

27 March 2018

The Companies Officer
Australian Securities Exchange Ltd
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000



Dear Madam or Sir

Iron ore price realisation guidance

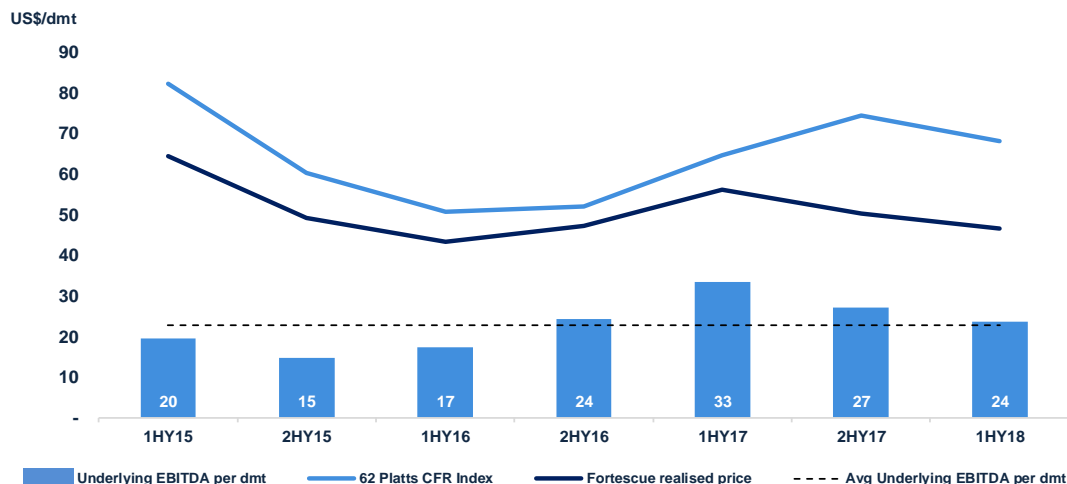
Fortescue Metals Group (ASX: FMG, Fortescue) has today amended its iron ore price guidance to reflect an expected contractual realisation of approximately 65 per cent of the average benchmark Platts 62 CFR index for the financial year ending 30 June 2018 (FY18).

The FY18 first half revenue realisation was 68 per cent of the average Platts 62 CFR Index. Full year revenue realisation remains subject to movements in the Platts 62 CFR index price and associated mark to market adjustments.

The updated guidance reflects a slower than anticipated recovery in contractual realisations due to Chinese construction activity remaining subdued, the extension of temporary production restrictions in certain Provinces in China as well as speculation regarding the potential impact of global trade tensions.

As market conditions stabilise, price realisation as a percentage of the Platts 62 CFR index is expected to increase. This view is supported by an expectation of strengthened demand for lower iron content ores as steel mill margins moderate and end users look to lower their raw material input costs.

Fortescue generated strong earnings in the first half of FY18 with an underlying EBITDA margin of US\$24/dmt. The chart below sets out underlying EBITDA margin per tonne, average actual received prices and the average benchmark 62% Platts CFR index from 1HY15 through to 31 December 2017.



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Fortescue's Chief Executive Officer, Ms Elizabeth Gaines said, "Fortescue's position as the lowest cost supplier of iron ore into China supports continued delivery of strong underlying earnings and cashflows as evidenced by the US\$1.8 billion of Underlying EBITDA and US\$1.4 billion of Cash from Operations generated in the first half of FY18."

Yours sincerely

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