Vale S/A
Conference Call
Third Quarter 2016 Earnings Results
October 27th, 2016

Operator: Good morning ladies and gentlemen. Welcome to Vale's conference call to discuss third quarter of 2016 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 2nd 2016, on ***+55 11 3193-1012 or 2820-4012***– access code ***8585970#***

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;
- Mr. Humberto Freitas – Executive Officer of Logistics and Mineral Research;
- Ms. Jennifer Maki – Executive Officer of Base Metals; and
- Mr. Clóvis Torres – Executive Officer of Human Resources, Sustainability, Compliance and General Counsel.

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: Ladies and gentlemen, welcome to our webcast and conference call. Thank you all for joining us to discuss our 3rd quarter 2016 results.

I am proud to report that we had another good operational and financial quarter. With operational performance, we reached several production records in the 3rd quarter. For example, we achieved production records for iron ore, including a record at Carajás for three pelletizing plants in Brazil - Tubarão III, Tubarão VIII and Vargem Grande - for containing gold as a byproduct in copper and nickel concentrated, and for Moatize coal production.

On the financial side, we achieved impressive costs and expenses reductions in the 1st nine months of 2016, which decreased by over US$ 2 billion when compared to the 1st nine months of 2015 as a result of our continuous success in cost reduction initiatives.

Moving to the 3rd quarter performance, adjusted EBITDA was US$ 3 billion, about 27% higher than in the 2nd quarter 2016, with improvements for our ferrous minerals, base metals and coal business segments.

Our Capex amounted US$ 1.3 billion in the 3rd quarter with project execution amounting US$ 740 million, out of which US$ 530 million in the S11D project.

There is only one main project under development, is the S11D project. We are happy to see that S11D achieved an important milestone with big progress in the 3rd quarter. S11D successfully began its hot commissioning with almost 200,000 tons of production in the 3rd quarter 2016, with the startup expected for this quarter and the 1st commercial ore sales planned for the 1st quarter 2017.

The S11D project will reduce our C1 cash cost, improve our operational flexibility increasing logistics capacity in the North system to 230 million tons per year by 2020.

We remain focused on strengthening our balance sheet and continue to reduce our leverage. In the 3rd quarter of 2016, we managed to reduce our net debt by US$ 1.5 billion, to US$ 26 billion with a cash position of US$ 5.5 billion.

Few comments about ferrous minerals. Our C1 cash cost for iron ore fines in Brazilian Reais reduced by 10% to R$ 42.2 per ton versus US$ 46.9 per ton in the 3rd quarter of 2015, despite inflation of over 8%, mainly to the improvement in operational performance and ongoing cost cutting initiatives.

Our landed in China iron ore and pellets Ebtida breakeven decrease to US$ 28.30 per ton in the 3rd quarter from US$ 28.50 per ton in the previous quarter, despite the appreciation of the Brazilian Real and higher bunker oil price.

In base metals, we know Salobo EBITDA was US$ 131 million, increasing by US$ 9 million when compared with the 2nd quarter 2016. Salobo's EBITDA amounted US$ 384 million in the 1st nine months excluding the impact of the gold stream transaction, becoming an important, a big contributor to base metal cash generation.

VNC continues to improve despite its still negative EBITDA of close to US$ 40 billion. Ebtida improved by US$ 11 million when compared to the previous quarter, despite the planned maintenance shutdown in the 3rd quarter 2016. VNC's unit cost net of byproduct credit reached slightly more than US$ 12,000 per ton in the 3rd quarter 2016.

In coal, we had an important improvement in the 3rd quarter. Coal EBITDA almost breakeven as a result of lower cost in Mozambique with the ramping up of the Nacala logistic corridor and the starting up of the Moatize II processing plant.

Net coal realized price have not yet reflected the recent sharp increase in coal index price due to Vale's legacy price system, but are expected to improve in the 4th quarter of 2016 with the improvement in benchmarked price.

We started up the Moatize II processing plant in August. The ramping up is progressing well and contributed to a quarterly production record in Moatize of almost 1.8 billion tons, being 40% higher than the 2nd quarter of 2016.

The ramping up of the Nacala logistic corridor continue as planned. Production cost per ton at Nacala Port continued to improve at US$ 87 per ton in the 3rd quarter 2016, 16% lower than in the previous quarter with further improvements expected for the coming quarters.

And looking at the fertilizer business, EBITDA increasing about 85% to US$ 59 million in the 3rd quarter 2016 compared with the previous quarter, driven by lower cost and higher volumes, despite lower market price and the appreciation of the Brazilian Real.

We are committed to complete our divestment program in line with our commitment to have taken two important steps in that direction. In August, we sold additional 25% of the gold stream as a byproduct from Salobo's copper concentrate, and in September we achieved an important milestone in the Mozambique coal transaction by approving new terms with Mitsui.

The divestment program is key to our efforts to strengthening our balance sheet and continue to reduce our leverage.

As I think you all know, we are driven by our commitment to safety, to people and to preserve the environment. Moreover, we understand that it's important to all of our stakeholders, including the people and places where we operate. We are constantly looking to adapt and evolve by building what we have seen, experienced and learned.

On that regard, on November 5th, Samarco accident will complete one year anniversary, and since then we stood by our commitment to do what is right.

Thank you all for your interest in Vale, and now let's open this webcast for your questions. Thank you very much.

Q&A Session

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 one key on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue, please, press star 2. Please, restrict your questions to two at a time.

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

Carlos de Alba: Thank you very much. First question has to do with any specifics Murilo perhaps that you could share with us on the selling of the fertilizer or the strategic transaction in the fertilizer business. Apparently, you are still committed to that, but if you could give us more specifics that would be very useful.

And the 2nd has to do with the VNC. The operation has continued to perform better and improve its results. Is this now an asset that Vale feels comfortable keeping in the portfolio going forward or still the company is analyzing whether or not it will sell the asset or do something strategic with it? Thank you.

Murilo Ferreira: Starting with the VNC, Jennifer Maki please.

Jennifer Maki: Yeah, as it relates to Vale New Caledonia, we've seen good progress on the cost reduction, we've seen almost, by the end of the year, 100 million of fixed cost reduction relative to 2015, and today the cost is around US$ 12,000 a ton. And included in the third quarter, we had some one-time maintenance cost and so if you were to adjust for that, it gets you to just above US$ 11,000 and we also had 21 days of shutdown.

And so, to me it's clearly reachable by the end of the year that we are below US$ 11,000 a ton, and I know the employees are working really hard to achieve that, and we need to achieve that because the nickel price is 10,500 today.

And so, I think since we come back from the shutdown in July, the production is trying to do the right direction, but we still need to increase it further, and it needs to be consistently delivered. I know our employees are obviously putting safety first, they are working hard to ensure a future for VNC and we are receiving good support locally, but the job is not yet done and we have some more work to do there.

Murilo Ferreira: Regarding selling fertilizers, we must address that we are looking for a strategic transaction. As you know, we have huge resources and reserves in nickel, in iron ore, we have a good portfolio in copper, we have a very interesting and good project in Mozambique, but we don't have a good project in potash, for instance. Then, it's not just the case of doing a divestment, we are looking some alternatives in order to increase the efficiency of the whole system in fertilizer.

We continue very positive about the future of the fertilizer and we want to stay to the business, but we want to address differently as a company that recognizes that we don't have huge reserves, huge resources, mainly in potash in Brazil. Thank you very much.

Operator: Our next question comes from John Brandt, with HSBC.

John Brandt: Hi, good morning. Thanks for the call. Two questions from me. The first, wondering if you can give us an update on the FMG agreement that you signed back earlier this year. We have better iron ore prices, better premium, you are now blending your own ore. I'm wondering if this agreement still makes sense, and if it does, if you could sort of give us a rationale as to why and maybe give an update on that agreement.

And then secondly, you know, with higher iron ore prices and some of the other non-core assets sales that you're doing, I'm wondering if you're still open to selling part of your iron ore operations or streaming or trying to realize some value there if you can reach your target at US$ 15 billion in net debt in 2017 by sort of some fertilizers, vessels, as well as higher Ebtida in cash flow generation from the better prices. Thanks.

Murilo Ferreira: Regardless of my comments about fertilizers, we had a transaction in coal and I think that's extremely positive in order to enjoy the full benefit of the Nacala corridor. As you know, we will stay with 50% of our existing position in the Nacala corridor, and just selling 15% into the mining. Then I think that in the context of the divestment, we are addressing properly not to invest so heavily in the logistic side in Mozambique, and being much more focused in mining, in the coal mine.

And fertilizer, as you know, I did some comments, and about the streaming, about assets that could be divested, we can adjust the amount of money that could be received. The main focus, I repeat again, is to reach a fair net debt. I think that this number can be in the range of US$ 15 to 17 billion. It's our forecast. We are not considering to reduce our divestment, but not exceed in a way that we could reach the level of, for instance, 12 billion or 13 billion. No way. I think that we must calibrate properly.

And Peter?

Peter Poppinga: John, thanks for the question. For us, FMG has a strategic component, it's not a tactical approach changing with fluctuating or fluctuating with iron ore prices or premiums. So, that's Vale's rationale. It a strategic component to them. We are still discussing for actions in 2017 although the negotiations are more complex than originally thought. And that's probably because of different expectations where the value creation for both parties will occur. So, those expectations have to be adjusted, but at least from our side it is not a tactical approach, it's a strategic approach, and we have to adjust to the expectation. Thank you.

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

René Kleyweg: Hi gentlemen, thanks for taking the questions. Could you provide an update on what you're seeing on the mine side in terms of commissioning with S11D and how everything is going there?

Peter, with regards to São Luís, on the last call you touched on the potential ability to have some crushing capacity at São Luís and get things up and running there. Are there any other challenges to ramping up São Luís, and is it dependent on what visibility you have on Samarco restarting? Thank you.

Peter Poppinga: René, thanks for the question. When you mean São Luís you are talking pellets, right, not S11D? Yes, we are analyzing all the options, we have several options to increase pellet production. Like I said before, we have options increasing the productivity of existing pellets plant, this has to do with more feeds availability, which has to do in turn with some licenses. We are still working on it. We are increasing productivity in Oman. For instance, by shipping Carajás' ore, Carajás' fines, to Oman, you increase dramatically the grind ability of the Oman pellet plant, so you produce more because it's rich ore. Even we are studying shipping, transshipping some Carajás' fines into the Tubarão pellet plants where you can also achieve the same effect. It costs you a little more, but it's more than offset by higher production in the pellet plants in the South because it's a very easy ore to grind. And then there is of course the São Luís pellet plant, and then there is the other pellet plants in Tubarão, which we are analyzing. All those options are being analyzed. I think we can, in the Vale Day we can have a better picture of what's the most feasible situations there.

Regarding the mine in S11D, we are on schedule, we have on the whole S11D, as you know, the mine mill is 95% physical progress completed, the logistic is 74% physical progress completed. In the mine mill we are already commissioning, we already produced, like Murilo said before, almost 500,000 tons of run-of-mine and the systems are all working well, being commissioned, so far no big problems, only small normal adjustments in terms of commissioning.

So, we are positive that, end of this year, in December, we will have the first production. But first sales will only happen in the beginning of 2017. Thank you.

Murilo Ferreira: If you allow me Peter, just to confirm that our railway spur is completed including under supervision of the control that we have in São Luís. It's complete, it's 100% complete our railway spur.

Thank you very much for your question René.

Operator: Our next question comes from Christian George, with Societè Generale.

Christian George: Thank you gentlemen. Two questions. On Moatize, could you give us an idea of your targeted production level for coal next year? And also, you're saying that the net coal price increase has not been reflected yet, but has some of the coal price increase been reflected yet on your performance in Q3?

And the second thing on Moatize, with regards to the project finance you are contemplating, once the Mitsui deal goes through, I mean, are you… you know, well advanced with the banks, and are there many thanks in the project finance? Or is it something which maybe delayed due to the problems with the deadline in general? Thank you.

Murilo Ferreira: Roger and Luciano, please.

Roger Downey: Hi, good afternoon. We have… we ramp-up the Nacala corridor, we are also ramping up the mine in tandem, so what we are achieving is… should be a sum around 13 million tons of coal transported to Nacala next year. And basically, that is a result of reaching the 18 million tons capacity level by the end of this year.

Murilo Ferreira: Luciano?

Luciano Siani: On the project finance, as you saw, we have reached agreement with Mitsui, which is a very positive milestone for going forward. We also had top-level meetings in Tokyo a few weeks ago, our CEO, Mr. Murilo, met with the governor of JBIC, and also in a very high level the commitment of the institutions have been sealed going forward.

I myself went to visit last year as well in the beginning of last week of September and it was also very well received, continues to be a lot of strong institutional support going forward. There is an understanding that the roadblock now is just go through the lengthy documentation for finalizing the project. We're talking about 115 agreements almost 20,000 pages of documents. So that's where the teams are working on.

We've got all the approvals in Mozambique, we are having very high-level meetings with the ministers in Malawi, there is especially a single meeting today, which might be definitive, and we are still awaiting the final approvals from the Malawi government. But looking forward, the only obstacles to successful completion should be documentation and Malawi approvals.

Syndication is progressing very well, we have more demand than ECA coverage from the banks, which means there will be some competition, costs are actually coming down and we expect to deliver a project finance not only with the decent size, but also very competitive in terms of costs.

Roger Downey: Yes, just going back your question on price, coal prices have surprised because of the issues with Sena corridor, where we stopped loading from there, we have some carryover tonnage, so we haven't been able to really get any effect of the new coal prices or the higher coal prices in the 3rd quarter. The first shipment of new high price coal is being loaded right now, so we will have that effect in the 4th quarter of course.

In terms of realization, well, just to give you an idea, if you compare the current levels of premium low vol seen on the spot market today, our Chipanga product received a very small discount to that, somewhere just above 245. But of course, we have a mix of different coals, so the average realization in relation to the benchmark and to the spot level is obviously a little bit lower in the mix.

We also are reducing the freight differential that we had in relation to previous quarters. When we shipped from Beira, because of the size of the vessels and because of the fact that we had to use a transfer vessel there, we absorbed a freight differential, which was against us. With Nacala now we don't have that anymore. So, that should improve realization going forward.

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

Alex Hacking: Thank you. Good morning, good afternoon everyone. Roger, just a follow-up on Moatize. When Nacala is at 18 million tons a year capacity, how much is that 18 million tons to anticipate would be premium hard coking coal versus thermal coal, versus intermediate coal? If you could quantify that it would be very helpful given the very different prices between those products.

And then the second question I guess is for Peter. Is Vale still intending to reduce its iron ore inventory at some current levels? And if so, could you maybe quantify to what extent do you intend to reduce inventory in the 4th quarter this year and then how much you could maybe think about reducing it in 2017? Thank you very much.

Roger Downey: Hi Alex, just on your question regarding our product split, this year, as you know, over the past few years we've been accumulating thermal coal stockpiles, which we are unloading, offloading this year. So, we have a slightly twisted mix in 2016 shipments. But from 2017 onwards, we won't have those inventories anymore, so you should work with a 2/3 met, 1/3 thermal split, in favor of met.

Peter Poppinga: Hi Alex, thanks for the question. On the inventory, as I said before, it's a balancing act between mainly three actions: first targets, we want to progressively reduce inventory in Vale's iron ore chain. That's the first statement. And when you compare the end of December last year and looking now to end of December this year, we are forecasting a reduction of, say, 4 to 5 million tons of total inventory reduction. That's the driver number one. The other driver is that we want to have a progressive increase in offshore blending for better price realization. Because we are still not completely, let's say, full or completely loaded in our distribution centers, so still working progress to building up some inventories offshore. But this helps price realization, that's why we're doing it this year, we are blending roughly 40 million tons, next year we are going to 70 or 80 million tons offshore.

And then the other driver is a progressive… since we have inventory, it's better to have more downstreams than up streams. So, our aim is to shift inventories more and more downstream. And I remind that in the production report that in 2014 we had less than 10% offshore, and in 17 it is target to have roughly 35% offshore.

But in general, generally speaking, inventories will go down, but much more in the mine and in Brazil and the ports, and less on a global scale because of those three drivers. Thank you.

Operator: The next question comes from Daniel Lurch, with BNP Paribas.

Daniel Lurch: Hi, thanks very much for taking my question. I just have a quick follow-up on the coal transaction. Do you view that the political situation in Mozambique could in any way influence the timing of the completion? I think they have a number of issues in recent weeks. What is your opinion on this one?

And quickly, on the 2.7 billion which you mentioned in the recent press release, can you again confirm how much the actual amount you expect to flow in? Is there any requirement to capitalize the Nacala corridor?

And just a second question on Samarco, could you give a quick update on your discussion with authorities this year? Is there any progress in reinstating the previously agreed framework agreement on restarting the operation? Thank you.

Murilo Ferreira: I was in Tokyo last week and I can say that we are extremely well aligned about the closing of the transaction with Mitsui. I think that it is an issue of a few weeks, probably November, that we will sign the final agreement with Mitsui, and it's no big issue regarding the accident that we noticed in Nacala corridor recently.

Luciano, about the project finance, please.

Luciano Siani: Yes. Some more information, as you know, the donors from Mozambique they have stopped sending money there because of the statements by the IMF that they were not happy with the discovery of some unknown debts in the external accounts of Mozambique. That has been a tension for a few months. However, in September, president Nyusi from Mozambique visited Washington and met with Christine Lagarde, and Mozambique acquires with the idea of having a forensic audit of the debt. So therefore, there was a resumption of the IMF missions to Mozambique. We believe the country is on its way to normalizing its relationship with the financial community.

And in between, we have received assurance from the major ECAs that the current situation will be no obstacle to going forward with the support for Mozambique. Much to the country, there is a belief that it's part of the recovery of the country and it will help a lot going forward.

On the US$ 2.7 billion, yes, we have that amount of money. We wouldn't have the difficulty as I said, the money is above what we need and we will in the end calibrate the precise amount, depending on the cost for the overall package. So, if we are going to have a few hundred million less or more it will basically depend of the final cost conditions for the package.

Murilo Ferreira: And about Samarco, it is important to point out that, first of all, we must reach a good alignment with BHP in order to be well prepared to going back to the operation. We have some discussion about the tailings dams. We as Vale, we have some infrastructure in the region that can help Samarco, but we must adjust the terms and conditions of this infrastructure, and up to now we are not able to reach this agreement. And we must reach a consensus as well about the debt.

We have a different view of BHP. I have a meeting with the CEO, Mr. Andrew Mackenzie, next week in London, and we hope that we – having a strong and good relationship with him – also liked to reach an agreement in some key points to leave with our teams in order to go ahead with the transaction. Thank you very much.

Operator: The next question comes from Jeremy Sussman, with Clarksons.

Jeremy Sussman: Yes, hello, thanks. Thanks very much for taking my question. I just wanted to ask about the 2017 guidance. I know you are going to discuss it more on the upcoming Vale Day, but recently you gave a number of 360 to 380 million tons in 2017, which was a little bit lower than you had given at the last Vale Day, I believe. I'm just wondering, you know, with S11D on track, kind of what's changed since then? Are you holding back some tons that you could ship it if you wanted to? Any color would be fantastic. Thank you.

Peter Poppinga: Thanks Jeremy, for the question. No, nothing has changed on this guidance. We are still sticking to the number, or to the range of 360 to 380, and we will detail that a little more in the Vale Day in one month. But again, it's guided through the margin optimization and, of course, we will always have a mature eye on the market, but the main rationale for this range is that we have… the key here is that we have a constraint in logistics in the Northern system in 2017, which is 175 million tons. We want to maximize the Northern system, and the ramp-up of S11D is not in two years anymore, but it's four years. So, we will reach 90 million tons by 2020, and then we have the full logistics of 230 million tons.

This phased approach can be done with the same Capex we had forecasted before, but we are stretching it out in terms of execution, and also… this also minimizes the operational interference with the existing operation. So, the 175 Mt we want to maximize in 2017 from the Northern system as a whole, ramp-up of S11D plus the Northern range we have already, and then the rest will come from the Southeastern system and from the Southern system.

So, this is information I can give you today.

Murilo Ferreira: Peter, if you allow me, just to confirm that the Northern system we will work in terms of infrastructure with the number of 230 million tons. Originally, the idea was in the North range with 140 million and in the South range, in S11D, with 90 million, which means 230.

As right now we have reached 155, which means that in the end we have reached the level of 75. But that is a matter of the source of the material reached, the Northern range or the South range. All depends on the demand, what material could be better received by the market. Then it's some adjustments, but considering that we have an infrastructure of 230 million tons for iron ore. Thank you very much.

Operator: The next question comes from Peter Grishiko, with Barclays.

Peter Grishiko: Hi guys, thanks for taking my question. I just want to follow up again on the met coal. Do you guys see any changes from the type of contracts your customers are willing to enter? In other words, any one client to be present in spot or I guess versus swap in this very high price? And I guess, you know, general, any thoughts you might have on the industry response from the supply side to this price would be very helpful.

Roger Downey: Well, I think everyone is still unsure of how long coal prices can stay this high for. There are lots of very specific issues that have led to this price hike. I don't think customers are looking into anything, but of course you have seen the benchmark been settled at much higher levels. So I think what we are seeing is a… the long-term market determine contract being adjusted accordingly to where we think coal prices should be over the following quarters.

Murilo Ferreira: Thank you.

Operator: The next question comes from Thiago Lofiego, with Bradesco BBI.

Thiago Lofiego: Thank you gentlemen. Two follow-up questions. One on the blending side. Peter, if you could comment on what are the pros and cons of doing your own blending with the Southern tons versus engaging on a potential blending with FMG tons? I would just like to understand your rationale specifically on that, and if you could give us an update on what exactly could go on with that agreement with Fortescue.

And second question on the freight rates. Is there more room to continue to negotiate rates down versus your own average? Or you are pretty much at a limit there in terms of the contract rates? Thank you.

Peter Poppinga: Yes, thank you Thiago. Regarding FMG, I think we have our own blending strategy that was built some time ago and we are now executing it. There is nothing hindering us to do both. But it really depends on further negotiations with FMG, so I will not enter into details right now because we don't have them first of all, and second it wouldn't be right to discuss things which are being negotiated.

But it's not, one is not excluding the other. We have our own blending strategy, we have our own blending Southern system for instance, as I said before, one of the big changes we are implementing is that we don't spend now anymore, enough… we don't need to make final products in the Southern system, in the port, losing capacity at the port, stressing too much our mines. Now we have intermediate products blended offshore, which gives them the final product. That's one of our strategies. But again, when FMG comes, when we are ready and when we have agreements, it can be a phased approach. One is not excluding the other.

On the freight rate, it depends very much on the bunker of course. But let's say at a constant bunker, yes, we have still some room for optimization. The biggest two are: the first one is next generation Valemax, we have 3 to 3.5, depending on the bunker, US$ 3 to 3.5 more competitive freight rate than the first generation, so that's a plus. Then you have the fact that probably if you then consider the whole supply chain, we still have floating transfers in the system in the Philippines, which will be probably idle. And then, let's say, of course the whole new dimension we are working with, which is the active and rebalancing of our spot policy, spot freight rate policy, how to optimize that.

So, yes, there is room to go down. But, as you know, the biggest element in freight today is the bunker variation, but a constant bunker, yes, we can still go down a little bit in our freight rate optimization.

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

Felipe Hirai: Hi, good afternoon everyone. It's actually Carrell here. My question is a follow-up on base metals to Jennifer. Jennifer, you mentioned earlier in this call that you aim to reach a cash cost of below 11,000 per ton by the end of the year, and we were wondering if you could share with us what the long-term goal is in terms of cash cost for the asset, and when you think that could be achieved? That is our question. Thank you.

Jennifer Maki: Thanks for the question. I think we can achieve below 11,000 tons at the end of the year, by the end of the year. Obviously not the average for the 4th quarter, but as we continue to grow the production, that's really what we need to achieve the US$ 11,000 a ton, or slightly below that. And I would say when you look to 17, it will probably be the same level.

But long-term, we're fully ramped up at 57, we will be below US$ 10,000 a ton after a byproduct credits.

Felipe Hirai: Okay thanks.

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

Ivano Westin: Hi gentlemen, thanks for the follow-up questions. Just two points, please. On the first one, on the fertilizers divestments, can we expect it should be concluded this year? Just to be clear, please. And the guidance that you provided in Mozambique is very helpful.

The other point is a follow-up to Peter. On the previous call, you were discussing US$ 25 and all the measures that are expected to achieve that. Can you just clarify Peter, please, when you expect to you achieve this US$ 25, please? Thank you very much.

Murilo Ferreira: Peter?

Peter Poppinga: Ivano, thanks for the question. That's a tough question. When… we have the aspiration to target US$ 25 and I can list you again all the main elements how we can get there, but we haven't established a firm target of when. It is, of course, not next year, it's not 2018. One of the conditions must be S11D must be fully ramped up. The other condition, second generation of Valemax must be fully operational – and the target is a more than 30 new vessels, right. So, we are talking midterm, we are not talking next year or 2018.

Again, what are the main pillars to achieve that? It's three pillars: we have to optimize our global integrated supply chain in terms of efficiency and price realization. This is not optimized yet, right. I talked about Valemax generation, the full discharge in China, which is increasing, the new… to rebalance our spot portfolio long-term freight, the ability that we have now to reduce costs in the Southern system because we are not making final product at the port anymore, we are blending in offshore. We are reducing Opex by replacing trucks by belt conveyors in Itabira and Carajás and so on.

And the price realization, if you blend more you have a better price realization, and to explore the optionalities, which is very important and you can adjust to certain movements, macro movements in the market. Then we have distribution centers in China, which will be important for us to also to increase our price realization and, as I said before in the previous call, we feel that we are… that market is not pricing in correctly our lower alumina iron ores from the Southeastern system. So, we will work on that to increase our premiums for lower alumina ore.

All that is part of the road to the 25. The other one, as I said, is the S11D and the global recovery, which is a very important macro element. We are increasing our global recovery strongly from one quarter to the other, from one year to the other. That's the total amount of product you produce divided by the run-of-mine plus the waste.

And, as I said before, we are… out of the waste. We are not leaving ore behind, we are not jeopardizing our ore bodies, we are transforming waste into ore, either by beneficiating the waste - now we have the ability in Itabira with Cauê and Conceição crushing the compact Itabirites - or by simply calling… including some, some… surface material which is too hard and considered waste, we are now including the waste into the ore, so that in the past we had a one-to-one strip ratio, now we are practicing 0.6 to 1 strip ratio, which is a big progress.

And then, the other element of this global recovery is, of course, is the way you treat the ore. So, we are more and more dry processing. It was already a plan before the Samarco incident, but we are more and more dry processing and today, let's say this year, we are at 40% dry, and we are going in five years to 70% dry, which of course increases also your global recovery, which postpones Capex, which reduces Opex and so forth.

So further macro elements… for… which will be mapped and which will be detailed to the road to 25. Thank you.

Clóvis Torres: Ivano, on the fertilizers deal, we have ongoing discussions within the third parties, and we expect to announce it soon, but for sure before year end.

Murilo Ferreira: Thank you very much.

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

Mr. Assumpção, your line is open.

Marcos Assumpção: Hello?

Operator: You may go ahead Sir.

Marcos Assumpção: Okay. Good morning everyone. First question still on the Nacala corridor. If you could comment that eventually – it's more for the future –if you could… if the project is scalable, if you could expand the capacity of the railroad and port, considering that you have already a higher mining capacity.

Second question on China, regarding a potential devaluation of the currency, what could be the impact for Vale. And, Murilo, if you could comment specifically on the shutdowns that we have seen in the mining industry in China, if you would expect some restarts, if they would regain some cost competitiveness in the future or if the capacity shutdowns are probably irreversible. Thank you.

Murilo Ferreira: Marcos, I don't think that is feasible or realistic to say that we could expect some returns in the market. I think that it's not so easy to shut down a plant and later on to reverse and to go back to the operation.

I think that the devaluation that we had recently, it was almost 3%, which is not a big number, and the problem that they are facing is mainly in the environment perspective, and I don't think that… until the number of 120 million tons I believe that this people will stay to the business. But the level of flexibility from 120 until 160 -165 we could consider, but something above this number I don't think that should realistic to consider going back to the business.

And the Nacala corridor, Humberto?

Humerto Freitas: Yes, we can easily increase the capacity of the… Nacala corridor. The bottleneck today is the car dumper in the port. If we put… if we install a second card dumper we will move the bottleneck to the railway, and in this case, we can just increase the number of crossing yard.

Murilo Ferreira: Thank you very much. I really appreciate your interest about Vale and I hope to see you soon. Thank you very much.

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