Local Conference Call
Vale S/A(VALE3)
2Q22 Earnings Results
July 29th, 2022

Operator: Good morning, ladies, and gentlemen. Welcome to Vale's conference call to discuss 2Q22 results. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time. This call is being simultaneously translated to Portuguese.

If you should require assistance during the call, please press the star followed by zero. As a reminder, this conference is being recorded and the recording will be available on the Company's website at: VALE.COM at the Investors link.

This conference call is accompanied by a slide presentation, also available at the Investors link at the Company's website and is transmitted via internet as well. The broadcasting via internet – both the audio and the slides changes – has a few seconds delay in relation to the audio transmitted via phone.

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks and other factors.

With us today are:

- Mr. Eduardo de Salles Bartolomeo – Chief Executive Officer;
- Mr. Gustavo Pimenta – Executive Vice President Finance and Investor Relations;
- Mr. Marcello Spinelli – Executive Vice President Iron Ore;
- Mrs. Deshnee Naidoo – Executive Vice President Base Metals;

First, Mr. Eduardo Bartolomeo will proceed to the presentation Vale's 2Q22 performance, and after that he will be available for Questions and Answers.

It is now my pleasure to turn the call over to Mr. Eduardo Bartolomeo. Sir, you may now begin.

Eduardo Bartolomeo: Thank you very much. Good morning, everyone, I hope you're all well.

We just celebrated 80 years operating in Brazil; it was an opportunity to reflect on our journey, challenges, and evolution to build a better Vale. As you know, we remain focused on re-rating Vale by de-risking and reshaping our company.

Let me guide you through our main accomplishments since the end of the first quarter. We remained firmly committed to the Brumadinho reparation, we disbursed close to US$ 320 million in the second quarter under agreements and donations. In the environmental front, we're now detailing the sanitation projects to the affected communities. In the compensation of individual damages, new indemnification agreements have been reducing as the deadline for extra legal claims closed in January 2022 for most territories. Since 2019 we have indemnified more than 13,000 people, totaling around R$ 3.1 million. On dam safety we concluded the decharacterization of two of the five upstream dam structures to be eliminated in 2022 – I will give you more details on that.

Finally, on the reshaping, this month we completed the sale of our Midwestern System. We also signed a binding agreement with ArcelorMittal for the sale of CSP, our steel joint venture in the Ceará state. To give you a full perspective of how much we progressed since 2019, we sold nine business in five different countries that in their worst moments cost us up to US$ 2 billion in a year of cash drain. We remain committed to making Vale a safer and more reliable company supported by robust cash generation and disciplined capital allocation.

Part of our social ambition involves strengthening relations with communities neighboring our operations. This month we celebrated 40 years of relationship between Vale and the Xikrin do Cateté indigenous people in the state of Pará. The Xikrin´s people supported Vale's professionals when we started exploring Carajás. Their lands are close to Vale's conservation units in the Amazon, and we have also helped to protect their indigenous territory. Still, our relationship with the Xikrin had controversies. We have now begun a new stage in this relationship; after 18 months of negotiations with closed and agreement with the Xikrin community ending a 15 years dispute. To honor our relationship, we visited the village of the Xikrin, and it was a moment of mutual respect and trust. I want to thank the Xikrin people for welcoming us in their home.

It's also important to emphasize that Vale does not carry out any mineral research or mining activities on indigenous land in Brazil. We also believe that all activities that may directly interfere in these territories must strictly respect free, prior, and informed consent.

A key measure to de-risk Vale is our program to eliminate upstream dams in Brazil and we advanced with important milestones. In July we concluded the decharacterization of two structures: Baixo João Pereira dam and Dike 4 were the first ones of the five dams to be eliminated this year. Since 2019 we have eliminated nine structures and by the end of 2022, we will eliminate three more, reaching 40% of the program. The projects are complex and, in some cases, pioneering. This is the case of B3/B4 dam, currently at the emergency level 3. Using only remotely operated equipment, we have already removed close to 40% of the tailings, much faster than our plan. This led us to anticipate these conclusions to 2025. By then, we expect Vale to have no dam under critical safety conditions.

We had an operationally challenging second quarter, which made us revise our iron ore and copper guidance for the year. In Iron Ore, while our Systems in the South had a solid performance, in the Northern System we were impacted by one-off moisture issues and the ongoing restrictions in licensing. Spinelli will talk more about that. In Base Metals, essential maintenance works affected nickel and copper operations, and Deshnee will give you more details.

In our climate change agenda, we reached important milestones towards meeting your targets. As part of our PowerShift Program, we received our second 100% electric locomotive. It will initially operate at the Ponta da Madeira port. In April we signed an MoU with Nippon Steel Corporation to pursue ironmaking solutions including the usage of green briquettes. This is in line with our commitment to reducing 15% of net Scope 3 emissions by 2035. Since 2021 we engaged with clients representing almost 50% of our Scope 3 emissions. In portfolio optimization, we have progress with those two divestments that I have already mentioned.

Finally, in capital allocation we remain committed to returning cash to our shareholders and I'll give you more details in the next slide. Yesterday we announced the distribution of US$ 3 billion in dividends, in line with our policy. Last quarter we announced the third buyback program for up to 500 million shares. We executed close to 23% of this program in a little more than two months. After the completion of the third buyback program, we will have repurchased almost 20% of the company's outstanding shares. This means that we're concentrating future earnings on a per share basis by 25%. We view this as a form of growth without pressuring the supply side and carrying a lower execution risk.

Now I turn the floor over to our Vice-President of Base Metals, Deshnee for her remarks. Thank you and I'll get back to you in the Q&A.

Deshnee Naidoo: Thank you, Eduardo, and good morning, everyone.

I'd like to start this call by highlighting that our Sudbury mines that were impacted by the strike last year and our shaft incident at Totten mine and that had been in ramp-up since Q4 are now running as planned. That said, in the quarter our overall base metals production was impacted by major maintenance works, both planned and unplanned. Most of the planned maintenance related to the backlog we are catching up on, following the two years of deferrals as a result of the COVID-19 pandemic restrictions and controls.

In nickel, we had planned major maintenance at our refineries and smelters across Canada, the UK, and Indonesia, and our sales for the quarter were covered by inventories we built in Q1 in anticipation of this.

In copper, we completed the extended major maintenance at Sossego. This was originally planned for 45 days but extended to replace other key components to mitigate future operations risk. The plant is now operating at required run rates.

At Salobo, additional plant maintenance work was performed during the quarter with additional preventative maintenance being scheduled in the second half to address poorer than expected asset conditions discovered after key maintenance activities performed in the quarter. This can also be attributed to the maintenance deferrals during the COVID-19 restrictions. It is for these reasons we have revised our copper guidance to the 270-285 thousand tons.

I would like to mention, however, that maintenance works at Salobo 1 and Salobo 2 plants do not change the plans for Salobo 3, which is still scheduled for commissioning by the end of this year. For quarter three, we continue with our planned major mine and mill maintenance programs across Canada, whilst our nickel refineries will be running with nickel concentrate inventories largely built up already. We are at the downstream run rates required to meet our nickel guidance. Canadian copper production should be temporarily affected though as we produce and sell concentrates in a much shorter cycle than nickel.

Next slide. Looking at our financial performance in particular price, you will see that despite relatively flat sales volumes quarter over quarter, our price realization lagged market, especially in copper. As you can see in the graph in the left side, copper price realization was largely impacted by provisional pricing as a result of the copper forward curve price falling in the quarter. By the end of quarter one we had some 44,000 tons of copper marked at US$10,400 per ton. At the end of quarter two we had just under 32,000 tons of copper marked at US$ 8,300 per ton. This represents a negative effect of about US$ 3,000 per ton copper.

In nickel we had a positive balance of premium from product mix with a strong price realization achieved for our Class I products and a positive effect from our quotational period. The nickel price lag was primarily due to fixed pricing, specifically our hedging program. In the first quarter we started the implementation of the nickel revenue hedging program for 2023. While the nickel realized price for the second quarter was impacted by the strike price of circa US$ 20,200 per ton, which reflected in the quarter's results the average price for the complete hedge position was increased from circa 21,400 to just over US$ 23,000 per ton, reflecting the higher price fixed for the new positions added on quarter two.

Now let's turn to the future. This quarter we have made good progress in our strategic agenda, we concluded the pre-feasibility study for a proposed nickel sulfate project in Quebec with an expected annual production of 25,000 tons of contained nickel to produce over 110,000 tons of nickel sulfate. This offers us both diversified sales and an accelerated entry point into North America's burgeoning electric vehicle supply chain, as we are seeing from the growing demand of battery production across the continent.

Also, we've continued to advance our agenda in Indonesia. We have just approved at our Board meeting the development of the Bahodopi project in Indonesia together with TISCO and Xinhai, we expect to start-up the 73,000 ton ferronickel facility in 2025. And in line with our overall EV strategy we have signed last week two key MoUs with Ford: one for a 3-way partnership with PTVI and Huayou in the Pomalaa project in Indonesia and the other to explore opportunities with Vale across the EV value chain. This adds to the previously announced MoU with Tesla.

We look forward to working with these like-minded partners who are ESG-focused to supply low carbon nickel into the EV market.

I now hand over to Marcello to take us through the iron ore performance.

Marcello Spinelli: Thank you, Deshnee, good to hear you all, good morning.

I'll start my presentation giving an update about our recovery plan. First, I would like to remind you our journey since Brumadinho. Remember that we lost 25% of our capacity, we always talk about capacity and volume, but I want to emphasize the word “flexibility” here today. The main actions to rebuild the flexibility were based on the resumption itself, the new licenses, and the anticipation of projects.

What were and what are the main challenges that we are considering in these actions? So, regarding the resumption plan, dam safety was the key issue. Remember all the saga of the vibration tests, the blasting, backlogs coming from the stoppage.So we've been overcoming month by month and we brought back all sites, not in the full capacity yet, but all operations are on. The first impact came with the upstream dams, but the main impact came in the Southeastern System with the downstream dams when we temporally lost capacity of the dams in Itabira and in Brucutu.

Regarding licenses, what are the challenges? You may ask “Is this a new challenge?”, the answer is “No and yes”. The licensing process is getting more sophisticated, we have higher level of details in the South and in the North of Brazil. I’m personally engaged in this process with the best team to provide analysis and working close to the agencies to close the gaps.

Finally, regarding projects, we had impacts due to COVID and the macro conditions. As we are anticipating some projects, we may have some adjustments during the implementation.

So, the combination of these three factors is bringing some volatility to our forecast. We were sometimes optimistic, and we are not happy with this planning. So, in summary, we evolved a lot reducing the first impact of Brumadinho, de-risking the dams and the impact in the production. On the other hand, we still have to deal with the licensing process, so we are strengthening the relationship with the agencies to bring reliability to our plan. So updating System by System.

In the North, Gelado project is almost accomplished, we expect the start-up for Q4.

New ore bodies, we overcame an important milestone for N3 project, so we expect the previous license for Q3 this year and the main restriction lies in the rolling licenses. This delay made us increase the waste movement and we are not happy with that and there is a room for improvement in this area also.

In S11D, ABON crushers: done!

+20: I want to drag your attention here, it's a great news. We just received the installation license, so we are allowed to start the implementation of the +20 in S11D.

In the Southeastern System, Itabiruçu is on time, we expect to bring in Q4. Torto dam construction is done, and we are expecting the final permits by the end of Q3, so we expect to bring the asset in Q4 this year.

Now moving to our production guidance, we revised our production guidance for 2022, now is a range between 310 and 320 Mt. What happened here? We've been losing some flexibility during the first half of this year. In the beginning of the year remember the heavy rain season. Secondly we had to change the stockpile formation process in the North due to the moisture management. It was a consequence of a new front in the mine in S11D, all related to safety issues,That brought restriction to the System andwe already addressed most of these restrictions. Theseis effects would bring us close to the lower range of the previous guidance, but with a higher risk, so we adjusted the risk, we also adjusted the Midwestern System production that we just sold, and we also consider that we can have an adjustment in the volumes due to the market conditions. That's the margin over volume mantra here in the production guidance.

Now moving to the sales strategy, you probably noted that we sold more high silica products in Q2, we found a good momentum to do those sales. The decision to produce or to sell more or less involves several elements including price, premiums, and freight costs. We analyze the margins cargo by cargo.That's the beauty of the Vale’s supply chain flexibility: we make daily decisions to maximize our margins. This product high silica we can sell earlier in the chain as a standalone product, we can wait for blending or still can wait more and concentrate in China.

Recently, we announced the partnership with Shagang and Ningbo Port to develop the pre-blending facilities in China. We are advancing in the supply chain and getting closer to our client. Looking forward, in Q3 we expect Vale’s average premium will increase considering the higher volumes from Northern System and additional US$ 30/t higher pellet premiums already negotiated.

So, I'll be here for further questions. Now I’ll handover to Gustavo.

Gustavo Pimenta: Thanks, Marcello, and good morning, everyone.

I'd like to start by walking you through the main drivers of our EBITDA performance in the quarter. As you can see, our second quarter pro forma EBITDA was US$ 5.5 billion, US$ 840 million lower than 1Q22. The decline was caused mainly by the US$ 28/t decrease on iron ore fines realized price and US$ 4.400/t decrease in copper realized prices, following the decline in reference prices during the quarter, which I'll discuss in more detail later. This was partially offset by a 23% higher iron ore fines and pellet sales benefiting from favorable weather conditions and the solid operational performance on our Southeastern and Southern Systems.

Now onto our cost performance, excluding external factors, our EBITDA performance was impacted by US$ 118 million cost increase, mostly explained by corrective maintenances at our base metals business. Despite the high inflationary pressure globally, it is important to highlight that we are on track to deliver our cost efficiency goal for the year, which is to keep our fixed cost plus sustaining Capex flat versus 2021 levels in local currency.

Now focusing on price realization, the quarter of quarter performance was impacted mainly by pricing adjustment as the 1Q22 provisional pricing of US$ 158/t ton for 12 Mt by the end of the quarter was realized at US$ 137/t in the second quarter of the year. Also, 21% of the sales volumes for this quarter were provisioned at US$ 120/t versus US$ 138/t average benchmark following the decline in the forward price curves by the end of the quarter. These two adjustments had a US$ 7.6/t negative impact on price realization versus a US$ 15.2/t positive impact in Q1. This resulted in a difference of US$ 23.0/t between Q1 and Q2.

Now moving to iron ore all-in costs, value C1 cash cost ex-third-party purchases increased by US$ 2.2/t for the first quarter mainly driven by BRL average appreciation, higher fuel costs, and the sale of inventories produced at higher cost in Q1, a carryover effect. Another important cost component is freight, which went from US$ 18.1/t to US$ 21.3/t mainly reflecting the increase in bunker prices. Important to highlight here Vale’s competitive advantage on freight strategy, where we have long-term contracted vessels for 70 to 80% of our annual needs. As a result, in Q2 Vale’s average freight cost was 30% lower than average Tubarão/Qingdao spot prices.

This performance has also benefited from our strategic decision to install scrubbers in our dedicated fleet back in 2019 as the low to high sulfur bunker spread has widened during the quarter. This strategy represented a US$ 127 million bunker savings in Q2.

Pellet premium is another positive in the quarter with a contribution of US$ 1.5/t on our all-in costs. In Q3 we expect additional improvement as premiums were negotiated close to US$ 90/t.

Now turning to capital allocation, we successfully concluded the US$ 1.3 billion tender offer for Vale’s note in June. With that, we maturely advanced our liability management program extending the average tenor of the portfolio with no relevant debt amortization in the next five years. This provide us greater financial flexibility to continue pursuing our strategic objectives.

Our EBITDA to cash conversion was also stronger in the quarter, as you can see in the next slide, we converted 41% of our EBTIDA into free cash and used this incremental liquidity to accelerate our share buyback program. To date, we have already executed 23% of our latest share repurchase program of 500 million shares.

So, before opening up the call for Q&A, I'd like to reinforce the key takeaways from today's call. We continue to advance in our social agenda and in the elimination of our upstream dams. Our reshaping program is mostly completed with yesterday's announcement of the sale of our stake at CSP, allowing management to focus on core assets that will benefit substantially from the energy transition trend. On production, we remain very disciplined on our value over volume strategy, and we continue to strongly believe on the long-term fundamentals of our industry. Finally, we remain highly committed to a disciplined capital allocation process as evidenced by the announcement of a US$ 3 billion dividend payment to be made in September and our continuous progress on the highly accretive share buyback program.

With that I'd like to open up the call for questions. Thank you.

Question and Answer Session

Operator: Thank you. Ladies and gentlemen, we'll now begin the question-and-answer session. We advise that the question should be asked in English. If you have a question, please press the star key followed by the one key on your touch tone phone now. If at any time you would like to remove yourself from the questioning queue, press start 2. Please, restrict your questions to two at a time.

Our first question comes from Caio Ribeiro, with Bank of America. Mr. Caio, your audio is available.

Caio Ribeiro: Yes, good morning, everyone, thank you for the opportunity. So, my first question is on cash returns. You know, we've seen some other minors toning down expectations on dividends or trimming dividend payments out, right. So, my first question is, you know, given this worsening macro-outlook that we're seeing, you know with recessionary fears building and your debt levels closer to the top of your expanded net debt range, can we assume that you will continue to focus on cash returns and potentially announce new buyback programs once the current one is concluded? And also, what about extraordinary dividends? Is that still on the table?

And then secondly, on provisions associated with Renova, given some recent press articles that the president of the Brazilian Supreme Court wants to renegotiate values, can you give us some color on what's being discussed and also whether this could lead to additional provisions in your view?

Thank you very much.

Gustavo Pimenta: Thanks, Caio. This is Gustavo. So, on dividends and buybacks, look, we've been walking the talk of returning most of the cash and capital generation here to shareholders, right, so if you look at last year, this year, so that's what you should expect us to continue to do. We've done already 23%

of the latest share buyback program, we have 18 months to perform on that one, so we have time. So, we'll see where the market is, right. I think a lot will depend on how the cash generation performs in the second half of the year, but certainly returning cash to our shareholders is one of our key priorities and will continue to do so.

Regarding Renova and provision, look, based on the information we have today, we believe we have the right amount of provisions in our books, you can check that, we've been updating this recently, we've done this in the Q1, so we're feeling good about what we have, as you know we are going through the revision of each one of the programs as we speak, but we are feeling good about where we are given the latest status of the negotiation.

Eduardo Bartolomeo: Gustavo, if I can add just I think on the extraordinary dividends because Caio asked about that specifically, as you said, we are walking the talk, I think we're the most disciplined in the industry, we have to assess market conditions, you see the volatility in iron ore is huge, but we have to bear in mind that second semester is a very strong semester for the third and fourth quarter, so we're going to assess. Remember the bucket idea, first bucket is safe, the second bucket growth, third bucket policy, fourth bucket buybacks, and if there's any additional, we can pay an extraordinary dividend, yes, but it will depend on market conditions, so that's fundamentally.

But we'll keep no surprises, there will never be surprises, just we keep our business safe, we're going to keep our growth, that's preserved, the policy is sacred, our policy has to be prepared as we did this quarter, buybacks is the next bucket, and third if there is market and market comes better than we expect on the second semester, eventually there will be extraordinary dividends. I hope we answered your question, Caio.

Operator: The next question comes from Carlos de Alba, with Morgan Stanley. Mr. Carlos, your audio is available.

Carlos de Alba: Yes, hello. Thank you very much. So, the question that I have is regarding the cost outlook for iron ore given the cost pressures that we're seeing across the industry and with commodities prices still elevated and prices certainly high, where do you see the evolution, how do you see the evolution of your iron ore cost in the second half of the year? And perhaps an early view of 2023.

And then just stepping back and thinking about the medium to long-term iron ore strategy in terms of volumes, how do you feel about this range of 400 to 450 that you had in the past presented to the market? Is this still something that you will contemplate or is it more likely that you will target around 400 Mt and then just keep really anything above that for flexibility and to improve maybe your product mix, but not really something that we can consider as more likely? Thank you.

Gustavo Pimenta: Thanks, Carlos. Gustavo here. So, I'll take the first one and then Spinelli will complement the second. Look, Q2 is usually the most challenging quarter for us because we do have the carryover effect from Q1, volumes are not yet at the levels we usually produce in the second half, so as you guys saw in this quarter, we came above the levels that we're pointing to the end of the year, we continue to feel optimistic about what we had presented before, which means a C1 between 18.5 and 19 by the end of the year, so that's what we said in Q1, there's a lot of benefits already accruing and they will accrue even more in the second half regarding the US$ 1 billion savings program that we've announced last year, so we're optimistic there. And the all-in, as we said, we expected to be very much in line with what we had last year, so this quarter was tighter in terms of premiums, as you saw given the strategy that Spinelli laid out, but in the second half of the year with more volumes, likely more volume coming from the North, we should expect all-in to normalize towards what we had, very much in line with last year.

Marcello Spinelli: Hi, Carlos, thank you for the question. Let's firstly emphasize one thing: the production is a consequence of margin over volume. So, when you say that we're going after 400 Mt of level – and I want to emphasize another word that I mentioned of flexibility –, we will go to this level of production if we have a market.

So, two main things here: 400 to 450 is only to give flexibility to the level of production. We say 400 to 450 to have capacity to deliver 400 in a reliable basis, so that's the first thing related to 450. And regarding the 400 level, two points here: the pace to reach this is related to the margin over volume if the market needs or not, so despite we have a variation or deviation in the short-term, 5 Mt or even 10 Mt, the midterm strategy is on, so with mid and long-term strategy is on, and the pace will depend on the market.

So, again, it may take a longer time, but we'll be connected to the necessity of the market. Imagine if you bring 30 Mt to this market today. There is no necessity for that. So, again, 400 Mt is a level of flexibility to go after, we have logistics, we have a great jurisdiction to work, no institutional problems or even commercial problems with our clients, the opposite, we have a very committed and strong relationship with our clients, so we are the best choice to increase the capacity in near future, but we're going to behave as the leader of the market as we are and do not bring nothing more than the market needs.

Operator: The next question comes from Leonardo Correa, with Banco BTG Pactual. Mr. Leonardo, your audio is available.

Leonardo Correa: Yes, good morning, everyone. Thank you. So, bringing Eduardo back to the discussion, Eduardo, Base Metals for you has been a let's say a pet project and a super important angle, you know the business very well, you worked in Canada for several years, we've been… I mean, Vale has been very vocal on the turnaround of Base Metals for the past quarters and clearly all the energy transition scenario has been helping over the past quarters, and now of course things are paused, the world is facing different issues, but I just wanted to hear your sense on how you think things have been progressing, clearly the numbers haven't been there right, I mean, it was a very weak quarter, and in all fairness several non-recurring issues impacting, like maintenance, which are probably going to be reversed, but there is a sensation in the market that the company has been facing more recurring issues and more challenges than what everyone was thinking in terms of the turnaround. So, no one better than you to try to help us out and understand, first of all what the obstacles are, if there's anything new that's happening, and how you think you can overcome these challenges.

And the second point here on my side, maybe Spinelli can help, the investment case on Vale relies on the fact that it's a different iron ore producer and segmentation is a reality and iron ore quality premiums are here to stay, right. Unfortunately, what we saw over the past quarter or so is quality premiums have been declining and, let's say, Vale has been losing this relative advantage and these negative effects have been impacting all around on pricing and on the delivered costs.

So, I just wanted to see if you guys are seeing any relevant changes in how the market is perceiving quality, if this is just a temporary setback given how pressured the steel margin in China is, or if you think there's anything structural happening. Thank you very much.

Eduardo Bartolomeo: OK, Leonardo, thanks for the question. It's my pet, pet project, I 100% agree. Well, let's start with the fundamental. I think you're right on, they don't change, right, we have the best assets, we have the best assets in nickel in the world, in Canada, Indonesia, in Onça Puma for 60 years of life in Onça Puma, we have the best growth projects in copper in Carajás basin, we are actually delivering them, Salobo 3, as Deshnee just mentioned, is coming on time, on budget on this next quarter, so we're pretty confident, we're delivering Voisey's, we are delivering in Copper Cliff, so the growth projects in nickel and copper are coming on stream and the next… - how can I say that? – steps are there. So, there's nothing changed. We have the best resources and reserves, and that's the name of the game, right. In the end, it's what matters.

Short-term we should be very concerned about what you're talking because people look at bump, it's going to be harder, we know exactly what's going on in our business, like we never had problems in Sossego. Sossego had a four-month one-time stoppage because we stayed two years to stop the plant and when we started to execute the maintenance, we discovered that we had to change a trunnion. You never plan a four-month stoppage, so it was 45-day stoppage that ended up being a four-month.

So, again, I'm not concerned on our operational turnaround specifically on Sossego. Salobo had these issues, but as mentioned by Deshnee, we operate very well the mine, so the mine is up and running, so when the plant gets stable, we're going to be able to prove, that's why if you look at our second quarter or second semester guidance, it is pretty strong on copper. And nickel the only issue that we have is the underground mines in Canada, we operate extremely well on the surface plants because they even have idle capacity, we operate extremely well in Clydach , we did a restoration in PTVI for four months in the furnace four extremely complex, first time ever that we do that and it's up and running already as we speak.

So, I'm not really concerned about the turnaround specifically because, as we said and we've been repeating that, we're going to extract value one way or another, even if we have to bring a partner to operate to us if we're not able to complete the turnaround. Then I'm very confident, we have the knowledge, we operate in Canada for 100 years, we operate in Brazil for 80 years, so I'm not thinking that we have an issue to turnaround operationally speaking.

What you mentioned and I think it's important to stress and that might answer a lot of questions that people have is that we believe – and that's a fact – that base metal has a better life in its own. First of all, for obvious reasons, no decision has been taken, but since we've been discussing this idea with you and with our shareholders, we're talking on… what is the end game? We're going to organize the assets after we turnaround and while, not after, while we turn around, while we stabilize the business, while we deliver our growth projects, we're going to structure the "societary" idea and there are always – I mentioned that I think on the last call, on the last presentation that I did – that we have options, like first option just keep doing, we keep executing and market will appreciate the value that this business has is not reflected in our share price or in our value, in our market cap.

Second, why don't you bring a private investor that sees value even in down term? Because fundamentals are business in change, business that can't change at all, nickel prices are healthy, copper is reflecting the slowdown or these concerns about slowing down in the world economy, copper is a GDP-related asset, but people that understand the business know that we have a jewel, that we have a real, real big asset or a real nice reserve. So, I can bring the private, and then when market is good, it might float, why not? And then we capture the value, but as I mentioned, Leo, nothing has changed. We need first execute, second growth, third structure, fourth capture the opportunity, but I'm pretty confident that Deshnee and her team are doing a great job to stabilize the business, is a hangover from COVID, you saw two years waiting for the maintenance in Sossego, two years waiting for the maintenance in the Sudbury smelters, not two years, but the furnace four had to be done in Indonesia. So, I'm pretty confident that we're going to be able to extract the turnaround, the growth projects are coming on line and on budget besides VBME that we had an overrun, we are coming with news with the Bahodopi, as mentioned today, Indonesia is a great place, we're there for 50 years, Pomalaa is there, we're going to bring Onça Puma 2 very soon to the Board, as I mentioned in the beginning, we have a very good relationship with the Xikrin now, we are able to operate that mine stably.

So, you're right, it's my pet project when we're going to cover a huge value in this business. Thanks for the question. and now I pass to Spinelli.

Marcello Spinelli: Leo, you brought two angles here, right, so the market needs for quality and our strategy. So, just to emphasize about the market, we have pellet premium for direct reduction US$ 100, almost US$ 100 over the 65%Fe, for blast furnace, pellets over the 65%Fe and US$90, almost US$ 90 today, low alumina, we have a lack of competitors with low alumina in the market with high premium. You're right when you said about the margins in China, it is a temporary situation due to all the downstream uncertainties that we have, but we are confident that with all the efforts of the government that we'll stabilize this demand, this downstream demand, and by the end of the year we have with the lack of competitors of high grade ores and also the cost of the cokethat is not low, it's not in the lower level as we saw in the past, that we can recover also the IOCJ premium level. So, again, that's a trend, there is no return, but we can have some volatility in short-term.

And regarding our strategy, definitely we are the company that is investing in products and in mining to bring high grade ores. We're sticking to this strategy, we could bring more volumes to the market with low grade ores, we could increase the stockpiles in China and depress the whole portfolio of our company and also the market, but we're not doing that. So, we are sticked to the value over volume, and it is based in iron ore with high grade ores.

Operator: Our next question comes from Thiago Lofiego, with Bradesco BBI. Mr. Thiago, your audio is available.

Thiago Lofiego: Thank you, gentlemen. Two questions here for Spinelli. Spinelli, how are you seeing the iron ore demand environment now in the short-term, maybe in the second half of this year, especially considering the Chinese government target to keep production flat? So, what's your take on this and, again, what are you seeing on the ground in terms of demand?

And then the second question also you commented about premiums, you know, you're expecting improvement in the coming quarters. Can you give us a little bit more color in terms of the product portfolio? Are you expecting maybe less of the high silica product to be sold or how should we think about the product portfolio and the premiums again maybe more for the short-term, maybe second half of this year? Thank you.

Marcello Spinelli: Thank you, Thiago, thank you for the question. So, iron ore demand, let's start with China, I think we started to talk with Leo in the last question, so what we see, you know, the first half we had a huge problem with the COVID strategy and the small business actually we see and we feel in our business more regarding the properties, regarding the constructions, what we have in the second half, and it's good to compare what happened with the last year, so even if we consider that the forecast there will be a flat production, we can have the same pattern of last year in terms of CSP. Inventory is almost the same, inventories of steel are below last year, we don't have any energy goal for this year, even production goal, as we have last year, we don't have any Olympics in the first quarter of next year and we have an economy in totally different curve if you compare with last year. So, we have a delay in the infrastructure investment, they are committed to that, we've been hearing about the 6% GDP in the second half in China that can happen, infrastructure can support, and manufacturing can also support, we expect double digit in this area.

And what we see, they are talking this week about property as a securities problem in China because they can bring this to a problem in their economy. So, there's another level of commitment, I believe that's our forecast, and so we don't see a hard land in the property, probably a soft land. They will decrease, there's a change in their strategy in mid to long-term strategy, yes, but there is a support if you compare with last year in terms of demand.

So, we expect the downstream demand to be hit by the end of this year and especially in the first quarter of next year. And also, we can adjust the value over volume, Thiago, as we mentioned. In ex-China when we see today, we are already booked in the third quarter, we talk about recession, but we don't see recession in their sales at least yet, but in the fourth quarter they are in a more short-term view, the main concerns are related to any restriction regarding the cost and the availability of energy in the coke, the thermal coal, so energy is a key issue by the end of the year in Europe, in part of the world with the problem of the war.

So, again, that is still a problem, but on the other hand, in terms of premium, if you combine a better market in China, better margins and steel price supporting the late growth that will come by the end of the year in China and the necessity to save the coke in the part of the world that they don't have availability or the price should be high, that'll be there… but what we expect a consumption of better products. So, product by product. Today pellets we see a good level for the direct reduction, so we see by the end of the year almost the same level that we see today, probably in blast furnace pellets there is a downstream risk, but not that much, so there will be wider gap between the pellets and we've been developing a third wave for the pellets to swing if we have more demand for direct reduction, we can swing part of our production to feed this market or swing to blast furnace, so we will play this game by the next quarter.

And BRBF, as I mentioned, the key point is competition and the IOCJ, as I mentioned, we see a support for upstream risk by the end of the year and the next quarter.

Operator: The next question comes from Daniel Sasson, with Itaú BBA. Mr. Daniel, your audio is available.

Daniel Sasson: Hi, guys, good morning. My first question is on the asset divestment front, you've done a tremendous job on diversifying a way or actually focusing more on your core businesses after selling your cooperation in VNC, CSP, California Steel and so forth, but aside from MRN that you had already disclosed that is on your list for divestments, is there something else?

And on the same lines, can you elaborate a bit further on the potential on the merits of a potential IPO of the Base Metals division, I mean, given that you don't really need, you are in a solid balance sheet position, and you don't really need to raise capital to do the growth portion that Eduardo commented on this business? Is it just a matter of unlocking value or do you see maybe opportunities that could only be tapped with new fresh cash and therefore the IPO of the base metals would make sense?

And if you could maybe, Spinelli, elaborate a little bit further, you commented on the Chinese situation on your previous answer, but if you comment if you're seeing a more important deceleration in activity levels of steel makers in Europe because of the energy crisis situation that you mentioned in your previous question that would be great. Thank you.

Eduardo Bartolomeo: Thank you, Daniel, I'm going to pass your question to Gustavo, but I want to say that you're spot on, it's not about just… it is unlocking value, obviously, because there is no value perceived on Base Metals inside Vale, right, we're perceived as an Iron Ore company, so we want to unlock that value; is not unlock value, and you're exactly right, when we have this structure, we will be able to do different things that we cannot do today.

But I'll let Gustavo detail a little bit more because he's having this discussion together with Deshnee.

Gustavo Pimenta: Sure. Hi, Daniel. So, on the potential transaction, right, we haven't decided, as Eduardo said, if it's an IPO or non-IPO, but I think fundamentally what we're trying to achieve here is a more dedicated governance for base metals, which we see a lot of merits for. We also want to make sure we create a currency for growth. This business is very different from iron ore, right, we have a lot of growth in iron ore by resuming our capacity with limited Capex, but as I think Leo pointed out, we are a cash story today, we appreciate that and we are happy with that and we will continue to pursue that strategy, but base metals is different, right, it's a growth business, there's tremendous amount of momentum for EV transition for electrification of the world. So, all of that it calls for different strategy and we believe it would make sense to have a currency that would support an accelerated growth strategy there.

The final format we'll see, but that's how we are thinking about and that's what you expect us to pursue. Certainly, the market today is not appreciative of a transaction, but we will continue to look into that and bring that to you, guys, once we feel good about it.

On the divestment, MRN is the one we've said publicly and it's quite frankly the last one. So, we could continue to look for ways to optimize the portfolio on the margin, but I think we can certainly say we've done most of the reshaping that we wanted to do at this point.

Eduardo Bartolomeo: And just to complement your points, it's like a growth-Co, and a Yield-Co., but Vale's never going to let go the base metals business, OK? If we want to bring partners, even if is private, even if we go public, it's going to be Vale's and it's going to be a Growth-Co., nobody has these front-end commodities like we do because we believe better governance, we believe better partners could help us grow, but we don't want to lose our growth. Of course, there's a huge amount of opportunities in the electric world, the energy transition world, and we have our Yield-Co. that is really healthy, and it's a matter of resuming capacity, as Spinelli mentioned, as market needs, and we can do that with the timely manner.

So, just remember those two things: Yield-Co., Growth-Co., but they're all Vale-Co..

Marcello Spinelli: So, Daniel, let’s talk more about the Chinese market and also European and the wider view about the world demand. So, in China what we expect for this next half? So, we have the seasonality – don't forget the famous golden September that they restart the downstream demand –, usually there's a peak for the construction, many stimulus coming from the government, a lagging demand coming from infrastructure by the end of the year and Q1 2023 without any effect of the elections, they have the elections by the end of the year in November.

So, again, we see a trend, the COVID risk is there, but even after the elections we see more power, and China they have power, they have capacity to boost their production, so that's the trend that we're working in our forecast. So, Europe, yes, they’re well, so they have good prices, different level from last half, but in a very healthy way, for Q3 sold out, Q4 some concerns about energy.

But let's bring other views about the world demand: Southeast Asia: blooming, they’re going really well; India: they’re back and there's a connection that we need to emphasize also that the supply side of the equation here, so CIS is out of the market with more than the 40 million tons of iron ore, and also, if you consider that India is only producing and without any export about iron ore in the seaborne market, so we have a balanced market for the Q3, and we will produce more in the Q4.. So, we have the same pattern of inventories in China that we can expect that will support in a moodof more demand regarding the downstream effect that we have in China we see Q4 in Q1 2023 in a better shape than last year.

Operator: Our next question comes from Alex Hacking, with Citi. Mr. Alex, your audio is available.

Alex Hacking: Yeah, thank you for the call. First question on iron ore: Any comments on China’s plan to create some centralized buying entity? And the second question on the Base Metals. Just on the ferronickel smelter, the 73,000 tons is that fully incremental to existing production in Indonesia? Can you remind me how the offtake works? Can PTVI market all of that material or just a share of it?

And then on the power if I´m correct it's going to be powered using gas instead of coal or the carbon footprint? Is that still the case even with all the volatility in gas prices recently? Thank you very much.

Marcello Spinelli: Thank you, Alex. Spinelli here. Thank you for a question. Well, regarding this announcement, it's important to see, Vale is a long-term partner of China, so we maintain a great relationship with the Chinese clients, we just announced… actually, we are strengthening this relationship and we announced the pre-blending strategy, we are in more than 17 ports in China in blending facilities, we are concentrating ores in China, so we're expanding our relationship with the Chinese. So, we truly believe that, you know, always the market reflects the supply and demand balance in a timely manner, and we are part of the market, and we do our part bringing more transparency as we bring our products to the market.

And regarding the potentiality to invest in iron ore, they are deploying their strategy, putting in practice their strategy to secure the resource, and in this point, we see as an opportunity for Vale because we have the best assets in the world and the best possibility to bring capacity to the market in a very safe environment and with the logistics in place. So, we are open to them.

Deshnee Naidoo: Alex, thank you for the question on the Bahodopi project. So, this project, as we guided earlier, is an RKEF project and we will produce 73,000 tons of ferronickel in addition to the current PTVI production of around 70… I will say now 76 to 78 thousand tons on the back of the furnace for rebuild that we have just completed. In terms of the structure of the project, we will build 100% of the mine, but the plant, the arcade will be shared 49% with the ChinaCo, and that's TISCO and Xinhai, who would also be the constructor of the plant.

And then in terms of off take, for the first five years this will be… all the off take will go to ChinaCo and after that PTVI will get to market its 49% of the share. And your question on LNG that is still the plan, this plant needs about 500 megawatts, we are talking to some of the local suppliers for LNG, we had brought in third parties as well. The solution hasn't been fully stitched, but just this morning, Alex, we've got word from the government that this project will get into the presidency national strategic projects, which means that this project will be prioritized in terms of the overall energy support as well.

So, we're still sticking with LNG, we know it might be a little difficult to source, the plant itself will be built by Xinhai and, yeah, we will give you a further update in the next results call. Thank you.

Operator: The next question comes from Rodolfo Angele, with JP Morgan. Mr. Rodolfo, your audio is available.

Rodolfo Angele: Thanks. So, I guess most of my key questions, which I think were mostly on what's happened on the cost side and the turnaround of base metals were ready fully discussed, I just wanted to add one more question. I wanted to hear about the licensing process in the North.What's happening? Why is it being a bottleneck to Vale? What's happening there? And that's all for me. Thanks.

Marcello Spinelli: Thank you, Rodolfo. Spinelli here. Well, the environmental process, the licensing process in Brazil and actually in all part of the world is getting more sophisticated, I think is the best word here, and I can see that we have another lead in regarding ESG and also safety restrictions in the mining industry. So, again, that's a level of quality that you need to bring to the licensing process.

In the North it is the same, so we are inside the Amazon, so we are bringing the best analysis to guarantee that we have protection and sustainable development in our area of action in Amazon. So, again, just an example, Rodolfo, the ITV institution that we've been investing more than US$ 140 million in the last 10 years to bring a genome analysis, DNA, to bring a faster analysis to guarantee that we are doing the right thing and working together with the agencies.

So, again, we could blame against that, but that's the reality and we need to work hard and actually work together with agencies to guarantee what we say is our long-term strategy as an ESG compliant company, we need to do our best to guarantee that we are doing the right thing in the licensing process.

So, what we can expect for short-term? We had a delay in what we call these rolling licenses, all the time we have some small licenses that open the pits, especially in Serra Norte, we had delays, we expect another round of small pits for September, the last should be in July, so we already in our guidance we have the September, it's going well. The other good thing that we already have the +20, that's a huge achievement, we have a space for the construction, and we can bring huge capacity to bring flexibility to this area of our business.

So, again, that's a trend, that's the level of the game now, and we need to be good.

Operator: The next question comes from Liam Fitzpatrick, with Deutsch Bank. Mr. Liam, your audio is available.

Liam Fitzpatrick: Thank you. Just a couple of questions on your iron ore strategy. So, we've seen Simandou, it looks like it's finally getting off the ground then we could see first production perhaps in four years, given this is a direct competitor to your product, how is this going to influence your longer-term strategy to next to 400 million tons and potentially higher?

And then linked to the shorter-term, linked to the previous question around kind of the iron ore licensing challenges, you previously told us that you wanted to get to 370 capacity at the end of this year. What's the latest sort of target for the end of this year and when do you think you'll get to that 370 level?

And if I could ask one final one just on base metals, a lot of moving parts in Q2 and costs were quite a bit higher. Can you give us a sense of what unit costs will be doing in H2 or run rate by the end of the year compared to what we've seen in Q2 in the first half? Thank you.

Marcello Spinelli: Thanks, Liam. Spinelli here. Again, you know, projects that we have around the world we don't comment, but we consider them in part of our models that they will come that is part of the game, but don't forget there are a lot of challenges in many of them and we can reinforce that the challenges that we have are regarding the license in the mining side, but we already have in place infrastructure for logistics and ports and an environment that we really know how to manage, and also, don't have any… how can I say that? Institutional issues. So, again, we are in the best place to bring capacity in a structural mode.

Don’t forget that quality is the name of the game for the near future and the future, so that's a lack of quality in terms of supply, and even if you bring more like coming from Simandou, there's no risk for the strategy in near future when you see the demand for high grade ores. It's a huge demand.

And the other point about the pace to reach any number, 370 or 400, it depends on the market. And when you talk about our capacity to produce, I pointed that we have three main areas to work, and the first one is related to the impact coming from the dams and we've been evolving in a great journey, we brought back all the operations, we are expecting the two dams that are coming by the end of the year, Itabiruçu and Torto, so it's OK, it's on track, the license delay can be an adjustment that we can do and also the project adjustments.

So, by the end of the year, as usual, we're going to say the level of production for next year in the Vale Day, but again, the main point here is how we can adjust the pace to bring volumes to the market and the trend is quality also, so we're not going to bring products that are not with the demand for them. So, the final numbers will come in the Vale Day.

Deshnee Naidoo: So, Liam, just regarding your question on base metals cost, I absolutely agree that this was not a good quarter, but I think the team and I are very happy about the tough decisions we took in terms of trying to get some of the foundations right with regards to the asset integrity. If I did a turn to cost, I mean, on the copper side, what was driving the copper cost in the quarter was of course the additional maintenance that we had to put both into Sossego andSalobo that affected our unit costs quite materially in the quarter. So, good number for us and if I look at quarter one on an all-in basis for copper, we reduced over US$ 4,500 per ton, in this quarter 6,300.

As Eduardo advised as well, if I look at my quarter or my half-on-half improvement in terms of copper production despite revising the guidance, we still are anticipating a 36% increase, right? And that's because Sossego will be at full capacity, we've revised slightly Salobo for the rest of the year on the basis of the maintenance that we want to do. So, we are hoping by year end we'll get to at least that 4,000, just over US$4,000 per ton in terms of the all-in cost for copper. So, just so that we all are clear, the all-in excludes capital.

But what's happening on nickel? So, if I look at nickel on quarter one and quarter two, you know, we are around 8,500 in the first quarter all-in, and for quarter two US$12,500 per ton, which is a respectable number because on nickel we get to offset a lot of the byproducts. The byproducts in quarter two let us down a bit because not only did we have some challenges in copper in the South Atlantic operations, but we also lost a bit of copper from Coleman from an incident that we had in quarter one, which I also reported on in the quarter and that's from the Coleman seismic event. So, we've lost a bit of byproduct credits that we would typically get.

But again, as Eduardo mentioned in terms of all of the initiatives underway, we are currently at the downstream capacity that we need to maintain the nickel guidance and hence the almost 25% increase half-on-half on nickel as well. So, when it all comes together, we're anticipating around an 11,500 to 11,700 dollars per ton in terms of the full year nickel all-in cost.

So, that's how I would look at the cost, Liam. Thank you.

Operator: This concludes today's question and answer session. Mr. Eduardo Bartolomeo, at this time you may proceed with your closing statement.

Eduardo Bartolomeo: OK, thank you. Well, first of all, thanks a lot for the interest in our call, a lot of questions, good questions, I think it's great.

I wanted just to emphasize what Gustavo mentioned in his initial remarks. We material de-risk Vale, we're three years and a half after Brumadinho, we're learning a lot, we will never forget Brumadinho, Brumadinho is a driving force, I've been always saying that, the hard dams are totally under control, we're much safer now than we were three years ago, our ESG agenda in the top is embedded in our business, our team did a really great job in reshaping, it made us really proud, we sold nine business in five countries, we cashed like US$ 2 billion in drains, you know the numbers, so it's something that we have to celebrate. It is over, now we have to focus on the core assets, and we have extremely good reserves and resources, and market is in our favor, it's helping us. We don't need to rush, we can do it safely, we can do it properly, we're going to manage that correctly as leaders in nickel, as leaders in iron ore, we are going to do what is needed with safety and we're going to focus that.

I used to say we have a Ferrari, now it's light, now we have to run it, run it like one, and we're going to do it. Later, just to reemphasize, we really trust the fundamentals of the industry, the energy transition is here, besides all the short-term hiccups, we're not here for the… I always say it's not a sprint, it's a marathon, we're not here for one year, we're here for like Vale, for 80 years. We're building the Vale of 100 years, not as a Vale for 81 years.

So, we believe the fundamentals, it is a resilient demand, there are supply hurdles and then geopolitical risks, but we are really truly believing that we have the right moment.

So, do like us, buy Vale. The best investment that you can do it because we are extremely, extremely disciplined. Since day one when we said we have capital allocation, we are doing what we say. So, best investment, best growth opportunity ever that you can have in your hands and that's the exact time to take your risks. So, do like us, buy Vale.

And thanks a lot, and see you again in the next call, and keep safe.

Operator: That does conclude Vale`s conference call for today. Thank you very much for your participation. You may now disconnect.