VALE S.A.

Conference call and webcast presentation

3Q14 Earnings Release

October 30th, 2014 – 12:00 a.m. (RJ time) / 10:00 a.m. (NY time)

Operator: Good morning ladies and gentlemen. Welcome to Vale's conference call to discuss 3Q14 results. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session and instructions will be given at that time.

If you should require assistance during the call, please press the star followed by zero. As a reminder, this conference is being recorded and the recording will be available on the Company's website at: vale.com at the Investors link. The replay of this conference call will be available by phone until November 5th 2014, on *+55 11 3193-1012* access code *5668345#*

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

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

With us today are:

- Mr. Murilo Ferreira – Chief Executive Officer (CEO);
- Mr. Luciano Siani - Executive Officer of Finance and Investor Relations (CFO);
- Mr. José Carlos Martins – Executive Officer of Ferrous and Strategy;
- Mr. Roger Downey – Executive Officer of Fertilizers and Coal Operations and Marketing;
- Mr. Galib Chaim – Executive Officer of Capital Project Implementation;
- Mr. Humberto Freitas – Executive Officer of Logistics and Mineral Research;
- Mr. Peter Poppinga – Executive Officer of Base Metals and Information Technology; and
- Mr. Clóvis Torres – General Counsel and Chief Compliance Officer.

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

Mr. Murilo Ferreira: Ladies and gentlemen, welcome to our webcast and conference call. Thank you for joining us to discuss our results. First of all, I'm pleased to report that Vale delivered a strong operating performance in the third quarter, with record output in iron ore and copper, and excellent production of nickel.

Once again, we achieved savings in costs and expenses of over US$ 500 million compared with the first nine months of last year. This quarter, we posted an EBITDA of US$ 3 billion, reflecting lower iron ore prices. We saw a drop in the net income of about US$ 2.9 billion in the quarter, mainly driven by a non-cash impact of the depreciation of the Brazilian real against the US dollar. Capital expenditures came at US$ 3.2 billion in the quarter, and US$ 8.2 billion in the first nine months of the year, which is US$ 2.2 billion lower than the capital expenditures in the first nine months of 2013.

Overall, our balance sheet continued to be healthy, with low leverage, high coverage, low debt maturity and also low cost of debt. Net debt decreased by almost US$ 2.2 billion till the end of June this year.

Even to iron ore production reaching a record, sales volume remained stable and our flagship area, ferrous minerals, suffered most from the reduction in sales prices, which brought to the overall EBITDA decrease of US$ 1.1 billion versus the second quarter of the year.

Inventory increased in the quarter, mainly due to the blockage in the Carajás railway and to the comercial strategy. There was also an increase in cash cost to US$ 24.70 per ton, mainly due to some recurrent impact, non-recurrent impacts of higher maintenance and logistics costs in preparation for an increase in production volumes in the coming quarters and for the processing during the quarter of the outstanding invoices related to the introduction of the new system. Iron ore cash cost will decrease even further with production increase, diluted fixed costs and our internal cost reduction initiatives. A depreciated Brazilian real versus the dollar will also contribute to reduction of our cash cost.

Now, for base metals, I'm pleased to inform that base metals business was yet again a success story, with another excellent contribution to our results, due to the increased nickel production and a record copper output. Base metals EBITDA increased almost by 30%, to US$ 781 million, in third quarter 2014 versus second quarter 2014. Looking forward, the ramp up of the ongoing projects reinforces our confidence that the base metals segment is set to achieve its EBITDA target of US$ 4 to US$ 6 billion.

Now to look at coal and fertilizers.

Operator: Ladies and gentlemen, please hold. Vale's audio conference will resume shortly. Thank you. Mr. Murilo, you may proceed.

Murilo Ferreira: Thank you very much. We apologize.

Now to look at coal and fertilizers. With coal we continue to focus on reducing cost, increasing profitability and developing milestone projects that will secure our shareholder value in the future. We continue our investment at Moatize and Nacala, with big physical progress. Moatize II achieved 70% and Nacala is close to 74% physical progress.

With the fertilizer business, we continue to make progress, with adjusted Ebitda increasing by almost US$ 100 million in the quarter, while production of phosphate rock reached 2.2 Mt, a record for a third quarter. We continue to discuss partnership opportunities with a view to maximizing our strategy in the business.

As we head towards the end of 2014, we recognize our many achievements. Cost and expenses have been reduced over the last two years, production volumes have been increasing across all business segments with the completion in ramping up of projects, and particularly the base metals segments has started to bear the fruit of all of our restructuring and investment efforts.

We pay attention in the challenges that face us, including global changes in the supply and demand for iron ore, and knowledge that the investment commitments ahead of us in 2015.

We remain focused on our cash flow generation and are further exploring divestment opportunities and reinforcing capex and cost cut initiatives to support our free cash flow.

Now, our team will be happy to answer your questions. Thank you very much.

Operator: Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press the start key followed by the 1 key on your touch tone phone now. If at any time you would like to remove yourself from the questioning queue, please press start 2. Please restrict your questions to two at a time.

Our first question comes from Rodolfo Angele, with JP Morgan.

Rodolpho Angele: Hi, I think the focus of the questions I had specifically to the earnings were answered in the other call. So, I just want to ask first a question on looking forward in terms of potential divestitures. Outside of the assets in the coal side, is there an opportunity that you can discuss at this point to help on the free cash flow story? So that's the first question.

And my second question is a very simple one, but it's a question that I was asked a lot yesterday, but there's only one person that can ask, which is Murilo. The press is being reporting that you could, you were considered for the government. So, if you could enlighten us on what is your position there. That's it, thanks.

Murilo Ferreira: Thank you very much, Rodolfo. In fact, I didn't receive any invitation or even being consulted to be a Minister in the new government. I'm very focused into working in the market, we know that we are now, we are facing big changes in the mining industry, and even in the oil industry as well. And I am very focused, myself and the whole team in Vale, to bring a good future, a gorgeous future for our company. And we are extremely devoted to deliver our projects on time and below budget, and to increase the efficiency of the company.

Regarding divestments, I think that we have an opportunity in bauxite. We have a stake in MRN, and I believe that we will be able, now that the bauxite market is much better, the ore ban in Indonesia is working very well, and I think that we have an opportunity to look for a divestment in MRN. Thank you very much for your questions.

Operator: Our next question comes from Mr. Carlos de Alba, with Morgan Stanley.

Carlos de Alba: Thank you very much, gentlemen, and good morning. Just a couple of questions, the first one has to do with dividends and net debt. Clearly your free cash flow is going to be tight, given what is happening to the commodities prices, particularly iron ore. So, Murilo, when the company, when the management of the Company presents to the Board of Directors its recommendation for dividends, how do you balance cutting dividends, potentially, or raising net debt in the future? You can tell us how do you approach as CEO this challenge? That would be useful.

And the second question has to do with the sharp increase that we saw in maintenance cost, quarter-on-quarter, excluding the effects of volumes and FX. They increased about US$ 330 million. How, you mention in the press release that it was related to iron ore and pellet primarily, as well as base metals. How do you see this line going forward? I suspect that it is going to decline, but if you can give us an estimate of how much do you think this number will decline, that would be also useful for modeling purposes. Thank you.

Murilo Ferreira: Thank you very much for your question, Alba. What I can say is that we continue with our policy to be extremely prudent in the leverage of the company. We have now just a few projects, as far as I know six projects to be finalized, which is a great achievement for us. In the beginning it was more than 100. And then we are very focused in delivering mainly S11D, the Itabirite's project, I think that's just the last one for next year, and Moatize, I think that can be a big surprise for most of the investors. I believe that the amount of money that it will bring is extremely relevant for us, considering mainly 2015 and 2016. Right after the implementation of S11D, I believe that we'll have enough options, and the question will be about investment in world-class projects. Up to there, mainly 2015 and 2016, I think that the first decision is regarding the amount of money that we'll receive regarding the Moatize project in the Nacala corridor. And we have options, we have many options that could be considered in the near future, in case of, if we need.

I wanted to continue a company with high dividend yield. I think that's very interesting for us, can bring a good motivation to our shareholders. I think that, as we have to announce this transaction, I prefer to finalize my answer in Vale's Day in New York and London in the beginning of December. Thank you very much. And, Luciano, go ahead.

Luciano Siani: Carlos, I believe you're referring to the comparison between the third quarter of 14 and the third quarter of 13, because if you compare to the previous quarter, to the second quarter, the increase in maintenance cost was much smaller, and it was mainly explained by the preparation that we mentioned, some trucks for the increasing production in iron ore.

If you look third quarter 14 against third quarter 13, there are some effects that impacted only the third quarter of 14. For instance, we have Thompson right now in a planned maintenance that we didn't have, we didn't have any nickel plants in planned shutdowns in the third quarter of 13. As we mentioned, we've been embarking in a higher maintenance cost to improve the asset integrity of fertilizers. That is something that we have empasized this year. So, we believe that a better way to look at maintenance cost is to consider the second quarter of this year figures as the level should be. And the comparison to one year ago, I gave you some color about why these are higher. But looking forward, I would say, the numbers of the second quarter are more representative.

Murilo Ferreira: Thank you very much.

Operator: Our next question comes from Leonardo Correa, with BTG Pactual.

Leonardo Correa: Hi, good morning and good afternoon everyone. Thank you. My first question is regarding growth, iron ore growth and S11D. I just want to understand with you if there is any iron ore pricing level that would potentially slow up the ramp-up of the project? I'm just asking because, I mean, the project is coming on stream by the end of 2016 and 17, and by then, I mean, supply-demand models would potentially forecast a bigger surplus in the market. So, I just want to see if there is any iron ore pricing level that would potentially reduce a bit the pace of the expansions, even though I acknowledge that this is a very competitive and a very low-cost project, which makes sense basically in any environment. So, that's my first question.

And the second question is regarding the strategy with your nonferrous division. I just want to get some additional color on a potential spin-off, I mean, what are the options for your nonferrous division? And moving into a smaller aspects of it, VNC Goro, how comfortable are you with the sustainability of this asset and is there any timeframe, really, to consider a sale or a potential shutdown of this asset? I mean, we saw the numbers in the quarter coming in still negative, negative Ebitda was around 100 million. Those are the two questions, thank you.

José Carlos Martins: Okay. I think, as far as S11D is concerned, I think the lower price, still puts this project into operation, because is low cost and high quality. So, there is no way that we are going to reduce the pace of investment in S11D. We believe that it's low cost, high quality, and could substitute other productions outside Vale or even inside Vale that have higher cost and lower quality. So, to be frank, we do not see any chance of slowing down this project at any price of iron ore.

Murilo Ferreira: Regarding nonferrous, I would like to explain more deeply about some options that could be considered during the Vale Day, Leonardo. What we have in mind that we have plenty of opportunities, now most of the, we have the integrity of the assets in Sudbury, in Thompson, in a very advanced way, we have the Long Harbor working, we have the Totten mine doing very well, and many opportunities regarding the base metal that we intend to present in the Vale Day. Regarding Goro, please Peter Poppinga, could you explain what is happening with our project in New Caledonia?

Peter Poppinga: Of course. Regarding our VNC operation, it's an ongoing story, as you know, we have the certainty now that the process works, and it's proven, the technology is working. All we need is to increase, to improve availability of the operations and constant operations, and, of course, improve the stakeholder relations where we had some problems, we know that we had problems.

In March 14, this year, we have reached, we had reached 60% of capacity of the plant. But then came the assets still, by the way, there was, just to remind everybody, there was no ocean damage, that was all in a small creek. But it triggered a social unrest, and it's because of these social problems in second quarter in New Caledonia, they go well beyond the VNC events. But, that interrupted everything, and in Q3, the ramped-up began, you saw that we produced around 4,000 tons. If you take September only, we produced almost 2.5 kilotons, which multiplied gives you around 50% capacity. So we are back on track today, surpassing again the 50% capacity hurdle. And we are now currently with two autoclaves constantly for the last quarter of the year planning to make a step change well beyond before, and it's probably going to be around 2/3 of capacity. And so, that's the thing, it's going up slowly and interrupted by the social unrests. We could use 15,000 in 2013, that was last year, this year it will be well over 20,000, in spite of the three months shut-down, and next year that will be well, well below, well above, well above 30,000, and this will lead us to a cash breakeven situation at VNC. And then we will decide, along the year, how we are going to pursue with this asset in the future.

Murilo Ferreira: Thank you.

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

Alex Hacking: Good morning, thank you for the conference call and the question. The first question, I guess, is for Roger, if it's okay. Could you remind us of the coal sales that you expect from Moatize in 2015 and 2016, and what kind of Ebitda per ton you think you could achieve at the current coal prices?

And then second question would be on iron ore. Earlier you mentioned that the building inventory was partly a comercial strategy. Maybe you could describe the thought process behind, I guess, not selling some material, and if you have any concerns that putting this material into the market in the fourth quarter could negatively impact the price? Thank you.

Roger Downey: Kicking-off with coal, and you asked on our operations in Moatize and how competitive they are, eventually. Obviously we have to look at Moatize when it's a steady state operation, when we're fully ramped-up. According to our schedule we should reach a 22 million ton run rate on the railway by the end of 2016. That's when we will be able to really fully dilute all of our costs there, and both the mine and the railway will be fully ramped-up to that sort of scale. At that level, at that stage, with a tariff somewhere in the order of US$ 20, US$ 25 on the railway, we should be comfortably in the first quarter of, first quarter of the cost curve. So even if the current coal prices maintain at these levels through the next couple of years, or even into the end of the decade, Moatize will certainly be one of the lowest cost coal producers in the world.

Murilo Ferreira: Martins, regarding the level of the inventory.

José Carlos Martins: I don't believe we'll be, we'll have any important impact because we are talking about a market that will buy around 300 million tons of iron ore in the last quarter. So, 9 million tons is not a big volume that could influence the price. So in my view the impact, if any, will be minimal.

Murilo Ferreira: Even because the first, the second 3 million …

José Carlos Martins: Yes, is already done.

Murilo Ferreira: Yeah, it was precisely in the first week of October.

Operator: Our next question comes from Amos Fletcher, with Barclays.

Amos Fletcher: Good morning, gentlemen, thanks for the question. I have a couple to ask, firstly on iron ore. I just want to clarify whether Vale will potentially respond to the current level of iron ore price environment by taking any tonnage offline? For example, you've got your run of mine tons which are getting quite low realized prices, the Mid-Western operations are quite high cost as well. So I just want to ask you what sort of volumes could we be talking about here, and what sort of price levels could you potentially be induced to take some capacity offline? That's my only question, thanks.

José Carlos Martins: Well, for the time being we don't have any tonnage that we could take off the market without reducing our cash generation. We have some volumes in the Corumbá area, we have some difficulties with them, but we are managing to get breakeven on these volumes. So, we do not intend, for the time being, to reduce any volumes from our sales. We keep monitoring all our lines of products to see if we have problem with any of them, but for the time being there is no reasons for taking volumes out of the market.

Luciano Siani: Martins, if you allow me, just to complement, the run of mine which was mentioned, actually it sold at a lower price, because we don't incur any of the processing cost, which are done by Samarco, and then we fully capture the additional margin as a shareholder of Samarco, of these volumes.

Operator: Our next question comes from Thiago Lofiego, with Merrill Lynch.

Thiago Lofiego: Hi, thank you. I have two questions. First one, if you could give us an update on the tax dispute in Brazil? So, what are the next steps we should watch and what is the likelihood you attribute to the reversal of the payments already done?

And the second question is on your freight strategy, if you could give us some color on how many more ships do you have in your fleet and that could be subjected to the future lease agreements, and what's the timing for that to happen? That's basically it.

Murilo Ferreira: Clóvis Torres, please.

Clóvis Torres: Hi, Thiago, thanks for your question. We have, as expected, an appeal from the tax authorities to the Supreme Court. That was filed about a month ago, and there's no reply or acceptance yet from the Supreme Court. We still believe that we are not dealing with constitutional matters, and therefore the appeal should be refused, and as such, we would have a final decision from the Superior Court, it's right under the Supreme Court. So, that's all we have at the moment. Once we have that final decision, or when the Supreme Court refuses to hear the appeal, we will then start talks with the Ministry of Finance to see how we would go forward and recover amounts already paid, and would make a decision on stopping future payments.

José Carlos Martins: As far as the ships are concerned, we have now 35 ships under operation and we are negotiating in order to sell some of them, some of them to some ship owners in China. We have two agreements already in place. And we are, our idea is moving step-by-step on this regard. And also start ordering more ships, because, considering the volumes we are going to increase in the next three years, we'll need more ships to move it to China.

Murilo Ferreira: Today in fact we have, Martins, 31 in place, 19 it's our own fleet. And we intend, as Martins said, to increase our fleet through agreements with third parties in terms of the ownership of the ships and, for sure, having a long term contract with us. Thank you very much.

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

Rene Kleyweg: Good morning, gentlemen. Murilo, it sounds from your clarification earlier on that we're stucked with you a little bit longer. Just two questions, really, one in terms of the, Leonardo's pointed earlier on about the displacement of tonnage as a result of S11D. Martins has suggested, I presume you were referring to potentially displacing volumes in the South and Southeast system in terms of the volumes that may need some capex in terms of upgrading the processing capacities there.

And then, the second question is on Salobo, just in terms of the ramp-up profile there, could you give some color about how that looks going into 2015 and 2016? Thank you.

Murilo Ferreira: Martins and then Peter Poppinga about Salobo.

José Carlos Martins: As far as displace some quantities, our idea is to displace competitors quantities okay? So it's not our idea to displace our quantities, but that will depend on prices. The very fact is that, on average, our cost is very well competitive in the market. So we believe that many other competitors will need to exit the market, before we need to reduce production in Southeast or Southern system, that's our appraisal in this moment.

Peter Poppinga: Okay, so in terms of Salobo ramp-up, it's actually going very well. As you know, we have two lines, one, the first line is around or little over 80% of capacity already, and the second line came in mid of this year, and is ramping-up well, and now we have, we can say it's around 1/3 of the capacity. If we look into 2015, I would expect that both lines would be on full capacity by the end of 15. So, just reminding you again, this will be a very big boost to our business, of division, because, if you take prices around copper price of 7,000 you deduct our opex after buy-products of a little more of 2,000, gives you a 5,000 margin times 200,000 tons, gives you the 1 billion. So, it will, we have no stated flows and we are very happy.

Murilo Ferreira: Rene, thank you very much for your comment regarding staying in Vale. I really appreciated, and it's a motivation for us to continue working, and to work hard, in order to bring good results and new projects, and on time, and under budget. Thank you very much for your comment.

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

Andreas Bokkenheuser: Yes, good morning gentlemen, and thank you very much for hosting the call. Just a quick question from me, it's really more a clarification. Obviously there is a bit of excitement in regards to the potential asset sales of the Mozambique coal assets, some of the Valemaxes and so one. Going back in time I seem to recall, I mean, all of these assets were part of Vale's coal business, and effectively, by selling them, even though it does raise cash up front and it does reduce your capex, it also removes future cash flows from, you know, your discounted cash flow valuation, at least in the eyes of an analyst, and that effectively tends to reduce your valuation as well, depending on the price you're selling it, of course. So I just want to understand, can you give me a little bit more clarity about why investors and shareholders should get excited about asset sales at this point? Thank you.

Murilo Ferreira: Roger Downey will explain you how our strategy regarding selling some assets in Mozambique.

Roger Downey: Yes, thank you for your question, a very good one, indeed. The strategy is unchanged and we are still seeing ourselves as a very promising and profitable coal supplier in the future. Mozambique is a very promising place to be in terms of coal, and the Moatize project remains a core asset. The transaction that we announced last year at the Vale Day in New York basically entails a sell-down of a shared control of our stake in the railway. And that's what it's centered around. Associated with that, we might sell a, as Murilo mentioned earlier and we did publicly disclose last year, a target of about 50% to 25% in the, in the, in the mine. I remind you, we make money at the mine, right, we don't really make the money on the railway. The railway, we look at it, as it basically if we can get the tariff as close to cost as possible, that's where it should be.

So, the concept, and trying to answer your question as best as I can, is to retain as much as we can of what we really are good at, and where we do make the money, which is the coal mine.

And still keep the railway servicing and having an integrated operation but, you know, using that to sell-down, to free up some capital right now. And obviously that also brings us an opportunity, as you know, the terms of concession of the railway in Mozambique other it's an open access railway, opened not to just to other coal producers, but also other cargos. So, by bringing in a partner, they can actually develop different businesses and bring in different cargos to the business, might even reduce our tax going forward. So, in the future this sounds like a transaction that is very closely connected with our strategy. Thanks.

Luciano Siani: Andreas, this is Luciano. We have a strategy and we want to increase the return on capital and return on equity for our shareholders. That's why you should be excited about. Whenever we invest for instance in ships, and they are still part of our core strategy, the core strategy is not to own this ship, it's right to make sure that they are available and at competitive rates to transport the ore from Brazil to Asia. But owning a ship is basically a business where you breakeven on your cost of capital, because it's an asset that you hold, it doesn't have upside in terms of returns. You basically, when you own them, you take out the economic cost, if you pass on to someone else which has a competitive economic cost, then you're actually raising the return on capital of the remaining assets of the company, because you're pretty much breaking even on the ships. And by the way, the Chinese companies which we are dealing with, they have means of financing the ships at very, very competitive rates. So, therefore the cost of, the economic cost for us will be cheap as well.

So, therefore we want to be concentrated on the assets in which we believe we can generate returns which are above the cost of capital. And usually that's more difficult in logistics assets. And, for instance, if you take for example the VLI transaction, that was basically a similar idea. We did that because we understood that the value creation was better performed outside the balance sheet of Vale than within Vale. But on the core mining assets, the goal is to raise return on capital and return on equity.

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

Tony Rizzuto: Thank you very much. Hi everyone, I've got two questions. First, on Indonesia. You were able to secure pretty quickly an extension to your contract of work. Other international miners are still negotiating, and I'm curious what do you attribute your level of success to?

Second, iron ore market. And I'm wondering your, both BHP and Rio Tinto recently have provided their view of the Chinese production capability and the complexion of that supply. I'm wondering how you view the Chinese iron ore production and what level is being displaced, and how much of that production may indeed be more sticky to exit the market? Thank you.

Murilo Ferreira: Thank you very much Tony. First of all, we have spent more than two years in this negotiation, because the negotiation was established in the Indonesia law, in 2009. And myself, I had the chance to visit there three times in order to discuss some key issues regarding this agreement. But Peter Poppinga, briefly you can explain the full context of our agreement in Indonesia.

Peter Poppinga: Yes, okay, Murilo. Thank you, Tony, for the question. So, this is actually some very exciting news for us. And Murilo, actually, I think it's actually three years that we're negotiating. The timing now is just because it was mature deal. And, we constantly compare to the copper, to the copper guides, but we have a completely different situation, we already had to Indonesia where these guys they don't have that, that's a completely different card.

But we secured this amendment of the content of work with new mining law. And so, essentially we reduced the area from 119,000 to 118,000 hectares. By the way, hectares doesn't mean reserves, and that's what some people don't understand, that we have lots of land out there where absolutely no ore was located or where we have other things like palm or trees by some former [43:05]. So this doesn't mean enough. And the second step we have, after the year 2025, we have agreed to reduce further the 118,000 to the 25,000 hectors required by the mining law. And exactly our ore of course and over 90% of the resources and reserves are in those 25,000. We have this time, until 2025, to select those areas plus we will have some project areas, where we can keep them where we use this for our mining, for our projects.

So, those reserves that we have are enough, more than enough, much more than enough than, in order to do our brownfield expansion plans we have for Indonesia. Then we agreed to increase the royalties at 2%, depending on nickel price. And if the nickel price goes over 21,000 we agreed for 3%, which is of course higher than we have today, but it's still reasonable if you compare to the average in the world. We also agreed to a divestment within five years of another 20% to Indonesian participants, and it's done by inflation adjusted book value which is more or less the fair value we have. Okay, so, PTVI in the future, after five years, will have a 40% public float. And what do we get in return? I think this is very important to state, we are now in compliance with the mining law and also with our contractors undertakings, which we have renegotiated. And we have now enough ore, like I said, for our expansion plans, which may go to 115,000 tons in the future, brownfield expansion only, nothing greenfield. And we also secured, which is the most important thing, we secured an extension of our contract work until the year of 2045. So, I think, pretty much that's it, it was a long process, three years, but we are very happy and I think it was different process than the copper side for the reasons I explained.

Murilo Ferreira: And it's important to say that the agreement was reached with the old government, and we had a chance to discuss with the new government as well. Martins.

José Carlos Martins: Okay. As I explained before, we believe that more than 50 million tons of ore produced outside China was already displaced, between 50 and 70 million. Considering the low growth of the market and the increasing in capacity, we believe by year-end, near 120 million tons will have to be displaced from the market. In China, it seems that you have some resilience, but we believe that near 100 million tons of China production is already below water level. So it's a quest of time when that volume will be displaced.

Another point is, some of this resilience is because you have important parts of Chinese iron ore production that does not go directly to sinter machines or to blast furnaces. They go to pelletizing plants. They are transformed in pellets and then compete with sinter feed or lump or pellets from outside. So, this is not, is not displayed immediately because those companies, in China, that have pelletizing plants, need to find another source of pellet feed before changing. So, and then you can see that these ore, in China, inside China, is sold at a better price than imported ore, around US$ 10 to US$ 15 above imported ore. But that's because of this pelletizing capacity that we have in China, if you take much more time to displace it. So, I believe that long term, China local production will be around 200 million against the 350 that they have been producing before this low price area started.

Murilo Ferreira: Thank you very much.

Operator: Our next question comes from Paul Massoud, with Stifel.

Paul Massoud: Good morning and thanks for taking my question. I just had a quick clarification. On the copper realized price during the quarter, a back-of-the-envelope calculation, especially after you remove the impact of provision pricing, it seemed like realized pricing there was a little bit lower than I would have expected based on where the market was. So, I was wondering if you could talk a little bit about some of the pricing dynamics that are happening there with copper and if there are any issues around quality? Thanks.

Peter Poppinga: So, I have to check that but I, we have a copper realized price effectively it's down, part of it is because of the price adjustments and provisional pricing from the last quarter. I would actually check deeper, I don't know if Luciano can help me, but I think mostly it's because, it's because of the and some new contracts, but mostly it's because of the adjustment of, in provisional price from the previous quarter.

Luciano Siani: We can, after the call, update the webcast presentation to include a slide on this matter, explaining these variances.

Murilo Ferreira: Thank you very much.

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

John Tumazos: Thank you for taking my call. With your various depot and blending locations overseas, ships on the water, port, ore in transportation, storage at mine sites, what is the maximum capacity in tons for your iron ore inventory?

José Carlos Martins: Look, we believe that this extended enterprise, because we have operations in Oman, in Malaysia, we have ships that we sent, that we sell afterwards. On average, we have around 10 million tons on this, this volume. And we believe we will continue to have it in the future. But we tend to not to increase our total volumes. The idea is to move the inventories that we have in our mines, in our ports in Brazil, nearby customers. So, we are only moving from one side to another to make it closer to the customer and to make it more liquid. So that's the idea. So, but, you can consider another 10 million tons of volume will be always in transit from Brazil to Asia.

Operator: Our next question comes from Marcelo Aguiar, with Goldman Sachs.

Marcelo Aguiar: Yes, thanks for taking my question. So, getting back to the inventory situation of iron ore, Martins, so, just to be clear, of the 9 million tons you guys spoke about, 3 million you've already done. So, the other 6 million you expect to sell during the fourth quarter?

And then, talking about the Pico Fábrica, the highway there, I mean, you have 20 million tons of ore. How long do you think this will be, you know, fully sold to the market? This is my first question.

José Carlos Martins: The other capacities are around 10 million tons per year, okay. So roughly speaking, you take two years to eliminate all those inventories and ship it to Southeast system.

Murilo Ferreira: And about the 9 million tons, we have 3.5 million.

José Carlos Martins: Yes, from the 9 million tons that we reported as inventory increase, okay, 3 million tons were in the mines, okay, because was not transported, because of the interruption of Carajás. Another 3 million tons was sales that was already done in China but the documents were not able to be considered as sale in the same quarter. And the remaining 3 million tons were mainly in Malaysia, okay. So, those are the figures that we had in the beginning of this quarter. And bigger part of it will be completely eliminated during the fourth quarter.

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

Ivano Westin: Hi, thanks for the questions. You have guided the market in your last New York Day total production based on your own production and acquisitions from general miners. The forward curve tells us a price at US$ 76 for 2015, which is the flatting level for some smaller producers. I'm just wondering if there is any threshold in terms of market price which would bring down your estimates of acquisitions from general miners. That's the first question.

And the second one, I'd appreciate if you could comment on your expectations of the timeline for voting and approval of the new mining code in Brazil? Thank you.

José Carlos Martins: As far as the, our volumes that we presented last year in New York, we continue operating in direction to have these volumes done this year, we don't have any change in our forecast. The same for next year. And, as far as the ore that we buy from third parties, the price mechanism we have with them is priceless, we come from the price of the market and then we bring it down to the mining cost. So, the price is automatically adjusted according to the price of iron ore in the international market. So, as long as these miners are able to supply this ore to us at those prices, we don't intend to reduce it. So, it's a question of their capacity to sell their ore at lower prices. So, I think, I don't have this answer for you. But we intend to continue to buy as long as they are able to sell to us, even at lower price.

Murilo Ferreira: Regarding the new mining law, I think that we have just November to be approved under the committee. Otherwise we must wait for the next year with the new Congressmen acting in order to approval in the committee. And later on, must be approved in House, the Upper House and the Lower House. I consider that they needed almost the range of four to six months to complete the whole process, in case of reaching a consensus in both Houses.

Thank you very much for your question. And I really appreciate most of the comments. And I would like to spend more time in this regard, I know that you had some doubts about our sales, the volume of sales. It was, something that we pursue based in the best interest of the company, is not regarding any problem to sell our material. And we hope to see a big number in the last quarter of this year. Thank you very much, all the best.

Operator: This concludes Vale's audio conference for today. Thank you very much for your participation. You may now disconnect.