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Financial results 2Q21

“Safety, People and Reparation continue to guide us and permeate Vale's main achievements. As we proceed with the resumption of our iron ore capacity, we also eliminated six upstream dams and advanced consistently on our ESG agenda. We believe in safe production and operational excellence, which is why we have maintained a high guard on the prevention of COVID-19 in all countries where we operate. With elevated confidence, Vale remains on track in its de-risking, reshaping and re-rating strategy”, commented Eduardo Bartolomeo, Chief Executive Officer.

Reparation of Brumadinho

We are advancing with the compensation and remediation commitments established since 2019 and with those provided for in the Integral Reparation Agreement, signed in February 2021.

• The agreement provides for the Income Transfer Program, to be managed by the authorities, which will replace the Emergency Aid program managed by Vale since March 2019. While the Income Transfer Program is still under structuring, Vale has continued to pay emergency aid to more than 101,000 people in Brumadinho and the region along the Paraopeba river, summing up over R$ 2.2 billion paid since 2019;

• We are finishing the commissioning of a new 11-kilometer pipeline and water catchment system at an unimpacted point on the Paraopeba River in Brumadinho. The new facility will be responsible for supplying about half of the water demand for the Belo Horizonte Metropolitan Region in the future. Monitored operations – will be started with the oversight of Vale and water concessionaire Copasa – will be started with a flow of 1,000 liters per second. The volume will gradually increase to 5,000 liters per second, the same flow rate as the currently suspended intake;

• We completed a new nursery for the Palhano community, in Brumadinho (MG), with a total area of 700 m², and the reform of the Community Association of Cachoeira do Choro, in Curvelo (MG). In healthcare, over 1,300 new equipment were delivered to 76 Basic Healthcare Units of 8 municipalities. In the environmental front, Vale have handled 3.5 million m³ of tailings for removal, approximately 36% out of the 9 million m³ volume leaked.

The compensation and reparation of individual damage also advanced, reaching over 10,700 people with indemnification agreements, a total of R$ 2.63 billion committed . For further details on the Reparation progress, an overview of ongoing works and projects, and the terms of the Integral Reparation Agreement, please visit www.vale.com/esg.

Samarco and the reparation of Mariana

Despite Samarco filing for judicial protection under Brazilian bankruptcy law, reparation works and indemnification accelerated in 2Q21:

• Fundação Renova now expects to have completed or delivered by December 2021: (i) at Bento Rodrigues, a total of 79 houses and 15 plots of land at the resettlement; (ii) at Paracatu de Baixo,9 plots of land at the resettlement, in addition to family resettlement with 9 houses and 2 plots of lands; and (iii) at Gesteira, 4 processes of credit letter (similar to a family resettlement). All infrastructure works (school, square, health center, sports court, oratory, service station, public lighting, paved roads and sewage treatment plant) at the Bento Rodrigues settlement have been completed;

• In 2Q21, 5,300 people entered into compensation agreements for individual damage through the Simplified Indemnity System, with over 17,000 people in total since the system's implementation in August 2020. Over R$ 1.6 billion has been paid to individual reparation until the end of the quarter.

Due to overruns in the resettlement works, especially due to COVID-related delays, and due to new communities and categories (tourism entrepreneurs, informal hotels, inns, bars and restaurants; informal sand and clay traders, among others) being included in the indemnification program, Vale recorded an additional provision of US$ 560 million related to expected disbursements to support Samarco and Renova Foundation. As of June 30, 2021, R$ 14.5 billion have been disbursed by the Renova foundation in the reparation of Mariana, being R$ 4.7 billion supported by Samarco and R$ 9.8 billion supported by Vale and BHP in equal parts.

Clauses 94 and 95 of the TAC-GOV provide for a review of the 42 programs of the Renova Foundation within two years of signing. The review process has started and a "letter of principles" committing Samarco, Vale, BHP and several Brazilian authorities was signed in June 2021. The document establishes the object of negotiation as the "final definition of the scope, current object (considering measures already performed and expenses already incurred), specific objectives and delivery milestones for the reparation programs" conducted by the Renova Foundation.

According to §2 of clause 232 of the TTAC, the compensation amount for the non-repairable damage caused by the Fundão dam collapse has already been stipulated and is not subject to renegotiation.

Improvements in dams' safety

We continue to advance with improvement works for dam safety and with our Decharacterization Program for Upstream Dams. In 2Q21:

• We achieved better safety conditions for Doutor and Sul Inferior dams, allowing the reduction of their emergency level to protocol 1;

• We completed the decharacterization of the Fernandinho dam in Nova Lima (MG) - the structure no longer has the characteristics of a tailing storage facility. Six out of 30 structures within Vale have already been decharacterized;

• We initiated tailings removal activities at B3/B4 dam in Nova Lima (MG) and Sul Superior dam in Barão de Cocais (MG), two of the three dams currently at emergency level 3. These preliminary works use remotely operated equipment and will enable the advancement of decharacterization projects for both dams;

• In support of the decharacterization program, we concluded the construction of the containment structure downstream the Forquilhas I, II, III, IV and Grupo dams, near the Fábrica Mine, with the capacity to retain tailings in a hypothetical scenario of simultaneous collapse;

• We assigned an Independent Tailings Review Board (ITRB) to each Operating System in the Iron Ore business. The ITRB role is another important practice, in line with the requirements of the Global Industry Standard for Tailings Management (GISTM) and other international industry references. The ITRB provides independent technical review of the design, construction, operation, closure and management of tailings facilities. Each corridor ITRB held its first meeting in 1H21;

• We continue to advance with an in-depth assessment of processes and practices to ensure the enhancement of our Tailings & Dams Management System and progress towards our compliance with the GISTM requirements.
Vale maintains its commitment to have no tailings dams in unsatisfactory critical safety conditions by 2025 and to de-characterize the remaining 24 upstream tailings storage facilities. For further information on Vale's dam safety management, please visit www.vale.com/esg.

Advancements in ESG practices

In 2Q21, to advance with our Climate Agenda and support our leading journey towards a low-carbon mining, we announced investments of US$ 4-6 billion for greenhouse gas emission reduction by 2030 (which includes the previously announced US$ 2 billion to reach renewable energy self-sufficiency). Such capital allocation will ensure our commitment to reducing 33% of our scopes 1 & 2 emissions by 2030 and the achievement of carbon neutrality by 2050.

In the quarter, we also had the start of operation of vessels equipped with rotor sails. That is part of Vale's portfolio of initiatives in shipping, which will contribute to achieving our commitment to reduce 15% of net Scope 3 emissions by 2035.

In our Social Agenda, we defined a structured due diligence process on Human Rights, which will be rolled out within 3 to 5 years to all our operations and critical projects. The assessments' results will be integrated into the company's corrective actions, with due monitoring and communication of treatment effectiveness.

In Governance, the 2021 Annual General Meeting of Shareholders in April led to major advances in the Board of Directors independence: (i) Vale's Board is now majorly comprised of independent members (8 out of the 13 Board members are independent); and (ii) the Chairman elected is also independent. For further information on those and other ESG initiatives and practices, please visit www.vale.com/esg.

Resumption of iron ore production

In 2Q21, we reached a capacity of 330 Mtpy.

• In the Northern System, Serra Leste achieved full capacity at 6 Mtpy;

• To guarantee the operational stability of the Timbopeba site and comply with the restrictions of workers' access to the flood zone of Xingu dam, we implemented an unmanned train operation covering a 16 km stretch to expedite Timbopeba site production, which is working well;

• We concluded the maintenance of ship loader 6 (CN6) at the Ponta da Madeira Maritime Terminal as scheduled, causing no impact on this year's expected shipments;

• We increased the high-silica sinter feed production by dry processing in Brucutu, taking advantage of a favorable market environment;

• Maravilhas III (Phase I) dam operations started in July following the issuance of a positive Stability Condition Declaration ("DCE"). As previously announced, together with Vargem Grande's tailings filtration plant, which started its operation in March, it adds 4 Mtpy of production capacity to Vargem Grande complex as well as allow an improvement in the average quality of Vale's product portfolio and operational flexibility;

• We advanced with the three filtration plants under construction in Itabira and Brucutu, all with more than 70% physical progress.
For additional information, please see our 2Q21 Production and Sales Report.

Base Metals projects

We achieved significant milestones for the portfolio of projects in the Base Metals business. In June, Reid Brook deposit at the Voisey's Bay Mine Expansion Project in Northern Labrador produced its first ore. The project involves developing two underground mines – Reid Brook and Eastern Deeps – and will reach an annual production rate of 40,000 tons of nickel in concentrate by 2025, with about 20,000 tons of copper and 2,600 tons of cobalt as by-products. The project is

66% complete, with executed capital expenditures of US$ 1,323 million and Eastern Deeps start-up expected for 2022. We also signed a Project Cooperation Framework Agreement (PCFA) for the Bahodopi Nickel Processing Facility in Indonesia with TISCO and Xinhai . The parties will conclude the technical and financial requirements needed for the final investment decision to develop the 73,000-ton ferronickel facility in the next six months.

Finally, we approved the investment of US$ 150 million to extend current mine activities in Thompson, Manitoba by ten years. With an extensive drilling program, mining can extend past 2040. This step is the first of a two-phase project, including critical infrastructure such as new ventilation raises and fans, increased backfill capacity and additional power distribution, which are forecast to improve current production by 30%.

Update on Coal business

In April, we concluded Moatize mine and plants maintenance, two months past the original schedule, with production now ramping-up in line with the plan to reach the annual production rate of 15Mtpy during the second semester of 2021.

In June, following the Nacala Logistics Corridor Project Finance prepayment, Vale acquired Mitsui's stake in the coal mine and the corridor operations. Therefore, starting 3Q21, Vale is consolidating mine to port operations in its financial statements, and a substantial improvement in Coal EBITDA in 3Q21 will derive from the removal of the financial burden of the Project Finance on the operating costs of the business through the railway tariff.

Following our Coal Business divestment plan, Vale is evaluating the alternatives presented up to this moment, ruled by the sense of a responsible divestment and the operational continuity of Moatize mine and Nacala Logistics Corridor.

Sharing value creation

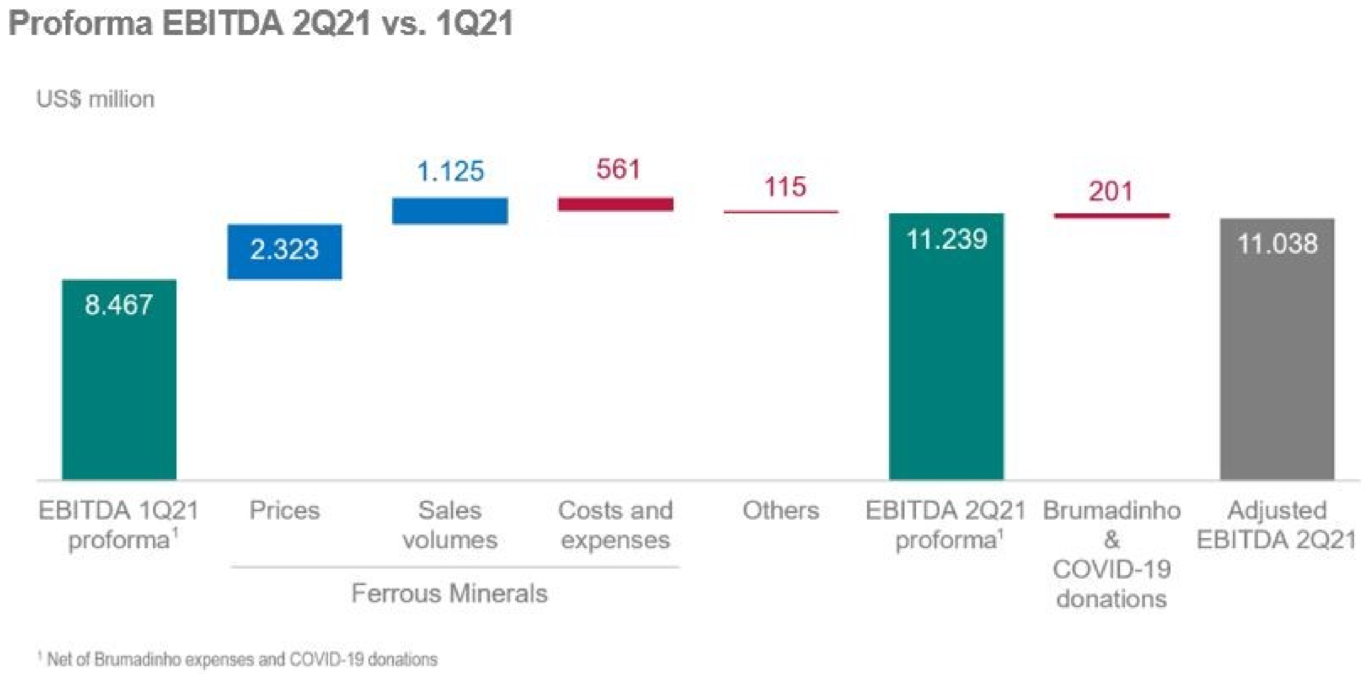
In June, we distributed a dividend of approximately US$ 2.2 billion. In addition to the dividends paid, we proceeded with the buyback program announced in April, which was around 45% complete by the date of publishing of this report, with a total spend of US$ 2.6 billion to repurchase circa 122 million shares .

Considering March distribution of US$ 3.9 billion, Vale returned a total of US$ 8.1 billion to shareholders in the first half of 2021.

Following our Shareholder Remuneration Policy, a minimum of US$ 5.3 billion will be distributed in September based on the results for the first half of the year, with the final amount to be discussed and approved by the Board of Directors in due time.

Vale’s Performance in 2Q21

In 2Q21, Vale reported a record proforma adjusted EBITDA of US$ 11.239 billion, mainly driven by the higher iron ore and pellets realized prices and sales volumes, partially offset by certain costs and expenses that are linked to the iron ore price, such as purchases from third-parties and royalties, elevated freight costs and higher maintenance and services costs.



The main drivers of our 2Q21 performance were:

• Ferrous Minerals EBITDA was US$ 10.679 billion, US$ 2.868 billion higher than 1Q21, mainly due to higher realized sales prices (US$ 2.323 billion) and higher volumes (US$ 1.125 billion), partially offset by an increase in costs and expenses, including C1 and freight costs (US$ 561 million);

• Base Metals EBITDA was US$ 866 million, US$ 145 million lower than 1Q21. Nickel operations EBITDA was US$ 430 million, US$ 212 million lower than 1Q21, mainly due to stoppage expenses related to Sudbury labor disruptions and a decrease in by-products revenues. Copper operations EBITDA improved by US$ 67 million to US$ 436 million, primarily driven by higher sales volumes reflecting the operational improvements in Salobo and the carryover of concentrate shipments from 1Q21 to 2Q21;

• Coal EBITDA was negative US$ 164 million, US$ 5 million lower than 1Q21. The positive effects of the revamp conclusion, with the higher revenues and fixed costs dilution balanced the lack of the interest received from Nacala Logistics Corridor in 1Q21. The expected EBITDA benefits of the logistics corridor integration should start to be perceived with the full consolidation in 3Q21. sasS

Selected financial indicators

US$ million	2Q21	1Q21	2Q20
Net operating revenues	16,675	12,645	7,518
Total costs and other expenses	6,344	4,989	4,901
Expenses related to Brumadinho	185	115	130
Adjusted EBIT	10,189	7,619	2,564
Adjusted EBIT margin (%)	61%	60%	34%
Adjusted EBITDA	11,038	8,350	3,371
Adjusted EBITDA margin (%)	66%	66%	45%
Proforma adjusted EBITDA[1]	11,239	8,467	3,586
Iron ore - 62% Fe reference price	200.0	166.9	93.3
Net income	7,586	5,546	995
Net debt [2]	(738)	(505)	6,349
Capital expenditures[3]	1,139	1,009	967

[1] Excluding expenses related to Brumadinho and COVID-19.

[2] Including leases (IFRS 16).

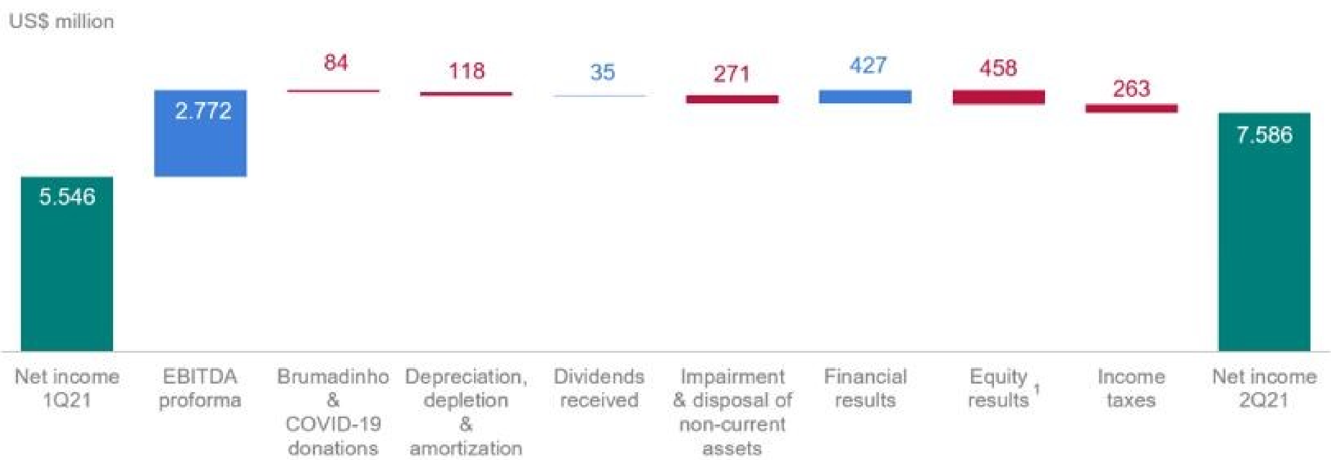
[3] Does not includes Boston Metal investment of US$ 6 million in 1Q21

US$ million	1H21	1H20	%
Net operating revenues	29,320	14,487	102%
Total costs and other expenses	11,333	9,719	17%
Expenses related to Brumadinho	300	289	4%
Adjusted EBIT	17,808	4,631	285%
Adjusted EBIT margin (%)	61%	32%	29%
Adjusted EBITDA	19,388	6,253	210%
Adjusted EBITDA margin (%)	66%	43%	23%
Proforma adjusted EBITDA[1]	19,706	6,627	197%
Net income (loss)	13,132	1,234	964%
Capital expenditures[2]	2,148	2,091	3%

[1] Excluding expenses related to Brumadinho and COVID-19.

[2] Does not includes Boston Metal investment of US$ 6 million in 1H21

Net income 2Q21 vs. 1Q21



[1] Includes net income (loss) attributable to noncontrolling interests.

Net income was US$ 7.586 billion in 2Q21, US$ 2.040 billion higher than 1Q21, primarily due to higher proforma EBITDA and higher financial results. Charges related to the Coal Business asset impairment and the lower equity results following additional provision charges related to the Renova foundation partially offset the positive impacts.

Total CAPEX for 2Q21 amounted to US$ 1.139 billion, US$ 130 million higher than in 1Q21, explained by acceleration of investments in Voisey's Bay Mine Extension, Sol do Cerrado solar power plant and Serra Sul 120 Mtpy projects.

We generated US$ 6.527 billion in Free Cash Flow from Operations in 2Q21, US$ 680 million higher than in 1Q21, driven by the solid proforma EBITDA for the quarter, partially offset by the increase in working capital needs and higher cash income tax. The cash generated from operations enabled us to distribute US$ 2.208 billion in dividends to shareholders in June, proceed with our buyback program acquiring US$ 2.004 billion of our shares and prepay Nacala Logistics Corridor's Project Finance of US$ 2.517 billion.

We ended the quarter with gross debt at US$ 12.154 billion, in line with 1Q21. Net debt totaled negative US$ 738 million in the same period, with expanded net debt at US$ 11.448 billion.

Performance of business segments in 2Q21

Ferrous Minerals EBITDA of US$ 10.679 billion in 2Q21

• Ferrous Minerals record EBITDA, mainly driven by higher iron ore fines and pellets realized prices, 18% and 32% respectively, and higher iron ore fines and pellets sales volumes, 13% and 22%;

• Vale's average CFR reference price was US$ 202.0/t, an increase of US$ 30.9/t compared with 1Q21. The impact of the higher 62% Fe reference price was partially offset by the lower average premiums and quality adjustments due to the greater share of sales of high silica products;

• Iron ore fines and pellets EBITDA breakeven cost was US$ 44.5/t, US$ 8.3/t higher than 1Q21. The higher breakeven was mainly a result of (i) US$ 4.7/t higher C1 costs, mainly due to higher 3rd party purchases, inflation and demurrage costs, and (ii) US$ 1.9/t higher freight costs. We now expect C1 costs ex-third-party purchases for 4Q21 (vs. 2Q21) to decrease around US$ 1.5/t, mainly due to higher dilution of fixed costs and normalization of demurrage costs.

Base Metals EBITDA was US$ 866 million in 2Q21, US$ 145 million lower than 1Q21

• Nickel business EBITDA was US$ 430 million in 2Q21, US$ 212 million lower than 1Q21, mainly due to labor disruptions in Sudbury, resulting in higher stoppage expenses (US$ 59 million), and lower by-products revenues (US$ 69 million);

• Copper business EBITDA was US$ 436 million in 2Q21, US$ 67 million higher than 1Q21, mainly due to higher copper sales volumes, as a result of operating performance improvements in Salobo, sales carryover from 1Q21 and higher by-products revenues. The positive effect was partially offset by higher maintenance costs of the fleet in Salobo and the mills in Sossego.

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More information

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