

VALE S/A (VALE3) 2Q25 Earnings Results August 1st, 2025 Conference Call Transcript

Operator: Good morning, ladies and gentlemen. Welcome to Vale's second quarter 2025 earnings call.

This conference is being recorded, and the replay will be available on our website at vale.com. The presentation is also available for download in English and Portuguese from our website.

To listen to the call in Portuguese, please press the globe icon on the lower right side of your Zoom screen, and then choose to enter the "Portuguese room". Then select "mute original audio" so that you won't hear the English version in the background.

We would like to inform that all participants are currently in a listen-only mode for the presentations. Further instructions will be provided before we begin the question-and-answer section of our call.

We would like to advise that forward-looking statements may be provided in this presentation, including Vale's expectations about future events or results, encompassing those matters listed in the respective presentation. We caution you that forward-looking statements are not guarantees of future performance and involve risks and uncertainties. To obtain 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) and, in particular, the factors discussed under "Forward-Looking Statements" and "Risk Factors" in Vale's annual report on Form 20-F.

With us today are:

- Mr. Gustavo Pimenta – CEO,
- Mr. Marcelo Bacci –Executive Vice President of Finance and Investor Relations,
- Mr. Rogerio Nogueira –Executive Vice President, Commercial and Development,
- Mr. Carlos Medeiros – Executive Vice President of Operations, and
- Mr. Shaun Usmar – CEO of Vale Base Metals

Now I will turn the conference over to Mr. Gustavo Pimenta. Sir, you may now begin.

Gustavo Pimenta:

Hello, everyone, and welcome to Vale's second quarter 2025 conference call.

First, I would like to take a moment to remind you of our strategic direction as defined by our Vale 2030 vision.

We are building a leading mining platform with the right portfolio of assets, as we leverage our unique endowment to deliver accretive growth opportunities in both copper and iron ore.

We are also highly focused on continuing to gain competitiveness across all commodities, and this quarter's performance only reinforces that we are on the right track to achieve our stated goals.

Another key element of our strategy is the increased focus on talent development and leadership. To that end, I am very happy to have a world-class Executive Committee team fully in place now with the recent arrivals of Sami Arap as our General Counsel and Grazi Parenti as our VP of Sustainability. Both professionals bring enormous experience and expertise and will certainly help us to deliver on our long-term strategy.

Now, let's move on to the highlights of this quarter.

On safety, we are pleased to see clear progress towards creating an accident-free work environment across all of our operations.

Our safety indicators for the first half of 2025 have clearly improved compared to last year, as represented by a 55% reduction in the high-potential recordable injuries indicator, and we continue to lead our peers in TRIFR.

These results are reassuring and confirm that we're on the right path to becoming the safest mining company in the world.

This quarter was also marked by another solid operational performance across all business segments. This shows that our focus on operational excellence and on building a superior portfolio are paying off, putting us on track to meet all of our guidances for the year.

Iron ore production reached 84 million tonnes this quarter, 4% higher year-on-year and our highest second-quarter output since 2018. Growth was mainly driven by the ramp-up of new assets, such as Capanema, along with a strong and consistent performance from other sites. S11D, for example, hit another production record this quarter. We remain committed to increasing the flexibility of our product portfolio, which allows us to respond more effectively to market conditions and capture greater value through our commercial strategy.

In our Energy Transition Metals business, we continue to make solid progress. Nickel production rose 44% year-on-year, driven by productivity initiatives and the successful ramp-up of the Voisey's Bay underground mine.

I'm also happy to announce that we have started Onca Puma's second furnace commissioning. The furnace, when fully ramped-up, will contribute with 12 to 15 kt of nickel production and will be very cost competitive.

Copper production also performed strongly, increasing 18% compared to the same period last year, our best second-quarter since 2019.

The strong performance at VBM highlights the great work Shaun and the team are doing to unlock value from our existing assets and position the company to deliver on our long-term goals, including the highly promising copper growth.

Earlier in the year, we launched the New Carajás program with the vision to accelerate the development of essential projects in one of the most attractive mineral deposits globally. Since then, the team has been working on several fronts to advance those projects, including increasing the exploration spend to better understand the endowment in the region, with very promising results to date.

The first important milestone for the New Carajás program was the preliminary license for Bacaba, granted in June.

Bacaba will extend the life of our Sossego plant, with 50 ktpa and a very competitive capital intensity of US\$ 5.4 thousand per ton, a clear demonstration of the potential value creation we have in the region.

As we advance on our growth story, one thing remains clear: being a performance-driven company is at the core of our strategy.

Our efficiency program, driven by innovation and technology, is enabling us to consistently reduce costs at a time when much of the industry is struggling to contain inflation.

This was the fourth consecutive quarter of year-on-year reduction in our C1 cash cost, putting us on track to meet our 2025 guidance of \$20.5 to \$22 dollars per ton.

Becoming more competitive and efficient is a top priority for our team, and we'll continue to pursue this objective as a key element of our strategy and cultural evolution.

Finally, talking about the third pillar of our vision, which is on becoming a trusted partner for society.

Vale recently published its first Sustainability-Related Financial Information Report, being the first company in Brazil, and the first major mining company globally to do so.

The report outlines climate-related risks, making clear how Vale is managing those, while identifying key opportunities for the company, such as the steel industry decarbonization and the increasing need for critical metals like copper and nickel. I encourage you all to explore this report, which reflects our commitment to leading the industry in transparency and sustainable mining initiatives.

I will now pass the floor to Marcelo Bacci to discuss our Financial Performance. I will be back for closing remarks before the Q&A.

Marcelo, please go ahead.

Marcelo Bacci:

Thanks, Gustavo, and good morning, everyone.

Our Proforma EBITDA reached US\$ 3.4 billion in 2Q25, improving 7% quarter-on-quarter, but down 14% year-on-year, driven by the 13% decline in iron ore reference prices.

We once again delivered a solid operating performance, with production volumes rising and costs declining year-over-year across all commodities. This efficiency-driven mindset is increasingly shaping the way we operate, and our results reflect the commitment and discipline of our teams.

Let's take a closer look at the details of this quarter.

Starting in iron ore, our cost performance continues to show strong momentum, marking the fourth consecutive quarter of year-on-year decline.

In Q2, our C1 cash cost reached US\$ 22.2 per ton, down 11% year-on-year, driven by our efficiency initiatives and a favorable exchange rate.

The all-in cost declined 10% year-on-year, reaching US\$ 55.3 per ton. This improvement was not only driven by a lower C1, but also by lower expenses and improved premium realization on iron ore fines. We are starting to see the benefits of our portfolio optimization strategy, with more to come in the coming quarters.

We remain highly confident in achieving our full-year guidances for both our C1 and all-in cost, implying year-over-year cost reductions despite inflationary pressures.

Our Energy Transition Metals business delivered another strong quarterly result, with substantial improvements across all assets, reflecting the impact of the Asset Review initiative led by Shaun.

In copper, the all-in cost decreased by 60%, reaching 1.4 thousand dollars per ton. This reduction was driven by strong performance at both Salobo and Sossego, along with higher by-product revenues, benefiting from higher gold prices.

The lower-than-expected costs in the first half of the year, combined with a more favorable outlook for by-product revenues, allow us to revise down our 2025 all-in cost guidance for copper. We now expect a range of 1.5 to 2 thousand dollars per ton, which, considering everything else constant, would imply a US\$300mn EBITDA improvement for the year.

In Nickel, the all-in cost decreased by 30% year-on-year, as a result of robust operating improvements in Sudbury and Voisey's Bay, with the ramp-up of the underground mines, as well as higher revenues from by-products.

Now, moving on to cash generation.

Recurring free cash flow reached US\$ 1 billion in Q2, US\$ 500 million higher than in Q1, driven by a higher Proforma EBITDA and a lower working capital variation.

Our CAPEX continues to trend downward, reflecting gains from our efficiency program and the completion of key projects, like VBME and Capanema. We remain confident in delivering the US\$5.9bn capex guidance for the year.

Additionally, yesterday, our Board of Directors approved a distribution of US\$ 1.4 billion in interest on capital to be paid in September, in-line with our dividend policy, reinforcing our continued commitment to return value to shareholders.

As you can see on this slide, our recurring free cash flow enabled a reduction in our Expanded Net Debt, which ended the quarter at US\$ 17.4 billion.

Our target range for Expanded Net Debt remains between US\$ 10 and 20 billion. We expect to gradually move back towards the midpoint of that range in the coming quarters, supported by strong cash flow generation in the second half of the year and the positive impact of the Aliança Energia deal, which we expect to close in Q3.

To conclude, I would like to reinforce our continued disciplined capital allocation approach, keeping our expanded net debt within our target range, controlling CAPEX, investing in accretive projects, and delivering strong shareholder returns through dividends and buybacks. As Gustavo mentioned earlier, we also remain firmly committed to our efficiency program, ensuring we become an even more competitive company.

With that, I would like to pass the floor back to Gustavo for the key takeaways.

Gustavo Pimenta:

Thanks, Marcelo.

Before we open up for the Q&A session, I would like to highlight the key takeaways from today's call.

- Safety and Sustainability are core values, and we are committed to continuously improve our performance, while also increasing transparency and keeping an open dialogue with all of our stakeholders.
- We continue to consistently advance on our operational excellence efforts, which are enabling us to reach record production levels across all of our businesses.
- Competitiveness and efficiency remain a top priority as the resulting all-in cost reductions will make us more resilient to generate value through the cycle.
- Carajás is one of the best copper provinces globally. Through our New Carajás program, we're accelerating copper growth by developing accretive projects in the region, such as Bacaba, creating long-term value for our shareholders.

- And finally, our disciplined capital allocation approach will continue to ensure healthy shareholder remuneration and value creation for all of our stakeholders.

Now, let's move to the Q&A session. Thank you.

Questions and Answers:

Operator: Our first question comes from **Marcio Farid with Goldman Sachs**. You can open your microphone.

Thank you, good morning everyone. Thanks for the opportunity.

Maybe my first question to Rogério, please. Rogério, when you look at the production report, it was very clear that Vale's commercial and product strategy was very adapted to the environment. So we saw big swings in terms of product delivery, right? IOCJ was basically cut in half, low grade basically doubled, pellets was quite down a bit in line with the guidance. So, trying to understand how you're thinking about product mix going forward when you consider where premiums are, that Simandou is probably ramping up high-grade ore into next year. And obviously, considering Vale's asset base in Brazil and also the blending facilities as well, please?

And secondly, my second question to Shaun, on the base metal side. Nickel was quite robust, obviously, from low levels, but even adjusting for nonrecurring items was very strong and EBITDA basically increased 4x, right? So just wondering if it's a new recurring level, can we expect more cost savings and more profitability improvement, both on nickel and copper as well, generally speaking? Thank you

Rogério Nogueira: Good morning Marcio, thank you for the question. On the product portfolio, I think what I would like to reinforce is that we are focusing on value, as we said last time and more broadly optimizing total contribution considering premiums, costs, volumes. So it's not only -- it's a complete understanding of where we can generate value. We keep working on building flexibility in our supply chain. We are looking to adjust product offering dynamically. As just mentioned, as market changes, as premium changes, as steel margin changes, we need to adjust our portfolio. And in order to enhance this flexibility, we are seeking to increase our concentration capacity and blending capacity, not only in China but also outside China. But just to give you some examples of supply chain flexibility, as you just asked. As the steel margins declined in the past couple of months. We -- and quality premiums narrowed. We revised completely our portfolio. As an example, we revised our IOCJ, our iron ore from Carajás specification. We introduced, as I just mentioned last time, a mid-grade Carajás ore. We increased our concentration of high silica ores. So this, with the goal of not only adjusting the products to the market, but also of simplifying our mining operations, improving this way the conversion of resources. This also helps us to decrease costs, increase production, decrease the number of products. So it is a total optimization of the system. And so that you know today, we just tendered new projects of Carajás and new products of mid-grade very successfully. I think you may be able to see this impact, which has been

quite positive. For example, if you look into BRBF premiums versus the premiums on an Index 62%Fe, we have had a tremendous change and a tremendous increase in the premiums on BRBF. The premiums on concentrates also increased, especially on the spot market in China. And more remarkably, silica penalties narrowed by about \$2 per ton on a percentage point relative to alumina ores from April to July. This all are very significant improvements in price realization.

So this actually, when you look into Vale's overall portfolio has a very significant impact primarily because all our ores are relatively higher in silica. But obviously, I think you also asked about Simandou. Simandou would change the dynamic into the market. But what I can tell you is that we are prepared to make the necessary adjustments, change our product mix, changing channel allocation as Simandou comes into the market.

Shaun Usmar: Marcio, good morning, it's Shaun speaking. So to your question, I think you may recall late last year, Vale Day and then in Q1, we set about with the base metals business doing a few things. The first was looking to lower our global overhead through efficiency programs to make the organization as effective as possible and reengage the operations so that they can effectively be as productive as possible and successfully compete for capital. We call it internally "project catalyst". And what we've seen to date on that initiative has been quite remarkable with the team's responding.

So you'll recall in Q1, we said that we'd removed about 1/3 of our global overhead and G&A. We've actually gone beyond that. I think at the time in Q1, it was about a \$285 million cash flow improvements on our internal budgets from last year. We're looking now at about \$340 million, and I see more opportunity. And I think what you see in this quarter is the first with the lag between what appears in our actual accounts and then the timing on cost of goods sold, you're seeing the flow-through. So our latest numbers now are in our forecast. We're banking about \$340 million of cash improvements where more than half of that is in OpEx, the rest in CapEx. To your point, nickel, out of necessity just given the point in the cycle, I think we're seeing is a disproportionate amount of those savings. And we're also seeing a large impact from fixed cost dilution and also the benefit of polymetallics. So just a few things to consider.

I think we're on track for certainly on the copper side, the best performance we've seen in -- certainly at Salobo. And at Sossego with the productivity improvements, the unit cost improvements alone, we're seeing nearly a 40% improvement with the work that Vincius and his team is doing. So, despite the copper price environment and gold price environment being very supportive, those efficiency programs are driving. So you're seeing fixed cost dilution that's occurring with increased volumes, but also low overhead. So there's that double whammy plus the benefit of the byproducts.

And to put that in context for you, I think we had mentioned this on the last call, but it's worth just reiterating it. For every \$100 an ounce move in gold price, it's about \$135 a ton improvement in all-in cost for copper, for example.

Importantly, when you go to nickel, we're seeing a big volume effect in addition to a very large fixed cost reduction that we're just starting to reveal. Voisey's Bay, as Gustavo has

mentioned, we're seeing a very successful ramp-up of the underground there. Peter and his team are about 30% ahead of our internal plans and are well set to continue with the successful ramp-up. And very pleasingly, because of the own feed feature that is going into Long Harbor, we've actually seen the team for the first time in the history of their operation actually achieve nameplate of that operation in May. And we look forward to seeing those teams continue to deliver the throughputs, particularly driven through own feed, which has cash flow benefits for our business.

Sudbury, we've seen significant improvements, not just in overhead reductions, but throughput. You'll see that Totten, for example, it's the highest ore hoist that we've seen in the first half of the year there in over 6 years. And in Creighton, it's the highest metal produced month in June since nearly a decade. And Ontario itself, when you look at copper and just to remind you, I think in these pricing environments, only about 40% of our revenue coming from that complex is actually nickel, the rest is copper, cobalt, PGMs, and that diversification is really helpful. We're seeing about 6% more copper in the first half versus the same period in the last year.

And just going back to the polymetallic piece, as you consider the sustainability and a potential going forward. For every \$1,000 a ton move in copper, our all-in costs move were about \$460 a ton. Platinum for every \$100, it's about \$55. Palladium, for every \$100 an ounce, that's about \$60 a ton. And gold for every \$100 an ounce is about \$25 a ton.

So I'm seeing across-the-board performance. Onça Puma, as Gustavo mentioned, that just started the second furnace, even before then, Kilma and her team are heading second quartile improvements and we should be on track for metal by the end of Q3 in that operation and a very competitive position.

So I'm very proud of the team. I think we're on track, and I think you should expect to see continuation of us focusing on delivery of increased volumes, fixed cost dilution, a reduction of fixed costs and improvements in productivity.

Operator: Next question from **Rodolfo De Angele with JPMorgan.**

Thank you very much. So I have a couple of questions. I think more towards Bacci, but feel free to jump in whoever wants to help. But I think I want to explore a little bit more the side of cost. It's clearly the highlight of the quarter. as Gustavo mentioned, 10% lower in iron ore, 60% on copper, 30% on nickel, that's quite impressive. And I wanted to explore a little bit of the future on the cost, right? So what is structural here? And probably more important, is the baseline of opportunities on the cost side, is it still pretty healthy? Can you give us a little bit more color? You do seem very comfortable on the guidance, but I just wanted to hear a little bit more detail on the cost opportunity on VBM and on iron ore as well. That's my first question.

And the second is on shareholder return. This is a recurring question that I get from investors. The company is doing well. Clearly, we're seeing the performance stable, the company is generating cash. And the stock is cheap, at least, that's our assessment. So the question is on shareholder returns, Bacci. So looking forward, what do we have to

see, you know, a buyback program being something that the company will be pursuing more aggressively? Those are my 2 questions. Thank you very much.

Marcelo Bacci: Hi Rodolfo, thank you for the questions.

On the cost side, we feel very confident about delivering the guidance for this year in iron ore. The operational performance has been very stable, and the new operations are coming in at a very good pace, and we feel very good about continuing to deliver according to the guidance.

Of course, in the second half of this year, we have tougher comps since the performance at the end of last year was very good. But we are feeling very, very confident about the guidance that we have for iron ore. On the base metals side, as Shaun mentioned, we also have a very consistent and robust operation today that enables us to believe that we are going to continue to deliver the same level of cost in nickel around the same level that we have today in the second half of the year. And we have this new guidance that we published for copper that we also feel very confident about that. So the performance and the stability of our operations are making us believe that the cost performance will continue to be within the ranges of the guidances that we provided to the market.

When it comes to shareholder return, we just announced the dividend in the form of interest on capital for this first half, which is related to the minimum policy that we have, 30% of operating cash flow. We will, during the second half of this year, depending on how we perform on cash flow, we will decide about potential additional dividends and/or buybacks. We just announced today the approval by our Board for also the usage potentially for the buybacks of derivative instruments that could enable us to manage the cash flow on a better way. So I would say that we continue to see a mismatch between the operating performance and the valuation that we see in the market. So we are getting prepared to move forward with some of these actions during the second half of this year.

Operator: Next question from **Amos Fletcher with Barclays**.

I gentlemen, thank you for the opportunity. I had 2 questions. The first one actually just following up on that last answer, just around the use of financial instruments and derivatives to do the buyback. Can you just go into a bit more detail to explain exactly how that would work and the potential quantum of it? And does it enable you to start a buyback earlier than you might otherwise have done potentially in the second half of the year?

And then my second question was just on Vale Base Metals. I just wanted to ask about the recent departure of Mark Cutifani and whether that indicates any potential change in strategy to VBM over the long term?

Marcelo Bacci: Thank you, Amos. In relation to the derivatives usage, it's important to mention that according to the regulations of the Brazilian authorities, we have to be very precise about what kind of derivatives that we use for the buyback program. So the approval that we got yesterday from our Board was just an explanation of what would

be the different kind of derivatives that we are authorized to use. Basically, the decision between buying straight in the market or using derivatives is related to the cost of capital and also related to the cash flow management of the company. So we wanted to have the options open to go one way or the other, depending on how the market performs in the second half of this year. But in relation to the decision of actually going to the market and performing the buybacks, this will depend, of course, on how comfortable we feel in terms of cash flow generation and the room that we have on our net debt policy.

Gustavo Pimenta: Amos, Gustavo here. On the VBM Board and the departure of Mark, no change in its strategy. That was always the design when we invited Mark to join us. The idea there was to set up the asset review, help us build the team, and that has been achieved. So he was extremely helpful, and we are very grateful for the work that he did. And it was the design once we had the team in place that they would then take over and move their strategy along. So no change in strategy. If anything, what you want to do is to accelerate the future that we laid out for VBM.

Operator: Next question from **Leonardo Correa with BTG**.

Hello everyone, good morning. Yes. So a couple of questions on my side. Number one, just moving back to perhaps to Rodolfo's question on the cash returns, right, which I think is the, let's say, the central element to Vale's investment thesis, right? I mean there's a bit of a glass half full or half empty, right? Vale, I mean when you look at the dividend that was announced, it's a 7% yield. So we sensed, this is higher than the Australian peers, right? However, lower than some Brazilian peers and much lower than the CDI rates, which are the reference interest rates in the country, right?

So the question always ends up being, I mean, what Vale needs to see, what needs to happen for extraordinary dividends for Vale to return to those, let's say, to those brighter days, very strong cash returns, double digits with Vale paying quite a lot of extraordinary dividends, right? So maybe a bit redundant again, but we've been seeing iron ore prices surprise on the upside. I think many observers have been waiting and waiting for a correction, which hasn't come and maybe will not come, who knows, right? It's very difficult to forecast. But would it be fair to say that in the current environment, with some of the proceeds coming in, in the third quarter from Aliança and with, let's say, with the resilient iron ore price, would you see Vale back to extraordinary dividends towards the end of the year? So that's my first question. Again, trying to address the marginal buyer at Vale, right? With that in the mindset, right? I mean it depends on who you talk to, people see the dividend as high or low, right, or relatively low.

The second question to Marcelo specifically, right, on the CapEx guidance. I mean, the free cash flow number in the quarter was solid, right? 10% yield. It was based off a relatively low CapEx figure in the quarter, right? I mean \$1 billion of outflows in CapEx. I know it's wrong to annualize this, but it's natural to do, right? I mean \$4 billion, your guidance is almost \$6 billion, slightly under \$6 billion for the year. I know there's an erratic pace to CapEx, but I think the natural question would be, why not reduce the guidance

or what are the risks that you end up with lower outlays versus your guidance? Those are the 2 questions. Thank you very much.

Marcelo Bacci: Thank you, Leo. On the cash returns, I think, first, I don't think it's fair to compare with CDI, right? This is not our cost of capital. But I understand where you come from. The scenario is one that if we continue to see iron ore prices around \$100, I think there's a good chance that we have room for additional payouts in the form of buybacks or additional dividends in the second half of this year as we did last year. But we're going to have to see how the market performs. We are very confident on the tools that are under our control on the cost side. But of course, we depend on market prices to determine the cash flow that we're going to have available in our hands to determine the allocation of capital that will most likely include more returns to shareholders if we are more towards a situation where our net debt, expanded net debt moves towards the midpoint of our range, which is \$15 billion. So if we feel that we are going in the direction of going below \$15 billion, increase the chances of additional payouts will probably increase. And we're going to have to decide if we're going to go in the direction of buybacks or additional dividends depending on how the market is performing.

On the CapEx side, we do recognize that the number for this quarter was relatively low. That was a seasonal effect. We feel very confident about the \$5.9 billion guidance that we have for the year. At this point, there is no indication of a change in the guidance for the year, but rather only a seasonal effect for this quarter.

Operator: Next question from **Daniel Sasson with Itau BBA.**

Hi everyone. Thank you so much for your time. My first question is related to pellets and maybe Rogério Nogueira talked about the strategy of maximizing value and not necessarily quality in your portfolio. How do you see -- or to what do you attribute, Rogério, the recent decline in pellet premiums? Do you think that maybe the anti-pollution or the supply side reforms in China could help on that front if steel producers' margins increase? And do you see that happening at some point given that your all-in guidance for premiums this year is -- would likely imply a significant improvement in the second half?

And maybe my second question to Shaun, you talked a little bit about the reduction in your guidance for copper production costs. And you mentioned that a chunk of that came on the back of higher gold prices, right, or higher byproduct sales. But specifically for gold, a big chunk of that or almost all of it is you don't get to keep it, right, because of the streaming transactions you've made in the past. Do you think or are you interested at all in maybe renegotiating some of the terms of those acquisitions -- of those deals? Or do you see in any way the possibility of increasing your exposure to gold? Or is it something that you'd like to do? Thank you so much.

Rogério Tavares Nogueira: Daniel, thank you very much for the question on pellets. I think, first, the market that we serve is the market of the Atlantic. We also serve the MENA region, the U.S., in Japan and Korea and Taiwan, not so much China. So the dynamic is a little bit different. I think what we're facing and when we look into the short

term is a decrease in demand because China has been exporting a significant amount of steel, and those products are actually coming into the regions that I just mentioned, and they are reducing the necessity for higher production in these regions. Thus, with less productivity requirements, most of our clients are reducing the amount of pellets they use in their burden. So this is a lot related to the steel exports going to those regions.

In addition to that, I think there is also an increase in supply from Samarco and some from LKAB. We are monitoring this situation very closely. I mean, obviously, we expect this to change and gradually more demand will come from pellets. When you look into the medium to long term, we see a significant increase in demand. There are several electric arc furnaces being planned around the world in different geographies, just to name a few. If you think about Europe, you may see Rogesa, Thyssenkrupp, Salzgitter, Voest, Ilva, Stegra, SSAB. If you go for the MENA region. So, you go North Africa, you go to Tosyali, LISCO, Suez, some mills in Oman as well. In the U.S., you might – we're just following the decision from Hyundai to install a new electric arc furnace in Louisiana. Ternium Mexico is expanding, there's also a Big River 2. In Japan and Korea, Nippon, JFE, POSCO, they're all looking into electric arc furnaces.

So I think the view is that gradually. And these projects that I'm talking about, they are all planned to come into place by 2030. So, what we see is that despite the exports from China, which is impacting primarily the blast furnace market, we see that there's going to be a lot of demand coming on board gradually and pellet prices should actually recover. I mean how fast this recovery will be is still a bit difficult to define, but we're monitoring that closely and taking the necessary solutions in terms of capacity, in terms of production of our pellets.

Shaun A. Usmar: Yes. And Daniel, a good question on the streaming transaction. You may recall my role before this was having founded streaming and royalty business. So, I've been on the other side of this sort of question. I think it's useful. So firstly, we have a contractual arrangement primarily with Wheaton, on Salobo, and these are financing transactions that go back a long way, right? The management team in Vale at the time, whatever the choice between issuing equity or debt, and just the same there where you're not going to, let's say, renege on contracts that you got with your equity or debt holders. We have a contract that we're delivering into.

But to put it in context, proceeds received so far on those streaming transactions going back to 2013, excluding the ongoing payments are about \$4.1 billion that the business has received. And to your point, our focus here is on really where we can control. We've actually outperformed on gold in the first half just with the ebbs and flows of both the performance of Salobo as well as the sort of mine sequence. So we expect that to be a bit less in the second half. But really, the focus for us is on optimizing the production as a whole. We are the beneficiary of the residual gold regardless, and if we were ever to look at financing alternatives in the future for future growth, we consider all options as we have, albeit using a lot of the experience, obviously, that I've got from having done these before. So yes, hopefully, that answers your question. But our main focus is on optimizing free cash and allocating our capital well and honoring our contracts.

Operator: Next question from **Carlos De Alba with Morgan Stanley.**

Yes, I'm here. Sorry. Yes. Maybe a follow-up on what we just discussed for Carlos Medeiros, maybe for Rogério, on the briquettes project you finished given that it's no longer there as part of the projects you're working on. How does the -- given the current market situation that Rogério just elaborated, how are your customers accepting and buying the briquettes that you are now producing? And how is the ramp-up of the project? When do you think you can achieve a stable performance and maybe optimum cost? And any comments that you can give us in terms of the margins that you could potentially achieve in these products?

And then maybe for Shaun, just a continuation of the last response. Shaun, look, fantastic performance, very good to see the 2025 all-in cost guidance declining as dramatic as it did. I just would like to see if you can share some color on how you see the sequential performance in the third quarter and the fourth quarter. The all-in cash cost in the second quarter \$1,450 is slightly lower than the new the low end of the range that you provided. When we looked at the 6 months, you are at \$1,336 per ton. So again, is the new guidance a little bit conservative or because the lower gold production that I understood, you mentioned you might see in the second half of the year, it is prudent to have a new range that, again, fantastic decline, but would suggest maybe an increase from where you were in the second quarter. Thank you.

Carlos Medeiros: Thanks for your question, Carlos. I will start answering, and then I will hand over to Rogério to talk about the market aspects and the tests with our customers. So the briquettes line so far is stabilizing. So in July, we produced 40,000 tons, so which was our best mark in a month. We had the line down during the month of June to correct a few things that we believed were necessary. And what we see is that the line will ramp up and also quality is improving on a daily basis. So we are confident that we'll come up -- that we are coming up with a product that will be helpful to our customers. So Rogério, if you complement that.

Rogério Tavares Nogueira: Thank you, Carlos. On the briquettes side, Carlos, we have a lot of interest from our clients. We have a huge backlog of clients looking to test it. But let me give you the current status. We need to separate this between blast furnace briquettes and direct production briquettes. On the blast furnace briquettes, we have done more than 10 in the pre-industrial trials very successfully. We have completed 2 full industrial trials, one of which actually getting to 100% of briquettes in the burden mix in a smaller blast furnace and another one achieving 50% of the burden mix with a larger blast furnace.

I think what I can tell you is that the results were excellent in terms of productivity and in terms of coke rate better than running with pellets. And we're now planning for -- still for this year, another 2 very large industrial trials, which is the final product validation. Direct reduction, we have run -- I think we didn't have a chance to talk about this before, but we have run more than 10,000 basket tests with different clients around the globe, all basket tests have been extremely success -- most of it actually extremely successful with a very high metalization of the product, much better than actually in pellets. And

we also have had very good indication of productivity. This is one of the things that we've noticed, especially in direct reduction that the briquettes, because of its configuration, its morphology, they actually yield a much higher productivity of the shaft furnaces. We're now completing and going to larger industrial trials as well with selected clients. But upon confirmation of the results, we believe that this is going to be a real breakthrough for the industry.

Shaun A. Usmar: Yes. Carlos, it's Shaun. On your question on the second half, I know my Chief Operating Officer is online listening to this call and feeling the heat in the second half as we go into this. And I think I say that because clearly, each of our operations have stepped up and the performance you've seen to date is not isolated to just copper or nickel or just Salobo or, say, Ontario. We're seeing these opportunities across the board.

I would caution that as you think about the second half, we are looking at more planned maintenance, which will impact volumes and obviously some cost in Q3. So you should think about H2 as being somewhat similar, but more back-end loaded. And I think the only other thing to frame is, bear in mind, we're ramping several operations right now. And so we are factoring that into our risk assessments in the numbers we're putting out publicly. We've -- as we've just communicated, we just started the second furnace at Onça Puma. We are still in the midst through for the next many, many months for expansion at the underground in Voisey's Bay. And effectively, we're expanding production in our own mines in Sudbury in several of them. We're aiming at 5.5 million tons this year through the mill. We'll be looking to take that to 7. There's a significant amount of development and work that's going through that. So we have really factored that in.

I think the last bit of context, I mentioned before that the actions we've taken late last year and this year that we're identifying and delivering cost improvements, there is a lag between what we produce and what we sell. And so you're seeing that starting to manifest in this quarter with cost of goods sold. Our internal targets on what I mentioned earlier as project catalyst where we've identified and delivered in our forecast so far, about 340 million of improvement this year. We are internally continuing to push beyond those numbers, but we will only bake those into forecasts and actually communicate those later as indeed, we deliver as opposed to things that we have identified but yet have to succeed.

So to summarize, you should see more of this. It should be more back-end loaded. And as you'd appreciate in this industry with this volatility, it's essential that we are as productive as we can be and is cost competitive, and that's our focus.

Operator: Next question from **Rafael Barcellos with Bradesco BBI.**

Good morning and thanks for taking my questions. My first question is for Rogério. Rogério, it would be interesting to understand how the new volumes from Capanema and even from the Serra Sul project will change your overall commercial strategy?

And then -- and my second question is really about your views on the iron ore markets. I mean, despite the fact that we are dealing with several macro uncertainties, key data

points remain very solid for iron ore and steel, with steel prices and margins increasing in recent months. So I just wanted to hear your thoughts on the second half for iron ore markets. particularly what are you seeing in terms of demand trends for the second half? Thank you.

Rogério Nogueira: Thank you, Rafael. Let me start with the second one, which is the global outlook. And then I'll talk specifically about the new volumes from Capanema and Serra Sul. When you look into the world global steel market, it's still volatile as some of you just pointed out. But we feel it's more stable after this intense rounds of tariff negotiations. If we divide this in China and ex China, just in China, I think you all might have seen the recent reports from the Politburo meeting suggesting mild economic incentives. And this is because in the first half of 2025, the Chinese government has achieved a GDP growth over 5%. So, this is -- we don't expect a lot of change but mild incentives.

Secondly, I think they also emphasized industry capacity rationalization under the anti-involution policy, which affects still. I think some might think this is negative for us, but quite on the contrary, what happens is the mills which are left outstanding, they will probably going to have higher margins. With higher margins, they will need more productivity. And with more productivity, they will need higher quality ores. And that actually is very positive for us in Vale specifically.

More specifically looking to the Chinese steel mill and starting with crude steel production, one may say that according to the National Bureau of Statistics in China, crude steel production has declined by 3% year-on-year. But here is the caveat. When we look into pig iron production, which is the steel which is produced with iron ore, the decline has been only of 0.8%. That indicates that the bulk of the crude steel decline has come from scrap-based electric arc furnaces. I think important to think that blast furnaces, the integrated processes are more competitive these days than the electric arc furnaces when one factors in the demand for seaborne iron ore. I think other than that, the more traditional indicator did not offer much of a surprise when you look into fixed asset investments, steel mills profitability or even steel inventory. I think there was no surprise there. I think there has been not much change into the Chinese market.

Regarding iron ore still in China, I think still very stable from what we've seen in the past, imports of iron ore. Iron ore inventory imports hanging around 140 million tons. So no real surprise. I think the point to highlight here is the ex China, and that connects a bit with the previous question on pellets. The exports coming out of China, which we forecast will exceed 100 million tons for this year are impacting negatively crude steel production and productivity requirements to that extent outside of China.

But what I would like to highlight on the positive side is India. India crude steel production has increased by about -- by over 9% this year, which is very significant. And that's a lot of iron ore from India, which was going to the seaboard market is actually coming out. And more importantly, India is opening up for imports, especially for our kind of ores which are very complementary to their ore in terms of chemistry, in terms of size distribution. So this year, we anticipate that we will be selling to India more than 10

million tons, and we expect to grow this over the next years as we partner with some of the Chinese players. All in all, I think the way we look at it is despite the volatility that I mentioned in the beginning is that the global iron ore market is balanced.

To your second question, I think it's a very good one. Capanema and Serra Sul will be part of a broader portfolio design. When we look into how we define products, market regions to sell, marketing channels, Capanema and Serra Sul will be integrated into the broader supply chain, and we'll define how to better allocate it. So depending obviously on steel margins, depending on premiums. So this is part of the broader portfolio optimization.

Operator: Next question from **Caio Greiner with UBS**.

Good morning everyong, thank you. So 2 questions on iron ore. The first one on the production outlook, it's actually great to see the higher production coming in, Capanema and Brucutu and the Northern Range are also performing quite well. But I mean, production growth year-to-date has been quite low, right? So I just wanted to get an update from you on the ramp-up expectations of your multiple assets looking into the second half of the year and into 2026. You're arguably tracking in line with your 2025 guidance. But for 2026, the question is, I mean, it implies a 20 million-ton growth when you think about the midrange. So I just wanted to hear from you if you remain confident on our 340 million to 360 million tons guidance, which again implies a relevant growth from where we are. And is that Vale's plan under pretty much any iron ore price scenario? Or could we see lower depending on market conditions. If we see iron ore prices moving to \$90 per ton next year, for example, is this still going to be with the level of production that we should be looking at?

And the second one, which is also related, but on the caves decree, just wanted to get an update from you in terms of how the conversations and engagement with the government has been evolving in recent months. It's arguably taking longer than expected. So I wanted to get this update and also hear from you if Vale is already working with the possibility of not getting this decree and what could be the eventual implications for the company if that's the case? Thank you very much.

Carlos Medeiros: So regarding the new projects, Capanema and Vargem Grande, they continue to ramp up as planned. So to give you numbers at Capanema, we have already produced a little bit more than 1 million tons. And as a matter of fact, we are ahead of schedule in our ramp-up curve in Capanema. At Vargem Grande, we are slightly below our ramp-up curve. But all in all, we remain confident that we will achieve the 325, 335 guidance for 2025. As far as 2026 is concerned, we remain also confident that the 340 to 360 guidance is achievable and we'll provide a more accurate number during the Vale Day later in the year.

On the CapEx decrease, I will hand over now to Gustavo that will talk about it.

Gustavo Duarte Pimenta: Caio, Gustavo here. Just to complement on the prior one, and then I'll talk about the caves. But we'll continue to play value over volume as we always did, right? Remember last year, Q4, we removed 8 million tons from the market because it didn't make sense for us to place those volumes. So we'll continue to be highly

disciplined. I think one of the beauties of Vale vis-à-vis competitors is that we can bring projects online with substantially lower capital intensity. If you look at Capanema, Vargem Grande, the ones we brought, it is probably a 1/4 of a typical capital intensity that you're going to see in a similar iron ore projects globally. So that allows us, for example, to operate with a CapEx level that is substantially lower than our competitors, freeing up free cash flow to our shareholders. I think that's something that is always very important to remind and. But bringing those projects makes sense because it does bring us more flexibility to play value over volume as we go along, and Rogério highlighted some of those benefits today. On the caves decree, look, we are hopeful we'll continue to monitor. It's certainly an initiative that is led by the government. What we would like to say is that -- if you look in the last couple of years, we've taken a lot of actions internally to improve the way we process the license, the way we prepare ourselves for the licensing process in terms of anticipating some of those issues. We also work very closely with the environmental bodies at the state and federal levels. And if we look at the status today is that the licensing process for Vale projects have improved vis-à-vis where we were 2 years ago. And you're seeing this as part of the operational stability of the company. We think we can improve even further by modernizing the caves decree, and that's what we are working and hopeful that we can have as an outcome.

To your question on, are we prepared for a new caves decree scenario? Yes, the team and ourselves, we continue to work under any scenario, even under a new caves decree scenario, we will make sure that we deliver on our long-term targets and we're developing alternative plans as we go along to make sure we have a very resilient master plan and production plan.

Operator: Next question from **Caio Ribeiro with Bank of America.**

Hello everyone, thanks for the opportunity. So my first question is on copper. It's pretty clear that the company is focused on extracting growth from projects in Brazil like Bacaba, Paulo Afonso and Cristalino, among others. And these, they tend to be smaller deposits especially in comparison to Hu'u in Indonesia, right? So I just wanted to see if you could provide some color as to what drives that preference to develop several relatively smaller deposits as opposed to focusing on one larger project like Hu'u in Indonesia. And possibly even under a JV structure, right, to mitigate the execution risk of developing a larger project, similar to what other miners have been doing.

And then secondly, on Thompson, if you could discuss how the strategic review of that asset is going what would be the preferred avenue to explore with this asset? And if whatever option is chosen with Thompson, if that could be an indication of future plans with other assets in Canada? Thanks.

Shaun Usmar: Hi. Some good questions. So firstly, on the copper side, I wouldn't think of these things as a bipolar choice. Like it's -- I'm only going to do big or I'm only going to do small. I think you have to be focused on value. And if you -- and execution. So if you think of the sector, I do believe the data will show that the sector's ability to deliver new projects has been pretty bad. And I think the capital overruns, particularly on large projects has been in the order on average of about 40%. And so when we look at our best

way to unlock copper growth and create value, we heard from Gustavo earlier on the capital intensity of Bacaba, it's quite clear that we've got regional presence we've had for decades there. We have infrastructure. We've got to know how we've got capability. So I think about risk as much as anything on our ability to deliver into that and what can we do by ways of returns.

And so those projects that we're looking at, and I'll use Bacaba as an example because when I first arrived here in October, it would have been my second week, I looked at what was presented on that project. And it was a very different construct at that time with nearly double the capital intensity to what we've been able to do through working through that. And we're seeing lots of opportunities as we look at Novo Carajas and we look at Pará as a whole. To look at these things in a way which is, are we best placed than some of these to build them ourselves. Are we like we've done elsewhere with Ero copper, better placed to partner? Or are we better placed to perhaps to contract mine?

And I guess my point is we have to look at this as both miners and investors to find the best path forward. We've just finished our life of business planning. We're going to evolve that. We're seeing opportunities to significantly improve, I think, the risk profile and the economics, and that's something we'll talk about more at Vale Day. So stay tuned. But I do think you shouldn't underestimate both the capital intensity, the risk and the value potential of that district in there, and that's the reason we're focusing on that.

The Hu'u, I mentioned earlier in the year, we initiated that strategic review. And one of the possibilities exactly what you said. It could be a some sort of joint venture from a risk and reward basis. It would be inappropriate or premature to sort of foreshadow where we're going to get to. And we will certainly communicate where we've got to with that review, which is in advanced stage now in the back half of this year. But just to remind us of what we're talking about, 300,000 to 400,000 tons of copper over 400,000 ounces of gold first half of the cost curve, give or take \$5 billion or so and nearly half a century of life. You don't get off assets like that every day. Obviously, there's a lot of work to do, and we'll communicate that at the right time. We have not built that into the guidance or in the projections that we shared at Vale Day, but it's clearly an intrinsically valuable asset.

So just to summarize, we can walk and chew gum. We are looking at these things as investors and portfolio managers as much as we are as miners. And I think the themes that you've drawn out are very consistent with how we're trying to grow copper not just in Para, but in general.

On Thompson, we, at around a similar time, initiated that review. It's at an advanced stage. We are still looking at multiple futures in there, and we'll look to communicate where we get to on that because it will be inappropriate commercially to update you at this stage, but we should be able to update you in the next quarter. That's progressing well. I just want to tribute to my GM and the teams there who have had to deal with devastating wildfires in the province and have done a remarkable job of safety leadership and keeping both employees and communities safe. But that's well advanced and is on track. And I think you shouldn't read across necessarily any one action from a portfolio

optimization point of view, whether it's Thompson or others. Recall Thompson has a huge endowment. It's one of the assets that is not polymetallic. We're looking to optimize our portfolio and our capital allocation, and we're continuing to look beyond these to see what are the right things to do with our project portfolio, our exploration portfolio and our assets before. Our focus now is on optimizing each asset in the portfolio.

Operator: This concludes today's question-and-answer session. Vale's conference is now concluded. We thank you for your participation and wish you a nice day.