



Vale S/A
First Quarter 2019 Earnings Results
May 10th, 2019

Operator: Good morning ladies and gentlemen. Welcome to Vale's conference call to discuss first quarter 2019 results. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session and instructions will be given at that time.

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

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

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

With us today are:

- Mr. Eduardo de Sales Bartolomeo, CEO;
- Mr. Luciano Siani Pires, CFO; and
- Mr. Alexandre Silva D'Ambrosio, General Counsel.

First, Eduardo Bartolomeo will proceed to the presentation on Vale's First Quarter 19 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: Okay, thank you. Good morning to all. Before handing over to Luciano to comment on the first quarter results, I would like to tell you that in my remarks I'm going to go over the priorities that the company is facing now, an update of the reparation efforts and share with you some small changes that we have made in our strategic agenda.

Well, first of all, I would like to offer on behalf of all Vale's employees our sincere apologies for the tragedy that happened in Brumadinho. I have taken the helm at Vale during the most challenging period in its 77-year history. A critical moment, however, that also brings important opportunities to transform the company.

In my first conference call speaking as Vale's CEO, I'd like to thank all employees, the authorities, the firefighters and the Civil Defense of Minas Gerais State, as well all volunteers who have spared no efforts in the ongoing rescue and shelter operations since January 26th.

Vale's totally focused on the reparation efforts and is also completely committed to the affected communities. As such, from now on we will work and drive Vale's priorities: safety, people and reparation.

The safety of people comes first as our company is made out of people, more precisely not only the 110,000 of our own and third-party employees in Brazil and in the rest of the world, but also the people



from the nearby communities who must feel safe in the knowledge that they are our neighbors. We will also give priority to the safety of our assets. The safety of our assets means the safety of the people and of the process of our operations.

Another priority, which is just as important as this, is the reparation of damages caused in Brumadinho, and also of the inconvenience caused to the people that were forced to leave their homes in other regions of the Minas Gerais State.

As the company has demonstrated over recent months, we have not spared and will not spare resources or efforts to make good quickly and fairly the damages caused to those families involved, to the infrastructure of this communities and to the environment.

We have recently announced the creation of the position of special director for Recovery & Development. This is located in Brumadinho and counts on the support of 400 employees. This new structure reports directly to me, enabling it to work with the proper speed and flexibility. The objective is to guarantee that everything is done within the agreed targets.

Several relevant actions are under the scope of this structure. Please, allow me to mention some achievements so far. If we can go to slide 5 and 6, we will see that in the donations, I'd like to pinpoint two points here: One is the immediate response that we gave on the R\$100,000 for the immediate offer for the people that got affected, and more importantly as well, or as important, was the support that we gave to the municipalities that were affected economically to keep providing the services that are needed in this situation. The second is the institutions that are helping us there: the firefighters, the civil defendants, the police, we were able as well to help them, and finally, in our preliminary agreement, we already engaged 33,000 people in the indemnification process there.

So, another relevant topic was... sorry, just on the next slide I forgot to mention a very relevant thing, because this is in the human aspect, but in the infrastructure aspect and the environmental aspect we were able to build in a very short time notice the treatment of water that will allow us to stop the rejects to get to the river, we are undergoing a very extreme sampling of the river, 65 stations, over 1.100 million samples and we are glad that the rejects didn't achieve the San Francisco River.

So, as I was going to say, another relevant topic to us is the support with complete transparency of the investigation of the causes of the tragedy. We have established two internal and independent investigations, one of them requested by the Board of Directors.

If we go, please, to the next slide, but our agenda for the next year goes beyond the full reparation of the damage. We will keep on pursuing the previous established priorities, by which I mean the turnaround of the base metals division, the discipline in capital allocation, and the maximization of the flight to quality trend in iron ore, adding, as you can see in the slide, two new priorities: the focus on safety and operational excellence; and the creation of a new pact with society.

We will move forward the trajectory of base metals transformation applying the best practices at our own operations and converting it into a significant cash generation. We will keep the focus on disciplined capital allocation with a renewed emphasis on value creation and asset safety. Our current and future portfolio will always be evaluated taking into account risk and alignment with our strengths.

We will continue to leverage, as well, our strength in iron ore, coal, iron ore world-class reserves, its assets and logistics to maximize the value generation of our premium portfolio. Nevertheless, we are also committed to increase even further the safety of all operations through the improvement of our asset integrity. Our mission is to transform the way we operate by working on three interconnected



fronts: safety and risk management; asset management and; in the organization process and culture, which are represented in our management system called VPS, or Vale Production System.

If we can go to slide 4, we can see that the role of this office that we are going to create is basically on the left as, I would say, an architect that defines the procedures, the minimum requirement and do the audits, and at the right is the first line of defense that executes the contracts, so it's the people that are complying with the standards, are executing the Vale Production System as I mentioned.

So, the mission of this office will integrate these three work fronts. This structure will keep opened a direct report channel concerning operational risk management to me and to the Board of Directors. It will be composed of highly qualified professionals who will act independently, thus strengthening and unifying the second line of defense for operational risks.

The second line already exists in the company but was carried out by different areas with different lines of report, such as Health & Safety area, the Geotechnical Corporate area and the Business Risk Management area.

The pillar of safety and operational excellence is strategic as it is the basis for everything. Effective processes being executed by capable people generate predictable results, lead to a positive impact on our costs, on our volumes and obviously on the safety of people and assets.

Lastly, I'm also committed to a new pact with society in which we will deliver a new value proposition by acting as a major force for generating wealth in the communities where we operate, going beyond mere tax payments and the reparation actions. We want to establish partnerships and alliances to foster sustainable development at the local territory. I believe this is mandatory for an effective redefinition of mining in Brazil and in the rest of the world.

As you can see in the slide, the way we believe and envision the system is that we move from a reactive position to a position that we help society, that we will work together with regulatory authorities, the industry peers, the society, the IBRAM in Brazil (or MAC in Canada) to achieve this vision. Our idea is to improve our regulatory frame to be working together with each one of the players that are within the industry.

Well, the journey has just begun, and I know that we have many challenges to overcome. Nevertheless, I'm confident that we know we can count on thousands of employees eager to create a Vale even better from this moment on.

If someone asks me today how is success measured in the medium term, I would say that: first of all, I would like to see Brumadinho reborn with new economic vocations, then see our culture transformed with safety becoming an obsession and sustainability being incorporated in our local operations; our asset portfolio leaner with the risk versus growth relation being optimized through disciplined capital allocation; and finally, that society recognizes in this medium term our genuine efforts to become a better company.

To conclude, I would like to reaffirm that we will never forget Brumadinho, and that our legacy will be to transform Vale into the safest and therefore the most reliable mining company in the world.

Thank you very much and I now pass the word to Luciano.

Luciano Siani: Good morning and good afternoon. I'm just going to restrict myself to a description of the provisions, which is the key one-off of this quarter, then will move to Q&A.



My goal will be to give you a sense of what has been provisioned, what might still be provisioned and how the cash flows should behave going forward. So I will start by the decommissioning of upstream dams. For those who have the results release I'm going to follow the numbers on the box for provisions that add up to US\$4.5 billion, so I will start with the 1.8 for the decommissioning of upstream dams.

First, why provision for decommissioning? Because this is not an investment, because it will not generate an asset capable of generating revenues in the future, so from an accounting perspective it needs to be provisioned.

We now have the basic engineering and we are going into the detailed engineering for the decommissioning of nine dams, these are the large and all of the upstream dams that we have. In addition to that, we do have small dikes built over tailings within larger structures built by conventional methods. So here I am talking about the dams, the dikes themselves are now being subject to further analysis and are not included here.

All of the nine dams will be decommissioned through removal of the tailings inside and the tailings will be deposited elsewhere, more commonly, on exhausted pits. The timeline for decommissioning will depend especially on the volume of tailings, initially reservoirs, and on the engineering method to be used. So, we now know everything which is behind the engineering for all of those works. So therefore we do have these estimates, this is the present value of the amounts to be spent and the profiles should have a more concentrated spending over the next 18 months, so we are estimating in 19 to spend between US\$150 and US\$200 million on the decommissioning, then about 500 million in 2020, and then it should come down to a level between 150 and 200 over the next many years.

If we move now to the direct impacts on the affected people, we have 2.4 billion of provisions, of which the largest amount is 1.77 billion for the framework agreement with the public defenders. These amounts were based on an extensive collection of references from previous legal cases, and that entails compensation for moral effects, compensation for lost revenues, compensation for losses, for example, of plantation, losses of houses, so everything is in here, and the estimate is that we are going to spend around 60% of it over the next 12 months, then 30% on the 12 months afterwards, and then another 10% further down the road.

The TAP agreement, US\$264 million, includes – this has a more precise estimate because that's the payment of a monthly stipend for about 100,000 people which is ongoing, we already paid over 30,000 of them – and this should last for 12 months.

The next one is the framework agreement for the Public Ministry of Labor, basically it's the agreement that we will pay salaries and health insurance for the families until the date in which the victims would complete 75 years old. So, those amounts, the uncertainty on those, although that I mentioned are more related to the number of people affected, so when we talk about the framework agreement with public defenders we don't know exactly how many people, we estimate 100,000, when we talk about the preliminary agreement for stipends, we don't know exactly how many people, but we have a good estimate. The framework agreement with the Public Ministry of Labor relates to the families of the victims, so therefore we know how many they are. Then we go into the administrative sanctions of IBAMA and others, and donations.

So as you can see, most of what is in here relates to social and economic damage and compensation. What's not here is the environmental damages, there are news in the press about, for example, dealings between Vale and the local concession company for water supply, about potential alternatives to ensure the continuous supply of water for the Metropolitan area of Belo Horizonte, so there is talks about water



treatment stations and pipelines to reinforce the safety of the reliability of the system, but we don't know yet what the final solutions are going to be, so we have not provisioned those.

What also is not in here is what may arise from future negotiations with the public prosecutors on collective damages, and finally what's also not in here is provisions for decommissioning of the Germano dam at Samarco, because Samarco is not generating cash, so therefore Vale and BHP will have to split the costs for the decommissioning of that dam, of that one single dam.

So those three factors are not in here, the other social economics, this is very encompassing, very comprehensive this list, most of the amounts should be spent in a short period of time for the social and economic damages, so 60% to 70% if you sum all those. On the other hand, on the decommissioning most of the amounts are going to take a longer period of time. Concentration on the next 18 months, US\$200-500 million, but then smaller amounts down the road.

So, ladies and gentlemen, initial remarks about the provisions and now we open for Q&A.

Question-and-Answer Session

Operator: Thank you. Ladies and gentlemen, we will now begin the Q&A session. If you have a question, please press the star key followed by the 1 key on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue, press star 2.

Please, restrict to two questions at a time.

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

Carlos de Alba: Thank you very much and good afternoon. So my question, Luciano, is on the impact of the Brumadinho accident on the cash cost of iron ore. I read in the release the company broke into two pieces: One impact of 1.5 per ton in the C1 straight effect, and then another 2.7 per ton in impact of the stoppages following the dam rupture. But that was classified as an expense and not as cost.

Could you please walk us over the rationale to separate these two, and then if you could, as a follow-up, how do you see these two impacts moving forward in the following quarters? Thank you.

Luciano Siani: Carlos, thank you for your question. The goal would be to make the C1 cash cost independent from the Brumadinho effects, so the increase you saw from US\$12.8 per ton in the 4Q to 14, relates more to the lower dilution of fixed costs, and it's a seasonal effect and it happens every year.

Actually, if you compare 1Q19 to 1Q18, there is the decrease from 14.8 to 14.0 mostly driven by the exchange rate. What we expect going forward for C1 is the normal behavior which you will observe every year, so in the second quarter you should stay approximately at the same level, but then in the third or fourth quarter, because of the increased volumes of production and sales, it should come down again to around between US\$12 and US\$13 per ton, in a way that, on average, we are forecasting the average C1 for 19 to be US\$13.3 per ton, down from 13.6 last year.

The 2.7 is a real hit on the Ebitda for the iron ore business, but it has been classified differently on the stoppage expenses. It's basically the wages and fixed costs for the operations which are not producing. So, the 2.7 it is, in fact, the effect of the lower dilution, but not at lower volumes for seasonal reasons, but because of the sites which are not producing.



So this you will continue to see over that line, and the evolution of this will depend on the stoppages. So if operations come back, the numbers should come down, if the operations continue to be stopped, the numbers should be similar to that.

Because of the fact that, in the first quarter, we only had two months of stoppages, so the normalized stoppage expenditures would be closer to US\$4 per ton for a full quarter. But again, if you see, for example, like Brucutu operations returning, then the numbers should vary accordingly.

Carlos de Alba: Alright, thank you. Thank you very much Siani.

Operator: The next question comes from Timna Tanners, Bank of America Merrill Lynch.

Timna Tanners: Yes, hello. Thank you. I wanted to ask a little bit more about the color we saw in some headlines earlier today of the 400 million ton target over the next several years for resuming iron ore production. I know you get some color about the timing of that, but can you help us understand the parameters like what the 30 million tons from Brucutu and then the next 30 million tons, what has to happen for those to restart, and what is your level of confidence? Thank you.

Luciano Siani: Okay. So, a common question is when we are going to come back to 400 million tons. The short answer is: between 2 and 3 years. The long answer is: you should think about the 90 million tons which are subjected to some sort of restrictions as divided equally in three parts of 30 million, the first part is Brucutu. Today we are producing close to 10 million tons within Brucutu on dry processing, so for Brucutu to come back to 30 million tons it requires release by the justice, so a favorable decision towards Vale.

So you've been seeing back and forth decisions for stoppage, then release, stoppage, release. Right now we continue to be very confident that we will get a final decision based on the fact that it is a conventional dam, it has the stability statement, so we see no reasons why it should continue to be stopped and the interim decisions that kept it stopped relate more to the fact that the judges have been deciding without complete information. So as long as we submit to them the complete information, we are confident that it will restart. So, this is very short term.

The other operations they are subject to... the 60 million tons, they are subject to several restrictions. So, why am I dividing this into 30 and 30? Because there is a possibility that is easier to bring back those operations to produce through dry processing than to produce fully using wet processing.

In order to release 30 million tons of dry processing production, we need basically to get the National Mining Agency to release production on our mines and our mills with the dry processing methods, and what needs to be provided for the National Agency for them to make this decision, are engineering reports stating that the explosives, the mining operations, the dry processing operations at the mills do not cause triggers and any potential seismic waves at the existing dams which are being challenged.

So, in other words, I have a mine which is 10 km away from a dam which is being challenged, I need to prove that the mine movement and the blasting will not affect the challenged dam. So these engineering reports are being provided, the first ones that we received are somehow in the direction that we anticipated, so they state that there is no connection between the mining and blasting operations and the dams, so we believe that by the second half and in the next 6 to 12 months we should be able to bring different parts of this 30 million back home, because we are talking about different sites.



Lastly, the remaining 30 million, which includes wet processing, depends on something which is more difficult, which is a release from the courts and the public prosecutors based now on a more comprehensive and thorough assessment of the safety conditions of each dam. We are working together with the prosecutors, we have the same goal here, we are not in a hurry to bring up the production back, we are providing additional reports and, in some cases, a second and a third opinion to make sure that those dams are safe, and in some cases some [...] of the dams are being conducted.

So these last 30 million are the ones, which should require another, as I said, two to three years to come back. So when you put the picture all together, the 400 million should be coming back in two to three years.

Operator: The next question comes from John Brandt, HSBC.

John Brandt: Hi, good afternoon. I first wanted to ask you about any potential impacts on the quality of your products. I know the Fe content in the premium pricing has gone up recently, but as you return to the market with some higher-quality Carajás ore after the impact on the courts, do you anticipate any impacts? Do you anticipate increasing of your quality portfolio, which could potentially have negative implications on the quality price per Carajás?

And secondly, I just wanted to ask you about the inventory management system that you changed in the Chinese ports. Just the rationale behind it, was it a capacity issue, are you running out of capacity there? Is that what was the change or was there something else striking that? Thank you.

Luciano Siani: Okay. The first part of the question on quality, the overall direction is for an increase in quality, given the ramp-up of S11D. In the short term, you have operations stopped which both produce very high-quality products, such as pellet feed and lower-quality products, such as dry processing. So, as you move forward, for example, if we bring Brucutu back, most of the Brucutu production is wet processing, so most of the products are pellet feed high-grade, so therefore it should have an upward bump in quality. But as you bring the additional 30 million tons, mostly through dry processing, then the quality should decrease again. In other words, there will be fluctuations within an overall trend of increased quality.

In terms of the product mix, again, today we might have an excess of Carajás, we plan to bring some Carajás in order to produce pellets in the South. As you move towards... as dry processing comes back, you start mixing more dry process material with Carajás to produce Brazilian Blend Fines, so the mix should revert more back to normal levels.

On the second question on inventory management, in fact there was a lot of lack of operational flexibility the way we were operating, sometimes with implications on capacity of particular ports, sometimes with implications of costs, because you would have many small stockpiles, almost a stockpile for each of the clients, once the revenue was recognized with the materials still at the port.

So, you have to segregate separately and have one stockpile for each client. Now we're doing it more simply, we establish the contract only when the client comes there and remove the ore from, let's say, a generic pile, we recognize the revenue, so therefore now we don't have more this restriction of having to segregate a specific pile for each customer, and therefore you operate with lower costs and better flexibility in capacity.

Thank you.



Operator: The next question comes from Gabriela Cortez, Banco do Brasil.

Gabriela Cortez: Thank you very much guys. My question is just a follow-up from John's question regarding quality. We saw that iron ore fines pellet premium fell quarter over quarter although we saw pellets contribution increasing. I just wanted to know, to understand a little better what to expect from now on in terms of pellets, the rationale behind it just to try to figure out how the total quality premium is going to be from now on. Thank you very much.

Luciano Siani: So, quality premiums declined in the first quarter mostly for two factors. First one steel margins were smaller, we know that there is a direct relationship between the Carajás quality premium and the steel margins, higher steel margins you have a higher opportunity costs, higher incentives for productivity, then you can pay more for high-quality material. The second reason was the environmental closures mandate by the government were lighter in this winter than in past years, and therefore some of the steel mills could operate at lower utilization rates and therefore, again, you need less of the high-quality material in order to... because you need less productivity.

So those two factors took the Carajás premium towards US\$10 per ton. Since April, it has rebounded back, US\$15 on average last month, and now, yesterday, a trade of US\$16 per ton, so now you have steel margins increasing again, improving again, demand is very healthy within China now, and also you have a more normalized production, so utilization levels came up again. So we believe those two factors are going to support Carajás premiums going forward.

On the pellets side, the increase you saw relates to the negotiations of contracts that happened late last year and now you have a quarter in which those negotiations are flown into the income statement through higher premiums. Thanks.

Operator: The next question comes from Andreas Bokkenheuser UBS.

Andreas Bokkenheuser: Thank you very much. Just one question for me on your provisioning. I think US\$2.4-2.5 billion; can you briefly just walk us through, you know, how you came up with that number? I mean, what exactly goes into that number, is that mostly environmental thing or are there other things in there as well? That would be great, thank you very much.

Luciano Siani: Andreas, the number does not include any provision for cleanup or for water supply works. Everything which is in here is social and economic indemnifications, it does include for the families of the victims, moral damages and payments of salaries until 75 years old, and health insurance for the families. So these amounts are easier to estimate. It does include also the preliminary agreements for payment of monthly stipends to about 100,000 people on a monthly basis for 12 months, and we made a lot of well-educated estimates – and these are mostly under the 1.7 billion out of the 2.4 in the release, which we name it as framework agreement for the public defenders. We made several educated estimates about the indemnifications for all types of losses and, based on past experiences, and unfortunately including the experience that we had in Samarco, as there are lots of references in Samarco that can be applied here.

For example, for people who lost their plantation and small farms, people who lost their houses, and people who lost economic activities, people who needs to fish, so there was a very educated guess



based on the number of people affected, on the geography, the social economical profile of population and the amounts reference in case such as Samarco to get to these 1.7 billion.

When you add this all up together you get to the 2.4, mostly social economical, nothing related to environment yet so far.

Operator: The next question comes from Tyler Broda, RBC.

Tyler Broda: Great, thanks very much for the call. Gentlemen, just two questions from my side. Just one I guess on VNC. Could you just go through sort of what the changes are there operationally, on how that ramp up sort of you expect to see happening over the next six months. And then I guess iron ore on VNC but then also in terms of coal I guess, is there any change in the thinking around (or not) these assets fit within the Vale portfolio at this point? Thank you very much.

Eduardo Bartolomeo: Okay Tyler, it's Eduardo here. VNC's undergoing a profound transformation since the arrival of the ship in November or December. Coupled with this, we had a stoppage in asset plant, and of course, hit by the downturn in price that we saw since the first quarter and now even worse now.

So, my expectations around VNC is that the work that has been undergoing will start showing progress on the fourth quarter, it is really a turnaround of very basic principles, as I even said in my presentation, around the management system that was very, very weak there, so we need to strengthen with that, there is a lot of effort being put with the support of corporate Toronto, of the people on the island, we have PIP there as well. So to be very objective with you, we believe that we can see results into the fourth quarter, but not before that. So we will try to do our best, but it will take time, you don't correct something like that in short term.

About coal, I think it's too early to talk about revision of portfolio, but for sure if we... as we said, we have to undergo a very strict analysis of everything, we do that consistently. I think Luciano can help me on that, but it is something that we do periodically, we are starting our strategic plan, but we have nothing yet, not only for coal, but for our own assets, they are going to be very strictly assessed on their safety, on their risks, on their ability to perform, on their strength, on their alignment with our strengths in logistics, bulk materials, how we move, how we manage. So that's basically our thoughts around it.

But I think Luciano can add. Please.

Luciano Siani: The only thing I would add is, as you can see by the pillars that Eduardo established in his initial presentation, management attention will shift somehow towards Brazil in the next few years naturally. So, this is an additional consideration beyond risk that we will apply in reviewing our portfolio as a whole.

Operator: Next question. Thiago Lofiego, Bradesco BBI.

Thiago Lofiego: Thank you gentlemen. Just a couple of follow-up questions. How much iron ore from third-party do you expect to purchase this year? And also if you could give us an update on the acquisition of ferrous. Would you consider canceling that deal at all or is that still 100% in the card still? Thank you!



Luciano Siani: We will continue to purchase around 10 million tons of iron ore from third parties. We are, as I mentioned in the Portuguese call, also looking perhaps to purchase a little more pellet feed in order to supply the pellet plants, but other than that, it shouldn't be large numbers. The ferrous acquisition will move forward, especially now the pellet feed that it will produce is even more precious for us. On the current status on the antitrust authorities, I'll handle to Alex D'Ambrosio for the update.

Alexandre D'Ambrosio: Okay, thank you Luciano. We are waiting for the CADE to rule on this, it has been recently distributed to the commission and we expect that within the ordinary course, within a couple of months we are very confident that it will be approved, although it is still an open decision that has to be made.

Luciano Siani: Thank you.

Operator: The next question comes from Gustavo Allevato, Santander.

Gustavo Allevato: Hi. I have two questions. First one I'd like to understand what are the key variables that could eventually change the agreement with the public defenders that eventually changes the value of the 1.7 billion. And the second question is regarding how is the company seeing the actual demand for iron ore and the inventories throughout the chain three and a half months after that? Thank you.

Luciano Siani: The 1.7 billion, it depends a lot on the number of people which are going to be indemnified and their social economic profile. So, we made some guesses, but there can be variations.

As regards demand from iron ore, we see demand helping this year, I do have some numbers here to share with you, so what we are seeing is steel production in China to stay stable and steel production ex-China to grow by 2.4%, so about 1.2% overall growth for the market. So, this is very good because it starts from a very high base, the growth last year was very important, and given the supply disruption of our own on Australia, there shall be a lot of support for demand for our material.

In terms of inventories, we would normally continue to build some inventories because of the ramp-up of S11D and the increase supply of Brazilian Blend Fines, but in order to cope with the reduced production this year our inventories should remain somehow flat, and we saw some consumption over the first quarter of around 3 million tons.

Operator: The next question comes from Petr Grishchenko, Barclays.

Petr Grishchenko: Hi good morning, thanks for taking my question. Just two quick ones. On the liquidity front you mentioned quite a good cushion, given 5 billion in cash production. I'm just curious, I think you have still 5 billion undrawn some place, I'm curious if all of this amount is available to draw, and if so, why, I guess, you decided to issue 1.2 billion of new credit lines at higher costs rather than drawing your other lines. That's number one.

Then number two, if you can update us on the Samarco situation, where this license process stands and how do you think about a start?



Luciano Siani: So the revolver is not available, the reason why we opted for going for regular commercial lines is because we considered the revolver to be a last resource. The market understands, basically, when you draw a revolver that you're signaling that you have ran out of additional options, and obviously we still have a lot of credit, as you can see, we raised funds and this makes a lot of difference. When you are to renew the revolvers people look at the past and see how you have managed your access to the facility, so therefore this was a decision more based on signaling for the market rather than anything else. And you are right, commercial lines are usually higher costs than the revolver.

In terms of Samarco, we still have to fulfill one or two requires from the authorities in order to get the resumption license, the restart license, and also the works on the preparation of the exhausted pits to receive the tailings from restart are ongoing, they should finish by September, which is our expectation somehow when we are going to have to restart a license.

Once you get the restart license, you have to do some investments, mainly on the filtration in order to move forward, and therefore the forecast to restart date, as we speak, is middle of 2020 to second half of 2020.

Just additional information on the questions I answered before, on the market conditions and demand, I just wanted to highlight that the inventories in China have been declining very quickly recently. Today they stand at 133 million tons and for the month of April the statistics were released, the amount of ore that arrived in China was 63.5 million tons, a drop of 30 million tons from what arrived in March. So it's very significant, it coincides with the time it takes to take the Vale production from Brazil elsewhere, so the physical impact of Brumadinho is starting to be felt within China. Everyone notices that, and therefore there is somehow a little rush to get access to the very small amounts of material that are arriving, and also, as a mentioned, the impacts by the cyclones in Australia as well.

The other information I would like to add, what I said to, I think it was to Andreas from UBS, that there are no provisions for the environment, I don't want to mean that "okay, you should expect another very large number for the environmental provisions". I just wanted to remind you that compared to the Fundão dam breach at Samarco, the amount of tailings that was leaked to the river is estimated at close to 3 million m³ of tailings, as compared to around 35 million m³ for Samarco. So it's a tenth of the volume, so therefore the environmental impact is way much smaller.

To give you now another reference, there have been reports in the press that Copasa, the water supply concession company at the state of Minas Gerais, would potentially ask for R\$2 billion, therefore US\$500 million of works to upgrade the water supply system around the Metropolitan area of Belo Horizonte. This is a very long list of wishes in terms of whatever they could ask for and we understand that the final negotiation will be just a fraction of this.

So, I hope that with those two pieces of information I give you a better idea of what the size of the environmental provisions might be in the future.

Operator: The next question comes from John Tumazos, from John Tumazos Very Independent Research.

John Tumazos: Thank you very much. Luciano, Eduardo, the entire team for your tireless works for Vale, the communities, the shareholders. We all appreciate your stamina.

Concerning legal penalties and civil lawsuits, forgive me I am a stranger and... [line drop] ...



Operator: Ladies and gentlemen, please, hold.

Mr. John Tumazos?

I think we lost the connection with Mr. John Tumazos.

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

Eduardo Bartolomeo: Okay. Before closing, I'd like to thank John for the..., sorry we lost him and he can contact us and we will come back to him with the details of the lawsuits, but it's truly a very hard period for us, it is a lot of stamina from everybody here to face this hard moment that the company is facing, for sure, but as we said during the presentation, we want to keep very clear to everyone that our priorities are safety people and reparation.

The update of this shows that Vale will not spare any resources and efforts to repair everything that was done. And finally, we are going to build a strategic agenda and what we have as our strengths, the three ones that are coming from the past, we need to really strengthen the base metals division with its high-quality asset base, we need to continue and focus on our flight to quality with a premium process. Capital discipline will be strengthened as we mentioned before, but fundamentally we need to add these two new pillars in our strategy: the new pact with society, and foremost, and as important as all of those is the safety in operational excellence. That will help us to transform us in a better company, a safer one and a more predictable.

Thank you and I hope to see you in the next quarter.

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