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Companhia Vale do Rio Doce  
Form 6-K  
November 13, 2006

**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 November 2006**

**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).  
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**Condensed Consolidated Balance Sheets**  
**Expressed in millions of United States dollars**

|  | <b>September<br/>30,2006<br/>(unaudited)</b> | <b>December<br/>31,<br/>2005</b> |
|--|--|----------------------------------|
| Assets   |  |                                  |
| Current assets   |  |                                  |
| Cash and cash equivalents  | 2,891  | 1,041                            |
| Accounts receivable  |  |                                  |
| Related parties  | 213  | 159                              |
| Unrelated parties  | 2,045  | 1,490                            |
| Loans and advances to related parties  | 59   | 22                               |
| Inventories  | 1,336  | 1,142                            |
| Deferred income tax  | 358  | 186                              |
| Recoverable taxes  | 303  | 362                              |
| Others   | 374  | 373                              |
|  | <b>7,579</b>                                 | <b>4,775</b>                     |
| Property, plant and equipment, net   | <b>19,427</b>                                | <b>14,166</b>                    |
| Investments in affiliated companies and joint ventures and other investments,<br>net of provision for losses on equity investments | <b>1,690</b>                                 | <b>1,672</b>                     |
| Other assets   |  |                                  |
| Goodwill on acquisition of subsidiaries  | 594  | 548                              |
| Loans and advances   |  |                                  |
| Related parties  | 5  | 4                                |
| Unrelated parties  | 67   | 61                               |
| Prepaid pension cost   | 455  | 308                              |
| Judicial deposits  | 828  | 568                              |
| Advances to suppliers energy   | 429  | 311                              |
| Recoverable taxes  | 208  | 110                              |
| Others   | 266  | 121                              |
|  | <b>2,852</b>                                 | <b>2,031</b>                     |
| <b>TOTAL</b>   | <b>31,548</b>                                | <b>22,644</b>                    |

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

(Continued)

|   | <b>September<br/>30,<br/>2006<br/>(unaudited)</b> | <b>December<br/>31,<br/>2005</b> |
|---|---|----------------------------------|
| Liabilities and stockholders' equity  |   |                                  |
| Current liabilities   |   |                                  |
| Suppliers   | 908   | 1,110                            |
| Payroll and related charges   | 235   | 229                              |
| Dividends and interest attributed to stockholders   | 628   |                                  |
| Current portion of long-term debt - unrelated parties   | 978   | 1,218                            |
| Short-term debt   | 233   | 15                               |
| Loans from related parties  | 46  | 62                               |
| Provision for income taxes  | 340   | 244                              |
| Taxes payable   | 92  | 53                               |
| Employees post-retirement benefits  | 36  | 30                               |
| Others  | 358   | 364                              |
|   | <b>3,854</b>                                      | <b>3,325</b>                     |
| Long-term liabilities   |   |                                  |
| Employees post-retirement benefits  | 252   | 241                              |
| Long-term debt - unrelated parties  | 4,612   | 3,714                            |
| Loans from related parties  | 1   | 1                                |
| Provisions for contingencies (Note 11 (b))  | 1,425   | 1,286                            |
| Unrealized loss on derivative instruments   | 247   | 260                              |
| Deferred income tax   | 360   | 2                                |
| Provisions for asset retirement obligations   | 250   | 225                              |
| Others  | 478   | 395                              |
|   | <b>7,625</b>                                      | <b>6,124</b>                     |
| Minority interests  | <b>1,189</b>                                      | <b>1,218</b>                     |
| Stockholders' equity  |   |                                  |
| Preferred class A stock - 1,800,000,000 no-par-value shares authorized and 959,758,200 issued | 4,702   | 2,150                            |
| Common stock - 900,000,000 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  | (1,792)   | (2,729)                          |

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|                                  |               |               |
|----------------------------------|---------------|---------------|
| Appropriated retained earnings   | 4,706         | 4,357         |
| Unappropriated retained earnings | 7,349         | 3,983         |
|                                  | <b>18,880</b> | <b>11,977</b> |
| <b>TOTAL</b>                     | <b>31,548</b> | <b>22,644</b> |

*See notes to condensed consolidated financial statements.*

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**Condensed Consolidated Statements of Income**  
**Expressed in millions of United States dollars (Unaudited)**  
**(except number of shares and per-share amounts)**

|  | <b>September<br/>30,<br/>2006</b> | <b>Three-month periods ended<br/>June 30,<br/>2006</b> | <b>September<br/>30,<br/>2005</b> | <b>Nine-month periods<br/>ended<br/>September 30,</b> |                |
|--|-----------------------------------|--|-----------------------------------|---|----------------|
|  |                                   |  |                                   | <b>2006</b>   | <b>2005</b>    |
| Operating revenues, net of discounts, returns and allowances |                                   |  |                                   |   |                |
| Sales of ores and metals                                     | 4,014                             | 3,286  | 2,887                             | 10,060  | 7,712          |
| Revenues from logistic services                              | 383                               | 362  | 359                               | 1,034   | 907            |
| Aluminum products  | 638                               | 640  | 358                               | 1,707   | 1,031          |
| Other products and services                                  | 31                                | 25   | 6                                 | 68  | 9              |
|  | <b>5,066</b>                      | <b>4,313</b>   | <b>3,610</b>                      | <b>12,869</b>   | <b>9,659</b>   |
| Taxes on revenues  | (214)                             | (167)  | (165)                             | (531)   | (465)          |
| Net operating revenues                                       | <b>4,852</b>                      | <b>4,146</b>   | <b>3,445</b>                      | <b>12,338</b>   | <b>9,194</b>   |
| Operating costs and expenses                                 |                                   |  |                                   |   |                |
| Cost of ores and metals sold                                 | (1,580)                           | (1,350)  | (1,202)                           | (4,186)   | (3,248)        |
| Cost of logistic services                                    | (203)                             | (196)  | (188)                             | (573)   | (500)          |
| Cost of aluminum products                                    | (382)                             | (324)  | (249)                             | (963)   | (643)          |
| Others   | (16)                              | (14)   | (6)                               | (38)  | (9)            |
|  | <b>(2,181)</b>                    | <b>(1,884)</b>   | <b>(1,645)</b>                    | <b>(5,760)</b>  | <b>(4,400)</b> |
| Selling, general and administrative expenses                 | (167)                             | (212)  | (160)                             | (547)   | (408)          |
| Research and development                                     | (134)                             | (101)  | (104)                             | (306)   | (192)          |
| Employee profit sharing plan                                 | (34)                              | (35)   | (24)                              | (97)  | (65)           |
| Others   | (88)                              | (41)   | (107)                             | (171)   | (158)          |
|  | <b>(2,604)</b>                    | <b>(2,273)</b>   | <b>(2,040)</b>                    | <b>(6,881)</b>  | <b>(5,223)</b> |
| Operating income   | <b>2,248</b>                      | <b>1,873</b>   | <b>1,405</b>                      | <b>5,457</b>  | <b>3,971</b>   |
| Non-operating income (expenses)                              |                                   |  |                                   |   |                |
| Financial income   | 59                                | 45   | 36                                | 146   | 92             |
| Financial expenses   | (172)                             | (245)  | (216)                             | (630)   | (359)          |
| Foreign exchange and monetary gains (losses), net            | 38                                | 28   | 163                               | 325   | 465            |
| Gain on sale of investments                                  | 16                                | 338  | 126                               | 363   | 126            |
|  | <b>(59)</b>                       | <b>166</b>   | <b>109</b>                        | <b>204</b>  | <b>324</b>     |
|  | <b>2,189</b>                      | <b>2,039</b>   | <b>1,514</b>                      | <b>5,661</b>  | <b>4,295</b>   |

Income before income taxes,  
equity results and minority  
interests

Income taxes

|          |              |              |              |              |              |
|----------|--------------|--------------|--------------|--------------|--------------|
| Current  | (419)        | (158)        | (172)        | (819)        | (662)        |
| Deferred | 71           | (80)         | (102)        | (62)         | (162)        |
|          | <b>(348)</b> | <b>(238)</b> | <b>(274)</b> | <b>(881)</b> | <b>(824)</b> |

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

|                    |       |       |       |       |       |
|--------------------|-------|-------|-------|-------|-------|
|                    | 187   | 184   | 194   | 527   | 547   |
| Minority interests | (124) | (105) | (117) | (352) | (373) |

Net income **1,904** **1,880** **1,317** **4,955** **3,645**

Basic and diluted earnings per

Preferred Class A Share **0.79** **0.77** **0.57** **2.04** **1.58**

Basic and diluted earnings per

Common Share **0.79** **0.77** **0.57** **2.04** **1.58**

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 |
| Preferred Class A shares | 952,346   | 959,717   | 831,432   | 955,873   | 831,432   |

*See notes to condensed consolidated financial statements.*

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**Condensed Consolidated Statements of Cash Flows**  
**Expressed in millions of United States dollars (Unaudited)**

|   | <b>Three-month periods ended</b> |              |                  | <b>Nine-month periods ended</b> |              |
|---|----------------------------------|--------------|------------------|---------------------------------|--------------|
|   | <b>September</b>                 | <b>June</b>  | <b>September</b> | <b>September 30,</b>            |              |
|   | <b>30,</b>                       | <b>30,</b>   | <b>30,</b>       |                                 |              |
|   | <b>2006</b>                      | <b>2006</b>  | <b>2005</b>      | <b>2006</b>                     | <b>2005</b>  |
| Cash flows from operating activities:   |                                  |              |                  |                                 |              |
| Net income  | 1,904                            | 1,880        | 1,317            | 4,955                           | 3,645        |
| Adjustments to reconcile net income to cash provided by operating activities:                               |                                  |              |                  |                                 |              |
| Depreciation, depletion and amortization  | 232                              | 205          | 171              | 618                             | 436          |
| Dividends received  | 242                              | 98           | 158              | 452                             | 353          |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | (187)                            | (184)        | (194)            | (527)                           | (547)        |
| Deferred income taxes   | (71)                             | 80           | 102              | 62                              | 162          |
| Provisions for contingencies  | 23                               | 19           | 10               | 55                              | (1)          |
| Gain on sale of investments   | (16)                             | (338)        | (126)            | (363)                           | (126)        |
| Foreign exchange and monetary losses (gains)  | 25                               | (75)         | (201)            | (341)                           | (472)        |
| Unrealized derivative losses (gains), net   | (75)                             | 51           | 66               | 20                              | (24)         |
| Minority interests  | 124                              | 105          | 117              | 352                             | 373          |
| Interest payable (receivable), net  | (55)                             | 40           | 12               | (43)                            | 48           |
| Others  | 1                                | (21)         | 3                | 24                              | (61)         |
| Decrease (increase) in assets:  |                                  |              |                  |                                 |              |
| Accounts receivable   | (291)                            | (346)        | 281              | (475)                           | (283)        |
| Inventories   | 34                               | (23)         | (44)             | (6)                             | (114)        |
| Others  | 10                               | (38)         | (441)            | (136)                           | (702)        |
| Increase (decrease) in liabilities:   |                                  |              |                  |                                 |              |
| Suppliers   | 28                               | 103          | (21)             | (236)                           | 166          |
| Payroll and related charges   | 47                               | 47           | 22               | (14)                            |              |
| Income taxes  | 112                              | 175          | 396              | 109                             | 642          |
| Others  | 88                               | (34)         | 160              | (117)                           | 150          |
| <b>Net cash provided by operating activities</b>  | <b>2,175</b>                     | <b>1,744</b> | <b>1,788</b>     | <b>4,389</b>                    | <b>3,645</b> |
| Cash flows from investing activities:   |                                  |              |                  |                                 |              |
| Loans and advances receivable   |                                  |              |                  |                                 | .            |
| Related parties   |                                  |              |                  |                                 | .            |
| Additions   | (2)                              | 1            | (1)              | (8)                             | (28)         |
| Repayments  | 8                                |              | 28               | 11                              | 53           |
| Others  | 20                               | (35)         | (1)              | 33                              |              |

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|  |              |              |                |                |                |
|--|--------------|--------------|----------------|----------------|----------------|
| Guarantees and deposits  | (26)         | (12)         | (32)           | (61)           | (52)           |
| Additions to investments   | (57)         | (2)          |                | (61)           | (91)           |
| Additions to property, plant and equipment   | (834)        | (961)        | (1,302)        | (2,650)        | (2,740)        |
| Proceeds from disposal of investments  |              | 418          | 126            | 432            | 126            |
| Proceeds from disposals of property, plant and equipment                                       | 11           | 29           | 1              | 49             | 4              |
| Cash used to acquire subsidiaries, net cash of acquired  | (6)          |              |                | (6)            |                |
| <b>Net cash used in investing activities</b>   | <b>(886)</b> | <b>(562)</b> | <b>(1,181)</b> | <b>(2,261)</b> | <b>(2,728)</b> |
| Cash flows from financing activities:  |              |              |                |                | .              |
| Short-term debt, net issuances (repayments)  | 213          | (65)         | (194)          | 198            | 43             |
| Loans  |              |              |                |                | .              |
| Related parties  |              |              |                |                | .              |
| Additions  | (1)          | 1            |                | 10             | 7              |
| Repayments   | (17)         | 29           | (17)           | (28)           | (43)           |
| Issuances of long-term debt  |              |              |                |                | .              |
| Related parties  |              |              |                |                | 15             |
| Others   | 12           | 4            | 22             | 1,363          | 371            |
| Stock treasury   | (276)        | (25)         |                | (301)          |                |
| Repayments of long-term debt   | (206)        | (200)        | (156)          | (727)          | (744)          |
| Dividends and interest attributed to stockholders  |              | (650)        |                | (650)          | (500)          |
| Dividends to minority interest   | (37)         | (19)         |                | (56)           |                |
| <b>Net cash used in financing activities</b>   | <b>(312)</b> | <b>(925)</b> | <b>(345)</b>   | <b>(191)</b>   | <b>(851)</b>   |
| Increase in cash and cash equivalents  | 977          | 257          | 262            | 1,937          | 66             |
| Effect of exchange rate changes on cash and cash equivalents                                   | 20           | (7)          | 17             | (87)           | (80)           |
| Cash and cash equivalents, beginning of period   | 1,894        | 1,644        | 956            | 1,041          | 1,249          |
| <b>Cash and cash equivalents, end of period</b>  | <b>2,891</b> | <b>1,894</b> | <b>1,235</b>   | <b>2,891</b>   | <b>1,235</b>   |
| Cash paid during the period for:   |              |              |                |                | .              |
| Interest on short-term debt  | (2)          | (5)          | (1)            | (8)            | (1)            |
| Interest on long-term debt   | (146)        | (73)         | (71)           | (313)          | (188)          |
| Income tax   | (247)        | (31)         | (202)          | (465)          | (452)          |
| Non-cash transactions  |              |              |                |                | .              |
| Income tax paid with credits   | (56)         | (40)         | (16)           | (126)          | (74)           |
| Interest capitalized   | (34)         | (31)         | (10)           | (96)           | (34)           |
| Fair market value adjustment in relation to acquisition of minority interest in Caemi (Note 5) |              |              |                | (2,182)        |                |

*See notes to condensed consolidated financial statements.*



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

|  | <b>September 30,<br/>2006</b> | <b>Three-month periods ended</b> |                               | <b>Nine-month periods ended</b> |                               |
|--|-------------------------------|----------------------------------|-------------------------------|---------------------------------|-------------------------------|
|  |                               | <b>June 30,<br/>2006</b>         | <b>September 30,<br/>2005</b> | <b>2006</b>                     | <b>September 30,<br/>2005</b> |
| Preferred class A stock<br>(including three special<br>shares) |                               |                                  |                               |                                 |                               |
| Beginning of the<br>period                                     | 4,702                         | 4,702                            | 2,150                         | <b>2,150</b>                    | 1,176                         |
| Capital increase (Note<br>5)                                   |                               |                                  |                               | <b>2,552</b>                    |                               |
| Transfer from<br>appropriated retained<br>earnings             |                               |                                  |                               |                                 | 974                           |
| End of the period  | <b>4,702</b>                  | <b>4,702</b>                     | <b>2,150</b>                  | <b>4,702</b>                    | <b>2,150</b>                  |
| Common stock   |                               |                                  |                               |                                 |                               |
| Beginning of the<br>period                                     | 3,806                         | 3,806                            | 3,806                         | 3,806                           | 2,121                         |
| Merger of shares   |                               |                                  |                               |                                 | 1,685                         |
| End of the period  | <b>3,806</b>                  | <b>3,806</b>                     | <b>3,806</b>                  | <b>3,806</b>                    | <b>3,806</b>                  |
| Treasury stock   |                               |                                  |                               |                                 |                               |
| Beginning of the<br>period                                     | (113)                         | (88)                             | (88)                          | (88)                            | (88)                          |
| Acquisitions   | (276)                         | (25)                             |                               | (301)                           |                               |
| End of the period  | <b>(389)</b>                  | <b>(113)</b>                     | <b>(88)</b>                   | <b>(389)</b>                    | <b>(88)</b>                   |
| Additional paid-in<br>capital                                  |                               |                                  |                               |                                 |                               |
| Beginning and end of<br>the period                             | <b>498</b>                    | <b>498</b>                       | <b>498</b>                    | <b>498</b>                      | <b>498</b>                    |
| Other cumulative<br>comprehensive deficit                      |                               |                                  |                               |                                 |                               |
| Cumulative translation<br>adjustments                          |                               |                                  |                               |                                 |                               |
| Beginning of the<br>period                                     | (1,888)                       | (2,006)                          | (2,859)                       | (2,856)                         | (3,869)                       |
| Change in the period   | (34)                          | 118                              | 590                           | 934                             | 1,600                         |
| End of the period  | <b>(1,922)</b>                | <b>(1,888)</b>                   | <b>(2,269)</b>                | <b>(1,922)</b>                  | <b>(2,269)</b>                |

|   |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|
| Unrealized gain on available-for-sale securities  |                |                |                |                |                |
| Beginning of the period                           | 112            | 132            | 115            | 127            | 95             |
| Change in the period                              | 18             | (20)           | 49             | 3              | 69             |
| End of the period                                 | <b>130</b>     | <b>112</b>     | <b>164</b>     | <b>130</b>     | <b>164</b>     |
| Total other cumulative comprehensive deficit      | <b>(1,792)</b> | <b>(1,776)</b> | <b>(2,105)</b> | <b>(1,792)</b> | <b>(2,105)</b> |
| Appropriated retained earnings                    |                |                |                |                |                |
| Beginning of the period                           | 4,705          | 4,687          | 1,829          | 4,357          | 4,143          |
| Transfer from unappropriated retained earnings    | 1              | 18             | 107            | 349            | 452            |
| Transfer to capital stock                         |                |                |                |                | (2,659)        |
| End of the period                                 | <b>4,706</b>   | <b>4,705</b>   | <b>1,936</b>   | <b>4,706</b>   | <b>1,936</b>   |
| Unappropriated retained earnings                  |                |                |                |                |                |
| Beginning of the period                           | 5,386          | 4,824          | 4,798          | 3,983          | 3,315          |
| Net income  | 1,904          | 1,880          | 1,317          | 4,955          | 3,645          |
| Dividends and interest attributed to stockholders |                |                |                |                |                |
| Preferred class A stock                           |                | (513)          |                | (513)          | (180)          |
| Common stock                                      |                | (787)          |                | (787)          | (320)          |
| Appropriation to reserves                         | 59             | (18)           | (107)          | (289)          | (452)          |
| End of the period                                 | <b>7,349</b>   | <b>5,386</b>   | <b>6,008</b>   | <b>7,349</b>   | <b>6,008</b>   |
| Total stockholders equity                         | <b>18,880</b>  | <b>17,208</b>  | <b>12,205</b>  | <b>18,880</b>  | <b>12,205</b>  |
| Comprehensive income is comprised as follows:     |                |                |                |                |                |
| Net income  | 1,904          | 1,880          | 1,317          | 4,955          | 3,645          |
| Cumulative translation adjustments                | (34)           | 118            | 590            | 934            | 1,600          |
| Unrealized gain (loss) on                         | 18             | (20)           | 49             | 3              | 69             |

available-for-sale  
securities

|                            |              |              |              |              |              |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| Total comprehensive income | <b>1,888</b> | <b>1,978</b> | <b>1,956</b> | <b>5,892</b> | <b>5,314</b> |
|----------------------------|--------------|--------------|--------------|--------------|--------------|

### Shares

|   |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Preferred class A stock (including six special shares)(1) | <b>959,758,200</b>   | <b>959,758,200</b>   | <b>831,455,478</b>   | <b>959,758,200</b>   | <b>831,455,478</b>   |
| Common stock  | <b>1,499,898,858</b> | <b>1,499,898,858</b> | <b>1,499,898,858</b> | <b>1,499,898,858</b> | <b>1,499,898,858</b> |
| Treasury stock (2)  |                      |                      |                      |                      |                      |
| Beginning of the period                                   | (29,595,036)         | (28,313,936)         | (28,314,626)         | (28,313,936)         | (28,314,922)         |
| Acquisitions  | (13,868,500)         | (1,281,100)          |                      | (15,149,600)         |                      |
| Sales   |                      |                      |                      |                      | 296                  |
| End of the period   | <b>(43,463,536)</b>  | <b>(29,595,036)</b>  | <b>(28,314,626)</b>  | <b>(43,463,536)</b>  | <b>(28,314,626)</b>  |
|   | <b>2,416,193,522</b> | <b>2,430,062,022</b> | <b>2,303,039,710</b> | <b>2,416,193,522</b> | <b>2,303,039,710</b> |

### Dividends and interest attributed to stockholders (per share)

|  |      |  |  |      |      |
|--|------|--|--|------|------|
| Preferred class A stock (including six special shares) | 0.54 |  |  | 0.54 | 0.22 |
| Common stock   | 0.54 |  |  | 0.54 | 0.22 |

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

(2) As of September, 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 September 30, 2006 the market value of 4,924,760 of these shares would be sufficient to offset the balance of the debt.

**See notes to condensed consolidated financial statements.**

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**Notes to the Condensed 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 joint ventures and affiliates are described in Note 8.

The main operating subsidiaries we consolidate are as follows:

| <b>Subsidiary</b>                          | <b>% ownership</b> | <b>% voting capital</b> | <b>Head office location</b> | <b>Principal activity</b>                   |
|--|--------------------|-------------------------|-----------------------------|---|
| Alumina do Norte do Brasil S.A.            | 57                 | 61                      | Brazil                      | Alumina                                     |
| Alunorte ( Alunorte )                      |                    |                         |                             |   |
| Alumínio Brasileiro S.A. Albras ( Albras ) | 51                 | 51                      | Brazil                      | Aluminum                                    |
| CADAM S.A (CADAM)                          | 61                 | 100                     | Brazil                      | Kaolin                                      |
| CVRD Overseas Ltd.                         | 100                | 100                     | Cayman Islands              | Trading                                     |
| Ferrovias Centro-Atlântica S. A.           | 100                | 100                     | Brazil                      | Logistics                                   |
| CVRD International S.A. (1)                | 100                | 100                     | Swiss                       | Trading                                     |
| Minerações Brasileiras Reunidas S.A. MBR   | 90                 | 90                      | Brazil                      | Iron ore                                    |
| Mineração Onça Puma Ltda                   | 100                | 100                     | Brazil                      | Nickel                                      |
| Navegação Vale do Rio Doce S.A. DOCENAVE   | 100                | 100                     | Brazil                      | Shipping                                    |
| Pará Pigmentos S.A.                        | 82                 | 86                      | Brazil                      | Kaolin                                      |
| Rio Doce Manganês S.A.                     | 100                | 100                     | Brazil                      | Manganese and Ferroalloys                   |
| Rio Doce Manganês Europe RDME              | 100                | 100                     | France                      | Ferroalloys                                 |
| Rio Doce Manganese Norway RDMN             | 100                | 100                     | Norway                      | Ferroalloys<br>Iron ore,<br>Ferroalloys and |
| Urucum Mineração S.A.                      | 100                | 100                     | Brazil                      | Manganese                                   |
| Valesul Alumínio S.A. (2)                  | 100                | 100                     | Brazil                      | Aluminum                                    |

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

(2) Subsidiary consolidated as from July, 2006 (Note 5 and 8)

**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. As from January 1, 2004, 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.

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.

Investments in unincorporated joint ventures, formed for the purpose of investing in hydroelectric power projects, are proportionately consolidated.



### **3 Summary of significant accounting policies**

Our condensed consolidated interim financial information for the three-month periods ended September 30, 2006, June 30, 2006 and September 30, 2005 and for the nine-month periods ended June 30, 2006 and 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. The results of operations for the three-month and nine-month periods ended September 30, 2006 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2006.

In preparing the condensed consolidated financial statements, 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 in business combinations, income tax valuation allowances, employee post-retirement benefits and other similar evaluations. Actual results may vary from our estimates.

We have remeasured all assets and liabilities into U.S. dollars at the current exchange rate at each balance sheet date (R\$2.1623 and R\$2.3370 at September 30, 2006 and December 31, 2005, 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 relative to local 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.

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

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 a 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 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 overfunded or underfunded 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 are currently studying the impact of this standard. At December 31, 2005 the Company had a funded status (excess of benefit obligation over plan assets) in the amount of US\$811, from which US\$131 was recorded as prepaid pension cost.

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 for fiscal years starting on or after December 15, 2006. We are currently studying the impact of this standard.

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## 5 Major acquisitions and disposals during the years presented

On November, 2006 the Board of Directors approved the restructuring of its stake in USIMINAS, involving its entry into the control group and the partial sale of common shares. We will sell to Nippon Steel, Votorantim Participações S/A, and Camargo Correa S/A, 5,362,928 common shares amounting to R\$379 million (approximately US\$176). The remaining 13,829,192 Usiminas common shares will be sold through a public offer.

During the third quarter of 2006, we sold 1,361,100 shares of GERDAU S.A. by approximately US\$19. In the subsequent period after the closing of third quarter of 2006, we sold 3,379,825 shares of Gerdau S.A. by approximately US\$48.

On July 3, 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.

Pro forma information considers that our acquisition of the 39.77% preferred shares of Caemi, totaling 100% of total interest as if it was completed at the beginning of each period.

|                                      | <b>Three-month periods ended<br/>September 30, 2005</b> |  |  |
|--------------------------------------|---|--|--|
|                                      | <b>Consolidated</b>                                     | <b>Caemi -<br/>Merger<br/>(39.77%)</b>     | <b>Pro Forma<br/>(unaudited)</b>           |
| Income before minority interests     | 1,434   |  | 1,434                                      |
| Minority interests                   | (117)   | 104  | (13)                                       |
| <b>Net income</b>                    | <b>1,317</b>  | <b>104</b>                                 | <b>1,421</b>                               |
| Outstanding shares (thousands)       | 2,303,040   |  | 2,431,343                                  |
| Basic and diluted earnings per share | 0.57  |  | 0.58                                       |
|                                      | <b>Nine-month periods ended September 30,<br/>2006</b>  |  |  |
|                                      | <b>Consolidated</b>                                     | <b>Caemi<br/>-<br/>Merger<br/>(39.77%)</b> | <b>Pro Forma<br/>(unaudited)</b>           |
|                                      |   | <b>Consolidated</b>                        | <b>Caemi<br/>-<br/>Merger<br/>(39.77%)</b> |
|                                      |   | <b>Pro Forma<br/>(unaudited)</b>           | <b>Pro Forma<br/>(unaudited)</b>           |
| Income before minority interests     | 5,307   | 4,018                                      | 4,018                                      |
| Minority interests                   | (352)   | (373)                                      | (177)                                      |

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|   |              |           |              |              |            |              |
|---|--------------|-----------|--------------|--------------|------------|--------------|
| Net income                              | <b>4,955</b> | <b>54</b> | <b>5,009</b> | <b>3,645</b> | <b>196</b> | <b>3,841</b> |
| Outstanding shares<br>(thousands)       | 2,416,194    |           | 2,416,194    | 2,303,040    |            | 2,341,343    |
| Basic and diluted<br>earnings per share | 2.05         |           | 2.05         | 1.58         |            | 1.58         |

In 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.

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.

**6 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.

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

|   | Three-month periods ended |          |           | Nine-month periods ended |               |
|---|---------------------------|----------|-----------|--------------------------|---------------|
|   | September                 | June     | September | September 30,            | September 30, |
|   | 30,2006                   | 30, 2006 | 30,2005   | 2006                     | 2005          |
| Income before income taxes, equity results and minority interests                       | 2,189                     | 2,039    | 1,514     | 5,661                    | 4,295         |
| Federal income tax and social contribution expense at statutory enacted rates           | (744)                     | (693)    | (515)     | (1,925)                  | (1,460)       |
| Adjustments to derive effective tax rate:   |                           |          |           |                          |               |
| Tax benefit on interest attributed to stockholders                                      | 80                        | 85       | 50        | 256                      | 235           |
| Exempt foreign income   | 301                       | 348      | 143       | 763                      | 271           |
| Difference on tax basis of equity investees   | (23)                      | (18)     | (9)       | (107)                    | (30)          |
| Tax incentives  | 71                        | 44       | 54        | 147                      | 135           |
| Other non-taxable gains (losses)  | (33)                      | (4)      | 3         | (15)                     | 25            |
| Federal income tax and social contribution expense in consolidated statements of income | (348)                     | (238)    | (274)     | (881)                    | (824)         |

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. Tax loss carry forward has no expiration date.

**7 Inventories**

|                           | September | December |
|---------------------------|-----------|----------|
|                           | 30,       | 31,      |
|                           | 2006      | 2005     |
| Finished products         |           |          |
| Iron ore and pellets      | 318       | 271      |
| Manganese and ferroalloys | 118       | 151      |

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|                                      |              |              |
|--------------------------------------|--------------|--------------|
| Alumina                              | 41           | 22           |
| Aluminum                             | 77           | 52           |
| Kaolin                               | 36           | 18           |
| Others                               | 36           | 28           |
| Spare parts and maintenance supplies | 710          | 600          |
|                                      | <b>1,336</b> | <b>1,142</b> |

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**8 Investments in affiliated companies and joint ventures**

|   | September 30, 2006 |                    | Investments        |                    |                    |                    |                    | Equity Adjustments               |                    |                    |                    |                    | Dividends received        |                                  |               |  |  |                           |  |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------------------|--------------------|--------------------|--------------------|--------------------|---------------------------|----------------------------------|---------------|--|--|---------------------------|--|
|   |                    |                    |                    |                    |                    |                    |                    | Net income (loss) for the period |                    |                    |                    |                    | Nine-month periods ended  |                                  | September 30, |  |  | Nine-month periods ended  |  |
|   |                    |                    |                    |                    |                    |                    |                    |                                  |                    |                    |                    |                    | Three-month periods ended |                                  | September 30, |  |  | Three-month periods ended |  |
| Participation in voting capital (%)                             | Net equity total   | September 30, 2006 | September 30, 2005 | September 30, 2006 | September 30, 2005 | September 30, 2006 | September 30, 2005 | September 30, 2006               | September 30, 2005 | September 30, 2006 | September 30, 2005 | September 30, 2006 | September 30, 2005        |                                  |               |  |  |                           |  |
| <b>Ferrous</b>  |                    |                    |                    |                    |                    |                    |                    |                                  |                    |                    |                    |                    |                           |                                  |               |  |  |                           |  |
| Companhia Nipo-Brasileira de Pelotização NIBRASCO (1)           | 51.11              | 51.00              | 71                 | 32                 | 36                 | 60                 | (1)                | 7                                | 13                 | 16                 | 26                 |                    |                           | 22                               |               |  |  |                           |  |
| Companhia Hispano-Brasileira de Pelotização HISPANOBRÁS (1)     | 51.00              | 50.89              | 73                 | 21                 | 37                 | 37                 | 4                  | 2                                | 8                  | 11                 | 24                 |                    | 16                        | 13 20                            |               |  |  |                           |  |
| Companhia Coreano-Brasileira de Pelotização KOBRASCO            | 50.00              | 50.00              | 78                 | 33                 | 39                 | 41                 | 2                  | 5                                | 3                  | 16                 | 20                 | 11                 |                           | 11                               |               |  |  |                           |  |
| Companhia Ítalo-Brasileira de Pelotização ITABRASCO (1) SAMARCO | 51.00              | 50.90              | 66                 | 19                 | 34                 | 33                 | 3                  | 2                                | 5                  | 10                 | 19                 |                    | 10                        | 12 10                            |               |  |  |                           |  |
| Mineração S.A. SAMARCO (2) Minas da Serra                       | 50.00              | 50.00              | 550                | 326                | 325                | 335                | 57                 | 67                               | 82                 | 163                | 172                | 175                | 75                        | 200 130                          |               |  |  |                           |  |
| Geral S.A. MSG Gulf Industrial Investment Company               | 50.00              | 50.00              | 46                 | 2                  | 23                 | 21                 | 1                  | 1                                | 2                  | 1                  | (2)                | 1                  |                           | 1                                |               |  |  |                           |  |
| GIIC (5) Others   |                    |                    |                    |                    |                    | 62                 |                    | 4                                | 14                 | 18                 | 49                 |                    | 20                        | 31                               |               |  |  |                           |  |
|   |                    |                    |                    |                    | 21                 | 25                 | 1                  |                                  |                    |                    | (1)                | 1                  |                           | 1                                |               |  |  |                           |  |
|   |                    |                    |                    |                    | <b>515</b>         | <b>614</b>         | <b>67</b>          | <b>88</b>                        | <b>127</b>         | <b>235</b>         | <b>307</b>         | <b>175</b>         | <b>13</b>                 | <b>121</b> <b>260</b> <b>191</b> |               |  |  |                           |  |
| <b>Logistics</b>  |                    |                    |                    |                    |                    |                    |                    |                                  |                    |                    |                    |                    |                           |                                  |               |  |  |                           |  |
| MRS Logística S.A   | 37.23              | 40.45              | 472                | 180                | 198                | 109                | 32                 | 24                               | 17                 | 69                 | 39                 | 20                 |                           | 20 5                             |               |  |  |                           |  |
|   |                    |                    |                    |                    | <b>198</b>         | <b>109</b>         | <b>32</b>          | <b>24</b>                        | <b>17</b>          | <b>69</b>          | <b>39</b>          | <b>20</b>          |                           | <b>20</b> <b>5</b>               |               |  |  |                           |  |

**Holdings****Steel**

Usinas

Siderúrgicas de

Minas Gerais S.A.

USIMINAS (4)

22.99

11.46

3.090

843

352

281

43

28

36

96

135

12

28

California Steel

Industries Inc. CSI

50.00

50.00

343

101

172

161

17

18

(1)

50

15

37

8

SIDERAR (cost

\$15) available for

sale investments

(4)

4.85

4.85

111

142

**635****584****60****46****35****146****Aluminum and  
bauxite**

Mineração Rio do

Norte S.A. MRN

40.00

40.00

359

109

143

178

18

14

17

44

49

18

22

Valesul Alumínio

S.A. VALESUL

(6)

100.00

100.00

58

8

(2)

12

2

18

22

**143****236****18****22****15****56****51****18****22****Coal**

Henan Longyu

Resources Co. Ltd

Shandong

Yankuang

International

Company Ltd(3)

25.00

25.00

412

85

103

96

10

4

21

15

15

25.00

25.00

102

27

22

**130****118****10****4****21****15****Other affiliates  
and joint ventures**

Others

**69****11****69****11****977****949****88****72****50****223****201****67****65****Total****1.690****1.672****187****184****194****527****547****242****98****158****452****353**

(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) Pre operating investment;
- (4) The quoted market value of Usiminas is equal to US\$879 and Siderar is equal to US\$111;
- (5) Sold for US\$418 in May, 2006.
- (6) Subsidiary consolidated as from July, 2006 (see note 5)

## 9 Stockholders equity

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 1,499,898,858 class A preferred shares, including six special class shares without par value ( Golden Share ). The share/ADR proportion will be maintained at 1/1; therefore, each common and preferred share, will continue 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.

For comparative purposes we considered the effects of the split as it had occurred consistently in all periods presented.

On June 21, 2006 the Board of Directors approved a buy-back program of our preferred shares. The program involves the acquisition of up to 47,986,763 preferred shares, corresponding to 5% of our preferred shares, to be executed during 180 days. We had acquired 1,281,100 and 13,868,500 preferred shares as of June 30, 2006 and September 30, 2006, respectively, totalizing at September 30, 2006 an acquisition of 15,149,600.

On April 2006 we paid the first installment of the minimum mandatory dividend for 2006 of US\$650. The distribution was made in the form of interest on stockholders equity and dividends and on October 2006 we paid the second installment of the minimum mandatory dividend for 2006 of US\$650. The distribution was made in the form of interest on stockholders equity and dividends.

## 10 Pension costs

|  | September<br>30,<br>2006 | Three-month periods ended |                       | Nine-month periods<br>ended September<br>30, |             |
|--|--------------------------|---------------------------|-----------------------|--|-------------|
|  |                          | June 30,<br>2006          | September<br>30, 2005 | 2006   | 2005        |
| Service cost – benefits earned during the period | 2                        | 1                         | 1                     | 4  | 2           |
| Interest cost on projected benefit obligation    | 70                       | 70                        | 63                    | 186  | 179         |
| Expected return on assets                        | (100)                    | (100)                     | (80)                  | (266)  | (224)       |
| Amortization of initial transitory obligation    | 3                        | 3                         | 3                     | 8  | 8           |
| Net deferral                                     | (7)                      | (8)                       | (3)                   | (19)   | (11)        |
| <b>Net periodic pension cost</b>                 | <b>(32)</b>              | <b>(34)</b>               | <b>(16)</b>           | <b>(87)</b>                                  | <b>(46)</b> |

In addition to benefits provided under the Pension Plan, accruals have been made relative to supplementary health care benefits extended in previous periods as part of early-retirement programs. Such accruals included in long-term liabilities totaled US\$77, US\$76 and US\$71, at September 30, 2006, June 30, 2006 and September 30, 2005, respectively, plus US\$7, US\$6 and US\$5, respectively, in current liabilities.

The cost recognized for the three-month periods ended September 30, 2006, June 30, 2006, and September 30, 2005 and for the nine-month periods ended September 30, 2006 and September 30, 2005, relative to the defined contribution element of the New Plan was US\$3, US\$3, US\$2, US\$9 and US\$6, respectively.

We previously disclosed in our consolidated financial statements for the year ended December 31, 2005, that we expected to contribute US\$59 to our defined benefit pension plan in 2006. As of September 30, 2006, US\$44 of our contributions has been made. We do not expect any significant change in our previous estimate.

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**11 Commitments and contingencies**

- (a) At September 30, 2006, we had extended guarantees for borrowings obtained by affiliates and joint ventures in the amount of US\$3, as follows:

| Affiliate or Joint Venture | Amount of Denominated |          | Purpose        | Counter        |            |
|----------------------------|-----------------------|----------|----------------|----------------|------------|
|                            | guarantee             | currency |                | Final maturity | guarantees |
| SAMARCO                    | 3                     | US\$     | Debt guarantee | 2008           | None       |

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

We have not provided any significant guarantees since January 1, 2003, which would require fair value adjustments under FIN 45 Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others .

- (b) CVRD and its subsidiaries 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:

|                                  | September 30, 2006          |                   | December 31, 2005           |                   |
|----------------------------------|-----------------------------|-------------------|-----------------------------|-------------------|
|                                  | Provision for contingencies | Judicial deposits | Provision for contingencies | Judicial deposits |
| Labor and social security claims | 355                         | 218               | 229                         | 138               |
| Civil claims                     | 249                         | 141               | 210                         | 98                |
| Tax related actions              | 794                         | 468               | 816                         | 329               |
| Others                           | 27                          | 1                 | 31                          | 3                 |
|                                  | <b>1,425</b>                | <b>828</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.

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.

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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 the three-month periods ended September 30, 2006 and 2005 and June, 2006 aggregated US\$56, US\$86 and US\$178 , respectively, and additional provisions aggregated US\$64 , US\$96 and US\$184 , respectively, classified in other operating expenses.

In addition to the contingencies for which we have made provisions we are defending claims

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which in our opinion, and based on the advice of our legal counsel, the likelihood of loss is possible losses, which total US\$1,194 at September 30, 2006, for which no provision has been made.

- (c) 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.

At October 2, 2006 and March 27, 2006 we paid as remuneration of these debentures the amounts of \$4 and \$2, respectively.

- (d) We use various judgments and assumptions when measuring our environmental liabilities and 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. On September 30, 2006, US\$8 of environmental liabilities and asset retirement obligations was classified in current liabilities (Others).

The changes are demonstrated as follows:

|  | Three-month periods ended |               |                    | Nine-month periods ended September 30, |            |
|--|---------------------------|---------------|--------------------|--|------------|
|  | September 30, 2006        | June 30, 2006 | September 30, 2005 | 2006                                   | 2005       |
| <b>Provisions for asset retirement obligations beginning of period</b> | <b>252</b>                | <b>248</b>    | <b>159</b>         | <b>225</b>                             | <b>134</b> |
| Accretion expense  | 7                         | 6             |                    | 19                                     | 14         |
| Liabilities settled in the current period                              | (1)                       | (3)           | (2)                | (4)                                    | (6)        |
| Cumulative translation adjustment                                      |                           | 1             | 9                  | 18                                     | 24         |
| <b>Provisions for asset retirement obligations end of period</b>       | <b>258</b>                | <b>252</b>    | <b>166</b>         | <b>258</b>                             | <b>166</b> |

## 12 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 products comprises the production of non-ferrous minerals, including potash, kaolin and copper.

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.

Consolidated net income and principal assets are reconciled as follows:

**Results by segment before eliminations**

|  | September 30, 2006 |            |            |             |          |              | June 30, 2006 |            |            |            |             |              | As of and for the t |              |          |            |
|--|--------------------|------------|------------|-------------|----------|--------------|---------------|------------|------------|------------|-------------|--------------|---------------------|--------------|----------|------------|
|  | Holdings           |            |            | Non         |          |              | Holdings      |            |            | Non        |             |              | Holdings            |              | Non      |            |
|  | Ferrous            | Isogisa    | Aluminum   | Other       | Eliminat | Consolidated | Ferrous       | Isogisa    | Aluminum   | Other      | Eliminat    | Consolidated | Ferrous             | Isogisa      | Aluminum | Other      |
|  | 459                | 13         | 817        | 20          | (1,984)  | 3,865        | 3,649         | 378        | 15         | 877        | 19          | (1,643)      | 3,295               | 3,387        | 166      | 17         |
|  | 95                 | 379        | 167        |             | (209)    | 1,201        | 697           | 27         | 364        | 82         |             | (152)        | 1,018               | 586          | 70       | 353        |
|  | (319)              | (250)      | (735)      | (24)        | 2,193    | (2,452)      | (2,770)       | (230)      | (264)      | (643)      | (22)        | 1,795        | (2,134)             | (2,554)      | (200)    | (256)      |
|  | (38)               | (2)        |            | (60)        |          | (134)        | (31)          | (18)       | (2)        |            | (50)        |              | (101)               | (18)         | (19)     |            |
|  | (28)               | (22)       | (17)       |             |          | (232)        | (151)         | (23)       | (15)       | (14)       | (2)         |              | (205)               | (130)        | (14)     | (9)        |
|  | <b>169</b>         | <b>118</b> | <b>232</b> | <b>(64)</b> |          | <b>2,248</b> | <b>1,394</b>  | <b>134</b> | <b>98</b>  | <b>302</b> | <b>(55)</b> |              | <b>1,873</b>        | <b>1,271</b> | <b>3</b> | <b>105</b> |
|  |                    | 8          | 5          | 5           | (149)    | 59           | 173           | 2          | 4          | 6          | (7)         | (133)        | 45                  | 159          |          | 7          |
|  | (2)                | (2)        | 9          | (9)         | 149      | (172)        | (302)         | (2)        | (1)        | (72)       | (1)         | 133          | (245)               | (268)        | 1        | (14)       |
|  |                    |            | (2)        | (2)         |          | 38           | 64            | (53)       | 4          | 12         | 1           |              | 28                  | 126          | 1        | (9)        |
|  |                    |            |            |             |          | 16           | 338           |            |            |            |             |              | 338                 |              |          |            |
|  |                    | 31         | 18         | 69          |          | 187          | 88            |            | 24         | 22         | 50          |              | 184                 | 127          |          | 17         |
|  | 1                  | (2)        | (49)       |             |          | (348)        | (197)         |            | (4)        | (36)       | (1)         |              | (238)               | (248)        | 2        | (5)        |
|  |                    |            | (83)       |             |          | (124)        | (30)          |            |            | (75)       |             |              | (105)               | (104)        |          | (1)        |
|  | <b>168</b>         | <b>153</b> | <b>130</b> | <b>(1)</b>  |          | <b>1,904</b> | <b>1,528</b>  | <b>81</b>  | <b>125</b> | <b>159</b> | <b>(13)</b> |              | <b>1,880</b>        | <b>1,063</b> | <b>7</b> | <b>100</b> |
|  |                    | 8          | 232        |             | (249)    | 367          | 276           |            | 7          | 157        |             | (153)        | 287                 | 413          |          | 10         |
|  | 5                  |            | 23         | 20          | (66)     | 142          | 156           | 2          |            | 3          | 19          | (81)         | 99                  | 56           | 3        |            |
|  | 259                | 5          | 362        |             | (762)    | 1,347        | 1,257         | 169        | 2          | 380        |             | (625)        | 1,183               | 1,303        | 82       | 7          |



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|  |            |            |            |           |                |              |              |            |            |            |           |                |              |              |            |            |          |
|--|------------|------------|------------|-----------|----------------|--------------|--------------|------------|------------|------------|-----------|----------------|--------------|--------------|------------|------------|----------|
|  | 42         | 52         | (44)       | 243       | 193            | 112          |              | 106        | (69)       | 342        | 155       | 20             |              |              |            |            |          |
|  | 13         | 137        | (170)      | 495       | 366            | 8            |              | 142        | (128)      | 388        | 345       | 20             |              |              |            |            |          |
|  | 37         | 11         | (497)      | 964       | 1,131          | 6            | 5            | 89         | (417)      | 814        | 858       | 17             |              |              |            |            |          |
|  | 103        |            | (196)      | 307       | 270            | 81           | 1            |            | (170)      | 182        | 257       | 24             |              |              |            |            |          |
|  | <b>459</b> | <b>13</b>  | <b>817</b> | <b>20</b> | <b>(1,984)</b> | <b>3,865</b> | <b>3,649</b> | <b>378</b> | <b>15</b>  | <b>877</b> | <b>19</b> | <b>(1,643)</b> | <b>3,295</b> | <b>3,387</b> | <b>166</b> | <b>17</b>  | <b>4</b> |
|  | 95         | 379        | 167        |           | (209)          | 1,201        | 697          | 27         | 364        | 82         |           | (152)          | 1,018        | 586          | 70         | 353        |          |
|  | <b>554</b> | <b>392</b> | <b>984</b> | <b>20</b> | <b>(2,193)</b> | <b>5,066</b> | <b>4,346</b> | <b>405</b> | <b>379</b> | <b>959</b> | <b>19</b> | <b>(1,795)</b> | <b>4,313</b> | <b>3,973</b> | <b>236</b> | <b>370</b> | <b>5</b> |

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## Operating segment after eliminations

|                    | As of and for the three-month periods ended<br>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 |               | Property,<br>Plant<br>and<br>Equipment,<br>Addition<br>to<br>Property,<br>Plant<br>Investments |              |
| Export             | Domestic  | Total        | Net          |                       |                 |                         | Net   | Net          | Net                 | Net           | Net  | Net          |
| <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             | 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> |

## Operating segment after eliminations (continued)

|                    | As of and for the three-month periods ended<br>June 30, 2006 |              |              |              |              |                   |  |                  |                               |   |            |              |
|--------------------|--|--------------|--------------|--------------|--------------|-------------------|--|------------------|-------------------------------|---|------------|--------------|
|                    | Export   | Domestic     | Total        | Value added  | Net revenues | Cost and expenses | Depreciation, depletion and amortization | Operating income | Property, Plant and Equipment | Addition to Property, Plant and Investments |            |              |
| <b>Ferrous</b>     |  |              |              |              |              |                   |  |                  |                               |   |            |              |
| Iron ore           | 1,986  | 485          | 2,471        | (73)         | 2,398        | (959)             | 1,439                                    | (122)            | 1,317                         | 11,991                                      | 675        | 42           |
| Pellets            | 313  | 90           | 403          | (21)         | 382          | (270)             | 112                                      | (10)             | 102                           | 523   | 30         | 580          |
| Manganese          | 8  | 4            | 12           | (1)          | 11           | (17)              | (6)                                      | (1)              | (7)                           | 60  | 3          |              |
| Ferroalloys        | 87   | 38           | 125          | (10)         | 115          | (117)             | (2)                                      | (4)              | (6)                           | 208   | 15         |              |
|                    | <b>2,394</b>   | <b>617</b>   | <b>3,011</b> | <b>(105)</b> | <b>2,906</b> | <b>(1,363)</b>    | <b>1,543</b>                             | <b>(137)</b>     | <b>1,406</b>                  | <b>12,782</b>                               | <b>723</b> | <b>622</b>   |
| <b>Non ferrous</b> |  |              |              |              |              |                   |  |                  |                               |   |            |              |
| Potash             |  | 23           | 23           | (2)          | 21           | (11)              | 10                                       | (7)              | 3                             | 177   | 1          |              |
| Kaolin             | 40   | 7            | 47           |              | 47           | (34)              | 13                                       | (7)              | 6                             | 239   |            |              |
| Copper             | 201  | 4            | 205          |              | 205          | (55)              | 150                                      | (12)             | 138                           | 1,297                                       | 18         |              |
|                    | <b>241</b>   | <b>34</b>    | <b>275</b>   | <b>(2)</b>   | <b>273</b>   | <b>(100)</b>      | <b>173</b>                               | <b>(26)</b>      | <b>147</b>                    | <b>1,713</b>                                | <b>19</b>  |              |
| <b>Aluminum</b>    |  |              |              |              |              |                   |  |                  |                               |   |            |              |
| Alumina            | 339  |              | 339          |              | 339          | (204)             | 135                                      | (8)              | 127                           | 1,519                                       | 88         |              |
| Aluminum           | 279  | 14           | 293          | (1)          | 292          | (111)             | 181                                      | (6)              | 175                           | 384   | 6          | 72           |
| Bauxite            | 8  |              | 8            |              | 8            | (7)               | 1  |                  | 1                             | 420   | 56         | 126          |
|                    | <b>626</b>   | <b>14</b>    | <b>640</b>   | <b>(1)</b>   | <b>639</b>   | <b>(322)</b>      | <b>317</b>                               | <b>(14)</b>      | <b>303</b>                    | <b>2,323</b>                                | <b>150</b> | <b>198</b>   |
| <b>Logistics</b>   |  |              |              |              |              |                   |  |                  |                               |   |            |              |
| Railroads          |  | 272          | 272          | (46)         | 226          | (133)             | 93                                       | (19)             | 74                            | 693   | 26         | 167          |
| Ports              |  | 64           | 64           | (11)         | 53           | (30)              | 23                                       | (5)              | 18                            | 226   | 1          |              |
| Ships              | 15   | 11           | 26           | (2)          | 24           | (28)              | (4)                                      | (1)              | (5)                           | 3   |            |              |
|                    | <b>15</b>  | <b>347</b>   | <b>362</b>   | <b>(59)</b>  | <b>303</b>   | <b>(191)</b>      | <b>112</b>                               | <b>(25)</b>      | <b>87</b>                     | <b>922</b>                                  | <b>27</b>  | <b>167</b>   |
| Others             | 19   | 6            | 25           |              | 25           | (92)              | (67)                                     | (3)              | (70)                          | 1,046                                       | 42         | 777          |
|                    | <b>3,295</b>   | <b>1,018</b> | <b>4,313</b> | <b>(167)</b> | <b>4,146</b> | <b>(2,068)</b>    | <b>2,078</b>                             | <b>(205)</b>     | <b>1,873</b>                  | <b>18,786</b>                               | <b>961</b> | <b>1,764</b> |

## Operating segment after eliminations (continued)

|                        | As of and for the three-month periods ended<br>September 30, 2005 |              |              |                |                 |                         |   |                     |   |                                   |                |              |
|------------------------|---|--------------|--------------|----------------|-----------------|-------------------------|---|---------------------|---|-----------------------------------|----------------|--------------|
|                        | Export  | Domestic     | Total        | Value<br>added | 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, | Property,<br>Plant<br>Investments | to<br>Addition |              |
| <b>Ferrous</b>         |   |              |              |                |                 |                         |   |                     |   |                                   |                |              |
| Iron ore               | 1,649   | 416          | 2,065        | (66)           | 1,999           | (693)                   | 1,306   | (120)               | 1,186                                   | 8,171                             | 934            | 50           |
| Pellets                | 438   | 91           | 529          | (22)           | 507             | (347)                   | 160   | (7)                 | 153                                     | 453                               | 3              | 579          |
| Manganese              | 14  | 6            | 20           | (2)            | 18              | (25)                    | (7)   | (1)                 | (8)                                     | 35                                | 2              |              |
| Ferroalloys            | 61  | 31           | 92           | (9)            | 83              | (87)                    | (4)   | (5)                 | (9)                                     | 198                               | 14             |              |
|                        | <b>2,162</b>  | <b>544</b>   | <b>2,706</b> | <b>(99)</b>    | <b>2,607</b>    | <b>(1,152)</b>          | <b>1,455</b>                                      | <b>(133)</b>        | <b>1,322</b>                            | <b>8,857</b>                      | <b>953</b>     | <b>629</b>   |
| <b>Non<br/>ferrous</b> |   |              |              |                |                 |                         |   |                     |   |                                   |                |              |
| Potash                 |   | 47           | 47           | (4)            | 43              | (32)                    | 11  | (1)                 | 10                                      | 159                               | 4              |              |
| Kaolin                 | 36  | 6            | 42           | (2)            | 40              | (56)                    | (16)  | (3)                 | (19)                                    | 244                               | 5              |              |
| Copper                 | 75  | 17           | 92           | (1)            | 91              | (59)                    | 32  | (9)                 | 23                                      | 1,192                             | 26             |              |
|                        | <b>111</b>  | <b>70</b>    | <b>181</b>   | <b>(7)</b>     | <b>174</b>      | <b>(147)</b>            | <b>27</b>   | <b>(13)</b>         | <b>14</b>                               | <b>1,595</b>                      | <b>35</b>      |              |
| <b>Aluminum</b>        |   |              |              |                |                 |                         |   |                     |   |                                   |                |              |
| Alumina                | 116   | 30           | 146          | (4)            | 142             | (130)                   | 12  | (7)                 | 5                                       | 1,284                             | 141            |              |
| Aluminum               | 191   | 11           | 202          | (2)            | 200             | (105)                   | 95  | (11)                | 84                                      | 378                               | 5              | 64           |
| Bauxite                | 10  |              | 10           |                | 10              | (10)                    |   |                     |   | 200                               | 56             | 162          |
|                        | <b>317</b>  | <b>41</b>    | <b>358</b>   | <b>(6)</b>     | <b>352</b>      | <b>(245)</b>            | <b>107</b>  | <b>(18)</b>         | <b>89</b>                               | <b>1,862</b>                      | <b>202</b>     | <b>226</b>   |
| <b>Logistics</b>       |   |              |              |                |                 |                         |   |                     |   |                                   |                |              |
| Railroads              |   | 267          | 267          | (38)           | 229             | (161)                   | 68  | (5)                 | 63                                      | 688                               | 79             | 97           |
| Ports                  |   | 67           | 67           | (6)            | 61              | (32)                    | 29  | (2)                 | 27                                      | 255                               |                |              |
| Ships                  | 14  | 11           | 25           | (3)            | 22              | (26)                    | (4)   |                     | (4)                                     | 4                                 |                |              |
|                        | <b>14</b>   | <b>345</b>   | <b>359</b>   | <b>(47)</b>    | <b>312</b>      | <b>(219)</b>            | <b>93</b>   | <b>(7)</b>          | <b>86</b>                               | <b>947</b>                        | <b>79</b>      | <b>97</b>    |
| Others                 |   | 6            | 6            | (6)            |                 | (106)                   | (106)   |                     | (106)                                   | 114                               | 33             | 692          |
|                        | <b>2,604</b>  | <b>1,006</b> | <b>3,610</b> | <b>(165)</b>   | <b>3,445</b>    | <b>(1,869)</b>          | <b>1,576</b>                                      | <b>(171)</b>        | <b>1,405</b>                            | <b>13,375</b>                     | <b>1,302</b>   | <b>1,644</b> |

## Results by segment before eliminations (Unaudited)

|  | 2006         |            |            |            |              |              |              | Nine-month periods ended September 2006 |           |            |            |             |              |              |
|--|--------------|------------|------------|------------|--------------|--------------|--------------|---|-----------|------------|------------|-------------|--------------|--------------|
|  | Non-Ferrous  |            | Holdings   |            |              | Eliminations | Consolidated | Non-Ferrous                             |           | Holdings   |            |             | Eliminations | Consolidated |
|  | Ferrous      | Logistics  | Aluminum   | Other      | Ferrous      |              |              | Logistics                               | Aluminum  | Other      |            |             |              |              |
| <b>RESULTS</b>   |              |            |            |            |              |              |              |   |           |            |            |             |              |              |
| Operating revenues   | 11,492       | 1,017      | 44         | 2,284      | 39           | (5,076)      | 9,800        | 8,985                                   | 525       | 54         | 1,299      |             | (3,875)      | 6,009        |
| Operating expenses   | 2,002        | 177        | 1,037      | 338        | 7            | (492)        | 3,069        | 1,651                                   | 161       | 899        | 261        |             | (301)        | 2,427        |
| Depreciation and amortization  | (8,664)      | (710)      | (744)      | (1,888)    | (50)         | 5,568        | (6,488)      | (6,906)                                 | (515)     | (624)      | (1,191)    |             | 4,176        | (5,009)      |
| Goodwill impairment  | (87)         | (81)       | (5)        |            |              | (133)        | (306)        | (38)                                    | (69)      |            | (6)        | (79)        |              | (431)        |
| Provision for doubtful accounts and other receivables  | (450)        | (70)       | (51)       | (45)       | (2)          |              | (618)        | (324)                                   | (44)      | (28)       | (40)       |             |              | (1,049)      |
| <b>Operating income</b>  | <b>4,293</b> | <b>333</b> | <b>281</b> | <b>689</b> | <b>(139)</b> |              | <b>5,457</b> | <b>3,368</b>                            | <b>58</b> | <b>301</b> | <b>323</b> | <b>(79)</b> |              | <b>3,383</b> |
| Financial income   | 524          | 2          | 20         | 13         | 2            | (415)        | 146          | 306                                     | 1         | 26         | 7          | 8           | (256)        | 123          |
| Financial expenses   | (895)        | (6)        | (5)        | (125)      | (14)         | 415          | (630)        | (556)                                   | (4)       | (21)       | (35)       | 1           | 256          | (1,000)      |
| Foreign exchange gains (losses), net   | 232          | 5          | (7)        | 96         | (1)          |              | 325          | 322                                     | 7         | (16)       | 153        | (1)         |              | 791          |
| Gain (loss) on sale of investments   | 363          |            |            |            |              |              | 363          |   |           |            |            |             | 126          | 489          |
| Change in results of equity method investments and joint ventures and change in provision for losses on equity investments | 235          |            | 69         | 56         | 167          |              | 527          | 307                                     |           | 39         | 51         | 150         |              | 1,074        |
| Income taxes   | (741)        | 1          | (9)        | (131)      | (1)          |              | (881)        | (705)                                   | (1)       | (15)       | (101)      | (2)         |              | (1,605)      |
| Minority interests   | (138)        |            |            | (214)      |              |              | (352)        | (233)                                   |           | (1)        | (139)      |             |              | (525)        |
| <b>Income</b>  | <b>3,873</b> | <b>335</b> | <b>349</b> | <b>384</b> | <b>14</b>    |              | <b>4,955</b> | <b>2,809</b>                            | <b>61</b> | <b>313</b> | <b>259</b> | <b>203</b>  |              | <b>3,650</b> |
| Income classified by geographic location:  |              |            |            |            |              |              |              |   |           |            |            |             |              |              |
| North America, except United States  | 923          | 1          | 21         | 520        |              | (574)        | 891          | 963                                     |           | 32         | 253        |             | (575)        | 1,302        |
| United States  | 420          | 10         |            | 29         | 39           | (188)        | 310          | 348                                     | 3         | 3          | 163        |             | (215)        | 501          |
| Europe   | 3,890        | 523        | 13         | 1,030      |              | (1,967)      | 3,489        | 3,645                                   | 257       | 19         | 522        |             | (1,626)      | 2,755        |
| Other  | 569          | 158        |            | 190        |              | (181)        | 736          | 556                                     | 92        |            | 15         |             | (102)        | 1,387        |

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|                   |               |              |              |              |           |                |               |               |            |            |              |                |           |
|-------------------|---------------|--------------|--------------|--------------|-----------|----------------|---------------|---------------|------------|------------|--------------|----------------|-----------|
| ...le             |               |              |              |              |           |                |               |               |            |            |              |                |           |
| ...Africa/Oceania | 1,243         | 50           |              | 405          | (442)     | 1,256          | 890           | 32            |            | 292        | (332)        |                |           |
| ...a              | 3,500         | 53           | 8            | 100          | (1,230)   | 2,431          | 1,898         | 55            |            | 38         | (713)        | 1,             |           |
| ... other than    |               |              |              |              |           |                |               |               |            |            |              |                |           |
| ...n and China    | 947           | 222          | 2            | 10           | (494)     | 687            | 685           | 86            |            | 16         | (312)        |                |           |
|                   | <b>11,492</b> | <b>1,017</b> | <b>44</b>    | <b>2,284</b> | <b>39</b> | <b>(5,076)</b> | <b>9,800</b>  | <b>8,985</b>  | <b>525</b> | <b>54</b>  | <b>1,299</b> | <b>(3,875)</b> | <b>6,</b> |
| ...estic market   | 2,002         | 177          | 1,037        | 338          | 7         | (492)          | 3,069         | 1,651         | 161        | 899        | 261          | (301)          | 2,        |
|                   | <b>13,494</b> | <b>1,194</b> | <b>1,081</b> | <b>2,622</b> | <b>46</b> | <b>(5,568)</b> | <b>12,869</b> | <b>10,636</b> | <b>686</b> | <b>953</b> | <b>1,560</b> | <b>(4,176)</b> | <b>9,</b> |

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## Operating segment after eliminations (Unaudited)

|                    | Nine-month periods ended September 30, 2006 |              |               |                 |               |                   |  |                  |                               |   |              |              |  |
|--------------------|---|--------------|---------------|-----------------|---------------|-------------------|--|------------------|-------------------------------|---|--------------|--------------|--|
|                    | Export                                      | Domestic     | Total         | Value added tax | Net revenues  | Cost and expenses | Depreciation, depletion and amortization | Operating income | Property, Plant and Equipment | Addition to Property, Plant and Investments |              |              |  |
| <b>Ferrous</b>     |   |              |               |                 |               |                   |  |                  |                               |   |              |              |  |
| Iron ore           | 6,004                                       | 1,376        | 7,380         | (212)           | 7,168         | (2,877)           | 4,291                                    | (376)            | 3,915                         | 12,383                                      | 1,796        | 44           |  |
| Pellets            | 1,158                                       | 277          | 1,435         | (62)            | 1,373         | (899)             | 474                                      | (36)             | 438                           | 533   | 49           | 471          |  |
| Manganese          | 28  | 12           | 40            | (3)             | 37            | (41)              | (4)                                      | (3)              | (7)                           | 60  | 12           |              |  |
| Ferroalloys        | 243   | 118          | 361           | (31)            | 330           | (323)             | 7  | (14)             | (7)                           | 196   | 23           |              |  |
|                    | <b>7,433</b>                                | <b>1,783</b> | <b>9,216</b>  | <b>(308)</b>    | <b>8,908</b>  | <b>(4,140)</b>    | <b>4,768</b>                             | <b>(429)</b>     | <b>4,339</b>                  | <b>13,172</b>                               | <b>1,880</b> | <b>515</b>   |  |
| <b>Non ferrous</b> |   |              |               |                 |               |                   |  |                  |                               |   |              |              |  |
| Potash             |   | 100          | 100           | (6)             | 94            | (58)              | 36                                       | (16)             | 20                            | 174   | 9            |              |  |
| Kaolin             | 126   | 22           | 148           | (5)             | 143           | (119)             | 24                                       | (21)             | 3                             | 233   |              |              |  |
| Copper             | 538   | 58           | 596           | (12)            | 584           | (179)             | 405                                      | (33)             | 372                           | 1,352                                       | 109          |              |  |
|                    | <b>664</b>                                  | <b>180</b>   | <b>844</b>    | <b>(23)</b>     | <b>821</b>    | <b>(356)</b>      | <b>465</b>                               | <b>(70)</b>      | <b>395</b>                    | <b>1,759</b>                                | <b>118</b>   |              |  |
| <b>Aluminum</b>    |   |              |               |                 |               |                   |  |                  |                               |   |              |              |  |
| Alumina            | 760   | 10           | 770           | (10)            | 760           | (529)             | 231                                      | (26)             | 205                           | 1,624                                       | 263          |              |  |
| Aluminum           | 830   | 86           | 916           | (15)            | 901           | (415)             | 486                                      | (19)             | 467                           | 390   | 17           |              |  |
| Bauxite            | 21  |              | 21            |                 | 21            | (21)              |  |                  |                               | 499   | 178          | 143          |  |
|                    | <b>1,611</b>                                | <b>96</b>    | <b>1,707</b>  | <b>(25)</b>     | <b>1,682</b>  | <b>(965)</b>      | <b>717</b>                               | <b>(45)</b>      | <b>672</b>                    | <b>2,513</b>                                | <b>458</b>   | <b>143</b>   |  |
| <b>Logistics</b>   |   |              |               |                 |               |                   |  |                  |                               |   |              |              |  |
| Railroads          |   | 764          | 764           | (132)           | 632           | (378)             | 254                                      | (55)             | 199                           | 700   | 69           | 198          |  |
| Ports              | 11  | 181          | 192           | (32)            | 160           | (98)              | 62                                       | (12)             | 50                            | 222   | 6            |              |  |
| Ships              | 40  | 38           | 78            | (7)             | 71            | (81)              | (10)                                     | (2)              | (12)                          | 3   |              |              |  |
|                    | <b>51</b>                                   | <b>983</b>   | <b>1,034</b>  | <b>(171)</b>    | <b>863</b>    | <b>(557)</b>      | <b>306</b>                               | <b>(69)</b>      | <b>237</b>                    | <b>925</b>                                  | <b>75</b>    | <b>198</b>   |  |
| Others             | 41  | 27           | 68            | (4)             | 64            | (245)             | (181)                                    | (5)              | (186)                         | 1,058                                       | 119          | 834          |  |
|                    | <b>9,800</b>                                | <b>3,069</b> | <b>12,869</b> | <b>(531)</b>    | <b>12,338</b> | <b>(6,263)</b>    | <b>6,075</b>                             | <b>(618)</b>     | <b>5,457</b>                  | <b>19,427</b>                               | <b>2,650</b> | <b>1,690</b> |  |

## Operating segment after eliminations (Unaudited) (continued)

|                    | Nine-month periods ended September 30, 2005 |              |              |                 |              |                |  |                  |                                |               |              |                                 |
|--------------------|---|--------------|--------------|-----------------|--------------|----------------|--|------------------|--------------------------------|---------------|--------------|---------------------------------|
|                    | Revenues                                    |              |              |                 | Net          | Cost and       | Depreciation, depletion and amortization | operating income | Property, Plant and Equipment, | Addition to   |              |                                 |
|                    | Export                                      | Domestic     | Total        | Value added tax |              |                |  |                  |                                | revenues      | expenses     | and Property, Plant Investments |
| <b>Ferrous</b>     |   |              |              |                 |              |                |  |                  |                                |               |              |                                 |
| Iron ore           | 4,208                                       | 1,113        | 5,321        | (177)           | 5,144        | (1,890)        | 3,254                                    | (291)            | 2,963                          | 8,171         | 1,865        | 50                              |
| Pellets            | 1,167                                       | 272          | 1,439        | (60)            | 1,379        | (917)          | 462                                      | (14)             | 448                            | 453           | 36           | 579                             |
| Manganese          | 44  | 15           | 59           | (5)             | 54           | (48)           | 6  | (1)              | 5                              | 35            | 3            |                                 |
| Ferroalloys        | 261   | 138          | 399          | (37)            | 362          | (265)          | 97                                       | (13)             | 84                             | 198           | 55           |                                 |
|                    | <b>5,680</b>                                | <b>1,538</b> | <b>7,218</b> | <b>(279)</b>    | <b>6,939</b> | <b>(3,120)</b> | <b>3,819</b>                             | <b>(319)</b>     | <b>3,500</b>                   | <b>8,857</b>  | <b>1,959</b> | <b>629</b>                      |
| <b>Non ferrous</b> |   |              |              |                 |              |                |  |                  |                                |               |              |                                 |
| Potash             |   | 108          | 108          | (9)             | 99           | (61)           | 38                                       | (5)              | 33                             | 159           | 11           |                                 |
| Kaolin             | 108   | 18           | 126          | (5)             | 121          | (114)          | 7  | (19)             | (12)                           | 244           | 5            |                                 |
| Copper             | 225   | 35           | 260          | (5)             | 255          | (143)          | 112                                      | (26)             | 86                             | 1,192         | 94           |                                 |
|                    | <b>333</b>                                  | <b>161</b>   | <b>494</b>   | <b>(19)</b>     | <b>475</b>   | <b>(318)</b>   | <b>157</b>                               | <b>(50)</b>      | <b>107</b>                     | <b>1,595</b>  | <b>110</b>   |                                 |
| <b>Aluminum</b>    |   |              |              |                 |              |                |  |                  |                                |               |              |                                 |
| Alumina            | 324   | 68           | 392          | (23)            | 369          | (323)          | 46                                       | (19)             | 27                             | 1,284         | 331          |                                 |
| Aluminum           | 576   | 30           | 606          | (4)             | 602          | (288)          | 314                                      | (21)             | 293                            | 378           | 16           | 64                              |
| Bauxite            | 33  |              | 33           |                 | 33           | (31)           | 2  |                  | 2                              | 200           | 117          | 162                             |
|                    | <b>933</b>                                  | <b>98</b>    | <b>1,031</b> | <b>(27)</b>     | <b>1,004</b> | <b>(642)</b>   | <b>362</b>                               | <b>(40)</b>      | <b>322</b>                     | <b>1,862</b>  | <b>464</b>   | <b>226</b>                      |
| <b>Logistics</b>   |   |              |              |                 |              |                |  |                  |                                |               |              |                                 |
| Railroads          |   | 658          | 658          | (102)           | 556          | (376)          | 180                                      | (22)             | 158                            | 688           | 165          | 97                              |
| Ports              |   | 173          | 173          | (25)            | 148          | (91)           | 57                                       | (3)              | 54                             | 255           | 7            |                                 |
| Ships              | 41  | 35           | 76           | (7)             | 69           | (70)           | (1)                                      | (2)              | (3)                            | 4             | 1            |                                 |
|                    | <b>41</b>                                   | <b>866</b>   | <b>907</b>   | <b>(134)</b>    | <b>773</b>   | <b>(537)</b>   | <b>236</b>                               | <b>(27)</b>      | <b>209</b>                     | <b>947</b>    | <b>173</b>   | <b>97</b>                       |
| Others             | 1   | 8            | 9            | (6)             | 3            | (170)          | (167)                                    |                  | (167)                          | 114           | 34           | 692                             |
|                    | <b>6,988</b>                                | <b>2,671</b> | <b>9,659</b> | <b>(465)</b>    | <b>9,194</b> | <b>(4,787)</b> | <b>4,407</b>                             | <b>(436)</b>     | <b>3,971</b>                   | <b>13,375</b> | <b>2,740</b> | <b>1,644</b>                    |



**13 Derivative financial instruments**

Volatility of interest rates, exchange rates and commodity prices are the main market risks to which we are exposed all three are managed through derivative operations. These have the exclusive aim of reducing exposure to risk. We do not contract derivatives for speculative purposes.

We monitor and evaluate our derivative positions on a regular basis and adjust our strategy in response to market conditions. We also periodically review the credit limits and credit worthiness of our counter-parties in these transactions. In view of the policies and practices established for operations with derivatives, management considers the occurrence of non-measurable risk situations as unlikely.

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<br/>(* )</b> | <b>Gold</b> | <b>Alumina</b> | <b>Aluminum</b> | <b>Copper<br/>(* )</b> | <b>Total</b> |
|--|---------------------------------------|----------------------------|-------------|----------------|-----------------|------------------------|--------------|
| Unrealized gains<br>(losses) at July 1, 2006                   | (1)                                   | 2                          | (61)        | (74)           | (178)           |                        | (312)        |
| Financial settlement   |                                       |                            | 5           | 11             | 12              |                        | 28           |
| Unrealized gains<br>(losses) in the period                     |                                       | 33                         | 5           | 2              | 32              | 3                      | 75           |
| Effect of exchange rate<br>changes                             |                                       |                            |             |                |                 |                        |              |
| <b>Unrealized gains<br/>(losses) at<br/>September 30, 2006</b> | <b>(1)</b>                            | <b>35</b>                  | <b>(51)</b> | <b>(61)</b>    | <b>(134)</b>    | <b>3</b>               | <b>(209)</b> |
| Unrealized gains<br>(losses) at April 1, 2006                  | (3)                                   | 1                          | (58)        | (73)           | (163)           |                        | (296)        |
| Financial settlement   | 1                                     |                            | 4           | 13             | 15              |                        | 33           |
| Unrealized gains<br>(losses) in the period                     | 1                                     | 1                          | (7)         | (15)           | (31)            |                        | (51)         |
| Effect of exchange rate<br>changes                             |                                       |                            |             | 1              | 1               |                        | 2            |
| <b>Unrealized gains<br/>(losses) at June 30,<br/>2006</b>      | <b>(1)</b>                            | <b>2</b>                   | <b>(61)</b> | <b>(74)</b>    | <b>(178)</b>    |                        | <b>(312)</b> |
| Unrealized gains<br>(losses) at July 1, 2005                   | (9)                                   | 2                          | (30)        | (22)           | (54)            |                        | (113)        |
| Financial settlement   |                                       | (1)                        | 3           | 7              | 7               |                        | 16           |
| Unrealized gains<br>(losses) in the period                     | 2                                     |                            | (8)         | (13)           | (47)            |                        | (66)         |

|  |            |           |             |             |              |          |              |
|--|------------|-----------|-------------|-------------|--------------|----------|--------------|
| Effect of exchange rate changes                        |            |           | (2)         | (2)         | (5)          |          | (9)          |
| <b>Unrealized gains (losses) at September 30, 2005</b> | <b>(7)</b> | <b>1</b>  | <b>(37)</b> | <b>(30)</b> | <b>(99)</b>  |          | <b>(172)</b> |
| Unrealized gains (losses) at January 1, 2006           | (4)        | 1         | (46)        | (53)        | (157)        |          | (259)        |
| Financial settlement                                   | 1          |           | 13          | 38          | 41           |          | 93           |
| Unrealized gains (losses) in the period                | 2          | 34        | (14)        | (42)        | (3)          | 3        | (20)         |
| Effect of exchange rate changes                        |            |           | (4)         | (4)         | (15)         |          | (23)         |
| <b>Unrealized gains (losses) at September 30, 2006</b> | <b>(1)</b> | <b>35</b> | <b>(51)</b> | <b>(61)</b> | <b>(134)</b> | <b>3</b> | <b>(209)</b> |
| Unrealized gains (losses) at January 1, 2005           | (17)       | 4         | (37)        | (55)        | (127)        |          | (232)        |
| Financial settlement                                   | 8          | (1)       | 7           | 23          | 26           |          | 63           |
| Unrealized gains (losses) in the period                | 4          | (2)       | (2)         | 8           | 16           |          | 24           |
| Effect of exchange rate changes                        | (2)        |           | (5)         | (6)         | (14)         |          | (27)         |
| <b>Unrealized gains (losses) at September 30, 2005</b> | <b>(7)</b> | <b>1</b>  | <b>(37)</b> | <b>(30)</b> | <b>(99)</b>  |          | <b>(172)</b> |

(\*) Included as others in Other assets.

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:

|                       |               |
|-----------------------|---------------|
| Gold                  | December 2008 |
| Interest rates(LIBOR) | October 2007  |
| Currencies            | December 2011 |
| Alumina               | December 2008 |
| Aluminum              | December 2008 |
| Copper                | December 2008 |

#### **14 Acquisition of INCO (Subsequent events)**

On October 23, 2006 we acquired Inco Limited (Inco) for US\$13 billion, corresponding to 174,623,019 common shares for Cdn\$ 86.00 each share, representing 75.66% of its outstanding shares.

Our acquisition is consistent with our long-term corporate strategy and with our non-ferrous metals business strategy. It is a new step in our strategy of developing, operating and maximizing the performance of large-scale, long-life and low-cost assets.

Our acquisition will bring a better diversification to our activities by products, markets and geographic asset base contributing to reducing our business and financial risks.

Inco is a leading Canadian-based nickel company, and one of the largest nickel producer possessing the world's largest nickel reserve base.

In accordance with our stated purpose of acquiring 100% of the outstanding shares of Inco, we are taking the steps to acquire the remaining shares. Until November 3, 2006 we have already acquired 196,078,276 shares by approximately US\$15 billion, representing 86.57% of Inco's capital.

Our financial disbursement with the acquisition of 100% of Inco shares is estimated to reach approximately US\$17 billion. Most part of money is coming from a bridge loan supplied by a syndicate of banks. The bridge loan has a two-year tenor, with an interest rate of Libor plus 40 basis points during the first year and Libor plus 60 basis points during the second year.

We expect to conclude several transactions to take out the bridge loan aiming to extend our debt maturity close to the pre-acquisition level, longer than seven years.

The allocations on the purchase price to acquired assets and liabilities in the following unaudited information are based on management's preliminary internal valuation estimates. Accordingly, the purchase price allocation adjustments set forth below are preliminary and are subject to revision, which may be material.

Fair value 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 preparation of this information assumes that upon completion of the acquisition we will own 100% of Inco.

|   |               |
|---|---------------|
| Cash consideration using the US\$/Cdn.\$ exchange rate as of September 30, 2006 | 16,869        |
| Estimated transaction costs   | 32            |
| <b>Purchase price</b>   | <b>16,901</b> |
| Book value of assets acquired and liabilities assumed, net                      | (4,672)       |
| Adjustment to fair value of inventory   | (2,097)       |
| Adjustment to fair value of property, plant and equipment                       | (12,310)      |
| Change of control adjustments   | 1,145         |
| Adjustment to fair value of other liabilities assumed                           | 372           |
| Adjustment to deferred taxes  | 3,360         |
| <b>Goodwill</b>   | <b>2,699</b>  |

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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.

COMPANHIA VALE DO RIO DOCE  
(Registrant)

Date: November 13, 2006

By: /s/ Fabio de Oliveira Barbosa  
Fabio de Oliveira Barbosa  
Chief Financial Officer