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3Q11 Earnings Release: Continuing to create value

Vale reports another record-breaking quarter reflecting outstanding operational and financial performance. Production of iron ore, pellets, copper and thermal coal reached all-time highs, alongside with records in operating revenues, operating income and cash generation.

While cash generation - fundamental to value creation - reached a record mark of US$ 9.6 billion in the quarter and US$ 36.7 billion in the last twelve months, accounting earnings suffered a non-cash impact of US$ 2.9 billion due to the depreciation of the Brazilian real, the functional currency of our parent company, against the US dollar. Despite the large magnitude of the non-cash charge, our net earnings reached US$ 4.9 billion, which constitutes a robust result.

Amidst an environment of high financial asset price volatility, which is taking a large toll on shareholders to the extent that a deep global recession is already priced into our shares, Vale is continuing to create value. Value creation is stemming from revenue growth and the attainment of high returns on the capital invested at rates far above our cost of capital.

New platforms of value creation have been delivered over the last few quarters: Bayóvar, Tres Valles, Onca Puma, Oman, Moatize I, Estreito and Karebbe. As they are just starting production and/or ramping up the full effects of the operation of these world-class assets on revenue and cash flow growth are still to be felt in the near future.

In the search for continuous improvement in capital allocation, we have developed several initiatives aiming at improving standards in project development to maximize shareholders' returns, from environmental licensing until the transition to the operational phase.

At the same time, we adopted a more focused stance towards capital return to shareholders.

Dividend distribution in 2011 will reach US$ 9.0 billion, a record figure, three times last year's payment, meaning a high dividend yield, thereby rewarding investors who have been confronted with poor performance in global stock markets.

Simultaneously to the cash return through dividends, a share buy-back program is underway, with a goal to return up to US$ 3.0 billion until November 25, 2011, of which US$ 2.0 billion were executed in the 3Q11.

Despite financial markets pessimism on the macroeconomy, we remain confident in the long-term fundamentals of global minerals and metals markets and in our strong capacity to continue to deliver value through the business cycles.

The main highlights of Vale's performance in 3Q11 were:

· Record operating revenues of US$ 16.7 billion in 3Q11, 9.1% above the previous record of US$ 15.3 billion in 2Q11.
· Record operating income, as measured by adjusted EBIT (earnings before interest and taxes), of US$ 8.4 billion, 8.1% higher than the US$ 7.7 billion in 2Q11.
· Operational margin, as measured by adjusted EBIT margin, was 51.2% in 3Q11, in line with 51.7% in the previous quarter.
· Net earnings of US$ 4.935 billion, equal to US$ 0.94 per share on a fully diluted basis, 23.5% lower than 2Q11.

· Record cash generation, as measured by adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) of US$ 9.6 billion, 6.2% above the US$ 9.1 billion in 2Q11. The last 12-month adjusted EBITDA, ended on September 30, 2011, also reached a record of US$ 36.7 billion.
· Record sales of bulk materials – iron ore, pellets, manganese, ferroalloys and metallurgical and thermal coal – of US$ 12.8 billion in 3Q11, 9.3% higher than the previous record in 2Q11.
· Investments totaled US$ 4.5 billion, with US$ 3.5 billion spent on project execution and research and development (R&D).
· Corporate social responsibility investments of US$ 373 million in 3Q11, totaling US$ 894 million in the first nine months of 2011.
· Dividend of US$ 3.0 billion, US$ 0.5838 per share, to be paid on October 31, 2011, totaling an all-time high US$ 9.0 billion dividend distribution this year, equal to US$ 1.7354 per common or preferred share.
· Cash return to shareholders through share buy-back of US$ 2.0 billion up to September 30, 2011.
· Cash holdings of US$ 7.565 billion, supporting a healthy balance sheet with low debt leverage, measured by total debt/LTM adjusted EBITDA, equal to 0.63x, and long average debt maturity, of 10.1 years.

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