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A superb performance

Vale reports a superb performance in the second quarter of 2011 (2Q11), which reflects our superior asset quality in a global environment of strong demand and high prices of minerals and metals.

Our 2Q11 operational and financial performance demonstrates a significant improvement when compared to the previous quarter, and has generated a positive momentum. Given the normalization of our existing operations and the successful ramp up of projects recently delivered against a backdrop of benign seasonal and cyclical factors, we are positioned to obtain even further improvements in Vale's performance.

Revenues and cash generation reached all-time high levels, while operating income, operating margin and net earnings were the highest for a second quarter.

The strong cash generation allows Vale to deal successfully with the trilemma faced by growth companies, which is to satisfy simultaneously the demand for financing investment opportunities, maintain a sound balance sheet and return excess free cash flow to shareholders.

The commitment to discipline in capital allocation and shareholder value creation was evidenced once again by decisions made up to now to return to shareholders a record amount of cash in 2011. The Board of Directors has approved a buyback program of up US\$ 3.0 billion to be concluded until November 25th, 2011. In addition to the US\$ 3.0 billion already paid in 1H11 and a minimum of US\$ 2.0 billion to be approved and paid in October, we announced today a proposal by Vale's Executive Directors to the Board of Directors to distribute US\$ 3.0 billion as an additional dividend. By the same token, our senior management decided for the termination of a deal to acquire African copper assets.

As a consequence of a Brazilian court decision in a case related to the exemption of Social Contribution tax ("Contribuição Social sobre o Lucro Líquido"), at a rate of 9% on earnings generated from exports, on July 29, 2011, Vale will make a payment of R\$ 5.83 billion, equivalent to approximately US\$ 3.8 billion, corresponding to the tax obligation due. There will be no impact on net earnings as the value of the tax payment was already provisioned in our books.

The main highlights of Vale's performance in 2Q11 were:

- Record operating revenues of US\$ 15.345 billion in 2Q11, the highest quarterly result in Vale's history.
- Operating income, as measured by adjusted EBIT . (earnings before interest and taxes) (a), reached US\$ 7.747 billion, being the highest for a second quarter.
- EBIT margin reached 51.7%, up from 48.9%, in 1Q11, the highest for a second quarter.
- Net earnings of US\$ 6.452 billion, equal to US\$ 1.22 per share on a fully diluted basis, 74.1% higher than 2Q10, a record figure for a second quarter.
- Record cash generation, as measured by adjusted EBITDA(b) (earnings before interest, taxes, depreciation and amortization) of US\$ 9.069 billion. The last 12-month adjusted EBITDA of US\$ 35.929 billion also reached a new all-time high mark.
- Record sales of bulk materials – iron ore, pellets, manganese, ferroalloys and metallurgical and thermal coal – of US\$ 11.681 billion in 2Q11, 22.7% above 1Q11.

- Investments reached US\$ 4.0 billion, with US\$ 3.1 billion spent on project execution and R&D.
- Large cash holdings of US\$ 13.2 billion, supporting a healthy balance sheet with low debt leverage, measured by total debt/LTM adjusted EBITDA, equal to 0.68x, and long average debt maturity, of 9.8 years.

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