INTRODUCTION

Good morning ladies and gentlemen, thank you for standing by and welcome to Vale's conference call to discuss 3Q12 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 key followed by zero. As a reminder, this conference is being recorded. To access the replay, please dial (55 11) 4688-6312 – access code 6213907#. 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. Luciano Siani – Executive Officer of Finance and Investor Relations – CFO;
- Mr. José Carlos Martins – Executive Officer of Ferrous and Strategy;
- Mr. Galib Chaim – Executive Officer of Capital Projects Execution;
- Mr. Peter Poppinga – Executive Director of Base Metals and Information Technology.

First, Mr. Luciano Siani 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. Luciano Siani. Please Sir, you may now begin.

Luciano Siani: Thank you. First of all, Mr. Murilo Ferreira apologises for not being here, he had an emergency and could not attend. Thank you all for attending. We have a presentation that was put on our website, it has three parts. I'm not gonna follow it on a slide by slide basis, I'm just gonna remark some of the information which is in there. It starts with an overview of the approach that we are having to strategy and on capital discipline then we will go into details of the performance of the second quarter. In the end of the presentation you'll will see also a few figures on China, which is our main market, wich displays additional data points and information for yourselves to make up your own opinions about how this important market will develop going forward. Certainly we will have the opportunity to talk more about this during the Q&A and the session here.

The very first thing that I will like to start is to re-emphasize that we will prioritize only investments in world-class assets going forward, wich can provide the best return to shareholders. This is very important at a moment where we face the challenge of matching our cash flow to our investment program. So, in that respect, we are not persuing diversification *per se* anymore. Diversification will be a consequence of us having world-class assets in different commodities, but it's not a goal *per se*. Having this goal of operating and developing only world-class assets means that we are going to reassess very carefully all of our assets wich do not fit into that characteristic.

And we would like to re-emphasize our commitment to returning cash to shareholders and mainteining our investment grade in a prudent leverage in our balance sheet, so for us going forward the most significat challenge is how to solve the *trilemma*: adapting cash flows, dividend policy, investments and balance sheet.

Another important outcome of this strategy is that we will reduce R&D expenditures, the need to reduce the investment program means that we now have more growth options then what we need for the coming years, so it doesn't make sense to keep generating additional growth options until there is an immediate consequence which is a reduction of R&D expeditures.

You should also bear in mind that capex will peak in 2012. It is not be as high as what we anounced in 2011 when we made that plan, so we are making an effort to have a lower number. You can see by the accumulated figures for the first 9 months of 2012 and certainly in 2013 our goal is still to have even a lower number, still significant because we do have important growth options, but still a lower number than the trend for 2012.

Another important message is that in our core business, which is where the most important world-class assets are located wich is iron ore, we do believe that we are at a turning point, reason being because now we have all the conditions to resume growth in our iron ore business. We are having a very good performance in enviromental permitting this year, we have had already 72 licenses granted by the authorities, against little over 20 last year. That means that we are being able to open new pits, we are going to be able to develop our world-class projects and over time we will not only increase volume, but also recover the quality that has always characterized Vale iron ore.

So in that perspective S11D is our priority and also the Itabirites projects in the South and Southeastern system, which are described in the press release, which have a two fold objective of not only replacing and marginally expanding capacity in the South and Southeastern system but also recovering quality. So these are, together with the plus40 and Serra Leste, the cornerstones of our growth in iron ore going forward. So you should start to see growth in the production rates in the second semester of 2013 and more explicitly in 2014, and then going forward with S11D coming onstream in 2016 and on, you should see important growth.

So iron ore remains our key priority. Obviously we need also to finish the projects with are ongoing - Salobo, Long Harbor, and so on -, so this puts pressure on our capex over the shorter term as well, and outside of iron ore we do have also world-class assets to keep investing on, which I will highlight the Moatize coal mine.

Important to notice as well that in the shorter term, the fact that we have been granted the license to open the N5 South mine in Carajás is a short term catalist for recover of quality and production, specially in Carajás region. You saw that in our production report released a few days ago, that there was a drop in the Northern system production of 4% when you compare to the first nine months of 2011, which is pretty much related to the enviromental permiting process. But, as I mentioned, we have been working together with the authorities, we have improved our internal processes, we have been granted more licenses, so it is just a matter of time to get back the flexibility that we didn't have at the third quarter.

When you look outside of iron ore, our approach outside of iron ore is very rigorous, as I mentioned, specifically in base metals, which has been a source of concern for a few investors. We believe that we have a few good news to tell you, the one being the succesfull ramp up of Salobo. We are already running at 40% of production capacity, so you are already starting to see some copper production in the production reports under the others account, gold production increasing. Salobo 1 and 2 is capable of producing over 300 thousand ounces of gold, so it is very attractive at the current gold prices. So you should see normal ramp up in Salobo adding results to base metals.

Also in New Caledonia we have resumed opperations of all the circuits, so we intend to keep you posted once we have more clear signs that we are being able resume ramp up in Vale New Caledonia as well, but you should bear in mind that we already have resumed production in the plant.

We are commited to generating value across the nickel business, it is the core business. We have anounced recently the shut down of two mines for care and maintenance. The two mines are mines which are not adding value at current prices, much on the contrary they were losing money. This is a different approach as well, in the past as we priviledged volumes over value, we didn't do this sort of detailed analysis to try to understant what specific assets are contributing to value for shareholders, but now we are commited to not operate those assets wich are not value adding. Important to notice that even if we shut down some mines in Canada, doesn't mean that nickel prodution will deminish because expected growth in Indonesia, which is going quite well, so we will feed this processing plants in Canada with material mined from Indonesia, that is the strategy going forward. So, you will see value improvement in the nickel business without loss in production. And finally we will divest non-value adding assets of this business.

Another key message that I would like to leave with you is that an important leaver to adjust the size of the capital expenditure program going forward is partnerships. So, Vale now is very keen we are actively looking forward to partners for our most important projects. So we would rather develop an opportunity in partnership if we have cash constraints, so with lower cash exposure to the opportunity rather than not doing it. So our first prefered option is to try to find partners to develop some of the opportunities and this is something that I would like to leave with you because you might have news in the coming months. On Vale Day we will present more details of those partnerships.

So when you go to the actual results from the third quarter, I'm going to start first by talking about giving aditional highlights on production, then talking about prices, then going down on the income statement, we are going to talk a little bit about cost and expeditures, and talk about the net income as well, the tax impact on the net income. Then I'm going to briefly talk about our balance sheet and then move on to Q&A.

In terms of production I already mentioned that we had a fall in production in iron ore 3Q12 compared to 3Q11, however one thing that I would like to point out is, because we now have an extended enterprise strategy and we have our own fleet of vessels, and we do have iron ore inventories, even finished products inventories across the supply chain. Which means that if we lose production in one quarter that doesn't mean that you are going to lose sales, so we have now buffers and flexibility to cope with those variations. Which means that we are confident of recovering the production loss and with no impact in sales as you saw.

In terms of the pellet plants we also have halted production at 3 pellet plants. These are plants that are less competitive than the newer ones, again the value equation comes in. Obviously we are reacting to the market conditions where by the quality that is embedded in the product such as pellet is not being rewarded as it should, we are changing, so we do have the option of changing it from producing pellets to producing sinter and pellet feed. So we are opting to the alternative that brings more value to shareholders.

Just for our guidance as well, when you look at the realized prices, when you compare the realized prices of pellets with the realized prices of iron ore, you see a very large premium when you look at the numbers. However the iron ore prices are much influenced by the spot market, and pellets are mostly sold through contracts, so they still reflect the lagged pricing formula which carries the higher prices from the previous quarter. That's one reason behind this large difference. Marginally speaking we are closely following the pellet premium and the cost of transformation to assess all the time the advantages and disadvantages of selling pellets in the market.

In terms of coal, we resumed production at Carborough Downs after the shutdown, which is good news. Our mines in Australia are finally running at very good rates, all of them, so we should see improvements in production in Australia. In Mozambique, as you saw, the production this quarter was smaller than in the quarter before, the reason not being any problems in the ramp up of the mine, but rather some bottlenecks in the logistics. And we are not stocking coal, because coal is not a product that you should stock, put in inventory, because it degrades its quality. So we are slowing down production within the mine, but we expect to debottleneck the railway to the Beira Corridor and resume ramping up, ramp up in the mine and the processing plant in Mozambique is going very well.

In terms of nickel, the production, if you look at the nine months, has been affected by the safety shutdown on the second quarter in Surdbury, when we lost a few lives unfortunately, and we decided to do that shutdown in order to reassess all our plants. But this quarter the decrease in production in Ontario relates more to the plant maintenance shutdown than to any further problems, so we should see again Surdbury production resuming.

In copper we already mentioned the succesful ramp up in Salobo, and to point out as well that now we had the first concentrate being produced at our Lubambe mine at our JV in Zambia, which is also marginally apraised in the medium term. And also in fertilizers we had record production of phosphate rock mainly from our Bayóvar mine in Peru which is doing vey well.

Talking about prices, as you saw, the fall in iron ore IODEX 62% prices has not reflected fully into the fall of Vale realized prices. There is a number of reasons for that. I'm certain that we will explore this in the Q&A session, but in a nutshell there were market factors for sure, but there were also the effect of succesfull comercial strategies that we have implemented in order to deal with an enviroment we have more spot sales and clients they value also the lead times of delivery of our products. Another highlight in terms of prices is the fertilizer prices they moved on a different direction then other resource prices, which shows up the contra-cyclical nature of this business, and we have adapted our product mix in order to make the most out of this opportunities in specific products as well.

So when you see how this has translated in a loss of revenue, this overall falling prices mitigated by succesful comercial strategies has yielded falling revenues of about 1.2 billion in the quarter, which translated directly into the bottom line and into EBITDA. Reason being because the expense accounts where pretty much stable during the quarter. So we are talking about operational costs, we are talking about SG&A and R&D expenses. When you look at the cost of good solds there is are a number of analysis on the press realease that show small items going up and down, but I would say the outlook is pretty much of stability, which I believe is good news in this inflationary enviroment. And we should start, we hope, over the next few months, to see if we can revert the trajectory not only stabilizing costs, but also making them to go down, there are a number of iniciatives to do that. However I can point out to you that for other accounts we believe that we can bet more confidently in a downward trend path, the first one being R&D expenditures. If you compare R&D expeditures of the third quarter against the second quarter, they are stable, but if you compare to the 3Q11 there is a significant decrease. The 3rd and 4th quarters are traditionally within Vale, quarters where you spend more in R&D, and in sustaining investments, and in capital projects. So, that stability is already a first sign that we are containing that, there are a number of iniciatives in place, I can mention for instance the closure of several exploration offices around the world which we reassessed those, and we should see a reduction of R&D expeditures like, numerical, absolute term reduction of R&D expeditures going forward. The same would apply to SG&A which is stable in this quarter but we are also confident that they will resume a downward trajectory quite soon.

So that leaves us to an EBITDA of US$ 3.7 billion in the quarter, which is impacted by a provision for a tax dispute, the so-called CFEM, the royalties within Brazil. We made that provision I believe a month ago maybe, it was comunicated to the market, I think it was it August, and that reflects our assessment of the likelyhood of our payments going forward. Also we are also provisioning amounts for the state mining taxes, which had developments recently, so we are talking about the state of Pará and Minas Gerais. The state of Pará issued a decree with the reduction of the state taxes. The state of Minas Gerais approved yesterday, the legislative chamber approved yesterday the possibility that the state government also make some adjustments. These are developments that certainly are in connection with the comprehensive conversations that we are entertaining with the government of Pará and Minas Gerais, with the goal of cleaning up all the tax issues both past, present and going forward of all of our operations within those two states. So it's a comprehensive effort, it is being done in partnership with the authorities, with mutual understanding from side by side and it is been succesful. We are waiting for the formal proceedings and documents that will confirm our understandings, and once they happen we can even make a specific conference about those issues, but I believe that the recent developments show that these issues are being well addressed. On the state of Pará, for instance, the amount of state tax has been reduced by 2/3, so going forward the provisions and/or payments should be only a third of what has been provisioned for this quarter, for the state of Pará, which is the highest figure, of the US$ 145 million it responds to around US$100 million.

So once you take that all into account, so adjusted EBITDA of US$ 3.7 billion, if you compare adjusted EBITDA this quarter with the previous quarter, as I said, the difference is US$ 1.2 billion wich is basically the loss in revenue. And net income, you can see how the various other accounts lead to a net income of US$ 1.7 billion, aproximately.

Now talking about the balance sheet, I would really like to call your attention to the page 18 on the presentation, and that is the only page that I will highlight. For those who don't have the presentation, I will describe it, it shows how we generated cash in the first 9 months of 2012 and how we used that cash, and the main message here is that we have adapted our investment program to our cash inflows. You can see that the net debt increase in the period was only US$ 1 billion. The operation cash flow plus the divestitures that we had, net divestitures because we had some small acquisitions as well, was pretty much enough not only to pay for the investment program, but also to return capital to shareholders. So that's the type of matching that we are targeting going forward. In the past we have talked about a moderate use of the balace sheet, and that's what we call moderate, you see US$ 1billion net debt increase in the past 9 months so that's something that we are very keen as I mentioned to keep our investment grade, and to keep our rating as it is, we are going to manage very prudently that equation going forward.

Having said that, I will open the microphone for Q&A, and me and my coleagues we are here to address those.

Q&A

<u>Operator:</u> Thank you. Ladies and Gentlemen, we will now begin the question and answer session. If you have a question, please press the star key followed by the one key on your touch tone phone now. If at anytime you would like to remove yourself from the questioning cue press star, two. Please restrict yourselves to two questions at a time. Our first question comes from Mr. Felipe Hirai from Merrill Lynch.

<u>Felipe Hirai:</u> Good morning, good afternoon everyone. I have two questions. The first one is related to the potential divestment of the assets that you've mentioned that you could sell if they are not adding any value. I would just like to understand when would you make this decision, if there is a kind of a deadline for these assets to become profitable or not. And my second question is related to the potencial impairment of assets, that we still haven't seen a significant impairment on some of your non performing assets, so could we see that happening until the end of this year, and if you could give us some idea of which assets we should think of this impairment. Thank you.

Luciano Siani: The first question of sale of assets, I would say that we have a clear idea of what assets we want to divest or look for partners. Now we are in the question of, this are transactions, as you know, they require time to be developed, and they have their normal course of business. But in terms of a decision we've already made those. One exception that you might be having in mind is New Caledonia, which we are resuming ramp up succesfully so we are still not in a position to make any decision about that asset, we need to wait for the next development, and we are probably going to make that decision by the end of first quarter or beginning of second quarter of 2013. On the other fronts the decisions have been made, but we are still exploring the markets to see whats the possibility to realize value on the sale, as well. We are not going to fire sale any asset, we know what their value are, so it's a question of, I believe we have many possibilities, but we will manage those very carefully.

In terms of impairment, as we pointed out in the press release, we will do an impairment in the Onça Puma asset this quarter, it will not await for the closure of the 4th quarter and the full year financial statement. We will anouce it within the year. We already have a revised business case for Onça Puma, and we are waiting just to confirm our expectations on the values to be received from the insurance providers, in order to have the final numbers, and as soon as we have them we will anounce the impairment numbers. But it is very likely that the revised asset value will be below US$ 1 billion, so anything above that will need to be written off.

The other impairments we are having a comprehensive assessment of the assets which are less likely to return to full book value, but in that perspect we will probably have an assessment of all those assets and the impairments, if any made, at the moment of the issuance of the full year financial statement.

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

Rodolfo De Angele: Thank you. I just wanted to get back to the pricing discussion, and ask, looking forward, as you mentioned on the call, there were a few issues that caused the company to post a better realized price then I think what investors were expecting. Some of them were related to comercial strategies of Vale, we discussed on the previous call specifically freight and others, such as the level of impurities. Should we expect those to continue in place? Should we work with improved realized prices for the next quarters? My second question is on projects, I just wanted to hear from management an update on Simandou and Onça Puma, please. Thank you.

Luciano Siani: I will start by the projects, I will adress Simandou then lead over to my coleague Peter Poppinga to talk about Onça Puma, and then we are going back to Mr. Martins for the realized prices.

Simandou, it is an important growth option for the company. As you know our priority right now is S11D, so the resources on the company will be concentrated in S11D rather than Simandou. However, we are waiting for the regulatory landscape in Guinea to become clear there, and that includes the logistic solution. It may change, according to the government it may change from what has been agreed like 2 years ago. So, that change, if that happens, and it is likely to happen, it will entail aditional studies, engineering studies in order to see the value of the new revised project. The stake that the government of Guinea wants to have in the project is also undefined, and the royalties. So there is enough uncertainty I would say in the regulatory enviroment in Guinea, that prevents us to make any advancement at this stage, and this are preconditions for us to make any more firm dicision on the asset. Our expectation is that the time required for these solutions to be reached, plus the time required for us to develop the studies for the project will pretty much match the ongoing strategy of the company, so we will concentrate first on S11D, on the current iron ore asset that we have in Brazil, and then only if all these assets are resolved, so Simandou will be a growth option for the upcoming future.

With regards to Onça Puma, I would like to ask my coleague Mr. Peter Poppinga to address the question.

Peter Poppinga: Rodolfo thank you for the question, the answer is pretty straight forward. The furnace problems of Onça Puma turned out to be more serious than we have anticipated, we have had significant refractory damage, due to some design flaws related to the refractory quality and this lead to refratory hidration in certain layers. So the furnace must be rebuilt, and we are antecipating that production will occur only towards mid of next year. That's the reality of Onça Puma.

José Carlos Martins: Rodolfo, actually we have much better performance this quarter than last quarter. The reasons are mainly freight performance, that was almost US$ 2 better than last quarter in terms of cost, so then we have a much better FOB price after deducting the lower freight. Also the silica penalty that we saw apearing, seems to start selling in the spot basis, its reduced also. It has almost disapeared. And we have in our sales, mainly of Carajás ore on a spot basis, we get even a better premium than the Platts Index shows, so the US$ 2.30 that normally you add as VIU in case of our sales on a spot basis of Carajás ore we are able to get a better premium for that. So, at the end we got price realization that was most in line with Platts after deducting freight, humidity/moisture, and also after adding the VIU. Part of this performance was really caused by better market conditions, and also because we learned. We have to recognize that Vale was a newcomer in the spot market, we were used to sell 100% of our sales on a contractor basis. After benchmark system we continued to sell on a quartely price basis, but kind of administrative pricing. And now we are entering more decisively on sales on the spot. So we are learning month after month how to operate better in this market. I made this comment before, time to market is becoming a very importing issue that on a fixed price system you don't have this. But now that the prices are mainly based on market and daily pricing, so the time for sales is very important, so were managing better times to sale, we are managing better the quality that we offer in the market. Even the volumes of our ships we needed to better manage the quantity that we sell when you sell on a spot basis, because sometimes costumer wants to buy lower volumes than a big ship can deliver. So all of this things we are considering in our marketing strategy, but every quarter, every month is a different story, so you need to adapt very fast and that's what we are doing. As time goes by, we really believe that we always can comand a premium on our ore considering that our average quality is better than our competitor. Those are the main issues that I would like to comment, and also I believe that our performance may improve going forward.

Operator: Our next question comes from Mr. Rodrigo Barros from Deutsch Bank.

Rodrigo Barros: Thanks very much, and congratulations on the good results on that challenging enviroment. I have 2 questions. First one Martins, if you could do for pellets the same that you did for iron ore, explain how much you are selling quarterly contract in the VIM, how much in monthly contracts and in the spot, because that's a number that we have been getting consistently wrong in our case, we have been too conservative. And my second question to Luciano, if I may, is regarding the coorporate events. We saw Vale selling a stake in the Oman pellet plant in this quarter, we also saw Vale increasing its stake in VNC, so if you could comment on those 3 events it would be great. Thank you very much.

José Carlos Martins: As far as the pellet pricing system, we sell our average, we sell 20% on this former quarter lagged pricing system, and this helped pellets much more than helped iron ore, because big part of our costumers in pellet continue to buy under the system. So I don't have specific figures for that, but in case of pellets we have more than our average of 20% that we have in the system. So pellet prices were favored, by the situation, as far as the price continues to go down on average, that will help, but when the price move other way around that will have a negative influence on our price. A rule of thumb that we always sell our pellets at least with our pelletizing cost because we could sell the pellets feed, so then we will always consider what will be the best option to sell pellets or to sell pellets feed. We will always continue to manage this difference. Besides the pelletizing premium, you also have the quality premium, because the pellets have on average more iron content than you have in the regular iron ore. Those factors create a much better premium for pellets, but they are only mainly effect on this quarter because of this lagged system. Going forward we cannot expect premium for pellets to be much bigger than US$ 40 and much lower US$ 35, so that could be the best guess considering an stable pricing situation.

Luciano Siani: Martins maybe you could adress as well our sale of the stake of Oman pellet plant, that's another question.

José Carlos Martins: When we started building our pelletizing plant in Oman, we have made an agreement with the local government, to let them buy 30% of the pellet plant. But this has not any impact on the business itself, because the pelletizing plant works as a service provider, and we only buy the tolling of producing pellets there. And its very important to have local government with us because we depend a lot in the infrastucture that is provided by government to our operation, electricity, gas. We believe it's a very good partnership for us, and also does not bring any burden on our profitability, something that is fair based on the return on capital of the pelletizing plant. We believe that this operation is very good for the company and for our shareholders.

Luciano Siani: On Vale New Caledonia, contrary to what you might be expecting, so you might be thinking, well Vale increased its participation so it put money into the operation, which is not the case. Vale New Caledonia actually, we are recognizing formally a situation *de facto,* which is that our partners SMA, a joint venture between Sumitomo and Mitsui, has stopped funding the project as of 2010, after the accident with the columns. So Vale already put the money under what should have been put by this partner, so what we are doing here now is recognizing, so they are being diluted in order to our participation is increasing, recognizing that reality. But going forward, the good news is that they will resume funding the project, we are now confident that the project may succeed they will resume funding the project at this new participation rate. That's the status going for, so that does not involve any outflow or cash disbursement from Vale, much to the contrary, we should expect now the partner resume bringing funds into the project.

Operator: Our next question comes from Mr. Alex Hacking from Citibank.

Alex Hacking: The first question is regards to copper. Can you give us some guidance on how much copper sales we should expect next year from Salobo and also from Zambia. And the second question relates to the possible partnerships, obviously this has been discussed with Rio Colorado, but it is this something that you also considering in Mozambique with the coal, and does it make sense to have some kind of partnership with Rio Tinto on the logistics platoform.

Luciano Siani: So to talk about copper, I will handover to Mr. Peter Poppinga.

Peter Poppinga: Thanks for the question. Copper, as you know we are studying up Lubambe and we just did it in October. This is a 45,000 tons capacity to JV, actually between Vale and ARM, and some government participation there as well. It's going very well, but of course the ramp up will be, we expect no big hickups during the ramp up, it will be a normal ramp up. I would be hesitant to say to you how much we are going to produce next year, this would be a looking forward statement, but I would expect that we pass easily the 50% capacity. On Salobo, we have produced this year already 5,000 tons contained copper. If you take the last weeks of production and anualize that, so you see the pace, we are reaching 40% and surpassing probably 50% of the capacity in terms of pace this year, so what we expect for next year is Salobo to be close to capacity, which actually is very similar to what happened to our Sossego ramp up. We have learned some lessons there, the flow sheets are very similar, so we don't expect a major surprise in Salobo. Regarding Canada, as you know, Canadian copper comes as a consequence from our mines in Sudbury, which are gaining *momentum* again, going back to the old levels of productivity we had before the strike. We still have some work to do, so for next year copper production for sure will be higher in Sudbury as well. I don't know if that answered your question, but that's what we have to say for the moment.

Luciano Siani: Well, as regards partnerships, as a general statement I would say that yes, we are looking actively forward to partnerships with many of our projects. We understand that this is a necessary condition for Rio Colorado, we need a partner in order to go forward in Rio Colorado. In Mozambique it's an idea that we are entertaining as well, they only caveat that I would put is that we already have partners in Mozambique, the government is a partner in the railway corridor, there are a few private investor, so all conversations need to involve the government as well.

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

Carlos de Alba: Good morning gentleman, thank you for taking my question. The first one is what is the rational to keep the logistics service business, we have seen the performance have been so poor, but I want to know if there is anything that is related between this business and your mining operations in Brazil that may prevent you from potentially divesting this asset, beyond the railroads. The second question is, if you can, Martins, explain a litte bit or can you reconsile the fact that as you sell now more in the spot market, you may need to use smaller ships, with the fact that Vale is getting more Valemax that are obviously larger in size, so how does the company think about reconciling this trend.

Luciano Siani: In logistics I will give you the same answer, I would say that as we are reassessing all of our assets, as specifically the new regulatory enviroment in Brazil has changed and has incentivised the entity of a logistics operator, so there has been a separation between the entity of the concession holder and the operator, and as you pointed out the value brought by the business maybe is not in line with the best expectation of shareholders, this is also a business that we constantly evaluating to see what are the best solutions, and to see how we go forward. For the second question of iron ore, I will handover to Mr. Martins.

José Carlos Martins: Ok Carlos, this is a very interesting question and I have a great pleasure to answer it. First of all, for sure, to minimize freight cost you really need the big vessels. The bigger the vessels the lower will be the freight cost, and more efficient will be the energy consumption, not only cost but also enviromental impact. As you probably know, there will be probably a new taxation on carbon emission ships, so that would add additional advantages of using big ships with lower energy consumptions. But the other side is that many in the spot market in China are small costumers. They prefer to buy lower quantities, and our competitors are closer and they sell normally 80,000 tons. That makes them more palatable for those costumers. What we are doing, as you know, we are building a distribution center in Malaysia, that will enter in operations by the end of next year or beginning of 2014, so the big ships will make the big part of the journey, optimizing freight costs, and later you can distribute with small vessels. You will be in the middle of Asia, and you'll distribute very easily using the right size of vessels for each situation. On top of it we have our floating transfer station in Philipines in Subic Bay, where we can move the ore from the big vessels to the smaller vessels or even to storage in the floating station also. And we are building a second floating station and, if it is needed, we can build another one. But we believe that with the two floating stations, and with our distribution center we already have in Oman, and the distribution center we are going to have in Malasia, we can solve this problem. Valemax vessel is now being accepted in other many ports, besides Oman, Taranto and Rotterdam, we are also bursing our big vessels in Japan, in Oita, and also in Philippines in the GFE sintering plant that they have there. And new ports will accept in the coming months the Valemax. So, we are, for sure that we have some setbacks on it, for sure we have some additional costs on it, but on average we are improving day after day our operations with big vessels improving the solutions we have. We really believe that after Malaysia we will be in a very good position, and for sure we also hope to deliver through big vessels in China for big costumers. Small costumers that buy on spot, they prefer smaller vessels, but big costumer that buy on contract basis prefer big vessels. So as time goes by, we see a lot of improvements that we can add to our price realization by improving our big ship operations.

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

Chelsea Konsko: I was just wondering if you could please discuss what is driving greater demand for sinter feed versus pellets in the market, and when do you expect this to be reversed and for you to start operating your pelletizing plants that you closed down again.

José Carlos Martins: Well, pellets are always more volatile than sinter feed, because costumers use pellets mainly when they need high productivity in the blast furnace. In a scenario that many of our costumers are operating at low rates, the use of pellets is not so convenient for them. So, the answer to your question will depend on the market behavior, and as long as they need more productivity they will come back to pellets, but I cannot say for sure when that will happen.

Operator: Our next question comes from Marina Melemendjian from Credit Suisse.

Marina Melemendjian: Good afternoon everyone, thanks for taking my question. My question is related to iron ore sales volumes, year to date Vale has reached the amount of 220 million tons of fines and pellets, you have been guiding the volume of 310 million tons for the year, which would imply strong volume increase in the last quarter. I just would like to know if you believe that this guidance is likely to be achieved, and if yes, when could we see production picking up. Thank you.

José Carlos Martins: We keep our target, as Mr. Luciano Siani explained before, we did extended enterprise, besides the quantity that we can produce in the last quarter, we also have some iron ore available, and than we can invoice a little more if the market conditions allows us, and if you don't have any unforseen impact in our production. We keep our target and we expect to reach it.

Operator: Our next question comes from Mr. Jonathan Brandt from HSBC.

Jonathan Brandt: Good morning, good afternoon, thank you for taking my question. The first question relates to the capex pressure, and operating cost pressure. We have seen a lot of headlines from not only Vale, but some of the other majors and minor companies as well, talking about cutting capex. Have you seen or do you expect to see capex desinflation coming up, or are things like trucks and tires still experiencing a lot of capex pressure and I guess related to that on the operating cost side. If you could explain a little bit more about what plans you have in place to cut operating costs or should we think of it more as tied to the BRL and the potential weakness there. Secondly, if you can touch upon the debt levels they have been increasing a little bit over the past 3 quarters, is there a maximum level that you would take those to, is there a maximum level that the rating agency would allow you to take those to, and lastly if you need to raise more debt would you consider doing another convertible. Thank you.

Luciano Siani: I will start with capex, it's a different situation in the equipment market and the services market. In the equipment market we are seeing some softness, and possibly the easing of cost inflation, maybe even some disinflation. However, on the service side, specially in Brazil, we haven't seen it that clearly, so the market for construction services in Brazil continues to be very tight.

In terms of operating costs, beyond the BRL depreciation, we are targeting structure iniciatives, and beyond the usual more gradual cost cutting programs, I would say there are some structure iniciatives in place, the first one is the reassessment of low value adding assets. So, it's the same thing that we've mentioned on the nickel mines, the Birchtree and Frood mines, so that kind of assessment is being conducted to all our mines and process plants, so we believe there is room for optimization of the flowsheets, flows of materials, to take the most and maybe halt non performing assets, and get the most value of the operations. The second one would be, on the procurement side Vale traditionally has paid a lot of attention to the big ticket items, which are the ones which are procured globally. Now we are turning our attention to the small items, that although more, together they amount to a sizable spending, about 50% of our total opex spending come from smaller items. Now we are adressing this internally and trying to change our approach to that as well.

In terms of debt levels, I mentioned in the presentation that net debt has increased slightly over the last 9 months, it is just US$ 1 billion. It is true that gross debt has increased more, but we have made a war chest in terms of cash going forward, so that was deliberate strategy as well, to operate with higher levels of cash in order to have more flexibility. The rating agencies do not have a target level of debt, they penalize a company with a high capex profile. In what way? If you take the usual net debt over EBITDA, gross debt over EBITDA, or interest payment coverage, the usual ratios that rating agencies use to a final rating to a issuer, the implied rating that Vale would have, would be A+ or A, last time I saw it, but it is above the current assigned ratio Vale has. The reason being because rating agencies they assign a penalty for the capex program, they believe that they want to see, that you have room to manage the capex program, because they see it as a cash outflow that is not available for repaying debt. So our believe is that as we show our capital discipline and we show that we can effectively manage capex going forward, that this penalty overtime will be disregarded, and we will be rated more in accordance to our fundamental ratios. In that perspect, the debt levels nowadays are not the most concern for rating agents but rather the current debt levels which are low, if you look at the ratios, but in conjunction with the flexibility to manage the capex program. The funding program for next year, we are going to look at all alternatives, and we have debt coming due next year that will need to be refinanced, so as usual we will be tapping different sources of funds for our funding program.

Operator: Our next question comes from Mr. Marcos Assumpção from ITAU BBA.

Marcos Assumpção: Good afternoon everybody, my question is on nickel. If you could comment a little bit on the production expected for VNC and Onça Puma in 2013, and also on the pre-operating expenses, how do you expect that line to behave in 2013. And my second question is related to the CFEM provision, if you could provide an update on the discussions between Vale and the government related to the difference in the calculations from past, if this increase in provisions is showing that the company is close to a resolution in the short term with the government, and if this value on the provision is likely to be mantained at this level or it could be increased at any point in time.

Luciano Siani: Well on nickel, I will pass on to Mr. Peter Poppinga.

Peter Poppinga: Marcos, thanks for the question. In terms of nickel you've mentioned specifically Onça Puma and VNC, so as I told you, Onça Puma is rebuilding the furnace, due to a design flaw. This furnace was built in 2008, and for safety reasons we must rebuilt the furnace. So if we start up mid of next year roughly, we expect a normal ramp up for profile, and this would be not very different from normal ramp ups in furnaces like that, now that the furnace would have the problem solved. In terms of New Caladonia, as I said and as Luciano mentioned, we have succesfully restarted the production, all the affected columns are repaired, the design has been changed. We started up some weeks ago filling the pipeline still, and now in November the acid plant will start up again, and the final nickel will be produced. In Q1 2013 we are going to assess to decide if it is a viable operation in terms of capacity and how the ramp up goes. But for sure if you produce with two autoclaves, of the three autoclaves, like we are forecasting to do, we should have a nickel production next year which should be close to half of the capacity, and then the rest would come in 2014.

Luciano Siani: In terms of pre-operational expenses, just to highlight that you can see in our balance sheet that has been a drag on results, its around US$ 300 million every quarter I guess, I don't have the numbers in top of my head. But we will not tolerate this situation as an ongoing situation, so we are commited to reducing that level of, and that pertains mostly to the two operations mentioned, Onça Puma and Vale New Caledonia, so the reason why we are going to have an assessment in the first half of next year for New Caledonia, is not to perpetuate that situation going forward.

In terms of the CFEM the provision was made when our talks with the authorities we recognized that amount of R$ 1.2 billion provision, US$ 540 million, was really part of our discussion that became very clear that the likelyhood that we will lose this dispute is really high. Talks and conversations continue, I don't know if we should expect a big bang in terms of comprehensive agreement that will be finilized, I would say that the talks continue, the mutual understanding of the thesis involved continue, but we are quite confident that the amount that has been provisioned is the expected disbursement outcome, but yet the discussions have not been finalized.

Operator: This concludes todays Q&A session. Mr. Luciano Siani, at this time you may proceed with your closing statement, Sir.

Luciano Siani: We believe that the message that we have been voicing recently of capital discipline, value to shareholders and cost contiousness has been very open. And we made a point in repeating that over and over but that has to be underscored with results, and now we believe that we have started to show a few instances and a few actions and also preliminary results in the numbers, and our decisions and actions that are quite well aligned with the strategy of the direction that we have been telling investors. So our belief is that going forward we will be able to generate a continuous stream of additional improvement in the numbers, and additional decisions that are aligned to our directions, and lets say deliver on our promisses to be succint. I hope investors and shareholders, with this preliminary results, they give us that confidence vote and now we are sure that Vale will deliver among this newly stablished direction and approach. Thank you all for attending, and our investor relations team is available for further questions after.

Operator: Thank you, that does conclude Vale's 3Q12 results conference call for today. Thank you very much for your participation. Have a good day.