International Conference Call
Vale
3rd Quarter 2011 Results
October 27, 2011

Operator: Good morning ladies and gentlemen, thank you for standing by, and welcome to Vale's conference call to discuss 3rd 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. The file will also be available at the Company's website at www.vale.com, at the Investors section. The audio replay of this conference call will be available as of October 27, at (55 11) 4688-6312, access code: 1046681.

This conference call is being transmitted via internet as well. You can access the webcast by logging on to the Company's website, 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, Chief Executive Officer; Mr. Guilherme Cavalcanti, Chief Financial Officer; Mr. Eduardo Bartolomeu, Executive Officer of Integrated Local Operations, Mr. Eduardo Jorge Ledsham, Executive Officer of Exploration, Energy and Projects, Mr. José Carlos Martins, Executive Officer of Marketing, Sales and Strategy; Mrs. Vania Somavilla, Executive Officer of Human Resources and Corporate Services.

It is now my pleasure to turn the call over to Mr. Murilo. Sir, you may now begin.

Mr. Murilo Ferreira: Hello, good morning, thank you very much for having the opportunity to share some views with you. I will do some comments, and then, later on, going to the Questions and Answers. We are extremely excited to see Vale's iron ore production reaching a new level, a record of 87 million tons. We know that is well above sales. As you know, we have decided, the team of Vale, the Executive Directors, we have decided, as a team, to increase the inventories in the system, in Brazil and outside. Some think that it is critical for us to deliver to our customers based in the best performance and we strongly believe that it was mandatory for us in order to have the same reputation that we used to have in terms of the our quality.

Sometimes, as we were so involved in delivering material to the market, that the quality it was not too good. Then, I think that was a chance managed by us in order to increase our inventories. Regarding the copper, I think that we are very happy as well, with the volume that we reached - a record, and we believe that we must go ahead with some improvements, not having the problems that we saw mainly in Canada, in the second quarter of the year.

Just to some further items, we have started our ramp up in Moatize. It is a gorgeous project. I think that we can see a bright future in Moatize. We are so excited that the Board has decided to call an expansion to 22 million tons, from 11 million tons, which is excellent news to our investors. For sure, we need to improve the Corridor, the Nacala Corridor in order to provide a logistics system, not just the railroad but the port facilities as well. In a strategic point of view, Moatize is very important to our future.

And I would like to say some few words regarding the Salobo copper project that will delay until the second quarter of the year. We had some problems, it was mandatory to replace some contractors, but now we are finalizing and we are extremely happy to see the results of the project. Karebbe, in Indonesia, we have started our operations in the third quarter of 2011. I had the benefit, the merit, to go there and to share the view with the Indonesian authorities. It was a great moment for us. I think that, broadly speaking, later on, I think that Vania will have a chance to discuss about what we are doing in order to be more efficient in the implementation of new projects regarding the environment permits.

I think that we are knowing, working with a new guidance in terms of best practices, and we needed to do some movements in order to be more efficient. Now we have executives committed, completed devoted to the environment, and this process of permits that will give an update, on a weekly basis, for us. I think that, through these measures, we will be able to convey the level of efficiency that is requesting in this very important area. I must remember that we built many projects, the expansion of MRN, the Paragominas project, three expansions in Alunorte, the Sossego, the Salobo 1 and 2, and we needed to be prepared in the iron ore business, the same requirements that we got in terms of the environment permit. Thank you very much.

Operator: Now, we can begin the Question and Answer Session.

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). Please, restrict yours question to two at a time.

Our first question comes from Mr. Carlos de Alba, from Morgan Stanley.

Mr. Carlos de Alba: Hi, good morning and thank you very much. I want to understand a little bit better what are the expectations regarding the pre-start, the pre-operation and the start-up costs of Onça Puma and VNC, giving that they have been significant over the last two quarters.

My second question would be if you can comment a little bit on how much have you, or do you expect to sell, in-the-spot market, in the iron ore market, in Asia. Thank you.

Mr. Martins: Carlos, here is Martins speaking, I will address your second question. We are not used to sell normally on the spot basis, we normally sell under contract. What is going on is we are negotiating with customers to use a more liquid price for the contracts, OK? I cannot say for sure how much will be done in that way, but a good guess is to look at our volumes to China, and probably the majority of our Chinese customers will prefer a price that will be closer to the market situation. That trend is not clear in Europe. We have a different position from our customers in Europe. In Japan, it seems that they want to keep the same system, because it gives them more predictability. So, that's the situation today and we are under a lot of negotiations, so, it is not easy for us to give you a more precise information about that. So, looking at the volumes to China could be a good proxy of the situation, but I cannot say for sure.

Mr. Carlos de Alba: Now, the CNF sales are also increasing, and are now on 30% on your volume. Is this a trend that you expect to continue? Thank you very much.

Mr. Martins: Yes, definitely yes. I think our CNF will grow because, as you know, we are far away from China, so as customers are willing to have a more liquid price, so the closer you are to China, the more market price you have, so, our CNF sales tend to increase.

Mr. Cavalcanti: Hi Carlos. Regarding your first question, you know that we produced the first metal in March this year, with the commissions of Line 1, so we are in the final phase of the ramp up. So, going forward, you will probably see more normal level of costs, since the main part of the accumulated expenses are thrown on a ramp up phase, on the pre-operational phase, it is already done, OK?

Mr. Martins: Ok, thank you.

Operator: Excuse me. Our next question comes from Mr. Felipe Hirai, from Bank of America Merrill Lynch.

Mr. Felipe Hirai: Hi, good afternoon, everyone. I have two questions related to the iron ore market. Could you just tell us if you did not have the inventory buildup in the quarter, of, let's say, 7-8 million tons, if you are going to be able to sell that to the market, either if there was demand for that material, and if you could have the logistics, I mean, the ships to send that to China?

My second question is how you are seeing the credit conditions in China, if the clients are having any kind of problems with a letter of credits or anything like that.

Mr. Bartolomeu: Bartolomeu speaking. I think so, what we said earlier is that all the systems were operating very well from the mines to the shipping site. We hit records on the railway, ground transportation, because we do not only do it on railways but we also do it in trucks, so, in this quarter it was 83. We transported 83 million tons. We have to remember that it is a mark number, about 87 million tons, not to forget that. We replenish our inventories on the mine, on the ports and on the sea, to attend the ramp up of our mark. So I think, yes, we could sell it, but, as we have already mentioned, we just filled the channels of distribution in our system, so, the answer is yes.

Mr. Cavalcanti: So, as far as credit is concerned, for sure there is a credit, kind of credit crash in China, now, because customers are having problems to get financing based on inventories. They only get credit based on invoices. So, this is creating a lot of pressure on this side. But, for the time being, for our big customers on the contract, we do not have any kind of problem as far as credit is concerned. But we see that the one of the reasons the spot price is going down is because of that, because traders are also suffering the situation, so they cannot raise the money based on the inventories they keep, so instead of buying and keeping in the stock to get better prices, they are, on the other way, selling it in order to get money and pay back their former credit lines. So that is the situation that is developing in China. I think it is a big part of the decrease in ore prices is caused by this, but we also have now some signals that some loosening in the monetary policy is coming, because many sectors are suffering, and the Chinese authorities already made some speech talking about some specific loosening of their monetary policy.

Operator: Excuse me. Our next question comes from Mr. Alex Hackin, from Citibank.

Mr. Alex Hackin: Good morning, thanks for taking my question, and congratulations on the record iron production. I have a few questions. First, the 40 million tons expansion at Carajas. Is Vale still expecting to deliver this project next year? And if not, when should we expect to see this project?

And the second question would be regarding iron ore prices. Do you think it is sustainable in the long term to have two different pricing systems, one for Europe and Japan and then a different one for China, or does this create frictions? Thanks.

Mr. Eduardo: Good morning Alex. Eduardo speaking. Regarding your first question, right, the project Plus 40 is on time and on budget, so the expectation to start the production is the third quarter of next year.

Mr. Martins: Here is Martins speaking. As far as the second question, I would say that I think the last word on this will be given by our customers, that they need to, all if they want some predictability or some stability in price. We are prepared to work on a quarterly basis, like we did, but the answer will be given by them. We are going to accept what the market and our customers decide. I think this question could be better put if this question is put to our customers.

Operator: Excuse me. Our next question comes from Mr. Rodolfo Angeli, from JP Morgan.

Mr. Angeli: (poor audio quality) Hi, I have two questions. First, on this migration towards a more (inaudible) export without (inaudible). Is there (inaudible) for clients were deciding on moving to that (inaudible), (inaudible) have the benefit of the ore pricing on the spot, (22:08) (inaudible) the quarter right now. So, how is that happening, is there any, is Vale doing any agreements on the volume side to compensate for the 20 or 30 thousand (inaudible) in the beginning? So, is there any condition how does that has been discussed with the client? And my second question is: despite you discussed and mentioned the difficulty of some traders buying iron ore, we still see the prices being quite strong in China. Is that a consequence of a (poor audio) volumes being diverted from Europe (inaudible). Can you comment on that? That's all, thanks.

Mr. Martins: Ok. As far as your last question, some volumes are being diverted to China for sure, but not big volumes. We are talking about 2 or 3 additional ships per month. I think what is going on in the market is something very particular to the market, probably more ore is going to China. I think in the last fifteen days we saw 15% increase in volumes to China against last fortnight, so this is not only, we have many other suppliers, sending more volumes to China these days. So this is the second part of the issue. One was, as I told you before, the credit situation in China, and the second is much more ore is going to China - not only these 2-3 additional vessels from Brazil, but also from other destinations. As far as the price system, what we are proposing to our customers is, if they want to go for a more, I would say, a liquid price, according to the market situation today, they need at least to keep their volumes, OK? So, this is not a discount, we have some conditions for it. And also they have the opportunity to reduce their volumes if they want, but then they have to buy on-the-spot basis and they can lose their contracts, OK? If the customers want to work completely on a spot basis, they can take this decision, but no contract obligations anymore from both parts. So, is not a free ride, OK? It is something that both parts have to think and to look what is better long term. We are trying to avoid opportunistic situations. When we implemented the quarterly price, we lagged behind the spot for two quarters, and now spot is going below the quarterly price and if the customer wants to move, there is a price for it. So, we are not giving up this situation for nothing.

Operator: Excuse me. Our next question comes from Mr. René Kleiweg from UBS.

Mr. Kleiweg: (poor audio) Good morning, gentlemen. I have a few questions on (inaudible) numbers. Would you be to provide a little bit more color on the cost pressures and how much of the cost increase for the quarter comes from the seasonal effect, so what the high production rates, whether there is any impact on higher freight rates on your cost structure. I know most of your freights is tied up on long term contracts but whether there is any impact from that and how much of the increase do you think is structural changes you have now just not from the cost pressure in the industry as a whole. And the second question if you could just provide a little bit more color regarding Onça Puma in terms of the production schedule for the next couple of years at Onça Puma in terms of project and volumes. Thank you.

Mr. Cavalcanti: Hi René, here is Guilherme. As I mentioned before, our cost of goods sold increased 9% and 2/3 of this increase was regarding volume as you mentioned. The difference that was not regarding to volume, was mainly in gas and energy with this adjusted by inflation and materials. Therefore, we do not expect that this is seasonally. This is in fact, a structural change in terms of costs going forward. It is worth mentioning that the high demand and high investments in the mining sector is causing this material price increase, OK?

Mr. ?: I would like to comment that cost pressures are simply the flipside of a strong demand for minerals and metals. In response to this strong demand, mining companies are operating at full capacity. This is, as Guilherme mentioned, an all time high investment year in mining, so there is a strong pressure, on all resources, labor, raw materials, equipment, spare parts, engineering services. In face of this, one should expect higher costs. The key issue is that marginal revenues are above marginal costs. and so far we managed to have marginal revenues much higher than marginal costs. As you can see, our margins have been kept at very high level, our cash flow has been increasing - this is the key issue.

Mr. Martins: So, as far as freight is concerned, our revenue is FOB, so (inaudible), we deduct freight costs from revenues. We do not have any influence of freight on our cost of goods sold, so freight is deducted from revenues.

Mr. Ledsham: Hi, Eduardo Ledsham speaking. Regarding your question about Onça Puma, so the startup was in March this year, and the full capacity of the first line will be achieved at the end of 2012. The second line, the start-up will be in the middle of next year and the full capacity will be achieved at the end of 2013. The full capacity of both lines is 56,000 tons per year.

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

Mr. Rizutto: Thank you very much. Hi, folks. Two questions: one, on Serra Sul, could you please give us an update on the timing of the project in light of recent reports about the deposits sitting near or on top of an archeological site? And second: if you could comment as to domestic iron ore production in China, giving the sharp falling pricing, are you seeing signs that there will be a production curtailments of iron ore in China? Thank you.

Mrs. Vania Somavilla: This is Vania speaking. About the Serra Sul project, we are very confident that we are going to have the necessary permit by the beginning of the next year. We are just finalizing the last environmental studies that was, some new requirements from the environmental agents, and we are going to send to them by the end of this month, and we are confident that everything is OK now, and we expect to have the license by the beginning of new year. We do not expect to have any problems. We are reviewing some of the studies regarding these cases that were considered in the nearby of the project and we do not think that this is going to be a real problem for us.

Mr. ?: Regarding the cash cost in China, what we have learn that at least a 120 million tons are working with some loss. We are not able to convey so many details but what we have learned that the level of yesterday, 128 dollars, they have this number that is probably will be out of the market in the next coming weeks.

Operator: Excuse me. Our next question comes from Mr. John Brandt from HSBC.

Mr. Brandt: Hi, good morning, good afternoon, thank you so much for taking my call. I just wanted to try to understand a little bit about the shift in sales volumes to China. It seems like what you are saying is that on the margin you are sending more to China, but you are not expecting to have the same proportion as you did in 2009, during the last quarter. If you could just confirm that. And also I am curious about the demand coming from Europe and Brazil, if you are seeing a cancel of orders or delayed contracts or anything like that. I would much appreciate it. Thank you.

Mr. ?: To mention, there is not too many volumes going from Europe or from Brazil to China. In our case is, only 2 or 3 ships only. The big, the increasing volumes we are sending to China it due to better production performance that we are having now. So, Europe's market has really a lot of concerns, more than production cut in this point in time, so we see a lot of concerns with our customers. Everybody is talking about cutting, reducing production, but for the time being, we do not have too many. In Brazilian market there is a kind of substitution, because some of our customers are producing their own ore, so they are developing their own mines, so they are preferring to use their own mines, and the Brazilian market is not doing so strong now. So, this combination, as I told you, is putting us in a situation that we have to send two or three additional vessels per month to China, and the remaining is based on the increasing production that we are having. So, that is the situation nowadays. I do not believe that the European market has space to go down so much as it did in the last crisis. Only to give you a figure, we are used to send to Europe, before the 2008 crisis around 7 million tons per month, and during 2008 crisis we went down to half million tons in a month, so, the market almost disappeared. So, the quantity that we had to send to China at that time was much, much bigger than today. So, and I do not believe that Europe has, I do not believe that the steel production in Europe has too much space to go down. Even in the best month after crisis, Europe is working around 15% below former crisis. So you do not have too many inventories in the system, so I think today the situation is completely different, so I do not believe we need to divert too much volume from Europe or from Brazil to China. That is the situation as we see today.

Operator: Excuse me. Our next question comes from Senil Daptardar from Sentinel Investment.

Mr. Daptardar: You spoke about that you had a record sale of iron ore volume of 87 million tons this quarter of iron ore. Does that say that you are trying to flood the Chinese market, or creating inventories out there, that may also push the prices down? Or you think that the demand from China is significantly strong and steel operation is going to be robust? The general consensus is that in China steel production in China will grow modestly in 2012. Can you just give some kind of color on this?

Mr. Martins: yes, I think we just have to put it in a different perspective. Chinese market for iron ore is one billion tons per year, and our delivers to China normally is around a 120-130 million tons, so we are talking about 12-13% market share only. So, I do not believe 1 or 2% more would create such a mess in the market. So, if you are looking for the reason that the spot market in China is going down, I think you have to look for other reasons: mainly the credit situation and also some production increase in Australia. Australia is much closer to China than Brazil. It takes 45 days for a ship from Brazil to reach China. So, some of the additional ships that we send to China did not arrive there yet. From Australia is 10 days, so when you have a production increase in Australia, immediately you feel it in China. I think you have to look at other reasons for this spot price. I do not believe with 12-13% ore we send to China. I think that the best quality of ore, which is the correcting ore we normally say, we are not really working in this mass market, which is local ore and Australian ore. We are working in a different turf, we do not believe we are causing… Vale ore is a reason for this situation.

Operator: Excuse me. Our next question comes from Mr. Andy Mohin from Citigroup.

Mr. Mohin: Thank you gentlemen. Good morning. Just a couple of questions, please. Can you just tell us where you are on your copper strategy. Are you still on the (inaudible) million copper (inaudible) over the 4-5 years? You think, organically, you have enough to get there? Secondly, on your steel project, can you give us an update, please, tell were these projects are? And can you just look at the experiences they have, do you see these projects are earning their costs of capital back? Or is, I guess, this question is obviously (inaudible) business logic behind the steel projects? Thank you.

Mr. Murilo Ferreira: Hi Andy, Murilo speaking. Regarding copper, our idea is to announce our strategic plan in our budget on November 28. Then I think you are just finalizing everything to announce to the investors. Regarding the steel, we are in a very advanced stage with our project in Ceara. It is going very well. I think that with a huge motivation of Posco and Dongkuk, I think that we are trying to push them in order to be here in Brazil. It is critical for us to sell much more iron ore in Brazil. We had in the past 70% of the market, today is 50%, going to 29% in 2014. And what we need is to sell much more iron ore in Brazil as it used to be. The most important is that the beginning you will have 50% of the project, but later on it will be reduced to 20%. For sure, Posco and Dongkuk, they have a leading position and they are very interested in supplying to the Brazilian market and abroad. Thank you very much for your question.

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

Mr. Correa: Hi, good afternoon. Thank you. My first question is regarding the Simandou project. I understand the discussions with the Guinean government are now underway. Could you just provide us with an update on how this is progressing. I mean, we saw the deal with (inaudible) infrastructure with the government and the government took a free carry. For just to try to understand what Vale's strategy will be there and if you are at the stage of contemplating buying out the minority at this project, the 49% minority stake that this project holds. That is my first question.

The second question for you, Martins, just given the (inaudible) and the spot price that you mention this prices tend to under and overshoot, we saw three big corrections since 2008. In this type of market, wouldn't it make more sense to Vale start getting into delivery contract instead a lock-in future iron prices, I mean, would Vale be willing to change the strategy in the delivery market if you contemplate that this would be desirable. These are my questions.

Mr. Murilo Ferreira: Murilo speaking. Good morning. I think that right after the approval of the new mining law in September 9, 2011 in Guinea, we have decided internally to work in order to understand, to have a full assessment of the costs and risks involved in the project. I think that it is very early because, as I said, it was on September 9th, and we will have a conclusion of the economics of the project under the new conditions, in order to disclose to the market. By the way, you are not sure that the law will stay as it is, because they have 60 days to be in force. Eventually, considering some comments by the market, they can change again. But, regardless of this, what we intended to do is to go to the public, to go to the investors as soon as possible, but first of all we need to do our homework regarding the new mining law.

Mr. Martins: Martins speaking. As far as the second question, we believe that the market is becoming more liquid, no doubt about it. So we moved from one-year price system to a 3-month price system, and many customers are looking for something even in a more, I would say, at sight basis. But it is difficult for steel makers to abandon long term contracts. Because if you have to, a black furnaces, something that you can not stop easily, so you can not rely in spot price, in spot supply, for it, so, people need long term contract. How to accommodate long term contract with spot price or more liquid price is the big question, OK? European and Japanese producers and even some big Chinese producers, they do not like to see this market too liquid. So they prefer to have a market that you do not have such financial liquidity, that non-suppliers and non-consumers could participate on it. They prefer to have a market where suppliers and consumers work together. So, as time is going by, we see that the importance of those markets is decreasing, because the Chinese market is growing, you have other markets growing, so I think the trend for a more liquid price is unavoidable. How long will left to get there, is the question. Even if you look on the supply side, you have some suppliers that are looking for something more liquid and you look some suppliers that are not so eager to move in this direction. But we need to look reality and you will see all the commodities, all the materials that are traded in the world and you see that as time goes by it becomes more and more liquid. The time frame for that is difficult to say - it will depend on customers' behavior. I think the answer to this question is more on the customer side than on the supply side. We are prepared to work in both environments, OK? We know how to work, in one way or another, and we are prepared to work in both environments. But it takes two to tango, OK? It is not something we are going to do alone. I think we need the customers to participate with us. I think the process is moving. I think that every situation like that there is a lot of discussions, a lot of, I would say, things to learn in this process. It is a learning process and I think the market is moving, all the participants are moving, and but, long term, I believe, more liquidity will come to the iron ore pricing system.

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

Mr. Antunes: Good afternoon, everyone. Thanks for taking my question. The first question is to Martins. You talked a lot about traders destocking due to tighter credit conditions, and I just wanted to hear your views on how is your assessment on inventory levels at the steel mills. I mean, have you seen Chinese steel mills destocking over the past weeks and do you have an expectations for a potential restocking ahead of the winter and rainy season and consequently lower supply? So, that is the first question. And the second question is related to the base metals performance during the quarter. We have seen a very significant volume increase and I just wanted to get a better sense on how should we expect both nickel and copper volumes to behave over the following periods. Thank you.

Mr. Martins: Martins speaking. As far as iron ore, the information we have, there is not too many inventories in the mills. I think the big part of the inventories are now in the port site and big part of it belongs to traders. Not only because of the credit situation, but also because of traders are looking prices going down, so they try to get rid of their inventories also. Both situations: credit and decreasing prices is creating an overshooting situation, because everybody that has inventory is willing to get rid of it. So, that is the situation. As far as supply, now we are entering the winter in China, and local mining production will be down because of the winter and also will be down because of the prices. Also, we are entering in the raining season, so, by the end of this year, beginning of the next, we enter in the raining season in Brazil, typhoon season in Australia, so, normally, from 3rd quarter on, production starts to decrease in Brazil, in Australia and also in China. So that will bring some, I would say, reduction, in supply in this period. And, we hope that we will be together with some loosening of the monetary policy in China. So, I see good prospects going forward. I think we are facing a reshape situation, a very deep decrease in price, but we also see the price coming back very fast. I wonder if you go back to the same level as it was, but I clearly see the price has to go up. Otherwise too many supply will be taken out of the market.

Mr. ?: Regarding the base metals question, I would like you to turn on to page 29 on our presentation. It is worth mentioning that different from 2008, when the nickel prices went down together with the higher inventories, this time we saw a decrease in nickel prices, but the inventories are very low. So, the lower inventories keep us optimist about going forward the nickel prices also because we see that the substitution from pig iron to the nickel material in China.

Operator: Excuse me. Our next question comes from Mr. Marcos Assunção from Itaú BBA.

Mr. Marcos Assunção: Hi, good morning, good afternoon, everybody. My first question is regarding your views, if you could share with us your views on China, Chinese and Indian steel production in 2012; and a second question, on iron ore prices, in a stress scenario, what could go wrong for us to see iron ore prices actually declining, and not bottoming as Martins is saying, as you have been saying for a couple of times in this call. What could be the risks for prices to go down, to, let's say, to a 100 dollars per ton. Thank you.

Mr. ?: Let's look at my crystal ball here…but we do not see big changes in the process of urbanization in China and India. So, steel production will continue to grow. In India, for sure, in China it will depend on the loosening of the monetary policy, but I do not see Chinese steel production growing less than 5% next year against this year. So, when you compare the situation in the Western world, you have structural problems, OK? Population is not growing, urbanization is completed. When you look Asia, you see the opposite. They have a lot of urbanization to happen, and they need a lot of infrastructure to build. So it is a completely different situation, and we do not see this changing. If you go to China, if you go to India, if you go to Indonesia, you go to those Asian countries, you see every day people moving from the countryside to the city, people moving from agricultural areas to industrial areas. You see people that were living in subsistence economy moving to a market economy. So, you do not see changes. It is a structural movement. So, and there is a lot of space for growth. We are pretty confident that this process will continue and it will keep steel production going up, and also it will keep iron ore needs increasing. So, that is our view.

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

Mr. Barros: Now, once again thank you for taking my question. Actually, two quick questions. First, we have met here 36 million tons of additional production capacity in China for next year and 36 million tons for 2013. I would like to see if those numbers are roughly in line with what Martins has. And my second, in strategy potential reshape recovery, one thing that I am thinking and I would like to know if this is correct, if it would make sense for some traders to store iron ore underwater and sell it a few months later. Do you think that could be a factor in this reshape recovery? Thank you very much.

Mr. Martins: Could you please repeat your first question?

Mr. Barros: Yes, the first one would be due to additional production supply in China. We met 36 million tons of a new black furnace capacity in 2012 and 36 million tons in 2013. So my question is if that is in line with Vale's expectations. if you could give us some color on that.

Mr. Martins: About the second question, what I see is to keep iron ore floating is a question of freight cost, OK? So, because you have every day to keep iron ore on a ship, it costs you money. So, I do not believe that will happen. I think that the inventories in the Chinese ports have to leave before the traders come back to the market, and they need to see some change in the price direction. Nowadays, they are only buying on an opportunistic way. So they are trying to get the best deals that they are sure they can not lose money tomorrow. So, the market is completely, I would say, dead in China for traders in this moment. But I really believe that this change will move forward until the end of the year. We are going to have some movements, because, as I told you before, many ore will taken out of the market. It is not immediate, because you have a lot of ore arriving from different places and also you have some inventories in the local miners, so those inventories have to be depleted. So, it will take maybe one or two months to get this done, and then the prices will start to increase again. As far as steel production in China, they are always investing and they are always talking about reducing small black furnaces. They continue to have a lot of small black furnaces to eliminate. So, big part of the additional capacity is in order to eliminate these small black furnaces. In the long term, we see steel production in China growing in the range of 5 and 7%, so we do not see their growth below that level.

Mr. ?: Good morning. Regarding your second question, in general terms, we think that one of the rules of the financial market is to overshoot or to undershoot prices. It is typically the case for mining equities and commodity prices. We have seen markets pricing recession into our shares and also Guilherme mentioned the case of base metals. When we are seeing a substantial decrease in nickel prices, followed by a substantial decrease in stocks. It seems that it is out of think the reality of this market. The same happens to the iron ore market. What we are producing we are selling. So, it seems that there was also an undershooting in iron ore price, as was very well described by Martins, the fundamentals remain intact. There was no changes in the demand fundamentals, the supply side we have seen some seasonal increase in Brazilian and Australian production. Now, an increase in India at the end of the Monsoon season, but it will be followed by another seasonal effect, this time on the negative side, because there will be the typhoon season in Australia, the rainy season in Brazil, winter in China, so there will be a decrease in iron ore production and supply. So it is fair to assume that there will be a recovery in iron ore price. For how much, nobody knows, it is a one billion dollar question. It seems that it is very likely that there will be a recovery in iron ore prices from the current levels.

Operator: Excuse me. Ladies and gentlemen, this concludes today's 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. Again we are very happy for a new record in terms of production, we are very excited, and we are working very hard in terms of the our projects, in order to deliver on time, on budget. I hope to see you soon in the end of November, in New York. Thank you very much and have a nice day.