cent of Pilbara based employees. Fortescue’s female employment rate was 19 per cent with 26 per cent of senior leadership roles held by women.
- Fortescue delivered total global economic contribution of A\$17.2 billion in FY20, including A\$4.3 billion in taxes and royalties.

## Earnings and margins

- Fortescue delivered record shipments, revenue, earnings and cashflow in FY20, reflecting the successful execution of its integrated operations and marketing strategy, and strong customer demand.
- Revenue was US\$12.8 billion, 29 per cent higher than the prior year, reflecting both the six per cent increase in ore shipped to 178.2 million tonnes (mt) and a 21 per cent increase in average realised price to US\$79/dmt, outperforming the 16 per cent increase in the average Platts 62% CFR Index.
- Underlying EBITDA of US\$8.4 billion was 38 per cent higher than FY19. The underlying EBITDA margin increased to 65 per cent or US\$52/dmt on higher prices and a continued commitment to industry leading cost management through productivity and innovation.
- Underlying NPAT of US\$4.7 billion increased 49 per cent compared to FY19 and equates to a return on equity of 40 per cent. The earnings per share (EPS) was US\$1.54 (A\$2.29).

Operating metrics	FY20	FY19	Change (%)
Ore mined (m wmt)	204.3	206.7	(1)
Ore processed (m wmt)	176.3	176.9	0
Ore shipped (m wmt)	178.2	167.7	6
Ore sold <sup>1</sup> (m wmt)	177.2	167.5	6
Realised price (US\$/dmt)	78.62	65.06	21
C1 cost (US\$/wmt)	12.94	13.11	(1)

<sup>1</sup> Timing differences may occur between ore shipped and sold as FMG Trading Shanghai Co. Ltd maintains inventory at Chinese ports.

<b>Earnings</b>	<b>FY20</b>	<b>FY19</b>	<b>Change (%)</b>
Revenue (US\$ million)	12,820	9,965	29
<b>Underlying EBITDA (US\$ million)</b>	<b>8,375</b>	<b>6,047</b>	<b>38</b>
Underlying EBITDA margin (%)	65	61	8
Reported NPAT (US\$ million)	4,735	3,187	49
<b>Underlying NPAT (US\$ million)</b>	<b>4,746</b>	<b>3,187</b>	<b>49</b>
Basic EPS (US cents)	154	103	49
Basic EPS (AUD cents)	229	144	59
Fully franked dividend (AUD cents)	176	114	54

## Balance sheet and cashflow

- 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.
- Cash on hand was US\$4.9 billion at 30 June 2020, and gross debt was US\$5.1 billion following the drawdown of the US\$1.0 billion Revolving Credit Facility (RCF) in April 2020. The RCF was subsequently repaid in July 2020.
- Net debt at 30 June 2020 was US\$258 million, US\$1.8 billion lower than net debt of US\$2.1 billion at 30 June 2019. Credit metrics remain strong, with gross debt to EBITDA of 0.6 times and net debt to EBITDA of less than 0.1 times.
- Fortescue continued to generate strong underlying cashflows during the year. Net cash from operating activities of US\$6.4 billion was 47 per cent higher than the prior year, primarily as a result of the increase in underlying EBITDA. The free cashflow available for dividends and debt was US\$4.4 billion.
- Total capital expenditure in FY20 was US\$2.0 billion, comprising US\$690 million in sustaining capital, US\$389 million in development capital, US\$116 million in exploration and studies and US\$771 million in major projects (Eliwana, Iron Bridge and Energy).

<b>Financial position (US\$ million)</b>	<b>FY20</b>	<b>FY19</b>	<b>Change (%)</b>
Borrowings	4,234	3,379	25
Finance lease liabilities	879	573	53
<b>Total debt</b>	<b>5,113</b>	<b>3,952</b>	<b>29</b>
Cash and cash equivalents	4,855	1,874	159
<b>Net debt</b>	<b>258</b>	<b>2,078</b>	<b>(88)</b>
Equity	13,244	10,601	25
<b>Cashflow (US\$ million)</b>			
Cashflow from operating activities	6,415	4,373	47
Capital expenditure	(1,966)	(1,045)	88
<b>Free cashflow</b>	<b>4,449</b>	<b>3,328</b>	<b>34</b>

## Dividend

- The Board has declared a fully franked final dividend of A\$1.00 per share. The ex-dividend date is 31 August 2020, and the dividend will be paid to shareholders on 2 October 2020.
- Inclusive of the interim dividend of A\$0.76 per share, total dividends declared in FY20 of A\$1.76 per share is an increase of 54 per cent over FY19. This represents a 77 per cent payout ratio of FY20 NPAT, consistent with Fortescue's dividend policy of a payout ratio of 50 to 80 per cent of full year NPAT.

Dividend summary	FY20	FY19	Change (%)
Underlying NPAT (US\$ million)	4,746	3,187	49
Earnings per share (US cents)	154	103	49
Earnings per share (AUD cents)	229	144	59
Interim dividend (AUD cents)	76	30 <sup>1</sup>	153
Final dividend (AUD cents)	100	84 <sup>1</sup>	19
<b>Total dividend (AUD cents)</b>	<b>176</b>	<b>114</b>	<b>54</b>
Dividend payout ratio (%)	77	78	-

<sup>1</sup> Includes a special interim dividend and accelerated final dividend declared in FY19.

## FY21 guidance

- Iron ore shipments of 175 - 180mt
- C1 costs of US\$13.00 - US\$13.50/wmt, based on an assumed exchange rate of AUD:USD 0.70
- Capital expenditure of US\$3.0 - US\$3.4 billion, which is inclusive of:
  - US\$1.0 billion of sustaining, operational and hub development capital
  - US\$140 million of exploration expenditure and studies
  - US\$1.9 - US\$2.3 billion for major projects (Eliwana, Iron Bridge and Energy).

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## Reporting calendar

Event	Date
September Quarterly Production Report	29 October 2020
Annual General Meeting	11 November 2020
December Quarterly Production Report	28 January 2021
1H FY21 Results	17 February 2021

## Appendix

### Glossary

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)	FY20	FY19
Operating sales revenue	12,820	9,965
Cost of sales excluding depreciation and amortisation	(4,359)	(3,931)
Net foreign exchange gain	52	110
Administration expenses	(114)	(95)
Other income/(expenses)	(24)	(2)
<b>Underlying EBITDA</b>	<b>8,375</b>	<b>6,047</b>
Finance Income	50	26
Finance expenses	(272)	(279)
Depreciation and amortisation	(1,400)	(1,196)
Exploration, development and other expenses	(63)	(29)
<b>Net profit before tax</b>	<b>6,690</b>	<b>4,569</b>
Income tax expense	(1,955)	(1,382)
NPAT	4,735	3,187
Cost of early debt repayment after tax	11	0
<b>Underlying NPAT</b>	<b>4,746</b>	<b>3,187</b>

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