Local Conference Call
Vale S/A(VALE3)
1Q22 Earnings Results
April 28th, 2022

Operator: Good morning, ladies, and gentlemen. Welcome to Vale's conference call to discuss 1Q22 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. **This call is being simultaneously translated to Portuguese.**

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. Gustavo Pimenta – Executive Vice-President, Finance, and Investor Relations;
- Mr. Marcello Spinelli – Executive Vice President Iron Ore;
- Mrs. Deshnee Naidoo – Executive Vice President Base Metals

First, Mr. Eduardo Bartolomeo will proceed to the presentation Vale's 1Q22 performance, and after that he will be available for Questions and Answers.

It is now my pleasure to turn the call over to Mr. Eduardo Bartolomeo. Sir, you may now begin.

Eduardo Bartolomeo: Thank you. Good morning, everyone, I hope you are all well.

Let me start our conversation with a familiar slide to you and reinforce that we remain focused on re-rating Vale by de-risking and reshaping our company. On the reparation front, actions provided in the Brumadinho reparation agreement are progressing well. Payment obligations are in full swing, and we are now detailing social economic projects in Brumadinho and other 25 municipalities in the Paraopeba basin. These projects were selected based on popular consultation and they cover health, social development, infrastructure, and agriculture within a fast responsive package. In dam safety, we began the decharacterization of Dique Auxiliar, one of the five upstream structures to be eliminated in 2022, which will total 12 by the end of this year. The decharacterization program has its schedule agreed with the Brazilian authorities in February this year through a Term of Commitment; this brings more legal and technical certainty to the elimination of our 23 remaining upstream dams in Brazil. On production resumption, despite a few challenges, we are on plan to deliver the two most important milestones for this year: Torto dam and Itabiruçu dam heightening.

As we have been saying, we are building a better Vale with capital discipline and creating value for all of our stakeholders.

This first quarter is seasonally the lowest in production, in addition, we had further operational challenges. Despite that, we managed to reach some important milestones towards increase production stability and value creation. In iron ore, we achieved a solid premium of USUS$9 per ton, the highest since the second quarter of 2019. That's evidence of our high-quality portfolio in a tight market for high-quality products.

On the other hand, production was down year-on-year, a result of operational constraints which will be covered in detail by Spinelli later. But we are overcoming those obstacles. In the Southeastern System, performance increased by 11% year-on-year despite the strong rainfall in January. With that, I'm confident that production levels will increase as planned in the coming quarters to meet our annual production guidance.

In base metals, we gave another important step reinforcing Vale's position as a supplier of choice by the EV markets, a multi-year agreement with Northvolt to supply low-carbon nickel products for batteries. On production, the Sudbury mines achieved pre-strike run rates supported of a recovery in production for the upcoming quarters. Deshnee will provide more details later.

Finally, in capital allocation we paid US$3.5 billion in dividends and advanced very well with the execution of our buyback program.

Talking now about the integration between business and ESG strategy, as you know, our product portfolio is shaped to foster the development and diffusion of environmentally friendly technologies by our clients. One example of that is the start of construction of Tecnored first commercial plant in the state of Pará. Tecnored technology is innovative, enabling the production of green pig iron from the substitution of metallurgical coal by biomass. This means up to 100% reduction in CO2 emission and 10 to 15% lower operating cost and Capex intensity. This in line with our strategy to provide steelmakers with viable solutions for their decarbonization investments, also contributing to Vale's net emissions reduction target of 15% by 2035. This is one of the initiatives that d Vale portfolio and strategically positions the company to face the climate challenge.

On our roadmap to build a better Vale, reshaping means optimizing portfolio, solving cash drains, and focusing on our core businesses. In this sense, we have made substantial progress this quarter by completing the divestment from our coal business and also closing the sale of our stake at CSI. Finally, we reached a bidding agreement for the sale of our Midwestern System for US$150 million in addition to transferring take-or-pay obligations, which price the transaction at US$1.2 billion in enterprise value. Those were major steps that create value for the company and drive us towards a much more focused and leaner portfolio of assets.

Speaking of creating and sharing value, based on the successful progress of our two share buyback programs, we announced the launching of a third one for up to 500 million shares to be repurchased within 18 months. Combined, the two first programs comprise almost 10% of Vale's outstanding shares. After the completion of the third buyback program, we will have repurchased almost 20% of the company's outstanding shares. This means that for our shareholders with positions since before our first program without spending any additional dollar their participation in future earnings would have increased by almost 25% when we have completed this program. This is one of the results of our commitment to create value and share it with our shareholders.

I now turn the floor over to Deshnee for her remarks on the quarter results for base metals. Thank you.

Deshnee Naidoo: Thank you, Eduardo. Good morning, everyone. I would like to start by talking about the progress we have made towards our strategic agenda.

During this quarter, we signed a multi-year agreement to supply our low-carbon nickel to Northvolt, a partner who values producing batteries from low-carbon sources. We have also successfully added further carbon certification for some of our other nickel products in Sudbury and Clydach, as well as for our copper concentrates produced in Salobo. This in addition to the certification we have previously received for Long Harbour nickel rounds.

This an important achievement that reinforces our position to supplying low-carbon products to support energy transition, especially for the growing EV market. Secondly, we have just announced locally in Indonesia the signing of a framework agreement with Huayou Cobalt to jointly develop our Pomalaa HPAL project to produce up to 120,000 tons of nickel in MHP. Huayou's technical experience, expertise, and track record is a perfect complement to our world-class Pomalaa deposit and our multi-decade operational experience in Indonesia. This a significant milestone that reflects our long-standing commitment to developing this world-class resource in Indonesia to further deliver into a growing nickel demand.

Next slide. In nickel, the year-on-year lower volumes were largely explained by the pace of the ramp-up of Sudbury mines and the ramp-up of the VBME project. However, our Sudbury mines for the end of quarter one achieved pre-labor disruption mining rates and Onça Puma operation had a stable production performance. In copper, we had planned for a lower production quarter as a result of a scheduled Sossego SAG mill maintenance and the lower mine grade from Salobo in H1. We were impacted by the decision we took to extend the Sossego planned maintenance to bring forward the replacement of the mold discharge trunnion due to the extensive where we uncovered when we commenced with the maintenance.

We are on track to restart the Sossego plant by mid-May. We were also impacted by the increased seismicity at our Coleman mine in Sudbury, which impacted mining a high-grade copper section in the quarter. This can still be accessed. There are several initiatives underway that will continue to derisk our copper production going forward. Sossego mining performance for the quarter is slightly ahead of plan, which enables the plant to run at maximum capacity after the restart. We achieved 25,000 tons run rate in quarter three and quarter four last year, and I am certain that we can achieve similar – if not slightly higher – run rates once the maintenance is completed.

Salobo mining is on plan. As we are seeing the benefit of the mine and maintenance work from last year and are on track to deliver 30% more mine movement this year, the Salobo plant has just completed a planned maintenance too and will assist with improved reliability. The Salobo plant has previously achieved the required 48,000 to 50,000 ton quarterly run rates. Finally, in North Atlantic with the increasing production rates and the additional opportunities being worked on, we are confident that we can offset some of the losses from quarter one.

The next slide, finally, moving to the nickel prices, which has attracted a lot of attention recently, our nickel price realization was up 16% in the quarter. This price realization can be split into three main factors: first, the aggregate premium and discount for nickel, that is, taking into account our entire product portfolio. In this quarter we've achieved strong price realization from our class-one products, however, the product mix was impacted by the higher sales of the intermediates, mostly nickel matte, which is typically sold at a 20 to 25% discount to LME; the second factor is the market pricing, that is, how sales are distributed along the quarter and the quotation of price for the contracts. So, despite the high LME price in March and in the quarter, the lower previous period prices affected the quarter's price.

Our typical monthly QP is split about half in the current month and half in the past month. This explains the US$2,000 difference between LME and the realized price; and lastly, we have some fixed pricing, we typically hedge a smaller portion of ourselves, our hedge contracts are not subject to margin calls, as we apply hedge accounting to those contracts, the only effect we see is the equivalent to a fixed price sale at about US$20,000 with no issues and liquidity or mark-to-market for those contracts. Given the soaring prices in the quarter, we have had a negative impact on our hedge results.

I now hand over to Marcello to take us through the iron ore performance.

Marcello Spinelli: Thank you, Deshnee. Well, in our last conference call, I finished my presentation talking about the flight-to-quality trend, we highlighted that in decarbonization path, the optimization of the blast furnace in the short-term, and the massive use of direct reduction in the future will support a strong demand for high-quality ores. On the other hand, there's a limited supply of the low silica ores and we said that we have many signs that this trend is becoming a reality, so we can see this chart that we have a gap and between this 58 index and the 65 index now over US$70. That's the class one iron ore that we've been talking about.

Vale performed a great price realization in the first quarter driven by four main reasons: the first one, the cost of the coke we have a necessity to optimize the cost of energy in the blast furnace; second, the lack of quality that is coming from our competitors. We have high silica alumina, high alumina, less concentrate coming from CIS, and even the domestic market we have a lower production for the concentrate; third, pellet premiums; and finally, we are taking advantage of our portfolio, we've been improving the quality through the filtration plants, the BRBF, and now we are reducing the high silica ores also concentrated in China.

Moving to next slide, let's talk about the production plan for 2022. I want to reinforce our production guidance for this year, it's a range between 320 and 335 million tons. As we mentioned in our production report comparing to last year, we had some one-off events due to the heavy rainy season in the South and in the North, almost offset by the full operation that are coming from the assets that were ramping up last year coming from the South and coming from the Southern System. We are also facing the reflect of the delays of what we call the rolling license process in the North Range that made our strip ratio increase in the North Range.

In spite of many challenges, we can say that we have some good news here. We improved more than 12% the waste movement in the Northern Range, and we could plan and execute the major maintenance activity in S11-D in the first quarter, there are others in the second quarter, so on the first half we can say that we have less impact in the production, annual production due to the seasonality. As an example, we are installing the Abon crushers in the first half and we already replaced the very important conveyor belt in S11-D. In April we are adding more than 2 million tons compared to last year, we can say that we prepared the Northern Range for more availability in the second half, and we will have the same effect of the annualized production coming from the South and the Southeastern System that we resumed last year. Finally, we're going to have the Gelado project in the second half and we are expecting some licenses for small pits in the North Range.

Now moving to the third slide, we want to track our plan to bring over the 50 million tons in midterm to support, to supply the market if the market needs, so following system by system. In the Northern Range we want to also track the new ore bodies that are under license, the N3 and N2/N1. S11-D keeps the evolution of the learning curve of the OBK, we have also to install in two years the new waste crusher, but we also have the +10 and the +20 projects, big projects that are coming in the future. In Itabira, Itabiruçu we have good news here, we resumed the raising works, we expect the first phase for this year and the second phase for next year, so in the end of the year we'll be able to improve the capacity in Itabira. And finally, Brucutu, Torto dam works are concluded, we are in the last phase going after the final permits to operate this asset and we need to keep on track the license process for the stockpiles for tailing.

I'll be here for further questions and now I handover to Gustavo.

Gustavo Pimenta: Thanks, Marcello, and morning everyone. I'd like to start with a review of the main drivers for our EBITDA performance in the quarter. As you can see, our first quarter EBITDA was about US$6.4 billion, US$480 million lower than Q421. This decline was caused mainly by the 33 million tons decline in sales of iron ore fines and pellets given our normal seasonality with lower sales in the beginning of the year. This was mostly offset by better realized prices for iron ore reflecting the US$32 per ton higher reference price and higher quality premiums in Q1.

Now on to our cost performance, as discussed since Vale Day, this is one of our strategic priorities, which we see even more relevant today given the very high inflationary environment we are all living in. Just as a reminder, our goal for the year is to keep our fixed costs plus sustaining in local currency in line with the 2021 levels. For that, we have been working on a series of initiatives over the last several months with real benefits being already captured in our financials resulting in a very limited fixed cost variation on a quarter-over-quarter basis.

Now how does that translate into our C1 and all-in costs for the quarter and full year forecast? As you can see in the next slide, our C1 ex-third-party purchase for the first quarter of 2022 was US$18.7 per ton, higher than our Q4 by US$2.2 per ton, mostly driven by lower volume and the effect of fuel prices and FX with all the inflationary pressure being offset by the initiatives I just highlighted.

Looking into our full-year forecast for C1 ex-third-party purchases, if we were to assume average Brent for the year at around US$100 per barrel and FX rate at R$5 per dollar, we would be around US$18.5 to US$19 per ton versus last year, full-year at US$16.5 per ton. In terms of all-in cost and assuming similar parameters including average bunker at US$600 per ton, we would be running 2022 at a base similar to 2021 with premium offsetting the effect of inflationary pressures. Just note that all these numbers already exclude the Midwestern System for which the sale was recently announced.

Now turning to cash generation on the next slide. The EBITDA to cash conversion for this quarter was mainly affected by greater tax payment. For our tax regime, our monthly income tax payments are calculated based on revenues generated and any necessary adjustment is made in the first quarter of the following year. So, what you see here is seasonally higher disbursement for the first quarter given better results last year.

On working capital, we had the usual impact of increasing accounts payable in Q1 following the higher investments in Q4. Also, there was an impact of the profit-sharing distribution in the beginning of the year. Finally, and most important, on the capital allocation front, we returned US$5.3 billion in dividends and share buyback. We remain committed in reverting an important share of our cash generation to our shareholders supported by our strong balance sheet. These outflows were slightly offset by the inflows of around US$500 million from the sale of our stake in California Steel.

Now let me turn to our expanded net debt evolution in the next slide. We ended up Q1 with an expanded net debt of US$19.4 billion compared with a US$15.1 billion for Q4. Part of this increase is a result of the outflows presented in the prior slide and were very much in line with our expectations for the quarter, as I had anticipated in our last call. Another drive is the effect of FX rate on the BRL-denominated obligations that composed our expanded net debt commitments. During the quarter, the Brazilian real appreciated by around 15%, which caused our commitments denominated in reais to increase in dollar terms by around US$2.2 billion. This was partially offset by the mark-to-market of our hedge positions with a positive impact of US$813 million. We expect our expanded net debt to benefit in the next quarters from higher sales and lower one-time cash outflows, such as tax payments.

During this quarter, we also reviewed with our Board a change in our optimal leverage from US$15 billion to a range of 10 to US$20 billion under the same expended net debt concept. This provides us with greater flexibility and it's a reflection of a proactive liability management performed in the last several months with no relevant financial amortizations due by 2024, a sustainable increase in our production capacity and a very disciplined cost and Capex management.

So, before opening up for Q&A, I'd like to reinforce the key takeaways from today's call. We remain laser-focused on delivering on our strategic and financial objectives, our uniquely positioned portfolio of assets will benefit substantially from the energy transition. On production, we are confident on delivering the volumes within the previously disclosed guidance ranges, and finally, we'll continue to maintain a very disciplined capital allocation process as evidenced by our announcement today of a new share repurchase program of 500 million shares.

With that, I'd like to open the call for questions.

Question and Answer Session

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

Our first question comes from Mr. Leonardo Correa, with Banco BTG Pactual. Mr. Leonardo, your audio is available.

Leonardo Correa: OK, perfect guys. So, good morning to everyone, thank you. My first question to Gustavo. Gustavo, on the cash returns, right, I think the big news of the day was the buyback, I think no one was really expecting the level of increase that you guys announced from 200 to 500 million shares on a similar timeframe, right.

The question regards to he way you treat dividends and more particularly if this changes the way you treat the extraordinary dividends, right, because if we look at Vale’s cash returns over the past couple of years, it's been mainly focused on dividends, the bulk of cash flows have been returned via dividends, so now with this much higher level of buybacks I think the question is: will you potentially leave the extraordinary dividends aside and just focus on the minimum plus this buyback, or you think you can do the three together? So, that's my first question.

The second one to Spinelli. Spinelli, if I may of course, it's a very volatile and very difficult environment to try to understand in China, right, but we're seeing all the lockdowns, we're seeing all the logistics bottlenecks, we're seeing at some ports lockdown, shutdown, we don't know exactly how this can evolve going forward. My question to you is whether the order books that you're seeing over April and May in China, are you seeing any weakness, I mean, any temporary issues on selling the iron ore into China? I mean, how can you report on that front? I mean, are sales normal to China, are you experiencing any delays or any potential shipments that could be rolled over into the third quarter? That would be both of my questions, guys. Thank you very much.

Eduardo Bartolomeo: Leo, I'm going to use the new worlds, the new normal to answer your question, then Gustavo is in front of me here, so you add up because I think it's a very important question that you poised because, as you understand, like we always talked about the pockets, right, we generate cash, last year we returned 95% of the cash flow, first of all we need to keep our commitments obliged, that that's why we did the extend debt concept and obligation to execute them, our growth, our safety, and what's coming after first is our policy, our dividend policy; that's sacred. We want to keep this as a concept. When you look five years from now and look back, Vale has been consistently predictably paying its policy, ok? What is above that? That's your question. We're going to treat it in a very specific way for the moment that we are undergoing. Obviously, we prefer buybacks because they are permanent, but they come in as in… like in this pocket list more or less: safety, growth, the policy, buybacks, extraordinaries. I think we can do the three.

And sorry because I had to jump over Gustavo, but it's so dear to my heart that I’ll ask Gustavo now to really explain it.

Gustavo Pimenta: Yes, I think Eduardo covered well, right. So, given where the stocks are trading, we continue to believe this probably one of the best – if not the best – investments that we have is to buy back our own share. We’ve been very active as we've seen in our prep remarks, we've purchased almost 10% of Vale in the last 12 months, so that will take us to another almost 20%, so this certainly very accretive for our shareholders and we'll continue to put a lot of effort on that, as you saw in our announcement last year.

It doesn't mean we cannot do extraordinary dividends. I think we'll assess at its due time, of course it will depend on our cash flow for the year, we are very constructive for the year in spite some of the challenges that we are all seeing, we continue to be very constructive in our ability to generate strong cash for the year, and on top of that we do have already a very well-established dividend policy with a payout of 50%.

So, to Eduardo's point, I think we can do both, but certainly at today's valuation buying back our own shares is highly accreative from our perspective.

Eduardo Bartolomeo: And long term.

Marcello Spinelli: Hello, Leo. Thank you for your question. Well, this I think is one of the most important questions for us today, so China is dealing with the COVID and how is the impact for our goal for this year. So, in short-term, just answering your question directly, we don't see any problem with our clients, I think it's the opposite, the liquidity in the market is getting higher and higher. This week, they have now a weekend and holiday, but the liquidity is really high. Our inventory is declining and also the whole inventory is declining, and there is the strong support and if you see the numbers to support that: all the availability, the use of the blast furnace as a whole increased this week to 83-84%, at 86% compared to 85% last week, so all the signs we see that there is a support for downstream demand and definitely they seem to be committed to their goal of 5.5 GDP growth and we have all the deployment after that, infrastructure very heated, you see the FAI, more than 8% growing, new projects are coming, so everything is… you can see in the numbers, but sentiment at the same time we see they're struggling in Shanghai.

Other information for you, we don't have any problem in our supply chain, all of our lineups are in the same level that used to be in the same period of the day year and the operations are flowing very well. So, we are happy to see the numbers going on.

Operator: The next question comes from Mr. Caio Ribeiro, with Bank of America. Mr. Caio, your audio is available.

Caio Ribeiro: Alright, good morning all, thank you for the opportunity. So, my first question is on divestments. I just wanted to ask after VNC, Moatize, the Midwestern System, which other assets are still candidates for divestments?

And then my second question, you know, the company has been talking a lot about several value-unlocking avenues for the base metals division, one of them is setting up a potential partnership. I just wanted to ask if you do choose to go down this road what would be the main angles that you're looking to exploit to unlock this value, you know, whether it is through synergies via logistics, SG&A or if it is consolidating the nickel class-one market further or anything else that you see as a potential here. Thank you.

Gustavo Pimenta: Good morning. Gustavo here. So, I'll get started with the divestments and then I'll pass to Eduardo to cover base metals. So, yeah, we've done a lot, we've cleaned up most of the non-core assets out of our portfolio and we've been saying that there's two other candidates in the list: CSP and MRN, both processes are ongoing, we've said that publicly, and you know, we'll keep the market updated once you have any news on that, but those would be the final ones in our list today.

So, with that I'll pass to Eduardo.

Eduardo Bartolomeo: Ok, thanks, Caio. It's a very good question and a complex to answer, I'll try to be objective, ok? But we need to start, because of obvious reasons, there's no decision taking that direction, ok? What we have – I think this brings to your question – is an asset that nobody else has it in nickel fundamentally speaking. We're talking about an asset that is OCDE based in Canada, ESG totally aligned in Indonesia because we are operating there for more than 50 years and the best resources in the world, so nobody has it, so we need to extract value from it. So, that's the main angle. If you ask me "what is the angle" it's uncovering value from this extremely high-quality asset that has one of the best resources and reserves in the world. So, that's the first angle that we need to be mindful.

I think we have, as in your first question, a track record of delivering what we say that we're going to do, we said that we're going to exit VHC, we exited it, we said that we're going to exit Moatize responsibly and we did, and I think with that track record we are going to uncover the value that we have at base metals, that is unique as I already mentioned.

What kind of options can we have? That's… again, reminding again about my first comment, there is no decision taken whatsoever. There are several, there are several avenues that we can choose to go, you can partner, you can spin, you can keep as it is because if we execute well – because that's the part I jumped –, we need to execute well, I would even ask Deshnee to comment a little bit because she's here with us in Brazil as well today, and I think we're going tomorrow to Salobo by the way, so there are huge efforts to transform the business, execute well, we saw first quarter was not a very good one, so we need to prove that we are reliable operator, predictable operator, we can do that, we did that in the railways in Vale, we are doing that in iron ore and we are going to do that in base metals as well.

So, the path to choose and to uncover this value passes first of all in building reliability, building a credible business, keeping our growth projects online, like VBME, our sustaining and growth projects like VBME or CCM in nickel and Alemão, for instance, like in copper, and obviously, if option A extracting this value inside Vale is not enough, we're going to analyze other options, some of those I just mentioned before.

But angle, if I can be objective to you, is to uncover value and we've been doing that with the other assets that we reshaped, and I agree with you; this the last reshape the Vale has to do.

Deshnee Naidoo: Thank you, Eduardo. Exactly, all parts to unlock in value for base metal starts off with a solid execution. I have mentioned this in the previous call, there were four work streams that the base metal's teams and I are working on, starting off with the mines productivity and linking to that safety. We have plans for every asset across the business and it's good to see some of these quicker wins coming through as is reflected by the 22% increase we've seen from January until March in our daily production rates at Sudbury. The focus of course has to increase in South Atlantic, which is very much the downstream focus on making sure that the assets are better maintained and that we can improve reliability.

But we know to be successful, it's not just for getting to safe, reliable production, but we have to get down the cost curve, and that is why the next initiative we have is focusing on our third-party spend, and that we are hoping to at least offset the inflation for this year but start to look for structural changes there. But law comes together making sure that we are improving our engagement with all of our stakeholders and that's where the third piece of works sets.

So, Eduardo, we are focusing in base metals on the execution and whatever that path or value unlock will come it'll be of a far more efficient pace in the company. Thank you.

Operator: The next question comes from Mr. Carlos de Alba, with Morgan Stanley. Mr. Carlos, your audio is available.

Carlos de Alba: Right, great. Thank you very much, good morning, everyone. So, my questions are: one, on Salobo can you comment a little bit more on how – Salobo III that is – the project is unfolding after the situation that it faced in January? And also, it called my attention that the Capex was kept at around US$1.1 billion total Capex despite this setback. So, if you could elaborate a little bit more if you are seeing efficiency somewhere else or if the overall cost of the incident is just not that relevant.

And then the other, maybe Marcello, if you could elaborate a little bit on the pellet price and the premium. We were expecting a little bit bigger multiple and obviously we were mistaken, but it could be just a lagging effect, maybe the increase in metallic prices and higher value iron ore products increasing price that we saw recently happen after you had signed your contracts for the quarter? So, if you can elaborate a little bit more about the first quarter pellet price premium and what you expect in the second quarter and going forward that will be very useful. Thank you very much.

Deshnee Naidoo: Thank you, Carlos, for the question regarding Salobo III. So, just so that we are all aligned, Salobo III will deliver at least 30,000 to 40,000 tons of metal, and in terms of where we are on progress, that project is almost 70% complete. So, as we previously guided, we are on track to start our first production at the end of November this year.

In terms of the capital, we're still holding on to the US$1.1 billion of capital. In fact, in terms of the progress on physical – and I think Eduardo mentioned at the start of the call – that we will be on site over the next day to actually talk to Olga and the team on that.

In terms of the work that the teams and I are doing now is making sure that we are de-risking the operational readiness in terms of commissioning, as well as the ramp-up. So, Salobo III, as it stands, we are maintaining the guidance from the beginning of the year, we're still on track for the end of the year.

Eduardo Bartolomeo: And about efficiency that you asked, Carlos, were really benefited by the exchange rate in this case, they had their worse on COVID impacts and the accident was minor, was not relevant. But it's going to be on track for the US$1.1 billion.

Marcello Spinelli: Hi, Carlos, thank you for your question. Well, you know, we have a shortfall, and the market is very tight. We mentioned in last conference call the impact coming from the conflict in Russia and Ukraine. For blast furnace and direct reduction, there is a pressure coming from the demand side in Middle east, so in Q2 we settled the premiums before the conflict, so the numbers now are for blast furnace 60.6, 65.8 for direct reduction, and we see an upside risk for next quarter.

Operator: The next question comes from Mr. Tiago Lofiego, with Bradesco BBI. Mr. Tiago, your audio is available.

Tiago Lofiego: Thank you, gentlemen. Two questions here. The first one to Gustavo. Gustavo, about the expanded net debt guidance range, that's a big range, right? So, can you give us more color on maybe at least for now what number should we be working with in terms of the expanded net debt? Is it maybe closer to the top of the range for now? I'm asking because this obviously makes a big difference for dividend calculations on the extraordinary side.

The second question about the Midwestern System sale, could the counterparties of the take-or-pay agreements block the deal at all, or that's not a possibility? But if it is, what would be Vale's options here? Thank you.

Gustavo Pimenta: Thanks, Tiago. So, on the expanded net debt, look, I think what were able to do and the revision that we just conducted with our Board is to essentially have more flexibility throughout the year because we do have some seasonality on our cash flow, right? We have tax payments, as we just saw in the 1Q, dividend payments, given our sales, we have some seasonality, so that gave us… I think this new range give us some flexibility throughout the year to operate around that US$15 billion that we had before, but eventually, like we did in Q1, be able to operate above that level.

So, that was the main reason for it, and we think now it provides again more flexibility and it's a better way to communicate those leverage ratios to the market.

Regarding the transaction that we just signed to sell the Midwestern, no, we don't think it's going to be an issue. I mean, we have ways to accommodate any potential discussion with the counterparty, so we're feeling very good about alternatives to be able to conclude that transaction.

Operator: The next question comes from Mr. Andreas Bokkenheuser, with UBS. Mr. Andreas, your audio is available now.

Andreas Bokkenheuser: Thank you very much. Just a couple of questions on iron ore production. Maybe just kind of looking at this year, obviously your range is 320 to 335. Is it too early to say whether you think we're going to end up in the high or low-end of that range? Obviously, it was a bit of a wet first quarter of the year, but you have the crushers coming online, so is the high-end of the range still in place? That's still a realistic, or should we be thinking more low-end of the range at this point in time? That's the first question.

And related to that, the second question, when we think about a little bit more medium/longer-term, obviously you're still looking to get licenses to ramp up production further. Can you give us an update about what regulators are really looking for in those licenses and any progress that's been made there to get those licenses? That is my second question. Thank you very much.

Marcello Spinelli: Thank you, Andreas. For first question, I think it's early to say, but what I can say is that we prepared the systems to work with more availability in the dry season. That's the main message here, and we're going to have the full operations coming from the Southeastern system, that's another important gap. So, if you compare to last year, these are two very important components to consider in the volumes for the whole year.

Midterm, I can see that we have two main actions here: first one in the North, as I mentioned in the presentation, we rely on permits, we had some delay for this, what we call the rolling licenses are related to small pits that we can add 5 to 10 million tons that you replace and keep the volumes on the North Range, we had some delays, but we expect to have this, in the second half; and from midterm, we rely on the expansion for the North Range, N3, N2/N1 and even S11-D.

So, if we have any problem in these systems that can be a headwind to reach 240 million tons. We have a backup or a fallback position in the Southern System with the other projects that are coming online, like Capanema and the recovery of the full production in Itabira that we come after Itabiruçu. So, we have a set of initiatives to bring more volumes, but all of this – remember that we have mantra, is the value over volume, so – we're going to bring this if we see that the market needs. So, we are going to say and talk about our production next year only in the end of the year.

Operator: The next question comes from Mr. Rodolfo Angele, with JP Morgan. Mr. Rodolfo, your audio is available now.

Rodolfo Angele: Ok, thanks. Good morning, everyone, good afternoon for those in Europe. My two questions are quite simple. First one, we're seeing in the industry cost pressures all around, so I just wanted to ask you if there is a renewed focus on this, you know, if there's any opportunity, anything we can expect. So, basically just a few thoughts on the plans.

And my second question is more about how we should think about Vale in the medium to long-term. I think the fact that you're announcing a large buyback is very important, very well-received by investors, but could we assume that there is also an implicit message that Vale is going to be aside from focusing on the recovery of the volumes in iron ore and getting the expansions that we discussed here, such as Salobo III up and running? Should we think about Vale more as a cash cow towards the future, or is there also still a discussion on the growth agenda? Thank you.

Gustavo Pimenta: Hey, Rodolfo, good morning. Gustavo here. So, on the cost, as you've been seeing pretty much across all industries, right, everybody is having challenges, so we are all facing very high inflationary pressure. I think the good thing in our case is we've been working on this since last year. You may recall in Vale Day we came to announce a program to reduce our cost base, a series of initiatives across the board that we are taking to optimize our cost pace and what we're seeing in C1 today – just talking specific about C1 – is the impact that we're having is basically FX and fuel cost, right, diesel. So, we've been able in the Q1 already to offset all of the inflationary pressures in labor, services, and so one with initiatives that we've been working on since last year.

I think the other bright side here is on the all-in side given better premiums this year that we’re expecting, we are seeing our all-in for the year very much in line with last year, which we think it's a big win given again all the inflationary effect that we're having. So, to a point, I think we've been able to accommodate and manage and offset all of the pressure on the fixed costs in local currency and what we're left with is FX, which we gave you some sensitivity today, and the fuel prices. But we are excited with the opportunities we are seeing to optimize our cost pace.

With that, I'll pass the second question to Eduardo.

Eduardo Bartolomeo: Ok, thanks, Rodolfo. Maybe the answer is a growing cash cow, a big, big cash cow because I think nobody has the opportunities of growth that Vale has, right? I won't go back to the rationale about the share buybacks because we believe that's permanent, that's the best investment that we can have, so we are buying back Vale at iron ore prices of 60 to whatever the price where we are today. So, we are buying an iron ore company at US$60, so that's the rationale about the buyback. But when you look at iron ore itself, when we talk a high-quality, we don't buy this story that iron ore is a mature, dying business; we are a growing class-one iron ore business, we can grow up to 400 million tons with high-quality. Nobody can do that.

So, we're going to need cash, we're going to use the cash for that. So, number one usage of cash is to grow in quality within iron ore and goes back to Andreas' previous question around the difficulties of licensing and etc. that we have to overcome as well. So, first one is grow iron ore, we have to grow copper, and we have the Carajás province, this not well-explored, it's a homework that we have to do, we're looking at it with more careful now that we are focusing 100% of our efforts on base metals, so we need to grow copper there, we have huge opportunities there that will demand cash, we can grow copper, you know, and we can grow nickel. That's a very important message here; we can grow nickel, we can even with a lot of discipline thinking something around sulfite by the way, that's the first… I think was the first question, the second question about the angles of base metals.

Fundamentally, we're talking about nickel, right? And nickel has an optionality to grow to 300 – 400 Mtons. When you look at the gap is going to happen in the market and there's the uses of cash for that as well.

But still, Vale is going to generate a huge amount of cash, so I think it's fair to say, we can say it is a cash cow, but a cash cow that will grow a lot. I don't see conflict on that. I think that we are going to generate cash, we're going to shrink our share base and the ones that are buying the story now will be very happy in five years from now.

Operator: The next question comes from Mr. Daniel Sasson, with Itaú BBA. Mr. Daniel, your audio is available.

Daniel Sasson: Thank you, gentlemen, thank you everyone. Most of my questions have been answered, I was just wondering if you have any expectation as to the next steps of the SEC's procedures in regard to what they claim was misinformation that Vale provided about the conditions of the tailing dams prior to the Brumadinho event. If you could comment on the expected timeline for, you know, these investigations to continue to move forward. I know that you have already disclosed that you do not agree with those filings, but if you could give us more color that would be great.

And my second question, you just talked a bit about costs, I remember that a few years ago you used to say that your expectations for long-term prices in this industry were around US$70 per ton, which was a level that you would generate decent returns and would not stimulate new supply coming to the market, but cost inflation has been significant over the past few quarters and probably will continue this way over the quarters to come. Do you have any new expectation or updated expectations in regard to the long-term prices that you work with? Maybe even to consider approving new growth projects as Eduardo mentioned. That would be great. Thank you.

Gustavo Pimenta: Thanks, Daniel. Gustavo here. I'll get started and then Spinelli will cover your second question. So, look, regarding the SEC, the suit was expected, right, following last year's law notice. We certainly disagree, but we are reviewing, we just received the email and the information around it, and we'll certainly contest the allegations. So, it's going to take its own time and we'll certainly keep the market updated.

Marcello Spinelli: Thank you, Daniel. Well, good question. The first number, 70, is not 70 anymore, right, so that's… even if you don't consider the supply demand trend in the future, the 70 is not a 70 anymore when you put inflation and all the impact that are here to stay. Second point, the transition to a greener world will be quite different that we could expect some years ago, so price of energy we'll stay higher probably than expected in the 70 number here.

So, third component here, supply and demand. So, supply and demand will be tighter than before from the supply side, all the projects and the possibilities to come to the market are much more difficult than before. And finally, we need to educate ourselves to talk about what we call this class-one iron ore. Our number is from the 70 up, but we need to add another 30 or six or eight when we talk about the BRBF, or we need to add another premium for pellet or briquette.

So, we are working hard to have a kind of number that we will call this class-one iron ore that's the couple from this standard that you mentioned about the 70. So, it's up and will be a wide gap when you consider the class-one iron ore.

Operator: The next question comes from Mr. Liam Fitzpatrick, with Deutsch Bank. Mr. Liam, your audio is available.

Liam Fitzpatrick: Good morning, good afternoon, everyone. I'll stick to the two questions. First of all, just on the iron ore side in terms of the value over volume, I guess we all hope that Chinese steel output will recover in 2022, but if it doesn't, what's more important? Getting to your guidance range or will you continue this approach to supplying the market if the demand is there? Because looking at the chart in the pack, you are guiding to a pretty steep and pickup in volumes into Q2 and into Q3.

And my second question, I appreciate, there is probably not much you can say, but on this SEC charges, have you got any color in terms of how long this could go on for and the sort of timing that we could be looking at upon that? Thank you.

Marcello Spinelli: Thank you, Liam, for the questions. Spinelli here. So, yep, value over volume; that's the name of the game. And we expect the downstream demand in China, our numbers is above 1 billion tons for crude steel production, and we will go to the market and supply the market with this trend. We see this stability in the economy in China as a key trend for this year, and we see a tight market in supply and demand balance.

For the first time in the year after the first quarter, we can see as a whole in the year shortfall compered to supply and demand and a small one, but it's shortfall and there will be a tight market for Q2 and Q3 more balanced in the last quarter.

Gustavo Pimenta: And, Liam, Gustavo here, on the SEC, look, as I said before, we strongly disagree with the claim and with the suit, we'll certainly contest all the allegations, but it will take its own time, so we'll make sure that the market is updated, but it will take its time.

Operator: The next question comes from Mr. Tyler Broda, with RBC. Mr. Tyler, your audio is available now.

Tyler Broda: Great, thanks. Thanks very much for the call today. Most of my questions have been asked. I was just curious; you did change the guidance that we've given at Vale Day for the 2023 costs between 15 and US$16 a ton. Is that still a realistic target assuming that we are to stay in this current higher energy cost, higher base level of inflationary environment?

And then my second question would be you seem to have built up a lot of inventory over the last six months in the value chain within 2021 and it sort of did nothing really came out during early 2022, I guess. How do you expect to see that evolve over the course of the years thinking in terms of sales versus production? Thanks very much.

Gustavo Pimenta: Hy Tyler. Let me cover the first one. So, on costs certainly there is… if you were to maintain the current FX rate for example and the pressure of fuel prices, we could have an effect in 2023 on our C1, but I think it's early to say, I think we have to see, that's why we haven't reviewed and provided any incremental data point, I think it's early to say, we have to see where the energy prices settles, where FX settles. So, once we have more clarity, we'll then update the market on 2023.

But I think based on the variance we see in 2021 or in the 1Q22, you kind of have a sense of the delta that we could see in 2023 for those two variables.

Marcello Spinelli: Hi Tyler. Spinelli here. So, you're right, we had some gaps in inventory in 2021, but remember that were recovering our supply chain after 2019, after Brumadinho, that we used our inventory to keep the sales and to keep the operations in our clients and mostly in China. So, we did this in 2020 and 2021 to keep the supply chain and the operation for blending.

So, what we expect for these years is the same pattern of last year with an additional and small part that we are concentrating some high silica ores in China, that's a small gap that we can consider that in 10 million tons for this material, we have a mass recover of 65-70%. So, that's the only difference between last year and this year.

Operator: The next question comes from Mr. John Tumazos, with John Tumazos Independent Research. Mr. John, your audio is available now.

John Tumazos: Thank you for taking my questions. First, why not build five or more of the Tecnored plants since they're so much better? Second, could you describe the second quarter and third quarter rebounds in the Northern System and the Southern System from the first quarter, or the problem is only weather, etc.? Thank you.

Marcello Spinelli: Thank you, John. Spinelli here. So, Tecnored, you're right, that's a great solution, but we need to prove the technology with industrial scale, so that's we're doing now, it's a technology that we can use in this small furnace, we can use biomass and that can be used as a smelter also in our client. So, we can co-locate in our clients or use as an industrial plant for pig iron, as we are developing now.

But we need to prove this, we are really confident, we already have a small plant working, but we want to prove this firstly.

And the about the balance in Q2 and Q3, the North Range that is the wet season, so we still have a lower share as expected in the second quarter, but they come with more than 70% when they return to the second half. So, that's what we expect.

As I mentioned, in the first quarter we suffer more with some delays, but we are preparing the North Range; that's the most important site for us to be more available in the second half.

Operator: The next question comes from Mr. Jon Brandt, with HSBC. Mr. John, your audio is available.

Jon Brandt: Hi, good morning and good afternoon, thanks for taking my questions. Spinelli, I first wanted to ask you about demand in Europe. Just given the challenges that they faced with higher energy costs and taking down some EAF production, what are you seeing in terms of iron ore demand there.

And then my second question was on nickel. So, definitely you mentioned a lot of the low carbon nickel products that you have, and obviously there's value in that, but I'm just wondering how does that translate into higher realized prices or is that something that could potentially translate into higher realized prices in the future Thank you.

Marcello Spinelli: Thank you, Jonathan. Well, it's a tough answer about your… well, we have some numbers, we are not counting the full operation for CIS, we see a decline between 20-25% this year, and Europe we have a forecast for -1 or -3 if you extend the view for the whole Europe. But the main thing we didn't talk about this with our clients, they are full now, you know, not CIS, but the other part of Europe, they are full, they are buying, but they are in a kind of short-term mode, so they expect to have some impact coming from energy in the end of the year, they can have some restrictions where the use of coals, so they have concerns, but they don't have answers now for the whole thing.

So, they are in a short-term mode, we are selling the same, actually there's a lot of pressure coming from the pellet side, but we expect that there will be some decline for the whole year as I mentioned.

Deshnee Naidoo: Thank you, Jon. I'll be very, very quick. In keeping with our strategy of trying pivot at least 25 to 30% of our production into EV, we know that in order for us to be ready for transition metals and what's happening on the critical mineral side, we have to show the world that we do have one of the lowest carbon intensity products, and that's the reason that we started the certification process. But simply as you said, I think for now it's just to show that we are low carbon both on the footprint side as well as on intensity, but going forward, as Eduardo mentioned, the world is going to need a lot more nickel, we believe we can more than double our production for the right incentives.

So, I agree, I think green nickel will definitely be a product that the market will need to incentivize and reward for. Thank you, John.

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

Eduardo Bartolomeo: Ok, thank you. Again, thanks a lot for your interest and attention and questions, they are very helpful even to guide our focus here.

Just as a conclusion, I will reiterate or repeat what Gustavo said in the end of his introduction: we're laser-focused on our objectives, I think we are uniquely positioned to the ESG world, what we see a climate challenge, we see a business opportunity, iron ore, class-one nickel, as Deshnee just mentioned, copper. So, I don't think there's any other company in the world that has what we do have.

I'm extremely confident about our targets. Spinelli didn't say, but we are not on the lower end for sure. Guidance is guidance, but the only one that we are lowering the guidance to the lower end is copper because of the challenges, and we are being realistic, but we are strongly confident that we're going to get to our guidance.

And lastly, we are showing with actions, we're putting our money where our mouth is, our capital discipline is extremely disciplined, and we are not letting by any opportunity to grow. So, we are going to keep as much as needed cash inside the company with discipline to grow our business that again I don't believe any other mining company in the world has such a sweet opportunity inside.

So, again thanks a lot for your attention, hope to see or listen to you in the next call, and again the ones that are in this marathon with us will truly benefit. Thanks a lot and keep safe.

Operator: That does conclude Vale's conference call for today. Thank you very much for your participation and have a nice day.