VALE
Conference Call
2Q13 Earnings Release

August 8 – 12:00 p.m. (RJ time) / 11:00 a.m. (NY time) / 4:00 p.m. (London time)

Operator: Good morning ladies and gentlemen, thank you for waiting welcome to Vale's conference call to discuss 2Q13 results. If you do not have a copy of the relevant press release, it is available at the company's website at: www.vale.com at the Investors link.

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. To access the replay, please dial (55) 11 4688-6312 – access code 6358517#. The file will also be available at the Company's website at www.vale.com, at the Investors section.

This conference call and the slide presentation are being transmitted via internet as well. You can access the webcast by logging on to the Company's website, www.vale.com, Investors section or at www.prnewswire.com.br.

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

With us today are:

- Mr. Murilo Ferreira – Chief Executive Officer (CEO);
- Mr. Luciano Siani - Executive Officer of Finance and Investor Relations (CFO);
- Mr. José Carlos Martins – Executive Officer of Ferrous and Strategy;
- Mr. Roger Downey – Executive Officer of Fertilizers and Coal Operations and Marketing;
- Ms. Vânia Somavilla – Executive Officer of Human Resources, Health and Safety, Sustainability and Energy;
- Mr. Galib Chaim – Executive Officer of Capital Project Implementation;

- Mr. Humberto Freitas – Executive Officer of Logistics and Mineral Research; and
- Mr. Peter Poppinga – Executive Officer of Base Metals and Information Technology.

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: Good morning, good afternoon everybody. Thank you for having the opportunity to share some views with you. As you noticed Vale had a good performance in the second quarter 2013, regardless of the performance of the economy in the whole world and declining minerals and metal prices. We have continued to deliver on our promises, with several initiatives underway are producing good improvements, mainly total costs and expenses, and we can see the numbers that we got in terms of decrease in costs, decreasing SG&A, R&D and these support of cost cutting efforts present us very interesting EBITDA number which remained almost the same comparing with one year ago, in the range of US$10 billion for the first half of the year regardless of US$ 2.1 billion fall in revenues – which it was mainly regarding the price.

We must say that the cost performance of the second quarter 2013 was reached with average Brazilian Real X US Dollar exchange rate of R$2.07, then can highlight that we have potential opportunities for the savings. In terms of the debt, our total debt came in to US$29.9 billion from US$ 30.2 billion, then it's almost the same number compared with the end of the first quarter 2013, despite paying US$ 2.25 billion in dividends and investing US$ 3.6 billion in the second quarter of 2013.

We would like to highlight some events, like the permit for the implementation of S11D. The improvement of the operational performance of base metals, we are very happy mainly with the ramp-up of Salobo. We can stress that in the next coming months we will be able to bring good news in terms of the coal, in terms of fertilizer; as you know fertilizers are substantially stronger in the second half of the year compared with the first half of 2013.

We note some math mainly in terms of the press regarding the hedging account in order to minimize the volatility of our accounting earnings and to allow our financial statements to better reflect the economic performance of our company. We are considering using for future periods the implementation of the hedging accounting programs which allow us to our revenues to serve to be used as hedging for accounting purpose. We know that we need to work with some key elements in this process and we intend to consider for the future. Regardless of this, we did a presentation about what could be the numbers in case of having, using this practice since the beginning of the year.

Again it's mandatory to say that Vale is strongly committed to discipline in capital allocation, to bring return to our shareholders with good project execution. It's very important for us in addition to bring mature design and engineering, and to focus in the construction and contractor management in order not having deviations as you had in the past.

R&D expenditures showed a big decrease comparing with the 2012, 2011 as a result of the decision to focus on a smaller and more selected pipeline of projects, which in the end will bring us higher rate of return on our portfolio and with world class projects. This is very important and as an example of this capital discipline, the detailed engineering for the whole project S11D is almost completed and we are with contracts, equipments, services and packages almost 70% hired with firm proposals. And then can bring us the level of confidence about the future in order to complete this project on time and on budget, it's very important for us.

I really appreciate your time and I would like it to share with my executive directors for question and answers and I will be back in the end of the session. Thank you very much.

Operator: Thank you. 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 touch-tone phone now. If at any time you would like to remove yourself from the questioning queue, press star two. Please restrict your questions to two at a time.

Operator: "Our first question comes from Mr. Rodolfo De Angele from JP Morgan.

Rodolfo: Good morning, congrats for the good numbers. We discussed a lot costs and the recovering volumes in the previous calls, but I wanted to follow up with two things. First, I wanted to hear more details in your comments on potential effect of a weaker Real on the capex budget. In the release you mentioned details of the S11D, and how 90% of that is in Real. Could you comment a little bit more on the other projects, is there upside if you consider FX at around R$2.30, for the capex budget for this year and into next year? And my second question I just wanted to hear from management if there is anything new, what's the status of the tax discussion you are having with Brazilian authorities. Thanks.

Operator: Excuse me ladies and gentlemen please hold.

Luciano: Ok sorry for everyone, we had an audio problem. So now addressing Rodolfo's question on capital expenditures, we highlighted the share of Brazilian real expenditures for S11D because it's really a large one, 90%, it is a similar share for similar projects here in Brazil. However, if you think about the entire portfolio of projects within Vale, the share is naturally lower, it's closer to 50% rather than 90%. So it's not difficult to do the calculation, that includes the sustaining investment as well, that share that I just gave you. So it's not so difficult from this share to have an estimate of the impact over any Real depreciation over any period of time. On the tax disputes, no, we have not had yet any meaningful development that should be conveyed to you.

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

Carlos: Thank you very much and good afternoon. Two questions, first one is on the non-iron ore businesses, clearly the company has been very strong effort to reduce costs and expenses and we have seen the results of it. But nonetheless the nickel, the copper and the potash business continued to lose money at the EBIT level, I assume part of this obviously has to do, particularly nickel, with the pre-operating and stoppage costs. But I would really appreciate if you can give us a sense of when do you expect this business to be positive assuming the nickel prices and copper prices around these levels, can they be profitable and if not, would you consider selling them or at least some of them? And then the second question is on the working capital reduction, it was very amazing, very strong results. Is this new level sustainable, were there some one-offs that affected the development, what can we expect going forward? Thank you.

Luciano: Carlos, thank you for your question, this is Luciano. If you look at the segment reporting footnote for the financial statements, it's footnote 25, there we can see very clearly for each business segment and even within the segments the revenues, cost and expenses, and R&D, pre-operating and idle capacity numbers for each of these segments, if you look at the release, I thing we only have base metals on aggregate as a whole. But if you look at the footnote you have nickel and copper separated and remember that nickel in this case includes all the by-products and copper is just the Sossego, Salobo and Lubambe operations in Brazil.

So if you look at the performance of this quarter for nickel you have a little under US$ 1.4 billion in revenues and US$ 860 million in costs. So it's a US$ 500 million margin on absolute terms and that is basically coming from the assets in Canada and Indonesia. So even at those depressed prices, and we have reference for the prices, an average price of US$ 15,100 for nickel in the second quarter. The nickel business, so to speak, and its by-products were able to generate $500 million in cash. So this gives us confidence that once we reign in the pre-operating and idle capacity expenditures and once there is a medium term recovery of nickel prices that this business can be profitable on any accounts.

If you look at copper, we had just our first monthly EBITDA for Salobo, it was very small around US$ 5 million, but Salobo will be a very low cost producer. So the Salobo operation is, depending on the prices that you assume for copper and for gold, can generate significantly high profits, and this should be reflecting on the copper line of the segment reporting. So Salobo can generate anywhere between US$ 700 million and $1 billion of EBITDA depending on the prices that you assume.

So going forward we expect the performance of the base metal business as a whole to improve significantly. Remember that also New Caledonia is not contributing to results, much on the contrary, we are still going to lose money this year from New Caledonia, much less than last year and we intend to break even next year. Actually we intend New Caledonia to be cash flow positive next year. So the prospects for the base metals business are of significant improvement over the next quarters, and we have no intention, from now on, to do any divestment on this business.

On working capital, yes we believe that the levels are sustainable and as I mentioned before we still have opportunities on the supply of financing side, and on the inventory side. Perhaps the accounts receivables, the improvements are going to be more marginal from now on.

Carlos: And any comment on potash Luciano?

Luciano: I will hand down to Roger Downey.

Roger: Hi Carlos, yes, our potash operation today is a small operation, it is at the end of its life of mine; it's a mine that has been going on for the excess of 20 years. It is a significant operation in the sense that Brazil is so potash dependent, so it really keeps our foot in the door in terms of the market that we want to secure. The operations today are impacted by these non-recurring things that we are doing today at the mine. It is not a mine that we would sustain at loss of course, but it's a market that we want to invest in, it is very promising. I consider Brazil being the China of iron ore in terms of potash. There is a lot of potential there, and as you guys know we have been looking at prospects for this business and looking at new opportunities. But answering your question more directly is, it's just a means to a greater end. We will maintain the operation at Taquari-Vassouras, but not at any cost.

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

Andreas: Good morning gentleman, thank you very much for hosting the call. Just a single question from me. Can you give a little bit more clarity on your cost savings; obviously it's been something much talked about both in Q1 and Q2. I am sort of curious, can you break it down for us a bit, and just also highlight whether there is any currency depreciation savings in that number of US$ 730 million something? Thank you very much.

Luciano: I believe on the press release on each of these segments that when we comment the costs that we have separated the exchange rate effect. So we try to convey some color on the changes and the nature of those net of depreciation charges and the exchange rate effect. What I can tell you is that the exchange rate effect was very modest up until June. So June was a month where it started to kick in, so most of the positive exchange rate effect what you can read over the press release, are related basically to the month of June and as Murilo mentioned, on average for the quarter it was R$ 2.07 exchange rate. So going forward there should be a meaningful improvement, every 10 cents of depreciation of the Brazilian Real means an annual savings of around US$ 700 million.

On the nature of the cost savings, there has been a lot to do with the – so far with the simplification of all the company, so a more focused company, spends less money on distractions, so we can have leaner support structures, you have less expenditures in R&D, so in SG&A and R&D is a question of focus. When we go to the operations it's a more comprehensive review of the contract, services, internal benchmarking, and productivity improvements. We also have an ongoing cost cutting program in place with several hundreds of initiatives as well. So we are tracking – we believe some have already kicked in, some will take longer time, we mentioned six months ago that we were doing a review of the procurement function. So everything within Vale may be 12, 24 months ago was geared towards speed, was paramount in the old days. Now we are looking for quality, for doing the right thing regardless of timing. So we are taking the time to plan better and this has a number of implications across the company, from, let's say, current investments where you can package different work into a bigger contract and then do a tender, take your time to do a tender, call more suppliers, negotiate more, lower the prices, to better plan your maintenance stoppages, to revisit the scope of those maintenance stoppages, in order to spend less than what is necessary. So everything, when you do it more carefully and planning more ahead, and you get more quality, you get lower cost.

Andreas: I guess where I am coming from, maybe ask my second question then is that, well, if we sort of disregard the currency impact on your cost savings, I am sort of curious as to how much longer you can keep on cutting costs, I mean presumably over the past five years in this somewhat horrible macro-economy you have been cutting costs. So I just wonder how much meat there is left on that bone, without basically jeopardizing the future of Vale's revenues and earnings, from what you are saying, you can still go on for a while longer, is that correct, is that the right interpretation?

Luciano: Yes, all cost cutting measures that we are adopting are sustainable; we are not jeopardizing the future of the company for the sake of the short term. So you shouldn't worry about the sustainability of the current level of cost reduction, it is here to stay and there is no impact on the future earnings ability of the company, any of the cost reductions, much to the contrary.

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

Thiago: Thank you for the call. I have two questions. The first question is on the regulatory framework definition in Brazil, what's your take on the recent developments, do you think the final documents will be significantly different from your original proposal and also what's the timing for the new rules to be effective in your view? And the second question just to follow up from the Portuguese call regarding the CLN150 logistics project, what's the additional ray of capacity expected for 2014 and what capacity is actually tied to the S11D project and also what's the potential additional iron ore tonnage in terms of sales for next year, for 2014?

Luciano: On the mining code, as you saw, there were several amendments to the code. So obviously without deep knowledge of the political process we cannot anticipate what the outcome is going to be, right? We remain confident that the ideas that were espoused by the government in the original bill should at the end prevail. That's our hope – hopefully the government will be able to mobilize its' allies in order to sustain those. But we have no forecast on how much it is been taken and what the process is going to do.

In terms of the logistics capacity I will hand over to Galib Chaim.

Galib: Well, considering the CLN150 for 2014, we have now already 14 million tons added to the logistics capacity, just for the railway. And as I said for the port, for the exportation, we have 60 million tons of extra capacity for the São Luis exportation port. With this 14 million the total capacity will be 130 million tons, for 2014.

Luciano: The volume guidance that we gave at Vale Day for next year, 2014, is kept. If you remind what we said back in November, the production increase should be a combination of the Itabirites projects in the south and south-eastern, Conceição Itabiritos and others that shoud start up and recover a little bit of the performance, and a little bit from the North. So in due time in the Vale Day we will give more details on that.

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

Ivano: Thank you very much for the question. The first point is on tax litigations. You reported total tax dispute of R$ 57 billion, I just wonder what is the current status of that dispute, specifically recently you had a court decision which was favored to another mining company. So can you expect any potential reduction on this amount in the short term and when do you expect to have a final outcome on this? This is the first question. The second one is on the supply/demand equation. Martins mentioned on the Portuguese call that he's not concerned about the demand in China, which will remain resilient. I'd just like to ask him to add to this discussion the supply side. What is the expectation of Vale in terms of the net growth of supply comes to support the market next year? And what is the average price for 2014 according to your view. Thank you very much.

Luciano: On the tax dispute as we mentioned there has been no significant recent development on the side of Vale. I will now hand over to legal counsel, Clovis which is on the call to see if he wants to add anything else. So he is not on the call, so we are sorry for that, I will reassure my last answer which is that there has been no recent development and we haven't yet had a full assessment on the impact of the CSN sort of administrative win on our tax liabilities. I will hand you over to Martins to speak on the supply/demand equation.

Martins: We continue to see the iron ore market very balanced, sometimes we see some additional supply that later can be absorbed by the market growth, mainly in China as we are used to seeing in the last three or four years. We believe next year Europe could perform better; there are some signs of recovery in Europe. United States is not a big market for iron ore, they have their own iron ore, but we see also the economic policy in Japan improving also the situation of the steel industry. We see next year with more supply coming into the market, but on the other hand we see some positive signs coming from Europe and Asian countries, not including China. So we do not see a picture too much different from what we see today. I think the market will continue to perform the same way it's performing this year. With some ups and downs, volatility will continue to be there, like we see all of this year. I don't think volatility will change, but on average I do not see big changes in the market situation as far as supply and demand is concerned. Supply will grow but demand will also grow.

Operator: Our next question comes from Mr. Daniel Rohr from Morningstar.

Daniel: Thanks for taking my question. Just one about the unit cash cost in the iron ore business, the US$ 24 a ton figure you gave for second quarter, other than depreciation in seaborne freight, what else is excluded from that figure. It looks you had about US$ 245 million in expenses that aren't included. So I am curious what's in that bucket.

Luciano: Okay. The way to reach the US$ 24 is simple. You take the -- again, you start from the segment footnotes. The footnote 25 --

Daniel: I don't want to interrupt you but I am clear how you get there, you had a helpful explanation of that. But the $245 million in expenses that are excluded from the numerator in that equation. What's in the $245 million, I guess.

Luciano: What is in the $245 million, okay. The iron ore business absorbs most of the SG&A is absorbed on our costing segment reporting process to the iron ore business. So for example, we are right now at the headquarters here within Vale, so all the expenditure, the air-conditioning right now is being absorbed by the iron-ore business. So this has a lot of expenditures that relate to the corporate and headquarter activities. So I guess this is it. So you just take from the cost the freight and divide by the sales of the quarter then you get the $24.

Daniel: Yeah. And then for 2012, in that filing you didn't breakout costs versus expenses. So can you let us know what the equivalent unit cost would be for full year 2012?

Luciano: We can give you that afterwards. We don't have the information here.

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

Paul: Thanks for taking my question. Just a follow up on some of the commentary on potash, but last week, some news that came out of Russia that major Russian producers would be exiting its marketing arm and increasing its production by 2.5 million tons, the result of that is I think most expect pricing on the potash market over the next six to 12 months decline by something close to 25%. And so I guess in the context of lower pricing, to me it almost seems that developing greenfield potash projects in that pricing environment has become even more uneconomic and so, just going back to I think previously stated strategy and I think you even said it today that potash is still a big focus in terms of growth and then in terms of Brazilian demand, has M&A become an even bigger part of this strategy in terms of growing in those businesses and given what pricing is at today does it make more sense now to buy established production instead of trying to build?

Roger: Hi, this is Roger Downey here. I guess we always have to keep everything in mind, I think we have to be anchored in the long term, that's really where our business is, have to look out always. There is no doubt that the recent developments in the industry have put a lot of pressure on prices, we can't look at our business from sort of a very short term quarterly or annual prospectively, we really have to focus on what there is out there in terms of an opportunity for our shareholders to make money with. We are looking at the business from a perspective that we sit in a market that we think is probably one of the most promising markets for that commodity, potash. Brazil can significantly increase its demand. We have a competitive advantage and a sustainable competitive advantage at that in terms of reaching our customers especially in the north-west of Brazil with all the warehousing, logistics, our sales clientele and of course, especially our ports into Brazil.

So if we can find ourselves in a business that is in the lowest quartile of CFR costs into these markets, and specific into Brazil into the promising market and specifically Brazil, I think we should certainly look at being in this industry. Brazil has a tremendous potential in terms of growth, if you just compare our productivity levels in terms of agriculture productivity, today we could be doing – we are talking about 4 to 5 times as much agricultural output. And Brazil is totally dependent on potash and they can't get enough, our farmers can't get enough. So certainly I think we have to be conscious of what's happening in short term but focused on the long term. I think that's really what it comes down to. And of course we will balance our entry into that business if it really is something we want to get into as to what is the best door to get into it.

Paul: Maybe just as a follow up and trying to understand how you guys go about that process, I mean do you have a long term potash price that you think is reasonable, I certainly understand that current market dislocations may very well be temporary but if you are looking I would say call it 24 months and beyond, what is a reasonable price, or maybe what's the right price that you guys are looking at in terms of being a long term price?

Roger: Yeah, we go much farther out in the next 24 months of course, especially given that our mines – even if we are going to get into the potash business or not, we have to think about project development or whatever will take you more than 24 months and then operating a mine is 20 years. So we have a long term price that we work with and which is our threshold. If we can be in a business that's in the lowest quartile, of the delivered price into the promising markets, you know, we certainly should be in there. And if it makes a decent margin we should be there. So I think the process, especially after the development we've had in, the development of our potash project in Argentina, we are in a stage where we are reviewing the whole thing. But look, as I said it is a promising market and we are taking a cautious stand, cautious approach to it and again we certainly think the short term issues may well result, in short term issues in supply may well result in higher prices in the long term.

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

Marcelo: Hi everyone, thank you for taking my question. First question will be on research and development and sustaining capex, you guys have been running below your targets for the annual, both for research and development and sustaining capex, is this first half level for both expenses and capex sustainable for the next, let's say, second half and the future or should we expect you guys to reach the budget that you outlined to us at the end of last year? That would be the first question.

Luciano: On aggregate we should expect to reach the budget that we outlined for last year, if you consider R&D sustaining and capex.

Marcelo: And the other one will be little bit more color on the VNC comment you made earlier Luciano that you see the VNC already generating positive EBIT in 2014. Can you just walk us on what was the negative EBIT impact on VNC in 2012 so we can have an impression on the magnitude of that turnaround?

Luciano: I will hand over to Peter Poppinga but just before he talks a little bit about the perspective, just to give you a few numbers, VNC lost US$ 750 million in 2012 and we were expecting for this year a significant swing, although we are still going to have a loss, you can expect a swing of several hundred million dollars. Won't give a precise figure, but the order of magnitude will still be in the loss, but several hundred million dollars less than last year. For next year we are going to, so we are looking forward to breaking even as Peter Poppinga will explain.

Peter: In VNC, as you know, there is a major turnaround going on. Although it's taking its time, because it is new technology and it is very challenging, but it is going. We know now that the process works, and there is no fit or flaws anymore expected in terms of new technology, that's for sure. Ramp up is progressing well and we had in the month of June, you don't see that because you only see the quarter results, but I am very pleased to report that in the month of June we had a very successful month in terms of production in VNC because for the first time we continuously ran with two autoclaves, we have three, but on average full capacity is meant to be 2.5 on average because always one is on maintenance or something, that is a design capacity. So we ran with two autoclaves continuously for long time in June, so this was very good. So this means that it can be cash flow positive in 2014, because you need two autoclaves to be under the current price environment, you need two autoclaves to be cash flow positive in 2014, that's what we are aiming at. That was the major milestone we achieved, and so we are positive that in 2014, we are setting up this company to be positive.

Operator: Our next question comes from Mr. Tony Rizzuto with Cowen and Colt LLC.

Tony: Thanks for hosting this call and taking my question, I jumped on a bit late, there was a conflict with another call, so I apologize if my question has been asked. I guess I want to drill down a little bit firstly in your assumptions on the global steel supply chain a little bit if I may and you talked about a floor, strong floor, at US$ 110, per metric ton, I was wondering if you could tell us what you are assuming for Chinese crude steel production and pig iron production and maybe your assumption for Chinese ore grades, depletion rates in the west and how you view India?

Martins: You make a very difficult question to answer, because you put a lot of things that my crystal is not enough for it, ok? But we believe that steel production in China will continue to grow around between 3% and 7% depending up on the year, this year we will grow near 10%, we are talking this year about near 780 million tons. Pig iron production will continue to be the bigger part of the production in China. We don't believe scrap will have any kind of influence in the near term, we believe scrap will only have some influence after 2025 or later. So steel production in China will continue to be based on pig iron production. I don't see this impact on the scrap.

But you have to believe that urbanization in China will continue to develop, now it's 51% something like that, we believe that until 2030, we are going to reach 72% which is the Chinese government target for 2030. So one year will be better, another year we will be worse, but on average China steel production will continue to grow based on pig iron. And so iron ore. Internally domestic pig iron in China, everybody knows that the quality is becoming worse, depletion rate is increasing, iron ore content is decreasing, so we know a lot of those effects and that's the reason we believe that price will be sustainable in the range of US$ 100 to US$ 110. We do not see big difference from what we see and we see a positive scenario.

Luciano: Martins, if you allow me to complement, in the presentation that's in our website, on page 25 we make an estimation for global demand and supply on the seaborne market for 2020, that factors in several of the variables that Martins described, and we do see 160 tons of high cost produce is being displaced from the market of the starting level of over 350 and that includes also the opportunistic exporters to China such as US, Iran, Kazakhstan, so several non-traditional countries that supply. So if you take the cost curve, even if you displace 150, 160 million tons of high cost production if you consider the variables that he mentioned, cost increases both geological and internal because of the increase in labor cost China, appreciation of the Renminbi, you get a very clear picture that US$ 110 is on the safe side for a support.

Tony: If I can follow up with another question, this time on capital spending, and looking out a little bit longer term over the medium term should we still think about your capex levels being in the ballpark of US$ 15 billion per year and is there the potential there for some scope of reduction and of that amount what would be the sustaining level that we should think about?

Luciano: The ballpark that you mentioned should prevail over at least 2014 and 2015, in which we have the bulk of our expenditures in S11D. Sustaining investment we have seen an overall direction of not increasing it, so we believe that as a fraction of total assets it should be at stable or decline, but we don't have precise figures to give you. After the expansion of – after 2014 and 2015, so after the bulk of the expenditures on S11D and Nacala, have been realized, one can expect a decrease in capex but again the details will be given to you in Vale Day in November.

Operator: Our next question comes from Terence Ortslan from TSO and Associates.

Terence: I have a round up question respect to the Brazil intent to change of the policy strategy and fiscal regime and all. Mining is such a big component of Brazil, why isn't Vale and Votorantin and all companies far more involved in the process, even at this scale, and leave it to the politicians to decide, I know you made your submissions and all but why aren't you the driver on this particular process, instead of the politicians driving it?

Luciano: There is an industry body that represents the entire industry which is called IBRAM, which is actively involved with the government and discussions and Vale is one of the members of this body.

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

John: You mentioned your long term sustainable iron ore price expectation of US$ 100 to US$ 110 a ton, what are the nickel and copper prices you used for your balance sheet analysis?

Peter: John, thanks for the question. We are working very close to the industry average forecast. For copper we are working with a slightly lower price level than the current one, around US$ 7,000. Then for nickel we are distinctly above US$ 20,000 because we think the export ban in Indonesia will work in the long term, and there is no new supply wave coming.

John: So China doesn't exist? 30% increase in output in China last year and this year is not sustainable? The reason we are suffering in the nickel business as China increased output 30% last year and 30% so far this year, 70% cumulatively, and you are planning as they would not be able to import ore.

Luciano: We have views on the long term prices for commodities for seizing the opportunities, but in our capital allocation process we have very high hurdle rates and very high standards and we stress test all the assumptions to make sure that the projects and the planning is robust under any scenario, so the long term prices are not so meaninful for us in terms of approval of projects. Which is more meaningful is the stress test, and the hurdle rates, the long term prices have more of a sense of seizing the opportunity rather than influence on the approval process.

Operator: This concludes today's question and answer session. Mr. Murilo Ferreira, at this time you may proceed with your closing statement sir.

Murilo: Thank you very much for sharing your time with us. I would like to highlight again that we are not jeopardizing the future of the company regarding the cost cutting program. What we are doing, we must live with the simplicity, austerity and very focused. We are not living in the super cycle, we must provide good return to our shareholders and the simplicity and austerity both are key elements in our strategy.

Regarding the mining law, I think that the Brazilian government is very conscious in order to maintain the competitiveness of the mining sector in Brazil. I think that this is very important and the Brazilian mining institute, IBRAM, is helping the parliament in order to provide elements to the people to see all the amendments and to help the process. Regarding M&A, in fact we must say that we are very focused into big projects, mainly S11D and Mozambique, in the next few years we will spend roughly US$ 26 billion in both projects and we are not considering M&A at this point of time. We can pursue with these two big projects, high return and to bring return to our shareholders.

We are not able to forecast about the level of the capital that we will spend right after 2016 but based in our strategic planning we must consider just world class project, we are not looking for to increase our volume any way. We must have good projects, world class project, low cost that we can expand in the future looking for brownfields with the good technology in order to stay in our business, in our portfolio. Again thank you very much for your time and thank you very much for your support and we are very happy to see the results in the price of our stock. Thank you very much.

Operator: That does conclude Vale's second quarter 2013 results conference call for today. Thank you very much for your participation, you may now disconnect.