



International Conference Call
Vale
2nd Quarter 2011 Results
July 29, 2011

Operator: Good morning ladies and gentlemen, thank you for standing by, and welcome to Vale's conference call to discuss 2nd Quarter 2011 Results. If you do not have a copy of the relevant press release, it is available at the Company's website at www.vale.com at the investors' link.

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 key followed by zero (*0). As a reminder, this conference is being recorded. To access the replay, please dial (55 11) 4688-6312, access code: 7550324. The file will also be available at the Company's website at www.vale.com, at the investors section.

This conference call and the slide presentation are being transmitted via internet as well. You can access the webcast by logging on to the Company's website, at www.vale.com, investors section, or at www.prnewswire.com.br.

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, President and Chief Executive Officer; Mr. Guilherme Cavalcanti, Chief Financial Officer; Mr. José Carlos Martins, Executive Officer of Marketing, Sales and Strategy; Mr. Tito Martins, Executive Officer of Base Metals Operations and Ms. Vania Somavilla, Executive Officer of Human Resources and Corporate Services.

First, Mr. Murilo 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. Sir, you may now begin.

Mr. Murilo Ferreira: Good afternoon, everybody. It is really a pleasure to have some time to share with you and to show our views. Let us start with an iron ore update. We are very positive on the iron ore market. We know that although Europe and the US face very challenging recovery, China continues to have a very strong demand. The inflation in China is a key element in having some concern. I think that we can see some improvement in the second half of the year, and we are absolutely positive about the future of China. But for sure we have a lot of concerns about the stability mainly in Europe and in the US.



We, at Vale, do not worry about supply overcoming demand in the next five years for sure. We believe that we will see some delays in the supply side, mainly related to some constraints (equipment, permits and licenses). I think that it is the scenario that we are working.

The second point that I would like to share is about the investment of Vale in the steel projects. For sure you know that we have lost market share in Brazil and we must regain that. Although this project... through this project impact we can create a captive demand for our iron ore. We expect to have around 230 million tons of iron ore coming from Carajás in the future, and right now we are talking about running at 100 million tons, and for sure it is impossible to build a new Carajás, without knowing the community demand; and we must say that we are not alone there; we have the community. And the government in Pará and everywhere are just expressing what the community is saying. But in our side, it is extremely important to regain the market share that we lost in Brazil. This aspect is very important.

Regarding the Capex, I think that 2011 investment plan remains the same. We know that we are very far from our target; but we believe that we should be able to have spent US\$ 24 billion up to the end of 1Q of next year, but at the same time to maintain the discipline in capital allocation.

The third point that is important to address is about the Simandou project in Guinea. What I have to tell you is that it is part of the Brazilian government's policy to strengthen the relationship with African countries. Going ahead with mining and logistics is very important, and we would help to get stability in the countries in the West Coast, mainly in the West Coast.

We have asked for the Brazilian government's support in Simandou project, because our agreements will be much stronger, and what I can tell you is that our President Dilma Roussef in fact is giving a strong support; it is not a support, it is a strong support. I had a chance to visit Guinea last Monday and I spent some time there, but I was with the Ministry of Foreign Affairs Mr. Patriota, and as you can see, the importance of this cooperation, Brazil and Guinea, is so relevant that the Minister went there in order to support Vale.

One further point that I would like to address is about copper and Metorex. Strategically, it is important to be in copper. In my first conference with you, I expressed strongly my view regarding the future of the copper. But first of all, we must have discipline in capital allocation. Again, we continue very positive; we have a good portfolio to grow in copper. In case of having some acquisition, we would be very interested, but based on the assumption that we will have the same discipline in capital allocation.

I would like to talk a little bit about Vale New Caledonia, the former Goro. I have spent a few days there, and what I can tell you is that the technology is challenging, but in my view, most of the problems of the Goro project were related to engineering and not to the technology. We are replacing the 21st columns that in our view were not well



designed. These columns were responsible for separating nickel from cobalt, and again I am positive. We need to be patient, but I hope to see good results at the end of the year. And the investment in Vale New Caledonia in fact is very important to make feasible, the production of limonited reserves and we cannot just leave the project as a failure. We are for sure very far from this point.

I know that you are anxious to hear my colleagues from the Executive Board, and I will finalize just giving some emphasis in some aspects. As you know, we have three main goals, which are: returning capital to shareholders; focus on sustainability and having the right people working with us under a good internal corporate climate. And it is very important these three points. We'll continue to work with the same strategic plan. We have a clear growth platform, maintaining our leadership in iron ore and nickel and to increase our exposure in copper, coal and fertilizers. And we will continue with our policy to return capital to our shareholders in case of having some cash surplus. Thank you very much.

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 (*1) on your touch-tone phone. If at any time you would like to remove yourself from the questioning queue press star two (*2).

Our first question comes from Mr. Felipe Hirai from Merrill Lynch.

Mr. Felipe Hirai: Hi, good afternoon, everyone. I have two questions, the first one is related to the Capex increase. In the Capex delays that we are seeing in some of your projects. We saw that you revised the Capex number for several of your projects. So the question is what are you doing to prevent this issue and if there is anything that you are going to be able to tell us in the future about some of your other big projects, like Simandou and the Serra Sul expansion at Carajás.

My second question is related to the taxation, if you could just comment on what you are seeing on this potential issue of the other liabilities that Vale currently has with the government, or the taxation of income of subsidiaries and also on the potential increase in royalties. Thank you.

Mr. Guilherme Cavalcanti: Thank you, Felipe. In terms of the projects, our strategic projects are going well, and as Murilo mentioned, we expect by 1Q12 to complete our program, and I guess that is it.

In terms of the liabilities, we already had a provision (the social contribution) and we were expecting that there will be no effect on the results since it was already provisioned.



Mr. Hirai: OK, Guilherme, but could you comment a little bit on what you expect on the other liabilities, the pending liabilities that you have with the Brazilian government and also the potential increase in royalties?

Mr. Cavalcanti: This is all under discussion, and also in terms of the royalty increase, it will depend on the new mining code that is about to be released, but so far we have no news about it.

Mr. Hirai: Ok, thank you.

Operator: Excuse me. Our next question comes from Mr. Ivan Fadel from Credit Suisse.

Mr. Ivan Fadel: Hi, good afternoon, everyone. My first question would be related to the base metal side. Vale reported copper and nickel volumes much below what I believe is its full potential, due to the maintenance for a few units and also Cliff's stoppage. Can we assume that Vale's copper and nickel volumes should accelerate to more normalized levels already in 3Q, and along with that, should we expect also more dilution of cash costs due to more volumes and due to the absence of the effects of the maintenance costs? That would be my first question.

And the second question, just as a follow-up on the taxation issue. I understood that Vale is already paying that R\$ 5.8 billion of tax liabilities or provisions. Was that the final decision from the judgment, so no appealing was actually possible? Or was that something that Vale came into terms with the other party, so you would just settle the dispute? Thank you.

Mr. Tito Martins: This is Tito speaking. Regarding the first question, basically we have finished the rebuild of the second furnace in Sudbury, which means that we are back to full production. As you asked, of course you can assume that on the second-half of the year, we will be producing 100% in all operations. Of course we have... some of the impacts that we saw in 2Q are related to pre-operating costs of Onça Puma and New Caledonia, and so of course production in Onça Puma is also growing. As Murilo said when he spoke, New Caledonia is still under the rebuild of the columns. But in general, the regular production will be in full capacity. We finished with the shutdowns, the summertime shutdowns, and we also expect to see more production out from Onça Puma.

Mr. Cavalcanti: OK. In terms of the tax this is something that is still going... still in discussion and it involves all the exporters, not only Vale. But we just lost the ability of not paying any more; so we have to pay but we will continue with the discussions.

Operator: Excuse me. Our next question comes from Mr. Marcos Assumpção from Itaú BBA. Excuse me, Mr. Marcos Assumpção's line has just dropped.

Our next question comes from Mr. Rodolfo de Angele from JP Morgan.



Mr. Rodolfo de Angele: Hi, good morning, everyone. I have two questions, the first of them is on one-off items. On the operating side, it seems both volumes and pricing were lower than what they could potentially be, so my question to you is was it really the effect of this one-off or still remains in this quarter? And if you could share some light on what you expect in the next quarters.

In the same line on the one-offs. I would also like if you could comment on the operating expenses. There were some pre-operating expenses from Vale New Caledonia, from Onça Puma. So, are we going to see more of those? What do they refer to? If you could also give some guidelines, that would be great.

Mr. José Carlos Martins: OK, good mornin,g everybody, Martins speaking. Talking about prices, I do not know exactly your assumption about prices; but I will comment that the only factor that is a little bit different than you can see from past numbers was the carryover because we had a very low performance in 1Q, and so many shipments were only loaded in 2Q, and our practice is to keep the same prices. So, we lost some average price based on this point.

We also have a little bit more moisture and a little bit, slightly lower iron content. So when you look at our volume numbers, you are not able to see the moisture inside or also how is the iron unit content. So these three factors drag a little bit on our average price. For 3Q, we are not going to have this impact based on the carryover. We are not going to have the impact of the carryover, because the price will be the same from 2Q to 3Q, and so even if some carryover exists there will be no price impact.

Moisture will be lower, because we are now getting out of the rainy season and so we expect improvement of lower moisture. Nowadays it is a huge impact because as you can see by the numbers we show during this quarter... the first half of this year the rain was almost twice as last year. So part of this moisture will go in the iron ore ship together with iron ore.

And iron units we expect some improvement also because we have some mines that... with higher iron ore content that were below water, so we cannot mine there, so then there is small losses in iron units. So putting everything together, I think from our perspective, the prices were in line with our management expectations.

But for the market, as you cannot see these factors in the volume we produced, probably you have some difference in your calculation.

Mr. Cavalcanti: OK, Rodolfo, about the pre-operating expenses, we had about US\$ 200 million as pre-operating expenses regarding New Caledonia and Onça Puma. Going forward, once these projects start to produce revenues, these expenses are transferred to the cost of goods sold. But other projects will come on stream, for example Moatize and other projects, and then these new projects will tend to have pre-



operating expenses as well, and so this will be probably becoming a recurring effect because of our pipeline of projects, OK?

Mr. de Angele: OK, perfect, and my second question on the cost side was in my opinion one of the best aspects of the results, and I just wanted to ask you what are the main initiatives that you have in place to deliver such good performance on the cost side and also if there is anything there that is not sustainable in the medium to long-term. Thank you.

Mr. Cavalcanti: Actually our procurement side area they intend to close contracts on a long-term basis. So a lot of the costs that we are incurring is due to contracts closed some time ago. So this pro-activeness of our procurement side is one of the reasons that we can keep our costs under control. And also in terms of FX rate, you know that we have a great currency mismatch and we try to do some hedges in the future market as you can see on the financial results, and put part of our cash position in *Reais*, meaning our assets being part of our hedge for our costs.

Operator: Excuse me. Our next question comes from Mr. Rodrigo Barros from Deutsche Bank.

Mr. Rodrigo Barros: Thank you very much for the call. I have two questions. The first one is on the resource nationalism, which of course is a major trend for the sector, and not only in terms of exploring mines abroad but also in terms of companies - there are some news in recent days about the shipping industry in China asking for some protection regarding Vale's conflict.

So my question for Murilo, it is very competitive and with the governments trying to protect the national champions what will be the strategy for Vale's internationalization strategy? Should Vale get closer to the government or should then yield more locally? How to be able to expand internationally in this environment of protectionism?

And my second question if possible for Martins, it is regarding the iron ore market in China. We heard some... some of our contacts are saying that the Chinese, because of lower profitability, they are aiming at using lower grades because it is cheaper, and also that they were questioning the lump and the pellet premium, so if you can comment on these two. Thank you very much.

Mr. Ferreira: Regarding the relationship with the government, what I can tell you is that we must have a good relationship everywhere. I think that it is very important. You know that we are building a big plant in Canada, because the people from Newfoundland, Labrador requested strongly, regardless of having some surplus in terms of capacity in Manitoba and Ontario.

We must understand that we must have a good dialogue with everybody: with the governments, with the communities, and everywhere. It is for the mining industry, in case of nothing this procedure we will be in risk for our future.



Mr. Martins: As far as the issue of China is concerned, I would like to say that it is true. The Chinese steel industry they move very fast from one practice to the other. They look the market signals and so they see the price of lower-quality ore going down, so they move rapidly to this kind of ore.

But as they do that things change again and so I think it is a market movement that always happens in the Chinese steel industry. As a matter of fact, if you look at the price of iron units in 1Q, it was US\$ 5.71, and it dropped to US\$ 5.23 in 2Q. So I think that movement was there for a period of time. Nowadays, the price of iron units is around US\$ 5, so some additional adjustment in iron units. That means that really the customers are looking for cheaper ore.

In this point we are very comfortable because if you have high-quality iron ore it is easier to downgrade if you need. So we are in a very good position because if the market moves to lower-grade ore, we can move to lower-grade ore if it was needed. But for the time being we are shipping everything we need and everything we produce and we are not facing any problems in shipping our high-quality iron ore or lower-quality iron ore. The market is very favorable.

Operator: Excuse me. Our next question comes from Mr. Carlos de Alba from Morgan Stanley.

Mr. Carlos de Alba: Thank you very much, good morning gentlemen. Two questions, first one is if we could go back into the iron ore price as Martins was mentioning. If we look at the Platt index it should be flat 3Q price versus 2Q price, and given that you had not those three issues with moisture iron ore content and the carryover in 2Q, would Vale have slightly higher prices in 3Q versus 2Q, because you will not have these issues, and because of the index prices were flat? That is the first one.

And the second question maybe for Murilo is I would like to explore a little bit the idea of why Vale must regain share in iron ore sales in Brazil by investing in steel. If the iron ore market this truly tight for the next 3 to 5 years, and with the freight rates having come down as much as they have and with Vale increasing their fleet of vessels, I do not think Vale is any meaningfully less competitive in Asia than Australia.

So why... if you could explain to me why investing in steel is so important. Do you make more money selling iron ore in Brazil than you do when you sell to Asia, so that it really affects, improves your returns? I would really appreciate that. Thank you.

Mr. Martins: So as far as price is concerned, we are working with the possibility of the price to be the same in 3Q. The new formula price has several components on it: one is the IODEX price, the iron ore price in the spot market in China, 62% content; the second component is the price of VIU or the iron unit content that has gone down slightly from US\$ 5.20 to US\$ 5, and other component is the freight that we deduct from IODEX plus VIU.



So today, looking the situation how... we have already two months in this quarter, the indication is for the price to stay in the range of the 5% band, so there will not be probably change in the price - not up or down.

For the point raised about why to make steel in Brazil in order to keep iron ore, we need to look at the very long-term. We are not talking about the next two or three years, but to build a steel mill it takes five years to build, and also there is, as everybody knows... in the States people want to have more than only a mining company there, and to some extent if you are not able to do something somebody can do and the same movement that can be done for miners can be done by steelmakers.

There are steelmakers coming to Brazil to Pará State or Minas Gerais State and say look, if you give me a mine I give you a steel mill. So the steelmakers are also investing heavily in mining. So we need to look at all of those factors to take our decision. So I think it is a very strategic issue. We cannot look only on an opportunistic basis.

Nowadays, we do not need it; we can stay here and everybody will come to buy our iron ore, that is the situation today. But you never know long-term what will happen. Vale always has some kind of participation in the steel industry. We are involved in CST, we are involved in Usiminas. We had a lot of initiatives in steel making in the past, so it is part of our long-term strategy to have some kind of involvement.

Sometimes we need to be stronger on this, sometimes we do not need to be so strong; but we need to look all the situations and all the facts and we hope that we are taking the best decision for our shareholders looking long-term. So this is a very long-term business. Mining is not a business that you go into and get out the way you want. So, you have to have a portfolio of businesses that can give you sustainability in the long-term.

I do not know if Murilo is willing to add something on it, but that is the way I see it.

Mr. Ferreira: Martins, for sure you are right. I think that we can add just two elements. The first one is that we can start as the largest shareholders as we will do in Ceará for instance, but there is a provision to reduce from 50% to 20%. Then if... we wanted to have a stake in order to preserve the captive market for our iron ore. Then in the long run we will stay as minority in this steel plant.

The second point just to say that the authorities, the communities, they are not happy with the big picture that you are seeing in Brazil. Now you do not have... the steel producers in Brazil they are not doing any investment in steel, they are trying to be a mining company and I think that we have... we will see some growth in Brazil and the perspective of Brazil is gorgeous and I think that just as business we think that as Martins said in the past we did a good money with our stake in CST for instance, or Usiminas. It was a good deal in having investment and later on to sell - but again, we wanted to have a minority stake and we believe that with the lack of investment in steel



we can see good opportunities in the future. But we are a mining company; again we are focused in iron ore, nickel, copper, coal and fertilizers. But we need to understand we will not be able to increase from 100 million tons in Carajás to 230 in case of not understanding what the community is demanding.

Operator: Excuse me. Our next question comes from Mr. Leonardo Correa from Barclays Bank.

Mr. Leonardo Correa: Good afternoon, thank you very much for the call. My first question is for you Martins as well, regarding the iron ore supply - demand balance in China and also the possibility of imports in the second semester rising.

If we look at the levels of crude steel production in China they have been very strong and if we look at the level of imports in the first semester they have been... a bit more subdued. So my question is we have been hearing many observers talk about a very aggressive de-stocking cycle happening at the Chinese steel mills. I just wanted to see if you have also observed the same thing, if you think there will be a very significant re-stocking affecting the second semester for iron ore that would be important for us. And also if you see iron ore imports rising in the second semester. That is the first part of the question.

The second one is regarding China's now drive to create their own domestic iron ore pricing index, if you see the system changing or this initiative from China change in any type the way the current pricing system is working. That is my first question.

The second one is regarding the mining regulatory framework in Brazil. Maybe rephrasing everything that we have heard so far from the call and questions, how has Vale's role been in in the negotiations? I mean, has Vale been involved in any type of consultation regarding the taxation? Is Vale in discussions currently with the government regarding better outcomes? Do you prefer a royalty or would you prefer a special participation tax? This is my second question regarding the mining regulatory framework in Brazil. Thank you.

Mr. Martins: Martins speaking. I will address the first question and I will let probably to Murilo to answer the second one. So as far as the first question I do not see big changes in China's market going forward. The building of a new price system... because when you look the spot price you do not see big changes, so this is a good meaning about the balance between supply and demand because the price is stable, so we do not see the same volatility we are used to see formerly. So that means that either supply or demand is not changing too much.

I see a stable situation in 3Q and there is a possibility for some increase in the last quarter. This is normally what happens in the Chinese market because people try to get a little bit more ore to face the winter, the winter season, mainly because of the domestic production is lower in the winter season in China. But we do not see big



changes in the market in the second half. I believe that we are going to be almost in the same level as it was in the first half.

The second point I wonder, Murilo, do you want to talk about it?

Mr. Ferreira: Yes for sure. We believe that we could see a proposal going to the Congress, the Brazilian Congress at the last quarter of the year. We did not receive a first draft of the proposal yet and it is very important to have a clear legislation in order to avoid misunderstandings.

One thing I can tell you: I have the opportunity to share some views with our president, Dilma Roussef, and she understands that we must have the same competitiveness, to have the competitiveness in Brazil regarding other countries.

Operator: Excuse me. Our next question comes from Mr. Tony Rizzuto from Dahlman Rose.

Mr. Tony Rizzuto: Thank you very much, hi folks. My question pertains to your iron ore price realization. I want to make sure I understand clearly. I thought you may have mentioned, you are saying 3Q price realization will be plus or minus 5% versus 2Q and I want to make sure I heard you clearly.

Mr. Martins: Ok. We have the band. If the price, the average price stays between more or less 5% the price stays as it is, that is what I said. Looking the system most probably is that the price stays the same as it was in 2Q, so there is high probability not to have any change in the price according to the average up to now.

Mr. Rizzuto: Ok and I have another question if I may: you had nearly a 5% increase in the employee headcount since the previous quarter and I was wondering if you could provide some color as to where major increases took place.

Mr. Cavalcanti: Actually basically on our new mines and our projects, new projects.

Mr. Rizzuto: Ok. On the nickel side primarily?

Mr. Cavalcanti: Oman, Moatize, Salobo in Carajás, Onça Puma; so in all our projects.

Mr. Rizzuto: All right, so a combination. Thank you very much.

Operator: Excuse me. Our next question comes from Mr. Renee Kleyweg from UBS.

Mr. Renee Kleyweg: Good morning gentlemen or afternoon. Just returning to a couple of points, one could you just quantify the change in the moisture content and the volumes that were carried over and just a rough indication on the change in average grade?



And then secondly in terms of the raw material purchases from third parties we actually saw a 10% increase in the volumes purchased on fines and a 50% increase in the purchase of pellets; but the total cost of third-party purchases is coming down. Could you just explain the pricing dynamics for these local purchases and why they are so different from the international pricing environment? Thank you.

Mr. Martins: As far as moisture and iron units content, as I told you before there was a slight reduction in the iron unit content (near 0.2% lower) and in the moisture in average it was 1.5% higher. So that is a drag because we only invoice the dry ore and not wet ore and so... and the information we deliver, the numbers of production and sales is based on the wet basis, ok? Not the dry basis.

But the big part of the drag in price was caused by the carryover because in 1Q last year... this year we lost near 8 million tons production and all of those ships that would be carrying this volume had already arrived in Brazil and so they were loaded only during April and then we have to invoice for the former price.

So the carryover was the main drag on our price. The moisture and the iron units had a much minor impact on price realization.

Operator: Excuse me. Our next question comes from Mr. Renato Antunes from Flow.

Mr. Renato Antunes: Hello good afternoon everyone, thanks for taking my question. I just wanted to get back on the tax issue on the payment that you made of US\$ 3.8 billion. I just wanted to know: does this mean that your realized tax rate going forward will increase? And if so could you please quantify that? Where should we expect your tax rates to be over the next quarters? Should we assume that the current level is the sustainable level for the future? That is the first question.

And my second question is related to Indian iron ore supply. We continue to hear of supply constraints out of India. I just wanted to hear your views on the potential impacts derived from Indian supply in the short term, I mean over the second half. Karnataka remains relatively limited and I just wanted to hear your views on that matter. Thank you.

Mr. Cavalcanti: Ok. The payment that we made will not change our tax rate, it is just the payment of social contribution, so going forward this is the 9% that is regularly paid and we should look not on... the effective tax rate not on a quarterly basis, you should look at this semester and so you will see more stable and effective tax rate if you look at the semester income tax.

Mr. Martins: And as far as Indian ore is concerned it is clear that India is reducing their exports of iron ore because their steel production is growing and they are using more and more locally. So I believe that the impact of India in the iron ore market will reduce as time goes by and probably this year against last year they are going to be down



something around 20%, 25%. And now it is time of monsoon in India and so now it is time that production always reduces.

But on top of it you have a lot of restrictions that are being adopted by the Indian government in order to keep the ore internally. So I think... and that is very important because India makes a lot of this low-grade iron ore that are mainly used in China. So what is going on is that the lower the Indian ore goes to China the more is the local production. So Indian ore mainly competes with the local ore and I think for the time being we have a balance: what is being reduced by the Indian ore to China is being increased by local production and some newcomers that are coming to the market.

So at the end when you sum up everything the impact is almost neutral and so I think this situation will continue into next year with more newcomers, probably a little bit more of local ore, but lower Indian ore also going to China.

Mr. Antunes: Thank you.

Operator: Excuse me. Our next question comes from Mr. Gary Lampard from Canaccord Genuity.

Mr. Gary Lampard: Good morning, thank you for taking my call. I want to get back to the realized prices for iron ore again and just collecting the answers from a few of the other questions that have been asked. If your moisture content does recover the 1.5% in the current quarter, then there is maybe US\$ 2/ton there and if your average iron ore grade goes up, say, 0.2%, another dollar per ton and so that is up 3. Because of that carryover tonnage issue will not be there for the current 3Q there is maybe another US\$ 4/ton compared to average realized prices in 2Q. So should we reasonably be looking for an improvement of something like about US\$ 7/ton for the realized price in 3Q versus 2Q?

Mr. Martins: That is a reasonable calculation I would say so.

Mr. Lampard: Ok thank you and just a final question: can you tell us in 2Q what percentage of your sales will lump ore compare to fine?

Mr. Martins: We are not a big producer of lump. Our volume of lump is between 5% and 10%, so it is not a big volume. We produce more pellets and I think that is a question that was asked before and I forgot to address. The lump market is a little bit more... there is a good supply of lump ore and competitors are really reducing their premiums on lump ore and this really does not affect us because we are not a big producer of lump.

But on the other hand it creates market that can compete with us on the high end, which is pellets, for some of our pellet customers can use a little bit more of lump and that could put pressure on the pellet premium and sure that today there is some pressure on



the pellet premium because of this high... better availability of lump ore. But we are not a big lump ore producer.

Operator: Excuse me. Our last question comes from Mr. Marcos Assumpção from Itaú BBA.

Mr. Marcos Assumpção: Hi good morning gentlemen. First question is regarding to iron ore volumes, if you could comment a little bit on the performance in July given the end of the production constraints and also if you maintain the 2011 target volumes of nearly 310 million tons.

And my second question is to Murilo, if you can comment a little bit of copper, your views on copper prices given the potential supply constraints that we are seeing in the market right now and also if you are going to continue to pursue a mix of organic and M&A growth to increase the exposure to this metal and if you can comment where would be the best location, where do you see the biggest opportunities to develop new greenfield projects on the metal. Thank you.

Mr. Cavalcanti: Ok Marcos. On your first question really July is being a very good month. We have the end of the rainy season, it is over and probably we will have one of the best months of our history and so with that we will continue to maintain our forecast for the year of 310.

Mr. Ferreira: Marcos thank you for your question. You are right, we are very positive about the copper price, but unfortunately my crystal ball is broken. But I think that next year the price can be above US\$ 10,000.

Regarding organic and M&A I think M&A is an opportunistic issue, but we are always looking for some opportunity. But anyway we have a good portfolio, good projects to be implemented in the next coming years.

Regarding the location I think that Latin America, Africa, Indonesia, I think that we can see good opportunities in terms of copper coming from there.

Operator: Thank you. Ladies and gentlemen, this concludes our question and answer session. Mr. Murilo, at this time you may proceed with his closing statements sir.

Mr. Ferreira: Thank you very much for your time. I think that my last message is regarding the project. You are performing risk analysis of our major projects to double-check the status and the budget of each project and as soon as possible we will go to the market in order to present the result of this analysis.

And again it is very important for us to maintain the discipline in capital allocation and we are extremely happy to pay more dividends to our shareholders. Thank you very much.



Operator: Thank you. That does conclude our Vale's 2nd Quarter 2011 Results conference call. Thank you very much for your participation and have a good day.
