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Performance of Vale in 1Q12 - Dealing with seasonality

Vale financial performance reported for the first quarter of 2012 (1Q12) shows an overall decrease in the main indicators of profitability and cash flow relative to the record levels of the last quarter of 2011. Seasonality usually makes the first quarter the one with the weakest operational and financial performance in the year. This year, the abnormal rainfall in Brazil has magnified the seasonal effect on revenues and costs, which combined with the reduction in iron ore and pellet prices led to narrower operating margins and lower than expected earnings and cash flow.

The rainy season in the Southern Hemisphere is past, iron ore shipments surged in March and we are confident of delivering the volumes planned for this year. Global market for minerals and metals is estimated to remain tight, and we are well prepared to continue to exploit the opportunities for value creation.

A diversified portfolio of assets, by business – bulk materials, base metals and fertilizers – including Moatize, Oman, Onça Puma, Tres Valles and Bayóvar, is ramping up. These are new platforms of value creation, whose potential will be materialized in the near future.

The test with the integrated operation of VNC was successful, showing that we are able to produce nickel oxide on a sustainable basis.

Salobo, our third greenfield copper project and with a nominal capacity of 100,000 metric tons (t) of copper in concentrates, is coming on stream in the next few weeks.

We signed a leasing contract which allows for the continuation of potash mining at Taquari-Vassouras and the development of the Carnalita project, which is estimated to have a nominal capacity of 1.2 million metric tons (Mt) of potash.

The main highlights of Vale's performance in 1Q12 were:
• Record pellet shipments for a first quarter, 10.4 Mt, 0.9% above the previous record in 1Q11.
• Record coal shipments in 1Q12, at 2.8 Mt.
• Operating revenues of US$ 11.3 billion in 1Q12, 16.3% below the US$ 13.5 billion in 1Q11.
• Income from existing operations, as measured by adjusted EBIT (earnings before interest and taxes)(a), of US$ 3.9 billion. In 4Q11, operating income was US$ 6.0 billion.
• Operating income margin, as measured by adjusted EBIT margin, of 34.8%. In 4Q11, operating margin was 41.7%.
• Net earnings of US$ 3.8 billion, equal to US$ 0.74 per share on a fully diluted basis, representing an 18.1% drop against the US$ 4.7 billion in 4Q11.
• Cash generation, as measured by adjusted EBITDA(b) (earnings before interest, taxes, depreciation and amortization), of US$ 5.0 billion against the US$ 7.4 billon in 4Q11. Over the last 12-month period ended at March 31, 2012, adjusted EBITDA was US$ 31.1 billion.
• Capital expenditures, excluding acquisitions, of US$ 3.7 billion in 1Q12, rising 34.0% above 1Q11.
• The first tranche of the minimum dividend for 2012, US$ 3.0 billion, will be paid to shareholders from April 30, 2012 onwards.

• Maintenance of a strong balance sheet, with low debt leverage, measured by total debt/LTM adjusted EBITDA, equal to 0.8x, long average maturity, 9.4 years, and low average cost, 4.69% per year as of March 31, 2012.

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