

Companhia Vale do Rio Doce
Form 6-K
August 07, 2008

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
August 2008

Companhia Vale do Rio Doce
Avenida Graça Aranha, No. 26
20030-900 Rio de Janeiro, RJ, Brazil
(Address of principal executive office)

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

(Check One) Form 20-F ☐ Form 40-F ☐

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

(Check One) Yes ☐ No ☐

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

(Check One) Yes ☐ No ☐

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

(Check One) Yes ☐ No ☐

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

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**Report of Independent Registered
Public Accounting Firm**

To the Board of Directors and Stockholders
Companhia Vale do Rio Doce

We have reviewed the accompanying condensed consolidated balance sheet of Companhia Vale do Rio Doce and its subsidiaries as of June 30, 2008, and the related condensed consolidated statements of income, of cash flows and of stockholders' equity for each of the three-month periods ended June 30, 2008, and March 31, 2008 and June 30, 2007 and for the six-month periods ended June 30, 2008 and June 30, 2007. This interim financial information is the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole.

Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2007, and the related consolidated statements of income, of cash flows and of stockholders' equity for the year then ended (not presented herein), and in our report dated February 28, 2008, we expressed an unqualified opinion

on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2007, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers Auditores
Independentes
Rio de Janeiro, Brazil
August 6, 2008

Condensed Consolidated Balance Sheets Expressed in millions of United States Dollars

	June 30, 2008 (Unaudited)	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	2,154	1,046
Accounts receivable		
Related parties	240	281
Unrelated parties	4,642	3,671
Loans and advances to related parties	154	64
Inventories	4,347	3,859
Deferred income tax	437	603
Recoverable taxes	1,164	1,159
Others	653	697
	13,791	11,380
Property, plant and equipment, net, and intangible assets	59,982	54,625
Investments in affiliated companies, joint ventures and other investments	3,124	2,922
Other assets		
Goodwill on acquisition of subsidiaries	3,702	3,791
Loans and advances		
Related parties		3
Unrelated parties	102	127
Prepaid pension cost	1,457	1,009
Prepaid expenses	197	200
Judicial deposits	1,273	1,124
Advances to suppliers – energy	618	574
Recoverable taxes	235	199
Unrealized gains on derivative instruments	1,238	673
Others	213	90
	9,035	7,790
TOTAL	85,932	76,717

The accompanying notes are an integral part of this condensed consolidated financial information.

Condensed Consolidated Balance Sheets
Expressed in millions of United States Dollars
(Except number of shares)

(Continued)

	June 30, 2008 (Unaudited)	December 31, 2007
Liabilities and stockholders' equity		
Current liabilities		
Suppliers	2,758	2,430
Payroll and related charges	708	734
Minimum annual dividends attributed to stockholders	1,747	2,683
Current portion of long-term debt - unrelated parties	730	1,249
Short-term debt	46	167
Loans from related parties	36	6
Provision for income taxes	1,022	1,198
Taxes payable and royalties	203	322
Employees post retirement benefits	151	131
Sub-concession	225	210
Unrealized losses on derivative instruments	397	346
Provisions for asset retirement obligations	68	64
Others	504	543
	8,595	10,083
Long-term liabilities		
Employees post retirement benefits	2,102	2,204
Long-term debt - unrelated parties	19,560	17,608
Provisions for contingencies (Note 15 (b))	1,957	2,453
Unrealized losses on derivative instruments		5
Deferred income tax	6,040	5,725
Provisions for asset retirement obligations	1,033	911
Sub-concession	225	210
Others	1,745	1,687
	32,662	30,803
Minority interests	2,970	2,555
Commitments and contingencies (Note 15)		
Stockholders' equity (Note 11)		
Preferred class A stock - 7,200,000,000		
no-par-value shares authorized and 1,919,516,400 issued	4,953	4,953
	7,742	7,742

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Common stock - 3,600,000,000 no-par-value shares authorized and 2,999,797,716 issued		
Treasury stock - 30,341,012 preferred and 56,582,040 common shares	(389)	(389)
Additional paid-in capital	498	498
Mandatory convertible notes in common shares	1,288	1,288
Mandatory convertible notes in preferred shares	581	581
Other cumulative comprehensive income	3,125	1,655
Undistributed retained earnings	17,021	15,317
Unappropriated retained earnings	6,886	1,631
	41,705	33,276
TOTAL	85,932	76,717

The accompanying notes are an integral part of this condensed consolidated financial information.

Condensed Consolidated Statements of Income
Expressed in millions of United States Dollars
(Except per share amounts)

	Three-month period ended (unaudited)			Six-month period ended (unaudited)	
	June 30, 2008	March 31, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Operating revenues, net of discounts, returns and allowances					
Sales of ores and metals	9,445	6,857	7,667	16,302	14,301
Revenues from logistic services	462	362	414	824	745
Aluminum products	728	646	724	1,374	1,373
Other products and services	262	183	94	445	160
	10,897	8,048	8,899	18,945	16,579
Taxes on revenues	(297)	(216)	(207)	(513)	(398)
Net operating revenues	10,600	7,832	8,692	18,432	16,181
Operating costs and expenses					
Cost of ores and metals sold	(3,834)	(3,440)	(3,075)	(7,274)	(6,888)
Cost of logistic services	(256)	(212)	(227)	(468)	(415)
Cost of aluminum products	(561)	(493)	(431)	(1,054)	(800)
Others	(112)	(97)	(51)	(209)	(71)
	(4,763)	(4,242)	(3,784)	(9,005)	(8,174)
Selling, general and administrative expenses	(344)	(322)	(266)	(666)	(534)
Research and development	(269)	(190)	(152)	(459)	(265)
Others	11	(163)	(111)	(152)	(127)
	(5,365)	(4,917)	(4,313)	(10,282)	(9,100)
Operating income	5,235	2,915	4,379	8,150	7,081
Non-operating income (expenses)					
Financial income	23	55	77	78	198
Financial expenses	(349)	(560)	(676)	(909)	(1,420)
Gains (losses) on derivatives, net	724	(318)	168	406	253
Foreign exchange and monetary gains, net	769	112	932	881	1,702
Gain on sale of investments		80	674	80	674
	1,167	(631)	1,175	536	1,407

Income before income taxes, equity results and minority interests	6,402	2,284	5,554	8,686	8,488
Income taxes					
Current	(1,173)	(654)	(1,483)	(1,827)	(2,316)
Deferred	(333)	296	87	(37)	278
	(1,506)	(358)	(1,396)	(1,864)	(2,038)
Equity in results of affiliates, joint ventures and other investments	260	119	156	379	294
Minority interests	(147)	(24)	(219)	(171)	(432)
Net income	5,009	2,021	4,095	7,030	6,312
Basic and diluted earnings per share					
Earnings per preferred share	1.01	0.41	0.85	1.41	1.31
Earnings per common share	1.01	0.41	0.85	1.41	1.31
Earnings per convertible notes linked to preferred share (*)	1.52	0.66		2.18	
Earnings per convertible notes linked to common share (*)	1.54	0.74		2.28	

(*) Basic earnings
per share only
as dilution
assumes
conversion.

The accompanying notes are an integral part of this condensed consolidated financial information.

Condensed Consolidated Statements of Cash Flows
Expressed in millions of United States Dollars

	Three-month period ended (unaudited)			Six-month period ended (unaudited)	
	June 30, 2008	March 31, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Cash flows from operating activities:					
Net income	5,009	2,021	4,095	7,030	6,312
Adjustments to reconcile net income to cash provided by operating activities:					
Depreciation, depletion and amortization	760	766	525	1,526	917
Dividends received	223	48	153	271	243
Equity in results of affiliates, joint ventures and other investments	(260)	(119)	(156)	(379)	(294)
Deferred income taxes	333	(296)	(87)	37	(278)
Loss on disposal of property, plant and equipment	86	37	240	123	263
Gain on sale of investments		(80)	(674)	(80)	(674)
Foreign exchange and monetary losses (gains), net	(1,231)	(146)	(1,224)	(1,377)	(1,996)
Unrealized derivative losses (gains), net	(724)	318	(168)	(406)	(253)
Minority interests	147	24	219	171	432
Unrealized interest (income) expense, net	(45)	81	(57)	36	116
Others	(3)	(18)	(265)	(21)	(265)
Decrease (increase) in assets:					
Accounts receivable	(802)	202	(492)	(600)	(389)
Inventories	(283)	(64)	(264)	(347)	409
Others	79	(155)	499	(76)	95
Increase (decrease) in liabilities:					
Suppliers	320	(54)	428	266	474
Payroll and related charges	177	(248)	104	(71)	(57)
Income taxes	750	(718)	503	32	449
Others	(455)	(191)	251	(646)	408
Net cash provided by operating activities	4,081	1,408	3,630	5,489	5,912
Cash flows from investing activities:					
Loans and advances receivable					
Related parties					
Additions	(34)		(1)	(34)	(1)

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Repayments		25		25	10
Others	1		(1)	1	(1)
Judicial deposits	(2)	(34)	(31)	(36)	(63)
Additions to investments	(11)	(13)	(42)	(24)	(94)
Additions to property, plant and equipment	(2,105)	(1,625)	(1,633)	(3,730)	(2,739)
Proceeds from disposal of investments		134	908	134	908
Cash used to acquire subsidiaries, net of cash acquired			(903)		(2,926)
Net cash used in investing activities	(2,151)	(1,513)	(1,703)	(3,664)	(4,906)
Cash flows from financing activities:					
Short-term debt, additions	209	801	1,493	1,010	1,990
Short-term debt, repayments	(449)	(672)	(2,485)	(1,121)	(2,691)
Loans					
Related parties					
Additions	3	18	136	21	253
Repayments	(2)	(2)	(121)	(4)	(234)
Issuances of long-term debt					
Others	236	1,330	49	1,566	6,512
Repayments of long-term debt					
Others	(647)	(105)	(3,940)	(752)	(10,145)
Mandatorily proceeds convertible notes			1,869		1,869
Interest attributed to stockholders	(1,250)		(825)	(1,250)	(825)
Dividends to minority interest	(87)		(224)	(87)	(285)
Net cash provided by (used in) financing activities	(1,987)	1,370	(4,048)	(617)	(3,556)
Increase (decrease) in cash and cash equivalents	(57)	1,265	(2,121)	1,208	(2,550)
Effect of exchange rate changes on cash and cash equivalents	(53)	(47)	(59)	(100)	(124)
Cash and cash equivalents, beginning of period	2,264	1,046	3,954	1,046	4,448
Cash and cash equivalents, end of period	2,154	2,264	1,774	2,154	1,774
Cash paid during the period for:					
Interest on short-term debt	(5)	(5)	(39)	(10)	(40)
Interest on long-term debt	(357)	(279)	(399)	(636)	(604)
Income tax	(320)	(1,672)	(1,255)	(1,992)	(1,861)
Non-cash transactions					
Interest capitalized	(14)	(17)	(21)	(31)	(43)

The accompanying notes are an integral part of this condensed consolidated financial information.

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

	Three-month period ended (unaudited)			Six-month period ended (unaudited)	
	June 30, 2008	March 31, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Preferred class A stock (including twelve special shares)					
Beginning of the period	4,953	4,953	4,702	4,953	4,702
Transfer from undistributed retained earnings			251		251
End of the period	4,953	4,953	4,953	4,953	4,953
Common stock					
Beginning of the period	7,742	7,742	3,806	7,742	3,806
Transfer from undistributed retained earnings			3,936		3,936
End of the period	7,742	7,742	7,742	7,742	7,742
Treasury stock					
Beginning and end of the period	(389)	(389)	(389)	(389)	(389)
Additional paid-in capital					
Beginning and end of the period	498	498	498	498	498
Mandatory convertible notes in common shares					
Beginning and end of the period	1,288	1,288	1,288	1,288	1,288
Mandatory convertible notes in preferred shares					
Beginning and end of the period	581	581	581	581	581
Other cumulative comprehensive income (deficit)					

Cumulative translation adjustments					
Beginning of the period	1,135	1,340	(1,672)	1,340	(1,628)
Change in the period	1,707	(205)	1,208	1,502	1,164
End of the period	2,842	1,135	(464)	2,842	(464)
Unrealized gain on available-for-sale securities					
Beginning of the period	205	211	586	211	271
Change in the period	(94)	(6)	(381)	(100)	(66)
End of the period	111	205	205	111	205
Surplus accrued pension plan					
Beginning of the period	60	75	344	75	353
Change in the period	104	(15)	128	89	119
End of the period	164	60	472	164	472
Cash flow hedge					
Beginning of the period	2	29	(10)	29	
Change in the period	6	(27)	24	(21)	14
End of the period	8	2	14	8	14
Total other cumulative comprehensive income	3,125	1,402	227	3,125	227
Undistributed retained earnings					
Beginning of the period	15,508	15,317	9,992	15,317	9,555
Transfer from unappropriated retained earnings	1,513	191	428	1,704	865
Transfer to capital stock			(4,187)		(4,187)
End of the period	17,021	15,508	6,233	17,021	6,233
Unappropriated retained earnings					
Beginning of the period	3,435	1,631	4,285	1,631	2,505
Net income	5,009	2,021	4,095	7,030	6,312
Interest attributed to mandatory convertible debt					
Preferred class A stock	(15)	(8)		(23)	
Common stock	(30)	(18)		(48)	
	(1,513)	(191)	(428)	(1,704)	(865)

Appropriation to
undistributed retained
earnings

End of the period	6,886	3,435	7,952	6,886	7,952
Total stockholders equity	41,705	35,018	29,085	41,705	29,085
Preferred class A stock (including twelve special shares)	1,919,516,400	1,919,516,400	1,919,541,400	1,919,516,400	1,919,541,400
Common stock	2,999,797,716	2,999,797,716	2,999,797,716	2,999,797,716	2,999,797,716
Treasury stock					
Beginning of the period	(86,923,052)	(86,923,184)	(86,923,328)	(86,923,184)	(86,927,072)
Sales		132		132	3,744
End of the period	(86,923,052)	(86,923,052)	(86,923,328)	(86,923,052)	(86,923,328)
	4,832,391,064	4,832,391,064	4,832,415,788	4,832,391,064	4,832,415,788

The accompanying notes are an integral part of this condensed consolidated financial information

Notes to the Condensed Consolidated Financial Information**Expressed in millions of United States Dollars, unless otherwise stated****1 The Company and its operation**

Companhia Vale do Rio Doce (Vale) is a limited liability company, duly organized under the laws of the Federative Republic of Brazil. Operations are carried out through Vale and our subsidiary companies, joint ventures and affiliates, and mainly consist of mining, non-ferrous metal production, logistics and steel activities.

On June 30, 2008, the main operating subsidiaries we consolidate are described as follows:

Subsidiary	% ownership	% voting capital	Head office location	Principal activity
Alumina do Norte do Brasil S.A. Alunorte (Alunorte)	57.03	59.02	Brazil	Alumina
Alumínio Brasileiro S.A. Albras (Albras)	51.00	51.00	Brazil	Aluminum
CADAM S.A (CADAM)	61.48	100.00	Brazil Cayman	Kaolin
CVRD Overseas Ltd.	100.00	100.00	Islands	Trading
Ferrovia Centro-Atlântica S. A.	100.00	100.00	Brazil	Logistics
Mineração Onça Puma Ltda	100.00	100.00	Brazil	Nickel
Minerações Brasileiras Reunidas S.A. MBR	92.99	92.99	Brazil	Iron ore
Pará Pigmentos S.A. (PPSA)	86.17	85.57	Brazil	Kaolin
PT International Nickel Indonesia Tbk (PT Inco)	61.16	61.16	Indonesia	Iron ore Manganese and
Rio Doce Manganês S.A.	100.00	100.00	Brazil	Ferroalloys
Rio Doce Manganèse Europe RDME	100.00	100.00	France	Ferroalloys
Rio Doce Manganese Norway RDMN	100.00	100.00	Norway	Ferroalloys
Vale Australia Pty Ltd.	100.00	100.00	Australia	Coal
Vale Inco Limited	100.00	100.00	Canada	Nickel
Vale International S.A (formerly CVRD International S.A)	100.00	100.00	Swiss	Trading
Valesul Alumínio S.A.	100.00	100.00	Brazil	Aluminum

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 accounted for under the equity method (Note 8).

We evaluate the carrying value of our equity accounted investments in relation to publicly quoted market prices when available. 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 participation in hydroelectric projects are made via consortium contracts under which we have an undivided interests in assets and are liable for our proportionate share of liabilities and expenses, which are 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 these projects, there are no separate financial statements, income tax return, net income or shareholders' equity. Brazilian corporate law explicitly states that no separate legal entity arises from consortium contract. Accordingly, we recognize our proportionate share of costs and our undivided interest in assets relating to hydroelectric projects.

3 Basis of Presentation

Our condensed consolidated interim financial information for the three-month periods ended June 30, 2008, March 31, 2008, and June 30, 2007 and for the six-month periods ended June 30, 2008 and June 30, 2007, prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), are 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. The results of operations for the three-month and six-month periods ended June 30, 2008, are not necessarily indicative of the actual results expected for the full fiscal year ending December 31, 2008.

These condensed consolidated financial information should be read in conjunction with our consolidated financial statements as of and for the year ended December 31, 2007, prepared in accordance with US GAAP.

In preparing the condensed consolidated financial information, we are required to use estimates to account for certain assets, liabilities, revenues and expenses. Our condensed consolidated financial statements therefore include various estimates concerning the selection of useful lives of property, plant and equipment, provisions necessary for contingent liabilities, fair values assigned to assets and liabilities acquired and assumed in business combinations, income tax uncertainties, employee post-retirement benefits and other similar evaluations. Actual results may vary from our estimates.

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

We have remeasured all assets and liabilities into U.S. dollars at the current exchange rate at each balance sheet date (R\$1.5919 and R\$1.7713 at June 30, 2008 and December 31, 2007, respectively to US\$1.00 or the first available exchange rate if exchange on the last day of the period, was not available), and all accounts in the statements of income (including amounts relating to local currency indexation and exchange gains or losses 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.

4 Recently-issued accounting pronouncements

In June 2008, the Financial Accounting Standards Board (FASB) issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities . The objective of this FSP is to address whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128, Earnings per Share. It is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. Early application is not permitted. We are currently studying the effects of this pronouncement.

In May 2008, the Financial Accounting Standards Board (FASB) issued FSP APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) . This FASB Staff Position (FSP) clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants. Additionally, this FSP specifies that issuers of such instruments should separately account for the liability and equity components in a manner that

will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008. We are currently studying the effects of this pronouncement.

In May 2008, the Financial Accounting Standards Board (FASB) issued FSP FAS 162, *The Hierarchy of Generally Accepted Accounting Principles*. The objective of this FSP is to identify the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). This Statement shall be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. There are no specific disclosure requirements with this statement.

In April 2008, the Financial Accounting Standards Board (FASB) issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets*. The objective of this FSP is to address situations of renewing or extending the useful life of a recognized intangible asset. It is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. Early application is not permitted. We are currently studying the effects of this pronouncement.

5 Major acquisitions and disposals

In February 2008, we sold all of our interest in Jubilee Mines N.L. (held by our subsidiary Vale Inco), corresponding to 4.83% of its common shares, for US\$134 generating a gain of US\$80.

In October, 2007 we were awarded, in a public auction, a 30-year sub-concession agreement, under which we purchased the right to use the Ferrovia Norte Sul S.A. FNS for US\$837, payable in three installments. The first installment, equivalent to US\$412 and corresponding to 50% was paid in December 2007. The second and third installments, each one representing 25% of the total amount, are to be paid in December 2008, and 2009, upon the completion of the railroad. The outstanding installments are indexed to the general price index (IGP-DI) and accrue interest of 12% p.a.

In July 2007, we sold our interest in Lion Ore Mining International Ltd.(held by our subsidiary Vale Inco), corresponding to 1.8% of its common shares for US\$105, generating a gain of US\$80.

In June 2007, we sold through primary and secondary public offerings, 25,213,664 common shares, representing 57.84% of the total capital of our subsidiary Log-In Logística Intermodal S.A. (Log-In) for US\$179, recording a gain of US\$155.

In July 2007, we sold an additional 5.1% stake in Log-In for US\$24 recording a gain of US\$21. At December 31, 2007, we held 31.33% of the voting and total capital of this entity, which is accounted for as at the equity method.

In May 2007, we sold in a public offering, part of our stockholding in Usinas Siderúrgicas de Minas Gerais S.A. USIMINAS, an available-for-sale investee, for US\$728, recording a gain of US\$456. We have retained the minimum number of shares required to participate in the current shareholders agreement of the investee.

In May 2007, we acquired a further 6.25% of the total share capital of Empreendimentos Brasileiros de Mineração S.A. (EBM), which main asset is its interest in MBR, for US\$231 and as a result, our direct and indirect stake in MBR increased to 92.99% of total and voting capital. We simultaneously entered into an usufruct agreement with minority shareholders whereby they transferred to us all rights and obligations with respect to their EBM shares, including rights to dividends for the next 30 years, for which we will make an initial payment of US\$61 plus an annual fee of US\$48 for each of the next 29 years. The present value of the future obligation is recorded as a liability and the corresponding charge recorded to minority interests in the balance sheet.

In April 2007, we concluded the acquisition of 100% of Vale Australia (former AMCI Holdings Australia Pty AMCI HA), a private company domiciled in Australia, which owns and operates coalmines in that country, for US\$656.

6 Income taxes

Income taxes in Brazil comprise federal income tax and social contribution, which is an additional federal tax. The statutory composed 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 operations, the applicable tax rates vary from 1.67% to 40%.

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

	June 30, 2008			Three-month period ended (unaudited) March 31, 2008			June 30, 2007		
	Brazil	Foreign	Total	Brazil	Foreign	Total	Brazil	Foreign	Total
Income before income taxes, equity results and minority interests	4,067	2,335	6,402	522	1,762	2,284	2,807	2,747	5,554
Federal income tax and social contribution expense at statutory enacted rates	(1,383)	(794)	(2,177)	(177)	(599)	(776)	(954)	(934)	(1,888)
Adjustments to derive effective tax rate:									
Tax benefit on interest attributed to stockholders	7		7	169		169	118		118
Difference on tax rates of foreign income		315	315		258	258		198	198
Difference on tax basis of equity investees		(13)	(13)		(20)	(20)	71	12	83
Tax incentives	72		72	15		15	65		65
Other non-taxable gains (losses)	358	(68)	290	(59)	55	(4)	39	(11)	28
Federal income tax and social contribution expense in consolidated statements of income	(946)	(560)	(1,506)	(52)	(306)	(358)	(661)	(735)	(1,396)

	June 30, 2008			Six-month period ended (unaudited) June 30, 2007		
	Brazil	Foreign	Total	Brazil	Foreign	Total
Income before income taxes, equity results and minority interests	4,589	4,097	8,686	4,408	4,080	8,488
Federal income tax and social contribution expense at statutory enacted rates	(1,560)	(1,393)	(2,953)	(1,499)	(1,387)	(2,886)
Adjustments to derive effective tax rate:						
Tax benefit on interest attributed to stockholders	176		176	221		221
Difference on tax rates of foreign income		573	573		391	391
Difference on tax basis of equity investees		(33)	(33)	7	44	51
Tax incentives	87		87	117		117
Other non-taxable gains (losses)	299	(13)	286	84	(16)	68
Federal income tax and social contribution expense in consolidated statements of income	(998)	(866)	(1,864)	(1,070)	(968)	(2,038)

We have certain income tax incentives relating 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 relating 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.

We also have income tax incentives related to our Goro Project under development in New Caledonia. These incentives include 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 recorded any taxable income for New Caledonian tax purposes. The benefits of this legislation are expected to apply with respect to taxes payable once the Goro project is in operation.

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes.

We are subject to examination by the tax authorities for up to five years regarding our operations in Brazil, ten years for Indonesia, and five and six years for Canada, except for Newfoundland which has no limit.

Brazilian tax loss carryforwards have no expiration date though offset is restricted to 30% of annual income before tax.

The reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows: See note 15 (b).

	June 30, 2008 (Unaudited)	December 31, 2007
Beginning of the period	1,046	663
Increase resulting from tax positions taken	333	264
Decrease resulting from tax positions taken	(342)	(47)
Changes in tax legislation	2	29
Effects of translation from Brazilian Reais into U.S.	75	137
End of the period	1,114	1,046

7 Inventories

	June 30, 2008 (Unaudited)	December 31, 2007
Finished products		
Nickel (co-products and by-products)	1,846	1,812
Iron ore and pellets	712	588
Manganese and ferroalloys	166	106
Aluminum products	188	176
Kaolin	43	42
Copper concentrate	31	15
Coal	33	38
Others	61	36
Spare parts and maintenance supplies	1,267	1,046
	4,347	3,859

There was no write down recorded in the periods presented.

8 Investments in affiliated companies and joint ventures

			June 30, 2008 (Unaudited)		Investments		Equity in results of affiliates, joint ventures and other investments						Dividends received			
							Three-month period ended (unaudited)			Six-month period ended June 30, (unaudited)		Three-month period ended (unaudited)	Six-month period ended June 30, (unaudited)			
	Participation in	capital (%) <u>voting</u>	Net equity	Net income (loss) for the period (Unaudited)	June 30, 2008	December 31, 2007	June 30, 2008	March 31, 2008	June 30, 2007	2008	2007	June 30, 2008	March 31, 2008	June 30, 2007	2008	2007
Ferrous																
Companhia Nipo-Brasileira de Pelotização NIBRASCO (1)	51.11	51.00	193	58	98	61	34	(4)	(1)	30	5					
Companhia Hispano-Brasileira de Pelotização HISPANOBRÁS (1)	51.00	50.89	166	69	85	43	33	2	4	35	10			16		16
Companhia Coreano-Brasileira de Pelotização KOBRASCO (1)	50.00	50.00	144	42	72	45	19	2	5	21	10					
Companhia Ítalo-Brasileira de Pelotização ITABRASCO (1)	51.00	50.90	104	3	53	46	1	1	3	2	7			8		8
Minas da Serra Geral S.A. MSG SAMARCO Mineração S.A. SAMARCO (2)	50.00	50.00	69	2	34	30		1	1	1	2					
Others																
					1,051	801	236	52	70	288	153	138		74	138	124
Logistics																
	31.33	31.33	392	20	127	107	6	5	(2)	11	(2)	3			3	

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LOG-IN Logística
Intermodal S.A. (3)

MRS Logística S.A	37.86	41.51	715	(44)	297	342	(47)	29	29	(18)	52	34		27	34	27
					424	449	(41)	34	27	(7)	50	37		27	37	27

Steel

Usinas
Siderúrgicas de
Minas Gerais S.A.
USIMINAS (cost
\$180)

available-for-sale (5)					471	465	10		24	10	24	10		24	10	24
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California Steel Industries Inc. CSI	50.00	50.00	381	55	191	163	22	6	4	28	5					11
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THYSSENKRUPP

CSA Companhia
Siderúrgica (Cost
\$431)

available-for-sale	11.05	11.05			463	388										
					1,125	1,016	32	6	28	38	29	10		24	10	35

Bauxite

Mineração Rio do
Norte S.A. MRN

	40.00	40.00	268	54	107	184	8	14	20	22	42	38	48	28	86	57
					107	184	8	14	20	22	42	38	48	28	86	57

Coal

Henan Longyu
Resources Co. Ltd
Shandong
Yankuang
International
Company Ltd

	25.00	25.00	637	144	159	115	19	17	13	36	22					
	25.00	25.00	100	1	25	23	1	(1)	(2)		(2)					
					184	138	20	16	11	36	20					

Nickel

Heron Resources
Inc (cost \$25)
available-for-sale
Jubilee Mines N.L.
(cost \$5) (4)
available-for-sale
Mirabela Nickel
Ltd (cost \$24)
available-for-sale

					12	34										
						126										
					70	72										
					47	44										

Skye Resources Inc
(cost \$36)
available-for-sale
Others

22 23

151 299

**Other affiliates
and joint ventures**

Others

82 35 5 (3) 2

82 35 5 (3) 2

1,649 1,672 65 33 59 98 91 48 48 52 96 92

Total

3,124 2,922 260 119 156 379 294 223 48 153 271 243

(1) Although Vale held a majority of the voting interest of investees accounted for under the equity method, existing veto rights held by minority shareholders under shareholder agreements preclude consolidation;

(2) Investment includes goodwill of US\$ 67 in 2008 and US\$ 61 in 2007;

(3) Investment non consolidated since June, 2007;

(4) Sold in February, 2008 (note 5);

(5)

Equity in refers
to dividends
received.

9 Short-term debt

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

Average interest rates on short-term borrowings were 4.18%, and 5.5% at June 30, 2008 and December 31, 2007, respectively.

10 Long-term debt

	Current liabilities		Long-term liabilities	
	December		December	
	June		June	
	30,		30,	
	2008	31, 2007	2008	31, 2007
	(Unaudited)		(Unaudited)	
Foreign debt				
Loans and financing denominated in the following currencies:				
United States Dollars	231	212	5,933	5,927
Others	43	64	211	214
Fixed Rate Notes US\$ denominated			6,678	6,680
Debt securities export sales (*) US\$ denominated	54	53	178	205
Perpetual notes			83	87
Accrued charges	243	282		
	571	611	13,083	13,113
Local debt				
Denominated in Long-Term Interest Rate TJLP/CDI	42	586	2,728	1,148
Denominated in General Price Index-Market (IGPM)		1	1	1
Basket of currencies	1	2	5	6
Non-convertible debentures			3,743	3,340
Accrued charges	116	49		
	159	638	6,477	4,495
Total	730	1,249	19,560	17,608

(*) Debt securities secured by future receivables arising from export sales.

The long-term portion at June 30, 2008 falls due as follows:

2009	156
2010	2,612
2011	2,628

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2012	1,131
2013 and thereafter	12,660
No due date (Perpetual notes and non-convertible debentures)	373
	19,560

At June 30, 2008 annual interest rates on long-term debt were as follows:

Up to 3%	30
3.1% to 5%	6,225
5.1% to 7%	6,237
7.1% to 9%	2,125
9.1% to 11%	138
Over 11% (*)	5,452
Variable (Perpetual notes)	83
	20,290