VALE S/A (VALE3)
2Q24 Earnings Results
July 26th, 2024
CONFERENCE CALL TRANSCRIPT

Operator: Good morning, ladies and gentlemen. Welcome to Vale's second quarter 2024 earnings call.

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

To listen to the call in Portuguese, please press the globe icon on the lower right side of your Zoom screen, and then choose to enter the "Portuguese room". Then select "mute original audio" so that you won´t hear the English version in the background.

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

We would like to advise that forward-looking statements may be provided in this presentation, including Vale's expectations about future events or results, encompassing those matters listed in the respective presentation. We caution you that forward-looking statements are not guarantees of future performance and involve risks and uncertainties. To obtain information on factors that may lead to results different from those forecast by Vale, please consult the reports Vale files with the U.S. Securities and Exchange Commission (SEC), the Brazilian Comissão de Valores Mobiliários (CVM) and, in particular, the factors discussed under "Forward-Looking Statements" and "Risk Factors" in Vale's annual report on Form 20-F.

With us today are:

- Mr. Eduardo de Salles Bartolomeo – CEO,
- Mr. Gustavo Pimenta – Executive Vice President of Finance and Investor Relations;
- Mr. Marcello Spinelli – Executive Vice President, Iron Ore Solutions,
- Mr. Carlos Medeiros – Executive Vice President of Operations, and
- Mr. Mark Cutifani – Chairman of Vale Base Metals.

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

Eduardo Bartolomeo: Ok, Thank you, and good morning, everyone.

Here we are at the halfway mark of 2024, so let´s take a look at the progress we've made on our **key levers** to unlock value at Vale.

Starting with our **Safety Journey**, we are very pleased to inform that we have eliminated the B3/B4 dam, and we were able to achieve this one year ahead of the original schedule.

We are working on two additional structures to be eliminated in 2024. By the end of this year, we will have completed more than 50% of our decharacterization program, a significant milestone!

On our **second lever**, we continue to see progress on Iron ore Operational stability, with consistent performance and the third consecutive quarter of year over year increase in production.

Our C1 cost, that was seasonally higher in the second quarter, is on track to reach our guidance of US$21.5 to 23/t for the year, especially as our product mix and fixed cost dilution improves in the second half.

On **iron ore growth and quality**, Vargem Grande is on its way to start-up in the next months and the Capanema project is on track for the middle of next year, for a combined capacity addition of 30mt.

We approved the Sohar Concentration Plant. This will serve as a pilot project of our mega hubs strategy which will redefine industry supply-chains, foster additional demand for quality pellet feed and position Vale as the world's most competitive direct reduction concentrate supplier.

In Energy Transition Metals, our Onça Puma, Sossego and Salobo plants have also resumed operations with no impact on our guidance for the year.

We recently announced the new CEO of Vale Base Metals. Shaun Usman brings his extensive mining experience and strategic vision to lead the company throughout its value creation pathway.

In our pursuit towards **ESG Leadership** in mining, we are reinforcing our commitment to transparent disclosure with the adoption of TNFD and ISSB.

On **capital allocation**, we recycled capital, increasing the maturity of our debt.

And yesterday we announced an interest on capital of US$ 1.6 billion related to our 1H24 performance, according to our dividend policy.

Now, let's go into the details of these highlights.

Next slide.

On **dam safety**, we concluded the decharacterization of the B3/B4 dam, one of the dams that was put at the highest emergency level in 2019.

Dikes 1A and 1B are the other two structures to be eliminated this year, after which, we will have completed 53% of our decharacterization program.

This is a pioneer process, and we are gaining experience and expertise, which is helping us to advance well. We remain committed to the elimination of all up-stream dams in Brazil in a safe and conservative manner.

Next slide, please.

On **iron ore production**, we delivered robust operational performance, once again, the third consecutive quarter of year over year increase in production.

This is a direct result of our efforts to improve the reliability and stability of our assets and processes, as per our management model.

S11D achieved a historical production record for a second quarter and the asset is a fundamental piece of our strategy for growing high-quality products in our portfolio. The S11D +20mt expansion project is scheduled to start up in 2026 and will support production growth.

Finally, I'd like to highlight our sales, which grew 7% year over year, reflecting our strong performance.

The result of the first semester reinforces our confidence and commitment to meet the top end of our 2024 guidance. This demonstrates that Vale now has a business with much greater predictability, providing a solid foundation for the future.

Next slide.

Our **key iron ore projects** are underway to increase capacity.

In the next 12 months, we have two main projects coming online.

The Vargem Grande project to start-up in the coming months will add 15 Mt per year of high quality iron ore capacity with a very low capex investment. The Capanema project is progressing well with the pre-commissioning activities initiated and will also bring an additional 15 Mtpy of high-quality ore capacity after the first half of 2025.

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Advancing on our long-term strategy, we signed an important agreement to develop the concentration plant in Sohar, a project presented during Vale Day in December.

The Sohar concentration plant will significantly increase the availability of high-quality pellet feed by 12 Mtpy. This will enable us to produce feed for direct reduction agglomerates, enhancing our operational capabilities and product offerings.

This asset-light business model has a low investment obligation from Vale and an internal rate of return exceeding 30%, making it a highly accretive investment.

This partnership will serve as a model for future Mega Hubs in the region and pave the way for a more sustainable future, allowing the production of metallics through low-CO_2 emission routes.

It marks the first significant step towards new developments to come.

Next, please.

Now, moving to the **Energy Transition Metals business**.

Looking at our **Copper performance**, despite the headwinds in the quarter, we had a 5% increase in production in our plants in Brazil.

On **Nickel**, production reflected our planned maintenance strategy, and we are on track to deliver the production guidance for 2024.

In Sudbury, improved mine performance resulted in reduced consumption of third-party feed and lower costs.

We are confident that we are putting together a great team, as seen on the appointment of Shaun as CEO, and taking the right steps to transform the Energy Transition Metals business.

Next slide.

On our **ESG strategy**, we want to reduce our impacts generating positive outcomes for nature and people.

For that, we have three main pillars to support our **nature actions**:

First, keep the forest that we have standing. At Vale, we protect ELEVEN hectares for every ONE-hectare affected by our activities. In 2019, we committed to increasing protected areas by 500,000 hectares, and we are already at 35% of this target.

The second pillar is Bioeconomy and create a business environment favorable to the conservation of native forests.

And our third pillar is to fight extreme poverty which will help avoid the illegal exploitation of land.

Our strategy led us to prioritize the adoption of TNFD and ISSB. We believe this will help all stakeholders to better understand and assess companies on their ESG progress.

Before we move to our financial results, I would like to comment that we are delivering on our commitments. Our strong operational performance continues quarter after quarter, and we are in a very good shape for the 2H24.

Now, I'll pass the floor to Gustavo to comment on the financial performance and I will get back to you on the Q&A. Thank you.

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

Let me start with our **EBITDA performance in the quarter**.

As you can see, our Proforma EBITDA reached US$ 4 billion in Q2, driven by strong operational performance across all commodities. This is a result of our continued focus on operational excellence and asset reliability, and the record iron ore production in Q2 since 2018 is a testament of that.

As part of our asset integrity program, we had a concentration of maintenance activities in Q2, particularly in April, which together with the inventory turnover effect and higher freight rates, more than offset higher iron ore sales in the quarter. The good news is that our C1 significantly declined by the end of Q2, while rising volumes in the North, coupled with reduced maintenance works in the 2H, provide us with a solid runway to deliver strong operational performance in the coming quarters. I will go into the details of our C1 dynamics in the next slides.

On a sequential basis, our Proforma EBITDA increased 15%, driven by 25% higher shipments, partially offset by higher operating costs and lower realized iron ore prices.

Now I would like to provide more color on our **realized all-in premiums** for the quarter.

Vale has many sites and a broad product portfolio, ranging from high-silica products that trade at discounts compared to the benchmark, to direct reduction pellets with a 67% iron ore content. Typically, high-silica products from the Southern and Southeastern Systems are blended with Carajás to create our main product, BRBF. This is a premium product with low alumina and 5% silica content.

As the average silica content naturally increases in the Southern and Southeastern Systems, we have been using a higher proportion of Carajás in the blend, implying increased availability of high-silica products to be sold directly in the market. This higher availability is even more pronounced in the first half of the year, due to the production seasonality in the Northern System.

On top of that, based on product availability, we evaluate commercial options cargo by cargo, aiming to maximize value - either by concentrating these products in China, selling them directly, or holding them as inventory. In Q2, with quality discounts below historical levels, direct sales were the most attractive option, with an EBITDA per ton of around US$ 20. As a consequence, our realized all-in was actually US$ 0.1/t negative, despite 70% of the portfolio being sold with premiums above the benchmark. In the 2H24 we anticipate a reduction in the share of high-silica products in our mix due to the increased production in the North, supporting better premiums.

More importantly, looking into the coming years, the share of high-silica products in the sales mix should gradually decline with the start-up of growth projects like Vargem Grande, Capanema and particularly the S11D expansion. In addition, the development of concentration plants like the one in Sohar will also contribute to structurally reduce our share of high-silica products.

Now, let me turn to our cost performance.

In Iron Ore, our C1 cash cost, excluding third-party purchases, was US$ 24.9 per ton in the quarter, mainly impacted by an inventory turnover effect, as expected for a second quarter. This is how the inventory effect works:

Vale has an extensive supply chain and around 30% of our sales in the quarter are composed by inventories from the previous quarter. Also, we note that production costs in Q1 are usually the highest in the year, given lower fixed cost dilution. As a result, in Q2, the difference in inventory costs impacted C1 by US$ 1.8/t sequentially. In this quarter's financial report, we have started to disclose our production costs per ton, in order to provide a better view on our C1 cash cost trends.

We remain highly confident in achieving our guidance for 2024 of US$ 21.5 to US$ 23/ton. Our production cost in June, excluding inventory effects, was already significantly down, reaching US$ 22 /t. This is a solid indicator of our potential in the second half of the year, with benefits from greater cost dilution, increased production in the Northern System and reduced maintenance activities during the dry season.

Now, moving to our Energy Transition Metals business, we were pleased to have another quarter of significant year-on-year reduction in our all-in costs in nickel, which were down 12% to US$ 15,000 per ton. This is mostly due to lower third-party feed purchases, as well as by a reduction in expenses, as we wrote-down some high-cost inventories in Q2 23. With Q1 and Q2 all-in costs averaging less than US$ 15,000/ton, we are well positioned to reach our 2024 all-in guidance of US$ 14,500 – 16,000/ton this year.

In copper, all-in costs increased 18% year-on-year to about US$ 3,600/ton, driven by increased unit COGS due to maintenances at Salobo and Sossego. All-in costs averaged about US$ 3,500/ton in 1H24, below our 2024 all-in guidance range of US$ 4,000-4,500/t.

Now, moving on to **cash generation**.

Free cash flow generation was US$ 0.2 billion negative in Q2, impacted by a higher concentration of payments to suppliers, higher execution of concession contract obligations, and lower accounts receivables following the 4.3 Mt of iron ore sales accrued at the end of the quarter. We expect working capital to positively reverse in the second half.

Still, our cash and cash equivalents increased by US$ 3.1 billion in Q2. This increase was primarily driven by the US$ 2.5 billion proceeds received following the Vale Base Metals partnership, as well as by the issuance of US$ 1 billion in bonds in June, mostly used for liability management in July.

Our Capital Expenditures were flat q/q at US$ 1.3 billion and we are on track to meet our capex guidance of around US$ 6.5 billion for the year.

Also, yesterday, our Board of Directors approved a distribution of US$ 1.6 billion in interest on capital to be paid in September this year, reinforcing our continued commitment to return value to shareholders.

Before moving on to the Q&A session, I would like to reinforce the key messages from today's call.

- **Safety and dam management continue to be a key priority for Vale**, and we are encouraged by the progress in our decharacterization program, having fully de-characterized the B3/B4 dam.
- Our **strong operational performance** continues to be seen quarter after quarter and we are on track to deliver our production and cost guidances for the year. In fact, on iron ore, we are now very confident on reaching the top end of the 310-320mt production guidance range.
- **On our strategic objective to be the supplier of choice for low-carbon steel production,** we are very pleased with the advancement of the Sohar concentration partnership in Oman, which will serve as a pilot for other upcoming Mega-hub projects, with very attractive returns.
- **At VBM, our cost performance** has been solid so far in the year and we see room for continued improvement, particularly as the Asset Review plan is gradually executed.
- Lastly, **we remain highly committed to disciplined capital allocation**, controlling expanded net debt within our target, taking advantage of asset-light growth opportunities, and rewarding shareholders with solid remuneration through dividends and buybacks.

Now, I'd like to open the call for questions. Thank you.

Daniel Sasson, Itaú BBA:

Hi everyone. Good morning. Thank you so much for taking my questions. My first question, maybe to Gustavo, if you could please provide us an update on the ongoing negotiations with the government regarding the resettlement for Samarco, where we are right now, the back and forth with the government. Where do you think the most important points of this agreement are? That would help us. I think it could be an important catalyst for stock price performance once this gets solved.

And my second question is regarding your portfolio mix. You mentioned that you expect 65% of high-quality products in your portfolio in the 2H, versus 59% the 1H, with high silica declining to 10% of sales. Regarding specifically your strategy for the high silica portion, does the decline expected ahead come on the back of reduced inventories of that type of product, or do you see maybe discounts increasing for that portion? My point is, is that a matter of what you have of high silica products to be sold being lower, or less volumes than you had in the beginning of the year, or does that reflect your view that high silica products should demand a higher discount in the 2H24 versus the 1H? Thank you so much.

Gustavo Pimenta:

Good morning, Sasson. I will take the first one, and then Spinelli will cover your second question. Look on Mariana, we continue to be optimistic about the ability and the possibility to settle the agreement. All parties are highly engaged. We continue to have a view that, in the next couple of months, we will be able to reach a resolution, both in terms of the actual agreement, the text associated with the agreement, and also the key financial terms.

So this is important for the Company, and we see a momentum from all parties to be able to sit down and settle this. So we are optimistic, and our expectation is that, in the next couple of months, we will be able to resolve this.

I will pass the second question to Spinelli.

Marcello Spinelli:

Thank you, Daniel. Structurally, we have the high silica in our portfolio. After Brumadinho, we have this unbalance in our mix. As you saw in the initial remarks, after the ramp up of S11D, we have the main component of the BRBF, that´s IOCJ, so we can minimize this kind of product standalone.

So you ask me what is the reason we are doing this? As you saw in the initial remarks, we can just not sell it, but we have a market for that. So until May, we sell directly. The gap, it was really wide when you compare the high grade and the low grade. Since the end of May, we start to concentrate the most we can. So we have a capacity to produce 18 million to 20 million tonnes in China. We have a remaining high silica to handle. So that's the reason why we expect to have 10% in our portfolio. That's the same level we expect for next year. And all we are saying, that depends on market conditions. If we have a better discount for high silica, we can sell directly. That's the influence.

So, just to set your model, you may consider this 10%, and gradually, in 2026 and 2027, we must go to zero.

Rodolfo de Angele, JPMorgan:

Hi. Good morning. My two questions are the following. First, it's really good to see management positive on the evolution of costs and making sure guidance is reached. But this is a theme that has been more and more recurring when we speak to investors, and I just wanted to hear from you, aside from things such as a higher volume, which is seasonal, the rule in the 2H of the year, particularly in the 3Q, what is the structural? What can be done? What's in your hands that we can see to make the path of costs coming down as expected, and we hope eventually even lowering in 2025 and onwards? So that's question number one.

The second is a bit, more about where we stand in prices versus the successful strategy on the stabilization of the iron ore business. Of course, as per Spinelli's answer right now, the commercial strategy will follow market conditions, right. So, what we have been seeing is an effort to lower, to fight back seasonality, and we saw since 1Q very strong production reports. And of course, we are entering the period of even higher volumes. But how to rethink about volumes in a scenario where prices, as today, are slightly below US$100 per tonne? Does that change anything? And how do you think about it? What can we expect if prices continue for a while as soft as they are right now? Thank you very much.

Gustavo Pimenta:

Rodolfo, good morning. Gustavo here. I will do the first one again, and Spinelli will cover the second one. So certainly, I think we have been, in the last two years, looking structurally at our cost base and implementing a series of initiatives, being new technologies in the field, revisiting processes, increasing the share of preventive maintenance as compared to corrective maintenance. All of that over time should make our cost more efficient.

And so we are seeing this already as we look into the numbers. Certainly, the dilution effect for Vale, given the expanded fleet that we have, it's super helpful, the ability for us to bring volume with very limited capital helps a lot.

But we are not just counting on that. We are also looking structurally in areas where we think we can extract more value from the business, and we are seeing results already, as we look into the business.

So I will pass the second question to Spinelli.

Marcello Spinelli:

Rodolfo, thank you for your question. We do not see a support in the cost curve for major decline at this moment. Definitely, we have a pressure of inflation, freight, and now we see starting the impact coming from the green world, and that's the pattern we have. We have our long term price of around US$90. So this is the first direct answer for your question.

But one thing you should pay attention, we see a balanced market at this moment. One of the micro indicators that everybody asks us about is the iron ore inventory in the port side. I want to drag your attention for some extra information about this. Firstly, we, and not only Vale, but our competitors also have been changing the way we are doing business. So we are improving the production of BRBF. So we have a nonoperational, or a not-for-sale inventory.

Our competitors are screening the products, so increasing the blending. We are increasing the concentration now in the 2H. So this US$160, when you compare it to last two years, it's like US$145.

And another point that, most of the increase came from low grade ores, as you mentioned. We have the mantra of 'margin over volume', but if you pay attention in lower level of IOCJ, and that's the reason the gap is widening, the low grade ore and the high grade ore, the premium in Carajás is higher now.

So, again, that's the balance. As a whole, we see the market balanced. Pay attention that the port inventory is not a proxy directly at this moment with the demand, and we should track this instability, or we feel China all the time. We like to pray for extra stimulus, but you have a very strong new normal in China that is supported by manufacturing.

Export is something that every time we are worried about, because we do not see yet the countries fighting against some product, but it's something that is structural. We have a new global, new ties in this geopolitics.

So, for this year, so far, so good. We see China with this level of production. For next year, we see a stability in terms of demand. But obviously, we need some more figures about how can we reduce our concerns about the decline of properties in China. But so far, so good. For 2024 and 2025, we are in a good shape in the balance market.

Myles Allsop, UBS:

Great. Thank you very much for the question. A couple of things. First of all, on M&A, obviously there are some nickel assets available in Brazil. Just wondering how you are thinking about M&A. Is this the right point in the cycle to be picking up assets in that commodity?

And then secondly, could you talk a bit more about value over volume? If China is softer than you expect from a demand perspective, what price point do you expect the majors, including yourself, to start curtailing production to support pricing? Thank you.

Gustavo Pimenta:

Myles, for that particular question on nickel in Brazil, we are now looking at those. I think, the way we always articulate, this is the way we think about M&As, as you know, we have a very large endowment at Vale. So our preference has been to develop our own endowment in the commodities that we like and the ones that we operate well, and looking at opportunities that are win-win type opportunities.

You have seen us doing a deal last year, buying 15% of Minas Rio with the possibility to go to 30%. Those are the things we like. It's highly accretive, and it's right there at what we want to do long term in terms of strategic position. But for those particular assets that we just mentioned, we are not looking at that.

So I will turn to Spinelli for the second question.

Marcello Spinelli:

Thank you, Myles, for you question. Two sides here. The first, the cost curve. If you move lower than US$100 to US$90, we see 100 million tonnes outside of market. So, we do not see a support in the balance to the market below that.

On the other hand, in the demand side, you mentioned China. We have a positive eye on China when we see this new normal that we call the 'Chinese economy resiliency'. Again, the new normal is based on manufacturing, it's based on export. We see infrastructure playing an important role, offsetting the decline of properties.

Obviously, we may pay attention for two main points, that's our concern and probably your concern, that is, the level of export, mainly the steel directly. For us, we see it as a temporary part, but today it's reaching almost 100 million tonnes. On the other hand, we have new geopolitics ties, so we do not see the same ties that we have been seeing in the last years. Now we have other players, big players that can support demand from China.

And we need to remind that ex-China is growing this year 4%. Emerging markets, including, Southeast Asia, India, Middle East are growing really high. So, all of these together, we have to pay attention in terms of inflation, how the countries are accepting these new products from China. And so far, so good, but domestic market is declining due to the properties. But all this mix is supporting this high demand, at least for this year and next year in our analysis.

Carlos de Alba, Morgan Stanley:

Good morning. Thank you very much. A couple of questions on my end. One is, Gustavo, any updates on the railway concession agreement? It's similar to Mariana, that is a very important potential catalyst for the stock to move higher. So any update would be very good.

And also, you mentioned in your remarks that the iron ore cash cost declined significantly, or did much better in June, towards the end of the quarter. Can you share with us what was the level of cash costs in June? Just to have a sense of the pace, in order to model the trend in the 2H24.

Gustavo Pimenta:

Carlos, let me do the second one, and then Spinelli will cover the concession renewal discussion. So, it was, US$22 per ton in June. April for us, we had some higher maintenance costs, which have impacted our performance in the quarter overall. But, looking into June, the performance improved substantially, it was down to US$22. That's what makes us feel highly confident in our ability to deliver within the guidance range of US$21.5 to US$23, with a strong performance in the 2H24.

Marcello Spinelli:

Carlos, thank you for...

Gustavo Pimenta:

I am going to take here because I think he lost his mic. So, Carlos, we continue to evolve. We do not have yet a final resolution to it. The conversations are, as we have mentioned in some of our market communications, highly advanced. There are certain regulatory procedures that need to be followed, and so we are waiting for those to be able to settle. We appreciate it, it's an important topic for our shareholders. And similarly to Mariana, we think it's going to get resolved within the next couple of months.

Leonardo Correa, BTG:

Hello everyone. Good morning. A couple of questions on my side. The first one on volumes. There has been relevant progress on iron ore production over the past quarters. 2024 seems to be in the bag, as Eduardo mentioned in the introduction, it´s at the upper range of the guidance, which is welcome, right. Looking out to 2025, I understand that you cannot give precise guidance yet, we are going to have to wait for Vale Day, right. But given that you have Vargem Grande, which is progressing well, it's supposed to have 15 million tonnes of additional capacity, and also Capanema, which is also another 15 million tonnes of capacity, I just wanted to hear you on how you think production can shape up in 2025, if you have any information, I think, can help, because everything of the story, at least in my view, depends on how production can evolve from here. And obviously, that's going to have a big impact on fixed cost dilution. So trying to understand the direction of volumes is, I think, essential.

The second point, for Gustavo, still on the on the cash return topic, right Gustavo, we still have not spoken about the theme yet in the conversation, or I think we spoke less than we have in the past. It was a good surprise to see net debt levels reduce this quarter given the proceeds from base metals. We are now under US$15 billion of expanded net debt, which from hearing you over the past several quarters and years, it seems that close to US$20 billion you were uncomfortable, and Vale was deviating a bit from the average of the industry, which was running below Vale on net debt to EBITDA.

Now you are you are getting closer, you are at the low of the range in terms of target for you. So my question is, what needs to happen for Vale to move back to paying extraordinary dividends from here? I mean, what do you need to see? Do you need to see iron ore prices rebound? Or would you eventually be looking to increase leverage, maybe to the middle of the range? Do you still need Samarco? What exactly is weighing on the decision process of Vale not paying the extraordinary. Those are the questions. Thank you very much guys.

Gustavo Pimenta:

Thanks, Leo. I will cover both. I think it's fair to say that the trend is upwards. So we are bringing those projects online. I mean, we have talked about that at Vale Day, almost 50 million tonnes if you sum the three of them. They are progressing super well within the timeline that we had defined.

So you should expect this to be able to continue to post a positive trend towards that long term goal of being between 340 to 360 by 2026. So, that's fair to assume that. And certainly, the details, as we usually do, we will provide at Vale Day, but the trend is certainly positive in that regard, in addition to the positive trend in the stability of our own operations, which have been performing well lately. So that’s a positive news, we think.

In terms of the dividend extraordinary capital location, you know the way we think about it, and we are always looking for ways to remunerate our shareholders within a very disciplined capital allocation framework.

Certainly, there are a few things we want see first. One is how the 2H performs in terms of prices. That's important to see where we are going to land by year end. And also, see how especially Mariana evolves, and as we settle, we want to have that clarity first before making any further commitments.

So those are important topics as part of our overall capital allocation framework that we want to see before we commit, eventually, to incremental remuneration to our shareholders.

Caio Ribeiro, Bank of America:

Good morning. Thank you for the opportunity. So, my first question, and I am going back to your production guidance for the year, right. 2Q numbers were quite strong. As you mentioned earlier in the call, you are confident of attaining that upper end of the guidance. But it even seems feasible that you could surpass that upper end of the guidance. So, my question is, could you revise that guidance up eventually this year? And what are you looking for in terms of factors/events that would give you that confidence to do so? Are these factors/events more market related or operational in nature? And is there a particular timing that you would see as more likely to take this decision or not?

And then my second question is a follow-up on the ongoing railroad concession renewal negotiations. The concession renewal process generally involves an upfront payment followed by some commitments to deliver investments in the railroad over time. So I just wanted to see whether you can provide any color, once this agreement is struck, if that initial payment would be a single installment or several installments, followed by a CAPEX commitment on the railroads over time. How we should think about this? Thank you.

Gustavo Pimenta:

Caio, thanks for your question. Gustavo here. If you look year-to-date, we are performing well and better than last year, in fact, but we want to see how the next couple of months evolve. And then, if there is an opportunity for us to do better, we will do, and we will certainly update the market as we feel comfortable to update those numbers. But for now, the team is highly focused on delivering on what we committed. And given everything we have seen, performance is super strong, certainly top end of the guidance is highly achievable for us. And if there's an opportunity to revisit, we will do, in its due course.

In terms of the details of the concession, I think it's early to say. Those are confidential conversations. We want to keep it within those dialogues. But certainly, we are looking at how any settlement fits into our cash flow projections, and having the ability to honor those commitments. So that's super important in our conversations, but it is something we are still keeping within the negotiation team.

Marcio Farid, Goldman Sachs:

Good morning. Thanks for the time. I have a quick follow-up here. Firstly, I think Spinelli talked a lot about the current situation in China in terms of where premiums and discounts are, but I was trying to understand how we should think it in the long term. There is clearly an upwards trend in terms of demand for high-grade products and agglomerates as well, and obviously, Vale is definitely going to increase it in that direction as well.

I am just trying to understand from you, thinking in the longer term, obviously, Simandou coming online and all numbers in full capacity potentially only in 2027 and 2028, but still significant high-grade volumes, there is obviously a push for the Australian's to also develop their own agglomerate with their own fines as well. So how should we think about the balance for premiums in the long term, given a scenario of growing demand?

And maybe on the base metals side, obviously, nickel, a better quarter from a cost perspective, copper, not so much. How should we think about it? I think it has been volatile from an ore sourcing perspective and how much third-parties are being used or not, especially in Canada. But now, with Sossego and Onça Puma back online, Salobo, how should we think about the momentum for cost of the base metals side, please? Thank you very much.

Marcello Spinelli:

Thank you, Marcio, for your question. Our long-term strategy remained intact. We strongly believe that we are starting to phase segmentation of the market, as you mentioned, with high-grade ores, agglomerated products.

If you see today, the pellet feed for high-grade ore for direct reduction, we may consider that a very strategic material in the world. It's not only about copper, but high-grade ore is very rare. And we still see a gap in demand and production in the following years. You mentioned our competitors. They do not have ores that can be concentrated to reach these high-quality ores.

So direct reduction is a trend. Natural gas is a trend. So, following this, we see our mega hubs strategy going forward. This announcement today about the mega hub in Sohar, actually is the first full mega hub already done. We have to build this capacity to concentrate. But there, we have the port, we can handle the products and we can produce the agglomerate. So that's the first mega hub.

In the U.S., it's moving fast after the grant that we got in the 1H. And so far, other regions like Oman or Abu Dhabi and Saudi are moving really fast. And actually, in a few hours, we are going to receive here the Minister of Saudi to talk about this. Minister of Industry and Mining. So, we are really confident about this trend, and we remain intact in our strategy.

Mark Cutifani:

On nickel, the trend should continue to improve with Sudbury mine volumes continuing to improve. In fact, we are up near 20% increase as we track in June. So good news in Sudbury is that we have got a lot more mine feed. So that's a real positive.

I just came back from Voisey's Bay, the trends there are very good. We should continue to improve with Onça Puma, getting the second furnace up. So, I think the trends are all positive on the nickel front.

We have got to keep working hard at Manitoba, getting the place settled and looking at what we can do to reduce the services that we can probably do from other places. So we are working on all of those fronts.

On the copper side, Salobo is the key. It is impacted by grades. If we can open the pit up a bit more and continue to improve our pit productivities, we can probably do a little bit more on the grade front, but that will take a little bit of time. It will depend on our in-pit productivity during the year. And Sossego is about settling post the restart and making sure that we have got the feed mix right during the course of the next 18 months.

Yuri Pereira, Santander:

Hi guys, thanks for having my question. Could you talk about depletion, not only for Vale, but also for the industry? How many tons you think are out of the market per year only from depletion? Thank you very much.

Marcello Spinelli:

Thank you, Yuri, for your question, it's a tough question because this is the business. But I can give you colors that, globally, we have a decrease of quality. And mainly our competitors, they are facing the increase of alumina. That's a huge impact that will come to the market.

In Brazil, I can say from Vale, the depletion is something that we had to overcome after Brumadinho. So, we had to improve our capacity not only to support this decline of the mines, that's a natural thing, but even grow the capacity to reestablish our level.

So globally, if I can give you a number, it's 300 to 400 million tonnes until 2030. And again, the difficulties to bring back quality puts Vale on a very good level to compete in this new world of green energy.

Ricardo Monegaglia, Safra:

Hello everyone, Good morning. I have a couple of quick questions. The first one regards to the lawsuits in the U.K. and Netherlands. Are there any discussions to include such in some sort in the final agreement for Mariana, is that a possibility?

Second question is how much could Vargem Grande produce in 2024, and how those grades in that operation compare with your most recent figures on quality Fe content?

And maybe if Mark could just give a quick outlook or his latest impressions on nickel and copper markets. Thank you.

Gustavo Pimenta:

Ricardo, Gustavo here, I will do the first one, then Carlos will cover the second and then we can have Mark complementing. On the lawsuit, they are different. Those are different jurisdictions, the U.K. and the Netherlands as compared to Brazil.

We continue to believe that the right jurisdiction for this decision to be handled, settled and resolved, is Brazil, and we are working towards that outcome. As I mentioned in my first answer today, we continue to be optimistic that we will be able to resolve those conversations and discussions here in Brazil.

Carlos Medeiros

Ricardo, this is Carlos Medeiros speaking, on Vargem Grande, we expect to produce 1 million tonnes in the remainder part of the year, and it should be a normal concentrated product, 62% iron.

Mark Cutifani:

Oh good. I think the world as we know is, showed copper demand still looks pretty strong, a little bit of a slowing of EV demand, but I do not think that's significant in the scheme of things. I think all other markets are pretty strong. So, we believe copper will continue to play strongly.

And I think the activity we are seeing across the industry in terms of interest in copper assets is really confirming how strong, I think, the producers are. We are the same. We have got some opportunities to improve North Atlantic, should also do a little bit better on copper next year, but I think it's pretty positive, and I think the risk is on the upside.

Amos Fletcher, Barclays:

Good morning. Thanks for the opportunity. My first question was just on working capital. I was just wanting to ask about how big of a release we can potentially expect in terms of working capital in 2H, as Gustavo was mentioning.

And then, the second question was on nickel production, the guidance. The bottom end of the guidance implies 40% higher production in 2H versus 1H. Just wanted to ask what the main are drivers for delivering that big recovery that we should be expecting. Thank you very much.

Gustavo Pimenta:

Amos, this is Gustavo, on working capital, I think there is a possibility to revert, if not all of it, but most of it, as we highlighted in that chart. So, I think we are looking for a stronger 3Q. I think that's what you should be seeing.

Mark Cutifani:

On nickel production, the good news, Amos, is that Sudbury has got quite a bit of ore in front of the mill, something we have not had for a long time. So that's positive in terms of coming out of the maintenance. So probably 10,000 to 15,000 ton pick-up there. Thompson should do better with a bit of production held back through Long Harbour maintenance. Probably 3 there.

Voisey's Bay, again, impacted by Long Harbour maintenance. So, there's probably another 3 or 4 there. And we have got a little bit more that we can square through on the third-parties because of the other maintenance that we have had in smelters. So, I think overall, pretty strong. And obviously, Onça Puma should be a stronger contributor, probably at least 10 based on the bringing up of the furnace rebuild.

So quite a few positives there. The only negative will be the deconsolidation of PTVI. I think there's about 2 there. So, net-net, we should go from about 67 to probably a pickup of around 30 in the 2H. That's what we are assuming at the moment, that's how it looks. We are pretty comfortable with that at the moment.

Operator:

Thank you. This concludes today's question-and-answer session. We would like to hand the floor back to Mr. Eduardo Bartolomeo for the Company's final remarks.

Eduardo Bartolomeo:

Thank you. Well, as I mentioned in my initial remarks, the 1H24 is over. The best is yet to come. I think we are really confident on delivering on our strategic guidance. I think safety is one of the things we are most proud of and we are extremely well on that, as I mentioned before. I think on iron ore, cost is going to come to a place where Gustavo mentioned, and production, for sure, is on our hands.

The things on direct reduction, as Gustavo mentioned as a key takeaway, is coming on to reality. As Spinelli mentioned, we announced the Oman concentration plant.

One thing that makes me very happy is the contract of our new CEO at Base Metals. Shaun is going to do a great job, help Mark do the transformation that is needed there. And as Gustavo has mentioned in his final remarks, we are always committed to create value.

So, I will end like always. I have never been so optimistic and that's why I am optimistic. We are delivering on what we are promising to the market, and that makes us happy. And of course, I would like to thank our employees, our team for that. And you, of course, for having to interest and talking to us. Until the next call.

Operator:

Vale's conference is now concluded. We thank you for your participation and wish you a nice day.