International Conference Call
VALE – Companhia Vale do Rio Doce
3rd Quarter 2008 Earnings Release
October 24, 2008 – 12:00 a.m. (Brazil Time)

Operator: Good morning ladies and gentlemen, thank you for standing by and welcome to Vale's conference call to discuss Third 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 (*) followed by zero (0). As a reminder, this conference is being recorded. The replay will be available until October 30, 2008. To access the replay, please dial (55 11) 4688-6312 (access code: 345). 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, 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. Fabio Barbosa, VALE's Chief Financial Officer, and Mr. Roberto Castello Branco, VALE's Investor Relations Officer.

First, Mr. Fábio Barbosa will proceed to the presentation and after that we will open for Questions and Answers. It is now my pleasure to turn the conference over to Mr. Fábio Barbosa. Sir, you may now begin.

Mr. Fábio Barbosa: Thank you very much, I would just like to inform you all that our CEO, Mr. Roger Agnelli, is here with us today and he will participate of the whole conference call. Thank you very much, Roger, for your presence here with us.

Mr. Roger Agnelli: My pleasure.

Mr. Barbosa: Let us start with the first picture of our results in the third quarter of 09... 08, sorry. It was a very good performance, operational performance. We had record in the output production of iron ore, pellets, nickel, bauxite, alumina, aluminum, cobalt and thermal coal. Our shipments also were in a record high for iron ore & pellets, copper, alumina, cobalt and thermal coal.

Revenues reached US$ 12.1 billion; our Ebit US$ 5.5 billion; Ebitda US$ 6.4 billion, so a tremendous operational performance that was also associated with the recognition, award that Vale got this very week of being considered the most admired company in Brazil. That is very good and shows how responsible, socially speaking, we are in the environments that we operate.

A brief word on our risk management policy. First of all, the basic concept is that our trading desk is not a profit center. Our policy is very conservative. We have our policy focused on mitigating cash flow volatility, so this is what drives our policy, our risk management policy and we have no leverage in our operations and as of September the overall position of our derivatives on a market-to-market basis was US$ 32.6 million, was a positive US$ 32.6 million or 0.011% of our last 12 months revenues.

So this is an important message considering what was observed unfortunately in the last several weeks. So Vale, if you look at our press release, you will see a very detailed explanation about our risk management policy and the use of derivatives and also a note on our financial statements - a request our CVM, our SEC - in which we produce a very detailed explanation about our derivatives and policy. This request was made by CVM last Friday and Vale was able to comply fully and yesterday we released the results already with this additional request by CVM, so very important news there.

So we are giving that now with a new global scenario, so the picture of the world that we knew until September 2008 changed in October as a "brave new world" out there in this last quarter: what we saw until September is something that is there in the past now. We have to face the reality of a new world and for that Vale is very well positioned to explore growth options in this much more illiquid world.

We have a very powerful cash flow, very large cash holdings that was derived from our capital increase that we promoted - our offering in July - most of the cash that we have today is derived from this operations, the US$ 12 billion and now we have US$ 15.3 billion. We also, as you may recall, we set up long-term credit facilities with institutions like BNDES in Brazil, JBIC and NEXI in Japan and finally we have US$ 2 billion in committed facilities for short-term liquidity needs.

On the top of that we have a very well-structured debt profile. Our total debt/Ebitda reached a new low with 1x Ebitda in the third quarter of 08 - and this we are talking here gross debt, I would like to mention that, gross debt/Ebitda - reached 1x Ebitda, a very low level considering what we have today.

And the average maturity of our debt stays in a very comfortable 9.3 years level. So it is a very comfortable position. Next year we have US$ 318 million in amortizations in our debt - so this is a very, very comfortable debt profile.

At the same time the cost, the average cost is around 5.8%, which at current levels is a very prevailing market, it is a very comfortable position as well.

Well, this new world we are talking about is a new world that shows through this PMI that we put there on page 7 a very sharp deceleration of our industrial production and this is part of this new reality and the PMI, as a leading indicator, is anticipating what is yet to come. So we should be aware that this will be a very difficult environment over the next several months and the indication that we have is that we should expect a weakening in the demand for minerals and metals over the next several months.

The world economy has changed, as we put there. There is less liquidity, we observed wealth losses around the world - trillions of dollars of wealth disappeared, simply disappeared - and we should expect a slower growth path for the world economy, although with the divergence that we mentioned in our release between emerging market economies and developed economies - that should continue and should widen, actually.

So high-cost producers will face a very difficult environment and the lack of funding and liquidity will most likely hamper the future growth of supply what, in a way, would contribute to market rebalancing sooner rather than later.

The Chinese demand is weaker right now, much weaker. There were some cuts in steel production in October and we do expect production in general in China to rebound in the first half of 2009.

In fact, the Chinese demand for iron ore has been slowing due to a combination of several factors: first we had a snowstorm and then soon after that we had the earthquake that in fact provoked a major disruption in the logistics, in the feeding of the several regions of the country in terms of raw materials. So this caused a major disruption out there.

And then we had the Olympic Games and Paralympics restrictions, where in the areas around Beijing we had a sharp reduction in industrial activity.

And there was, of course, the effect of the slow external demand for Chinese steel that also affected the dynamics of demand for iron ore there.

And finally the negative effects of the domestic credit tightness in China affecting particularly the property sector. As you can see in slide 10, chart 10, this credit tightening promoted by the Chinese Government had the effect of slowing sharply the loans to construction that almost did not grow in August and the total loans also are growing at much lower pace.

So this is a result of the credit tightness of the most dynamic sector of the industry... the Chinese economy and it has a major impact on the steel consumption. As you can see on page 11, the construction itself represents... the property represents about 24% of the total fixed-assets investment, second only to manufacturing.

And then we have construction - that is a major consumer of steel - affected in measures related to deal with the excess of activity that was observed by the Chinese economy in the late 2007 and early 2008.

Inflation is down now, but the result of this tightness in credit was a major deceleration in the construction with obvious effects on the steel consumption.

However, we believe that the long-term fundamentals are strong. We do believe that there will be some sort of deflation in housing and affordability of buying new homes should increase over the medium to long term. Urbanization and rising income are key drivers and those are structural elements that will not change, they will continue to be there.

We are in a pause that could take several months, but the growth process, the development process of the Chinese economy will be certainly resumed and now we have to wait until the effects of the measures taken by the Chinese government have an impact on the short-term indicators. In fact, in the long term we continue to have, to hold a very positive view about the long-term, but in the short-term things are much harder.

Although the Chinese Government implemented a very comprehensive package of stabilization of the demand trying to avoid an excessive appreciation of the RNB there was some monetary policy reasoning, there was softening of credit controls and tax incentives again in place. So they are trying to deal with the short-term. There are hardships in this way, of course one cannot ignore the difficulties represented by this crisis in the world economy, but the long-term fundamentals are there.

We have… in our case we have been working to enhance our growth options in the long term. We are better positioned now to add the down cycle. We have been preparing the company along these years to work in a less favorable environment and the fact is that today we enjoy a financial strength that is second to no company in our segment, I would say: world class assets and a long and attractive project pipeline.

We implemented, as you could appreciate in our last few quarters' releases, cost-cutting measures that should have an effect. We established a strategic alliance with suppliers of parts, equipments and engineering services. Of course, in this new world we should have a stronger U.S. dollar and this would affect, in a way, positively our long-term costs.

We certainly will have to look at our production plans and make some adjustments - as Roger will comment - and unlike previous years we have no large iron ore project coming on stream in 2009 and 2010.

And finally the nickel projects Goro and Onça Puma we always have the option to extend the duration of the ramp up in order to deal with market circumstances. With that I will pass the floor to Roger to make his comments about the scenario and the perspectives of our company. Roger, please.

Mr. Roger Agnelli: Well, thank you very much Fabio, good afternoon everybody. It is a pleasure to be here with you. I do not have a lot of things to add to what Fabio mentioned. The point is: the balance sheet is out there, no surprises; the company is still working to reduce costs. I think we managed very well the cost reductions for these nine months of 08. We are going to continue to work to reduce more our costs.

Of course, right now we have in our favor the real (BRL) depreciation, which is very good for us, because our expenditures, our costs are in reais (BRL) denominated. If we had the year of 08 ending in September, I think we should be very happy because we reached all the records: the results, the earnings are bigger than last year already.

We worked very hard to have all the finance for our projects and we have all the needs, we have all the money that we need to continue to finish our projects. I think this is the major step that we are going to have next year, which is to finalize all the projects that we have already started. Of course, the ramp up of those projects will be according to the market conditions.

Second, to start new projects of course we have the ability to choose the best timing to do that and we will work carefully to push more investments ahead. Of course we are concerned about the oversupply of different materials in the market right now and we will be very careful to add more volume in the market.

So I do not have any additional comments to do, just say that no surprises: the results are good, the year of 08 is very, very sound for us. We are in a very good situation right now and we have all the options open for us: if we want to speed up investments we can do - we have money, have credit lines to do that; if we want to slow down a little bit we can do that.

If we want to continue to analyze possible acquisitions we have the ability to do that - this is not our priority, as I am always saying in this kind of thing, this is not our priority - but certainly in the future we are going to see a lot of depreciated assets that we can analyze if it fits to our strategy or not. If it fits, if it adds value for our shareholders, we are ready to move.

The point is: we are in a very good situation to face the challenging world that we have in front of us. For the future, what I can say? Let us be quite for a while; we are not pressed, we are not forced to sell our projects at any price. Of course, some of our competitors are selling at a very low price right now - this is the adjustment that the market is forcing those guys to do that.

We are in a very good situation. We can hold a little bit, we can wait a little bit to clarify the situation, clarify how deep is going to be the recession. There is no doubt that we are going to have - at least for the next six, seven, ten months - a very deep recession, but we do not know how long it is going to take to rebound. That is it, I think we do not have anything else to say, just to answer your questions if you may have.

Mr. Barbosa: Ok, thank you very much Roger.

Q&A Session

Operator: Excuse me. 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 one at a time.

Our first question comes from Mr. Rodolfo de Angele with JP Morgan.

Mr. Rodolfo de Angele: Hi, good morning everyone. Just my question is about iron ore. Could you just be a little bit more specific as to what you expect to see in terms of volumes for the next quarters and beginning of next year? Are you already getting the sense that volumes are down by any percentage terms? Any light you could give us on what is the situation on the iron ore side would be great.

Mr. Agnelli: Rodolfo, to make any comment right now is dangerous. What we can say is that in September we shipped all our production without any problem - including China; October I think we are on budget, or maybe a little bit lower in terms of volume; for November I feel that we are going to face really a crunch in the market, but it will not be a disaster and of course we have the ability to reduce production in some mines that we are not very competitive.

For next year, my feeling is that we are going to see at least more three months or four months very, very complicated. After all I think we are going to rebound. What is causing that is because in the first half of 08 the Chinese and some other steel mills they bought a lot of stock, they bought a lot of material and if you go to China you see mountains and mountains of iron ore that it has been consuming - I think it is going to take more two or three months to normalize or to have an equilibrium in terms of demand and supply.

But I can tell you, it is really hard to see the next six months. At least I should say that we are prepared to face these next three months very complicated. This is the situation right now in the market: there is this de-stocking process going on, we need to wait a little bit to see where is the real demand. Some of our clients are cutting production right now – this is globally, this is a worldwide situation right now - everybody is a little bit scared about the lack of demand, but it is not going to take so long to reverse.

Mr. de Angele: Ok Roger, thank you. I will leave my follow-up questions for later and get in the queue again. Thanks.

Mr. Agnelli: Thank you.

Operator: Excuse me. Our next question comes from Mr. Marcelo Aguiar with Goldman Sachs.

Mr. Marcelo Aguiar: Hi gentlemen, congratulations on solid results definitely on a new world. Can you comment a little bit ... according to our calculation here in the back of your results, your iron ore costs increased - if I am not wrong - 17% quarter on quarter.

Can you elaborate about this cost increase and what we could expect in terms of cash costs for iron ore in the following quarters?

Mr. Barbosa: Ok, thank you Marcelo. I think one of the major drivers was the energy costs. It increased this month and also demurrage; we had a very tight shipment program in September - it is part of this old world, so September was busy as usual, so we faced some demurrage costs.

And the effect of the exchange rate, the acceleration of the depreciation took place only in the last few weeks of September, so the average - if you look at the average exchange rate of the third quarter – it is almost the same of the second quarter: BRL 1.66/USD and BRL1.67/USD respectively, so there was no effect there.

So moving forward, if exchange rate remains as it is currently we should expect all things remaining the same: a reduction in costs associated with the exchange rate.

Mr. Aguiar: Ok thank you, I am going to get back to the queue.

Mr. Barbosa: Thank you.

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

Mr. Jorge Beristain: Hi, good morning Fabio. I guess my question is: could you give us more color as to what is happening on the ground in China? We are all aware that China has a massive amount of self supply and given where spot market transactions are being recorded currently - in the 65 to US$ 70 range - can you comment if you are…

Mr. Barbosa: Ok. Well …

Mr. Beristain: …starting to feel some of their suppliers essentially going out of business or ceasing to supply products at these price points?

Mr. Barbosa: Jorge, what is happening today is that, as you pointed out, spot prices are below the benchmark prices. Considering what Roger commented that there are a lot of inventories out there, they are trying to… and inventories that were bought, were built, with a freight cost of US$ 100 per ton and in a different situation. So there is a difficult time there, because not only prices came down but liquidity is no longer there and freight costs are now at US$ 12 per ton or even US$ 10 per ton.

So this made... this, of course, is a result of a major deceleration in the steel production. There has been cut in production of steel - and in some cases up to 30% in steel production cuts - so demand for raw materials declined sharply, considering these adjustments for the situation that is out there: a lot of inventories and a lot of downward pressure considering the credit crunch and the slowdown of the demand associated with all the elements that we commented there.

So the scenario that we see in this fourth quarter is of a strong deceleration in the Chinese demand that should, of course, affect our shipments, as Roger also indicated. We are below budget in October; in November we have a difficult month - although, again, we have a very strong position - but we will have a very difficult November and maybe even December.

So this deceleration, of course, is concrete and the Chinese Government is also observing that and trying to figure out ways to foster more growth given that this deceleration is not in the intensity, maybe, they would be expecting considering all the elements of the Chinese economic and social development.

Mr. Beristain: Thank you and my second question, if I may, is maybe more directed to Roger, but frankly I was a little surprised that in the environment that we are in Vale came out with an increase of about 30% on its planned Capex budget to run USD 14 billion and I would just like to understand what the real sensitivities are there to the actual slowdown that we are actually now living. In other words, how concrete do you believe that USD 14 billion budget to be and at what point could we start to see signs that perhaps Vale may push back some of these projects or rein in that growth?

Mr. Agnelli: Well, certainly the US$ 14 billion in investments for next year right now is concrete. Of course we have the possibility to slow down a little bit the start of implementation of some of those projects. The fact is that we have been investing in a very strong path and we need to finalize some of the biggest investments that we are implementing right now including Goro, including Onça Puma, including some iron ore projects and pelletizing plants like Itabiritos in Minas Gerais. So we are going to finish everything.

In terms of ramp up of those new investments, those new production plants or mines, of course we are accommodating according to the market. For the beginning of some projects, of course we are going to analyze next year. I should say that all the investments that we have right now in our pipeline are very efficient, are very good.

Even if we compare to the current market capitalization of some of our competitors, I think those investments are in a better situation than old assets, so they are very good assets. Just to give an idea, I feel that the project in Peru that we started three or four months ago we are going to push this investment there. It is a phosphate mine and the market is still very good, we want to increase our presence in this market - in fertilizers or materials for fertilizers - so we are going to keep investing in this project.

Mozambique project: I think, I feel that we need to increase our presence in coal business, so we are going to go ahead with this project.

If we analyze Serra Sul, iron ore project, it is going to take like three, four years to finish the project. Maybe we can finish the project in five years or in six years, but it is very important for us even considering the quality of the ore and the cost of the mine that is going to be much below the average cost that we have today. So if we finish this investment we will be in a much stronger position to compete in any scenario in the market.

The projects in railways, in logistics, we need to open capacity or to increase our capacity of transportation for the further… for the future projects that we want to implement in the Carajás area. So of course the logistics projects we are continuing to invest.

So I should say that the biggest part of the investments is concrete. Of course, for 2010 we can reduce significantly the investment for the year 2010; but 2009 I feel that we are going to continue to implement all those projects.

Mr. Beristain: Thank you.

Operator: Excuse me. Our next question comes from Mr. Marcelo Brisac with Itaú Securities.

Mr. Marcelo Brisac: Hi, good morning gentlemen, a quick comment here on taxes. Your effective tax rate was extremely low this quarter, so I am just wondering what happened exactly, why your tax rate was so low? Thank you.

Mr. Barbosa: Ok. Well, it was a combination of elements: first, in Brazilian taxation the effects of the monetary correction associated with exchange rates they are not taxed, this is a major element there, so we have a lot of assets abroad denominated in dollars, so there is no taxation because it is simply a change in the currency – but it affected as well.

Also we have the contribution of the interest on shareholders' equity that we announced that we are paying now this month of October - US$ 1.6 billion - and we have a deduction associated with that.

We also observed a reduction in the tax rate in Indonesia and then we reverted provisions for the income tax there and this accounted for about US$ 154 million and finally the charges associated with the devaluation of the currency over the debt denominated in U.S. dollars this is fully deductible from the tax base; so as there was a major depreciation of the real there was an expenditure - accrued expenditure there - associated with this depreciation that was fully deductible from our results and this - the combination of elements - caused our tax rate ... this abnormally low tax rate, I would say.

This is something that you should not expect to happen again, it was a combination of elements that one should not to extrapolate for the future, because our tax rate is about the same and should continue to be the same - the long term tax rate - around 20%. So this was an absolutely exceptional one-off result.

Mr. Brisac: Perfect, so just clarifying that: so the impact of the revaluation of the debt that creates an expense that is tax deductible; on the other hand, the revaluation of the assets is not taxable.

Mr. Barbosa: That is right.

Mr. Brisac: Ok, thank you very much.

Mr. Barbosa: Thank you.

Operator: Excuse me. Our next question comes from Mr. Felipe Hirai with Merrill Lynch.

Mr. Agnelli: Felipe, are you there?

Mr. Felipe Hirai: Hello, can you hear me now?

Mr. Barbosa: Yes.

Mr. Hirai: Hi, good morning everyone. Thanks for the presentation, it was very helpful and I think of the best from these last few quarters. My question is related still to iron ore - I think that now it is what really matters for Vale

I wonder if you could help us saying how we should be looking at the iron ore market for 2009 in terms of prices. What is going to happen with the index that the Australians were pushing? How we should think about freight prices, about … now it seems that the supply/demand dynamics they are in favor for the steelmakers; so just if you could help us understand how we should think about iron ore prices next year? Thank you.

Mr. Agnelli: We continue to prefer the benchmark system. I think today there is no doubt that it is good for all the industry, because it avoids a lot of volatility in the market and in the last quarter you are going to see that this is the best way to negotiate with our clients.

Index brings a lot of volatility and a lot of distortions, etc., etc. Clearly I do not understand why the Australians they like the index or they like this kind of thing, it is their problem. The point is we are continuing to deliver iron ore to China, to Japan, to Korea, to Europe at the long-term contract, at the benchmark system.

So I think we are in a much better situation right now compared to the spot market. If they are selling at the spot market I do not know, but of course they have been hurt by the price right now.

For next year it is a completely new negotiation. We will stick to the benchmark system to have one price for iron ore - the Carajás' quality is going to be the benchmark again - and life is actually the same, so we do not see big changes in the system, even though, of course, we need to adapt the benchmark system to our new reality, because the world is completely different right now.

Mr. Hirai: Ok, thank you.

Operator: Excuse me. Ladies and gentlemen, please restrict your questions to one at a time. Our next question comes from Ms. Victoria Santaella with Santander.

Ms. Victoria Santaella: Good morning gentlemen. My question is regarding the general philosophy of the company facing a global recession. What has changed versus the previous crisis we saw in '98 and 2002, where companies were not that consolidated and the sacrifices were be up price? What are you foreseeing that is going to change this time - maybe more adjustments in volume, in orders at spot prices? I want to hear how are you preparing for that.

And if you can also give us, following on this question, any updates on your negotiations for increasing prices in China 12%?

Mr. Agnelli: Well, in terms of market I think the market today is completely different than it was in 2002; first of all, all the mines have been facing a cost increase because this is the nature of the business: when you go deeper, when you increase your production, your cost goes up. So I think it is impossible to compare 2002 with 2007, 2008.

For the last years a lot of non-efficient competitors came to the market, I think they will be the first to leave the market. A lot of dreams were sold in the market that a lot of new material was going to reach the market that I do not believe that they will continue to push those investments ahead, because the cost of investment is very high; there is a credit crunch right now in the world and they are not prepared to realize all these investments.

So I think naturally the market is going to be adjusted. Supply and demand we believe that in medium term - long term the trend is positive, is still positive and do not forget that the beginning of 08, the end of 07 what we had was an abnormal behavior in the market. The prices went up sharply due to the exchange rate, the dollar depreciation; due to the growth rate in the economy mainly there in China, because they were finalizing the infrastructure for the Olympic Games.

So right now I think this is not normal, this is completely abnormal - the behavior in the market right now. Competitors or some companies are facing problems to price their products because the price today is affected by the liquidity crunch, so if they need money they need to sell at any price - so this is not sustainable, either.

So for next year let us wait a little bit, let us be quite, let us be conservative, let us see what is going to happen. My perception is that we will not have sustainable oversupply in the market. This is for sure, because the cost is very high, the current prices are below the average cost of the industry. So a lot of non-efficient producers will be completely out of the market, I should say, in a few months. Certainly in a few months.

Ms. Santaella: Thank you.

Mr. Agnelli: Sorry, there is another question. The price negotiations for next year ... sorry ...

Ms. Santaella: The 12% that you guys were pursuing last month?

Mr. Agnelli: Ok, the 12%. Let us talk a little bit about that. First, we had ... I was in Japan, in Korea, in Taiwan, in China in last May ... last April, May, and we mentioned that we set the price, we increased the price by 71% at that time and we said that if they could reach an agreement with the Australians with a price higher than our price we would like to see something for us and they accepted to pay a premium for the Australians and they reached an agreement there and we asked for a quality price increase.

And some companies or some clients, the major clients in Japan, Korea, in Taiwan accepted the price that was in July/August 08. Right after that the market changed completely and what is happening today is that the Chinese want to have the Australian price renegotiated.

Today they do not want to pay the premium that they agreed to pay a few months ago and they are refusing to accept our price right now and of course we are not in a hurry because a lot of traders, a lot of local miners, they need to sell their products. So let us leave them sell first, then next year we are going to renegotiate the price again with a completely different environment.

What I should say is that we are not delivering, we are not shipping iron ore without the 12% price increase.

Ms. Santaella: Thank you very much.

Operator: Excuse me. Our next question comes from Mr. Terry Ortslan with TSO & Associates.

Mr. Terry Ortslan: Thank you very much, Terry Ortslan. I share your views on China, I just came back yesterday as a matter of fact and things to me seem to have a timing horizon which is a little bit more than a couple of months or a couple of quarters, but nevertheless let us assume that.

My question to you is Vale is a leader in many commodities, iron ore and nickel. Can we expect that you are going to show some discipline to the industry whereby by cutbacks and managing the supply you can control the inventories a bit more and (inaudible 45:28) nickel business implied in your presentation at Onça Puma and on the Goro? Thank you.

Mr. Agnelli: Yes, in the nickel market I think we are facing the major oversupply in the market for short-term or medium term and we are cutting production. In Indonesia, for example, we turned off all the power plants, the oil or the thermal power plants and we are running right now only with the hydro power plants where the cost is much lower. So we are cutting at least 20% production there in Indonesia.

In China we are working right now with 35% of our capacity and we do not want to increase capacity, because to sell at any price is not reasonable. In Canada we would like to keep the mines producing or operating at maximum capacity because there we have the lowest cost in the nickel business.

So of course we are going to follow discipline in the market and we will not sell at any price. If it is necessary we are going to cut production, no doubt about that.

In terms of iron ore we have at least 30 million tons that is completely out of our average cost in some mines that the ore is not good in terms of quality and we are reducing production right now in those mines mainly here in the South System, but we are keeping production there in Carajás.

Of course, we are not buying iron ore from third parties. Right now we canceled completely the acquisition of those iron ore and we are reorganizing the company to face the lowest cost production possible. This is for the last three, four, five months. So we are not really pressed by debt or working capital, so we can be ... we will be very disciplined.

Mr. Ortslan: I am very pleased to hear that. Can you just elaborate on the Onça Puma and the Goro ramp up that were implied in your presentation in terms of the next … now what you have for the ramp up schedule? Thank you very much.

Mr. Agnelli: We are discussing right now the ramp up of Onça Puma and Goro. Let us talk a little bit about Onça Puma. Onça Puma was expected to produce 7,000 tons of nickel next year and the startup was expected to start in March or April ... March or April. We are going to postpone a little bit from March to August or September or maybe October and our expectation is to produce 4,000 tons of nickel. So we are turning on the furnaces and we will keep production at the minimum level.

The same thing to Goro. Goro we are going to turn on the furnace until the end of 08, maybe January of next year and we are going to work at minimum production level.

Mr. Ortslan: Thank you very much for your help.

Operator: Excuse me. Our next question comes from Mr. Samil Daptardar with Sentinel Asset Mgmt.

Mr. Samil Daptardar: Right. On the iron ore side, you talked about the significant inventories in China. How long do you think that it may take for those inventories to get depleted?

You talked about … basically you had been saying in the last conference calls about your high-quality iron ore basically that is beneficial for Chinese blast furnaces and you have not talked anything on the fact that you are going to push more high-quality iron ore in Chinese mills rather than the low-quality, which they currently have in their inventories there, where you can get higher prices for iron ore in 2009 - 10 period. Is that still the philosophy, or has that philosophy changed now on the downside? Can you just talk about that on the two factors?

Mr. Agnelli: I think the first issue is today the scrap price is US$ 200 per ton, which is very, very low and of course the steel mills they prefer to melt the scrap than iron ore. So if they are reducing production right now what they need to do is to reduce the efficiency of the blast furnaces so they will consume more low-quality ore.

But this is temporary. I feel that in three, four months, the stock or the inventories that they have there in China will be consumed but they need to have, of course, high-quality iron ore to blend. In Europe they want to keep their big blast furnaces at maximum capacity, because it is not easy to shut down a big blast furnace, so if it is working they need to keep it at maximum production, at the maximum efficiency.

What we need to do here is to see how big is going to be the adjustment in the steel production. Then we will have all the options open to face a new reality in the steel market. The point is: in the United States the situation is not good; in Europe some of our clients are cutting production because there is a lack of working capital, there is a lack of finance right now, so they are obliged to shut down some blast furnaces.

So let us wait a little bit to accommodate, to see things at the normal situation. Of course, the level of production will be lower than was in the first half of 08 - no doubt about that - and we are going to adjust our production to this new reality.

Mr. Daptardar: And on the pricing in 2009, 2010 – of course you cannot talk about that - but you were contemplating to push high-quality iron ore and do you think that in this scenario you may be able to get higher prices for the high-quality iron ore or you do not think that ... it is not likely now?

Mr. Agnelli: Since the clients accept to have a different price regarding to freight, I think we deserve to have a premium for the high-quality ore. No doubt about that and we are going to stick to this policy, because high-quality iron ore is good for the environment because the CO_2 emission is lower; because the consumption of energy is lower; the quality of the steel is better; so we need and we would like to have that.

Why that? Because they accepted to differentiate the price in Australia and right now if we consider the current freight price I think there is no big difference between our standard sinter feed and the Australian ore.

Mr. Daptardar: Ok great, thank you.

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

Mr. Carlos de Alba: Good morning Roger, good morning Fábio. The question is, the first one: has the strategic importance of copper, aluminum and coal changed with this down market or are those still the three most important values that VALE has to grow in coming years?

Mr. Agnelli: Copper and coal is certainly a market that we would like to increase our presence. We believe that long term is good; to implement any project it is going to take life four years to finish investments and at that time I believe that the market is going to be much better than it is currently.

In aluminum, of course the problem is energy cost. Energy cost is very high, so we need to analyze carefully. I think we have room to develop the business, but it is very intensive in capital; the return in terms of years is longer, so this is not really our priority, to develop aluminum smelters ... only if we find out places that we can count on a cheap or very low cost energy.

For alumina I feel that we can go a little bit ahead. Of course the timing or the speed is going to be reduced, but we are not going to reduce the speed in terms of copper projects implementation like Salobo; we will go at full steam ahead because it is going to take like four years to finish the project.

In coal Mozambique is a very, very competitive mine and we are going to keep the same speed that we assumed in the very beginning of the project.

Mr. de Alba: Thank you and just a follow-up. Is there any other guidance, Fábio, in terms of the volumes that we should expect for the year?

Mr. Barbosa: No, I think it is too early to comment on that, Carlos. Things are evolving, developing, markets are very volatile. We are not in position to give any indication at this stage.

Mr. de Alba: Thank you gentlemen.

Operator: Our last question comes from Mr. Ben Falk with Marble Bar.

Mr. Andy: Hi, Good afternoon it is Andy. Could you please give us some thoughts on the cash cost per ton? I realized that prices are falling, but at the same time energy costs, steel costs are also declining; could you give us some idea as to after the real adjustment what kind of cost declines should we be expecting in Q4 vs. Q3? Thanks.

Mr. Barbosa: Well, I think the major element there ... as you can appreciate, markets have been extremely volatile, so we have a reduction, a sharp reduction in oil prices that may or may not be translated in cost reductions here in Brazil for instance and in other places in which we have operations it is a major question mark yet, as it is in Brazil, where we have the bulk of our operations yet.

Also the exchange rate - and not only the real, but also the Canadian dollar, the Australian dollar - this strengthening of the dollar should affect positively - all things remaining the same – the cost structure of our several operations worldwide.

So again, today to guess what will be the average exchange rate for the fourth quarter is literally a several billion dollars question. But the trend, the appreciation of the U.S. dollar is there and one should expect - all things remaining the same - a reduction in costs associated with that and the exposure, given the exposure that we have to several different currencies in our costs.

Mr. Agnelli: And there is another thing that we can add to that: it is the fact that a lot of our suppliers, service suppliers or equipment suppliers, they are facing some cancels in terms of orders. A lot of mines, a lot of other companies they put orders in the beginning of the year and they are canceling those orders.

So a lot of our suppliers are coming to us and saying: "hey, would you like to have the equipment right now or would you like to hire us to do something for you and we can give you a discount?" because they are losing work right now.

So it is too premature to say or to put a guidance of cost reductions; but of course, money, right now, is king and we have the money.

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

Mr. Barbosa: I will leave that to Mr. Roger Agnelli, our CEO.

Mr. Agnelli: What I would like say is that we like to work hard. We love working hard and we are continuing to work hard to give or to bring the best return to our shareholders. I feel that we are going to have a lot of opportunities to cost reduction; I think we are going to have a lot of opportunities to support our clients that is going to be necessary to do that and our view is always long term and I feel very comfortable to say that we are in a very strong and very good position right now to keep growing, to keep going on. Thank you very much for everybody for the audience, Bye-bye.

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