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Performance of Vale in 1Q10

Moving ahead

Vale is reporting a solid performance in the first quarter of 2010 (1Q10). This reflects primarily our efforts to minimize costs and the strong recovery of the global demand for minerals and metals.

As a consequence of the structural changes in the global iron ore market, we have reached agreements, permanent or provisional, with all our iron ore clients around the globe to move existing contracts to index based prices. The implementation of the new pricing system will begin to be reflected in our financial performance in 2Q10.

Our growth strategy encompasses a multilane road to sustainable value creation, entailing the development of a large and exciting pipeline of projects, strategic acquisitions of world-class assets and portfolio asset management, which is a very important option to optimize capital allocation and focus management attention.

We have taken a pro-active stance towards the optimization of our asset portfolio, entering into transactions involving mainly our aluminum assets, the acquisition of world-class Brazilian fertilizer assets, which gives Vale a strong regional operating base in one of the leading consumers in the globe, and Simandou, in West Africa, one of the best undeveloped iron ore deposits in the world, combining high quality with large scale. The availability of Carajás and Simandou allows us to have by far the best and the largest growth potential in the global iron ore industry.

The main highlights of Vale's performance in 1Q10 were:

. Operating revenue of US$ 6.8 billion in 1Q10, 4.7% more than the US$ 6.5 billion in 4Q09.

. Operational income, as measured by adjusted EBIT(a) (earnings before interest and taxes), of US$ 2.1 billion in 1Q10, 86.9% above 4Q09.

. Operational margin, as measured by adjusted EBIT margin, recovered to 31.2%, from 17.4% in 4Q09.

. Cash generation, as measured by adjusted EBITDA(b) (earnings before interest, taxes, depreciation and amortization), rose to US$ 2.9 billion in 1Q10 from US$ 2.1 billion in 4Q09.

. Net earnings of US$ 1.6 billion, equal to US$ 0.30 per share on a fully diluted basis, against US$ 1.5 billion in 4Q09.

. Investments reached US$ 2.2 billion, with US$ 1.7 billion spent in organic growth and maintenance capex.

. Acquisitions: we entered into agreements to acquire fertilizer assets in Brazil and iron ore assets in West Africa, involving US$ 8.2 billion, to be disbursed from 2Q10 onwards.

. The first tranche of the minimum dividend for 2010, equal to US$ 1.25 billion or US$ 0.24 per share, was paid on April 30.

. Strong financial position, supported by large cash holdings of US$ 11.1 billion, availability of significant medium and long-term credit lines and a low-risk debt portfolio.

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