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Companhia Vale do Rio Doce  
Form 6-K  
May 18, 2006

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**United States  
Securities and Exchange Commission  
Washington, D.C. 20549  
FORM 6-K**

**Report of Foreign Private Issuer  
Pursuant To Rule 13a-16 or 15d-16**

**of the  
Securities Exchange Act of 1934**

For the month of  
May 2006

**Companhia Vale do Rio Doce**  
(Translation of Registrant's name into English)  
Avenida Graça Aranha, No. 26  
20005-900 Rio de Janeiro, RJ, Brazil  
(Address of principal executive office)

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

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

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

(Check One) Yes  No

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

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**COMPANHIA VALE DO RIO DOCE  
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**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. 333-110867-01 and the Registration Statement on Form F-3 of Companhia Vale do Rio Doce, File No. 333-110867 and shall be deemed to be a part thereof from the date on which this report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.**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****Condensed Consolidated Balance Sheets**  
**Expressed in millions of United States dollars**

|  | <b>March<br/>31, 2006<br/>(Unaudited)</b> | <b>December<br/>31, 2005</b> |
|--|---|------------------------------|
| Assets   |   |                              |
| Current assets   |   |                              |
| Cash and cash equivalents  | 1,644                                     | 1,041                        |
| Accounts receivable  |   |                              |
| Related parties  | 209                                       | 159                          |
| Unrelated parties  | 1,377                                     | 1,490                        |
| Loans and advances to related parties  | 27  | 22                           |
| Inventories  | 1,313                                     | 1,142                        |
| Deferred income tax  | 273                                       | 186                          |
| Recoverable taxes  | 410                                       | 362                          |
| Others   | 394                                       | 373                          |
|  | <b>5,647</b>                              | <b>4,775</b>                 |
| Property, plant and equipment, net   | <b>17,949</b>                             | <b>14,166</b>                |
| Investments in affiliated companies and joint ventures and other investments, net<br>of provision for losses on equity investments | <b>1,820</b>                              | <b>1,672</b>                 |
| Other assets   |   |                              |
| Goodwill on acquisition of subsidiaries  | 591                                       | 548                          |
| Loans and advances   |   |                              |
| Related parties  | 11  | 4                            |
| Unrelated parties  | 65  | 61                           |
| Prepaid pension cost   | 362                                       | 308                          |
| Judicial deposits  | 634                                       | 568                          |
| Advances to suppliers - energy   | 366                                       | 311                          |
| Others   | 316                                       | 231                          |
|  | <b>2,345</b>                              | <b>2,031</b>                 |
| <b>TOTAL</b>   | <b>27,761</b>                             | <b>22,644</b>                |

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

**(Continued)**

|  | <b>March<br/>31, 2006<br/>(Unaudited)</b> | <b>December<br/>31, 2005</b> |
|--|---|------------------------------|
| Liabilities and stockholders' equity   |   |                              |
| Current liabilities  |   |                              |
| Suppliers  | 789                                       | 1,110                        |
| Payroll and related charges  | 128                                       | 229                          |
| Current portion of long-term debt - unrelated parties  | 1,217                                     | 1,218                        |
| Short-term debt  | 67  | 15                           |
| Loans from related parties   | 38  | 62                           |
| Provision for income taxes   | 116                                       | 244                          |
| Taxes payable  | 56  | 53                           |
| Others   | 420                                       | 394                          |
|  | <b>2,831</b>                              | <b>3,325</b>                 |
| Long-term liabilities  |   |                              |
| Employees post-retirement benefits   | 251                                       | 241                          |
| Long-term debt - unrelated parties   | 4,740                                     | 3,714                        |
| Loans from related parties   | 1   | 1                            |
| Provisions for contingencies (Note 10 (b))   | 1,218                                     | 1,286                        |
| Unrealized loss on derivative instruments  | 297                                       | 260                          |
| Deferred income tax  | 266                                       | 2                            |
| Provisions for environmental liabilities   | 248                                       | 225                          |
| Others   | 430                                       | 395                          |
|  | <b>7,451</b>                              | <b>6,124</b>                 |
| Minority interests   | <b>924</b>                                | <b>1,218</b>                 |
| Stockholders' equity   |   |                              |
| Preferred class A stock - 1,800,000,000<br>no-par-value shares authorized and 479,879,100 issued | 4,702                                     | 2,150                        |
| Common stock - 900,000,000 no-par-value<br>shares authorized and 749,949,429 issued              | 3,806                                     | 3,806                        |
| Treasury stock - 11,458 preferred and 14,145,510 common shares                                   | (88)                                      | (88)                         |
| Additional paid-in capital   | 498                                       | 498                          |
| Other cumulative comprehensive deficit   | (1,874)                                   | (2,729)                      |
| Appropriated retained earnings   | 4,687                                     | 4,357                        |
| Unappropriated retained earnings   | 4,824                                     | 3,983                        |
|  | <b>16,555</b>                             | <b>11,977</b>                |

|       |  |               |               |
|-------|--|---------------|---------------|
| TOTAL |  | <b>27,761</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>March</b>   | <b>Three-month periods ended</b> |                 |
|---|----------------|----------------------------------|-----------------|
|   | <b>31,</b>     | <b>March 31,</b>                 | <b>December</b> |
|   | <b>2006</b>    | <b>2005</b>                      | <b>31,</b>      |
|   |                |                                  | <b>2005</b>     |
| Operating revenues, net of discounts, returns and allowances      |                |                                  |                 |
| Sales of ores and metals  | 2,760          | 1,748                            | 3,055           |
| Revenues from logistic services                                   | 289            | 232                              | 309             |
| Aluminum products   | 429            | 346                              | 377             |
| Other products and services                                       | 12             | 2                                | 5               |
|   | <b>3,490</b>   | <b>2,328</b>                     | <b>3,746</b>    |
| Taxes on revenues   | (150)          | (115)                            | (148)           |
| Net operating revenues  | <b>3,340</b>   | <b>2,213</b>                     | <b>3,598</b>    |
| Operating costs and expenses                                      |                |                                  |                 |
| Cost of ores and metals sold                                      | (1,256)        | (912)                            | (1,372)         |
| Cost of logistic services   | (174)          | (143)                            | (205)           |
| Cost of aluminum products   | (257)          | (191)                            | (250)           |
| Others  | (8)            | (1)                              | (2)             |
|   | <b>(1,695)</b> | <b>(1,247)</b>                   | <b>(1,829)</b>  |
| Selling, general and administrative expenses                      | (168)          | (113)                            | (175)           |
| Research and development  | (71)           | (34)                             | (85)            |
| Employee profit sharing plan                                      | (28)           | (17)                             | (32)            |
| Others  | (42)           | (7)                              | (16)            |
|   | <b>(2,004)</b> | <b>(1,418)</b>                   | <b>(2,137)</b>  |
| Operating income  | <b>1,336</b>   | <b>795</b>                       | <b>1,461</b>    |
| Non-operating income (expenses)                                   |                |                                  |                 |
| Financial income  | 42             | 29                               | 31              |
| Financial expenses  | (213)          | (92)                             | (201)           |
| Foreign exchange and monetary gains (losses), net                 | 259            | (2)                              | (166)           |
| Gain on sale of investments                                       | 9              |                                  |                 |
|   | <b>97</b>      | <b>(65)</b>                      | <b>(336)</b>    |
| Income before income taxes, equity results and minority interests | <b>1,433</b>   | <b>730</b>                       | <b>1,125</b>    |
| Income taxes  |                |                                  |                 |
| Current   | (242)          | (160)                            | (92)            |
| Deferred  | (53)           | 47                               | 36              |

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|   |              |              |              |
|---|--------------|--------------|--------------|
|   | <b>(295)</b> | <b>(113)</b> | <b>(56)</b>  |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | 156          | 133          | 213          |
| Minority interests  | (123)        | (52)         | (86)         |
| Net income  | <b>1,171</b> | <b>698</b>   | <b>1,196</b> |
| Basic and diluted earnings per Preferred Class A Share  | <b>1.02</b>  | <b>0.61</b>  | <b>1.04</b>  |
| Basic and diluted earnings per Common Share   | <b>1.02</b>  | <b>0.61</b>  | <b>1.04</b>  |
| Weighted average number of shares outstanding (thousands of shares)   |              |              |              |
| Common shares   | 735,804      | 735,804      | 735,804      |
| Preferred Class A shares  | 415,724      | 415,716      | 415,716      |

*See notes to condensed consolidated financial statements.*

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

|   | <b>Three-month periods ended</b> |                           |                              |
|---|----------------------------------|---------------------------|------------------------------|
|   | <b>March<br/>31,<br/>2006</b>    | <b>March 31,<br/>2005</b> | <b>December<br/>31, 2005</b> |
| Cash flows from operating activities:   |                                  |                           |                              |
| Net income  | 1,171                            | 698                       | 1,196                        |
| Adjustments to reconcile net income to cash provided by operating activities:                               |                                  |                           |                              |
| Depreciation, depletion and amortization  | 181                              | 129                       | 183                          |
| Dividends received  | 112                              | 69                        | 136                          |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | (156)                            | (133)                     | (213)                        |
| Deferred income taxes   | 53                               | (47)                      | (36)                         |
| Provisions for contingencies  | 13                               | 2                         | 18                           |
| Gain on sale of investments   | (9)                              |                           |                              |
| Foreign exchange and monetary losses (gains)  | (291)                            | 27                        | 235                          |
| Unrealized derivative losses, net   | 44                               | (5)                       | 126                          |
| Minority interests  | 123                              | 52                        | 86                           |
| Interest payable, net   | (28)                             | (2)                       | 14                           |
| Others  | 46                               | (18)                      | (62)                         |
| Decrease (increase) in assets:  |                                  |                           |                              |
| Accounts receivable   | 162                              | (92)                      | (133)                        |
| Inventories   | (17)                             | (20)                      | (24)                         |
| Others  | (108)                            | (74)                      | 63                           |
| Increase (decrease) in liabilities:   |                                  |                           |                              |
| Suppliers   | (367)                            | 45                        | 113                          |
| Payroll and related charges   | (108)                            | (35)                      | 40                           |
| Income taxes  | (178)                            | (79)                      | (229)                        |
| Others  | (172)                            | (86)                      | 3                            |
| <b>Net cash provided by operating activities</b>  | <b>471</b>                       | <b>431</b>                | <b>1,516</b>                 |
| Cash flows from investing activities:   |                                  |                           |                              |
| Loans and advances receivable   |                                  |                           |                              |
| Related parties   |                                  |                           |                              |
| Additions   | (7)                              |                           | 1                            |
| Repayments  | 3                                | 3                         | 62                           |
| Others  | 48                               | 1                         |                              |
| Guarantees and deposits   | (23)                             | (17)                      | (7)                          |
| Additions to investments  | (2)                              | (1)                       | (12)                         |
| Additions to property, plant and equipment  | (855)                            | (661)                     | (1,237)                      |
| Proceeds from disposal of investments   | 14                               |                           |                              |
| Proceeds from disposals of property, plant and equipment  | 9                                | 2                         | 12                           |
| Cash used to acquire subsidiaries, net of cash acquired   |                                  |                           | (737)                        |
| <b>Net cash used in investing activities</b>  | <b>(813)</b>                     | <b>(673)</b>              | <b>(1,918)</b>               |

|  |              |              |              |
|--|--------------|--------------|--------------|
| Cash flows from financing activities:                        |              |              |              |
| Short-term debt, net issuances (repayments)                  | 50           | 21           | (129)        |
| Loans  |              |              |              |
| Related parties  |              |              |              |
| Additions  | 10           | 4            | 3            |
| Repayments   | (40)         | (17)         |              |
| Issuances of long-term debt                                  |              |              |              |
| Related parties  |              | 4            |              |
| Others   | 1,347        | 235          | 1,386        |
| Repayments of long-term debt                                 | (321)        | (156)        | (140)        |
| Interest attributed to stockholders                          |              |              | (800)        |
| <b>Net cash provided by financing activities</b>             | <b>1,046</b> | <b>91</b>    | <b>320</b>   |
| Increase (decrease) in cash and cash equivalents             | 704          | (151)        | (82)         |
| Effect of exchange rate changes on cash and cash equivalents | (101)        | 24           | (112)        |
| Cash and cash equivalents, beginning of period               | 1,041        | 1,249        | 1,235        |
| <b>Cash and cash equivalents, end of period</b>              | <b>1,644</b> | <b>1,122</b> | <b>1,041</b> |
| Cash paid during the period for:                             |              |              |              |
| Interest on short-term debt                                  | (1)          |              | (8)          |
| Interest on long-term debt                                   | (94)         | (82)         | (55)         |
| Income tax   | (187)        | (79)         | (29)         |
| Non-cash transactions  |              |              |              |
| Income tax paid with credits                                 | (30)         | (27)         | (65)         |
| Interest capitalized   | (31)         | (15)         | (52)         |

*See notes to condensed consolidated financial statements.*

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**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>March 31,</b> | <b>Three-month periods ended</b> |                     |
|--|------------------|----------------------------------|---------------------|
|  | <b>2006</b>      | <b>March 31, 2005</b>            | <b>December 31,</b> |
|  |                  |                                  | <b>2005</b>         |
| Preferred class A stock (including three special shares) |                  |                                  |                     |
| Beginning of the period                                  | 2,150            | 1,176                            | 2,150               |
| Capital increase (Note 5)                                | 2,552            |                                  |                     |
| End of the period  | <b>4,702</b>     | <b>1,176</b>                     | <b>2,150</b>        |
| Common stock   |                  |                                  |                     |
| Balance March 31, 2006, 2005 and December 31, 2005       | <b>3,806</b>     | <b>2,121</b>                     | <b>3,806</b>        |
| Treasury stock   |                  |                                  |                     |
| Beginning and end of the period                          | <b>(88)</b>      | <b>(88)</b>                      | <b>(88)</b>         |
| Additional paid-in capital                               |                  |                                  |                     |
| Beginning and end of the period                          | <b>498</b>       | <b>498</b>                       | <b>498</b>          |
| Other cumulative comprehensive deficit                   |                  |                                  |                     |
| Cumulative translation adjustments                       |                  |                                  |                     |
| Beginning of the period                                  | (2,856)          | (3,869)                          | (2,269)             |
| Change in the period                                     | 850              | (22)                             | (587)               |
| End of the period  | <b>(2,006)</b>   | <b>(3,891)</b>                   | <b>(2,856)</b>      |
| Unrealized gain on available-for-sale securities         |                  |                                  |                     |
| Beginning of the period                                  | 127              | 95                               | 164                 |
| Change in the period                                     | 5                | 21                               | (37)                |
| End of the period  | <b>132</b>       | <b>116</b>                       | <b>127</b>          |
| Total other cumulative comprehensive deficit             | <b>(1,874)</b>   | <b>(3,775)</b>                   | <b>(2,729)</b>      |
| Appropriated retained earnings                           |                  |                                  |                     |
| Beginning of the period                                  | 4,357            | 4,143                            | 1,936               |
| Transfer from retained earnings                          | 330              | (17)                             | 2,421               |
| End of the period  | <b>4,687</b>     | <b>4,126</b>                     | <b>4,357</b>        |
| Unappropriated retained earnings                         |                  |                                  |                     |
| Beginning of the period                                  | 3,983            | 3,315                            | 6,008               |

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|   |               |              |               |
|---|---------------|--------------|---------------|
| Net income  | 1,171         | 698          | 1,196         |
| Dividends and interest attributed to stockholders       |               |              |               |
| Preferred class A stock                                 |               |              | (289)         |
| Common stock  |               |              | (511)         |
| Appropriation to reserves                               | (330)         | 17           | (2,421)       |
| End of the period                                       | <b>4,824</b>  | <b>4,030</b> | <b>3,983</b>  |
| Total stockholders' equity                              | <b>16,555</b> | <b>8,088</b> | <b>11,977</b> |
| Comprehensive income is comprised as follows:           |               |              |               |
| Net income  | 1,171         | 698          | 1,196         |
| Cumulative translation adjustments                      | 850           | (22)         | (587)         |
| Unrealized gain (loss) on available-for-sale securities | 5             | 21           | (37)          |
| Total comprehensive income                              | <b>2,026</b>  | <b>697</b>   | <b>572</b>    |

**Shares**

|  |                      |                      |                      |
|--|----------------------|----------------------|----------------------|
| Preferred class A stock (including three special shares) |                      |                      |                      |
| (1)  | <b>479,879,100</b>   | <b>415,727,739</b>   | <b>415,727,739</b>   |
| Common stock   | <b>749,949,429</b>   | <b>749,949,429</b>   | <b>749,949,429</b>   |
| Treasury stock (2)                                       |                      |                      |                      |
| Beginning of the period                                  | (14,156,968)         | (14,157,461)         | (14,157,313)         |
| Sales  |                      | 136                  | 345                  |
| End of the period  | <b>(14,156,968)</b>  | <b>(14,157,325)</b>  | <b>(14,156,968)</b>  |
|  | <b>1,215,671,561</b> | <b>1,151,519,843</b> | <b>1,151,520,200</b> |

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

|  |      |
|--|------|
| Preferred class A stock (including three special shares)   | 0.70 |
| Common stock   | 0.70 |
| (1) Increase of<br>64,151,361<br>preferred shares<br>due to merger of<br>shares from<br>Caemi.   |      |
| (2) As of March 31,<br>2006,<br>14,145,510<br>common shares<br>and 11,458<br>preferred shares<br>were held in<br>treasury in the<br>amount of<br>US\$88. The |      |

14,145,510  
common shares  
are provided as  
collateral to  
secure a loan of  
our subsidiary  
Alunorte.

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

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**Table of Contents****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. Alunorte ( Alunorte ) | 57                 | 61                      | Brazil                      | Alumina                             |
| Alumínio Brasileiro S.A. Albras ( Albras )            | 51                 | 51                      | Brazil                      | Aluminum                            |
| CADAM S.A (CADAM) (1) (3)                             | 61 (37)            | 100                     | Brazil                      | Kaolin                              |
| CVRD Overseas Ltd.                                    | 100                | 100                     | Cayman Islands              | Trading                             |
| Ferrovia Centro-Atlântica S. A.                       | 100                | 100                     | Brazil                      | Logistics                           |
| CVRD International S.A. (4)                           | 100                | 100                     | Swiss                       | Trading                             |
| Minerações Brasileiras Reunidas S.A. MBR (2) (3)      | 90 (56)            | 90                      | Brazil                      | Iron ore                            |
| Mineração Onça Puma Ltda                              | 99                 | 99                      | Brazil                      | Nickel                              |
| Navegação Vale do Rio Doce S.A. DOCENAVE              | 100                | 100                     | Brazil                      | Shipping                            |
| Pará Pigmentos S.A. (1) (3)                           | 82 (76)            | 86                      | Brazil                      | Kaolin                              |
| Rio Doce International Finance Ltd. RDIF              | 100                | 100                     | Bahamas                     | International finance               |
| 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                         |
| Salobo Metais S.A.                                    | 100                | 100                     | Brazil                      | Copper                              |
| Urucum Mineração S.A.                                 | 100                | 100                     | Brazil                      | Iron ore, Ferroalloys and Manganese |

(1) Through Caemi Mineração e Metalurgia S.A.. CVRD holds 100% of the voting and total capital.

(2) Through Caemi Mineração e Metalurgia S.A. and Belém Administrações e Participações Ltda.

(3)

The participation in parenthesis refers to the interest before the merger of shares from Caemi on March, 2006.

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

## **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 (Note 8).

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 March

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31, 2006, December 31, 2005 and March 31, 2005 is unaudited. However, in our opinion, such condensed consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for interim periods. The results of operations for the three-month periods ended March 31, 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\$2.1724 and R\$2.3370 at March 31, 2006 and December 31, 2005, respectively to US\$1.00 or the first available exchange rate if exchange on December 31, was not available), and all accounts in the statements of income (including amounts relative to 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 April 2006, the FASB issued FIN 46R-(6), *Determining the variability to be considered in applying FASB Interpretation No. 46(R)*, which addresses how a reporting enterprise should determine the variability to be considered in applying FASB Interpretation No. 46. We will apply this statement as applicable in fiscal periods beginning after July 15, 2006.

In March 2006, the FASB issued FAS 156, *Accounting for servicing of financial assets*, which amends FASB Statements No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. This Statement addresses the accounting for separately recognized servicing assets and servicing liabilities. We will apply this statement as applicable in fiscal periods beginning after September 15, 2006.

In February 2006, the FASB issued FAS 155, *Accounting for certain hybrid financial instruments*, which amends FASB Statements No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, *Application of Statement 133 to Beneficial Interests in Securitized Financial Assets*. We will apply this statement as applicable in fiscal periods beginning after September 15, 2006.

### **5 Major acquisitions and disposals during the years presented**

At an Extraordinary Shareholders' Meeting on March 31, 2006, the Capital Stock increased by US\$2,552, corresponding to 64,151,361 preferred shares, due to the issuance of shares in relation to the acquisition of the outstanding minority interest in Caemi.

Pro forma information with respect to our acquisition of the 39.77% preferred shares of Caemi, totaling 100% of total interest, in March 2006 is shown:



|   | March 31, 2006      |              |                     | March 31, 2005 |                     |              | Three-month periods ended<br>December 31, 2005 |              |  |
|---|---------------------|--------------|---------------------|----------------|---------------------|--------------|--|--------------|--|
|   | Caemi               |              |                     | Caemi          |                     |              | Caemi  |              |  |
|   | -                   |              | -                   |                | -                   |              | -  |              |  |
|   | Merger              | Pro<br>Forma | Merger              | Pro<br>Forma   | Merger              | Pro<br>Forma | Merger   | Pro<br>Forma |  |
|   | (89.77%)(unaudited) |              | (89.77%)(unaudited) |                | (89.77%)(unaudited) |              | (89.77%)(unaudited)                            |              |  |
|   | -                   | -            | -                   | -              | -                   | -            | -  | -            |  |
| Income before<br>minority<br>interests        | 1,323               | 1,323        | 750                 | 750            | 1,282               | 1,282        |  |              |  |
| Minority<br>interests                         | (123) 54            | (69)         | (52) 22             | (30)           | (86) 86             | 0            |  |              |  |
| Net income                                    | <b>1,200 54</b>     | <b>1,254</b> | <b>698 22</b>       | <b>720</b>     | <b>1,196 86</b>     | <b>1,282</b> |  |              |  |
| Outstanding<br>shares<br>(thousands)          | 1,151,520           | 1,215,672    | 1,151,520           | 1,215,672      | 1,151,520           | 1,215,672    |  |              |  |
| Basic and<br>diluted<br>earnings per<br>share | 1.04                | 1.03         | 0.61                | 0.59           | 1.04                | 1.05         |  |              |  |

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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, 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:

|   | <b>Three-month periods ended</b> |              |                 |
|---|----------------------------------|--------------|-----------------|
|   | <b>March</b>                     | <b>March</b> | <b>December</b> |
|   | <b>31,</b>                       | <b>31,</b>   | <b>31, 2005</b> |
|   | <b>2006</b>                      | <b>2005</b>  | <b>2005</b>     |
| Income before income taxes, equity results and minority interests                       | <b>1,433</b>                     | <b>730</b>   | <b>1,125</b>    |
| Federal income tax and social contribution expense at statutory enacted rates           | (487)                            | (248)        | (383)           |
| Adjustments to derive effective tax rate:   |                                  |              |                 |
| Tax benefit on interest attributed to stockholders                                      | 91                               | 54           | 72              |
| Exempt foreign income (loss)  | 114                              | 46           | 346             |
| Difference on tax basis of equity investees   | (66)                             | (4)          | (28)            |
| Tax incentives  | 32                               | 22           | (26)            |
| Other non-taxable gains (losses)  | 21                               | 17           | (37)            |
| Federal income tax and social contribution expense in consolidated statements of income | <b>(295)</b>                     | <b>(113)</b> | <b>(56)</b>     |

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.

**7 Inventories**

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|                                      | <b>March<br/>31,<br/>2006</b> | <b>December<br/>31,<br/>2005</b> |
|--------------------------------------|-------------------------------|----------------------------------|
| Finished products                    |                               |                                  |
| Iron ore and pellets                 | 329                           | 271                              |
| Manganese and ferroalloys            | 136                           | 151                              |
| Alumina                              | 30                            | 22                               |
| Aluminum                             | 59                            | 52                               |
| Kaolin                               | 20                            | 18                               |
| Others                               | 52                            | 28                               |
| Spare parts and maintenance supplies | 687                           | 600                              |
|                                      | <b>1,313</b>                  | <b>1,142</b>                     |

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Table of Contents**8 Investments in affiliated companies and joint ventures**

|   | March 31, 2006                               |       | Investments |                                  | Equity Adjustments        |            |           | Dividends received        |            |           |           |            |
|---|--|-------|-------------|----------------------------------|---------------------------|------------|-----------|---------------------------|------------|-----------|-----------|------------|
|   |  |       |             |                                  | Three-month periods ended |            |           | Three-month periods ended |            |           |           |            |
|   | Participation in capital (%)<br>voting total |       | Net equity  | Net income (loss) for the period | March 31,                 | March 31,  | March 31, | March 31,                 | March 31,  | March 31, |           |            |
|   |  |       |             |                                  | 2006                      | 2005       | 2005      | 2005                      | 2005       | 2005      |           |            |
| <b>Ferrous</b>  |  |       |             |                                  |                           |            |           |                           |            |           |           |            |
| Companhia Nipo-Brasileira de Pelotização NIBRASCO (1)       | 51.11  | 51.00 | 101         | 18                               | 52                        | 60         | 9         | 2                         | 13         | 22        | 16        |            |
| Companhia Hispano-Brasileira de Pelotização HISPANOBRÁS (1) | 51.00  | 50.89 | 62          | 10                               | 31                        | 37         | 5         | 2                         | 4          | 13        | 1         |            |
| Companhia Coreano-Brasileira de Pelotização KOBRASCO        | 50.00  | 50.00 | 63          | 19                               | 31                        | 41         | 9         | 3                         | 6          |           |           |            |
| Companhia Ítalo-Brasileira de Pelotização ITABRASCO (1)     | 51.00  | 50.90 | 55          | 8                                | 28                        | 33         | 4         | 1                         | 2          | 12        |           |            |
| Gulf Industrial Investment Company GIIC                     | 50.00  | 50.00 | 151         | 28                               | 76                        | 62         | 14        | 12                        | 18         |           | 20        |            |
| SAMARCO Mineração S.A. SAMARCO (2)                          | 50.00  | 50.00 | 694         | 78                               | 374                       | 335        | 39        | 34                        | 85         | 25        | 20        | 95         |
| Minas da Serra Geral S.A. MSG                               | 50.00  | 50.00 | 46          |                                  | 23                        | 21         |           |                           |            |           |           |            |
| Others  |  |       |             |                                  | 20                        | 25         | (2)       | (2)                       |            |           |           |            |
|   |  |       |             |                                  | <b>635</b>                | <b>614</b> | <b>78</b> | <b>52</b>                 | <b>128</b> | <b>72</b> | <b>21</b> | <b>131</b> |
| <b>Logistics</b>  |  |       |             |                                  |                           |            |           |                           |            |           |           |            |
| MRS Logística S.A   | 37.23  | 40.45 | 424         | 45                               | 183                       | 109        | 14        | 10                        | 15         |           | 5         |            |
|   |  |       |             |                                  | <b>183</b>                | <b>109</b> | <b>14</b> | <b>10</b>                 | <b>15</b>  |           | <b>5</b>  |            |

**Holdings****Steel**

Usinas

Siderúrgicas de

Minas Gerais S.A.

USIMINAS (4)

22.99 11.46 2,858 228 328 281 26 42 41

California Steel

Industries Inc. CSI 50.00 50.00 344 30 172 161 15 11 6 3 20

SIDERAR (cost

\$15) available for

sale investments

(4) 4.85 4.85 147 142

**647 584 41 53 47 3 20****Aluminum and****bauxite**

Mineração Rio do

Norte S.A. MRN 40.00 40.00 378 29 151 178 12 15 15 37 28

Valesul Alumínio

S.A. VALESUL 54.51 54.51 123 8 67 58 4 3 (1)

**218 236 16 18 14 37 28****Coal**

Henan Longyu

Resources Co. Ltd 25.00 25.00 411 27 103 96 7 9

Shandong

Yankuang

International

Company Ltd(3) 25.00 25.00 86 22 22

**125 118 7 9****Other affiliates  
and joint ventures**

Others

**12 11****12 11****1,002 949 64 71 70 40 48****Total****1,820 1,672 156 133 213 112 69 136**

(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\$49 and US\$46 in 2006 and 2005, respectively;
- (3) Preoperating investment;
- (4) The quoted market value of Usiminas is equal to US\$996 and Siderar is equal to US\$147.

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**Table of Contents****9 Pension costs**

|  | <b>Three-month periods ended</b> |                           |                              |
|--|----------------------------------|---------------------------|------------------------------|
|  | <b>March<br/>31,<br/>2006</b>    | <b>March<br/>31, 2005</b> | <b>December<br/>31, 2005</b> |
| Service cost – benefits earned during the period | 1                                |                           |                              |
| Interest cost on projected benefit obligation    | 46                               | 56                        | 61                           |
| Expected return on assets                        | (66)                             | (69)                      | (75)                         |
| Amortization of initial transitory obligation    | 2                                | 3                         | 3                            |
| Net deferral                                     | (4)                              | (4)                       | (5)                          |
| <b>Net periodic pension cost</b>                 | <b>(21)</b>                      | <b>(14)</b>               | <b>(16)</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\$74, US\$57 and US\$68, at March 31, 2006, March 31, 2005 and December 31, 2005, respectively, plus US\$5, US\$4 and US\$5, respectively, in current liabilities.

The cost recognized for the three-month periods ended March 31, 2006, March 31, 2005, and December 31, 2005 relative to the defined contribution element of the New Plan was US\$2, US\$2 and US\$3, 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 March 31, 2006, US\$10 of our contributions have been made. We do not expect any significant change in our previous estimate.

**10 Commitments and contingencies**

- (a) At March 31, 2006, we had extended guarantees for borrowings obtained by affiliates and joint ventures in the amount of US\$4, as follows:

| <b>Affiliate or Joint Venture</b> | <b>Amount of<br/>guarantee</b> | <b>Denominated<br/>currency</b> | <b>Purpose</b>    | <b>Final<br/>maturity</b> | <b>Counter<br/>guarantees</b> |
|-----------------------------------|--------------------------------|---------------------------------|-------------------|---------------------------|-------------------------------|
| SAMARCO                           | 4                              | US\$                            | Debt<br>guarantee | 2008                      | None                          |
| VALESUL                           | less than 1<br>million         | R\$                             | Debt<br>guarantee | 2007                      | None                          |

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

We have not provided any significant guarantees since January 1, 2003 which would require fair value adjustments under FIN 45 – Guarantors 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.

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

|                                  | <b>March 31, 2006</b>                      |                              | <b>December 31, 2005</b>                   |                              |
|----------------------------------|--|------------------------------|--|------------------------------|
|                                  | <b>Provision<br/>for<br/>contingencies</b> | <b>Judicial<br/>deposits</b> | <b>Provision<br/>for<br/>contingencies</b> | <b>Judicial<br/>deposits</b> |
| Labor and social security claims | 247  | 153                          | 229  | 138                          |
| Civil claims                     | 239  | 111                          | 210  | 98                           |
| Tax related actions              | 705  | 367                          | 816  | 329                          |
| Others                           | 27   | 3                            | 31   | 3                            |
|                                  | <b>1,218</b>                               | <b>634</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.

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 March 31, 2006 and 2005 and December 31, 2005 aggregated US\$603, US\$4 and US\$114, respectively, and additional provisions aggregated US\$416, US\$14 and US\$141, respectively.

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\$1,110 at March 31, 2006, for which no provision has been made.

- (c) We and BNDES entered into a contract, known as the Mineral Risk Contract, in March 1997, relating to prospecting authorizations for mining regions where drilling and exploration were still in their early stages. The Mineral Risk Contract provides for the joint development of certain unexplored mineral deposits in approximately two million identified hectares of land in the Carajás region, as well as proportional participation in any financial benefits earned from the development of such resources. Iron ore and manganese deposits already identified and subject to development are specifically excluded from the Mineral Risk Contract.

Pursuant to the Mineral Risk Contract, we and BNDES agreed to provide US\$205, which represents half of the US\$410 in expenditures estimated as necessary to complete geological exploration and mineral resource development projects in the region. Under the Mineral Risk Contract, as of March 31, 2006, the remaining

contributions towards exploration and development activities totaled \$5.

The mineral contract risk in force will probably end during 2006. However, the related exploitation activities are not concluded and therefore we are negotiating with BNDES a renewal of the contract.

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- (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 March 27, 2006 we declared a distribution on these debentures in the amount of \$2, payable as from April 2, 2006.

- (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. The changes are demonstrated as follows:

|  | <b>Three-month periods ended</b> |              |                 |
|--|----------------------------------|--------------|-----------------|
|  | <b>March</b>                     | <b>March</b> | <b>December</b> |
|  | <b>31,</b>                       | <b>31,</b>   | <b>31, 2005</b> |
|  | <b>2006</b>                      | <b>2005</b>  | <b>2005</b>     |
| <b>Environmental liabilities beginning of period</b> | <b>225</b>                       | <b>134</b>   | <b>166</b>      |
| Accretion expense                                    | 6                                | 4            | 4               |
| Liabilities settled in the current period            |                                  |              | (3)             |
| Revisions in estimated cash flows                    |                                  |              | 67              |
| Cumulative translation adjustment                    | 17                               | (1)          | (9)             |
| <b>Environmental liabilities end of period</b>       | <b>248</b>                       | <b>137</b>   | <b>225</b>      |

**11 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. Our business segments are currently organized 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:

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

Steel comprises our investments in joint ventures and affiliates operating in the steel industry.

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

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

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Consolidated net income and principal assets are reconciled as follows:

**Results by segment before eliminations**

|   | March 31, 2006 |           |            |             |              | March 31, 2005 |            |           |           |              |           |            |              |             |              |          |
|---|----------------|-----------|------------|-------------|--------------|----------------|------------|-----------|-----------|--------------|-----------|------------|--------------|-------------|--------------|----------|
|   | Holdings       |           |            |             |              | Holdings       |            |           |           |              | Non       |            |              |             |              |          |
|   | Non            | Aluminum  | Other      | Eliminat    | Consolidated | Non            | Aluminum   | Other     | Eliminat  | Consolidated | Non       | Aluminum   | Other        | Eliminat    | Consolidated |          |
|   | Ferrous        | Isogisa   | Aluminum   | Other       | Consolidated | Ferrous        | Isogisa    | Aluminum  | Other     | Consolidated | Ferrous   | Isogisa    | Aluminum     | Other       | Consolidated |          |
| 3 | 180            | 16        | 590        |             | (1,449)      | 2,640          | 2,059      | 153       | 20        | 445          | (1,001)   | 1,676      | 3,670        | 262         | 21           | 4        |
| 6 | 55             | 294       | 89         | 7           | (131)        | 850            | 386        | 49        | 228       | 93           | (104)     | 652        | 546          | 52          | 316          | 8        |
| 7 | (161)          | (230)     | (510)      | (4)         | 1,580        | (1,902)        | (1,775)    | (146)     | (158)     | (396)        | 1,105     | (1,370)    | (2,751)      | (235)       | (263)        | (4)      |
| 2 | (25)           | (1)       |            | (23)        |              | (71)           | (17)       | (16)      |           | (1)          |           | (34)       | (38)         | (16)        | (3)          |          |
| 4 | (19)           | (14)      | (14)       |             |              | (181)          | (97)       | (13)      | (9)       | (10)         |           | (129)      | (134)        | (21)        | (17)         | (        |
| 6 | <b>30</b>      | <b>65</b> | <b>155</b> | <b>(20)</b> |              | <b>1,336</b>   | <b>556</b> | <b>27</b> | <b>81</b> | <b>131</b>   |           | <b>795</b> | <b>1,293</b> | <b>42</b>   | <b>54</b>    | <b>1</b> |
| 1 |                | 8         | 2          | 4           | (133)        | 42             | 69         | 1         | 8         | 2            | (51)      | 29         | 133          |             | 8            |          |
| 5 | (2)            | (2)       | (62)       | (4)         | 133          | (213)          | (129)      | (1)       | (3)       | (10)         | 51        | (92)       | (195)        | (2)         | 2            | (1)      |
| 6 | 58             | (11)      | 86         |             |              | 259            | (5)        | 3         |           |              |           | (2)        | (63)         | (51)        | 3            | (        |
| 9 |                |           |            |             |              | 9              |            |           |           |              |           |            |              |             |              |          |
| 8 |                | 14        | 16         | 48          |              | 156            | 52         |           | 10        | 18           | 53        | 133        | 128          |             | 15           |          |
| 5 |                | (3)       | (46)       |             |              | (295)          | (67)       | (2)       | (5)       | (39)         |           | (113)      | (103)        |             | (2)          | 4        |
| 7 |                |           | (56)       |             |              | (123)          | (24)       |           |           | (28)         |           | (52)       | (104)        |             |              |          |
| 1 | <b>86</b>      | <b>71</b> | <b>95</b>  | <b>28</b>   |              | <b>1,171</b>   | <b>452</b> | <b>28</b> | <b>91</b> | <b>74</b>    | <b>53</b> | <b>698</b> | <b>1,089</b> | <b>(11)</b> | <b>80</b>    | <b>1</b> |
| 1 | 1              | 6         | 131        |             | (172)        | 237            | 216        |           | 11        | 106          | (145)     | 188        | 350          |             | 13           | 6        |
| 4 | 3              |           | 3          |             | (41)         | 69             | 126        |           | 3         | 78           | (109)     | 98         | 116          | 4           | 4            | 4        |
| 0 | 95             | 6         | 288        |             | (580)        | 959            | 824        | 50        | 6         | 132          | (359)     | 653        | 1,202        | 192         | 4            | 2        |

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|          |            |            |            |          |                |              |              |            |            |            |                |              |              |            |            |
|----------|------------|------------|------------|----------|----------------|--------------|--------------|------------|------------|------------|----------------|--------------|--------------|------------|------------|
| 3        | 4          |            | 32         |          | (68)           | 151          | 124          | 38         |            | 6          | (51)           | 117          | 219          | 16         |            |
| 2        | 29         |            | 126        |          | (144)          | 373          | 192          | 6          |            | 97         | (79)           | 216          | 371          | 12         | 10         |
| 5        | 10         | 3          |            |          | (316)          | 653          | 399          | 28         |            | 26         | (174)          | 279          | 1,120        | 24         | 4          |
| 7        | 38         | 1          | 10         |          | (128)          | 198          | 178          | 31         |            |            | (84)           | 125          | 292          | 14         |            |
| <b>3</b> | <b>180</b> | <b>16</b>  | <b>590</b> |          | <b>(1,449)</b> | <b>2,640</b> | <b>2,059</b> | <b>153</b> | <b>20</b>  | <b>445</b> | <b>(1,001)</b> | <b>1,676</b> | <b>3,670</b> | <b>262</b> | <b>21</b>  |
| 5        | 55         | 294        | 89         | 7        | (131)          | 850          | 386          | 49         | 228        | 93         | (104)          | 652          | 546          | 52         | 316        |
| <b>9</b> | <b>235</b> | <b>310</b> | <b>679</b> | <b>7</b> | <b>(1,580)</b> | <b>3,490</b> | <b>2,445</b> | <b>202</b> | <b>248</b> | <b>538</b> | <b>(1,105)</b> | <b>2,328</b> | <b>4,216</b> | <b>314</b> | <b>337</b> |

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**Table of Contents****Operating income by product after eliminations**As of and for the three-month periods ended  
March 31, 2006

|                    | Revenues     |            |              | Value<br>added<br>tax | Net<br>revenues | Cost<br>and<br>expenses | Depreciation,<br>depletion<br>and<br>amortization | Operating<br>income | Addition<br>to<br>Property,<br>Plant<br>and<br>Equipment,<br>Net | Property,<br>Plant<br>and<br>Equipment,<br>Investments |            |              |
|--------------------|--------------|------------|--------------|-----------------------|-----------------|-------------------------|---|---------------------|--|--|------------|--------------|
|                    | Export       | Domestic   | Total        |                       |                 |                         |   |                     |  |  |            |              |
| <b>Ferrous</b>     |              |            |              |                       |                 |                         |   |                     |  |  |            |              |
| 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  |            |              |
|                    | <b>2,087</b> | <b>492</b> | <b>2,579</b> | <b>(86)</b>           | <b>2,493</b>    | <b>(1,246)</b>          | <b>1,247</b>                                      | <b>(130)</b>        | <b>1,117</b>   | <b>12,142</b>  | <b>606</b> | <b>635</b>   |
| <b>Non ferrous</b> |              |            |              |                       |                 |                         |   |                     |  |  |            |              |
| Potash             |              | 22         | 22           | (1)                   | 21              | (14)                    | 7   | (2)                 | 5  | 178  | 6          |              |
| Kaolin             | 41           | 7          | 48           | (3)                   | 45              | (41)                    | 4   | (6)                 | (2)  | 242  |            |              |
| Copper             | 90           | 21         | 111          | (5)                   | 106             | (53)                    | 53  | (8)                 | 45   | 1,286  | 35         |              |
|                    | <b>131</b>   | <b>50</b>  | <b>181</b>   | <b>(9)</b>            | <b>172</b>      | <b>(108)</b>            | <b>64</b>   | <b>(16)</b>         | <b>48</b>  | <b>1,706</b>   | <b>41</b>  |              |
| <b>Aluminum</b>    |              |            |              |                       |                 |                         |   |                     |  |  |            |              |
| 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          |
|                    | <b>406</b>   | <b>23</b>  | <b>429</b>   | <b>(4)</b>            | <b>425</b>      | <b>(259)</b>            | <b>166</b>  | <b>(14)</b>         | <b>152</b>   | <b>2,166</b>   | <b>110</b> | <b>218</b>   |
| <b>Logistics</b>   |              |            |              |                       |                 |                         |   |                     |  |  |            |              |
| 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  |            |              |
|                    | <b>14</b>    | <b>275</b> | <b>289</b>   | <b>(49)</b>           | <b>240</b>      | <b>(170)</b>            | <b>70</b>   | <b>(20)</b>         | <b>50</b>  | <b>914</b>   | <b>27</b>  | <b>183</b>   |
| Others             | 2            | 10         | 12           | (2)                   | 10              | (40)                    | (30)  | (1)                 | (31)   | 1,021  | 71         | 784          |
|                    | <b>2,640</b> | <b>850</b> | <b>3,490</b> | <b>(150)</b>          | <b>3,340</b>    | <b>(1,823)</b>          | <b>1,517</b>                                      | <b>(181)</b>        | <b>1,336</b>   | <b>17,949</b>  | <b>855</b> | <b>1,820</b> |

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## Operating income by product after eliminations (continued)

As of and for the three-month periods ended  
March 31, 2005

|                    | Revenues     |            | Total        | Value<br>added<br>tax | Net<br>revenues | Cost<br>and<br>expenses | Depreciation,<br>depletion<br>and<br>amortization | Operating<br>income | Addition<br>to<br>Property,<br>Plant<br>and<br>Equipment,<br>and<br>Investments | Property,<br>Plant<br>and<br>Equipment<br>Investments |            |              |
|--------------------|--------------|------------|--------------|-----------------------|-----------------|-------------------------|---|---------------------|---|---|------------|--------------|
|                    | Export       | Domestic   |              |                       |                 |                         |   |                     |   |   |            |              |
| <b>Ferrous</b>     |              |            |              |                       |                 |                         |   |                     |   |   |            |              |
| Iron ore           | 865          | 225        | 1,090        | (30)                  | 1,060           | (529)                   | 531   | (84)                | 447   | 5,768   | 461        | 41           |
| Pellets            | 267          | 74         | 341          | (11)                  | 330             | (237)                   | 93  | (3)                 | 90  | 362   | 12         | 425          |
| Manganese          | 16           | 4          | 20           | (2)                   | 18              | (9)                     | 9   |                     | 9   | 25  | 1          |              |
| Ferroalloys        | 102          | 51         | 153          | (14)                  | 139             | (82)                    | 57  | (3)                 | 54  | 156   | 7          |              |
|                    | <b>1,250</b> | <b>354</b> | <b>1,604</b> | <b>(57)</b>           | <b>1,547</b>    | <b>(857)</b>            | <b>690</b>  | <b>(90)</b>         | <b>600</b>  | <b>6,311</b>  | <b>481</b> | <b>466</b>   |
| <b>Non ferrous</b> |              |            |              |                       |                 |                         |   |                     |   |   |            |              |
| Potash             |              | 30         | 30           | (3)                   | 27              | (14)                    | 13  | (2)                 | 11  | 124   | 3          |              |
| Kaolin             | 34           | 5          | 39           | (2)                   | 37              | (20)                    | 17  | (10)                | 7   | 206   |            |              |
| Copper             | 61           | 14         | 75           | (3)                   | 72              | (40)                    | 32  | (8)                 | 24  | 949   | 26         |              |
|                    | <b>95</b>    | <b>49</b>  | <b>144</b>   | <b>(8)</b>            | <b>136</b>      | <b>(74)</b>             | <b>62</b>   | <b>(20)</b>         | <b>42</b>   | <b>1,279</b>  | <b>29</b>  |              |
| <b>Aluminum</b>    |              |            |              |                       |                 |                         |   |                     |   |   |            |              |
| Alumina            | 114          | 22         | 136          | (8)                   | 128             | (98)                    | 30  | (6)                 | 24  | 862   | 85         |              |
| Aluminum           | 191          | 9          | 200          | (1)                   | 199             | (90)                    | 109   | (4)                 | 105   | 314   | 4          | 58           |
| Bauxite            | 10           |            | 10           |                       | 10              | (9)                     | 1   |                     | 1   | 79  | 20         | 159          |
|                    | <b>315</b>   | <b>31</b>  | <b>346</b>   | <b>(9)</b>            | <b>337</b>      | <b>(197)</b>            | <b>140</b>  | <b>(10)</b>         | <b>130</b>  | <b>1,255</b>  | <b>109</b> | <b>217</b>   |
| <b>Logistics</b>   |              |            |              |                       |                 |                         |   |                     |   |   |            |              |
| Railroads          |              | 159        | 159          | (27)                  | 132             | (91)                    | 41  | (8)                 | 33  | 377   | 35         | 66           |
| Ports              |              | 46         | 46           | (9)                   | 37              | (26)                    | 11  | (1)                 | 10  | 191   | 7          |              |
| Ships              | 15           | 12         | 27           | (2)                   | 25              | (25)                    |   |                     |   | 3   |            |              |
|                    | <b>15</b>    | <b>217</b> | <b>232</b>   | <b>(38)</b>           | <b>194</b>      | <b>(142)</b>            | <b>52</b>   | <b>(9)</b>          | <b>43</b>   | <b>571</b>  | <b>42</b>  | <b>66</b>    |
| Others             | 1            | 1          | 2            | (3)                   | (1)             | (19)                    | (20)  |                     | (20)  | 125   |            | 473          |
|                    | <b>1,676</b> | <b>652</b> | <b>2,328</b> | <b>(115)</b>          | <b>2,213</b>    | <b>(1,289)</b>          | <b>924</b>  | <b>(129)</b>        | <b>795</b>  | <b>9,541</b>  | <b>661</b> | <b>1,222</b> |

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Table of Contents**Operating income by product after eliminations (continued)**As of and for the three-month periods ended  
December 31, 2005

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

**Table of Contents****12 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</b> | <b>Gold</b> | <b>Alumina</b> | <b>Aluminum</b> | <b>Total</b> |
|--|---------------------------------------|-------------------|-------------|----------------|-----------------|--------------|
| Unrealized gains (losses) at<br>January 1, 2006        | (4)                                   | 1                 | (46)        | (53)           | (157)           | (259)        |
| Financial settlement                                   |                                       |                   | 4           | 14             | 14              | 32           |
| Unrealized gains (losses) in<br>the period             | 1                                     |                   | (12)        | (29)           | (4)             | (44)         |
| Effect of exchange rate<br>changes                     |                                       |                   | (4)         | (5)            | (16)            | (25)         |
| <b>Unrealized gains (losses) at<br/>March 31, 2006</b> | <b>(3)</b>                            | <b>(*) 1</b>      | <b>(58)</b> | <b>(73)</b>    | <b>(163)</b>    | <b>(296)</b> |
| Unrealized gains (losses) at<br>January 1, 2005        | (37)                                  | (17)              | 4           | (55)           | (127)           | (232)        |
| Financial settlement                                   | 2                                     | 3                 |             | 8              | 10              | 23           |
| Unrealized gains (losses) in<br>the period             | 3                                     | 2                 | (1)         | (3)            | 4               | 5            |
| Effect of exchange rate<br>changes                     | 1                                     |                   |             |                |                 | 1            |
| <b>Unrealized gains (losses) at<br/>March 31, 2005</b> | <b>(31)</b>                           | <b>(12)</b>       | <b>3</b>    | <b>(50)</b>    | <b>(113)</b>    | <b>(203)</b> |
| Unrealized gains (losses) at<br>October 1, 2005        | (7)                                   | 1                 | (37)        | (30)           | (99)            | (172)        |
| Financial settlement                                   | 1                                     |                   | 4           | 11             | 10              | 26           |
| Unrealized gains (losses) in<br>the period             | 2                                     |                   | (16)        | (36)           | (76)            | (126)        |
| Effect of exchange rate<br>changes                     |                                       |                   | 3           | 2              | 8               | 13           |

**Unrealized gains (losses) at  
December 31, 2005** (4) (\*) 1 (46) (53) (157) (259)

(\*) Included as  
others in Other  
assets.

Unrealized gains (losses) in the period are included in our income statement under the caption of financial expenses.

Final maturity dates for the above instruments are as follows:

|                       |          |
|-----------------------|----------|
| Gold                  | Dec 2008 |
| Interest rates(LIBOR) | Oct 2007 |
| Currencies            | Dec 2011 |
| Alumina               | Dec 2008 |
| Alumínio              | Dec 2008 |

**13 Subsequent events**

- (a) 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.
- (b) On April 2006 at an Extraordinary General Shareholders Meeting it was approved a forward-stock split that involves the exchange of each share, common or preferred class A, by two post-split shares, starting on May 22, 2006. After giving effect the capital will be composed of 2,459,657,056 shares and represented by 1,499,898,858 common shares and 959,758,198 preferred class A shares.

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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: May 18, 2006

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

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