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2Q20 Production and Sales Report

Vale faced a challenging 2Q20, which combined the efforts to ramp up production with strong measures to protect our employees and support communities amid the COVID-19 pandemic. Iron ore fines production accelerated towards the end of the quarter, with June production at 25.1 Mt, a 23% increase in comparison to the previous 5-month average. Vale remains on track to deliver its iron ore production guidance, as it enters a seasonally stronger period with growing run rates.



In 2Q20, production across Vale's businesses faced some impacts due to the COVID-19 pandemic. In high absenteeism operating areas, however, average absenteeism dropped by around one to two thirds from its peak in April. Vale adopted the test-trace-treat protocol, mass testing its employees and putting in quarantine any confirmed symptomatic and asymptomatic cases. In addition, Vale used GPS-based technology to trace and quarantine employees that had contact with each confirmed case. Both procedures created a "forced" absenteeism, with the sole purpose of safeguarding and treating our employees. Vale's safety measures and the open dialogue with local authorities and communities paved the way for the company's operational continuity, preserving an adequate contingent of essential personnel at its facilities.

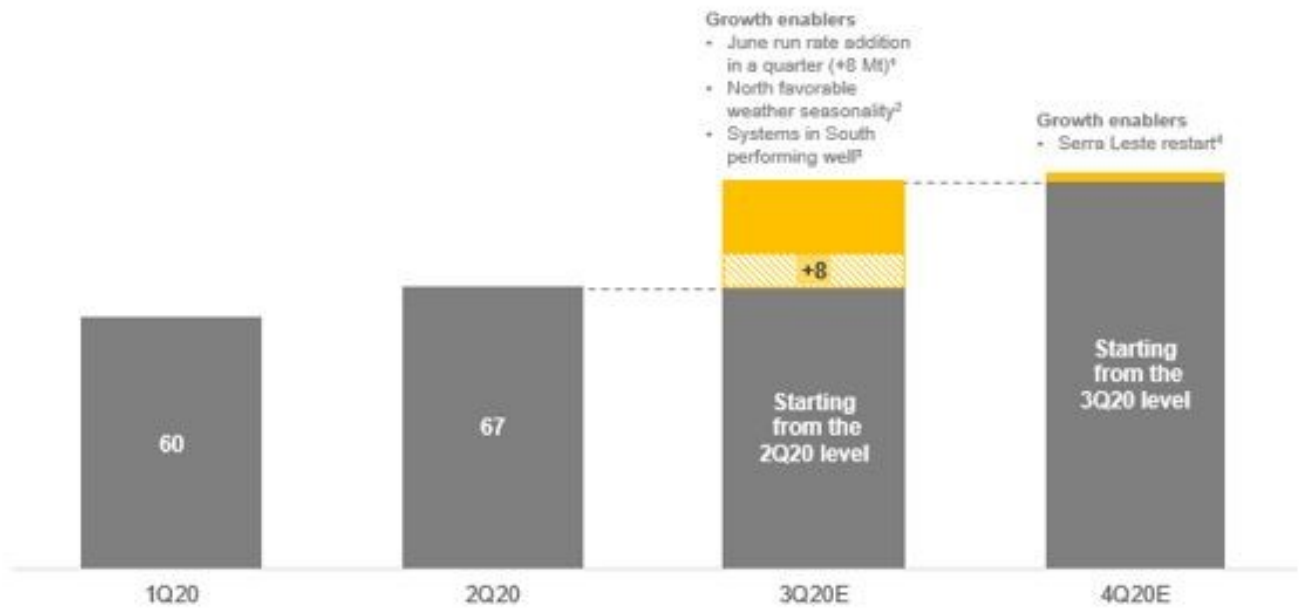
Effects of COVID-19 pandemic on operations		Production loss	Outlook
Iron Ore	<ul style="list-style-type: none"> 12-day suspension of operations in the Itabira Complex. Increased quarantine-related absenteeism in Northern System operations from the test-trace-treat approach. Postponements of maintenance and on resumption of operations¹ impacting 2H20 production. 	<ul style="list-style-type: none"> 9.8 Mt of iron ore (3.5 Mt in 2Q and 6.3 Mt expected in 2H) 	<ul style="list-style-type: none"> Further volumes losses related to absenteeism from COVID-19 effects cannot be completely discarded for the upcoming quarters. However, absenteeism levels are at 2/3 of their peak in April, there is an important buffer to help mitigate this risk.
Base Metals	<ul style="list-style-type: none"> In Nickel, 3-month care and maintenance at Voisey's Bay Mine was mitigated by Long Harbour refinery sustained operations, sourcing nickel concentrate stockpiles already at site. Social distancing measures require more shaft trips, increasing time to change shifts, impacting productivity in North Atlantic. In Onça Puma, challenges to mobilize workforce to perform maintenance forced the operation to defer work to July. Full capacity expected from August onwards. In Copper, meaningful absenteeism and postponed maintenance works in South Atlantic operations in addition to the idling of Voisey's Bay mining operations led to impacts on production. 	<ul style="list-style-type: none"> 5 kt of nickel 17 kt of copper 	
Coal	<ul style="list-style-type: none"> Due to lower demand and following a 15-month production record in March, mine and port storage capacity reached their limits. Production temporarily stopped in June, after having slowed down since April. 	<ul style="list-style-type: none"> ~1 Mt 	<ul style="list-style-type: none"> Given current uncertainties, further temporary production stoppages are possible.

Vale's iron ore fines production² totalled 67.6 Mt, with June production above 25 Mt, displaying strong acceleration from April and May levels, as it enters a seasonally-strong period, with lower rainfall levels. S11D reached a run-rate of 91 Mtpy in June, which is likely to improve in 2H20 towards an annual production slightly over 85 Mt.

Nevertheless, the main effects that weighed on 2Q production were: (i) COVID-19 related impacts of 3.5 Mt; (ii) non-recurring events, such as long-distance conveyor belt maintenance at S11D, with a negative impact of 2.1 Mt; and (iii) the expected stoppage of Fazendão mine in February due to depletion of the licensed mining area, planned to restart operations during 3Q20, with an average monthly production of 0.4 Mt in the rest of the year.

Vale's guidance for iron ore fines production in 2020 is unchanged, at 310-330 Mt, assuming the lower end of the guidance as the most likely scenario. Despite COVID-19 impacts and operational challenges faced in 2Q20, operational performance improved towards the end of the 2Q20 with the end of the rainy season, with June production at 25.1Mt, which represents a quarterly run-rate of 75 Mt (including Timbopeba resumption). Milestones for achieving the guidance include: (i) production close to 200 Mt in 2020 in the Northern System, which includes production at Northern Range (Serra Norte) close to 2H19 level, a solid performance at S11D and Eastern Range (Serra Leste) restart; (ii) operational enhancements in the Itabira Complex, which was impacted by maintenance in 1Q20 and COVID-19 in 2Q20; and (iii) the resumption of Fazendão site in 3Q20.

Iron ore fines production plan (guidance of 310-330 Mt in 2020) Mt



¹ June production was 25.1 Mt, implying a quarter run rate of 75.3 Mt, or +8 Mt compared to 2Q20.

² Northern System is expected to produce close to 200 Mt in 2020 (~118 Mt in 2H20), ~11 Mt above 2019, mainly due to S11D ramp up.

³ Fazendão restart in 3Q20, as well as production stability in Itabira, improve Southern and Southeastern performance.

⁴ Expected to resume in 4Q20 (capacity of 6 Mtpy).

Vale's guidance for pellet production in 2020 was revised to 30-35 Mt from 35-40 Mt, mainly due to: (i) production adjustments reflecting pellet feed availability at Itabira site; (ii) postponement of the resumption of Vargem Grande pellet plant to 2021; and (iii) lower market demand.

Sales volumes of iron ore fines and pellets, with a premium of US\$ 7.5/t³, reached 61.6 Mt in 2Q20, 8% below production, mainly due to logistics lead time between production and CFR sales, with part of 2Q20 production on the move for sale in the coming quarter. In addition, Vale's sales approach follows a strategy of margin maximization, prioritizing blended products in its portfolio, which increases the lead time between production and sales.

Production of finished nickel reached 59.4 kt in 2Q20, mainly due to (i) the strong performance in North Atlantic refineries, (ii) increased Matsusaka and PTVI site production after routine maintenance in 1Q20, offset by lower Indonesian-source ore processed in Clydach, and (iii) higher production from VNC source. The Nickel business reached 94.2 kt 1H20 production volume ex-VNC, well positioned to reach the 180-195 kt guidance for 2020, even when considering the expected lower 3Q20 production volumes due to postponed maintenance. VNC refining activities responsible for processing the feed into nickel oxide were ramped down in 2Q20, with only the production of nickel hydroxide cake going forward at increased volumes.

Copper production reached 84.5 kt in 2Q20, lower than previous periods, mainly due to the above-mentioned COVID-19 impacts. The Copper business produced 179.0 kt in 1H20 and is also on track to reach the 360-380 kt production guidance for 2020, as a stronger performance is expected in 2H20 at South Atlantic operations due to the end of the rainy season in Brazil and the resumption of Voisey's Bay operations.

Vale remains cautious amid the COVID-19 pandemic, fully committed to the safety measures adopted at its sites and the resumption and stabilization of production under the highest safety conditions.

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