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## Production and Sales Report 2Q19

Vale iron ore fines production and sales showed a substantial improvement in the end of 2Q19 with the increase in shipments in the Northern System and the resumption of Brucutu operations. The combined effects of both events will be felt more considerably in 2H19.

Iron ore fines production[1] totaled 64.1 Mt in 2Q19, 12.1% and 33.8% lower than 1Q19 and 2Q18, respectively, mainly as a result of the impacts following the Brumadinho dam rupture and the unusual weather-related conditions in the Northern System in April and early May.

As a result of the successful S11D ramp-up, the Northern System achieved a run rate of 215 Mtpy in June and expects to produce around 18.5 Mt to 19.0 Mt per month in 2H19 reaching the 230 Mtpy run rate.

Vale's pellet production[2] totaled 9.1 Mt, 25.5% and 29.3% lower than in 1Q19 and 2Q18, respectively, mainly due to the full stoppage of the Southern System pellet plants during the quarter, following the Brumadinho dam rupture, abnormal rain in the Northern and Southeastern Systems as well as maintenance carried out and at the Tubarão plants.

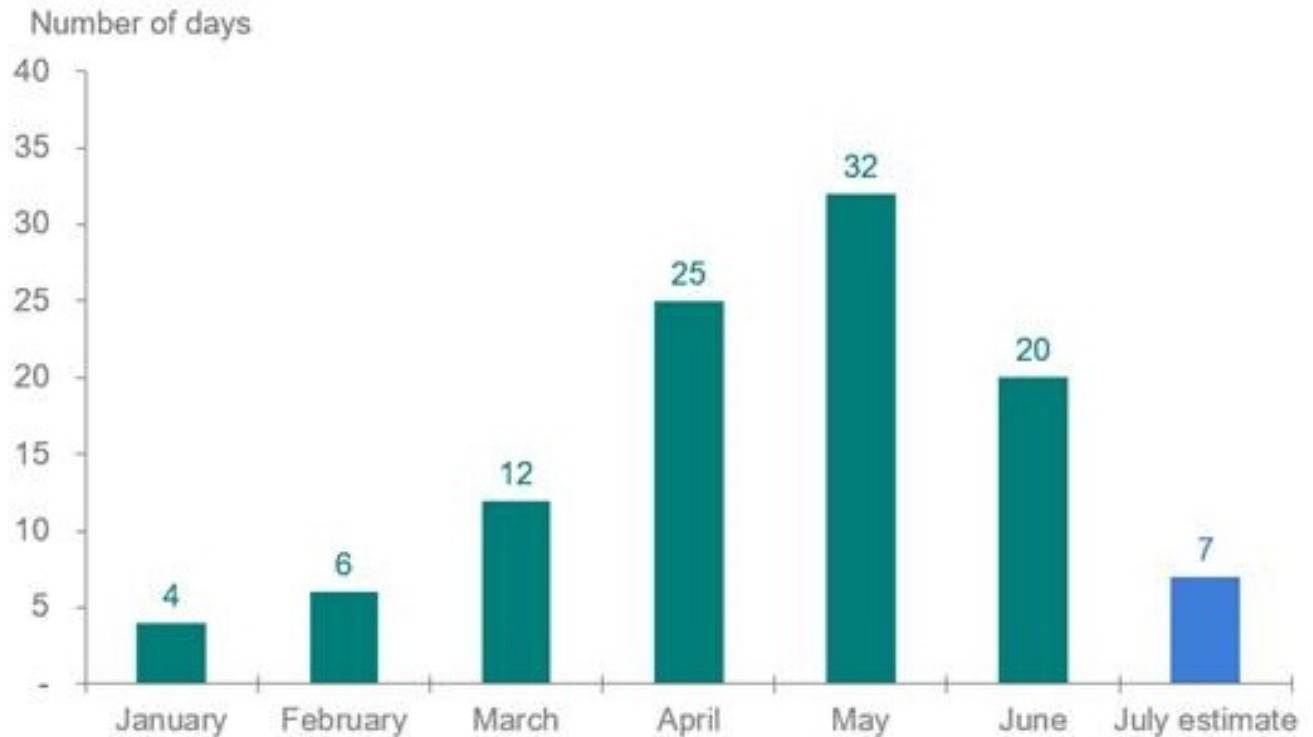
Vale made substantial progress concerning the 93 Mtpy of Iron Ore production capacity stopped in 1Q19, with the resumption of Brucutu operations on June 22nd, recovering 30 Mtpy of production capacity. Regarding the 60 Mtpy currently curbed, Vale expects that the 30 Mtpy of dry processing production will be gradually resumed starting by the end of this year and the remaining 30 Mtpy, which includes wet processing, is estimated to return in about two to three years.

Iron ore fines and pellet sales volume was 70.8 Mt in 2Q19, 4.5% higher than in 1Q19 and 18.2% lower than 2Q18. Although the production volumes decreased quarter over quarter, sales volumes increased 3.2 Mt due to the consumption of offshore inventories.

As a result of the Brucutu mine restart, Vale reaffirms its 2019 iron ore and pellets sales guidance of 307-332 Mt, as previously announced, and informs that its expected sales volume will move towards the midpoint of the range.

Following the Brumadinho accident, there was a shortage of products to be loaded in the Southern and Southeastern Systems, and therefore a major share of scheduled vessels was redirected to the Ponta da Madeira port in the Northern System. However, the heavy rains in March, April and early May impacted port productivity and loading operations. Therefore, the line-up of ships at the Ponta da Madeira port increased substantially and the consequence was a considerable impact on demurrage costs in 2Q19, thus impacting the C1 cash costs. The São Luís port stay of the ship went from 6 days in January to the peak level of 32 days in May. The issue is being normalized with the July estimate for port stay of the ship at 7 days.

## Average port stay of ships at São Luís



The share of premium products<sup>[3]</sup> in total sales increased to 86% in 2Q19. Iron ore fines and pellet quality premiums reached US\$ 13.2/t<sup>[4]</sup> in 2Q19 vs. US\$ 10.7/t in 1Q19, mainly due to a higher contribution of the pellets business.

Nickel sales volumes were 57,500 t in 2Q19, 14.3% higher than in 1Q19 due to the drawdown of regional inventories partially offsetting the lower production that decreased vs. 1Q19. In the quarter, Sudbury had excellent operational performance at the mine-mill-smelter activities, with copper production from those mines reaching 24.4 kt, the highest for a second quarter since 2016. By its turn, production of finished nickel was impacted by scheduled and unscheduled maintenance activities at the refineries in the North Atlantic. These maintenances were concluded and production resumed at those refineries, which are currently operating at their normal rates.

Copper production reached 98,300 t in 2Q19, 4.8% higher than 1Q19 and in line with 2Q18. Production increased mainly due to higher grades in Salobo operations and strong performance at Sudbury.

## Production summary

000' metric tons	2Q19	1Q19	2Q18	1H19	1H18	% change		
						2Q19/1Q19	2Q19/2Q18	1H19/1H18
Iron ore <sup>1</sup>	64,057	72,870	96,755	136,927	178,707	-12.1%	-33.8%	-23.4%
Pellets	9,071	12,174	12,838	21,245	25,619	-25.5%	-29.3%	-17.1%
Manganese Ore	318	365	421	683	855	-12.9%	-24.5%	-20.1%
Coal	2,370	2,213	2,871	4,583	5,303	7.1%	-17.5%	-13.6%
Nickel	45.0	54.8	66.2	99.8	124.8	-17.9%	-32.0%	-20.0%
Copper	98.3	93.8	97.9	192.1	191.2	4.8%	0.4%	0.5%
Cobalt (metric tons)	1,032	1,195	1,302	2,227	2,629	-13.6%	-20.7%	-15.3%
Gold (000' oz troy)	119	108	114	227	227	10.2%	4.4%	0.0%

<sup>1</sup> Including third party purchases, run-of-mine and feed for pelletizing plants.

## Sales summary

000 <sup>1</sup> metric tons	2Q19	1Q19	2Q18	1H19	1H18	% change		
						2Q19/1Q19	2Q19/2Q18	1H19/1H18
Iron ore <sup>1</sup>	61,945	55,416	73,290	117,361	144,510	11.8%	-15.5%	-18.8%
Pellets	8,842	12,314	13,231	21,156	26,355	-28.2%	-33.2%	-19.7%
Manganese Ore	92	252	239	344	577	-63.5%	-61.5%	-40.4%
Coal	2,093	2,394	2,509	4,487	5,005	-12.6%	-16.6%	-10.3%
Nickel	57.5	50.3	61.6	107.8	119.5	14.3%	-6.7%	-9.8%
Copper	95.0	90.4	94.6	185.4	182.3	5.1%	0.4%	1.7%

<sup>1</sup> Including third party purchases and run-of-mine.

Access the report [here](#).

### More information



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