VALE

Conference Call and webcast

3Q2013 Results

November 8
Portuguese: 10:00 a.m. (RJ time)

Introduction

Operator: Good morning, ladies and gentlemen. Welcome to the Vale teleconference, in which the 3Q2013 results will be discussed.

At this moment, all the participants are connected as listeners only. Subsequently, the questions and answers session will be open and the instructions to participate in such session will be provided. Should you required the assistance of an operators during the teleconference, just press asterisk [*] zero [0].

I should remind you that this teleconference is being recorded. The recording will be available at the company website, www.vale.com, investors section. Replay of the teleconference will be available at phone (55 11) 4688-6312, access code: 3034059 #. This teleconference has been simultaneously transmitted by Internet, being accessible both at the company site: www.vale.com, investors section, and at www.prnewswire.com.br.

Before proceeding, I would like to clarify that possible statements likely to be made during this teleconference with regard to the Company prospects and businesses, as well as projections, consist of estimates based on the Administration expectations for the future of Vale. Such expectations are subject to macroeconomic conditions, market risks, and other factors.

Our participants today are:

- Mr. Murilo Ferreira – Chief Executive Officer (Diretor Presidente);
- Mr. Luciano Siani – Executive Officer of Finance and Investors Relations (Diretor Executivo de Finanças e Relações com Investidores);
- Mr. José Carlos Martins – Executive Officer of Ferrous Minerals Operations and Strategy (Diretor Executivo de Ferrosos e Estratégia);
- Ms. Vânia Somavilla – Executive Director of Human Resources, Health and Safety, Sustainability, and Energy (Diretora Executiva de Recursos Humanos, Saúde e Segurança, Sustentabilidade e Energia);
- Mr. Galib Chaim – Executive Director of Capital Project Implementation (Diretor Executivo de Implantação de Projetos de Capital);

- Mr. Peter Poppinga – Executive Director of Basic Metals and IT (Diretor Executivo de Metais Básicos e TI); and
- Mr. Roger Downey – Executive Director of Fertilizers and Coal (Diretor Executivo de Fertilizantes e Carvão)
- Mr. Clovis Torres – General Counsel

First, Mr. Murilo Ferreira will comment on Vale performance in the third quarter of 2013. Afterwards, he will be available to answer questions, should there be any.
Now I would like to invite Mr. Murilo Ferreira. Mr. Murilo, you may proceed, please.

Murilo Ferreira: Good morning everyone, last night we had the chance of disclosing our results for the third quarter of 2013 and as everyone could check end-to-end financial indicators, we had quite a good performance. As mentioned in previous quarters and we (inaudible) communication last year, that indicated that during this year there would be a different movement in terms of volume compared to previous years, aiming to enjoy seasonality due to climate conditions in production. Thus, as mentioned before, we had a recovery in our iron ore production and this brought a significant figure in terms of iron ore shipment in pellets, summing 83.6 million ton in the third quarter, which is the third highest figure in our history. We should also emphasize that the iron ore cost, considering the mine, the plants, the railroad, the port, and later the royalties, we come to US$ 22.10. We can also emphasize regarding base metals, the ramp up at Salobo I, which is going very well. We had great performance in copper and we are working above 70% of our nominal capacity and expect to come to 100% by the end of the year. We can also note our continuous effort in terms of austerity and streamlining, aiming to make the company more effective, translating into lower costs. We found that costs continue to reduce, in terms of general costs, we refer to business costs, business, administrative expenses, as well as costs with research and development. In general administrative and sales expenses, we achieved savings of almost 42% in 2013. Regarding research and development, more than 47%, and this is a significant effort by our team aiming to make things in a better way, in a more competitive way, according to our view that we must always have assets in the first quarter of the industry. We can also say that our EBITDA for the first nine months totaled US$ 16 billion, almost 9% higher, year to year, if you check. And, in great part, this is result from the great effort to reduce costs and expenses, regardless of prices where we had a US$ 828 million reduction in company's general revenue. We continue to working very, very hard in every fertilizing area, in coal we still have many challenges in Mozambique regarding the railroad, but we have seen some improvements compared to the recent past. In terms of transportation, we are confident that this will be more consistent in the fourth quarter and in 2014, while the Nacala corridor is not ready. Our divestment policy on non-core assets continue. You know the VLI divestment transaction we did before. There is still one tranche in which we are currently at the final phase to execute agreements, and we will hold a share of less than 40% in VLI. We are also working hard, this will be a quarter of great challenges, hard work towards the divestment. We will announce some works we are dealing with, when they are successful and we are highly focused on that. This will allow the company to have a well-controlled debt and also allowed for increased dividend distribution in 2013. Another point I know you are interested in refers to the discussion on controlled and associated companies abroad and taxes applicable to them. Saying that we are still waiting for a definition of the new law that may be in effect in 2014, which for us is as much as or more important than checking the past, means knowing the conditions under which this issue will prevail in the future. We believe this will be defined in the coming weeks and we will start working, if not, on the same competitiveness as North-American and European companies, but not being a distant thing as we are today. It is important to emphasize that this discussion regarding the new legislation for controlled and associated companies abroad, the only focus is to restore a competitiveness regarding our competitors. These were the main issues I would like to discuss in the beginning of our conversation, and thank you all who are listening and we can now move forward to questions and answers. Have a good day, and thank you.

Operator: Thank you, ladies and gentlemen. Now we will start the questions and answers session exclusive for analysts and investors. To ask a question, please press asterisk (*) one (1). To delete your question from the queue, press asterisk (*) two (2). The questions will be limited to two at a time

Operator: Our first question comes from Mr. Rodolfo Angeli, JP Morgan.

Rodolfo Angeli: Good morning, my questions are as follows. First, I would like to hear a bit about the ramp up of +40. This discussion on volumes has always been a critical point for Vale, right, and in fact, not only for Vale, but for every company working with iron ore. I would appreciate it if you could talk a bit about how we can see the ramp up of this Project, especially for the coming year. And the other question, also regarding iron ore, about freight. We noticed that the spot freight price went up, and Vale presented low freight prices. If you could tell us how this happened, a bit about freight strategy. That’s it. Thank you.

Murilo Ferreira: Rodolfo, thank you for your questions. I'll pass it onto Martins to answer your questions, but before that, I know you're very smart and put these to maybe make us talk about the volume in 2014. But we will leave this issue to Vale Day in New York. But, Martins, please.

Martins: Good morning, Rodolfo. Regarding the + 40 issue, as Murilo mentioned, our idea is to present the volume at the Vale Day meeting in New York. But I can assure you that the ramp up of +40 is going very well, the equipment has quickly achieved volumes expected for the capacity, and we believe that once the rail Works are done, it will be able to show all its potential of offering additional production for Vale. Regarding freight, in fact, spot freight has gone up. I mean, you first have to look at the following: there is spot freight, agreement freight, and long term freight. As Vale is almost hedged in freight issues, we have great portion of sales under CIF agreed upon with long term freight, we end up not being affected by freight variations, especially when it goes up. The greatest problem is when it goes down, and there is a large difference between the long term freight we agreed upon and the spot freight. We believe that this mechanism, from now on, possible freight increase in the spot market, ends up being favorable for Vale as we have great part of the fleet agreed upon in long term, and large sized ships, with a lower cost compared to the average cost of medium-sized ships, which we refer to as *regular cape size*. Then, the result you see reflects, say, the good results or our transportation strategy. A long term strategy. We do not intend to make Money on freight every month. I mean, what we want is to have great part of our production sold under CIF, with optimized freight. This is the main characteristic of our *shipping* strategy.

Rodolfo Angeli: Ok. Thank you.

Operator: Excuse me, our next question comes from Mr. Karel Luketic, Merill Lynch:

Karel Luketic: Good morning, everyone, thank you for the question. My first question is about the production in Carajás. If you could help us understand how the caves issue has affected or may affect the volume in Carajás in the next years, if there is any kind of impact. And the second question, if I may, regards the mineral code. We see some recent articles talking about small changes, nothing highly relevant compared to the initial proposal, and that it could be approved in the short term. I don't know if you have any update on it.

Murilo Ferreira: Well, Karel, this is Murilo. Thank you for your question. Regarding the mineral code, this issue is under discussion at the special commission assigned for that matter, and received a whole lot of changes and the reporter is engaged in analyzing those. The last information I have is that the report should be issued in 10 to 15 days, but this is dependent on the internal schedule at the House of Representatives, in this case. We do not have a view that allows ensuring what will be the content offered by the reporter, and we would be highly speculating should we say anything. We know that many times these things are adjusted at the time of voting. Thus, indeed, we do not know how this should pass, what is the position by the final reporter at the House of Representatives, noting that it will then be voted in the plenary, it will be remitted to the Senate and go through the same procedure, using a commission and then to the Senate plenary. There, we do not have any news. Martins will answer about the caves, but I would like to mention an event hierarchy we must understand. When we got here, we had to work hard regarding N5 Sul. This work was developed successfully, we got the environmental license, and then we started working on the Serra Sul, S11D, this was a more complex issue, as it also included the environmental license in logistic terms. You know that in logistic terms, also, we had the 150 million ton Project, which turned into 128 million in that logistic phase due to lack of environmental licenses in the past. But, fortunately, today, we have all licenses for Serra Sul, the S11D Project, in our hands. The project is accelerated as you could see form figures distributed last night and we are fully committed now, third issue in the agenda, which was the agenda for these three main issues, say, the cave issue, on which Martins can clarify.

Martins: Well, regarding the caves, as you know, there is specific environmental protection legislation on caves. Caves are considered to be property of the country and a detailed study must be conducted for each cave to define its relevance. This study takes, in average, one year to be done, as it has to be carried out in the four seasons of the year to determine its relevance. Upon determining its relevance, we then define what can be explored in terms of minerals in the region. We are undergoing this process, evidently, there is some limitation in production development. But we are confident that we will solve this, while we conclude the study on the caves and are able to determine areas to be mined. Until conclusion of this study and determination of cave relevance, we cannot do anything. We are almost done with this work and we expect that, when we have the Vale Day meeting, we will be able to present some more positive information on this matter.

Thiago Lofiego: Thank you very much.

Operator: Excuse me, the next question comes from Mr. Marcos Assumpção, Itaú BBA.

Marcos Assumpção: Good day to all. My first question is regarding VNC. In the first nine months of this year, you had pre-operational expenses of almost US$ 440 million and in the third quarter, this figure was a bit lower. If you could talk a bit about these strategies to make the operation profitable, what you expect for 2014, and even making the operation profitable, considering Capex, if there is any risk of write-off in the coming years. And the second question is for Martins, as you are more optimistic with industrial production in the world and steel production in the rest of the world, if you have any expectation that you could share with us on steel production in China and in the rest of the world for 2014. Thank you.

Murilo Ferreira: I would like to pass it on to Luciano Siani who will talk about the change in VNC figures and then to Peter Poppinga to clarify how he sees final production, and then to Martins.

Luciano Siani: Marcos, good morning. Thank you for your question. We had a pre-operational expense performance a bit higher than expected for VNC this year, because in April we had an unexpected stoppage. We intended to have all the stoppages in the second half and we had tom make some corrections. Our expectation is that starting next year we will have nickel prices more depressed to a cash flow balance at VNC. We have a general expense volume in the company or US$ 650 million, approximately. Part of this has been offset this year by revenue, and what we see as operational expense is lower. And a good part of these US$ 650 million refers to fixed costs, and Project competitiveness will depend highly on our ability to meet the 57 thousand ton production goals that Peter will discuss later on. Aside from that, we have a cost reduction program at VNC aiming to lower these costs. We want these costs to reach a level of about US$ 550 million. Then, if we are successful, our expectations, our business plans, an EBITDA of US$ 500 or US$ 600 million, and this depends on price hypothesis. If we manage to have this performance, we have a basis to justify the book values we have at VNC and there would be no need to write-off. Now, everything basically depends on the evolvement of production perspectives, which Peter will now detail.

Peter Poppinga: Marcos, thank you for your question. Indeed, pre-operational expenses are falling down and I consider the third quarter to be very good, in operational terms, and I will let you know why. We produce almost six Thousand tons of nickel and in September, more than two, which means 40% of the plant capacity. Them if you take one or two weeks where we faced lots of rain and a stoppage of peripheral equipment which is not core, if you exclude that, in the quarter we achieved almost 50% of plant capacity. And for the first time, we managed to operate with three sterilizers. This was a great break through as it showed that we can meet the operating design rating. Thus, I think, I shared with my colleagues, I think that despite of the fact that production is still a bit low, I think we won the technological battle and we know that all circuits work and now we have to focus on increasing plant availability. WE will have about 20 thousand this year, next year, we expect about 40 thousand, which more or less answers your question, being more or less data considering prices similar to this year's, but I believe they will be a bit higher, and prices similar to these 40 thousand, which will bring us to a neutral cash flow. And after this quarter, I am very optimistic regarding VNC, we are on the right path.

Martins: Well, regarding production, I mean, we clearly see an improvement in the European atmosphere, although there was no big impact as of yet in steel demand in Europe, but there are signs of increased customers' reliability. Some are even positioned better regarding the demand for this ore. But, anyway, I don't see Europe as an important source of growth in steel demand in the future. I mean, I think this is a mature market, a market that suffered a lot with the 2008 crisis, and recovery will be very slow. We still see almost 20% below the pre-crisis level, right? I believe part of that will be recovered, but I believe that it will be very difficult to recover. Asia has surprised favorably with China, but Japan has a good performance, this year, China, where we expected to have a 3% increase in steel production, has increased around 8%, that is, much more than the most optimistic analysts expected. China has this characteristic, it brings pessimistic down and surprises optimistic. For next year, I recently returned from China, I spent 15 days there seeing several clients, everyone is very optimistic. We expect a new growth in steel production, estimated around 3% for next year, as the growth this year was much higher than expected, with 8%. China continues with several infrastructure Works, I had the chance of visiting several provinces and I could see that they continue, I mean, a large number of infrastructure Works by the government, whether federal, provincial, or municipal. The home building part, that is, civil construction, is also accelerated and apparently there is some concern with a bubble, as the volume is still too high. There are many Works on going throughout China in civil construction. And there is a question about this. But the fact is that while the capital account in China is closed, people with some savings do not want to leave their Money in banks and they will invest in civil construction. This is a distortion of the system, but I believe that while the capital is not opened and allows Chinese savers to send Money abroad, this phenomenon will continue. This is what I call advanced investment. I mean, in fact, what happens is the construction of residential and industrial and commercial buildings before the demand, that is, demand grows and occupies that, but the savings is always anticipated.

This is a positive phenomenon for the steel industry, is positive for us, and I don't believe that it will end overnight. I think it will take quite some time before this type of advanced investment ends in China. In any event, this is a relatively small portion of the global investment. It is important, especially regarding steel bars, which is highly used in civil construction, but this is not within an investment volume China makes of almost 50% of GDP every year, in residential construction, and this must be around 10%. Therefore, this is an issue for the future, but we will not see while they do not open the capital account, we cannot see how this phenomenon will end. I have been visiting China for more than 10 years and for more than 10 years I have seen this phenomenon. I mean, residential, commercial, and industrial construction of buildings always ahead the demand, and then you here about ghost towns and everything. Because they truly build beforehand, and as in China people cannot move from the countryside into the cities without having a job, there is an unbalance. But, even though, you see that the prices for residential properties remain at a level much higher than the government intended. Thus, I do not see a great change in this scenario, I still see China with a positive performance in steel industry terms and with higher demand for ore. What may affect this offer and demand balance is the increase in offer above the demand. Now this quarter, the last quarter of the year, when we expected a growth in the offer of ore above the demand, this phenomenon is not happening, I mean, we continue to see the ore price behavior as very positive, which means that the market continues to absorb the additional ore production that reaches the market.

Marcos Assumpção: That's great, thank you.

Operator: Excuse me, our next question is from Mr. Renato Antunes, Brasil Plural

Renato Antunes: Good morning, all. Thank you for the question. And the first question, again on the tax incurring on subsidiaries abroad. In the beginning of the call, Murilo commented on this, and I understand that this is a difficult issue, if you could help us out a bit to understand even in qualitative terms what is Vale view on this issue, in past and future terms. I mean, what are the critical issues that in your view are important to be clarified and, eventually, if you could help us estimate what would be Vale's realized revenue tax rate, consolidated, assuming that future rules are clear. This is the first question. The second, going on the line on what Martins recently said, if you could comment on the quality premium of high content ore, we have heard some people talking about the .initial recovery of said premium due to high content ore, which would be highly positive for Vale, I would like to understand if this is indeed felt in the market and how do you see this in the future. Thank you.

Murilo Ferreira: Well, regarding taxes abroad, I will pass it on to Clovis, he actively attends the IEDI meetings, and I would like to make it clear that IEDI, by its President, Pedro Passos, has lead the whole group of companies, is part of this discussion with the Ministry of Finance and all the authorities subordinated to it. Then, we have the final draft regarding this issue, but some issues that were object of discussion related to the future law, and he can talk a bit about it, Clovis, please.

Clovis Torres: Good morning, Renato, good morning everyone. Well, discussions at IEDI have been going, as they should, according to the interests of each of the parties, but undoubtedly considering a greater issue that is greatest competitiveness for the Brazilian industry when it gets out of the country and competes abroad. Then, every issue we have claimed, somehow, aim to be coherent with our competitors abroad. As you may know, England for instance, does not tax revenue abroad from its companies. The United States taxes according to a cash system. And us, today, in Brazil, we tax it according to the competence system. In this sense, I don't believe this will change, we have been looking for a possibility of having, for instance, vertical consolidation of gains and losses abroad, prior to entering and offering taxation in Brazil. We have aimed for a term to ensure that the tax is effectively paid in Brazil and the most important also is that what is paid abroad is not paid twice. That is, there should be a credit for the tax that was paid. These are the main discussions, the main issues in the new legislation that is discussed and we expect to have the MP published in the next few weeks, or even days.

Murilo Ferreira: Well, now with Martins.

Martins: Effectively, this is happening, as you know, there has been constant growth in the offer or iron ore and offer of ore with lower quality. This causes high quality ores, especially the ore from Carajás, which still maintains a great difference in terms of quality compared to other ores, to be priced much better. Our expectation is that, this phenomenon, continues, although the basic fact is that while the metallurgic coal price continues to be down, the great source of valuation for high quality ore is the reduced consumption of coal and in the last two years there was a great decrease in the coal price, and this has diminished quality gains. But, especially regarding the ores from Carajás, we have felt an improvement in terms of quality, and we still can't say that it is close to the levels reached in 2010, when each 1% of ore end up at US$ 7 more in the price, and you have US$ 2 or US$ 3, 2% or 3% of ore more could be a US$ 20 premium. Today, this figure is in the range between US$ 2.20 and US$ 2.30, which practically means the 3% before cover only 1%, 1% before covers 3% now covers 1%, which was before. And this has not returned yet, although we were able to price Carajás US$ 5 to US$ 6 above the usual premium. Thus, this is a phenomenon that is on-going and that is positive for Vale to the extent that we are able to encourage production in Carajás, benefits will be even better due to volume.

Renato Antunes: Thank you.

Operator: Excuse me, our next question is from Mr. Marcelo Aguiar, Goldman Sachs.

Marcelo Aguiar: Thank you for the opportunity, congratulations on the results. My first question is: again a bit on Refis, Murilo, apparently there were some articles in the media saying that Vale expected changes to MP615. You have focused a lot on the future, which is important, but the market has also focused on the potential to amortize this liability you have, but that is not provisioned. Thus, if you could discuss a bit more about the MP615, the way it is today and if the future is as you plan, the MP615 would be attractive for you to assume the payment of the next R$ 29 billion or not? I would like to understand what is at stake to date, at least compared to the past. This is my first question.

Murilo Ferreira: Well, Marcelo, the issue, as you put it, is highly complex. We cannot analyze it independently, taking some topics and drawing a conclusion. We have to discuss this with the Board. As I said, it is very important that the rule in the future, as well as the conditions for installment payment and also vis-à-vis our theories. There are some comments regarding this issue, we have to see the whole to see the pros and cons of a decision. Regarding MP615, it contemplates a series of elements that motivate the company, the companies, to make a decision. However, we consider that some elements should appear to allow us to make a wider evaluation. Thus, I consider that there still isn't, at least regarding Refis, what we consider to be necessary. But, again, we cannot take things separately, we have to evaluate this issue as a whole. This is a very important decision and it contemplates expressive values, and thus, this decision should not be made considering only some points. Pros and cons should be thoroughly evaluated at each aspect. The most important is that the ministry of finance is open for discussion with IEDI and I think this is very good. Maybe in 2001, if we had had an intense dialogue with the IRS, Brazilian companies would not be in such a big trouble. It is very important to maintain the competitiveness of Brazilian companies abroad, as Clovis said before.

This is the key in this discussion. To maintain this competitiveness, we must solve pending issues, including regarding the past. Thank you, Marcelo.

Marcelo Aguiar: Ok. My second question would be regarding the ore business, in fact two sub-items. One, I would like to hear Martins' opinion. We have seen a strong rebound along the last years from non-traditional exporters to China, and that today are as big as you, and getting closer to your volume. If you have a vision, Martins, on this volume that gets into China, Vietnam, Iran, Peru, and several others, what would be their average cost, at least in the first quarter. And in this issue, looking at the core business, please comment a little about the N4W Sul license. How is this process coming along?

Murilo Ferreira: Well, I will ask Martins to answer your first question and Vania, who is responsible for licensing, to complement about licensing.

Martins: Well, these producers whom we call marginal, I mean, their cost is equivalent to the Chinese ore cost, you see. They need ore prices above US$ 120 to be competitive. They have small productions, almost always artisanal, with no dedicated logistics, I mean, the lack of logistics increases a lot the cost of these ores. We do not see these producers as competitors. Our competitors are the Australians, who have a slightly smaller structure, but with much more competitive logistics and for large volumes. The market trend in the long run is to concentrate even more, I think, as time goes by, the trend for Brazilian and Australian productions is to grow as part of the global ore offer. I believe that the figure that was 65% to 70% for so long in terms of global offer should now be closer to 80% when new projects, especially by Vale, go into operation. These competitors are even positive to define the most profitable price range. But we do not consider them competitors in the long term. To the extent that more competitive ore production is installed, these producers will move away. The cost in the upper range is close to US$ 100, US$ 110, per ton.

Murilo Ferreira: Please, Vania.

Vania Somavilla: Yes, food afternoon. I am instructed, sorry. In fact this is what we have: regarding the licensing for cavity in new areas as, for instance, S11D, legislation is clearer and this is a simpler process to negotiate. The licensed area, as we have today in our current operation in Carajás, required a negotiation to understand why the legislation was not exactly clear for licensed areas including especially new areas. Then, as Martins said in the beginning, we need some studies, that took one year long due to seasonality and sometimes these must be done region by region, but now this is fully according to our schedule, and we have managed to get some releases. We believe there will be no problem. There was an understanding on what would be the methodology to obtain that, in an initial negotiation phase with the entity, to understand what is the methodology to negotiate this license issue, for caves, as there is a whole series of studies that include hydrology, biology and the physical issue. And today there is an agreement on the methodology, documents are provided as we need deliberations, that is, this is an ongoing process and we are optimistic that this is working well.

Murilo Ferreira: Thank you, Marcelo.

Operator: Excuse me, ladies and gentlemen, I remind you that to make questions, please press asterisk + 1. Our next question comes from Mr. Leonardo Corrêa, HSBC:

Leonardo Corrêa: Good morning, everyone, thank you. My first question is about non-ferrous business. We have seen some news about a partnership in Sudbury. We heard that in the past. In 2005/2006 there was much talk about a merger between Falconbridge and Inco, I just wanted to understand from you if negotiations with Glencore are ongoing, what are the perspectives, please. This is the first question, and the second, Murilo, is for you regarding the sale of assets. Can you give us some insight if there are other businesses, other assets to be sold and if a possible adherence to Refis could accelerate the divestment program, and even create new divestment fronts? Thank you, these are my questions.

Murilo Ferreira: Thank you, Leonardo. No, indeed, our decision, our recommendation to the Board regarding the divestment of some assets is not related, in anyway, with Refis. You can see in our balance sheet that we have been very careful, very cautious regarding Company debts. This is an issue where we have been very careful. Precisely because we have had, at least we see it in the past, great volatility in short term prices, although in annual basis, they have been stable. In recent years, we were always around US$ 130. But during this year, there was a lot of volatility in cash flow. And in September last year, we saw it under US$ 90. In the beginning of this year, we saw it at almost US$ 160. Thus, cash flow, with such volatility, we have to work looking at the deployment of these high-value projects, as S11D, as the logistics portion of S11D, and we also have the mine in Mozambique, the Nacala corridor, the Port in Nacala. Investments are very high. Then, we must be prudent regarding cash flow. Now, the definition of the subjects where the divestment would apply was done with shareholders at the appropriate time. We scaled a series of subjects. We have some that are almost mature to be submitted now as business transaction to the Board, and this will be done. I believe that in the end of year we will have a lot of hard work, as well as in the beginning of 2014. But I don't want to anticipate anything, as this should be preceded by a business confirmation. And we are only working on things that, in the long term point of view, are interesting to Vale. As we have prudent debts, as I call it, this is definitely unrelated with Refis. Regarding non-ferrous, the Sudbury issue, Peter will clarify, but I can tell you that at this time we are not working with the hypothesis of a joint venture in Sudbury. We have always worked with the possibility of an unincorporated joint venture in Sudbury. This is not new, as you said it, this was considered by the old Inco and the old Falconbridge. This was discussed in the end of 2006, right after the acquisition, when I was personally in Canada. And we are in a scenario, at Glencore, a healthy scenario for this kind of discussion, and I ask Peter to comment on this.

Peter Poppinga: Yes, Leonardo, thank you for the question we expected, considering news in the media. But this is it, as Murilo put it. We are, the correct term would be, exploring synergies in the unincorporated joint venture. We are talking about the mine, the plants, and the smelting portion. This would not include refineries. It all makes sense, as the mines, especially, when you look at ore distribution and accesses which are the teas, once one company has ore but don't have access, then another company has access, but doesn't have ore, and vice versa. Then, we are strongly discussing and we are ending the mapping phase of what makes sense and what is on the table to be done. And negotiations per se, probably, will begin at the end of this year or beginning of next year. Now, I would like to remind you that in fact these synergies are analyzed and explored almost every year, but not in large scale. For instance, last year we had and concluded an operational agreement of a small specific mine, where one side had ore and the other had access, and we made a deal, which was not highly publicized, but we made a deal. And we are in constant cooperation. But this, say, bigger operation would be, in negotiating terms, expected for next year. Thank you.

Leonardo Corrêa: Thank you very much. If I could make a final question. If we could bring Roger into the discussion regarding Mozambique and Moatize, as no one has asked. I would like to see your current view on the project, we see a somewhat complicated scenario. Rio Tinto fired some employees, some safety issues, and, obviously, the coal price that is lower recently. If you could, Roger, give us an update on Moatize, how is the trust on the project and investment in Nacala, this would be really helpful. Thank you.

Roger Downey: We are closely monitoring things in Mozambique, of course. But, as part of this monitoring, we are consulting the embassy and other diplomatic entities and government officials from Mozambique. And situation there needs attention, but there is no expectation of conflict. For now, the only thing to be done is to monitor. Our operations in Moatize continue normally, there is nothing further to add about the railroad. And in the project, all 10 thousand employees continue to work every day with no major interruption. Thus, we have business as usual there.

Operator: Excuse me, our next question is from Mr. Ivano Westin, Credit Suisse

Ivano Westin: Good morning everyone, thank you for the question. The first thing is about cost reduction. You reported a strong 2 billion reduction, in the first nine months of the year, focused on SG&A and R&D. I would like you to comment on where will this focus be, especially, in 2014. If you could help us quantify what you expect in terms of additional reduction. My second question is about Rio Colorado, you reported a 213 million expense in the third quarter. What can we expect in the fourth quarter, and especially in 2014? Thank you very much.

Murilo Ferreira: Well, I will pass it to Luciano, but I can tell you that this appeared this quarter because many agreements had to be terminated in Argentina, it takes some time to do that and then you start entering agreements, agreement amendments, to make the payments. Then, this delay is a natural delay vis-à-vis contracting. But, Luciano, please, regarding cost reduction and other aspects.

Luciano Siani: I would like just to add that in the fourth quarter we will certainly have a smaller figure in pre-operational expenses for Rio Colorado and if there is anything left for the first quarter of next year, it will be very little. We expect that the impact should concentrate on the fourth quarter and in the first quarter, really, very marginal, if any. Regarding cost reduction, our view is that we, I think we can say that we still have opportunities to reduce SG&A even more for next year. I think we are clear on this point. I think that R&D, the level you saw in the first nine months of the year, 539 million, it is indeed, we should not expect it to stabilize at this pace. We will certainly see a fourth quarter, R&D similar to the third. And the level we are working on, we are budgeting for next year less than what we planned for this year, but we should not expect this 539 million for nine months to be representative of a trend. If you multiply and work on a proportion, you would see about US$ 700 million, and this would be really low. The great opportunity to reduce costs is certainly in pre-operational expenses for stoppage, and we will not have the Rio Colorado effects. Now, we are starting production at Onça Puma, expecting also values, for Onça Puma. VNC was discussed already, I mean, a great impact of these costs this year with expected production above 40 thousand tons, we expect an expressive decrease. We should also have something from Long Harbor, that you see reported every quarter and the iron ore projects, but with figures much lower than the first ones I mentioned. I think this is an important leverage, pre-operational expenses. Regarding costs, we want, we have stabilized the gains we had so far. We continue with a broad set of initiatives to gain have additional gains. We have great optimism regarding non-iron ore businesses. In the specific case of iron ore, we will have to live with it for a few months and work hard to offset a natural trend of a small contribution to increase costs. I would say around US$ 0.50 to US$ 1 per ton for new projects. I mean, as soon as +40 and the Itaberitos Concession start having related costs, personnel and production, we cannot have a complete dilution of such costs, when you calculate cost per ton there should be a pressure of about US$ 0.50, which we will strongly aim to offset to attempt to maintain the figures we managed to achieve this quarter and, looking in the long run, to continue to reduce. The great opportunity we have to continue with a stronger reduction in iron ore cost is really to increase the volume, as soon as we manage to produce with +40, surpassing restrictions mentioned by Vania and with solutions to release new areas, and having projects like Itaberitos operating, we will surely have in 2014 and 2015, another opportunity for a significant cost decrease. And finally, from 2016 on, with S11D, another decrease. We are still trusting that this journey to reduce costs and expenses is a medium to long term journey.

Murilo Ferreira: Well, and as we end our conversation, I would like to thank you for the encouragement for all the team at Vale and I would like to tell you that we paid attention also to the alerts mentioned by you to be vigilant on all aspects of the company. Thank you.

Operator: The Vale conference call is over. We thank the participation of all, and wish you all a good day. Thank you.