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Performance of Vale in 3Q08

Reaching new highs

Vale operational and financial performance in the third quarter of 2008 (3Q08) continued on the excellence track, marked by records in the production of iron ore, pellets, nickel, bauxite, alumina, aluminum, cobalt, and thermal coal, shipments of iron ore and pellets, copper, alumina, cobalt and thermal coal, gross revenue, operational profit and cash generation.

The combination of financial strength, world-class assets and a wealth of organic growth options gives us an advantageous position to pursue the maximization of shareholder value over the long-term.

Notwithstanding our belief in the soundness of the minerals and metals markets long-term fundamentals, in the short-term we face a challenging global economic scenario which poses risks for our performance. However, on the other hand, the global financial stress generates opportunities for value creation, thereby facilitating the exploitation of several growth options available to us.

In the light of these risks and opportunities, we are maintaining a flexible stance, implementing our growth strategy but retaining the optionality to manage our production and project pipeline according to a careful assessment of the evolution of market conditions.

The main highlights of performance in 3Q08 were:

All-time high shipments of iron ore and pellets, reaching 85.9 million metric tons.

Record gross revenue of US\$ 12.1 billion, 49.2% more than the US\$ 8.1 billion of 3Q07. Accumulated revenue for the first nine months of 2008 (9M08) was US\$ 31.1 billion against US\$ 24.7 billion in 9M07.

Record operational profit, as measured by adjusted EBIT (a) (earnings before interest and taxes) of US\$ 5.5 billion, 61.4% higher than 3Q07. In 9M08 adjusted EBIT was US\$ 13.7 billion increasing 30.2% relative to 9M07.

Adjusted EBIT margin of 47.2%, against 43.4% in 3Q07.

Record cash generation, as measured by adjusted EBITDA(b) (earnings before interest, taxes, depreciation and amortization): US\$ 6.4 billion in 3Q08, US\$ 2.4 billion above 3Q07. In 9M08, adjusted EBITDA reached US\$ 16.3 billion against US\$ 12.2 billion in 9M07.

Net earnings of US\$ 4.8 billion, equal to US\$ 0.94 per share on a fully diluted basis, with a 64.0% increase over the 3Q07 figure of US\$ 2.9 billion. In 9M08 net earnings reached US\$ 11.9 billion, against US\$ 9.2 billion in 9M07.

Strong financial position, based on powerful cash flow, large cash holdings of US\$ 15.2 billion, availability of significant medium and long-term credit lines and a low-risk debt portfolio.

Dividends of US\$ 1.6 billion to be paid from October 31, 2008. Total dividend distribution of US\$ 2.85 billion in 2008, a historical record, an increase of 52.0% relative to the US\$ 1.875 billion paid in 2007.

Investment of US\$ 2.7 billion in 3Q08 and US\$ 6.7 billion in 9M08. Six projects already delivered: Zuhai, Samarco III, Fazendão, Dalian, Paragominas II and Alunorte 6&7.

In line with a key strategic commitment our investment in corporate social responsibility reached US\$ 197 million, US\$ 132 million of which destined for environmental protection and US\$ 65 million for social projects. In 9M08, these investments totaled US\$ 580 million, US\$ 404 million in environmental protection and US\$ 175 million in social actions.

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