International Conference Call - Vale
4th Quarter and 2009 Earnings Release
February 11, 2010

Operator: Good morning ladies and gentlemen, thank you for standing by and welcome to Vale's conference call to discuss the 2009 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 to participate will be given at that time. If you should require assistance during the call, please press the star followed by zero (*0). As a reminder, this conference is being recorded. To access the replay please dial (55 11) 4688-6312 (access code: 45838, again, 45838). 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. Fabio Barbosa, Chief Financial Officer; Mr. José Carlos Martins, Executive Officer for Ferrous Minerals and Mr. Eduardo Bartolomeo, Executive Officer for Logistics, Projects Management and Sustainability.

First Mr. Barbosa 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. Barbosa. Please sir, you may now begin.

Mr. Fabio Barbosa: Thank you, good afternoon ladies and gentlemen. Thank you very much for attending this conference call in which we are going to discuss our 2009 results and the perspectives for 2010.

Of course we should have in mind that 2009 was a special year in the sense that we observed something that we had not observed for several decades: it was a very unique situation that caused a unique approach and I would say a unique set of results considering the previous trends that we observed in our sector and in our company.

So it was a very challenging year, but we believe that considering the environment that we faced and the nature of our exposure to this global recession, as Vale out of the major producers, mineral and metal producers, was the most exposed in a global fashion, we believe that we performed in a very reasonable way.

In 2009 our Ebitda fell to US$ 9.2 billion roughly and our net earnings as well showed a reduction from US$ 13 billion to US$ 5.3 billion. Despite what the number shows, it is important to stress that we implemented a lot of measures to cope with the recession that prevailed in 2009 - and one of the few episodes of global recession in the last 100 years - and so we had to adopt several structural measures in order to reach a leaner structure and to be more efficient in the long term. Some results are there, but I would say that a lot of results we will see over time as we move back to full capacity utilization as we expect this year.

So we restructured our corporate activities and there was a sharp reduction in the cost of the corporate center in about 10% in 2009 compared to 2008. We saved there about US$ 40 million. The restructuring of the nickel business is something that we managed to achieve this year with across-the-board cost reductions of 25%.

At the same time we improved processes in our shared service centers with the implementation of a global presence in this function. We are fostering innovation. In the last quarter we asked our employees to present their ideas and the result was about 7,000 ideas to improve operations in our company. So it is a lot of material to work with and we hope to deliver some results associated to that.

And also we are working hard. As we are a bulk producer, a bulk products producer, we are trying to optimize our logistics efficiency and we have very nice results to show as the MKBF showed there with an increase in average of 22.5% in the last five years ended in 2009.

So it is a lot of structural measures that are being adopted with the aim of getting into a much better, much more efficient cost structure in the long-term. Of course we observed results in 4Q, and one cannot deny that we had some issues related to costs; some of them were related to the appreciation of the exchange rate, as you may appreciate, others one-off and others are related to the recovery of our production to more normal levels.

On the one-off items I would mention the tax contingency that we coped in 4Q that represented savings for our company in the long-term of about US$ 100 million, but we had to invest US$ 110 million in dealing with these contingencies, as we adhered to a special amnesty program here.

So we also promoted write-offs related to assets like Valesul (US$ 85 million); Barcarena thermal plant (US$ 70 million) and Copper Cliff, a project in Canada that we also associated a US$ 35 million charge to this project.

And finally we had a labor agreement in the end of 2009 that represented a one-off payment of US$ 35 million to our employees, on the top of the 7% nominal increase that we observed both in November and December and also the 13th salary that we pay here in Brazil.

So there is a set of elements that help explain the increase in costs that we observed in 4Q, some of one-off nature, some related to the exchange rate appreciation; but of course we have to work hard on that. We are not happy with the result, although we made a lot of progress. Part of the costs are associated with, as I said, the resumption of normal levels of production and we believe that we will be able to deliver their actual results as we move on during the year of 2010.

Coming to the sales I would like to highlight the remarkable achievement of increasing iron ore sales to China to 140 million tons, a record in our books and an example of our ability to cope with the very adverse scenario that we faced in the beginning of 2009.

If you recall, we were fully exposed to a market that had reversed completely from the usual way of operating. So instead of an FOB market we were faced with the market that was mostly operating on a C&F basis and we were almost fully exposed to freight rates and a very volatile environment and we managed to - through a very pragmatic and objective marketing policy - we managed to reach a new record in sales to this very important country in our sector.

Well, as we announced we continue to believe that there is a very positive perspective for the sector of minerals and metals and we, particularly in Vale, believe we have the best pipeline of projects in the industry, so in this connection we are investing US$ 12.7 billion in 2009 if we put together the acquisitions, compared to US$ 10 billion the previous year and US$ 11 billion in 2007, and US$ 12.9 billion.

So in total we are talking, in a four-year time, something around US$ 50 billion in investments, showing our commitment and our positive view about the long-term performance of the industry. So it is a very important commitment that we have and it should continue.

We have seven new projects coming on stream in 2010: iron ore we have the Carajás additional 10, but this is the only project that we will see on the ground before 2012, right Martins?

Mr. Martins: Yes.

Mr. Barbosa: And we have the pelletizing plant of Oman that will use our pellets feed and in nickel Onça Puma, the first line will start in the middle of the year; Tres Valles project in Chile with 18,000 tons of copper; Bayóvar 3.9 million tons of phosphate rock that will start also in the middle of the year and the power plants of Estreito and the steel plant of CSA, in which we have a share of 26.87% as we invested more money last year. So it is again a demonstration of our confidence in the performance of the sector.

As for Goro I would like to inform you that we had a successful first step in the ramp up. Our first campaign of HPAL produced 18 metric tons of nickel in MHP. It is a good start. The autoclave was virtually intact, there was no issue, it was a very smooth campaign and now we are cooling the equipment in order to allow for the start of a new campaign, a three-week campaign in the process of ramp up. It is a long process, but so far it is going extremely well in our view.

Coming to our perspectives about the market, we see the global demand as we put there in the title, gaining momentum. The global manufacturing output is in a clear recovery path, of course with the impressive lead of the emerging market economies, but also with some contribution of the developed world, particularly the US and Australia. Japan and Europe at a slower pace. So we see clearly a recovery on the ground and this is very good news for us as the global industrial production is the main driver of demand for our materials.

The global PMI reached the highest level since June 2006 as we put there and the ratio new orders/inventories is also showing a positive indication about the future, so we are enhancing our perspectives of future sales on a worldwide basis.

The global carbon steel output is recovering steady, although with some discrepancies between what it used to be in 2008 and what we have now. It is slightly below the peak level observed in July 2008, but it is very close. We are talking about 1.2 billion tons of steel being produced in the world, so it is a very different position from the one that we had in January '09 when we were running at 900 million tons production rate annually.

And this is a global recovery with more speed in some countries like China and less speed in others, but the fact is that the demand for raw materials increased sharply, particularly in second half of the year.

And at the same time what we see is a potentially lower contribution of an important supplier to the seaborne, which is India, and we show there that there is a steady decline in their share - India - in Chinese imports of iron ore and this is showing what we have been pledging for some time now, that India most likely will have to address their own demand internally in the long-term considering the population and the demand potential for steel products in that country.

So what we see today is a global iron ore market that is clearly showing an excess of demand and a clear supply constraint. We had operational issues in 4Q that we were a little bit shorter quarter plan than what we planned to sell to the market and we were not able to show ... to address those operational issues, but clearly what is preventing us from selling today are our own issues, because the market is there, is very strongly demanding more material than we are able to ship and this is clearly shown by the spot prices that you can see in chart 16. So it is a very strong market with a structural, in our view, a structural supply constraint.

The global stainless steel production declined in 2009 again for the third year in a row. The last time it happened, a similar trend, was in a three-year period ended in 1993, so in our view there is limited room for further decline. Actually, as we see the recovery in the developed world - although at a slower pace - we should see some additional momentum to the demand of this material that combined with the demand from the emerging market economies should provide for a stronger market for nickel in the medium to long term.

At the same time we are resuming production at Sudbury and we are operating the mines of Coleman, Garson and Creighton; Clarabelle mill is already back in operation; Copper Cliff smelter is operating. The first shipment of feed to Clydach happened this month, so we are positive about the perspectives of resuming standard, normal levels of operation in our canadian operations sooner rather than later.

Finally a word on our newest investment. Just yesterday night we announced the conclusion of the negotiations with Mosaic and with that Vale , when the deal is fully closed, is going to be the owner of a Fosfertil share and also Bunge upstream fertilizing assets.

So this is a major investment considering what we have in our pipeline and what we are paying for the asset, but the rationale for it, of allocating money to this business, is virtually the same that we had to invest in other minerals and metals, as the drivers are very similar. In our case, our perception is that the rapid per capita income growth of emerging market economies will have a very important effect on the demand for proteins and crop nutrients. So we believe that there should be, as we observe in minerals and metals in general, a structural shift in demand for these materials and again, in our perception there is a limited supply of those.

There is also the impact of the increasing share of biofuels as a source of energy considering the concern about climate change. So this should foster further the demand for this material. Emerging Asia and Brazil, as we put there, are the main sources of demand for fertilizers.

So the strategic position that we are taking in Brazil is very important, because together with our logistics this should allow us to grab more synergies and to be more efficient and combined also with our other projects that we have in the Americas and other continents we should be able to become one of the top players in this segment.

Brazil is a very solid platform for growth in this business, as we put there. Today it has a share in the total consumption of these phosphates and potash of 9% and 15% respectively. This should grow in 10 years to 13.5% to 18% respectively again, so it is a very promising market by itself and we have a very good position when we combine this whole set of projects that we are developing or are about to implement, particularly after this transaction.

As you can see on page 23 we have the Regina Project in Canada, other concessions in Canada that combined should allow us to reach a production of 5.2 million tons; we have Taquari-Vassouras of potash; Taquari-Vassouras under production right now, but near there we have the Canalita with a potential production of 1.2 million tons of potash; Neuquén, an old project that we have on pipeline of 1 million tons of potash as well; Rio Colorado (the project that we bought from Rio Tinto together with Regina Project), 4.35 million tons of potential production when fully implemented.

And in phosphate we have Bayóvar in two stages that should allow us to reach about 6 million tons of phosphate rock plus Evate, a project in Mozambique, that if fully feasible, it may be able to produce up to 2 million tons of phosphate rock as well. This is a very broad pipeline of projects that should allow us to compete in a very efficient way in this market.

So the acquisition of Bunge assets and Fosfertil is very much in line with this strategy. So the combined assets have proven and probable reserves of 1.5 billion metric tons of phosphoric rock and phosphates and a production capacity of 5 million tons of phosphate rock.

And with the project Salitre, that we are able to produce about 2 million tons per year when fully implemented, that was not fully developed because the differences of point of view between shareholders in Fosfertil. So now, as we will control the company, we should be able to implement this project smoothly.

And at the end of the day we are acquiring a market share of 36% of Brazilian consumption of phosphate nutrients. So it is a very interesting transaction and that should allow us to position Vale as one of the top players in the fertilizer business worldwide. So we are investing in potash and phosphates, leveraging on our strong mining competences.

So we are actually this is mining business in our view and we will operate in the upstream and we have no interest to go to the nitrogen set of products, our focus will be on phosphate rock and potash as we put there in chart 25.

So Vale has a very strong track record in the operation of fertilizers with Taquari-Vassouras. It is something that we operate for … it is an operation that we have for 18 years now - a very successful operation - and also the Bayóvar Project that we are implementing in Peru is one of the most cost-efficient projects we have in the industry.

So we are not newcomers to this business and we understand mining, so we believe that we are increasing Vale's exposure to this very good momentum sponsored by the growth of the emerging market economies.

And finally our view about the future, where we are going to be in maybe 7 to 8 years time. The idea is that we will have, in the production of phosphate, phosphoric assets, 3.3 million tons per year and a total production of potash of 10.7 million tons per year that should allow us to be one of the top players in this segment by that time.

Those are my initial comments. We would like to have your views and your comments in the Q&A session. Thank you very much.

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 Bank of America Merrill Lynch.

Mr. Felipe Hirai: Hi, good morning everyone. I have two questions, the first one is if you could give us an update on the iron ore price negotiations and your strategy in the market going forward. One of your competitors suggested yesterday that the starting point of negotiations should be the spot price at a 90% premium to benchmark and also given the spot premium I would like to know how do you expect your sales in the benchmark and the spot market in 2010.

And my second question, Fabio, would be on your cost side. Could you help us understand what happened to your costs in 4Q because they were way above what we were expecting. Is there anything on the cost that was nonrecurring that we should expect the cost should come down in 1Q? Thank you.

Mr. Barbosa: I will ask Martins to answer the first question and then I will come back to your cost question.

Mr. Martins: Good morning Felipe, good morning and good afternoon everybody. Last year was a year of big challenge for iron ore business. The very nature of the crisis affecting deeply the Western world put Vale’s iron ore business in a very difficult position because our main customers stopped buying, so we immediately felt the very fact that we could not keep producing and shipping because customers did not send the vessels and the market that was buying - which was China - stopped buying because the customers decided to look … to buy differently, instead of fulfilling their contractual obligations.

So the very nature of our business (which was supported by long-term contracts, FOB sales and benchmark pricing) was jeopardized. So we had to respond very quickly to that. Immediately we started shipping ore without the customers outside the contract to sell in China on a spot basis, so we already started working in such a spot basis scenario.

So I think we are looking at long-term contracts differently now. We are completely free to work on C&F, CFR basis, not only FOB, but CFR basis. If customers do not send their vessels we send ours and so this means that we are prepared to work wherever the market decides is better, benchmark system or spot basis. We have no, we said that before, we have no dogmas. So we are prepared to sell benchmark or spot basis, whatever will be needed.

Nowadays it is clear that spot now is twice the price of benchmarks. We are fulfilling our contract obligations for a while, but we really expect that our customers understand that this big difference cannot be kept. Our benchmark is able to accommodate the spot market situation.

We are not talking about a small market. Nowadays spot means almost 50% of the total seaborne market and in China it is probably near 70% of the total Chinese iron ore market. So spot price is a reality, it is a price that has to be looked at as a market price today.

So the situation is such that our customers will have to accept a different price system that takes into consideration what is going on in this huge spot market today. Or if it is not possible to reach an agreement based on a fixed price for a year that takes into consideration these changes in the spot, the outcome probably will be that spot will be the price that will be referred as far as iron ore market is concerned.

So that is the scenario that we see today and Vale is now much better prepared to work in any different scenario that could arise from this situation. So we made our homework, we have now a big fleet of vessels. We can sell C&F, we can sell spot, we even can sell freight if it was needed. So we have a very, very comfortable situation as far as price system, as far as the way the customers will buy from now on.

We hope that customers will be willing to understand what is going on. It is a completely different situation from the past, where you had a very stable market and practically no spot market there. So as time went by spot market was growing and I think today spot market, spot price is the market price. That is our view so far.

Mr. Barbosa: Well, as for your second question, Felipe, I believe that you mean the cost of goods sold, right? And we … what we had first, the appreciation of the Real and this was a very important impact, it explains some US$ 186 million of the total increase of US$ 400 million in this item. We have, of course, what we mentioned: the labor agreement that represented a one-off cost of US$ 35 million, but it has a permanent increase of 7% in Reais from November onwards for this item.

We hired 1,000 new employees this last quarter. We have with this agreement an increase in the provision for profit-sharing, as we moved the salary base. We have some important works in maintenance in order to resume operations and this is an important part, this is scattered across the accounts, but you see that in materials, spare parts, maintenance costs, outsource services; you see a lot of work done to put back in operation the operations that were previously idle. So part of those are recurrent, part of the expenses are permanent.

You also have the acquisition of the increase in energy costs that represented some 15% of the total increase in costs in 4Q09. We had also to increase the acquisition of products from third parties, so we bought pellets from our Hispanobrás operation, which is not consolidated under US GAAP, so we put it back in operation as a result of a stronger market and this represented part of the costs.

And we tripled the acquisition of pellets from 240,000 tons to 740,000 tons and iron ore from third parties in order to cope with our clients and the very strong demand and the very strong market that we have, we doubled our acquisitions from 600,000 to 1.2 million tons of iron ore in the same quarters.

Nickel the same. Nickel, as we have part of our operations stopped, we also increased the acquisition of products by almost US$ 50 million. We had some expenses related to Valesul, that once we conclude the transaction they will no longer be there, but we bought aluminum from third parties, US$ 22 million in 4Q09.

Another element that I would like to ask, to invite Eduardo Bartolomeo to comment on that. Eduardo, are you online?

Mr. Eduardo Bartolomeo: Yes.

Mr. Barbosa: It would be the demurrage costs and the operation at the ports. We had a lot of some operational issues that I would like to invite Eduardo to comment, but at the end of the day demurrage costs increased by US$ 18 million in 4Q associated, of course, with the very strong market and the gap between the resumption of our operations - particularly in logistics - and the strength of the market. Eduardo, could you comment on that, on the car dumper issue we had in the port?

Mr. Bartolomeo: Yes of course. Good afternoon everybody. I think first of all, as Martins said we had a very, very strong and a very difficult year. We started like … we were facing a year and we ended up in another site. Just to have an idea, we increased 40% our production, so it is a shift from stop and go very, very fast.

So we did an amazing job to get back on track and of course there are some back falls on that, so what Fabio is mentioning about specific demurrage and something specifically about Tubarão port about the issue that we had to change our ship loaders in 3Q into 4Q.

When we look quarter on quarter basis we lost 2.5 million tons on Tubarão due to the shift or the change of the ship loaders. It is a bad new - it is non recurrent - but it is an excellent new because we have now finished project, so we gave Tubarão port a new it is already the most efficient port we have to operate even in the world, but it is actually a brand-new port with the five dumpers, the two ship loaders.

So it is operating really well on the logistics side and it is ramping up this year, as the fifth line of Brucutu is coming on track, one of the deliveries of the projects this year on the iron ore side of the mines, it is going to operate very well. So there is a very good expectation about the Tubarão port.

But we could have offset that on the Ponta da Madeira port. It is our main port now, it is in the São Luiz port and we had, as Fabio mentioned before, the issues on dumpers because we had the implementation of the fourth dumper in November that should increase a little bit over capacity; but due to the ramping up, of maintenance problems, very, very specific problems we had there, we were not able to offset the losses we made in Tubarão. They were planned because we had already planned the project. So basically are those issues.

When we look forward I think we are getting in better shape. Of course, historically we have the rainy season; we had a very strong rain occurrence in Tubarão in November. This month in Carajás was the biggest rainfall we have ever had there, but anyhow we are operating very well on the mining side. We stick to our budget. We were able to stick to our budget on the shipping side, but of course historically it is different periods of dry season and the rainy season, but I think we are in very good shape for 2010. Fabio that is all I have to comment.

Mr. Barbosa: Ok thank you Eduardo, thank you Felipe.

Mr. Hirai: Ok thank you Fabio, thanks everyone.

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

Mr. Carlos de Alba: Yes, good morning gentlemen, thank you for taking the question. The first one is: is there you are trying to restart the production in Sudbury to increase your volumes; which are the references of how much volume you expect to be able to achieve with this strategy you have put in place? That would be my first question.

And my second question is if Martins could comment on the expectations of the Chinese steel production this year and how much that market may be imported iron ore from the global producers. Thank you.

Mr. Barbosa: Well, Carlos, thank you for the questions and asked for Sudbury we want to resume normal operation as soon as possible and we are working for that and that is our idea. Of course there are issues that we are working, but we have a very good start in the smelter and the mines, so the idea is to progressively reach normal production levels, as I said sooner rather than later. Martins, do you want to comment on the second?

Mr. Martins: Yes. As far as China is concerned, last year their imports grew 40% to 627 million tons of iron ore. 12 months finishing this January it already moved to 640 million tons imports. Every information we have from China the indication is that steel production will continue to grow; not in the same pace as last year, but there will be a small growth this year. So I think that iron ore imports from China will be at least 650 million tons this year, probably going a little bit above that level.

We have a situation to see, because the spot price in China grew a lot now: today it is around US$ 130/ton, so what will be the impact of this price on domestic production? So this information is not clear for us, because besides the high cost of local miners you have some environmental constraints and also the very fact that after importing so much ore this year, many steel mills in China that were used to use local ore are now more resilient to buy local ore again and they are keeping their demand based on imported ore. But we do not see big changes from last year and if some changes happen it will be for the upside we think.

Mr. Barbosa: Thank you.

Operator: Excuse me. Our next question comes from Ms. Victoria Santaella from Santander Bank.

Ms. Victoria Santaella: Hi, good morning gentlemen. I am sorry, Fabio, to insist a little bit, but I would like to understand if the supply/demand situation in iron ore is still strong right now, is still tight. What is going to be your marketing strategy? Are you going to give more preference or push forward spot prices or continue more on the line of reference prices as we have seen in the past contract prices?

And I guess this comes from the situation where we are seeing other competitors moving or trying to maximize prices, average prices and average revenues. That is my first question.

And the second one is if you can comment on little bit in terms of how is the evolution of your transportation fleet, how are your costs, if there is anything to be mentioned there.

Mr. Barbosa: Martins could you address? And Eduardo, if you could help us as well.

Mr. Martins: Well, as far as the price system Vale always keeps its policy of selling on benchmark basis; but we believe that you cannot keep such a huge difference between spot and benchmark.

So our view is if our customers want to keep benchmark they have to accept something first, closer to the level of spot today; and secondly some changes that keep some kind of flexibility on the pricing system, because we cannot live with differences like that. This difference raises a lot of arbitrage in the system, everybody trying to buy on a benchmark basis to sell on a spot basis, so it is really a mess to manage a situation with such a big difference between spot and benchmark.

Another issue is that today spot is a bigger market than benchmark. More iron ore is being sold today on spot basis than on benchmark basis. So we stick with the benchmark system, but on the other hand we need to have some kind of flexibility to accommodate the situation created by this huge and very dynamic spot market.

Only to give you an idea, since the crisis started up to June last year spot price was below benchmark and attracted a lot of customers to buy in this market; since June the price moved to the same level to the benchmark and stayed there for three months at least and from October on last year it started moving spot above benchmark.

So these changes, very dynamic changes, indicate us that we need to have - if you want to keep benchmark - we need to define a system that could have some kind of flexibility to cope with this variation. It is impossible to keep a business as usual with this so huge difference between spot and benchmark. That is our strategy. I think I am clear about it.

Mr. Barbosa: Thank you. Eduardo, would you like to comment on the fleet?

Mr. Bartolomeo: Yes. Last year I think there was a big window that was open to us about evolving the strategy to fulfill the needs of the iron ore business about the fleet. I think we went on a fixed, very comfortable level of rates for 2010. We acquired 17 old ships and add to our three old ships we had in our fleet. We are building around 20 and have long-term contracts for the future.

So I think we are in a very comfortable position and there is no evolution of the cost, because we fixed all the costs for 2010 and forward. Of course 2011 is going to come the owned or the long-term contracts with the big vessels, but for 2010 it was already fixed during 2009, as I said, in a window that was very good in the sense to guarantee a reposition cost for the ships. I think that is basically.

Mr. Martins: I would like to add something to what Eduardo said. Our shipping strategy has two basic points: first is to ship any ton we produce, even if we do not have customers we are going to ship it; second is to keep the freight differential between Australia and Brazil to Asia as low as possible. So based on these two objectives our fleet will have the size it will have to be to reach these targets.

Mr. Barbosa: Thank you Martins, thank you Victoria.

Ms. Santaella: Thank you very much gentlemen.

Operator: Excuse me. Our next question comes from Mr. Ivan Fadel from Credit Suisse.

Mr. Ivan Fadel: Thank you everyone for the explanation so far. I would just like some details about the subjects that were already discussed: number one I understood from Martins and Fabio that the spot market for iron ore is even larger than the contract prices in China.

My question would be then what were the reasons behind Vale selling less in the C&F basis in 4Q, 6.8 billion compared to 3Q? I understand it could be shipping issues or maybe more volumes were divergent to more traditional markets, but I would just like to know the reasons behind this or if we could see that number improving going forward.

And also my next question would be if you could quantify as of today how much Vale could sell if it uses the whole capacity it has for shipping, how much Vale could sell on a C&F basis in terms of volumes in a given year? Thank you.

Mr. Barbosa: Martins, could you address this?

Mr. Martins: Yes. I am sorry to say that the size of our fleet is a confidential information, ok? We do not release this kind of information; but what I can tell you is during this crisis we had to stop producing because we did not have ships for our vessels, for our ore. Customers did not send the vessels and so we had to stop operations, because you cannot keep producing, you have no space. The best place to storage iron ore or any mining product is in the mine, is in the pit. So to take from the pit and to put somewhere is not a good solution.

So we understood by that that we had to move from FOB to C&F according to the market situation. If the customers send the vessels we sell FOB; if they do not send we sell C&F. So we need to have flexibility to work C&F and FOB according to the market situation.

And as I told you before we have three legs in this iron ore market, which is long-term contracts; FOB and benchmark prices and these three things work together. So if the customers did not fulfill their obligation in their LTC it is clear that they are not sending the vessels and also they are looking for a different price in the market.

So the situation we have today is not we are going to move from FOB to C&F; no. The situation we have today is we are going to sell every ton that we produce and we will do it FOB or C&F according to the market, according to our customers.

So that is the big difference. We had to stop production last year because we cannot ship; now we are in a condition to ship even if you have problems with customers. So I would not put our strategy as moving from FOB to C&F; it is not our policy to make money in freights; our policy is to make money in iron ore, so the ship is needed as a way to give us this flexibility. What we are looking for is full flexibility in price, in shipping FOB or C&F and also long-term contracts or completely spot if it was needed.

As we told before, we do not have dogmas and I think the crisis taught us that we have to be more flexible in our policy and that we needed to have all of these windows open to use it according to the market moment. For instance, nowadays every customers are sending the vessels, because they want to get the ore at the benchmark prices.

So it is a completely different situation and Vale now is better prepared. If you need to ship more C&F because customers are not buying we are in condition to do it; but what makes it possible is the spot market in China. Nowadays you have near 600 million tons of ore being sold every year in the spot market in China, so this is an opportunity for everybody that wants to ship its ore. So our main target is not to have to constrain our production because we do not have ships; that is the main base of our policy from now on.

Mr. Barbosa: Thank you.

Operator: Excuse me. Our next question comes from Mr. Leonardo Correa from Barclays Capital.

Mr. Leonardo Correa: Good afternoon everyone. My first question is regarding the iron ore volumes outlook and the challenges you are encountering as you shift to full capacity. We have seen in 4Q that you had some maintenance stoppages at Carajás and also at Ponta da Madeira terminal, which Eduardo has just commented on.

Can you please comment on if these issues have been concluded or should we expect some impact, negative impact going forward in the coming quarters? That is the first question please.

Mr. Barbosa: Eduardo and Martins, could you comment?

Mr. Martins: Eduardo, I think you can comment and then I comment later.

Mr. Bartolomeo: Ok. On the side of the logistics, as I said before we have separated two levels: first of all is railways, they are perfectly capable of shipping whatever plan we have this year, either on MRS - that is not fully operated by us - or Vitória-Minas or Carajás. So we have even the fleet for the upgrades. So that is no big issue.

Around the ports, as we mentioned before we have good news around Tubarão. We finished the overhaul of Tubarão. It is an incredible project that enhances capacity also, so we are able to see the increase of production that is going to be happening, as Martins said, in the beginning around the mine. He can comment little bit later.

We have issues around Ponta da Madeira. The dumper, as I said before, the dumper was implemented in November, it is ramping up, is operating very well so far, this month is going very fine.

And I think we are overcoming the problems naturally as we do the right thing, do the right maintenance at the right time and I do not believe there will be a big issue on the quarters to come.

Anyway, anyhow so far we are facing a tough time for mining with the rainy season for everybody: for the railway, for the ports and for the mines, but that is not an issue to stop fulfill our guideline to produce. That is it from the point of view of logistics. If Martins can add something.

Mr. Martins: Yes. In the mining side our capacity is around 25 million tons per month, ok? And during the rainy season this volume is down to 22, 23 million and in the dry season goes up to 27, 28 million, but on average it is around 25 million tons. Mining, railway, ports, all of the system is designed for such a level and with some, I would say, some spare capacity in the logistics side. So we believe that we can reach this level.

To ramp up from the level we reached during the crisis was a big task for two reasons: first, we cut capacity a lot during the crisis, at least 40% in the mining side and 80% in the pelletizing plant.

So that was the size of capacity cut during the crisis and because we were prepared to face a long period if the crisis would last more. The U-type, W, V, all of this it seems that the crisis was a V-type and started to recover fast and we had a lot of trouble to get back to the same level and we have some space yet to conclude and to improve in order to get our full capacity.

But you can look at an average of 25 million tons per month as our average capacity for this year and we expect operate, to reach this level as soon as this rainy season finishes. We expect to work at this level of production from now on.

Market is very strong and demand is very strong. Europe is recovering faster than we expected also. Japan is now in the same pre-crisis level and China is well above the pre-crisis levels, so the situation for the market is even better than it was before the crisis. So the very difficulty for us is to cope with this production recovery, one side; and the other to implement the new projects that we have been developing during these periods.

So I think, again, situation moved to the production side and we need to work to improve our operations and to smooth the link between mining, railway and port. But we are much better prepared as Eduardo stated; we completely revamped Tubarão port. It is a quite brand-new port with five car dumpers, two big shipbuilders; same situation also in Ponta da Madeira. So we are much better prepared now to ramp up our production and to reach a stable level according to our mining capacity.

Mr. Barbosa: Thank you.

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

Mr. Marcos Assumpção: Hi, good afternoon everybody. My first question is on the iron ore market. If Martins could answer what were the main reasons that pushed the spot prices up from US$ 100/ton in November to US$ 130/ton currently.

And also if he could mention some signs of the market tightness. We have been hearing that - it he could confirm - we have been hearing that some clients are willing to pay a provisional price in order to guarantee the volumes right now in the beginning of the year.

Mr. Barbosa: Martins?

Mr. Martins: Well, as far as this strong market mainly in China, I think many factors are working on it: first in China you have today a very strong winter, so this creates some problems for local ore production and also for logistics to move iron ore from ports to the mills. So this is an internal factor.

Besides that we have two additional factors: one is that local steel production continues to grow; and third is many steel mills that never used imported ore, after this crisis they had access to this ore and now their preference is for imported ore. I think that the space for local ore is narrowing and you can see it when you compare spot prices for imported ore against spot prices for a local ore. You already can see a difference. The customers are paying more for imported ore than that local ore.

So this means that there is a structural change in the blast furnace burden in China's mills. So more and more the imported ore will take share from the local ore.

As far as provisional price yes, we are discussing with many customers provisional prices. For instance, in pellets that we have a very low price established last year to cope with the very low demand and now the situation is completely different, so we are now defining provisional prices with pellet customers.

And also in the case of China, 75% of our contracts in China are based on calendar year. So it means that 75% of our sales in China is now based on the new price and we already negotiate with these customers a provisional price for this period and I think that this huge difference from spot to the benchmark creates a good condition for establishing a provisional price when the contract is based on calendar year.

Mr. Barbosa: Thank you.

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

Mr. Barbosa: I would like to first thank my colleagues Martins and Bartolomeo for participating in this conference call and also to say that we are at your disposal for further questions that you may have about our results and perspectives. Thank you very much for attending this conference call.

Operator: That does conclude our Vale's 2009 Results conference call for today. Thank you very much for your participation and have a good day.