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Vale on the West III Project

Vale informs that its Board of Directors approved the establishment, by its subsidiary Vale International S.A., of a Joint Venture with Ningbo Zhoushan Port Company Limited, a subsidiary of Zhejiang Provincial Seaport Investment & Operation Group Co. Ltd., to build, own and operate the West III Project in Shulanghu Port, Zhoushan City, Zhejiang Province, China.

The West III Project consists in expanding the Shulanghu Port facilities, developing a stockyard and loading berths with additional 20 Mtpy capacity. By participating in the Project, Vale will secure a total port capacity of 40Mtpy in Shulanghu, which will help Vale to optimize its overall supply chain costs.

The Project has total multiyear investments of RMB 4.3 billion (~US$ 624 million, full equity, 100% basis) and it includes acquisition of land rights and the development of port capacity of 20 Mtpy, including the construction of a new stockyard and two loading berths, subjects to regulatory approvals.

Vale will own 50% of the JV and both parties intend to obtain third-party loan of up to 65%, but not less than 50% of the total investment. With these assumptions, Vale's capital contribution to the project will vary between US$ 109 million and US$ 156 million, approximately. The construction of the project, which is expected to take up to three years, will start after both parties obtain the anti-trust and other regulatory approvals in China.

The Project secures strategic port capacity for Vale in China, as Shulanghu Port berths Valemaxes and allows Vale's shipping and distribution costs optimization.

About the blending strategy

In 2015, Vale launched the Brazilian Blend Fines (BRBF), a product resulting from blending fines from Carajas, in the Northern System, with fines from the Southern and Southeastern Systems, which complement each other in terms of physical, chemical and metallurgical characteristics.

The BRBF is produced at the Teluk Rubiah Maritime Terminal in Malaysia and at seventeen ports in China, including Shulanghu. This process reduces the time needed to reach Asian markets and increases our distribution capillarity by allowing the use of smaller vessels.

The blending strategy also allows more efficient mining plans and increases the use of dry processing methods, which in return reduce capital expenditures, extend the life of our mines and reduce the use of water in our operations: a key flexibility to cope with the short-term challenges.

About the partner

Ningbo Zhoushan Port Company Limited (Stock Code: 601018) is the operator of the public terminals of the Ningbo Zhoushan Port, which has ranked first in the world for 11 consecutive years in terms of total cargo throughput. As one of the largest terminal operators in China, Ningbo Zhoushan Port Company Limited is engaged in the loading and unloading of containers, iron ore, crude oil, coal, liquified oil, grains among other cargos. It owns two berths that can receive

400,000-DWT vessels. The partnership between Vale and Ningbo Zhoushan Port Company Limited has been continuously strengthened over the past years and expanded to many strategic projects.

About Vale

Vale is a global mining company that has the mission is to transform natural resources into prosperity and sustainable development. The world's leading producer of iron ore and nickel, Vale is headquartered in Rio de Janeiro and operates in five continents. Its operations comprise integrated logistics systems, including approximately 2,000 kilometers of railroads, maritime terminals and 10 ports distributed across Brazil, Indonesia, Malaysia and Oman. Committed to the highest levels of governance, Vale offers support to 52 social and cultural projects in 65 Brazilian municipalities through the Vale Foundation. The company also protects or helps protect 8,500 km2 of native areas in the country.

More information

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