Companhia Vale do Rio Doce
Form 6-K
February 29, 2008

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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
February 2008
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 if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1))

(Check One) Yes o No þ

(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 o No þ

(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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A VINTAGE TIME
Performance of Vale in 2007

Rio de Janeiro, February 28, 2008 Companhia Vale do Rio Doce (Vale) completed in 2007 the fifth consecutive year of extraordinary growth in its activities. This process was sustained by continuous improvement in operational and financial performance, greater diversification of its asset portfolio and globalization of its operations. The adoption, in November 2007, in all the countries where we operate of the name Vale and the new logo symbolize this evolution.

This transformation reflects the execution of a long-term strategic plan, anchored in rigorous discipline in capital allocation, continuous search for opportunities for value creation, a constant concern with costs, focus on human capital and a strong commitment to corporate social responsibility.

In the last five years Vale has invested US$ 40.7 billion, of which US$ 20.6 billion in acquisitions and US$ 20.1 billion in maintenance of operations, research and development (R&D) and project execution.

The completion of twenty large projects, successful acquisitions and increased productivity were responsible for an expansion of our total output at an average annual rate of 11.6% between 2003 and 2007. In parallel to this quantitative growth, nickel, copper, metallurgical and thermal coal, platinum group metals and cobalt were added to our portfolio.

In 2007 we broke nine different production records: iron ore (296 million metric tons), pellets (17.6 million metric tons), finished nickel (247,900 metric tons), copper (284,200 metric tons), bauxite (9.1 million metric tons), alumina (4.3 million metric tons), aluminum (551,000 metric tons), kaolin (1.3 million metric tons) and cobalt (2.5 thousand metric tons). Vale has reaffirmed its global leadership, as the world s largest producer of iron ore, the second largest of nickel and one of the main producers of kaolin, cobalt, ferroalloys and alumina.

For the seventh year running, Vale led the negotiations for global reference prices for iron ore. In February 2008 prices were settled for iron ore fines, the industry s main product, representing 70% of the volume traded in the seaborne market.

As a result of negotiations with Asian and European customers and reflecting continued global market tightness, new prices were fixed for fines with an increase of 65% over 2007 for the Southern and Southeastern Systems (SSF) iron ore, Fob Tubarão. At the same time, due to its recognized superior quality, it was agreed that the price for Carajás iron ore fines (SFCJ) will have a premium of US$ 0.0619 per dry metric ton Fe unit over the 2008 price for SSF.

Our gross revenue increased by nearly six times between 2003 and 2007, going to US$ 33.1 billion from US$ 5.5 billion. Simultaneously, cash flow, as measured by

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: Vale Inco, MBR, Cadam, PPSA, Alunorte, Albras, Valesul, RDM, RDME, RDMN, Urucum Mineração, Ferrovia Centro-Atlântica (FCA), Vale Australia, Vale International and Vale Overseas.

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adjusted EBITDA[(a)] (earnings before interests, taxes, depreciation, and amortization), grew even faster, to US$ 15.8 billion in 2007 from US$ 2.1 billion in 2003. Our net earnings went up to US$ 11.8 billion in 2007 from US$ 1.5 billion in 2003

Over this five year period we have returned capital to shareholders through dividend distribution to the tune of US$ 5.3 billion. Total shareholder return was 73.7% per year, the highest rate amongst large diversified mining companies. Vale is currently one of the 40 largest companies in the world by market capitalization.

SELECTED FINANCIAL INDICATORS US$ million

	2003	2004	2005	Pro forma 2006	2007
Gross revenue	5,545	8,479	13,405	25,714	33,115
Adjusted EBIT	1,644	3,123	5,432	9,361	13,194
Adjusted EBIT margin (%)	30.7	38.7	42.5	37.4	40.9
Adjusted EBITDA	2,130	3,722	6,540	11,451	15,774
Net earnings	1,548	2,573	4,841	7,260	11,825
Earnings per share on a fully diluted basis (US$)	0.34	0.56	1.05	1.35	2.42
Dividends	675	787	1,300	1,300	1,875
Capex[2]	1,988	2,092	4,998	20,628	11,004
Capex (excluding acquisitions)[2]	1,486	1,949	4,198	4,824	7,625

The main highlights of Vale s performance in 2007 were:

Record sales of iron ore and pellets (296 million metric tons), copper (300 thousand metric tons), alumina (3.253 million metric tons) and aluminum (562 thousand metric tons).

Gross revenue of US$ 33.1 billion, the highest in the history of the Company, 28.8% more than that recorded in 2006.

Operational profit, as measured by adjusted EBIT[(b)] (earnings before interest and taxes), was a record US$ 13.2 billion, that is, 40.9% over 2006.

Adjusted EBIT margin of 40.9% against 37.4% in 2006.

Record adjusted EBITDA of US$ 15.8 billion compared with US$ 11.4 billion in 2006. If we exclude the extraordinary inventory adjustment, adjusted EBITDA reached US$ 16.8 billion in 2007 as opposed to US$ 12.4 billion in 2006.

Record net earnings of US$ 11.8 billion, corresponding to earnings per share, on a fully diluted basis, of US$ 2.42, a 62.9% increase on the US$ 7.3 billion for 2006.

Dividend distribution in 2007 was US$ 1.875 billion, with 44.2% growth relative to 2006. Dividend per share in 2007 reached an all-time high of US$ 0.39. Total shareholder return in 2007 was 123.0%.

Investment, excluding acquisitions, totaled US$ 7.6 billion, a historical record and the highest in the global mining and metals industry in 2007.

Investment in corporate social responsibility was US$ 652 million, of which US$ 401 million was spent on environmental protection and preservation and

[1] In order to facilitate comparisons with the past and better evaluate Vale s performance, we shall, in this document, be using pro forma data for 2006, as if Inco Ltd, now Vale Inco Ltd, had been acquired from January 1st 2006 with the exception of information concerning debt and investments. See Annex 1 entitled Consolidation of Inco Ltd., now Vale Inco.

[2] Capex figures, including and excluding acquisitions, are based on realized cash disbursements. Therefore, these figures do not include the acquisition of Caemi minority shareholders shares.

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US$ 251 million on social projects.

Rapid deleveraging as total debt/adjusted EBITDA ratio decreased to 1.1x at the end of 2007, from 2.0x as of December 31, 2006.

SELECTED FINANCIAL INDICATORS US$ million

	Pro forma 4Q06	3Q07	4Q07
Gross revenue	7,494	8,124	8,412
Adjusted EBIT	2,087	3,430	2,683
Adjusted EBIT margin (%)	28.5	43.4	32.9
Adjusted EBITDA	2,623	4,001	3,532
Net earnings	1,615	2,940	2,573
Earnings per share (US$)		0.61	0.53
Earnings per share on a fully diluted basis(US$) [3]		0.60	0.52
ROE (%)		32.3	35.5
Total debt/ adjusted LTM EBITDA (x)	2.0	1.2	1.1
Capex (ex-acquisitions)	1,867	1,624	3,202

BUSINESS OUTLOOK

Global growth prospects for 2008 worsened amidst financial markets turbulence and increased uncertainty.

Banks came under increasing pressure to take the assets of the off-balance sheet vehicles onto their own balance sheets. At the same time, they were forced to expand further their balance sheets by holding assets which well-functioning secondary markets no longer existed. Simultaneously to the expansion of the balance sheets, financial institutions have been reporting large losses, reflecting significant declines in the market prices of mortgages and other assets caused by risk repricing.

These developments implied a tightening of liquidity conditions in the interbank markets. In addition to that, banks have also become more restrictive in their lending to firms and households.

The main central banks of the developed countries, led by the US Federal Reserve Bank, acted proactively to address the strains in short-term money markets. In response to the large losses, several banks managed to raise new capital in order to be in a position to rebuild their balance sheets.

The Federal Reserve Bank has taken an aggressive stance towards monetary policy, cutting short-term interest rates by 225 basis points since September 2007. Monetary easing is intended to forestall the contractionary effect of financial shocks and to create incentives for a recovery of the US economy in the upcoming quarters. Additional interest rates cuts are expected.

Various contemporaneous and leading indicators of labor market conditions and industrial production have been suggesting that global growth is slowing down as credit was tightened in the US and other markets.

Despite some slowing of export growth, emerging market economies have thus far continued to expand strongly. These economies have benefited from the strong

[3] Earnings per share on a fully diluted basis consider in addition to the number of shares in circulation the shares held in

treasury underlying notes mandatorily convertible into ADR s. In 2007, the Company made a provision of US$ 67 million for the payment of interest and additional interest to the noteholders of the mandatorily convertible notes.

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momentum of domestic demand growth and improved macroeconomic policies. Against this background, we do not expect the current growth deceleration to become a global recession.

Although growth decoupling is not consistent with a globalized world economy, it is expected that the dynamics of the largest emerging market economies, such as China and India, will partially offset the negative impact of the slowdown in developed economies. In addition, healthy corporate sectors in the developed world are expected to cushion the overall demand downshift by making only modest adjustments to hiring and spending plans.

Therefore, we estimate global economic growth in 2008 to stay slightly above its historical path although showing a deceleration relative to last year s pace. An enlarged gap in GDP growth between emerging and developed economies is also expected.

Globalization has contributed through various channels to increasing the potential growth capacity of the world economy. For the next few years we expect real interest rates to remain low, and productivity to expand at an increased rate, in particular in emerging markets economies, which are important ingredients in fostering sustainable economic growth. Therefore, we believe that this combination will enable global expansion to continue at a fairly high rate for the next five years.

The confirmation of this scenario will be very positive for minerals and metals markets, as the economies undergoing structural change which are the drivers for the significant increase in demand for these products, should continue to grow fast and increase their influence on global GDP and industrial production.

At present the market for mining products is tight, and this has been reflected in the better relative performance of mining equities since the beginning of the financial turbulence.

Global steel production continues to grow well above the expansion of the manufacturing industry, with broad-based support by prices in all regions and different steel types, flats and longs. As a result, steelmaking raw materials prices are under massive pressure.

In the face of a combination of high demand and supply shocks (floods in Australia, power shortages in South Africa, snowstorms in China and logistics bottlenecks in Australia and Russia) prices of metallurgical coal on the spot market took off, and are well above the price for shipments covered by contracts, easily topping the US$ 300 per metric ton level. Similarly, the prices of medium and high carbon manganese alloys are much higher than peaks in previous cycles.

The iron ore market is clearly signaling excess demand, with spot market prices in an upward trend since the fourth quarter of 2006, hovering around US$ 200 per metric ton. Spot market prices continued to increase even after the benchmark price settlement. As a result of the disequilibrium between demand and supply, 2008 reference iron ore fines prices increased by 65% relative to 2007. Prices for Carajás iron ore fines will have a premium of US$ 0.0619 per dry metric ton Fe unit over the 2008 price for Southern and Southeastern Systems fines.

The price for base metals nickel, copper and aluminum which are usually quite sensitive to expectations of macroeconomic changes, have been resilient to the prospects of a recession in the largest world economy.

Nickel prices have been range bound, around US$ 12 to US$ 13 per pound, reflecting a good demand for plating, superalloys influenced by aerospace and oil and gas industries and batteries. Apart from this, in spite of the increase in production of nickel pig iron, a high cost product with serious technological

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limitations, demand for nickel from the Chinese stainless steel industry continues to increase strongly.

Copper prices returned to the US$ 8,000 mark, due to the tight supply of concentrates, low inventories and production problems in smelters in China. The price of aluminum went up by about US$ 400, to more than US$ 2,800, influenced by expectations of rising power costs, exacerbated by the problems in South Africa and China. Alongside with other factors, these problems also have a direct influence, in the significant increase in platinum and thermal coal prices.

The price of cobalt, of which Vale is one of the major world producers, also reached record highs, influenced by strong demand from aerospace and batteries industries and restricted supply. Potash price trends ultimately reflect some of the factors underlying the food price shock which is causing temporary increases in inflation indices: strong demand growth from emerging market economies and large investment in ethanol and bio fuels to diversify sources of energy.

Besides a continued increasing demand, there are various restrictions to a proper response to price incentives by the supply of metals. Among these are a greater relative scarcity of world class assets in less complex regions of the world, and shortages of power, skilled labor, equipment and spare parts such as tires for off-the-road trucks and railroad tracks.

Given this scenario, Vale is very well positioned to continue creating significant shareholder value stemming from the development over 2008-2012 of an attractive world-class portfolio of more than 30 projects in various segments of the mining industry iron ore, pellets, nickel, copper, bauxite, alumina and coal on a diversified geographic base, Brazil, Chile, Peru, Canada, Australia, China, Indonesia, New Caledonia, Mozambique and Oman. In order to support the expansion of its operations, Vale will continue to invest in infrastructure, focusing on logistics which is fundamental for the iron ore projects and power generation.

RECORD REVENUE: US$ 33.1 billion

Gross revenue in 2007 totaled US$ 33.115 billion, 28.8% more than in 2006. In 4Q07 Vale s revenue reached US$ 8.412 billion, a 12.2% increase on the US$ 7.494 billion of 4Q06.

Price increases were responsible for 80% of the growth in revenue (US$ 5.911 billion) while increased sales generated US$ 1.490 billion.

In 2007, sales of ferrous minerals represented 46.6% of gross revenue, non-ferrous minerals 39.3%, aluminum products bauxite, alumina and primary aluminum contributed with 8.2% and logistics 4.6%.

Individually, products which were most important in terms of revenue generating were: iron ore (US$ 11.907 billion), nickel (US$ 10.043 billion), pellets (US$ 2.264 billion), copper (US$ 1.985 billion), aluminum (US$ 1.571 billion) , railroad transportation of general cargo for customers (US$ 1.220 billion), and alumina (US$ 1.102 billion).

In terms of geographic distribution of destination for sales, 40.3% of gross revenue came from sales to Asia, 33.5% from the Americas, 22.1% from Europe and 4.0% from the rest of the world. China continued to be the main destination for our sales, growing to 17.7% of the total, followed by Brazil with 16.0%, Japan 11.6%, United States 9.0%, Germany 5.6% and Canada 5.3%.

Geographic distribution of revenue according to origin was: Brazil 61.7%, North America 27.7%, Australasia 8.7% and Europe 1.9%.

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GROSS REVENUE BY PRODUCT US$ million

	4Q06	3Q07	4Q07	Pro forma 2006	%	2007	%
Ferrous minerals	**3,353**	**4,106**	**4,387**	**12,569**	**48.9**	**15,434**	**46.6**
Iron ore	2,647	3,211	3,349	10,027	39.0	11,907	36.0
Pellet plant operation services	18	23	31	72	0.3	91	0.3
Pellets	526	693	695	1,907	7.4	2,648	8.0
Manganese ore	15	13	36	55	0.2	77	0.2
Ferro-alloys	132	151	243	463	1.8	639	1.9
Others	15	15	33	45	0.2	72	0.2
Non ferrous minerals	**3,080**	**2,821**	**2,826**	**9,164**	**35.6**	**13,006**	**39.3**
Nickel	2,360	1,970	2,018	6,576	25.6	10,043	30.3
Copper	483	581	537	1,823	7.1	1,986	6.0
Kaolin	70	59	74	218	0.8	237	0.7
Potash	43	49	58	143	0.6	178	0.5
PGMs	87	103	81	270	1.1	342	1.0
Precious metals	18	24	20	70	0.3	85	0.3
Cobalt	19	35	39	63	0.2	135	0.4
Aluminum products	**674**	**677**	**672**	**2,381**	**9.3**	**2,722**	**8.2**
Aluminum	328	382	350	1,244	4.8	1,571	4.7
Alumina	338	284	309	1,108	4.3	1,102	3.3
Bauxite	8	11	13	29	0.1	49	0.1
Coal[4]		**71**	**47**			**160**	**0.5**
Logistics services	**342**	**391**	**389**	**1,376**	**5.4**	**1,526**	**4.6**
Railroads	247	324	321	1,011	3.9	1,220	3.7
Ports	63	58	58	237	0.9	237	0.7
Shipping	32	9	10	128	0.5	69	0.2
Others	**45**	**58**	**91**	**224**	**0.9**	**267**	**0.8**
Total	**7,494**	**8,124**	**8,412**	**25,714**	**100.0**	**33,115**	**100.0**

GROSS REVENUE BY DESTINATION US$ million

	4Q06	3Q07	4Q07	Pro forma 2006	%	2007	%
Americas	**2,436**	**2,734**	**2,908**	**8,628**	**33.6**	**11,103**	**33.5**
Brazil	1,149	1,348	1,452	4,238	16.5	5,288	16.0
USA	558	691	673	1,887	7.3	2,966	9.0
Canada	533	426	502	1,656	6.4	1,761	5.3
Others	196	269	281	847	3.3	1,088	3.3
Asia	**3,058**	**3,082**	**3,068**	**10,071**	**39.2**	**13,346**	**40.3**
China	1,275	1,488	1,542	4,305	16.7	5,865	17.7
Japan	932	979	851	2,952	11.5	3,827	11.6
South Korea	252	196	402	919	3.6	1,473	4.4
Taiwan	522	273	99	1,552	6.0	1,665	5.0

Others	77	146	174	343	1.3	516	1.6
Europe	**1,694**	**1,975**	**1,931**	**5,940**	**23.1**	**7,325**	**22.1**
Germany	405	516	495	1,521	5.9	1,856	5.6
Belgium	126	179	155	572	2.2	683	2.1
France	163	146	199	579	2.3	722	2.2
UK	197	275	235	735	2.9	1,066	3.2
Italy	98	166	206	436	1.7	632	1.9
Others	705	692	641	2,097	8.1	2,365	7.1
Rest of the World	**306**	**332**	**505**	**1,075**	**4.2**	**1,340**	**4.0**
Total	**7,494**	**8,124**	**8,412**	**25,714**	**100.0**	**33,115**	**100.0**

[4] 4Q07 coal revenues includes the adjustment due to the new consolidation of Vale Australia. See coal session to obtain all the pro forma data and further information regarding the new consolidation method.

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COSTS AND OPERATING EXPENSES

Cost of goods sold (COGS) totaled US$ 16.463 billion in 2007, 22.7% more than in 2006. COGS in 4Q07 was US$ 4.504 billion, in line with 4Q06, at US$ 4.480 billion.

The main factors which contributed to the US$ 3.049 billion increase in COGS were exchange rate variations (28.4%) and the growth in sales volumes (17.5%). Apart from these factors, the widening of our asset base meant increased depreciation of US$ 432 million, adding 14.2% to COGS.

COGS currency exposure in 2007 was made up as follows: 56.6% in Brazilian reais, 23.3% in Canadian dollars, 16.5% in US dollars, 1.8% in Indonesian rupiah and 1.8% in other currencies.

The main COGS item, the purchase of final and intermediate products, amounted to US$ 2.872 billion 18.6% of COGS, 10.8% more than in 2006. This was mainly due to the increased expenditure of US$ 225 million for pellets purchases from the Tubarão joint ventures (Nibrasco, Kobrasco, Itabrasco and Hispanobras) and US$ 121 million for nickel products.

Due to our output increase, iron ore purchases decreased to 8.320 million metric tons from 10.189 million in 2006. Given the substantial increase in pellet demand, we expanded our purchases from the Tubarão JVs to 11.689 million metric tons from 8.971 million in 2006.

In addition to the purchases of nickel concentrates for processing under tolling contracts, 12,100 metric tons of intermediary products and 8,800 metric tons of finished nickel were bought in 2007 to replenish our inventories. Despite smaller purchases of nickel feed, higher nickel prices contributed to a cost increase, from U$ 1.401 billion last year to US$ 1.522 billion in 2007.

Costs for outsourced services, making up 17.1% of COGS, added up to US$ 2.628 billion in 2007, compared with US$ 2.368 billion in 2006. This cost increase was caused mainly by the appreciation of the currencies in which the services are contracted against the US dollar (US$ 214 million) and by greater sales volumes (US$ 97 million). Lower prices for services meant a reduction in costs of US$ 24 million. The increase of US$ 296 million in transportation costs of our products and of US$ 85 million in maintenance costs was partially offset by the cut in costs of US$ 274 million for ore and waste removal.

Cost of materials 15.0% of COGS amounted to US$ 2.313 billion, an increase of US$ 446 million over 2006; of this amount, US$ 169 million was due to higher prices of materials acquired, US$ 166 million due to exchange rate variations, and US$ 84 million due to increased sales volumes. The main items of materials expenses were components for railroad equipment and mining equipment which amounted to US$ 164 million and US$ 75 million, respectively.

Energy expenses totaled US$ 2.284 billion (14.8% of COGS) made up of US$ 878 million in electrical energy and US$ 1.406 billion in fuel and gases.

Power costs increased US$ 254 million, tariff hikes being responsible for US$ 129 million, the appreciation of the Brazilian real against the US dollar for US$ 68 million and increased consumption for US$ 57 million.

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In 2007, our electricity consumption reached 23,284 GWh, 37% of which was taken up by aluminum production and 7% by ferroalloy operations. We produced 5,714 GWh of our needs, providing 24.5% of total consumption.

In the electricity intensive operations of ferroalloys and aluminum, average prices went up by 8%. On the other hand, productivity gains, as measured by the specific consumption of electrical energy, in terms of MWh per metric ton, partially counteracted this with a 2% decrease in consumption.

Vale has been investing in the construction of various power plants aiming to minimize the risks of price and supply volatility, as well as reducing costs.

In Brazil, we are partners in consortia which have concessions to operate eight hydroelectric plants (Igarapava, Porto Estrela, Candonga, Funil, Aimorés, Capim Branco I, Capim Branco II and Machadinho). In Indonesia, we own and operate two hydropower plants, Larona and Balambano, on the Larona River, in Sulawesi. Apart from these plants Vale has small hydropower plants in Brazil and in Canada and in-site power generation facilities.

Currently, we are investing in three power generation plants to meet our consumption needs: (1) a 30% share in the consortium which is building the Estreito hydroelectric plant, state of Tocantins, Brazil, with a capacity of 1,087 MW; (2) the construction of Karebbe, the third hydroelectric plant on the Larona River, in Indonesia, which will add 90 MW to our current 275 MW capacity and; (3) the building of the Barcarena coal-fired thermal power plant, with 600MW capacity, state of Pará, Brazil.

The increased cost of US$ 214 million for fuels and gases was due to the depreciation of the US dollar (accounting for US$ 94 million), price hikes (US$ 65 million) and consumption increase (US$ 55 million).

Depreciation and amortization 13.3% of COGS amounted to US$ 2.049 billion, US$ 636 million above the amount recorded in 2006, impacted by the increase in asset base (US$ 432 million) and depreciation of the US dollar (US$ 204 million).

Personnel expenses at US$ 1.873 billion represent 12.2% of COGS. The increase of US$ 365 million as compared with 2006 reflects the extra personnel needed because of the growth of our operations and the return to in-house solutions for some services such as ore and waste removal at our iron ore mines.

In November 2007, a two-year agreement was signed with our Brazilian employees, which represent 75% of our labor force. An immediate wage increase of 7% was agreed, with an additional 7% increase in November 2008.

Other operational expenses came to US$ 1.382 billion in 2007. The US$ 478 million increase vis-à-vis 2006 is due to the increase in mining royalty payments (US$ 185 million), reclassification of expenses from other COGS items to other operational costs as required by the structuring of the shared services center (US$ 100 million), payments for profit sharing (US$ 90 million) and demurrage costs (US$ 88 million).

Additionally, other operational expenses also included the cost of US$ 117 million incurred with the consolidation of Taiwan Nickel Refining Company (TNRC), which operates a nickel refinery located in Taiwan, in which Vale has a 49.9% stake. Vale is the only supplier of nickel feed to TNRC. The consolidation of TNRC in our 4Q07 US GAAP Financial Statements is in line with the Interpretation 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 (FIN 46), issued in January 2003 by the Financial Accounting Standard Board (FASB) in the US, and revised in December 2003 (FIN 46-R).

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In 4Q07, demurrage costs fines paid for delays in loading ships at the Company s maritime terminals amounted to US$ 0.76 per metric ton of iron ore shipped, compared with an average cost of US$ 0.25 for the same period in the previous year. This reflects the strong demand for iron ore and some problems in our logistics infra-structure during 2007. Over the year our average demurrage cost was US$ 0.61 per metric ton shipped against US$ 0.26 in 2006.

The inventory adjustment resulting from the Vale Inco consolidation totaled US$ 1.062 billion in 2007, compared with US$ 946 million in 2006.

In 2007, sales, general and administrative expenses (SG&A) came to US$ 1.245 billion, US$ 304 million more than in 2006. The US$ 74 million increase in advertising was largely due to the rebranding project, US$ 53 million in expenses related to the global integration of our IT infrastructure and US$ 48 million in sales expenses.

Expenses with research and development (R&D)[5] reached US$ 733 million in 2007, rising 40.2% relative to 2006, due to the growth of investment in mineral exploration and feasibility studies.

COST OF GOODS SOLD US$ million

	Pro forma 4Q06	3Q07	4Q07	Pro forma 2006	%	2007	%
Outsourced services	**645**	**664**	**842**	**2,368**	**19.0**	**2,628**	**17.1**
Material	**572**	**596**	**621**	**1,867**	**15.0**	**2,313**	**15.0**
Energy	**503**	**575**	**650**	**1,817**	**14.6**	**2,284**	**14.8**
Fuels	312	364	415	1,107	8.9	1,406	9.1
Electric energy	191	211	235	710	5.7	878	5.7
Acquisition of products	**762**	**689**	**583**	**2,591**	**20.8**	**2,872**	**18.6**
Iron ore and pellets	188	258	227	758	6.1	976	6.3
Aluminum products	60	70	65	326	2.6	288	1.9
Nickel products	482	344	245	1,401	11.2	1,522	9.9
Other products	32	17	46	106	0.9	86	0.6
Personnel	**407**	**451**	**541**	**1,508**	**12.1**	**1,873**	**12.2**
Depreciation and exhaustion	**443**	**476**	**697**	**1,413**	**11.3**	**2,049**	**13.3**
Others	**202**	**334**	**570**	**904**	**7.3**	**1,382**	**9.0**
Total before inventory adjustment	**3,534**	**3,785**	**4,504**	**12,468**	**100.0**	**15,401**	**100.0**
Inventory adjustment FAS 141/142	**946**			**946**		**1,062**	
Total	**4,480**	**3,785**	**4,504**	**13,414**		**16,463**	

RECORD OPERATIONAL PERFORMANCE

In spite of the adverse conditions, with cost pressures caused by the depreciation of the US dollar against the Brazilian real and the Canadian dollar 17.2% and 14.4% respectively, in 2007 and price increases of equipment, labor services, spare parts and various important inputs, operational profit, as measured by adjusted EBIT, reached the record amount of US$ 13.194 billion in 2007. This signifies an increase of 40.9% in relation to the previous year s number of US$ 9.361 billion.

In 4Q07, adjusted EBIT was US$ 2.683 billion, 28.6% higher than 4Q06 at US$ 2.087 billion.

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Expenses with R&D are accounting figures. We present in the section Investments the total of US$ 741 million of R&D, in accordance to the effective cash disbursement in the year.

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The US$ 3.833 billion increment in adjusted EBIT in relation to 2006 is due to the US$ 7.240 billion increase in net revenue, offset by the US$ 3.049 billion increase in COGS, US$ 304 million with SG&A and US$ 210 million expenses with R&D.

The adjusted EBIT margin was 40.9%, 350 basis points more than the previous year.

Higher average prices were a determining factor in growing the margin.

RECORD NET EARNINGS US$ 11.8 BILLION

The net earnings of US$ 11.825 billion in 2007, equivalent to US$ 2.42 per share, on fully diluted basis, is another record. This is the fifth consecutive year of growth in net earnings, and 62.9% more than the US$ 7.260 billion of 2006.

In 4Q07, net earnings were US$ 2.573 billion, equivalent to US$ 0.52 per share, compared with US$ 1.615 billion in 4Q06.

Among the factors which had a direct impact on the US$ 4.565 billion earnings increase we can single out: (a) the US$ 3.833 billion rise in operating profit; and (b) positive variation of US$ 2.516 billion in net financial result. On the downside, income taxes jumped to US$ 3.201 billion in 2007 from US$ 1.861 billion in 2006, with a negative impact of US$ 1.340 billion on net earnings.

Income from sales of assets was US$ 777 million in 2007, as opposed to US$ 674 million in 2006. The assets sold during the year were: Usiminas, generating income of US$ 459 million, Log-In Logística, US$ 238 million, and Lion Ore, US$ 80 million.

Net financial result was positive to the amount of US$ 1.262 billion, as against the negative results of US$ 1.254 billion in 2006. This variation is due mainly to the increase of US$ 2.030 billion in income from monetary variation and US$ 1.067 billion from derivatives transactions.

Accounting income produced by the monetary variations was equal to US$ 2.559 billion in 2007, as compared with US$ 446 million in 2006. This increase is explained by the effect of the 20.7% appreciation of the Brazilian real against the US dollar on net liabilities denominated in US currency. The debt in US dollars is converted to reais using the exchange rate as of the beginning of the accounting period, December 31st, 2006, and subsequently reverted to dollars using the BRL/USD exchange rate as of the end of the accounting period, December 31st, 2007.

Operations with derivatives produced gains of US$ 925 million in 2007, against losses of US$ 142 million in 2006, a swing of US$ 1.067 billion.

The swap into US dollar of Brazilian real-linked interest rates of the non-convertible debentures issued in Brazil in December 2006 generated a positive effect of US$ 791 million in 2007, due to the appreciation of the real against the dollar.

In order to minimize the effects of the appreciation of the real on the Company s costs, we took out swap exchange contracts involving amounts equivalent to our expenses with personnel, bringing us gains of US$ 127 million in 2007. Currently, we use derivatives instruments linked to aluminum, copper, gold, platinum and gas prices, to manage cash flow volatility.

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The Board of Directors has approved hedging operations for a fraction of our aluminum and copper production for 2007 and 2008, so as to reduce the cash flow risk associated with the change in our capital structure and the increased debt after the Inco acquisition.

Hedge operations for copper generated losses of US$ 129 million in 2007, against gains of US$ 67 million in 2006, while aluminum hedge operations produced gains of US$ 146 million in 2007 against losses of US$ 209 million in 2006.

We can potentially buy nickel futures contracts to neutralize the effects of fixed price nickel sale contracts with our clients, thus maintaining our exposure to the price volatility of this metal.

Marking to market prices of shareholders debentures had a negative effect of US$ 387 million in financial income in 2007.

Expenses with gross interest totaled US$ 1.348 billion, 3.9% greater than the amount recorded in 2006, US$ 1.297 billion.

Equity income contributed with US$ 595 million, a reduction of US$ 115 million compared to the previous year, influenced by sales of assets.

Non-consolidated affiliates companies in the ferrous minerals business were responsible for 50.6% of this income, logistics 21.0%, aluminum 14.1%, coal 7.7%, steel companies 5.0% and nickel 1.5%. In individual terms, Samarco contributed most with US$ 242 million, followed by MRS Logística (US$ 117 million), MRN (US$ 84 million) and Usiminas (US$ 31 million).

CASH FLOW RECORD US$ 15.8 BILLION

In 2007, cash flow generation, as measured by adjusted EBITDA, reached a new record at US$ 15.774 billion, 37.8% more than the US$ 11.451 billion in 2006. In 4Q07 adjusted EBITDA was US$ 3.532 billion.

The main reasons for the US$ 4.323 billion adjusted EBITDA growth over 2006 are the increase in adjusted EBIT to the amount of US$ 3.833 billion and US$ 612 million increase in depreciation.

Dividends paid to Vale by non-consolidated companies affiliated companies and joint ventures were US$ 394 million, against US$ 516 million in 2006. Samarco distributed US$ 150 million to Vale, MRN, US$ 64 million, MRS, US$ 51 million, Tubarão pelletizing joint ventures, US$ 45 million, Henan Longyu, US$ 42 million, Usiminas, US$ 31 million, and CSI, US$ 11 million.

In 2007, the distribution of cash flow generation by business area was: ferrous minerals 49.3%, non-ferrous minerals 45.1%, aluminum 6.0% and logistics 3.9%, excluding expenses with R&D, which represented 4.3% of adjusted EBITDA.

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QUARTERLY ADJUSTED EBITDA US$ million

	Pro forma 4Q06	3Q07	4Q07	Pro forma 2006	2007
Net operating revenues	7,313	7,898	8,163	25,002	32,242
COGS	(4,480)				