



Ricardo Teles / Agência Vale

Vale's Performance in 2016

Rio de Janeiro, February 23rd, 2017



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Agenda

1. Vale's performance in 2016
2. Capital expenditures
3. Capital structure
4. Business segment performance

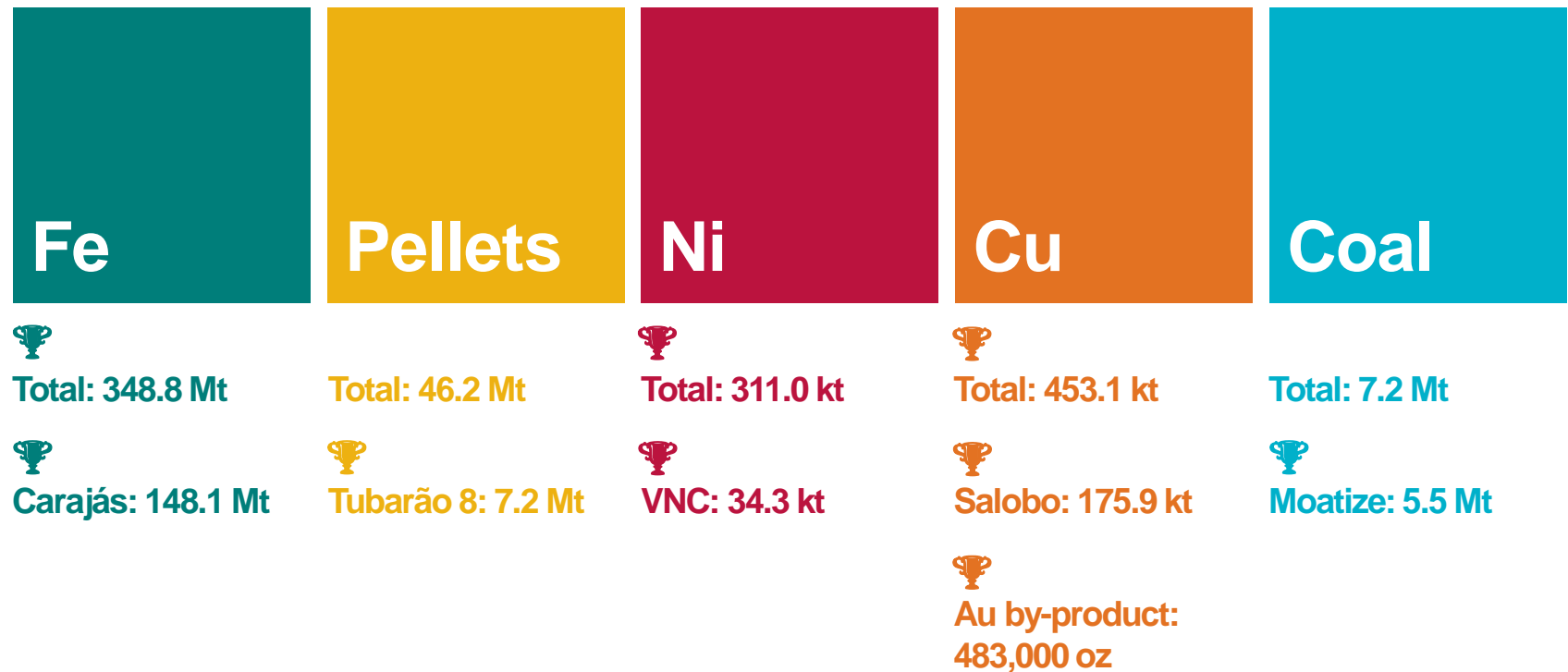


Vale's performance in 2016

Another year of sound operational performance

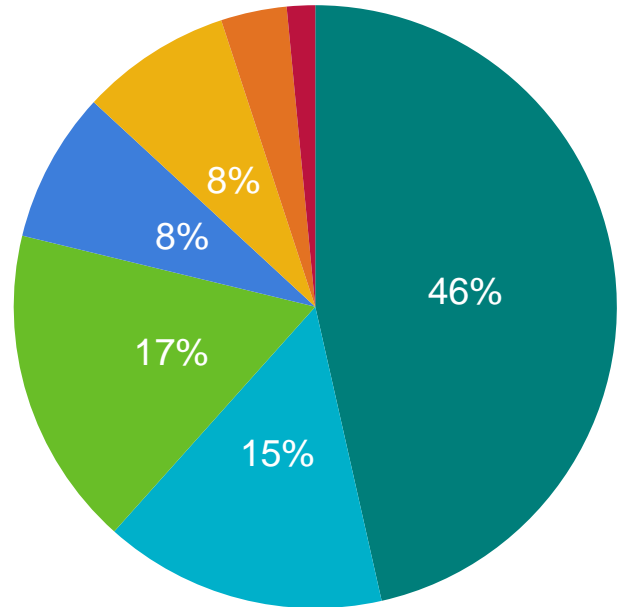
Production highlights 2016

 Annual record



Vale is one of the most diversified global player in sales

Net operating revenues by destination in 2016



Highlights 2016

Net operating revenues of US\$ 29.363 billion

61% sales to Asia

8% domestic sales in Brazil

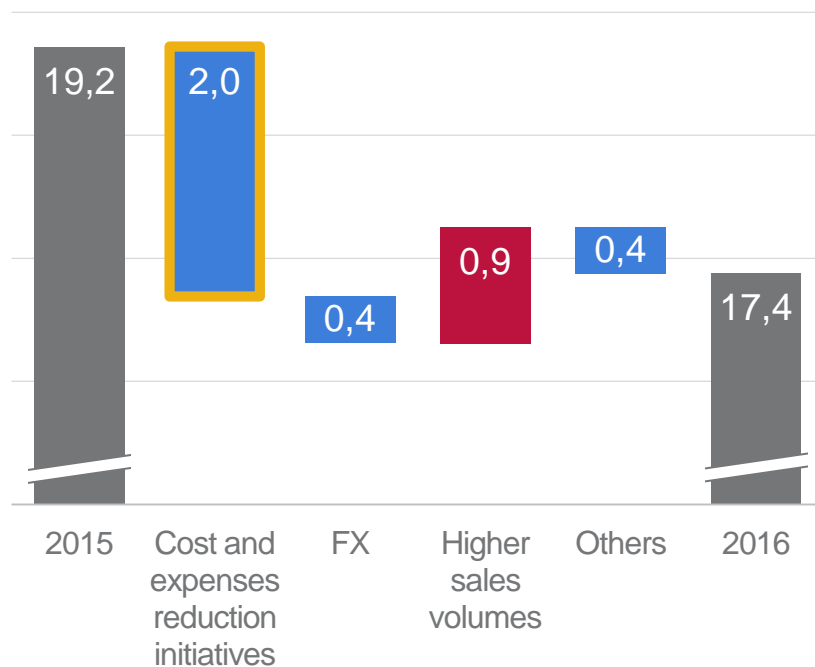
Ferrous Minerals accounted for 74% of revenues

Base Metals accounted for 22% of revenues

Focus on cost controls and operational efficiency is delivering results

Costs and expenses 2016 X 2015

US\$ billion



Highlights

Total costs and expenses **reduced by US\$ 1.841 billion** in 2016

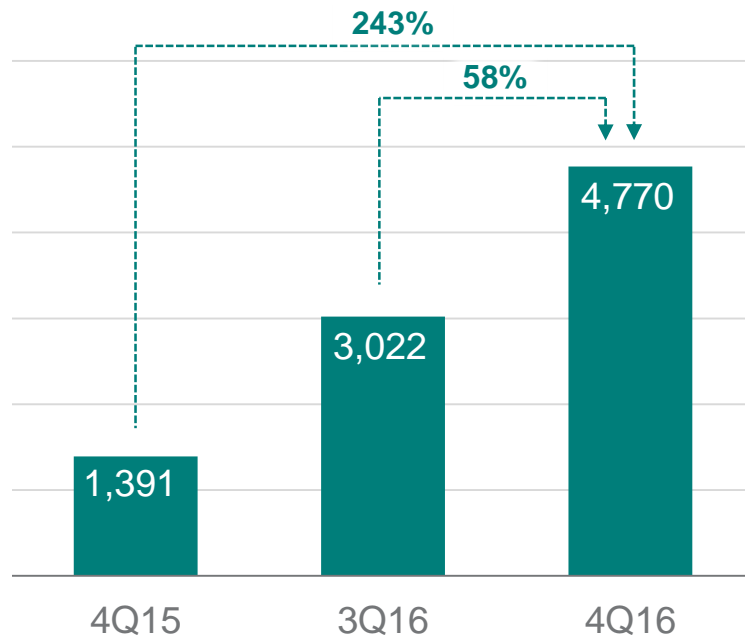
A **leaner and simpler** structure set to **reduce overlaps** among departments and businesses

Cost and expenses reduction initiatives amounted to **US\$ 2.010 billion** in 2016

Cost cutting in iron ore has been driven by **operational efficiency**, with iron ore C1 Cash Cost + Expenses per ton decreasing **from BRL 60.1/t** in 2015 **to BRL 54.7/t** in 2016

Significant EBITDA increase due to overall strong performance

EBITDA, q-o-q
US\$ billion



Highlights 4Q16

EBITDA **increased 243%** vs. 4Q15 and 58% vs. 3Q16

Ferrous Minerals **increased US\$ 1.616 billion** vs. 3Q16

Base Metals **increased US\$ 93 million** vs. 3Q16¹

Coal **increased US\$ 163 million** vs. 3Q16

¹ Excluding the effect of the goldstream transaction in 3Q16.

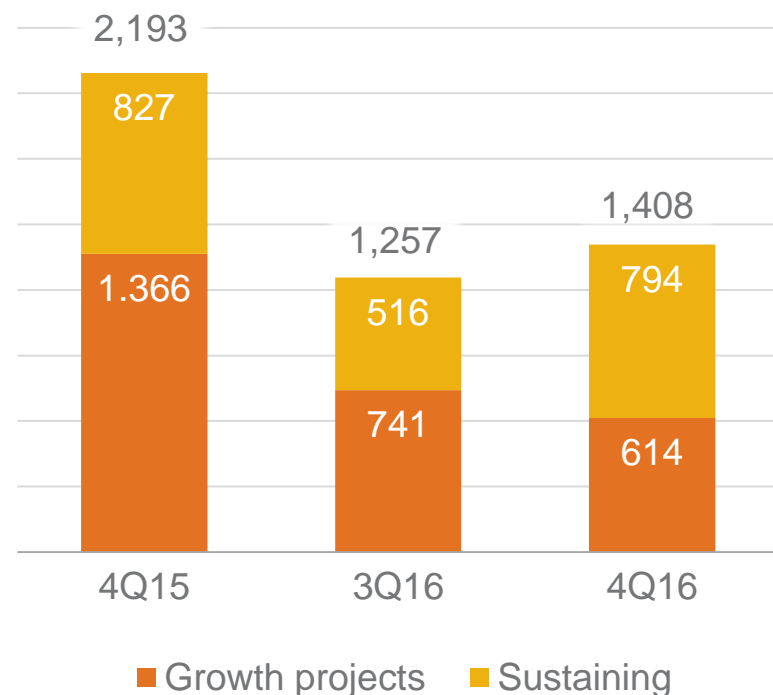
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Capital expenditures

Vale investment cycle: new projects coming on line; capex going down

Project and sustaining capex

US\$ million



Highlights 4Q16

Total capex was US\$ 1.408 billion in 4Q16, decreasing US\$ 785 million vs. 4Q15

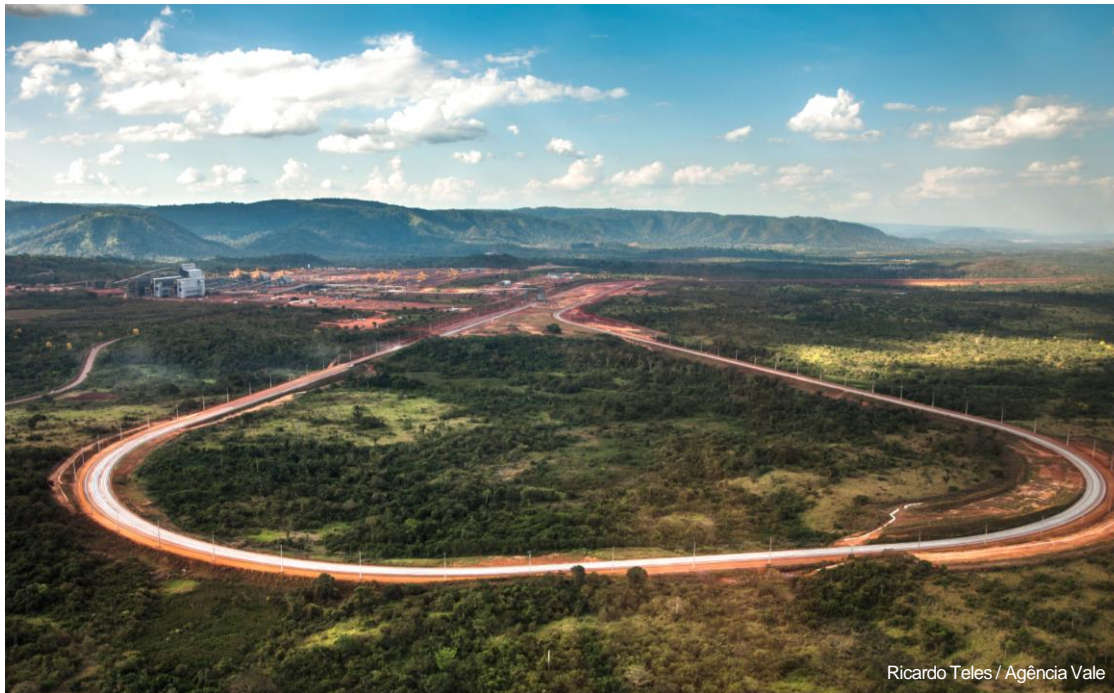
S11D loaded 11 vessels up to January 2017, of which **2 Valemax**

Sustaining capex per ton of production is lower than our main competitors' average

There are **no other planned iron ore projects** in the pipeline for the **next 6 years**

Reaping the fruits of our investment cycle: **increased quality**, production and productivity

With S11D, we will achieve unprecedented levels of competitiveness and price realization



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Highlights

High-grade hematite ore type with iron ore grade of more than 66% on average

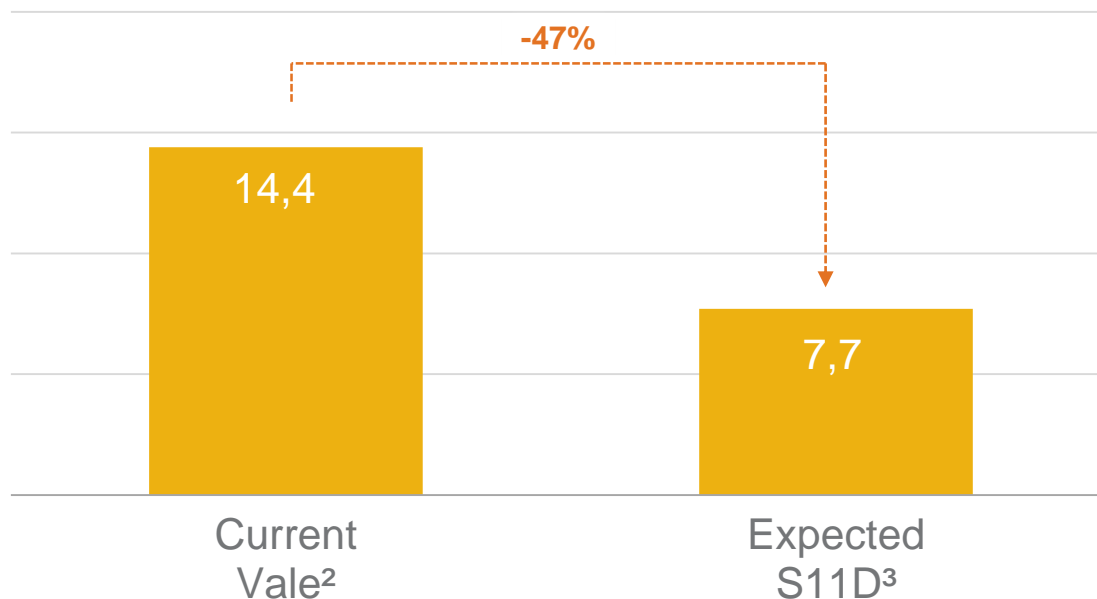
90 Mt per year of nominal capacity

76% of physical progress at the logistics infrastructure sites

S11D is expected to achieve the lowest C1 cash cost of the industry

C1 cash cost¹

US\$/t



S11D will consolidate Vale's position as the **lowest C1 cash cost** producer of the industry, **enhancing our iron ore competitiveness**

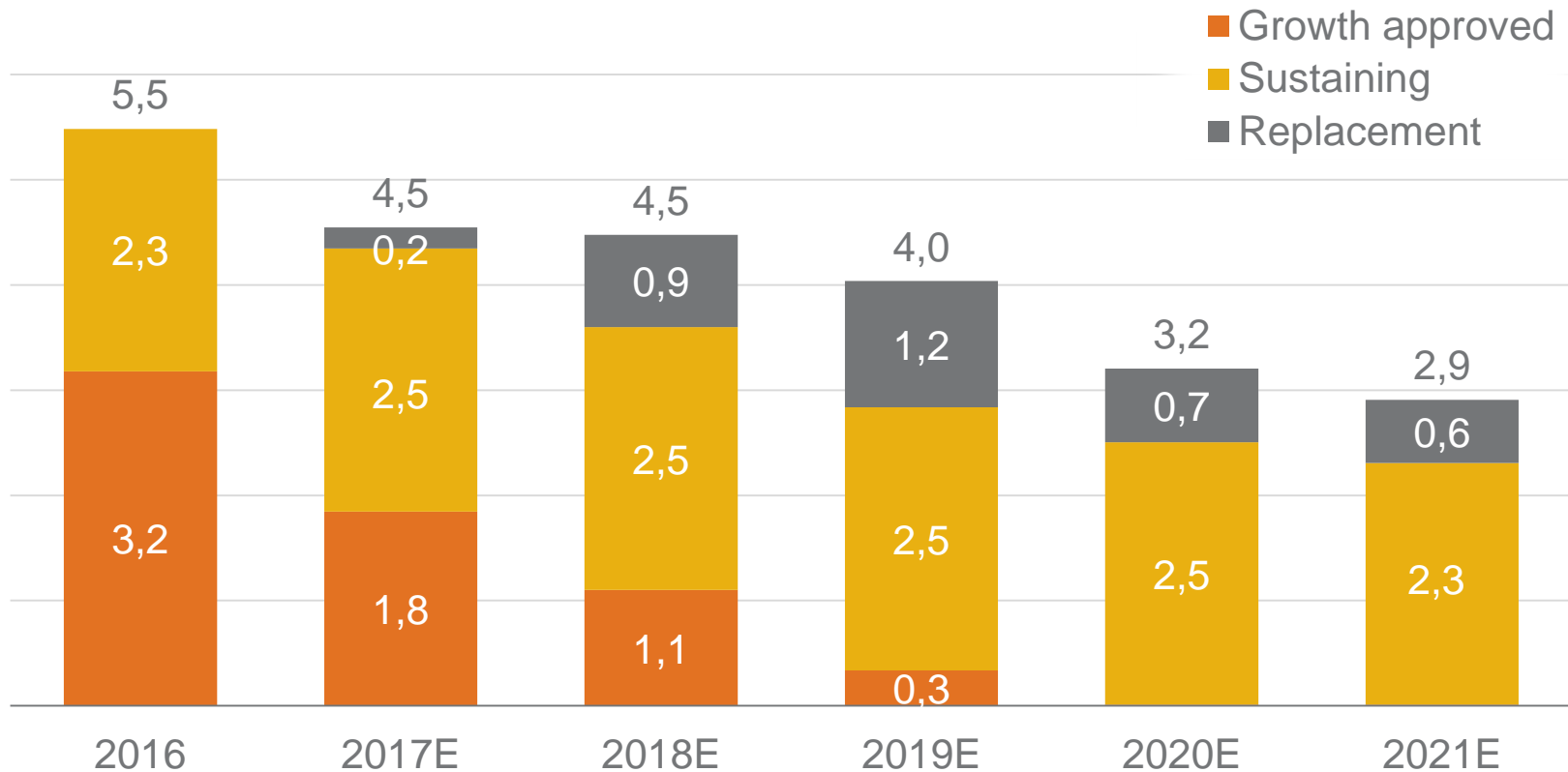
¹ C1 cash cost at the port (mine, plant, railroad and port, excluding royalties)

² Vale's Current based on 4Q16

³ S11D fully ramped up, normalized to the exchange rate of BRL/USD 3.37

Future CAPEX to remain low

US\$ billion



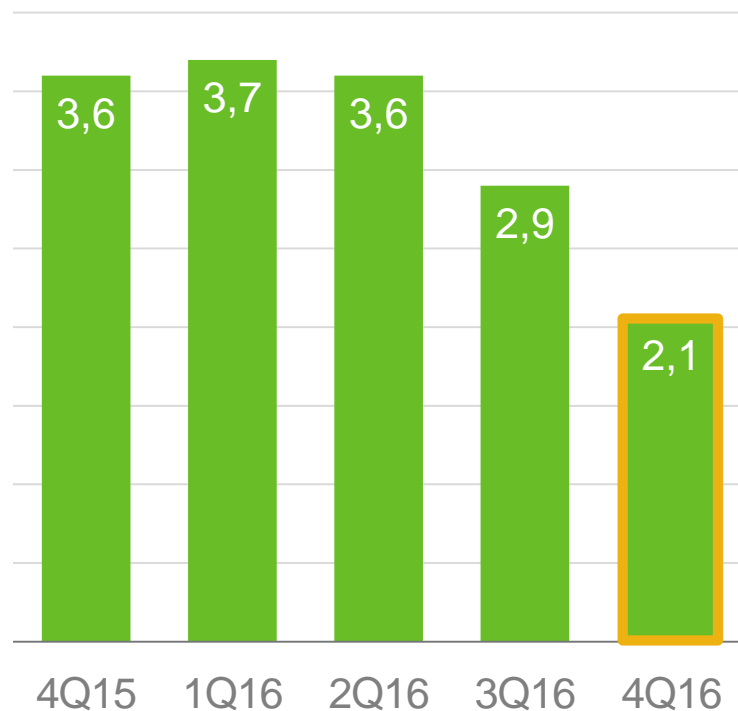
Note: BRL/USD exchange rate of BRL/USD 3.37 from 2017 onwards



Capital structure

Our goal is to bring our net debt to a much healthier level

Net debt / LTM¹ EBITDA Ratio



Net debt in
4Q16:
US\$ 25,075
million



Cash position in
4Q16:
US\$ 4,280 million



Average maturity:
7.9 years



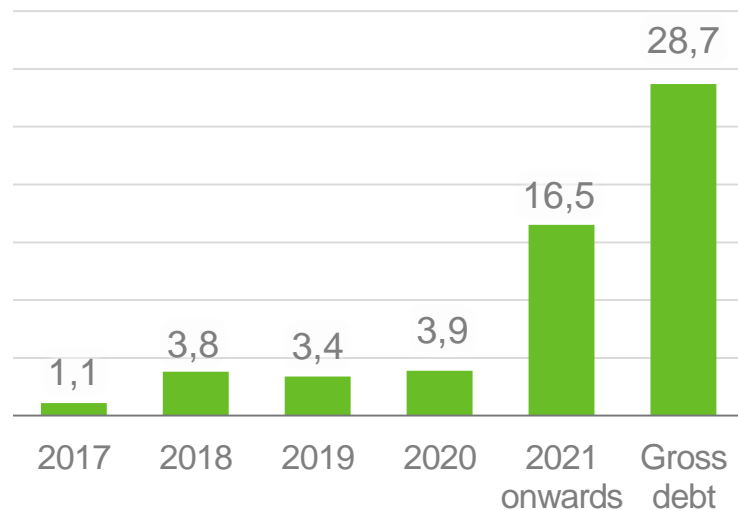
Average cost of
debt:
4.63% per annum

¹ LTM – last twelve months, excluding non-recurring items.

We are constantly working on efficiently managing liabilities

US\$ billion

Gross debt amortization schedule¹



57% of our debt settlement will occur **after 2020**

Committed financing lines



Available funding from the **revolving credit** lines is **back to** its **original amount** of US\$ 5 billion

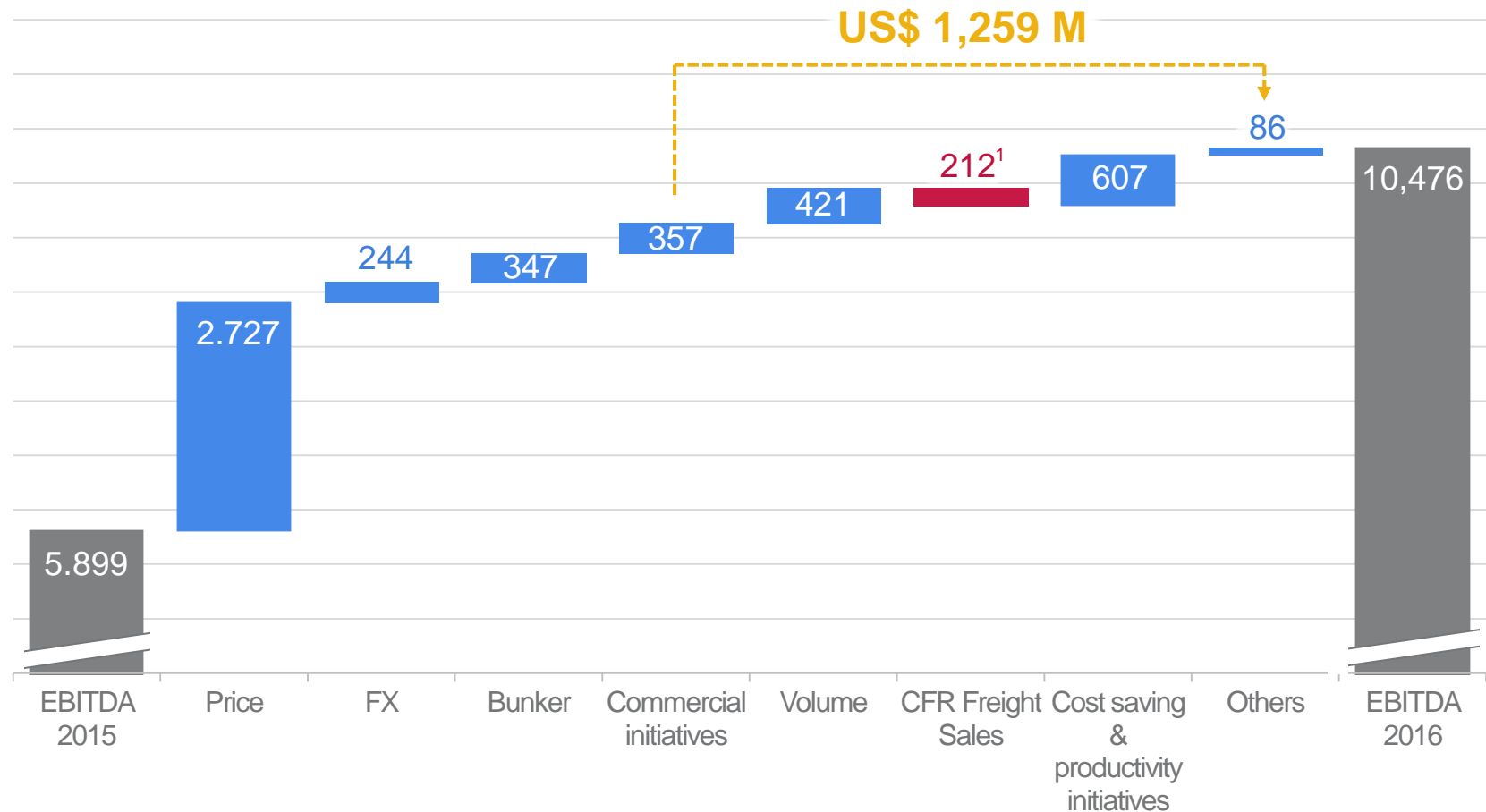
¹ As of December 31st, 2016. Does not include accrued charges.

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**Business segment
performance**

Ferrous minerals EBITDA increased by our efforts to reduce costs and improve pricing

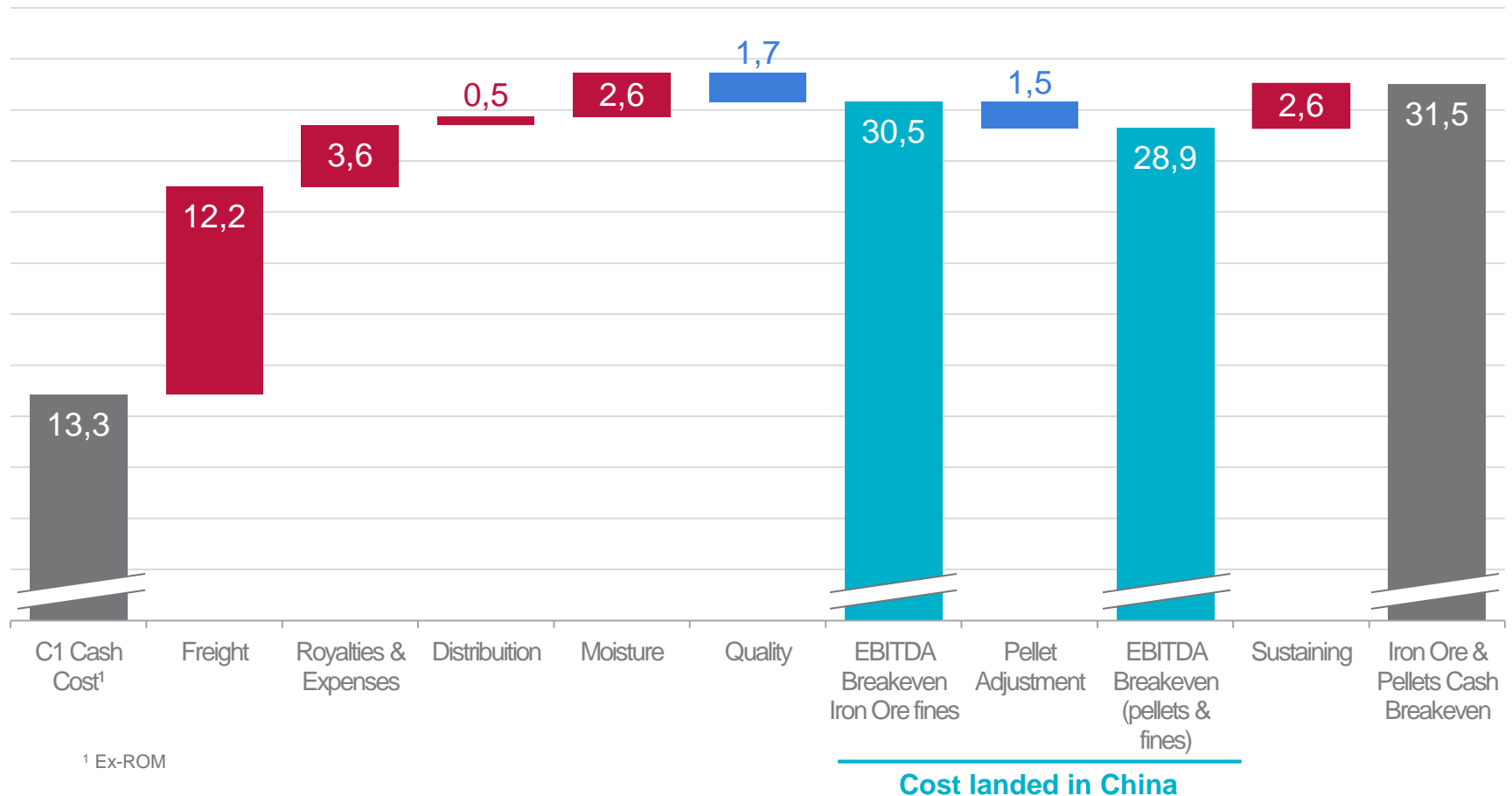
US\$ million, 2016 vs. 2015



¹ The negative impact of US\$ 212 million in CFR freight sales was due to the higher CFR sales volumes, which increased from 189.2 Mt in 2015 to 202.4 Mt in 2016.

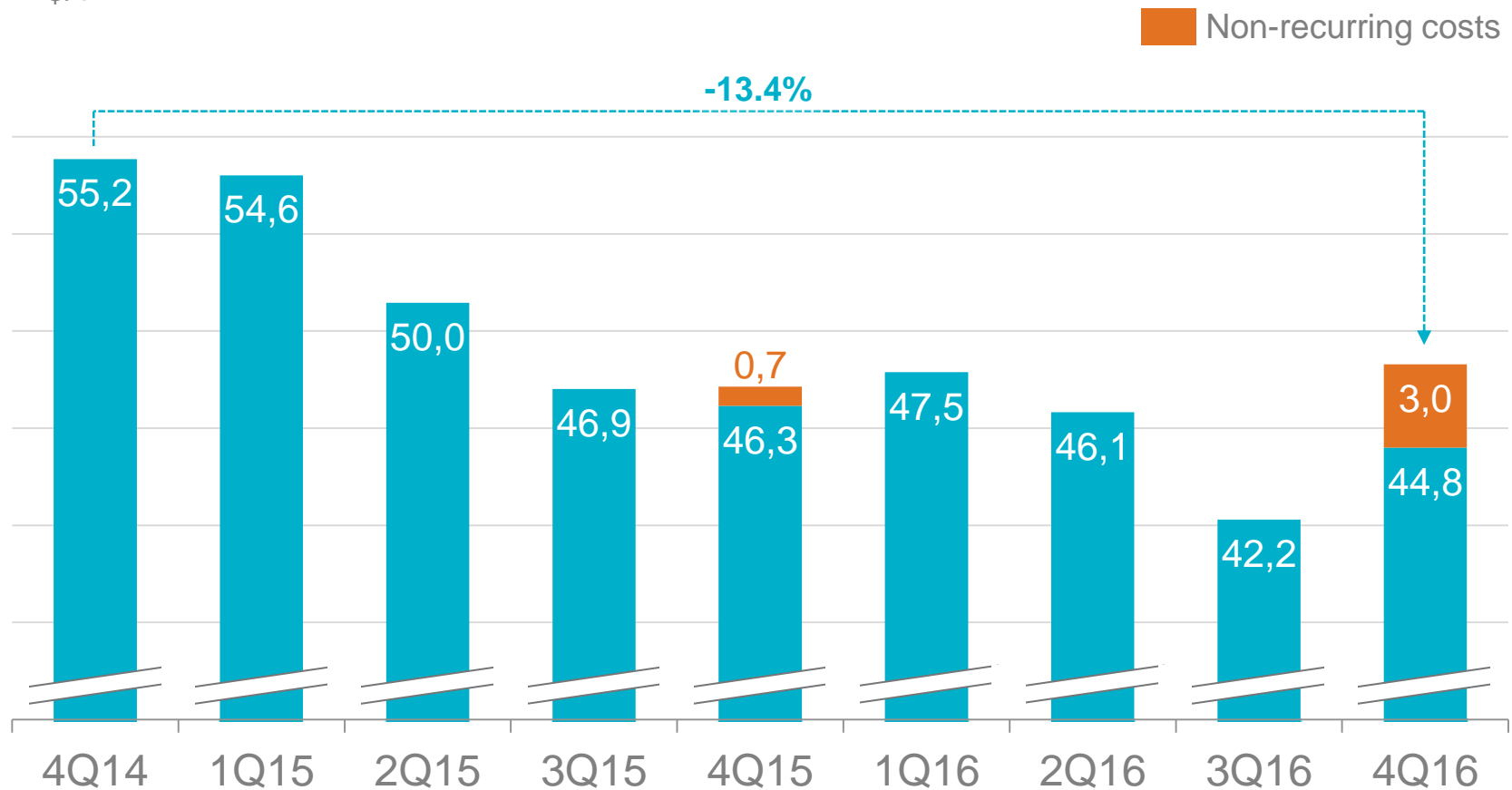
Annual cash break-even cost landed in China for iron ore and pellets

US\$/t, 2016



The right strategy – cash cost in BRL¹ remains at low levels despite inflationary pressure

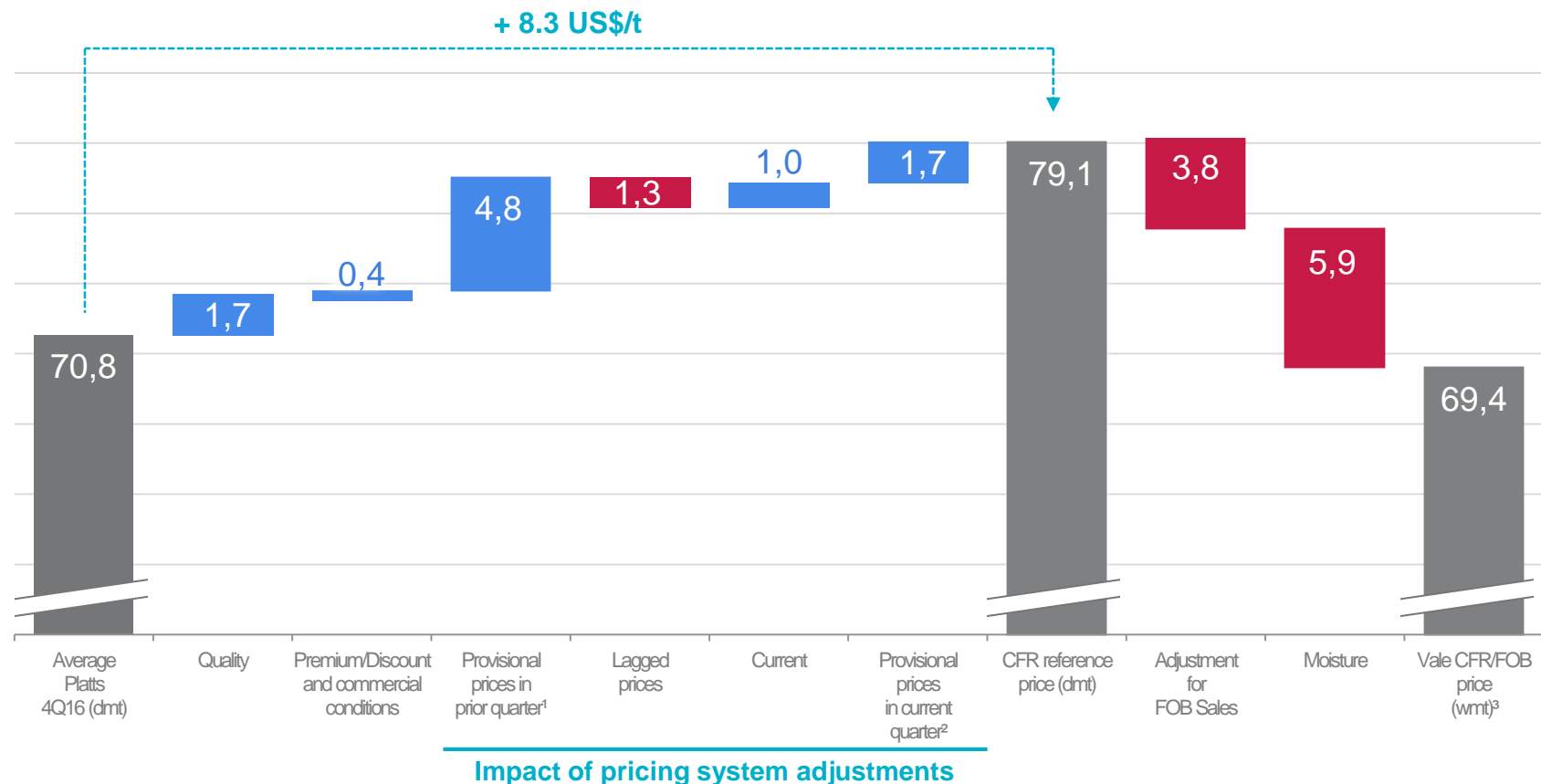
R\$/t



¹ 2014 and 2015 figures were adjusted to the new allocation criteria, as reported in the 4Q15, and include acquisition costs of third party purchased ore

Iron ore price realization continued to improve in 4Q16

US\$/t, 4Q16



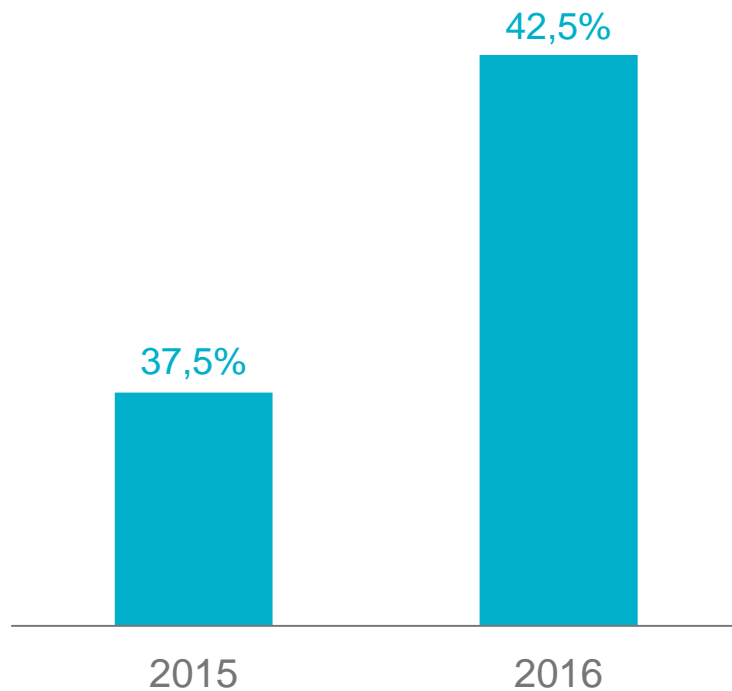
¹ Adjustment as a result of provisional prices booked in 3Q16 at US\$ 54.4/t.

² Difference between the weighted average of the prices provisionally set at the end of 4Q16 at US\$ 74.6/t based on forward curves and US\$ 70.8/t from the 4Q16 IODEX.

³ Vale price is net of taxes.

Rising contribution of higher quality new mines and infrastructure

Iron ore production from Northern System
as % of total production



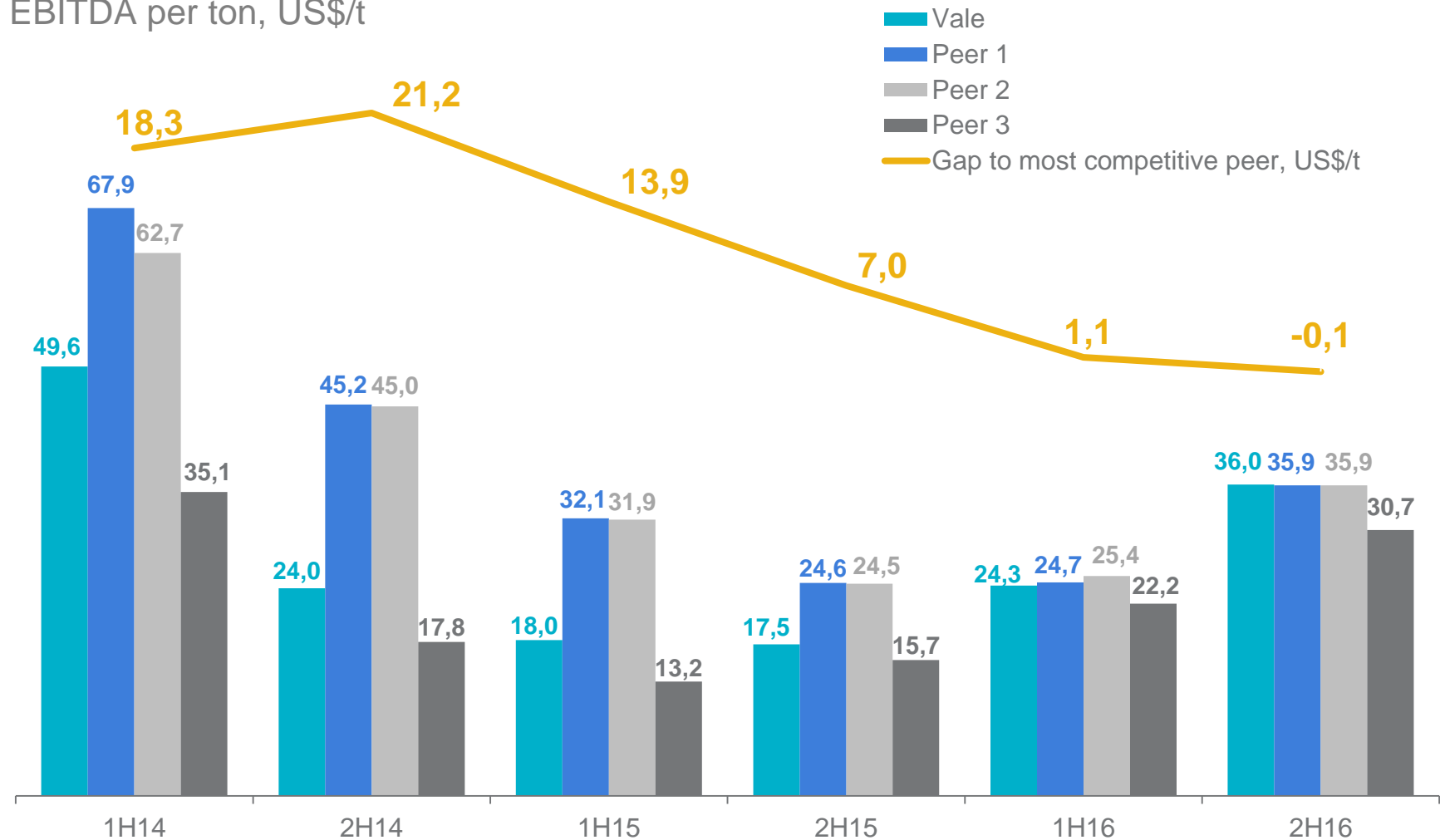
Price index
US\$/dmt¹

| Date | IODEX 62% (A) | Metal Bulletin 65% (B) | (B-A) |
|------------|---------------|------------------------|-------|
| 09/15/2016 | 56.3 | 65.5 | 9.2 |
| 10/31/2016 | 64.7 | 75.5 | 10.8 |
| 12/15/2016 | 81.8 | 94.6 | 12.8 |
| 01/31/2017 | 83.5 | 97.0 | 13.5 |
| 02/21/2017 | 95.1 | 106.2 | 11.1 |

¹ Dmt = dry metric ton

We are as competitive as our Australian peers despite the geographical distance

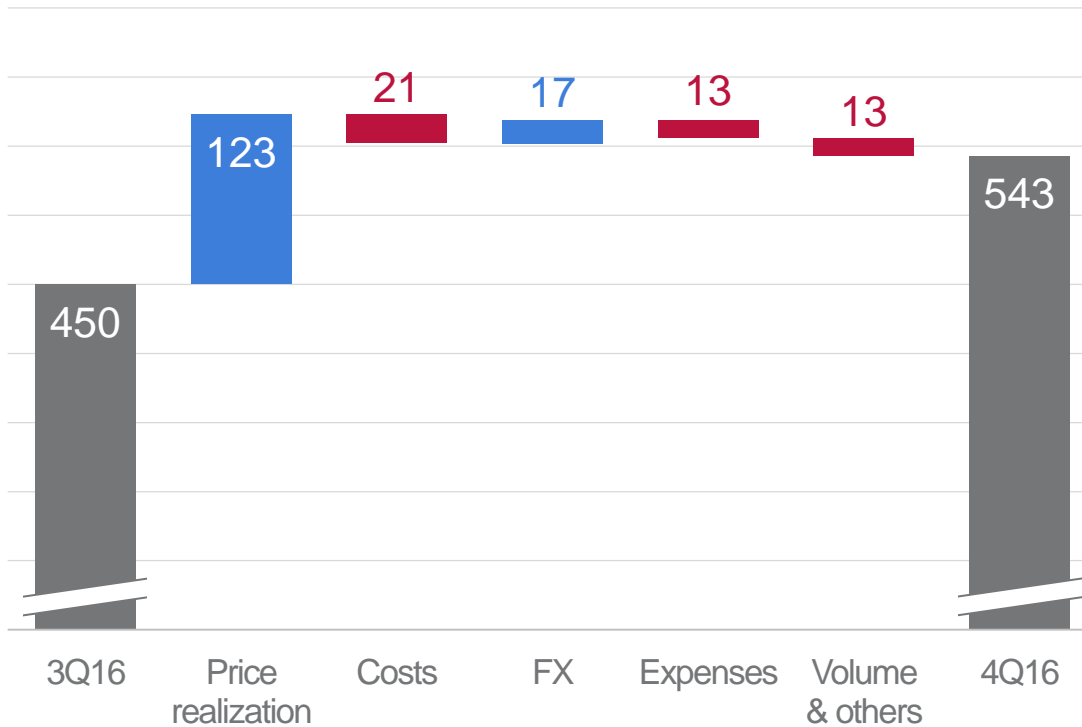
EBITDA per ton, US\$/t



Base Metals EBITDA up 21% q-o-q

Quarterly EBITDA comparison

US\$ million



Highlights 4Q16

Base Metals EBITDA **increased US\$ 93 million** q-o-q¹

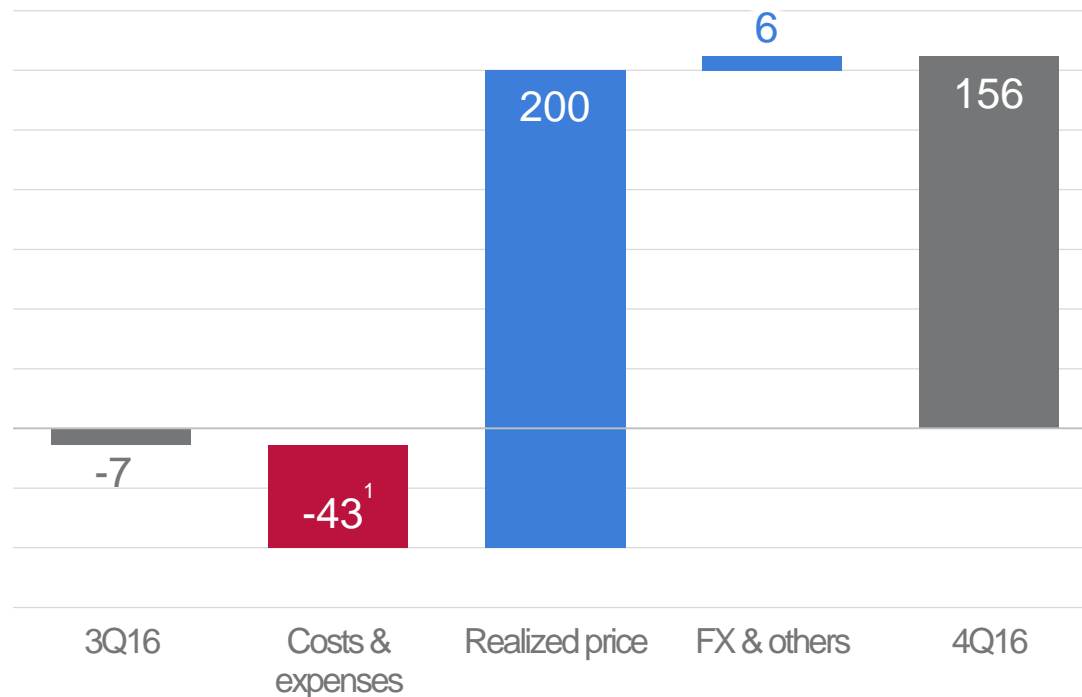
Nickel and copper **price** realization **improved** while LME prices increased in the same period

Nickel and copper sales volumes increased, while PGMs as a by-product decreased

¹ 3Q16 net of the one-off positive effect of the goldstream transaction (US\$ 150 million)

Coal EBITDA turned around with a significant q-o-q increase

Quarterly EBITDA comparison
US\$ million



Highlights 4Q16

EBITDA increased **US\$ 163 million** in 4Q16

The **hike in coal prices** was **captured in the 4Q16** due to provisional pricing

Sales of metallurgical coal **increased 19.6%** as a result of the **ramp-up of Moatize II**

Moatize **production costs** FOB Nacala **decreased US\$ 21/t** to US\$ 76.8/t in **January 2017**

¹ Costs increased due to constraints on the supply of explosives affecting the blasting process and resulting in a lower production figure compared to 3Q16.

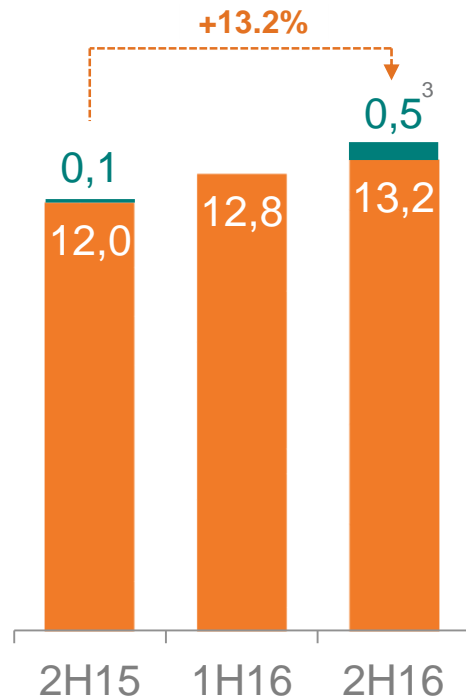
**Additional
information**

Evolution of iron ore fines cash cost, freight and expenses

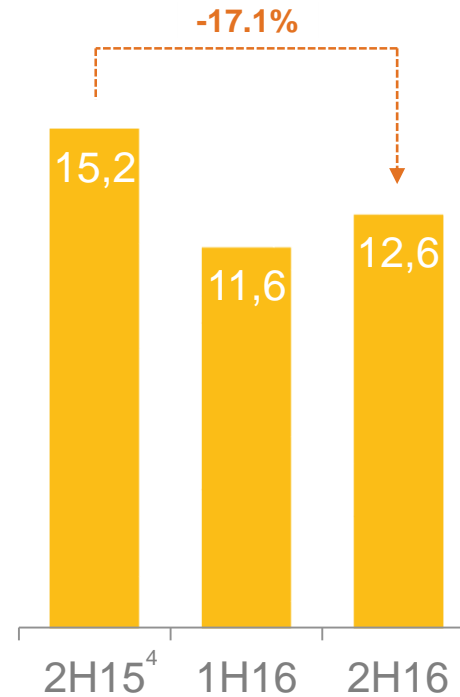
US\$/t

C1 Cash Cost FOB Port¹

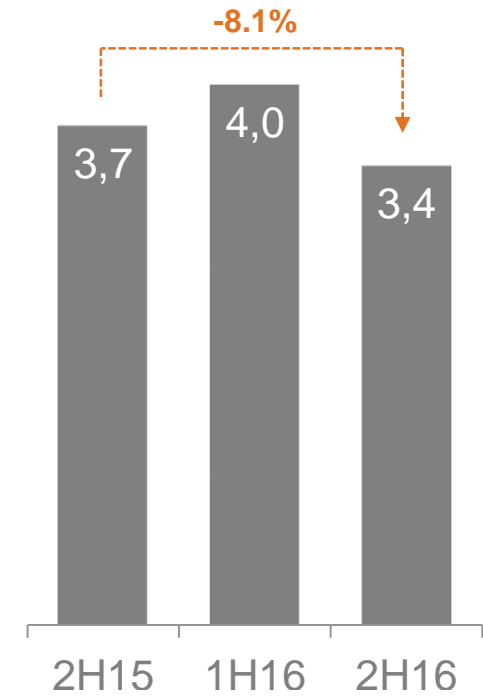
■ Non-recurring costs



Freight



Expenses² & Royalties



¹ Ex-ROM and ex-royalties; all figures as per new managerial allocation changes reported in 4Q15 and including acquisition costs of third party ore.

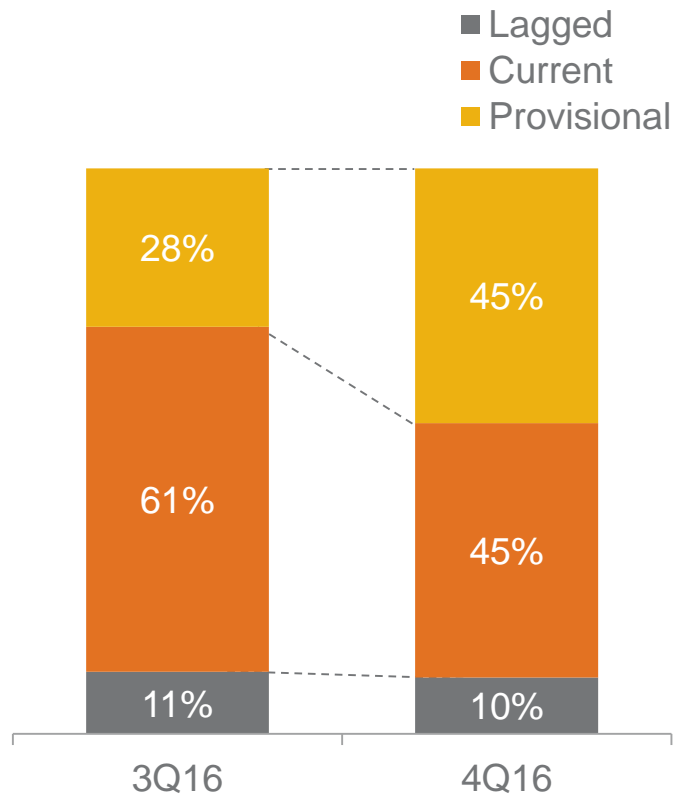
² Net of depreciation.

³ US\$ 0.5/t equates to the non-recurring events of 4Q16 (US\$ 0.9/t) diluted in 2H16.

⁴ Ex bunker oil hedge.

Iron ore pricing systems

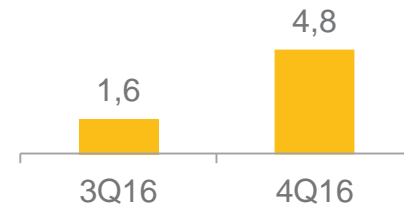
Pricing system breakdown



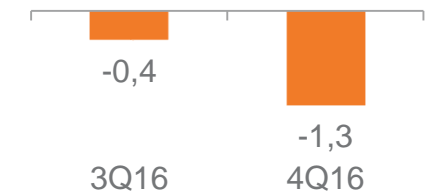
Impact of pricing mechanisms

US\$/t

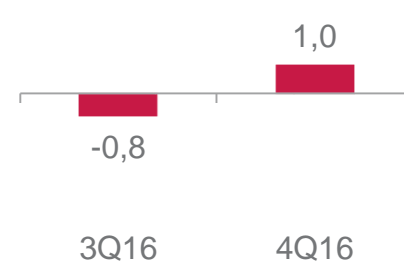
Provisional - prior quarter



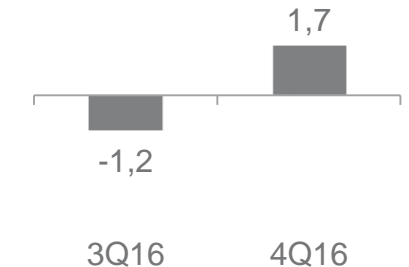
Lagged



Current



Provisional - current quarter



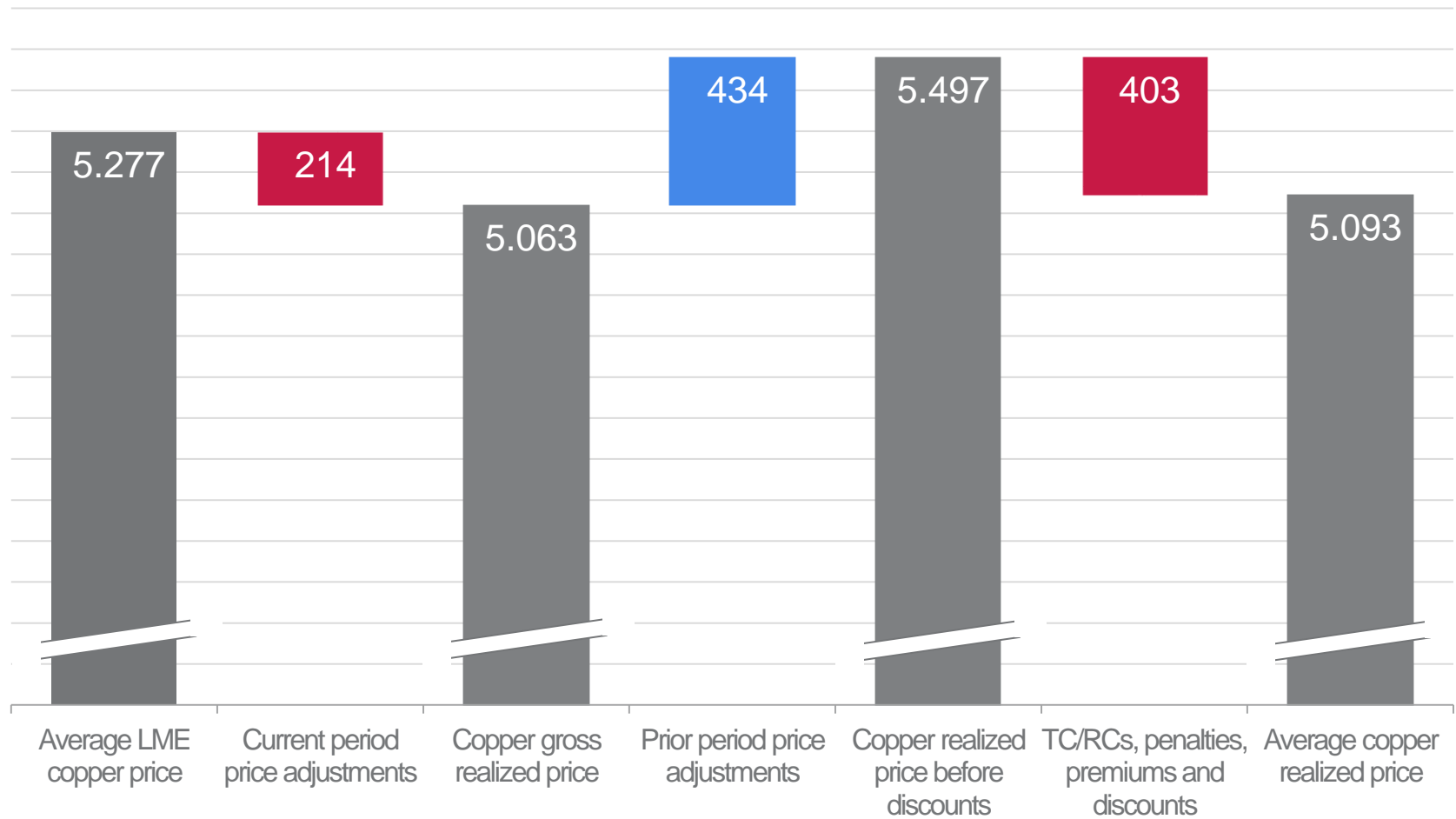
Price realization nickel

US\$/t, 4Q16



Price realization copper

US\$/t, 4Q16



Unit cost of sales per operation, net of by-product credits¹

| Operation (US\$ / t) | 4Q16 | 3Q16 | 4Q15 |
|------------------------------------|--------|--------------------|--------|
| North Atlantic Operations (nickel) | 3,412 | 3,403 | 3,582 |
| PTVI (nickel) | 5,695 | 5,192 | 6,326 |
| VNC ² (nickel) | 11,017 | 12,425 | 17,380 |
| Onça Puma (nickel) | 9,204 | 8,166 ³ | 7,710 |
| Sossego (copper) | 3,207 | 2,741 | 2,840 |
| Salobo (copper) | 589 | 935 | 1,571 |

¹ North Atlantic figures includes Clydach and Acton refining costs while PTVI and VNC only include standalone operations.

² Unit cash cost of sales includes pre-operating expenses for periods prior to 1Q16.

³ Excluding the one-off effect of the write-off of inventories (US\$ 64 million) in 3Q16.

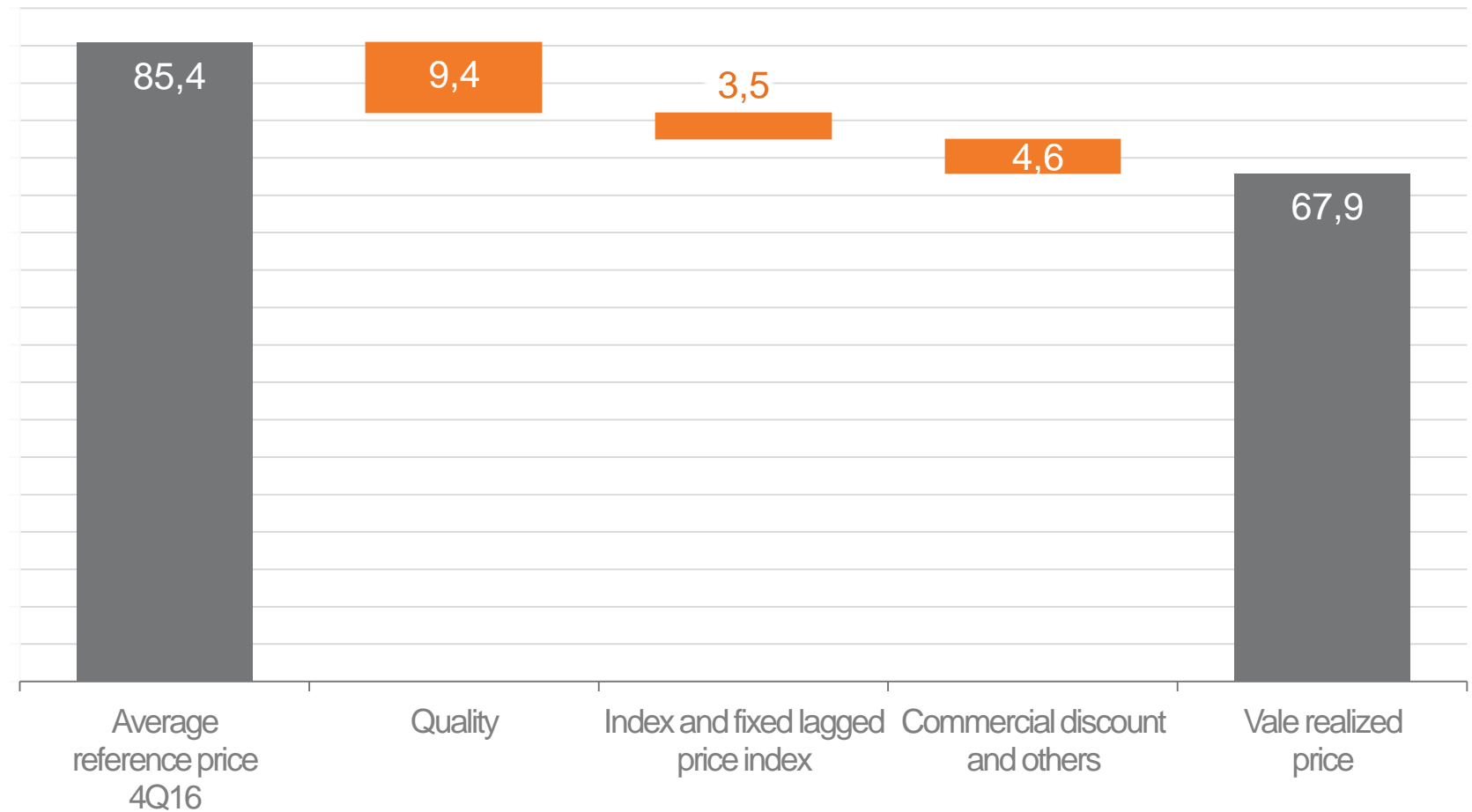
Price realization Moatize metallurgical coal

US\$/t, 4Q16



Price realization Moatize thermal coal

US\$/t, 4Q16





VALE