Local Conference Call
Vale S/A (VALE3)
3Q23 Earnings Results
October 27th, 2023

Operator: Good morning, ladies and gentlemen. Welcome to Vale's conference call to discuss the third quarter results of 2023.

All participants are currently in a listen-only mode. At the end of the presentations, we will provide instructions on how to participate in the question-and-answer session. This call is being translated simultaneously to Portuguese.

If you should require assistance during the call, please press the star key 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 in the area for Investors.

The slide presentation that accompanies this call is being broadcast on the internet and is also available in the investors area of the company´s website. There is a slight two-second delay between the audio and slide changes compared to the audio transmitted via phone.

Before proceeding, let me mention 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's 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. Eduardo de Salles Bartolomeo – Chief Executive Officer;
- Mr. Gustavo Pimenta – Executive Vice President of Finance and Investor Relations;
- Mr. Marcello Spinelli – Executive Vice-President, Iron Ore Solutions;
- Mrs. Deshnee Naidoo – CEO, Vale Base Metals;
- Mr. Carlos Medeiros – Executive Vice President of Operations.

Mr. Eduardo Bartolomeo will begin his presentation on Vale's third quarter 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. Good morning, everyone. I hope you're all doing well.

We continue to make significant progress on our strategic business priorities. We delivered a solid production performance this quarter and throughout 2023. In Iron Ore Solutions, we delivered substantial output with increased average quality, while also lowering our production to sales gap as expected.

In Energy Transition Metals, Salobo III is successfully ramping up, contributing to our copper growth year-to-date with total production 10% higher in the quarter and supporting lower unit costs.

In nickel, we remain on track to deliver our production guidance while reviewing our assets to unlock value potential. On our path to decarbonization, we are accelerating breakthrough Iron Ore Solutions. We are commissioning our first briquette plant in Tubarão and signed 2 strategic agreements to assess the development of Mega Hubs.

We are advancing in circular mining initiatives. We created Agera to develop our sustainable sand operations and we signed an agreement with BluestOne to foster waste value transformation solutions in base metals.

On dam safety, we continue to deliver on a new framework towards a safer Vale. We completed the decharacterization of our 13th upstream dam and reduced the emergency level of B3/B4 dam to the lowest. On top of that, we remain with our disciplined capital location approach. We just approved a US$2-billion shareholder revenue ration payment for December. With that, total dividends and interest and capital distributed since 2021 represents a 29% yield for our shareholders.

We also launched our 4th share buyback program. Since 2021, Vale has repurchased over 16% of its share base concentrating shareholder future earnings by about 20%. As you can see, we are delivering on our commitments and reaping good results from our structural changes.

Let me go into more detail about our performance. Next slide, please. We had strong results this quarter and we are starting Q4 at a robust pace, well-positioned to deliver on our guidance. In Iron Ore Solutions, we continue to operate S11D at a high rate, while increasing pellet feed production from Brucutu thanks to the Torto dam commissioning. We delivered 5 million tons above the 9 months output in 2022.

We also improved our portfolio´s average quality and boosted pellet production by 11% in this quarter. We faced one-off engineering issues at S11D and the effects of a power outage across Brazil, and despite those issues, we are on our way to deliver a solid Q4 output.

Iron ore fines and pellet sales increased by 6% this quarter, reducing our accumulated production to sales gap. Usually, in the third quarter we have a high production to sales gap, but this quarter we shortened that gap by around 50% compared to last year. In Q4, we expect to reduce this gap even further.

In Energy Transition Metals, copper production grew 10% in the quarter and 22% on a nine-month basis, as an increase of 41 kilotons compared to last year thanks to the successful ramp-up of Salobo III, which is now operating at 80% of its capacity. In September, the Salobo complex reached its highest monthly production level since 2019.

Copper sales were exceptional for the period, growing about 5% quarter-on-quarter and 22% on a nine-month basis. Even though we have been delivering a substantial output, we have decided to lower our production guidance by around 15 kilotons given some changes to the North Atlantic mining method and additional maintenance.

In nickel, we are performing as planned, which includes the continued transition of the Voisey's Bay mine to underground and the rebuild of the Onça Puma furnace number one later this year. Our outlook for 2023 nickel production remains unchanged.

Next slide, please. We are accelerating breakthrough Iron Ore Solutions to deliver the high quality required by a decarbonizing world. The first briquette plant is under commissioning with the ramp-up expected by the end of this year. We expect to commission the second plant in early 2024 with the ramp-up at the beginning of the second quarter. The combined capacity will be 6 million tons per year. 2024 will be our first year with industrial level production and will be a year of operational fine-tuning for the long-term reliability.

On the Mega Hubs development front, we signed 2 strategic agreements to assess opportunities with Porto do Açu for a facility in Brazil for hot briquette iron production using our pellets, and with H2 Green Steel for concentration units in Brazil and the United States directed towards products for the low-carbon steel value chain, including HBI using our briquettes. Concentration solutions are critical to our decarbonization strategy, and we expect to build our first Mega Hub in 2024.

Next slide, please. Fostering circular mining, we launched Agera, a company dedicated to developing our sustainable sand business. Agera trades and distributes sand extracted from the tailings dams of our iron ore operations. This type of operation allows us to reduce the use of dams and piles in our iron ore operation, and we hope to scale up this business.

In addition, Vale Base Metals signed a long-term agreement with BluestOne to reuse tailings to produce fertilizer. Onça Puma mine will supply BluestOne with slag for the next 10 years. This initiative expands circular mining within our Energy Transition Metals business. Furthermore, we signed 2 other strategic partnerships to assess decarbonization opportunities. With H2 Green Steel, Vale is taking its first step into the green hydrogen market. H2 Green Steel expertise will be critical for developing green hydrogen in the Mega Hubs in Brazil and the United States. With Petrobras, we will assess the acceleration of low carbon solutions, taking advantage of the joint technical expertise and synergies of our two companies.

Vale plays a leading role in the decarbonization journey by leveraging relevant actions to enable the energy transition. These agreements fit perfectly into this context.

Next slide, please. Finally, we are building a safer Vale. We completed the decharacterization of the 13th upstream dam, we are progressing on our upstream dam decharacterization program with the highest safety standards in place. In addition, after removing around 85% of tailings from B3/B4 dam, we reduced its emergency level to the lowest possible with decharacterization to be completed in 2025.

Since 2020, we have implemented several safety measures, upgrading over 40% of our structures at emergency levels to a safe status. We continue to systematically reduce dam risks and to implement the best international practice in dam management, while simultaneously developing solutions to minimize dam usage.

Now for our financial results, I'll pass the floor to Gustavo. Thank you.

Gustavo Pimenta: Thanks, Eduardo, and good morning, everyone. Let me start with our EBITDA performance for the quarter.

As you can see, we delivered an EBITDA of US$4.5 billion in Q3, almost half a billion dollars higher than the same period last year. The increase is explained by higher realized prices, which increased 13% year-on-year for iron ore and 16% for copper. On volumes, iron ore fines and pellet sales increased 4.4 million tons year-on-year, taking advantage of favorable market conditions while reducing the usual production to sales gap in Q3.

The impact of costs and expenses on EBITDA was US$189 million year-on-year, partially explained by the US$56 million effect from the consumption of iron ore inventories from the previous quarter at higher costs, as well as higher maintenance carried out in our nickel business. I will go into more detail on costs later in my presentation.

Finally, the exchange rate had a negative impact of US$124 million in our EBITDA, while byproduct revenues from our operations in Canada were US$103 million lower. Iron ore C1 cash cost ex-third-party purchases came down US$1.6 per ton quarter-on-quarter. This was driven by lower demurrage costs, as well as higher fixed cost dilution with more production volumes, especially from the Northern System, where production costs are lower. We also continue to benefit from our rollout of our efficiency program, bringing sustainable cost savings of US$0,3 per ton in the quarter. We are on track to deliver our annual guidance of

US$21.5 to 22.5 per ton considering an expected further decrease in C1 cash cost in Q4.

With regards to all-in costs, our EBITDA breakeven slightly increased to US$55.7 per ton in the quarter, driven essentially by external factors, which offset the solid C1 performance. Freight costs went up from US$17.6 per ton to US$18.9 per ton, mainly reflecting the increase in bunker oil prices in Q3. For sensitivity purposes, a US$10 per barrel increase in Brent oil prices translates into a US$0.9 per ton increase in our freight costs.

Additionally, despite the positive effect of lower time chartering rates, our exposure to the spot market affreightment increased in Q3 due to our seasonally higher production and shipments in the second half of the year. Finally, despite an improvement of 87 basis points in the average iron ore quality in the quarter, the lower weighted contribution of pellet businesses and the lower 65% Fe market premiums negatively impacted our all-in costs. This is primarily driven by lower margins in the steel industry.

We continue to believe in the strong fundamentals supporting demand of high-quality products given secular trends, such as the decarbonization of production processes, the electrification of everything, the continuous urbanization of large emerging economies, and the reshoring of supply chains. These are just a few of the examples that support our thesis and validate Vale's unique position in offering high-quality products across all of our portfolio.

Now moving to our Energy Transition Metals business, in copper we continue to see gains from higher production at both Salobo and Sossego which support the reduction of unit COGS by diluting fixed costs. All-in costs, excluding the Hu'u project, were about US$3,300 per ton, a slight increase driven by lower byproduct revenues due to a decrease in gold prices.

At our nickel operations, our COGS ex-third-party feed increased to about US$23,300 per ton with higher maintenance costs in Sudbury. With the end of the maintenance period and increased production in our North Atlantic operations, we expecte unit COGS to materially reduce in Q4. In addition, our all-in costs were impacted by lower byproduct credits mainly due to maintenance at Sudbury and mining method changes requiring additional ground support at the Coleman mine.

Now moving to cash generation, as you can see, Q3 free cash flow from operations was about US$1.1 billion, roughly US$350 million higher than Q2. We had an increase in working capital this quarter due to greater accounts receivable given higher iron ore sales and prices. Income taxes also increased as a result of better performance. Free cash flow from operations was used to return value to our shareholders with the payment of US$1.7 billion in dividends and US$0.5 billion in share buybacks. This is part of our disciplined capital allocation strategy, which leads to my next slide.

Yesterday, our Board of Directors approved a distribution of US$2 billion in dividends and interest on capital to be paid on December 1st. This results from better cash flow generation to-date and the expected inflow from the base metals partnership. Looking at our dividend distribution since 2021 and including this latest announcement, we have generated robust dividend yields to our shareholders. On top of our dividend commitment, we continue to see share buybacks as one of the most accretive ways to create long-term value for our shareholders.

To that end, yesterday our Board of Directors approved a new buyback program to repurchase up to 150 million shares in the next 18 months. Since we started our first program, we have repurchased a total of 830 million shares, representing 16% of our shares count. As a result, a shareholder who invested in Vale during this period has increased their participation of earnings per share by 19%.

With that, I would like to now turn the call back to Eduardo for his closing remarks. Thank you.

Eduardo Bartolomeo: Thank you, Gustavo. So, to summarize, here are the key messages from our presentation today: first, delivering on our commitment has led to a more robust operational performance across all businesses, as we have shown in the results; implementing cost efficiency initiatives while growing production volumes have enabled a continued improvement in our unit costs; third, the Energy Transition Metals asset review confirms the potential to unlock significant value, we designed a more fit-for-purpose organization, brought in top talents and entered a partnership with world-class strategic investors. We are taking our assets to an optimal operating flow sheet for value creation; and finally, we remain 100% committed to disciplined capital allocation, the distribution of an additional US$2 billion in dividends and the launch of our 4th buyback program are an evidence of that.

We are at the forefront of global decarbonization, leveraging relevant actions for the energy transition while driving local and regional development. We have completely changed how Vale manages its dams and risks. We are changing the company culture with a focus on safety, always listening to our stakeholders in an open and transparent dialogue. We will continue to promote sustainable mining, foster low-carbon solutions and remain disciplined, making Vale a reference in creating and sharing value.

Finally, I would like to thank the management team, our employees, and partners for contributing to this quarter's results. Thank you. And now let's start our Q&A session.

Question and Answer Session

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press the star key followed by the one key on your touch tone phone. If at any time you would like to remove yourself from the questioning queue, press star two. Please, ask your question in English and limit your question to two at a time.

Our first question comes from Carlos de Alba, Morgan Stanley.

Carlos de Alba: Yeah, thank you. Good morning, everyone. So, my first question is on the nickel results. I see you're making progress, quarter-on-quarter production increased, clearly you sold the stake in the company and set up an independent Board and a strong management team, but the results continue to show an increase in cost. So, you are guiding… you're keeping your all-in guidance flat for 2023, or unchanged (better) for 2023, which implies a very significant drop in the fourth quarter.

So, my questions are: is there a time where you think we could see a more sustainable, better performance in terms of costs in that unit? And two, can you point us to specific actions that will drive that significant decline in all-in cost in the fourth quarter?

And then, my second question has to do with your… clearly, you are generating strong cash flows, iron ore is contributing quite a lot, the company is making improvements in operations, and so, you generate a lot of cash, pay this special dividend; how do you decide between the dividend and share buybacks? Because while we have a new share buyback program, really the incremental shares to be bought are only 10 million, so it's not that significant. But clearly, the 2 billion special dividend is significant.

So, what is the decision? You can walk us through how you decide between dividends and share buybacks. Thank you.

Eduardo Bartolomeo: Thanks, Carlos. Here's Eduardo. I'll give the questions to Deshnee and then afterwards to Pimenta, but just to make it clear, right, the structure that we are implementing is actually being implemented, is implementing, so we believe the results are going to be reaped above operation improvements. I think then Deshnee can even explore a little bit about that, but I'll pass the word for Deshnee to explain about the nickel results and the nickel expectations.

Deshnee Naidoo: Thank you, Eduardo, and thank you, Carlos, for the question. So, if I just look at the quarter specifically, you know, we produced 42,000 tons of nickel but only sold 39. And as Pimenta guided as well, we did sell less byproducts in the quarter, so that largely contributed to the overall higher unit cost in the quarter.

In terms of performance when it comes to production numbers, I mean, year-on-year some of the markers that I use in terms of how the actions are translating into the right results, we have year-on-year increased our overall development in North Atlantic by over 20%, and that's why you would see the mining production has actually increased year-on-year by over 16%. So, that's an excellent way to say that the actions are resulting in the right numbers.

If you ask then what are we doing to structurally change the business to get to those lower cost numbers, so firstly in quarter 4 we will sell some of the difference of what we didn´t in sell in quarter 3 and we mainly hold that back in terms of inventories for maintenance, etc., so that together with a higher production number will result in a much higher production as well as sales, which is exactly what happened last year this time, where we sold close to last year about 50,000 tons, this year we got probably close to 47/48,000 tons of nickel sales in quarter 4.

So that together with some of the copper that we know will now come back into the system because we are sitting with inventories ahead of the plant, will result in much higher copper byproducts as well, which will then give us the lower unit cost in quarter 4 that will dilute the overall year-to-date results, and that is why we are still holding on to the nickel cost guidance.

In terms of just the overall structural changes, you know, VBME continues to ramp up and those ramp-up tons will come in at a more efficient rate, and that will result in the overall unit cost improvement that we will see from the third quarter of next year onwards and in some of the other initiatives of productivity, etc., in Sudbury would drive this forward.

But as Eduardo mentioned in his opening comments on the asset reviews, in fact, Tony and the team are currently in Sudbury, a lot of the work there is whether we can reduce some of the cut-off grades and what the team is initially coming up with is huge opportunities of possibly relooking at those kind of grades that will result in far higher tons. That, together with some of the technology initiatives that Tony wants to put on the table, is telling us there's a lot more value potential unlock within the asset base.

I'll leave it there and hand it over to Pimenta.

Gustavo Pimenta: Thanks, Deshnee and thanks Carlos for your question. Look, we've been favoring both over the last couple of years, right, both dividend and share buyback, and we like both, I think both have a role to play in our capital allocation, especially given where stock prices are today. This one, it's a combination of things; I think one, as you said, we continue to generate strong cash flow, I mean, prices remain constructive and therefore cash flow remains strong, but there is also an element of the VBM partnership here which has more one-off nature, so that is what led us to favor the dividend payment of 2 billion, but again, we continue to believe share buyback is a great capital allocation too for us, and that's the reason why we decided to extend the program for another 150 million shares.

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

Caio Ribeiro: Yes, good morning. Thank you for the opportunity. So firstly, I just wanted to explore a bit how you see the company's breakeven EBITDA for iron ore evolving with some of the changes, right, that you're working at in the company, and also due to some change in industry dynamics ahead as well, right? So, with this focus on developing steel Mega Hubs together with steelmakers, right, and given that under this structure you will be supplying briquettes and other high-grade agglomerates to certain regions in the world, and including the Middle East, possibly the US as well, you know, presumably there will be some shift in your geographical breakdown of shipments, right? Today, it's largely directed towards China, right?

But with this focus on energy transition, DRI, EAF and your strong positioning in delivering higher grade ore, I imagine your regional shipment destination could change and that could perhaps alter your average maritime freight, and a higher maritime freight from Brazil to China has always been a disadvantage versus Australian peers, but with this potential change in the regional shipment destinations, do you see that potentially helping you gain an edge versus other peers on a breakeven EBITDA perspective?

And then secondly, on the base metals division, right, it's clear that there's a lot going on there with the 13% stake sale on the way. You've brought some high-profile names to the Board and management of the Company, you're carrying an asset review, yet the short-term results they show the challenge still exists with maintenance at some assets, the transition to underground operations at Voisey's Bay. I just wanted to see if you could give us an indication as to what milestones you're looking to achieve here over the next two years, right? And what signs do you think we should be looking for as clear signals that this turnaround of the asset is being successful? Thank you.

Gustavo Pimento: Hey, Caio. Gustavo here. So, I'll get started with the all-in question for iron ore and maybe Deshnee can help us out with the base metals here.

So, in iron ore there is a couple of things which will benefit our breakeven over the next couple of years, right? One is the simple fact that we should be resuming capacity, right? So, there is a plan, as we laid out in Vale Day and we'll provide more color now in December in terms of ramping up capacity, but also ramping up capacity of higher quality products, which will help on the premiums and therefore the all-in, certainly the ability for us to sell to markets that are closer to our operations helps additionally to that case. So, overall, I think we are moving in that direction of being over time even more competitive from all-in standpoint. So, you're right on your assessment and that's the way we also we also see.

So, I'll just hand it back to Deshnee, she can talk about base metals. But before that, maybe Spinelli can complement on the iron ore. If there is anything else you want to add to the all-in, Spinelli?

Marcello Spinelli: Thank you, Caio. That's exactly the strategy that we have, right, so it's based on decarb, segmentation and, as we need to decarb, we have the direct reduction route, and we go after competitive energy. So, Middle East is a target, US is a target, and also Brazil. So, exactly the consequence of that is reduce our exposure to China, and that's a way to go back in a much better shape to Atlantic, as you mentioned, and we're going to have the benefit, as Pimenta said, of the premiums and the breakeven of EBITDA and also the freight and keep our competitiveness. With big vessels, we have the capacity to discharge in Oman, the Valemaxes, wewill also have capacity to discharge in Europe, in Rotterdam, so we're going to keep all the advantages that we've been developing in China in a closer and stable territory. Now I hand over to Deshnee.

Deshnee Naidoo: Thank you, Spi, thank you, Gustavo. So, Caio, thank you for the question. I'm just going to call out some of the progress that we've already seen. You know, we've had 3 progressive quarters this year for copper. As Eduardo said, quarter 3 versus quarter 1 is already a 22% increase, but turning to South Atlantic, South Atlantic has had a 47% increase in copper production during the first 3 quarters of this year, and September month – and I'm seeing the same trend in October month – we are at the highest levels of copper production across South Atlantic since 2019. And then when I turned to Ontario mines, although we've had the issues which are very explainable in Coleman mine, 4 out of the 5 mines in Ontario are above 96% of the budget target.

So, I think we can say that the improvement and the ramp-up are being delivered, but perhaps not at the pace that we needed to be. So, one of the first milestones that we've delivered is the fact that Salobo III I think is absolutely a benchmark delivery on ramp-up. Eduardo said, you know, we're closer to 80% of the throughput, which is around 10 million tons per annum run rate already, and to deliver that within nine months, well, we've had some delays in the second line start-up, is very impressive.

On Salobo I and II, we've previously mentioned in Vale Day that we're in the process of doing a recovery program, and that recovery plan was really targeted at catching up on some of the backlog maintenance. Very happy to say that that work (the majority of it) has been completed and the improvements that we're seeing now is that the plant availability (plant 1 and 2) is up to 90%, which is actually a more than 5% increase year-on-year.

And at Coleman, as we mentioned, we're not able to go after some of those riskier stope pillars that we have in the mine, but what I can tell you is that because of the ground support initiatives that we had and the milestone achieved, we are set up to have a better quarter 4.

So, when I look at maintenance, what we've said up until the end of last year on backlog, the majority of that we are beyond. What we're now looking at, which is very seasonal, and I think, and this is something we must understand on the nickel business, we will take our smelters down in the middle of the year for a month to two months. There are assets that will go through two months of maintenance, as I'm seeing on the surface plants for next year. So, we need to perhaps guide better in terms of what to expect because nickel by design will be a little patchy per quarter over the year.

Now, with the asset reviews, what we are seeing, as I mentioned, is things like cut off grades optimization, I think in terms of milestones to look for, Mark and I are working on a road map for the asset reviews that demonstrates how the value can be unlocked, and as Mark has already mentioned in fact, Caio, at the discussion with you and Liam a couple of months ago, that this will take a while to put in place and that from his experience these kinds of deep transformation programs will take almost, you know, two to three years to deliver.

So, we will come back to you at Vale Day and explain how the road map will come together. But I want everyone on the call to be very clear that the initiative that we set out to do in terms of catching up on backlog maintenance is there and that is translating into improved, progressive production increases quarter-on-quarter.

Operator: The next question is from Daniel Sasson, Itaú BBA.

Daniel Sasson: Hi, guys. Good morning. Thanks for the opportunity. My first question is related to cost because you did have an improvement in your C1 and yet your delivered in China a breakeven increased versus the second quarter, and part of that can be explained by higher expenses and royalties, at least as per what we can see from the table that you published.

Was there… just curious if there was any sort of one-off items on that line or extraordinary items that could revert ahead, or if you could give us more color on your expectations for the remaining part in addition to the C1 that composes your breakeven delivered in China? I think that would help us to forecast that going ahead.

And my second question is more on the, if you could share with us an overall view on the premiums for higher quality products in China. We saw in recent months the Chinese steelmakers margins not being that great, so they favored to some extent the lower quality products, which hurt premiums for better quality products, right? So, if you could walk us through your thoughts on how this could evolve going forward, that would be great. Thank you very much.

Gustavo Pimenta: Thanks, Daniel. This is Gustavo. So, I'll do the first one and then I'll ask Spinelli to talk about the second one.

So, yeah, C1 performance came better. I think we were expecting the performance to improve since Q1, and we've said that, so it's good to see C1 coming down, especially versus Q2, and we should continue to see that performance improving in Q4. On the all-in, it's mostly driven by external factors frankly, because what you were referring to in terms of royalties, it was actually more a one-off in Q2 than Q3. So, there is no impact in Q3 associated with any potential one-off on royalties.

In fact, what we had, if you look at the big picture here, it's more the external factors which have impacted us in the quarter, especially bunker, which is almost US$1,00 per ton increase versus what we had in Q2, and also premiums, especially market premiums, which came down in the quarter, which is about US$0,7 per ton. So that is primarily what has driven the all-in to come up. But again, we should continue to see improvements as we continue to bring volumes plus our efficiency initiatives continue to.

So, with that I'll ask Spinelli to talk about premiums in China.

Marcello Spinelli: Thank you, Daniel, for your question. So firstly, just to reinforce, our long-term view remains intact about premium. So, I think decarbonization is a trend, energy efficiency is a necessity, we need high grade ores to decrease the impact of CO2 in blast furnaces, and we need high grade ores in agglomerated form to support direct reduction route. So, this is our main strategy, long-term strategy and we strongly believe on that.

In short-term – let's split this in three –, so the first point pellets is doing really well, so we have high premiums for pellets, and this is related to this blooming of direct reduction that is already going on in the Middle East and in the US. The second one is related to low alumina, so that's another trend. Our competitors are increasing the alumina, and we are taking advantage of our low alumina products. And regarding the Carajás, the high-grade ores, we always say that we have premiums when we need to save energy, so the cost of energy is high – that's not the case today, coke is another level –, or if you need more efficiency to increase the production or increase the volumes to support the market.

So, that's the main point here today in China. We have a strong market in a transition mode, so minimizing cost is the sense today, so we're also taking advantage of that, so as we have a flexible supply chain, we are selling some high silicas with a lower discount today, and we are just in our supply chain to blend and have the low alumina premium, but what we see is a transition moment, that's the longest period of low margins in China, only comparable to 2015, in that moment in 2015, we had the supply side reform. We don't expect this in China today, but what we believe that we have a strong support from the Chinese government to keep their goals in GDP and GDP per capita, and that's an important message that came this week when we had the announcement of the 1 trillion Yuan to support the infrastructure stimulus, and that will support that transition, and we believe that that will be a better price in steel that supports a better margin, that supports a better premium for our high grade ore at Carajás.

So, that's the figure we have short-term focus on minimizing cost, but a transition for next year to rebalance the market in terms of price of steel in China.

Daniel Sason: Thank you very much.

Operator: Our next question is from Rafael Barcellos, Santander.

Rafael Barcellos: Good morning and thanks for taking my question. My first question is about briquette. So, Vale has already started the commissioning tests of the first 2 iron ore briquette plants in Tubarão, right? So, I just would like to understand how these operations are evolving and when do you expect to reach the combined run rate production of 6 million tons.

And the second question is about the Brucutu complex. I mean, after the return of the Torto dam, how operations are evolving in terms of mix of products and volumes? And also, could you confirm when you'll be able to capture the full benefit of Torto dam? I mean, if it will be in the 4Q or more towards next year? Thank you.

Carlos Medeiros: Hi, Rafael, this is Carlos Medeiros. Thank you for your questions. Regarding the briquettes, we are now, as we commented during the presentation, commissioning the first line and addressing the technical problems, and so far, we have not found anything unexpected, everything is coming according to plan. So, our expectation is to move into more a startup in the beginning of November and from that point we will start ramping up this line.

Regarding the second line, as also mentioned during the presentation, we will start commissioning it during Q2 next year and after that ramping up. So, we should be in a position to have the full capacity in place sometime in the second half of next year approximately.

Regarding the Brucutu line, we have 3 lines in our processing plants up and running after the Torto dam, and we should continue as so until we have licenses for our waste piles to be implemented, and then we will be in a position to move to a way from three lines up to five lines. So, that's the outlook, and this won't happen before 2026.

Operator: Our next question is from Myles Allsop, UBS London.

Myles Allsop: Great. Thank you very much for the opportunity. So, two questions. First of all, on CapEx, could you give us a bit more sense around how CapEx is going to trend this year and over the next few years? Obviously, this year you're tracking well below the US$6 billion. As we look forward, with all kind of Mega Hubs and the investments in Indonesia, how should we think about CapEx moving forward? I mean, how capital intensive from a Vale perspective will these Mega Hubs be and when will we start seeing spend on those?

And then the second question is just around Samarco. Could you give us a quick update? Obviously, there's the headlines earlier in the week, could you give us a sense, you know, how negotiations are progressing or not and what we should be thinking about in terms of liabilities? Thank you.

Gustavo Pimenta: Hi, Myles. Gustavo Pimenta here. So, maybe starting with the second question. So, look, we continue to work on trying to find the resolution that works for everybody, right, so that's I think our belief that this is the ideal outcome here, so we continue to be hopeful that if not this year in the first half next year we'll be able to find a resolution and that should resolve some of the open disputes that we continue to see coming through, right? That is, from our perspective, the best outcome for Samarco and we'll continue to look and work very hard for that.

Regardless, we continue to perform super well on the obligations that we have under the TTAC. So, you know, 80% of the housing solutions have been resolved, we have indemnified more than 430,000 people, spent today R$33 billion, so things are moving and will continue to do so.

On CapEx, yes, we are tracking well around the 6 billion, we will provide more color on Vale Day in terms of what is our long-term expectation there, but you shouldn't expect us to deviate much from it, because especially you've mentioned the Mega Hubs, some of that investment will be done in partnership with our clients. So, we'll do part of it, our clients will do part of it, so we should be able to accommodate this substantially within the existing figures that we've been working on.

So, we'll provide that more color in Vale Day, but that's the direction you should expect from us.

Operator: Next question is from Tyler Broda, RBC.

Tyler Broda: Great. Thanks. Thanks very much for the questions. Hi everybody. I have two questions. The first one is on iron ore. Eduardo made the comment that the production to sales gap would tighten a bit in the fourth quarter for iron ore. I´d sort of like to get a little bit of color on that, do you see a reversal of that. So, you see a destocking normally in the fourth quarter, is that? Just to clarify, should we expect a destocking in Q4, especially after the sort of the inventory built over the last 12 months?

And then my second question is about nickel, and it's good to see the operations they are moving in the right direction. I guess, Deshnee I´d ask you to share your outlook on the nickel price, there´s been negative free cash flow now for the last four quarters, I mean, how is that influencing your plans for investment, and I guess just what your thoughts are at the moment with prices where they are? Thanks very much.

Marcello Spinelli: Hi, Tyler. Thank you for your question. So, yeah, you may expect a higher sales and production in the fourth quarter, as we have normally in our seasonality, OK? Slightly higher the sales, slightly higher than Q3, and same pattern we have.

But it's important to reinforce one point here, our inventory is healthy, we are not carrying or rebuilding any inventory rather than our operational inventory. I've been hearing some noise about that. We have flexibility in our supply chain, and we have the value over volume, so we are now focusing on blending, sometimes we need to hold the product to blend, so that's exactly what we are doing now, so we are trying Carajás and blending for Q1, and we are anticipating high silica, some high silica product to reduce the concentration in China and anticipating these sales to Q4 this year.

So, it's dynamic and we need to think as an operational inventory, but pay attention for some information, different information from the past. We are increasing the pellet production, so we have the reduction of the mass due to the moisture reduction when you do this. So, if you are comparing this year to last year, we have reduction on the total mass of the company when you compare production and sales. Moisture is something that you already have in your models. And another information, that we've been increasing our production in

China, our concentration in China, that we have a mass, a recover that we lose some part of our total volume.

So, just check these numbers when you consider the buildup of inventories, that exactly is not part of our inventory. We are losing mass when you do this.

Deshnee Naidoo: Hi, Tyler. Thank you so much for the question. I think on nickel, you know, the question was more around what I am thinking about the outlook in terms of how that price is going to match, what's happening inside the business.

Just in terms of inside the business, the nickel business is in transition. You know, the Voisey's Bay project, in which we are taking or building two underground mines to replace the open pit Ovoid mine will only start to deliver those ramped up tons from the third quarter of next year. Until that period, that kind of spiky costs that we see will remain within the business. I'm very confident after that we'll start to see a lot more cash come back into the business.

In terms of current prices, you know, Taylor, we do not speculate on the nickel price, but all I can say from the data that we are looking at is that the EV demand still continues to be strong despite some of the softening that we are seeing today, and if we look at the current forecast of EV sales today, it's still trending just under 14 million although the world was looking at 14.6 at the start of the year against the 11 million next year, and despite what we're seeing in LFPs, there still the gain in China, we're still seeing the right amount of EV battery chemistry demand in the rest of the sectors.

So, I'm going to leave it there. It's all about the business that's in transition projects that we have to do so that Voisey's Bay does not create the drag that we currently have in the cost and that the EV sector is still what we are anticipating medium term to be the fastest growing nickel demand sector.

Operator: Our next question is from Leonardo Correa, BTG Pactual.

Leonardo Correa: Good morning, everyone. Can you hear me?

Eduardo Bartolomeo: Yes.

Leonardo Correa: OK, perfect.

Eduardo Bartolomeo: Yes, yes, Leo. You can go ahead.

Leonardo Correa: OK, perfect! So, good morning, everyone. I just wanted to focus my first question on the market, specifically for iron, right? I mean, we've been seeing very solid trends for iron ore looking at the key, let's say, KPIs, right? I mean, there is very low inventories across the chain at the steel level and also at the port level, China continues churning out more than a billion tons annualized, per year, right? I mean, looking at Chinese steel exports, they continue very high, if I'm not mistaken, the last level rise of steel exports from China was the highest level in the year. If we think of the issues, right, the main concern I guess some months ago was that China wouldn't force those output curves in steel, which is something that we still have not seen, right, and over the past weeks it seems the sense in China is more of continuity rather than curbing steel production. And at the same time, we're moving into a zone which is seasonally very restricted supply, we get into rainy season in Brazil, in Australia, and at the same time, you see Chinese stimulus at the macro level just coming through and tapping the fiscal leverage, right?

So, there's a lot going on, but clearly the outlook for iron ore has been surprising, I think all expectations and I just wanted to hear how you're seeing the balance of risks, if it would be valid to say that there's more upside risk at this point than downside. I think that would be helpful.

And the second question on my side, I could have missed this, so sorry, I joined the call a little bit later, but just on the base metals and moving back to the entire discussion on base metals, I'm going to avoid the performance issues, right, I think that they were addressed over the past minutes, but just on capital allocation in base metals, right, we still don't have a plan on the future investment program, where exactly you're allocating capital. I mean, from previous commentary I get a sense that you're probably going to be more inclined in investing in Brazil, probably more copper exposure in Brazil, but how is that progressing? I mean, is there any update or should we look into any announcement at Valey Day on where investments are moving at base metals specifically?

Those are the questions. Thank you very much.

Eduardo Bartolomeo: OK, Leo, I'll ask Spinelli to answer the market and Gustavo on the base metals, but upside risk.

Marcello Spinelli: Well, Leo, thank you for your question. So, first of all, you point out many information that supports our view about what Eduardo just said, we have a more optimistic view about China in the market and we can say that the China resilience, it´s really clear that the government now is supporting and giving all the signs that they want to keep their goal of GDP, GDP per capita that is already established. So, many of us are always tracking the properties that is actually decreasing and we have some numbers of -7% of decrease, and we have a more optimistic or a less bearish view about this when you consider some other information rather than NBS, like MOHURD that we have a slighter decrease of -2%.

So, this is the common sense that we can disagree, but I want to draw your attention for the bright side of what's going on in China. So, first thing, there is a reinventing of the manufacture in China, so we can see what the government said quality development, they are leading the green industry turbines, all the equipment to support the decarbonization in the world are being produced in China, and to support their domestic demand and also the export, they are in production of double-digits for small appliance, EVs they are flooding the world with their cars, and we see this in Brazil.

So, there is a new platform of manufacturing that is going on in China, and they need more high-quality steel to support. Infrastructure, they announced the stimulus of 1 trillion RMB, that we saw that will support next year the increase of more infrastructure. And they are already exporting, as you said, 8 million tons that they will probably balance that export next year when the infrastructure will play a more important role. This is the main figure.

Another point that we should pay attention, we always track the CSP (the crude steel production) in China but pay attention in PIP (the pig iron production) in China. There is a decoupling in the production of flat and rebar. So, when you need flat, you need a better-quality production, and we need to use the blast furnace routes so we need more iron ore. CSP is increasing 1.7%, PIP to 2.8%. That is supporting also the iron ore production in China, and you have a lack of scrap to support that route. So, there's another important information to show that we have a strong demand not only for short-term but also for mid-term/long-term.

Again, in this supply side, let's talk about the balance of supply side. We don't see any strong support from any region to increase the supply of iron ore in the seaborne market. Actually, it´s a decrease. And India now is decreasing probably for next year, they're blooming there, and that's important information. I'm not just taking information off the market; we are selling to India. We just signed a 5-million-tons contract to India to support them in this very high-speed growth. So, we see a tight market, a very balanced market in the supply side and demand side that can support this upside risk that Eduardo just mentioned.

Gustavo Pimenta: Now just quickly on base metals, we'll bring more information, we're running out of time here, but we'll bring more information at Vale Day as a result of the asset review. Remember, one of the reasons why we did the carve out is exactly to position based metals for growth, there's a series of projects you probably saw in our release yesterday, the project we announced in Indonesia, Pomalaa, it's a large project there. So, there is a lot of copper projects in Brazil that we are looking to accelerate.

So, we'll bring this in a more structured way at Vale Day, but certainly, we want to accelerate growth at base metals.

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

Eduardo Bartolomeo: OK, thank you. Well, I have never been so optimistic about the future of this company. After we did the reshape, that we sold nine business and we focused on our two unique assets in iron ore and base metals, what we're seeing all leading operational KPIs and safety indicators in iron ore are substantially better since 19. As Spinelli mentioned, we have a very resilient market ahead of us, even in nickel with this softening that is happening now, but we see a bright future for nickel and copper is needless to explain, and of course, the aftermath of the carve out is showing us in fixing the operational issues, we have even more value to extract from those assets.

As I have been always saying, it's not a sprint, it's a marathon. But as I said, I have never been so optimistic. And thanks a lot for your attention and let's see you in the next call.

Operator: Vale's conference call for today is now concluded. Thank you very much for your participation. You may now disconnect.