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Board of Directors deliberates on proposal for restructuring

Vale will keep its shareholders and the market duly informed about the next steps related to the assessment of the Proposal by the Company's corporate bodies

Vale informs that, in addition to the material fact disclosed on February 20th, 2017, it received on May 11th, 2017 the proposal of Litel Participações S.A., Litela Participações S.A., Bradespar S.A., Mitsui & Co., Ltd. and BNDES Participações S.A. - BNDESPAR, as shareholders of Vale's controlling shareholder, Valepar S.A., which involves Vale's corporate restructuring, as well as changes in corporate governance aiming to transform Vale into a company without defined control and to enable its listing in the special Novo Mercado segment of the BM&FBOVESPA.

The Board of Directors approved the submission of the following matters related to the Proposal to the Company's shareholders' meeting, without prejudice to any other matters that may be necessary to comply with applicable law:

a) Voluntary conversion of Vale class A preferred shares into common shares, based on the conversion rate of 0.9342 common shares for each Vale class A preferred share, which conversion rate was determined based on the average closing price of the common shares and preferred shares over the 30 trading sessions on the BM&FBOVESPA prior to February 17, 2017 (inclusive), weighted by the volume of shares traded in such trading sessions;

b) Amendment of Vale's bylaws so as to adjust them, to the extent possible, to Novo Mercado rules so Vale may effectively be listed on such special segment; and

c) The merger of Valepar into Vale at an exchange ratio that contemplates a 10% increase in the number of shares held by the Shareholders compared to Valepar's current shareholding interest, and represents a dilution of approximately 3% of the shareholding interest of other Vale shareholders.

Pursuant to item "c" above, the Shareholders will receive 1.2065 Vale common shares for each Valepar share held by them. As a result, Vale will issue 173,543,667 new common shares, all registered and without par value, in favor of the Shareholders. Consequently, Shareholders will own a total of 1,908,980,340 Vale common shares after the Merger becomes effective.

The Proposal was approved based on the following expected benefits for Vale and its shareholders:

a) Adoption of corporate governance best practices, insofar as the Transaction encourages the alignment of interests between the different groups of shareholders and between shareholders and managers of the Company and the enhanced performance of its Board of Directors;

b) Possible increase in liquidity of the shares held by the Company's shareholders, who, if all class A preferred shares are converted into common shares, will share the same rights and benefits among shares of a single type and class (except for Golden Shares held by the Brazilian government that will continue to hold certain veto rights);

c) Possible increase in access to the capital market, insofar as compliance with corporate governance best practices and the unification of types and classes of shares, if implemented, will allow Vale to fulfill the prerequisites for special listing segments with the highest level of corporate governance in the Brazilian capital market, such as the Novo Mercado;

d) Election of a minimum number of independent directors (20% of the total members), as required by the Novo Mercado regulations.

The Bylaws Amendment, by adapting the Company's bylaws to the requirements of the Novo Mercado, the highest standard of corporate governance in the Brazilian capital markets, will grant important rights to Vale's shareholders, such as compliance with Novo Mercado requirements related to the inclusion of independent directors on the Board of Directors, the equitable treatment granted to ordinary shareholders in a potential public tender offer for the sale of control, the mandatory OPA in case any shareholder or investor acquires 25% of the Company's total common shares or capital stock and the resolution of disputes through arbitration proceedings to be filed with the Market Arbitration Chamber.

The fact that the Proposal establishes the commitment of the Shareholders to cause Valepar not to exercise the right to vote in the deliberations on the Voluntary Conversion or the Merger allows Vale's other shareholders to freely decide, on the basis of their own assessments and without any interference by the controlling shareholders, whether or not to accept the terms of the Proposal and, consequently, on the fairness of the exchange ratios proposed for the Merger and the Voluntary Conversion. Therefore, the Proposal will be considered by the shareholders of Vale at a shareholders' meeting to be called shortly.

Valepar has also requested Vale´s Board of Directors that after the conclusion of the Transaction to convene a Shareholders' General Meeting in due time to elect the members of Vale's Board of Directors, pursuant to the Company's bylaws and the legislation in place.

In compliance with the provisions of Annex 3 of CVM Instruction no. 565/2015, we further inform that:

(i) The implementation of the Transaction is not subject to the approval of Brazilian or foreign authorities;

(ii) For informational purposes, as provided for in Article 264 of the Corporations Law and Article 8, Item II, of CVM Instruction no. 565/2015, Vale and Valepar's net equity were appraised based on their respective economic value, calculated using the discounted cash flow method, according to appraisal reports prepared by PricewaterhouseCoopers Corporate Finance & Recovery Ltda. ("PWC"), and if the Merger was implemented based on such appraisal reports, Valepar's shareholders would receive 1,772,840,570 new Vale shares in exchange for Vale's common shares and class A preferred shares currently held by Valepar;

(iii) Pursuant to Articles 137 and 230 of the Brazilian Corporate Law, the implementation of the Transaction does not give rise to the exercise of any right of withdrawal by the shareholders of Vale.

Vale will keep its shareholders and the market duly informed about the next steps related to the assessment of the Proposal by the Company's corporate bodies. If approved, the Company estimates that the Proposal will be implemented before the end of the year.

More information

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