



**Local Conference Call
Vale S/A
Second Quarter 2020 Earnings Results
July 30th, 2020**

Operator: Good morning ladies and gentlemen. Welcome to Vale's conference call to discuss Second Quarter 2020 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 is transmitted via internet as well. The broadcasting via internet – both the audio and the slides changes – has a few seconds delay in relation to the audio transmitted via phone.

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

With us today are:

- Mr. Eduardo de Salles Bartolomeo – Chief Executive Officer;
- Mr. Luciano Siani Pires – CFO;
- Mr. Marcello Spinelli – Executive Officer for Ferrous Minerals;
- Mr. Mark Travers – Executive Officer for Base Metals;
- Mr. Carlos Medeiros – Safety and Operational Excellence Executive Officer;
- Mr. Alexandre Pereira – Executive Officer for Business Support;
- Mr. Paulo Couto – Director of Coal;
- Mr. Alexandre D'Ambrósio – General Counsel; and
- Mrs. Marina Quental – Director of People.

First, Mr. Eduardo Bartolomeo will proceed to the presentation on Vale's 2Q20 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.

Mr. Eduardo Bartolomeo: Okay, thank you.



Good morning to everyone. First of all, I hope you and your families are doing well and overcoming this unprecedented moment.

The first thing I would like to highlight is that Vale continues to face the COVID-19 pandemic with humbleness, discipline and sense of urgency. For almost 5 months, we have been managing the company in a remote way. The pandemic demanded us to make important choices, it puts our planning to the test. We are learning a lot during this process and adjusting that planning based on the new situations that we face. As I have said in the last quarter, this war will not be a quick one, so we will keep our defense high.

Finally, our priorities continue intact, they are: Safety; people; and the full preparation of Brumadinho.

Next slide, please. Well, our derisking plan continues and our response to the pandemic has been incorporated on it. Let me remind you that our derisk focus has 4 fronts, which prioritize: First, the reparation of Brumadinho; second, the safety of our employees, our dams and the support for our communities; third, the stability of our operations; and last, the discipline in capital allocation.

I will detail a little bit each of these 4 fronts to you in the next slides. Please, next one. Starting with the reparation, our commitment to Brumadinho remains steady. In this pandemic, we are they are helping to ensure resources necessary for the healthcare of the affected communities.

The indemnifications continue remotely with more than 7,600 people covered by agreements, which totals about R\$ 2.9 billion with the emergency aids. Also, we have already entered into a fair number of agreements with the authorities focused on reparation projects from protection of fauna and flora to water security in the region. So far, we have invested R\$ 11.5 billion in the reparation of Brumadinho and actions with dams. That is to say that we have already done all lot and we will continue to do so aware of our commitment to the reparation.

Could you please pass to the next slide? Well, I have been saying repeatedly: Our top priority is safety. Speaking of our people, in all our operations we have implemented world-class standards to face the pandemic. In Brazil and in Indonesia, we have implemented mass testing in the operational areas, and we have already tested our workforce more than once.

It is important to say that we have strictly followed the WHO protocol for test, track and treat. We continue with our daily checklists and screening to our employees that enter our operations.

I was in Carajás recently and it was very important to see how we are applying what we learned when dealing with this absolutely new situation for everyone, as it was the case for Itabira, for example.



On another front, we continue to implement the HIRA (*sic*), our identification and risk treatment program. In 2020, we have already completed its implementation at 11 sites with another 47 planned by the end of the year. We're also implementing HIRA (*sic*) for dam safety starting now in August.

Speaking in dam safety, we continue to make progress on our decharacterization plan. We are advancing with the work for the completion of the Fernandinho dam and the construction of the containment structures. Finally, the Engineer Record, mentioned in the last call, continues to support improvements in the safety standards of our dams.

Could you please go for the next one? Safety also involves the care for our communities. We continue to support society aware of the essential role we have in the economy. In the city of Parauapebas, for example, in a partnership with the city hall, we have made mass tests available to the population. Parauapebas was the first municipality in Brazil to do mass testing with the PCR exam.

By the second quarter, we have already dispersed R\$ 470 million in actions to fight the pandemic in our operations around the world. I would like to stress, it's not just about financial resources, we are working together with the communities and with the authorities, as in Parauapebas, with the expansion of the capacity of the hospital there and the construction of one field hospital, which we constructed and operated.

As you can see, our obsession with safety continues with great discipline from our teams in collaboration with communities and authorities.

Could you go for the next, please? Well, within our new pact with the society, we continue to evolve in our ESG agenda. Recently, we took important steps with the creation of the Nomination Committee, which aims at the evolution of our governance model and which will work already for the election of the Board in 2021 and the announcement of our Chief Compliance Officer, responsible for managing our third line of defense, strengthening our governance.

Also, we are doing firm in the ESG gaps closure plan. We have a target of closing 10 gaps this year, of which we already closed 3: The formation of the Audit Committee; the disclosure of the management compensation; and the release today of our tax transparency report.

On the environmental front, our ambition regarding climate change is even more up-to-date. We announced last quarter that we work to reduce 33% of our emissions scope I and II, in line with the Paris Agreement. And very important, we have an ongoing roadmap to achieve these ambitious goals.

Already looking at scope III, we recently announced a non-binding agreement with Kobe Steel and Mitsui to establish a new company targeting on supplying



low-carbon metals to the steel industry. This new company will use existing and new technologies, such as our Tecored and Midrex Process.

And why is prioritizing ESG factors so important? Because we believe that the integration of ESG in our routine will be essential for Vale's derisking.

Please, the next slide. As a third point of our derisking, we continue to stabilize our production. Amidst the restrictions that were imposed by the authorities due to the pandemic and our own safety measures, this process is being very challenging. An example of this is that we operated with forced absenteeism to protect our employees as a result of what I explained about testing, tracking and treating people. Even those who did not test positive but had contact with positive cases were quarantined.

Our efficiency was impacted so that we could maintain a safe working environment and continue to operate. The good news is that since June we have been able to plan our production and maintenance without any restrictions.

Also, we had important achievements in the resumption of our production in iron ore: We had the restart of Timpopeba and the speed up of the production pace in June and July; we have moved on to a very strong second half aiming to meet the guidance for the year. We still have some steps to follow with the resumption plan, and Spinelli will give you more details about them soon.

In Base Metals, we continue to bear the fruits of the good work carried out in North Atlantic with robust nickel production since the fourth quarter of 19. Voisey's Bay mine operations resumed safely one month ahead of schedule after 3 months in carry maintenance as a preventive measure for COVID-19.

In relation to VNC, we continue to negotiate the definitive sale of that asset to the New Century in a transaction that guarantees the continuity of VNC by this new operator. For this, we have indicated a commitment of the US\$ 500 million in the financing package for that business continuity.

In Coal, we faced a challenging quarter, highly impacted by demand, which, in turn, impacted our production. We continue to be prepared to start the revamping of the asset as soon as we can guarantee the logistics for entering the equipment and materials on the site.

Looking a little bit further, to conclude, with discipline and higher safety standards, we will resume our production capacity of 400 million tons of iron ore by 2022.

Can you please pass to the next one? Lastly, capital discipline is fundamental to the derisking of Vale; a point that we have reinforced on several occasions.



Looking at our capital allocation, it mainly serves 3 purposes: First, our commitments, for example, Brumadinho and our own financial debt. As I said, we are making progress on all these fronts. For Brumadinho specifically, we have provisioned US\$ 3.4 billion, having already spent US\$ 2.6 million in the reparation, which has been progressing consistently, quickly and with quality; the next is safety and operational continuity, and for these aspects, we have made investments around US\$ 4.5 to US\$ 5 billion for the next years, of course, it includes replacement projects and some growth initiatives; and finally, the remuneration of our shareholders.

Therefore, we believe that Vale fills in the necessary conditions to resume the payments of dividends. Our commitments are ongoing, our financial position is robust to meet these commitments. For this reason, Vale's Board of Director, with the support of our Executive Board, restored the shareholder remuneration policy.

Well, to conclude, our commitment is to continue to do everything we can to ensure the safety of our people in our operations. Finally, I would like to thank all of our employees and partners for their efforts in recent months.

I now pass the floor to Spinelli, who will be give more details in the company's resumption plan and afterwards Luciano will give some details about our results in the second quarter.

Thank you very much for your attention and let's get back to you on the Q&A. Please, Spinelli.

Mr. Marcello Spinelli: Thank you, Eduardo.

Well, we know that you have some questions about iron ore production, I want to address the answer in 3 blocks of information. So, firstly, it's important to emphasize that we have a plan to resume capacity to 400 million tons by 2022. We are sticking to the plan and we know what to do, what we have to do.

Secondly, obviously we had an additional challenge after COVID. So we have to change many things. I want to remind you that 4 main issues that we faced after COVID: So, first one was related to absenteeism, so now we are one third of the peak that happened in April, we are dealing really well in the North even now in the Southeast the Southern system that the problem is growing, but we so far so good; we had the stoppage of Itabira, we lost 1 million tons with this and we learned a lot and improved our controls after this case. Those impacts, those 2 ones, represent 3.5 million tons.

So we lost flexibility in our production. We know very well, any buffer now we need to deliver. Just to give an example, we moved one maintenance from the wet season to the dry season, so we lost more, we are planning to lose more production in this second half because of that, but it is already planned.



And just to remind you, we already said that we choose to keep our operations running rather than some constructions to improve capacity. So all those impacts represent 10 million tons. Part of that is already done, part of that is in our plan.

Well, the third information, the third block of information, I will drive you in this slide line by line. It is important to show that we have a different roadmap for each system that we have in Brazil. But, you see, I want to drag your attention about this, we have some options, real options, not only return or give more efficiency to the system, but we have new assets that we can give more confidence to return our operations this year and next year.

So Southern system, what kind of challenge we have there? We are more exposed to the upstream dams. So we have the sequence that we already told you many times that we need to test the impact of the operations in the dam, return the dry operations, the wet operations and the blasting. So in the first half, we improved our operations in Vargem Grande, we are now back in our full capacity in the mine side, but we still have restrictions to deliver this to the pipeline because we have some... part of the conveyor belt is close to one of the dams.

The second half we have 2 main improvements here: The first point is we need to go back to resume the operation of Fábrica. We didn't do this yet, we have the plan, we need some authorizations from the agency and the prosecutors, we already have this planned with them. We are not counting on this production for this year, but it will be back in next year.

The second point here is about Maravilhas III, and again, I want to drag your attention about this, this is a new asset that will give the possibility to return the dry production for Vargem Grande and we can have the full operation in 2021.

Second line is about Southeastern system. It's a little bit different problem that we have here. The challenge is: The problem with upstream dams is now behind, so we already resumed the operations in Timbopeba, we are running the operations in wet processing, we had some problems with the COVID.

And what is the main points that we need to address in the second half and next year? I want to remind you that we are moving from a common operation that used dams to an operation that we need filter the tailings and dry stack the tailings after that. But there is a construction for that, an implementation that will be ready only in 2022. Until there, we use the dams that we have, and we lost capacity as we are assessing 2 main dams in this corridor: One is Itabiruçu, in Itabira, and the other is Laranjeiras, in Brucutu.

We are really almost done in Itabiruçu, in a few weeks we are going to have the full assessment and probably we will be ready to return the operation and actually return the construction of the improvement of our capacity, so we need to plan this, when we are going to have the full report of the dam.



And Laranjeiras is a little behind, we still have to improve our assessment, we are drilling some tests, and as soon as we have information, we are going to have the plan to resume this operation.

But it's important to say, we also have another option for operations in Brucutu, there is a new dam called Torto that is under construction, we are not counting on this capacity for this year – remember that we had some delays with the COVID –, but we are waiting to have and we have high expectation to have the full operation of Brucutu next year. So after that, we have the bridge with the capacity of the dam and in 2022 we will move to the dry stacking operations.

The third one is the Northern system, and this is a totally different game. The name of the game here is new pit and ramp-up of S11D. We had a problem in the first half with a very heavy rainy season, we had some problem with COVID, and the delay of Morro I, that is a new pit in North range.

What we have in the second half? Full operation of North range, the S11D is running amazingly well, yesterday we had a daily record of 370,000 tons in one day, it's an amazing record, the run rate of S11D is 110 million tons for the last 20 days, and we also have another asset that is called Serra Leste, it's East range, that is coming again. So we quit this operation in the beginning of 2019 and now we already have the first permit for the resumption and the final permit is expected to August. So we are running to have the 230 million tons in the next years.

Just to conclude, in the last 2 months and a half, what we are planning we are delivering in our production. Definitely, we have many challenges after COVID, but from the last 20 days, almost at 30 days, we are delivering more than 1 million tons a day. So we are committed to delivering our guidance in the lower level of the guidance, we have many challenges, but we have a great asset to make it happen and the right people.

So, I want to pass to Luciano.

Mr. Luciano Siani: Thank you, Marcelo.

So a few highlights on the financials, starting by iron ore performance and costs, which was the negative highlight of the quarter. Cost increased from 16.2 to 17.1 and the major culprit here is low production.

Low production has several consequences, so it reduces the cost dilution, and because of the production below planned, we had many ships awaiting at the port to be loaded, and the demurrage costs skyrocketed. We had one of the worst quarters ever in terms of demurrage. We paid US\$ 81 million for the waiting of those ships, an increase of 28 million from the prior quarter, which in itself, is an increase of \$.50 per ton in terms of costs.



So we expect for the second half that this will all revert. So cost dilution will take off US\$2 per ton from costs and the fall of demurrage towards normalized levels will take another \$.90 off costs. That's why we are guiding towards 14.5 for the second half, which is slightly above the 14 we said the quarter before, and the reason is because of those delays on resumptions for the fourth quarter, which would further dilute costs, now they are into 21, so we will not get that full benefit.

But the FX devaluation already had positive effects in some other parts of the iron ore business. For example? stoppage expenses, I do know if you noticed, they fell from US\$ 3 per ton to US\$ 2.2 per ton mostly on FX/ the pallet margin expanded substantially, US\$ 22 per ton in the quarter. Okay, we had US\$ 5 per ton in price, we had the US\$ 7 per ton in dividends that only come every other quarter, but half this margin expansion, for example, about US\$ 8 per ton can be attributed to FX and lower cost performance of our pelletizing plants. So once we normalize the iron ore fines situation, we should also see important boosts in our competitiveness from FX.

In Base Metals, the results are self-explanatory, great performance production-wise for the assets, but below sales because of low demand.

I want to highlight 4 opportunities for Q3 and after, thereafter, for improvement of results: First one, sales will be above production. This is obvious, we've been building inventories substantially and now we intend, according to market conditions, to offload those inventories; second thing, gold is going up substantially, average prices 1,700 for the second quarter, now approaching \$ 2,000 per ounce. Every hundred dollars per ounce means an additional US\$ 11 million in quarterly EBITDA. So it's a boost; Onça Puma is coming back after finally we were able to do the comprehensive maintenance in July, it should come back at a rate of 25,000 tons of nickel per year and generating EBITDA, because today it's a marginal operation. So this will boost results as well; and last, but not least, Voisey's Bay ramp-up. It was a stopped, generating expenses, now we will come back, and copper production will increase, and expenses are going to come down. So watch out for these factors going forward.

Cash flows, they were modest, very leveraged on volumes. The performance only started to improve on volumes by June. As a result, we finalized the quarter with lots of outstanding sales to be collected, these sales were collected in July already, and just to give you an example, in 15 days in July the cash flow generation of the Vale was as large as in the entire first half. So the pace of cash flow generation is very different now in the second half than it was in the first half.

About the revolver, as we are resuming the dividend policy, we also said that we would repay first the revolver. We already give notice to the banks, but we are discussing a few small amendments to the contract before we repay, and that process should be concluded in August.



Finally, I want to highlight an important accomplishment yesterday towards derisking of Vale, which is the approval by the Brazilian Controllershship Court of the renewal of the concession agreements on our railways, both in the North and in the South. This is very, very important. Those concessions were due to expire in 27, they now have another 30 years beyond 27 extension.

It's still not the final milestone, we still have some minor adjustments that will be made by the agency and the ministry, but this bodes well was the final major roadblock towards the approval, and now we are very positive that we may sign the agreement this year.

There are some associated investments. Those investments are known by Vale since the proposal was crafted 2 years ago. So no surprise here, and it's already incorporated in our long-term planning, both of the sustaining investments and some capital investments to build assets for the Federal Government.

That was my summary, and now let's move to questions and answers.

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 1. If at any time you would like to remove your question from the questioning queue, press star 2.

Please, restrict your questions to 2 at a time.

Our first question comes from Timna Tanner, Bank of America Merrill Lynch.

Mrs. Tanner: Yeah, hi! Great, thanks for the opportunity and good morning. I hope everyone is doing well, or good afternoon there.

I wanted to just ask a little bit more about the production outlook. Clearly, the 400 million is a medium-term goal and you laid out some challenges in the short term. I was just wondering, you know, if you are concerned about the shortfall having added to the ability of your customers to find alternatives or to produce their own mines or to add to their own mining plans, such as [unintelligible] Simandou. So if you can just to talk about that and your concerns about the high iron ore price or the shortfall in supply.

And then I was just wondering if you could lay out a little bit more in terms of timing for when we could expect to see further updates on your divestiture plans in coal and VNC. Thanks.

Mr. Bartolomeo: Okay Timna, thanks for your questions. I think Spinelli can detail the iron ore perspective. Of course, I think prices are, in a sense, where



they should be, so attracts, of course, investments that wouldn't be. So I believe that the supply demand balance is key. But we see some medium-term losses in supply as well. But Spinelli is the most fit to answer that, and I come back with the divestitures, okay?

Mr. Spinelli: Hi Timna, thank you for your question. Firstly, Vale is the only company that can bring back almost 100 million tons in the next 2 years. So, as I mentioned, if we have some problems, I'm talking about delays of some months, but will be back. So this is very important information, we don't have any restriction, high restriction to come back.

Secondly, I think we have... if we need to supply more, if we have demand, remember that we have a policy that we are really stick to, that is the value. If we need capacity, definitely we have the best projects to happen.

We are developing another possibility to sum another 20 million in S11D, we are finalizing the project and we are going to submit this as soon as possible to our Board.

Again, you are right that the price is high. We don't see a support for the price in the short and midterm, actually. Remember that we are actually now bringing more than 50 million tons to the market in the second half. You are right that the demand in China is amazing, they have many stimuluses even for second half related to infrastructure, but we see that all that information that there is now support to keep so high the price.

Eduardo?

Mr. Bartolomeo: Thank you, Spinelli. I think just to add in Spinelli's point, I think we are the growth option that is the obvious one and the cheapest one, that's why we are going to submit, by the way, to our Board the extension of S11D to use our logistic capacity. And, of course, we have to remember our mantra: Value over volume, not to risk up the [unintelligible], so we are going to be able to, it doesn't mean we need to.

On the coal of Moatize, it is the same, there is no update, there is only the unfortunately we weren't able to start of the revamp because of the COVID. I think, by the way, coal was the most impacted by COVID in all dimensions from demand and production, but not for COVID, we had no COVID problem there. But the fact that we were not able to enter the asset to fix it will take a while. Our first strategy, as we've been saying, is fix the asset, then we are going to decide what to do with it.

By VNC, we have good news. I think we just added a little bit more time to New Century to cover some due diligence and some papers, but we are very confident that we are going to be able to close the transaction, that's why we did the relevant fact yesterday. But I think I would like to have Mark to add some



color just to give clarity, because it's very important to understand that we want a win-win solution for VNC.

Mr. Mark Travers: Yes. So Timna, I believe your question was around the timing and, as Eduardo was saying, we feel that we are in very good position to sign documentation with New Century as well as the French state before the expire exclusivity in early September, we feel like we are in a very good position to do so. And then we will go through a period of primarily the conditions around financing, concluding the financing, and we expect that the closing would occur before, well before year-end. So that's the timing.

And in terms of maybe some additional color, the financing package is, I would say, is quite well-defined in terms of our current discussions. Luciano already said some of the parameters of the financing package it was set out in our press release, a total of 900 million: €200 million from the French state; 200 million from New Century; 500 from us.

Just an important note about our contribution is that it is starting as of July 1st, so there are expenditures that we are already incurring and will incur up until closing, which will be deducted from that 500 million. There is also a deferred compensation component in the discussions where we could earn money back based on price in future years, and other than that, I think it's shaping up quite well and New Century is coming to the table with a very robust packet to continue to handoff this asset to them with us handing it off other than the contribution to the financing we would pass off the obligations and liabilities to the owners going forward after closing.

Operator: Our next question comes from Carlos de Alba, Morgan Stanley.

Mr. de Alba: Hello, hopefully everyone is doing fine. So my question is, maybe Eduardo, if you can comment on any updates on the potential comprehensive agreement with the authorities in Brazil regarding the Brumadinho, particularly the legal exposure, and any other provisions or money that the company may need to pay on that front.

And then, for either Eduardo or maybe Luciano, just wanted to confirm the dividend situation. So the way I understand is the company will pay in August 7 the interest on shareholders' equity announced in December plus then in September, subject to Board approval, there might be another dividend on the back of the first half performance, and then next March another dividend on the back of the second half 2020 performance.

If you could confirm this, that would be great, plus any comments that you may have on upside or potential special dividends and/or share buybacks. Thank you.

Mr. Bartolomeo: Hey Carlos, thank you. I will address quickly the first one and then Luciano can give some color on the dividends, but you are almost there.



I think we are engaged, yes, with all the stakeholders at Minas, actually there is a meeting even today, so just to be clear, but it is a convergence, right, it's many stakeholders: The government of Minas is interested, Vale is interested, everybody is interested in getting to a broader agreement, as you mentioned.

The difficulty is just to get the legal certainty, the governance and the scope correct. And I think – how can I say that? – we are advancing on that sense because, as I mentioned, there is interest from the government, there is interested from the prosecutors. So it's just a matter of trying to meet those stakeholders' needs because, of course, each one has its own priorities and we need to converge.

So I cannot give you a – how can I say? – timeline for that because it depends on this convergence. But one thing that I want to highlight and maybe get to your point in the end is that we are doing the reparation because, as we speak, it's our obligation and we are progressing well on that front. We are doing the indemnifications, we are doing the reparation, the environmental ... - how can I say that? – the reparation, the solution for the hydric problem that they had there. So I think things are advancing well and, of course, it's desirable that we can converge and close this to give like a cap.

And the fact that you asked, I think it's important to mention that we are already putting a footnote in our balance that we expect an arrangement of – I think Luciano can help me here – it's chained to the dollar, right, it's around... What is in our provision, Luciano?

Mr. Siani: 730 to 1.5. It's on the footnotes.

Mr. Bartolomeo: Yeah, on the footnotes. And we believe that those numbers they talk to the projects that we listed with the government. So we don't see any other provisions coming from that discussions, okay? And Luciano can give some more color on that.

Specifically about dividends, I think it's important that we resumed the policy because we are confident with our business, and I think it's in the press release, so I don't need to go over that. It is that; we are going to pay now in August the interests on the one that we announced in December, the first half is in September, and then follows on the predictability that we want to have in the policy.

We haven't discussed yet any extraordinary dividends because Luciano will give you more clarity on how our mindset is, but of course that we need to know how the world and our business is in September, how much we are going to pay in March, and etc. I think you can help me on that, Luciano.

Mr. Siani: Okay. First, on the provisions, why do we separate on the footnotes that amount of money and why don't we incorporate in the existing provisions?



The list of initiatives and programs and projects being discussed with the government is very adherent to the provisions that we already have in the balance sheet. So no change here.

The thing is: The icing in the cake, like the major gift, for example, for the people of Minas Gerais with such an agreement would be some major infrastructure works already identified that have no relationship to Brumadinho. And then, if and when we get the legal certainty, all the conditions that we want, we would be willing to do those extra up and above infrastructure works in order to have closure on all of this.

But if you look strictly on the reparation of Brumadinho, the estimates, both the ones we have on the balance sheet and the ones being discussed with the government, they are very, very similar.

On the dividends, yes, the interest on capital that was declared in 19 and it's due to the shareholders back then in December 19 will be paid in a week, next week. And in addition to that, the minimum dividend related to the first half performance will be paid in September and it will be decided in September because the Board has always the prerogative to increase and pay an extraordinary dividend, and again, as you said, in March there will come another dividend related to the second half performance.

When September comes, we will look into our cash position, trajectory of the markets, we will have a better idea of the performance on the second half and, therefore, of how much we will need to pay in March. Remember that first quarter is usually a weaker quarter in terms of cash flow, so you need to look at your balance sheet already considering probably the commitment today another dividend in March. We will look at the share price, for example, in order to make a decision about buybacks.

So all those variables will be considered towards a decision (if any) on extraordinary dividends or buybacks. But let's remember, guys, as we are seeing today in the headlines, this is a very uncertain world, so a little bit of caution is the name of the game here.

Operator: Our next question comes from Alex Hacking, Citi.

Mr. Hacking: Good morning everyone, I hope you are doing well. Luciano, just to follow up on the dividend question. Could you remind us what your balance sheet targets are in terms of net debt? I remember at one point you were kind of targeting net debt of 10 billion, but that feels like a lifetime ago, and obviously a lot has changed since then. So I'm just trying to remind myself about how you are kind of thinking about that cycle at this point.

And then the second question would be, I guess, to Marcello. On the 400 million iron ore target, you know, kind of midterm, is there any flexibility or latency in



Vale's ability to achieve that 400 million tons or effectively does every single thing have to go correct? So those would be my 2 questions. Thank you.

Mr. Siani: Okay Alex, thanks. We said 10 billion US, we continue to stick to it as the target absolute net debt. Perhaps, and maybe in a circumstance like the one we are living right now, it could be a little bit more conservative, but the way to make the correspondence with the situation we are in right now is our net debt is 4.7 today, so it's well below 10 billion. However, we still have 3.4 in Brumadinho related liabilities that we didn't have when we established that target.

So in comparable terms, it would be at 8, for example, $4.7+3.4$, and that would compare to 10, and that would say "okay, we are where we want to be, perhaps even a little better", which means that pretty much all the accident extra cash flow should be returned back to shareholders, and this is it, that's the way we think about it. And through the cycle, again, I would say the only circumstance which is different right now is COVID, which may warrant a little bit more caution. But nevertheless, we are where we wanted to be.

Mr. Spinelli: Alex, thank you for your question. Talking about flexibility, that's a midterm plan, but let me remind you some adds and capacities that weren't here before Brumadinho. So we have Gelado that is coming in the North operation, the +10, the expansion of S11D to 100 million tons, we also have, as I mentioned, the 2 dams that will give flexibility in our operations in the Southeastern system, we also have new pits that are coming in the North range, small pits that can stabilize the operation there, and Serra Leste, is the East range, that wasn't here before Brumadinho.

So all those assets and improvements weren't even considered in the operations before, but obviously we have challenges, and if you consider the COVID today sometimes we have some bumps to make it happen, but some midterm, we have also this new capacity that can give us some flexibility rather than wait for the return of the common operations that we used to have in the past.

Mr. Siani: And Marcello, just to reiterate: The 20 million tons that we will submit to the Board would add to that package of flexibility as well.

Mr. Bartolomeo: And Luciano, just to remind, in our good old times, logistics used to be one big bottleneck, so there is nothing more on that, so we can go up on the not medium, but a little bit more longer, to 60 on the North if we needed, right. There is enough in these 2 to 3 years' time horizon, but for sure we have a huge flexibility on the infrastructure, both on the South and the North. We just need to get back the mine, with the mine fronts and the dams in the South, as Spinelli explained, on the immediate term and on the medium term.

So I think we used to have even more than 400 million tons of available capacity, so we do have flexibility.



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

Mr. Brandt: Hi, good afternoon. Thanks for the opportunity. Luciano, I first wanted to ask you about working capital. I know there is about US\$1 billion in working capital increase, and a big part of that was because of the production and the sales in June plus a higher percentage going to China. It sounds like a lot of that is reversed out in the first 15 days, but I guess I'm wondering should we expect the complete reversion of that billion dollars in the third quarter even as production continues to increase into the second half?

And then my second question is just related to the about US\$560 million provision that is of course Samarco and Renova. Could you just maybe give me a little bit of clarity as to what was driving that? Was it just a sort of a broad base to increase across the variety of different things?

And then if I could just confirm, the 400 million tons in production that you are expecting in 2022, is that for the year or do you expect to reach a run rate of 400 million tons by the end of 2022? Thanks.

Mr. Siani: Okay. Just color on working capital, so we had sales outstanding of about 5 million tons at the end of the first quarter, and then we have at the end of the second quarter about 11 million tons. So 6 million tons times the current price just that we have over 600 million of buildup in working capital in terms of Accounts Receivable. Then you have the provisional price, which is very strong, it adds a little bit to that. So it's basically explained by the better rate of production and sales in June compared to March, which is the close of the prior quarter.

So these collections are already happening. So as I mentioned, most of the sales were already collected in the month of July and the cash flow or generation in July is already... we are approaching the end of the month, is already substantially higher than for the full first semester of this year. And when we look at the third quarter end-to-end, it is expected that there will be outstanding sales also at the end of the third quarter, so therefore, I would say what we are seeing here is a kind of a normalization of working capital at a higher level because in normal times you would have more sales outstanding than what we ended up in the first quarter, right.

So we will not recover that working capital, but collections will be much higher. The fourth quarter will be the same. So we will start the quarter with a lot of collections, but we will end the quarter also with many collections. Maybe only on the on the first quarter of 2021, when usually because of seasonality you produce less, then you collect a lot of money in January. However, in March then you have lesser sales, but hopefully still better than this year. So that's on working capital.



In terms of Renova provisions, the agreement which was signed with the prosecutors, so after Fundão, the Fundão tragedy, there was an agreement signed with all of the authorities shortly thereafter the dam bridge, but the prosecutors only came into the agreement in June 2018, and there were many changes in the agreement, including a provision for a re-scoping of the agreement 2 years down the road, which is due in 2020, so a review of the programs, of the amounts and everything else.

That review, that amendment to the June 2018 agreement was not done because of COVID, so the dynamics... but it's in early stages, maybe it's going to be certainly a work stream for the entire second half, but we already have a good color about some of the changes which are coming. So we already have color about the results of some studies, what the programs will look like when we make this amendment, number of affected people and so on.

So this is kind of an anticipation of that re-scoping that is already provisioned for in the agreement signed in June 2018.

And if I may jump directly here, the 400 million will be run rate. At some point in 2022, we will get the run rate of 400 million, but not the full calendar year will be 400.

Mr. Bartolomeo: And more importantly, Luciano, we will use it if needed, right. So there is another thing. So we need to build up flexibility, I was asked prior. So we're not saying that we are going to shift towards sell or else 400, we are not giving guidance, we are just saying that we are going to put our assets back to a 4 million run rate. We even have [unintelligible] numbers, but we believe that is a reasonable target to be in a run rate for 2022.

Operator: Our next question comes from Andreas Bokkenheuser, UBS.

Mr. Bokkenheuser: Thank you very much. Just to effectively incoming investors' questions. Can you provide a little bit more clarity on how the negotiations with the state of Minas Gerais is going about any liabilities relating to Brumadinho, also in terms of timing and where do you stand versus what the other part is asking for at this point in time? So just giving a little bit of clarity around that.

And secondly, if you would, just in terms of credit buybacks or bond buybacks, any thoughts as to whether you would think about buying back Samarco bonds giving where they're trading at this point in time? Those are the 2 questions, thank you very much.

Mr. Bartolomeo: Okay, thanks Andreas. We pointed out that we are on the table with... people say that agreement is with the prosecutors; no, it's with more people in [unintelligible]. So there is the state of Minas Gerais in the agreement, there is the public defenders, there is the prosecutors and there is Vale. So we stand exactly in the discussions of how we create a right



governance, how we create caps and how we create the scope to be executed, because most importantly we want to – how can I say that? – to get the responsibility to execute things that can be executed. So that's the one and most important matters, and of course, have legal certainty about the civil actions that are undergoing now.

So those are the key issues that will be on the table converging these 4 main stakeholders are discussing now. Actually, I've mentioned, there is even a meeting today about that. So there is no timeline because, of course, there are divergences, but not necessarily on value, because I think you are asking more concerned about what we perceive as provisions, and I think Luciano mentioned that before in the last question that we are very comfortable with what has been provisioned and the footnotes that we put in our balance, because we discussed that with the government, with everybody on the list of projects, and not only those compensatory projects, but on the reparatory as well.

So we believe that the numbers that we are working either in our provisions and in the footnotes are more than comfortable to strike an agreement. That's not what's impending our agreement now, it's much more on the governance and much more on how we created a legal certainty to be sure that we will be able to execute what is supposed to do.

And I think Luciano can add a little bit more on that part, and then going back to the buyback, I think it's the same we mentioned before, it will be, of course, something that we need to assess all the time. Time is not now, because of course, we just resumed our policy. In September we can take a look again and I think, of course, we can submit to the Board, but I think there are so many variables, right, that I think Luciano can explain again how we say this, how is our mindset around right?.

Mr. Siani: Eduardo, nothing to add on the provisions, you were comprehensive. On the credit buybacks that Andreas asked, bond buybacks on Vale they will come back to the table at a moment in time when we... look, most companies are going through that crisis with a greater cash balance, and even if we are not talking about net debt levels here, the amount of gross debt and the amount of cash that you want to hold, I would say that it's higher now than pre-pandemic. So, therefore, we are not in a hurry to continue to buy back bonds or debt because of that. We would prefer, at least for the next couple of quarters, to have greater cash balances.

On Samarco, I'm sorry, but I cannot do any comment on this because of the ongoing legal arrangements with the creditor. So I cannot comment on credit buybacks.

Mr. Bartolomeo: I'm sorry, Andreas, I confused the question, I thought you were talking about buybacks from Vale. Sorry for that.



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

Mr. Bartolomeo: Okay. Thank you very much for your attention, for the questions. I think we had a more comprehensive explanation in the beginning, but it was necessary, I think, to give you clarity on how we see... but I want to separate things into lengths of time: One is the most immediate, what people expect about the second semester, and I think we built a very strong basis even after COVID to be ready to deliver in our guidance and other commitments.

But I would like to stress that we are not in a sprint in Vale; we are in a marathon, we are looking to derisk this company profoundly, and we need to see those 4 elements that I mentioned in my initial comments as interrelated, they are not separated. It's not "look like now we pay dividends", no, dividends just show that Vale management has confidence in our business, and we see that we can, and we have robust financial position to face our commitments.

We need, first of all, as I want to again emphasize, we need to repair Brumadinho. We are advancing, we need to do much more and we are doing. We need to improve our safety, we are doing that, we need to effectively turn around the safety perspective of the company and we trying and we will do that, and we have an aim to be one of the safest (and maybe even an obligation to be one of the safest) mining companies in the world.

Third, is the resumption of capacity. I think the questions were around that, how much we can do in the second semester, but what is our goal in the medium term. We need to get there with consistency, we cannot just go set a target, we need to be delivering quarter by quarter consistency, and we will do that with safety. That's what I tried to say when I was doing my initial comments. If we need to postpone it, we will do it, but we are pretty confident that we have the assets, we have the people, we have the logistics for that, and we will resume as safe as possible, or ASAP.

And finally, it's the dividend or the capital allocation. I think it's very important to bear in mind that Vale is extremely conservative. So we are extremely focused, of course, on regulations of our shareholders, but we need to look at the world more broadly, and this world, just to conclude, is a new world, and a new world that exactly we don't know a lot about it. So we need to keep our balance sheet extremely strong and, of course, if there is any excess, we will get back to the shareholders. But our commitments, as Luciano mentioned, are pretty high.

In a nutshell, again, I would like to thank you for your attention and remember that we have these 4 elements to derisk Vale, and we are working with our team thoroughly to get it there, okay?

Thank you and see you in the next call.



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