

APPENDIX 4D

Fortescue Metals Group Ltd



ABN: 57 002 594 872

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

This information should be read in conjunction with Fortescue's Financial Report for the half year ended 31 December 2022.

Results for announcement to the market

		US\$ million
Revenue from ordinary activities	decreased 4% to	7,835
Profit from ordinary activities after tax attributable to members	decreased 15% to	2,368
Net profit for the half year attributable to members	decreased 15% to	2,368

Dividends	Amount per security	Franked amount per security
Interim dividend declared for the half year ended 31 December 2022	A\$0.75	A\$0.75
Interim dividend declared for the previous corresponding period	A\$0.86	A\$0.86
Ex-dividend date of interim dividend		27 February 2023
Record date of interim dividend		28 February 2023
Payment date of interim dividend		29 March 2023

Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan (the Plan) which allows eligible shareholders to elect to invest dividends in ordinary shares which rank equally with the ordinary shares of the Company. The allocation of price for shares under the Plan will be calculated as the average of the daily volume weighted average market price of all Fortescue shares traded on the Australian Securities Exchange during the period of 5 trading days commencing on 2 March 2023.

The last date for receipt of applications to participate in or to cease or vary participation in the Plan is by 5:00pm (AEST) on 1 March 2023. The Directors have determined that no discount shall apply to the allocation price and the Plan will not be underwritten. Shares to be allocated under the Plan will be acquired on market and transferred to participants on 29 March 2023. A broker will be engaged to assist in this process.

A copy of the Plan Rules is available at www.fmgil.com.au/investors.

Net tangible asset backing

Net tangible asset backing per ordinary share: US\$5.47 (previous corresponding period: US\$5.12).

Previous corresponding period

The previous corresponding period is the half year ended 31 December 2021.

Commentary on results for the period

A commentary on the results for the period is contained within the half year presentation and the financial statements that accompany this announcement.

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For the half year ended
31 December 2022

HALF YEAR REPORT

Fortescue Metals Group Ltd

ABN 57 002 594 872

OUR VALUES

SAFETY

FAMILY

EMPOWERMENT

FRUGALITY

STRETCH TARGETS

INTEGRITY

ENTHUSIASM

**COURAGE AND
DETERMINATION**

GENERATING IDEAS

HUMILITY

Fortescue's unique Values drive our performance in a way that sets us apart from others

Culture

Fortescue is a values-based business with a strong, differentiated culture. We believe that by leveraging the unique culture of our greatest asset, our people, we will achieve our stretch targets



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FINANCIAL RESULTS FOR HALF YEAR ENDED 31 DECEMBER 2022



DIRECTORS' REPORT

GOVERNANCE

Your Directors present this report on Fortescue Metals Group Ltd for the half year ended 31 December 2022.

The Directors of the Company in office during the half year and until the date of this report are as follows.

NON-EXECUTIVE

Mark Barnaba AM – Deputy Chair and Lead Independent Director

Lord Sebastian Coe CH, KBE

Jennifer Morris OAM

Dr Jean Baderschneider

Penny Bingham-Hall

Dr Ya-Qin Zhang (resigned November 2022)

Li Yifei (appointed August 2022)

Elizabeth Gaines (appointed February 2013)¹

¹Elizabeth Gaines has served on Fortescue's Board of Directors since February 2013, when she was first appointed as a non-executive director. She served as Chief Financial Officer from February 2017 to February 2018, and Chief Executive Officer from February 2018 to August 2022.

EXECUTIVE

Dr Andrew Forrest AO – Executive Chairman

Directors were in office for the entire period unless otherwise stated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 35, and forms part of this report.

Rounding of amounts

All amounts in this report have been rounded to the nearest million dollars, except as indicated, in accordance with the Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191.

Subsequent events

On 15 February 2023, Fortescue declared a fully franked interim dividend of 75 Australian cents per share, payable in March 2023.

This report is made in accordance with a resolution of the Directors.

Dr Andrew Forrest AO
Executive Chairman

Dated in Perth on this 15th day of February 2023.

KEY PERFORMANCE INDICATORS

ABOUT FORTESCUE

Building on our foundations as one of the world's largest producers of iron ore, Fortescue is transitioning into a global green energy, metals and products company.

Fortescue is one of the world's lowest cost iron ore producers, shipping at an annual rate nearing 200 million tonnes. Through our major growth project Iron Bridge and our interest in the Belinga Iron Ore Project in Gabon, we are investing in the growth of our iron ore business while also taking a global leadership position to step beyond fossil fuels and encourage others in heavy industry to follow.

Through our decarbonisation roadmap, we are working to eliminate the use of fossil fuels and achieve real zero emissions (Scope 1 and 2) across our iron ore operations by 2030. We aim to demonstrate that heavy industry can decarbonise, profitably.

Key to this strategy is Fortescue Future Industries (FFI). The FFI team is creating the green energy and technology solutions to decarbonise our metals operations and to enable hard-to-abate sectors across the globe to follow.

Building on Fortescue's reputation for capital discipline, operational excellence and developing infrastructure and mining assets, FFI is building a global portfolio of renewable energy projects and is fast becoming one of the world's leading developers of green hydrogen.

We have made substantial progress in our transition as a business in the first half of FY23.

As a values-based business which celebrates diversity and inclusiveness, globally we are empowering thriving communities and delivering positive social and economic benefits through training, employment and business development opportunities, including for our First Nations employees and partners.

SUSTAINABILITY

Over the half year, Fortescue was consistently recognised for our sustainability performance through independent environmental, social and governance (ESG) ratings, global index inclusions and awards.

Fortescue is a 2022 member of the Australian, Asia Pacific and World Dow Jones Sustainability Indices and we maintained our industry-leading AA rating in the MSCI ESG Ratings announced in December 2022.

Fortescue is a member of the S&P Global Sustainability Yearbook 2023, achieving a top five per cent ESG score in our industry group and is an industry top rated company in Sustainalytics 2023 ESG ratings.

A summary of our key sustainability commitments and performance during the half year follows.

Safety

The health, safety and wellbeing of the Fortescue family is our number one priority and our focus remains on ensuring everyone goes home safely after every shift. Each day, everyone at Fortescue is empowered to take control and look out for their mates and themselves.

We are committed to providing a safe working environment for all employees and contractors as we strive to become a global leader in safety.

Fortescue Metals' rolling 12-month Total Recordable Injury Frequency Rate (TRIFR) is 1.8 at 31 December 2022.

Safety excellence and culture

As per our embodiment of the Fortescue Values of Safety and Family, Fortescue is committed to continuing to improve safety performance across the following areas:

- Strengthening safety leadership through specific action plans to address the priorities identified by the annual Company-wide Safety Excellence and Culture Survey.
- The continued reduction of workplace injury and fatality risk profile through frontline designed and implemented safety improvement opportunities.
- Taking a data driven approach to prioritise safety risks, using predictive analytics to focus and direct leaders time in field.
- Continuing to improve the physical and mental health of our people.

DIRECTORS' REPORT CONTINUED

Climate action

Fortescue acknowledges our role as a major carbon emitter and is committed to taking action to eliminate emissions and end our reliance on fossil fuels.

Fortescue has an industry leading position on reducing emissions by working to decarbonise our operations and to deliver low carbon solutions and green energy products to the world.

In September 2022, Fortescue updated our world leading heavy industry decarbonisation strategy, aiming to eliminate fossil fuel use and achieve real zero emissions (Scope 1 and 2) across our iron ore operations by 2030.

Our progress on decarbonisation during H1 FY23 is detailed under the 'Stepping beyond fossil fuels' section of this report.

We are actively reducing our use of carbon offsets to meet emissions reductions targets by developing and integrating the technologies and operational solutions we need to tangibly decarbonise our operations. We see offsets as a temporary solution only.

Diversity

We are committed to diversity and inclusion in all its forms, including a year on year increase across our measurable categories of diversity. Our diversity plan embodies our commitment to a workforce that reflects the communities in which we live, with a focus on the following areas:

- Females
- First Nations people
- Diversity of age
- LGBTQIA+
- Cultural backgrounds
- Differing abilities

Increasing our female employment rates remains a key priority. As at 31 December 2022, we employed 2,962 women, an increase of 11 per cent from 30 June 2022.

Our female employment rate remained steady at 23 per cent of total positions. Females also represent 24 per cent of leadership positions (manager roles and above) and 25 per cent of senior leadership roles (GM roles and above).

First Nations engagement

From the outset, Fortescue has been focused on practical initiatives that drive economic and employment opportunities for First Nations people.

We are proud to be one of Australia's largest employers of First Nations peoples. As at 31 December 2022, we employed 1,191 First Nations people, representing 10 per cent of the total workforce and 15 per cent of employees at our operational sites.

In October 2022, Fortescue's highly successful Vocational Training and Employment Centre program marked 15 years of operations, training and recruiting more than 1,000 First Nations people for full time jobs with us.

Our Billion Opportunities program forms a critical element of our approach to ensuring economic opportunity and growth for the First Nations people of the regions in which we operate.

In August 2022, the program surpassed A\$4 billion in contracts awarded to over 140 First Nations businesses since its inception in 2011.

In December 2022, Billion Opportunities was awarded the Aboriginal or Torres Strait Islander Empowerment Award at the 2022 AMEC Awards, in recognition of our commitment to providing long term, sustainable business development opportunities for First Nations businesses.

Our commitment to operating sustainably and responsibly is reflected in the way we approach managing our impacts to First Nations history and culture. We work in consultation with the First Nations people of the land where our projects are located to ensure sites of cultural significance are identified and understood, incorporating those considerations into our design and management processes.

As we expand our project footprint and operating areas, ongoing collaboration with First Nations groups is key to maintaining our license to operate. During 2022 we executed 10 new Heritage Agreements with First Nations groups in Australia, codifying the agreed standards for heritage protection in frontier project areas for renewables and mineral exploration. This expansion continues the Fortescue track record that has already been demonstrated across our pre-existing Heritage Agreements and seven Land Access Agreements.

DIRECTORS' REPORT CONTINUED

Human rights

We are committed to respecting and promoting the human rights of all people including our team, the communities in which we operate, those within our supply chains and those who may be impacted by our activities.

We oppose all forms of slavery in our operations and the operations of our suppliers. We are committed to identifying, assessing and mitigating human rights impacts, providing access to remedy through effective grievance mechanisms and continually strengthening our actions. We work in collaboration with our suppliers to eradicate modern slavery from our supply chain.

In December 2022 we released our fifth modern slavery statement, the third required under *Australia's Modern Slavery Act 2018* (Cth). Our FY22 Modern Slavery Statement is available on our website at www.fortescue.com.

Workplace Integrity Review

Sexual harassment has no place at Fortescue and we take our responsibility to provide a safe and respectful workplace for all our team members very seriously.

Fortescue has a strong culture built on integrity and respect and we are a business that remains true to our Values. Our Board and Executive have always been focused on providing a safe work environment based on diversity and inclusiveness and the issue of eliminating sexual harassment and preventing misconduct remains a priority.

We have robust processes for our people to raise concerns in a confidential and respectful manner and all reported cases are thoroughly investigated and, where substantiated, we take swift action to address any behaviour that is not acceptable to Fortescue or in the community.

As part of our zero-tolerance approach to harassment, bullying and intimidation of any kind, Fortescue remains committed to enhancing the safety and experience of everyone working across Fortescue through our ongoing Workplace Integrity Review (the Review).

During H1 FY23, we introduced additional training for Fortescue team members focused on modelling respectful behaviour in the workplace and how to raise concerns, with over 10,500 team members completing at least one of these additional training modules.

In addition, a Leader Call hosted by our Chief Operating Officer Iron Ore was held with all operational leaders reinforcing expectations around appropriate behaviour in the workplace and on the importance of ensuring psychosocial safety.

During the half year, we also held a second round of focus groups with direct employees and contractors across our workplaces to hear firsthand about how the Review was tracking and opportunities for positive change. The feedback from these sessions will also inform the next round of initiatives.

We have also engaged external specialists to deliver training to our Employee Relations and Fortescue People team members to further support employees who raise concerns and to improve our investigation frameworks.

Our contracting partners remain key in ensuring that our culture of integrity and respect is embedded across our operations and we have established regular meetings with key contractors to promote more effective partnerships in addressing inappropriate behaviour and investigating complaints.

Further information on the initiatives Fortescue has implemented as a result of the Review is detailed in our FY22 Sustainability Report, available on our website www.fortescue.com.

OPERATIONS

Record shipping and production output reflect optimisation and consistency across Fortescue's value chain.

Production and shipments on a wet metric tonne basis (wmt) for the half year are outlined below.

6 months to 31 December (million tonnes)	31 December 2022	31 December 2021	Movement %
Overburden removed	161.0	179.0	(10)
Ore mined	114.8	118.0	(3)
Ore processed	98.0	97.6	0
Shipments	96.9	93.1	4
Ore sold	96.9	92.1	5

DIRECTORS' REPORT CONTINUED

Fortescue achieved record half year shipments of 96.9Mt through consistent performance from existing operations achieving their planned production output.

Ore mined reduced in H1 FY23 to 114.8Mt (H1 FY22 118.0Mt) reflecting stable and consistent mining production combined with inventory capacity within the value chain. Strip ratio for H1 FY23 of 1.4x is below H1 FY22 reflecting the sequence of ore and waste mining consistent with the life of mine and operations plan (H1 FY22: 1.5x).

Ore processed was a first half record at 98.0Mt. This achievement reflects consistent performance and reliability through existing Ore Processing Facilities.

Fortescue achieved record first half shipments of 96.9Mt, 3.8Mt above the previous record set in H1 FY22. Shipping performance reflects stable and consistent performance from all operations achieving planned production output combined with leveraging available inventory within the value chain.

Sales via Fortescue's wholly owned Chinese sales entity, FMG Trading Shanghai continued to increase with 9.3Mt sold in H1 FY23 (H1 FY22: 8.8Mt sold). This entity allows Fortescue to improve iron ore sales channels through the direct supply of products to Chinese customers in smaller volumes, in Renminbi, directly from regional ports. The difference between ore shipped and ore sold represents unsold stocks held by this entity at regional ports in China.

Stepping beyond fossil fuels

In September 2022, Fortescue updated our heavy industry decarbonisation strategy, aiming to eliminate fossil fuel use and achieve real zero emissions (Scope 1 and 2) across our iron ore operations by 2030.

Consistent with our disciplined approach to capital allocation, Fortescue's US\$6.2 billion investment in our decarbonisation roadmap is expected to generate attractive economic returns for our shareholders, reducing operating costs by an estimated US\$818 million per annum by 2030, while future proofing our business against carbon regulatory risk.

The investment will include the deployment of an additional 2-3 GW of renewable energy generation and battery storage, in addition to the estimated incremental costs associated with green mining fleet and locomotives.

Fortescue remains committed to our stated intent to achieve net zero Scope 3 emissions by 2040 (announced in October 2021), addressing emissions across our entire global value chain, including crude steel manufacturing which accounts for 98 per cent of our Scope 3 emissions.

Fortescue is making significant progress on our decarbonisation initiatives, enabled through our 100 per cent renewable green energy and green technology company FFI and battery design and energy management system company WAE Technologies (WAE) in the United Kingdom.

The delivery against Fortescue's plan to step beyond fossil fuels is on schedule, with key milestones achieved during H1 FY23 including:

- Delivery of first prototype green ammonia locomotive to Port Hedland to undergo further testing before being deployed in Fortescue's rail operations.
- Commissioning of the network-connected battery energy storage system (42MW) by Hybrid Systems Australia.
- Commencement of the next tranche of solar PV, transmission infrastructure and large-scale battery storage as part of the Pilbara Energy Connect (PEC) program of works.
- In January 2023, the arrival of Australia's first prototype battery system from WAE for integration into Fortescue's zero emission battery electric haul truck.

This builds on the strong progress that has already been made to decarbonise our iron ore operations:

- Chichester Solar Gas Hybrid Project which displaces 100 million litres of diesel per annum.
- Investment in PEC Program, together with the Chichester Solar Gas Hybrid Project, is estimated to provide 25 per cent of stationary day time energy across our mining operations through solar power.
- Partnering with Liebherr for the development and supply of green mining haul trucks.
- Research and development of the world's first regenerating battery electric Infinity Train with WAE.

Key considerations for our pathway to decarbonise include technology and development, future equipment acquisition and potential regulatory changes. Future changes to Fortescue's decarbonisation strategy may impact key estimates and changes to asset carrying values.

DIRECTORS' REPORT CONTINUED

Other than Fortescue's targets, significant judgements and estimates are also impacted by the interplay of global forces such as policy trends and changes in technology. These are being considered and used as inputs to our planning cases and capital allocation decisions.

Marketing and product strategy

Fortescue's world class, integrated operations and customer-focused marketing strategy underpins our ongoing strong market penetration, with a product portfolio that meets customer requirements and maximises value.

While China remains Fortescue's core focus, representing more than 50 per cent of global steel production, we continue to explore sales to other important global markets.

Innovation and technology

Fortescue has led the way globally in embracing automation at its operations. Fortescue maintains its position as a leader in autonomous haulage, with 193 trucks operating across the Solomon and Chichester hubs.

The introduction of automation has not only contributed to a safer working environment for our team members, it has also underpinned significant productivity and efficiency improvements.

The Company continues to look for other opportunities for automation and artificial intelligence to drive greater efficiency across the business, including the use of data to predict outcomes and optimise performance, the expansion of autonomy to fixed plant and non-mining equipment and the application of relocatable conveyor technology.

MAJOR PROJECTS

Iron Bridge

The Iron Bridge Magnetite Project will deliver 22mt per annum of high grade, low impurity 67% Fe magnetite concentrate, with first production scheduled for the end of March 2023 quarter. The Iron Bridge Magnetite Project is an Unincorporated Joint Venture between FMG Magnetite Pty Ltd (69 per cent), and Formosa Steel IB Pty Ltd (31 per cent).

During the period, the project achieved key milestones, including:

- First ore into the processing plant on 31 October 2022.
- Continued commissioning of Dry Processing Line A equipment; and commenced energisation and commissioning activities in the Wet Plant.
- Completed the welding and burying of the entire raw water pipeline, together with the dry commissioning of eight of ten bores in the West Canning Basin Bore Field.
- Completed filling the raw water and process water ponds in preparation for commissioning and production.
- Continued construction of Dry Plant B module installation.
- In January 2023, commenced water commissioning of the Wet Plant in preparation for first concentrate.

Fortescue remains focused on maintaining the schedule in an uncertain global environment that includes managing risk from industry cost pressures, supply chain constraints and skilled labour shortages.

Energy

During H1 FY23, Fortescue continued the development and construction of energy infrastructure through the PEC program of works, which includes transmission infrastructure, hybrid solar gas generation and large scale battery storage.

PEC will enable the integration of Fortescue's stationary energy facilities in the Pilbara into an efficient network and support the addition of large scale renewable energy in the future.

During the period, the project achieved key milestones, including:

- The energisation of the 220 kilometre transmission line from Solomon to Iron Bridge, providing commissioning power to site from the existing Solomon Power Station.
- Commissioning of one of Australia's largest network-connected battery energy storage system (42MW) by Hybrid Systems Australia.
- Commencement of the next tranche of solar PV, transmission infrastructure and large-scale battery storage.

DIRECTORS' REPORT CONTINUED

EXPLORATION

Fortescue began as an exploration company and today our iron ore tenements remain key to maintaining mine life and sustaining product quality in our core iron ore business.

Fortescue holds the largest tenement portfolio in the Pilbara region of Western Australia. The resources in both the Western Hub and Eastern Hamersley include significant amounts of high iron content bedded iron ore, adding dry, low cost tonnes to Fortescue's product suite.

Iron ore exploration activity in the Pilbara during H1 FY23 included resource definition drilling in the Eastern Hamersley, with a focus on the program at Mindy South and Nyidinghu, along with regional exploration programs including Wyloo North in the Western Hub and White Knight which is located west of Cloudbreak.

In the critical minerals portfolio, Fortescue is ramping up exploration activities with a key focus on copper, rare earths and lithium.

Exploration activity on the Australian copper-gold portfolio included drilling programs which have been completed in the Mckay Range and Isdell projects in the Patterson Province of Western Australia. Early stage target generation activities were also completed across the South Australian and New South Wales projects while tenements for copper and lithium were pegged in Queensland.

International exploration activities included drilling programs in Argentina, Chile and Brazil, as well as exploration activities over several project areas including the Latin America region and Kazakhstan.

Belinga Iron Ore Project

During H1 FY23, activity at the Belinga Iron Ore Project (Belinga Project) in Gabon focused on geological mapping and sampling programs across the primary target areas, with the initial drilling program to define the multi billion tonne high grade target planned to commence in March 2023.

In February 2023, Fortescue signed the Mining Convention for the Belinga Project with the Gabonese Republic, facilitating first mining of ore in the second half of 2023.

The Convention governs all the legal, fiscal and regulatory regimes for the 4,500 square kilometres which comprises the Belinga Project, including early development for production of up to two million tonnes per annum, while studies advance potential designs of a large scale development.

The capital estimate for the early stage mining development is approximately US\$200 million (100 per cent basis) with investment over calendar years 2023-24. The development involves conventional open pit mining methods to produce the ore which will be trucked and railed over existing roads and rail infrastructure, and will be shipped from the Owendo Mineral Port, near Libreville.

FORTESCUE FUTURE INDUSTRIES

FFI is a global green energy company committed to producing zero-carbon green hydrogen from 100 per cent renewable sources.

Leading the green industrial revolution, FFI is developing technology solutions for hard-to-decarbonise industries and is a key enabler of the decarbonisation strategy for Fortescue's iron ore operations.

Working rapidly to build a global portfolio of renewable resources, FFI is driving the global establishment of a new market for green energy, green hydrogen and green ammonia, which will present a significant opportunity for our business to create value for our shareholders.

During H1 FY23, FFI has continued to advance its pipeline of green energy projects and green technologies. Key developments include:

- In September 2022, FFI announced a partnership with the U.S. Department of Energy's National Renewable Energy Lab (NREL). FFI expects to invest US\$80 million over 10 years in research projects with NREL. This followed FFI's announcement of its plans to expand in the U.S. through the establishment of a Technology Hub in the state of Colorado, which will develop green hydrogen and green energy innovations and technology, with a specific focus on decarbonising hard-to-abate industries.
- In October 2022, FFI announced a global strategic collaboration with energy infrastructure developer Tree Energy Solutions (TES) which aims to accelerate the development of a green hydrogen and green energy import facility in Germany. Through the agreement, FFI will invest €30 million (US\$28 million) to become a shareholder in Tree Energy Solutions B.V. and €100 million (US\$93 million) in the construction of the TES terminal in Wilhelmshaven, Germany.

DIRECTORS' REPORT CONTINUED

- In October 2022, FFI announced the commencement of the Front End Engineering Design (FEED) phase of the project to convert Incitec Pivot Limited's (IPL) Gibson Island ammonia facility to run on green hydrogen. FFI and IPL also executed a Framework Agreement to govern the project through to a Final Investment Decision. The proposed project could see the construction of a new ~500MW hydrogen electrolysis facility at the site to produce green hydrogen as well as the retrofitting of IPL's existing ammonia manufacturing facility to run on the green hydrogen produced onsite.
- In November 2022, FFI announced its investment in green hydrogen and renewable energy development company, Zhero. FFI has invested €17 million (US\$16 million), which will help Zhero to accelerate the development of its project pipeline, including opportunities in the U.S., Africa, the Middle East and Australia.
- In November 2022, FFI announced a partnership with Windlab to develop one of Queensland's largest ever renewable energy projects. The North Queensland Super Hub aims to generate more than 10GW of wind and solar power, which will provide the quantity of renewable energy needed to support large-scale green hydrogen production in Queensland. The first stage of the proposed project includes the 800MW Prairie Wind Farm and the 1GW Wongalee project and is currently in detailed planning, with land agreements in place and the application for development approval for Prairie Wind Farm planned for submission in the coming months.
- In November 2022, FFI signed a Framework Agreement with the Egyptian Government to conduct studies with a view to developing green hydrogen production in the Arab Republic of Egypt. The Agreement provides FFI access and exclusive land rights to study renewable energy resources in Egypt, which would include solar and wind.
- In November 2022, FFI signed a binding Framework Agreement with the Government of Kenya to work together to develop by 2025 a 300MW capacity green ammonia and green fertiliser generation facility. This aims to provide affordable green fertiliser to the domestic market and address food security, while also negating the need for importing equivalent amounts of fertiliser.
- At the B20 Summit in Bali, Indonesia in November 2022, FFI and PT Gunung Raja Paksi (GRP) signed a Memorandum of Understanding to investigate how green hydrogen and green ammonia supplied by FFI could be used to help decarbonise GRP's steelmaking factories.
- In December 2022, FFI and ATCO Australia unveiled Western Australia's first green hydrogen refuelling station. The H2 Refueller uses green hydrogen produced onsite at ATCO's facility, in the Perth metropolitan area, from renewable electricity through electrolysis. It will enable Fortescue, ATCO and third parties such as the WA Police to support their fleets of hydrogen fuel cell vehicles, with the capability to refuel a Toyota Mirai with green hydrogen in less than five minutes and supporting up to 500 kilometres of emissions-free travel.

During the half year ended 31 December 2022, FFI incurred operating expenses of US\$283 million (H1 FY22: US\$ 174 million), capital expenditure of US\$39 million (H1 FY22: US\$13 million) and investments of US\$23 million (H1 FY22 US\$49 million).

Within FFI's expenditure, a total of US\$68 million was incurred on behalf of Fortescue Metals for decarbonisation (H1 FY22: US\$40 million).

Fortescue's capital allocation framework allocates 10 per cent of NPAT to fund FFI. The support from FFI to decarbonise Fortescue's operations is funded separately by Fortescue. As at 31 December 2022, the allocated closing 10 per cent NPAT balance is US\$793 million.

Green steel

Enabled by FFI, we are advancing a range of technologies in collaboration with customers and technology providers that will allow us to produce green iron and steel at scale. We have already successfully produced smaller quantities of high purity green iron from Fortescue ores.

Key announcements during H1 FY23 include:

- Achieving progress towards green ironmaking with Fortescue, Primetals Technologies and Voestalpine to jointly scale a new green ironmaking process using hydrogen and Fortescue's Pilbara ores.
- Submission of a successful proposal to develop a Green Products Precinct at the Boodarie Strategic Industrial Area in Port Hedland and the Ashburton North Strategic Industrial Area near Onslow for potential green ammonia and green iron production.

DIRECTORS' REPORT CONTINUED

Green technology

Leveraging Fortescue's long history of adopting leading edge technology, FFI is setting the pace for innovation in the green energy space. FFI has a growing portfolio of technology assets which will eradicate fossil fuel use at our iron ore operations and create new revenue streams for our business.

This includes the investment into the construction of the Green Energy Manufacturing centre in Gladstone, Queensland for the manufacturing of electrolyzers with an initial output capacity of 2GW.

During H1 FY23, FFI and Siemens Energy announced the commencement of work on a new ammonia cracker prototype. Using FFI's Metal Membrane Technology, developed in partnership with the CSIRO, the cracker is part of the green hydrogen supply chain, with a focus on mobility and off-grid power applications.

WAE TECHNOLOGIES

Formerly Williams Advanced Engineering, WAE Technologies (WAE) is a technology and engineering services business, providing world class technical innovation, engineering, testing and manufacturing services to deliver energy efficient performance to customers.

Fortescue completed its acquisition of WAE in February 2022, providing our business with critical technology and expertise in high performance battery systems and electrification to power our mining and rail fleets.

WAE will be expanding its operations to a new facility in Kidlington in the United Kingdom, due to open in the first half of calendar year 2023 and creating up to 300 new jobs, with plans underway to open a pilot manufacturing and industrialisation facility that can produce up to 400MWh per year of battery modules and fully assembled power systems.

FINANCIAL RESULTS

Financial performance

During the half year ended 31 December 2022, Fortescue delivered a net profit after tax of US\$2,368 million and earnings per share of 77 US cents. Financial performance reflects record shipments of 96.9Mt combined with strong price realisation through the market cycle. Fortescue's integrated operations and marketing strategy and strong cost management to maximise margins have substantially mitigated inflationary pressures in labour, materials and energy markets, which remain a risk for the remainder of FY23. The strength of operating performance and a continued focus on productivity and efficiency has supported the continued EBITDA margin strength.

Key metrics	H1 FY23	H1 FY22
Revenue, US\$ millions	7,835	8,125
Underlying EBITDA ¹ , US\$ millions	4,352	4,762
Net profit after tax, US\$ millions	2,368	2,777
Earnings per share, US cents	77.0	90.3
Earnings per share, AUD cents	114.8	123.7
Average realised price, US\$/dmt	87	96
C1 costs, US\$/wmt	17.43	15.28
Underlying EBITDA margin US\$/dmt (excl FFI)	52	58
Key ratios		
Underlying EBITDA margin, %	56	59
Return on equity, %	35	58

¹ Refer to page 26 for the reconciliation of Underlying EBITDA to the financial metrics reported in the financial statements under Australian Accounting Standards.

DIRECTORS' REPORT
FINANCIAL RESULTS

Segment reporting

As a reflection of the increasing contribution of FFI to Fortescue's overall financial performance, further transparency is included in the notes to the financial statements on FFI's financial result as a segment of the Group. The operating segments are described below:

- Metals: Exploration, development, production, processing, sale and transportation of iron ore, and the exploration for other minerals.
- FFI: Undertaking activities in the development of green energy projects and technology in Australia and globally.

Corporate includes cash, debt and tax balances which are managed at a group level, together with other corporate activities. Corporate is not considered an operating segment and includes activities that are not allocated to other operating segments.

The consolidated, Metals and FFI results for the half year ended 31 December 2022 are provided below and further reported on page 26 in the financial report.

US\$m	Metals		FFI		Corporate		Consolidated	
	H1 FY23	H1 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22
Revenue	7,834	8,125	1	-	-	-	7,835	8,125
Total segment revenue	7,849	8,125	1	-	-	-	7,850	8,125
Inter-segment revenue	(15)	-	-	-	-	-	(15)	-
Underlying EBITDA	4,617	5,018	(302)	(174)	37	(82)	4,352	4,762

CONSOLIDATED PERFORMANCE

Revenue

	Note ¹	H1 FY23 US\$m	H1 FY22 US\$m
Total iron ore revenue, US\$ millions	3	7,022	7,036
Total shipping revenue, US\$ millions	3	715	1,063
Other revenue, US\$ millions	3	98	26
Operating sales revenue, US\$ millions		7,835	8,125
Shipments, million wmt		96.9	93.1
Ore sold, million wmt ²		96.9	92.1
Average 62% Fe CFR Platts index, US\$/dmt		101	136
Average realised price, US\$/dmt		87	96

¹ Notes to the accompanying financial statements.

² Our wholly owned trading entity maintains some inventory at Chinese ports and ore sold versus shipments reflects the timing differences that may occur between shipments and sales to external customers.

Fortescue's record shipments for the half year ended 31 December 2022 were 3.8Mt above H1 FY22 at 96.9Mt (H1 FY22: 93.1Mt), and partially offset a nine per cent reduction in price realisation to US\$87/dry metric tonne (dmt) (H1 FY22: US\$96/dmt). The Platts 62% CFR Index averaged US\$101/dmt in H1 FY23 which is a decrease of 26 per cent over the prior half year (H1 FY22: US\$136/dmt).

DIRECTORS' REPORT

FINANCIAL RESULTS

The factors influencing realised prices in H1 FY23 include:

- Strong demand for Fortescue products, despite market volatility, with inventory levels at ports in China remaining low throughout H1 FY23.
- Robust steel production in China despite COVID-19 restrictions disrupting China's downstream steel demand, specifically in the property sector, and a weakening global economic outlook.
- Reduced scrap availability and high scrap prices in China, underpinning strong demand for iron ore.
- Low steel margins in China which supported demand for Fortescue products from steelmakers.
- Increased Government policy support in China intended to stabilise the property sector, and support economic growth in CY22 and CY23.

Production costs

The reconciliation of C1 costs and total delivered costs to customers to the financial metrics reported in the financial statements under Australian Accounting Standards is set out below.

	Note ¹	H1 FY23	H1 FY22
Mining and processing costs, US\$ millions	3	1,428	1,182
Rail costs, US\$ millions	3	137	116
Port costs, US\$ millions	3	125	109
C1 costs, US\$ million		1,690	1,407
Ore sold, million wmt		96.9	92.1
C1 costs, US\$/wmt		17.43	15.28
Shipping costs, US\$ millions	3	792	1,086
Government royalty ² , US\$ millions	3	548	541
Administration expenses, US\$ millions	3	140	139
Shipping, royalty and administration, US\$ millions		1,480	1,766
Ore sold, million wmt		96.9	92.1
Shipping, royalty and administration, US\$/wmt		15	19
Total delivered cost, US\$/wmt		33	34
Total delivered cost, US\$/dmt		36	37

¹ Notes to the accompanying financial statements.

² Fortescue pays 7.5 per cent government royalty for the majority of its iron ore products, with a concession rate of five per cent applicable to beneficiated fines.

C1 costs averaged US\$17.43/wmt for the half year, 14 per cent higher compared to the prior comparable period. The increase in C1 costs reflects market inflationary pressures, including:

- Labour cost pressures reflecting significant demand for skilled labour across the resources industry.
- Increase in underlying base price of maintenance materials reflecting global supply chain constraints as production attempts to return to post COVID-19 levels.
- Increase in energy and fuels costs, particularly diesel with Brent Crude Futures increasing from an average of US\$76/barrel in H1 FY22 to US\$93/barrel in H1 FY23.

Other factors influencing C1 cost performance were movements in exchange rates, with the AUD to USD averaging 0.67 in H1 FY23 compared to 0.73 in H1 FY22. Strip ratio reduced to 1.4x in H1 FY23 from 1.5x H1 FY22. Total delivered costs was further impacted by a 37 per cent decrease in the shipping index.

Fortescue has continued to focus on cost management whilst optimising margin. Inflationary pressures remain a risk. Fortescue has actively managed cost increases through the cycle whilst also utilising the capacity in the value chain to generate record shipments, aligning with Fortescue's integrated operating and marketing strategy focusing on maximising margins and EBITDA throughout the market cycle.

DIRECTORS' REPORT
FINANCIAL RESULTS

Underlying EBITDA

Underlying EBITDA, defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses, is used as a key measure of the Company's financial performance. During H1 FY23, Fortescue's operations generated Underlying EBITDA of US\$4,352 million (H1 FY22: US\$4,762 million), including US\$283 million of operating expenses incurred by FFI (H1 FY22: US\$174 million). The reconciliation of Underlying EBITDA to the financial metrics reported in the financial statements under Australian Accounting Standards is presented below.

	Note ¹	H1 FY23 US\$m	H1 FY22 US\$m
Operating sales revenue	3	7,835	8,125
Cost of sales excluding depreciation and amortisation	3	(3,110)	(3,052)
Net foreign exchange gain/(loss)	3	35	(13)
Administration expenditure	3	(140)	(139)
Research expenditure	3	(280)	(160)
Other income	3	16	1
Share of loss from equity accounted investments		(4)	-
Underlying EBITDA		4,352	4,762
Finance income	3	61	6
Finance expenses	3	(116)	(82)
Depreciation and amortisation	3	(859)	(722)
Exploration, development and other expenses	3	(40)	(16)
Net profit before tax		3,398	3,948
Income tax expense		(1,030)	(1,171)
Net profit after tax		2,368	2,777
Cost of early debt repayment after tax		-	2
Underlying net profit after tax		2,368	2,779

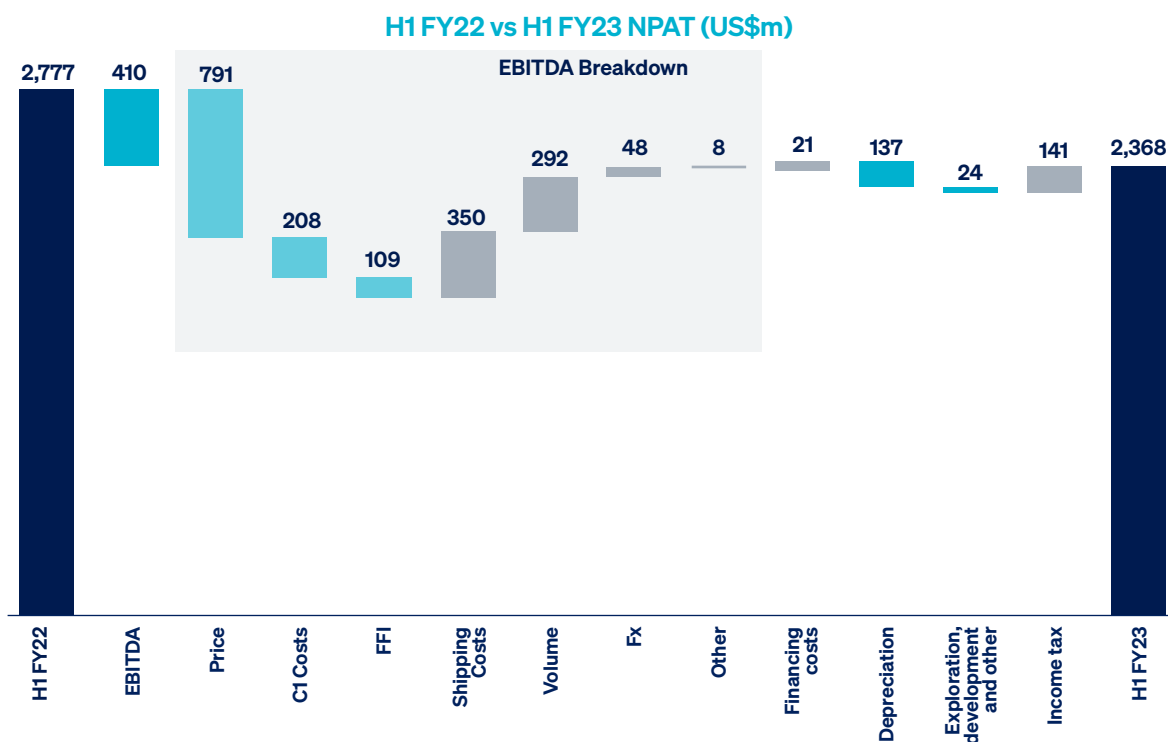
¹ Notes to the accompanying financial statements.

The key factors contributing to the nine per cent decrease in Underlying EBITDA from the prior period were:

- Nine per cent reduction in realised iron ore price to US\$87/dmt (H1 FY22: US\$96/dmt) reflecting reduction in the iron ore index.
- Five per cent increase in sales volumes from 92.1Mt in H1 FY22 to 96.9Mt in H1 FY23.
- 14 per cent increase in C1 cost to US\$17.43/wmt in H1 FY23 from US\$15.28/wmt in H1 FY22.
- Decrease in shipping costs to US\$792 million in H1 FY23 from US\$1,086 million in H1 FY22, reflecting movements in the shipping index.
- Increase in FFI expenditure to US\$283 million in H1 FY23 from US\$174 million in H1 FY22.

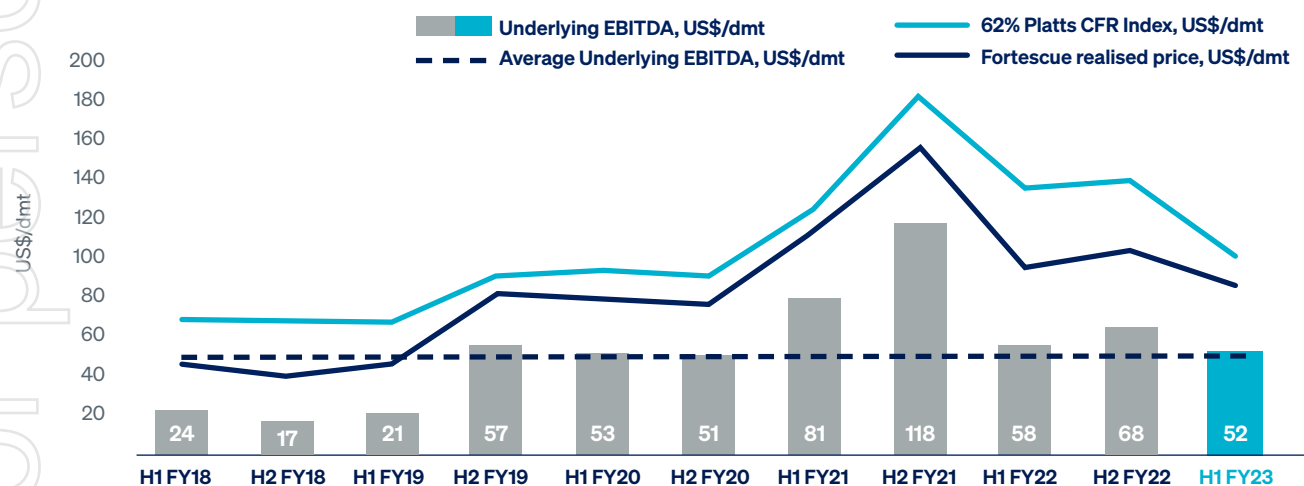
FFI expenses have increased by US\$109 million to US\$283 million in H1 FY23 (H1 FY22: US\$174 million) reflecting growth in FFI operations and resourcing. Within FFI's expenditure (expenses and capital) US\$68 million incurred on initiatives related to the decarbonisation of Fortescue's iron ore operations in H1 FY23 (H1 FY22: US\$40 million).

DIRECTORS' REPORT
FINANCIAL RESULTS



The Underlying EBITDA of US\$4.4 billion for H1 FY23 represents a margin of 56 per cent (59 per cent or US\$52/dmt excluding FFI). As illustrated in the chart below, Fortescue has been maintaining strong Underlying EBITDA margins through market cycles, demonstrating the commitment to and focus on productivity, efficiency and innovation.

Underlying EBITDA by period below (excl FFI)



Other income

Other income reflects fair value gains on foreign exchange derivatives combined with favourable foreign currency exchange movements.

Depreciation, interest and tax

Key non-operating matters forming part of the financial result include:

- Depreciation and amortisation of US\$859 million is up 19 per cent on the prior period (H1 FY22: US\$722 million) in line with the commissioning of assets and an increase in production compared to H1 FY22.
- Decrease in net finance expenses to \$55 million for H1 FY23 (US\$76 million in H1 FY22) reflects higher interest income on cash deposits and other financial instruments.
- Income tax expense for H1 FY23 of US\$1,030 million represents an effective tax rate of 30 per cent (H1 FY22: US\$1,171 million, effective tax rate of 30 per cent). Income tax expense has decreased in line with underlying financial performance.

Financial position and capital management

Key metrics	Note ¹	31 December 2022 US\$m	30 June 2022 US\$m
Borrowings	4	5,339	5,348
Lease liabilities	4	738	755
Total debt		6,077	6,103
Cash and cash equivalents		4,001	5,224
Net debt		2,076	879
Equity		17,129	17,345
Key ratios			
Gearing, %		26	26
Net gearing, %		11	5

¹Notes to the accompanying financial statements.

Debt and liquidity

Fortescue's balance sheet is structured on low cost, investment grade terms with optimal gearing and liquidity levels to support ongoing operations. The debt capital structure allows optionality and flexibility to fund future growth.

At 31 December 2022, Fortescue had US\$5,526 million of liquidity available including US\$4,001 million of cash on hand, US\$1,025 million available under the revolving credit facility and US\$500 million on the undrawn syndicated term loan. Total debt of US\$6,077 million, inclusive of US\$738 million of lease liabilities, represents gross gearing of 26 per cent.

Revolving credit facility

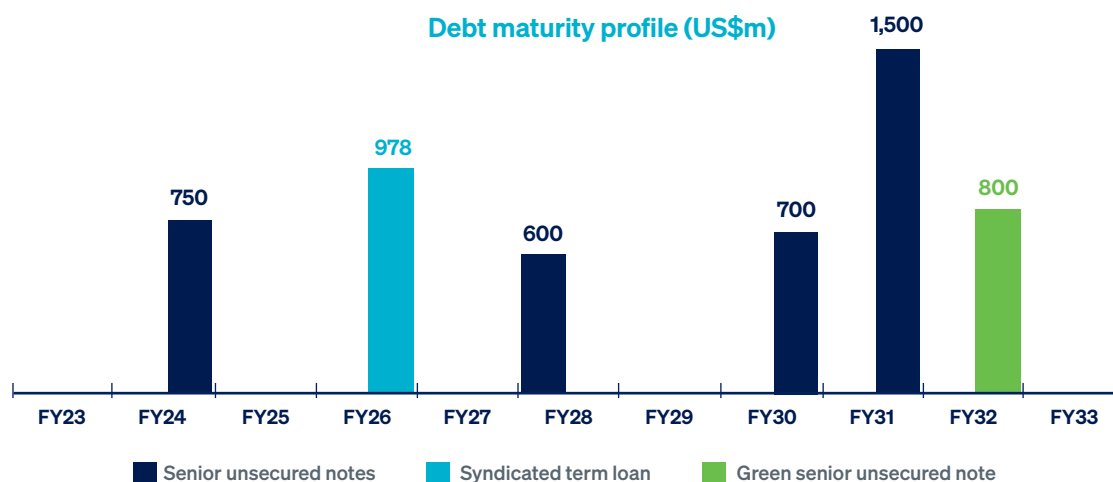
The revolving credit facility of US\$1,025 million remains undrawn at 31 December 2022. On 5 October 2022, the Company completed an amendment to the facility's reference rate, other repayment terms remained unchanged. The revolving credit facility was indexed to London Inter-Bank Offered Rate (LIBOR) and under the amendment the reference rate changed to the Secured Overnight Financing Rate (SOFR).

Syndicated term loans

An amendment and restatement of the existing syndicated term loan was completed on 5 October 2022. The amendment replaced the reference rate of LIBOR with the SOFR, other repayment terms remain unchanged.

An additional syndicated term loan facility was executed in December 2022 to the value of US\$500 million, being available to draw until December 2023. If drawn, interest would accrue based on a variable rate linked to SOFR plus a fixed margin, with the principal due at maturity date of June 2027. This syndicated term loan facility was undrawn as at 31 December 2022.

The Company's debt maturity profile at 31 December 2022, is set out in the table below. Fortescue has no financial maintenance covenants across all instruments.



DIRECTORS' REPORT
FINANCIAL RESULTS

Cash flows

	H1 FY23 US\$m	H1 FY22 US\$m
Cash flows		
Cash generated from operations	4,065	4,428
Net cash flows from operating activities	2,948	2,136
Capital expenditure (including joint operations) ¹	(1,381)	(1,488)
Free cash flow	1,567	648

¹ Capital expenditure comprises payment for property, plant and equipment and purchases of financial assets.

Cash generated from operations of US\$4,065 million was eight per cent lower than the prior period, largely as a result of lower Underlying EBITDA.

Net cash flows from operations include net interest payments of US\$111 million (H1 FY22: US\$100 million) and income tax paid of US\$1,006 million (H1 FY22: US\$2,192 million).

Capital expenditure including joint operations and FFI investments was US\$1,381 million for the half year (H1 FY22: US\$1,488 million) reflecting ongoing expenditure on growth projects including Iron Bridge.

Dividends and shareholder returns

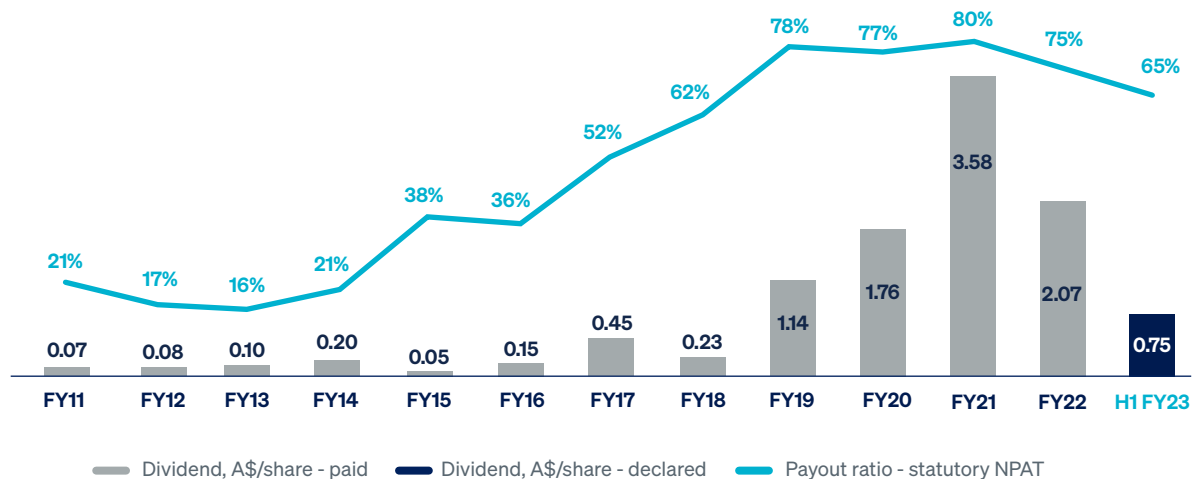
In September 2022, Fortescue paid a fully franked final dividend of 121 Australian cents per share for the financial year ended 30 June 2022.

For the half year ended 31 December 2022, Fortescue generated earnings of 77 US cents per share (H1 FY22: 90 US cents per share) and, subsequent to period end, declared an interim fully franked dividend of 75 Australian cents per share (H1 FY22 interim dividend of 86 Australian cents per share). The interim dividend for the current period represents a payout ratio of 65 per cent of net profit after tax, in line with the Company's policy of maintaining a payout ratio of between 50 and 80 per cent.

	H1 FY23	H1 FY22
Net profit after tax, US\$ millions	2,368	2,777
Basic earnings per share, US cents per share	77.0	90.3
Basic earnings per share, AUD cents per share ¹	114.8	123.7
Interim dividend, AUD cents per share	75	86
Dividend payout ratio, %	65	70

¹ Australian dollar earnings per share is calculated by translating the US dollar earnings per share at the average exchange rate for the period of AUD:USD 0.6708 (H1 FY22: AUD:USD 0.7319).

Dividends declared and payout ratios



Share buy-back scheme

In 2018, Fortescue announced the establishment of an on-market share buy-back program of up to A\$500 million which was extended in October 2020 for an unlimited duration. The maximum number of shares which can be bought back is determined periodically by the Company's 10/12 limit, being that a company cannot buy back more than 10 per cent of its voting shares within the span of any twelve month period.

Fortescue retains the option to undertake an on-market share buyback. During H1 FY23, Fortescue acquired none of its own shares on market under the share buy-back program.

FY23 guidance

- Iron ore shipments in the range of 187 - 192Mt
- C1 costs 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.

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For the half year ended
31 December 2022

FINANCIAL STATEMENTS

Fortescue Metals Group Ltd

ABN 57 002 594 872

CONSOLIDATED INCOME STATEMENT

For the half year ended 31 December 2022

	Note	31 December 2022 US\$m	31 December 2021 US\$m
Operating sales revenue	3	7,835	8,125
Cost of sales	3	(3,941)	(3,734)
Gross profit		3,894	4,391
Other income	3	51	1
Other expenses	3	(488)	(368)
Operating profit		3,457	4,024
Finance income	3	61	6
Finance expenses	3	(116)	(82)
Share of loss from equity accounted investments		(4)	-
Profit before tax		3,398	3,948
Income tax expense		(1,030)	(1,171)
Net profit after tax		2,368	2,777
Profit is attributable to:			
Equity holders of the Company		2,368	2,777
Net profit after tax		2,368	2,777

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 31 December 2022

	31 December 2022 US\$m	31 December 2021 US\$m
Net profit after tax	2,368	2,777
Other comprehensive income		
<i>Items that may be reclassified to profit or loss in subsequent periods, net of tax:</i>		
Exchange differences on translation of foreign operations	32	(6)
<i>Items that will not be reclassified to profit or loss in subsequent periods, net of tax:</i>		
Gain on investments taken to equity	-	2
Other comprehensive income / (loss), net of tax	32	(4)
Total comprehensive income for the period, net of tax	2,400	2,773
Total comprehensive income for the period attributable to:		
Equity holders of the Company	2,400	2,773
Total comprehensive income for the period, net of tax	2,400	2,773
	Cents	Cents
Earnings per share for profit attributable to the equity holders of the Company:		
Basic earnings per share	77.0	90.3
Diluted earnings per share	76.8	90.1

The above consolidated income statement and consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	31 December 2022 US\$m	30 June 2022 US\$m
ASSETS			
Current assets			
Cash and cash equivalents		4,001	5,224
Trade and other receivables		622	468
Inventories		1,186	1,084
Other current assets		117	123
Total current assets		5,926	6,899
Non-current assets			
Trade and other receivables		16	24
Inventories		525	469
Property, plant and equipment		21,127	20,650
Intangible assets		285	257
Investments accounted for using the equity method		66	70
Other non-current assets		29	6
Total non-current assets		22,048	21,476
Total assets		27,974	28,375
LIABILITIES			
Current liabilities			
Trade and other payables		1,393	1,564
Borrowings and lease liabilities	4	172	173
Provisions		323	396
Current tax payable		210	284
Total current liabilities		2,098	2,417
Non-current liabilities			
Trade and other payables		23	21
Borrowings and lease liabilities	4	5,905	5,930
Provisions		953	889
Deferred tax liabilities		1,866	1,773
Total non-current liabilities		8,747	8,613
Total liabilities		10,845	11,030
Net assets		17,129	17,345
EQUITY			
Contributed equity	5	1,044	1,053
Reserves		130	109
Retained earnings		15,952	16,175
Equity attributable to equity holders of the Company		17,126	17,337
Non-controlling interest		3	8
Total equity		17,129	17,345

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2022

	31 December 2022 US\$m	31 December 2021 US\$m
Cash flows from operating activities		
Cash receipts from customers	7,663	8,307
Payments to suppliers and employees	(3,598)	(3,879)
Cash generated from operations	4,065	4,428
Interest received	54	5
Interest paid	(165)	(105)
Income tax paid	(1,006)	(2,192)
Net cash inflow from operating activities	2,948	2,136
Cash flows from investing activities		
Payments for property, plant and equipment - Fortescue	(827)	(1,061)
Payments for property, plant and equipment - joint operations	(538)	(380)
Proceeds from disposal of plant and equipment	9	4
Receipt of contributions from non-controlling interest	3	-
Receipt of settlement of subsidiary purchase price	4	-
Loan to equity accounted investee	(1)	-
Purchase of financial asset	(16)	(47)
Net cash outflow from investing activities	(1,366)	(1,484)
Cash flows from financing activities		
Proceeds from borrowings	-	400
Repayment of borrowings	(10)	-
Repayment of lease liabilities	(60)	(66)
Finance costs paid	(13)	(11)
Dividends paid	(2,378)	(4,712)
Purchase of shares by employee share trust	(151)	(137)
Net cash outflow from financing activities	(2,612)	(4,526)
Net decrease in cash and cash equivalents	(1,030)	(3,874)
Cash and cash equivalents at the beginning of the period	5,224	6,930
Effects of exchange rate changes on cash and cash equivalents	(193)	(157)
Cash and cash equivalents at the end of the period	4,001	2,899

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2022

	Attributable to Equity Holders of the Company:				Non-controlling interest US\$m	Total equity US\$m
	Contributed equity US\$m	Reserves US\$m	Retained earnings US\$m	Total US\$m		
Balance at 1 July 2021	1,105	46	16,576	17,727	8	17,735
Net profit after tax	-	-	2,777	2,777	-	2,777
Other comprehensive loss	-	(4)	-	(4)	-	(4)
Total comprehensive income for the period, net of tax	-	(4)	2,777	2,773	-	2,773
Transactions with owners:						
Purchase of shares under employee share plans	(137)	-	-	(137)	-	(137)
Employee share awards vested	85	(85)	-	-	-	-
Equity settled share-based payment transactions	-	121	-	121	-	121
Dividends declared	-	-	(4,712)	(4,712)	-	(4,712)
Balance at 31 December 2021	1,053	78	14,641	15,772	8	15,780
Balance at 1 July 2022	1,053	109	16,175	17,337	8	17,345
Net profit after tax	-	-	2,368	2,368	-	2,368
Other comprehensive income	-	32	-	32	-	32
Total comprehensive income for the period, net of tax	-	32	2,368	2,400	-	2,400
Transactions with owners:						
Purchase of shares under employee share plans	(151)	-	-	(151)	-	(151)
Employee share awards vested	142	(142)	-	-	-	-
Equity settled share-based payment transactions	-	131	-	131	-	131
Acquisition of non-controlling interest	-	-	-	-	(8)	(8)
Contributions from non-controlling interests	-	-	-	-	3	3
Dividends declared	-	-	(2,591)	(2,591)	-	(2,591)
Balance at 31 December 2022	1,044	130	15,952	17,126	3	17,129

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

BASIS OF PREPARATION

1 Basis of preparation

The financial statements cover the consolidated group comprising of Fortescue Metals Group Ltd (the Company) and its subsidiaries, together referred to as Fortescue or the Group.

(a) Statement of compliance

These general purpose consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial report for the year ended 30 June 2022, and any public announcements made by the Company during the half year ended 31 December 2022 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

The financial statements were approved by the Board of Directors on 15 February 2023.

All amounts in the financial statements have been rounded to the nearest million dollars, except as indicated, in accordance with the ASIC Corporations Instrument 2016/191.

(b) Significant accounting policies

The accounting policies applied in these financial statements are consistent with those applied by the Group in the 30 June 2022 consolidated financial statements.

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for the 31 December 2022 interim reporting period and have not been applied in these financial statements. The Group is currently assessing the impact of these new standards and amendments on future financial statements.

FINANCIAL PERFORMANCE

2 Segment information

Fortescue's chief operating decision maker is identified as the Executive Chairman and its segments are identified based on the internal reports that are reviewed and used by the Executive Chairman in assessing performance and determining the allocation of resources. The following operating segments have been identified:

- **Metals:** Exploration, development, production, processing, sale and transportation of iron ore, and the exploration for other minerals.
- **Fortescue Future Industries (FFI):** Undertaking activities in the global development of green electricity, green hydrogen and green ammonia projects.

Corporate includes cash, debt and tax balances which are managed at a Group level, together with other corporate activities. Corporate is not considered to be an operating segment and includes activities that are not allocated to other operating segments.

Transfer prices between segments are set on an arm's length basis in a manner similar to transactions with third parties. Where segment revenue, expenses and results include transfers between segments, those transfers are eliminated on consolidation and are not considered material.

(a) Underlying EBITDA

Fortescue uses Underlying EBITDA defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses, as a key measure of its financial performance. The reconciliation of Underlying EBITDA to the net profit after tax is presented below. The segment information is prepared in conformity with the Group's accounting policies.

	Note	Metals		FFI		Corporate		Consolidated	
		December 2022 US\$m	December 2021 US\$m	December 2022 US\$m	December 2021 US\$m	December 2022 US\$m	December 2021 US\$m	December 2022 US\$m	December 2021 US\$m
Revenue from external customers	3	7,834	8,125	1	-	-	-	7,835	8,125
Total segment revenue		7,849	8,125	1	-	-	-	7,850	8,125
Inter-segment revenue		(15)	-	-	-	-	-	(15)	-
Underlying EBITDA		4,617	5,018	(302)	(174)	37	(82)	4,352	4,762
Depreciation and amortisation	3	(831)	(668)	(2)	(1)	(26)	(53)	(859)	(722)
Finance income	3							61	6
Finance expense	3							(116)	(82)
Exploration, development and other	3							(40)	(16)
Income tax expense								(1,030)	(1,171)
Net profit after tax								2,368	2,777

FINANCIAL PERFORMANCE (CONTINUED)

2 Segment information (continued)

(b) Segment assets

	Metals		FFI		Corporate		Consolidated	
	December 2022 US\$m	June 2022 US\$m	December 2022 US\$m	June 2022 US\$m	December 2022 US\$m	June 2022 US\$m	December 2022 US\$m	June 2022 US\$m
Segment assets	23,310	22,534	256	183	4,408	5,658	27,974	28,375

(c) Geographical information

Fortescue operates predominantly in the geographical location of Australia, and this is the location of the vast majority of the Group's assets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	31 December 2022 US\$m	31 December 2021 US\$m
Revenue from external customers		
China	7,014	7,099
Other	821	1,026
	7,835	8,125

(d) Major customer information

Revenue from two customers amounted to US\$833 million and US\$633 million for the half year ended 31 December 2022 (31 December 2021: US\$773 million and US\$634 million), arising from the sale of iron ore and the related shipment of product.

FINANCIAL PERFORMANCE (CONTINUED)

3 Revenue and expenses

	31 December 2022 US\$m	31 December 2021 US\$m
Iron ore revenue	7,109	8,390
Provisional pricing adjustments - iron ore	(87)	(1,354)
Total iron ore revenue¹	7,022	7,036
Shipping revenue	757	1,038
Provisional pricing adjustments - shipping revenue	(42)	25
Total shipping revenue¹	715	1,063
Other revenue ²	98	26
Operating sales revenue	7,835	8,125
Mining and processing costs	(1,428)	(1,182)
Rail costs	(137)	(116)
Port costs	(125)	(109)
Shipping costs	(792)	(1,086)
Government royalty	(548)	(541)
Depreciation and amortisation	(831)	(682)
Other operating expenses	(80)	(18)
Cost of sales	(3,941)	(3,734)
Net foreign exchange gain	35	-
Other	16	1
Other income	51	1
Administration expenses	(140)	(139)
Research expenditure	(280)	(160)
Exploration, development and other	(40)	(16)
Depreciation and amortisation	(28)	(40)
Net foreign exchange loss	-	(13)
Other expenses	(488)	(368)
Interest income	61	6
Finance income	61	6
Interest expense on borrowings and lease liabilities	(101)	(69)
Loss on early debt redemption	-	(3)
Other	(15)	(10)
Finance expense	(116)	(82)

¹ Certain sales contracts are provisionally priced at the initial revenue recognition (bill of lading) date, with the final settlement price based on a pre-determined quotation period. Operating sales revenue from these contracts comprise two parts:

- (i) Iron ore revenue and shipping revenue recognised at the bill of lading date at current prices; and
- (ii) Provisional pricing adjustments which represent any difference between the revenue recognised at the bill of lading date and the final settlement price.

Shipping revenue and the provisional pricing adjustments to shipping revenue are recognised over the period during which the shipping service has been provided.

² Other revenue includes towage services provided by Fortescue which is recognised as performed, and revenue from engineering services rendered, which is recognised on a percentage of completion basis.

CAPITAL MANAGEMENT

4 Borrowings and lease liabilities

	31 December 2022 US\$m	30 June 2022 US\$m
Senior unsecured notes	41	41
Green senior unsecured notes	14	15
Syndicated term loan	9	10
Lease liabilities	108	107
Total current borrowings and lease liabilities	172	173
Senior unsecured notes	3,522	3,519
Green senior unsecured notes	788	787
Syndicated term loan	965	976
Lease liabilities	630	648
Total non-current borrowings and lease liabilities	5,905	5,930
Total borrowings and lease liabilities	6,077	6,103

Fortescue's listed debt instruments are classified as level 1 financial instruments in the fair value hierarchy with their fair values based on quoted market prices at the end of the reporting period. The senior unsecured notes had a fair value of US\$3,239 million at 31 December 2022 (30 June 2022: US\$3,145 million) and the green senior unsecured notes a fair value of US\$753 million (30 June 2022: US\$730 million). The carrying values of other financial assets and liabilities approximate their fair values.

Revolving credit facility

On 5 October 2022, the Company completed an amendment to the facility's reference rate, other repayment terms remained unchanged. The revolving credit facility was indexed to LIBOR and under the amendment the reference rate changed to the Secured Overnight Financing Rate (SOFR). The revolving credit facility remained undrawn at 31 December 2022.

Syndicated term loans

An amendment and restatement of the existing syndicated term loan was completed on 5 October 2022. The amendment replaced the reference rate of LIBOR with the SOFR, other repayment terms remain unchanged.

An additional syndicated term loan facility was executed in December 2022 to the value of US\$500 million, being available to draw until December 2023. If drawn, interest would accrue based on a variable rate linked to SOFR plus a fixed margin, with the principal due at maturity date of June 2027. This syndicated term loan facility was undrawn as at 31 December 2022.

CAPITAL MANAGEMENT (CONTINUED)

5 Contributed equity

(a) Share capital

	Issued shares	Treasury shares	Contributed equity	Issued shares	Treasury shares	Contributed equity
	Number	Number	Number	US\$m	US\$m	US\$m
At 1 July 2021	3,078,964,918	(1,660,510)	3,077,304,408	1,195	(90)	1,105
Purchase of shares under employee share plans	-	(10,861,898)	(10,861,898)	-	(137)	(137)
Employee share awards vested	-	10,097,122	10,097,122	-	85	85
At 30 June 2022	3,078,964,918	(2,425,286)	3,076,539,632	1,195	(142)	1,053
Purchase of shares under employee share plans	-	(12,941,738)	(12,941,738)	-	(151)	(151)
Employee share awards vested	-	12,376,585	12,376,585	-	142	142
At 31 December 2022	3,078,964,918	(2,990,439)	3,075,974,479	1,195	(151)	1,044

(b) Issued shares

Issued shares are fully paid and entitle the holders to one vote per share and the rights to participate in dividends. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

(c) Treasury shares

Movements in treasury shares represent acquisition of the Company's shares on market and allocation of shares to the Company's employees from the vesting of awards and exercise of rights under the employee share-based payment plans.

(d) Share buy-back program

During the period, the Company acquired none of its own shares on market under the share buy-back program which was extended on 10 October 2020 for an unlimited duration. The maximum number of shares which can be bought back is determined periodically by the Company's 10/12 limit, being that a company cannot buy back more than 10 per cent of its voting shares within the span of any 12 month period.

CAPITAL MANAGEMENT (CONTINUED)

6 Dividends

(a) Dividends paid during the half year

	31 December 2022 US\$m	31 December 2021 US\$m
Final fully franked dividend for the year ended 30 June 2022: A\$1.21 per share (30 June 2021: A\$2.11 per share)	2,591	4,710

(b) Dividends declared and not recognised as a liability

	31 December 2022 US\$m	31 December 2021 US\$m
Interim fully franked dividend for the half year ended 31 December 2022: A\$0.75 per share (31 December 2021: A\$0.86 per share)	1,608	1,884

UNRECOGNISED ITEMS

7 Commitments and contingencies

(a) Capital commitments

At 31 December 2022, Fortescue had contractual commitments to capital expenditure of US\$1,038 million (30 June 2022: US\$965 million).

(b) Contingent assets and liabilities

On 26 August 2022, Fortescue joined the Native Title Compensation Claim proceedings brought by the Yindjibarndi Ngurra Aboriginal Corporation (YNAC) against the State of Western Australia in the Federal Court of Australia. There is no present indication of the quantum of compensation sought in the proceedings. Management will monitor the progress of these proceedings up until the release of the 31 December 2022 interim financial report.

Fortescue remains open to negotiating a Land Access Agreement to the benefit of all Yindjibarndi people on similar terms to the agreements it has in place with other native title groups in the region.

Fortescue had no material contingent assets or contingent liabilities at 31 December 2022 or at the date of this report. Fortescue occasionally receives claims arising from its activities in the normal course of business. It is expected that any liabilities arising from such claims would not have a material effect on the Group's operating results or financial position.

8 Subsequent events

On 15 February 2023, the Directors declared an interim fully franked dividend of 75 Australian cents per ordinary share payable in March 2023.

DIRECTORS' DECLARATION

DR ANDREW FORREST AO

In the Directors' opinion:

- (a) the interim financial statements and notes of Fortescue Metals Group Ltd set out on pages 21 to 31 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half year ended on that date;
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declaration by the Executive Chairman and the Chief Financial Officer delegate for the half year ended 31 December 2022 in accordance with the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

This declaration is made in accordance with a resolution of Directors.



Dr Andrew Forrest AO

Executive Chairman

Dated in Perth this 15th day of February 2023.



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Independent auditor's review report

To the members of Fortescue Metals Group Ltd

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Fortescue Metals Group Ltd (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement and statement of comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Fortescue Metals Group Ltd does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date
 2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
-

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

Chris Dodd
Partner

Perth
15 February 2023



Auditor's independence declaration

As lead auditor for the review of Fortescue Metals Group Ltd for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Fortescue Metals Group Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Dodd', is written over a faint circular watermark.

Chris Dodd
Partner
PricewaterhouseCoopers

Perth
15 February 2023

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Securities Exchange listings

Fortescue Metals Group Limited shares are listed on the Australian Securities Exchange (ASX)
ASX Code: FMG

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