VALE

Conference call and webcast presentation

Introduction speech (operator)

4Q14 Earnings Release

February 26th, 2014 – 12:00 a.m. RJ / 10:00 a.m. NY

Operator: Good morning ladies and gentlemen. Welcome to Vale's conference call to discuss 4Q14 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 March 4th 2015, on *+55 11 3193-1012 or 2820-4012*– access code *8167178#.*

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. Peter Poppinga – Executive Officer of Ferrous Minerals;
- Mr. Roger Downey – Executive Officer of Fertilizers and Coal;
- Ms. Vânia Somavilla – Executive Officer of Human Resources, Health and Safety, Sustainability and Energy;
- Mr. Galib Chaim – Executive Officer of Capital Projects;
- Ms. Jennifer Maki – Executive Officer of Base Metals; 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.

Murilo Ferreira: Good morning, good afternoon. Ladies and gentlemen, welcome to our webcast and conference call. Thank you all for joining us to discuss both our 2014 and fourth quarter results.

First of all, I'm pleased to report that, despite the declining commodity prices, Vale delivered a sound operational and financial performance in 2014, with annual production records in iron ore, copper and gold, as well as the highest production in nickel since 2008.

I'd like to state that for the fourth consecutive year our continuous effort to protect and take care of our workers are supporting the improvement of our health and safety numbers, and our total rate dropped from 2.6 to 2.3.

In 2014 we achieved a reduction of over 1.2 billion in expenses, in addition to the big reduction in cost and expenses achieved last year. Our general sales and administrative expenses decreased by over 20% and our pre operating stoppage expenses decreased by roughly 45%.

We give emphasis to a reduction in capex for the fourth consecutive year, with a reduction of 2.2 billion in our investments from 14.2 billion in 2013 to 12 billion in 2014. We reached a deal with Mitsui in Vale Mozambique with an expected impact of 3.7 billion, both in terms of capex avoidance and cash inflow once the transaction is completed.

However, despite our efforts, the lower commodity price took their toll of our adjusted Ebitda of 2014, which decreased to 13.4 billion. Our underlying earnings was 4.4 billion. Despite a scenario of declining commodity price and still high capital expenditures, Vale paid US$ 4.2 billion in dividends in 2014, while maintained its net debt almost flat at the level of US$ 24.7 billion.

I would like also to highlight that base metals adjusted Ebitda reached 2.5 billion in the year, and the fertilizers Ebitda increased to 278 million in 2014, against to a negative Ebitda of 54 million in 2013, despite lower volumes and sales prices. Iron ore had a record production in 2014. Operating revenues slightly over 26 billion, a decrease of about 27% when compared to 2013. The decrease was primarily a result of lower iron ore sales prices, around 9.2 billion, and lower pellets sales price, around US$ 1.1. These were only partially offset by sales volume increase.

It’s important to note that iron ore cash cost will decrease even further from the 23.2, US$ 23,20 per ton that we had in the fourth quarter 2014 as our internal cost reduction initiatives brings additional fruits and we will increase production and dilute our fixed costs.

In 2014, the iron ore market was hit mainly in the second half of 2014, by the growing supply of iron ore combined with the reduction in global demand. However, as iron ore prices decreased, higher cost producers in China and overseas lost competitiveness and started to leave the market, providing for adjustment in the supply and demand balance for the commodity. Better market conditions are expected with a new price equilibrium being reached in the medium term.

Base metals increased its share in the revenues from 15% in 2013, to 20% in 2014, mainly due to the improvement in nickel sales volumes and prices. Base metals adjusted Ebitda was 2.5 billion in 2014, representing an increase of 54% in relation to 2013. Nickel price and volumes of both, nickel and copper, more than offset the weaker price scenario for copper in 2014.

I would like to highlight Long Harbour and Salobo II projects, two important milestones of our base metals business, both of which are in a very positive ramping up trend. Although 2014 was a tough year for copper prices, the market is likely to see improved prices in 2015, as typicalties with the new copper projects around the world and lower production guidance at existing operations decrease expectations for supply growth from 2015 on.

With coal, we continued to focus on reducing costs and increasing profitability. Milestone projects, such as the Moatize mine, are already contributing to our production targets, while under performing coal mines, such as Integra and Isaac Plains coal mines, have put in care and maintenance. Also in the coal business, as previously highlighted, the deal with Mitsui allowed us to receive cash back and reduce our investment needs in both, Moatize and the Nacala corridor projects, while maintaining our operational control of the mine.

As previously mentioned, in the fertilizer business we saw improvements with adjusted Ebitda increasing to US$ 278 million in 2014, from a negative 54 million in 2013, despite lower sales volumes and prices. Fertilizer demand in the international market is likely to remain strong and prices should continue to improve with constraining supply in various parts of the world.

In 2014 we achieved many important accomplishments, such as the granting of the permit to open N4WS mine pit located in Carajás, the completion of eight projects, an investment agreement with Mitsui and Vale Mozambique, the renegotiation of the extension of our contract in Indonesia and its mine concession until 2045, among others.

For 2014 we stand firm in our intention, sorry, for 2015 we stand firm in our intention to further advance in the costs and expenses reduction, to seek higher productivity in our operations, to optimize our capital expenditures and to accelerate our divesture in partnership programs.

Finally, I would like to assure you that we'll continue working to preserve the payment of good dividends, and to maintain a healthy capital structure in 2015 and 2016, while we'll still invest in our key projects and prepare the foundations for an even stronger free cash flow generation from 2017 onwards.

Thank you so much, and let's now open this webcast for your questions. Thank you.

Operator: 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 1 key, on your touch tone phone now. If at any time you would like to remove yourself from the questioning queue, please press *2. Please restrict your questions to two at a time.

Our first question comes from Mr. Rodolfo Angele, with JPMorgan.

Rodolfo Angele: Hi, thanks again. I just want to start with a follow up question to go with discussing in the call in Portuguese, there we were discussing, you know, ways to improve the free cash flow, especially in this year and next year. One of the strategies is supposed to be divestitures and within the divestitures we discussed again the potential of an IPO in the base metals division. In there, Murilo, you mentioned that you, Vale is working on this as if there was a set date, but it's not […]. So my question is, how should we think about this, what is the thought process once that date, once you get to a point where you are ready to do it, you know, what is going to be the key driver? Is it going to be the state of the market overall, how are you going to think about it? And the second question is on FX, if you could give us a hint, what is your estimate in terms of your sensitivity of the effect of the devaluation on your cost and your capex.

Murilo Ferreira: Rodolfo, in fact we are working hard in the IPO process, and as you mentioned very well, as we had a set date. We need to consider that the main purpose of this project is regarding a lock value, is not just to bridge funds to Vale mainly in 2015 and 2016. Then, in this regard, all depend of the market conditions, and in case of having some proposal that could be considered very attractive for us. I could say that, probably, if you just see today, could be very challenge to have this transaction in place. But I think that mainly in the next coming weeks we will see a new scenario in the nickel, the nickel prices. Then I prefer to say to wait and see before going ahead with any conclusion. The most important is to go ahead with all the procedures that must be done in order to be ready in accordance with our plan. Luciano.

Luciano Siani: Rodolfo, if you remember, maybe one year and a half ago, we used to say that every 10 cents on the Brazilian real would represent a savings in cash of about 1 billion dollars. This number is now lower for two reasons, first because now 10 cents represents a smaller percentage in terms of the value of the dollar, and also because our investment plan now is reduced. So this number is more now around US$ 800 million for every 10 cents on the Brazilian real.

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

Carlos de Alba: Good morning, thank you very much. The first question has to do with an update, if you may, on the project finance component of the Nacala Corridor deal that was announced last year. Where are we in terms of closing that part of the transaction? And the second question, if you could comment on what are your expectations of working capital, of changing working capital, as well as cash taxes for 2015 there are imbedded in the comment that you don't think net debt, gross debt, sorry, would increase in 2015? Thank you.

Luciano Siani: Carlos, we are very, is Luciano, we are very actively working on the project finance, we have all the banks already fully engaged on that, leading multilateral institutions working on a weekly basis on the deal mode, towards us. However, is a very complex transaction, we have to first clear a certain, the regulatory approvals in the government of Mozambique and Malawi for the transaction itself, for the Mitsui deal, which should be cleared by May, April / May, according to our estimates. And we are working with the project finance probably at the end of the third quarter of next year, beginning of the fourth quarter, for the closing of the project finance.

In terms of working capital, we believe that there is potential for several hundred million dollars of additional gains, and we are working diligently on a daily basis to increase that number as we continue to see opportunities to discount receivables, to reduce inventories and to finance ourselves with our suppliers.

In terms of cash taxes, again the cash taxes are going to be probably minimum, we have a, if you look at the balance sheet, we have a lot of prepaid taxes in excess of US$ 1 billion, we also have now credits because of the recent losses on the devaluation of the real. So we expect cash taxes to be minimal next year going forward, on the back of this. But I won't give you a figure for that.

Murilo Ferreira: By the way, I think that it's good to mention that we got the exceptions in accordance with the Brazilian law regarding the project at S11D.

Operadora: Our next question comes from Mr. Wilfredo Ortiz, with Deutsche Bank.

Wilfredo Ortiz: Good day, everyone, just two quick questions. As far as the iron ore prices realizations, we've seen a […] discount between, you know, the reference prices versus what you are actually realizing has been coming down over the course of the past quarters, and obviously there is a combination of a number of different things that go to it, where it is CFR, FOB basis, the premium and the discounts that you're receiving from the different products that you do, so, and also with the potential blending. So, could you give us a little bit of a better sense as to where do you see this discount, or differential, if you will, from the reference price versus yours realizations going forward over the course of this year as things progress, the blending, more product from the North region, perhaps more sales on a CFR bases.

And secondly, as far as the pellet premium, you've obviously been able to achieve good realizations on the pellet side, and you provided some comments that seem to be fairly positive on pellets, particularly from China. If you could also comment a little bit on where your expectations are going forward.

Murilo Ferreira: Peter Poppinga.

Peter Poppinga: The iron price realization, as I said, is a combination of several facts, factors. We achieved 6.4 better number, so we narrowed the gap between, in between the pellets and our own figures. It is essentially these things which we will continue, we are increasing our CFR sales, this will continue, this always has a positive effect on that. Although like I said, it's not all revenues, it's revenue, it's not all Ebitda. Some Ebitda is there because of the bunker. Then we have, in this case we have US$ 4 positive contribution because, simply because of the fact that the decline in iron ore price in 3Q was deeper than in 4Q, so this makes our price more, makes you a positive, gives you a positive contribution. Of course, if the price then goes the other way around, one day and this will come, then this effect becomes, becomes, leads the equation. The biggest effect which will start to be seen, and it is just today very timid, you have, from one quarter to the other, we have just US$ 1 in this, and this effect is the higher iron ore, is the higher iron content and the lower humidity, because of the better qualities coming because of our projects. So this will probably, if today it was US$1, in the next quarters you can expect US$ 2 or US$ 3 in this respect, once we have our Itabiritos project coming, Serra Leste, higher contribution from the Carajás mines in the South, in the North area. And then, in two years, when we'll have the big quantities of the Southern range, S11D coming, it will, of course, have another jump. And then, what we are renegotiating premiums, it is a fact that we are having success in our premium negotiation, and again linked to the MB 65 Index where we are getting higher premiums. So that is a trend and I would say there is one, of course, if the price goes up again we will probably have in a first moment a different, a different momentum in the pricing system, there would be a negative contribution, but this would be offset by the iron content and lower humidity content. So I'm positive that in the next quarters the price will be going in the right direction.

On the pellets, we have a higher demand, it's very interesting, although you have a market which is depressed. It's a very interesting to see that pellet demand is increasing gradually not only in the DR market, but also in the blast furnace market, the premiums are holding surprisingly high, although we had a small, we had a small decrease in the last month, but it's holding firm. And this has to do with a lot of things, for instance in China, we are selling more pellets in China, you saw the lamp premium increasing a lot as well, from our competitors, this means, some pellets become more interesting. And there is also the pollution effect, China is treating very seriously the pollution issue, and as you know, pellets start to charge material, high grade material reduces, increases the energy efficiency and reduces pollution. So this trend is also positive, and we, as I said, we will, last year we produced 43 million tons of pellets, and we are going to more than 10%, or more than 15% actually probably increasing this figure into 2015.

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

Alfonso Salazar: Hi, good morning. I have a question on Long Harbour and on the Voisey's Bay mine. If you can give us an update on how is this Long Harbour ramping up and also if you can explain a little bit the negotiations with the province for exporting more ore from Voisey's Bay. Thank you.

Murilo Ferreira: Jennifer Maki, please.

Jennifer Maki: The Long Harbour ramp up is going well, we are on plan to produce 10 thousand kilotons of nickel in 2015. And by the end of the year will be positioned to take deep from Voisey's Bay, right now we are using a blend from Indonesia and Voisey's Bay.

On the development agreement amendment that we signed with the government of Newfoundland, it gives us additional flexibility in 15, 16, 17 as we ramp up the Long Harbour facility to ship out the middling concentrate into Sudbury and to Thompson, until that there is a facility in Long Harbour that can take up the quantities there are produced by the mine. And, in exchange for that, you know, we agreed to donate US$ 30 million in the province, as well as we pay a small processing charge to the government.

Murilo Ferreira: Thank you.

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

Thiago Lofiego: Thank you. Two follow up questions. First on the Itabiritos project, would you consider postponing if needed, of course, at the Caue, a hard Itabiritos project given your capital structure concerns in the next couple of years? Is that an option at all? And also what is your medium to long term view on further parts of Itabiritos project, considering the current iron ore price outlook?

The second question is on your, the redeemable PN shares operation, you've mentioned in the Vale Day, is that something that you're effectively analyzing for this year or is it just one potential ever that it could eventually follow if you decide to? Thank you.

Peter Poppinga: Thanks for the questions. I take the Itabiritos one and then if Galibwants to comment on that too, from the project perspective everything is on schedule but, it's very important that you don't misunderstand us here. We have a clear strategy, Vale has a clear strategy and is committed to reach within two years, when S11D comes on stream, 450 million tons per year. This means, we want to maximize the utilization of our existing infrastructure and port capacity, we have four ports, right? So this port capacity is 410 to 420 million tons, or will be, once we finish the S11D, then we have the domestic market that will take another 30 to 40, gives you the 450 million tons. So we want to maximize the utilization of this existing infrastructure, we want to fill the pipeline with high margin upstream ore, coming from S11D, of course, and some optimizations in the Southern System. So we have finalized, we have finalized the first, the project, in the Itabiritos – Vargem Grande, Conceição, Conceição II, which actually gives us new capacity, which is almost, it's ramping up, Cauê Itabiritos is roughly, is on schedule, is for second half, the end of this year, end of this year will be starting up, and the fifth land of Brucutu is already done as well. By doing that, we don't need, we can, and this will come in some years, some optimization in the Southern and Southeastern Systems, but we don't need great amount of greenfield, new greenfield projects to filll this pipeline I mentioned. So that's our plan and it's 450 million tons, 30 to 40 to domestic market and the rest will be exported, maximizing the utilization of our port capacity.

Murilo Ferreira: Which means. in the end. that we are not considering, at least in a short period of time, new Itabiritos projects.

Luciano Siani: Thiago, on the transactions and the preferred shares, all the transactions that we listed on the New York, on the Vale Day are being seriously considered. And the purpose there was to show that we have enough flexibility and we will choose the ones which are most value acquisitive and have better adherence to our strategy. The preferred shares in that respect, they have a feature, they are very quick to execute and now we know who the interested parts are, and it's sort of a plug that we can pull at any time in order to, if it we feel the need to do that in terms of our strategy. So I would say you should take into account that this is a definitely concrete possibility, but very flexible that we will do it at any time.

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

Leonardo Correa: Hi, good afternoon everyone. Thank you. The first one, the first question on my side is regarding a stream, potential stream line of some operations in the iron ore unit, I mean, you have certainly a lot of different moving parts in iron ore with some systems and places. I just want to get a fence on what potential assets or which systems now we could see, I mean, if iron ore prices decline even further, what could we see potential, some potential stream line of assets? What could be, perhaps, the targets? If you can elaborate a little bit on that, that would help a lot. And the second question, I'm not sure if we've touched on this also in the Portuguese call, but on impairments, right, we saw a result on impairments which was specifically offset by a gain that you booked on Onça Puma. But just thinking forward, I mean, we've been seeing in the industry several impairments, some competitors, of course, the long term pricing […] has also deteriorated quite a bit, so, I just want to get a fence on whether your potential iron ore assets going forward there is a risk that you, that we see some, some potential revisions on, on those, on those book values, just considering this new very weak iron ore price environment. Those are the questions, thank you.

Peter Poppinga: Thank you, Leonardo. So, on the streaming line, so we indicated, and this is not being calibrated, but is around this number, 340 million tons production this year, indication of the Vale Day of December, very close to reality and we believe that with 340 million tons we have healthy margins in the, even in the, in the current environment of prices, so we will keep those. What I mentioned before is that we have several projects coming on stream, which came on stream in 2014 and which are coming on stream in 2015, and if you take the difference, additional capacity from 15 in relation to 14 you have, in Serra Norte, for instance, 5 million tons more, you have in Serra Leste 4 million tons more, or 5 million tons more, Vargem Grande is increasing 6 million tons, in relation to 14, because they already produced in 14, Conceição I and II 8 million tons, and 5th line Brucutu 8 million tons. All this together gives you, from these new projects, gives you an additional quantity in 15 of 30 million tons. But as I said, we will only use from this 30 million tons, we will only use 10 million to increase production. 330 we produced this last year, to 340 want to produce next year, so 10 million from those ramp ups will be used for increase production. The other 20 million will be used for substitution of low margin ore. But we have two types of too low margin ores, we have third parties, where we probably will reduce by half, so, let's say 7 or 8 million less, and we have another 15 million out of this 20 million from the ramp ups, we have 15 million that will substitute our own ore in some regions. Those are, some marginal mines in the South System, some marginal mines in the Southeast, some satellite mines, and eventually Corumbá where we are going to adapt the right size of the production so that we have positive margins there, because today it's the only system where we have a slightly negative margin. So that is the plan, from the 30 million which will come on stream from the new projects, which come into play in 2015, we will only use 10 million to increase of production, so that means we will have, we will increase the margin, and we will use 20 million to substitute low margin ore from third parties and from our own mines.

Luciano Siani: Leonardo, Luciano, on the impairment side, on the iron ore we don't see any forecast for impairments anytime soon, the asset base of the existing iron ore assets are very depreciated, so we have a, just if you look at the financial statements you will see that it's around US$ 35 billion. So, proportionally to its contribution to the cash generation and even to the market value of the Company is, it's a relatively small asset base. There is a lot of property plants and equipment that we've been investing through over the past few years which are still have not been added to the existing set of producing assets, so when you look at the producing assets, the number is small, actually small when you compare to the cash flow generation potential. So, very far away, unless we decide to close a specific mine, then maybe on that specific mine we will need to do some reassessment.

On the overall impairments, as you saw fertilizers was a big number because of the decrease prices and decrease outlook. But on the other hand there was a reverse in Onça Puma, thanks to the good performance, thanks to the good outlook.

VNC, Vale has a proportion of the cash flow which is, I would say, more than its fair share of cash flows on the equity state because of other financing arrangements. So that pays into account as well, so we do, every year we do an impairment test on VNC, that's the result. So, I would say, we have nothing against providing you transparency of what we think the assets will work, and that's what we've been doing and we'll continue to be doing.

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

Andreas Bokkenheuser: Yes, thank you very much. Just a couple of questions from me. First, management has on previously occasions obviously reiterated his preference from not queueing up the balance sheet. But let's assume for a moment here that iron ore prices give up another US$ 10 to US$15 a ton, we certainly seems to be within the realm of likelihood. You know, what expect to be happing then, do you think you can do enough assets sales base to cover your capex commitments, or do you think that's a point where capex get delayed and maybe the Carajás expansion gets delayed as well? So that would be my first question.

And my second question, you also previously maintained that you are not going to do base metals IPO, you know, at any given price. And you are marginally bullish on nickel prices, as is consensus. But is there a minimum valuation that would do you to accept the base metals IPO that you have in mind?

And further to the base metals question, what issues are committed capex to your Vale Indonesia operations in view of your commitment there to your contract of work into the country? Thank you.

Murilo Ferreira: Thank you very much for your question. Just to say that we have a consensus with our Board that the S11D will go ahead at any scenario, and we have a plan, a different plan in case of different prices, with different strategies regarding the source of money. One decision is very clear, is regarding S11D, is our priority, is very low cost, is good quality, much better that we can see in the market, then we, for sure, with the implementation of S11D.

Regarding the IPO, we have an arrangement, but I think we are not authorized to discuss at this point of time, and we believe that it's not efficient as well. But we have arranged that should be considered, at least now, to pursue the IPO.

Luciano Siani: Andreas, just an additional comment, taking your reasoning to the extreme, if iron ore falls to US$ 30 per ton, obviously we won't be able to fill the gap with asset sales. So there will be a point in which you would simply say: well, let me go, let go my leverage because we have as a priority to conclude the strategic projects for the Company, as S11D. On this line of reasoning, for instance, we believe, again, as I mentioned in the Portuguese call, that we are already prefunded at spot prices scenarios, given the call transaction in place, that we will close this year, we already very well advanced in terms of additional transactions that will be eventually required to fund an eventual gap in 2016, but that could, obviously, you know, doomsday scenario, be used to fund additional gaps in 15. As for 16, if you get to 16 with S11D very well advanced, the rhythm as it is progressing, there is no harm in increasing slightly your leverage, as you are in the eve of completing your major project, I would say, everyone would understand that. Again, I stress that, under this doomsday scenario that you are pointing out. But we still believe that given current spot scenarios and so one, that Vale will comfortably bridge the two years until S11D is completed.

Operator: Our next question comes from Garrett Nelson, with BB&T Capital Markets.

Garrett Nelson: Hi, thanks. I just have a couple up macro questions. One is the outlook for Chinese steel production in 2015 as you see the market today? Have your view changed at all since Investors Day inearly December, I mean, Chinese steel prices and spreads have declined significantly in the last few months. And I think Chinese steel production was down close to 5% in January, year over year after about 1% growth in 2014. I know overcapacity is a major problem, obviously, I know very complex issues are impacting that market, maybe just some intelligence regarding what you're seeing right now in China.

Luciano Ferreira: Before we go into that question we just want Jennifer to answer the previous question on the Vale Indonesia commitments.

Jennifer Maki: So, on Vale Indonesia we have a commitment to expand the capacity of the plant to 90 kilotons per annum and we have flexibility in the short term and we undertake that. We are just completing the final feasibility study on that and expect to bring that forward shortly. It's not a huge capital number, it's 400 million phase I, is the estimate, and it's spread over a number on the year, and it can be funded by the cash flow in Indonesia as well. So, the other commitments in the contract they are really to future development in Bahadopi, they are in early feasibility stages of studies and there's no immediate need to spend money there and we are also looking for a partnership to those projects as well.

Peter Poppinga: Thanks for the question. On regarding the production in 15, what we expect for China is, of course, in the very short term what we are seeing is that in January steel production was down, but it's traditionally, as we know, January is always a weak month. What we think is that what will go in the year, a little less than 1%, certainly not again, not anymore like in the past, but it will grow marginally and then picking up stronger. We think, in spite of the shift from infrastructure to consumption, still some urbanization is very much needed in China and this will probably peak in 2020 or 2025, until then steel production and consumption will go up at the pace, which is less than it was before. Supply in the rest of the world in 2015 is strong behavior, like for instance in the Middle East, we have strong demand, also in India. In India you have some infrastructure being built, interest rates are going down, and actually we are seeing, we are seeing India is transforming, is migrating from a, it's now a net importer of iron ore, and actually we sold 4 million tons last year into India and we, according to our focus and our order books, we are probably going to double the sales to India this year. So, there are, is of course still all about China, but there are other things happening in the world which will mitigate that. Thank you.

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

Paul Massoud: Hi, thank you for taking my question. I apologize if this is a repetition from the Portuguese call, but in the past, I think at Vale Day, you talked about 220 million tons of global production in the iron ore side being uneconomic. So, I just wonder if you can give us an update on that figure. And, you know, if we see an additional cut since early December, that may are taking some higher production out of, you know, or potentially is there a ship down in the cost curve. My second question is for maybe an explanation of the difference between your realized copper price and what the alloy average was in the fourth quarter, I think it's about US$ 800 per ton difference, and so, I'm assuming there's some provisional pricing implications, and I figure, you know, if you can talk a little bit more about the delta there and whether that we'll see that gap continue or if it's a potential to see it shrink in the coming quarters? Thanks.

Peter Poppinga: Thank you for the question, Paul. Some months before, I think it was last year, we said that under the current price scenario there were around 220 million tons of the world iron ore production wouldn't be competitive anymore. I'm revising this number now and since, we had some people exiting the market and we also had strong cost deflation, like, because of exchange rate and other things, so, today we can estimate 150 million tons are not competitive. But it takes some time, this is not from one day to the other that people exit from the market or go for care & maintenance. What we see, what we have seen in 2014, that 94 million tons of Chinese production has exited the market and 28 million tons of seaborne has exited the market. In 2014 we had a Chinese domestic production 240 million, in 15 we saw last Chinese of course going out, 27 million, according to our numbers, and, but 42 million exiting from the seaborne side. And the Chinese steel production, the Chinese concentrate production we are forecasting to be 210, around 210 million tons. And in one or two years down the road this should be stabilizing in China at around 170 million tons of concentrate. Interesting also to mention that in the very short what we see is the mines, they have, they have, they have high stocks, but it's coming down now. It's very drastically coming down in the last weeks, one month, we had 20 days stocks coming down to 15 days. And the utilization rate, the average utilization rate of the mines in China was 80% two months ago, now its 50% only, according to our numbers and statistics from China. On the other hand the stocks in the ports are high, and interesting, the stock in the steelworks are very, very low. So what we probably think will happen is an uptick now in demand, in buying, once the Chinese new year ends, and this will, of course, give a positive momentum in the price, but it won't change the big picture we have outlined before that prices remain under pressure since we have new, more new supply coming than new demand. Thank you.

Jennifer Maki: On the copper price realization, you're correct, part of that would be the provisional price to get adjusted, but also our proportion of copper concentrated in total copper sold will increase as Salobo continuous to ramp up, so you'll see that delta continue as Salobo ramps up.

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

Rene Kleyweg: Good morning gentlemen, thanks for taking the question. Two things, in terms of follow up, I guess. One was, in terms of VNC, you extended the negotiations with Sumic again. Could you just clarify what the test number is terms of the 2015 production requirement? And what the potential liability is, in terms of buying the 14.5% stake if you don't meet that. And secondly, in terms of your pelletizing operations, you still got three idled plants, you've got a construction of you that you touched on in terms of the idle look for the pellet market. Is there potential for those plants to come back on the stream? Do you have the raw material to feed that? And what sort of further expansion in terms of pellet premiums would you require to justify that? Thank you.

Peter Poppinga: Let me answer first the pellet plant questions. Yes, we have some plants, as you know, the iron plants are in the South, Vale I and Vale II are idles, they need some brownfield work there, some equipment modernization. Since we had our Vargem, since we had our pellet plant in the South System coming in Vargem Grande, but also in Tubarão VIII, it was more, it was a higher profitability to bring those on stream, kept them to full capacity, which means that next year we are going to produce more pellets, I mean, in this year we are going to produce more pellets than last year, 10% to 15% more. But it is very easy for us, it is very easy and doesn't require big investments to go, to restart pellet plants I and II in Tubarão, of course, we have all the licenses, it's a compelling business case. However we are studying, and we are preparing our studies what would we do differently, how would we bring them on stream again, but there are not concrete plans today in terms of investments or in terms of time, it will be, watch the market, and will be maybe watching our cash position in order to decide if we invest in pelletizing I and II, and in the North in the pellet plant in the Northern System, in São Luiz, we don't have any concrete plant, we are still studying.

Jennifer Maki: On New Caledonia the details of the extension to the end of December 2015 with our partners there are disclosed in the commitment notes in the financial statements, so we are referring to that, and just say that are focus remain on achieving our plans budget in New Caledonia in 2015.

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

Jeremy Sussman: Thank you for taking my questions. First, on the Portuguese call I think you said you expect nickel prices to increase in the next few weeks. What are you seeing that gives you that sense? Then the follow up question is, how much iron ore inventory do you have in Brazil and Malaysia right now? I know it decreased by 5 million tons on the fourth quarter, so that it would be helpful. Thank you.

Jennifer Maki: On the nickel price side, we do anticipate a stronger demand for nickel as the months progress in the year, and especially as we come out of the Chinese New Year. Just given the significant destocking that we saw in 2014, we remain quite confident that this will happen and we also see the ore inventories in China have decreased a lot, and so there is lower grade inventories there that will drive up the costs of the nickel pig iron production, and it's not sustainable at this level. And so we really do believe in 2015 the market will move from a surplus into deficit.

Peter Poppinga: I have to check on the inventory in more detail, but we have roughly 56 million tons of inventories in the mines, we have them in the ports as well, and we have in Malaysia. In Malaysia it's probably 8, yeah, 8 million tons. But the split between the mines and the ports I have to check on that, but the answer is around 56 million tons of inventories in total.

Luciano Siani: This is Luciano, as a follow up, just reminding you that we've been talking in the past about the strategic inventories that we have in the South System, especially on the Vargem Grande complex and also in a, and that we, with the Pico Fábrica road and other developments in railroads of these mines, we have now the capacity to slowly roll this additional ore to ore ports in Tubarão and in the South. So this is a potential for additional cash flow as well, without incurring in the production costs.

Peter Poppinga: Thank you Luciano for this remind. It's actually important to say that the Pico Fábrica road enables us to flow out this inventory, this stranded inventory is around 9 to 10 million tons in the Southern System, but since the Southern System ports are already at capacity and we still have some spare capacity in Tubarão port, this Pico Fábrica road enables us to transfer the ore, this inventory from the Southern System to the Southeast System and ship this out of the Tubarão port. Thank you.

Operator: Our next question comes from John Tomazos, with the Very Independent Research.

John Tomazos: Thank you very much for the call. Could you elaborate a little bit about the range of a potential nickel copper IPO that you said has already been set? Would such a transaction have that attached? Would the transaction terms be less than US$ 2 billion for each 10%? There are scenarios where other mines stocks are down almost 50%, and the transaction terms at that price might not be as beneficial to Vale.

Luciano Siani: John, this is Luciano. Obviously we cannot give specific details on all of those questions but I just do, for you to think about it, we have guidance about US$ 4 to US$ 6 billion of Ebitda, that's what we want to achieve for the business, right? If we don't achieve results on that range, either by reason of prices or others, we will not go towards the IPO. If we reach the 4 to 6, you know what are other trading multiples, so you can do, I think, your own math, but we're targeting significant value, if it's not on the table, we'll not do it.

Operator: Our next question comes from Marcos Assumpção, with Itaú BBA.

Marcos Assumpção: First question here, on the product quality, if you could comment a little bit on the amount of production that is been currently penalized by high silica rates? Like how much is the penalty today and if you expect this production volume to decline, when you expect that to decline given the improvements in quality that you are seeing? And a second question, also here, if there is any, if there is further price decline, just questioning here what would be Vale's marginal cost of production, like the average cost, cash cost on iron ore is 22, but what would be the marginal cost of production? And at what level Vale would eventually analyze also cutting capacity if prices are too low? Just a sensitivity.

Peter Poppinga: Thank you for the question. Look, regarding the quality we have around, around 20 million tons of high silica material today, but this, as I mentioned before, that's why we have Malaysia, we have also other planning facilities, and this will gradually be mixed with the Carajás fines, plus, this will be substituted by the new projects where we, coming on stream and which we already have on stream, and Cauê comes on stream at the end of this year, and once you have new projects, the Itabiritos project on fool capacity, the trend is that this goes down very much.

So the high silica will actually be reduced very, very much in the next two years. Then, for general guidance we can work with, from this year, two years ahead, you'll have 1% more iron in the mix on general and on average, which means around US$ 500 million more revenue under the same price conditions.

Regarding the low, the marginal cost of our products, we don't, normally we don't show this in much detail, so I would not like to comment on this.

Murilo Ferreira: Thank you very much for your questions, we really appreciated your understanding and your timing for having this discussion, and have a nice day. Thank you very much.

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