Companhia Vale do Rio Doce
Form 424B2
November 13, 2006
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The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

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Subject to Completion

Preliminary Prospectus Supplement dated November 13, 2006

PROSPECTUS SUPPLEMENT

(To prospectus dated November 13, 2006)

Vale Overseas Limited

US$ % Guaranteed Notes due 2017

US$ % Guaranteed Notes due 2036

Unconditionally Guaranteed by

Companhia Vale do Rio Doce

Vale Overseas Limited is offering US$ aggregate principal amount of its % Guaranteed Notes due January , 2017 and US$ aggregate principal amount of its % Guaranteed Notes due November , 2036. Vale Overseas will pay interest on the 2017 notes semi-annually on January and July of each year, beginning July , 2007. Vale Overseas will pay interest on the 2036 notes semi-annually on May and November of each year beginning May , 2007. Vale Overseas will pay additional amounts related to the deduction of certain withholding taxes in respect of certain payments on the notes.

Vale Overseas may redeem the notes, in whole at any time or in part from time to time, at a redemption price equal to the greater of 100% of the principal amount of the notes to be redeemed and a make whole amount described under Description of Notes Optional Redemption in this prospectus supplement plus, in each case, accrued and unpaid interest on such notes to the date of redemption. Upon the imposition of certain withholding taxes, Vale Overseas may also redeem the notes in whole, but not in part, at a price equal to 100% of their principal amount plus accrued interest to the redemption date.

The notes will be unsecured obligations of Vale Overseas and will rank equally with Vale Overseas unsecured senior indebtedness. The guaranty will rank equally in right of payment with all other unsecured and unsubordinated debt obligations of Companhia Vale do Rio Doce. The notes will be issued only in registered form in minimum denominations of US$2,000 and any integral multiple of US$1,000 in excess thereof.

Vale Overseas will apply to list the notes on the New York Stock Exchange.

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page S-15 of this prospectus supplement.

	Per Note due 2017	Per Note due 2036	Total
Public offering price[1]	%	%	US$
Underwriting discount	%	%	US$
Proceeds, before expenses, to Vale Overseas	%	%	US$

(1) Plus accrued interest from November , 2006, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through The Depository Trust Company on or about November , 2006.

Credit Suisse Securities UBS Investment Bank ABN AMRO Incorporated Santander Investment

The date of this prospectus supplement is November , 2006.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of each of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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EXCHANGE RATES

The Central Bank of Brazil allows the *real*/U.S. dollar exchange rate to float freely, and it has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank of Brazil or the Brazilian government will continue to let the *real* float freely or will intervene in the exchange rate market through a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially in the future. For more information on these risks, see the information appearing under the heading Risk Factors in this prospectus supplement.

The following table provides information on the selling exchange rate, expressed in *reais* per U.S. dollar (R$/US$), for the periods indicated. Prior to March 14, 2005, under Brazilian regulations, foreign exchange transactions were carried out on either the commercial rate exchange market or the floating rate exchange market. Rates in the two markets were generally the same. The table uses the commercial selling rate for data prior to March 14, 2005.

The following table sets forth the selling exchange rate, expressed in *reais* per U.S. dollar (R$/US$), for the periods indicated.

	Period-end	Average for Period (1)	Low	High
Year Ended December 31,				
2001	R$ 2.320	R$ 2.353	R$ 1.936	R$ 2.801
2002	3.533	2.998	2.271	3.955
2003	2.889	3.060	2.822	3.662
2004	2.654	2.917	2.654	3.205
2005	2.341	2.412	2.164	2.762
Month				
May 2006	R$ 2.301		R$ 2.059	R$ 2.371
June 2006	2.164		2.164	2.302
July 2006	2.176		2.165	2.213
August 2006	2.139		2.133	2.191
September 2006	2.174		2.128	2.219
October 2006	2.143		2.133	2.168
November 2006 (through November 10, 2006)	2.149		2.135	2.149

Source: Central Bank of Brazil

(1) Average of the rates of each period, using the average of the exchange rates on the last day of each month during each period.

On November 10, 2006, the selling rate was R$2.149 per US$1.00.

References to real, reais or R$ are to Brazilian *reais* (plural), the official currency of Brazil. References to U.S. dollars, dollars or US$ are United States dollars. References to Cdn$ are to Canadian dollars.

References to tons in this document are to metric tons.

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ENFORCEMENT OF CIVIL LIABILITIES

Brazil

Trench, Rossi e Watanabe Advogados, special Brazilian counsel for CVRD and Vale Overseas, has advised us that a final conclusive judgment for the payment of money rendered by any New York State or federal court sitting in New York City in respect of the debt securities would be recognized in the courts of Brazil and such courts would enforce such judgment without any retrial or reexamination of the merits of the original action only if such judgment has been previously ratified by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*). This ratification is available only if:

- the judgment fulfills all formalities required for its enforceability under the laws of the State of New York;
- the judgment was issued by a competent court after proper service of process on the parties, which service of process if made in Brazil must comply with Brazilian law, or after sufficient evidence of the parties absence has been given, as established pursuant to applicable law;
- the judgment is not subject to appeal;
- the judgment was authenticated by a Brazilian consulate in the State of New York;
- the judgment was translated into Portuguese by a certified sworn translator; and
- the judgment is not against Brazilian public policy, good morals or national sovereignty.

We have also been advised by Trench, Rossi e Watanabe Advogados that:

- Civil actions may be brought before Brazilian courts in connection with this prospectus based on the federal securities laws of the United States and that Brazilian courts may enforce such liabilities in such actions against CVRD (provided that provisions of the federal securities laws of the United States do not contravene Brazilian public policy, good morals or national sovereignty and provided further that Brazilian courts can assert jurisdiction over the particular action).
- The ability of a judgment creditor to satisfy a judgment by attaching certain assets of the defendant is limited by provisions of Brazilian law. In addition, a Brazilian or foreign plaintiff who resides abroad or is abroad during the course of the suit in Brazil must post a bond to cover legal fees and court expenses of the defendant, should there be no real estate assets in Brazil to assure payment thereof, except in case of execution actions or counterclaims as established under Article 836 of the Brazilian Code of Civil Procedure.

Notwithstanding the foregoing, no assurance can be given that such confirmation would be obtained, that the process described above could be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the U.S. securities laws with respect to the debt securities.

Cayman Islands

Vale Overseas has been advised by its Cayman Islands counsel, Walkers, that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will, based on the principle that a judgment by a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given, recognize and enforce a foreign judgment of a court having jurisdiction over the defendant according to Cayman Islands conflict of law rules. To be so enforced the foreign

judgment must be final and for a liquidated sum not in respect of taxes or a fine or penalty or of a kind inconsistent with a Cayman Islands judgment in respect of the same matters or obtained in a manner, and is not of a kind the enforcement of which is contrary to natural justice, statute or the public policy of the Cayman Islands. There is doubt, however, as to whether the courts of the Cayman Islands will:

- recognize or enforce judgments of U.S. courts predicated based on the civil liability provisions of the securities laws of the United States or any State thereof; or

- in original actions brought in the Cayman Islands, impose liabilities upon the civil liability provisions the securities laws of the United States or any State thereof,

in each case, on the grounds that such provisions are penal in nature.

A Cayman Islands court may stay proceedings if concurrent proceedings are being brought elsewhere.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights key information described in greater detail elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. You should read carefully the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference before making an investment decision. In this prospectus supplement, unless the context otherwise requires, references to CVRD, we, us and our refer to Companhia Vale do Rio Doce, its consolidated subsidiaries, its joint ventures and other affiliated companies, taken as a whole, and references to Vale Overseas mean Vale Overseas Limited, a wholly-owned finance subsidiary of CVRD.

Vale Overseas Limited

Vale Overseas is a finance company wholly owned by CVRD. Vale Overseas business is to issue debt securities to finance CVRD s activities. Vale Overseas was registered and incorporated as a Cayman Islands exempted company with limited liability on April 3, 2001. The issue of the notes will be the sixth borrowing by Vale Overseas.

Companhia Vale do Rio Doce

We are the world s largest producer and exporter of iron ore and pellets, the largest metals and mining company in the Americas and one of the largest private sector companies in Latin America by market capitalization. We operate large logistics systems in Brazil, including railroads and ports that are integrated with our mining operations. Directly and through affiliates and joint ventures, we have major investments in the aluminum-related, energy and steel businesses. We are investing in copper, nickel and coal exploration, and our first copper mine began operations in June 2004.

In October 2006, we acquired 75.66% of the common shares of Inco Limited (Inco), the world s second largest nickel producer, in an unsolicited cash tender offer, and have since increased our holding to 86.57%. We intend to acquire the remaining shares, and the total purchase price for all of Inco s common shares will be approximately US$16.9 billion**.** We plan to further increase our share of the world nickel market by combining Inco s pipeline of development projects with our Vermelho and Onça Puma greenfield nickel projects in Brazil.

Our main lines of business are:

- *Ferrous minerals (75% of 2005 consolidated gross operating revenues and 71.6% of consolidated gross operating revenues for the nine months ended September 30, 2006).* We operate two fully integrated world-class systems for producing and distributing iron ore (the Northern System and the Southeastern System), consisting of mines, railroads and port and terminal facilities, and a third system (the Southern System), consisting of the mines of Minerações Brasileiras Reunidas S.A. (MBR), our Oeste mines and the Guaiaba Island and Itaguai maritime terminals. Production from the Southern System is transported by the MRS Logistica railroad, an affiliate of CVRD. At December 31, 2005, we had a total of 7,981 million tons of proven and probable iron ore reserves in our three systems in Brazil, with an average grade of 66.8% in our Northern System, 57.4% in our Southern System and 52.1% in our Southeastern System. We also operate nine pellet-producing facilities, five of which are joint ventures, and have a 50% stake in a joint venture that owns and operates two pelletizing plants. We are one of the world s largest producers of manganese and ferroalloys.

- *Non-ferrous minerals (5.4% of 2005 consolidated gross operating revenues, and 6.6% of consolidated gross operating revenues for the nine months ended September 30, 2006).* We are the world s third largest producer of kaolin and Brazil s sole producer of potash. Our Sossego copper mine in Carajás, in the state of Pará, Brazil, began production of copper concentrate in June 2004 and is Brazil s largest producer of copper.

Aluminum-related operations (10.5% of 2005 consolidated gross operating revenues, and 13.3% of consolidated gross operating revenues for the nine months ended September 30, 2006). Through subsidiaries and joint ventures, we conduct major operations in the production of aluminum-related products. They include:

Bauxite mining, which we conduct through our 40.0% interest in Mineração Rio do Norte S.A., or MRN, which holds substantial bauxite reserves with a low strip ratio and high recovery rate. MRN, one of the largest bauxite producers in the world, has a nominal production capacity of 16.3 million tons per year and produced 17.2 million tons of bauxite in 2005. We are developing a wholly-owned bauxite mine in the Paragominas region, in the state of Pará, that is expected to begin commercial production in the first half of 2007.

Alumina refining, which we conduct via our 57.0% interest in our alumina refining subsidiary, Alunorte Alumina do Norte do Brasil S.A., or Alunorte, which currently has a nominal production capacity of 4.4 million tons of alumina per year, including the latest expansion, through the construction of stages 4 and 5, which added 1.8 million tons to the plant s annual capacity. We are currently developing another two stages, scheduled to start up during 2008, which are expected to bring the plant s annual capacity to 6.3 million tons.

Aluminum metal smelting, which we conduct through our subsidiaries, Albras Alumínio Brasileiro S.A., or Albras, which produces aluminum ingots and in which we have a 51.0% interest, and our wholly-owned subsidiary Valesul Alumínio S.A., or Valesul, which produces aluminum ingots, billets and alloys. Albras and Valesul currently have a combined production capacity of approximately 540,000 tons of aluminum per year. In July 2006, we acquired the 45.5% stake in Valesul that we did not already own and began consolidating Valesul in our financial statements.

Logistics (9.1% of 2005 consolidated gross operating revenues, and 8.0% of consolidated gross operating revenues for the nine months ended September 30, 2006). We are a leading provider of logistics services in Brazil, with railroad, coastal shipping and port handling operations. Each of the iron ore complexes of our Northern and Southeastern Systems incorporates an integrated railroad network linked to automated port and terminal facilities, and is designed to provide general cargo and passenger rail transportation, bulk terminal storage and ship loading services to us and third parties. In 2005, our railroads transported approximately 66% of the total freight tonnage transported by Brazilian railroads, or approximately 146.5 billion ntk of cargo, of which 119.6 billion ntk were our iron ore and pellets.

Other investments. In addition to our core mining activities, we currently have investments in three steel companies, and have also invested in two joint ventures that are building steel slab plants in Brazil. We also hold stakes in eight hydroelectric power generation projects with a total projected capacity of 2,509 MW (of which our share is 991.4 MW), six of which have already started operations, and two of which are scheduled to start operations within the next four years.

Through our mineral prospecting and development activities in Brazil, we have acquired extensive experience in exploration techniques and processes, and maintain an active mineral exploration program in Brazil and overseas. Our mineral exploration efforts are focused on copper, gold, nickel, manganese ore, iron ore, kaolin, bauxite, potash, phosphate, coal, diamonds and platinum group metals.

Our Strategy

Our goal is to strengthen our competitiveness among the leading global mining companies by focusing on diversified growth in mining operations, principally through organic growth and developing our logistics business. We are pursuing disciplined capital management in order to maximize return on invested capital and total return to shareholders. Although we are emphasizing organic growth in our core businesses, we may pursue future strategic acquisitions in order to create value for our shareholders.

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Over the past several years, we have developed a robust long-term strategic planning process. We are building on these changes with ambitious long-range plans in each of our principal business areas, including substantial capital expenditures for organic growth through 2012.

The following paragraphs provide some highlights of our major strategies.

Maintaining our leadership position in the seaborne iron ore market. We continue to consolidate our leadership in the seaborne iron ore market, and had an estimated 32.2% of the total 670 million tons traded in 2005. We are committed to maintaining our position in the global iron ore market by strengthening relationships with clients, focusing our product line to capture industry trends, increasing our production capacity in line with demand growth and controlling costs. We believe that our strong relationships with major customers (reinforced through long-term contracts), tailored product line and high quality products will help us to achieve this goal. We are also taking steps to encourage several steel makers to develop slab plants in Brazil in order to create additional demand for our iron ore.

Investing in nickel and coal. We are pursuing various opportunities to become a large global player in the nickel and coal businesses. Our acquisition of Inco, the world s second largest nickel producer, has contributed significantly to our diversification and expansion strategy.

Enhancing our logistics capacity. We believe that the quality of our railway assets and our many years of experience as a railroad and port operator, together with the lack of efficient transportation for general cargo in Brazil, position us as a leader in the logistics business in Brazil. We are expanding the capacity of our railroads through the purchase of additional locomotives and wagons to serve the increasing needs of our own businesses and those of our customers.

Increasing our aluminum-related activities. We plan to develop and increase production capacity in our aluminum-related operations, focusing on the upstream portion of the production chain, developing low-cost bauxite and alumina projects. We have large undeveloped high quality bauxite reserves and opportunities for low-cost expansions in our alumina refinery. We are working on the development of these opportunities. We are also investing in mineral exploration to increase our bauxite reserves.

Developing our copper resources. We believe that our Brazilian copper projects, which are all situated in the Carajás region, in the state of Pará, can be among the most competitive in the world in terms of investment cost per ton of ore. These copper mines will benefit from our transportation facilities serving the Northern System.

Globalization of multi-commodity exploration efforts. We are engaged in an active mineral exploration program, with efforts in several countries and regions around the globe, including Angola, Argentina, Australia, Brazil, Chile, Gabon, Guinea, Mozambique, Mongolia, Peru and South Africa. We are mainly seeking new deposits of copper, gold, manganese ore, iron ore, nickel, kaolin, bauxite, phosphate, potash, coal, diamonds and platinum group metals. Mineral exploration is an important part of our organic growth strategy.

Developing power generation projects. Energy management and efficient supply have become a priority for us. Driven both by structural changes in the industry and regulatory uncertainties, and by the risk of rising electricity prices and energy shortages, we have invested in seven consortia to develop eight hydroelectric power generation plants in Brazil and we plan to use the electricity from these projects for our internal needs. As a large consumer of electricity, we expect that investing in power projects will help protect us against volatility in the price of energy.

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Acquisition of Inco

On October 23, 2006, we acquired 75.66% of the outstanding common shares of Inco at a price of Cdn$86.00 in cash per Inco common share pursuant to an unsolicited cash tender offer. During a subsequent offering period that ended on November 3, 2006, we acquired additional shares at the same offer price, bringing the total shares acquired to 86.57% of the outstanding common shares of Inco. We intend to acquire the remaining common shares, and the total purchase price for all of Inco s common shares will be approximately US$16.9 billion.

Inco is a reporting company under the Securities Exchange Act of 1934 and files periodic reports with the Securities and Exchange Commission (the SEC). See Where you can find more information in the accompanying prospectus for information on how to obtain reports filed with the SEC. Neither the underwriters nor we make any representations with respect to, or assume any responsibility for the accuracy or completeness of the information contained in Inco s filings with the SEC, other than the financial statements of Inco specifically incorporated by reference in the prospectus.

Overview of Inco

Inco is the world s second largest producer of nickel and a major producer of value-added specialty nickel products. In conjunction with its nickel operations, it also produces copper, precious metals and cobalt. Inco also produces sulphuric acid and liquid sulphur dioxide as by-products from its processing operations.

Inco s principal products include:

Nickel (net sales of US$3,655 million (80.9% of total net sales) in 2005; net sales of US$4,269 million (79.9% of total net sales) in the first nine months of 2006). Inco is the world s second largest producer of nickel. Inco s principal nickel mines are located in the Sudbury area of Ontario, the Thompson area of Manitoba, Voisey s Bay in Newfoundland and Labrador, and, through Inco s approximately 61% owned subsidiary PT International Nickel Indonesia Tbk (PT Inco), on the Island of Sulawesi, Indonesia. Inco s nickel deliveries in 2005 totaled 246,282 tons, 223,811 tons of which were sourced primarily from Inco, and represented an estimated 19% of the total world demand for primary nickel.

Inco is a world leader in the development, production and sale of value-added or specialty nickel products, including powders, foams, flakes, oxides and nickel-coated graphite. These products are used for such applications as consumer electronics, rechargeable batteries for consumer and hybrid vehicle use, fuel cells, powder metallurgy, automotive parts, electromagnetic interference shielding for computers and cellular telephones, special catalysts and salts, metal injection moulding, and hard metal binders. These specialty nickel products are sold at premium prices and accounted for approximately 9% of Inco s nickel sales revenue in 2005.

Copper (net sales of US$463 million (10.2% of total net sales) in 2005; net sales of US$696 million (13.0% of total net sales) in the first nine months of 2006). Inco produces copper in conjunction with its nickel mining operations principally from sulphide ores mined at its mines located in the Sudbury area of Ontario and Voisey s Bay in Newfoundland and Labrador. In 2005, Inco produced 125,595 tons of finished copper, including anode production. In 2005, Inco closed its copper refinery in Sudbury and today sells all of its copper production from its Ontario operations in anode form to Falconbridge Limited. Inco also produces copper concentrates at its Voisey s Bay operations.

Precious metals, cobalt and other products (net sales of US$400 million (8.9% of total net sales) in 2005; net sales of US$380 million (7.1% of total net sales) in the first nine months of 2006). Inco also produces cobalt, platinum-group metals (platinum, palladium, rhodium, ruthenium and iridium) (PGMs), gold, silver, and some modest quantities of selenium and tellurium. Inco also produces and sells sulphuric acid and liquid sulphur dioxide as by-products from its processing operations at Sudbury.

Inco is developing a series of projects to significantly expand its production capacity.

Voisey s Bay nickel-copper-cobalt project. Production of nickel concentrates from phase one of Inco s wholly-owned Voisey s Bay greenfield project began in September 2005, and the first production of

finished nickel from these concentrates occurred in January 2006. The Voisey s Bay deposit consists of a series of individual nickel-copper-cobalt deposits, the first of which, known as the Ovoid, is close to the surface and is being developed using open pit mining. We expect production from the Voisey s Bay project in 2006 to be approximately 45,000 tons of nickel in concentrates. Assuming technical and economic feasibility, a commercial processing plant will be built as part of the second phase of the project between 2009 and 2011. Pending construction of that plant, nickel concentrates are primarily shipped to Inco s operations in Thompson, Manitoba and Sudbury, Ontario for processing into finished nickel. The third phase of the project is expected to include underground mine development to access the remaining deposits of Voisey s Bay.

Goro nickel-cobalt project. Inco holds an approximate 74% interest in the Goro nickel-cobalt project in New Caledonia, a major greenfield project consisting of an open-pit mine and processing facility that are expected to have an annual production capacity of 60,000 tons of nickel upon completion. Production at Goro is currently targeted to begin in 2008. Inco s most recent published capital cost estimate for the Goro project was US$1,878 million with a minus 5% plus 15% confidence level, and Inco has since announced that it expects its next revised cost estimate to exceed that range. We expect to be in a position to announce a revised capital cost estimate by the end of the first quarter of 2007.

Strategic Rationale

We believe the acquisition of Inco will provide the following strategic and financial benefits:

We have become the world s second largest nickel producer, with a clear path to become the market leader. Our acquisition of Inco makes us the world s second largest producer of nickel. Only four major greenfield projects are currently under development in the nickel industry, and we are developing three of them. Upon completion, we expect the Goro, Vermelho and Onça Puma projects to increase our production capacity by 164,000 tons, or 80.4% over Inco s 2005 production of contained nickel, which positions us to become the world s largest nickel producer.

We have diversified our mining activities. The acquisition of Inco diversifies our products, markets and geographical asset base. The following chart shows the composition of our gross operating revenues for the nine months ended September 30, 2006 on a historical basis and on a pro forma basis giving effect to the acquisition.

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Financing of the Purchase Price

As described above, as of November 3, 2006, we had acquired 86.57% of the outstanding common shares of Inco at a price of Cdn$86.00 in cash per Inco common share. We currently intend to acquire the remaining Inco shares not tendered in the tender offer by way of a subsequent acquisition transaction, a term we use to refer to an amalgamation or other transaction for the purpose of enabling us to acquire all shares not acquired pursuant to the tender offer. In the subsequent acquisition transaction, we will pay consideration per Inco share at least equal in value to the consideration per Inco share paid in the tender offer. Assuming that we acquire 100% of Inco s shares at price of Cdn$86.00 per share, the total purchase price for Inco will be approximately US$16.9 billion.

We currently expect to finance the purchase price for all of Inco s outstanding shares using drawings of US$14.6 billion under our two-year senior acquisition facility and cash on hand. In order to lengthen the average maturity of our outstanding indebtedness and to reduce our refinancing risks, we are exploring refinancing of our senior acquisition facility in the near term. We will use the net proceeds of this offering, estimated at US$ million, to repay a portion of the amounts outstanding under the senior acquisition facility. We are also planning two other transactions to repay part of the amounts outstanding under the senior acquisition facility.

- *Real*-denominated debentures to be sold in a public offering in Brazil. We are seeking to raise R$5 billion (approximately US$2.3 billion) by issuing non-convertible notes in the Brazilian market.

- A U.S. dollar-denominated pre-export financing facility. We are seeking to raise US$5 billion under a trade-related loan facility in one or more tranches with final maturities of at least five years, bearing interest at fixed rates.

We expect to complete both transactions in the fourth quarter of 2006, but the form, manner and timing of the refinancing of amounts borrowed under the senior acquisition facility are subject to change and will depend on market conditions.

Vale Overseas registered office is at Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands. CVRD s principal executive offices are located at Avenida Graça Aranha, No. 26, 20030-900, Rio de Janeiro, RJ, Brazil, and its telephone number is 55-21-3814-4477.

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The Offering

The following summary contains basic information about the notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, please refer to the section entitled Description of Notes in this prospectus supplement and the sections entitled Description of Debt Securities and Description of the Guarantees in the accompanying prospectus. In this description of the offering, references to CVRD mean Companhia Vale do Rio Doce only and do not include Vale Overseas or any of CVRD s other subsidiaries or affiliated companies.

Issuer	Vale Overseas Limited
Guarantor	Companhia Vale do Rio Doce
Notes offered	US$ in principal amount of % Guaranteed Notes due 2017 (the 2017 notes)
	US$ in principal amount of % Guaranteed Notes due 2036 (the 2036 notes and with the 2017 notes, the notes)
Guaranty	CVRD will irrevocably and unconditionally guarantee the full and punctual payment of principal, interest, additional amounts and all other amounts that may become due and payable in respect of each series of the notes.
Issue price	*2017 notes*: % of the principal amount
	2036 notes: % of the principal amount
Maturity	*2017 notes:* January , 2017
	2036 notes: November , 2036
Interest rate	The 2017 notes will bear interest at the rate of % per annum from November , 2006 based upon a 360-day year consisting of twelve 30-day months.
	The 2036 notes will bear interest at the rate of % per annum from November , 2006 based upon a 360-day year consisting of twelve 30-day months.
Interest payment dates	Interest on the 2017 notes will be payable semi-annually on January and July of each year, commencing on July , 2007.
	Interest on the 2036 notes will be payable semi-annually on May and November of each year, commencing on May , 2007.
Ranking	

Notes

The notes are general obligations of Vale Overseas and are not secured by any collateral. Your right to payment under these notes will be:

junior to the rights of secured creditors of Vale Overseas to the extent of their interest in Vale Overseas assets. Holders of Vale Overseas Enhanced Guaranteed Notes due 2007 have a security interest in a reserve account which secures the payment of 18 months of interest on the Enhanced Guaranteed Notes due 2007 in the event of certain political risk events; and

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- equal with the rights of creditors under all of Vale Overseas other unsecured and unsubordinated debt.

Guaranty

The guaranty will be a general obligation of CVRD and is not secured by any collateral. Your right to payment under the guaranty will be:

- junior to the rights of secured creditors of CVRD to the extent of their interest in CVRD s assets;
- equal with the rights of creditors under all of CVRD s other unsecured and unsubordinated debt; and
- effectively subordinated to the rights of any creditor of a subsidiary of CVRD over the assets of that subsidiary.

As of September 30, 2006, on a pro forma basis after giving effect to the acquisition of Inco and the incurrence by CVRD of US$14,600 million to fund the purchase price for 100% of Inco s shares:

- Vale Overseas had US$2,068 million of debt outstanding.
- CVRD had US$17,274 million of debt outstanding on a standalone basis, US$502 million of which was secured debt.
- CVRD s subsidiaries, excluding Vale Overseas debt noted above, had US$2,809 million of indebtedness outstanding, of which US$479 million was secured debt.
- CVRD had extended guarantees of borrowings of joint ventures and affiliated companies amounting to US$3 million.

For purposes of the above calculations, CVRD s senior acquisition facility is assumed to be unsecured. Under the terms of the senior acquisition facility, CVRD Canada, our indirect wholly-owned subsidiary and Inco s indirect parent, must cause Inco to guarantee the senior acquisition facility within 60 days after CVRD Canada acquires 100% of the Inco shares. If Inco is unable for specified reasons to deliver a guarantee within the time required, within 30

days thereafter, the senior acquisition facility will be secured by a pledge of all CVRD Canada s interest in Inco. In that event, CVRD s pro forma consolidated secured debt would increase to US$15,581 million.

Covenants

The indenture governing the notes contains restrictive covenants that, among other things and subject to certain exceptions, limit CVRD s ability to:

- merge or transfer assets, and

- incur liens,

and, among other things and subject to certain exceptions, limit Vale Overseas ability to:

- merge or transfer assets,

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- incur liens,
- incur additional indebtedness, and
- pay dividends.

For a more complete description of CVRD s and Vale Overseas covenants, see Description of Notes Covenants in this prospectus supplement and Description of Debt Securities Certain Covenants in the accompanying prospectus.

Further issuances	Vale Overseas reserves the right, from time to time, without the consent of the holders of the notes, to issue additional notes of any series on terms and conditions identical to those of the notes, which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the relevant series of notes. Vale Overseas may also issue other securities under the indenture which have different terms and conditions from the notes. Likewise, CVRD has the right, without the consent of the holders, to guarantee any such additional securities, to guarantee debt of its other subsidiaries and to issue its own debt.
Payment of additional amounts	Vale Overseas and CVRD will pay additional amounts in respect of any payments under the notes so that the amount you receive after Brazilian or Cayman Islands withholding tax will equal the amount that you would have received if no withholding tax had been applicable, subject to some exceptions as described under Description of Debt Securities Payment of Additional Amounts in the accompanying prospectus.
Optional redemption	Vale Overseas may redeem the notes, in whole at any time or in part from time to time, at a redemption price equal to the greater of 100% of the principal amount of the notes to be redeemed and a make whole amount described under Description of Notes Optional Redemption in this prospectus supplement plus, in each case, accrued and unpaid interest on such notes to the date of redemption.
Tax redemption	If, due to changes in Brazilian or Cayman Islands laws relating to withholding taxes applicable to payments of interest, Vale Overseas or CVRD is obligated to pay additional amounts on the notes in respect of Brazilian or Cayman Islands withholding taxes at a rate in excess of 15%, Vale Overseas may redeem the notes in whole, but not in part, at any time, at a price equal to 100% of their principal amount plus accrued interest to the redemption date.
Use of proceeds	The net proceeds of this offering will be used to repay a portion of the amounts outstanding under our senior acquisition facility.
Listing	Application will be made to list the notes on the New York Stock Exchange.

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Rating	The notes have been assigned a foreign currency rating of by Moody s Investor Services, Inc. (Moody s) and by Standard & Poor s Ratings Services (Standard & Poor s Ratings are not a recommendation to purchase, hold or sell notes, inasmuch as the ratings do not comment as to market price or suitability for a particular investor. The ratings are based upon current information furnished to the rating agencies by CVRD and information obtained by the rating agencies from other sources. The ratings are only accurate as of the date thereof and may be changed, superseded or withdrawn as a result of changes in, or unavailability of, such information, and therefore a prospective purchaser should check the current ratings before purchasing the notes. Each rating should be evaluated independently of any other rating.
Risk Factors	See Risk Factors and the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus for a discussion of the factors you should carefully consider before investing in the notes.

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RISK FACTORS

You should carefully consider the risks described below, as well as the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, before making a decision to invest in the notes.

Risks Relating to the Acquisition of Inco

We may experience difficulties integrating Inco and may fail to achieve the expected benefits from the acquisition.

Integrating Inco with our operations will be a complex, costly and time-consuming process, and may be made more difficult due to the unsolicited cross-border nature of the acquisition. Risks and challenges that may impair our ability to achieve the benefits of the acquisition include:

Although we have experience integrating acquired companies into our operations, we lack experience integrating operations as substantial and geographically diverse as those of Inco. The acquisition of Inco is significantly larger than any other acquisition we have completed.

Due to its unsolicited nature, our acquisition of Inco was made on the basis of publicly available information about Inco. Since the acquisition, we have conducted only limited due diligence of non-public information about Inco, given the short period of time between the acquisition and the preparation of this prospectus supplement.

We may incur unexpected liabilities or contingencies related to labor, taxes or other matters as a result of our acquisition of Inco and rights of acceleration or termination that we have not identified under contractual agreements of Inco may be triggered as a result of our acquisition of control of Inco and could result in unanticipated expenses and/or cash payments or adversely affect Inco s results of operations and financial condition.

Integrating Inco and gaining familiarity with its operations and challenges will require significant management time and resources and may divert management s attention from our day-to-day business.

Although we have two nickel projects under development, we have no significant prior experience producing or marketing nickel, cobalt or PGMs or operating businesses in Canada, Indonesia, New Caledonia, the United Kingdom, Japan, Korea or Taiwan.

The successful integration of Inco will require us to assimilate personnel with diverse backgrounds, languages and cultures. We may have difficulty retaining and integrating key employees and may be required to make substantial payments to departing executives. The performance of Inco s operations could be adversely affected if we cannot retain key employees to assist in the integration of CVRD and Inco and operation of Inco.

We may encounter difficulties or delays in implementing common information systems, operating procedures and financial controls.
If we are unable to successfully respond to these risks and challenges, we may experience higher than expected operating costs or fail to achieve the anticipated benefits of the acquisition.

If Inco s business does not perform well or we do not integrate it successfully, we may incur significant charges to net income to write down the goodwill established in the acquisition.

As a result of the acquisition, we expect to establish goodwill of approximately US$2,699 million based upon the September 30, 2006 unaudited pro forma interim condensed consolidated balance sheet included elsewhere in this prospectus supplement. Under Statement of Financial

Accounting Standards No. 142, Goodwill and Other Intangible Assets, we must test our goodwill annually for impairment and, if we determine

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that the goodwill has been impaired, we must write down the goodwill by the amount of the impairment, with a corresponding charge to net income. If Inco s business does not perform well or if we are unable to integrate it successfully into our operations, we may incur significant charges to net income to write down the goodwill, which could have a material adverse effect on our results of operations or financial condition.

We have incurred a substantial amount of indebtedness in connection with the acquisition of Inco, which could limit our operating flexibility and make it more difficult for us to maintain our investment grade rating.

As of September 30, 2006, on a consolidated pro forma basis after giving effect to the acquisition of Inco, the consolidation of Inco s indebtedness and the incurrence by CVRD of indebtedness of US$14.6 billion to fund the purchase price for 100% of Inco s shares, we had US$22.1 billion of debt outstanding, compared to US$5.9 billion outstanding at September 30, 2006 on a historical basis.

The substantial increase in our outstanding debt and related covenants under our senior acquisition facility could limit our operating flexibility. In particular:

A substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, reducing the funds available to us for other purposes.

Our higher levels of indebtedness and the need to comply with financial covenants in our senior acquisition facility may impair our ability to adjust to changing market conditions or withstand competitive pressures.

Our higher level of outstanding debt may make it more difficult to maintain the financial ratios the rating agencies require in order for us to maintain our investment grade rating.

Failure to maintain our investment grade rating could adversely affect our business.

Following the acquisition, Standard & Poor s downgraded the long-term foreign currency credit ratings of CVRD and Vale Overseas from BBB+ to BBB and placed us on credit watch with negative implications and Moody s confirmed the long-term foreign currency credit ratings of CVRD and Vale Overseas at Baa3. If we are unable to maintain our outstanding debt and financial ratios at levels acceptable to the credit rating agencies, we could lose our investment grade credit rating. Failure to maintain our investment grade rating could have a significant adverse impact on the value of our outstanding securities (including the notes) and our ability to secure additional financing on favorable terms and could adversely affect our results of operations and financial condition. In particular:

A downgrade in our credit rating below investment grade would increase the interest rate payable under our senior acquisition facility, which could result in a significant increase in our interest expense.

A downgrade in our credit rating below investment grade could also result in a similar downgrade in the rating of Inco s debt, which would increase the rates payable under Inco s credit facilities.

If Inco s corporate credit rating or, in the absence of such a rating, a debt rating on its most senior debt having a term of at least five years, falls below certain minimum investment grade credit ratings, regulations of the Province of Ontario require it to obtain letters of credit or other forms of financial assurance intended to secure its ability to meet reclamation and restoration costs related to future closures of its facilities in Ontario. At the time of Inco s most recent annual report on Form 10-K, these costs were estimated to be US$790 million on an undiscounted basis.

Commitments made to Canadian government authorities in connection with the acquisition of Inco may limit our flexibility in managing Inco s operations.

In connection with the approval of our acquisition of Inco under the Investment Canada Act, we made a series of commitments to the Canadian Minister of Industry, including commitments to manage our nickel business from Canada, to refrain from making layoffs at Inco s Canadian operating facilities for three years and

to maintain specified employment levels for an agreed period. We also committed to increase certain expenditures by specified amounts over previously existing levels and to seek to accelerate the development of Inco s Voisey s Bay project. See Acquisition of Inco Investment Canada Act Undertakings. These commitments could limit our flexibility in managing our business and responding to changing market conditions, which could adversely affect our results of operations.

We may be required to make a mandatory tender offer for minority interests in PT Inco.

PT Inco, a 60.8% majority owned subsidiary of Inco, is a public Indonesian company with shares listed on the Jakarta Stock Exchange. An Indonesian capital markets regulation concerning indirect acquisitions requires that, in certain circumstances, a new controlling party of a public Indonesian company must make a tender offer to the other shareholders of the company. Under the relevant regulation, the price at which the offer must be made is no lower than the highest price of the PT Inco shares during a specified 90-day period. It is unclear whether we will be required to make a tender offer for the PT Inco shares and there is uncertainty as to the timing of the commencement of the 90-day period. In addition, to the extent that such an offer would reduce the percentage of PT Inco shares representing the public float, it is unclear how that reduction would be interpreted under the provisions relating to Indonesian share ownership in PT Inco s contract of work (which authorizes and governs PT Inco s mining operations). If we fail to comply with the provisions set forth in the contract of work, the Indonesian government may pursue sanctions including the potential termination of the contract of work.

Of the shares of PT Inco not held by Inco, approximately 20.1% are held by Sumitomo Metal Mining Co. Ltd., 18% are held by the public and the remaining shares are held by a number of other smaller shareholders. As of August 14, 2006, the date we announced our proposed acquisition of Inco, there were 993,633,872 shares of PT Inco outstanding. The highest price of the PT Inco shares on the Jakarta Stock Exchange in the 90 days prior to the date we announced our proposed acquisition of Inco was 23,000 Indonesian Rupiah (equal to US$2.39 based on the exchange rate in effect on November 10, 2006). If we are required to make a tender offer for the shares of PT Inco, we understand that such tender offer would need to be made for the shares held by the public and certain other small shareholders of PT Inco (approximately 18.5% of the outstanding shares).

Risks Relating to Inco s Business

Inco s business is subject to common mining industry risks.

The acquisition of Inco will subject us to risks connected with Inco s business, many of which are similar to risks we already face as part of our existing mining operations. In particular, we note that:

- Inco is exposed to traditional market risks such as fluctuations in interest rates, exchange rates and commodity prices. Nickel and copper are actively traded on world commodity exchanges and their prices are subject to significant fluctuations that are affected by many factors. See Risks Relating to Our Business Aluminum, nickel and copper are actively traded on world commodity exchanges and their prices are subject to significant fluctuations. Like CVRD, Inco earns most of its revenues in U.S. dollars, but incurs a substantial portion of its costs and expenses in currencies other than the U.S. dollar. The exchange rates for converting such currencies into U.S. dollars have varied substantially during the last three years. Our risk management activities may fail to adequately protect us from interest rate, exchange rate and commodity price fluctuations associated with Inco s operations. See Risks Relating to Our Business Our market risk management strategy may not be effective.

- The stainless steel industry is the largest global consumer of nickel. Adverse developments in the stainless steel industry could have a significant impact on Inco s nickel business. See Risks Relating to Our Business Due to our dependence on the global steel industry, fluctuations in the demand for steel could adversely affect our business.

- Chinese demand has been a major driver of world demand for nickel in recent years and PT Inco s nickel-in-matte production is sold primarily to the Asian market. A decline in Chinese demand for

nickel or Asian demand for nickel-in-matte could have a significant impact on Inco s nickel business. See Risks Relating to Our Business Adverse economic developments in our principal markets, especially China, could reduce demand for our products, leading to lower revenues and profitability.

Mineral quantities actually recovered may differ from Inco s ore reserve estimates, and changes in conditions could render certain deposits uneconomical to mine. See Risks Relating to Our Business Our reserve estimates may be materially different from mineral quantities that we may actually recover, our estimates of mine life may prove inaccurate and market price fluctuations and changes in operating and capital costs may render certain ore reserves or mineral deposits uneconomical to mine.

The nickel business is subject to intense competition. See Risks Relating to Our Business The mining industry is an intensely competitive industry, and we may have difficulty effectively competing with other mining companies in the future.

Fuel costs are an important component of our production costs for nickel. See Risks Relating to Our Business An increase in fuel costs may adversely affect our business.

Inco operates important parts of its operations through joint ventures with other companies. See Risks Relating to Our Business Many of our operations depend on joint ventures; our business could be adversely affected if our joint venture partners do not observe their commitments.

If we are unable to develop and maintain new low-cost sources of nickel concentrates to supply Inco s Thompson, Manitoba operations on a timely basis, nickel production at this facility may decline and nickel unit costs of production may increase.

Inco s Thompson, Manitoba operations no longer produce sufficient ore to maintain historical nickel production levels. Inco has relied upon the availability of purchased nickel intermediates and Voisey s Bay nickel concentrates to maintain nickel production levels at its Manitoba facilities. If the Voisey s Bay operations experience problems in producing or shipping nickel concentrates to Inco s Manitoba facilities or its Ontario facilities, to which such concentrates are also shipped, production at those facilities could be interrupted or reduced. In addition, under arrangements entered into with the Province of Newfoundland and Labrador, Inco is obligated to begin refining the nickel concentrates produced by the Voisey s Bay project in Newfoundland and Labrador beginning in 2012. If we are unable to develop sufficient low-cost sources of nickel concentrate to supply Inco s Thompson, Manitoba operations by the time Voisey s Bay shipments must cease in 2012, we may be unable to maintain nickel production levels at Inco s Thompson, Manitoba facilities without purchasing third-party nickel intermediates, which could increase overall unit production costs for nickel.

The requirement to build a processing facility in the Province of Newfoundland and Labrador by 2011 involves risks.

Under Inco s definitive agreements with the Province of Newfoundland and Labrador, Inco has agreed to build a commercial processing facility in the Province by the end of 2011 to treat all Voisey s Bay ores or intermediate products to produce finished nickel and cobalt products. The facility will either be based upon hydrometallurgical processing technologies or, if such technologies do not meet certain technical and economic feasibility requirements, a conventional refinery. This project involves several risks and challenges, including the following:

The final cost for the project may be higher than expected, and unforeseen events or conditions may delay the commencement of commercial operations. See Risks Related to Our Business We may experience delays, higher than expected costs, difficulties in obtaining environmental permits and other obstacles when implementing our capital expenditure projects. Failure to complete the facility on the timetable agreed with the Province of Newfoundland and Labrador could subject us to sanctions under the agreements with the Province, including the potential forfeiture of the lease to conduct mining operations in Voisey s Bay.

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As currently proposed, the new processing facility will rely on new hydrometallurgical processing and other technologies to produce one or more refined or finished nickel products. There can be no assurance that these technologies will be successfully developed and applied on a commercial basis. Unforeseen challenges in implementing these new technologies could lead to delays in the start-up of commercial production or lead to higher than expected capital or operating costs that could adversely affect the project s profitability.

The Goro project is subject to risks that may lead to increased project costs or prevent its successful implementation.

Inco s Goro project in New Caledonia is subject to a number of risks that may lead to increased project costs or delay or prevent its successful implementation.

Successfully completing the development of the Goro project may require greater capital expenditures than currently planned. The final cost of the Goro project may exceed Inco s most recent published capital cost estimates by a significant margin. If the capital cost of the Goro project exceeds thresholds specified in agreements with the minority shareholders in the Goro project prior to meeting specified performance tests specified in those agreements, the minority shareholders in the Goro project will not be obligated to fund their pro rata share of the project costs. This could increase our funding requirements for the project.

The development of the Goro project is subject to project execution risks, including the need to obtain necessary environmental and other permits. These factors could delay or prevent the project s completion. In addition, litigation may delay the construction of the Goro project. In late October 2006, a court in Paris considered an application by a New Caledonian group to stop construction of the project. Goro Nickel believes the application is without merit. The court is expected to issue its decision on November 14, 2006.

Once the Goro project begins commercial operation, experience from mining or processing operations may identify new or unexpected conditions that could reduce production below, and/or increase capital and/or operating costs above, current estimates.

Political, economic, social and legislative and regulatory developments in New Caledonia could adversely affect the development or operation of the Goro project. A referendum is planned by 2018 on whether New Caledonia will become fully independent from France. Related steps are planned prior to that date to increase the autonomy of New Caledonia from France, including the enactment of a new mining law. There also have been periodic attempts by certain local groups in the area of the Goro project site to disrupt operations and activities at that site and related areas, and boycotts and other actions have affected the operations of other nickel producers and businesses in New Caledonia. Future disruptions could have a substantial adverse effect on the Goro project s construction schedule and capital costs.

In connection with a French government-sponsored financing program for a portion of the Goro processing plant (the Girardin Financing), Goro Nickel has agreed to indemnify certain investors that participated in the Girardin Financing for certain potential liabilities that might occur associated with the loss or forfeiture by such investors of certain related tax benefits including tax losses that may arise if the Girardin-financed portion of the processing plant is not substantially completed by December 31, 2008, and Inco has issued guarantees of these obligations. These investors also have a put option entitling them to require us to purchase their interest in the Goro project upon the occurrence of certain material adverse environmental events.

PT Inco s operations are subject to significant risks.

PT Inco accounts for an important percentage of Inco s overall production. PT Inco s operations are subject to significant risks. In particular:

PT Inco is vulnerable to economic and political developments in Indonesia. Since the late 1990s, Indonesia has experienced periods of economic and political turmoil, at times exacerbated by downturns in the global economy. Political, economic and regulatory developments within Indonesia could evolve

in ways that would adversely affect PT Inco s operations, and PT Inco s operations may be disrupted by actions by non-governmental organizations or community activist groups.

The mining sector in Indonesia has over the past several years been facing several challenges stemming from the economic and political problems in the country that may have an adverse effect on PT Inco s operations. These challenges include:

- regulatory uncertainty as a result of transfers of governmental power between different levels of government, including the transfer from the central government to regional governments of taxation and regulation of certain industrial activities, and overlapping and unclear legislation enacted by the central, provincial and local government authorities;

- increasingly militant actions of non-governmental organizations and labor unions; and

- continued disputes between mining companies and local communities.

The processing of PT Inco s lateritic ores is energy-intensive. PT Inco generates a significant portion of the electricity for its operations from its hydroelectric facilities, one of which has generated power consistently above its design capacity due to water management practices and high reservoir levels. Adverse hydrological factors or ineffective water management practices could adversely affect electricity production at PT Inco s hydroelectric plants in the future, which could significantly increase PT Inco s costs or result in lower production. In addition, groundwork on PT Inco s new hydroelectric power project on the Larona River near the village of Karebbe has been suspended since January 2006 pending the receipt of certain amendments to a required permit issued by the Minister of Forestry. Delays in receiving required permits may adversely affect the timing and cost of the Karebbe project and impair PT Inco s ability to achieve the increases in nickel-in-matte production that this project was designed to permit.

PT Inco s contract of work with the Indonesian government requires PT Inco, subject to economic and technical feasibility, to construct production plants at Pomalaa in Southeast Sulawesi and Bahodopi in Central Sulawesi. The obligation to build a commercial plant at Pomalaa has been deemed to be satisfied through the later of 2008 or the termination of PT Inco s Cooperative Resources Agreement with PT Antam Tbk (an agreement providing for the supply by PT Inco of saprolite to PT Antam), following which PT Inco will be obligated to deliver a report evaluating the technical and economic feasibility of constructing a commercial plant at Pomalaa. Subject to technical and economic feasibility, the contract of work requires PT Inco to build the Bahodopi facility by about 2010. Failure to meet commitments under the contract of work to build a required facility would entitle the Indonesian government, after a cure period of 180 days, to close and require PT Inco to relinquish the mining areas related to the expansion project.

Regulations issued by the Indonesian Minister of Forestry relating to mining activities have imposed new restrictions on mining in protected forests. If these regulations restrict PT Inco s ability to mine in certain areas included in its contract of work, it could reduce PT Inco s estimated ore reserves and adversely affect PT Inco s long-term mining plans.

PT Inco s contract of work may not be extended beyond its scheduled expiration in 2025.

Inco has experienced labor disputes that have disrupted operations, and such disputes could recur.

A substantial number of the employees of Inco and some of the subcontractors it employs are represented by labor unions and are covered by collective bargaining or similar agreements, which are subject to periodic renegotiation. Strikes or work stoppages have occurred and could continue to occur prior to, or during the negotiations leading to new collective bargaining agreements, during wage and benefits negotiations, or during other periods for other reasons. Moreover, Inco could be adversely affected by labor disruptions involving third parties who may provide Inco with goods or services in Canada and elsewhere. Strikes and other labor disruptions at any of Inco s operations could adversely affect the operation of its facilities or the timing of completion and the cost of its capital projects.

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Acquiring Inco subjects us to a new set of environmental regulations and risks that may give rise to significant costs and liabilities.

Like CVRD, Inco is subject to stringent environmental regulations that may give rise to significant costs and liabilities. See Risks Related to Our Business Brazilian environmental laws may adversely affect our mining and energy businesses. Environmental legislation and regulations affect nearly all aspects of Inco s operations and development projects worldwide. Such legislation and regulations require Inco to obtain operating licenses, permits and other approvals and to conduct environmental assessments prior to initiating projects or undertaking significant changes to existing operations. Environmental legislation and regulation impose standards and controls on activities relating to mining, exploration, development, production, reclamation, closure, and the refining, distribution and marketing of nickel and other metal products. Acquiring Inco will subject us to a new set of environmental regulations and risks. In particular:

- Inco is subject to limits on sulfur dioxide and nickel emissions that have required and will require Inco to make significant investments, and may be subject to additional emission limits in the future, including potential limits on the emission of greenhouse gases that may be adopted by Canada in response to the Kyoto Protocol to the United Nations Framework Convention on Climate Change. Complying with these or other future emissions limits could require significant capital expenditures or the development of new technology. Complying with such limits could also have an adverse impact on production levels to the extent we are required to operate our facilities at reduced levels to comply with emission limits or are unable to bank or trade sufficient emission allowances in emissions trading markets (where available).

- Inco has been working with regulatory authorities and other interested parties to evaluate elevated levels of nickel and other metals in soils in the vicinity of Inco s processing facilities in Ontario that may have been affected by the historical emission of windblown metal-containing particulates. Any efforts Inco is required to undertake to remediate or investigate these matters may involve significant expenditures. Inco is also subject to related litigation in connection with soils near its Port Colborne, Ontario facilities and environmental health studies and risk assessments are underway to evaluate risks from chemicals of concern found in soils near Inco s smelters in Port Colborne and Sudbury. Given the existence of various legal appeals and scientific and medical studies currently underway, it is not possible to predict the effect these actions and studies could have on Inco s business, results of operation or financial condition.

- PT Inco s facilities are subject to environmental regulations and permits issued by the Government of Indonesia. PT Inco has intermittently exceeded regulatory limits on levels of nickel, manganese and chromium in its effluent discharges into a stream adjacent to its facilities and currently exceeds regulatory limits on particulate emissions. PT Inco may be required to incur significant costs or to alter its operations to comply with these limits or for remediation of environmental issues and could be subject to regulatory actions by governmental authorities for any non-compliance.

- Environmental requirements in any new operating permit Inco obtains for the Goro project may increase capital costs for the project or result in delays.

- Asset retirement obligations for Inco s facilities and projects could differ materially from amounts currently estimated by Inco.

- Canadian provincial governments may establish exposure limits in the future for diesel particulate matter that could require substantial changes in Inco s use of diesel equipment in its underground mining operations. This could require increased capital expenditures or lead to higher operating costs that would adversely impact the profitability of Inco s underground mining operations.

- Inco may be subject to lung cancer compensation claims by nickel smelter and refinery workers that could increase its costs under workers compensation laws in Canada.

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Risks Relating to Our Business

Due to our dependence on the global steel industry, fluctuations in the demand for steel could adversely affect our business.

Sales prices and volumes in the seaborne iron ore market depend on the prevailing and expected level of demand for iron ore in the world steel industry. The world steel industry is cyclical. A number of factors, the most significant of these being the prevailing level of worldwide demand for steel products, influence the world steel industry. During periods of sluggish or declining regional or world economic growth, demand for steel products generally decreases, which usually leads to corresponding reductions in demand for iron ore.

Driven primarily by strong demand from Chinese steel makers, together with a modest expansion in other markets, the global seaborne iron ore market experienced high demand and rising iron ore and pellet prices in 2005. In 2006, the price of iron ore has increased further, due to a continued imbalance between global demand and supply that has been driven by a significant expansion in demand. In the first half of this decade, demand for iron ore has grown at an average annual rate of 11%. However, in 2006 there has been a reduction in the price of blast furnace and direct reduction pellets. We cannot guarantee how long iron ore demand will remain at current high levels or the direction of future prices. Sustained declines in world contract prices or sales volumes for iron ore could have a material adverse effect on our revenues.

The mining industry is an intensely competitive industry, and we may have difficulty effectively competing with other mining companies in the future.

Intense competition characterizes the worldwide iron ore industry. We compete with a number of large mining companies. Some of these competitors possess substantial iron ore mineral deposits at locations closer to our principal Asian and European customers. Competition from iron ore producers may result in our losing market share and revenues. Our aluminum, manganese ore, copper concentrate and other activities are also subject to intense competition and are subject to similar risks.

Demand for iron ore and pellets in peak periods may outstrip our production capacity, rendering us unable to satisfy customer demand.

Our ability to rapidly increase production capacity to satisfy increases in demand for iron ore is limited. In periods when customer demand exceeds our production capacity, we generally satisfy excess customer demand by reselling iron ore and pellets purchased from joint ventures or third parties. If we are unable to satisfy excess customer demand by purchasing from joint ventures or third parties, we may lose customers. Similarly, because it takes time to increase production capacity, we may fail to complete our iron ore expansion projects in time to take advantage of the current high levels of worldwide demand for iron ore. In addition, operating at or above full capacity may expose us to higher costs, including demurrage fees due to capacity restraints in our mines, railroads and ports.

Adverse economic developments in our principal markets, especially China, could reduce demand for our products, leading to lower revenues and profitability.

The world economy is the primary driver of demand in the global seaborne market for iron ore and pellets. In recent years, China has been the main driver of our sales increases. The percentage of our iron ore and pellet shipments attributable to customers in China was 21.2% in 2005 and 27.9% in the first nine months of 2006. The percentage of our total gross revenues attributable to sales to customers in China was 15.0% in 2005 and 18.9% in the first nine months of 2006. The percentage of our gross revenues attributable to sales to customers from Asian countries other than China was 14.2% in 2005 and 15.1% in the first nine months of 2006. The percentage of our gross revenues attributable to sales to European customers was 28.4% in 2005 and 27.1% in the first nine months of 2006. A weakened global economy or a weakened economy in specific markets where we sell our products, such as China, could reduce demand, leading to lower revenues and profitability.

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Aluminum, nickel and copper are actively traded on world commodity exchanges and their prices are subject to significant fluctuations.

Aluminum, nickel and copper are sold in an active world market and traded on commodity exchanges, such as the London Metal Exchange and the New York Mercantile Exchange (NYMEX). Prices for these metals are subject to wide fluctuations and are affected by many factors, including actual and expected global economic and political conditions, levels of supply and demand, the availability and cost of substitutes, inventory levels maintained by producers and exchanges, investments by commodity funds and others and actions of participants in the commodity markets. Prices for these metals are more volatile than iron ore and pellet prices because they respond more quickly to actual and expected changes in market conditions.

A reduction of global demand for Brazilian steel and/or agriculture products could reduce the demand for our logistics services.

The Brazilian agriculture and steel industries are currently the primary drivers of demand for our logistics services to customers. The percentage of our logistics revenues attributable to these markets was approximately 78.6 % in 2005, and 84.0% in the first nine months of 2006. A reduction in world demand for Brazilian steel and/or agriculture products could reduce demand for our logistics services and harm the profitability of our logistics business.

Our reserve estimates may be materially different from mineral quantities that we may actually recover, our estimates of mine life may prove inaccurate and market price fluctuations and changes in operating and capital costs may render certain ore reserves or mineral deposits uneconomical to mine.

Our reported ore reserves and mineral deposits are estimated quantities of ore and minerals that have the potential to be economically mined and processed under present and anticipated conditions to extract their mineral content. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of mineral production, including many factors beyond our control. Reserve engineering is a subjective process of estimating underground deposits of minerals that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Estimates of different engineers may vary, and results of our mining and production subsequent to the date of an estimate may lead to revision of estimates. Reserve estimates and estimates of mine life may require revision based on actual production experience and other factors. For example, fluctuations in the market prices of ores and metals, reduced recovery rates or increased production costs due to inflation or other factors may render proven and probable reserves containing relatively lower grades of mineralization uneconomic to exploit and may ultimately result in a restatement of reserves.

We may not be able to replenish our reserves, which could adversely affect our mining prospects.

We engage in mineral exploration, which is highly speculative in nature, involves many risks and frequently is nonproductive. Our exploration programs, which involve significant capital expenditures, may fail to result in the expansion or replacement of reserves depleted by current production. If we do not develop new reserves, we will not be able to sustain our current level of production beyond the remaining life of our existing mines.

Even if we discover mineral deposits, we remain subject to drilling and production risks which could adversely affect the mining process.

Once mineral deposits are discovered, it can take a number of years from the initial phases of drilling until production is possible, during which the economic feasibility of production may change. Substantial time and expenditures are required to:

- establish ore reserves through drilling;
- determine appropriate mining and metallurgical processes for optimizing the recovery of metal contained in ore;

- obtain environmental and other licenses;

- construct mining, processing facilities and infra-structure required for greenfield properties; and

- obtain the ore or extract the metals from the ore.

If a project proves not to be economically feasible by the time we are able to exploit it, we may incur substantial write-offs. In addition, potential changes or complications involving metallurgical and other technological processes arising during the life of a project may result in cost overruns that may render the project not economically feasible.

We may experience delays, higher than expected costs, difficulties in obtaining environmental permits and other obstacles when implementing our capital expenditure projects.

We are investing heavily to further increase our production capacity, logistics capabilities and to expand the scope of minerals we produce. Our expansion and mining projects are subject to a number of risks that may make them less successful than anticipated, including:

- We may encounter delays or higher than expected costs in obtaining the necessary equipment or services to build and operate our projects.

- We may fail to obtain or experience delays or higher than expected costs in obtaining the required environmental permits to build our projects.

- Changes in market conditions may make our projects less profitable than expected at the time we initiated work on the project.

- Adverse mining conditions may delay and hamper our ability to produce the expected quantities of minerals.

If we are unable to successfully manage these risks, our growth prospects and profitability may suffer.

We face rising extraction costs over time as reserves deplete.

Reserves are gradually depleted in the ordinary course of a given mining operation. As mining progresses, distances to the primary crusher and to waste deposits become longer and pits become steeper. As a result, over time, we usually experience rising unit extraction costs with respect to each mine. Several of our mines have been operating for long periods, and we will likely experience rising extraction costs per unit in the future at these operations.

An increase in fuel costs may adversely affect our business.

Our operations rely in part on oil and gas, which represented 10.1% of our cost of goods sold in 2005, and 10.4% for the first nine months of 2006. Fuel costs are a major component of our total costs in our logistics and pellets businesses, and indirectly affect numerous other areas of our business, including our mining and aluminum-related businesses. An increase in oil and gas prices adversely affects margins in our logistics, mining, pellets and aluminum-related businesses.

We are involved in ongoing antitrust proceedings that could result in divestitures, fines or other restrictions that could harm our business.

We are currently involved in eight proceedings before the *Conselho Administrativo de Defesa Econômica*, or CADE, which is the primary Brazilian antitrust regulator. Six of these proceedings involve post-transaction review of acquisition (including the Inco acquisition) or joint venture transactions, which is required for nearly all of our acquisitions and joint ventures. The remaining two proceedings are administrative proceedings alleging that we have engaged in illegal anticompetitive conduct in connection with our logistics business. We intend to defend these claims vigorously, but cannot predict their outcome. If CADE were to find that we have engaged in anticompetitive conduct, it could order

us to cease the conduct and/or to pay fines.

CADE recently rendered its decision in connection with its post-transaction review of our acquisitions of Mineração Socoimex S.A., S.A. Mineração Trindade Samitri, Ferteco Mineração S.A., Belém Administrações e Participações Ltda., and CAEMI Mineração e Metalurgia S.A., and the agreement to unwind the cross-shareholdings

between Companhia Siderúrgica Nacional and us. On August 10, 2005, CADE issued a decision approving these acquisitions, subject to certain conditions. Under the conditions set forth in CADE s decision, we must either (i) fully waive our preemptive rights relating to the Casa de Pedra iron ore mine and restructure our equity stake in MRS

Logística S.A. or (ii) sell all our assets that were previously owned by Ferteco Mineração S.A., a company we acquired in 2001 and consolidated in August 2003. We have instituted legal proceedings challenging this decision. For more information, see *Item 8. Financial Information Legal Proceedings* in our 2005 Form 20-F. If we are required to implement the steps called for in CADE s decision, our iron ore and logistics operations may be adversely affected.

Our principal shareholder could have significant influence over our company.

At September 30, 2006, Valepar owned 53.3% of our outstanding common stock and 32.5% of our total outstanding capital. For a description of the ownership of our shares, see *Item 7. Major Shareholders and Related Party Transactions Major Shareholders Principal Shareholder* in our 2005 Form 20-F. As a result of its share ownership, Valepar can control the outcome of any action requiring shareholder approval, except for the appointment of certain directors and certain members of our fiscal council. Further, the Brazilian government owns six golden shares of CVRD that give it limited veto powers over certain actions that we could otherwise take. For a detailed description of the veto powers granted to the Brazilian government by virtue of its ownership of these golden shares, see *Item 10. Additional Information Common Shares and Preferred Shares General* in our 2005 Form 20-F.

Many of our operations depend on joint ventures; our business could be adversely affected if our joint venture partners do not observe their commitments.

We currently operate important parts of our pelletizing, electric energy, nickel, bauxite, coal and steel businesses through joint ventures with other companies. Our forecasts and plans for these joint ventures assume that our joint venture partners will observe their obligations to make capital contributions, purchase products and, in some cases, provide managerial talent. If any of our joint venture partners fails to observe its commitments, the affected joint venture may not be able to operate in accordance with its business plans or we may have to increase the level of our investment to give effect to these plans. For more information on our joint ventures, see *Item 4. Information on the Company Lines of Business* in our 2005 Form 20-F.

Our market risk management strategy may not be effective.

We are exposed to traditional market risks such as fluctuations in interest rates, exchange rates and commodity prices. In order to protect ourselves against market volatility, our Board of Directors has approved a risk management policy. See *Item 11. Quantitative and Qualitative Disclosures About Market Risk* in our 2005 Form 20-F. Our strategy may not be successful in minimizing our exposure to these fluctuations, and we may fail to identify correlations between the various market risks to which we are subject. In addition, to the extent we partially hedge our commodity price exposure, we may limit the upside benefits that we would otherwise experience if commodities prices were to increase.

Failure to maintain effective internal control over financial reporting could harm investor confidence in the integrity of our financial information, which could have an adverse impact on the trading price of our securities.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, beginning with our Annual Report on Form 20-F for the fiscal year ending December 31, 2006, we will be required to furnish a report by our management on our internal control over financial reporting. Such report will contain, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of the fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include

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disclosure of any material weaknesses in our internal control over financial reporting identified by management.

Such report will also contain a statement that our auditors have issued an attestation report on management s assessment of such internal controls.

If we identify material weaknesses in our internal control over financial reporting and we are unable to correct them in a timely manner, our management may be unable to conclude in its internal control report that our internal control over financial reporting is effective, which could cause investor confidence in the integrity of our financial reporting to suffer, lead to a decline in the trading price of our securities or limit our ability to access the capital markets.

We may not have adequate, if any, insurance coverage for some business risks.

Our businesses are generally subject to a number of risks and hazards, including:

- industrial accidents;
- railroad accidents;
- labor disputes;
- slope failures;
- environmental hazards;
- electricity stoppages;
- equipment or vessel failures; and
- severe weather and other natural phenomena.

These occurrences could result in damage to, or destruction of, mineral properties, production facilities, transportation facilities, equipment or vessels. They could also result in personal injury or death, environmental damage, waste of resources or intermediate products, delays or interruption in mining, production or transportation activities, monetary losses and possible legal liability. The insurance we maintain against risks that are typical in our business may not provide adequate coverage. Insurance against some risks (including liabilities for environmental pollution or certain hazards or interruption of certain business activities) may not be available at a reasonable cost or at all. As a result, accidents or other negative developments involving our mining, production or transportation facilities could have a material adverse effect on our operations.

If we are unable to successfully manage the health and safety risks to which our business exposes our employees, our business may be adversely affected.

We operate in regions where tropical diseases are prevalent, and we are developing a potential coal mining operation in Mozambique, where AIDS, malaria and other contagious diseases endemic to that area are a major public health issue. If we are unable to adequately protect our employees from these diseases or are unable to ensure the health and safety of our employees, our business may be adversely affected.

We may face a shortage in our supply of mining equipment due to increased consumption by mining companies that exceeds suppliers capacity.

Although manufacturers of mining and drilling equipment have increased their capacity in the last two years, the capacity increases were not sufficient to compensate for the significant increase in demand for mining equipment. The increase in delivery lead times is expected to continue, which may lead to higher costs and delays in our production.

In particular, since early 2004, the global mining industry has experienced shortages of off-the-road (OTR) tires. There are only five radial tire factories worldwide and each is working at maximum capacity. Although the three major suppliers have announced investments to increase capacity over the next three years, these capacity increases are not expected to meaningfully reduce the risk of shortages before late 2007. In

response to these shortages, mining industry participants are exploring alternatives, such as bias ply tires, which have lower performance ratings than radial tires. If we are unable to secure sufficient OTR tires or alternative tires to maintain our operations, we may suffer temporary reductions in our production capacity.

Acts by protestors, including from indigenous communities that live near our mining sites, may hamper our mining and logistic operations.

Protestors, including those from indigenous communities living in areas where we operate, have taken actions to disrupt our operations in an effort to influence us to continue or increase the level of support we provide to such communities and may do so in the future. Additionally, protestors from such communities have taken actions to hamper the operations of certain of our railroads and may do so in the future in an effort to influence other institutions, such as local governments, to respond to their social claims. Future efforts by protestors to disrupt our operations could have an adverse impact on our results of operations.

In the first quarter of 2006, members of indigenous communities blocked the Carajás railroad, disrupting our shipments of iron ore. In October 2006, members of indigenous communities invaded our installations in Carajás, halting operations at this site for two days. In these instances, we have immediately taken, and we will continue to take, all necessary legal measures to end such protests. On October 31, 2006, we announced the suspension of a financial aid package for the Xikrin and Djudjeko indigenous communities due to the recent actions of protestors from those communities. Although we vigorously defend ourselves against illegal acts while continuing to support the communities living near our operations, future attempts by protestors to harm our operations could negatively impact our business.

Risks Relating to Brazil

The Brazilian government has historically exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions could have a negative impact on our business and the market price of our securities.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes substantial changes in policy, as often occurs in other emerging economies. The Brazilian government s actions to control inflation and carry out other policies have in the past involved wage and price controls, currency devaluations, capital controls and limits on imports, among other things. Our business, financial condition and results of operations may be adversely affected by factors in Brazil including:

- currency volatility;
- inflation acceleration;
- monetary policy and interest rate increases;
- fiscal policy and tax changes;
- international trade policy including tariff and non-tariff trade barriers;
- foreign exchange controls;
- energy shortages; and
- other political, social and economic developments in or affecting Brazil.

Inflation and government measures to curb inflation may contribute significantly to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and, consequently, may adversely affect the market value of our securities.

Brazil has in the past experienced extremely high rates of inflation, with annual rates of inflation reaching as high as 2,567% in 1993 (as measured by the *Índice Geral de Preços do Mercado* published by *Fundação Getúlio Vargas*, or IGP-M Index). More recently, Brazil s rates of inflation were 25.3% in 2002, 8.7% in 2003, 12.4% in

2004, 1.2% in 2005 and 2.3% for the nine months ended September 30, 2006 (as measured by the IGP-M Index). Inflation, governmental measures to combat inflation and public speculation about possible future actions have in the past had significant negative effects on the Brazilian economy, and have contributed to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets. If Brazil experiences substantial inflation in the future, our costs may increase, our operating and net margins may decrease and, if investor confidence declines, the price of our securities may fall. Inflationary pressures may also curtail our ability to access global financial markets and may lead to further government intervention in the economy, which could involve the introduction of government policies that may adversely affect the overall performance of the Brazilian economy.

Fluctuations in the value of the real against the U.S. dollar may result in uncertainty in the Brazilian economy and the Brazilian securities market and could have a material adverse effect on our net income and cash flow.

The Brazilian currency has historically suffered frequent devaluation. In the past, the Brazilian government has implemented various economic plans and exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. Although over long periods depreciation of the Brazilian currency generally is correlated with the differential in the inflation rate in Brazil versus the inflation rate in the U.S., depreciation over shorter periods has resulted in significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies.

The *real* appreciated by 11.8% against the U.S. dollar in 2005, and appreciated by 7.7% during the first nine months of 2006. The exchange rate between the *real* and the U.S. dollar may continue to fluctuate and may rise or decline substantially from current levels.

Exchange rate volatility may have an impact on the price of our notes and can have a significant impact on our net income. Depreciation of the *real* relative to the U.S. dollar may require us to record substantial foreign exchange and monetary losses on our U.S. dollar-denominated debt, whereas appreciation of the *real* against the U.S. dollar generally leads to the opposite effect. These foreign exchange and monetary gains or losses can be substantial, which can make our earnings from one period to the next more volatile. Exchange rate variations also have a substantial impact on our revenues and costs, because most of our revenues are in U.S. dollars and most of our costs are in *reais.* As a result, appreciation of the *real* against the U.S. dollar generally results in lower revenues and higher costs, which can hurt our operating profitability. Exchange rate variations also influence the Brazilian economy and inflation rates, which may lead the Brazilian government to adopt policies that may have an adverse impact on our business. For additional information about historical exchange rates, see Exchange Rates.

Access to and the cost of borrowing in international capital markets for Brazilian companies are influenced by investor perceptions of risk in Brazil and other emerging economies, which may hurt our ability to finance our operations at an acceptable cost or reduce the trading price of our securities.

International investors generally consider Brazil to be an emerging market. As a result, economic and market conditions in other emerging market countries, especially those in Latin America, influence the market for securities issued by Brazilian companies. Economic crises in one or more emerging market countries may reduce overall investor appetite for securities of emerging market issuers. Past economic crises in emerging markets, such as in Southeast Asia, Russia and Argentina, have resulted in significant outflows of U.S. dollars from Brazil and caused Brazilian companies to face higher costs for raising funds, both domestically and abroad, and have effectively impeded the access to international capital markets for extended periods. We cannot assure you that international capital markets will remain open to Brazilian companies or that prevailing interest rates in these markets will be advantageous to us. In addition, future financial crises in emerging market countries may have a negative impact on the Brazilian markets, which could adversely affect the trading price of our securities.

Brazilian government policies in the energy sector may have an adverse impact on the cost or supply of electricity for our aluminum-related and ferroalloy operations.

We are a significant consumer of Brazil s electricity production, and accounted for 4.4% of total consumption in Brazil in 2005. Electricity costs are a significant component of the cost of producing aluminum and ferroalloys and represented 7.3% of our total cost of goods sold in 2005 and 7.5% of our total cost of goods sold in the nine months ended September 30, 2006.

Brazil faced a shortage of electric energy during the second half of 2001, which led to an energy-rationing program that required a decrease in electric energy consumption by at least 20%. As a result of this program, we experienced a temporary reduction in our aluminum and ferroalloy production, both of which use significant amounts of electricity. Although the electric energy shortages ended in late 2001, and energy-use restrictions were lifted in March 2002, we cannot assure you that Brazil will not experience future electric energy shortages. Future shortages and government policies to respond to or prevent shortages may have an adverse impact on the cost or supply of electricity for our aluminum and ferroalloy operations.

The Brazilian power generation business depends on concessions granted by the government and is regulated and supervised by ANEEL. A new law for the electricity sector was approved by the Brazilian Congress in March 2004 and established public auctions in order to trade excess electric energy available in the market. Lower prices established in these auctions could discourage investments in additional generation capacity, which would increase the risk of energy shortages in the future. Changes in the laws, regulations or governmental policies regarding the power sector or concession requirements could lower the returns we are expecting from our investments in power generation. For more information on the regulations governing our energy production, see *Item 4. Information on the Company Regulatory Matters* in our 2005 Form 20-F.

Our mining and logistics activities depend on authorizations of regulatory agencies, and changes in regulations could have an adverse effect on our business.

Our mining and logistics activities in Brazil depend on authorizations and concessions by regulatory agencies of the Brazilian government. Our exploration, mining, mineral processing and logistics activities are also subject to Brazilian laws and regulations, which can change at any time. If these laws and regulations change in the future, modifications to our technologies and operations could be required, and we could be required to make unexpected capital expenditures. For a more detailed discussion about the authorizations and concessions by regulatory agencies of the Brazilian government upon which our mining and logistics activities depend, see *Item 4. Information on the Company Regulatory Matters* in our 2005 Form 20-F.

Brazilian environmental laws may adversely affect our mining and energy businesses.

Our operations often involve using, handling, disposing and discharging hazardous materials into the environment or the use of natural resources, and are therefore subject to the environmental laws and regulations of Brazil. Environmental regulation in Brazil has become stricter in recent years and it is possible that more regulation or more aggressive enforcement of existing regulations will adversely affect us by imposing restrictions on our activities, creating new requirements for the issuance or renewal of environmental licenses, raising our costs or requiring us to engage in expensive reclamation efforts.

Our projects often require us to obtain or renew environmental licenses. Difficulties in obtaining those licenses may lead to construction delays or cost increases and in some cases may lead us to abandon a project.

We are also subject to Brazilian environmental legislation that requires companies undertaking projects with significant environmental impact to pay an environmental compensation fee in the amount of at least 0.5% of the total investment in the venture. There are numerous uncertainties about how this law will be applied in practice. If the level of the fees actually charged were increased above 0.5%, it would significantly increase our costs and, depending on the magnitude of the fees involved, could have a material adverse effect on our liquidity

and return on investments. Uncertainties regarding calculation and payment of these fees may strain our relations with the Brazilian environmental authorities or lead to delays in obtaining necessary environmental permits.

Brazilian laws restricting development in the Amazon region may place limits on our ability to expand certain of our operations and to fully exploit our mineral rights in those regions. See *Item 4. Information on the Company Regulatory Matters Environmental Matters* in our 2005 Form 20-F.

Several Brazilian states in which we operate are currently considering implementing water usage fees under the National Hydrological Resources Policy. This may require us to pay usage fees in the future for water rights that we currently use for free, which could considerably increase our costs in areas where water resources are scarce.

In addition, we are currently a defendant in an action brought by the municipality of Itabira, in the state of Minas Gerais, Brazil, which alleges that our iron ore mining operations have caused environmental and social damages in Itabira. If we do not prevail in this lawsuit, we could incur a substantial expense. For more information on environmental laws and the legal challenges we face, see *Item 4. Information on the Company Regulatory Matters Environmental Matters* and *Item 8. Financial Information Legal Proceedings* in our 2005 Form 20-F.

Risks Relating to the Notes

CVRD s subsidiaries, affiliated companies and joint ventures are not obligated under the notes or the guaranty, and these companies obligations to their own creditors will effectively rank ahead of CVRD s obligations under the guaranty.

Vale Overseas is the obligor under the notes and only its parent company, CVRD, is obligated under the guaranty of the notes.

Vale Overseas has no operations or assets, other than holding unsecured obligations from other CVRD subsidiaries to repay loans. These other subsidiaries are not liable under the notes or the guaranty, and they may not have the ability to repay their loans from Vale Overseas.

CVRD conducts a significant amount of business through subsidiaries, affiliated companies and joint ventures, none of which are obligated under the notes or the guaranty. In the first nine months of 2006, the subsidiaries were responsible for approximately 30% of CVRD s consolidated U.S. GAAP revenues from operations and approximately 2% of CVRD s consolidated U.S. GAAP net cash flows provided by operating activities. On a pro forma basis after giving effect to the acquisition of Inco, these figures would rise to approximately 50% and 30%, respectively. The claims of any creditor of a subsidiary, affiliated company or joint venture of CVRD would rank ahead of CVRD s ability to receive dividends and other cash flows from these companies. As a result, claims of these creditors would rank ahead of CVRD s ability to access cash from these companies in order to satisfy its obligations under the guaranty. In addition, these subsidiaries, affiliated companies and joint ventures may be restricted by their own loan agreements, governing instruments and other contracts from distributing cash to CVRD to enable CVRD to perform under its guaranty. At September 30, 2006, 19% of CVRD s consolidated U.S. GAAP liabilities were owed by subsidiaries of CVRD, which is the only obligor under the guaranty, meaning that the creditors under these liabilities would rank ahead of investors in the notes in the event of CVRD s insolvency. At that same date, on a pro forma basis after giving effect to the acquisition of Inco and related drawings under our senior acquisition facility, approximately 13% of CVRD s consolidated U.S. GAAP liabilities were owed by subsidiaries of CVRD.

The indenture governing the notes contains restrictions on the conduct of business by Vale Overseas and CVRD, including limits on their ability to grant liens over their assets for the benefit of other creditors. These restrictions do not apply to CVRD s other subsidiaries, affiliated companies and joint ventures, and these companies are not limited by the indenture in their ability to pledge their assets to other creditors.

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In addition, holders of the Vale Overseas Enhanced Guaranteed Notes due 2007 have a security interest in a reserve account which secures the payment of 18 months of interest on the Enhanced Guaranteed Notes due 2007 in the event of certain political risk events.

There may not be a liquid trading market for the notes.

The notes are an issuance of new securities with no established trading markets. There can be no assurance that a liquid trading market for the notes will develop or, if one develops, that it will be maintained. If an active market for the notes does not develop, the price of the notes and the ability of a holder of notes to find a ready buyer will be adversely affected.

We may not be able to make payments in U.S. dollars.

In the past, the Brazilian economy has experienced balance of payment deficits and shortages in foreign exchange reserves, and the government has responded by restricting the ability of Brazilian or foreign persons or entities to convert *reais* into foreign currencies generally, and U.S. dollars in particular. The government may institute a restrictive exchange control policy in the future. Any restrictive exchange control policy could prevent or restrict our access to U.S. dollars to meet our U.S. dollar obligations and could also have a material adverse effect on our business, financial condition and results of operations. We cannot predict the impact of any such measures on the Brazilian economy.

We would be required to pay amounts only in reais in case of bankruptcy.

Any judgment obtained against CVRD in the courts of Brazil in respect of any of CVRD s payment obligations under the guarantees will be expressed in *reais* equivalent to the U.S. dollar amount of such sum at the commercial exchange rate on the date at which a judicial decision declaring our bankruptcy is rendered. Accordingly, in case of bankruptcy, all credits held against CVRD denominated in foreign currency will be converted into *reais* at the prevailing exchange rate on the date of declaration of bankruptcy by the judge. In any case, further authorization by the Central Bank of Brazil shall be required for the conversion of such *real*-denominated amount into foreign currency and for its remittance abroad.

Developments in other countries may affect prices for the notes.

The market value of securities of Brazilian companies is, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in such countries may differ significantly from economic conditions in Brazil, investors reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Brazilian issuers. For example, in October 1997, prices of both Brazilian debt securities and Brazilian equity securities dropped substantially, precipitated by a sharp drop in the value of securities in Asian markets. The market value of the notes could be adversely affected by events elsewhere, especially in emerging market countries.

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SELECTED HISTORICAL FINANCIAL DATA OF CVRD

The table below presents selected historical consolidated financial information of CVRD. You should read this information together with the following information incorporated by reference in this prospectus supplement: our consolidated financial statements, *Item 5. Operating and Financial Review and Prospects* in our 2005 Form 20-F, and Management s Discussion and Analysis of Financial Condition and Results of Operations in our Form 6-K filed on November 13, 2006.

We prepared the selected historical financial data contained herein using audited consolidated financial statements for each of the years in the five-year period ended December 31, 2005, and unaudited consolidated financial statements for the nine-month periods ended September 30, 2005 and 2006. In the opinion of our management, the unaudited interim financial data reflects all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of our results of operations and financial condition for the nine months ended September 30, 2005 and 2006. Interim results are not necessarily indicative of the results that may be expected for any other interim period or for a full year. We prepare our financial statements in accordance with U.S. GAAP.

The unaudited interim financial data set forth below is not necessarily indicative of future results of operations or financial position.

Statement of Income Data

	For the Year ended December 31,					Nine months ended September 30,	
	2001	2002	2003	2004	2005	2005	2006
	(in millions of US$)					(unaudited)	
Net operating revenues	US$ 3,935	US$ 4,123	US$ 5,350	US$ 8,066	US$ 12,792	US$ 9,194	US$ 12,338
Cost of products and services	(2,272)	(2,263)	(3,128)	(4,081)	(6,229)	(4,400)	(5,760)
Selling, general and administrative expenses	(241)	(224)	(265)	(452)	(583)	(408)	(547)
Research and development	(43)	(50)	(82)	(153)	(277)	(192)	(306)
Employee profit sharing plan	(38)	(38)	(32)	(69)	(97)	(65)	(97)
Other expenses	(379)	(119)	(199)	(188)	(174)	(158)	(171)
Operating income	962	1,429	1,644	3,123	5,432	3,971	5,457
Non-operating income (expenses):							
Financial income (expenses)	(200)	(248)	(249)	(589)	(437)	(267)	(484)
Foreign exchange and monetary gain (loss), net	(426)	(580)	242	65	299	465	325
Gain on sale of investments	784		17	404	126	126	363
Subtotal	158	(828)	10	(120)	(12)	324	204
Income before income taxes, equity results and minority interests	1,120	601	1,654	3,003	5,420	4,295	5,661
Income taxes benefit (charge)	218	149	(297)	(749)	(880)	(824)	(881)
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	(53)	(87)	306	542	760	547	527
Minority interests	2	17	(105)	(223)	(459)	(373)	(352)
Change in accounting practice for asset retirement obligations			(10)				
Net income	US$ 1,287	US$ 680	US$ 1,548	US$ 2,573	US$ 4,841	US$ 3,645	US$ 4,955
Total cash paid to shareholders(1)	US$ 1,066	US$ 602	US$ 675	US$ 787	US$ 1,300	US$ 500	US$ 706
Ratio of Earnings to Fixed Charges(2)	4.25x	2.62x	5.41x	5.18x	8.52x	9.73x	7.44x

(1) Total cash paid to shareholders consists of cash paid during the period in respect to interest on shareholders equity and dividends.
(2) Fixed charges represent the total of capitalized interest, financial expenses and the preferred stock guaranteed dividend equal to 6% of preferred capital. Preferred capital was calculated on a *pro rata* basis based on the number of preferred and ordinary shares and total capital. Earnings represents the total of (i) income before income taxes, equity results and minority interests, (ii) fixed charges, (iii) amortization of capitalized interest, and (iv) distributed income of equity investees less capitalized interest.

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Balance Sheet Data

	At December 31,					At September 30,	
	2001	2002	2003	2004	2005	2005	2006
	(in millions of US$)					(unaudited)	
Current assets	US$ 2,638	US$ 2,589	US$ 2,474	US$ 3,890	US$ 4,775	US$ 5,006	US$ 7,579
Property, plant and equipment, net	3,813	3,297	6,484	9,063	14,166	13,375	19,427
Investments in affiliated companies and joint ventures and other investments	1,218	732	1,034	1,159	1,672	1,644	1,692
Other assets	1,839	1,337	1,442	1,603	2,031	2,078	2,850
Total assets	US$ 9,508	US$ 7,955	US$ 11,434	US$ 15,715	US$ 22,644	US$ 22,103	US$ 31,548
Current liabilities	US$ 1,921	US$ 1,508	US$ 2,253	US$ 2,455	US$ 3,325	US$ 2,964	US$ 3,854
Long-term liabilities (1)	772	774	1,201	1,867	2,410	2,459	3,013
Long-term debt (2)	2,170	2,359	2,767	3,214	3,714	3,031	4,612
Total liabilities	4,863	4,641	6,221	7,536	9,449	8,454	11,479
Minority interest	5	27	329	788	1,218	1,444	1,189
Shareholders equity:							
Capital stock	2,211	2,446	2,869	3,209	5,868	5,868	8,119
Additional paid-in capital	498	498	498	498	498	498	498
Reserves and retained earnings	1,931	343	1,517	3,684	5,611	5,839	10,263
Total shareholders equity	4,640	3,287	4,884	7,391	11,977	12,205	18,880
Total liabilities and shareholders equity	US$ 9,508	US$ 7,955	US$ 11,434	US$ 15,715	US$ 22,644	US$ 22,103	US$ 31,548

(1) Excludes long-term debt.
(2) Excludes current portion of long-term debt.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma condensed consolidated financial information presented herein is derived from the historical consolidated financial statements of CVRD and Inco. The pro forma financial information has been prepared in accordance with U.S. GAAP using the purchase method of accounting, with the acquisition of Inco by CVRD assumed to have occurred on January 1, 2005 for statement of income purposes, and on September 30, 2006 for balance sheet purposes. The preparation of the pro forma financial information assumes that upon completion of the acquisition of Inco, CVRD will own 100% of Inco. By November 3, 2006 CVRD had acquired 86.57% of the outstanding common shares of Inco for cash consideration of US$14,895 million.

The pro forma information has been derived from, should be read in conjunction with, and is qualified in its entirety by reference to the following financial statements incorporated by reference herein: (a) the audited consolidated financial statements of CVRD for the year ended December 31, 2005, which were prepared in accordance with U.S. GAAP, (b) the audited consolidated financial statements of Inco for the year ended December 31, 2005, which were prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP) and reconciled to U.S. GAAP in the footnotes to such statements, (c) the unaudited consolidated financial statements of CVRD for the period ended September 30, 2006, which were prepared in accordance with U.S. GAAP, and (d) the unaudited consolidated financial statements of Inco for the period ended September 30, 2006, which were prepared in accordance with Canadian GAAP and reconciled to U.S. GAAP in the footnotes to such statements.

The pro forma financial information is provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations or the consolidated financial position of CVRD would have been if the combination of CVRD and Inco had occurred on the dates assumed, nor are they necessarily indicative of CVRD s future consolidated results of operations or consolidated financial position. In this regard, we note that the pro forma financial information does not give effect to (i) any integration costs that may be incurred as a result of the acquisition, (ii) synergies, operating efficiencies and cost savings that may result from the acquisition, (iii) benefits that may be derived from the combined company s growth projects or brownfield expansions or (iv) changes in commodities prices and exchange rates subsequent to the dates of the pro forma financial information.

CVRD has not developed formal plans for combining the operations of CVRD and Inco. Accordingly, additional liabilities may be incurred in connection with the business combination and any ultimate reorganization. These additional liabilities and costs have not been contemplated in the pro forma financial information because information necessary to reasonably estimate such costs and to formulate detailed reorganization plans is not yet available. The allocation of the purchase price to acquired assets and liabilities and evaluation of conformity in accounting policies in the pro forma financial information are based on management s preliminary estimates. Such allocations and evaluation will be finalized based on valuation and other studies to be performed by management. Accordingly, the purchase price allocation adjustments, the adjustments to conform accounting policies and related impacts may differ materially from the amounts assumed in the pro forma financial information.

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COMPANHIA VALE DO RIO DOCE

Pro Forma Consolidated Statements of Income (Unaudited)

	Nine-month period ended September 30, 2006			
(in millions of US dollars)	**CVRD**	**Inco**	**Pro forma adjustments**	**Consolidated**
Operating revenues, net of discounts, returns and allowances				
Sales of ores and metals	10,060	5,345		15,405
Revenues from logistic services	1,034			1,034
Aluminum products	1,707			1,707
Other products and services	68			68
	12,869	**5,345**		**18,214**
Taxes on revenues	(531)			(531)
Net operating revenues	**12,338**	**5,345**		**17,683**
Operating costs and expenses				
Cost of ores and metals sold	(4,186)	(3,193)	(317)(A,B)	(7,696)
Cost of logistic services	(573)			(573)
Cost of aluminum products	(963)			(963)
Others	(38)			(38)
	(5,760)	**(3,193)**	**(317)**	**(9,270)**
Selling, general and administrative expenses	(547)	(186)		(733)
Research and development	(306)	(46)		(352)
Employee profit sharing plan	(97)			(97)
Takeover-related income		174		174
Others	(171)	(49)		(220)
	(6,881)	**(3,300)**	**(317)**	**(10,498)**
Operating income	**5,457**	**2,045**	**(317)**	**7,185**
Non-operating income (expenses)				
Financial income	146	170	(149)(C)	167
Financial expenses	(630)	(59)	(626)(C)	(1,315)
Foreign exchange and monetary gains (losses), net	325	(83)		242
Gain on sale of investments	363			363
	204	**28**	**(775)**	**(543)**
Income before income taxes, equity results and minority interests	**5,661**	**2,073**	**(1,092)**	**6,642**
Income taxes				
Current	(819)	(810)	371(D)	(1,258)
Deferred	(62)	30		(32)
	(881)	**(780)**	**371**	**(1,290)**
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	527			527

Minority interests	(352)	(80)		(432)
Net income	**4,955**	**1,213**	**(721)**	**5,447**
Basic and diluted earnings per Preferred Class A Share	**2.04**			**2.24**
Basic and diluted earnings per Common Share	**2.04**			**2.24**
Weighted average number of shares outstanding (thousands of shares)				
Common shares	1,471,608			1,471,608
Preferred Class A shares	955,873			955,873
Other Data				
Ratio of Earnings to Combined Fixed Charges and Preferred Dividends				5.15x

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COMPANHIA VALE DO RIO DOCE

Pro Forma Consolidated Statements of Income (Unaudited)

	Year ended December 31, 2005			
(in millions of US dollars)	**CVRD**	**Inco**	**Pro forma adjustments**	**Consolidated**
Operating revenues, net of discounts, returns and allowances				
Sales of ores and metals	10,767	4,518		15,285
Revenues from logistic services	1,216			1,216
Aluminum products	1,408			1,408
Other products and services	14			14
	13,405	**4,518**		**17,923**
Taxes on revenues	(613)			(613)
Net operating revenues	**12,792**	**4,518**		**17,310**
Operating costs and expenses				
Cost of ores and metals sold	(4,620)	(2,953)	(458)(A,B)	(8,031)
Cost of logistic services	(705)			(705)
Cost of aluminum products	(893)			(893)
Others	(11)			(11)
	(6,229)	**(2,953)**	**(458)**	**(9,640)**
Selling, general and administrative expenses	(583)	(207)		(790)
Research and development	(277)	(82)		(359)
Employee profit sharing plan	(97)			(97)
Others	(174)	(76)		(250)
	(7,360)	**(3,318)**	**(458)**	**(11,136)**
Operating income	**5,432**	**1,200**	**(458)**	**6,174**
Non-operating income (expenses)				
Financial income	123	20	(199)(C)	(56)
Financial expenses	(560)	(49)	(835)(C)	(1,444)
Foreign exchange and monetary gains (losses), net	299	(101)		198
Gain on sale of investments	126			126
	(12)	**(130)**	**(1,034)**	**(1,176)**
Income before income taxes, equity results and minority interests	**5,420**	**1,070**	**(1,492)**	**4,998**
Income taxes				
Current	(754)	(364)	507(D)	(611)
Deferred	(126)	(14)		(140)
	(880)	**(378)**	**507**	**(751)**
Equity in results of affiliates and joint ventures and change in provision for losses on equity investments	760			760
Minority interests	(459)	(64)		(523)

Net income	**4,841**	**628**	**(985)**	**4,484**
Basic and diluted earnings per Preferred Class A Share	**2.10**			**1.95**
Basic and diluted earnings per Common Share	**2.10**			**1.95**
Weighted average number of shares outstanding, after stock split (thousands of shares)				
Common shares	1,471,608			1,471,608
Preferred Class A shares	831,432			831,432
Other Data				
Ratio of Earnings to Combined Fixed Charges and Preferred Dividends				4.02x

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COMPANHIA VALE DO RIO DOCE

Pro Forma Consolidated Balance Sheet (Unaudited)

			September 30, 2006	
(in millions of US dollars)	**CVRD**	**Inco**	**Pro forma adjustments**	**Consolidated**
Assets				
Current assets				
Cash and cash equivalents	2,891	1,828	(3,825)(E,G,I)	894
Accounts receivable				
Related parties	213	334		547
Unrelated parties	2,045	1,028		3,073
Loans and advances to related parties	59			59
Inventories	1,336	1,342	2,097(F)	4,775
Deferred income tax	358	128		486
Recoverable taxes	303			303
Others	374	70		444
	7,579	**4,730**	**(1,728)**	**10,581**
Property, plant and equipment, net	19,427	7,924	12,310(F)	39,661
Investments in affiliated companies and joint ventures and other investments, net of provision for losses on equity investments	1,690	164		1,854
Other assets				
Goodwill on acquisition of subsidiaries	594		2,699	3,293
Loans and advances				
Related parties	5			5
Unrelated parties	67			67
Prepaid pension cost	455	126	(126)(F)	455
Judicial deposits	828			828
Recoverable taxes	208			208
Advances to suppliers energy	429			429
Others	266	178	149(E)	593
	2,852	**304**	**2,722**	**5,878**
TOTAL	**31,548**	**13,122**	**13,304**	**57,974**

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COMPANHIA VALE DO RIO DOCE

Pro Forma Consolidated Balance Sheet (Unaudited) (Continued)

(in millions of US dollars)	CVRD	Inco	September 30, 2006 Pro forma adjustments	Consolidated
Liabilities and stockholders equity				
Current liabilities				
Suppliers	908	330		1,238
Payroll and related charges	235	205		440
Remuneration attributed to stockholders	628			628
Current portion of long-term debt unrelated parties	978	19		997
Short-term debt	233			233
Loans from related parties	46			46
Provision for income taxes	340			340
Taxes payable	92	642		734
Employees post-retirement benefits	36	71		107
Others	358	1,033		1,391
	3,854	**2,300**		**6,154**
Long-term liabilities				
Employees post-retirement benefits	252	1,542	207(F)	2,001
Long-term debt unrelated parties	4,612	1,853	14,409(C)	20,874
Loans from related parties	1			1
Provisions for contingencies	1,425			1,425
Unrealized loss on derivative instruments	247	212		459
Deferred income tax	360	1,378	3,360(H)	5,098
Provisions for asset retirement obligations	250	175		425
Others	478	74		552
	7,625	**5,234**	**17,976**	**30,835**
Minority interests	**1,189**	**916**		**2,105**
Stockholders equity				
Preferred class A stock 1,800,000,000 no-par-value shares authorized and 959,758,200 issued	4,702			4,702
Common stock 900,000,000 no-par-value shares authorized and 1,499,898,858 issued	3,806	3,849	(3,849)(J)	3,806
Treasury stock 15,172,516 preferred and 28,291,020 common shares	(389)			(389)
Additional paid-in capital	498	544	(544)(J)	498
Other cumulative comprehensive deficit	(1,792)	(759)	759(J)	(1,792)
Appropriated retained earnings	4,706			4,706
Unappropriated retained earnings	7,349	1,038	(1,038)(J)	7,349
	18,880	**4,672**	**(4,672**	