



International Conference Call
Vale
1st Quarter 2008 Earnings Results
April 25th, 2008 – 11:00 a.m. (RJ Time)

Operator: Good morning ladies and gentlemen, thank you for standing by and welcome to Vale's conference call to discuss first quarter 2008 earnings results. If you do not have a copy of the relevant press release, it is available at the company's website at: www.vale.com at the Investors link.

At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session and instructions will be given at that time. If you should require assistance during the call, please press the star key followed by zero. As a reminder, this conference is being recorded. The replay will be available until April 30th, 2008. To access the replay, please dial (55 11) 4688-6312 (access code: 735). The file will also be available at the Company's website at www.vale.com, at the Investors section. This conference call and the slide presentation are being transmitted via internet as well. You can access the webcast by logging on to the Company's website, www.vale.com.br at Investors section or at www.prnewswire.com.br.

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks and other factors.

With us today in Rio de Janeiro is Mr. Roberto Castello Branco, Vale's Director of Investor Relations. First, Mr. Castello Branco will proceed to the presentation and after that we will open for the Questions and Answers Session. It is now my pleasure to turn the call over to Mr. Castello Branco. Sir, you may now begin.

Mr. Roberto Castello Branco: Thank you. Good morning to those who are in this side of the Atlantic, good afternoon to those on the other side of the Atlantic. First of all I would like to tell that unfortunately our Chief Financial Officer, Mr. Fabio Barbosa, will not attend the conference as he is in China attending an investors' conference.

The title of our 1Q08 earnings release - Staying Strong in a World of Changes – reflects, I think, pretty clearly what happened in this quarter. We had a very solid performance in face of a tough environment of currency, price volatilities and non-cash charges that distorted a little bit of our real performance.

In terms of production we did very well. Iron ore production in the 1Q08, despite the fact that this is a seasonally weak quarter, I would like to emphasize this, reached 74.5 million tons of iron ore helped by the good performance of Carajás, Brucutu and the new mine of Fazendão and in this quarter we achieved a historical mark because our production in an annual basis over the last, accumulated over the last 12 months in the



first quarter of 2008 reached more than, exceeded the 300 million tons mark. The last time we had a historical mark was in the third quarter of 2004 when we reached for the first time 200 million tons of iron ore.

So we continue to increase our exposure to the cycle and by doing this we delivered in this quarter three new projects, three new platforms of cash flow and value creation for the shareholders: the Fazendão mine in the Southeastern System, with a capacity to produce 15.8 million tons of iron ore on a run-of-the-mine basis; the third pellet plant of our affiliated joint venture Samarco with a capacity to produce 7.6 million tons of pellets that started operations in April; and finally a small but very important project in terms of marketing strategy for nickel, Dalian, in the north of China, which is going to produce, has a capacity to produce 300,000 tons per year of finished nickel.

Dalian is important because it is a project which is associated to the Goro nickel project in New Caledonia. Goro is going to produce 60,000 tons of nickel in matte with 78% of nickel content and so it is going to ship its products to Dalian, where we are going to produce a product with 97% of nickel purity and to have the flexibility to play in the Chinese domestic market for stainless steel.

As a consequence of that, we are going to change the profile of sales for the Chinese market that is too concentrated on plating, on the plating market - it represents more than 80% of our sales - and we are changing more towards stainless steel because this product produced by Dalian will be focused on the stainless steel industry. Although China is a very large player, in the plating market globally China represents 50% of the plating market and we are a very large player in this market, we have 40% of the sales of market share in the plating market, in the domestic Chinese market plating represents only 20% of the consumption of nickel. So with Dalian, Goro plus Dalian, we will be exploiting a larger share of the large Chinese market.

In terms of Capex we spent this quarter only US\$ 1.7 billion; this is going to accelerate throughout the year, but 77% of our Capex was focused on growth: project execution plus research and development. We have been investing heavily in mineral exploration around the world, focusing products like copper and coal in South America, Africa and Asia and we are starting to have initial very favorable results.

In terms of projects we announced a cost revision of the Onça Puma Project, US\$ 2.3 billion from the US\$ 1.4 billion initially budgeted. This was due to the currency volatility, to the appreciation of the Brazilian real against the U.S. dollar and also to the rising costs. As it is well known, the mining industry faces a very tough environment in terms of costs, because almost everything has prices increasing: raw materials, equipment, spare parts, contractors services and so on.

And Salobo I is a project that is being developed that has very good expectations; it suffered a revision of its Capex budget upwards by US\$ 200 million to 1.20 billion against US\$ 900 million and we are very optimistic about Salobo, about developing after



Salobo I Salobo II and even there is a chance for Salobo III, having a very large copper operation at Salobo with more than 200,000 tons.

Well, in terms of costs, costs of goods sold, comparing the first quarter of 2008 with the first quarter of 2007 there was an increase of about US\$ 800 million that is shown in the slide. Most of this was due to the depreciation of the U.S. dollar against the main currencies that compose our costs - I am talking about the Brazilian real and the Canadian dollar - but it is important to highlight that even amidst this environment of rising prices for inputs we managed to get US\$ 224 million in cost reduction.

And talking about this our efforts are paying off; in a quarter over quarter basis, cost for unit of output discounting, of course discounting the effect of the appreciation and the currency volatility, we managed to obtain cost reductions quarter after quarter with the exception of the fourth quarter of 2007.

And I would like to emphasize upon that in a tight market environment one should not concentrate its attention only in costs or cash cost per ton, but there are several situations where we have to accept a cost increase - but conditions if marginal revenues are higher than marginal costs.

This is the relevant economic decision: if there is an opportunity to increase production but increasing costs but the additional revenues generated by that decision is going to be much higher than the additional costs, it will be not rational to not make that decision; it will mean to give up cash flow and profits, it should not be on the very best interest of the shareholders. Of course we are making a lot of efforts to fight costs, but our main driver is the comparison between marginal revenues with marginal costs.

Our operational margins improved relatively to the fourth quarter of 2007. For the company as a whole it went up to 37.2%, 430 basis points and across our three main divisions only the ferrous minerals division registered a decrease in margins. I want to call your attention that only US\$ 17 million of additional revenues rose from the iron ore price increase; the bulk of the iron ore price increase is going to be accrued from the second quarter onwards.

A major part of our clients moved to the Japanese fiscal year, which starts from April 1st for the period relevant for price changes, so only a small part of the price increase is retroactive and a major part will be accrued from the second quarter onwards.

Comparing the 1Q08 with the 4Q07 our Ebitda registered an increase of approximately US\$ 200 million and it was helped by a reduction of SG&A. SG&A in the 4Q07 was very high due to one-off events like expenses with branding; with the installation of offices outside Brazil; with several provisions and to a seasonal increase of profit sharing provisions, so it decreased by US\$ 232 million; there was the contribution of our reduction in costs of goods sold; the contribution of an increase in sales price and that more than offset the seasonal decrease in sales volumes.



Comparing the Ebitda reached in the first quarter of 2008 with the one that we obtained in the first quarter of 2007 it is important to see that if you normalize by the nickel price, the average realized nickel price, we should see an increase, not a decrease; because in the first quarter of 2007 nickel prices were very high, reached – the nickel average realized price - reached US\$ 40.4 thousand per ton, decreasing by 29% compared to the first quarter of 2008 and I would say that one should not expect this very high price to continue overtime, because it should be very good in a short-term deal, but for the medium and long-term it was not as positive as it looks in the short term because of course this invites substitution.

Our net earnings decreased by 8.8% compared to the first quarter of 2007 and in a last 12 months perspective we have an interruption in our upward trend. It was US\$ 12.5 billion in 2007, it decreased to 11.7 billion and this was the effect of the distortions caused by non-cash charges. There was an increase compared to the first quarter of 2007 we have an increase of US\$ 737 million in terms of non-cash charges due to the so-called monetary variation on the position of net liabilities in U.S. dollars.

We have the effect of derivatives and the market to market of some instruments. In terms of derivatives we have positions in aluminum and copper going to expire by the end of the year, December 2008. We hedged about ... we still have a hedge about 55% of our aluminum production, in terms of copper only 25% of our production. These hedges were made as a way to protect our cash flow for the acquisition of Inco in 2006.

In terms of nickel we have a very small part of our production, only 5%. In nickel the rationale for hedging is due to two factors: first, we have some sales that are made at fixed price and we use derivatives to keep our exposure to the price volatility of nickel; secondly, we used to buy nickel feed from third parties at fixed price and so in order to match our positions we use to hedge against price volatility. So these are transitory non-cash events that of course contributed to distort our financial performance in this first quarter 2007.

In terms of debt it is important to highlight that our cost, our average cost of debt is in a downward trend. We managed to reduce the average cost of debt by 270 basis points over a period of three years and most recently this was due to the action of Libor interest rates; we transformed to swaps, we transformed an additional part of our debt into floating interest rate debt; now we have 64% of our total debt indexed to the Libor taking advantage of the decrease in Libor to reduce the average cost of debt. This is part of our concern of reducing costs and achieving the lowest cost of capital possible in the environment.

Well, looking to the future we believe that this cycle, the long cycle of minerals and metals are gaining momentum; we have seen widespread price rise for several products in different segments: for base metals, for steelmaking raw materials, precious metals and minerals, metals as cobalt, but the longer trend fundamentals remain strong: demand for minerals and metals continues to increase; supply growth is facing multiple headwinds, water power shortage, in addition to the usual problems of shortage of steel



labor, equipment, contractor services, environmental permits - this is a problem across the world.

And we believe that in the future, this key factor driving the demand for minerals and metals will be investment in infrastructure by emerging market economies - not only China, but India and several others, even smaller countries like Vietnam and I would say that even in mature economies like in the U.S. and Australia the lack of investment in infrastructure is increasingly recognized as a barrier to economic growth.

There are discussions nowadays about the status of the transportation infrastructure in the U.S. that is contributing to a decrease in productivity in an economy that traditionally has moved by high productivity gains. So it is very good for the future of the demand for minerals and metals.

Steel prices are rising across the world for every type of product in every region of the world reaching all-time highs. We present a slide of the crude steel price index that reached an all-time high and the excess demand for steel is generating a very strong pressure on the demand for steel-making raw materials: iron ore prices were settled recently as you know; metallurgical coal contracts for 2008, 2009 year were settled at a price that runs from 205% to 210%; manganese ferro-alloys prices reached an all-time high - to give you an example, our average realized price for the first quarter of 2008 reached US\$ 2,100 per ton against US\$ 1,000 the first quarter of last year.

We settled the price for pellets, both for blast furnace pellets with 86.67% increase over 2007 and also for direct reduction pellets maintaining the 10% premium over blast furnace pellets and we saw a recovery of the premium of blast furnace pellets over fines that is an additional indication of the market tightness for these products.

In terms of pellets we see a rising trend of consumption around the world. In these four months of the year we have two new operations from joint ventures: Zuhai in China that started operations in January - initially is a very small operation with only 1.2 million tons per year, we have a capacity, we have a stake of 25%; and Samarco, as we have mentioned.

We have one new pellet plant to be delivered in Itabirito in Brazil, in the Southeastern System with a capacity to produce 7 million tons; in the future we have Tubarão VIII, at the port of Tubarão.

Pending board approval we have our investment in Oman, in the Middle East, to take advantage of the growth of the Gulf countries that are investing dozen, hundred billion dollars; and we are analyzing an investment, further investment in the Chinese market to exploit the domestic Chinese market for pellets and also in Malaysia to establish a distribution center for Southeast Asia.



We foresee crude steel production increasing by 4.7% over the next five years - that should be a slower pace than the first seven years of this decade, but still above trend and much above global GDP growth.

We see the demand for iron ore still growing fast over the next five years, by almost 11%. Percentage-wise it reflects a slower pace of growth but volume-wise we have a very significant amount of iron ore being required from the iron ore industry.

In terms of nickel, despite the existence currently of very high inventories we believe that the prospects are improving. We have seen what we believe that is the end of the stainless steel de-stocking cycle. The demand for other applications coming from the aerospace, the energy and chemical industries is running steady and the production of austenitic stainless steel is recovering from the low in the third quarter when the austenitic ratio plunged to 70% from 77% as an average in 2006. Now it is approaching 75% that is good for the demand for nickel, it means that the substitution pressures have eased.

In terms of aluminum, aluminum is a typical case where power shortages are very important with energy prices boosting aluminum prices and for the future we believe that there is a very good upside because on the one hand we are seeing projects for new smelters with very high Capex, with US\$ 7,000/ton to US\$ 9,000/ton range against US\$ 2,000/ton to US\$ 4,000/ton in the past and on the other hand very high operating costs due to the rising costs of energy. So this conflict has to be solved by a decrease in energy prices that we think that is unlikely and/or an increase in aluminum prices to make feasible the development of these projects.

Last but not least copper market presents also very good prospects. Copper prices reached an all-time high. This is due to the combination of production disruptions, low inventories and well-known supply constraints that come from lower grades, from the lack of a large pipeline of projects and the potential source of supply growth faces still very significant political risks.

So we do believe that Vale is well positioned with its large, world-class, worldwide pipeline; it is very well-positioned to take advantage of the long cycle that we still believe that will last for several years in the future. Thank you very much, I will be happy to take your questions.

Q&A Session

Operator: Ladies and gentlemen, we will now begin the Question and Answer session. If you have a question, please press the star (*) key, followed by the one (1) key on your touch-tone phone now. If at any time you would like to remove yourself from the questioning queue, press star (*) two (2). Please restrict your questions to two at a time. Thank you.

Our first question comes from Mr. Roger Downey with Credit Suisse.



Mr. Roger Downey: Good morning everyone, good morning Roberto. Another good set of results from an operational standpoint, but I think cost has still been a bit of an area of concern for a lot of people. I think it would be interesting to hear from you some guidance on what we can expect going forward, what initiatives are in place to further increase ... or further reduce costs rather, despite the fact that surely enough we are going to have another price increase next year which could offset costs, but just to get some idea on the initiatives there.

And the second thing is on Carajás. With the delays in the licensing there what can we expect in terms of 2009 or is it more realistic to start thinking about 2010?

Mr. Castello Branco: Good morning Roger, thank you for your questions. In terms of costs we launched an initiative to identify inefficiencies, to correct them of course and do more with less. This is the general guideline and it is not something that is usual, "let us reduce costs by X million or billion of dollars", because there are no such inefficiencies and in an environment of rising prices for everything it is just not feasible.

The idea is to become linear, more efficient and this is a daily activity in our company, so there is nothing that I can tell you that "well, we are going to reach US\$ 200 million of cost-reduction or US\$ 2 billion of cost reduction". There are surprises coming from every side in terms of cost increases; what I can guarantee you is that we are doing our best in terms of reducing inefficiencies.

And again - I would like to emphasize this - that in a tight environment where there are several disequilibrium in several segments of the market where demand is pressing supply, the best guideline for decision is to figure out if the marginal revenue is higher than the marginal cost. One should not refrain from increasing production just because your cash cost will increase, but just you have to verify if the marginal cost is lower or not than the marginal revenues. Of course this not make us to relax about costs; we have a constant concern about costs, we are investing to reduce them, we are doing our best to reduce them.

In terms of Carajás we wrote in our press release that we are concerned about the obtention of the environmental license for the Carajás expansion to 130 million tons per year. We are not sure that the project will have a delay, but there is a chance for delay. We are not sure that we will be able to deliver this project in the second half of 2009, so there is a risk but nothing that we can make sure that our production will suffer in the next year or not; for the time being we keep our expectations that Carajás 130 million tons per year will come on stream on the second half of 2009 and we will keep you informed about this.

Mr. Downey: Thank you Roberto, just a follow-up on the cost side of things. Of course the first quarter is traditionally, seasonally low in terms of shipments; in other words your denominator in terms of tons is lower. Going forward with some more capacity being added as you streamline your processes and start operating at full capacity in some of



your expansions should we see a downward pressure in costs just from the economies of scale?

Mr. Castello Branco: We will see this in a more longer period of time. For instance in iron ore the expansion of our capacity in Carajás over the next five years for sure will contribute to reduce operational costs, first because these are new mines with much lower stripping ratios and secondly because Carajás, given the very high iron content, has much lower costs than the Southern and Southeastern Systems. So we have an impact on the average operational cost for iron ore.

In the case of nickel the same; we have new projects coming on stream that will contribute to decrease costs. But you should not expect the next quarter we will have lower costs due to an increase in sales or so, we will have to see in a more longer-term perspective.

Mr. Downey: Ok Roberto. Second question on the non-ferrous derivatives. I think you caught a lot of people by surprise and I think your explanations were very clear. Just going forward though, is there something we should expect will continue despite the fact that you said some of these contracts would expire at the end of the year; will they be reviewed or this is ...

Mr. Castello Branco: Well, it is ... I am sorry. Roger, we have a policy of non hedging. We hedge against metals price volatility only in special situations like that, when we financed the acquisition of Inco. We decided to hedge part of our positions, of our production of aluminum and copper to protect our cash flow, to be sure that we have part of the cash flow will be delivered to pay for the service of the debt.

In the case of nickel, for very specific situations in a very small scale. So we do not foresee a renewal of the positions in aluminum/copper. In nickel, as it is a policy to be exposed to the currency volatility and to hedge the positions bought in nickel feed, this is a continuous process; we do not foresee putting an end in this use of derivatives for nickel. But again, these are very small positions compared to our total production, about 5% of the production.

Operator: Ladies and gentlemen, please restrict your questions to one at a time. Our next question comes from Mr. Filipe Hirai with Merrill Lynch.

Mr. Filipe Hirai: Hi, good morning everyone, good morning Roberto. My question is regarding your nickel projects. We saw a major increase in Capex in Onça Puma, so Roberto, could you walk us through the main reasons for this such increase in the Onça Puma Project and how these would impact the development of Vermelho?

Mr. Castello Branco: Well, thank you for your questions Filipe. First, we had approximately US\$ 900 million increase in the Capex for Onça Puma; one-third of it was due to the effect of the Brazilian real appreciation against the U.S. dollar and US\$ 600, two-thirds of the cost increase, was due to the usual impact of rising costs for



equipment, for contractor services - particularly the assembly, of the electro mechanical assembly - so it is something that is in line with the environment that the mining industry faces: currency volatility and input price increase.

And it does not impact Vermelho, Vermelho is still being studied, the project is being (inaudible 39.41) in order to be approved by the board of directors and constructors. I would like to highlight that our experience with Goro will facilitate a lot the development of Vermelho in a much easier way, not only Vermelho but our projects for the next decade in Indonesia - Pomala, Sorowaco too; we have a family of new nickel laterite limonite projects to be developed in the future, including a second phase of Goro that will be developed at a much lower cost than this initial phase, given the infrastructure is already in place and given the experience that we are gaining with the development of the project.

Mr. Hirai: Ok, thank you Roberto and just a follow-up question on the increase in Capex. Could we assume that your 60 billion Capex program for the next five years that it could actually be higher than that or do you think that it is still too early to assume that it could be instead of 60 could be 70 or even US\$ 80 billion?

Mr. Castello Branco: At this point of time we are not foreseeing making any changes in our Capex program for the next five years.

Mr. Hirai: Ok, thank you Roberto.

Operator: Our next question comes from Mr. Jorge Beristain with Deutsche Bank.

Mr. Jorge Beristain: Good morning Roberto. Two questions, one is what can we - is a more strategic question - what can we interpret out of the collapse of the aluminum division now held the increase in emphasis on your coal business as a stand-alone operation? That is my first question.

Mr. Castello Branco: Good morning Jorge, it is a very interesting question. The aluminum business before the acquisition of the nickel operations in terms of the company context at that time it was relatively large. With the nickel operations, it became relatively small, it represents only 15% of the revenues of the non-ferrous minerals business and as aluminum is part of the non-ferrous metals of the base metal business, we decided to include the aluminum operations into the non-ferrous metals division just for the sake of facilitating, not for any strategic reason. It does not mean that we are downgrading the aluminum business in our general strategy.

Secondly, why coal is separate? Our coal operation is still very small, we are just beginning. We are ramping up our Australian projects. You see, typically the case of Carborough Downs. Carborough Downs is an underground mine in central Queensland, still very small; as an underground mine it produces only 800,000 tons of coal, mostly coking coal and PCI coal.



Only with a project that we are starting to implement of a longwall system Carborough Downs will be a bigger mine and with much lower costs because underground mines, small underground mines are not economically feasible due to the very high fixed costs - ventilation and safety investments. So it will ramp up to 4.4 million metric tons per year.

So let us keep coal aside, it is different from ferrous minerals - not ferrous minerals and not non ... not a base metal and so it will be a division on its own, it is still ... I would say it is still in its infancy - again, nothing in terms of strategy.

Mr. Beristain: Ok. My second question is just related to some of the recent management departures that you had, particularly Lancaster. I think he was one of the key architects behind the big push you have done in the last several years to spend hundreds of millions of dollars almost per quarter on R&D and exploration and I was wondering if there is anything concrete that we can point to in that plan that has been found in the past few years in terms of a new generation of projects and what were the reasons behind the recent departures of both Stoliar and Lancaster?

Mr. Castello Branco: Well, yes, we regret the departures of both, all good things come to an end and they decided to retire, they have the right to do that. José Lancaster did a very good business, a global mineral exploration and multi-commodity mineral exploration program. He did a very good job; he is a very knowledgeable, a very competent professional. All of us at Vale admire him, his professional capacity, but one of the good things he has done was to build a very good team, very competent professionals that will have the challenge - but we think that they have the competence and the motivation to continue the work that José Lancaster started. So things are going on and we have great expectations about the results that we will start to collect in the future.

Operator: Our next question comes from Mr. Carlos de Alba with Morgan Stanley.

Mr. Carlos de Alba: Good morning everybody, good morning Roberto. Two questions, first one is related to the following on Jorge's question; was the spike in aluminum production costs only related to the highest spot prices for energy that we saw earlier in the year because of the low water levels in the reservoirs? That is question number one.

And question number two Roberto, if I may. As part of the explanation on the higher SG&A cost it was quoted that out of the 52% ... sorry, 43 million increase in selling expenses 7 million came from the coal division; however, when I look at the revenues that were reported in (inaudible 47.16) there were only seventy two million, so it seems to be quite a significant level of selling expenses for the revenues that are being generated right now. Thank you.

Mr. Castello Branco: Well, good morning Carlos. Regarding the first question, regarding the cost of aluminum ... hello?

Mr. de Alba: Yes.



Mr. Castello Branco: Yes, I am sorry. Regarding the first question, the cost of aluminum, in Brazil we had a very serious threat of a power shortage. So energy prices in the spot market had a very significant spike. The aluminum energy prices in the spot market, which were very low in December 2007 - they were around US\$ 10 per MWh - they rose, skyrocketed to more than US\$ 200 per MWh and now, when this threat disappeared with the start of the rainy season, now one should see the energy prices in Brazil in the spot market at a price of again less or 10 to US\$ 15 per MWh.

But if you enter into a contract for one year you are going to pay a price that is at least as high as US\$ 100 and if you enter into a contract for 20 years you are going to pay at least as US\$ 70 per MWh. So, at Valesul that buys part of its energy needs in the spot market we decided to reduce production instead of keeping it.

It was the case for marginal revenues against marginal costs. In this case marginal costs were higher than marginal revenues, so we decided to reduce production at Vale Sul.

At Albrás there are no problems because Albrás has 100% of its energy needs under a 20-year contract at lower price than the current market price, so we continue to produce. Of course we have regular maintenance activities repairing some cells that are part of the normal activity - we had no problems with that.

And we are still having some increase in the alumina refining because the production of Paragominas is not sufficient yet to meet all the demand for the stages 4 and 5 of Alunorte, so we have to buy bauxite from third parties – it does not have the same quality of the Paragominas and Trombetas bauxite, so it tends to generate a higher cost of refining bauxite in our aluminum refinery. So this is a problem that will be corrected over the next quarters when Paragominas will be sufficient to meet the demand for Alunorte. Your second question is ...

Mr. de Alba: Is on the ...

Mr. Castello Branco: Is on the SG&A. As I was mentioning, we cannot say that our coal operation, given its small size, is a profitable operation, that is a star performer. One should see our coal operation, as I said, in its infancy, so it is an investment. In the short term we are having costs in exchange for having very good returns over the medium and long term. It is a small operation, it is growing and gradually it will become a profitable operation.

We have plans to become a very large player in the coal market, we have projects to be developed - Mozambique and Australia, we look to develop Belvedere; we have prospects at Ellen's Field and Peak Down in Central Queensland near Carborough Downs; we have mineral exploration around the world in Mongolia, in Angola, in Kazakhstan and other places in the world; in Colombia as well and we look forward to become a very large player in the coal market over the long term.



Mr. de Alba: Thank you.

Operator: Our next question comes from Mr. Oscar Cabrera with Goldman Sachs.

Mr. Oscar Cabrera: Hi, good morning Roberto. Congratulations on achieving the 300 million ton mark - looking forward for the next one, which is 450.

So the first question I was very interested in your comments about the austenitic stainless steel production and the ratio.

The question there Roberto is do you surmise that the increase is because we have seen a starting to re-stock of stainless steel or is it because the high coal prices globally are forcing some of the production on nickel from pig iron production out of the market because it becomes uneconomic?

Mr. Castello Branco: Good morning Oscar. We are trying hard to accelerate the achievement of this new mark in iron ore production. It is a great challenge, but we promise that we will do it.

Mr. Cabrera: I know you will, Roberto.

Mr. Castello Branco: Thank you for your confidence and about the austenitic ratio it is much more linked to the volatility and flexibility of the stainless steel industry. In a short-term prospect it is relatively easy for the stainless steel industry to move to a non-nickel stainless steel - the series 400, the so called ferritic steel - or to the series 200 that is a low-nickel content stainless steel than reducing the austenitic ratio.

But this is not a permanent situation because the user of the stainless steel products will suffer, so the stainless steel industry is able to do this in a short-term perspective, trying to reduce its costs as a reaction to what we have seen, the very high nickel price that prevailed in the first and second quarters of 2007 reaching an all-time high level in May 16 of 2007, when it reached US\$ 54,000 per ton.

But it is natural that now, given the lower nickel price and given the fact that it is not technically feasible to promote a permanent substitution, austenitic ratio is gradually moving to its normal level of 75, 77, 78%. This is, I think, at least to me it is clear that we should see this movement.

Mr. Cabrera: Very bullish signs for the nickel market and then the second question Roberto it has got to do more with your strategic positioning right now. It seems that you are very interested in the coal and in the copper market and the question is do you plan to develop organically or would you be growing trying to acquire something to take advantage of the extremely tight markets in both commodities?



Mr. Castello Branco: Well, we have a project pipeline in both products. In copper we are developing Salobo I; next we have Salobo II and there is the possibility of having even an extension on Salobo III; it went up with an operation at Salobo is more than 200,000 tons per year of copper; we have Papomono in Chile; we have Totten in Canada to increase our copper production a little bit; we have other projects in Brazil, Cristalino; and we are investing in mineral exploration in countries like Peru, Chile, Kazakhstan, Mongolia, to identify our new copper deposits and develop them.

In coal, as I mentioned, we have Mozambique, Australia, we have prospects in Colombia, Mongolia and Angola. So our priority is organic growth, but simultaneously to our efforts in organic growth keeping an eye to opportunities for acquisitions, for acquisitions that will contribute to create value for our shareholders.

Operator: Our next question comes from Mr. Sanil Daptardar with Sentinel Asset Management.

Mr. Sanil Daptardar: Thank you. Roberto, you talked about some 4.7% increase over the next five years; I do not catch what was you were talking about; is it the global GDP growth you are talking about, that would be trending above trend line levels or ...

Mr. Castello Branco: Well, we are talking about crude steel production. We expect it to grow at 4.7% in a global basis. It will be a little higher than the global GDP growth that despite the current environment, despite the recession in the U.S. and the growth deceleration in the major developed economies we believe that for this five-year period it will continue to grow above trend – something a little bit below 4% against a long-term trend of 3.5%, being driven by emerging market economies, which is very important for the demand for minerals and metals because these are the countries that are in the forefront of the structural changes; these are the countries that will have to invest heavily in infrastructure, in housing; these are the countries that are having some changes like financial deepening - an increase of credit to companies and to individuals, especially consumer finance and housing finance.

In our country, in Brazil, we have seen over the last couple of years the very important impact of financial deepening. Credit in Brazil was very low relatively to GDP. There was an increase more recently due to the expansion of consumer credit and housing credit, so it had a very important impact on the demand for consumer durables, mainly cars, and a positive impact on residential construction and the net result of this is a growing demand for metals, especially steel and aluminum, copper and nickel.

Operator: Our next question comes from Mr. Dan Kwiatkowski with Schrodgers.

Mr. Dan Kwiatkowski: Hi, I was just wondering if you could give me a little bit of color on the derivative losses. Beforewards, are they open forwards or is there any cap or collar? When do they wear off, when are you going ... when are you actually going to take the cash impact of the derivatives? Thank you very much.



Mr. Castello Branco: Well, thank you Dan for your question, it is a very interesting one. We have some open and we have some collars in derivatives. They will be expiring overtime; for instance in this quarter we mentioned in the press release we had a loss of US\$ 75 million that had a cash impact because it was due to the liquidation of contracts, contracts that expired and were liquidated at a loss. So we have not only an accounting loss, but we have also a negative cash impact and they will expire over the years, so by December of 2008 (inaudible 01:02:27).

Operator: Our next question comes from Mr. Jordi Domiguez with HSBC.

Mr. Jordi Domiguez: Good morning Roberto, good morning everybody. My question is related to the negotiations your competitors are still having with the Chinese customers. Could you give any color on what is Vale's opinion on what the possible ramifications might be for 2009 negotiations? It is still early, but given the sign of the situation is pretty difficult right now, I would like to know what Vale thinks. Thank you.

Mr. Castello Branco: Jordi, our job is done. We negotiated the iron ore fines price 65% and 71%; we highlighted the price differential for the best iron ore in the world that is Carajás with a premium, it became explicit this premium; the pellet price negotiation was also very successful as I mentioned, 86.7%; and I believe that it is too premature to think about the next negotiation.

So the name of the game now is to maximize production and to try to keep costs under control, to make our production costs of iron ore and pellets more efficient and to develop our projects and these negotiations of our competitors well, let us see the results. They remain to be seen.

Mr. Domiguez: Ok, thank you.

Mr. Castello Branco: You are welcome.

Operator: This concludes today's question and answer session. Mr. Castello Branco, at this time you may proceed with your closing statements.

Mr. Castello Branco: Well, I would like to thank you for your attendance of this conference call. It was a very interesting moment for exchanging some ideas, discussing points of view, trying to respond to your questions. We look forward to see you in the next opportunity here with our Chief Financial Officer, Fabio Barbosa, for the next quarter and we should have good news for you in the second quarter. Thank you, have a great weekend all of you.

Operator: That does conclude our Vale's First Quarter 2008 Earnings conference for today. Thank you very much for your participation and have a good day.
