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Overcoming challenges

Vale is reporting a solid operational and financial performance in 2009. It was a year of significant challenges brought by the great recession that caused one of the few episodes of global GDP contraction over the last 140 years of modern economic history.

As a producer of minerals and metals, we have as end consumers of our products primarily the manufacturing and construction industries, two of the most cyclical components of economic activity and thus most severely affected by recessions. In addition, being the only truly global supplier of iron ore, the large fall in capacity utilization of steel mills in the Americas and Europe produced a shock in our sales performance.

If, on the one hand, severe economic downturns usually cause serious negative effects on financial and operational performance, on the other hand they create extraordinary opportunities for companies that embrace change and structural transformation.

Vale has leveraged its competitive advantages - low-cost world-class assets, a healthy balance sheet, a large pool of liquidity, discipline in capital allocation, a highly skilled and motivated labor force and entrepreneurship spirit - to launch several initiatives to make it stronger in the future, seeking to reduce costs on a permanent basis and raise efficiency. No investment project was cancelled, new growth options were identified and our growth potential was enhanced.

Despite the weaker performance compared to previous years, our response to the recessionary environment was very important for heightening our capacity to create sustainable shareholder value.

The main highlights of Vale's performance in 2009 were:

. Operating revenue of US\$ 6.5 billion in 4Q09, totaling US\$ 23.9 billion in 2009.

Operational profit, as measured by adjusted EBIT (earnings before interest and taxes) of US\$ 1.1 billion in 4Q09 and US\$ 6.1 billion in 2009.

. Operational margin in 2009, as measured by adjusted EBIT margin, of 26.0%. In 4Q09, adjusted EBIT margin of 17.4%.

. Cash generation, as measured by adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), of US\$ 9.2 billion in 2009. Adjusted EBITDA achieved US\$ 2.1 billion in 4Q09.

. Organic growth and maintenance capex reached US\$ 9.0 billion in 2009.

. Investment of US\$ 796 million in corporate social responsibility in 2009, of which US\$ 580 million was allocated to environmental protection and conservation and US\$ 216 million to social projects.

. Total dividend distribution of US\$ 2.75 billion in 2009.

. Strong financial position, supported by large cash holdings of US\$ 11.0 billion, availability of significant medium and long-term credit lines and a low-risk debt portfolio.

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