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## Performance of Vale in 2008

### STRENGTH AND FLEXIBILITY

Vale reports a strong operational and financial performance in 2008, highlighted by several production, sales and financial records.

Eight production records - nickel, bauxite, alumina, copper, coal, cobalt, platinum group metals and precious metals - were achieved while eight products registered all-time high volumes of shipments - iron ore (264.0 million metric tons), nickel (276,000 metric tons), copper (320,000 metric tons), alumina (4.2 million metric tons), cobalt (3,087 metric tons), precious metals (2.4 million troy ounces), platinum group metals (411,000 troy ounces) and coal (4.1 million metric tons). The excellence in financial performance was reflected in the achievement of record revenues, operational profit, net earnings, cash generation, dividend distribution, and investment supported by a very strong balance sheet.

In spite of the large downward volatility in mining equity prices during the second half of 2008, Vale preserved the global leadership in shareholder value creation amongst big diversified mining companies, with a total shareholder return of 23.1% per year over the last five years.

Problems with the global financial system have accelerated sharply since September 2008, precipitating a dramatic change in the pace of macroeconomic activity around the world. The ensuing heightened levels of uncertainty and retrenchment in the demand for minerals and metals resulted in a more moderate operational and financial performance in the last quarter of 2008.

Vale has been very proactive in responding to the deterioration of the economic environment. Production cutbacks involving primarily the shutdown of higher-cost operational units and the implementation of new strategic priorities are the main components of our fast reaction to the global recession. Cost minimization, operational and financial flexibility and reconciliation of cash preservation with the pursuit of profitable growth options have assumed paramount importance to deal with the current scenario.

Given our endowment of world-class low-cost assets, financial strength and the rapid response to changing conditions, we firmly believe we are able to weather the down cycle and create value.

The main highlights of Vale's performance in 2008 were:

- Record gross revenue of US\$ 38.5 billion, 16.3% more than the US\$ 33.1 billion of 2007.
- Record operational profit, as measured by adjusted EBIT (a) (earnings before interest and taxes) of US\$ 15.7 billion, 19.0% higher than 2007.
- Operational margin, as measured by adjusted EBIT margin, of 41.9%, against 40.9% in 2007.

- Record cash generation, as measured by adjusted EBITDA(b) (earnings before interest, taxes, depreciation and amortization): US\$ 19.0 billion in 2008, compared to US\$ 15.8 billion of 2007.
- Record net earnings of US\$ 13.2 billion, equal to US\$ 2.61 per share on a fully diluted basis, with an 11.9% increase over the 2007 figure of US\$ 11.8 billion.
- Record dividend distribution in 2008 was US\$ 2.85 billion, equal to US\$ 0.56 per share, 52.0% above 2007.
- Record investment - excluding acquisitions - of US\$ 10.2 billion against US\$ 7.6 billion in 2007.
- Strong financial position, supported by large cash holdings of US\$ 12.6 billion, availability of significant medium and long-term credit lines and a low-risk debt portfolio.

The net earnings figure for 2008 - US\$ 13.218 billion -, as well as for 4Q08 - US\$ 1.367 billion -, includes a non-cash extraordinary charge of US\$ 950 million derived from the regular annual impairment review for goodwill.

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#### More information



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