

U&M MINERAÇÃO E CONSTRUÇÃO S.A.

ACCOUNTING STATEMENTS

Parent Company and Consolidated companies

December 31, 2006 and December 31, 2005

Income Statements of the Fiscal Years

Balance Sheets

Statement of Changes in Stockholders' Equity

Statement of the Origins and Investment of Funds

Explanatory Notes

Opinion of the Independent Auditors

Messrs. Stockholders.

We submit to you the Balance Sheets and the respective Income Statement of the Fiscal Years, Statement of Changes in Stockholders' Equity, Statement of the Origins and Investment of Funds, including Explanatory Notes regarding the fiscal years ended as of December 31, 2006 and December 31, 2005.

At this opportunity, we reiterate to our employees and collaborators the most sincere thanks for the endeavor and dedication that transformed U&M Mineração e Construção S.A. into one of the best companies where to work, according to note published in the special issue of the magazine *Exame* of 2006.

Income Statement of the Fiscal Years

(in thousand reais – excepting profit per share, as expressed in reais)

	Parent Company		Consolidated Company	
	2006	2005	2006	2005
Gross Operating Revenue	178,453	157,653	192,964	170,129
Services Rendering	178,453	157,653	192,964	170,129

Revenue				
Deductions	(12,909)	(11,274)	(13,439)	(11,731)
Net Operating	165,544	146,379	179,525	158,398
Revenue				
Costs of the Rendered	(149,067)	(133,154)	(149,472)	(134,579)
Services				
Gross Operating Profit	16,477	13,225	30,053	23,819
Operating Revenues	947	(1,644)	(734)	(11,257)
(expenses)				
Overhead and	(10,307)	(12,211)	(10,582)	(12,259)
Administrative				
Expenses				
Financial (net)	(703)	(3,965)	(2,109)	(3,990)
Expenses				
Result of Equity	11,520	9,509	11,520	-
Accounting				
Other Operating	437	5,023	437	4,992
Revenues (expenses)				
Net Operating Profit	17,424	11,581	29,319	12,562
Non-Operating Income	1,407	1,497	1,627	1,736

Revenue before Income Tax and Social Contribution	18,831	13,078	30,946	14,298
Social Contribution	-	(790)	(502)	(1,119)
Income Tax	-	(2,070)	(1,368)	(2,961)
Net Profit of the Fiscal Year	18,831	10,218	29,076	10,218
Net Profit per Share	4.00	2.40	-	-

(The explanatory notes are an integral part of the accounting statements)

Balance Sheets (in thousand of reais)

	Parent Company		Consolidated Company	
	2006	2005	2006	2005
ASSETS	165,674	142,333	166,866	141,466
Current assets	92,799	69,113	95,898	72,652
Cash available	36,016	35,961	36,448	37,249
Accounts Receivable	19,694	22,443	19,171	24,664
Recoverable Taxes	1,317	1,317	1,317	1,317
Advances to Suppliers	4,446	5,566	4,533	5,566
Advances to Third Parties	1,515	-	1,516	-
Loans to Third Parties	1,000	-	1,000	-
Warehouse	3,092	2,369	3,092	2,369
Other Credits	25,719	1,457	28,801	1,487
Long-Term Assets	2,764	2,696	2,764	2,696
Accounts Receivable	-	926	-	926
Judicial Deposits	1,019	580	1,019	580
Income Tax and Deferred Social Contribution	1,190	1,190	1,190	1,190
Other Credits	555	-	555	-

Permanent Assets	70,111	70,524	68,204	66,118
Investments	4,798	11,577	-	3,482
Fixed (liquid) asset	65,313	58,947	68,204	62,636

(The explanatory notes are an integral part of the accounting statements)

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Balance Sheets (in thousand of reais)

	Parent Company		Consolidated Company	
	2006	2005	2006	2005
	LIABILITIES	165,674	142,333	166,866
Current Liabilities	39,991	27,978	38,164	28,953
Suppliers	5,314	1,376	5,314	1,376
Loans & Financings	18,201	17,262	16,491	17,266
Salaries, Provisions & Charges	3,763	4,829	3,764	4,832
Taxes, Fees and Contributions	1,696	1,063	2,140	1,243
Social Contribution/Income Tax	-	-	-	788
Advances of Clients	5,525	3,288	5,525	3,288
Debits with Related Parties	3,294	-	3,294	-
Other Accounts Payable	1,985	160	1,423	160
Profits to Allocate	213	-	213	-
Long-Term Liabilities	7,605	18,229	5,835	16,387
Loans & Financings	4,097	10,678	2,327	10,678

Debits with Related Parties	-	1,842	-	-
Judicial Deposits	734	-	734	-
Provisions for Contingencies	-	531	-	531
Deferred Income Tax/Social Contribution	-	5,178	-	5,178
Tax Obligations	2,774	-	2,774	-
Net Equity	118,078	96,126	122,867	96,126
Capital stock	47,250	47,250	49,664	47,250
Capital Reserves	36,684	36,190	36,684	36,190
Revaluation Reserves	3,858	606	3,258	606
Profits Reserve	3,095	2,154	3,096	2,154
Accrued Profits	27,191	9,926	29,565	9,926

(The explanatory notes are an integral part of the accounting statements)

Statement of Changes in Stockholders' Equity (in thousands reais)

	Capital Stock	Capital Reserve	Revaluation Reserve	Legal Reserve	Accrued Profits	Totals
Balances as of 12.31.04	38,000	30	17,212	1,741	4,765	61,748
Dividend Reversal	-	-	-	-	214	214
EPSA Paying up	9.450	-	-	-	-	9,450
Subscription Premium	-	36,160	-	-	-	36,160
Split-up	(200)	-	-	-	-	(200)
Prior Adjustments	-	-	-	-	28	28
Write-off of Income Tax and Social Contribution	-	-	3,302	-	-	3,302
Revaluation Reserve Reversal	-	-	(560)	-	-	(560)
Realization of Deposit Reserve	-	-	(6,408)	-	6,408	-
Realization of Reserve						
Revaluation	-	-	(12,940)	-	-	(12,940)
Net Profit of Fiscal Year	-	-	-	-	10,218	10,218
Legal Reserve	-	-	-	413	(413)	-
Interest on	-	-	-	-	(1,961)	(1,961)

Own Capital						
Proposed Dividends	-	-	-	-	(9,333)	(9,333)
Balances as of 12.31.05	47,250	36,190	606	2,154	9,926	96,126
Adjustments of Prior Fiscal Years	-	-	-	-	(625)	(625)
Capital Reserve – Investee Adjustment	-	494	-	-	-	494
Revaluation Reserve of Personal Property	-	-	848	-	-	848
Write-off of Income Tax and Social Contribution	-	-	2,692	-	-	2,692
Revaluation of Income Tax and Social Contribution	-	-	(288)	-	-	(288)
Net Profit of Fiscal Year	-	-	-	-	18,831	18,831
Legal Reserve	-	-	-	942	(942)	-
Balances as of 12.31.06	47,250	36,684	3,858	3,096	27,191	118,078

(The explanatory notes are an integral part of the accounting statements)

**Statement of the Origins and Investment of Funds (in
thousands Reais)**

	Parent Company		Consolidated Company	
	2006	2005	2006	2005
ORIGIN OF FUNDS				
Of the Operations				
Net Profit of the Fiscal Year	18,831	10,218	30,402	10,218
(+) Depreciations	26,170	30,490	26,574	31,885
(+) Provisions for Contingencies	-	507	-	507
(-) Result of the Equity Accounting	(11,520)	(9,509)	(11,520)	-
(+) Exchange Variance	225	444	225	-
(+) Realization of Deferred Income Tax/Social Contribution	-	830	-	830
(+) Write-off of Fixed Assets (net)	88,754	15,380	90,291	10,995
	122,460	48,360	135,972	54,435

Of Third Parties

Received Dividends	-	9,365	-	-
Capital Paying-up	-	9,450	-	9,450
Premium on Subscription of Shares	-	36,160	-	36,160
Adjustment of Prior Fiscal Years	-	28	-	28
Decrease of Long-Term Assets	586	-	586	-
Decrease of Investments	25,485	-	25,485	-
Increase of Long-Term Liabilities	7,692	6,015	7,692	4,173
Increase of Net Equity	5,100	-	5,100	-
Increase of Deferred Income Tax and Social Contribution	2,692	-	2,692	-
Dividend Reversal	-	214	-	-
	41,555	61,232	41,555	49,811
TOTAL OF ORIGINS	164,015	109,592	177,527	104,246

INVESTMENTS OF FUNDS

Additions to Investment	6,514	4,244	6,514	15
Additions to Fixed Asset	120,441	37,440	120,441	37,442
Dividends/Interest on Own Capital	-	11,294	-	11,080
Increase of Long-Term Asset	654	490	654	490
Decrease of Long-Term Liabilities	3,076	-	3,076	-
Write-off of Deferred Income Tax and Social Contribution	288	-	288	-
Transfer of ELP to Current Liability	15,240	-	15,240	-
Allotment of Profits	-	-	11,513	11,513
Adjustment of Net Equity	6,129	-	6,129	-
TOTAL OF THE INVESTMENTS	152,342	53,468	163,855	49,027
Increase (decrease) of	11,673	56,124	13,672	55,219

Net Working Capital

Variance of the Net Working Capital

Working Assets

End of Period	92,799	69,113	1,046,008	72,652
Start of Period	69,113	22,139	1,020,852	22,451
	23,686	46,974	25,156	50,201

Working Liabilities

End of Period	39,991	27,978	1,183,693	28,953
Start of Period	27,978	37,128	1,172,209	33,971

	12,013	(9,150)	(11,484)	(5,018)
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Increase (decrease) of	11,673	56,124	13,672	55,219
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the Net Working

Capital

(The explanatory notes are an integral part of the accounting statements)

Explanatory Notes

1. Operating Context

U&M Mineração e Construção S.A. is a private joint stock corporation, whose main activity is the construction of highways, railroads and dams; embankment and paving; execution of basic sanitation works; special works of art; urban development; lease of equipment, operation of mines, advisory, import & export of used equipment. In December 2005, 20% of the Company's common shares were acquired by EPSA Brasil Construções Ltda., an EPSA International's subsidiary that, in turn, is the parent company of EPSA Spain, the biggest Spanish embankment company and biggest fleet holder of heavy equipment of Europe. The value of the transaction was of approximately R\$ 45,000. This subscription aims at an injection of capital in the Company, intending a reduction of the indebtedness, a higher purchasing power before international suppliers and a better status before the market, by giving an impulse in the internationalization of the activities, mainly in Latin America and Africa.

Leveyequip Equipamentos Ltda., a company organized on December 9, 2002, with main office in the municipality of Comendador Levy Gasparian, State of Rio de Janeiro, whose main activity is the construction of highways, railroads and dams, embankment and paving, execution of basic sanitation works; special works of art and lease of equipment. The company started its operations in June 2004, through contracts with the companies Imerys Rio Capim Caulim S.A. and Mineração Rio do Norte S.A., located in the State of Pará.

U&M Equipments, Inc., a company organized in July 17, 2003, headquartered in the British Virgin Islands, Caribs, with the corporate purpose to buy and sell mining equipment and equipment for heavy construction in the USA and other countries signatories of GATT; export of equipment, mainly to Brazil, lease of mining equipment and equipment for heavy construction, provision of services of mining and heavy construction and technical advisory on mining and engineering.

2. Preparation and Presentation of the Accounting Statements

The accounting statements have been prepared and are being presented according to the accounting practices adopted in Brazil, in compliance with the main procedures described below:

The consolidated accounting statements include the statements of parent company **U&M Mineração e Construção S.A.** and controlled companies **Levyequip Equipamentos Ltda.** and **U&M Equipments, Inc.**, all revised to the extent deemed necessary by the same parent company's independent auditors.

3. Main Accounting Practices

a) The financial investments are demonstrated at cost plus the yield ascertained until the date of the balance sheet, not exceeding the market value, and the services provided and not yet invoiced on the date of the balance sheet are accounted for according to the accrual basis and registered as 'Measurements to be Invoiced'.

b) The warehouse is demonstrated at the acquisition mean cost, not exceeding the market prices or the net values of realization, and the relevant investments in controlled companies are evaluated on the equity accounting method, it being eliminated in the consolidation process. The other investments are demonstrated at the acquisition cost. The real estate units for the generation of income are evaluated at the market value, with basis on an evaluation report, readjusted every four years.

c) The accounting statements of **U&M Equipments, Inc.** have been converted into the national currency, by adopting the criterion of converting the monetary and not monetary items according to the current US dollar exchange rate as of December 31, 2005 and December 31, 2006.

d) The fixed asset is registered at the acquisition cost and installation, except lands, buildings and machines and heavy equipment, the evaluation practice of which is the market value, with basis on expert reports, readjusted every four years and the capital expending that will benefit more than one fiscal year has

been accounted for in fixed asset. The other spending necessary to keep the fixed asset in operating condition and that will benefit only the fiscal year in course has been accounted for as 'expenses of the fiscal year'.

e) The depreciation is calculated according to the straight-line method. The depreciation rates used are according to the expectation of useful life of the goods and the transactions in foreign currency are registered at the rates in force on the date of the transactions and readjusted with basis on the rate in force at the end of the month, the exchange gain/loss accounted for in 'income statement'.

f) The provision for income tax and current social contribution has been calculated with basis on the net profit of the fiscal year readjusted according to the additions and exclusions forecasted in the tax laws in force. The deferred income tax and the social contribution have been constituted with basis on the known rates for the tax losses and the additions and exclusions, the deductibility or taxation of which will occur in future fiscal years.

g) The provision for contingencies is registered according to the expectation of losses, based on the opinion of its legal advisors. The results are ascertained according to the accrual basis of the fiscal years, and the interest on the own capital has been calculated with basis on Act 9249/95. For the purposes of meeting the tax provisions, the interest on the own capital payable is accounted for as 'financial expenses'.

4. Advances to Suppliers

They are the payments to suppliers abroad for the import of tires, parts and equipment of maintenance that are still in course, as well as expenses of services of clearance for imported products.

5. Income Tax and Social Contribution

On December 31, 2005, by virtue of the realization of the revaluation reserve, the Company accounted for the value of R\$ 3,590 of deferred income tax and social contribution in 'revaluation reserve' of net equity.

6. Investments in Real Estate

The investment in real estate refer to a property situated in the municipality of Juiz de Fora, State of Minas Gerais, and is registered according to the acquisition cost plus revaluation carried out by independent experts, whose report was updated in the fiscal year of 2004. The revaluation report had as basis of evaluation of the assets the comparative method with grounds on the mean unit price of the square meter of land, according to the local condition.

7. Fixed Asset

The depreciations of the fixed asset are calculated on a monthly basis, by taking into account, in some cases, the accelerated depreciation rates based on an expert report of National Institute of Technology – INT.

		Yearly	Parent Company		Consolidated	
		Mean			Companies	
		Rate	2006	2005	2006	2005
Machines	and	50%	135,646	115,211	118,615	120,044
Heavy Equipment		100%				
Machines,		25% and	759	880	759	878

Equipment	and	50%				
Vehicles						
Hardware		20%	504	410	504	410
Furniture	and	10% and	489	415	489	415
Fixtures		20%				
Software		20%	392	388	392	388
Improvements in Third Parties' Real Estate		4%	2,141	162	2,141	162
			139,931	117,466	122,900	122,298
Accumulated			(80,934)	(61,648)	(81,338)	(62,791)
Depreciation						
Acquisitions	in		2,480	3,129	3,179	3,129
progress						

8. Split-off

The Company, in the fiscal year of 2005, has split off its assets, by conveying to U&M Desenvolvimento Urbano Ltda. a land in the value of R\$ 200. The value of the land has been determined through a report issued by specialists with basis on accounting books. This land had been revaluated in 1998 through a report

issued by a specialized company, its market value being determined in R\$ 13,140. After the split-off, the revaluation value, in the amount of R\$ 12,940, has been accounted for, in the Company's fixed asset, in 'revaluation reserve', in net equity.

9. Loans and Financings

The guaranties of FINAME financings are represented by chattel mortgage of the equipment, Company's promissory notes and shareholders' guaranty. The other loans and financings are guaranteed by shareholders' bond. The financings have been substantially obtained for the acquisition of the fixed asset. During the fiscal year of 2005, the Company accelerated the liquidation of loans and financings in the approximate value of R\$ 8,960. These loans and financings had maturity terms during the course of the fiscal year 2006 and were liquidated due to strategic issues.

10. Judicial Deposits and Provision for Contingencies

a) The Company has made an evaluation and quantification of many actions of fiscal, civil and labor nature, the proceedings of which are deemed as likely lost. According to these expectations,

provisions for contingencies have been accounted for. The Company has judicially discussed the following levies:

	Parent Company/Consolidated Company			
	Judicial Deposits		Provision for Contingencies	
	2006	2005	2006	2005
PIS and COFINS on Import	268	444	-	-
INSS	-	42	-	180
ISS	-	-	-	68
Labor levies	82	-	-	140
Other levies	90	94	200	144
	440	580	200	532

PIS = Employees' Profit Participation Program; COFINS =Tax for Social Security Financing; INSS = National Institute of Social Security.

b) PIS and COFINS on import of tires, in the amount of R\$ 444, is judicially deposited. With basis on its attorneys' opinion, it is likely

the success in this judicial proceedings. So, the Company has not effected the provision of the disputed values.

c) The Company, in 2005, lost the discussion on the inexistence of a juridical relationship between the Company and the quasi-fiscal entities SESI/SENAI, by converting, therefore, the judicial deposits into income, in the amount of R\$ 910, approximately. In August 2006, the Company entered into with SENAI and SESI a technical and a financial cooperation agreements numbers 40222 and 1006/06, both aiming at the execution of programs of development of its personnel.

11. Net Equity

a) Capital Stock

In December 2005, the Company promoted a corporate restructuring and its shareholders created a company denominated U&M Participações Ltda., by transferring all its shares of the Company's capital stock to this company. After this operation, U&M Participações started being a shareholder of U&M S.A., holding 80% of the Company's shares.

In December 2005, U&M Mineração e Construção S.A. subscribed 945.000 to the nominal value of R\$ 10.00 that were entirely acquired by EPSA Brasil Construções Ltda., a subsidiary of the Spanish company EPSA International.

On December 31, 2006, the corporate participation was as follows:

Shareholders	Quantity of Common Shares	Value (R\$)	%
U&M Participações Ltda.	123,554	1,235,540.00	2,6149
Marcelo Ribeiro Machado	1,042,397	10,423,965.00	22,0613
Renato Ribeiro Machado	1,018,223	10,182,233.00	21,5497
Sergio Ribeiro Machado	426,587	4,265,872.00	9,0283
Gumercindo Barroso Machado	397,935	3,979,348.00	8,4219
Berenice Ribeiro Machado	397,935	3,979,348.00	8,4219
Clóvis Sales de Oliveira	166,443	1,664,428.00	3,5226
Fernando Alves de Mendonça	123,360	1,233,603.00	2,6108

Ângelo Cerutti Navarro	83,566	835,663.00	1,7686
EPSA Brasil Construções Ltda.	945,000	9,450,000.00	20,0000
TOTAL	4,725,000	47,250,000.00	100,0000

b) Premium in the subscription of Shares

In the operation of purchase of 20% of the capital stock of U&M Mineração e Construção S.A. by EPSA Brasil Construções Ltda., 945,000 shares in the nominal value of R\$ 10.00 have been issued. The value paid by EPSA in the acquisition of these stock was R\$ 45,610, generating the premium in the subscription of shares in the value of R\$ 36,160.

c) Legal Reserve

Legal reserves were constituted on December 31, 2005 and December 31, 2006 upon the allocation of 5% of the net profit of the fiscal years, according to article 193 of the Joint Stock Corporations Act.

d) Interest on Own Capital

On December 31, 2005, the interest on own capital was ascribed to dividends with basis on Act 9249/95, accounted for as follows:

	Parent Company
	2005
Net Profit of the Fiscal Year	11,361
Legal Reserve (5%)	(568)
Profit for distribution of Dividends	10,793
Dividends (25%)	2,698
Interest on Own Capital ascribed to the Dividends	1,961
Withholding Tax	(294)
Interest on Own Capital	1,667
Complementary Dividends	9,333
Total	11,000

e) Accumulated Profits

The destination of the accumulated profits regarding the fiscal year ended as of December 31, 2006 shall be decided upon, and

approved by, Stockholders' Annual Meeting, in the subsequent fiscal year.

12. Participation in Consortia

The activities of consortium, according to the Brazilian laws, do not have capital or proper juridical responsibility, nor impair or benefit the parties as to their own legal personalities and the consortium must be deemed only as an agreement whereby the parties cooperate on a mutually basis for the provision of services. The Company, during the fiscal years ended as of December 31, 2005 and December 31, 2006, participated in the following consortia:

Bauxita Paragominas

An association between **U&M Mineração e Construção S.A.** and Fidens Engenharia S.A. for the execution of civil works of embankment and provisional draining of Platô Militônia 3 of Mineração Bauxita Paragominas, in the State of Pará. The Company had interest of 50% and acted as the administrator and leader. The activities of this consortium ended on March 31, 2005.

Miraí

An association between **U&M Mineração e Construção S.A.** and EMPA Engenharia S.A., with the purpose to implant the bauxite mine of Companhia Brasileira de Alumínio, in the city of Miraí, State of Minas Gerais. The Company has interest of 50% and the administrator and leader is EMPA. From December 1, 2006, due to strategic reasons, the interest of U&M started being 0.5%.

13. Non-Operating Income

The non-operating income regarding the fiscal years ended as of December 31, 2005 and December 31, 2006 refer basically to values received due to the disposal of goods of the fixed asset.

14. Commercial Lease

The Company has commercial lease agreements entered into in the fiscal years of 2003, 2004, 2005 and 2006 for the purchase of sundry equipment. The payment of the installments is on a monthly, quarterly and half-year basis, with a term ranging from 24 to 36 months. The values accounted for in 'costs of the services

provided on December 31, 2005' was R\$ 4,103 and R\$ 19,408 on December 31, 2006.

The future commitments related with the agreements aforementioned are the following:

	Consolidated commitments
2007	27,886
2008	4,686
2009	865
2010	545
	33,982

15. Insurance Coverage

The Company's policy is not to execute insurance coverage for its machines and equipment. The insurance existing on December 31, 2005 and December 31, 2006 were contracted to meet contractual requirements regarding the contracting of commercial leases.

16. Subsequent Events

On January 12, 2007, **U&M Mineração e Construção S.A.**

signed with **U&M Equipments Inc.**, a loan agreement in the value of US\$ 4,577,000 (four million, five hundred and seventy-seven thousand US dollars), converted into reais at the official exchange rate, the value of which was credited at Safra Bank to the account of the beneficiary, at National Bank of New York.

17. Closing of Activities

On August 30, 2006, U&M Mineração e Construção S.A. decided to terminate and write off the enrollment of the branch of Mina do Saracá – Porto Trombetas, in the municipality of Oriximiná, State of Pará, as well as the branch of municipality of Paragominas, State of Pará, Work Site of Mineração /Bauxita Paragominas, Platô 3, at Avenida do Contorno, 460, Centro.

18. Equity Accounting and Partnership with one Ostensive and One Secret Partner

The amounts of R\$ 11,520 regarding to gains by MEP – Equity Accounting Method resulting of investments in the companies Levyequip Equipamentos Ltda. and U&M Equipments Inc. and R\$ 11,630 regarding results obtained in Partnership with one

Ostensive and One Secret Partner are accounted for in 'Parent Company's income' at the end of the fiscal year of 2006.

19. Liquidity

As of December 31, 2005 and December 31, 2006, U&M Mineração e Construção S.A. presented the following variances in its general and current liquidity:

FISCAL YEARS	INDEXES	
	GENERAL	CURRENT
2005	1,54	2,39
2006	2,01	2,32

Rio de Janeiro, December 31, 2006.

Marcelo Ribeiro Machado

CEO

Marcia da Fonseca Grosso

Accountant – CRC-MG – 064406/0-7-S-RJ

Antunes Auditoria S/C
Audit, Accounting and Tax Advisory

INDEPENDENT AUDITORS' OPINION

Messrs Stockholders of

U&M MINERAÇÃO E CONSTRUÇÃO S.A.

- 1.** We have examined the Balance Sheets of **U&M Mineração e Construção S.A.**, the Consolidated Balance Sheets of **U&M Mineração e Construção S.A.** and controlled companies as of December 31, 2006 and 2005 and the respective Income Statements of the Fiscal Years, Statements of Changes in Stockholders' Equity and Statement of the Origins and Investment of Funds corresponding to the fiscal years ended on those dates, prepared under the responsibility of its management. Our responsibility is to express an opinion on these accounting statements. Our examinations have been carried out according to the audit rules applicable in Brazil and

comprised:

- a) the planning of the works considering the relevance of the balances, the volume and transactions and the accounting systems and the Company's internal control systems;
- b) the verification, with basis on tests, of the evidences and records that support the values and disclosed accounting information;
- c) the evaluation of the more representative accounting practices and estimates adopted by the Company's management.

2. As per mentioned in the Explanatory Notes

3.g), the provision for contingencies is accounted for according to the expectation of loses, based on the opinion of its legal counsel. The results are ascertained according to the accrual basis of the fiscal years, and the interest on the own capital has been calculated with basis on Act 9249/95. For the purposes of meeting the tax provisions, the interest on the own capital payable is accounted for as 'financial expenses'.

5. Income Tax and Social Contribution - On December 31, 2005, by virtue of the realization of the revaluation reserve, the Company accounted for the value of R\$ 3,590 of deferred income tax and social contribution in 'revaluation reserve' of net equity.

16. Insurance Coverage -The Company's policy is not to execute insurance coverage for its machines and equipment. The insurance existing on December 31, 2005 and December 31, 2006 were contracted to meet contractual requirements regarding the contracting of commercial leases.

3. In our opinion, except for what is mentioned in paragraph two, the Accounting Statements referred to in paragraph one adequately represent, in all relevant respects, the **U&M Mineração e Construção S.A.**'s good standing, as well as the consolidated good standing of **U&M Mineração e Construção S.A.** and controlled companies as of December 31, 2006 and 2005, the respective results of their operations, the changes of its net equities and the origins and investments of funds

regarding the fiscal years ended on those dates, according to the accounting practices adopted in Brazil.

Rio de Janeiro, January 29, 2007.

Antunes Auditoria S.C.

Cleber do Carmo Antunes

Accountant – CRC-MG – 35.273

Antunes Auditoria S.C.

Sueli Mendonça Martins

Accountant - CRC-MG – 38.611