



Discussion Materials

Meeting in NYC - Part II

November 27, 2018

SAMARCO



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Samarco's Capital Structure

As of October 2018



US\$ (mm)	Interest rate	Maturity	Current - as of Oct-18		Total
			Principal	Interest ¹	
Secured CCB ²	3.000%	Jul-23	\$37	\$4	\$41
Total Secured Debt			\$37	\$4	\$41
Shareholder Debentures	L+ 1.15%	2019	908	16	924
EPP Nexi 2010	L+ 0.60%	Sep-20	149	8	157
EPP Nexi 2012	L+ 0.90%	Aug-23	338	22	359
EPP Club deal	L+ 1.37%	Aug-18	335	23	358
Bilateral EPP 2013 (BAML)	L+ 1.40%	Dec-18	200	14	214
Bilateral EPP 2013 (BTMU)	L+ 1.20%	Dec-18	200	13	213
Bilateral EPP 2013 (HSBC)	L+ 1.40%	Dec-18	250	18	268
Bilateral EPP 2013 (MIZUHO)	L+ 1.35%	Dec-20	125	9	134
4.125% Uns. Notes due 2022	4.125%	Oct-22	1,000	103	1,103
5.750% Uns. Notes due 2023	5.750%	Oct-23	700	101	801
5.375% Uns. Notes due 2024	5.375%	Sep-24	500	70	570
Renova Reimbursement Obligation ²			892	-	892
Other ²			2	2	3
Total Unsecured Debt			\$5,599	\$399	\$5,998
Total debt			\$5,636	\$402	\$6,039

1 - Excluding default interest; 2 - USD/BRL of 3.72 as of Oct-18 EoM.

Summary Term-Sheet

Unsecured creditors: EPPs and 2022, 2023 and 2024 bonds

Borrower / Issuer:	<ul style="list-style-type: none"> Samarco Mineração S.A., with all subsidiaries as either guarantors or obligors 		
Agreements restructured:	<ul style="list-style-type: none"> Exchange/convert all of its loan export prepayment agreement facilities (“EPPs”) and bonds due 2022, 2023 and 2024 (“Notes”) into new instruments. Each creditor shall be given the right to exchange its facilities into one of the Exchange Alternatives 		
Exchange Alternatives:	<ul style="list-style-type: none"> Option A 	<ul style="list-style-type: none"> Option B 	<ul style="list-style-type: none"> Option C
Instrument:	<ul style="list-style-type: none"> Loan 	<ul style="list-style-type: none"> Bond 	<ul style="list-style-type: none"> [Loan/Bond]¹
Exchange ratio:	<ul style="list-style-type: none"> 100% Cap of \$800mm Principal + accrued interest at contractual interest rate Extinguishment of default interest 	<ul style="list-style-type: none"> 100% Principal + accrued interest at contractual interest rate Extinguishment of default interest 	<ul style="list-style-type: none"> 100% Principal + accrued interest at contractual interest rate Extinguishment of default interest
Interest:	<ul style="list-style-type: none"> L+1.15%² 	<ul style="list-style-type: none"> 4.93%² 	<ul style="list-style-type: none"> 1.0%
Maturity:	<ul style="list-style-type: none"> 9 years after restart date 	<ul style="list-style-type: none"> 12 years after restart date 	<ul style="list-style-type: none"> 14 years after restart date
Amortization:	<ul style="list-style-type: none"> Bullet 	<ul style="list-style-type: none"> Bullet 	<ul style="list-style-type: none"> Bullet
Interest payment mechanism:	<ul style="list-style-type: none"> PIK-toggle for life, subject to Excess Cash Sweep mechanism for Options A & B 		<ul style="list-style-type: none"> PIK-toggle for life
Excess Cash Sweep (“ECS”):	<ul style="list-style-type: none"> 100% of Excess Cash applied according to the following priority: (i) SD cumulative interest plus \$500mm of SD principal; (ii) pro-rata to Options A & B cumulative interest; (iii) SD principal Excess Cash defined as the greater of (i) end of fiscal year unrestricted cash balance minus US\$300 million, minus insurance proceeds received minus proceeds from permitted asset disposals and (ii) zero Insurance Proceeds: <ul style="list-style-type: none"> Proceeds shall be applied to the payment of SD to the extent outstanding, and thereafter shall be available to Samarco for its general corporate purposes 		
Voluntary prepayment:	<ul style="list-style-type: none"> Samarco may voluntarily prepay SD, RRO and Options A and B on a pro-rata basis 		
Security:	<ul style="list-style-type: none"> None 		
Restricted payments:	<ul style="list-style-type: none"> Samarco shall not declare or pay dividends to, or make any other distribution on its equity interests held by the Shareholders (or any other Related Parties) until all principal, interest and other outstanding amounts have been paid by Samarco under the Option A Facility and the Option B Indenture For the avoidance of doubt, payments by Samarco to its Shareholders (i) under SD, or (ii) in connection with the Renova Foundation Reimbursement Obligations, shall not constitute restricted payments 		
Shareholder Debenture (“SD”) ³ :	<ul style="list-style-type: none"> Interest: 4.93%, PIK-toggle for life Maturity: 9 years after restart date Ranking: <i>pari passu</i> with Options A, B & RRO ECS priority as outlined above 		

1 - To be discussed; 2 - Blended rates of the current equivalent debt instruments from Samarco; 3 - Existing and any future.

Summary Term-Sheet (cont'd)

Unsecured creditors: EPPs and 2022, 2023 and 2024 bonds

Renova Reimbursement Obligation ("RRO"):	<ul style="list-style-type: none"> ■ Currency: BRL ■ Interest: None ■ Maturity: None ■ Amortization: None ■ Ranking: <i>pari passu</i> with Options A, B & SD
Permitted debt:	<ul style="list-style-type: none"> ■ Until payment in full of Options A and B, Samarco shall not incur, issue, assume or maintain any indebtedness for borrowed money other than permitted debt ("Permitted Debt"). Permitted Debt includes: <ul style="list-style-type: none"> ■ Options A, B and C; ■ Renova Reimbursement Obligations; ■ any New Shareholder Debentures; ■ capital leases; ■ debt secured by liens referred to in the Permitted Liens; ■ any refinancing, renewals or extensions of any other Permitted Debt; provided that the amount of such debt is not increased beyond the amount of any reasonable amount paid in fees, costs, expenses or premium; and ■ other agreed debt.
Permitted liens:	<ul style="list-style-type: none"> ■ Until payment in full of Options A and B, Samarco will not create, incur, issue or assume any guarantee or security interest on or over any assets and/or rights now owned or hereafter acquired by Samarco to secure any indebtedness; provided, however, such restriction will not apply to or cause to prevent or restrict the following permitted encumbrances: <ol style="list-style-type: none"> i. existing liens at the date of the agreement; ii. capital leases; iii. liens in respect of current remediation litigation and proceedings involving any Governmental and Environmental authorities; iv. liens in respect of tax, labor, civil and environmental litigation claims and proceedings; v. liens provided to (A) any Brazilian governmental credit agency (including, but not limited to the Brazilian National Treasury, Banco Nacional de Desenvolvimento Econômico e Social, BNDES Participações S.A., Financiadora de Estudos e Projetos and Agência Especial de Financiamento Industrial); (B) any Brazilian official financial institutions (including, but not limited to Banco da Amazônia S.A - BASA and Banco do Nordeste do Brasil S.A. - BNB); (C) any non-Brazilian official export-import bank or official export-import credit insurer; or (D) the International Finance Corporation or any non-Brazilian multilateral or government-sponsored agency; vi. liens provided to any commercial bank that agrees to extend the term of a letter of credit to secure items (iii) and (iv) above; vii. other agreed permitted liens.
Maintenance Financial covenant:	<ul style="list-style-type: none"> ■ None
Conditions precedent:	<ul style="list-style-type: none"> ■ Usual and customary

Summary Term-Sheet (cont'd)

Unsecured creditors: EPPs and 2022, 2023 and 2024 bonds

Affirmative and negative covenants:	<ul style="list-style-type: none"> ■ Usual and customary for Options A, B & C, subject to usual and customary exceptions, materiality thresholds and cure periods
Disposal of Assets:	<ul style="list-style-type: none"> ■ If Samarco receives aggregate net cash proceeds from sale of assets (other than permitted disposals) in an amount greater than USD100mm, such excess amount shall be applied according to the priority stated in the ECS mechanism
Event of default:	<ul style="list-style-type: none"> ■ Usual and customary for Options A, B & C, subject to usual and customary exceptions, materiality thresholds and cure periods
Shareholders support:	<ul style="list-style-type: none"> ■ Shareholders to make funding available to Samarco through December 2018 for operating expenses and capital expenditures in the form of Shareholder Debentures in accordance with the Vale and BHP press releases dated June 28, 2018 and June 29, 2018, respectively ■ Funding for early 2019 has not been approved by the Shareholders' respective Boards. Samarco expects such funding to be made available by Shareholders in due course on terms substantially similar to those that have been made previously ■ Any Shareholder funding commitment for the funding need shown in the Business Plan for operating expenses and capital expenditures would be subject to milestones and other conditions TBD related to, among other things, the restart licensing process, legal and regulatory requirements, and the debt restructuring process. It is expected that any such commitment would be entered into contemporaneously with the execution of a Restructuring Support Agreement between Samarco and its financial creditors. Any funding made pursuant to such commitment would have the same terms as the Shareholder Debentures described herein. The terms and conditions of any such commitment are subject to and shall be determined by Shareholders' Board approval
Governing law:	<ul style="list-style-type: none"> ■ New York Law

Financial Summary

Pro Forma Projections to the Restructuring



Samarco Mineração S.A. In USD mm	2018 Proj.	2019 Proj.	2020 Proj.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.	2031 Proj.	2032 Proj.	2033 Proj.	2018-33 Proj.	2020-33 Proj.
Operating data																		
Pellet production ('000 tons)	280	-	7,959	16,464	16,803	19,907	26,259	26,996	27,162	26,528	25,056	23,862	24,135	24,864	24,614	24,002	314,890	314,610
Blended BF/DR Pellet price (\$/ton)	114	110	99	95	103	105	110	110	112	114	116	119	122	124	127	129	n.a.	n.a.
Net Revenue	57	51	800	1,555	1,716	2,078	2,860	2,930	3,007	2,998	2,886	2,812	2,908	3,058	3,086	3,070	35,869	35,761
(-) Operating costs	(120)	(126)	(426)	(701)	(725)	(898)	(1,135)	(1,177)	(1,211)	(1,107)	(1,105)	(1,112)	(1,216)	(1,362)	(1,418)	(1,410)	(15,248)	(15,002)
(-) Other expenses	(49)	(37)	(103)	(160)	(170)	(198)	(252)	(259)	(265)	(259)	(253)	(251)	(263)	(280)	(285)	(285)	(3,367)	(3,282)
(-) Framework Agreement	(559)	(824)	(994)	(348)	(108)	(82)	(63)	(60)	(131)	(113)	(95)	(106)	(108)	-	-	-	(3,591)	(2,209)
(-) Other expenses w/ accident (Ex-Renova)	(53)	(47)	(28)	(15)	(91)	-	-	-	-	-	-	-	-	-	-	-	(234)	(134)
EBITDA	(723)	(982)	(751)	331	622	900	1,410	1,434	1,399	1,519	1,432	1,343	1,321	1,416	1,383	1,375	13,429	15,134
% of Net Revenue	n.m.	n.m.	n.m.	21.3%	36.2%	43.3%	49.3%	49.0%	46.5%	50.7%	49.6%	47.8%	45.4%	46.3%	44.8%	44.8%	37.4%	42.3%
(-) Capex	(34)	(166)	(251)	(184)	(233)	(206)	(287)	(458)	(497)	(288)	(371)	(364)	(230)	(222)	(209)	(221)	(4,222)	(4,022)
(-) Taxes	-	-	(25)	(150)	(179)	(227)	(354)	(342)	(345)	(386)	(348)	(325)	(332)	(331)	(323)	(318)	(3,986)	(3,986)
(+/-) Δ WC and others	43	(12)	(107)	(143)	(87)	(206)	(156)	(151)	(164)	(165)	(47)	(62)	(75)	(49)	(51)	(56)	(1,489)	(1,520)
Unlevered FCF	(714)	(1,161)	(1,134)	(146)	123	261	613	483	394	679	666	592	684	814	799	779	3,732	5,607
(-) Cash Interest	(4)	-	-	-	-	-	-	-	-	-	-	(69)	(69)	(69)	(270)	(270)	(750)	(746)
(-) Withholding tax, and other taxes	(2)	(126)	(35)	(36)	(38)	(39)	(40)	(42)	(40)	(39)	(35)	(37)	(34)	(32)	(19)	(19)	(615)	(487)
(+/-) Tax shield	-	-	25	145	158	145	134	128	124	120	126	125	117	109	107	105	1,668	1,668
FCF before SH Funding at Renova & Debt Repay	(721)	(1,286)	(1,145)	(37)	243	368	707	569	478	760	757	611	698	823	617	594	4,035	6,042
(+) SH funding at Renova	530	824	971	39	-	-	-	-	-	-	-	-	-	-	-	-	2,363	1,010
FCF before Debt Repayment	(191)	(463)	(174)	1	243	368	707	569	478	760	757	611	698	823	617	594	6,398	7,052
(+) Funding need at Samarco	193	463	174	17	-	-	-	-	-	-	-	-	-	-	-	-	847	192
(+) Refinancing	-	-	-	-	-	-	-	-	-	-	981	-	-	2,874	-	-	3,856	3,856
(-) Principal repayment at maturity	-	-	-	-	-	-	-	-	(42)	-	(1,738)	(0)	-	(3,901)	0	-	(5,681)	(5,681)
(-) Excess cash sweep	-	-	-	-	-	(350)	(707)	(569)	(436)	(760)	(0)	(611)	(494)	0	-	-	(3,927)	(3,927)
Memo: Options A and B repayment	-	-	-	-	-	-	-	(512)	(381)	(706)	(0)	(611)	(494)	0	-	-	(2,705)	(2,705)
Free Cash Flow	2	(0)	0	19	243	18	(0)	0	0	0	(0)	(0)	203	(203)	617	594	1,494	1,491
Ending Unrestricted Cash	20	20	20	39	282	300	300	300	300	300	300	300	503	300	917	1,511	1,511	1,511
Option A - Loans	513	532	555	578	603	629	655	631	618	572	0	-	-	-	-	-	-	-
Option B - Bonds	3,678	3,854	4,046	4,248	4,460	4,683	4,916	4,702	4,595	4,191	4,401	4,009	3,715	(0)	-	-	-	-
CCB Facility	39	40	42	42	43	43	44	42	-	-	-	-	-	-	-	-	-	-
SH Debentures	991	1,038	1,090	1,145	1,202	1,047	666	666	666	666	0	-	-	-	-	-	-	-
New Funding	-	469	671	723	759	661	421	421	421	421	(0)	-	-	-	-	-	-	-
SH Funding at Renova	1,114	1,961	2,983	2,928	2,869	2,823	2,778	2,734	2,691	2,648	2,606	2,564	2,524	2,484	2,444	2,405	2,405	2,405
Refinanced debt	-	-	-	-	-	-	-	-	-	-	981	981	981	3,856	3,856	3,856	3,856	3,856
Total Debt	6,334	7,894	9,388	9,665	9,935	9,886	9,481	9,196	8,991	8,499	7,988	7,555	7,220	6,339	6,300	6,261	6,261	6,261
Credit metrics																		
Net Debt / EBITDA	n.m.	n.m.	n.m.	29.1x	15.5x	10.6x	6.5x	6.2x	6.2x	5.4x	5.4x	5.4x	5.1x	4.3x	3.9x	3.5x	3.5x	3.5x