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Vale on nickel and aluminum asset review

Vale informs that it has concluded the annual assessment of Onça Puma and aluminum assets, which will imply the recognition of an impairment charge before tax of US\$ 4.2 billion, thus affecting our earnings in the fourth quarter of 2012.

The issues with the two furnaces of Onça Puma determined the total stoppage of its ferronickel operations since June 2012. After analyzing the case, Vale decided to rebuild one of the furnaces, at an estimated cost of US\$ 188 million in 2013, and plans its start up in the fourth quarter of 2013. Given this event and in face of the current market environment for ferronickel, the valuation of Onça Puma determined the need to recognize an impairment charge before tax of US\$ 2.848 billion. The book value of Onça Puma was US\$ 3.778 billion as of September 30, 2012.

The downward volatility of aluminum prices and the macroeconomic uncertainties about the European economy have contributed to reduce the market value of our 22% stake in Hydro ASA (Hydro), a Norwegian aluminum producer, to a level below the book value of our investment. Based on Hydro share prices at September 30, 2012, we are recognizing an impairment charge before tax of US\$ 1.3 billion, which will impact our 4Q12 net earnings.

Despite these charges, we remain confident on the long-term market fundamentals of the global nickel market. At the same time, we believe on the potential of Hydro's assets to create significant shareholder value as a consequence of a unique combination of a rich endowment of natural resources and technological leadership in aluminum.

Both impairments will not have any cash flow impact and will be treated as exceptional items. Our annual asset review will be completed in conjunction with the disclosure of our 2012 financial statements in February 27, 2013.

More information



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