

Q4 2010 Earnings Call

Company Participants

- Eduardo Bartolomeo, Executive Officer of Integrated Operations
- Eduardo Jorge Ledsham, Executive Officer of Exploration, Energy, and Projects
- Guilherme Cavalcanti, CFO
- Jose Carlos Martins, Executive Officer of Marketing, Sales, and Strategy
- Mario Alves Barbosa, Executive Officer of Fertilizers
- Roger Agnelli, President and CEO
- Tito Martins, Executive Officer of Basic Materials Operations
- Unidentified Speaker, Unknown

Other Participants

- Carlos de Alba, Analyst
- Felipe Hirai, Analyst
- Leonardo Correa, Analyst
- Marcos Assumpcao, Analyst
- Rodolfo De Angele, Analyst
- Rodrigo Barros, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to Vale's conference call to discuss 2010 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. (Operator Instructions).

As a reminder, this conference is being recorded. To access the replay, please dial 55.11.4688.6312, access code 5250430. 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. Roger Agnelli, President and Chief Executive Officer; 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; Mr. Jose Carlos Martins, Executive Officer of Marketing, Sales, and Strategy; Mr. Mario Alves Barbosa, Executive Officer of Fertilizers; and Mr. Tito Martins, Executive Officer of Basic Materials Operations.

First, Mr. Roger Agnelli will present the presentation, and, after that, we will open for questions and answers.

It is now my pleasure to turn the call over to Mr. Roger. Sir, you may now begin.

Roger Agnelli {BIO 14016988 <GO>}

Ladies and gentlemen. It is really a pleasure to be here with you today and to comment our results of 2010 and that I believe this was good. It was really good. We had a lot of challenges during 2010 to recover production, to keep our costs under control, to face a new price system in the market. And I think we overcame all the situations.

I would like to say to my colleagues in Sao Paulo and, chiefly, in Canada that I think we can be proud of the results that we finally -- we are presenting today to the market, today.

I would like to ask Guilherme to make comments about the results. And later on, I will make my statement.

First, 2010 is the best. I think it was good. That is the best. I think we have to be focused in 2011. That seems to be a very good year. It will be a very good year for us. At least in January/February, everything is going very well, and the trend is positive. It depends on the situation -- the conflict that we are seeing in Libya in the Middle East and how this kind of event can really jeopardize the year for everybody. But I'm still very positive and optimistic, and we are working to make a better year in 2011.

Guilherme, if you can, please, go ahead.

Guilherme Cavalcanti {BIO 2181205 <GO>}

In fact, 2010, we had an extraordinary performance. On the operational side, we had an all-time-high production -- iron ore of 308 million tons, 29% above last year; 49 million tons of pellets, more than double of last year; 6.9 million tons of coal, 27% higher; 14 million tons of bauxite, 15% higher. Carajas surpassed the 100 million tons threshold for the first time, producing 101.1 million tons in 2010. Also, we had a strong recovery in nickel output since the end of the period of strike, being 58% higher in the second half of 2010.

On the financial side, we also have all-time-high figures. We had record revenues of \$45 billion, 21% higher than the last highest figure of 2008. We had also a record in earnings before interest and taxes of \$21.7 billion, 38% higher than 2008, and a 47.9% EBIT margin, which was the highest in 2010 among our peers. Our EBITDA was \$26 billion, also a record. And our net earnings was \$17.3 billion, the highest ever in the mining industry.

Before going ahead, I would like to say that Vale has developed several initiatives during the last year to reduce fixed costs. Therefore, we managed to keep our costs under control, even with the current environment of pressures around -- arising from a strong demand of labor, equipment, spare parts, and services.

The Fourth Quarter cost increase was due to the effects of movement to gain exposure to the cycles and one-off effects, such as resumption of Canadian assets, increase in purchase of iron ore and nickel products from third parties, sales increases, consolidation of and acquired our fertilizer assets, startup of projects coming on the screen. And personnel represented a one-off effect coming from the bonus payment in November due to a two-year agreement with workers made in 2009.

Therefore, it's important to mention that we managed to implement a reduction in personnel and material costs in 2010 against 2009, when we exclude the volume and exchange rate effects. Therefore, we diluted our fixed costs.

On page 7, we see our financial performance in the second half of 2010, where Vale is the number-one among our peers. We had the highest earnings before interest and taxes of \$15 billion. We have the highest earnings before interest, taxes, depreciation, and amortization of \$17.7 billion. We have the highest EBIT margin of 51.7% and the highest net earnings of \$12 billion. Our peers include BHP, Rio Tinto, Xstrata, and Anglo American.

On page 8, we see that, after interest impacted, we generated \$20 billion of operational cash flow. We increased our net debt \$3.6 billion. We made divestitures of \$700 million, and that was the source of cash used on \$12.7 billion in capital expenditures, \$6.7 billion in acquisitions. And \$5 billion was returned to shareholders, being \$3 billion in dividends and \$2 billion in repurchase of shares.

Therefore, we continue to build our growth platform guided by a long-term view of minerals and metals fundamentals. Our investment in 2010 was, as mentioned, \$19.4 billion, being \$12.7 billion in CapEx, \$6.7 billion in acquisitions, figures significantly higher than the previous year.

In 2010, we delivered six new projects -- Carajas Additional 20, Oman pelletizing plant, Onca Puma nickel plant, Tres Valles copper mine, Bayovar mine in Peru of phosphate rock, and our steel plant, TKCSA, in Rio de Janeiro.

Projects recently approved by the board of directors include Carajas S11D of 90 million tons, Carajas additional 40 million tons, Simandou phase 1 of 15 million tons, and our distribution center in Malaysia, Teluk Rubiah, of 30 million tons.

On page 12, we see that, from 2011 to 2015, we will deliver 33 major projects that will contribute to significant value creation for our shareholders and that will double the size of the Company.

Looking backward, Vale was number-one shareholder value creation among large mining companies. If you're looking at the last ten years, we delivered total shareholder return of 38.2% a year and, a look at the last five years -- 29.5% a year, higher than our peers.

Our strong cash flow generation allowed us to invest \$19 billion that I mentioned and also deliver \$5 billion returned to the shareholders and also to deleverage our balance sheet. Our average debt period grew from 9.1 to 9.6 months, and our average cost of debt decreased from 5.5% to 4.9%. As I mentioned, our gross debt to EBITDA ratio came from 2.5 at the end of 2009 to 1 time at the end of 2010. And also, it's worth mentioning that we had at the end of the year almost \$10 billion in cash. It's also worth mentioning that more or less 60% of this cash position are allocated in reais that, besides being a hedge for our costs in reais, it also earns current Brazilian CDI rate at 11% a year.

On page 15, we start our outlook. That looks very promising for the next years. Global industrial production revamped at the end of the year.

And on page 17, we see leading indicators for industrial production also increasing -- the purchase manufacturer index reaching 57% and the new orders over inventory ratio reaching 1.18.

We think that the global growth continues to be supported by strong fundamentals. Monetary policy will continue to be accommodative. Fast-growing consumption expenditures of emerging economies and the US. You have recovery of corporate investments now that companies are deleveraged, have strong balance sheets again, and are capable to pursue the strong CapEx. We have also developing economies recovery and emerging markets growth sustainability.

Inflation -- (inaudible). We would like to say that we think that the effect of inflation will be temporary because it's mainly because of energy and food. So we don't think that the current

inflation means a trend looking ahead.

On the short term, we expect that the global economy will continue to grow above its long-term trends.

And on page 21, we see that global carbon steel output has regained momentum, following the growth path of global industrial production. So in global steel output, it already surpassed the previous peak. This is also led mainly by China, which you can see that also surpassed the previous peak in January 2011.

These increases in steel output are reflected in iron ore price. So strong steel production growth and a tight supply of iron ore underpin the price increase, as you can see on page 22.

In the face of our tight supply of iron ore, China has been accessing an increasing number of small-scale suppliers, showing that the tightness of the market will probably continue in the next three to four years.

Because no major projects are coming on stream, capacity must increase to meet the repletion. Chinese production failed to accelerate, and the Indian exports are losing steam. As we can see on the chart on page 24, India exports are losing ground, coming from 25% in 2005 to more or less 15% in 2010.

The increase in relative scarcity of iron units is driving the upward, long-term trend for the iron ore prices, as you can see on page 25.

Turning to the nickel, global stainless steel production reached 7.8 million tons in Fourth Quarter 2010, implying a 23.4% growth in 2010, its highest-ever record annual expansion.

This is reflected on page 27 on the behavior of the nickel price due to strong demand stemming from the stainless steel applications and also non-stainless steel applications.

Different from steel and copper, nickel intensity of emerging markets is still converging to the level of advanced economies, indicating a high-growth potential for the future, as you can see on page 28.

On page 29, we see copper prices reaching all-time highs against a backdrop of strong demand and structural supply constraints for this raw material.

Moving to fertilizers on page 30, the surge in grain prices has raised farming profitability, stimulating the recovery in fertilizer demand. So corn on the very high levels and also soybeans, as other agribusiness prices.

On page 31, we see the recovering potash prices rallying from the lows in the middle of 2010.

So before the question and answer session, I would like to hand over to our CEO, Mr. Roger Agnelli.

Roger Agnelli {BIO 14016988 <GO>}

As you saw, the year of 2010 wasn't a bad year. I should say that it was a good year, a very good year for the Company.

Today, operationally speaking, we are doing very well. I think the Company's in the best moment of its history. Everything is going well. We are improving all kinds of operations and standards and incorporations. The Company is gaining in terms of speed. We are right now implementing these projects around the world that we are proud that we have people who have expertise to implement these projects in a very good way.

But one thing that I'm really very proud is that, besides -- behind the numbers that we are seeing, we are doing a terrific and fantastic job with communities in Brazil, in Africa, Indonesia. Of course, we have a lot to improve. Still, we have a lot to improve. But we are doing very well. I think there is no other company in the mining industry doing what we are doing in terms of community. Nobody in the industry is reducing CO2 emissions, revegetating, (reforestating), and even reducing the use of shop water as Vale is doing. So I'm very proud that we are -- Every year, every single month, we are improving a lot in terms of sustainability. The Company is very well seen by the communities, by the society. We are supporting the development of local people. We are giving them alternatives to make income. It's improving the standard of living of these communities.

So I think Vale is in a very good track. I think we are really, operationally speaking, in a very good moment.

For 2011 also, we are going to see increase in iron ore output, in copper, in met coal, in potash and phosphate, in nickel. So in all of our operations and all our segments, we are going to see increasing production. If the price remains at the same levels that is today, I think 2011 will be a very, very good year for Vale and for our shareholders. I'm very confident that, of course, we are going to see a lot of challenges, a lot of problems, and I'm very confident that we are going to overcome all these challenges.

Again, I'm very happy that the Company is committed to do everything that we have been doing. Plus, we are concerned about the sustainability of the Company. Again, I don't see anybody at the same level as we are today in terms of sustainability. I'm very proud. I think Vale is recognized today as a friendly company in all countries that we are operating. And we are promising a lot of things, but we are delivering everything. Every single promise that we are making we are delivering results, and the results are really amazing -- very good.

If you go to Mozambique today, the country is a completely different country. Even if you go to the north of Brazil, you are going to see the communities working with us, supporting us. If you go to Indonesia, I think we have a lot to improve there in Indonesia, but we are going to improve a lot there in Indonesia and even there in Canada. We met the Governor of the Central Bank of Canada yesterday, and he said that Vale is very well known and very well received by the community, even though we had a long, long strike there in the Sudbury operations. And (inaudible) is doing a very good job there to overcome and to keep our people motivated in Canada.

So what I can say is that vis--vis -- numbers are numbers. We delivered reasonable results. 2011, we are working hard to improve wherever we have space or room to improve. And I think we have a company that is committed to make every day a better day and bring the Company in the position that the Company deserves to be. I think, in terms of operations, we are one of the best, if not the best. And in the end of 2011, I would like you to celebrate that we are going to be the best mining company in the world and to be the largest one. I think we are on the right track to do this.

Thank you very much.

Questions And Answers

Operator

(Operator Instructions) Felipe Hirai, Bank of America.

Q - Felipe Hirai {BIO 15071781 <GO>}

Congratulations on the results. 2011 is looking that it's going to be much stronger, so looking forward to seeing your results for this year.

I have two questions. The first one is related to the growth in iron ore volumes for the year. You were saying that you expect to see an increase in iron ore production or volumes of 5% to 6%. Where do you think that you are going to sell this iron ore if all of this is going to China? And if that's the case, do you think that there could be any kind of downward pressure in the spot market because of these higher volumes that you're sending to China? That's my first question.

The second question is related to cost pressures. We are seeing across the board that commodity prices are leading to a higher inflation, and we already saw that in your results. Your numbers show some cost inflation in your operation. So I just wanted to know what -- how you look in terms of cost inflation for this year, taking into account that you have one of the most aggressive growth pipelines in the industry. Thank you.

A - Jose Carlos Martins {BIO 1715332 <GO>}

Good afternoon, Felipe. (Martins) is speaking. We believe that additional production could be sold worldwide. If you look what's going on in iron ore markets today, ordinary markets are improving. The euro zone is improving. I'm not talking only about Germany, but other countries are improving. We had many customers that had their blast furnace idle, deciding to come up in production again. The Japanese market is also doing well. Korean market is doing well. Even Brazil is improving. And China is China. We see every year China steel production growing. For this year, what they talk about is a 5% growth. And 5% growth, only China, will demand more than 50 million tons of iron ore.

So I don't believe there will be any problem in marketing this additional ore that we are going to have this year available.

And also, we do not believe the big pressure on price. I think the iron ore price in China we have some overshooting now and then. But in general, the fundamentals are very strong. So I do not -- I don't see too many changes in iron ore price. Maybe some accommodation because of the overshooting we had in the last two or three weeks, but, fundamentally speaking, you have -- India is not delivering enough ore. They are consuming more internally. Even local ore is becoming -- the quality and the iron content is becoming lower. Even if they're mining more ore, the ore has less iron content.

So when I look everything together, I do not see big change in the fundamentals. For sure, more iron ore will come in production -- not only from Vale but from iron producers, but not an extent that could change fundamentally the market situation.

A - Guilherme Cavalcanti {BIO 2181205 <GO>}

About your cost question, you're right that there's been the market cost pressures. But first of all, I would like to say that, on our procurement side, we purchased a lot of materials in the past in advance. And if you look closely to our results and exclude the effect of exchange rate volume and things related to acquisition of minerals from third parties, for example, you see that we diluted costs and reduced costs for personnel and materials, for example.

Maybe some confusion would be there because, this quarter, we introduced all the fertilizer costs on our base. So this is misleading the analogy. So I would like to ask you to contact our Investor Relations, so they can split up the effect that the introduction of the fertilizer business in 2010 that didn't exist in 2009 are distorting the numbers.

Q - Felipe Hirai {BIO 15071781 <GO>}

Okay. Thank you, Guilherme. Thank you, Martins, for your answers.

Operator

Rodrigo Barros, Deutsche Bank.

Q - Rodrigo Barros {BIO 5851294 <GO>}

First of all, congratulations to all the management for the results, and, most of all, I think, to all employees of Vale, as this was really outstanding.

I have two questions. The first one is on the depreciation of iron ore products. I wonder if you could tell us how many years of lump does Vale still have, excluding Corumba, as I do understand that probably we are talk about just a few years left. And in terms of new iron ore supply, we can see that approximately 70% of Vale's new supply is going to be sinter feed. And worldwide speaking, it's kind of the opposite. Roughly, more than 60% of supply will come from pellet feed.

My second question is if Vale believes that that's driven that sinter feed use to have over pellet feed maybe once again exists -- eventually sinter feed becoming the lump. Thank you very much.

A - Roger Agnelli {BIO 14016988 <GO>}

As far as lump production, Vale was never a big producer of lump. Historically speaking, Vale was the king of sinter feed. And lately, we started developing more and more pellet feed as we started processing iron ore to produce sinter feed. Then we start generating a lot of pellet feed. Our ratio of lump was always below 10%. And for sure, we don't have too many years ahead to produce lump ore, besides Corumba. The Corumba, we have the huge resource there. But the main issue is logistical. So as far as we are developing better logistics, we could increase a little bit lump production based on Corumba mine. But even with this additional lump, Vale will never have a big percentage of lump in our portfolio.

As far as pellet feed, it's increasing not only in Vale but mainly in Brazil. This is very interesting to point out that pellet feed is mainly a Brazilian product -- is mainly just in Brazil. And all of those mines that are now developing in Brazil by third parties will be mainly producers of pellet feed. Pellet feed could be priced at same level as sinter feed, although they have -- the sizing is not the best for steelmakers. But the quality for pellet feed is really good. So the chemical quality will, to a certain extent, compensate by the lower size and quality.

But as times goes by, the steelmakers will need to use more and more pellet feed because of the strength. And in this case, they have a chance to use pellet feed as part of their sinter feed. Up to 10% or 15% of the sinter machines, they can use pellet feed. And the remaining will have to be pelletized. So we believe that, as time goes by, more pelletizing plants will be build in order to cope with this additional pellet feed that will be delivered. I believe that, long term, pellet feed will be one of the most important materials for steelmaking, being used as pellet feed in itself or being used feed for pellet. But this is a very important point that I think is to make, as you have, to adapt themselves to use a different (burden) going forward.

Operator

Marcos Assumpcao, Itau Bank.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

Congratulations on the strong results.

A first question is regarding the iron ore sales volumes that you did under the CFR model. What is the maximum level of sales that you can do under this type of contract -- and if this was the main

reason behind the positive price performance that you had as iron ore fine prices dropped only 5% quarter on quarter, well below the Platts average, which declined more than 10%.

A - Unidentified Speaker

We are selling on a CNF basis, but we are also selling freight to our customers. Sometimes we sell CNF; sometimes we sell FOB. But we sell the freight together. So it's a different composition. And we try to manage it on a daily basis in order to get the best net FOB price for us. I prefer not to tell how much we are selling on this condition.

But the point you raise is okay. We have a better pricing than expected for two reasons. One was CFR sales, and the other one is the improvement and quality of our ore in this quarter. So the combination of both improved our price, and our price decreased less than the Platts index, as you say.

Q - Marcos Assumpcao {BIO 7474402 <GO>}

Okay. Just a second question, regarding India -- if you have any insight on the issue regarding the export bans in the country. And as you already touched on the point, if you believe that India can continue to be a sustainable, long-term supplier of iron ore to China.

A - Unidentified Speaker

Steel production in India is growing very fast now. As time goes by, a big part of their iron ore is used locally. And what we see in the last two years, they kept their sales in the same level. And there is a clear indication that, this year, they are going to reduce a little bit their shipments worldwide, including China.

So I don't believe -- Unless there was a big change in India (reservation) as far as iron ore export is concerned and also in the mining rights and logistics, I don't believe that India could have a big hold in the iron ore market from now on. I think they got their most high level in 2009. And from that point on, they started reducing their presence in the seaborne market.

So I think the answer is very difficult to assure. But in our view, the way we are looking the market, we see their presence in the international markets lower and lower in the years to come.

Operator

Carlos de Alba, Morgan Stanley.

Q - Carlos de Alba {BIO 15072819 <GO>}

Just a couple of questions. One is, given the very strong result that you had in the Fourth Quarter and the very promising outlook for 2011, did you see, Roger, any room for additional return of capital to shareholders? It was proposed about a month ago a \$4 billion minimum dividend. But some of your peers have had a more aggressive capital return to shareholders, and your results are much better. So if you can comment on that, I would appreciate it.

And the second question is -- A lot has been said about how much the government in Brazil is trying to get involved in the mining industry and the mining companies. So if you can give us what you are perceiving, that would be also appreciated. Thank you.

A - Roger Agnelli {BIO 14016988 <GO>}

If I may answer this question, in terms of return to our shareholders, of course, it's a very big concern. But we are right now facing a \$24 billion investment. And of course, we have to be very, very disciplined in capital allocation. We would like to finish the expansions of our operations. We would like to start up new mines around the world. So we have to be very careful with that.

I don't know exactly how is going to be the markets or the financial markets at the end of the year -- if we are going to see or not a shortage of capital. I don't know. So we have to wait a little bit more to see and to decide if we are going to increase the dividends to our shareholders. If we have room to do that, we are going to do it. No doubt about that.

In terms of cash, in terms of abilities to face this \$24 billion, we are okay. We don't need to raise any money. But let's wait a little bit to see the performance of the first semester, and let's see the financial markets at the end of the year. I think we have to be very careful with this currency fluctuation. We have to be very careful with the inflation in the world. Maybe some big economies will need to raise interest rates that will be that, as a consequence, we'll see a little bit more scarce capital or funding for new investments. So we have to be very careful with that.

Again, if we have room to increase the return to our shareholders, we are going to do it. But I don't want to promise, or I don't want you to anticipate any movement about that.

Operator

Leonardo Correa, Barclays Capital.

Q - Leonardo Correa {BIO 16441222 <GO>}

My first question is regarding the Simandou project and if you can update us on the political environment and the understanding that you have been reaching with the local government. And also, what are the next achievements that we should be looking for regarding this project? We saw headlines that logistics started to be built. The railway was under way. So if you can give us an update on Simandou, that would be great.

My second question is for Tito Martins on the nickel side. Reading the press release, it was clear that Vale is a bit more cautious now on (H power) projects, especially given its project in Angola and New Caledonia, just to get a sense of how feasible these H power projects are in treating laterite ore in the industry and if you guys see big chances of disappointments with these projects going forward.

Those are my questions, please.

A - Roger Agnelli {BIO 14016988 <GO>}

The first question. I just arrived from Guinea, and we celebrated a great ground ceremony there in Guinea. But this railway will not be used by Vale. This is railway -- revamp of the existing trans-Guinea that was from Conakry to Kankan. This will be used by Guinea for transportation of people, bananas, et cetera, et cetera -- general cargo.

What we are doing -- we are developing a new railroad from Simandou to Liberia parts. The political situation there in Guinea and around Guinea -- I should say that is not really an easy place to build. But our position is to contribute with the democracy there. We would like to have our social projects implemented there in Guinea. We believe that we have a lot of good things to bring to Guinea. I had a meeting with Mr. President, Mr. Alpha Conde, and the meeting was very good. Of course, he's a little bit conservative in terms of approach, in terms of action. And I think that we need to wait a little bit to see how fast we can move in terms of the implementation of the project. We are ready. We want to contribute with Guinea people. We would like to contribute with the democracy there implementing this project that is very important for Guinea.

But they are facing a lot of problems there. They have a problem with external debts. They have a problem with power supply. They have a problem with food. It's a poor country, and in investment like we wanted to do there in Guinea will be very, very, very important for the community, for the society, for the development of the country. I have no doubt that the future of Guinea is very good.

It's a rich country in terms of natural resources -- oil, gas, iron ore, bauxite. And they have a very good hydropower generation in hydro also. But they are consuming right now only diesel power plants.

So we are working hard. We are working hard to be a very good citizen and to be a company that Guinea's people will be proud to have there in their country.

A - Tito Martins {BIO 3374920 <GO>}

In terms of the laterite, let's explain what's going on in New Caledonia right now. We have already commissioned all the plant. So the H powers -- they are working very well. The refinery is working very well. We still have one problem, which is the columns that failed last year. We are rebuilding them right now.

In terms of the results that we have -- the outcomes we're having from the plant, we are very optimistic about them. Why is that? Because the technology that we are implementing has proven to work well. And I said some time ago that the future for the laterite is primarily related to the sales of H valves, and we are still believing in that. If you ask me -- are we actually expecting to see any fallback in the near future? Of course. We are dealing with a new technology. But so far, everything has proven to be very efficient.

We are moving on with the rebuild of the columns. We are already shipping what we call intermediate products -- nickel hydrate cake. We're selling some tonnage to Australia. And we are confident that, along the year, we will be able actually to deliver the metal.

And as I also said before, all the industry is looking at us and expecting to see our success because this is the future for the nickel industry.

A - Roger Agnelli {BIO 14016988 <GO>}

If I may say that, if I had to bet in the success of the New Caledonia project or the technology, I should bet in the positive way. I should bet that is going to be a success.

Operator

Rodolfo De Angele, J.P. Morgan.

Q - Rodolfo De Angele {BIO 1541593 <GO>}

I have two questions, the first on iron ore. It's on (Moatize(. Give us an update on your views on what is the marginal producer looking like in China in terms of cost, in terms of iron ore grade -- just an update. Have you seen the cost curve in China moving? Where do you see it at right now?

And I also would like to hear from management an update on the coal projects in Moatize. That's it. Thanks.

A - Unidentified Speaker

As far as the cost, the marginal cost producers worldwide, mainly in China, it's clear that all the additional production that is coming on stream has a higher cost of production. So in China, specifically, today, it's around, on average, considering the most expensive producers, around \$80 per ton. But this cost is increasing because, first, quality of ore is deteriorating. So less iron ore content, more cost to produce per unit of iron ore.

And also, China is facing internally -- wages are increasing. Currency is revaluating a little bit. So I believe that the situation of these marginal producers in China -- their cost is going up and will continue to go up. And even outside China, all the new producers will have much bigger costs.

On this aspect, I think Vale is very well positioned because the new mines we are bringing on production is even with the lower cost than the former one. So the new projects that we are developing in Carajas -- we are introducing a lot of new technologies and a lot of new approaches that will drive our cost down.

So as time goes by, I believe that the competitiveness of our ore will increase relating to China and to the other marginal producers, even in Brazil.

A - Eduardo Bartolomeo {BIO 15365202 <GO>}

The main project that we have Moatize probably is coming on stream in July (inaudible) is due to the project date. It's on time, and budget is very well taken care of. The threat that we have is around logistics. We have taken of that also with the development of Mozambique and the concessionary. The solution for the railways really -- we believe that we'll be able to service around July. We have taken care of the (inaudible) and all the issues there. (inaudible) provisional solution for the exploring of the coke from beta is already fixed with the government, so we think that we'll be able to ramp up the production faster than we even thought in the beginning for the first -- the second semester of the year. And for the year 2011, we're very optimistic too.

That's the main project I think we have coal. The operations in Colombia and in Australia are doing well, besides Australia were very impacted with the rain like everybody else in that region.

A - Roger Agnelli {BIO 14016988 <GO>}

(inaudible) I would like to ask Mario Barbosa to make some comments about fertilizers, fertilizer is going to be -- or is very important for us. It's going to be, year by year, more important for us. And I may ask Mario Barbosa to go ahead with some comments about that.

A - Mario Alves Barbosa {BIO 1894535 <GO>}

First of all, we incorporated Vale Fertilizantes and Vale Fosfatados the first of February, so now we are one company. And we have many projects to complete. (inaudible). We are analyzing other projects. The total investment it will do in fertilizer will be something around \$12 billion in the next four years.

And in the moment, I think fertilizer is in a good position because the price of the commodities are increasing -- like corn, like soybean, like coffee and sugar cane. All the world, the world needs food. And the world just needs more and more food. They are using more and more fertilizer because the only way to increase the production is to increase the productivity, and fertilizer is very important to do this. Studies of FAO indicate that 50% of the production of food came from the use of fertilizer.

So we are investing a lot. We are building a new company, and we are very optimistic about this new company. And during the year, we will have some news about fertilizer environment.

A - Roger Agnelli {BIO 14016988 <GO>}

And if I may, I would like to ask Eduardo Ledsham to talk a little bit about energy. And you owe me gas this year, Eduardo.

A - Eduardo Jorge Ledsham {BIO 16916840 <GO>}

Regarding energy, especially, and gas, we just finished an agreement in Peru. And we are very confident to have good results in terms of have gas supply. And it could be one of the best alternatives for us to go downstream in a bio project. And I believe that it could add value in the fertilizers business.

In Brazil, we are confident we'll have good results during 2011, especially in the area in (Espirito Santo), and could be one of the alternatives to supply gas for the iron ore operations in Espirito Santo.

We are looking for opportunities in Argentina. Two months ago, we had fantastic results with one of the areas that you have a JV agreement, a farming agreement. There is gas to supply our Rio Colorado project for the next 50 years. There is a huge deposit. It's a JV with (inaudible).

We are looking for opportunity in (inaudible), as well, especially in Mozambique because, In Mozambique, you have (inaudible) in the late stage going to finish the feasibility study. It's a large project. And it's possible to go downstream as well. It will have gas available.

Q - Rodolfo De Angele {BIO 1541593 <GO>}

And (inaudible) in north of Brazil?

A - Eduardo Jorge Ledsham {BIO 16916840 <GO>}

In the north of Brazil, we are starting the implementation of a pilot plant in the Para state while starting in small production in the end of November. And we have just finished the next addition of more -- 21% of the Biopalma. Now (inaudible) has 70% of the Biopalma, and we are starting the second phase and to start the production the middle of this year and, to achieve the full scale in 2014.

A - Roger Agnelli {BIO 14016988 <GO>}

To finish this very nice conversation, let's say that we are committed to the discipline in terms of capital allocation. We are looking for new reserves in copper. I think copper is an area that we have to increase our presence, and we are speeding up all these limitations of new mines here in Brazil -- el Salobo, Cristalino, and other projects in Carajas.

In Zambia, also, we are pushing the investment there. We are looking for new opportunities in Congo; also in Zambia.

And I believe that the targets to produce 1 million tons of copper by 2015 is still alive. And I think we will be able to deliver this promise to the market.

Met coal, as Eduardo said, the project there in Mozambique is going very, very, very well.

In nickel, the Onca Puma is ready to start the production; New Caledonia also. The improvements in Voisey's Bay in Sudbury is going very, very well.

Fertilizers. I think Mario gave you a good update of our projects there. Logistics is another area that we can grow a lot in the next coming years.

So I'm very, very optimistic that Vale is well positioned in terms of the current results and very well positioned for future results. Nobody else in the industry has the same -- or the size of our investment pipeline. We are very well positioned in logistics for iron ore, in Malaysia distribution center, in Teluk Rubiah also we are very well positioned. The (inaudible) will start to arrive next month. That will give us more flexibility to deal with prices, to deal with our clients, to be a reliable supplier, independent from this very volatile freight market.

Financially speaking, the Company is able to face the projects -- the size or the amount of projects that we have right now to implement for 2011 and for (2002). We do not depend of anything but, of course, permits -- environmental permits, the ability of suppliers to supply with equipment, with labor force, et cetera -- so everybody in the industry are facing the same problem. There is no

doubt that we have to be creative to overcome this lack of resource to implement big projects as we are implementing right now.

So I'm very happy that we have a lot of problems -- a lot of issues to be solved. I'm very happy that the Company is well prepared to face all these challenges. And I'm very happy that we are delivering very good and sound and sustainable results for our shareholders.

This is it. Vale is a Company that's, I can tell you, ahead of our competitors, ahead of the main, big companies in the world in terms of sustainability. I would like to stress the thing because this is strategic for us. It's not sustainable to be in any country in the mining business if you are not doing well with the stakeholders, with the communities in the areas that we are operating.

So I think we are in a very good position. I don't see any major problem for 2011. Of course, we have to be aware that a lot of changes are happening in the world today. We need to update ourselves every single day in every single region that we are present. But this is (inaudible) for everybody. So if for everybody, it's not a problem. It's the day-to-day business. So we don't have any exception in terms of issues or problems. I think we are -- We are in the same environment that everybody is today. So we are confident that we are -- We have our duties, but we are able to overcome these issues.

Thank you very much.

Operator

Thank you. That does conclude our Vale's Fourth Quarter 2010 results conference call for today. Thank you very much for your participation, and have a good afternoon.

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