11/06/2013

A+ A-

3Q14 Vale results

Vale delivered a strong operational performance in 3Q14, with iron ore production reaching 85.7 Mt, the highest output in Vale's history and with Carajás production at 32.2 Mt, a new all-time high, due to the successful ramp-up of Plant 2 and Serra Leste.

Vale's CFO Luciano Siani Pires comments on 3Q14 financial results. Click here to watch

Revenues in 3Q14 reached US$ 9.249 billion, representing a decrease of US$ 830 million vs. 2Q14. Revenues were negatively impacted by US$ 1.351 billion as a result of lower commodity prices and positively impacted by US$ 521 million as a result of higher sales volumes. The benefits of the production record in iron ore were not fully captured given the accumulation of 9.3 Mt of inventories along the supply chain, partially driven by the interruption of the Carajás Railroad (Estrada de Ferro Carajás, EFC) in September. The portion of the inventory intentionally built in 3Q14 has been sold at more favorable commercial terms during the current quarter.

In 3Q14 Vale posted an adjusted EBITDA of US$ 3.004 billion, with US$ 781 million – 26% of Vale's EBITDA in 3Q14 – coming from the base metals business on the back of a production record in copper and the best production in nickel for a third quarter since 3Q08.

In 9M14, Vale reduced costs and expenses by US$ 520 million vs. 9M13, with savings of US$ 271 million in 3Q14 vs. 3Q13. Comparing 9M14 with 9M13, SG&A decreased by US$ 192 million (23.4%), R&D decreased by US$ 30 million (5.7%) and pre-operating and stoppage expenses decreased by US$ 557 million (46.2%).

In 9M14, capital expenditures totaled US$ 8.232 billion, equivalent to a decrease of US$ 2.161 billion when compared to 9M13. Vale´s investments in project execution totaled US$ 5.641 billion, representing a decrease of US$ 1.560 billion while sustaining capex totaled US$ 2.591 billion, a decrease of US$ 600 million in 9M14 vs. 9M13.

Net loss was US$ 1.437 billion against a net income of US$ 1.428 billion in the previous quarter, mainly driven by the non-cash impact of foreign exchange and monetary losses on debt and derivatives of US$ 2.683 billion from the BRL depreciation against the USD.

Vale maintained a healthy balance sheet with low leverage, high interest coverage, long debt maturity and low cost of debt. Net debt decreased by US$ 2.156 billion from June 30th, 2014, reaching US$ 21.034 billion. As of September 30, 2014, Vale´s total debt was US$ 29.366 billion with a cash position[4] of US$ 8.332 billion, supported by R$ 2 billion in cash proceeds received in 3Q14 from the sale of a 26.5% stake in VLI to Brookfield. The second 2014 dividend installment of US$ 2.1 billion will be paid on October 31st, 2014.

Achieving sound operational performance despite lower commodity prices in the ferrous business
• Adjusted EBITDA for iron ore in 3Q14 reached US$ 1.528 billion, representing a decrease of US$ 1.151 billion from the US$ 2.679 billion registered in 2Q14, mainly due to a US$ 1.031 billion reduction in sales prices.
• Iron ore production reached a record of 85.7 Mt[5] in 3Q14, mainly driven by the ramp-ups of Plant 2 and Conceição Itabiritos while iron ore purchased from third parties reached 2.9 Mt.

• Iron ore and pellet sales volumes reached 78.1 Mt in 3Q14, 1.5% higher than in 2Q14.
• Iron ore inventory increased by 9.3 Mt in the quarter, partially as a result of the blockage of the EFC.
• Iron ore fines (ex-ROM) realized prices decreased to US$ 68/wmt, negatively impacted by a US$ 1.4/t adjustment on prices provisioned by the end of 2Q14 and by a US$ 3.8/t gap between the US$ 77.8/t provisionally priced for 30.7% of sales by the end of 3Q14 and the average Platt's IODEX 62% CFR China of US$ 90.2/dmt.
• Iron ore cash costs increased to US$ 24.7[6] /t vs. US$ 23.2 /t in the previous quarter, mainly as a result of non-recurrent maintenance costs in preparation for production increase and the payment of outstanding invoices due to the start-up of the ERP system.
• The average exchange rate for the quarter was R$ 2.27 / US$ despite an exchange rate by the end 3Q14 of R$ 2.45 / US$. The cost benefits of a more depreciated BRL will be captured in the next quarter if the exchange rate stabilizes at the end of 3Q14 levels.

Bearing fruit from the base metals business
• Adjusted EBITDA reached US$ 781 million in 3Q14, totaling US$ 1.939 billion in 9M14.
• Nickel production reached 72,100 t in 3Q14, 16.9% higher than in 2Q14.
• Copper output reached the historical production record of 104,800 t, 29.3% and 10.8% higher than in 2Q14 and in 3Q13, respectively.
• Sales revenues totaled US$ 2.129 billion, 12.7% higher than in 2Q14, due to better sales prices and volumes.
• Costs decreased by US$ 103 million and expenses[8] by US$ 334 million in 9M14, representing a cost and expenses reduction of US$ 437 million vs. 9M13.

Laying the foundations for future profitability of the coal and fertilizer businesses
• The Isaac Plains mine was placed in care and maintenance due to the lack of financial and economic returns at forecast price levels in the short and medium term.
• Moatize II achieved a 70% physical progress in 3Q14 with a capital expenditure of US$ 179 million in the quarter.
• The greenfield sections of the Nacala Corridor achieved 92% physical progress while the Nacala Port reached 85% physical progress.
• Adjusted EBITDA for the fertilizer business increased to US$ 96 million in 3Q14 from US$ 72 million in 2Q14, achieving an EBITDA of US$ 203 million in 9M14 against US$ 51 million in 9M13.

As we head towards the end of 2014, we remain focused on our cash flow generation, further exploring divestment opportunities and reinforcing capex and cost cutting initiatives to support free cash flow.

Click here to obtain full releases

More information

Mônica Ferreira
monica.ferreira@vale.com
Rio de Janeiro
+55 (21) 3845-3636

Fatima Cristina
fatima.cristina@vale.com
Rio de Janeiro
+55 (21) 3485-3621