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

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**United States  
Securities and Exchange Commission  
Washington, D.C. 20549  
FORM 6-K  
Report of Foreign Private Issuer  
Pursuant To Rule 13a-16 or 15d-16  
of the  
Securities Exchange Act of 1934  
For the month of  
March 2007  
Companhia Vale do Rio Doce  
Avenida Graça Aranha, No. 26  
20030-900 Rio de Janeiro, RJ, Brazil  
(Address of principal executive office)**

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

(Check One) Form 20-F  Form 40-F

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

(Check One) Yes  No

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

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**Report of Independent Registered  
Public Accounting Firm**

To the Board of Directors and Stockholders

Companhia Vale do Rio Doce

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

**Consolidated financial statements**

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

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

**Internal control over financial reporting**

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

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accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

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**Table of Contents****Consolidated Balance Sheets****Expressed in millions of United States dollars**

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

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

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

(Continued)

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

|              |               |               |
|--------------|---------------|---------------|
|              | <b>19,673</b> | <b>11,977</b> |
| <b>TOTAL</b> | <b>60,954</b> | <b>22,644</b> |

The accompanying notes are an integral part of these consolidated financial statements.  
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**Table of Contents****Consolidated Statements of Income**

Expressed in millions of United States dollars

(except number of shares and per-share amounts)

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

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

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

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**Table of Contents****Consolidated Statements of Cash Flows**  
**Expressed in millions of United States dollars**

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

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

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

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

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

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

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

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



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|  |                      |                      |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Tax  |                      |                      |                      |                      |                      |                      |
| (expense) benefit  | (187)                |                      |                      | (187)                |                      |                      |
| Net effect   | 353                  |                      |                      | 353                  |                      |                      |
| Preferred class A<br>stock (including<br>six special shares) |                      |                      |                      |                      |                      |                      |
| (1)  | 959,758,200          | 959,758,200          | 831,455,478          | 959,758,200          | 831,455,478          | 831,455,478          |
| Common stock   | 1,499,898,858        | 1,499,898,858        | 1,499,898,858        | 1,499,898,858        | 1,499,898,858        | 1,499,898,858        |
| Treasury stock (2)   |                      |                      |                      |                      |                      |                      |
| Beginning of the<br>period                                   | (43,463,536)         | (29,595,036)         | (28,314,626)         | (28,313,936)         | (28,314,922)         | (28,316,118)         |
| Acquisitions   |                      | (13,868,500)         |                      | (15,149,600)         |                      |                      |
| Sales  |                      |                      | 690                  |                      | 986                  | 1,196                |
| End of the period  | <b>(43,463,536)</b>  | <b>(43,463,536)</b>  | <b>(28,313,936)</b>  | <b>(43,463,536)</b>  | <b>(28,313,936)</b>  | <b>(28,314,922)</b>  |
|  | <b>2,416,193,522</b> | <b>2,416,193,522</b> | <b>2,303,040,400</b> | <b>2,416,193,522</b> | <b>2,303,040,400</b> | <b>2,303,039,414</b> |

Dividends and  
interest attributed  
to stockholders  
(per share)

|  |      |  |      |      |      |      |
|--|------|--|------|------|------|------|
| Preferred class A<br>stock (including<br>six special shares) | 0.61 |  | 0.70 | 1.16 | 0.57 | 0.29 |
| Common stock   | 0.61 |  | 0.70 | 1.16 | 0.57 | 0.29 |

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

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

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

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

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**Table of Contents****Notes to the Consolidated Financial Statements****Expressed in millions of United States dollars, unless otherwise stated****1 The Company and its operation**

Companhia Vale do Rio Doce (CVRD) is a limited liability company, duly organized and existing under the laws of the Federative Republic of Brazil. Our operations are carried out through CVRD and its subsidiary companies, joint ventures and affiliates, and mainly consist of mining, non-ferrous metal production and logistics, as well as energy, aluminum and steel activities. Further details of our operations and those of our joint ventures and affiliates are described in Note 13.

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

| <b>Subsidiary</b>   | <b>%<br/>ownership</b> | <b>% voting<br/>capital</b> | <b>Head office<br/>location</b> | <b>Principal activity</b>                 |
|---|------------------------|-----------------------------|---------------------------------|---|
| Alumina do Norte do Brasil S.A.<br>Alunorte ( Alunorte )                        | 57.03                  | 61,74                       | Brazil                          | Alumina                                   |
| Alumínio Brasileiro S.A. Albras<br>( Albras )                                   | 51.00                  | 51,00                       | Brazil                          | Aluminum                                  |
| CADAM S.A (CADAM)   | 61.48                  | 100,00                      | Brazil                          | Kaolin                                    |
| CVRD International S.A. (1)   | 100.00                 | 100,00                      | Swiss<br>Cayman                 | Trading                                   |
| CVRD Overseas Ltd.  | 100.00                 | 100,00                      | Islands                         | Trading                                   |
| Inco Limited (3)  | 87.73                  | 87,73                       | Canada                          | Nickel                                    |
| Ferrovias Centro-Atlântica S. A.<br>Minerações Brasileiras Reunidas S.A.<br>MBR | 100.00                 | 100,00                      | Brazil                          | Logistics                                 |
| Mineração Onça Puma Ltda  | 89.80                  | 89,80                       | Brazil                          | Iron ore                                  |
| Navegação Vale do Rio Doce S.A.<br>DOCENAVE                                     | 100.00                 | 100,00                      | Brazil                          | Nickel                                    |
| Pará Pigmentos S.A. ( PPSA )  | 82.05                  | 85,57                       | Brazil                          | Shipping                                  |
| PT International Nickel Indonesia Tbk<br>( PT Inco ) (4)                        | 61.16                  | 61,16                       | Indonesia                       | Kaolin                                    |
| Rio Doce Manganês S.A.  | 100.00                 | 100,00                      | Brazil                          | Nickel                                    |
| Rio Doce Manganês Europe RDME   | 100.00                 | 100,00                      | France                          | Manganese and<br>Ferroalloys              |
| Rio Doce Manganese Norway RDMN  | 100.00                 | 100,00                      | Norway                          | Ferroalloys                               |
| Urucum Mineração S.A.   | 100.00                 | 100,00                      | Brazil                          | Iron ore,<br>Ferroalloys and<br>Manganese |
| Valesul Alumínio S.A. (2)   | 100.00                 | 100,00                      | Brazil                          | Aluminum                                  |

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

(2)

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

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

(4) Through Inco  
Limited

## **2 Basis of consolidation**

All majority-owned subsidiaries in which we have both share and management control are consolidated. All significant intercompany accounts and transactions are eliminated. Our variable interest entities in which we are the primary beneficiary are consolidated. Investments in unconsolidated affiliates and joint ventures are reported at cost plus our equity in undistributed earnings or losses. Included in this category are certain joint ventures in which we have majority ownership but, by force of shareholders' agreements, do not have effective management control. We provide for losses on equity investments with negative stockholders' equity where applicable (Note 13).

We evaluate the carrying value of our listed investments relative to publicly available quoted market prices. If the quoted market price is below book value, and such decline is considered other than temporary, we write-down our equity investments to quoted market value.

We define joint ventures as businesses in which we and a small group of other partners each participate actively in the overall entity management, based on a shareholders' agreement. We define affiliates as businesses in which we participate as a minority stockholder but with significant influence over the operating and financial policies of the investee.

Our condensed consolidated interim financial information for the three-month periods ended

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December 31, 2006, September 30, 2006, and December 31, 2005 is unaudited. However, in our opinion, such condensed consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for interim periods.

Our investments in hydroelectric projects are made via consortium contracts under which we have an undivided interest in assets and are liable for our proportionate share of liabilities and expenses, which is based on our proportionate share of power output. We do not have joint liability for any obligations, and all our recorded costs, income, assets and liabilities relate to the entities within our group. Since there is no separate legal entity for the project, there are no separate financial statements, income tax return, net income or shareholders' equity. Brazilian corporate law explicitly provides that no separate legal entity exists as a result of a consortium contract, and our external legal counsel has confirmed this conclusion. So, we recognize our proportionate share of costs and our undivided interest in assets relating to hydroelectric projects described in Note 12 (c).

**3 Summary of significant accounting policies**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to the selection of useful lives of property, plant and equipment, provisions necessary for contingent liabilities, fair values assigned to assets and liabilities acquired in business combinations, income tax valuation allowances, employee post retirement benefits and other similar evaluations. Actual results could differ from those estimates.

**(a) Basis of presentation**

We have prepared our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ( US GAAP ), which differ in certain respects from the accounting practices adopted in Brazil that we use in preparing our statutory financial statements.

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

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

As from July 1, 1997, we concluded that the Brazilian economy had ceased to be highly inflationary and changed our functional currency from the reporting currency (U.S. dollars) to the Brazil currency (Brazilian Reais), for Brazilian operations and extensions thereof. Accordingly, we translated the U.S. dollar amounts of non-monetary assets and liabilities into Reais at the current exchange rate, and those amounts became the new accounting bases for such assets and liabilities.

We have remeasured all assets and liabilities into U.S. dollars at the current exchange rate at each balance sheet date (R\$2.1342 and R\$2.3370 to US\$1.00 or the first available exchange rate if exchange on December 31, was not available), and all accounts in the statements of income (including amounts relative to Brazil currency indexation and exchange variances on assets and liabilities denominated in foreign currency) at the average rates prevailing during the period. The translation gain or loss resulting from this remeasurement process is included in the cumulative translation adjustments account in stockholders' equity.

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The net exchange transaction gain (loss) included in our statement of income was US\$452, US\$227 and US\$79 in 2006, 2005 and 2004, respectively, included within the line Foreign exchange and monetary gains (losses), net .  
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**(b) Business combinations**

We adopt the procedures determined by SFAS 141 *Business Combinations* to recognize acquisitions of interests in other companies. The method of accounting used in our business combination transactions is the purchase method, which requires that acquirers reasonably determine the fair value of the identifiable assets and liabilities of acquired companies, individually, in order to determine the goodwill paid in the purchase to be recognized as an intangible asset. On the acquisition of assets, which include the rights to mine reserves of natural resources, the establishment of values for these assets includes the placing of fair values on purchased reserves, which are classified in the balance sheet as property, plant and equipment.

Goodwill was amortized in a systematic manner over the periods estimated to be benefited through December 31, 2001. As required by SFAS 142 *Goodwill and Other Intangible Assets* from January 1, 2002 goodwill resulting from the acquisitions is no longer amortized, but is tested for impairment at least annually and reduced to fair value to the extent any such impairment is identified.

**(c) Inventories**

Inventories are stated at the average cost of purchase or production, lower than replacement or realizable values. We record allowances for slow moving or obsolete inventories when considered appropriate, reflecting our periodic assessment of recoverability.

We classify proven and probable reserve quantities attributable to stockpiled inventory as inventory and account for them as processed when they are removed from the mine. These reserve quantities are not included in the total proven and probable reserve quantities used in the units of production, depreciation, depletion and amortization calculations.

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

Property, plant and equipment are recorded at cost, including interest cost incurred during the construction of major new facilities. We compute depreciation on the straight-line basis at annual average rates which take into consideration the useful lives of the items, such as: 3.20% for the railroads, 2.78% for buildings, 2.97% for installations and 4.95% for mining development costs and 9.89% for other equipment. Expenditures for maintenance and repairs are charged to operating costs and expenses as incurred.

We capitalize the costs of developing major new ore bodies or expanding the capacity of operating mines and amortize these to operations on the unit-of-production method based on the total probable and proven quantity of ore to be recovered. Exploration costs are expensed. After economic viability of mining activities is established, subsequent development costs are capitalized. We capitalize mine development costs as from the time we actually begin such development.

**(e) Available-for-sale equity securities**

Equity securities classified as available-for-sale are recorded in accordance with SFAS 115 *Accounting for Certain Investments in Debt and Equity Securities*. Accordingly, we exclude unrealized holding gains and losses, net of taxes, if applicable, from income and recognize them, net of tax effects, as a separate component of stockholders' equity until realized.

**(f) Revenues and expenses**

Revenues are recognized when title has transferred to the customer or services are rendered. Revenue from exported products is recognized when such products are loaded on board the ship. Revenue from products sold in the domestic market is recognized when delivery is made to the customer. Revenue from transportation services, other than shipping operations, is recognized when the service order has been fulfilled. Shipping operations are recorded on the completed voyage basis and net revenue, costs and expenses of voyages not completed at period-end are deferred. Anticipated losses on voyages are provided when probable and can be reasonably estimated. Expenses and costs are recognized on the accrual basis.

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**(g) Asset retirement obligations**

Retirement of long-lived assets is accounted for in accordance with SFAS 143 Accounting for Asset Retirement Obligations . Our retirement obligations consist primarily of costs associated with closure activities whose initial measurement is recognized as liabilities at its fair value calculated based on a present value discount rate and accreted to full value over time through charges on earnings. An asset retirement cost equivalent to the liabilities is capitalized as part of the related asset 's carrying value and subsequently depreciated over the asset 's useful life.

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**(h) Compensated absences**

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

**(i) Income taxes**

In accordance with SFAS 109 "Accounting for Income Taxes", the deferred tax effects of tax loss carryforwards and temporary differences have been recognized in the consolidated financial statements. A valuation allowance is made when we believe that it is more likely than not that tax assets will not be fully recoverable in the future.

**(j) Statement of cash flows**

Cash flows relating to overnight financing and investment are reported net. Short-term investments that have a ready market and maturity to us, when purchased, of 90 days or less are considered cash equivalents.

**(k) Earnings per share**

Earnings per share are computed by dividing net income by the weighted average number of common and preferred shares outstanding during the period.

**(l) Interest attributed to stockholders**

As from January 1, 1996 Brazilian corporations are permitted to distribute interest attributable to stockholders' equity. The calculation is based on the stockholders' equity amounts as stated in the statutory accounting records and the interest rate applied may not exceed the long-term interest rate (TJLP) determined by the Brazilian Central Bank. Also, such interest may not exceed 50% of net income for the year neither 50% of retained earnings plus revenue reserves.

The amount of interest attributed to stockholders is deductible for purposes of taxes on income. Accordingly, the benefit to us, as opposed to making a dividend payment, is a reduction in our income tax charge. Income tax is withheld from the stockholders relative to interest at the rate of 15%.

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

**(m) Derivatives and hedging activities**

We apply SFAS 133 "Accounting for Derivative Financial Instruments and Hedging Activities", as amended by SFAS 137, SFAS 138 and SFAS 149. Those standards require that we recognize all derivative financial instruments as either assets or liabilities on our balance sheet and measure such instruments at fair value. Changes in the fair value of derivatives are recorded in each period in current earnings or in other comprehensive income, in the latter case depending on whether a transaction is designated as an effective hedge. No contracts have been designed as an effective hedge in the years presented.

**(n) Comprehensive income**

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

**(o) Pension and other post retirement benefits**

Private pension and other post retirement benefits sponsored by us for our employees are actuarially determined and

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recognized in asset or liability or both depending on the funded or unfunded status of each plan in accordance with SFAS 158 Employees' Accounting for Defined Benefit Pension and Other Post retirement Plans issued at the end of 2006. This statement amends previous related ones used by us for that purpose. The cost of our defined benefit and prior service costs or credits that arise during the period and are not components of net periodic benefit costs are recorded in other cumulative comprehensive deficit.

### **(p) Removal of waste materials to access mineral deposits**

During the development of a mine, before production commences, stripping costs (i.e., the costs associated with the removal of overburden and other waste materials) are capitalized as part of the depreciable cost of developing the property. Such costs are subsequently amortized over the useful life of the mine based on proven and probable reserves.

Post-production stripping costs are recorded as cost of production when incurred.

## **4 Recently-issued accounting pronouncements**

In February 2007, the Financial Accounting Standards Board issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities . SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. The fair value option established by this Statement permits all entities to choose to measure eligible items at fair value at specified election dates. This standard is effective for fiscal years ending on or after November 15, 2007. We are currently studying the impact of this standard.

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

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

In July 2006, the FASB issued FIN 48, Accounting for Uncertainty in Income Taxes. FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction). Under the Interpretation, the financial statements will reflect expected future tax consequences of such positions presuming the taxing authorities' full

knowledge of the position and all relevant facts, but without considering time values. This standard is effective as from January 1, 2007. We do not expect this statement to have any significant impact on our financial position, results of operation and cash flows.

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**5 Our privatization**

In May 1997, we were privatized by the Brazilian Government, which transferred voting control to Valepar S.A. ( Valepar ). The Brazilian Government has retained certain rights with respect to our future decisions and those of Valepar and has also caused us to enter into agreements which may affect our activities and results of operations in the future. These rights and agreements are:

Preferred Special Share. The Brazilian Government holds six preferred special shares of CVRD which confers upon it permanent veto rights over changes in our (i) name, (ii) location of our headquarters (iii) corporate purpose with respect to mineral exploration, (iv) continued operation of our integrated iron ore mining systems and (v) certain other matters.

Shareholder revenue interests. On July 7, 1997, we issued to shareholders of record on April 18, 1997 (including the Brazilian Government) revenue interests providing holders thereof with the right to receive semi-annual payments based on a percentage of our net revenues above threshold production volumes from identified mining resources. These instruments are not secured by the corresponding mineral reserves and deposits (Note 18(e)).

**6 Major acquisitions and disposals**

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

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

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

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

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

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

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

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

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

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**Table of Contents****7 Acquisition of Inco**

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

Pursuant to the amalgamation, Inco changed its name to CVRD Inco Limited (CVRD Inco) and we had 99.08% of the outstanding shares.

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

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

Fair values used herein were calculated using current pension and post retirement benefits obligation funded status, current interest rates and sales prices for finished goods, estimated future production, investment, costs, commodity prices and cash flows.

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

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

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

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

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

**As of and for the year ended December 31,  
2006**

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

**Equity in results of  
affiliates and joint  
ventures and change in  
provision for losses on  
equity investments**

|                    |              |            |              |              |              |              |
|--------------------|--------------|------------|--------------|--------------|--------------|--------------|
|                    | 710          |            | 710          | 760          |              | 760          |
| Minority interests | (579)        | (229)      | (808)        | (459)        | (141)        | (600)        |
| <b>Net income</b>  | <b>6,528</b> | <b>448</b> | <b>6,976</b> | <b>4,841</b> | <b>(310)</b> | <b>4,531</b> |

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

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**Table of Contents****8 Income taxes**

Income taxes in Brazil comprise federal income tax and social contribution, which is an additional federal tax. The statutory composite enacted tax rate applicable in the periods presented is 34% represented by a 25% federal income tax rate plus a 9% social contribution rate.

In other countries where we have operation the applicable tax rate varied from 3.29% to 43.15%.

The amount reported as income tax expense in our consolidated financial statements is reconciled to the statutory rates as follows:

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

We have certain tax incentives relative to our manganese operations in Carajás, our potash operations in Rosario do Catete, our alumina and aluminum operations in Barcarena and our kaolin operations in Ipixuna and Mazagão. The incentives relative to manganese comprise partial exemption up to 2013. The incentive relating to alumina and potash comprise full income tax exemption on defined production levels, which expires in 2009 and 2013, respectively, while the partial exemption incentives relative to aluminum and kaolin expire in 2013. An amount equal to the tax saving must be appropriated to a reserve account within stockholders' equity and may not be distributed in the form of cash dividends. Brazilian tax loss carry forwards have no expiration date.

We have also taxes incentives related to Goro Project in New Caledonia. These incentives include an income tax holiday during the construction phase of the project and throughout a 15-year period commencing in the first year in which commercial production, as defined by the applicable legislation, is achieved followed by a five-year, 50 per cent income tax holiday. In addition, Goro qualifies for certain exemptions from indirect taxes such as import duties during the construction phase and throughout the commercial life of the project. Certain of these tax benefits, including the income tax holiday, are subject to an earlier phase out should the project achieve a specified cumulative rate of return. We are subject to a branch profit tax commencing in the first year in which commercial production is achieved, as defined by the applicable legislation. To date, we have not realized any net income for New Caledonia tax purposes. The benefits of this legislation are expected to apply with respect to any taxes otherwise payable once the Goro project is in operation.

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

|   | <b>As of December 31,</b> |              |
|---|---------------------------|--------------|
|   | <b>2006</b>               | <b>2005</b>  |
| <b>Current deferred tax assets</b>                                    |                           |              |
| Accrued expenses deductible only when disbursed                       | 410                       | 186          |
|   | <b>410</b>                | <b>186</b>   |
| <b>Long-term deferred tax assets and liabilities</b>                  |                           |              |
| <b>Assets</b>   |                           |              |
| Related to provision for losses and write-downs of investments        | 19                        | 53           |
| Employees post retirement benefits provision                          | 991                       | 82           |
| Tax loss carryforwards  | 265                       | 275          |
| Other temporary differences   |                           | 3            |
|   | <b>1,275</b>              | <b>413</b>   |
| <b>Liabilities</b>  |                           |              |
| Inflationary income   | (56)                      | (30)         |
| Relative to equity investments acquired                               | (224)                     | (144)        |
| Prepaid retirement benefit  | (332)                     | (105)        |
| Fair value adjustments in business combinations                       | (4,892)                   |              |
| Other temporary differences   | (185)                     | (52)         |
|   | <b>(5,689)</b>            | <b>(331)</b> |
| <b>Valuation allowance</b>  |                           |              |
| Beginning balance   | (84)                      | (77)         |
| Translation adjustments   | (8)                       | (10)         |
| Change in allowance   | (21)                      | 3            |
| Ending balance  | <b>(113)</b>              | <b>(84)</b>  |
| <b>Net long-term deferred tax assets</b>                              | <b>(4,527)</b>            | <b>(2)</b>   |
| <b>9 Cash and cash equivalents</b>                                    |                           |              |
|   | <b>As of December 31,</b> |              |
|   | <b>2006</b>               | <b>2005</b>  |
| Cash  | 1,542                     | 177          |
| Deposits denominated in Brazilian Reais                               | 237                       | 297          |
| Deposits denominated in other currencies mainly United States dollars | 2,669                     | 567          |
|   | <b>4,448</b>              | <b>1,041</b> |



**Table of Contents****10 Accounts receivable**

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

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

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

**11 Inventories**

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



**Table of Contents****12 Property, plant and equipment****a) By business area:**

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

**b) By type of assets:**

As of December 31, 2006

As of December 31, 2005

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

Losses on disposals and impairments of property, plant and equipment totaled US\$106, US\$26 and US\$34 in 2006, 2005 and 2004, respectively. Disposals and impairments mainly relate to impairment of sales of ships and trucks, locomotives and other equipment which were replaced in the normal course of business.

Assets given in guarantee to judicial processes totaled US\$115.

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**Table of Contents****(c) Hydroelectric assets**

We participate in several jointly-owned hydroelectric plants, already in operation or under construction. We have an undivided interest in these plants and are responsible for our proportionate share of the costs of construction and operation and entitled to our proportionate share of the energy produced. We record our undivided interest in these assets as property, plant and equipment.

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

| <b>Project</b>         | <b>Plant in<br/>service</b> | <b>Accumulated<br/>depreciation</b> | <b>Plant under<br/>construction</b> |
|------------------------|-----------------------------|-------------------------------------|-------------------------------------|
| Igarapava              | 70                          | 19                                  |                                     |
| Porto Estrela          | 26                          | 4                                   |                                     |
| Funil                  | 88                          | 10                                  |                                     |
| Candongá               | 68                          | 5                                   |                                     |
| Aimorés                | 190                         | 9                                   |                                     |
| Capim Branco I         | 117                         | 3                                   |                                     |
| Larona (*)             | 186                         | 132                                 |                                     |
| Balambano (*)          | 354                         | 56                                  |                                     |
| Machadinho             | 13                          | 5                                   |                                     |
| Capim Branco II        |                             |                                     | 131                                 |
| (*) Through PT<br>Inco |                             |                                     |                                     |

Income and expenses relating to operating plants are not material.

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**Table of Contents****13 Investments in affiliated companies and joint ventures**

|   | Participation in capital (%)<br>voting total |       | Net equity | Net income (loss) for the period | Investments 2006 | Equity Adjustments                    |                    |                   |                         |                   |                   | Dividends received                    |                   |                         |            |            |            |
|---|--|-------|------------|----------------------------------|------------------|---------------------------------------|--------------------|-------------------|-------------------------|-------------------|-------------------|---------------------------------------|-------------------|-------------------------|------------|------------|------------|
|   |  |       |            |                                  |                  | Three-month periods ended (unaudited) |                    |                   | Year ended December 31, |                   |                   | Three-month periods ended (unaudited) |                   | Year ended December 31, |            |            |            |
|   |  |       |            |                                  |                  | December 31, 2005                     | September 30, 2006 | December 31, 2005 | December 31, 2006       | December 31, 2005 | December 31, 2006 | September 30, 2006                    | December 31, 2005 | December 31, 2006       | 2006       | 2005       |            |
| Companhia Brasileira de Saneamento S.A. (1) | 51.11  | 51.00 | 78         | 36                               | 40               | 60                                    | 2                  | (1)               | 13                      | 18                | 39                | 13                                    |                   | 16                      | 22         | 16         |            |
| Companhia Saneamento Brasileiro S.A. (2)    | 51.00  | 50.89 | 82         | 29                               | 42               | 37                                    | 4                  | 4                 | 4                       | 15                | 28                | 9                                     |                   |                         | 13         | 20         |            |
| Companhia Saneamento Brasileiro S.A. (3)    | 50.00  | 50.00 | 80         | 33                               | 40               | 41                                    |                    | 2                 | 6                       | 17                | 26                | 11                                    | 10                |                         | 21         |            |            |
| Companhia Saneamento Brasileiro S.A. (4)    | 51.00  | 50.90 | 72         | 24                               | 37               | 33                                    | 3                  | 3                 | 2                       | 12                | 21                | 6                                     |                   |                         | 12         | 10         |            |
| Companhia Saneamento Brasileiro S.A. (5)    | 50.00  | 50.00 | 640        | 458                              | 370              | 335                                   | 66                 | 57                | 85                      | 229               | 257               | 117                                   | 25                | 175                     | 95         | 225        | 225        |
| Companhia Saneamento Brasileiro S.A. (6)    | 50.00  | 50.00 | 49         | 4                                | 25               | 21                                    | 2                  | 1                 |                         | 2                 | (2)               | (3)                                   |                   |                         | 1          |            |            |
| Companhia Saneamento Brasileiro S.A. (7)    |  |       |            |                                  |                  | 62                                    |                    |                   | 18                      | 18                | 67                | 16                                    |                   | 20                      |            | 51         |            |
| Companhia Saneamento Brasileiro S.A. (8)    |  |       |            |                                  | 23               | 25                                    | 1                  | 1                 |                         | 1                 | (1)               | 1                                     |                   |                         | 1          |            |            |
| <b>Total</b>                                |  |       |            |                                  | <b>577</b>       | <b>614</b>                            | <b>78</b>          | <b>67</b>         | <b>128</b>              | <b>312</b>        | <b>435</b>        | <b>170</b>                            | <b>35</b>         | <b>175</b>              | <b>131</b> | <b>295</b> | <b>322</b> |
| Logística S.A.                              | 37.23  | 40.45 | 548        | 250                              | 222              | 109                                   | 27                 | 32                | 15                      | 95                | 54                | 33                                    | 22                |                         | 5          | 41         | 11         |
| <b>Total</b>                                |  |       |            |                                  | <b>222</b>       | <b>109</b>                            | <b>27</b>          | <b>32</b>         | <b>15</b>               | <b>95</b>         | <b>54</b>         | <b>33</b>                             | <b>22</b>         |                         | <b>5</b>   | <b>41</b>  | <b>11</b>  |

|  |        |        |     |      |            |            |           |           |           |            |            |            |          |           |           |           |
|--|--------|--------|-----|------|------------|------------|-----------|-----------|-----------|------------|------------|------------|----------|-----------|-----------|-----------|
| Industrias de<br>Siderurgicas de<br>Gerais S.A.<br>VALES (3)     |        |        |     |      | 744        | 281        | 50        | 43        | 41        | 147        | 176        | 114        | 7        | 12        | 48        | 62        |
| Companhia<br>Siderurgica de<br>Goiás CST (6)                     |        |        |     |      |            |            |           |           |           |            |            | 102        |          |           |           |           |
| Companhia Steel<br>Industries Inc. CSI                           | 50.00  | 50.00  | 350 | 109  | 175        | 161        | 4         | 17        | 6         | 54         | 21         | 55         |          | 37        | 40        | 28        |
| Investment<br>ARR (cost  |        |        |     |      |            |            |           |           |           |            |            |            |          |           |           |           |
| Investment<br>available-for-sale<br>Investments                  |        |        |     |      |            | 142        |           |           |           |            |            |            |          |           |           |           |
|  |        |        |     |      | <b>919</b> | <b>584</b> | <b>54</b> | <b>60</b> | <b>47</b> | <b>201</b> | <b>197</b> | <b>271</b> | <b>7</b> | <b>49</b> | <b>88</b> | <b>90</b> |
| <b>Investment and<br/>available-for-sale<br/>Investments</b>     |        |        |     |      |            |            |           |           |           |            |            |            |          |           |           |           |
| Companhia Rio do<br>Sul S.A. MRN                                 | 40.00  | 40.00  | 410 | 160  | 164        | 178        | 20        | 18        | 15        | 64         | 64         | 57         |          | 18        | 77        | 58        |
| Companhia Aluminio<br>VALESUL                                    | 100.00 | 100.00 |     |      |            | 58         |           |           | (1)       | 12         | 1          | 14         |          |           |           | 8         |
|  |        |        |     |      | <b>164</b> | <b>236</b> | <b>20</b> | <b>18</b> | <b>14</b> | <b>76</b>  | <b>65</b>  | <b>71</b>  |          | <b>18</b> | <b>77</b> | <b>66</b> |
| Companhia Longyu<br>Resources Co. Ltd                            | 25.00  | 25.00  | 448 | 122  | 112        | 96         | 9         | 10        | 9         | 31         | 9          |            |          |           | 15        |           |
| Companhia Long<br>Resources<br>International<br>Resources Ltd    | 25.00  | 25.00  | 92  | (21) | 23         | 22         | (5)       |           |           | (5)        |            |            |          |           |           |           |
|  |        |        |     |      | <b>135</b> | <b>118</b> | <b>4</b>  | <b>10</b> | <b>9</b>  | <b>26</b>  | <b>9</b>   |            |          |           | <b>15</b> |           |
| <b>Investment and<br/>available-for-sale<br/>Investments (7)</b> |        |        |     |      |            |            |           |           |           |            |            |            |          |           |           |           |
| Companhia de Minas N.L.<br>(30)                                  | 4.88   | 4.88   |     |      | 79         |            |           |           |           |            |            |            |          |           |           |           |
| Companhia Ore Mining<br>Resources International Ltd<br>(21)      | 1.80   | 1.80   |     |      | 45         |            |           |           |           |            |            |            |          |           |           |           |
| Companhia Nickel<br>Resources (12)                               | 9.40   | 9.40   |     |      | 21         |            |           |           |           |            |            |            |          |           |           |           |
| Companhia Resources Inc<br>(18)                                  | 9.60   | 9.60   |     |      | 36         |            |           |           |           |            |            |            |          |           |           |           |
| Companhia Resources<br>(3)                                       | 9.80   | 9.80   |     |      | 12         |            |           |           |           |            |            |            |          |           |           |           |
|  |        |        |     |      | 29         |            |           |           |           |            |            |            |          |           |           |           |
|  |        |        |     |      | <b>222</b> |            |           |           |           |            |            |            |          |           |           |           |

|                |       |       |     |     |     |     |     |     |    |     |     |     |     |  |
|----------------|-------|-------|-----|-----|-----|-----|-----|-----|----|-----|-----|-----|-----|--|
| affiliates     |       |       |     |     |     |     |     |     |    |     |     |     |     |  |
| joint ventures | 114   | 11    |     |     |     |     |     | (3) |    |     |     |     |     |  |
|                | 114   | 11    |     |     |     |     |     | (3) |    |     |     |     |     |  |
|                | 1,554 | 949   | 78  | 88  | 70  | 303 | 271 | 339 | 7  | 67  |     | 180 | 156 |  |
|                | 2,353 | 1,672 | 183 | 187 | 213 | 710 | 760 | 542 | 64 | 242 | 136 | 516 | 489 |  |

(1) CVRD held a majority of the voting interest of several entities that were accounted for under the equity method, in accordance with EITF 96-16, due to veto rights held by minority shareholders under shareholders agreements;

(2) Investment includes goodwill of US\$50 and US\$46 in 2006 and 2005, respectively;

(3) Equity method used through November 2006, and available-for-sale subsequently;

(4) Sold for US\$418 in May, 2006;

(5) Subsidiary consolidated as from July, 2006 (see note 6);

(6) CST was sold in 2004; and

(7) Investments hold  
through Inco  
Limited.

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Our short-term borrowings are mainly from commercial banks and relate to export financing denominated in United States dollars.

Average annual interest rates on short-term borrowings were 5.5%, 4.2% and 2.3% at December 31, 2006 and 2005 and 2004, respectively.

**15 Long-term debt**

|  | Current liabilities |              | As of December 31,<br>Long-Term liabilities |              |
|--|---------------------|--------------|---|--------------|
|  | 2006                | 2005         | 2006  | 2005         |
| Foreign debt   |                     |              |   |              |
| Loans and financing denominated in the following currencies: |                     |              |   |              |
| United States dollars  | 192                 | 848          | 10,622                                      | 1,617        |
| Others   | 4                   | 4            | 13  | 15           |
| Fixed Rate Notes US\$ denominated                            | 112                 | 43           | 6,785                                       | 1,213        |
| Securitization of export receivables US\$ denominated        | 86                  | 82           | 259   | 345          |
| Perpetual notes  |                     |              | 86  | 75           |
| Accrued charges  | 139                 | 31           |   |              |
|  | <b>533</b>          | <b>1,008</b> | <b>17,765</b>                               | <b>3,265</b> |
| Local debt   |                     |              |   |              |
| Denominated in Long-Term Interest Rate TJLP                  | 16                  | 23           | 511   | 79           |
| Denominated in General Price Index-Market (IGPM)             | 20                  | 29           | 1   | 3            |
| Basket of currencies   | 2                   | 2            | 7   | 9            |
| Non-convertible debentures                                   |                     |              | 2,774                                       | 141          |
| Denominated by U.S. dollars                                  | 107                 | 132          | 64  | 216          |
| Accrued charges  | 33                  | 24           |   | 1            |
|  | <b>178</b>          | <b>210</b>   | <b>3,357</b>                                | <b>449</b>   |
| Total  | <b>711</b>          | <b>1,218</b> | <b>21,122</b>                               | <b>3,714</b> |

The long-term portion at December 31, 2006 falls due in the following years:

|                 |        |
|-----------------|--------|
| 2008            | 8,590  |
| 2009            | 400    |
| 2010            | 1,212  |
| 2011 thereafter | 10,664 |



|  |               |
|--|---------------|
| No due date (Perpetual notes and non-convertible debentures) | 256           |
|  | <b>21,122</b> |

At December 31, 2006 annual interest rates on long-term debt were as follows:

|                            |               |
|----------------------------|---------------|
| 3.1% to 5%                 | 741           |
| 5.1% to 7%                 | 15,204        |
| 7.1% to 9%                 | 5,620         |
| 9.1% to 11%                | 124           |
| Over 11%                   | 53            |
| Variable (Perpetual notes) | 91            |
|                            | <b>21,833</b> |

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The indices applied to debt and respective percentage variations in each year were as follows (unaudited):

|  | <b>2006</b> | <b>2005</b> | <b>%<br/>2004</b> |
|--|-------------|-------------|-------------------|
| TJLP Long-Term Interest Rate (effective rate)    | 7.9         | 9.8         | 9.8               |
| IGP-M General Price Index Market                 | 3.8         | 1.2         | 12.4              |
| Devaluation of United States Dollar against Real | (8.7)       | (11.8)      | (8.1)             |

Pursuant the acquisition of Inco we executed various operations through December, 2006. After the execution of three financing transactions totaling US\$ 12.3 billion, completed a significant part of the take out of the initial US\$ 14.6 billion bridge loan, used to finance the Inco acquisition.

In the first of these three transactions, on November 16, 2006, we issued a US\$ 3.75 billion 10-year and 30-year notes. The US\$ 1.25 billion notes due in January 2017 bear a coupon rate of 6.25% per year, payable semi-annually. The US\$ 2.50 billion notes due in November 2036 bear a coupon rate of 6.875% per year, payable semi-annually, and were priced with a yield to maturity of 6.997% per year.

The second transaction involved the issue on December 20, 2006 in the Brazilian market of non-convertible debentures (debentures) in the amount of US\$ 2.5 billion, in two series, with four and seven-year maturities. The first series, due on November 20, 2010, US\$700, will be remunerated at 101.75% of the accumulated variation of the Brazilian CDI (interbank certificate of deposit) interest rate, payable semi-annually. The second series, due on November 20, 2013, US\$ 1.8 million, will be remunerated at the Brazilian CDI interest rate plus 0.25% per year, also payable semi-annually. These debentures can be traded in the secondary market, through the Sistema Nacional de Debêntures (SND).

The third transaction which closed on December 21, 2006, was a pre-export finance transaction of US\$ 6.0 billion, defining the final allocation among the members of a bank syndicate. The transaction includes a US\$ 5.0 billion tranche, five-year maturity, at Libor plus 0.625% per year, and a US\$ 1.0 billion tranche, seven-year maturity, at Libor plus 0.75% per year.

In January 2006, the subsidiary Vale Overseas Limited issued US\$ 1 billion 10-year 6.250% per year notes, payable semi-annually due 2016, fully and unconditionally guaranteed by us.

In January, 2006, the subsidiary Vale Overseas Limited concluded its tender offer for any and all of its US\$ 300 aggregate principal amount outstanding 9.00% p.a. guaranteed Notes due 2013.

In October, 2005, we issued US\$ 300 notes due 2034, bearing interest of 7.65% per year in the same form as the US\$ 500, 8.25% unconditionally guaranteed notes issued on January 15, 2004.

On December 31, 2006 the US dollar denominated Fixed Rate Notes of US\$6,897 (2005 - US\$1,256) and other debt of US\$14,017 (2005 - US\$2,661) are unsecured. The export securitization of US\$345 (2005 - US\$427) is debt securities secured by future receivables arising from certain export sales of our subsidiary CVRD Overseas Ltd. Loans from international lenders of US\$106 (2005- US\$135) are guaranteed by the Brazilian Federal Government, to which we have given counter-guarantees in the same amounts secured by our own shares and accounts receivable of a subsidiary. We also have loans from Brazil and international institutions secured by property, plant and equipment in the amount of US\$0 (2005 - US\$123). The remaining long-term debt of US\$458 (2005 - US\$330) is

secured mainly by assets of subsidiaries.

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**16 Stockholders equity**

Each holder of common and preferred class A stock is entitled to one vote for each share on all matters that come before a stockholders meeting, except for the election of the Board of Directors, which is restricted to the holders of common stock. As described in Note 5, the Brazilian Government holds six preferred special share which confers to it permanent veto rights over certain matters.

On May 22, 2006 a stock split was effected which had been approved by the Extraordinary General Shareholders Meeting on April 27, 2006. Each existing, common and preferred, share was split into two shares. After the split our capital comprises 2,459,657,058 shares, of which 959,758,200 common shares and 1,499,898,858 class A preferred shares, including six special class shares without par value ( Golden Share ). The share/ADR proportion was maintained at 1/1; therefore, each common and preferred share, continued to be represented by one ADR supported by one common share (NYSE: RIO) or by one ADR supported by one class A preferred share (NYSE: RIOPR) respectively. All numbers of share and per share amounts included herein reflect retroactive application of the stock split.

On June 21, 2006 the Board of Directors approved a buy-back program of our preferred shares, executed during 180 days. As of December 31, 2006, we had acquired 15,149,600 shares held in treasury for subsequent disposal or cancellation at an average weighted unit cost of US\$19.98 (minimum cost of US\$18.89 and maximum of US\$ 20.74).

During 2006 we paid US\$1.3 billion to stockholders, the first installment of US\$650 was paid on April 2006 and the second installment of US\$650 was paid on October 2006. The distribution was made in the form of interest on stockholders equity and dividends.

Both common and preferred stockholders are entitled to receive a dividend of at least 25% of annual adjusted net income based on the statutory accounting records, upon approval at the annual stockholders meeting. In the case of preferred stockholders, this dividend cannot be less than 6% of the preferred capital as stated in the statutory accounting records or, if greater, 3% of the statutory book equity value per share. For the year ended December 31, 2006, this annual minimum dividend achieve US\$ 1,508 of which US\$ 14 was paid on October 2006 and therefore we accrued the remaining value of US\$ 1,494 with a direct charge to stockholders equity. For each of the years 2005 and 2004 we distributed dividends to preferred stockholders in excess of this limit. Interest attributed to stockholders equity as from January 1, 1996 is considered part of the minimum dividend.

Brazilian law permits the payment of cash dividends only from retained earnings as stated in the statutory accounting records and such payments are made in Reais. In addition, undistributed retained earnings at December 31, 2006 includes US\$8,542, related to the unrealized income and expansion reserves, which could be freely transferred to retained earnings and paid as dividends, if approved by the stockholders.

No withholding tax is payable on distribution of profits earned except for distributions in the form of interest attributed to stockholders (Note 3 (1)).

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Brazilian laws and our By-laws require that certain appropriations be made from retained earnings to reserve accounts on an annual basis, all determined in accordance with amounts stated in the statutory accounting records, as detailed below:

|                                      | Three-month periods ended (Unaudited) |                      |                     | Year ended December 31, |              |              |
|--------------------------------------|---------------------------------------|----------------------|---------------------|-------------------------|--------------|--------------|
|                                      | December<br>31,2006                   | September<br>30,2006 | December<br>31,2005 | 2006                    | 2005         | 2004         |
| Undistributed retained earnings      |                                       |                      |                     |                         |              |              |
| Unrealized income reserve            |                                       |                      |                     |                         |              |              |
| Beginning of the period              | 109                                   | 109                  | 156                 | 101                     | 130          | 193          |
| Transfer (to) from retained earnings | (52)                                  |                      | (55)                | (44)                    | (29)         | (63)         |
| End of the period                    | <b>57</b>                             | <b>109</b>           | <b>101</b>          | <b>57</b>               | <b>101</b>   | <b>130</b>   |
| Expansion reserve                    |                                       |                      |                     |                         |              |              |
| Beginning of the period              | 3,913                                 | 3,910                | 1,385               | 3,621                   | 3,091        | 2,090        |
| Transfer to capital stock            |                                       |                      |                     |                         | (2,036)      | (309)        |
| Transfer from retained earnings      | 4,572                                 | 3                    | 2,236               | 4,864                   | 2,566        | 1,310        |
| End of the period                    | <b>8,485</b>                          | <b>3,913</b>         | <b>3,621</b>        | <b>8,485</b>            | <b>3,621</b> | <b>3,091</b> |
| Legal reserve                        |                                       |                      |                     |                         |              |              |
| Beginning of the period              | 646                                   | 647                  | 395                 | 599                     | 529          | 374          |
| Transfer to capital stock            |                                       |                      |                     |                         | (209)        |              |
| Transfer from retained earnings      | 324                                   | (1)                  | 204                 | 371                     | 279          | 155          |
| End of the period                    | <b>970</b>                            | <b>646</b>           | <b>599</b>          | <b>970</b>              | <b>599</b>   | <b>529</b>   |
| Fiscal incentive depletion reserve   |                                       |                      |                     |                         |              |              |
| Beginning of the period              |                                       |                      |                     |                         | 378          | 347          |
| Transfer to capital stock            |                                       |                      |                     |                         | (398)        |              |
| Transfer from retained earnings      |                                       |                      |                     |                         | 20           | 31           |
| End of the period                    |                                       |                      |                     |                         |              | <b>378</b>   |
| Fiscal incentive investment reserve  |                                       |                      |                     |                         |              |              |
| Beginning of the period              | 38                                    | 39                   |                     | 36                      | 15           | 31           |
| Transfer to capital stock            |                                       |                      |                     |                         | (16)         | (31)         |
| Transfer from retained earnings      | 5                                     | (1)                  | 36                  | 7                       | 37           | 15           |
| End of the period                    | <b>43</b>                             | <b>38</b>            | <b>36</b>           | <b>43</b>               | <b>36</b>    | <b>15</b>    |

|                                       |              |              |              |              |              |              |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total undistributed retained earnings | <b>9,555</b> | <b>4,706</b> | <b>4,357</b> | <b>9,555</b> | <b>4,357</b> | <b>4,143</b> |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|

The purpose and basis of appropriation to such reserves is described below:

- . Unrealized income reserve this represents principally our share of the earnings of affiliates and joint ventures, not yet received in the form of cash dividends.
- . Expansion reserve this is a general reserve for expansion of our activities.
- . Legal reserve this reserve is a requirement for all Brazilian corporations and represents the appropriation of 5% of annual net income under Brazilian GAAP up to a limit of 20% of capital stock under Brazilian GAAP.
- . Fiscal incentive depletion reserve this represents an additional amount relative to mineral reserve depletion equivalent to 20% of the sales price of mining production, which is deductible for tax purposes providing an equivalent amount is transferred from retained earnings to the reserve account. This fiscal incentive expired in 1996.
- . Fiscal incentive investment reserve this reserve results from an option to designate a portion of income tax otherwise payable for investment in government approved projects and is recorded in the year following that in which the taxable income was earned. As from 2000, this reserve basically contemplates income tax incentives (Note 8).

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Basic and diluted earnings per share amounts have been calculated as follows:

|   | <b>Income</b>             | <b>Weighted<br/>average</b> | <b>Basic and<br/>diluted<br/>per-share<br/>amount</b> |
|---|---------------------------|-----------------------------|---|
|   | <b>(Numerator)</b>        | <b>(Thousands)</b>          | <b>(US\$ per<br/>share)</b>                           |
|   | <b>(US\$<br/>million)</b> | <b>(Denominator)</b>        |   |
| Net income for the year ended December 31, 2006 | 6,528                     |                             |   |
| Income available to preferred stockholders      | 2,568                     | 954,426                     | 2.69  |
| Income available to common stockholders         | 3,960                     | 1,471,608                   | 2.69  |
| Net income for the year ended December 31, 2005 | 4,841                     |                             |   |
| Income available to preferred stockholders      | 1,748                     | 831,432                     | 2.10  |
| Income available to common stockholders         | 3,093                     | 1,471,608                   | 2.10  |
| Net income for the year ended December 31, 2004 | 2,573                     |                             |   |
| Income available to preferred stockholders      | 929                       | 831,432                     | 1.12  |
| Income available to common stockholders         | 1,644                     | 1,471,608                   | 1.12  |

There are no securities outstanding with any diluted effect on earnings per shares.

**17 Pension plans**

Since 1973 we have sponsored a complementary security plan with characteristics of defined benefit plan (the Old Plan ) covering substantially all employees, with benefits calculation based on years of service, age, contribution salary and complementary social security benefits. This plan is administered by Fundação Vale do Rio Doce de Seguridade Social VALIA and was funded by monthly contributions made by us and our employees, calculated based on periodic actuarial appraisals.

In May 2000, we implemented a new security complementary plan with characteristics of variable contribution, which complements to the earnings of programmed retirements and benefits from risks (death, physical invalidity, and sickness benefit). When the New Plan (a Benefit Mix Plan Vale Mais) was created, our active employees had the opportunity of transferring to it. Over 98% of our active employees opted to be transferred. The Old Plan will continue in existence, covering almost exclusively retired participants and their beneficiaries.

Additionally we provide supplementary payments to a specific group of ex-employees, in addition to the regular benefit from Valia, through the Abono Complementação , which represents a postretirement health care, odontological and pharmaceutical benefit to this group of participants.

Pursuant the acquisition of Inco we assumed benefits through defined benefit pensions that cover essentially all its employees and postretirement benefits other than pensions that provide certain health care and life insurance benefits for retired employees as well.

The following information details the status of the defined benefit elements of all plans in accordance with SFAS 132 Employers Disclosure about Pensions and Other Post retirement Benefits and SFAS 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans , as amended.

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|   | <b>2006</b>                             |  |   |   | <b>As of December 31,<br/>2005</b>       |   |
|---|---|--|---|---|--|---|
|   | <b>Overfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>other<br/>benefits</b> | <b>Overfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>other<br/>benefits</b> |
| Benefit obligation at beginning of year         | 1,783                                   | 250                                      | 78  | 1,500                                   | 219                                      | 66  |
| Liability recognized upon consolidation of Inco |   | 3,619                                    | 1,225                                     |   |  |   |
| Service cost                                    | 5                                       | 14                                       | 4   | 2                                       |  |   |
| Interest cost                                   | 245                                     | 79                                       | 26  | 210                                     | 30                                       | 9   |
| Plan amendment                                  |   | (76)                                     |   |   |  |   |
| Assumptions changes                             | 465                                     | 52                                       | 13  | 10                                      |  |   |
| Benefits paid                                   | (173)                                   | (86)                                     | (22)                                      | (145)                                   | (24)                                     | (5)                                       |
| Effect of exchange rate changes                 | 175                                     | (108)                                    | (41)                                      | 204                                     | 30                                       | 9   |
| Actuarial loss                                  | 31                                      | (1)                                      | 4   | 2                                       | (5)                                      | (1)                                       |
| <b>Benefit obligation at end of year</b>        | <b>2,531</b>                            | <b>3,743</b>                             | <b>1,287</b>                              | <b>1,783</b>                            | <b>250</b>                               | <b>78</b>                                 |

We use a measurement date of December 31 for our pension and post retirement benefit plans.

**(b) Change in plan assets**

|   | <b>2006</b>                             |  |   |   | <b>As of December 31,<br/>2005</b>       |   |
|---|---|--|---|---|--|---|
|   | <b>Overfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>other<br/>benefits</b> | <b>Overfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>other<br/>benefits</b> |
| Fair value of plan assets at beginning of year  | 2,781                                   | 63                                       |   | 2,079                                   | 29                                       |   |
| Asset recognized upon consolidation of Inco     |   | 2,924                                    | 4   |   |  |   |
| Actual return on plan assets                    | 607                                     | 202                                      |   | 551                                     | 11                                       |   |
| Employer contributions                          | 25                                      | 84                                       | 6   | 22                                      | 42                                       | 5   |
| Benefits paid                                   | (173)                                   | (85)                                     | (6)                                       | (145)                                   | (24)                                     | (5)                                       |
| Effect of exchange rate changes                 | 268                                     | (110)                                    |   | 274                                     | 5  |   |
| <b>Fair value of plan assets at end of year</b> | <b>3,508</b>                            | <b>3,078</b>                             | <b>4</b>                                  | <b>2,781</b>                            | <b>63</b>                                | <b>-</b>                                  |

Plan assets at December 31, 2006 include US\$312 and US\$46 of portfolio investments in our own shares (US\$409 at December 31, 2005) and debentures, respectively, and US\$36 and US\$7 of shares of related parties (US\$42 at December 31, 2005) and debentures, as well. They also include US\$607 of Federal Government Securities (US\$455 at December 31, 2005).

**(c) Funded Status and Financial Position**

|                       |                          |                           | 2006                       |                          | As of December 31, 2005   |                            |
|-----------------------|--------------------------|---------------------------|----------------------------|--------------------------|---------------------------|----------------------------|
|                       | Overfunded pension plans | Underfunded pension plans | Underfunded other benefits | Overfunded pension plans | Underfunded pension plans | Underfunded other benefits |
| Other assets          | 977                      |                           |                            | 308                      |                           |                            |
| Current liabilities   |                          | 42                        | 65                         |                          | 25                        | 5                          |
| Long-term liabilities |                          | 623                       | 1,218                      |                          | 173                       | 68                         |
| <b>Funded status</b>  | <b>977</b>               | <b>665</b>                | <b>1,283</b>               | <b>308</b>               | <b>198</b>                | <b>73</b>                  |

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**(d) Assumptions used in each year (expressed in nominal terms)**

|  | <b>2006</b>                         |                                      |                                       | <b>Brazil<br/>2005</b>              |                                      |                                       |
|--|-------------------------------------|--------------------------------------|---------------------------------------|-------------------------------------|--------------------------------------|---------------------------------------|
|  | <b>Overfunded<br/>pension plans</b> | <b>Underfunded<br/>pension plans</b> | <b>Underfunded<br/>other benefits</b> | <b>Overfunded<br/>pension plans</b> | <b>Underfunded<br/>pension plans</b> | <b>Underfunded<br/>other benefits</b> |
| Discount rate                                | 11.30% p.a.                         | 11.30% p.a.                          | 11.30% p.a.                           | 13.40% p.a.                         | 13.40% p.a.                          | 13.40% p.a.                           |
| Expected return on plan assets               | 14.98% p.a.                         | 14.98% p.a.                          |                                       | 13.40% p.a.                         | 13.40% p.a.                          |                                       |
| Rate of compensation increase up to 47 years | 8.15% p.a.                          |                                      |                                       | 8.15% p.a.                          |                                      |                                       |
| Rate of compensation increase over 47 years  | 5.00% p.a.                          |                                      |                                       | 5.00% p.a.                          |                                      |                                       |
| Inflation                                    | 5.00% p.a.                          | 5.00% p.a.                           | 5.00% p.a.                            | 5.00% p.a.                          | 5.00% p.a.                           | 5.00% p.a.                            |
| Health care cost trend rate                  |                                     |                                      | 8.67% p.a.                            |                                     |                                      | 9.20% p.a.                            |
|  |                                     |                                      |                                       |                                     |                                      | <b>Foreign<br/>2006</b>               |
|  |                                     |                                      |                                       |                                     | <b>Underfunded<br/>pension plans</b> | <b>Underfunded<br/>other benefits</b> |
| Discount rate                                |                                     |                                      |                                       |                                     | 5.00% p.a.                           | 5.00% p.a.                            |
| Expected return on plan assets               |                                     |                                      |                                       |                                     | 7.50% p.a.                           | 7.50% p.a.                            |
| Rate of compensation increase up to 47 years |                                     |                                      |                                       |                                     | 3.00% p.a.                           | 3.00% p.a.                            |
| Rate of compensation increase over 47 years  |                                     |                                      |                                       |                                     | 3.00% p.a.                           | 3.00% p.a.                            |
| Inflation                                    |                                     |                                      |                                       |                                     | 1.80% p.a.                           | 1.80% p.a.                            |
| Health care cost trend rate                  |                                     |                                      |                                       |                                     |                                      | 5.05% p.a.                            |

**(e) Investment targets and composition of plan assets****Overfunded pension plans**

The fair value of the Brazil overfunded pension plan assets is US\$3,508 and US\$2,781 at the end of 2006 and 2005, respectively. There are no foreign overfunded pension plans assets at the period. The asset allocation for these plans at the end of 2006 and 2005, and the target allocation for 2007, by asset category, follows:

|                   | <b>Target<br/>allocation<br/>for<br/>2007<br/>(unaudited)</b> | <b>Brazil<br/>Percentage of plan assets<br/>at<br/>December 31,<br/>2006<br/>2005</b> |     |
|-------------------|---|---|-----|
| Equity securities | 25%   | 30%   | 30% |

|              |             |             |             |
|--------------|-------------|-------------|-------------|
| Real estate  | 6%          | 5%          | 5%          |
| Loans        | 4%          | 4%          | 4%          |
| Fixed Income | 65%         | 61%         | 61%         |
| <b>Total</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |

**Underfunded pension plans**

The fair value of the underfunded pension plans assets is US\$91 and US\$63 at the end of 2006 and 2005, respectively, for Brazilian plans and US\$2,987 at the end of 2006 for foreign plans. The asset allocation for these plans at the end of 2006 (Brazil and foreign) and 2005 (Brazil), and the target allocation for 2007, by asset category, follows:

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|                   | <b>Target<br/>allocation<br/>for<br/>2007<br/>(unaudited)</b> | <b>Brazil<br/>Percentage of plan assets<br/>at<br/>December 31,<br/>2006<br/>2005</b> |             |
|-------------------|---|---|-------------|
| Equity securities | 12%   | 8%  | 9%          |
| Real estate       | 4%  | 1%  | 2%          |
| Loans             | 8%  | 1%  | 1%          |
| Fixed Income      | 76%   | 90%   | 88%         |
| <b>Total</b>      | <b>100%</b>   | <b>100%</b>   | <b>100%</b> |

|                   | <b>Target<br/>allocation<br/>for<br/>2007<br/>(unaudited)</b> | <b>Foreign<br/>Percentage of plan<br/>assets at December<br/>31,<br/>2006</b> |             |
|-------------------|---|---|-------------|
| Equity securities | 60%   | 61%   | 61%         |
| Fixed Income      | 40%   | 39%   | 39%         |
| <b>Total</b>      | <b>100%</b>   | <b>100%</b>   | <b>100%</b> |

**Underfunded other benefits**

The fair value of the foreign underfunded other benefits assets is US\$4 at the end of 2006. There are no Brazil underfunded other benefits assets in our postretirement benefits other than pensions at the period. The assets allocation for these benefits at the end of 2006 and target allocation for 2007, by asset category, follows:

|                   | <b>Target<br/>allocation<br/>for<br/>2007<br/>(unaudited)</b> | <b>Foreign<br/>Percentage of plan<br/>assets at December<br/>31,<br/>2006</b> |             |
|-------------------|---|---|-------------|
| Equity securities | 60%   | 61%   | 61%         |
| Fixed Income      | 40%   | 39%   | 39%         |
| <b>Total</b>      | <b>100%</b>   | <b>100%</b>   | <b>100%</b> |

The fixed income allocation target for Brazil plans was established in order to match the asset with the benefit payments and to be used for the payment of short-term plans. The proposal for 2007 is to re-establish the

investments in inflation-indexed funds.

The target for equity securities of these plans reflects the expected appreciation of the Brazilian stock markets as well as the volatility of market.

The asset allocation policy for the foreign plans 40% fixed income and 60% equity securities, is maintained fairly close to the policy mix at most times by the use of a rigorous rebalancing policy.

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|  | <b>2006</b>                             |  |   |   | <b>As of December 31,<br/>2005</b>       |   |
|--|---|--|---|---|--|---|
|  | <b>Overfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>other<br/>benefits</b> | <b>Overfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>other<br/>benefits</b> |
| Service cost benefits earned during the period | 5                                       | 14                                       | 4   | 2                                       |  |   |
| Interest cost on projected benefit obligation  | 246                                     | 79                                       | 25  | 210                                     | 30                                       | 10  |
| Expected return on assets                      | (391)                                   | (63)                                     |   | (295)                                   | (4)                                      |   |
| Amortization of initial transitory obligation  | 12                                      |  |   | 11                                      |  |   |
| Net deferral                                   | (28)                                    |  |   | (16)                                    |  |   |
| <b>Net periodic pension cost</b>               | <b>(156)</b>                            | <b>30</b>                                | <b>29</b>                                 | <b>(88)</b>                             | <b>26</b>                                | <b>10</b>                                 |

**(g) Expected contributions and benefits**

Employer contributions expected for 2007 are US\$238 (unaudited).

The benefit payments, which reflect future service, as appropriate, are expected to be paid as follows (unaudited):

|                      | <b>Overfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>other<br/>benefits</b> | <b>2006<br/>Total</b> |
|----------------------|---|--|---|-----------------------|
| 2007                 | 195                                     | 267                                      | 65  | 527                   |
| 2008                 | 194                                     | 271                                      | 68  | 533                   |
| 2009                 | 194                                     | 274                                      | 70  | 538                   |
| 2010                 | 193                                     | 272                                      | 72  | 537                   |
| 2011                 | 191                                     | 269                                      | 74  | 534                   |
| 2012 and there after | 932                                     | 1,286                                    | 376                                       | 2,594                 |

**(h) Accumulated benefit obligation**

|                                | <b>2006</b>                             |  |   |   | <b>2005</b>                              |   |
|--------------------------------|---|--|---|---|--|---|
|                                | <b>Overfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>other<br/>benefits</b> | <b>Overfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>other<br/>benefits</b> |
| Accumulated benefit obligation | 2,524                                   | 3,680                                    | 1,287                                     | 1,777                                   | 250                                      | 78  |
| Projected benefit obligation   | 2,531                                   | 3,743                                    | 1,287                                     | 1,783                                   | 250                                      |   |
| Fair value of plain asset      | (3,508)                                 | (3,078)                                  | (4)                                       | (2,781)                                 | (63)                                     |   |

**(i) Impact of 1% variation in assumed health care cost trend rate**

|  | <b>1% increase</b> |             | <b>1% decrease</b> |             |
|--|--------------------|-------------|--------------------|-------------|
|  | <b>2006</b>        | <b>2005</b> | <b>2006</b>        | <b>2005</b> |
| Accumulated postretirement benefit obligation (APBO) | 178                | 9           | (145)              | (7)         |
| Interest and service costs                           | 15                 | 1           | (12)               | (1)         |

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**(j) Effect of initial recognition provision of SFAS 158**

|  | <b>Before application<br/>of SFAS 158</b> | <b>Overfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>pension<br/>plans</b> | <b>Adjustments<br/>Underfunded<br/>other<br/>benefits</b> | <b>After<br/>application<br/>of<br/>SFAS 158</b> |
|--|---|---|--|---|--|
| Prepaid pension cost                   | 523                                       | 454                                     |  |   | 977  |
| Total assets                           | 60,500                                    | 454                                     |  |   | 60,954   |
| Employees postretirement benefits      | 2,034                                     |   | 33                                       | (119)   | 1,948  |
| Deferred income tax                    | 4,340                                     | 154                                     | (11)                                     | 44  | 4,527  |
| Total liabilities                      | 41,180                                    | 154                                     | 22                                       | (75)  | 41,281   |
| Other cumulative comprehensive deficit | (1,360)                                   | 300                                     | (22)                                     | 75  | (1,007)  |
| Total stockholders' equity             | 19,320                                    | 300                                     | (22)                                     | 75  | 19,673   |

**(l) Other Cumulative Comprehensive Deficit**

|   | <b>Overfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>other<br/>benefits</b> |
|---|---|--|---|
| Net transition obligation / (asset)                                 | (34)                                    |  |   |
| Net prior service cost / (credit)                                   |   |  |   |
| Net actuarial loss / (gain)   | 422                                     | (34)                                     | 119                                       |
| Effect of exchange rate changes                                     | 66                                      | 1  |   |
| Deferred income tax   | (154)                                   | 11                                       | (44)                                      |
| <b>Amounts recognized in other cumulative comprehensive deficit</b> | <b>300</b>                              | <b>(22)</b>                              | <b>75</b>                                 |

**(m) Change in Other Cumulative Comprehensive Deficit**

|   | <b>Overfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>other<br/>benefits</b> |
|---|---|--|---|
| Net transition obligation / (asset) not yet recognized in NPPC at beginning of period | (46)                                    |  |   |
| Net actuarial loss / (gain) not yet recognized in NPPC at beginning of period         | 736                                     | 10                                       | (5)                                       |
| Deferred income tax at beginning of period  | (234)                                   | (3)                                      | 2   |
| Effect of initial recognition of cumulative comprehensive deficit                     | 456                                     | 7  | (3)                                       |
| Change in the period Amortization of net transition obligation / (asset)              | 12                                      |  |   |

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|   |            |             |           |
|---|------------|-------------|-----------|
| Amortization of net actuarial loss / (gain)                       | (28)       |             |           |
| Total net actuarial loss / (gain) arising during period           | (286)      | (44)        | 124       |
| Effect of exchange rate changes                                   | 66         | 1           |           |
| Deferred income tax   | 80         | 14          | (46)      |
| <b>Total recognized in other cumulative comprehensive deficit</b> | <b>300</b> | <b>(22)</b> | <b>75</b> |

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**(n) Net periodic pension cost for the next year**

|  | <b>Overfunded<br/>pension<br/>plans</b> | <b>Underfunded<br/>pension<br/>plans</b> | <b>2007<br/>Underfunded<br/>other<br/>benefits</b> |
|--|---|--|--|
| Service cost                                     | 8                                       | 57                                       | 18   |
| Interest cost                                    | 275                                     | 206                                      | 69   |
| Expected return on plan assets                   | (513)                                   | (239)                                    |  |
| Net transition obligation / (asset) amortization | 13                                      |  |  |
| Net prior service cost / (credit) amortization   |   |  |  |
| Net actuarial loss / (gain) amortization         | (15)                                    |  |  |
| Expected employee contributions                  |   |  |  |
|  | <b>(232)</b>                            | <b>24</b>                                | <b>87</b>  |

**18 Commitments and contingencies**

(a) At December 31, 2006, we had extended guarantees for borrowings obtained by affiliates and joint ventures in the amount of US\$3, as follows:

| <b>Joint Venture</b> | <b>Amount<br/>of<br/>guarantee</b> | <b>Denominated<br/>currency</b> | <b>Purpose</b>    | <b>Final<br/>maturity</b> | <b>Counter<br/>guarantees</b> |
|----------------------|------------------------------------|---------------------------------|-------------------|---------------------------|-------------------------------|
| SAMARCO              | 3                                  | US\$                            | Debt<br>guarantee | 2008                      | None                          |

We expect no losses to arise as a result of the above guarantees. We charge commission for extending these guarantees.

(b) We provided a guarantee covering certain termination payments to the supplier under an electricity supply agreement ( ESA ) entered into in October 2004 for our Goro nickel-cobalt development project in New Caledonia. The amount of the termination payments guaranteed depends upon a number of factors. If Goro defaults under the ESA, the termination payment could reach up to an amount of 145 million euros. Once the supply of electricity under the ESA to the project begins, the guaranteed amounts will decrease over the life of the ESA. Additionally, in connection with a special tax-advantage lease financing related with this project we provided certain guarantees pursuant to which we guaranteed, in certain events of default, payments up to a maximum amount of US\$100.

(c) Our subsidiaries and we are defendants in numerous legal actions in the normal course of business. Based on the advice of our legal counsel, management believes that the provision for contingent losses is sufficient to cover probable losses in connection with such actions.

The provision for contingencies and the related judicial deposits are composed as follows:

|                          | <b>December 31, 2006</b>     | <b>December 31, 2005</b>     |
|--------------------------|------------------------------|------------------------------|
| <b>Provision<br/>for</b> | <b>Provision<br/>for</b>     |                              |
| <b>contingencies</b>     | <b>Judicial<br/>deposits</b> | <b>Judicial<br/>deposits</b> |

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|                                  |              |            |              |            |
|----------------------------------|--------------|------------|--------------|------------|
| Labor and social security claims | 378          | 234        | 229          | 138        |
| Civil claims                     | 260          | 117        | 210          | 98         |
| Tax related actions              | 972          | 500        | 816          | 329        |
| Others                           | 31           | 1          | 31           | 3          |
|                                  | <b>1,641</b> | <b>852</b> | <b>1,286</b> | <b>568</b> |

Labor and social security related actions principally comprise claims for (i) payment of time spent traveling from their residences to the work-place, (ii) additional health and safety related payments and (iii) various other matters, often in connection with disputes about the amount of indemnities paid upon dismissal and the one-third extra holiday pay.

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Civil actions principally related to claims made against us by contractors in connection with losses alleged to have been incurred by them as a result of various past government economic plans during which full indexation of contracts for inflation was not permitted and accidents.

Tax related actions principally comprise our challenges of certain revenue taxes, value added tax and income tax.

We continue to vigorously pursue our interests in all the above actions but recognize that we probably will incur some losses in the final instance, for which we have made provisions.

Our judicial deposits are made as required by the courts for us to be able to enter or continue a legal action. When judgment is favorable to us, we receive the deposits back; when unfavorable, the deposits are delivered to the prevailing party.

Contingencies settled in 2006, 2005 and 2004 aggregated US\$424, US\$114 and US\$67, respectively, and additional provisions aggregated US\$439, US\$141 and US\$157, respectively, classified in other operating expenses.

In addition to the contingencies for which we have made provisions we are defending claims which in our opinion, and based on the advice of our legal counsel, the likelihood of loss is possible losses which total US\$1,488 at December 31, 2006, for which no provision has been made.

- (d) We are committed under a take-or-pay agreement to purchase approximately 24,899 thousand metric tons of bauxite from Mineração Rio do Norte S.A. MRN at a formula price, calculated based on the current London Metal Exchange (LME) quotation for aluminum. Based on a market price of US\$26.00 per metric ton as of December 31, 2006, this arrangement represents the following total commitment:

|                     |     |
|---------------------|-----|
| 2007                | 252 |
| 2008                | 252 |
| 2009 and thereafter | 143 |

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- (e) At the time of our privatization in 1997, we issued shareholder revenue interests known in Brazil as debentures to our then-existing shareholders, including the Brazilian Government. The terms of the debentures, were set to ensure that our pre-privatization shareholders, including the Brazilian Government, would participate alongside us in potential future financial benefits that we are able to derive from exploiting our mineral resources.

In preparation for the issuance of the debentures, we issued series B preferred shares on a one-for-one basis to all holders of our common shares and series A preferred shares. We then exchanged all of the series B shares for the debentures at par value. The debentures are not redeemable or convertible, and do not trade on a stapled basis or otherwise with our common or preferred shares. During 2002 we registered the debentures with the Securities Commissions (CVM) in order to permit trading.

Under Brazilian Central Bank regulations, pre-privatization shareholders that held their shares through our preferred share American Depositary Receipt, or ADR, program and institutional investors that held their shares through rule 1,298/87 of Brazilian Central Bank were not permitted to receive the debentures or any financial

benefits relating to the debentures. We sought approval

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from the Central Bank to distribute the debentures to these investors, but the Central Bank rejected our request. We renewed our request to the Central Bank, but we cannot be sure that we will succeed. Therefore, unless the Central Bank approves our request, the debentures will not have any value for ADR holders and foreign investors through Annex V of Brazilian Central Bank.

Under the terms of the debentures, holders will have the right to receive semi-annual payments equal to an agreed percentage of our net revenues (revenues less value added tax) from certain identified mineral resources that we owned as of May 1997, to the extent that we exceed defined threshold production volumes of these resources, and from the sale of mineral rights that we owned as of May 1997. Our obligation to make payments to the holders will cease when the relevant mineral resources are exhausted at which time we are required to repay the original par value plus accrued interest. Based on current production levels, and estimates for new projects, we began payments relating to copper resources in 2004 and expect to start payments relating to iron ore resources from approximately 2020 for the Northern System and 2030 for the Southern System, and payments related to other mineral resources at the end of the current decade.

The table below summarizes the amounts we will be required to pay under the debentures based on the net revenues we earn from the identified mineral resources and the sale of mineral rights.

| <b>Area</b>                                 | <b>Mineral</b>                              | <b>Required Payments by CVRD</b>   |
|---|---|--|
| Southern System                             | Iron ore                                    | 1.8% of net revenue, after total sales from May 1997 exceeds 1.7 billion tons. |
| Northern System                             | Iron ore                                    | 1.8% of net revenue, after total sales from May 1997 exceeds 1.2 billion tons. |
| Pojuca, Andorinhas, Liberdade and Sossego   | Gold and copper                             | 2.5% of net revenue from the beginning of commercialization.                   |
| Igarapé Bahia and Alemão                    | Gold and copper                             | 2.5% of net revenue, after total sales from May 1997 exceeds 70 tons of gold.  |
| Other areas, excluding Carajás /Serra Leste | Gold  | 2.5% of net revenue.   |
| Other areas owned as of May 1997            | Other minerals                              | 1% of net revenue, 4 years after the beginning of the commercialization.       |
| All areas                                   | Sale of mineral rights owned as of May 1997 | 1% of the sales price.   |

On March 27 and October 2, 2006 we paid a distribution on these debentures in the amount of US\$2 and US\$4, respectively.

- (f) We use various judgments and assumptions when measuring our asset retirement obligations. Changes in circumstances, law or technology may affect our estimates and we periodically review the amounts accrued and adjust them as necessary. Our accruals do not reflect unasserted claims because we are currently not aware of any

such issues. Also the amounts provided are not reduced by any potential recoveries under cost sharing, insurance or indemnification arrangements because such recoveries are considered uncertain. The changes are demonstrated as follows:

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|  | Three-month periods ended (Unaudited) |                       |                         | Year ended December 31, |            |            |
|--|---------------------------------------|-----------------------|-------------------------|-------------------------|------------|------------|
|  | December<br>31,<br>2006               | September<br>30, 2006 | December<br>31,<br>2005 | 2006                    | 2005       | 2004       |
| <b>Provisions for asset<br/>retirement obligations<br/>beginning of period</b> | <b>258</b>                            | <b>252</b>            | <b>166</b>              | <b>225</b>              | <b>134</b> | <b>81</b>  |
| Liability recognized upon<br>consolidation of Inco                             | 178                                   |                       |                         | 178                     |            |            |
| Accretion expense  | 186                                   | 7                     | 4                       | 205                     | 14         | 13         |
| Liabilities settled in the<br>current period                                   | (4)                                   | (1)                   | (3)                     | (9)                     | (9)        | (3)        |
| Revisions in estimated cash<br>flows   | 59                                    |                       | 67                      | 59                      | 67         | 31         |
| Cumulative translation<br>adjustment   | (1)                                   |                       | (9)                     | 18                      | 19         | 12         |
| <b>Provisions for asset<br/>retirement obligations end<br/>of period</b>       | <b>676</b>                            | <b>258</b>            | <b>225</b>              | <b>676</b>              | <b>225</b> | <b>134</b> |

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**(g) Description of Leasing Arrangements**

We conduct part of our railroad operation from leased facilities. The lease, which is for 30 years expiring in August, 2026, is classified as an operating lease and can be renewable for a further 30 years. At the end of the lease term, we are required to return the concession and the lease assets. In most cases, management expects that in the normal course of business, leases will be renewed.

**Operating Leases**

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2006:

Year ending December 31:

|  |              |
|--|--------------|
| 2008                                   | 48           |
| 2009                                   | 48           |
| 2010                                   | 48           |
| 2011                                   | 48           |
| 2012 and there after                   | 937          |
| <b>Total minimum payments required</b> | <b>1,129</b> |

The total expenses of operating leases in 2006, 2005 and 2004 was US\$48, US\$42 and US\$37, respectively.

**19 Segment and geographical information**

We adopt SFAS 131 Disclosures about Segments of an Enterprise and Related Information with respect to the information we present about our operating segments. SFAS 131 introduced a management approach concept for reporting segment information, whereby such information is required to be reported on the basis that the chief decision-maker uses internally for evaluating segment performance and deciding how to allocate resources to segments. We analyze our segment information on aggregated and disaggregated basis as follows:

**Ferrous products** comprises iron ore mining and pellet production, as well as the Northern and Southern transportation systems, including railroads, ports and terminals, as they pertain to mining operations. Manganese mining and ferroalloys are also included in this segment.

**Non-ferrous** comprises the production of non-ferrous minerals, including potash, kaolin, copper and nickel (co-products and by-products).

**Logistics** comprises our transportation systems as they pertain to the operation of our ships, ports and railroads for third-party cargos.

**Holdings** divided into the following sub-groups:

**Aluminum** comprises aluminum trading activities, alumina refining and aluminum metal smelting and investments in joint ventures and affiliates engaged in bauxite mining.

**Others** comprises our investments in joint ventures and affiliates engaged in other businesses.

Information presented to senior management with respect to the performance of each segment is generally derived directly from the accounting records maintained in accordance with accounting practices adopted in Brazil together with certain minor inter-segment allocations.

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Consolidated net income and principal assets are reconciled as follows:

**Results by segment before eliminations (Aggregated)**

|                   |            |            |             |         |              |                    |                |            |            |             |         |              | As of and for the three-month |                |           |         |      |
|-------------------|------------|------------|-------------|---------|--------------|--------------------|----------------|------------|------------|-------------|---------|--------------|-------------------------------|----------------|-----------|---------|------|
| December 31, 2006 |            |            |             |         |              | September 30, 2006 |                |            |            |             |         |              |                               |                |           |         |      |
| Holdings          |            |            |             |         |              | Holdings           |                |            |            |             |         |              |                               |                |           |         |      |
| Non<br>ferrous    | Isogit     | Alumina    | Iron        | Other   | Eliminations | Consolidated       | Non<br>ferrous | Isogit     | Alumina    | Iron        | Other   | Eliminations | Consolidated                  | Non<br>ferrous | Isogit    | Alumina | Iron |
| 3,182             | 23         | 841        | 15          | (1,953) | 6,345        | 4,540              | 459            | 13         | 817        | 20          | (1,984) | 3,865        | 3,670                         | 262            | 21        |         |      |
| 100               | 336        | 136        |             | (159)   | 1,149        | 769                | 95             | 379        | 167        |             | (209)   | 1,201        | 546                           | 52             | 316       |         |      |
| (2,591)           | (226)      | (709)      | (6)         | 2,112   | (4,760)      | (3,317)            | (319)          | (250)      | (735)      | (24)        | 2,193   | (2,452)      | (2,751)                       | (235)          | (263)     |         |      |
| (85)              | (5)        |            | (49)        |         | (175)        | (34)               | (38)           | (2)        |            | (60)        |         | (134)        | (38)                          | (16)           | (3)       |         |      |
| (149)             | (25)       | (21)       | (2)         |         | (379)        | (165)              | (28)           | (22)       | (17)       |             |         | (232)        | (134)                         | (21)           | (17)      |         |      |
| <b>457</b>        | <b>103</b> | <b>247</b> | <b>(42)</b> |         | <b>2,180</b> | <b>1,793</b>       | <b>169</b>     | <b>118</b> | <b>232</b> | <b>(64)</b> |         | <b>2,248</b> | <b>1,293</b>                  | <b>42</b>      | <b>54</b> |         |      |
| 95                | 8          | 7          |             | (194)   | 181          | 190                |                | 8          | 5          | 5           | (149)   | 59           | 133                           |                | 8         |         |      |
| (80)              | (3)        | (169)      | (4)         | 194     | (708)        | (317)              | (2)            | (2)        | 9          | (9)         | 149     | (172)        | (195)                         | (2)            | 2         |         |      |
| 209               | (4)        | 23         | 2           |         | 204          | 42                 |                |            | (2)        | (2)         |         | 38           | (63)                          | (51)           | 3         |         |      |
|                   |            |            | 231         |         | 311          | 16                 |                |            |            |             |         | 16           |                               |                |           |         |      |
|                   | 27         | 20         | 59          |         | 183          | 69                 |                | 31         | 18         | 69          |         | 187          | 128                           |                | 15        |         |      |
| (251)             | (9)        | (56)       |             |         | (551)        | (298)              | 1              | (2)        | (49)       |             |         | (348)        | (103)                         |                | (2)       |         |      |
| (190)             |            | (18)       |             |         | (227)        | (41)               |                |            | (83)       |             |         | (124)        | (104)                         |                |           |         |      |
| <b>240</b>        | <b>122</b> | <b>54</b>  | <b>246</b>  |         | <b>1,573</b> | <b>1,454</b>       | <b>168</b>     | <b>153</b> | <b>130</b> | <b>(1)</b>  |         | <b>1,904</b> | <b>1,089</b>                  | <b>(11)</b>    | <b>80</b> |         |      |
| 437               | 9          | 206        |             | (249)   | 729          | 376                |                | 8          | 232        |             | (249)   | 367          | 350                           |                | 13        |         |      |

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|              |            |            |           |                |              |              |            |            |            |           |                |              |              |            |            |
|--------------|------------|------------|-----------|----------------|--------------|--------------|------------|------------|------------|-----------|----------------|--------------|--------------|------------|------------|
| 440          |            | 66         | 15        | (49)           | 558          | 160          | 5          |            | 23         | 20        | (66)           | 142          | 116          | 4          |            |
| 497          | 6          | 316        |           | (700)          | 1,694        | 1,483        | 259        | 5          | 362        |           | (762)          | 1,347        | 1,202        | 192        | 4          |
| 60           | 1          | 73         |           | (58)           | 274          | 193          | 42         |            | 52         |           | (44)           | 243          | 219          | 16         |            |
| 473          |            | 143        |           | (220)          | 932          | 515          | 13         |            | 137        |           | (170)          | 495          | 371          | 12         |            |
| 446          | 8          | 26         |           | (486)          | 1,275        | 1,413        | 37         |            | 11         |           | (497)          | 964          | 1,120        | 24         | 4          |
| 828          | (1)        | 11         |           | (190)          | 883          | 400          | 103        |            |            |           | (196)          | 307          | 292          | 14         |            |
| <b>3,181</b> | <b>23</b>  | <b>841</b> | <b>15</b> | <b>(1,952)</b> | <b>6,345</b> | <b>4,540</b> | <b>459</b> | <b>13</b>  | <b>817</b> | <b>20</b> | <b>(1,984)</b> | <b>3,865</b> | <b>3,670</b> | <b>262</b> | <b>21</b>  |
| 100          | 336        | 136        |           | (159)          | 1,149        | 769          | 95         | 379        | 167        |           | (209)          | 1,201        | 546          | 52         | 316        |
| <b>3,281</b> | <b>359</b> | <b>977</b> | <b>15</b> | <b>(2,111)</b> | <b>7,494</b> | <b>5,309</b> | <b>554</b> | <b>392</b> | <b>984</b> | <b>20</b> | <b>(2,193)</b> | <b>5,066</b> | <b>4,216</b> | <b>314</b> | <b>337</b> |

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**Companhia  
Vale do Rio Doce**  
**Operating segment after eliminations (Disaggregated)**

**As of and for the three-month periods ended (unaudited)  
December 31, 2006**

|                               | Revenues     |            |              | Value<br>added<br>tax | Net<br>revenues | Cost<br>and<br>expenses | Depreciation,<br>depletion<br>and<br>amortization | Operating<br>income | Property,<br>Plant<br>and<br>Equipment,<br>Net | Addition<br>to<br>Property,<br>Plant<br>and<br>Equipment<br>Investments |            |            |
|-------------------------------|--------------|------------|--------------|-----------------------|-----------------|-------------------------|---|---------------------|--|---|------------|------------|
|                               | Export       | Domestic   | Total        |                       |                 |                         |   |                     |  |   |            |            |
| <b>Ferrous</b>                |              |            |              |                       |                 |                         |   |                     |  |   |            |            |
| Iron ore                      | 2,163        | 484        | 2,647        | (59)                  | 2,588           | (1,183)                 | 1,405   | (152)               | 1,253  | 13,235  | 820        | 48         |
| Pellets                       | 432          | 112        | 544          | (24)                  | 520             | (311)                   | 209   | (17)                | 192  | 593   | 61         | 529        |
| Manganese                     | 11           | 4          | 15           |                       | 15              | (56)                    | (41)  | (1)                 | (42)   | 65  | 7          |            |
| Ferroalloys                   | 99           | 48         | 147          | (12)                  | 135             | (120)                   | 15  | (5)                 | 10   | 186   | 11         |            |
|                               | <b>2,705</b> | <b>648</b> | <b>3,353</b> | <b>(95)</b>           | <b>3,258</b>    | <b>(1,670)</b>          | <b>1,588</b>                                      | <b>(175)</b>        | <b>1,413</b>                                   | <b>14,079</b>   | <b>899</b> | <b>577</b> |
| <b>Non ferrous</b>            |              |            |              |                       |                 |                         |   |                     |  |   |            |            |
| Nickel and other products (*) | 2,786        | 16         | 2,802        |                       | 2,802           | (2,267)                 | 535   | (124)               | 411  | 17,193  | 483        | 222        |
| Potash                        |              | 43         | 43           | (2)                   | 41              | (26)                    | 15  | (7)                 | 8  | 178   | 7          |            |
| Kaolin                        | 62           | 8          | 70           | (4)                   | 66              | (63)                    | 3   | (6)                 | (3)  | 249   | 19         |            |
| Copper concentrate            | 152          | 31         | 183          | (8)                   | 175             | (67)                    | 108   | (16)                | 92   | 1,386   | 41         |            |
|                               | <b>3,000</b> | <b>98</b>  | <b>3,098</b> | <b>(14)</b>           | <b>3,084</b>    | <b>(2,423)</b>          | <b>661</b>  | <b>(153)</b>        | <b>508</b>                                     | <b>19,006</b>   | <b>550</b> | <b>222</b> |
| <b>Aluminum</b>               |              |            |              |                       |                 |                         |   |                     |  |   |            |            |
| Alumina                       | 338          |            | 338          | 2                     | 340             | (238)                   | 102   | (13)                | 89   | 1,805   | 170        |            |
| Aluminum                      | 263          | 65         | 328          | (14)                  | 314             | (143)                   | 171   | (7)                 | 164  | 415   | 26         |            |
| Bauxite                       | 8            |            | 8            |                       | 8               | (8)                     |   |                     |  | 609   | 95         | 164        |
|                               | <b>609</b>   | <b>65</b>  | <b>674</b>   | <b>(12)</b>           | <b>662</b>      | <b>(389)</b>            | <b>273</b>  | <b>(20)</b>         | <b>253</b>                                     | <b>2,829</b>  | <b>291</b> | <b>164</b> |
| <b>Logistics</b>              |              |            |              |                       |                 |                         |   |                     |  |   |            |            |
| Railroads                     |              | 247        | 247          | (45)                  | 202             | (110)                   | 92  | (17)                | 75   | 720   | 26         | 222        |
| Ports                         | 4            | 65         | 69           | (12)                  | 57              | (39)                    | 18  | (4)                 | 14   | 222   | 6          |            |
| Ships                         | 12           | 14         | 26           | (1)                   | 25              | (16)                    | 9   | (3)                 | 6  | 45  | 2          |            |
|                               | <b>16</b>    | <b>326</b> | <b>342</b>   | <b>(58)</b>           | <b>284</b>      | <b>(165)</b>            | <b>119</b>  | <b>(24)</b>         | <b>95</b>                                      | <b>987</b>  | <b>34</b>  | <b>222</b> |

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|        |              |              |              |              |              |                |              |              |              |               |              |              |
|--------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|---------------|--------------|--------------|
| Others | 15           | 12           | 27           | (2)          | 25           | (107)          | (82)         | (7)          | (89)         | 1,106         | 7            | 829          |
|        | <b>6,345</b> | <b>1,149</b> | <b>7,494</b> | <b>(181)</b> | <b>7,313</b> | <b>(4,754)</b> | <b>2,559</b> | <b>(379)</b> | <b>2,180</b> | <b>38,007</b> | <b>1,781</b> | <b>2,014</b> |

(\*). Includes the product nickel co-products and by products (copper, precious metals, cobalt and others) see note 3 (c).

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**Companhia  
Vale do Rio Doce**  
Operating segment after eliminations (Disaggregated)

As of and for the three-month periods ended (unaudited)  
September 30, 2006

|                    | Revenues     |              |              | Value<br>added<br>tax | Net<br>revenues | Cost<br>and<br>expenses | Depreciation,<br>depletion<br>and<br>amortization | Operating<br>income | Addition<br>Property,<br>Plant<br>and<br>Equipment, |               | Investments |              |
|--------------------|--------------|--------------|--------------|-----------------------|-----------------|-------------------------|---|---------------------|---|---------------|-------------|--------------|
|                    | Export       | Domestic     | Total        |                       |                 |                         |   |                     | Property,<br>Plant<br>and<br>Equipment              | Investments   |             |              |
| <b>Ferrous</b>     |              |              |              |                       |                 |                         |   |                     |   |               |             |              |
| Iron ore           | 2,385        | 524          | 2,909        | (82)                  | 2,827           | (1,058)                 | 1,769   | (141)               | 1,628   | 12,383        | 530         | 44           |
| Pellets            | 470          | 100          | 570          | (22)                  | 548             | (334)                   | 214   | (14)                | 200   | 533           | 12          | 471          |
| Manganese          | 12           | 5            | 17           | (1)                   | 16              | (17)                    | (1)   | (1)                 | (2)   | 60            | 1           |              |
| Ferroalloys        | 85           | 45           | 130          | (12)                  | 118             | (122)                   | (4)   | (6)                 | (10)  | 196           | 8           |              |
|                    | <b>2,952</b> | <b>674</b>   | <b>3,626</b> | <b>(117)</b>          | <b>3,509</b>    | <b>(1,531)</b>          | <b>1,978</b>                                      | <b>(162)</b>        | <b>1,816</b>  | <b>13,172</b> | <b>551</b>  | <b>515</b>   |
| <b>Non ferrous</b> |              |              |              |                       |                 |                         |   |                     |   |               |             |              |
| Potash             |              | 55           | 55           | (3)                   | 52              | (33)                    | 19  | (7)                 | 12  | 174           | 2           |              |
| Kaolin             | 45           | 8            | 53           | (2)                   | 51              | (44)                    | 7   | (8)                 | (1)   | 233           |             |              |
| Copper concentrate | 247          | 33           | 280          | (7)                   | 273             | (71)                    | 202   | (13)                | 189   | 1,352         | 56          |              |
|                    | <b>292</b>   | <b>96</b>    | <b>388</b>   | <b>(12)</b>           | <b>376</b>      | <b>(148)</b>            | <b>228</b>  | <b>(28)</b>         | <b>200</b>  | <b>1,759</b>  | <b>58</b>   |              |
| <b>Aluminum</b>    |              |              |              |                       |                 |                         |   |                     |   |               |             |              |
| Alumina            | 271          |              | 271          | (8)                   | 263             | (187)                   | 76  | (10)                | 66  | 1,624         | 114         |              |
| Aluminum           | 304          | 59           | 363          | (12)                  | 351             | (192)                   | 159   | (7)                 | 152   | 390           | 10          |              |
| Bauxite            | 4            |              | 4            |                       | 4               | (5)                     | (1)   |                     | (1)   | 499           | 74          | 143          |
|                    | <b>579</b>   | <b>59</b>    | <b>638</b>   | <b>(20)</b>           | <b>618</b>      | <b>(384)</b>            | <b>234</b>  | <b>(17)</b>         | <b>217</b>  | <b>2,513</b>  | <b>198</b>  | <b>143</b>   |
| <b>Logistics</b>   |              |              |              |                       |                 |                         |   |                     |   |               |             |              |
| Railroads          |              | 278          | 278          | (47)                  | 231             | (131)                   | 100   | (20)                | 80  | 700           | 17          | 198          |
| Ports              | 11           | 63           | 74           | (12)                  | 62              | (37)                    | 25  | (4)                 | 21  | 222           | 4           |              |
| Ships              | 11           | 20           | 31           | (4)                   | 27              | (28)                    | (1)   |                     | (1)   | 3             |             |              |
|                    | <b>22</b>    | <b>361</b>   | <b>383</b>   | <b>(63)</b>           | <b>320</b>      | <b>(196)</b>            | <b>124</b>  | <b>(24)</b>         | <b>100</b>  | <b>925</b>    | <b>21</b>   | <b>198</b>   |
| Others             | 20           | 11           | 31           | (2)                   | 29              | (113)                   | (84)  | (1)                 | (85)  | 1,058         | 6           | 834          |
|                    | <b>3,865</b> | <b>1,201</b> | <b>5,066</b> | <b>(214)</b>          | <b>4,852</b>    | <b>(2,372)</b>          | <b>2,480</b>                                      | <b>(232)</b>        | <b>2,248</b>  | <b>19,427</b> | <b>834</b>  | <b>1,690</b> |





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**Companhia  
Vale do Rio Doce**  
**Operating segment after eliminations (Disaggregated)**

As of and for the three-month periods ended (unaudited)  
December 31, 2005

|                    | Revenues     |            | Value added  | Net revenues | Cost and expenses | Depreciation, depletion and amortization | Operating income | Property, Plant and Equipment, additions |  | Investments   |              |  |
|--------------------|--------------|------------|--------------|--------------|-------------------|--|------------------|--|--|---------------|--------------|--|
|                    | Export       | Domestic   |              |              |                   |  |                  | Total                                    | to Plant and Property, Plant and Equipment |               |              | to Plant and Property, Plant and Equipment |
| <b>Ferrous</b>     |              |            |              |              |                   |  |                  |  |  |               |              |  |
| Iron ore           | 1,682        | 393        | 2,075        | (57)         | 2,018             | (768)                                    | 1,250            | (128)                                    | 1,122                                      | 8,157         | 830          | 46   |
| Pellets            | 555          | 89         | 644          | (18)         | 626               | (404)                                    | 222              | (9)                                      | 213  | 461           | 39           | 568  |
| Manganese          | 12           | 6          | 18           | (1)          | 17                | (33)                                     | (16)             |  | (16)                                       | 52            | 17           |  |
| Ferroalloys        | 57           | 38         | 95           | (10)         | 85                | (79)                                     | 6                | (7)                                      | (1)  | 208           | 27           |  |
|                    | <b>2,306</b> | <b>526</b> | <b>2,832</b> | <b>(86)</b>  | <b>2,746</b>      | <b>(1,284)</b>                           | <b>1,462</b>     | <b>(144)</b>                             | <b>1,318</b>                               | <b>8,878</b>  | <b>913</b>   | <b>614</b>                                 |
| <b>Non ferrous</b> |              |            |              |              |                   |  |                  |  |  |               |              |  |
| Potash             |              | 41         | 41           | (2)          | 39                | (25)                                     | 14               | (3)                                      | 11   | 166           | 7            |  |
| Kaolin             | 42           | 9          | 51           | (2)          | 49                | (62)                                     | (13)             | (1)                                      | (14)                                       | 231           |              |  |
| Copper concentrate | 129          | 2          | 131          | (3)          | 128               | (60)                                     | 68               | (8)                                      | 60   | 1,180         | 58           |  |
|                    | <b>171</b>   | <b>52</b>  | <b>223</b>   | <b>(7)</b>   | <b>216</b>        | <b>(147)</b>                             | <b>69</b>        | <b>(12)</b>                              | <b>57</b>                                  | <b>1,577</b>  | <b>65</b>    |  |
| <b>Aluminum</b>    |              |            |              |              |                   |  |                  |  |  |               |              |  |
| Alumina            | 131          | 8          | 139          | (1)          | 138               | (122)                                    | 16               | (6)                                      | 10   | 1,288         | 69           |  |
| Aluminum           | 208          | 9          | 217          | (1)          | 216               | (109)                                    | 107              | (5)                                      | 102  | 361           | 9            | 58   |
| Bauxite            | 21           |            | 21           |              | 21                | (18)                                     | 3                |  | 3  | 281           | 83           | 178  |
|                    | <b>360</b>   | <b>17</b>  | <b>377</b>   | <b>(2)</b>   | <b>375</b>        | <b>(249)</b>                             | <b>126</b>       | <b>(11)</b>                              | <b>115</b>                                 | <b>1,930</b>  | <b>161</b>   | <b>236</b>                                 |
| <b>Logistics</b>   |              |            |              |              |                   |  |                  |  |  |               |              |  |
| Railroads          |              | 223        | 223          | (43)         | 180               | (152)                                    | 28               | (13)                                     | 15   | 612           | 82           | 109  |
| Ports              |              | 57         | 57           | (9)          | 48                | (35)                                     | 13               | (2)                                      | 11   | 244           | 15           |  |
| Ships              | 15           | 14         | 29           | (1)          | 28                | (31)                                     | (3)              | (1)                                      | (4)  | 3             | 1            |  |
|                    | <b>15</b>    | <b>294</b> | <b>309</b>   | <b>(53)</b>  | <b>256</b>        | <b>(218)</b>                             | <b>38</b>        | <b>(16)</b>                              | <b>22</b>                                  | <b>859</b>    | <b>98</b>    | <b>109</b>                                 |
| Others             |              | 5          | 5            |              | 5                 | (56)                                     | (51)             |  | (51)                                       | 922           |              | 713  |
|                    | <b>2,852</b> | <b>894</b> | <b>3,746</b> | <b>(148)</b> | <b>3,598</b>      | <b>(1,954)</b>                           | <b>1,644</b>     | <b>(183)</b>                             | <b>1,461</b>                               | <b>14,166</b> | <b>1,237</b> | <b>1,672</b>                               |



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**Companhia  
Vale do Rio Doce**  
**Results by segment before eliminations (Aggregated)**

|           | 2006       |            |              |              |              | 2005         |            |            |            |              |              |              |           |           |      |
|-----------|------------|------------|--------------|--------------|--------------|--------------|------------|------------|------------|--------------|--------------|--------------|-----------|-----------|------|
|           | Holdings   |            | Non          |              |              | Holdings     |            | Non        |            |              | Holdings     |              | Non       |           |      |
| Logistics | Aluminum   | Other      | Eliminations | Consolidated | Ferrous      | ferrous      | Logistics  | Aluminum   | Other      | Eliminations | Consolidated | Ferrous      | ferrous   | Logistics |      |
| 99        | 67         | 3,125      | 54           | (7,029)      | 16,145       | 12,655       | 787        | 75         | 1,784      | (5,461)      | 9,840        | 7,589        | 521       | 9         |      |
| 77        | 1,373      | 474        | 7            | (651)        | 4,218        | 2,197        | 213        | 1,215      | 345        | (405)        | 3,565        | 1,424        | 163       | 87        |      |
| 01)       | (970)      | (2,597)    | (56)         | 7,680        | (11,248)     | (9,646)      | (762)      | (886)      | (1,639)    | (10)         | 5,866        | (7,077)      | (6,459)   | (443)     | (62) |
| 66)       | (10)       |            | (182)        |              | (481)        | (87)         | (73)       | (4)        | (5)        | (108)        |              | (277)        | (40)      | (113)     |      |
| 19)       | (76)       | (66)       | (4)          |              | (997)        | (458)        | (65)       | (45)       | (51)       |              | (619)        | (301)        | (35)      | (2)       |      |
| <b>90</b> | <b>384</b> | <b>936</b> | <b>(181)</b> |              | <b>7,637</b> | <b>4,661</b> | <b>100</b> | <b>355</b> | <b>434</b> | <b>(118)</b> | <b>5,432</b> | <b>2,213</b> | <b>93</b> | <b>31</b> |      |
| 97        | 28         | 20         | 2            | (609)        | 327          | 439          | 1          | 34         | 9          | 2            | (362)        | 123          | 251       | 2         | 1    |
| 86)       | (8)        | (294)      | (18)         | 609          | (1,338)      | (751)        | (6)        | (19)       | (154)      | 8            | 362          | (560)        | (637)     | (6)       | (1)  |
| 14        | (11)       | 119        | 1            |              | 529          | 259          | (44)       | (13)       | 98         | (1)          |              | 299          | 20        | 5         | (    |
|           |            |            | 231          |              | 674          |              |            |            |            |              |              | 126          |           |           |      |
|           | 96         | 76         | 226          |              | 710          | 435          |            | 54         | 65         | 206          |              | 760          | 170       |           | 3    |
| 50)       | (18)       | (187)      | (1)          |              | (1,432)      | (808)        | (1)        | (17)       | (55)       | 1            |              | (880)        | (726)     | (7)       | (    |
| 90)       |            | (232)      |              |              | (579)        | (337)        |            | (1)        | (121)      |              |              | (459)        | (101)     | (2)       |      |
| <b>75</b> | <b>471</b> | <b>438</b> | <b>260</b>   |              | <b>6,528</b> | <b>3,898</b> | <b>50</b>  | <b>393</b> | <b>276</b> | <b>224</b>   | <b>4,841</b> | <b>1,190</b> | <b>85</b> | <b>34</b> |      |
| 38        | 30         | 726        |              | (823)        | 1,620        | 1,313        |            | 45         | 320        |              | (762)        | 916          | 735       | 1         | 6    |

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|           |              |              |           |                |               |               |              |              |              |                |               |              |            |           |
|-----------|--------------|--------------|-----------|----------------|---------------|---------------|--------------|--------------|--------------|----------------|---------------|--------------|------------|-----------|
| 50        |              | 95           | 54        | (237)          | 868           | 464           | 7            | 3            | 211          | (268)          | 417           | 533          |            | 1         |
| 20        | 19           | 1,346        |           | (2,667)        | 5,183         | 4,847         | 449          | 23           | 750          | (2,256)        | 3,813         | 3,223        | 194        | 1         |
| 18        | 1            | 263          |           | (239)          | 1,010         | 775           | 108          |              | 42           | (148)          | 777           | 412          | 107        |           |
| 23        |              | 548          |           | (662)          | 2,188         | 1,261         | 44           |              | 395          | (469)          | 1,231         | 683          | 31         |           |
| 99        | 16           | 126          |           | (1,716)        | 3,706         | 3,018         | 79           | 4            | 50           | (1,135)        | 2,016         | 1,392        | 81         |           |
| 50        | 1            | 21           |           | (684)          | 1,570         | 977           | 100          |              | 16           | (423)          | 670           | 611          | 107        |           |
| <b>98</b> | <b>67</b>    | <b>3,125</b> | <b>54</b> | <b>(7,028)</b> | <b>16,145</b> | <b>12,655</b> | <b>787</b>   | <b>75</b>    | <b>1,784</b> | <b>(5,461)</b> | <b>9,840</b>  | <b>7,589</b> | <b>521</b> | <b>9</b>  |
| 77        | 1,373        | 474          | 7         | (651)          | 4,218         | 2,197         | 213          | 1,215        | 345          | (405)          | 3,565         | 1,424        | 163        | 87        |
| <b>75</b> | <b>1,440</b> | <b>3,599</b> | <b>61</b> | <b>(7,679)</b> | <b>20,363</b> | <b>14,852</b> | <b>1,000</b> | <b>1,290</b> | <b>2,129</b> | <b>(5,866)</b> | <b>13,405</b> | <b>9,013</b> | <b>684</b> | <b>96</b> |

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**Table of Contents****Operating segment after eliminations (Disaggregated)**As of and for the year ended December 31,  
2006

|                               | Revenues      |              | Value added   |              | Net revenues  | Cost and expenses | Depreciation, depletion and amortization | Operating income | Addition to Property, Plant and Equipment, and Investments |               |              |              |
|-------------------------------|---------------|--------------|---------------|--------------|---------------|-------------------|--|------------------|--|---------------|--------------|--------------|
|                               | Export        | Domestic     | Total         | tax          |               |                   |  |                  | Equipment  | Investments   |              |              |
| <b>Ferrous</b>                |               |              |               |              |               |                   |  |                  |  |               |              |              |
| Iron ore                      | 8,167         | 1,860        | 10,027        | (271)        | 9,756         | (4,060)           | 5,696                                    | (528)            | 5,168  | 13,235        | 2,616        | 48           |
| Pellets                       | 1,590         | 389          | 1,979         | (86)         | 1,893         | (1,210)           | 683                                      | (53)             | 630  | 593           | 110          | 529          |
| Manganese                     | 39            | 16           | 55            | (3)          | 52            | (97)              | (45)                                     | (4)              | (49)   | 65            | 19           |              |
| Ferroalloys                   | 342           | 166          | 508           | (43)         | 465           | (443)             | 22                                       | (19)             | 3  | 186           | 34           |              |
|                               | <b>10,138</b> | <b>2,431</b> | <b>12,569</b> | <b>(403)</b> | <b>12,166</b> | <b>(5,810)</b>    | <b>6,356</b>                             | <b>(604)</b>     | <b>5,752</b>   | <b>14,079</b> | <b>2,779</b> | <b>577</b>   |
| <b>Non ferrous</b>            |               |              |               |              |               |                   |  |                  |  |               |              |              |
| Nickel and other products (*) | 2,786         | 16           | 2,802         |              | 2,802         | (2,267)           | 535                                      | (124)            | 411  | 17,193        | 483          | 222          |
| Potash                        |               | 143          | 143           | (8)          | 135           | (84)              | 51                                       | (23)             | 28   | 178           | 16           |              |
| Kaolin                        | 188           | 30           | 218           | (9)          | 209           | (182)             | 27                                       | (27)             |  | 249           | 19           |              |
| Copper concentrate            | 690           | 89           | 779           | (20)         | 759           | (246)             | 513                                      | (49)             | 464  | 1,386         | 150          |              |
|                               | <b>3,664</b>  | <b>278</b>   | <b>3,942</b>  | <b>(37)</b>  | <b>3,905</b>  | <b>(2,779)</b>    | <b>1,126</b>                             | <b>(223)</b>     | <b>903</b>   | <b>19,006</b> | <b>668</b>   | <b>222</b>   |
| <b>Aluminum</b>               |               |              |               |              |               |                   |  |                  |  |               |              |              |
| Alumina                       | 1,098         | 10           | 1,108         | (8)          | 1,100         | (767)             | 333                                      | (39)             | 294  | 1,805         | 433          |              |
| Aluminum                      | 1,093         | 151          | 1,244         | (29)         | 1,215         | (558)             | 657                                      | (26)             | 631  | 415           | 43           |              |
| Bauxite                       | 29            |              | 29            |              | 29            | (29)              |  |                  |  | 609           | 273          | 164          |
|                               | <b>2,220</b>  | <b>161</b>   | <b>2,381</b>  | <b>(37)</b>  | <b>2,344</b>  | <b>(1,354)</b>    | <b>990</b>                               | <b>(65)</b>      | <b>925</b>   | <b>2,829</b>  | <b>749</b>   | <b>164</b>   |
| <b>Logistics</b>              |               |              |               |              |               |                   |  |                  |  |               |              |              |
| Railroads                     |               | 1,011        | 1,011         | (177)        | 834           | (488)             | 346                                      | (72)             | 274  | 720           | 95           | 222          |
| Ports                         | 15            | 246          | 261           | (44)         | 217           | (137)             | 80                                       | (16)             | 64   | 222           | 12           |              |
| Ships                         | 52            | 52           | 104           | (8)          | 96            | (97)              | (1)                                      | (5)              | (6)  | 45            | 2            |              |
|                               | <b>67</b>     | <b>1,309</b> | <b>1,376</b>  | <b>(229)</b> | <b>1,147</b>  | <b>(722)</b>      | <b>425</b>                               | <b>(93)</b>      | <b>332</b>   | <b>987</b>    | <b>109</b>   | <b>222</b>   |
| Others                        | 56            | 39           | 95            | (6)          | 89            | (352)             | (263)                                    | (12)             | (275)  | 1,106         | 126          | 829          |
|                               | <b>16,145</b> | <b>4,218</b> | <b>20,363</b> | <b>(712)</b> | <b>19,651</b> | <b>(11,017)</b>   | <b>8,634</b>                             | <b>(997)</b>     | <b>7,637</b>   | <b>38,007</b> | <b>4,431</b> | <b>2,014</b> |

(\*). Includes the product nickel co-products and by products (copper, precious metals, cobalt and others) see note 3 (c).

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**Table of Contents****Operating segment after eliminations (Disaggregated)**As of and for the year ended December 31,  
2005

|                    | Revenues     |              | Value added tax |              | Net revenues  | Cost and expenses | Depreciation, depletion and amortization | Operating income | Addition to Property, Plant and Equipment, and Investments |               |              |              |
|--------------------|--------------|--------------|-----------------|--------------|---------------|-------------------|--|------------------|--|---------------|--------------|--------------|
|                    | Export       | Domestic     | Total           |              |               |                   |  |                  | Property, Plant and Equipment, and Investments             |               |              |              |
| <b>Ferrous</b>     |              |              |                 |              |               |                   |  |                  |  |               |              |              |
| Iron ore           | 5,890        | 1,506        | 7,396           | (234)        | 7,162         | (2,658)           | 4,504                                    | (419)            | 4,085  | 8,157         | 2,695        | 46           |
| Pellets            | 1,722        | 361          | 2,083           | (78)         | 2,005         | (1,321)           | 684                                      | (23)             | 661  | 461           | 75           | 568          |
| Manganese          | 56           | 21           | 77              | (6)          | 71            | (81)              | (10)                                     | (1)              | (11)   | 52            | 20           |              |
| Ferroalloys        | 318          | 176          | 494             | (47)         | 447           | (344)             | 103                                      | (20)             | 83   | 208           | 82           |              |
|                    | <b>7,986</b> | <b>2,064</b> | <b>10,050</b>   | <b>(365)</b> | <b>9,685</b>  | <b>(4,404)</b>    | <b>5,281</b>                             | <b>(463)</b>     | <b>4,818</b>   | <b>8,878</b>  | <b>2,872</b> | <b>614</b>   |
| <b>Non ferrous</b> |              |              |                 |              |               |                   |  |                  |  |               |              |              |
| Potash             |              | 149          | 149             | (11)         | 138           | (86)              | 52                                       | (8)              | 44   | 166           | 18           |              |
| Kaolin             | 150          | 27           | 177             | (7)          | 170           | (176)             | (6)                                      | (20)             | (26)   | 231           | 5            |              |
| Copper concentrate | 354          | 37           | 391             | (8)          | 383           | (203)             | 180                                      | (34)             | 146  | 1,180         | 152          |              |
|                    | <b>504</b>   | <b>213</b>   | <b>717</b>      | <b>(26)</b>  | <b>691</b>    | <b>(465)</b>      | <b>226</b>                               | <b>(62)</b>      | <b>164</b>   | <b>1,577</b>  | <b>175</b>   |              |
| <b>Aluminum</b>    |              |              |                 |              |               |                   |  |                  |  |               |              |              |
| Alumina            | 455          | 76           | 531             | (24)         | 507           | (445)             | 62                                       | (25)             | 37   | 1,288         | 400          |              |
| Aluminum           | 784          | 39           | 823             | (5)          | 818           | (397)             | 421                                      | (26)             | 395  | 361           | 25           | 58           |
| Bauxite            | 54           |              | 54              |              | 54            | (49)              | 5  |                  | 5  | 281           | 200          | 178          |
|                    | <b>1,293</b> | <b>115</b>   | <b>1,408</b>    | <b>(29)</b>  | <b>1,379</b>  | <b>(891)</b>      | <b>488</b>                               | <b>(51)</b>      | <b>437</b>   | <b>1,930</b>  | <b>625</b>   | <b>236</b>   |
| <b>Logistics</b>   |              |              |                 |              |               |                   |  |                  |  |               |              |              |
| Railroads          |              | 881          | 881             | (145)        | 736           | (528)             | 208                                      | (35)             | 173  | 612           | 247          | 109          |
| Ports              |              | 230          | 230             | (34)         | 196           | (126)             | 70                                       | (5)              | 65   | 244           | 22           |              |
| Ships              | 56           | 49           | 105             | (8)          | 97            | (101)             | (4)                                      | (3)              | (7)  | 3             | 2            |              |
|                    | <b>56</b>    | <b>1,160</b> | <b>1,216</b>    | <b>(187)</b> | <b>1,029</b>  | <b>(755)</b>      | <b>274</b>                               | <b>(43)</b>      | <b>231</b>   | <b>859</b>    | <b>271</b>   | <b>109</b>   |
| Others             | 1            | 13           | 14              | (6)          | 8             | (226)             | (218)                                    |                  | (218)  | 922           | 34           | 713          |
|                    | <b>9,840</b> | <b>3,565</b> | <b>13,405</b>   | <b>(613)</b> | <b>12,792</b> | <b>(6,741)</b>    | <b>6,051</b>                             | <b>(619)</b>     | <b>5,432</b>   | <b>14,166</b> | <b>3,977</b> | <b>1,672</b> |

**Table of Contents****Operating segment after eliminations (Disaggregated)**As of and for the year ended December 31,  
2005

|                    | Revenues     |              |              | Value added  | Net revenues | Cost and expenses | Depreciation, depletion and amortization | Operating income | Property, Plant and Equipment, net | Addition to Property, Plant and Equipment investments |              |              |
|--------------------|--------------|--------------|--------------|--------------|--------------|-------------------|--|------------------|------------------------------------|---|--------------|--------------|
|                    | Export       | Domestic     | Total        | tax          |              |                   |  |                  |                                    |   |              |              |
| <b>Ferrous</b>     |              |              |              |              |              |                   |  |                  |                                    |   |              |              |
| Iron ore           | 3,146        | 849          | 3,995        | (128)        | 3,867        | (1,761)           | 2,106                                    | (270)            | 1,836                              | 5,374   | 1,152        | 42           |
| Pellets            | 893          | 255          | 1,148        | (44)         | 1,104        | (824)             | 280                                      | (12)             | 268                                | 357   | 26           | 393          |
| Manganese          | 61           | 15           | 76           | (4)          | 72           | (46)              | 26                                       |                  | 26                                 | 24  | 5            |              |
| Ferroalloys        | 423          | 202          | 625          | (52)         | 573          | (315)             | 258                                      | (15)             | 243                                | 157   | 20           |              |
|                    | <b>4,523</b> | <b>1,321</b> | <b>5,844</b> | <b>(228)</b> | <b>5,616</b> | <b>(2,946)</b>    | <b>2,670</b>                             | <b>(297)</b>     | <b>2,373</b>                       | <b>5,912</b>  | <b>1,203</b> | <b>435</b>   |
| <b>Non ferrous</b> |              |              |              |              |              |                   |  |                  |                                    |   |              |              |
| Gold               |              |              |              |              |              | (2)               | (2)                                      |                  | (2)                                |   |              |              |
| Potash             |              | 124          | 124          | (15)         | 109          | (51)              | 58                                       | (5)              | 53                                 | 125   | 44           |              |
| Kaolin             | 142          | 22           | 164          | (6)          | 158          | (93)              | 65                                       | (14)             | 51                                 | 202   | 45           |              |
| Copper concentrate | 184          | 17           | 201          | (3)          | 198          | (90)              | 108                                      | (16)             | 92                                 | 997   | 168          |              |
|                    | <b>326</b>   | <b>163</b>   | <b>489</b>   | <b>(24)</b>  | <b>465</b>   | <b>(236)</b>      | <b>229</b>                               | <b>(35)</b>      | <b>194</b>                         | <b>1,324</b>  | <b>257</b>   |              |
| <b>Aluminum</b>    |              |              |              |              |              |                   |  |                  |                                    |   |              |              |
| Alumina            | 439          | 19           | 458          | (18)         | 440          | (350)             | 90                                       | (19)             | 71                                 | 786   | 189          |              |
| Aluminum           | 710          | 29           | 739          | (3)          | 736          | (286)             | 450                                      | (15)             | 435                                | 316   | 13           | 55           |
| Bauxite            | 53           |              | 53           |              | 53           | (48)              | 5  |                  | 5                                  | 62  | 62           | 171          |
|                    | <b>1,202</b> | <b>48</b>    | <b>1,250</b> | <b>(21)</b>  | <b>1,229</b> | <b>(684)</b>      | <b>545</b>                               | <b>(34)</b>      | <b>511</b>                         | <b>1,164</b>  | <b>264</b>   | <b>226</b>   |
| <b>Logistics</b>   |              |              |              |              |              |                   |  |                  |                                    |   |              |              |
| Railroads          |              | 612          | 612          | (100)        | 512          | (334)             | 178                                      | (28)             | 150                                | 351   | 172          | 79           |
| Ports              |              | 173          | 173          | (29)         | 144          | (89)              | 55                                       | (4)              | 51                                 | 185   | 1            |              |
| Ships              | 52           | 40           | 92           | (7)          | 85           | (123)             | (38)                                     | (1)              | (39)                               | 3   | 1            |              |
|                    | <b>52</b>    | <b>825</b>   | <b>877</b>   | <b>(136)</b> | <b>741</b>   | <b>(546)</b>      | <b>195</b>                               | <b>(33)</b>      | <b>162</b>                         | <b>539</b>  | <b>174</b>   | <b>79</b>    |
| Others             | 10           | 9            | 19           | (4)          | 15           | (132)             | (117)                                    |                  | (117)                              | 124   | 124          | 419          |
|                    | <b>6,113</b> | <b>2,366</b> | <b>8,479</b> | <b>(413)</b> | <b>8,066</b> | <b>(4,544)</b>    | <b>3,522</b>                             | <b>(399)</b>     | <b>3,123</b>                       | <b>9,063</b>  | <b>2,022</b> | <b>1,159</b> |





**Table of Contents****20 Related party transactions**

Transactions with major related parties resulted in the following balances:

|   | <b>2006</b>   |                    | <b>As of December 31,<br/>2005</b> |                    |
|---|---------------|--------------------|------------------------------------|--------------------|
|   | <b>Assets</b> | <b>Liabilities</b> | <b>Assets</b>                      | <b>Liabilities</b> |
| <b>AFFILIATED COMPANIES AND JOINT VENTURES</b>      |               |                    |                                    |                    |
| Companhia Hispano-Brasileira de Pelotização         |               |                    |                                    |                    |
| HISPANOBRÁS   | 58            | 49                 | 24                                 | 42                 |
| Companhia Ítalo-Brasileira de Pelotização ITABRASCO | 51            | 19                 | 24                                 | 17                 |
| Companhia Nipo-Brasileira de Pelotização NIBRASCO   | 101           | 39                 | 47                                 | 83                 |
| Companhia Coreano-Brasileira de Pelotização         |               |                    |                                    |                    |
| KOBRASCO  | 39            | 11                 | 34                                 | 26                 |
| Baovale Mineração S.A.                              | 1             | 24                 |                                    | 18                 |
| Usinas Siderúrgicas de Minas Gerais S.A. USIMINAS   | 37            |                    | 14                                 |                    |
| Minas da Serra Geral S.A. MSG                       |               | 14                 | 3                                  | 9                  |
| MRS Logística S.A.                                  |               | 19                 | 15                                 | 11                 |
| Mineração Rio Norte S.A.                            |               | 21                 |                                    | 34                 |
| Samarco Mineração S.A.                              | 4             |                    | 2                                  |                    |
| TAIWAN NICKEL REFINING CORPORATION                  | 362           |                    |                                    |                    |
| KOREA NICKEL CORPORATION                            | 56            |                    |                                    |                    |
| Others  | 11            | 8                  | 22                                 | 12                 |
|   | <b>720</b>    | <b>204</b>         | <b>185</b>                         | <b>252</b>         |
| <b>Current</b>                                      | <b>715</b>    | <b>204</b>         | <b>181</b>                         | <b>252</b>         |
| <b>Long-term</b>                                    | <b>5</b>      |                    | <b>4</b>                           |                    |

These balances are included in the following balance sheet classifications:

|                                       | <b>2006</b>   |                    | <b>As of December 31,<br/>2005</b> |                    |
|---------------------------------------|---------------|--------------------|------------------------------------|--------------------|
|                                       | <b>Assets</b> | <b>Liabilities</b> | <b>Assets</b>                      | <b>Liabilities</b> |
| Current assets                        |               |                    |                                    |                    |
| Accounts receivable                   | 675           |                    | 159                                |                    |
| Loans and advances to related parties | 40            |                    | 22                                 |                    |
| Other assets                          | 5             |                    | 4                                  |                    |
| Loans and advances to related parties |               |                    |                                    |                    |
| Current liabilities Suppliers         |               | 179                |                                    | 190                |
| Loans from related parties            |               | 25                 |                                    | 62                 |
|                                       | <b>720</b>    | <b>204</b>         | <b>185</b>                         | <b>252</b>         |

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The principal amounts of business and financial operations carried out with major related parties are as follows:

|   | <b>Year ended December 31,</b> |                         |               |                         |               |                         |
|---|--------------------------------|-------------------------|---------------|-------------------------|---------------|-------------------------|
|   | <b>Income</b>                  | <b>2006<br/>Expense</b> | <b>Income</b> | <b>2005<br/>Expense</b> | <b>Income</b> | <b>2004<br/>Expense</b> |
| <b>AFFILIATED COMPANIES<br/>AND JOINT VENTURES</b>      |                                |                         |               |                         |               |                         |
| Companhia Siderúrgica de Tubarão CST                    |                                |                         |               |                         | 251           |                         |
| Companhia Nipo-Brasileira de Pelotização NIBRASCO       | 363                            | 292                     | 280           | 310                     | 147           | 80                      |
| Samarco Mineração S.A. SIDERAR S.A.I.C                  | 79                             |                         | 25            | 1                       | 16            |                         |
|   |                                |                         | 11            |                         | 86            |                         |
| Companhia Ítalo-Brasileira de Pelotização ITABRASCO     | 204                            | 58                      | 158           | 65                      | 84            | 1                       |
| Companhia Hispano-Brasileira de Pelotização HISPANOBRÁS | 224                            | 159                     | 170           | 185                     | 97            |                         |
| Companhia Coreano-Brasileira de Pelotização KOBRASCO    | 226                            | 191                     | 170           | 113                     | 92            | 2                       |
| Usinas Siderúrgicas de Minas Gerais S.A. USIMINAS       | 410                            |                         | 24            |                         | 109           |                         |
| Valesul Alumínio S.A                                    | 11                             |                         | 66            |                         | 16            |                         |
| Mineração Rio Norte S.A                                 |                                | 234                     |               | 136                     |               | 154                     |
| Gulf Industrial Investment Company GIIC                 | 56                             | 2                       | 157           |                         | 74            |                         |
| MRS Logística S.A                                       | 14                             | 516                     | 4             | 385                     |               | 80                      |
| Others  | 3                              | 39                      | 19            | 60                      | 15            | 56                      |
|   | <b>1,590</b>                   | <b>1,491</b>            | <b>1,084</b>  | <b>1,255</b>            | <b>987</b>    | <b>373</b>              |

These amounts are included in the following statement of income line items:

|   | <b>Year ended December 31,</b> |                         |               |                         |               |                         |
|---|--------------------------------|-------------------------|---------------|-------------------------|---------------|-------------------------|
|   | <b>Income</b>                  | <b>2006<br/>Expense</b> | <b>Income</b> | <b>2005<br/>Expense</b> | <b>Income</b> | <b>2004<br/>Expense</b> |
| Sales / Cost of iron ore and pellets      | 1,553                          | 712                     | 964           | 694                     | 842           | 108                     |
| Revenues / expense from logistic services | 13                             | 516                     | 4             | 387                     | 95            | 80                      |
| Sales / Cost of aluminum products         | 11                             | 234                     | 66            | 136                     | 16            | 144                     |
| Financial income/expenses                 | 13                             | 16                      | 26            | 36                      | 6             | 10                      |
| Others                                    |                                | 13                      | 24            | 2                       | 28            | 31                      |
|   | <b>1,590</b>                   | <b>1,491</b>            | <b>1,084</b>  | <b>1,255</b>            | <b>987</b>    | <b>373</b>              |

**21 Fair value of financial instruments**

The carrying amount of our current financial instruments generally approximates fair market value because of the short-term maturity or frequent of these instruments.

The market value of our listed long-term investments, where available, is disclosed in Note 13 to these financial statements.

Based on borrowing rates currently available to us for bank loans with similar terms and average maturities, the fair market value of long-term debt (current portion not included) at December 31, 2006 and 2005 is estimated as follows:

|                   | <b>As of December 31,</b> |             |
|-------------------|---------------------------|-------------|
|                   | <b>2006</b>               | <b>2005</b> |
| Fair market value | 21,746                    | 4,076       |
| Carrying value    | 21,122                    | 3,714       |

Fair market value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. Changes in assumptions could significantly affect the estimates.

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**22 Derivative financial instruments**

The main market risks we face are interest rate risk, exchange rate risk and commodity price risk. We manage some of these risks through the use of derivative instruments. Our risk management activities follow the risk management policy, which requires diversification of transactions and counter-parties. We monitor and evaluate our overall position regularly in order to evaluate financial results and impact on our cash flow. We also periodically review the credit limits and creditworthiness of our hedging counter-parties.

**(a) Interest Rate and Exchange Rate Risk**

We are exposed to interest rate risk on our outstanding borrowing and in future debt issuances.

Our floating rate debt consists principally of U.S. dollar borrowings related to trade finance and loans from commercial banks and Real borrowings indexed to CDI (Interbank Certificate of Deposit), related to the debentures issued in 2006 in the Brazil market.

To mitigate the effects of interest rate volatility on our foreign debt we sometimes make use of natural hedges allowed by the positive correlation between floating interest rates and metals prices. When natural hedges are not effective, we try replicate the hedging effect by using derivatives.

Our floating rate debt denominated in reais is mainly subject to changes in CDI, related to the debentures issued in 2006, and associated with the takeout strategy of Inco acquisition.

To mitigate the foreign exchange exposure component in cash flows, associated with the issuance of debt in Brazilian reais, we have entered into swap agreements to convert cash flows in Brazilian reais indexed to CDI into U.S. dollar cash flows indexed to a fixed rate in dollars.

We are exposed to exchange rate risk associated with our foreign currency denominated debt. On the other hand, a substantial proportion of our revenues are denominated in, or automatically indexed to, the U.S. dollar. This provides a natural hedge against any devaluation of the Brazilian real against the U.S. dollar. When devaluation occurs, the immediate negative impact on foreign currency denominated debt is offset over time by the positive effect of devaluation on future cash flows. In light of this framework, we generally do not use derivative instruments to manage the currency exposure on our long-term dollar-denominated debt. However, we may occasionally use derivatives to minimize the effects of the volatility of the exchange rates between Brazilian reais and U.S. dollars in the cash flow.

We use forward currency contracts to eliminate the risk of exchange rate movements on a portion of our future construction cost of capital assets at our Ontario operations and the planned production facilities for the Goro project. These transactions are performed under CVRD Inco. The outstanding transactions are mainly executed to protect the risks arising from the volatility of Euro, AUD, CNY and GBP.

**(b) Commodity Price Risk**

We also use derivative instruments to manage exposure to the fluctuation of commodity prices.

Nickel

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We do not use derivatives instruments to hedge our exposure to fluctuating nickel prices. We do enter into LME forward purchase contracts which are substantially offset by fixed price customer contracts in order to maintain our exposure to nickel price risk.

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Copper

We had outstanding put option contracts, giving us the right, but not the obligation, to sell copper, and sold call option contracts, giving the buyer the right, but not the obligation, to purchase copper, during the period extending to 2008.

Gold

We current hold a small position in gold derivative instruments, structured to manage the exposure associated with the production of gold as a by-product of copper concentrate.

Aluminum

We had outstanding option contracts and forwards to protect our exposure to aluminum prices in our aluminum and alumina operations.

Platinum

We use derivatives to guaranty certain minimum price in respect of a portion of our production of that metal.

Fuel Oil and Natural Gas

We use fuel oil and natural gas swap contracts to reduce the effect of energy price volatility on the operational costs.

Most of our commodity derivative transactions have been settled in cash, without physical delivery of product.

The nickel, platinum, fuel oil and natural gas derivative trades are performed under CVRD Inco. Copper derivative trades are performed to protect CVRD and CVRD Inco production and provide minimum cash flow requirements in accordance with our risk management policy.

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The asset (liability) balances and the change in fair value of derivative financial instruments are as follows (the quarterly information is unaudited):

|  | <b>Interest<br/>rates<br/>(LIBOR)</b> | <b>Currencies</b> | <b>Gold</b> | <b>Aluminum<br/>Products</b> | <b>Copper</b> | <b>Nickel</b> | <b>Platinum</b> | <b>Total</b> |
|--|---------------------------------------|-------------------|-------------|------------------------------|---------------|---------------|-----------------|--------------|
| Unrealized gains<br>(losses) at October 1,<br>2006             | (1)                                   | 35                | (51)        | (195)                        | 3             |               |                 | (209)        |
| Gain (Loss)<br>recognized upon<br>consolidation of Inco        | 4                                     | 9                 |             |                              | (364)         | 62            | (22)            | (311)        |
| Financial settlement   |                                       | (6)               | 7           | 22                           |               | (88)          |                 | (65)         |
| Unrealized gains<br>(losses) in the period                     | 3                                     | (54)              | (8)         | (142)                        | 63            | 42            | 2               | (94)         |
| Effect of exchange<br>rate changes                             |                                       |                   | (1)         | (3)                          |               |               |                 | (4)          |
| <b>Unrealized gains<br/>(losses) at<br/>December 31, 2006</b>  | <b>6</b>                              | <b>(16)</b>       | <b>(53)</b> | <b>(318)</b>                 | <b>(298)</b>  | <b>16</b>     | <b>(20)</b>     | <b>(683)</b> |
| Unrealized gains<br>(losses) at July 1,<br>2006                | (1)                                   | 2                 | (61)        | (252)                        |               |               |                 | (312)        |
| Financial settlement   |                                       |                   | 5           | 23                           |               |               |                 | 28           |
| Unrealized gains<br>(losses) in the period                     |                                       | 33                | 5           | 34                           | 3             |               |                 | 75           |
| <b>Unrealized gains<br/>(losses) at<br/>September 30, 2006</b> | <b>(1)</b>                            | <b>35</b>         | <b>(51)</b> | <b>(195)</b>                 | <b>3</b>      |               |                 | <b>(209)</b> |
| Unrealized gains<br>(losses) at October 1,<br>2005             | (7)                                   | 1                 | (37)        | (129)                        |               |               |                 | (172)        |
| Financial settlement   | 1                                     |                   | 4           | 21                           |               |               |                 | 26           |
| Unrealized gains<br>(losses) in the period                     | 2                                     |                   | (16)        | (112)                        |               |               |                 | (126)        |
| Effect of exchange<br>rate changes                             |                                       |                   | 3           | 10                           |               |               |                 | 13           |
| <b>Unrealized gains<br/>(losses) at<br/>December 31, 2005</b>  | <b>(4)</b>                            | <b>1</b>          | <b>(46)</b> | <b>(210)</b>                 |               |               |                 | <b>(259)</b> |



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|   |             |             |             |              |              |           |             |              |
|---|-------------|-------------|-------------|--------------|--------------|-----------|-------------|--------------|
| Unrealized gains<br>(losses) at January 1,<br>2006            | (4)         | 1           | (46)        | (210)        |              |           |             | (259)        |
| Gain (Loss)<br>recognized upon<br>consolidation of Inco       | 4           | 9           |             |              | (364)        | 62        | (22)        | (311)        |
| Financial settlement  | 2           | (6)         | 19          | 102          |              | (87)      |             | 30           |
| Unrealized gains<br>(losses) in the year                      | 4           | (19)        | (23)        | (187)        | 65           | 42        | 2           | (116)        |
| Effect of exchange<br>rate changes                            |             |             | (4)         | (23)         |              |           |             | (27)         |
| <b>Unrealized gains<br/>(losses) at<br/>December 31, 2006</b> | <b>6</b>    | <b>(15)</b> | <b>(54)</b> | <b>(318)</b> | <b>(299)</b> | <b>17</b> | <b>(20)</b> | <b>(683)</b> |
| Unrealized gains<br>(losses) at January 1,<br>2005            | (17)        | 4           | (37)        | (182)        |              |           |             | (232)        |
| Financial settlement  | 9           | (1)         | 11          | 70           |              |           |             | 89           |
| Unrealized gains<br>(losses) in the year                      | 6           | (2)         | (17)        | (88)         |              |           |             | (101)        |
| Effect of exchange<br>rate changes                            | (2)         |             | (3)         | (10)         |              |           |             | (15)         |
| <b>Unrealized gains<br/>(losses) at<br/>December 31, 2005</b> | <b>(4)</b>  | <b>1</b>    | <b>(46)</b> | <b>(210)</b> |              |           |             | <b>(259)</b> |
| Unrealized gains<br>(losses) at January 1,<br>2004            | (46)        | 5           | (32)        | (18)         |              |           |             | (91)         |
| Loss recognized<br>upon consolidation of<br>Albras            |             |             |             | (20)         |              |           |             | (20)         |
| Financial settlement  | 29          | (2)         | 4           |              |              |           |             | 31           |
| Unrealized gains<br>(losses) in the year                      | 1           | 1           | (5)         | (131)        |              |           |             | (134)        |
| Effect of exchange<br>rate changes                            | (1)         |             | (4)         | (13)         |              |           |             | (18)         |
| <b>Unrealized gains<br/>(losses) at<br/>December 31, 2004</b> | <b>(17)</b> | <b>4</b>    | <b>(37)</b> | <b>(182)</b> |              |           |             | <b>(232)</b> |

Unrealized gains in the amount of US\$50, US\$38, US\$1 and US\$4 for December 31, 2006, September 30, 2006, December 31, 2005 and December 31, 2004, respectively, are recorded as "others" in Other assets.

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Changes for the three month periods ended December 31, 2006, September 30, 2006 and December 31, 2005 are unaudited.

Unrealized gains (losses) in the period are included in our income statement under the caption of financial expenses and foreign exchange and monetary gains (losses), net.

Final maturity dates for the above instruments are as follows:

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|                       |                |
|-----------------------|----------------|
| Gold                  | December 2008  |
| Interest rates(LIBOR) | December 2011  |
| Currencies            | December 2011  |
| Aluminum Products     | December 2008  |
| Copper concentrate    | December 2008  |
| Nickel                | September 2008 |
| Platinum              | December 2008  |

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**Supplemental Financial Information (Unaudited)  
Additional Information**

The following unaudited information provides additional details in relation to certain financial ratios.

**EBITDA** Earnings Before Financial Expenses, Minority Interests, Gain on Sale of Investments, Foreign Exchange and Monetary Gains (Losses), Equity in Results of Affiliates and Joint Ventures and Change in Provision for Losses on Equity Investments, Income Taxes, Depreciation and Amortization

- (a) EBITDA represents operating income plus depreciation, amortization and depletion plus impairment/gain on sale of property, plant and equipment plus dividends received from equity investees.
- (b) EBITDA is not a US GAAP measure and does not represent cash flow for the periods presented and should not be considered as an alternative to net income (loss), as an indicator of our operating performance or as an alternative to cash flow as a source of liquidity.
- (c) Our definition of EBITDA may not be comparable with EBITDA as defined by other companies.
- (d) Although EBITDA, as defined above, does not provide a US GAAP measure of operating cash flows, our management uses it to measure our operating performance and financial analysts in evaluating our business commonly use it.

Selected financial indicators for the main affiliates and joint ventures are available on the Company 's website, [www.cvrd.com.br](http://www.cvrd.com.br), under investor relations

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**Table of Contents****Calculation of EBITDA (Supplemental information Unaudited)**

|  | As of and for the three-month periods ended |                    |                   | As of and for the year ended |                   |
|--|---|--------------------|-------------------|------------------------------|-------------------|
|  | December 31, 2006                           | September 30, 2006 | December 31, 2005 | December 31, 2006            | December 31, 2005 |
| Operating income   | 2,180                                       | 2,248              | 1,461             | 7,637                        | 5,432             |
| Depreciation   | 379   | 232                | 183               | 997                          | 619               |
|  | <b>2,559</b>                                | <b>2,480</b>       | <b>1,644</b>      | <b>8,634</b>                 | <b>6,051</b>      |
| Dividends received   | 64  | 242                | 136               | 516                          | 489               |
| <b>EBITDA</b>  | <b>2,623</b>                                | <b>2,722</b>       | <b>1,780</b>      | <b>9,150</b>                 | <b>6,540</b>      |
| Net operating revenues   | 7,313                                       | 4,852              | 3,598             | 19,651                       | 12,792            |
| <b>Margin EBITDA</b>   | <b>35.9%</b>                                | <b>56.1%</b>       | <b>49.5%</b>      | <b>46.6%</b>                 | <b>51.1%</b>      |
| <b>Adjusted EBITDA x Operating Cash Flows (Supplemental information Unaudited)</b> |   |                    |                   |                              |                   |

|   | As of and for the three-month periods ended |                      |                   |                      |                    |                      | As of and for the year ended December 31, |                      |                   |                      |
|---|---|----------------------|-------------------|----------------------|--------------------|----------------------|---|----------------------|-------------------|----------------------|
|   | December 31, 2006                           | September 30, 2006   | December 31, 2005 | December 31, 2006    | September 30, 2006 | December 31, 2005    | December 31, 2006                         | September 30, 2006   | December 31, 2005 |                      |
|   | EBITDA                                      | Operating cash flows | EBITDA            | Operating cash flows | EBITDA             | Operating cash flows | EBITDA                                    | Operating cash flows | EBITDA            | Operating cash flows |
| Net income  | 1,573                                       | 1,573                | 1,904             | 1,904                | 1,196              | 1,196                | 6,528                                     | 6,528                | 4,841             | 4,841                |
| Income tax deferred   | 237   | 237                  | (71)              | (71)                 | (36)               | (36)                 | 298                                       | 298                  | 126               | 126                  |
| Income tax current  | 314   |                      | 419               |                      | 92                 |                      | 1,134                                     |                      | 754               |                      |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | (183)                                       | (183)                | (187)             | (187)                | (213)              | (213)                | (710)                                     | (710)                | (760)             | (760)                |
| Foreign exchange and monetary losses  | (204)                                       | (576)                | (38)              | 25                   | 166                | 235                  | (529)                                     | (917)                | (299)             | (237)                |
| Financial expenses  | 527   | 79                   | 113               | (55)                 | 170                | 140                  | 1,011                                     | 36                   | 437               | 163                  |

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|  |              |              |              |              |              |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Minority interests                           | 227          | 227          | 124          | 124          | 86           | 86           | 579          | 579          | 459          | 459          |
| Gain on sale of investments                  | (311)        | (311)        | (16)         | (16)         |              |              | (674)        | (674)        | (126)        | (126)        |
| Net working capital                          |              | 1,298        |              | 28           |              | (167)        |              | 423          |              | (307)        |
| Net unrealized derivative losses (gains)     |              |              |              |              |              |              |              |              |              |              |
| Others                                       |              | 56           |              | (51)         |              | (44)         |              | 156          |              | (106)        |
| <b>Operating income</b>                      | <b>2,180</b> | <b>2,400</b> | <b>2,248</b> | <b>1,701</b> | <b>1,461</b> | <b>1,197</b> | <b>7,637</b> | <b>5,719</b> | <b>5,432</b> | <b>4,053</b> |
| Depreciation, depletion and amortization     | 379          | 379          | 232          | 232          | 183          | 183          | 997          | 997          | 619          | 619          |
| Dividends received                           | 64           | 64           | 242          | 242          | 136          | 136          | 516          | 516          | 489          | 489          |
|  | <b>2,623</b> | <b>2,843</b> | <b>2,722</b> | <b>2,175</b> | <b>1,780</b> | <b>1,516</b> | <b>9,150</b> | <b>7,232</b> | <b>6,540</b> | <b>5,161</b> |
| <b>Operating cash flows</b>                  |              | <b>2,843</b> |              | <b>2,175</b> |              | <b>1,516</b> |              | <b>7,232</b> |              | <b>5,161</b> |
| Income tax                                   |              | 314          |              | 419          |              | 92           |              | 1,134        |              | 754          |
| Foreign exchange and monetary gains (losses) |              | 372          |              | (63)         |              | (69)         |              | 388          |              | (62)         |
| Financial expenses                           |              | 448          |              | 168          |              | 30           |              | 975          |              | 274          |
| Net working capital                          |              | (1,298)      |              | (28)         |              | 167          |              | (423)        |              | 307          |
| Others                                       |              | (56)         |              | 51           |              | 44           |              | (156)        |              | 106          |
| <b>EBITDA</b>                                |              | <b>2,623</b> |              | <b>2,722</b> |              | <b>1,780</b> |              | <b>9,150</b> |              | <b>6,540</b> |

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**Board of Directors, Fiscal Council and Executive Officers**

**Board of Directors**

Sérgio Ricardo Silva Rosa  
**Chairman**

Arlindo Magno de Oliveira

**Vice Chairman**

Eduardo Fernando Jardim Pinto

Erik Persson

Francisco Augusto da Costa e Silva

Hiroshi Tada

Jorge Luiz Pacheco

Julio Sérgio Gomes de Almeida

Mário da Silveira Teixeira Júnior

Oscar Augusto de Camargo Filho

Renato da Cruz Gomes

**Advisory Committees of the Board of Directors**

**Controlling Committee**

Antonio José de Figueiredo Ferreira

Inácio Clemente da Silva

Paulo Roberto Ferreira de Medeiros

**Executive Development Committee**

Arlindo Magno de Oliveira

João Moisés de Oliveira

Olga Nietta Loffredi

Oscar Augusto de Camargo Filho

**Fiscal Council**

Marcelo Amaral Moraes  
**Chairman**

Anibal Moreira dos Santos

Bernard Appy

José Bernardo de Medeiros Neto

**Executive Officers**

Roger Agnelli  
**Chief Executive Officer**

Carla Grasso  
**Executive Officer for Human Resources and Corporate Services**

Eduardo de Salles Bartolomeo  
**Executive Officer for Logistics**

Fábio de Oliveira Barbosa  
**Chief Financial Officer and Investor Relations**

Gabriel Stoliar

**Executive Officer for Planning**

José Carlos Martins  
**Executive Officer for Ferrous Minerals**

José Lancaster  
**Executive Officer for Copper, Coal and Aluminum**

Murilo de Oliveira Ferreira  
**Executive Officer for Nickel**

**Strategic Committee**

Roger Agnelli  
Gabriel Stoliar  
Demian Fiocca  
Mário da Silveira Teixeira Júnior  
Oscar Augusto de Camargo Filho  
Sérgio Ricardo Silva Rosa

Tito Botelho Martins  
**Executive Officer for Corporate Affairs**

Marcus Vinícius Dias Severini  
**Chief Officer of Control Department**

**Finance Committee**

Fábio de Oliveira Barbosa  
Wanderlei Viçoso Fagundes  
Ivan Luiz Modesto Schara

Vera Lúcia de Almeida P. Elias  
**Chief Accountant**  
**CRC-RJ - 043059/O-8**

**Governance and Sustainability  
Committee**

Renato da Cruz Gomes  
Ricardo Carvalho Giambroni  
Ricardo Simonsen

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**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 9, 2007

COMPANHIA VALE DO RIO DOCE  
(Registrant)

By: /s/ Fabio de Oliveira Barbosa

Fabio de Oliveira Barbosa  
Director of Investor Relations