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Companhia Vale do Rio Doce
Form 6-K
March 08, 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
January 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 Form 40-F

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1))

(Check One) Yes No

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7))

(Check One) Yes No

(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-)

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Press Release

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**BOVESPA: VALE3, VALE5
NYSE: RIO, RIOPR
LATIBEX: XVALO, XVALP**

A VINTAGE YEAR

Performance of CVRD in 2006

Rio de Janeiro, March 7, 2007 Companhia Vale do Rio Doce (CVRD) presents its results for 2006, which was yet another year in which important strategic, operational and financial challenges were overcome.

The acquisition of Inco Ltd was carried out successfully, being financed in fairly favorable conditions, which allowed us to keep a low risk debt profile and an extremely healthy balance sheet, maintaining CVRD's investment grade with the main rating agencies in the world.

As a recognition by equity investors of the soundness of our strategic decisions we became the world's second largest company in the mining and metals industry by market capitalization. Between December 2001 and February 2007, the market capitalization of our company increased by approximately US\$ 75 billion, and the total shareholder return for the period 2001-2006 reached 42.7% per year.

In the last five years dividends to shareholders totaled US\$ 4.7 billion, and a distribution of US\$ 1.65 billion was proposed for 2007, US\$0.68 per share – a 27% increase on the US\$ 1.3 billion distributed last year.

We successfully obtained the certification of our internal control processes related to consolidated financial statements in compliance to the requirements of section 404 of the Sarbanes-Oxley law. The tests to verify the effectiveness of CVRD's and its subsidiaries' 18 companies' disclosure controls and procedures started in April 2006 and resulted in the certification, without any gap, issued by the independent auditors PricewaterhouseCoopers (PwC). 1,905 disclosure controls and 58 procedures were identified and 2,626 tests were performed.

Production of iron ore, alumina, aluminum, copper, potash and kaolin reached all-time highs, reflected in record shipments of these products. In 2006, CVRD became the main supplier of iron ore to China, reaffirming its position as global leader.

The CVRD Inco acquisition, already partially reflected in the 4Q06 figures, shows the largest quarterly production ever in nickel operations, reaching 69,000 tons of refined nickel. On a pro forma basis, CVRD positioned as the largest producer of refined nickel in the world in 2006, with 250,600 tons.

Financial performance reached record levels, showed by operational revenue, operational profit, net earnings, cash flow generation and capex.

Except where otherwise indicated the operational and financial information in this release is based on the consolidated figures in accordance with US GAAP and, with the exception of information on investments and behavior of markets, quarterly financial statements are reviewed by the company's independent auditors. The main subsidiaries that are consolidated are the following: CVRD Inco (as from this quarter, without adjustment in prior periods), MBR, Cadam, PPSA, Alunorte, Albras, Valesul, RDM, RDME, RDMN, Urucum Mineração, Docenave, Ferrovia Centro-Atlântica (FCA), CVRD International, and CVRD Overseas.

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Confidence in the future was demonstrated by continued investments in organic growth, incorporated into a capex budget of US\$ 6.3 billion for 2007, and another important step towards expanding the coal business with the acquisition of AMCI Holdings Australia Pty for US\$ 668 million.

Our records in 2006:**Shipments**

iron ore and pellets, 276.021 million tons;

alumina, 3.221 million tons;

primary aluminum, 485,000 tons;

copper, 169,000 tons;

potash, 733,000 tons;

kaolin, 1.323 million tons.

Financial Indicators

gross revenue US\$20.4 billion;

operational profit, as measured by adjusted EBIT^(a) (earnings before interest and taxes), US\$7.6 billion;

Cash flow generation, as measured by adjusted EBITDA^(b) (earnings before interest, taxes, depreciation and amortization), US\$9.2 billion;

Net earnings, US\$6.5 billion, or US\$2.69 per share;

Capex, US\$26 billion, composed of US\$3.2 billion of organic growth, US\$ 1.3 billion of stay-in-business expenditures and US\$ 21.5 billion of acquisitions.

SELECTED FINANCIAL INDICATORS ¹

	4Q05	3Q06	4Q06	US\$ million	
				2005	2006
Gross revenues	3,746	5,066	7,494	13,405	20,363
Adjusted EBIT	1,461	2,248	2,180	5,432	7,637
Adjusted EBIT margin (%)	40.6	46.3	29.8	42.5	38.9
Adjusted EBITDA	1,780	2,722	2,623	6,540	9,150
Net earnings	1,196	1,904	1,573	4,841	6,528
Earnings per share (US\$)	0.52	0.79	0.65	2.10	2.69
Annualized ROE (%)	48.8	47.6	44.8	45.4	39.3
Total debt/ adjusted LTM EBITDA (x)	0.77	0.71	2.00 ₂	0.77	2.00 ₂
Capex *	1,852	1,060	16,556	4,161	26,000

* includes acquisition

FAS 141/142 INVENTORY ADJUSTMENT

According to FAS 141 and 142, US Financial Accounting Standards Board (FASB) statements, issued in January 2003, at the time of an acquisition all the incorporated firm s assets should be revalued to reflect present market conditions, including inventories. When these inventories are sold, the value of the inventories at production cost is recognized in its related accounts and the difference between

¹ Financial indicators takes into account CVRD Inco consolidation from 4Q06.

² Considering figures related to pro forma consolidation presented in the section The CVRD Inco Integration .

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the inventory market value and production cost is booked in a specific cost of goods sold (COGS) account. Market value of inventories, taking into account CVRD's 87.73% share in CVRD Inco at December 31, 2006, was booked at US\$ 3.1 billion, while at production cost was US\$ 1.4 billion, a difference of US\$ 1.7 billion, of which US\$ 946 million was already recognized in 4Q06. In 1Q07 COGS will show a negative impact of US\$ 980 million, considering CVRD's 99.8% share in CVRD Inco in January 2007.

Therefore, the adjustments according to FAS 141 and 142, a non-cash accounting effect, artificially increase COGS, negatively affecting our profitability in 4Q06. This effect will also take place in 1Q07.

In order to clarify the impact of this inventory accounting procedure, we present the main financial indicators for 4Q06 and 2006, with and without the adjustment effect.

EFFECT OF INVENTORY ADJUSTMENT ON SELECTED FINANCIAL INDICATORS

	US\$ million			
	4Q06 - A	4Q06 - B	2006 - A	2006 - B
Adjusted EBIT	2,180	3,126	7,637	8,583
Adjusted EBIT margin (%)	29.8	42.7	38.9	43.7
Adjusted EBITDA	2,623	3,569	9,150	10,096
Net earnings	1,573	2,165	6,528	7,124
Earnings per share (US\$)	0.65	0.90	2.69	2.94
Annualized ROE (%)	44.8	64.3	39.3	44.1
A	including the inventory adjustment			
B	excluding the inventory adjustment			

BUSINESS OUTLOOK

After four years of above-trend expansion, we believe that the global economy will continue to show a robust performance in 2007. The current expansion cycle is the longest or if not one of the longest prosperity periods experienced by the global economy in the last sixty years, and is strongly reflected in the demand for minerals and metals.

In the short term the main downside risks to global economic growth are the US housing downturn and the slowdown in global industrial production growth. However, we believe that the risks of a reversal in the present scenario of growth are moderate.

The contraction of residential construction investment in the US has had an uninterrupted negative effect on the performance of the US GDP since the fourth quarter of 2005. Nevertheless, up until now there are no signs of this negative effect having spilled over to other sectors of the US economy.

Financial markets remain on a healthy condition, with no indications of deterioration in the quality of credit, and long term interest rates are reasonably stable and at levels which stimulate investments. In spite of the fall in property prices, consumer spending is still the main driving force in the US economy, stimulated by lower gasoline prices, the stock market performance and good conditions in the labor market.

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In February 2007 the Global Manufacturing PMI, the indicator of conditions in the global manufacturing industry, drawn up by JP Morgan, registered the first increase since May 2006, ending a phase of consecutive falls which indicated the deceleration of growth in global industrial production. The new orders to inventories ratio reached its highest level since mid 2006, in a phenomenon that usually anticipates a period of more accelerated pace of industrial production.

The consumption of excess inventories proceeds favorably, though it is a process which will take another few months to reach an adequate balance between inventories and sales.

With the exception of the US, the performance of the main economies in the last quarter of 2006 suggests robustness in global demand for final products. This will facilitate adjustment of inventories in a shorter time, allowing the cycle to evolve smoothly.

The performance of the Japanese economy surprised on the upside, with 4.8% growth in the last quarter of last year. In the Euro Zone the GDP is reckoned to have grown 3.6% in 4Q06, which is almost double the average rate for 2003-2006 of 1.9% a year.

China grew 10.7% in 2006, the highest rate of expansion since 2004, and our expectation is that growth will remain close to 10% in 2007 and 2008. While more moderate than in recent quarters, growth in GDP for 4Q06 was 10.4%, with industrial production growing at 15% and investment in fixed assets 25%.

World production of steel continues to grow strongly, with an increase of 13.5% in January 2007 compared to the same month last year, with 27.3% expansion in China, 9.1% in India and 9.8% in Europe. If we exclude China, world production would have increased by 7.1%, the highest rate since August 2006.

Prices of metallics pig iron, scrap and HBI are rising, returning to the levels prevailing in 2Q06, while the prices of iron ore on the spot market are actually higher than the CVRD sinter feed landed in China (FOB price plus freight rate) of US\$ 8-11 per ton, already including a 9.5% price increase negotiated with clients in December 2006.

There are therefore still signs of an imbalance in the iron ore market, in which excess demand continues to be addressed at high prices and with inferior quality products.

In China, where CVRD became the largest supplier of iron ore in 2006, our expectation is that although steel production will tend to grow at a more moderate rate than that of the last ten years, when it reached 15.3% a year, demand for imported iron ore will continue to need significant additional quantities up to the end of this decade, thus maintaining pressure on global supply.

The phase of expansion in production capacity based on brownfield projects seems to have come to an end, so that growth in supply of iron ore in the next few years will be at a much higher marginal cost.

The global nickel market is facing the effects of structural changes on the supply side.

Current production is based on nickel sulphide deposits, whose metallurgy is well known and from which are extracted various byproducts platinum group metals, copper, cobalt, gold and silver, as in the case of our operations in the Sudbury Basin which helps to reduce costs.

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Production growth needed to meet the significant expansion of demand resulting mainly from Chinese economic development and emerging market economies, rising incomes depends on laterite deposits. Metallurgy of nickel laterites involves higher marginal operational and investment costs, and, in the short term, there are challenges to be overcome in the development of new projects.

Thus the tendency over the next two years is for the persistence of a tight market, without room for rebuilding nickel inventories, which are at a historically low level.

CVRD is at present developing three projects – Onça Puma, Goro and Vermelho – of which Onça Puma should be the first to enter into operation, but only at the end of 2008. These projects, along with increased productivity in operations in Canada and Indonesia, will enable us to increase the supply of products to the stainless steel industry and other applications outside the steel industry over the next few years. Technological capacity and the ability to offer services gives CVRD substantial competitive advantages in meeting the demand for higher added-value nickel products, and constitutes one of the most important sources for creating future value in the nickel business.

Alumina prices on the spot market have been highly volatile as a result of the substantial increase in Chinese production, based on imported bauxite from Indonesia, and more recently problems in Guinea.

Sustainable alumina supply basically depends on the availability of large reserves of good quality bauxite, on reliable bases at competitive costs. CVRD has completed the first phase of development of the Paragominas mine in the state of Pará, with a nominal capacity of 5.4 million tons per year, and is starting to develop the second phase which will add capacity for another 4.5 million tons.

The availability of significant reserves of high quality bauxite and an efficient alumina operation, with low operational and capex costs, allow us to grow – the construction of stages 6 and 7 at the Alunorte refinery proceed at a normal pace with sales through long term contracts, and prices indexed to the quotations of aluminum on the LME. Demand for aluminum is increasing due to economic growth and greater penetration in some applications, and inventories have stabilized at levels that are lower than in the recent past.

Copper prices have been negatively affected by the strong reduction of Chinese imports, contraction of real estate construction in the United States and marginal substitution by other materials. This meant a fall of 38.7% from the peak in May 2006 to the beginning of February 2007.

With the resumption of imports by China, the phase of destocking appears to have come to an end, and this has contributed to a recovery in copper prices, which from the minimum recorded on February 8 rose 15.2% by the end of the month. The reversal of the tendency of prices to fall benefits CVRD, whose exposure to the copper market increased with the acquisition of Inco. Our production, on a pro forma basis, reached 267,000 tons of copper in 2006 as against 237,000 in the previous year.

The demand for platinum group metals – CVRD Inco produced 153,000 oz of platinum and 208,000 oz of palladium in 2006 – will be driven by clean air regulations in the US and Europe, the rising sales of flat panel TVs and hard disk drives, as well as demand for platinum jewelry, given the increase in personal income in emerging market economies. On the supply side, expansion is limited by scarcity of reserves and the high costs of greenfield projects.

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Recovery of Brazilian production of grains especially soybeans and steel has a favorable impact on the demand for our logistics services. Over the last couple of years growth slowed due to problems in these two sectors.

CVRD remains confident in the future of the global economy and the mining and metals markets and in its ability to keep on the value creation path which has characterized its performance in the last few years.

THE CVRD INCO INTEGRATION

CVRD completed the acquisition of Inco Ltd, emerging from this transaction as the second largest mining and metals company in the world by market value. CVRD Inco Ltd (CVRD Inco) is the new company formed by the amalgamation of Inco Ltd with Itabira Canada, a whole-owned CVRD subsidiary.

On January 30, 2007, CVRD Inco started with a new management. The nickel business is managed from Toronto along with marketing and sales of metals.

Mineral exploration and procurement were integrated into global divisions with a view to capture synergies. The center for mineral research is based in Belo Horizonte, Brazil, with five regional offices: Lima in Peru, Toronto in Canada, Johannesburg in South Africa, Brisbane in Australia and Saint Prex in Switzerland.

Exploitation of synergies in Sudbury is already in progress, with the optimization of feed flows. A copper removal circuit was set up at the Clarabelle plant in 4Q06 and the resulting separation of copper from nickel made more nickel concentrates available to feed the Copper Cliff North smelter while the copper concentrate is processed in the Xstrata smelter. As a result, we have enlarged our capacity for producing nickel, with a positive impact on cash flow.

As a consequence of operational improvements resulting in increased productivity at the Thompson (Manitoba) and Sudbury (Ontario) mines and the Clarabelle plant and the start of optimization of flows of materials in Sudbury as well as the Voisey's Bay ramp-up, production of refined nickel reached a quarterly record of 69 thousand tons in 4Q06, topping the previous record, from 4Q04, of 66.4 thousand tons.

A team made up of professionals from CVRD, CVRD Inco and Goro Nickel Inc was set up to conduct a comprehensive re-evaluation of the Goro project and to draw up measures to minimize political, environmental, technological and operational risks.

The financial statements of our subsidiary CVRD Inco were consolidated as from the fourth quarter of 2006. Since the acquisition took place on October 24, 2006, only a little more than two months of the last quarter are considered in the consolidated data.

To facilitate an understanding of the figures and by way of illustration, we set out the numbers for the CVRD and CVRD Inco pro forma financial statements in US GAAP for 2005 and 2006.

Operational profit would be US\$ 9.250 billion in 2006 46.7% more than in 2005 influenced by the increase in net income of US\$ 7.693 billion, partially compensated for by the addition of US\$ 4.747 billion in the cost of goods sold (COGS) and operational expenses.

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The operational margin in 2006 was 37.0%, versus 36.4% in 2005. Excluding the extraordinary non-cash effect of CVRD Inco's inventory adjustment at market price, the operational margin in 2006 would be 40.8%.

Adjusted EBITDA reached US\$ 11.306 billion, growing 41.0% in relation to the 2005 value, US\$ 8.021 billion. Pro forma net earnings in 2006 of US\$ 6.976 billion, increased by US\$ 2.445 billion, 54.0%, in comparison to US\$ 4.531 billion in 2005. This performance is the result of the US\$ 2.945 billion growth in operational profit and decrease of US\$ 783 million in non-operational expenses, partly offset by the increase in taxes paid, US\$ 1.025 billion, and the reduction of minority holdings, US\$ 208 million.

Income from sales of iron ore and pellets now represent 46.7% of the total 2006 revenue of US\$ 25.7 billion. At the same time, sales of nickel made up 25.7%, aluminum chain products bauxite, alumina and aluminum 9.3%, copper 7.1%, logistics services 5.4%, manganese and ferro-alloys 2.2% and other products which include platinum group metals (PGMs), precious metals (gold and silver) and cobalt were responsible for 2.3%. This distribution shows that we have a much more diversified portfolio of products than before the acquisition.

The composition of revenue by geographic destination has also changed. Asia is the main market with 39.4%, although China's participation dropped to 16.7%. Europe has a 23.0% slice, while the Americas reach 33.6%, with a reduction, however, of the relative importance of the Brazilian market, which represents 16.5%.

PRO FORMA
Twelve-month period ended at December 31

Selected financial indicators - US\$ million

	2005	2006	%
Net operating revenue	17,310	25,003	44.4
Cost of goods sold	(9,534)	(13,525)	41.9
Gross profit	7,776	11,478	47.6
Operating Expenses	(1,471)	(2,227)	51.4
Operating profit	6,305	9,250	46.7
Non-operating results	(1,077)	(294)	-72.7
Earnings before taxes, equity income and minority holdings	5,228	8,956	71.3
Income tax and social contribution	(857)	(1,882)	119.6
Equity income	760	710	-6.6
Minority holdings	(600)	(808)	34.7
Net earnings	4,531	6,976	54.0
Adjusted EBITDA	8,021	11,306	41.0

Production - 000 tons

	2005	2006	%
Iron ore	233,851	264,152	13.0
Pellets	16,369	14,182	-13.4
Manganese ore	3,032	2,242	-26.1
Ferro alloys	563	534	-5.1
Nickel	221	251	13.5
Copper	237	267	12.8
Bauxite	6,884	7,100	3.1
Alumina	2,570	3,939	53.2
Aluminum	538	550	2.2

Cobalt (tons)	1,660	2,040	22.9
Platinum (1,000 oz)	173	153	-11.6
Palladium (1,000 oz)	222	208	-6.3
Gold (1,000 oz)	80	78	-2.6
Potash	641	732	14.2
Kaolin	1,218	1,352	11.1

RECORD REVENUE, US\$ 20.4 BILLION

Considering the partial consolidation of CVRD Inco, gross operational revenue in 2006 was US\$ 20.363 billion, an increase of 51.9% over US\$ 13.405 billion in 2005, and 140.2% against US\$ 8.479 billion in 2004.

Revenue for 4Q06, which was also a quarterly record, reached US\$ 7.494 billion – double that of 4Q05. The previous record was in 3Q06 when revenue reached US\$ 5.066 billion.

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The consolidation of CVRD Inco added US\$ 2.802 billion to CVRD's operational revenue. Excluding this effect, gross operational revenue in 2006 would be US\$ 17.561 billion. Price variations were responsible for 67% of this increase and increment in volume the other 33%.

In 2006, ferrous minerals represented 61.7% of gross revenue, non-ferrous minerals 19.3%, aluminum chain products bauxite, alumina and primary aluminum 11.7% and logistics services 6.8%.

In 2006 Asia became the main destination for our sales, accounting for 36.7% of total revenues, and overtaking the Americas with 32.9%. The growth in the share of the Asian market was due to an increase in shipments to China, Japan and South Korea.

Revenues from sales to China continued to grow strongly in 2006, going from US\$ 2.016 billion in 2005 to US\$ 3.706 billion in 2006, equivalent to 15.0% and 18.2% of total Company revenues in the two periods. In 2006, CVRD became the largest individual supplier of iron ore to the Chinese market, with shipments of 75.7 million tons.

The increase in sales to Asia was achieved in part at the expense of Brazilian sales, in spite of an increase in sales to the Brazilian market of 18.3% compared with 2005. As Brazil is not a large consumer of nickel and copper and due to the slow growth in iron ore sales, a mere 2.3% in 2006, this change took place.

GROSS REVENUE BY REGION

						US\$ million	
	4Q05	3Q06	4Q06	2005	%	2006	%
Americas	1,252	1,710	2,436	4,898	36.5	6,706	32.9
Brazil	894	1,201	1,149	3,565	26.6	4,218	20.7
USA	115	142	558	417	3.1	868	4.3
Others	243	367	729	916	6.8	1,620	8.0
Asia	1,282	1,766	3,090	3,917	29.2	7,464	36.7
China	738	964	1,275	2,016	15.0	3,706	18.2
Japan	349	495	932	1,231	9.2	2,188	10.7
Others	195	307	883	670	5.0	1,570	7.7
Europe	996	1,347	1,694	3,813	28.4	5,183	25.5
Rest of the World	216	243	274	777	5.8	1,010	5.0
Total	3,746	5,066	7,494	13,405	100.0	20,363	100.0

COSTS

Cost of goods sold (COGS) totaled US\$ 10.147 billion in 2006, 62.9% more than in 2005. COGS in 4Q06 was US\$ 4.387 billion, an increase of US\$ 2.558 billion compared with 4Q05.

A significant part of this cost increase in both periods, the year 2006 and 4Q06, is due to the consolidation of CVRD Inco, US\$ 2.230 billion. An important element of CVRD Inco's COGS, US\$ 946 million, is a non-cash cost with no financial impact, as it relates to the methodology used for the booking of the acquisition (FAS 141/142).

If we exclude the effects of the CVRD Inco consolidation, COGS would be US\$ 7.917 billion in 2006, an increase of 27.1% in relation to the previous year, when it reached US\$ 6.229 billion. The higher level of input and service prices, the appreciation of the Brazilian real against the US dollar and the growth in sales

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volumes accounted for 42.7%, 36.1% and 20.0%, respectively, of the COGS increase of US\$ 1.688 billion.

The main cost item, representing 20.3% of total COGS, is derived from outsourced services, which reached US\$ 2.056 billion in 2006, or US\$ 1.924 billion, if we exclude the CVRD Inco consolidation.

The US\$ 441 million cost increase of these services (excluding CVRD Inco) was caused mainly by the appreciation of the Brazilian real against the US dollar (US\$ 145 million), by increased production and sales volumes (US\$ 126 million), and by higher prices (US\$ 170 million). Price hikes contributed to an increase in expenses with waste removal, US\$ 86 million, rail freight, US\$ 44 million, equipment rental, US\$ 36 million, and maintenance, US\$ 31 million.

In 2006 transportation costs of our goods reached US\$ 685 million, waste and ore removal US\$ 450 million and maintenance of equipment and installations US\$ 356 million.

Energy expenses, 15.1% of COGS, totaled US\$ 1.535 billion in 2006, made up of US\$ 623 million for electricity and US\$ 912 million for fuels and gas.

Electricity costs increased US\$ 167 million, of which CVRD Inco consolidation had an impact of US\$ 31 million, tariff hikes US\$ 46 million, the Brazilian real appreciation US\$ 47 million, and production growth US\$ 43 million.

In 2006, CVRD's electricity consumption (excluding CVRD Inco) grew by 17.6%, reaching 15,781 GWh, of which 53.8% was for aluminum and 13.2% for ferro-alloy operations. Average electricity prices for ferro-alloy production did not change in relation to 2005, but electricity prices for aluminum production went up by 31.1%. This was because a component of the pricing basis for electricity for Albras is the LME price index, and also because of the consolidation of Valesul, which pays higher prices for its supply of electricity.

The increased cost of US\$ 282 million for fuel oils and gases was due to the consolidation of CVRD Inco, US\$ 91 million, the larger volume of production and sales, US\$ 86 million, by the appreciation of the Brazilian real against the US dollar, US\$ 65 million, and higher prices, US\$ 40 million.

Materials costs, which represent 15.6% of COGS, were US\$ 1.584 billion, US\$ 128 million of which was due to the CVRD Inco consolidation. The main items of materials expenses were: replacement parts and equipment, US\$ 527 million, inputs, US\$ 296 million, tires, US\$ 49 million, and conveyor belts, US\$ 45 million.

Expenditures on iron ore and pellets totaled US\$ 758 million in the year, a reduction of US\$ 3 million compared with 2005. This was the result of reduced purchases from mining companies, made possible by a 13.0% increase in the Company's production, reaching a record annual production of 264.2 million tons.

10.189 million tons of iron ore was purchased, as against 15.337 million in 2005 and 14.911 million in 2004. The Company also acquired for the purposes of resale to its clients 8.971 million tons of pellets from Tubarão joint ventures (Nibrasco, Itabrasco, Kobrasco and Hispanobras) as compared with 9.656 million in 2005 and 9.348 million in 2004.

Purchases of nickel reached US\$ 482 million, related to the acquisition of 14.6 thousand tons for resale in the last two months of 2006.

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Bauxite purchases from Trombetas expand from US\$ 176 million to US\$ 250 million in 2006, reflecting the need to supply the stages 4 and 5 of the Barcarena alumina refinery.

Purchases of alumina and primary aluminum for resale amounted to US\$ 86 million in 2006, against US\$ 74 million in 2005.

Manganese purchases totaled US\$ 51 million in 2006 in line with 2005, where it was US\$ 46 million.

Personnel expenses at 9.0% of COGS reached US\$ 917 million. Setting aside the CVRD Inco consolidation, they amounted to US\$ 707 million, an increase of US\$ 193 million over 2005. This was caused by an increase in overall number of employees (US\$ 100 million), appreciation of the Brazilian real (US\$ 69 million) and payment of an extraordinary bonus (US\$ 24 million). In 2006 there were no collective pay awards. The Company agreed with its employees to a 3% salary adjustment as from January 2007 and valid until October this year, with an extraordinary bonus being paid to the employees in August.

Expenses with *demurrage* – fines paid for delays in loading ships at the Company's maritime terminals – reached US\$ 56 million, against US\$ 76 million in 2005, in spite of the increase in volumes shipped. The efforts to reduce costs of *demurrage* resulted in a considerable saving, dropping from US\$ 0.45 per ton shipped in 2004 to US\$ 0.38 in 2005 and US\$ 0.26 in 2006.

Depreciation and amortization, accounting for 8.9% of COGS, was US\$ 899 million.

Sales, general and administrative expenses (SG&A) came to US\$ 816 million, an increase of US\$ 233 million in relation to 2005, reflecting greater personnel expenses (US\$ 48 million), CVRD Inco consolidation (US\$ 46 million), sales expenses (US\$ 35 million), and depreciation (US\$ 54 million).

Research and development (R&D) expenses hit a record of US\$ 481 million in 2006, including US\$ 39 million for CVRD Inco and US\$ 25 million invested in the construction of a hydrometallurgical plant for processing copper.

Investments in R&D amounted to US\$ 277 million for 2005, US\$ 153 million for 2004 and US\$ 82 million for 2003.

This growth pattern reflects the Company's strategy which is to focus on organic growth, which necessarily means increased investments in mineral exploration and feasibility studies for mineral deposits in different countries.

It is worth mentioning that the amount reported for investments in R&D in 2006 was US\$ 476 million, referring to financial disbursements, while expenses of US\$ 481 million are accounting figures.

Other operational expenses totaled US\$ 570 million in 2006, with US\$ 299 million increment related to 2005. Major part of this growth was due to a US\$ 171 million provision for future investments in mine closing and environmental recovery of areas, construction and improvement of tailings, and other preventing measures related to environmental protection.

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	US\$ million						
	4Q05	3Q06	4Q06	2005	%	2006	%
Outsourced services	474	536	645	1,483	23.8	2,056	20.3
Material	305	375	572	1,126	18.1	1,584	15.6
Energy	321	412	503	1,086	17.4	1,535	15.1
Fuels	188	232	312	630	10.1	912	9.0
Electric energy	133	180	191	456	7.3	623	6.1
Acquisition of products	297	330	762	1,093	17.5	1,673	16.5
Iron ore and pellets	215	192	188	761	12.2	758	7.5
Nickel			482			482	4.8
Aluminum products	73	74	60	299	4.8	336	3.3
Other products	9	64	32	33	0.5	97	1.0
Personnel	160	205	407	514	8.3	917	9.0
Depreciation and exhaustion	175	208	350	585	9.4	899	8.9
Inventory adjustment			946		0.0	946	9.3
Others	97	115	202	342	5.5	537	5.3
Total	1,829	2,181	4,387	6,229	100.0	10,147	100.0

NEW OPERATIONAL PERFORMANCE RECORD

CVRD's operational profit, measured by adjusted EBIT, was US\$ 7.637 billion in 2006, the highest in the Company's history. Adjusted EBIT was 40.6% higher than in 2005, led by the US\$ 6.859 billion increase in net revenue, partially offset by the US\$ 3.918 billion increase in COGS and US\$ 736 million in operational expenses – SG&A, R&D and others.

Adjusted EBIT in 4Q06 was US\$ 2.180 billion, a 49.2% increase in relation to that of 4Q05, totaling US\$ 1.461 billion.

CVRD Inco's contribution to adjusted EBIT was US\$ 410 million. Excluding this, the adjusted EBITs for 2006 and 4Q06 would be up 33.0% and 21.1%, respectively, on those registered in the same periods for the previous year.

In 2006, the adjusted EBIT margin was 38.9%. If we exclude the non-cash cost relating to adjustment of inventory values of US\$ 946 million in 4Q06, the adjusted EBIT margin would be 43.7% against 42.5% in 2005 and 38.7% in 2004.

RECORD NET EARNINGS: US\$ 6.5 BILLION

CVRD's net earnings in 2006 of US\$ 6.528 billion, equivalent to US\$ 2.69 per share, increased 34.8% relative to the 2005 result, which was US\$ 4.841 billion, and is another record, the fourth consecutive year of growth.

In 4Q06, net earnings were US\$ 1.573 billion, equivalent to US\$ 0.65 per share, compared with US\$ 1.196 billion in 4Q05.

It is important to highlight that in 4Q06, and consequently in the year of 2006, net earnings were negatively impacted by an extraordinary non-cash effect in the amount of US\$ 1.117 billion – US\$ 946 million for CVRD Inco's inventory adjustment and US\$ 171 million of environmental provisions.

The major direct influences on the growth in net earnings in 2006 were the increase of US\$ 2.205 billion in operational profits and US\$ 548 million from the sale of

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shares in other companies, partially offset by the increase of US\$ 552 million in tax payments and a reduction of US\$ 344 million in the financial result.

In 2006, divestment of assets generated gains of US\$ 674 million: GIIC, US\$ 338 million, Usiminas, US\$ 175 million, Siderar, US\$ 96 million, Gerdau US\$ 56 million, and Nova Era Silicon, US\$ 9 million. Sales of shares in Usiminas and Siderar were booked in 4Q06, while in the case of Gerdau, gains of US\$ 16 million were registered in 3Q06 and the other US\$ 40 million in 4Q06. In 2005, divestment of assets gains totaled US\$ 126 million.

Portfolio management has been an important element in value creation. On the one hand, it has allowed the unlocking of value of non-core assets and on the other hand has improved the company's capital allocation, making room for greater focus on core assets.

The net financial result in 2006 was US\$ 482 million negative, against US\$ 138 million negative in 2005.

Financial income went from US\$ 123 million in 2005 to US\$ 327 million in 2006, because of higher interest rates and the increase in cash and cash equivalents.

Financial expenses increased by US\$ 778 million, going from US\$ 560 million in 2005 to US\$ 1.338 billion in 2006.

The main reasons for this increase were: (a) higher average debt, from US\$ 4.095 billion in 2005 to US\$ 10.099 billion in 2006, which meant a rise of US\$ 289 million in interest payments, (b) US\$ 86 million spent on the acquisition of call options on Canadian dollars, (c) CVRD Inco expenses of US\$ 76 million, and (d) US\$ 45 million with the mark-to-market of shareholders debentures.

The behavior of monetary variations was positive for the financial result, bringing in an extra US\$ 230 million, taking into account the 9.5% strengthening of the Brazilian real against the US dollar between December 2005 and December 2006.

Equity income contributed US\$ 710 million to the 2006 net earnings, a reduction of US\$50 million on the previous year.

Investments in ferrous mineral producers were responsible for 43.9%, steel companies 28.3%, logistics 13.4%, aluminum 10.7% and coal 3.7%.

Equity income from ferrous mineral affiliates generated US\$ 312 million, US\$ 123 million less than the amount registered for 2005, due to the sale of GIIC in May 2006 and smaller dividends paid to CVRD by pelleting joint ventures, due to lower pellet prices in 2006. Samarco was the joint venture which most contributed to CVRD profits, coming in with US\$ 229 million against US\$ 257 million in 2005.

Equity income from the affiliated steel companies amounted to US\$ 201 million, in line with 2005, where it was US\$ 197 million.

MRS Logística's contribution showed a substantial increase, moving from US\$ 54 million in 2005 to US\$ 95 million in 2006.

Equity income from the aluminum business improved, going from US\$ 65 million in 2005 to US\$ 76 million in 2006. While MRN's contribution was the same as the previous year, US\$ 64 million, Valesul increased its contribution from US\$ 1 million to US\$ 12 million. In 3Q06 the Santa Cruz smelter began to be consolidated in our financial statements.

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The equity income of our joint ventures in coal in China, Henan Longyu Energy Resources Ltd. and Shandong Yankuang International Coking Company Ltd., totaled US\$ 26 million.

EQUITY INCOME BY BUSINESS SEGMENT

	4Q05	3Q06	4Q06	2005	%	US\$ million	
						2006	%
Iron ore and pellets	128	67	78	435	57.2	312	43.9
Aluminum, alumina and bauxite	14	18	20	65	8.6	76	10.7
Logistics	15	32	27	54	7.1	95	13.4
Steel	47	60	54	197	25.9	201	28.3
Coal	9	10	4	9	1.2	26	3.6
Total	213	187	183	760	100.0	710	100.0

CASH FLOW RECORD US\$ 9.2 BILLION

In 2006, CVRD's cash flow generation, as measured by adjusted EBITDA, reached a new record at US\$ 9.150 billion. Excluding the effect of the consolidation of CVRD Inco, adjusted EBITDA for the year would be US\$ 8.616 billion, 31.7% more than the previous record of US\$ 6.540 billion in 2005.

4Q06 was the 19th consecutive quarter of growth in LTM (last twelve months) accumulated adjusted EBITDA.

The main reasons for the US\$ 2.6 billion adjusted EBITDA growth over 2005 are the increase in adjusted EBIT to the amount of US\$ 2,205 billion, US\$ 378 million depreciation and US\$ 27 million in dividends paid by non-consolidated companies.

Excluding the non-cash effect related to CVRD Inco's inventory of US\$ 946 million, adjusted EBITDA for 2006 would be US\$ 10.096 billion.

Dividends paid to CVRD in 2006 by non-consolidated companies, affiliated companies and joint ventures amounted to US\$ 516 million, compared to US\$ 489 million received in 2005. The largest payment came from Samarco, which distributed US\$ 225 million to CVRD. The company also received dividends from MRN, US\$ 77 million, from the pelletizing joint ventures at Tubarão, US\$ 70 million, from Usiminas, US\$ 48 million, MRS, US\$ 42 million, CSI, US\$ 39 million, and Henan Longyu, US\$ 15 million.

In 2006, the distribution of cash flow generation by business area was: ferrous minerals 73.9%, non-ferrous minerals 12.8%, aluminum 11.8% and logistics 5.6%, excluding expenses with R&D, which represent 4.1% of EBITDA.

QUARTERLY ADJUSTED EBITDA

	4Q05	3Q06	4Q06	2005	US\$ million	
					2006	
Net operating revenues	3,598	4,852	7,313	12,792	19,651	
COGS	(1,829)	 				