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

Table of Contents

**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**
**May 2007**
**Companhia Vale do Rio Doce**
Avenida Graça Aranha, No. 26
20030-900 Rio de Janeiro, RJ, Brazil
(Address of principal executive office)

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

(Check One) Form 20-F þ Form 40-F o

(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 o No þ

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

**Table of Contents**



**This report on Form 6-K is hereby incorporated by reference into the Registration Statement on Form F-3 of Vale Overseas Limited, File No. 333-138617-01 and the Registration Statement on Form F-3 of Companhia Vale do Rio Doce, File No. 333-138617 and shall be deemed to be a part thereof from the date on which this report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.**

Table of Contents

## USGAAP FINANCIAL PAGES

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

| | March 31, 2007 (unaudited) | December 31, 2006 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 3,954 | 4,448 |
| Accounts receivable | | |
| Related parties | 811 | 675 |
| Unrelated parties | 3,032 | 2,929 |
| Loans and advances to related parties | 79 | 40 |
| Inventories | 3,177 | 3,493 |
| Deferred income tax | 439 | 410 |
| Recoverable taxes | 452 | 414 |
| Others | 477 | 531 |
| | **12,421** | **12,940** |
| Property, plant and equipment, net | **41,165** | **38,007** |
| Investments in affiliated companies and joint ventures and other investments, net of provision for losses on equity investments | **2,930** | **2,353** |
| Other assets | | |
| Goodwill on acquisition of subsidiaries | 4,881 | 4,484 |
| Loans and advances | | |
| Related parties | 2 | 5 |
| Unrelated parties | 117 | 109 |
| Prepaid pension cost | 1,033 | 977 |
| Prepaid expenses | 287 | 360 |
| Judicial deposits | 949 | 852 |
| Advances to suppliers energy | 493 | 443 |
| Recoverable taxes | 273 | 305 |
| Unrealized gain on derivative instruments | 155 | 22 |
| Others | 71 | 69 |
| | **8,261** | **7,626** |
| TOTAL | **64,777** | **60,926** |

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

Table of Contents

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

**(Continued)**

| | March 31, 2007 (unaudited) | December 31, 2006 |
|---|---|---|
| Liabilities and stockholders equity | | |
| Current liabilities | | |
| Suppliers | 2,474 | 2,382 |
| Payroll and related charges | 352 | 451 |
| Minimum annual dividends attributed to stockholders | 1,494 | 1,494 |
| Current portion of long-term debt unrelated parties | 746 | 711 |
| Short-term debt | 1,021 | 723 |
| Loans from related parties | 30 | 25 |
| Provision for income taxes | 713 | 817 |
| Taxes payable | 103 | 119 |
| Employees post-retirement benefits | 108 | 107 |
| Others | 541 | 483 |
| | **7,582** | **7,312** |
| Long-term liabilities | | |
| Employees post-retirement benefits | 1,951 | 1,841 |
| Long-term debt unrelated parties | 21,682 | 21,122 |
| Provisions for contingencies (Note 14 (c)) | 1,710 | 1,641 |
| Unrealized gain on derivative instruments | 691 | 705 |
| Deferred income tax | 4,796 | 4,527 |
| Provisions for asset retirement obligations | 662 | 676 |
| Others | 857 | 618 |
| | **32,349** | **31,130** |
| Minority interests | **2,704** | **2,811** |
| Commitments and contingencies (Note 14) | | |
| Stockholders equity | | |
| Preferred class A stock 3,600,000,000 no-par-value shares authorized and 959,758,200 issued | 4,702 | 4,702 |
| Common stock 1,800,000,000 no-par-value shares authorized and 1,499,898,858 issued | 3,806 | 3,806 |
| Treasury stock 15,170,644 preferred and 28,291,020 common shares | (389) | (389) |
| Additional paid-in capital | 498 | 498 |
| Other cumulative comprehensive deficit | (809) | (1,007) |

| | | |
|---|---|---|
| Undistributed retained earnings | 9,992 | 9,555 |
| Unappropriated retained earnings | 4,342 | 2,508 |
| | **22,142** | **19,673** |
| TOTAL | **64,777** | **60,926** |

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

**Table of Contents**

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

| | | **Three-month periods ended** | |
|---|---|---|---|
| | **March 31, 2007** | **December 31, 2006** | **March 31, 2006** |
| Operating revenues, net of discounts, returns and allowances | | | |
| Sales of ores and metals | 6,663 | 6,451 | 2,760 |
| Revenues from logistic services | 331 | 342 | 289 |
| Aluminum products | 649 | 674 | 429 |
| Other products and services | 37 | 27 | 12 |
| | **7,680** | **7,494** | **3,490** |
| Taxes on revenues | (191) | (181) | (150) |
| Net operating revenues | **7,489** | **7,313** | **3,340** |
| Operating costs and expenses | | | |
| Cost of ores and metals sold | (3,813) | (3,760) | (1,256) |
| Cost of logistic services | (188) | (204) | (174) |
| Cost of aluminum products | (369) | (392) | (257) |
| Others | (20) | (31) | (8) |
| | **(4,390)** | **(4,387)** | **(1,695)** |
| Selling, general and administrative expenses | (268) | (269) | (168) |
| Research and development | (113) | (175) | (71) |
| Others | (16) | (302) | (70) |
| | **(4,787)** | **(5,133)** | **(2,004)** |
| Operating income | **2,702** | **2,180** | **1,336** |
| Non-operating income (expenses) | | | |
| Financial income | 121 | 181 | 42 |
| Financial expenses | (659) | (708) | (213) |
| Foreign exchange and monetary gains, net | 770 | 204 | 259 |
| Gain on sale of investments | | 311 | 9 |
| | **232** | **(12)** | **97** |
| Income before income taxes, equity results and minority interests | **2,934** | **2,168** | **1,433** |
| Income taxes | | | |
| Current | (833) | (314) | (242) |
| Deferred | 191 | (237) | (53) |

| | | | |
|---|---|---|---|
| | **(642)** | **(551)** | **(295)** |
| Equity in results of affiliates and joint ventures | 138 | 183 | 156 |
| Minority interests | (213) | (227) | (123) |
| Net income | **2,217** | **1,573** | **1,171** |
| Basic and diluted earnings per Preferred Class A Share | **0.92** | **0.65** | **0.51** |
| Basic and diluted earnings per Common Share | **0.92** | **0.65** | **0.51** |
| Weighted average number of shares outstanding (thousands of shares) | | | |
| Common shares | 1,471,608 | 1,471,608 | 1,471,608 |
| Preferred Class A shares | 944,586 | 944,586 | 831,448 |

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

F-3

**Table of Contents**

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

| | Three-month periods ended | | |
|---|---|---|---|
| | March 31, 2007 | December 31, 2006 | March 31, 2006 |
| Cash flows from operating activities: | | | |
| Net income | 2,217 | 1,573 | 1,171 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | |
| Depreciation, depletion and amortization | 392 | 379 | 181 |
| Dividends received | 90 | 64 | 112 |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | (138) | (183) | (156) |
| Deferred income taxes | (191) | 237 | 53 |
| Gain on sale of investments | | (311) | (9) |
| Foreign exchange and monetary losses (gains), net | (772) | (576) | (291) |
| Unrealized derivative losses (gains), net | (85) | 94 | 44 |
| Minority interests | 213 | 227 | 123 |
| Interest payable (receivable), net | 173 | 79 | (28) |
| Others | 23 | (66) | 59 |
| Decrease (increase) in assets: | | | |
| Accounts receivable | 103 | 37 | 162 |
| Inventories | 673 | 865 | (17) |
| Others | (404) | 124 | (108) |
| Increase (decrease) in liabilities: | | | |
| Suppliers | 46 | 189 | (367) |
| Payroll and related charges | (161) | (72) | (108) |
| Income taxes | (54) | (25) | (178) |
| Others | 157 | 208 | (172) |
| Net cash provided by operating activities | **2,282** | **2,843** | **471** |
| Cash flows from investing activities: | | | |
| Loans and advances receivable | | | |
| Related parties | | | |
| Additions | | (10) | (7) |
| Repayments | 10 | | 3 |
| Others | | (49) | 48 |
| Guarantees and deposits | (32) | (17) | (23) |
| Additions to investments | (52) | (46) | (2) |
| Additions to property, plant and equipment | (1,106) | (1,781) | (855) |
| Proceeds from disposal of investments | | 405 | 14 |
| Proceeds from disposals of property, plant and equipment | | | 9 |
| Cash used to acquire subsidiaries, net cash of acquired | (2,023) | (13,195) | |
| Net cash used in investing activities | **(3,203)** | **(14,693)** | **(813)** |

| | | | |
|---|---|---|---|
| Cash flows from financing activities: | | | |
| Short-term debt, additions | 497 | 1,151 | 622 |
| Short-term debt, repayments | (206) | (670) | (572) |
| Loans | | | |
| Related parties | | | |
| Additions | 117 | | 10 |
| Repayments | (113) | (22) | (40) |
| Issuances of long-term debt | | | |
| Related parties | | 14 | |
| Others | 6,463 | 20,630 | 1,347 |
| Repayments of long-term debt | | | |
| Related parties | | | (321) |
| Others | (6,205) | (6,908) | |
| Interest attributed to stockholders | | (650) | |
| Dividends to minority interest | (61) | (9) | |
| Net cash provided by financing activities | **492** | **13,536** | **1,046** |
| Increase (decrease) in cash and cash equivalents | (429) | 1,686 | 704 |
| Effect of exchange rate changes on cash and cash equivalents | (65) | (129) | (101) |
| Cash and cash equivalents, beginning of period | 4,448 | 2,891 | 1,041 |
| Cash and cash equivalents, end of period | **3,954** | **4,448** | **1,644** |
| Cash paid during the period for: | | | |
| Interest on short-term debt | (1) | (1) | (1) |
| Interest on long-term debt | (205) | (252) | (94) |
| Income tax | (606) | (121) | (187) |
| Non-cash transactions | | | |
| Income tax paid with credits | (119) | (25) | (30) |
| Interest capitalized | (22) | (30) | (31) |

The accom panying notes are an integral part of this condensed consolidated financial inform ation.

F-4

Table of Contents

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

| | | Three-month periods ended | |
|---|---|---|---|
| | **March 31, 2007** | **December 31, 2006** | **March 31, 2006** |
| Preferred class A stock (including six special shares) | | | |
| Beginning of the period | 4,702 | 4,702 | 2,150 |
| Capital increase | | | 2,552 |
| End of the period | **4,702** | **4,702** | **4,702** |
| Common stock | | | |
| Beginning and end of the period | 3,806 | 3,806 | 3,806 |
| Treasury stock | | | |
| Beginning and end of the period | **(389)** | **(389)** | **(88)** |
| Additional paid-in capital | | | |
| Beginning and end of the period | **498** | **498** | **498** |
| Other cumulative comprehensive deficit | | | |
| Cumulative translation adjustments | | | |
| Beginning of the period | (1,631) | (1,922) | (2,856) |
| Change in the period | (98) | 291 | 850 |
| End of the period | **(1,729)** | **(1,631)** | **(2,006)** |
| Unrealized gain on available-for-sale securities | | | |
| Beginning of the period | 271 | 130 | 127 |
| Change in the period | 315 | 141 | 5 |
| End of the period | **586** | **271** | **132** |
| Superavit (deficit) accrued pension plan | | | |
| Beginning of the period | 353 | | |
| Change in the period | (9) | 460 | |
| Initial recognition effect | | (107) | |
| End of the period | **344** | **353** | |
| Cash flow hedge | | | |
| Change in the period | (10) | | |
| End of the period | **(10)** | | |
| Total other cumulative comprehensive deficit | **(809)** | **(1,007)** | **(1,874)** |
| Undistributed retained earnings | | | |
| Beginning of the period | 9,555 | 4,706 | 4,357 |

| | | | |
|---|---|---|---|
| Transfer from unappropriated retained earnings | 437 | 4,849 | 330 |
| End of the period | **9,992** | **9,555** | **4,687** |
| Unappropriated retained earnings | | | |
| Beginning of the period | 2,508 | 7,349 | 3,983 |
| Net income | 2,217 | 1,573 | 1,171 |
| Dividends and interest attributed to stockholders | | | |
| Preferred class A stock | | (585) | |
| Common stock | | (923) | |
| Appropriation to reserves | (383) | (4,906) | (330) |
| End of the period | **4,342** | **2,508** | **4,824** |
| Total stockholders equity | **22,142** | **19,673** | **16,555** |
| Preferred class A stock (including six special shares) | 959,758,200 | 959,758,200 | 959,758,200 |
| Common stock | 1,499,898,858 | 1,499,898,858 | 1,499,898,858 |
| Treasury stock | | | |
| Beginning of the period | (43,463,536) | (43,463,536) | (28,313,936) |
| Sales | 1,872 | | |
| End of the period | **(43,461,664)** | **(43,463,536)** | **(28,313,936)** |
| | **2,416,195,394** | **2,416,193,522** | **2,431,343,122** |
| Dividends and interest attributed to stockholders (per share): | | | |
| Preferred class A stock (including six special shares) | | 0.61 | |
| Common stock | | 0.61 | |

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

Table of Contents

**Notes to the Unaudited Condensed Consolidated Interim Financial Information 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 9.

On March 31, 2007, the main operating subsidiaries we consolidate are as follows:

| Subsidiary | % ownership | % voting capital | Head office location | Principal activity |
|---|---|---|---|---|
| Alumina do Norte do Brasil S.A. Alunorte ( Alunorte ) | 57.03 | 61.74 | Brazil | Alumina |
| Alumínio Brasileiro S.A. Albras ( Albras ) | 51.00 | 51.00 | Brazil | Aluminum |
| CADAM S.A (CADAM) | 61.48 | 100.00 | Brazil | Kaolin |
| CVRD International S.A. | 100.00 | 100.00 | Swiss | Trading |
| CVRD Overseas Ltd. | 100.00 | 100.00 | Cayman Islands | Trading |
| CVRD Inco (2) | 100.00 | 100.00 | Canada | Nickel |
| Ferrovia Centro-Atlântica S. A. | 100.00 | 100.00 | Brazil | Logistics |
| Minerações Brasileiras Reunidas S.A. MBR | 89.80 | 89.80 | Brazil | Iron ore |
| Mineração Onça Puma Ltda | 100.00 | 100.00 | Brazil | Nickel |
| Log-In Logística Intermodal S.A. (4) | 100.00 | 100.00 | Brazil | Logistics |
| Pará Pigmentos S.A. ( PPSA ) | 86.17 | 85.57 | Brazil | Kaolin |
| PT International Nickel Indonesia Tbk ( PT Inco ) (3) | 61.16 | 61.16 | Indonesia | Nickel |
| Rio Doce Manganês S.A. | 100.00 | 100.00 | Brazil | Manganese and Ferroalloys |
| Rio Doce Manganèse Europe RDME | 100.00 | 100.00 | France | Ferroalloys |
| Rio Doce Manganese Norway RDMN | 100.00 | 100.00 | Norway | Ferroalloys |
| Urucum Mineração S.A. | 100.00 | 100.00 | Brazil | Iron ore, Ferroalloys and Manganese |
| Valesul Aumínio S.A. (1) | 100.00 | 100.00 | Brazil | Aluminum |

(1) Subsidiary consolidated as from July, 2006 (Note 9);

(2) Subsidiary consolidated as from October, 2006 (Note 9);

(3) Through Inco Limited; and

(4) Previously known as Navegação Vale do Rio Doce S.A. Docenave

**2 Basis of consolidation**

All majority-owned subsidiaries in which we have both share and management control are consolidated. All significant intercompany accounts and transactions are eliminated. Our variable interest entities in which we are the primary beneficiary are consolidated. Investments in unconsolidated affiliates and joint ventures are accounted for under the equity method. Included in this category are certain joint ventures in which we have majority ownership but, by force of shareholders agreements, do not have effective management control. We provide for losses on equity investments with negative stockholders equity where applicable (Note 9).

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.

Table of Contents

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

## 3 Summary of significant accounting policies

Our condensed consolidated interim financial information for the three-month periods ended March 31, 2007, December 31, 2006, and March 31, 2006 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 period ended March 31, 2007 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2007.

In preparing the condensed consolidated financial information, we are required to use estimates to account for certain assets, liabilities, revenues and expenses. Our condensed consolidated financial statements therefore include various estimates concerning the selection of useful lives of property, plant and equipment, provisions necessary for contingent liabilities, fair values assigned to assets and liabilities acquired 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$2.0478 and R$2.1342 at March 31, 2007 and December 31, 2006, 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.

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 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 reflects 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.

## 4 Recently-issued accounting pronouncements

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

Table of Contents

## 5 Major acquisitions, disposals and restructuring

In March 2007, we acquired the remaining 18% minority interest in Ferro-Gusa held by Nucor do Brasil S.A. for US$20 and it became a wholly-owned subsidiary.

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

In November 2006, we sold 5,362,928 common shares issued by Usinas Siderúrgicas Minas Gerais USIMINAS ( Usiminas ) to Nippon Steel, Votorantim Participações S/A, and Camargo Corrêa S/A, for the amount of US$176, generating a gain of US$175. We will keep 6.608.608 common shares which are bound by the current shareholders agreement of Usiminas and are necessary in order for us to be a member of the controlling shareholder group of Usiminas and the remaining 13,839,190 common shares are being object of a secondary public offering currently in place.

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

In April 2007, we concluded the acquisition of 100% of AMCI Holdings Australia Pty AMCI HÁ, a private company held in Australia, which operates and controls coal assets through joint ventures, for US$656.

## 6 Acquisition of Inco (unaudited)

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

Pursuant to the amalgamation, Inco changed its name to CVRD Inco Limited (CVRD Inco) and we now own 100.00% of share capital for which we paid US$2 billion.

In December 2006 we concluded several transactions to take out the bridge loan aiming to extend our average debt maturity close to the pre-acquisition level, which is close to ten years, as described in Note 10.

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

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

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

Table of Contents

On the preparation of this information our acquisition is of 100.00% of Inco s shares.

| | |
|---|---|
| Total disbursements | 17,023 |
| Transaction costs | 38 |
| Purchase price | **17,061** |
| Book value of assets acquired and liabilities assumed, net | (4,657) |
| Adjustment to fair value of inventory | (2,008) |
| Adjustment to fair value of property, plant and equipment | (10,309) |
| Change of control obligations | 949 |
| Adjustment to fair value of other liabilities assumed | 834 |
| Deferred taxes on the above adjustments | 2,384 |
| **Goodwill** | **4,254** |

Pro forma information considers that our acquisition of 100.00% of Inco as if it was completed at the beginning of each period.

| | **Three-month periods ended March 31, 2006** | | |
|---|---|---|---|
| | **CVRD Consolidated** | **Inco** | **Pro forma** |
| Net operating revenues | 3,340 | 1,211 | 4,551 |
| Operating costs and expenses | (2,004) | (923) | (2,927) |
| **Operating income** | **1,336** | **288** | **1,624** |
| Non-operating income | 97 | (250) | (153) |
| **Income before income taxes, equity results and minority interests** | **1,433** | **38** | **1,471** |
| Income taxes | (295) | (5) | (300) |
| **Equity in results of affiliates and joint ventures** | 156 | | 156 |
| Minority interests | (123) | (18) | (141) |
| **Net income** | **1,171** | **15** | **1,186** |

F - 9

Table of Contents

## 7 Income taxes

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

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

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

| | Three-month periods ended (unaudited) | | | | |
|---|---|---|---|---|---|
| | March 31, 2007 | | | December 31, 2006 | March 31, 2006 |
| | Brazil | Foreing | Total | | |
| Income before income taxes, equity results and minority interests | **1,601** | **1,333** | **2,934** | **2,168** | **1,433** |
| Federal income tax and social contribution expense at statutory enacted rates | (544) | (454) | (998) | (737) | (487) |
| Adjustments to derive effective tax rate: | | | | | |
| Tax benefit on interest attributed to stockholders | 103 | | 103 | 87 | 91 |
| Difference on tax rates of foreign income | | 193 | 193 | 241 | 114 |
| Difference on tax basis of equity investees | (64) | 32 | (32) | (93) | (66) |
| Tax incentives | 52 | | 52 | 47 | 32 |
| Other non-taxable gains (losses) | 45 | (5) | 40 | (96) | 21 |
| Federal income tax and social contribution expense in consolidated statements of income | **(408)** | **(234)** | **(642)** | **(551)** | **(295)** |

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

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

Effective January 1, 2007 for U.S. GAAP purposes, we adopted Financial Accounting Standards Board Interpretation No. 48 Accounting for Uncertainty in Income Taxes . This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. This interpretation also provides guidance on derecognition classification, interest and penalties, accounting in interim periods disclosure and transition. The effect of first applying the provision of this interpretation was immaterial. In applying this interpretation, our policy is to record interest and penalties associated with underpayment of income taxes as interest expense.

Table of Contents

## 8 Inventories

| | March 31, 2007 (unaudited) | December 31, 2006 |
|---|---|---|
| **Finished products** | | |
| Iron ore and pellets | 368 | 325 |
| Manganese and ferroalloys | 105 | 94 |
| Alumina | 47 | 33 |
| Aluminum | 107 | 110 |
| Kaolin | 29 | 23 |
| Copper concentrate | 17 | 5 |
| Nickel (co-products and by-products) | 1,611 | 2,046 |
| Others | 42 | 40 |
| Spare parts and maintenance supplies | 851 | 817 |
| | **3,177** | **3,493** |

F - 11

Table of Contents

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

| | March 31, 2007 | | | | Investments | | Equity Adjustments Three-month periods ended (unaudited) | | | Dividends received Three-month periods ended (unaudited) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Participation in capital (%) | | Net equity | Net income (loss) for the period | March 31, 2007 (unaudited) | December 31, 2006 | March 31, 2007 | December 31, 2006 | March 31, 2006 | March 31, 2007 | December 31, 2006 | March 31, 2006 |
| | voting | total | | | | | | | | | | |
| **Ferrous** | | | | | | | | | | | | |
| Companhia Nipo-Brasileira de Pelotização NIBRASCO (1) | 51.11 | 51.00 | 93 | 13 | 47 | 40 | 6 | 2 | 9 | | | 22 |
| Companhia Hispano-Brasileira de Pelotização HISPANOBRÁS (1) | 51.00 | 50.89 | 89 | 11 | 45 | 42 | 6 | 4 | 5 | | | 13 |
| Companhia Coreano-Brasileira de Pelotização KOBRASCO | 50.00 | 50.00 | 84 | 10 | 42 | 40 | 5 | | 9 | | 10 | |
| Companhia Ítalo-Brasileira de Pelotização ITABRASCO (1) | 51.00 | 50.90 | 76 | 8 | 39 | 37 | 4 | 3 | 4 | | | 12 |
| SAMARCO Mineração S.A. SAMARCO (2) | 50.00 | 50.00 | 689 | 120 | 397 | 370 | 60 | 66 | 39 | 50 | 25 | 25 |
| Minas da Serra Geral S.A. MSG | 50.00 | 50.00 | 47 | 1 | 24 | 25 | 1 | 2 | | | | |
| Gulf Industrial Investment Company GIIC (4) | | | | | | | | | 14 | | | |
| Others | | | | | 20 | 23 | 1 | 1 | (2) | | | |
| | | | | | **614** | **577** | **83** | **78** | **78** | **50** | **35** | **72** |
| **Logistics** | | | | | | | | | | | | |
| MRS Logística S.A | 37.23 | 40.45 | 631 | 58 | 256 | 222 | 23 | 27 | 14 | | 22 | |
| | | | | | **256** | **222** | **23** | **27** | **14** | | **22** | **-** |
| **Holdings** | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Steel** | | | | | | | | | | | | |
| Usinas Siderúrgicas de Minas Gerais S.A. USIMINAS (cost $407) (3) | | | | | 1,197 | 744 | | 50 | 26 | | 7 | |
| California Steel Industries Inc. | CSI | 50.00 | 50.00 | 330 | 1 | 165 | 175 | 1 | 4 | 15 | 11 | | 3 |
| | | | | | **1,362** | **919** | **1** | **54** | **41** | **11** | **7** | **3** |
| **Aluminum and bauxite** | | | | | | | | | | | | |
| Mineração Rio do Norte S.A. | MRN | 40.00 | 40.00 | 305 | 56 | 122 | 164 | 22 | 20 | 12 | 29 | | 37 |
| Valesul Alumínio S.A. | VALESUL (5) | 100.00 | 100.00 | | | | | | | 4 | | | |
| | | | | | **122** | **164** | **22** | **20** | **16** | **29** | | **37** |
| **Coal** | | | | | | | | | | | | |
| Henan Longyu Resources Co. Ltd | | 25.00 | 25.00 | 483 | 36 | 121 | 112 | 9 | 9 | 7 | | | |
| Shandong Yankuang International Company Ltd | | 25.00 | 25.00 | 92 | | 23 | 23 | | (5) | | | | |
| | | | | | | **144** | **135** | **9** | **4** | **7** | | | **-** |
| **Nickel available-for-sale investments (6)** | | | | | | | | | | | | | |
| Jubilee Mines N.L (cost $30) | | 4.87 | 4.87 | | | 90 | 79 | | | | | | |
| Lion Ore Mining International Ltd (cost $21) | | 1.80 | 1.80 | | | 67 | 45 | | | | | | |
| Mirabela Nickel Ltd (cost $12) | | 9.30 | 9.30 | | | 31 | 21 | | | | | | |
| Skye Resources Inc (cost $-18) | | 13.70 | 13.70 | | | 63 | 36 | | | | | | |
| Heron Resources Inc (cost $3) | | 9.80 | 9.80 | | | 17 | 12 | | | | | | |
| Others | | | | | | 26 | 29 | | | | | | |
| | | | | | | **294** | **222** | | | | | | **-** |
| **Other affiliates and joint ventures** | | | | | | | | | | | | | |
| Others | | | | | | **138** | **114** | | | | | | **-** |
| | | | | | | **138** | **114** | | | | | | **-** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2,060** | **1,554** | **32** | **78** | **64** | **40** | **7** | **40** |
| **Total** | **2,930** | **2,353** | **138** | **183** | **156** | **90** | **64** | **112** |

(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$ 52 and US$ 50 in 2007 and 2006, respectively;

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

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

(5) Subsidiary consolidated as from July, 2006;

(6) Investment held through Inco Limited.

Table of Contents

## 10 Long-term debt

| | Current liabilities | | Long-Term liabilities | |
|---|---|---|---|---|
| | **March 31, 2007 (unaudited)** | **December 31, 2006** | **March 31, 2007 (unaudited)** | **December 31, 2006** |
| Foreign debt | | | | |
| Loans and financing denominated in the following currencies: | | | | |
| United States dollars | 180 | 192 | 10,550 | 10,622 |
| Others | 3 | 4 | 13 | 13 |
| | | | | |
| Fixed Rate Notes US$ denominated | | 112 | 6,782 | 6,785 |
| Debt securities export sales (*) US$ denominated | 78 | 86 | 245 | 259 |
| Perpetual notes | | | 86 | 86 |
| Accrued charges | 205 | 139 | | |
| | **466** | **533** | **17,676** | **17,765** |
| Local debt | | | | |
| | | | | |
| Denominated in Long-Term Interest Rate TJLP/CDI | 17 | 16 | 1,047 | 511 |
| Denominated in General Price Index-Market (IGPM) | 21 | 20 | 1 | 1 |
| Basket of currencies | 2 | 2 | 7 | 7 |
| Non-convertible debentures | | | 2,895 | 2,774 |
| Denominated by U.S. dollars | 98 | 107 | 56 | 64 |
| Accrued charges | 142 | 33 | | |
| | **280** | **178** | **4,006** | **3,357** |
| Total | **746** | **711** | **21,682** | **21,122** |

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

The long-term portion as of March 31, 2007 falls due in the following years (unaudited):

| | |
|---|---|
| 2009 | 2,487 |
| 2010 | 287 |
| 2011 | 1,027 |
| 2012 thereafter | 17,699 |
| No due date (Perpetual notes and non-convertible debentures) | 182 |

| | |
|---|---|
| | **21,682** |

As of March 31, 2007 annual interest rates on long-term debt were as follows (unaudited):

| | |
|---|---|
| 3.1% to 5% | 11,463 |
| 5.1% to 7% | 3,656 |
| 7.1% to 9% | 5,320 |
| 9.1% to 11% | 1,740 |
| Over 11% | 158 |
| Variable (Perpetual notes) | 91 |
| | **22,428** |

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

| | | **%** |
|---|---|---|
| | **March 31, 2007** | **December 31, 2006** |
| TJLP Long-Term Interest Rate (effective rate) | 1.6 | 7.9 |
| IGP-M General Price Index-Market | 1.1 | 3.8 |
| Devaluation of United States Dollar against Real | (4.1) | (8.7) |

Table of Contents

Pursuant the acquisition of Inco we executed various financial operations through December, 2006. After the execution of transactions, we completed a the take out of the initial US$ 14.6 billion bridge loan, used to finance the Inco acquisition.

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

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

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

The last transaction involved the settlement of the bridge loan with cash and advance on export contracts, totaling US$ 2.25 billion occurred on April.

**11 Stockholders equity**

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

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

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

Both common and preferred stockholders are entitled to receive a dividend of at least 25% of annual adjusted net income based on the statutory accounting records, upon approval at the annual stockholders meeting. In the case of preferred stockholders, this dividend cannot be less than 6% of the preferred capital as stated in the statutory accounting records or, if greater, 3% of the statutory book equity value per share.

In April, 2007, we paid US$ 850 to stockholders. The distribution was made in the form of interest on stockholders equity and dividends.

In April 2007, through an Extraordinary Shareholders´ meeting the paid-in capital increased of US$4,187 million through reserves, without issue of shares. From that day the total paid-in capital is US$ 12,695 million.

Table of Contents

**Basic and diluted earnings per share (unaudited)**

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

| | Income (Numerator) (US$ million) | Weighted average (Thousands) (Denominator) | Basic and diluted per-share amount (US$ per share) |
|---|---|---|---|
| Net income for the three-month period ended March 31, 2007 | 2,217 | | |
| Income available to preferred stockholders | 867 | 944,586 | 0.92 |
| Income available to common stockholders | 1,350 | 1,471,608 | 0.92 |
| Net income for the three-month period ended December 31, 2006 | 1,573 | | |
| Income available to preferred stockholders | 615 | 944,586 | 0.65 |
| Income available to common stockholders | 958 | 1,471,608 | 0.65 |
| Net income for the three-month period ended March 31, 2006 | 1,171 | | |
| Income available to preferred stockholders | 423 | 831,448 | 0.51 |
| Income available to common stockholders | 748 | 1,471,608 | 0.51 |

There are no securities outstanding with generate a dilutive effect on earnings per shares.

## 12 Other Cumulative Comprehensive income (deficit) (unaudited)

| | Three-month periods ended | | |
|---|---|---|---|
| | March 31, 2007 | December 31, 2006 | March 31, 2006 |
| Comprehensive income is comprised as follows: | | | |
| Net income | 2,217 | 1,573 | 1,171 |
| Cumulative translation adjustments | (98) | 291 | 850 |
| Unrealized gain (loss) on available-for-sale securities | 315 | 141 | 5 |
| Superavit (deficit) accrued pension plan | (9) | (107) | |
| Cash flow hedge | (10) | | |
| Total comprehensive income | **2,415** | **1,898** | **2,026** |

Taxes effect on other comprehensive income (expense) allocated to each component

| | | |
|---|---|---|
| Unrealized gain on investments available-for-sales | | |
| Tax (expense) benefit | (306) | (124) |
| Net effect | 586 | 271 |
| Superavit (deficit) accrued pension plan | | |
| Tax (expense) benefit | (184) | (187) |
| Net effect | 344 | 353 |

**13 Pension costs (unaudited)**

| | | | | | | | | | Three-month periods ended |
|---|---|---|---|---|---|---|---|---|---|
| | March 31, 2007 | | | December 31, 2006 | | | March 31, 2006 | | |
| | **Overfunded pension plans** | **Underfunded pension plans** | **Underfunded other benefits** | **Overfunded pension plans** | **Underfunded pension plans** | **Underfunded other benefits** | **Overfunded pension plans** | **Underfunded pension plans** | **Underfunded other benefits** |
| Service cost benefits earned during the period | 1 | 14 | 4 | 2 | 14 | 4 | 1 | | |
| Interest cost on projected benefit obligation | 46 | 48 | 16 | 82 | 56 | 18 | 40 | 6 | 2 |
| Expected return on assets | (86) | (55) | | (131) | (56) | | (64) | (2) | |
| Amortization of initial transitory obligation | 2 | | | 4 | | | 2 | | |
| Net deferral | (2) | | | (10) | | | (4) | | |
| **Net periodic pension cost** | **(39)** | **7** | **20** | **(53)** | **14** | **22** | **(25)** | **4** | **2** |

We previously disclosed in our consolidated financial statements for the year ended December 31, 2007, that we expected to contribute US$ 238 to our defined benefit pension plan in 2007. As of March 31, 2007, contribution of US$ 66 had been made. We do not expect any significant change in our previous estimate.

Table of Contents

## 14 Commitments and contingencies

**(a)** At March 31, 2007, we had extended guarantees for borrowings obtained by affiliates in the amount of US$ 3, as follows:

| Affiliate | Amount of guarantee | Denominated currency | Purpose | Final maturity | Counter 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.

**(b)** We provided a guarantee covering certain termination payments to the supplier under an electricity supply agreement ( ESA ) entered into in October 2004 for our Goro nickel-cobalt development project in New Caledonia. The amount of the termination payments guaranteed depends upon a number of factors. If Goro defaults under the ESA, the termination payment could reach up to an amount of 131 million euros as at March 31, 2007. Once the supply of electricity under the ESA to the project begins, the guaranteed amounts will decrease over the life of the ESA.

Additionally, in connection with the Girardin Financing, a special tax-advantage lease financing sponsored by the French Government related with this project we provided certain guarantees pursuant to which we guaranteed, in certain events of default, payments up to a maximum amount of US$ 100.

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

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

| | March 31, 2007 | | December 31, 2006 | |
|---|---|---|---|---|
| | **Provision for contingencies** | **Judicial deposits** | **Provision for contingencies** | **Judicial deposits** |
| Labor and social security claims | 402 | 288 | 378 | 234 |
| Civil claims | 278 | 132 | 260 | 117 |
| Tax related actions | 1,005 | 528 | 972 | 500 |
| Others | 25 | 1 | 31 | 1 |
| | **1,710** | **949** | **1,641** | **852** |

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 and return of land.

Tax related actions principally comprise our challenges of certain revenue taxes, value added tax, income tax and uncertain tax position FIN 48. Uncertain tax position generated provisions in the amount of US$ 808 and US$ 784 at March 31, 2007 and December 31, 2006.

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

Our judicial deposits are made as required by the courts for us to be able to enter or continue a

Table of Contents

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 March 31, 2007, December 31, 2006 and March 31, 2006 aggregated US$ 48, US$ 424 and US$ 603, respectively, and additional provisions aggregated US$ 45, US$ 439 and US$ 416, respectively, classified in other operating expenses.

In addition to the contingencies for which we have made provisions we are defending claims which in our opinion, and based on the advice of our legal counsel, the likelihood of loss is possible losses, which total US$ 1,506 at March 31, 2007, for which no provision has been made.

**(d)** 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.

On April 2007 we paid as remuneration of these debentures the amounts of $6.

**(e)** 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 March 31, 2007, US$ 37 of environmental liabilities and asset retirement obligations was classified in current liabilities (Others).

The changes are demonstrated as follows:

| | **Three-month periods ended (unaudited)** | | |
|---|---|---|---|
| | **March 31, 2007** | **December 31, 2006** | **March 31, 2006** |
| **Provisions for asset retirement obligations beginning of period** | **676** | **258** | **225** |
| Liability recognized upon consolidation of Inco | | 178 | |
| Accretion expense | 12 | 186 | 6 |
| Liabilities settled in the current period | (3) | (4) | |
| Revisions in estimated cash flows | | 59 | |
| Cumulative translation adjustment | 14 | (1) | 17 |
| **Provisions for asset retirement obligations end of period** | **699** | **676** | **248** |

Table of Contents

## 15 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, Southern and South transportation systems, including railroads, ports and terminals, as they pertain to our mining operations. Manganese mining and ferroalloys are also included in this segment.

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

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

Holdings divided into the following sub-groups:

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

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

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

F - 18

Table of Contents

Consolidated net income and principal assets are reconciled as follows:

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

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | **As of and for the three-mont** | |
| | | **March 31, 2007** | | | | | | | | **December 31, 2006** | | | | | |
| | | **Holdings** | | | | | | | | **Holdings** | | | | | |
| **Non ferrous** | **Logistics** | **Aluminum** | **Others** | **Eliminations** | **Consolidated** | **Ferrous** | **Non ferrous** | **Logistics** | **Aluminum** | **Others** | **Eliminations** | **Consolidated** | **Ferrous** | **Non ferrous** | **Logistics** |
| 3,482 | 14 | 813 | 22 | (2,204) | 6,542 | 4,237 | 3,182 | 23 | 841 | 15 | (1,953) | 6,345 | 3,303 | 180 | 16 |
| 109 | 331 | 159 | | (231) | 1,138 | 736 | 100 | 336 | 136 | | (159) | 1,149 | 536 | 55 | 294 |
| (2,564) | (220) | (697) | (20) | 2,435 | (4,473) | (3,340) | (2,591) | (226) | (709) | (6) | 2,112 | (4,760) | (2,577) | (161) | (230) |
| (59) | (2) | | (36) | | (113) | (36) | (85) | (5) | | (49) | | (175) | (22) | (25) | (1) |
| (149) | (25) | (20) | (1) | | (392) | (182) | (149) | (25) | (21) | (2) | | (379) | (134) | (19) | (14) |
| **819** | **98** | **255** | **(35)** | | **2,702** | **1,415** | **457** | **103** | **247** | **(42)** | | **2,180** | **1,106** | **30** | **65** |
| 83 | 2 | 4 | 25 | (521) | 121 | 265 | 95 | 8 | 7 | | (194) | 181 | 161 | | 8 |
| (160) | (2) | (14) | (1) | 521 | (659) | (646) | (80) | (3) | (169) | (4) | 194 | (708) | (276) | (2) | (2) |
| (8) | (3) | 45 | 1 | | 770 | (26) | 209 | (4) | 23 | 2 | | 204 | 126 | 58 | (11) |
| | | | | | | 80 | | | | 231 | | 311 | 9 | | |
| | 23 | 22 | 10 | | 138 | 77 | | 27 | 20 | 59 | | 183 | 78 | | 14 |
| (200) | (3) | (45) | | | (642) | (235) | (251) | (9) | (56) | | | (551) | (246) | | (3) |
| (88) | (2) | (102) | | | (213) | (19) | (190) | | (18) | | | (227) | (67) | | |
| **446** | **113** | **165** | | | **2,217** | **911** | **240** | **122** | **54** | **246** | | **1,573** | **891** | **86** | **71** |
| 376 | 6 | 203 | | (217) | 668 | 326 | 437 | 9 | 206 | | (249) | 729 | 271 | 1 | 6 |
| 650 | | 69 | 22 | (79) | 757 | 86 | 440 | | 66 | 15 | (49) | 558 | 104 | 3 | |
| 551 | 3 | 348 | | (734) | 1,541 | 1,575 | 497 | 6 | 316 | | (700) | 1,694 | 1,150 | 95 | 6 |
| 111 | | 44 | | (103) | 246 | 198 | 60 | 1 | 73 | | (58) | 274 | 183 | 4 | |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 526 | | 149 | | (214) | 886 | 536 | 473 | | 143 | | (220) | 932 | 362 | 29 | |
| 268 | 4 | | | (695) | 1,239 | 1,281 | 446 | 8 | 26 | | (486) | 1,275 | 956 | 10 | 3 |
| 1,000 | 1 | | | (162) | 1,205 | 235 | 828 | (1) | 11 | | (190) | 883 | 277 | 38 | 1 |
| **3,482** | **14** | **813** | **22** | **(2,204)** | **6,542** | **4,237** | **3,181** | **23** | **841** | **15** | **(1,952)** | **6,345** | **3,303** | **180** | **16** |
| 109 | 331 | 159 | | (231) | 1,138 | 736 | 100 | 336 | 136 | | (159) | 1,149 | 536 | 55 | 294 |
| **3,591** | **345** | **972** | **22** | **(2,435)** | **7,680** | **4,973** | **3,281** | **359** | **977** | **15** | **(2,111)** | **7,494** | **3,839** | **235** | **310** |

Table of Contents

**Operating segment after eliminations (Disaggregated)**

| | As of and for the three-month periods ended (unaudited) March 31, 2007 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Revenues | | | | | | | | | | | |
| | Export | Domestic | Total | Value added tax | Net revenues | Cost and expenses | Net | Depreciation, depletion and amortization | Operating income | Property, Plant and Equipment, Net | Addition to Property, Plant and Equipment | Investments |
| **Ferrous** | | | | | | | | | | | | |
| Iron ore | 1,975 | 475 | 2,450 | (72) | 2,378 | (800) | 1,578 | (173) | 1,405 | 13,747 | 347 | 44 |
| Pellets | 508 | 106 | 614 | (23) | 591 | (409) | 182 | (18) | 164 | 709 | 10 | 570 |
| Manganese | 3 | 3 | 6 | (1) | 5 | (9) | (4) | (1) | (5) | 65 | | |
| Ferroalloys | 94 | 43 | 137 | (11) | 126 | (107) | 19 | (4) | 15 | 172 | 3 | |
| | **2,580** | **627** | **3,207** | **(107)** | **3,100** | **(1,325)** | **1,775** | **(196)** | **1,579** | **14,693** | **360** | **614** |
| **Non ferrous** | | | | | | | | | | | | |
| Nickel and other products (*) | 3,185 | 43 | 3,228 | | 3,228 | (2,333) | 895 | (126) | 769 | 18,588 | 434 | 294 |
| Potash | | 32 | 32 | (2) | 30 | (21) | 9 | (5) | 4 | 187 | 6 | |
| Kaolin | 42 | 8 | 50 | (2) | 48 | (50) | (2) | (7) | (9) | 280 | 31 | |
| Copper concentrate | 121 | 25 | 146 | (5) | 141 | (77) | 64 | (11) | 53 | 1,482 | 40 | |
| | **3,348** | **108** | **3,456** | **(9)** | **3,447** | **(2,481)** | **966** | **(149)** | **817** | **20,537** | **511** | **294** |
| **Aluminum** | | | | | | | | | | | | |
| Alumina | 243 | | 243 | (3) | 240 | (175) | 65 | (11) | 54 | 1,941 | 70 | |
| Aluminum | 324 | 72 | 396 | (15) | 381 | (179) | 202 | (9) | 193 | 435 | 15 | |
| Bauxite | 10 | | 10 | | 10 | (10) | | | | 687 | 44 | 122 |
| | **577** | **72** | **649** | **(18)** | **631** | **(364)** | **267** | **(20)** | **247** | **3,063** | **129** | **122** |
| **Logistics** | | | | | | | | | | | | |
| Railroads | | 242 | 242 | (41) | 201 | (111) | 90 | (21) | 69 | 748 | 8 | 256 |
| Ports | 3 | 63 | 66 | (12) | 54 | (38) | 16 | (3) | 13 | 837 | 7 | |
| Ships | 11 | 12 | 23 | (2) | 21 | (23) | (2) | (2) | (4) | 52 | 8 | |
| | **14** | **317** | **331** | **(55)** | **276** | **(172)** | **104** | **(26)** | **78** | **1,637** | **23** | **256** |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Others | 23 | 14 | 37 | (2) | 35 | (53) | (18) | (1) | (19) | 1,235 | 83 | 1,644 |
| | **6,542** | **1,138** | **7,680** | **(191)** | **7,489** | **(4,395)** | **3,094** | **(392)** | **2,702** | **41,165** | **1,106** | **2,930** |

(*) Includes the product nickel co-products and by products (copper, precious metals, cobalt and others).

Table of Contents

**Operating segment after eliminations (Disaggregated)**

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

| | Revenues | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Export** | **Domestic** | **Total** | **Value added tax** | **Net revenues** | **Cost and expenses** | **Net** | **Depreciation, depletion and amortization** | **Operating income** | **Property, Plant and Equipment, Net** | **Addition to Property, Plant and Equipment** | **Investments** |
| **Ferrous** | | | | | | | | | | | | |
| Iron ore | 2,163 | 484 | 2,647 | (59) | 2,588 | (1,183) | 1,405 | (152) | 1,253 | 13,235 | 820 | 48 |
| Pellets | 432 | 112 | 544 | (24) | 520 | (311) | 209 | (17) | 192 | 593 | 61 | 529 |
| Manganese | 11 | 4 | 15 | | 15 | (56) | (41) | (1) | (42) | 65 | 7 | |
| Ferroalloys | 99 | 48 | 147 | (12) | 135 | (120) | 15 | (5) | 10 | 186 | 11 | |
| | **2,705** | **648** | **3,353** | **(95)** | **3,258** | **(1,670)** | **1,588** | **(175)** | **1,413** | **14,079** | **899** | **577** |
| **Non ferrous** | | | | | | | | | | | | |
| Nickel and other products (*) | 2,786 | 16 | 2,802 | | 2,802 | (2,267) | 535 | (124) | 411 | 17,193 | 483 | 222 |
| Potash | | 43 | 43 | (2) | 41 | (26) | 15 | (7) | 8 | 178 | 7 | |
| Kaolin | 62 | 8 | 70 | (4) | 66 | (63) | 3 | (6) | (3) | 249 | 19 | |
| Copper concentrate | 152 | 31 | 183 | (8) | 175 | (67) | 108 | (16) | 92 | 1,386 | 41 | |
| | **3,000** | **98** | **3,098** | **(14)** | **3,084** | **(2,423)** | **661** | **(153)** | **508** | **19,006** | **550** | **222** |
| **Aluminum** | | | | | | | | | | | | |
| Alumina | 338 | | 338 | 2 | 340 | (238) | 102 | (13) | 89 | 1,805 | 170 | |
| Aluminum | 263 | 65 | 328 | (14) | 314 | (143) | 171 | (7) | 164 | 415 | 26 | |
| Bauxite | 8 | | 8 | | 8 | (8) | | | | 609 | 95 | 164 |
| | **609** | **65** | **674** | **(12)** | **662** | **(389)** | **273** | **(20)** | **253** | **2,829** | **291** | **164** |
| **Logistics** | | | | | | | | | | | | |
| Railroads | | 247 | 247 | (45) | 202 | (110) | 92 | (17) | 75 | 720 | 26 | 222 |
| Ports | 4 | 65 | 69 | (12) | 57 | (39) | 18 | (4) | 14 | 222 | 6 | |
| Ships | 12 | 14 | 26 | (1) | 25 | (16) | 9 | (3) | 6 | 45 | 2 | |
| | **16** | **326** | **342** | **(58)** | **284** | **(165)** | **119** | **(24)** | **95** | **987** | **34** | **222** |
| Others | 15 | 12 | 27 | (2) | 25 | (107) | (82) | (7) | (89) | 1,106 | 7 | 1,168 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **6,345** | **1,149** | **7,494** | **(181)** | **7,313** | **(4,754)** | **2,559** | **(379)** | **2,180** | **38,007** | **1,781** | **2,353** |

(*) Includes the product nickel co-products and by products (copper, precious metals, cobalt and others).

Table of Contents

**Operating segment after eliminations (Disaggregated)**

| | As of and for the three-month periods ended (unaudited) March 31, 2006 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Revenues | | | | | | | | | | | |
| | Export | Domestic | Total | Value added tax | Net revenues | Cost and expenses | Net | Depreciation, depletion and amortization | Operating income | Property, Plant and Equipment, Net | Addition to Property, Plant and Equipment | Investments |
| **Ferrous** | | | | | | | | | | | | |
| Iron ore | 1,633 | 367 | 2,000 | (57) | 1,943 | (860) | 1,083 | (113) | 970 | 11,404 | 591 | 43 |
| Pellets | 375 | 87 | 462 | (19) | 443 | (295) | 148 | (12) | 136 | 480 | 7 | 592 |
| Manganese | 8 | 3 | 11 | (1) | 10 | (7) | 3 | (1) | 2 | 60 | 8 | |
| Ferroalloys | 71 | 35 | 106 | (9) | 97 | (84) | 13 | (4) | 9 | 198 | | |
| | **2,087** | **492** | **2,579** | **(86)** | **2,493** | **(1,246)** | **1,247** | **(130)** | **1,117** | **12,142** | **606** | **635** |
| **Non ferrous** | | | | | | | | | | | | |
| Potash | | 22 | 22 | (1) | 21 | (14) | 7 | (2) | 5 | 178 | 6 | |
| Kaolin | 41 | 7 | 48 | (3) | 45 | (41) | 4 | (6) | (2) | 242 | | |
| Copper concentrate | 90 | 21 | 111 | (5) | 106 | (53) | 53 | (8) | 45 | 1,286 | 35 | |
| | **131** | **50** | **181** | **(9)** | **172** | **(108)** | **64** | **(16)** | **48** | **1,706** | **41** | |
| **Aluminum** | | | | | | | | | | | | |
| Alumina | 150 | 10 | 160 | (2) | 158 | (138) | 20 | (8) | 12 | 1,428 | 61 | |
| Aluminum | 247 | 13 | 260 | (2) | 258 | (112) | 146 | (6) | 140 | 382 | 1 | 67 |
| Bauxite | 9 | | 9 | | 9 | (9) | | | | 356 | 48 | 151 |
| | **406** | **23** | **429** | **(4)** | **425** | **(259)** | **166** | **(14)** | **152** | **2,166** | **110** | **218** |
| **Logistics** | | | | | | | | | | | | |
| Railroads | | 214 | 214 | (39) | 175 | (114) | 61 | (16) | 45 | 674 | 26 | 183 |
| Ports | | 54 | 54 | (9) | 45 | (31) | 14 | (3) | 11 | 237 | 1 | |
| Ships | 14 | 7 | 21 | (1) | 20 | (25) | (5) | (1) | (6) | 3 | | |
| | **14** | **275** | **289** | **(49)** | **240** | **(170)** | **70** | **(20)** | **50** | **914** | **27** | **183** |
| Others | 2 | 10 | 12 | (2) | 10 | (40) | (30) | (1) | (31) | 1,021 | 71 | 784 |
| | **2,640** | **850** | **3,490** | **(150)** | **3,340** | **(1,823)** | **1,517** | **(181)** | **1,336** | **17,949** | **855** | **1,820** |

Table of Contents

## 16 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.

For new derivative contracts entered into since January 1, 2007, to protect against commodity prices on 80% aluminum product sales over the next two years we have designated such derivatives (forwards and zero-cost collars) as cash flow hedges. The effect of hedge accounting was not relevant to date.

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

| | **Interest rates (LIBOR)** | **Currencies** | **Gold** | **Aluminum Products** | **Copper** | **Nickel** | **Platinum** | **Total** |
|---|---|---|---|---|---|---|---|---|
| Unrealized gains (losses) at January 1, 2007 | 6 | (16) | (53) | (318) | (298) | 16 | (20) | (683) |
| Financial settlement | (3) | 5 | 12 | 29 | 38 | (12) | | 69 |
| Unrealized gains (losses) in the period | (1) | 160 | (3) | 8 | (49) | (24) | (6) | 85 |
| Effect of exchange rate changes | | 4 | (2) | (12) | 3 | | | (7) |
| **Unrealized gains (losses) at March 31, 2007** | **2** | **153** | **(46)** | **(293)** | **(306)** | **(20)** | **(26)** | **(536)** |
| Unrealized gains (losses) at October 1, 2006 | (1) | 35 | (51) | (195) | 3 | | | (209) |
| Gain (Loss) recognized upon consolidation of Inco | 4 | 9 | | | (364) | 62 | (22) | (311) |
| Financial settlement | | (6) | 7 | 22 | | (88) | | (65) |
| Unrealized gains (losses) in the period | 3 | (54) | (8) | (142) | 63 | 42 | 2 | (94) |
| Effect of exchange rate changes | | | (1) | (3) | | | | (4) |
| | **6** | **(16)** | **(53)** | **(318)** | **(298)** | **16** | **(20)** | **(683)** |

| | | | | | |
|---|---|---|---|---|---|
| **Unrealized gains (losses) at December 31, 2006** | | | | | |
| Unrealized gains (losses) at January 1, 2006 | (4) | 1 | (46) | (210) | (259) |
| Financial settlement | | | 4 | 28 | 32 |
| Unrealized gains (losses) in the period | 1 | | (12) | (33) | (44) |
| Effect of exchange rate changes | | | (4) | (21) | (25) |
| **Unrealized gains (losses) at March 31, 2006** | **(3)** | **1** | **(58)** | **(236)** | **(296)** |

Except as described above 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) | December 2011 |
| Currencies | December 2011 |
| Products Aluminum | December 2008 |
| Copper concentrate | December 2008 |
| Nickel | April 2009 |
| Platinum | December 2008 |

**Table of Contents**

## 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: May 9, 2007

By: /s/ Fabio de Oliveira Barbosa

Fabio de Oliveira Barbosa
Chief Financial Officer