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10/24/2019

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Financial results 3Q19

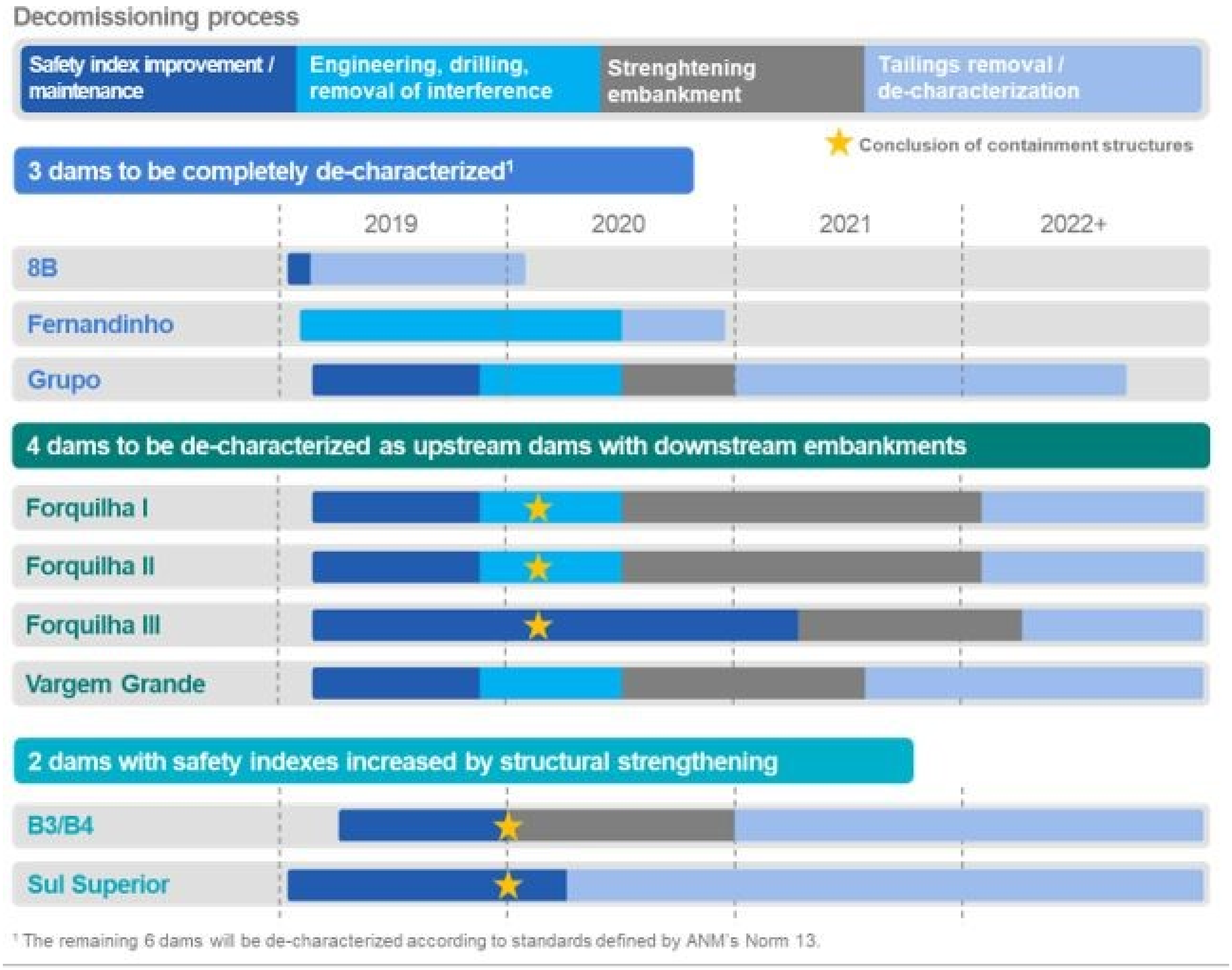
"In the third quarter of 2019, we made progress towards stabilizing our business and advanced with our objective of full reparation of Brumadinho. The de-characterization of 9 upstream dams is ongoing, with the completion of the first dam expected by the first quarter of 2020. We have fulfilled our commitment of reducing the C1 cost and stoppage expenses compared to the previous quarter. We are evolving with a premium product portfolio tailored to market demands. Together with our commitment to safety and disciplined capital allocation, our actions reduce uncertainties and lead us to sustainable results", commented Eduardo Bartolomeo, Chief Executive Officer.

I. Reparation

. The main framework agreements for civil and labour indemnifications were established and approximately R$ 2.25 billion[1] have already been paid in compensations for material and moral damages, individually and collectively. These agreements include: (i) emergency compensation to approximately 108,000 people on a monthly basis up to January 2020; (ii) 700 signed indemnity agreements, encompassing more than 1,400 beneficiaries, with the support of the Public Defender's Office to expedite indemnity procedures; and (iii) labour indemnifications related to 232 victims, through 500 signed agreements, benefiting over 1,400 people.
. We have signed another 22 agreements to cover specific fronts, as follows:
. (i) 4 agreements to support municipalities in providing public services and infrastructure, as well as through donations, among others; (ii) 5 agreements on environmental recovery, with initiatives for fauna and flora protection and restoration in the region; (iii) 4 agreements on water supply, including new water withdrawal and treatment systems with COPASA; (iv) 2 agreements for emergency payments to families relocated in Barão de Cocais and for the Pataxós indigenous community; and (v) 7 agreements regarding external audits and asset integrity, providing technical support for the authorities, measures to review and reinforce structures and halting of operations.
. We have defined a tailings treatment and environmental recovery plan, with 23 planned integrated structures, including two water treatment plants already in operation. The plan ensures the water supply to the Belo Horizonte region, restoring the catchment system in the Paraopeba river basin and preventing carriage of tailings to the Rio das Velhas basin. As per plan, the dredging of the Paraopeba river has already begun.
. We know there is still a lot to be done, and we are committed to doing it. In the following webpage, we present the updated balance of the actions we have taken so far - vale.com/repairoverview.

II. Safety

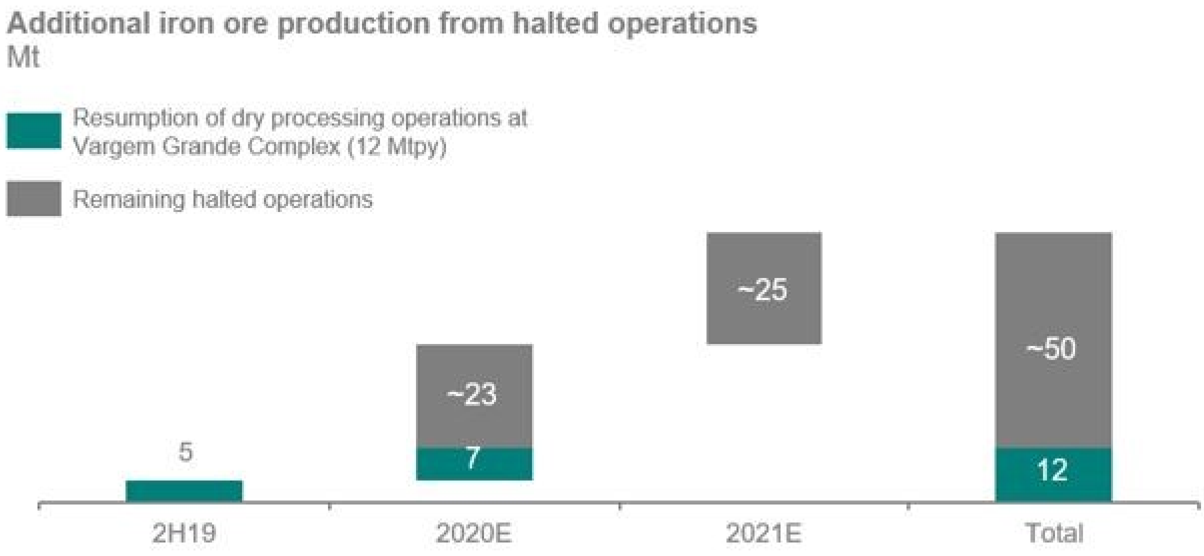
. We are making progress with the de-characterization of 9 upstream dams. Two of them, Fernandinho and 8B, will be completely de-characterized in 2020, and the Group dam will be completed in 2022.
. Another four dams, Forquilha I, II and III and Vargem Grande, will be strengthened by downstream embankments prior to the final de-characterization as downstream dams. The remaining two dams, B3/B4 and Sul Superior, will go through structural strengthening work and, consequently, will have their safety indexes increased before de-characterization.
. We are also building containment structures to increase safety levels in the Self-Saving Zones[2] of Forquilha I, II and III, B3/B4 and Sul Superior dams, with completion expected by early 2020.



. The new Safety and Operational Excellence Office has outlined a work plan with actions planned for the next two years. The implementation of the Vale Production System (VPS) is expanding, with over 40,000 employees recently trained.

III. Reducing uncertainties

. We resumed iron ore production at the Brucutu mine and part of the dry processing operations at the Vargem Grande Complex, as announced in June and July, respectively. We expect to resume the remaining halted production of around 50 Mt through 2020 and 2021, as detailed in the 3Q19 Production Report.



IV. Sustainable results

. Vale's proforma EBITDA (excluding the expenses from the Brumadinho dam rupture) totaled US$ 4.8 billion in 3Q19, US$ 198 million higher than 2Q19, a record EBITDA for a third quarter since 2013.
. Ferrous and Base Metals segments had solid performance in 3Q19, with EBITDA of US$ 4.6 billion and US$ 555 million respectively, together coming in at US$ 501 million higher than in 2Q19. The Coal segment had negative EBITDA of US$ 172 million, US$ 66 million lower than in 2Q19, mainly due to lower prices, while EBITDA from the Others segment was negative US$ 189 million, US$ 237 million lower than in 2Q19, mainly due to the reversal of contingencies and dividends received that positively impacted 2Q19.
. Our cash generation was US$ 3.0 billion in 3Q19, allowing us to continue reducing our indebtedness, with net debt reaching US$ 5.3 billion in 3Q19.
. Our gross debt totaled US$ 14.8 billion as of September 30th, 2019, decreasing by US$ 1.0 billion from June 30th, 2019, mainly as a result of the bond repurchases made during the quarter.
. In the first three quarters of 2019, Vale had a loss of US$ 121 million mainly as a result of provisions and incurred expenses related to the Brumadinho dam rupture (US$ 6.3 billion).

Ferrous Minerals

. Iron ore and pellet sales volume reached 85.1 million tons[3] in 3Q19, 20.2% higher than in 2Q19, mainly due to the resumption of halted production and operational improvements in the Northern System and Ponta da Madeira port operations, which were impacted by unusual weather conditions in 2Q19.
. Ferrous Minerals EBITDA totaled US$ 4.6 billion, US$ 411 million higher than 2Q19, mainly due to the higher sales volumes mentioned earlier and lower C1 cash costs and stoppage expenses, which were partially offset by higher freight costs and lower quality premiums.
. Iron ore fines C1 cash cost reached US$ 15.3/t in 3Q19, US$ 2.3/t lower than in 2Q19 and in line with the reduction mentioned in 2Q19, mainly due to the dilution effect on higher volumes and the decrease in demurrage costs after the normalization of the Ponta da Madeira port operations.
. Stoppage expenses related to the Brumadinho dam rupture in 3Q19 were US$ 2.8/t, US$ 2.9/t lower than in 2Q19, exceeding the expectation of US$ 1.5/t reduction, as indicated in 2Q19, mainly as a result of the resumption of Brucutu and Vargem Grande operations and lower provisions for extraordinary logistics expenses.
. Vale's freight cost per ton was US$ 19.1/t, US$ 2.6/t higher than in 2Q19, mainly due to the combined effect of higher spot market prices and higher spot volumes as a result of the return of operations and the usual seasonality. Freight cost should slightly reduce in 4Q19, mainly due to the higher availability of long-term contracts and the incorporation of new vessels to the long-term chartered fleet, lowering Vale's exposure to the spot market.

. Iron ore fines and pellets quality premium reached US$ 5.9/t[4] in 3Q19, US$ 5.5/t lower than in 2Q19, mainly due to (i) the compression of high-quality iron ore and pellet premiums, the result of an imbalance in market supply and lower margins in the steel industry and (ii) non-receipt of dividends from leased pellet plants in this quarter as defined in the shareholders' agreement[5]. In September, Vale revised its 2019 pellets production guidance to 43 Mt from 45 Mt to adapt to the above-mentioned market conditions.

Base Metals

. Nickel operations EBITDA totaled US$ 319 million in 3Q19, US$ 71 million higher than in 2Q19, mainly due to higher nickel prices and lower costs, partially offset by lower sales volumes.
. Copper operations EBITDA totaled US$ 236 million, US$ 19 million higher than in 2Q19, despite the LME copper price decrease, mainly due to the strong performance of Salobo, whose cash cost, after by-product credits, reached US$ 298/t.

Selected financial indicators

US$ million	3Q19	2Q19	3Q18
Net operating revenues	10,217	9,186	9,543
Total costs and other expenses	6,345	5,743	6,100
Expenses related to Brumadinho	225	1,532	-
Adjusted EBIT	3,676	2,132	3,476
Adjusted EBIT margin (%)	36%	23%	36%
Adjusted EBITDA	4,603	3,098	4,325
Adjusted EBITDA margin (%)	45%	34%	45%
Iron ore - 62% Fe reference price	102.0	100.1	66.7
Net income (loss)	1,654	(133)	1,408
Net debt [1]	5,321	9,726	10,704
Capital expenditures	891	730	692

[1] Does not include leases (IFRS 16).

US$ million	9M19	9M18	%
Net operating revenues	27,606	26,762	3.2
Total costs and other expenses	17,268	17,487	(1.3)
Expenses related to Brumadinho	6,261	-	-
Adjusted EBIT	4,355	9,543	(54.4)
Adjusted EBIT margin (%)	16%	36%	20 p.p.
Adjusted EBITDA	7,049	12,126	(41.9)
Adjusted EBITDA margin (%)	26%	45%	20 p.p.
Net income (loss)	(121)	3,074	(103.9)
Capital expenditures	2,232	2,287	(2.4)

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