VALE S/A (VALE3)
2Q26 Earnings Results
July 31st, 2026
Conference Call Transcript

Operator: Good morning, ladies and gentlemen. Welcome to Vale's second quarter 2026 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 thank you for joining Vale's second quarter 2026 conference call.

First, I would like to briefly reinforce our strategic direction and ambition to create superior value for our shareholders. In this context, we have been consistently focused on our key priorities of operational excellence, disciplined capital allocation and the advancement of highly accretive growth projects, particularly in copper and iron ore. Our objective is to build a business that is resilient through-the-cycle, competitive under different market environments, and well-positioned to deliver sustainable returns.

Despite the uncertainties that continue to shape the global landscape, I am very confident about Vale's future. And what gives me that confidence, it's not only the quality of our assets, but also the consistency with which our teams are executing and delivering results.

Based on the strong performance in the first half of 2026, yesterday our Board of Directors approved US$ 1.7 billion in dividends and interest on capital to be paid in September. The Board also approved the extension of our share buyback program for up to 2.3% of our outstanding shares, reflecting our positive view on Vale's long-term outlook and our continued commitment to delivering superior returns to our shareholders.

Let me now turn to the highlights of the second quarter performance.

We once again delivered solid year-on-year results across all commodities, reinforcing our confidence in achieving all production guidances for the year.

In the particular case of VBM, we have now narrowed the guidance ranges for copper and nickel, implying higher mid-points, on the back of continued strong operational performance in both businesses.

Starting with iron ore, in Q2, production reached the highest second-quarter level since 2018, supported by the continued ramp-up of the Capanema and Vargem Grande projects, as well as the record output at S11D. Sales volumes also increased by 3% year-on-year.

In Copper, we delivered our strongest Q2 production in the last 9 years, with a 6% year-on-year increase, while sales volumes grew 10% in the same period. This growth was driven by record second-quarter output at Salobo and a very strong performance at Sossego.

In Nickel, we also achieved solid results. Production increased by 4% year-on-year, while sales volumes grew 7%, supported by additional volumes from Onça Puma and Voisey's Bay.

Looking ahead, I would like to highlight two important milestones at Serra Sul that will further enhance the performance of this world-class asset.

First, I am very pleased to announce the start-up of the Serra Sul +20 Project with the commissioning of S11D's second long-distance conveyor belt in July. This project, which also includes mine and plant expansions, will provide greater operational flexibility to the site.

Second, in the fourth quarter, we expect to start commissioning the Compact Crusher Project which is designed to address operational constraints related to jaspilite ore at the Serra Sul mine, helping improve production consistency and strengthen asset reliability.

Together, these projects will deliver 20 million tonnes of incremental capacity at Serra Sul, strengthening Vale's competitiveness and expanding our high-grade product portfolio.

Turning now to our copper growth story.

Last year, we launched the New Carajás Program, with the vision of accelerating the development of strategic projects in one of the world's most attractive mineral provinces.

Today, I am pleased to announce the earlier start-up expected for the Bacaba Project. Construction is progressing ahead of schedule and, as a result, Bacaba is now planning to begin commissioning in Q3 2027, significantly ahead of the original 1H 2028 schedule. With 50 thousand tonnes capacity, Bacaba is the first of six accretive growth projects that will support our ambition to double copper production to approximately 700 thousand tonnes per year by 2035. Our second project, the Salobo Coarse Particle Flotation, is expected to be formally announced soon and represents another important step in unlocking the potential of our unique endowment.

As we continue to execute our project portfolio, with below-average capital intensity and compelling rates of returns, we believe investors will increasingly recognize the significant upside embedded in our copper platform.

Before moving on to our financial performance, I would like to briefly talk about innovation, a key enabler of Vale's long-term strategy.

As we've discussed throughout this presentation, our operational results and growth projects are the outcome of consistent execution and a relentless focus on performance.

Having said that, we continue to focus on innovation and on developing new technologies that increase our efficiency, enhance safety, reduce environmental impact, and strengthen our competitiveness. This is our vision for the Mining of the Future, a strategic agenda built around five key pillars, outlined here in this slide, that will help shape Vale's journey.

To provide greater transparency on this agenda, we recently published Vale's first Research, Development and Innovation Report, showcasing several initiatives that are already transforming the way we operate.

Among them, I would highlight the progress we are making with the Model Plant in Itabira and our Autonomous Mining initiatives at Brucutu, Capanema and Serra Norte, which demonstrate how innovation is being translated into tangible operational gains.

I encourage everyone to explore this report and learn more about how innovation supports our strategic agenda and creates opportunities across businesses.

With that, I'll hand over to Marcelo Bacci to discuss our financial performance. I'll return later for my closing remarks before the Q&A session. Marcelo, please.

Marcelo Bacci:

Thanks, Gustavo, and good morning, everyone.

In the second quarter of 2026, our Proforma EBITDA reached 4.1 billion dollars, representing a strong 19% increase year-on-year, despite continued pressure from external cost factors.

This performance reflects another quarter of solid execution across our businesses, supported by higher volumes, improved commercial performance, and better price realization.

At Vale Base Metals, EBITDA totaled 1.3 billion dollars, increasing nearly 80% year-on-year. This performance was driven by stronger realized prices and solid operational execution.

In Iron Ore, EBITDA exceeded 3 billion dollars, supported by higher realized prices and increased sales volumes. These positive effects more than compensated for the higher freight costs and the appreciation of the Brazilian real.

Overall, this quarter's numbers demonstrate the resilience of our business and our ability to consistently deliver a solid operational performance, even in a more challenging external environment.

Now, let me turn to the details of our cost performance.

In the quarter, our C1 cash cost, excluding third-party purchases, was US$ 24.1 per ton, an increase of 9% year-on-year. The all-in cost reached US$ 61.6 per ton, 18% higher year-on-year.

The higher costs were mainly driven by external factors. The appreciation of the BRL impacted both C1 costs and expenses, while diesel and freight costs also increased during the quarter.

As I mentioned in our last call, while external variables can introduce volatility into our cost structure, they also reinforce the importance of our relentless focus on productivity and operational excellence.

The results of our efficiency program, combined with higher production from low-cost assets such as S11D, demonstrate that we are moving in the right direction. Together, these initiatives contributed to a US$ 0.5 per ton reduction in C1 costs year-on-year, strengthening our structural competitiveness throughout the cycle.

In addition, our hedging program helped reduce the impact of external variables in our results. Our Brent oil hedging program resulted in approximately 100 million dollar benefit, equivalent to US$ 1.6 per ton.

Considering this effect, our all-in costs were US$ 60 per ton. If oil price volatility persists, this strategy will continue to provide cash flow support in the second half of 2026.

Given the increased volatility in external variables, we have decided to update our 2026 Iron Ore C1 and all-in cost guidance.

The revised guidances reflect an average BRL exchange rate of 5.13 compared to 5.60 in our previous guidance, as well as an average Brent oil price of US$ 86 per barrel, versus US$ 68 previously assumed.

As a result, we now expect C1 cash costs, ex third-party purchases, to range between 22.5 and 23.5 dollars per ton in 2026, compared with our previous guidance of 20 to 21.5 dollars per ton. Roughly 70% of this increase is explained by the combined impact of external effects such as FX and diesel costs.

In the same way, we are also updating the all-in cost guidance to 58 to 62 dollars per ton, compared with the previous range of 52 to 56 dollars per ton, with around US$ 5 per ton related to oil, FX and iron ore premiums.

That said, despite this more challenging external backdrop, we remain fully focused on the variables within our control.

Our teams continue to advance a robust pipeline of efficiency and productivity initiatives across the businesses. These efforts are targeting further gains in asset utilization, maintenance optimization, supply chain efficiency and procurement.

While these initiatives do not fully offset the impact of FX and oil prices in the short term, they are essential to improving our structural cost position over time. Combined with the ramp-up of our low-cost assets, they will continue to strengthen our competitiveness throughout the cycle and support long-term value creation for our shareholders.

Turning now to Vale Base Metals, both copper and nickel delivered another quarter of strong cost performance, reflecting solid operational execution across our assets and a more supportive market environment.

In Copper, all-in costs reached negative 300 dollars per ton, an improvement of 1.7 thousand dollars per ton year-on-year, once again in negative territory.

In Nickel, all-in costs declined 17% year-on-year, reaching 10.3 thousand dollars per ton.

Looking ahead, we expect Vale Base Metals to continue delivering operational improvements beyond the contribution from by-product prices. As a result, we are lowering our cost guidance for the year.

For Copper, we now expect all-in costs to range between zero and 500 dollars per ton, compared to our previous guidance of 1 to 1.5 thousand dollars per ton.

For Nickel, we now expect all-in costs to range between 10 and 11.5 thousand dollars per ton, compared to our previous guidance of 12 to 13.5 thousand dollars per ton.

These revised ranges reflect the operational progress we continue to deliver and reinforce the value creation potential of Vale Base Metals.

With that, let me move on to our cash generation.

Our free cash flow totaled US$ 1.5 billion in the quarter, supported by our strong EBITDA performance and by the settlement of our currency and oil hedging programs, which contributed a positive cash impact of US$ 337 million.

CAPEX totaled US$ 1.1 billion, reflecting our continued capital discipline and the benefits of the efficiency initiatives we have implemented across the businesses.

As Gustavo mentioned, consistent with our commitment to shareholder returns, our Board of Directors approved US$ 1.7 billion in dividends and interest on capital, to be paid in September.

In addition, we bought back US$ 140 million in shares during the quarter, bringing total repurchases to US$ 214 million year-to-date.

Building on this track record, our Board also approved a new share buyback program of up to 100 million shares over the next 18 months, equivalent to 2.3% of our outstanding shares.

These decisions reflect our confidence in the strength of our business, our ability to generate cash throughout the cycle, and our continued commitment to creating value for shareholders.

With that, let's move to the next slide.

Driven by our solid cash flow generation, expanded net debt closed the quarter at US$ 16.7 billion, a reduction of over US$ 1.1 billion from the previous quarter.

We expect expanded net debt to continue converging toward our reference level of US$ 15 billion over the coming quarters. As we approach that level, we create additional flexibility for shareholder remuneration while maintaining financial discipline and balance sheet strength.

Before handing back the call to Gustavo, I would like to reinforce that we remain focused on strengthening our competitiveness across all of our businesses. Despite the external headwinds facing the industry, our priorities remain unchanged. We continue to advance productivity and efficiency initiatives, improve asset performance, optimize our cost structure, and maintain a disciplined approach to capital allocation.

Together, these actions are strengthening Vale's position through the cycle, supporting consistent cash generation, and reinforcing our ambition to lead value creation in the mining industry.

Gustavo, please.

Gustavo Pimenta:

Thanks, Marcelo. Before we move to the Q&A session, let me go over the key takeaways from today's call:

First, we continued to deliver strong operational performance across our businesses, achieving record production and higher sales volumes, reinforcing our confidence in meeting our guidances for the year.

Second, we are accelerating our pipeline of high-return growth projects, with the start-up of the Serra Sul +20 project and the earlier start-up expected for Bacaba. This demonstrates our ability to advance initiatives that will support Vale's growth and generate significant value to our shareholders.

Third, we remain focused on enhancing cost competitiveness across the company by improving operational reliability, increasing efficiency, and strengthening resilience through the cycle.

At Vale Base Metals, we continue to capture the benefits of the carve-out. Operational performance is improving consistently, delivering gains not only in production but also in costs. I am very confident that we will continue to make meaningful progress over the coming quarters as we build a leading global energy transition metals business.

Fourth, we continue to advance our Mining of the Future agenda, leveraging innovation and technology to improve safety, productivity and sustainability while creating new opportunities across the businesses.

And finally, our commitment to shareholder returns remains unchanged. Supported by solid operational results and a strong balance sheet, we continue to allocate capital responsibly through dividends and share buybacks while also investing in Vale's future.

Now, let´s open for the Q&A session. Thank you.

Operator: We are now going to start the question-and-answer section of the call.

Our first question is from Rodolfo Angele from JP Morgan. You can open your microphone.

Rodolfo Angele: Ok, thank you very much for the presentation. So, my two questions are the following. First, on the iron ore business, we noticed that the company was very successful in its freight strategy, being able to perform and pay less in than, more than $10 lower than the benchmark freight rate to China. So, I wanted to hear from you what you expect looking forward, because that's a substantial material gain. So that's my first question. And the second, we're more and more talking about base metals when we discuss Vale. And there is, of course, a lot of questions around the growth profile. So it's very interesting to hear that you are being able to anticipate Bacaba, the first of six. So, I just wanted to ask if you could comment a little bit on what was learned, what was the reason for that? And what does that mean for the other five? You know, should we expect a similar performance? If you could comment on and how mature each the key projects on that front are, that will be very helpful. So those are my two questions and thank you very much.

Gustavo Pimenta: Rodolfo to start with, Rogerio and then Shaun can contribute with the VBM question.

Rogerio Nogueira: Thank you Gustavo, thank you Rodolfo. Obviously, what we expect looking forward will depend a lot on oil prices, but we do have a hedge program also in place. But let me give you a little bit of a background on our freight strategy and why we've been successful, ok. In general, we have about 75% of our freight portfolio secured under long-term time charter contracts, which gives us a stable cost base, but, for example, in 2026 we have been reducing our spot exposure. Effectively, through mini-COAs, which are short term contracts of affreightments, and also using derivatives market for freights, the freight forward agreements. So with those two instruments, we've been able to decrease the exposure that we had of 25% to about 10%, actually less than 10%. And this is also what we're doing for the years ahead, for 2027, 2028, we're seeking opportunities to get into the market and reduce that exposure, ok? So, this is on the time charter. And also on the oil, on the Brent, we have a hedge program in place to reduce the volatility and the impact of freight in our costs.

Shaun Usmar: Yeah, Rodolfo, hi, it's Shaun. On your Bacaba and projects question, I think if I take you back on our journey, I think, very simply, the restructure of VBM was setting us up for execution. So, if you remember late 2024, we moved to a decentralized organizational model, really simplified, it completely changed our approach to capital allocation, project studies and project execution. And so what that has meant? and I'll direct you to both some of our Vale Day presentations and indeed the Vale Base Metals Day that we did a few months ago, where we've got some materials there to just show the evolution on the approach, the rates of return, and hopefully the market's starting to appreciate. I think every quarter I've been with this team, this team has excelled and has delivered on operating guidance or exceeded it. This is, I think, our seventh or eighth consecutive quarter. Those are table stakes. And then on the projects, it's earning the credibility, which hopefully this latest announcement enhances in order to ensure that we can start seeing this being captured by the market, because it simply is not. So, in Bacaba, we started that project in, I'd say, roughly a mid-teen return before our restructure with the difference in approach, both in terms of breaking down silos, simplifying and focusing on our execution model. What we found there was we were able to, as you saw in our Vale de materials a while ago, substantially reduce the capital, a couple $100 million, nearly 50% reduction. And as you're seeing here, we're able to accelerate this now in actual execution. We're nearly 40% progressed already. So, we're able to move that forward. And the returns that we had previously at about 50% are now closer to 70%. And so the point is, it's one thing for mining companies to talk about it, but the question is, what can we make happen? And so when you look at Bacaba as the first cab off the rank, the real focus has been on what are the things that we can intelligently do to identify bottlenecks accelerate our execution, do so safely, which we've been doing, and indeed continue to deploy that model in a very direct way to the other five, as Gustavo has shown. I'll direct you to a few quick things just as you look to the future in the materials that I've mentioned for you. This is a fundamental change in our complete regional focus on copper growth in that area. We will update the market again later as we advance in our life of business planning. But it starts with everything from capital allocation on our drilling, our project execution, and our operational delivery, where again we've hit some new records at Sossego and obviously Salobo has continued its good performance. So, very quickly, we went from 30,000 meters of drilling to 60,000 last year. We got it to 120,000 meters this year. We're already at 140,000 meters that we're targeting. And at Bacaba specifically, around the pit, we're seeing extension potential, high grade at depth and at the side, we were targeting 10,000 meters already at 22,000. So, I give you that context because there's value beyond, not just on this project, I think we guided to about a 30% capital reduction, well below industry capital intensity. And at some point I would like to think that the analyst and investment community would look at our materials and start actually building some of this in, just given our footprints and our established track record in that area. This approach does translate across to, I think the risk and the confidence in our ability to deliver on that pipeline as Gustavo mentioned. So thank you.

Operator: Our next question is from Daniel Sasson from Itau BBA. You can open your microphone.

Daniel Sasson: Hi everyone. Thank you so much for the opportunity. My first question is actually a follow up on Rodolfo's, a question Shaun, if you could Shaun, I mean, you're basically bringing forward Bacaba six months ahead of the original schedule, so that's pretty significant. Is it already possible for you to see that the differences that you made in the planning of this project that led it to be brought forward could actually be replicated to similar projects that you have in your pipeline for your ambition to double copper production by 2035? I mean, is it too soon to tell or do you think that we could see Vale reaching its goals ahead of what you've communicated to the market in other occasions? My second question, maybe to Bacci, Marcelo, if you could, walk us through your thought process in regards to the, if the upper revisions in your cost guidance, the still high Brumadinho / Samarco related cash outflows over the next couple of years, how do you think about the trade-off, right? Between shareholders return and balance sheet resilience, right? So, what are you tracking to decide on executing your buyback program, maybe more aggressively or paying extraordinary dividends at some point in the second half of this year, versus choosing to be more cautious due to the volatile operating environment. And maybe that could change your focus from shareholders remuneration to preserving your balance sheet position, the healthy balance sheet position you have. That would be great. Thank you.

Shaun Usmar: Daniel, hi. I think to your question, the short answer is yes. I think we're not assuming that any two projects are the same, because they're not, but we are looking at each of these projects on their distinctive attributes. And again, I'd direct you to some of those materials from our Base Metals Investor Day some months ago, where we've also published some technical studies to equip analysts and investors to start really having the tools to appreciate what we're talking about here. We should, in the next number of weeks, publish the Coarse Particle Flotation announcement, which is the next cab off the rank, which will increase throughputs and sustain throughputs at a very high rate of return at Salobo, brownfield, of course. And that'll be the next manifestation. That's sort of the 2029 timeframe. And again, we've targeted improvements. You'll see them there when we make our announcement. The really big one, and I remember the first one towards the end of the decade, is Alemao. And we're on track for that. So, I don't want to, at this stage, suggest that is going to happen earlier. But what we're doing is we've taken $0.5 billion of capital out. We substantially boosted the return. And as part of our life of business planning, I suspect for the foreseeable future, because of what we're finding in our drilling in the region and our life of business planning evolution, even the sequencing of some of these projects with an ideal execution, the real focus is on perhaps in that 20 to 2035 timeframe and beyond. What can we do to go perhaps beyond the 700? Because the rocks are there, the metal is there, and to ensure we can actually execute that. So we'll continue to provide, I think at the next Vale Day, some more information. We'll continue to make sure that you can watch our quarterly and indeed our other execution on these projects. I'm confident this team is really delivering, and I don't know what it takes to convince the market beyond that, beyond quarterly performance, really high rates of return, and then of course being able to do so on budget and early, so that's the real focus for us with all these projects.

Marcelo Bacci: Daniel, this is Marcelo speaking. On your second question, we believe that, first that most of our cash flow generation comes in the second half of the year, so the performance in the second half is going to be key to determine capital allocation for that period. The new cost guidances, they don't materially change our potential for cash flow generation in the second half. The cash outflows related to reparation and other things are already provided for and considered in the expended net debt, so we are confident that we should be approaching close to $15 billion of expended net debt at year-end, and that number, where we're going to land at year-end will determine capital allocation for the second half. We decided to reestablish the share buyback program to leave that option open. So, the decision about the total level of shareholder remuneration will depend on cash flow generation. And if that's the case, the decision between share buybacks and dividends will take into consideration, of course, where the share price is and the tax aspects of it. But this will come later in the third quarter, beginning of the fourth quarter.

Operator: Our next question is from Carlos de Alba from Morgan Stanley. You can open your microphone.

Carlos de Alba: Yes, thank you very much. I wanted to just follow-up on some of the questions, I'm afraid. I understand that the exposure was reduced to 10%, but is that also the case for the second half of the year? Typically, you have more volumes in the last semester and therefore more exposed, typically more exposure to freight. So, I just wanted to make sure that that 10% already includes this increased exposure in the second quarter. And then the second question is on the iron ore and pellet operations. Any updates on Fabrica and Viga? When are those expected maybe to come back as well as the progress of the ramp up at Oman given that the conflict in the Middle East sort of re-initiated or escalated again? And any color on São Luis given that we saw a big reduction in the second quarter production? Thank you.

Rogerio Nogueira: Ok. Carlos, on freight. You're right. Generally, we have more exposure in the second semester. The 10% number is a flat number, but we average for the year. But we do have a low exposure also for the second semester, OK? I also would like to highlight another point which is important. I didn't mention in my first answer, is that differently from the seaborne, the spot market on seaborne, we have vessels which are scrubber-fitted. So generally, when you're talking about the spot prices, you're talking about low sulfur oil, which currently is carrying a very high spread to the low sulfur oil. So generally, we're paying about $250 per ton lower than the spot prices on bunker, OK? So, the exposure for the second semester is also low.

Gustavo Pimenta: Carlos, Gustavo here. On your second question, both Fabrica and Viga from an operation standpoint, ready to be resumed. We've got the authorizations from the municipalities. And we're now working with the state and federal authorities to resume operations. We are optimistic we'll be able to do that in the near future. And we are not expecting to have any impact in our annual guidance for the year.

Rogerio Nogueira: In Oman, Oman is actually in operation. As operations comes, I think, one important point is that Oman, it actually supplies direct reduction to the Middle East. Important to notice that Bahrain pelletizing plant, which is one of the main producers of direct production in the region, has stopped. So, the demand for DR pellets is high in the region. And we are arranging different logistics to get to our clients. So, Oman is operational. We'll have a stoppage in October to do a tie-in for the new concentration plant they were building in the month. But other than that, the plant is operating quite well.

Operator: Our next question is from Rafael Barcellos from Bradesco BBI

Rafael Barcellos: Hello, good morning. Thanks for taking my questions. So, the first question, I'm looking at your new all-in cost guidance for iron ore, and given what you deliver in the first half of the year, it seems that your guidance implies an all-in, which is sort of flattish within the first half. While when we look at your C1 guidance, it implies a more significant decline over the course of the second half. So, I just wanted to, better understand what drives the difference between your expectations for C1 and all-in trends into the second half. And as a second question, in your new R&D and innovation report, you mentioned a very interesting initiative at the Conceicao 2 operation, delivering a 25% increase in productivity, right? So, and on top of that, you also mentioned other cost savings from AI applications, right? So, firstly, congratulations for this report, very informative. And secondly, to what extent you believe it has potential to be something more significant for Vale and whether these initiatives make you more confident in lower costs going forward? Thank you.

Marcelo Bacci: Rafael, thank you. This is Marcelo. I'm going to take the first question on cost. We have, you have to remember that if you look at the all-in, the relative weight of the oil prices is a lot higher than on C1. That's why you see this difference, the C1 reducing in the second half of the year, whereas the all-in tends to be flattish. And also on top of that, remember that the oil price effect was basically concentrated in the second quarter, not on the first quarter where prices were a lot lower than they are today. And also, we have a lagging effect. Some of the realized cost of the first half of the year, especially in the first quarter was actually based on the cost formed at the end of last year. So, those accounting effects also play a role here. This is basically what explains that the all-in for the second half is going to be even, it's going to be flattish when compared to the first half, but lower than the second quarter.

Carlos Medeiros: Rafael, thanks for the question. This is Carlos Medeiros. On the, at Conceicao, this project is really a milestone for us, and after it started operating in March, what we noticed was a 25% increase in production volume, besides a fundamental difference in the production split. So, prior to the project, this concentration plant used to produce 50% of the time direct reduction feeds and the other 50% for blast furnace. Now, after the project completion, the mix has changed to 75% direct reduction and 25% blast furnace. So, there is a fundamental change in the mix and we are rolling out, as we speak, this technology to other concentration plants. So now Brucutu is going through the same process and we expect to complete during the first half of next year. Bear in mind that that Conceicao II is a concentration plant that produces now between 11 and 12 million tons a year, and Brucutu produces 30. And once Brucutu is completed, we will roll out to Vargem Grande complex, so Vargem Grande I and II, and also the Pico concentration plants. So, there is tremendous potential for having more stable processes that will leverage our profitability in our products there in Minas Gerais.

Operator: The next question is from Alex Hacking from Citi. You can open your microphone.

Alex Hacking: Yeah, thanks. A couple of questions on copper. How should we be modeling Sossego for the next two or three years with Bacaba accelerated, and then more broadly on Sossego, if you have success with additional drilling at Bacaba or other satellite deposits, what's the limit on the processing capacity there? Thank you.

Shaun Usmar: Alex this is Shaun. Thanks for those. As you recall, I mean, Sossego, as you know, is nearing its end of life with the Sequeirinho Pit. Vinny and his team have done a remarkable job, even now with diesel price increases. They've actually reduced their specific consumptions, totally offsetting their energy costs, and they continue on that vein. So I think last year alone, they took out something like 40% of the unit mining cost. And what that's done is it's just made previously uneconomic ore economic. So, they're continuing to be able to, I'd say, extend the backend. And you'll recall, perhaps, in Vale Day, we talked a bit about the drill programs that we're doing. the acceleration there. We're targeting in our portfolio as a whole, more than 20% increase in reserves and resources over 18 months to two years. We put out our statements earlier, we're well on track. And I expect our constraint, particularly in Pará, is really how many drills we can get turning sooner because we're finding some really good targets, particularly nearby. So specific to your question, if you remember Sossego, the stuff that we're finding, those intercepts that we've helped publish a while ago, we're doing, I think, something like 60,000 meters of drilling to see at depth. None of that is currently in our Life of Mine plan. So as that comes forward, I would see that as upside potential. It's not something as you'd appreciate, just given the timing and all of that, that happens quickly. But you'll see, I think, to your question on acceleration elsewhere, as we get to Vale Day, the churn of latest guidance for '27 and beyond, we will put into that. But generally, we're seeing acceleration. We're finding more opportunity. Just to remind you, and I think others on this, so Bacaba, 30,000 tons or so increase, but what we're, sorry, 50,000, but what we're finding is with the depletion as we get to the back end of Sossego, we're not allowing for any additional discovery or extension, as we say, from that existing infrastructure. The work we're doing on the SAG mil now will take us from 12 to 15, which is really central to the Southern Hub economic potential unlock. That's 110 days of downtime from August through November, which we've guided very, very clearly for the back end of this year, which will impact both costs and volumes for copper in the second half of the year. And importantly, as you think about that towards the back end of the year, the incremental tons as you transition to the back end of Sossego, and Bacaba is coming online as sort of that 25,000 ton, 15 to 25,000 ton incremental. I would like to think that we can prove up more and to be able to exceed that, but that's really what we provided to the state. And of course we're 6 to 9 months ahead. So, just stay tuned. We'll update the market in the back end of the year as we revise our life and business plans.

Operator: The next question is from Caio Ribeiro from Bank of America.

Caio Ribeiro: Good morning, everyone. Thank you for the opportunity. So, my first question is, I wanted to see if you could share some color on the iron ore market, right? In particular, after the recent escalation of the conflict and the impact that that's generated on oil prices, we're still seeing freight prices at very high levels, yet iron ore has been correcting, which suggests that it hasn't really benefited from that cost push inflation, right? In the same way that it did when the conflict first started. So curious to hear from you what you're seeing on the ground that is driving the recent weakness and what your perspective is for the next six months, right? And whether you've noted at this point that there's any slowdown in shipments or curtailments from the smaller miners, just given that those FOB prices remain very depressed. And then secondly, I wanted to touch base on the cave decree with a new format being proposed. Just wanted to get some color from you on what implications you see that this could have for your long-term targets in terms of product mix, cost structure, and perhaps the implications on your ability to compensate for depletion in the northern system. Thank you.

Rogerio Nogueira: Okay, Caio, Rogerio. I'll give you a view for the second half of the year, but let me give you first a general perception of the market as we see it. So overall, we see that the market fundamentals remain resilient, especially when you look into global pig iron production, which is the most important indicator for iron ore demand, we see that it is broadly stable. And this is driven because demand outside China is improving. And we believe that the China story is more balanced than the domestic indicators suggest. China specifically, when you look into the official data, you see that crude steel production has declined by about 3% year over year in the first half. But when you look into public market information, public market sources, the number is slower than that, it's closer to minus 0.5%. Completing and complementing that at the same time, we see that the export market is actually offsetting the weakness that we see in the domestic market. Direct steel export has actually reached 55 million tons in the first half of 2026. And we think this is going to be an important stabilizer for steel production. But also, outside China, the picture is a bit more constructive. Steel production has increased about 2% year over year. And this is providing more resilience to the market. Look, for the second half of the year, especially on your question, when we simulate the cost curves with freight rates and Brent crude, and crude actually near $90 per barrel, what we see is that at $95 per ton of prices, you'd have about 120 million tons of iron ore that would actually be reaching the cost limit. So, this is pretty significant and we think this would create a stabilizing response in the market.

Gustavo Pimenta: So, Caio. Gustavo here on the caves decree, we are certainly monitoring the modernization of the decree. We think it's going to be an evolution, including for environmental protection. So, I think it's well balanced to provide both good environmental protection at the same time, provide clarity for the development of projects. We don't know yet the details, so it's early to say what is the potential impact. Certainly, the northern range is the one that has more impact over the years due to caves restrictions. So, we are hopeful it will mitigate some of that impact, but it's still early to say, and we are still depending on the final terms of the decree.

Operator: Next question is from Amos Fletcher from Barclays.

Amos Fletcher: Good afternoon gents, a couple of questions from me. First one, I just wanted to ask your current thoughts on the future structure of VBM, just given the positive outlook for copper and your diversified peers are trying to grow exposure to copper. Does it make sense for Vale to reduce exposure? And then the second question I just wanted to ask was on the unit cost guidance in copper specifically. It implies some sharp increases in H2. Is that all driven by what's happening at Sossego or is there anything going on at Salobo we should be aware of as well? Thanks.

Gustavo Pimenta: Thanks Amos, Gustavo here. I'll do the first and then Shaun can complement on the second one. Yeah, look, you saw the prospects that Shaun articulated and I had the chance to do the same in the prep remarks. There is tremendous opportunity for us to substantially grow the share of copper within the overall Vale's portfolio. We are now targeting to double as Shaun indicated. Potentially to go beyond that, you're going to hear from us more at Vale Day, and for Vale, from the portfolio standpoint, we want to continue to be vested in copper. We think it's a fundamental part of our story. A lot of the growth is within Carajas, where we already have a very strong operation. So, you should expect us to continue to be highly vested in that business.

Shaun Usmar: Yeah, and I must, I think just to compliment Gustavo's point, and, again, we'll cover it more at Vale Day, and if you look at our last stuff, I just encourage people, again, to look at the capital intensities, and even under sort of lower price assumptions, the records that we're hitting in multiple assets in the portfolio and the execution here, these are really, really robust growth exposures. So, I think for Vale and the sort of asymmetry, if I can call it that, in terms of opportunity and endowment, I think we're manifesting that. But nearly two years of both operational execution in this, I think and the exploration that we're ramping up, I think it's an unusual story in the copper space. To your other question, I think the Vale IR team that was in one of the appendices has put in the schedule of biannual maintenance that's occurring in the nickel business. We obviously did a lot last quarter and you'll see some in Q3, but in copper, you'll see, as I say, August 1st through November. So, it's really going to impact us more in Q3 with Sossego. That's the primary impact. And you'll see that flow through in all-in costs, the revised improved cost guidance that we have factors all of that in, but it is a tale of two halves. And I think Vinny and his team, it was necessary what they've done to sort of produce ahead of candidly our budgets to set us up for the second half, where they're going to be, I think there'll be about 2 thousand people on site replacing the SAG lid, the input trunnion, and then also redoing the electronics in the back end, so 55 and 55 days. So that's really the primary driver as we go into the back end. And then we have ongoing cost improvement programs that really are beyond what we're working on that will continue to feed into our competitiveness in the future. I think that just sets us up to have a, let's just say, a defensive posture in the face of some of the inflation we're all seeing.

Operator The next question is from Marcio Farid from Goldman Sachs.

Marcio Farid: Good morning, everyone. Thanks for the opportunity. A couple of follow-ups on my side. Rogerio, I know we've discussed freight a lot, but it's obviously getting increasingly important given how high prices have been. I know we talked about the second half of the year. I'm more interested about the mid-to-longer term if you can comment please. I know the long-term contracts usually have anywhere between two to ten years right but from time to time they expire and you need to roll them over. So, I'm just wondering, obviously your contracts in terms of freight rates are just below $20, $15 to $20 a ton, spot rates are nearly $30. So, wondering, the new contracts that have been rolling have you been able to roll them over at similar rates or have the spot prices contaminating the negotiations in some way or another. And I remember the last time we spoke you were doing some forward contracts on fuel prices to hedge bunker exposure into next year as well. I think you were at 30%. Just wondering if you have sped up that that hedging program as well or if you managed to just keep those 30% level. And just to follow up on the cave decree, Gustavo, I know you mentioned you are obviously following the situation closely, seems quite important for Vale. When we look at the production report between concentration in China with pellet feed, some Run of Mine sales, that is quite a lot going to China, right? Which is, it seems to have a strategic merit at this point, but just wondering if you're able to get the flexibility on the cave decree in Carajas. And obviously, if you would have more production capacity, but can we see a scenario in which you continue to run those products and concentration in China and you add incremental supply from Carajas, or are you going to be replacing those higher costs, lower margin volumes, once you have better ability to ramp up production in the North? Sorry, long questions, thank you.

Rogerio Nogueira: Marcio, Rogerio. On freight, I think you're absolutely right. The way we look at it is actually we manage the whole book for over 20 years. So, when we talk about long-term contracts, some of them, some of the long COAs, Contract of Affreightment, they actually have contracts for 20 years, right? But we do manage this on an ongoing basis. Some contracts expire, we're always actually entering into new contracts. This is actually always ongoing. This year alone, we've done, I think, three rounds of book building for freights. The level of freights that we are contracting, and this is about TC, time charter, okay? Because what we do is on the time charter, we contract the long-term contracts. And we've done three book buildings for this year already, and we've contracted long term. I cannot disclose exactly the numbers, but the numbers have been pretty good, ok? So, this is on the freight side. We also work on mini COAs, which actually tend to be five years long. And we operate with some forward instruments for freight, for time charter, which is the freight forward agreements. So with those instruments, I think we have a pretty balanced book for the coming, say, 5, 10, and then the longer term. So, this is sort of ongoing work that we're managing, and we always do like this. On the hedge, Bacci can complement, but we've actually improved that. We have increased our hedging program to roughly 70% of our requirements on a combination of zero cost collars and forward agreements.

Marcelo Bacci: Yes, that's correct. Close to 70% hedging for 2027 at an average price of about $77 per ton, Brent equivalent.

Gustavo Pimenta: Thanks, Marcelo. And just to I mean, we've talked about that maybe a year ago and when Rogerio took over the position on our strategy to actually increase the long-term affreightment ratios of the company, implement the hedges. So, it's great to see that strategy paying off. We've put those hedges way before the war in terms of increasing not only the affreightment but also enhancing the protection for fuel costs. So, it's something we've decided to do a few years ago and we've seen the benefits today as you guys pointed out. On the caves.

Rogerio Nogueira: Answering Carlos, I checked it, Carlos. Our exposure for the second half is below 10%, okay, just to confirm it here.

Gustavo Pimenta: And so, on the caves, look, I think the industry in general, and Rogerio can also complement, it´s facing an overall degrading, not only a depletion, that you have heard us talking about for a long period of time, but in general, a very large degrading going on to a point that the index has changed from 62 to 61. So for us, being able to bring those volumes from the Northern Range into production is fundamental. It's very strategic, and we are certain it will create substantial value from a portfolio standpoint, and especially in the Northern Range and also S11D, where we have the ability to bring volumes at a very competitive rate. So, it also improves, for example, the C1 cash cost, also the all-in. So for us, those types of improvements is very strategic and enhances the portfolio. Then we will assess how does that play into the overall portfolio Vale, including how much we are doing in terms of concentration in China and so on. But it does add a lot of flexibility for us from a portfolio standpoint.

Rogerio Nogueira: I would say that Gustavo is absolutely right. I think the word is flexibility. Just one compliment, our concentrate in China is becoming a very important product. One, because China is actually replacing some sintering strands to pellets, to pelletizing plants, and we are actually promoting, quite successfully, our pellet feed concentrated in China, so demand is increasing significantly. And the other flexibility element that it brings us is the possibility of developing, of blending and developing different products. So, flexibility is the key here and we'll decide it based on the market and based on our minds.

Operator: Next question is from Marina Calero from RBC

Marina Calero: Good morning. Thanks. Thanks for the call and the opportunity to ask, questions. I have, a couple of follow ups on cost. The first one is on your FX strategy. We've seen, we've talked a lot about freight, but FX has been another headwind. Can you remind us your hedging strategy when it comes to the currency and whether you're seeing any opportunities there, particularly for 2027?

Marcelo Bacci: Marina, this is Marcelo speaking. When it comes to FX, we have a very strong strategy related to the Real denominated debt, which is basically 100% hedged into dollars. A significant part of our other obligations, especially the reparation obligations are also hedged into dollars. For the running costs, we operate from time to time. I think, if you look at the market, recently hasn't given a lot of opportunity for us to hedge at, the volatility has been relatively low and the currency has been around $5, $5.10 for a while now, so we have not been operating short-term cost-related FX hedges recently.

Operator: This concludes today's question and answer session. Vale's Conference is now concluded. We thank you for your participation. The Event has ended.