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Vale informs about provision related to the agreement with Brazilian authorities

Vale recognized the provision of the present value of its estimated secondary responsibility

Vale informs that it recognized a provision of R\$ 3.7 billion (US\$ 1.2 billion) in its interim financial statements as of June 30rd, 2016, which is equivalent to the present value of Vale's estimated secondary responsibility under the Agreement signed on March 2nd, 2016 to support the foundation ("Foundation") established to develop and execute the long-term remediation and compensation programs as a result of Samarco's dam failure.

Due to the reduced likelihood of resuming operations in 2016 given the current status of the licensing process and the additional uncertainties regarding Samarco's future cash flow Vale recognized the provision of the present value of its estimated secondary responsibility, equivalent to 50% of Samarco's obligations under the Agreement.

Given Samarco's current cash flow projections, it is likely that shareholders will be called upon to fulfill its obligations under the Agreement and, therefore, Vale expects to contribute about US\$ 150 million to the Foundation in 2H16, with this amount offset against the abovementioned R\$ 3.7 billion provision.

In addition, Vale intends to make short-term facilities of up to US\$ 100 million to Samarco to support its operations, without undertaking an obligation to Samarco. Funds will be released on an as-needed basis and will be subject to Samarco achieving certain milestones. Likewise, BHP Billiton will make available to Samarco similar short-term facilities.

Vale will carry out frequent reassessments of the assumptions used and revise the abovementioned provision in a timely manner to reflect new facts and circumstances in its financial statements.

Further details can be found in the Vale's 2Q16 earnings release to be published tomorrow (July 28th, 2016) at 6am Rio time (5am US Eastern Standard Time).

More information



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