O2MICRO INTERNATIONAL LTD
Form 20-F
May 24, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 20-F

(Mark One)

[ ] Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934

or

[x] Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2009

or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

or

[ ] Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of event requiring this shell company report

Commission file number: 0-30910

O2MICRO INTERNATIONAL LIMITED
(Exact Name of Registrant as Specified in Its Charter)

The Cayman Islands
(Jurisdiction of Incorporation or Organization)

Grand Pavilion Commercial Centre, West Bay Road
P.O. Box 32331 Grand Cayman KY1-1209, Cayman Islands
(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
American Depositary Shares	NASDAQ Global Select Market
Ordinary Shares, par value $0.00002 per share	Cayman Islands Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2009, there were 1,809,461,200 ordinary shares, par value US$0.00002 per share, outstanding.

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
Yes [x] No [ ]

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [ ] No [x]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer [ ] Accelerated filer [x] Non-accelerated filer [ ]

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP [x]	International Financial Reporting Standards as issued by the International Accounting Standards Board [ ]	Other [ ]

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 [ ] Item 18 [ ]

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [x]

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PART III

Certain Definitions and Conventions

In this Annual Report on Form 20-F (“Annual Report”), references to “$” and “dollars” are to United States dollars. Percentages and certain amounts contained herein have been rounded for ease of presentation. Any discrepancies in any table between totals and the sums of amounts listed are due to rounding.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains statements of a forward-looking nature. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as "may," "will," "expects," "should," "could," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms and other comparable terminology. These forward-looking statements include, without limitation, statements regarding our expectation to target and design products for specific applications, to increase expenses for personnel and new product development, to protect our technology and to expand our product offerings, our anticipation that sales to a relatively small number of customers will continue to account for significant portion of net sales, our expectation that we will need to expand our facilities to accommodate the growth in our personnel, our expectation that non-U.S. operations and sales will continue to grow and account for a substantial percentage of our net sales, our expectation that competition for qualified personnel will remain intense, our expectation that we will continue to incur substantial legal expenses that vary with the level of activity in legal proceedings, our statements regarding the growing popularity of thinner displays, mobile computing and portable devices, and the emergence and continued development of the Internet and wireless communications networks, our belief that we participate in large and growing markets, our belief that potential future growth in the LCD television market, especially units with larger-size panels, represents an attractive growth opportunity for us, our belief that manufacturers are turning to innovative new semiconductor technologies to manage the available power source capacity more efficiently, our belief that there is an increasing need for higher levels of system integration, our belief in the need for mixed-signal and analog integrated circuits specifically designed to optimize the power system usage in devices, our belief in the need to use advanced design methodologies to allow manufacturers to achieve rapid time-to-market with their new products, our expectation that our markets will be dominated by a small number of major brand name companies, our expectation that we will experience the highest sales volume in the third and fourth quarter of each year, our ability to develop and introduce products in a timely manner to meet customer demands, our expectation that analog and mixed-signal circuits have substantially longer life-cycles than digital integrated circuits, our ability to take advantage of cost-efficiencies associated with the "fabless" semiconductor business model, that we expect that our gross profit as a percentage of net sales will continue to fluctuate in the future as a result of the stages of our products in their life cycles, variations in our product mix, the timing of our product introductions and specific product manufacturing costs, our future gross profit, our expectation that gross margin on products we sell will typically decline over the life of the products, our expectation that research and development expenses as a percentage of net sales will continue to fluctuate, our expectation to continue development of innovative technologies and processes, and continued expansion and investment of our engineering, research and development resources, our expectation to continue to invest significant resources into research and development in the future, our expectations regarding the outcome of litigation matters and their effects on us, our belief that our cash generated from operations, together with the liquidity provided by existing cash, cash equivalents balances and short-term investment will be sufficient to meet our capital requirements for at least the next 12 months, our belief that our research and development staffing will increase in the next 12 months primarily due to expansion of existing design centers, our intention to continue expanding research and development operations, our intention to expand the scope of our international operations, our expectation that semiconductor companies will increasingly be subject to infringement claims as the number of products and competitors in the semiconductor industry grows, our belief that we operate in compliance with all applicable transfer pricing laws in all of the jurisdictions in which we operate, our anticipation that we will not declare any dividend in the foreseeable future, our belief that our system-level expertise and extensive experience with power management systems allow us to develop proprietary solutions and foster long-term relationships with our customers, our intention to continue to evaluate additional investment opportunities in our supply chain, our belief that our current facilities are adequate for our needs for the foreseeable future, and that any additional space required will be available to us on commercially reasonable terms, our intentions to acquire additional real estate for future operations, our expectation that our results of operations or cash flows will not be affected to any significant degree by a sudden short-term change in market interest rates, our intention to diversify our customer base and market focus by providing new products used in particular markets, our statements regarding the effect of adoption of certain accounting policies, our expectation that our ADSs will satisfy the “readily tradeable” requirement, our expectation not to become a passive foreign investment company in the future, our intention to use the cash we have raised and conduct our business to reduce the risk of classification as a passive foreign investment company, our statements regarding the withdrawal of ordinary shares from the Main Board of the Stock Exchange of Hong Kong Limited (“SEHK”), that we expect to retain our existing primary listing of American Depositary Share (“ADS”) on the NASDAQ Global Select Market (“NASDAQ”) in the United States for the foreseeable future. These forward-looking statements are based on our current assumptions and beliefs in light of the information currently available to us. Actual results, levels of activity, performance or achievements may differ materially from those expressed or implied in these forward-looking statements for a variety of reasons, including: changes in demand for devices that use our products; market conditions in the semiconductor industry and the economy as a whole; the stages of our products in their life cycles, variations, expansions or reductions in the mix of our product offerings, the timing of our product introductions, changes in employment rates, changes in availability and cost of facilities, unpredictability of and inability to control the outcome or timing of litigation, changes in applicable laws or accounting standards, potential delisting of our ADSs or ordinary shares from existing exchanges, specific product manufacturing costs, increased competition, introduction of new competitors or competing technologies and the increase of unexpected expenses, and such other factors discussed under “Key Information - Risk Factors,” "Operating and Financial Review and Prospects" and elsewhere in this Annual Report. We assume no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. You are cautioned not to place undue reliance on these forward-looking statements which apply only as of the date of this Annual Report.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data for the years ended December 31, 2007, 2008 and 2009, and the selected consolidated financial data as of December 31, 2008 and 2009, set forth below, are derived from our audited consolidated financial statements included herein, and should be read in conjunction with, and are qualified in their entirety by reference to, these consolidated financial statements, including the notes to these consolidated financial statements and “Item 5. Operating and Financial Review and Prospects” included elsewhere in this Annual Report. The selected consolidated financial data for the years ended December 31, 2005 and 2006 and the selected consolidated financial data as of December 31, 2005 and 2006, set forth below, are derived from our audited consolidated financial statements and related notes which do not appear in this Annual Report. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America.

	Years Ended December 31				
	2005	2006	2007	2008	2009
	(in thousands, except per share data)				
Consolidated Statement of Income Data:					
Net sales	$ 105,552	$ 124,915	$ 165,540	$ 138,825	$ 127,498
Cost of sales	40,741	56,772	71,099	58,110	52,020
Gross profit	64,811	68,143	94,441	80,715	75,478
Operating expenses (income):					
Research and development	25,421	31,751	34,624	37,424	33,017
Selling, general and administrative	30,453	40,171	45,560	39,003	45,049
Goodwill impairment	-	-	-	2,782	-
Write-off of prepayments to foundry services	-	-	-	2,942	-
Litigation income	-	-	(9,364)	(2,000)	-

Stock Exchange of Hong Kong listing expenses	2,460	786	-	-	-
Total operating expenses	58,334	72,708	70,820	80,151	78,066
Income (loss) from operations	6,477	(4,565)	23,621	564	(2,588)
Non-operating income (expenses)– net	2,704	2,858	2,819	(12,133)	1,373
Income (loss) before income tax	9,181	(1,707)	26,440	(11,569)	(1,215)
Income tax expense (benefit)	1,034	(2,450)	1,456	2,240	1,602
Net income (loss)	8,147	743	24,984	(13,809)	(2,817)
Earnings (loss) per share (1):			(285)		

Net cash provided by (used in) financing activities	**11,932**	**(1,987)**	**(812)**	**11,315**	**(4,368)**
Increase (decrease) in cash and cash equivalents	14,941	(57)	786	16,149	(1,764)
Effect of exchange rate changes on cash and cash equivalents	(2,469)	(53)	(52)	(2,569)	(176)
Cash and cash equivalents, beginning of period	2,154	2,264	1,774	1,046	4,448
Cash and cash equivalents, end of period	**14,626**	**2,154**	**2,508**	**14,626**	**2,508**
Cash paid during the period for:					
Interest on short-term debt	(1)	(5)	(1)	(11)	(41)
Interest on long-term debt	(305)	(357)	(324)	(941)	(928)
Income tax	(726)	(320)	(691)	(2,718)	(2,552)
Non-cash transactions					
Interest capitalized	(14)	(14)	(20)	(45)	(63)

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)			Nine-month period ended (unaudited)	
	September 30, 2008	**June 30, 2008**	**September 30, 2007**	**September 30, 2008**	**September 30, 2007**
Preferred class A stock (including twelve special shares)					
Beginning of the period	4,953	4,953	4,953	4,953	4,702
Capital increase	4,774			4,774	
Transfer from undistributed retained earnings					251
End of the period	**9,727**	**4,953**	**4,953**	**9,727**	**4,953**
Common stock					
Beginning of the period	7,742	7,742	7,742	7,742	3,806
Capital increase	7,520			7,520	
Transfer from undistributed retained earnings					3,936
End of the period	**15,262**	**7,742**	**7,742**	**15,262**	**7,742**
Treasury stock					
Beginning and end of the period	**(389)**	**(389)**	**(389)**	**(389)**	**(389)**
Additional paid-in capital					
Beginning of the period	498	498	498	498	498
Change in the period	(105)			(105)	
End of the period	**393**	**498**	**498**	**393**	**498**
Mandatory convertible notes in common shares					
Beginning of the period	**1,288**	**1,288**	**1,288**	**1,288**	**1,288**
Mandatory convertible notes in preferred shares					
Beginning of the period	**581**	**581**	**581**	**581**	**581**

Other cumulative comprehensive income (deficit)					
Cumulative translation adjustments					
Beginning of the period	2,842	1,135	(464)	1,340	(1,628)
Change in the period	(6,835)	1,707	1,467	(5,333)	2,631
End of the period	**(3,993)**	**2,842**	**1,003**	**(3,993)**	**1,003**
Unrealized gain (loss) on available-for-sale securities					
Beginning of the period	111	205	205	211	271
Change in the period	(190)	(94)	24	(290)	(42)
End of the period	**(79)**	**111**	**229**	**(79)**	**229**
Surplus (deficit) accrued pension plan					
Beginning of the period	164	60	472	75	353
Change in the period	(468)	104	68	(379)	187
End of the period	**(304)**	**164**	**540**	**(304)**	**540**
Cash flow hedge					
Beginning of the period	8	2	14	29	
Change in the period	20	6	9	(1)	23
End of the period	**28**	**8**	**23**	**28**	**23**
Total other cumulative comprehensive income (loss)	**(4,348)**	**3,125**	**1,795**	**(4,348)**	**1,795**
Undistributed retained earnings					
Beginning of the period	17,021	15,508	6,233	15,317	9,555
Transfer from/to unappropriated retained earnings	(2,838)	1,513	327	(1,134)	1,192
Transfer to capital stock					(4,187)
End of the period	**14,183**	**17,021**	**6,560**	**14,183**	**6,560**
Unappropriated retained earnings					
Beginning of the period	6,886	3,435	7,952	1,631	2,505

Net income	4,821	5,009	2,940	11,851	9,252
Interest attributed to mandatory covertible debt					
Preferred class A stock	(8)	(15)	(14)	(31)	(14)
Common stock	(16)	(30)	(27)	(64)	(27)
Appropriation from/to undistributed retained earnings	2,838	(1,513)	(327)	1,134	(1,192)
End of the period	**14,521**	**6,886**	**10,524**	**14,521**	**10,524**
Total stockholders equity	**51,218**	**41,705**	**33,552**	**51,218**	**33,552**
Preferred class A stock (including twelve special shares)	2,108,579,618	1,919,516,400	1,919,516,400	2,108,579,618	1,919,516,400
Common stock	3,256,724,482	2,999,797,716	2,999,797,716	3,256,724,482	2,999,797,716
Treasury stock					
Beginning of the period	(86,923,052)	(86,923,052)	(86,923,328)	(86,923,184)	(86,927,072)
Sales	108		144	240	3,888
End of the period	(86,922,944)	(86,923,052)	(86,923,184)	(86,922,944)	(86,923,184)
	5,278,381,156	4,832,391,064	4,832,390,932	5,278,381,156	4,832,390,932

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

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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 September 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	Nickel
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 9).

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.

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3 Basis of Presentation

Our condensed consolidated interim financial information for the three-month periods ended September 30, 2008, June 30, 2008, and September 30, 2007 and for the nine-month periods ended September 30, 2008 and 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 nine-month periods ended September 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 audited 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.

The U.S. Dollar amounts for the periods and years presented, regarding the entities that that have a functional currency different from the U.S. Dollar, which is our presentation currency, have been translated from the original functional currency amounts in accordance with the criteria set forth in Statement of Financial Accounting Standards (SFAS) 52 Foreign Currency Translation (SFAS 52).

As a result, we have translated: (a) all assets and liabilities for each balance sheet presented at the closing rate at each balance sheet date (or the first available exchange rate if exchange on the last day of the period was not available), (b) all accounts in the statement of income at average exchange 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.

The exchange rates used to translate the assets and liabilities of the Brazilian operations at September 30, 2008 and December 31, 2007, were R$ 1.9143 and R$ 1.7713, respectively.

4 Recently-issued accounting pronouncements

In October 2008, the FASB issued FASB Staff Position No. FAS 157-3, Determining the Fair Value of a Financial Asset in a Market That Is Not Active (FSP 157-3), which clarifies the application of SFAS 157 when the market for a financial asset is inactive. Specifically, FSP 157-3 clarifies how (1) management s internal assumptions should be considered in measuring fair value when observable data are not present, (2) observable market information from an inactive market should be taken into account, and (3) the use of broker quotes or pricing services should be considered in assessing the relevance of observable and unobservable data to measure fair value. The guidance in FSP 157-3 is effective immediately.

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)
	September 30, 2008			June 30, 2008			September 30, 2007		
	Brazil	**Foreign**	**Total**	**Brazil**	**Foreign**	**Total**	**Brazil**	**Foreign**	**Total**
Income before income taxes, equity results and minority interests	**334**	**4,113**	**4,447**	**4,067**	**2,335**	**6,402**	**2,062**	**1,865**	**3,927**
Federal income tax and social contribution expense at statutory enacted rates	(114)	(1,398)	(1,512)	(1,383)	(794)	(2,177)	(701)	(634)	(1,335)
Adjustments to derive effective tax rate:									
Tax benefit on interest attributed to stockholders	278		278	7		7	124		124
Difference on tax rates of foreign income		808	808		602	602		529	529
Functional currency not		633	633		(287)	(287)		(314)	(314)

taxable									
Tax incentives	14		14	72		72	50		50
Other non-taxable gains (losses)	57	(134)	(77)	358	(81)	277		(1)	(1)
Federal income tax and social contribution expense in consolidated statements of income	**235**	**(91)**	**144**	**(946)**	**(560)**	**(1,506)**	**(527)**	**(420)**	**(947)**

				Nine-month period ended (unaudited)		
			September 30, 2008			**September 30, 2007**
	Brazil	**Foreign**	**Total**	**Brazil**	**Foreign**	**Total**
Income before income taxes, equity results and minority interests	**4,923**	**8,210**	**13,133**	**6,470**	**5,945**	**12,415**
Federal income tax and social contribution expense at statutory enacted rates	(1,674)	(2,791)	(4,465)	(2,200)	(2,021)	(4,221)
Adjustments to derive effective tax rate:						
Tax benefit on interest attributed to stockholders	454		454	345		345
Difference on tax rates of foreign income		1,381	1,381		855	855
Functional currency not taxable		315	315		(250)	(250)
Tax incentives	101		101	167		167
Other non-taxable gains (losses)	356	138	494	91	28	119
Federal income tax and social contribution expense in consolidated statements of income	**(763)**	**(957)**	**(1,720)**	**(1,597)**	**(1,388)**	**(2,985)**

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.

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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 taxable income.

The reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows (note 16 (b)):

	September 30, 2008 (unaudited)	December 31, 2007
Beginning of the period	**1,046**	**663**
Increase resulting from tax positions taken	372	264
Decrease resulting from tax positions taken	(352)	(47)
Changes in tax legislation	2	29
Effects of translation from Brazilian Reais into U. S.	(64)	137
End of the period	**1,004**	**1,046**

7 Cash and cash equivalents

	September 30, 2008 (Unaudited)	December 31, 2007
Cash	518	424
Deposits denominated in Brazilian Reais	9,151	123
Deposits denominated in other currencies mainly United States dollars	4,957	499
	14,626	**1,046**

The increase in cash and cash equivalents corresponding mainly to the proceeds received from the global offering (note 12)

8 Inventories

	September 30, 2008 (Unaudited)	December 31, 2007
Finished products		
Nickel (co-products and by-products)	1,864	1,812
Iron ore and pellets	589	588
Manganese and ferroalloys	117	106
Aluminum products	172	176
Kaolin	46	42
Copper concentrate	24	15
Coal	33	38
Others	60	36
Spare parts and maintenance supplies	1,197	1,046
	4,102	**3,859**

There was no write down recorded in the periods presented.

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9 Investments in affiliated companies and joint ventures

	September 30, 2008 (Unaudited)				Investments		Equity in results of affiliates, joint ventures and other investments					Dividends received				
							Three-month period ended (unaudited)			Nine-month period ended September 30, (unaudited)		Three-month period ended (unaudited)			Nine-month period ended September 30, (unaudited)	
	Participation in capital (%) voting	total	Net equity	Net income (loss) for the period	September 30, 2008 (Unaudited)	December 31, 2007	September 30, 2008	June 30, 2008	September 30, 2007	2008	2007	September 30, 2008	June 30, 2008	September 30, 2007	2008	2007
Ferrous																
Companhia Nipo-Brasileira de Pelotização NIBRASCO (1)	51.11	51.00	221	129	113	61	36	34	5	66	10					
Companhia Hispano-Brasileira de Pelotização HISPANOBRÁS (1)	51.00	50.89	157	102	80	43	17	33	3	52	12	6			6	16
Companhia Coreano-Brasileira de Pelotização KOBRASCO (1)	50.00	50.00	149	79	75	45	19	19	5	40	15					
Companhia Italo-Brasileira de Pelotização ITABRASCO (1)	51.00	50.90	119	40	61	46	18	1	2	20	10					8
Minas da Serra Geral S.A. MSG	50.00	50.00	52	3	26	30	1		1	2	2					
SAMARCO Mineração S.A. SAMARCO (2)	50.00	50.00	926	556	519	546	82	148	67	278	186	112	138	25	250	125
Others					30	30	2	1	2	5	3					
					904	**801**	**175**	**236**	**85**	**463**	**238**	**118**	**138**	**25**	**256**	**149**
Logistics																
LOG-IN Logística Intermodal S.A.(3)	31.33	31.33	337	32	109	107	3	6	4	14	2		3		3	

MRS Logística S.A	37.86	41.50	696	63	289	342	44	(47)	31	26	84		34		34	27
					398	**449**	**47**	**(41)**	**35**	**40**	**86**		**37**		**37**	**27**
Holdings																
Steel																
California Steel Industries Inc. CSI	50.00	50.00	390	91	195	163	18	22	1	46	5					11
THYSSENKRUPP CSA Companhia Siderúrgica (Cost $431) - available-for-sale	11.05	11.05			443	388										
Usinas Siderúrgicas de Minas Gerais S.A. USIMINAS (cost $180) available-for-sale (5)					199	465	8	10	7	18	31	8	10	7	18	31
					837	**1,016**	**26**	**32**	**8**	**64**	**36**	**8**	**10**	**7**	**18**	**42**
Bauxite																
Mineração Rio do Norte S.A. MRN	40.00	40.00	315	101	126	184	18	8	21	40	63		38	7	86	64
					126	**184**	**18**	**8**	**21**	**40**	**63**		**38**	**7**	**86**	**64**
Coal																
Henan Longyu Resources Co. Ltd	25.00	25.00	752	256	188	115	28	19	12	64	34					
Shandong Yankuang International Company Ltd	25.00	25.00	99		25	23		1			(2)					
					213	**138**	**28**	**20**	**12**	**64**	**32**					
Nickel																
Heron Resources Inc (cost $25) available-for-sale					7	34										
Jubilee Mines N.L (cost $5) (4) available-for-sale						126										
Mirabela Nickel Ltd (cost $24) available-for-sale					43	72										
Hudbay Minerals formely Skye Resources Inc (cost $ 36) available-for-sale					23	44										
Others					20	23			4		4					

	93	**299**			**4**		**4**					
Other affiliates and joint ventures												
Others	**102**	**35**	**(4)**	**5**		**(2)**						
	102	**35**	**(4)**	**5**		**(2)**						
	1,371	**1,672**	**68**	**65**	**45**	**166**	**135**	**8**	**48**	**14**	**104**	**106**
Total	**2,673**	**2,922**	**290**	**260**	**165**	**669**	**459**	**126**	**223**	**39**	**397**	**282**

(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 results of affilites refers to dividends received.

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10 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 4.16%, and 5.5% at September 30, 2008 and December 31, 2007, respectively.

11 Long-term debt

	Current liabilities		Long-term liabilities	
	September 30, 2008 (Unaudited)	December 31, 2007	September 30, 2008 (Unaudited)	December 31, 2007
Foreign debt				
Loans and financing denominated in the following currencies:				
United States Dollars	242	212	5,912	5,927
Others	25	64	207	214
Fixed Rate Notes US$ denominated			6,641	6,680
Debt securities export sales (*) US$ denominated	55	53	164	205
Perpetual notes			83	87
Accrued charges	179	282		
	501	**611**	**13,007**	**13,113**
Local debt				
Denominated in Long-Term Interest Rate TJLP/CDI	40	586	2,261	1,148
Denominated in General Price Index-Market (IGPM)		1	1	1
Basket of currencies	1	2	5	6
Non-convertible debentures			3,119	3,340
Accrued charges	191	49		
	232	**638**	**5,386**	**4,495**
Total	**733**	**1,249**	**18,393**	**17,608**

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

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

2009	48
2010	2,337
2011	2,408
2012	695
2013 and thereafter	12,576
No due date (Perpetual notes and non-convertible debentures)	329
	18,393

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

Up to 3%	21
3.1% to 5%	5,791
5.1% to 7%	5,618
7.1% to 9%	2,885
9.1% to 11%	105
Over 11% (*)	4,623
Variable (Perpetual notes)	83
	19,126

(*) Includes non-convertible debentures and other Brazilian-reais denominated debt that bear interest at CDI and TJLP (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$ 5,160 and the average cost of such debt after the hedge transactions is 5.18%.

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

	As of - %		
	September 30, 2008	June 30, 2008	December 31, 2007
TJLP Long-Term Interest Rate (effective rate)	1.5	1.5	1.5
IGP-M General Price Index Market	1.6	4.3	3.5
Devaluation of United States Dollar against Real	20.0	(9.0)	(3.7)

In January, 2008 we entered into a trade finance agreement with a local Brazilian bank in the amount of US$ 1,100 with final maturity in 2018.

In April 2008, we entered into agreements with Banco Nacional de Desenvolvimento Econômico e Social (BNDES), the Brazilian National Development Bank and with long-term Japanese financing agencies, Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI) for the financing of the mining, logistics and power generation projects to be developed under Vale s investment program for 2008-2012. Those agreements comprises a financial package of almost US$ 10 billion to support investments related to Vale s growth initiatives

We have total revolving credit lines with bank syndicates, which work as a short term liquidity buffer that allow a more efficient cash management. Under revolving credit facilities, amounts drawn and repaid can be disbursed again at the option of the Borrower. At September 30, 2008, the total amount available under revolving credit lines was of US$ 1,900, being US$ 1,150 granted to Vale International and the balance to Vale Inco. As of September 30, 2008, neither Vale International nor Vale Inco had drawn any advance amount under these facilities and Vale Inco has drawn US$ 113 by way of letters of credit.

On September 30, 2008 the US Dollar denominated Fixed Rate Notes of US$ 6,641 (December 31, 2007 US$ 6,680) and other debt of US$ 11,888 (December 31, 2007 US$ 11,511) are unsecured. The export securitization of US$ 219 (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$ 57 (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$ 321 (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 September 30, 2008.

12 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 in 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. In October 2008 the Board of Directors approved the payment of the second tranche of the minimum dividend, and an additional dividend, totaling US$ 1,600, corresponding to US$ 0.303123240 per common or preferred share in circulation.

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 consequence we recognized a total capital increase of US$ 11,666, with an increase in the preferred stock of US$ 4,146, corresponding to 164,402,799 shares and an increase in the common stock of US$ 7,520, 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, our capital stock increased by US$ 12,294 and corresponding transaction cost of US$ 105 were recorded as a reduction of the additional paid-in capital account.

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$19,30 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 October 2008 we will pay additional interest to holders of the mandatorily convertible notes of series RIO and of series RIO P, equal to the U.S. dollar equivalent of R$ 1.187165 and R$ 1.409004, respectively.

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.

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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)			Nine-month period ended September 30, (unaudited)	
	September 30, 2008	June 30, 2008	September 30, 2007	2008	2007
Net income for the period	**4,821**	**5,009**	**2,940**	**11,851**	**9,252**
Interest attributed to preferred convertible notes	(8)	(15)	(8)	(31)	(8)
Interest attributed to common convertible notes	(16)	(30)	(19)	(64)	(19)
Net income for the period adjusted	4,797	4,964	2,913	11,756	9,225
Basic and diluted earnings per share					
Income available to preferred stockholders	1,850	1,906	1,119	4,522	3,583
Income available to common stockholders	2,866	2,970	1,742	7,029	5,582
Income available to convertible notes linked to preferred shares	28	31	18	71	21
Income available to convertible notes linked to common shares	53	57	34	134	39
Weighted average number of shares outstanding (thousands of shares) preferred shares	1,976,727	1,889,175	1,889,175	1,930,379	1,889,171
Weighted average number of shares outstanding (thousands of shares) common shares	3,063,752	2,943,216	2,943,216	3,000,528	2,943,216
	30,295	30,295	30,295	30,295	10,904

Treasury preferred shares linked to mandatorily convertible notes					
Treasury common shares linked to mandatorily convertible notes	56,582	56,582	56,582	56,582	20,364
Total	**5,127,356**	**4,919,268**	**4,919,268**	**5,017,784**	**4,863,655**
Earnings per preferred share	0.94	1.01	0.59	2.34	1.90
Earnings per common share	0.94	1.01	0.59	2.34	1.90
Earnings per convertible notes linked to preferred share (*)	1.19	1.52	0.86	3.37	2.66
Earnings per convertible notes linked to common share (*)	1.25	1.54	0.94	3.50	2.85

(*) 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)			**Nine-month period ended September 30, (unaudited)**	
	September 30, 2008	**June 30, 2008**	**September 30, 2007**	**2008**	**2007**
Income available to preferred stockholders	1,885	1,952	1,145	4,623	3,612
Income available to common stockholders	2,936	3,057	1,795	7,228	5,640
Weighted average number of shares outstanding (thousands of shares) preferred shares	2,007,022	1,919,470	1,919,470	1,960,674	1,900,075
Weighted average number of shares outstanding (thousands of shares) common shares	3,120,334	2,999,798	2,999,798	3,057,110	2,963,580
Earnings per preferred share	0.94	1.02	0.60	2.36	1.90
Earnings per common share	0.94	1.02	0.60	2.36	1.90

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13 Other cumulative comprehensive income

	Three-month period ended (unaudited)			Nine-month period ended September 30, (unaudited)	
	September 30, 2008	June 30, 2008	September 30, 2007	2008	2007
Comprehensive income is comprised as follows:					
Net income	4,821	5,009	2,940	11,851	9,252
Cumulative translation adjustments	(6,835)	1,707	1,467	(5,333)	2,631
Unrealized gain (loss) on available-for-sale securities	(190)	(94)	24	(290)	(42)
Surplus (deficit) accrued pension plan	(468)	104	68	(379)	187
Hedge/Cash flow hedge	20	6	9	(1)	23
Total comprehensive income	**(2,652)**	**6,732**	**4,508**	**5,848**	**12,051**
Tax effect on other comprehensive income allocated to each component					
Unrealized gain (loss) on available-for-sale securities					
Gross balance as of the period end	(105)	152	326	(105)	326
Tax (expense) benefit	26	(41)	(97)	26	(97)
Net balance as of the period end	(79)	111	229	(79)	229
Surplus accrued pension plan					
Gross balance as of the period end	(415)	289	817	(415)	817
Tax (expense) benefit	111	(125)	(277)	111	(277)
Net balance as of the period end	(304)	164	540	(304)	540

14 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 September 30, 2008, total contributions of US$ 288 had been made. We do not expect any significant change in our previous estimate.

	Three-month period ended (unaudited) September 30, 2008		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits

Service cost - benefits earned during the period	8	47	20
Interest cost on projected benefit obligation	223	195	64
Expected return on assets	(372)	(196)	
Amortization of initial transitory obligation	11	2	(6)
Net deferral	(4)		
Net periodic pension cost	**(134)**	**48**	**78**

			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**

			September 30, 2007
	Overfunded pension plans	**Underfunded pension plans**	**Underfunded other benefits**
Service cost - benefits earned during the period	2	14	5
Interest cost on projected benefit obligation	77	53	18
Expected return on assets	(144)	(59)	
Amortization of initial transitory obligation	4		
Net deferral	(4)		
Net periodic pension cost	**(65)**	**8**	**23**

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	Nine-month period ended September 30, (unaudited)					
	2008			2007		
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Service cost - benefits earned during the period	8	47	20	6	43	14
Interest cost on projected benefit obligation	223	195	64	196	153	52
Expected return on assets	(372)	(196)		(365)	(174)	
Amortization of initial transitory obligation	11	2	(6)	9		
Net deferral	(4)			(11)		
Net periodic pension cost	**(134)**	**48**	**78**	**(165)**	**22**	**66**

15 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 September, 2008, we have recognized a long-term liability of US$ 3, relating to 714,081 shares.

16 Commitments and contingencies

(a)

We provided certain guarantees on behalf of our Goro project pursuant to which we guaranteed payments due from Goro of up to a maximum amount of US$ 100 (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 US$ 4,200 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. Once the supply of electricity under the ESA to the project begins, the guaranteed amounts will decrease over the life of the ESA.

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(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:

	September 30, 2008 (unaudited)		December 31, 2007	
	Provision for contingencies	**Judicial deposits**	**Provision for contingencies**	**Judicial deposits**
Labor and social security claims	548	404	519	372
Civil claims	317	249	311	135
Tax - related actions	912	525	1,605	613
Others	17	4	18	4
	1,794	**1,182**	**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 September 30, 2008, June 30, 2008 and September 30, 2007 totaled US$ 141, US$ 569 and US$ 180, respectively. Additional provisions totaled US$ 113, US$ 73 and US$ 197, 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$ 2,670 at September 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 September 2008 we paid as remuneration of these debentures participatives the amounts of US$ 6.

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(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)			**Nine-month period ended September 30, (unaudited)**	
	September 30, 2008	**June 30, 2008**	**September 30, 2007**	**2008**	**2007**
Beginning of period	**1,101**	**975**	**760**	**975**	**676**
Accretion expense	45	53	42	114	61
Liabilities settled in the current period	(1)	(2)	(2)	(6)	(7)
Revisions in estimated cash flows		9		(2)	
Cumulative translation adjustment	(145)	66	59	(81)	129
End of period	**1,000**	**1,101**	**859**	**1,000**	**859**

17 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	Quoted prices in active

	Carrying amount	markets for identical assets or liabilities, (Level 1)	markets for identical assets or liabilities, (Level 2)
Available-for-sale securities	88	88	
Unrealized gains on derivatives	108		108
Short-term debt	(46)		(46)
Long-term debt	(19,126)	(6,564)	(12,562)
Other financial liabilities	(484)		(484)
Long-term incentive compensation plan			

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18 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-mo
September 30, 2008											**June 30, 2008**				
						(*) **Non**							(*) **Non**		
uminum	**Logistics**	**Others**	**Eliminations**	**Consolidated**	**Ferrous**	**ferrous**	**Aluminum**	**Logistics**	**Others**	**Eliminations**	**Consolidated**	**Ferrous**	**ferrous**	**Aluminum**	**Log**
1,122	14	203	(5,615)	9,837	8,674	2,939	934	10	101	(3,652)	9,006	5,649	2,902	877	
261	491	66	(267)	2,285	1,176	196	217	481	59	(238)	1,891	1,120	106	211	
(1,143)	(328)	(185)	5,882	(5,543)	(5,677)	(1,454)	(951)	(308)	(133)	3,890	(4,633)	(4,570)	(1,435)	(837)	
	(31)	(86)		(331)	(89)	(76)		(33)	(71)		(269)	(44)	(98)		
(47)	(34)	(9)		(713)	(292)	(382)	(44)	(38)	(4)		(760)	(236)	(238)	(26)	
193	**112**	**(11)**		**5,535**	**3,792**	**1,223**	**156**	**112**	**(48)**		**5,235**	**1,919**	**1,237**	**225**	
12	3		(862)	277	577	196	5	2		(757)	23	665	59	4	
(11)	(1)	7	862	(457)	(712)	(383)	(10)	(1)		757	(349)	(807)	(411)	(18)	
36				(587)	600	51	4				655	259	47	78	
(185)	(41)	3		(321)	723	9	97	(1)	10		838	444	44	37	
18	47	50		290	236		8	(41)	57		260	86	81 4	21	

9	19			144	(1,007)	(424)	(75)				(1,506)	(612)	(248)	(83)
(20)		12		(60)	10	(61)	(85)		(11)		(147)		(120)	(96)
52	**139**	**61**		**4,821**	**4,219**	**611**	**100**	**71**	**8**		**5,009**	**1,954**	**693**	**168**
322			(432)	707	546	378	302			(295)	931	369	369	227
93			(155)	657	211	541	107			(92)	767	115	564	52
478	12	8	(1,933)	3,014	2,903	710	330			(1,294)	2,649	1,834	715	398
58		61	(303)	477	516	91	22		39	(215)	453	194	85	38
158		98	(573)	1,310	986	399	164		34	(382)	1,200	638	472	146
13	2	4	(1,686)	2,482	2,703	218		10		(1,047)	1,884	2,061	286	
		32	(533)	1,190	810	602	9		28	(327)	1,122	438	411	16
1,122	**14**	**203**	**(5,615)**	**9,837**	**8,674**	**2,939**	**934**	**10**	**101**	**(3,652)**	**9,006**	**5,649**	**2,902**	**877**
261	491	66	(267)	2,285	1,176	196	217	481	59	(238)	1,891	1,120	106	211
1,383	**505**	**269**	**(5,882)**	**12,122**	**9,850**	**3,135**	**1,151**	**491**	**160**	**(3,890)**	**10,897**	**6,769**	**3,008**	**1,088**

(*) Other than Aluminum.

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Operating segment after eliminations (Disaggregated)

	As of and for the three-month period ended (unaudited) September 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	5,149	1,026	6,175	(142)	6,033	(2,075)	3,958	(239)	3,719	16,139	708	56
Pellets	1,095	317	1,412	(75)	1,337	(746)	591	(25)	566	1,273	(2)	848
Manganese	101	18	119	(6)	113	(20)	93	(1)	92	79	1	
Ferroalloys	212	152	364	(39)	325	(141)	184	(4)	180	137	11	
Pig iron	60		60		60	(21)	39		39	176	5	
	6,617	**1,513**	**8,130**	**(262)**	**7,868**	**(3,003)**	**4,865**	**(269)**	**4,596**	**17,804**	**723**	**904**
Non ferrous												
Nickel and other products (*)	1,933	12	1,945		1,945	(1,107)	838	(314)	524	23,355	555	93
Potash		103	103	(5)	98	(36)	62	(5)	57	130	2	
Kaolin	46	11	57	(2)	55	(56)	(1)	(11)	(12)	232	(5)	
Copper concentrate	244	6	250	(1)	249	(153)	96	(22)	74	1,838	73	
Aluminum products	767	122	889	(25)	864	(675)	189	(49)	140	4,391	24	126
	2,990	**254**	**3,244**	**(33)**	**3,211**	**(2,027)**	**1,184**	**(401)**	**783**	**29,946**	**649**	**219**
Logistics												
Railroads		386	386	(64)	322	(207)	115	(26)	89	1,696	75	289
Ports		87	87	(14)	73	(65)	8	(9)	(1)	1,637	44	
Ships										33	1	109
		473	**473**	**(78)**	**395**	**(272)**	**123**	**(35)**	**88**	**3,366**	**120**	**398**
Others	230	45	275	(10)	265	(189)	76	(8)	68	3,346	61	1,152

9,837	**2,285**	**12,122**	**(383)**	**11,739**	**(5,491)**	**6,248**	**(713)**	**5,535**	**54,462**	**1,553**	**2,673**

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

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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**

(*) 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) September 30, 2007

	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	2,696	514	3,210	(76)	3,134	(1,146)	1,988	(196)	1,792	15,071	559	53
Pellets	556	161	717	(37)	680	(511)	169	(23)	146	1,529	7	681
Manganese	8	5	13	(2)	11	(19)	(8)	(2)	(10)	72		
Ferroalloys	90	76	166	(20)	146	(96)	50	(6)	44	178	3	
Pig iron	17		17		17	(11)	6		6	190	4	
	3,367	**756**	**4,123**	**(135)**	**3,988**	**(1,783)**	**2,205**	**(227)**	**1,978**	**17,040**	**573**	**734**
Non ferrous												
Nickel and other products (*)	2,514	13	2,527		2,527	(1,143)	1,384	(211)	1,173	23,170	510	269
Potash		49	49	(2)	47	(28)	19	(5)	14	188	4	
Kaolin	51	8	59	(3)	56	(76)	(20)	(9)	(29)	298	(1)	
Copper concentrate	150	36	186	(8)	178	(117)	61	(13)	48	1,747	30	
Aluminum products	603	74	677	(6)	671	(423)	248	(28)	220	4,086	207	163
	3,318	**180**	**3,498**	**(19)**	**3,479**	**(1,787)**	**1,692**	**(266)**	**1,426**	**29,489**	**750**	**432**
Logistics												
Railroads		323	323	(54)	269	(166)	103	(23)	80	840	16	397
Ports		58	58	(13)	45	(42)	3	(6)	(3)	1,148	24	
Ships		10	10		10	(6)	4	(1)	3	39		
		391	**391**	**(67)**	**324**	**(214)**	**110**	**(30)**	**80**	**2,027**	**40**	**397**
Others	91	21	112	(5)	107	(152)	(45)	(9)	(54)	2,250	4	1,032

6,776	**1,348**	**8,124**	**(226)**	**7,898**	**(3,936)**	**3,962**	**(532)**	**3,430**	**50,806**	**1,367**	**2,595**

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

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Operating segment after eliminations (Disaggregated)

														Nine-month perio September 30, (un
							2008							
	Ferrous	**(*) Non ferrous**	**Aluminum**	**Logistics**	**Others**	**Eliminations**	**Consolidated**	**Ferrous**	**(*) Non ferrous**	**Aluminum**	**Logistics**	**Others**	**Eliminations**	**Cons**
S enues	25,829	8,336	2,915	45	376	(11,994)	25,507	15,222	10,360	2,665	39	155	(7,574)	
enues	3,657	420	671	1,337	181	(706)	5,560	2,749	374	534	1,131		(952)	
expenses	(18,379)	(4,323)	(3,019)	(880)	(452)	12,700	(14,353)	(11,987)	(5,506)	(2,400)	(708)	(197)	8,526	
and ent	(231)	(268)		(84)	(207)		(790)	(91)	(237)		(13)	(130)		
ion, and ion	(850)	(1,134)	(133)	(102)	(20)		(2,239)	(655)	(635)	(74)	(74)	(11)		
g income	**10,026**	**3,031**	**434**	**316**	**(122)**		**13,685**	**5,238**	**4,356**	**725**	**375**	**(183)**		
income	2,165	614	20	7		(2,451)	355	1,861	351	12	8	24	(2,019)	
expenses	(2,654)	(1,122)	(41)	(5)	5	2,451	(1,366)	(3,038)	(798)	(92)	(7)	(47)	2,019	
sses) on s, net	(84)	(56)	(86)				(226)	624	(92)	49				
xchange tary gains net	732	(15)	(69)	(44)	1		605	2,073	23	143	(10)	43		
ale of nts		80					80		81		237	459		
results of and joint and nts	463		40	40	126		669	239	4	63	86	67		
xes	(838)	(829)	(83)	19	11		(1,720)	(1,661)	(1,109)	(201)	(14)			
interests	(2)	(145)	(85)		1		(231)	(35)	(358)	(254)	(1)	11		
ne	**9,808**	**1,558**	**130**	**333**	**22**		**11,851**	**5,301**	**2,458**	**445**	**674**	**374**		
sified by ic n: narket except ates	1,470	935	816	1		(930)	2,292	1,032	1,087	711	23		(786)	
ates	604	1,530	304	1		(322)	2,117	330	1,945	163		57	(202)	
	8,500	2,134	1,181	28	9	(4,294)	7,558	4,874	1,953	1,228	11		(2,672)	
	1,361	205	124		100	(648)	1,142	623	262	97		98	(274)	

ca/Oceania	2,907	1,063	458	1	171	(1,215)	3,385	1,580	1,649	450			(703)
	8,503	737	23	13	4	(3,529)	5,751	5,612	1,057		4		(2,351)
er than l China	2,484	1,732	9	1	92	(1,056)	3,262	1,171	2,407	16	1		(586)
	25,829	**8,336**	**2,915**	**45**	**376**	**(11,994)**	**25,507**	**15,222**	**10,360**	**2,665**	**39**	**155**	**(7,574)**
market	3,657	420	671	1,337	181	(706)	5,560	2,749	374	534	1,131		(952)
	29,486	**8,756**	**3,586**	**1,382**	**557**	**(12,700)**	**31,067**	**17,971**	**10,734**	**3,199**	**1,170**	**155**	**(8,526)**

(*) Other than Aluminum.

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Operating segment after eliminations (Disaggregated)

	Revenues											Nine-month period ended September 30, (unaudited) 2008
	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	11,997	2,242	14,239	(300)	13,939	(5,050)	8,889	(729)	8,160	16,139	2,285	56
Pellets	2,567	706	3,273	(164)	3,109	(1,872)	1,237	(93)	1,144	1,273	51	848
Manganese	202	40	242	(11)	231	(60)	171	(5)	166	79	2	
Ferroalloys	612	424	1,036	(107)	929	(388)	541	(19)	522	137	14	
Pig iron	146		146		146	(67)	79	(3)	76	176	6	
	15,524	**3,412**	**18,936**	**(582)**	**18,354**	**(7,437)**	**10,917**	**(849)**	**10,068**	**17,804**	**2,358**	**904**
Non ferrous												
Nickel and other products (*)	6,674	37	6,711		6,711	(3,127)	3,584	(1,028)	2,556	23,355	1,580	93
Potash		272	272	(14)	258	(105)	153	(18)	135	130	8	
Kaolin	132	32	164	(7)	157	(173)	(16)	(27)	(43)	232	4	
Copper concentrate	714	76	790	(16)	774	(398)	376	(60)	316	1,838	194	
Aluminum products	1,968	295	2,263	(63)	2,200	(1,745)	455	(134)	321	4,391	325	126
	9,488	**712**	**10,200**	**(100)**	**10,100**	**(5,548)**	**4,552**	**(1,267)**	**3,285**	**29,946**	**2,111**	**219**
Logistics												
Railroads		1,063	1,063	(165)	898	(597)	301	(81)	220	1,696	111	289
Ports	11	223	234	(29)	205	(157)	48	(22)	26	1,637	129	
Ships										33	1	109
	11	**1,286**	**1,297**	**(194)**	**1,103**	**(754)**	**349**	**(103)**	**246**	**3,366**	**241**	**398**
Others	484	150	634	(20)	614	(508)	106	(20)	86	3,346	573	1,152

25,507	**5,560**	**31,067**	**(896)**	**30,171**	**(14,247)**	**15,924**	**(2,239)**	**13,685**	**54,462**	**5,283**	**2,673**

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

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Operating segment after eliminations (Disaggregated)

	Revenues										Nine-month period ended September 30, (unaudited) 2007	
	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	7,055	1,504	8,559	(212)	8,347	(2,998)	5,349	(555)	4,794	15,071	1,538	53
Pellets	1,627	385	2,012	(86)	1,926	(1,370)	556	(61)	495	1,529	61	681
Manganese	27	13	40	(4)	36	(45)	(9)	(5)	(14)	72	1	
Ferroalloys	264	172	436	(44)	392	(305)	87	(17)	70	178	10	
Pig iron	57		57		57	(44)	13		13	190	28	
	9,030	**2,074**	**11,104**	**(346)**	**10,758**	**(4,762)**	**5,996**	**(638)**	**5,358**	**17,040**	**1,638**	**734**
Non ferrous												
Nickel and other products (*)	9,184	114	9,298		9,298	(4,679)	4,619	(557)	4,062	23,170	1,383	269
Potash		120	120	(7)	113	(73)	40	(16)	24	188	13	
Kaolin	140	24	164	(7)	157	(188)	(31)	(23)	(54)	298	31	
Copper concentrate	488	111	599	(24)	575	(310)	265	(43)	222	1,747	111	
Aluminum products	1,832	218	2,050	(42)	2,008	(1,225)	783	(74)	709	4,086	777	163
	11,644	**587**	**12,231**	**(80)**	**12,151**	**(6,475)**	**5,676**	**(713)**	**4,963**	**29,489**	**2,315**	**432**
Logistics												
Railroads		898	898	(147)	751	(442)	309	(65)	244	840	29	397
Ports	3	187	190	(37)	153	(125)	28	(16)	12	1,148	44	
Ships	16	32	48	(3)	45	(44)	1	(3)	(2)	39	12	
	19	**1,117**	**1,136**	**(187)**	**949**	**(611)**	**338**	**(84)**	**254**	**2,027**	**85**	**397**
Others	174	58	232	(11)	221	(271)	(50)	(14)	(64)	2,250	68	1,032

20,867	**3,836**	**24,703**	**(624)**	**24,079**	**(12,119)**	**11,960**	**(1,449)**	**10,511**	**50,806**	**4,106**	**2,595**

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

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19 Derivative financial instruments

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 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.

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 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.

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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 July 1, 2008	1,201	(21)	(189)	(166)	37	(21)	841
Financial settlement	(176)	10	57	62	20	6	(21)
Unrealized gains (losses) in the period	(635)	(14)	75	33	(18)	14	(545)
Effect of exchange rate changes	(222)	15	11	31	(1)	(1)	(167)
Unrealized gains (losses) at September 30, 2008	**168**	**(10)**	**(46)**	**(40)**	**38**	**(2)**	**108**
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 July 1, 2007	363	(37)	(292)	(355)	28	(24)	(317)
Financial settlement	(10)	7	28	70	(76)	4	23
Unrealized gains (losses) in the period	273	(7)	96	(69)	50	(5)	338
Effect of exchange rate changes	23	(2)	(8)	(2)	1		12
Unrealized gains (losses) at September 30, 2007	**649**	**(39)**	**(176)**	**(356)**	**3**	**(25)**	**56**
Unrealized gains (losses) at January 1, 2008	626	(36)	(98)	(188)	42	(24)	322

Financial settlement	(164)	22	87	138	(14)	20	89
Unrealized gains (losses) in the period	602	(4)	(158)	(111)	8	(18)	319
Effect of exchange rate changes	137	(3)	(20)	(5)	1	1	111
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	(340)	32	144	200	6	26	68
Unrealized gains (losses) in the period	(33)	(18)	(83)	(78)	(10)	(4)	(226)
Effect of exchange rate changes	(85)	12	(9)	26			(56)
Unrealized gains (losses) at September 30, 2008	**168**	**(10)**	**(46)**	**(40)**	**38**	**(2)**	**108**
Unrealized gains (losses) at January 1, 2007	(10)	(53)	(318)	(298)	16	(20)	(683)
Financial settlement	(90)	23	96	177	(64)	8	150
Unrealized gains (losses) in the period	705	(2)	86	(235)	50	(13)	591
Effect of exchange rate changes	44	(7)	(40)		1		(2)
Unrealized gains (losses) at September 30, 2007	**649**	**(39)**	**(176)**	**(356)**	**3**	**(25)**	**56**

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	January 2009
Nickel	August 2010
Platinum	December 2008

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 September 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 September 30, 2008, unrealized net gosses in respect of derivative instruments which were not qualified for hedge accounting under US GAAP amounted to US$ 226.

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 September 30, 2008, US$1 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.

20 Subsequents events

In October 2008 the Board of Directors announces a share buy-back program of up to 69,944,380 common shares and up to 169,210,249 preferred shares, corresponding to 5.5% and 8.5% of the free floating of each class, respectively, as of September 30, 2008.

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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

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Indexes on Vale s Consolidated Debt (Supplemental information unaudited)

		Three-month period ended		Nine-month period ended September 30,	
	September 30,	June 30,	September 30,		
	2008	2008	2007	2008	2007
Current debt					
Current portion of long-term debt unrelated parties	733	730	702	733	702
Short-term debt	46	46	2	46	2
Loans from related parties	16	36	42	16	42
	795	**812**	**746**	**795**	**746**
Long-term debt					
Long-term debt unrelated parties	18,393	19,560	17,522	18,393	17,522
Gross debt (current plus long-term debt)	**19,188**	**20,372**	**18,268**	**19,188**	**18,268**
Interest paid over:					
Interest paid	**1,929**	**(362)**	**(325)**	**1,283**	**(969)**
EBITDA	**6,374**	**6,218**	**4,001**	**16,321**	**12,242**
Stockholders equity	**51,218**	**41,705**	**33,552**	**51,218**	**33,552**
LTM (1) EBITDA / LTM (1) Interest paid	**15.03**	**13.04**	**12.17**	**15.03**	**12.17**
Gross Debt / LTM (1) EBITDA	**0.97**	**1.17**	**1.23**	**0.97**	**1.23**
Gross debt / Equity Capitalization (%)	**27**	**33**	**35**	**27**	**35**
Financial expenses					
Interest expense	(293)	(254)	(307)	(860)	(1,035)
Labor and civil claims and tax-related actions	(23)	(8)	(19)	(76)	(59)
Tax on financial transactions CPMF			(20)		(105)
Others	(141)	(87)	(247)	(430)	(764)
	(457)	**(349)**	**(593)**	**(1,366)**	**(1,963)**
Financial income					
Cash and cash equivalents	252	22	16	303	73
Others	25	1	23	52	164
	277	**23**	**39**	**355**	**237**

Derivatives	**(587)**	**655**	**384**	**(226)**	**581**
Financial income (expenses), net	**(767)**	**329**	**(170)**	**(1,237)**	**(1,145)**
Foreign exchange and monetary gain (losses), net					
Cash and cash equivalents	**1,104**	**(67)**	**(9)**	**1,030**	**(92)**
Loans	**(2,169)**	**1,169**	**605**	**(836)**	**2,423**
Others	**744**	**(264)**	**(32)**	**411**	**(59)**
	(321)	**838**	**564**	**605**	**2,272**
Financial result, net	**(1,088)**	**1,167**	**394**	**(632)**	**1,127**

(1) Last twelve months

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Calculation of EBITDA (Supplemental information Unaudited)

	Three-month period ended			Nine-month period ended September 30,	
	September 30, 2008	June 30, 2008	September 30, 2007	2008	2007
Operating income	5,535	5,235	3,430	13,685	10,511
Depreciation	713	760	532	2,239	1,449
	6,248	**5,995**	**3,962**	**15,924**	**11,960**
Dividends received	126	223	39	397	282
EBITDA	**6,374**	**6,218**	**4,001**	**16,321**	**12,242**
Net operating revenues	11,739	10,600	7,898	30,171	24,079
Margin EBITDA	**54.3%**	**58.7%**	**50.7%**	**54.1%**	**50.8%**

Adjusted EBITDA x Operating Cash Flows (Supplemental information Unaudited)

	Three-month period ended					
	September 30, 2008		June 30, 2008		September 30, 2007	
	EBITDA	Operating cash flows	EBITDA	Operating cash flows	EBITDA	Operating cash flows
Net income	4,821	4,821	5,009	5,009	2,940	2,940
Income tax deferred	(621)	(621)	333	333	(28)	(28)
Income tax current	477		1,173		975	
Equity in results of affiliates and joint ventures and other investments	(290)	(290)	(260)	(260)	(165)	(165)
Foreign exchange and monetary gains, net	321	1,133	(838)	(1,300)	(564)	(519)
Financial expenses, net	767	83	(329)	(45)	170	9
Minority interests	60	60	147	147	205	205
Gain on sale of investments					(103)	(103)
Net working capital		(1,524)		(214)		243
Others		831		(572)		(313)
Operating income	**5,535**	**4,493**	**5,235**	**3,098**	**3,430**	**2,269**
Depreciation, depletion and amortization	713	713	760	760	532	532
Dividends received	126	126	223	223	39	39
	6,374	**5,332**	**6,218**	**4,081**	**4,001**	**2,840**

Operating cash flows	**5,332**	**4,081**	**2,840**
Income tax	477	1,173	975
Foreign exchange and monetary gains (losses)	(812)	462	(45)
Financial expenses	684	(284)	161
Net working capital	1,524	214	(243)
Others	(831)	572	313
EBITDA	**6,374**	**6,218**	**4,001**

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	Nine-month period ended September 30, 2008		2007	
	EBITDA	**Operating cash flows**	**EBITDA**	**Operating cash flows**
Net income	11,851	11,851	9,252	9,252
Income tax deferred	(584)	(584)	(306)	(306)
Income tax current	2,304		3,291	
Equity in results of affiliates and joint ventures and other investments	(669)	(669)	(459)	(459)
Foreign exchange and monetary gains, net	(605)	(289)	(2,272)	(2,571)
Financial expenses, net	1,237	119	1,145	125
Minority interests	231	231	637	637
Gain on sale of investments	(80)	(80)	(777)	(777)
Net working capital		(2,966)		1,632
Others		572		(512)
Operating income	**13,685**	**8,185**	**10,511**	**7,021**
Depreciation, depletion and amortization	2,239	2,239	1,449	1,449
Dividends received	397	397	282	282
	16,321	**10,821**	**12,242**	**8,752**
Operating cash flows		**10,821**		**8,752**
Income tax		2,304		3,291
Foreign exchange and monetary gains (losses)		(316)		299
Financial expenses		1,118		1,020
Net working capital		2,966		(1,632)
Others		(572)		512
EBITDA		**16,321**		**12,242**

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Chairman

Mário da Silveira Teixeira Júnior
Vice-President

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Luciano Galvão Coutinho
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Renato da Cruz Gomes
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Paulo Ricardo Ultra Soares
Paulo Roberto Ferreira de Medeiros

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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
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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

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Equity Investee Information 09/30/2008

Aluminum Area Valesul (Additional information Unaudited)

		2008					2007				
		As of and for the three-month periods ended					**As of and for the three-month periods ended**				
Information		**March 31**	**June 30**	**September 30**	**December 31**	**Total**	**March 31**	**June 30**	**September 30**	**December 31**	**Total**
Quantity sold external market	MT (thousand)	4	7	6		17	9	10	8	8	35
Quantity sold internal market	MT (thousand)	16	15	19		50	10	16	15	30	71
Quantity sold total	MT (thousand)	**20**	**22**	**25**		**67**	**19**	**26**	**23**	**38**	**106**
Average sales price external market	US$	2,653.70	2,846.14	2,679.23		2,735.46	2,828.64	2,902.69	2,750.68	2,580.48	2,777.48
Average sales price internal market	US$	3,786.95	4,168.23	3,321.93		3,674.75	4,037.71	4,068.49	4,045.36	3,415.84	3,722.07
Average sales price total	US$	**3,560.30**	**3,747.56**	**3,148.89**		**3,426.11**	**3,512.03**	**3,652.13**	**3,696.79**	**3,177.17**	**3,410.18**
Stockholders equity	US$	**391**	**453**	**330**		**330**	**141**	**374**	**391**	**389**	**389**
Net operating revenues	US$	58	70	81		209	70	72	65	65	272
Cost of products	US$	(48)	(55)	(75)		(178)	(48)	(55)	(52)	(57)	(212)
Other expenses / revenues	US$	(4)	(9)	(6)		(19)	(4)	(4)	(6)	(3)	(17)
Depreciation, amortization and depletion	US$	(4)	(4)	(4)		(12)	(2)	(2)	(4)	19	11
EBITDA	US$	**2**	**2**	**(4)**			**16**	**11**	**3**	**24**	**54**
	US$	4	4	4		12	2	2	4	(19)	(11)

Depreciation, amortization and depletion										
EBIT	US$	**6**	**6**		**12**	**18**	**13**	**7**	**5**	**43**
Net financial result	US$	(1)		7	6			1	(2)	(1)
Income before income tax and social contribution	US$	**5**	**6**	**7**	**18**	**18**	**12**	**8**	**3**	**42**
Income tax and social contribution	US$	(2)	(4)	(3)	(9)	(3)	(3)	(3)	(5)	(14)
Net income	US$	**3**	**2**	**4**	**9**	**15**	**9**	**5**	**(2)**	**28**

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Aluminum Area MRN (Additional information Unaudited)

Information		2008 As of and for the three-month periods ended March 31	June 30	September 30	December 31	2008 Total	2007 As of and for the three-month periods ended March 31	June 30	September 30	December 31	2007 Total
Quantity sold external market	MT (thousand)	1,369	1,573	1,496		4,438	1,386	1,356	1,522	1,365	5,629
Quantity sold internal market	MT (thousand)	2,621	2,949	3,268		8,838	3,350	2,969	2,939	2,993	12,251
Quantity sold total	MT (thousand)	**3,990**	**4,522**	**4,764**		**13,276**	**4,736**	**4,325**	**4,461**	**4,358**	**17,880**
Average sales price external market	US$	61.52	34.93	34.71		34.96	33.35	32.47	33.29	34.42	33.38
Average sales price internal market	US$	53.89	31.24	31.96		31.61	27.04	27.04	27.69	28.38	27.52
Average sales price total	US$	**56.51**	**32.52**	32.83		**32.73**	**28.89**	**28.74**	**29.60**	**30.27**	**29.37**
Long-term indebtedness, gross	US$	46	115	97		97	38,936	35,488	26,516	163,768	163,768
Short-term indebtedness, gross	US$	245	221	226		226	204,362	223,553	207,048	28,566	28,566
Total indebtedness, gross	US$	**291**	**336**	**323**		**323**	**243,298**	**259,041**	**233,564**	**192,334**	**192,334**
Stockholders equity	US$	**493**	**432**	**315**		**315**	**305**	**354**	**407**	**459**	**459**
Net operating revenues	US$	117	130	139		386	132	125	128	131	516
Cost of products	US$	(63)	(82)	(81)		(226)	(64)	(66)	(60)	(68)	(258)
Other expenses / revenues	US$	(8)	2	(3)		(9)	(5)	(4)	(6)	(6)	(21)
	US$	14	17	10		41	13	14	13	14	54

Depreciation, amortization and depletion										
EBITDA	US$	**60**	**67**	**65**	**192**	**76**	**69**	**75**	**71**	**291**
Depreciation, amortization and depletion	US$	(14)	(17)	(10)	(41)	(13)	(14)	(13)	(14)	(54)
EBIT	US$	**46**	**50**	**55**	**151**	**63**	**55**	**62**	**57**	**237**
Net financial result	US$	(2)	(11)	(3)	(16)	(1)	(1)	(2)		(4)
Income before income tax and social contribution	US$	**44**	**39**	**52**	**135**	**62**	**54**	**60**	**57**	**233**
Income tax and social contribution	US$	(10)	(19)	(5)	(34)	(6)	(5)	(7)	(5)	(23)
Net income	US$	**34**	**20**	**47**	**101**	**56**	**49**	**53**	**52**	**210**

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Aluminum Area Albras (Additional information Unaudited) Consolidated Subsidiary

		2008				2007				
		As of and for the three-month periods ended				As of and for the three-month periods ended				
Information		**March 31**	**June 30**	**September 30**	**December 31**	**Total**	**March 31**	**June 30**	**September 30**	**December 31**	**Total**
Quantity sold external market	MT (thousand)	109	99	117		325	108	123	108	104	443
Quantity sold internal market	MT (thousand)	7	6	7		20	7	6	7	6	26
Quantity sold total	MT (thousand)	**116**	**105**	**124**		**345**	**115**	**129**	**115**	**110**	**469**
Average sales price external market	US$	2,486.87	2,939.31	2,888.76		2,696.61	2,688.76	2,726.53	2,631.55	2,405.80	2,611.76
Average sales price internal market	US$	2,307.59	2,640.89	2,625.72		2,444.25	2,500.55	2,688.83	2,599.78	2,196.61	2,372.90
Average sales price total	US$	**2,476.70**	**2,920.77**	**2,874.64**		**2,682.19**	**2,677.30**	**2,724.78**	**2,585.19**	**2,393.38**	**2,598.49**
Long-term indebtedness, gross	US$	283	301	267		267	319	303	306	301	301
Short-term indebtedness, gross	US$	111	90	128		128	4	9	2	40	40
Total indebtedness, gross	US$	**394**	**391**	**395**		**395**	**323**	**312**	**308**	**341**	**341**
Stockholders equity	US$	**973**	**1,098**	**948**		**948**	**736**	**788**	**936**	**1,004**	**616**
Net operating revenues	US$	292	310	346		948	309	353	299	268	1,229
Cost of products	US$	(222)	(222)	(254)		(698)	(197)	(232)	(206)	(207)	(842)
Other expenses /	US$	(18)	(20)	(18)		(56)	(11)	(15)	(17)	(19)	(62)

revenues										
Depreciation, amortization and depletion	US$	8	8	(9)	7	7	8	8	8	31
EBITDA	US$	**60**	**76**	**65**	**201**	**108**	**114**	**84**	**50**	**356**
Depreciation, amortization and depletion	US$	(8)	(8)	9	(7)	(7)	(8)	(8)	(8)	(31)
EBIT	US$	**52**	**68**	**74**	**194**	**101**	**106**	**76**	**42**	**325**
Net financial result	US$	(66)	37	(38)	(67)	16	(9)	67	37	111
Income (loss) before income tax and social contribution	US$	**(14)**	**105**	**36**	**127**	**117**	**97**	**143**	**79**	**436**
Income tax and social contribution	US$	(9)	(37)	(9)	(55)	(23)	(58)	(42)	(8)	(131)
Net income (loss)	US$	**(23)**	**68**	**27**	**72**	**94**	**39**	**101**	**71**	**305**

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Aluminum Area Alunorte (Additional information Unaudited) Consolidated Subsidiary

Information		2008 As of and for the three-month periods ended March 31	June 30	September 30	December 31	Total	2007 As of and for the three-month periods ended March 31	June 30	September 30	December 31	Total
Quantity sold external market	MT (thousand)	814	832	975		2,621	699	769	828	933	3,229
Quantity sold internal market	MT (thousand)	235	258	301		794	244	252	248	271	1,015
Quantity sold total	MT (thousand)	**1,049**	**1,090**	**1,276**		**3,415**	**943**	**1,021**	**1,076**	**1,204**	**4,244**
Average sales price external market	US$	322.46	372.73	378.60		359.27	344.85	349.61	340.23	312.26	335.38
Average sales price internal market	US$	287.59	340.49	342.74		325.30	309.77	311.69	306.88	275.46	300.38
Average sales price total	US$	**314.57**	**365.10**	**370.14**		**343.47**	**335.77**	**340.00**	**332.54**	**303.98**	**327.01**
Long-term indebtedness, gross	US$	740	829	855		855	528	557	466	556	556
Short-term indebtedness, gross	US$	20		29		29			18		
Total indebtedness, gross	US$	**760**	**829**	**884**		**884**	**528**	**557**	**484**	**556**	**556**
Stockholders equity	US$	**2,287**	**2,633**	**2,217**		**2,217**	**1,686**	**1,903**	**2,197**	**2,307**	**1,425**
Net operating revenues	US$	331	399	473		1,203	314	342	369	370	1,395
Cost of products	US$	(274)	(288)	(352)		(914)	(181)	(217)	(246)	(290)	(934)
Other expenses / revenues	US$	(13)	(14)	(12)		(39)	(2)	(15)	(7)	(15)	(39)
Depreciation, amortization	US$	19	20	(16)		23	12	14	13	15	54

and depletion										
EBITDA	US$	**63**	**117**	**93**	**273**	**143**	**124**	**129**	**80**	**476**
Depreciation, amortization and depletion	US$	(19)	(20)	16	(23)	(12)	(14)	(13)	(15)	(54)
EBIT	US$	**44**	**97**	**109**	**250**	**131**	**110**	**116**	**65**	**422**
Net financial result	US$	(57)	58	(117)	(116)	19	(14)	34	35	74
Income (loss) before income tax and social contribution	US$	**(13)**	**155**	**(8)**	**134**	**150**	**96**	**150**	**100**	**496**
Income tax and social contribution	US$	(7)	(34)	22	(19)	(19)	(12)	(38)	(16)	(85)
Net income (loss)	US$	**(20)**	**121**	**14**	**115**	**131**	**84**	**112**	**84**	**411**

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Pelletizing Affiliates Hispanobras (Additional information Unaudited)

Information		2008: As of and for the three-month periods ended March 31	June 30	September 30	December 31	Total	2007: As of and for the three-month periods ended March 31	June 30	September 30	December 31	Total
Quantity sold external market	MT (thousand)	404	400	618		1,422	565	504	527	394	1,990
Quantity sold internal market	MT (thousand)	710	805	554		2,069	800	620	510	545	2,475
Quantity sold total	MT (thousand)	**1,114**	**1,205**	**1,172**		**3,491**	**1,365**	**1,124**	**1,037**	**939**	**4,465**
Average sales price external market	US$	71.45	203.07	227.18		326.85	69.26	77.40	72.50	73.25	72.97
Average sales price internal market	US$	75.95	203.58	236.04		212.88	72.97	79.73	74.88	76.94	75.93
Average sales price total	US$	**74.32**	**203.41**	**231.37**		**232.86**	**71.43**	**78.69**	**73.67**	**75.39**	**74.61**
Short-term indebtedness, gross	US$	75	58	7		7	6	9	14	46	46
Total indebtedness, gross	US$	**75**	**58**	**7**		**7**	**6**	**9**	**14**	**46**	**46**
Stockholders equity	US$	**90**	**166**	**158**		**158**	**89**	**78**	**86**	**84**	**84**
Net operating revenues	US$	83	248	164		495	97	89	76	72	334
Cost of products	US$	(75)	(143)	(118)		(336)	(77)	(74)	(66)	(78)	(295)
Other expenses / revenues	US$	(2)	(2)	(2)		(6)	(1)	(2)	(1)	(1)	(5)
Depreciation, amortization and depletion	US$	1	1	1		3	1			3	4
EBITDA	US$	**7**	**104**	**45**		**156**	**20**	**13**	**9**	**(4)**	**38**
	US$	(1)	(1)	(1)		(3)	(1)			(3)	(4)

Depreciation, amortization and depletion										
EBIT	US$	**6**	**103**	**44**	**153**	**19**	**13**	**9**	**(7)**	**34**
Net financial result	US$	1	(4)	7	4	(2)	(1)	(1)	(1)	(5)
Income (loss) before income tax and social contribution	US$	**7**	**99**	**51**	**157**	**17**	**12**	**8**	**(8)**	**29**
Income before income tax and social contribution	US$	(3)	(34)	(18)	(55)	(6)	(5)	(2)	2	(11)
Net income	US$	**4**	**65**	**33**	**102**	**11**	**7**	**6**	**(6)**	**18**

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Pelletizing Affiliates Itabrasco (Additional information Unaudited)

Information		2008 As of and for the three-month periods ended March 31	June 30	September 30	December 31	2008 Total	2007 As of and for the three-month periods ended March 31	June 30	September 30	December 31	2007 Total
Quantity sold external market	MT (thousand)	185	754	800		1,739	589	701	282	439	2,011
Quantity sold internal market	MT (thousand)	843	90	273		1,206	283	657	562	605	2,107
Quantity sold total	MT (thousand)	**1,028**	**844**	**1,073**		**2,945**	**872**	**1,358**	**844**	**1,044**	**4,118**
Average sales price external market	US$	75.36	75.18	187.03		126.65	75.72	74.48	77.40	75.60	75.60
Average sales price internal market	US$	75.11	82.52	137.90		90.61	71.33	73.81	75.02	74.37	73.64
Average sales price total	US$	**75.15**	**75.96**	**174.53**		**111.89**	**73.53**	**74.16**	**75.82**	**74.89**	**74.60**
Short-term indebtedness, gross	US$	52	80	61		61		23	32	43	43
Total indebtedness, gross	US$	**52**	**80**	**61**		**61**		**23**	**32**	**43**	**43**
Stockholders equity	US$	**94**	**104**	**119**		**119**	**76**	**61**	**69**	**90**	**90**
Net operating revenues	US$	78	64	188		330	65	101	59	70	295
Cost of products	US$	(69)	(62)	(123)		(254)	(53)	(86)	(51)	(62)	(252)
Other expenses / revenues	US$	(1)	(2)	(2)		(5)	1	(3)		(3)	(5)
Depreciation, amortization and depletion	US$	1	2	1		4	1	1		2	4
EBITDA	US$	**9**	**2**	**64**		**75**	**14**	**13**	**8**	**7**	**42**

Depreciation, amortization and depletion	US$	(1)	(2)	(1)	(4)	(1)	(1)		(2)	(4)
EBIT	US$	**8**		**63**	**71**	**13**	**12**	**8**	**5**	**38**
Net financial result	US$	(2)	2	(6)	(6)	(1)	(1)		(1)	(3)
Income before income tax and social contribution	US$	**6**	**2**	**57**	**65**	**12**	**11**	**8**	**4**	**35**
Income tax and social contribution	US$	(3)	(2)	(20)	(25)	(4)	(5)	(3)	(4)	(16)
Net income	US$	**3**		**37**	**40**	**8**	**6**	**5**		**19**

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Pelletizing Affiliates Samarco (Additional information Unaudited)

		2008									
		As of and for the three-month periods ended					As of and for the three-month periods ended				
Information		**March 31**	**June 30**	**September 30**	**December 31**	**Total**	**March 31**	**June 30**	**September 30**	**December 31**	
ty sold Pellets	MT (thousand)	3,010	4,327	5,519		12,856	3,003	3,742	3,241	4,373	1
ty sold Iron ore	MT (thousand)	168	140	154		462	463	638	302	358	
ge sales price Pellets	US$	105.51	142.07	152.30		105.51	77.51	82.38	83.61	82.58	
ge sales price Iron ore	US$	47.61	98.95	73.86		47.61	46.79	46.78	45.30	49.14	
erm indebtedness, gross	US$	800	799	800		800	738	817	808	800	
erm indebtedness, gross	US$	591	846	987		987	192	324	398	572	
ndebtedness, gross	US$	**1,391**	**1,645**	**1,787**		**1,787**	**930**	**1,141**	**1,206**	**1,372**	
olders equity	US$	**1,078**	**1,213**	**926**		**926**	**688**	**754**	**878**	**970**	
erating revenues	US$	331	613	843		1,787	253	338	299	365	
f products	US$	(164)	(277)	(314)		(755)	(109)	(140)	(129)	(184)	
xpenses / revenues	US$	(43)	(98)	(55)		(196)	(32)	(63)	(32)	(67)	
iation, amortization and depletion	US$	12	16	16		44	10	11	12	12	
DA	US$	**136**	**254**	**490**		**880**	**122**	**146**	**150**	**126**	
iation, amortization and depletion	US$	(12)	(16)	(16)		(44)	(10)	(11)	(12)	(12)	
	US$	**124**	**238**	**474**		**836**	**112**	**135**	**138**	**114**	
n investments accounted for by the equity method	US$	3	(3)	1		1	2	3	7	2	
ancial result	US$	4	122	(281)		(155)	35	14	25	15	
e (loss) before income tax and social bution	US$	**131**	**357**	**194**		**682**	**149**	**152**	**170**	**131**	
e tax and social contribution	US$	66	(162)	(30)		(126)	(29)	(34)	(35)	(21)	
come (loss)	US$	**197**	**195**	**164**		**556**	**120**	**118**	**135**	**110**	

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Signatures

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

COMPANHIA VALE DO RIO DOCE
(Registrant)

Date: October 23, 2008

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