VALE

Conference call – 4Q and year 2012

February 28, 2013

INTRODUCTION

Good morning ladies and gentlemen, thank you for standing by and welcome to Vale's conference call to discuss 4Q12 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 4353110#. 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 Ferreira: Good morning. I will start my speech today by addressing one of the most important values: respect people. This means to put health and safety first, be environmentally responsible and supporting the communities where we operate.

As you know, 2012 was a challenging year for the global economy and particularly for the mining industry. This low growth and uncertainty just fall on minerals and metal prices. Iron ore prices became much more volatile than before and showed a downswing in the third quarter of the year.

Against this backdrop, our financial performance was impacted, and the main indicators showed a larger drop against 2011, when Vale attained the best financial performance since its incorporation in 1942. Underlying earnings which exclude the non-cash non-recurring items was US$11.2 billion and adjusted EBITDA reached US$19.1 billion, the third highest in our history. We distributed US$6.0 billion in dividends, the highest figure in 2012 among the biggest mining companies and for 2013, we announced last month a proposal to the Board of Directors to pay a minimum dividend of US$4 billion.

Investment reached US$17.7 billion, almost US$4 billion below the original budget, already reflecting the great forecasts on discipline in capital allocation. Moreover, capital expenditures and dividends must be in line with the expected cash flow, with a minimum use of the balance sheet giving our firm commitment to preserve our credit ratings.

The ramp up of Oman, Moatize and Bayóvar projects allowed for production record of pellets, coal, and phosphate. The performance of the iron ore operation in the last quarter of the year was very good. In addition, our marketing policy in iron ore is capturing more value in iron ore sales through higher prices.

Our goal is to maximize shareholder returns through the cycles and we are perusing many ways to achieve it. Discipline in capital allocation is highly mandatory, involving primarily the focus on world class assets. As a consequence, you see a smaller portfolio of projects but with a great potential to produce high returns on invested capital.

There is a lot of value to be unlocked from existing operation and project ramp upping. A gold stream transaction is a good example of that. Currently, there are several projects in ramp upping, Salobo, New Caledonia, Lubambe and as long as these process advances, variable cost will tend to decrease, fixed cost are diluted. Thus there will be a large swing, the cash flow of this project from negative to strongly positive. So far, New Caledonia is operating as expected, proving to be feasible. We expect to confirm its economic viability in about one month.

The Moatize operations are going very well. In 2012, they produced 3.8 million tons and its main product, the Chipanga hard cooking coal has been received very well by our clients. However, the ramp up remains constrained by the capacity of the existing logistic infrastructure Linha do Sena railway in Beira Port until the construction of Nacala corridor is concluded, which is expected to take place in the second half of 2014. This year there are 40 important projects coming on stream. Additional 40 million, CLN, Conceição Itabiritos, and

Long Harbour; they have a large potential to create value over the next few years, being new platforms of shareholder returns.

We will continue to deploy capital to our highest return business in the iron ore project delivered between 2013 and 2016 will add substantial value. The progress achieved in environmental permitting in 2012 is a step change towards our iron ore operation allowing for lower cost, high quality and production growth.

Unfortunately, we are forced to slow down the construction of Rio Colorado project, a world-class asset, giving that its economics were not in line with our of principles of discipline in capital allocation. However, we hope to find a solution to allow us to resume its execution.

The tax disputes are being gradually solved and we expected their conclusion to take place during this year. This will eliminate uncertainties about our cash flow and will free time to concentrate on managing the business. Although in initial stage, we are starting to deliver on the commitments we have made. This investment program is fully underway and measures adopted to improve efficiency in working capital management are already giving fruits.

R&D expenditures were curbed as mentioned and many expenses have dropped. We have clear signals of reduction cost of goods sold and will take discipline, persistence and patience to produce a meaningful quantitative change in our performance. But we are on track to deliver, helped by the hard work, high skills and motivation of our personnel. The global scenario for minerals and metals is gradually improving and I haven't lost the faith in the future of their markets. Above all, I remain confident on our ability to produce maximum value for our shareholders and strongly believe that much better days are still ahead.

Now, I will hand over to Luciano, who will discuss our results in more detail and we will be happy to take your question later on, Luciano.

Luciano Siani: Good afternoon, I'm going to give some color on the performance of the Company mainly in costs and expenses, then talk a little bit about our balance sheet, and then I will hand over to Mr. Martins to talk a little bit about our price realization.

In terms of costs of goods sold, I would like to highlight to you the trend in the fourth quarter of reduction in outsourced services and materials, you can refer to table 4 of costs of goods sold and expenses on the press release. These are structural components of our costs and they have started to show a downward trend, although still early for the administration, for management to give you some guidance as to what are our objectives in here, however these are encouraging signs. I would like to clarify also something that I didn't do on the previous conference which is on acquisition of products. As you can see there is an increase also from the third quarter to the fourth quarter, and its mainly concentrated in acquisition of other products, from US$ 32 million in the third quarter to US$148 million. This is not a structural increase in cost, this relates to the sale of our excess energy. Vale has a surplus of energy in 2013 and 2014, it sells the excess energy in the spot market, so this is the result of the depressed prices in the beginning of the fourth quarter, but with the increase in spot prices of energy, the sale of excess energy within Vale should have better results and this trend should be reversed.

In terms of SG&A, R&D and other expenses, there has been for the first time in many years a decrease also in the full year numbers, from 2011 to 2012. It was a small decrease, however I would like to point out for the relative performance between 4Q12 and 4Q11. There is, as some of you know, some seasonality in terms of expenses and capital expenditure, sustained investments within this company, we are working hard to try to eliminate that, but however, some factors still exist. For instance, in sales general and administrative expenses, usually the salaries increase at the end of the year, and they have impacts in many accounts, mainly provisions for the 13th salary in Brazil, vacations and so on, so this all reflects at once in the fourth quarter.

In addition to that, there are some several expenses that we have been incurring with the restructuring, but despite that, the personnel account has posted a decrease compared to the 4Q11. We also posted strong reduction in services, in other items of sales and general administrative expenses. As an example, travel expenses for instance, we are running at a rate which is 50% below what we were running in the first semester of this year, of these dimension the number of US$ 65 million of travel expenses for this year, of which we had US$ 40 million on the first semester, much stronger pace, and now we are running at only US$ 11 million per quarter. So this is just some color on the efforts that we are making and we are strongly confident that we are going to reduce SG&A by at least 20% this year.

In terms of another big chunk of expenses, pre-operating stoppage and start off expenses, we have singled out this line, there has been an increase from 2011 to 2012. The increase has much to do with the ramp-up of Salobo, so the cost which in 2011 were accounted for as Capex, and now started to appear as preoperational expenses. There are high costs in terms of the stoppage of the pelletizing plants, but what accounts for, the most part of it is Vale New Caledonia. And as Murilo said with the ramp-up of the project we are confident that will reduce significantly these pre-operational and idling expenses. So I would say that reducing it a several hundred million dollars is an achievable goal for 2013.

Beyond those preoperational expenses, you still have other expenses, a large chunk, and these were most impacted this year by the extraordinary effects of the payments for settling the dispute over the royalties, the CFEM and also the value of the tax in the state of Minas Gerais. These two accounts for approximately US$ 700 million, so they shouldn’t repeat in 2013 as well, although the TFRM the new tax that was introduced by the states of Pará and Minas Gerais, really increases the level of these expenses in a recurring basis, but there are no recurring effects from the settling of the previous disputes.

So when we talk about our balance sheet I would like you to, please, refer to the page 24 on the presentation, whereby we show on the left side that we have decreased our cash holders by US$ 2.6 billion and increased our gross debt on the quarter alone. However, the reasons for that can be seen in the right-hand side. So, the acceleration of our expending on the last quarter of the year, you know that we are not running at this US$ 5 billion dollars per quarter rhythm anymore, the strong dividend which was distributed and, as I mentioned, you have here US$ 600 million already of cash outflows from the tax agreements, the settlements, which I’ve just mentioned. With all of that, we had to increase our net debt by US$ 3.9 billion, but we are confident that we will revert back the situation because of the strong cash inflows from the gold streaming transactions of US$ 1.9 billion, higher prices than anticipated of iron ore in the first quarter, and also some proceeds of receipts that were accounted for on the 4th quarter, however they are only going to be cashed in on the first months of this years, that relates to our pricing mechanisms.

Now I am going to hand over to Mr. Martins to briefly comment on the price realization, we have introduced a graph here, in order to give you more color on the comparison between the Vale prices and the market prices, which is on page 8.

Jose Carlos Martins: Good afternoon everybody. The idea we put in this chart on page 8, is to compare price realization of Vale with the IODEX on the same basis. As you know IODEX is C&F price China and also on dry basis. In our price realization normally is shown as FOB prices, our ports, and on a wet basis. So, the idea was to show both prices in the same basis, and also show the improvement that we are obtaining in our price realizations.

By the end of 2011, beginning of 2012, the iron ore price went through a big change moving from the quarterly price system to most daily price or even a spot basis price, and that affected our price realizations a lot at the beginning. Many factors influenced, but we have been managing to improve our price realization, as we can see in this chart when we compare in the same basis.

Actually, our sales in the last years are moving a lot from Western world to Eastern world, to Asia. Today we sell 70% of our sales in Asia and 30% in the Western world. If you look back 10 years ago, the situation was exactly the opposite. Another issue is the pricing system, we moved from a benchmark pricing system, which was a FOB price and in a yearly basis and a negotiated price. We moved from benchmark to a more market price in a daily basis. Today 55% of our sales is done on a daily basis, priced in a daily basis, and the remaining 45% is done in a price that is not more than a quarterly basis. So it's a big change in the price system. Also, we moved from 100% FOB basis pricing to now almost 50% C&F price basis. So, those big changes have a big impact on pricing and the way we see our prices and also in the price realizations. And despite of all the difficulties, we are managing to improve our price realizations as we can see this comparison done on a same basis.

Looking forward, we see space for improvement based mainly on the quality issues, okay. In the last year, we saw deterioration on quality price for Vale, basically you can see it in 1% iron content in the ore that came from a price of highest US$10 per 1%, to as low as US$2.50 for 1%. So, it was a big drop in the price of quality, and two reasons behind that. First, was the price of coal that went down sharply in this period and bigger part of the quality price for Vale ore is because our ore demand less coke for reduction. So we save some costs by using Vale ore, and as the price of coal went down, so that advantage was not that big. Another advantage of Vale ore is productivity in the blast furnace, as we have higher iron content, the productivity is higher, generate less slag in the production, so the customers are used to pay a premium for that. What happened is that today we have spare capacity in blast furnace, so high productivity is not a big need, so the premium for quality also went down.

So those factors affected our price realization, but we have been improving our situation as we can see by this comparison, and we look that going forward we expect some improvements to come, mainly because we believe price of coal will move up a little bit and also blast furnace utilization will increase. We are forecasting something around 3% to 4% grow in steel production this year and that probably will bring higher utilization rates and also will require better ore to improve the productivity and that probably will reflect on the premium. So, those are the points that I would like to raise to you, and our idea is to keep comparing the price realizations with the market price as you see by the IODEX on a same basis. So, in the next report that we are going to make in the future, we intend to keep showing this comparison to you in order to allow you to get a better pulse in what we are doing as far as price realizations.

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

Our first question comes from Mr. Felipe Hirai with Merrill Lynch.

Felipe Hirai: Hi, good morning, good afternoon, everyone. So, I have two questions; The first one is regarding what you have been saying that cost might be lower than expected, are you kind of suspending the Capex in some of your projects like Rio Colorado and Guinea, iron ore prices are surprised on the upside, so you think that you might have a higher than expected cash flow this year. So what are you intending to do with this excess cash flow that you're going to have, so can we expect to see a higher dividends or eventually the company doing buybacks again?

And then the second question is related to your tax liabilities, do you expect to see any kind of other negotiation with the government or there could be any negotiation with the government or just are going to have to wait for the ruling from the Supreme Court? And have you heard anything or are you negotiating anything with the tax assessments after 2009? So, those make two questions? Thank you.

Luciano Siani: Felipe, this is Luciano. In terms of the cash flow, the first priority is to keep leverage in check. The trend has been upwards in the past quarters, and we need to revert that and keep it in check. Bear in mind that our Capex program is still significant, especially for 2014 as well, because that's when the S11D project will be peaking its expenditures, and also the volatility in the markets leads us to believe in a very conservative way in terms of managing cash. Obviously, if things surprise even more in the upside, we can always consider returning more money back to shareholders but, at this particular moment, the priority is first and foremost to keep leverage in check with an eye not only in 2013, but also in 2014.

Murilo Ferreira: Regarding the tax issue, I think that we must consider two different levels. The first one is the Supreme Court, we have a discussion there, not just Vale, but even the CNI and I believe that in the next few weeks you will see this subject being discussed between the Ministers of the Supreme Court, this is one thing. The second one is that, we have a team with people from different companies in discussion with the government regarding a new law, and having this discussed during many months, I believe that we can see a decision or at least the first minute, the first draft, until the end of March. Thank you, Felipe.

Operator: Excuse me, our next question comes from Mr. Carlos de Alba with Morgan Stanley.

Carlos de Alba: Good afternoon, and good morning, everyone. Thank you for the opportunity. The first question is just want to revisit the other operational expenses, Luciano, that you had in the quarter, to me that was issue that single handedly explained the quarterly need, so I think is very important to focus on this. What can we expect in 2013? I mean, did I hear you correctly that all the pre-operational expenses in VNC and in Salobo will be gone in 2013 because that will be a drop of around probably US$ 300 and change million in that line, which is going to be quite important. And then the second question is regarding the increased EBITDA per ton of iron ore that you get when you sell on a CFR basis versus FOB basis, in other words how much lower your internal freight cost would be versus when you have to buy into the market or you have to net back the spot trade prices that we see? Thank you.

Luciano Siani: Okay. So, addressing the first question, first on the pre-operating stoppage and startup expenses, we do have a trend towards significantly lower numbers, but it will all depend on the successful ramp up, especially of New Caledonia and on secondary basis of Salobo. If we are able to produce how much we have budgeted for this year, you can expect a drop on this line over, of around between US$ 300 million - US$ 400 million for New Caledonia alone. Additional improvements will come on the following years as we progress on the ramp-up. Salobo is the same story, so we have a US$ 121 million of expenses with pre-operational expenses of Salobo, if we can successful ramp up Salobo, so these are issues that we should monitor, we can zero in those pre-operational expenses. However, there will be pre-operational expenses in the +40 and the Conceição Itabiritos projects in iron ore. So I would say, there are room for additional improvements, so in the pelletizing companies as we said, so we expect more this year than we expect to spend next year, but if I would give you some guidance, I think the target for the company would be to reduce this line by between, let's say, to be conservative US$ 300 million to US$ 500 million, if everything goes well.

On the other line, the other expenses, so as I mentioned we had about around US$ 700 million of extraordinary expenses with the settlement of tax disputes, but I would say that too early in addition to those US$ 700 million that shouldn't repeat this year, too early to give you any guidance for reduction on the remaining amount.

I'm handing over to Martins to talk about the comparison between the EBITDA per ton on the CFR basis when you take into account our own performance on freight cost rather than the market.

José Carlos Martins: As we already talked about it, our expectation is to have a cost advantage of US$ 6 by selling C&F with our own big fleet of vessels. On top of it, to sell C&F is not only about cost, but is also about the price realizations. When the sell FOB for instance, I have to sell 30 days before than my competitors and that puts some pressure on price on us. So by selling C&F I can sell my ore almost at the same time as our competitors sell, so then we can catch up with their pricing system. So, today the big advantage of selling C&F is to sell at the same time as the competitors sell, so this is translating much more in price than in cost.

Operator: Excuse me. Our next question comes from Chelsea Konsko, TIAA-CREF

Chelsea Konsko: Hi, I noticed that while iron ore prices were going up quarter-over-quarter, pellet prices came down. Is the reason for that similar to the reason why the premium for higher Fe content was also lower? And my second question would be you've mentioned that you had poor results from your equity contributions from subsidiaries, and I was wondering if this is due to these lower pellet prices or other issues at subsidiary such as Samarco?

Jose Carlos Martins: As far as iron ore prices are concerned, the premium for the iron content has nothing do with the price of iron ore itself, it's completely independent. So we have iron ore price as high as US$ 180 and higher premium for iron content. At the same time we have a very low iron ore price and a little bit different pattern for the iron content. The iron content pricing, what we call EIU, is based mainly, as I said before, on capacity utilization of the blast furnace and the price of coal. So, there is no link between both. If you think that higher price means higher capacity utilization, yes, the price of iron content could move up for the premium quality of iron could move up, but that cannot have the same pattern as always. We see different patterns and we see different factors behind iron ore pricing being the price of the iron ore itself or being the price of the additional iron content. We see today this iron ore content price as low as US$ 2.70, and the main reason is based on coal price and capacity utilization. So they are independent factors, we cannot make this relation so directly as you said.

Luciano Siani: With regards to equity income, you're right Samarco makes up the bulk of equity income. So, in 2012, the portion that came from Samarco is US$ 639 million, so it's about almost a 100% of the US$ 640 million that resulted in 2012, which means that all the other affiliates of Vale, we had a mix of positive and negative results that netted out almost zero. But Samarco itself came down from US$ 878 million in 2011 to US$ 639 million. Overall, we had a lower performance across the board not only Samarco, but also in the smaller pelletizing companies where we have a stake, and also coal joint ventures in China, MRS, which is also a significant affiliate posted a flat performance, but there are rooms for improvement especially we had a swing in hydro, in aluminum from US$ 99 million positive in 2011 to a negative US$ 35 million, so it was accounted for a significant part of the decrease. I think there are some no recurring items in this loss, so this should be, we shouldn't go back to US$ 99 million, but I am not forecasting hydro earnings, but I think the US$ 35 million loss should be perhaps on the conservative side with forecast for the future. And also CSA, our stake in the equity income of CSA was responsible for a loss of US$ 170 million in 2012, which was about the same as in 2011. However, there are some signs that we can do better this year as well, because now the plant is operating at more closer to full capacity and it's being able to dilute its fixed costs.

So, these are the explanations for the drop and there are some directional indications that there can be better results in 2013, although I won't give the numbers.

Operator: Excuse me. Our next question comes from Terry Ortslan, TSO & Associates.

Terry Ortslan: Thank you. Good morning. Is there any other assets or infrastructure you can free up in terms of packaging in such a way that, like they double tracking for instance, or by you can get, free up your capital and have few users fees instead and, as a result you get some of your money back and as well as don't worry about the maintenance, number one. Number 2 is that, I'm trying to understand on the nickel front, the Long Harbour, the capital that, you have US$ 4.25 billion and with the output from there, how would that work out with respect to the others nickel operations you have in Canada? How much Sudbury would be down versus Long Harbour being up, and also the feed from the other operations in Manitoba? Thank you.

Luciano Siani: Well, thank you for your question. This is Luciano, to address the freeing up of capital infrastructure. Currently, we have some leasing of rolling stock and this is a model that we've been employing mostly in our general cargo operations, so this is already a practice within the company. There are no initiatives to, let's say, to sale a leaseback infrastructure for instance, other than minor warehouses and stuff which is really small, which is not material.

Murilo Ferreira: About the base metal, mainly our assets in Canada, please Peter Poppinga.

Peter Poppinga: Yes, thanks for your question. So, yes, US$ 4.25 billion, that's the Capex for Long Harbour, as you know is on track with 80% to 85% of completion. But, if I understand your question well, you are worried about what if this has an influence on the other operations? So, there is not much influence because Long Harbour is being fed by the Voisey's Bay ore body, and then will be fed by other operates around, so our capacity when we ramp up in 2014 may be, mainly on Long Harbour which will produce 50% plating and 50% melting rate nickel. We will have, this will have no influence on whatever we are producing in our refineries in Sudbury, because there is no connection in terms of feed. The feed, which will go to Sudbury from the Voisey's Bay mine, is now going to be more and more used in Long Harbour. Regarding Manitoba, we have, that is the only outstanding question we have, we have announced some time ago that the refinery and this melt would shut down mainly because of the new SO_2 regulations and from sustaining Capex we have to invest there. But we are revising that and the outcome could be that we continue one or two years more finally in Thompson, and we are also looking for some major improvements in the mine, so that in total the nickel output from the base business will, for sure not decrease, it's likely that it will actually increase in terms of refinery output.

Operator: Excuse me. Our next question comes from Mr. Gary Lampard, Canaccord.

Gary Lampard: My two questions; the first one is on iron ore costs and the second one is on nickel business costs. The iron ore question first, I'm trying to calculate a like-for-like Q4 iron ore cost comparison to the US$ 36 a ton that you can calculate from Q3 financials. And this is obviously difficult, It's not just the FOB to cost in freight accounting conversion, it's also the new segmentation of R&D costs and then having the back Q4 out of the full year. And so, far I'm getting a Q4 cost of US$ 48 a ton suggesting that on a like-for-like basis including R&D,

iron ore unit costs have gone from US$ 36 a ton in Q3 to US$ 48 a ton in Q4. So my first question is, is that number, right?

Luciano Siani: Well, the straight forward answer is no. However, I'm trying to back it up with some numbers here. Okay, here I guess. So what we have here is, if you adjust for the freight on the fourth quarter of 2011 and adjust on the freight for the fourth quarter of 2012, you have a net increase – sorry, I'm getting fourth quarter of 2011 against … – let me suggest you one thing. Let we move on to the next question and then I'll get to that. Here I get, I found the numbers. No, we don't have the numbers. Well, you need to get back later on this conference to get the precise numbers here on the pallet materials, and I'll get back to that question, but the answer straightforward is no. I'll try to back up with the numbers.

Murilo Ferreira: And the second question.

Gary Lampard: Is the line open? The second question on nickel cost.

Luciano Siani: Okay, on nickel costs, they were stable. Actually they have fallen a little bit from the third quarter to the fourth quarter, for base metals, I'm sorry, base metals which is the segment that we report. The base metals total cost they have fallen from US$ 1.569 billion in the third quarter of 2012 to US$ 1.538 billion on the fourth quarter. And that was not to be unexpected because there was a fall in the volume, actually in copper from the third to the fourth quarter. So part of the variation is actually explained by the fallen volumes in copper. Actually there were some items that increased the costs that offset this decrease, which were the increase in depreciation which by the way, it's a factor across all the business segments, so depreciation costs are increasing. But there were also some royalties in Voisey's Bay that impacted more in the fourth quarter than in the third quarter, but overall, base metals costs were flat and slightly 2% downwards from the third to the fourth quarter.

Murilo Ferreira: Later on we will go back to the first question.

Operator: Excuse me. Our next question comes from Mr. Jon Brandt with HSBC.

Jon Brandt: Hi, good morning and good afternoon, and thanks for taking my question. I just wanted to go back and just talk about the debt levels and the debt ratios that we've seen rise, and I think like you said there is good reason to expect them to fall. But could you give us some indication as to what the maximum debt levels you are comfortable with and please use whatever metric you feel is appropriate if it's net debt or gross debt. And then if you could sort of walk us through sort of the line of thinking, if you are able to increase cash flow this year on whether it comes from more non-core asset sales or higher iron ore prices? Is there a preference for returning capital to shareholders, is it via cash dividends or share buybacks, is there a preferred method?

And the second question is on Rio Colorado and, I know you said there is a Board of Directors meeting in the next couple of weeks, is that your deadline for making a decision whether the project fully goes ahead or is it just something that you are going to discuss at the Board of Directors meetings? Thank you.

Murilo Ferreira: What I can tell you about our project in Argentina is that, we will present in the Board level, regarding several alternatives that must be considered. As you know, today we have a gap in Argentina regarding the costs, the cost of material, the cost of human resources, and the exchange rate, is one of the key issues. The second big issue is regarding some investments, some demands from the five provinces. We have a railroad that will cross five province and they are demanding some help, some projects that is not related to our projects. We will present to the Board in order to receive the final recommendation.

Luciano Siani: Okay, as regard to debt indicators, as you may know, we have a different rating perspectives from S&P and Moody's. Moody's being much more conservative, one of the reasons being because of the volatility of our business and our Capex commitments. That is to say that, in order to continue to have good ratings and access to the capital markets, we need to consider those aspects like the Capex commitments for the future and the current volatility of the market. That tends to put us in a position to be more conservative in terms of ratios. I would say the current ratio of that long-term EBITDA of 1.6, which is in the presentation, is something that we are still comfortable with, we wouldn't like to see it evolving further given the timing of the cycle of our investment program.

Having said that, as I mentioned, the priority is to keep leverage in check and it's still too early to talk about additional dividends and returning back money to shareholders. We still need to go through a longer periods of higher iron ore prices, we still need to go through our divestment program in order to say something around that.

Just going back quickly to the question on bulk materials, I'm pretty sure if you look at the personnel material, gas, energy acquisition accounts for bulk materials, and that includes iron ore and coal, that the increase that we see is 100% explained by higher volumes, which means that cost per ton on these lines should be stable or lower. Outsourced service has fallen as we mentioned, on absolute terms for bulk materials as well, materials have fallen on an absolute terms for bulk materials as well. The only line that has increased substantially was the freight one, and so we need to then offline do some calculations that you can do with our Investor Relations team to take out the effect of the freight from the third to the fourth quarter. And not only the effect on the freight in terms of the accounting adjustment, but also the increase, the de facto increase in freights from the third to the fourth quarter, and which we have out in the press release. So it won't be difficult to demonstrate and we can do it offline that cost per ton of bulk materials have been remained stable from the third to the fourth quarter.

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

Daniel Rohr: Thanks for taking my question. I hope you could talk a little bit about the sustainability of the SG&A decline we saw, especially with much of the decline from 4Q11 to 4Q12 concentrated in the others and services categories, it looks in those two categories alone costs were down US$ 228 million?

Luciano Siani: It is quite sustainable. Actually, we believe that this decrease you saw from the fourth quarter of 2012 to fourth quarter of 2011 will be maintained in the quarter-by-quarter the same period of the year comparison going forward. So that's why we're so optimistic that we can reduce the full-year numbers by at least 20% in 2013 as compared to 2012.

Daniel Rohr: So could you offer a little bit more color on, so what of that US$ 228 million that was being spent a year ago, but not spent now? What sort of stuff are we talking about now you've mentioned airfare, anything else?

Luciano Siani: I would say consulting fees, support services in a general way that do not relate directly to the operations, our personnel, because we're reducing and simplifying the overall corporate structure. So it's pretty much across-the-board.

Daniel Rohr: All right. Thanks a lot.

Operator: Excuse me. Our next question comes from Mr. Rodolfo De Angele with JP Morgan.

Rodolfo De Angele: Hi, my question is on iron ore. First of all, we saw Serra Leste seems to be a bit delayed, could you share with us your thoughts on the outlook for growth especially trying to meet the under licensing for S11D? And I would also like to hear from Martins, his views on iron ore, which has been quite strong surprising most, I guess. So just wanted to hear your thoughts on the market overall? Thank you.

Luciano Siani: Rodolfo, just briefly on the outlook for growth, we're still betting on the iron ore curve that we made public to you on the Vale Day. That's still our best forecast of how the iron ore production will evolve.

Jose Carlos Martins: Well, as iron ore price is concerned, what we are learning is that, we manage much better when the price is going up then when the price is going down, because of the distance between Brazil and Asia, and we compete with people that are nearby, so that translate in better price realization when the prices are moving up then when the prices are going down. As you see, our price realization in the beginning of the year as price was going down, we had much more difficulty in getting better price realization. By this year end, next year end, last year end sorry, at the end of 2012, the price was moving up, so we have a better position to get better prices. So I think that volatility affect us much more when the price is moving down and affect us positively when the price is moving up, and that's what I can tell you.

Another point is that we are improving, we are a company used to sell on a yearly basis, okay, our staff in the sales department has to have a big change. We moved our people to Singapore, they developed new skills to work in this new price environment, and that takes time. So I think we are improving day after day.

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

Paul Massoud: Hi, thanks for taking my questions. My first question is on the coal business and the second one is on fertilizers. On the coal business, obviously you've highlighted some of the logistic constraints that have impacted costs in getting some of the Moatize products to market. But when you look back over the history of the coal business, I mean, generally speaking, you've been running it at operating losses and so, if we're looking ahead, given what prices have done, can we expect any kind of an operating profit before the Nacala corridor expansion is complete, or should we be expecting significantly higher costs until that's done?

On the Fertilizer side, so my second question, what I'm curious about is with Rio Colorado being sidelined or at least under review right now, and then some of the Canadian assets being sidelined. With that in mind in the past, fairly recently, you've said that your goal is to grow in phosphate and potash fertilizers. So the main projects for potash are not being executed on, should we be thinking about M&A as a more reasonable way for you to grow, or are you going to be putting fertilizers on the sideline until you get some of the other restructuring done? Thanks.

Roger Downey: Okay, starting with coal in Mozambique, obviously our hurdle there has been the Sena-Beira railway, and we've had a very bad start to the year, this year, so we know the challenge is on. However, we have grown our output there considerably, if you look at our ramp up at Mozambique, the mine itself has been very well and we shipped everything we can that the railroads can carry. I think the relationship with the CFM, which is the railway operator in Mozambique, is good, this is a learning curve we're on, and we are making progress, right. So, it is not a case that we have to wait until Nacala to happen in order to have a viable and economically attractive business in Mozambique. We will make, I think and I'm sure actually, we will make a lot of progress during the course of this year. And you have to remember that is a railway that hasn't been railing anything for 30 years, so there is a learning curve and there is a ramp-up that has to take place.

In Australia, our coal assets are underplaying turnarounds and turnaround is well advanced. We have grown our volumes there by about 20%. Obviously that filters down to the economics of the business. So we are seeing some improvements there. There's a lot of work that is being done both on the operational side and on the cost side. We will see certain improvements, there's certainly going to be improvement in 2013 on those businesses. The message is very clear, the coal business has to stand on its own two feet. So we will have to make those hurdles.

Regarding our strategy for the fertilizer industry, for the fertilizer business, you're absolutely right, we want to grow in both phosphate and potash. We have options we're exploring. You mentioned Rio Colorado, Murilo has mentioned earlier in this call that by 11th of March, we will come back to the markets with more. But we have alternatives, Canada is one of them, we also have good alternatives in Brazil up in the Northeast, and that's, what we have do now is manage this portfolio of excellent options that we have.

Operator: Excuse me. Our next question comes from Mr. Renato Antunes with Brasil Plural.

Renato Antunes: Good afternoon. Thank you for taking the follow-up. And the question goes on the S11D project. Just want to get an update about when you expect to get the installation license for the project? And also this is the one and only hurdle, so you can bring this to the Board's appreciation. That's my question. Thank you.

Vania Somavilla: We are very confident that we are going to have all these licenses by the end of April, for S11D.

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

Ivano Westin: Good day, everyone, and thank you very much for the question. My first one refers to your main approved projects. You have Conceição Itabiritos, Vargem Grande Itabiritos e Cauê, if you include depletion ratio, what is the expected net growth you expect from those operations or especially from Minas Gerais state in the next four years?

Then the second question refers to pellets. This decrease in price on a quarter-on-quarter basis by 10%, raised the question on pellets premium. I wonder what is your assumption for a premium, a long-term basis, and whether this premium will remain above the cost of conversion. Thank you.

Jose Carlos Martins: As far as the first question, we expect from this project to have an additional production of 20 million tons per year.

And about the second question, we expect the premium for pellets to stay around US$ 30 per ton, which is roughly the conversion cost. It will depend very much on the markets, okay, so the price of pellets is very volatile as far as market is concerned. But looking in the short-term, medium-term, we believe that a US$ 30 premium based on the conversion cost is a fair assumption.

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

Marcelo Aguiar: Hi, thank you for taking my follow up. Some of my question was being answered, but I would like to hear Martins' views on the iron ore production growth in China. I mean, there is a lot of iron ore run of mine to come on line in the next 2, 3 years in China, I mean, there are some numbers running around 450 million tons of run of mine production. So I would like to hear what you guys, I mean what's the Vale view on the iron ore production growth in China and in terms of Fe content and costs, this is the first question.

José Carlos Martins: As far as iron ore in China, we do not believe local production will have a huge impact on the market, because although they are increasing the run of mine production, the content is decreasing. So, at the end, we do not expect any big increase in their local production based in the iron content. So, we see, on the other hand, that as time goes by, this ore is becoming, their cost is becoming higher and higher, and many of those mines will not support tougher regulations based on the environment, okay. So, we see China more and more concerned about the environment and those mines generate a lot of waste and they are a burden for the environment, and looking forward, we do not see their production increasing in terms of iron content. At most you stay say in the same range as they are today.

Marcelo Aguiar: Well, the explanation that Peter gave to the Long Harbour. If you can repeat that and add a little bit on the core in terms of volumes to expect from Long Harbour this year and next year?

Murilo Ferreira: Peter.

Peter Poppinga: Yes, the volumes this year will be small, it will be a start-up in the fourth quarter, like I said. And next year, we are planning to ramp up and probably we will be around the, we are following the McNulty Curve number two, for those who don't know that it means, it's in the first year of the ramp-up that means then something around 40% of the nominal capacity. But I would like to propose you, just follow-up on what we talked about base metals and the nickel flows regarding to Long Harbour and affecting the other operations.

You know we have mainly two strategic drivers here in Canada in the base metals and nickel business in general. One is self-funding. So, we are now standing on our own feet. You saw this through the gold transaction, and also we will have some smaller divestment of non-core operations, and of course, the ramp-ups, which are now delivering. And the other one is the value of volume. It doesn't mean that we want to reduce volume. It means that what goes into the furnaces we will have high value. So, we idled two mines, one is the Frood mine Sudbury, the other one is BirchTree mine is under care and maintenance. So what will go into the furnaces, will have high value, but that means that we're going to operate less furnaces in Canada, but they will be full and not half full like they are today and not with feed with no value in it. This will significantly reduce our sustaining investments in the following two years to come, including this year. And you may ask that where is the feed for the refineries going to come from, since Long Harbour is starting up? Well, the refineries will, and since the furnaces are going to produce less material, the answer is that, this material for the refineries will come from Indonesia, where we are increasing our production, you saw the fourth quarter this year was significantly higher, since we constructed the new furnace and we will do another one next year. So this feed, intermediate feed of Indonesia will then fill our refineries here in Canada to the extent that there will be no shortage of feed, actually there will be an increase of nickel production. I hope this explains a little better the flows of the business.

Murilo Ferreira: Thank you very much for you time. I think that you can trust that we will continue with this discipline in capital allocation, looking permanently to reduce costs and working the focus in world-class assets. Thank you very much.

Operator: That concludes Vale's fourth quarter 2012 results conference call for today. Thank you very much for your participation. You may now disconnect.