Rating Action: Moody's Ratings upgrades Samarco to B1; outlook changed to stable from positive

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New York, September 03, 2026 -- Moody's Ratings (Moody's) has upgraded Samarco Mineracao S.A.'s (Samarco) corporate family rating (CFR) and senior unsecured ratings to B1 from B2. The outlook changed to stable from positive.

RATINGS RATIONALE

The upgrade to B1 reflects Samarco's increased operating scale, stronger and more predictable cash flow generation following the completion of the Phase 2 ramp-up in early 2025, and greater visibility into remediation and compensation-related cash outflows.

The B1 ratings also incorporate our expectation that shareholders BHP Group Limited (A1 stable) and Vale S.A. (Baa2 stable) will continue to fund remediation payments above Samarco's contractual cap, limiting pressure on Samarco's liquidity and capital structure.

Samarco's operating performance has improved materially since the completion of Phase 2 in early 2025. Production increased to 15.7 million tons in the 12 months ended June 2026, from 15.1 million tons in 2025 and 10.0 million tons in 2024. EBIT margins have remained broadly stable at around 45%-50% since 2024 despite cost pressures and foreign-exchange movements.

Moreover, the company concluded its judicial recovery process in August 2025, and its board approved the Phase 3 project in November 2025. Phase 3 is expected to restore production capacity to about 26 million tons, with the ramp-up expected to start in 2028.

The rating also reflects the October 2024 settlement, which provided greater clarity on remediation and compensation liabilities related to the November 2015 tailings dam incident. Samarco remains the primary obligor, while Vale and BHP will equally fund obligations that Samarco cannot cover. Under Samarco's outstanding bond indenture, compensation and remediation outflows are capped at $1 billion through year-end 2030, equivalent to $100 million-$200 million annually. The addition of 19 eligible municipalities to the New Rio Doce Agreement, announced on August 20, further supports implementation of the 2024 settlement. Participation now covers 45 of the 49 eligible municipalities, reducing litigation and execution risk and improving visibility into remediation obligations and related cash outflows. The additional participation will not create material obligations beyond those already contemplated under the agreement and will be contemplated under the annual cap.

The B1 ratings remain constrained by Samarco's exposure to iron ore pellet price volatility, execution risk associated with the Phase 3 expansion project, and remaining environmental and social liabilities related to the 2015 incident. The ratings are also constrained by leverage that remains high relative to higher-rated mining peers.

The stable outlook reflects our expectation that Samarco will maintain stable operating performance and adequate liquidity as it advances Phase 3, while continuing to meet remediation and compensation obligations under the agreed framework. The outlook also assumes that BHP and Vale will continue to fund remediation payments above Samarco's contractual cap, mitigating pressure on Samarco's liquidity and capital structure.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Samarco's ratings could be upgraded if the company restores and sustains an expanded operating scale, supported by continued progress toward full production capacity, while maintaining strong profitability through iron ore pellet price cycles and adequate liquidity. Quantitatively, positive rating pressure could develop if Samarco sustains leverage below 3.5x and generates positive free cash flow, excluding remediation payments funded by shareholders above Samarco's contractual cap.

Samarco's ratings could be downgraded if operating performance weakens as a result of lower production volumes, higher costs, lower iron ore pellet prices or delays in the execution of Phase 3, leading to weaker-than-expected profitability, cash flow generation or liquidity. Any changes in Samarco's capital structure or remediation funding arrangements that reduce the effectiveness of the contractual cap could also exert downward pressure on the ratings. Quantitatively, negative rating pressure could develop if leverage remains above 4.5x, free cash flow is negative on a sustained basis, or EBIT margins fall below 12.5%.

COMPANY PROFILE

Headquartered in Belo Horizonte, Minas Gerais, Samarco Mineracao S.A. is a privately held Brazilian mining company and a 50:50 joint venture between Vale S.A. and BHP Billiton Brasil Ltda., an indirect subsidiary of BHP Group Limited. Samarco produces iron ore pellets, a key raw material for steelmaking, through an integrated mine-to-port system that includes mining and concentration assets in Minas Gerais, pelletizing facilities and a port terminal in Espírito Santo, and slurry pipelines connecting the two states. The company's operations were suspended following the November 2015 tailings dam incident and resumed gradually in December 2020, supported by new tailings management technologies and enhanced safety practices. Samarco has nominal production capacity of around 26 million tons per year, with capacity restoration supported by the Phase 3 ramp-up expected to start in 2028. For the 12 months ended June 2026, Samarco reported net operating revenue of about $1.9 billion.

The principal methodology used in these ratings was Mining published in February 2026 and available at https://ratings.moodys.com/rmc-documents/459824. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1462204.

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