



SUMMARY OF INVESTMENT ANALYSIS

Name of the company: Vale S.A. (ADS)

Ticker (Exchange)/Price of share: VALE (NYSE)/17.98 USD

Sector: Basic materials

Industry: Iron & Steel

Description:

Companhia Vale do Rio Doce, through its subsidiaries, operates as a diversified metals and mining company worldwide. The company produces iron ore and iron ore pellets, nickel, manganese ore, ferroalloys, and kaolin. It also engages in producing bauxite, alumina, aluminum, copper, metallurgical and thermal coal, metallurgical coke and methanol, cobalt, potash, and other non-ferrous minerals, as well as precious metals, including platinum-group metals, gold, and silver. In addition, the company operates logistics systems in Brazil, including railroads, maritime terminals, and a port. Further, it engages in hydroelectric power generation and steel production. The company was founded in 1942 and is headquartered in Rio de Janeiro, Brazil.

Commentary:

- ❖ For 2008 Vale recorded a net profit growth of 11.8% to \$13.2 bln. which on the background of the recession worldwide is quite a good result. For 1Q 2009 the metal mining giant registered \$1.36 bln. net income and the expectations are for improved results by the end of the year. The 2Q results of the company are expected at 29th of July.
- ❖ Vale reported that they will continue to develop their potash assets to get position of a market leader in order to add value for their investors. Earlier in June the company announced that they will start production of bio diesel together with another Brazilian company Biopalma da Amazonia.
- ❖ China is the one of the main markets for the company. For 2Q the Asian country reached 7.9 percent economic growth compared to 6 percent for the 1Q, as the industrial production has climbed to 10.7%. That will have positive effect on Vale as great part of its production goes for the Chinese iron market.
- ❖ Brazil has been aside the economic crisis and was affected indirectly. Since the beginning of the year till now Vale stocks have climbed 48.5% and after the recent upgraded view for the world economy, it is expected the shares to perform better and add more value by the end of the year

Graph:

Short-term target price, defined using both technical and fundamental analysis*: \$ 21.50

* A potential risk for the company and for the stock price could be the following: slowing economy, decreasing revenues, lower cash flows, decreasing recommendations of analysts and others. Due to a great number of factors reaching the target price is not guaranteed, all data are based on the expectations for the company development. In case of short-term speculations and abrupt changes in the stock price below \$17.15, we recommend selling in order to minimize the loss to 5%.



G L O B A L M A R K E T S

Basic fundamental data:

Market capitalization:	93.72 bln.	P/E (price/earnings) (ttm):	12.14
Beta:	1.75	P/B (price/book value) (MRQ):	2.75
EPS (TTM) vs. TTM 1yr Ago:	2.86	P/S (price/sales) (ttm):	2.68
ROA (ttm):	14.96%	ROE (ttm)	23.89%
Operating Margin (ttm)	38.71%	Gross margin (ttm):	53.32%

Main competitors and related companies:

BHP Billiton plc.	Alcoa
Rio Tinto plc.	Anglo-American plc.

Updated at: 17.07.09

Sources: <http://www.vale.com/vale/cgi/cqilua.exe/sys/start.htm?tpl=home>, www.bloomberq.com, www.reuters.com, www.nyse.com, www.yahoo.com, www.biqcharts.com

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