



VALE

Teleconference and webcast 1Q2013 Results

April 25

Portuguese: 10:00 a.m. (Rio de Janeiro time)

Introduction

Operator: Good morning, ladies and gentlemen. Welcome to the Vale teleconference, in which the 1Q2013 results will be discussed.

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

I should remind you that this teleconference is being recorded. The recording will be available at the company website, www.vale.com, investors section. Replay of the teleconference will be available at phone (55 11) 4688-6312, access code: 5002512 #. This teleconference has been simultaneously transmitted by Internet, being accessible both at the company site: www.vale.com, investors section, and at www.prnewswire.com.br.

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

Our participants today are:

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

- Mr. Humberto Freitas – Executive Director of Logistics and Mineral Research (*Diretor Executivo de Logística e Pesquisa Mineral*);
- Mr. Galib Chaim – Executive Director of Capital Project Implementation (*Diretor Executivo de Implantação de Projetos de Capital*);
- Mr. Peter Poppinga – Executive Director of Basic Metals and IT (*Diretor Executivo de Metais Básicos e TI*); and
- Mr. Roger Downey – Executive Director of Fertilizers and Coal (*Diretor Executivo de Fertilizantes e Carvão*).
- Firstly, Mr. Murilo Ferreira will comment on Vale performance in the first quarter of 2013. Afterwards, he will be available to answer questions, should there be any.

Now I would like to invite Mr. Murilo Ferreira. Mr. Murilo, you may proceed, please.

Mr. Murilo: Good morning, ladies and gentlemen. I appreciate your accepting our invitation. We are very happy to disclose our results for 1Q2013, including important increases in the operational income, margins, and generation of cash.

You may have noticed by means of the information we disclosed yesterday that the operational income totaled US\$ 4, 2 billion, 41% and 68% higher, respectively, when compared to 4Q2012 and 1Q2012 as well. Therefore, such operational income increase is rather impressive. The adjusted EBITDA totaled US\$ 5.2 billion, also 18% and nearly 5%, respectively, higher than that in the last quarter last year and the first quarter in 2012. The most important aspect to be highlighted is the fact that this quarter was the second best in the company history; the best-ever result was achieved in 1Q2011, when prices of iron, nickel and copper reached rather impressive levels. Thus, I would like to greatly emphasize such aspect.

Another important aspect is that we appropriated, in accordance with the rules, the gold transaction that we recently made and, for such purposes, an EBIDTA of US@ 244 million was considered. With regard to the earnings, taking into account excluding [*sic*] the non-recurrent effects of USD 3.2 million, 65% was an increase over the fourth quarter last year and, yet, 10% lower than the first [quarter] 2012. Nevertheless, it is very important that we highlight that a significant share thereof was the payment of taxes, but on the other hand, accounts that do not mean any cash outflow also reported, such as exchange fluctuations and market-to-market derivatives operations; thus, if you exclude such non-recurrent events, the result is quite impressive.

But the reason I came here for is to report our happiness and our motivation with the quality of the balance sheet. For the first time in forty quarters – yes, let me say it again, in forty quarters - the reduction of costs and expenses were a main drive to such result. We realized that in terms



of costs and expenses, from the very beginning to the end, there was a contribution to the EBITDA over USD 1.5 billion and so, we were even able to exceed the drop we reported in the shipments made. Thus, such reduction in costs and expenses is very impressive.

And we want to tell you that we do not consider it to be an isolated event – we see and can provide the major reasons for this to happen. Undoubtedly, the first is the optimization of our activities in regards to always pursuing the projects, the operations with the best return [*sic*]. So, this has allowed an important rationalization of the corporate expenses and of support activities.

The second group is under the focus we are giving to value and quality. This includes the changes made in the supplies [Dept]. I also want to thank all the staff involved in supplies, where they have worked hard and we anticipate new results, both in Opex and a reduction in Capex. This was achieved by an in-depth review of contracts, development of new vendors, process changes, and also working on some non-profitable operations by discontinuing such operations.

We also believe that in a little while we will start seeing other brilliant results, especially in the next three years as we open new mines, inclusive the Carajás expansion is very important with respect to that. We are also celebrating the performance of the base metals business, something we have been often providing clarifications about what was going on in previous meetings, but we realize that a substantial improvement is happening.

We cannot go without mentioning the gold operation, that we have already mentioned, but we are also discovering values in assets, for instance, in New Caledonia, Salobo, Lubambe in Zambia and such projects, the three projects, have been in ramp up and we have been watching them develop as programmed. The project, our Vale Nova Caledonia operation, is an investment we made and a few times we talked to you about the technology, our belief in the technology. The project, it encountered several challenges in the past with respect to equipment and we believe we are already moving towards achieving the first big large-scale project in operations using the HPAL.

As a result, we have already produced 5,100 metric tons of nickel and 372 metric tons of cobalt in the first quarter of the year. I believe we are achieving a significant improvement and we already can, we are relying on a positive cash flow from the New Caledonia operation in 2014.



We are also very enthusiastic about Salobo. It is already operating at 65% of the nominal rate, it operated in the last month and we realized that, as a result, both copper and gold achieved the highest production figure ever. We also have to highlight the contribution of the base metals to the drop of costs and expenses in 1Q2013 – they contributed 35% of such reduction although the income is equivalent to 16%. Thus you can see the effort that the base metals business staff has been making.

We must also say that, once all such work has been performed, if we include the pre-operational expenses, the capacities we discontinued, the expenses with the interruption of certain activities, such EBITDA totaled USD 757 million, with a margin of 41%. And when we remember that in the last quarter of last year the margin was 9.8%, said 41.1% ratio shows rather well the scenario that has been developed by the base metals team, because we did not have any significant price change between 4Q2012 and this quarter.

In regards to our investments, we invested nearly USD 4 billion and at all times in conformity with a strict discipline with respect to the allocation of capital and always trying to keep our investment grade rating. [Regarding] our projects, we are monitoring all of them and the members of the Board of Directors themselves [monitor] each project and we are assured that we are committed to delivering them as scheduled, including as far as the budget is concerned.

We are working on simplification of structures and also an important reduction in R&D as we had many projects and this represented a significant burden on the company. Other important news we have is in respect to a decision by the Federal Supreme Court (*Supremo Tribunal Federal* - STF) in Brazil early this month in respect to companies holding assets abroad. Fortunately, there was a decision favorable to us with regard to retroactivity, taking into account that the notification from 1996 to 2002 had already had a final decision. Furthermore, in view of the decision made by the en banc Federal Supreme Court, we have sufficient collaterals to continue the legal dispute without being called to pledge securities.

We are working with confidence and we do not yet have the agenda on how this may be handled at the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça* – STJ). We are also confident about the new mining industry code in Brazil [hoping] that it does not create any constraints and does bring motivation for investments.

Finally, [I want] to say that we are very proud for having delivered some of the commitments we had talked about in previous meetings. However, we also want to say this is only the beginning of a pathway. A pathway we want to see as successful and we must deeply thank our team's efforts. Our team is very committed to the goals and we are increasingly convinced that world-



class assets [*sic*] aiming to bring the return to our shareholders. And with patience and persistence we shall achieve such goals.

Now I would like to invite Luciano to proceed. I will be back later for questions. Thanks!

Mr. Luciano: Well, I will be very brief. Murilo has offered an important overview of the cost-reducing efforts. Only to draw attention to some specific points, some investors and analysts mentioned that there is USD 244 million, as said, in non-recurrent effects in our EBITDA on account of the gold transaction, but I also remind you that we have USD 120 million related to coal provisions that should be deducted from said USD 244 million. Therefore, there were two non-recurrent effects in the quarter.

With regard to an analysis by segment, we have taken one more step toward offering transparency of the Company costs and expenses. I think that now you can have a rather good view of the cost structure of iron ore and other company business.

Specifically with regard to base metals, Murilo mentioned an adjusted EBITDA of USD 757 million; it is our EBITDA added to the expenditures and expenses in development, that is, it is subsequent to the pre-operational and stoppage expenses, although it is influenced by the positive gold result worth USD 244 million. I emphasize that the copper results, although the Salobo project has already reached a production level of 11,000 tons in the quarter, that is, in the quarter, 45% of the capacity in the past month, which is as Murilo mentioned, 65%. This is Salobo contribution for the result which is still too low because we have not been able to; [*sic*] you know that in order to achieve a cost reduction, a larger production is required. Therefore, it is expected that the profitability of the copper segment line will grow impressively throughout 2013, since you will have not only one operation that is the Sossego, but will also have two operations bringing contribution to the Company.

Obviously, the nickel business line is likely to grow on account of the ramp up in New Caledonia, but at a lower scale by the New Caledonia contribution since the nickel production base is larger than the production added by New Caledonia. It is less impressive than the addition of Salobo with respect to copper.

With regard to [*sic*], here I will invite José Carlos Martins to make some comments about the realization of price, which I think is also an item that may have created some doubts in the



quarter, and I refer to the contents of pages 9 and 10 of the presentation that was available in our website.

Mr. Martins: Good morning to all. It's a satisfaction to be with you again. I would like to reinforce what Murilo and Luciano commented about the quality of this quarter result that [was] strongly influenced by the operational performance. Historically, Vale results have been greatly led by the performance of the iron ore price. This quarter, we are proud to see that the "leading star" are the costs and the operational performance of all Company areas, especially the great improvement we achieved in the base metals business.

With respect to the iron ore pricing as shown on slide 9, we reported a great change in the price composition. As I have been telling, we are yet to reach stabilization in the iron ore pricing forms; if we look at 1Q2012 and have it compared to this one, we notice a great increase of iron ore sales contracts based on iron ore futures prices. That means that in fact, Vale has a foot resting in the past from the viewpoint of the VRP pricing, which is based on the quarter minus one month, which was the old system we enforced before the end of 2011 and was kept unchanged by most of our clients, especially in Asia. Then we have 13% of the pricing based on a price relative to the September – November quarter, although we are already in the January – March quarter in this period.

The news here is the growth of futures prices. As you are aware, since our sales require a long travel time to arrive, especially in the Chinese market, we are adapting to this reality, and a significant share of our sales in the quarter, more exactly 34% of their volume, have been based on futures prices pricing basis, that is, based on the price upon the ore arrival in China. Then, in fact, at the end of quarter, we have sales based on a provisional price and the adjustment shall be made only a bit later, when the commodity actually arrives in China.

As we see in the following chart, such factors cause a great impact on pricing to the extent that the quarterly average no longer has that direct relationship that used to be commonplace under the previous pricing systems. Here we see, for example, what we call VCP – it is the Vale Currency Price, which would be the average [price] in the quarter. We notice an increase to USD 148.80 from USD 143.50 in 1Q2012. However, [under] iron ore futures prices, we notice that it was at a price slightly lower than the quarter average price, at USD 137. And also the pricing based on the past price that showed a difference this quarter, we are talking about an



average price of USD 113.00. The impact of such pricing models does influence the average realization in the quarter.

However, such phenomena are likely to be offset over a longer period of time, although they have a great impact in the quarter as the year passes and such prices are based on contracts, most of them long-term contracts. In the long term, the trend in a longer period of time, from six to nine months, the trend is that the prices are likely to move towards the average. But the fact is that this new form of pricing that was introduced in the last quarter of last year, introduced this factor and depending on the prices trend, whether increasing or decreasing, you end up having an impact on average pricing.

The average price realized though, it reflects a mix, not only a mix of FOB and CIF Sales but also reflects the impacts of the wet ore compared to the dry ore, and also the differences in quality that are calculated with basis on the view, which is the value of the ore in use. You end up having a differentiated impact on pricing. In 4Q, this form of pricing ended up causing a rather positive impact on the results to the extent that the price was increasing whereas it caused a negative impact in this quarter since the prices were dropping.

Then, basically these are the two factors I would like to mention and we remain at your disposal for any questions you may deem necessary.

Mr. Murilo: Let's start our Q&A session, please.

Questions and answers session

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

Operator: Our first question comes from Mr. Felipe Hirai, Merrill Lynch.

Felipe Hirai: Hello, good morning, good afternoon to all. I have two questions. My first question relates to the new mining sector code. Murilo, you said that this new industry code, that it would not bring any constraints to the sector; I would appreciate if you could be clearer about the matter. Is there anything with respect to any special participation [tax] [*Taxa de Participação Especial*] that..., or if you could say whether there is something regarding the special participation or not. And my second question is in respect to the company investment policy; throughout the last quarter, we heard some news about VLI and now also about the Norsk Hydro look up – so, I just would like to understand how the company investment policy will be.



And lastly, I just would like to congratulate the team for the excellent result, especially in terms of the base metals cost reduction. Thank you!

Mr. Murilo: Thank you very much Felipe! I have had a very frank, very open discussion with the Brazilian government about the mining industry code. In fact, only at the end of the process we will be knowledgeable about the version to be submitted to the National Congress, but I think that a number of aspects that have always been a matter of great concern for IBRAM, for all the players in this market, they have been very well understood by the government. Therefore, for instance, in the case of the special participation, the government knows that out of the 36 mining countries, the major miners, not one has adopted the special participation. I think it is a very strong argument for the issue and especially, because it [the government] is aware of the need to maintain unchanged the competitiveness of the mineral industry in Brazil.

We are not alone in the world, we have – especially in a time like this where the scenarios are more challenging – we must be very aware of our competitiveness. Then I think that is it, I think there will be a transition ruling that will also display a very interesting bias; I think the periods of validity the government intends to set for each of the concessions to be awarded, shall be liable to renewal. So, I believe that a number of doubts the market had, are moving in a very positive way, and the meetings held with Ministries and the Office of the President's Chief of Staff (*Casa Civil*) have been very fruitful for the clarification of all.

We have reached the last VLI phase, we intend to take the VLI to the Board of Directors still in the month of May if possible, or in the month of June under the worst case scenario, but there was great progress in this respect. Regarding Norsk Hydro, we would also like to congratulate the Norsk staff for the results achieved in the quarter; very positive results, and now we are not going to dispose of such asset, we are not going to. In view of its financial solidity, Vale will not make this investment in any way [*sic*]. I know many stock market players are sold short, waiting Vale to fulfill and replenish its needs, but my feeling is that perhaps the people will get a little tired of waiting.

So, with regard to the results, I thank you on behalf of the whole team. I believe the team is dedicated exactly to bring the results you have always waited for, i.e. a result of quality. Thank you very much, Felipe!

Operator: Your attention please. Our next question comes from Mr. Renato Antunes, Brasil Plural.



Renato Antunes: Good morning to all, thanks for the question. The first question, still with respect to the base metals unit, on the release you mentioned that you continue the strategic revaluation of assets and even talk about a strategic partnership in Thompson. It would be interesting if you could make further comments about this, what we may expect from here on, if this is something similar to what you did with the gold or if it is something to finance future expansions. And the second question, with respect to the generation of Vale cash in the future and the potential return of cash to the shareholders, if you could help us understand your approach to this in the future, the really very impressive cost performance, the price of ore remains relatively strong, [and] if you think there is a possibility to increase the dividend throughout the year. Thank you!

Mr. Murilo: With respect to the base metals, we are studying some alternatives for Thompson in the province of Manitoba, Canada. Today, it is a very important operation for us from the point of view of quality, but unfortunately, we do not have any clear view about the future nor in regards to the investments that were necessary with respect to the environment. But I would like to invite Peter Poppinga so that he can explain exactly the most comprehensive concept of the smelter situation, of our facilities in Thompson.

Mr. Poppinga: Thank you, Murilo. Renato, thank you for the question. Thompson is one of our oldest operations and it is located in Manitoba, in a region of a very high geological potential for nickel and one of our best products comes from there. Plating grade is a very noble nickel product, then this new decision to search for a partner for such operation is due to the fact that we have to strongly develop the underground mine, in addition to the challenges you are aware of in terms of cash for the base metals business. Therefore, we would like to combine the two things, we know there is a very high geological potential, it's an operation with a very good product, but we must have a partner there, precisely to help us finance such expansion.

That is it. Meanwhile, we have a data room anticipated for May, we already have several interested parties but I say it again, it is not any sales of assets, it is a search for a strategic partner.

Mr. Murilo: As you can see, Peter remains committed irrespective of the generation of cash that he is already presenting, while living with his own resources. Something we very often say, and I used to joke and say there would be no more "allowances", and that is how it is. We are confident, we believe there is an opportunity in Thompson, we are talking with the province, and we are talking with some players, so that we can develop it.



With regard to dividends, we are always very happy to pay more dividends, but we want to remain prudent, we have many projects, and more than that, we have the project, the largest Vale Project ever, which is S11D, Serra Azul, a mammoth project in Mozambique. As a result, we want to monitor carefully and if there is a possibility, we will always pay an additional, but at this moment, no, we are not talking about the issue. Thank you!

Operator: Your attention please. Our next question comes from Mr. Ivano Wester, Credit Suisse.

Ivano Wester: Good morning to all, thanks for the question. Congratulations to all those involved in the result. I would like you to make comments on the Capex plan; you still have a USD 600 million Capex budget this year for the Colorado River - is this committed; is there any option to possibly decrease such value and possibly about investments also in the steel business such as CSP or other projects that may possibly reduce the guidance of USD 16 billion in the year. And the second question – I would like you to make comments on Vale Indonesia, still with respect to the nickel business, this license is under review, it would be welcome if you could make comments on the possible period of time to be elapsed before having a decision made, and the potential outcome. Thank you!

Mr. Murilo: Ivano, thank you! With respect to PRC, I would like to say that we keep on trying to negotiate such asset so that it can be developed to another part [*sic*]. Therefore, I would not like to make any investments review yet, neither for PRC nor for CSP. We will disclose this [issue], if any, at the moment we are convinced that all the assumptions are having the required compliance.

With regard to Vale Indonesia, it is not really just a discussion of both project and contract entered into with Indonesia, but it is a very important decision for the nickel industry on account of the laws that came into effect and that will come into effect next year. Then I would ask Peter to talk exactly about this situation in Indonesia and our interests there.

Mr. Poppinga: Certainly. Thank you, Ivano. We have a contract of work, called contract of work valid until the year 2025 in Indonesia, and we are renegotiating such contract of work with the government of Indonesia so that, firstly we can extend it, and also that we can be compliant with



the new mining law. We did make a proposal last year and now we are actually negotiating with the government so that we, let's say, modernize such contract of work.

Such proposal comprises some abandonments of some areas, reduction in the area because in fact there are areas the potential of which is not too interesting for us but perhaps for others, and we are also developing partnerships with local companies and international companies. Another component of such renegotiation is exactly to show to the government of Indonesia that we are continuing to invest, to the extent possible, in terms of brownfield in our operation there, basically, when I say to invest is more in the sense of [when] you have furnaces there that must be repaired and when you make the repair, you make [the repairs] in a larger scale.

Then, we are expecting an increased production in our production there [*sic*], that today is around 70,000 and this year will already be around 80,000, [and] thus we intend to reach 100,000 – 120,000 in the near future. This is the situation in Indonesia, but such negotiation is not easy, it also comprises local municipal governments but we are confident we will have a deal there at the year end. This is our plan.

Mr. Murilo: Just to complement Peter[’s comment], there is really a law in Indonesia that will prohibit exports of ore, of nickel, starting in 2014. I would like to tell you that we produce 78% of matte nickel and then we are not subject to such law, we produce an elaborated product. Therefore, this law is anticipated to be enacted and this will throw the nickel market into a complete turmoil if it comes into force mid next year as expected.

As you know, today China buys enormous volumes, is producing nickel pig iron, 400 thousand tons of nickel pig iron nickel this year and if it is prohibited to export the ore to be processed in China, they will have to build units in Indonesia and until they are built, the market may really be unbalanced. Then this is the situation we have seen, but again, it does not affect us because we produce the mate nickel, we do not produce the ore. Thank you, Ivano.

Operator: Our next question comes from Mr. Rodolfo de Angele, JP Morgan.

Rodolfo de Angele: Good morning to all. My first question is about the cost, which without a doubt was the great highlight I have felt not only on my side, but here with investors with whom I already talked. What I think we would like to know is how much of this we can assume as recurrent, that is, in the new cost base and in the future, and what is the opportunity still “on the table” with respect to such cost base. And the second question about..., I would like to ask you about Vale strategy now regarding the discussion on taxes levied on subsidiaries, what the



Company strategy is, the fight turns to the case you have at the STJ, how the next steps with respect to this issue will be like. Thank you!

Mr. Luciano: Rodolfo, this is Luciano. Thank you for the question. I will start with the easier part. We had been talking, giving guidance on the SG&A reduction, around 20%, then I can assure that our reduction is sustainable because it already comes from a simplification in the Company structure and also a discretionary expenses cut that has not any reason to be reversed, so it is sustainable.

The new level of research and development cost is also sustainable since expenditures with the development of projects engineering were significantly reduced given that we have a smaller portfolio and, in addition, we reduced the scope of our exploitation activities by closing offices in countries with areas in which we no longer had any interest.

With regard to the cost of products sold, we also strongly worked on the scope issue, that is, the operations [are] seeking more effective ways to perform the same duty, and then we also believe such level is sustainable. We also have the effect of closing operations with negative margins; you remember that in the past we mentioned the closing of mines in Canada, for example – then, this is also a definitive effect.

Now, we believe that from the point of view of efficiency in the supplies business that Murilo mentioned, although we have already achieved something, there is a long way to go. Therefore, we believe that from the point of view of cost of products sold, things will indeed get better.

With regard to pre-operational expenses, then we have a challenge ahead which is, although the Salobo pre-operational expenses have practically been converted to zero and those in New Caledonia have increasingly dropped, we will have the introduction of some projects in the second half of the year that are likely to slightly offset such reduction. We already have some pre-operational expenses with the +40, the Itabirito projects, Long Harbor, and it is possible that we will account for some of the stoppage-related expenses related with the Colorado River project already in this quarter. Then, we believe the level is sustainable but we do not have any warning signs of any subsequent drop.



Finally, with regard to other expenses, the drop was quite strong in view of the absence of non-recurrent items in this quarter. You remember that such account was very much impacted in the fourth quarter by provisions for ICMS payment, late payments of CFEM, and others. Therefore, that was not recurrent, in fact there was no recurrence, and then the most adequate level is the one you have been observing.

We are very optimistic, [and now], I am inviting...

Mr. Murilo: Clóvis Torres who is our legal counsel and will talk exactly about controlled companies abroad located outside the tax heaven.

Mr. Clóvis: Good morning, Rodolfo. We have been granted some important judgments (julgamentos) during the STF session, the most important for us certainly was the non-retroactivity of the law to cover the results from 1996 to 2001, something that reduced our liabilities. From now on, since our claims are not substantial enough, we enjoy the tranquility to discuss at the STJ without any risk to be required to pledge the securities that are usually necessary in tax proceedings, and then we can discuss our specific case with more tranquility without its being influenced by decisions related to third party proceedings as it would be, whether be that of CNI, or Coamo, or Embraco. So, we would have a period of time to discuss [the case] in the STJ that may subsequently reach the STF.

Our cases at the STJ, or our case at the STJ, basically handles two things, controlled [companies], would be the result of controlled companies located outside tax heavens, and the respect to dual taxation. Thus, both aspects are fundamental for us since there has been no decision by the Federal Supreme Court (STF) on the matter and our case may become the leading case. Currently, there is one case at the Brazilian STF that deals with dual taxation, which is the Volvo case, where we have already two taxpayer-favorable votes; then we are closely analyzing this so as to see if effectively it brings us some kind of result.

But the work has been carried out at the STJ by talking to the several ministries, submitting our case, and we hope for the best result possible. Thus, we find the STF result to be very positive because we did win part [of the case], did not lose any, and in this sense [we are] having the chance to discuss our case, with our facts, with our arguments. Then this is what will happen, but no deadline has been set so far, and we are looking at this together with the STJ ministers responsible for that panel, which is the first panel, and from then on, perhaps we will have some news to convey to you. Thank you very much, Rodolfo.

Murilo: Only to go a little more into details, Rodolfo. We keep on having meetings with the Ministry of Finance, the Federal Revenue Office (*Secretaria da Receita Federal - SRF*), aiming to provide elements for a new law. I think that perhaps the most deadly sin committed by this law that became a provisional measure in 2001 was the absence of dialogs back then. It was enacted and we know, it is not Vale that is involved in the “imbroglio”, but we have large companies under the same discussion, Ambev, Natura, CSN, Gerdau. There are many companies and it should have been discussed back then, in 2001, so that we would not be subject to such discomfort. At least I believe that the government already admitted that such provisional measure does not bring benefits for the all investors abroad that are so much needed by Brazil. We have been discussing and such discussion has progressed well. Thank you, Rodolfo!

Operator: Your attention please. Our next question comes from Mr. Marcos Assumpção, Itaú BBA.

Marcos Assumpção: Good morning to all, congratulations for the results, for the cost-cutting efforts. First question for Martins with respect to the iron ore price – if you could make some comments on how you have seen the steel market in China, the first quarter output, the growth they achieved, if you think the levels are sustainable and the stock levels of steel in China, if you could also comment [*sic*]. And the second question, with regard to copper market, if Peter could offer an overview of how he sees the copper market in the short term, prices dropped sensibly, but already start to be near the marginal costs, but on the other hand, the stocks still remain very high; how you see the copper price in the coming months [*sic*]. With respect to the question addressed to Martins, if he could comment about the offer of ore in India also throughout the year, what he feels that may happen, the trend of the offer of ore in India also help us to have a better medium-term view. Thank you.

Mr. Martins: Well, with respect to the Chinese market, it had a very good performance in terms of steel production in the 1Q, and in fact, the world-wide steel output showed a rather reasonable performance. Sometimes, it is important not to look at the steel output, but to the production of pig iron and direct reduction. In 1Q2013, we noticed an increase of 4% in the production of pig iron and direct reduction over 1Q2012.

Thus, if you analyze in terms of ore that means approximately 70 million tons of additional ore needed. Logically, for you to assess the market, you will have to see how the situation is in terms of offer.



You raised the India issue. India is likely to improve the ore production status, but we believe a great share of such ore will be consumed domestically. We do not believe India will become a factor of influence in the iron ore market. Our expectation..., we do not have any price-related expectations because making price forecasts is hazardous to the health, but we know that an inflow of additional capacity, especially from Australia, is forecasted for the second semester.

We are estimating 30 to 40 million additional tons in the second half of the year and this will certainly cause some pressure on prices until the demand is able to absorb such additional capacity, but we do not expect the ore price dropping below USD 110.00 on a sustainable basis. Last year, the average was USD 130.00, and to date, until the month of April, the average has been in the USD 145.00 range. Therefore, an adjustment in the second half of the year is possible on account of the increased Australian offer and we really do not see India as a factor causing more influence on the ore pricing system.

Mr. Murilo: Peter, make comments about copper without making any forecasts because Martins already said it is hazardous to the health.

Mr. Poppinga: It is hazardous to the health and thank you, Marcos, for the question, but it is hazardous to the health and in the case of nickel, it may only go up, then it is easy to make price forecasts for nickel. With respect to copper, I would say the basis remains good, but it will fundamentally depend on China's performance and I also believe today the price has been under the influence of the feeling of macroeconomic uncertainties. Another fact is that people are likely to slightly neglect the production difficulties of the operation of new mines in the case of copper, especially in Africa; then we think that it will probably move sideways for a certain period of time, but in the medium term, I believe copper has good grounds.

In our case, we are in our operations, Salobo and Sossego, we still have costs well below the current price, around USD 7,000.00. Thank you, Marcos.

Operator: Your attention please. Our next question comes from Mr. Marcelo Aguiar, Goldman Sachs.

Marcelo Aguiar: Good morning to all, thanks for the opportunity. Well, I would like to congratulate you for the strong base metals business performance as well as for the cost reduction. Several of my questions have already been answered, and I would like to ask about the CLN S11D issue as we have not seen you include the project in you Capex plan – I would like to understand a little about how the internal approval, [and] with respect to the licenses too. This was my first question; I will ask the second one later.



Mr. Murilo: Ok, Marcelo. Our Executive Director Galib, in charge of the projects, will answer your question.

Mr. Galib: Marcelo, CLN, the CLN S11D project, is developing well; as you already know, we already have the railways construction license issued, the engineering works are going well, almost 70%-80% of them completed, the engineering of the sections that will be in progress this year of 2013 to be delivered in 2014 is 100% completed, the port engineering works, both onshore and offshore and the terminal are also already completed.

Currently, we are selecting the companies to render the services, the phase is nearly completed, we have reached final negotiations. Therefore, we are doing very well and we hope – in fact, we already have a company working in the railway section fronts, starting construction works, setting up job sites. Thus, it is progressing well and I believe we will meet that schedule of ours to deliver the first sections in 2014.

Mr. Murilo: I want to add that we are working in order to obtain approval for the investment still required to be made in the new branch and new railway during the month of May in the Board of Directors, at the meeting to be held in May. As Galib said, it is a practically completed process, a matter of issuing letters of intent, then we will already have such news. Marcelo, what is the second question?

Marcelo Aguiar: The second question would be related to the change in the transfer price. I would like to check if you have noticed any impact of the change in this law on transfers of products between Brazil and subsidiaries abroad and, if there was no impact, then when will we start noticing such impacts on the company cash flow?

Mr. Luciano: Marcelo, this is Luciano. The new law on transfer prices, its principles, we have somehow already followed them for a few quarters. So, I would tell you the following that the level of tax payments you are noticing in the balance sheet for this quarter is the level we expect to be recurrent from now on – therefore, it already reflects the new law.

Mr. Murilo: Thank you, Marcelo.

Operator: Your attention please: Our next question comes from Mr. Leandro Cappa, Deutsche Bank.

Leandro Cappa: Hello, good morning to all. Thanks for the question and congratulations for the results as well. The first question would be about the energy cost reduction, whether it may be even higher in the second semester since the measures were implemented by the government in the middle of the first quarter. And the second, I would like you to say something about the Simandou project, how is the situation there, and the events on which you did not make any mention on the press release. These would be my two questions.

Mr. Murilo: We will start with the Simandou question, by inviting our legal counsel, Clóvis Torres, to proceed.

Mr. Clóvis: With respect to Simandou, we were surprised by the announcement of an investigation by the US Department of Justice conducted by public prosecutors and the FBI due to suspicions that certain funds being remitted into the United States originated from corruption, such corruption being in Guinea. Why in the United States? Because the ones under suspicion of having received such funds have been current US residents and purchased properties in that country.

Then, government of Guinea that caused the issue, called us and showed some evidence; evidence that was already disclosed in the case found in the US Department of Justice website. Then, today the situation is like this: some arrest warrants were issued, one Franco-Israeli citizen was arrested in the United States charged of having obstructed the work of justice, there is a case, as far as we understand, of state's evidence turned by the former First Lady of Guinea that would have received some funds from BSGR, and we have monitored [the issue], and to that end, we made ourselves at full disposal of the US government to cooperate on whatever is necessary, obviously within the laws and for the interest of our operation in Guinea.

While we are not summoned - and we have been recently summoned by the US government to submit documents which have been prepared, we are compiling such documents and will have the latter forward to them, but we will do everything on a lawful basis, everything we must do within the scope of a case like this. It is a serious case, a case involving two countries, both countries have been in close cooperation, but we are yet to have access to the US material because it must be submitted the American grand jury before any party, including the government of Guinea. So, we are cooperating, talking to the prosecutors in order to determine if we acquire..., if we manage to acquire clearer information on the contents of such case, and before that, we are cooperating as provided by law.

This case is comprised in the scope of the contractual review taking place there in Guinea, so we do not know the impact it will have on this case. However, the most important thing to be



said is that we have already had the guarantee from US prosecutors and from the government of Guinea that Vale is not involved, that the acts were performed prior to 2010, when we entered into the joint ventures. Since 2006 they already have evidence, including videos showing a certain relationship of BSGR with high Guinea government officers, the withdrawal of rights from Rio Tinto. The division of Simandou was made in 2008 while we arrived there in 2010, so we are absolutely sure that Vale has not committed anything unlawful although we have monitored this very closely because ultimately, we have seen serious accusations brought against our partner BSGR.

Mr. Murilo: Anyway, I would also like to inform that several times President Alpha Condé has stated for us, for Vale Management, as well as publicly, that he has the highest interest that Vale stay in that country. Now I would ask Vânia to say a few words about costs related to energy.

Ms. Vânia: Thanks for the question. As a matter of fact, with regard to the part we have connected to the basic network, the reduction..., that in our case the reduction is mainly on charges and fees, on the rate to use the distribution [and] transmission system; regarding the portion of our projects that are connected to the basic network, the reduction already took place in January, and therefore it was already included in the current quarter document.

With regard to distributors, our main distributors that provide us with services, Cemig and Escelsa, Cemig from Minas Gerais and Escelsa from Espirito Santo; Cemig reduced rate adjustment took place in April and has yet to be included in our calculations, and Escelsa reduction will take place in August. We have no idea but we believe there will also be a reduction in view of the provisional measure. Therefore, we still believe there is a margin.

Our income value originated from sales of surplus energy, it is included in "Others", and it is not calculated together with the cost of energy, but there is also some improvement there.

Mr. Murilo: Thank you Leandro, thank you Vânia Somavilla.

Closing:

Operator: Your attention please. Since there are no more questions, I would like to invite Mr. Murilo Ferreira for the final comments.

Mr. Murilo: We thank you very much! We really..., we gladly made this call today, a time in which we are delivering a differentiated performance in terms of quality of such performance. As I said, this is the first time in forty quarters that costs and expenses were the major factors of our



results, or in other words, [they] strongly supported our results and you can rest assured that we are committed to the fact that this not be a sporadic event in a given quarter.

The work that has been carried out is a consistent work by a dedicated team so as that we can bring such result to our shareholders. Thanks a lot, and have a good day!

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