VALIDUS HOLDINGS LTD
Form 10-K
February 18, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010
Commission file number 001-33606
VALIDUS HOLDINGS, LTD.
(Exact name of registrant as specified in its charter)

BERMUDA	**98-0501001**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

29 Richmond Road, Pembroke, Bermuda HM 08
(Address of principal executive offices and zip code)
(441) 278-9000
(Registrant s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on Which Registered:
Common Shares, $0.175 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2010 was $1,797.4 million computed upon the basis of the closing sales price of the Common Shares on June 30, 2010. For the purposes of this computation, shares held by directors and officers of the registrant have been excluded. Such exclusion is not intended, nor shall it be deemed, to be an admission that such persons are affiliates of the registrant.

As of February 16, 2011, there were 97,944,724 outstanding Common Shares, $0.175 par value per share, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information from certain portions of the registrant s definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the fiscal year ended December 31, 2010.

This Annual Report on Form 10-K contains Forward-Looking Statements as defined in the Private Securities Litigation Reform Act of 1995. A non-exclusive list of the important factors that could cause actual results to differ materially from those in such Forward-Looking Statements is set forth herein under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations Cautionary Note Regarding Forward-Looking Statements.

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PART I

All amounts presented in this part are in U.S. dollars except as otherwise noted.

Item 1. Business

Overview

Validus Holdings, Ltd. (the Company) was incorporated under the laws of Bermuda on October 19, 2005. Our initial investor, which we refer to as our founding investor, is Aquiline Capital Partners LLC, a private equity firm dedicated to investing in financial services companies. Other sponsoring investors included private equity funds managed by Goldman Sachs Capital Partners, Vestar Capital Partners, New Mountain Capital and Merrill Lynch Global Private Equity. The Company conducts its operations worldwide through two wholly-owned subsidiaries, Validus Reinsurance, Ltd. (Validus Re) and Talbot Holdings Ltd. (Talbot). The Company, through its subsidiaries, provides reinsurance coverage in the Property, Marine and Specialty lines markets, effective January 1, 2006, and insurance coverage in the same markets effective July 2, 2007.

We seek to establish ourselves as a leader in the global insurance and reinsurance markets. Our principal operating objective is to use our capital efficiently by underwriting primarily short-tail insurance and reinsurance contracts with superior risk and return characteristics. Our primary underwriting objective is to construct a portfolio of short-tail insurance and reinsurance contracts which maximize our return on equity subject to prudent risk constraints on the amount of capital we expose to any single extreme event. We manage our risks through a variety of means, including contract terms, portfolio selection, diversification criteria, including geographic diversification criteria, and proprietary and commercially available third-party vendor models.

Since our formation in 2005, we have been able to achieve substantial success in the development of our business. Selected examples of our accomplishments are as follows:

§ Raising approximately $1.0 billion of initial equity capital in December 2005 and underwriting $217.4 million in gross premiums written for the January 2006 renewal season;

§ At the time of the Company s formation an executive management team was assembled with an average of 20 years of industry experience and senior expertise spanning multiple aspects of the global insurance and reinsurance business;

§ Building a risk analytics staff comprised of over 40 experts, many of whom have PhDs and Masters degrees in related fields;

§ Developing Validus Capital Allocation and Pricing System (VCAPS), a proprietary computer-based system for modeling, pricing, allocating capital and analyzing catastrophe-exposed risks;
§ Acquiring all of the outstanding shares of Talbot Holdings Ltd. on July 2, 2007;
§ Completing an initial public offering (IPO) on July 30, 2007;
§ Acquiring all of the outstanding shares of IPC Holdings Ltd. (IPC) on September 4, 2009; and
§ Commencing in November of 2009, repurchasing $941.2 million or 34.8 million shares of the Company s common stock, representing 35.5% of the outstanding common stock at December 31, 2010.

Our Operating Subsidiaries

The following chart shows how our Company and its principal operating subsidiaries are organized.
For a complete list of the Company s subsidiaries, see Exhibit 21.

Our Segments

Validus Re: Validus Re, the Company s principal reinsurance operating subsidiary, operates as a Bermuda-based provider of short-tail reinsurance products on a global basis. Validus Re concentrates on first-party risks, which are property risks and other reinsurance lines commonly referred to as short-tail in nature due to the relatively brief period between the occurrence and payment of a claim.

Validus Re was registered as a Class 4 insurer under The Insurance Act 1978 of Bermuda, amendments thereto and related regulations (the Insurance Act) in November 2005. It commenced operations with approximately $1.0 billion of equity capital and a balance sheet unencumbered by any historical losses relating to the 2005 hurricane season, the events of September 11, 2001, asbestos or other legacy exposures affecting our industry.

Validus Re entered the global reinsurance market in 2006 during a period of imbalance between the supply of underwriting capacity available for reinsurance on catastrophe-exposed property, marine and energy risks and demand for such reinsurance coverage.

On September 4, 2009, the Company acquired all of the outstanding shares of IPC. The primary lines in which IPC conducted business were property catastrophe reinsurance and, to a limited extent, property-per-risk excess, aviation (including satellite) and other short-tail reinsurance on a worldwide basis. For segmental reporting purposes, the results of IPC s operations since the acquisition date have been included within the Validus Re segment in the consolidated financial statements.

The following are the primary lines in which Validus Re conducts its business. Details of gross premiums written by line of business are provided below:

	Year Ended December 31, 2010		Year Ended December 31, 2009 (a)		Year Ended December 31, 2008	
(Dollars in thousands)	**Gross Premiums Written**	**Gross Premiums Written (%)**	**Gross Premiums Written**	**Gross Premiums Written (%)**	**Gross Premiums Written**	**Gross Premiums Written (%)**
Property	$ 790,590	71.8%	$ 526,428	68.5%	$ 492,967	71.7%
Marine	227,135	20.6%	152,853	19.9%	117,744	17.1%
Specialty	83,514	7.6%	88,803	11.6%	77,060	11.2%
Total	$ 1,101,239	100.0%	$ 768,084	100.0%	$ 687,771	100.0%

(a) The results of operations for IPC are consolidated only from the September, 2009 date of acquisition.

Property: Validus Re underwrites property catastrophe reinsurance, property per risk reinsurance and property pro rata reinsurance.

Property catastrophe: Property catastrophe provides reinsurance for insurance companies exposures to an accumulation of property and related losses from separate policies, typically relating to natural disasters or other catastrophic events. Property catastrophe reinsurance is generally written on an excess of loss basis, which provides coverage to primary insurance companies when aggregate claims and claim expenses from a single occurrence from a covered peril exceed a certain amount specified in a particular contract. Under these contracts, the Company provides protection to an insurer for a portion of the total losses in excess of a specified loss amount, up to a maximum amount per loss specified in the contract. In the event of a loss, most contracts provide for coverage of a second occurrence following the payment of a premium to reinstate the coverage under the contract, which is referred to as a reinstatement premium. The coverage provided under excess of loss reinsurance contracts may be on a worldwide basis or limited in scope to specific regions or geographical areas. Coverage can also vary from all property perils, which is the most expansive form of coverage, to more limited coverage of specified perils such as windstorm-only coverage. Property catastrophe reinsurance contracts are typically all risk in nature, providing protection against losses from earthquakes and hurricanes, as well as other natural and man-made catastrophes such as floods, tornadoes, fires and storms. The predominant exposures covered are losses stemming from property damage and business interruption coverage resulting from a covered peril. Certain risks, such as war or nuclear contamination may be excluded, partially or wholly, from certain contracts. Gross premiums written on property catastrophe business during the year ended December 31, 2010 were $571.9 million.

Property per risk: Property per risk provides reinsurance for insurance companies excess retention on individual property and related risks, such as highly-valued buildings. Risk excess of loss reinsurance protects insurance companies on their primary insurance risks on a single risk basis. A risk in this context might mean the insurance coverage on one building or a group of buildings or the insurance coverage under a single policy which the reinsured treats as a single risk. Coverage is usually triggered by a large loss sustained by an individual risk rather than by smaller losses which fall below the specified retention of the reinsurance contract. Such property risk coverages are generally written on an excess of loss basis, which provides the reinsured protection beyond a specified amount up to the limit set within the reinsurance contract. Gross premiums written on property per risk business during the year ended December 31, 2010 were $67.8 million.

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Property pro rata: Property pro rata contracts require that the reinsurer share the premiums as well as the losses and expenses in an agreed proportion with the cedant. Gross premiums written on property pro rata business during the year ended December 31, 2010 were $150.9 million.

Marine: Validus Re underwrites reinsurance on marine risks covering damage to or losses of marine vessels and cargo, third-party liability for marine accidents and physical loss and liability from principally offshore energy properties. Validus Re underwrites marine on an excess of loss basis, and on a pro rata basis. Gross premiums written on marine business during the year ended December 31, 2010 were $227.1 million.

Specialty: Validus Re underwrites other lines of business depending on an evaluation of pricing and market conditions, which include aerospace and aviation, agriculture, terrorism, life and accident & health, financial lines, nuclear, workers compensation catastrophe and crisis management. The Company seeks to underwrite other specialty lines with very limited exposure correlation with its property, marine and energy portfolios. With the exception of the aerospace line of business, which has a meaningful portion of its gross premiums written volume on a proportional basis, the Company s other specialty lines are written on an excess of loss basis. Gross premiums written on specialty business during the year ended December 31, 2010 were $83.5 million.

Talbot: On July 2, 2007, the Company acquired all of the outstanding shares of Talbot. Talbot is the Bermuda parent of a specialty insurance group primarily operating within the Lloyd s of London (Lloyd s) insurance market through Syndicate 1183. The acquisition of Talbot provides the Company with significant benefits in terms of product line and geographic diversification as well as offering the Company broader access to underwriting expertise. Similar to Validus Re, Talbot writes primarily short-tail lines of business but, as a complement to Validus Re, focuses mostly on insurance, as opposed to reinsurance risks, and on specialty lines where Validus Re currently has limited or no presence (e.g., war, financial institutions, contingency, accident and health). In addition, Talbot provides the Company with access to the Lloyd s marketplace where Validus Re does not operate. As a London-based insurer, Talbot also writes the majority of its premiums on risks outside the United States. Talbot s team of underwriters have, in many cases, spent most of their careers writing niche, short-tail business and bring their expertise to bear on expanding the Company s short-tail insurance franchise.

The Company has expanded and diversified its business through Syndicate 1183 s access to Lloyd s license agreements with regulators around the world. Underwriting Risk Services, Inc., Underwriting Risk Services (Middle East) Ltd., Validus Reaseguros, Inc., Validus Re Chile S.A. and Talbot Risk Services Pte Ltd, act as approved Lloyd s coverholders for Syndicate 1183.

The following are the primary lines in which Talbot conducts its business. Details of gross premiums written by line of business are provided below:

	Year Ended December 31, 2010		Year Ended December 31, 2009		Year Ended December 31, 2008	
(Dollars in thousands)	**Gross Premiums Written**	**Gross Premiums Written (%)**	**Gross Premiums Written**	**Gross Premiums Written (%)**	**Gross Premiums Written**	**Gross Premiums Written (%)**
Property	$ 314,769	32.1%	$ 269,583	29.3%	$ 152,143	21.4%
Marine	315,102	32.1%	307,385	33.4%	287,696	40.6%
Specialty	351,202	35.8%	342,938	37.3%	269,157	38.0%
Total	$ 981,073	100.0%	$ 919,906	100.0%	$ 708,996	100.0%

Property: The main sub-classes within property are international and North American direct and facultative contracts, onshore energy, lineslips and binding authorities together with a book of business written on a treaty reinsurance basis. The business written is mostly commercial and industrial insurance though there is a modest personal lines component. The business is short-tail with premiums for reinsurance and, direct and facultative business, substantially earned within 12 months and premiums for lineslips and binding authorities substantially earned within 12 months of the expiry of the contract. Gross premiums written on property business during the year ended December 31, 2010 was $314.8 million, including $88.5 million of treaty reinsurance.

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Marine: The main types of business within marine are hull, cargo, energy, marine and energy liabilities, yachts and marinas and other treaty. Hull consists primarily of ocean going vessels and cargo and covers worldwide risks. Energy covers a variety of oil and gas industry risks. The marine and energy liability account provides cover for protection and indemnity clubs and a wide range of companies operating in the marine and energy sector. Yacht and marina policies are primarily written through Underwriting Risk Services Ltd., an underwriting agency that is a subsidiary of Talbot. Each of the sub-classes within marine has a different profile of contracts written some, such as energy, derive up to 41.7% of their business through writing facultative contracts while others, such as cargo, only derive 15.8% of their business from this method. Each of the sub-classes also has a different geographical risk allocation. Most business written is short-tail enabling a quicker and more accurate picture of expected profitability than is the case for long tail business. The marine and energy liability account, which makes up $41.9 million of the $315.1 million of gross premiums written during the year ended December 31, 2010, is the primary long-tail class in this line. The business written is mainly on a direct and facultative basis with a small element written on a reinsurance basis either as excess of loss reinsurance or proportional reinsurance.

Specialty: This class consists of war (comprising marine & aviation war, political risks and political violence, including war on land), financial institutions, contingency, accident and health, airlines and aviation treaty. With the exception of aviation treaty, most of the business written under the specialty accounts is written on a direct or facultative basis or under a binding authority through a coverholder. Gross premiums written on specialty business during the year ended December 31, 2010 was $351.2 million.

War. The marine & aviation war account covers physical damage to aircraft and marine vessels caused by acts of war and terrorism. The political risk account deals primarily with expropriation, contract frustration/trade credit, kidnap and ransom, and malicious and accidental product tamper. The political violence account mainly insures physical loss to property or goods anywhere in the world, caused by war, terrorism or civil unrest. This class is often written in conjunction with cargo, specie, property, energy, contingency and political risk. The period of the risks can extend up to 36 months and beyond, particularly with construction risks. The attritional losses on the account are traditionally low but the account can be affected by large individual losses. Talbot is a leader in the war and political violence classes. Gross premiums written for war business during the year ended December 31, 2010 was $146.2 million.

Financial Institutions. Talbot s financial institutions team predominantly underwrites bankers blanket bond, professional indemnity and directors and officers coverage for various types of financial institutions and similar companies. Bankers blanket bond insurance products are specifically designed to protect against direct financial loss caused by fraud/criminal actions and mitigate the damage such activities may have on the asset base of these institutions. Professional indemnity insurance protects businesses in the event that legal action is taken against them by third parties claiming to have suffered a loss as a result of advice received. Directors and officers insurance protects directors and officers against personal liability for losses incurred by a third party due to negligent performance by the director or officer. Gross premiums written in financial institutions for the year ended December 31, 2010 was $39.6 million, comprising:

	Year Ended December 31, 2010	
(Dollars in thousands)	**Gross Premiums Written**	**Gross Premiums Written (%)**
Bankers blanket bond	$ 24,116	60.8%
Professional indemnity	13,684	34.5%
Directors and Officers	1,846	4.7%
Total	$ 39,646	100.0%

The risks covered in financial institutions are primarily fraud related and are principally written on an excess of loss basis. Talbot s financial institutions account is concentrated on non-U.S. based clients, with 35.7% of gross premiums written in 2010 generated in Europe, 9.7% from the U.S and 54.6% from other geographical regions. In addition, Talbot seeks to write regional accounts rather than global financial institutions with exposure in multiple jurisdictions and has only limited participation in exposures to publicly listed U.S. companies. The underwriters actively avoid writing U.S. directors and officers risks. As of December 31, 2010, the Company had gross reserves related to the financial institutions business of $171.5 million, comprised of $83.0 million, or 48.4% of incurred but not reported (IBNR) and $88.5 million, or 51.6% of case reserves. For comparison, as at December 31, 2009 the Company had gross reserves related to the financial institutions business of $143.4 million, comprising $80.8 million, or 56.3% of IBNR and $62.6 million, or 43.7% of case reserves.

Contingency. The main types of covers written under the contingency account are event cancellation and non-appearance business. Gross premiums written for contingency business during the year ended December 31, 2010 was $18.4 million.

Accident and Health. The accident and health account provides insurance in respect of individuals in both their personal and business activity together with corporations where they have an insurable interest relating to death or disability of employees or those under contract. Gross premiums written for accident and health business during the year ended December 31, 2010 was $19.7 million.

Aviation. The aviation account insures major airlines, general aviation, aviation hull war and satellites. The coverage includes excess of loss treaty with medium to high attachment points. Gross premiums written for the aviation business during the year ended December 31, 2010 was $113.8 million.

Underwriting and Risk Management

We underwrite and manage risk by paying close attention to risk selection and analysis. Through a detailed examination of contract terms, diversification criteria, contract experience and exposure, we aim to outperform our peers. We strive to provide our experienced underwriters with technically sound and objective information. We believe a strong working relationship between the underwriting, catastrophe modeling and actuarial disciplines is critical to long-term success and solid decision-making.

A principal focus of the Company is to develop and apply sophisticated computer models and other analytical tools to assess the risks and aggregation of the risks that we underwrite and to optimize our portfolio of contracts. In particular, we devote a substantial amount of our efforts to the optimization of our catastrophe risk profile. In addition to using Probable Maximum Loss (PML) and other risk metrics that measure the maximum amount of loss expected from our portfolio over various return periods or measured probabilistically, our approach to risk control imposes a limit on our net maximum potential loss for any single event in any one risk zone, which reduces the risks inherent in probabilistic modeling. Further, we recognize that the reliability and credibility of the models is contingent upon the accuracy, reliability and quality of the data that is used in modeling efforts.

The Company has chartered a Group Risk Management Committee (the GRMC) chaired by its Chief Risk Officer and composed of senior management of the Company. The GRMC was established as part of the Company s implementation of enterprise risk management. The GRMC is responsible for monitoring and managing risks in close coordination with risk management committees and personnel within our operating subsidiaries. The GRMC meets monthly to review and discuss key risks, make decisions to manage those risks and oversee implementation of those decisions. The GRMC also has oversight over the risk management of the organization, ensuring the availability of appropriate risk management resources.

Underwriting

All of the Company s underwriters are subject to a set of underwriting guidelines that are established by the Chief Executive Officers of Validus Re and Talbot. These guidelines are then subject to review and approval by the Risk Committee of our Board of Directors. Underwriters are also issued letters of authority that specifically address the limits of their underwriting authority and their referral criteria. The Company s current underwriting guidelines and letters of authority include:

lines of business that a particular underwriter is authorized to write;

- exposure limits by line of business;
- contractual exposures and limits requiring mandatory referrals to the Chief Executive Officer at Validus Re and the Chief Executive Officer at Talbot; and
- level of analysis to be performed by lines of business.

In general, our underwriting approach is to:

- seek high quality clients who have demonstrated superior performance over an extended period;
- evaluate our clients exposures and make adjustments where their exposure is not adequately reflected;
- apply the comprehensive knowledge and experience of our entire underwriting team to make progressive and cohesive decisions about the business they underwrite;
- employ our well-founded and carefully maintained market contacts within the group to enhance our robust distribution capabilities; and
- refer submissions to the Chief Underwriting Officer at Validus Re, the Chief Executive Officer at Talbot, Chief Executive Officer at Validus Re and the Risk Committee of our Board of Directors according to our underwriting guidelines.

The underwriting guidelines are subject to waiver or change by the Chief Executive Officer at Validus Re or the Chief Executive Officer at Talbot subject to their authority as overseen by their respective Risk Committees.

Our underwriters have the responsibility to analyze all submissions and determine if the related potential exposures meet with both the Company s risk profile line size and aggregate limitations. In order to ensure compliance, we run underwriting reports and conduct periodic audits. Further, our treaty reinsurance operation has the authority limits of individual underwriters built into VCAPS while Talbot maintains separate compliance procedures to ensure that the appropriate policies and guidelines are followed.

Validus Re: We have established a referral process whereby business exceeding set exposure or premium limits is referred to the Chief Executive Officer for review. As the reviewer of such potential business, the Chief Executive Officer has the ability to determine if the business meets the Company s overall desired risk profile. The Chief Executive Officer has defined underwriting authority for each underwriter, and risks outside of this authority must be referred to the Chief Executive Officer. The Risk Committee of our Board of Directors reviews business that is outside the authority of the Chief Executive Officer.

Talbot: Our risk review and control processes have been designed to ensure that all written risks comply with underwriting and risk control strategies. The various types of review are sequential in timing and emphasize the application of an appropriate level of scrutiny. A workflow system automates the referral of risks to relevant reviewers. These reviews are monitored and reports prepared on a regular basis.

Collectively, the various peer review procedures serve numerous objectives, including:

- Validating that underwriting decisions are in accordance with risk appetite, authorities, agreed business plans and standards for type, quality and profitability of risk;
- Providing an experienced and suitably qualified second review of individual risks;
- Ensuring that risks identified as higher risks undergo the highest level of technical underwriting review;
- Elevating technical underwriting queries and/or need for remedial actions on a timely basis; and

Improving database accuracy and coding for subsequent management reporting.

The principal elements of the underwriting review process are as follows:

Underwriter Review: The underwriting team must evidence data entry review by confirming review and agreement on the workflow system within a specified number of working days of entry being completed by the contracted third party.

Peer Review: The majority of risks are peer reviewed by a peer review underwriter within a specified number of working days of data entry being completed. There is an agreed matrix of peer review underwriters who are authorized to peer review. Endorsements that increase identified exposures are also subject to the current peer review procedures.

Class of business review: Risks written into a class by an underwriter other than the nominated class underwriter are subsequently forwarded to, and reviewed by, the nominated class underwriter.

Exceptions review: Risks that exceed a set of pre-determined criteria will also be referred to the Active Underwriter or the Underwriting Risk Officer for review. Such risks are discussed by the underwriters at regular underwriting meetings in the presence of at least one of the above. In certain circumstances, some risks may be referred to the Insurance Management Committee or the Talbot Underwriting Ltd (TUL) Board for final approval. These reviews also commonly include reports of risks renewed where there has been a large loss ratio in the recent past.

Insurance Management Committee: At its regular meetings, the Committee reviews a range of key performance indicators including: premium income written versus plan; movements in syndicate cash and investments; and aggregate exposures in a number of accounts. The Committee also reviews claim movements over a financial threshold.

Expert Review Subcommittee (ERC): The ERC is a committee that meets regularly to review the underwriting activities of Syndicate 1183 and other related activities to provide assurance that the underwriting risks assumed are within the parameters of the business plan. This is achieved with the help of eight external expert reviewers who report their findings to the ERC.

The expert reviewers obtain and review a sample of risks underwritten in each class and report their findings to the quarterly meetings of the ERC. Findings range from general comments on approach and processes to specific points in respect of individual risks.

Risk Management

A pivotal factor in determining whether to found and fund the Company was the opportunity for differentiation based upon superior risk management expertise; specifically, managing catastrophe risk and optimizing our portfolio to generate attractive returns on capital while controlling our exposure to risk, and assembling a management team with the experience and expertise to do so. The Company s proprietary models are current with emerging scientific trends. This has enabled the Company to gain a competitive advantage over those reinsurers who rely exclusively on commercial models for pricing and portfolio management. The Company has made a significant investment in expertise in the risk modeling area to capitalize on this opportunity. The Company has assembled an experienced group of professional experts who operate in an environment designed to allow them to use their expertise as a competitive advantage. While the Company uses both proprietary and commercial probabilistic models, risk is ultimately subject to absolute aggregate limitations based on risk levels determined by the Risk Committee of our Board of Directors.

Vendor Models: The Company has global licenses for all three major vendor models (RMS, AIR and EQECAT) to assess the adequacy of risk pricing and to monitor our overall exposure to risk in correlated geographic zones. The Company models property exposures that could potentially lead to an over-aggregation of property risks (i.e., catastrophe-exposed business) using the vendor models. The vendor models enable us to aggregate exposures by correlated event loss scenarios, which are probability-weighted. This enables the generation of exceedance probability curves for the portfolio and major geographic areas. Once exposures are modeled using one of the vendor models, the two other models are used as a reasonability check and validation of the loss scenarios developed and reported by the first. The three commercial models each have unique strengths and weaknesses. It is necessary to impose changes to frequency and severity ahead of changes made by the model vendors.

The Company s review of market practice revealed a number of areas where quantitative expertise can be used to improve the reliability of the vendor model outputs:

Ceding companies may often report insufficient data and many reinsurers may not be sufficiently critical in their analysis of this data. The Company generally scrutinizes data for anomalies that may indicate insufficient data quality. These circumstances are addressed by either declining the program or, if the variances are manageable, by modifying the model output and pricing to reflect insufficient data quality;

Prior to making overall adjustments for changes in climate variables, other variables are carefully examined (for example, demand surge, storm surge, and secondary uncertainty); and

Pricing individual contracts frequently requires further adjustments to the three vendor models. Examples include bias in damage curves for commercial structures and occupancies and frequency of specific perils.

In addition, many risks, such as second-event covers, aggregate excess of loss, or attritional loss components cannot be fully evaluated using the vendor models. In order to better evaluate and price these risks, the Company has developed proprietary analytical tools, such as VCAPS and other models and data sets.

Proprietary Models: In addition to making frequency and severity adjustments to the vendor model outputs, the Company has implemented a proprietary pricing and risk management tool, VCAPS, to assist in pricing submissions and monitoring risk aggregation.

To supplement the analysis performed using vendor models, VCAPS uses the gross loss output of catastrophe models to generate a 100,000-year simulation set, which is used for both pricing and risk management. This approach allows more precise measurement and pricing of exposures. The two primary benefits of this approach are:

VCAPS takes into account annual limits, event/franchise/annual aggregate deductibles, and reinstatement premiums. This allows for more accurate evaluation of treaties with a broad range of features, including both common (reinstatement premium and annual limits) and complex features (second or third event coverage, aggregate excess of loss, attritional loss components covers with varying attachment across different geographical zones or lines of businesses and covers with complicated structures); and

VCAPS use of 100,000-year simulations enables robust pricing of catastrophe-exposed business. This is possible in real-time operation because the Company has designed a computing hardware platform and software environment to accommodate the significant computing needs.

In addition to VCAPS, the Company uses other proprietary models and other data in evaluating exposures. The Company cannot assure that the models and assumptions used by the software will accurately predict losses. Further, the Company cannot assure that the software is free of defects in the modeling logic or in the software code. In addition, the Company has not sought copyright or other legal protection for VCAPS.

Program Limits: Overall exposure to risk is controlled by limiting the amount of reinsurance underwritten in a particular program or contract. This helps to diversify within and across risk zones. The Risk Committee sets these limits, which may be exceeded only with its approval.

Geographic Diversification: The Company actively manages its aggregate exposures by geographic or risk zone (zones) to maintain a balanced and diverse portfolio of underlying risks. The coverage the Company is willing to provide for any risk located in a particular zone is limited to a predetermined level, thus limiting the net aggregate loss exposure from all contracts covering risks believed to be located in any zone. Contracts that have worldwide territorial limits have exposures in several geographic zones. Generally, if a proposed reinsurance program would cause the limit to be exceeded, the program would be declined, regardless of its desirability, unless the Company buys retrocessional coverage, thereby reducing the net aggregate exposure to the maximum limit permitted or less. The following table summarizes our Gross Premiums Written by geographic zone:

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	Year ended December 31, 2010 Gross Premiums Written				
(Dollars in thousands)	**Validus Re**	**Talbot**	**Eliminations**	**Total**	**%**
United States	$ 486,133	$ 110,944	$ (8,543)	$ 588,534	29.6%
Worldwide excluding United States (a)	55,462	265,760	(7,051)	314,171	15.8%
Europe	105,321	50,074	(1,239)	154,156	7.7%
Latin America and Caribbean	70,650	83,274	(52,632)	101,292	5.1%
Japan	26,449	5,982	(177)	32,254	1.6%
Canada	177	11,892	(177)	11,892	0.6%
Rest of the world (b)	23,006			23,006	1.2%
Sub-total, non United States	281,065	416,982	(61,276)	636,771	32.0%
Worldwide including United States	91,259	49,212	(2,492)	137,979	6.9%
Marine and Aerospace (c)	242,782	403,935	(19,435)	627,282	31.5%
Total	$ 1,101,239	$ 981,073	$ (91,746)	$ 1,990,566	100.0%

(a) Represents risks in two or more geographic zones.

(b) Represents risk in one geographic zone.

(c) Not classified by geographic area as marine and aerospace risks can span multiple geographic areas and are not fixed locations in some instances.

The effectiveness of geographic zone limits in managing risk exposure depends on the degree to which an actual event is confined to the zone in question and on the Company s ability to determine the actual location of the risks believed to be covered under a particular reinsurance program. Accordingly, there can be no assurance that risk exposure in any particular zone will not exceed that zone s limits. Further control over diversification is achieved through guidelines covering the types and amount of business written in product classes and lines within a class.

Within Talbot, the TUL Board is responsible for creating the environment and structures for risk management to operate effectively. The Talbot Chief Executive is responsible for ensuring the risk management process is implemented.

The TUL Board has several committees responsible for monitoring risk. The TUL Board approves the risk appetite as part of the syndicate business plan process which sets targets for premium volume, pricing, line sizes, aggregate exposures and retention by class of business.

The TUL Executive Committee is responsible for establishing and maintaining a comprehensive risk register and key controls for TUL. It is responsible for formulating a risk appetite consistent with the Company s risk appetite, for approval by the TUL Board.

The key focuses of each committee are as follows:

The TUL Executive Committee manages key risks with regard to strategy and reserves;

The Talbot Insurance Management Committee manages insurance risks;

Operational Risk Committee manages risk related to people, processes, systems and external events; and

Financial Risk Committee manages credit risk associated with investments and reinsurance counterparties, capital markets risk and liquidity risk.

Performance against underwriting targets is measured regularly throughout the year. Risks written are subject to peer review, an internal quality control process. Pricing is controlled by the monitoring of rate movements and the comparison of technical prices to actual prices for certain classes of business. Controls over aggregation of claims exposures vary by class of business. They include limiting coastal risks, monitoring aggregation by county/region/blast zones and applying line size limits in all cases. Catastrophe modeling software and techniques are used to model expected loss outcomes for Lloyd s Realistic Disaster Scenario returns and in-house catastrophe event scenarios. Reserves are reviewed for adequacy on a quarterly basis. The syndicate also purchases reinsurance, with an appropriate number of reinstatements, to arrive at an acceptable net retained risk.

Validus Re Retrocession: Validus Re monitors the opportunity to purchase retrocessional coverage on a continual basis and employs the VCAPS modeling system to evaluate the effectiveness of risk mitigation and exposure management relative to the cost. This coverage may be purchased on an indemnity basis as well as on an index basis (e.g., industry loss warranties (ILWs)). Validus Re also considers alternative retrocessional structures, including collateralized quota share (sidecar) and capital markets products.

When Validus Re buys retrocessional coverage on an indemnity basis, payment is for an agreed upon portion of the losses actually suffered. In contrast, when Validus Re buys an ILW cover, which is a reinsurance contract in which the payout is dependent on both the insured loss of the policy purchaser and the measure of the industry-wide loss, payment is made only if both Validus Re and the industry suffer a loss, as reported by one of a number of independent agencies, in excess of specified threshold amounts. With an ILW, Validus Re bears the risk of suffering a loss while receiving no payment under the ILW if the industry loss was less than the specified threshold amount.

Validus Re may use capital markets instruments for risk management in the future (e.g., catastrophe bonds, sidecar facilities and other forms of risk securitization) where the pricing and terms are attractive.

Talbot Ceded Reinsurance: Talbot enters into reinsurance agreements in order to mitigate its accumulation of loss, reduce its liability on individual risks and enable it to underwrite policies with higher limits. The ceding of the insurance does not legally discharge Talbot from its primary liability for the full amount of the policies, and Talbot is required to pay the loss and bear collection risk if the reinsurer fails to meet its obligations under the reinsurance agreement.

The following describes the Talbot Group s process in the purchase and authorization of treaty reinsurance policies only. It does not cover the purchase of facultative business because these premiums are not significant.

The reinsurance program is reviewed by the reinsurance purchasing team on an on-going basis in line with the main business planning process. This process incorporates advice and analytical work from our brokers, actuarial and capital modeling teams.

The review and modification is based upon the following:

budgeted underwriting for the coming year;

loss experience from prior years;

loss information from the coming year s individual capital assessment calculations;

changes to risk limits and aggregation limits expected and any other changes to Talbot s risk tolerance;

scenario planning;

changes to capital requirements; and

Realistic Disaster Scenarios (RDSs) prescribed by Lloyd s.

The main type of reinsurance purchased is losses occurring; however, for a few lines of business, where the timing of the loss event is less easily verified or where such cover is available, risk attaching policies are purchased.

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The type, quantity and cost of cover of the proposed reinsurance program is discussed and reviewed by the Chief Executive Officer of the Talbot group, and ultimately authorized by the TUL Board.

Once this has occurred, the reinsurance program is purchased in the months prior to the beginning of the covered period. All reinsurance contracts arranged are authorized for purchase by the Talbot Chief Executive Officer. Slips are developed prior to inception to ensure the best possible cover is achieved. After purchase, cover notes are reviewed by the relevant class underwriters and presentations made to all underwriting staff to ensure they are aware of the boundaries of the cover.

Distribution

Although we conduct some business on a direct basis with our treaty and facultative reinsurance clients, most of our business is derived through insurance and reinsurance intermediaries (brokers), who access business from clients and coverholders. We are able to attract business through our recognized lead capability in most classes we underwrite, particularly in classes where such lead ability is rare.

Currently, our largest broker relationships, as measured by gross premiums written, are with Aon Benfield Group Ltd., Marsh & McLennan Companies, Inc./Guy Carpenter & Co., and Willis Group Holdings Ltd. The following table sets forth the Company s gross premiums written by broker:

	Year Ended December 31, 2010 Gross Premiums Written				
(Dollars in thousands)	**Validus Re**	**Talbot**	**Eliminations**	**Total**	**%**
Name of Broker					
Marsh Inc./Guy Carpenter & Co.	$ 378,368	$ 141,927	$ (13,272)	$ 507,023	25.5%
Aon Benfield Group Ltd.	318,372	145,635	(13,619)	450,388	22.6%
Willis Group Holdings Ltd.	212,358	142,304	(13,308)	341,354	17.1%
Sub-total	909,098	429,866	(40,199)	1,298,765	65.2%
All Others	192,141	551,207	(51,547)	691,801	34.8%
Total	$ 1,101,239	$ 981,073	$ (91,746)	$ 1,990,566	100.0%

Reserve for losses and loss expenses

For insurance and reinsurance companies, a significant judgment mad 1.4% 209 6.5% 14 0.8%

Others

46 3.4% 163 5.1% 59 3.5%

Total

1,360 100.0% 3,202 100.0% 1,695 100.0%

Vale invested US$ 173 million in R&D in 1Q08, of which 14% in the ferrous minerals area, 55% in non-ferrous minerals, 11% in logistics, 2% in coal and 15% in energy. US$ 56 million went to mineral exploration.

Our investments in R&D in the energy business aim to diversify our consumption matrix. We are committing resources to finance our investment in exploration blocks and accelerate studies of different options for our energy sources, in order to pursue that goal.

We have sold our minority shares in the Jubilee Mine, a nickel producer in Australia. This divestment generated revenues of US$ 130 million.

In the first quarter, US$ 155 million were invested in corporate social responsibility, of which US$ 105 million for the development of environmental projects, and US$ 50 million for social projects. Vale s goal is to support the communities where we have operations, so that we can collaborate effectively in the sustained development of local environment and the communities themselves.

For more details about our investments for 2008, please access our website: www.vale.com/Investors/Investments

Area	Project	Budget US$ million 2008	Total	Status
Ferrous Minerals/Logistics	Carajás 130 Mtpy	1,165	2,478	This project will add 30 Mpty to present capacity. It comprises investments in the installation of a new plant, composed of primary crushing and processing and classification units and considerable investment in logistics (car dumpers, stock yards and terminals). Conclusion planned for the 2H09. Purchase of critical equipment and engineering detailing are in progress. Awaiting environmental license to begin work.
	Fazendão	50	129	Project for the production of 15.8 Mtpy of ROM (unprocessed iron ore) in the Southeastern System. The Fazendão mine will supply iron ore to Samarco s third pelletizing plant. Operations are already at ramp up stage.

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Area	Project	Budget US$ million 2008	Total	Status
	Itabiritos	341	973	Construction of a pelletizing plant in state of Minas Gerais, with nominal production capacity of 7Mtpy. Start-up planned for 2H08.
	Serra Sul	145	10,094	On the Southern of Carajás, in the state of Pará, this comprises 90 Mtpy and investment in the mine, plant and railroad. Completion is scheduled for the 1H10. Subject to approval by the Board of Directors.
	Northern Corridor	334	956	The expansion of the Northern Corridor will increase the Carajás Railroad s capacity to transport iron ore and the shipment capacity of the maritime terminal of Ponta da Madeira. Conclusion is planned for the end of 2008.
	Southeastern Corridor	379	553	Expansion of the Vitória a Minas Railroad (EFVM) and the port of Tubarão. Conclusion planned for 1H09. The fifth car dumper started operations in April.
	Usina VIII	95	636	Pelletizing plant to be constructed at the port of Tubarão, in the state of Espírito Santo, with annual production capacity of 7.5 Mpty. Conclusion planned for 2H10. Project approved in 2H07. Civil works, infrastructure and engineering services have already been contracted, as well as critical equipments to the project (mills and roller press). Metallic structures, conveyor belt transporters and stockyard machinery are in contracting phase.
	Pelletizing Oman	82	546	Project for the construction of a pelletizing plant in Oman, in the Middle East, for the production of 9 Mpty of direct reduction pellets. Start up planned for 2H10. Subject to approval by the Board of Directors.
Non-Ferrous Minerals	Salobo I	387	1,152	The project will have a production capacity of 100,000 metric tons of copper in concentrate. Conclusion of work scheduled for 1H10.
	Vermelho	91	1,908	Annual production capacity is estimated at 46,000 metric tons of metallic nickel and 2,800 metric tons of cobalt. Conclusion of work scheduled for 1H12.
	Onça Puma	581	2,297	The project will have a nominal production capacity of 58,000 metric tons per year of nickel in ferronickel form. Cold commissioning planned for August 2008, with production starting in 1H09.
	Goro	723	3,212	This project in New Caledonia, in the South Pacific, has an nominal production capacity of 60,000 metric tons per year of finished nickel and 4,600

			metric tons of cobalt. Work is due to be completed at the end of 2008.
Totten	66	362	New nickel mine in Sudbury, Canada, aiming to produce 11,200 tpy of copper, 8,200 tpy of nickel and 82,000 oz of precious metals. Conclusion planned for 1H11.
Bayovar	48	479	Open cast mine in Peru with annual phosphate production of 3.9 million metric tons. Conclusion scheduled for 1H10.
Papomono	48	102	In the Coquimbo region in Chile, with an annual cathode production capacity of 18,000 metric tons. Conclusion expected for 2H09.
Alunorte 6 and 7	382	846	The project for the construction of modules 6 and 7 will increase refinery production capacity to 6.26 million metric tons of alumina per year. Completion is scheduled for 2H08.
Paragominas II	61	196	The second phase of Paragominas will add 4.5 Mpty to the capacity of Paragominas I. Completion planned for 1H08.

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Area	Project	Budget US$ million 2008	Total	Status
	Paragominas III	30	416	The third phase, Paragominas III, will add 4.95 Mtpy to existing capacity and completion is scheduled for 1H11. Subject to approval by the Board of Directors.
	NAR	88	1,795	The new refinery will be in Barcarena, in state of Pará. The plant will be developed in four stages, each one with a production capacity of 7.4 Mtpy. Completion is expected in 1H11. Subject to approval by the Board of Directors.
Coal	Moatize	97	1,398	The project is in Mozambique, and will have a production capacity of 11 Mtpy, of which 8.5 Mtpy metallurgical coal and 2.5 Mtpy thermal coal. Completion planned for 2H11. Subject to approval by the Board of Directors.
	Carborough Downs	96	330	Development of the Carborough Downs coal mine in Queesland, Australia. At present the mine is being ramped up, marginally producing until it reaches 4.4 Mpty in 2011, after the installation of a longwall.
Power Generation	Barcarena	188	898	Project for the construction of a thermoelectric plant with installed capacity of 600 MW in the state of Pará. Completion planned for the end of 2010. The contract for supplying equipment for the plant has been signed.
	Estreito	165	514	The Estreito hydroelectric powerplant on the Tocantins river, between the states of Maranhão and Tocantins, has already obtained the installation license, and is being built. Vale has a 30% share in the consortium which will build and operate the plant, which will have a capacity of 1,087 MW. Completion is planned for 2H10.

PERFORMANCE OF THE BUSINESS SEGMENTS

Ferrous minerals

Volumes of iron ore and pellets shipped in 1Q08, totaling 76.572 million metric tons, were 15% greater than in the same period last year and represent the largest volume ever shipped in a first quarter, despite stoppage at the Itaguai maritime terminal to conclude construction work. This quarter sales of iron ore amounted to 68.297 million metric tons, a 16.5% increase over the 58.626 million of 1Q07.

8.275 million metric tons of pellets were shipped, 4.2% above 1Q07 at 7.939 million metric tons. This increase was made possible by the production of 4.380 million metric tons in our own mills, the purchase of 2.750 million metric tons from our JV s at Tubarão and 1,080 million metric tons processed under tolling contracts by these JVs.

Shipments to China, the main client for our sales of iron ore and pellets, totaled 22.781 million metric tons, 29.8% of all sales. Japan accounted for 9.9% of the total, Germany 8.1%, Italy 3.2%, Belgium and South Korea 2.9% each.

Sales to clients in Brazil amounted to 11.824 million metric tons, 15.4% of our shipments and increase of 17.0% in relation to 1Q07, reflecting the growth in Brazilian steel production.

We sold 4.762 million metric tons to our pelletizing JV s, 14% less than in the same period last year, this decrease caused by the stoppage for maintenance of the two Nibrasco plants.

The average price of iron ore sold in 1Q08 was US$ 45.62 per metric ton, 9.2% above the 1Q07 average, reflecting the 9.5% price hike negotiated in 2007. For

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pellets, the average price was US$ 79.15 per metric ton, 5.4% above the same quarter last year, again due to the 5.28% price hike negotiated in 2007.

In the first quarter the effect of increases in iron ore and pellets reference prices for 2008 has had no significant impact on revenues, a mere US$17 million, since there has not been sufficient time to include the additional clauses in the contracts of those clients who keep to the calendar year for price adjustments.

Sales of manganese reached 146 thousand metric tons, growth of 63 thousand metric tons over 1Q07. The average sale price of manganese was dictated by strong demand pressure from the worldwide steel industry, soaring from US$72.79 to US$273.97 per metric ton between 1Q07 and 1Q08.

Shipments of ferro-alloys were stable compared with 1Q07 at 123 thousand metric tons. Alloy price also continued high, climbing from US$ 1,000.00 in 1Q07 to US$ 2,105.69 per metric ton in 1Q08.

Gross revenue from ferrous minerals iron ore, pellets, manganese, ferro-alloys and pig iron amounted to US$ 4.154 billion, 28.6% higher than the same period last year. The expansion of sales volumes accounted for 52.2% (US$ 483 million) of the US$ 925 million growth in revenues.

Revenues from sales of iron ore totaled US$ 3.116 billion, up 27.2% on 1Q07, while pellets revenues amounted to US$ 655 million, an increase of 9.9%.

The adjusted EBIT margin was 40.7%, compared with 50.6% recorded in 1Q07 and 42.6% in 4Q07. In spite of the price hikes, our operating margin was negatively affected by increases in the cost of materials and outsourced services, which together make up 40% of the cost of ferrous minerals, reflecting general price increases and the weakening of the US dollar against the real.

The adjusted EBITDA for the ferrous minerals business totaled US$ 1.958 million, 7.1% up on 1Q07.

The increase of US$ 130 million over 1Q07 was due to increases in volumes sold (US$ 403 million) and increases in prices of products (US$ 435 million), partially offset by the effects of the depreciation of the dollar (US$ 247 million) and increases in costs and expenses (US$ 384 million).

In 1Q08 Vale carried out investments in ferrous minerals operations to the amount of US$ 386 million, US$ 286 million of which went to project development, US$ 25 million to R&D and US$ 75 million to stay-in-business.

During this quarter the Fazendão mine in the Southeastern System has come on line, while the third Samarco plant began production in April.

At the Itabiritos project, scheduled for start-up in 2H08, the environmental license for working the Sapecado and Galinheiro mines has been obtained. These will supply pellet feed to the pelletizing plant with a nominal capacity of 7 million metric tons per year.

Carajás 130 Mtpy, whose environmental license is under analysis by IBAMA, the Brazilian environmental protection agency, has already ordered some equipment, railcars and locomotives. Due to delays with the issuing of the environmental licenses, start-up, scheduled for 2H09, may be delayed.

To cope with the growth in iron ore production at Carajás with Carajás 130 Mtpy and Serra Sul Vale will make substantial investments in logistics infrastructure; we are forecasting purchases of 147 locomotives, 10,620 railcars, four car-dumpers and five shiploaders in order to handle the 220 million metric tons per year of production.

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IRON ORE AND PELLET SALES BY REGION 000 metric tons

	1Q07	%	4Q07	%	1Q08	%
Americas	**17,113**	**25.7**	**19,307**	**24.7**	**19,549**	**25.5**
Brazil	14,237	21.4	14,851	19.0	16,586	21.7
Steel mills and pig iron producers	8,686	13.0	10,103	12.9	11,824	15.4
JVs pellets	5,551	8.3	4,748	6.1	4,762	6.2
USA	653	1.0	927	1.2	433	0.6
Others	2,223	3.3	3,529	4.5	2,530	3.3
Asia	**32,059**	**48.2**	**37,035**	**47.4**	**34,858**	**45.5**
China	21,664	32.5	24,474	31.3	22,781	29.8
Japan	5,930	8.9	6,770	8.7	7,585	9.9
South Korea	2,133	3.2	3,255	4.2	2,221	2.9
Others	2,332	3.5	2,536	3.2	2,271	3.0
Europe	**15,597**	**23.4**	**19,177**	**24.5**	**19,108**	**25.0**
Germany	5,224	7.8	5,524	7.1	6,168	8.1
France	2,592	3.9	3,052	3.9	2,128	2.8
Belgium	1,562	2.3	1,588	2.0	2,187	2.9
Italy	1,880	2.8	2,963	3.8	2,438	3.2
Others	4,339	6.5	6,050	7.7	6,187	8.1
Rest of the World	**1,796**	**2.7**	**2,696**	**3.4**	**3,057**	**4.0**
Total	**66,565**	**100.0**	**78,215**	**100.0**	**76,572**	**100.0**

GROSS REVENUE BY PRODUCT US$ million

	1Q07	%	4Q07	%	1Q08	%
Iron ore	2,450	75.9	3,349	75.9	3,116	75.0
Pelletizing plant operation services	18	0.6	31	0.7	24	0.6
Pellets	596	18.5	695	15.8	655	15.8
Manganese ore	6	0.2	36	0.8	40	1.0
Ferro-alloys	124	3.8	243	5.5	259	6.2
Others	35	1.1	57	1.3	60	1.4
Total	**3,229**	**100.0**	**4,411**	**100.0**	**4,154**	**100.0**

AVERAGE PRICES REALIZED US$/metric ton

	1Q07	4Q07	1Q08
Iron ore	41.79	48.00	45.62
Pellets	75.07	82.28	79.15
Manganese ore	72.29	140.63	273.97
Ferro-alloys	1,000.00	1,928.57	2,105.69

VOLUMES SOLD 000 metric tons

	1Q07	4Q07	1Q08
Iron ore	58,626	69,768	68,297
Pellets	7,939	8,447	8,275
Manganese ore	83	256	146
Ferro-alloy	124	126	123

SELECTED FINANCIAL INDICATORS

	4Q06	3Q07	4Q07
Adjusted EBIT margin (%)	50.6%	42.6%	40.7%
Adjusted EBITDA (US$ million)	1,828	2,171	1,958
Capex (US$ million)	337	613	386

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Non-ferrous minerals[9]

Total revenues with non-ferrous minerals reached US$ 3.378 billion, US$ 698 million lower than in 1Q07, largely (81.2%) because of lower nickel prices.

Sales of nickel generated revenues of US$ 1.891 billion, US$ 969 million less than in 1Q07.

66,000 metric tons of nickel were shipped in 1Q08, as compared with 71,000 in 1Q07. Despite the weakening of the U.S. economy our sales to the American market performed well, given the robust demand from non-ferrous alloys, alloy steel and foundry sectors, and even the stainless sector has improved relative to the levels of 2H07. The U.S. produces higher value alloys that have been in great demand for energy, aerospace and chemical applications.

Average realized price was US$ 28,652 per metric ton, a drop of 29.0% in relation to 1Q07, when global production of stainless steel was in rapid growth and which produced an imbalance between nickel supply and demand. The average price on the LME during 1Q07 was US$ 41,448, compared with US$ 28,946 this quarter.

Our nickel average realized price usually varies relative to the LME price showing a premium or a discount. As we sell a basket of different nickel products, the premium over the LME price is the weighted average premium of the products sold, varying in accordance with the product mix. Specialty products are at the higher end of the premium range, commodity at the lower end, and intermediate products, such as sinter and matte are sold at a discount to the LME price.

However, given that a considerable portion of our sales are based on prior month LME prices, there is a LME lag effect . In a rising price environment our nickel average realized price tends to show an apparent discount to the LME. By the same token, in a declining price environment our nickel average realized price tends to show an apparent premium . This is the case for 1Q08 apparent discount , which is equal to US$ 294 per metric ton , because the LME price increased from US$25,991 in December 2007 to US$31,225 in March 2008. On the other hand, in 3QO7 there was a US$ 1,436 premium per metric ton, as prices were declining sharply.

Sales of bauxite, alumina and primary aluminum generated gross revenues of US$ 646 million, compared with US$ 649 million in 1Q07. Increased volumes of sales, mainly alumina, were offset by a reduction in the price obtained for aluminum. As this reflects, with a certain time-lag, the prices on the LME, there was a drop in the average price (US$2,654.41 per metric ton) in 1Q08 of 10.0% in relation to 1Q07 (US$ 2,947.76).

Shipments of primary aluminum amounted to 136 thousand metric tons, in line with the 134 thousand metric tons recorded in 1Q07.

Sales of alumina totaled 833 thousand metric tons, against 700 thousand in 1Q07. The price of alumina dropped 3.5% between these quarters, hitting US$ 333.73 per metric ton in 1Q08.

Revenues from copper sales reached US$ 506 million, 39.0% above 1Q07. Higher average prices (45.2% up) US$ 8,044.52 in 1Q08 against US$ 5,540.33 per metric ton in 1Q07 more than offset the reduction of 3,000 metric tons shipped, (66,000 down to 63,000 metric tons), due to smaller production volumes.

PGMs produced revenues of US$ 126 million, US$ 55 million greater than 1Q07, with shipments totaling 86.000 troy ounces, 10.6% superior to the same quarter last

[9] As from this quarter results for aluminum bauxite, alumina and primary aluminum are included in non-ferrous minerals. Statistics for past quarters were revised to

include this
change.

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year. The average price of platinum rose to US$ 1,890.02, 63.7% higher than in 1Q07.

The other non-ferrous minerals also showed significant revenue increases, mostly due to the surge in potash and cobalt prices. Kaolin shipments generated revenues of US$ 54 million, an 8.0% increase, potash US$ 64 million, a 100.0% jump, and cobalt US$ 61 million, more than doubling at 110.3%.

The adjusted EBIT margin for non-ferrous minerals was 36.6%, less than recorded in 1Q07, 49.9%, if we exclude the extraordinary inventory adjustment made in that quarter. The drop in nickel prices, increased expenses with energy and outsourced services and the US$ 272 million rise in depreciation explain the narrowing of the operational margin.

Cash generation, as measured by adjusted EBITDA, reached US$ 1.825 billion, compared with the US$ 1.331 billion in 1Q07, or US$ 2.315 billion excluding the inventory adjustment. The US$ 490 million drop is due to the effects of lower average sales prices (US$ 384 million) and the exchange rate (US$ 450 million), partially offset by lower costs and expenses (US$ 188 million).

Investments in non-ferrous operations amounted to US$ 922 million, of which US$ 640 million for projects, US$ 96 million for R&D and US$ 186 million for maintenance. The Dalian nickel processing plant in China started up in April and for the second half of the year the Goro is due to be commissioned, with production scheduled to start in December 2008.

The budget for the Onça Puma nickel project has been revised, going from US$ 1.395 billion to US$ 2.297 billion, for three reasons: (i) the exchange rate effect on the values of contracts denominated in Brazilian reais, totaling US$ 313 million; (ii) change in scope given the reduction of synergies with Vermelho originally planned; (iii) increase in prices of materials, equipment and services especially with electromechanical assembly.

The Paragominas bauxite mine will begin the commissioning of its second phase next May, which will increase its capacity to 9.9 Mtpy (Paragominas II). The bauxite production from Paragominas II will supply stages 6 and 7 of Alunorte, scheduled to ramp up in June and July, respectively, bringing alumina production capacity up to 6.26 Mtpy.

At Salobo I, which will have a nominal copper in concentrate production capacity of 100,000 metric tons per year, the investments needed for the potential production capacity of Salobo II were brought forward. Additionally, gains in safety and operating costs were identified with the retracing of the access road. As a result, the total cost of the investment was revised upwards to US$ 1.152 billion from the original US$ 897 million

Carajás hydrometallurgy project (UHC), which will come on line this year, already has an implementation license and the pre-commissioning process has already begun. Start up should take place two months after obtaining the operating license to produce 10,000 metric tons of copper per year under the new technology testing program.

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GROSS REVENUE BY PRODUCT US$ million

	1Q07	%	4Q07	%	1Q08	%
Nickel	2,860	70.2	2,018	57.7	1,891	56.0
Copper	364	8.9	537	15.4	506	15.0
Kaolin	50	1.2	74	2.1	54	1.6
Potash	32	0.8	58	1.7	64	1.9
PGMs	70	1.7	81	2.3	126	3.7
Precious metals	22	0.5	20	0.6	30	0.9
Cobalt	29	0.7	39	1.1	61	1.8
Aluminum	397	9.7	350	10.0	362	10.7
Alumina	242	5.9	309	8.8	278	8.2
Bauxite	10	0.2	13	0.4	6	0.2
Total	**4,076**	**100.0**	**3,498**	**100.0**	**3,378**	**100.0**

AVERAGE PRICES REALIZED US$/metric ton

	1Q07	4Q07	1Q08
Nickel	40,338.50	29,745.48	28,651.52
Copper	5,540.33	6,004.29	8,044.52
Kaolin	185.87	212.03	205.32
Potash	198.76	333.33	405.06
Platinum (US$/oz)	1,154.45	1,440.46	1,890.02
Cobalt	22.68	25.79	37.39
Aluminum	2,947.76	2,585.19	2,654.41
Alumina	345.71	322.21	333.73
Bauxite	31.65	38.12	40.00

VOLUMES SOLD 000 metric tons

	1Q07	4Q07	1Q08
Nickel	71	68	66
Copper	66	89	63
Kaolin	269	349	263
Potash	161	174	158
Precious metals (oz)	640	548	527
PGMs (oz)	77	72	86
Cobalt (metric ton)	580	686	740
Aluminum	134	135	136
Alumina	700	959	833
Bauxite	316	341	150

SELECTED FINANCIAL INDICATORS

	1Q07	4Q07	1Q08
Adjusted EBIT margin (%)	25.6%	26.2%	36.6%
Adjusted EBITDA (US$ million)	1,331	1,447	1,825
Capex (US$ million)	727	1,574	922

Coal

Vale Australia, our fully consolidated subsidiary, owns four operations: Integra Coal (61.2%), Carborough Downs (80%), Isaac Plains (50%) and Broadlea (100%). The numbers related to sales volumes and revenues already reflect

our share in each venture.
Revenues from coal reached US$ 72 million in 1Q08, of which US$ 49 million from metallurgical coal (*semi-hard, semi-soft and pulverized coal injection-PCI*) and US$23 million from thermal coal.
Shipments of metallurgical coal in 1Q08 totaled 1.004 million metric tons, of which 683 thousand metric tons metallurgical coal and 321 thousand metric tons thermal coal.
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The average sale price of metallurgical coal in 1Q08 was US$ 72.53 per metric ton, a rise of 5.1% in relation to 4Q07. For thermal coal, the average price was equal to US$ 71.28 per metric ton, an increase of 24.2% in relation to 4Q07, influenced by the recent increase in the spot price. At present roughly 90% of our coal sales follow the reference price and the other 10% follow the spot price.

Carborough Downs, an underground mine in Moranbah, in the region of Central Queensland, Australia, has been producing 800,000 metric tons of metallurgical coal and PCI annually. The expansion project will allow the mine to attain a nominal production capacity of 4.4 million metric tons through the installation of long wall system. Given the high fixed costs of an underground mine, this will help to bring down the unit cost of production significantly.

Investments in coal-mining operations amounted to US$ 23 million in 1Q08, against US$ 6 million in 1Q07.

GROSS REVENUE BY PRODUCT US$ million

	1Q07	**%**	**4Q07**	**%**	**1Q08**	**%**
Metallurgical Coal			55	88.7%	49	68.4%
Thermal Coal			7	11.3%	23	31.6%
Total			**62**	**100.0%**	**72**	**100.0%**

AVERAGE PRICES REALIZED US$/metric ton

	1Q07	**4Q07**	**1Q08**
Metallurgical Coal		69.02	72.53
Thermal Coal		57.39	71.28

VOLUMES SOLD 000 metric tons

	1Q07	**4Q07**	**1Q08**
Metallurgical Coal		797	683
Thermal Coal		115	321

Logistics services

Vale railroads Carajás (EFC), Vitória a Minas (EFVM) and Centro-Atlântica (FCA) transported 5.734 billion net ton kilometers (ntk) of general cargo for clients in 1Q08, a reduction of 5.0% in relation the same period last year, when 6.035 billion ntk were transported.

The drop in the transported volume was due, mainly, to the delay of soy beans harvest caused by heavy rain, reduction on volumes of raw materials for pulp industry, and lower exports volume of pig iron, due to end of our concession of Paul maritime terminal, in April 2007.

The main cargos transported were steel industry inputs and products (47.3%), agricultural products (32.7%), fuel (6.1%), building materials and forestry products (5.3%) and others (4.8%).

The Company s ports and maritime terminals handled 5.917 million metric tons of general cargo, compared with 7.078 million metric tons in 1Q07. The volume was affected by the spin-off of Log-in Logística, a non-consolidated company for purposes of US GAAP, after the sale of part of the shares by Vale in 2Q07.

Logistics services generated revenues of US$ 362 million, compared with US$ 331 million in 1Q07, a 9.4% increase. Rail transportation of general cargo produced revenues of US$ 295 million, well above 1Q07 at US$242 million. Port and maritime terminal handlings contributed US$ 55 million compared with US$ 60 million in 1Q07, and shipping and port

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support services US$ 12 million, against US$29 million in 1Q07, basically due to the non-consolidation of Log-in.

In 1Q08, the adjusted EBIT margin was 22.5%, against 28.3% in the same quarter last year. The margin was negatively affected by the significant increase in fuel costs, which represent about 20% of the cost for this segment, and higher costs with material and outsourced services.

After extraordinary expenses with maintenance and improvements to operations in 4Q07, costs with materials, personnel and outsourced services returned to normal levels.

Adjusted EBITDA reached US$ 142 million, an increase of US$17 million. The main reason was the change in the mix of transported cargo, and prices which contributed together with US$ 68 million, partially offset by the US$ 22 million negative impact caused by sales volume reduction, US$ 25 million from the exchange rate and US$10 million hike in costs and expenses.

GROSS REVENUE BY PRODUCT US$ million

	1Q07	%	4Q07	%	1Q08	%
Railroads	242	73.1%	321	82.5%	295	81.5%
Ports	60	18.1%	58	14.9%	55	15.2%
Shipping	29	8.8%	10	2.6%	12	3.3%
Total	**331**	**100.0%**	**389**	**100.0%**	**362**	**100.0%**

LOGISTICS SERVICES

	1Q07	4Q07	1Q08
Railroads (million ntk)	6,035	6,461	5,734

SELECTED FINANCIAL INDICATORS

	1Q07	4Q07	1Q08
Adjusted EBIT margin (%)	28.3%	16.2%	22.5%
Adjusted EBITDA (US$ million)	125	159	142
Capex (US$ million)	209	397	239

FINANCIAL INDICATORS OF NON-CONSOLIDATED COMPANIES

For selected financial indicators of the main companies not consolidated, see our quarterly financial statements on www.vale.com/ Investors/ Financial Performance.

CONFERENCE CALL AND WEBCAST

Vale will hold a conference call and webcast on April 25, at 11:00 am Rio de Janeiro time, 10:00 am US Eastern Standard Time, 3:00 pm UK time. To connect the webcast, please dial:

Participants from Brazil: (55 11) 4688-6301

Participants from USA: (1-800) 860-2442

Participants from other countries: (1-412)858-4600

Access code: VALE

Instructions for participation will be available on the website www.vale.com/ Investor. A recording will be available on Vale s website for 90 days from April 25.

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ANNEX 1 FINANCIAL STATEMENTS

INCOME STATEMENTS US$ million

	1Q07	4Q07	1Q08
Gross operating revenues	**7,680**	**8,412**	**8,048**
Taxes	(191)	(249)	(216)
Net operating revenue	**7,489**	**8,163**	**7,832**
Cost of goods sold	(4,390)	(4,504)	(4,242)
Gross profit	**3,099**	**3,659**	**3,590**
Gross margin (%)	41.4	44.8	45.8
Selling, general and administrative expenses	(268)	(424)	(322)
Research and development expenses	(113)	(262)	(190)
Others	(16)	(290)	(163)
Operating profit	**2,702**	**2,683**	**2,915**
Financial revenues	121	58	55
Financial expenses	(659)	(227)	(878)
Monetary variation	770	304	112
Gains on sale of affiliates			80
Tax and social contribution (Current)	(833)	(610)	(654)
Tax and social contribution (Deferred)	191	394	296
Equity income and provision for losses	138	136	119
Minority shareholding participation	(213)	(165)	(24)
Net earnings	**2,217**	**2,573**	**2,021**
Earnings per share (US$)	**0.46**	**0.53**	**0.42**
Diluted earnings per share (US$)		**0.52**	**0.41**

FINANCIAL EXPENSES US$ million

Gross interest on:	**1Q07**	**4Q07**	**1Q08**
Debt with third parties	(365)	(312)	(312)
Debt with related parties	(2)	(1)	(1)
Sub-total	**(367)**	**(313)**	**(313)**

Others financial expenses on:	**1Q07**	**4Q07**	**1Q08**
Tax and labor contingencies	(15)	(39)	(45)
Tax on financial transactions (CPMF)	(53)	(27)	(3)
Derivatives	85	327	(318)
Others	(309)	(175)	(199)
Sub-total	**(292)**	**86**	**(565)**
Total	**(659)**	**(227)**	**(878)**

EQUITY INCOME BY BUSINESS SEGMENT US$ million

	1Q07	%	4Q07	%	1Q08	%
Ferrous minerals	83	60.1	63	46.3	52	43.7
Non-ferrous minerals	22	15.9	21	15.4	14	11.8
Logistics	23	16.7	40	29.4	34	28.6
Coal	9	6.5	14	10.3	16	13.4
Steel	1	0.7	(7)	-5.1	6	5.0
Others		0.0	5	3.7	(3)	-2.5

Total	**138**	**100.0**	**136**	**100.0**	**119**	**100.0**

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BALANCE SHEET US$ million

	03/31/07	**12/31/07**	**03/31/08**
Assets			
Current	12,421	11,380	12,765
Long-term	8,261	7,790	7,728
Fixed	44,095	57,547	58,321
Total	**64,777**	**76,717**	**78,814**
Liabilities			
Current	7,582	10,083	9,691
Long term	35,053	33,358	34,105
Shareholders equity	22,142	33,276	35,018
Paid-up capital	8,617	12,804	12,804
Mandatory convertible notes	0	1,869	1,869
Reserves	13,525	18,603	20,345
Total	**64,777**	**76,717**	**78,814**

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CASH FLOW		**US$ million**	
	1Q07	**4Q07**	**1Q08**
Cash flows from operating activities:			
Net income	2,217	2,573	2,021
Adjustments to reconcile net income with cash provided by operating activities:			
Depreciation, depletion and amortization	392	737	766
Dividends received	90	112	48
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	(138)	(136)	(119)
Deferred income taxes	(191)	(394)	(296)
Loss on sale of property, plant and equipment	23	104	37
Gain on sale of investment	0	0	(80)
Foreign exchange and monetary losses	(772)	(266)	(146)
Net unrealized derivative losses	(85)	(326)	318
Minority interest	213	165	24
Net interest payable	173	(23)	81
Others	23	46	(18)
Decrease (increase) in assets:			
Accounts receivable	103	135	202
Inventories	673	(558)	(64)
Others	(404)	80	(155)
Increase (decrease) in liabilities:			
Suppliers	46	429	(54)
Payroll and related charges	(161)	106	(248)
Income tax	(54)	(582)	(718)
Others	134	260	(191)
Net cash provided by operating activities	**2,282**	**2,462**	**1,408**
Cash flows from investing activities:			
Loans and advances receivable	10	(33)	25
Guarantees and deposits	(32)	(50)	(34)
Additions to investments	(52)	(230)	(13)
Additions to property, plant and equipment	(1,106)	(2,747)	(1,625)
Proceeds from disposals of investment	0	0	134
Net cash used to acquire subsidiaries	(2,023)	0	0
Net cash used in investing activities	**(3,203)**	**(3,060)**	**(1,513)**
Cash flows from financing activities:			
Short-term debt, net issuances (repayments)	291	144	129
Loans	4	(38)	16
Long-term debt	6,463	646	1,330
Repayment of long-term debt	(6,205)	(114)	(105)
Interest attributed to shareholders	0	(1,050)	0
Dividends to minority interest	(61)	(429)	0
Net cash used in financing activities	**492**	**(841)**	**1,370**
Increase (decrease) in cash and cash equivalents	(429)	(1,439)	1,265
Effect of exchange rate changes on cash and cash equivalents	(65)	(23)	(47)
Cash and cash equivalents, beginning of period	4,448	2,508	1,046

Cash and cash equivalents, end of period	**3,954**	**1,046**	**2,264**
Cash paid during the period for:			
Interest on short-term debt	(1)	(8)	(5)
Interest on long-term debt	(205)	(361)	(279)
Income tax	(606)	(732)	(1,672)
Interest capitalized	(22)	(15)	(17)

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ANNEX 2 VOLUMES SOLD, PRICES, MARGINS AND CASH FLOWS

VOLUMES SOLD: MINERALS AND METALS 000 metric tons

	1Q07	**4Q07**	**1Q08**
Iron ore	58,626	69,768	68,297
Pellets	7,939	8,447	8,275
Manganese ore	83	256	146
Ferro-alloys	124	126	123
Nickel	71	68	66
Copper	66	89	63
Kaolin	269	349	263
Potash	161	174	158
Precious metals (oz)	640	548	527
PGMs (oz)	77	72	86
Cobalt (metric ton)	580	686	740
Aluminum	134	135	136
Alumina	700	959	833
Bauxite	316	341	150
Metallurgical Coal		797	683
Thermal Coal		115	321
Railroads (million tku)	6,035	6,461	5,734

AVERAGE PRICES REALIZED US$/metric ton

	1Q07	**4Q07**	**1Q08**
Iron ore	41.79	48.00	45.62
Pellets	75.07	82.28	79.15
Manganese	72.29	140.63	273.97
Ferro-alloys	1,000.00	1,928.57	2,105.69
Nickel	40,338.50	29,745.48	28,651.52
Copper	5,540.33	6,004.29	8,044.52
Kaolin	185.87	212.03	205.32
Potash	198.76	333.33	405.06
Platinum (US$/oz)	1,154.45	1,440.46	1,890.02
Cobalt (US$/lb)	22.68	25.79	37.39
Aluminum	2,947.76	2,585.19	2,654.41
Alumina	345.71	322.21	333.73
Bauxite	31.65	38.12	40.00
Metallurgical Coal		69.02	72.53
Thermal Coal		57.39	71.28

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ADJUSTED EBIT MARGIN BY BUSINESS SEGMENT

	1Q07	**4Q07**	**1Q08**
Ferrous minerals	50.9%	42.7%	40.7%
Non-ferrous minerals	25.6%	26.2%	36.6%
Logistics	28.3%	16.2%	22.5%
Total	**36.1%**	**32.9%**	**37.2%**

ADJUSTED EBITDA BY BUSINESS SEGMENT

	1Q07	**4Q07**	**1Q08**
Ferrous minerals	1,828	2,171	1,958
Non- ferrous minerals	1,331	1,447	1,825
Logistics	125	159	142
Others	(100)	(245)	(196)
Total	**3,184**	**3,532**	**3,729**

1Q08

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ANNEX 3 RECONCILIATION OF US GAAP and NON-GAAP INFORMATION

(a) Adjusted EBIT US$ million

	1Q07	4Q07	1Q08
Net operating revenues	7,489	8,163	7,832
COGS	(4,390)	(4,504)	(4,242)
SG&A	(268)	(424)	(322)
Research and development	(113)	(262)	(190)
Other operational expenses	(16)	(290)	(163)
Adjusted EBIT	**2,702**	**2,683**	**2,915**

(b) Adjusted EBITDA

EBITDA defines profit or loss before interest, tax, depreciation and amortization. Vale uses the term ***adjusted EBITDA*** to reflect exclusion, also, of: monetary variations; equity income from the profit or loss of affiliated companies and joint ventures, less the dividends received from them; provisions for losses on investments; adjustments for changes in accounting practices; minority interests; and non-recurrent expenses. However our adjusted EBITDA is not the measure defined as EBITDA under US GAAP, and may possibly not be comparable with indicators with the same name reported by other companies. Adjusted EBITDA should not be considered as a substitute for operational profit or as a better measure of liquidity than operational cash flow, which are calculated in accordance with GAAP. Vale provides its adjusted EBITDA to give additional information about its capacity to pay debt, carry out investments and cover working capital needs. The following table shows the reconciliation between adjusted EBITDA and operational cash flow, in accordance with its statement of changes in financial position:

RECONCILIATION BETWEEN ADJUSTED EBITDA AND OPERATIONAL CASH FLOW US$ million

	1Q07	4Q07	1Q08
Operational cash flow	2,282	2,462	1,408
Income tax	833	610	654
FX and monetary losses	2	(38)	34
Financial expenses	365	192	742
Net working capital	(352)	130	1,228
Other	54	176	(337)
Adjusted EBITDA	**3,184**	**3,532**	**3,729**

(c) Net debt

RECONCILIATION BETWEEN GROSS DEBT AND NET DEBT US$ million

	1Q07	4Q07	1Q08
Total debt	23,480	19,030	20,523
Cash and cash equivalents	3,954	1,046	2,264
Net debt	19,526	17,984	18,259

(d) Total debt / Adjusted LTM EBITDA

	1Q07	4Q07	1Q08
Total debt / Adjusted LTM EBITDA (x)	1.9	1.1	1.3
Total debt / LTM operational cash flow (x)	2.6	1.7	2.0

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(e) Total debt / Enterprise value

	1Q07	**4Q07**	**1Q08**
Total debt / EV (%)	22.36	11.21	11.52
Total debt / total assets (%)	36.25	24.81	26.04

Enterprise value = Market capitalization + Net debt

(f) LTM EBITDA adjusted / LTM interest payments

	1Q07	**4Q07**	**1Q08**
Adjusted LTM EBITDA / LTM interest payments (x)	15.63	11.79	11.58
LTM operational profit / LTM interest payments (x)	13.14	9.86	9.47

This release may include statements that present the Company s management s expectations on future events or future results. All statements based on future expectations and not on historical facts involve various risks and uncertainties. The Company cannot guarantee that such statements will be realized in fact. Such risks and uncertainties include factors in relation to: the Brazilian and Canadian economies and capital markets, which are volatile and may be affected by developments in other countries; the iron ore and nickel businesses and their dependence on the steel industry, which is cyclical by nature; and the highly competitive nature of the industries in which Vale operates. To obtain additional information on factors which could give rise to results different from those indicated by the Company, please consult the reports filed with the Brazilian Securities Commission (CVM *Comissão de Valores Mobiliários*) and the US Securities and Exchange Commission (SEC), including Vale s most recent Form 20F Annual Report.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMPANHIA VALE DO RIO DOCE
(Registrant)

Date: April 24, 2008

By: /s/ Roberto Castello Branco
Roberto Castello Branco
Director of Investor Relations