



Vale S/A
International Conference Call
Fourth Quarter 2019 Earnings Results
February 21st, 2020

Operator: Good morning ladies and gentlemen. Welcome to Vale's conference call to discuss 4Q19 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. Luis Eduardo Osório – Executive Officer for Sustainability and Institutional Relations;
- Mr. Alexandre Pereira – Executive Officer for Business Support;
- And Mr. Alexandre D'Ambrósio, General Counsel;

First, Mr. Eduardo Bartolomeo will proceed to the presentation on Vale's 4Q19 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 everyone.

One year has passed since the dam B1 rupture. I want to express my respect for the families of the victims and thank all who have dedicated efforts to bring support and comfort to them.

We close the year firm in our purposes: fully repairing Brumadinho; ensuring the safety of our people; and stabilizing our production. Safety, people and reparation, these words remain our priorities.

I'd like to start our call today by talking about the reparation of Brumadinho. Vale is well recognized for its agility and execution capacity, and this is how we have been working on the reparation.

To date, in indemnifications to the families and communities we have already allocated R\$3.2 billion, in civil and labor indemnifications specifically we have entered into agreements which include about 6,000



people in over R\$1.9 billion paid. Important to notice, the families of 96% of the deceased workers have signed agreements, which have benefited 1,570 people so far.

On the environmental recovery, we launched the Ground Zero Project in January this year; a pilot for the recovery of the Paraopeba River and de Ferro-Carvão stream, which shows how those areas will look like in the future.

And another highlight is that the containment structures that we built last year have stood the heavy rains of January in Minas Gerais, which is a good sign of the effectiveness of our actions.

Finally, we have opened a dialogue with authorities, and we are looking for a definitive agreement to repair and compensate the environmental damages and collective ones. I believe that we will reach a broad understanding soon.

In summary, our work of caring for the people and the environmental recovery has evolved as expected.

Talking about safety, Vale is becoming more safe and reliable each day. Our Board of Directors is intensively overseeing the company with the support of specialized technical committees. The executive directors have also been supported by executive committees of different areas of expertise dedicated to risk management. What means is that our decisions have relied on more robust and conservative risk assessments from now on.

Regarding our dam management systems, we opened the second geotechnical monitoring center, which now allows us to cover about 100 structures 24 hours a day, 7 days a week, which is an important redundancy to ensure the safety of our dams.

And most importantly, we are revising and improving our tailing management systems with the support of renowned international specialists. A good example of improvement is the implementation of the engineer record of our dams in January this year.

Beyond that, we decharacterized the first upstream dam (8B) in December, and the second will be eliminated this year. We also completed the construction of the first redundant containment structure at the Sul Superior dam, two more will be delivered in the first half of 2020.

Another point to notice is that our safety and operational excellence executive office, created in 2019, is moving forward with the relaunching of VPS, which is our management model, and the rigorous assessment of other operational risks.

But most importantly, we are accelerating the culture transformation at Vale with the new safety and operational excellence governance and mainly with behavior models that must be followed by the entire company. With actions like this, we will transform Vale into one of the safest and most reliable mining companies in the world.

But our new pact with society goes beyond safety. Starting this year, our performance will be measured against ambitious social and environmental goals, for example, achieving carbon neutrality by 2050 and recovering or protecting 500,000 hectares of forests.

As we announced at the Vale Day, in our long-term compensation our Board of Directors approved a 20% stake linked to ESG metrics. Another key point is the treatment of our main ESG gaps. This is a very bold work to leverage our practice in those areas. One of those gaps has also become a goal: to double the female participation in Vale's workforce by 2030.

Finally, with the recent changes announced, the structure of our Board of Directors already reflects Vale's progress in governance with a greater number of independent directors; an increase in gender diversity; and an extensive experience in corporate governance and mining.

Well, I am confident that our capacity of execution will bring good results in those dimensions very soon as well.

Well, we are working, as I said, on all these fronts and at the same time we remain focused on safely resuming and stabilizing our production. We closed 2019 sales in line with our guidance thanks to our operational flexibility. In 2020, we will keep seeking the resumption of our operations under safer conditions.



However, we are monitoring and assessing the uncertainties related to these presumptions, like the approvals by the Brazilian authorities and also the impacts of the coronavirus in the Chinese and world economy.

Marcelo Spinelli will comment later in detail our plan to resume the rotary iron ore production in 2020.

Talking about base metals, we had a very good performance in the Canadian mines in 2019, especially in Sudbury, and also better results in our refineries in this fourth quarter. In the case of VNC, we have set a short-term solution with the halting of the refinery activities by April, thus starting to reduce the cash consumption of that operation. In parallel, we are in negotiations with interested parties and I am confident that we will have a definite solution this year.

With relation to our financial results, in 2019, our cash flow generation was significant, a strong evidence of Vale's recovery capacity, and we have had discipline in allocating our resources. We have prioritized the disbursements for reparation and actions towards safety and we have fairly reduced our debt levels and have not searched new acquisitions.

One good example is the redemption and cancellation of the MBR shares where a relevant move to the efficient capital allocation and to decline the cash outflows since we will no longer pay annual dividends of around US\$160 million.

Finally, we are working to have the necessary conditions to resume our dividend policy. We will inform you as soon as we have any developments in these matters.

To conclude, I complete my first year leading Vale with the certainty that the company has proved its resilience and its power of execution. I believe that we are building a safer path with operational excellence and that sustainable results will soon start to be noticed.

2020 will be a year of continuity and stabilization as we execute the actions we planned and started last year. We have a present and vigilance senior leadership committed to the implementation of these plans, and more important, each day our more than 70,000 employees have shown great strength to overcome this tragedy and build a better Vale for everyone.

Thanks for your time today, I'll now pass to Luciano for further comments. Thank you.

Luciano Siani: Welcome everyone. We have a number of hot topics to address even before the Q&A. I'm going to start by talking about this potential agreement with the authorities and the provision. Marcelo Spinelli will lead with coronavirus and the resumption of production, and finally our General Counsel will give his thoughts about the independent investigation report that was issued yesterday.

You saw that we've included a footnote to the financial statements regarding a possible additional provision of US\$1 to US\$2 billion connected to a possible agreement with the authorities. So, some clarification on this.

This provision will only be recognized in our balance sheet if the agreement yields the suspension of the civil lawsuits and if the agreement assures that there is a framework from a legal standpoint and to give speed in the reparation. So that's ever goal: Suspension of the civil lawsuits and a stable legal framework for the reparation.

If the lawsuits are not suspended, the company would naturally keep on the current path, which is to sign specific agreements for the specific demands of the lawsuits, which so far has been producing good results.

Our estimates of environmental reparation and compensation numbers are being confirmed in the talk with the authorities, however, the social economic question has more subjective matter, and the list of projects that were presented to us by the authorities, so mainly the social economic projects, as a condition for the suspension of the lawsuits is more extended than we initially thought.

Important that an agreement has to be good for both parties. If we, on the one hand, will get the suspension of the lawsuits, it's natural that the authorities they want something beyond what would be normally expected in order to grant us the suspension. So, we have a longer list of projects.

And you remember that in Vale Day in December we presented the new pact with society as a new strategic pillar for Vale. So, our assessment is that to establish this new pact with society in Brazil, and



especially in the state of Minas Gerais, to leave the legacy to those people affected, to suspend the lawsuits and to have a stable legal framework for the reparation than it's worth closing this agreement, which may then result in additional provisions.

Why do we have this uncertainty between US\$ 1 to US\$ 2 billion for additional provisions? We explained in the earnings release that the list of compensation and reparation projects, mainly the social economic ones, is still being assessed, the estimates for each of the projects. It's still being analyzed what is the overlap with the provisions of the initiatives that we have provisioned for, and also the timing of those projects is uncertain, so therefore, the net present value of the disbursements is also uncertain. So, there is a lot of uncertainty in the numbers.

Why are we not provisioning now? We are not provisioning because although an agreement is possible, the necessary conditions for us to approve this agreement are not here yet. So therefore, from an accounting perspective, we are treating this potential agreement as we treat other contingencies, so for example, tax contingencies or labor contingencies or civil contingencies, so we are describing it in the footnote.

The bottom line is that we, the administration evaluation is that it is worthwhile to make this additional effort in relation to our initial estimates in order to get the suspension of the civil lawsuits, in order to have legal stability around the reparation, in order to reestablish the pact with the Brazilian society, which is fundamental for our long-term plans in the country.

Now moving to Marcelo Spinelli with the coronavirus impact on the Vale business.

Marcelo Spinelli: Let's start with the resumption of operations, we have a chart, let's follow the numbers, walk through the numbers and it's easy to understand the guidance that we have of 340 million tons and 355 million tons.

We came from last year 302 million, that's the number we closed. This year in our current system we have the ramp-up of S11D, our number is 210, so we add 21 million tons. The run rate of Alegria and also Pico mine, that came back end of last year, the run rate is another 12 million tons. So for those 2 we see that the risk is really low.

From now, in the right, we have operations that we need to have authorizations from the agency, the mining agency and also the prosecutors, we need to assess some further information about safety in the dams.

So, we start with Timbopeba. Timbopeba we already have the authorization for maintenance, and we are waiting for the operation authorization in the end of March. So for the second quarter we are counting on Timbopeba.

Fábrica is just for the second half, we are still in the beginning of the process, testing the impact of the operation, the mine operation, the dams. So, remember that we have a step-by-step test to check the impact of our operations processes in the dams. So we are waiting for the second half.

Vargem Grande, the wet processes that we don't add volumes, but we add quality. We are waiting to resume the operations on the second half as the pellet plant we will only have end of the test to get the approval.

Brucutu mine. The end of last year remember that we stopped the Laranjeiras dam to have a better view about the safety of the dams, the downstream dam just to remind you, but the base case is to count on Laranjeiras only in the second half. So Brucutu is operating now with 40% of the capacity and considering in this planning Brucutu coming back in the second half.

During the assessment of Laranjeiras, if we have in the end of March good news, we can return in the second quarter and add another 3 million tons in this projection. And the other 2 million tons is regarding the possibility to have some gains in the operation of other mines. So that's the way we are, from left to the right, more uncertainty or less uncertainty, with our numbers for the guidance.

Now let's talk about the coronavirus. Well, I will start with some numbers of all the cases, it's important that we are tracking this every day, probably you're doing the same.



Last day we had about 900 new cases, we are splitting this analysis in Hubei area, that's the center of the problem, ex-Hubei. Hubei represents only 4% of the China GDP and also we don't have many clients in that region. In ex-Hubei, in 2 days ago we only had 45 cases, and it is declining. This is very important information.

Yesterday there was a spike based on new information from a jail in Shandong, but the main information here now is that the cure case now are more than 2,000 cases a day, higher than the case that we have new infections. So that's a possibility to have a better position for the source of the problem in few weeks.

The consequence of the economy is huge. So, I want to share some information, some timely indicator or leading indicator like: The consumption of coal should be at this moment after the Chinese New Year at the level of 90-95%, we only have 60% of the consumption of coal. Another interesting information is about the transit of people, based on the daily railway passenger we already have 100 million people to go back to their houses. The impact in the workforce is clear now. At the same time, the government tone is to achieve the coming target based on double GDP per capita, and they need to grow this year 5.7%, and the way they're going to do this help us a lot because it's based on infrastructure and also manufacturing and helps the consumption of iron ore in the end of the chain.

But moving in the chain, the steel demand now is really under pressure, the construction didn't go back, the automotive we have news that they are coming, but if you check the consumption of tires, they are only 20%.

And according to Mysteel, there is another information here (Mysteel is an agency of information for our business, for steel and iron ore), they are in a daily survey checking when the downstream industry will go back, and the expectation for all the markets in average 75% of the industry will come back. Some more optimistic, like the white good, some less, like the construction. White good is 100% will come back and construction only 53%.

So, this is the scenario that we have. This is a very slow but gradual return of the economy, and the impact of the high-record steel inventory now based on the lack of sales, logistics constrain, a lot of logistics constrain, and a lack of workforce also.

Well, the impact on iron ore. Our client, in the end of the day, is the blast furnace. So the decision to quit, to stop the blast furnaces is the last one to take. So, firstly they can just shut down the EAF, so it's more than 40% more expensive than the blast furnaces, they can reduce the scraps, build inventories or cut some rolling out, but we don't see that today if you compare the blast furnace cuts compare with what happened with the environmental cuts October last year, we're still less than that period. So that's good news from our main client that is the blast furnace.

Well, at the port side, the stocks now. Inventories is about 123 million tons, this is a very low level of inventory, and there is good news: We have our operations in all the ports in China are running very well.

Very important information: The domestic concentrate they are struggling with the logistics constrain, part of them are out of the market, there is another buffer for our iron ore, and this explains another phenomenon that is going on that our premiums for BRBF even Carajás are really high from the average comparing with last quarter because we have a lack of low alumina product based on the restrictions of domestic concentrate.

So, what we have, our operations are running now, we already have for the next 30 days, we have some noise coming from some credit, some letter of credit from our clients, it is not big noise, but we have some concern about the health of our clients. But so far so good, we are running but in a very [...] period of time that we must take care in a daily basis to check what will be the consequence and the return of the coronavirus.

Alexandre D'Ambrósio: Thank you Marcelo, thanks Luciano. This is Alex D'Ambrósio, the General Counsel at Vale. We will address specifically the report that the independent committee released yesterday.

We received this report and immediately published at CVM sites, there is an executive summary and we have been since reviewing the full report. I think it's very important to stress that the report was based



upon the same inventory of information that we made available to the public prosecutors, identical information source and the same facts.

For that reason, the report does not really bring anything new to the investigation, but it does have its own interpretation of the facts and of the information, the committee reviewed the information and reached its own conclusions and interpretation.

We do not see any reason or any reason to believe that this report would change or influence prosecutors' conclusions because the prosecutors themselves reach their own findings based on their informed views of the evidence that they reviewed. So in that sense, the report brings some conclusions and some recommendations, the recommendations come actually, in our view, as an endorsement of the many practices and actions that the company has been taken over the past years, there is a recommendation that relates to culture changes and improvements in governance; things that have already been in the works for the past years. So, we see those as an endorsement.

And as far as conclusions go, they are conclusions reached by the independent committee and they are in parallel but not in conflict with any of the conclusions reached by the prosecutors.

Thank you.

Question-and-Answer Session

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press the star key followed by the 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 your questions to 2 at a time.

Our first question comes from Andrea Bokkenheuser, UBS.

Andreas Bokkenheuser: Yes, just the 2 questions for me. One, the clarification, Luciano, on the provisioning. When you mentioned obviously the suspension of any lawsuit, what specifically is that referring to? Are we talking about any lawsuits that could be brought forward by the central government or the state government of Minas Gerais? So, if you could give a little bit of color on that that would be great. Thank you.

And the second question relates the shipments. So, you obviously gave as you are iron ore production guidance for the year, 340 to 355 million tons, which is unchanged. How should we think about sales or shipments or maybe ask in a different way what are you targeting in terms of building inventories for blending in China and elsewhere? Those are my 2 questions. Thank you very much.

Luciano Siani: Andreas, thank you. I will defer to Alex our general counsel the first question.

Alexandre D'Ambrósio: Thank you, Luciano. Thank you, Andreas, for the question. The agreement that we are trying to put together is with the state authorities, indeed, and the federal prosecutors will also participate in the agreement if not as direct beneficiaries of the agreement, they will be involved in the governance of this agreement.

What I mean by that is that the lawsuits that we are looking to settle are lawsuits that were brought by the state authorities, the state prosecutors and the state attorneys have filed, 1 lawsuit by the state attorneys and 2 by the state prosecutors. There are no civil actions by the federal prosecutors at this point.



Luciano Siani: And Andreas, just as a complement, there are yet no provisions recognized because we do not have yet the conditions for such an agreement. But we are indicating as a possibility that we will do so. And the existing provisions will be complemented by the additional (if any) provisions in that case of US\$1 to US\$2 billion.

Marcello Spinelli: Andreas, it's Marcelo Spinelli, thank you for your question. About the shipments and sales, we expected to have in parallel of the sales and the volumes of production, but you are right, we have some inventories to build in China, we had last year to consume part of our stocks in China for BRBF, so we have to build up again part of that stock that we lost last year.

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

Alex Hacking: Hi, good morning. Good afternoon and thank you for the questions. I have 2 questions. The first one is maybe you could discuss a little bit the production outlook for the northern range in Carajás. Obviously, that declined last year, which was something that we were not expecting. And I guess is 230 million tons still the long-term target for production out of the whole Carajás system, and would you anticipate getting there in 2021?

And then second question just on VNC, I think, if I heard correctly, you mentioned you are still kind of exploring sale options there. My question is: What happens if none of the sale options work out? Thank you very much.

Marcello Spinelli: Hey Alex, this is Spinelli. About the northern system, as I mentioned, our forecast for this year is 210, yes, we have capacity for 230, we rely on not only in the ramp-up of S11D, but we had a delay this year, six-month delay to start a new front in the mine that is called Morro I, we already started but the full volume will come only at the beginning of next year.

In the mid to long-term, we have other fronts in the North branch, but for next year waiting for the return of Serra Leste and also the Geladinho project that are coming. So, again, 230 is a mid to long-term goal based on new pits, and 2 and 3 for the North range, and Serra Leste and Geladinho project we can reach again the 230.

Eduardo Bartolomeo: Alex, it's Eduardo. About VNC, I think, as I mentioned in the beginning, we are already redesigning the operation for a flowsheet that we believe this more suitable to the reality of that plant after we learned. But for sure, we are extremely focused on finding sales solution, a solution that gets a new partner... sorry, not partner, a new operator that can execute it better.

But I would like Mark to elaborate a bit more.

Mark Travers: Thank you, Alex. What I would say is that, as Eduardo indicated, we do have interest in the project, which is encouraging, and we are hoping that we will know in relatively short order how that is proceeding.

Of course we announced in Vale Day that we would have to make a decision by the end of 2020 as to our course of action, and we had indicated the desire to leave New Caledonia. So, of course, by the end of 2020, if we do not have a solution, we'd have to find another way to deal with this potentially exit.

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

Carlos de Alba: Thank you very much. Good afternoon. So first question is, maybe Spinelli you can give us a little bit more color on the actual situation on the blending that the company is facing given not only the constraints after the Brumadinho accident, but also with the rains that you are experiencing.



We've heard there is high impurities in some of the mines that the company is operating right now that may be affecting the blending.

So if you could give us a little bit more color as to what the situation is right now and when do you expect any challenges that the companies facing to normalize.

And then maybe, Alex, if I could, just to pick your brain on the challenges on the new investigation or the report from the investigation of the board committee, can federal prosecutors still present charges against the company even after you guys reach an agreement with the state prosecutors, or it would be independent to the process that you elaborated and the company is trying to conclude with the same prosecutors?

And if I may add to that last point, the potential agreement with the state prosecutors is that mostly focused on civil actions and environmental charges, or it would also include criminal and/or potential corruption charges? Thank you.

Marcello Spinelli: Hi Carlos, this is Spinelli. Thank you for your question. Regarding the blend, we expect new record in China this year. Actually, we don't have any problem with quality directly in the blend, our levels of inventory are low, so we are recovering that.

But regarding the shipments in the North, it's important to say, as I mentioned in the last question, we had a delay in the license of Morro I, so we decided to have a smoother production in the first quarter anticipating some maintenance to have the total volume for the production.

The South, as I mentioned, we are recovering the production with the dry processing, so for the part of the blend with the high silica product we don't have problem, actually there is a lack of high-quality products in the South, but gradually we want to recover, as I mentioned, till the end of the year the dry processing step-by-step.

So, for blending again, we don't have any problem, and this is a gradual production in this beginning of the year regarding the North.

Operator: Our next question comes from the...

Alexandre D'Ambrósio: No, no I haven't answered Carlos de Alba, sorry.

This is Alex D'Ambrósio, I'd like to answer Carlos de Alba's question. So, Carlos, let me start I think in the reverse order. The agreements that we are trying to close with the prosecutors, state prosecutors, they will address civil and environmental and social obligations. So, the idea is to suspend the civil actions and the environmental actions that are brought by the state and there are now, as I mentioned, there are 3.

Now, it does not address criminal; criminal is completely independent. In fact, in Brazil you cannot make this type of agreement as you would in the United States to end a criminal prosecution by agreement. So, what we are focusing here is in the civil and the compensation and indemnifications and reparations.

And the answer is no, no new actions would be able to be brought by the state versed about this topic. So, once we close this, the idea is we will have a section in the agreement that precludes the state from bringing new actions related to those items that we have addressed in the agreement.

I hope I answered your question.

Operator: The next question...

Alexandre D'Ambrósio: Sorry, sorry, let's complete the question to Carlos de Alba's question. I was reminded that there is a question about anticorruption. Well, first, make clear that Vale's never endorsed any actions that are illegal, unethical and that violate our code of ethics. So, we are very confident that



if any actions were to be brought on these fronts, we would defend them in the proper channel. So we do not anticipate at this point that we could be charged with any action in that front.

And again, reminding that the report by the special committee, the independent committee, do not bring any new facts and does not point out to any new liabilities, none that were not yet already known by the prosecutors. So that's why we don't anticipate that it would change any of the charges already brought.

Operator: The next question comes from Christian George, Societe Generale.

Christian George: Thank you and good afternoon. I'll go for possibly a simpler question, one on the Mozambique. If you could give us perhaps some indication of what is your target in terms of production there on thermal and coking coal this year, and what kind of running rates in the future we are looking at for both type of coals, ideally.

And the second question on copper. So, there is some pushback we understand in China for taking some of the copper shipments, it's something you have experienced already or that is something which is impacting you? Thank you.

Luciano Siani: Okay, for Mozambique, there is a clear distinction about the production rates we expect after the shock that we described in December, which is a 3 to 4 months stoppage in the operations to change the flowsheet and to correct all the maintenance issues. So, we expect a run rate, we continue to expect a run rate of 15 million tons per year after that. But until then, honestly, there is no expectation that we will have any step change or substantial improvement in the current conditions because the many problems that we have identified they really required the stoppage for correction.

So, I'd say we are completely focused on the establishes the 50 million ton run rate after the large stoppage. Whatever happens until then I don't think it's a relevant for the overall case for Mozambique because the operation is not in a good condition.

The calendar year production will depend and then on the effectiveness and the speed in which we can fix the situation with that stoppage. So far, we are maintaining the stoppage for the beginning of the second quarter, however, we are monitoring very closely the impacts of coronavirus on the arrival of parts for the changes that need to be made.

So, there are initial indications of some delays, but we still expect that by the second quarter we will be able to initiate the stoppage and we're still targeting the second half we are going to get to the 50 million ton run rate.

Mark Travers: On copper, Christian, I would say that 2 things: First of all, copper, most of our copper concentrate is contracted for 2020; and secondly, relatively little of it goes to China. So, there is certainly an impact in the sense of shipments that are coming up and we are monitoring, they may be delayed, and we need to look at logistical concerns, but the overall it should be relatively minor in base metals division.

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

Tyler Broda: Great, thanks very much for the call. My first question just to the operations reports. You mentioned about 340 to 355 million ton guidance for the year, you also mentioned in the statement that with the achievement of the higher-end of the production range continues to be possible on several upside is being explored. I wonder if you could provide some color on that.

And then secondly, just in terms of some of the other costs coming through the stoppage expenses on the research development, some of the other costs within the P&L, just some of them were up this quarter. How should we look at those going forward into next year? Thank you.



Marcello Spinelli: Thank you, Tyler, for the questions. It is Marcelo Spinelli. We are recovering the production and we actually rely on some authorizations, so I can say that in that figure that you saw in the recovery operations, the more is in the left, there is more risk... the right, sorry, in the left is less.

Upsides. I think we have some initiatives in Brucutu to anticipate some ideas from using other dam, that is the Barragem Sul, the Sul dam, using some addition of products that we can use a dam that is almost full. We have other initiatives in Itabira, but I can say that it's small initiatives that you can sum and have some number, like I mentioned, sum 2 million or to 5 million tons.

But mainly, we are focused on the return of the operations and the assessment of the safety.

Luciano Siani: As regards the expenses, you noticed probably that R&D expenditures were higher in 19 than in 18, that relates to some of the projects we are developing, engineer studies and catchup in drilling, but it should remain at the same level of 19 throughout 2020. So, no surprises on that.

Pre-operating and stoppages expenses were very large in 2019, a total of 882 million for the entire company, of which not surprisingly 823 were related to Brumadinho in the iron ore business. The iron ore pre-operating stoppage expenses should be directly proportional to the amount of production which stopped. So, you can do a linear extrapolation; if we resume the volumes throughout the year, the stoppage expenses should reduce proportionately.

There were some stoppage expenses recorded in base metals, but we believe they will pretty much vanish this year as the operations, like Sossego, Onça Puma and others that were stopped, they are coming back online successfully.

Operator: The next question comes from Edward Sterck, BMO.

Edward Sterck: Sorry, I was on mute. Good afternoon. Just a couple of questions from me. The first one on the topic of provisions. If we cast some months back to the half-year results when the first provisions were announced, I think at that time they were described as being full provisions to the best management stability and knowledge at the time. We've seen further increases since then, now there is obviously potentially US\$1 or US\$2 billion more.

Are there any other actions outstanding against Vale that could result in further provisions? That's my first question.

And the second one is, I'm afraid this is rather naïve, I'm not familiar with the Brazilian law, but on the topic of criminal charges, can they be brought against Vale itself as an institution or just against individuals?

And I'm sorry for that rather creep nature that question as well.

Luciano Siani: So Edward, on the provisions we made it clear throughout the year in the first quarter the mostly provision for our estimates of individual indemnifications and social economic liabilities, then on the second quarter ended the commissioning of dams, on the second quarter we came out with the environmental provisions, we have complemented some of the indemnification provisions given the extension, for example, of the emergency monthly stipends for a very large population, and in the fourth quarter we did the provisions for 2 new dams to be decharacterized following a reclassification in September by the National Mining Agency.

Those were obviously all to the best extent of our knowledge as management, I can tell you that for decommissioning, for example, our knowledge has evolved substantially throughout the year to decharacterize very large dams and to make an estimate as we did in the first quarter was quite a challenge. Actually, that portion was reduced, but across the year we had, because of laws that were enacted, we have to decommission also smaller dikes, and we added provisions for that, and these 2



large dams that we are adding about US\$600 million they basically came from, as I said, a reclassification from the agencies that happened in September.

There is no more such reclassification going forward because the agency already did what needs to be done, which means that the upstream dams that need to be decommissioned now they are all accounted for.

When it comes to the environmental liabilities, the conversations that we are having with the authorities they are confirming our initial estimates. So, again, in this regard there is nothing to expect in addition to that. The conversations ongoing, they relate to sanitation measures, to water supply security for the city of Belo Horizonte, some works in new water pipelines with the state utility company. So, no surprises all that.

When it comes to the social economic provisions, that's where the what I call "an additional effort" is being requested from us by the state authorities in order to grant us this very large benefit which would be the suspension of the actions and the shielding against potential new lawsuits regarding social economic and environmental.

And right now what we are doing is: We are assessing these requests, we are crossing them with the existing programs that when we made our provisions we thought they would be the ones necessary to address the social economic issues, but from a conceptual standpoint, we believe that there is value in doing this additional effort in order to suspend the lawsuits. That's a kind of a tit-for-tat, we are going to receive a very large benefit and we, on the other hand, will give an additional... a legacy for the state with all these projects that are being asked for.

Very beneficial for the company, we believe we need to reconnect with the Brazilian society and the society in the state of Minas Gerais. So, putting all in context, we are willing to enter into such an agreement. But we haven't provisioned yet because the conditions are not yet here. Very important. So, we are treating it from an accounting perspective as a contingency rather than as a done deal or something that we will do.

So, as a listed company, we need to bring those things forward, so we are bringing it to you.

Alexandre D'Ambrósio: Hi this is Alex. Well, typically in the Brazilian law criminal the charges are against a natural person, so individuals. There are few statutes that will present possibilities of bringing criminal charges against the institutions, against to the company, but then the prosecutors would have to prove there is an institutional intent to practice a certain crime, and that applies specifically to environmental district liability and environmental prosecutions, yes, there could be antitrust and in some instances anticorruption.

But as, I said, for these last 2 in particular you have to prove that there is an institutional intent and it ranges from the entire organization. So typically, even in these issues of anticorruption and antitrust the individual, natural persons have to be the center of some type of indictment or accusation.

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

Timna Tanners: Yes, hey! Thanks for all the great detail. I just wanted to ask 2 specific questions. One on the iron ore market, if you could add some perspective. Clearly the weaker demand outlook for steel in China has been matched by less supply whether be cyclone or rainy related. I just want your perspective on how much of that shortfall in supply was weather-related in your view or external-related and how much is intentional to match the lower demand. And if it's just because of the weather, is there, do you think, willingness to match lower demand if that does manifest?

The second question is on dividend, I just wanted to be really clear on is there a checklist here of steps that need to be met before you consider resumption or is it really more qualitative? If you can provide a little more color on that. Thanks very much.



Marcello Spinelli: Hi, Timna, I think we have our market before coronavirus and after coronavirus, so that's the main point now. Many times now it's difficult to understand the consequence of the coronavirus, but I think I have some color for you.

First, as I mentioned, I think China will try to reach the growth this year, so what we think that demand in China will be around one billion tons of production of steel it will be addressed in last month than during the years, so we can have a boost in the consume of iron ore after the coronavirus. That's a common sense for the market in China.

I think ex-China, we already have some good news, we expect to grow more than 3%. Part of that some recover from situations like in Japan that we had a problem last year with the typhoons or like Europe that they have a technical growth better than last year. But again, all of these numbers now can be adjusted with the impact of coronavirus in all the world with the center coming from China.

From the supply side, I think we are really close to the demand and Vale is returning the operation mainly in the second half, we had some lack of production in Australia this beginning of the year, but we see the supply demand will be tight for the whole year.

Eduardo Bartolomeo: Timna, it's Eduardo. I think answering very objectively, there is no checklist. Point. It's a qualitative assessment for sure but based on the advancement of the work that we've been doing here, on the reparation front that we believe we are advancing very well, as I mentioned before. So it's a system that will find a right timing, but we need to, as I've always been saying, focus on the reparation and improving the performance of the company.

You didn't ask, but I will ask Luciano to elaborate as well on the return of the policy because this has to be, of course, done when this management think it's time, of course, the board thinks it's time, and there are some doubts about that I think they need to be clarified as well.

Luciano Siani: Hi Timna, there was a question on the Portuguese call and I'm repeating it here about how we think about the framework in terms of the indebtedness and its relation to the dividend.

First of all, the intent when the dividend policy is reestablished is to do exactly as we did before: Same formula, Ebitda less 30%, and so the discussion here is how you are going to think to pay dividends beyond, above and beyond whatever the formula yields, because there is no doubt that once the dividend is reestablished that the minimum dividend according to the policy will be met.

But what about the above and beyond? So, some people found it a little strange and what was the intent when Vale put in the release a demonstration of expended debt and then expended debt in commitments that went up to US\$17 billion? The intent was simply to show that some people start to speculate "Vale is going to go towards a net cash position", and this is a narrow view because we do have, yes, lots of commitments beyond headline debt that need to be considered when looking at the liability side of the balance sheet.

Well, but does that mean that your US\$10 billion leverage target is not there anymore? Look, the US\$10 billion was established... when it was established, most of this expended on other liabilities were already there, so we already had the Samarco and Renova liabilities, we already had REFIS, we already had the leases. So, in that respect, nothing changed.

On the other hand, Brumadinho came and this is a big change. So, although we are now below the headline US\$10 billion by US\$5 billion, it is also true that we have an additional US\$5 billion provision recognized on the balance sheet for Brumadinho expenses. So net we are about where we wanted to be if you think about the framework as before.

We are not a 10, we are 5 on headline debt, however, we do have 5 additional more commitments to match.

So the consequence of this is: If the dividend policy was reenacted today, every cash flow that the company generated from now on it would potentially be available for discussion with the Board of Directors for distribution for shareholders. So that's the consequence. But as of now, there will not be sort of a catch-up dividend extraordinary US\$5 billion dividend to come back to the US\$10 billion.



Having said that, those additional commitments they tend to decrease over time. So as we spend the money in order to do the reparation on Brumadinho, the US\$5 billion will decrease and then over time we will be able to relever the company, the headline debt back towards US\$10 billion, and in the process also we will consider this to pay additional dividends above and beyond the minimum dividend policy. So that's the thinking right now.

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

John Tumazos: Thank you very much. Could you explain the large drop in the pellet price realization of almost US\$18? Was that due the German recession and softness in the Atlantic market?

And secondly, concerning the dry processing of the lower grade southern and southeastern ores, the shipment of the lower grade material to Malaysia or China of her blending is a big freight, it's bigger freight expense, the blending takes effort. So high-grade ore that is blended loses its price premium, then when it gets to China there is going to be more slag after they make the iron from the material that never went into tailings dams to begin with.

Why not just simply shut the lower grade mines where you can't use the tailings dams anymore, the dry processing seems to have a lot of disadvantages?

Marcello Spinelli: John, this is Spinelli here. Regarding the pellet premium, I think the number is higher than that, it's about 30 not 18 and... oh, there was a drop, okay. I think the market reduced the production of pellet feed with all the problems in Brucutu and you see the market today very tight and we expect some better premiums for next quarter. But it's still a very good premium.

The good news in premium inside is in China for pellets we've seen some premiums now coming in the spot market around 40, it's just a figure, we are not in this market, but now we are considering seeing what will be in this market during this year.

And regarding the dry processing and the blending and the high silica ore, Carajás fines, pure Carajás fines, we've been assessing this decision for some time and we are still convinced that we have the best solution blending in China. We are struggling now to recover the production in mid to long-term, the premiums from BRBF is much better than the discount of the high silica even shutting down the production, we still have margins selling BRBF better than selling Carajás fines or being out of the production of high silica.

So, again, this is good business.

Luciano Siani: John, on the other hand, it is also true that we had a plan, an initial plan for this year of going up to 370-375 by accelerating the dry processing of the operations, now we can do it. However, the silica discounts were so large, and the costs were also prohibited because we are not blasting, we are using mechanical dismantling of the rocks, that we said "okay, we are not going to produce it".

So we are very mindful of those trade-offs, we consciously removed about 20 million tons from the production plan in order to get to these 340 to 355 precisely on the grounds of optimization. So we have all the information, we have dynamic optimization, we are very mindful, we are on top of things and we do what's best for the overall profitability of the company.

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

Eduardo Bartolomeo: Okay, thank you. First of all, thanks everyone for your time and attention and the questions. Definitely, 2019 is the hardest year we have ever faced, but I believe that the path that we choose through operational excellence to a safer company will bring sustained results and will start to be noticed soon.



So, as I mentioned in the beginning, 2020 will be and year of continuity and stabilization. But for sure Vale will be out of this strategy in a much better shape and a much better company.

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.