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07/29/2010

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Performance of Vale in 2Q10

Gaining momentum

Vale reports strong operational and financial performance in the second quarter of 2010 (2Q10), the best since the global financial shock took place in 3Q08, signaling that value creation is gaining momentum. These results reflect a rising global demand for minerals and metals, operating costs under control and our efforts to increase production.

2Q10 marks the first quarter with the implementation of the new pricing regime for iron ore. The move towards price flexibility brings more efficiency and transparency to iron ore pricing and allows the recognition of quality differences, contributing to stimulate long-term investment. In addition, clients are able to know beforehand the price to be paid in the following quarter, thus facilitating cost control and inventory management.

We strongly believe that the continuous quest for growth will keep Vale on the road to significant shareholder value creation.

The main steps for the acquisition of Brazilian fertilizer assets were completed and one month's performance of the newly acquired assets is already captured in the 2Q10 results. Bayovar, our first greenfield project in the fertilizer business, came on stream this month, on time and on budget. This was the third project to be delivered out of seven scheduled to be concluded this year.

As the many greenfield projects due to start up in the near future are delivered, the ground will be laid for the building of new growth platforms through the development of low-capex brownfield projects to meet global demand expansion, opening additional lanes to shareholder value creation.

The main highlights of Vale's performance in 2Q10 were:

. Operating revenue of US$ 9.9 billion in 2Q10, 45.0% more than the US$ 6.8 billion in 1Q10.

. Operating income, as measured by adjusted EBIT(a) (earnings before interest and taxes), of US$ 4.6 billion in 2Q10, 124.5% above 1Q10.

. Operational margin, as measured by adjusted EBIT margin, increased to 47.9% in 2Q10 from 31.2% in 1Q10.

. Cash generation, as measured by adjusted EBITDA(b) (earnings before interest, taxes, depreciation and amortization), rose to US$ 5.6 billion in 2Q10 - the third highest quarterly EBITDA in our history - from US$ 2.9 billion in 1Q10.

. Net earnings of US$ 3.7 billion, equal to US$ 0.70 per share on a fully diluted basis, against US$ 1.6 billion in 1Q10.

. Investments - excluding acquisitions - reached US$ 2.4 billion, with US$ 2.0 billion spent on organic growth.

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

. Total debt/LTM EBITDA ratio fell below 2x, reaching 1.76x.

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