Vale S.A.

First Quarter 2016 Conference Call

April 28th, 2016

Operator: Good morning ladies and gentlemen. Welcome to Vale's conference call to discuss the first quarter of 2016 results. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session and instructions will be given at that time.

If you should require assistance during the call, please press the star followed by zero. As a reminder, this conference is being recorded and the recording will be available on the Company's website at: www.vale.com at the Investors link. The replay of this conference call will be available by phone until May 4th, 2016, on ***+55 11 3193-1012 or 2820-4012*** **–** access code **3487527#**

This conference call and the slide presentation are being transmitted via internet as well, also through the Company's website.

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks and other factors.

With us today are:

- Mr. Murilo Ferreira – Chief Executive Officer (CEO);
- Mr. Luciano Siani - Executive Officer of Finance and Investor Relations (CFO);
- Mr. Roger Downey – Executive Officer of Fertilizers and Coal;
- Ms. Vania Somavilla – Executive Officer of Human Resources, Health and Safety, Sustainability and Energy;
- Mr. Humberto Freitas – Executive Officer of Logistics and Mineral Research;
- Ms. Jennifer Maki – Executive Officer of Base Metals; and
- Mr. Clóvis Torres – General Council

First, Mr. Murilo Ferreira will proceed to the presentation and after that we will open for questions and answers. It is now my pleasure to turn the call over to Mr. Murilo Ferreira. Sir, you may now begin.

Mr. Murilo Ferreira: Ladies and gentlemen, welcome to our webcast and conference call. Thank you all for joining us to discuss our first quarter 2016 results.

First of all, I'm pleased to report that, once again, we had a good operational performance having reached several production records for a first quarter. For example, we achieved production records in total iron ore production, in Carajás iron ore production, in Tubarão pellet production and in nickel and copper production.

Adjusted EBITDA was US$ 2 billion; 44% higher quarter on quarter, despite 3% lower revenues as a result of seasonally lower sales volume.

Costs and expenses net of depreciation decreased by US$ 900 million quarter on quarter as a result of seasonally lower sales volume and as a result of lower SG&A, R&D and pre-operating and stoppage expenses. SG&A decreased 26%, R&D decreased 50% and pre-operating and stoppage expenses decreased 57% quarter on quarter.

Our Capex amounted slightly more than US$ 1.4 billion in first quarter 2016 with project execution, mainly S11D, amounted US$ 900 million. Despite the US$ 2 billion in EBITDA, cash generation was negatively impacted by the settlement of derivatives in the quarter and by the increase in working capital by US$ 1.3 billion, stemming mainly from the increase in Accounts Receivable of over US$ 1 billion. Accounts Receivable increased mainly due to the concentration of iron ore sales volume at higher provisional prices at the end of the quarter. Working capital changes should have a positive impact on cash flows in the second quarter 2016 as sales collections increase throughout the quarter.

Net debt increased and amounted US$ 27.7 billion, with a cash position of US$ 3.8 billion. The increase in net debt was mainly driven by the impact of the exchange rate on the translation of the Brazilian real denominated debt in US dollars and by the negative free cash flow in the first quarter 2016.

Now to talk about ferrous minerals. Above all, I'm proud to inform you that our iron ore and pellets EBITDA breakeven measured by unit cash cost and expenses on a landed-in-China basis decreased from US$ 31 per dry metric ton in the last quarter 2015 to US$ 28 per dry metric ton in the first quarter 2016, just over a 10% reduction.

Our freight cost decreased by US$ 2.80 per ton, to US$ 11.30 per ton due to the positive impact of lower bunker oil price in our chartering contracts, the renegotiation of freight contracts and the higher exposure to the spot freight market. Our C1 cash cost FOB port per metric ton for iron ore fines ex-royalties amounted US$ 12.30 per ton, remaining practically in line quarter on quarter, despite less fixed cost dilution on seasonally lower production volumes.

Due to the big improvement in price realization and reduction in cash costs, our ferrous minerals EBITDA amounted US$ 1.7 billion, increasing 23% quarter on quarter, despite seasonally lower sales volumes.

Physical progress reached 85% at S11D mine and plant, 64% at S11D logistics sites and 85% at S11D railway spur. We are very much on track with this milestone project which will guarantee high-quality low-cost ore for a big period of time.

EBITDA from the base metal business segment amounted US$ 329 million, almost 200% higher than in the last quarter 2015, despite lower nickel and copper LME prices.

The reduction in cost and expenses is a recurring theme throughout all the operations, with highlight for VNC and Salobo. VNC unit cost in pre-operating expenses net of by-product credits achieved US$ 12.70 per ton in the first quarter 2016, decreasing 27%. In spite of the improvement, VNC still posted a negative EBITDA of US$ 48 million.

Salobo's EBITDA amounted about US$ 130 million, being 75% higher quarter on quarter. This improvement was mainly driven by a more than 40% decrease in costs, as we mined higher copper grades and benefited from higher by-products credits.

With coal we continue to focus on reducing costs, increasing profitability and ramping up the Nacala logistic corridor. Ramping up of the Nacala logistic corridor continues as planed, with close to 1 million tons of coal transported in 13 shipments concluded in the first quarter 2016.

Coal EBITDA improved by 38% as a result of lower costs with the ramping up of the Nacala logistic corridor and the sound operational performance in Carborough Downs.

Fertilizer EBITDA was impacted by lower market price and seasonal lower volumes, amounting US$ 70 million in the first quarter 2016.

I'm pleased to inform you that we reduced our costs and expenses in all of our business segments, despite the seasonally lower production and sales volumes, and that we progressed well with the implementation of our most important projects.

We work resolutely together with Samarco and BHP to reach an agreement with the Brazilian authorities that can provide a good base for accelerating the environmental remediation and compensation for the area and people affected. We are conscious that this agreement will not bring back the lives lost and we also understand that this will be a long journey, but I'm confident that we are taking the right steps and moving in the right direction.

Finally, I would like to let you know that, in spite of the increase in prices, we remain fully committed to the strengthening of our balance sheet through the reduction of our net debt, as previously informed. We remain focused on our operating and capital allocation discipline and on progressing our divestments and asset optimization program. We have a clear destination and we have a clear routemap. Our strategy is to use the map to the best possible advantage for Vale and all its stakeholders.

Thank you for your attention and now let's open this webcast for your questions.

Q&A Session

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please, press the star key followed by the one key on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue, please, press star 2. Please, restrict your questions to 2 at a time.

Our first question comes from Rene Kleyweg, with Deutsche Bank.

Rene Kleyweg: Morning, afternoon everyone. Congratulations on the good set of numbers and great to hear the focus remains on debt reduction and balance sheet repair.

Two questions. One: in terms of S11D – nice to see the progress in terms of the railway and the mine – could you provide some color on where we are with the truckless fleet? What has been assembled, what's on site, what sort of testing are you going, are you undertaking? And what sort of confidence or how we should see that evolving in terms of managing the ramp-up risk around that over the next 12 months?

And then the second one is on nickel; if there is any update that you could provide, given the improvements in VNC's cost structure and Onça Puma breaking even. Both assets, you know, potentially under review. What's the latest thinking on that and what sort of… when will you be in a position to make a firm decision on whether there is a care maintenance program at either the operations? Thank you.

Mr. Ferreira: Rene, thank you for your question. Let's start with nickel.

Jennifer Maki: New Caledonia, we continue our review of exploring our options for the asset and it will be later this year. I don't have an exact date, but later this year after the conclusion of the second half for sure.

In terms of the operation, they are doing what they can and they know that everybody's patience with the operation is up and they are really focused on reducing their costs and stabilizing the production, and I think that you see that in the first quarter results. And I think that there is a lot more work to do, obviously, there as we are still losing money on each ton of the nickel sold, and they have a plan for further cost reductions in terms of more contracted services, contracts are being renegotiated. We also have a lower tier contractor still to review, we are improving programs to improve our consumption ratios on raw materials, as we process those, and I would say productivity improvements, especially in terms of labor from the mines, through to the process plan.

And so, with Onça Puma they remain focused also on their cost reduction, they had a little hiccup in the furnace in February and that's why you see a slight movement up in their unit cash cost this quarter, but they are really focused on reducing the cost and getting their production often. We expect to recover the production lost in the first quarter throughout the remainder period.

Luciano Siani: Rene, this is Luciano. Addressing your first question on the truckless, let me first remind you that Vale already operates a truckless system in the existing Carajás mine to remove overburden. So obviously it's on a smaller scale, but we feel that we have a good start to operating the upcoming truckless system in S11D because of that.

And now we're doing a lot of very intensive training, not only of the new operators, not only in the existing truckless system in the current mine in Carajás, but also abroad in Germany with the suppliers and specialized companies training on that.

The truckless system resembles a fork, where by the handle of the fork and the, let's say, the base where the teeth joins the fork, will be ready to commissioning in June, and the first tests without ore in September, and the tests and the final operation with ore in November. The teeth of the fork will be installed one by one, from the second half of this year until the first half of next year. But the substantial part of the truckless system will start to be loaded already in November and, therefore, feeding the mills in order to start producing at S11D.

So just to give you the name of the company in Germany – which is specialized on those systems – is RWE. So we have hundreds of people being trained right now. I'd say we do not anticipate any major issue for the startup of the truckless operations, the assembly and the final assembly is progressing really well, and we look forward to the start of commissioning in June/July.

Operator: Our next question comes from Jeremy Sussman, with Clarkson.

Jeremy Sussman: Hi, and thanks very much for taking my question. I guess a month or two you all came to an agreement with Fortescue for blending and also I think the potential investment in Fortescue itself down the road. Can you walk us through this whole process here and I guess what your plan is going forward?

Luciano Siani: Jeremy, this is Luciano. Just recapping: The agreement with Fortescue had three major points: the first one about the blending, the second one about the possibility of joint investment in replacement projects in Australia, and the third one the potential 15% participation within Fortescue.

For us, the two first ones are the most important. The blending agreement is being developed right now, it is being detailed. It's important to manage the relative supply over our different products given the recent decline in the premiums for Carajás. I'd say this is something that the relative value of Carajás and the Brazilian blend fines is showing us that, perhaps, the best way to capture some value is to offer blended products to the market at this point in time. So there was a… I'd say one of the two major incentives for us to reset agreement with Fortescue. On the other hand, as well, the joint investment in Australia is something that we need to have, especially in light of the regulations in Brazil. It's always very good to have an optionality where to best invest, in order to keep production stable as the mines naturally deplete. So I would say we have a hedge for future eventual regulation changes.

And finally, the participation… the 15% participation in Fortescue is more of a theoretical possibility. We take this as a statement that we are welcome in the controlling group. We obviously do not have the resources nor the balance sheet to do it right now. So it's more of a long-term optionality. We didn't especially look for it, but it came as part of the agreement. So it is welcome as an option, but nothing that we want to pursue in the short not even, perhaps, in the medium term.

Murilo Ferreira: Just to add one further information, we are in the end of the process to finalize the agreement with the five ports facilities in China, looking to go ahead with the blending program. Thank you.

Operator: Our next question comes from Alex Hacking, with Citi.

Alex Hacking: Hi, thank you. Good morning and congratulations on all that progress the company is making, it's great to see. I guess a couple of questions. Number one, you discussed last quarter that you would be thinking about strategic asset sales. Does the change in the iron ore price – or the significant increase in the iron ore price – does that change your thinking on that either way, make it more likely or less likely, or it is still kind of the same full process there?

And then secondly, regarding your freight cost, which was down to US$ 11 I think, should we expect this to be relatively stable now or are there more… is a lower freight rate possible, you know, based on changes of the mix, of spot, fewer costs, more Valemaxes? Thank you.

Murilo Ferreira: Alex, thank you for your question. In spite of the increase in price, we remain fully committed to the strengthening of our balance sheet. Then in this point of time what we are looking is to have some strategic transaction that could give us some flexibility in the financial contest and deleveraging our balance sheet. It's the target, we are not astonished, we are not looking to the monitor to see what's happening in a daily basis. We have our strategy and we must deliver it.

Luciano.

Luciano Siani: Alex, on the freight costs, we had some headwinds now, the bunker price has been slightly rebounded and the spot freight has increased more markedly. So, therefore, I would say to keep the current levels stable is going to be a challenge, but we have some… also some potential improvements going forward.

We still have contracts to renegotiate, we still can have more exposure to the spot market and also, just to remark that the effect of the birthing of the Valemaxes directly in China is just starting to show up. One of the key benefits of that is that we do not need to transship anymore iron ore in our transshipment stations in the Philippines. Which means that, on all those volumes, we are saving good amount of money by not stopping at the Philippines, and incurring in costs for the transshipment and putting smaller vessels which are less efficient for the last leg of the voyage.

So, I'd say good bet too that we will pursue stability over the next quarters even in light of the increase in bunker and spot rates. However, over the longer term we still continue to work to reduce rates.

Operator: Our next question comes from Christian George, with Société Générale.

Christian George: Yes, thank you. A couple of questions. One is on your coal operations in Mozambique. We see you've had a lot of volume on thermal coal coming out in this quarter. And I wonder, how do you guide for – what we should expect for the rest of the year? And also your cost, your base has improved greatly. What's your outlook for 2017 and the speed at which you may be able to come closer to breakeven, it is my first question?

And the second one is about all the headline we've seen on fertilizers in Argentina and you're looking at perhaps finding a private equity to join. Is there anything official from your end with regards to the current negotiation on this? Thank you.

Murilo Ferreira: About Argentina, we are extremely focused in going ahead with our iron ore project S11D to deleverage the company. We don't intend to have any new project looking to have a new investment, but we will provide all the assistance in case of having a third-party with high interest in the implementation of the project.

Roger, please.

Roger Downey: Yes, hi. Regarding shipments from Mozambique, as we ramp-up Nacala, we were aiming towards shipping, but totally just above… just around… just under 14 million tons this year. The Nacala ramp-up is doing really well, we have, obviously, we have a production and an inventory in, at the mine, so it looks like our targets will be reached. Thank you.

Operator: The next question comes from Alfonso Salazar, with Scotia Bank.

Alfonso Salazar: Hello, thank you. The first question I have is regarding the permit situation in Brazil, especially for the Fábrica mine and if you can give us an update on how is everything going after what has happened in Samarco.

And the second is regarding the expense reductions in Research and Development and the pre-operating expenses. They look much lower now, but what can we expect going forward? Do you think that these levels are sustainable or they might go a little bit in the future? Thank you.

Murilo Ferreira: Alfonso, thank you very much for your question. In fact, we got the environmental permit for Brucutu roughly 20 days ago, it was on Friday, and on Monday we got for the Fábrica as well. Then I think that everything is going smoothly. We know that the government of Minas Gerais is facing a big issue regarding the lack of people to work in the Environmental Department, but regardless of this we had this good movement in terms of environmental permit in Brucutu and Fábrica.

Luciano Siani: In relation to the expenses, first R&D, yes, we should expect some uptake in the following quarters. We do expect a reduction for the entire year compared to last year over around 20%, but still this level of R&D isn't the one which we should extrapolate for the rest of the year. So there should be an increase, although for the entire year there should be around a 20% decrease from last year.

In terms of pre-operating expenses, we are very optimistic. We think we can continue to reduce it. As you noticed, VNC is not posting pre-operating expenses anymore. That's the same to the Nacala corridor, so two projects which now are beyond the point of posting pre-operating expenses.

We still have sizable stoppage expenses in Mariana following the accident of Samarco. As we repair the conveyor belt and go forward and resume production this should go down as well. And finally, Long Harbor, which the ramp-up is progressing really well, we still posted around, I think US$ 48 million of pre-operating expenditures in the quarter, but we should expect along 2016 that number to reduce as well.

So I'd say on a normalized basis going forward, we had last year almost US$ 1 billion of pre-operating expenditures, with the completion of projects you should expect this number to go really, really, really low.

Murilo Ferreira: Thank you.

Operator: Our next question comes from Andreas Bokkenheuser, with UBS.

Andreas Bokkenheuser: Thank you very much for taking my question. In your efforts to strengthen the balance sheet, obviously you are still maintaining focus on divestments and so on. Has there been any consideration to do within the iron ore division what you usually did before within the precious metals division, which is to sell your streams of volume? Have you considered, you know, selling iron ore streams forward? And if so, in an effort to raise capital, what would a potential structure look like if that was considered? Thank you.

Murilo Ferreira: In fact, we are open for all the options. We are analyzing carefully in terms of the tenor of the transaction, in terms of the flexibility. We don't have any constraints in this regard. I think that the process is doing very well and, as I had the chance to express in our last conference, we don't have any constraints. We wanted to reach some goals in Vale and we will deliver it. I think that this is the point that is critical for us. Thank you.

Operator: Our next question comes from Tony Rizzuto, with Cowen & Co.

Tony Rizzuto: Thank you very much for taking my questions. It's very good to see the progress on the cost side. My first question is in regards to China, and I'd like to know how you see prospects for crude steel production there for this year and what your estimates are for domestic iron ore production in China, and also for seaborne imports.

My second question has to do with the announcements recently by your peers, and in addition to your own, of value production coming at the lower end of the range of guidance. And I'm wondering specifically if this is a signal or should we read into this that this is a newfound discipline by the industry? Just would like your thoughts on that.

Murilo Ferreira: Tony, thank you for your question. In fact, in our Board meeting last March I had a chance to share with the Board members regarding this scenario that we had the chance to see in China. I'm very frequent to China, I could say that four or five times per year, and at that time in the end of March I had the chance to share with them that for the first time probably in one year, one year and a half, we noticed that the mood in China was different, and it was very clear. I know that we could consider as a result of the credit side, and there's some flexibility in this regard, for sure very important, but even the property, the picture that we can see right now is much better.

You know that in the last two years we had a drop in new starts roughly around 27%. Just in the first two months of the year 2016, this year 2016, we noticed an increase of 13.7%, and I could say, based in the numbers, that I have in hand that now it's above 27%, which is really very impressive.

I believe that China, in the property market, is doing much better that we can see in most of the statements, in most of the news around the world. And it was not something that I had the chance to share right after this price increase, this new movement reached US$ 60 per ton, but it was previously. I think that the picture that we can see in China now in the physical market is much better than I could imagine it, for instance, in August or September last year.

Luciano Siani: Tony, just some additional information on your sub questions. So, maybe we will see flat production of crude steel this year, although in the first three months we had a decline of 2,5%. As you saw, imports into China of iron ore have increased by 6.5% in the first three months of the year compared to the first three months of last year.

If you do the math, as port inventories have not risen and as new inventories at the mills are somewhat stable as well, the only possible conclusion is that the closure of mines in China is actually larger than even us would expect before. Like we were working with the possibility of maybe 180 million ton of domestic production this year, but I would guess the numbers are pointing more towards a lower number, perhaps 150 million tons of production. Obviously you should not see the same pace going forward because of the recovery in prices, but it is encouraging, like supply-side is working in China.

In terms of discipline, we have always said that we will be careful in putting Carajás in the market, especially with the ramp-up of S11D. We intend to offer the products in the pace that the market can absorb in a healthy way. We do not have any incentive today to force the mines beyond their limit, it's better to produce at lower cost and very profitably looking at the margin optimization as a whole. So therefore, we feel that 340 million tons provide the best equation for us going forward this year.

Operator: Our next question comes from Alon Olsha, with Macquarie.

Alon Olsha: Hi, thanks for taking my questions. Just three quick questions. Firstly on Samarco, you mentioned in your production report that the operation was expected to be commissioned again by the end of this year, although timing was uncertain. Can you just run through the various variables we need to consider there for influence of timing of that ramp-up and also what the ramp-up profile would look like into 2017?

Secondly, just on working capital, there was a bit of a build in working capital in the first quarter. How much of that can we expect to reverse in the second quarter of the year?

And then finally, could you just give a quick update on the Mozambique coal JV? The progress there as well as the MRN sale? Thanks.

Luciano Siani: On Samarco the key variable to consider is not technical, is the environmental permitting process. There are lots of details and technicalities which are involved, which can… the timing of the permitting can vary by a few months, depending on what the authorities believe it's the most reasonable way to license. So if you are going to use primary data or secondary data or whatever. So it's really technical, so there can be a variation of a few months.

The production profile, I'd say we have to be very… I would say, Samarco has to come back on a reliable basis given all that has happened, so we will be on the side of conservativeness. We don't want to incur in any errors going forward, but obviously the assets are there and we have the condition to go as we please.

In terms of working capital, approximately, I would say between 300 and 500 million could be reversed. That relates to the invoicing of adjustments for the provisional pricing. So, just to give an example, sales which were done within the quarter, let's say, sales that were done in February, they were provisionally invoiced at a particular lower price. The ships arrive at the port within the quarter, in May, but then the final price was greater, so we had to issue this provisional invoice and we still have to correct those amounts. So as prices stabilize, we should collect these differences and then everything should be ongoing smoothly. Obviously, if prices go back, then the Accounts Receivable will improve again, right. But this, assuming prices stable, they should improve by US$ 300 to US$ 500 million.

In terms of the Mozambique coal JV, we are still working very hard on the technical aspects of the agreement. We have announced lastly that we had an agreement for the Mozambique's authorities, we had from the Ministry of Transport – which is the one leading to negotiations – that has been submitted to the Council of Ministers. We haven't got final approval yet, but I would say that is the key bottleneck for the successful completion of the term sheet, which is still… that succeeded is expected for the month of May.

Murilo Ferreira: About the MRN, I think that unfortunately we didn't reach an agreement with one entity that is currently partner in MRN, then we decided to open a discussion with a third-party and we are in the beginning of the process again. Thank you very much.

Operator: The next question comes from Maria Entina, with Pacific Life.

Maria Entina: Thank you for taking my question. Just a couple of questions on the Midwestern iron ore system. I know that annual filing last month indicated that reserves were completely… iron ore reserves were completely impaired and based on that Q1 production report blames and crumbled down about 70% year on year and 25% at Urucum. What is the plan for these assets and would it be a closure of the mines or possible sale? And additionally, with respect to the provisions for losses associated with the long-term river freight agreements, what would be the outcome with the easer? Is there any litigation pending?

Murilo Siani: The production at the Midwestern system is not economical right now, so that's the reason why the reserves were marked down to zero. The reason why we continue to operate it is because the cash flows are still negative, yes, but better than if we closed the mine because of the take-or-pay agreements that we have with some counterparties. So some of these take-or-pay agreements are being renegotiated, so final production would have to take this into account, but as we… where we stand it's better to still operate at a loss than to close and pay in full the take-or-pays and the cash flow losses would be greater in this regard. But we are working very diligently in order to minimize those losses and talking to see if we can make agreements with the parties involved.

Operator: The next question comes from Felipe Hirai, with Bank of America Merrill Lynch.

Felipe Hirai: Hi, good morning, good afternoon everyone. Just two questions on our side. First, Luciano you mentioned the reverse, potential reverse of the working capital. We just wanted to understand if this is somehow subjected to iron ore prices because our own impression is that as iron ore prices go up, your working capital might actually not come down as much as you were expecting in the second quarter.

And my second question is related to the bunker hedge that is flowing into your income statements. So could you just give us an idea of how much should we expect in terms of losses or payments for the bunker hedge in the next two quarters? Thank you.

Luciano Siani: Okay. On the working capital you are right. So my answer had the assumption that prices would be stable, so because if prices go up or down then there are important changes related to the outstanding sales at the end of a quarter in comparison to the outstanding sales at the end of this quarter. So the assumption that I made is constant prices.

In terms of the bunker hedge, we didn't bring this quarter on the release the outstanding contracts, but you still have it on the financial statements. You have it on footnote 19, and the fair value of the…, of all the derivatives is a negative US$ 644 million outstanding. So there was a reduction from December 31st – just to give you a brief idea –, we had close to 6 million tons of bunker oil hedge positions outstanding at December 31st, that has reduced to around 4.5 million. So roughly a fourth of it has been paid off as well. As we said, this will vanish in 2016. So we paid around US$ 250 million this quarter and we still have – if prices do not change – 644 million to be paid. So it's a heavy burden, we acknowledge that, but the good news is that is only three other quarters to come. And as we mentioned before, there's no more impact in the EBITDA because the opened positions were still even greater if you come back… go back two or three quarters.

Operator: Our next question comes from Ivano Westin, with Credit Suisse.

Ivano Westin: Hi, thanks for the question. I would just like to follow up on a query discussion or the Portuguese call. It's very clear that you reported a sizable reduction on cash cost in VNC, but if you extend this to your consolidated cash cost on both nickel and copper, what can you expect moving forward? Is the base of Q1 debt for the remaining part of year, or is there additional downside for that? Thank you.

Jennifer Maki: I would expect the trend in Q1 to continue. Obviously the Canadian dollar has appreciated a bit so that will impact going forward in Q2. But we tend to have increased productions throughout the year with the 1Q being the lowest, so you will see some dilution of fixed costs as we increase our production to get the 3,20 that we guided for the year. And in VNC I would expect further reductions over the course of the year as they continue to implement their cost reduction program. Really, there is more phases to go and so a lot of work be done there.

Operator: The next question comes from John Tumazos, with John Tumazos Independent Research.

John Tumazos: Congratulations that selling prices are rising, volumes are rising, costs are falling, iron ore, copper and nickel. I feel like doing a celebration dance at my desk. How much do you expect roughly in a range to reduce debt? The June quarter, the September quarter, the December quarter? Virtuously the biggest use of cash was putting U$ 1 billion into receivables because you're selling more, that's another good thing.

Luciano Siani: John, this is Luciano. If we go back to Vale Day, we had an expectation at US$ 40 per ton of a negative cash flow for the year between US$ 2 and US$ 2.5 billion, right? Roughly so far we've recovered around US$ 1 billion from that forecast given how prices have behaved so far. Which means that if we, all of a sudden, collapse to US$ 40 per ton, which obviously doesn't seem to be happening, we would still be short US$ 1 to US$ 1.5 billion in our goal to keep debt stable. Outside the strategic transactions that we've been talking about to slash debt. So, depending on how you forecast prices to go forward, if you just assume the forward curves then this 1 to 1.5 billion shortfall would be reduced by basically half, or even US$ 500 million to 500 million, so – I didn't make the exact calculation – my estimate would be that we are pretty close to ending 2016 with the same debt position of 2015, in the absence of transactions.

So therefore, as we have increased debt by around US$ 2.5 billion this year, so far in the quarter, we should have this trending down towards the same level of December 31st, absent any divestitures. So as we progress in our divestiture progress, if we achieve, let's say, US$ 2, US$ 3, perhaps even US$ 4 billion aside the strategic transaction, you should see a corresponding reduction in debt, again, for the third time, aside the strategic transactions.

Operator: Our next question comes from Rene Kleyweg, from Deutsche Bank.

Rene Kleyweg: Thanks for the follow-up question. Just going back to Mozambique, and I appreciate that the contract is still doing the rounds, but are you in a position to say that the economic details of the contract have now been bedded down? Or are those still being discussed as well? I'm just trying to understand if it's purely an administrative process? Or if there's still a negotiating element to the terms and conditions as well? Thank you.

Murilo Ferreira: Rene, thank you again for your questions. About Mozambique, what we have and will address permanently with them is mainly about the offtake contract. We have some rights and we gave to them some rights about the offtake and we are providing some adjustments in this regard. I think that generally speaking is the same idea that, or the same context that we presented to the market when we did the transaction with Mitsui. Thank you.

Operator: Our next question comes from David Wang, with Morningstar.

David Wang: Hi, thank you for taking my question. I was wondering; with the recent run up in iron ore prices, have you began to see any supply response, especially from the higher cost players that may have been thinking about exiting the market when prices were closer to 40 or below? I know for the large players, and yourself and the large Australian players, have guided towards a little bit of lower guidance for production, but mostly due to operational issues or things out of control. For some of the higher cost players that were perhaps thinking about exiting market, are you seeing any of those tons coming back online?

Murilo Ferreira: I think that what we can see right now in China it's a permanent shutdown. Up to now, most… the majority, the absolutely majority is mainly regarding the quality and the volume in terms of exploration, in terms of production. For sure the importance of the movement in the infrastructure and the real estate are both very important, but I think that, unexpected way, it was mainly in the supply side.

Lucinao Siani: Just to follow up, everyone is talking about the possible decline in iron ore prices in the second half, given seasonality, bigger supply and so on. So, this is the same picture that producers are seeing. So therefore, there might be some opportunistic moves from people who are already producing in the market, maybe to increase slightly their production, but we wouldn't see an incentive so far for people who have already decided to come out of the market and shut down to really come back, because it requires capital and renewed investment and the outlook is the still very uncertain. But, however, the players who are producing could bring marginal tons additionally, maybe changing mine plans and so on. So that could happen, but other than that, it's still very, as Murilo said, those guys who went out, very unlikely that they will come back.

Operator: The next question comes from Martin Pardiel, with Westwood.

Martin Pardiel: Yes, thank you for taking my question. My question is, in terms of Mozambique, how many tons do you need to breakeven in that operation in terms of tons per quarter? Because, obviously there is some decrease in fixed costs. So if you could help us understand where is the breakeven assuming current pricing.

Roger Downey: Yes, that's a very good question. Obviously, and as it was any bulk commodity, we need to move volumes, right. That's a very volume-driven business. It also depends on where your price assumptions are. Obviously when you say breakeven, at what prices? At current prices, as you can see from the improvements in all the negative EBITDA in Mozambique, that the volume effect is quite substantial, costs do come down dramatically.

So I guess with…, with our expectation of shipping about, just under 40 million this year, we would probably see… and obviously, it depends on where prices go, but we should probably see numbers which, on a cash basis, already shows into… moves us into breakeven point.

Murilo Ferreira: Thank you very much for your time, for your attention and having so many questions and interest points to be discussed in this call. All the best.

Operator: That does conclude Vale's conference call for today. Thank you very much for your participation. You may now disconnect.