

VALE Earnings Call Transcript

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Quarter: 3

Operator: Good morning, ladies and gentlemen. Welcome to Vale's Third Quarter 2025 Earnings Call. This conference is being recorded and the replay will be available on our website at vale.com. The presentation is also available for download in English and Portuguese from our website. [Operator Instructions] We would like to advise that forward-looking statements may be provided in this presentation, including Vale's expectations about future events or results encompassing those matters listed in the respective presentation. We caution you that forward-looking statements are not guarantees of future performance and involve risks and uncertainties. To obtain information on factors that may lead to results different from those forecast by Vale, please consult the reports Vale files with the U.S. Securities and Exchange Commission, the Brazilian Comissão de Valores Mobiliários and in particular, the factors discussed under forward-looking statements and Risk Factors in Vale's annual report on Form 20-F. With us today are Mr. Gustavo Pimenta, CEO; Mr. Marcelo Bacci, Executive Vice President of Finance and Investor Relations; Mr. Rogério Nogueira, Executive Vice President, Commercial and Development; Mr. Carlos Medeiros, Executive Vice President of Operations; and Shaun Usmar, CEO of Vale Base Metals. Now I will turn the conference over to Mr. Gustavo Pimenta. Sir, you may now begin.

Gustavo Duarte Pimenta: Hello, everyone, and welcome to Vale's Third Quarter 2025 Conference Call. I would like to start by highlighting how excited I am about what we are building at Vale. Our vision to become a trusted partner with the most competitive and resilient portfolio in the industry remains solid, and we continue to make significant progress towards this future. This quarter, we once again delivered solid operational and cost performance across the board, and we are on track to deliver all of our guidances for the year. We continue to advance our safety agenda, most notably by removing the last dam from emergency Level 3, a significant milestone in our derisking journey. Our key initiatives and growth projects are also moving forward as planned, reinforcing our long-term strategic focus and disciplined capital allocation approach. These results give me great confidence in Vale's future and in the value we are creating, not only for our shareholders but also for society. Now let's move on to the quarter performance on the next slide. First, I would like to highlight the solid operational results we delivered across all 3 commodities, positioning us to reach the upper limit of our annual production guidances. This achievement reflects the outstanding performance of our operational teams, and I want to congratulate them for their hard work and consistency throughout the year. This quarter, iron ore production reached 94 million tons, an increase of 4% year-on-year and our highest quarterly output since 2018. This growth was primarily driven by a record third quarter performance at S11D, along with the ramp-up of Brucutu, Capanema and Vargem Grande projects, which added flexibility to our operations and product mix. Copper also delivered a strong performance with production growing 6% compared to last year, supported by Salobo's solid performance. This was the best third quarter result for our copper business since 2019. Nickel production remained flat year-on-year, but with an increase in our own production, thanks to the ramp-up of the Voisey's Bay underground project. This allowed us to significantly reduce our unit costs year-on-year as Marcelo will present later. Also in nickel, we started operations at the second furnace of Onça Puma in September. The project was completed on schedule and 13% below the planned CapEx, reinforcing our commitment to efficiency. The second furnace adds 15,000 tons of production capacity per year, and it is expected to further reduce unit cost

by approximately 10%, enhancing the competitiveness of our nickel business. We also reached other important milestones this quarter through our new Carajás program, which aims to accelerate the development of key projects in one of the world's most attractive mineral deposits. As many of you know, in June, we received the preliminary license for the Bacaba copper project and have since begun preparations for construction, which is set to start in the coming months following the issuance of the construction license. In iron ore, we received the operating license for the Serra Sul plus 20 million tons per annum expansion. The project has reached 80% physical progress and should start up by the end of 2026. Additionally, we secured approval to expand Serra Leste's capacity from the current 6 million tons per year to 10 million tons per year, bringing extra volumes to the Northern System with a highly competitive capital intensity of just \$20 per ton. Now looking at our portfolio. One of Vale's key competitive advantages is our ability to adapt to different market conditions, offering a product mix that meets the evolving needs of our customers. This is possible given the flexibility of our supply chain, supported by multiple blending, concentration and distribution facilities across the world. Throughout 2025, we actively adjusted our iron ore product portfolio, concentrating our high silica products and launching a new medium-grade product from Carajás. This flexibility results in significant value creation. In Q3, our iron ore fines premium increased by nearly \$2 per ton quarter-on-quarter. From an EBITDA perspective, those initiatives represent over \$500 million improvement on an annualized basis. Safety is at the center of every decision we make at Vale, and I'm very proud of the significant progress we have achieved this quarter in dam safety and management. Back in 2020, we made a public commitment by 2025, Vale would no longer have any dams classified at emergency Level 3, the highest risk category. Last August, we fulfilled that commitment. The Forquilha III dam, the last one at Level 3 had its emergency status officially lowered to Level 2 by Brazilian authorities. This is an important milestone in our commitment to society and neighboring communities and a key mark in our safety journey. Also in August, we announced that Vale successfully implemented the global industry standard on tailings management, the GISTM, meeting the requirements of this internationally recognized benchmark. Lastly, in September, we completed the decharacterization of the Grupo Dam in Minas Gerais, marking the 18th structure eliminated under our program. Advancing the dam safety agenda is essential to ensuring non-repetition and becoming a trusted partner to society. We remain committed to delivering results and being a reference for safety and operational excellency in our industry. Our efforts to transform Vale are beginning to be recognized by ESG rating agencies. We've demonstrated substantial improvements in governance, dam safety and management, health and safety and climate change. These advancements have led to upgrades in our ratings now surpassing levels seen prior to Brumadinho. I would also like to highlight that over the last 1.5 years, a relevant number of ESG-focused investors have removed Vale from their exclusion lists. We estimate roughly 1.5 trillion in AUM can now invest again in our shares and fixed income instruments. We remain dedicated to transparently showcasing the progress we've made across the company, and we remain firmly committed to the principles of the UN Global Compact, including respect for human rights, labor standards and environmental protection. I will now pass the floor to Marcelo Bacci to discuss our financial performance. I'll be back for closing remarks before the Q&A session. Marcelo, please go ahead.

Marcelo Bacci: Thanks, Gustavo, and good morning, everyone. As Gustavo highlighted, we delivered another quarter of solid operational performance, which gives us even more confidence in the long-term value we are creating for our shareholders. This quarter, our pro forma EBITDA reached \$4.4 billion, an increase of 17% compared to the same period last year and 28% higher than the last quarter. As you can see on the slide, this consistent result was driven by robust sales, lower all-in costs across all 3 commodities and more favorable pricing conditions. In Base Metals, EBITDA grew by more than \$400 million year-on-year, reaching almost \$700 million, thanks to better results in both copper and nickel. In iron ore, EBITDA was close to \$4 billion, an increase of almost \$250 million, supported by higher realized prices and quality premiums, reflecting the success of our portfolio strategy. This improvement was also supported by the higher sales of iron ore fines, as I'll detail on the next slide. Our iron ore sales increased by 5% year-on-year, reaching 86 million tons, the highest level for a third quarter since 2018. This growth was driven by stronger production performance and solid demand for iron ore fines with benchmark prices staying above \$100 per ton for most of the quarter. This quarter,

we built up around 4 million tons of inventory. It's important to highlight that this was mainly due to volumes in transit to our 20 distribution and concentrating facilities in Asia and Europe, supporting our portfolio strategy. We expect these inventories to be converted into sales over the coming quarters, helping us maximize the value generated by the business. Now looking more closely at our cost performance. I'm very pleased to see that we are on the right track to meet our 2025 iron ore cost guidance. Iron ore all-in costs declined 4% year-on-year, supported by our portfolio strategy, which led our average iron ore fines quality premiums to increase by almost \$2 per ton quarter-on-quarter and \$3 per ton year-on-year. Our long-term affreightment strategy is also delivering excellent results, reducing cost volatility and coming in \$5 per ton below spot freight rates to China during the period. Our C1 cost, excluding third-party purchases, remained flat year-on-year, reflecting a positive impact from inventory turnover compared to last year, which offset the effects from the exchange rate and higher maintenance and materials costs. These effects led to an increase in our production cost, which reached \$20.3 per ton this quarter. The production cost from this quarter, along with the less favorable exchange rate compared to last year are important factors to consider when estimating our C1 cost for Q4, which is expected to increase year-on-year. Despite this, we remain highly confident in achieving our full year guidance of \$20.5 to \$22 per ton. In Base Metals, our performance stood out once again, showing the great potential of this business as we continue to unlock value through ongoing initiatives. Copper all-in costs decreased by 65%, falling below \$1,000 per ton. This was the fifth quarter in a row that we've seen cost reductions year-on-year. In nickel, all-in costs fell by 32% year-on-year to \$12,300 per ton, reaching the lowest level since the second quarter of 2022, even after taking into account the impact of the PTVI deconsolidation. These improvements came from Vale Base Metals consistent focus on efficiency initiatives, combined with higher byproduct revenues in our polymetallic sites with gold being the main contributor. Because of the lower-than-expected costs so far this year and the favorable outlook for byproduct revenues, we are once again lowering our 2025 cost guidance. We now expect nickel all-in cost to be between \$13,000 and \$14,000 per tonne and copper all-in cost to be between \$1,000 and \$1,500 per ton. This continued cost improvement means an EBITDA increase of nearly \$900 million compared to our expectations at the start of the year. Now let's move on to cash generation. Recurring free cash flow reached \$1.6 billion in Q3, an increase of \$1 billion year-on-year. This improvement was primarily driven by our solid EBITDA in the quarter and a reduced impact from negative working capital. Our total CapEx was \$1.3 billion this quarter. We expect investment disbursements to increase in the fourth quarter, keeping us on track to meet our \$5.4 billion to \$5.7 billion full year guidance. On top of our recurring free cash flow generation, we also had a positive impact from the Aliança Energia transaction, which helped boost total free cash flow in the quarter to \$2.6 billion. This strong free cash flow generation and strong cash position were primarily used to return value to our shareholders with the payment of \$1.5 billion in interest on capital and a net borrowing of \$600 million as part of liability management. Next slide, please. As a result, our expanded net debt decreased by \$800 million quarter-on-quarter, reaching \$16.6 billion, with iron ore prices remaining above \$100 per ton, we expect the free cash flow generation in the fourth quarter to bring us down at least to the midpoint of our target range of \$10 billion to \$20 billion. In this context, we see increased room to consider additional shareholder remuneration even in the context of the participated debenture tender offer. Before handing over to Gustavo for his closing remarks, I want to emphasize the value we are consistently delivering to our shareholders. Through our growth strategy, cost efficiency and disciplined capital allocation, we are building a more resilient and high-performing company. These efforts strengthen our financial position and create conditions for sustainable and increasing returns to our shareholders over time. Gustavo, please.

Gustavo Duarte Pimenta: Thanks, Marcelo. Before opening up for the Q&A session, I would like to highlight the key takeaways from today's call. Safety remains our core value, and this third quarter performance only reinforces that as we continue to advance on building an accident-free work environment and on delivering on our upstream dam decharacterization program. We once again delivered a solid operating performance with cost reductions across all businesses, reflecting our focus on operational excellence. Our flexible product portfolio allows us to maximize free cash flow and long-term value creation under different market conditions, and we are seeing those benefits in our financial performance. We are making solid progress on strategic projects in the Carajás region,

leveraging one of the richest and lowest cost mining endowments globally. And finally, our disciplined capital allocation approach ensures we seize the best opportunities to generate long-term value for all of our stakeholders. Now let's move on to the Q&A session. Thank you.

Operator: [Operator Instructions] Our first question comes from Rodolfo Angele with JPMorgan.

Rodolfo De Angele: My two questions are the following one. So first, I would like to ask Rogério a question about the portfolio strategy. That was a thing that we discussed a lot in the recent investor tour, and it's amazing to see it already showing a large impact already in the third quarter. So I wanted to ask you to give us a little bit more color on how this should progress? What is the potential? Just an overview on what should we expect about portfolio strategy, which seems to be yielding pretty interesting results. And my second question, I think, is for Bacci or Gustavo or for Bacci. I think what we hear from investors is company is showing a very strong performance. The operations seem to be much more -- it seems like you have your hands on the wheel and things are really improving, and we're seeing limited surprises, which is always very good. And when we see a quarter like this one where the company generated over \$2.6 billion in free cash flow, the question that I'm getting a lot from investors is how should we think about dividends as one part of the capital allocation strategy going forward? So those are my two questions.

Rogério Nogueira: Thank you, Rodolfo, for the question. On the portfolio, I think up to now, our joint actions, and I mean joint because those are actions from the commercial operations and technical areas in optimizing our product portfolio, they have yielded very positive results. Just a few examples for BRBF and SSCJ. SSCJ is our mid-grade product from the northern part, which are both low aluminum mid-grade ores. They have commanded very high premiums versus the index 62%. As Gustavo mentioned, it was close to \$3 per ton normalized to a 62% Fe content iron ore, which was a way higher than a year ago. If you look into the third quarter of 2015, fine premiums reached \$0.7 per ton, which is actually \$2.6 per ton higher than the third quarter of 2024 and \$1.8 per ton higher than the 2Q 2025. And this is -- and I would like to say that this is actually despite a relatively lower quality product mix. So I mean, very positive results so far. Last but not least, IOCJ premiums also kept a very healthy level at about \$15 per ton, obviously, driven by some good steel margins, but also by wiser product allocation, and we can talk more about it. But I think what I would like to reinforce is that we're very confident in our product portfolio. I think we see that IOCJ and BRBF will remain our core products with a strategic allocation to regions and clients who really require their unique properties. That means that we will sell it, but we're well allocated to clients and regions that actually value or have a higher VIU or pay a higher VIU for these products. SSCJ, as I said, which is the mid-grade product from Carajás that we just introduced, has already achieved sales of about \$30 million per ton -- 30 million tons and is becoming a global product with potential to further increase its sales in 2026. So as we look into 2026, we believe that our volumes of SSCJ will increase gradually. Last but not least, our Chinese concentrate, which we started as a -- not such standard product is becoming a highly valued product in the Chinese market. So this is very good news. This product is also commanding very good premiums in the Chinese market. I think the only other one is the pellets market that we have been talking about. 2025 has been a challenging year for pellets. We see 2026, 2027 as years that will gradually recover our pellet premiums, especially with the start-up of new projects that will demand pellets, mostly projects that are going to look into direct reduction, looking for decarbonization. And also with the Chinese exports cooling down a little bit, and which will add more demand for regions that need pellets. Look, I think we will keep proactively optimizing our portfolio solutions, not only based on market demand, but also on our mine plan possibilities as we have been doing with the operations team. And we'll keep observing the market, observing the market needs and our competitors' positioning so that we can define our best allocation in our best portfolio.

Gustavo Duarte Pimenta: Rodolfo, Gustavo here. Let me just add one thought here, and then I'll pass to Bacci to cover the capital allocation. But I think what you are seeing in the market is seeing is that one thing we've been sharing with investors is the enormous flexibility that Vale has in its portfolio, right? I think nobody in the industry has that flexibility. We've talked about 20 blending facilities across the globe, several concentration facilities. So that allows us to put into the market what our client needs at the right time. And I think this more dynamic product allocation and development that we've been able to show just reinforces the enormous competitive advantage that we have to play along the cycle.

So I'm very happy with the outcome. And I think we'll be able to capture even greater value as we move forward. So to your second question, I will ask Bacci to cover.

Marcelo Bacci: Thank you, Gustavo, and thank you, Rodolfo, for the question. As you mentioned, Rodolfo, the stability of the company and the stability of the market are creating better conditions for us to think about the extraordinary dividends for the coming months. As I said during the presentation, the price is above \$100 on a consistent way plus the operational performance are creating a very nice cash flow position for us, which is better than we expected at the beginning of the year, plus the positive performance coming from the Base Metals business. So we cannot anticipate the decision right now because there's still a few things to happen, but it is likely that we have extraordinary dividends announced in the coming months.

Operator: Our next question comes from Rafael Barcellos with Bradesco BBI.

Rafael Barcellos: So as a first question, are there any plans to revise the offering structure of the participating debentures announced in early October? I mean any updates you could share on that front? And that said, maybe connecting with this Bacci speech on the dividends, I mean, what would be the implication or the implications for Vale's dividend payouts, particularly, of course, for extraordinary dividends? And as a second question, first, Gustavo, congratulations for the results that you have been delivering on the copper side. And that said, are there any plans or ways that you could -- that you believe that Vale could accelerate or speed up the growth initiatives in the copper business?

Marcelo Bacci: Thank you, Rafael. This is Marcelo speaking. On the participative debentures, I guess, we have to -- first, the offer is to be concluded today. And this offer has been unique. It's the only one that we have ever done since the issuance of those debentures 28 years ago. And I would like to stress out that the executive committee does not expect to make another movement like this in the foreseeable future. We also believe that the price that we're offering is quite reasonable and above the fair value that we believe we have with a 15% premium compared to the price before announcement. So if we consider our production volume guidance, is the offer price of BRL 42 implies an iron ore price of \$100 per ton -- around \$100 per ton in the long term. So we think it's a very interesting offer to the holders. And of course, if you believe prices are to be above \$100 per ton, probably positioning in the shares is a better deal. So I think we are not considering any change to the offer, especially because, at this point, it is about to be closed today.

Gustavo Duarte Pimenta: Rafael, for your question. I will pass to Shaun. I think he'll be able to provide more color. What I can say is based on everything I've been hearing from the team, from Shaun and the ExCo of VBM is that the more we look into the growth opportunities in Carajás, the more excited we are. So this is something, hopefully, at Vale Day, we'll be able to talk more about it, give you concrete examples. But let me bring Shaun to the debate here. I think he'll be able to share more details with you.

Shaun Usmar: Thanks, Gustavo, and thanks for the question, Rafael. I think the short answer is we will cover more of this as Gustavo say, in Vale Day. But really, we've fundamentally focused on 2 things right now to do exactly what you're saying. The first one is you've seen the industry, I think, on track this year to under-deliver against the original expectations with a series of issues by about 6%. An issue for us, just get the basics right in our existing operations. So you've seen our quarter, I did guide in Q2 that this was expected in both our segments to actually be our weakest quarter with planned maintenance, like at Sossego. And despite that, we've seen our operators do incredible work and we're on track, particularly at Salobo for record performance. And I think we're looking at Sossego a mature asset for the best operating performance, which is tough for an older asset in certainly 5 years, which is exactly what we need as a baseline. The other thing then goes down to capital allocation and the project growth pipeline, specifically on Pará. And here, we're not waiting for an annual time frame. We've taken -- we discussed this a bit during LME Week. Historically, 2024, for example, we do about 20,000 meters of drilling in the district. And this year alone, we've dynamically reallocated R&D; spend, we've tripled our drilling this year. And we will share more on what we're finding, but it's incredibly exciting. So it creates this very dynamic question about drilling, drill results, the endowments and how do we actually optimize, not only to accelerate, but to see what we can do to increase volumes over and above what we thought was conceivable. We're very careful to make sure that we don't make the mistakes, I think you see in the sector more broadly, which is get over-enthusiastic. We have to ground this in delivery.

But I think as Gustavo said in his opening remarks, first cab of the rank is Bacaba. We've worked with the government to be able to accelerate ahead of getting our work, so we hit the weather window here on early works on the bridge, which is critical path. They're about 40% ahead of plan currently. We hope to get that soon and we'll obviously communicate with the market soon. But we are set up there for lower capital intensity and to do that faster. And I won't spill the lead on some of what we're seeing with the life of business planning our projects, but all of that is around reducing capital intensity, execution risk and working more closely with governments on reducing permitting time frames. And I think we've got some really good news that we're working on in that area. The other thing is we're seeing with the ramp-up also on our polymetallics, we're ahead on both the Voisey's Bay, and we've seen our highest output in Sudbury in 5 or 6 years, we'll put over 5 million tons for Clarabelle this year. We are seeing a significant copper byproduct that is a material, it's over 20% of our total copper contribution. So that is a significant contribution to that business segment's all-in cost improvements as well.

Marcelo Bacci: Rafael, this is Marcelo again. I forgot to mention about the question on the effect of the buyback of the debentures on a potential dividend payment. I would say that at this point, there is no effect or a minor effect. So this would not change our strategy in relation to dividends.

Operator: Our next question comes from Leonardo Correa with BTG.

Leonardo Correa: So a couple of things on my side. And sorry, it's going to be a bit similar to Rodolfo, so sorry, Rodolfo, for that and Vale management. But moving back to these 2 points, which I think are at this point critical, right, for the investment case. Rogério, starting with the commercial strategy, right? I mean great results so far I think you gave a very good qualitative assessment of everything that's happening. Things have been delivered very fast, right? So there's been a, let's say, a U-turn in the direction of things and you can already see an improvement in price realizations of -- depending on how you look at it, right, \$1.8 to \$2.5 per ton in better realized prices, right? It's natural, I think, for everyone to question, given the fast speed and improvement, where do you think we are in this, let's say, in this S-curve, right, of this entire journey on the commercial strategy? I know there's no guidance, and I know there's -- it's very difficult to quantify, but would you say we're at the early stages of this optimization and that these results, they could continue improving, maybe doubling from where we are? So anything quantitatively, I think would be very helpful, at least to me, so we can understand the, let's say, the economic impacts of what you're doing. The second point, to Marcelo. Marcelo, we spoke a lot about the potential extraordinary dividends. You talked about the [indiscernible] and how they impact that decision, which is close to 0 or very little. You're talking about iron ore prices have been ahead of expectations and how that helps and the cash flow projections going forward, I can imagine, have improved. What we haven't debated yet is the potential changes in regulation in the country, right? I mean Brazil is on the verge of increasing taxation on dividends to 10%. And every single company, every single management team and every single tax department is obviously running the numbers and trying to assess implications and what the next steps are, right? I mean looking into the numbers for Vale specifically, right, I mean, one can simply conclude that there's about 30% of the market cap in retained earnings, right, which is a relevant number. I know leverage is not high but maybe a bit higher than what -- the mid-range of your guidance, but still manageable. I want to see from you if that changes the calculus, right? This potential regime change in Brazil on taxation of dividends, does that change in the short term your calculus on the extraordinary dividend that you're about to announce?

Rogério Nogueira: Okay. Well, no, thank you very much. This is a very fair question. Let me break it down in 2 steps. First, let me give you a view of what we're doing and then I'll give you an idea of the potential impact, okay? So what we have been doing is that we keep proactively optimizing our portfolio solutions. So always looking to the market demand, as I said, and looking at our mine plan possibilities. Just to give you a few examples of things we're doing. We're developing additional, more competitive concentration capacity on a global basis so that we have less costly, better logistics for the concentrate production that we produce. And those concentrate production or this concentrate production allows us to think about different optionals in terms of blending. We are establishing alternative blending facilities outside China on a global basis wherever possible. For example, we're putting blending facilities in Sohar, we're putting blending facilities in Europe, we're looking at some other options in Malaysia. So we want to increase our flexibility to distribute on a worldwide basis, and that actually helps us to better

allocate the products and optimize not only the service to clients, but also our price realization. Where -- there's a third element, that we're also improving process flow sheets, so to increase metallic recovery in the concentration facilities. We created a small technical group to develop and deploy best practices. This is extremely important because the metallic recovery on those concentration plants do have an enormous value. And last but not least, we're improving logistics. So trying to figure out the places where we should be positioning blending facilities, concentration, so that we can optimize logistics costs. So those are the things that we are doing. But ultimately, to your question, so the potential impact depends a little bit on a few factors. First is the competitors' reaction and how they are developing their own portfolio and how we would fit, complement their own portfolio. Just to give an example, you might see some of our clients their view on product portfolio is decreasing quality to optimize resources and reduce C1 costs. This is where they're going. I mean it's very accretive for them. But as long as they're going this direction, that actually offers us a possibility to put more complementary material into the market. And our view is that this will increase the value in use of our products. So the second one just to think about is how the market will react in terms of this anti-evolution capacity closures. The less capacity you have available to produce the same amount of steel or the same amount of pig iron, the higher the premiums one would expect because the higher quality of iron ore would be demanded to maintain productivity of the remaining blast furnaces. So I'm just giving you a few examples that this game will need to be played -- would need to be played as we go, but that we have developed an enormous flexibility and we're monitoring the market very closely so that we can maintain the current premiums and try to optimize it even further.

Marcelo Bacci: Well, thank you for your question. Of course, we are monitoring very closely the potential and the changes that have happened and the potential additional changes in regulations, especially related to tax -- income tax on dividends and interest on capital. The situation we have at Vale is that we can pay -- if you look at the minimum dividend policy that we have, most of it, if not the totality of it, can be paid using interest on capital. So the immediate impact on the regulation -- of the regulation on dividends for us is limited. But we are monitoring. Still, there is some confusion in the market about the potential conflict between the corporate law and the new regulation that was created by -- for dividend payments related to profits that already have been recorded, in terms of the -- when those dividends can be paid after declared. So we are still working on that. But we are monitoring that very closely, as I said. And if there is any opportunity to optimize the situation of the company and our shareholders in relation to tax, we're going to look very closely into that.

Operator: Our next question comes from Carlos De Alba with Morgan Stanley.

Carlos de Alba: Congrats on the solid results. I wanted to focus a little bit on Base Metals. And maybe, Shaun, can you elaborate a little bit more on how do you see the timing of Vale pursuing more aggressively the copper growth opportunity that it has? Obviously, several projects in the portfolio. How do you see the sequence of those? When can we start to see the Board, maybe management presenting the projects for Board approval, and then hopefully start on the path of expanding that copper output? And then my second question, also on Base Metals, will be if you can share maybe some color as to how the cash cost without byproducts or before byproducts in Base Metals has performed. Obviously, kudos to the company and to you on the lower all-in cost guidance. But that definitely were influenced by strong byproducts, which they count, we'll take them. But just if you can shed some light on how the cost performance has been before byproduct benefits.

Shaun Usmar: Thanks for that. So the copper growth, I'm going to punch, I think that mostly to give you the detail on Vale Day, as much as I'm jumping it a bit to share with you now. I can just say we've fundamentally redesigned our life of business planning this year and very much with an eye to exactly the dynamics you've mentioned. So we are prioritizing, as I said earlier, dynamically capital to copper in Pará, specifically on R&D; spend. And the constraint that we have on copper growth is not throwing more money at that. I just want to be clear. Like our plans currently, we are fully self-funded through our planning horizon, mostly through, not just, as you said, byproduct credits, but really fundamentally through our entire business restructuring, our capital intensity, reducing our working capital and fundamentally reducing our overhead and our cost in this business, so things that we control. So we are seeing opportunity. I will disclose more within weeks of how we're seeing that opportunity to look at sequencing and growth opportunities. And I'd sort of direct you to say, as far as I can see from the

market analysis that we see with analysts and others, we're not even getting credit for what we've guided to yet. So I recognize that the market is sort of waiting to see what we're capable of delivering. I hope that we -- I hope that it's evident, particularly against the backdrop of the copper sector that's struggling to deliver. Our assets are hitting records. We have to get that done fundamentally to earn, frankly, the right from Vale and Manara for further capital, and we're delivering that. And then in addition, I think we're finding significant opportunities on how we approach projects and work with our partners and our stakeholders to unlock their copper growth. So I know it's not the -- this is a little of the detail you're looking at, but we will provide that within a matter of weeks. And I am, I think, to just coin what and echo what Gustavo said, the more work we do, the more excited we get. And I expect that as we get more drill results, and we will continue to increase our drilling. The constraint is just getting enough drills, frankly, for us to continue to do more. What we will find is, I think each year, for the foreseeable future, we'll be able to continually dynamically improve. But we've seen a step-change in copper and I'm super excited about that. We see it in our internal valuations. The next, on just more broadly for Base Metals. If you remember in prior quarters, we started restructuring this business about a year ago. In fact, it was about 6 weeks into my tenure in the role. And the team, I was actually with our operating teams out, we do quarterly reviews with all the asset and functional leads, so just last week, I'd say each of our assets is exceeding their internal commitments and plans. It's quite remarkable. And that is looking not at, to your point, byproducts, and as you said, we'll take it, and we're obviously doing the things that we can to enhance recoveries. We've seen Salobo as an example, compared to just a few years ago, we're about 10% ahead on gold recovery. These guys are doing an incredible job, and we're seeing -- we're on track for record copper and gold production this year in Salobo as an example. But at the same time, the focus is on reliability and fixed overhead reductions, which we're seeing flow through, things we control, which we're seeing flow through into the enablement of the decentralized model that we've spoken about previously. And that is manifesting in things like Sossego. Within a matter of months, a controllable 40% reduction in unit mining costs with changes in practices and engaging that workforce. We're seeing fixed cost dilution in practically all our operations, specifically the work that has been done in Voisey's where they're now about 20% ahead. And that has enabled Long Harbour in the first time in its 11-year history within a period of months to actually be achieving its design capacity. It's never done that before. And they're doing that through enhanced availability, reliability of the equipment specifically, but significant cost control and being able to drive that through and enhance productivities. And we've still got a long way to go, I'd say, for the business as a whole. We've done well, but we've got more opportunity to achieve benchmark productivities. Sudbury, I mentioned earlier, is, with the 5 mines, has achieved significant improvements, and they've done it safely. We've had about a 40% improvement in TRIFR. We -- as you heard in the opening remarks, celebrated in September, bringing the Onça Puma furnace 2 on about 13-or-so percent under budget and on time. And importantly, that is -- we're already -- Kilma this year with her team has taken that asset now with the fixed cost dilution. And being ahead of her cost commitments, we'll bring that down into the second quartile, which is the ambition for the nickel business to be sustainable. And I know specifically on that segment, because I know it's been a challenging one historically, the focus that we've mentioned there is not just to be the beneficiary, which we are as we've ramped up, but more byproducts. And to remind you, at the moment, in the Canadian nickel assets, about half of our revenue is derived from nickel at these prices, and the remainder is copper, cobalt, PGMs and precious metals just generally. We are the beneficiaries and we're seeing enhanced volumes and higher prices that are helping us there. But importantly, the increased volumes that we're seeing flow through are significantly contributing to and the low overheads are contributing to the fixed cost dilution and those improvements. And even Thompson, we're seeing the best throughputs in that operation at this stage since, I think, it's 2021. So every asset that I'm seeing at the moment is coming to the party and contributing on what they control. And we have further to go. So I hope that gives you a sense.

Operator: Our next question comes from Caio Ribeiro with Bank of America.

Caio Ribeiro: So my first question is in regard to your expanded net debt. I just wanted to get a sense from you on if and when you could possibly consider a revision of your current range of \$10 billion to \$20 billion. What's the rationale behind a decision like that? And if you do make any changes, what

implications that carries for buybacks and dividends to be announced going forward, particularly if you increase that expanded net debt range at some point? And then in second place, my question is on pellets and briquettes. This year, Vale took the decision to cut its pellet production as a reflection of less favorable market conditions. I just wanted to see if you can give us a sense of what signs you're looking for to bring that capacity back, and if there is a particular level of premiums for pellets that you're looking for to take that decision. And bringing briquettes into the discussion, I just wanted to see if you can give an update on how the development of this product is evolving and whether you're confident at this point of the large-scale applicability of applications of this product.

Marcelo Bacci: Caio, on the expanded net debt we are not envisioning a change in that policy in the short term. I guess the company will gain more and more capital flexibility over time as the relative weight of the reparation commitments becomes smaller in the expanded net debt over time, especially in the next 1.5 years. So a few months from now, we're going to be in a position where the difference between the net -- the financial net debt and the expanded net debt will be lower and lower. And at some point, we're going to have to review the concept. But for the time being, we believe that both the concept and the range are adequate to our reality.

Rogério Nogueira: Caio, thanks for the question. In terms of pellets, there has been a decrease in demand, at least up until the end of the year, so steel mills outside China, they are operating at lower capacity utilization, primarily due to competition from imported steel from China. And with that, there is a less need for blast furnace productivity, what impacts negatively blast furnace pellet demand. So that's the scenario that we are facing. Also we have had some additional increase in supply coming from Samarco and from LKAB. The way we see it is the medium term as of end of 2026, 2027, there's going to be a significant increase in demand, especially driven by electric arc furnaces, which are coupled with direct reduction furnaces. So only in Europe, you have many projects ongoing, like all the German companies, from ROGESA Roheisen, Salzgitter, you have Austria with Wüster, you name it. You have, in Mexico, you have Ternium, Psqueria So the amount of the demand for pellets over time is going to increase gradually, also some in the U.S. But the point is we don't have a target for pellet premiums to open up plants and continue to increase volumes. I mean we will react to the market on a continuous basis. So we'll bring volumes to the market as we see fit. But our expectation for the years to come is actually very positive. We need just to overcome the sort of this point in time where China is exporting significantly and hurting steel mills, blast furnaces around the globe. In terms of briquettes and briquettes development, we are extremely confident. I think we have 2 kinds of briquettes, one for blast furnace, which have been -- we have a few blast furnaces which are already operating at very high participation of briquettes in their burden mix, in some cases even 100% with very good performance in terms of productivity, in terms of fuel consumption. And our challenge now is actually to prove it for direct production. We are running some industrial trials by the end of this year, beginning of next year. And our expectation is extremely positive. We should be able to give a better view of the results of this test or these industrial trials in the next call.

Operator: Our next question comes from Daniel Sasson with Itaú BBA.

Daniel Sasson: Most of them have actually been answered, but maybe I'll try to do one that we don't talk that much or that frequently about, which is on Samarco, right? The company got out of its judicial reorganization in third quarter. For those that have been following the story for a long time, I think, and correct me if you think I'm wrong, but investors in general, have kind of zeroed the dividends received that could be received by Vale from Samarco. And then right after, the dam burst happened and then Vale started to disclose the potential contributions to the Renova Foundation and so on and so forth. . But if you could comment a little bit on how the ramp-up of the second concentrator is doing. And if it's too soon or not maybe to think about the reversal of some of the provisions that you've made for the contribution to the Renova Foundation, if you think that Samarco will be able to take care of those payments themselves and therefore, some that could alleviate the contributions that could be made or that would have to be made by Vale and BHP, that would be great. And my second question, since we're talking about this, the overhangs or most of the overhangs that Vale has solved over the past 1 year, 1.5 years, you've gone a long way, if you have any updates on the legal case ongoing in the United Kingdom, if we've had any developments there, that would be great. Those are my questions.

Gustavo Duarte Pimenta: Thanks, Daniel. Gustavo here. I'll do the first one and Bacci will cover the

second one. Look, we are very happy with the progress that the team in Samarco has been doing. They've ramped up the second concentrator, doing around 15 million tons. They are about to make a decision of going to the third concentration, so Samarco could be getting all the way up to 28 million tons in a few years out. So we are very happy with the operational performance. They now also incorporated the responsibility for the reparation and they've been doing an outstanding work there. So it is a very strategic asset for Vale I think it's early to talk about impact on provisions. There is still a lot of work to be done there. But from an asset perspective, it is a very strategic asset that we like very much, and we are very excited with the work that the team has been doing so far.

Marcelo Bacci: On your second question, Sasson, the U.K. case is still going on. We expect potential decision of this phase of the case in the coming weeks, sometime in November. That could mean the end of the process if we win or actually not we, but technically BHP, but we share any consequences with BHP. But if BHP prevails, that would end the process. If not, that would leave the process to another phase that will take a few years in order to quantify the potential losses of the climates. Important to mention that some of the claimants that were initially part of the lawsuit in the U.K. have decided to join the Brazil agreement, which we believe is the main means to compensate the impacted people. So out of the more than 300,000 individuals that joined the Brazil agreement, half of those at least were part of the U.K. agreement. So they decided to give up on the U.K. in order to join the Brazil agreement, and they have been also already paid in Brazil. And a part of the municipalities also joined the Brazil agreement. And the part that have not joined have been provided for in the provisions that we constituted in Brazil. So we consider that the case in the U.K. still goes on. There may be an additional impact in our numbers coming from that, but part of that has been resolved already.

Operator: Our next question comes from Caio Greiner with UBS.

Caio Greiner: My first question, to Rogério on China Mineral Resources Group. So Rogério, we understand they have reached a significant portion overall Chinese iron ore purchases. And so I wanted to hear from you. How are the talks going with between Vale and them? There are obviously news of a competitor that has been having some issues on those discussions. So I just wanted to understand what has been Vale's strategy on negotiating with them, and if you can share with us what has been the focus point of those negotiations, if there are any talks of any sort of long-term supply agreement. Any color there would be helpful to us. And the second one, actually a follow-up to the previous expanded net debt question, but more focus on the methodology. I guess for Bacci. More questions have been emerging since you guys announced the perpetual debenture repurchase and whether or not this would raise the expanded net debt figure, if it would impact dividends, which you guys already talked about. But at the end of the day, I think the point is, there are other debt-like instruments on Vale's balance sheet, which are not really included in the expanded net debt methodology. So I wanted to understand, how does Vale internally look at its overall debt burden or obligations, whatever we can call it? And is the expanded net debt method actually the one that you most use inside of the company? And if not, if there are any plans to rethink this methodology, change the methodology going forward and eventually even raise the target range?

Rogério Nogueira: Okay. Caio, Rogério, thanks for the question. Now first of all, I think we're following closely the negotiations CMRG has been having with other iron ore players. And we are also in talks with CMRG. But I'd like to just reinforce that China has been a very historical partner for us and we have an extensive history of cooperation with our Chinese partners. For example, we've developed the BRBF with Chinese clients. We have a comprehensive network of blending facilities, which we've developed with the Chinese ports. We've developed the VLOCs with Chinese shipyards and ship owners. So there's a long history of collaboration. So given this, as I say, long-standing relationship, and the value that we place in China, we have held comprehensive conversations with CMRG along the years, but we've always explored win-win alternatives, understanding that and this is important, that we have a product portfolio that is unique and it's very complementary to the all other offering that China has. So having that in mind, we are working with them just to find win-win solutions. I'll be there, I will be -- next weeks. We're talking to them. But we hope to find sort of win-win solutions for Vale and for China.

Marcelo Bacci: Caio, on the expanded net debt, it is indeed the indicator that we use internally for the evaluation of our capital structure. We do have the participation of debentures as an additional

instrument that is not included in the net debt concept, but that's because of the nature of that instrument. That is a perpetual instrument where we have the net present value of that recorded as a liability but as a nonfinancial liability in our balance sheet. So it is an obligation anyway that will have to be paid in terms of the interest or the semiannual interest that we pay. But the principal amount is recorded in another balance sheet line. We continue to think that the expanded net debt is the right way to look at this because we still have a significant amount of reparations to be paid. As I said, during '26 and '27, a very important part of those payments will have to be performed. So by the end of '27 or mid-'27, we're going to have a much lower difference between financial debt and expanded debt, which means that we may be in a position to review the concept. It is important to notice that the obligation related to reparations is different from a regular debt because it cannot be refinanced. We need to pay as they mature. So that's why it's important to keep that concept at this point. But as I said, in the coming years, we're going to be in a position to review that.

Operator: Our next question comes from Marcio Farid with Goldman Sachs.

Marcio Farid Filho: Rogério, another one for you. You're in very high demand today. How should we think about the change in the benchmark grades into next year? Obviously, Platts is moving from 62% to 61% FE, alumina and I think phosphorus benchmarks also increasing into next year as well. Seems to be part of a natural industry transition into lower-grade assets. But how should we think about that? And our understanding is that, especially for flat steel, which is -- I think is becoming more relevant than long steels now in China, flat steel is relatively more -- it's more important, especially when you think about phosphorous content, and I think they are more sensitive to that. So how does Vale place into that trend in terms of benchmark change and the change in terms of product mix in China going forward as well? And maybe the second one to Gustavo. Gustavo, obviously, good job on the operational front being done in the last year or so. I think you've been talking on the media and you've mentioned that Vale has regained the first part in terms of the largest iron ore producer potentially this year, but with higher confidence next year. So it's great. But obviously, when we look at company size in terms of market cap or whatever other metrics you want to look at, Vale has clearly lagged peers as well, right? So everybody is asking about how we can expedite copper growth. And we obviously have other iron ore projects to be delivered into next year as well, especially in the north. So there's more value to be created for sure. But is that an ex-side from the Board or from management to catch up to that to that lag. I mean when we look at Vale's ranking on a global scale, again, it's lost some position, right? So is that an ex-side to there? Or is it just it is what it is and you keep doing what you have in terms of internal endowment? That's obviously another way to ask about M&A; or any other ways to grow the business in a faster mode.

Rogério Nogueira: Marcio, to begin with the benchmark with the PRAs, this is a very good question. Indeed, there's a bit of uncertainty right now as most of our competitors are moving their product grades more towards 61%, such as the Pilbara Blend at 60.8%. The agencies are discussing about migrating from the index 62% to an index 61%. At this point in time, they are going to be publishing a very differential between the index 62% and the index 61%. But probably down the road, the prevailing index will be a 61%. We are -- our products are actually higher, even our BRBF is a 63% FE content. We're discussing with the index, for example, the possibility of launching and with the PRAs, that we're talking about metal bulletin platts, argus [indiscernible] okay? About the possibility of launching a low alumina 61. It's important to say that our products are always sold at the specification, which is higher FE. Let's say, BRBF is 63% but when we bring it to an index, it's normalized for FE, okay? So there shouldn't be much of a change. We will be discussing with the agencies what makes sense for us to sort of to compare our products with, what is the best reference, what's the most liquid reference. But this is still ongoing, okay? In terms of FOS content, you're absolutely right FOS is becoming more and more important, especially when you have such large volumes of products such as the Yandi from BHP and Rio Tinto coming out of the market. And FOS should be one of the specific elements that has to come into the specs, has to be valued and put into a value difference. We are working on this front, so we'll give you more update as we firm up a solution.

Gustavo Duarte Pimenta: So Marcio, Gustavo here. On your second question, look, we agree with you. I think there is still enormous opportunity for Vale to unlock value. I think this management team is highly focused on that. And despite some of the rerate we had recently, we still believe there is a lot of

opportunities for us to continue to advance and regain our position in the market from a market cap standpoint. That's what we are working on. And this is the legacy we want to leave, be very focused on value creation as we go along. And our view is that the value we will accrue and we'll regain it if we continue to operate our assets well, that we are outstanding in terms of operational performance. So the results you've seen, it is highly encouraging, and I think we can do even better, not only in iron ore, but also in Base Metals. So this is a key priority for us. And in this industry, this is one of the most important things that you have to master. But we also see Vale as a company with potential highly-accretive growth opportunities. If we look at the comps and the capital intensity for some of our competitors, just to stand still, is substantially larger than us. And I think sometimes this is underappreciated by the market. Vale has a unique potential to bring volumes and grow with a capital intensity that is substantially better and more competitive than our competitors. So if a few years out we are doing 360 million tons of iron ore, with the right mix of assets, lower cost, this is going to be, for sure, the most competitive iron ore platform in the world, I have no doubt about it. And I'm feeling more comfortable that we'll be able to get to that future. And if we can double the size of copper and tomorrow, do 700 kilotons, not 350, leverage the endowment, another unique advantage of Vale, the endowment that we have. We don't have to go to other places. M&A, yes, a lot of people are doing M&A.; But we don't need to do. We do have the resources here. So it may take a little longer. But remember, we are very focused on value creation here. So I'd rather take a little more time, but develop the right projects with the right level of returns and grow consistently. Because I think that's what it's going to, a few years out, create sustainable value for our shareholders. That's what this team is very focused on. And I think it's in our hands to deliver.

Operator: Thank you. This concludes today's question-and-answer session. I would now like to close the conference. We thank you for your participation, and wish you a nice day.