



Vale's Performance in 1Q17

Rio de Janeiro, April 27th, 2017



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Agenda



1. Vale's performance in 1Q17
2. Capital expenditures
3. Capital structure
4. Business segment performance

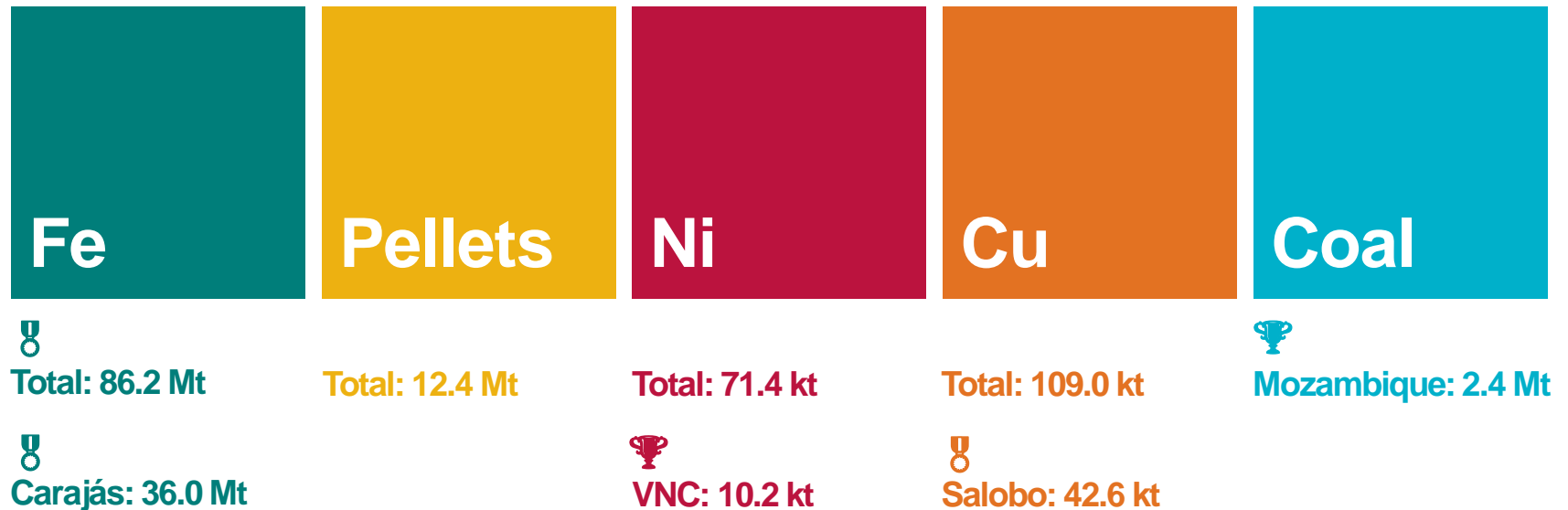


Vale's performance in 1Q17

Record production performance in iron ore and coal

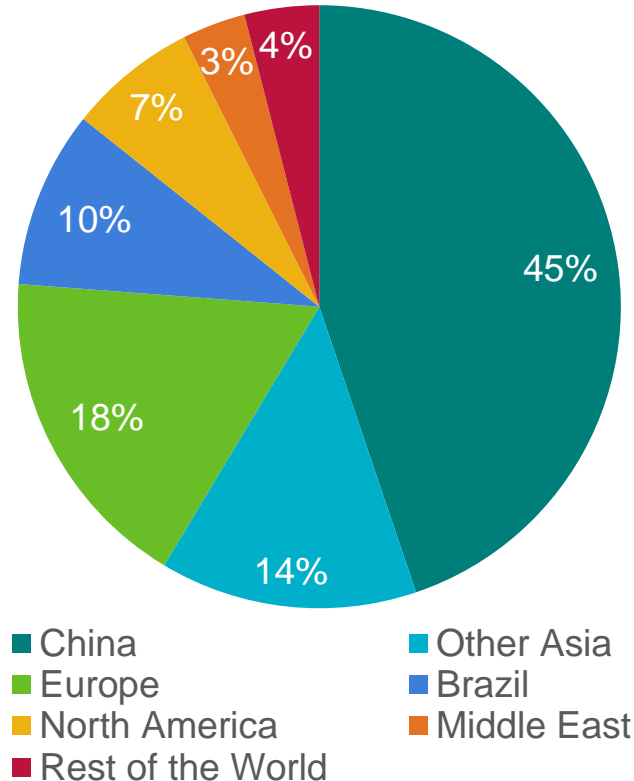
Production highlights 1Q17

 Quarterly record
 Record for a first quarter



Seasonally lower sales volumes led to lower q-o-q revenues

Net operating revenues by destination in 1Q17



Highlights 1Q17

Net operating revenues of **US\$ 8.515 billion**

Revenues were 8.1% lower vs. 4Q16 mainly due to **seasonally lower sales** volumes of Ferrous Minerals

59% sales to Asia and 10% domestic sales

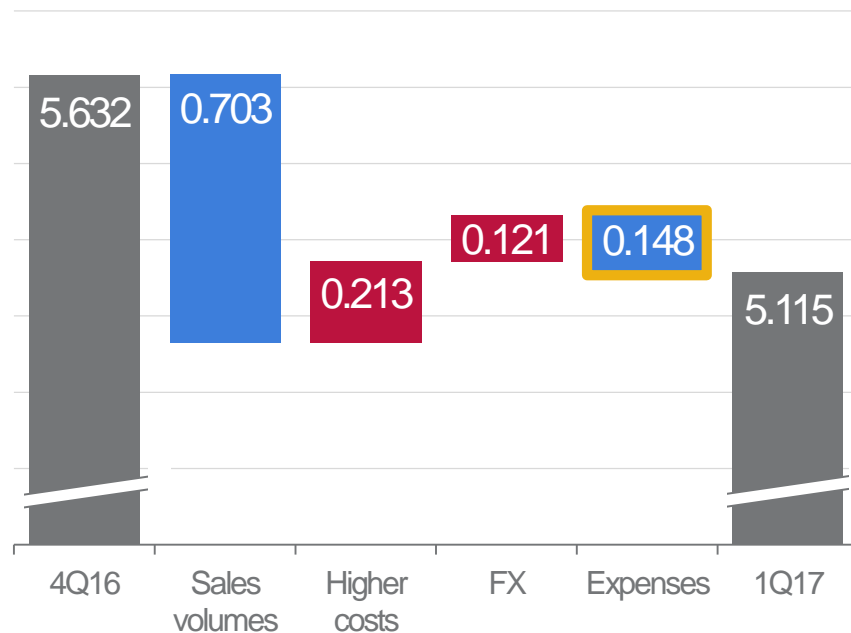
Ferrous Minerals accounted for 76% of revenues

Base Metals accounted for 19% of revenues

Lower costs achieved driven by lower sales despite exchange rate and inflation

Costs and expenses 1Q17 vs. 4Q16

US\$ billion



Highlights

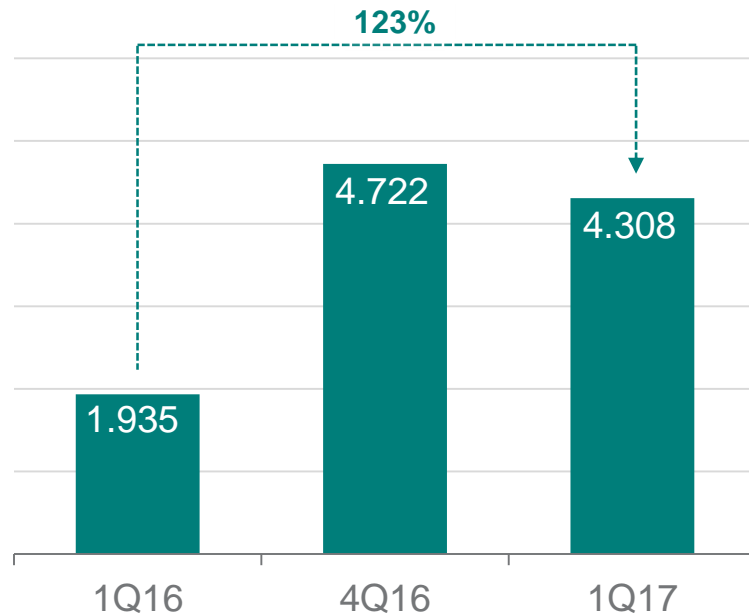
Total **costs and expenses decreased** by **US\$ 517 million**

COGS was impacted by **higher price-related cost factors** such as the leasing of pellet plants, royalties, feed purchased from third-parties and higher bunker oil prices

Higher costs were **partially offset by lower expenses**

EBITDA impacted by seasonally lower volumes and higher prices

EBITDA, q-o-q
US\$ billion



Highlights 1Q17

Overall EBITDA **increased 123%** vs. 1Q16; and decreased 9% vs. 4Q16

EBITDA decreased driven by seasonally lower sales volumes (US\$ 828 million) partially offset by higher prices (US\$ 672 million)

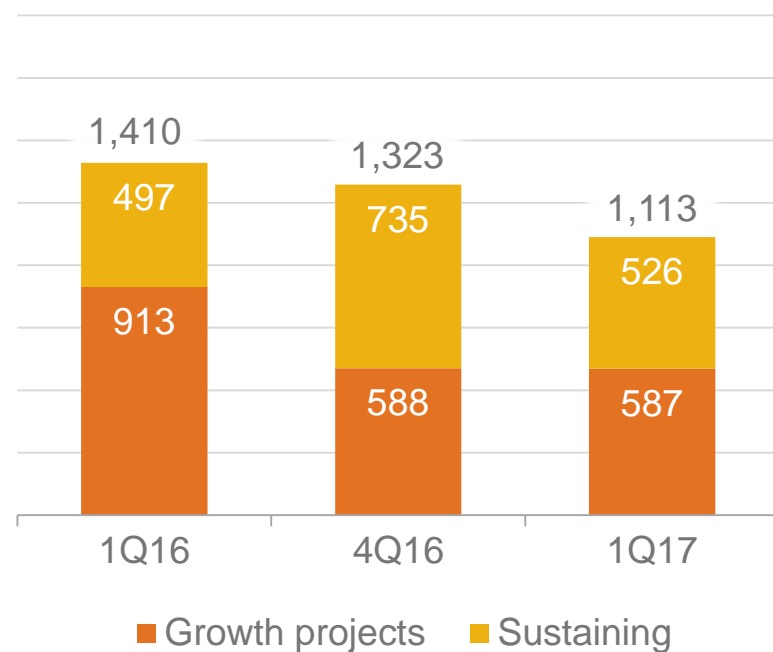
Iron ore sales volumes were planned to take into account the **build-up of inventory due to blending activities**

2

Capital expenditures

Steady reduction of investments

Project and sustaining capex
US\$ million



Highlights 1Q17

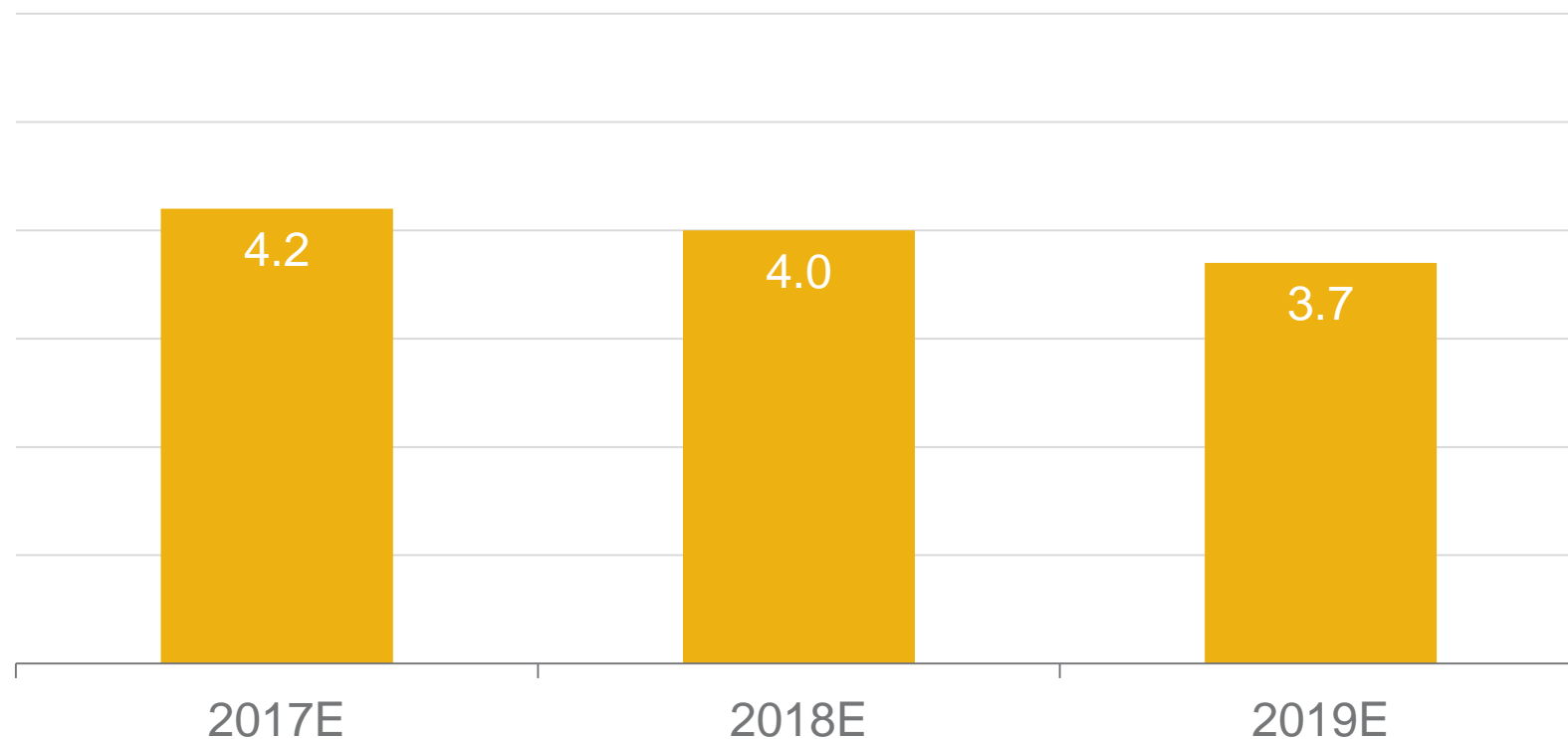
Total capex was US\$ 1.113 billion in 1Q17, **decreasing US\$ 210 million** vs. 4Q16

Ferrous Minerals and Base Metals business segments represented 57% and 38% of sustaining capex

Base Metals sustaining will be higher in 2017 due to the transition to a single furnace operation in Sudbury and the Air Emission Reduction project

Vale's capex guidance excluding investments in Fertilizers segment

US\$ billion



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

S11D continued its successful ramp-up, advancing according to plan



Highlights

88% of **combined physical progress** in 1Q17 with 98% progress at the mine site and 80% at the logistic infrastructure sites

The **duplication of the railway** reached 66% physical progress with 367 km duplicated

Onshore expansion reached 89% physical progress



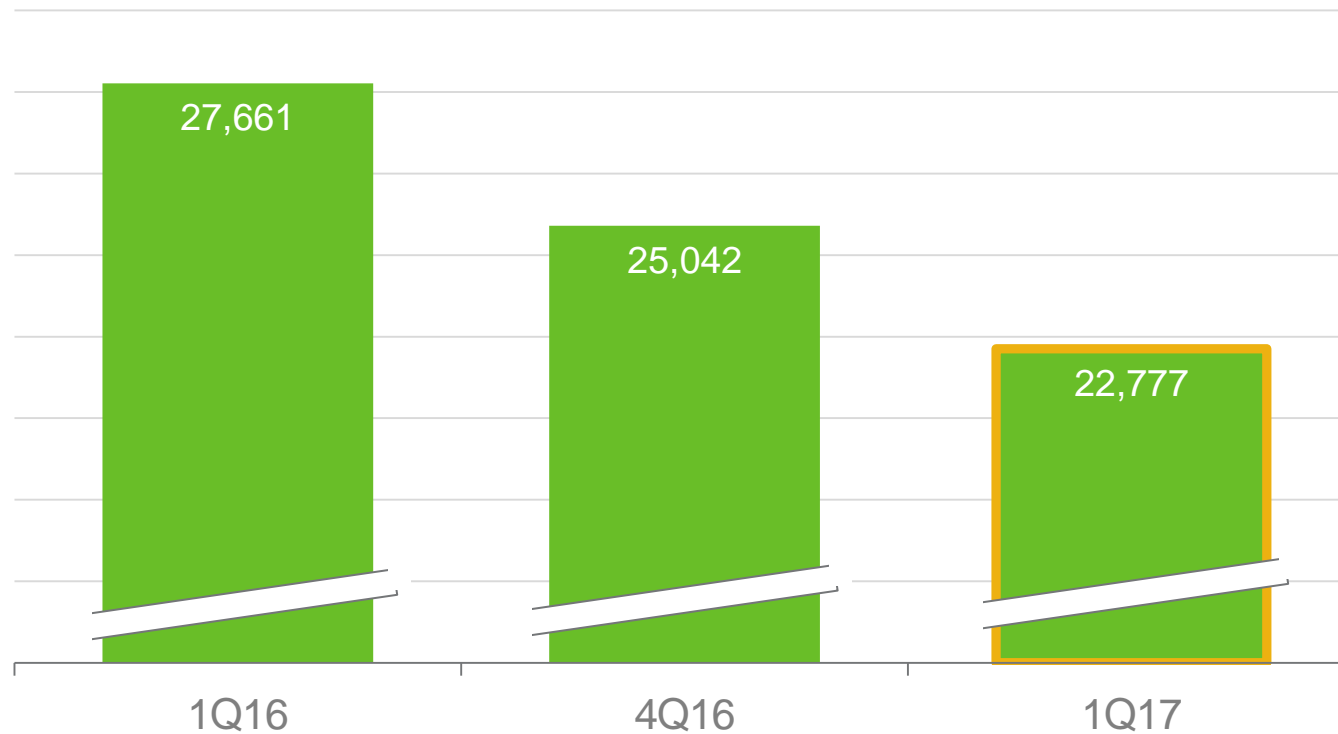
Capital structure

Delivering net debt reduction to achieve US\$ 15-17 billion target

US\$ million

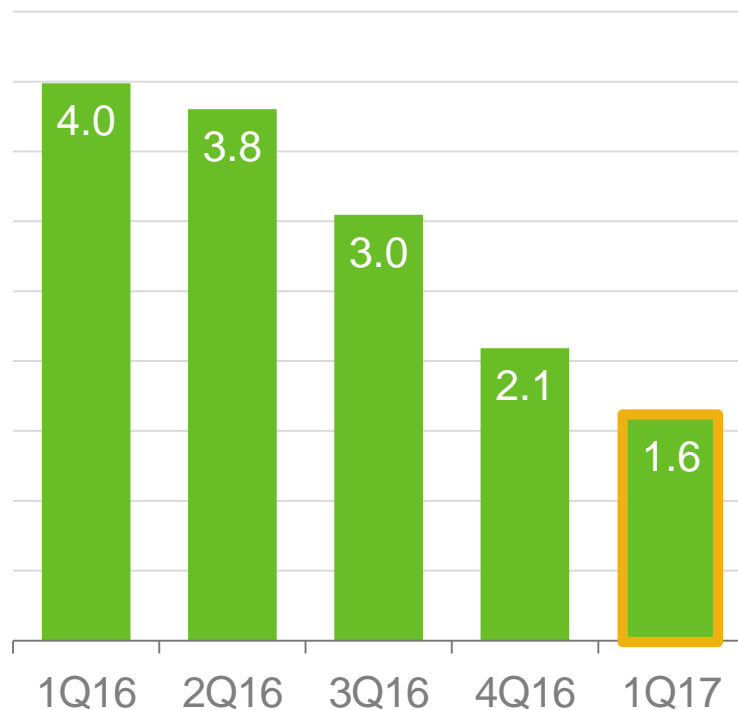
Net debt

Cash position
on March 31st, 2017 US\$ 6.793 billion




A significant improvement in Net Debt / EBITDA ratio

Net debt / LTM¹ EBITDA Ratio




 Net debt in
 1Q17:
 US\$ 22.777
 billion


 Cash position in
 1Q17:
 US\$ 6.793 billion


 Average maturity:
 8.0 years

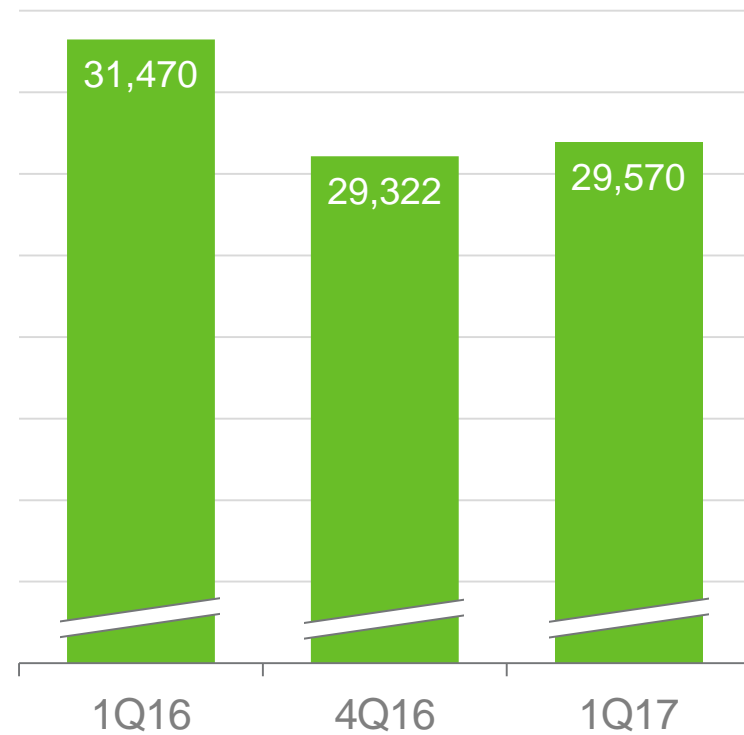

 Average cost of
 debt:
 4.71% per annum

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

Cash balance will be used to implement a liability management program to reduce Gross Debt in 2017

US\$ million

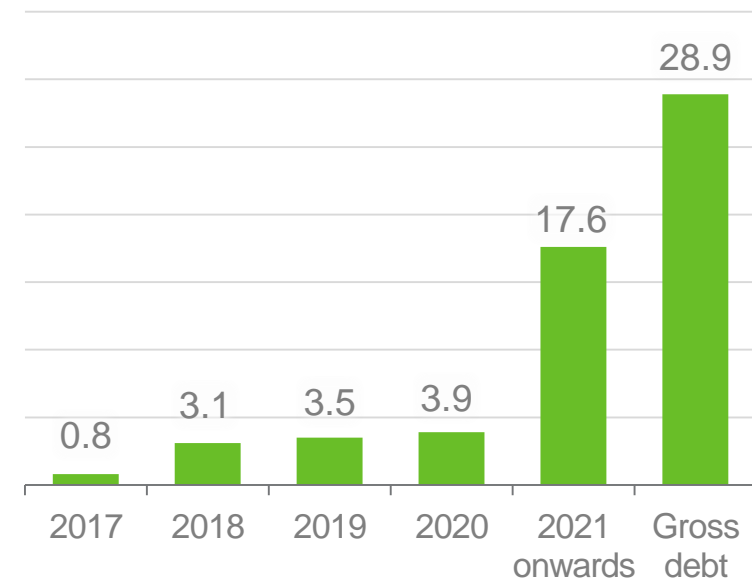
Gross debt



¹ As of March 31st, 2017. Does not include accrued charges.

US\$ billion

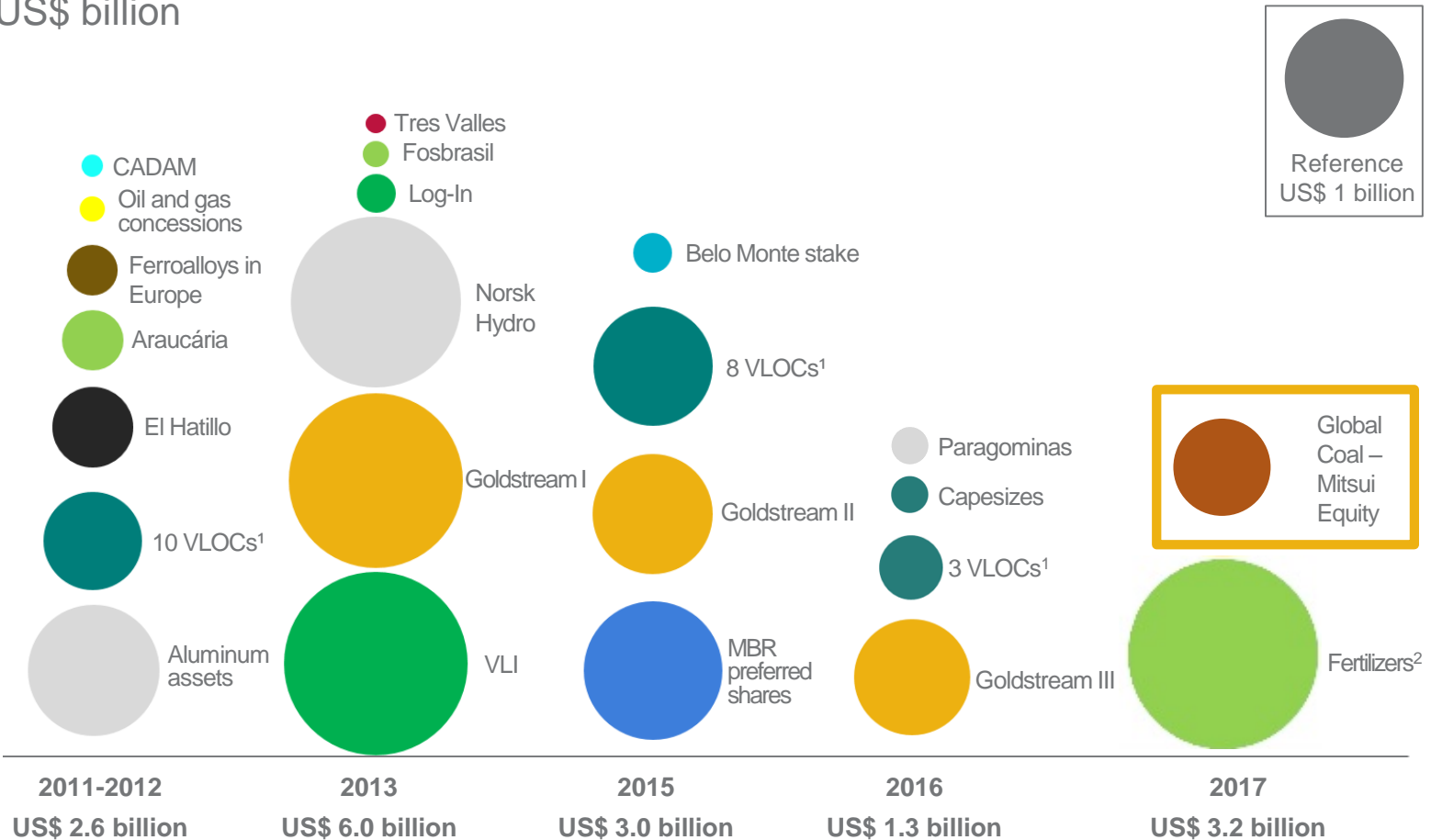
Gross debt amortization schedule¹



61% of our debt settlement will occur **after 2020**

We concluded the equity transaction with Mitsui in March 2017

US\$ billion



¹ Very Large Ore Carriers

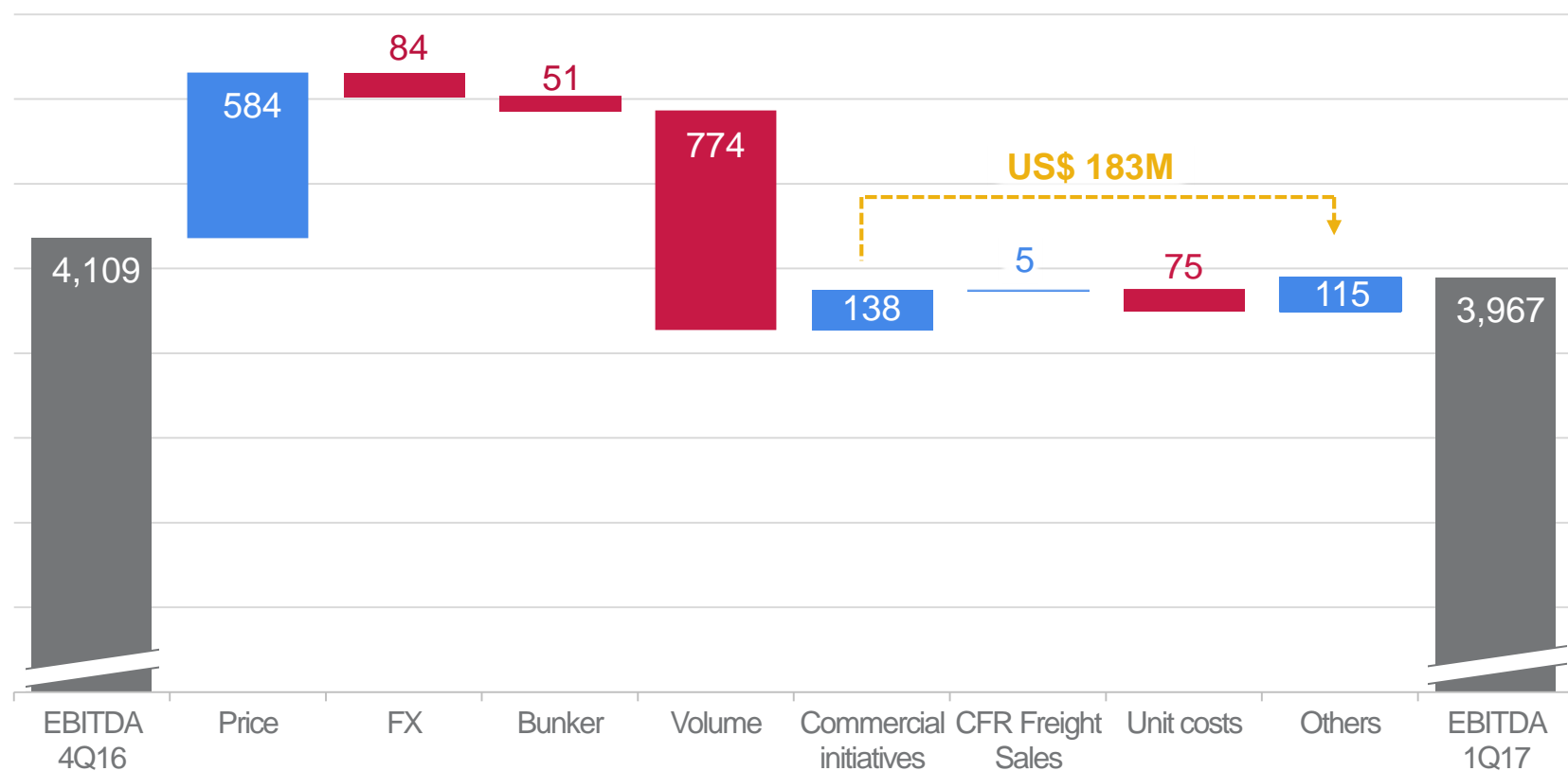
² Total value of transaction is US\$ 2.5 billion with US\$ 1.25 billion in cash and the remainder in Mosaic's shares; the deal was announced in December 2016 and is expected to be completed late 2017 as conditions precedent are fulfilled

4

**Business segment
performance**

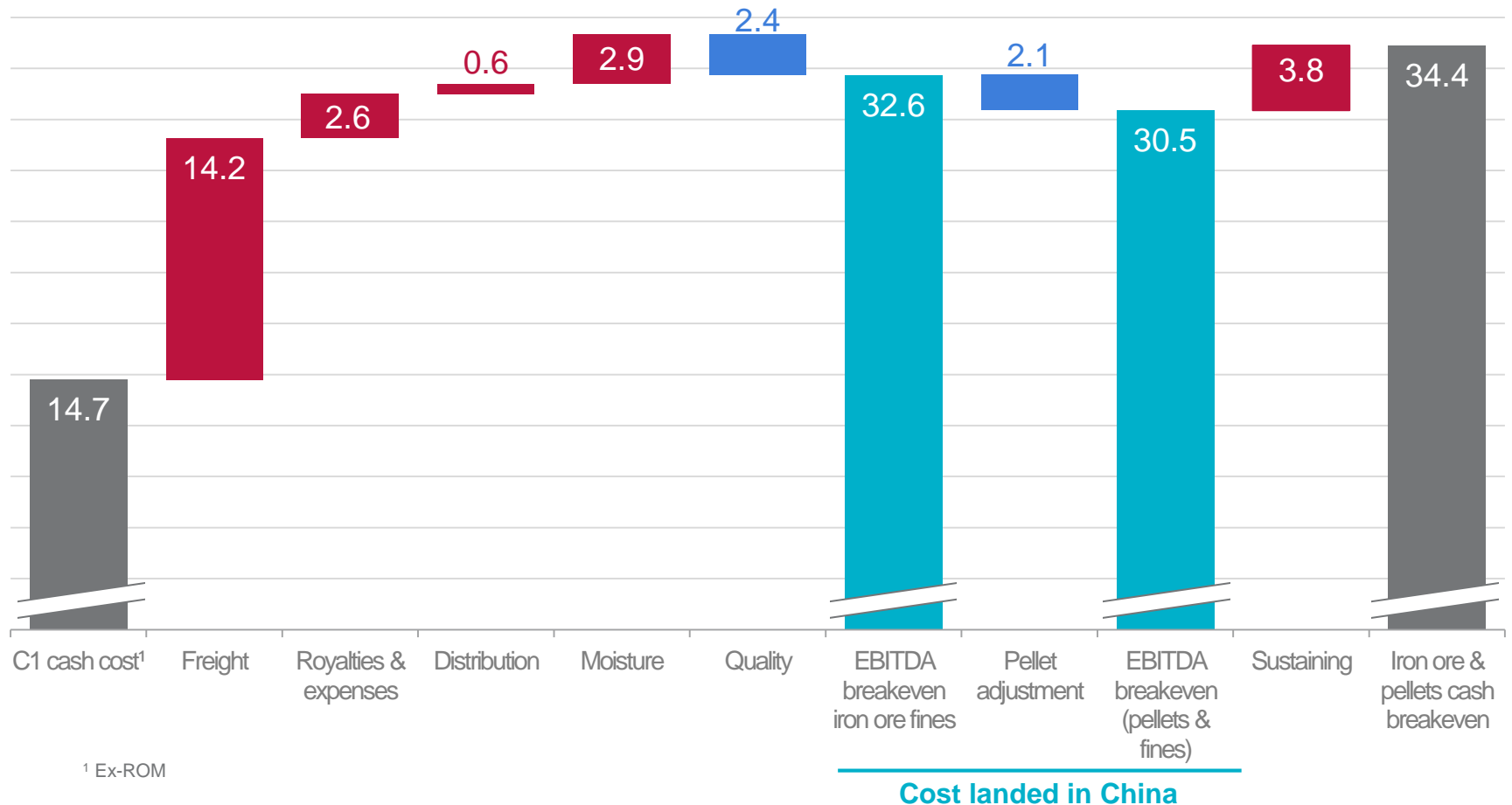
Ferrous Minerals EBITDA was practically in line with 4Q16, despite seasonally lower sales volumes

US\$ million, 4Q16 vs. 1Q17



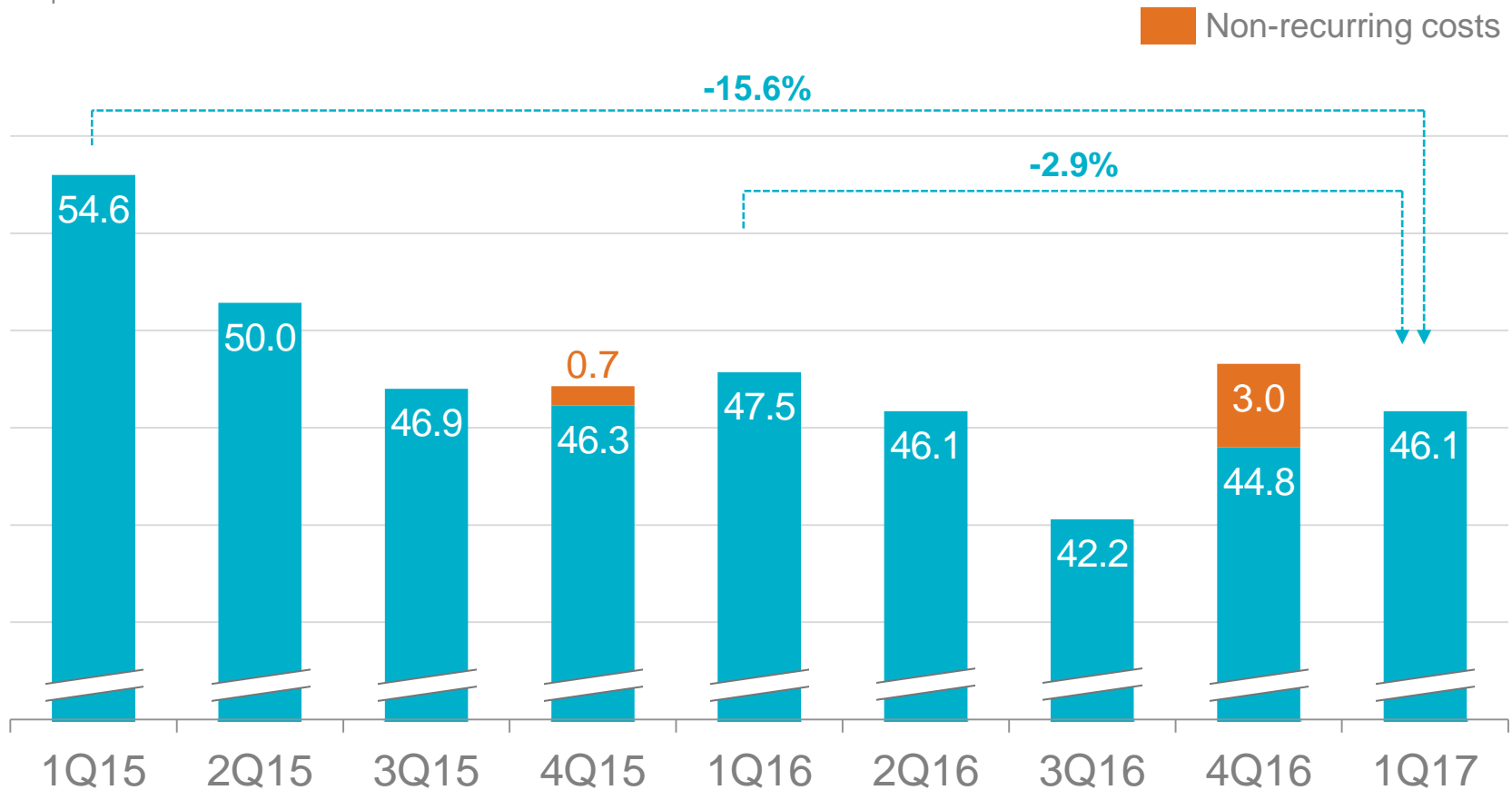
1Q17 cash break-even cost landed in China for iron ore and pellets

US\$/t, 1Q17



Cash cost¹ in BRL remained at low levels despite inflationary pressures

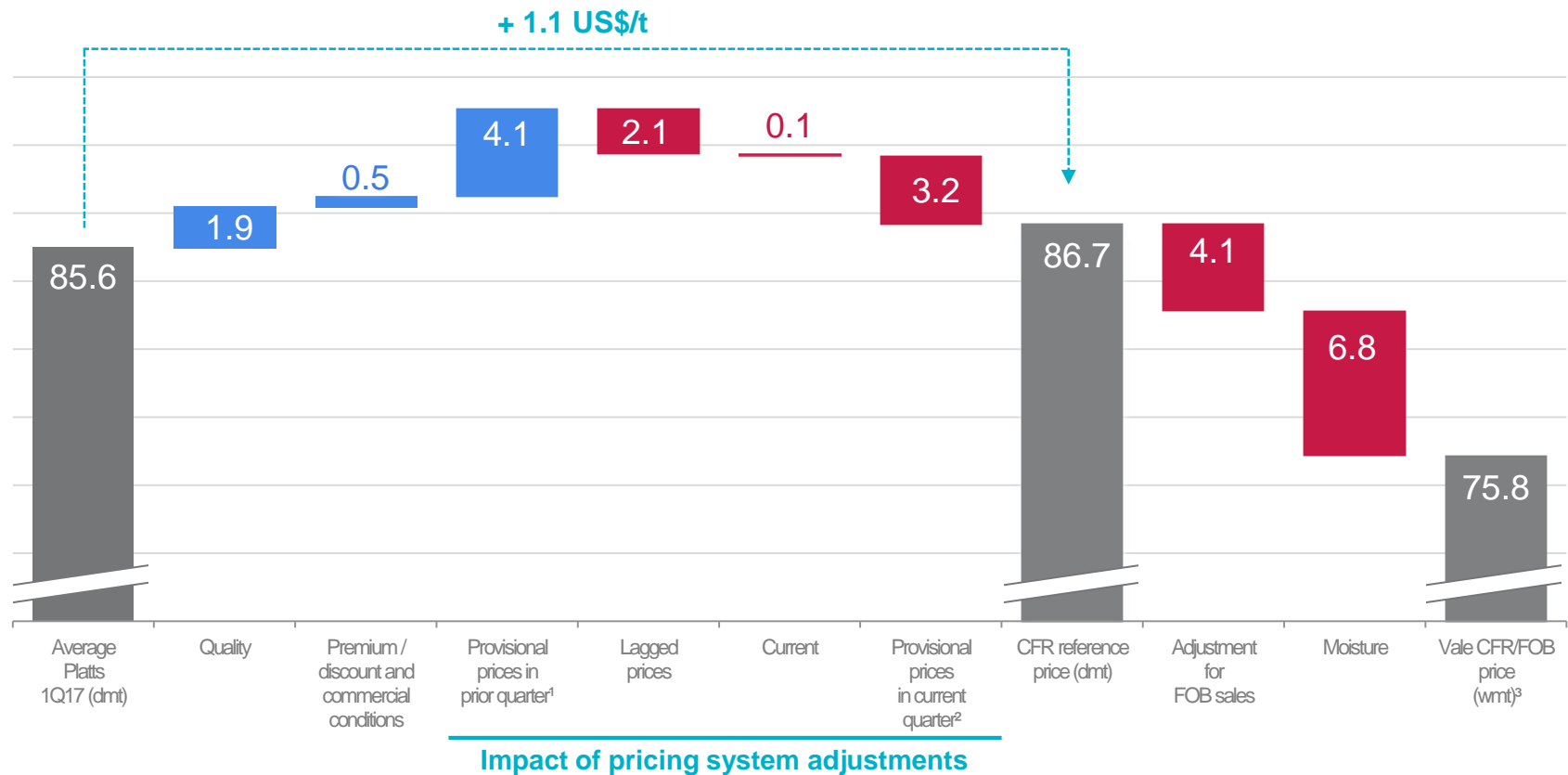
R\$/t



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

Price realization continued to improve in 1Q17

US\$/t, 1Q17



¹ Adjustment as a result of provisional prices booked in 4Q16 at US\$ 74.6/t.

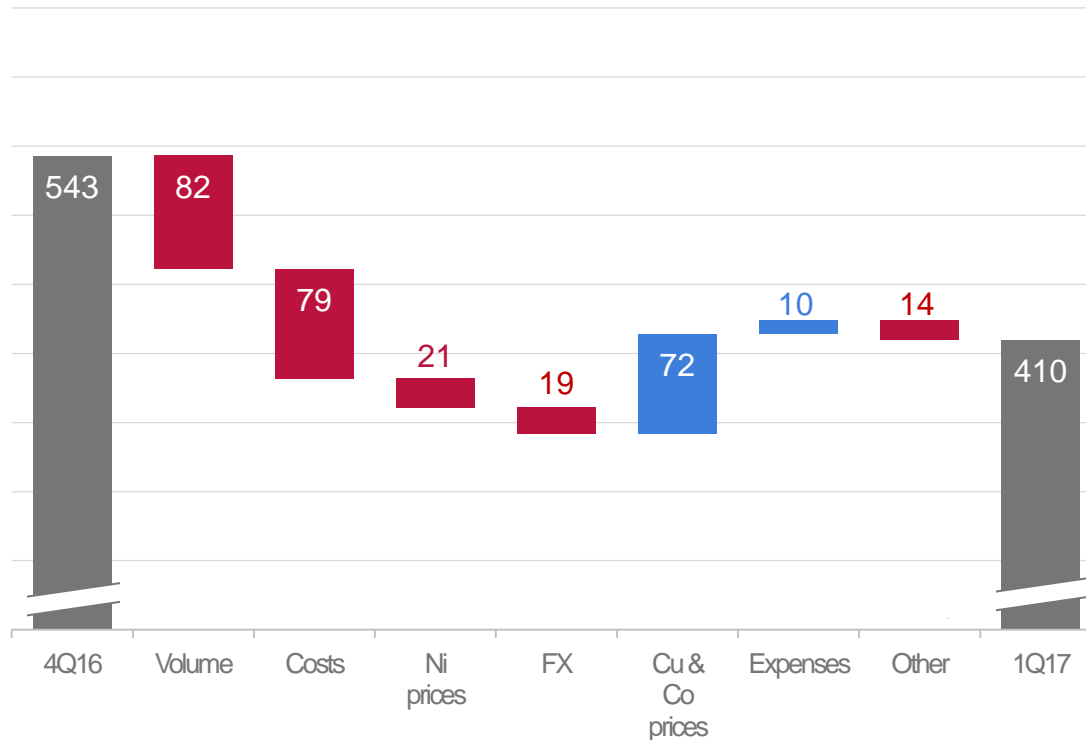
² Difference between the weighted average of the prices provisionally set at the end of 1Q17 at US\$ 77.9/t based on forward curves and US\$ 85.6/t from the 1Q17 IODEX.

³ Vale price is net of taxes.

Base Metals EBITDA decreased as a result of planned lower volumes

Quarterly EBITDA comparison

US\$ million



Highlights 1Q17

Base Metals EBITDA decreased US\$ 133 million q-o-q

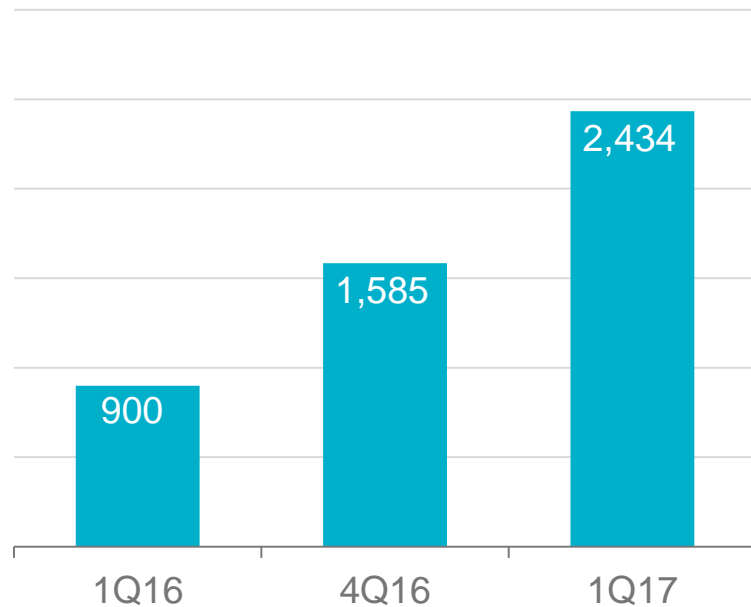
EBITDA was mainly impacted by **planned lower volumes** (US\$ 82 million), and a **one-off** cost normalization in Thompson (US\$ 32 million)

Copper and cobalt prices realization **improved** in the period

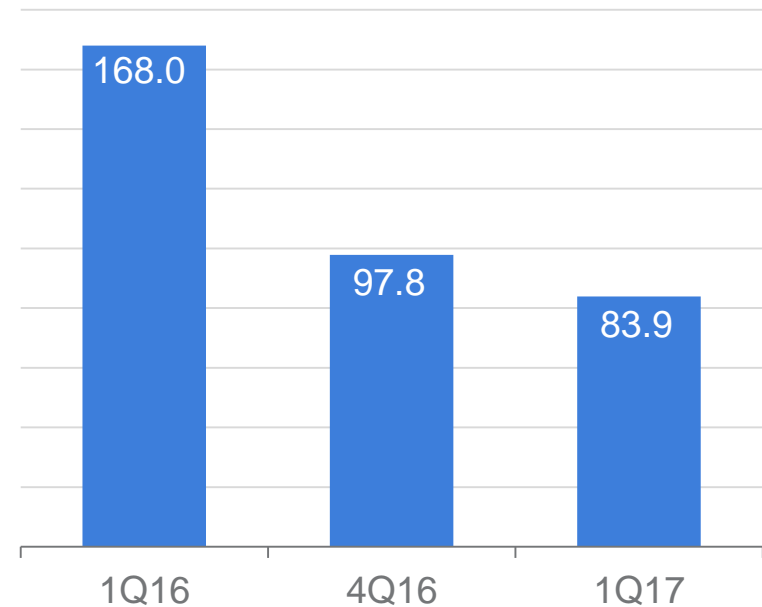
Expenses were down q-o-q

Coal production cost per ton through Nacala decreased driven by the quarterly production record

Moatize coal production
000' t



Moatize production cost through Nacala
US\$/t



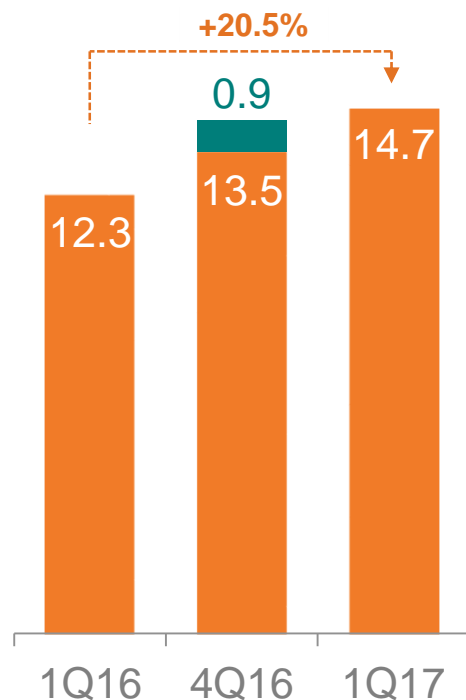
**Additional
information**

Evolution of iron ore fines cash cost, freight and expenses

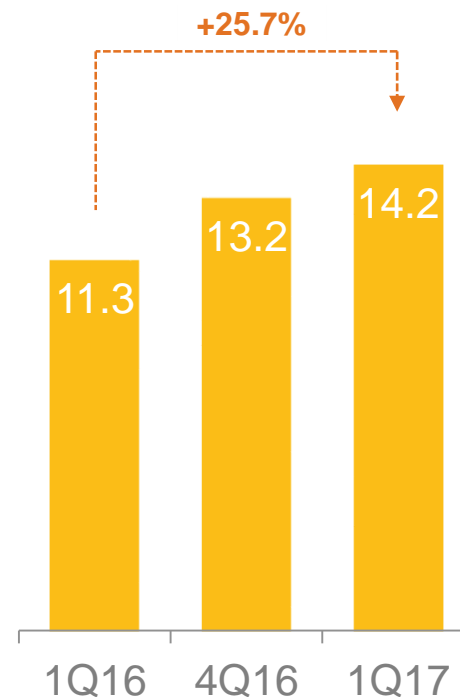
US\$/t

C1 Cash Cost FOB Port¹

■ Non-recurring costs

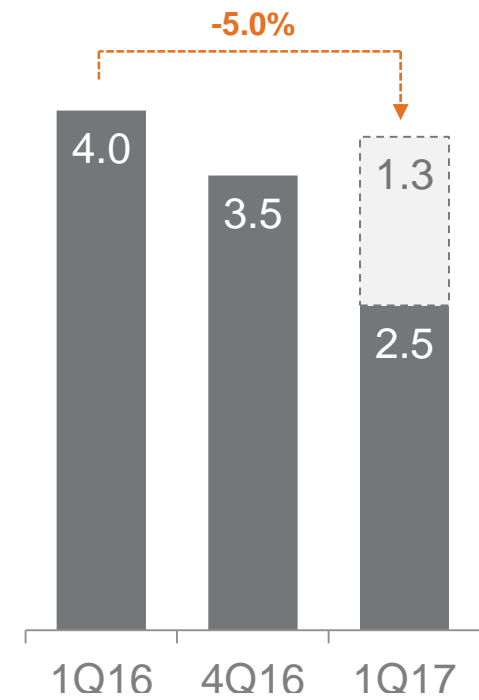


Freight



Expenses² & Royalties

▨ Positive one-off impact³



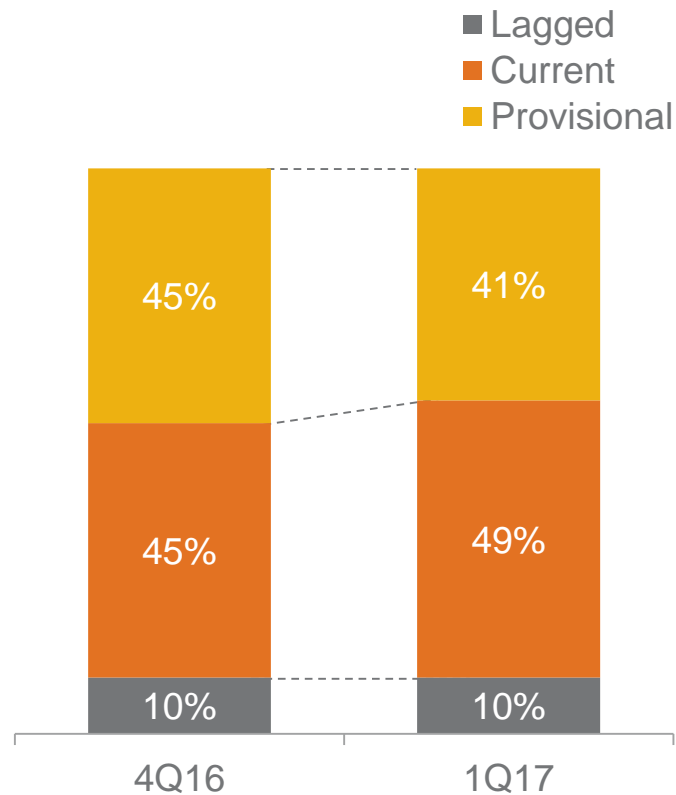
¹ Ex-ROM and ex-royalties; all figures as per new managerial allocation changes, as reported in 4Q15, and include acquisition costs of third party purchased ore.

² Net of depreciation.

³ Positive one-off impact of insurance recoveries of US\$ 85 million in 1Q17.

Iron ore pricing systems

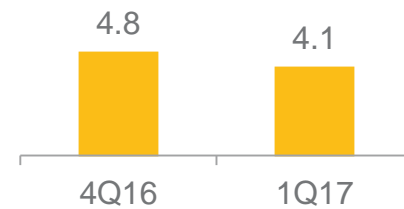
Pricing system breakdown



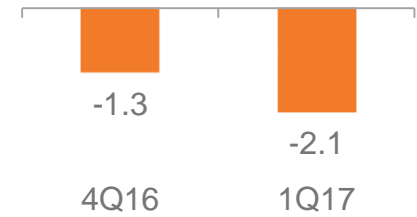
Impact of pricing mechanisms

US\$/t

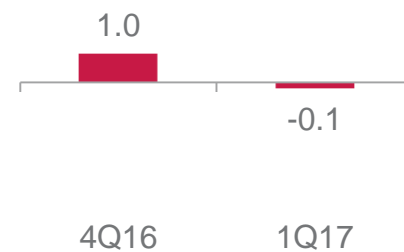
Provisional - prior quarter



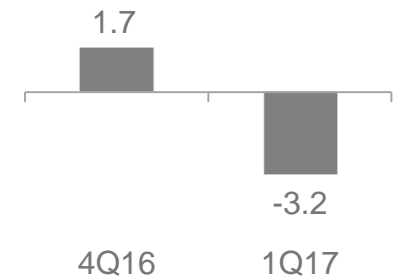
Lagged



Current



Provisional - current quarter



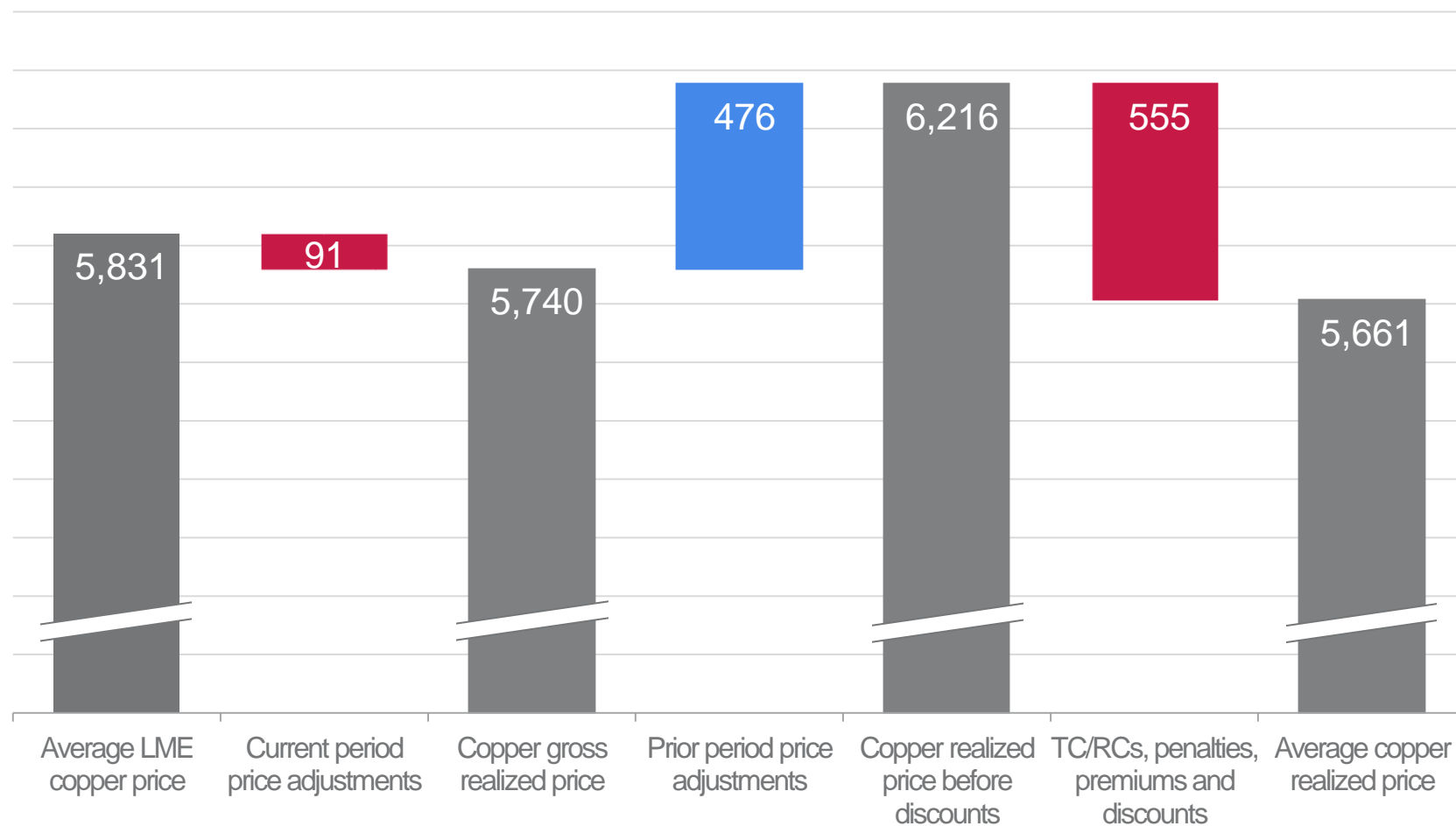
Price realization nickel

US\$/t, 1Q17



Price realization copper

US\$/t, 1Q17



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

Operation (US\$ / t)	1Q17	4Q16 ⁴	1Q16 ⁴
North Atlantic Operations ² (nickel)	6,699	5,125	4,008
PTVI ² (nickel)	6,821	5,770	6,636
VNC ³ (nickel)	11,232	11,375	13,691
Onça Puma (nickel)	9,341	9,204	8,064
Sossego (copper)	2,941	3,207	2,692
Salobo (copper)	1,406	589	923

¹ North Atlantic figures includes Clydach and Acton refining costs.

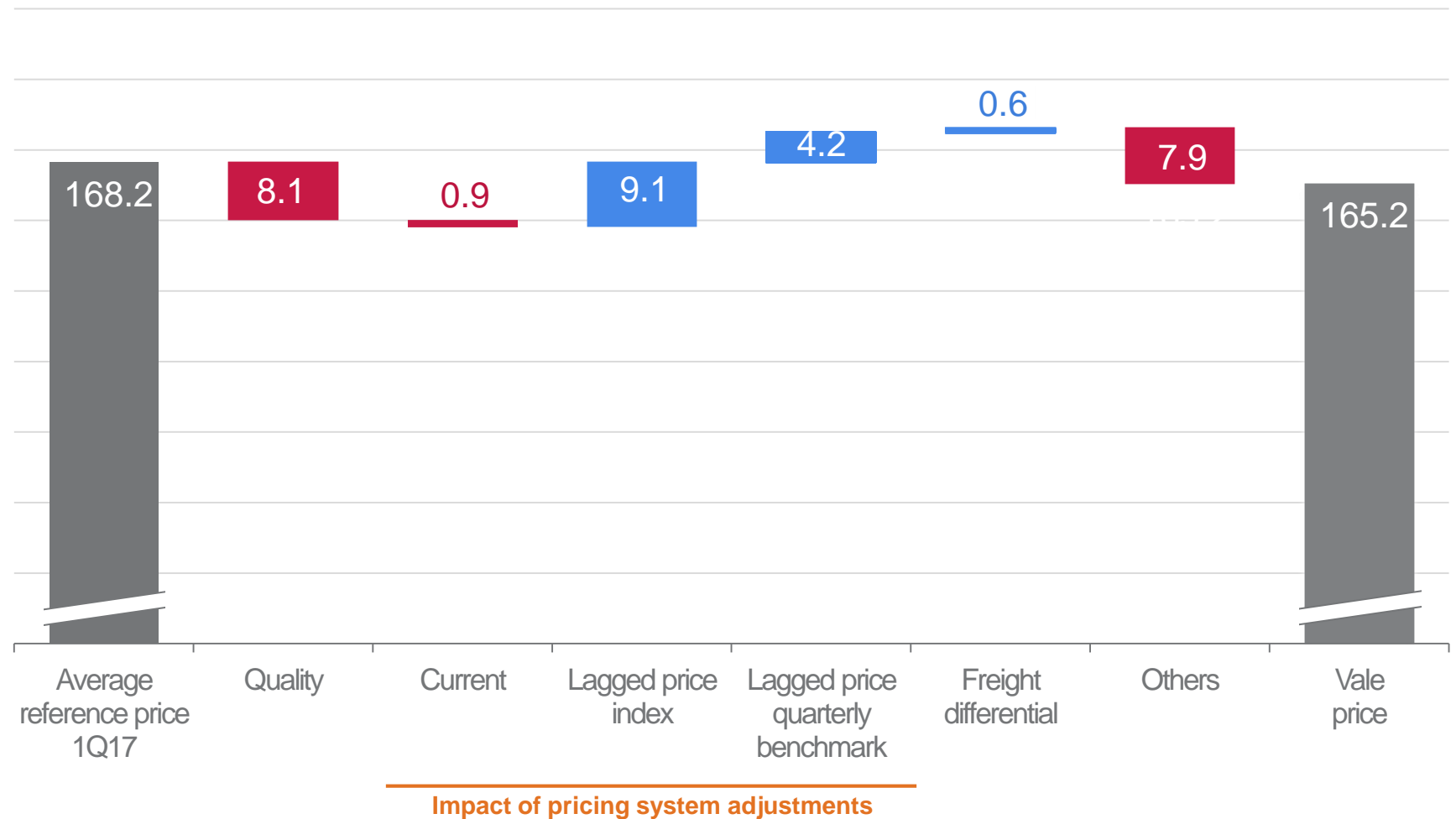
² Prior periods restated to include royalties, freight and other period costs.

³ Unit cash cost restated for periods prior to 1Q17 to exclude pre-operating and other operating expenses.

⁴ We realigned our unit cash cost of sales methodology in 1Q17 to include all freight, royalty and other costs reported as cost of goods sold and to exclude other operating expenses and pre-operating expenses for certain operations. Considering the previous criteria, the unit cash cost figures in prior periods would be: North Atlantic, US\$ 3,412/t and US\$ 3,218/t in 4Q16 and 1Q16, respectively; PTVI, US\$ 5,695/t and US\$ 5,806/t in 4Q16 and 1Q16, respectively; VNC, US\$ 11,017/t and US\$ 12,711/t in 4Q16 and 1Q16, respectively.

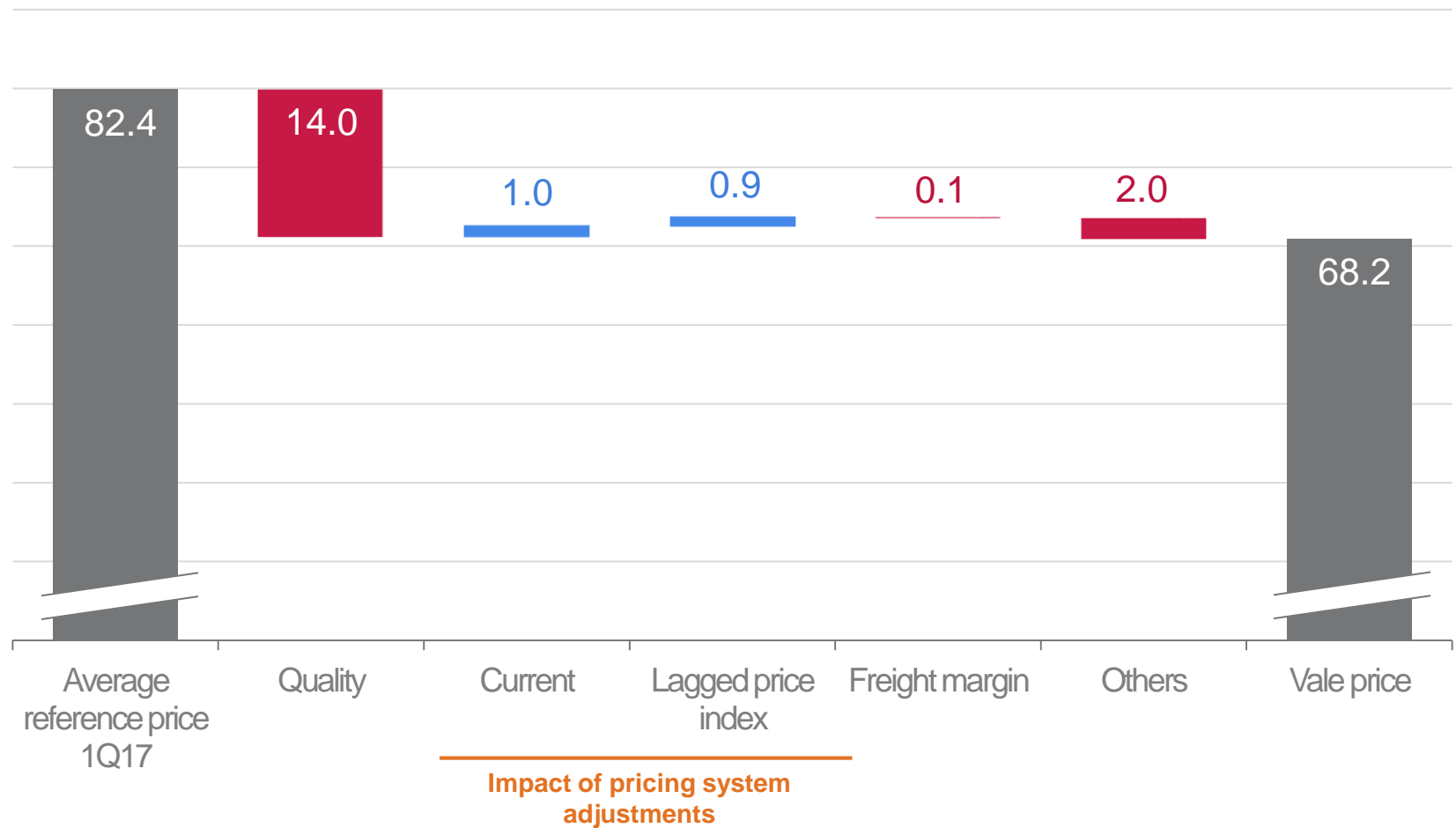
Price realization – metallurgical coal from Mozambique

US\$/t, 1Q17



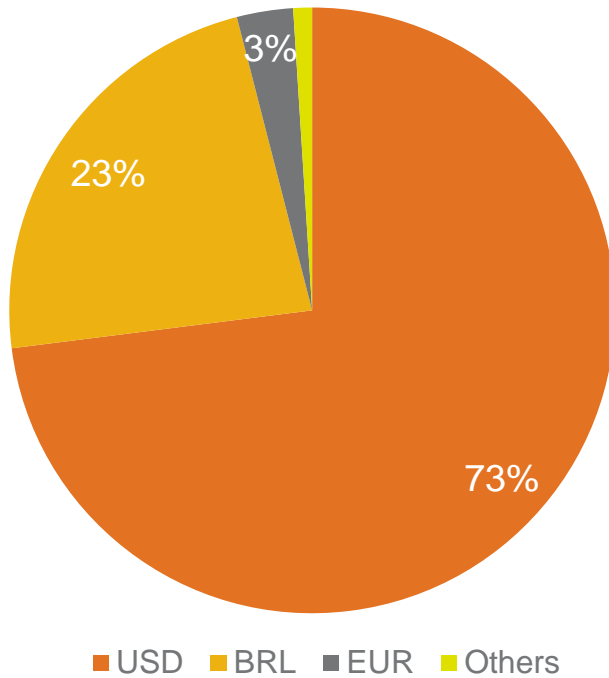
Price realization – thermal coal from Mozambique

US\$/t, 1Q17

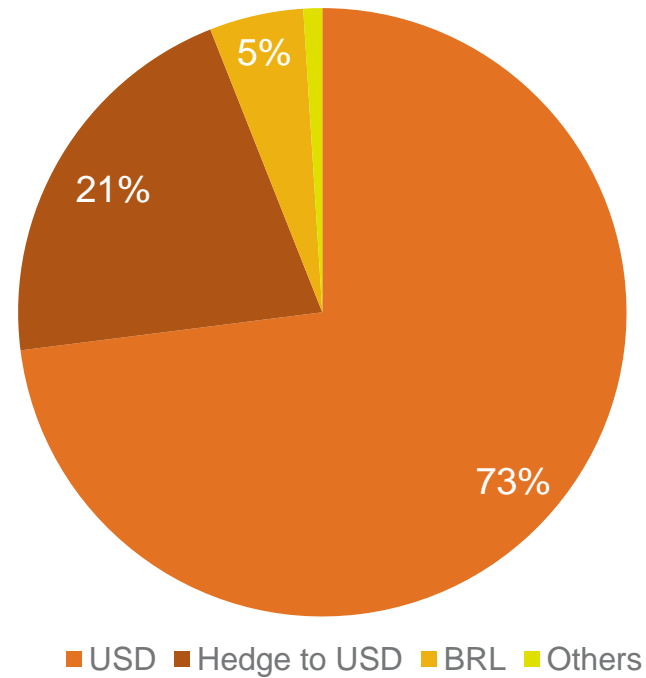


Debt position breakdown by currency

Debt position breakdown by currency
(before hedge)



Debt position breakdown by currency
(after hedge)





VALE