

Edgar Filing: Companhia Vale do Rio Doce - Form 6-K

Companhia Vale do Rio Doce  
Form 6-K  
March 05, 2008

**United States  
Securities and Exchange Commission  
Washington, D.C. 20549**

**FORM 6-K**

**Report of Foreign Private Issuer  
Pursuant To Rule 13a-16 or 15d-16**

**of the**

**Securities Exchange Act of 1934**

For the month of

March 2008

**Companhia Vale do Rio Doce**

Avenida Graça Aranha, No. 26

20005-900 Rio de Janeiro, RJ, Brazil

(Address of principal executive office)

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

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

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

(Check One) Yes  No

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

---

**COMPANHIA VALE DO RIO DOCE  
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	Page
Report of Independent Registered Public Accounting Firm	F-2
Management's Report on Internal Control Over Financial Reporting	F-4
Consolidated Balance Sheets as of December 31, 2007 and 2006	F-5
Consolidated Statements of Income for the three-month periods ended December 31, 2007, September 30, 2007 and December 31, 2006 and for the years ended December 31, 2007, 2006 and 2005	F-7
Consolidated Statements of Cash Flows for the three-month periods ended December 31, 2007, September 30, 2007 and December 31, 2006 and for the years ended December 31, 2007, 2006 and 2005	F-8
Consolidated Statements of Changes in Stockholders' Equity for the three-month periods ended December 31, 2007, September 30, 2007 and December 31, 2006 and for the years ended December 31, 2007, 2006 and 2005	F-9
Notes to the Consolidated Financial Statements	F-10
Supplemental Financial Information	S-1

**PricewaterhouseCoopers**

Rua da Candelária, 65 11° - 15°  
20091-020 Rio de Janeiro, RJ - Brasil  
Caixa Postal 949  
Telefone (21) 3232-6112  
Fax (21) 2516-6319  
www.pwc.com/br

**Report of Independent Registered  
Public Accounting Firm**

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in stockholders' equity present fairly, in all material respects, the financial position of Companhia Vale do Rio Doce and its subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on internal control over financial reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits (which were integrated audits in 2007 and 2006). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an

F - 2

---

understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As discussed in Note 18 to the consolidated financial statement, the Company changed the manner in which its accounts for defined benefit pension and other retirement plans in 2006.

PricewaterhouseCoopers  
Auditores Independentes  
Rio de Janeiro, Brazil  
February 28, 2008

**Management's Report on Internal Control over Financial Reporting**

The management of Companhia Vale do Rio Doce - VALE is responsible for establishing and maintaining adequate internal control over financial reporting.

The company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, and that the degree of compliance with the policies or procedures may deteriorate.

Vale's management has assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2007 based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission - COSO. Based on such assessment and criteria, Vale's management has concluded that the company's internal control over financial reporting was effective as of December 31, 2007.

The effectiveness of the company's internal control over financial reporting as of December 31, 2007 has been audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report which appears herein.

By:

Name: Roger Agnelli

Title: Chief Executive Officer

By:

Name: Fabio de Oliveira Barbosa

Title: Chief Financial Officer

Date: February 28, 2008

F -4

---

**Consolidated Balance Sheets**  
**Expressed in millions of United States Dollars**

	<b>As of December 31,</b>	
	<b>2007</b>	<b>2006</b>
Assets		
Current assets		
Cash and cash equivalents	1,046	4,448
Accounts receivable		
Related parties	281	675
Unrelated parties	3,671	2,929
Loans and advances to related parties	64	40
Inventories	3,859	3,493
Deferred income tax	603	410
Recoverable taxes	1,159	414
Others	697	531
	<b>11,380</b>	<b>12,940</b>
Property, plant and equipment, net, and intangible assets	<b>54,625</b>	<b>38,007</b>
Investments in affiliated companies, joint ventures and other investments	<b>2,922</b>	<b>2,353</b>
Other assets		
Goodwill on acquisition of subsidiaries	3,791	4,484
Loans and advances		
Related parties	3	5
Unrelated parties	127	109
Prepaid pension cost	1,009	977
Prepaid expenses	200	360
Judicial deposits	1,124	852
Advances to suppliers - energy	574	443
Recoverable taxes	199	305
Unrealized gains on derivative instruments	673	22
Others	90	69
	<b>7,790</b>	<b>7,626</b>
<b>TOTAL</b>	<b>76,717</b>	<b>60,926</b>

The accompanying notes are an integral part of these consolidated financial statements.

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

(Continued)

	<b>As of December 31,</b>	
	<b>2007</b>	<b>2006</b>
Liabilities and stockholders' equity		
Current liabilities		
Suppliers	2,430	2,382
Payroll and related charges	734	451
Minimum annual dividends attributed to stockholders	2,683	1,494
Current portion of long-term debt - unrelated parties	1,249	711
Short-term debt	167	723
Loans from related parties	6	25
Provision for income taxes	1,198	817
Taxes payable and royalties	322	149
Employees post retirement benefits	131	107
Sub-concession North South Railroad	210	
Unrealized losses on derivative instruments	346	
Provisions for asset retirement obligations	64	
Others	543	453
	<b>10,083</b>	<b>7,312</b>
Long-term liabilities		
Employees post retirement benefits	2,204	1,841
Long-term debt - unrelated parties	17,608	21,122
Provisions for contingencies (Note 19 (c))	2,453	1,641
Unrealized losses on derivative instruments	5	705
Deferred income tax	5,725	4,527
Provisions for asset retirement obligations	911	676
Sub-concession North South Railroad	210	
Others	1,687	618
	<b>30,803</b>	<b>31,130</b>
Minority interests	<b>2,555</b>	<b>2,811</b>
Commitments and contingencies (Note 19)		
Stockholders' equity (Note 16)		
Preferred class A stock - 7,200,000,000 no-par-value shares authorized and 1,919,516,400 issued	4,953	4,702
Common stock - 3,600,000,000 no-par-value shares authorized and 2,999,797,716 issued	7,742	3,806
Treasury stock - 30,341,144 preferred and 56,582,040 common shares	(389)	(389)



Edgar Filing: Companhia Vale do Rio Doce - Form 6-K

Additional paid-in capital	498	498
Mandatory convertible notes in common shares	1,288	
Mandatory convertible notes in preferred shares	581	
Other cumulative comprehensive income (deficit)	1,655	(1,004)
Undistributed retained earnings	15,317	9,555
Unappropriated retained earnings	1,631	2,505
	<b>33,276</b>	<b>19,673</b>
<b>TOTAL</b>	<b>76,717</b>	<b>60,926</b>

The accompanying notes are an integral part of these consolidated financial statements.

F - 6

---

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

	Three-month period ended (unaudited)			Year ended December 31,		
	December 31, 2007	September 30, 2007	December 31, 2006	2007	2006	2005
Operating revenues, net of discounts, returns and allowances						
Sales of ores and metals	7,213	6,927	6,451	28,441	16,511	10,767
Revenues from logistic services	389	391	342	1,525	1,376	1,216
Aluminum products	672	677	674	2,722	2,381	1,408
Other products and services	138	129	27	427	95	14
	<b>8,412</b>	<b>8,124</b>	<b>7,494</b>	<b>33,115</b>	<b>20,363</b>	<b>13,405</b>
Taxes on revenues	(249)	(226)	(181)	(873)	(712)	(613)
Net operating revenues	<b>8,163</b>	<b>7,898</b>	<b>7,313</b>	<b>32,242</b>	<b>19,651</b>	<b>12,792</b>
Operating costs and expenses						
Cost of ores and metals sold	(3,687)	(3,053)	(3,760)	(13,628)	(7,946)	(4,620)
Cost of logistic services	(231)	(207)	(204)	(853)	(777)	(705)
Cost of aluminum products	(486)	(419)	(392)	(1,705)	(1,355)	(893)
Others	(100)	(106)	(31)	(277)	(69)	(11)
	<b>(4,504)</b>	<b>(3,785)</b>	<b>(4,387)</b>	<b>(16,463)</b>	<b>(10,147)</b>	<b>(6,229)</b>
Selling, general and administrative expenses	(424)	(287)	(269)	(1,245)	(816)	(583)
Research and development	(262)	(206)	(175)	(733)	(481)	(277)
Others	(290)	(190)	(302)	(607)	(570)	(271)
	<b>(5,480)</b>	<b>(4,468)</b>	<b>(5,133)</b>	<b>(19,048)</b>	<b>(12,014)</b>	<b>(7,360)</b>
Operating income	<b>2,683</b>	<b>3,430</b>	<b>2,180</b>	<b>13,194</b>	<b>7,637</b>	<b>5,432</b>
Non-operating income (expenses)						
Financial income	58	39	181	295	327	123
Financial expenses	(227)	(198)	(708)	(1,592)	(1,338)	(560)
Foreign exchange and monetary gains, net	304	553	204	2,559	529	299

Edgar Filing: Companhia Vale do Rio Doce - Form 6-K

Gain on sale of investments		103	311	777	674	126
	<b>135</b>	<b>497</b>	<b>(12)</b>	<b>2,039</b>	<b>192</b>	<b>(12)</b>
Income before income taxes, equity results and minority interests	<b>2,818</b>	<b>3,927</b>	<b>2,168</b>	<b>15,233</b>	<b>7,829</b>	<b>5,420</b>
Income taxes						
Current	(610)	(975)	(314)	(3,901)	(1,134)	(754)
Deferred	394	28	(237)	700	(298)	(126)
	<b>(216)</b>	<b>(947)</b>	<b>(551)</b>	<b>(3,201)</b>	<b>(1,432)</b>	<b>(880)</b>
Equity in results of affiliates and joint ventures and other investments	136	165	183	595	710	760
Minority interests	(165)	(205)	(227)	(802)	(579)	(459)
Net income	<b>2,573</b>	<b>2,940</b>	<b>1,573</b>	<b>11,825</b>	<b>6,528</b>	<b>4,841</b>
Basic and diluted earnings per share						
Earnings per preferred share	0.52	0.59	0.33	2.41	1.35	1.05
Earnings per common share	0.52	0.59	0.33	2.41	1.35	1.05
Earnings per convertible notes linked to preferred share (*)	0.79	0.86		3.30		
Earnings per convertible notes linked to common share (*)	0.85	0.94		3.51		

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

The accompanying notes are an integral part of these consolidated financial statements.

F - 7

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

	Three-month period ended (unaudited)			Year ended December 31,		
	December 31, 2007	September 30, 2007	December 31, 2006			
Cash flows from operating activities:						
Net income	2,573	2,940	1,573	11,825	6,528	4,841
Adjustments to reconcile net income to cash provided by operating activities:						
Depreciation, depletion and amortization	737	532	379	2,186	997	619
Dividends received	112	39	64	394	516	489
Equity in results of affiliates and joint ventures	(136)	(165)	(183)	(595)	(710)	(760)
Deferred income taxes	(394)	(28)	237	(700)	298	126
Loss on sale of property, plant and equipment	104	3	57	168	106	26
Gain on sale of investments		(103)	(311)	(777)	(674)	(126)
Foreign exchange and monetary losses (gains), net	(266)	(565)	(576)	(2,827)	(917)	(237)
Unrealized derivative losses (gains), net	(326)	(338)	94	(917)	116	101
Minority interests	165	205	227	802	579	459
Interest payable (receivable), net	(23)	9	79	102	36	62
Others	46	68	(123)	115	(93)	(132)
Decrease (increase) in assets:						
Accounts receivable	135	489	37	235	(438)	(416)
Inventories	(558)	(194)	865	(343)	859	(138)
Others	80	(467)	124	(292)	(12)	(639)
Increase (decrease) in liabilities:						
Suppliers	429	95	189	998	(47)	279
Payroll and related charges	106	121	(72)	170	(86)	40
Income taxes	(582)	526	(25)	393	84	413
Others	260	(327)	208	75	90	154
<b>Net cash provided by operating activities</b>	<b>2,462</b>	<b>2,840</b>	<b>2,843</b>	<b>11,012</b>	<b>7,232</b>	<b>5,161</b>
Cash flows from investing activities:						
Loans and advances receivable						
Related parties						
Additions	(32)		(10)	(33)	(18)	(27)
Repayments				10	11	115
Others	(1)	3	(49)	1	(16)	
Judicial deposits	(50)	(12)	(17)	(125)	(78)	(59)
Additions to investments	(230)		(46)	(324)	(107)	(103)
Additions to property, plant and equipment	(2,747)	(1,367)	(1,781)	(6,651)	(4,431)	(3,977)
Proceeds from disposal of investments		134	405	1,042	837	126
Proceeds from disposals of property, plant and equipment					49	16

Edgar Filing: Companhia Vale do Rio Doce - Form 6-K

Cash used to acquire subsidiaries, net of cash acquired			(13,195)	(2,926)	(13,201)	(737)
Net cash used in investing activities	<b>(3,060)</b>	<b>(1,242)</b>	<b>(14,693)</b>	<b>(9,006)</b>	<b>(16,954)</b>	<b>(4,646)</b>
Cash flows from financing activities:						
Short-term debt, additions	2,021	472	1,151	4,483	4,912	763
Short-term debt, repayments	(1,877)	(472)	(670)	(5,040)	(4,233)	(849)
Loans						
Related parties						
Additions	1	5		259	10	10
Repayments	(39)		(22)	(273)	(50)	(43)
Issuances of long-term debt						
Related parties			14		14	15
Others	646	54	20,630	7,212	21,993	1,757
Treasury stock					(301)	
Repayments of long-term debt						
Others	(114)	(871)	(6,908)	(11,130)	(7,635)	(884)
Proceeds from mandatory convertible notes				1,869		
Interest attributed to stockholders	(1,050)		(650)	(1,875)	(1,300)	(1,300)
Dividends to minority interest	(429)		(9)	(714)	(65)	
Net cash provided by (used in) financing activities	<b>(841)</b>	<b>(812)</b>	<b>13,536</b>	<b>(5,209)</b>	<b>13,345</b>	<b>(531)</b>
Increase (decrease) in cash and cash equivalents	(1,439)	786	1,686	(3,203)	3,623	(16)
Effect of exchange rate changes on cash and cash equivalents	(23)	(52)	(129)	(199)	(216)	(192)
Cash and cash equivalents, beginning of period	2,508	1,774	2,891	4,448	1,041	1,249
Cash and cash equivalents, end of period	<b>1,046</b>	<b>2,508</b>	<b>4,448</b>	<b>1,046</b>	<b>4,448</b>	<b>1,041</b>
Cash paid during the period for:						
Interest on short-term debt	(8)	(1)	(1)	(49)	(9)	(9)
Interest on long-term debt	(361)	(324)	(252)	(1,289)	(565)	(243)
Income tax	(732)	(691)	(121)	(3,284)	(586)	(481)
Non-cash transactions						
Interest capitalized	(15)	(20)	(30)	(78)	(126)	(86)
Issuance of preferred stock for the acquisition of Caemi, net of cash acquired					(2,552)	

The accompanying notes are an integral part of these consolidated financial statements.

**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)			2007	Year ended December 31,	
	December 31, 2007	September 30, 2007	December 31, 2006		2006	2005
Preferred class A stock (including twelve special shares)						
Beginning of the period	4,953	4,953	4,702	4,702	2,150	1,176
Capital increase					2,552	
Transfer from undistributed retained earnings				251		974
End of the period	<b>4,953</b>	<b>4,953</b>	<b>4,702</b>	<b>4,953</b>	<b>4,702</b>	<b>2,150</b>
Common stock						
Beginning of the period	7,742	7,742	3,806	3,806	3,806	2,121
Transfer from undistributed retained earnings				3,936		1,685
End of the period	<b>7,742</b>	<b>7,742</b>	<b>3,806</b>	<b>7,742</b>	<b>3,806</b>	<b>3,806</b>
Treasury stock						
Beginning of the period	(389)	(389)	(389)	(389)	(88)	(88)
Acquisitions					(301)	
End of the period	<b>(389)</b>	<b>(389)</b>	<b>(389)</b>	<b>(389)</b>	<b>(389)</b>	<b>(88)</b>
Additional paid-in capital						
Beginning and end of the period	<b>498</b>	<b>498</b>	<b>498</b>	<b>498</b>	<b>498</b>	<b>498</b>
Mandatory convertible notes in common shares						
Beginning and end of the period	1,288	1,288				
Change in the period				1,288		

Edgar Filing: Companhia Vale do Rio Doce - Form 6-K

	1,288	1,288		1,288		
Mandatory convertible notes in preferred shares						
Beginning and end of the period	581	581				
Change in the period				581		
	<b>581</b>	<b>581</b>		<b>581</b>		
Other cumulative comprehensive income (deficit)						
Cumulative translation adjustments						
Beginning of the period	1,003	(464)	(1,862)	(1,628)	(2,856)	(3,869)
Change in the period	337	1,467	234	2,968	1,228	1,013
End of the period	<b>1,340</b>	<b>1,003</b>	<b>(1,628)</b>	<b>1,340</b>	<b>(1,628)</b>	<b>(2,856)</b>
Unrealized gain on available-for-sale securities						
Beginning of the period	229	205	130	271	127	95
Change in the period	(18)	24	141	(60)	144	32
End of the period	<b>211</b>	<b>229</b>	<b>271</b>	<b>211</b>	<b>271</b>	<b>127</b>
Superavit (deficit) accrued pension plan						
Beginning of the period	540	472	460	353	460	
Change in the period	(465)	68	(107)	(278)	(107)	
End of the period	<b>75</b>	<b>540</b>	<b>353</b>	<b>75</b>	<b>353</b>	
Cash flow hedge						
Beginning of the period	23	14				
Change in the period	6	9		29		

Edgar Filing: Companhia Vale do Rio Doce - Form 6-K

End of the period	29	23		29		
Total other cumulative comprehensive income (deficit)	1,655	1,795	(1,004)	1,655	(1,004)	(2,729)
Undistributed retained earnings						
Beginning of the period	6,560	6,233	4,646	9,555	4,357	4,143
Transfer from unappropriated retained earnings	8,757	327	4,909	9,949	5,198	2,873
Transfer to capital stock				(4,187)		(2,659)
End of the period	15,317	6,560	9,555	15,317	9,555	4,357
Unappropriated retained earnings						
Beginning of the period	10,524	7,952	7,349	2,505	3,983	3,315
Net income	2,573	2,940	1,573	11,825	6,528	4,841
Interest attributed to mandatory convertible debt						
Preferred class A stock	(8)	(14)		(22)		
Common stock	(18)	(27)		(45)		
Dividends and interest attributed to stockholders						
Preferred class A stock	(1,049)		(585)	(1,049)	(1,098)	(469)
Common stock	(1,634)		(923)	(1,634)	(1,710)	(831)
Appropriation to reserves	(8,757)	(327)	(4,909)	(9,949)	(5,198)	(2,873)
End of the period	1,631	10,524	2,505	1,631	2,505	3,983
Total stockholders equity	33,276	33,552	19,673	33,276	19,673	11,977
Preferred class A stock (including twelve special shares)	1,919,516,400	1,919,516,400	1,919,516,400	1,919,516,400	1,919,516,400	1,662,910,956
Common stock	2,999,797,716	2,999,797,716	2,999,797,716	2,999,797,716	2,999,797,716	2,999,797,716



Edgar Filing: Companhia Vale do Rio Doce - Form 6-K

Treasury stock						
Beginning of the period	(86,923,184)	(86,923,328)	(86,927,072)	(86,927,072)	(56,627,872)	(56,629,844)
Acquisitions					(30,299,200)	
Sales		144		3,888		1,972
End of the period	<b>(86,923,184)</b>	<b>(86,923,184)</b>	<b>(86,927,072)</b>	<b>(86,923,184)</b>	<b>(86,927,072)</b>	<b>(56,627,872)</b>
	4,832,390,932	4,832,390,932	4,832,387,044	4,832,390,932	4,832,387,044	4,606,080,800
Dividends and interest attributed to stockholders (per share):						
Preferred class A stock (including twelve special shares)	0.56		0.31	0.56	0.58	0.29
Common stock	0.56		0.31	0.56	0.58	0.29

The accompanying notes are an integral part of these consolidated financial statements.

F - 9

**Notes to the Consolidated Financial Statements****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 and existing under the laws of the Federative Republic of Brazil. The operations are carried out through Vale and our subsidiary companies, joint ventures and affiliates, and mainly consist of mining, non-ferrous metal production and logistics, as well as energy, aluminum and steel activities.

On December 31, 2007 the main operating subsidiaries we consolidate are as follows:

<b>Subsidiary</b>	<b>% ownership</b>	<b>% voting capital</b>	<b>Head office location</b>	<b>Principal activity</b>
Alumina do Norte do Brasil S.A. Alunorte ( Alunorte )	57.03	61.74	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 International S.A.	100.00	100.00	Swiss Cayman	Trading Trading
CVRD Overseas Ltd.	100.00	100.00	Islands	
Vale Inco Limited (1)	100.00	100.00	Canada	Nickel
Ferrovia Centro-Atlântica S. A.	100.00	100.00	Brazil	Logistics
Minerações Brasileiras Reunidas S.A. MBR (5)	92.99	92.99	Brazil	Iron ore
Mineração Onça Puma Ltda	100.00	100.00	Brazil	Nickel
Pará Pigmentos S.A. ( PPSA )	86.17	85.57	Brazil	Kaolin
PT International Nickel Indonesia Tbk ( PT Inco ) (2)	61.16	61.16	Indonesia Brazil	Nickel Manganese and
Rio Doce Manganês S.A.	100.00	100.00		Ferroalloys
Rio Doce Manganèse Europe RDME	100.00	100.00	France	Ferroalloys
Rio Doce Manganese Norway RDMN	100.00	100.00	Norway	Ferroalloys
Valesul Alumínio S.A. (3)	100.00	100.00	Brazil	Aluminum
Vale Australia Pty Ltd. (4)	100.00	100.00	Australia	Coal

(1) Subsidiary consolidated as from October 2006 (Note 13);

(2) Through Vale Inco Limited;

(3) Subsidiary consolidated as from July 2006

(Note 13);

(4) Subsidiary consolidated as from April de 2007 (Note 6); and

(5) See Note 6.

## **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 by the equity method (Note 13).

We evaluate the carrying value of our listed investments relative to publicly available quoted market prices. 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 condensed consolidated interim financial information for the three-month periods ended December 31, 2007, September 30, 2007, and December 31, 2006 is 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.

Our investments in hydroelectric projects are made via consortium contracts under which we have an undivided interest 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 the project, there are no separate financial statements, income tax return, net income or shareholders' equity. As confirmed by our external legal counsel, 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 (Note 12 (c)).

### **3 Summary of significant accounting policies**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to, the selection of useful lives of property, plant and equipment, provisions necessary for contingent liabilities, fair values assigned to assets and liabilities acquired in business combinations, income tax valuation allowances, employee post retirement benefits and other similar evaluations. Actual results could differ from those estimates.

#### **(a) Basis of presentation**

We have prepared our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ( US GAAP ), which differ in certain respects from the accounting practices adopted in Brazil that we use in preparing our statutory financial statements.

As from July 1, 1997, when we concluded that the Brazilian economy had ceased to be highly inflationary, we changed our functional currency from the reporting currency (U.S. Dollars) to the Brazil currency (Brazilian Reais), for Brazilian operations and extensions thereof. Accordingly, we translated the U.S. Dollar amounts of non-monetary assets and liabilities into Reais at the current exchange rate, and those amounts became the new accounting bases for such assets and liabilities.

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

We have remeasured all assets and liabilities into U.S. Dollars at the exchange rate at each balance sheet date (2007- R\$1.7713 and 2006- R\$2.1342 to US\$1.00 or the first available exchange rate if exchange on December 31, was not available), and all accounts in the statements of income (including amounts exchange gains and losses on assets and liabilities denominated in foreign currency) at the average rates prevailing during the period. The translation gain or loss resulting from this remeasurement process is included in the cumulative translation adjustments account in stockholders equity.

The net exchange transaction gain (loss) included in our statement of income was US\$1,639, US\$452 and US\$227 in 2007, 2006 and 2005, respectively, included within the line Foreign exchange and monetary gains (losses), net .

#### **(b) Business combinations**

We adopt the procedures determined by SFAS 141 Business Combinations to recognize acquisitions of interests in other companies. The method of accounting used in our business combination transactions is the purchase method , which requires that acquirers reasonably determine the fair value of the identifiable assets and liabilities of acquired companies, individually, in order to determine the goodwill paid on the purchase to be recognized as an intangible asset. On the acquisition of assets, which include the rights to mine reserves of natural resources, the establishment of values for these assets includes the determination of fair values on purchased reserves, which are classified in the balance sheet as Property, plant and equipment .

Through December 31, 2001, goodwill was amortized in a systematic manner over the periods estimated to be benefited. As required by SFAS 142 Goodwill and Other Intangible Assets from January 1, 2002 goodwill resulting from the acquisitions is no longer amortized, but is tested for impairment at least annually and reduced to fair value to the extent any such impairment is identified.

F - 11

---

**(c) Inventories**

Inventories are stated at the average cost of purchase or production, lower than replacement or realizable values. We record allowances for slow moving or obsolete inventories when considered appropriate, reflecting our periodic assessment of recoverability.

We classify proven and probable reserve quantities attributable to stockpiled inventory as inventory and account for them as processed when they are removed from the mine. These reserve quantities are not included in the total proven and probable reserve quantities used in the units of production, depreciation, depletion and amortization calculations.

**(d) Property, plant and equipment**

Property, plant and equipment are recorded at cost, including interest cost incurred during the construction of major new facilities. We compute depreciation on the straight-line basis at annual average rates which take into consideration the useful lives of the assets, as follows: 3.03% for railroads, 3.65% for buildings, 3.78% for installations and 3.25% for mining development costs and 7.30% for other equipment. Expenditures for maintenance and repairs are charged to operating costs and expenses as incurred.

We capitalize the costs of developing major new ore bodies or expanding the capacity of operating mines and amortize these to operations on the unit-of-production method based on the total probable and proven quantity of ore to be recovered. Exploration costs are expensed. After economic viability of mining activities is established, subsequent development costs are capitalized. We capitalize mine development costs as from the time the development phase commences.

**(e) Available-for-sale equity securities**

Equity securities classified as available-for-sale are recorded in accordance with SFAS 115 Accounting for Certain Investments in Debt and Equity Securities. Accordingly, we exclude unrealized holding gains and losses, net of taxes, if applicable, from income and recognize them, net of tax effects, as a separate component of stockholders equity until realized.

**(f) Revenues and expenses**

Revenues are recognized when title has transferred to the customer or services are rendered. Revenue from exported products is recognized when such products are loaded on board the ship. Revenue from products sold in the domestic market is recognized when delivery is made to the customer. Revenue from transportation services is recognized when the service order has been fulfilled. Expenses and costs are recognized on the accrual basis.

**(g) Asset retirement obligations**

Retirement of long-lived assets is accounted for in accordance with SFAS 143 Accounting for Asset Retirement Obligations. Our retirement obligations consist primarily of estimated closure costs, the initial measurement of which is recognized as a liability discounted to present values and subsequently accreted through earnings. An asset retirement cost equal to the initial liability is capitalized as part of the related asset's carrying value and depreciated over the asset's useful life.

**(h) Compensated absences**

We fully accrue the employees' compensation liability for vacations vested during the year.

**(i) Income taxes**

The deferred tax effects of tax loss carryforwards and temporary differences have been recognized in the consolidated financial statements pursuant to SFAS 109 Accounting for Income Taxes . A valuation allowance is made when we believe that it is more likely than not that tax assets will not be fully recoverable in the future.

F - 12

---

**(j) Statement of cash flows**

Cash flows relating to overnight financing and investment are reported net. Short-term investments that have a ready market and original maturities to us, when purchased, of 90 days or less are classified as Cash equivalents .

**(k) Earnings per share**

Earnings per share are computed by dividing net income by the weighted average number of common and preferred shares outstanding during the period.

**(l) Interest attributable to stockholders**

Brazilian corporations are permitted to distribute interest attributable to stockholders equity. The calculation is based on the stockholders equity amounts as stated in the statutory accounting records and the interest rate applied may not exceed the long-term interest rate (TJLP) determined by the Brazilian Central Bank. Also, such interest may not exceed 50% of net income for the year nor 50% of retained earnings plus revenue reserves.

The amount of interest attributed to stockholders is deductible for purposes of taxes on income. Accordingly, the benefit to us, as opposed to making a dividend payment, is a reduction in our income tax charge. Income tax of 15% is withheld on behalf of the stockholders relative to the interest distribution. Under Brazilian law, interest attributable to stockholders is considered as part of the annual minimum dividend (Note 16). This notional interest distribution is treated for accounting purposes as a deduction from stockholders equity in a manner similar to a dividend.

**(m) Derivatives and hedging activities**

We apply SFAS 133 Accounting for Derivative Financial Instruments and Hedging Activities , as amended by SFAS 137, SFAS 138 and SFAS 149. Those standards require that we recognize all derivative financial instruments as either assets or liabilities on our balance sheet and measure such instruments at fair value. Changes in the fair value of derivatives are recorded in each period in current earnings or in other comprehensive income, in the latter case depending on whether a transaction is designated as an effective hedge and has been effective during the period.

**(n) Comprehensive income**

We present comprehensive income as part of the Statement of Changes in Stockholders Equity, in compliance with SFAS 130 Reporting Comprehensive Income , net of taxes.

**(o) Pension and other post retirement benefits**

We sponsor private pension and other post retirement benefits for our employees which are actuarially determined and recognized as an asset or liability or both depending on the funded or unfunded status of each plan in accordance with SFAS 158 Employees Accounting for Defined Benefit Pension and Other Post retirement Plans . This Statement, issued in 2006, amended previously issued statements. The cost of our defined benefit and prior service costs or credits that arise during the period and are not components of net periodic benefit costs are recorded in other cumulative comprehensive income (deficit).

**(p) Removal of waste materials to access mineral deposits**



Stripping costs (the costs associated with the removal of overburden and other waste materials) incurred during the development of a mine, before production commences, are capitalized as part of the depreciable cost of developing the property. Such costs are subsequently amortized over the useful life of the mine based on proven and probable reserves.

Post-production stripping costs are recorded as cost of production when incurred.

F - 13

---

#### 4 Recently-issued accounting pronouncements

In December 2007, the Financial Accounting Standard (FASB) issued SFAS 160, which clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 (that is, in the case of Vale, January 1, 2009). Earlier adoption is prohibited. SFAS 160 shall be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except for the presentation and disclosure requirements. The presentation and disclosure requirements shall be applied retrospectively for all periods presented. The Company is currently evaluating the impact of such new pronouncement in its consolidated financial statements but believes that it will not generate a material impact on the Company's consolidated results of operations or financial position.

In December 2007, the FASB issued SFAS 141(R), Statement of Financial Accounting Standards No. 141 (revised 2007). SFAS 141(R) retains the fundamental requirements in SFAS 141 that the acquisition method of accounting (which SFAS 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. SFAS 141(R) defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. SFAS 141 did not define the acquirer, although it included guidance on identifying the acquirer. SFAS 141(R)'s scope is broader than that of SFAS 141, which applied only to business combinations in which control was obtained by transferring consideration. The result of applying SFAS 141's guidance on recognizing and measuring assets and liabilities in a step acquisition was to measure them at a blend of historical costs and fair values. In addition, SFAS 141(R) requires to measure the noncontrolling interest in the acquiree at fair value which results in recognizing the goodwill attributable to the noncontrolling interest in addition to that attributable to the acquirer. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 (that is, in the case of Vale, January 1, 2009). An entity may not apply it before that date. The effective date of this Statement is the same as that of the related SFAS 160, Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51 (described below). We are currently studying the possible effects which may arise upon adoption of this standard.

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. The fair value option established by this Statement permits all entities to choose to measure eligible items at fair value at specified election dates. This standard is effective for fiscal years that begin after November 15, 2007. We are currently studying the possible effects which may arise upon adoption of this standard.

In September 2006, the FASB issued SFAS 157 Fair value measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new 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 (that is, in the case of Vale, January 1, 2008). We are currently studying the possible effects which may arise upon adoption of this standard.



## 5 Our privatization

In May 1997, we were privatized by the Brazilian Government, which transferred voting control to Valepar S.A. ( Valepar ). The Brazilian Government has retained certain rights with respect to our future decisions and those of Valepar and has also caused us to enter into agreements which may affect our activities and results of operations in the future. These rights and agreements are:

Preferred Special Share. The Brazilian Government holds twelve preferred special shares of Vale which confers upon it permanent veto rights over changes in our (i) name, (ii) location of our headquarters, (iii) corporate purpose with respect to mineral exploration, (iv) continued operation of our integrated iron ore mining systems and (v) certain other matters.

Shareholder revenue interests. On April 18, 1997, we issued to shareholders of record (including the Brazilian Government) revenue interests providing holders thereof with the right to receive semi-annual payments based on a percentage of our net revenues above threshold production volumes from identified mining resources. These instruments are not secured by the corresponding mineral reserves and deposits (Note 19 (e)).

## 6 Major acquisitions and disposals

In October, 2007 we were awarded, in an auction, a 30-year sub-concession for commercial exploitation of the North-South railroad (FNS Ferrovias Norte Sul) for US\$837, payable in three installments. The first installment, equal to US\$412 and corresponding to 50% was paid in December 2007. The second installment, equal to 25%, is to be paid in December 2008, and the last installment falls due upon the completion of the railroad. The remaining installments are indexed to the general price index (IGP-DI) and accrue interest of 12% p.a. from the settlement date of the first installment.

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

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

In July 2007, we sold an additional 5.1% stake for US\$24 recording a gain of US\$21. Since December 31, 2007, we hold 31.27% of the voting and total capital of this entity, which is accounted for as an equity investee.

In May 2007, we sold in a public offering, part of our shareholding 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 foreach 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 coal mines in that country, for

US\$656.

The purchase price allocations based on the fair values of acquired assets and liabilities was based on management's internal valuation estimates.

F - 15

---

Such allocations were finalized based on valuation and other studies, performed by us with the assistance of outside valuation specialists. Accordingly, the purchase price allocation adjustments for acquisitions are as follows:

Purchase price	656
Book value of assets acquired and liabilities assumed, net	(184)
Adjustment to fair value of property, plant and equipment	(441)
Adjustment to fair value of inventories	(6)
Deferred taxes on the above adjustments	43
<b>Goodwill</b>	<b>68</b>

In March 2007, we acquired the remaining 18% minority interest in Ferro-Gusa Carajás held by Nucor do Brasil S.A. for US\$20, which then became a wholly-owned subsidiary.

In October, 2006 we acquired Inco Limited (Note 7).

## 7 Acquisition of Inco

In October, 2006 we initially acquired 174,623,019 common shares, representing 75.66% the outstanding shares of Inco Limited (Inco), a Canadian-domiciled nickel company, for US\$13 billion. By November 3, 2006 we had already acquired a total of 196,078,276 shares for approximately US\$15 billion, representing 86.57% of Inco's capital. On December 31, 2006 we held 87.73% of the outstanding shares.

On January 3, 2007, we paid an additional US\$2 billion and now own 100% of share capital of Vale Inco. At the date the shareholders of Inco approved the amalgamation of Inco with Itabira Canada Inc. (Itabira Canada), our wholly-owned indirect subsidiary. Pursuant to the amalgamation, Inco changed its name to Vale Inco Limited (Vale Inco).

In December 2006 we concluded several transactions to settle the bridge loan aiming to extend our average debt maturity close to the pre-acquisition level (Note 15).

The purchase price allocation based on the fair values of acquired assets and liabilities was initially based on management's preliminary internal valuation estimates. During the second quarter of 2007, we finalized the allocations based on further studies performed by us with the assistance of external valuation specialists. Accordingly, the purchase price allocation adjustments in relation to the fair value of assets and liabilities acquired set forth below are finalized and the main difference in relation to our preliminary allocation refers to rights identified after the studies. The revision of the allocation had no material effects on the results for the three-month period ended March 31, 2007, as previously reported. Fair values used herein were calculated using current pension and post retirement benefits obligation funded status, current interest rates and sales prices for finished goods, estimated future production and investments, costs, commodity prices and cash flows.

This information relates to our ownership of 100% of Vale Inco's shares.

Total disbursements	17,023
Transaction costs	38
Purchase price	<b>17,061</b>
Book value of assets acquired and liabilities assumed, net	(4,657)

Edgar Filing: Companhia Vale do Rio Doce - Form 6-K

Adjustment to fair value of inventory	(2,008)
Adjustment to fair value of property, plant and equipment and intangible assets	(12,723)
Change of control obligations	949
Adjustment to fair value of other liabilities assumed	795
Deferred taxes on the above adjustments	3,188
<b>Goodwill</b>	<b>2,605</b>

F -16

---

The main effects between the preliminary valuation reported in 2006 and final allocations, of US\$1,271, reflect the increase in fair value of the nickel mines and the related deferred taxes, which was reclassified to reduce goodwill.

Pro forma unaudited information considers our acquisition of 100% of Inco as though the transaction had occurred on January 1, 2006.

	<b>Three-month period ended (unaudited) December 31, 2006</b>				<b>December 31, 2006 (unaudited) 2006</b>				
	<b>CVRD</b>		<b>CVRD</b>		<b>CVRD</b>		<b>CVRD</b>		
	<b>Consolidated</b>	<b>Inco</b>	<b>Pro forma</b>	<b>Consolidated</b>	<b>Inco</b>	<b>Pro forma</b>	<b>Consolidated</b>	<b>Inco</b>	<b>Pro forma</b>
Net operating revenues	7,313		7,313	19,651	5,351	25,002	12,792	4,518	17,310
Operating costs and expenses	(5,133)	(93)	(5,226)	(12,014)	(3,627)	(15,641)	(7,360)	(3,645)	(11,005)
<b>Operating income</b>	<b>2,180</b>	<b>(93)</b>	<b>2,087</b>	<b>7,637</b>	<b>1,724</b>	<b>9,361</b>	<b>5,432</b>	<b>873</b>	<b>6,305</b>
Non-operating income (expenses)	(12)	(26)	(38)	192	(598)	(406)	(12)	(1,065)	(1,077)
<b>Income before income taxes, equity results and minority interests</b>	<b>2,168</b>	<b>(119)</b>	<b>2,049</b>	<b>7,829</b>	<b>1,126</b>	<b>8,955</b>	<b>5,420</b>	<b>(192)</b>	<b>5,228</b>
Income taxes	(551)	44	(507)	(1,432)	(429)	(1,861)	(880)	23	(857)
<b>Equity in results of affiliates and joint ventures</b>	<b>183</b>		<b>183</b>	<b>710</b>		<b>710</b>	<b>760</b>		<b>760</b>
Minority interests	(227)	117	(110)	(579)	35	(544)	(459)	(141)	(600)
<b>Net income</b>	<b>1,573</b>	<b>42</b>	<b>1,615</b>	<b>6,528</b>	<b>732</b>	<b>7,260</b>	<b>4,841</b>	<b>(310)</b>	<b>4,531</b>

In our opinion, the unaudited pro forma combined results of operations may not be indicative of the actual results that would have occurred had the acquisitions been consummated on January 1, 2006.

## 8 Income taxes

Income taxes in Brazil comprise federal income tax and social contribution, which is an additional federal tax. The statutory composite 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 rate varied from 3.29% to 43.15%.



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

	December 31, 2007			Three-month period ended (unaudited) September 30, 2007			December 31, 2006
	Brazil	Foreign	Total	Brazil	Foreign	Total	
Income before income taxes, equity results and minority interests	<b>1,299</b>	<b>1,519</b>	<b>2,818</b>	<b>2,062</b>	<b>1,865</b>	<b>3,927</b>	<b>2,168</b>
Federal income tax and social contribution expense at statutory enacted rates	(442)	(516)	(958)	(701)	(634)	(1,335)	(737)
Adjustments to derive effective tax rate:							
Tax benefit on interest attributed to stockholders	129		129	124		124	87
Difference on tax rates of foreign income		676	676		215	215	425
Difference on tax basis of equity investees		(59)	(59)		(6)	(6)	(93)
Tax incentives	7		7	50		50	(147)
Other non-taxable gains (losses)	(12)	1	(11)		5	5	(86)
Federal income tax and social contribution expense in consolidated statements of income	<b>(318)</b>	<b>102</b>	<b>(216)</b>	<b>(527)</b>	<b>(420)</b>	<b>(947)</b>	<b>(551)</b>

	Year ended December 31,				
	Brazil	Foreign	2007 Total	2006	2005
Income before income taxes, equity results and minority interests	7,769	7,464	15,233	7,829	5,420
Federal income tax and social contribution expense at statutory enacted rates	(2,641)	(2,538)	(5,179)	(2,662)	(1,843)
Adjustments to derive effective tax rate:					
Tax benefit on interest attributed to stockholders	474		474	343	307
Difference on tax rates of foreign income		1,439	1,439	1,004	617
Difference on tax basis of equity investees	7	(176)	(169)	(200)	(58)
Tax incentives	173		173	194	109
Valuation allowance reversal (provision)	16		16	(21)	3
Other non-taxable gains (losses)	57	(12)	45	(90)	(15)
Federal income tax and social contribution expense in consolidated statements of income	<b>(1,914)</b>	<b>(1,287)</b>	<b>(3,201)</b>	<b>(1,432)</b>	<b>(880)</b>

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

We also have income tax incentives related to Goro Project in New Caledonia. These incentives include an 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 Caledonia tax purposes. The benefits of this legislation are expected to apply with respect to any taxes otherwise payable once the Goro project is in operation.

Effective January 1, 2007 for U.S. GAAP purposes, we adopted FASB Interpretation 48 Accounting for Uncertainty in Income Taxes. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

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 carry forwards have no expiration date.

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

Edgar Filing: Companhia Vale do Rio Doce - Form 6-K

The reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:  
(See note 19 (c) Tax related actions)

<b>Balance at January 1, 2007</b>	<b>663</b>
Increase resulting from tax positions taken	264
Decrease resulting from tax positions taken	(47)
Changes in tax legislation	29
Effects of translation from Brazilian R\$ into Dollar	137
<b>Balance at December 31, 2007</b>	<b>1,046</b>

F - 18

---

The major components of the deferred tax accounts in the balance sheet are as follows:

	<b>As of December 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>Current deferred tax assets</b>		
Accrued expenses deductible only when disbursed	603	410
	<b>603</b>	<b>410</b>
<b>Long-term deferred tax assets and liabilities</b>		
<b>Assets</b>		
Related to provision for losses and write-downs of investments		19
Employees post retirement benefits provision	461	803
Tax loss carryforwards	348	265
Asset retirement obligation	195	163
	<b>1,004</b>	<b>1,250</b>
<b>Liabilities</b>		
Fair value in financial instruments	(173)	(22)
Unrealized inflation restatement effects	(138)	(97)
Property, plant & equipment	(150)	(108)
Prepaid retirement benefit	(203)	(228)
Fair value adjustments in business combinations	(5,770)	(5,122)
Other temporary differences	(191)	(87)
	<b>(6,625)</b>	<b>(5,664)</b>
<b>Valuation allowance</b>		
Beginning balance	(113)	(84)
Translation adjustments	(20)	(8)
Change in allowance	29	(21)
Ending balance	<b>(104)</b>	<b>(113)</b>
<b>Net long-term deferred tax assets</b>	<b>(5,725)</b>	<b>(4,527)</b>
<b>9 Cash and cash equivalents</b>		
	<b>As of December 31,</b>	
	<b>2007</b>	<b>2006</b>
Cash	424	1,542
Deposits denominated in Brazilian Reais	123	237
Deposits denominated in other currencies mainly United States dollars	499	2,669
	<b>1,046</b>	<b>4,448</b>

**10 Accounts receivable**

	<b>As of December 31,</b>	
	<b>2007</b>	<b>2006</b>
Customers		
Denominated in Brazilian Reais	750	517
Denominated in other currencies, mainly United States Dollars	3,311	3,164
	<b>4,061</b>	<b>3,681</b>
Allowance for doubtful accounts	(100)	(61)
Allowance for ore weight credits	(9)	(16)
Total	<b>3,952</b>	<b>3,604</b>

Accounts receivable from customers in the steel industry represent 51.1% of receivables at December 31, 2007.

No single customer accounted for more than 10% of total revenues.

Additional allowances for doubtful accounts recognized in the income statement as expenses in 2007 and 2006 were US\$31 and US\$15, respectively. We wrote-off US\$6 in 2007 and in 2006 the was no wrote-off.

## 11 Inventories

	<b>As of December 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>Finished products</b>		
Nickel (co-products and by-products)	1,812	2,046
Iron ore and pellets	588	325
Manganese and ferroalloys	106	94
Alumina	44	33
Aluminum	132	110
Kaolin	42	23
Copper concentrate	15	5
Coal	38	
Others	36	40
Spare parts and maintenance supplies	1,046	817
	<b>3,859</b>	<b>3,493</b>

There was US\$0 and US\$47 million recorded as write down in 2007 and 2006, respectively.

## 12 Property, plant and equipment and intangible assets

### By type of assets:

	<b>As of December 31, 2007</b>			<b>As of December 31, 2006</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net</b>
Lands	110		110	92		92
Buildings	4,086	842	3,244	2,438	560	1,878
Installations	10,974	2,889	8,085	7,751	2,034	5,717
Equipment	5,703	1,709	3,994	3,301	1,016	2,285
Railroads	5,819	1,614	4,205	3,964	1,268	2,696
Mine development costs	19,270	1,632	17,638	12,703	584	12,119
Others	7,146	1,813	5,333	2,753	1,095	1,658
	<b>53,108</b>	<b>10,499</b>	<b>42,609</b>	<b>33,002</b>	<b>6,557</b>	<b>26,445</b>
Construction in progress	12,016		12,016	11,562		11,562
<b>Total</b>	<b>65,124</b>	<b>10,499</b>	<b>54,625</b>	<b>44,564</b>	<b>6,557</b>	<b>38,007</b>

Losses on sales of property, plant and equipment totaled US\$ 168, US\$106 and US\$26 in 2007, 2006 and 2005, respectively. Mainly relate to losses on sales of ships and trucks, locomotives and other equipment, which were

replaced in the normal course of business.

Assets given in guarantee to judicial processes totaled US\$192.

F - 20

---

**Hydroelectric assets**

We participate in several jointly-owned hydroelectric plants, already in operation or under construction. We have an undivided interest in these plants and are responsible for our proportionate share of the costs of construction and operation and entitled to our proportionate share of the energy produced. We record our undivided interest in these assets as Property, plant and equipment.

At December 31, 2007 the cost of hydroelectric plants in service totals US\$803 and the related depreciation is US\$68.

The cost of hydroelectric plant under construction at December 31, 2007 totals US\$ 735.

Income and expenses to operate such plants are not material.

F - 21

---



**13 Investments in affiliated companies and joint ventures**

	Participation in capital (%)		2007 Net income (loss) for the period		Equity in earnings (losses) of investee adjustments									Dividends receiv Year en December			
					Three-month period ended (unaudited)			Three-month period ended (unaudited)			Year ended						
					Investm	Decembe	Septembe	December	December	December	December	December	December			December	
					2007	2006	2007	2007	2006	2007	2006	2005	2007			2007	2006
ous																	
banhia																	
-Brasileira de																	
zação																	
RASCO (1)	51.11	51.00	119	24	61	40	2	5	2	12	18	39					22
banhia																	
no-Brasileira																	
lotização																	
ANOBRÁS	51.00	50.89	84	18	43	42	(3)	3	4	9	15	28			16	13	
banhia																	
no-Brasileira																	
lotização																	
RASCO	50.00	50.00	90	38	45	40	4	5		19	17	26	21	10	21	21	
banhia																	
Brasileira de																	
zação																	
RASCO (1)	51.00	50.90	90	19	46	37		2	3	10	12	21			8	12	
ARCO																	
zação S.A.																	
ARCO (2)	50.00	50.00	970	483	546	370	56	67	66	242	229	257	25	25	25	150	225
s da Serra																	
S.A. MSG	50.00	50.00	60	6	30	25	1	1	2	3	2	(2)					1
Industrial																	
tment																	
pany GIIC (4)											18	67					
s					30	23	3	2	1	6	1	(1)					1
					<b>801</b>	<b>577</b>	<b>63</b>	<b>85</b>	<b>78</b>	<b>301</b>	<b>312</b>	<b>435</b>	<b>46</b>	<b>25</b>	<b>35</b>	<b>195</b>	<b>295</b>
<b>stics</b>																	
Logística S.A	37.86	41.50	825	285	342	222	34	31	27	117	95	54	24		22	51	41
-IN Logística																	
modal S.A.	31.27	31.27	342	26	107	91	6	4		8							

## Edgar Filing: Companhia Vale do Rio Doce - Form 6-K

					<b>449</b>	<b>313</b>	<b>40</b>	<b>35</b>	<b>27</b>	<b>125</b>	<b>95</b>	<b>54</b>	<b>24</b>	<b>22</b>	<b>51</b>	<b>41</b>	
<b>Investments</b>																	
Investments																	
Investment in Vitorsteel S.A.																	
Investment in Minas Geraes S.A. (cost \$10)																	
					465	744		7	50	31	147	176		7	7	31	48
Investment in California Steel Industries Inc. CSI (cost \$50)																	
					163	175	(7)	1	4	(1)	54	21				11	40
Investment in ThyssenKrupp Brasil Companhia S.A. (cost \$11.43)																	
					388												
					<b>1,016</b>	<b>919</b>	<b>(7)</b>	<b>8</b>	<b>54</b>	<b>30</b>	<b>201</b>	<b>197</b>		<b>7</b>	<b>7</b>	<b>42</b>	<b>88</b>
<b>Investment in Aluminum and Titanium</b>																	
Investment in Companhia Vale do Rio Doce Aluminio S.A. MRN (cost \$40)																	
					184	164	21	21	20	84	64	64		7		64	77
Investment in VALESUL (cost \$100)																	
											12	1					
					<b>184</b>	<b>164</b>	<b>21</b>	<b>21</b>	<b>20</b>	<b>84</b>	<b>76</b>	<b>65</b>		<b>7</b>		<b>64</b>	<b>77</b>
Investment in Longyu Resources Co. Ltd (cost \$25)																	
					115	112	12	12	9	46	31	9	42		42	15	
Investment in Guangdong International Company Ltd (cost \$25)																	
					23	23	2		(5)		(5)						
					<b>138</b>	<b>135</b>	<b>14</b>	<b>12</b>	<b>4</b>	<b>46</b>	<b>26</b>	<b>9</b>	<b>42</b>			<b>42</b>	<b>15</b>
<b>Investment in Nickel</b>																	
Investment in Freeport-McMoran Inc. (cost \$9)																	
					126	79											
Investment in Freeport-McMoran Ore Mining International Ltd (cost \$21)																	
						45											
Investment in Nickel Operations (cost \$24)																	
					72	21											

Resources Inc (\$36)														
Available-for-sale Investments	44	36												
Investment in Resources (cost \$25)														
Available-for-sale Investments	34	12												
Investments	23	29	5	4					9					
	<b>299</b>	<b>222</b>	<b>5</b>	<b>4</b>					<b>9</b>					
<b>For affiliates</b>														
<b>Joint ventures</b>														
Investments	<b>35</b>	<b>23</b>												
	<b>35</b>	<b>23</b>												
	<b>1,672</b>	<b>1,463</b>	<b>33</b>	<b>45</b>	<b>78</b>	<b>169</b>	<b>303</b>	<b>271</b>	<b>42</b>	<b>14</b>	<b>7</b>	<b>148</b>	<b>180</b>	
	<b>2,922</b>	<b>2,353</b>	<b>136</b>	<b>165</b>	<b>183</b>	<b>595</b>	<b>710</b>	<b>760</b>	<b>112</b>	<b>39</b>	<b>64</b>	<b>394</b>	<b>516</b>	

(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\$61 and US\$ 50 in 2007 and 2006, respectively;

(3) Equity method used through November 2006 and available-for-sale subsequently.

Dividends  
received included  
in equity  
adjustment from  
June 30, 2007;

- (4) Sold for US\$ 418  
in May, 2006;
- (5) Subsidiary  
consolidated as  
from July, 2006;
- (6) Investment held  
through Vale  
Inco;
- (7) Consolidated  
through May,  
2007;
- (8) Preoperating  
company; and
- (9) Sold in July, 2007  
(Note 6).

F - 22

---

**14 Short-term debt**

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

Average annual interest rates on short-term borrowings were 5.5%, 5.5% and 4.2% at December 31, 2007 and 2006 and 2005, respectively.

**15 Long-term debt**

	<b>Current liabilities</b>		<b>As of December 31, Long-term liabilities</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Foreign debt				
Loans and financing denominated in the following currencies:				
United States dollars	212	192	5,927	10,483
Others	64	4	214	152
Fixed Rate Notes US\$ denominated		112	6,680	6,785
Debt securities export sales (*) US\$ denominated	53	86	205	259
Perpetual notes			87	86
Accrued charges	282	139		
	<b>611</b>	<b>533</b>	<b>13,113</b>	<b>17,765</b>
Local debt				
Denominated in Long-Term Interest Rate TJLP/CDI	586	16	1,148	511
Denominated in General Price Index-Market (IGPM)	1	20	1	1
Basket of currencies	2	2	6	7
Non-convertible debentures			3,340	2,774
Indexed by U.S. dollars		107		64
Accrued charges	49	33		
	<b>638</b>	<b>178</b>	<b>4,495</b>	<b>3,357</b>
Total	<b>1,249</b>	<b>711</b>	<b>17,608</b>	<b>21,122</b>

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

The long-term portion at December 31, 2007 falls due as follows:

2009	321
2010	2,384

2011	2,780
2012	1,083
2013 and thereafter	10,718
No due date (Perpetual notes and non-convertible debentures)	322
	<b>17,608</b>

At December 31, 2007 annual interest rates on long-term debt were as follows:

3.1% to 5%	618
5.1% to 7%	11,316
7.1% to 9%	2,436
9.1% to 11%	119
Over 11% (*)	4,281
Variable (Perpetual notes)	87
	<b>18,857</b>

(\*) Includes non-convertible debentures and other Brazilian-reais denominated debt that bears interest at CDI (Brazilian interbank certificate of deposit) rate plus spread. For these operations we have entered into derivative transactions to hedge the exposure we hold on our floating rate debt denominated in reais. The outstanding amount for these transactions is US\$4,234 and the average cost of such debt after the hedge

transactions is  
5.7%.

F - 23

---

The indices applied to debt and respective percentage variations in each year were as follows (unaudited):

	2007	2006	2005
TJLP Long-Term Interest Rate (effective rate)	6.4	7.9	9.8
IGP-M General Price Index Market	7.8	3.8	1.2
Devaluation of United States Dollar against Real	(17.2)	(8.7)	(11.8)

Pursuant to the acquisition of Vale Inco we executed various financial operations to repay the initial US\$ 14.6 billion bridge loan, used to finance the acquisition, as follows:

On November 16, 2006, we issued US\$3.75 billion 10-year and 30-year notes. The US\$1.25 billion notes due in January 2017 bear a coupon rate of 6.25% per year, payable semi-annually, and were priced with a yield to maturity of 6.346% per year. The US\$ 2.50 billion notes due in November 2036 bear a coupon rate of 6.875% per year, payable semi-annually, and were priced with a yield to maturity of 6.997% per year.

We issued on December 20, 2006 in the Brazilian market of non-convertible debentures (debentures) in Reais in an amount equivalent to US\$2.6 billion, in two series, with four and seven-year maturities. The first series, due on November 20, 2010, US\$700 million, will be remunerated at 101.75% of the accumulated variation of the Brazilian CDI (interbank certificate of deposit) interest rate, payable semi-annually. The second series, due on November 20, 2013, US\$ 1.9 billion, will be remunerated at the Brazilian CDI interest rate plus 0.25% per year, also payable semi-annually. These debentures can be traded in the secondary market, through the Sistema Nacional de Debêntures (SND).

On January 23, 2007, we entered into a pre-export finance transaction of US\$6.0 billion, with a syndicate composed by 30 banks from different countries. The transaction includes a US\$5.0 billion tranche, five-year maturity, at Libor plus 0.625% per year, and a US\$1.0 billion tranche, seven-year maturity, at Libor plus 0.75% per year. Due to our cash availability, US\$2.1 billion of this deal was prepaid during 2007.

During 2007 we settled the balance of the bridge loan with cash, totaling US\$2.25 billion.

In addition to the prepayment of both the bridge and the pre-export financing transaction, we prepaid US\$ 380 million of our debt during 2007. The total debt so prepaid, as part of our liability management initiatives, was US\$ 4.73 billion.

On December 31, 2007 the US Dollar denominated Fixed Rate Notes of US\$6,680 (2006 US\$6,897) and other debt of US\$11,511 (2006 US\$14,017) are unsecured. The export securitization of US\$258 (2006 US\$345) is debt securities secured by future receivables arising from certain export sales of our subsidiary CVRD Overseas Ltd. Loans from International lenders of US\$82 (2006 US\$106) are guaranteed by Brazilian Federal Government, to which we have given counter guarantees in the same amount. The remaining long-term debt of US\$326 (2006 US\$458) is secured 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 December 31, 2007.

We have revolving credit lines of US\$1.9 billion.



## 16 Stockholders equity

Each holder of common and preferred class A stock is entitled to one vote for each share on all matters that come before a stockholders meeting, 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.

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 ). The share/ADR proportion was maintained at 1/1; therefore, each common and preferred share, continued to be represented by one ADR supported by one common share (NYSE: RIO) or by one ADR supported by one class A preferred share (NYSE: RIOPR) respectively. All numbers of share and per share amounts included herein reflect retroactive application of the stock split. The Notes due 2010, series RIO and RIO P, mandatorily convertible into Vale ADRs will have their conversion rates adjusted to reflect the share 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. On 2007, the amount of additional interest totaled US\$ 15. 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\$38.59	1.2957
	Between US\$38.59 and US\$48.62	US\$50.00 divided by the twenty day market value
	Equal to or greater than US\$48.62	1.0283
Rio	Less than or equal to US\$45.80	1.0917
	Between US\$45.80 and US\$57.71	US\$50.00 divided by the twenty day market value
	Equal to or greater than US\$57.71	0.8664

On June 21, 2006 the Board of Directors approved a buy-back program of our preferred shares, in effect during 180 days. Under this program, we had acquired 30,299,200 shares held in treasury at an average weighted unit cost of US\$9.94 (minimum cost of US\$9.45 and maximum of US\$ 10.37).

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 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.

Both common and preferred stockholders are entitled to receive a mandatory minimum dividend of 25% of annual adjusted net income based on the statutory accounting records, upon approval at the annual stockholders meeting. In the case of preferred stockholders, this dividend cannot be less than 6% of the preferred capital as stated in the statutory accounting records or, if greater, 3% of the statutory book equity value per share. For the year ended December 31, 2007, this annual minimum dividend corresponded to US\$ 2,691 of which US\$ 8 was paid on October 2007 and therefore we accrued the remaining value of US\$ 2,683 with a direct charge to stockholders equity. For each of the years 2006 and 2005 we distributed dividends to preferred stockholders in excess of this limit. Interest attributed to stockholders equity as from January 1, 1996 is considered part of the minimum dividend.

Brazilian law permits the payment of cash dividends only from retained earnings as stated in the statutory accounting records and such payments are made in Reais. In addition, per the statutory books record, undistributed retained earnings at December 31, 2007 includes US\$13,954, related to the unrealized income and expansion reserves, which could be freely transferred to retained earnings and paid as dividends, if approved by the stockholders.

No withholding tax is payable on distribution of profits earned except for distributions in the form of interest attributed to stockholders (Note 3 (I)).

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. Future impacts in the local income statement could include alteration in the form of calculating and amortizing goodwill on business combinations, the recognition of exchange variations in foreign subsidiaries, joint ventures and affiliates and related tax effects, among others. Detailed regulation of the impact changes and transition requirements is not yet available and will be evaluated once available.

Brazilian laws and our By-laws require that certain appropriations be made from retained earnings to reserve accounts on an annual basis, all determined in accordance with amounts stated in the statutory accounting records, as detailed below:

	Three-month period ended (unaudited)			Year ended December 31,		
	December 31, 2007	September 30, 2007	December 31, 2006	2007	2006	2005
Undistributed retained earnings						
Unrealized income reserve						
Beginning of the period	105	99	109	57	101	130
Transfer (to) from retained earnings	(32)	6	(52)	16	(44)	(29)
End of the period	<b>73</b>	<b>105</b>	<b>57</b>	<b>73</b>	<b>57</b>	<b>101</b>
Expansion reserve						
Beginning of the period	5,726	5,441	3,853	8,485	3,621	3,091
Transfer to capital stock				(3,776)		(2,036)
Transfer from retained earnings	8,155	285	4,632	9,172	4,864	2,566
End of the period	<b>13,881</b>	<b>5,726</b>	<b>8,485</b>	<b>13,881</b>	<b>8,485</b>	<b>3,621</b>
Legal reserve						
Beginning of the period	724	688	646	970	599	529
Transfer to capital stock				(370)		(209)
Transfer from retained earnings	586	36	324	710	371	279
End of the period	<b>1,310</b>	<b>724</b>	<b>970</b>	<b>1,310</b>	<b>970</b>	<b>599</b>
Fiscal incentive depletion reserve						
Beginning of the period						378
Transfer to capital stock						(398)
Transfer from retained earnings						20
End of the period						
Fiscal incentive investment reserve						
Beginning of the period	5	5	38	43	36	15
Transfer to capital stock				(41)		(16)
Transfer from retained earnings	48		5	51	7	37
End of the period	<b>53</b>	<b>5</b>	<b>43</b>	<b>53</b>	<b>43</b>	<b>36</b>
Total undistributed retained earnings	<b>15,317</b>	<b>6,560</b>	<b>9,555</b>	<b>15,317</b>	<b>9,555</b>	<b>4,357</b>

The purpose and basis of appropriation to such reserves is described below:

Unrealized income reserve this represents principally our share of the earnings of affiliates and joint ventures, not yet received in the form of cash dividends.

Expansion reserve this is a general reserve for expansion of our activities.

Legal reserve this reserve is a requirement for all Brazilian corporations and represents the appropriation of 5% of annual net income up to a limit of 20% of capital stock all determined under Brazilian GAAP.

Fiscal incentive depletion reserve this represents an additional amount relative to mineral reserve depletion equivalent to 20% of the sales price of mining production, which is deductible for tax purposes providing an equivalent amount is transferred from retained earnings to the reserve account. This fiscal incentive expired in 1996.

Fiscal incentive investment reserve this reserve results from an option to designate a portion of income tax otherwise payable for investment in government approved projects and is recorded in the year following that in which the taxable income was earned. As from 2000, this reserve basically contemplates income tax incentives (Note 8).

**Basic and diluted earnings per share**

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

F - 27

---

	Three-month period ended (unaudited)			2007	Year ended December 31,	
	December 31, 2007	September 30, 2007	December 31, 2006		2006	2005
<b>Net income for the period</b>	<b>2,573</b>	<b>2,940</b>	<b>1,573</b>	<b>11,825</b>	<b>6,528</b>	<b>4,841</b>
<b>Interest attributed to preferred convertible notes</b>	(8)	(8)		(16)		
<b>Interest attributed to common convertible notes</b>	(18)	(19)		(37)		
<b>Net income for the period adjusted</b>	<b>2,547</b>	<b>2,913</b>	<b>1,573</b>	<b>11,772</b>	<b>6,528</b>	<b>4,841</b>
<b>Basic and diluted earnings per share</b>						
Income available to preferred stockholders	978	1,119	615	4,552	2,568	1,748
Income available to common stockholders	1,524	1,742	958	7,092	3,960	3,093
Income available to convertible notes linked to preferred shares	16	18		45		
Income available to convertible notes linked to common shares	30	34		84		
Weighted average number of shares outstanding (thousands of shares)						
preferred shares	1,889,175	1,889,175	1,889,172	1,889,171	1,908,852	1,662,864
Weighted average number of shares outstanding (thousands of shares)						
common shares	2,943,216	2,943,216	2,943,216	2,943,216	2,943,216	2,943,216
Treasury preferred shares linked to mandatorily convertible notes	30,295	30,295		18,478		
	56,582	56,582		34,510		

Treasury common shares linked to mandatorily convertible notes

<b>Total</b>	<b>4,919,268</b>	<b>4,919,268</b>	<b>4,832,388</b>	<b>4,885,375</b>	<b>4,852,068</b>	<b>4,606,080</b>
--------------	------------------	------------------	------------------	------------------	------------------	------------------

Earnings per preferred share	0.52	0.59	0.33	2.41	1.35	1.05
Earnings per common share	0.52	0.59	0.33	2.41	1.35	1.05
Earnings per convertible notes linked to preferred share (*)	0.79	0.86		3.30		
Earnings per convertible notes linked to common share (*)	0.85	0.94		3.51		

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

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

	<b>Three-month period ended (unaudited)</b>			<b>Year ended December 31,</b>		
	<b>December 31, 2007</b>	<b>September 30, 2007</b>	<b>December 31, 2006</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Income available to preferred stockholders	1,002	1,145		4,613		
Income available to common stockholders	1,571	1,795		7,212		
Weighted average number of shares outstanding (thousands of shares)						
preferred shares	1,919,470	1,919,470		1,907,649		
common shares	2,999,798	2,999,798		2,977,726		
Earnings per preferred share	0.52	0.60		2.42		
Earnings per common share	0.52	0.60		2.42		

F - 28

**17 Other Cumulative Comprehensive Income (Deficit)**

	Three-month period ended			Year ended December 31,		
	December 31, 2007	September 30, 2007	December 31, 2006	2007	2006	2005
Comprehensive income is comprised as follows:						
Net income	2,573	2,940	1,573	11,825	6,528	4,841
Cumulative translation adjustments	337	1,467	234	2,968	1,228	1,013
Unrealized gain (loss) on available-for-sale securities	(18)	24	141	(60)	144	32
Surplus (deficit) accrued pension plan	(465)	68	(107)	(278)	(107)	
Cash flow hedge	6	9		29		
<b>Total comprehensive income</b>	<b>2,433</b>	<b>4,508</b>	<b>1,841</b>	<b>14,484</b>	<b>7,793</b>	<b>5,886</b>
Tax effect on other comprehensive income (expense) allocated to each component						
Unrealized gain on available-for-sale securities						
Gross balance as of the period end	271	326	395	271	395	127
Tax (expense) benefit	(60)	(97)	(124)	(60)	(124)	
Net balance as of the period end	211	229	271	211	271	127
Surplus (deficit) accrued pension plan						
Gross balance as of the period end	134	817	540	134	540	
Tax (expense) benefit	(59)	(277)	(187)	(59)	(187)	
Net balance as of the period end	75	540	353	75	353	

**18 Pension plans**

Since 1973 we have sponsored a supplementary social security plan with characteristics of defined benefit plan (the Old Plan ) covering substantially all Brazilian employees, with benefits calculated based on years of service, age, contribution salary and supplementary social security benefits. This plan is administered by Fundação Vale do Rio Doce de Seguridade Social VALIA and was funded by monthly contributions made by us and our employees, calculated based on periodic actuarial appraisals.

In May 2000, we implemented a new supplementary social security plan with characteristics of variable contribution, which complements the earnings of programmed retirements and benefits from



risks (death, physical invalidity, and sickness benefit). At that time we provided our Brazilian active employees the option to migrate to the New Plan (a Benefit Mix Plan - Vale Mais) which was taken up by over 98% of our active employees. The Old Plan will continue in existence, covering almost exclusively retired participants and their beneficiaries.

Additionally we provide supplementary payments to a specific group of former Brazilian employees, in addition to the regular benefits from Valia, through the Abono Complementação, which represents a postretirement health care, odontological and pharmaceutical benefit to this group of participants.

Upon the acquisition of Inco, we assumed benefits through defined benefit pension plans that cover essentially all its employees and post retirement benefits other than pensions that also provide certain health care and life insurance benefits for retired employees.

The following information details the status of the defined benefit elements of all plans in accordance with SFAS 132 Employers Disclosure about Pensions and Other Post retirement Benefits and SFAS 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, as amended.

**(a) Change in benefit obligation**

	<b>2007</b>				<b>As of December 31, 2006</b>	
	<b>Overfunded pension plans</b>	<b>Underfunded pension plans</b>	<b>Underfunded other benefits</b>	<b>Overfunded pension plans</b>	<b>Underfunded pension plans</b>	<b>Underfunded other benefits</b>
Benefit obligation at beginning of year	2,531	3,743	1,287	1,783	250	78
Liability recognized upon consolidation of Inco		100	213		3,619	1,225
Service cost	9	61	20	5	14	4
Interest cost	306	229	78	246	79	25
Plan amendment		4			(76)	
Assumptions changes				465	52	13
Benefits paid	(301)	(279)	(63)	(173)	(85)	(22)
Effect of exchange rate changes	526	607	215	175	(108)	(41)
Actuarial loss (gain)	107	(29)	(79)	30	(2)	5
<b>Benefit obligation at end of year</b>	<b>3,178</b>	<b>4,436</b>	<b>1,671</b>	<b>2,531</b>	<b>3,743</b>	<b>1,287</b>

We use a measurement date of December 31 for our pension and post retirement benefit plans.



**(b) Change in plan assets**

	<b>2007</b>				<b>As of December 31, 2006</b>	
	<b>Overfunded pension plans</b>	<b>Underfunded pension plans</b>	<b>Underfunded other benefits</b>	<b>Overfunded pension plans</b>	<b>Underfunded pension plans</b>	<b>Underfunded other benefits</b>
Fair value of plan assets at beginning of year	3,508	3,078	4	2,781	63	
Asset recognized upon consolidation of Inco					2,924	4
Actual return on plan assets	250	85	1	607	202	
Employer contributions	33	372	67	25	84	22
Benefits paid	(301)	(279)	(63)	(173)	(85)	(22)
Effect of exchange rate changes	697	506	1	268	(110)	
<b>Fair value of plan assets at end of year</b>	<b>4,187</b>	<b>3,762</b>	<b>10</b>	<b>3,508</b>	<b>3,078</b>	<b>4</b>

Plan assets at December 31, 2007 include US\$693 and US\$73 of portfolio investments in our own shares (US\$312 and US\$46 at December 31, 2006) and debentures, respectively, and US\$48 and US\$0 of shares of related parties (US\$36 and US\$7 at December 31, 2006) and debentures, as well. They also include US\$1,116 of Federal Government Securities (US\$607 at December 31, 2006).

**(c) Funded Status and Financial Position**

	<b>2007</b>				<b>As of December 31, 2006</b>	
	<b>Overfunded pension plans</b>	<b>Underfunded pension plans</b>	<b>Underfunded other benefits</b>	<b>Overfunded pension plans</b>	<b>Underfunded pension plans</b>	<b>Underfunded other benefits</b>
Other assets	1,009			977		
Current liabilities		54	77		42	65
Long-term liabilities		620	1,584		623	1,218
<b>Funded status</b>	<b>1,009</b>	<b>674</b>	<b>1,661</b>	<b>977</b>	<b>665</b>	<b>1,283</b>

**(d) Assumptions used in each year (expressed in nominal terms)**

	2007					Brazil 2006
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Discount rate	10.24% p.a.	10.24% p.a.	10.24% p.a.	11.30% p.a.	11.30% p.a.	11.30% p.a.
Expected return on plan assets	12.78% p.a.	11.70% p.a.		14.98% p.a.	14.98% p.a.	
Rate of compensation increase up to 47 years	7.12% p.a.			8.15% p.a.		
Rate of compensation increase over 47 years	4.00% p.a.			5.00% p.a.		
Inflation	4.00% p.a.	4.00% p.a.	4.00% p.a.	5.00% p.a.	5.00% p.a.	5.00% p.a.
Health care cost trend rate			7.64% p.a.			8.67% p.a.
	2007					Foreign 2006
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Discount rate		5.21% p.a.	5.55% p.a.	5.00% p.a.		5.00% p.a.
Expected return on plan assets		7.18% p.a.	7.50% p.a.	7.50% p.a.		7.50% p.a.
Rate of compensation increase up to 47 years		4.01% p.a.	3.58% p.a.	3.00% p.a.		3.00% p.a.
Rate of compensation increase over 47 years		4.01% p.a.	3.58% p.a.	3.00% p.a.		3.00% p.a.
Inflation		2.00% p.a.	2.00% p.a.	1.80% p.a.		1.80% p.a.
Health care cost trend rate			6.35% p.a.			5.05% p.a.

**(e) Investment targets and composition of plan assets****Overfunded pension plans**

The fair value of the Brazil overfunded pension plan assets is US\$4,187 and US\$3,508 at the end of 2007 and 2006, respectively. There are no foreign overfunded pension plans assets at the period end. The asset allocation for these plans at the end of 2007 and 2006, and the target allocation for 2008, by asset category, follows:

	<b>Target allocation for 2008 (Unaudited)</b>	<b>Brazil Percentage of plan assets at December 31,</b>	
		<b>2007</b>	<b>2006</b>
Equity securities	27%	29%	30%
Real estate	6%	4%	5%
Loans	6%	4%	4%
Fixed Income	61%	63%	61%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Underfunded pension plans**

The fair value of the underfunded pension plan assets is US\$146 and US\$91 at the end of 2007 and 2006, respectively, for Brazilian plans and US\$3,616 and US\$2,987 at the end of 2007 and 2006, respectively, for foreign plans. The asset allocation for these plans at the end of 2007 (Brazil and foreign) and 2006 (Brazil and foreign), and the target allocation for 2008, by asset category, follows:

	<b>Target allocation for 2008 (Unaudited)</b>	<b>Brazil Percentage of plan assets at December 31,</b>	
		<b>2007</b>	<b>2006</b>
Equity securities	25%		8%
Real estate			1%
Loans	9%	5%	1%
Fixed Income	66%	95%	90%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

	<b>Target allocation for 2008</b>	<b>Foreign Percentage of plan assets at December 31,</b>	
		<b>2007</b>	<b>2006</b>
Equity securities	61%	61%	61%
Fixed Income	39%	39%	39%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The fixed income asset allocation target for the Brazilian plans was established in order to surpass the benefit obligation and to be used for the payment of short-term plans. The proposal for 2008 is to increase the investments in inflation-indexed funds.

The target for equity securities of these plans reflects the expected appreciation of the Brazilian stock markets as well as the volatility of the market and the decrease of the Brazilian interest rates.

The asset allocation policy for the foreign plans of 39% fixed income and 61% equity securities, is maintained fairly close to the policy mix at most times by the use of a rebalancing policy.

**Underfunded other benefits**

The fair value of the foreign underfunded other benefit assets is US\$10 and US\$4 at the end of 2007 and 2006, respectively. There are no Brazilian underfunded other benefit assets in our postretirement benefit other than pensions at the period end.

The asset allocation for these benefits at the end of 2007 and target allocation for 2008, by asset category, follows:

	<b>Target allocation</b>	<b>Foreign Percentage of plan assets at December 31,</b>	
--	------------------------------	--	--

	<b>for 2008 (unaudited)</b>	<b>2007</b>	<b>2006</b>
Equity securities			
Fixed Income	61%	61%	61%
<b>Total</b>	39%	39%	39%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

The asset allocation policy is the same for the foreign underfunded pension plan.

F - 32

---

**(f) Pension costs**

	December 31, 2007			September 30, 2007			Three-month period ended December 31, 2006		
	Overfunded pension plans	Underfunded pension plans	Overfunded other benefits	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	3	18	6	2	14	5	2	14
Interest cost on projected benefit obligation	110	76	26	77	53	18	82	56	18
Expected return on assets	(205)	(73)	(4)	(144)	(59)		(131)	(56)	
Amortization of initial transitory obligation	5			4			4		
Net deferral	(6)			(4)			(10)		
<b>Net periodic pension cost</b>	<b>(93)</b>	<b>21</b>	<b>28</b>	<b>(65)</b>	<b>8</b>	<b>23</b>	<b>(53)</b>	<b>14</b>	<b>22</b>

	2007				As of December 31, 2006	
	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	9	61	20	5	14
Interest cost on projected benefit obligation	306	229	78	246	79	25
Expected return on assets	(570)	(247)	(4)	(391)	(63)	
Amortization of initial transitory obligation	14			12		
Net deferral	(17)			(28)		
<b>Net periodic pension cost</b>	<b>(258)</b>	<b>43</b>	<b>94</b>	<b>(156)</b>	<b>30</b>	<b>29</b>

**(g) Expected contributions and benefits**

Employer contributions expected for 2008 are US\$324.

The benefit payments, which reflect future service, as appropriate, are expected to be made as follows (unaudited):



	<b>Overfunded pension plans</b>	<b>Underfunded pension plans</b>	<b>Underfunded other benefits</b>	<b>2007 Total</b>
2008	230	319	79	628
2009	233	323	84	640
2010	235	320	88	643
2011	237	316	93	646
2012	238	312	98	648
2013 and thereafter	1,201	1,482	503	3,186
<b>(h) Accumulated benefit obligation</b>				

	<b>2007</b>			<b>2006</b>		
	<b>Overfunded pension plans</b>	<b>Underfunded pension plans</b>	<b>Underfunded other benefits</b>	<b>Overfunded pension plans</b>	<b>Underfunded pension plans</b>	<b>Underfunded other benefits</b>
Accumulated benefit obligation	3,166	4,293	1,671	2,524	3,680	1,287
Projected benefit obligation	3,178	4,436	1,671	2,531	3,743	1,287
Fair value of plan assets	(4,187)	(3,762)	(10)	(3,508)	(3,078)	(4)

F - 33

**(i) Impact of 1% variation in assumed health care cost trend rate**

	1% increase		1% decrease	
	2007	2006	2007	2006
Accumulated postretirement benefit obligation (APBO)	261	178	(201)	(145)
Interest and service costs	15	15	(12)	(12)

**(j) Other Cumulative Comprehensive Income (Deficit)**

	2007				As of December 31, 2006	
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Net transition obligation / (asset)	(24)			(34)		
Net actuarial loss / (gain)	(6)	(34)	97	422	(34)	119
Effect of exchange rate changes	94	(7)	(2)	66	1	
Deferred income tax	(22)	14	(35)	(154)	11	(44)
<b>Amounts recognized in other cumulative comprehensive income (deficit)</b>	<b>42</b>	<b>(27)</b>	<b>60</b>	<b>300</b>	<b>(22)</b>	<b>75</b>

**(l) Change in Other Cumulative Comprehensive Income (Deficit)**

	2007				As of December 31, 2006	
	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits	Overfunded pension plans	Underfunded pension plans	Underfunded other benefits
Net transition obligation / (asset) not yet recognized in NPPC at beginning of period	(38)			(46)		
Net actuarial loss / (gain) not yet recognized in NPPC at beginning of period	491	(33)	(11)	736	10	(5)
Deferred income tax at beginning of period	(154)	11	4	(234)	(3)	2
Effect of initial recognition of cumulative comprehensive Income (deficit)	299	(22)	(7)	456	7	(3)
Change in the period	14			12		

Amortization of net transition obligation / (asset)						
Amortization of net actuarial loss / (gain)	(17)			(28)		
Total net actuarial loss / (gain) arising during period	(480)	(1)	108	(286)	(44)	124
Effect of exchange rate changes	94	(7)	(2)	66	1	
Deferred income tax	132	3	(39)	80	14	(46)
<b>Total recognized in other cumulative comprehensive income (deficit)</b>	<b>42</b>	<b>(27)</b>	<b>60</b>	<b>300</b>	<b>(22)</b>	<b>75</b>

**(m) Net periodic pension cost for the next year**

	<b>As of December 31, 2008</b>		
	<b>Overfunded pension plans</b>	<b>Underfunded pension plans</b>	<b>Underfunded other benefits</b>
Service cost	12	64	24
Interest cost	314	260	97
Expected return on plan assets	(523)	(268)	(4)
Net transition obligation / (asset) amortization	15		
Net actuarial loss / (gain) amortization	(6)	2	
	<b>(188)</b>	<b>58</b>	<b>117</b>

**19 Commitments and contingencies**

- (a) At December 31, 2007, we had extended guarantees for borrowings obtained by our affiliate SAMARCO in the amount of less than US\$1, the denominated currency U.S.Dollar final maturity at 2008 has no counter guarantees.

We do not expect losses to arise as a result of the above guarantees. We charge commissions for extending these guarantees.

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

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 the shares they own of Goro. The put option can be exercised if the defined cost of the initial Goro project exceeds \$4.2 billion at project rates and an agreement cannot be reached on how to proceed with the project.

We provided a guarantee covering certain termination payments due from 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 is as a result of a default by Goro and the date on which an early termination of the ESA were to occur. If Goro defaults under the ESA prior to the anticipated start date for supply of electricity to the project, the termination payment, which currently is at its maximum, would be 145 million euros. Once the supply of electricity under the ESA to the project begins, the guaranteed amounts will decrease over the life of the ESA.

- (c) 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 provision for contingent losses is sufficient to cover probable losses in connection with such actions.

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

		2007		As of December 31, 2006	
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits	Judicial deposits
Labor and social security claims	519	372	378		234
Civil claims	311	135	260		117
Tax related actions	1,605	613	972		500
Others	18	4	31		1
	<b>2,453</b>	<b>1,124</b>	<b>1,641</b>		<b>852</b>

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 stabilization plans

during which full indexation of contracts for inflation was not permitted as well as for accidents and land appropriations.

Tax tax-related actions principally comprise our challenges of certain revenue taxes and value added taxes positions 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.

Our judicial deposits are made as required by the courts for us to be able to enter or continue a legal action. When judgment is favorable to us, we receive the deposits back; when unfavorable, the deposits are delivered to the prevailing party.

F - 35

---

Contingencies settled in 2007, 2006 and 2005 aggregated US\$ 331, US\$424 and US\$114, respectively, and additional provisions aggregated US\$ 364, US\$ 439 and US\$ 141, respectively, classified in other operating expenses.

In addition to the contingencies for which we have made provisions we are defending 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 of US\$2,381 at December 31, 2007 and for which no provision has been made.

- (d) We are committed under a take-or-pay agreement to purchase approximately 16,450 thousand metric tons of bauxite from Mineração Rio do Norte S.A. MRN at a formula price, calculated based on the current London Metal Exchange (LME) quotation for aluminum. Based on a market price of US\$31.60 per metric ton as of December 31, 2007, this arrangement represents the following total commitment per metric ton as of December 31, 2007, this arrangement represents the following total commitment:

2008	269
2009	251
	<b>520</b>

- (e) At the time of our privatization in 1997, we issued shareholder revenue interests known in Brazil as debentures 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 are able to derive from exploiting our mineral resources.

In preparation for the issuance of the debentures, we issued series B preferred shares on a one-for-one basis to all holders of our common shares and series A preferred shares. We then exchanged all of the series B shares for the debentures at par value. The debentures are not redeemable or convertible, and do not trade on a stapled basis or otherwise with our common or preferred shares. During 2002 we registered the debentures with the Brazilian Securities Commissions (CVM) in order to permit trading.

Under the terms of the debentures, holders will have the right to receive semi-annual payments equal to an agreed percentage of our net revenues (revenues less value added tax) from certain identified mineral resources that we owned as of May 1997, to the extent that we exceed defined threshold production volumes of these resources, and from the sale of mineral rights that we owned as of May 1997. Our obligation to make payments to the holders will cease when the relevant mineral resources are exhausted at which time we are required to repay the original par value plus accrued interest. Based on current production levels, and estimates for new projects, we began payments relating to copper resources in 2004 and expect to start payments relating to iron ore resources from approximately 2020 for our Northern System and 2030 for our Southern System in Brazil, and payments related to other mineral resources at the end of the current decade.

The table below summarizes the amounts we will be required to pay under the debentures based on the net revenues we earn from the identified mineral resources and the sale of mineral rights.

<b>Area</b>	<b>Mineral</b>	<b>Required Payments by CVRD</b>
Southern System	Iron ore	1.8% of net revenue, after total sales from May 1997 exceeds 1.7 billion tons.
Northern System	Iron ore	1.8% of net revenue, after total sales from May 1997 exceeds 1.2 billion tons.
Pojuca, Andorinhas, Liberdade and Sossego	Gold and copper	2.5% of net revenue from the beginning of commercialization.
Igarapé Bahia and Alemão	Gold and copper	2.5% of net revenue, after total sales from May 1997 exceeds 70 tons of gold.
Other areas, excluding Carajás / Serra Leste	Gold	2.5% of net revenue.
Other areas owned as of May 1997	Other minerals	1% of net revenue, 4 years after the beginning of the commercialization.
All areas	Sale of mineral rights owned as of May 1997	1% of the sales price.

At October 1, 2007 and March 30, 2007 we paid remuneration on these debentures of US\$5 and US\$6, respectively. During 2007 we paid US\$11 and during 2006 we paid US\$6.

- (f) 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:

	<b>Three-month period ended (unaudited)</b>			<b>Year ended December 31,</b>		
	<b>December 31, 2007</b>	<b>September 30, 2007</b>	<b>December 31, 2006</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Provisions for asset retirement obligations beginning of period</b>	<b>859</b>	<b>760</b>	<b>258</b>	<b>676</b>	<b>225</b>	<b>134</b>
Liability recognized upon consolidation of Inco			178		178	
Accretion expense	23	42	186	84	205	14
Liabilities settled in the current period	(8)	(2)	(4)	(15)	(9)	(9)
Revisions in estimated cash flows	83		59	83	59	67
Cumulative translation adjustment	18	59	(1)	147	18	19

**Provisions for asset  
retirement obligations end  
of period**

**975**

**859**

**676**

**975**

**676**

**225**

F - 37

---



(g) Description of Leasing Arrangements

We conduct part of our railroad operation from leased facilities. The 30-year lease, renewable for a further 30 years, expires in August, 2026 and is classified as an operating lease. At the end of the lease term, we are required to return the concession and the lease assets. In most cases, management expects that in the normal course of business, leases will be renewed.

Operating Leases

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2007:

Year ending December 31:	
2008	62
2009	62
2010	62
2012	62
2012 thereafter	888
<b>Total minimum payments required</b>	<b>1,136</b>

The total expenses of operating leases in 2007, 2006 and 2005 was US\$62, US\$48 and US\$42, respectively.

**20 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:

Ferrous products comprises iron ore mining and pellet production, as well as our Brazilian Northern and Southern transportation systems, including railroads, ports and terminals, as they pertain to mining operations. Manganese mining and ferroalloys are also included in this segment.

Non-ferrous comprises the production of non-ferrous minerals, including nickel (co-products and by-products), potash, kaolin and copper.

Logistics comprises our transportation systems as they pertain to the operation of our ships, ports and railroads for third-party cargos.

Holdings divided into the following sub-groups:

Aluminum comprises aluminum trading activities, alumina refining and aluminum metal smelting and investments in joint ventures and affiliates engaged in bauxite mining.

Others comprises our investments in joint ventures and affiliates engaged in other businesses.

Information presented to senior management with respect to the performance of each segment is generally derived directly from the accounting records maintained in accordance with accounting practices adopted in Brazil together with certain minor inter-segment allocations.



Edgar Filing: Companhia Vale do Rio Doce - Form 6-K

Consolidated net income and principal assets are reconciled as follows:

**Results by segment before eliminations (Aggregated)**

														Thousands of U.S. Dollars
December 31, 2007							September 30, 2007							
Non ferrous logistics	Holdings			Non ferrous logistics			Holdings			Non ferrous logistics				
Aluminum	Other	Eliminations	Consolidated	Ferrous	Aluminum	Other	Eliminations	Consolidated	Ferrous	Aluminum	Other	Eliminations	Consolidated	Ferrous
2,978	22	841	87	(2,863)	6,969	5,649	2,902	11	877	85	(2,748)	6,776	4,237	3,182
113	388	217	1	(392)	1,443	1,120	106	395	211		(484)	1,348	736	100
(1,795)	(275)	(907)	(113)	3,255	(4,730)	(4,570)	(1,435)	(235)	(837)	(111)	3,232	(3,956)	(3,340)	(2,591)
(92)	(26)		(60)		(262)	(44)	(98)	(8)			(56)	(206)	(36)	(85)
(404)	(29)	(36)	(6)		(737)	(236)	(238)	(25)	(26)	(7)		(532)	(182)	(149)
<b>800</b>	<b>80</b>	<b>115</b>	<b>(91)</b>		<b>2,683</b>	<b>1,919</b>	<b>1,237</b>	<b>138</b>	<b>225</b>	<b>(89)</b>		<b>3,430</b>	<b>1,415</b>	<b>457</b>
227	1	5	1	(829)	58	665	59	3	4	(1)	(691)	39	265	95
(352)	(10)	30	33	829	(227)	(537)	(364)	(4)	60	(44)	691	(198)	(646)	(80)
70	(5)	38	(45)		304	433	44	(2)	37	41		553	(26)	209
							81	20		2		103	80	
5	40	21	7		136	86	4	36	21	18		165	77	
104	(2)	(30)	10		(216)	(612)	(248)	(4)	(83)			(947)	(235)	(251)
(86)		(72)	(11)		(165)		(120)		(96)	11		(205)	(19)	(190)
<b>768</b>	<b>104</b>	<b>107</b>	<b>(96)</b>		<b>2,573</b>	<b>1,954</b>	<b>693</b>	<b>187</b>	<b>168</b>	<b>(62)</b>		<b>2,940</b>	<b>911</b>	<b>240</b>
468		139		(240)	784	369	369	3	227		(272)	696	326	437
517		145	24	(116)	672	115	564		52	17	(57)	691	86	440
636	22	378		(1,044)	1,941	1,834	715	8	398		(980)	1,975	1,575	497
134		45	63	(138)	308	194	85		38	68	(82)	303	198	60
392		134		(226)	851	638	472		146		(277)	979	536	473
400				(817)	1,541	2,061	286				(860)	1,487	1,281	446
431				(282)	872	438	411		16		(220)	645	235	828
<b>2,978</b>	<b>22</b>	<b>841</b>	<b>87</b>	<b>(2,863)</b>	<b>6,969</b>	<b>5,649</b>	<b>2,902</b>	<b>11</b>	<b>877</b>	<b>85</b>	<b>(2,748)</b>	<b>6,776</b>	<b>4,237</b>	<b>3,181</b>
113	388	217	1	(392)	1,443	1,120	106	395	211		(484)	1,348	736	100
<b>3,091</b>	<b>410</b>	<b>1,058</b>	<b>88</b>	<b>(3,255)</b>	<b>8,412</b>	<b>6,769</b>	<b>3,008</b>	<b>406</b>	<b>1,088</b>	<b>85</b>	<b>(3,232)</b>	<b>8,124</b>	<b>4,973</b>	<b>3,281</b>



## Operating segment after eliminations (Disaggregated)

As of and for the three-month period ended (unaudited)  
December 31, 2007

## Revenues

	Foreign	Domestic	Total	Value added	Net revenues	Cost and expenses	Depreciation, depletion and amortization	Operating income	Addition to Property, Plant and Equipment, and Investments			
									Property, Plant and Equipment	Investments		
<b>Ferrous</b>												
Iron ore	2,818	531	3,349	(74)	3,275	(1,522)	1,753	(222)	1,531	17,031	958	60
Pellets	524	202	726	(46)	680	(490)	190	(26)	164	754	31	741
Manganese	21	8	29	(1)	28	(21)	7	(2)	5	79	1	
Ferroalloys	181	102	283	(26)	257	(137)	120	(8)	112	168	12	
	<b>3,544</b>	<b>843</b>	<b>4,387</b>	<b>(147)</b>	<b>4,240</b>	<b>(2,170)</b>	<b>2,070</b>	<b>(258)</b>	<b>1,812</b>	<b>18,032</b>	<b>1,002</b>	<b>801</b>
<b>Non ferrous</b>												
Nickel and other products (*)	2,480	11	2,491		2,491	(1,398)	1,093	(370)	723	23,668	705	299
Potash		58	58	(3)	55	(35)	20	(7)	13	218	6	
Kaolin	62	12	74	(2)	72	(40)	32	(10)	22	295	2	
Copper concentrate	175	28	203	(6)	197	(146)	51	(21)	30	1,841	86	
	<b>2,717</b>	<b>109</b>	<b>2,826</b>	<b>(11)</b>	<b>2,815</b>	<b>(1,619)</b>	<b>1,196</b>	<b>(408)</b>	<b>788</b>	<b>26,022</b>	<b>799</b>	<b>299</b>
<b>Aluminum</b>												
Alumina and bauxite	312	10	322	(8)	314	(282)	32	(26)	6	3,687	236	184
Aluminum	274	76	350	(16)	334	(210)	124	(11)	113	761	45	
	<b>586</b>	<b>86</b>	<b>672</b>	<b>(24)</b>	<b>648</b>	<b>(492)</b>	<b>156</b>	<b>(37)</b>	<b>119</b>	<b>4,448</b>	<b>281</b>	<b>184</b>
<b>Logistics</b>												
Railroads		322	322	(52)	270	(194)	76	(23)	53	1,735	462	342
Ports	11	56	67	(9)	58	(52)	6	(6)		1,371	58	
Ships										36		107
	<b>11</b>	<b>378</b>	<b>389</b>	<b>(61)</b>	<b>328</b>	<b>(246)</b>	<b>82</b>	<b>(29)</b>	<b>53</b>	<b>3,142</b>	<b>520</b>	<b>449</b>
Others	111	27	138	(6)	132	(216)	(84)	(5)	(89)	2,981	145	1,189
	<b>6,969</b>	<b>1,443</b>	<b>8,412</b>	<b>(249)</b>	<b>8,163</b>	<b>(4,743)</b>	<b>3,420</b>	<b>(737)</b>	<b>2,683</b>	<b>54,625</b>	<b>2,747</b>	<b>2,922</b>

(\*) Includes nickel co-products and by-products

(copper,  
precious metals,  
cobalt and  
others).

F - 40

---

**Operating segment after eliminations (Disaggregated)**As of and for the three-month period ended (unaudited)  
September 30, 2007

	Revenues			Value added	Net revenues	Cost and expenses	Depreciation, depletion and amortization	Operating income	Addition to Property, Plant and Equipment, and Investments			
	Foreign	Domestic	Total						Property, Plant and Equipment	Investments		
<b>Ferrous</b>												
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	
	<b>3,350</b>	<b>756</b>	<b>4,106</b>	<b>(135)</b>	<b>3,971</b>	<b>(1,772)</b>	<b>2,199</b>	<b>(227)</b>	<b>1,972</b>	<b>16,850</b>	<b>569</b>	<b>734</b>
<b>Non ferrous</b>												
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	
	<b>2,715</b>	<b>106</b>	<b>2,821</b>	<b>(13)</b>	<b>2,808</b>	<b>(1,364)</b>	<b>1,444</b>	<b>(238)</b>	<b>1,206</b>	<b>25,403</b>	<b>543</b>	<b>269</b>
<b>Aluminum</b>												
Alumina and bauxite	296		296	10	306	(233)	73	(16)	57	3,369	197	163
Aluminum	307	74	381	(16)	365	(190)	175	(12)	163	717	10	
	<b>603</b>	<b>74</b>	<b>677</b>	<b>(6)</b>	<b>671</b>	<b>(423)</b>	<b>248</b>	<b>(28)</b>	<b>220</b>	<b>4,086</b>	<b>207</b>	<b>163</b>
<b>Logistics</b>												
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		
		<b>391</b>	<b>391</b>	<b>(67)</b>	<b>324</b>	<b>(214)</b>	<b>110</b>	<b>(30)</b>	<b>80</b>	<b>2,027</b>	<b>40</b>	<b>397</b>
Others	108	21	129	(5)	124	(163)	(39)	(9)	(48)	2,440	8	1,032
	<b>6,776</b>	<b>1,348</b>	<b>8,124</b>	<b>(226)</b>	<b>7,898</b>	<b>(3,936)</b>	<b>3,962</b>	<b>(532)</b>	<b>3,430</b>	<b>50,806</b>	<b>1,367</b>	<b>2,595</b>

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

F - 41

---



**Operating segment after eliminations (Disaggregated)**

**As of and for the three-month period ended (unaudited)  
December 31, 2006**

	Revenues			Value added	Net revenues	Cost and expenses	Depreciation, depletion and amortization	Operating income	Addition to Property, Plant and Equipment, and Investments			
	Foreign	Domestic	Total						Property, Plant and Equipment	Investments		
<b>Ferrous</b>												
Iron ore	2,163	484	2,647	(59)	2,588	(1,183)	1,405	(152)	1,253	13,235	820	48
Pellets	432	112	544	(24)	520	(311)	209	(17)	192	593	61	529
Manganese	11	4	15		15	(56)	(41)	(1)	(42)	65	7	
Ferroalloys	99	48	147	(12)	135	(120)	15	(5)	10	186	11	
	<b>2,705</b>	<b>648</b>	<b>3,353</b>	<b>(95)</b>	<b>3,258</b>	<b>(1,670)</b>	<b>1,588</b>	<b>(175)</b>	<b>1,413</b>	<b>14,079</b>	<b>899</b>	<b>577</b>
<b>Non ferrous</b>												
Nickel and other products	2,786	16	2,802		2,802	(2,267)	535	(124)	411	17,193	483	222
Potash		43	43	(2)	41	(26)	15	(7)	8	178	7	
Kaolin	62	8	70	(4)	66	(63)	3	(6)	(3)	249	19	
Copper concentrate	152	31	183	(8)	175	(67)	108	(16)	92	1,386	41	
	<b>3,000</b>	<b>98</b>	<b>3,098</b>	<b>(14)</b>	<b>3,084</b>	<b>(2,423)</b>	<b>661</b>	<b>(153)</b>	<b>508</b>	<b>19,006</b>	<b>550</b>	<b>222</b>
<b>Aluminum</b>												
Alumina and bauxite	346		346	2	348	(246)	102	(13)	89	2,414	265	164
Aluminum	263	65	328	(14)	314	(143)	171	(7)	164	415	26	
	<b>609</b>	<b>65</b>	<b>674</b>	<b>(12)</b>	<b>662</b>	<b>(389)</b>	<b>273</b>	<b>(20)</b>	<b>253</b>	<b>2,829</b>	<b>291</b>	<b>164</b>
<b>Logistics</b>												
Railroads		247	247	(45)	202	(110)	92	(17)	75	720	26	222
Ports	4	65	69	(12)	57	(39)	18	(4)	14	222	6	
Ships	12	14	26	(1)	25	(16)	9	(3)	6	45	2	
	<b>16</b>	<b>326</b>	<b>342</b>	<b>(58)</b>	<b>284</b>	<b>(165)</b>	<b>119</b>	<b>(24)</b>	<b>95</b>	<b>987</b>	<b>34</b>	<b>222</b>
Others	15	12	27	(2)	25	(107)	(82)	(7)	(89)	1,106	7	1,168
	<b>6,345</b>	<b>1,149</b>	<b>7,494</b>	<b>(181)</b>	<b>7,313</b>	<b>(4,754)</b>	<b>2,559</b>	<b>(379)</b>	<b>2,180</b>	<b>38,007</b>	<b>1,781</b>	<b>2,353</b>



## Results by segment before eliminations (Aggregated)

Segment	2007					2006					Non-ferrous			
	Holdings				Consolidated	Ferrous	Holdings					Consolidated	Ferrous	
	Logistics	Aluminum	Other	Eliminations			Logistics	Aluminum	Other	Eliminations				
338	61	3,506	242	(10,437)	27,836	15,729	4,199	67	3,125	54	(7,029)	16,145	12,655	787
487	1,519	751	1	(1,344)	5,279	2,738	277	1,373	474	7	(651)	4,218	2,197	213
301)	(983)	(3,307)	(310)	11,781	(17,002)	(12,004)	(3,301)	(970)	(2,597)	(56)	7,680	(11,248)	(9,646)	(762)
329)	(39)		(190)		(733)	(123)	(166)	(10)		(182)		(481)	(87)	(73)
339)	(103)	(110)	(17)		(2,186)	(632)	(219)	(76)	(66)	(4)		(997)	(458)	(65)
<b>56</b>	<b>455</b>	<b>840</b>	<b>(274)</b>		<b>13,194</b>	<b>5,708</b>	<b>790</b>	<b>384</b>	<b>936</b>	<b>(181)</b>		<b>7,637</b>	<b>4,661</b>	<b>100</b>
378	9	17	25	(2,848)	295	789	97	28	20	2	(609)	327	439	1
342)	(17)	(13)	(14)	2,848	(1,592)	(1,541)	(86)	(8)	(294)	(18)	609	(1,338)	(751)	(6)
393	(15)	181	(2)		2,559	206	214	(11)	119	1		529	259	(44)
381	237		459		777	443				231		674		
39	125	84	76		595	312		96	76	226		710	435	
305)	(16)	(231)	10		(3,201)	(976)	(250)	(18)	(187)	(1)		(1,432)	(808)	(1)
344)	(1)	(326)			(802)	(157)	(190)		(232)			(579)	(337)	
<b>226</b>	<b>777</b>	<b>552</b>	<b>280</b>		<b>11,825</b>	<b>4,784</b>	<b>575</b>	<b>471</b>	<b>438</b>	<b>260</b>		<b>6,528</b>	<b>3,898</b>	<b>50</b>
355	23	850		(1,026)	2,851	1,249	438	30	726		(823)	1,620	1,313	
362		308	81	(318)	2,965	506	450		95	54	(237)	868	464	7
389	33	1,606		(3,716)	7,335	5,465	1,020	19	1,346		(2,667)	5,183	4,847	449
396		142	161	(412)	1,114	767	218	1	263		(239)	1,010	775	108
341		584		(929)	3,827	1,779	523		548		(662)	2,188	1,261	44
357	4			(3,168)	5,863	4,781	499	16	126		(1,716)	3,706	3,018	79
338	1	16		(868)	3,881	1,182	1,050	1	21		(684)	1,570	977	100
<b>338</b>	<b>61</b>	<b>3,506</b>	<b>242</b>	<b>(10,437)</b>	<b>27,836</b>	<b>15,729</b>	<b>4,198</b>	<b>67</b>	<b>3,125</b>	<b>54</b>	<b>(7,028)</b>	<b>16,145</b>	<b>12,655</b>	<b>787</b>
387	1,519	751	1	(1,344)	5,279	2,738	277	1,373	474	7	(651)	4,218	2,197	213
<b>325</b>	<b>1,580</b>	<b>4,257</b>	<b>243</b>	<b>(11,781)</b>	<b>33,115</b>	<b>18,467</b>	<b>4,475</b>	<b>1,440</b>	<b>3,599</b>	<b>61</b>	<b>(7,679)</b>	<b>20,363</b>	<b>14,852</b>	<b>1,000</b>



## Operating segment after eliminations (Disaggregated)

As of and for the year ended December 31,  
2007

Operating segment	Revenues				Net revenues	Cost and expenses	Depreciation, depletion and amortization	Operating income	Addition to Property, Plant and Equipment, and Investments			
	Foreign	Domestic	Total	Value added tax					Property, Plant and Equipment, and Investments			
<b>Ferrous</b>												
Iron ore	9,873	2,035	11,908	(286)	11,622	(4,520)	7,102	(777)	6,325	17,031	2,496	60
Pellets	2,151	587	2,738	(132)	2,606	(1,860)	746	(87)	659	754	92	741
Manganese	48	21	69	(5)	64	(66)	(2)	(7)	(9)	79	2	
Ferroalloys	445	274	719	(70)	649	(442)	207	(25)	182	168	22	
	12,517	2,917	15,434	(493)	14,941	(6,888)	8,053	(896)	7,157	18,032	2,612	801
<b>Non ferrous</b>												
Nickel and other products (*)	11,664	125	11,789		11,789	(6,077)	5,712	(927)	4,785	23,668	2,088	299
Potash		178	178	(10)	168	(108)	60	(23)	37	218	19	
Kaolin	202	36	238	(9)	229	(228)	1	(33)	(32)	295	33	
Copper concentrate	663	139	802	(30)	772	(456)	316	(64)	252	1,841	197	
	12,529	478	13,007	(49)	12,958	(6,869)	6,089	(1,047)	5,042	26,022	2,337	299
<b>Aluminum</b>												
Alumina and bauxite	1,142	10	1,152	(5)	1,147	(917)	230	(70)	160	3,687	757	184
Aluminum	1,276	294	1,570	(61)	1,509	(800)	709	(41)	668	761	99	
	2,418	304	2,722	(66)	2,656	(1,717)	939	(111)	828	4,448	856	184
<b>Logistics</b>												
Railroads		1,220	1,220	(199)	1,021	(636)	385	(88)	297	1,735	491	342
Ports	13	254	267	(46)	221	(177)	44	(22)	22	1,371	102	
Ships	17	21	38	(3)	35	(44)	(9)	(3)	(12)	36	12	107
	30	1,495	1,525	(248)	1,277	(857)	420	(113)	307	3,142	605	449
Others	342	85	427	(17)	410	(531)	(121)	(19)	(140)	2,981	241	1,189
	27,836	5,279	33,115	(873)	32,242	(16,862)	15,380	(2,186)	13,194	54,625	6,651	2,922

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

F - 44

---

**Operating segment after eliminations (Disaggregated)**As of and for the year ended December 31,  
2006

	Revenues			Value added tax	Net revenues	Cost and expenses	Depreciation, depletion and amortization	Operating income		Addition to Property, Plant and Equipment, and Investments		
	Foreign	Domestic	Total							Equipment, and Investments		
<b>Ferrous</b>												
Iron ore	8,167	1,860	10,027	(271)	9,756	(4,060)	5,696	(528)	5,168	13,235	2,616	48
Pellets	1,590	389	1,979	(86)	1,893	(1,210)	683	(53)	630	593	110	529
Manganese	39	16	55	(3)	52	(97)	(45)	(4)	(49)	65	19	
Ferrous alloys	342	166	508	(43)	465	(443)	22	(19)	3	186	34	
	<b>10,138</b>	<b>2,431</b>	<b>12,569</b>	<b>(403)</b>	<b>12,166</b>	<b>(5,810)</b>	<b>6,356</b>	<b>(604)</b>	<b>5,752</b>	<b>14,079</b>	<b>2,779</b>	<b>577</b>
<b>Non ferrous</b>												
Nickel and other products (*)	2,786	16	2,802		2,802	(2,267)	535	(124)	411	17,193	483	222
Potash		143	143	(8)	135	(84)	51	(23)	28	178	16	
Kaolin	188	30	218	(9)	209	(182)	27	(27)		249	19	
Copper concentrate	690	89	779	(20)	759	(246)	513	(49)	464	1,386	150	
	<b>3,664</b>	<b>278</b>	<b>3,942</b>	<b>(37)</b>	<b>3,905</b>	<b>(2,779)</b>	<b>1,126</b>	<b>(223)</b>	<b>903</b>	<b>19,006</b>	<b>668</b>	<b>222</b>
<b>Aluminum</b>												
Alumina and bauxite	1,127	10	1,137	(8)	1,129	(796)	333	(39)	294	2,414	706	164
Aluminum	1,093	151	1,244	(29)	1,215	(558)	657	(26)	631	415	43	
	<b>2,220</b>	<b>161</b>	<b>2,381</b>	<b>(37)</b>	<b>2,344</b>	<b>(1,354)</b>	<b>990</b>	<b>(65)</b>	<b>925</b>	<b>2,829</b>	<b>749</b>	<b>164</b>
<b>Logistics</b>												
Railroads		1,011	1,011	(177)	834	(488)	346	(72)	274	720	95	222
Ports	15	246	261	(44)	217	(137)	80	(16)	64	222	12	
Ships	52	52	104	(8)	96	(97)	(1)	(5)	(6)	45	2	
	<b>67</b>	<b>1,309</b>	<b>1,376</b>	<b>(229)</b>	<b>1,147</b>	<b>(722)</b>	<b>425</b>	<b>(93)</b>	<b>332</b>	<b>987</b>	<b>109</b>	<b>222</b>
Others	56	39	95	(6)	89	(352)	(263)	(12)	(275)	1,106	126	1,168
	<b>16,145</b>	<b>4,218</b>	<b>20,363</b>	<b>(712)</b>	<b>19,651</b>	<b>(11,017)</b>	<b>8,634</b>	<b>(997)</b>	<b>7,637</b>	<b>38,007</b>	<b>4,431</b>	<b>2,353</b>





## Operating segment after eliminations (Disaggregated)

As of and for the year ended December 31,  
2005

	Revenues				Net revenues	Cost and expenses	Depreciation, depletion and amortization	Operating income	Addition Property, Plant and Equipment, Investments			
	Foreign	Domestic	Total	Value added tax					Equipment	Plant	Investments	and
<b>Ferrous</b>												
Iron ore	5,890	1,506	7,396	(234)	7,162	(2,658)	4,504	(419)	4,085	8,157	2,695	46
Pellets	1,722	361	2,083	(78)	2,005	(1,321)	684	(23)	661	461	75	568
Manganese	56	21	77	(6)	71	(81)	(10)	(1)	(11)	52	20	
Ferroalloys	318	176	494	(47)	447	(344)	103	(20)	83	208	82	
	<b>7,986</b>	<b>2,064</b>	<b>10,050</b>	<b>(365)</b>	<b>9,685</b>	<b>(4,404)</b>	<b>5,281</b>	<b>(463)</b>	<b>4,818</b>	<b>8,878</b>	<b>2,872</b>	<b>614</b>
<b>Non ferrous</b>												
Potash		149	149	(11)	138	(86)	52	(8)	44	166	18	
Kaolin	150	27	177	(7)	170	(176)	(6)	(20)	(26)	231	5	
Copper concentrate	354	37	391	(8)	383	(203)	180	(34)	146	1,180	152	
	<b>504</b>	<b>213</b>	<b>717</b>	<b>(26)</b>	<b>691</b>	<b>(465)</b>	<b>226</b>	<b>(62)</b>	<b>164</b>	<b>1,577</b>	<b>175</b>	
<b>Aluminum</b>												
Alumina and bauxite	509	76	585	(24)	561	(494)	67	(25)	42	1,569	600	178
Aluminum	784	39	823	(5)	818	(397)	421	(26)	395	361	25	58
	<b>1,293</b>	<b>115</b>	<b>1,408</b>	<b>(29)</b>	<b>1,379</b>	<b>(891)</b>	<b>488</b>	<b>(51)</b>	<b>437</b>	<b>1,930</b>	<b>625</b>	<b>236</b>
<b>Logistics</b>												
Railroads		881	881	(145)	736	(528)	208	(35)	173	612	247	109
Ports		230	230	(34)	196	(126)	70	(5)	65	244	22	
Ships	56	49	105	(8)	97	(101)	(4)	(3)	(7)	3	2	
	<b>56</b>	<b>1,160</b>	<b>1,216</b>	<b>(187)</b>	<b>1,029</b>	<b>(755)</b>	<b>274</b>	<b>(43)</b>	<b>231</b>	<b>859</b>	<b>271</b>	<b>109</b>
Others	1	13	14	(6)	8	(226)	(218)		(218)	922	34	713
	<b>9,840</b>	<b>3,565</b>	<b>13,405</b>	<b>(613)</b>	<b>12,792</b>	<b>(6,741)</b>	<b>6,051</b>	<b>(619)</b>	<b>5,432</b>	<b>14,166</b>	<b>3,977</b>	<b>1,672</b>

**21 Related party transactions**

Balances from transactions with major related parties are as follows:

			<b>As of December 31,</b>	
	<b>2007</b>		<b>2006</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>AFFILIATED COMPANIES AND JOINT VENTURES</b>				
Companhia Hispano-Brasileira de Pelotização				
HISPANOBRÁS	59	46	58	49
Companhia Ítalo-Brasileira de Pelotização ITABRASCO	53	49	51	19
Companhia Nipo-Brasileira de Pelotização NIBRASCO	108	30	101	39
Companhia Coreano-Brasileira de Pelotização				
KOBRASCO	24	13	39	11
Baovale Mineração S.A.	16	41	1	24
Usinas Siderúrgicas de Minas Gerais S.A. USIMINAS	34		37	
Minas da Serra Geral S.A. MSG		14		14
MRS Logística S.A.	11	35		19
Mineração Rio Norte S.A.		29		21
Samarco Mineração S.A.	10		4	
TAIWAN NICKEL REFINING CORPORATION			362	
KOREA NICKEL CORPORATION	9		56	
MITSUI & CO, LTD		21		18
Others	24	10	11	8
	<b>348</b>	<b>288</b>	<b>720</b>	<b>222</b>
<b>Current</b>	<b>345</b>	<b>287</b>	<b>715</b>	<b>222</b>
<b>Long-term</b>	<b>3</b>	<b>1</b>	<b>5</b>	

These balances are included in the following balance sheet classifications:

			<b>As of December 31,</b>	
	<b>2007</b>		<b>2006</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Current assets				
Accounts receivable	281		675	
Loans and advances to related parties	64		40	
Other assets				
Loans and advances to related parties	3		5	
Current liabilities				
Suppliers		281		197
Loans from related parties		6		25
Long-term liabilities				
Long-term debt		1		
	<b>348</b>	<b>288</b>	<b>720</b>	<b>222</b>



Income and expenses from the principal transactions and financial operations carried out with major related parties are as follows:

	2007		2006		As of December 31, 2005	
	Income	Expense	Income	Expense	Income	Expense
<b>AFFILIATED COMPANIES AND JOINT VENTURES</b>						
Companhia Nipo-Brasileira de Pelotização NIBRASCO	386	328	363	292	280	310
Samarco Mineração S.A	117		79		25	1
SIDERAR S.A.I.C					11	
Companhia Ítalo-Brasileira de Pelotização ITABRASCO	233	163	204	58	158	65
Companhia Hispano-Brasileira de Pelotização HISPANOBRÁS	247	195	224	159	170	185
Companhia Coreano-Brasileira de Pelotização KOBRASCO	220	270	226	191	170	113
Usinas Siderúrgicas de Minas Gerais S.A. USIMINAS	442		410		24	
Valesul Alumínio S.A			11		66	
Mineração Rio Norte S.A		232		234		136
Gulf Industrial Investment Company GIIC			56	2	157	
MRS Logística S.A	17	593	14	516	4	385
Others	30	29	3	39	19	60
	<b>1,692</b>	<b>1,810</b>	<b>1,590</b>	<b>1,491</b>	<b>1,084</b>	<b>1,255</b>

These amounts are included in the following statement of income line items:

	2007		2006		As of December 31, 2005	
	Income	Expense	Income	Expense	Income	Expense
Sales / Cost of iron ore and pellets	1,649	960	1,553	712	964	694
Revenues / expense from logistic services	17	593	13	516	4	387
Sales / Cost of aluminum products		232	11	234	66	136
Financial income/expenses	26	24	13	16	26	36
Others		1		13	24	2
	<b>1,692</b>	<b>1,810</b>	<b>1,590</b>	<b>1,491</b>	<b>1,084</b>	<b>1,255</b>

Additionally the Company has with Mitsui & Co, Ltd, Bradesco, Banco Nacional de Desenvolvimento Social and BNDES Participações S.A in the amounts of US\$13, US\$3,142, US\$236 and US\$376, related to loans instrument

with interests at market condition, whose major maturity is November of 2013. These values are recorded in loans and financings disclosed in Note 15.

The Company still has operations cash equivalents with Bradesco in the amount of US\$18 in 2007.

## 22 Fair value of financial instruments

The carrying amount of our current financial instruments generally approximates fair market value because of the short-term maturity or frequent repricing of these instruments.

The market value of our listed long-term investments, where available, is disclosed in Note 13.

Based on borrowing rates currently available to us for bank loans with similar terms and average maturities, the fair market value of long-term debt (current portion not included) at December 31, 2007 and 2006 is estimated as follows:

	<b>As of December 31,</b>	
	<b>2007</b>	<b>2006</b>
Fair market value	17,942	21,746
Carrying value	17,608	21,122

F - 48

---

Fair market value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. Changes in assumptions could significantly affect the estimates.

## **23 Derivative financial instruments**

The main market risks we face are interest rate risk, exchange rate risk and commodity price risk. We manage some of these risks through the use of derivative instruments. Our risk management activities follow the risk management policy, which requires diversification of transactions and counter-parties. We monitor and evaluate our overall position regularly in order to evaluate financial results and impact on our cash flow. We also periodically review the credit limits and creditworthiness of our hedging counter-parties.

### **Risk Management Policy**

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.

We address some of the risks through the use of derivative instruments. Our risk management activities follow the risk management policy, which generally prohibits speculative trading and short selling and requires diversification of transactions and counter-parties.

We monitor and evaluate our overall position regularly in order to evaluate financial results and impact on our cash flow. We also periodically review the credit limits and creditworthiness of our hedging counter-parties.

Under SFAS 133 Accounting for Derivative Financial Instruments and Hedging Activities, as amended by SFAS 137 and SFAS 138, we recognize all derivatives on our balance sheet at fair value, and the gain or loss in fair value is included in current earnings, unless designated as a cash flow hedge.

### **Interest rate risk**

We are exposed to interest rate risk on our outstanding borrowings. Our floating rate debt consists principally of U.S. Dollar borrowings related to trade finance and loans from commercial banks and multilateral organizations and Real-denominated borrowings related to the debentures and the property and services acquisition financing issued in the Brazilian market. In general, our foreign currency floating rate debt is principally subject to changes in the London Interbank Offered Rate (USD LIBOR). Consequently, fluctuations in the USD LIBOR may adversely impact our cash flows. To mitigate the effects of interest rate volatility we make use of natural hedges derived from the correlation between U.S. Dollar floating interest rates and metals prices. When natural hedges are not present, we may opt to realize the same effect with the aid of financial instruments. Our floating rate debt denominated in Reais is mainly subject to changes in the CDI and TJLP.

We have entered into interest rate derivative transactions primarily to hedge the exposure we have on our Brazilian Reais floating rate debt. Our interest rate derivatives portfolio consists of interest rate swaps to convert Reais floating rate exposures to U.S. Dollar fixed rate exposures.

F - 49

---

## Currency risk

We are exposed to exchange rate risk associated with the denomination of our debt in currencies other than the Brazilian Real. On the other hand, a substantial proportion of our revenues are denominated in, or automatically indexed to, the U.S. Dollar. This provides a natural hedge against any changes in the Brazilian Real against the U.S. Dollar. For instance, when a devaluation of the Brazilian Real occurs, the immediate negative impact on our non-Brazilian Real-denominated debt is offset over time by the positive effect of devaluation on future cash flows. In light of this framework, we generally do not use derivative instruments to manage the currency exposure on our long-term Dollar-denominated debt. However, we may occasionally use derivatives to minimize the effects of the volatility of the exchange rates between Reais and U.S. Dollars in the cash flow.

Our cash flows are also exposed to the volatility of other currencies against the U.S. Dollar. While prices for most of our products are primarily in U.S. Dollars, a substantial portion of our costs, expenses and investments are in currencies other than the U.S. Dollar, in particular the Brazilian Real and the Canadian Dollar. In projects developed outside Brazil and Canada, we are also exposed to other currencies, such as the Euro, Australian Dollar and the Yuan.

We have other exposures associated with our outstanding debt portfolio. We have a Euro exposure associated with a credit line extended by KFW (Kreditanstalt Für Wiederaufbau). To mitigate the foreign currency risk, we have entered into currency forwards.

## Product Price Risk

We are also exposed to various market risks relating to the volatility in world market prices for the following products:

- iron ore and pellets, which represented 44.2% of our 2007 gross consolidated revenues;

- nickel, which represented 30.3% of our 2007 gross consolidated revenues;

- manganese ore and ferroalloys, which represented 2.4% of our 2007 gross consolidated revenues;

- aluminum products, which represented 8.2% of our 2007 gross consolidated revenues; and

- copper concentrate, which represented 2.4% of our 2007 gross consolidated revenues.

Other products, such as platinum-group metals (PGMs) kaolin and potash, represented a minor percentage of our consolidated revenues.

We do not enter into derivative transactions to hedge our iron ore, pellets, and manganese ore or ferroalloys exposure. Our risk management policy permits us to hedge market risk only when necessary to support our corporate strategy or maintain financial flexibility. Currently, our derivatives transactions include nickel forward purchase and sale contracts, aluminum forward contracts and options, copper options, as well as positions in gold, platinum and fuel oil derivative instruments.

Our Executive Board approved the hedging of a portion of our aluminum and copper production for 2007 and 2008 to reduce cash flow risk in connection with the change in our capital structure and the significant increase in our debt position after the acquisition of Inco.

**Nickel** We do not generally use derivative instruments to hedge our exposure to fluctuations in nickel prices. However, we do enter into LME forward purchase contracts, which are substantially offset by fixed-price customer contracts, in order to maintain exposure to nickel price risk. We also enter into LME forward sales



contracts to minimize nickel price risk associated with purchased nickel inventories of intermediates and finished nickel products.

**Aluminum** In order to manage the risk associated with fluctuations in aluminum prices, we engaged in hedging transactions involving put and call options, as well as forward contracts. These derivative instruments allowed us to establish minimum average profits for our future aluminum production in excess of our expected production costs and therefore ensure stable cash generation. However, they also have the effect of reducing potential gains from price

F - 50

---

increases in the spot market for aluminum. Our policy has been to settle all commodity derivatives contracts in cash without physical delivery of product.

**Copper** We have outstanding put option contracts, giving us the right but not the obligation to sell copper, and sell call option contracts, giving the buyer the right but not the obligation to purchase copper for time periods extending to 2008. A major part of the copper derivative position is added to our books as a result of the acquisition of Inco.

**PGMs and other precious metals** We currently hold a small position in gold derivative instruments, structured to manage the risks related to gold price fluctuations, inherent from the content of gold associated with copper concentrate production. We enter into platinum hedging contracts in order to manage the risk associated with the volatility of platinum prices. These contracts are generally swap contracts or options and are intended to provide certain minimum price realizations for a portion of our future production of such metals. Under these swap contracts, we receive fixed prices for platinum and pay a floating price based on monthly average spot prices.

**Fuel oil** We use fuel oil swap contracts to minimize the impact of fluctuations in the prices of our energy requirements. Under these contracts, we pay fixed prices for energy and receive amounts based on monthly average spot prices.

There is an embedded derivative related to energy in our subsidiary Albras on which we have an unrealized gain of US\$17 million as of December 31, 2007 and US\$76 million as of December 31, 2006.

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

	Interest rates (LIBOR)	Currencies	Gold	Products of aluminum area	Copper	Nickel	Platinum	Total
Unrealized gains (losses) at October 1, 2007	(2)	651	(39)	(176)	(356)	3	(25)	56
Financial settlement	(2)	(198)	10	16	63	26	5	(80)
Unrealized gains (losses) in the year	(2)	151	(5)	67	106	13	(4)	326
Effect of exchange rate changes	1	27	(2)	(5)	(1)			20
<b>Unrealized gains (losses) at December 31, 2007</b>	<b>(5)</b>	<b>631</b>	<b>(36)</b>	<b>(98)</b>	<b>(188)</b>	<b>42</b>	<b>(24)</b>	<b>322</b>
Unrealized gains (losses) at July 1, 2007	8	355	(37)	(292)	(355)	28	(24)	(317)
Financial settlement	(4)	(6)	7	28	70	(76)	4	23
Unrealized gains (losses) in the year	(6)	279	(7)	96	(69)	50	(5)	338
Effect of exchange rate changes		23	(2)	(8)	(2)	1		12
<b>Unrealized gains (losses) at September 30, 2007</b>	<b>(2)</b>	<b>651</b>	<b>(39)</b>	<b>(176)</b>	<b>(356)</b>	<b>3</b>	<b>(25)</b>	<b>56</b>
Unrealized gains (losses) at October 1, 2006	(1)	35	(51)	(195)	3			(209)
Gain (Loss) recognized upon consolidation of Inco	4	9			(364)	62	(22)	(311)
Financial settlement		(6)	7	22		(88)		(65)
Unrealized gains (losses) in the year	3	(54)	(8)	(142)	63	42	2	(94)
Effect of exchange rate changes			(1)	(3)				(4)

<b>Unrealized gains (losses) at December 31, 2006</b>	<b>6</b>	<b>(16)</b>	<b>(53)</b>	<b>(318)</b>	<b>(298)</b>	<b>16</b>	<b>(20)</b>	<b>(683)</b>
Unrealized gains (losses) at January 1, 2007	6	(16)	(53)	(318)	(298)	16	(20)	(683)
Financial settlement	(6)	(284)	33	112	240	(38)	13	70
Unrealized gains (losses) in the year	(6)	860	(7)	153	(129)	63	(17)	917
Effect of exchange rate changes	1	71	(9)	(45)	(1)	1		18
<b>Unrealized gains (losses) at December 31, 2007</b>	<b>(5)</b>	<b>631</b>	<b>(36)</b>	<b>(98)</b>	<b>(188)</b>	<b>42</b>	<b>(24)</b>	<b>322</b>
Unrealized gains (losses) at January 1, 2006	(4)	1	(46)	(210)				(259)
Gain (Loss) recognized upon consolidation of Inco	4	9			(364)	62	(22)	(311)
Financial settlement	2	(6)	19	102		(87)		30
Unrealized gains (losses) in the year	4	(19)	(23)	(187)	65	42	2	(116)
Effect of exchange rate changes			(4)	(23)				(27)
<b>Unrealized gains (losses) at December 31, 2006</b>	<b>6</b>	<b>(15)</b>	<b>(54)</b>	<b>(318)</b>	<b>(299)</b>	<b>17</b>	<b>(20)</b>	<b>(683)</b>
Unrealized gains (losses) at January 1, 2005	(17)	4	(37)	(182)				(232)
Financial settlement	9	(1)	11	70				89
Unrealized gains (losses) in the year	6	(2)	(17)	(88)				(101)
Effect of exchange rate changes	(2)		(3)	(10)				(15)
<b>Unrealized gains (losses) at</b>	<b>(4)</b>	<b>1</b>	<b>(46)</b>	<b>(210)</b>				<b>(259)</b>

**December 31, 2005**

Changes for the three month periods ended December 31, 2007, September 30, 2007 and December 31, 2006 are unaudited.

Unrealized gains (losses) in the period are included in our income statement under the caption of Financial expenses and Foreign exchange and monetary gains (losses), net.

Final maturity dates for the above instruments are as follows:

Gold	December 2008
Interest rates(LIBOR)	December 2011
Currencies	December 2011
Products of the aluminum area	December 2008
Copper concentrate	December 2008
Nickel	December 2009
Platinum	December 2008

Under U.S. 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 standards 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 standards, effectiveness tests are performed in order to assess effectiveness and quantify ineffectiveness for all designated hedges. At December 31, 2007, 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 U.S. 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 December 31, 2007, unrealized net gains in respect of derivative instruments which were not qualified for hedge accounting under United States GAAP amounted to US\$869.

Over-the-counter (OTC) forward and zero-cost collar aluminum contracts are used to smooth 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 December 31, 2007, US\$29 of deferred net gains on derivative instruments were recorded in other comprehensive income. The maximum term over which cash flows are hedged is 24 months.

F - 53

---

**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 the Company's website, [www.vale.com](http://www.vale.com), under investor relations .

S - 1

---

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

	Three-month period ended (unaudited)			Year ended December 31,	
	December 31, 2007	September 30, 2007	December 31, 2006	December 31, 2007	December 31, 2006
<b>Current debt</b>					
Current portion of long-term debt					
unrelated parties	1,249	702	711	1,249	711
Short-term debt	167	2	723	167	723
Loans from related parties	6	42	25	6	25
	<b>1,422</b>	<b>746</b>	<b>1,459</b>	<b>1,422</b>	<b>1,459</b>
<b>Long-term debt</b>					
Long-term debt - unrelated parties	17,608	17,522	21,122	17,608	21,122
Loans from related parties					
	<b>17,608</b>	<b>17,522</b>	<b>21,122</b>	<b>17,608</b>	<b>21,122</b>
<b>Gross debt (current plus long-term debt)</b>	<b>19,030</b>	<b>18,268</b>	<b>22,581</b>	<b>19,030</b>	<b>22,581</b>
<b>Interest paid over:</b>					
Short-term debt	(8)	(1)	(1)	(49)	(9)
Long-term debt	(361)	(324)	(252)	(1,289)	(565)
<b>Interest paid</b>	<b>(369)</b>	<b>(325)</b>	<b>(253)</b>	<b>(1,338)</b>	<b>(574)</b>
<b>EBITDA</b>	<b>3,532</b>	<b>4,001</b>	<b>2,623</b>	<b>15,774</b>	<b>9,150</b>
<b>Stockholders' equity</b>	<b>33,276</b>	<b>33,552</b>	<b>19,673</b>	<b>33,276</b>	<b>19,673</b>
<b>LTM (2) EBITDA / LTM (2) Interest paid</b>	<b>11.79</b>	<b>12.17</b>	<b>15.94</b>	<b>11.79</b>	<b>15.94</b>
<b>Gross Debt / LTM (2) EBITDA</b>	<b>1.21</b>	<b>1.23</b>	<b>2.47</b>	<b>1.21</b>	<b>2.47</b>
<b>Gross debt / Equity Capitalization (%)</b>	<b>36</b>	<b>35</b>	<b>53</b>	<b>36</b>	<b>53</b>
<b>Financial expenses</b>					
Third party - local debt	(132)	(118)	(29)	(513)	(67)
Third party - foreign debt	(180)	(189)	(264)	(831)	(428)
Related party debt	(1)		(1)	(4)	(6)
<b>Gross interest</b>	<b>(313)</b>	<b>(307)</b>	<b>(294)</b>	<b>(1,348)</b>	<b>(501)</b>
Labor and civil claims and tax-related actions	(39)	(19)	(28)	(98)	(109)
Tax on financial transactions CPMF	(27)	(20)	(84)	(132)	(141)
Derivatives (Interest rate / Currencies)	169	297	(49)	906	(15)



Edgar Filing: Companhia Vale do Rio Doce - Form 6-K

Derivatives (Gold / Alumina / Aluminum / Copper / Energy )	158	98	(48)	19	(127)
Call option premium					(86)
Others	(175)	(247)	(205)	(939)	(359)
	<b>(227)</b>	<b>(198)</b>	<b>(708)</b>	<b>(1,592)</b>	<b>(1,338)</b>
<b>Financial income</b>					
Cash and cash equivalents	32	16	84	105	188
Others	26	23	97	190	139
	<b>58</b>	<b>39</b>	<b>181</b>	<b>295</b>	<b>327</b>
<b>Financial expenses, net</b>	<b>(169)</b>	<b>(159)</b>	<b>(527)</b>	<b>(1,297)</b>	<b>(1,011)</b>
<b>Foreign exchange and monetary gain (losses), net (1)</b>	<b>304</b>	<b>553</b>	<b>204</b>	<b>2,559</b>	<b>529</b>
<b>Financial result, net</b>	<b>135</b>	<b>394</b>	<b>(323)</b>	<b>1,262</b>	<b>(482)</b>

(1) Includes foreign exchange gain(loss) on derivatives in the amount of US\$ (11), US\$7, US\$4, US\$5, US\$27 for the three-month period ended December 31, 2007, September 30, 2007 and December 31, 2006 and for years ended December 31, 2007 and December 31, 2006, respectively.

(2) Last twelve months

**Calculation of EBITDA (Supplemental information Unaudited)**

	Three-month period ended (unaudited)			As of and for the year ended	
	December 31, 2007	September 30, 2007	December 31, 2006	2007	2006
Operating income	2,683	3,430	2,180	13,194	7,637
Depreciation	737	532	379	2,186	997
	<b>3,420</b>	<b>3,962</b>	<b>2,559</b>	<b>15,380</b>	<b>8,634</b>
Dividends received	112	39	64	394	516
<b>EBITDA</b>	<b>3,532</b>	<b>4,001</b>	<b>2,623</b>	<b>15,774</b>	<b>9,150</b>
Net operating revenues	8,163	7,898	7,313	32,242	19,651
<b>Margin EBITDA</b>	<b>43.3%</b>	<b>50.7%</b>	<b>35.9%</b>	<b>48.9%</b>	<b>46.6%</b>

**Adjusted EBITDA x Operating Cash Flows (Supplemental information Unaudited)**

	As of and for the three-month period ended (unaudited)					
	December 31, 2007		September 30, 2007		December 31, 2006	
	EBITDA	Operating cash flows	EBITDA	Operating cash flows	EBITDA	Operating cash flows
Net income	2,573	2,573	2,940	2,940	1,573	1,573
Income tax deferred	(394)	(394)	(28)	(28)	237	237
Income tax current	610		975		314	
Equity in results of affiliates and joint ventures and other investments	(136)	(136)	(165)	(165)	(183)	(183)
Foreign exchange and monetary gains, net	(304)	(266)	(553)	(565)	(204)	(576)
Financial expenses, net	169	(23)	159	9	527	79
Minority interests	165	165	205	205	227	227
Gain on sale of investments			(103)	(103)	(311)	(311)
Net working capital		(130)		243		1,298
Others		(176)		(267)		56
<b>Operating income</b>	<b>2,683</b>	<b>1,613</b>	<b>3,430</b>	<b>2,269</b>	<b>2,180</b>	<b>2,400</b>
Depreciation, depletion and amortization	737	737	532	532	379	379
Dividends received	112	112	39	39	64	64
	<b>3,532</b>	<b>2,462</b>	<b>4,001</b>	<b>2,840</b>	<b>2,623</b>	<b>2,843</b>
<b>Operating cash flows</b>		<b>2,462</b>		<b>2,840</b>		<b>2,843</b>

Edgar Filing: Companhia Vale do Rio Doce - Form 6-K

Income tax	610	975	314
Foreign exchange and monetary gains	(38)	12	372
Financial expenses	192	150	448
Net working capital	130	(243)	(1,298)
Others	176	267	(56)
<b>EBITDA</b>	<b>3,532</b>	<b>4,001</b>	<b>2,623</b>

S - 3

---

	<b>As of and for the year ended December 31,</b>			
	<b>2007</b>		<b>2006</b>	
	<b>EBITDA</b>	<b>Operating cash flows</b>	<b>EBITDA</b>	<b>Operating cash flows</b>
Net income	11,825	11,825	6,528	6,528
Income tax deferred	(700)	(700)	298	298
Income tax current	3,901		1,134	
Equity in results of affiliates and joint ventures and other investments	(595)	(595)	(710)	(710)
Foreign exchange and monetary gains, net	(2,559)	(2,827)	(529)	(917)
Financial expenses, net	1,297	102	1,011	36
Minority interests	802	802	579	579
Gain on sale of investments	(777)	(777)	(674)	(674)
Net working capital		1,236		423
Others		(634)		156
<b>Operating income</b>	<b>13,194</b>	<b>8,432</b>	<b>7,637</b>	<b>5,719</b>
Depreciation, depletion and amortization	2,186	2,186	997	997
Dividends received	394	394	516	516
	<b>15,774</b>	<b>11,012</b>	<b>9,150</b>	<b>7,232</b>
<b>Operating cash flows</b>		<b>11,012</b>		<b>7,232</b>
Income tax		3,901		1,134
Foreign exchange and monetary gains		268		388
Financial expenses		1,195		975
Net working capital		(1,236)		(423)
Others		634		(156)
<b>EBITDA</b>		<b>15,774</b>		<b>9,150</b>

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

**Board of Directors**

Sérgio Ricardo Silva Rosa  
**Chairman**

Mário da Silveira Teixeira Júnior  
**Vice-President**

Luciano Galvão Coutinho  
Francisco Augusto da Costa e Silva  
Hiroshi Tada  
João Batista Cavaglieri  
Jorge Luiz Pacheco  
José Ricardo Sasseron  
Oscar Augusto de Camargo Filho  
Renato da Cruz Gomes  
Sandro Kohler Marcondes

**Advisory Committees of the Board of Directors**

**Controlling Committee**

Antonio José Figueiredo Ferreira  
Luiz Carlos de Freitas  
Paulo Roberto Ferreira de Medeiros

**Executive Development Committee**

João Moisés de Oliveira  
José Ricardo Sasseron  
Oscar Augusto de Camargo Filho

**Strategic Committee**

Roger Agnelli  
Gabriel Stoliar  
Luciano Siani Pires  
Mário da Silveira Teixeira Júnior  
Oscar Augusto de Camargo Filho  
Sérgio Ricardo Silva Rosa

**Finance Committee**

Fabio de Oliveira Barbosa  
Ivan Luiz Modesto Schara  
Luiz Maurício Leuzinger  
Wanderlei Viçoso Fagundes

**Fiscal Council**

Marcelo Amaral Moraes  
**Chairman**

Aníbal Moreira dos Santos  
Bernard Appy  
José Bernardo de Medeiros Neto

**Alternate**

Oswaldo Mário Pêgo de Amorim Azevedo  
Tarcísio José Massote de Godoy  
Marcos Coimbra

**Executive Officers**

Roger Agnelli  
**Chief Executive Officer**

Carla Grasso  
**Executive Officer for Human Resources and Corporate Services**

Eduardo de Salles Bartolomeo  
**Executive Officer for Logistics**

Fabio de Oliveira Barbosa  
**Chief Financial Officer and Investor Relations**

Gabriel Stoliar  
**Executive Officer for Planning and Business Development**

José Carlos Martins  
**Executive Officer for Ferrous Minerals**

José Lancaster  
**Executive Officer for Copper, Coal and Aluminum**

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

**Governance and Sustainability Committee**

Jorge Luiz Pacheco  
Ricardo Simonsen  
Renato da Cruz Gomes

Tito Botelho Martins  
**Executive Officer for Corporate Affairs and Energy**

Demian Fiocca  
**Executive Officer for Technology and Management**

Marcus Vinícius Dias Severini  
**Chief Officer of Accounting and Control Department**

Vera Lúcia de Almeida Pereira Elias  
**Chief Accountant**  
**CRC-RJ - 043059/O-8**

S - 5

---

**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: March 5, 2008

By: /s/ Fabio de Oliveira  
Barbosa

Fabio de Oliveira Barbosa  
Chief Financial Officer