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Performance of Vale in 2Q08

ON THE VALUE CREATION PATH

Vale in the second quarter of 2008 (2Q08) continued to report excellent operational and financial performance, marked by record production of nickel, pellets and coal, shipments of iron ore and pellets, gross revenue, operational profit, cash generation and net earnings.

The excellence of Vale's performance can be seen not only when compared to previous periods but above all in the face of the hostile environment which prevailed over the first half of this year, involving the continued depreciation of the US dollar, significant increases in the price of inputs, equipment and engineering services, the fall in the price of nickel from its historical highs in 2Q07 and several challenges faced by our operational activities.

Vale remains on the trail of shareholder value creation, carrying out its growth strategy with discipline and consistent with its long-term vision of the markets.

The main highlights of performance in 2Q08 were:

- Record shipments of iron ore and pellets: 78.858 million metric tons, an increase of 7.9% relatively to 2Q07.
- Record gross revenue: US\$ 10.897 billion, 22.5% more than the US\$ 8.899 billion of 2Q07, the previous record. Accumulated revenue for the first half of 2008 (1H08) was US\$ 18.945 billion against US\$ 16.579 billion in 1H07.
- Record operational profit, as measured by adjusted EBIT (a) (earnings before interest and taxes): US\$ 5.235 billion, was 19.5% higher than 2Q07. In 1H08 adjusted EBIT of US\$ 8.150 billion increased by 15.1% relatively to 1H07.
- Adjusted EBIT margin of 49.4%, against 50.4% in 2Q07 and 37.2% in 1Q08.
- Record cash generation, as measured by adjusted EBITDA(b) (earnings before interest, taxes, depreciation and amortization): US\$ 6.218 billion in 2Q08, an increase of US\$ 1.161 billion over the 2Q07 record of US\$ 5.057 billion. In 1H08, adjusted EBITDA reached US\$ 9.947 billion compared to US\$ 8.241 billion in 1H07.
- Record net earnings: US\$ 5.009 billion, equal to US\$ 1.02 per share on a fully diluted basis, a 22.3% increase on the 2Q07 record result of US\$ 4.095 billion. In 2H08 net earnings reached US\$ 7.030 billion, as against US\$ 6.312 billion in 1H07.
- Vale's credit risk was upgraded to BBB+ by Standard & Poor's, in recognition of its ability to finance its growth plans while at the same time maintaining a healthy balance sheet.
- Investments in 2Q08 totaled US\$ 2.312 billion, of which US\$ 1.788 billion was related to organic growth and US\$ 524 million to maintaining existing operations. In 1H08 Vale invested US\$ 4.007 billion as against US\$ 2.799 billion in 1H07.

- Two world-class projects started up operations: Paragominas II and Alunorte 6&7. Our refinery's expanded capacity supported by large reserves of high quality bauxite consolidates its position as the largest alumina plant in the world. Apart from these, four other important projects were delivered during 1H08: Zuhai, Fazendão, Samarco III and Dalian.
- In May the 330-wagon trains started to operate on the Carajás railroad (EFC). This innovation offers more flexibility and increases the productivity of our iron ore logistics operation.

In line with a key strategic commitment our investment in corporate social responsibility reached US\$ 302 million, of which US\$ 201 million was allocated to environmental protection and US\$ 101 million to social projects. In 1H08, these investments totaled US\$ 382 million, with US\$ 272 million in environment and US\$ 110 million in social action.

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