



Ricardo Teles / Agência Vale

Vale's Performance in 2Q17

Rio de Janeiro, July 27th, 2017



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Agenda

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



Vale's performance in 2Q17

Performance highlights 2Q17

US\$ 2.729 bi
Total EBITDA

US\$ 157 mi
Coal EBITDA

US\$ 894 mi
Capital Expenditures



US\$ 2.151 bi
Free Cash Flow

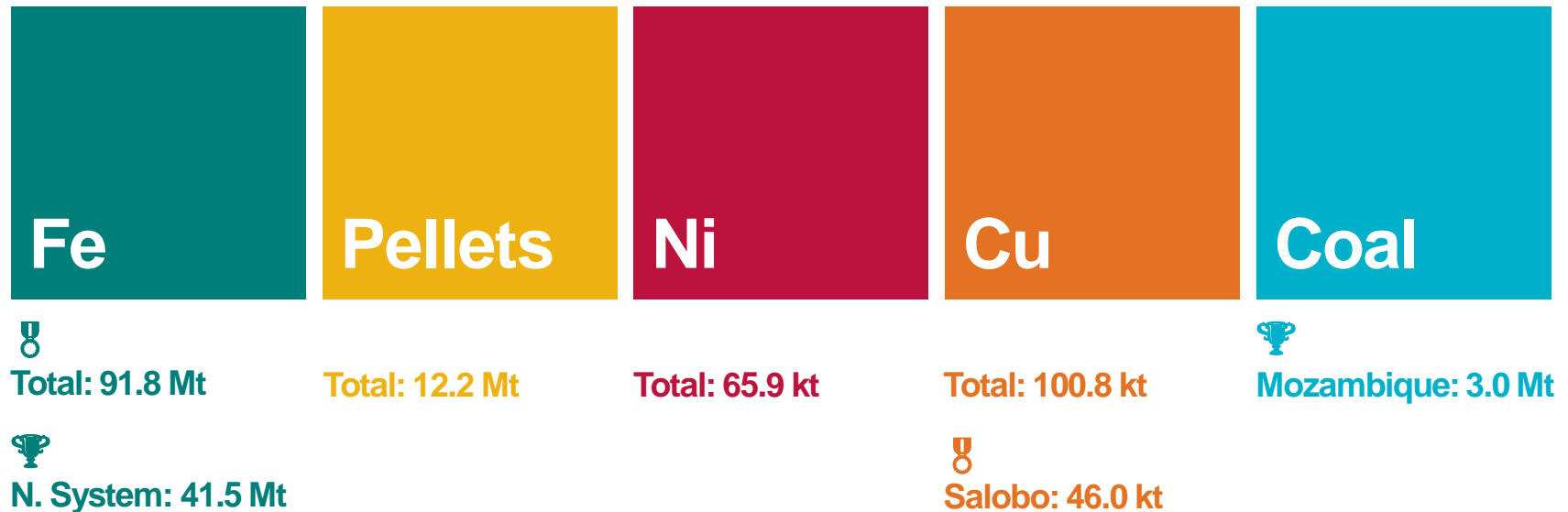
US\$ 1.459 bi
Dividends Paid

US\$ 655 mi
Net Debt Reduction

Record production performance in Iron Ore Northern System and Mozambique

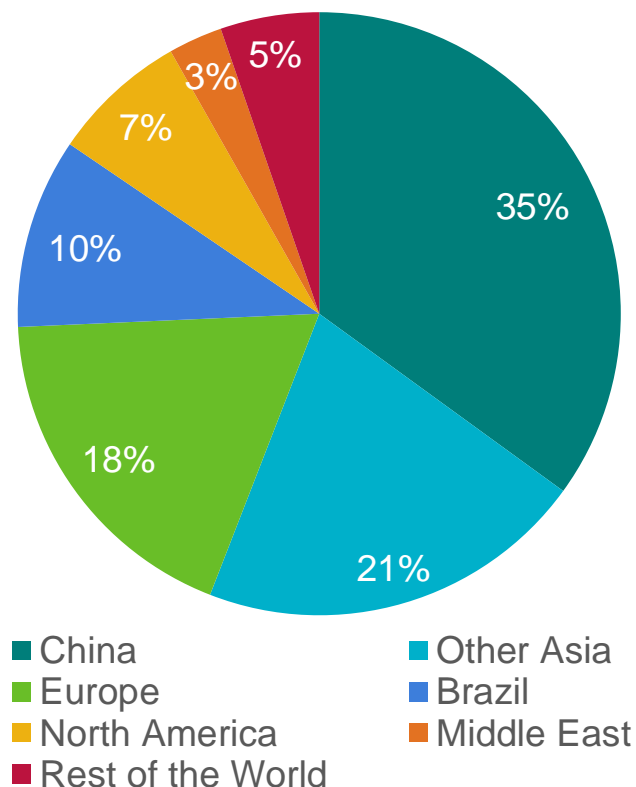
Production highlights 2Q17

 Quarterly record
 Record for a second quarter



Lower prices led to lower q-o-q revenues, partially offset by higher volumes

Net operating revenues by destination in 2Q17



Highlights 2Q17

Net operating revenues of **US\$ 7.235 billion**

Revenues were 15.0% lower vs. 1Q17 mainly due to **lower prices** of Ferrous Minerals and Base Metals

Lower prices were **partially offset by higher sales volumes** of Ferrous Minerals and sales price and volumes of Coal

56% sales to Asia and 10% in Brazil

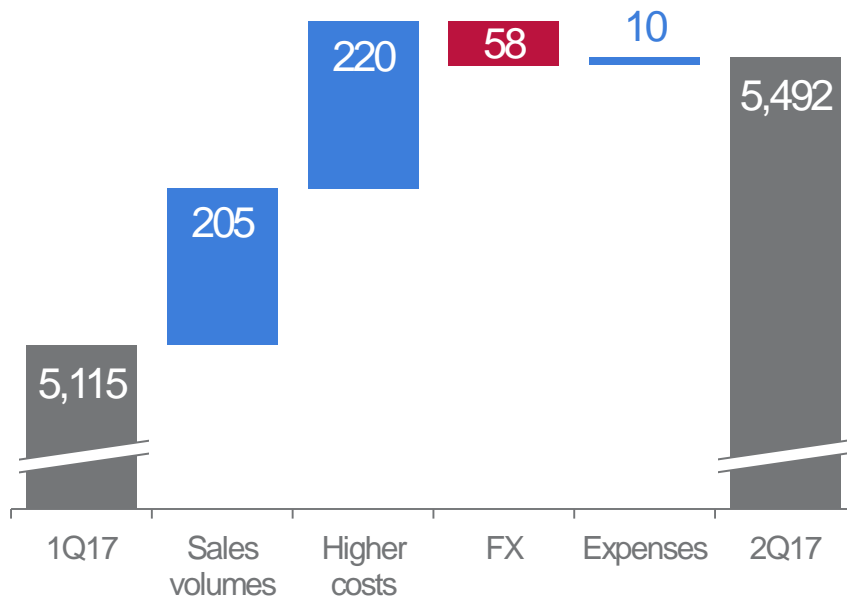
Ferrous Minerals accounted for 71% of revenues

Base Metals accounted for 21% of revenues

Vale is consolidating a systemic and sustainable approach to cost management

Costs and expenses 2Q17 vs. 1Q17

US\$ million



Highlights

Total **costs and expenses increased** by **US\$ 377 million** vs. 1Q17

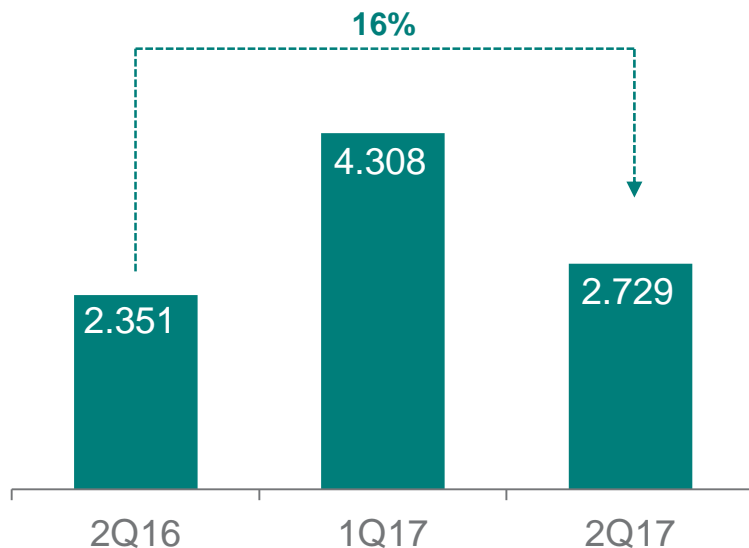
COGS increased as a result of higher sales volumes, higher freight costs in iron ore fines and pellets, higher leasing costs from the pelletizing plants and higher services and material costs

Total expenses were **only marginally higher** than 1Q17, mainly due to higher R&D expenses

Higher costs were partially offset by the positive effect of exchange rate variations

EBITDA was mainly impacted by a reduction of iron ore price

EBITDA, q-o-q
US\$ billion



Highlights 2Q17

Overall EBITDA **increased 16% vs. 2Q16**; and decreased 37% vs. 1Q17

EBITDA decreased vs. 1Q17 mainly as a result of the 27% reduction of Platts IODEX (US\$ 1.867 billion), partially offset by higher sales volumes of Ferrous Minerals and Coal (US\$ 356 million)

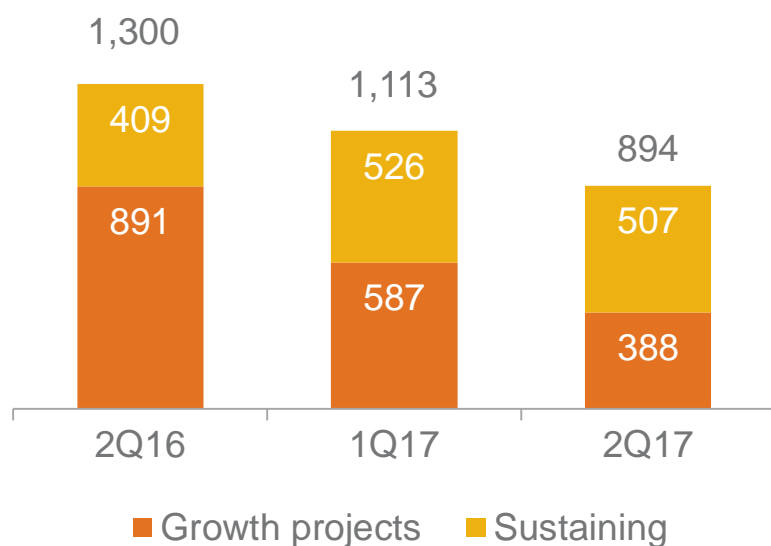
Adjusted EBITDA for Ferrous represented 82% of total adjusted EBITDA

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Capital expenditures

Breaking through the sub US\$ 1 billion capex mark and the lowest for a quarter since 3Q06

Project and sustaining capex
US\$ million



Highlights 2Q17

Total capex was US\$ 894 billion in 2Q17, **decreasing US\$ 219 million** vs. 1Q17

Investments in project execution totaled US\$ 388 million in 2Q17, decreasing 33.9% due to the purchase of wagons and locomotives for the S11D project in 1Q17

Ferrous Minerals accounted for about 95% of the total investment in project execution in 2Q17

With further reduction in S11D expenditures Vale's free cash flows can continue to increase



S11D Mine – Truckless system in operation

Highlights

90% of **combined physical progress** in 2Q17 with 99% progress at the mine site and 83% at the logistic infrastructure sites

The **duplication of the railway** reached 71% physical progress with 397 km duplicated

Onshore expansion reached 90% physical progress



Capital structure

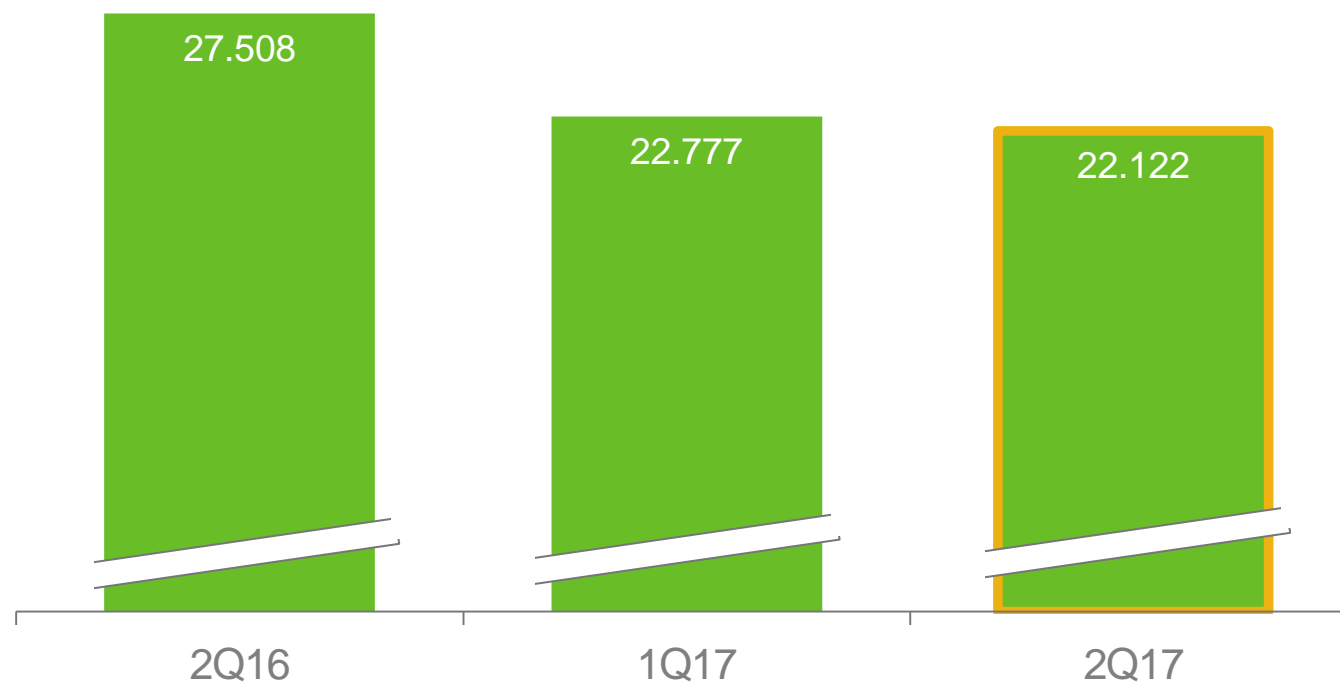
Net Debt decreased by US\$ 655 million despite lower prices and the payment of dividends

US\$ billion

Net debt

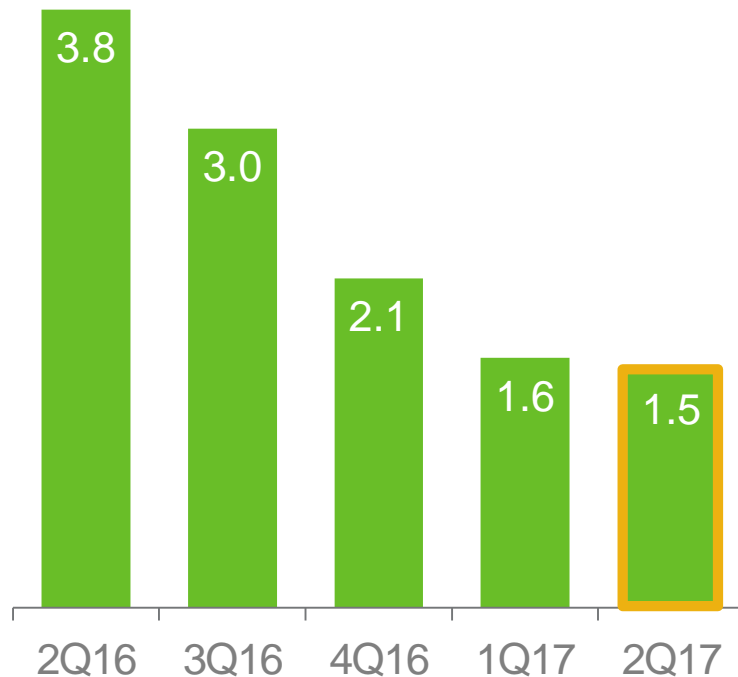
Cash position
on June 30th, 2017

US\$ 5.730 billion




By the end of 2017 Vale will reach a comfortable leverage level

Net debt / LTM¹ EBITDA Ratio



¹ LTM – last twelve months.



Net debt in
2Q17:
US\$ 22.122
billion



Cash position in
2Q17:
US\$ 5.730 billion



Average
maturity:
8.1 years

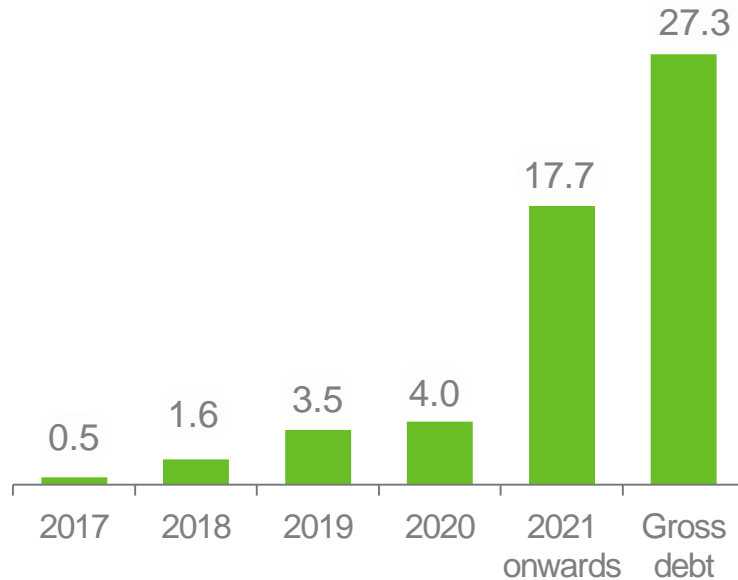


Average cost of
debt:
4.88% per annum

Gross Debt decreased US\$ 1.7 billion mainly due to our liability management program

US\$ billion

Gross debt amortization schedule¹

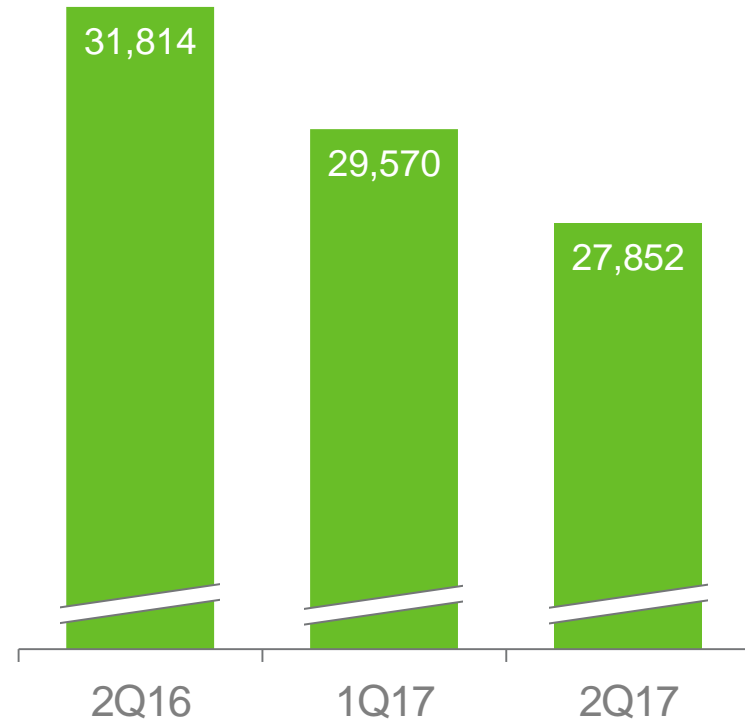


65% of our debt settlement will occur **after 2020**

¹ As of June 30th, 2017. Does not include accrued charges.

US\$ million

Gross debt

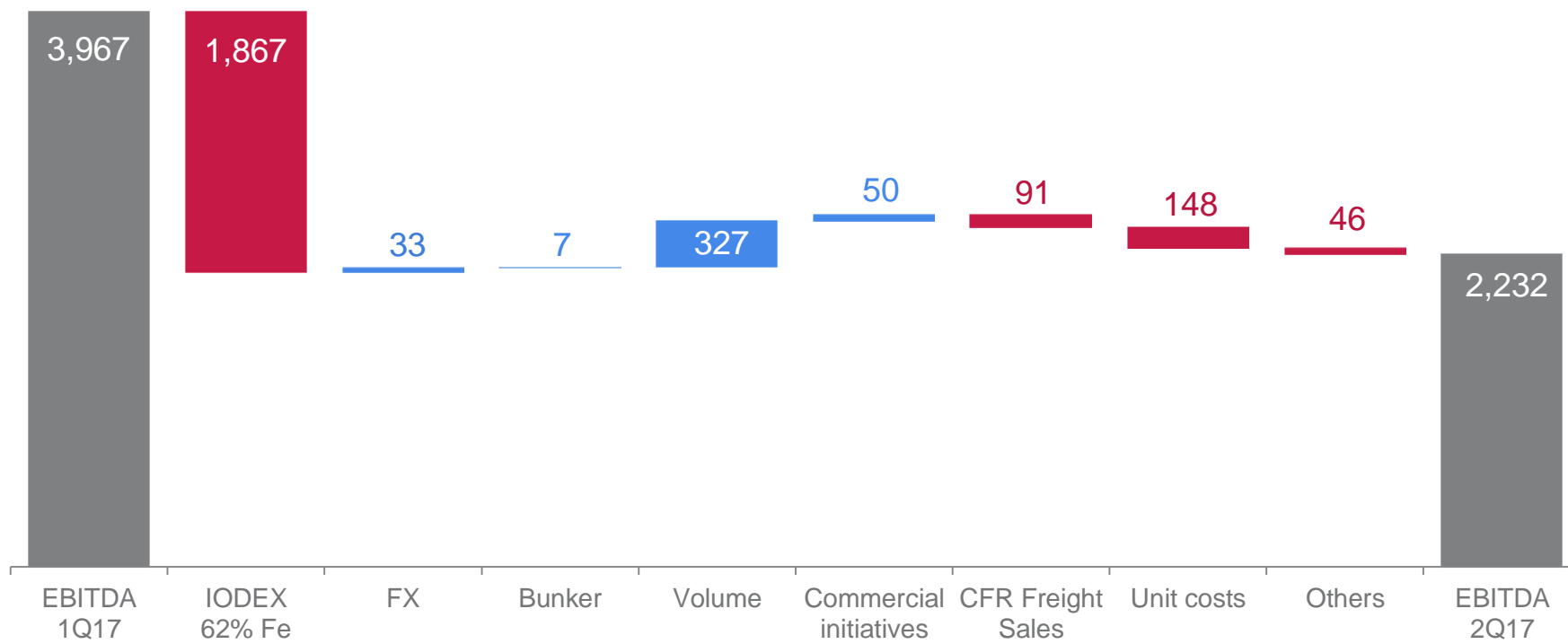


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**Business segment
performance**

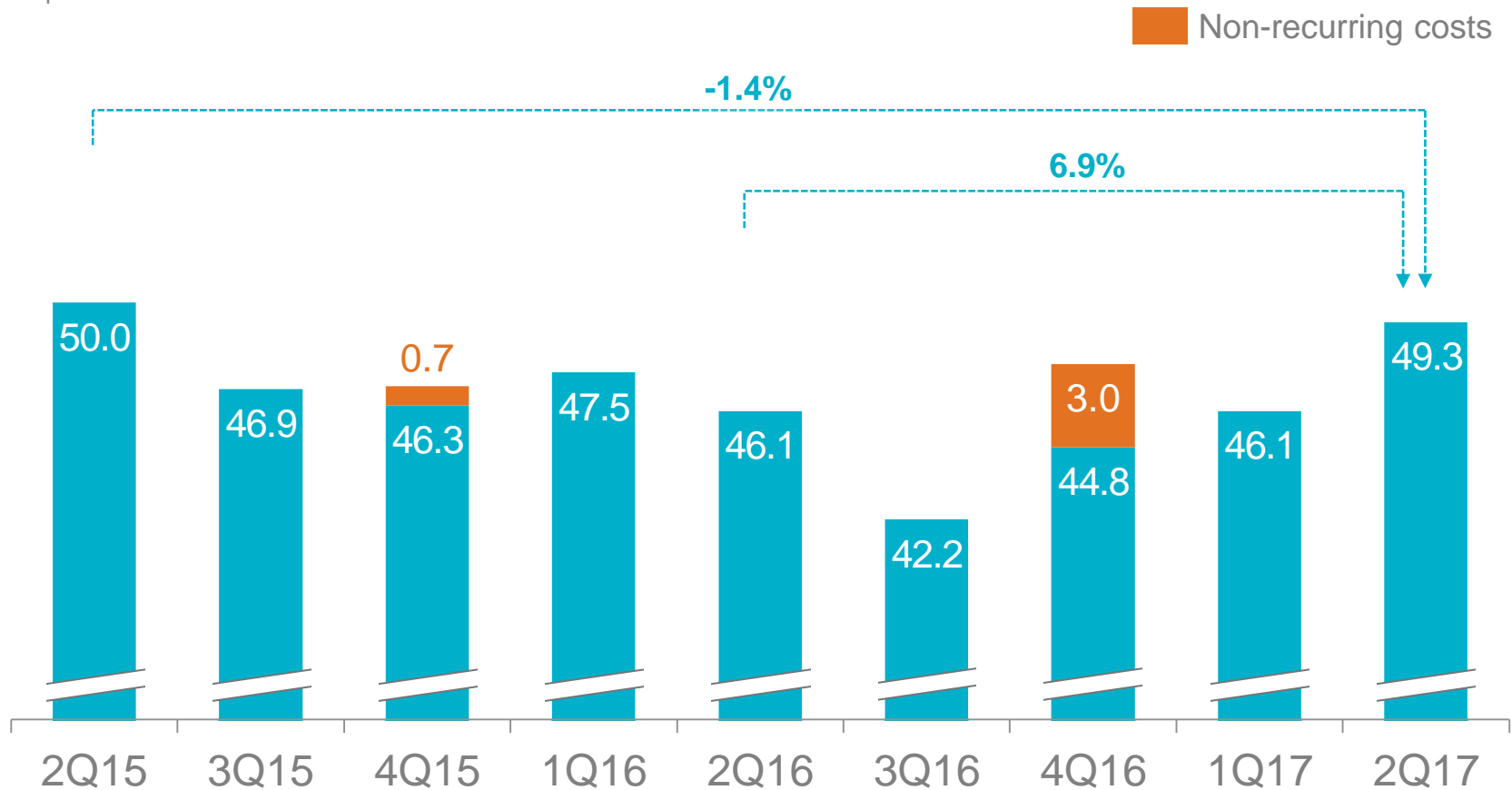
Ferrous Minerals EBITDA was lower mainly as a result of the 27% reduction of IODEX 62%Fe price

US\$ million, 2Q17 vs. 1Q17



Despite the 6.9% increase, C1 cash cost FOB port is expected to decrease to the range of R\$ 46 - 47/t in 2H17

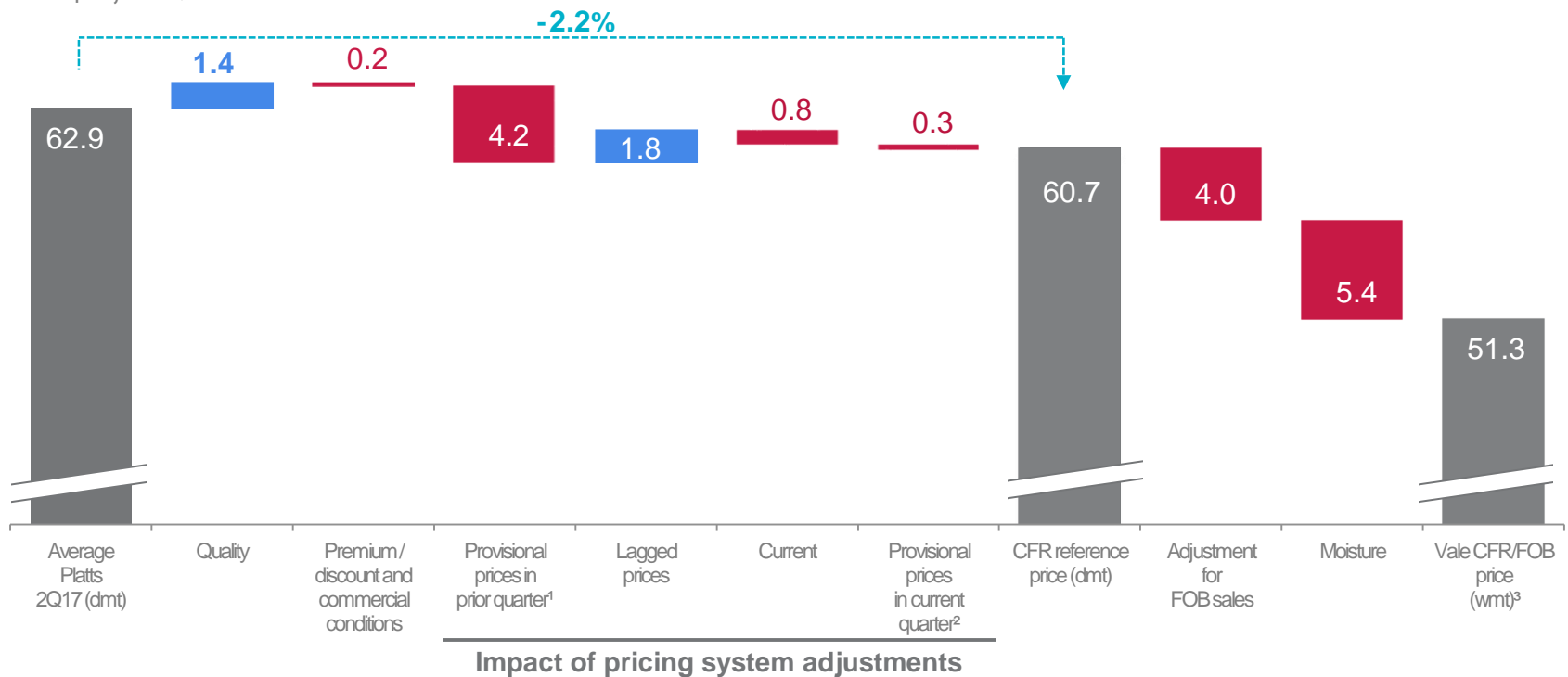
R\$/t



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 was impacted by provisional price set in 1Q17 and by discounts on high silica material

US\$/t, 2Q17



- Vale will reduce production of high silica products by an annualized rate of 19 Mt from 2H17 onwards and will limit the silica content of its BRBF⁴ to 5%;
- Vale is the player with the highest flexibility in the market to adjust its product quality output.

¹ Adjustment as a result of provisional prices booked in 1Q17 at US\$ 77.9/t.

² Difference between the weighted average of the prices provisionally set at the end of 2Q17 at US\$ 62.1/t based on forward curves and US\$ 62.9/t from the 2Q17 IODEX.

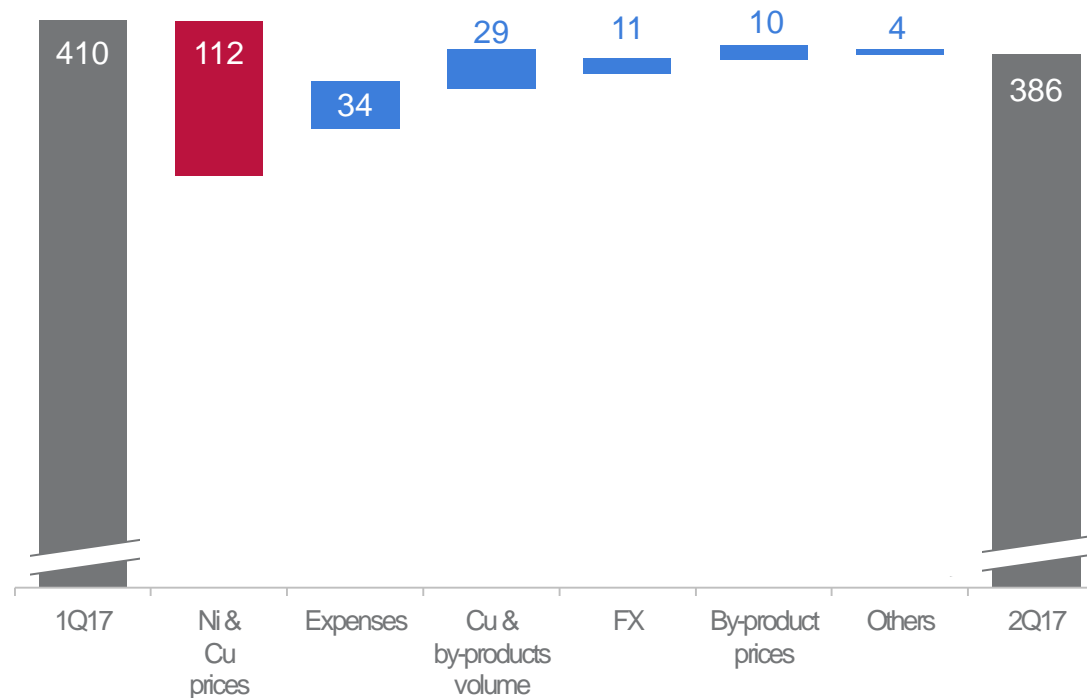
³ Vale price is net of taxes.

⁴ Brazilian Blend Fines.

Base Metals EBITDA decreased as a result of lower nickel and copper prices

Quarterly EBITDA comparison

US\$ million



Highlights 2Q17

Base Metals EBITDA decreased US\$ 24 million q-o-q

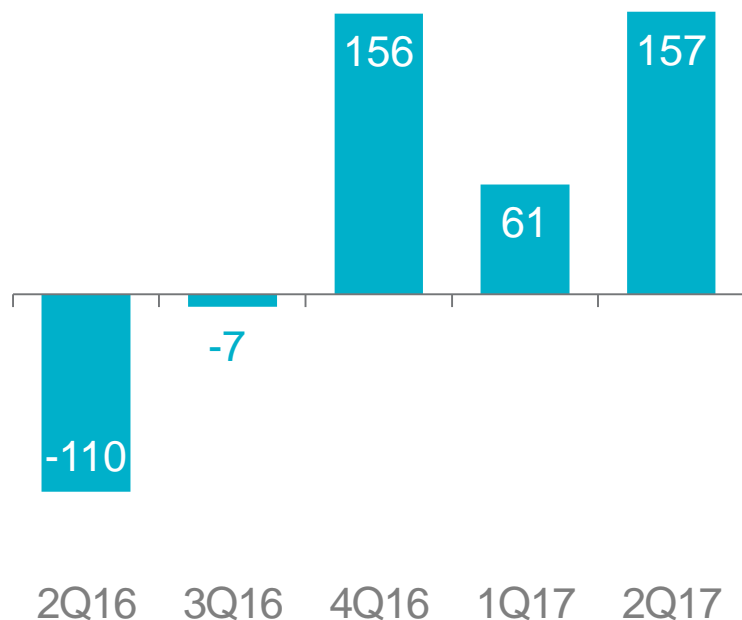
EBITDA was mainly impacted by **lower nickel and copper prices** (US\$ 112 million)

Lower prices were partially offset by lower expenses, favourable volume impacts of copper and by-products and exchange rate variation

Coal EBITDA recorded a positive result for a third consecutive quarter

Quarterly EBITDA comparison

US\$ million



Highlights 2Q17

Coal EBITDA **increased US\$ 96 million q-o-q**, as a result of higher prices, higher volumes and lower costs at the mine and processing plants

Costs at the mine and processing plants decreased by 16% in 2Q17 vs. 1Q17, as a result of the successful ramp-up of Moatize II and the strong performance of the processing plants.

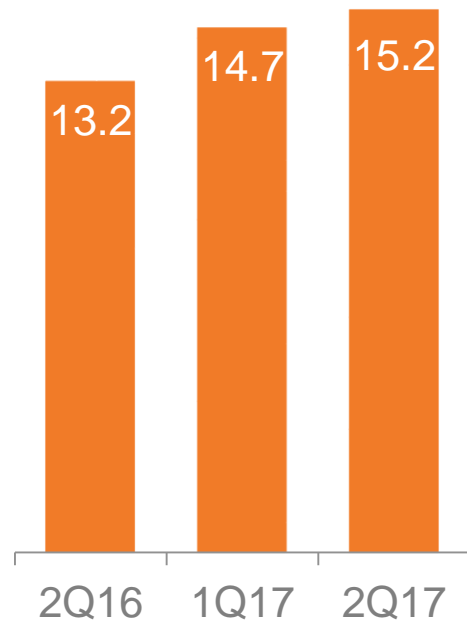
Production cost per ton of coal shipped through Nacala increased 6%, due to the impact of tariff, despite being 67% **offset by lower costs at the mine and processing plants.**

**Additional
information**

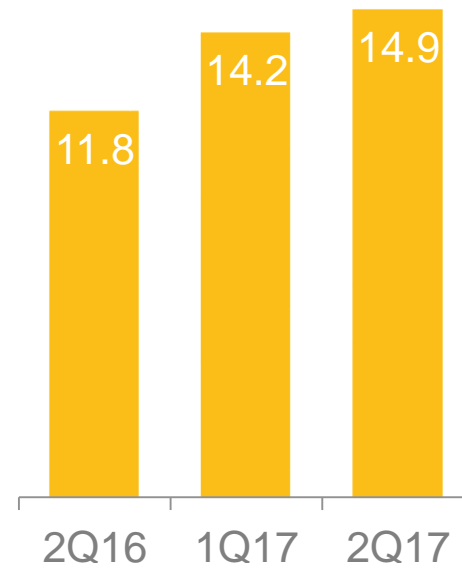
Evolution of iron ore fines cash cost, freight and expenses

US\$/t

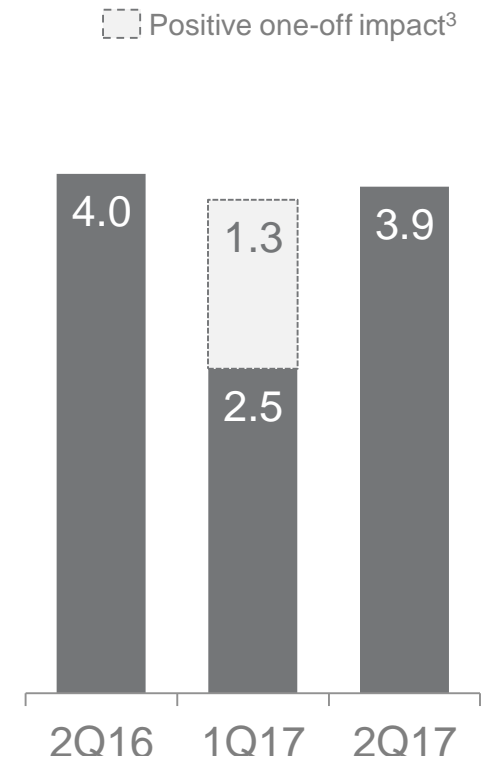
C1 Cash Cost FOB Port¹



Freight



Expenses² & Royalties



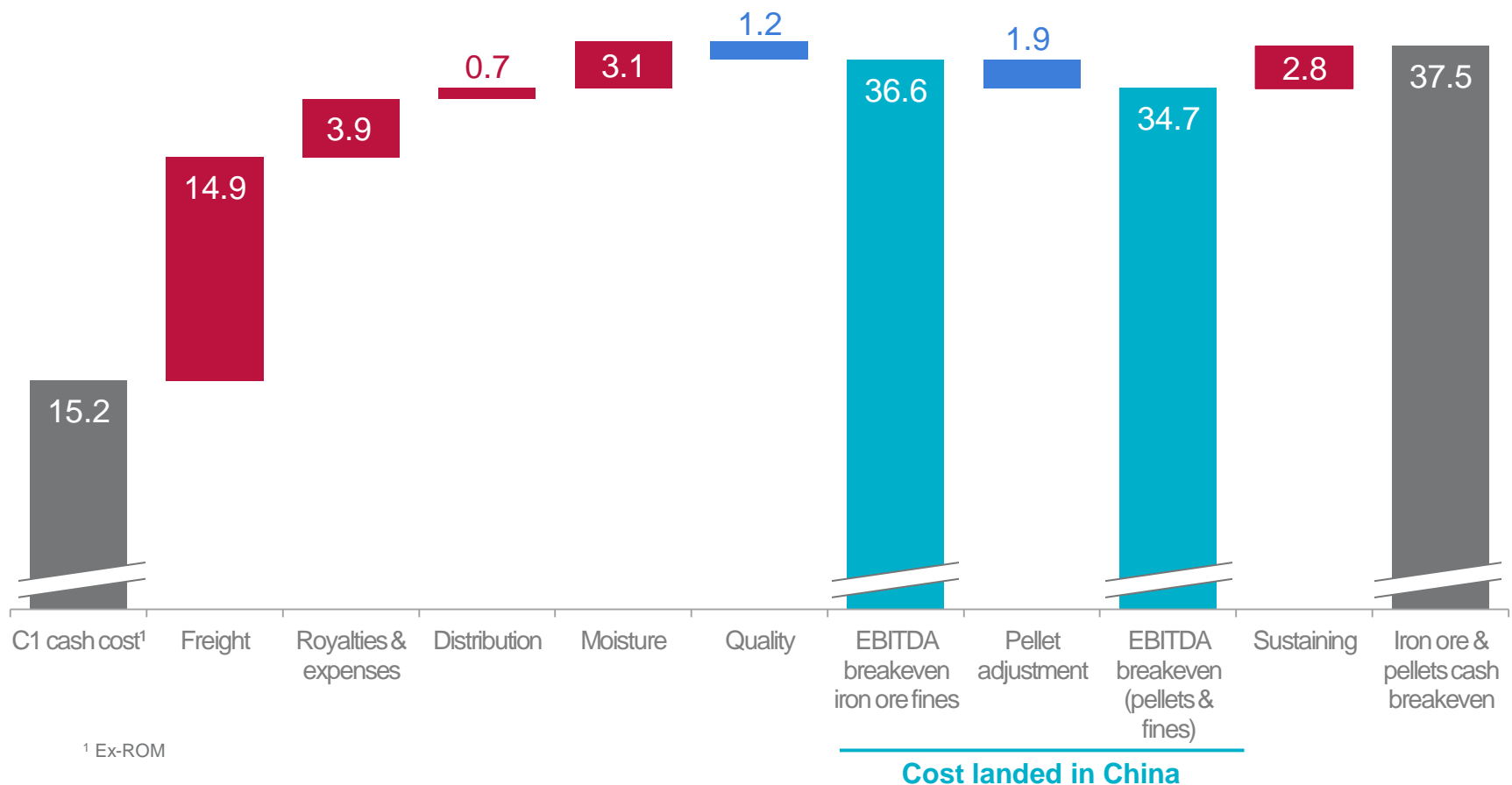
¹ Ex-ROM and ex-royalties.

² Net of depreciation.

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

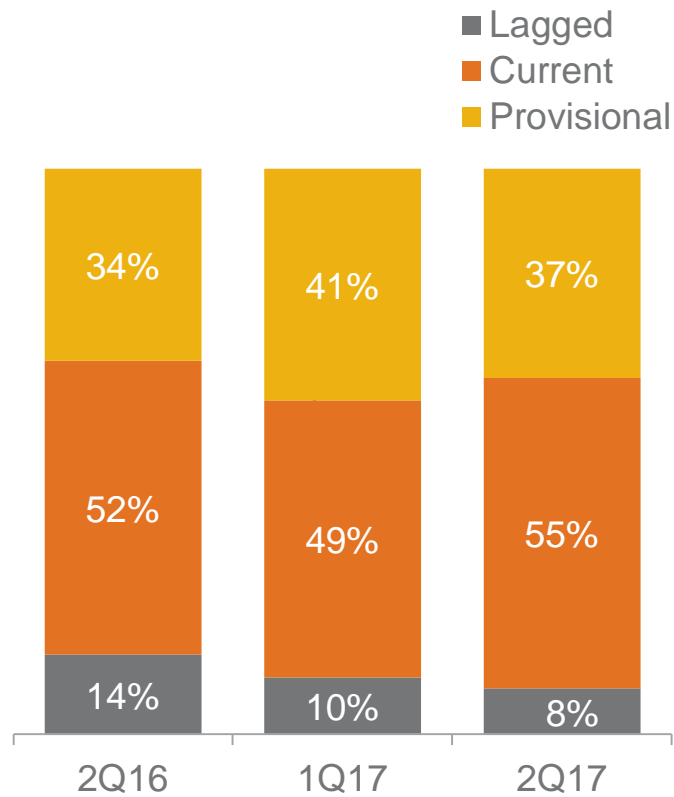
2Q17 cash break-even cost landed in China for iron ore and pellets

US\$/t, 2Q17



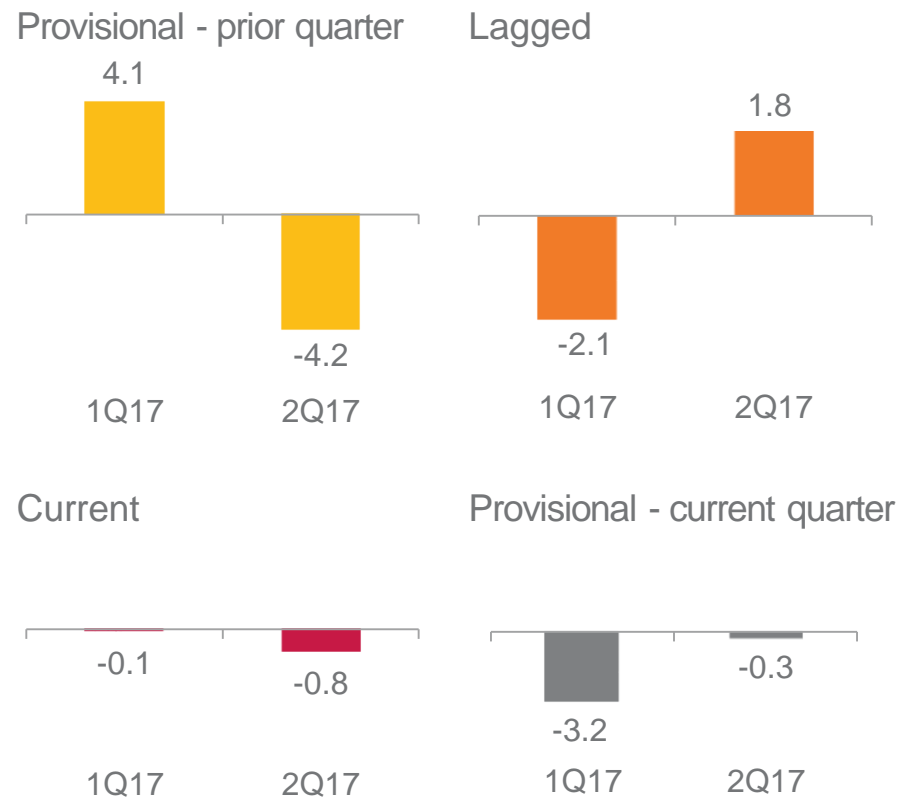
Iron ore pricing systems

Pricing system breakdown



Impact of pricing mechanisms

US\$/t



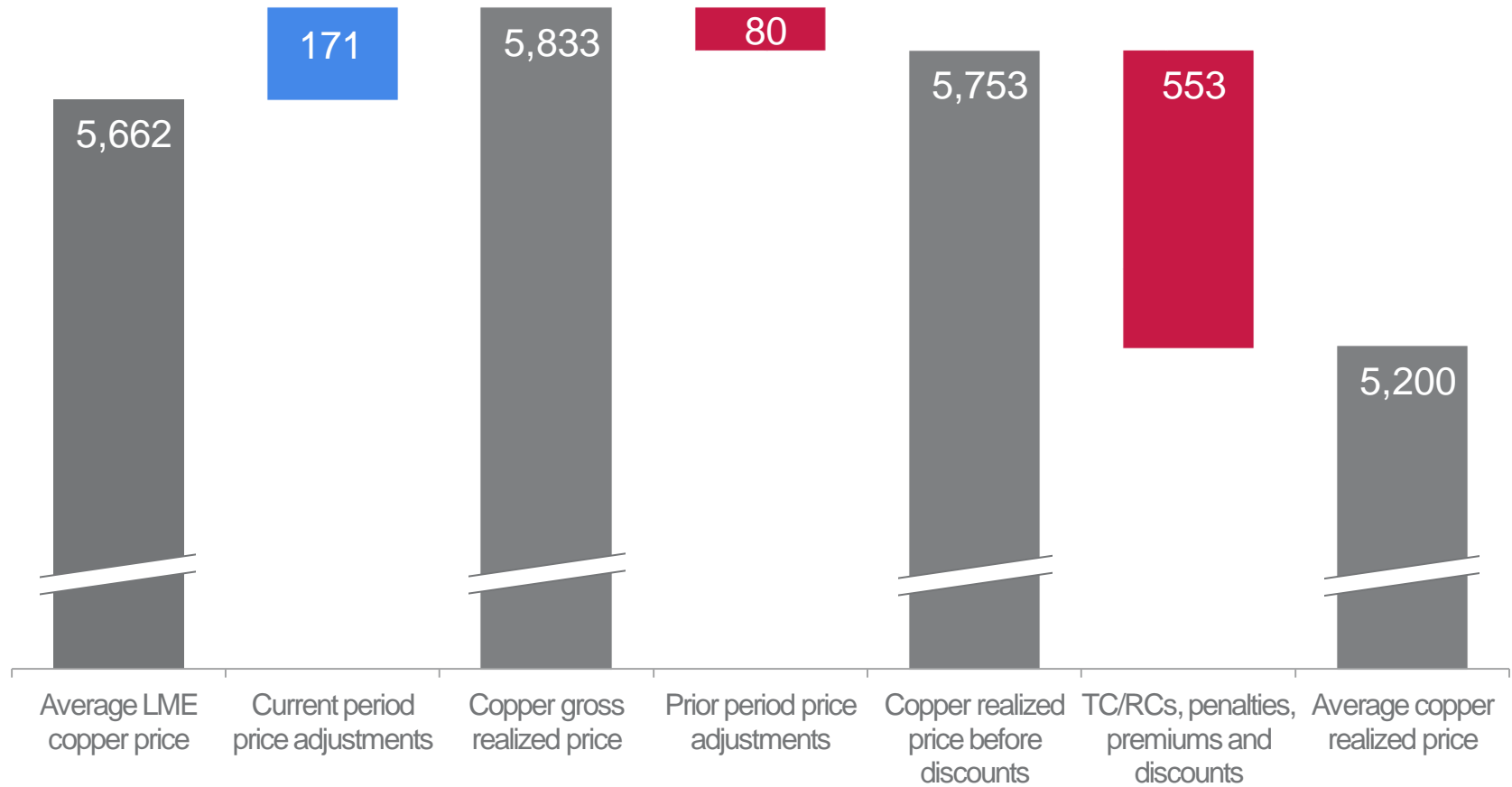
Price realization nickel

US\$/t, 2Q17



Price realization copper

US\$/t, 2Q17



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

Operation (US\$ / t)	2Q17	1Q17	2Q16 ⁴
North Atlantic Operations (nickel) ²	5,388	6,699	4,632
PTVI (nickel) ²	6,827	6,821	4,680
VNC (nickel) ³	11,222	11,232	11,879
Onça Puma (nickel)	10,164	9,341	7,804
Sossego (copper)	2,611	2,941	2,809
Salobo (copper)	1,274	1,406	954

¹ North Atlantic figures includes Clydach and Acton refining costs.

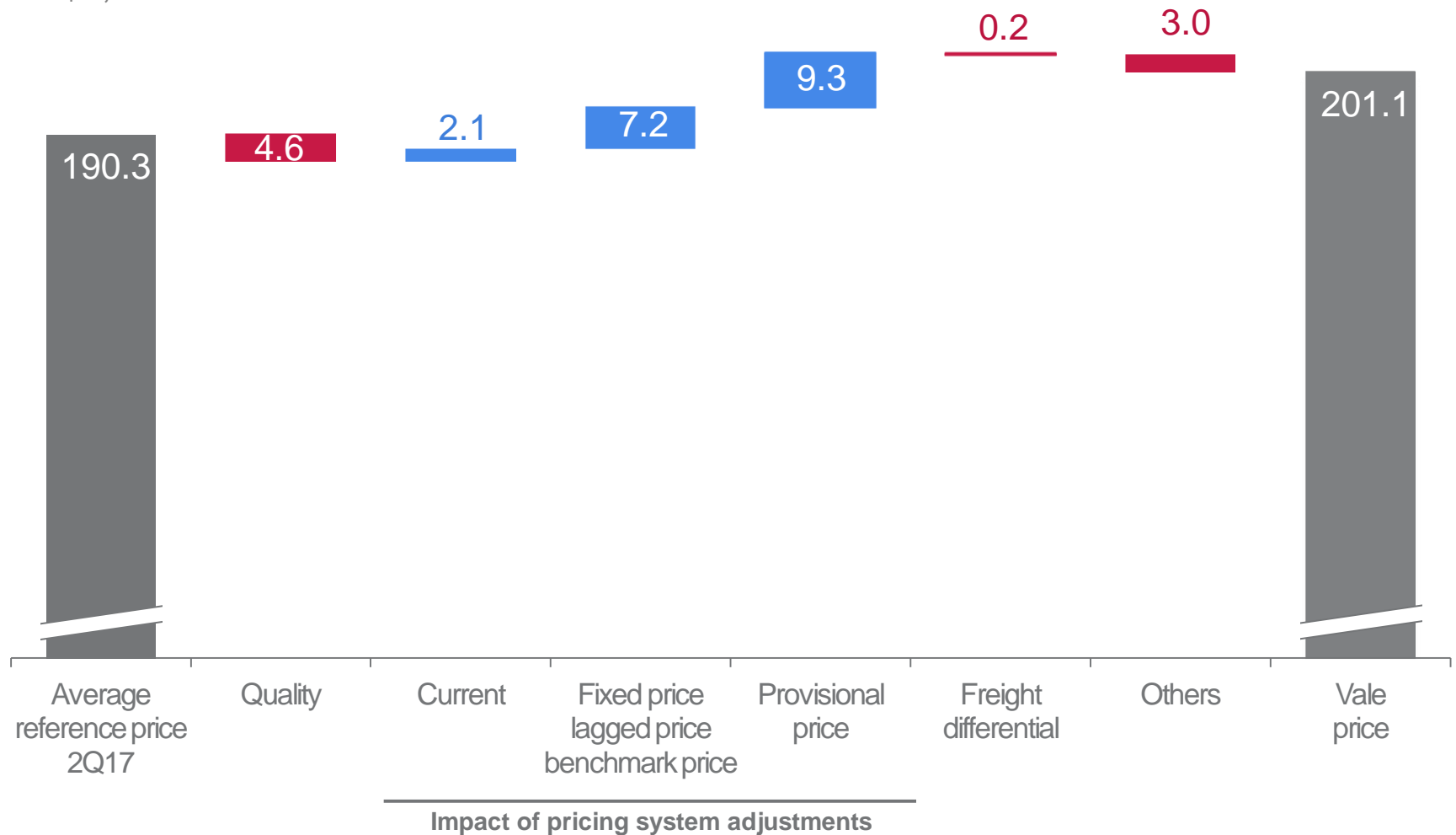
² Prior periods restated to include royalties, freight and other period costs.

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\$ 3,582/t in 2Q16; PTVI, US\$ 5,825/t in 2Q16, and VNC, US\$ 12,208/t in 2Q16.

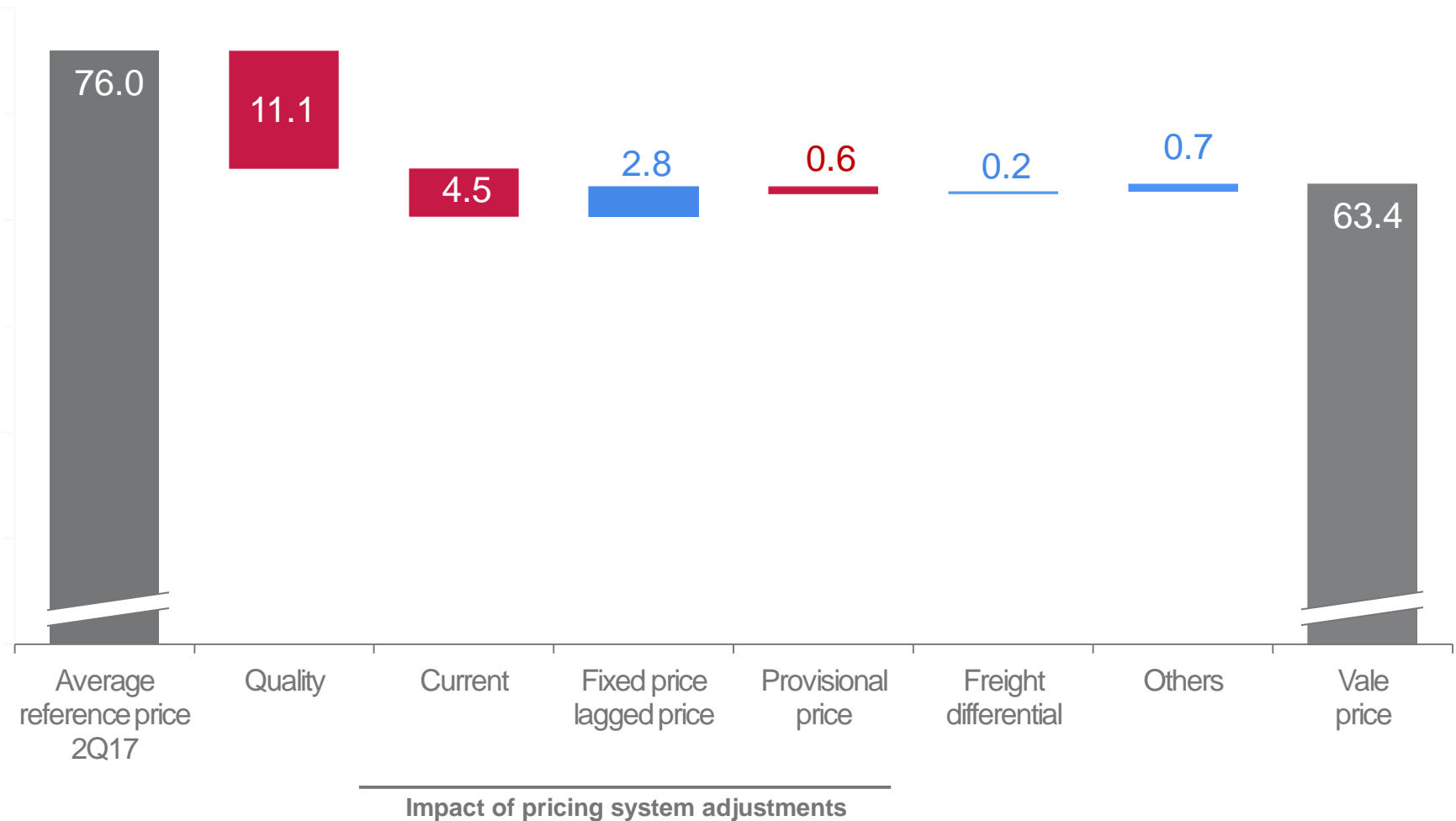
Price realization – metallurgical coal from Mozambique

US\$/t, 2Q17



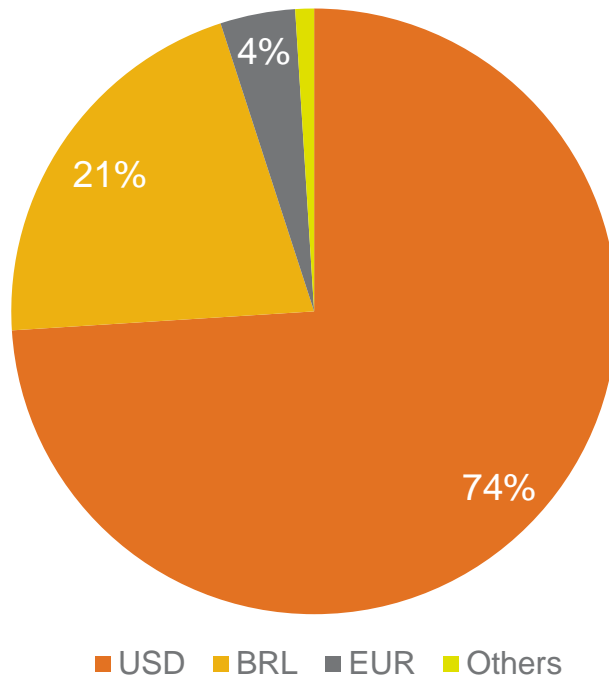
Price realization – thermal coal from Mozambique

US\$/t, 2Q17

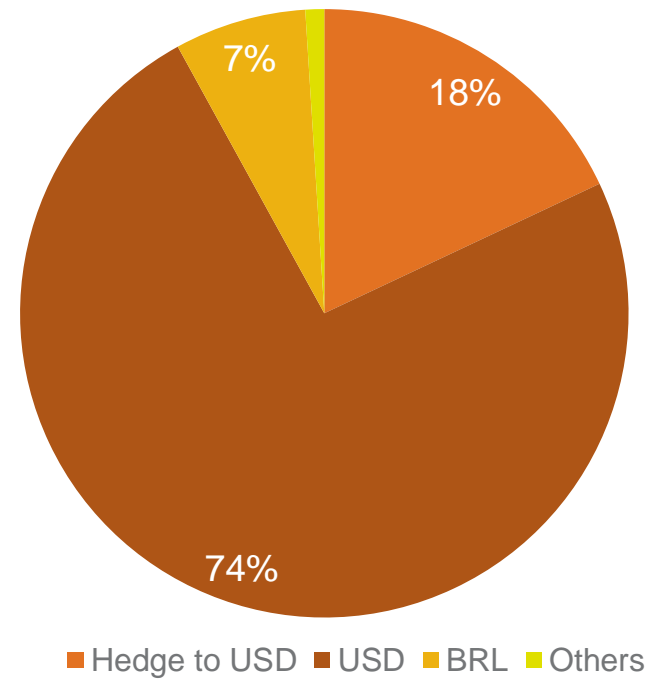


Debt position breakdown by currency

Debt position breakdown by currency
(before hedge)



Debt position breakdown by currency
(after hedge)





VALE