

Companhia Vale do Rio Doce
Form 6-K
August 07, 2008

**United States
Securities and Exchange Commission
Washington, D.C. 20549
FORM 6-K
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the
Securities Exchange Act of 1934**

For the month of
August 2008

Companhia Vale do Rio Doce
Avenida Graça Aranha, No. 26
20030-900 Rio de Janeiro, RJ, Brazil
(Address of principal executive office)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

(Check One) Form 20-F Form 40-F

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1))

(Check One) Yes No

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7))

(Check One) Yes No

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

(Check One) Yes No

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b). 82-_____.)

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**Report of Independent Registered
Public Accounting Firm**

To the Board of Directors and Stockholders
Companhia Vale do Rio Doce

We have reviewed the accompanying condensed consolidated balance sheet of Companhia Vale do Rio Doce and its subsidiaries as of June 30, 2008, and the related condensed consolidated statements of income, of cash flows and of stockholders' equity for each of the three-month periods ended June 30, 2008, and March 31, 2008 and June 30, 2007 and for the six-month periods ended June 30, 2008 and June 30, 2007. This interim financial information is the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole.

Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2007, and the related consolidated statements of income, of cash flows and of stockholders' equity for the year then ended (not presented herein), and in our report dated February 28, 2008, we expressed an unqualified opinion

on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2007, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers Auditores
Independentes
Rio de Janeiro, Brazil
August 6, 2008

Condensed Consolidated Balance Sheets Expressed in millions of United States Dollars

| | June 30, 2008 (Unaudited) | December 31, 2007 |
|---|--|----------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 2,154 | 1,046 |
| Accounts receivable | | |
| Related parties | 240 | 281 |
| Unrelated parties | 4,642 | 3,671 |
| Loans and advances to related parties | 154 | 64 |
| Inventories | 4,347 | 3,859 |
| Deferred income tax | 437 | 603 |
| Recoverable taxes | 1,164 | 1,159 |
| Others | 653 | 697 |
| | 13,791 | 11,380 |
| Property, plant and equipment, net, and intangible assets | 59,982 | 54,625 |
| Investments in affiliated companies, joint ventures and other investments | 3,124 | 2,922 |
| Other assets | | |
| Goodwill on acquisition of subsidiaries | 3,702 | 3,791 |
| Loans and advances | | |
| Related parties | | 3 |
| Unrelated parties | 102 | 127 |
| Prepaid pension cost | 1,457 | 1,009 |
| Prepaid expenses | 197 | 200 |
| Judicial deposits | 1,273 | 1,124 |
| Advances to suppliers - energy | 618 | 574 |
| Recoverable taxes | 235 | 199 |
| Unrealized gains on derivative instruments | 1,238 | 673 |
| Others | 213 | 90 |
| | 9,035 | 7,790 |
| TOTAL | 85,932 | 76,717 |

The accompanying notes are an integral part of this condensed consolidated financial information.

Condensed Consolidated Balance Sheets
Expressed in millions of United States Dollars
(Except number of shares)

(Continued)

| | June 30, 2008 (Unaudited) | December 31, 2007 |
|--|--|----------------------------------|
| Liabilities and stockholders' equity | | |
| Current liabilities | | |
| Suppliers | 2,758 | 2,430 |
| Payroll and related charges | 708 | 734 |
| Minimum annual dividends attributed to stockholders | 1,747 | 2,683 |
| Current portion of long-term debt - unrelated parties | 730 | 1,249 |
| Short-term debt | 46 | 167 |
| Loans from related parties | 36 | 6 |
| Provision for income taxes | 1,022 | 1,198 |
| Taxes payable and royalties | 203 | 322 |
| Employees post retirement benefits | 151 | 131 |
| Sub-concession | 225 | 210 |
| Unrealized losses on derivative instruments | 397 | 346 |
| Provisions for asset retirement obligations | 68 | 64 |
| Others | 504 | 543 |
| | 8,595 | 10,083 |
| Long-term liabilities | | |
| Employees post retirement benefits | 2,102 | 2,204 |
| Long-term debt - unrelated parties | 19,560 | 17,608 |
| Provisions for contingencies (Note 15 (b)) | 1,957 | 2,453 |
| Unrealized losses on derivative instruments | | 5 |
| Deferred income tax | 6,040 | 5,725 |
| Provisions for asset retirement obligations | 1,033 | 911 |
| Sub-concession | 225 | 210 |
| Others | 1,745 | 1,687 |
| | 32,662 | 30,803 |
| Minority interests | 2,970 | 2,555 |
| Commitments and contingencies (Note 15) | | |
| Stockholders' equity (Note 11) | | |
| Preferred class A stock - 7,200,000,000 no-par-value shares authorized and 1,919,516,400 issued | 4,953 | 4,953 |
| | 7,742 | 7,742 |

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| | | |
|---|---------------|---------------|
| Common stock - 3,600,000,000 no-par-value shares authorized and 2,999,797,716 issued | | |
| Treasury stock - 30,341,012 preferred and 56,582,040 common shares | (389) | (389) |
| Additional paid-in capital | 498 | 498 |
| Mandatory convertible notes in common shares | 1,288 | 1,288 |
| Mandatory convertible notes in preferred shares | 581 | 581 |
| Other cumulative comprehensive income | 3,125 | 1,655 |
| Undistributed retained earnings | 17,021 | 15,317 |
| Unappropriated retained earnings | 6,886 | 1,631 |
| | 41,705 | 33,276 |
| TOTAL | 85,932 | 76,717 |

The accompanying notes are an integral part of this condensed consolidated financial information.

Condensed Consolidated Statements of Income
Expressed in millions of United States Dollars
(Except per share amounts)

| | Three-month period ended (unaudited) | | | Six-month period ended (unaudited) | |
|--|--------------------------------------|----------------|----------------|------------------------------------|----------------|
| | June 30, 2008 | March 31, 2008 | June 30, 2007 | June 30, 2008 | June 30, 2007 |
| Operating revenues, net of discounts, returns and allowances | | | | | |
| Sales of ores and metals | 9,445 | 6,857 | 7,667 | 16,302 | 14,301 |
| Revenues from logistic services | 462 | 362 | 414 | 824 | 745 |
| Aluminum products | 728 | 646 | 724 | 1,374 | 1,373 |
| Other products and services | 262 | 183 | 94 | 445 | 160 |
| | 10,897 | 8,048 | 8,899 | 18,945 | 16,579 |
| Taxes on revenues | (297) | (216) | (207) | (513) | (398) |
| Net operating revenues | 10,600 | 7,832 | 8,692 | 18,432 | 16,181 |
| Operating costs and expenses | | | | | |
| Cost of ores and metals sold | (3,834) | (3,440) | (3,075) | (7,274) | (6,888) |
| Cost of logistic services | (256) | (212) | (227) | (468) | (415) |
| Cost of aluminum products | (561) | (493) | (431) | (1,054) | (800) |
| Others | (112) | (97) | (51) | (209) | (71) |
| | (4,763) | (4,242) | (3,784) | (9,005) | (8,174) |
| Selling, general and administrative expenses | (344) | (322) | (266) | (666) | (534) |
| Research and development | (269) | (190) | (152) | (459) | (265) |
| Others | 11 | (163) | (111) | (152) | (127) |
| | (5,365) | (4,917) | (4,313) | (10,282) | (9,100) |
| Operating income | 5,235 | 2,915 | 4,379 | 8,150 | 7,081 |
| Non-operating income (expenses) | | | | | |
| Financial income | 23 | 55 | 77 | 78 | 198 |
| Financial expenses | (349) | (560) | (676) | (909) | (1,420) |
| Gains (losses) on derivatives, net | 724 | (318) | 168 | 406 | 253 |
| Foreign exchange and monetary gains, net | 769 | 112 | 932 | 881 | 1,702 |
| Gain on sale of investments | | 80 | 674 | 80 | 674 |
| | 1,167 | (631) | 1,175 | 536 | 1,407 |

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| | | | | | |
|--|----------------|--------------|----------------|----------------|----------------|
| Income before income taxes, equity results and minority interests | 6,402 | 2,284 | 5,554 | 8,686 | 8,488 |
| Income taxes | | | | | |
| Current | (1,173) | (654) | (1,483) | (1,827) | (2,316) |
| Deferred | (333) | 296 | 87 | (37) | 278 |
| | (1,506) | (358) | (1,396) | (1,864) | (2,038) |
| Equity in results of affiliates, joint ventures and other investments | 260 | 119 | 156 | 379 | 294 |
| Minority interests | (147) | (24) | (219) | (171) | (432) |
| Net income | 5,009 | 2,021 | 4,095 | 7,030 | 6,312 |
| Basic and diluted earnings per share | | | | | |
| Earnings per preferred share | 1.01 | 0.41 | 0.85 | 1.41 | 1.31 |
| Earnings per common share | 1.01 | 0.41 | 0.85 | 1.41 | 1.31 |
| Earnings per convertible notes linked to preferred share (*) | 1.52 | 0.66 | | 2.18 | |
| Earnings per convertible notes linked to common share (*) | 1.54 | 0.74 | | 2.28 | |

(*) Basic earnings
per share only
as dilution
assumes
conversion.

The accompanying notes are an integral part of this condensed consolidated financial information.

Condensed Consolidated Statements of Cash Flows
Expressed in millions of United States Dollars

| | Three-month period ended (unaudited) | | | Six-month period ended (unaudited) | |
|---|--------------------------------------|----------------|---------------|------------------------------------|---------------|
| | June 30, 2008 | March 31, 2008 | June 30, 2007 | June 30, 2008 | June 30, 2007 |
| Cash flows from operating activities: | | | | | |
| Net income | 5,009 | 2,021 | 4,095 | 7,030 | 6,312 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | | | |
| Depreciation, depletion and amortization | 760 | 766 | 525 | 1,526 | 917 |
| Dividends received | 223 | 48 | 153 | 271 | 243 |
| Equity in results of affiliates, joint ventures and other investments | (260) | (119) | (156) | (379) | (294) |
| Deferred income taxes | 333 | (296) | (87) | 37 | (278) |
| Loss on disposal of property, plant and equipment | 86 | 37 | 240 | 123 | 263 |
| Gain on sale of investments | | (80) | (674) | (80) | (674) |
| Foreign exchange and monetary losses (gains), net | (1,231) | (146) | (1,224) | (1,377) | (1,996) |
| Unrealized derivative losses (gains), net | (724) | 318 | (168) | (406) | (253) |
| Minority interests | 147 | 24 | 219 | 171 | 432 |
| Unrealized interest (income) expense, net | (45) | 81 | (57) | 36 | 116 |
| Others | (3) | (18) | (265) | (21) | (265) |
| Decrease (increase) in assets: | | | | | |
| Accounts receivable | (802) | 202 | (492) | (600) | (389) |
| Inventories | (283) | (64) | (264) | (347) | 409 |
| Others | 79 | (155) | 499 | (76) | 95 |
| Increase (decrease) in liabilities: | | | | | |
| Suppliers | 320 | (54) | 428 | 266 | 474 |
| Payroll and related charges | 177 | (248) | 104 | (71) | (57) |
| Income taxes | 750 | (718) | 503 | 32 | 449 |
| Others | (455) | (191) | 251 | (646) | 408 |
| Net cash provided by operating activities | 4,081 | 1,408 | 3,630 | 5,489 | 5,912 |
| Cash flows from investing activities: | | | | | |
| Loans and advances receivable Related parties Additions | (34) | | (1) | (34) | (1) |

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| | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Repayments | | 25 | | 25 | 10 |
| Others | 1 | | (1) | 1 | (1) |
| Judicial deposits | (2) | (34) | (31) | (36) | (63) |
| Additions to investments | (11) | (13) | (42) | (24) | (94) |
| Additions to property, plant and equipment | (2,105) | (1,625) | (1,633) | (3,730) | (2,739) |
| Proceeds from disposal of investments | | 134 | 908 | 134 | 908 |
| Cash used to acquire subsidiaries, net of cash acquired | | | (903) | | (2,926) |
| Net cash used in investing activities | (2,151) | (1,513) | (1,703) | (3,664) | (4,906) |
| Cash flows from financing activities: | | | | | |
| Short-term debt, additions | 209 | 801 | 1,493 | 1,010 | 1,990 |
| Short-term debt, repayments | (449) | (672) | (2,485) | (1,121) | (2,691) |
| Loans | | | | | |
| Related parties | | | | | |
| Additions | 3 | 18 | 136 | 21 | 253 |
| Repayments | (2) | (2) | (121) | (4) | (234) |
| Issuances of long-term debt | | | | | |
| Others | 236 | 1,330 | 49 | 1,566 | 6,512 |
| Repayments of long-term debt | | | | | |
| Others | (647) | (105) | (3,940) | (752) | (10,145) |
| Mandatorily proceeds convertible notes | | | 1,869 | | 1,869 |
| Interest attributed to stockholders | (1,250) | | (825) | (1,250) | (825) |
| Dividends to minority interest | (87) | | (224) | (87) | (285) |
| Net cash provided by (used in) financing activities | (1,987) | 1,370 | (4,048) | (617) | (3,556) |
| Increase (decrease) in cash and cash equivalents | (57) | 1,265 | (2,121) | 1,208 | (2,550) |
| Effect of exchange rate changes on cash and cash equivalents | (53) | (47) | (59) | (100) | (124) |
| Cash and cash equivalents, beginning of period | 2,264 | 1,046 | 3,954 | 1,046 | 4,448 |
| Cash and cash equivalents, end of period | 2,154 | 2,264 | 1,774 | 2,154 | 1,774 |
| Cash paid during the period for: | | | | | |
| Interest on short-term debt | (5) | (5) | (39) | (10) | (40) |
| Interest on long-term debt | (357) | (279) | (399) | (636) | (604) |
| Income tax | (320) | (1,672) | (1,255) | (1,992) | (1,861) |
| Non-cash transactions | | | | | |
| Interest capitalized | (14) | (17) | (21) | (31) | (43) |

The accompanying notes are an integral part of this condensed consolidated financial information.

Condensed Consolidated Statements of Changes in Stockholders Equity
Expressed in millions of United States Dollars
(except number of shares and per-share amounts)

| | Three-month period ended (unaudited) | | | Six-month period ended (unaudited) | |
|--|--------------------------------------|----------------|---------------|------------------------------------|---------------|
| | June 30, 2008 | March 31, 2008 | June 30, 2007 | June 30, 2008 | June 30, 2007 |
| Preferred class A stock (including twelve special shares) | | | | | |
| Beginning of the period | 4,953 | 4,953 | 4,702 | 4,953 | 4,702 |
| Transfer from undistributed retained earnings | | | 251 | | 251 |
| End of the period | 4,953 | 4,953 | 4,953 | 4,953 | 4,953 |
| Common stock | | | | | |
| Beginning of the period | 7,742 | 7,742 | 3,806 | 7,742 | 3,806 |
| Transfer from undistributed retained earnings | | | 3,936 | | 3,936 |
| End of the period | 7,742 | 7,742 | 7,742 | 7,742 | 7,742 |
| Treasury stock | | | | | |
| Beginning and end of the period | (389) | (389) | (389) | (389) | (389) |
| Additional paid-in capital | | | | | |
| Beginning and end of the period | 498 | 498 | 498 | 498 | 498 |
| Mandatory convertible notes in common shares | | | | | |
| Beginning and end of the period | 1,288 | 1,288 | 1,288 | 1,288 | 1,288 |
| Mandatory convertible notes in preferred shares | | | | | |
| Beginning and end of the period | 581 | 581 | 581 | 581 | 581 |
| Other cumulative comprehensive income (deficit) | | | | | |

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| | | | | | |
|---|---------------|---------------|--------------|---------------|--------------|
| Cumulative translation adjustments | | | | | |
| Beginning of the period | 1,135 | 1,340 | (1,672) | 1,340 | (1,628) |
| Change in the period | 1,707 | (205) | 1,208 | 1,502 | 1,164 |
| End of the period | 2,842 | 1,135 | (464) | 2,842 | (464) |
| Unrealized gain on available-for-sale securities | | | | | |
| Beginning of the period | 205 | 211 | 586 | 211 | 271 |
| Change in the period | (94) | (6) | (381) | (100) | (66) |
| End of the period | 111 | 205 | 205 | 111 | 205 |
| Surplus accrued pension plan | | | | | |
| Beginning of the period | 60 | 75 | 344 | 75 | 353 |
| Change in the period | 104 | (15) | 128 | 89 | 119 |
| End of the period | 164 | 60 | 472 | 164 | 472 |
| Cash flow hedge | | | | | |
| Beginning of the period | 2 | 29 | (10) | 29 | |
| Change in the period | 6 | (27) | 24 | (21) | 14 |
| End of the period | 8 | 2 | 14 | 8 | 14 |
| Total other cumulative comprehensive income | 3,125 | 1,402 | 227 | 3,125 | 227 |
| Undistributed retained earnings | | | | | |
| Beginning of the period | 15,508 | 15,317 | 9,992 | 15,317 | 9,555 |
| Transfer from unappropriated retained earnings | 1,513 | 191 | 428 | 1,704 | 865 |
| Transfer to capital stock | | | (4,187) | | (4,187) |
| End of the period | 17,021 | 15,508 | 6,233 | 17,021 | 6,233 |
| Unappropriated retained earnings | | | | | |
| Beginning of the period | 3,435 | 1,631 | 4,285 | 1,631 | 2,505 |
| Net income | 5,009 | 2,021 | 4,095 | 7,030 | 6,312 |
| Interest attributed to mandatory convertible debt | | | | | |
| Preferred class A stock | (15) | (8) | | (23) | |
| Common stock | (30) | (18) | | (48) | |
| | (1,513) | (191) | (428) | (1,704) | (865) |

Appropriation to undistributed retained earnings

| | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| End of the period | 6,886 | 3,435 | 7,952 | 6,886 | 7,952 |
| Total stockholders equity | 41,705 | 35,018 | 29,085 | 41,705 | 29,085 |
| Preferred class A stock (including twelve special shares) | 1,919,516,400 | 1,919,516,400 | 1,919,541,400 | 1,919,516,400 | 1,919,541,400 |
| Common stock | 2,999,797,716 | 2,999,797,716 | 2,999,797,716 | 2,999,797,716 | 2,999,797,716 |
| Treasury stock | | | | | |
| Beginning of the period | (86,923,052) | (86,923,184) | (86,923,328) | (86,923,184) | (86,927,072) |
| Sales | | 132 | | 132 | 3,744 |
| End of the period | (86,923,052) | (86,923,052) | (86,923,328) | (86,923,052) | (86,923,328) |
| | 4,832,391,064 | 4,832,391,064 | 4,832,415,788 | 4,832,391,064 | 4,832,415,788 |

The accompanying notes are an integral part of this condensed consolidated financial information

Notes to the Condensed Consolidated Financial Information
Expressed in millions of United States Dollars, unless otherwise stated

1 The Company and its operation

Companhia Vale do Rio Doce (Vale) is a limited liability company, duly organized under the laws of the Federative Republic of Brazil. Operations are carried out through Vale and our subsidiary companies, joint ventures and affiliates, and mainly consist of mining, non-ferrous metal production, logistics and steel activities.

On June 30, 2008, the main operating subsidiaries we consolidate are described as follows:

| Subsidiary | % ownership | % voting capital | Head office location | Principal activity |
|---|--------------------|-------------------------|-----------------------------|--|
| Alumina do Norte do Brasil S.A. Alunorte (Alunorte) | 57.03 | 59.02 | Brazil | Alumina |
| Alumínio Brasileiro S.A. Albras (Albras) | 51.00 | 51.00 | Brazil | Aluminum |
| CADAM S.A (CADAM) | 61.48 | 100.00 | Brazil Cayman Islands | Kaolin Trading |
| CVRD Overseas Ltd. | 100.00 | 100.00 | Brazil | Logistics |
| Ferrovia Centro-Atlântica S. A. | 100.00 | 100.00 | Brazil | Nickel |
| Mineração Onça Puma Ltda | 100.00 | 100.00 | | |
| Minerações Brasileiras Reunidas S.A. MBR | 92.99 | 92.99 | Brazil | Iron ore |
| Pará Pigmentos S.A. (PPSA) | 86.17 | 85.57 | Brazil | Kaolin |
| PT International Nickel Indonesia Tbk (PT Inco) | 61.16 | 61.16 | Indonesia | Iron ore Manganese and Ferroalloys |
| Rio Doce Manganês S.A. | 100.00 | 100.00 | Brazil | Ferroalloys |
| Rio Doce Manganèse Europe RDME | 100.00 | 100.00 | France | Ferroalloys |
| Rio Doce Manganese Norway RDMN | 100.00 | 100.00 | Norway | Ferroalloys |
| Vale Australia Pty Ltd. | 100.00 | 100.00 | Australia | Coal |
| Vale Inco Limited | 100.00 | 100.00 | Canada | Nickel |
| Vale International S.A (formerly CVRD International S.A) | 100.00 | 100.00 | Swiss | Trading |
| Valesul Alumínio S.A. | 100.00 | 100.00 | Brazil | Aluminum |

2 Basis of consolidation

All majority-owned subsidiaries in which we have both share and management control are consolidated. All significant intercompany accounts and transactions are eliminated. Our variable interest entities in which we are the primary beneficiary are consolidated. Investments in unconsolidated affiliates and joint ventures are accounted for under the equity method (Note 8).

We evaluate the carrying value of our equity accounted investments in relation to publicly quoted market prices when available. If the quoted market price is below book value, and such decline is considered other than temporary, we write-down our equity investments to quoted market value.

We define joint ventures as businesses in which we and a small group of other partners each participate actively in the overall entity management, based on a shareholders agreement. We define affiliates as businesses in which we participate as a minority stockholder but with significant influence over the operating and financial policies of the investee.

Our participation in hydroelectric projects are made via consortium contracts under which we have an undivided interests in assets and are liable for our proportionate share of liabilities and expenses, which are based on our proportionate share of power output. We do not have joint liability for any obligations, and all our recorded costs, income, assets and liabilities relate to the entities within our group. Since there is no separate legal entity for these projects, there are no separate financial statements, income tax return, net income or shareholders' equity. Brazilian corporate law explicitly states that no separate legal entity arises from consortium contract. Accordingly, we recognize our proportionate share of costs and our undivided interest in assets relating to hydroelectric projects.

3 Basis of Presentation

Our condensed consolidated interim financial information for the three-month periods ended June 30, 2008, March 31, 2008, and June 30, 2007 and for the six-month periods ended June 30, 2008 and June 30, 2007, prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), are unaudited. However, in our opinion, such condensed consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for interim periods. The results of operations for the three-month and six-month periods ended June 30, 2008, are not necessarily indicative of the actual results expected for the full fiscal year ending December 31, 2008.

These condensed consolidated financial information should be read in conjunction with our consolidated financial statements as of and for the year ended December 31, 2007, prepared in accordance with US GAAP.

In preparing the condensed consolidated financial information, we are required to use estimates to account for certain assets, liabilities, revenues and expenses. Our condensed consolidated financial statements therefore include various estimates concerning the selection of useful lives of property, plant and equipment, provisions necessary for contingent liabilities, fair values assigned to assets and liabilities acquired and assumed in business combinations, income tax uncertainties, employee post-retirement benefits and other similar evaluations. Actual results may vary from our estimates.

For the Brazilian operations, the U.S. Dollar amounts for the periods and years presented have been remeasured (translated) from the Brazilian currency amounts in accordance with the criteria set forth in Statement of Financial Accounting Standards (SFAS) 52 Foreign Currency Translation (SFAS 52).

We have remeasured all assets and liabilities into U.S. dollars at the current exchange rate at each balance sheet date (R\$1.5919 and R\$1.7713 at June 30, 2008 and December 31, 2007, respectively to US\$1.00 or the first available exchange rate if exchange on the last day of the period, was not available), and all accounts in the statements of income (including amounts relating to local currency indexation and exchange gains or losses on assets and liabilities denominated in foreign currency) at the average rates prevailing during the period. The translation gain or loss resulting from this remeasurement process is included in the cumulative translation adjustments account in stockholders equity.

4 Recently-issued accounting pronouncements

In June 2008, the Financial Accounting Standards Board (FASB) issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities . The objective of this FSP is to address whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128, Earnings per Share. It is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. Early application is not permitted. We are currently studying the effects of this pronouncement.

In May 2008, the Financial Accounting Standards Board (FASB) issued FSP APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) . This FASB Staff Position (FSP) clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants. Additionally, this FSP specifies that issuers of such instruments should separately account for the liability and equity components in a manner that

will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008. We are currently studying the effects of this pronouncement.

In May 2008, the Financial Accounting Standards Board (FASB) issued FSP FAS 162, *The Hierarchy of Generally Accepted Accounting Principles*. The objective of this FSP is to identify the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). This Statement shall be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. There are no specific disclosure requirements with this statement.

In April 2008, the Financial Accounting Standards Board (FASB) issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets*. The objective of this FSP is to address situations of renewing or extending the useful life of a recognized intangible asset. It is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. Early application is not permitted. We are currently studying the effects of this pronouncement.

5 Major acquisitions and disposals

In February 2008, we sold all of our interest in Jubilee Mines N.L. (held by our subsidiary Vale Inco), corresponding to 4.83% of its common shares, for US\$134 generating a gain of US\$80.

In October, 2007 we were awarded, in a public auction, a 30-year sub-concession agreement, under which we purchased the right to use the Ferrovia Norte Sul S.A. FNS for US\$837, payable in three installments. The first installment, equivalent to US\$412 and corresponding to 50% was paid in December 2007. The second and third installments, each one representing 25% of the total amount, are to be paid in December 2008, and 2009, upon the completion of the railroad. The outstanding installments are indexed to the general price index (IGP-DI) and accrue interest of 12% p.a.

In July 2007, we sold our interest in Lion Ore Mining International Ltd.(held by our subsidiary Vale Inco), corresponding to 1.8% of its common shares for US\$105, generating a gain of US\$80.

In June 2007, we sold through primary and secondary public offerings, 25,213,664 common shares, representing 57.84% of the total capital of our subsidiary Log-In Logística Intermodal S.A. (Log-In) for US\$179, recording a gain of US\$155.

In July 2007, we sold an additional 5.1% stake in Log-In for US\$24 recording a gain of US\$21. At December 31, 2007, we held 31.33% of the voting and total capital of this entity, which is accounted for as at the equity method.

In May 2007, we sold in a public offering, part of our stockholding in Usinas Siderúrgicas de Minas Gerais S.A. USIMINAS, an available-for-sale investee, for US\$728, recording a gain of US\$456. We have retained the minimum number of shares required to participate in the current shareholders agreement of the investee.

In May 2007, we acquired a further 6.25% of the total share capital of Empreendimentos Brasileiros de Mineração S.A. (EBM), which main asset is its interest in MBR, for US\$231 and as a result, our direct and indirect stake in MBR increased to 92.99% of total and voting capital. We simultaneously entered into an usufruct agreement with minority shareholders whereby they transferred to us all rights and obligations with respect to their EBM shares, including rights to dividends for the next 30 years, for which we will make an initial payment of US\$61 plus an annual fee of US\$48 for each of the next 29 years. The present value of the future obligation is recorded as a liability and the corresponding charge recorded to minority interests in the balance sheet.

In April 2007, we concluded the acquisition of 100% of Vale Australia (former AMCI Holdings Australia Pty AMCI HA), a private company domiciled in Australia, which owns and operates coalmines in that country, for US\$656.

6 Income taxes

Income taxes in Brazil comprise federal income tax and social contribution, which is an additional federal tax. The statutory composed enacted tax rate applicable in the periods presented is 34% represented by a 25% federal income tax rate plus a 9% social contribution rate.

In other countries where we have operations, the applicable tax rates vary from 1.67% to 40%.

The amount reported as income tax expense in our consolidated financial statements is reconciled to the statutory rates as follows:

| | June 30, 2008 | | | Three-month period ended (unaudited) March 31, 2008 | | | June 30, 2007 | | |
|---|---------------|---------|---------|--|---------|-------|---------------|---------|---------|
| | Brazil | Foreign | Total | Brazil | Foreign | Total | Brazil | Foreign | Total |
| Income before income taxes, equity results and minority interests | 4,067 | 2,335 | 6,402 | 522 | 1,762 | 2,284 | 2,807 | 2,747 | 5,554 |
| Federal income tax and social contribution expense at statutory enacted rates | (1,383) | (794) | (2,177) | (177) | (599) | (776) | (954) | (934) | (1,888) |
| Adjustments to derive effective tax rate: | | | | | | | | | |
| Tax benefit on interest attributed to stockholders | 7 | | 7 | 169 | | 169 | 118 | | 118 |
| Difference on tax rates of foreign income | | 315 | 315 | | 258 | 258 | | 198 | 198 |
| Difference on tax basis of equity investees | | (13) | (13) | | (20) | (20) | 71 | 12 | 83 |
| Tax incentives | 72 | | 72 | 15 | | 15 | 65 | | 65 |
| Other non-taxable gains (losses) | 358 | (68) | 290 | (59) | 55 | (4) | 39 | (11) | 28 |
| Federal income tax and social contribution expense in consolidated statements of income | (946) | (560) | (1,506) | (52) | (306) | (358) | (661) | (735) | (1,396) |

| | June 30, 2008 | | | Six-month period ended (unaudited) June 30, 2007 | | |
|---|---------------|--------------|----------------|---|--------------|----------------|
| | Brazil | Foreign | Total | Brazil | Foreign | Total |
| Income before income taxes, equity results and minority interests | 4,589 | 4,097 | 8,686 | 4,408 | 4,080 | 8,488 |
| Federal income tax and social contribution expense at statutory enacted rates | (1,560) | (1,393) | (2,953) | (1,499) | (1,387) | (2,886) |
| Adjustments to derive effective tax rate: | | | | | | |
| Tax benefit on interest attributed to stockholders | 176 | | 176 | 221 | | 221 |
| Difference on tax rates of foreign income | | 573 | 573 | | 391 | 391 |
| Difference on tax basis of equity investees | | (33) | (33) | 7 | 44 | 51 |
| Tax incentives | 87 | | 87 | 117 | | 117 |
| Other non-taxable gains (losses) | 299 | (13) | 286 | 84 | (16) | 68 |
| Federal income tax and social contribution expense in consolidated statements of income | (998) | (866) | (1,864) | (1,070) | (968) | (2,038) |

We have certain income tax incentives relating to our manganese operations in Carajás, our potash operations in Rosario do Catete, our alumina and aluminum operations in Barcarena and our kaolin operations in Ipixuna and Mazagão. The incentives relating to manganese comprise partial exemption up to 2013. The incentive relating to alumina and potash comprise full income tax exemption on defined production levels, which expires in 2009 and 2013, respectively, while the partial exemption incentives relative to aluminum and kaolin expire in 2013. An amount equal to the tax saving must be appropriated to a reserve account within stockholders' equity and may not be distributed in the form of cash dividends.

We also have income tax incentives related to our Goro Project under development in New Caledonia. These incentives include income tax holiday during the construction phase of the project and throughout a 15-year period commencing in the first year in which commercial production, as defined by the applicable legislation, is achieved followed by a five-year, 50 per cent income tax holiday. In addition, Goro qualifies for certain exemptions from indirect taxes such as import duties during the construction phase and throughout the commercial life of the project. Certain of these tax benefits, including the income tax holiday, are subject to an earlier phase out should the project achieve a specified cumulative rate of return. We are subject to a branch profit tax commencing in the first year in which commercial production is achieved, as defined by the applicable legislation. To date, we have not recorded any taxable income for New Caledonian tax purposes. The benefits of this legislation are expected to apply with respect to taxes payable once the Goro project is in operation.

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes.

We are subject to examination by the tax authorities for up to five years regarding our operations in Brazil, ten years for Indonesia, and five and six years for Canada, except for Newfoundland which has no limit.

Brazilian tax loss carryforwards have no expiration date though offset is restricted to 30% of annual income before tax.

The reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows: See note 15 (b).

| | June 30, 2008 | December 31, 2007 |
|---|--------------------------|------------------------------|
| | (Unaudited) | 2007 |
| Beginning of the period | 1,046 | 663 |
| Increase resulting from tax positions taken | 333 | 264 |
| Decrease resulting from tax positions taken | (342) | (47) |
| Changes in tax legislation | 2 | 29 |
| Effects of translation from Brazilian Reais into U.S. | 75 | 137 |
| End of the period | 1,114 | 1,046 |

7 Inventories

| | June 30, 2008 | December 31, 2007 |
|--------------------------------------|--------------------------|------------------------------|
| | (Unaudited) | |
| Finished products | | |
| Nickel (co-products and by-products) | 1,846 | 1,812 |
| Iron ore and pellets | 712 | 588 |
| Manganese and ferroalloys | 166 | 106 |
| Aluminum products | 188 | 176 |
| Kaolin | 43 | 42 |
| Copper concentrate | 31 | 15 |
| Coal | 33 | 38 |
| Others | 61 | 36 |
| Spare parts and maintenance supplies | 1,267 | 1,046 |
| | 4,347 | 3,859 |

There was no write down recorded in the periods presented.

8 Investments in affiliated companies and joint ventures

| | Participation in capital (%) <u>voting</u> <u>total</u> | | June 30, 2008 (Unaudited) Net income (loss) for the period | | Investments June 30, December 31, 2008 2007 | | Equity in results of affiliates, joint ventures and other investments | | | | | Dividends received | | | |
|---|--|-------|---|-----|--|-----|---|-------------------|--|------------------|--|--------------------|--|------------------|-----|
| | | | | | | | Three-month period ended (unaudited) | | Six-month period ended (unaudited) | | Three-month period ended (unaudited) | | Six-month period ended (unaudited) | | |
| | | | | | | | June 30, 2008 | March 31, 2008 | June 30, 2007 | June 30, 2007 | June 30, 2008 | March 31, 2008 | June 30, 2007 | June 30, 2007 | |
| | | | | | | | 2008 | 2008 | 2007 | 2007 | 2008 | 2008 | 2007 | 2007 | |
| Ferrous | | | | | | | | | | | | | | | |
| Companhia Nipo-Brasileira de Pelotização NIBRASCO (1) | 51.11 | 51.00 | 193 | 58 | 98 | 61 | 34 | (4) | (1) | 30 | 5 | | | | |
| Companhia Hispano-Brasileira de Pelotização HISPANOBRÁS (1) | 51.00 | 50.89 | 166 | 69 | 85 | 43 | 33 | 2 | 4 | 35 | 10 | | 16 | 16 | |
| Companhia Coreano-Brasileira de Pelotização KOBRASCO (1) | 50.00 | 50.00 | 144 | 42 | 72 | 45 | 19 | 2 | 5 | 21 | 10 | | | | |
| Companhia Ítalo-Brasileira de Pelotização ITABRASCO (1) | 51.00 | 50.90 | 104 | 3 | 53 | 46 | 1 | 1 | 3 | 2 | 7 | | 8 | 8 | |
| Minas da Serra Geral S.A. MSG SAMARCO | 50.00 | 50.00 | 69 | 2 | 34 | 30 | | 1 | 1 | 1 | 2 | | | | |
| Mineração S.A. SAMARCO (2) | 50.00 | 50.00 | 1,213 | 392 | 674 | 546 | 148 | 48 | 59 | 196 | 119 | 138 | 50 | 138 | 100 |
| Others | | | | | 35 | 30 | 1 | 2 | (1) | 3 | | | | | |
| | | | | | 1,051 | 801 | 236 | 52 | 70 | 288 | 153 | 138 | 74 | 138 | 124 |
| Logistics | | | | | | | | | | | | | | | |
| | 31.33 | 31.33 | 392 | 20 | 127 | 107 | 6 | 5 | (2) | 11 | (2) | 3 | | 3 | |

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| | | | | | | | | | | | | | | | | | |
|-------------------------|-------|-------|-------|------|-------|-------|------|----|-----|------|----|-----|----|----|----|----|----|
| LOG-IN Logística | | | | | | | | | | | | | | | | | |
| Intermodal S.A. (3) | | | | | | | | | | | | | | | | | |
| MRS Logística S.A | 37.86 | 41.51 | 715 | (44) | 297 | 342 | (47) | 29 | 29 | (18) | 52 | 34 | | 27 | 34 | 27 | |
| | | | | | 424 | 449 | (41) | 34 | 27 | (7) | 50 | 37 | | 27 | 37 | 27 | |
| Steel | | | | | | | | | | | | | | | | | |
| Usinas | | | | | | | | | | | | | | | | | |
| Siderúrgicas de | | | | | | | | | | | | | | | | | |
| Minas Gerais S.A. | | | | | | | | | | | | | | | | | |
| USIMINAS (cost | | | | | | | | | | | | | | | | | |
| \$180) | | | | | | | | | | | | | | | | | |
| available-for-sale | | | | | | | | | | | | | | | | | |
| (5) | | | | | 471 | 465 | 10 | | 24 | 10 | 24 | 10 | | 24 | 10 | 24 | |
| California Steel | | | | | | | | | | | | | | | | | |
| Industries Inc. | CSI | 50.00 | 50.00 | 381 | 55 | 191 | 163 | 22 | 6 | 4 | 28 | 5 | | | | 11 | |
| THYSSENKRUPP | | | | | | | | | | | | | | | | | |
| CSA Companhia | | | | | | | | | | | | | | | | | |
| Siderúrgica (Cost | | | | | | | | | | | | | | | | | |
| \$431) | | | | | | | | | | | | | | | | | |
| available-for-sale | | | | | | | | | | | | | | | | | |
| | 11.05 | 11.05 | | | 463 | 388 | | | | | | | | | | | |
| | | | | | 1,125 | 1,016 | 32 | 6 | 28 | 38 | 29 | 10 | | 24 | 10 | 35 | |
| Bauxite | | | | | | | | | | | | | | | | | |
| Mineração Rio do | | | | | | | | | | | | | | | | | |
| Norte S.A. | MRN | 40.00 | 40.00 | 268 | 54 | 107 | 184 | 8 | 14 | 20 | 22 | 42 | 38 | 48 | 28 | 86 | 57 |
| | | | | | 107 | 184 | 8 | 14 | 20 | 22 | 42 | 38 | 48 | 28 | 86 | 57 | |
| Coal | | | | | | | | | | | | | | | | | |
| Henan Longyu | | | | | | | | | | | | | | | | | |
| Resources Co. Ltd | | 25.00 | 25.00 | 637 | 144 | 159 | 115 | 19 | 17 | 13 | 36 | 22 | | | | | |
| Shandong | | | | | | | | | | | | | | | | | |
| Yankuang | | | | | | | | | | | | | | | | | |
| International | | | | | | | | | | | | | | | | | |
| Company Ltd | | 25.00 | 25.00 | 100 | 1 | 25 | 23 | 1 | (1) | (2) | | (2) | | | | | |
| | | | | | 184 | 138 | 20 | 16 | 11 | 36 | 20 | | | | | | |
| Nickel | | | | | | | | | | | | | | | | | |
| Heron Resources | | | | | | | | | | | | | | | | | |
| Inc (cost \$25) | | | | | | | | | | | | | | | | | |
| available-for-sale | | | | | | | | | | | | | | | | | |
| | | | | | 12 | 34 | | | | | | | | | | | |
| Jubilee Mines N.L | | | | | | | | | | | | | | | | | |
| (cost \$5) (4) | | | | | | | | | | | | | | | | | |
| available-for-sale | | | | | | | | | | | | | | | | | |
| | | | | | | 126 | | | | | | | | | | | |
| Mirabela Nickel | | | | | | | | | | | | | | | | | |
| Ltd (cost \$24) | | | | | | | | | | | | | | | | | |
| available-for-sale | | | | | | | | | | | | | | | | | |
| | | | | | 70 | 72 | | | | | | | | | | | |
| | | | | | 47 | 44 | | | | | | | | | | | |

Skye Resources Inc
(cost \$36)
available-for-sale

| | | | | | | | | | | | | |
|--------|-----|-----|--|--|--|--|--|--|--|--|--|--|
| Others | 22 | 23 | | | | | | | | | | |
| | 151 | 299 | | | | | | | | | | |

**Other affiliates
and joint ventures**

| | | | | | | | | | | | | |
|--------------|-------|-------|-----|-----|-----|-----|-----|-----|----|-----|-----|-----|
| Others | 82 | 35 | 5 | (3) | | 2 | | | | | | |
| | 82 | 35 | 5 | (3) | | 2 | | | | | | |
| | 1,649 | 1,672 | 65 | 33 | 59 | 98 | 91 | 48 | 48 | 52 | 96 | 92 |
| Total | 3,124 | 2,922 | 260 | 119 | 156 | 379 | 294 | 223 | 48 | 153 | 271 | 243 |

(1) Although Vale held a majority of the voting interest of investees accounted for under the equity method, existing veto rights held by minority shareholders under shareholder agreements preclude consolidation;

(2) Investment includes goodwill of US\$ 67 in 2008 and US\$ 61 in 2007;

(3) Investment non consolidated since June, 2007;

(4) Sold in February, 2008 (note 5);

(5)

Equity in refers
to dividends
received.

9 Short-term debt

Our short-term borrowings are mainly from commercial banks and relate to export financing denominated in United States Dollars.

Average interest rates on short-term borrowings were 4.18%, and 5.5% at June 30, 2008 and December 31, 2007, respectively.

10 Long-term debt

| | Current liabilities | | Long-term liabilities | |
|--|----------------------------|-----------------|------------------------------|-----------------|
| | December | | December | |
| | June | | June | |
| | 30, | | 30, | |
| | 2008 | 31, 2007 | 2008 | 31, 2007 |
| | (Unaudited) | | (Unaudited) | |
| Foreign debt | | | | |
| Loans and financing denominated in the following currencies: | | | | |
| United States Dollars | 231 | 212 | 5,933 | 5,927 |
| Others | 43 | 64 | 211 | 214 |
| Fixed Rate Notes US\$ denominated | | | | |
| Debt securities export sales (*) US\$ denominated | 54 | 53 | 6,678 | 6,680 |
| Perpetual notes | | | 178 | 205 |
| Accrued charges | 243 | 282 | 83 | 87 |
| | 571 | 611 | 13,083 | 13,113 |
| Local debt | | | | |
| Denominated in Long-Term Interest Rate TJLP/CDI | 42 | 586 | 2,728 | 1,148 |
| Denominated in General Price Index-Market (IGPM) | | 1 | 1 | 1 |
| Basket of currencies | 1 | 2 | 5 | 6 |
| Non-convertible debentures | | | 3,743 | 3,340 |
| Accrued charges | 116 | 49 | | |
| | 159 | 638 | 6,477 | 4,495 |
| Total | 730 | 1,249 | 19,560 | 17,608 |

(*) Debt securities secured by future receivables arising from export sales.

The long-term portion at June 30, 2008 falls due as follows:

| | |
|------|-------|
| 2009 | 156 |
| 2010 | 2,612 |
| 2011 | 2,628 |

| | |
|--|---------------|
| 2012 | 1,131 |
| 2013 and thereafter | 12,660 |
| No due date (Perpetual notes and non-convertible debentures) | 373 |
| | 19,560 |

At June 30, 2008 annual interest rates on long-term debt were as follows:

| | |
|----------------------------|---------------|
| Up to 3% | 30 |
| 3.1% to 5% | 6,225 |
| 5.1% to 7% | 6,237 |
| 7.1% to 9% | 2,125 |
| 9.1% to 11% | 138 |
| Over 11% (*) | 5,452 |
| Variable (Perpetual notes) | 83 |
| | 20,290 |

(*) Includes non-convertible debentures and other Brazilian-reais denominated debt that bear interest at CDI (Brazilian interbank certificate of deposit) rate plus spread. For these operations we have entered into derivative transactions to hedge our exposure on the floating rate debt denominated in reais. The total outstanding amount for these transactions is US\$ 4,428 and the average cost of such debt after the hedge transactions is 5.40%.

The indexes applied to our debt were as follows (unaudited):

| | As of - % | | |
|--|------------------------------|---------------------------|------------------------------|
| | June 30, 2008 | March 31, 2008 | December 31, 2007 |
| TJLP Long-Term Interest Rate (effective rate) | 1.5 | 1.5 | 1.5 |
| IGP-M General Price Index Market | 4.3 | 2.4 | 3.5 |
| Devaluation of United States Dollar against Real | (9.0) | (1.3) | (3.7) |

In January, 2008 we entered into a trade finance agreement with local Brazilian bank in the amount of US\$ 1.1 billion with final maturity in 2018.

In April 2008 we entered into a contract for a committed credit facility totaling US\$ 4.2 billion with Banco Nacional de Desenvolvimento Econômico e Social - BNDES, the Brazilian National Development Bank, available for 60 months and with a 10-year tenor. In May 2008, we entered into agreements with Japan Bank for International Cooperation - JBIC (which considers providing its support by financing up to US\$ 3 billion) and Nippon Export and Investment Insurance - NEXI (which will provide loan insurance in an amount not exceeding US\$ 2 billion). Vale International and Vale Inco have available lines of credits of US\$ 1.15 billion and US\$ 750, respectively. The total amount of the available lines of credits is US\$ 11.1 billion with a view to financing part of our investment plan for 2008 to 2012, in the amount of US\$ 59 billion.

On June 30, 2008 the US Dollar denominated Fixed Rate Notes of US\$ 6,678 (December 31, 2007 - US\$ 6,680) and other debt of US\$ 12,992 (December 31, 2007 - US\$ 11,511) are unsecured. The export securitization of US\$ 232 (December 31, 2007 - US\$ 258) is debt securities collateralized by future receivables arising from certain export sales of our subsidiary CVRD Overseas Ltd. Loans from International lenders of US\$ 70 (December 31, 2007 - US\$ 82) are guaranteed by Brazilian Federal Government, to which we have provided counter guarantees in the same amount. The remaining long-term debt of US\$ 318 (December 31, 2007 - US\$ 326) is collateralized mainly by receivables of our subsidiaries.

Some of our long-term debt instruments contain financial covenants. Our principal covenants require us to maintain certain ratios, such as debt to EBITDA and interest coverage. We were in full compliance with our financial covenants as of June 30, 2008.

11 Stockholders equity

Each holder of common and preferred class A stock is entitled to one vote for each share on all matters resolved at the stockholders' meetings, except for the election of the Board of Directors, which is restricted to the holders of common stock. The Brazilian Government holds twelve preferred special shares which confer to it permanent veto rights over certain matters.

Both common and preferred stockholders are entitled to receive a mandatory minimum dividend of 25% of annual adjusted net income based on the statutory accounting records, upon approval at the annual stockholders meeting. In the case of preferred stockholders, this dividend cannot be less than 6% of the preferred capital as stated in the statutory accounting records or, if greater, 3% of the statutory book equity value per share. For the year ended December 31, 2007, this annual minimum dividend corresponded to US\$ 2,691 of which US\$ 8 was paid on October 2007 and therefore we accrued the remaining value of US\$ 2,683 with a direct charge to stockholders' equity. In April 2008 we paid US\$ 1,250 related to the accrued amounts for 2007, and the remaining balance will be paid in October, 2008.

In October 2007, we paid US\$1,050 to stockholders. The distribution was made in the form of interest on stockholders' equity and dividends. In April 2007, we paid US\$825 to stockholders. The distribution was made in the form of interest attributable to stockholders' equity and dividends.

In September 2007, a stock split was effected and each existing, common and preferred, share was split into two shares. After the split our capital comprises 4,919,314,116 shares, of which 1,919,516,400 are class A preferred shares and 2,999,797,716 are common shares, including twelve special class shares without par value (Golden Shares). All numbers of share and per share amounts included herein reflect retroactive application of the stock split.

In June 2007, we issued US\$1,880 Mandatorily Convertible Notes due June 15, 2010 for total proceeds of US\$1,869 net of commissions. The Notes bear interest at 5.50% per year payable quarterly and additional interest which will be payable based on the net amount of cash distribution paid to ADS holders. The US\$1,296 Notes are mandatorily convertible into an aggregate maximum of 56,582,040 common shares and the US\$584 Notes are mandatorily convertible into an aggregate maximum of 30,295,456 preferred class A shares. On the maturity date (whether at stated maturity or upon acceleration following an event of default), the Series RIO Notes will automatically convert into ADSs, each ADS representing one common share of Vale, and the Series RIO P Notes will automatically convert into ADSs, each ADS representing one preferred class A share of Vale. We currently hold the shares to be issued on conversion in treasury stock. The Notes are not repayable in cash. Holders of notes will have no voting rights. We will pay to the holders of our Series RIO Notes or RIO P Notes additional interest in the event that Vale makes cash distributions to all holders of RIO ADSs or RIO P ADSs, respectively. We determined, using a statistical model, that the potential variability in the number of shares to be converted is not a predominant feature of this hybrid financial instrument and thus classified it as an equity instrument within our stockholders' equity. Other than during the cash acquisition conversion period, holders of the notes have the right to convert their notes, in whole or in part, at any time prior to maturity in the case of the Series RIO Notes, into RIO ADSs at the minimum conversion rate of 0.8664 RIO ADSs per Series RIO Note, and in the case of Series RIO P Notes, into RIO P ADSs at the minimum conversion rate of 1.0283 RIO P ADSs per Series RIO P Note.

| Note | Twenty Day Market Value | Conversion Rate |
|-------------|-------------------------------------|---|
| Rio P | Less than or equal to US\$ 19.30 | 2.5914 |
| | Between US\$ 24.31 and US\$ 24.31 | US\$ 50.00 divided by the twenty day market value |
| | Equal to or greater than US\$ 24.31 | 2.0566 |
| Rio | Less than or equal to US\$ 22.90 | 2.1834 |
| | Between US\$ 22.90 and US\$ 28.86 | US\$ 50.00 divided by the twenty day market value |
| | Equal to or greater than US\$ 28.86 | 1.7328 |

In May 2008 we paid additional interest to holders of the mandatorily convertible notes (notes) RIO and RIO P, equal to US\$ 19.

In April 2007, at an Extraordinary Shareholders' Meeting the paid-up capital was increased by US\$4,187 through transfer of reserves, without issuance of shares, to US\$12,695.

In December 2007, significant changes were made to Brazilian Corporate law to permit Brazil to converge with International Financial Reporting Standards (IFRS). Such changes will be effective for the fiscal year ended December 31, 2008. These changes may affect the method of calculating and amortizing goodwill on business combinations, the recognition of exchange gain and losses in foreign subsidiaries, joint ventures and affiliates and related tax effects, among others. These changes have yet to be codified by the regulator, we are currently studying the possible effects, which may arise upon adoption this law.

Basic and diluted earnings per share

Basic and diluted earnings per share amounts have been calculated as follows:

| | Three-month period ended (unaudited) | | | Six-month period ended | |
|--|--------------------------------------|-------------------|------------------|---------------------------------|---------------------------------|
| | June 30, 2008 | March 31, 2008 | June 30, 2007 | June 30, 2008 (unaudited) | June 30, 2007 (unaudited) |
| Net income for the period | 5,009 | 2,021 | 4,095 | 7,030 | 6,312 |
| Interest attributed to preferred convertible notes | (15) | (8) | | (23) | |
| Interest attributed to common convertible notes | (30) | (18) | | (48) | |
| Net income for the period adjusted | 4,964 | 1,995 | 4,095 | 6,959 | 6,312 |
| Basic and diluted earnings per share | | | | | |
| Income available to preferred stockholders | 1,906 | 766 | 1,601 | 2,672 | 2,468 |
| Income available to common stockholders | 2,970 | 1,193 | 2,494 | 4,163 | 3,844 |
| Income available to convertible notes linked to preferred shares | 31 | 12 | | 43 | |
| Income available to convertible notes linked to common shares | 57 | 24 | | 81 | |
| Weighted average number of shares outstanding (thousands of shares) preferred shares | 1,889,175 | 1,889,173 | 1,889,176 | 1,889,173 | 1,889,172 |
| Weighted average number of shares outstanding (thousands of shares) common shares | 2,943,216 | 2,943,216 | 2,943,216 | 2,943,216 | 2,943,216 |
| Treasury preferred shares linked to mandatorily convertible notes | 30,295 | 30,295 | 3,330 | 30,295 | 3,330 |
| Treasury common shares linked to mandatorily convertible notes | 56,582 | 56,582 | 6,218 | 56,582 | 6,218 |
| Total | 4,919,268 | 4,919,266 | 4,841,940 | 4,919,266 | 4,841,936 |
| Earnings per preferred share | 1.01 | 0.41 | 0.85 | 1.41 | 1.31 |

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| | | | | | |
|--|------|------|------|------|------|
| Earnings per common share | 1.01 | 0.41 | 0.85 | 1.41 | 1.31 |
| Earnings per convertible notes linked to preferred share (*) | 1.52 | 0.66 | | 2.18 | |
| Earnings per convertible notes linked to common share (*) | 1.54 | 0.74 | | 2.28 | |

(*) Basic earnings per share only as dilution assumes conversion.

Were the conversion of the convertible notes considered in the calculation of diluted earnings per share they would generate a minor antidilutive effect as shown below:

| | Three-month period ended (unaudited) | | | Six-month period ended | |
|--|--------------------------------------|----------------|---------------|---------------------------|---------------------------|
| | June 30, 2008 | March 31, 2008 | June 30, 2007 | June 30, 2008 (unaudited) | June 30, 2007 (unaudited) |
| Income available to preferred stockholders | 1,952 | 786 | 1,603 | 2,738 | 2,469 |
| Income available to common stockholders | 3,057 | 1,235 | 2,492 | 4,292 | 3,843 |
| Weighted average number of shares outstanding (thousands of shares) preferred shares | 1,919,470 | 1,919,468 | 1,892,506 | 1,919,468 | 1,892,502 |
| Weighted average number of shares outstanding (thousands of shares) common shares | 2,999,798 | 2,999,798 | 2,949,434 | 2,999,798 | 2,949,434 |
| Earnings per preferred share | 1.02 | 0.41 | 0.85 | 1.43 | 1.31 |
| Earnings per common share | 1.02 | 0.41 | 0.85 | 1.43 | 1.31 |

12 Other cumulative comprehensive income

| | Three-month period ended (unaudited) | | | Six-month period ended | |
|--|--------------------------------------|----------------|---------------|---------------------------|---------------------------|
| | June 30, 2008 | March 31, 2008 | June 30, 2007 | June 30, 2008 (unaudited) | June 30, 2007 (unaudited) |
| Comprehensive income is comprised as follows: | | | | | |
| Net income | 5,009 | 2,021 | 4,095 | 7,030 | 6,312 |
| Cumulative translation adjustments | 1,707 | (205) | 1,208 | 1,502 | 1,164 |
| Unrealized gain on available-for-sale securities | (94) | (6) | (381) | (100) | (66) |
| Surplus (deficit) accrued pension plan | 104 | (15) | 128 | 89 | 119 |
| Hedge/Cash flow hedge | 6 | (27) | 24 | (21) | 14 |
| Total comprehensive income | 6,732 | 1,768 | 5,074 | 8,500 | 7,543 |

| | | | | | |
|--|-------|------|-------|-------|-------|
| Tax effect on other comprehensive income allocated to each component | | | | | |
| Unrealized gain on available-for-sale securities | | | | | |
| Gross balance as of the period end | 152 | 294 | 314 | 152 | 314 |
| Tax (expense) benefit | (41) | (89) | (109) | (41) | (109) |
| Net balance as of the period end | 111 | 205 | 205 | 111 | 205 |
| Surplus accrued pension plan | | | | | |
| Gross balance as of the period end | 289 | 108 | 716 | 289 | 716 |
| Tax (expense) benefit | (125) | (48) | (244) | (125) | (244) |
| Net balance as of the period end | 164 | 60 | 472 | 164 | 472 |

13 Pension cost

We previously disclosed in our consolidated financial statements for the year ended December 31, 2007, that we expected to contribute US\$ 324 to our defined benefit pension plan in 2008. As of June 30, 2008, total contributions of US\$ 197 had been made. We do not expect any significant change in our previous estimate.

| | Three-month period ended (unaudited) | | |
|--|---|--|--|
| | June 30, 2008 | | |
| | Overfunded pension plans | Underfunded pension plans | Underfunded other benefits |
| Service cost – benefits earned during the period | 3 | 16 | 8 |
| Interest cost on projected benefit obligation | 82 | 66 | 20 |
| Expected return on assets | (137) | (68) | |
| Amortization of initial transitory obligation | 4 | | (3) |
| Net deferral | (1) | | |
| Net periodic pension cost | (49) | 14 | 25 |
| | | | March 31, 2008 |
| | Overfunded pension plans | Underfunded pension plans | Underfunded other benefits |
| Service cost – benefits earned during the period | 2 | 16 | 6 |
| Interest cost on projected benefit obligation | 54 | 62 | 23 |
| Expected return on assets | (90) | (65) | |
| Amortization of initial transitory obligation | 3 | | (1) |
| Net deferral | (1) | | |
| Net periodic pension cost | (32) | 13 | 28 |
| | | | June 30, 2007 |
| | Overfunded pension plans | Underfunded pension plans | Underfunded other benefits |
| Service cost – benefits earned during the period | 3 | 15 | 5 |
| Interest cost on projected benefit obligation | 73 | 52 | 18 |
| Expected return on assets | (135) | (60) | |
| Amortization of initial transitory obligation | 3 | | |
| Net deferral | (5) | | |
| Net periodic pension cost | (61) | 7 | 23 |
| | | | Six-month period ended June 30, (unaudited) |
| | 2008 | | 2007 |
| | Underfunded | Underfunded | |

| | Overfunded pension plans | pension plans | Underfunded other benefits | Overfunded pension plans | pension plans | Underfunded other benefits |
|--|---|--------------------------|---|---|--------------------------|---|
| Service cost benefits earned during the period | 5 | 32 | 14 | 4 | 29 | 9 |
| Interest cost on projected benefit obligation | 136 | 128 | 43 | 119 | 100 | 34 |
| Expected return on assets | (227) | (133) | | (221) | (115) | |
| Amortization of initial transitory obligation | 7 | | (4) | 5 | | |
| Net deferral | (2) | | | (7) | | |
| Net periodic pension cost | (81) | 27 | 53 | (100) | 14 | 43 |

14 Long-term incentive compensation plan

In 2008, with the purpose of introducing a shareholders vision to certain of our executives, as well as improving retention and reinforcing our culture of sustainable performance, the Board of Directors approved a long-term incentive compensation plan, which was implemented in April 2008, in respect with a three-year cycle (2008 to 2010).

Under the terms of the plan, the participants, restricted to certain executives, may elect to allocate part of their annual bonus to the plan. That portion of the bonus allocated to the plan is in fact used by the executive to purchase preferred shares of Vale, through a defined financial institution, at market conditions and with no benefit provided by Vale.

The shares purchased by each executive have no restrictions and may, at the participant's discretion, be sold at any time. However, in order to be entitled to the long-term incentive compensation plan to be provided by Vale, the amount of shares initially purchased by the executives on the plan's adoption, must be held for a three-year period, and, the executive must retain its employment relationship with Vale during that period.

Upon meeting these two conditions described above (keeping the number of shares purchased, and, remaining Vale's employees, over three years), the participant become entitled to receive from Vale, a cash payment equivalent to the total amount of shares held, based on market rates.

We account for the compensation cost provided to our executives under this long-term incentive compensation plan, following the requirements of FAS 123(R) Accounting for Stock-Based Compensation. Liabilities are measured at each reporting date at fair value, based on market rates. Compensation costs incurred are recognized, over the defined three-year vesting period. At June 30, 2008, we have recognized a long-term liability of US\$4, relating to 714,081 shares.

15 Commitments and contingencies

- (a) We provided certain guarantees on behalf of Goro pursuant to which we guaranteed payments due from Goro of up to a maximum amount of \$ 100 million (Maximum Amount) in connection with an indemnity. We also provided additional guarantees covering the amounts payable by Goro regarding (a) amounts exceeding the Maximum Amount in connection with the indemnity and (b) certain other amounts under lease agreements.

Sumic Nickel Netherlands B.V. (Sumic), a 21% shareholder of Goro, has a put option to sell to Vale Inco 25%, 50%, or 100% of this share of Goro. The put option can be exercised if the defined cost of the initial Goro project exceeds \$4.2 billion at project rates and an agreement cannot be reached on how to proceed with the project.

We provided guarantees covering certain termination payments by Goro to the supplier under an electricity supply agreement (ESA) entered into in October 2004 for the Goro nickel-cobalt project. The amount of the termination payments guaranteed depends upon a number of factors, including whether any termination of the ESA occurs as a result of a default by Goro and the date of such an early termination. If Goro defaults under the ESA prior to the anticipated start date for electricity supply, the termination payment, which currently is at its maximum amount, would be 145 million euros. Once the supply of electricity under the ESA to the project begins, the guaranteed amounts will decrease over the life of the ESA.

- (b) We and our subsidiaries are defendants in numerous legal actions in the normal course of business. Based on the advice of our legal counsel, management believes that the amounts recognized are sufficient to cover probable losses in connection with such actions.

The provision for contingencies and the related judicial deposits are composed as follows:

| | June 30, 2008 (Unaudited) | | March 31, 2008 | |
|----------------------------------|---------------------------|----------------------|------------------|----------------------|
| | Provision for | Judicial deposits | Provision for | Judicial deposits |
| | contingencies | contingencies | contingencies | deposits |
| Labor and social security claims | 592 | 464 | 519 | 372 |
| Civil claims | 338 | 275 | 311 | 135 |
| Tax related actions | 1,009 | 530 | 1,605 | 613 |
| Others | 18 | 4 | 18 | 4 |
| | 1,957 | 1,273 | 2,453 | 1,124 |

Labor and social security related actions principally comprise claims by Brazilian employees and former employees for (i) payment of time spent traveling from their residences to the work-place, (ii) additional health and safety related payments and (iii) various other matters, often in connection with disputes about the amount of indemnities paid upon dismissal and the one-third extra holiday pay.

Civil actions principally related to claims made against us by contractors in Brazil in connection with losses alleged to have been incurred by them as a result of various past Government economic plans during which full inflation indexation of contracts was not permitted, as well, as for accidents and land appropriations disputes.

Tax tax-related actions principally comprise challenges initiated by us, on certain revenue taxes and value added taxes and uncertain tax positions. We continue to vigorously pursue our interests in all the above actions but recognize that we probably will incur some losses in the final instance, for which we have made provisions.

Judicial deposits are made by us following the courts requirements, in order to be entitled to either initiate or continue a legal action. These amounts are eventually released to us, upon receipt of a final favorable outcome from the legal action; in the case of unfavorable outcome, the deposits are delivered to the prevailing party.

Contingencies settled in June 30, 2008, March 31, 2008 and June 30, 2007 totaled US\$ 569, US\$ 128 and US\$ 114, respectively. Additional provisions totaled US\$ 73, US\$ 22 and US\$ 133, respectively, classified in other operating expenses.

In addition to the contingencies for which we have made provisions we are defendants on claims where in our opinion, and based on the advice of our legal counsel, the likelihood of loss is possible but not probable, in the total amount of US\$ 2,843 at June 30, 2008, and for which no provision has been made.

- (c) At the time of our privatization in 1997, we issued shareholder revenue interests instruments known in Brazil as debentures participatives to our then-existing shareholders, including the Brazilian Government. The terms of the debentures , were set to ensure that our pre-privatization shareholders, including the Brazilian Government, would participate alongside us in potential future financial benefits that we could be able to derive from exploiting our mineral resources.

On April 2008 we paid as remuneration of these debentures participatives the amounts of US\$ 5.

- (d) We use various judgments and assumptions when measuring our asset retirement obligations. Changes in circumstances, law or technology may affect our estimates and we periodically review the amounts accrued and adjust them as necessary. Our accruals do not reflect unasserted claims because we are currently not aware of any such issues. Also the amounts provided are not reduced by any potential recoveries under cost sharing, insurance or indemnification arrangements because such recoveries are considered uncertain.

The changes in the provisions for asset retirement obligations are as follows:

| | Three-month period ended | | | Six-month period ended | |
|---|--------------------------|----------------|---------------|------------------------|------------|
| | June 30, 2008 | March 31, 2008 | June 30, 2007 | June 30, (unaudited) | |
| | | | | 2008 | 2007 |
| Beginning of period | 975 | 975 | 699 | 975 | 676 |
| Accretion expense | 53 | 16 | 7 | 69 | 19 |
| Liabilities settled in the current period | (2) | (3) | (2) | (5) | (5) |
| Revisions in estimated cash flows | 9 | (11) | 56 | (2) | 70 |
| Cumulative translation adjustment | 66 | (2) | | 64 | |
| End of period | 1,101 | 975 | 760 | 1,101 | 760 |

16 Assets and liabilities measured at fair value on a recurring basis

From January 1, 2008, we adopted SFAS No. 157 Fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. However, on February 12, 2008, the FASB issued Staff Position 157-2 which delays the effective date of Statement 157 for all non financial assets and non financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. For items within its scope, this Staff Position defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008. The adoption of Statement 157 did not generate a material impact on our financial position, except for required disclosures about fair value measurements.

In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of SFAS No. 115 (SFAS 159). SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value in order to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement shall be effective as of the beginning of each reporting entity's first fiscal year that begins after November 15, 2007. The adoption of such pronouncement did not generate a material impact on the Company's financial position.

As required by SFAS 157, the following table discloses the assets and liabilities measured at fair value on a recurring basis (Unaudited):

| | Fair value at the reporting date using | |
|-------------------------------|--|--|
| | Quoted prices in active markets for identical assets or liabilities, Carrying amount | Quoted prices in active markets for identical assets or liabilities, (Level 2) |
| | (Level 1) | (Level 2) |
| Available-for-sale securities | 1,085 | 1,085 |

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| | | | |
|---------------------------------------|----------|---------|----------|
| Unrealized gains on derivatives | 841 | 841 | |
| Short-term debt | (46) | | (46) |
| Long-term debt | (20,290) | (6,408) | (13,882) |
| Other financial liabilities | (597) | | (597) |
| Long-term incentive compensation plan | 4 | 4 | |
| | 22 | | |

17 Segment and geographical information

We adopt SFAS 131 Disclosures about Segments of an Enterprise and Related Information with respect to the information we present about our operating segments. SFAS 131 introduced a management approach concept for reporting segment information, whereby such information is required to be reported on the basis that the chief decision-maker uses internally for evaluating segment performance and deciding how to allocate resources to segments. We analyze our segment information on aggregated and disaggregated basis as follows:

Consolidated net income and principal assets are reconciled as follows:

Results by segment before eliminations (Aggregated)

| June 30, 2008 | | | | | | | | | | | | March 31, 2008 | | | | Three-m | |
|---------------|------------|------------|-------------|--------------|--------------|--------------|--------------|-------------|------------|-------------|---------|----------------|--------------|--------------|------------|------------|----------|
| (*) Non | Aluminum | Logistics | Other | Eliminations | Consolidated | Ferrous | ferrous | (*) Non | Aluminum | Logistics | Other | Eliminations | Consolidated | Ferrous | ferrous | (*) Non | Aluminum |
| 939 | 934 | 10 | 101 | (3,652) | 9,006 | 5,578 | 2,861 | 859 | 21 | 72 | (2,727) | 6,664 | 5,158 | 3,976 | 975 | | |
| 196 | 217 | 481 | 59 | (238) | 1,891 | 880 | 91 | 193 | 365 | 56 | (201) | 1,384 | 859 | 159 | 164 | | |
| 454 | (951) | (308) | (133) | 3,890 | (4,633) | (4,500) | (1,302) | (925) | (244) | (134) | 2,928 | (4,177) | (4,010) | (1,507) | (866) | | |
| (76) | | (33) | (71) | | (269) | (50) | (70) | | (20) | (50) | | (190) | (31) | (80) | | | |
| 382 | (44) | (38) | (4) | | (760) | (288) | (399) | (42) | (30) | (7) | | (766) | (222) | (248) | (28) | | |
| 223 | 156 | 112 | (48) | | 5,235 | 1,620 | 1,181 | 85 | 92 | (63) | | 2,915 | 1,754 | 2,300 | 245 | | |
| 196 | 5 | 2 | | (757) | 23 | 665 | 217 | 3 | 2 | | (832) | 55 | 668 | 209 | 4 | | |
| 383 | (10) | (1) | | 757 | (349) | (988) | (379) | (20) | (3) | (2) | 832 | (560) | (1,085) | (319) | (76) | | |
| 51 | (12) | | | | 724 | (68) | (123) | (127) | | | | (318) | 228 | (47) | (13) | | |
| 9 | 113 | (1) | 10 | | 769 | 134 | (28) | 20 | (2) | (12) | | 112 | 888 | (13) | 61 | | |
| | | | | | | | 80 | | | | | 80 | | | | | |
| | 8 | (41) | 57 | | 260 | 52 | | 14 | 34 | 19 | | 119 | 70 | | 20 | | |
| 424 | (75) | | | | (1,506) | (21) | (331) | (17) | | 11 | | (358) | (655) | (661) | (73) | | |
| (61) | (85) | | (11) | | (147) | 2 | (46) | 20 | | | | (24) | (14) | (150) | (56) | | |
| 611 | 100 | 71 | 8 | | 5,009 | 1,396 | 571 | (22) | 123 | (47) | | 2,021 | 1,854 | 1,319 | 112 | | |

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| | | | | | | | | | | | | | | | |
|------------|--------------|------------|------------|----------------|---------------|--------------|--------------|--------------|------------|------------|----------------|--------------|--------------|--------------|--------------|
| 378 | 302 | | | (295) | 931 | 323 | 341 | 192 | 1 | | (203) | 654 | 363 | 342 | 281 |
| 541 | 107 | | | (92) | 767 | 80 | 583 | 104 | 1 | | (75) | 693 | 120 | 731 | 42 |
| 710 | 330 | | | (1,294) | 2,649 | 1,883 | 689 | 373 | 16 | 1 | (1,067) | 1,895 | 1,667 | 687 | 482 |
| 91 | 22 | | 39 | (215) | 453 | 240 | 58 | 44 | | | (130) | 212 | 235 | 66 | 15 |
| 399 | 164 | | 34 | (382) | 1,200 | 618 | 341 | 136 | 1 | 39 | (260) | 875 | 517 | 651 | 155 |
| 218 | | 10 | | (1,047) | 1,884 | 1,874 | 296 | 10 | 1 | | (796) | 1,385 | 1,889 | 503 | |
| 602 | 9 | | 28 | (327) | 1,122 | 560 | 553 | | 1 | 32 | (196) | 950 | 367 | 996 | |
| 939 | 934 | 10 | 101 | (3,652) | 9,006 | 5,578 | 2,861 | 859 | 21 | 72 | (2,727) | 6,664 | 5,158 | 3,976 | 975 |
| 196 | 217 | 481 | 59 | (238) | 1,891 | 880 | 91 | 193 | 365 | 56 | (201) | 1,384 | 859 | 159 | 164 |
| 135 | 1,151 | 491 | 160 | (3,890) | 10,897 | 6,458 | 2,952 | 1,052 | 386 | 128 | (2,928) | 8,048 | 6,017 | 4,135 | 1,139 |

(*) Other than
Aluminum.

Operating segment after eliminations (Disaggregated)

As of and for the three-month period ended (unaudited)
June 30, 2008

| Operating segment | Revenues | | | Value added tax | Net revenues | Cost and expenses | Depreciation, depletion and amortization | Operating income | Intangible assets | Addition to Property, Plant and Equipment, Net and Investments | | |
|-------------------------------|--------------|--------------|---------------|-----------------|---------------|-------------------|--|------------------|-------------------|--|-------------------|--------------|
| | Foreign | Domestic | Total | | | | | | | Property, Plant and Equipment, Net | Intangible assets | Investments |
| Ferrous | | | | | | | | | | | | |
| Iron ore | 4,242 | 706 | 4,948 | (85) | 4,863 | (1,508) | 3,355 | (245) | 3,110 | 18,825 | 913 | 69 |
| Pellets | 966 | 216 | 1,182 | (49) | 1,133 | (656) | 477 | (39) | 438 | 1,455 | 41 | 982 |
| Manganese | 70 | 13 | 83 | (3) | 80 | (20) | 60 | (3) | 57 | 84 | | |
| Ferroalloys | 223 | 159 | 382 | (40) | 342 | (123) | 219 | (9) | 210 | 171 | 1 | |
| Pig iron | 57 | | 57 | | 57 | (32) | 25 | (1) | 24 | 209 | 1 | |
| | 5,558 | 1,094 | 6,652 | (177) | 6,475 | (2,339) | 4,136 | (297) | 3,839 | 20,744 | 956 | 1,051 |
| Non ferrous | | | | | | | | | | | | |
| Nickel and other products (*) | 2,363 | 12 | 2,375 | | 2,375 | (1,040) | 1,335 | (342) | 993 | 23,733 | 544 | 151 |
| Potash | | 105 | 105 | (5) | 100 | (40) | 60 | (6) | 54 | 162 | 3 | |
| Kaolin | 44 | 10 | 54 | (3) | 51 | (61) | (10) | (9) | (19) | 286 | 2 | |
| Copper concentrate | 248 | 69 | 317 | (15) | 302 | (139) | 163 | (21) | 142 | 2,204 | 69 | |
| Aluminum products | 640 | 88 | 728 | (21) | 707 | (560) | 147 | (43) | 104 | 5,294 | 197 | 107 |
| | 3,295 | 284 | 3,579 | (44) | 3,535 | (1,840) | 1,695 | (421) | 1,274 | 31,679 | 815 | 258 |
| Logistics | | | | | | | | | | | | |
| Railroads | | 381 | 381 | (64) | 317 | (218) | 99 | (30) | 69 | 2,012 | 23 | 297 |
| Ports | | 81 | 81 | (10) | 71 | (47) | 24 | (7) | 17 | 1,912 | 41 | |
| Ships | | | | | | | | | | 33 | | 127 |
| | | 462 | 462 | (74) | 388 | (265) | 123 | (37) | 86 | 3,957 | 64 | 424 |
| Others | 153 | 51 | 204 | (2) | 202 | (161) | 41 | (5) | 36 | 3,602 | 270 | 1,391 |
| | 9,006 | 1,891 | 10,897 | (297) | 10,600 | (4,605) | 5,995 | (760) | 5,235 | 59,982 | 2,105 | 3,124 |

(* Includes nickel
co-products and
by-products
(copper,
precious metals,
cobalt and
others).

Operating segment after eliminations (Disaggregated)

As of and for the three-month period ended (unaudited)
March 31, 2008

| | Revenues | | | Value added | Net revenues | Cost and expenses | Depreciation, depletion and amortization | operating income | Intangible assets | Addition to Property, Plant and Equipment, and Net Investment | | |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|-------------------|--|------------------|-------------------|---|--------------|--------------|
| | Foreign | Domestic | Total | | | | | | | tax | and | and |
| Ferrous | | | | | | | | | | | | |
| Iron ore | 2,606 | 510 | 3,116 | (73) | 3,043 | (1,467) | 1,576 | (245) | 1,331 | 17,304 | 664 | 61 |
| Pellets | 506 | 173 | 679 | (40) | 639 | (470) | 169 | (29) | 140 | 766 | 12 | 798 |
| Manganese | 31 | 9 | 40 | (2) | 38 | (20) | 18 | (1) | 17 | 82 | 1 | |
| Ferroalloys | 177 | 113 | 290 | (28) | 262 | (124) | 138 | (6) | 132 | 160 | 2 | |
| Pig iron | 29 | | 29 | | 29 | (14) | 15 | (2) | 13 | 198 | | |
| | 3,349 | 805 | 4,154 | (143) | 4,011 | (2,095) | 1,916 | (283) | 1,633 | 18,510 | 679 | 859 |
| Non ferrous | | | | | | | | | | | | |
| Nickel and other products (*) | 2,378 | 13 | 2,391 | | 2,391 | (980) | 1,411 | (372) | 1,039 | 23,376 | 481 | 148 |
| Potash | | 64 | 64 | (4) | 60 | (29) | 31 | (7) | 24 | 218 | 3 | |
| Kaolin | 42 | 11 | 53 | (2) | 51 | (56) | (5) | (7) | (12) | 264 | 7 | |
| Copper concentrate | 222 | 1 | 223 | | 223 | (106) | 117 | (17) | 100 | 1,898 | 52 | |
| Aluminum products | 561 | 85 | 646 | (17) | 629 | (510) | 119 | (42) | 77 | 4,703 | 104 | 99 |
| | 3,203 | 174 | 3,377 | (23) | 3,354 | (1,681) | 1,673 | (445) | 1,228 | 30,459 | 647 | 247 |
| Logistics | | | | | | | | | | | | |
| Railroads | | 296 | 296 | (37) | 259 | (172) | 87 | (25) | 62 | 1,748 | 13 | 375 |
| Ports | 11 | 55 | 66 | (5) | 61 | (45) | 16 | (6) | 10 | 1,677 | 44 | |
| Ships | | | | | | | | | | 34 | | 110 |
| | 11 | 351 | 362 | (42) | 320 | (217) | 103 | (31) | 72 | 3,459 | 57 | 485 |
| Others | 101 | 54 | 155 | (8) | 147 | (158) | (11) | (7) | (18) | 2,951 | 242 | 1,351 |
| | 6,664 | 1,384 | 8,048 | (216) | 7,832 | (4,151) | 3,681 | (766) | 2,915 | 55,379 | 1,625 | 2,942 |

(* Includes nickel
co-products and
by-products
(copper,
precious metals,
cobalt and
others).

Operating segment after eliminations (Disaggregated)

As of and for the three-month period ended (unaudited)
June 30, 2007

| | Revenues | | | Value added | Net revenues | Cost and expenses | Depreciation, depletion and amortization | Operating income | Intangible assets | Addition to Property, Plant and Equipment, and Net Investment | | |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|-------------------|--|------------------|-------------------|---|--------------|--------------|
| | Foreign | Domestic | Total | | | | | | | tax | and | and |
| Ferrous | | | | | | | | | | | | |
| Iron ore | 2,384 | 515 | 2,899 | (64) | 2,835 | (1,052) | 1,783 | (186) | 1,597 | 14,691 | 632 | 49 |
| Pellets | 563 | 118 | 681 | (26) | 655 | (450) | 205 | (20) | 185 | 778 | 44 | 591 |
| Manganese | 16 | 5 | 21 | (1) | 20 | (17) | 3 | (2) | 1 | 72 | 1 | |
| Ferroalloys | 80 | 53 | 133 | (13) | 120 | (102) | 18 | (7) | 11 | 191 | 4 | |
| Pig iron | 18 | | 18 | | 18 | (13) | 5 | | 5 | | | |
| | 3,061 | 691 | 3,752 | (104) | 3,648 | (1,634) | 2,014 | (215) | 1,799 | 15,732 | 681 | 640 |
| Non ferrous | | | | | | | | | | | | |
| Nickel and other products (*) | 3,514 | 58 | 3,572 | | 3,572 | (1,203) | 2,369 | (220) | 2,149 | 22,070 | 439 | 372 |
| Potash | | 39 | 39 | (3) | 36 | (24) | 12 | (6) | 6 | 197 | 3 | |
| Kaolin | 47 | 8 | 55 | (2) | 53 | (62) | (9) | (7) | (16) | 292 | 1 | |
| Copper concentrate | 217 | 50 | 267 | (11) | 256 | (116) | 140 | (19) | 121 | 1,612 | 41 | |
| Aluminum products | 652 | 72 | 724 | (18) | 706 | (438) | 268 | (26) | 242 | 3,702 | 441 | 142 |
| | 4,430 | 227 | 4,657 | (34) | 4,623 | (1,843) | 2,780 | (278) | 2,502 | 27,873 | 925 | 514 |
| Logistics | | | | | | | | | | | | |
| Railroads | | 333 | 333 | (52) | 281 | (165) | 116 | (21) | 95 | 793 | 5 | 346 |
| Ports | | 66 | 66 | (12) | 54 | (45) | 9 | (7) | 2 | 1,061 | 13 | |
| Ships | 5 | 10 | 15 | (1) | 14 | (15) | (1) | | (1) | 39 | 4 | |
| | 5 | 409 | 414 | (65) | 349 | (225) | 124 | (28) | 96 | 1,893 | 22 | 346 |
| Others | 53 | 23 | 76 | (4) | 72 | (86) | (14) | (4) | (18) | 2,200 | 5 | 946 |
| | 7,549 | 1,350 | 8,899 | (207) | 8,692 | (3,788) | 4,904 | (525) | 4,379 | 47,698 | 1,633 | 2,446 |

(* Includes nickel
co-products and
by-products
(copper,
precious metals,
cobalt and
others).

| Operating segment | after eliminations (Disaggregated) | | | | | | Six-month period ended June 30, (unaudited) | | | | | | | |
|------------------------|------------------------------------|----------|-----------|-------|--------------|--------------|---|----------|-----------|---------|--------------|--------------|---------|----------|
| | 2008 | | | | | | 2008 | | | | | | | |
| | (*) | | | | | | (*) | | | | | | | |
| | Non | Non | Non | Non | Non | Non | Non | Non | Non | Non | Non | Non | Non | Non |
| | Ferrous | Aluminum | Logistics | Other | Eliminations | Consolidated | Ferrous | Aluminum | Logistics | Other | Eliminations | Consolidated | Ferrous | Aluminum |
| Operating segment | | | | | | | | | | | | | | |
| Operating revenues | 14,252 | 5,800 | 1,793 | 31 | 173 | (6,379) | 15,670 | 9,573 | 7,458 | 1,788 | 28 | 70 | (4,826) | 14,252 |
| Operating expenses | (10,177) | (2,756) | (1,876) | (552) | (267) | 6,818 | (8,810) | (7,417) | (4,071) | (1,563) | (473) | (86) | 5,294 | (10,177) |
| Operating income | 4,075 | 3,044 | (83) | (521) | (94) | (1,447) | 6,860 | 2,156 | 1,387 | 2,251 | (501) | (156) | (818) | 4,075 |
| Other income | 1,242 | 413 | 8 | 4 | | (1,589) | 78 | 1,196 | 292 | 8 | 5 | 25 | (1,328) | 1,242 |
| Other expenses | (1,700) | (762) | (30) | (4) | (2) | 1,589 | (909) | (2,224) | (422) | (96) | (3) | (3) | 1,328 | (1,700) |
| Income (losses) on | | | | | | | | | | | | | | |
| Investments, net | 617 | (72) | (139) | | | | 406 | 364 | (104) | (7) | | | | 617 |
| Foreign exchange | | | | | | | | | | | | | | |
| Monetary gains | | | | | | | | | | | | | | |
| (losses), net | 772 | (19) | 133 | (3) | (2) | | 881 | 1,623 | (21) | 106 | (8) | 2 | | 772 |
| Gain on sale of | | | | | | | | | | | | | | |
| Intangibles | | 80 | | | | | 80 | | | | 217 | 457 | | |
| Gain in results of | | | | | | | | | | | | | | |
| Dispositions and joint | | | | | | | | | | | | | | |
| Ventures and | | | | | | | | | | | | | | |
| Dispositions | 288 | | 22 | (7) | 76 | | 379 | 153 | | 42 | 50 | 49 | | 288 |
| Income taxes | (1,028) | (755) | (92) | | 11 | | (1,864) | (1,049) | (861) | (118) | (10) | | | (1,028) |
| Minority interests | 12 | (107) | (65) | | (11) | | (171) | (35) | (238) | (158) | (1) | | | 12 |
| Income | 5,615 | 1,182 | 78 | 194 | (39) | | 7,030 | 3,347 | 1,765 | 277 | 487 | 436 | | 5,615 |
| Income classified by | | | | | | | | | | | | | | |
| Geographic | | | | | | | | | | | | | | |
| Location: | | | | | | | | | | | | | | |
| Latin American market | | | | | | | | | | | | | | |
| Latin America, except | | | | | | | | | | | | | | |
| United States | 869 | 719 | 494 | 1 | | (498) | 1,585 | 663 | 718 | 484 | 20 | | (514) | 869 |
| United States | 291 | 1,124 | 211 | 1 | | (167) | 1,460 | 215 | 1,381 | 111 | | 40 | (145) | 291 |
| Europe | 4,786 | 1,399 | 703 | 16 | 1 | (2,361) | 4,544 | 3,040 | 1,238 | 830 | 3 | | (1,692) | 4,786 |
| Asia | | | | | | | | | | | | | | |
| Africa/Oceania | 756 | 149 | 66 | | 39 | (345) | 665 | 429 | 177 | 59 | | 30 | (192) | 756 |
| Other | 1,603 | 740 | 300 | 1 | 73 | (642) | 2,075 | 942 | 1,177 | 304 | | | (426) | 1,603 |
| Total | 4,577 | 514 | 10 | 11 | | (1,843) | 3,269 | 3,551 | 771 | | 4 | | (1,491) | 4,577 |

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| | | | | | | | | | | | | | | |
|-------------------------|---------------|--------------|--------------|------------|------------|----------------|---------------|---------------|--------------|--------------|------------|-----------|----------------|----|
| Other than and China | 1,370 | 1,155 | 9 | 1 | 60 | (523) | 2,072 | 733 | 1,996 | | 1 | | (366) | 2 |
| | 14,252 | 5,800 | 1,793 | 31 | 173 | (6,379) | 15,670 | 9,573 | 7,458 | 1,788 | 28 | 70 | (4,826) | 14 |
| stic market | 2,056 | 287 | 410 | 846 | 115 | (439) | 3,275 | 1,629 | 268 | 323 | 736 | | (468) | 2 |
| | 16,308 | 6,087 | 2,203 | 877 | 288 | (6,818) | 18,945 | 11,202 | 7,726 | 2,111 | 764 | 70 | (5,294) | 10 |

(*) Other than
Aluminum.

Operating segment after eliminations (Disaggregated)

Six-month period ended June 30, (unaudited)
2008

| | Revenues | | | Value added tax | Net revenues | Cost and expenses | Depreciation, depletion and amortization | Operating income | Property, Plant and Equipment, Net | Addition to Property, Plant and Equipment | Intangible assets | Investments |
|-------------------------------|---------------|--------------|---------------|-----------------|---------------|-------------------|--|------------------|------------------------------------|---|-------------------|--------------|
| | Foreign | Domestic | Total | | | | | | | | | |
| Ferrous | | | | | | | | | | | | |
| Iron ore | 6,848 | 1,216 | 8,064 | (158) | 7,906 | (2,975) | 4,931 | (490) | 4,441 | 18,825 | 1,577 | 69 |
| Pellets | 1,472 | 389 | 1,861 | (89) | 1,772 | (1,126) | 646 | (68) | 578 | 1,455 | 53 | 982 |
| Manganese | 101 | 22 | 123 | (5) | 118 | (40) | 78 | (4) | 74 | 84 | 1 | |
| Ferroalloys | 400 | 272 | 672 | (68) | 604 | (247) | 357 | (15) | 342 | 171 | 3 | |
| Pig iron | 86 | | 86 | | 86 | (46) | 40 | (3) | 37 | 209 | 1 | |
| | 8,907 | 1,899 | 10,806 | (320) | 10,486 | (4,434) | 6,052 | (580) | 5,472 | 20,744 | 1,635 | 1,051 |
| Non ferrous | | | | | | | | | | | | |
| Nickel and other products (*) | 4,741 | 25 | 4,766 | | 4,766 | (2,020) | 2,746 | (714) | 2,032 | 23,733 | 1,025 | 151 |
| Potash | | 169 | 169 | (9) | 160 | (69) | 91 | (13) | 78 | 162 | 6 | |
| Kaolin | 86 | 21 | 107 | (5) | 102 | (117) | (15) | (16) | (31) | 286 | 9 | |
| Copper concentrate | 470 | 70 | 540 | (15) | 525 | (245) | 280 | (38) | 242 | 2,204 | 121 | |
| Aluminum products | 1,201 | 173 | 1,374 | (38) | 1,336 | (1,070) | 266 | (85) | 181 | 5,294 | 301 | 107 |
| | 6,498 | 458 | 6,956 | (67) | 6,889 | (3,521) | 3,368 | (866) | 2,502 | 31,679 | 1,462 | 258 |
| Logistics | | | | | | | | | | | | |
| Railroads | | 677 | 677 | (101) | 576 | (390) | 186 | (55) | 131 | 2,012 | 36 | 297 |
| Ports | 11 | 136 | 147 | (15) | 132 | (92) | 40 | (13) | 27 | 1,912 | 85 | |
| Ships | | | | | | | | | | 33 | | 127 |
| | 11 | 813 | 824 | (116) | 708 | (482) | 226 | (68) | 158 | 3,957 | 121 | 424 |
| Others | 254 | 105 | 359 | (10) | 349 | (319) | 30 | (12) | 18 | 3,602 | 512 | 1,391 |
| | 15,670 | 3,275 | 18,945 | (513) | 18,432 | (8,756) | 9,676 | (1,526) | 8,150 | 59,982 | 3,730 | 3,124 |

(*) Includes
nickel
co-products and
by-products
(copper,
precious metals,
cobalt and
others).

Operating segment after eliminations (Disaggregated)

| | Six-month period ended June 30, (unaudited) 2007 | | | | | | | | | | | |
|-------------------------------------|---|--------------|---------------|-----------------------|-----------------|--------------------------|---|---------------------|----------------------|---|--------------|--------------|
| | Revenues | | | | Net expenses | Cost and depletion | Depreciation, depletion and amortization | Operating income | Intangible assets | Addition to Property, Plant and Equipment, Net Equipment | Investments | |
| | Foreign | Domestic | Total | Value added tax | | | | | | | | |
| Ferrous | | | | | | | | | | | | |
| Iron ore | 4,359 | 990 | 5,349 | (136) | 5,213 | (1,852) | 3,361 | (359) | 3,002 | 14,691 | 979 | 49 |
| Pellets | 1,071 | 224 | 1,295 | (49) | 1,246 | (859) | 387 | (38) | 349 | 778 | 54 | 591 |
| Manganese | 19 | 8 | 27 | (2) | 25 | (26) | (1) | (3) | (4) | 72 | 1 | |
| Ferroalloys | 174 | 96 | 270 | (24) | 246 | (209) | 37 | (11) | 26 | 191 | 7 | |
| Pig iron | | | | | | | | | | | | |
| | 5,623 | 1,318 | 6,941 | (211) | 6,730 | (2,946) | 3,784 | (411) | 3,373 | 15,732 | 1,041 | 640 |
| Non ferrous | | | | | | | | | | | | |
| Nickel and other products (*) | 6,670 | 101 | 6,771 | | 6,771 | (3,536) | 3,235 | (346) | 2,889 | 22,070 | 873 | 372 |
| Potash | | 71 | 71 | (5) | 66 | (45) | 21 | (11) | 10 | 197 | 9 | |
| Kaolin | 89 | 16 | 105 | (4) | 101 | (112) | (11) | (14) | (25) | 292 | 32 | |
| Copper concentrate | 338 | 75 | 413 | (16) | 397 | (193) | 204 | (30) | 174 | 1,612 | 81 | |
| Aluminum products | 1,229 | 144 | 1,373 | (36) | 1,337 | (802) | 535 | (46) | 489 | 3,702 | 570 | 142 |
| | 8,326 | 407 | 8,733 | (61) | 8,672 | (4,688) | 3,984 | (447) | 3,537 | 27,873 | 1,565 | 514 |
| Logistics | | | | | | | | | | | | |
| Railroads | | 575 | 575 | (93) | 482 | (276) | 206 | (42) | 164 | 793 | 13 | 346 |
| Ports | 3 | 129 | 132 | (24) | 108 | (83) | 25 | (10) | 15 | 1,061 | 20 | |
| Ships | 16 | 22 | 38 | (3) | 35 | (38) | (3) | (2) | (5) | 39 | 12 | |
| | 19 | 726 | 745 | (120) | 625 | (397) | 228 | (54) | 174 | 1,893 | 45 | 346 |
| Others | 123 | 37 | 160 | (6) | 154 | (152) | 2 | (5) | (3) | 2,200 | 88 | 946 |
| | 14,091 | 2,488 | 16,579 | (398) | 16,181 | (8,183) | 7,998 | (917) | 7,081 | 47,698 | 2,739 | 2,446 |

(*) Includes
nickel
co-products and
by-products
(copper,
precious metals,
cobalt and
others).

18 Derivative financial instruments

We address some market risks through the use of derivative instruments. Considering the nature of our business and operations, the principal market risks we face are:

interest rate risk,

exchange rate risk, and

product price risk.

We hedge our market risk only when considered necessary to support our corporate strategy or to maintain our target level of financial flexibility. Our risk management activities are conducted in accordance with the risk management policy, which generally prohibits speculative trading. We monitor and evaluate our overall position regularly in order to evaluate financial results and impact on our cash flow.

Considering the derivatives entered into since January 1, 2007, the contracts set with the objective of protecting against aluminum price volatility were designated as cash flow hedges. The effect of hedge accounting was not relevant to date.

The asset (liability) balances and the change in fair value of derivative financial instruments are as follows (unaudited):

| | Interest rates (LIBOR) / Currencies | Gold | Products of aluminum area | Copper | Nickel | Platinum | Total |
|---|--|-------------|--|---------------|---------------|-----------------|--------------|
| Unrealized gains (losses) at April 1, 2008 | 600 | (34) | (248) | (244) | 6 | (31) | 49 |
| Financial settlement | (137) | 10 | 63 | 76 | (15) | 11 | 8 |
| Unrealized gains (losses) in the period | 655 | 5 | 16 | 24 | 44 | 2 | 746 |
| Effect of exchange rate changes | 83 | (2) | (20) | (22) | 2 | (3) | 38 |
| Unrealized gains (losses) at June 30, 2008 | 1,201 | (21) | (189) | (166) | 37 | (21) | 841 |
| Unrealized gains (losses) at January 1, 2008 | 626 | (36) | (98) | (188) | 42 | (24) | 322 |
| Financial settlement | (27) | 11 | 25 | 61 | 9 | 9 | 79 |
| Unrealized gains (losses) in the period | (10) | (8) | (174) | (117) | (36) | (16) | (361) |
| Effect of exchange rate changes | 11 | (1) | (1) | | | | 9 |

| | | | | | | | |
|--|--------------|-------------|--------------|--------------|-----------|-------------|--------------|
| Unrealized gains (losses) at March 31, 2008 | 600 | (34) | (248) | (244) | 6 | (31) | 49 |
| Unrealized gains (losses) at April 1, 2007 | 155 | (46) | (293) | (306) | (20) | (26) | (536) |
| Financial settlement | (82) | 4 | 39 | 69 | 24 | 4 | 58 |
| Unrealized gains (losses) in the period | 273 | 8 | (18) | (117) | 24 | (2) | 168 |
| Effect of exchange rate changes | 17 | (3) | (20) | (1) | | | (7) |
| Unrealized gains (losses) at June 30, 2007 | 363 | (37) | (292) | (355) | 28 | (24) | (317) |
| Unrealized gains (losses) at January 1, 2008 | 626 | (36) | (98) | (188) | 42 | (24) | 322 |
| Financial settlement | (164) | 21 | 88 | 137 | (15) | 20 | 87 |
| Unrealized gains (losses) in the period | 645 | (3) | (158) | (93) | 8 | (14) | 385 |
| Effect of exchange rate changes | 94 | (3) | (21) | (22) | 2 | (3) | 47 |
| Unrealized gains (losses) at June 30, 2008 | 1,201 | (21) | (189) | (166) | 37 | (21) | 841 |
| Unrealized gains (losses) at January 1, 2007 | (10) | (53) | (318) | (298) | 16 | (20) | (683) |
| Financial settlement | (80) | 16 | 68 | 107 | 12 | 4 | 127 |
| Unrealized gains (losses) in the period | 432 | 5 | (10) | (166) | | (8) | 253 |
| Effect of exchange rate changes | 21 | (5) | (32) | 2 | | | (14) |
| Unrealized gains (losses) at June 30, 2007 | 363 | (37) | (292) | (355) | 28 | (24) | (317) |

Final maturity dates for the above instruments are as follows:

| | |
|-------------------------------|---------------|
| Gold | December 2008 |
| Interest rates/ Currencies | December 2019 |
| Products of the aluminum area | December 2008 |
| Copper concentrate | December 2008 |
| Nickel | August 2010 |
| Platinum | December 2008 |

We consider the effective management of risk a key objective to support our growth strategy and financial flexibility. In furtherance of this objective, the Board of Directors has established an enterprise market risk management policy and a risk management committee. Under the policy, we measure, monitor, and manage risk at the portfolio level, using a single framework, and consider the natural diversification of our portfolio. We hedge our market risk only when considered necessary to support our corporate strategy or to maintain our target level of financial flexibility. The risk management committee assists our Executive Directors in overseeing and reviewing information regarding our enterprise risk management and framework, including the significant policies, procedures and practices employed to manage risk. Our enterprise risk management policy is designed to promote an effective risk management system and to ensure that enterprise-level risks are reported at least quarterly to the risk management committee.

Under US GAAP, all derivatives, whether designated in hedging relationships or not, are required to be recorded in the balance sheet at fair value. A derivative must be designated in a hedging relationship in order to qualify for hedge accounting. These requirements include a determination of what portions of hedges are deemed to be effective versus ineffective. In general, a hedging relationship is effective when a change in the fair value of the derivative is offset by an equal and opposite change in the fair value of the underlying hedged item. In accordance with these requirements, effectiveness tests are performed in order to assess effectiveness and quantify ineffectiveness for all designated hedges. At June 30, 2008, we had outstanding cash flow hedges. A cash flow hedge is a hedge of the exposure to variability in expected future cash flows that is attributable to a particular risk such as a forecasted purchase or sale. If a derivative is designated as a cash flow hedge, the effective portions of the changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in earnings when the hedged item affects earnings. Ineffective portions of changes in the fair value of the derivatives designated as hedges are recognized in earnings. Under US GAAP, if a portion of a derivative contract is excluded for purposes of effectiveness testing, such as time value, the value of such excluded portion is included in earnings. At June 30, 2008, unrealized net gains in respect of derivative instruments which were not qualified for hedge accounting under US GAAP amounted to US\$ 406.

Over-the-counter (OTC) forward and zero-cost collar aluminum contracts are used to reduce the effect of fluctuations in the price of aluminum with respect to forecasted sales of aluminum and alumina. These contracts have been designated as a hedge to our exposure to variability in future cash flows associated with our aluminum and alumina sales. There was no hedge ineffectiveness regarding these contracts since the inception of our cash flow hedge accounting program. At June 30, 2008, US\$ 21 of deferred net losses on derivative instruments was recorded in other comprehensive income. The maximum term over which cash flows are hedged is 24 months.

19 Subsequents events

In July, 2008, we issued 80,079,223 common ADS, 176,847,543 common shares, 63,506,751 preferred ADS and 100,896,048 preferred shares through a global offering. As a consequent we capitalized US\$ 11,561, with an increase in the preferred stock of US\$ 4,110, corresponding to 164,402,799 shares and an increase in the common stock of US\$ 7,451, corresponding to 256,926,766 shares. In August, 2008, we issued additional 24,660,419 preferred shares, representing an increase of US\$ 628. After the closing of the operation, the social capital

increased by US\$ 12,189.

Supplemental Financial Information (Unaudited)

The following unaudited information provides additional details in relation to certain financial ratios.

EBITDA Earnings Before Financial Expenses, Minority Interests, Gain on Sale of Investments, Foreign Exchange and Monetary Gains (Losses), Equity in Results of Affiliates and Joint Ventures and Change in Provision for Losses on Equity Investments, Income Taxes, Depreciation and Amortization

- (a) EBITDA represents operating income plus depreciation, amortization and depletion plus impairment/gain on sale of property, plant and equipment plus dividends received from equity investees.
- (b) EBITDA is not a U.S. GAAP measure and does not represent cash flow for the periods presented and should not be considered as an alternative to net income (loss), as an indicator of our operating performance or as an alternative to cash flow as a source of liquidity.
- (c) Our definition of EBITDA may not be comparable with EBITDA as defined by other companies.
- (d) Although EBITDA, as defined above, does not provide a U.S. GAAP measure of operating cash flows, our management uses it to measure our operating performance and financial analysts in evaluating our business commonly use it.

Selected financial indicators for the main affiliates and joint ventures are available on our website, www.vale.com, under investor relations

Indexes on Vale's Consolidated Debt (Supplemental information - unaudited)

| | Three-month period ended | | | Six-month period ended | |
|---|--------------------------|----------------|---------------|------------------------|---------------|
| | June 30, 2008 | March 31, 2008 | June 30, 2007 | 2008 | 2007 |
| Current debt | | | | | |
| Current portion of long-term debt unrelated parties | 730 | 1,301 | 755 | 730 | 755 |
| Short-term debt | 46 | 291 | | 46 | |
| Loans from related parties | 36 | 22 | 35 | 36 | 35 |
| | 812 | 1,614 | 790 | 812 | 790 |
| Long-term debt | | | | | |
| Long-term debt - unrelated parties | 19,560 | 18,909 | 18,284 | 19,560 | 18,284 |
| Loans from related parties | | | 1 | | 1 |
| | 19,560 | 18,909 | 18,285 | 19,560 | 18,285 |
| Gross debt (current plus long-term debt) | 20,372 | 20,523 | 19,075 | 20,372 | 19,075 |
| Interest paid over: | | | | | |
| Short-term debt | (5) | (5) | (39) | (10) | (40) |
| Long-term debt | (357) | (279) | (399) | (636) | (604) |
| Interest paid | (362) | (284) | (438) | (646) | (644) |
| EBITDA | 6,218 | 3,729 | 5,057 | 9,947 | 8,241 |
| Stockholders' equity | 41,705 | 35,018 | 29,085 | 41,705 | 29,085 |
| LTM (2) EBITDA / LTM (2) Interest paid | 13.04 | 11.52 | 13.00 | 13.04 | 13.00 |
| Gross Debt / LTM (2) EBITDA | 1.17 | 1.26 | 1.40 | 1.17 | 1.40 |
| Gross debt / Equity Capitalization (%) | 33 | 37 | 40 | 33 | 40 |
| Financial expenses | | | | | |
| Third party - local debt | (179) | (153) | (140) | (332) | (263) |
| Third party - foreign debt | (73) | (159) | (220) | (232) | (462) |
| Related party debt | (2) | (1) | (1) | (3) | (3) |
| Gross interest | (254) | (313) | (361) | (567) | (728) |
| Labor and civil claims and tax-related actions | (8) | (45) | (25) | (53) | (40) |
| Tax on financial transactions | | | | | |
| CPMF | | (3) | (32) | (3) | (85) |
| Others | (87) | (199) | (258) | (286) | (567) |

| | (349) | (560) | (676) | (909) | (1,420) |
|---|--------------|--------------|--------------|--------------|--------------|
| Financial income | | | | | |
| Cash and cash equivalents | 22 | 29 | 33 | 51 | 57 |
| Others | 1 | 26 | 44 | 27 | 141 |
| | 23 | 55 | 77 | 78 | 198 |
| Derivatives | | | | | |
| Derivatives (Interest rate / Currencies) | 655 | (10) | 273 | 645 | 432 |
| Derivatives (Gold / Aluminium Products / Copper / Energy) | 69 | (308) | (105) | (239) | (179) |
| | 724 | (318) | 168 | 406 | 253 |
| Financial income (expenses), net | 398 | (823) | (431) | (425) | (969) |
| Foreign exchange and monetary gain (losses), net (1) | 769 | 112 | 932 | 881 | 1,702 |
| Financial result, net | 1,167 | (711) | 501 | 456 | 733 |

(1) Includes foreign exchange gains on derivatives in the amount of US\$7, US\$7, US\$14, US\$15 and US\$24 for the three-month period ended June 30, 2008, March 31, 2008, June 30, 2007 and for the six-month periods June 30, 2008 and June 30, 2007, respectively.

(2) Last twelve months

Calculation of EBITDA (Supplemental information Unaudited)

| | Three-month period ended | | | Six-month period ended | |
|------------------------|--------------------------|----------------|---------------|------------------------|---------------|
| | June 30, 2008 | March 31, 2008 | June 30, 2007 | 2008 | June 30, 2007 |
| Operating income | 5,235 | 2,915 | 4,379 | 8,150 | 7,081 |
| Depreciation | 760 | 766 | 525 | 1,526 | 917 |
| | 5,995 | 3,681 | 4,904 | 9,676 | 7,998 |
| Dividends received | 223 | 48 | 153 | 271 | 243 |
| EBITDA | 6,218 | 3,729 | 5,057 | 9,947 | 8,241 |
| Net operating revenues | 10,600 | 7,832 | 8,692 | 18,432 | 16,181 |
| Margin EBITDA | 58.7% | 47.6% | 58.2% | 54.0% | 50.9% |

Adjusted EBITDA x Operating Cash Flows (Supplemental information Unaudited)

| | June 30, 2008 | | March 31, 2008 | | Three-month period ended June 30, 2007 | |
|--|---------------|----------------------|----------------|----------------------|--|----------------------|
| | EBITDA | Operating cash flows | EBITDA | Operating cash flows | EBITDA | Operating cash flows |
| Net income | 5,009 | 5,009 | 2,021 | 2,021 | 4,095 | 4,095 |
| Income tax deferred | 333 | 333 | (296) | (296) | (87) | (87) |
| Income tax current | 1,173 | | 654 | | 1,483 | |
| Equity in results of affiliates and joint ventures and other investments | (260) | (260) | (119) | (119) | (156) | (156) |
| Foreign exchange and monetary gains, net | (769) | (1,231) | (112) | (146) | (932) | (1,224) |
| Financial expenses, net | (398) | (45) | 823 | 81 | 431 | (57) |
| Minority interests | 147 | 147 | 24 | 24 | 219 | 219 |
| Gain on sale of investments | | | (80) | (80) | (674) | (674) |
| Net working capital | | (214) | | (1,228) | | 1,029 |
| Others | | (641) | | 337 | | (193) |
| Operating income | 5,235 | 3,098 | 2,915 | 594 | 4,379 | 2,952 |
| Depreciation, depletion and amortization | 760 | 760 | 766 | 766 | 525 | 525 |
| Dividends received | 223 | 223 | 48 | 48 | 153 | 153 |
| | 6,218 | 4,081 | 3,729 | 1,408 | 5,057 | 3,630 |
| Operating cash flows | | 4,081 | | 1,408 | | 3,630 |
| Income tax | | 1,173 | | 654 | | 1,483 |

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| | | | |
|---|--------------|--------------|--------------|
| Foreign exchange and monetary gains (losses) | 462 | 34 | 292 |
| Financial expenses | (353) | 742 | 488 |
| Net working capital | 214 | 1,228 | (1,029) |
| Others | 641 | (337) | 193 |
| EBITDA | 6,218 | 3,729 | 5,057 |

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| | Six-month period ended June 30, | | | |
|--|--|--------------|------------------|-------------------|
| | 2008 | | 2007 | |
| | Operating cash | | Operating | |
| | EBITDA | flows | EBITDA | cash flows |
| Net income | 7,030 | 7,030 | 6,312 | 6,312 |
| Income tax deferred | 37 | 37 | (278) | (278) |
| Income tax current | 1,827 | | 2,316 | |
| Equity in results of affiliates and joint ventures and other investments | (379) | (379) | (294) | (294) |
| Foreign exchange and monetary gains, net | (881) | (1,377) | (1,702) | (1,996) |
| Financial expenses, net | 425 | 36 | 969 | 116 |
| Minority interests | 171 | 171 | 432 | 432 |
| Gain on sale of investments | (80) | (80) | (674) | (674) |
| Net working capital | | (1,442) | | 1,389 |
| Others | | (304) | | (255) |
| Operating income | 8,150 | 3,692 | 7,081 | 4,752 |
| Depreciation, depletion and amortization | 1,526 | 1,526 | 917 | 917 |
| Dividends received | 271 | 271 | 243 | 243 |
| | 9,947 | 5,489 | 8,241 | 5,912 |
| Operating cash flows | | 5,489 | | 5,912 |
| Income tax | | 1,827 | | 2,316 |
| Foreign exchange and monetary gains (losses) | | 496 | | 294 |
| Financial expenses | | 389 | | 853 |
| Net working capital | | 1,442 | | (1,389) |
| Others | | 304 | | 255 |
| EBITDA | | 9,947 | | 8,241 |

Board of Directors, Fiscal Council, Advisory committees and Executive Officers

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Chairman

Mário da Silveira Teixeira Júnior

Vice-President

Francisco Augusto da Costa e Silva

João Batista Cavaglieri

Jorge Luiz Pacheco

José Ricardo Sasseron

Luciano Galvão Coutinho

Masami Iijima

Oscar Augusto de Camargo Filho

Renato da Cruz Gomes

Sandro Kohler Marcondes

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Controlling Committee

Luiz Carlos de Freitas

Paulo Ricardo Ultra Soares

Paulo Roberto Ferreira de Medeiros

Executive Development Committee

João Moisés de Oliveira

José Ricardo Sasseron

Oscar Augusto de Camargo Filho

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Sérgio Ricardo Silva Rosa

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Fabio de Oliveira Barbosa

Ivan Luiz Modesto Schara

Luiz Maurício Leuzinger

Wanderlei Viçoso Fagundes

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Jorge Luiz Pacheco

Renato da Cruz Gomes

Ricardo Simonsen

Fiscal Council

Marcelo Amaral Moraes

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Aníbal Moreira dos Santos

Antônio José de Figueiredo Ferreira

Bernard Appy

Alternate

Marcos Coimbra

Marcus Pereira Aucélio

Oswaldo Mário Pêgo de Amorim Azevedo

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Roger Agnelli
Chief Executive Officer

Carla Grasso
Executive Officer for Human Resources and Corporate Services

Demian Fiocca
Executive Officer for Management and Sustainability

Eduardo de Salles Bartolomeo
Executive Officer for Logistics

Fabio de Oliveira Barbosa
Chief Financial Officer and Investor Relations

José Carlos Martins
Executive Officer for Ferrous Minerals

Murilo de Oliveira Ferreira
Executive Officer for Nickel and Basic Metals Commercialization

Tito Botelho Martins
Executive Officer for Non Ferrous and Energy

Marcus Vinícius Dias Severini
Chief Officer of Accounting and Control Department

Vera Lúcia de Almeida Pereira Elias

Chief Accountant
CRC-RJ 043059/O-8

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.

Date: August 6, 2008

COMPANHIA VALE DO RIO DOCE
(Registrant)

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