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 þ Form 40-F o

(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 o No þ

(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 o No þ

(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 o No þ

(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

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**

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)

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.

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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)					

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	Kaolin
CVRD Overseas Ltd.	100.00	100.00	Cayman Islands	Trading
Ferrovia Centro-Atlântica S. A.	100.00	100.00	Brazil	Logistics
Mineração Onça Puma Ltda	100.00	100.00	Brazil	Nickel
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
Rio Doce Manganês S.A.	100.00	100.00	Brazil	Manganese and 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 Aumínio 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 addresses 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 Standard s 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:

	Three-month period ended (unaudited)								
	June 30, 2008			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)**

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

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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 (Unaudited)	**December 31, 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 (Unaudited)	**December 31, 2007**
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

	June 30, 2008 (Unaudited)				Investments		Equity in results of affiliates, joint ventures and other investments					Dividends received				
							Three-month period ended (unaudited)			Six-month period ended June 30, (unaudited)		Three-month period ended (unaudited)			Six-month period ended June 30, (unaudited)	
	Participation in capital (%) voting	total	Net equity	Net income (loss) for the period	June 30, 2008 (Unaudited)	December 31, 2007	June 30, 2008	March 31, 2008	June 30, 2007	2008	2007	June 30, 2008	March 31, 2008	June 30, 2007	2008	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	50.00	50.00	69	2	34	30		1	1	1	2					
SAMARCO 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	

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	
	June 30, 2008 (Unaudited)	December 31, 2007	June 30, 2008 (Unaudited)	December 31, 2007
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			6,678	6,680
Debt securities export sales (*) US$ denominated	54	53	178	205
Perpetual notes			83	87
Accrued charges	243	282		
	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%.

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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 an 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, (unaudited)	
	June 30, 2008	**March 31, 2008**	**June 30, 2007**	**2008**	**2007**
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

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, (unaudited)	
	June 30, 2008	March 31, 2008	June 30, 2007	2008	2007
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, (unaudited)	
	June 30, 2008	March 31, 2008	June 30, 2007	2008	2007
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.

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

	June 30, 2008 (Unaudited)		March 31, 2008	
	Provision for contingencies	**Judicial deposits**	**Provision for contingencies**	**Judicial 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 (unaudited)			Six-month period ended June 30, (unaudited)	
	June 30, 2008	March 31, 2008	June 30, 2007	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	
	Carrying amount	Quoted prices in active markets for identical assets or liabilities, (Level 1)	Quoted prices in active markets for identical assets or liabilities, (Level 2)
Available-for-sale securities	1,085	1,085	

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	

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)

															Three-m
					June 30, 2008							**March 31, 2008**			
(*) on							(*) Non							(*) Non	
ous	**Aluminum**	**Logistics**	**Others**	**Eliminations**	**Consolidated**	**Ferrous**	**ferrous**	**Aluminum**	**Logistics**	**Others**	**Eliminations**	**Consolidated**	**Ferrous**	**ferrous**	**Aluminu**
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**

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

	Revenues											
	Foreign	**Domestic**	**Total**	**Value added tax**	**Net revenues**	**Cost and expenses**	**Net**	**Depreciation, depletion and amortization**	**Operating income**	**Property, Plant and Equipment, Net and Intangible Assets**	**Addition to Property, Plant and Equipment and Intangible**	**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**