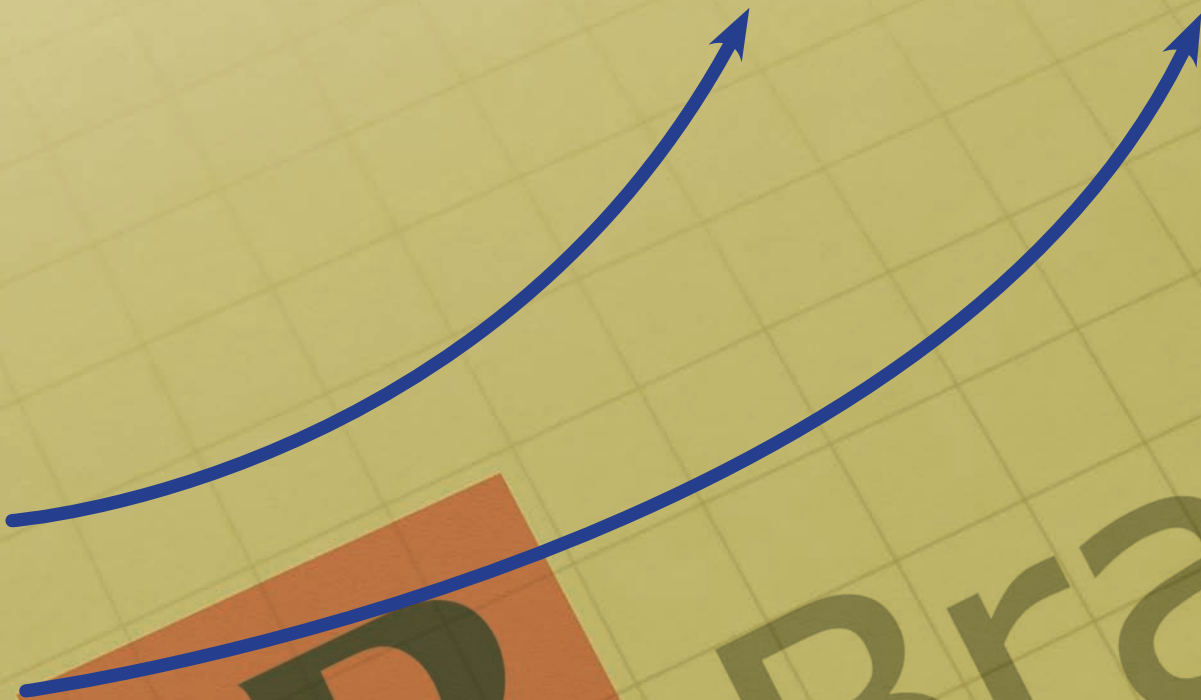


**Creation of Value  
for Stockholders**

**Result**



Brad

## Investments Appreciation

Since the Company was incorporated in March, 2000 until December 2007, BRADESPAR's net assets value grew at an annual average rate of 39.1%, while CDI increased 17.3% and Ibovespa yielded 17.8% in the same period.

<b>Net Assets Market Value</b>		(R\$ million)
	12.31.2007	2.29.2000
Valepar/VALE <sup>(1)</sup>	16,226.8	764.4
CPFL Energia <sup>(1) (2)</sup>	1,449.5	201.2
Net Serviços <sup>(1)</sup>	–	725.1
CSN <sup>(1)</sup>	–	694.2
Scopus Tecnologia <sup>(1) (2)</sup>	–	16.0
<b>Total Assets</b>	<b>17,676.3</b>	<b>2,400.9</b>
(+/-) Net Cash (Debt) <sup>(3)</sup>	313.4	(1,043.1)
<b>Net Assets Value</b>	<b>17,989.7</b>	<b>1,357.8</b>
<b>Return on Investment</b>		
	Accrued	Annual Average
Net Assets Value	1,225%	39.1%
CDI	249%	17.3%
Ibovespa	262%	17.8%

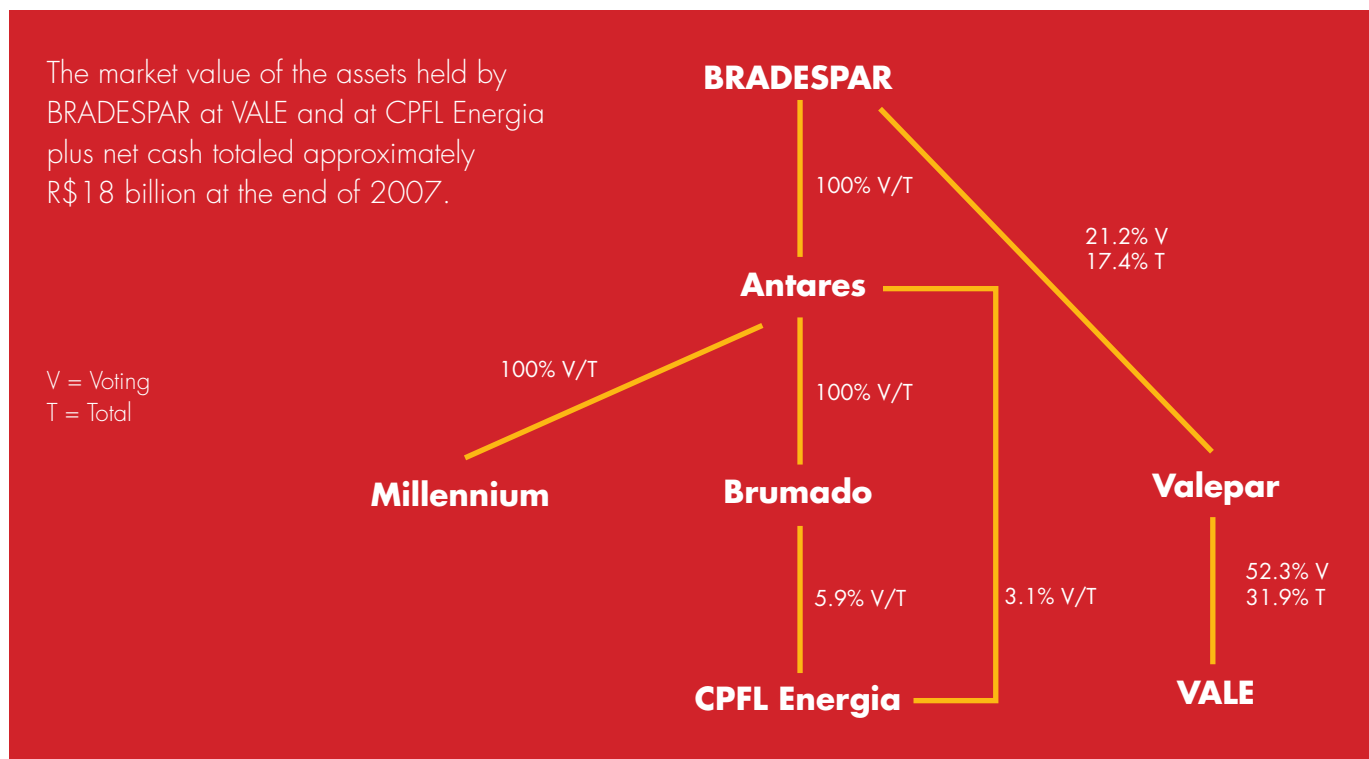
(1) Investments and divestments carried out in investees are reflected on BRADESPAR's net debt.

(2) Book value of VBC (parent company of CPFL Energia) on 2/29/2000.

(3) Net debt on 2/29/2000 adjusted by: (i) R\$500 million capital increase in 2001 (used in the debentures buyback); (ii) dividends paid by BRADESPAR in the amount of R\$28 million in 2001; (iii) capital increase in the amount of R\$1.044 billion (used in debentures buyback) in 2004; (iv) Interest on Own Capital paid by BRADESPAR in the amount of R\$180 million in 2005; (v) Interest on Own Capital paid by BRADESPAR in the amount of R\$213 million in 2006; (vi) R\$285.9 million of Interest on Own Capital and R\$99.2 million of Dividends paid by BRADESPAR in 2007. These amounts were deducted by CDI accrued from the date they were recorded up to 2/29/2000.

## Mission

To create value for its stockholders, through the combination of active investment management with effective participation in strategic decisions of the investees.



## Corporate Profile

Incorporated in March, 2000 from the partial spin-off of Banco Bradesco S.A., BRADESPAR currently focuses its investments at VALE and at CPFL Energia.

# BRADESPAR YEAR BY YEAR

## 2007

### January to May:

Administrative Restructuring by means of cost savings. In the first five months of the year, a broad administrative restructuring was carried out. As of February, BRADESPAR started to outsource its general and administrative services and, in May, the Company reduced the number of its officers appointed pursuant to Bylaws to only two officers.

## 2006

### February to April:

Bradesplan's corporate restructuring. Bradesplan transferred its stakes in Antares and Millennium to BRADESPAR through spin-off and capital decrease and its assets are represented since then by Globopar's tax credits and Euronotes.

### May:

**Sale of Bradesplan.** BRADESPAR sold 100% of the stock issued by Bradesplan, in the amount of R\$308 million, with payment in cash. The operation resulted in an increase of R\$57.7 million over the result of 2006. **Liquidation of Bonds issued by subsidiary Millennium.** US\$50 million were paid for the Bonds with funds allocated by BRADESPAR, eliminating the group's indebtedness.

### December:

**Corporate Restructuring VBC/CPFL Energia.** BRADESPAR concluded its withdrawal from VBC, becoming the direct holder of 43,049,000 of CPFL Energia's stocks, not binding upon the Stockholders' Agreement, and representing 8.97% of the capital stock, which can be freely traded.

## 2005

### March:

Conclusion of the sale of Net Serviços' stocks. In August 2004, the swap of NET's common stocks with preferred stocks was held, with the receipt of 20% controlling premium. As a result of this operation, the rights and duties of BRADESPAR in the Stockholders' Agreement of NET Serviços were extinguished. Then, BRADESPAR began the sale, at stock exchange, of preferred stocks derived from the swap and, in March 2005, the Company fully sold its stake at NET Serviços.

### September:

Secondary offering of BRADESPAR's stocks held by Espírito Santo Group. A total 9.5 million preferred stocks owned by Espírito Santo Group was sold, increasing the free float from 60.7% to 71.6%. Average daily trading volume rose 70%, from R\$ 11.5 million, in the period from January through August, to R\$ 19.6 million from September through December. **Tag along rights.** BRADESPAR extended to preferred stockholders 80% tag along rights, without prejudice to the receipt of dividends 10% higher than that for common stocks. In addition, it expanded the minority common stockholders' tag along rights from 80% to 100%.

### October:

**Minimum Dividend Policy disclosed.** Based on the cash flow and with the purpose of increasing the predictability of the minimum stockholders' remuneration related to the payment of dividends and interest on own capital, the minimum dividend policy was announced and came into force in February 2006.

## 2004

### March:

Purchase of Valepar's stocks held by Opportunity. The operation reached the amount of R\$ 376.9 million. At the same time, Elétron<sup>1</sup> underwent a spin-off, resulting in increased liquidity of BRADESPAR's stake in Valepar.

### September:

**Initial public offering of CPFL Energia.** The company's initial public offering raised more than R\$ 821 million. This operation also enabled VBC (holding of which BRADESPAR held 33.3%) to partially sell its stake in CPFL Energia in the secondary market. BRADESPAR implemented an active management strategy to its portfolio while providing higher liquidity for its stake.

### December:

**Public offering of BRADESPAR's preferred stocks.** The raising of more than R\$ 1 billion — the second largest transaction in the Brazilian capital market in 2004 — topping by 35% the 10 million lot of stocks originally offered. Thanks to that, at year-end, BRADESPAR's net debt amounted to only R\$ 46 million, compared to R\$ 1.1 billion on September 30, 2004.

(1) Elétron is a company the purpose of which was to hold interest in Valepar. Its capital pertained to Bradesplan (85.6%) and to Opportunity Group (14.4%).

## 2003

### March:

Purchase of 45% of the stocks held by Sweet River in Valepar. Amounting to R\$ 827 million, this operation enabled BRADESPAR to increase its stake in Valepar and eliminated the conflict of interests in VALE's controlling group, since, to the extent that one of the Company's main competitors held approximately 67% of the capital stock of Sweet River.

### September:

Sale of the stake in Valepar to Mitsui. The operation, which amounted to R\$ 2.5 billion, enabled BRADESPAR to amortize more than R\$ 2 billion from its debt. At the time of the operation, the sale price of the stock was equivalent to 64% premium compared to the market price of VALE's common stocks.

## 2002

### February:

Scopus Tecnologia was sold for R\$37 million.

### August:

Incorporation of CPFL Energia (the new corporate name of Draft II Participações). The holding company began to control the generation, distribution and trade businesses of CPFL Group.

### December:

Consolidation of Valepar's control over VALE, with capital increase. Valepar's stake in VALE rose from 42% to 52% of the voting capital.

## 2001

### January:

BRADESPAR Capital Increase. Amounting to R\$ 500 million, it had the participation of the Espírito Santo Group, which joined the ownership of the Company and entered into a Stockholders' Agreement.

### March:

Financial Settlement of the Unwinding of Cross-holdings of VALE and CSN's Stocks. The operation enabled VALE to focus its strategy on mining and logistics activities.

## 2000

### March:

Incorporation of BRADESPAR.

### August:

BRADESPAR starts trading its stocks on the Stock Exchange.

### September:

Public Offering of Stocks Issued by BRADESPAR by its controlling Stockholders. There was no put option in the operation, showing stockholders' confidence in the Company.



Bradespar



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# 01. MESSAGE TO STOCKHOLDERS

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In 2007, BRADESPAR maintained its successful path of consistent growth of results and creation of value for stockholders.

Net income totaled R\$1.1 billion, an increase of 41.9% when compared to 2006, while dividends and interest on own capital recorded an all-time high of R\$385.1 million, a growth of 80.8%.

This strong performance can be described and analyzed, firstly, based on the strength of the companies in which the Company invests: VALE and CPFL Energia.

Strategically positioned, with global dimension and presence, VALE, the world's second largest mining company and the largest private-sector, publicly-held company in Latin America, reached a net income of R\$20 billion in 2007, generating equity income at BRADESPAR in the amount of R\$968 million.

BRADESPAR actively participates in VALE's top management, with a permanent participation in the Company's Board of Directors and its advisory committees.

Equally important were the results achieved with the direct stake held in CPFL Energia. In 2007, BRADESPAR

received R\$140.4 million in Dividends, which compared to the equity in earnings of this subsidiary in 2006, arising from the previous indirect stake held through VBC Energia, represented an increase of 66.5%.

Another highlight was the cost savings process implemented throughout the year. Since February, BRADESPAR has been outsourcing its general and administrative services, and in May it reduced the number of its officers appointed pursuant to Bylaws to only two officers.

Reflecting the Company's good performance, BRADESPAR's preferred stocks gained 92.2% in 2007, positioning it (following the pattern of 2006) among the five best-performing stocks listed on the Ibovespa index and outperforming the gains posted by its investee companies. Consequently, the discount between Bradespar's net assets value and its market value fell for the second year in a row, from 15.2% in 2006 to 4.8% in 2007. In December 2005, this discount stood at 33.6%.

The liquidity of the Company's stocks also increased, with average daily trading volume of preferred stocks reaching R\$58.3 million, the highest since BRADESPAR's inception.

Another important aspect was the continuous concern with transparency and consistency of BRADESCAR's relationship with analysts and investors, through systematic disclosure of information and regular meetings. BRADESCAR's communication strategy is aligned with the best corporate governance practices and the Company hosted APIMEC (Association of Capital Market Investment Analysts and Professionals) meetings in the cities of São Paulo and Rio de Janeiro and attended events and meetings sponsored by several financial institutions in Brazil and abroad.

These advances demonstrate the important efforts made in recent years, which were built on a solid foundation and are the product of the total commitment of our executives as well as that of our team and outsourced staff. We are profoundly grateful to them for this commitment, and we extend this appreciation to our stockholders and investors for the confidence deposited in us.



**Lázaro de Mello Brandão**

Chairman of the Board of Directors

## 02. STRATEGY

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SELECTED PORTFOLIO

Since its inception, BRADESPAR has been efficiently developing its strategy of participating in the management of its investees and performing an active management of its portfolio, along with investments and divestments, when favorable to the stockholders interests.

Currently, BRADESPAR concentrates its efforts towards and active presence at VALE's top management, relying on representatives at the Board of Directors and in the Executive Development, Governance and Sustainability, Controllershship, Financial and Strategic Committees. This positioning provides influence over long-term decisions and expands its capacity to ensure strong growth, always taking into account the strict business management and the analysis of essential aspects of sustainability.

Additionally, BRADESPAR maintains a relevant stake in CPFL Energia, a leading company in the power distribution and trades in Brazil.

BRADESPAR has also been allocating most of the resources derived from its investees for the payment of Dividends and/or Interest on Own Equity to its stockholders.

Currently, BRADESPAR concentrates its efforts in an active presence in VALE's top management, in addition to keeping a relevant investment in CPFL Energia.

# 03. CORPORATE GOVERNANCE



TRANSPARENT INFORMATION

BRADESPAR's controlling stockholders assign great relevance to corporate values. Over time, transparency and respect to the rights of minority stockholders, social responsibility, environmental care and sustainability follow the same path of building practices.

BRADESPAR believes that a permanent dialogue with analysts, stockholders and investors is essential for the Company's success on the BVSP – São Paulo Stock Exchange. Based on this assumption, in 2007, the Company attended meetings at APIMEC in the cities of São Paulo and Rio de Janeiro, the 8th Annual CEO Conference of UBS Pactual in São Paulo, RIOsources of Merrill Lynch in Rio de Janeiro, the 11th Annual Latin American Conference of Santander Bank in Acapulco (Mexico), the 9th Foro Latibex in Madrid (Spain), in addition to hosting analysts and investors for meetings in its headquarters in São Paulo. The bimonthly disclosure of the Investors Newsletter (published since March, 2005) and quarterly reports containing consolidated information and updated analysis of results also compose the Company's communication policy with the market. Additionally, we developed a website (<http://www.bradespar.com>) which is updated, with Portuguese and English versions.

The communication with investors represents a value, grounded on the transparency derived from dialogue with the market and it tends to progressively follow the main Company's developments.

### Ownership Structure

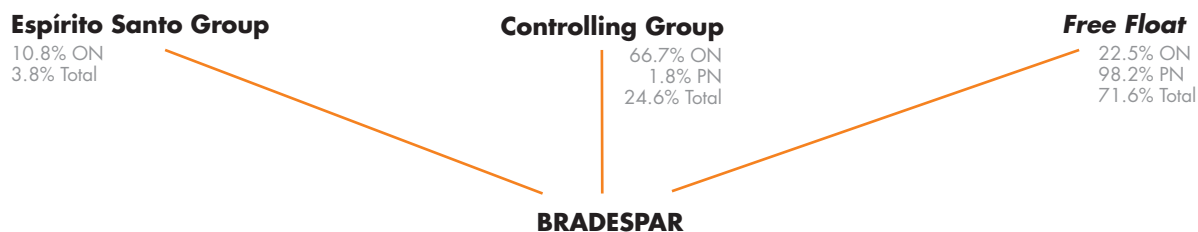
BRADESPAR is controlled by the same controlling stockholders of Banco Bradesco S.A.: a Cidade de Deus – Companhia Comercial de Participações, Nova Cidade de Deus Participações S.A. and Fundação Bradesco. Espírito Santo Group holds approximately 11% of BRADESPAR's voting capital through Banco Espírito Santo's Private Pension Fund and Gespar Participações Ltda. and it is a signatory of the Stockholders' Agreement. This percentage of stake entitles Espírito Santo Group to appoint two members to the Board of Directors.

### Tag Along

Since its inception, BRADESPAR has been standing out in the utilization of solid corporate governance practices. A good example is a Tag Along higher than that required by legislation. The common stocks are ensured to receiving 100% of the amount paid per stock of the controlling block and the preferred stocks receive 80%, and they are also entitled to receive dividends 10% above the amounts paid to common stocks.

### Stockholders' Agreement

The Stockholders' Agreement of BRADESPAR, executed in March 2001, and valid for ten years, entitles Espírito Santo Group to appoint two members to the Board of Directors, while its interest is higher than 10% of the voting capital. Should this interest be reduced, but remain between 5% and 10%, the company will have the right to appoint one board member. Excluding transfers among Espírito Santo Group companies, the Stockholders' Agreement entitles controlling stockholders to preemptive rights for purchasing the stock held by Espírito Santo Group.



On 12.31.2007, BRADESPAR's capital stock was composed of 349,689,400 shares, of which 122,664,504 are common stocks and 227,024,896 are preferred stocks.

## Board of Directors

The Board of Directors of BRADESPAR is composed of eight members whose terms of office are valid for one year, pursuant to the Bylaws. The Board members have their performance ruled by business guidance and pursuit of solutions, always emphasizing strategic issues, such as defining its risk policy and growth. In addition to electing the Chairman and Vice Chairman among themselves, they are also responsible for electing the Board of Executive Officers composed of two members, with term of office co-occurring with the one-year term of office of the Board of Directors. In 2007, the Board of Directors held 15 meetings for the exercise of their duties, set forth by Law.

## Board Members

Lázaro de Mello Brandão is the Chairman of BRADESPAR's Board of Directors and Antônio Bornia is the Vice Chairman. Mr. Brandão and Mr. Bornia are also Chairman and Vice Chairman, respectively, of the Board of Directors of Banco Bradesco S.A. and they have been being reelected for such positions since the Company's inception. Currently, the Board members are: Márcio Artur Laurelli Cypriano, CEO and member of the Board of Directors of Banco Bradesco S.A.; Mário da Silveira Teixeira Júnior, member of the Board of Directors of Banco Bradesco S.A. and Vice-Chairman of the Board of Directors of Vale; João Aguiar Alvarez and Denise Aguiar Alvarez Valente, members of the Board of Directors of Banco Bradesco S.A.; Ricardo Abecassis Espírito Santo Silva, member of the Board of Directors of Banco Espírito Santo; and Francisco Ravara Cary, manager of Banco Espírito Santo Investimento.

## Board of Executive Officers

The Board of Executive Officers of BRADESPAR comprises João Moisés de Oliveira, CEO, who is also a member of Valepar's Board of Directors and an alternate member of VALE, in addition to being a former officer of Banco Bradesco S.A. and Renato da Cruz Gomes, Investor Relations Officer, who is also a member of VALE and Valepar's Boards of Directors.

## Controlling Bodies

The Fiscal Council and External Audit correspond to the controlling bodies. The Fiscal Council is temporary and comprises three sitting members and their respective alternates. Structured as an independent body, it supervises the conduct and accounts of managers. Over the year, the Fiscal Council held seven meetings. Independent external audit is provided by Deloitte Touche Tohmatsu, which does not render any sort of services other than audit-related services.

At BRADESPAR's corporate governance model, the controlling bodies provide balance and effectiveness to the management. Therefore, they contribute to the ongoing improvement of internal controls systems and to the management of eventual conflicts.

## 04. FINANCIAL AND ECONOMIC ASPECTS



SIGNIFICANT DISTRIBUTION OF DIVIDENDS

In order to provide a better understanding of its results, BRADESPAR additionally presents financial information only consolidating its non-operating subsidiaries. The Company believes that this way of presentation is the one that better portrays its financial condition, since this method clearly separates its rights and obligations from those related to investees. This information is shown in thousands of Brazilian reais, pursuant to Brazilian Corporate Laws.

## Operating Revenue

<b>Operating Revenue</b>	(R\$ thousand)	
	<b>12.31.2007</b>	<b>12.31.2006</b>
Equity Income	968,070	761,784
Valepar/VALE	968,070	677,495
VBC	–	84,289
Non-Recurring Equity		
Income – Valepar	–	218,201
Revenue on Sale of Bradesplan	–	57,706
Dividends from CPFL Energia	140,365	–
<b>Total</b>	<b>1,108,435</b>	<b>1,037,691</b>

As an investment Company, BRADESPAR's operating revenue is generated by the equity income from VALE, the dividends and interest on own capital from CPFL Energia, and the proceeds from the sale of its stockholdings.

In 2007, BRADESPAR's operating revenue totaled R\$1.1 billion, up 6.8% on 2006, composed as follows:

- Positive result of R\$968 million related to the equity income from Valepar/VALE, 42.9% higher than a year earlier. In 2006, Valepar's non-recurring equity income was related to the merger of the stock in Caemi into VALE.
- Revenue of R\$140.4 million related to the dividends received from CPFL Energia, 66.5% higher than the equity income from VBC in 2006.

## 04. Financial and Economic Aspects

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### Statement of Income

(R\$ thousand)

	<b>12.31.2007</b>	<b>12.31.2006</b>
Equity Income Result	968,070	761,784
Non-recurring Equity Income Result	–	218,201
Income on Sale of Bradesplan	–	57,706
Dividends from CPFL Energia	140,365	–
<b>Gross Operating Revenue</b>	<b>1,108,435</b>	<b>1,037,691</b>
Payroll General and Administrative Expenses	(10,567)	(18,842)
Goodwill Amortization	(47,433)	(51,665)
Non-recurring Goodwill Amortization	–	(218,201)
Net Financial Revenue	34,567	36,320
Other Operating Revenue (Expenses)	4,032	(21,628)
<b>Operating Result</b>	<b>1,089,034</b>	<b>763,675</b>
Income Tax / Social Contribution	(4,247)	668
<b>Net Income</b>	<b>1,084,787</b>	<b>764,343</b>

### Payroll, General and Administrative Expenses

In 2007, payroll, general and administrative expenses totaled R\$10.6 million, down 43.9% on the previous year, due to the administrative restructuring implemented, with a reduction in the number of Executive Officers and employees. In February, BRADESPAR outsourced its services, and in May it reduced the number of its Officers appointed pursuant to its Bylaws to two officers.

### Expenses with Goodwill Amortization

The expenses with goodwill amortization refer only to the investments in VALE/Valepar. Considering the recurring amortization, the amount of R\$47.4 million amortized in 2007 was 8.1% lower than in the previous year. The non-recurring goodwill amortization in 2006 was related to the prepayment of future returns on investment due to the non-recurring gain from the merger of Caemi's stock into VALE.

In the fiscal year of 2007, BRADESPAR fully amortized its stock of goodwill.

### Financial Result

Net financial revenue stood at R\$34.6 million in 2007, down 4.8% in relation to 2006, due to the decline in average interest rates, which followed the variation in the CDI interbank overnight rate from 15% in 2006 to 11.8% in 2007.

## Other Operating Revenue (Expenses)

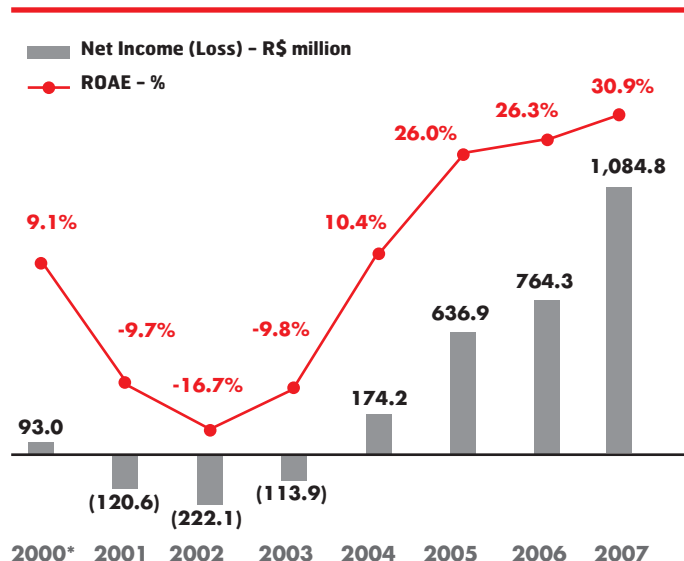
Consisting basically of tax expenses and the set up of provisions, the balance of other operating revenue (expenses) was R\$4 million positive in 2007, versus R\$21.6 million negative in the previous year. The upturn was due to the reversal of provisions for tax contingencies in the amount of R\$20.2 million in the last quarter of 2007, as a result of the favorable ruling by the Higher Court of Appeals regarding the calculating base for COFINS tax.

In 2007, BRADESPAR increased its Profit and Return on Average Equity for the fourth year in a row.

## Net Income for the Year

Due to the aforementioned aspects, net income totaled R\$1.1 billion in 2007, up 41.9% on 2006. Return on Average Equity (ROAE) stood at 30.9%, an all-time high in the Company's background.

### Net Income (R\$ million) x ROAE (%)



\*Corresponds to 10 months of activity.

Note: ROAE = Net Income/Average Shareholders' Equity

## 04. Financial and Economic Aspects

### Dividends and Interest on Own Capital

Seeking to increase the visibility of flows from dividends and/or interest on own capital, since 2005 BRADESPAR has adopted an "Indicative Policy for Minimum Annual Stockholder Remuneration", always observing the provisions of the Bylaws that determine the minimum distribution of 30% of adjusted net income.

Pursuant to this policy, on February 23, BRADESPAR announced the proposal made by the Board of Executive Officers for the payment of minimum remuneration in Brazilian reais equivalent to US\$140 million for fiscal year 2007, divided into two installments of US\$70 million paid in May and November.

The payment of the first installment on May 15, 2007 comprised (i) dividends of R\$57.3 million relative to fiscal year 2006, and (ii) R\$84.9 million as the prepayment of interest on equity relative to fiscal year 2007.

The second installment was paid on November 14, 2007 and comprised (i) dividends of R\$41.9 million and (ii) interest on own equity of R\$81 million, both as prepayment of distributions relative to fiscal year 2007.

The total amount paid in 2007 of R\$385.1 million (US\$195.8 million) was 40% higher than the amount initially announced, provided on January 8, 2007, BRADESPAR made an extraordinary payment of interest on own capital of R\$120 million relative to fiscal year 2006.

In February 2008, BRADESPAR announced the minimum distribution of US\$200 million for the current fiscal year, to be converted into Brazilian real based on the U.S. dollar sell rate (Ptax – option 5) published

by the Central Bank of Brazil on the workday prior to the Board of Directors' Meetings of April 30, 2008 and October 31, 2008. Said amount will be paid in two equal installments of US\$100 million on May 15, 2008 and November 14, 2008, with R\$172.2 million of the first installment supplementing the statutory remuneration relative to fiscal year 2007.

<b>Payment Day Div. / Interest on Own Capital</b>	<b>Amount</b>	<b>Cash Effect Year</b>	(R\$ thousand) <b>Reference Year</b>
5.30.2001	27,811	2001 (27,811)	2000 (27,811)
1.24.2005	80,000	2005 (180,000)	2004 (80,000)
11.11.2005	100,000		2005 (227,445)
5.15.2006	127,445	2006 (212,957)	2006 (262,827)
11.13.2006	85,512		
1.08.2007	120,000	2007 (385,111)	2007 (379,996)
5.15.2007	57,315		
	84,932		
11.14.2007	41,864		
	81,000		
5.15.2008*	172,200	2008 (172,200)	

\*Refers to the minimum amount to be paid on this date to reach the minimum statutory remuneration equivalent to 30% of adjusted net income for 2007.

## 05. RISK MANAGEMENT

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BRADESPAR guides its Risk Management especially concerning the identification, analysis and monitoring of uncertainties inherent to the Company's business, whose focus is the investment in equity interests.

At the end of 2006, the reduction of indebtedness to zero generated a real shield against financial risks. In 2007, the security achieved was enhanced as a result of a substantial reduction of operating costs. The concentration of assets in two large-sized solid companies (VALE and CPFL), in conformity with the strategy adopted by the Company, significantly contributed to the reduction of "business risk" at BRADESPAR. It is worth mentioning that both companies stand out as benchmark of efficient and safe management, which ensures continued expansion.

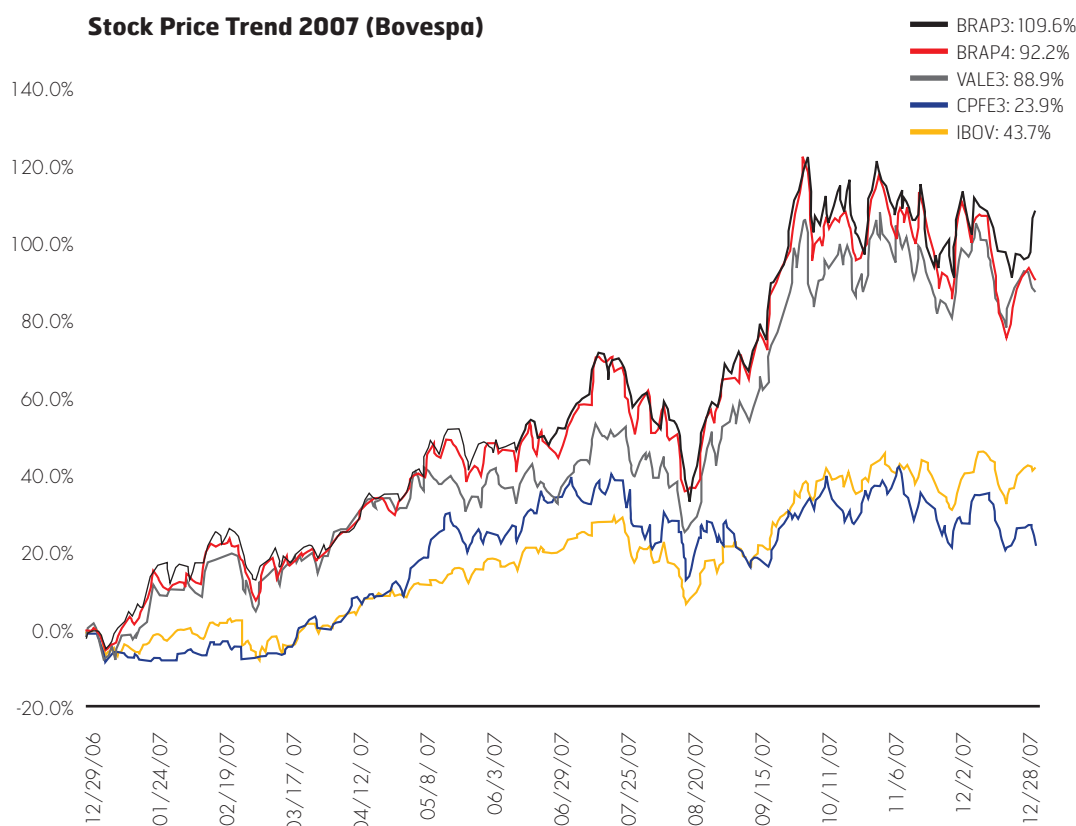
In 2007, the financial security achieved in the previous year due to the end of indebtedness was enhanced with the significant reduction of operating costs.

## 06. CAPITAL MARKET

A publicly held Company since its inception, BRADESPAR has its stocks listed on the São Paulo Stock Exchange (Bovespa) and on the Latibex (the market for investing in Latin American companies created by the Madrid Stock Exchange). The Company's stocks are also included in the Ibovespa index, which comprises the most actively traded companies in the Brazilian market, and on the IGC, an index comprising stocks of companies committed to high levels of corporate governance, following the Company's listing on the Level 1 corporate-governance segment of the Bovespa in 2001.

In 2007, for the second year in a row, BRADESPAR's common (BRAP3) and preferred (BRAP4) stocks outperformed the Ibovespa, the CDI rate and its investees VALE and CPFL Energia. Considering prices already adjusted by payments to stockholders, including dividends and interest on equity, BRAP3 and BRAP4 gained 109.6% and 92.2%, respectively, while the CDI rate and the Ibovespa index provided returns of 11.8% and 43.7%, respectively. VALE and CPFL Energia common stocks climbed by 88.9% and 23.9%, respectively.

### Price Evolution – BRAP3 x BRAP4 x VALE3 x CPFE3 x IBOV

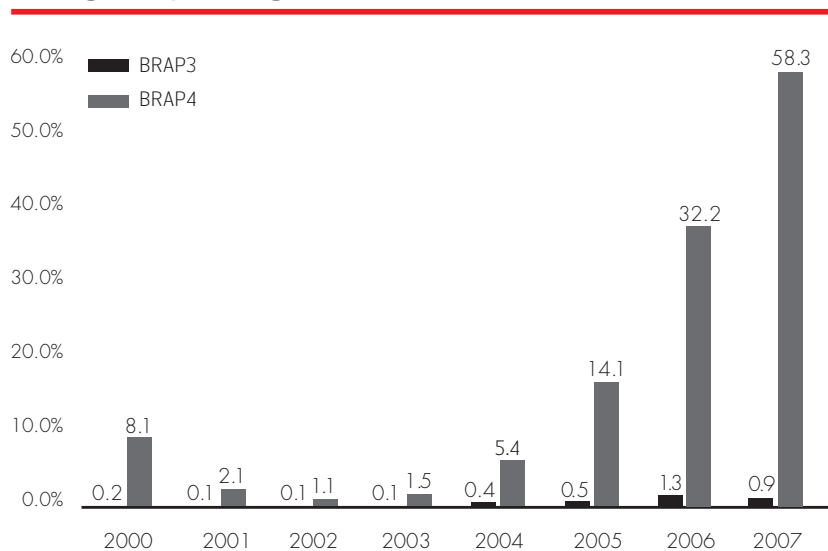


Prices adjusted by payments to stockholders, including Dividends and/or Interest on Own Capital.  
Source: Economática

## Liquidity

Average daily trading volume in BRADESPAR preferred stock (BRAP4) has improved continuously in recent years, reaching R\$58.3 million in 2007, an all-time high.

### Average Daily Trading Volume (R\$ million)



The average daily trading volume for the preferred stocks issued by BRADESPAR has been showing significant and continued evolution over the past 4 years.

## 06. Capital Market

### Premium/Discount

The market value of BRADESPAR's holdings, including net cash and excluding the control premium in its stake in VALE, came to approximately R\$18 billion on the last business day of the year, with 90.2% represented by its investment in VALE, 8.1% by its investment in CPFL Energia and 1.7% in cash. The market value of BRADESPAR in relation to that of its investees, plus net cash, represented a discount of 4.8%.

#### Bradespar's Net Asset Value x Bradespar's Market Value

Companies	Price as of 12.28.2007 (R\$/stock)	Total Stock	% of Total Capital	Bradespar's Stake		
				Market Value (R\$ thousand)	Market Value (US\$ thousand)	Market Value (EUR\$ thousand)
VALE ON <sup>(1)</sup>	59.31	273,593,964	5.56%	16,226,858	9,160,988	6,271,734
CPFL-E ON	33.67	43,049,000	8.97%	1,449,460	818,303	560,221
<b>Bradespar's Total Assets Value (A)</b>				<b>17,676,318</b>	<b>9,979,291</b>	<b>6,831,955</b>
Bradespar's Net Cash (B) <sup>(2)</sup>				313,417	176,942	121,137
<b>Bradespar's Net Asset Value (C) = (A) + (B)</b>				<b>17,989,735</b>	<b>10,156,233</b>	<b>6,953,092</b>
<b>Bradespar's Market Value (D)</b>				<b>17,123,607</b>	<b>9,667,254</b>	<b>6,618,331</b>
Common Stock (BRAP3)	51.50	122,664,504		6,317,222	3,566,433	2,441,627
Preferred Stock (BRAP4)	47.60	227,024,896		10,806,385	6,100,821	4,176,704
<b>Difference between Bradespar net asset value and market value (C) - (D)</b>				<b>866,128</b>	<b>488,979</b>	<b>334,761</b>
<b>Discount<sup>(3)</sup></b>				<b>4.8%</b>		

<sup>(1)</sup> The VALE's stock was calculated based on the percentage interest held by means of Valepar.

<sup>(2)</sup> Net cash as of December 31, 2007

<sup>(3)</sup>  $[(\text{Market Value of BRADESPAR}) / (\text{Asset Value} + \text{Net Cash})] - 1$

The discount between BRADESPAR's net assets value and its market value, which stood at 15.2% at the end of 2006, narrowed substantially to 4.8% in 2007.

#### Variation in Discount (%)



Note: Discount on last workday of each month.

The discount between BRADESPAR's net assets value and its market value was narrowed over 2007.

## 07. INFORMATION ON THE INVESTEES

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### VALE

The world's second largest mining company and the largest private-sector publicly held company in Latin America, Companhia Vale do Rio Doce – VALE has multiplied its market value by a factor of fifteen since May 1997, from US\$10 billion to approximately US\$155 billion in December 2007. A long-standing policy of regular investment in expansion has placed VALE among the 40 largest companies in the world in terms of market capitalization.

VALE is present in 16 countries distributed across five continents and employs 100,000 people, including direct and outsourced employees. It is the largest producer and exporter of iron ore in the world and Brazil's leading net exporter (exports less imports). In 2007, it accounted for 28.8% of Brazil's trade surplus.

VALE is also a leading Company in value generation to its stockholders throughout the world among the ones with market value above US\$50 billion, according to the survey "The 2007 Value Creators Report" which is yearly held by the Boston Consulting Group regarding 610 Companies in 44 countries between years 2002 and 2006. VALE's annual average return for the year amounted to 54.6%.

The figures recorded in 2007 demonstrate its strength:

- Gross revenue of R\$66.4 billion, up 42% on 2006;
- EBITDA of R\$33.6 billion, 48% higher than in 2006, consolidating the actions to increase cash flow implemented over the past few years;
- Net income of R\$20 billion, up 49% in relation to 2006.

Dividends and interest on own capital amounted to US\$1.9 billion in 2007, surpassing the previous year in 44%. In 2008, the minimum remuneration is estimated at US\$2.5 billion, 33.3% higher than the previous year.

An important development on the institutional front was the launch of the new brand in year 2007, consolidating its image as a Brazilian company with a global presence and the use of the name VALE in the many markets and countries in which the company operates.

VALE's investments will be more than doubled in the next five years, amounting to approximately US\$59 billion. Said investment will comprise the development of production of iron ore, pellet, coal, nickel, copper, bauxite, alumina, and, also, the construction of power and logistic infrastructure.

In 2005, it became the first Brazilian company to receive an investment grade rating, granted by Moody's Investors Service, Dominion Bond Rating Service, and Standard & Poor's Ratings Service (S&P). VALE is listed at the São Paulo Stock Exchange (BVSP) (Vale 3 and Vale 5), on the New York Stock Exchange (NYSE) (RIO and RIOPR) and on Labitex (XVALE e XVALO).

## Stockholders' Agreement

BRADESPAR holds interest in VALE through the joint control of Valepar, the parent company of VALE, with 52.3% of its voting capital. It has the preemptive right regarding the transfer of Valepar's stocks, has three seats in its Board of Directors and two in VALE's, and is represented in the Financial, Executive Development, Controllership, Governance and Sustainability Committees of VALE.



### VALE

Mina Gongo Soco in Barão de Cocais – MG

Over the past ten years, VALE has multiplied its market value by a factor of 15, approximately, becoming the world's second largest mining company in terms of market value.

## 07. Information on the Investees

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### **CPFL Energia**

CPFL Energia is a holding company that distributes, sells and generates electricity in Brazil, creating the largest private-sector group in Brazil's power sector.

Currently, it is controlled by Votorantim and Camargo Correia, 521 Participações S. A. (in which Previ - Banco do Brasil Employees' Pension Fund participates), and Bonaire, an investment company comprising of the following pension funds: Fundação Cesp, Fundação Petrobrás de Seguridade Social, Fundação Sistel de Seguridade Social and Fundação Sabesp de Seguridade Social.

The year 2007 marked a very special moment in the history of the CPFL Energia group. In the fiscal year, CPFL Paulista, the company from which the group was formed, completed 95 years since its founding and ten years since its privatization in 1997. The holding company CPFL Energia, which completed five years since its founding and three years since its listing on the Novo Mercado corporate-governance segment of the São Paulo Stock Exchange and on the New York Stock Exchange (NYSE), made important advances in the fiscal year, as shown below:

- Gross operating revenue of R\$14.2 billion, up 16.2% versus 2006;
- Ebtida of R\$3.3 billion, up 19.9% on the year before;
- Consolidated net income of R\$1.6 billion, an increase of 17% on 2006.

In 2007, CPFL Energia Group kept the strategy of broadening business. Assets were acquired from CMS Energy Brasil - which comprises four distributors, two companies that sell power and services, in addition

to generation assets, totaling 87 MW. CPFL Paulista subsidiary increased its client portfolio by means of acquiring assets from Cerfra - Cooperativa de Eletrificação Rural da Região de Franca – within its concession area.

The acquisitions have strengthened the strategic positioning of CPFL Energia in the market. The Company's distribution sector reached the leadership, accounting for a 13.8% share in the Brazilian market, recording sales of 35,245 GWh (+ 10.9% versus 2006) and 6.3 million clients. In this sector, its area of operations reached 568 cities from the four most important Brazilian states, which are: São Paulo, Rio Grande do Sul, Paraná and Minas Gerais.

In the trade sector, power sales for free clients and through bilateral agreements achieved 8,951 GWh, accounting for 23% market share, becoming a leader in the domestic market.

In the generation sector, in addition to acquiring 87 MW from CMS, CPFL Energia concluded the construction of UHE Campos Novos, the third large-sized power plant to start operation out of the six hydroelectric power plants projected up to 2010. Consequently, the installed power of generation in 2007 totaled 1,588 MW, which represents a growth of 48% towards 2006.

In 2008, the startup of UHEs Castro Alves (130 MW) is foreseen for July 14 (100 MW) and CPFL Energia holds 65% stake in those hydroelectric power plants. The hydroelectric power plant UHE Foz do Chapecó (855 MW) will start its operations in 2010, which is under construction in the south region of the country and CPFL Energia holds 51% stake.

Together, these new hydroelectric power plants will broaden the installed capacity of the group, from 1,588 MW in 2007 to 2,174 MW in 2010. In addition to substantially consolidating the future economic growth of the country, the Company will be positioned as an important power generator in the Brazilian market.

These indicators of success allowed the Company to announce in February 2008 the distribution of dividends equivalent to 95% of net income for 2007, in the amount of R\$1.561 billion, of which R\$842 million were prepaid over the course of last year.

In the capital market, the increase of average daily trading volume of CPFL Energia's stocks in Brazil between 2006 and 2007 was responsible for including the Company in Brazil Index 50 (IBrX50) and Bovespa Index (Ibovespa), in January and May, 2007, respectively. For the third year in a row, the Company's stocks were included in the Corporate Sustainability Index – ISE, of BVSP – São Paulo Stock Exchange, which emphasizes companies that incorporate the permanent and integrated management of environmental, social and economic aspects in its business processes.



**CPFL Energia**

Transmission Towers

Market Leader in power distribution and trade, CPFL has been also investing in power generation. New projects will increase the installed capacity of generation up to 2,174 MW by 2010, up 36.9% versus 2007.

## 08. SOCIAL RESPONSIBILITY

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Severally or jointly, BRADESPAR's investees are benchmarks of economic efficiency, sustainability and environmental balance, guided by investment policies which are compatible to development social demands.

Another point of convergence among investees is provided by the business models hold by them which are grounded on economic efficiency, sustainability and respect to the environment. Jointly, those aspects become benchmarks of investment policies aiming the development, employment generation and distribution of wealth.

Socially, they stand out for the emphasis given to the integration with communities and most varied types of public, aiming welfare, creation of training opportunities, in addition to support in cultural, health and, especially, safety at workplace and appropriate environmental practices. The purpose is to always provide stimulus and protection networks contributing for social inclusion and, hence, fighting against economic inequality.

They play core roles in social-environmental initiatives at VALE (Fundação Vale do Rio Doce), CPFL Energia, and the CPFL Program for Sustainability and Corporate Responsibility. Although with different amplitude, those initiatives corroborate the assumption which states that sustained and responsible economic growth is the result of an ethical and close relationship with community, no matter from any viewpoint these are analyzed.

## 09. OUTLOOK

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BRADESPAR prospects are essentially promising as it invests in strategic sectors for development and country integration. Evidence of this fact can be found in the upward trend of VALE, a Company, which currently relies on a consolidated global presence and positioning, being controlled by domestic groups. CPFL- Energia is also acknowledged for its success, operating in a relevant and strategic sector, which means producing and distributing power in order to supply production facilities and the population, always grounded on high quality standard. Said companies keep growing and expanding their activities over time, therefore, representing strong pillars for perpetuating the positive results generated by BRADESPAR, the same way it has been occurring over the past years, overall, and especially in 2007.

BRADESPAR investee's areas of operation are promising and a safe foundation for the continuity of positive results.

# 10. CORPORATE INFORMATION

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## **Board of Directors**

Chairman

Lázaro de Mello Brandão

Vice Chairman

Antônio Bornia

Board Members

Mário da Silveira Teixeira Júnior

Márcio Artur Laurelli Cypriano

João Aguiar Alvarez

Denise Aguiar Alvarez Valente

Ricardo Abecassis Espírito Santo Silva

Francisco Ravara Cary

## **Board of Executive Officers**

Chief of Executive Officers

João Moisés de Oliveira

Investor Relations Officer

Renato da Cruz Gomes

## **Fiscal Council**

Antonio José da Barbara

Osmar Roncolato Pinho

Manuel Maria Pulido Garcia Ferrão de Sousa

## **Headquarters**

Avenida Paulista, 1450 - 9º andar

01310-917 - São Paulo - SP

Phone: 55 11 2178-6300

Fax: 55 11 2178-6315

e-mail: [bradespar@bradespar.com](mailto:bradespar@bradespar.com)

## **Stockholder Service**

Banco Bradesco S.A.

Stocks and Trustee Department

Cidade de Deus, s/n - Prédio Amarelo,

3º andar - Vila Yara

06029-900 - Osasco - SP

Phone: 55 11 3684-9495

Fax: 55 11 3684-2944

e-mail: [4010.acecustodia@bradesco.com.br](mailto:4010.acecustodia@bradesco.com.br)

## **Independent Auditors**

Deloitte Touche Tohmatsu Auditores Independentes

## **Publication and Information**

BRADESPAR's financial statements comply with the accounting standards defined by the Brazilian Corporate Law and are published annually in newspapers of broad circulation: *Diário Oficial do Estado de São Paulo* (the Official Gazette of the State of São Paulo) and *Valor Econômico*. All material facts relating to BRADESPAR and its subsidiaries are informed to the stockholders, the regulatory authorities and bodies in Brazil, and to the market in general. Quarterly and Annual financial statements, presentations, conference calls, material facts and notices to stockholders are available on the website.

[www.bradespar.com](http://www.bradespar.com)

# 11. FINANCIAL STATEMENTS

Energia Elétrica Comprada para Revenda	-	-	183.777
Encargo de Uso dos Sistemas de Transmissão e Distribuição	-	-	67.883
Outros	-	-	-
<b>LUCRO BRUTO</b>	-	-	38.428
<b>RECEITAS (DESPESAS) OPERACIONAIS</b>	-	-	1.963.411
Resultado de Equivalência Patrimonial	1.084.787	764	89.034
Resultado de Equivalência Patrimonial Extraordinário	1.116.866	76	-
Resultado na Alienação de Investimento	-	-	-
Receitas de Dividendos	-	-	-
Despesas Gerais e Administrativas	(10.436)	-	-
Pesquisa e Desenvolvimento	-	-	-
Amortização de Ágio	(47.433)	-	-
Amortização de Ágio Extraordinária	-	-	-
Resultado Financeiro	20,3	-	-
Outras Receitas (Despesas) Operacionais	5,	-	-
<b>RESULTADO OPERACIONAL</b>	1.084,	76,	-
<b>RESULTADO NÃO OPERACIONAL</b>	-	-	-
<b>RESULTADO ANTES DA TRIBUTAÇÃO SOBRE O LUCRO</b>	1.084,	76,	343,
<b>IMPOSTO DE RENDA E CONTRIBUIÇÃO SOCIAL</b>	-	-	-
<b>PARTICIPAÇÃO MINORITÁRIA NAS CONTROLADAS</b>	-	-	-
<b>LUCRO LÍQUIDO DO EXERCÍCIO</b>	1.084.787	764.343	1,
Número de ações (mil)	349.689	87.422	-
Lucro Líquido por ação em R\$	3,10	8,74	-

Prezados Acionistas,

Em 2007, a BRADESPAR continuou de valor aos acionistas.

Se comparado ao ano anterior sobre o Capital Próprio distribuído registrados na história da Companhia.

Esses dados são

SALDOS EM 31.12.2007

LUCRO LÍQUIDO DO EXERCÍCIO

DESTINAÇÕES:

- Reservas
- Juros sobre aplicações
- Juros sobre empréstimos

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**Balance Sheets as of December 31, 2007 and 2006**

(In thousands of Brazilian reais - R\$)

Assets	Company		Consolidated holding		Consolidated	
	2007	2006	2007	2006	2007	2006
<b>Current Assets</b>	<b>355,133</b>	<b>359,062</b>	<b>313,419</b>	<b>366,700</b>	<b>1,512,820</b>	<b>1,906,881</b>
Cash and cash equivalents (Note 6)	304,930	281,683	313,417	366,700	434,015	921,158
Inventories (Note 7)	-	-	-	-	410,904	360,591
Trade accounts receivable (Note 8)	50,201	77,379	-	-	417,312	457,233
Allowance for doubtful accounts	-	-	-	-	(11,256)	(6,962)
Recoverable taxes (Note 10)	-	-	-	-	127,980	57,891
Deferred income and social contribution taxes (Note 9)	-	-	-	-	61,372	50,106
Other	2	-	2	-	72,493	66,864
<b>Noncurrent Assets</b>	<b>3,773,215</b>	<b>3,073,334</b>	<b>3,817,045</b>	<b>3,065,696</b>	<b>6,884,442</b>	<b>6,097,254</b>
<b>Long-term Assets</b>	<b>82,898</b>	<b>86,139</b>	<b>96,723</b>	<b>97,521</b>	<b>377,651</b>	<b>479,143</b>
Trade accounts receivable (Note 8)	-	-	-	-	301	623
Loans and financing	-	-	-	-	12,783	13,248
Escrow deposits (Note 15)	-	-	-	-	48,917	50,415
Prepaid expenses	-	-	-	-	83,510	45,916
Recoverable taxes (Note 10)	47,896	51,137	61,721	62,519	90,030	108,322
Deferred income and social contribution taxes (Note 9)	35,002	35,002	35,002	35,002	62,292	191,208
Deferred losses on derivative transactions	-	-	-	-	67,430	-
Other	-	-	-	-	12,388	69,411
<b>Permanent Assets</b>	<b>3,690,317</b>	<b>2,987,195</b>	<b>3,720,322</b>	<b>2,968,175</b>	<b>6,506,791</b>	<b>5,618,111</b>
Investments (Note 12)	3,690,157	2,986,970	3,720,162	2,967,950	1,293,333	1,215,325
Property, plant and equipment (Note 13)	158	222	158	222	5,206,533	4,394,290
Deferred charges	2	3	2	3	6,925	8,496
<b>Total Assets</b>	<b>4,128,348</b>	<b>3,432,396</b>	<b>4,130,464</b>	<b>3,432,396</b>	<b>8,397,262</b>	<b>8,004,135</b>

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

**Balance Sheets as of December 31, 2007 and 2006**

(In thousands of Brazilian reais - R\$)

Liabilities and Shareholders' Equity	Company		Consolidated holding		Consolidated	
	2007	2006	2007	2006	2007	2006
<b>Current Liabilities</b>	201,067	205,128	203,183	205,128	1,029,422	966,910
Loans and financing (Note 14)	-	-	-	-	190,311	207,273
Trade accounts payable	-	-	-	-	243,103	272,779
Payroll and related charges	-	107	-	107	76,097	56,780
Taxes payable	69	13,255	2,185	13,255	161,168	135,954
Accrued interest on capital and dividends (Note 16)	174,356	165,268	174,356	165,268	174,356	165,268
Pension plan (Note 18)	-	-	-	-	13,135	13,022
Other	26,642	26,498	26,642	26,498	171,252	115,834
<b>Noncurrent Liabilities</b>	70,883	75,661	70,883	75,661	3,246,286	3,545,862
<b>Long-term Liabilities</b>	70,883	75,661	70,883	75,661	3,241,019	3,545,466
Loans and financing (Note 14)	-	-	-	-	1,836,906	2,604,588
Reserve for contingencies (Note 15)	70,883	75,661	70,883	75,661	318,407	210,908
Pension plan (Note 18)	-	-	-	-	215,596	233,147
Provision for asset retirement	-	-	-	-	93,361	-
Deferred income and social contribution taxes (Note 9)	-	-	-	-	457,065	244,527
Other payables	-	-	-	-	319,684	252,296
Deferred income	-	-	-	-	5,267	396
Minority interest	-	-	-	-	265,156	339,756
<b>Shareholders' Equity</b>	3,856,398	3,151,607	3,856,398	3,151,607	3,856,398	3,151,607
Capital (Note 16a)	3,000,000	2,045,000	3,000,000	2,045,000	3,000,000	2,045,000
Profit Reserves (16c)	856,398	1,106,607	856,398	1,106,607	856,398	1,106,607
<b>Total Liabilities And Shareholders' Equity</b>	4,128,348	3,432,396	4,130,464	3,432,396	8,397,262	8,004,135

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

**Statements of Income for the years ended december 31, 2007 and 2006**(In thousands of Brazilian reais - R\$,  
except earnings per thousand shares)

	Company		Consolidated holding		Consolidated	
	2007	2006	2007	2006	2007	2006
Gross Revenue From Sales And Services	-	-	-	-	3,758,457	3,934,877
Iron ore and pellets	-	-	-	-	3,132,707	2,045,839
Railroad and port services	-	-	-	-	197,988	192,779
Sale of aluminum	-	-	-	-	313,033	313,260
Sale of steel products	-	-	-	-	70,657	83,679
Sale of electricity to distributors	-	-	-	-	-	1,148,068
Sale of electricity to final consumers	-	-	-	-	-	53,490
Other products and services	-	-	-	-	44,072	97,762
Taxes on sales and other deductions	-	-	-	-	91,773	432,097
Net revenue from sales and services	-	-	-	-	3,666,684	3,502,780
Other Products And Services	-	-	-	-	1,703,237	1,713,461
Minerals and metals	-	-	-	-	1,290,348	825,356
Railroad and port services	-	-	-	-	122,801	100,211
Aluminum	-	-	-	-	183,777	170,586
Iron and steel products	-	-	-	-	67,883	69,695
Electricity purchased for resale	-	-	-	-	-	352,264
Transmission and distribution network usage charge	-	-	-	-	-	88,066
Other	-	-	-	-	38,428	107,283
Gross profit	-	-	-	-	1,963,447	1,789,319
Operating income (expenses)	1,084,787	764,343	1,089,034	763,675	(385,273)	(617,984)
Equity in subsidiaries (Note 12)	1,116,866	760,762	968,070	761,784	1,755	20,616
Extraordinary equity in subsidiaries (Note 12)	-	218,201	-	218,201	-	218,201
Proceeds from sale of investments (Note 12)	-	57,706	-	57,706	82,526	126,325
Income from dividends (Note 12)	-	-	140,365	-	140,365	-
General and administrative expenses	(10,436)	(17,213)	(10,567)	(18,842)	(112,703)	(177,577)
Research and development	-	-	-	-	(79,093)	(58,994)
Goodwill amortization (Note 12)	(47,433)	(51,605)	(47,433)	(51,665)	(247,601)	(158,897)
Extraordinary goodwill amortization (Note 12)	-	(218,201)	-	(218,201)	-	(218,201)
Financial income (expenses)	20,362	28,039	34,567	36,320	50,301	(146,659)
Other operating income (expenses)	5,428	(13,346)	4,032	(21,628)	(220,823)	(222,798)
Income from operations	1,084,787	764,343	1,089,034	763,675	1,578,174	1,171,335
Nonoperating expenses, net	-	-	-	-	-	(68,496)
Income before taxes on income	1,084,787	764,343	1,089,034	763,675	1,578,174	1,102,839
Income and social contribution taxes	-	-	(4,247)	668	(405,408)	(275,693)
Minority interest	-	-	-	-	(87,979)	(62,803)
Net income	1,084,787	764,343	1,084,787	764,343	1,084,787	764,343
Number of shares (thousands)	349,689	87,422				
Earnings per thousand shares - R\$	3.10	8.74				

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

**Statements Of Changes In Financial Position for the years ended december 31, 2007 and 2006**(In thousands of  
Brazilian reais - R\$)

	Company		Consolidated holding		Consolidated	
	2007	2006	2007	2006	2007	2006
Sources of Funds	419,612	654,142	368,144	553,074	1,837,995	3,533,012
Net income	1,084,787	764,343	1,084,787	764,343	1,084,787	764,343
Items not affecting working capital	(1,069,953)	(818,777)	(921,832)	(905,263)	483,829	116,849
Depreciation and amortization	65	77	65	77	233,269	124,803
Monetary variations and interest on long-term items	(585)	(2,216)	(1,260)	(6,009)	(367,457)	(33,411)
Equity in subsidiaries (Note 12)	(1,116,866)	(760,762)	(968,070)	(761,784)	(1,755)	(20,616)
Extraordinary equity in subsidiaries (Note 12)	-	(218,201)	-	(218,201)	-	(218,201)
Goodwill amortization (Note 12)	47,433	51,605	47,433	51,665	247,601	158,897
Extraordinary goodwill amortization (Note 12)	-	218,201	-	218,201	-	218,201
Gains on sale of investments (Note 12)	-	(57,706)	-	(57,706)	(82,526)	(126,325)
Reserve for contingencies (Note 15)	-	-	-	-	102,137	-
Unrealized losses on financial instruments	-	-	-	-	(97,097)	-
Deferred income and social contribution taxes - long term (Note 9)	-	-	-	-	413,471	-
Other	-	(49,775)	-	(131,506)	36,186	13,501
Change in Minority Interest	-	-	-	-	87,979	62,803
From Third Parties	404,778	708,576	205,189	693,994	181,400	2,589,017
Increase in long-term liabilities	-	61,032	-	218,185	-	2,096,552
Sale and disposal of investments (Note 12)	-	411,511	-	308,000	84,925	392,302
Interest on capital/dividends received and/or accrued	396,795	234,245	198,974	167,809	7,587	7,926
Decrease in long-term assets	7,983	1,788	6,215	-	-	-
Other	-	-	-	-	88,888	92,237
Uses Of Funds	419,480	451,641	419,480	299,126	2,294,568	2,666,620
Increase in long-term assets	-	-	-	36,278	44,878	58,648
Proposed interest on capital/dividends (Note 16b)	379,996	262,827	379,996	262,827	379,996	262,827
Investments (Note 12)	30,549	188,796	30,549	3	32,271	1,616,519
Property, plant and equipment (Note 13)	-	18	-	18	1,439,702	534,082
Decrease in long-term liabilities	8,935	-	8,935	-	321,855	-
Other	-	-	-	-	75,866	194,544
Increase (Decrease) in Working Capital	132	202,501	(51,336)	253,948	(456,573)	866,392
Represented By						
Current assets	(3,929)	252,569	(53,281)	68,722	(394,061)	388,627
At beginning of year	359,062	106,493	366,700	297,978	1,906,881	1,518,254
At end of year	355,133	359,062	313,419	366,700	1,512,820	1,906,881
Current liabilities	(4,061)	50,068	(1,945)	(185,226)	62,512	(477,765)
At beginning of year	205,128	155,060	205,128	390,354	966,910	1,444,675
At end of year	201,067	205,128	203,183	205,128	1,029,422	966,910
Increase (Decrease) in Working Capital	132	202,501	(51,336)	253,948	(456,573)	866,392

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

**Statements of Changes in Shareholders' Equity for the years ended December 31, 2007 and 2006**(In thousands of  
Brazilian reais - R\$)

Events	Profit reserves			Retained earnings	Total
	Capital	Legal	For capital increase		
Balances As Of December 31, 2005	2,045,000	45,211	559,880	–	2,650,091
Net income	–	–	–	764,343	764,343
Allocations:					
– Reserves (Note 16)	–	38,217	463,299	(501,516)	–
– Interim interest on capital – paid in November 2006 (Note 16)	–	–	–	(85,512)	(85,512)
– Proposed interest on capital (Note 16)	–	–	–	(120,000)	(120,000)
– Proposed interest on capital (Note 16)	–	–	–	(57,315)	(57,315)
Balances as of December 31, 2006	2,045,000	83,428	1,023,179	–	3,151,607
Capital increase with reserves (Note 16)	955,000	–	(955,000)	–	–
Net income	–	–	–	1,084,787	1,084,787
Allocations:					
– Reserves (Note 16)	–	54,240	650,551	(704,791)	–
– Interim interest on capital – paid in November 2007 (Note 16)	–	–	–	(165,932)	(165,932)
– Interim dividends – paid in November 2007 (Note 16)	–	–	–	(41,864)	(41,864)
– Proposed interest on capital (Note 16)	–	–	–	(172,200)	(172,200)
Balances as of December 31, 2007	3,000,000	137,668	718,730	–	3,856,398

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

**Statements Of Cash Flows For the years ended December 31, 2007 and 2006**

(In thousands of Brazilian reais - R\$)

	Company		Consolidated Holding		Consolidated	
	2007	2006	2007	2006	2007	2006
Operating Activities						
Net Income	1,084,787	764,343	1,084,787	764,343	1,084,787	764,343
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation, amortization and depletion (Note 13)	-	77	-	77	233,269	155,419
Proceeds from barter/sale of investments and property, plant and equipment	-	(57,706)	-	(57,706)	(82,526)	(126,325)
Current/deferred income and social contribution taxes (Note 9)	-	-	4,247	(668)	(99,418)	74,818
Interest, monetary and exchange variations, net	-	(2,216)	(1,258)	(2,787)	(293,003)	101,269
Goodwill amortization (Note 12)	47,433	51,605	47,433	51,665	247,601	158,897
Extraordinary goodwill amortization (Note 12)	-	218,201	-	218,201	-	218,201
Equity in subsidiaries (Note 12)	(1,116,866)	(760,762)	(968,070)	(761,784)	(1,755)	(20,616)
Extraordinary equity in subsidiaries (Note 12)	-	(218,201)	-	(218,201)	-	(218,201)
Dividends received from investment stated at cost	-	-	(140,365)	-	(140,365)	-
Reserve for contingencies (Note 15)	-	-	-	-	81,864	-
Unrealized losses on derivatives	-	-	-	-	(97,097)	-
Change in minority interest	-	-	-	-	87,979	62,803
Other	(7,144)	11,769	(6,547)	16,835	49,218	(74,312)
Changes in assets and liabilities:						
Decrease in securities	-	-	-	109,650	-	109,650
(Increase) decrease in other assets	(4,067)	(4,033)	(6,906)	38,236	(40,387)	(276,609)
Barter/sale of investments (Note 12)	-	308,000	-	308,000	84,925	404,670
Acquisition of investments	-	(5,001)	-	(3)	(390,428)	(1,667,741)
Interest on capital and dividends received	372,474	144,582	287,839	247,328	147,952	13,942
Increase (decrease) in other liabilities	(683)	(879)	(1,756)	(11,388)	78,527	(25,589)
Net cash provided by (used in) operating activities	375,934	449,779	299,404	701,798	951,143	(345,381)
Investing activities:						
Sale of property, plant and equipment and deferred charges	-	-	-	-	-	12,473
Purchase of property, plant and equipment and deferred charges	-	(18)	-	(18)	(745,017)	(643,720)
Net cash used in investing activities	-	(18)	-	(18)	(745,017)	(631,247)
Financing activities:						
Loans (Note 14)	-	-	-	(107,015)	(449,422)	1,786,583
Issue of securities/payment of securities abroad	-	-	-	(114,415)	203,871	(114,415)
Interest on capital and dividends paid (Note 16)	(352,687)	(188,257)	(352,687)	(188,257)	(352,687)	(188,257)
Other	-	-	-	(10,378)	(95,031)	(27,340)
Net cash provided by (used in) financing activities	(352,687)	(188,257)	(352,687)	(420,065)	(693,269)	1,456,571
Increase (Decrease) In Cash And Cash Equivalents	23,247	261,504	(53,283)	281,715	(487,143)	479,943
Changes In Cash and Cash Equivalents, Net						
At beginning of year	281,683	20,179	366,700	84,985	921,158	441,215
At end of year	304,930	281,683	313,417	366,700	434,015	921,158
Increase (Decrease) in Cash and Cash Equivalents	23,247	261,504	(53,283)	281,715	(487,143)	479,943

## Notes To The Financial Statements

(Amounts in millions of Brazilian reais - R\$, unless otherwise stated)

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### 1. Operations

Bradespar S.A. (the "Company" or "Bradespar") holds equity interest in other companies as a partner or shareholder.

Direct and indirect investments are held in the following companies:

a) Millennium Security Holdings Corp. ("Millennium")

The main activity of this company is to participate in any acts or activities which are not prohibited by the legislation in force in the British Virgin Islands.

b) Antares Holdings Ltda. ("Antares")

Antares is engaged in the management, lease, purchase and sale of owned assets and investments in other companies as a shareholder.

c) Brumado Holdings Ltda. ("Brumado")

Brumado holds equity interest in other companies as a partner or shareholder.

d) Valepar S.A. ("Valepar")

The sole activity of Valepar is to hold an equity interest in Companhia Vale do Rio Doce ("VALE").

e) Companhia Vale do Rio Doce ("VALE")

VALE is a publicly-traded corporation engaged in the mining, processing and sale of iron ore, pellets, copper and potassium, provision of logistics services, generation of electric power and mining research and development. In addition, through its direct and indirect subsidiaries and jointly-owned subsidiaries, it operates in the following business segments: iron ore, pellets, manganese, ferroalloys, kaolin, iron and steel products, aluminum products and logistics services.

f) CPFL Energia S.A. ("CPFL Energia" or "CPFL")

CPFL Energia is a publicly-traded company that acts as a holding company, investing in other companies engaged in the distribution, generation and sale of electric power. On December 15, 2006, Bradespar concluded the agreement signed on August 10 with Votorantim Energia Ltda. and Camargo Corrêa Energia S.A., pursuant to Significant Event Notice published in the media, and restructured its investments involving the shares of CPFL, which were previously held directly and indirectly by the parties through VBC Participações S.A. and VBC Energia S.A. As a result, Bradespar withdrew, from the Group that controls CPFL, VBC Energia S.A., which is now equally held by Votorantim Energia Ltda. and Camargo Corrêa Energia S.A., and Bradespar began holding only shares in CPFL.

### 2. Presentation of the Financial Statements

We present herein the financial statements of Bradespar (Company) and Bradespar and its subsidiaries and jointly-owned subsidiaries (consolidated) for the years ended December 31, 2007 and 2006.

The financial statements of Bradespar S.A. and its holding subsidiaries (consolidated holding) (note 21) are presented for purposes of supplemental information and are not a required part of the financial statements of Bradespar.

The consolidated holding financial statements include Bradespar, Millennium, Antares, Brumado, Malta and Bradesplan; the latter two companies were considered for consolidation purposes only up to the date of their spin-off or sale (note 12.b), items (8) and (9)).

The individual and consolidated financial statements have been prepared and are presented in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM).

Accounting estimates used in the preparation of the financial statements for deferred taxes, reserves and contingent liabilities were based on the best evidence available and assumptions existing at the balance sheet dates. Actual results could differ from those estimates.

### **3. Significant Accounting Practices**

#### **a) CURRENT AND NONCURRENT ASSETS - LONG-TERM ASSETS**

Stated at cost, including, when applicable, income earned and monetary and exchange variations (on a daily "pro rata" basis), adjusted to their probable realization amounts, when applicable.

Tax credits are stated at probable realizable values resulting from tax loss carryforwards and temporary differences and are recognized, when applicable, in current assets and long-term assets.

##### **I. Cash and cash equivalents**

Include cash, bank deposits, and temporary cash investments, which are stated at cost plus income earned through the balance sheet dates.

##### **II. Allowance for doubtful accounts (VALE)**

Recognized in an amount considered sufficient by Management to cover losses on the realization of receivables. The estimated amount of the allowance for doubtful accounts can change due to Management's assessment of recoverability of receivables and changes in customers' financial position.

##### **III. Inventories (VALE)**

Stated at average cost of acquisition or production and imports in transit are carried at acquisition cost, which does not exceed market or realizable values.

##### **IV. Costs of mining research and development (VALE)**

Considered to be operating expenses until the economic feasibility of a certain natural deposit is determined. After that, costs begin to be capitalized as cost of development of mine.

In the mine development stage, waste removal expenses are recorded as part of development costs. After the start of the mine production, ore extraction expenses are treated as production cost.

#### **b) PERMANENT ASSETS**

Stated at cost of acquisition, considering the following:

**Investments**

I. Significant investments in affiliates, subsidiaries and jointly-owned subsidiaries are accounted for under the equity method of accounting, plus/less unamortized goodwill/negative goodwill and provision for losses, when applicable. Other investments are stated at cost, less provision for losses, when applicable.

II. The financial statements of foreign subsidiaries are translated into Brazilian reais at the exchange rate prevailing on the balance sheet date, and related exchange variations are recorded as operating income (expenses).

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

Stated at historical cost plus monetary adjustment through December 31, 1995 and financial charges incurred during the construction period. Depreciation is calculated under the straight-line method based on the estimated useful lives of the assets. Depletion of natural deposits is recorded based on actual production-estimated capacity ratio.

**Intangible assets (VALE)**

Stated at acquisition cost, less accumulated amortization and provision for losses, if applicable. Those refer basically to goodwill paid based on the future earnings of Vale Inco, Caemi, MBR and Vale Australia. In the consolidated financial statements, intangible assets are under the caption "Investments", in permanent assets.

**c) CURRENT AND NONCURRENT LIABILITIES - LONG-TERM LIABILITIES**

Stated at known or estimated amounts, plus, if applicable, related charges and monetary and exchange variations incurred on a "pro rata" basis.

The provision for income tax is recorded at the rate of 15%, plus a 10% surtax when applicable.

The provision for social contribution tax is calculated at the rate of 9% on taxable income before income tax. Provisions for other taxes were recognized in accordance with prevailing legislation.

**d) CONTINGENT ASSETS AND LIABILITIES AND LEGAL OBLIGATIONS - TAXES AND SOCIAL SECURITY**

Contingent assets and liabilities are measured, recorded and disclosed according to the criteria established by CVM Resolution No. 489/05.

- Contingent assets: are not accounted for, unless Management has total control over the situation or when there is assurance of favorable, final and unappealable judicial decision, indicating that a favorable outcome is practically certain. Contingent assets with probable favorable outcome are merely disclosed in the financial statements.

- Contingent liabilities: are recorded taking into consideration the legal counsel's opinion, nature of the lawsuits, similarity with prior lawsuits, complexity and prior court decisions, whenever the risk of loss is assessed as probable, with probable outflow of funds to settle obligations, and when the amounts involved can be reliably measured. Contingent liabilities assessed as possible losses are not accounted for and are merely disclosed in the notes to the financial statements, and contingent liabilities assessed as remote losses do not require reserve and disclosure.

• Legal obligations - taxes and social security: arise from lawsuits in which the legality or constitutionality of taxes is challenged. Regardless of the assessment of the likelihood of a favorable outcome, the total amount of these lawsuits is recorded in the financial statements.

#### e) RESULTS OF OPERATIONS

Determined on the accrual basis of accounting.

### 4. Consolidated Financial Statements

a) The consolidated financial statements have been prepared in accordance with consolidation principles established by Law No. 6,404/76 and standards of the CVM. In consolidation, intercompany accounts and transactions and unrealized profits were eliminated; minority interest was reported separately in shareholders' equity and statement of income.

b) In the case of investments in jointly-owned subsidiaries, components of assets and liabilities, income and expenses are included in the consolidated financial statements proportionately to the Company's interest in each subsidiary.

Bradespar's consolidated financial statements include the following direct and indirect subsidiaries and jointly-owned subsidiaries:

Companies	December 31	
	Bradespar's direct and indirect ownership interest - %	
	2007	2006
- Antares Holdings Ltda. <sup>(1)</sup>	100.00	100.00
- Millennium Security Holdings Corp. <sup>(1)</sup>	100.00	100.00
- Brumado Holdings S.A. <sup>(1)</sup>	100.00	100.00
- Valepar S.A. <sup>(2)</sup>	17.44	17.44
- Vale and its subsidiaries <sup>(2)</sup>	5.66	5.66

<sup>(1)</sup>Included in consolidated holding.

<sup>(2)</sup>The control of these companies is shared with other shareholders.

## 5. Condensed Balance Sheets and Statements of Income of Jointly-Owned Subsidiaries

Following are the balance sheets and statements of income of the main indirect jointly-owned subsidiaries of Bradespar as of December 31:

### Balance sheets

	VALE		VALEPAR	
	2007	2006	2007	2006
Assets				
Current assets	21,153	27,169	1,553	1,046
Noncurrent assets - long-term assets	4,962	6,691	–	8
Noncurrent assets - permanent assets	106,784	89,149	19,886	15,299
Total	<u>132,899</u>	<u>123,009</u>	<u>21,439</u>	<u>16,353</u>
Liabilities				
Current liabilities	19,346	16,644	1,543	1,035
Noncurrent liabilities - long-term liabilities	51,747	61,259	384	–
Noncurrent liabilities - deferred income	93	7	–	–
Minority interest	4,683	6,001	–	–
Shareholders' equity and capitalizable funds	57,030	39,098	19,512	15,318
Total	<u>132,899</u>	<u>123,009</u>	<u>21,439</u>	<u>16,353</u>
% direct and indirect ownership	5.66%	5.66%	17.44%	17.44%

### Statements of income

	VALE		VALEPAR		VBC <sup>(*)</sup>	
	2007	2006	2007	2006	2007	2006
Gross revenue from sales and services	66,385	46,746	–	–	–	3,865
Taxes on sales and services	(1,621)	(1,454)	–	–	–	(1,049)
Cost of sales and services	64,764	45,292	–	–	–	2,816
Net revenue from sales and services	(30,084)	(20,756)	–	–	–	(1,615)
Gross profit	34,680	24,536	–	–	–	1,201
Operating expenses, net	(5,365)	(4,447)	(827)	(246)	–	(479)
Financial income (expenses), net	277	(1,745)	–	1	–	(253)
Equity in subsidiaries	(2,405)	(199)	6,494	4,244	–	–
Capital gain	–	–	–	1,254	–	–
Income from operations	27,187	18,145	5,667	5,253	–	469
Nonoperating income (expenses)	1,458	(215)	–	–	–	37
Income before taxes on income	28,645	17,930	5,667	5,253	–	506
Income and social contribution taxes	(7,085)	(3,390)	–	–	–	(253)
Minority interest	(1,554)	(1,109)	–	–	–	–
Net income	<u>20,006</u>	<u>13,431</u>	<u>5,667</u>	<u>5,253</u>	<u>–</u>	<u>253</u>

<sup>(\*)</sup> Since November 21, 2006, Bradespar is no longer consolidating VBC (see note 12.c), item (1)), and equity pick-up in earnings was recorded through that date.

VALE and VBC are publicly-traded companies and, therefore, file their financial statements with CVM. Thus, detailed information on these companies as of December 31, 2007 and 2006 can be obtained directly from the CVM website at [www.cvm.gov.br](http://www.cvm.gov.br).

## 6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	COMPANY		CONSOLIDATED HOLDING		CONSOLIDATED	
	2007	2006	2007	2006	2007	2006
Financial investment funds	305	282	313	367	313	367
Investments with yield based on the interbank deposit rate (CDI)	-	-	-	-	19	37
Overnight investments/time deposits	-	-	-	-	56	324
Other	-	-	-	-	46	193
Total	<u>305</u>	<u>282</u>	<u>313</u>	<u>367</u>	<u>434</u>	<u>921</u>

## 7. Inventories (Consolidated)

Inventories are composed principally of VALE's inventory:

	2007	2006
Finished products	290	244
Spare parts and maintenance materials	121	117
Total	<u>411</u>	<u>361</u>

## 8. Trade Accounts Receivable (Current and Long Term)

	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
Interest on capital/dividends receivable	50	77	-	-
Transactions of VALE	-	-	415	456
Other	-	-	2	1
Total	<u>50</u>	<u>77</u>	<u>417</u>	<u>457</u>

## 9. Deferred Income and Social Contribution Tax Assets and Liabilities

Current and long term	December 31		
	<u>VALE<sup>(1)</sup></u>	<u>CONSOLIDATED HOLDING<sup>(3)</sup></u>	<u>TOTAL</u>
2007	(368)	35	(333)
2006	(38)	35	(3)

### (1) VALE

VALE's income is subject to the common taxation regime applicable to companies in general. Deferred tax assets and liabilities arising from tax loss carryforwards and temporary differences are recorded taking into consideration the analysis of future results, based on financial projections prepared using internal assumptions and macroeconomic, commercial and tax scenarios subject to changes in the future.

The realization of these temporary differences, which will occur at the time of the respective taxable events, is expected as follows:

Years	<u>AS OF DECEMBER 31 NET TAX CREDITS</u>
2008	61
2009	(20)
2010	(12)
2011	(15)
2012	(27)
2013	(24)
2014	(25)
2015	(27)
2016	(25)
2017	(254)
	<u>(368)</u>

Income and social contribution taxes that affected income, considering the total balance and not the proportional balance of Bradespar, are as follows:

**CONSOLIDATED – VALE**

	<u>2007</u>	<u>2006</u>
Income before income and social contribution taxes	28,645	17,930
Equity in subsidiaries	<u>2,405</u>	<u>199</u>
	<b>31,050</b>	<b>18,129</b>
Combined income and social contribution tax rate	<u>34%</u>	<u>34%</u>
Income and social contribution taxes at statutory tax rates	(10,557)	(6,164)
Adjustments to net income:		
– Income and social contribution taxes on interest on capital	839	734
– Tax incentives	306	318
– Income of foreign companies taxed at rates different from rates applicable to the Company	2,549	1,739
– Tax incentive - tax rate reduction	80	96
– Other	<u>(302)</u>	<u>(113)</u>
Income and social contribution taxes	<u>(7,085)</u>	<u>(3,390)</u>

**(2) COMPANY**

a) Calculation of income and social contribution tax charges:

**Income and Social Contribution Taxes**

	<u>2007</u>	<u>2006</u>
Income before income and social contribution taxes	1,085	764
Income and social contribution taxes at the statutory rates of 25% and 9%, respectively	(369)	(260)
Effect of additions and deductions on tax calculation:		
Investments in subsidiaries, taxed in the corresponding companies	380	333
Nondeductible expenses and provisions, net of nontaxable income	(1)	(22)
Interest on capital (paid)	56	70
Interest on capital (received)	(47)	(41)
Unrecorded tax credits	(19)	(80)
Income and social contribution taxes	<u>–</u>	<u>–</u>

**b) Tax credits**

Tax credits for 2007 and 2006 refer to income tax loss carryforwards of R\$25, social contribution tax loss carryforwards of R\$9 and temporary differences of R\$1, which are expected to be realized in less than ten years. Unrecorded tax credits totaled R\$351.

**(3) CONSOLIDATED HOLDING**

a) Calculation of income and social contribution tax charges:

**Income and social contribution taxes**

	<u>2007</u>	<u>2006</u>
Income before income and social contribution taxes	1,089	764
Income and social contribution taxes at the statutory rates of 25% and 9%, respectively	(370)	(260)
Effect of additions and deductions on tax calculation:		
Investments in subsidiaries, taxed in the corresponding companies	329	333
Nondeductible expenses and provisions, net of nontaxable income	46	(22)
Interest on capital (paid)	56	70
Interest on capital (received)	(47)	(41)
Unrecorded tax credits	(18)	(80)
Income and social contribution taxes	<u>(4)</u>	<u>-</u>

b) Tax credits for 2007 and 2006 refer to income tax loss carryforwards of R\$25, social contribution tax loss carryforwards of R\$9 and temporary differences of R\$1, which are expected to be realized in ten years. Unrecorded tax credits totaled R\$397.

**10. Recoverable Taxes (Consolidated - Current And Long Term)**

The Company's recoverable taxes refer to prior years' recoverable income tax and withholding income tax (IRRF) on temporary cash investments and interest on capital in the amount of R\$48 (2006 - R\$51).

	<u>VALEPAR</u>	<u>VALE<sup>(1)</sup></u>	<u>CONSOLIDATED HOLDING <sup>(2)</sup></u>	<u>TOTAL</u>
2007	1	155	62	218
2006	-	103	63	166

**(1) VALE**

	<u>2007</u>	<u>2006</u>
IRRF (withholding income tax) on cash investments and interest on capital received	73	29
ICMS (State VAT)	34	35
Noncumulative PIS and COFINS (taxes on revenue)	40	35
INSS (social security contribution)	2	2
Other	<u>6</u>	<u>2</u>
Total	<u><u>155</u></u>	<u><u>103</u></u>
Current	126	57
Long term	<u>29</u>	<u>46</u>
Total	<u><u>155</u></u>	<u><u>103</u></u>

**(2) CONSOLIDATED HOLDING**

Recoverable taxes refer to prior years' income and social contribution taxes and withholding income tax (IRRF) on cash investments and interest on capital, in the amount of R\$62 (2006 - R\$63).

**11. Related-Party Transactions**

The main balances and transactions between Bradespar and its subsidiaries are presented below:

**a) BRADESPAR**

	<u>2007</u>		<u>2006</u>	
	<u>Assets (liabilities)</u>	<u>Income (expenses)</u>	<u>Assets (liabilities)</u>	<u>Income (expenses)</u>
Dividends and interest on capital:				
– Antares Holdings Ltda.	50	–	77	–

**b) ANTARES**

	<u>2007</u>		<u>2006</u>	
	<u>Assets (liabilities)</u>	<u>Income (expenses)</u>	<u>Assets (liabilities)</u>	<u>Income (expenses)</u>
Dividends and interest on capital:				
– Bradespar S.A.	(50)	–	(77)	–

Shown below are the balances and transactions with related parties, according to information prepared by the subsidiaries, considering the total balance of transactions and not the proportional balance of Bradespar:

c) VALE

Refers to sales and purchases of products and services or loan agreements made under usual market conditions for similar operations, with maturities until 2008, as shown below:

	Assets				Liabilities			
	2007		2006		2007		2006	
	Customers	Related parties	Customers	Related parties	Customers	Related parties	Customers	Related parties
Companhia Nipo-Brasileira de Pelotização – NIBRASCO	60	10	73	10	26	–	40	–
Companhia Hispano Brasileira de Pelotização – HISPANOBRÁS	45	6	60	1	40	–	51	–
Companhia Ítalo-Brasileira de Pelotização – ITABRASCO	46	–	53	–	43	–	16	3
Companhia Coreano Brasileira de Pelotização – KOBRASCO	21	1	42	–	12	–	10	3
Usinas Siderúrgicas de Minas Gerais S.A. – USIMINAS	52	9	62	52	–	–	1	–
Samarco Mineração S.A.	4	5	5	–	–	–	–	–
MRS Logística	2	–	–	–	30	–	9	15
Baovale Mineração S.A.	14	–	1	–	36	–	25	–
Mitsui & Co., Ltd	–	–	–	–	37	–	39	–
Mineração Rio do Norte S.A.	–	–	–	–	30	–	27	–
Minas Serra Geral S.A.	–	–	–	–	10	3	10	5
Taiwan Nickel Refining Corporation	–	–	774	–	–	–	–	–
Korea Nickel Corporation	16	–	120	–	–	–	–	–
Other	37	10	11	9	10	12	10	5
Total	<u>297</u>	<u>41</u>	<u>1,201</u>	<u>72</u>	<u>274</u>	<u>15</u>	<u>238</u>	<u>31</u>
Recorded in:								
Current	297	36	1,201	61	274	15	238	30
Noncurrent	–	5	–	11	–	–	–	1
	<u>297</u>	<u>41</u>	<u>1,201</u>	<u>72</u>	<u>274</u>	<u>15</u>	<u>238</u>	<u>31</u>

The main results of commercial and financial transactions between VALE and related parties, classified under the caption “Gross revenue and costs from/of sales and services” and “Financial income (expenses)”, in the statements of income, are shown below:

	Revenue		Expense/cost	
	2007	2006	2007	2006
Baovale Mineração S.A.	-	-	16	15
Gulf Industrial Investment Co. – GIIC (*)	-	80	-	3
Companhia Hispano-Brasileira de Pelotização – HISPANOBRÁS	216	216	327	332
Companhia Ítalo-Brasileira de Pelotização – ITABRASCO	203	192	292	119
Companhia Coreano-Brasileira de Pelotização – KOBRASCO	197	224	331	383
Companhia Nipo-Brasileira de Pelotização – NIBRASCO	334	350	540	548
Mineração Rio do Norte S.A.	-	-	271	280
MRS Logística S.A.	2	18	674	693
Samarco Mineração S.A.	112	81	-	-
Usinas Siderúrgicas de Minas Gerais S.A. – USIMINAS	886	912	-	-
Other	15	19	34	41
	<u>1,965</u>	<u>2,092</u>	<u>2,485</u>	<u>2,414</u>

(\*)Company sold in May 2006.

## 12. Investments

a) Adjustments resulting from investments accounted for under the equity method of accounting were recorded in the caption “Equity in subsidiaries” and represented earnings of R\$1,117 (2006 - R\$979) in the Company’s financial statements, earnings of R\$968 (2006 - R\$980) in the consolidated holding financial statements, and earnings of R\$2 (2006 - R\$239) in the consolidated financial statements.

b) Bradespar’s direct investments, accounted for under the equity method, are as follows:

Companies	Capital	Adjusted shareholders’ equity	Adjusted result	Number of shares held (thousands)		Ownership interest	Investments		Equity accounting adjustments <sup>(3)</sup>	
				Common Shares	Shares		12.31.07	12.31.06	12.31.07	12.31.06
Bradesplan Participações S.A. <sup>(8)</sup>	-	-	-	-	-	-	-	-	-	16
Antares Holdings Ltda. <sup>(1)(7)</sup>	275	120	149	-	274,547	100.000%	120	169	149	58
Malta Holdings Ltda. <sup>(9)</sup>	-	-	-	-	-	-	-	-	-	9
Valepar S.A. <sup>(1)(2)(4)(5)(6)(7)(10)</sup>	12	20	5	275,966	-	17.442%	3,570	2,818	968	896
Total							<u>3,690</u>	<u>2,987</u>	<u>1,117</u>	<u>979</u>

<sup>(1)</sup> Information relating to December 31, 2007.

<sup>(2)</sup> Jointly-owned subsidiary.

<sup>(3)</sup> This adjustment considers the subsidiaries' results from the acquisition date and includes subsidiaries' changes in assets and liabilities not derived from results, as well as adjustments for consistency in accounting principles, when applicable.

<sup>(4)</sup> The financial statements as of December 31, 2007 of certain subsidiaries, jointly-owned subsidiaries and affiliates, the investments in which as of December 31, 2007 were R\$728 (2006 - R\$1,248) and earnings provided by them in 2007 and 2006 were R\$199 and R\$155, respectively, were audited by other independent auditors.

<sup>(5)</sup> Investments in 2006 included goodwill, of which R\$15 was based on the future earnings of the investments and R\$32 on the difference between the market value of the assets (investments) and their carrying value. This goodwill was fully amortized in 2007 (2006 - R\$270, of which R\$218 refers to extraordinary amortization due to the advance of the future profitability of the investment, represented by the capital gain on VALE's merger of CAEMI's minority shareholders in March 2006) (item 10).

<sup>(6)</sup> Adjusted shareholders' equity includes R\$584 related to the adjustment to the parent company's accounting criteria with respect to the period of amortization of goodwill, the effect of which on income is R\$117 (R\$117 in 2006).

<sup>(7)</sup> The financial statements of these companies for the year ended December 31, 2007 were audited by the same independent auditors of Bradespar.

<sup>(8)</sup> On May 15, 2006, Banco Bradesco and Bradespar entered into a sale agreement of the shares of Bradesplan Participações S.A., whereby Bradespar sold to Bradesco 100% of Bradesplan shares for R\$308, paid at sight. The operation led to an increase of R\$58 in Bradespar's income.

<sup>(9)</sup> On May 15, 2006, Malta Holdings Ltda. was merged into Antares Holdings Ltda.

<sup>(10)</sup> Equity in subsidiaries in 2006 includes capital gain on VALE's merger of Caemi's minority shareholders in March 2006, the effect of which on Bradespar was R\$218.

c) Investments in subsidiaries (consolidated holding) are represented by:

Companies	Total investments	
	2007	2006
– Valepar S,A, <sup>(1)</sup>	3,570	2,818
– CPFL Energia S,A, <sup>(2)</sup>	150	150
Total	<u>3,720</u>	<u>2,968</u>

<sup>(1)</sup> Existing goodwill as of December 31, 2006 was fully amortized in 2007 (note 12.b), item (5)).

<sup>(2)</sup> On December 15, 2006, Bradespar completed the restructuring of its investments involving shares of CPFL Energia. As a result, Bradespar withdrew from the Group that controls CPFL and VBC Energia and became the holder of 43,049,000 shares in CPFL, no longer being party to the CPFL shareholders' agreement, and representing 8.97% of CPFL's capital. In addition, Bradespar received R\$88 in their assets, R\$78 of which in cash.

d) The main investments in subsidiaries (consolidated) are represented by:

Companies	Indirect investments of Bradespar						
	Goodwill	Investment amount	Total	Goodwill	Investment amount	Total 2007	Total 2006
Bradespar S.A.							
– Valepar S.A. (goodwill)	–	–	–	–	–	–	47
– CPFL Energia S.A.	–	150	150	–	150	150	150
Subtotal (Bradespar)	–	150	150	–	150	150	197
Valepar S.A.							
– Cia. Vale do Rio Doce (goodwill)	1,784	–	1,784	311	–	311	373
Companhia Vale do Rio Doce – VALE							
– Caemi Mineração e Metalurgia S.A.	4,287	–	4,287	243	–	243	272
– Usinas Siderúrgicas de Minas Gerais S.A. – USIMINAS	–	307	307	–	17	17	54
– Inco Limited,	8,057	–	8,057	456	–	456	262
– ThyssenKrupp CSA – Cia Siderurgica	–	686	686	–	39	39	11
– Other	490	876	1,366	27	50	77	46
Subtotal (VALE)	12,834	1,869	14,703	726	106	832	645
Total	<u>14,618</u>	<u>2,019</u>	<u>16,637</u>	<u>1,037</u>	<u>256</u>	<u>1,293</u>	<u>1,215</u>

### 13. Property, Plant and Equipment (Consolidated)

	Average depreciation rates	TOTAL <sup>(1)</sup>	
		2007	2006
Property, plant and equipment in progress	–	1,218	1,419
Buildings	3.65%	162	159
Land	–	184	93
Installations	3.78%	881	768
Equipment	7.36% e 20%	471	338
Railroads	3.03%	453	352
Mining rights	3.25%	1,366	1,087
Other assets	7.30%	472	178
Total		<u>5,207</u>	<u>4,394</u>

<sup>(1)</sup> 2007 and 2006 amounts refer to VALE's balances, net of accumulated depreciation.

**14. Loans and Financing (Consolidated)**

	December 31	
	Total <sup>(1)</sup>	
	2007	2006
Current	190	207
– Local currency	70	26
– Foreign currency	120	181
Long term	1,837	2,605
– Local currency	466	415
– Foreign currency	1,371	2,190
Total	<u>2,027</u>	<u>2,812</u>

**(1) VALE**

(a) Consolidated loans and financing of VALE as of December 31, 2007 were collateralized by:

- Guarantee from the Federal government in the amount of R\$8, for which a counter guarantee was provided.
- Receivables securitization program in the amount of R\$26.
- Receivables in the amount of R\$33.

(b) The amortization of the principal and financial charges on long-term loans and financing (local currency and foreign currency) as of December 31, 2007 is as follows: 2009 - R\$40; 2010 - R\$253; 2011 - R\$281; 2012 - R\$121; 2013 and thereafter - R\$1,110; without maturity - R\$32. In 2007, foreign and domestic long-term loans and financing are subject to annual interest ranging from 3% to 11%, in addition to monetary and exchange variations.

**15. Contingent Assets and Liabilities/Legal Obligations/Guarantees/ Escrow Deposits (Consolidated)****a) Contingencies**

Subsidiaries and jointly-owned subsidiaries have contingent liabilities recognized in amounts considered sufficient by their Management, based on the opinion of their legal counsel, as described below, and refer basically to tax, civil and labor lawsuits. The caption "Escrow deposits" in the consolidated financial statements, in noncurrent assets long-term assets, in the amount of R\$49 (2006 - R\$50), refer to the jointly-owned subsidiary VALE.

	VALE		VALEPAR		CONSOLIDATED HOLDING		TOTAL	
	2007	2006	2007	2006	2007	2006	2007	2006
Tax contingencies	185	126	102	-	72	77	359	202
(-) Escrow deposits	(76)	(59)	(35)	(1)	(1)	(1)	(112)	(60)
Subtotal	109	67	67	(1)	71	76	247	142
Civil contingencies	32	32	-	-	-	-	32	32
(-) Escrow deposits	(15)	(15)	-	-	-	-	(15)	(15)
Subtotal	17	17	-	-	-	-	17	17
Labor contingencies	53	47	-	-	-	-	53	47
Other	1	5	-	-	-	-	1	5
Total	<u>180</u>	<u>136</u>	<u>67</u>	<u>(1)</u>	<u>71</u>	<u>76</u>	<u>318</u>	<u>211</u>

## 1) CONSOLIDATED HOLDING

### Contingent assets

As of December 31, 2007, contingent assets were not recognized, although there are lawsuits in which the likelihood of a favorable outcome is probable, as shown below:

- COFINS - R\$8 (2006 - R\$7): the Company seeks refund or offset of COFINS, paid under the terms of Law No. 9,718/98, in the period from January to October 2001, in the amount exceeding the tax due on revenues.
- PIS - R\$2 (2006 - R\$2): the Company seeks refund or offset of PIS, paid under the terms of Law No. 9,718/98, in the period from January to October 2001, in the amount exceeding the tax due as per Supplementary Law No. 07/70 ("PIS Repique") or at least the amount exceeding the tax due on revenues.

### Contingent liabilities assessed as probable losses and legal obligations – taxes and social security

The companies included in the consolidated holding are parties to tax lawsuits arising in the normal course of business.

The reserves were recorded taking into account the legal counsel's opinion, nature of lawsuits, similarity with prior lawsuits, complexity and prior court decisions, whenever loss is assessed as probable.

Bradespar's Management understands that the reserve recorded is sufficient to cover losses that may result from lawsuits.

The liability related to legal obligations under litigation is maintained until a favorable, final and unappealable court decision is rendered or the statute of limitations has expired.

### I. Contingent liabilities

Under the sale agreement for Bradesplan shares signed with Bradesco in May 2006 (note 12.b), item (8)), Bradespar is liable for tax lawsuits (PIS and COFINS) of the former subsidiary Bradesplan, and a reserve for contingencies was recorded in the amount of R\$50, R\$20 of which was reversed this year because of a favorable final and unappealable decision on a COFINS lawsuit.

### II. Legal obligations - taxes and social security

Bradespar is challenging in court the legality and constitutionality of certain taxes, which are fully covered by a reserve, despite the good chances of a favorable outcome in the medium and long term, based on the legal counsel's opinion.

The main matters are:

- PIS and COFINS - R\$23 (2006 - R\$14): the Company seeks the noninclusion, in the PIS and COFINS tax basis, of the interest on capital received from investees, since this interest is legally considered to be dividends, which are not subject to PIS and COFINS.
- COFINS - R\$8 (2006 - R\$8): the Company seeks the right to calculate and pay COFINS, from November 2001 to January 2004, based on the actual revenues, as set forth in article 2 of Supplementary Law No. 70/91, thus not considering the unconstitutional increase in the tax basis established by paragraph 1, article 3, of Law No. 9,718/98.
- PIS - R\$4 (2006 - R\$4): the Company seeks the cancellation of the changes introduced by Law No. 10,637/02 and the release from penalties for having calculated and paid PIS, beginning December 2002, as provided for in Supplementary Law No. 07/70 ("PIS Repique").

### III – Change in legal obligations and contingent liabilities

#### Company and consolidated holding

	Reserve for contingencies		
	Legal obligations	Contingent liabilities	Total
At beginning of year	26	50	76
Monetary adjustment	2	–	2
Supplemental recognition during the year	13	–	13
Reversals	–	(20)	(20)
Balance at 12.31.07	41	30	71
Saldo em Balance at 12.31.06	26	50	76

## Contingent liabilities assessed as possible losses

Bradespar monitors all administrative and judicial proceedings filed by or against it and classifies the proceedings according to the estimate of loss based on the legal counsel's opinion. In this respect, proceedings assessed as possible loss are not accounted for. Bradespar and its subsidiaries (consolidated holding) did not have material contingent liabilities assessed as possible loss.

## 2) VALE

Following are contingent liabilities, considering the total amount and not the proportional balance of Bradespar.

VALE and its subsidiaries are parties to ongoing administrative and judicial proceedings involving labor, civil, tax and other matters, which, when applicable, are supported by escrow deposits. The reserves for losses on these lawsuits are estimated and adjusted by VALE's Management based on the opinion of its legal department and outside legal counsel.

At the consolidated financial statement date, VALE has the following contingent liabilities:

I. Reserves for contingencies, net of escrow deposits, considered by VALE's Management and its legal counsel as sufficient to cover potential losses on any type of lawsuits, as follows:

	<u>2007</u>	<u>2006</u>
a) Tax contingencies	3,269	2,218
(-) Escrow deposits	<u>(1,346)</u>	<u>(1,046)</u>
	1,923	1,172
b) Civil contingencies	575	565
(-) Escrow deposits	<u>(277)</u>	<u>(265)</u>
	298	300
c) Labor contingencies	937	826
d) Environmental contingencies	<u>31</u>	<u>65</u>
Total accrued liabilities	<u><u>3,189</u></u>	<u><u>2,363</u></u>

	<u>2007</u>
Balance at beginning of year	<u>2,363</u>
Recognition of reserves, net of reversals	752
Payments	(56)
Monetary adjustment	442
Escrow deposits	<u>(312)</u>
Balance at end of year	<u><u>3,189</u></u>

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### Tax contingencies

The main tax lawsuits are as follows:

- ICMS - Refers to entitlement to tax credits and difference in tax rate related to transfers of assets between establishments of VALE.
- ISS (service tax) - Most lawsuits refer to the location for tax collection.
- COFINS - Most lawsuits refer to the increase in tax rate from 2% to 3% from 1990 to 2000 of merged companies.
- II (import tax) - The reserve recorded is related to merged companies' nonqualification under tax classification in imports of equipment.
- AITP (Additional Indemnity of Port Workers) - Refers to the collection of port worker indemnity fee in concession of public port equivalent to private port.
- Income and social contribution taxes - Refer principally to offset of tax loss carryforwards above the limit of 30% of taxable income and monetary adjustment of merged companies' assets.
- Other - Refers to offset of tax credits and calculation basis of CFEM (Financial Compensation for Exploration of Mineral Resources).

### Civil contingencies

Refer to claims filed by companies engaged by VALE for alleged losses caused by several economic plans, accidents and land repossession action.

### Labor contingencies

Labor and social security contingencies - refer principally to: (i) commute hours; (ii) hazardous duty premium and health hazard premium; and (iii) termination pay and 1/3 vacation bonus.

In addition to the reserves recognized, there are other contingent liabilities in the amount of R\$4,541 (R\$2,813 - Company) for which, based on the VALE's legal counsel estimate, there is no need to recognize a reserve.

II. VALE has provided a guarantee to its affiliate Samarco of R\$1 (R\$6 in 2006) for the debt owed to the International Finance Corporation - IFC, maturing in 2008, denominated in U.S. dollars, with no counter guarantees.

III - In regards to the "Girardin Financing", VALE has guaranteed debts owed by Goro in the amount of US\$100 million (maximum amount). In addition, VALE has guaranteed Goro's payables related to: (a) amounts exceeding the maximum indemnity amount; and (b) other amounts to be paid by Goro according to a lease agreement on certain assets.

VALE granted a guarantee for certain contract rescission payments payable by Goro to its power supplier (ESA), regarding an electricity supply agreement signed in October 2004, in relation to the nickel-cobalt development project for the Goro mine in New Caledonia. The total guarantees for payments

depend on several factors, including rescission by ESA as a result of Goro default, and the date of ESA's rescission. If Goro rescinds the agreement with ESA before the date established for the start of power supply to the project, the contractual fine may total €45 million. When the electricity supply starts pursuant to the agreement, the total guarantees will decrease over the contract period.

VALE expects that such guarantees will not be executed and, therefore, there are no recorded liabilities.

IV. As the first step to its privatization, in 1997 VALE issued debentures to the shareholders existing at that time, including the Brazilian government. The terms of the debentures were established to guarantee that the pre-privatization shareholders, including the Brazilian government, could have a share of possible future benefits that might be obtained from the exploration of certain mineral resources.

VALE issued 388,559,056 debentures with par value of R\$0,01 at the issue date, subject to adjustment based on the variation of the IGP-M (general market price index), according to the debenture indenture. The debenture holders are entitled to semiannual payments equivalent to a percentage of net revenues from certain mineral resources held in May 1997, as determined by the debenture indenture.

Pursuant to the debenture indenture, the premium amount bears interest until the month prior to the payment and 1% in the month in which the amount is made available to the debenture holder.

VALE's aggregate sales of iron ore from the mines covered by the participating debentures, in the period from May 1997 to June 30, 2007, were 500 million tonnes in the Southeastern System and 579 million tonnes in the Northern System, Carajás. Should annual iron ore sales remain at the same level of the last 12 months, the levels referred to in the debenture indenture for start paying, the premium, of 1.7 billion tonnes for the Southeastern System and 1.2 billion tonnes for the Northern System, would be reached in 2027 and 2015, respectively. However, this forecast may not be confirmed and the dates mentioned to obtain the 1.7 billion-tonne (Southeastern System) and 1.2 billion-tonne (Northern System) production level may be advanced or postponed.

VALE made available for the payment of the yield of participating debentures R\$22 in 2007 (2006 - R\$12).

### 3) VALEPAR

Valepar recognized a reserve for tax contingencies, classified in noncurrent liabilities, considered by its Management, based on the opinion of its legal counsel, as sufficient to cover potential losses. Valepar also has escrow deposits related to these contingencies, as follows:

	2007			2006		
	Reserve for contingencies	Escrow deposits	Net	Reserve for contingencies	Escrow deposits	Net
Tax	586	(202)	384	–	(8)	(8)

Contingencies refer mainly to: (i) noninclusion of Valepar as a social contribution tax and COFINS taxpayer, because Valepar is not an employer; (ii) noninclusion of interest on capital income in the PIS and COFINS tax basis; (iii) prevent Valepar from being assessed for not including its financial income in the COFINS tax basis, regarding taxable events from February 2000 to January 2004; and (iv) claim for noninclusion of interest on capital income in the noncumulative PIS and COFINS tax basis, credited starting February 2004.

The escrow deposits were made according to court requirements, to allow Valepar to file and/or proceed with the lawsuit.

## 16. Shareholders' Equity (Company)

### a) Capital

Fully subscribed and paid-up capital is represented by registered book-entry shares, with no par value, as follows:

	2007	2006
Common	122,664,504	30,666,126
Preferred	227,024,896	56,756,224
Total	<u>349,689,400</u>	<u>87,422,350</u>

In the Extraordinary Shareholders' Meeting held on January 8, 2007 a capital increase in the amount of R\$455 was approved, from R\$2,045 to R\$2,500, by means of capitalization of part of the caption "Profit reserves - statutory reserve", granting to the Company's shareholders, for free and as a bonus, 1 new share of the same type for each share held, with the consequent adjustment of the market price to a more attractive level for trading, to ensure better share liquidity.

Concurrently with the operation in the Brazilian market, and in the same proportion, the global depository receipts (GDRs) will receive a bonus in the European market (Latibex - Madrid, Spain and London Stock Exchange, England). Investors received 1 new GDR for each GDR held, which will continue being traded in the proportion of 1 share for each GDR in the respective market.

In the Extraordinary Shareholders' Meeting held on October 15, 2007 a capital increase in the amount of R\$500 was approved, from R\$2,500 to R\$3,000, by means of capitalization of part of the caption "Profit reserves - statutory reserve", granting to the Company's shareholders, for free and as a bonus, 1 new share of the same type for each share held.

Concurrently with the operation in the Brazilian market, and in the same proportion, the GDRs will receive a bonus in the European market (Latibex - Madrid, Spain and London Stock Exchange, England). Investors will receive 1 new GDR for each GDR held, which will continue being traded in the proportion of 1 share for each GDR in the respective market.

#### b) Interest on capital

Preferred shares are nonvoting but entitle their holders to all rights and advantages of common shares, as well as priority guaranteed by the bylaws in capital reimbursement and an additional 10% sum added to interest on capital and/or dividends, according to item II, paragraph 1, article 17, of Law No. 6,404/76, with new wording provided by Law nº 10,303/01.

According to the bylaws, shareholders are entitled to interest on capital and/or dividends that total at least 30% of net income adjusted as per Brazilian corporate law.

Calculation of proposed interest on capital and dividends for 2007 is as follows:

	R\$	%(1)
Net income	1,085	
Legal reserve	(54)	
Calculation basis	<u>1,031</u>	
Interest on capital paid on May 15, 2007 (gross)	85	
Interest on capital paid on May 15, 2007 (gross)	81	
Interest on capital paid on November 14, 2007 (gross)	<u>172</u>	
Additional interest on capital for 2007 (gross)	<u>338</u>	32.78
Total interest on capital (gross)	<u>51</u>	
Withholding income tax on interest on capital	287	27.84
Dividends paid on November 14, 2007	<u>42</u>	4.07
Total interest on capital (net) and dividends for 2007	<u>329</u>	<u>31.95</u>
Total interest on capital (net) and dividends for 2006	<u>232</u>	<u>31.95</u>

(1) Percentage of interest on capital applied to the calculation basis.

To improve Corporate Governance practices and better estimate the return on shareholders' capital, beginning 2006 the Company adopted an Indicative Policy for Minimum Annual Compensation to be paid in the form of dividends and/or interest on capital, based on the Company's projected cash flows, as shown below:

- The Company's Executive Board will announce by the last business day of February of each year a proposal to be submitted to the Board of Directors for payment of a minimum compensation to shareholders, in U.S. dollars, in two semiannual installments due by May and November 15.
- The amounts approved will be translated into local currency at the U.S. dollar selling rate ("Ptax-opção 5"), released by the Central Bank of Brazil (BACEN) on the business day prior to that of the Board of Directors' meetings in which the declaration and payment of said compensation will be resolved.
- The Executive Board may also propose to the Board of Directors, based on an analysis of the Company's cash flows, the declaration and payment of additional dividends and/or interest on capital, besides the minimum compensation to be announced.

At the meeting held on December 21, 2006, the Bradespar's Board of Directors approved the Executive Board's proposal to pay to the Company's shareholders supplemental interest on capital in the amount of R\$1.288964699 per common share and R\$1.417861169 per preferred share, totaling R\$120, for fiscal year 2006. The payment was made on January 8, 2007, at the net amount of R\$1.095619994 per common share and R\$1.205181994 per preferred share, after deduction of withholding income tax.

On April 15, 2007, Bradespar paid to its shareholders dividends to supplement interest on capital for 2006, in the amount of R\$57, of which R\$0.307820882 per common share and R\$0.338602971 per preferred share; and interim interest on capital for 2007, in the amount of R\$85, at the gross amount of R\$0.456143124 per common share (R\$0.387721655 net of IRRF) and R\$0.5017574370 per

preferred share (R\$0.426493821 net of IRRF), as approved at the Annual and Extraordinary Shareholders' Meetings held on April 30, 2007. These amounts totaled R\$142, equivalent to US\$70 thousand, related to the first installment of the minimum annual compensation for 2007.

On November 14, 2007, Bradespar paid to its shareholders interest on capital in the amount of R\$81, for fiscal year 2007, at the gross amount of R\$0.217512793 per common share (R\$0.184885874 net of IRRF) and R\$0.239264073 per preferred share (R\$0.203374462 net of IRRF) and dividends in the amount of R\$42, at the amount of R\$0.112419205 per common share and R\$0.123661125 per preferred share. These amounts totaled R\$123, equivalent to US\$70 thousand, related to the second installment of the minimum annual compensation for 2007.

#### c) Profit reserves

	<u>2007</u>	<u>2006</u>
Profit reserves	856	1,106
– Legal reserve <sup>(1)</sup>	137	83
– Statutory reserve for capital increase <sup>(2)</sup>	719	1,023

<sup>(1)</sup> 5% of net income for the year is required to be allocated to this reserve until it equals 20% of paid-up capital or 30% of capital plus capital reserves. After this limit, allocation is no longer required. The legal reserve can only be used to increase capital or offset accumulated losses.

<sup>(2)</sup> This reserve can be comprised of 100% of the remaining net income after legal allocations, upon a proposal of the Executive Board approved by the Board of Directors and Shareholders' Meeting, up to a limit to 100% of paid-up capital.

## 17. Financial Instruments

Bradespar, its subsidiaries and jointly-owned subsidiaries enter into operations involving financial instruments, which are recorded in balance sheet accounts or memorandum accounts, in order to manage their exposure to interest rate risks, as shown below, according to the information provided by the companies, considering the total balance of these operations and not the proportional balance of Bradespar:

#### a) Bradespar

The main financial instruments recorded as assets in balance sheet accounts consist principally of direct and indirect investments accounted for under the equity method of accounting. The main investments frequently traded on the stock exchanges are summarized below, considering the latest available price as of December 31, 2007:

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	<u>Book value</u>	<u>Stock exchange price<sup>(*)</sup></u>
Valepar/VALE – ON	3,570	16,227
CPFL Energia S.A. – ON	150	1,449

(\*) Average price on December 28, 2007.

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The prices of these investments on stock exchanges do not reflect the control premium corresponding to a lot of shares.

#### b) VALE

The main market risks to which VALE is exposed are interest rate risks, exchange rate risks and commodity price risks. Derivatives are used to manage some of these risks. VALE's risk management policy consists of the diversification of transactions and counterparties. VALE monitors and evaluates its general position on a regular basis to assess financial results and the financial impact on cash flows. Credit limits and the quality of counterparties' hedge are also reviewed periodically. Following are the total amounts of these operations and not the proportional balance of Bradespar.

#### Risk management policy

VALE understands that an efficient risk management is a core goal to support strategic growth and financial flexibility. To support this goal, VALE's Board of Directors set out a risk management policy and created a risk management committee. Under this policy, portfolio risk is measured, monitored and managed using a simple structure, and considering the nature of portfolio diversification. Market risk is hedged only when it is considered necessary to support the corporate strategy or maintain the financial flexibility level.

The risk management committee assists VALE's Executive Board to examine and review information related to the management of business and structural risks, including significant policies, procedures and practices applied to risk management. The business risk policy is designed to promote an effective risk management system and ensure that business risks are reported at least on a quarterly basis to the risk management committee.

VALE mitigates some risks through derivatives. Risk management activities follow the risk management policies, which usually forbid speculative trading and short sales, and require the diversification of transactions with counterparties.

VALE regularly monitors and assesses its global position, to assess results and the financial impact on cash flows. Credit limits and worthiness of the counterparties are regularly reviewed.

#### Interest rate risk

VALE is exposed to interest rate risks on loans. The floating rate debt consists principally of working capital loans in U.S. dollars related to financial transactions, loans from commercial banks and multilateral organizations, and in Brazilian reais, loans in debentures and financing for the acquisition of goods and services issued in the Brazilian market. In general, the floating rate debts are subject to changes in the London Interbank Offered Rate (USD

LIBOR). Consequently, LIBOR fluctuations may have an adverse impact on cash flows. To mitigate the effects of volatility of interest rate, VALE considers the natural hedge between U.S. dollar rate fluctuation and the metal prices fluctuation. When there is no natural hedge, VALE opts to obtain the same effect using financial instruments. The floating interest rate of debts denominated in Brazilian reais is subject principally to changes in the CDI (interbank deposit rate) and TJLP (long-term interest rate).

Interest rate derivative transactions are contracted to hedge exposure to floating interest rates of debts denominated in Brazilian z. The interest rate derivatives portfolio consists of an interest rate swap to convert the floating interest rate of debts denominated in Brazilian reais into U.S. dollar-denominated fixed amounts.

### Exchange rate risk

VALE is exposed to exchange rate risk arising from its foreign currency-denominated debt. On the other hand, a significant share of revenue is denominated in U.S. dollars. This creates a natural hedge against possible depreciation of the Brazilian real in relation to the U.S. dollar. For example, when the Brazilian real depreciates, the immediate adverse impact on the foreign currency-denominated debt is offset by the positive effect of depreciation on future cash flows. Accordingly, VALE only uses derivatives occasionally to manage the exposure of U.S. dollar-denominated long-term debt. Occasionally, VALE may carry out derivative transactions to minimize the effects that the volatility of the Brazilian real versus U.S. dollar exchange rate might cause to cash flows.

Cash flows are also subject to the volatility of other currencies in relation to the U.S. dollar. While the prices of most products are basically in U.S. dollars, a significant portion of costs, expenses and investments is not denominated in U.S. dollar, but is denominated mainly in Brazilian reais and Canadian dollars. In the projects developed outside Brazil and Canada, VALE is also exposed to the volatility of other currencies, such as the Euro, the Australian dollar and the Chinese Renminbi.

VALE has other debt-related exposures. Exposure to euro fluctuation arises from a credit line with the KfW (Kreditanstalt für Wiederaufbau). Currency forwards were used to mitigate exchange risks.

### Commodity price risk

VALE is also exposed to several market risks related to the volatility of the world prices for the following products:

- Iron ore and pellets, which represented 42.8% of consolidated gross sales for 2007.
- Nickel, which represented 29.7% of consolidated gross sales for 2007.
- Manganese ore and ferroalloys, which represented 2.3% of consolidated gross sales for 2007.
- Aluminum products, which represented 8.3% of consolidated gross sales for 2007.
- Copper concentrate, which represented 2.3% of consolidated gross sales for 2007.

Other products, such as platinum group metals, China clay and potassium, represented a small portion of VALE's consolidated sales.

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VALE does not carry out derivative transactions to hedge risks related to iron ore, pellets, China clay, manganese ore or ferroalloys. The risk management policy permits hedging market risks only when required for corporate strategy or to maintain financial flexibility. Currently, derivative transactions include future purchases and nickel sale contracts, futures and options contracts for aluminum, gold put and call options, and gold positions, and derivatives for platinum and fuel oil.

VALE's Executive Board approved hedging part of aluminum and copper production for 2007 and 2008, to reduce the cash flow risks arising from the change in the capital structure and the significant increase in debt after the acquisition of Vale Inco.

**Nickel** – Derivatives are not used to hedge against the risk of fluctuations in the price of nickel. However, VALE negotiates futures contracts in the London Metal Exchange – LME, which are offset principally by the fixed price of contracts for customers, in order to maintain the exposure to the nickel price risk. VALE also enters into futures contracts in the LME to minimize the price risk related to nickel inventories of purchased intermediary products and finished products.

**Aluminum** – In order to manage the risk arising from aluminum price fluctuations, VALE carries out hedge transactions consisting of put and call options, and futures contracts. These derivatives allowed setting minimum average profits of future aluminum production above estimated production costs, and thus ensuring a stable cash generation. However, there was a decrease in potential earnings from aluminum price increases in the spot market. The policy used is to settle all derivative contracts in cash, without physical delivery of the product.

**Copper** – VALE had put option contracts payable, granting the right, but not the obligation, to sell copper, and sold call option contracts granting the right, but not the obligation, to buy copper until 2008. Most of the copper derivatives position was added to the portfolio as a result of the acquisition of Vale Inco.

**PGMs and other precious metals** – Currently VALE holds a small position in gold derivatives, structured to manage risks arising from gold price fluctuations inherent in the gold content related to the production of copper concentrate. VALE entered into platinum hedges to manage price volatility risks. These contracts are usually swap or options contracts, and are intended to ensure minimum price realizations for a portion of future production of these metals. Under these swap contracts, VALE receives fixed prices for platinum and pays variable prices based on the monthly average of spot market prices.

**Fuel oil** – VALE used swap contracts for fuel oil to minimize the impact of power price fluctuations, under which VALE pays fixed prices for the power supplied and receives variable volumes based on the monthly average of spot market prices.

There is an embedded derivative related to the power of subsidiary Albrás, for which VALE recorded an unrealized loss of R\$30 as of December 31, 2007 (2006 - R\$163).

Balances of derivatives and changes in their fair value are as follows:

As of December 31

2007

	<u>Interest (libor)</u>	<u>Currencies</u>	<u>Gold</u>	<u>Aluminum</u>	<u>Copper</u>	<u>Nickel</u>	<u>Platinum</u>	<u>Total</u>
Unrealized gains (losses) as of 12.31.06	13	(33)	(115)	(679)	(638)	34	(42)	(1,460)
Financial settlement	(10)	(520)	65	222	458	(77)	23	161
Financial expenses, net	(10)	1,751	(30)	191	(269)	115	(33)	1,715
Monetary variations, net	(2)	(81)	15	93	117	2	9	153
Unrealized gains (losses) as of 12.31.07	<u>(9)</u>	<u>1,117</u>	<u>(65)</u>	<u>(173)</u>	<u>(332)</u>	<u>74</u>	<u>(43)</u>	<u>569</u>

As of December 31

2006

	<u>Interest (libor)</u>	<u>Currencies</u>	<u>Gold</u>	<u>Aluminum</u>	<u>Copper</u>	<u>Nickel</u>	<u>Platinum</u>	<u>Total</u>
Unrealized gains (losses) as of 12.31.05	(9)	2	(107)	(494)	-	-	-	(608)
Realized gain (loss) on acquisition of Inco	9	20	-	-	(778)	132	(47)	(664)
Financial settlement	4	(14)	41	224	(1)	(188)	-	66
Financial expenses, net	8	(41)	(58)	(461)	141	90	5	(316)
Monetary variations, net	1	-	9	52	-	-	-	62
Unrealized gains (losses) as of 12.31.06	<u>13</u>	<u>(33)</u>	<u>(115)</u>	<u>(679)</u>	<u>(638)</u>	<u>34</u>	<u>(42)</u>	<u>(1,460)</u>

Maturities of consolidated financial instruments are as follows:

Gold	December 2008
Interest (LIBOR)	December 2011
Currencies	December 2011
Aluminum products	December 2008
Copper concentrate	December 2008
Nickel	December 2009
Platinum	December 2008

## 18. Pension Plan

	TOTAL (1)	
	2007	2006
Current	13	13
Long term	216	233
Total	<u>229</u>	<u>246</u>

Following are the sponsors of the pension plans provided to employees, according to the information provided by the companies, considering the total balance of the operations and not the proportional balance of Bradespar:

### (1) VALE

Since 1973, VALE sponsors a supplementary pension plan with characteristics of a defined benefit plan ("Old Plan") for almost all its employees. The benefits are based on the length of service, age, contribution salary and supplement to government benefits. This plan is managed by Fundação Vale do Rio Doce de Seguridade Social - VALIA and is funded by monthly contributions from VALE and its employees, calculated based on periodic actuarial estimates.

In May 2000, a new pension plan was implemented with characteristics of a variable contribution plan, comprising the planned retirement income and risk benefits (death annuity, disability retirement and sick pay). At the time the New Plan was launched (hybrid benefit plan - "Vale Mais"), the active employees of VALE were offered the opportunity to migrate to the New Plan. More than 98% of the active employees opted for the migration. The Old Plan still exists and covers almost solely retirees and their beneficiaries.

Additionally, as per Resolutions No. 05/87 and No. 07/89, a specific group of former employees is granted payments in addition to the usual benefits provided by VALIA, through the so-called Supplementary Bonus, plus a post-retirement benefit consisting of health and dental care and pharmacy plan to such specific group under the same conditions as for active employees.

With the acquisition of Inco, VALE assumed commitments related to defined benefit plans that cover practically all employees and other post-retirement benefit plans that provide certain health care and life insurance benefits to retired employees.

Shown below is the status of VALE's defined benefit plans, according to CVM Resolution No. 371/00.

## (a) Benefit plan

The results of this actuarial valuation are as follows:

**Changes in fair value of assets**

	2007			2006		
	Surplus pension plans	Deficit pension plans	Other deficit benefits	Surplus pension plans	Deficit pension plans	Other deficit benefits
Fair value of assets at beginning of year	7,483	6,386	9	6,506	-	-
Asset recognized upon acquisition of Inco	-	-	-	-	6,250	9
Actual return on plan assets	447	131	2	1,298	416	-
Sponsors' contributions	63	631	109	55	96	-
Benefit paid for the year	(576)	(481)	(101)	(376)	(124)	-
Exchange variations	-	(262)	(1)	-	(252)	-
Fair value of assets at end of year	<u>7,417</u>	<u>6,405</u>	<u>18</u>	<u>7,483</u>	<u>6,386</u>	<u>9</u>

**Changes in present value of obligations**

	2007			2006		
	Surplus pension plans	Deficit pension plans	Other deficit benefits	Surplus pension plans	Deficit pension plans	Other deficit benefits
Fair value of assets at beginning of year	5,402	7,293	2,523	4,174	-	-
Liability recognized upon acquisition of income	-	214	455	-	7,735	2,618
Current service cost	17	119	39	12	30	9
Interest cost	588	368	127	534	98	33
Benefit paid for the year	(576)	(481)	(101)	(376)	(126)	(33)
Adjustment to the plan	-	7	-	-	(165)	-
Change of assumptions	-	-	-	993	-	-
Actuarial gain (loss)	198	(64)	(220)	65	(2)	-
Exchange variations	-	(329)	(155)	-	(277)	(104)
Present value of obligations at end of year	<u>5,629</u>	<u>7,127</u>	<u>2,668</u>	<u>5,402</u>	<u>7,293</u>	<u>2,523</u>

**Reconciliation of assets and liabilities recognized in the balance sheet**

Consolidated

	2007			2006		
	Surplus pension plans*	Deficit pension plans	Other deficit benefits	Surplus pension plans*	Deficit pension plans	Other deficit benefits
Present value of actuarial obligations totally or partially funded	(5,629)	(7,127)	(2,668)	(5,402)	(7,293)	(2,523)
Fair value of plan assets	7,417	6,405	18	7,483	6,386	9
Unrecognized gains, net	—	—	—	—	(280)	—
Net actuarial assets to be accrued	<u>1,788</u>	<u>(722)</u>	<u>(2,650)</u>	<u>2,081</u>	<u>(1,187)</u>	<u>(2,514)</u>

(\*) VALE did not record in its balance sheet the asset arising from the actuarial valuation, since the realization of this asset cannot be assured, as set forth in item 49 of Accounting Standard and Procedure No. 26 (NPC No. 26).

**Investment targets and plan asset components**

The fair value of the plan assets is R\$13,840 and R\$13,878 at the end of 2007 and 2006, respectively. The allocation of assets to the pension plans of VALE at the end of 2007 and 2006 and the allocation target for 2008, by category of asset, are as follows:

**Brazil**

Category of assets	Allocation target for 2008	Percentage of plan assets as of December 31	
	(Unaudited)	2007	2006
Shares	27%	29%	28%
Real estate	6%	3%	4%
Loans	6%	4%	4%
Fixed-income investments	61%	64%	64%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

**Foreign**

Category of assets	Allocation target for 2008	Percentage of plan assets as of December 31	
	(Unaudited)	2007	2006
Shares	61%	61%	61%
Fixed-income investments	39%	39%	39%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The allocation target of fixed-income investments was set to satisfy the actuarial obligations. VALE's proposal for 2008 is to increase investments in inflation-indexed investment funds. Remaining fixed-income investments will be used to pay short-term benefits of the plan.

The maintenance of the target allocation of variable-income assets reflects an expected increase in IBOVESPA (Brazilian shares index) as a result of a reduction in Brazilian interest rates.

#### (b) Actuarial liability

##### Supplementary bonus and health care plan for retirees

Refer to VALE's responsibility for providing supplementary pension and health care relating to the early retirement program implemented in 1987 and 1989. The results of the actuarial valuation of this liability are as follows:

#### Change in fair value of assets<sup>(\*)</sup>

	Supplementary bonus	
	2007	2006
Fair value of assets at beginning of the year	196	146
Actual return on plan assets	32	23
Sponsors' contributions	93	88
Benefits paid during the year	(62)	(61)
Fair value of assets at end of the year	<u>259</u>	<u>196</u>

(\*) The fair value of assets does not apply for health care purposes.

#### Change in present value of obligations

	Health care		Supplementary bonus	
	2007	2006	2007	2006
Present value of obligations at beginning of the year	229	183	708	584
Interest cost	25	24	76	74
Benefits paid during the year	(21)	(14)	(62)	(61)
Change in assumptions	-	27	-	111
Loss on liability	59	9	10	-
Present value of obligations at end of the year	<u>292</u>	<u>229</u>	<u>732</u>	<u>708</u>

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**Reconciliation of assets and liabilities recognized in VALE's balance sheet**

	Health care		Supplementary bonus	
	2007	2006	2007	2006
Present value of actuarial obligations fully or partially funded	(292)	(229)	(732)	(708)
Fair value of assets	-	-	259	196
Unrecognized gains, net	24	23	73	71
Net actuarial liabilities accrued	<u>(268)</u>	<u>(206)</u>	<u>(400)</u>	<u>(441)</u>

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**Costs recorded in the statement of income of VALE**

	Health care		Supplementary bonus	
	2007	2006	2007	2006
Interest cost	25	24	76	74
Actual return on plan assets	-	-	(32)	(23)
Total net costs	<u>25</u>	<u>24</u>	<u>44</u>	<u>51</u>

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**(c) Sponsor's contributions**

	2007	2006
Hybrid benefit plan - "Vale Mais" – income	(40)	(29)
Hybrid benefit plan - "Vale Mais" – risk and proportional benefit	(63)	(55)
Foreign pension plans	(740)	(363)
Supplementary bonus plan <sup>(*)</sup>	(93)	(88)
Health care plan for retirees <sup>(*)</sup>	(21)	(14)
Total contributions	<u>(957)</u>	<u>(549)</u>

<sup>(\*)</sup> Actuarial liability.

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**(d) Actuarial and economic assumptions**

All actuarial calculations involve future projections relating to certain parameters, such as salaries, interest, inflation, INSS benefit performance, mortality, disability, etc. No actuarial results should be analyzed without prior knowledge of the assumptions used in the valuation.

The actuarial assumptions adopted were formulated considering their long-term maturity, and, accordingly, should be analyzed from this viewpoint. Therefore, they may not be realized in the short term.

**The following economic assumptions were adopted in the valuations:**

Economic assumptions	2007		2006	
	Local pension plans	Foreign pension plans	Local pension plans	Foreign pension plans
Discount rate	10.24% p.y.	5.21% p.y.	11.30% p.y.	5.00% p.y.
Expected return on plan assets	12.78% p.y.	7.18% p.y.	14.98% p.y.	7.50% p.y.
Rate of increase in salaries and related taxes – up to 47 years old	7.12% p.y.	4.01% p.y.	8.15% p.y.	3.00% p.y.
Rate of increase in salaries and related taxes – after 47 years old	4.00% p.y.	4.01% p.y.	5.00% p.y.	3.00% p.y.
Inflation	4.00% p.y.	2.00% p.y.	5.00% p.y.	1.80% p.y.
Nominal rate of increase in medical costs	7.64% p.y.	6.35% p.y.	8.67% p.y.	5.05% p.y.

All of these assumptions were revised in 2007.

## 19. Insurance

The principal jointly-owned subsidiary of Bradespar has insurance coverage considered sufficient by Management to cover potential losses, as shown below:

### VALE

#### Operating risks

VALE has a comprehensive risk management program that provides coverage and protection for all its assets and possible losses caused by production disruption through an All Risks policy. This program includes on-site inspections and training, using the structure of several risk committees at VALE, its subsidiaries and affiliates. It seeks to align the risks of all areas for a single and consistent treatment, searching in the domestic and international markets compatible coverage for a company of the size of VALE.

#### Insurance

In order to mitigate risks, VALE has several different insurance policies, such as operational risk and civil liability insurance, as well as employee life insurance. The insurance coverage is contracted in line with the Corporate Risk Management Policy and is similar to the insurance contracted by other mining companies. As a risk management strategy, VALE has engaged the same reinsurance company since 2002, which allows it to contract insurance on a competitive basis, and direct access to the main international insurance markets.

Insurance management at VALE is carried out with support of the insurance committees existing in the different operating areas of VALE, which are composed of several professionals from such areas.

## 20. Other Information and Subsequent Events

a) Other liabilities in consolidated holding refer principally to share fractions from the reverse stock split approved at the Extraordinary Shareholders' Meeting on April 30, 2004, which were sold at the auction on the São Paulo Stock Exchange (BOVESPA) on July 14, 2004, and the amount of R\$26 (2005 - R\$26) was credited or made available to the shareholders.

b) Other operating income (expenses) (consolidated holding)

	2007	2006
Tax expenses	(16)	(15)
Provision for losses on Globopar euronotes	-	(6)
Reversal of reserve for contingencies	20	-
Total	<u>4</u>	<u>(21)</u>

c) On December 28, 2007, Law No. 11,638 was enacted, altering the Brazilian corporate law, especially with respect to chapter XV, Fiscal Year and Financial Statements. This Law is effective for fiscal years beginning on or after January 1, 2008 and was designed primarily to update the Brazilian corporate law, so as to enable the convergence of Brazilian accounting practices with international accounting standards (IFRS) and allow the CVM to issue new accounting standards and procedures, in conformity with such international accounting standards. Certain of these changes shall be applied as of the beginning of the Company's fiscal year while others are subject to regulation by regulatory agencies.

The main changes that may affect the Company and its subsidiaries are summarized as follows:

- Replacement of the statement of changes in financial position by the statement of cash flows, which is already prepared by the Company.
- Requirement to present the statement of value added.
- Creation of new account groups: (a) intangible assets; and (b) valuation adjustments to shareholders' equity, in order to record certain fair value adjustments, mainly for financial instruments; foreign exchange rate variations on foreign investments accounted for under the equity method of accounting (through December 31, 2007, this adjustment was recorded in income); and certain fair value adjustments related to assets and liabilities as a result of a merger between unrelated parties that results in the transfer of control.
- Requirement of periodic analysis of the recoverability of amounts recorded in property, plant and equipment, intangible assets and deferred charges.
- Requirement that certain long-term assets and liabilities be recorded at present value, and, if material, for certain other short-term assets and liabilities.
- Requirement to record under the caption "Property, plant and equipment" those rights in tangible assets that are maintained or used in the operations of the Company's business, including those rights received as a result of transactions that transfer the benefits, risks and control of such assets to the Company.
- As these changes have only been introduced recently, and some of them are still subject to regulation by regulatory agencies, Management is assessing all the effects of such changes, which should be recognized starting 2008.

d) At the Extraordinary Meeting held on January 18, 2008, Bradespar's Board of Directors decided to authorize the Company's Executive Board to buy back 1,500,000 registered shares, without par value, of which 500,000 are common shares and 1,000,000 are preferred shares, to hold them in treasury for subsequent sale or cancellation, without any capital reduction, where the Executive Board will define the timing and the number of shares to be bought back, within the limits authorized and the effective term. The purpose of this authorization is the use of the funds available for investment, arising from the caption "Profit reserves - reserve for capital increase", and is effective for a six-month period, from January 21 to July 21, 2008.

e) CPFL Energia disclosed on February 28, 2008, through a Notice to Shareholders, that it decided to pay dividends, related to the second half of 2007, which will be confirmed by the Annual Shareholders' Meeting to be held on April 9, 2008. The amount payable is R\$718 (the amount payable to Bradespar is R\$64), equivalent to R\$1.497964530 per common share, to be attributed to the amount of 2007 mandatory dividends.

f) On February 29, 2008, Bradespar announced the minimum payment of US\$200 million for the current year, to be converted into Brazilian reais at the U.S. dollar selling exchange rate ("Ptax-option 5") disclosed by BACEN, of the last business day prior to the Board of Directors' meetings scheduled for April 30 and October 31, 2008. The payment will be made in two equal installments of US\$100 million, on May 15 and November 14, 2008, where R\$172 of the first installment refers to the additional interest on capital for fiscal 2007.

São Paulo, SP, March 27<sup>th</sup> 2008.

**Board of Directors**

Chairman  
Lázaro de Mello Brandão

Vice Chairman  
Antônio Bornia

**Membros**

Mário da Silveira Teixeira Júnior  
Márcio Artur Laurelli Cypriano  
João Aguiar Alvarez  
Denise Aguiar Alvarez Valente  
Ricardo Abecassis Espírito Santo Silva  
Francisco Ravara Cary

**Board of Executive Officers**

Chief of Executive Officers  
João Moisés de Oliveira

Investor Relations Officer  
Renato da Cruz Gomes

**Fiscal Council**

**Sitting members**

Antonio José da Barbara  
Osmar Roncolato Pinho  
Manuel Maria Pulido Garcia Ferrão de Sousa

**Alternates**

João Batista de Moraes  
José Luis Elias  
Olídio Aralde Junior

## Independent Auditors' Report

### To the Shareholders and Management of Bradespar S.A.

#### São Paulo - SP

1. We have audited the accompanying individual (Company) and consolidated balance sheets of Bradespar S.A. and subsidiaries as of December 31, 2007 and 2006, and the related statements of income, changes in shareholders' equity (Company), and changes in financial position for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements. The financial statements of certain indirect subsidiaries for the years ended December 31, 2007 and 2006 were audited by other independent auditors whose reports thereon were unqualified. The Company's proportionate investment in these subsidiaries and the equity in their earnings represent 21.4% of the investment in 2007 (41.8% in 2006) and 20.1% of the equity in earnings of these subsidiaries in 2007 (26.0% in 2006). Our opinion, insofar as it relates to the amounts included in the above-mentioned financial statements for these indirect subsidiaries, is based solely on the reports of other auditors.

2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries; (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed; and (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, based on our audits and the reports of other auditors, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Bradespar S.A. and subsidiaries as of December 31, 2007 and 2006, the results of their operations, the changes in shareholders' equity (Company), and the changes in their financial positions for the years then ended in conformity with Brazilian accounting practices.

4. Our audits were conducted for the purpose of forming an opinion on the financial statements referred to in paragraph 1 taken as a whole. The accompanying statements of cash flows are presented for purposes of additional analysis and are not a required part of the basic financial statements in conformity with Brazilian accounting practices. Such information has been subjected to the auditing procedures described in paragraph 2 and, in our opinion, based on our audits and the reports of other auditors, is fairly stated, in all material respects, in relation to the financial statements referred to in paragraph 1 for the years ended December 31, 2007 and 2006, taken as a whole.

5. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, March 27, 2008

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes  
CRC nº 2 SP 011609/O-8

Maurício Pires de Andrade Resende  
Engagement Partner  
CRC nº 1 MG 049699/O-2 "T" SP

## Fiscal Council Report

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The undersigned members of the Fiscal Council of BRADESPAR S.A., in the exercise of their legal and statutory attributions, having examined the Management Report and the Financial Statements for fiscal year ended December 31st 2007, and the Taxable Income Generation Technical Feasibility Study, adjusted to present value and aimed at the recovery of the Deferred Tax Assets in compliance with CVM instruction 371 of 06.27.2002 and the report elaborated by Deloitte Touche Tohmatsu Independent Auditors, which was presented without restrictions, consider that the said documents, after being examined in light of the pertinent corporation law, properly reflect the Company's equity and financial conditions, and recommend their approval by the General Shareholders' Meeting.

São Paulo, SP, March 27<sup>th</sup> 2008.

Antonio José da Barbara  
Osmar Roncolato Pinho  
Manuel Maria Pulido Garcia Ferrão de Sousa

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