VALE

Conference call and press webcast on

2012 4th Quarter Report

February 28

Portuguese: 10:00 a.m. (RJ time)

Operator: Good morning ladies and gentlemen. Welcome to the Vale conference call, during which we will discuss the results for the fourth quarter and year of 2012.

At this time, all participants are connected only as listeners. Later on, we will hold a question and answer session, when you will be given instructions to attend this session. If you require the assistance from an operator during the call please press star zero.

Please note that the conference call is being recorded. The recording will be available on the company's website at the address, www.vale.com, section investors. The replay of this call will be available by telephone (55 11) 4688-6312, access code: 4707747#. This conference call is being simultaneously broadcasted over the internet, and access is also through the company's website www.vale.com, section investors. Or on the website www.prnewswire.com.br.

Before we move forward, I would like to clarify that any statements that may be made during this conference call regarding the perspectives and the business of the Company, as well as projections, are forecasts based on the management' expectations regarding the future of Vale. These expectations are subject to macroeconomic conditions, market risks and other factors.

The following persons are attending this call:

- Mr. Murilo Ferreira - CEO
- Mr. Luciano Siani Pires – Executive Officer of Finances and Relations with Investors;
- Mr. José Carlos Martins - Executive Officer of Ferrous and Strategy;
- Ms. Vânia Somavilla – Executive Officer of Human Resources, Communication, Health and Safety, Sustainability, and Power
- Mr. Humberto Freitas – Executive Officer of Logistics and Mineral Research
- Mr. Galib Chaim - Executive Officer of Capital Projects Implementation.
- Mr. Peter Popinga - Executive Officer of Base Metals and IT
- Mr. Roger Downey – Executive Officer of Fertilizers and Coal

To begin with, Mr. Murilo Ferreira will make some comments about Vale's performance during the fourth quarter and year of 2012, soon after he shall be available to answer questions that may be asked.

Now I would like to turn the call over to Mr. Murilo Ferreira. Please go ahead, Mr. Ferreira.

Murilo Ferreira: Good morning, everyone. I would like to begin our conversation today valuing the people who work at Vale and people who brought the result, the effort to get the result Vale presented, the income result. These people and the company, highly committed with labor safety and health, to increasingly be a very responsible company under the environmental point of view, and supporting, always beside communities where we operate.

As you know, 2012 was a very challenging year for global economy, and especially to the mining industry. A slow growth and lots of uncertainty caused a drop in mineral and metal prices, and in this aspect we see our core product, iron ore, becoming much more volatile. In the third quarter, there was a significant drop.

Therefore, the financial performance was adversely affected and we have seen an important decrease compared with 2011 results. Always have in mind that 2011 was the best year in the history of Vale since its creation in 1942.

In gains, excluding non-cash and not recurring aspects, there is an important figure of US$ 11.2 billion, and adjustable EBITDA of US$ 19.1 billion. Despite all the circumstances I mentioned before, this is yet the third best year in the history of Vale. Therefore, in 2012 we also achieved a very significant figure to have the third best year. We shared US$ 6 billion in dividends, the largest dividend sharing among the largest mining companies, and we have announced the minimum payment for this year at US$ 4 billion.

Investments totaled US$ 17.7 billion, almost US$ 4 billion less than what we had announced, reflecting our message of discipline in capital allocation, which is very important. Capital expenses and dividends need to be aligned with our cash flow provisions and in such a way that we see the balance and protect a value that is very important for us, our credit ratings.

We welcome the ramp-up in Oman, Moatize and in Peru, projects Bayóvar, that brought important figures in the production of pellets, coal and phosphate.

I would also like to thank the effort of our colleagues to help achieve the iron ore operational results for the last quarter, the last quarter in 2012, which was very good. By the way, the best last quarter in the history of Vale.

I said since my conversation with you five days after I became Vale's CEO, our goal is to offer the best return to the shareholders and we are trying to do that in different ways. Discipline in capital allocation is mandatory for us. And we are increasingly focused on world-class projects. This is our wish, we will see in the coming quarters, coming years, a reduced project portfolio, but projects with large return on invested capital.

We also have to open and show the value of many of our projects. When we recently announced our gold operation arising out of our activities in Sudbury and in the state of Pará, we clearly showed the value model for many of you. Only in the case of Salobo, today excluding the merit of copper production, we have over US$ 5.3 billion, when the value in the budget of the project, including gold and copper, was US$ 4.2 billion.

Today, we have many ramp-up projects as Salobo, our New Caledonia project, Lubambe, in Zambia, and we are sure that, while these projects advance, variable costs will be reduced, fixed costs will be diluted. Therefore, we have a lot of trust, and what you see today as negative figures will become strongly positive.

Our New Caledonia project that I just mentioned, has proven to be more viable and we are now running our cost assessments to have a more transparent evaluation of the entire project. Our coal project in Moatize is very well, in 2012 we produced 3.8 billion tons. Our Chipanga products have been well-received by clients.

But we continue with great restrictions in the project in Moatize, in Mozambique, for the use of the line of Sena, and Porto de Beira. Despite of Vale efforts in the port, the railway has had performance much lower than expected. This is why we increasingly need our own, project Nacala, Nacala corridor. We expect to see this in the second half of 2014.

This year, we have four large projects that are very important for the history of Vale, +40 Project, CLN 150, Itabiritos de Conceição Project, the Long Harbour Refinery. These projects will bring important value to our company in the coming years.

We continue to be very confident and we now turn the page in terms of iron ore production volume. Practically, from 2006, 2007 to 2012, we produced the same figures. And with the effort of our managers' team, and all of our colleagues, our +40 Project, Itabiritos Project and Serra Sul S11D Project, we will see a change, that is very important for us.

As you know, we celebrate the grant of a large number of environmental licenses in 2012, which is an essential milestone to allow that we not only produce more, but to produce more with better quality and lower costs. We also have some difficulties, which we appropriately address. For instance, we are forced to continue with the construction project in Rio Colorado in the province of Mendonça in slow down, as announced in our discussion on Vale Day, in the beginning of December in New York.

We continue discussing, we intend to present a broader discussion, on March 11, with our Board of Directors. Our tax pending issues have been resolved and we still have a large pending issue related to the profit of affiliates and subsidiaries abroad. But we believe that our theory will prevail and that we will be able to have a future that is clearer in terms of fiscal aspects.

The disinvestment program has been on going, measures have been adopted, and in this sense, was you have seen in our presentation, an important figure was achieved. Thus, as we have been working to increase effectiveness, working capital, and its management. Research and development expenses have been cut, as well as general expenses.

I will shortly ask Luciano to address this aspect. That is, with discipline, persistence, and patience, we will bring the results that your, our investors and our analysts, expect.

The mining scenario, minerals in general, and metals, is moving in a positive sense and we believe in the future of the market. I will pass to Luciano, to make some considerations on some specific aspects of our results. Good morning, thank you very much.

Luciano Siani: Good morning, everyone, thank you very much. Well, I imagine that most of you, should have the press release and our presentation. I will not discuss the presentation in detail, and will present more of an overview of the expenses and costs accounts, the evolvement of our debt and, at the end, I will comment on the change on the freight accounting practice, which is the hook to have Martins comment on a table in our presentation, where we compare our realized price with the IODEX price on the same base, compared base.

Regarding our costs, first I would like to get you attention to some news we introduced in our financial statement, which is the detailing on our explanation note segment reporting. In the past, we grouped costs, expenses, pre-operational expenses, research and development expenses, all of them into one single figure, which appeared per business unit, and caused some investors and analysts to, for instance, consider on a segment by segment basis of basic metals, and conclude that the performance was very bad, as the EBITDA margin is very low.

The reason for that are pre-operational expenses, mainly from projects in 2012, Onça Puma, New Caledonia and Salobo, and we decided on this note to highlight pre-operational expenses for all business segments. We also highlighted for research and development for all business segments.

Therefore, now you can, comparing income and expense costs, which are still grouped by business segment, have a real notion on the cash generation potential of those assets in operations, already settled. Thus, for instance, while examining the basic metal segment, we note, as we present on page 13, you can see details on the note I mentioned, that adjusted EBITDA, excluding pre-operational expenses and idle time and research and development, for basic metals, is US$ 613 million in the fourth quarter. This means that best known assets in operation are the assets in Canada, Indonesia, and are responsible for a business that is healthy and that generates close to US$ 2,5 billion a year in resources, at current prices, in the pace of the fourth quarter, and that we are working to increase this cash generation. It is important for us that you perceive the value of these assets, without contaminating with other operations that are still on going.

Talking a little about general administrative expenses, I would like to present some insight on this drop that we present on page 14, 5% comparing years, and 30% comparing 2012 fourth with 2011 fourth quarter. Fourth quarter is characterized by some seasonality, as well as natural accounting adjustments at the end of the year, we have the effect of salary adjustment, not only on payroll but all the provisions for thirteenth salary and vacations.

In some cases, we have payments done to end the year. It is natural that the fourth quarter, by the way, in this fourth quarter we also had some important severance expenses with our administrative restructuring. It is natural that the fourth quarter presents a growth compared to third quarter, we had a US$ 25 million increase in SG&A from the third to the fourth quarter. However, when compared to the same period last year, the decrease is 30%.

And I would like to give you some examples, for instance, our expenses with personnel in 2012 fourth quarter, despite of all effects I mentioned, salary adjustments and expenses with restructuring, are lower than expenses in 2011 fourth quarter.

Our travelling expenses, for instance, just to give you a figure, Vale spent US$ 40 million with travelling expenses in 2012 first half and in the fourth quarter, we spent only US$ 11 million. This means the following: we have worked in the first semester at a US$ 80 million a year pace, and using a simple calculation, now we are working in the fourth quarter at US$ 45 million. Thus, the management efforts to reduce all the accounts, administrative general expenses, are very strong and you can expect that the 20% reduction guidance we talked about on Vale Day, will be achieved.

Regarding operational costs, we call your attention for some lines which present a more structural nature of our operation, which are material and outsourced services. Figures are presented, and you note that we have a decrease already.

However, we also note in the press release, the increase in the freight account, and the increase in the freight account is nothing but, yet before accounting adjustment, we are still discussing the former accounting practice, and is nothing but a more intensive use, along the quarter, of our transfer station in the Philippines, which causes all the freight between the ports in Brazil and the transfer station, as they both are Vale sites, they are not part of the trip for the client, be considered freight expenses. This is also applicable for markets where we serve from the distribution center in Oman.

Thus, to the extent that Vale advances in distribution centers FOB, in this case Philippines, Oman, and in the future, Malaysia, freight expenses tend to increase, as the freights is then recorded between Vale units and is borne by Vale. As counterpart freights from the point of sale to the client which normally were deducted from income, are lower, contributing to improve realization price, as you could see.

As I'm talking about freight, what will do with the increase in CFR starting in 2013 is record every freight to the client borne and hired by Vale as cost. This will have the corresponding impact on the income, as seen in the note that shows the adjustment.

We are facing a very strong change movement in commercial strategy, advancement of the point of sale, therefore, continue with the old practice would cause some confusion. We would have a mix of advanced sales closer to the client, with FOB sales under contracts. WE then decided to record as CFR starting in 2013, and adjustments appear in a specific note.

Later, after I'm done with my explanation, I will turn to Martins to complement with commercial aspects the performance in the fourth quarter.

Regarding expenses, other operational expenses, we are questioned why this value is very significant, being US$ 3.6 billion in 2012, compared to US$ 2.8 billion in 2011. Then, we showed in the press release, we separated the largest portion of expenses, which are pre-operational idle expenses. You see, in fact, that they recorded an increase from 2011 to 2012, from US$ 1.5 billion in 2011 to US$ 2 billion, I mean, US$ 1.293 billion in 2011 to US$ 1.592 billion in 2012, as seen in table 4 in the press release.

This increase is related to important new ramp-up operation, Salobo, and expenses with the idle time in pelleting units, contractual terminations, adjustments were, appeared in the fourth quarter. I would like to call your attention to the opportunity that we have here.

While these operations, as New Caledonia, that as Murilo put it are a satisfactory ramp-up in the first months of the year. Salobo increased the production, these expenses were allocated in this line, they will be allocated in the cost line, but with the difference that, once they are allocated in the cost line, as counterpart they will have income. Then, one way or another, regardless of the line, the important is that we now have income to offset this pre-operational expenses, and that, this means there is a great opportunity, in an expressive decrease, and we are confident that there is an opportunity of hundreds of millions of dollars from now on.

There is still a large proportion of other administrative expenses aside from other expenses, pre-operational expenses and idle time expenses, and I would like to call your attention to the main one of those, CFEM provision, that incurred during 2012, not only as a provision, but also as realized payments, this is an extraordinary expense that will not be recurring.

There is also another expense that is mentioned in the text, which is the expense for payment of an ICMS agreement with the State of Minas Gerais. Then, these two last expenses amount to approximately US$ 700 million. If we exclude both these extraordinary expenses, the performance of this residual line was similar in 2011 and 2012, even in absolute values.

Lastly, I would like to talk about the evolvement of our debt, I would like to refer to the slide on page 24, where we use very simple sources of our performance in the fourth quarter specifically. The first bar of operating cash flow is net of payment of taxes, payment of our financial expenses, therefore, this is what the company generated in this quarter.

You obviously see while comparing US$ 4.3 billion with all expenses on the right side that is not sufficient to face expenses, specifically capex of the fourth quarter, which seasonally is higher, and you see US$ 5 billion in cash spent with sustaining projects, this means US$ 20 billion a year, an annual pace, you know this is not the company pace, and there is a seasonality in the fourth quarter.

And the payment of dividends, that refers to a commitment that we have established in a different context, when the company cash generation was much stronger.

Lastly, we have made payments that sum around US$ 600 million, as I mentioned these provisions, many of them in the third quarter, and the payments were made in the fourth quarter. Then, the weight of all these three effects, especially the first two, this is too much for the company, even in a much stronger cash generating scenario.

The result of this is that we had a US$ 2.5 million decrease in our position, and a decrease in the position and an increase, a small increase in debt. However, as explained later, we are very confident that this increase will revert by three effects: the first, the gold operation Murilo mentioned, the second, the receipt, invoicing of some income accounted for in the fourth quarter that relate to price adjustment, which are natural as price increases.

And lastly, the performance of iron ore above what was expected by everyone, including us, in the beginning of the year, which brings the price performance and additional income that will certainly contribute to revert this cash decrease, and bring net debt to levels which we want to work with.

Then, I turn the call to Martins to comment referring to the slide on page 8.

José Carlos Martins: Well, good morning, everyone. I would like to comment the following aspects: in recent years, Vale has substantially altered its commercial operating model, the first point is that our sales to Asia were around 30%, and today they are around 70%, where 50% are to China, that is, a great change in sales geography, from the Western World to Asia. The other great change was in the sales model, that is, we sell practically 100% of our sales as FOB, Porto Brasil, and now we have close to 50% of sales as CFR. This is also a great change.

The third great change was a matter of pricing, as you know, we used to sell according to the benchmark model, which was an annual price. And today, we have 55% of our sales based on daily pricing, whether spot, whether formula with client, but based on the daily price, and the other 45% are based at the most on quarterly pricing.

There were three big changes in the way we sell, and in a way, there was impact on price realization, and mainly when compared with the market reference, that is IODEX, base 62%. This IODEX 62%, this is the dry base, that is, dry ore, and it is also based on quality that is not necessarily the quality of Vale's ore, but the quality of Australian ore.

All this implies in differences related to our realization price, in graphic 8, what we did was bring everything to the same base. This means, we brought IODEX as well as our price to a dry FOB

Brasil condition, and you can see our price realization has improved substantially in the last quarters, after a great fall, when pricing left the quarterly model, and adopted the daily model.

Effectively, that was a great change, and, due to the distance to the market that sets the price, we had some difficulty to adapt. But we are quickly adjusting and today, comparing everything on the same base, we can see that our price is very close to IODEX, on the same base.

In fact, we must say that our goal is to be located above IODEX, that is, we have the freight differential compared to Australia, that varies between US$ 10 to US$ 15, and our strategic goal was always through quality, through a more effective distribution system, to eliminate this freight differential, that favors our closer competitors, through quality.

In 2011, we reached a point where there was quarterly pricing, we practically eliminated this differential, but in recent quarters, this last year preferably, two important factors affected this performance.

The first great change was the drop of metallurgical coal, one of the great advantages of Vale's ore coal is that it requires less use of metallurgical coal to produce pig iron, and this was always priced in the ore as an advantage, that is, clients would be willing to pay a little more for the ore while they saved in metallurgical coal.

As there was a significant drop in the price of metallurgical coal, the great portion of this gain, as we clearly see in the price per iron point, which used to be US$ 10 and today is in the range of US$ 2.50, is due to the great decrease in the price of metallurgical coal.

The other point that affects is the level of capacity usage, to the extent that furnaces are operating in full capacity, the use of Vale's ore with higher iron content also increases productivity. And in the last year, most of the furnaces in the world, also operated in a lower use rate.

These factors affected the gain of quality in Vale's ore, and the figures we have, compared in the same base, reflect this situation.

Our expectation is that, as long as the level of steel production in the world recovers, there is an expectation of growth of global steel industry around 3 to 4%. This will lead to a higher use of furnaces, and eventual recovery of metallurgical coal prices should also improve the realization in view, thus ensuring to Vale the possibility of improving the realization price.

But the great purpose of this graphic is to clearly show that comparing at the same base, that is, under the same dry ore conditions, regardless of being at the FOB condition, we have very similar prices in recent quarters, and that our price realization is improving every day.

And another fact is that pricing is moving towards daily pricing, that is, as I mentioned, today 55% of the sales of Vale is under daily pricing, .and the trend is to have this number increase along time, and not revert it, as it may seem from what we usually read in newspapers, which are mainly client's comments.

The fact is while there is volatility, and a lack of balance between demand and production, volatility will remain strong and will continue to push prices aiming cash pricing. These are the points I wanted to discuss with you.

Operator: Ladies and gentlemen, we shall now begin our questions and answers session, exclusive to analysts and investors. To ask a question, please press asterisk (*) one (1). To take your question from the line, press asterisk (*) two (2). Only two questions can be made at a time. Our first question comes from Mr.Felipe Hirai, Merrill Lynch.

Felipe Hirai: Hello, good morning, good afternoon, everyone. I have two questions, the first question is related to some projects, you put the projects in Rio Colorado and Guinea to be reviewed. I wanted to understand what we should infer, are you no longer investing on these projects for now?

And the second question is: can you comment on the new regulatory milestone? What do you expect and how are the discussions with the Government going, especially related to the potential creation of a special participation over the mining sector?

Murilo Ferreira: Felipe, well, for the first question, regarding Guinea, we continue, we are glad to know that they are finishing their adjustments, documents related to the mineral code, and definitions towards the future. The Government of Guinea has been very vocal regarding its interest in having Vale in the country, including in the recent mining conference in Davos, the president Alpha Condé talked about this. On our side, as I said before, this project needs a series of conditions to be overcome to be developed. In fact, there is no relevant new fact since Vale Day.

Regarding the Rio Colorado project, on Vale Day, we announced that we were putting the project on slow down, and this is what happened. We are evaluating different alternatives, the project needs to be attractive, and have predictability in terms of cash flow. Regarding these elements, there was a series of studies, our intention yesterday was to have something new to tell you today, but the agenda of the board of directors was very complex, especially as it contained an analysis of 2012 results, but we will resume discussing this theme in the near future, precisely on March 11, when we talk to shareholders about this.

You mentioned the mineral code, I must tell you that there really was a resume in discussions, the regulatory aspect. And we expect three projects, in this sense: the new mineral code leading to the creation of a mining agency, and discussions about CFEM.

I think it is very important to have a definition, there is too much instability regarding mineral legislation nowadays. But the most important is to confirm it to rights granted by the Government, and other rights that are to be granted upon effectiveness of the new rule.

We are very confident on this issue. The newspapers talk a lot about the special participation. Special participation in fact is provided for in the 1988 Constitution, and special participation refers to an original income, distributed for the Federal District, the states, and municipalities, and this special participation, ten years after the Constitution, in 1998, a regulation was set as well as calculations for participations in case of oil and natural gas exploitation.

This was taken into account, including at the time, an extraordinary financial compensation, and in our understanding special participation is qualified almost as royalty. Moreover, expenses that could be deducted from gross income, if I'm not mistaken, this is a 1999 Order, where there were a series of expenses that could be accounted for as exploitation activities, development activities, and so forth.

But the most important, I have here in my notes that this 1999 Order, in article 32 is very clear setting forth: "Petrobrás' rights will be ratified over each field under effective production on the effective date of this law".

For us, this is very clear and any discussion on this issue, as it appears in newspapers, is talking about the future. But we have a series of allegations that do not allow comparing the oil industry with the mining industry. We see some of these, for instance, in the case of Brazil. The market focus is very different, while oil production has a specific market, that is the Brazilian market, us, in the mining segment, face a competition in international standards. For oil, there are several benefits as Repetro, Repex, Repenec, while in the case of mining, there is no fiscal incentive policy.

For me, what I highlight is the following point, that refers to infrastructures with different uses. For oil, for instance, you have ducts, refinery, that are not shared with public use, in the case of mining, the logistics, the railways, the ports, serve other interests, including to carry grains, passengers, third party cargoes in general.

Should this great difference not be sufficient where we have to invest in railways, for instance in S11D, the investment value was US$ 11.4 billion, which is much higher than the value invested in mining itself. But shouldn't this be enough, the income in the oil sector includes taxation by replacement until the end consumer, and in the mining sector, taxation occurs in each portion of the chain.

I made some comments, I don't want to go further, there are other questions to be asked. But for me, this discussion and these points I raised clearly show the differentiation between the oil industry and the mining industry, and the tights given to the oil industry, the rights preserved to Petrobrás at the time.

In this case, as investments in mining are increasingly higher regarding infrastructure, our understanding, clearly, is that it does not make sense to have a special participation linked to e new mineral code. Thank you, Felipe, for your questions.

Operator: Excuse me, the next question comes from Mr. Rodolfo de Angele, JP Morgan.

Rodolfo de Angele: Good morning, everyone. I would like to ask you about pre-operational expenses. If you could talk a little about how you expect this to behave in 2013, especially as we see New Caledonia theoretically in advanced ramp-up.

And the second question, I would like to ask you to talk in detail about the next steps. At New Caledonia, as well as Onça Puma. Thank you. Have a good day.

Murilo Ferreira: Rodolfo, from the pre-operational expenses point of view, just to make it clear, when an operation is in ramp-up, this dilutes all fixed costs by a very low production base, the, normally, the cost per ton, let's imagine in the case of nickel, this could be US$ 30, 40 thousand, for instance.

The difference between the realization price and this cost above the realization price is accounted for in pre-operational expenses, during ramp-up, and therefore, that cost, which in this case may be compensated with income, in this case, the price, is carried to the cost and expense account. From this pre-operational expenses, at 1.592, mostly, almost US$ 900 million in fact refers to New Caledonia. We had approximately US$ 120 million in the case of Salobo, and an amount between US$ 250, 300 million, in case of pelleting. There is also some part for Onça Puma, then the performance of New Caledonia will be essential for the evolvement of this account.

We have a budget of little over 20 thousand tons of nickel a year in production, and if we are successful and deliver it, all this income you multiply 20 thousand tons of nickel by US$ 17 thousand per ton, hypothetically, we are talking US$ 350 million, out of the cost of 800 to 900 million that would be carried for the cost account with the corresponding income. The margin would still be zero, due to income cost, and the remaining portion would be accounted here.

Only by New Caledonia, if we get to achieve the budget, there would be a reduction in this account equal to US$ 350 million. In the case of Salobo, the reasoning is the same, we could reach a budget this year, and reduce this account in more than US$ 120 million.

Finally, in the case of expenses by pelleting units, we expect a reduction, as there are many costs that are not recurring and if they refer to idle time, they will no repeat.

Regarding the question on New Caledonia and Onça Puma, I will try to access our colleague Peter Poppinga, director who is in Toronto. Peter, can you answer that?

Peter Poppinga: Sure, good morning, Rodolfo, thank you for the question. As you should know, we had a very positive evolvement in New Caledonia, in January we were operating with one line and now in February we are operating with two lines, that is, with our own acid, no longer using imported acid, as the acid plant was fully rebuilt, there was a design problem.

We expect that in 2013, we could reach 40, a bit more, almost 50% of the capacity. We are going very well, the refinery is responding well, and in the first two months this year, we have already produced 3,500 tons of nickel, as expected, with one line and then with two lines.

I think it is a chapter now, the process. We know the process works, and as Luciano said, we will have at the end of the quarter an evaluation in details in terms of costs to confirm competitiveness on this operation.

Murilo Ferreira: Peter, please, how about Onça Puma?

Peter Poppinga: Well, in Onça Puma we are rebuilding the furnace, you know there was a construction problem, and there was incompatibility with two types of refractory that caused a moisture problem, and rebuilding is going well, we expect to resume in the third quarter with one furnace and resume production from there.

Luciano Siani: Just as an addition al clarification regarding Onça Puma, we have taken measures associated to operational insurance and we have very substantial claims, I don't want to mention figures. Within a normal insurance regulation process, 18 to 24 months, we expect to receive these values.

Murilo Ferreira: We believe the problem was with the furnace given to us, reason why the entitlement to the equivalent insurance. Thank you.

Operator: Excuse me, the nest question comes from Mr. Renato Antunes, Brasil Plural.

Renato Antunes: Good morning, everyone, thank you for the question. The first question relates to the fiscal issue, about affiliates abroad, that you mentioned. You have been talking about this for some time, and I believe we should see some solutions maybe in the first half. I wanted to hear from you if you could give us an update on how we should expect this from now on, if we could expect an approach similar to the one adopted for other tax disputes in the past, a settlement, or will it be different? This is the first question.

The second question about the iron ore realized price. You had a very detailed explanation on the initiative, the commercial practice, and how the gap between Vale and IODEX improved, regardless of base.

I wanted to understand if, looking forward, this improvement that we saw in the fourth quarter, is it a structural improvement that is here for good, regardless if the premium, if VIU improves, and we will see Vale back receiving premiums over IODEX, or if the gap is indeed to stay in the past? From now on, can we look at the theoretical account to project Vale price along 2013, 2014? Thank you.

Murilo Ferreira: Well, on the first question, as you know, Minister Joaquim Barbosa, last year, requested that every issue should be evaluated in plenary at the Supreme Court, and there are two cases in the agenda, the COAMA case, of the cooperative, is one, and will have assistance from all other parties, including CNI that claims the non-constitutionality of that article in the 2001 order. And this is an issue that, in our understanding, is very close to getting into the plenary agenda for a decision.

This is not an obstacle. And this is what is happening now. We almost see good progress, of having a discussion with governmental authorities regarding the legislation to be applied from now on. It is clear that with the number of companies, and important Brazilian companies, facing the same situation, something should be done. I think a great step has been taken with transfer price, which is much clearer today than in the past, through the document issued at the end of 2012.

These two paths are going alongside and I expect that we have a solution in the coming weeks or coming months. Martins, please.

José Carlos Martins: Well, regarding pricing, the answer is yes, all the evolvement is in the sense of decreasing our disadvantages due to pricing in a way that is more distant from the point of sale, ok??

I mean, the significant drop we have seen in the beginning of this year, resulted in change to quarterly to daily pricing and second due to the drop of VIU, these factors were absorbed, were incorporated, and our expectation from now on is to keep pricing closer to IODEX, after appropriate adjustments, in terms of freight and humidity and quality.

Operator: Excuse me, the next question comes from Mr. Marcelo Aguiar, Goldman Sachs.

Marcelo Aguiar: Good morning, gentlemen, thank you for the opportunity. The first question refers to working capital and costs. You mentioned in qualitative terms in the press release, that you are taking some measures to reduce the working capital and we still see, well, we have a step in the fourth quarter in this direction, but you continue with a high working capital compared to your peers abroad.

I wanted you to detail a bit this issue, what would be these measures? And if you had a target working capital as percentage of net income in the future, and the question of costs in the same base, right? If you have, can you give us some information regarding the performance of these lines along 2013 and 2014?

And the last question, the second question, regarding the assets in Australia. You had an impairment, was this the reason why you are considering monetizing, due to bad performance and this significant impairment in the fourth quarter?

Luciano Siani: Marcelo, regarding the working capital, if we look at the absolute value of working capital, it does not drop in the fourth quarter, I mean, there is a small variation, a an increase, and the main reason is the price increase. The price increase has a natural reflection on accounts receivable, as I said, as it is expressed in the presentation, an expressive portion on income, approximately US$ 700 million of income in the fourth quarter that was not even invoiced in the quarter, this is not payment term, nothing like that, the price mechanism works like that.

In a scenario with stable prices, the first thing that happens is, once received the difference in invoicing, you no longer have this effect, this also reflects in a drop in working capital.

We continue on taking measures to reduce working capital, we believe there are opportunities, we are far from ending the possibilities with suppliers and clients. Therefore, I cannot precise a figure, but we are working hard to have a decreasing path for the working capital.

Regarding costs, I understand the expectation to have as announce as other companies do some stronger targets for cost reduction. We want to offer a guidance, as soon as we get certain about what we may achieve.

We talked a while ago about a decrease of about 50% in R&D, we are on track to deliver that, we mentioned a 20% drop in SG&A, and we are on track to deliver that as well. In the specific case of costs, we would like to work a bit longer to understand if we can make it general, company-wide, the gains we are obtaining in the fourth quarter.

Murilo Ferreira: On Australia assets, let's talk to Roger Downey.

Roger Downey: Good morning, everyone, Marcelo, on impairments, starting, naturally, with the related to business value we have in Australia today in the macroeconomic environment and the prices we have compared to what we have in our books, right? We have these assets marked in the market.

Regarding what these assets are doing, I think we should note that we are in a turnaround of assets in Australia. To give you an idea, our volumes increased 20%, we are working and streamlining the cost base, this turnaround is well advanced, as it began six months ago and it has already given some interesting effects.

As for the sale, our strategy is very clear, where we have assets that are not core assets, do not relate to what we intend to do, in the case of coal, thermal coal, we will look for buyers for them.

The other portion of the strategy, if we have offers from people who can manage our non-core assets better than we can, we will truly evaluate that.

Operator: Excuse me, next question comes from Mr. Ivano Westin, Credit Suisse.

Ivano Westin: Good morning, everyone. Thank you for the question. The first question is about disinvestment and monetization of assets, with the end of Hydro's lock-up, can we expect some sale in the short term? Also, I would like you to comment on the sale of assets, about CSP and CSA.

And the second question is also about the fiscal litigation of the overseas subsidiaries, Murilo mentioned the document issued in the end of 2012, allowing a better transparency for the coming period. I wanted you to comment a bit on the amount of the period 2009, 2012, if is there such litigation? Thank you very much.

Murilo Ferreira: Ivano, about the disinvestment of Norsk Hydro shares, evidently, we are no longer interested in the aluminum business, this could occur at an appropriate time, but we will think over the actions, notifying the date when this transaction will occur. Then, what I can say is that at some time ahead, this will happen.

Regarding CSA, we have our rights, rights related to the corporate aspect, the commercial aspect, we entered in CSA, and at the time I was director of equity, and we held 10% of the company. Later, due to reasons people are aware of, including to conclude the project, Vale helped increasing its share, and later, last year, Thyssen announced the disinvestment of its assets in Brazil and in the United States.

We are waiting for negotiations with potential buyers to unfold to present the terms and conditions, and Vale will certainly work to protect its rights.

Regarding the tax litigation, I said the following: the legal instrument, the price of transparency, it helps now, to give more clarity with a legislation that is discussed between IED, representing companies, and the Ministry of Finance.

But I will turn to Clóvis Torres, our responsible for the legal area to make additional comments.

Clóvis Torres: Good morning, Ivano. Regarding the period you mentioned, 2009, 2012, until 2013, these three (years) have not been fined yet, and as it is within the statute of limitations intended by the Ministry of Finance, normally they wait and performs the inspection whenever deemed convenient. We believe that, whether by judicial decision, or new legislation being worked by IED with the Ministry of Finance and the Revenue Service.

Well, now to the last question.

Operator: Excuse me, our last question comes from Mr. Miguel Falcão, HSBC.

Miguel Falcão: Hello, good afternoon. Can you please talk a little more about the accounting changes you implemented? Not only the freight impact you mentioned, but other relevant issues. Thank you.

Luciano Siani: Miguel, this is Luciano. /The only relevant change in practical terms, really was the accounting of freights as we showed in the note. There are some types of freight within Vale, I am talking of maritime freight.

The first is the freight between say, different sites of the group, as I mentioned, between ports in Brazil and distribution centers overseas, including our transfer station in the Philippines.

This freight has always been accounted as cost, a Vale cost, and other freights were deducted from the sales income, therefore, they saw a lower income and a lower cost.

With the increase in CIF sales, the significance of such sales is such that the freight account, whether Valemax freight we have been delivering, operated by Vale, as well as Valemax freight property of third parties and that are lent to Vale for very long terms, as well as freight of other ships with associated long term agreements dedicated to Vale, this account increased a lot, close to US$ 1 billion.

Considering the significance of this account, the accounting understanding, the best practice in fact is to account as cost, since Vale defines the use of these ships, and is the effective manager of members, and not the client.

To avoid confusion, we decided to move all the accounting practice towards accounting of any freight retained by Vale, including spot freight as well. That means that Vale sometimes goes to the market, makes a C&F sale, a CIF sale, without its own ship to deliver the product, but with the possibility of going to the spot market and buy freight from third parties. This freight will also starting in 2013 be accounted for as cost for Vale, and the counterpart is that all these costs that are paid by the client ultimately will no longer be deducted from the income sale price and will also appear in the income. Net effect is zero, it is just a means to demonstrate, in a more appropriate way, what is our price of sale and what is the cost of our distribution strategy advancing towards the clients.

Murilo Ferreira: I would like to thank everyone who made questions and everyone who attended as listeners. I would also like to say that we are, continuously firmly committed with discipline in capital allocation, return to shareholders, cost reduction, world-class projects, with high competitiveness, and hoping to have a better company, with better return.

For your information, we have had great progress, and we continue in line, only in 2013, we were granted with ten environmental licenses, and we are convinced that, in a few months, we will have left the pending issues behind, and the company will move naturally, in terms of environmental issues as well as tax issues. Thank you very much and have a good day.

Operator: The Vale conference call is over. Thank you very much for your participation. Have a good day. Thank you.