Companhia Vale do Rio Doce
Form 6-K
March 09, 2007

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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 2007
Companhia Vale do Rio Doce
Avenida Graça Aranha, No. 26
20030-900 Rio de Janeiro, RJ, Brazil
(Address of principal executive office)

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

(Check One) Form 20-F þ Form 40-F o

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

(Check One) Yes o No þ

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

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Report of Independent Registered Public Accounting Firm

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

We have completed an integrated audit of Companhia Vale do Rio Doce s 2006 consolidated financial statements and of its internal control over financial reporting as of December 31, 2006 and audits of its 2005 and 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in stockholders equity and of cash flows present fairly, in all material respects, the financial position of Companhia Vale do Rio Doce and its subsidiaries (the Company) at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes 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. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 17, to the consolidated financial statements, the Company changed the manner in which it accounts for defined benefit pension and other retirement plans in 2006.

Internal control over financial reporting

Also, in our opinion, management s assessment, included in the accompanying Management s Report on internal control over financial reporting, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control Integrated Framework issued by the COSO. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management s assessment and on the effectiveness of the Company s internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in

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accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides 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.

PricewaterhouseCoopers
Auditores Independentes
Rio de Janeiro, Brazil
March 7, 2007

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Consolidated Balance Sheets
Expressed in millions of United States dollars

	As of December 31,	
	2006	**2005**
Assets		
Current assets		
Cash and cash equivalents	4,448	1,041
Accounts receivable		
Related parties	675	159
Unrelated parties	2,929	1,490
Loans and advances to related parties	40	22
Inventories	3,493	1,142
Deferred income tax	410	186
Recoverable taxes	414	362
Others	531	373
	12,940	**4,775**
Property, plant and equipment, net	**38,007**	**14,166**
Investments in affiliated companies and joint ventures and other investments, net of provision for losses on equity investments	**2,353**	**1,672**
Other assets		
Goodwill on acquisition of subsidiaries	4,484	548
Loans and advances		
Related parties	5	4
Unrelated parties	109	61
Prepaid pension cost	977	308
Prepaid expenses	360	89
Judicial deposits	852	568
Advances to suppliers energy	443	311
Recoverable taxes	305	110
Others	119	32
	7,654	**2,031**
TOTAL	**60,954**	**22,644**

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

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

(Continued)

	As of December 31,	
	2006	**2005**
Liabilities and stockholders equity		
Current liabilities		
Suppliers	2,382	1,110
Payroll and related charges	451	229
Minimum annual dividends attributed to stockholders	1,494	
Current portion of long-term debt unrelated parties	711	1,218
Short-term debt	723	15
Loans from related parties	25	62
Provision for income taxes	817	244
Taxes payable	119	53
Employees postretirement benefits	107	30
Others	483	364
	7,312	**3,325**
Long-term liabilities		
Employees post-retirement benefits	1,841	241
Long-term debt unrelated parties	21,122	3,714
Provisions for contingencies (Note 18 (c))	1,641	1,286
Unrealized loss on derivative instruments	733	260
Deferred income tax	4,527	2
Provisions for asset retirement obligations	676	225
Others	618	396
	31,158	**6,124**
Minority interests	**2,811**	**1,218**
Commitments and contingencies (Note 18)		
Stockholders equity		
Preferred class A stock - 3,600,000,000 no-par-value shares authorized and 959,758,200 issued	4,702	2,150
Common stock - 1,800,000,000 no-par-value shares authorized and 1,499,898,858 issued	3,806	3,806
Treasury stock - 15,172,516 preferred and 28,291,020 common shares	(389)	(88)
Additional paid-in capital	498	498
Other cumulative comprehensive deficit	(1,007)	(2,729)
Undistributed retained earnings	9,555	4,357
Unappropriated retained earnings	2,508	3,983

	19,673	**11,977**
TOTAL	**60,954**	**22,644**

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

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Consolidated Statements of Income
Expressed in millions of United States dollars
(except number of shares and per-share amounts)

	Three-month periods ended (Unaudited)			Year ended December 31,		
	December 31, 2006	**September 30, 2006**	**December 31, 2005**	**2006**	**2005**	**2004**
Operating revenues, net of discounts, returns and allowances						
Sales of ores and metals	6,451	4,014	3,055	16,511	10,767	6,333
Revenues from logistic services	342	383	309	1,376	1,216	877
Aluminum products	674	638	377	2,381	1,408	1,250
Other products and services	27	31	5	95	14	19
	7,494	**5,066**	**3,746**	**20,363**	**13,405**	**8,479**
Taxes on revenues	(181)	(214)	(148)	(712)	(613)	(413)
Net operating revenues	**7,313**	**4,852**	**3,598**	**19,651**	**12,792**	**8,066**
Operating costs and expenses						
Cost of ores and metals sold	(3,760)	(1,580)	(1,372)	(7,946)	(4,620)	(2,881)
Cost of logistic services	(204)	(203)	(205)	(777)	(705)	(513)
Cost of aluminum products	(392)	(382)	(250)	(1,355)	(893)	(674)
Others	(31)	(16)	(2)	(69)	(11)	(13)
	(4,387)	**(2,181)**	**(1,829)**	**(10,147)**	**(6,229)**	**(4,081)**
Selling, general and administrative expenses	(269)	(167)	(175)	(816)	(583)	(452)
Research and development	(175)	(134)	(85)	(481)	(277)	(153)
Others	(302)	(122)	(48)	(570)	(271)	(257)
	(5,133)	**(2,604)**	**(2,137)**	**(12,014)**	**(7,360)**	**(4,943)**
Operating income	**2,180**	**2,248**	**1,461**	**7,637**	**5,432**	**3,123**
Non-operating income (expenses)						

Financial income	181	59	31	327	123	82
Financial expenses	(708)	(172)	(201)	(1,338)	(560)	(671)
Foreign exchange and monetary gains (losses), net	204	38	(166)	529	299	65
Gain on sale of investments	311	16		674	126	404
	(12)	**(59)**	**(336)**	**192**	**(12)**	**(120)**
Income before income taxes, equity results and minority interests	**2,168**	**2,189**	**1,125**	**7,829**	**5,420**	**3,003**
Income taxes						
Current	(314)	(419)	(92)	(1,134)	(754)	(433)
Deferred	(237)	71	36	(298)	(126)	(316)
	(551)	**(348)**	**(56)**	**(1,432)**	**(880)**	**(749)**
Equity in results of affiliates and joint ventures	183	187	213	710	760	542
Minority interests	(227)	(124)	(86)	(579)	(459)	(223)
Net income	**1,573**	**1,904**	**1,196**	**6,528**	**4,841**	**2,573**
Basic and diluted earnings per Preferred Class A Share	**0.65**	**0.79**	**0.52**	**2.69**	**2.10**	**1.12**
Basic and diluted earnings per Common Share	**0.65**	**0.79**	**0.52**	**2.69**	**2.10**	**1.12**
Weighted average number of shares outstanding (thousands of shares)						
Common shares	1,471,608	1,471,608	1,471,608	1,471,608	1,471,608	1,471,608
Preferred Class A shares	944,586	952,346	831,432	954,426	831,432	831,432

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

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Consolidated Statements of Cash Flows
Expressed in millions of United States dollars

	Three-month periods ended (unaudited)			Year ended December 31,		
	December 31, 2006	September 30, 2006	December 31, 2005	2006	2005	2004
Cash flows from operating activities:						
Net income	1,573	1,904	1,196	6,528	4,841	2,573
Adjustments to reconcile net income to cash provided by operating activities:						
Depreciation, depletion and amortization	379	232	183	997	619	399
Dividends received	64	242	136	516	489	200
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	(183)	(187)	(213)	(710)	(760)	(542)
Deferred income taxes	237	(71)	(36)	298	126	316
Provisions for contingencies	(7)	23	18	48	27	137
Loss on sale of property, plant and equipment	57	11		106	26	34
Gain on sale of investments	(311)	(16)		(674)	(126)	(404)
Foreign exchange and monetary losses (gains)	(576)	25	235	(917)	(237)	112
Unrealized derivative losses (gains), net	122	(75)	126	143	101	134
Minority interests	227	124	86	579	459	223
Interest payable (receivable), net	79	(55)	14	36	62	93
Others	(116)	(10)	(62)	(141)	(159)	(123)
Decrease (increase) in assets:						
Accounts receivable	37	(291)	(133)	(438)	(416)	(98)
Inventories	865	34	(24)	859	(138)	(216)
Others	124	10	63	(12)	(639)	(78)
Increase (decrease) in liabilities:						
Suppliers	189	28	113	(47)	279	230
Payroll and related charges	(72)	47	40	(86)	40	28
Income taxes	(25)	112	(229)	84	413	348

Others	180	88	3	63	154	105
Net cash provided by operating activities	**2,843**	**2,175**	**1,516**	**7,232**	**5,161**	**3,471**
Cash flows from investing activities:						
Loans and advances receivable						
Related parties						
Additions	(10)	(2)	1	(18)	(27)	(33)
Repayments		8	62	11	115	51
Others	(49)	20		(16)		18
Guarantees and deposits	(17)	(26)	(7)	(78)	(59)	(111)
Additions to investments	(46)	(57)	(12)	(107)	(103)	(34)
Additions to property, plant and equipment	(1,781)	(834)	(1,237)	(4,431)	(3,977)	(2,022)
Proceeds from disposal of investments	405			837	126	579
Proceeds from disposals of property, plant and equipment		11	12	49	16	11
Cash used to acquire subsidiaries, net cash of acquired	(13,195)	(6)	(737)	(13,201)	(737)	
Net cash used in investing activities	**(14,693)**	**(886)**	**(1,918)**	**(16,954)**	**(4,646)**	**(1,541)**
Cash flows from financing activities:						
Short-term debt, additions	1,151	1,378	229	4,912	763	379
Short-term debt, repayments	(670)	(1,165)	(358)	(4,233)	(849)	(439)
Loans						
Related parties						
Additions			3	10	10	21
Repayments	(22)	(18)		(50)	(43)	(27)
Issuances of long-term debt						
Related parties	14			14	15	20
Others	20,630	12	1,386	21,993	1,757	1,031
Stock treasury		(276)		(301)		
Repayments of long-term debt						
Related parties						(3)
Others	(6,908)	(206)	(140)	(7,635)	(884)	(1,283)
Interest attributed to stockholders	(650)		(800)	(1,300)	(1,300)	(787)
Dividends to minority interest	(9)	(37)		(65)		

Net cash (used in) provided by financing activities	**13,536**	**(312)**	**320**	**13,345**	**(531)**	**(1,088)**
Increase (decrease) in cash and cash equivalents	1,686	977	(82)	3,623	(16)	842
Effect of exchange rate changes on cash and cash equivalents	(129)	20	(112)	(216)	(192)	(204)
Initial cash in new consolidated subsidiary						26
Cash and cash equivalents, beginning of period	2,891	1,894	1,235	1,041	1,249	585
Cash and cash equivalents, end of period	**4,448**	**2,891**	**1,041**	**4,448**	**1,041**	**1,249**
Cash paid during the period for:						
Interest on short-term debt	(1)	(2)	(8)	(9)	(9)	(5)
Interest on long-term debt	(252)	(146)	(55)	(565)	(243)	(295)
Income tax	(121)	(247)	(29)	(586)	(481)	(108)
Non-cash transactions						
Income tax paid with credits	(25)	(56)	(65)	(151)	(161)	(100)
Interest capitalized	(30)	(34)	(52)	(126)	(86)	(31)
Issuance of preferred stock for the acquisition of Caemi, net of cash acquired (Note 6)				(2,552)		

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

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Consolidated Statements of Changes in Stockholders Equity
Expressed in millions of United States dollars
(except number of shares and per-share amounts)

	Three-month periods ended (unaudited)			Year ended December 31,		
	December 31, 2006	**September 30, 2005**	**December 31, 2006**	**2006**	**2005**	**2004**
Preferred class A stock (including six special shares)						
Beginning of the period	4,702	4,702	2,150	**2,150**	1,176	1,055
Capital increase (Note 6)				**2,552**		
Transfer from appropriated retained earnings					974	121
End of the period	**4,702**	**4,702**	**2,150**	**4,702**	**2,150**	**1,176**
Common stock						
Beginning of the period	3,806	3,806	3,806	3,806	2,121	1,902
Transfer from appropriated retained earnings					1,685	219
End of the period	**3,806**	**3,806**	**3,806**	**3,806**	**3,806**	**2,121**
Treasury stock						
Beginning of the period	(389)	(113)	(88)	(88)	(88)	(88)
Acquisitions		(276)		(301)		
End of the period	**(389)**	**(389)**	**(88)**	**(389)**	**(88)**	**(88)**
Additional paid-in capital						
Beginning and end of the period	**498**	**498**	**498**	**498**	**498**	**498**
Other cumulative comprehensive deficit						
Cumulative translation adjustments						
Beginning of the period	(1,922)	(1,888)	(2,269)	(2,856)	(3,869)	(4,449)

Change in the period	291	(34)	(587)	1,225	1,013	580
End of the period	**(1,631)**	**(1,922)**	**(2,856)**	**(1,631)**	**(2,856)**	**(3,869)**
Unrealized gain on available-for-sale securities						
Beginning of the period	130	112	164	127	95	74
Change in the period	141	18	(37)	144	32	21
End of the period	**271**	**130**	**127**	**271**	**127**	**95**
Superavit (deficit) accrued pension plan						
Change in the period	460			460		
Initial recognition effect	(107)			(107)		
End of the period	**353**			**353**		
Total other cumulative comprehensive deficit	**(1,007)**	**(1,792)**	**(2,729)**	**(1,007)**	**(2,729)**	**(3,774)**
Undistributed retained earnings						
Beginning of the period	4,706	4,705	1,936	4,357	4,143	3,035
Transfer from unappropriated retained earnings	4,849	1	2,421	5,198	2,873	1,448
Transfer to capital stock					(2,659)	(340)
End of the period	**9,555**	**4,706**	**4,357**	**9,555**	**4,357**	**4,143**
Unappropriated retained earnings						
Beginning of the period	7,349	5,386	6,008	3,983	3,315	2,857
Net income	1,573	1,904	1,196	6,528	4,841	2,573
Dividends and interest attributed to stockholders	(585)		(289)	(1,098)	(469)	(241)

Preferred class A stock						
Common stock	(923)		(511)	(1,710)	(831)	(426)
Appropriation to reserves	(4,906)	59	(2,421)	(5,195)	(2,873)	(1,448)
End of the period	**2,508**	**7,349**	**3,983**	**2,508**	**3,983**	**3,315**
Total stockholders equity	**19,673**	**18,880**	**11,977**	**19,673**	**11,977**	**7,391**
Comprehensive income is comprised as follows:						
Net income	1,573	1,904	1,196	6,528	4,841	2,573
Cumulative translation adjustments	291	(34)	(587)	1,225	1,013	580
Unrealized gain (loss) on investments accounted by cost method		18	(37)		32	21
Unrealized gain (loss) on available-for-sale securities	141			144		
Superavit (deficit) accrued pension plan	(107)			(107)		
Total comprehensive income	**1,898**	**1,888**	**572**	**7,790**	**5,886**	**3,174**
Taxes effect on other comprehensive income allocated to each component						
Unrealized gain on investments available-for-sales						
Tax (expense) benefit	(124)			(124)		
Net effect	271			271		
Superavit (deficit) accrued pension plan						

Tax (expense) benefit	(187)			(187)		
Net effect	353			353		
Preferred class A stock (including six special shares) (1)	959,758,200	959,758,200	831,455,478	959,758,200	831,455,478	831,455,478
Common stock	1,499,898,858	1,499,898,858	1,499,898,858	1,499,898,858	1,499,898,858	1,499,898,858
Treasury stock (2)						
Beginning of the period	(43,463,536)	(29,595,036)	(28,314,626)	(28,313,936)	(28,314,922)	(28,316,118)
Acquisitions		(13,868,500)		(15,149,600)		
Sales			690		986	1,196
End of the period	**(43,463,536)**	**(43,463,536)**	**(28,313,936)**	**(43,463,536)**	**(28,313,936)**	**(28,314,922)**
	2,416,193,522	**2,416,193,522**	**2,303,040,400**	**2,416,193,522**	**2,303,040,400**	**2,303,039,414**
Dividends and interest attributed to stockholders (per share)						
Preferred class A stock (including six special shares)	0.61		0.70	1.16	0.57	0.29
Common stock	0.61		0.70	1.16	0.57	0.29

(1) Increase of 128,302,722 (after split of shares) preferred shares due to merger of shares from Caemi.

(2) As of December 31, 2006, 28,291,020 common shares and 15,172,516 preferred shares were held in treasury in the amount of US$ 389. The 28,291,020 common shares are provided as collateral to

secure a loan of our subsidiary Alunorte. On December 31, 2006 the market value of 3,617,821 of these shares would be sufficient to offset the balance of the debt.

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

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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 (CVRD) is a limited liability company, duly organized and existing under the laws of the Federative Republic of Brazil. Our operations are carried out through CVRD and its 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. Further details of our operations and those of our joint ventures and affiliates are described in Note 13.

On December 31, 2006 the main operating subsidiaries we consolidate are as follows:

Subsidiary	% ownership	% voting capital	Head office location	Principal activity
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. (1)	100.00	100,00	Swiss	Trading
CVRD Overseas Ltd.	100.00	100,00	Cayman Islands	Trading
Inco Limited (3)	87.73	87,73	Canada	Nickel
Ferrovia Centro-Atlântica S. A.	100.00	100,00	Brazil	Logistics
Minerações Brasileiras Reunidas S.A. MBR	89.80	89,80	Brazil	Iron ore
Mineração Onça Puma Ltda	100.00	100,00	Brazil	Nickel
Navegação Vale do Rio Doce S.A. DOCENAVE	100.00	100,00	Brazil	Shipping
Pará Pigmentos S.A. (PPSA)	82.05	85,57	Brazil	Kaolin
PT International Nickel Indonesia Tbk (PT Inco) (4)	61.16	61,16	Indonesia	Nickel
Rio Doce Manganês S.A.	100.00	100,00	Brazil	Manganese and Ferroalloys
Rio Doce Manganèse Europe RDME	100.00	100,00	France	Ferroalloys
Rio Doce Manganese Norway RDMN	100.00	100,00	Norway	Ferroalloys
Urucum Mineração S.A.	100.00	100,00	Brazil	Iron ore, Ferroalloys and Manganese
Valesul Aumínio S.A. (2)	100.00	100,00	Brazil	Aluminum

(1) Previously known as Itabira Rio Doce Company Ltd. ITACO

(2)

Subsidiary consolidated as from July, 2006 (Note 6 and 13)

(3) Subsidiary consolidated as from October, 2006 (Note 7)

(4) Through Inco Limited

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 reported at cost plus our equity in undistributed earnings or losses. Included in this category are certain joint ventures in which we have majority ownership but, by force of shareholders agreements, do not have effective management control. We provide for losses on equity investments with negative stockholders equity where applicable (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

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December 31, 2006, September 30, 2006, and December 31, 2005 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 is 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. Brazilian corporate law explicitly provides that no separate legal entity exists as a result of a consortium contract, and our external legal counsel has confirmed this conclusion. So, we recognize our proportionate share of costs and our undivided interest in assets relating to hydroelectric projects described in 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.

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

Prior to July 1, 1997, Brazil was considered under SFAS 52 to have a highly inflationary economy and accordingly, up to June 30, 1997, we adopted the U.S. dollar as both our functional currency and reporting currency.

As from July 1, 1997, we concluded that the Brazilian economy had ceased to be highly inflationary and 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.

We have remeasured all assets and liabilities into U.S. dollars at the current exchange rate at each balance sheet date (R$2.1342 and R$2.3370 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 relative to Brazil currency indexation and exchange variances on assets and liabilities denominated in foreign currency) at the average rates prevailing during the period. The translation gain or loss resulting from this remesurement 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$452, US$227 and US$79 in 2006, 2005 and 2004, respectively, included within the line Foreign exchange and monetary gains (losses), net .

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(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 in 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 placing of fair values on purchased reserves, which are classified in the balance sheet as property, plant and equipment.

Goodwill was amortized in a systematic manner over the periods estimated to be benefited through December 31, 2001. 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.

(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 items, such as: 3.20% for the railroads, 2.78% for buildings, 2.97% for installations and 4.95% for mining development costs and 9.89% 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 we actually begin such development.

(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, other than shipping operations, is recognized when the service order has been fulfilled. Shipping operations are recorded on the completed voyage basis and net revenue, costs and expenses of voyages not completed at period-end are deferred. Anticipated losses on voyages are provided when probable and can be reasonably estimated. Expenses and costs are recognized on the accrual basis.

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(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 costs associated with closure activities whose initial measurement is recognized as liabilities at its fair value calculated based on a present value discount rate and accreted to full value over time through charges on earnings. An asset retirement cost equivalent to the liabilities is capitalized as part of the related asset ´s carrying value and subsequently depreciated over the asset ´s useful life.

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(h) Compensated absences

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

(i) Income taxes

In accordance with SFAS 109 Accounting for Income Taxes , the deferred tax effects of tax loss carryforwards and temporary differences have been recognized in the consolidated financial statements. 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.

(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 maturity to us, when purchased, of 90 days or less are considered 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 attributed to stockholders

As from January 1, 1996 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 neither 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 is withheld from the stockholders relative to interest at the rate of 15%.

Under Brazilian law, interest attributable to stockholders is considered as part of the annual minimum dividend (Note 16). Accordingly such distributions are treated as dividends for accounting purposes.

(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. No contracts have been designed as an effective hedge in the years presented.

(n) Comprehensive income

We have disclosed comprehensive income as part of the Statement of Changes in Stockholders Equity, in compliance with SFAS 130 Reporting Comprehensive Income . We disclose the components net of taxes and reconcile them at the Consolidation Statements of changes Stockholders equity.

(o) Pension and other post retirement benefits

Private pension and other post retirement benefits sponsored by us for our employees are actuarially determined and recognized in 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 issued at the end of 2006. This statement amends previous related ones used by us for that purpose. 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 deficit.

(p) Removal of waste materials to access mineral deposits

During the development of a mine, before production commences, stripping costs (i.e., the costs associated with the removal of overburden and other waste materials) 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.

4 Recently-issued accounting pronouncements

In February 2007, the Financial Accounting Standards Board issued SFAS No. 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 ending on or after November 15, 2007. We are currently studying the impact of this standard.

In September 2006, the Financial Accounting Standards Board issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans . SFAS No. 158 requires employers to recognize the over funded or under funded status of defined benefit postretirement plans as an asset or a liability and to recognize the changes in the funded status through comprehensive income. Statement No. 158 also requires that defined benefit plan assets and obligations be measured as of the fiscal year-end. This standard is effective for fiscal years ending on or after December 15, 2006. We adopted this Statement and its effects are disclosed at Note 17.

In September 2006, the Financial Accounting Standards Board issued SFAS No. 157, Fair Value Measurements . SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. Accordingly to the Board, a single definition of fair value, together with a framework for measuring fair value, should result in increased consistency and comparability in fair value measurements. This standard is effective for fiscal years ending on or after November 15, 2007. We are currently studying the impact of this standard.

In July 2006, the FASB issued FIN 48, Accounting for Uncertainty in Income Taxes. FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction). Under the Interpretation, the financial statements will reflect expected future tax consequences of such positions presuming the taxing authorities full knowledge of the position and all relevant facts, but without considering time values. This standard is effective as from January 1, 2007. We do not expect this statement to have any significant impact on our financial position, results of operation and cash flows.

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 six preferred special shares of CVRD 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 July 7, 1997, we issued to shareholders of record on April 18, 1997 (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 18(e)).

6 Major acquisitions and disposals

In February 2007, we entered into a purchase and sale agreement to acquire 100% of AMCI Holdings Australia Pty AMCI HÁ, a private company held in Australia, which operates and controls coal assets through joint ventures, for AUD 835 million (approximately US$660).

On December 2006, we sold our total interest in Siderar S.A.I.C, corresponding to 4.85%, a steel plant located in Argentina to Ternium S.A. for US$108 and a gain of US$96.

On November 2006, we keep the shares necessary to be in part of the control group at Usinas Siderúrgicas Minas Gerais USIMINAS. Part of the remaining shares, corresponding to 5,362,928 common shares, we sold to Nippon Steel, Votorantim Participações S/A, and Camargo Corrêa S/A, in the amount of US$176 and a gain of US$175. We still have 13,839,192 Usiminas common shares that will be sold through a public offer.

During the third quarter of 2006, we sold 1,361,100 shares of Gerdau S.A. for US$19. During the forth quarter we sold the remaining 3,379,825 shares of Gerdau S.A. for US$48. The total gain related to this operation amounted to US$56.

On July 2006 we acquired the remaining 45.5% of Valesul Alumínio S. A., which was a jointly controlled company with equal voting rights, for US$28, becoming our aluminum subsidiary and therefore we have been consolidating it since then.

During the second quarter of 2006, we sold our total interest in Gulf Industrial Investment Company for US$418, resulting in a net gain of US$338.

At an Extraordinary Shareholders Meeting on March 31, 2006, the Capital Stock increased by US$2,552, corresponding to 128,302,722 preferred shares (64,151,361 before split), due to the issuance of shares in relation to the acquisition of the outstanding minority interest in Caemi and at an our Extraordinary Shareholders Meeting held on December 29, 2006, Caemi was incorporated. Had the acquisition of the 39.77% preferred shares of CAEMI occurred on January 1, 2005, the only effects that would have changed were elimination of minority interest and consequently increase of net income by US$283 and a total amount concerning basic and diluted earnings per share of US$2.11 in 2005 and increase of net income by US$54 and a total amount concerning basic and diluted earnings per share of US$2.71 in 2006.

During the first quarter of 2006, we sold our total interest in Nova Era Silicon (49%) to JFE Steel Corporation for US$14, resulting in a net gain of US$9.

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On November 2005, we acquired 93.0% of the voting capital of Canico Resource Corp. (Canico) a Canadian-based junior resource company focused on the development of the Onça-Puma nickel laterite, for US$750. In December 2005, we acquired an additional 6.20% of the voting capital of Canico for US$50. Canico ´s only significant asset other than US$63 of cash and cash equivalents was US$794 of mining rights. On February 10, 2006, we concluded the acquisition of the outstanding common shares of Canico, acquiring the remaining voting capital of Canico, 0.8% of its total capital for US$6, which is now a wholly owned subsidiary.

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7 Acquisition of Inco

In October, 2006 we acquired Inco Limited (Inco), a Canadian-based nickel company, and the world s largest nickel possessing capacity and reserve base, for US$13 billion, corresponding to 174,623,019 common shares for Cdn$ 86.00 each share, representing 75.66% of its outstanding shares. By November 3, 2006 we had already acquired a total of 196,078,276 shares by aproximatelly US$15 billion, representing 86.57% of Inco s capital. Due to the issuing of new shares related to the convertible debt, on December 31, we had 87.73% of the outstanding shares. On January 3, 2007 the special meeting of 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 CVRD Inco Limited (CVRD Inco) and we had 99.08% of the outstanding shares.

In December 2006 we concluded several transactions to take out the bridge loan aiming to extend our average debt maturity close to the pre-acquisition level, which is close to ten years, as described in Note 15.

The purchase price allocations based on the fair values of acquired assets and liabilities was based on management s preliminary internal valuation estimates. Such allocations will be finalize based on valuation and other studies which are in course, performed by us with the assistance of outside valuation specialists. Accordingly, the purchase price allocation adjustments set forth bellow are preliminary and are subject to revision, which may be material.

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, investment, costs, commodity prices and cash flows.

The purchase price allocation in relation to the fair value of assets and liabilities acquired will be finalize in 2007.

On the preparation of this information our acquisition is of 87.73% of Inco´s shares.

Total disbursements	14,971
Transaction costs	38
Purchase price	**15,009**
Book value of assets acquired and liabilities assumed, net	(3,993)
Adjustment to fair value of inventory	(1,686)
Adjustment to fair value of property, plant and equipment	(9,044)
Change of control obligations	839
Adjustment to fair value of other liabilities assumed	223
Deferred taxes on the above adjustments	2,528
Goodwill	**3,876**

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Pro forma information considers that our acquisition of 87.73% of Inco as if it was completed at the beginning of each period (unaudited).

	Three-month periods ended					
	September 30, 2006			**December 31, 2005**		
	CVRD Consolidated	**Inco**	**Pro forma**	**CVRD Consolidated**	**Inco**	**Pro forma**
Net operating revenues	4,852	2,326	7,178	3,598	1,121	4,719
Operating costs and expenses	(2,604)	(1,484)	(4,088)	(2,137)	(1,009)	(3,146)
Operating income	**2,248**	**842**	**3,090**	**1,461**	**112**	**1,573**
Non-operating income	(59)	(20)	(79)	(336)	(164)	(500)
Income before income taxes, equity results and minority interests	**2,189**	**822**	**3,011**	**1,125**	**(52)**	**1,073**
Income taxes	(348)	(381)	(729)	(56)	47	(9)
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	187		187	213		213
Minority interests	(124)	(122)	(246)	(86)	(28)	(114)
Net income	**1,904**	**319**	**2,223**	**1,196**	**(33)**	**1,163**

	As of and for the year ended December 31,					
	2006			**2005**		
	CVRD Consolidated (1)	**Inco**	**Pro forma**	**CVRD Consolidated**	**Inco**	**Pro forma**
Net operating revenues	19,651	5,351	25,002	12,792	4,518	17,310
Operating costs and expenses	(12,014)	(3,738)	(15,752)	(7,360)	(3,645)	(11,005)
Operating income	**7,637**	**1,613**	**9,250**	**5,432**	**873**	**6,305**
Non-operating income	192	(486)	(294)	(12)	(1,065)	(1,077)
Income before income taxes, equity results and minority interests	**7,829**	**1,127**	**8,956**	**5,420**	**(192)**	**5,228**
Income taxes	(1,432)	(450)	(1,882)	(880)	23	(857)

Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	710		710	760		760
Minority interests	(579)	(229)	(808)	(459)	(141)	(600)
Net income	**6,528**	**448**	**6,976**	**4,841**	**(310)**	**4,531**

(1) Includes consolidation of INCO as from October 23, 2006.

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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 operation 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:

	Three-month periods ended (unaudited)			**Year ended December 31,**		
	December 31, 2006	**September 30, 2006**	**December 31, 2005**	**2006**	**2005**	**2004**
Income before income taxes, equity results and minority interests	**2,168**	**2,189**	**1,125**	**7,829**	**5,420**	**3,003**
Federal income tax and social contribution expense at statutory enacted rates	(737)	(744)	(383)	(2,662)	(1,843)	(1,021)
Adjustments to derive effective tax rate:						
Tax benefit on interest attributed to stockholders	87	80	72	343	307	214
Difference on tax rates of foreign income	425	301	346	1,004	617	247
Difference on tax basis of equity investees	(93)	(23)	(28)	(200)	(58)	(240)
Tax incentives	(147)	71	(26)	194	109	53
Valuation allowance reversal (provision)				(21)	3	77
Non-taxable losses on derivative						(57)
Other non-taxable gains (losses)	(86)	(33)	(37)	(90)	(15)	(22)
Federal income tax and social contribution expense in consolidated statements of income	**(551)**	**(348)**	**(56)**	**(1,432)**	**(880)**	**(749)**

We have certain 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. Brazilian tax loss carry forwards have no expiration date.

We have also taxes 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 realized any net 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.

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

	As of December 31,	
	2006	**2005**
Current deferred tax assets		
Accrued expenses deductible only when disbursed	410	186
	410	**186**
Long-term deferred tax assets and liabilities		
Assets		
Related to provision for losses and write-downs of investments	19	53
Employees post retirement benefits provision	991	82
Tax loss carryforwards	265	275
Other temporary differences		3
	1,275	**413**
Liabilities		
Inflationary income	(56)	(30)
Relative to equity investments acquired	(224)	(144)
Prepaid retirement benefit	(332)	(105)
Fair value adjustments in business combinations	(4,892)	
Other temporary differences	(185)	(52)
	(5,689)	**(331)**
Valuation allowance		
Beginning balance	(84)	(77)
Translation adjustments	(8)	(10)
Change in allowance	(21)	3
Ending balance	**(113)**	**(84)**
Net long-term deferred tax assets	**(4,527)**	**(2)**

9 Cash and cash equivalents

	As of December 31,	
	2006	**2005**
Cash	1,542	177
Deposits denominated in Brazilian Reais	237	297
Deposits denominated in other currencies mainly United States dollars	2,669	567
	4,448	**1,041**

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10 Accounts receivable

	As of December 31,	
	2006	**2005**
Customers		
Brazil	517	349
Other countries, all denominated in United States dollars	3,164	1,355
	3,681	**1,704**
Allowance for doubtful accounts	(61)	(42)
Allowance for ore weight credits	(16)	(13)
Total	**3,604**	**1,649**

Accounts receivable from customers in the steel industry represent 37.2% of Brazilian receivables and 53.0% of other countries receivables at December 31, 2006.

No single customer accounted for more than 10.0% of total revenues.

11 Inventories

	As of December 31,	
	2006	**2005**
Finished products		
Iron ore and pellets	325	271
Manganese and ferroalloys	94	151
Alumina	33	22
Aluminum	110	52
Kaolin	23	18
Copper concentrate	5	
Nickel (co-products and by-products)	2,046	
Others	40	28
Spare parts and maintenance supplies	817	600
	3,493	**1,142**

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12 Property, plant and equipment

a) By business area:

	As of December 31, 2006			As of December 31, 2005		
	Cost	**Accumulated depreciation**	**Net**	**Cost**	**Accumulated depreciation**	**Net**
Ferrous						
In operation	15,440	4,550	10,890	9,795	3,607	6,188
Construction in progress	2,650		2,650	2,049		2,049
	18,090	**4,550**	**13,540**	**11,844**	**3,607**	**8,237**
Non-Ferrous						
In operation	12,962	540	12,422	1,291	301	990
Construction in progress	7,425		7,425	1,281		1,281
	20,387	**540**	**19,847**	**2,572**	**301**	**2,271**
Logistics						
In operation	1,262	372	890	1,236	311	925
Construction in progress	97		97	74		74
	1,359	**372**	**987**	**1,310**	**311**	**999**
Holdings						
In operation	2,758	902	1,856	1,567	557	1,010
Construction in progress	1,239		1,239	1,148		1,148
	3,997	**902**	**3,095**	**2,715**	**557**	**2,158**
Corporate Center						
In operation	580	193	387	322	82	240
Construction in progress	151		151	261		261
	731	**193**	**538**	**583**	**82**	**501**
Total	**44,564**	**6,557**	**38,007**	**19,024**	**4,858**	**14,166**

b) By type of assets:

	As of December 31, 2006			As of December 31, 2005		

	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land and buildings	2,530	560	1,970	1,205	447	758
Installations	7,751	2,034	5,717	4,917	1,596	3,321
Equipment	3,301	1,016	2,285	1,855	711	1,144
Railroads	3,964	1,268	2,696	2,846	987	1,859
Mine development costs	12,703	584	12,119	1,945	281	1,664
Others	2,753	1,095	1,658	1,443	836	607
	33,002	**6,557**	**26,445**	**14,211**	**4,858**	**9,353**
Construction in progress	11,562		11,562	4,813		4,813
Total	**44,564**	**6,557**	**38,007**	**19,024**	**4,858**	**14,166**

Losses on disposals and impairments of property, plant and equipment totaled US$106, US$26 and US$34 in 2006, 2005 and 2004, respectively. Disposals and impairments mainly relate to impairment of 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$115.

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(c) 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.

The situation of these projects at December 31, 2006 is as follows:

Project	Plant in service	Accumulated depreciation	Plant under construction
Igarapava	70	19	
Porto Estrela	26	4	
Funil	88	10	
Candonga	68	5	
Aimorés	190	9	
Capim Branco I	117	3	
Larona (*)	186	132	
Balambano (*)	354	56	
Machadinho	13	5	
Capim Branco II			131

(*) Through PT Inco

Income and expenses relating to operating plants are not material.

13 Investments in affiliated companies and joint ventures

				2006	Investments		Equity Adjustments						Dividends receiv					
							Three-month periods ended (unaudited)			Year ended December 31,			Three-month periods ended (unaudited)			Year end December		
	Participation in capital (%)		Net equity	Net income (loss) for the period			December 31, 2006	September 30, 2006	December 31, 2005				December 31, 2006	September 30, 2006	December 31, 2005			
	voting	total			2006	2005				2006	2005	2004				2006	2005	20
rous																		
npanhia o-Brasileira de otização BRASCO (1)	51.11	51.00	78	36	40	60	2	(1)	13	18	39	13			16	22	16	
npanhia pano-Brasileira Pelotização PANOBRÁS	51.00	50.89	82	29	42	37	4	4	4	15	28	9				13	20	
npanhia eano-Brasileira Pelotização BRASCO	50.00	50.00	80	33	40	41		2	6	17	26	11	10			21		
npanhia o-Brasileira de otização BRASCO (1)	51.00	50.90	72	24	37	33	3	3	2	12	21	6				12	10	
MARCO eração S.A. MARCO (2)	50.00	50.00	640	458	370	335	66	57	85	229	257	117	25	175	95	225	225	1
as da Serra al S.A. MSG	50.00	50.00	49	4	25	21	2	1		2	(2)	(3)				1		
f Industrial estment npany GIIC (4)						62			18	18	67	16			20		51	
ers					23	25	1	1		1	(1)	1				1		
					577	**614**	**78**	**67**	**128**	**312**	**435**	**170**	**35**	**175**	**131**	**295**	**322**	**1**
istics																		
S Logística S.A	37.23	40.45	548	250	222	109	27	32	15	95	54	33	22		5	41	11	
					222	**109**	**27**	**32**	**15**	**95**	**54**	**33**	**22**		**5**	**41**	**11**	
dings																		
el																		

nas erúrgicas de as Gerais S.A. MINAS (3)					744	281	50	43	41	147	176	114	7	12	48	62
npanhia erúrgica de arão CST (6)												102				
fornia Steel ustries Inc. CSI	50.00	50.00	350	109	175	161	4	17	6	54	21	55		37	40	28
ERAR (cost) lable-for-sale estments						142										
					919	**584**	**54**	**60**	**47**	**201**	**197**	**271**	**7**	**49**	**88**	**90**
minum and xite																
eração Rio do te S.A. MRN	40.00	40.00	410	160	164	178	20	18	15	64	64	57		18	77	58
esul Alumínio . VALESUL	100.00	100.00				58			(1)	12	1	14				8
					164	**236**	**20**	**18**	**14**	**76**	**65**	**71**		**18**	**77**	**66**
l																
an Longyu ources Co. Ltd	25.00	25.00	448	122	112	96	9	10	9	31	9				15	
ndong kuang rnational npany Ltd	25.00	25.00	92	(21)	23	22	(5)			(5)						
					135	**118**	**4**	**10**	**9**	**26**	**9**				**15**	
kel ilable-for-sale estments (7)																
lee Mines N.L t $30)	4.88	4.88			79											
n Ore Mining rnational Ltd t $21)	1.80	1.80			45											
abela Nickel (cost $12)	9.40	9.40			21											
e Resources Inc t $-18)	9.60	9.60			36											
on Resources (cost $3)	9.80	9.80			12											
ers					29											
					222											

er affiliates										
joint ventures										
ers	**114**	**11**						**(3)**		
	114	**11**						**(3)**		
	1,554	**949**	**78**	**88**	**70**	**303**	**271**	**339**	**7**	**67**