09/26/2008

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# Vale on the effects of currency volatility

Vale in response to market comments clarifies some issues related to the recent depreciation of the Brazilian real against the US dollar:

(a) Most of Vale's revenues, approximately 95%, are denominated in US dollars (USD), whereas, in average, 60% of its operational costs and investment costs are denominated in Brazilian reais (BRL), and the remaining in other currencies: USD, Canadian dollars, Indonesian rupiahs, Australian dollars and euros. In addition, Vale has assets denominated in currencies other than the BRL;

(b) Vale definitively denies that it has realized losses derived from the BRL/USD exchange rate volatility;

(c) Vale uses exchange rate swaps to convert the part of its debt, which is denominated in BRL, to USD. As a consequence, 99% of its debt denominated is denominated in USD, consistently with its revenues composition by currency;

(d) Vale's exchange rate swaps transactions have long term maturities and have no margin calls clauses;

(e) Vale has a conservative financial policy, using only "plain vanilla" non-levered instruments for hedging, and has an effective control of their use;

(f) Vale's risk management policy, approved by the Board of Directors, explicitly forbids directional bets and speculative transactions with derivatives, and the compliance with these rules is rigorously controlled;

(g) In its quarterly earnings releases, Vale provides a detailed report of the results with transactions involving derivatives, making it clear their non-cash and cash impact on its short term performance, as well as those derived from monetary variation of other items of its balance sheet.

## More information

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