International Conference Call
Vale
1st Quarter 2011 Results
May 6, 2011

Operator: Thank you for standing by and welcome to Vale's conference call to discuss 1st Quarter 2011 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 (*0). As a reminder this conference is being recorded. To access the replay please dial (55 11) 4688-6312, access code: 7415706. 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 at www.vale.com, investors section, or at www.prnewswire.com.br.

Before proceeding let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks and other factors.

With us today are Mr. Guilherme Cavalcanti, Chief Financial Officer; Mr. Eduardo Bartolomeo, Executive Officer of Integrated Operations and Mr. José Carlos Martins, Executive Officer of Marketing, Sales and Strategy.

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

Mr. Guilherme Cavalcanti: Good morning everyone and thank you very much for attending this conference. The agenda today we will talk about another outstanding quarter and the continuous growth ahead.

Beginning on page 5 we see that despite very adverse weather conditions we had a good operational performance. Comparing 1Q11 with 1Q10 we see an increase in the production of iron ore of 3.9%; an increase in pellet production of 26.5%; increase in manganese of 25.5%; increase in ferroalloys of 3.5%; 79.7% in nickel; 107.9% in copper and 0.2% increase in coal, despite the heavy rain in Australia.

This led to an outstanding financial performance in the best 1Q ever, with an operating income of US$ 13.5 billion; adjusted earnings before interest and taxes of US$ 6.5 billion; adjusted Ebit margin of 48.9% (even higher than last quarter); an adjusted Ebitda of US$ 7.7 billion and record net earnings of US$ 6.8 billion.

We have been dealing with seasonal and cyclical cost pressures. The main cost pressures when we compare 1Q11 with the last quarter of 2010 we see a US$ 93 million increase in maintenance materials, which is seasonal, when generally we take advantage on the stoppage because of the rain to increase the maintenance activities; we have a US$ 79 million increase in fuel and gases due to the oil crisis; we have US$ 78 million in purchases of products which are purchases of nickel and iron ore from third parties.

However, in addition to the price increases cost reduction was important to adjust Ebitda performance. Building up Ebitda from the last quarter we had a US$ 1.5 million gain on the sale of the aluminum assets; we had a US$ 600 million gain due to the price increase and we had US$ 3 million savings in SG&A, cost of products sold and in other operating expenses.

We had a negative impact on research and development of US$ 41 million; we had an impact of exchange rate appreciation of US$ 6.5 million; an impact, a negative impact in dividends and as explained before due to weather conditions a lower volume impacting in US$ 1.6 billion the Ebitda and… US$ 9.2 billion of Ebitda of 1Q11.

Our cash generation is already well above the pre-crisis peak. The roiling 12 months Ebitda reached US$ 32 billion in 1Q11. This powerful cash flow helps a healthy balance sheet with a low risk debt portfolio.

On page 10 we can see that we increase our average debt maturity to 10 years and decreased the cost of debt to 4.7%.

Our cash balance sheet ended 1Q with US$ 11.8 billion and the gross debt of US$ 23.7 billion. Our gross debt to last 12 months Ebitda decreased to 0.7x.

Now talking about the perspectives, we see on page 12 that the global IP industrial production boomed since the end of 2010 adding strength to the global demand for metals and minerals.

Looking at the lead indicators on page 13, given the change in the inventory cycle global industrial production is expected to moderate the growth looking ahead; however, the global manufacturing purchase index is already... is still above 50 and new orders/inventory ratio is still above 1x. We think the decrease that happened in the beginning of the year is due to the natural disaster and we think that these numbers will improve going forward.

China remains on the fast growth path driven by domestic demand and the Chinese GDP growth continues on a 10% range.

Both fixed and assets investment and the industrial production are showing signs of reacceleration in China as we can see on page 15.

China has recently released the 12th five-year plan and the priorities are supportive of the demand for Vale's iron ore: targeted average annual GDP growth of 7%; construction of 36 million units of social housing; reduction of 16% in energy consumption per unit of GDP and 17% less carbon emissions per unit of GDP, which leads to a higher consumption of a better quality iron ore; proportion of urban residents to reach 51.5% and the creation of 45 million urban jobs.

The low income housing start for 2011 is targeted to 10 million houses.

Now on page 18 we see the global carbon steel output is running at 1.5 billion metric tons/year expending by 7.6% over the last quarter and China is the main growth driver with 50%.

This leads to an iron ore price continuing to hover around high level in face of strong global demand and supply constraints.

On page 20 we see global stainless steel production reached an all-time high at 8.6 million tons in 1Q. The fast expansion in consumption expenditures in the emerging market countries will drive the long-term demand growth.

This reflects on the nickel price and the nickel market remains tight due to the broad-based global demand growth despite the expansion of the nickel pig iron production.

On page 22 we see that according to analyst estimates Vale has the highest growth potential among the large mining companies regarding copper equivalent volume growth.

And on page 23 we have our exciting pipeline of projects that from 2011 to 2015; 34 additional major projects will be delivered contributing to shareholder value creation.

Worth mentioning our discipline in capital allocation. In this 1Q the return on invested capital has returned to the pre-crisis level and it is far above our cost of capital.

In strengthening infrastructure we delivered the Estreito hydro power plant; we have just delivered Vale Brasil, the first Valemax, 400,000 tons, the largest ship of the world, and we can see here by our window - the Guanabara Bay.

In ramping up production of Tres Valles copper mine in Chile; the nickel Onça Puma in Brazil and our pelletizing plant in Oman.

Page 27 shows our global leadership in iron ore pellets, a capacity to reach 80 million metric tons by 2014.

Finally the acquisition of 9% of the Belo Monte hydro power plant project will add an average of 400 MW to Vale's own generation capacity; will narrow the expected increasing disequilibrium between Vale's power consumption and generation capacity in Brazil; will reduced the cost of energy as cost of self generation is well below market prices; will mitigate the risk exposure to price and supply risks and the expected rate of return is higher than our cost of capital.

With that I would like to go to the question and answer session.

Q&A Session

Operator: Thank you. Ladies and gentlemen we will now begin the Question and Answer session. If you have a question please press the star key followed by the one key (*1) on your touch-tone phone. If at any time you would like to remove yourself from the questioning queue press star two (*2). Please restrict your questions to two at a time.

Our first question comes from Mr. Felipe Hirai from Merrill Lynch.

Mr. Felipe Hirai: Hi good morning everyone. I have two questions, the first one is related to your iron ore volumes. We saw a steep decline in your volumes of iron ore from 4Q to 1Q. I understand that it was because of the rains, but I just would like if it is possible for you to comment on what the outlook for the iron ore volume is going forward, if we are already going to see a recovery in 2Q and if we still should work with our target to sell about 310 million tons in 2011.

And my second question is related to your cash flow generation. As we could see from the numbers your leverage is coming down, the net debt is coming down very fast. We do you expect to see a significant increase in your cash flow because of higher iron ore prices and at the same time your Capex is coming below what we were... below your budget.

And so what should we expect in terms of cash flow going forward? Is your Capex going to increase and what do you intend to do with this excess cash flow? Should we expect to see a much higher dividend for Vale going forward? Thank you.

Mr. Eduardo Bartolomeo: Felipe, here is Eduardo Bartolomeo, I will answer your first question about the iron ore volumes. I think seasonality is a part of our business, you know very well. We were a little bit below our budget for this quarter, but very, very close to it.

It has been noticed on the iron ore side that this year was much worse than last year and so I think we really improved our operations from this standpoint.

If we look forward our guidance is still kept, we do not see any reasons for moving from that because as I mentioned before we were in line with our expectations for this 1Q and the weather is improving mainly in the South; São Luiz and Ponta da Madeira still a lot of issues with the rain, but nothing out of our targets. So I think the prospect for this year is very good.

I will leave the second question to Guilherme.

Mr. Cavalcanti: Ok, hi Felipe. In fact we don't expect to reach the US$ 24 billion target for Capex, we will probably be lower than this and our cash generation will be higher than expected as well.

As we do every year once we have the budget for 2012, which happens around October, we analyze our surplus of cash and decide what to do with it. But one thing that you can start making some accounts is that remember that by Brazilian corporate laws... we need, we have to pay at least 25% of the net income of the previous years and so for 2012 you can start to make this kind of calculation.

Mr. Hirai: Ok thank you Guilherme, thank you Eduardo.

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

Mr. Marcos Assumpção: Hi good morning everybody. My first question is regarding if you could comment a little bit of the drivers behind the iron ore prices in the short term, mainly if you could point on the Chinese steel production, how do you see the evolution in the short term, and also considering the potential increase in the supply coming from Vale and the Australians given the better seasonality now for volumes in 2Q and maybe India coming back with a little bit higher exports given the Karnataka band that expired in April.

Mr. José Carlos Martins: Good morning everybody, Martins speaking. As far as price is concerned we believe 3Q will keep the same price as 2Q. We have already two months gone in the price formula formation and the price is under the same level as 2Q. So I really believe that for 3Q the price will stay in the same level.

For 4Q as you mentioned we have first a better performance from the iron ore producers not only Brazil but also in Australia; we have this issue of Karnataka but on the other hand the monsoon will start in India and so you have one thing which is positive and the other one is negative; but anyway 4Q always we have a bigger supply of iron ore.

And as far as Chinese steel production is concerned we believe that it will continue to grow slightly below the last year pace but it will continue to grow.

And on top of it to have a better performance in Europe for steelmakers - it is not clear why, but they are performing better - and the whole world is performing better in steelmaking, Brazil also, so I do not see too many problems as far as demand side is concerned.

For sure there will be a little bit more supply in 4Q mainly, but I don't believe it will have a big impact. Iron ore prices the fundamentals continue to be very good. We saw some movement in those more liquid commodity prices as copper and nickel, but iron ore continues to be stable and demand continues to be strong. So even with this additional volume I do not see too big changes in the fundamentals. The fundamentals continue to be very good and the price perspective at least I would say it stable - at least.

Mr. Assumpção: Perfect. If I could make just a second question, if you could just give us a sense how do you see the Chinese iron ore production cost right now? The level of the cost of the marginal producer?

Mr. Martins: It is very difficult to make an appraisal because you have a big range of cost producers in China. It is more than 1,000 producers and I think the largest iron ore producer in China produces something like 15 million tons so it is very, I would say, spread, the range is very big.

But on average we believe that this cost is now moving up because we have inflation and so wages are growing; also their currency is becoming stronger and so all of this is adding additional costs to the iron ore cost structure in China and probably today they are around US$ 100 and it keeps moving from 80 that it used to be to something like US$ 100.

So I think as far as this point is concerned we have a very, I would say, floor price for iron ore and so I think the price for iron ore will be sustained about US$ 100/ton at least if you look really long-term. But I do not see it happening in the short term, I do not see it happening in the short term. I think that for more than four or five years the price will continue to be very strong in China and in the world. I do not lose my sleep because of iron ore prices to say the least.

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

Mr. Renato Antunes: Hello good afternoon everyone, thanks for taking my question. Two questions actually, the first one related to pellets. I just wanted to get your views on how you are seeing the dynamics of the pellet market in the next years. The current spread, realized prices for pellets was US$ 55/ton and also in that context if you could comment a bit on how you see also the pellet feed material prices relative to sinter feed that would be great, that is the first question.

The second question is related to C&F shipments. You mentioned that cost of 25% of your volumes in the quarter, when in C&F basis this is slightly down from almost 40% in 4Q. I just wanted to better understand this dynamics and if you could comment what should we expect going forward, if you have been able to capture some margin freight on your C&F shipments that would be also great. Thank you.

Mr. Martins: Well, our strategy is to sell more and more C&F, ok? But it will take time for us to reach this target because many part of our customers have long-term contracts for their freights and so it is not an easy negotiation to buy back these contracts and then to supply them on a C&F basis, and also we need to look the moments that are better for doing it.

So we are building our fleet of own vessels and chartered vessels and for the time being a big part of our C&F sales are based on the customers that were used to buy freight on a spot basis and this makes changes quarter by quarter, but anyway we have a very competitive fleet, cost in our fleet, and we can sell iron ore C&F or we can even sell FOB and the freight separately. So we have a kind of flexibility for doing one-way or another depending up on the circumstances.

What we think is more important is Vale's shipments are not sold based on spot freight anymore, which means that being Vale or being the customer we do not need to go to the market to buy freight on the spot basis and that will bring much more stability for freights.

We do not want to freights to be too low, below the replacement cost, but we want to keep it stable long-term around US$ 20 - that is our target. Our strategy is to keep the long-term freight around US$ 20 which is the replacement cost for the fleet, ok? If you have this price too low people will stop building vessels and we are going to have a problem in the future because we do not have the idea to have 100% of our sales based on our own fleet.

So that is our strategy and long-term more and more our sales will move to C&F basis, but we do not believe that is really an issue. The issue for us is to sell iron ore and to sell the freight that we are able to supply. Then we can sell C&F or we can sell FOB and also you can still the freight to the market. But as I told you long-term you have to look that more and more our sales will be based on C&F basis.

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

Mr. Carlos de Alba: Thank you very much. My first question is just if you can elaborate a little bit more on the decline that we could expect in the long-term for iron ore price from US$ 180 to US$ 100. What are the main factors behind this and why do you think it will only happen around 2014, 2015? Clearly by the equity valuation we do not believe that that would be the case, so your thoughts would be appreciated.

And then the second question would be can you give us an update on the Moatize Project, where are you at the moment? Are you on schedule, any comments on the railway there as well as in the Guinea project particularly after the agreement that you seem to achieve with the Guinean Government? Thank you very much.

Mr. Bartolomeo: Carlos this is Eduardo talking speaking, talking a little bit about Mozambique. Mozambique's project on the mine side almost commissioned, it is running from July. We are finalizing and so it is up and running from the budget date and so this is the good news.

On the logistics side we are still discussing the infrastructure with the government. The railway line is ready but we need some... not an upgrade, but repairs to make it feasible or the trains to run over and so it is a threat to the project, but it is under control still because we are in constant discussions with the government there and we have all the locomotives, the trains, engineers, the wagons already ready for that.

And on the shipping side we are doing some adjustments on the port, on the general cargo port, that will be also ready by August and so my expectation is that we start shipping around August to September on Moatize.

I will rather ask Martins to go over Guinea because he is more updated on that and then go back to the other issues.

Mr. Martins: Well, as far as Guinea is concerned we are now under negotiation with the local government because we had an agreement before the election and that agreement was based on the situation before the election. So now with the new government having new ideas we are trying to adapt our agreement to the new situation. For the time being we have nothing to say besides what we already told but we are very, I would say, optimistic that we can find a good agreement and we can move ahead with the project.

They are working there on the engineering side preparing everything to start but we need first to redefine our agreement with the local government which is now under negotiation.

For the point raised about long-term price for iron ore, to talk about the future is a kind of a difficult thing, but I can say to you is our view about iron ore and commodities in general is very positive and the reason is we have huge urbanization process going on in the world and so steel consumption is growing not only in China - normally we look at China because it is the most, I would say, visible example of it.

But steel consumption is going the Middle East; steel consumption is growing in Southeast Asia; steel consumption is growing in India; steel consumption is growing in Brazil, is growing in Latin America. So steel consumption is growing everywhere besides the States and Europe

Also in the States and Europe they are recovering a little bit; but in this moment steel consumption in Europe and the States is a kind of 15% below the pre-crisis level. So Western Europe and Western... I would say not only northwestern countries' consumption continue to be 15% below pre-crisis level.

So all over the world steel consumption is growing and we do not see this changing. Unless you see some stop in the urbanization process, which I do not believe will happen, people who continue to move from the countryside to the cities and they will need infrastructure and the steel is the most important material with cement, and this will not change. We have a lot of movement in the economy here and there, inflation and so and so, but urbanization will continue.

I think the only point that you look that could reduce the pace of urbanization is inflation. If Inflation growths countries will start pulling down their economies to avoid inflation - but the movement is the movement, urbanization will continue.

So I really believe we have a long-term good perspective for iron ore, because on the other hand when you look at the supply side we believe that the consumption of steel and iron ore will continue to grow; but on the other side supply is facing more and more difficulty to increase based on environmental concerns, based on the institutional difficulties that you have here and there.

So urbanization makes consumption grow faster than you can increase production and then I see for long-term this scenario of a kind of scarcity to remain at least five years ahead. So until these new big project starts producing and even after that you can have one or two years of a more stable environment and then it will pick up again.

So when you look historically it took more than 250 years from the Industrial Revolution until today for the Western world to reach the level of life we have now and this is very material intensive, is very steel intensive and also energy intensive.

And there is 1 billion people living in the Western world; but when you go to Asia there is 5 billion people living there - only China is 1.4 and China is doing in 20 years what the Western world did in 250 years and this is putting a huge pressure over natural resources, commodities, being iron ore, being coke and coal, being energy, being food.

Look what is going on with food: people are eating more. I got some information from Chinese officials two weeks ago that they calculate that a guy when he moves from the countryside to the city the guy is consuming 8x to 10x more - and that is done immediately, in the next day. When the guy moves it starts consuming more and changes the way they live and different things, and this is going on.

I do not believe we are going to have changes on it because we have the sovereign debt in Europe or because personal debt in the United States is too big or because the exchange rate is going this way or that way. I think when you look all those movements who are looking the form, you are not looking the wave.

So there is a big wave coming and if you look carefully it is not a wave; it is a tsunami and is already done, it is coming, because the earthquake started maybe 10, 15 years ago when China started moving huge quantities of people from the countryside to the cities and now India is doing the same and everybody will have the same things going on. And this is material intensive, people, and the pressure over commodities and the pressure over raw materials, the pressure over natural resources will continue to be very strong.

For sure we are going to have movements here and there because of inflation, because of the cooling down of the economy, because of some problems here and there; but the movement has one direction in my view: people need more things for their lives and as long as we do not change the way we live people will need more iron ore, more food, more raw materials, more energy, and the producers are having trouble to get the supply at the same time that people need more things.

And then we have no if you look this inflation is a worldwide movement. Part because of it because there is a scarcity of natural resources and so iron ore is part of it - probably a little bit more benefit than the others because of the huge quantities that you need, but in the same movement. I do not see different things when I look iron ore or I look corn or look wheat or soy bean - it is the same movement.

People are consuming more and need things and the producers are having difficulties in getting production in place when they need and that is the reason I am not concerned about the price of iron ore in the long-term.

The same way I am not concerned about copper or a nickel whatever price you take. I do not believe producers will have capacity to cope with this huge movement, which means urbanization. I am not talking about population growth; I am talking about urbanization and that is the movement that you have to look if you want to see where the consumption of things will go. If the urbanization process continues to move in Asia mainly ore in Africa or even in Latin America people will need more materials and that will put pressure on prices anyway.

Operator: Excuse me. Our next question comes from Mr. Mike Elzahr from Dahlman Rose.

Mr. Mike Elzahr: Hello good afternoon everyone. Can you comment on some of the projects delays that were mentioned in the earnings press release these delays affect your five-year commodity production timeline? Thank you.

Mr. Cavalcanti: In fact we already showed some project delays and we already put on the press release the postponement of the date of the ramp up. This has happened around the world as Martins mentioned, the difficulty of the producers to keep in place:

you have constraints on equipment, you have workforce constraints and we are trying to deal with that.

Mr. Martins: Yes, that is one point. I told you before the difficulties that we are having to cope with this demand growth. Vale has a very, I would say, bold investment process. We are investing a lot of money because we believe in the picture that I just talked here. We believe that the world will live a long period of scarcity and so we are putting a lot of money because we believe that demand will be there.

But at the same time we see that it is very difficult to keep the projects on time. All our projects have some kind of delay for different reasons: in Brazil if you look now we have this World Cup, a lot of investments being done; we look what is going on the next Olympics and also the pre-salt project from Petrobras.

There is a huge pressure over engineering people, over raw materials, over materials that you need for this work and equipment, and that is the situation. If you go to other countries the situation is not that different and that is the reason we believe this scarcity scenario will remain for a long-term.

Mr. Cavalcanti: And it was mentioned also environmental licensing. That is one of the reasons of the delay of our projects.

Mr. Martins: It is an additional issue. But even the projects that we already got the license we are not able to keep the same schedule because of other different constraints that are appearing every day.

Mr. Elzahr: Ok thank you and are you still maintaining your commodity production growth timeline over the next five years or how has that changed?

Mr. Cavalcanti: Actually we changed a little and we will show it later on this year when we show the next year plans later on. But some things will be probably be postponed for what we showed last year.

Mr. Elzahr: Ok thank you very much.

Operator: Excuse me. Our next question comes from Mr. Vincente Letine from Exine.

Mr. Vincente Letine : Good morning gentlemen. I had a quick question on Capex. You mentioned that you would probably not reach the US$ 24 billion budget that you had released at the end of last year. I was wondering if you could give us a bit of more guidance in terms of the actual budget or revises that are working on right now.

And also what sort projects might be affected? Is it the Opex was not allocated or is it some of the Capex that you had allocated to particular projects which are being possibly delayed? Thank you.

Mr. Cavalcanti: Ok. So far our expectation is little than 24 billion, it is more on the range of US$ 20 billion and it is spread through all our projects.

Mr. Letine: Ok thank you.

Operator: Excuse me. Our next question comes from Mr. John Thomasos from John Thomasos Independent.

Mr. John Thomasos: Good morning, thank you for taking my call. I am a Vale shareholder and admire everything you are doing. I have a concern that the US$ 24 billion capital spending program is conspicuous and may attract attention among all the illiterate Brazilian voters such as the masses that live in the towns or neighborhoods and that some politicians might think of Vale has a deep pocket target.

Please talk about how you manage this perception in order to protect everyone's interests.

Mr. Cavalcanti: Ok thank you very much. First of all it is worth mentioning that so far we have been delivering a return on invested capital far above our cost of capital as we showed in the presentation and also it is worth mentioning how we rank our Capex and how we reach the number.

Every year in the budgeting process we collect from the business units the desire and the projects, the growth projects and then we rank them by rates of return. So for example this year the main Capex is on iron ore, and logistics related to iron ore and why? Because the iron ore project has the highest return.

So we rank them, the projects, by return and then make the cut where we have enough capacity in terms of money to spend. So I think this gives the comfort that... and also it is worth mentioned that our projects have a hurdle rate of 12% fell equity basis. So all the projects must attend this hurdle rate.

So I think this process gives comfort to the shareholders that the money will be well spent.

Mr. Thomasos: Thank you.

Operator: Excuse me. Our next question comes from Paul Massoud from Stifel Nicolaus.

Mr. Paul Massoud: Hi good morning. I was hoping you could comment a little bit about any appetite you might have for additional acquisitions and you said you were pretty happy with the organic pipeline that you have.

In the past you talked about adding copper and I know you did an acquisition earlier this year. Could you talk a little bit about any further appetite whether or not you are still looking on properties that are available?

Mr. Cavalcanti: Ok. First I would like to remember our exciting pipeline of projects that I showed. Vale is the only mining company that can double the production only with our organic growth. So organic growth is our main target because we have this capacity, we have the reserves and we can expand the company that way.

But we do not rule out opportunistic acquisitions. So far we are always analyzing, but things like Metorex and other acquisitions on that range is likely to come if we see the opportunity in terms of value creation for the shareholders.

Mr. Massoud: Thanks.

Operator: Excuse me. Our next question comes from Mr. Terence Ortslan from TSO & Associates.

Mr. Terence Ortslan: Thanks. I just want to come back to the nickel operations in Canada and elsewhere. I know you review the operations all the time in terms of their (inaudible 46:14) iron ore is discussed in the case of a previous question on the capital spending and also the cost and the industry opportunities and all.

Could you talk about the developments in the market with respect to where you are in the cost curve and how do you see operations in Brazil and Canada shaping up to be? The developed competitive new operations coming into production at some very high capital costs as well.

So how would you review and procure operations in prospect right now on a global scale? Thank you.

Mr. Martins: Well as far as nickel is concerned Canada is a very stable operation for Vale. Last year we had that long strike and we came back from the strike very well but we faced some operational problems and had an accident in one of the furnaces that is now been repaired and we will start producing again in the next months. So operationally speaking Canada is doing very well.

Also Indonesia and our operation in Asia is doing very well, the core of our operation is doing very well as far as production and sales is concerned.

Then we move to Goro, everybody knows in New Caledonia. It is a completely new project with new technology. It is facing difficulties to get production in place but we are expecting in the next two months to restart producing there and it is a very problematic start up, but we are trying to fix it and to bring it to production.

Onça Puma is the new project in Brazil. It is now operating near 50% of its first line because we put the first line in operation and it is now at 50% of the capacity. And in 2Q we expect to get 100% of the first line and to start the second line. So we believe that it is very... dominating the technology is a problem that could be solved normally and we do not expect the same difficulties that we are facing in New Caledonia.

So we expect at least for next year to have Onça Puma operating near full capacity adding more 50,000 tons of nickel to the market and Canada also operating regularly and Indonesia and Asia operating regularly. So this gives you a good perspective for nickel next year, the production to be above 300,000 tons/year.

Goro continues to be a matter of concern. As I told you this technology challenge for us is bigger than we first imagined and these hydro metallurgy systems. So I cannot assure that we can have this Goro capacity on place, but for sure Onça Puma will be on place and Canada will be operating regularly.

As far as prices nickel is one of the most volatile metals in the LME. It moves very fast up and down; but we believe that the replacement cost of nickel considering operational costs plus capital costs is between US$ 15 and US$ 20/kg and so the price... I do not believe the price will move below this level because this is the level that could bring more production.

As we discussed before with the urbanization process nickel is a material on demand, it is needed not only for stainless steel but for other applications and as society becomes more sophisticated more nickel material is needed.

So the perspective for demand is good and the replacement cost of capacity is very high and so I really believe that this situation will sustain the nickel price around US$ 20/kg, something like that, and also with some spike depending on the supply and demand moment and also how much money will come from the financial investor for the nickel business.

The recent movements in nickel is clearly financially driven - it is not driven by fundamentals but it was driven by financial movements - the price reached almost US$ 30/kg and now it is adjusting below 25. So the fundamentals are very stable. Demand for nickel is increasing not as fast as iron ore, but it is increasing.

So on general we believe that nickel will continue this more stable situation as far as price is concerned and the new capacities that are coming on stream all of them are facing difficulties in starting up and so we are not, I would say, pessimistic about the nickel market and about nickel prices. We do not see big gains but we do not see... on the other hand we do not see the price going down sharply or something like that.

Operator: Thank you. This concludes our question and answer session. At this time I would like to invite Mr. Guilherme Cavalcanti to proceed with his closing statements. Please go ahead sir.

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

Operator: Thank you. That does conclude our Vale's 1st Quarter 2011 Results conference call for today. Thank you very much for your participation and have a good afternoon.
