



# Vale's performance in 2014

February 26, 2015

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## Disclaimer

“This presentation may include statements that present Vale's expectations about future events or results. All statements, when based upon expectations about the future and not on historical facts, involve various risks and uncertainties. Vale cannot guarantee that such statements will prove correct. These risks and uncertainties include factors related to the following: (a) the countries where we operate, especially Brazil and Canada; (b) the global economy; (c) the capital markets; (d) the mining and metals prices and their dependence on global industrial production, which is cyclical by nature; and (e) global competition in the markets in which Vale operates. To obtain further information on factors that may lead to results different from those forecast by Vale, please consult the reports Vale files with the U.S. Securities and Exchange Commission (SEC), the Brazilian Comissão de Valores Mobiliários (CVM), the French Autorité des Marchés Financiers (AMF) and The Stock Exchange of Hong Kong Limited, and in particular the factors discussed under “Forward-Looking Statements” and “Risk Factors” in Vale’s annual report on Form 20-F.”

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## DOCUMENT CONTENT

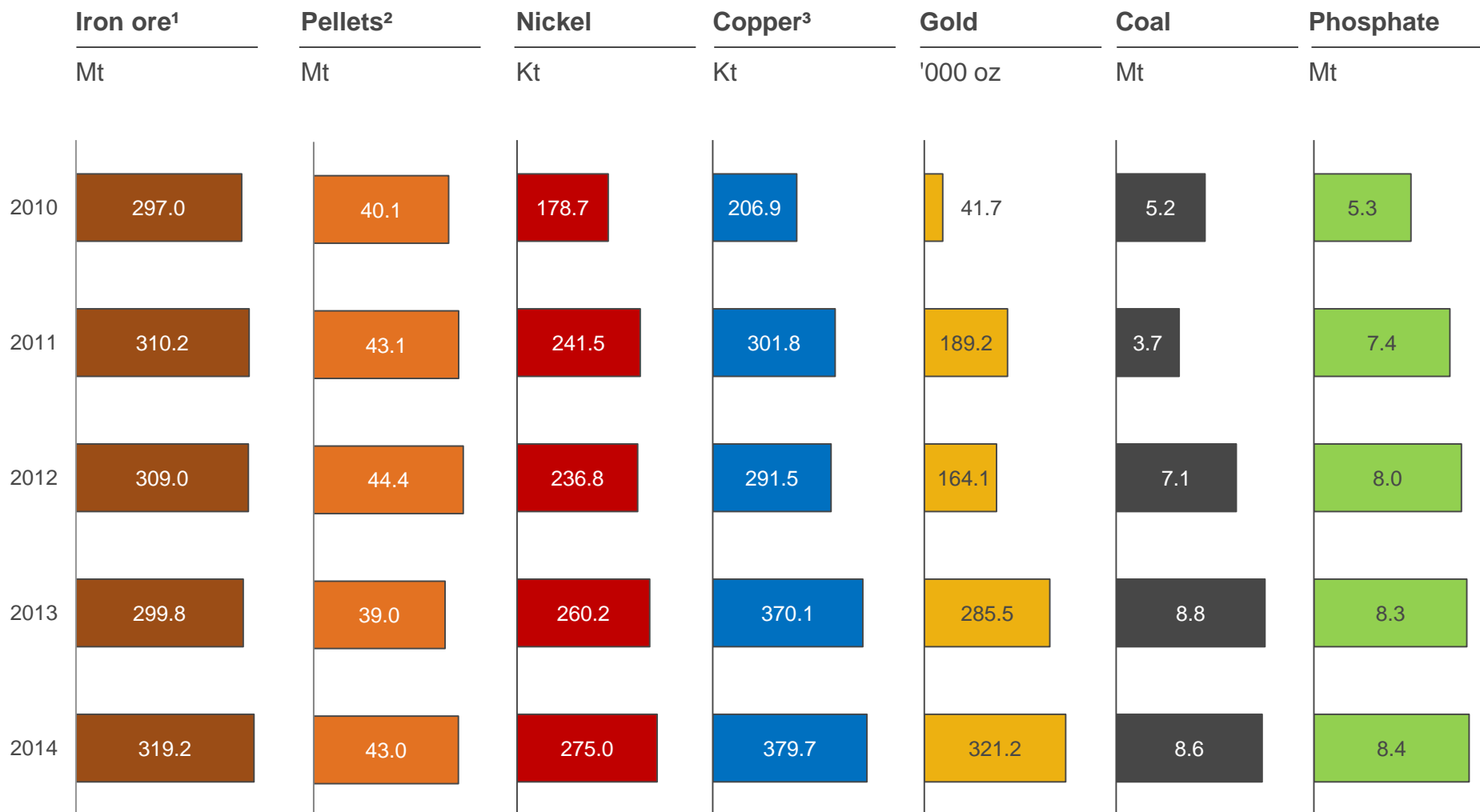
- Highlights 2014
  - Operational performance
  - Financial performance
- Highlights 4Q14
  - Operational performance
  - Financial performance
- Capital expenditures
- Capital structure
- Cash flow generation
- Achievements

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# PRODUCTION VOLUMES



<sup>1</sup> Includes iron ore fines, lump, ROM and iron ore feed for Vale's pellet plants. Excludes Samarco's attributable production and ore acquired from third parties

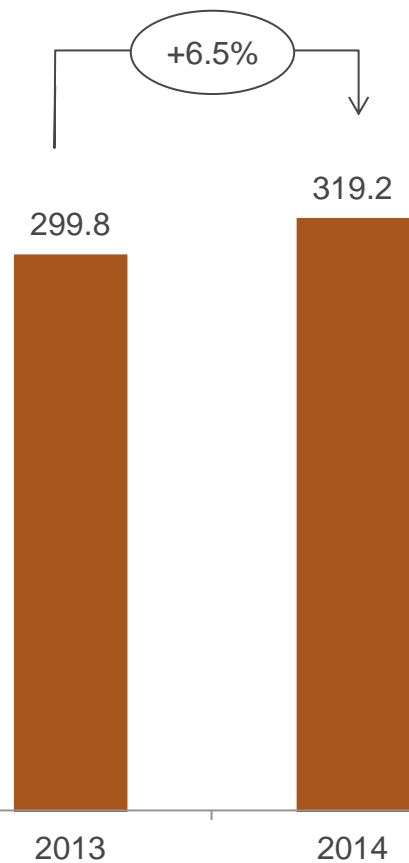
<sup>2</sup> Excludes Samarco's attributable production.

<sup>3</sup> 2013 figures include Tres Valles production (11 Kt).

# PRODUCTION VOLUMES YEAR-ON-YEAR

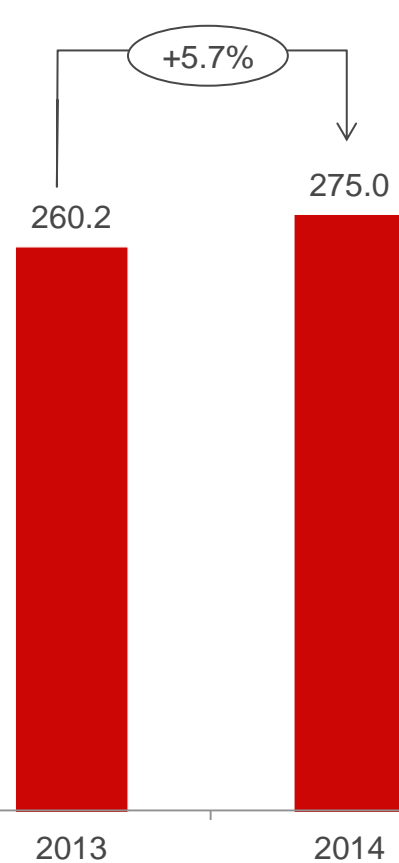
## Iron Ore<sup>1</sup>

Mt



## Nickel

Kt



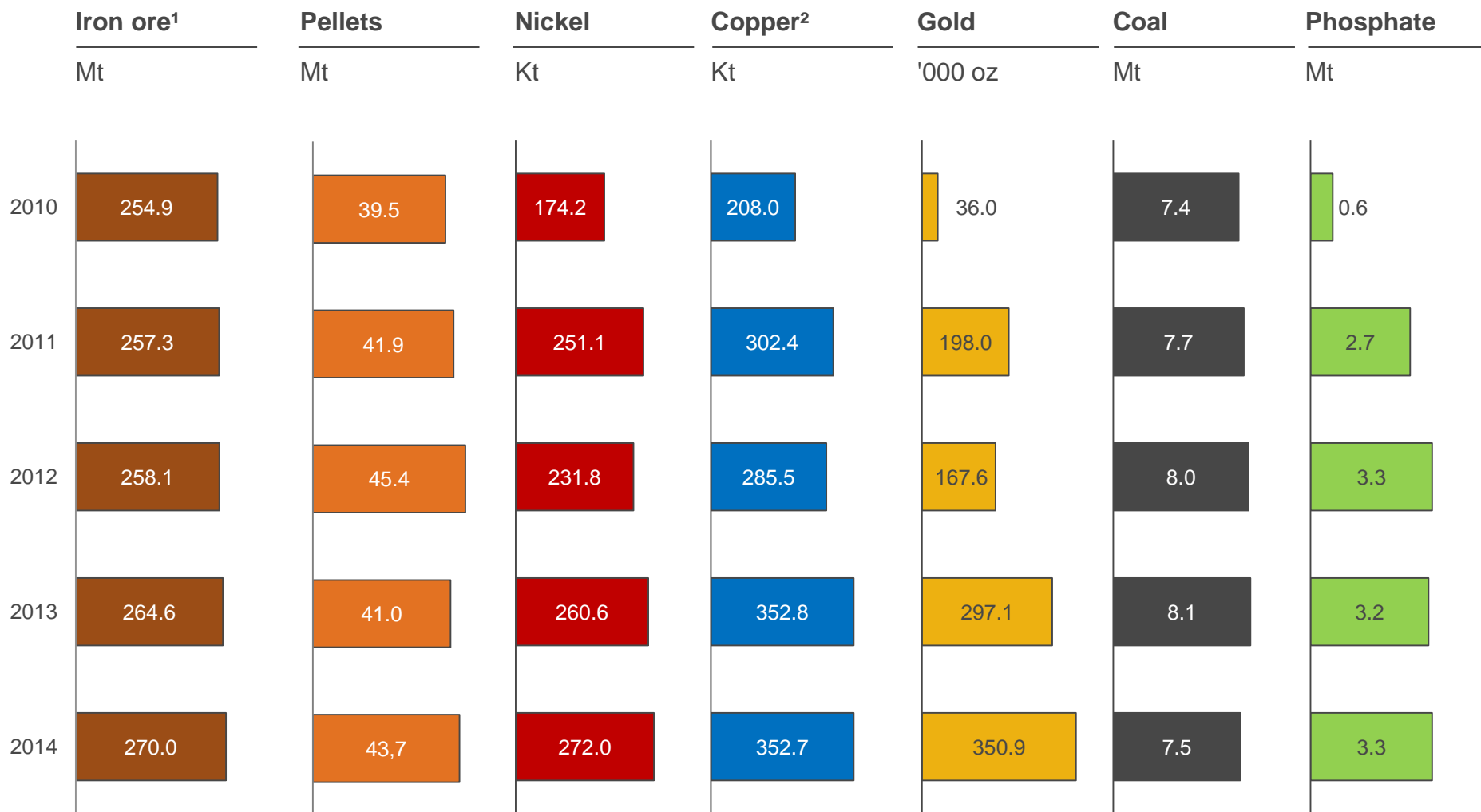
## Copper

Kt



<sup>1</sup> Includes iron ore fines, lump, ROM and iron ore feed for Vale's pellet plants. Excludes Samarco's attributable production and ore acquired from third parties

# SALES VOLUMES



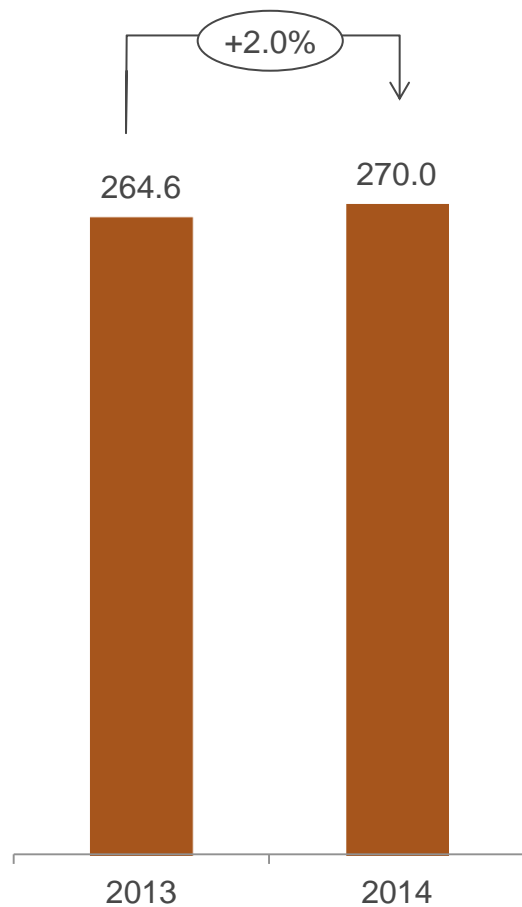
<sup>1</sup> Excludes Samarco's attributable production and sales of pellets

<sup>2</sup> 2013 figures include Tres Valles' sales volume.

# SALES VOLUMES YEAR-ON-YEAR

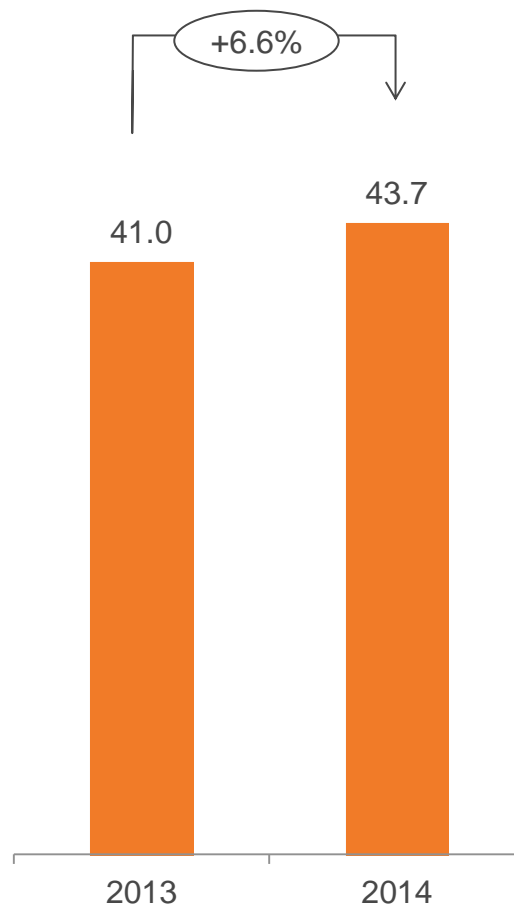
## Iron Ore

Mt



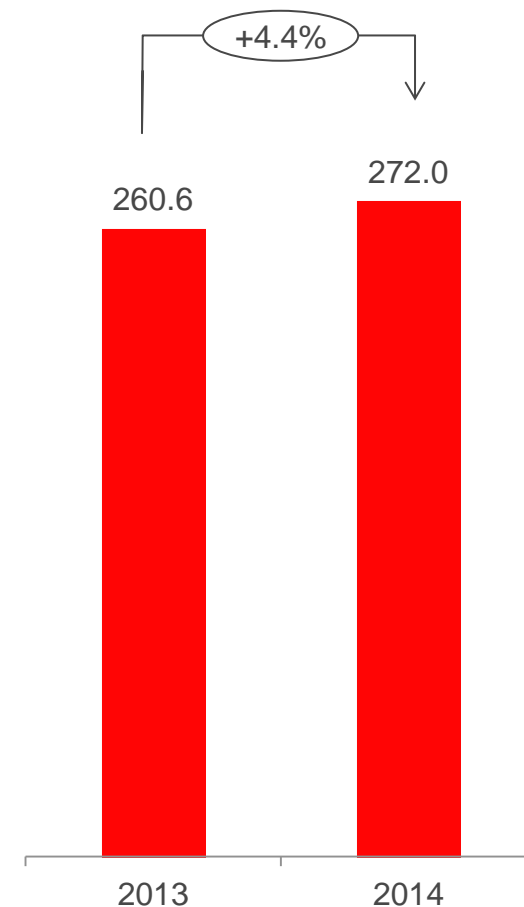
## Pellets

Mt



## Nickel

Kt





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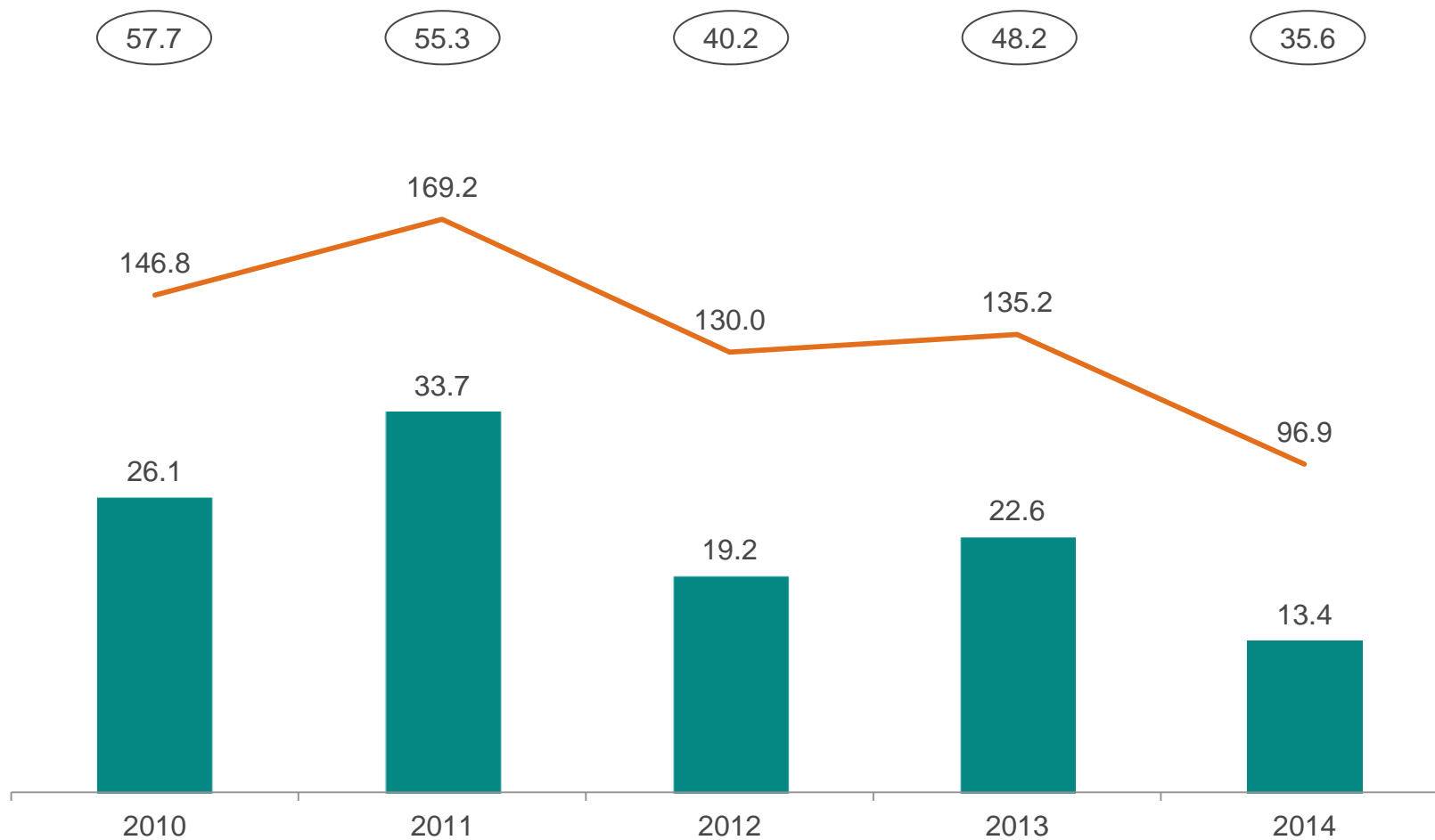
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# ADJUSTED EBITDA<sup>1</sup>

US\$ billion

○ Adjusted EBITDA margin (%)  
 — Platts IODEX Iron Ore Price Average (US\$/t)

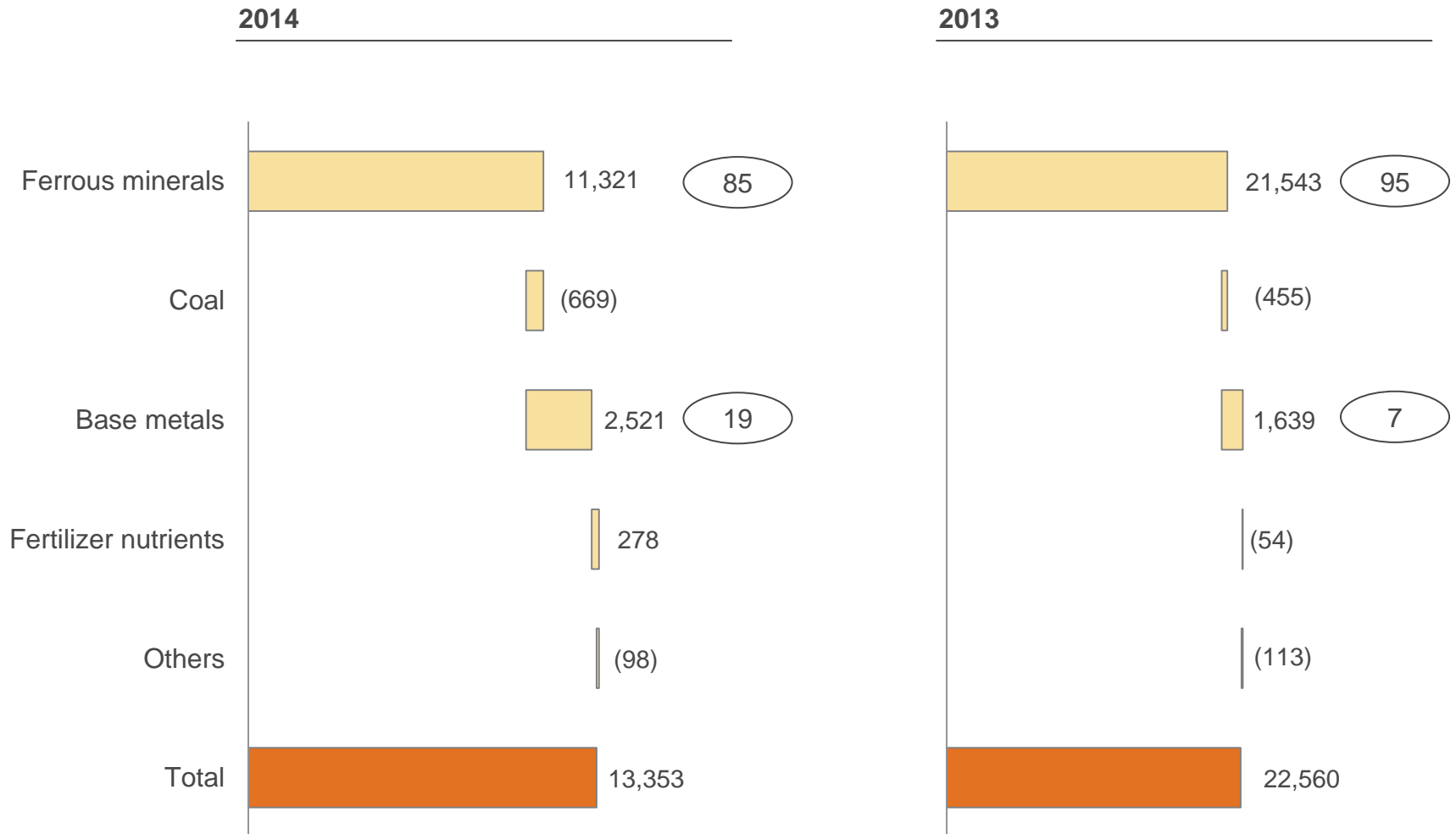


<sup>1</sup> Adjusted EBITDA excludes gains and/or losses on sales of assets and non-recurring expenses and includes dividends received from non-consolidated affiliates

# ADJUSTED EBITDA BY BUSINESS SEGMENT

US\$ million

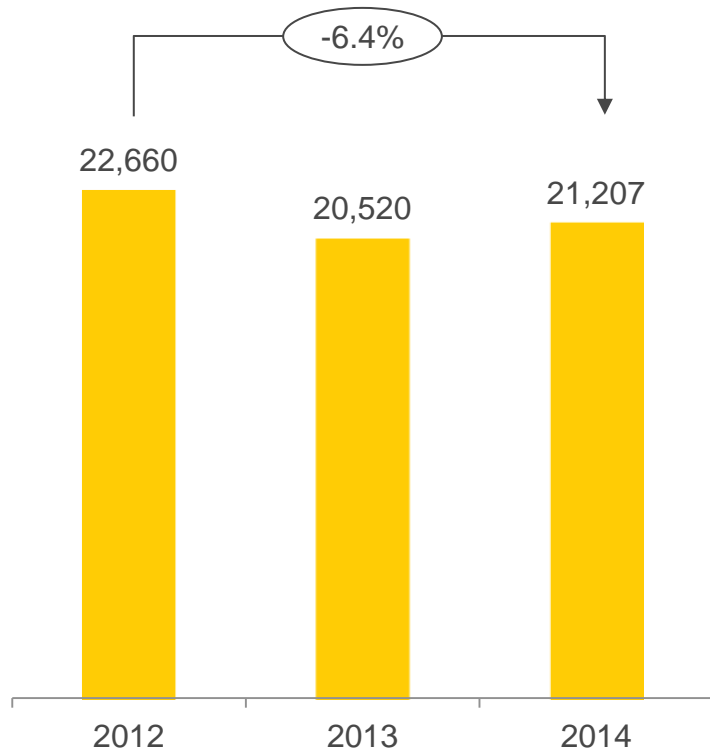
○ Share of Total EBITDA (%)



# EVOLUTION OF COSTS AND EXPENSES<sup>1</sup>

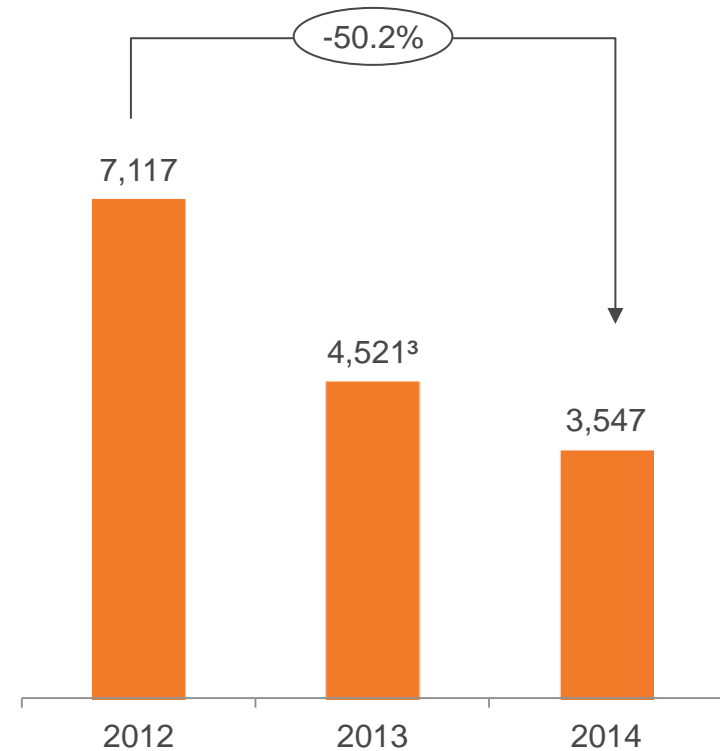
## Costs<sup>1</sup>

US\$ million



## Expenses<sup>1,2</sup>

US\$ million



<sup>1</sup> Net of depreciation and amortization.

<sup>2</sup> Includes SG&A, R&D, Pre-operating and stoppage and Other expenses.

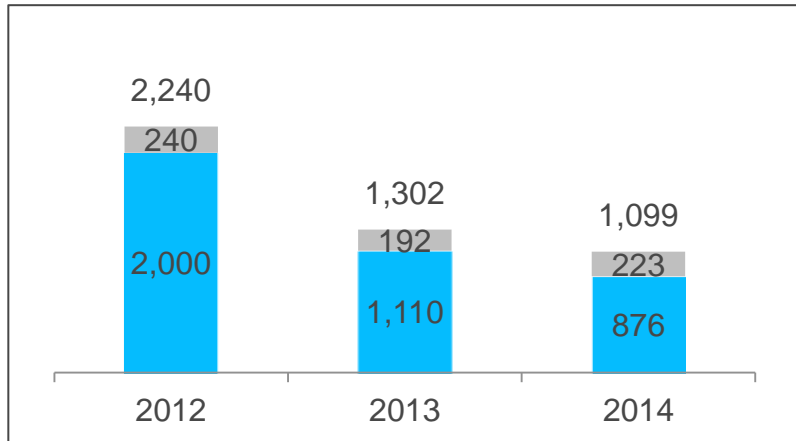
<sup>3</sup> Reduced by US\$ 244 million due to the one-off effect of the goldstream transaction

# EVOLUTION OF EXPENSES

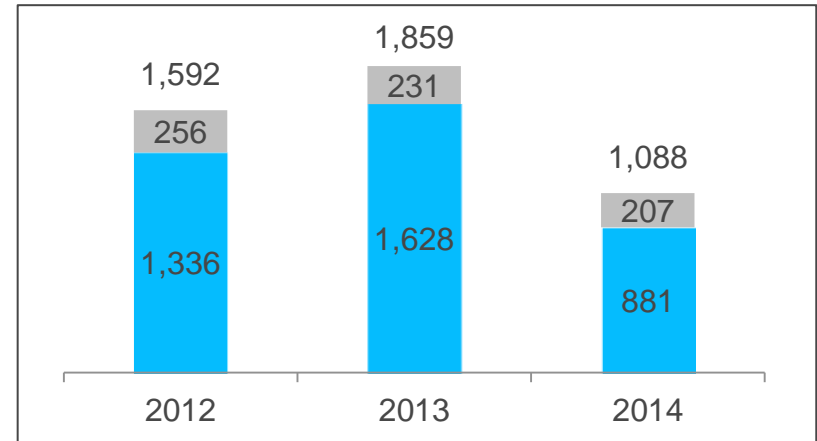
US\$ million

■ Depreciation

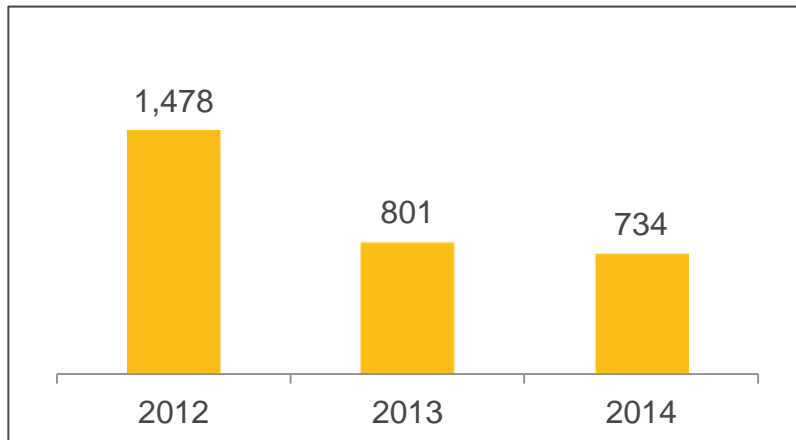
## SG&A



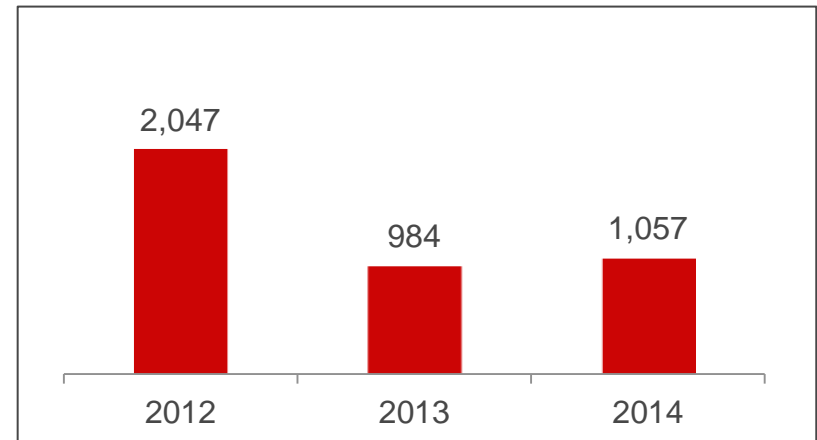
## Pre-operating and stoppage expenses



## R&D



## Other expenses<sup>1</sup>



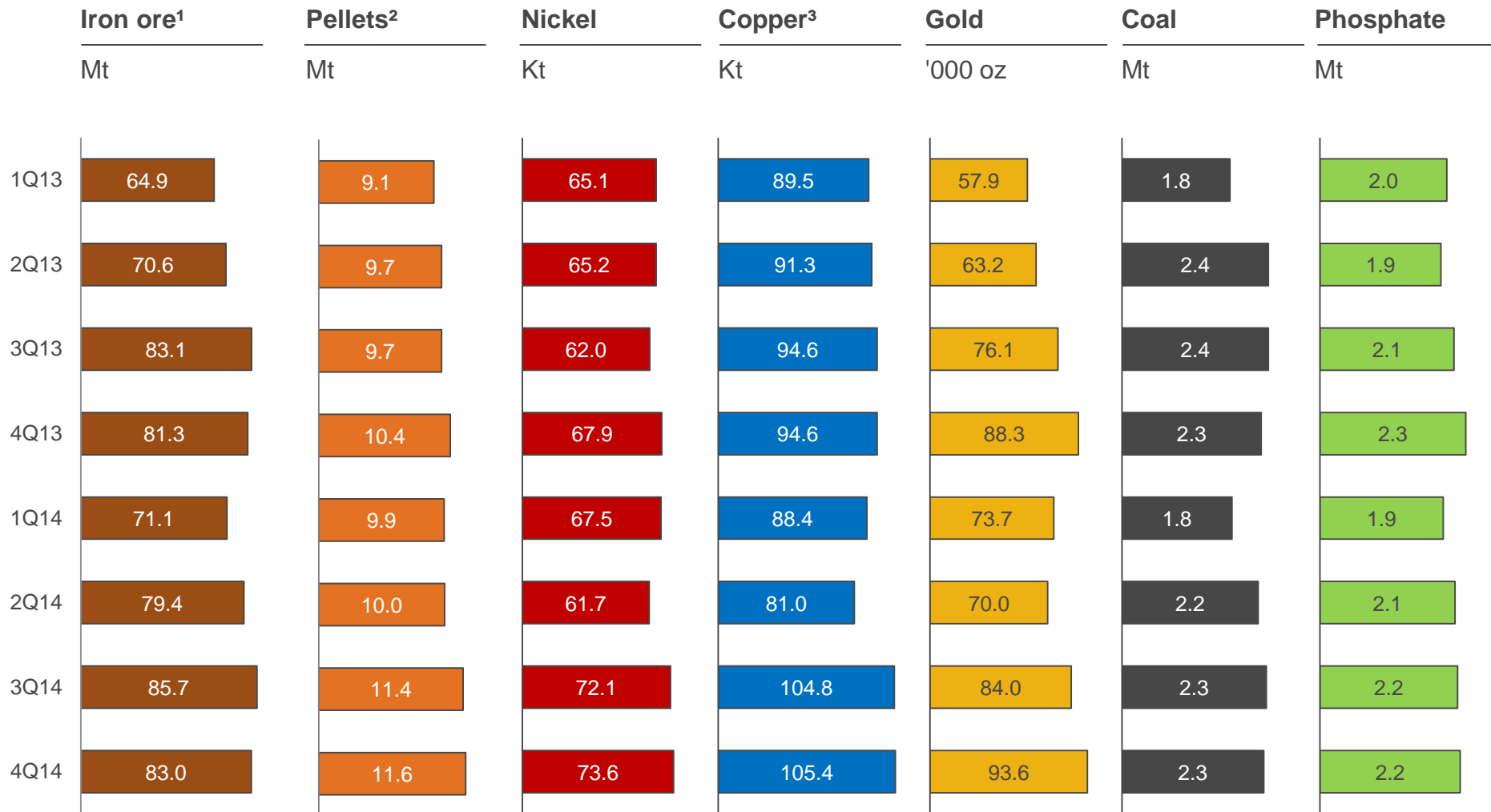
<sup>1</sup> Includes contingencies, provisions, profit sharing.

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# PRODUCTION VOLUMES



<sup>1</sup> Includes iron ore fines, lump, ROM and iron ore feed for Vale's pellet plants. Excludes Samarco's attributable production.

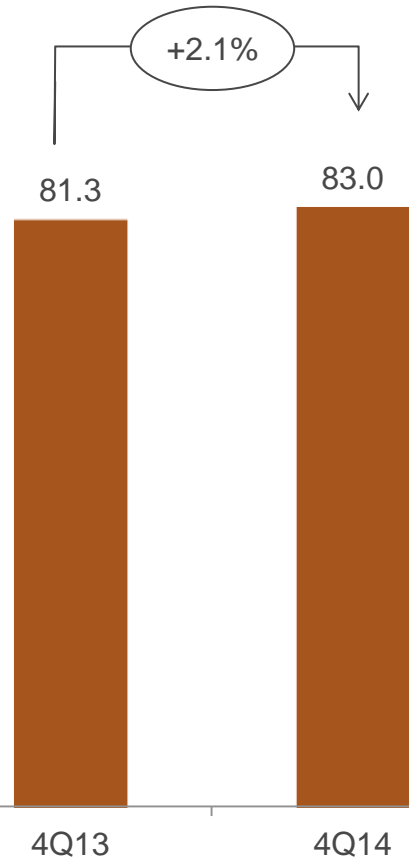
<sup>2</sup> Excludes Samarco's attributable production.

<sup>3</sup> 2013 figures include Tres Valles production (1Q13: 3.7 Kt, 2Q13: 3.6 Kt, 3Q13: 2.9 Kt and 4Q13: 0.8 Kt).

# PRODUCTION VOLUMES YEAR-ON-YEAR

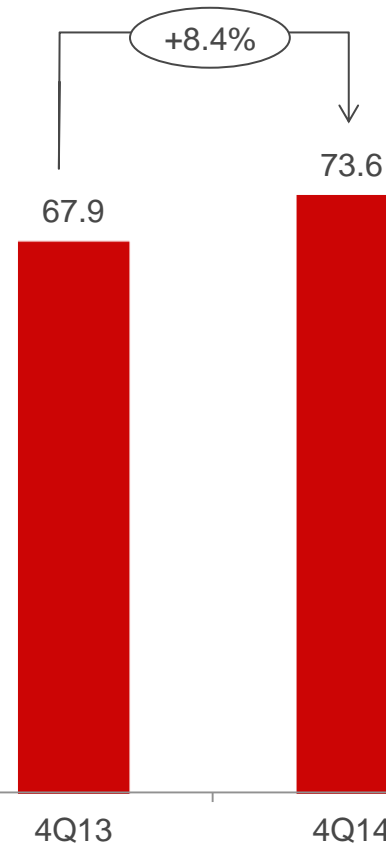
## Iron Ore<sup>1</sup>

Mt



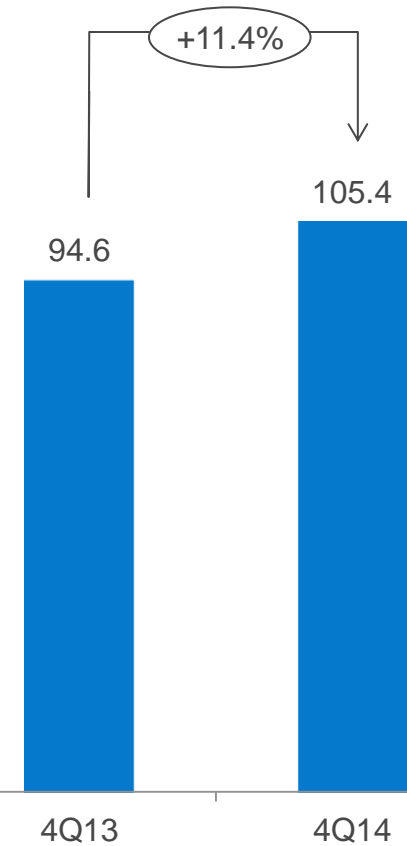
## Nickel

Kt



## Copper

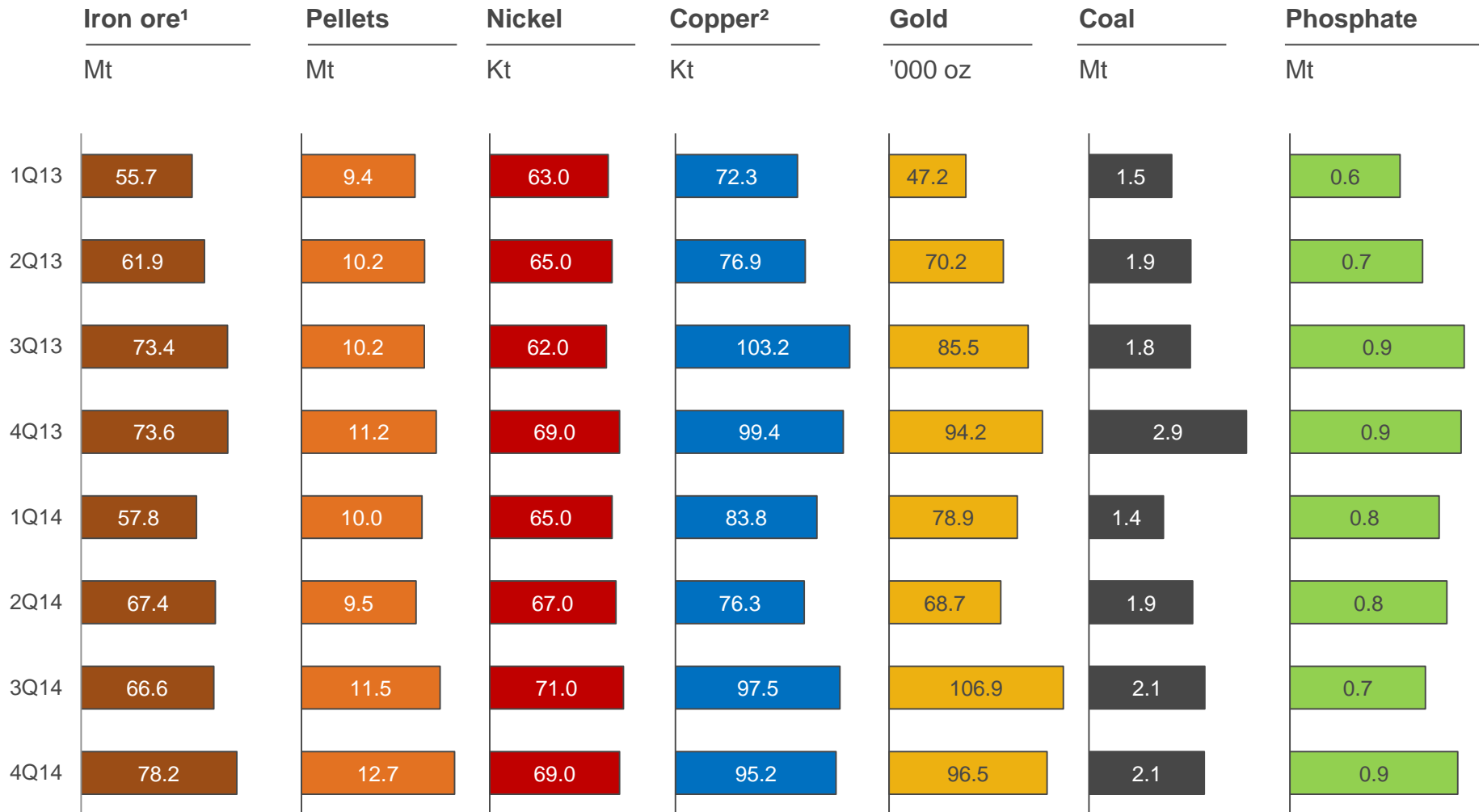
Kt



<sup>1</sup> Includes iron ore fines, lump, ROM and iron ore feed for Vale's pellet plants. Excludes Samarco's attributable production.



# SALES VOLUMES



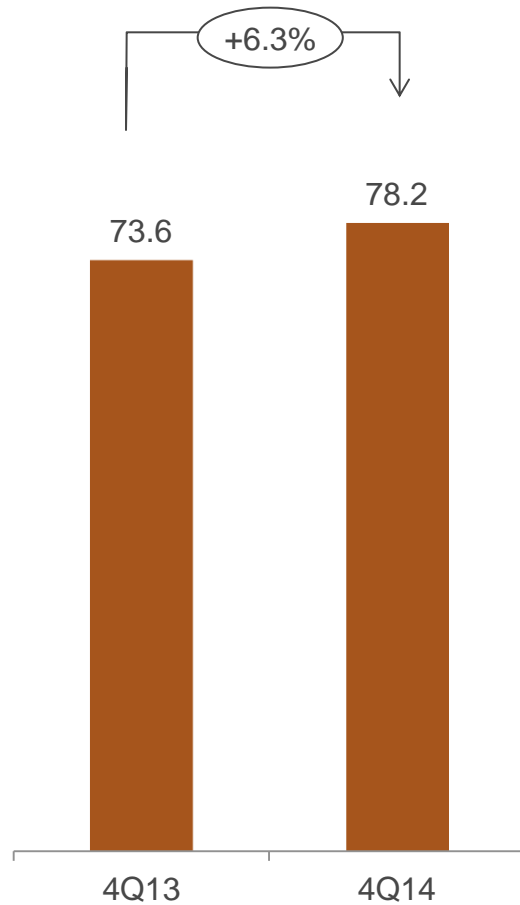
<sup>1</sup> 4Q14 figure includes 74.6 Mt of iron ore ex-ROM and 3.6 Mt of ROM. Excludes Samarco's attributable production.

<sup>2</sup> 1Q13, 2Q13, 3Q13 and 4Q13 figures include Tres Valles sales volume.

# SALES VOLUMES YEAR-ON-YEAR

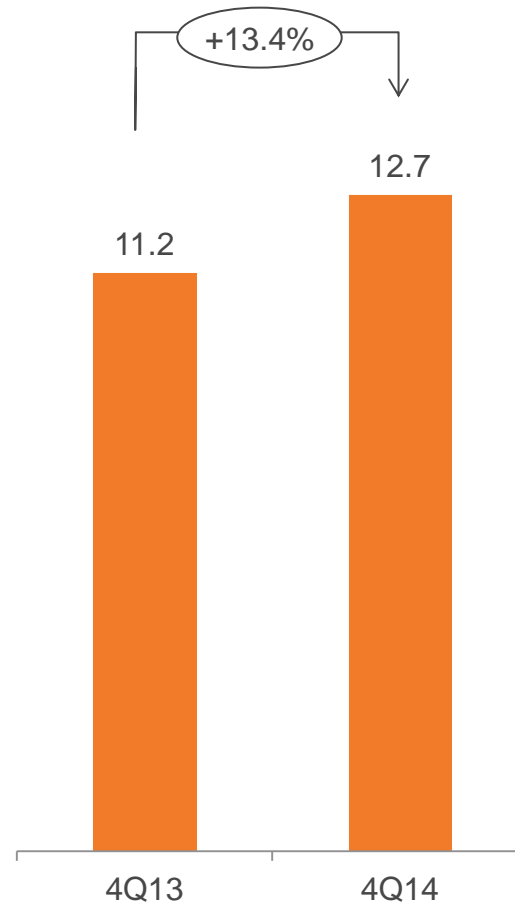
## Iron Ore

Mt



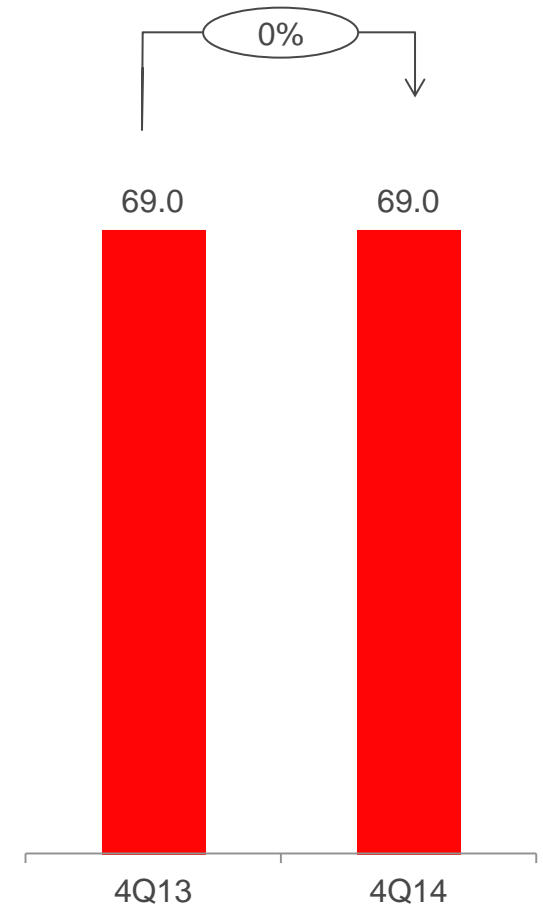
## Pellets

Mt



## Nickel

Kt



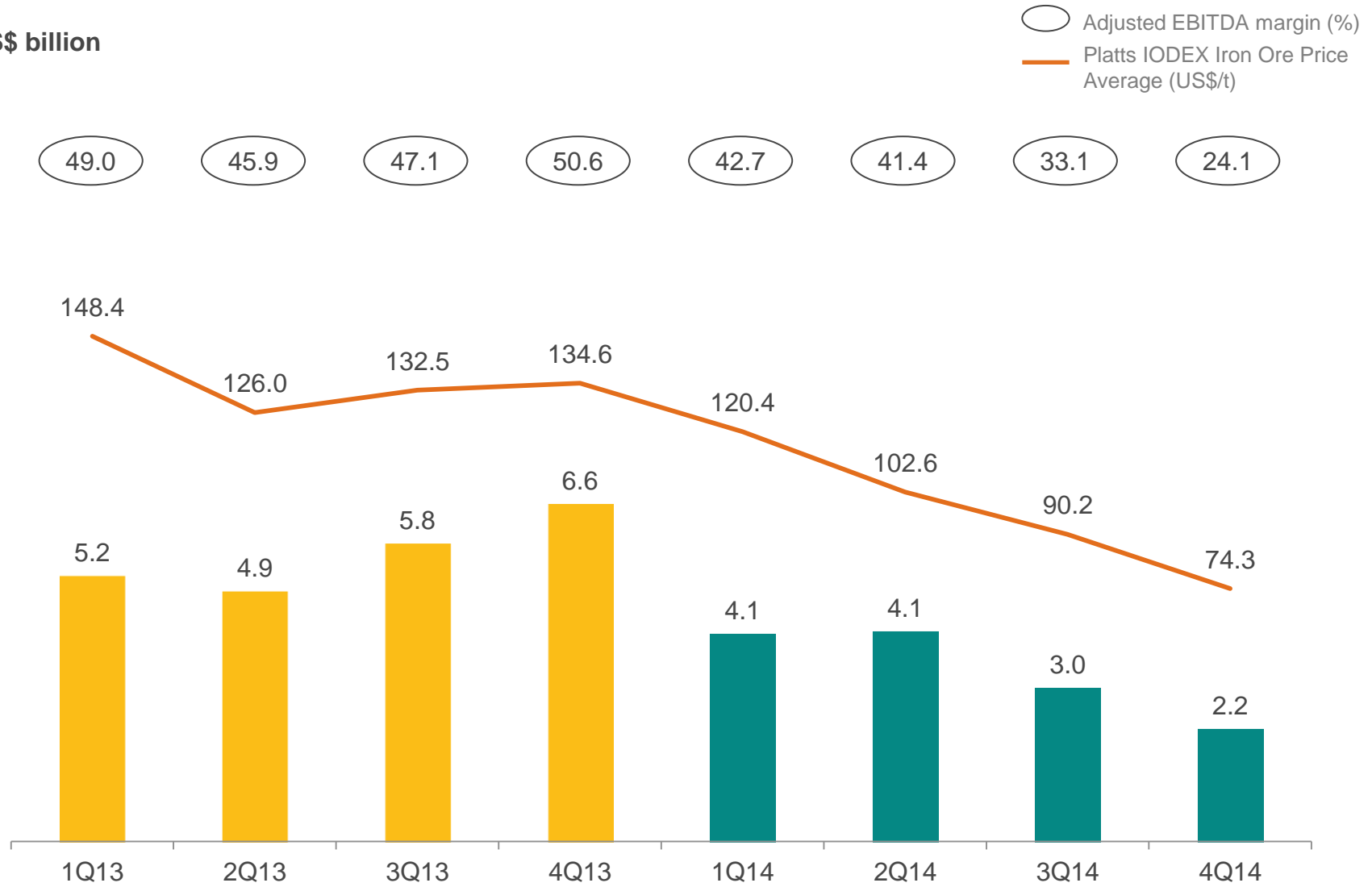
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# ADJUSTED EBITDA<sup>1</sup>

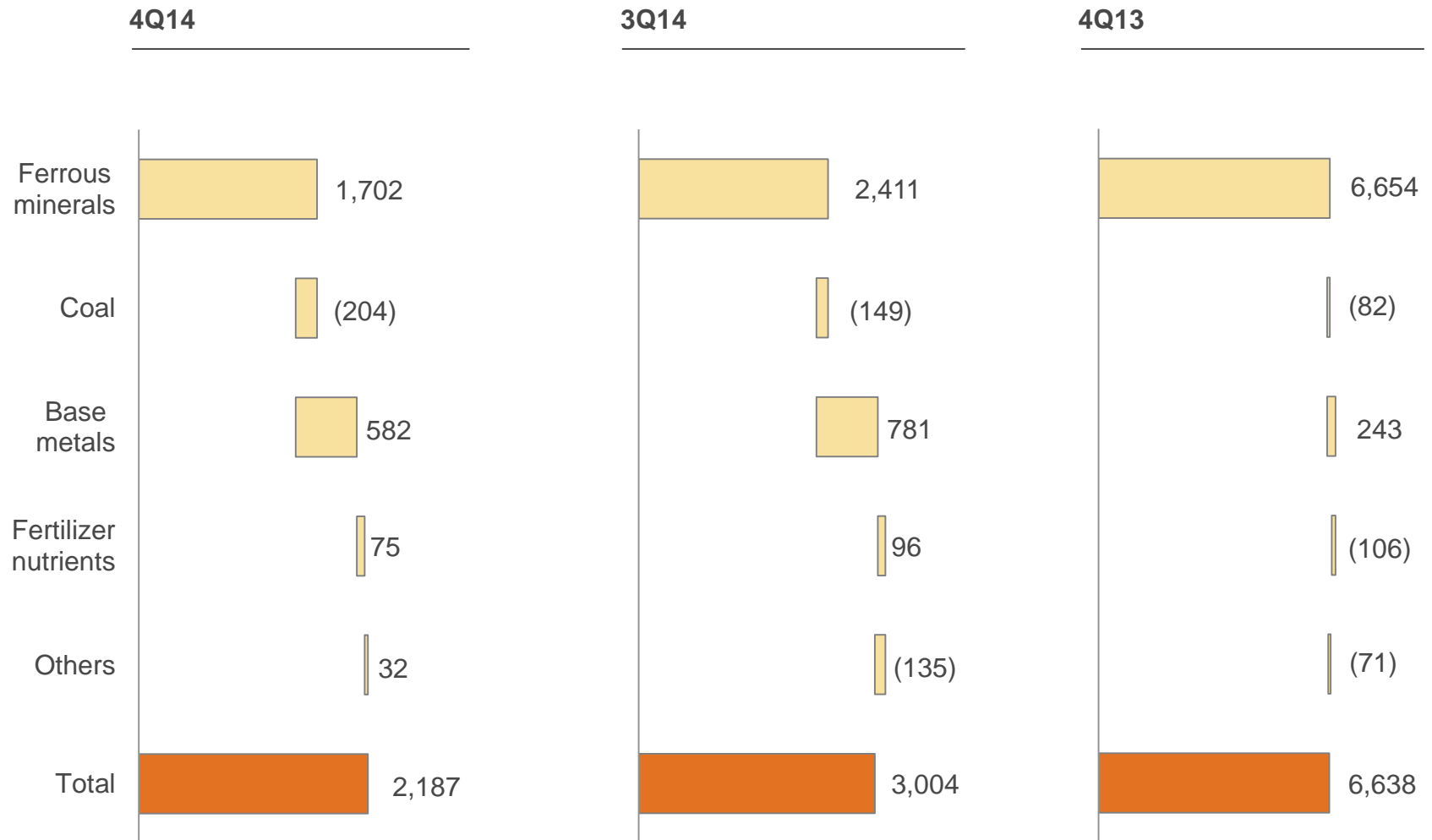
US\$ billion



<sup>1</sup> Adjusted EBITDA excludes gains and/or losses on sales of assets and non-recurring expenses and includes dividends received from non-consolidated affiliates

# EBITDA BY BUSINESS SEGMENT<sup>1</sup>

US\$ million



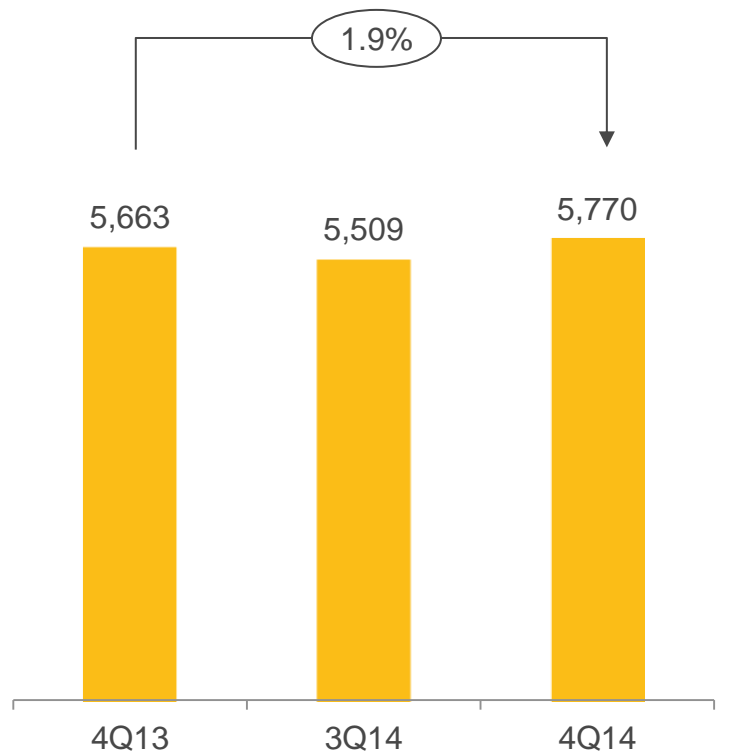
<sup>1</sup> Excluding non-recurring items.

# EVOLUTION OF COSTS AND EXPENSES<sup>1</sup>

One-off impact

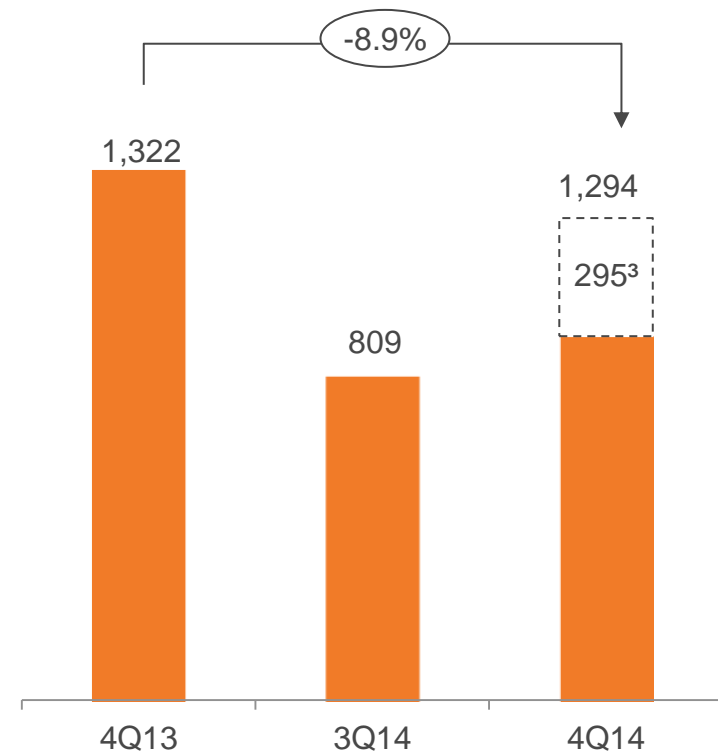
## Costs<sup>1</sup>

US\$ million



## Expenses<sup>1,2</sup>

US\$ million



<sup>1</sup> Net of depreciation and amortization.

<sup>2</sup> Includes SG&A, R&D, Pre-operating and stoppage and other expenses. Does not include gain/loss on sale of assets

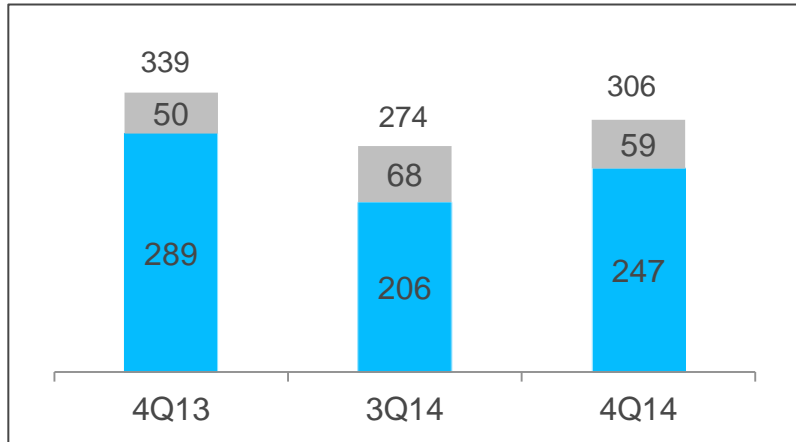
<sup>3</sup> Includes US\$ 107 million due to provisions for environmental obligations, US\$ 98 million due to the write-down of thermal coal inventory, and US\$ 90 million due to the write-down of ICMS tax credits.

# EVOLUTION OF EXPENSES

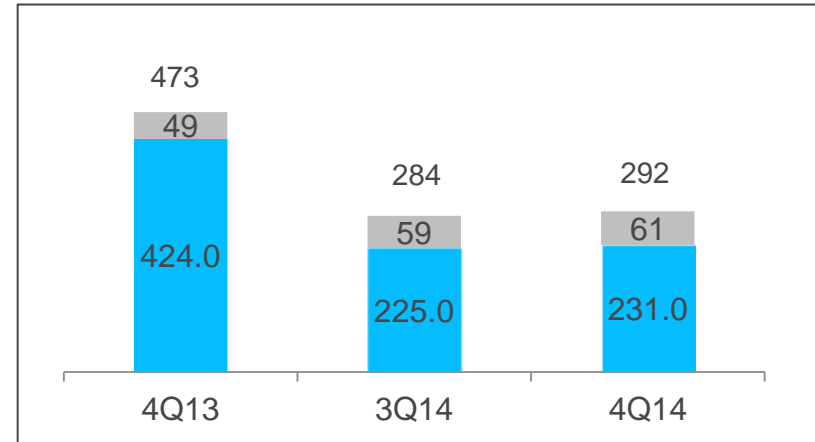
US\$ million

■ Depreciation

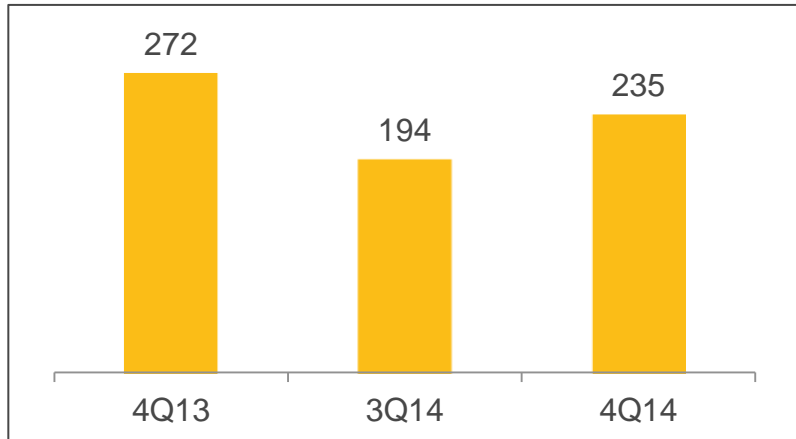
## SG&A



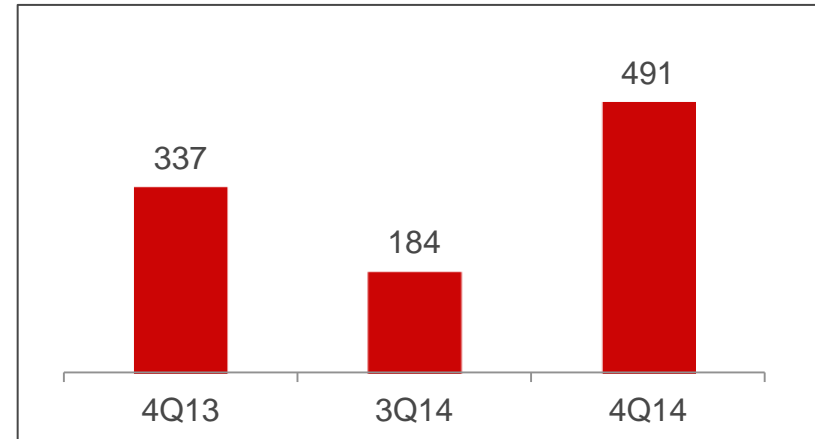
## Pre-operating and stoppage expenses



## R&D



## Other expenses<sup>1</sup>

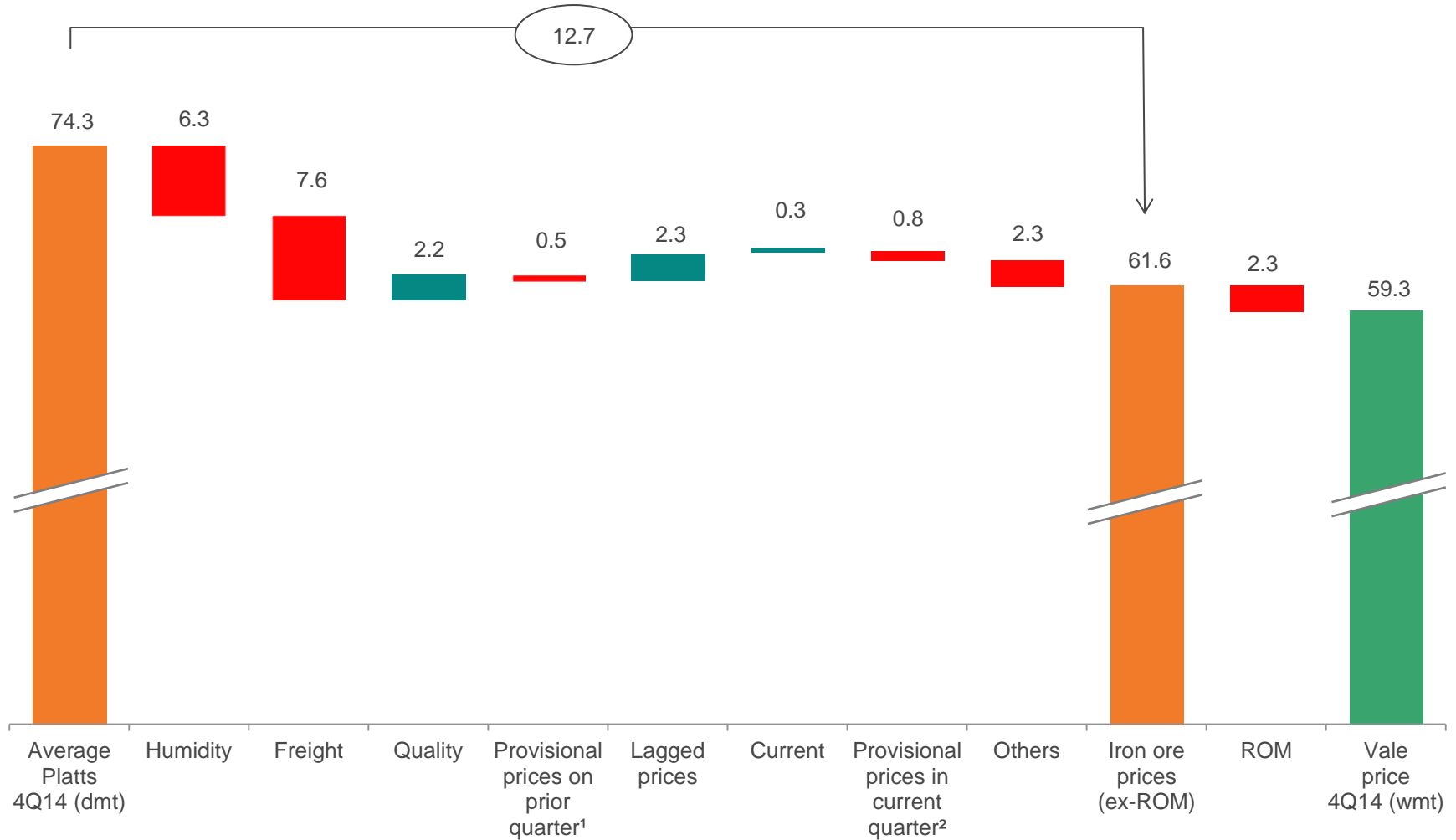


<sup>1</sup> Includes contingencies, provisions, profit sharing.

# PRICE REALIZATION – IRON ORE

US\$/t, 4Q14

○ US\$/t



## Pricing system

<sup>1</sup> Adjustment as a result of provisional prices booked in 3Q14 at US\$ 77.8/t.

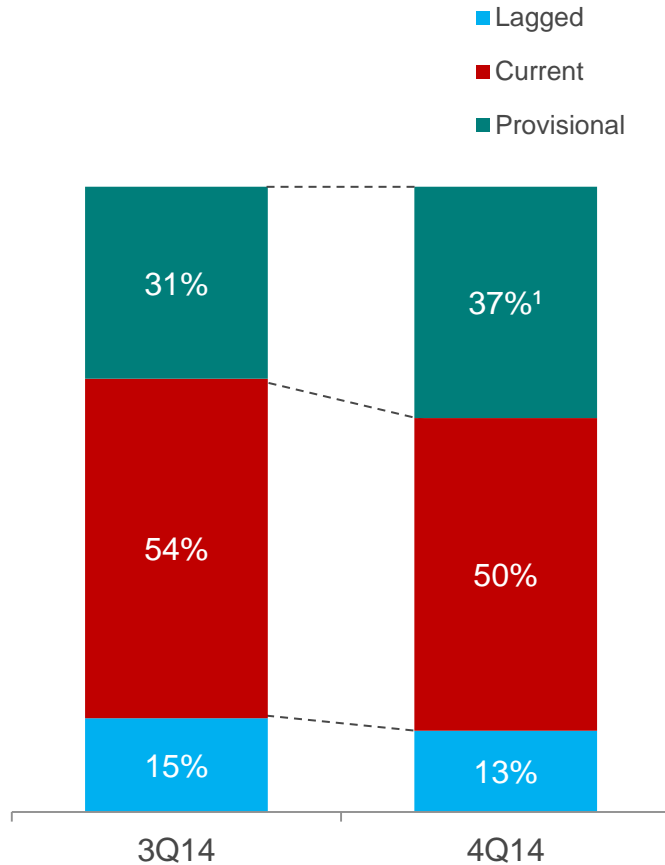
<sup>2</sup> Prices provisionally set at the end of 4Q14 at US\$ 72.0/t based on forward curves compared to US\$ 74.3/t from IODEX current quarter.



# IRON ORE PRICING SYSTEMS

## Pricing System Breakdown

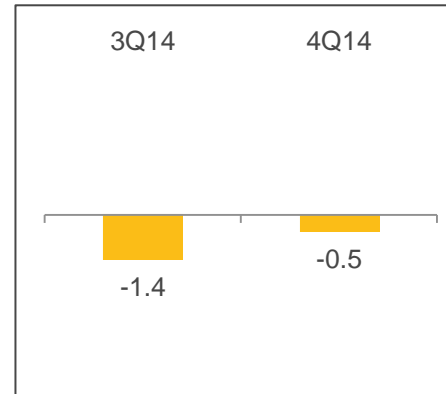
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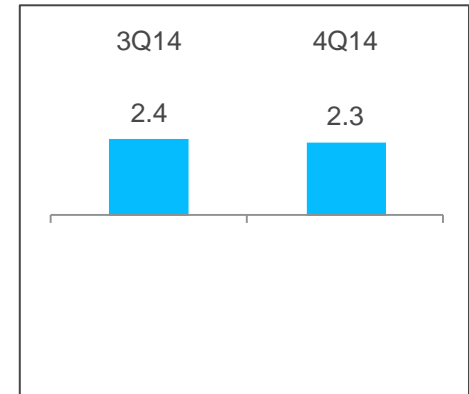
## Impact of Pricing Mechanisms

US\$ / t

### Provisional - prior quarter



### Lagged



### Current



### Provisional - current quarter



<sup>1</sup> Provisional prices were settled at US\$ 72.0 / t at the end of 4Q14.

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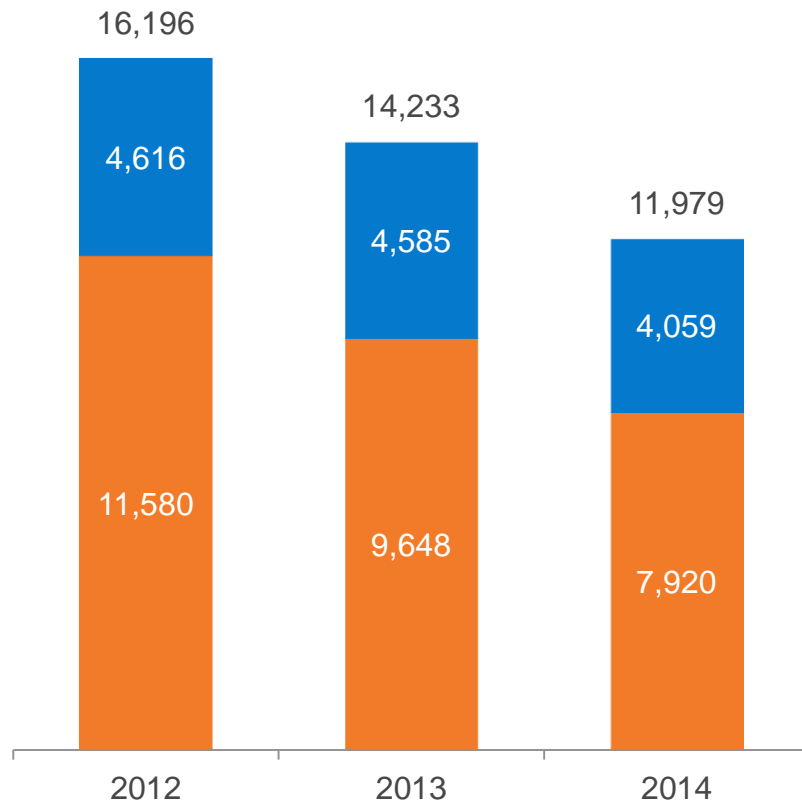
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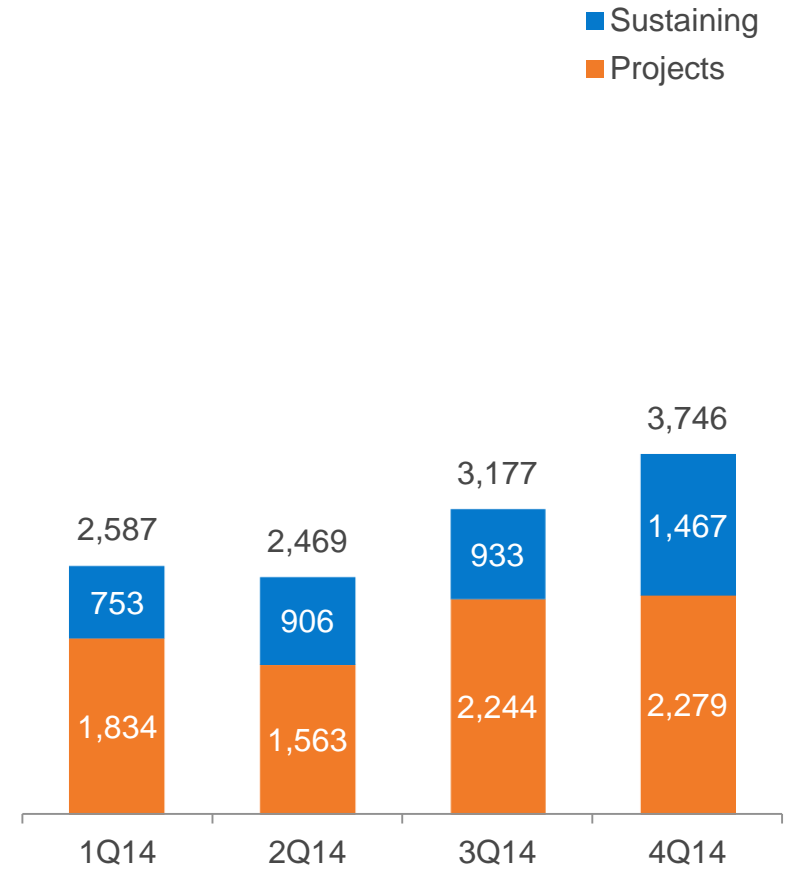
# EVOLUTION OF CAPITAL EXPENDITURES

US\$ billion

## Annual evolution



## Quarterly evolution



# PROJECT PROGRESS INDICATORS

4Q14

Project	Capacity Mtpy	Estimated start-up	Executed capex US\$ million		Estimated capex US\$ million		Physical progress
			2014	Total	2015	Total	
<b>Carajás Serra Sul S11D</b>	90	2H16	973	3,492	1,321	6,878 <sup>2</sup>	56%
<b>CLN S11D</b>	230 (80 <sup>1</sup> )	1H14 to 2H18	1,559	2,653	2,375	9,484 <sup>2</sup>	32%
<b>Conceição Itabiritos II</b>	19 (0 <sup>1</sup> )	1H15	228	863	179	1,189	94%
<b>Cauê Itabiritos</b>	24 (4 <sup>1</sup> )	2H15	346	686	350	1,504	78%
<b>CSP<sup>3</sup></b>	1.5	2H15	182	1,055	185	2,570	76%
<b>Moatize II</b>	11	2H15	570	1,384	629	2,068	79%
<b>Nacala corridor<sup>4</sup></b>	18	2H14	1,584	2,892	648	4,444	82%

<sup>1</sup> Net additional capacity

<sup>2</sup> Original capex budget for S11D of US\$ 8.089 billion and for CLN S11D of US\$ 11.582 billion

<sup>3</sup> Relative to Vale's stake in the project

<sup>4</sup> Completion of the greenfield sections of the Nacala corridor occurred in 4Q14 while brownfield section 7 (500Km) is still being upgraded.

## PROJECTS DELIVERED IN 4Q14

### Vargem Grande Itabiritos



- New iron ore processing plant in the Southern System
- Additional capacity of 10 Mtpy
- Executed capex of US\$ 1.742 billion out of an originally estimated capex of US\$ 1.91 billion

### Nacala Corridor – Greenfield Railway / Onshore



- Railway connecting the Moatize site to the Nacala-à-Velha port
- First coal cargo transported all the way from Moatize to the Nacala-à-Velha port
- Brownfield section being upgraded
- Executed capex of US\$ 2.956 billion out of an originally estimated capex of US\$ 4.444 billion

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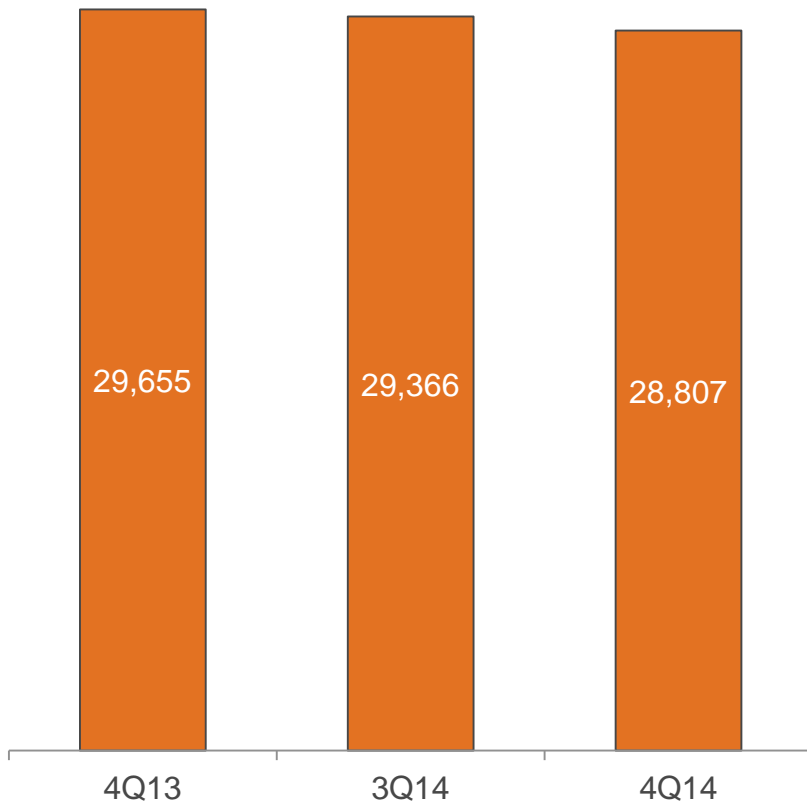
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# DEBT POSITION

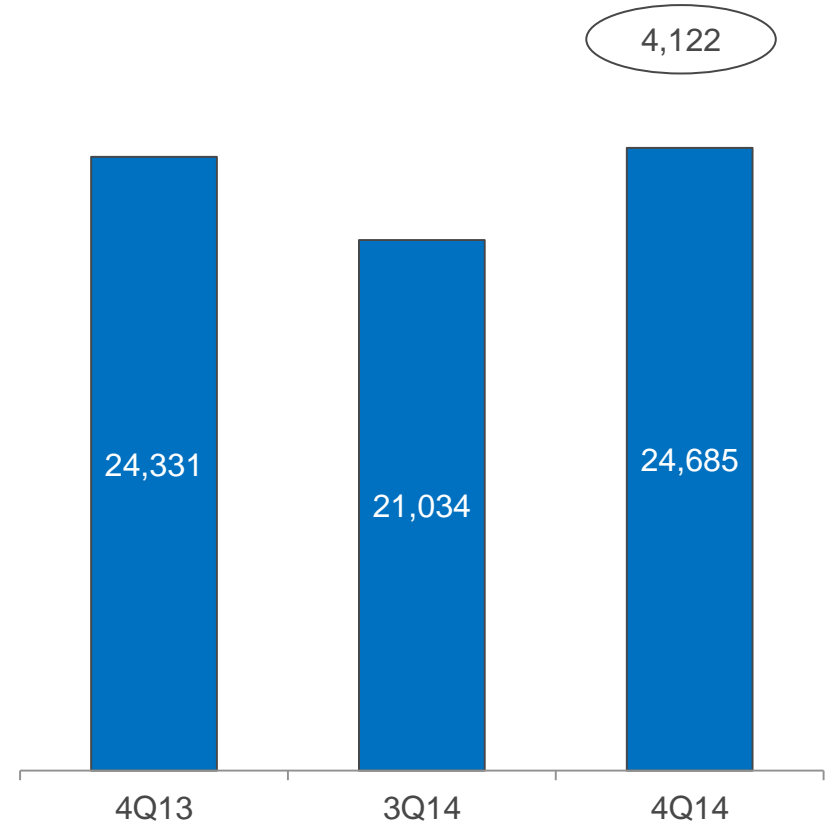
US\$ million

○ Cash position  
December 31, 2014

## Gross Debt

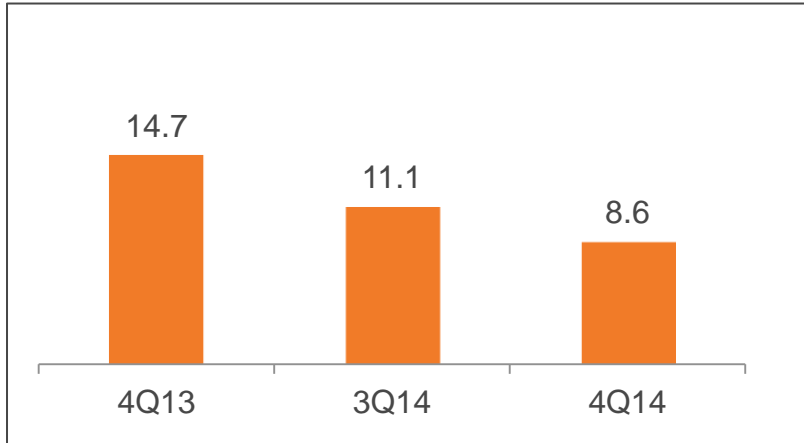


## Net Debt

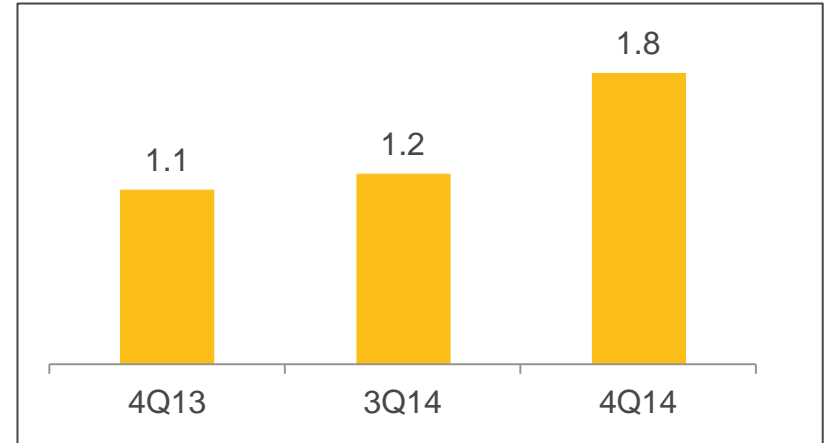


# FINANCIAL INDICATORS<sup>1</sup>

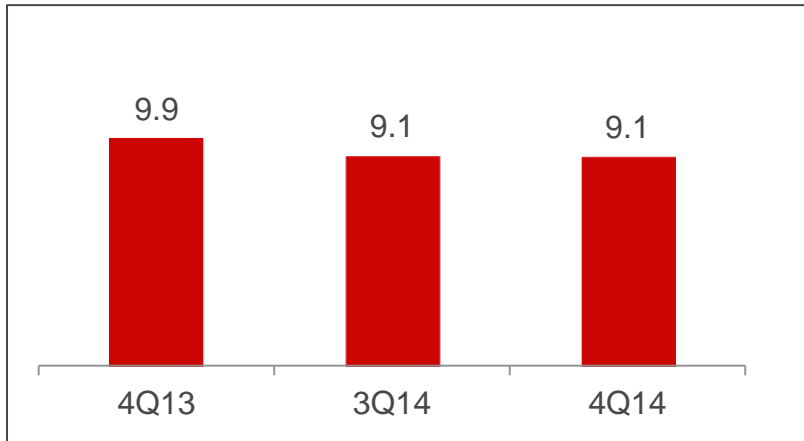
Interest coverage - Ratio



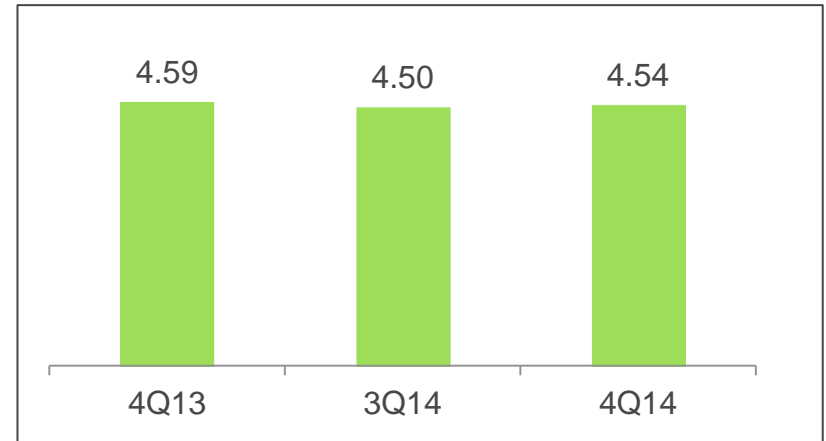
Net Debt / LTM<sup>2</sup> EBITDA - Ratio



Maturity - years



Cost of Debt - %



<sup>1</sup> Ex-Refis

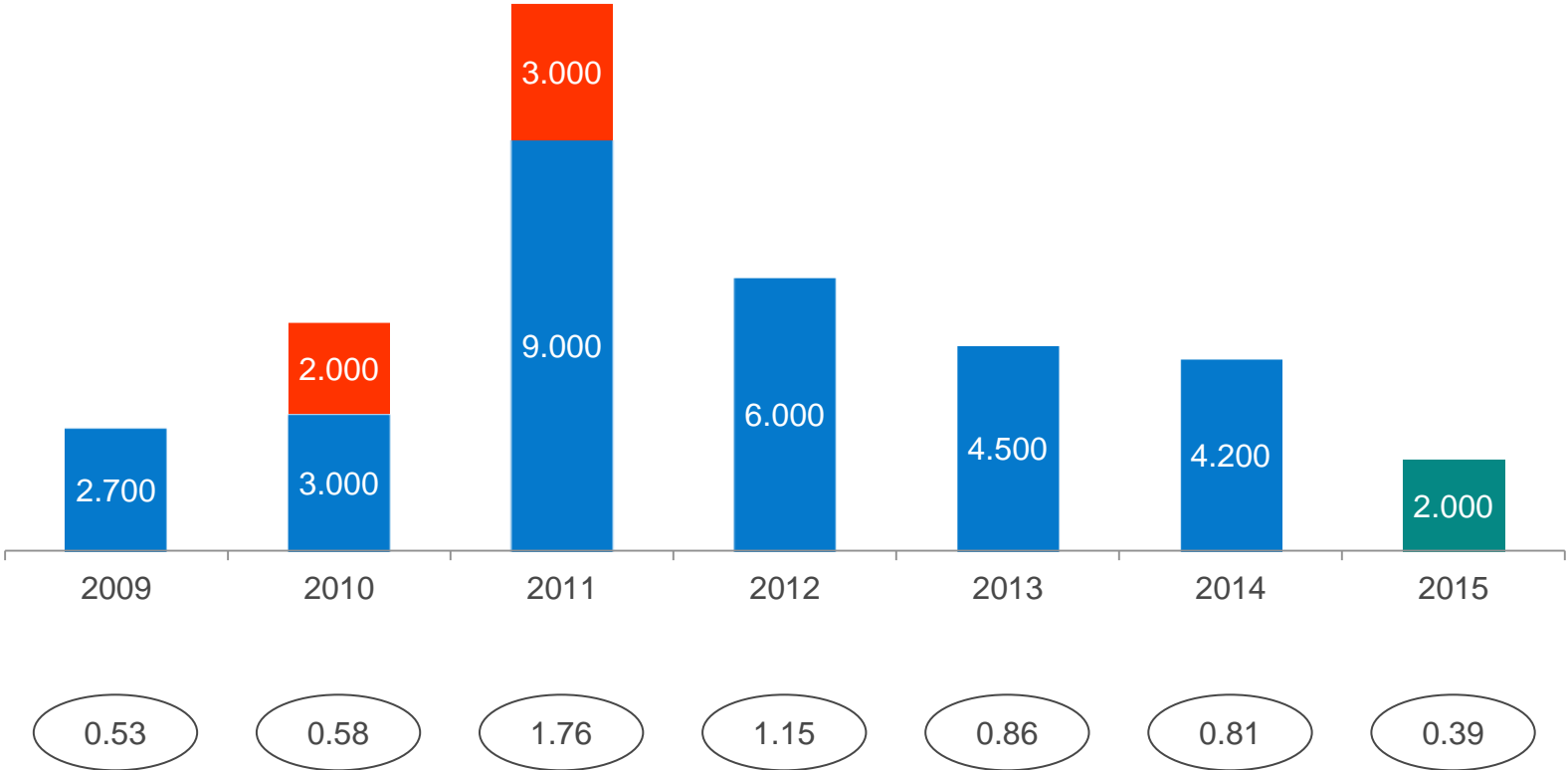
<sup>2</sup> LTM – last twelve months. Excluding non-recurring items.



# DIVIDENDS AND BUY BACK

US\$ million

- Dividend per share (US\$)
- Announced
- Buy back



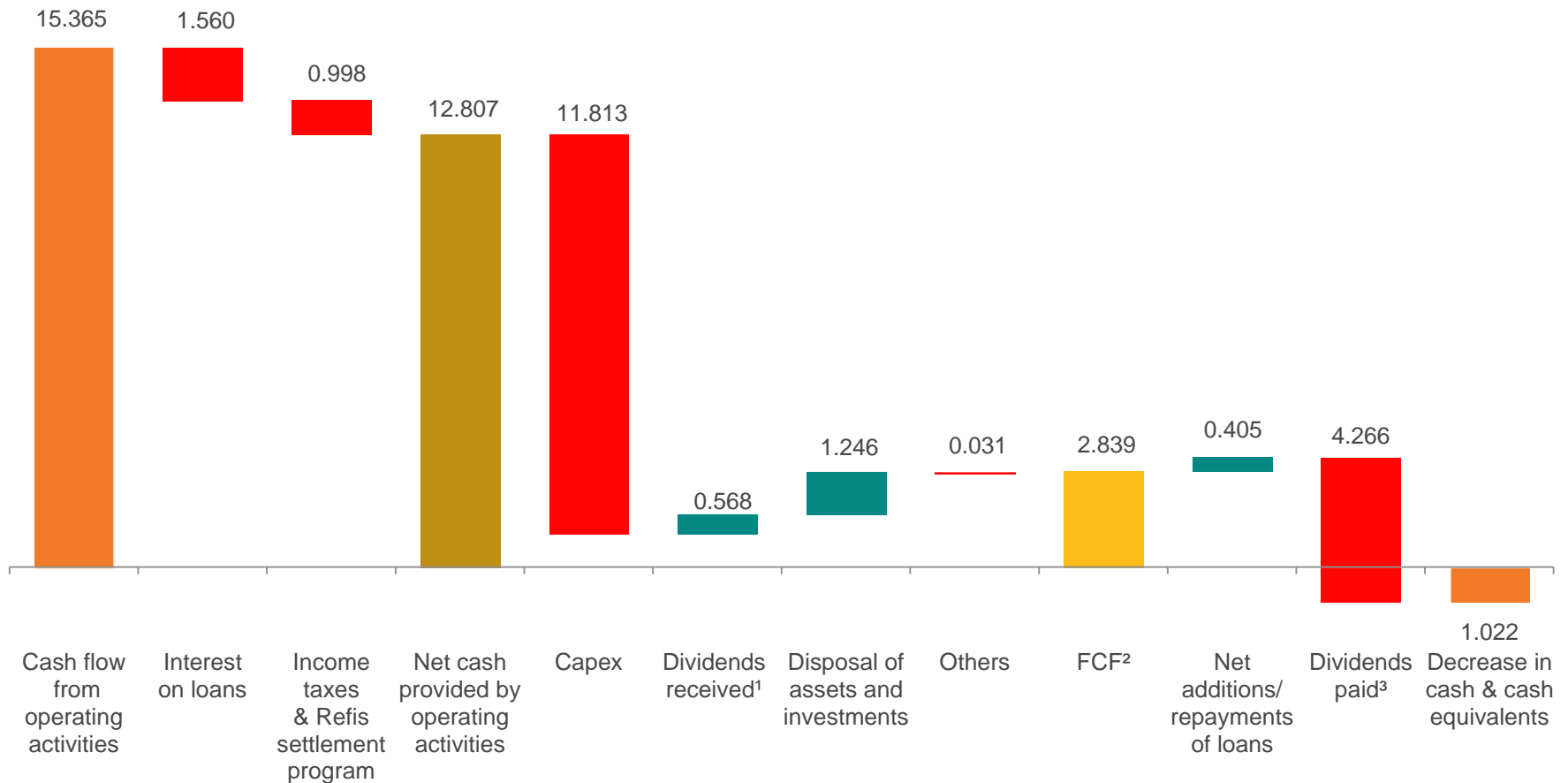
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# FREE CASH FLOW – 2014

US\$ billion



<sup>1</sup> Dividends and interest on capital received from associates and joint ventures

<sup>2</sup> Cash flow before debt additions/repayments and distribution of dividends.

<sup>3</sup> Includes US\$ 66 million of dividends and interest on capital attributed to noncontrolling interest

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## OTHER ACCOMPLISHMENTS

- Granting of the operating license to expand the N4WS mine pit located in Carajás, supporting our iron ore production plan for 2015 and 2016
- Investment Agreement with Mitsui, whereby Mitsui will own 15% of Vale's stake in Vale Mozambique and 50% of Vale's stake in the Nacala logistics corridor with an expected impact of US\$ 3.7 billion in terms of capex avoidance and cash inflow
- Renegotiation of an extension of PTVI's contract of work (CoW) and mining concession until 2045

