



International Conference Call
Vale
3rd Quarter 2010 Earnings Release
October 28, 2010

Operator: Good morning ladies and gentlemen, thank you for standing by and welcome to Vale's conference call to discuss 3Q10 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 investor's 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 key followed by zero (*0). As a reminder this conference is being recorded. To access the replay please dial (55 11) 4688-6312, access code: 47716. 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. Guilherme Cavalcanti, Chief Financial Officer; Mr. Eduardo Bartolomeo, Executive Officer of Integrated Operations; Mr. Eduardo Jorge Ledsham , Executive Officer of Exploration, Energy and Projects and Mr. Mário Barbosa, Executive Officer of Fertilizers.

First Mr. Cavalcanti 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. Cavalcanti. Sir, you may now begin.

Mr. Guilherme Cavalcanti: Thank you, good morning to you all and thank you very much for attending this conference. Today we'll have a brief presentation about results and perspectives. To begin with our 3Q results we delivered an outstanding performance in this quarter. On the operational side we produced 82.6 million tons of iron ore, a 9% increase over the last quarter and a 23.7% increase over the last year.

On the pellets production we did 13.6 million tons, an 8% increase over the last quarter and 71% increase over last year. It was an all-time high output for our Carajás iron ore production and from our pelletizing plants.



At the end of the quarter we resumed our full capacity operations for nickel and copper after the stop due to the strike of our Canadian operations.

Our financial performance was the best ever. We presented record revenues of US\$ 14.5 billion, a 46% increase over the last quarter and 110% increase over the last year; a record operational income of US\$ 7.8 billion, a 69% increase over the last quarter and 241% increase over last year; a record operational margin of 55.6%; record net earnings of US\$ 6 billion, a 63% increase over the last quarter and 260% over the last year; record adjusted Ebitda of US\$ 8.8 billion, 58% increase over the last quarter and 192% increase over the last year.

The strong cash flow generation allowed us to invest US\$ 14 billion; to return capital to our shareholders of US\$ 5 billion in the form of dividends and share buybacks and also decrease our leverage ratios. Despite a relevant increase in our asset base, our performance has been able to deliver return on invested capital much higher above our cost of capital.

In order to support our operations around the globe we are structuring world-class logistics infrastructure, which now I ask Eduardo Bartolomeo please to talk about our main achievements recently.

Mr. Eduardo Bartolomeo: Good morning to all. Besides investing a large amount in 2010 in logistics, around US\$ 2.6 billion, I think we achieved three remarkable achievements this year. First of all is we obtained the concession of Ferrosur in Argentina; they will support the fertilizer business and the maritime terminal; Simandou we are in good terms in agreement with the Government of Liberia. It is going very well and most important in our case for coal the concession that we bought from SDCN (we mean by that the Nacala corridor that will support the improvement of production in coal for Moatize and also the copper belt in Zambia because SDCN has also operations in Malawi. I think those three elements put logistics as we already know in our main business, iron ore, in the context worldwide and I think those three are very well and very good acquisitions we did in this year.

Mr. Cavalcanti: Thank you. As mentioned in our last conference the Company is living the best moment in the history of the Company and also we foresee a bright future looking ahead. Global industrial production has desaccelerated; however this is usual after the recent strong recovery after the global recession of last year.

For the first half of 2011 we expect this global industrial production to increase. Central Banks around the world are easing monetary policy in order to force the demand growth. Consumption expenditures in emerging economies continue to be high, and also after the leveraging process companies now have a sound balance sheet to start to resume Capex expenditures again, especially the ones that delayed during the global crisis.



China's GDP growth is expected also to remain high and in the iron ore market we expect also that it will remain tight. These signals of the markets reflected on the spot price of the iron ore and also the demand for high-quality iron ore also increased the premium of the price differential for quality reaching US\$ 6 for each 1% of ferrous content differential.

Considering our 66% ferrous content in our Carajás ore, we were able to capture US\$ 21.6 of premium. This premium is higher than the freight differential of Brazil to China in relation to Australia to China.

The high quality of iron ore addressed the Chinese concerns of energy savings and carbon emissions. The use of Vale's high-quality iron ore maximizes energy efficiency, leads to less coke consumption per ton of steel; cuts CO₂ emissions and increases productivity on the blast furnaces.

Nickel prices have trended upwards most reflecting strong demand of non-stainless steel applications and also for stainless steel applications.

Fertilizers' prices are also beginning to reverse the downward trend and I also ask please Mr. Mário Barbosa to talk about the current fertilizers market.

Mr. Mário Barbosa: With the reduction of production of grains in Russia and the Ukraine because of the draught the price of grains increased a lot and the farmers are buying more fertilizers to the next crop to have more productivity and more income. So the prices of fertilizers are very strong at the moment and it will stay strong during the next months.

Mr. Cavalcanti: Thank you Mário. Urbanization, industrialization and the rising consumption of consumer durables will also keep the intensity of metals consumption in emerging economies.

China's rural population is higher than 50% and India's population (rural) is also 70%. China's urbanization rate is expected to reach world average only by 2020.

Also we see large flows of infrastructure spending in China, for example in roads, railroads and airports.

And although China is already the largest car industry, the penetration is still low, indicating a huge growth potential for the car industry.

India, as mentioned, is still a rural country. Industry is still small, only 20% of GDP and the Government intends to double infrastructure investments to US\$ 1 trillion from 2012 to 2017. This will all contribute to the decrease of exports of iron ore from India, contributing in the future for a tightness in the iron ore market.



Moving to the sustainability, Vale is developing several initiatives to become an agent of global sustainability. Those initiatives include dry iron ore processing; truck-less mine; green vessels and renewable energies.

The dry iron ore processing not only saves water and energy, it also reduces CO2 consumption; there is no need for tailing dams; increases the recovery rate of the ore and reduces Capex and Opex.

The replacement of trucks for conveyor belts on the Serra Sul Project will mean a reduction in carbon emissions, higher safety and also preserve the forest.

We are building very large ore carriers that will transport 400 thousand tons of ore, which means less 34% in pollution.

Since diesel is a significant part of our costs, we are investing in biodiesel, which can be blended at a 20% proportion to fuel our locomotives.

Lastly our Vale Foundation is one of the largest corporate foundations of the world. Considering the percentage of 2009 revenues it was the highest among global metals and oil companies.

Before turning to Q&A session I would like to mention that we just released our Capex for next year of US\$ 24 billion and it is worth mentioning that this figure will always be reassessed, we will always be reevaluating the execution of these Capex expenditures considering equipment costs, considering labor costs, considering the exchange rate and also assessing the returns of the projects from time to time.

I would like to ask to Mr. Roberto Castello Branco to give some highlights of the Capex expenditure for next year.

Mr. Roberto Castello Branco: Well good morning. We are just releasing the news about the Capex budget for 2011, it was approved this morning by our Board of Directors. It is a US\$ 24 billion program for next year and it is very consistent with our long-term view of the market fundamentals for minerals, metals and fertilizers; consistent also with our intention to grow and to generate high value for shareholders; 81% of the budget is allocated to finance growth, project growth, project execution and research and development.

A total of US\$ 17.5 billion will be spent in project execution; US\$ 2 billion will be spent in research and development and US\$ 4.5 billion, approximately 5% of our asset base, will be spent on sustaining of our existing operations.

Consistently with our strong commitment to discipline on capital allocation, we will be continuously monitoring costs, particularly those who have a potential to pressure our cost base, like labor, cost of equipment and the volatility of currencies in order to



ultimately reassessing expected returns on the projects we are developing in an effort to maximize shareholders' value creation.

Given the projects we are developing, we expect production to grow at a very high rate over the next few years. We estimate an average annual rate of growth of 16.3% of all production during the period from 2011 to 2015.

So the size of our Company will more than double: we expect iron ore production to reach 522 million tons; nickel almost 400,000 tons; copper almost 700,000 tons; coal to reach 42 million tons; potash 3.5 million tons; and phosphate rock 12.7 million tons. So a very detailed press release is being distributed now and I will pass to Guilherme Cavalcanti to continue the conference call.

Mr. Cavalcanti: Thank you very much and I would like to move to the question and answer session.

Q&A Session

Operator: Thank you. Ladies and gentlemen we will now begin the Question and Answer session. If you have a question, please press the star key followed by the one key (*1) on your touch-tone phone. 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. Ivan Fadel from Credit Suisse.

Mr. Ivan Fadel: Good morning everyone, thanks for the conference call and thanks for the announcement of Capex as well. First of all how should we understand Vale's iron ore capacity for next year? And I understand also that given what Mr. Castello Branco just said we should also believe that Vale should ramp up volumes to 420 million tons in the next few years to 2015 to go over Vale's Capex until then; how should we look at this number?

Also my second question would be in terms of iron ore prices, prices are again very strong at US\$ 150 per ton. Should we consider, given that Vale managed to increase prices considerably in 3Q that for once and for all Vale consolidated quarterly price mechanism or should we believe that there is still a chance that we could see prices migrating to shorter periods? Thank you.

Mr. Castello Branco: Well Ivan, we expect the iron ore production for next year to reach 311 million tons and the goal for reaching 522 million tons is supported by the various projects being developed. Most of the additional production capacity will come from Carajás. We also have Simandou in West Africa with a contribution and last but not least we will have some projects in the southeastern and southern systems adding to our capacity.



Mr. Cavalcanti: On the quarterly prices the system is working well and if you consider the average spot price of the year and the average price on the quarterly systems it would more or less be the same. So we think that this lower volatility will remain the quarterly prices going forward.

Mr. Fadel: Ok. If you allow me just going over just a little bit on the Chinese and Indian you already puts a lot of details in the release, but how can we be ... how are you looking into the continuation of the Chinese demand for 2011 and onwards and should we expect even tighter years for iron ore in 2011 and 2012? And also how will ... if you can quantify, if you already have this number, what could be the impact of Indian growth and lower supply to the seaborne markets be in the case of India as well? Thank you.

Mr. Cavalcanti: Ivan, as you mentioned we believe that the Chinese demand will continue to be high due to infrastructure investments, consumer goods consumption and in India also due to infrastructure investment and also other Southeast Asian countries like Indonesia, Malaysia, Vietnam that also have a very low steel consumption. So we think that demand for all these countries will keep the iron ore market tight.

Operator: Excuse me. Ladies and gentlemen as a reminder please restrict your questions to two at a time. Our next question comes from Mr. Felipe Hirai from Merrill Lynch.

Mr. Felipe Hirai: Hi, good afternoon everyone, congratulations on the very strong results. I have two questions, the first one is related to the pellet premium. We saw the premium of pellets increased to close to US\$ 70 over the fines and I would like to understand if you think that this is sustainable going forward, if we could see pellets prices around this US\$ 200 level?

And my second question is regarding the Capex. You mentioned that you are going to grow at growth figure of 16% over the next few years. Could you just give us an idea of what kind of Capex should we expect for the years after 2011? Should this be close to these US\$ 24 billion budget that you are expecting for next year? Thank you.

Mr. Cavalcanti: On the pellet premium we have two forces working: first we have a higher supply from the pelletizing plants, but on the other hand pellets are more efficient on the blast furnaces and address the energy saving worries of the Chinese and also increase efficiency in blast furnaces. So there are two forces working on opposite sides, it is very difficult to predict what will be the level of the pellet premium looking forward.

On the Capex side we are, as I mentioned, reassessing all the time the level of the Capex considering the returns and our capital discipline. So it will all depend on markets, cost of equipment, labor costs and exchange rates.

Mr. Hirai: Ok, thank you.



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

Mr. Carlos de Alba: Hi, very strong results particularly in the iron ore business; however I have a question and when we look at the detailed financials for 2Q in a row we see that fertilizers have posted a negative operating income; so I wonder if you can give us a little bit of comments to better understand what is going on in that segment. That is my first question.

And my second question is regarding the Capex. Out of the US\$ 24 billion that you just announced how much is committed already that you will have to spend next year and how much is part of this flexible policy that you have? Thank you.

Mr. Cavalcanti: Ok, on the first question of fertilizers actually the result was positive. What is impacting is the revaluation of the inventories. When you do an acquisition, when you put the asset into our budget we do a revaluation of inventories and it had a negative impact. On the Capex commitment this is something that we do not disclose yet.

Mr. de Alba: Guilherme. Thank you very much for the answer on fertilizers. Do you know how much is the revaluation, the impact of the revaluation after the acquisition that affected the current result?

Mr. Cavalcanti: It was US\$ 23 million in 2Q and US\$ 74 million on 3Q.

Mr. de Alba: Thank you very much.

Operator: Excuse me. Our next question comes from Mr. Renato Antunes from Barclays.

Mr. Renato Antunes: Hello, good morning everyone, thank you for the call. My first question is related to freight, if you can give us an update on your freight strategy and how is freight allocated in your Capex budget. I mean, during the quarter you had 25 million ton shipped on a C&F basis, which was something quite symbolic. So I just wanted to hear how are you seeing your price strategy going forward and if on the C&F base sales if you are capturing a freight margin, if that is something that is reasonable to assume.

And the second question is regarding iron ore inventories in China. We have seen roughly unchanged inventories at the ports; I just wanted to get your views on whether we may see a restocking, a pre-Winter restocking over the next months and how are inventory levels at the mills? Thank you.

Mr. Cavalcanti: Ok, actually our freight strategy has been working. We acquired vessels, we are building new vessels, we also entered into long-term contract agreements. The idea of our freight strategy is to keep the freight prices at low levels,



well-behaved. So we think we achieved this goal because the recently increase in iron ore prices was not followed by the same increase in freight prices as we saw in the past, when customers sometimes paid more for the price than for the iron ore. But the size of our freight and our contracts we do not disclose yet. I would now like Roberto to answer the second question.

Mr. Castello Branco: Well, regarding stocks we have seen during the summer in the Northern Hemisphere a destocking processes. This explains, for instance, low sales, lower iron ore sales. In the case of China there was a destocking process that came to an end. According to all the information we have - you know that we have our team in the ground in China - there is no stock building there both in steel and iron ore.

And I will take the opportunity to remind you that a product like iron ore is very difficult to be the target of inventory building, because if you want to have a meaningful inventory in iron ore first you have to find room, because a meaningful inventory of iron ore in China given the level of steel making per month you need at least 250 to 300 million tons. So you have first to solve one problem, to find room where to maintain this huge amount of iron ore.

So we are seeing on the contrary a reacceleration of the demand for iron ore in several places in the world and we are very positive about the future performance of demand.

Operator: Excuse me. Our next question comes from Mr. Vincent Lepine from Exane BNP Paribas.

Mr. Vincent Lepine: Good afternoon gentlemen. I have two questions. You mentioned that you are getting a premium for the quality of your iron ore and obviously specifically for Carajás. I was wondering if you could just remind us of the average Fe content you are getting in the overall price over in Carajás.

And the second question relates to the Canadian operations, which are now back to full production. I was wondering how much fixed costs have been temporarily eliminated during the strike - I guess some of the labor cost obviously was not there during the strike, so what I am trying to get to is perhaps an estimate for what average Cogs/ton should be for these operations at the normalized production rate and base on I guess current FX and input costs. Thank you.

Mr. Castello Branco: Regarding the Canadian operations we have reduced our cost base. We have made several efforts in that direction: for instance we shed a significant percentage of managerial jobs in Canada; we are going back to full capacity operation with less 1200 workers in our operations; regarding the line of products we have too many products in our portfolio and we discontinued those that were not profitable on a permanent basis.



So several changes were made in order to reduce our costs and to be able to be profitable across the cycle, not only during the up cycle and we will continue to do this effort to have really a very low-cost operation in all the world of nickel.

Operator: Excuse me. Our next question comes from Mr. Tony Rizzuto from Dahlman Rose.

Mr. Tony Rizzuto: Thank you very much for taking my question, good morning everyone. I have got a couple of questions, first of all on iron ore. Can you discuss carryover tons that may have been pushed into 4Q as production seemed to outpace shipments during the quarter? And also do you expect any seasonal effects in 4Q? And from a pricing standpoint should we expect to see some narrowing of the discount versus the price assessment on fines? That is my first question.

The second is about Serra Sul, which is the cornerstone of your iron ore investment. Can you review the timing for me? Hello?

Mr. Eduardo Bartolomeo: We are back. This is Eduardo Bartolomeo speaking here about the iron ore shipments. As you asked about carryover, there is negligible carryover in the 4Q. As we saw in the results, we ship much more than we produce, about 13% in the last quarter, so we really had a very good performance due to your next question about the weather, seasonality, of course our best quarter is if all three seasons are on sunshine, it helps a lot. Of course we expect some weather impact mainly in the south in the next quarter, but still the sun is shining for us. So I think we are going to have a good quarter, but basically that is just natural seasonality that we have every year in our operations. For the price issue I think Guilherme can go over.

Mr. Cavalcanti: We believe that the volatility of the price will not be that high and we are also forecasting a strong market for next year.

Mr. Eduardo Bartolomeo: And your question about Serra Sul our guideline of time is being kept: we foresee the project starting up on July 2014. We have the permits for the construction site, we are starting to preassemble. We are waiting for the license for the processing plant and the mine. For the time being everything is all right, the biggest threat is the environmental licensing, but we are taking a very good approach with modularization, preassembling to foresee and to have contingency plans to keep the pace and the Capex on budget, on time.

Mr. Rizzuto: Thank you very much gentlemen.

Operator: Excuse me. Our next question comes from Mr. Rodrigo Barros from Deutsche Bank.

Mr. Rodrigo Barros: Congratulations on the results, really outstanding. I would like to make a couple of questions, the first one regarding the distribution center strategy, if you are able to provide us some guidance on when and what is the ramp up of the



distribution center in Oman and how is the status in Malaysia investment, in the press release you mentioned that you bought the land, so if you can give us a guidance when it should be operational and what kind of ramp up of volumes should we see there.

And my second question, in my opinion definitely investors are not pricing in that value with the freight differential of the China-Max, which is likely to be five dollars per ton plus the value in use it is very likely to obtain an a higher FOB price for this iron ore than the Australian peers. So in my view ... sorry, my question is if you can explain a little bit how the value in use and the freight differential can help Vale to obtain a higher FOB in Australia, if you think that is achievable and by when. Thank you very much.

Mr. Eduardo Bartolomeo: Ok. About the distribution center in Oman, Oman is ramping up, starting up the pellet plant on next quarter, this next, the end of the year. The distribution center will be ongoing in the next quarter, 1Q11, 2Q11. The Malaysia we already bought the land, we are starting the engineering studies and we are scheduling that for the second semester of 2013. So we are on studies, I think both of them are on the target we are foreseeing. The strategy as you understand is to be closer either to the mine and either to China, Southeast Asia and Malaysia. It is a good strategic logistic point for us.

Mr. Cavalcanti: And looking forward we expect the demand for high-quality iron ore. Actually the quality I think will be the main differential. So we think that the premium that we are going to be obtained for the quality difference will continue to be offsetting the freight differential from Brazil to China in relation to Australia to China.

Mr. Barros: Ok, thank you very much.

Operator: Excuse me. Our next question comes from Mr. Sanil Daptardar from Sentinel Investment.

Mr. Sanil Daptardar: Yes, thanks. Can you just talk about how your operating costs is going to be in 2011 and the second question on Capex you are outlaying US\$ 24 billion dollars what it includes? Does it include acquisitions in it or it is excluding the acquisitions?

Mr. Cavalcanti: Ok. The US\$ 24 billion does not include any acquisitions. We continue to be controlling our costs very straight and the thing is, the main challenge for next year in terms of cost will be the exchange rate. 65% of our costs are on real or Canadian dollar denominated, while our sales are in dollar terms. So this current mismatch can impact our costs looking forward.

Mr. Daptardar: So if the Canadian real is going to depreciate against the dollar we might see an increase in the cost in that case?

Mr. Cavalcanti: If the Canadian dollar appreciates we will observe an increase in costs from our Canadian operations.



Mr. Daptardar: Ok, any acquisitions are planned or ... because if you look just exactly what you need to have the same kind of operating performance that you had in 3Q for 2011 to generate enough cash looking for your US\$ 24 billion of Capex? Do you think that if strong results are not likely in the later of 2011, if iron ore prices are going to fall, if the dollar appreciates, then you probably you might have to cut back on the Capex numbers?

Mr. Cavalcanti: Ok. First we are focused in organic growth, so we are the mining company that can almost double capacity only focusing on organic growth. So that is our focus, so opportunistic acquisitions can happen, but there is nothing on the radar at the moment. Regarding the perspectives for next year, as I mentioned before we are very bullish. We think that we will continue to generate strong cash flows looking ahead.

Operator: Excuse me. Our next question comes from Mr. Marcos Assumpção from Itaú.

Mr. Marcos Assumpção: Hi, congratulations for the very strong results. First question if you could share your views on the nickel and the copper market for 2011 and also on the additional volumes that you could bring to the market because of the new operations in both businesses, in the nickel in New Caledonia and Onça Puma and on copper Tres Valles.

Mr. Castello Branco: Well, with the high growth of emerging market economies we see a strong demand for base metals. In the particular case of nickel, on the one hand we will have an increase in supply. As you mentioned we have two large projects coming on stream, Onça Puma and VNC and on the other hand we see the continuation of growth in stainless steel output driven by consumption in emerging market economies.

We see also a demand pressure from the non-stainless steel applications around the world from high nickel-alloys, from plating driven by the auto industry and also by alloy steels and foundry, batteries, etc.

Copper is a commodity where the constraint on supply is the largest in the world. If you compare the world's known resources to the current production it is the lowest among most of our commodities. So you have a structural problem on the supply side while demand is growing particularly in China, as the infrastructure investments continue to develop mainly with power generation, which is very intensive in copper. So for both commodities, for nickel and copper we see a very promising outlook.

Mr. Assunção: Thank you very much.

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



Mr. Cavalcanti: Ok. Thank you very much for attending this conference and see you next quarter.

Operator: Thank you. That does conclude our Vale's 3rd Quarter 2010 Results conference call for today. Thank you very much for your participation and have a good day.
