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## Vale and government of São Paulo enter partnership to invest in logistics in the state

Vale and the state government of São Paulo today signed a memorandum of understanding to invest in the development of the state and enhance its logistics infrastructure in the coming years. The agreement was signed at Bandeirantes Palace at a ceremony attended by Governor Geraldo Alckmin. Vale, which has logistics and fertilizer operations in the state of São Paulo, plans to invest approximately R\$3.5 billion, provided partly by commercial partners and partly from its own resources. These investments are subject to approval by Vale's Board of Directors.

The resources will mainly be used to expand Vale's port activities in Santos, extend its multi-mode stockyards and build warehouses at the port. On July 14, Vale signed an agreement to establish a joint venture in order to operate a concession at Ultrafertil Maritime Terminal (Terminal Marítimo da Ultrafertil, or TUF). Located in Santos, the terminal handles cargo such as sulfur, ammonia and general fertilizers, and is strategically interconnected with Vale's railroad network. Its main distinctive advantage is its integration between port, railroad and terminal facilities.

The cargo-handling potential will be up to 16 million metric tons per year, and all of the additional volume will be handled by rail. It is estimated that this increase in railroad freight movements will take more than 1,000 trucks per day off the state's roads.

The increase in handling capacity associated with the investments planned for TUF will raise the Port of Santos' annual grain-handling capacity by up to 30%.

Greater integration between TUF and Vale's railroad network in São Paulo will enable bulk agricultural products to be exported, especially sugar and grains. In 2010, 3.5 million metric tons of general goods were carried by Vale's logistics infrastructure in the state. R\$432 million will be invested in the joint venture to finance TUF's investment plan.

Besides port infrastructure, the deal provides for investment in expanding Vale's railroad activities in the state, through the acquisition of new locomotives and train cars, as well as expansion of stockyards and the building of railroad terminals.

"This memorandum of understanding is aligned with our strategy of creating value for our shareholders, promoting the development of competitive railroad and port logistics, which will contribute to the growth of agriculture in Brazil," said Vale's CEO, Murilo Ferreira. For 2011, the company's budget for investment in logistics is US\$5 billion.

According to state secretary of Economic Development, Science and Technology, Paulo Alexandre Barbosa, the investment reinforces the economic growth forecast for the region in the coming years. "Due to the exploration of oil reserves and the expansion of port activities, Vale's project is arriving at an opportune moment for the sustainable development of Greater Santos, creating new opportunities to generate jobs and income for the region's residents," explained Barbosa, emphasizing that the state government of São Paulo is also investing in the creation of vocational training courses to meet new market demand for labor through the Fast Track Employment (Via Rápida Emprego) program.

The mayor of Santos, João Paulo Tavares Papa, also highlighted the importance of Vale's project for the region. "This investment is in tune with the Municipality of Santos' Strategic Plan, which calls for an onshore port complex to support the oil and gas exploration capable of meeting the needs of the country in the coming decades," he said.

Vale's investment plan will receive support from Investe São Paulo, the state agency responsible for promoting investment and competitiveness, which reports to the Secretariat of Economic Development, Science and Technology. Investe São Paulo will supply environmental, tax and infrastructure advisory services. For no charge, the agency provides companies with strategic information, helps investors to find the best sites for their business, and facilitates contact with public and private organizations.

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